

Lendlease Global Commercial REIT Reports

Distribution Per Unit of 1.28 cents for 3Q FY2020

- Distribution per unit (“DPU”) up 0.7% to 1.28 cents
- Net property income up 4.0% to S\$16.6 million
- Distributable income up 0.2% to S\$15.0 million
- Prudent gearing ratio of 35.9%
- Average running cost of debt of 0.86% per annum and fixed for 3.3 years
- High weighted interest coverage ratio of 11.2 times
- Portfolio occupancy remains stable at 99.8%
- Long weighted average lease expiry (“WALE”) of 9.9 years by net lettable area (“NLA”) and 4.9 years by gross rental income (“GRI”)

Summary of Financial Results

	3 months ended 31 March 2020			YTD for the period 2 October 2019 to 31 March 2020		
	Actual	Forecast	Variance (%)	Actual	Forecast	Variance (%)
Gross revenue (S\$'000)	21,663	21,197	2.2	43,070	42,396	1.6
Property operating expenses (S\$'000)	(5,068)	(5,245)	(3.4)	(10,295)	(10,766)	(4.4)
Net property income (S\$'000)	16,595	15,952	4.0	32,775	31,630	3.6
Distributable income to Unitholders (S\$'000)	14,967	14,932	0.2	29,979	29,593	1.3
Distribution per unit (cents)	1.28	1.27	0.7	2.57	2.52	1.9
Annualised distribution yield ¹ (%)	5.85	5.81 ²	4bps	5.86	5.75	11bps

Note: Lendlease Global Commercial Trust Management Pte. Ltd. had made announcements on 9 April and 20 April 2020 respectively, with regard to the IPO profit and distribution forecast for the financial year ending 30 June 2020 (“FY2020”) and the profit and distribution projection for the financial year ending 30 June 2021 (“FY2021”), as it may no longer be a fair basis against which the actual performance of Lendlease Global Commercial REIT could be compared given current circumstances.

¹ The annualised distribution yield from Listing Date to 31 March 2020 is on a pro-rata basis of 182 days.

² 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.

Singapore, 5 May 2020 - Lendlease Global Commercial Trust Management Pte. Ltd. (the “**Manager**”), the manager of Lendlease Global Commercial REIT (“**LREIT**”), today announced its unaudited financial results for the reporting period 1 January 2020 to 31 March 2020 (“**Reporting Period**”).

Financial Performance

LREIT’s distributable income for the Reporting Period was \$15.0 million, 0.2% higher than the forecast of \$14.9 million. This translates to a DPU of 1.28 cents, 0.7% higher than the forecast DPU of 1.27 cents.

For the Reporting Period, net property income of S\$16.6 million exceeded the forecast by 4.0%, largely due to higher gross revenue and lower property operating expenses. Gross revenue of S\$21.7 million was 2.2% higher than forecast, mainly driven by rental income from 313@somerset and higher contribution from Sky Complex due to the pick-up in the Euro against Singapore dollar.

For the year to date (“**YTD**”) ended 31 March 2020, LREIT’s distributable income increased 1.3% to S\$30.0 million, while net property income grew 3.6% to S\$32.8 million. DPU of 2.57 cents for YTD ended 31 March 2020 was 1.9% higher, compared to the forecast DPU of 2.52 cents.

Capital Management

Gross borrowings stood at S\$545.2 million as at 31 March 2020, equating to a gearing ratio of 35.9%. The weighted average running cost of debt was 0.86% per annum. LREIT’s weighted average debt maturity was 3.3 years.

LREIT hedged 100.0% of its floating rate debt to fixed rate through interest rate swaps and options. To mitigate foreign currency risks, it 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. It has diverse sources of funding from a lending pool of well-rated financial institutions. All of LREIT’s debt is unsecured debt, ensuring that it has balance sheet flexibility.

As at 31 March 2020, LREIT has a strong liquidity position with S\$78.2 million of cash and cash equivalents, and the Group and LREIT have an uncommitted undrawn debt facility of up to S\$20 million to fund its working capital. LREIT’s interest coverage ratio was 11.2 times. 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.

Portfolio Update

As at 31 March 2020, the portfolio has maintained a high committed occupancy of 99.8%, and a long WALE of 9.9 years³ by NLA and 4.9 years by GRI. Majority of the leases expiring FY2020 by NLA have been renewed. Approximately 80%³ of its leases by NLA will only expire in 2024 and beyond. 313@somerset registered positive rental reversion of 0.6% for the YTD ended 31 March 2020.

