



SGX-REITAS REITs Global Education Seminar –  
Understanding REITs with overseas exposure

# MANAGING A CROSS-BORDER REIT

Presentation by Suntec REIT  
31 May 2018

# AGENDA

- 03** Overview of Suntec REIT
- 06** Why invest in S-REITs
- 09** Investing in Overseas Markets
- 15** Suntec REIT's Expansion into Australia
- 24** Acquisition of 50% interest in Olderfleet, 477 Collins Street
- 28** Track Record



# OVERVIEW OF SUNTEC REIT



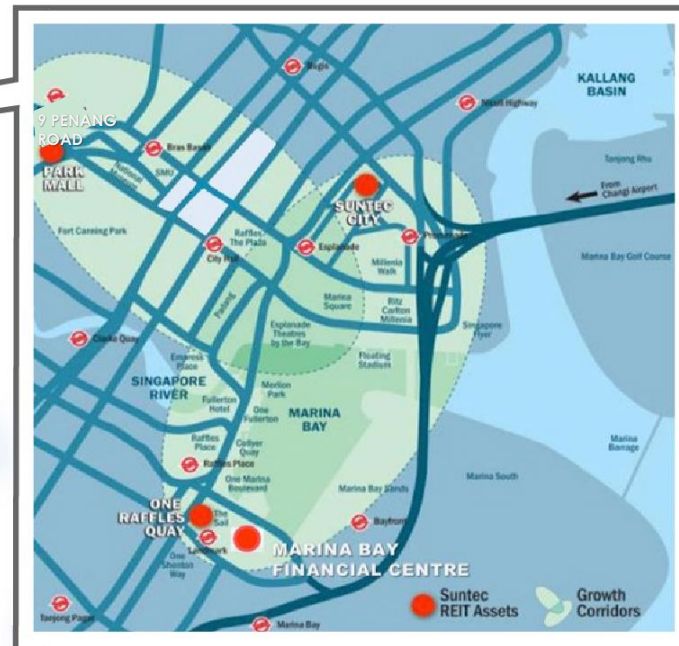
## 7 QUALITY ASSETS STRATEGICALLY LOCATED IN SINGAPORE & AUSTRALIA

SINGAPORE

**S\$9.6 billion  
in AUM**

SYDNEY

MELBOURNE



- Listed on **9 Dec 2004** on the SGX-ST
- High quality **office** assets, complemented by **retail** and **convention** components
- **4** properties in Singapore, **1** in Sydney & **2** in Melbourne



# Suntec REIT - Portfolio Snapshot

	Suntec City		One Raffles Quay	MBFC Properties	9 Penang Road	177 Pacific Highway	Southgate Complex	Olderfleet 477 Collins Street
	Suntec City – Office & Retail	Suntec Singapore						
<b>Description</b>	Integrated commercial development comprising five office towers and one of Singapore largest retail mall	World-class convention and exhibition centre	Two premium Grade A office towers	Two premium Grade A office towers and a subterranean mall	New Grade A commercial building	31-storey A-Grade office building	Integrated waterfront development comprising two A-Grade office towers and a retail podium	Premium Grade, 40-level state-of-the-art building
<b>Ownership</b>	100%	60.8%	33.33%	33.33%	30%	100%	50%	50%
<b>Geography</b>	Singapore	Singapore	Singapore	Singapore	Singapore	Australia	Australia	Australia
<b>Segment</b>	Office Retail	Convention	Office	Office Retail	Office	Office	Office Retail	Office
<b>NLA (sq ft)</b>	Office:~1.3 mil Retail:~0.9 mil	~275,000	~443,000	Office:~548,000 Retail:~32,000	~110,000	~431,000	Office:~356,000 Retail:~53,000	~312,000
<b>Committed Occupancy (as at 31 Mar '18)</b>	Office: 99.1% Retail: 98.6%	-	100%	Office: 100% Retail: 98.9%	Under development	100%	Office: 92.5% Retail: 91.0%	Under development



