



# CapitaLand Limited

## Acquisition Of Multifamily Portfolio, United States

18 September 2018



# Disclaimer

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.



# Contents

- **Overview**
  - CapitaLand International
- **Investment Highlights**
- **Rationale for U.S. Multifamily**
- **Conclusion**



# Overview



Aerial photograph May 2013

Main Airport Center, Frankfurt





# Growing the Global Wing of CapitaLand

CapitaLand International (CLI) is CapitaLand's wholly owned international business unit, set up to:

- Expand CapitaLand's global investment portfolio and diversify it beyond the core markets of Singapore and China
- Grow new businesses with the objective to build new income streams
- Strengthen CapitaLand's competitive advantages by adapting global trends and business models from the rest of the world for our Asian markets
- Build global talent pool in developed markets such as Europe and the U.S.



## CapitaLand in the U.S.

- The U.S. economy continues to grow strongly, mainly driven by strong domestic consumption trends (68% of 2Q 2018 GDP) and high employment rates<sup>1</sup>
- Since 2H 2015, CapitaLand has invested approximately US\$600 million in the U.S.
- U.S. portfolio as at 30 June 2018 includes the following:
  - 5 hotels with over 1,260 units in Manhattan, New York and Silicon Valley
  - Majority stake in a corporate housing provider, Synergy Global Housing (owns 1,500 units with strong presence on the West coast, including Los Angeles, Orange County, San Diego, Seattle and New York)
- A dedicated U.S. office has already been set up in New York City to identify business opportunities, drive acquisitions and strengthen the Group's current asset management platform



Source:

1. Bureau of Economic Analysis <https://apps.bea.gov/scb/pdf/2017/10-October/1017-selected-nipa-tables.pdf>



# Investment Highlights



Marquessa Villas, The United States of America





# Investment Highlights

**A portfolio consisting of 16 multifamily properties in the U.S. West Coast and Denver regions**

**Location:** Metropolitan areas of Seattle, Portland, Greater Los Angeles and Denver, in well-connected suburban communities

**Portfolio characteristics:** Garden-style apartment housing in an expansive compound

**Purchase consideration:** S\$1.14 billion (US\$835 million)

**Total number of apartment units:** 3,787 (~1,000 units in each cluster)

**Average price per Unit:** US\$220,000

**Average occupancy rate:** >90%

**Average length of stay:** ~ 2 years

**Opportunity For Value-add Programme To Enhance The Value Of The Portfolio**



Heronfield



Village at Union Mills





# High Growth Markets Within Major U.S. Metropolitan Areas

Properties Are Located At Well-connected Suburban Regions

## Seattle, State of Washington

- Commercial, cultural and advanced technology hub
- Home to Fortune 500 corporations
- Strong net in-migration and above-average job growth

## Portland, Oregon

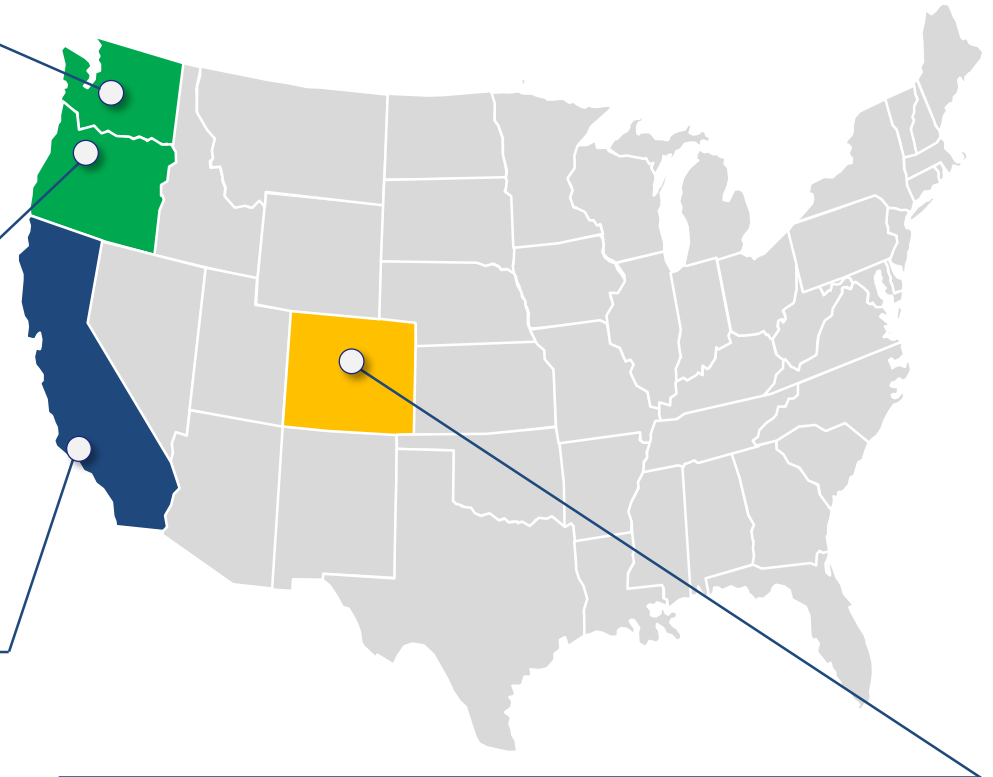
- Strong population growth has attracted companies such as Intel and Amazon
- Headquarters and corporate campuses of Nike and Adidas
- Creative and affordable Oregon lifestyle attracts highly skilled workforce and millennials

