



CapitaLand Investor Day 2018

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Disclaimer

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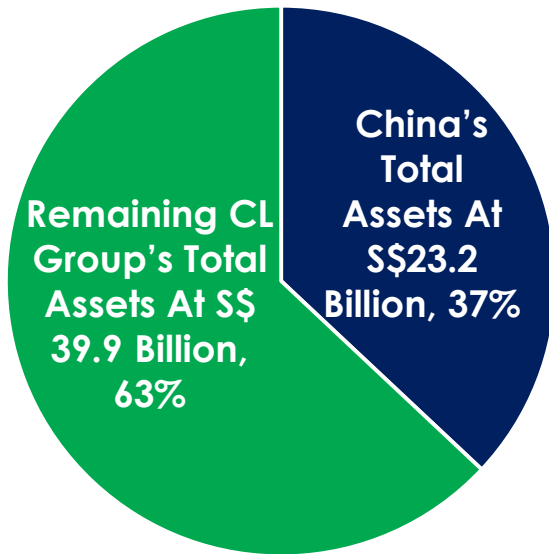
- Where Is CL China Now
- Overview Of China Real Estate Market
- How CL China React – Strategies & Opportunities
- Conclusion

B. CL Investment management



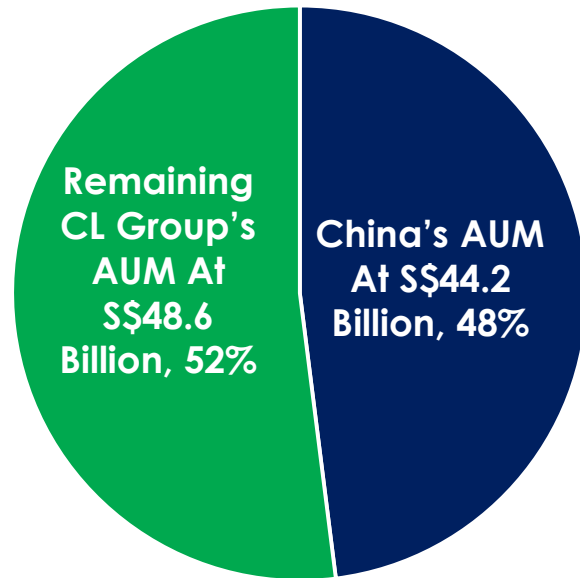
1 Where Is CL China Today?

