



# CapitaLand Commercial Trust

## Singapore's First and Largest Commercial REIT

The Acquisition of Gallileo,  
a Grade A Commercial Property in Frankfurt, Germany

17 May 2018



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Terms not defined herein have the meanings given to them in the announcement in relation to the Acquisition dated 17 May 2018.



# Content

1. Overview
2. Rationale for expanding overseas
3. Rationale for the Acquisition
4. Conclusion

# 1. Overview

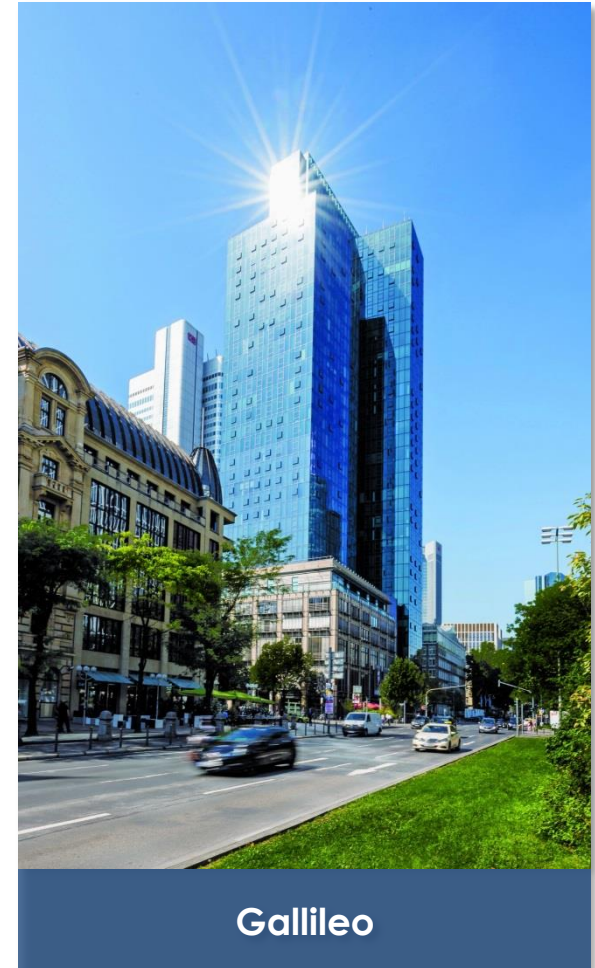


Galileo, Frankfurt, Germany



# Transaction Overview

- ✓ Acquisition<sup>(1)</sup> of a Grade A, freehold commercial property, Gallileo, which is fully occupied (the “Acquisition”)
- ✓ Strategically located in Frankfurt’s prime CBD, known as Banking District
- ✓ Agreed Property Value of €356.0 million (vs. the independent valuation<sup>(2)</sup> of €360.9 million) which translates to €8,785 psm<sup>(3)</sup>
- ✓ To be funded by bank borrowings and net proceeds from the Private Placement
- ✓ The Acquisition is expected to be DPU accretive
- ✓ The Acquisition is expected to be completed in June 2018



Unless otherwise stated, all conversions of € amounts into S\$ shall be based on the exchange rate of €1 = S\$1.60. All information on 100.0% basis.

Note:

(1) Acquisition of Gallileo through the purchase of 94.9% of the shares of Gallileo Property S.a.r.l, a company that holds the property.

(2) By Cushman & Wakefield as at 31 March 2018.

(3) Agreed Property Value of S\$569.6 million (vs. the independent valuation of S\$577.4 million) which translates to S\$1,306 psf.



# Strategically located in Frankfurt's prime CBD

## By Foot

(3-10 minutes)

- Willy-Brandt-Platz underground
- Main railway station
- Taunusanlage suburban railway stop

## By Car

(3-20 minutes)

- Main railway station
- Airport



- Westend
- Banking District
- City
- Railway Station District
- Frankfurt Airport
- Deutsche Bahn
- S Bahn
- U Bahn



# Frankfurt's Banking District

**Trianon**  
*Deka Bank*

**Opernturm**  
*UBS, Allen & Overy*

**Alter Oper (Old Opera House)**

**Main Tower**  
*Helaba*

**Garden Tower**  
*Société Générale*

**Japan Center**  
*ECB*

**Taunusturm**  
*JP Morgan*

**Euro Tower**  
*ECB*

**Oper Frankfurt (Opera House)**



**Deutsche Bank Twin Towers**  
*Deutsche Bank*

**Silberturm**  
*Deutsche Bahn*

**Gallileo**  
*Commerzbank*

**Commerzbank Tower**  
*Commerzbank*



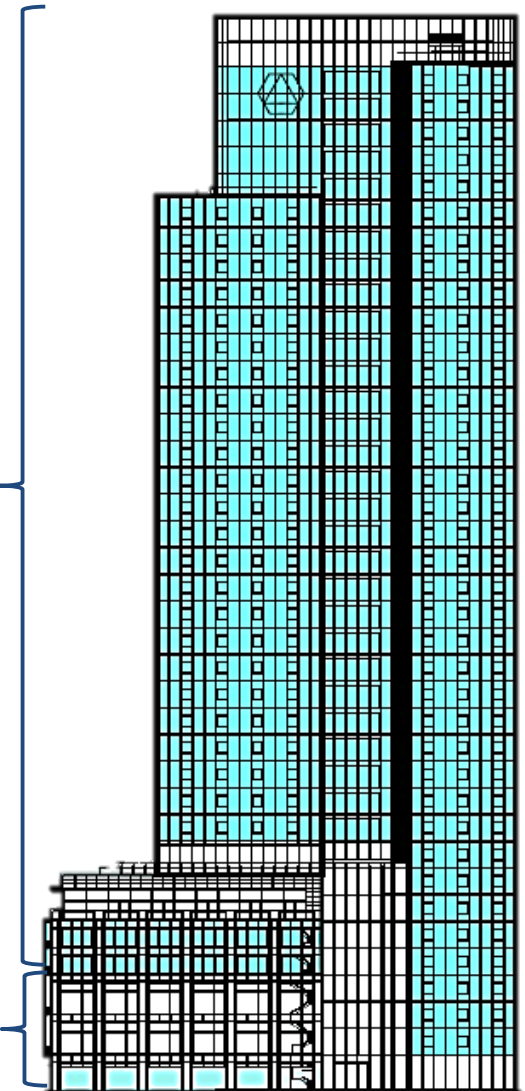


# Overview of Galileo

<b>Description</b>	A 38-storey Grade A commercial building with ancillary retail and a 4-storey heritage building for office use
<b>Address</b>	Gallusanlage 7/ Neckarstrasse 5, 60329 Frankfurt am Main
<b>Title</b>	Freehold
<b>Date of Completion</b>	2003
<b>Net Lettable Area ("NLA")</b>	436,175 sq ft (40,522 sqm)
<b>Typical Floor Plate</b>	10,549 sq ft (980 sqm)
<b>Occupancy</b>	100%, Commerzbank AG <sup>(1)</sup> anchors approximately 98%
<b>Weighted Average Lease Expiry ("WALE")</b>	10.6 years <sup>(1)</sup>
<b>Certification</b>	LEED Platinum
<b>Independent Valuation</b>	€360.9 million (\$577.4 million) <sup>(2)</sup>
<b>Net Property Income ("NPI") Yield</b>	c. 4.0%

**Office  
35 Stories  
(3F - 37F)**

**Retail/F&B  
3 Stories  
(GF - 2F)**



All information on 100.0% basis.

