Lendlease Global Commercial REIT to Acquire Remaining Interest in Jem to Expand its Presence in the Resilient Suburban Segment

DPU accretive acquisition further boosts LREIT's portfolio income diversification, providing stable cashflows to Unitholders; attains tax transparency to achieve recurring tax savings[1]

- DPU accretion of +10.5%[2]
- Transformational acquisition that increases LREIT's total deposited property to S$3.6 billion providing better visibility amongst global investors
- 100% ownership in Jem results in tax transparency and gives LREIT full control of Jem via an efficient holding structure
- Strong stable cashflow from office component with 30-year master lease[3] and a rent review at every 5 years to a Singapore government ministry
- Suburban retail sector contribution to LREIT's portfolio will increase to 46.8% with a Singapore-centric asset base of c.88% by portfolio value[4]
- Portfolio weighted average lease expiry ("WALE") increased to 8.9 years from 8.4 years (by net lettable area ("NLA"))

Singapore, 14 February 2022 – Lendlease Global Commercial Trust Management Pte. Ltd., the manager ("Manager") of Lendlease Global Commercial REIT ("LREIT"), is pleased to announce the proposed acquisition of the remaining interest in Jem (the "Property")[5]. The agreed value of the Property is S$2,079 million[6]. This will result in LREIT owning a direct 100% stake in Jem.

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[1] Aggregate corporate income taxes under the fund structure was approximately S$5.6 million in FY2021.

[2] Based on the Property's net property income without the effects of COVID-19 related one-off expenses and rental abatements and expected credit loss against the adjusted 1H FY2022 base. Adjusted 1H FY2022 base assumes no indirect ownership of the Property, so as to present the effects of the acquisition of the Property had LREIT acquired 100% of the Property at one go.

[3] As of 31 December 2021, the weighted average lease term remaining for the office component is 22.9 years.

[4] By Valuation. Valuation for 313@somerset (including Grange Road Car Park development) and Sky Complex as at 30 June 2021. Jem's appraised value is the higher of the two independent valuations as at 31 December 2021.

[5] The acquisition will be effected through a combination of the acquisition by Lendlease Global Commercial (SGP) Pte. Ltd. ("SingCo") from Lendlease International Pty Limited ("LLI") of its 13.05% of the total issued share capital in ARIF3 and the Property acquisition.

[6] The consideration for the share acquisition is approximately S$116 million, and the consideration for the Property acquisition is S$2,079 million which will be partially funded in promissory notes of approximately S$263 million. Please refer to the Circular for more details.

The accretive acquisition will significantly enhance the quality of LREIT's portfolio. Post-acquisition, LREIT's total portfolio NLA will increase by 70.0% to approximately 2.2 million square feet ("sq ft"), and WALE will increase to 8.9 years. The enlarged portfolio is also expected to uplift its FY2021 net property income ("NPI") to S$147.8 million[7] from S$56.9 million[8] resulting in a FY2021 NPI yield of 4.2%. Upon completion of the proposed acquisition, LREIT's total deposited property is expected to increase by 2.1 times to approximately S$3.6 billion.

Benefiting from a 30-year master lease[3] with a rent review of every 5 years with Singapore's Ministry of National Development, Jem's office component will provide a strong and stable cashflow to Unitholders. In addition, the acquisition would allow Jem to enjoy tax transparency which it currently does not benefit from under a fund structure. The aggregate corporate income taxes under the fund structure was approximately S$5.6 million in FY2021.

Increasing Exposure to Resilient Suburban Retail Sector

Suburban retail malls have proven to better weather economic volatility. The proposed acquisition of Jem will reduce asset concentration risk, with the single largest asset segment representing 46.8% of the enlarged portfolio's aggregate value, as compared to 55.4% before the acquisition. It will also increase LREIT's exposure to the resilient suburban retail sector from 16.3% to 46.8% post-acquisition, and increase exposure to non-discretionary trades[9] from approximately 52% to approximately 59% by GRI[10].

Jem – Dominant Suburban Asset in the West, with High Quality Tenants

The Property has a committed occupancy of 100% and boasts quality tenants with a well-balanced tenant mix. Some of its top tenants include IKEA, FairPrice Xtra, Cathay Cineplexes and Don Don Donki, amongst others. Furthermore, its office component is fully leased to the Ministry of National Development of Singapore with a 30-year master lease[3] till 2045.