**Total Asset Contributes
37% Of
CL Group's Total Asset**



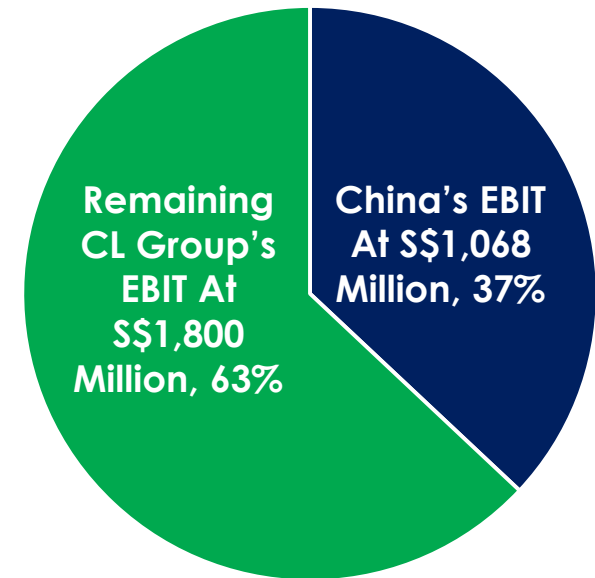
■ China ■ Rest of the CL Group

**AUM Contributes
48% Of
CL Group's AUM**



■ China ■ Rest of the Group

**EBIT Contributes
37% Of
CL Group's Total EBIT**



■ China ■ Rest of the Group

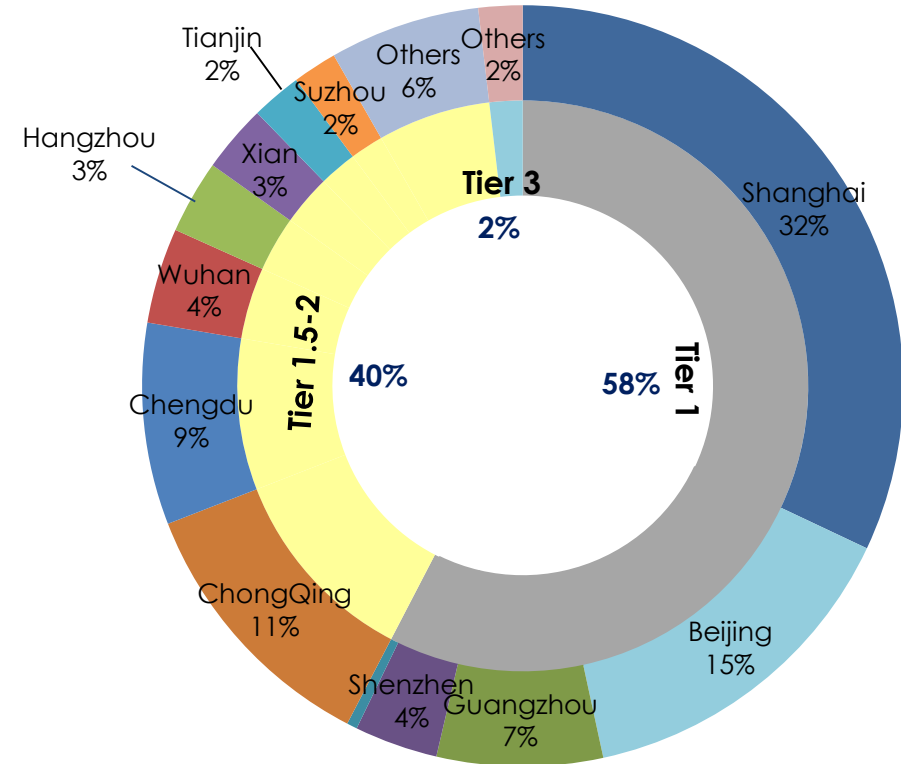
Note: As of Sep 2018



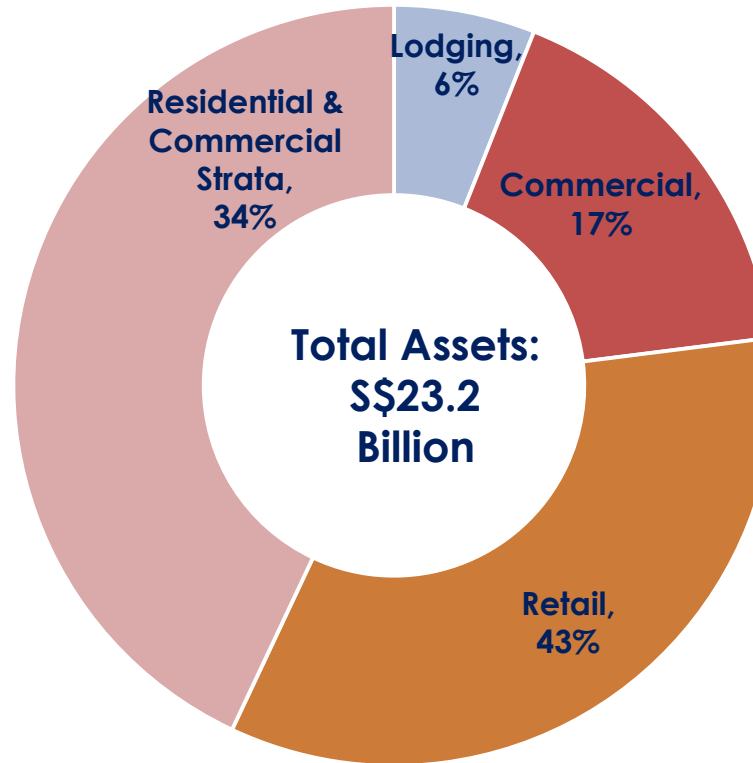
2

Where Is CL China Today? (As Of September 2018)

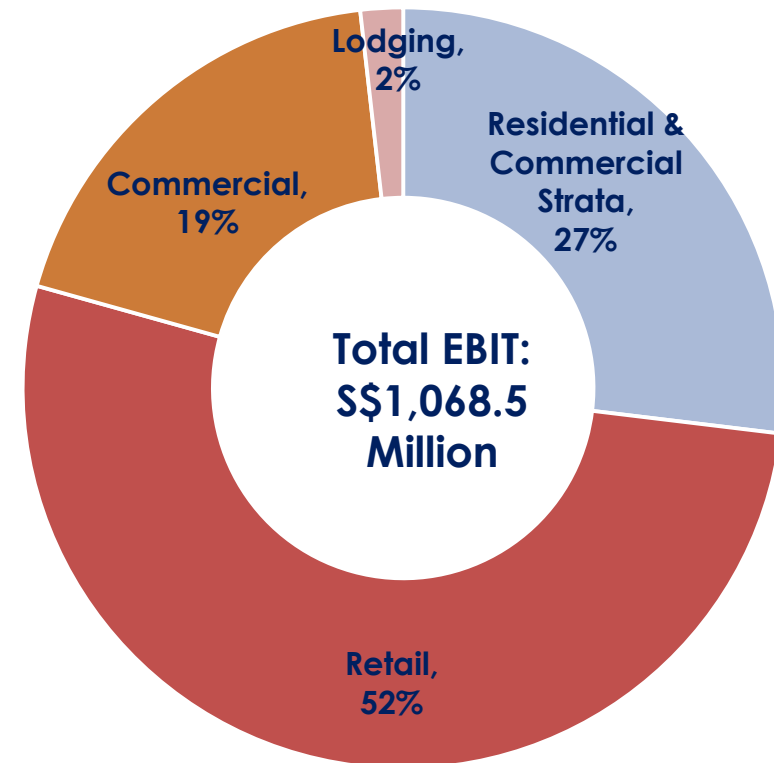
Asset Value By Cities



Asset Value By Asset Class



Total EBIT By Asset Class



Majority Of Assets In Tier 1 & Tier 2 Cities And In Investment Properties

Note: As of September 2018

Overview Of China Real Estate Market

A low-angle, upward-looking photograph of two modern skyscrapers with glass facades. The buildings are covered in a grid of rectangular glass panels that reflect the sky and clouds. The sky is a deep blue with scattered white clouds. The perspective creates a sense of height and scale, with the buildings converging towards the top of the frame.