Note:

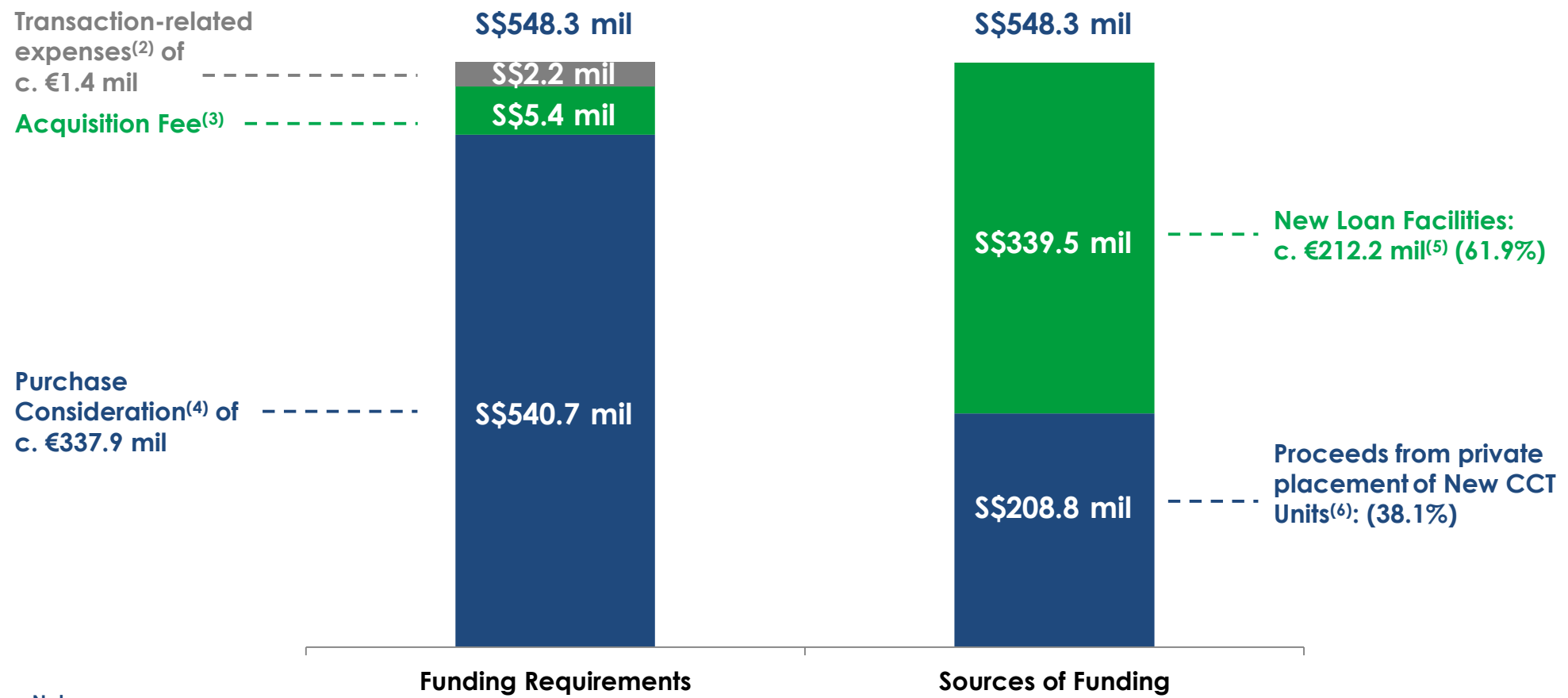
(1) Commerzbank AG's lease expires in 2029 and the rent is adjusted based on an inflation index every two years. However, Commerzbank AG has an option to terminate the lease in 2024 with 24-months' notice.

(2) As at 31 March 2018.





# Total acquisition cost<sup>(1)</sup> and funding



Note:

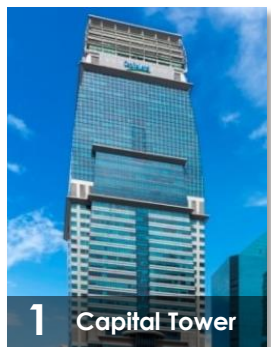
- (1) Based on 94.9% interest of the Agreed Property Value.
- (2) Includes professional fees, insurance and other costs.
- (3) Acquisition fee is 1.0% of 94.9% of the Agreed Property Value.
- (4) Comprises €337.8 million (being 94.9% of the Agreed Property Value) and estimated adjusted net asset value of €0.1 million.
- (5) Has an assumed interest rate of 1.4% per annum.
- (6) Assuming 130 million new units are issued under the Private Placement.



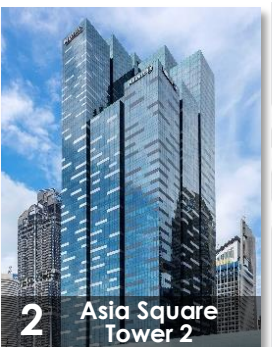
## 2. Rationale for expanding overseas



# CCT has the largest office footprint in the Singapore CBD



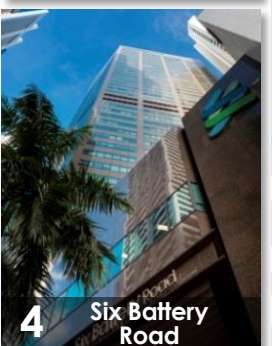
1 Capital Tower



2 Asia Square Tower 2



3 CapitaGreen



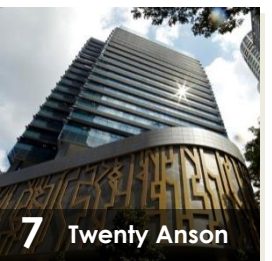
4 Six Battery Road



5 One George Street<sup>(1)</sup>



6 Raffles City Singapore<sup>(2)</sup>



7 Twenty Anson



8 HSBC Building



9 Bugis Village



10 CapitaSpring<sup>(3)</sup>

Note:  
 (1) CCT has 50.0% interest in One George Street.  
 (2) CCT has 60.0% interest in Raffles City Singapore.  
 (3) CCT has 45.0% interest in CapitaSpring.



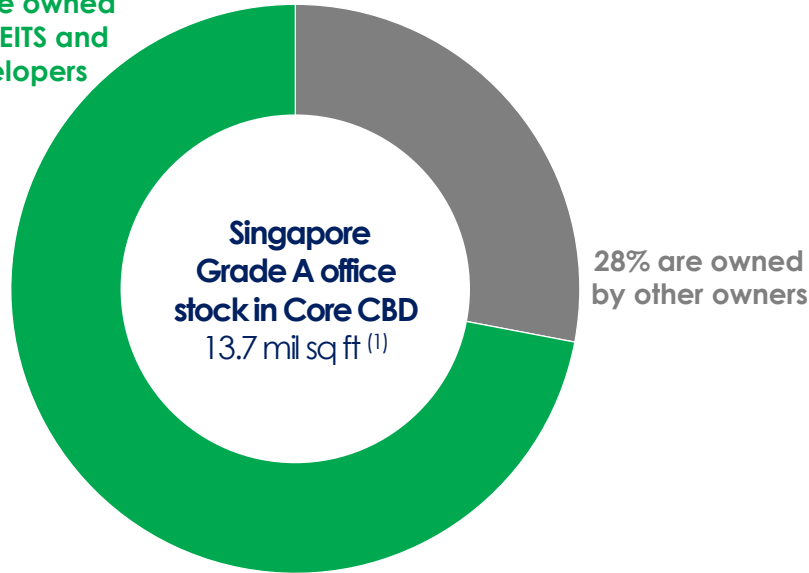
# Expanding overseas would be a natural next step

## Investment opportunities in Singapore may be limited

Good quality assets are tightly held

Continue to be pre-dominantly Singapore focused and pursue strategic overseas investments

72% are owned by S-REITS and developers



Proposed capital allocation of 10% to 20% of deposited property for overseas investments

- ✓ Focus on select gateway cities in developed markets
- ✓ Focus on core commercial properties in line with CCT's value proposition
- ✓ Leverage on CapitaLand's overseas investment and asset management platform and network



The Acquisition meets these criteria and delivers sustainable distribution growth

Note:

(1) Based on data from CBRE Pte. Ltd., 1Q 2018 and represents 46% of Core CBD stock (29.8 million sq ft).

