

SGX ANNOUNCEMENT

23 October 2024



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

Responses to Questions for Lendlease Global Commercial REIT's Annual General Meeting on 29 October 2024

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 and the Securities Investors Association (Singapore) for submitting their questions in advance of LREIT's Annual General Meeting ("AGM") to be held on 29 October 2024 at 2.00 pm.

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)

23 October 2024

Performance of LREIT's Unit Price

1. Will the REIT consider unit buyback to optimise floating units and consolidation for a better performance in the shares price?

- A resolution in relation to the unit buyback mandate will be tabled at the AGM for Unitholders' approval. Please refer to page 3 and 4 of the Notice of AGM (agenda item number 5) for more details.
- The Manager will consider unit buyback if it is in the best interests of LREIT and its Unitholders. Consideration factors that will be assessed include the working capital requirements, the availability of financial resources, prevailing market conditions as well as LREIT's gearing level to ensure that it will not have a material adverse effect on the financial position of LREIT.

2. Unit price has been sluggishly disappointing in the past few years. May I know what is the management going to do to ensure that the performance recover to pre-COVID days or even surpass \$0.80/\$0.90 cents or at least a more stable performance? What is the main reason for such poor performance?

3. Distribution Per Unit ("DPU") performance has been pretty poor and the Distribution Reinvestment Plan does not exude confidence to investors, is the REIT facing solvency issues?

- A series of macroeconomic events occurred shortly after LREIT was listed in October 2019, which had affected stock markets globally, including Singapore. These include the COVID-19 pandemic outbreak, the onset of the Russia-Ukraine war that caused oil prices to spike and interest rate hikes. These events had undermined economic performance and depressed market sentiments for investors, tenants and consumers alike. Consequently, there was a general decline in share prices of REITs (including LREIT) as performances were affected by a multitude of factors including lower sales or rentals, higher electricity tariffs and high interest expenses.
- The high interest rate environment had a more pronounced impact on LREIT due to the expiry of its Euribor hedge in early October 2023. Interest costs for LREIT's Euro borrowings was only 0.58% owing to the near zero fixed rate from the Euribor hedge. However, the Euribor hedge has been renewed upon expiry at a comparatively much higher market rate, given the prevailing high interest rate environment. This is a key contributing factor to the DPU decline in FY2024.
- The Manager understands that other investors' concerns that may have impacted share price performance of LREIT include the current gearing level as well as the outstanding perpetual securities and upcoming first call date of one of the tranches.
- Despite the above, LREIT is not facing insolvency issues. LREIT's investment property portfolio, comprising approximately 90% of Singapore assets in value, has stabilised operations and its recurring income is more than sufficient for debt servicing. LREIT also has good buffers against bank covenants pursuant to its loan borrowings. In relation to the perpetual securities, at their respective first call dates, it is at the option of LREIT to redeem. All of LREIT's debt is unsecured and, as at 30 June 2024, it has undrawn debt facilities of S\$168.6 million to fund its working capital.

SGX ANNOUNCEMENT

23 October 2024

- Against the challenging backdrop, the fundamentals of LREIT's portfolio remain healthy. In FY2024, LREIT achieved 14% retail rental reversion with healthy tenant retention rate of 84.9% by net lettable area. Retail occupancy portfolio stood at 100% as at 30 June 2024 and tenant sales have recovered to pre-COVID-19 average levels.

In addition, the Manager is focused on proactive asset management to constantly drive property performance. For example, it had secured a two-year electricity tariff contract for LREIT's Singapore assets at a fixed rate to effectively hedge against volatile electricity markets. As the fixed rate is lower than electricity tariffs in FY2024, it is estimated to reduce electricity expenses (landlord and tenants) by approximately 30% per annum for FY2025 and FY2026.

In December 2023, the Manager had completed a lease restructuring exercise for Sky Complex to mitigate tenant concentration risk. Prior to the restructuring, Sky Complex was fully leased to Sky Italia until 2032, subject to tenant's option to pre-terminate in 2026. With the restructured lease, Building 1 and 2 remain tenanted to Sky Italia till January 2033, without pre-termination rights, to continue providing long term stable cash flow. In addition, the annual rent for Building 1 and 2 was revised upwards by approximately 1.5% pursuant to the lease restructuring and subsequently by another 1.2% in April 2024 during its annual rent review.