Asset enhancement initiatives were carried out for Jem, including reconfiguration of the former Robinsons space and generation of additional NLA at the basement food hall, creating an opportunity to optimise tenant mix and augment overall rental rates.

The strategic location of Jem also provides long-term growth potential through its proximity to commercial buildings, amenities and key public transport infrastructure. It is well-positioned to capitalise on the future public transport infrastructure alongside a higher population growth in

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[7] Based on Jem's net property income without the effects of COVID-19 related one-off rental abatements and expected credit loss for FY2021.

[8] Based on the adjusted net property income for FY2021, without the effects of COVID-19 related one-off rental abatements and expected credit loss.

[9] Non-discretionary trades (otherwise known as essential services) defined to include Beauty & Health, Education, Food & Beverages, Sundry & Services and Supermarket trade categories.

[10] GRI excludes turnover rent.

the Jurong region. The strong catchment with higher than national average household income and future development plans in the west region further add to the long-term relevance of Jem.

Regional catchments remain the most resilient submarkets as they have strong population density, strong domestic demand and comprise a larger portion of non-discretionary trade categories as compared to prime malls. Additionally, the work-from-home or hybrid working arrangements is expected to continue, where consumer spending will gravitate towards retail centres near homes.

Mr Kelvin Chow, Chief Executive Officer of the Manager, said, “The acquisition of Jem is a natural transition for us as we recognise its benefits and resiliency throughout the pandemic. The suburban retail market continues to perform well, and we believe that the Jurong region and its upcoming development plans will provide a great catchment for Jem.”

“This acquisition is testament of the strong support from our Sponsor as well as LREIT’s ability to tap on their strong platform and resources,” added Mr Chow.

Valuation for the Proposed Acquisition

The agreed property value was arrived on a willing-buyer and willing-seller basis after taking into account the two independent valuations of Jem by Jones Lang LaSalle Property Consultants Pte Ltd and CBRE Pte Ltd as at 31 December 2021. The Property Purchase Consideration of S$2,079 million is approximately a 0.3% or S$7 million discount to the appraised value. Including acquisition related expenses, the total acquisition cost is estimated at S$2,015 million[11].

Proposed Equity Fund Raising for the Acquisition

The Manager intends to propose an equity fund raising (“Equity Fund Raising”), which may comprise a private placement of new LREIT units to institutional and other investors and/or a non-renounceable preferential offering of new units to the existing Unitholders on a pro rata basis (“New Units”).

The Manager expects to use the net proceeds from the Equity Fund Raising to partially fund the total cost of the proposed acquisition, with the balance to be funded by the LREIT promissory notes issued to one of the property vendors, the issuance of the Consideration Units to LLI (or its nominee), debt financing, and/or issuance of perpetual securities as well as LREIT’s own cash reserves and internal resources. LLI is a direct, wholly-owned subsidiary of Lendlease Corporation Limited (the “Sponsor”).

[11] Excludes the principal amount of the promissory notes issued to Lendlease Retail Investments 3 Pte. Ltd. ("LLRI3") in part satisfaction of the Purchase Consideration, as such amount will be returned to LREIT as a portion of returns that LREIT (through Singco) would receive for the sale of its effective interest in Jem.

Based on 1H FY2022 pro forma financial effects of the acquisition, it is expected to provide a 10.5%[12] DPU accretion upon completion. This is in line with LREIT's objective to deliver long-term steady returns to its Unitholders.

Strong Alignment of Sponsor's Interest with LREIT's Unitholders

LREIT's Sponsor currently holds approximately 26.5%[13] indirect interest in LREIT. To demonstrate its long-term commitment and support for LREIT as well as the Equity Fund Raising, LREIT's Sponsor has committed to invest approximately S$234 million in the proposed transaction. This comprises (i) Consideration Units of approximately S$116 million[14] in lieu of cash for the divestment of its stake in the Property and (ii) the subscription for its pro rata share and application for additional units in the preferential offering of up to S$117.8 million in the event that the Equity Fund Raising includes a preferential offering.

