



ANNUAL GENERAL MEETING 2016

2 December 2016

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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 2016 in the SGXNET announcement.

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Key Highlights

- Net property income for FY16 up 3.4% y-o-y
- FY16 DPU was 5.50 cents, an increase of 0.5% against last year
- Distribution yield was 5.73% (based on closing price of \$0.960 per unit on 31 August 2016)
- Continual tenancy revitalisation and asset enhancement to create value
- Strong balance sheet, with gearing level at 25.7% and 85.9% of debt on fixed rate basis

Resilient performance

	FY16 S\$'000	FY15 S\$'000	Change %
Gross revenue	209,594	205,113	▲ 2.2%
Property expenses ^(a)	(48,683)	(49,493)	▼ (1.6%)
Net property income (NPI) ^(a)	160,911	155,620	▲ 3.4%
Income available for distribution ^(b)	141,078	138,538	▲ 1.8%
Distribution to Unitholders ^(c)	139,711	138,044	▲ 1.2%
Distribution per unit (DPU) (cents)	5.50	5.47	▲ 0.5%

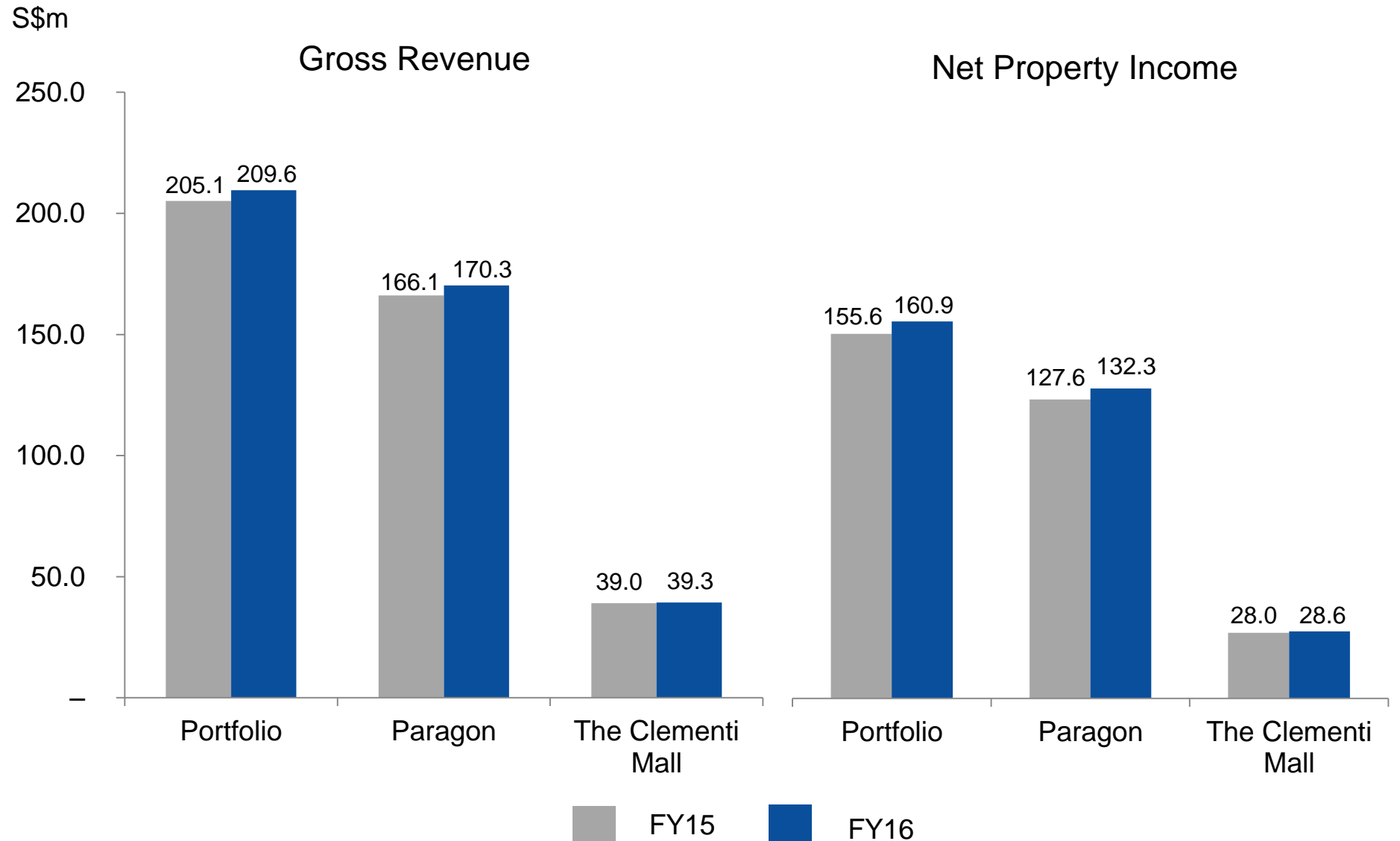
Notes:

(a) Included additional property tax of \$0.8 million relating to prior years. Excluding the effect of prior year property tax, NPI was \$161.7 million, an increase of \$6.1 million (3.9%) compared to FY15.

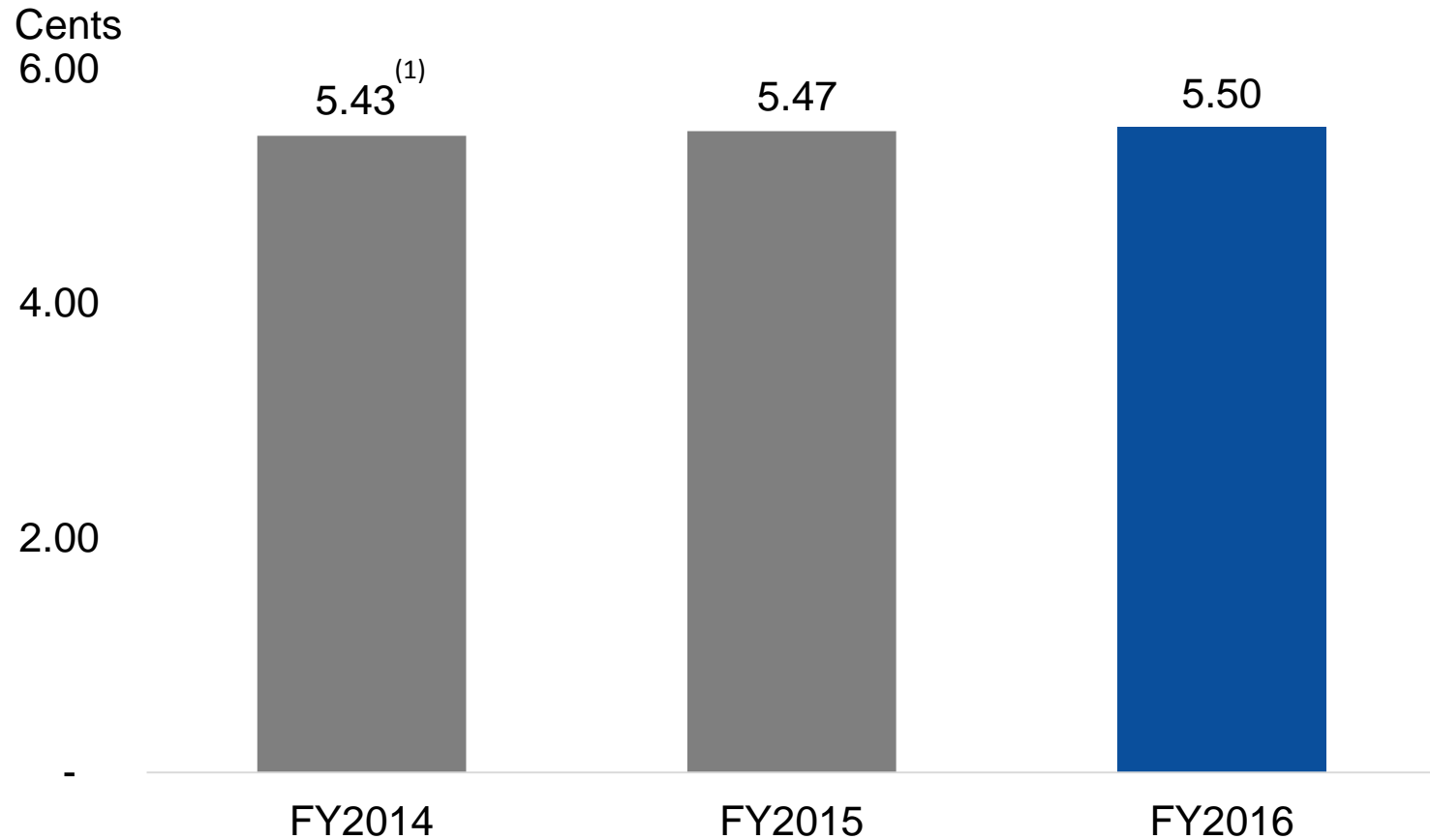
(b) The prior year property tax does not have an effect on current year's distribution.

