

# SGX ANNOUNCEMENT

22 July 2021



(a real estate investment trust constituted on 28 January 2019  
under the laws of the Republic of Singapore)

(Managed by Lendlease Global Commercial Trust Management Pte. Ltd.)

## **Responses to Questions from Unitholders for Lendlease Global Commercial REIT's Extraordinary General Meeting on 26 July 2021**

DBS Bank Ltd. is the Sole Financial Adviser and Issue Manager for the initial public offering of Lendlease Global Commercial REIT (the "**Offering**"). DBS Bank Ltd. and Citigroup Global Markets Singapore Pte. Ltd. were the joint global coordinators, bookrunners and underwriters for the Offering.

Lendlease Global Commercial Trust Management Pte. Ltd., in its capacity as manager of Lendlease Global Commercial REIT ("**LREIT**", and the manager of LREIT, the "**Manager**"), would like to thank Unitholders for submitting their questions in advance of LREIT's Extraordinary General Meeting ("**EGM**") to be held by electronic means at 1.00 p.m. on 26 July 2021.

The Manager has grouped related and similar questions into key topics and provided its corresponding responses to them. Please refer to the Manager's responses to these questions in the following pages.

By Order of the Board  
Kelvin Chow  
Chief Executive Officer

**Lendlease Global Commercial Trust Management Pte. Ltd.**  
(Registration Number: 201902535N)  
(as Manager of Lendlease Global Commercial REIT)

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## Responses to Questions from Unitholders

1. **Why is LREIT not acquiring 100% of Jem?**
2. **Why does LREIT acquire partial shares of Jem instead of raising more funds and acquire the direct interest wholly?**
3. **Why did the management issue perpetual securities instead of offering rights shares to existing shareholders?**
  - Jem is indirectly held by two single-asset private funds, Lendlease Asian Retail Investment Fund 3 Limited (“ARIF3”) and Lendlease Jem Partners Fund Limited (“LLJP”), which are mostly owned by shareholders that are not related to LREIT. The ability for LREIT to acquire 100% of Jem is dependent on the shareholders, in the two funds, being willing to divest their stakes.
  - On 1 October 2020, LREIT acquired a strategic stake of 5% interest in ARIF3. This strategic acquisition has provided LREIT with pre-emptive rights to further increase its indirect interest in Jem when the other shareholders are willing to divest.
  - While LREIT is not able to acquire 100% of Jem at this juncture, the proposed acquisition is distribution per unit (“DPU”) accretive and will boost income diversification. It is expected to provide Unitholders with regular and stable distributions, achieve long-term growth in DPU and yet maintain a prudent capital structure.
  - As at 31 December 2020, LREIT has a strong balance sheet and ample financial resources for its working capital with a gearing ratio of 35.4%, well below the gearing limit of 50.0%. Taking into consideration the size of the proposed acquisition, the perpetual securities had offered an attractive funding option without an immediate need for equity fundraising.
  - Equity fund raisings are evaluated carefully to ensure that it aligns with LREIT’s stated purpose to deliver stable and growing distributions, long-term DPU and NAV per unit growth. We also consider the strength of the global economy, the availability of accretive acquisition opportunities, cost of credit and LREIT’s unit price, which will need to deliver value to unitholders.
4. **What are the drivers for carrying out the acquisition now, as opposed to earlier or later, particularly given the continuing uncertainty of COVID-19?**
  - Suburban retail malls have proven to be more resilient during the COVID-19 pandemic especially for dominant malls with excellent transportation nodes. Jem enjoys direct connectivity to both the Jurong East MRT station and bus interchange and is near amenities such as the Ng Teng Fong General Hospital and Jurong Regional Library.
  - Jem has maintained a consistently high occupancy of above 99% despite the challenging retail environment and the COVID-19 pandemic. In addition, its tenants’ sales have recovered to near pre-COVID-19 levels.