1 China's Real Estate Landscape Is Evolving; Opportunities Arise Due To Changing Consumer Needs

1

**1970s to
1990s**



Real estate being viewed as a necessity, "roof over the head"



2

**1990s to
2010s**



Rapid urbanisation, real estate was to meet "demands" of urban dwellers



3

**2010s - Next
Phase of
Growth**



Urban revitalisation, shift towards a middle income society with a digital lifestyle



2 Greater Emphasis In Services Offer Expansion Opportunities Across The Value Chain

- **Urban revitalization (产城融合)**
 - Chinese government need help to attract industries that create economic growth and employment (integrated developments such as Raffles City is not longer sufficient as a source of profit or attraction)
 - Shift in focus to innovation and technology “双创” – 创新, 创业
- **China policy focus is also shaping the future direction of real estate sector with new needs and products**
 - Shift in economic structure to domestic-led consumption growth, leading to changes in lifestyle and consumption patterns => towards a digital metropolitan lifestyle
 - Improving investment environment and opening up of capital markets through new products
 - Importance of social stability – development of rental housing



“ Our goal ahead is to let the citizens live a happy, meaningful and fulfilling life...”

“ In three years time, to develop China into a middle-income society...”

3 Recent Challenges Faced In China Real Estate Market

1 Price cap

- Every city's government will impose a maximum selling price for each residential project



Examples

- **Nanjing: Price cap by regions**

- He Xi district: RMB 4,500 per sqm
- Gu Lou district: RMB 40,000 per sqm
- Jiang Bei district: RMB 30,000 per sqm

- **Chengdu: Below surroundings**

The selling price should not be above surrounding projects' price. Appreciation based on interior finishes is not allowed.

2 Units limitation

- Each individual can only buy up to a certain number of units



Examples

Beijing:

- *Beijing residence*
 - Family: Maximum 2 units
 - Single: Maximum 1 unit
- *Non-Beijing residence*
 - Qualification: Own residence permit and accumulated 5-year social insurance or accumulated 60-month personal income tax
 - Maximum 1 unit

3 Stricter loan policy

- To home buyers: higher down payment due to reduction in LTV
- To developers: higher borrowing rate, less loan size by banks to real estate developers



Examples

- **Shanghai:**

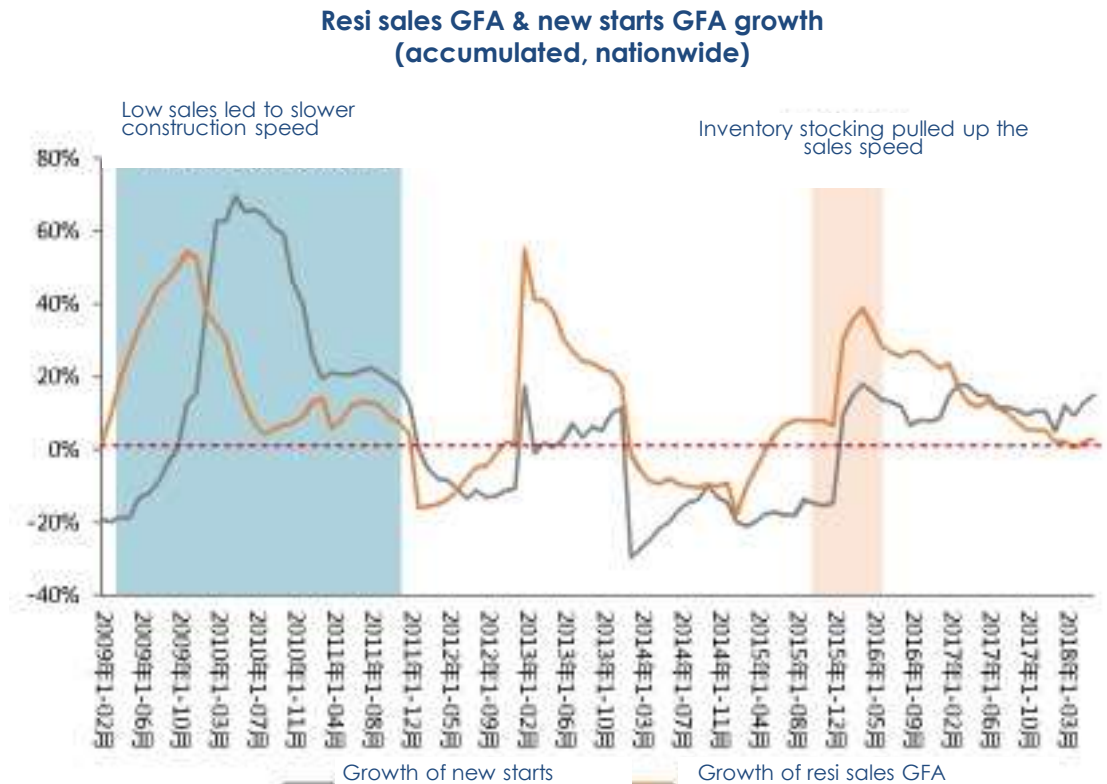
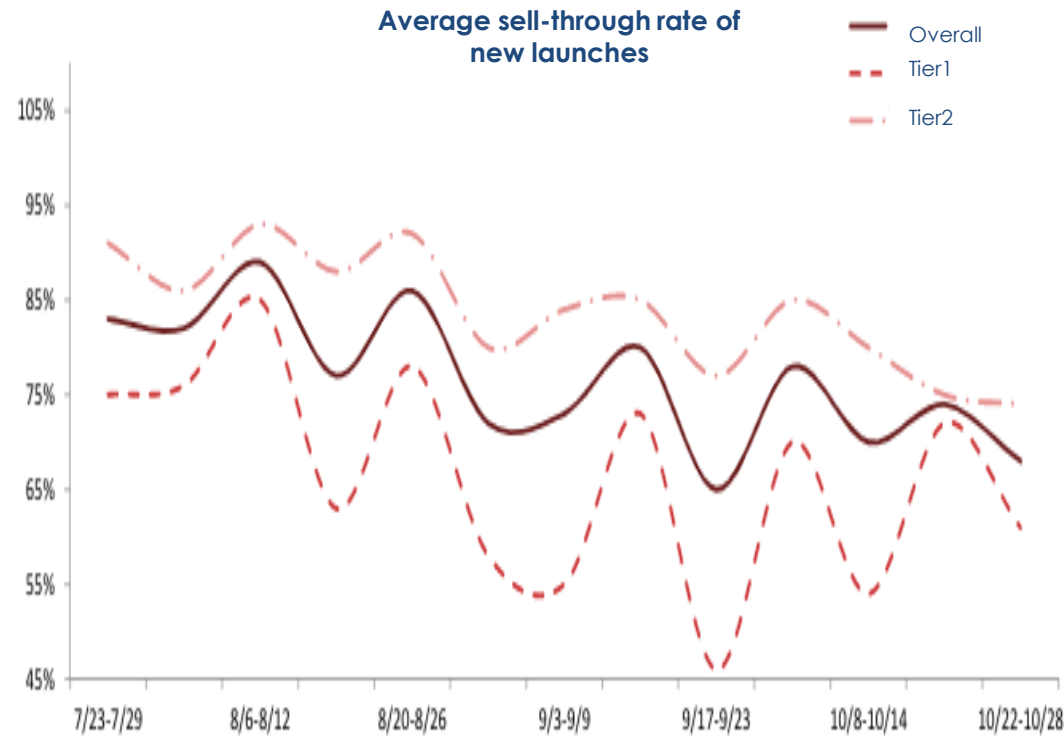
- 1st unit or no loan record: down payment 35%
- 2nd unit or has loan record: down payment 70%

