



CapitaLand Commercial Trust Singapore's First Commercial REIT

Proposed Acquisition of 60.0% of units in MSO Trust
which holds CapitaGreen

Tuesday, 21 June 2016



Disclaimer

The past performance of CCT is not indicative of the future performance of CCT. Similarly, the past performance of CapitaLand Commercial Trust Management Limited, the manager of CCT, is not indicative of the future performance of the Manager.

The value of units in CCT (CCT Units) and the income derived from them may fall as well as rise. The CCT Units are not obligations of, deposits in, or guaranteed by, the CCT Manager. An investment in the CCT Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the CCT Manager to redeem or purchase their CCT Units for so long as the CCT Units are listed on Singapore Exchange Securities Trading Limited (SGX-ST). It is intended that holders of the CCT Units may only deal in their CCT Units through trading on the SGX-ST. Listing of the CCT Units on the SGX-ST does not guarantee a liquid market for the CCT Units.

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You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the CCT Manager on future events.



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*Any discrepancies in the tables and charts between the listed figures and totals thereof are due to rounding.

Overview



CapitaGreen, Singapore



- CCT presently owns 40.0% interest in MSO Trust which holds CapitaGreen
- CCT to exercise call option to acquire joint venture partners' 60.0% interest in MSO Trust as announced on 23 May 2016
- Proposed acquisition of CapitaLand's 50.0% interest is subject to CCT Unitholders' approval ⁽¹⁾
 - ✓ EGM to take place at 2.30 pm on Wednesday, 13 July 2016
 - ✓ If approval is not obtained for CapitaLand's 50.0% interest, acquisition of Mitsubishi Estate Asia's 10.0% interest will not proceed

Note:

(1) Given that the proposed acquisition involves a transaction with an associate of CapitaLand, CapitaLand has to abstain from voting on the proposed resolution.



Transformation of Market Street Car Park into CapitaGreen, a premium Grade A office tower

July 2011

- ✓ Regulatory 10.0% development limit capped CCT's ownership to 40.0%; formed JV with CapitaLand and MEA
- ✓ S\$56 mil Market Street Car Park redeveloped under MSO Trust
- ✓ Call Option Agreement executed with JV partners to acquire their 60.0% interest subject to terms and conditions



Dec 2014

CapitaGreen developed at total cost of S\$1.3 bil⁽¹⁾ and obtained temporary occupation permit on 18 Dec 2014



May 2016

- ✓ Proposed acquisition of remaining 60.0% interest in MSO Trust by exercising call option (valid for three years from 18 Dec 2014 to 17 Dec 2017)
- ✓ Acquisition price to be at market valuation



Note:

- (1) Total development cost included a differential premium and other land related costs of S\$651.5 million paid to the government authorities.



Ownership structure

Existing ownership structure

CAPITA**GREEN**

MSO Trust ⁽¹⁾

50.0%

CapitaLand

subject to unitholders' approval

10.0%

Mitsubishi Estate Asia

40.0%

CapitaLand Commercial Trust

CCT to acquire 60.0% of units in MSO Trust

New ownership structure after acquisition of 60.0% interest

CAPITA**GREEN**

MSO Trust ⁽¹⁾

100.0%

CapitaLand Commercial Trust

Note:

- (1) MSO Trust is a special purpose approved sub-trust that has been accorded tax transparency treatment by the Inland Revenue Authority of Singapore.

Rationale for Proposed Acquisition

CapitaGreen, Singapore



CapitaGreen expects NPI yield of 3.8%⁽¹⁾



Committed
occupancy rate:

94.6%

as at 14 Jun 2016

Annualised
forecast 4Q 2016
net property
income yield:

3.8%⁽¹⁾

Forecast gross revenue⁽²⁾

for 4Q 2016: **S\$21.5 mil**

Forecast net property income⁽²⁾

for 4Q 2016: **S\$15.3 mil**

Average agreed value as at 6 Apr 2016:

S\$1,600.5 mil (S\$2,276 psf)⁽³⁾

Notes:

- (1) Derived from CapitaGreen's annualised forecast 4Q 2016 NPI, revenue occupancy of 94.6%, assuming various revenue commencement dates in 4Q 2016 and valuation as at 6 Apr 2016.
- (2) Please refer to the assumptions in Appendix B – Profit Forecast in CCT's circular dated 21 June 2016.
- (3) Average of two valuations by CBRE and Knight Frank as at 6 Apr 2016.

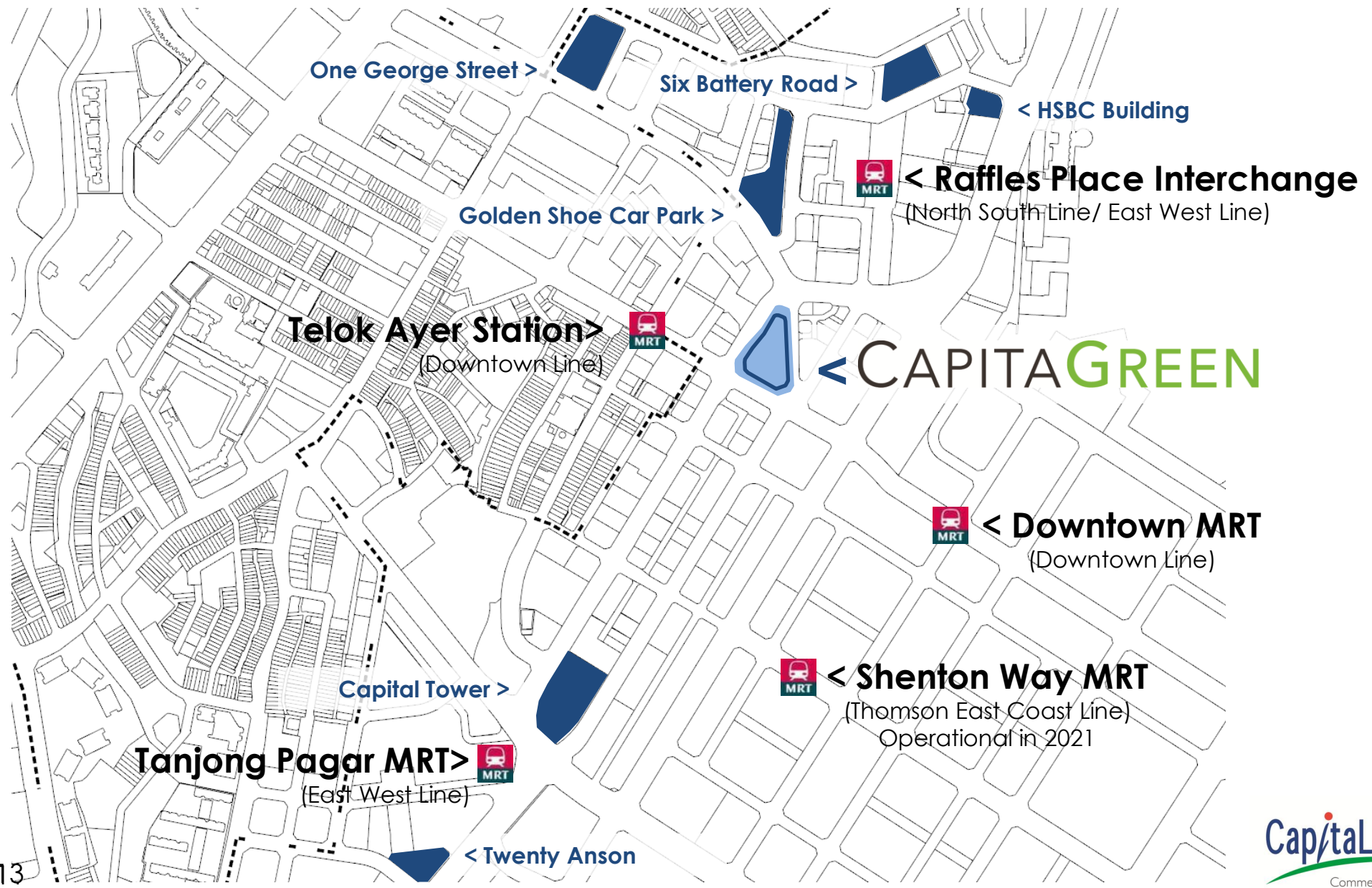
Complete management control of CapitaGreen after acquisition of remaining 60.0% from JV partners