- The Manager's near-term focus remains on prudent capital management as well as driving organic growth in LREIT's existing portfolio through active asset management to ensure stable performance and distribution to its Unitholders.

Capital Management and Growth Plan

1. LREIT's debt ratio is at a high level, how is the management going address this?

- One of the key options to reduce gearing is through asset recycling. Other potential options such as equity raising will be evaluated carefully to ensure it aligns with LREIT's stated purpose to deliver stable and growing distributions, long-term DPU and NAV per unit growth to LREIT's Unitholders.

2. Is the REIT still looking for local expansion or any divestment plans?

- Acquisitions and divestments may be explored as part of LREIT's portfolio optimisation strategy to enhance income resilience, improve total return for its Unitholders and/or deliver capital management strategy. The Manager will monitor and undertake assessments on potential opportunities as appropriate.
- The Manager remains focused on prudent capital management as well as driving organic growth in LREIT's existing portfolio through active asset management to ensure stable performance and distribution to its Unitholders.

Sky Complex Lease Restructure

1. Can the REIT manager clarify the total value of the “tenant incentive” provided to Sky Italia S.r.l.? Was this non-existent if there had been no lease restructuring given that the tenant is already housed in Sky Complex?

- Tenant incentive is typical of the Italian leasing market and granted as part of any new or renewed leases. At the point of the restructure negotiation, the market tenant incentive package is approximately 21%¹ of the headline rent.
- With the restructured lease, that removed Sky Italia's pre-termination rights in 2026 and secured a nine-year and one-month lease term till 2033, a tenant incentive of approximately 17% of the total rent package (based on the initial year rent of the restructured new lease) was granted.

2. When did discussions with Sky Italia regarding their decision to return Building 3 commence?

- Due to the pandemic, the Italy office market underwent a notable shift in working style driven by the changing dynamics of the workplace and the increasing emphasis on flexible and collaborative work environments. In addition, there has been a growing demand for quality office spaces, especially in Grade A offices that offers sustainable features and are green certified for talent retention and attraction.
- Hence, the Manager pivoted its strategy to restructure the office lease in December 2023 to reduce tenant concentration risk and reposition Building 3 for multi-tenancy use to secure market rent.

3. What is the expected capital expenditure to reposition Building 3 for multi-tenancy? What is the progress made in securing tenants for Building 3 and the timeline for achieving full occupancy?

- The capital expenditure for Building 3 is subject to space configurations and tenancy requirements to be determined as leasing progress. Building 3 comes with basic fit out that is ready for tenants to move in. The Manager is currently in advanced talks with potential tenants to lease out more spaces and continues to see good leasing interest for the space as sustainability accreditations are increasingly becoming a basic requirement for tenants in Europe. Updates will be provided to LREIT's Unitholders at appropriate juncture.
- In addition, an amount equivalent to approximately two years of prevailing rent of Building 3 has been provided by Sky Italia as a form of supplementary rent whilst Building 3 is being leased out.

¹ Source: Cushman & Wakefield

4. How do the current prevailing market rents compare with the passing rent of Building 3? Does management expect a significant variance in rental yields due to repositioning for multi-tenancy?

- Before the lease restructuring exercise, average rental of Sky Complex was €200 per square metre (“psm”) per annum for its single tenancy let-up area. The current prevailing market rent for new office buildings around Sky Complex is in the range of approximately €300 psm per annum for multi-tenancy.

The Milano Santa Giulia Business District, where Sky Complex is located, is the first precinct to be LEED Neighbourhood certified. The Manager is optimistic that the repositioning together with Building 3's LEED Gold certification and the upcoming 2026 Winter Olympics will place it in a good position to secure new tenants at prevailing market rates.

- Building 3 is currently being leased out and hence any variance in rental yields cannot be quantified now. However, the Manager does not expect a significant impact on the overall LREIT portfolio given that on a proforma basis, Building 3's contribution to FY2024 total gross revenue is approximately 3.5% assuming straight-lining of the supplementary rent.

5. Has the full (2 year) upfront payment of the supplementary fee been fully recognised in FY2024? If so, does this mean that there is a risk that the REIT's revenue next year might drop significantly if new tenants are not secured quickly?

