



3Q FY16 Financial Results

7 July 2016

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This presentation shall be read in conjunction with SPH REIT’s financial results for the third quarter and year-to-date ended 31 May 2016 in the SGXNET announcement.







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Key Highlights

- Net property income for 3Q FY16 up 1.8% year-on-year
- 3Q FY16 DPU was 1.36 cents, an increase of 0.7% year-on-year
- YTD 3Q FY16 DPU was 4.09 cents
- Annualised distribution yield was 5.81% (based on closing price of \$0.940 per unit on 31 May 2016)
- Asset enhancement project progressing on schedule
- Strong balance sheet, with low gearing of 25.7% and 84.7% debt on fixed rate

Resilient performance

	3Q FY16 S\$'000	3Q FY15 S\$'000	Change %
Gross revenue	52,232	51,235	 1.9%
Property expenses	(12,209)	(11,909)	 2.5%
Net property income (NPI)	40,023	39,327	 1.8%
Income available for distribution	34,995	34,612	 1.1%
Distribution to Unitholders ^(a)	34,575	34,094	 1.4%
Distribution per unit (DPU) (cents)	1.36	1.35	 0.7%

Notes:

(a) For 3Q 2016, the distribution to unitholders was 98.8% of taxable income available for distribution.

Resilient performance

	YTD 3Q FY16 S\$'000	YTD 3Q FY15 S\$'000	Change %
Gross revenue	157,417	154,324	▲ 2.0%
Property expenses ^(a)	(36,681)	(36,869)	▼ 0.5%
Net property income (NPI) ^(a)	120,736	117,455	▲ 2.8%
Income available for distribution ^(b)	106,728	104,985	▲ 1.7%
Distribution to Unitholders ^(c)	103,802	102,886	▲ 0.9%
Distribution per unit (DPU) (cents)	4.09	4.08	▲ 0.2%

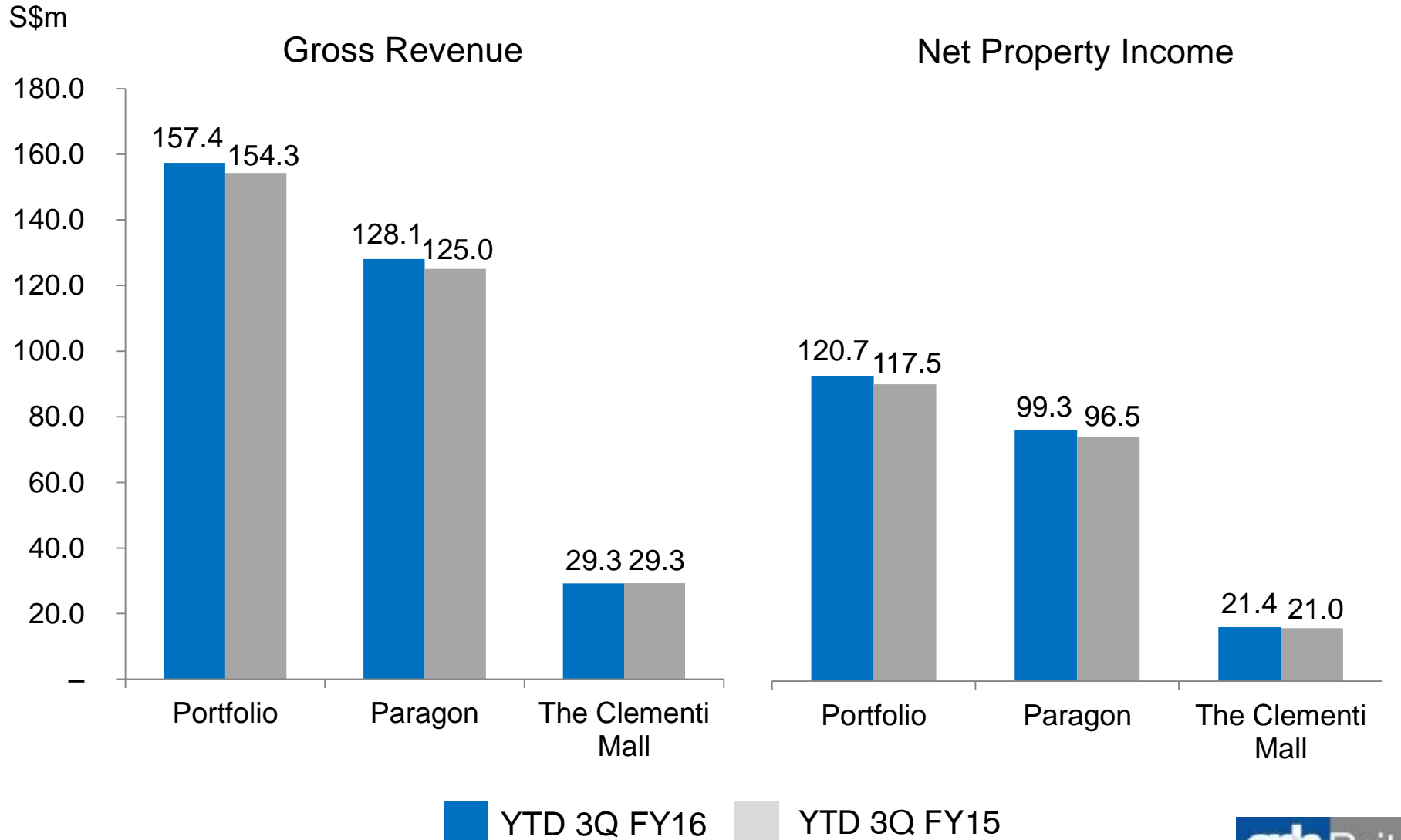
Notes:

(a) Included additional property tax of \$0.9 million relating to prior years. Excluding the effect of prior year property tax, NPI was \$121.7 million, an increase of \$4.2 million (3.6%) compared to YTD 3Q FY15.

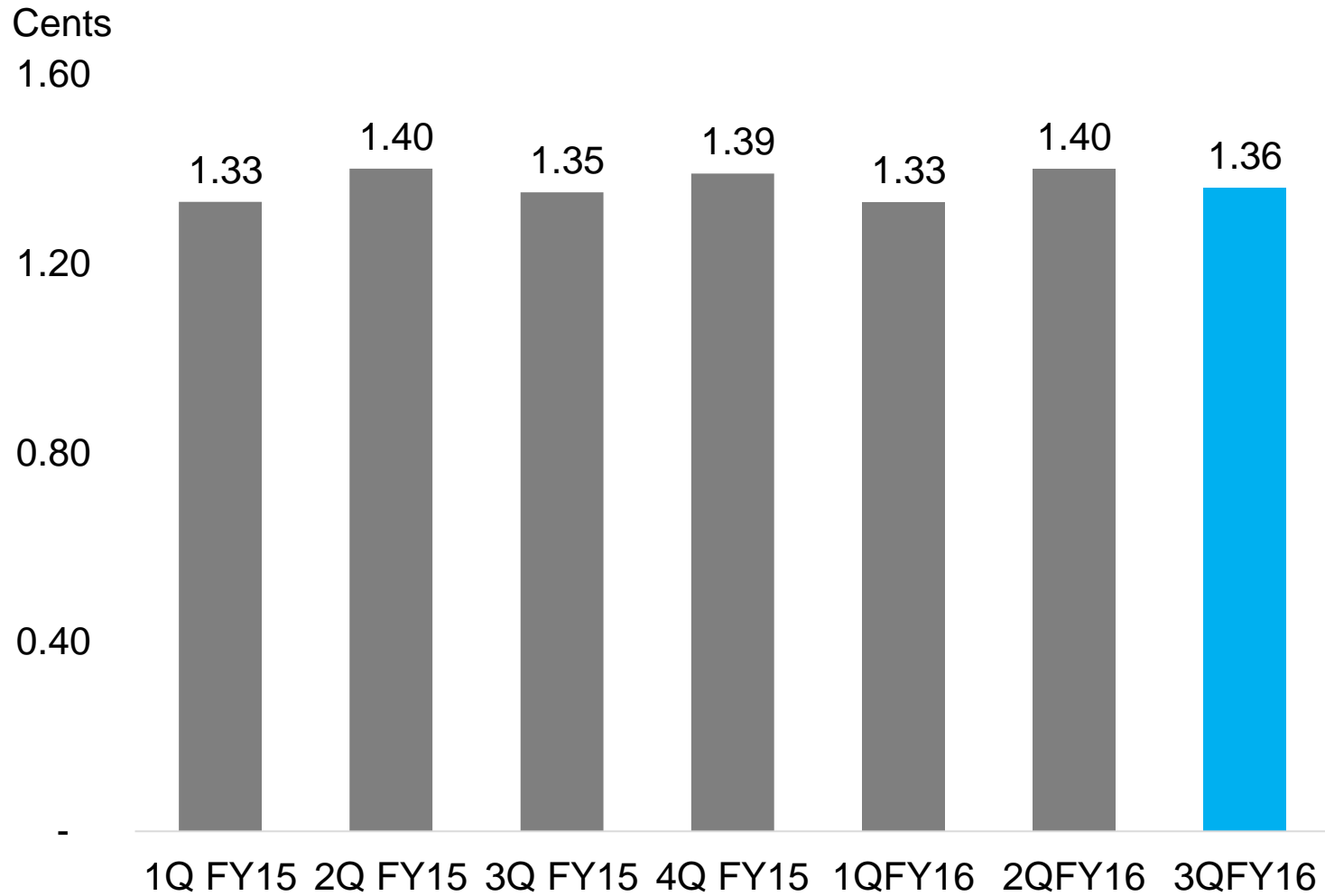
(b) The prior year property tax does not have an effect on current year's distribution.

