



RETAIL



“As the leading owner and manager of Australian convenience based supermarket anchored shopping centres and with a portfolio of hardware, automotive showroom and hospitality assets, we are providing a secure and growing income stream for our investors, building positive partnerships with our tenant customers and creating great places to work for our people.”

GREG CHUBB,
GROUP EXECUTIVE – RETAIL



\$5.5b
FUM



8.5yrs
WALE



168
PROPERTIES



6.08%
CAP RATE



97.5%
OCCUPANCY



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

Members of the Charter Hall Retail Team
(From left): Greg Chubb, Ben Ellis
and Yvette Keatings.

What are your strategy and key areas of focus for Charter Hall's retail sector?

Our strategy in the retail sector is to continue to provide a secure and growing income stream for our investors. We do this in two ways; one is through non-discretionary convenience based shopping centres and the other is through single-tenant long-leased assets with tenant customers including Bunnings and ALH Group.

We have 168 properties in our portfolio valued at \$5.5 billion, an increase in value of 11.5% since June 2016. Those properties are mostly non-discretionary supermarket-anchored shopping centres, plus Bunnings Warehouse properties, ALH Hospitality venues, and Automotive Holdings Group automotive showrooms.

Another key part of our growth strategy is our exposure to Australia's leading retail companies; Woolworths and Wesfarmers. We are harnessing an understanding of their property needs across our Retail, Office and Industrial and Logistics sectors to provide total solutions for their property requirements.

What are the performance highlights for retail in FY17?

We've grown our funds in non-discretionary supermarket-anchored shopping centres and long leased product. Funds under management have increased to \$5.5 billion and we have a healthy WALE of 8.5 years.

Our focus on retention of our tenant customers and our team of property specialists, has paid off with occupancy at 97.5%. We have renewed 90% of our leases during the period and expect our high occupancy and strong WALE to continue.

During the past year, we have been actively divesting smaller assets with limited prospects for growth and reinvesting those funds into higher growth potential assets via both development opportunities and acquisition.

How have your investor and tenant partnerships developed in the past year?

During the year we created a new wholesale property partnership for retail shopping centre assets, by co-investing with one of Australia's largest super funds MTAA Super, to acquire Campbelltown Mall in an off market transaction for a total purchase price of \$197 million, reflecting a market capitalisation rate of 6.00%.

We have also been strengthening partnerships with our tenant customers completing 450 specialty leasing transactions along with delivering brand new centre facilities and major redevelopments like Secret Harbour Shopping Centre in Perth, a \$60 million project for our CQR fund.

Furthermore, our team of retail specialists continue to focus on gaining insights into both current and future tenant customer requirements and are dedicated to ensuring that we build and maintain positive partnerships across our entire tenant customer base.

We recently collaborated with Monash University to develop and measure an annual Net Promoter Score and Relationship Satisfaction Matrix. Insights from this survey showed our customers advised overall positive satisfaction with our relationship management and pleasingly, 7 out of 10 tenant customers strongly believe they will renew leases within the portfolio and consider further opportunities for growth with Charter Hall as a preferred Retail property partner.

We continue to deepen our valuable partnership with both Westfarmers and Woolworths and have expanded our relationship with ALDI. In the past year we opened two new ALDI stores and acquired an additional two due to acquisitions.

Building strong partnerships with both our investor and tenant customers through active management of our funds and centres reflects our strength, resilience and growth mindset.

How are you engaging with your communities?

Understanding our communities is key to our performance. We are accessing real time, high quality customer data, which enables us to manage our tenancy mix by better understanding shopper preferences such as brands, stores, experience and centre functionality. Free, fast wifi is now available in a number of our centres, which, along with benefitting shoppers, provides further insights into how and where they are engaging with our tenant customers.

We have contributed more than 3,500 square metres of space (valued at \$500,000) to community groups and we support initiatives in the regional communities served by our shopping centres. For example, our Secret Harbour

team members swam to Rottnest Island to raise funds for the local Surf Life Saving Club. This type of deep level of community engagement is encouraged and supported by the Charter Hall Group through its shared values framework.

Community engagement extends to our sustainable approach to designing, developing and enhancing efficiencies in our assets. In 2017, we met our sustainability target for the Charter Hall Retail REIT by achieving a Green Star portfolio rating on our existing portfolio and Green Star ratings on all new developments.

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

Retail is a competitive environment, and much has been written about the threat of online to traditional retail stores. Our non-discretionary convenience and community based retail presence is focused on consumers' every-day needs ensuring our resilience and relevance in an ever evolving retail landscape. Our 150 retail professionals operate in more than 100 communities across Australia. This plays a strong part in our success due to a deep understanding of those communities and the ability of our people in our centres, to respond quickly to our tenants and their customers' needs.

We appreciate that our shoppers have a choice and we are retaining their long-term loyalty by providing an enjoyable and safe in centre experience, convenient retail choices and high quality amenity. ♦