



Annual General Meeting 2015
For the Financial Year ended
31 August 2015

27 November 2015

Disclaimer

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This presentation shall be read in conjunction with SPH REIT’s financial results for the fourth quarter and financial year ended 31 August 2015 in the SGXNET announcement.

Contents

Results and balance sheet	Slide 3
Operational performance	Slide 11
Growth strategy and market outlook	Slide 20

Results and balance sheet



Key highlights

- FY15 DPU was 5.47 cents, an increase of 0.7% against last year
- 4Q 2015 DPU was 1.39 cents
- Distribution yield was 5.70% (based on closing price of \$0.96 per unit on 31 August 2015)
- Healthy portfolio rental reversion of 8.6%
- Revitalisation of tenant mix
- Strong balance sheet, with low gearing of 25.7% and 84.7% debt on fixed rate

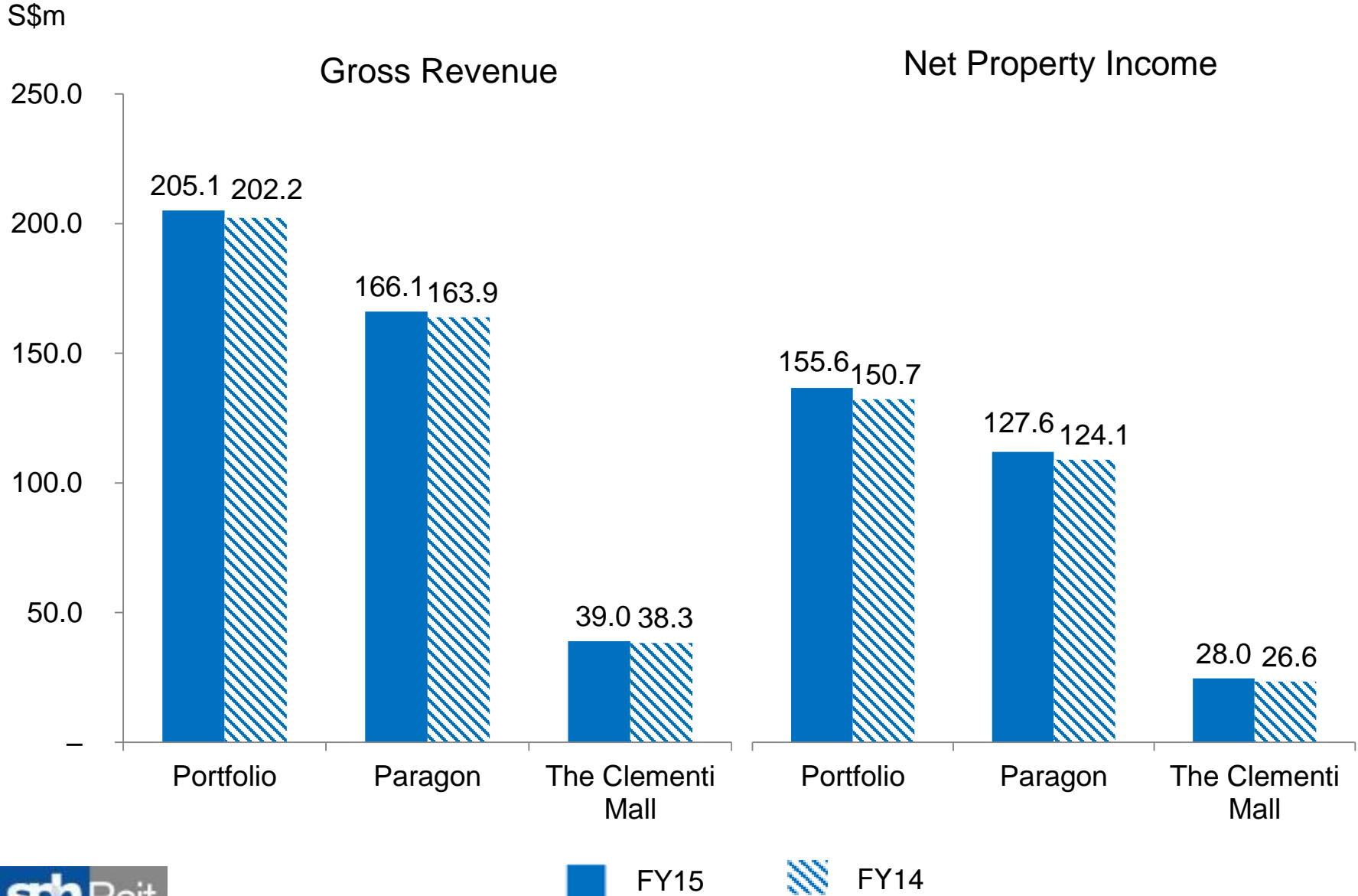
Resilient Performance

	FY15 S\$'000	FY14 S\$'000	Change %
Gross revenue	205,113	202,241	1.4%
Property expenses	(49,493)	(51,590)	(4.1%)
Net property income (NPI)	155,620	150,651	3.3%
Income available for distribution	138,538	136,364	1.6%
Distribution to Unitholders ^(a)	138,044	136,193	1.4%
Distribution per unit (DPU) (cents)	5.47	5.43	0.7%

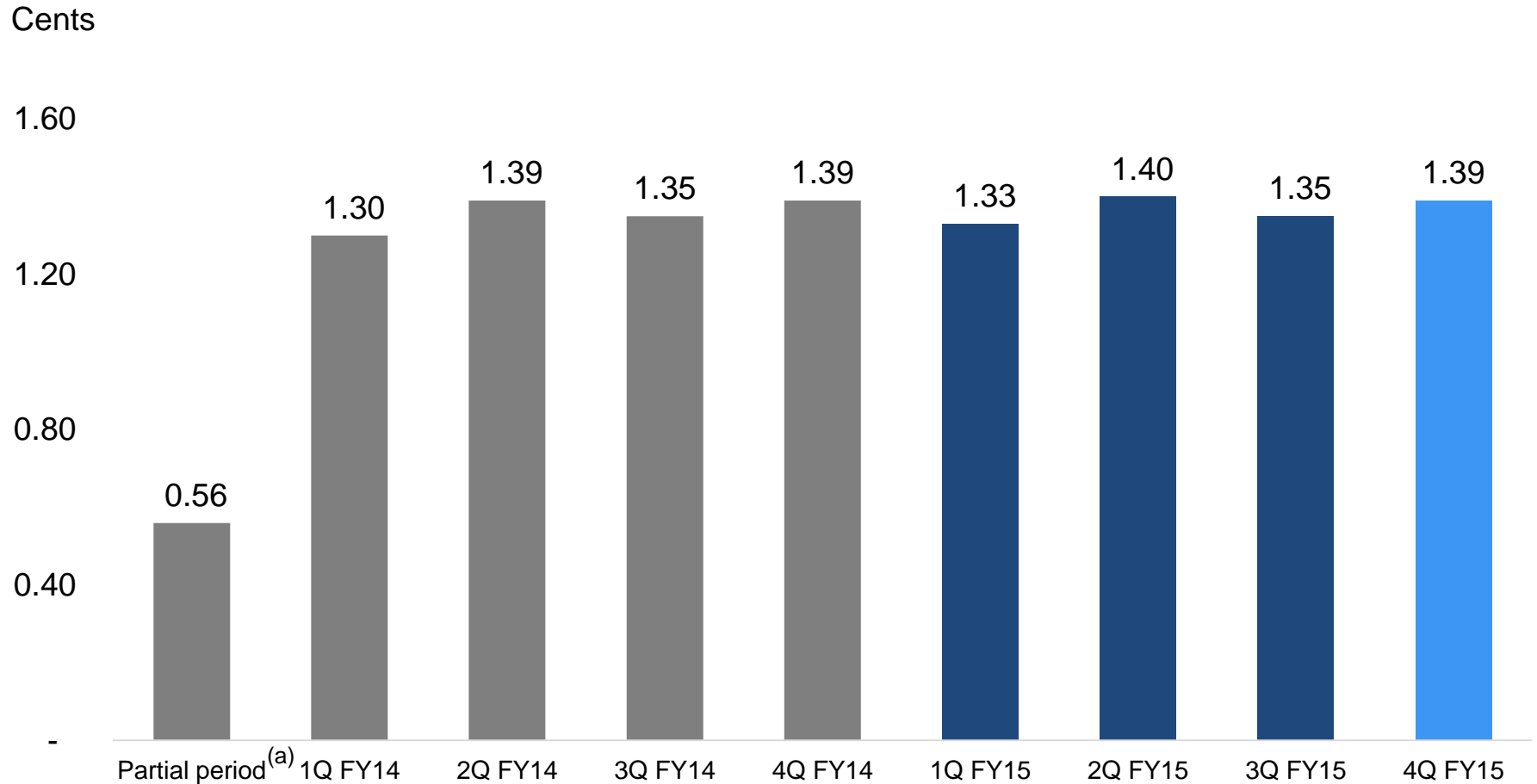
Note:

(a) For FY2015, the distribution to unitholders was 99.6% of taxable income available for distribution.

Higher Gross Revenue and NPI



Stable and regular DPU



Note:

(a) For the period from 24 July 2013 (listing date) to 31 August 2013.

Financial position

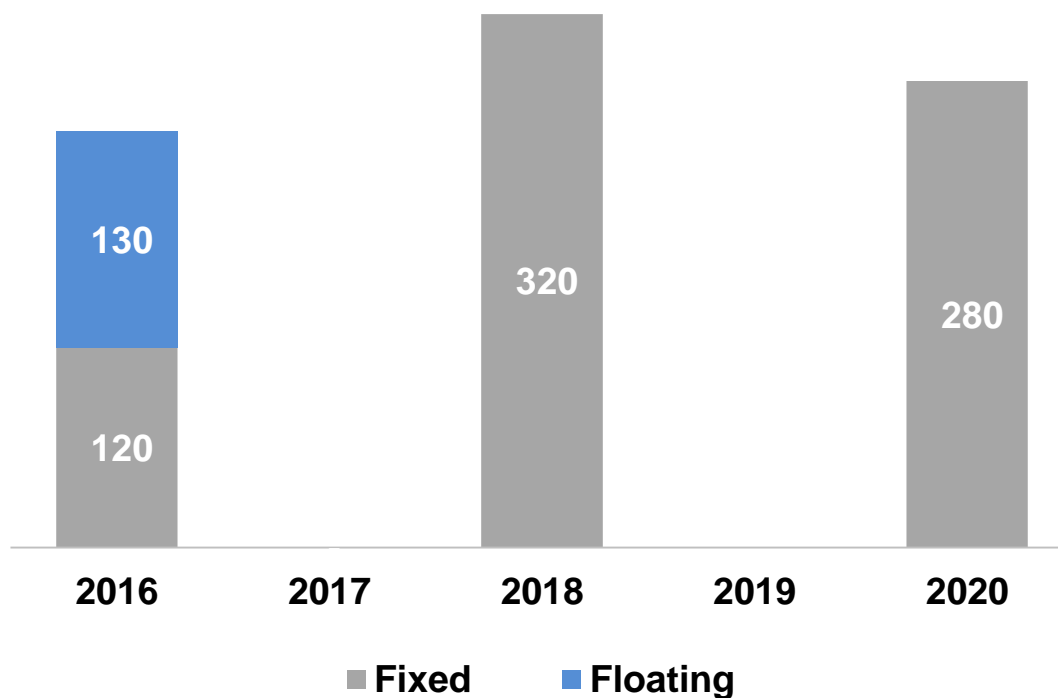
	As at 31 August 2015 S\$'000	As at 31 August 2014 S\$'000
Total assets	3,309,621	3,269,033
Total liabilities	911,811	915,967
Net assets	2,397,810	2,353,066
Net asset value per unit	S\$0.95	S\$0.93
Gearing ^(a)	25.7%	26.0%

(a) Gearing is computed based on total debt/ total assets

Low gearing and 85% of debt fixed

- Proactive capital management with 84.7% of the S\$850m debt facility on a fixed rate basis
- Average cost of debt: 2.55%
- Weighted average term to maturity: 2.9 years

Debt maturity profile (S\$m)



Market Value of Properties

	Valuation as at 31 August (a)		Capitalisation Rate As at 31 August 2015 and 2014
	2015 S\$m	2014 S\$m	
Paragon	2,641.0	2,588.0	4.85% - Retail 4.25% - Medical Suite/Office
The Clementi Mall (b)	571.5	571.0	5.00%
SPH REIT Portfolio	3,212.5	3,159.0	

Notes

(a) Valuations as at 31 August 2015 and 31 August 2014 were conducted by DTZ.