(c) For YTD 3Q 2016, the distribution to unitholders was 97.3% of taxable income available for distribution.

Higher gross revenue and NPI



Stable and regular DPU



Balance sheet



Financial position

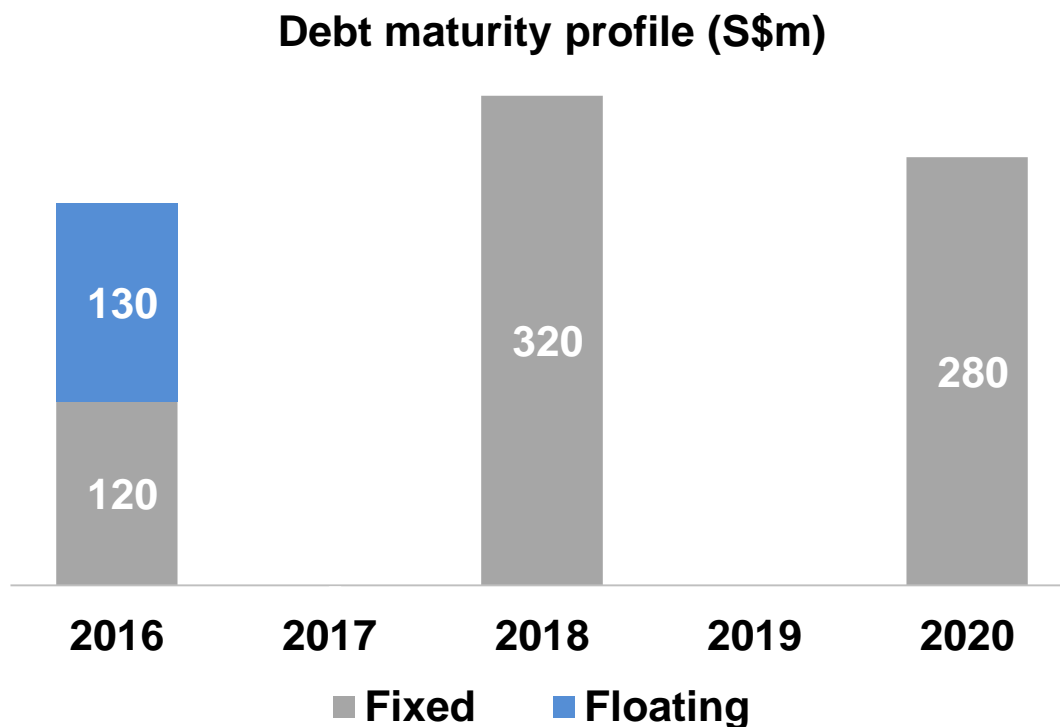
	As at 31 May 2016 S\$'000	As at 31 August 2015 S\$'000
Total assets	3,304,498	3,309,621
Total liabilities	917,224	911,811
Net assets	2,387,274	2,397,810
Net asset value per unit	S\$0.94	S\$0.95
Gearing ^(a)	25.7%	25.7%

Note:

(a) Gearing is computed based on total debt/ total assets

Low gearing and high % of fixed debt

- Proactive capital management with 84.7% of the S\$850m debt facility on a fixed rate basis
- Gearing level of 25.7% and average cost of debt of 2.84% p.a.
- Weighted average term to maturity: 2.2 years, and is expected to be extended when the refinancing of the 2016 tranche is completed



Market value of properties

	Valuation as at 31 August (a)		Capitalisation Rate As at 31 August 2015 and 2014
	2015 S\$m	2014 S\$m	
Paragon	2,641.0	2,588.0	4.85% - Retail 4.25% - Medical Suite/Office
The Clementi Mall (b)	571.5	571.0	5.00%
SPH REIT Portfolio	3,212.5	3,159.0	

Notes:

(a) Valuations as at 31 August 2015 and 31 August 2014 were conducted by DTZ.

(b) The Clementi Mall's valuation excludes income support. The guaranteed Net Property Income (NPI) per year is S\$31 million and the aggregate top up NPI shall not exceed \$20 million over five years from 24 July 2013 (Listing date).



Operational performance



Resilient operating performance

- Both malls achieved 100% occupancy
- Paragon achieved a moderate rental uplift of 4.9% for new and renewed leases in YTD 3Q 2016
- The Clementi Mall recorded positive rental reversion of 4.5% in YTD 3Q 2016
- YTD 3Q 2016 visitor traffic declined year-on-year by 2.2%
- Staggered portfolio lease renewal

Rental reversion up 4.9%

	Number of renewals / new leases ^(a)	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates ^(c)
Paragon	79	192,464	27.0%	4.9%
The Clementi Mall	22	21,235	11.0%	4.5%
SPH REIT Portfolio	101	213,699	23.6% ^(b)	4.9%

Notes:

(a) For expiries in YTD 3Q FY16.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 905,282sqft as at 31 May 2016.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases were typically committed three years ago.

Staggered portfolio lease renewal

Weighted Average Lease Expiry (WALE) as at 31 May 2016

By NLA 2.1 years

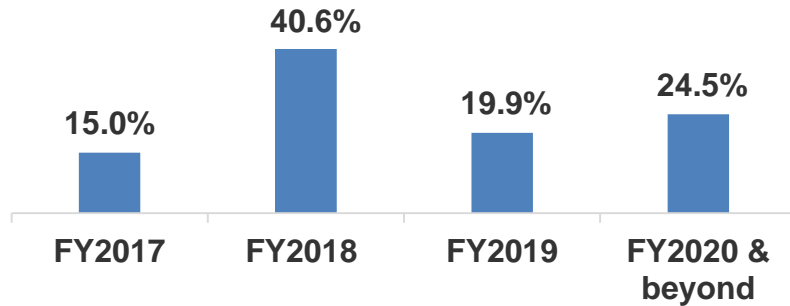
By Gross Rental Income 2.2 years

Lease expiry as at 31 May 2016

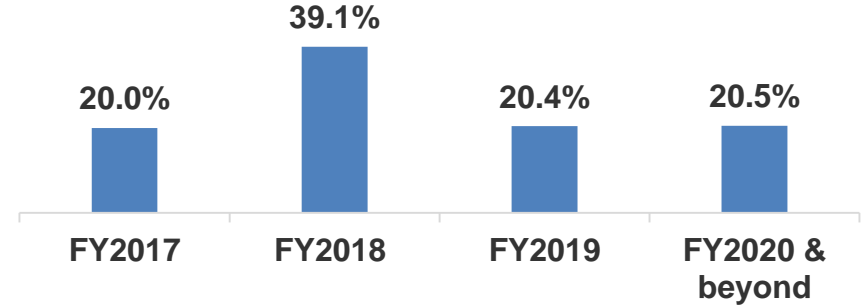
	FY2017	FY2018	FY2019	FY2020 and beyond
Expiries as a % of total NLA	32.9%	32.0%	18.1%	17.0%
Expiries as a % of Gross rental income	26.5%	34.5%	17.6%	21.4%