(c) For FY16, the distribution to unitholders was 99.0% of taxable income available for distribution.

Higher gross revenue and NPI



Steady distribution



Note:

(1) Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013

Financial position

	As at 31 August 2016 S\$'000	As at 31 August 2015 S\$'000
Total assets	3,311,255	3,309,621
Total liabilities	922,723	911,811
Net assets	2,388,532	2,397,810
Net asset value per unit	S\$0.94	S\$0.95
Gearing ^(a)	25.7%	25.7%

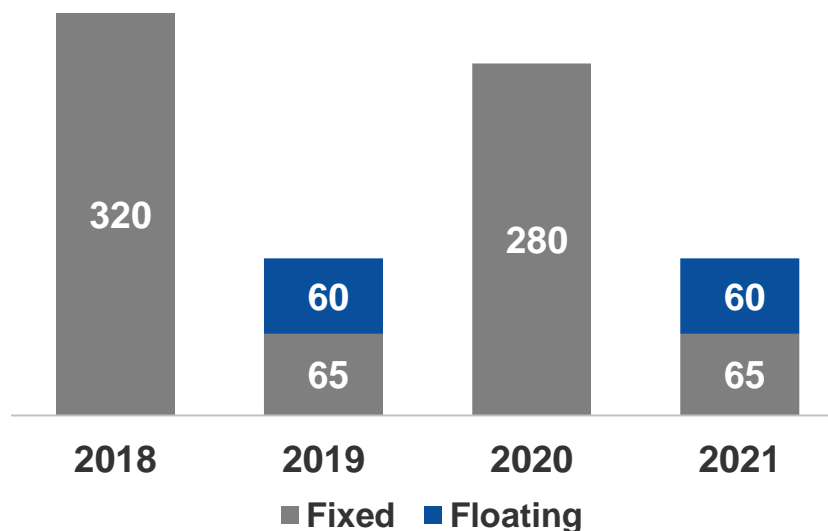
Note:

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

No refinancing required till 2018

- A \$250m loan tranche which matured in July 2016, was revised into two tranches of \$125m each, with extended tenures of three years and five years.
- Weighted average term to maturity increased to 3.1 years
- Proactive capital management with 85.9% of the \$850m debt facility on a fixed rate basis
- Average cost of debt maintained at 2.82% p.a.

Debt Maturity Profile (\$m)



Market value of properties

	Valuation as at 31 August ^(a)		Capitalisation Rate As at 31 August 2016 and 2015
	2016 S\$m	2015 S\$m	
Paragon	2,656.0	2,641.0	4.85% - Retail 4.00% ^(c) - Medical Suite/Office
The Clementi Mall ^(b)	574.0	571.5	5.00%
SPH REIT Portfolio	3,230.0	3,212.5	

Notes:

(a) Valuations as at 31 August 2016 and 31 August 2015 were conducted by JLL and DTZ respectively.

(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).

(c) The capitalisation rate was 4.25% for the valuation as at 31 August 2015



Operational performance



Resilient operating performance

- Maintained 100% occupancy
- Achieved portfolio rental reversion of 5.4% in FY16
- Paragon's visitor traffic declined by 2.5% year-on-year to 18.3 million and tenant sales was marginally higher at \$661 million.
- The Clementi Mall achieved visitor traffic of 30.0 million. This was 2.4% lower than the previous year and tenant sales was down marginally by 1.4% to \$239 million.
- FY16 occupancy cost was 19.6% for Paragon and 14.8% for The Clementi Mall.

Rental reversion up 5.4%

	Number of renewals / new leases ^(a)	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates ^(c)
Paragon	100	243,609	34.2%	5.2%
The Clementi Mall	24	22,979	11.9%	7.8%
SPH REIT Portfolio	124	266,588	29.5% ^(b)	5.4%

Notes:

(a) For expiries in FY16.