Description	40-storey Grade A office tower with ancillary retail units
Site Area	58,971 sq ft
Gross Floor Area	882,681 sq ft
Net Lettable Area	703,122 sq ft
Committed Occupancy	94.6% as at 14 Jun 2016
Land Tenure	Leasehold with remaining term of 57 years expiring 31 Mar 2073
Car Park Lots	180



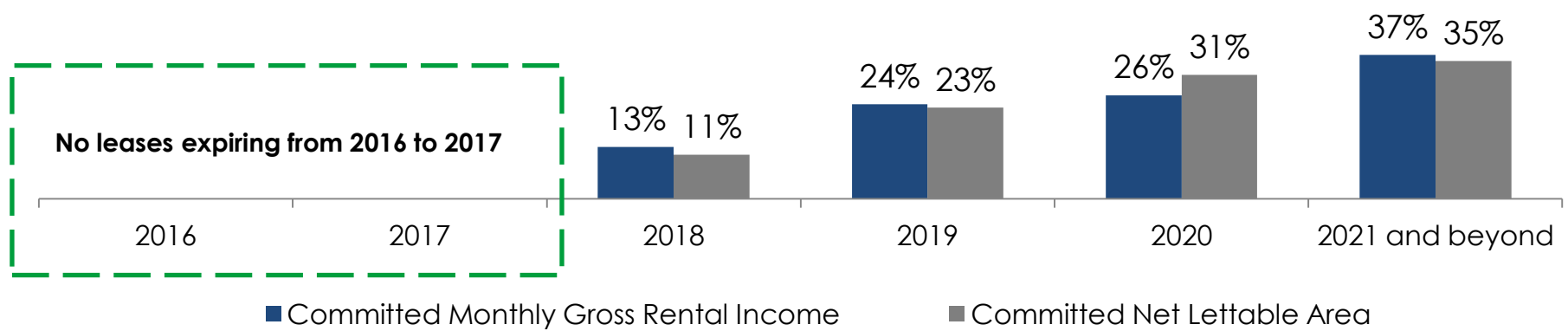
Centrally located in Singapore's CBD





Well spread lease expiry profile with no leases due prior to 2018

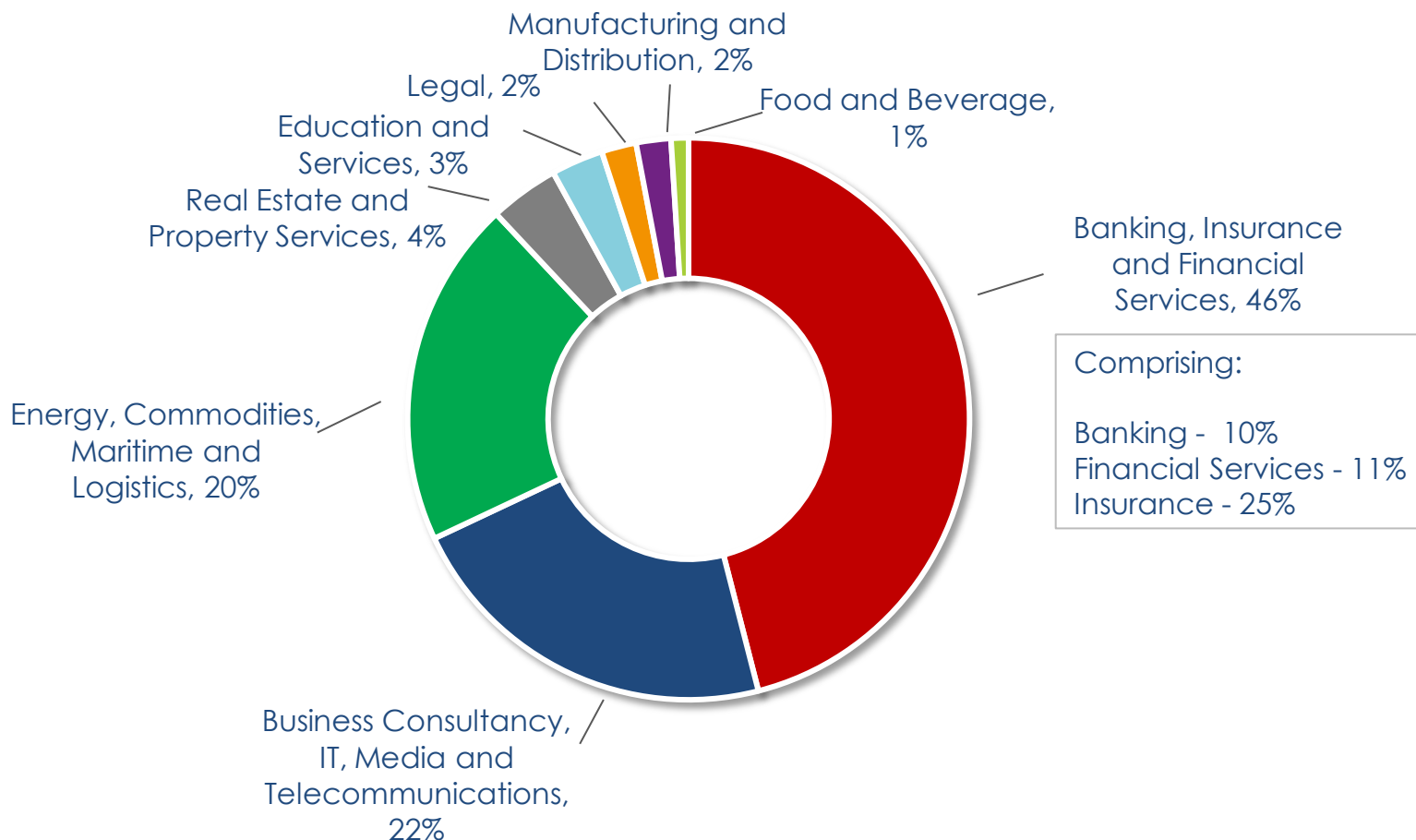
Avoids the large, new supply in the Singapore office market completing in 2016 and 2017





Diverse tenant business mix⁽¹⁾ at CapitaGreen

Majority of tenants from the Insurance, IT, Energy and Commodities, and Banking and Financial sectors



Note:

(1) Based on committed monthly gross rental income of tenants at CapitaGreen, excluding retail turnover rent, as at 31 Mar 2016.