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- Jem's attractiveness as a retail destination in the West region of Singapore is clearly demonstrated by the rapid replacement of the former Robinsons department store space by IKEA's first small concept store in the Southeast Asia. Anchor tenants within the retail space include FairPrice Xtra, Cathay Cineplexes and Don Don Donki. Other major retail tenants include H&M, Koufu, Uniqlo and Courts.
  - These conditions provide Jem with the potential to rebound faster from the COVID-19 downturn, given its ability to attract shoppers from a vast catchment area, while capturing a high proportion of spending from residents in the Jurong area.
  - On the office front, Jem provides one of the very few options of Grade A office space with direct access to the MRT station in the West region. Its office component, fully leased to the Ministry of National Development (MND) with a remaining lease term of 24 years, will provide a steady stream of income for the unitholders.
  - In addition, the completion of the new transportation infrastructure in the area, including the new Jurong East Integrated Transport Hub, the Jurong Region Line (JRL) and the Cross Island Line (CRL) will materially improve connectivity to the precinct and expand Jem's retail and office catchment area to a broader area within the West region and beyond.
- 5. Is the agreed property value in line with what the Sponsor would be able to obtain through third party arm-length bids, particularly considering the existing pandemic climate?**
- 6. As at 31 March 2021, the agreed property value and occupancy of Jem was S\$2,077 million and 99.7% respectively. Since then, Singapore has further tightened safe distancing measures resulting in a 2-week closure for Jem. Based on current sentiment, valuation should see a drop and the Board should stand on the interests of unitholders by seeking a discount from the Sponsor as it is uncertain that business conditions could improve despite the higher vaccination in Singapore as the delta-variant continues to dominate globally. The present conditions do not justify this valuation and a discount from the lower independent valuation should be used instead. As business conditions has since changed, is there any option for the Board to review the valuation and the purchase price?**
- The agreed property value is S\$2 million lower than the valuation of Jem of S\$2,079 million as at 30 June 2020.
  - RBC Investor Services Trust Singapore Limited, in its capacity as the trustee of Lendlease Global Commercial REIT, has commissioned an independent valuer, JLL, and the Manager has commissioned an independent valuer, CBRE, to respectively value Jem.
  - Both independent valuers have utilised the income capitalisation approach and discounted cash flow analysis as the primary valuation method and direct comparison approach as the secondary valuation methods.
  - The valuation approaches undertaken by the independent valuers are widely accepted methods in Singapore, and appropriate for the purpose of valuing tenanted, income-producing

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retail and commercial properties with medium to long term leases. In addition, the methodology and key assumptions of the independent valuers are consistent with market standards.

- Suburban retail malls have proven to be more resilient during the COVID-19 pandemic especially for dominant malls with excellent transportation nodes. The healthy operational performance and attractiveness of Jem are conditions for the mall to rebound faster from the COVID-19 downturn.
- Based on the assumptions, the Independent Financial Adviser is of the view that the transaction is based on normal commercial terms and is not prejudicial to the interests of LREIT and its minority unitholders.

- 7. Does LREIT plan to further increase stake in Jem beyond 31.8% within the next 2 years?**
- 8. Parkway Parade has less than 60 years remaining land tenure, could the management share your view on why this is included in the pipeline?**
- 9. After this acquisition, are there funds left to acquire Parkway Parade and PLQ?**
- 10. What concrete plans does the Board has in the next 12-24 months for LREIT?**

- A larger strategic stake in ARIF3 and LLJP will provide LREIT with increased pre-emptive rights to potentially increase its stake in the funds.
- LREIT also has a global mandate to look for opportunities that have strong value propositions.
- All potential acquisitions are evaluated carefully on a case-by-case basis, whether from Sponsor's pipeline or third-party, to ensure that they align with LREIT's investment strategy to deliver stable and growing distributions, long-term DPU and NAV per unit growth.
- LREIT's principal investment strategy is guided by the criteria to invest, 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; in particular, we look for assets that have the following characteristics:
  - Achieved a minimum occupancy of at least 80%
  - Achieved an average rental rate comparable to the market rental rate for similar assets
  - No material asset enhancement initiatives required within two years of the acquisition
  - Suitable to acquire taking into account market conditions at the time of the proposed offer.
- As at 31 December 2020, LREIT has a strong balance sheet and ample financial resources for its working capital with a gearing ratio of 35.4%, well below the gearing limit of 50.0%. Equity fund raisings are evaluated carefully to ensure that it aligns with LREIT's objective and investment strategy in terms of long-term DPU and NAV growth. We also consider the strength of the global economy, the availability of accretive acquisition opportunities, cost of credit and LREIT's unit price, which will need to deliver value to unitholders.

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**Lendlease Global Commercial Trust Management Pte. Ltd.**  
**(in its capacity as Manager of Lendlease Global Commercial REIT)**

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**11. Does the Manager plan to re-jig the tenant mix of Jem and 313@somerset in the long-term given the rise of online shopping?**