Paragon: Staggered lease expiry

Expiry by Gross Rental Income

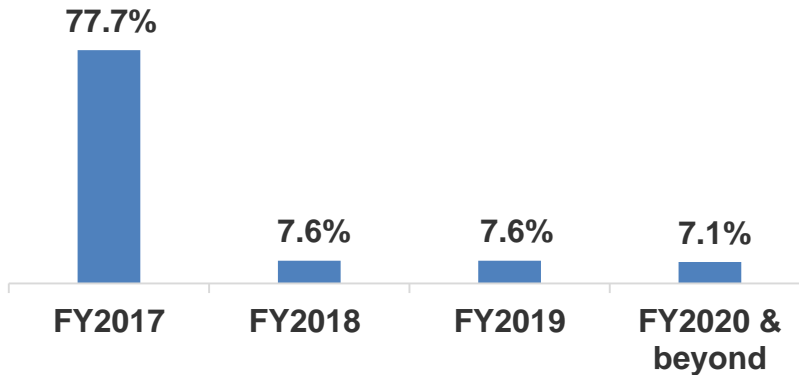


Expiry by NLA

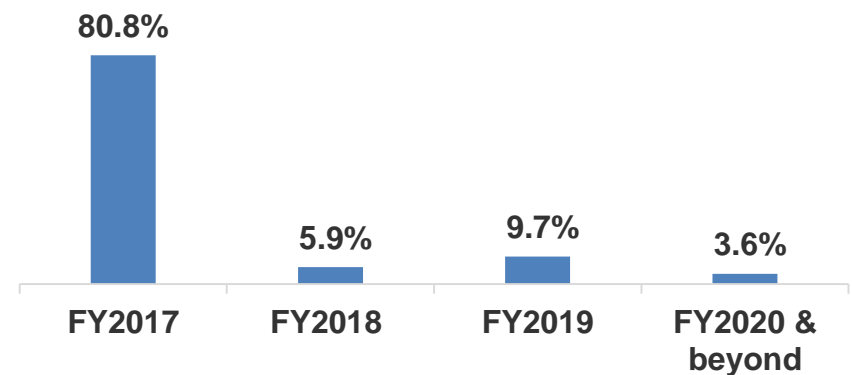


The Clementi Mall (a) : tenant retention rate of more than 90% for first renewal cycle

Expiry by Gross Rental Income



Expiry by NLA



Note:

(a) The Clementi Mall officially opened in May 2011 with first lease renewal cycle in 2014.



Growth strategy and market outlook



Multi-pronged growth strategy to ensure growth

Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily⁽¹⁾ for retail purposes in Asia Pacific
 - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, achieved 100% committed occupancy rate since December 2014.
 - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to unitholders

Note:

- (1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

Continual asset enhancement

Air Handling Unit (“AHU”) decanting project in Paragon

- Replace aging AHUs with fan coil unit (“FCU”) and convert about 7,000 sqft back-of-house space into revenue generating net lettable area (“NLA”) at retail levels.
- Multi-phased approach from September 2015 to mid 2018 to minimise disruption to tenants.
- Phase 1 is on schedule to complete by end 2016.
- The newly created units at Level 1 and Level 3 have been fully committed.

The Clementi Mall’s (“TCM”) reconfiguration project

- Create a more efficient layout at basement and increase to a total of 21 food kiosks.
- Strong demand received from retailers, with 4 new food concepts introduced.
- The revamped food cluster will be a refreshing destination for our shoppers.

Market outlook

- **Outlook for Singapore economy remain modest**
 - The Singapore economy grew by 1.8% year-on-year in the first quarter of 2016, unchanged from the previous quarter.
 - The Ministry of Trade and Industry (MTI) has maintained the 2016 growth forecast at 1.0% to 3.0%.
- **STB expects modest growth in 2016 amidst global uncertainties and increasing regional competition**
 - International visitor arrivals (IVA) grew y-o-y by 14.1% in the first four months of 2016.
 - Tourism receipts fell by 7.6% to S\$21.8 billion in 2015, largely due to decline in business travel segment.
- **Retail environment remains challenging**
 - The retail sales index (excluding motor vehicles) declined y-o-y by 4.2% in Q1 2016 and 3.6% in Q4 2015.
 - The decline in sales in Q1 2016 was marginal for supermarkets and department stores, while larger decline was registered in other segments such as wearing apparel and footwear (6.2%), watches and jewellery (10.8%), food and beverage (18.7%).

Distribution details and timetable

Distribution period	3Q FY16 (1 March 2016 – 31 May 2016)
Distribution per unit	1.36 cents per unit
Ex-date	13 July 2016
Record date	15 July 2016
Payment date	16 August 2016

Thank You

Please visit www.sphreit.com.sg for more information.