Sky Complex, LREIT's property in Milan, is fully occupied by a single tenant and operates on a triple-net lease structure. The tenant has activated its business continuity plan in March. With a long lease term until 2032³ and annual rental escalation based on 75% of ISTAT consumer price index variation⁴, Sky Complex is projected to provide stable income stream to the portfolio.

COVID-19 Update

Further measures including the circuit-breaker and the COVID-19 (Temporary Measures) Act 2020 were implemented in April.

Under the COVID-19 (Temporary Measures) Act 2020, tenants who cannot fulfil contractual obligations are able to seek temporary relief from paying rent and other obligations under their leases for a period of six months from April to October. This period may be extended for up to a year depending on the COVID-19 situation. In addition, the circuit-breaker has been extended to 1 June, and the list of essential services that are allowed to operate during this period has been reduced further.

As a result, the severity of the impact of the above measures on tenants' operations and income cannot be determined at this point and whether they will be able to fulfil their rental obligations after the temporary relief period remains uncertain. The rental relief that LREIT provided to assist affected tenants will also weigh down on its performance in the coming quarters.

Mr Kelvin Chow, Chief Executive Officer of the Manager, said, "The COVID-19 outbreak is an unprecedented crisis which has impacted many people and disrupted businesses in varying ways. We want to ensure the health and safety of our shoppers, tenants and employees are protected. The measures implemented will inevitably affect footfall and tenant sales at 313@somerset. To assist affected tenants, we have rolled out a Tenant Support Package in March and will pass on full savings from the property tax rebates by the Singapore government to all tenants. With stricter containment measures implemented, we are providing rental relief for tenants during this period."

"While the duration of the closures is uncertain, we remain committed to help our tenants during this tough time. In the next few months, we will focus on managing operating expenses and adopting flexible leasing strategies to maintain occupancy."

³ Assumes that Sky Italia does not exercise its break option in 2026.

⁴ ISTAT: The Italian National Institute of Statistics. Last escalation was based on April 2019 consumer price index variance of 0.9%.

Commenting on LREIT's office buildings in Milan, Mr Chow added, "Sky Complex is expected to remain resilient given its triple-net lease structure which minimises operational costs and risks for the REIT. While majority of the tenant's employees are working from home, broadcasting – without live audiences – is still taking place in the buildings."

Market Outlook

Singapore Retail Industry

Based on advance estimates by the Ministry of Trade and Industry, the Singapore economy contracted by 2.2% year-on-year in the first quarter of 2020, reversing the 1.0% growth in the preceding quarter. The Singapore Tourism Board expects visitor arrivals for 2020 to fall by approximately 25% to 30%. Tourism-reliant submarkets such as Orchard Road and the fringe areas are likely to be affected.

Various business sectors have been affected given the tight measures implemented to minimise the spread of COVID-19. In the near term, the retail industry may continue to be impacted by lower customer visitations. The strength of recovery will depend on how fast the COVID-19 situation can be controlled and a vaccine providing consumers with certainty to return to normal activities.

Milan Office Industry

The rapidly changing economic environment has posed challenges for the Italian government to quantify the impact of the COVID-19 pandemic on its economy using the short-term indicators.

In the office space, vacancy rates in Milan have gradually declined over recent years. Sizeable new additions are expected in the supply pipeline over the next two years⁵. Given the growing demand⁶ for highly efficient space and the constant increase in rents around the CBD areas, the sub-markets will likely draw the attention from investors seeking new opportunities.

In the near term, assets with solid and financially sound tenants will likely perform better and ride the wave of recovery when the COVID-19 pandemic is fully contained.

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 second distribution will be for the period from 1 January 2020 to 30 June 2020 and will be paid on or before 30 September 2020. The Manager will assess the liquidity of LREIT before determining the final distribution.

⁵ CBRE, Milan Office MarketView 1Q 2020.

⁶ CBRE, Real Estate Market Outlook 2020 Italy, 4 February 2020.

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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.

About the Sponsor - Lendlease Corporation Limited

The Sponsor, Lendlease Corporation Limited, is part of the Lendlease Group⁷, 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 of approximately A\$112 billion⁸, core construction backlog of A\$14 billion⁸ and funds under management of A\$37 billion⁸. The Lendlease Group is a trusted investment manager to over 150 key capital partners in property and infrastructure investments.

For more information, please contact Investor Relations:

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⁷ Lendlease Group comprises the Sponsor, Lendlease Trust and their subsidiaries.

⁸ As at 31 December 2019.

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The value of units in LREIT (the “**Units**”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by Lendlease Global Commercial Trust Management Pte. Ltd. (the “**Manager**”), RBC Investor Services Trust Singapore Limited (as trustee of LREIT) or any of their affiliates.

This press release 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, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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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The past performance of LREIT is not necessarily indicative of its future performance.