



ASX/MEDIA ANNOUNCEMENT

Charter Hall Office REIT – Operational Update

17 May 2010

Charter Hall Office REIT (ASX: CQO) today announced an operational update.

The Trust's global portfolio occupancy is 91%¹ and the weighted average lease expiry is 4.5 years. Since 1 January 2010, terms have been agreed or leases executed over 50,330 square metres of space, or 4.1% of the portfolio, including significant leasing activity in the United States portfolio. Rent reviews were completed over 103,052 sqm in the combined portfolio representing 9.5% of the total net lettable area which resulted in an average increase of 2.8%.

Australian portfolio

The Australian portfolio occupancy is 96%¹ following 9,391 sqm of leases signed or terms agreed since 1 January 2010. Encouragingly, the rents for new leases are still increasing above the prior in-place rents on expiry, with the exception of Brisbane.

Some of the key leasing transactions

- 2 Market Street, Sydney – Since January, leases have been executed with new and expanding customers for 5,314 sqm returning occupancy to 99%. We welcome the latest new customer, Gateway Credit Union to level 16 where they have signed an 8 year lease over 1,340 sqm.
- An improvement in leasing activity in NSW has resulted in Heads of Agreement being reached over 3,266 sqm on the North Shore including five leases at NCR House and The Denison in North Sydney.
- At 150 Lonsdale Street, Melbourne terms have been agreed with three customers over 3,378 sqm on three floors including two of the three former Australia Post floors.

In Australia, rent reviews were completed over 19,702 sqm, or just under 6% of the portfolio, with the average rental increase being 3.6%.

¹ Including Heads of Agreement (HOA)

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United States portfolio

The US portfolio occupancy is 88%² following terms being agreed or leases signed over 413,174 sqft (40,939 sqm), equivalent to 5.1% of the portfolio.

Key leasing transactions achieved since 1 January 2010

- Cerritos Center, Cerritos, California – AT&T have recommitted to the complex by exercising an option to renew their lease over building two which comprises 104,567 sqft, for five years from 1 June 2011. The rent is subject to a market review.
- Wells Fargo Center, Denver – Terms have been agreed with four existing customers for lease renewals over 70,000 sqft.
- 700 13th Street, Washington DC - A lease has been signed with prominent law firm, Perkins Coie, for 56,171 sqft on levels five to seven for 12 years from January 2011. This space was previously occupied by Bryan Cave until their lease expired in March 2010. This commitment extends the buildings expiry profile, diversifies the customer base and returns occupancy to 96%.
- 1 & 3 Christina Center, Delaware – JP Morgan, who occupy 92% of One & Three Christina Center under several leases, have agreed terms to extend a lease over 48,512 sqft from July 2010 for 5.5 years. This will result in occupancy of 99% and an extended WALE of six years.
- SunTrust Centre, Tampa – A direct lease has been signed with Anchor Glass (a former sub-tenant of Hapag Lloyd) for 19,972 sqft for a three year term from December 2010.
- Stadium Gateway, Anaheim – Toyota Motor Credit Corporation have executed a 5 year lease extension over 18,724 sqft from December 2011.

In the US, 3.6% of the portfolio was subject to fixed rent increases averaging 2.2% over prior rents.

Japan portfolio

At Morita the whole building tenant, Japan Food and Liquor Alliance, have renewed for a two year term over 2,555 sqm from March 2010 resulting in occupancy for the combined portfolio being maintained at 93%.

European and Japanese portfolio - disposals progressing

In February 2010, the Trust announced it had completed the sale of the Frankfurt asset for €39.5 million (A\$61.7 million)³ reflecting a 6.5% cap rate. This strategic sale delivered net equity proceeds of approximately €10 million (A\$15 million)³ after repayment of asset level debt.

² excluding Quintana campus and including Heads of Agreement

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The sale process for City Central in Milan is progressing well.

At the Atrium Charlottenburg in Berlin, negotiations continue with Deutsche Telekom (87% of the building) for a lease extension beyond their expiry in December 2011. These negotiations are being conducted collaboratively with the lender, who has extended the loan to value covenant waiver to 30 June 2010.

In Japan, Mizuho and CBRE have been appointed to market the potential sale of the Trust's portfolio of three assets located in Tokyo and a campaign is now underway.