# 3. Rationale for the Acquisition





# Rationale for the Acquisition

- 1 Strategic expansion into Germany
- 2 Grade A, freehold property that fits with CCT's existing portfolio
- 3 DPU accretive acquisition
- 4 Enhances resilience, diversity and quality of CCT's portfolio
- 5 Leveraging on Sponsor's established platform



1

# Strategic expansion into Germany

## Stronghold of stability and economic pillar of the European Union

### ✓ Largest market in Europe (21% of Europe's GDP)

- 4<sup>th</sup> largest economy in the world based on 2017 real GDP<sup>(1)(2)</sup>
- Broad-based economy anchored by services and manufacturing industries

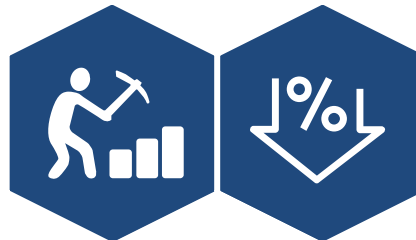


### ✓ Stable political situation

- Germany is the bastion of stability in Europe
- Continuity in key leadership

### ✓ Strong labour market

- Low unemployment rate of 3.8% (2017)<sup>(2)</sup>



### ✓ Interest rate expected to remain low

- ECB's monetary policy remains expansionary (yield for a 10-year federal bond approx. 0.61%)<sup>(3)</sup>

Note:

(1) At 2005 prices.

(2) Source: The Economist Intelligence Unit.

(3) As at 14 May 2018.



# 1

# Strategic expansion into Germany

## Frankfurt – #1 financial centre in Germany and continental Europe

### Frankfurt – Well Positioned within Continental Europe

#### MAJOR EUROPEAN METROPOLITAN REGION

Frankfurt Rhine-Main Metropolitan Region is the 3rd largest metropolitan region in Germany with a population of 5.7 mil; contributes 8% of German GDP<sup>(1)</sup>



#### RHINE-MAIN AREA

An attractive base to >400,000 national and international companies<sup>(1)</sup>

#### CENTRAL LOCATION IN EUROPE

Short distances to key European cities and excellent links to the pan-European road and rail network



#### RHINE MAIN REGION

#### FRANKFURT AM MAIN

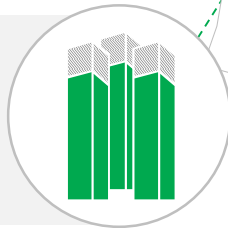


#### NO. 1 IN GERMANY

Highest density of international banks, consultancies and law firms

#### HQ LOCATION FOR LARGE CORPORATIONS

Commerzbank AG, Lufthansa, Deutsche Bahn, Deutsche Bank, Continental, Opel



#### IMPORTANT SECTORS

Financial Services, ICT, Logistics, Automotive, Chemical, Environmental and Energy

Note:

(1) Source: IHK-Forum (Rhein-Main).





1

# Strategic expansion into Germany

## Frankfurt – An attractive office market with strong property fundamentals

Banking District, Frankfurt, Germany



Limited new space for expansion in Banking District



Strong demand



Low vacancy and supply



Potential beneficiary of Brexit



High level of interest from international capital



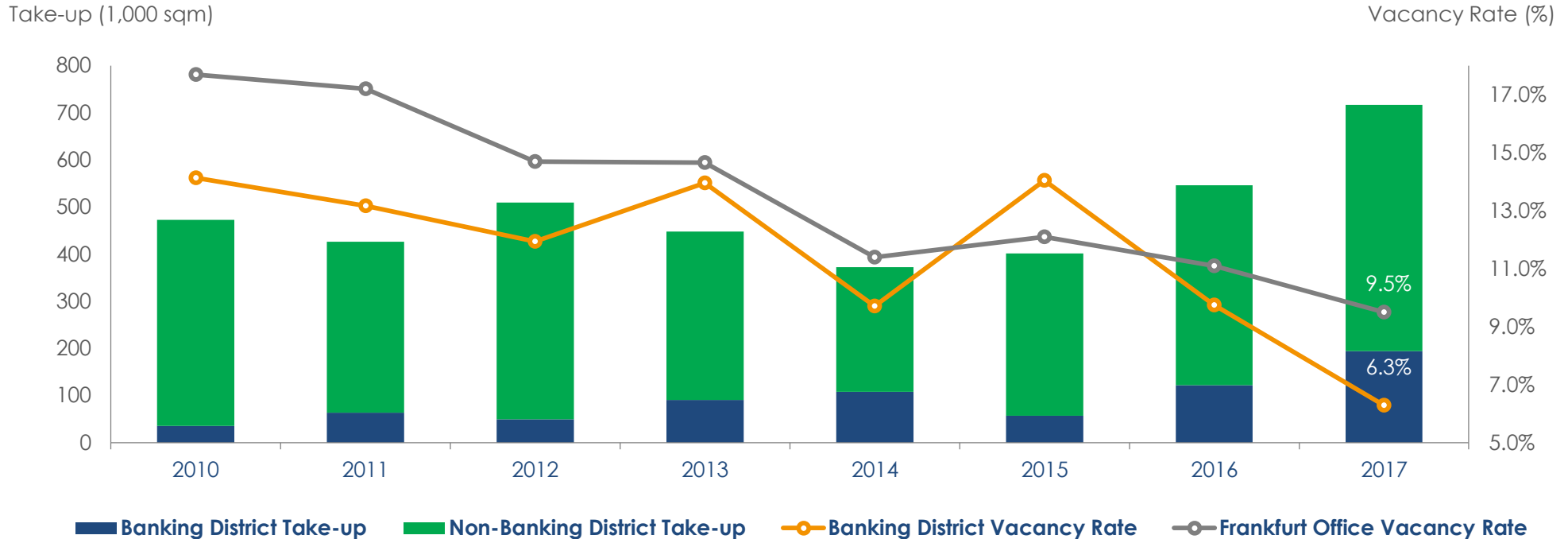
# 1

## Strategic expansion into Germany

### Vacancy rate at lowest levels, supported by strong demand

#### Frankfurt Office and Banking District Take-up and Vacancy Rates

- Take-up in Frankfurt and Banking District registered significant increase in year 2017; the highest level since year 2000
- Vacancy rates have steadily declined to record lows of the past decade; overall vacancy rate for Frankfurt was 9.5% and 6.3% for Banking District in year 2017