# WHY INVEST IN S-REITs?

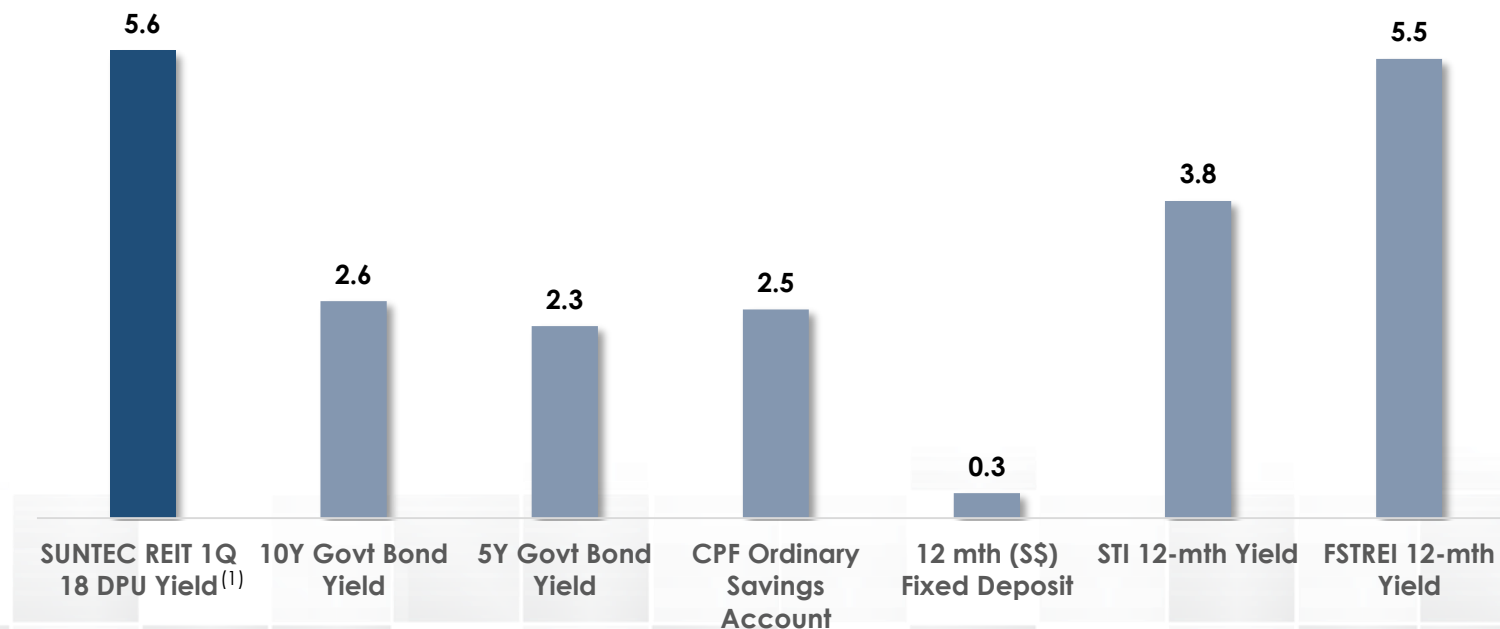




# Why invest in S-REITs?

- Offers access to the real estate market without a large initial capital outlay
- Stable recurring income
- Tax transparency
- Attractive yield vs other instruments
- 43 S-REITs – 9 of the last 10 REITs IPO were solely overseas assets

**Yield (%) as of 30 May 2018**



Source: Bloomberg, Monetary Authority of Singapore and Central Provident Fund Board

(1) Based on the annualised DPU of 9.867 cents for the period 1 January 2018 to 31 March 2018 and the closing unit price of \$1.76 on 30 May 2018.

# Geographical spread of assets owned by S-REITs

## **PURE SG PLAY [10]**

CapitaLand Mall Trust  
Frasers Centrepoint Trust  
SPH REIT  
Mapletree Commercial Trust  
ESR REIT  
Sabana REIT  
Soilbuild Business Space REIT  
Viva Industrial Trust  
Far East Hospitality Trust  
OUE Hospitality Trust

## **SINGLE OVERSEAS COUNTRY [12]**

KEPPEL-KBS US OFFICE REIT (US)  
Manulife US REIT (US)  
CapitaLand Retail China Trust (China)  
BHG Retail Trust (China)  
EC World REIT (China)  
Dasin Retail Trust (China)  
Fortune REIT (Hong Kong)  
Sasseur REIT (China)  
Lippo Malls Retail Trust (Indonesia)  
Ascendas India Trust (India)  
IREIT Global (Germany)  
Religare Health Trust (India)

## **SG + OVERSEAS MARKETS [17]**

Frasers Commercial Trust  
CapitaLand Commercial Trust  
Keppel REIT  
Suntec REIT  
OUE Commercial Trust  
AIMS AMP REIT  
Ascendas REIT  
Cache Logistics Trust  
Mapletree Industrial Trust  
Mapletree Logistics Trust  
Starhill Global REIT  
Ascott REIT  
Ascendas Hospitality Trust  
CDL Hospitality Trust  
Fraser Hospitality Trust  
Parkway Life REIT  
Keppel DC REIT

## **OVERSEAS MARKET FOCUSED [4]**

Fraser Logistics & Industrial Trust  
(Australia, Europe)  
Cromwell REIT (Europe)  
First REIT (Indonesia, Korea)  
Mapletree Greater China  
Commercial Trust (China, Japan)