(b) The Clementi Mall's valuation excludes income support. The guaranteed Net Property Income (NPI) per year is S\$31 million and the aggregate top up NPI shall not exceed \$20 million over five years from 24 July 2013 (Listing date).

Operational performance



Steady and resilient performance

- Track record of 100% committed occupancy
- FY15 visitor traffic improved year-on-year by 2.0% for Paragon and 4.7% for The Clementi Mall
- Healthy portfolio rental reversion of 8.6%
- Paragon's tenant sales declined by 3.2% to \$657m in FY15, primarily due to fitting out period arising from the tenancy revitalisation program at Paragon.
- Tenant sales for The Clementi Mall improved by 3.6% to \$242m in FY15.
- FY15 occupancy cost was 19.0% for Paragon and 14.6% for The Clementi Mall

Rental reversions up 8.6% for the portfolio

	Number of renewals / new leases ^(a)	NLA renewed / new leases (sf)	As a % of properties' NLA	Change compared to preceding rental rates ^(c)
Paragon	118	235,948	33.0%	9.1%
The Clementi Mall	20	9,556	5.0%	- 5.6% ^(d)
SPH REIT Portfolio	138	245,504	27.1% ^(b)	8.6%

Notes:

(a) For expiries in FY15.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 906,797sf as at 31 August 2015.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases are typically committed three years ago.

(d) Negative rental reversion was recorded as The Clementi Mall continues to balance the tenancy mix and strengthen the offering to a wider base of shoppers.

Strategy to revitalise tenant mix

- Strategy to continually revitalise tenant mix to keep the properties relevant and elevate the properties' positioning
- Has embarked on these initiatives to strengthen the various clusters
- Asset enhancement works will be managed to minimise disruption to shoppers and tenants

Strategy to revitalise tenant mix

New Brands



New Look / Concept



Well-staggered portfolio lease renewal

Weighted Average Lease Expiry (WALE) as at 31 August 2015

By NLA 2.3 years

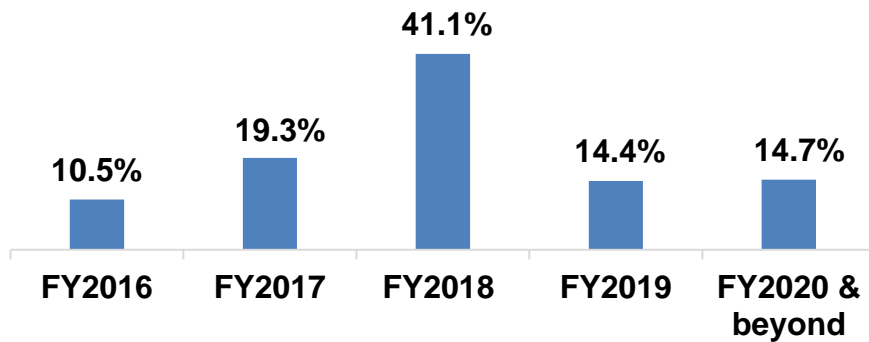
By Gross Rental Income 2.4 years

Lease expiry as at 31 August 2015

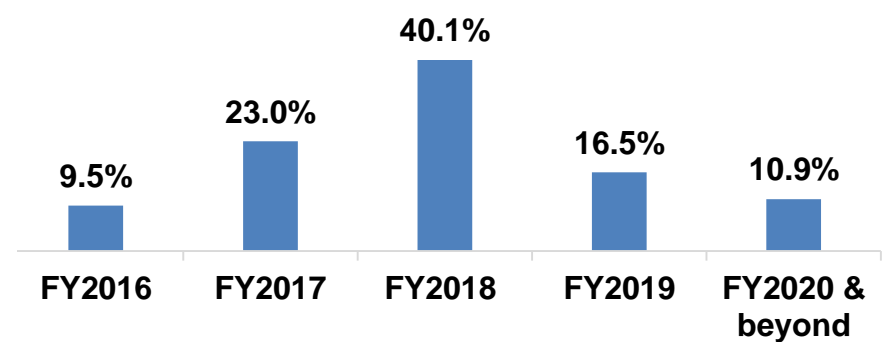
	FY2016	FY2017	FY2018	FY2019	FY2020 and beyond
Expiries as a % of total NLA	9.4%	36.0%	32.7%	13.4%	8.5%
Expiries as a % of Gross rental income	9.8%	31.9%	34.5%	12.0%	11.8%