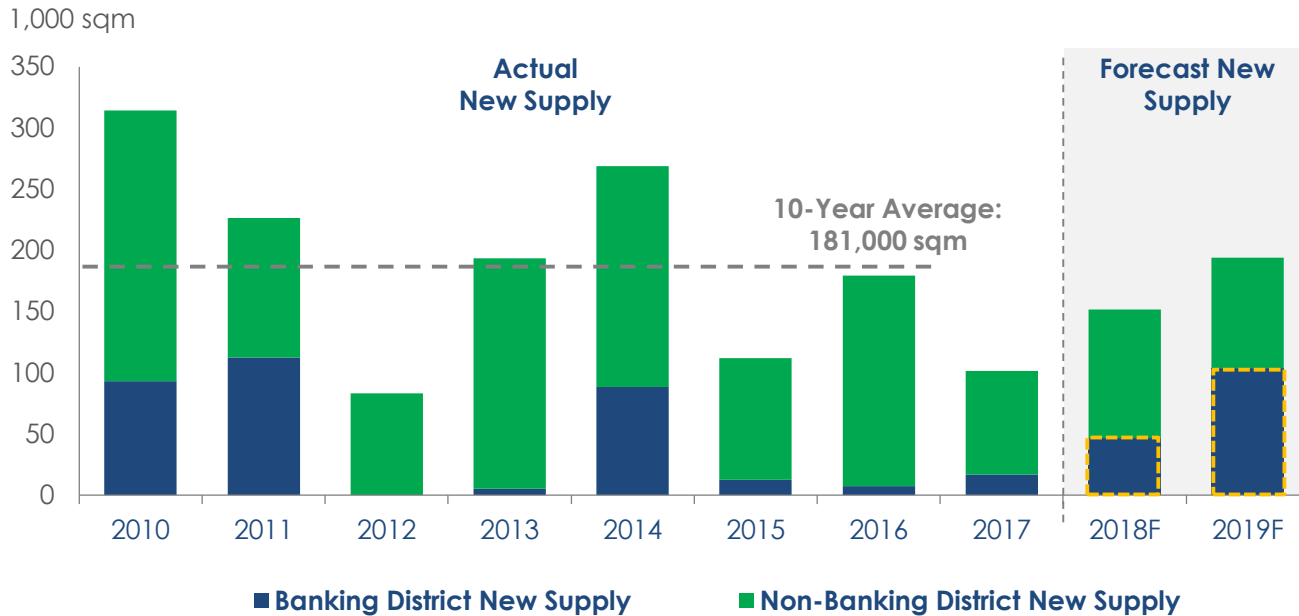
# 1

## Strategic expansion into Germany

### Relatively low levels of new office supply in Frankfurt

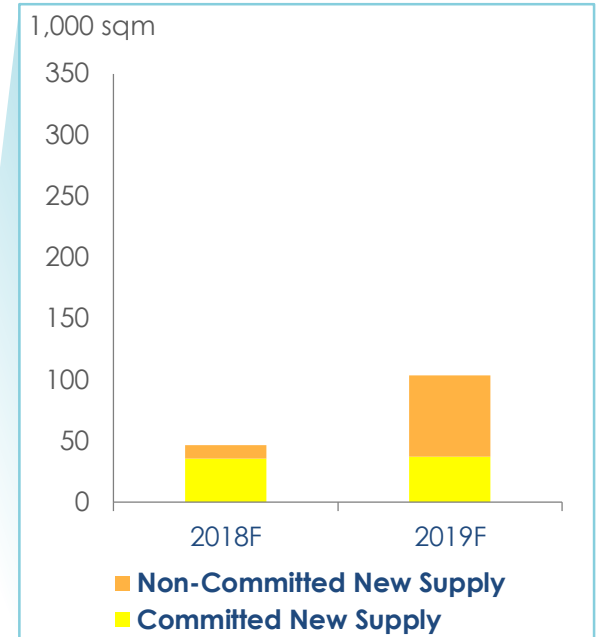
#### New Supply in Frankfurt (2018F to 2019F)

- Past year's completion volume far below 10-year average
- Future supply pipeline until 2019F at relatively low levels with good pre-letting; further decrease of available space expected



#### New Supply in Banking District (2018F to 2019F)

- More than 45% of Banking District's new supply has been committed



Source: CBRE Research, Frankfurt Q4 2017.



# 1

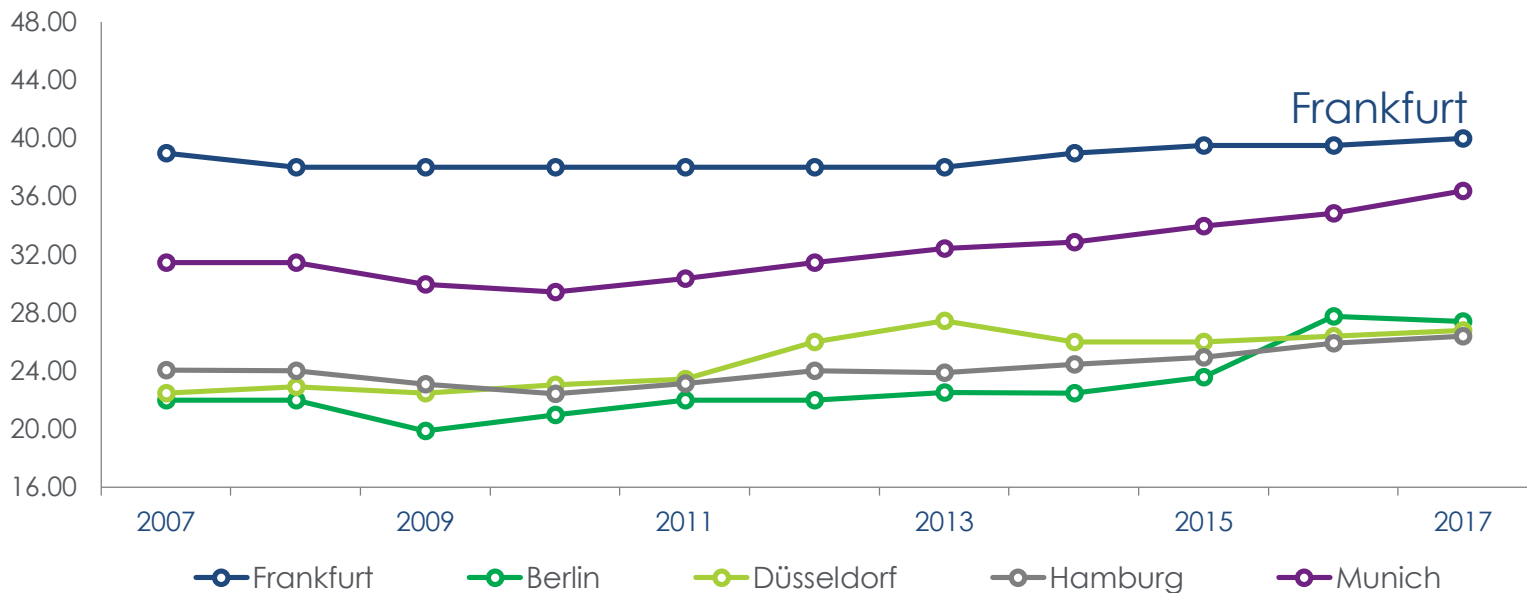
## Strategic expansion into Germany

Frankfurt's price market is characterized by stable and resilient rents

### Prime Office Rents

- Frankfurt has the highest rent in comparison to major cities in Germany across the past 10 years
- Prime office rent in Frankfurt has been resilient through property cycles
- Positive supply-demand dynamics will support prime office rents in Frankfurt