Environmentally sustainable design and high quality specifications

- ✓ Column-free floor plate of approx 22,000 sq ft
- ✓ Floor to ceiling height: 3.2m
- ✓ Core to window depth: ~10m to 16m
- ✓ Wind scoop/Cool Void
 - Draws in cooler air from higher altitudes and directs cool fresh air to office floors via the Cool Void
- ✓ Double skin facade
 - Reduces heat gain by up to 26%





**Best Tall Building⁽¹⁾
Asia and Australasia**
Council on Tall Buildings
and Urban Habitat
(CTBUH)



**Best Office and Business
Development category**
Bronze
MIPIIM Asia



BCA GREEN MARK

**Green Mark
Platinum**

Building and Construction
Authority, Singapore



BCA UD MARK

**Universal Design Mark
Platinum**

Building and Construction
Authority, Singapore



**Building Information Modelling
Award (Project Category)**
Platinum

Building and Construction
Authority, Singapore

Note:

(1) CTBUH awarded the Best Tall Building Americas 2015 to One World Trade Center in New York City, USA.



Call Option Conditions and Proposed Funding

CapitaGreen, Singapore



Key conditions in call option agreement

Call option validity period	Within three years after completion of CapitaGreen: 18 Dec 2014 to 17 Dec 2017
To exercise call option	Exercise price is at market valuation Agreed market value must be equal to or exceed base price
Base price	Base price was computed as S\$1,585.8 mil as at 6 Apr 2016 ⁽¹⁾ Based on total development cost incurred since commencement of development in 2011 less net income received and compounded at 6.3% p.a. Total development cost: S\$1.3 bil (lower than budget of S\$1.4 bil)
Agreed market value	S\$1,600.5 mil (S\$2,276 psf) as at 6 Apr 2016 Based on average of two independent market valuations

Note:

(1) Notice was issued to JV partners on 6 Apr 2016 to start the process of exercising the call option.



Market valuation by independent valuers

as at 6 Apr 2016

Based on Capitalisation Approach and Discounted Cash Flow Analysis

	Based on leasehold of 57 years	
Valuer	Total Valuation (\$\$ m)	Capital values (\$\$ psf)
CBRE	1,599.0	2,274
Knight Frank	1,602.0	2,278
Average	1,600.5	2,276 ⁽¹⁾

Assumptions by independent valuers:

Capitalisation rate :	4.15%
Terminal yield :	25 bps above capitalisation rate
Discount rate :	7.25%
Average market rent growth :	3.85% p.a. (over a 10-year period)

Note:

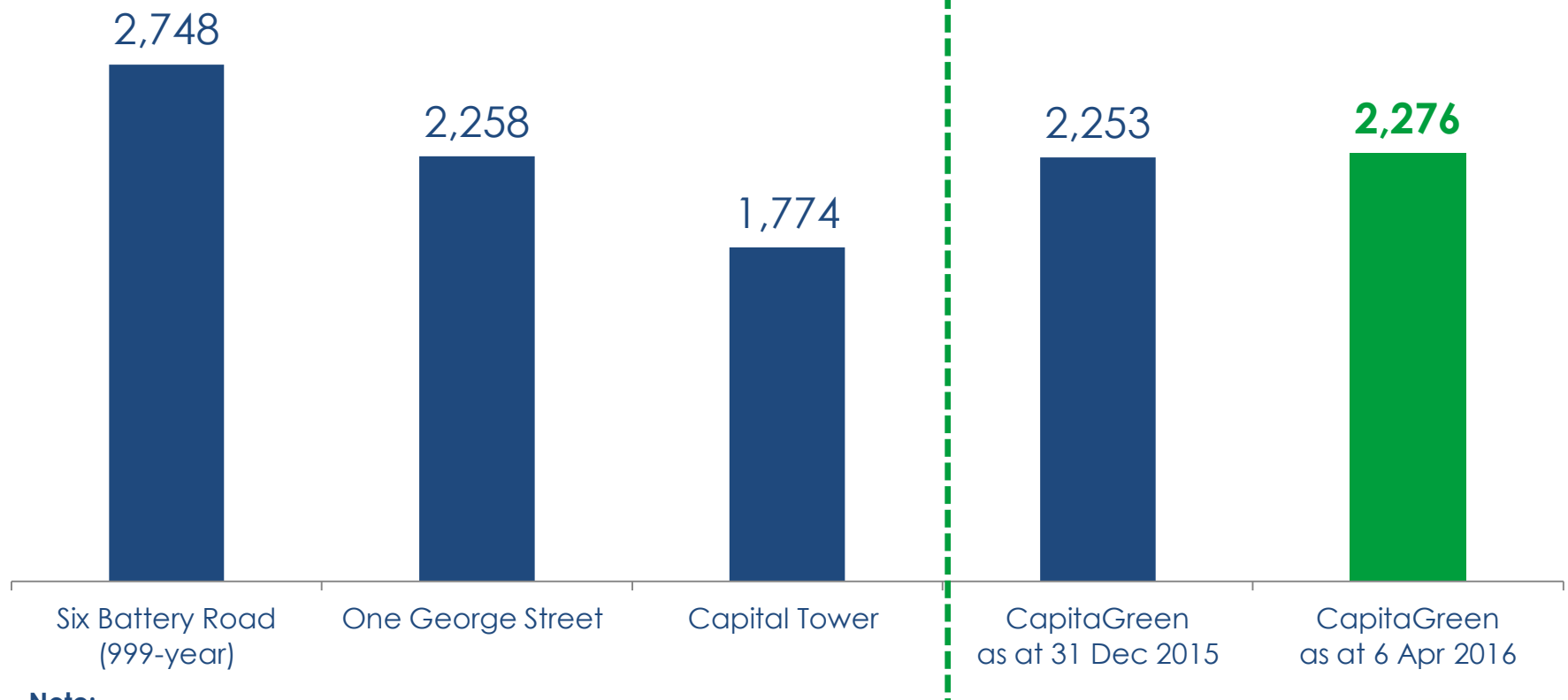
(1) Assuming a 99-year leasehold land tenure, the value of CapitaGreen is estimated to be approximately S\$2,700 psf by CBRE and Knight Frank.



Valuation comparables⁽¹⁾

CapitaGreen's valuation is comparable to CCT Grade A buildings taking into account location, land tenure, age of building, etc

S\$ psf NLA



Note:

(1) Valuation as at 31 Dec 2015 unless otherwise indicated.



Total acquisition outlay of approximately S\$393 mil

CCT will also assume the remaining 60.0% of MSO Trust's bank loan which amounts to S\$534.0 mil. Hence, total commitment is S\$927.0 mil.