## Greater Los Angeles (L.A.), California

- Major job centres (L.A. and Orange County) for Fortune 500 companies
- Economy is driven by diversified industries
- Strategic location linked to major transport routes provides direct access to the suburban regions

## Denver, Colorado

- Largest employers include Lockheed Martin Corp and United Airlines
- Home to many government agencies, mining, energy, aeronautics and U.S. defense sectors
- Regarded as one of the most livable U.S. cities with low cost of living





# Attractive Portfolio Characteristics

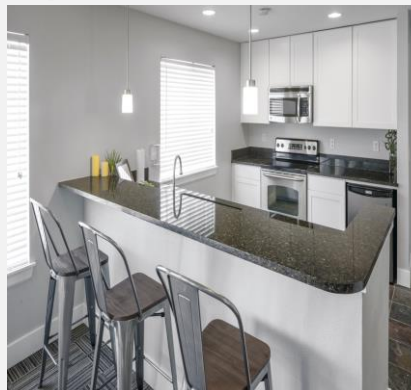
## Well-supported By Economic Fundamentals

- Market-rated properties located in amenitised neighbourhoods
- Unfurnished apartments with typical lease term of one year provides opportunity for market rent adjustment at renewal
- B2C business model, targeting middle-income and skilled professionals in suburban employment hubs
- Attractive rents for Class B<sup>1</sup> properties compared to those of high-cost urban core assets within the same regions
- Efficient operating model

### Portfolio of 16 Low-Rise Garden-Style Multifamily Assets



Silverbrook



Capitol City on the Course

### Common Amenities and Services

- Expansive Swimming Pool
- Sports Facilities & Well-Equipped Fitness Center
- Spacious Clubhouse
- Spa and Sauna
- Playground
- Barbecue Area
- Dog Park
- Garages & Parking
- Laundry Facilities

Note:

1. A Class B multifamily property is typically older with room for enhancement and caters to middle-income tenants. In comparison, a Class A multifamily property is luxurious, relatively newer, and commands comparatively much higher rents. A Class C multifamily property is typically more than 30 years old, often requiring extensive improvement works.





# Portfolio Summary

Property Name	State	Units
<b>Seattle</b>		
Heronfield	Washington	202
CentrePointe Greens	Washington	186
Timberline Court	Washington	126
Village at Union Mills	Washington	182
Capitol City on the Course	Washington	96
<b>Portland</b>		
Miramonte Lodge	Oregon	231
The Bluffs	Oregon	137
Stoneridge at Cornell	Oregon	233
<b>Subtotal (8 properties)</b>		<b>1,393</b>