- **Guangzhou:**

- 1st unit: down payment 30 or 40%
- 2nd unit or above: down payment 50% or 70%

4 Nevertheless, Residential Launches And Sell-through Rate Remain Healthy

- Average Sell-through Rate Stabilised From September 2018, Which Also Manifested In The Recovery Of Market Sentiment
- New Construction Area Growth Rate Stabilized At 10% In 2018



Note:

1. Average sell-through rate of new launches is from CICC report.
2. Resi sales GFA & new starts GFA growth is from TOSPUR.

5 Land Bidding Cancellation Rate Raised And Real Estate Players Are Starting To Be More Rationale

- By August 2018, 245 Land Bids Cancelled In Tier 1 & 2 Cities, Showing Declining Trend Comparing To 258 Bids Cancelled In FY2017
- Geographically, More Bids Are Cancelled In Cities Of Northern China And Inner Regions



Source: CRIC



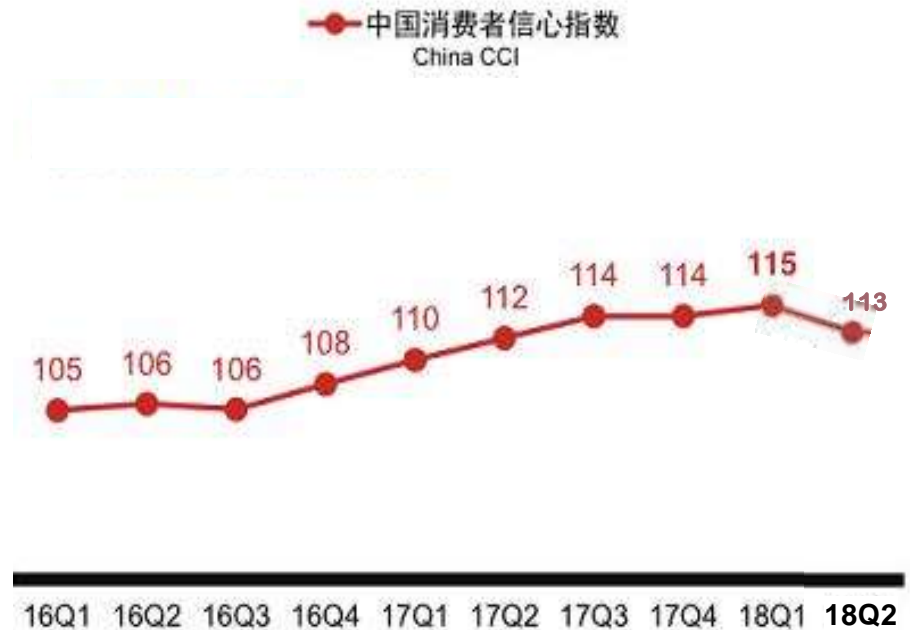
6 Consumption Growth & Confidence Still Holding Up

Impact Of US-China Trade Tensions Remain Limited

Monthly growth of total retail sales of consumer goods



China Consumer Confidence Index



Note:

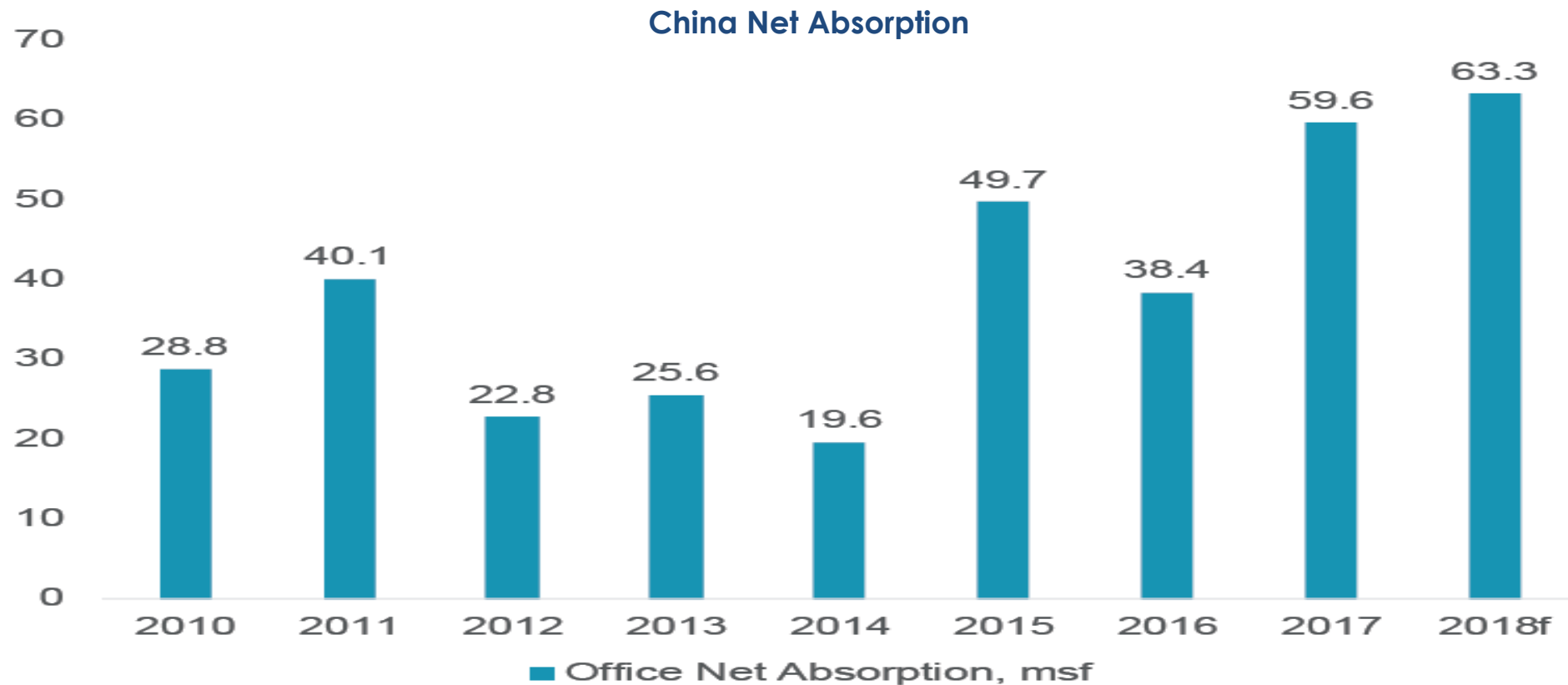
1. Growth of retail sales is from China Statistics Bureau
2. CCI is from Nielsen CCDData



7

Business Sentiments Remains Positive

Demand For Office Space Continue To Be High With Net Absorption Inching Up



Note:

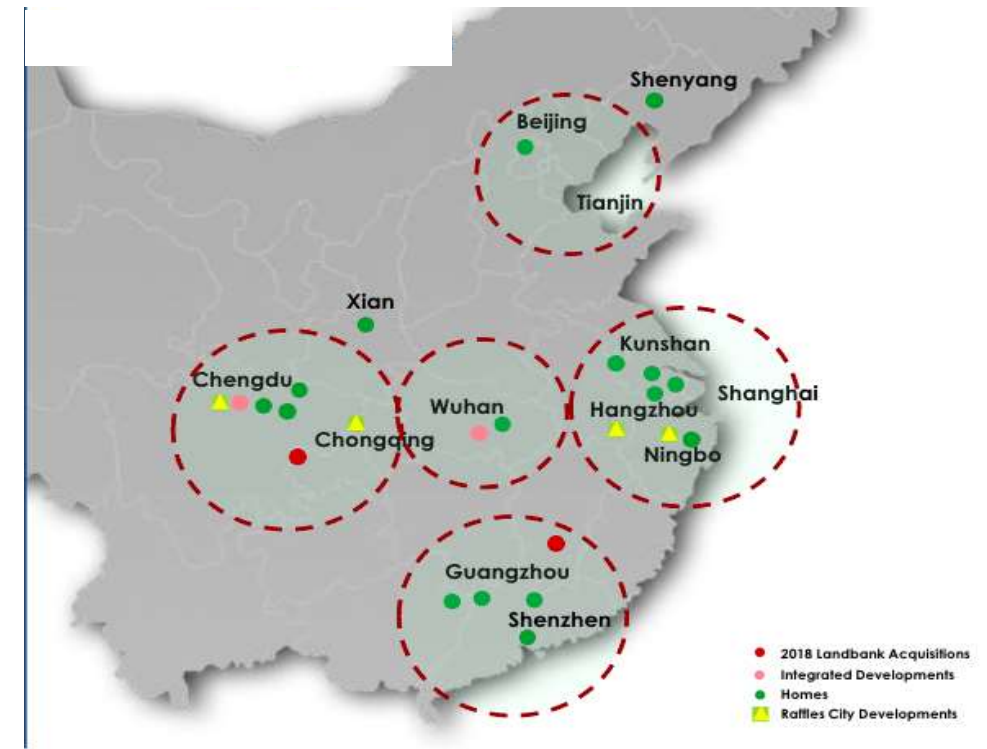
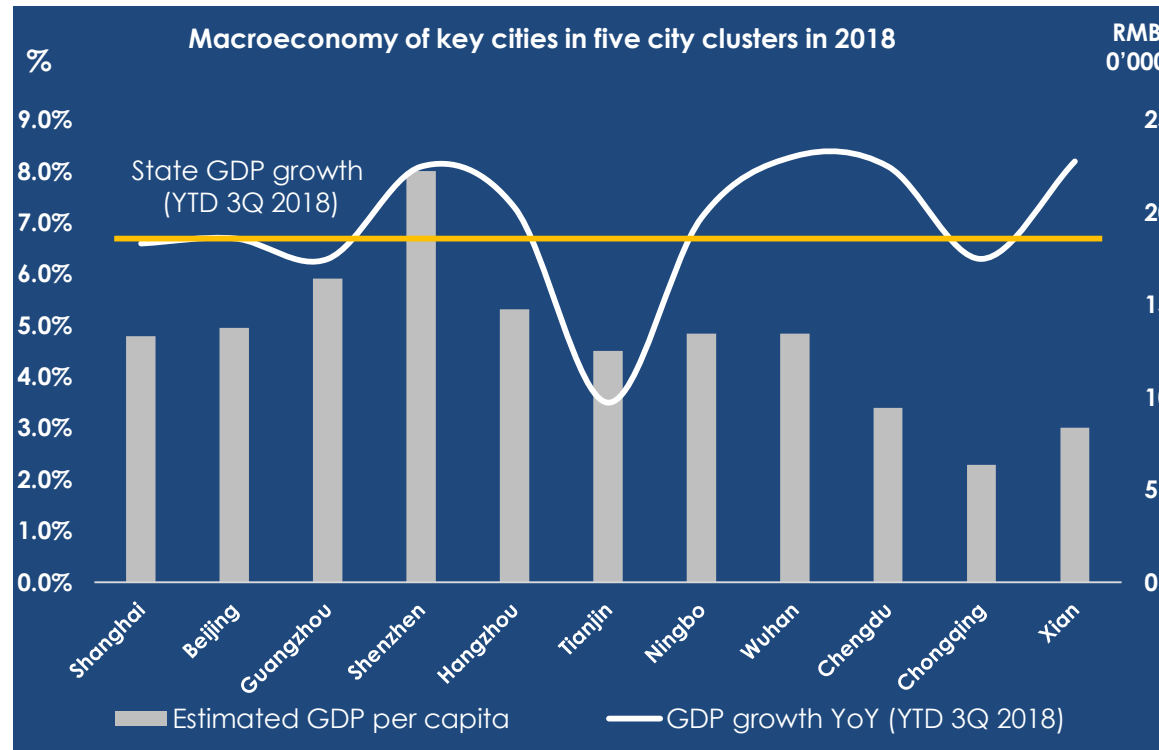
1. Cushman & Wakefield Research; f = forecasted pace based on 2018Q1 trend
2. Msf = million square feet

How CL China React – Strategies & Opportunities



1 Targeting Investments In Tier 1 & Upper 2 Cities

Five City Clusters Cover Key Tier 1 Cities And Upper Tier 2 Cities Which Still Have Strong GDP Growth And Demand For Consumer Consumption



Note:

1. Various cities' Bureau of Statistics



2

New Investments Made In Various Asset Classes To Prevent Concentration Risk

Good Balance Of New Residential Projects With Mixed –Use Commercial Projects





3

Residential: Use Different Sources To Increase Residential Land Bank And Faster Time-To-Market



Participate in opportunistic land-bidding at an acceptable breakeven price;



Engage in higher yield and large scale urban redevelopment and land development



Access to land bank at lower costs via acquisition of distressed projects or JV with partners with limited development capabilities