This commitment will also further align the interests of the Manager and the Sponsor with Unitholders, incentivising the Manager to raise the performance of LREIT to the benefit of Unitholders.

The proposed acquisition is subject to the approval of Unitholders of LREIT at an extraordinary general meeting to be convened by way of electronic means on 7 March 2022.

This press release is to be read in conjunction with LREIT's proposed acquisition circular to Unitholders dated 14 February 2022 (the "Circular"). Details of the key investment merits and assumptions are set out in the Circular.

End

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[12] Based on Jem's net property income without the effects of COVID-19 related one-off rental abatements and expected credit loss and adjusted FY2021 base assumes no indirect ownership of Jem, so as to present the effects of the acquisition of the Property had LREIT acquired 100% of the Property directly at one go. Based on the gross proceeds raised from the Equity Fund Raising of S$837 million with the New Units issued at an illustrative issue price of S$0.82 per New Unit, with the balance of the total acquisition cost funded by the LREIT promissory notes, the issuance of the Consideration Units, debt financing, as well as its own cash reserves and internal resources. The weighted average number of units used in computing the pro forma DPU includes (a) approximately 1,025 million New Units issued at an illustrative issue price of S$0.82 per New Unit ("Illustrative Issue Price") and (b) approximately 19 million units issued to the Manager as payment for the acquisition fee ("Acquisition Fee Units") issued at an illustrative issue price of S$0.88 per Acquisition Fee Unit. At the Illustrative Issue Price, DPU accretion increases by approximately 0.6% to 0.7% for a 1 cent increase in the Illustrative Issue Price, and vice versa.

[13] As at Latest Practicable Date.

[14] Estimated based on the net asset value of ARIF3 as at 31 December 2021. The ARIF3 Purchase Consideration will be fixed based on the net asset value of ARIF3 as at the completion date in accordance with the agreed procedures set out in the ARIF3 SPA and there will be no post-completion adjustments.

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 portfolio comprises a leasehold interest in 313@somerset, a prime retail property located in Singapore and a freehold interest in Sky Complex, which comprises three grade-A office buildings located in Milan. These four properties have a total net lettable area of approximately 1.3 million square feet, with an appraised value of S$1.4 billion. Other investments include a 31.8% indirect interest in Jem, an integrated office and retail development in Singapore and a tender project to develop a multifunctional event space on a site adjacent to 313@somerset.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Lendlease Singapore Holdings Pty Limited. 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 Group[15], 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 Together we create value through places where communities thrive.

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$114 billion[16], core construction backlog of A$15 billion[16] and funds under management of A$40 billion[16]. The Lendlease Group is a trusted investment manager to over 150 key capital partners in property and investments.

[15] Lendlease Group comprises the Sponsor, Lendlease Trust and their subsidiaries.
[16] As at 30 June 2021.

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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 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, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

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 their Units while the Units are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). It is intended that Unitholders may only deal in their Units through trading on SGX-ST. Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

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

Nothing in this release should be construed as financial, investment, business, legal or tax advice and you should consult your own independent professional advisors. This release shall be read in conjunction with LREIT's announcement on SGXNET "Acquisition of Remaining Interests in Jem, Related Proposed Transactions and Receipt of Approval In-Principle for the Listing of the Consideration Units and New Units" dated 14 February 2022 and LREIT's circular on SGXNET "Circular to Unitholders in relation to: (1) The proposed acquisition of the remaining interests in Jem through: (i) the proposed asset acquisition of Jem from Lendlease Commercial Investments Pte. Ltd. and Lendlease Retail Investments 3 Pte. Ltd., and (ii) the proposed acquisition from Lendlease International Pty Limited of shares representing approximately 13.05% of the Issued Share Capital of Lendlease Asian Retail Investment Fund 3 Limited, which holds 75% interest in Jem, as an Interested Person Transaction; (2) The proposed issue of New Units to Lendlease International Pty Limited (or its nominee) in satisfaction of the consideration for the proposed acquisition of shares in Lendlease Asian Retail Investment Fund 3 Limited, as an Interested Person Transaction; and (3) The proposed issue of up to 1,265,346,000 New Units under the Equity Fund Raising" dated 14 February 2022.