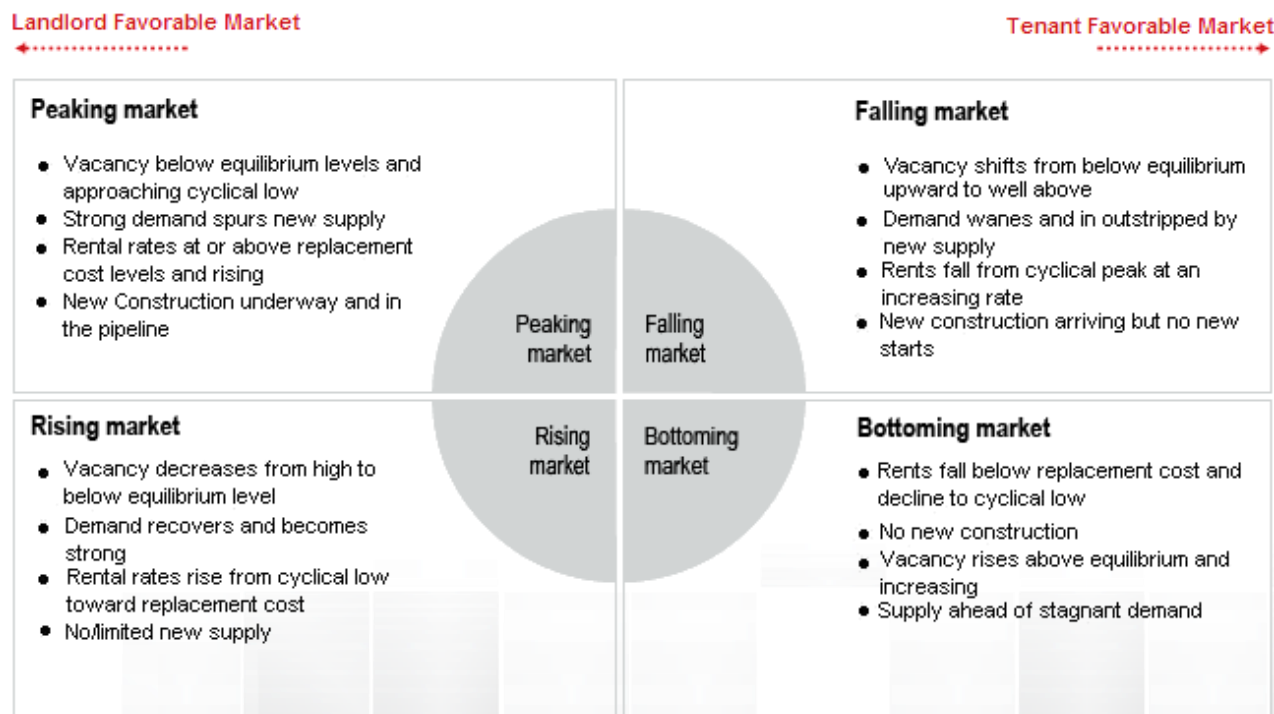


# INVESTING IN OVERSEAS MARKETS



# Why do REITs invest in overseas markets?

- Less investment opportunities in Singapore
  - ~70% of Singapore CBD Grade A office stock are owned by S-REITs and developers
- Geographical and income diversification
- Mitigate property cycle and manage downside risks

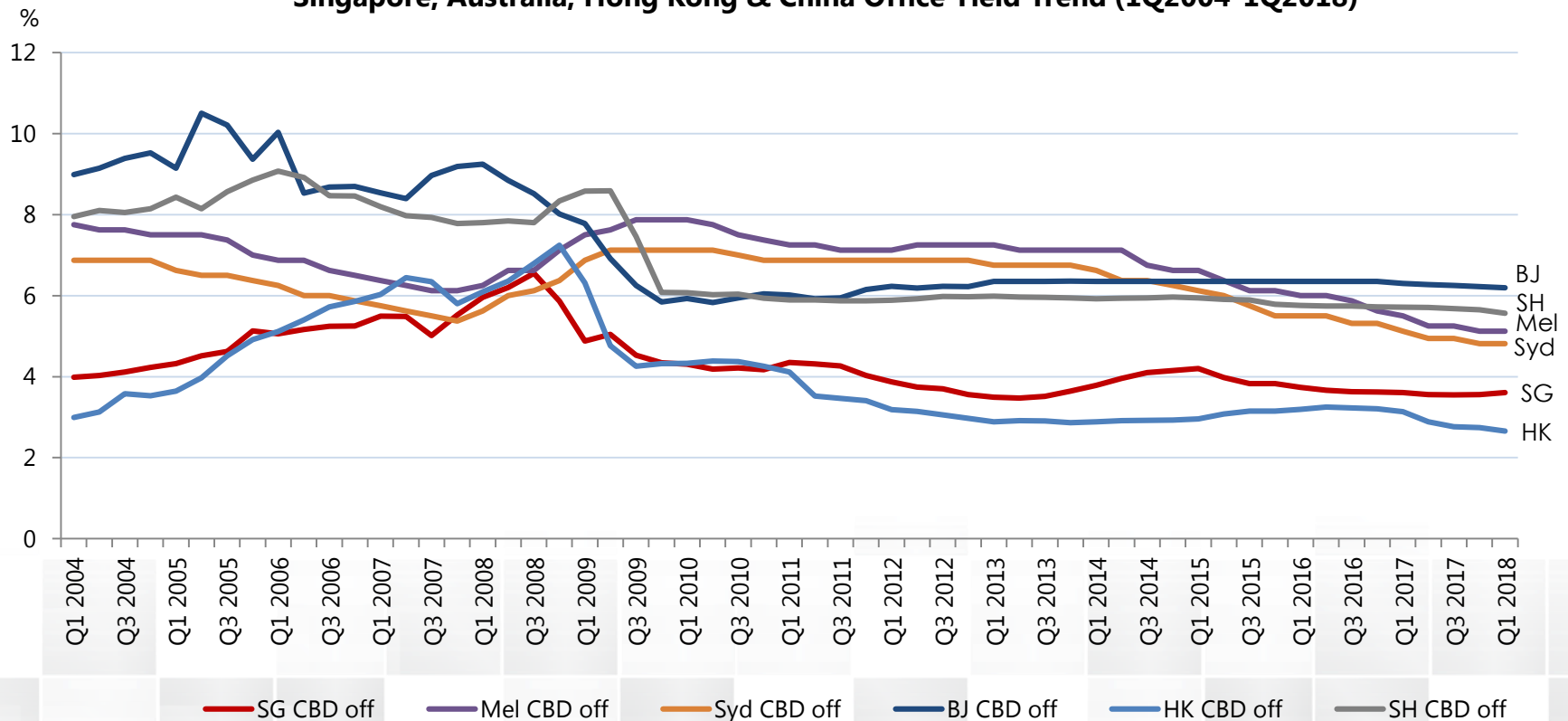


Source: JLL Property Clock

# Why do REITs invest in overseas markets?

- Attractive Yields
- Attractiveness of other markets
  - Economic fundamentals
  - Tenure of other properties (SG leasehold vs freehold in other markets)

