

Lendlease Global Commercial REIT's inaugural results outperform IPO forecast

- Distribution per unit (“DPU”) of 1.29 cents outperformed forecast by 3.1%
- Net property income of S\$16.2 million outperformed forecast by 3.2%
- Distributable income of S\$15.0 million outperformed forecast by 2.4%
- Prudent gearing ratio of 34.9%
- Average running cost of debt of 0.86% per annum and fixed for 3.6 years
- High weighted interest coverage ratio of 10.8 times
- High portfolio occupancy of 99.8%
- Long weighted average lease expiry (“WALE”) of 10.1 years by net lettable area (“NLA”) and 4.9 years by gross rental income

Singapore, 10 February 2020 - Lendlease Global Commercial Trust Management Pte. Ltd. (the “**Manager**”), the manager of Lendlease Global Commercial REIT (“**LREIT**”), today announced that its unaudited financial results for the reporting period since listing on 2 October 2019 (“**Listing Date**”) to 31 December 2019 (“**Reporting Period**”) have outperformed its IPO forecast, with a DPU of 1.29 cents, which was 3.1% higher than the forecast DPU of 1.25 cents.

Summary of Financial Results

	Actual (S\$'000)	IPO Forecast¹ (S\$'000)	Variance (%)
Gross revenue	21,407	21,199	1.0
Property operating expenses	(5,227)	(5,521)	(5.3)
Net property income	16,180	15,678	3.2
Distributable income to Unitholders	15,012	14,661	2.4
Distribution per unit (cents)	1.29	1.25	3.1
Annualised distribution yield ² (%)	5.86	5.68 ³	18 bps

¹ The Forecast is derived from the forecast year 1 October 2019 to 30 June 2020 as disclosed in the Prospectus.

² The annualised distribution yield from Listing Date to 31 December 2019 is on a pro-rata basis of 91 days.

³ The Forecast yield from Listing Date to 30 June 2020 is 5.80% as per the Prospectus and is based on IPO price of S\$0.88.

LREIT recorded a DPU of 1.29 cents, which was 3.1% higher than the forecast DPU of 1.25 cents. Distributable income to Unitholders of S\$15.0 million was 2.4% higher than forecast. The higher distributable income was attributed to higher net property income and lower finance costs.

For the Reporting Period, gross revenue of S\$21.4 million was 1.0% higher than forecast, mainly driven by rental income from 313@somerset. Net property income of S\$16.2 million exceeded the forecast by 3.2%, largely due to lower property operating expenses.

LREIT's annualised distribution yield based on the initial offering price of S\$0.88 has increased to 5.86%, up by 0.18 percentage point from the IPO forecast of 5.68%.

Mr Kelvin Chow, Chief Executive Officer of the Manager, said, "We are pleased to present a strong performance for our inaugural financial results, which is testament to our commitment towards enhancing better returns for our Unitholders. Our well-positioned properties in both Singapore and Milan continue to provide stable and growing rental income streams to the REIT."

"At the same time, we are excited about our prospects with the transformation plan for the Somerset precinct, which will augur well for 313@somerset. It is noteworthy that this youth-oriented mall has attracted popular fashion and beauty brands to house their flagship stores. Additionally, in the Eurozone, outlook for the office sector in Milan, where Sky Complex is situated, is set to remain positive," he added.

Steady Portfolio Performance

As at 31 December 2019, the portfolio has a high committed occupancy of 99.8% and a long WALE of 10.1 years⁴ by NLA. Approximately 80%⁴ of its leases by NLA will only expire beyond 2024.

LREIT's Singapore property, 313@somerset, registered positive rental reversion of 0.5% for the period 2 October 2019 to 31 December 2019. Strategically located in the heart of Orchard Road with direct access to Somerset MRT station, 313@somerset is poised to benefit from the new initiatives that the government plans to carry out to rejuvenate Orchard Road.

In addition, the Master Plan 2019 has formalised the increase in permissible plot ratio for 313@somerset from 4.9+ to 5.6, resulting in a potential increase of up to 1,008 square metres of gross floor area based on its current gross floor area. The Manager is in progress of studying the opportunities to deploy the additional areas to improve the retail offerings of the mall.

Sky Complex, LREIT's property in Milan, is fully occupied and operates on a triple-net lease structure. With a long lease term until 2032⁴ and annual rental escalation based on 75% of ISTAT

⁴ Assumes that Sky Italia does not exercise its break option in 2026.

consumer price index variation⁵, Sky Complex is projected to provide stable income stream to the portfolio.

Prudent Capital Management

As part of the Manager's prudent capital management strategy, LREIT hedged 100.0% of its floating rate debt to fixed rate through interest rate swaps and options. To mitigate foreign currency risks, LREIT has substantially hedged its projected Euro-denominated income for FY2020 and FY2021.

LREIT has achieved natural hedge against its Euro capital investment in Sky Complex via a Euro term loan. LREIT's lenders consist of a syndicate of well-rated financial institutions, ensuring it has a diversity of funding sources. All LREIT's debt are unsecured debt, ensuring that it has balance sheet flexibility.

Gross borrowings stood at S\$529.2 million as at 31 December 2019, translating to a gearing ratio of 34.9%. The weighted average running cost of debt was 0.86% per annum. LREIT's weighted average debt maturity was 3.6 years.

The Manager will continue to adopt a prudent and disciplined approach towards capital management to ensure financial flexibility and utilise appropriate hedging strategies to optimise risk-adjusted returns to Unitholders.