171 Collins Street, Melbourne development

During the quarter, the Trust announced that it has entered into a Joint Venture agreement with CBus for the development of 171 Collins Street, Melbourne. The project is receiving strong interest from a number of leading corporate tenants attracted to the quality and design of the proposed tower, prominent location and leading edge sustainability features.

Outlook

The Chief Executive Officer of Charter Hall Office REIT, Mr Adrian Taylor said "The smooth transition of the team to Charter Hall is now complete and we are encouraged by these recent portfolio results."

On the outlook for the property portfolio he commented, "The majority of leasing continues to be with existing tenants and we are encouraged by the renewed velocity of tenant enquiries both in Australia and the US. Vacancy in most US markets is approaching stabilisation however rental growth is not forecast to emerge before 2011. Australia's positive economic conditions, including job growth, have improved the outlook for office markets and we expect effective rental growth this year in Sydney and Melbourne combined with cap rate stabilisation and compression."

"The Trust's asset management team continues to adopt a strategic approach to leasing including leveraging off the knowledge and broader network of the expanded Charter Hall team."

³ Based on exchange rate of \$1:€0.64

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About Charter Hall Office REIT

Formerly known as Macquarie Office Trust, Charter Hall Office REIT is a leading listed real estate investment trust focused on investing in predominantly high grade office buildings located in major business districts across Australia and the US. A customer focused approach to asset management drives the Trust's leasing and refurbishment initiatives with a view to maximising returns of the Trust's underlying assets.

Charter Hall Office REIT is managed by Charter Hall Group (ASX: CHC), a specialist property funds management and development company, based in Sydney with offices in Melbourne, Brisbane, Perth, Adelaide, Auckland and Chicago. Established in 1991 and listed on the ASX in 2005 as a stapled security, Charter Hall Group combines Charter Hall Limited with Charter Hall Property Trust, which owns and manages over \$10 billion in real estate assets. The Charter Hall Group has achieved a solid track record across its activities demonstrating a 19 year history of managing wholesale and retail capital, making it one of Australia's leading property fund managers. Charter Hall's success has been underpinned by a highly skilled and motivated management team with diverse expertise across property sectors and risk-return profiles.

For further information on Charter Hall Group and Charter Hall Office REIT go to www.charterhall.com.au



Portfolio Leasing Summary – Executed Leases since 1 January 2010

US portfolio	Tenant	Premises	NLA (sqft)	Start Date	Term (yrs)	New Lease/ Renewal
SunTrust Financial Centre, Tampa	Anchor Glass	2800	19,972	Dec-10	3.0	New
SunTrust Center, Orlando	Triad Isotopes	2120 & 1850	5,444	Mar-10	1.0	New
	Grant Thornton	2050	6,278	Jan-10	6.4	Renewal
Chase Tower, Indianapolis	Accenture	T2100	2,544	Mar-10	1.0	Renewal
	NorthWestern Mutual	T3800	18,341	Jul-10	10.5	Renewal
	Gentspa	C242	559	Jun-10	5.0	New
Promenade II, Atlanta	Jeff Behold	2075	3,363	Jul-10	1.0	New
Stadium Gateway, Anaheim	Toyota Motor Credit Corp	500	18,724	Jan-11	5.0	Renewal
One California Plaza, Los Angeles	Citizens Bank	1100	2,764	Apr-10	3.0	New
Cerritos Corporate Center	AT&T	100-400	104,567	Jun-11	5.0	Renewal
One & Three Christina Center	JP Morgan	Various	48,512	Jul-10	5.5	Renewal
Chase Tower, Indianapolis	Bon Advertising	C882	3,903	Apr-10	2.0	Renewal
Total - US			234,971 sqft			

Australian Portfolio	Tenant	Premises	NLA (sqm)	Start Date	Term (yrs)	New Lease/ Renewal
2 Market St, Sydney	Gateway Credit Union	Pt L16	1,340	Nov-10	8.0	New
NCR House, North Sydney	Stora Enso	L17.01	297	Feb-10	5.0	Renewal
Capital Hill, Brisbane	Mohamed Hedibel (Convenience)	Pt Lwr Grd	95	Jul-09	7.0	New
2 Park St, Sydney	Kookai	Shop G54	422	May-10	4.0	New
175 Eagle St, Brisbane	SMS Consulting Group Ltd	Pt L18	810	Jul-12	4.0	Renewal
150 Lonsdale St, Melbourne	Infosys	L21	1,126	Feb-10	3.0	New
Total - AU			4,090 sqm			

TOTAL Executed			25,919 sqm			
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