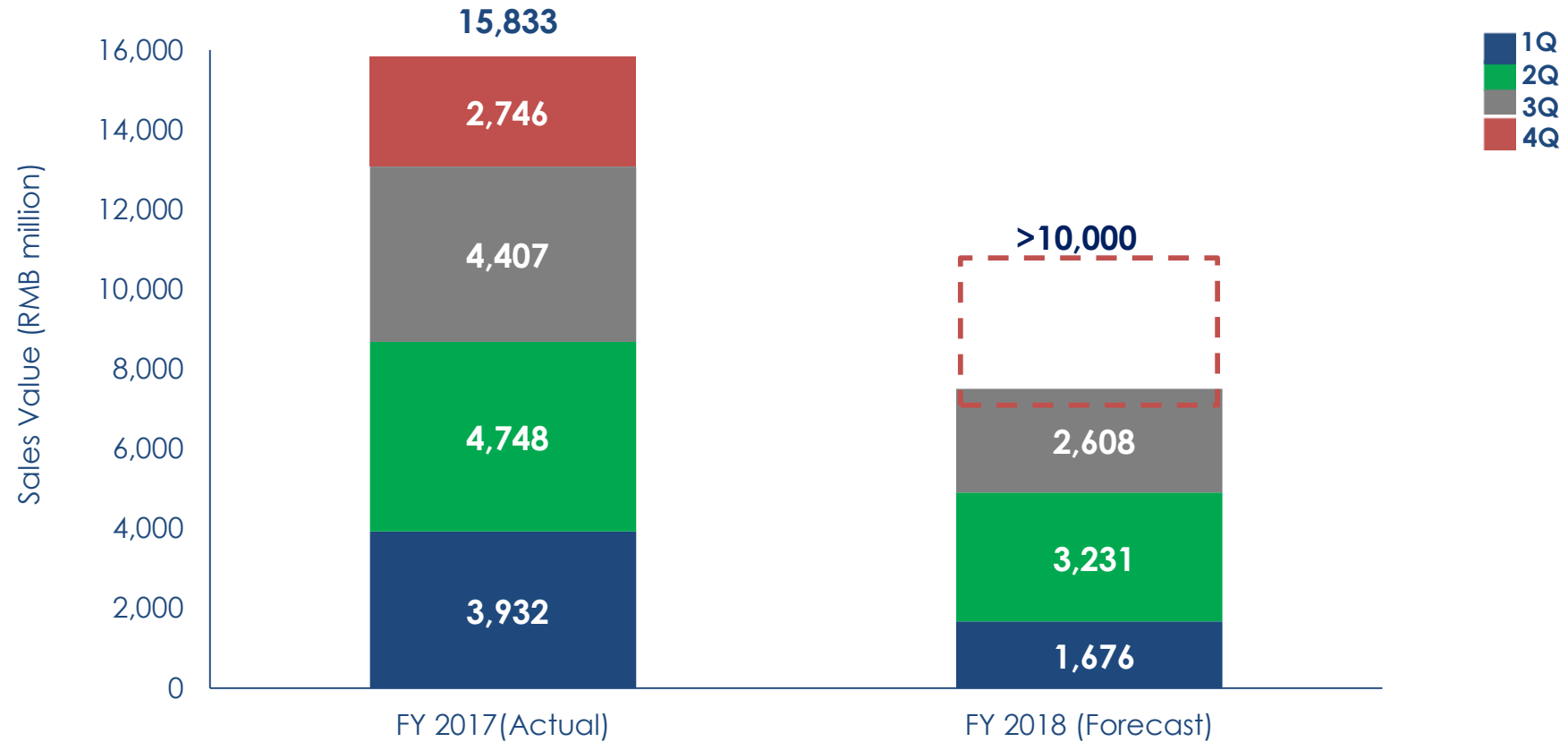


Faster time-to-market for residential projects



Remains Confident On China Residential Sales Going Forward

High Sell-Through Rate For CL China's Residential Projects As Majority Of Launched Units Are Sold; Deferred Launches Mainly Due To Government Measures



Note:

1. Units sold includes options issued as at 16 November 2018
2. Above data is on a 100% basis. Comparative figures include strata units in integrated development. YTD Sep 2017 figures include the remaining inventory sold through the divestment of Central Park City Wuxi (108 residential units with a total value RMB192 million) and The Botanica Chengdu (total value RMB105 million).
3. Value includes carpark, commercial and value added tax.



4 Investment Properties/Commercial: Explore More Value Appreciation Opportunities



Target assets in tier 1 & upper tier 2 cities to mitigate market risk



Expect returns derived from asset appreciation and value-add strategy

Artist's Impression



IP holding examples – Project H55, Shanghai

- **Top location:** located in tier 1 city, SH and at intersection of two metro lines
- **Trophy asset:** highest twin towers along Huangpu River
- **Attractive price:** RMB 62k psm below replacement cost and 20% lower than market price
- **Full usage of capital:** gain S\$ 4b of AUM whilst taking 20.9% effective stake and utilizing less than S\$500m of equity



Value add strategy example – Guozheng Centre, Shanghai

- **Promising location:** short distance outside Shanghai's Middle Ring Road
- **Value-add opportunity:** dated interior finishes, giving opportunity to create co-working space to rejuvenate the building
- **Stunning effect after AEI:** Total property value appreciated by RMB 60million after AEI was completed in May 2018



Retail^{1,2,5}: Steady Growth Underpinned By Robust Domestic Consumption

NPI Yield On Valuation³

5.0%

Committed Occupancy⁴

97.7%

Shopper Traffic Growth
(YTD Sept 2018 VS. Sept 2017)

+1.3%

Tenant Sales Growth
(YTD Sept 2018 VS. Sept 2017)

+4.5%

Note:

1. Portfolio includes properties that are operational as at 30 September 2018. It excludes the 20 properties divested in China
2. Same-mall compares the performance of the same set of property components opened/acquired prior to 1 January 2017
3. NPI Yield on valuation is based on valuations as at 30 June 2018
4. Committed occupancy rates as at 30 September 2018 for retail components only
5. China: Excludes two master-leased malls. Tenants' sales from supermarkets and department stores are excluded



Expanding Office Footprint In China

Office Space In Shanghai and Beijing Constitutes ~63% Of Total GFA

- Stabilised projects¹ maintained their high occupancy and rent, with average rental reversion of +4% in 3Q 2018
- New projects² continued their leasing momentum with average committed occupancy³ improved by 10% quarter-on-quarter in 3Q 2018
- Leed Platinum awarded to Innov Center in Shanghai



20 Projects In
11 Cities

17 In Operations
3 Under Development

Total GFA

Over 1.2 million
sqm

93.0%

**Average Committed
Occupancy For Matured
Projects**

Notes:

1. Stabilized projects include offices in Raffles City Shanghai, Hongkou, Minhang, Raffles City Ningbo, Raffles City Beijing, Tianjin International Trade Centre, Raffles City Shenzhen, Raffles City Chengdu, CapitaMall Tianfu and CapitaMall Xindicheng
2. New projects include offices in Raffles City Changning, Capital Square, Innov Center, Raffles City Hangzhou, Suzhou Center, One iPark and CapitaMall Westgate
3. As at 30 September 2018

Conclusion





CL China Aim To Inspire Modern Urban Spaces And Lifestyle In Response To An Evolving China Real Estate Market