€/sqm/month





2

# Grade A, freehold property that fits with CCT's existing portfolio



Central Atrium

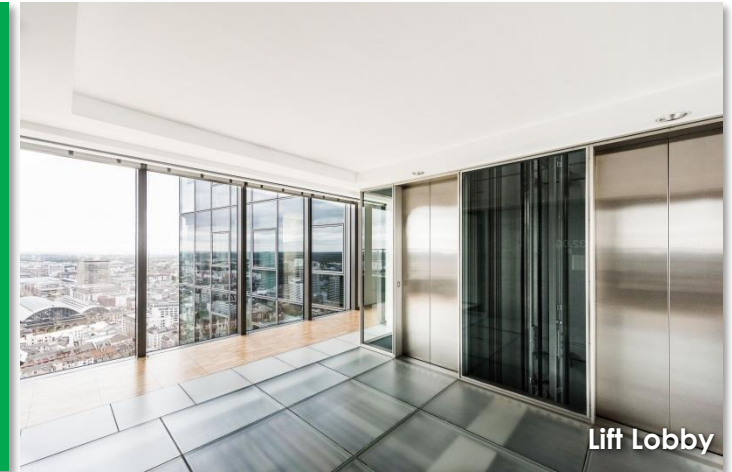
**Awarded LEED Platinum:**  
most widely used green building certification



Typical Office Space

## High technical specifications:

- ✓ 2.9m floor to ceiling height
- ✓ Center core with efficient layout
- ✓ Flexibility to cater for multi-tenant space configuration



Lift Lobby



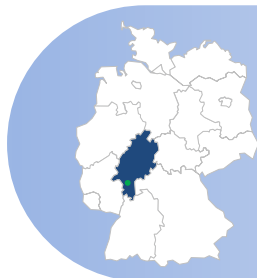
2

# Grade A, freehold property that fits with CCT's existing portfolio

Reputable, anchor tenant on a long term lease



COMMERZBANK



✓ Commerzbank AG is headquartered in Frankfurt and is Germany's second-largest listed lender by total assets (31 Dec 2017)



✓ The German state is the largest shareholder and owns 15.5% interest in the bank<sup>(3)</sup>



✓ Strong balance sheet with investment grade credit rating

## Key Statistics

Market Capitalization €13.3 billion<sup>(1)</sup>

Credit Rating A- (S&P)  
BAA1 (Moody's)  
BBB+ (Fitch)

Total number of employees c. 49,400<sup>(2)</sup>

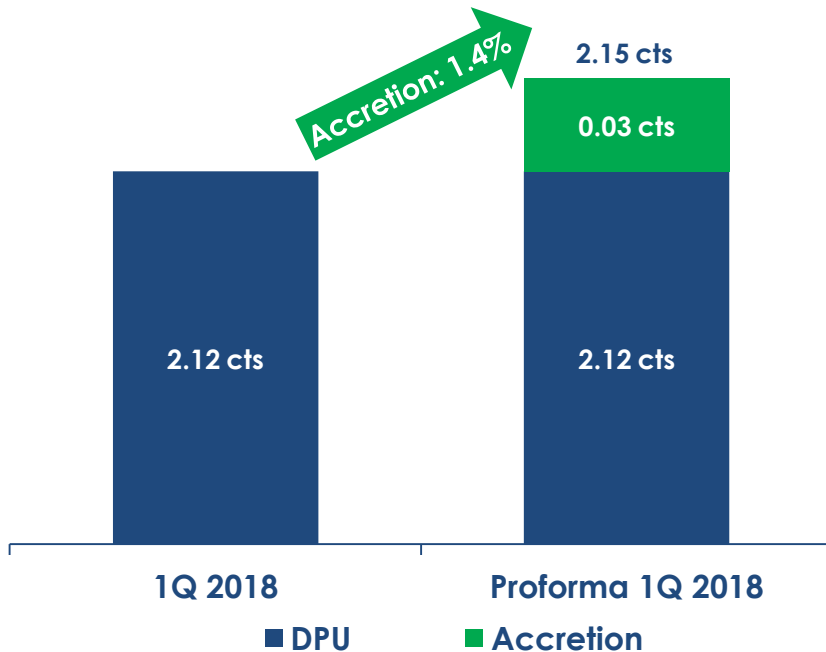
Note:  
(1) As of 14 May 2018.  
(2) 4Q 2017 figure.  
(3) Company filings.



### 3 DPU accretive acquisition

The Acquisition is expected to be DPU accretive for unitholders

Pro forma 1Q 2018 DPU for the Enlarged Portfolio<sup>(1)</sup>



Key Drivers

- ✓ Attractive NPI yield of 4.0%<sup>(2)(3)</sup>
- ✓ Euro bank borrowings hedge 100% of asset value and interest rate will be fixed for five years
- ✓ Income from Galileo is tax-exempt to CCT's unitholders

Note:

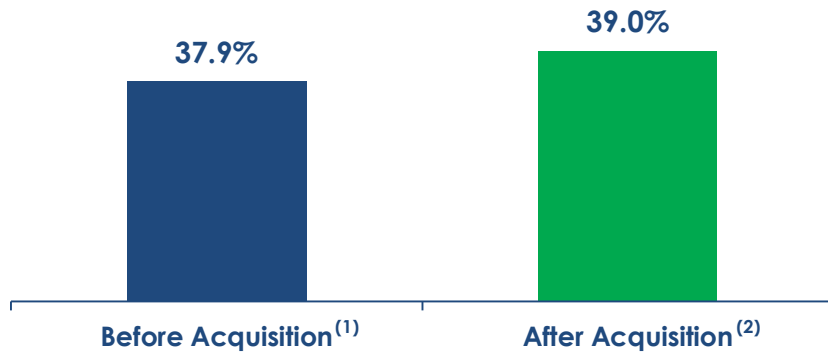
- (1) The assumptions for the pro forma financial effects of the Galileo acquisition on CCT's DPU for 1Q 2018 were: (a) the acquisition was completed on 1 January 2018 and held through to 31 March 2018. CCT's interest is 94.9%; (b) new loan facilities of approximately €342.7 million (\$548.3 million) were used to partially fund the acquisition and refinance certain existing bank loans of CCT. Interest rate for the new loan facilities in Euros was assumed to be at 1.4% per annum; (c) Based on the total number of Units in issue at the end of the period including 130 million new Units issued in relation to the private placement to partially fund the acquisition.
- (2) NPI yield for Galileo is computed based on its pro forma FY17 NPI assuming CCT held and operated it from 1 January 2017 to 31 December 2017 and divided by the Agreed Property Value.
- (3) Acquisition provides an attractive NPI yield spread of 339bps based on the initial NPI yield of 4.0% and the current 10-year government bond yield of 0.61%.