	S\$ million
Agreed Value of CapitaGreen (100.0% basis)	1,600.5
Less Net Liabilities ⁽¹⁾ (as at 31 Mar 2016)	(1,294.9)
Adjusted NAV of MSO Trust Units (100.0% basis)	305.6
Purchase Consideration (60.0% of Adjusted NAV)	183.4
Repayment of MSO Trust's unitholders' loans and accrued interest to CapitaLand and Mitsubishi Estate Asia	198.5
Acquisition Fee ⁽²⁾	9.6
Acquisition Related Expenses	1.5
Total Acquisition Outlay	393.0

Notes:

(1) Subject to adjustment for MSO Trust's NAV on completion date, expected to be on 1 Oct 2016.

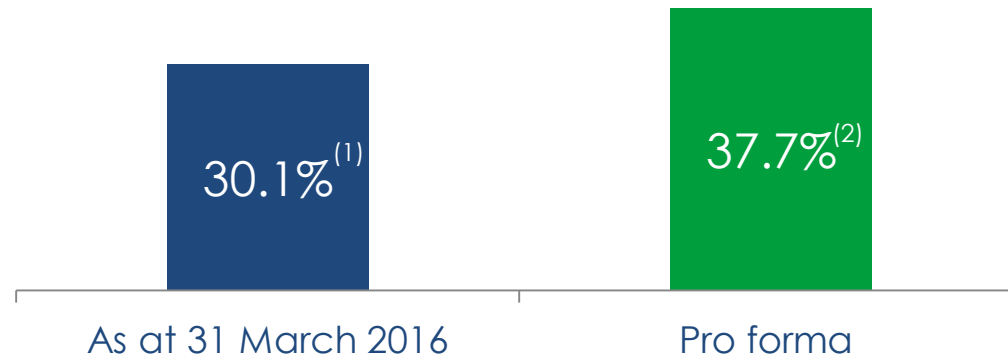
(2) Acquisition fee is computed based on 1.0% of the property value. As the acquisition constitutes an interested party transaction, the acquisition fee for CapitaLand's 50.0% interest will be payable to CCTML in the form of units in CCT and shall not be sold within one year from their date of issuance. The fee for MEA's 10.0% interest will be payable in cash.



Pro forma aggregate leverage below 40.0% after acquisition assuming funding by bank borrowings

Pro forma aggregate leverage of 37.7%:

- ✓ Below regulatory limit of 45.0%
- ✓ Aligned with CCT's capital management strategy to keep aggregate leverage below 40.0%



Notes:

(1) Total gross debt includes CCT's 60.0% interest in RCS Trust and 40.0% interest in MSO Trust.

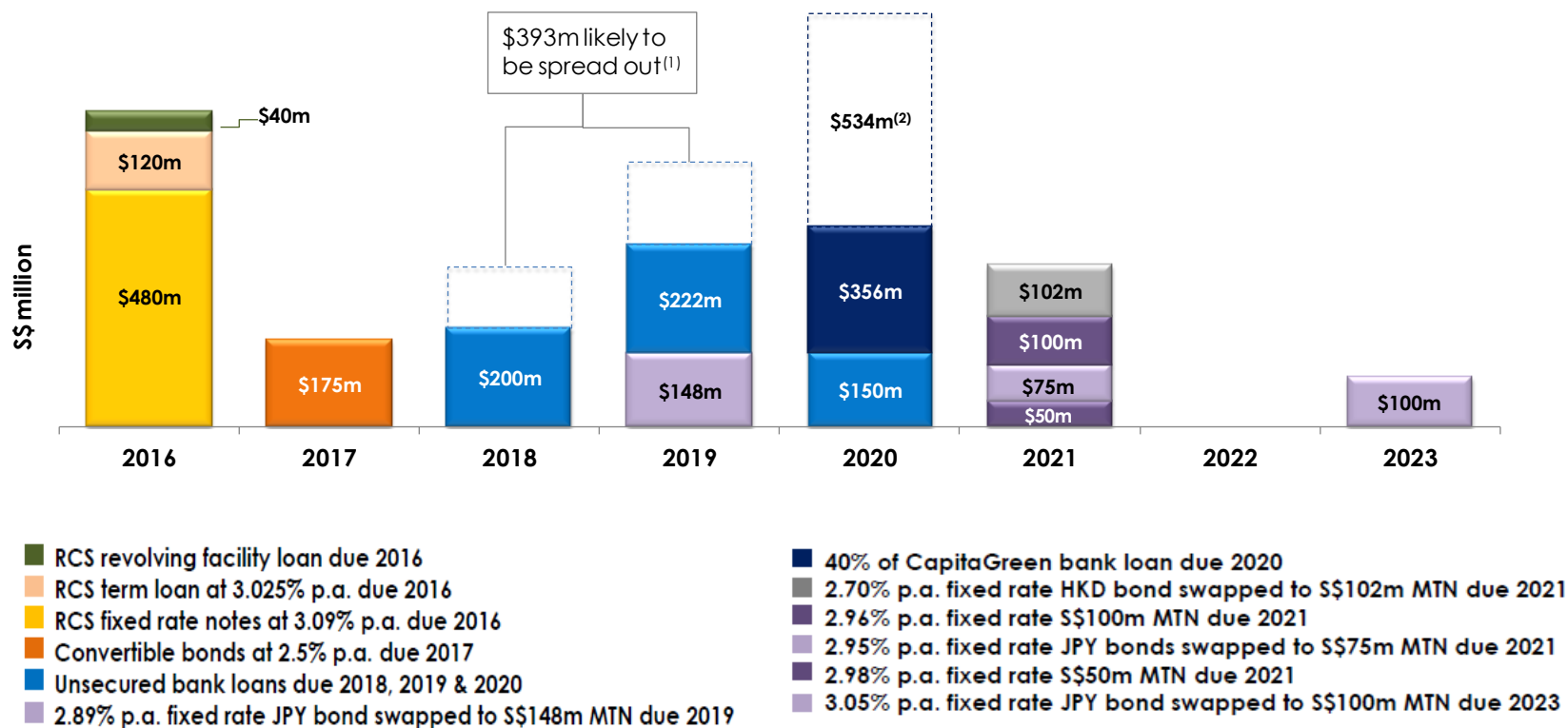
(2) Pro forma total gross debt includes estimated total acquisition outlay of approximately S\$393 million and S\$534.0 million, the latter representing 60.0% interest in MSO Trust's gross borrowings to be assumed by CCT upon the completion of the acquisition.



Pro forma debt maturity profile

as at 31 March 2016

Assumption of \$534.0 million debt from CapitaGreen's existing borrowings and additional borrowings of approximately \$393 million to fund proposed acquisition



Notes:

(1) Aggregate of approximately \$393 million of committed bank borrowings to fund proposed acquisition of 60.0% of CapitaGreen expected to be in smaller amounts with different maturity periods.

