CHARTER HALL

ASX RELEASE

ASX Announcement – CHC

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CHARTER HALL secures St George Bank Sydney and Bank SA head office buildings for $146m

Charter Hall Group announces that the Core Plus Office Fund (CPOF) has acquired 2 investment grade office buildings from St George Bank Ltd on 15 year lease backs for $146 million. The portfolio comprises the $126 million Kogarah head office of St George Bank in suburban Sydney and the Bank SA head office in Adelaide Central Business District.

The buildings were sold by St George Bank based on fixed prices where prospective purchasers needed to set the initial office rentals, subject to double net leases over 15 years with annual CPI (Australian) reviews.

Charter Hall Joint CEO David Harrison stated that CPOF was on track to invest the committed equity within the 2 year investment period as 44% of the committed equity has already been allocated to 5 acquisitions. The CPOF portfolio metrics now include an impressive average lease expiry profile exceeding 10.5 years, annual rent reviews combining CPI linked and fixed annual increases ranging from 3% to 4.5%, together with various market review opportunities.

The initial passing yields reflect 7% for the St George portfolio and Mr Harrison confirmed that the acquisitions meet the investment criteria of CPOF which is targeting 10 year total returns on equity of 12%.

Other wholesale funds managed by Charter Hall include four opportunity funds that have raised $434 million of equity and have either undertaken or are currently undertaking over $1.3 billion of projects, with capacity for a further $400 million of projects. In total Charter Hall has raised in excess of $785 million of new equity across its unlisted and listed vehicles since its IPO in June 2005 and increased staff by 25% to accommodate such growth according to Mr Harrison.

CPOF was launched in December 2005. Charter Hall Property Trust will generate its growth in office sector assets via its $115 million investment in CPOF, which will now be drawn to $57 million. As with previous wholesale funds, equity commitments are drawn down from investors progressively as acquisitions are finalised. With gearing of 50% of total fund assets, CPOF has initial capacity of approximately $1 billion.

The investment strategy of CPOF is to acquire and hold office properties over the medium to long term within a "flow through" investment trust :

- which are located within capital city markets of Australia, primarily CBD and Fringe CBD precincts, however, suburban or metropolitan locations may be considered appropriate;
- that may require enhancement and subsequently represent appropriate investment grade assets to be held in a flow through wholesale fund which distributes 100% of pre-tax net rental income;
- where values post-enhancement will generally be in the price range of $50 million to $250 million;
- to provide a mix of core (70%) and enhanced (30%) assets; and
- which, on a blended basis, will achieve a target 12% IRR on equity.

The St George Portfolio acquisition is expected to be completed in September 2006

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For more information contact:

Charter Hall Group

David Harrison	David Southon	Susannah Yeung
Joint CEO	Joint CEO	Marketing and Communications Manager
02 8908 4033	02 8904 4025	02 8908 4015
davidh@charterhall.com.au	davids@charterhall.com.au	susannahy@charterhall.com.au

About the Charter Hall Group:
Charter Hall Group is a leading Australian diversified property group, listing on the Australian Stock Exchange in June 2005 as a stapled security (CHC). The Charter Hall Group comprises Charter Hall Limited and Charter Hall Property Trust, operating across the core business activities of property funds management, property development, property investment banking, property management and property investment.

Since its inception the Group has developed, or is in the process of developing, property with an estimated completion value of more than $1.21 billion, diversified across the various commercial and residential sectors, on behalf of private and institutional investors, principally through its Opportunity Funds.

Realised projects to date have delivered a weighted average equity IRR in excess of 20%. The Group also manages approximately $506 million of investment property within eight core investment funds, including the Charter Hall Property Trust's $319 million portfolio comprising interests in six investment grade properties diversified across the bulky goods retail, retail, office and industrial sectors in New South Wales and Victoria.