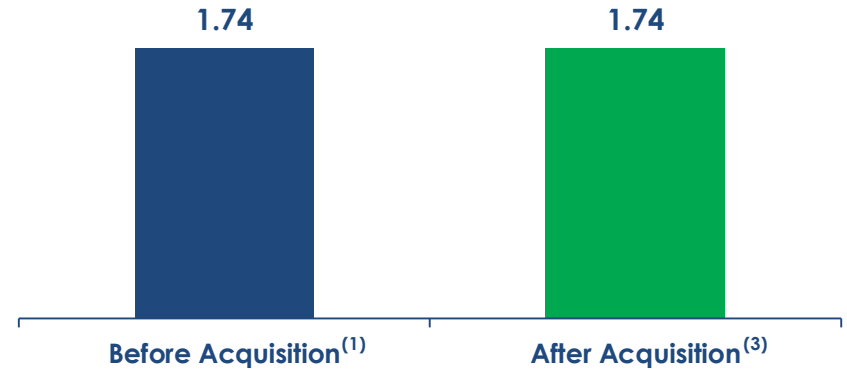
# Financial effects and capital management

CCT continues to adopt a prudent capital management strategy and proactive approach in managing its balance sheet

## Aggregate Leverage



## Pro forma NAV per Unit



## Capital Management



Dividends from Gallileo will be hedged for 4 quarters on a rolling basis



No near-term refinancing risks

Note:

- (1) Based on CCT's unaudited financial statements as at 31 March 2018.
- (2) Based on CCT's 94.9% interest in the Gallileo, the effect of the Acquisition and the drawdown of the New Loan Facilities.
- (3) The total number of Units in issue at the end of the year includes 130 million new Units issued in connection with the Private Placement to partially finance the Acquisition.





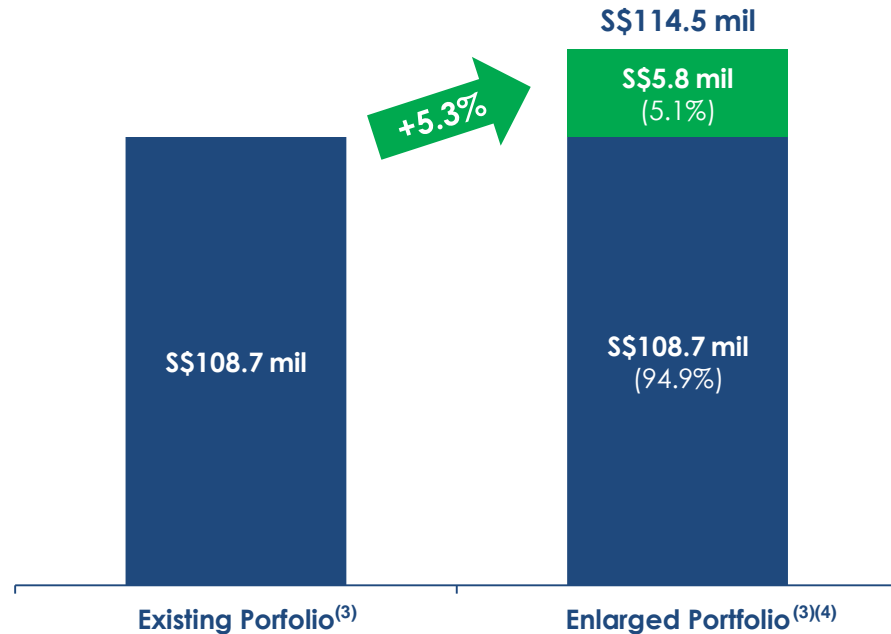
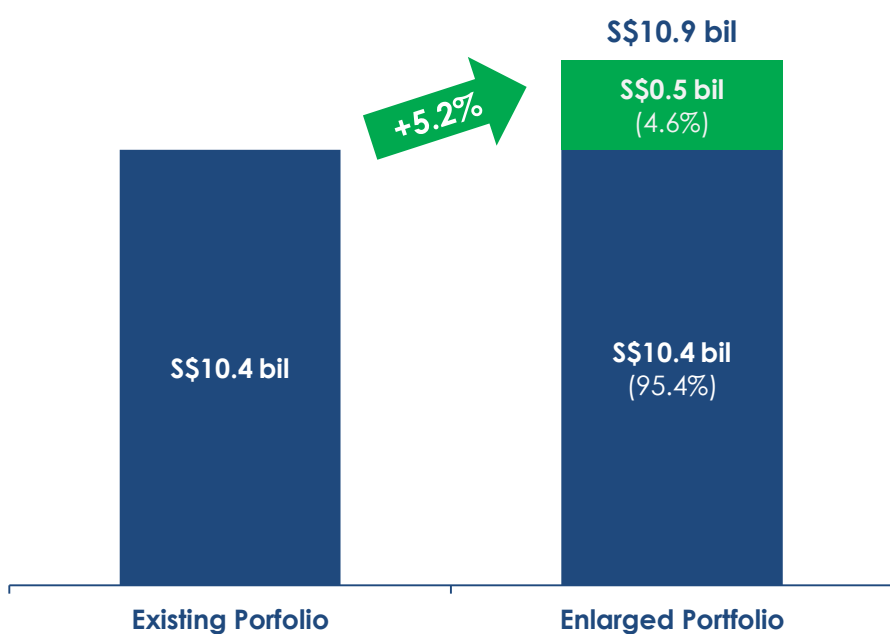
# 4

## Enhances resilience, diversity and quality of CCT's portfolio

Increases portfolio value from S\$10.4 billion to S\$10.9 billion and provides geographical diversification

### Valuation by Geography<sup>(1)</sup>

### 1Q 2018 NPI<sup>(2)</sup> by Geography



■ Existing portfolio in Singapore    ■ Addition of Gallileo in Germany

Note:

(1) Based on the valuation of the Existing Portfolio as at 31 March 2018 and 94.9% of the Agreed Property Value.

(2) Excluding CapitaSpring.

(3) Based on NPI from 1 January 2018 to 31 March 2018 including NPI from CCT's 60.0% interest in Raffles City Singapore and 50.0% interest in One George Street; and excluding retail turnover rent.

(4) Pro forma NPI contribution from Gallileo assuming CCT owns the property from 1 January 2018 to 31 March 2018.