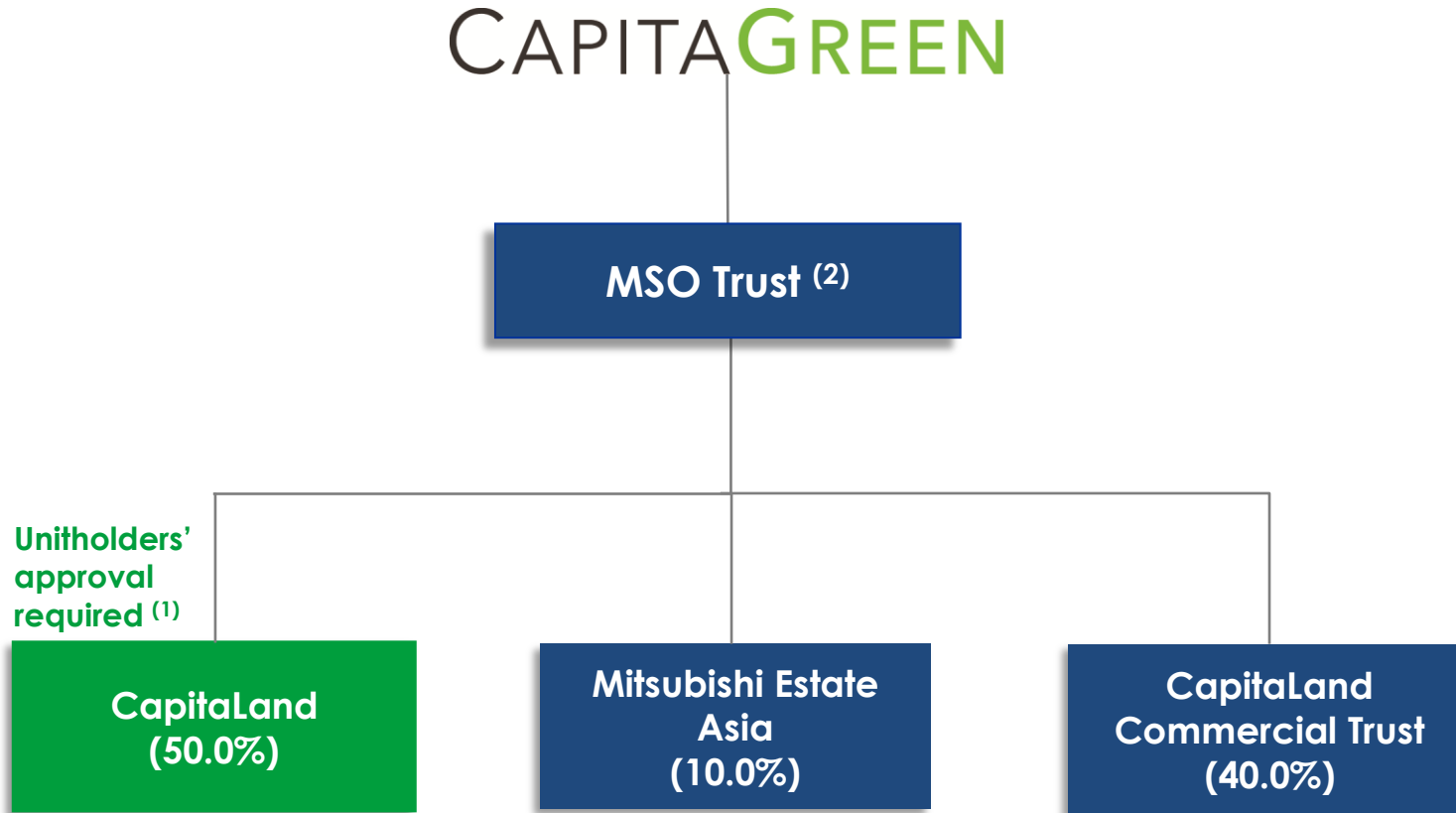
(2) Existing 60.0% of CapitaGreen bank borrowings



Benefits to Unitholders



Unitholders' approval⁽¹⁾ required for acquisition of CapitaLand's 50.0% interest in MSO Trust



Notes:

- (1) Given that the proposed acquisition involves a transaction with an associate of CapitaLand, CapitaLand has to abstain from voting on the proposed resolution.
- (2) MSO Trust is a special purpose approved sub-trust that has been accorded tax transparency treatment by the Inland Revenue Authority of Singapore.



Benefits to Unitholders

1 Expected DPU accretion of 2.3% from 2.19 cents to 2.24 cents

2 Augment portfolio quality for long-term growth

3 Reinforce CCT's commercial foothold in the CBD of Singapore

- ✓ Accessibility via major transport nodes
- ✓ Served by numerous amenities that will benefit its occupiers

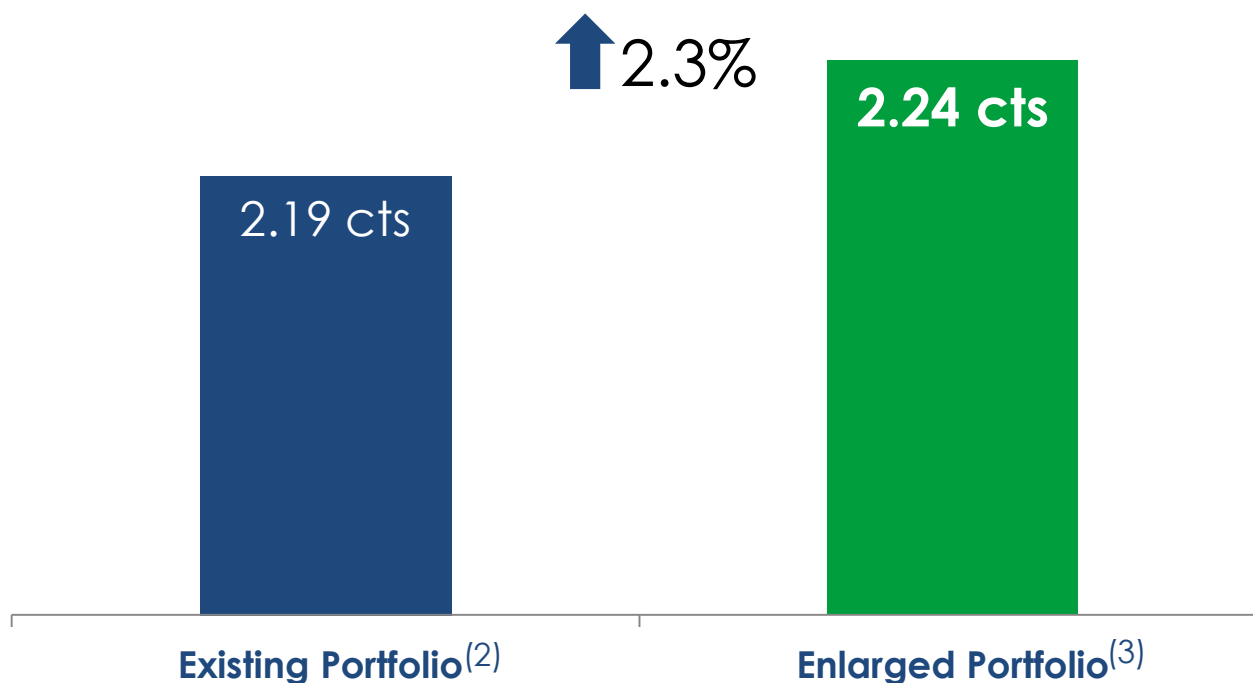
4 Enhance CCT portfolio's resilience, diversity and quality

- ✓ Increase exposure to Grade A assets
- ✓ Reduce reliance on any tenant



1

Expected DPU accretion of 2.3% for 4Q 2016 forecast ⁽¹⁾



Notes:

- (1) Please refer to the assumptions in Appendix B – Profit Forecast in CCT's circular dated 21 June 2016.
- (2) Existing Portfolio refers to the portfolio of properties currently held by CCT, including its Joint Ventures and MQREIT.
- (3) Enlarged Portfolio refers to the Existing Portfolio and 60.0% of the units in MSO Trust not currently held by CCT.