Heronfield



CentrePointe Greens



The Bluffs



Village at Union Mills



Timberline Court



# Portfolio Summary (cont'd)



Marquessa Villas



Canterra at Fitzsimmons



Sienna at Cherry Creek

Property Name	State	Units
<b>Greater Los Angeles</b>		
The Ashton	California	492
Deerwood Apartments	California	316
Marquessa Villas	California	336
<b>Denver</b>		
Canterra at Fitzsimmons	Colorado	188
Sienna at Cherry Creek	Colorado	220
Silverbrook	Colorado	165
Parkfield	Colorado	476
Dartmouth Woods	Colorado	201
<b>Subtotal (8 properties)</b>		<b>2,394</b>



Dartmouth Woods



Parkfield



# Rationale For U.S. Multifamily



Stoneridge at Cornell, The United States of America



# **Rationale For U.S. Multifamily**

- 1 Strategic fit with CapitaLand strategy to diversify portfolio**
- 2 Attractiveness of U.S. Multifamily sector**
- 3 Immediate income contribution**
- 4 Solid growth potential**

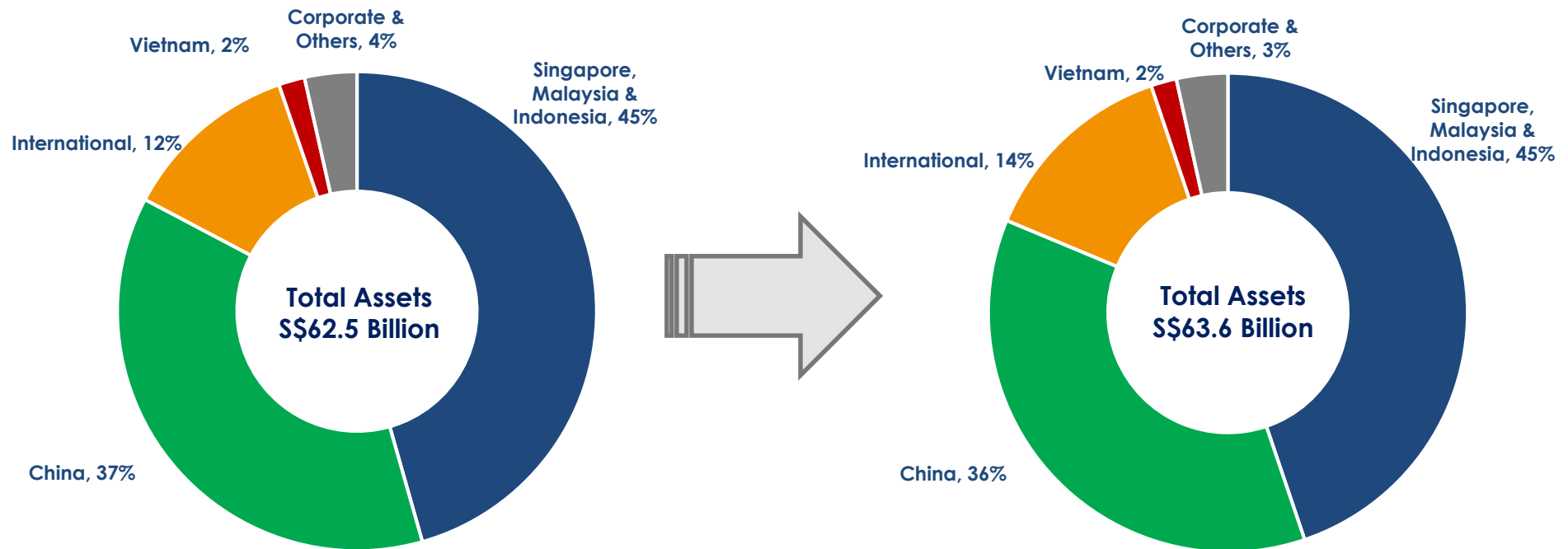




# 1 Strategic Fit With CapitaLand

## Expand Global Portfolio By Diversifying Assets Outside Of Singapore And China

- Diversify investment property portfolio into developed markets to allow further expansion in core emerging markets of China and Vietnam
- Meaningful allocation between developed and emerging markets for an optimal risk diversification



Note:

1. Total assets from developed markets is 56.9% as of 30 June 2018. After acquisition, total assets from developed markets will increase to 57.7%