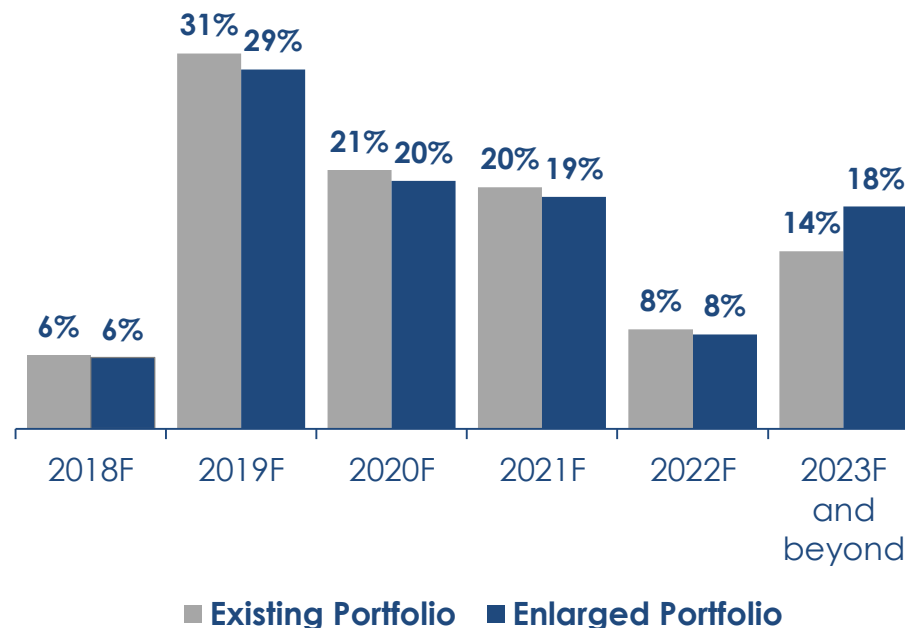
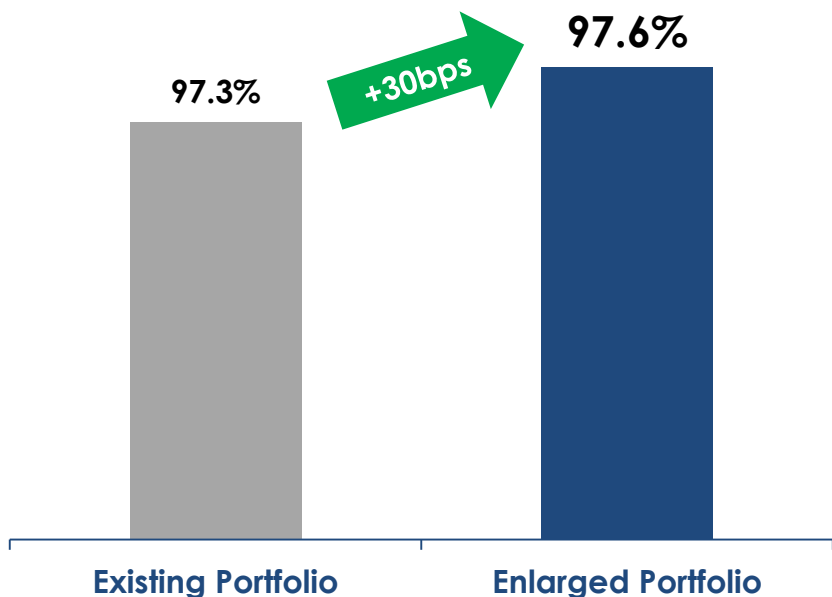
4

# Enhances resilience, diversity and quality of CCT's portfolio

## The Acquisition increases portfolio occupancy and lengthens WALE

Portfolio Occupancy Rate<sup>(1)</sup>

Portfolio Lease Expiry Profile<sup>(2)</sup> by Monthly GRI



Note:

(1) Based on NLA as at 31 March 2018.

(2) Portfolio lease expiry profile includes office, retail and hotel components based on monthly gross rental income for the month of March 2018 and respective proportionate interests in Raffles City Singapore, One George Street and Gallileo where applicable.

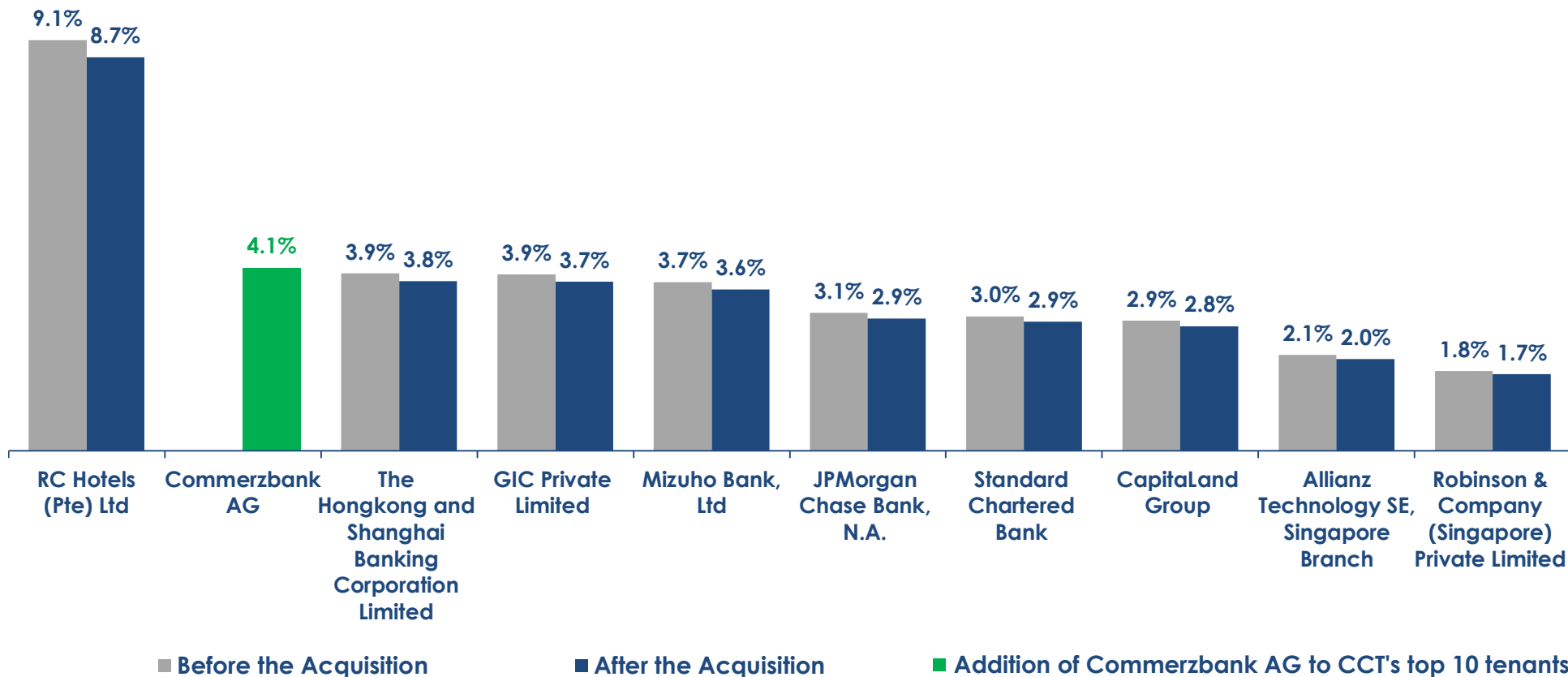


# 4

## Enhances resilience, diversity and quality of CCT's portfolio

### Addition of reputable tenant

#### Top 10 Tenants of CCT by Monthly GRI



Note:

(1) Based on monthly gross rental income of CCT's top 10 tenants for 31 March 2018 and monthly contractual rental for Commerzbank AG.

(2) Based on CCT's 60.0% interest in Raffles City Singapore.



