Charter Hall Retail REIT

ASX CODE: CQR
ARSN 093 143 965

Half Year Update

31 December 2009

Message from the Chief Executive Officer, Charter Hall Retail REIT

As you will be aware, in February 2010 Charter Hall Group announced the acquisition of the majority of Macquarie Group Limited's Australian real estate management platform.

The transaction included the purchase by Charter Hall Group (Charter Hall) of Macquarie CountryWide Management Limited, the manager of Macquarie CountryWide Trust and 7.5% of the issued units in the Trust. Charter Hall is now the largest unitholder in the Trust.

The sale was effective on 1 March, the Manager was renamed Charter Hall Retail Management Limited and the Trust has now been renamed and rebranded Charter Hall Retail REIT (the Trust) and is trading under its new ASX code: CQR.

Although the Trust is now trading under a new name and ASX code, very little has changed in the day-to-day operations.

All of the Trust's senior management team have transferred across to Charter Hall Group and we continue to actively manage the Trust's portfolio of high quality retail assets. As a team, we are excited about the opportunities that lie ahead and we look forward to working as part of the enlarged Charter Hall management team, leveraging our combined property expertise for the benefit of the Trust's investors.

Charter Hall is a specialist property funds management and development group based in Sydney with offices in Melbourne, Adelaide, Brisbane, Perth and Auckland. As a result of this transaction, Charter Hall has become one of the largest specialist property fund managers in Australia, with assets under management in excess of $10 billion in listed, wholesale and unlisted retail funds.

The Charter Hall management team are committed to building value for the Trust's unitholders, and to demonstrate this, they have aligned themselves with unitholders by acquiring a 7.5% holding in the Trust.

As a result of the capital management initiatives implemented over the past 18 months, the Trust is now well positioned with a strong balance sheet, substantial liquidity and minimal debt maturities over the next two years.[1]

The Trust is not actively marketing any further assets for sale and is focused on driving income and capital growth from its existing portfolio as well as pursuing growth opportunities that may arise in our local markets.

In line with this strategy, the Trust recently announced the acquisition of two Australian retail properties for a total value of $69.8 million; a Coles anchored shopping centre located in Manuka Terrace, Canberra and a bulky goods retail centre in the inner city suburb of Mile End, Adelaide.

These assets will complement the Trust's existing portfolio of high quality predominantly grocery-anchored shopping centres, providing strong growth prospects for the future. The assets are expected to contribute to future earnings growth for the Trust and assist in bridging the gap between the Trust's current unit price and net tangible assets of $0.72 per unit.

Results to 31 December 2009

The Trust recently announced solid results for the six months to 31 December 2009. The Trust's net property income was $77.9 million[2], and core earnings was $56.9 million, or 3.84 cents per unit. A distribution of 3.0 cents per unit was paid for the half year.

Balance sheet strength

In the six months to 31 December, the Trust continued its focus on capital management with the achievement of a number of key objectives.

In September, the Trust successfully launched a AAA rated $265 million commercial mortgage backed securities (CMBS) program, the first in the market since October 2007. Proceeds from the issue, plus cash proceeds from recent asset sales and an undrawn head trust debt facility, were used to repay the Trust's $450 million CMBS facility ahead of its original maturity date of December 2009. At December 2009 the Trust's Australian portfolio was only 26% geared.

In October, the Trust negotiated the reduction of the "tangible net worth" covenant on its head trust debt facility to $500 million, down from the previous limit of $1 billion. In addition, the Trust agreed a two-year extension to its German property-level loan to 1 July 2012, with elimination of the loan to value ratio covenant that previously applied to that facility.

We also announced the early completion of a further phase of the US portfolio sale, with Regency Centers Corporation exercising its options to increase its ownership interest by 15%.

This will accelerate completion of the sale, allowing the Trust to exit approximately 80%[3] of its US investments almost 15 months ahead of schedule. The sale of the Trust's remaining 15% interest in the portfolio remains on track, with completion likely to occur in April 2010.

Portfolio update

The Trust's portfolio occupancy rate was 96.8% at 31 December 2009, down slightly from 97.0% at 30 June 2009. Leasing activity was solid during the quarter, with 218 leasing transactions (new leases and renewals) undertaken across the global portfolio.