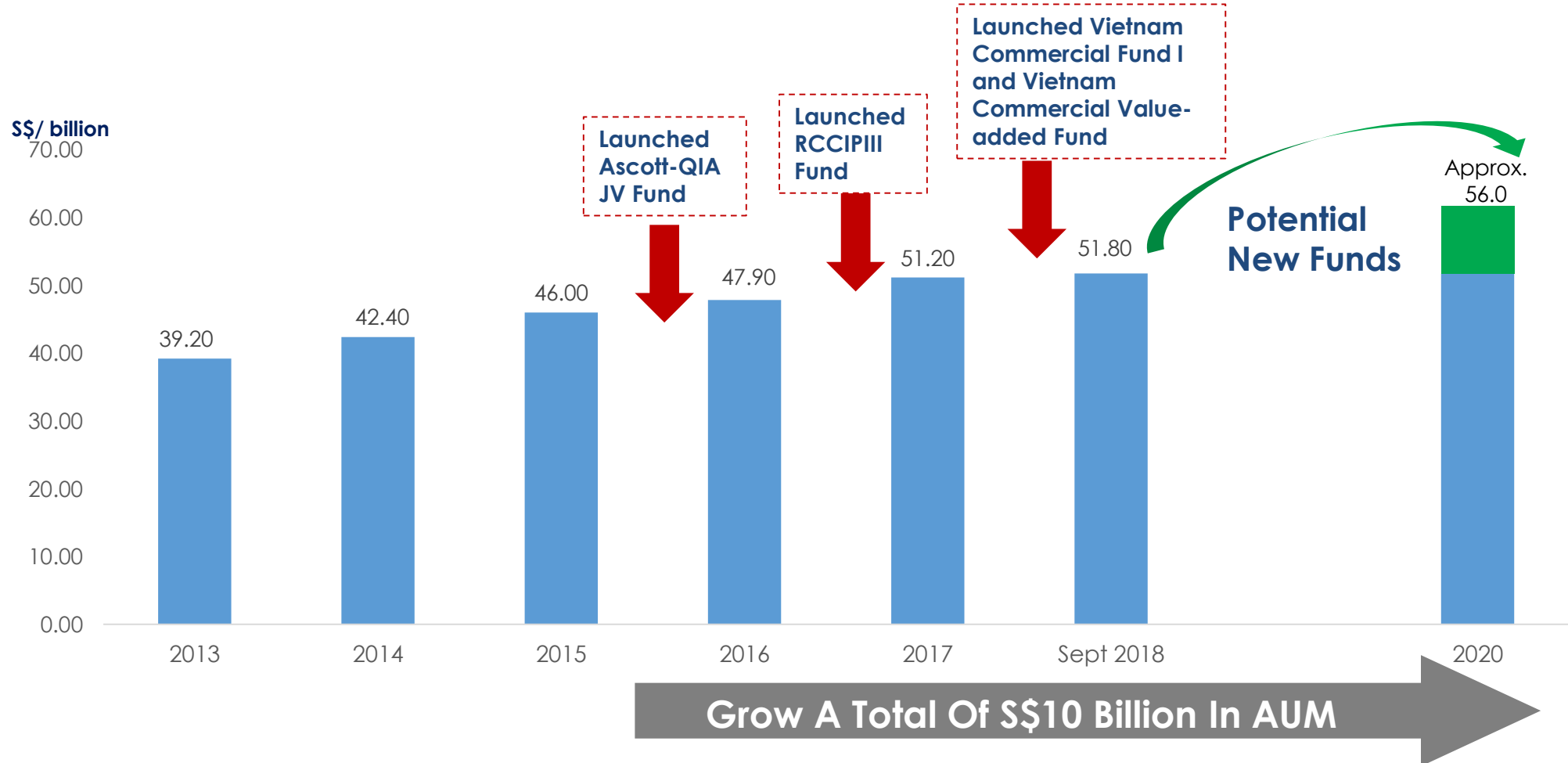
- Importance of CL China to CapitaLand Group's business
- China is reshaping its real estate market towards a sustainable direction, which provides CL China new opportunities
- CL China will continue focus on tier 1 and upper tier 2 cities to mitigate potential market risk
- Diversify sources to residential projects through opportunistic land bidding, urban renewal and JV partners
- Increase asset value of investment properties and commercial projects through value-added trading

CL Investment Management

A low-angle, upward-looking shot of two modern skyscrapers with glass facades. The building on the left is curved and features a grid of blue-tinted glass panels. The building on the right is more angular, with large triangular glass sections. The sky is a deep blue with scattered white clouds. The text 'CL Investment Management' is overlaid in white, sans-serif font across the middle of the image.

1 On Track To Grow S\$10 Billion In AUM By 2020

Total Assets Under Management Through 5 REITS & 16 PE Funds



Year-To-Date September 2018 Earned S\$167.2 million In REITs/Fund management Fees

2 Progress In Funds Business For 2018



- RCCIP III, which started in 2016, formed a 50-50 JV with GIC to acquire Shanghai's tallest twin towers for RMB12.8 billion
- Set up Vietnam Commercial Value-Added fund of AUM US\$130 million
 - life span of 8 years;
 - JV with MEA Commercial Holdings, focusing on grade A properties in Vietnam
- Conversion of existing Raffles City Commercial Fund I to Raffles City Commercial Fund IV which is an income fund



Near Term Opportunities

- Scale up organically through setting up of new funds such as Asia focused value-added fund and debt fund
- Expand by acquiring new/existing platforms or engage in joint ventures
- Expand universe of capital partners, for example, tap on local Chinese institutional investors for RMB fund



CapitaLand

Thank You