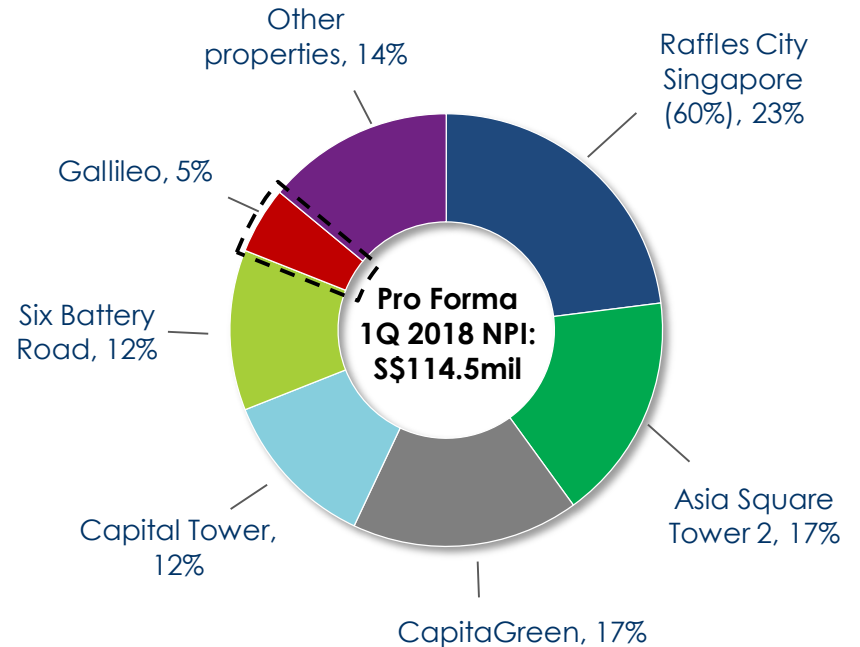
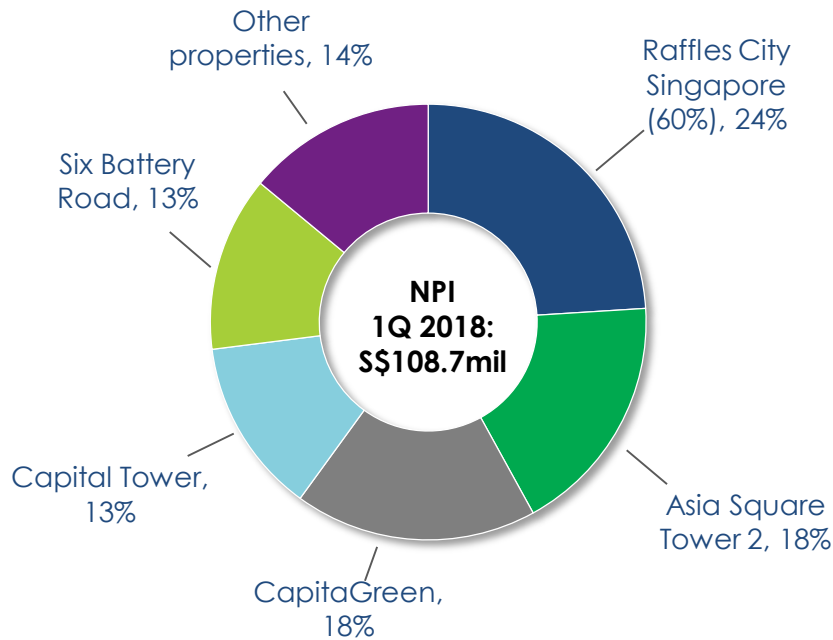
# 4

## Enhances resilience, diversity and quality of CCT's portfolio

Improves asset diversification; maximum NPI contribution by any single property decreases from 24% to 23%

**Existing Portfolio**  
1Q 2018 NPI<sup>(1)</sup>

**Enlarged Portfolio**  
Pro forma 1Q 2018 NPI<sup>(1)(2)</sup>



**Note:**

(1) Based on NPI from 1 January 2018 to 31 March 2018 including NPI from CCT's 60.0% interest in Raffles City Singapore and 50.0% interest in One George Street; and excluding retail turnover rent.

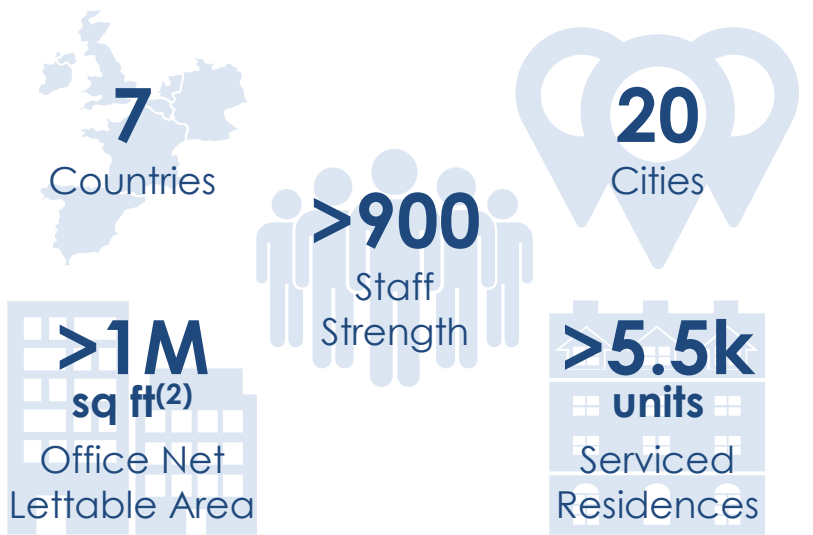
(2) Pro forma NPI contribution from Gallileo assuming CCT owns the property from 1 January 2018 to 31 March 2018.



# 5

## Leveraging on Sponsor's established platform

Leveraging on CapitaLand's strong presence and platform in Europe which have been established since 2000<sup>(1)</sup>



Investment and asset management offices in key cities of Amsterdam, Frankfurt, London and Paris.

Professionals with legal, finance, operational and technical expertise across Europe.

Note:  
 (1) The Group's European portfolio has since further expanded, following the Group's acquisition of Citadines, a pan-European serviced residence chain in 2002.  
 (2) Including Gallileo.



# 4. Conclusion



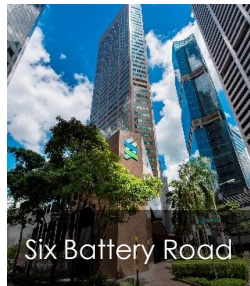
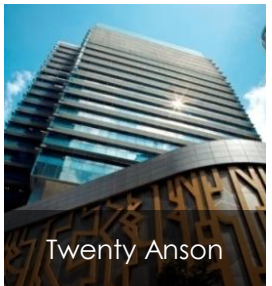
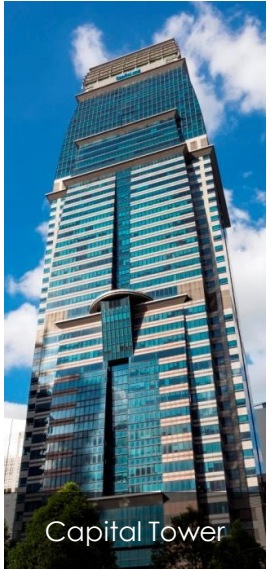
# Rationale for the Acquisition

- 1 Strategic expansion into Germany
- 2 Grade A, freehold property that fits with CCT's existing portfolio
- 3 DPU accretive acquisition
- 4 Enhances resilience, diversity and quality of CCT's portfolio
- 5 Leveraging on Sponsor's established platform



# CCT post acquisition

<b>S\$6.4 billion<sup>(1)</sup></b> Market Capitalisation	<b>11</b> Properties in Singapore's Central Area and Frankfurt's prime CBD	<b>S\$10.9 billion</b> Deposited Properties	<b>Approx. 4.9 million sq ft</b> NLA (100% basis)	<b>30%</b> Owned by CapitaLand Group	<b>97.6%</b> Occupancy	<b>6.1 years</b> WALE
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**Note:**  
**(1) Market capitalisation based on closing price of S\$1.72 on 16 May 2018 and total Units in issue of 3,741.7 million (includes 130 million new Units).**





**CapitaLand**  
Commercial Trust

# Thank you

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