Paragon: well staggered lease expiry

Expiry by Gross Rental Income

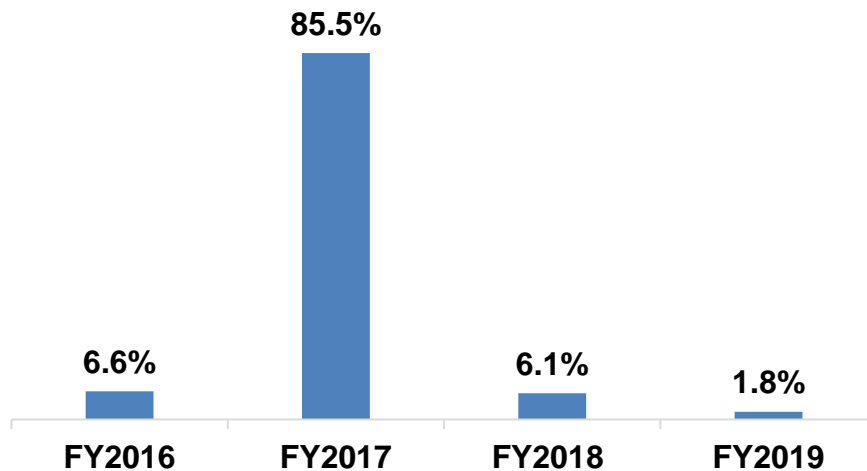


Expiry by NLA

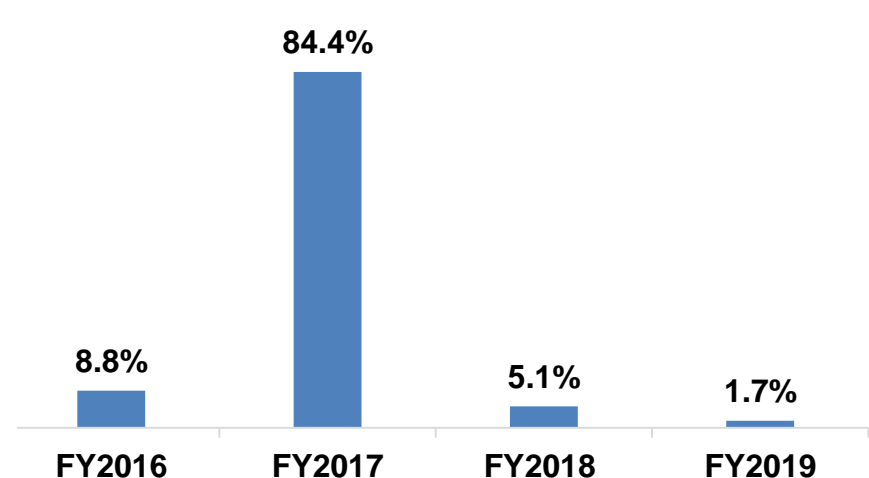


The Clementi Mall (a) : tenant retention rate of more than 90% for first renewal cycle