- In line with accounting standards, the supplementary rent (equivalent to approximately two years of prevailing rent of Building 3) has been recognised upfront in FY2024. However, in terms of distribution to LREIT's Unitholders, it is planned to be spread over 2 years from the cessation of rental from Sky Italia for Building 3. Hence, although from an accounting perspective revenue has been concentrated in FY2024, the straight-lining of the supplementary rent over 2 years will maintain stability in distribution contribution in respect of Building 3.

Acquisition of 10% stake in Parkway Parade Partnership Pte. Ltd. (“PPP”)

- 1. Since the acquisition, what key performance metrics of Parkway Parade (e.g., occupancy rates, rental income trends, and tenant mix) stand out? Is the REIT manager satisfied with the asset's performance compared to projections at the time of acquisition?**
- 2. Can the REIT manager confirm whether the 10% stake in PPP is purely passive, without any operational influence or ability to value-add? How does this align with the REIT's long-term strategy for active asset management and value creation?**
- 3. Can the REIT manager confirm if the acquisition of the 10% stake in Parkway Parade has indeed been DPU-accretive, as initially stated, and provide specific figures or comparisons demonstrating its impact on DPU post-acquisition?**
- 4. Can the independent directors reiterate the benefits for Unitholders of the 10% “strategic stake” in Parkway Parade? How does the acquisition create long-term value for Unitholders?**

- Due to confidentiality obligations as an investor in PPP, which is a private fund, the Manager is unable to provide updates on the operational performance of Parkway Parade. However, operational metrics of the asset are healthy and in line with the projection at the time of acquisition. The Manager attends all shareholder meetings and contribute its views together

with other investors of the private fund. Similar with other investors, LREIT does not participate in the day-to-day operations of the asset.

- The Manager's strategy for active asset management and value creation has not changed. The operational performance of LREIT's retail portfolio remains healthy (refer to the Manager's response in question 2 on page 2).
- Acquisition into PPP contributes towards the strategy of growing the REIT as the 10% interest provides LREIT with pre-emptive rights to potentially increase its stake in the fund (and indirect interest in Parkway Parade) over time when other investors divest their interests in the fund.
- Through its investment in PPP, LREIT can also tap on the potential upsides from the newly opened Marine Parade MRT station, which has enhanced the accessibility of Parkway Parade to major expressways and public transportation. To capitalise on the increased accessibility and foot traffic from the new MRT station, Parkway Parade has asset enhancement initiative ("AEI") plans to build a MRT linkway connected directly to the mall.

When completed, it is expected to add a robust array of offerings with new retail and F&B experiences drawing shoppers both from within the neighbourhood and other parts of Singapore. The AEI will also benefit from the government's recently announced plans to extend Thomson-East Coast Line to link up with the Expo and Changi Airport MRT stations.

- Dividends received from LREIT's investment in PPP was approximately S\$3.1 million in FY2024. It is not possible to provide a clean comparison against pro forma numbers provided during acquisition given that market factors are dynamic. Nevertheless, the Manager remains confident in the fundamentals of Parkway Parade and the long-term value that it would bring to LREIT's Unitholders.

- 5. Given that tax transparency was a key consideration in the full acquisition of Jem, can the REIT manager clarify if the current ownership structure of the PPP stake allows for tax transparency on earnings? Was this acquisition made under a sub-optimal holding structure that could impact Unitholder returns in the same way?**
- 6. Can the independent directors clarify if the dividend income of \$3.111 million from PPP is subject to any base fees or performance fees imposed by the manager?**

- Singapore corporate income tax will be incurred through the fund structure and there is no additional tax payable by LREIT.
- Base fees and performance fees are payable as a percentage of deposited property and net property income respectively (including the investment in PPP). To ensure no double counting, any fees paid at an asset or fund level will be factored in (i.e. deducted) during the calculation of the fees.

Update on Multifunctional Event Space

- 1. Can the REIT manager provide a detailed explanation of the reasons behind the four-year delay in the redevelopment of the former Grange Road car park into a multi-functional event space? What specific challenges have led to this delay?**
- 2. Putting the COVID-19 pandemic aside, can the Management please share the challenges why the Multifunctional Event Space (adjacent to 313@somerset) keep on postponing to commence the construction?**
- 3. The new expansion on the previous carpark at 313@somerset seems to have no activities at all, may I know when will construction works commence?**

- The delay was mainly due to site-specific and COVID-19-related factors such as manpower availability and construction cost increases, which are beyond the Manager's control. Timelines for many development projects in Singapore have also been delayed due to disruptions brought about by the COVID-19 restrictions.