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 903,837sqft as at 31 August 2016.

(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 were typically committed three years ago.

Staggered portfolio lease renewal

Weighted Average Lease Expiry (WALE) as at 31 August 2016

By NLA 2.3 years

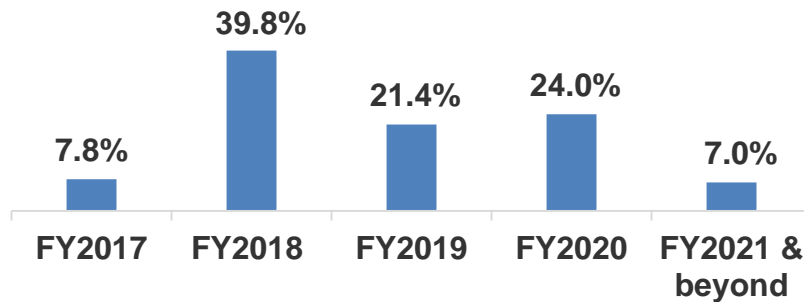
By Gross Rental Income 2.2 years

Lease expiry as at 31 August 2016

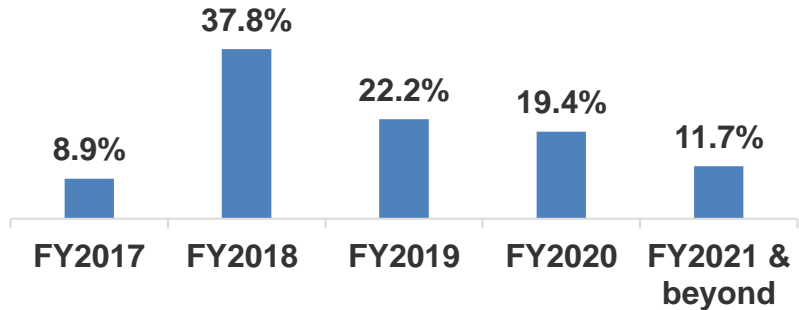
	FY2017	FY2018	FY2019	FY2020	FY2021 and beyond
Expiries as a % of total NLA	18.5%	30.9%	19.8%	20.9%	9.9%
Expiries as a % of Gross rental income	16.0%	33.6%	19.1%	25.0%	6.3%