2

Augment portfolio quality for long-term growth

In line with CCT's portfolio reconstitution strategy

2. Recycle capital:

- Recycled sale proceeds for redevelopment into CapitaGreen
- CCT took 40.0% stake as a JV partner in MSO Trust

1. Unlock value:

- Sale of Market Street Car Park for redevelopment under MSO Trust



3. Grow portfolio:

- Acquisition of balance stake to own 100.0% of CapitaGreen

4. Organic growth:

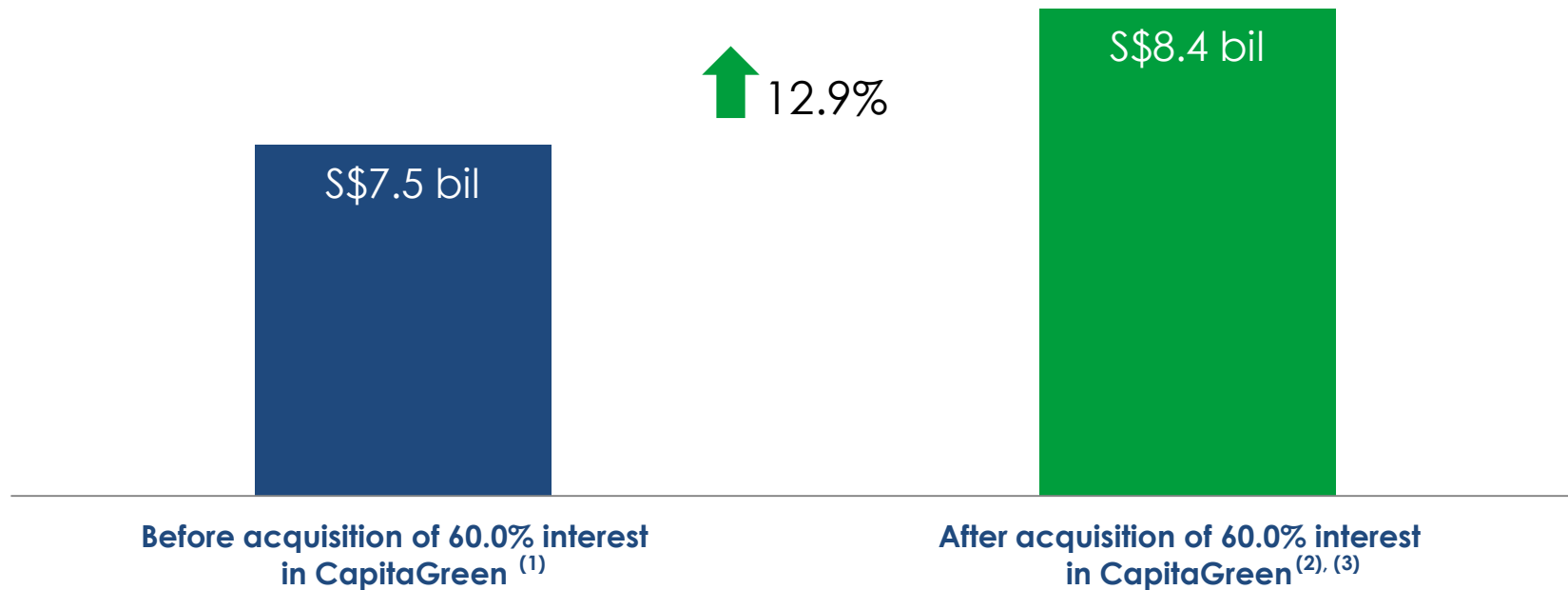
- Committed occupancy at 94.6%
- Income upside with higher occupancy



2

Augment portfolio quality for long-term growth

Increase investment property value of CCT's portfolio to S\$8.4 bil



Notes:

- (1) Based on CCT having a 60.0% interest in Raffles City Singapore and a 40.0% interest in CapitaGreen.
- (2) Based on CCT having a 60.0% interest in Raffles City Singapore and a 100.0% interest in CapitaGreen.
- (3) Valuation of CapitaGreen is based on the average of the valuations as at 6 April 2016 by CBRE and Knight Frank



3

Reinforce CCT's commercial foothold in the CBD of Singapore

- **Accessibility via major transport nodes**
 - ✓ Close proximity to Raffles Place and Telok Ayer MRT stations
- **Served by numerous amenities that will benefit its occupiers**
 - ✓ Wide variety of food and beverage options, hotels, serviced residences, banks and convenience stores





