



# Proposed Acquisition of Myer Centre Adelaide

20 April 2015

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- 2 Competitive strengths of Myer Centre Adelaide
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## Rationale and key benefits of acquisition

Myer Centre Adelaide  
View from Rundle Mall

**Prime location**

**Attractive yield and DPU accretive**

**Acquisition fits the Manager's investment strategy**

**Expanding SGREIT's footprint in Australia**

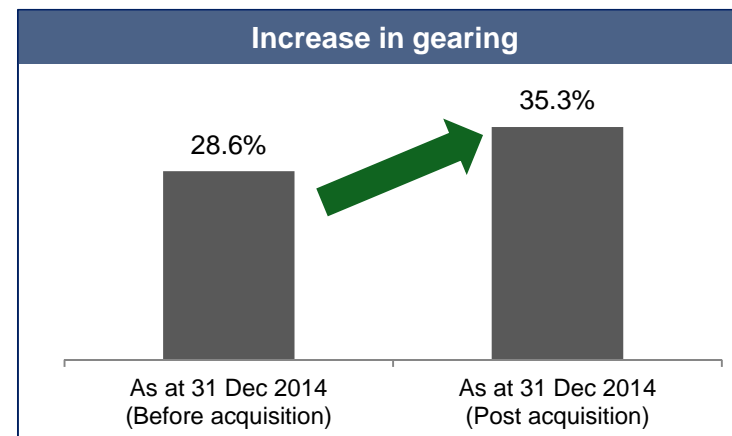
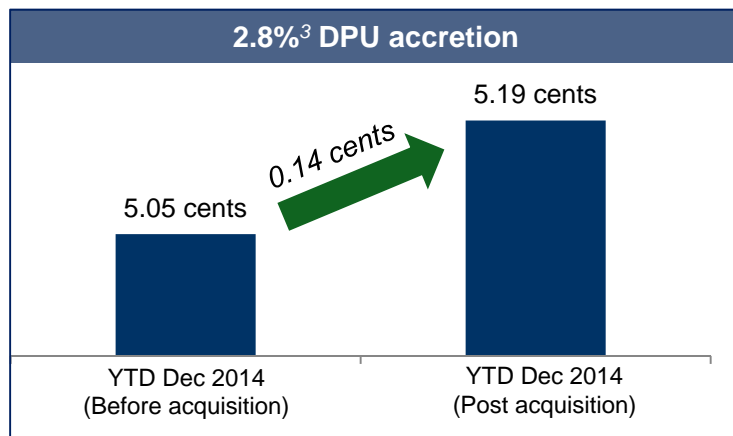
**Stable cashflow with embedded organic growth**