**Singapore, Australia, Hong Kong & China Office Yield Trend (1Q2004-1Q2018)**





# Concerns on investing in overseas market

- Lack of expertise/knowledge
- Lack of oversight in operations
- Insufficient scale to add value in a new country or region
- Investors' perceptions and preference
- Investors' lack of familiarity with overseas markets
- Increased risk profile
  - Potential volatility in earnings arising from foreign exchange rate movements
  - Specific country risks

# Overseas expansion- Factors to consider

## MACRO LEVEL CONSIDERATIONS

- Single or multi countries
- Profile of Country
  - Language
  - Political stability
  - Economic outlook
  - Regulatory Framework
  - Legal system
  - Tax Structure
  - Income repatriation
  - Foreign investor friendly
  - Infrastructure and transportation
  - Land tenure
  - Typical lease structure
- Profile of City (Tier 1 vs Tier 2)



***How it  
affects the  
REITs' risk  
profile and  
investor  
perception  
of the REIT?***

# Overseas expansion- Factors to consider

## PROPERTY LEVEL CONSIDERATIONS

- Asset type (core, core plus, opportunistic)
- Location
- Property yield
- Valuation
- Occupancy
- Rent
- WALE
- Building specifications

## MANAGER CONSIDERATIONS

- Management expertise
- Economies of scale and pipeline assets
- Funding



***How it  
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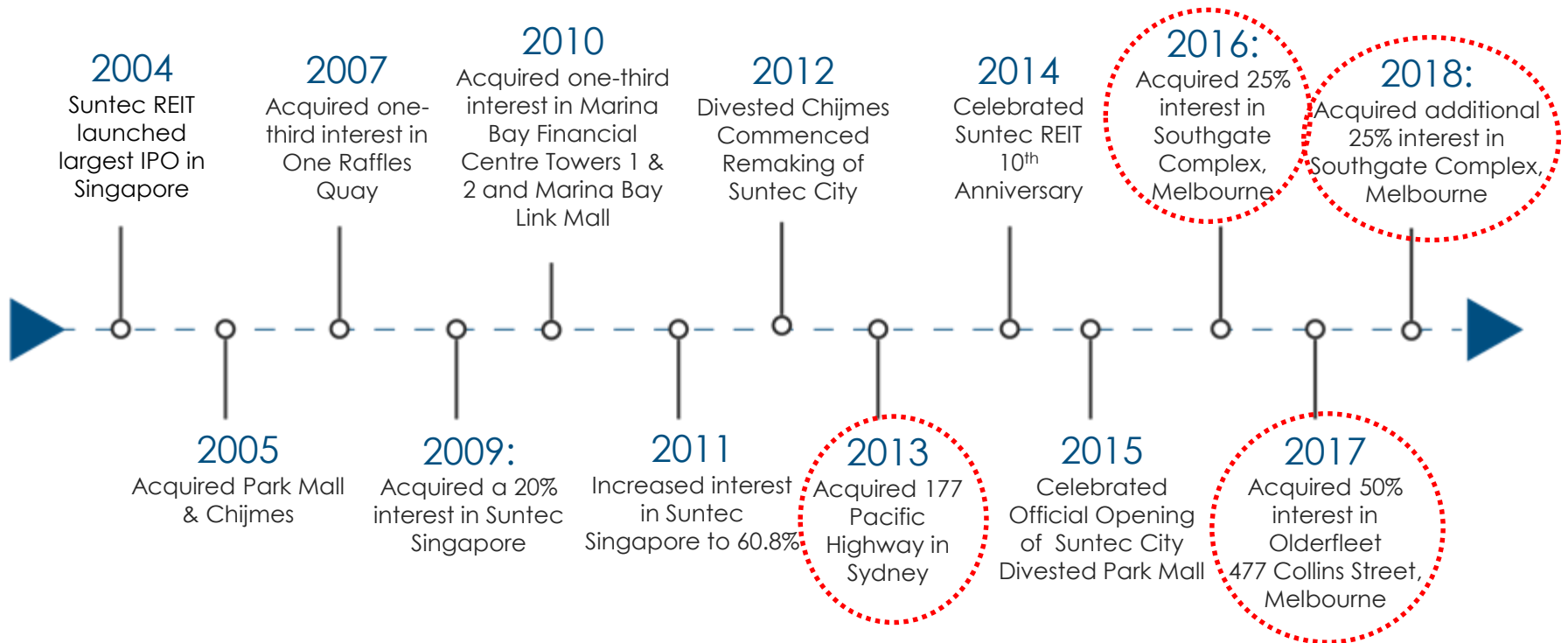
southgate