This release is for information purposes only and does not constitute an offer for sale or an invitation or offer to acquire, purchase or subscribe for the Units in the United States. This release does not constitute or form a part of any offer to purchase, a solicitation of an offer to purchase, an offer to sell or invitation or solicitation of an offer to sell, issue or subscribe for, securities in or into the United States or in any other jurisdiction. No securities mentioned herein have been, or will be, registered under the United States Securities Act of 1933 (the "US Securities Act") or any state securities laws or other jurisdiction of the United States and no such securities may be offered or sold in or into the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirement under the US Securities Act and any applicable state or local securities laws of the United States. No public offering of the securities mentioned herein will be made in any other jurisdiction where such an offering is restricted or prohibited.

This release is not to be distributed, published 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.

Appendix A

About Jem

Jem is an integrated office and retail asset located in Jurong Gateway, the commercial hub of the Jurong Lake District. It is situated next to the Jurong East MRT station and bus interchange. It is one of the largest suburban malls in Singapore with retail space across six levels. It also comprises 12 levels of office space which has been fully leased to the Ministry of National Development of Singapore ("MND").

Jem is the first mixed-use development in Singapore to be awarded the Green Mark Platinum version 4 and received the Building and Construction Authority's Universal Design Mark Gold Plus Design Award. The mall was ranked second in the Asia Retail (Unlisted) category under the 2021 Global Real Estate Sustainability Benchmark ("GRESB"), an investor-led Environmental, Social and Governance ("ESG") benchmark for the real estate sector.

As at 31 December 2021, Jem has a NLA of about 892,502 sq ft. Its retail and office space (by NLA) account for 65.1% and 34.9%, respectively. Anchor tenants within the retail space include IKEA (its first small-store concept in Southeast Asia), FairPrice Xtra (a hypermarket), Cathay Cineplexes (one of the largest cinema multiplexes in western Singapore) and Don Don Donki (a popular Japanese discount store chain). Other major retail tenants include H&M, Koufu, Uniqlo and Courts.

The table below sets out a summary of the selected information on Jem as at 31 December 2021, unless otherwise stated:

Title	Leasehold of 99 years commencing from 27 September 2010
GFA(1) (sq ft(2))	1,164,166
NLA(3) (sq ft)	892,502
Number of Storeys	Retail: 6 Office: 12
Committed Occupancy	100.0%
Weighted Average Lease Expiry by GRI (years)	5.9
Weighted Average Lease Expiry by NLA (years)	9.2
Independent Valuation by JLL (as at 31 December 2021) (4)	S$2,086 million (S$2,337 psf of NLA)
Independent Valuation by CBRE (as at 31 December 2021) (5)	S$2,063 million (S$2,311 psf of NLA)

Agreed Property Value	S$2,079 million (S$2,329 psf of NLA)
Capitalisation Rate adopted in the Independent Valuations	Retail: 4.50% Office: 3.50%
NPI[(6)] (FY2021[(7)])	S$90.8 million
NPI[(6)] Yield Based on Agreed Property Value (FY2021) (without the effects of COVID-19 related one-off rental abatements and expected credit loss)	4.4%
NPI[(6)] (FY2021) (with the effects of COVID-19 related one-off rental abatements and expected credit loss)	S$82.8 million
NPI[(6)] Yield Based on Agreed Property Value (FY2021) (with the effects of COVID-19 related one-off rental abatements and expected credit loss)	4.0%
Awards	First mixed-use asset in Singapore to be awarded the Green Mark Platinum version 4 Received the Building and Construction Authority's Universal Design Mark Gold Plus Design Award 2nd place in the Asia Retail (Unlisted) category under the 2021 GRESB assessment

Notes:

(1) "**GFA**" refers to gross floor area.
(2) "**sq ft**" refers to square feet.
(3) "**NLA**" refers to net lettable area.
(4) JLL relied on the capitalisation approach and discounted cash flow methods of valuation.
(5) CBRE relied on the capitalisation approach and discounted cash flow methods of valuation.
(6) "**NPI**" refers to the adjusted net property income for the relevant period.
(7) "**FY2021**" refers to the financial year ended 30 June 2021.