**Potential upside from asset enhancement opportunities**

# Attractive yield, DPU accretive and priced below replacement cost

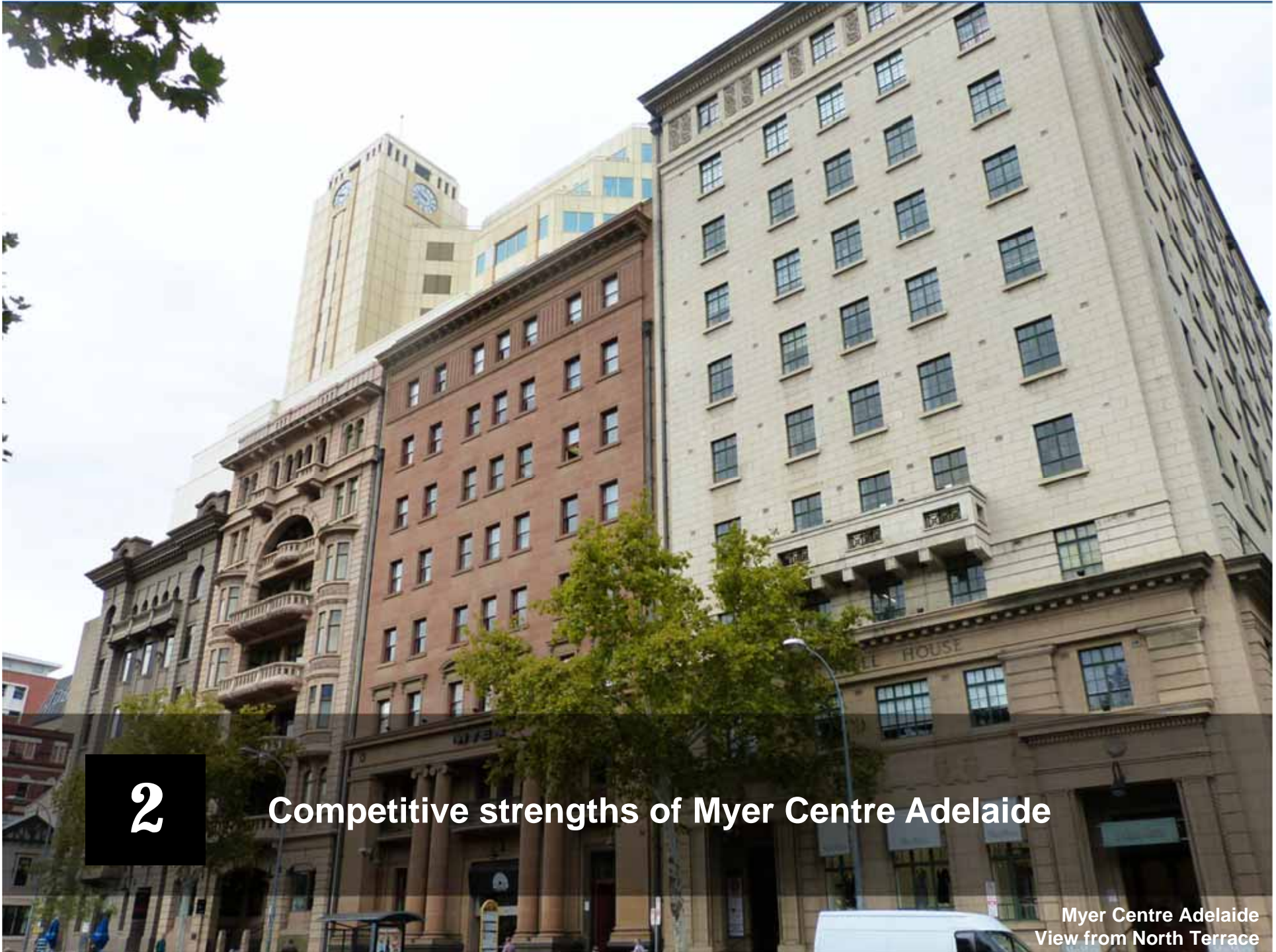


- ➔ Purchase price of A\$288.0 million (approximately S\$302.4 million<sup>1</sup>) is below replacement cost<sup>2</sup>
- ➔ Attractive NPI yield of 6.6%<sup>3</sup>
- ➔ DPU accretion of 2.8% or an additional 0.14 Singapore cents per unit<sup>4</sup> on a pro forma historical basis
- ➔ Acquisition to be fully funded by internal working capital and debt (AUD & SGD)
- ➔ Gearing to rise to 35.3% from 28.6%<sup>5</sup> upon completion of acquisition



**Notes:**

1. Based on the exchange rate of A\$1.00 : S\$1.05.
2. Refers to the amount that the owner would have to pay to replace the property (i.e. the costs to reconstruct the building).
3. Based on the net income of approximately A\$19.0 million that is derived based on information available to the Manager, namely the tenancy schedule as at 31 March 2015 and actual property expenses for the 12 months ended 30 June 2014.
4. The pro forma financial effects of the Acquisition are strictly for illustrative purposes only and were prepared based on the unaudited consolidated financial statements of Starhill Global REIT for the 12 months ended 31 December 2014.
5. As at 31 December 2014.



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## Competitive strengths of Myer Centre Adelaide

Myer Centre Adelaide  
View from North Terrace

# Myer Centre Adelaide



**Prime location**  
along Rundle Mall and  
North Terrace



**602,000 sq ft**  
Retail: 504,000 sq ft  
Office: 98,000 sq ft



**High occupancies**  
95% (Retail)  
93% (Office)



**Income stability**  
anchor tenant, Myer –  
~53% of retail gross rent



## Property overview

Myer Centre Adelaide is located between Rundle Mall and North Terrace



View of Myer Centre Adelaide from North Terrace

<b>Location</b>	<ul style="list-style-type: none"> <li>Rundle Mall, Adelaide's retail CBD core and the only retail pedestrian stretch in the city</li> <li>North Terrace, the 'cultural' side of the city includes the botanic gardens, museums, festival centre, casino and universities</li> </ul>
<b>Description</b>	<ul style="list-style-type: none"> <li>Largely retail centre with three office buildings and four basement levels of carpark</li> <li>Completed in 1991 and most recently went through a major A\$35 million asset enhancement that included the refurbishment of the Myer department store in 2013/2014</li> <li>Office component includes the Terrace Towers, a six-storey office tower which sits atop the retail centre and two heritage buildings</li> </ul>
<b>Land Tenure</b>	Freehold
<b>Net Lettable Area</b>	602,000 sq ft <sup>1</sup> (Retail: 504,000 sqft, Office: 98,000 sq ft)
<b>Occupancy</b>	95% (Retail) <sup>1</sup> ; 93% (Office) as at 31 March 2015
<b>Key tenants</b>	Retail: Myer, Max Mara, Lush, Sunglass Hut, Rebel, Nine West, Dicksmith, Noni B, Jacqui E, Priceline, ABC Shop and Lincraft Office: Ministry of Infrastructure, University of Adelaide and the Law Society of South Australia
<b>Car park lots</b>	467 carpark lots
<b>Valuation<sup>2</sup></b>	A\$288.0 million

**Notes:**

1. Excludes 114,000 sq ft vacant area in the highest two floors of the retail centre.
2. Independent valuation as at 26 March 2015 by Colliers.