## SUNTEC REIT'S EXPANSION INTO AUSTRALIA





# Milestones



# SUNTEC REIT – Strategic expansion into Australia

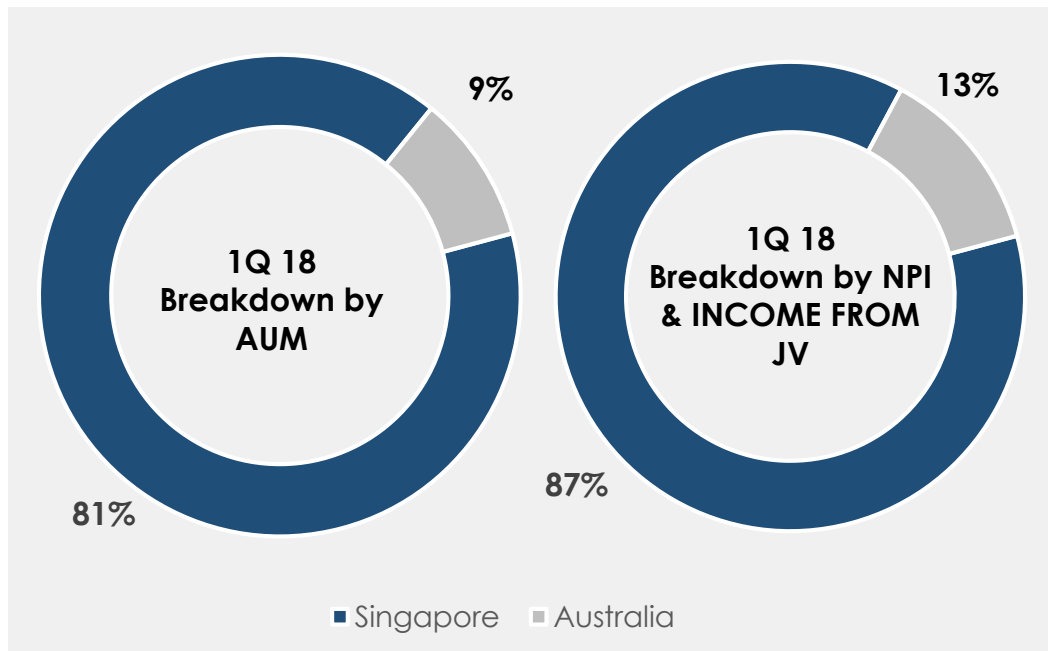


<b>Title</b>	Freehold	Freehold	Freehold
<b>Date of Completion</b>	2016	1992	Mid 2020
<b>Valuation:</b> - as at 31 Dec 17 - as at acquisition price	Dec 17: A\$14,491 psm Nov 13: A\$10,550 psm	Dec 17: A\$8,668 psm Aug 16: A\$7,538 psm	Dec 17: A\$14,270 psm Jul 17: A\$14,270 psm
<b>WALE (as at 31 Dec 17)</b>	7.9 yrs	4.3 yrs	7.8 yrs
<b>NPI Yield (as at 31 Dec 17)</b>	~5.30%	~5.50%	~4.80%
<b>Rental Escalations</b>	3.50% - 4.00%	3.50% - 4.00%	3.50% - 3.75%



# SUNTEC REIT – Strategic expansion into Australia

## Geographical & Income Diversification



## Office Rental Clock



Source: JLL Asia Pacific Property Clock, 3Q 16

# SUNTEC REIT – Strategic expansion into Australia



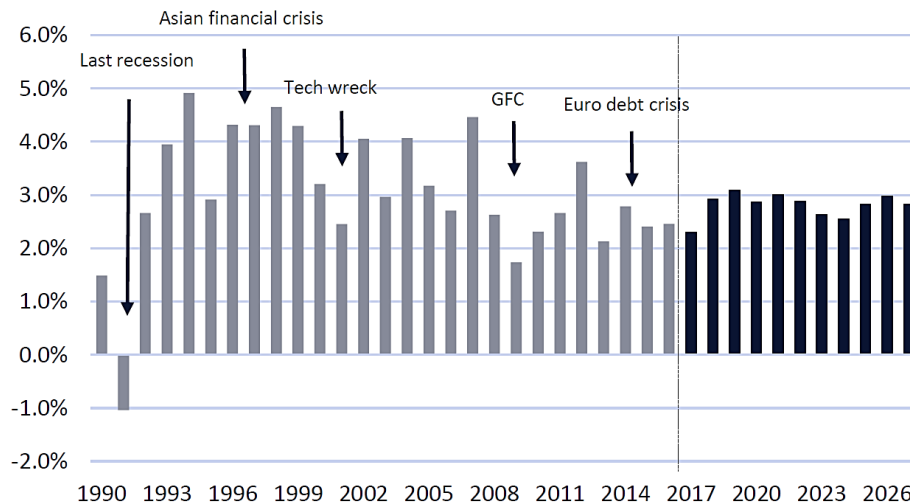
- ✓ English speaking
- ✓ Resilient economy
- ✓ Common Law
- ✓ Foreign investment friendly tax regime (via Managed Investment Trust)
- ✓ Freehold
- ✓ Long lease tenure (ranging from 5 to 7 years)
- ✓ Fixed annual rental escalations
- ✓ Established local management team
- ✓ Proximity to Singapore

# SUNTEC REIT – Strategic expansion into Australia

*Advanced and resilient Australian economy*

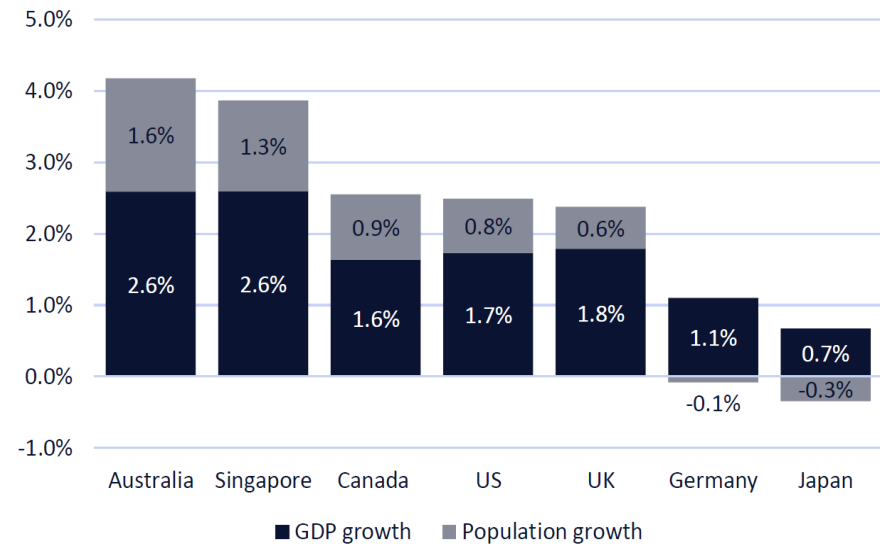
- Australia recorded 26 consecutive years of economic growth
- GDP forecast to grow at average annual rate of 2.6% to 2027