Paragon: staggered lease expiry

Expiry by Gross Rental Income

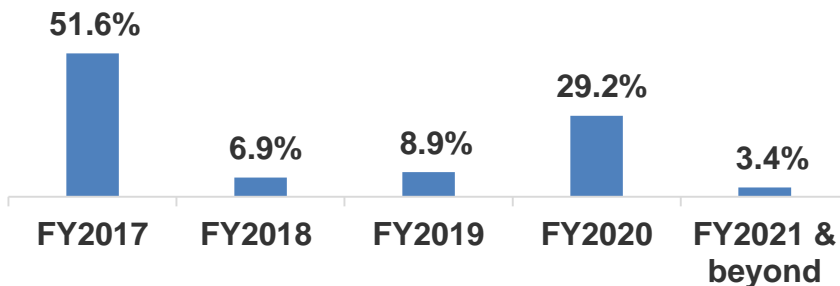


Expiry by NLA

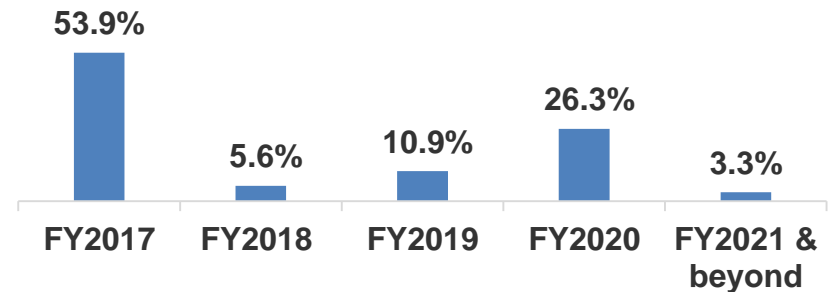


The Clementi Mall (a) : second renewal cycle in 2017 is in progress

Expiry by Gross Rental Income



Expiry by NLA



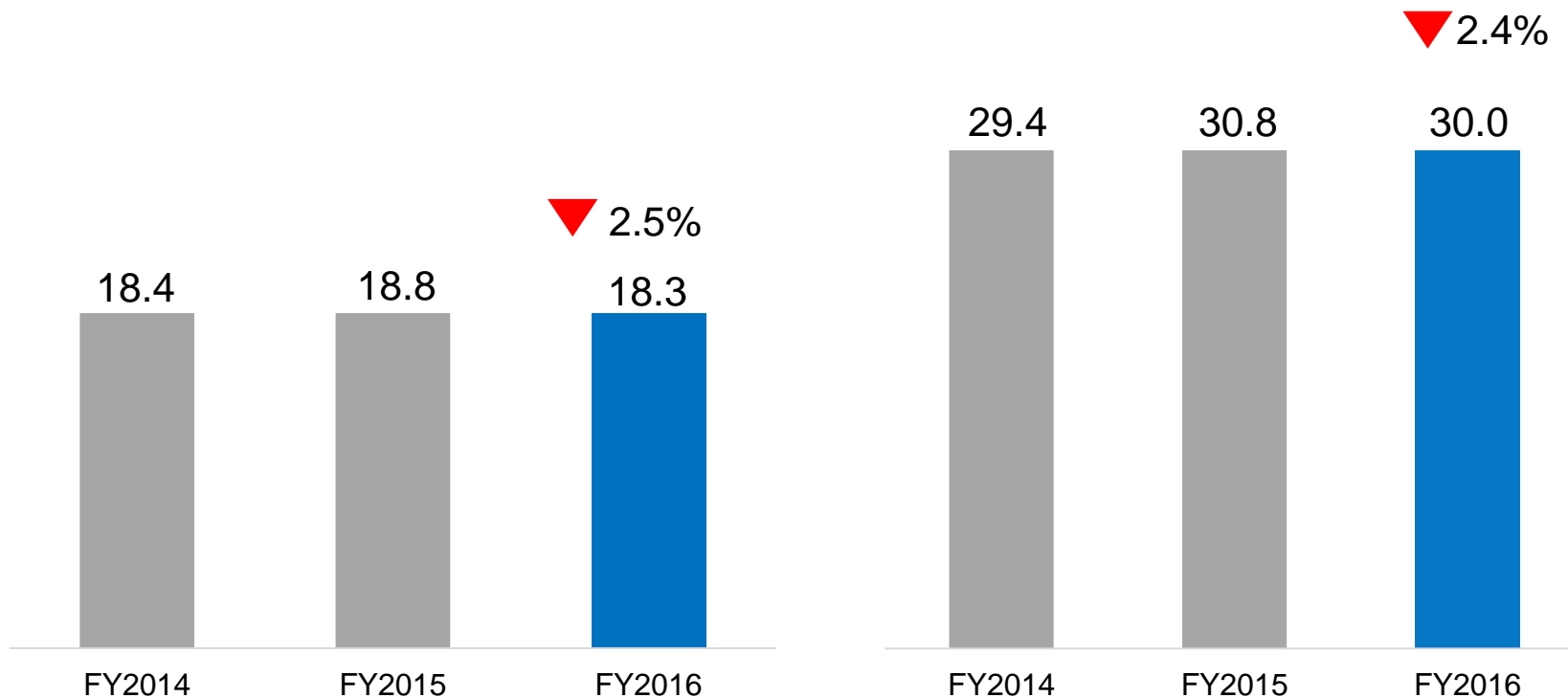
Note:

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

Steady visitor traffic

Paragon

The Clementi Mall



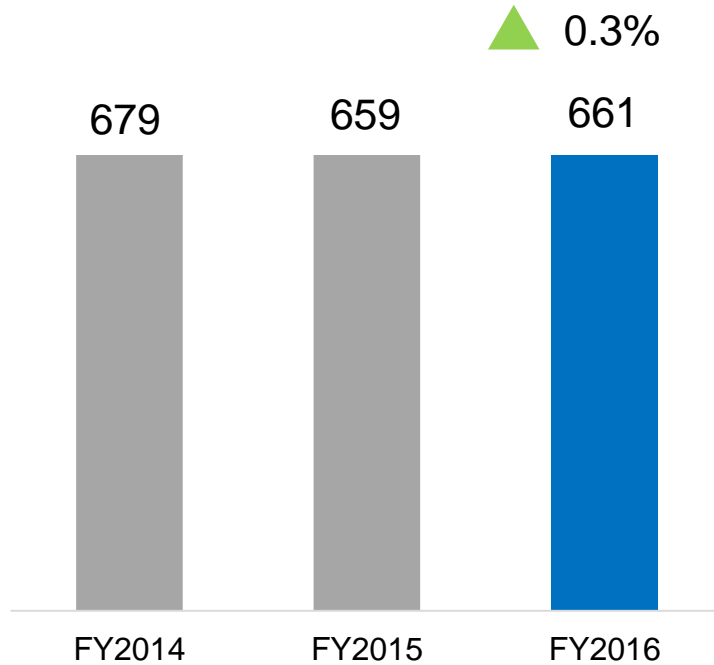
* All figures (in million)

Note:

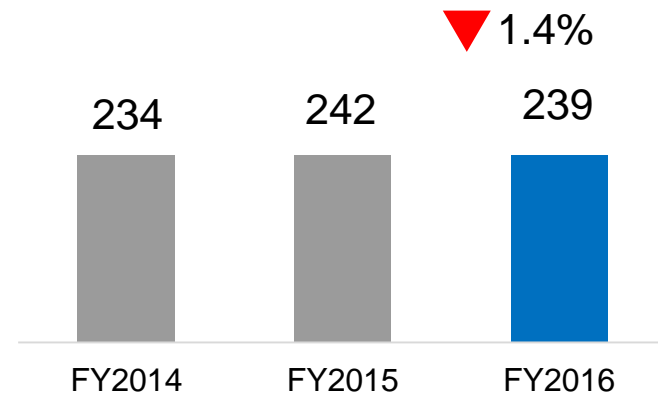
(a) Financial year refers to the period from 1 September to 31 August in the respective year 2013, 2014, 2015 and 2016.

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, 2015 and 2016



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.

Strategy to revitalise tenant mix

- Strategy to continually revitalise tenant mix to keep the properties relevant and elevate the properties' positioning
- Completed tenancy revitalisation program for Level 1 in 2016
- Ongoing initiatives to strengthen various clusters and levels
- Asset enhancement works to create value and strengthen the long-term sustainability of the property



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Continual asset enhancement

Air Handling Unit (“AHU”) decanting project in Paragon

- Replace aging AHUs with fan coil unit (“FCU”) and convert about 7,000 sqft back-of-house space into revenue generating net lettable area (“NLA”) at retail levels.
- Multi-phased approach from September 2015 to mid 2018 to minimise disruption to tenants.
- New concepts and flagship stores for the newly created net lettable area at Level 1, namely “Emporio Armani” and “Greyhound Café” (first café in Singapore)
- Reconfigure space at Level 3, with new shopfronts and stores, and capitalise on the new elevated pedestrian linkway between Paragon and the Cairnhill redevelopment project

The Clementi Mall’s (“TCM”) reconfiguration project

- Create a more efficient layout at basement and increase to a total of 21 food kiosks.
- Shoppers will enjoy a wider variety of food offering with 4 new-to-market concepts and 10 new tenants

Market outlook

- **Outlook for Singapore economy remains modest**
 - The Singapore economy grew by 1.1% on a year-on-year basis in the third quarter, slower than the 2.0% growth in the previous quarter.
 - The Ministry of Trade and Industry (MTI) expects the Singapore economy to grow by 1.0% to 1.5% in 2016, and 1.0% to 3.0% in 2017.
- **Growth in international visitor arrivals and tourism receipts**
 - International visitor arrivals (IVA) increased 10.3% year-on-year in the first eight months of 2016.
 - Tourism receipts grew by 12.0% year-on-year to reach S\$11.6 billion in the first half of 2016.
- **Retail environment remains challenging**
 - The retail sales index (excluding motor vehicles) declined by 3.8% in Q1 2016, 3.7% in Q2 2016, and 4.2% in Q3 2016.
 - Most of the trade segments registered decline in sales in Q3 2016, in particular, supermarkets (4.8%), wearing apparel and footwear (4.2%), department stores (3.4%), food and beverage (10.1%) and watches and jewellery (16.0%).

Thank You

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