- Digitisation transformation definitely forms an important part of our strategy as we continue to shape the future of the retail landscape to create a seamless chain between online and on-site shopping. We aim to go beyond a brick-and-mortar landlord to one that empowers its tenants to grow their businesses sustainably in an omnichannel environment.
- We understand that consumer behaviours change, and we need to embrace what motivates shoppers to visit brick and mortar stores. For LREIT, we tap on our Sponsor's expertise in placemaking and developing activated spaces. Our Sponsor has been operating in Singapore for more than 40 years and is already one of the forerunners in new experiences and concepts i.e. first Don Don Donki and FairPrice Xtra with a bar at Jem and Parkway Parade respectively; IKEA's first small concept store in Southeast Asia at Jem; first office lobby concept store by 7-Eleven at PLQ 3 that features a self-serve beer corner that utilises reverse tap technology.
- 313@somerset features brands such as omnichannel retailer Love, Bonito, that appeal to the younger generation. Riding on the success in bridging the online to offline trend, 313@somerset has also attracted new-to-market online brands like Pomelo, which opened its first store in Singapore in 2019.
- We believe in differentiating our retail malls as lifestyle destinations and 313@somerset is a successful example, effectively tapping discretionary spending by the millennials and young working adults.
- In addition, Lendlease Plus, the Sponsor's digital retail ecosystem, has expanded its membership base by approximately 40% year-on-year. We continue to collaborate with merchants through the platform to generate sales for our tenants. Through the information collected from Lendlease Plus, we have valuable insights on consumer behaviours and are able to work with our tenants to better customise shopping experiences and increase revenue for them.

**12. Unit price has been underperforming, below IPO price and vis-a-vis other S-REITs. Is the Board satisfied with its performance?**

**13. Would the acquisition help to boost investors' confidence and push up LREIT's unit price to above S\$1.00?**

- While we are not able to provide guidance on LREIT's unit price, we will continue to engage with the investment community via both private and public forums despite the challenges brought upon by the COVID-19 pandemic.
- Since our listing on the SGX on 2 October 2019, LREIT has entered six major indices namely MSCI Singapore Small Cap Index, FTSE ST Small Cap Index, FTSE ST Singapore Shariah Index, GPR/APREA Investable REIT 100 Index, iEdge S-REIT Leader Index and iEdge S-

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REIT Index. The inclusion enhances LREIT's trading liquidity and visibility to investors and index funds worldwide.

- For the first six months of 2021, LREIT's unit price grew approximately 11%, outperformed most of the indices listed above, which ranged between -0.3% and 19%.
- In the environment, social and governance ("ESG") space, LREIT achieved Global Real Estate Sustainability Benchmark ("GRESB") 5-star rating in its first year of listing. The benchmark measures how LREIT integrates ESG into its overall business strategy, which includes leadership, policies and disclosures, risk management and stakeholder engagement.
- With a score of above 90, LREIT outperformed its peers and the GRESB average of 81 and 70 respectively. LREIT was ranked first in the Asia Retail (Overall), Asia Retail (Listed), Asia (Overall) and Asia (Listed) categories.

#### 14. Will the plan to redevelop Grange Road open air carpark continue given COVID-19?

- We do not foresee significant deviation from our original concept. Lendlease is one of the forerunners in placemaking. For LREIT, we know the site very well and we are confident that our concept will contribute to the placemaking of the Somerset area.
- The design of the multifunctional event space will take into consideration all necessary safety measures in a post-pandemic environment, in consultation with our government partners, partners and community stakeholders.
- Construction of the event space is expected to commence by the end of 2021 and will take approximately 12 to 18 months to complete. Upon completion, the event space will solidify 313@somerset's position as the focal point of the Somerset youth precinct.

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## 15. How does the acquisition help to improve the dividend per unit and by how much?

<i>Pro Forma</i> effects of the proposed Acquisition for FY2020	Effects of the Acquisition <sup>(1)</sup>	
	Before the Acquisition <sup>(1)</sup>	After the Acquisition <sup>(1)</sup>
Net Property Income (S\$ million)	40.3	40.3
Profit before tax and change in fair value (S\$ million) <sup>(2)</sup>	15.8	22.9
Distributable Income (S\$ million)	35.7	37.0
Weighted Average Units in issue (million)	1,164.6	1,168.9
DPU (cents) <sup>(3)</sup>	3.05	3.16
DPU Accretion (%)	-	3.6

**Notes:**

- (1) Based on the assumption that 19.8% of the ARIF3 Share Capital is acquired. Note that if 5.0% of the ARIF3 Share Capital is acquired, then the *pro forma* financial effects will instead be: Profit before tax and change in fair value of S\$19.6 million, Distributable Income of S\$36.2 million, Weighted Average Units in Issue of 1,167.2 million, DPU of 3.10 cents and DPU Accretion of 1.6%.
- (2) Assumes LREIT Group's Profit before tax and change in fair value takes into account share of profits from associates of the proposed Acquisition.
- (3) Assumes the additional Acquisition Fee Units are issued at the beginning of the reporting period on 2 October 2019.

- DPU is expected to increase 3.6% based on the pro forma financial effects of the proposed acquisition for FY2020.

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An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (“**Unitholder**”) have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

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