Market Outlook

Singapore Retail Industry

The retail sector continues to evolve and is adjusting to a more dynamic trading environment and changing consumer behaviours. The growth in ecommerce is precipitating new strategies, with retailers adopting omnichannel offerings to capture both physical and online traffic. This highlights the importance, and the complementary relationship, of having both a physical and virtual store.

Retail space market fundamentals look encouraging with little supply expected over the next 2 to 3 years⁶. These point to a tightening vacancy environment which will support modest rental growth.

The government's vision to rejuvenate Orchard Road bodes well for our Singapore property, 313@somerset, as the new plan will see the Somerset sub-precinct developed as a youth-oriented hub with vibrant lifestyle options. There could also be a further transformation of Grange Road open-air carpark, adjacent to 313@somerset, into a dedicated event space.

⁵ ISTAT: The Italian National Institute of Statistics. Last escalation was based on April 2019 consumer price index variance of 0.9%.

⁶ JLL, Singapore Retail Forecast 3Q 2019

Milan Office Industry

The Italian National Institute of Statistics projected the Italian economy to grow 0.6%⁷ for 2020 mainly driven by domestic demand. Labour market conditions are expected to improve at a moderate pace with employment growth to remain unchanged at 0.7%⁷ in 2020.

The office sector in Milan continues to improve. Solid demand and take-up of office space has led to tightening of vacancy in 2019. The supply pipeline remains limited with sizeable new additions expected over the next two years⁸. The investment market over 2019 has remained active with robust interest both from domestic and foreign investors for office assets.

Distribution Policy

LREIT intends to make distributions to Unitholders semi-annually and will distribute at least 90.0% of its adjusted net cashflow from operations for each financial year. The actual level of distribution will be determined at the Manager's discretion.

The first distribution will be for the period from 2 October 2019 to 31 December 2019 and will be paid on or before 31 March 2020. LREIT intend to distribute 100.0% of LREIT's adjusted net cashflow from operations for the period from the Listing Date to the end of 30 June 2021.

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About Lendlease Global Commercial REIT

Listed on 2 October 2019, Lendlease Global Commercial REIT ("LREIT") is established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes.

Its initial portfolio comprises a leasehold interest in, 313@somerset, a retail property located in Singapore and a freehold interest in Sky Complex, which comprises three office buildings located in Milan. The portfolio has a total net lettable area of approximately 1.3 million square feet, with an appraised value of S\$1.4 billion.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Lendlease. Its key objectives are to provide Unitholders with regular and stable distributions, achieve long-term growth in distribution per unit and net asset value per unit, and maintain an appropriate capital structure.

⁷ ISTAT, Italy's Economic Outlook 2019-2020 dated 4 December 2019

⁸ CBRE, Milan Office MarketView 3Q 2019

About the Sponsor - Lendlease Corporation Limited

The Sponsor, Lendlease Corporation Limited, is part of the Lendlease Group⁹, an international property and infrastructure group with core expertise in shaping cities and creating strong and connected communities, with operations in Australia, Asia, Europe and the Americas.

Headquartered in Sydney and established in 1958, the Lendlease Group's vision is to create the best places by striving for world leading standards for safety, innovation and sustainability.

The Lendlease Group's approach is to maintain a portfolio of operations that deliver diversification of earnings by segment and region, providing a mitigant to property cycles. This approach means that through cycles the composition of earning from each segment or region may vary.

The Lendlease Group has a development pipeline value approaching A\$100 billion¹⁰, core construction backlog of A\$15.6 billion¹¹ and funds under management of A\$35.2 billion¹². The Lendlease Group is a trusted investment manager to over 150 key capital partners in property and infrastructure investments.

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⁹ Lendlease Group comprises the Sponsor, Lendlease Trust and their subsidiaries.

¹⁰ As at 6 September 2019. According to the Lendlease Group Full Year Results Presentation for FY2019, the commercial component is approximately A\$29 billion comprising 322,000 sq m of commercial space in delivery across seven major buildings (c. A\$5 billion) and approximately 2,100,000 sq m of commercial space not yet in delivery (c. A\$24 billion).

¹¹ As 30 June 2019, backlog revenue refers to the unrecognised revenue which is already committed under existing agreements.

¹² As 30 June 2019.

Important Notice

This press release has not been reviewed by the Monetary Authority of Singapore (“MAS”). The Prospectus dated 25 September 2019 has been registered by the MAS on 25 September 2019.

Capitalised words and expressions used in this news release shall unless otherwise defined, bear the same meanings assigned to them in the Prospectus. This news release is for information purposes only and does not constitute an offer of, or invitation to subscribe or purchase or solicitation of subscriptions or purchases of units in Lendlease Global REIT in any jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment or any investment decision whatsoever. The information in this news release in respect of Lendlease Global REIT is qualified in its entirety by, and should be viewed in conjunction with, the full text of the Prospectus in relation to the Offering of the Units. The Offering is made by the Lendlease Global Commercial Trust Management Pte. Ltd. (as manager of Lendlease Global REIT).

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager, RBC Investor Services Trust Singapore Limited (as trustee of Lendlease Global REIT) the Sponsor, the Joint Bookrunners and Underwriters or any of their respective affiliates, advisers or representatives. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that holders of the Units may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This news release may contain forward-looking statements that involve assumptions, 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. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Lendlease Global REIT. The forecast financial performance of Lendlease Global REIT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

Neither this news release nor any copy or portion of it may be sent or taken, transmitted or distributed, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia) or any other jurisdiction outside of Singapore. The Units have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “Securities Act”), or the securities laws of any state of the United States and the Units may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. This news release does not constitute or form a part of an offer for sale of, or solicitation to purchase or subscribe for, securities in the United States. The Manager does not intend to conduct a public offering of the Units in the United States.

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