## 2 Attractiveness Of U.S. Multifamily Sector

### Deep And Scalable Sector, Attractive Risk-adjusted Returns

- Total capital value of multifamily properties in the U.S. amounts to >US\$3.3 trillion
- Important component of the total housing stock in the U.S. with >19 million multifamily units in the country, contributing to 15% of total housing stock
- Net absorption from 2012 to mid-2017 totaled close to 190,000 units per year, representing a healthy 7.3% increase of the total multifamily demand over the five-year period
- Another 3.9 million units (325,000 units per year) estimated to be needed by 2030
- Highest average returns in the commercial real estate class, offering close to 10% annually in the last three decades
- Less impacted by cyclical downturn and exhibits relatively stable returns, allowing it to be one of the more highly liquid institutional real estate asset classes

Sources:

- CBRE Report
- National Multi Housing Council (NMHC) is a non-profit trade association representing some of the country's leading owners, managers and financiers of apartment properties.
- 2018 HFF Multi-housing Pulse Report.



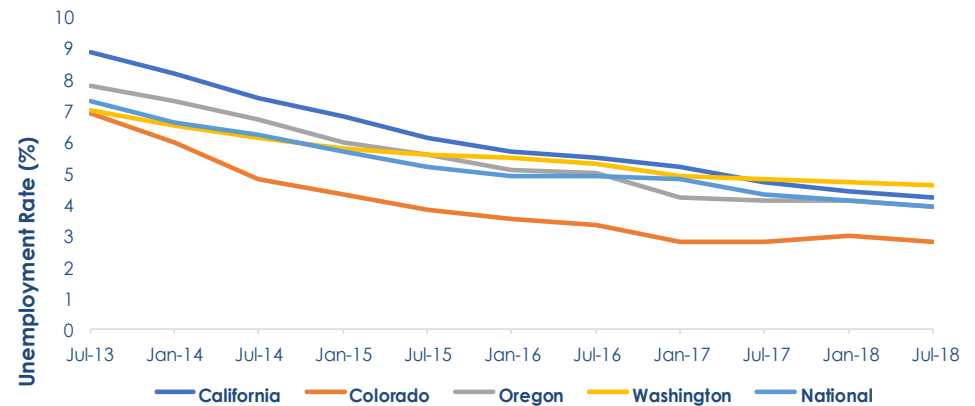


## 2 Attractiveness Of U.S. Multifamily Sector

### Demographics And Lifestyle Choices Will Continue To Create Renter Households

- Trend towards rentership due to increasing cost of home ownership
- Booming millennial generation's preferences for geographic mobility and community living in the suburban markets
- Steady employment and wage growth<sup>1</sup>
- Net-in migration trends to major metropolitan areas and lower-cost cities

State Unemployment Rates, July 2018, seasoned adjusted



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Note:

1. From August 2017 to August 2018, average hourly earnings for all employees on private nonfarm payrolls increased by 77 cents, or 2.9 percent. Over that period, private nonfarm payroll employment increased by 2.3 million, or 1.9 percent. Source: U.S. Bureau of Labor Statistics



## 3 Immediate Income Contribution

Strong Demand Drivers Ensure Quality Earnings And Reliable Cash Flows

- Immediate contribution to the Group's returns
- Strong occupancy of over 90% provide a quality income stream
- One-year lease term allows opportunity for rental upside
- Steady renewal rates of 50% to 60% provides reliable cash flow and operations stability





## 4 Solid Growth Potential

To Build A Strong And Extensive Platform That Can Scale Up Quickly

- Sizeable portfolio to grow and build a new business platform in the U.S.
- Further uplift from portfolio through asset enhancement
- Longer term plan is to bulk up scale
- Grow into an integrated multifamily player in the U.S.
- Option to spin off platform into investment vehicles and partnerships



# Conclusion



Heronfield, The United States of America





# Building A Resilient And Balanced Portfolio

- Acquisition is in line with CapitaLand's strategy to diversify our portfolio outside of Singapore and China to developed markets and to grow new businesses
- Deep and scalable U.S. multifamily asset class with attractive risk-adjusted returns to contribute to the resilience of CapitaLand's overall portfolio
- Growth supported by long-term secular trends
- Immediate income contribution with stable cash flow outlook
- Value-add opportunities which can allow CapitaLand to further enhance the value of these properties



CapitaLand

Thank You