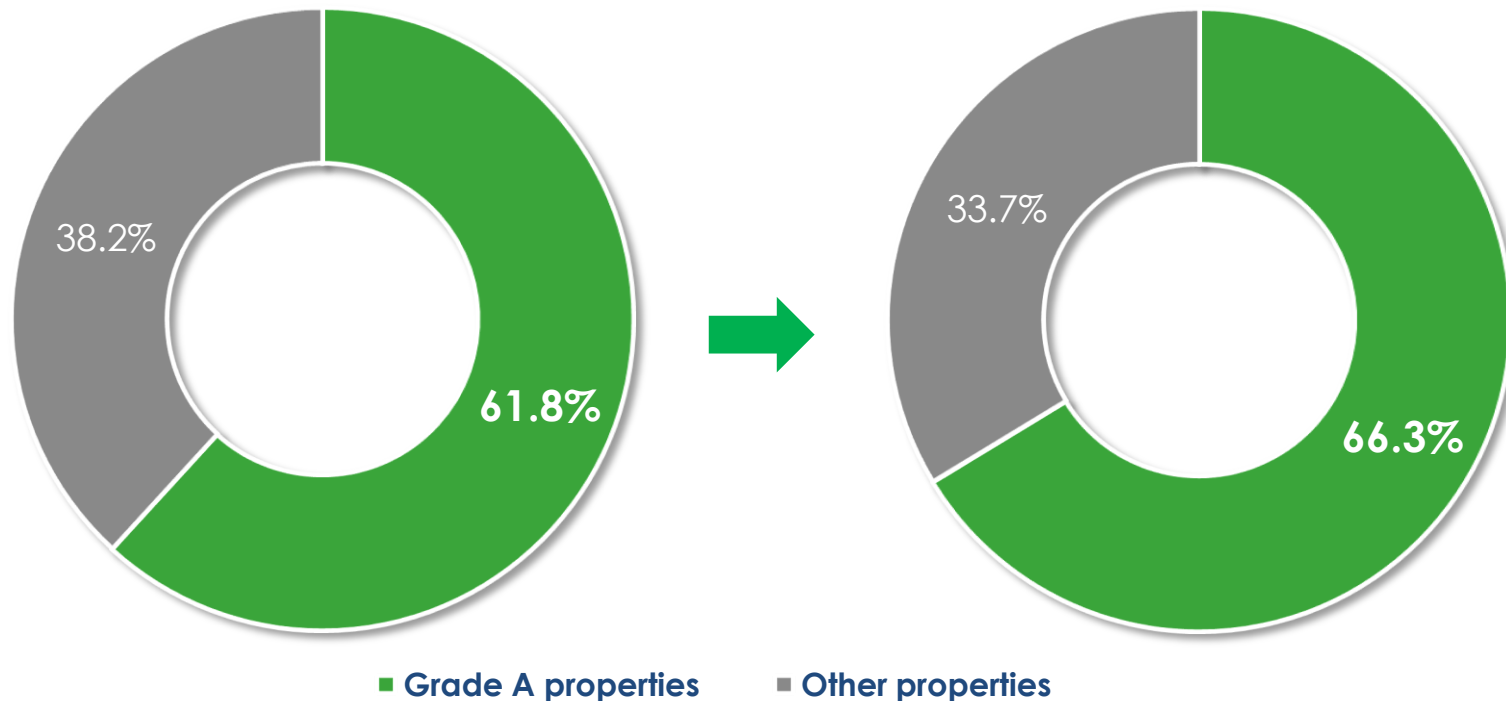
4a

Enhance CCT portfolio's resilience, diversity and quality: Increase exposure to Grade A assets by Net Lettable Area

CCT's portfolio NLA⁽¹⁾ increases to 3.6 mil sq ft from 3.2 mil sq ft after including 60.0% of CapitaGreen

Before acquisition of 60.0% interest in CapitaGreen

After acquisition of 60.0% interest in CapitaGreen



Note:

(1) For the purpose of this calculation, Grade A assets in CCT's portfolio include Capital Tower, Six Battery Road, One George Street and CapitaGreen. The hotel component of Raffles City Singapore is not included in CCT's portfolio NLA.

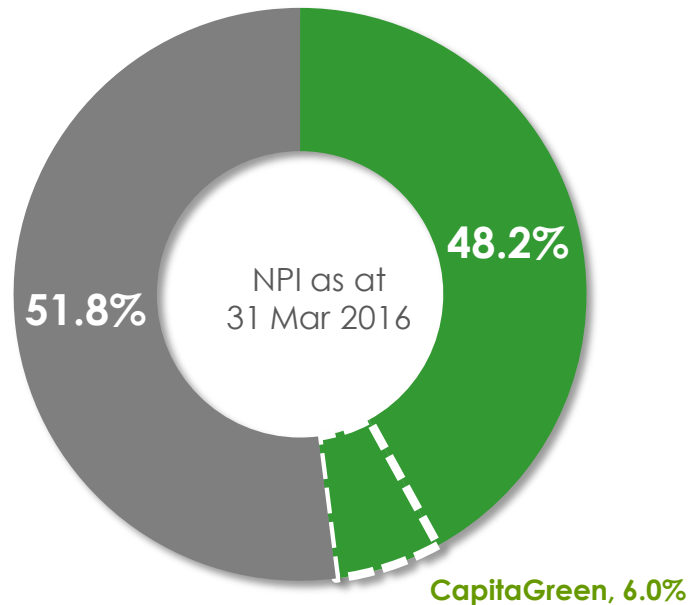
Proposed acquisition of CapitaGreen Jun 2016



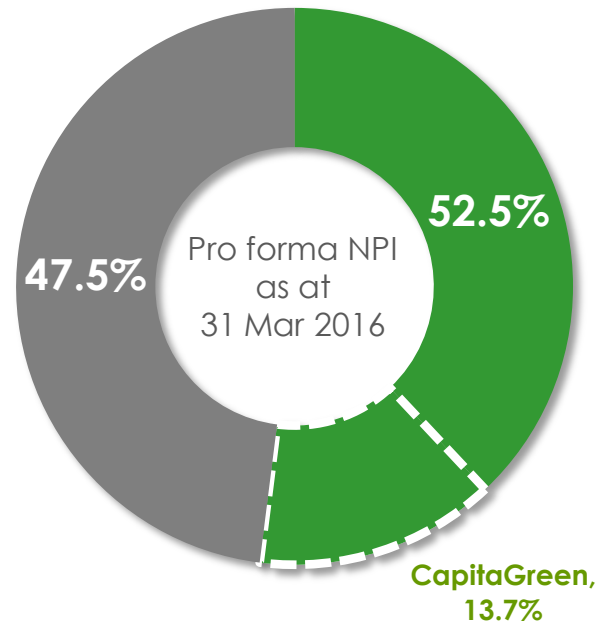
4b

Enhance CCT portfolio's resilience, diversity and quality: Increase exposure to Grade A assets by Net Property Income

Before acquisition of 60.0% interest in CapitaGreen ⁽¹⁾



After acquisition of 60.0% interest in CapitaGreen ⁽²⁾



■ Grade A properties

■ Other properties

Notes:

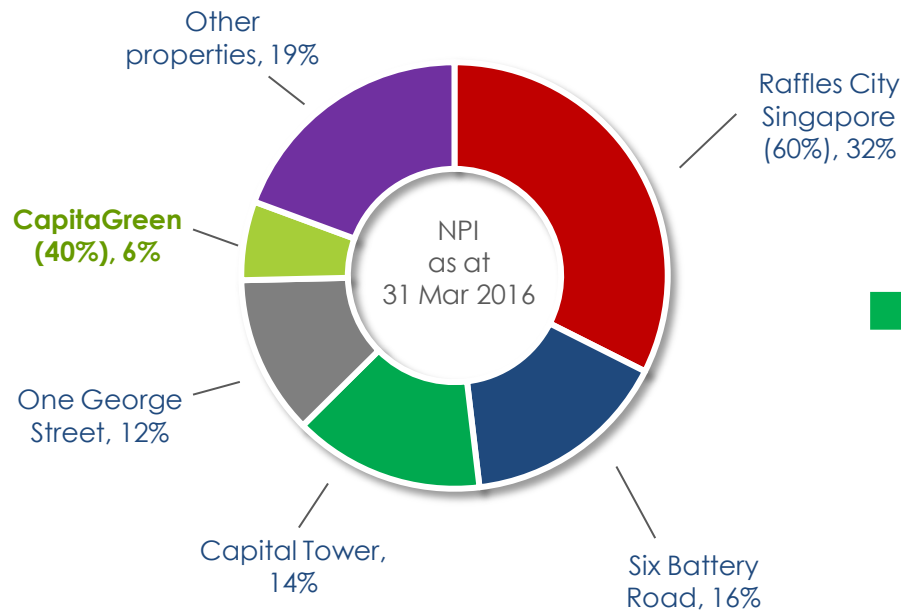
- (1) For reference only: based on respective properties' proportionate net property income (NPI) contribution in 1Q 2016. NPI from CCT's wholly owned properties was \$52.0 million, while NPI from 40.0% interest in CapitaGreen was \$5.0 million.
- (2) For reference only: based on respective properties' proportionate NPI contribution in 1Q 2016 and as if the proposed acquisition of 60.0% of interest in CapitaGreen was completed on 1 Jan 2016 and CCT held and operated the property through to 31 Mar 2016. NPI from 100.0% interest in CapitaGreen was \$12.6 million.