The Australian and New Zealand portfolios continue to demonstrate their particular strength and resilience, with occupancy maintained at 99% for the six months to 31 December 2009. Solid retail sales performance from the Coles and Woolworths anchor tenants has underpinned the strong cash-flows and valuations of the assets during the period.

US real estate market fundamentals remain challenging, driven by the slow economic recovery and subdued consumer and retailer confidence. Occupancy for the US portfolio was 93.4% at 31 December 2009.

In Europe, the portfolio continues to perform in line with expectations with occupancy of 98.2% and same property net operating income decline of 0.3%.

Asset revaluations

The Trust's portfolio was revalued as at 31 December 2009, with external revaluations carried out on 69 properties, or 49% of the portfolio by value. These valuations resulted in a reduction in portfolio value of only 0.4% to $1.973 billion. Post these asset revaluations, the Trust's net tangible assets at 31 December is $0.72 per unit.

Outlook

As economic conditions improve around the globe, we are confident that the Trust is well positioned to take advantage of any opportunities that may arise, with a robust balance sheet and liquidity position.

The management team are focused on driving income growth from the global portfolio and successfully completing value add redevelopment projects where appropriate, aiming to provide long term benefits for the portfolio.

Over the medium-term, we will look to build and grow the portfolio of assets in the Australian market. This includes a widening of the investment mandate of the Trust to include a small proportion of assets anchored by strong retailers on long leases, as evidenced by our recent acquisition in Mile End, Adelaide.

Core earnings for the full year to 30 June 2010 is forecast to be approximately 6.5 cents per unit, with distributions for the full year to reflect a payout ratio in the range of 75% to 85%.

Steven Sewell
Chief Executive Officer
Charter Hall Retail REIT

Results

Core earnings of $56.9 million, 3.84 cents per unit

Distribution of 3.0 cents per unit

Net property income of $77.9 million

Portfolio value of $1.973 billion

Net tangible assets at $1.07 billion

Net tangible assets at $0.72 per unit

Balance sheet gearing at 37.9%

Portfolio occupancy of 96.8%

Average lease duration of 8.8 years for anchor tenants

(1) Excluding JV2 portfolio debt, facilities totalling $50.6 million are due to mature before December 2011
(2) Excludes straight lining of rental income and amortisation of lease incentives
(3) Based on the 30 June 2009 balance sheet and foreign exchange rates

All portfolio statistics in this document exclude the JV2 portfolio

Key trust data

	Half year ended 31 December 2009
Operational	
Occupancy	96.8%
Same property NOI growth	0.3%
Financial	
Core earnings	$56.9m
Core earnings per unit	3.84 cents
Distributions per unit	3.00 cents

	As at 31 December 2009
Operational	
No. of properties	134
Average capitalisation rate	8.15%
Financial	
Total assets (less cash)	$1,920m
Total debt (less cash)	$728m
Balance sheet gearing (Debt: Total Assets)	37.9%
Interest cover ratio	2.3x
Net tangible assets	$1,072m
Net tangible assets per unit	$0.72
Units on issue	1,489m

To access information on your holding or to update/change your details contact:

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Charter Hall Retail REIT
ARSN 093 143 965

This is the half year update for Charter Hall Retail REIT ARSN 093 143 965 ("CQR").

Disclaimer
Charter Hall Retail Management Limited ABN 46 069 709 468; AFSL 246996 ("CHRML") is the responsible entity of CQR. CHRML is a wholly owned subsidiary of the Charter Hall Group.

Performance Disclaimer
Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of CHRML. Actual results may vary from any forecasts and any variation may be materially positive or negative.

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CHRML does not receive fees in respect of the general financial product advice it may provide, however it will receive fees for operating CQR which, in accordance with CQR's constitution, are calculated by reference to the value of the assets and the performance of CQR. Entities within the Charter Hall Group may also receive fees for managing the assets of, and providing resources to CQR. For more detail on fees, see CQR's latest annual report. To contact us, call 1300 365 585 (local call cost).

Complaints handling
A formal complaints handling procedure is in place for CQR. CHRML is a member of the Financial Ombudsman Service ("FOS"). Complaints should in the first instance be directed to CHRML. If you have any enquiries or complaints, please contact the Complaints Officer on 1300 365 585 (local call cost), or email reits@charterhall.com.au

CQR's ongoing commitment to your privacy
We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. CHRML has adopted a privacy policy. For further information, visit the CQR website at www.charterhall.com.au

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