**Australian Real GDP Change (%)**



Source: JLL, Deloitte Access Economics

**GDP and Population Change, 2018 – 2027 (%)**



Source: JLL, Oxford Economics



## Melbourne – The World's Most Liveable City

- Projected to be Australia's **largest capital city by 2030**
- **Strong population growth** driven by interstate and overseas migration
- Melbourne **office rents are expected to re-rate** with **strong growth forecast**



## Sydney – Important Global Financial Hub

- **Largest** and **best performing state economy**
- **Ranked first** in retail spending, business investment, employment and dwelling starts
- **65%** of financial firms and multi-national corporations listed on ASX100 are headquartered in Sydney
- **>A\$10 billion** of public infrastructure works to be delivered by 2024

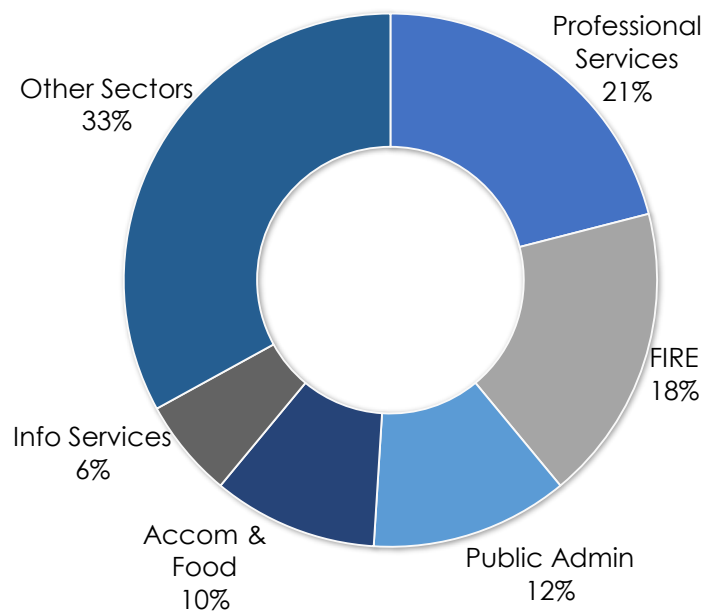