Expiry by Gross Rental Income



Expiry by NLA

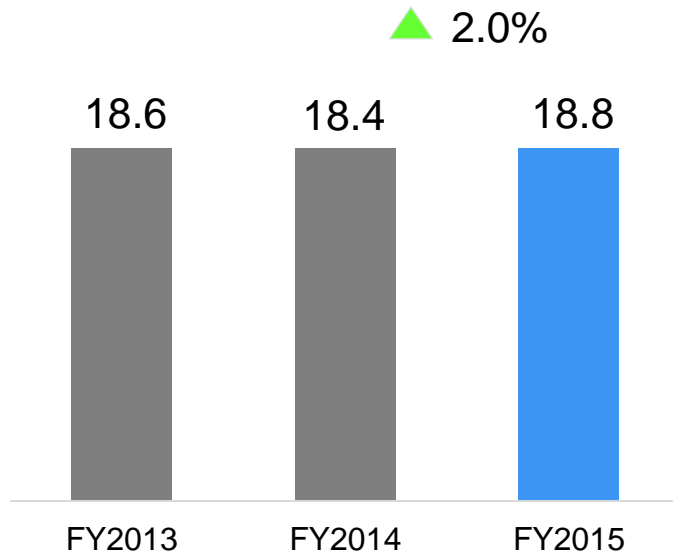


Notes

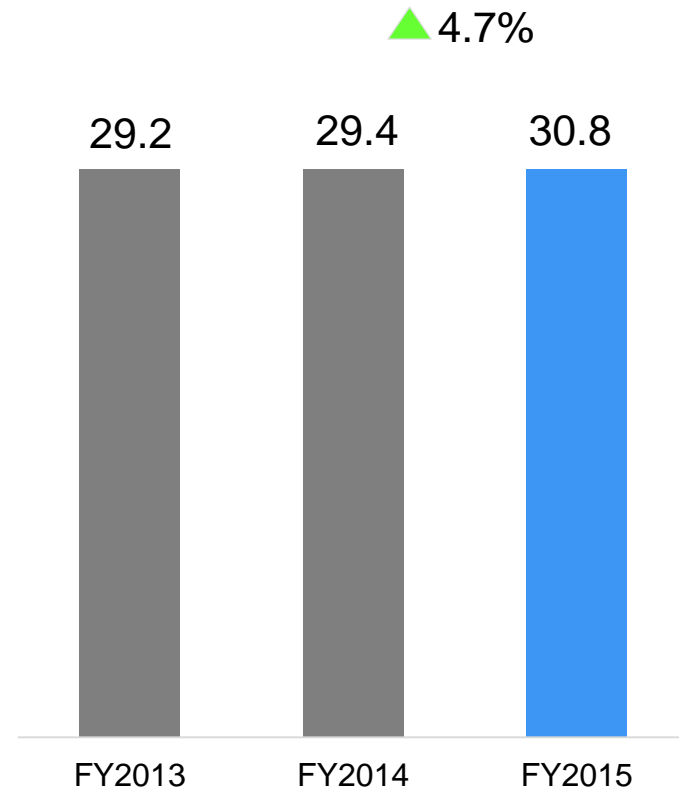
(a) The Clementi Mall officially opened in May 2011 with first lease renewal cycle in 2014.

Steady visitor traffic

Paragon



The Clementi Mall



* All figures (in million)

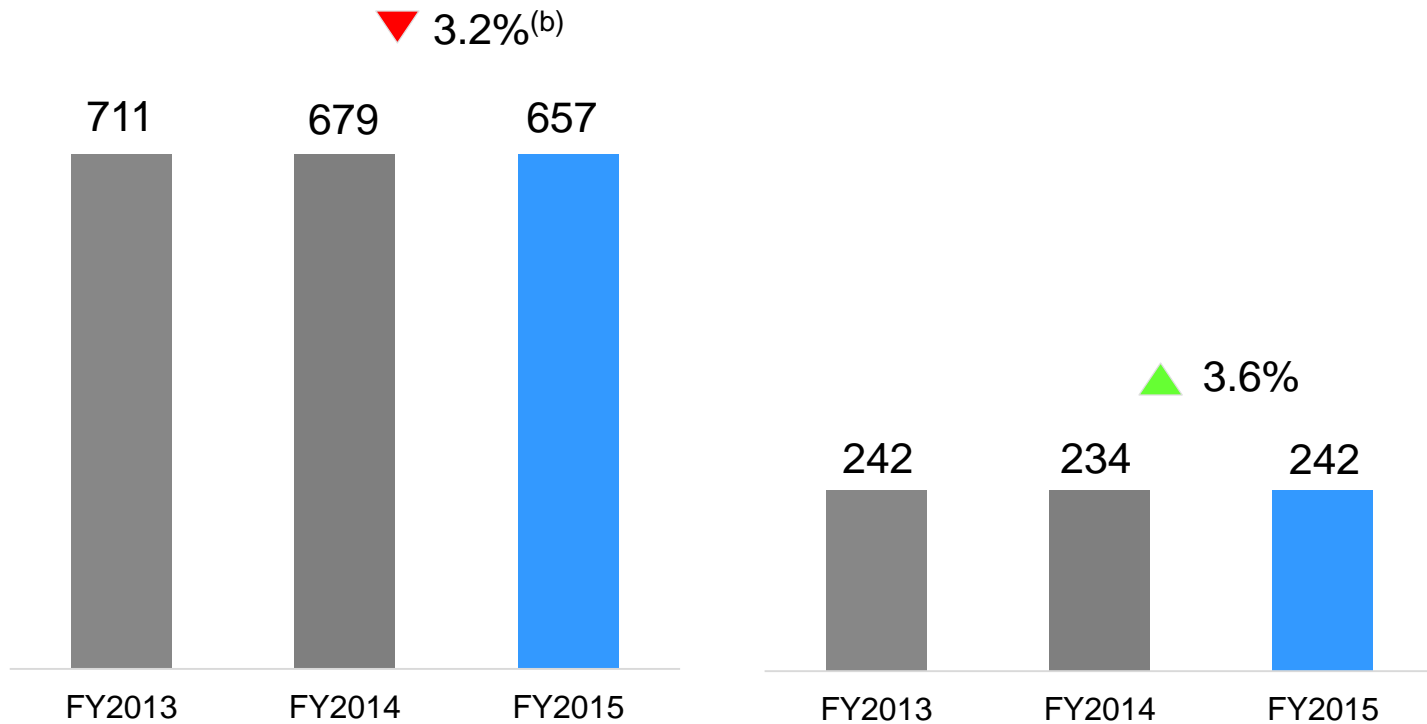
Note:

(a) Financial year refers to the period from 1 September to 31 August in the respective year 2013, 2014, and 2015.

Tenant Sales

Paragon

The Clementi Mall



* All figures (in \$million)

Note:

- (a) Financial year refers to the period from 1 September to 31 August in the respective year 2013, 2014, and 2015.
- (b) Primarily impacted by fitting-out period scheduled for the tenancy revitalisation program



Growth strategy and market outlook



Multi-pronged growth strategy to ensure growth

Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily⁽¹⁾ for retail purposes in Asia Pacific
 - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, achieved 100% committed occupancy rate since December 2014.
 - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to unitholders

Note

(1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

Continual Asset Enhancement

Air Handling Unit (“AHU”) Decanting Project

- Project to replace aging AHUs with fan coil unit (“FCU”) in Paragon
- And convert about 7,000 sqft back-of-house spaces into revenue generating net lettable area at retail levels
- Multi-phased approach to tie in with tenants’ lease expiries from September 2015 to March 2018 to minimise disruption to tenants

Chiller Decanting Project

- Project completed on schedule.
- All tenants committed for the newly-created space have started trading by August.
- With contribution of annual rental income of close to \$1m, the return on investment was above 7%¹.
- Paragon will enjoy savings in utilities consumption from the more efficient chillers.

Note

(1) Excludes equipment cost as they were due for replacement

Market outlook

- **Outlook for Singapore economy remains modest**
 - The Singapore economy grew by 1.9% on a year-on-year basis in the third quarter.
 - MTI forecast GDP to grow by close to 2.0% in 2015, and 1.0% to 3.0% in 2016.
 - Growth in labour-intensive segments such as retail and food services may continue to be weighed down by manpower constraints.
- **STB has forecast visitor arrivals and tourist receipts to post flat-to-modest growth in 2015**
 - Decline in international visitor arrivals moderated to 1.7% in the first seven months of 2015. IVA recorded positive year-on-year growth from May to July 2015 for the first time since February 2014.
 - Tourism receipts was 12% lower year-on-year in the first half of 2015. The decline slowed from 14% in Q1 2015 to 9% in Q2 2015.
 - STB has forecast visitor arrivals to grow between 0% and 3%, and tourist receipts to grow between 0% and 2% in 2015.
- **Retail remains challenging**
 - The retail sales index (excluding motor vehicles) declined year-on-year by 0.7% in 2014. Retail sales continued to contract year-on-year by a marginal 0.1% in Q1 2015, and 0.8% in Q2 2015.

Thank You

Please visit www.sphreit.com.sg for more information.