

## ASX Release

# Charter Hall Long WALE REIT Independent valuations, Acquisition and Entitlement Offer

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Responsible Entity of  
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Charter Hall WALE Limited (**Responsible Entity**), as responsible entity of Charter Hall Long WALE REIT (ASX:CLW) (**CLW** or the **REIT**) today announced that:

- the REIT has undertaken independent revaluations of properties representing 39% of the portfolio's value as at December 2017, with these revaluations indicating a \$19.6 million uplift
- the REIT has entered into an agreement to acquire Virgin Australia's Head Office in Brisbane for \$90.8 million<sup>1</sup>
- the REIT is conducting a \$94.1 million fully underwritten accelerated non-renounceable entitlement offer to fund the Virgin Australia Head Office acquisition

## Independent valuations

46 of the REIT's 80 properties (c.39% of the portfolio by value) were independently valued as at December 2017. The revaluations show an increase of \$19.6 million, reflecting a 1.4% increase in portfolio value from June 2017 valuations. The portfolio's weighted average capitalisation rate compressed by 7 bps to 6.1%.

## Acquisition

The REIT has entered into an agreement to acquire a 100% interest in Virgin Australia's head office located within the Brisbane Fringe – Urban Renewal Precinct at 56 Edmonstone Road, Bowen Hills (**Virgin Australia Head Office**) for \$90.8 million (**Acquisition**).

The A-Grade freehold asset comprises 12,427sqm of net lettable area across three low rise office buildings and is fully leased to Virgin Australia with an 8.4 year WALE<sup>2</sup>.

The acquisition price reflects a 6.9% initial passing yield and 6.8% capitalisation rate. Key highlights of the Acquisition include:

- Long WALE asset fully leased to a high quality ASX-listed tenant with a WALE of 8.4 years<sup>2</sup>
- Significant 8,982sqm site located in the fast growing Brisbane Fringe – Urban Renewal Precinct
- Improves the sector, geographic and tenant diversification of the REIT's portfolio
- 3.5% fixed annual rent reviews improve the earnings growth profile of the REIT

<sup>1</sup> Before transaction costs. The acquisition will occur by the REIT acquiring 100% of the units in Charter Hall Direct VA Trust, the sole asset of which is the Virgin Australia Head Office. The Acquisition terms imply an acquisition price for the Virgin Australia Head Office of \$90.8 million.

<sup>2</sup> As at 31 December 2017 by gross passing income (REIT ownership interest).



"The acquisition of Virgin Australia Head Office improves the sector, geographic, tenant and tenant industry diversification of the REIT's portfolio and improves the earnings growth profile of the REIT as a result of the fixed rent reviews of 3.5% per annum from this property. Virgin Australia Head Office is leased to Virgin Australia, an ASX listed entity with a A\$2.5 billion market capitalisation and has major global shareholders including Etihad Airways, Singapore Airlines, HNA Group and Virgin Group" Mr Anger added.

## Portfolio impact

|  | Dec-17 <sup>3</sup> | Virgin Australia Head Office | Dec-17 (pro forma) |
|--|---------------------|------------------------------|--------------------|
| Number of properties                                   | 80                  | 1                            | 81                 |
| Property valuation (A\$m)                              | 1,422.6             | 90.8                         | 1,513.4            |
| Weighted Average Capitalisation Rate                   | 6.1%                | 6.8%                         | 6.2%               |
| Occupancy  | 100%                | 100%                         | 100%               |
| Weighted Average Lease Expiry <sup>2</sup>             | 11.4 years          | 8.4 years                    | 11.2 years         |
| Proportion of income subject to fixed rental increases | 61%                 | 100%                         | 64%                |

The acquisition increases CLW's office sector exposure from 26% to 31% and CLW's eastern seaboard exposure from 52% to 55%.

## Entitlement Offer

The REIT will undertake a fully underwritten accelerated non-renounceable entitlement offer to raise approximately \$94.1 million (**Entitlement Offer**) to fund the Acquisition and associated transaction costs. The Entitlement Offer is underwritten by UBS AG, Australia Branch.

Eligible securityholders will be offered 1 new security in the REIT for 9.25 existing securities at a fixed issue price of \$4.15 per security (**Issue Price**).

The Issue Price represents a:

- 1.6% discount to the 5 day VWAP of \$4.22 on 1 December 2017
- 3.2% discount to the theoretical ex-rights price (TERP) of \$4.29

Securities issued under the Entitlement Offer will rank equally with existing CLW Securities and will be entitled to the distribution for the three months to 31 December 2017.

## Intentions of Directors and Charter Hall Group

All Directors of the Responsible Entity have committed to take up their full entitlements under the Entitlement Offer.

Charter Hall Group is the REIT's largest securityholder with approximately 20.4% of securities on issue and has committed to take up its full entitlements under the Entitlement Offer. Charter Hall Group may sub-underwrite a portion of the retail component of the Entitlement Offer<sup>4</sup>.

<sup>3</sup> Includes the acquisition Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.

<sup>4</sup> On completion of the Entitlement Offer, Charter Hall Group's holding in the REIT will not exceed 21.5%.



## Financial impact

The REIT confirms that barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY18 Operating EPS will remain unchanged at 26.4 cents per unit.

This 26.4 cents per unit Operating EPS represents:

- 3.9% growth over FY17 annualised Operating EPS
- 3.1% ahead of PDS target FY18 annualised Operating EPS of 25.6 cents

Following the Acquisition, Entitlement Offer and including the impact of the REIT's December 2017 revaluations, the REIT's pro-forma June 2017<sup>5</sup>:

- balance sheet gearing will reduce from 29.9% to 29.1%;
- look through gearing will reduce from 37.7% to 36.3%; and
- NTA is expected to increase from \$3.93 to \$4.02

## Timetable

| Event  | Date 2017                     |
|--|-------------------------------|
| Trading halt and announcement of the Transaction   | Monday, 4 December            |
| Institutional Entitlement Offer Bookbuild  | Monday, 4 December            |
| Trading of securities recommences on the ASX on an 'ex-entitlement' basis  | Tuesday, 5 December           |
| Entitlement Offer Record Date  | 7:00pm, Wednesday, 6 December |
| Retail Entitlement Offer Booklet is despatched and Retail Entitlement Offer opens  | Friday, 8 December            |
| Early Retail Acceptance Due Date   | 5:00pm, Thursday, 14 December |
| Settlement of securities issued under the Institutional Entitlement Offer (and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date)                   | Friday, 15 December           |
| Allotment and normal trading of securities issued under the Institutional Entitlement Offer (and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date) | Monday, 18 December           |
| Retail Entitlement Offer closes  | 5:00pm, Tuesday, 19 December  |
| Allotment of remaining securities issued under the Retail Entitlement Offer  | Wednesday, 27 December        |
| Normal trading of remaining securities issued under the Retail Entitlement Offer   | Thursday, 28 December         |

**All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEDT.**

## Additional information

Additional information about the Acquisition and Entitlement Offer including certain key risks are contained in the investor presentation released to the ASX today.

A Retail Offer Booklet containing information in connection with the retail component of the Entitlement Offer will be released separately and mailed to eligible securityholders.

<sup>5</sup> Including post balance date acquisitions of Bunnings South Mackay as well as acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.



### About Charter Hall Long WALE REIT

Charter Hall Long WALE REIT is an Australian Real Estate Investment Trust ("REIT") listed on the ASX (ASX: CLW) and invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases.

Charter Hall Long WALE REIT is managed by Charter Hall Group (ASX:CHC) one of Australia's leading fully integrated property groups, with over 25 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$20.4 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

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For further information, please contact

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