While there is no change to the concept, the design of the multifunctional event space has changed multiple times to take into consideration necessary safety measures in a COVID-19-environment. The Manager has been working with stakeholders including Live Nation and the STB to progress the site.

- The event space is substantially leased to Live Nation, and construction works are about to commence. The Manager is closely monitoring the development progress to ensure it meets its intended purpose to rejuvenate the Somerset precinct and achieve synergies with 313@somerset.
- 4. Given the significant delay and the 10-year limit on tenancy, is the REIT still fully committed to redeveloping this site? Has an extension of the lease terms been secured from the relevant authorities?**
 - 5. Is the REIT re-evaluating the viability of the multifunctional event space given the prolonged delay? Could there be a potential option to surrender the land back to the Singapore Land Authority, Singapore Tourism Board ("STB"), or Urban Redevelopment Authority if the project is deemed unviable?**
- The government awarded the site on the basis of further option terms, and the Manager remains committed and aligned with the STB in curating an international, multifunctional product. LREIT is currently in its second lease term, and with STB's support, the Manager is optimistic that an extension could be granted for further tenancy terms.
- 6. How does the REIT manager assess its own development capabilities in light of this delay?**
 - 7. What is the total amount invested in the Grange Road project to date, and what is the current carrying value of the project on the REIT's balance sheet?**
- Post the COVID-19 pandemic, the Manager has worked towards to accelerating the progression of the redevelopment. Due to technical constraints and the specific requirements to curate a successful live entertainment venue along Orchard Road, planning and development of the multifunctional event space was handed over to Live Nation.

SGX ANNOUNCEMENT

23 October 2024

- With this, total amount invested in the multifunctional event space is lower than the original development cost of S\$10 million given that Live Nation is responsible for the construction and its associated costs. LREIT's Unitholders are therefore de-risked of any increase in development cost.
- Based on the latest valuation report as at 30 June 2024, the multifunctional event space was valued at S\$9.3 million (including right of use of the site).

8. **What is the impact/losses to LREIT for postponing/delay in commencing construction on this tender?**
9. **In light of the limited availability of prime land in Singapore, particularly in sought-after areas like Orchard Road/Somerset, how does the board interpret the significant delay in the redevelopment of the Grange Road site? Stakeholders – including tourists, shoppers, Singaporeans, and Unitholders – have anticipated greater utility from this key asset in a land-constrained market. Given that this land has remained underutilised for over four years, has the board evaluated both the financial and non-financial impacts on Unitholder value and the overall retail landscape in Singapore?**
10. **Has the REIT manager maintained adequate communication with Unitholders regarding the delays in the development of the Grange Road event space? What steps will be taken to improve transparency and timeliness of future project updates?**

- The construction delays mainly impact LREIT's ability to receive revenue from the site. This impact is minimal as revenue contribution from the multifunctional event space is expected to be less than 1% of LREIT's portfolio gross rental income. The Manager remains confident that the longer term benefits of this venue outweigh the temporary impact arising from delays.
- The long-term utility of the site has similarly not been impacted by the delays we have experienced. The Grange Road site was tendered on the basis that a concept that could provide rejuvenation to Orchard Road would be more important than just financial returns to stakeholders. The Manager believes that the value proposition has not changed in spite of the delays.

The multifunctional event space is envisioned to offer experiential lifestyle activities and social networking opportunities for the younger demographic, in sync with the Singapore government's plan for rejuvenating Orchard Road and repositioning Somerset as a youth hub. Its proximity to the Discovery Walk and 313@somerset is expected to provide a unique opportunity to synergise both offerings, fostering a distinctive experiential enclave for youths, shoppers and tourists alike.

With Live Nation, a leading global live entertainment company, as an anchor tenant, a calendar of events can be assured all year round. Tie-ups with STB and other potential local brands are also expected to further accentuate the appeal of the space.

- As the development project comprises stakeholders such as Live Nation and other government agencies, any communications will have to align with and be endorsed by the parties. The Manager encourages LREIT's Unitholders to sign up to LREIT's email alert to be updated with the latest development on the project.

END

23 October 2024

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Lendlease Global Commercial REIT (“**LREIT**”) in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

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**”), DBS Trustee Limited (as trustee of LREIT) or any of their affiliates.

This announcement 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.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United State securities laws or the laws of any other jurisdiction.

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