



# INDUSTRIAL & LOGISTICS



Members of the Charter Hall Industrial Team  
(From left): Richard Mason, Simon Greig  
and Kerri Leech.

“As one of Australia’s leading managers and developers of industrial and logistics real estate, our focus is on owning and managing a geographically diverse portfolio of high quality properties with strong tenant covenants, whilst harnessing and growing relationships with our tenant customers across all sectors of our business.”

SEAN MCMAHON,  
CHIEF INVESTMENT OFFICER



**\$1.65b**  
TOTAL  
DEVELOPMENT  
PIPELINE



**\$5.2b**  
FUM



**9.2yrs**  
WALE



**111**  
PROPERTIES



**6.4%**  
CAP RATE



**97.4%**  
OCCUPANCY



**\$409m**  
CHC INVESTMENT



For more information, please visit  
[charterhallFY17.reportonline.com.au/  
chc/#our-sector](https://charterhallFY17.reportonline.com.au/chc/#our-sector)

### What are the key areas of focus for Charter Hall's Industrial sector?

We are one of Australia's leading managers and developers of industrial and logistics real estate, and we are focused on sustainable and stable growth to provide our investors with resilient and attractive returns. We achieve this by securing strategic industrial investments that will add to the quality of the portfolio, and by developing a deep understanding of our customers' logistics requirements.

This year, we grew our funds under management to \$5.2 billion, up from \$4.5 billion last year. Through acquisitions, divestment of non-core assets and organic development opportunities we continue to enhance existing tenant relationships and attract new tenants to our national portfolio. Our integrated business model provides end to end solutions for our tenant customers and is a scalable platform that benefits from economies of scale generated by our continued growth.

### What are the performance highlights for FY17?

We have increased our number of properties from 87 in FY16 to 111 properties in FY17, with a robust occupancy of 97.4% and Weighted Average Lease Expiry (WALE) of 9.2 years. Our focus on portfolio quality in the industrial sector resulted in the divestment of \$941 million of non-core properties and the acquisition of \$1.35 billion of properties.

Our industrial and logistics funds remain among the strongest performing wholesale and unlisted funds in Australia, according to the MSCI/IPD Unlisted Wholesale Property Fund Index.

Over a five-year period (30 June 2012 to 30 June 2017), our largest industrial fund, the Charter Hall Prime Industrial Fund (CPIF), has delivered a 12.0% investment return and our Core Logistics Partnership (CLP) fund has delivered 13.1% investment return.

During the year, CPIF closed a \$300 million equity raising oversubscribed, with the raising following the \$450 million raised in FY16. In addition, in March 2017, the fund enhanced and increased the tenor of its debt-funding platform, raising AUD\$350 million (equivalent) through a US Private Placement (USPP) transaction.

The industrial sector has been a key growth sector for Charter Hall during the past five years, with the portfolio

now representing 27% of the Group's \$19.8 billion funds under management.

### How are you strengthening your partnerships?

Our portfolio enjoys a strong 60% repeat business rate and high tenant retention of 74%, enabling us to take a holistic view of our customers' needs, right throughout the supply chain from warehousing to the consumer.

During the past year, we made several strategic acquisitions and divestments of assets to strengthen both the quality of our funds and our client relationships.

Notably, the acquisition by Charter Hall Prime Industrial Fund (CPIF) of a high quality, strategically located facility at 220-260 Orchard Road, Richlands, Queensland from Coca Cola Amatil on a 20-year sale and lease back arrangement strengthens our relationship with Coca Cola Amatil and demonstrates our ability to partner with customers across our industrial platform. The acquisition, subject to subdivision, improves CPIF's WALE from 7.8 years to 8.5 years and increases the fund's weighting to another high-quality tenant in the east coast industrial market.

Leveraging the Group's sector expertise and relationships, we also acquired, on behalf of the ASX listed Charter Hall Long WALE REIT, a portfolio of ten properties from Recycling & Recovery Pty Limited (SUEZ) for a total consideration of \$65.9 million. The triple net portfolio lease to SUEZ, a high calibre tenant that has a leading position in the waste recycling sector, has a portfolio WALE of 15 years and is consistent with the REIT's investment strategy of acquiring assets with long leases to high quality tenants with leading market positions.

We strengthened our customer partnerships across our sectors, particularly with tenant customers Wesfarmers and Woolworths, who occupy space across our industrial, office and retail sectors. During the period, we acquired the purpose-designed Woolworths South Dandenong facility, which comprises a state of the art logistics distribution centre, currently under construction.

We also completed 45,000sqm of industrial lease transactions in Canning Vale in Perth including deals with Automotive Holdings Group and Visy Logistics who are also tenant customers in our retail sector.

### Where are the opportunities for innovative solutions?

Our ability to harvest innovative ideas and processes across our three sectors gives our industrial customers access to property solutions across office and retail. This applies to systems, technology, sustainability, leasing, financing and resource management.

We are at the forefront of new technology and automation, with the Woolworths South Dandenong facility incorporating the latest design standards. It features leading material handling, and sortation and distribution systems with high clearance warehousing. Access and loading is provided via 63 loading docks, with the site accommodating up to B-Triple heavy vehicle movements.

### What are the challenges and opportunities in the near future?

We will remain focused on securing strategic industrial investments that will add to the quality of the portfolio and deliver earnings per unit growth for our capital partners.

Our in-house development team has a \$657 million active pipeline of committed industrial projects that will enhance income yield and returns to our investor customers.

Our focus on building a portfolio of well-located, high quality assets that have quality tenants with long leases provides us both resilience and strength to succeed in the markets we operate in.

We seek to optimise value in growth markets and, in less active markets such as Perth, we are completing leasing deals well ahead of our forecasts, and ensuring that our portfolio of assets is fit for purpose and situated in strategic locations.

The logistics sector is expected to be a beneficiary of ecommerce and we forecast this megatrend to increase net demand for space in the logistics market and are positioning our platform to service these requirements.

Sustainability continues to be at the forefront of our strategy and as rising power costs and automation grows, we will continue to innovate to reduce operating overheads for our tenant customers and future proof our asset base.

Cross sector relationships with high quality tenants offer opportunities that increase in quality and value each year. Our commitment to working with our sector teams on improved solutions for our cross-sector tenant customers will strengthen further. ♦