# SUNTEC REIT – Strategic expansion into Australia

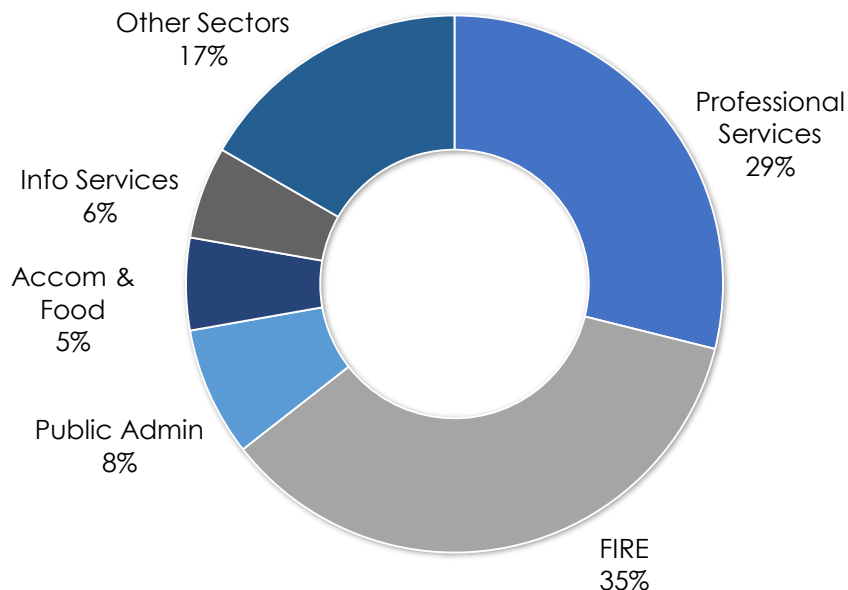
*Strong Market Fundamentals*

## Diverse and attractive office markets in Melbourne & Sydney

**Melbourne CBD - Composition of Office Employment**



**Sydney CBD - Composition of Office Employment**



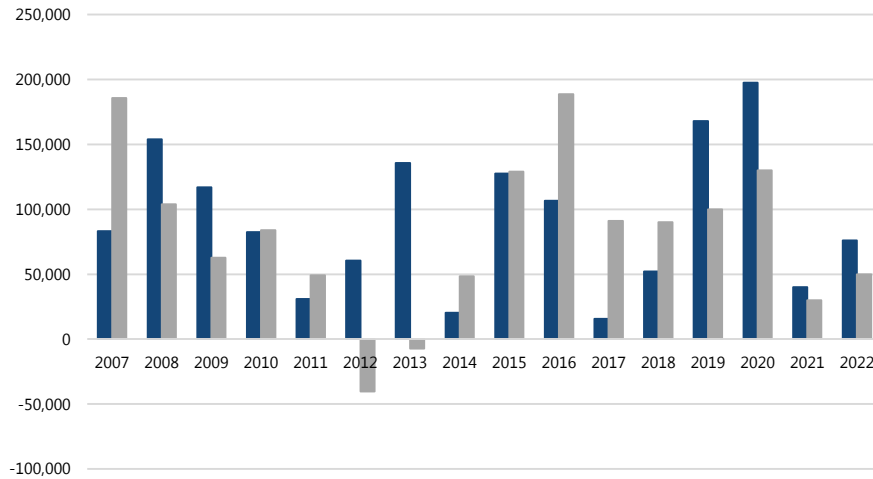
Source: JLL, Deloitte Access Economics

# SUNTEC REIT – Strategic expansion into Australia

*Positive supply-demand dynamics and strengthening office rents in Melbourne and Sydney*

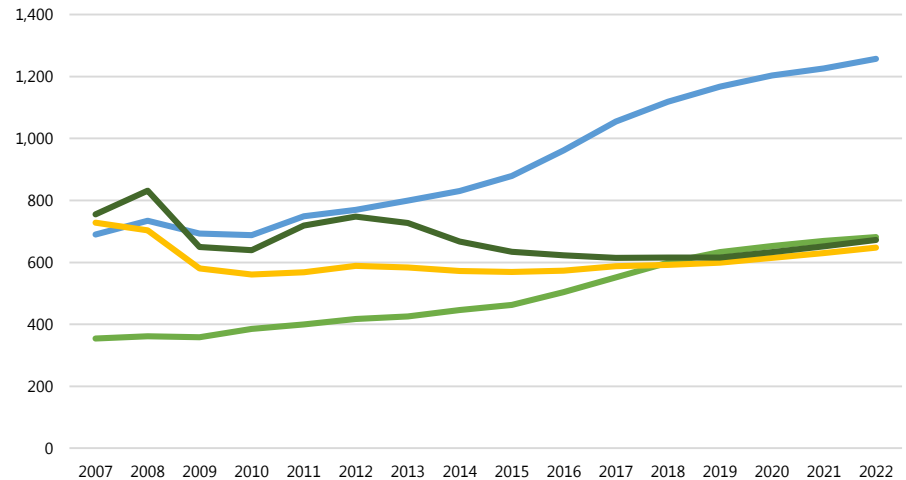
## Melbourne CBD

Forecast



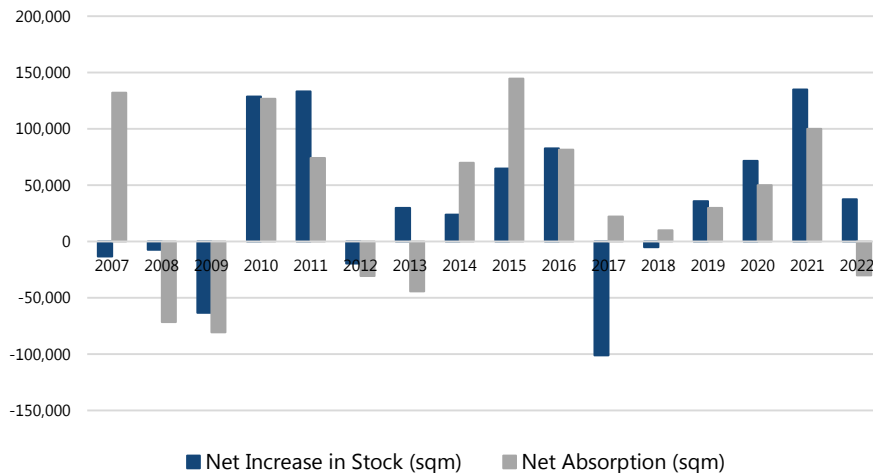
## Prime Net Face Rent (A\$ psm)

Forecast



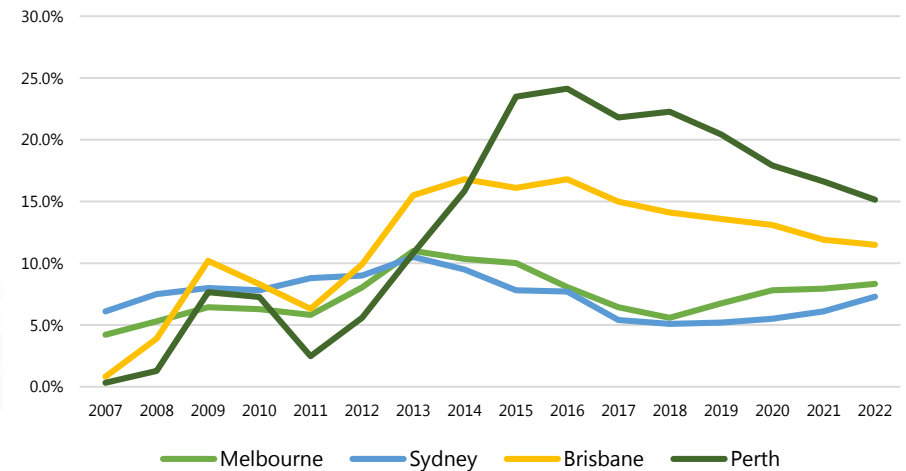
## Sydney CBD

Forecast



## Vacancy Rate (%)

Forecast



■ Net Increase in Stock (sqm) ■ Net Absorption (sqm)