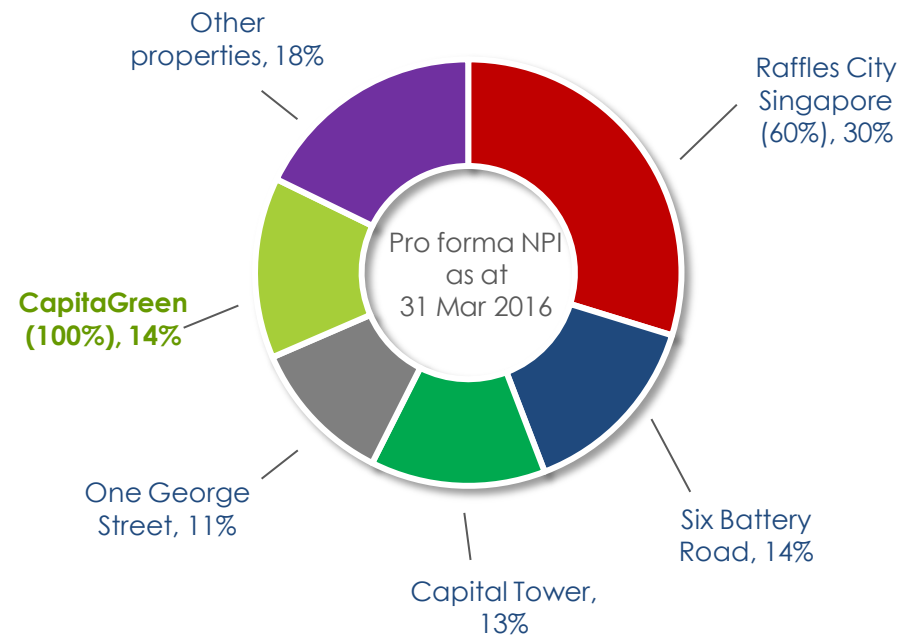
4c

Enhance CCT portfolio's resilience, diversity and quality: Improve diversification of NPI contribution across Grade A assets

Before acquisition of 60.0% interest in CapitaGreen ⁽¹⁾



After acquisition of 60.0% interest in CapitaGreen ⁽²⁾



Notes:

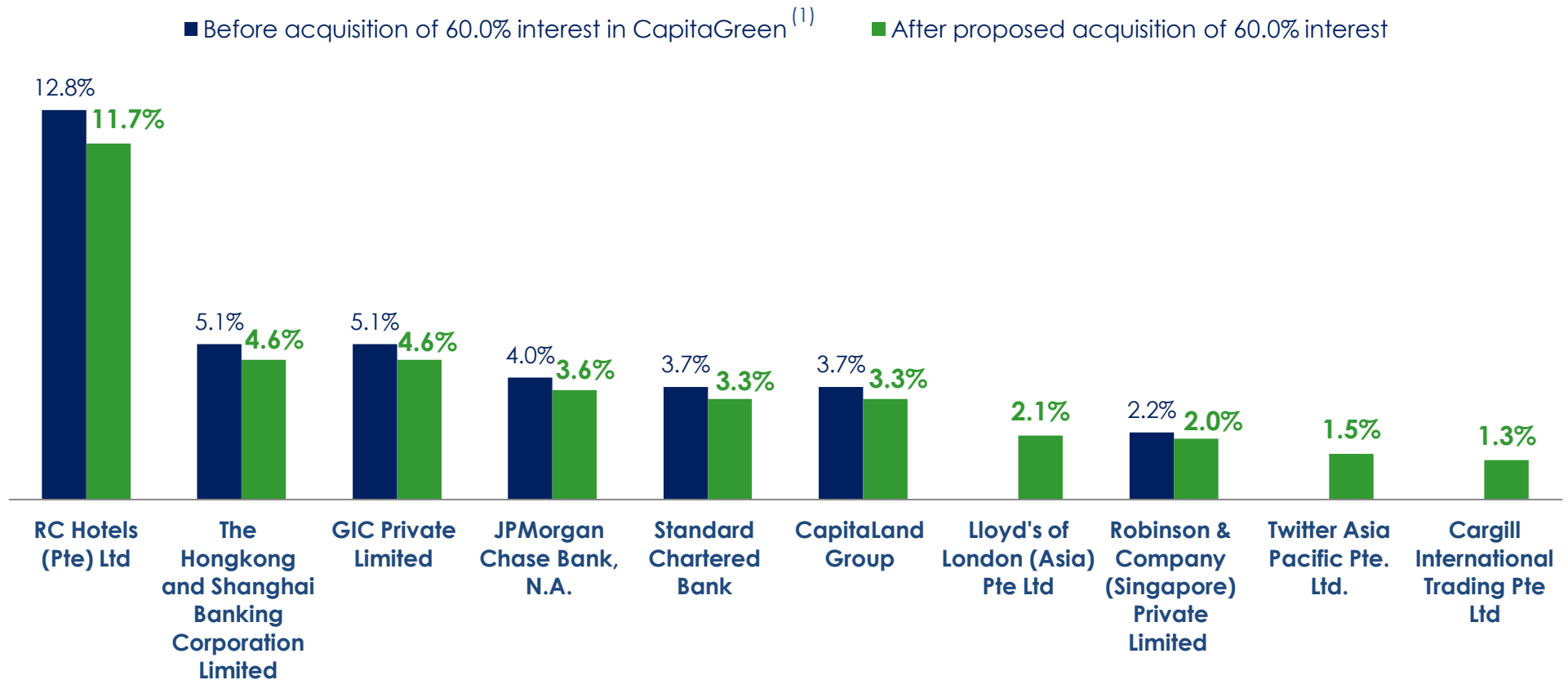
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4d

Enhance CCT portfolio's resilience, diversity and quality: Reduce reliance on any tenant

Top 10 tenants to contribute 38.0% of monthly gross rental income after proposed acquisition



Note:

(1) Includes CCT's 60.0% interest in Raffles City Singapore and 40.0% interest in CapitaGreen.

Timeline

CapitaGreen, Singapore



Estimated timeline (1)

Milestones	Estimated timeline
6 April 2016	Issued notice to JV partners to start the process of exercising the call option
23 May 2016	Announced proposed acquisition of 60.0% interest in CapitaGreen
21 June 2016	Dispatch circular to Unitholders
13 July 2016, 2.30 pm	Extraordinary General Meeting to seek Unitholders' approval to buy CapitaLand's 50.0% interest in MSO Trust
1 October 2016	Target completion of proposed acquisition (assuming Unitholders' approval obtained)

Note:

(1) Subject to changes by the Manager without prior notice.



Thank you

For enquiries, please contact: Ms Ho Mei Peng , Head, Investor Relations & Communications, Direct: (65) 6713 3668

Email: ho.meipeng@capitaland.com

CapitaLand Commercial Trust Management Limited (<http://www.cct.com.sg>)

168 Robinson Road, #28-00 Capital Tower, Singapore 068912

Tel: (65) 6713 2888; Fax: (65) 6713 2999