— Melbourne — Sydney — Brisbane — Perth



# ACQUISITION OF 50% INTEREST IN OLDERFLEET, 477 COLLINS STREET







- Acquisition of **50% interest** in **Olderfleet, 477 Collins Street** from Mirvac Group for **A\$414.17 mil**
- Development of **freehold site** into a **40-level Premium Grade office building**
- **4.80%** initial yield, with **annual rent escalation at 3.50% - 3.75%**.
- Targeting **5-Star Green Star, 5-Star NABERS Energy** and **Platinum Core and Shell WELL** ratings
- Target completion **mid 2020**
- **45.8% of NLA pre-committed** by **Deloitte** as its **Melbourne Headquarter**, additional **~9%** of NLA with **Heads of Agreement signed**
- Mirvac to:
  - Provide **5-year rental guarantee** on any **unlet space**
  - Bear all **development risks**



# Exceptional Location & Excellent Connectivity

Docklands  
Business Precinct

Western Core of  
Melbourne CBD

Olderfleet,  
477 Collins Street

Eastern Core of  
Melbourne CBD



Southern Cross  
Station

Crown Entertainment  
Complex


Southgate  
Complex






## Augments Quality of Portfolio

- **Strategic addition** of a **freehold Premium Grade** asset
- **Income & geographical diversification**
- Increased Australia footprint to **~12% of total portfolio**



## Improves Earnings and Distributions to Unitholders

- Pro Forma **DPU accretion** of ~1.8%
- **Initial NPI yield of 4.8%**
- **Rental escalations** of 3.50% to 3.75% p.a.



## Extends Weighted Average Lease Expiry

- Asset WALE of ~7.74 years

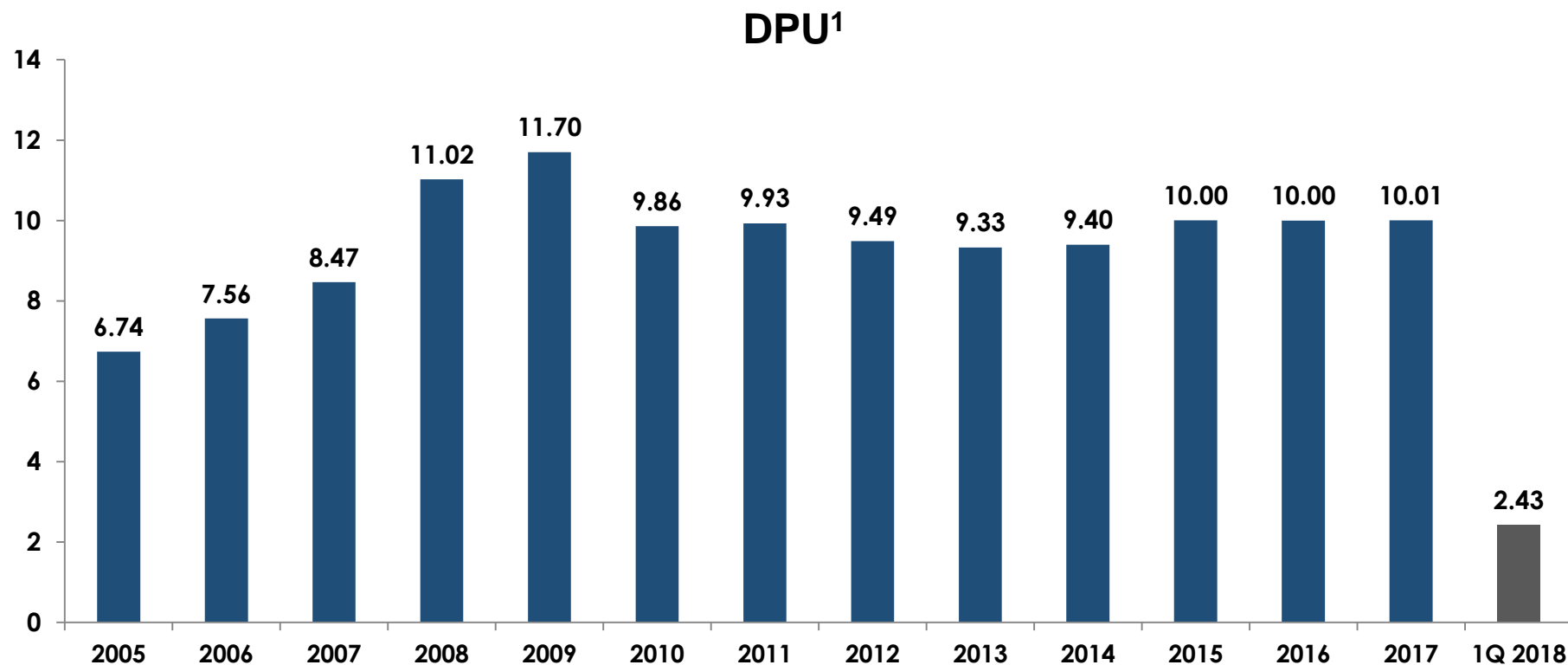




TRACK RECORD



# Delivering Stable, Sustainable DPU



- **13-years track record of delivering stable returns** throughout the property market cycle
- 1Q 2018 annualised DPU of 9.867 cents

Note:  
1. Based on calendar year



# Established Track Record

**1Q 18 DPU** ————— **2.433 cents**

**Total DPU since IPO** ————— **125.9 cents**

**Total Return for IPO  
Unitholders** ————— **201.9%<sup>1</sup>**

Notes:

1. Based on the unit closing price of S\$1.76 as at 30 May 2018.



# THANK YOU