## Prime location in Rundle Mall – Adelaide’s premier shopping precinct

Long frontage of 86 metres, accounting for approximately 16% of Rundle Mall retail stretch



- Largest city mall located in prime CBD retail stretch in Adelaide – the only retail pedestrian stretch in the city
- More than 80% of tourists to South Australia visit Rundle Mall – the largest single shopping location in Adelaide city which sees approximately 24 million visitors annually
- Houses Myer’s Adelaide flagship store, which is the largest Myer department store in South Australia and had recently completed its renovations in mid-2014
- The local government completed a A\$30 million refurbishment of Rundle Mall shopping precinct in late 2014

Located within the vicinity of the universities, offices and entertainment precinct



Announced early 2015 - the tallest residential building in Adelaide city to be built here

- ➔ One street away from the city's main office building segment
- ➔ Minutes walk away from the Riverbank Entertainment Precinct which includes the Convention Centre, Festival Theatre and newly-refurbished Adelaide Oval – the city's stadium
- ➔ Ten minutes' walk away from the hostels of The University of Adelaide and University of South Australia
- ➔ Near the city's art galleries and museums, as well as Parliament House and State Library

SAHMRI – SA Health & Medical Research Institution

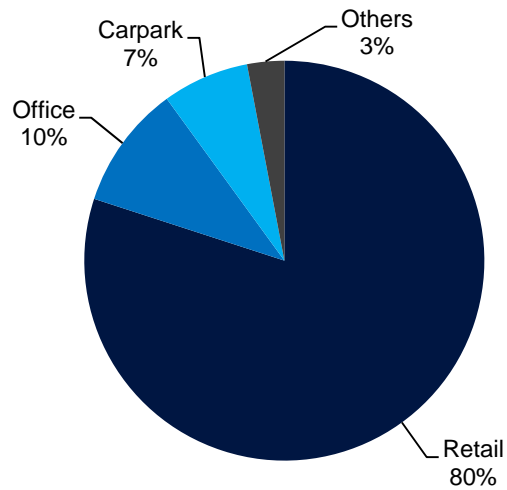
RAH – Royal Adelaide Hospital

TAFE – Technical and Further Education Commission

# Tenant mix – by gross rent

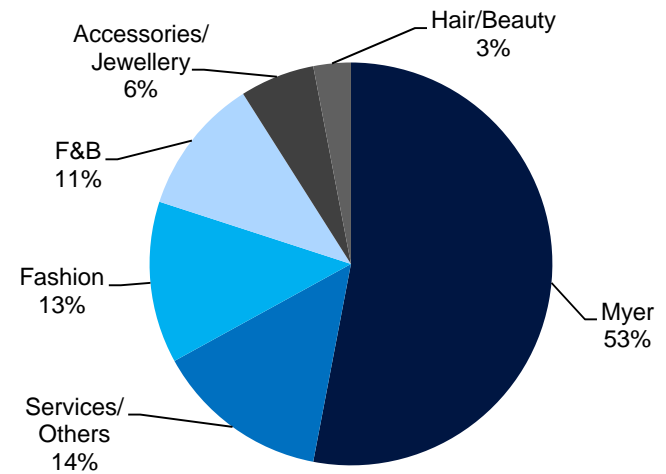


### The Property



Retail contributes to the bulk of the gross revenue at 80%, followed by office at 10%

### Retail Centre



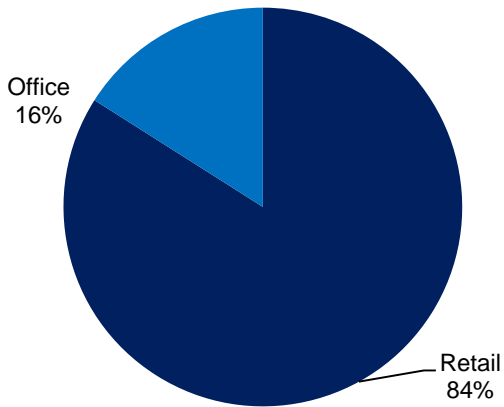
Myer accounts for 47% and 53% of the Property's and Retail Centre's gross rent respectively

**Note:**  
1. Based on tenancy schedule as at 31 March 2015.

# Tenant mix – by NLA

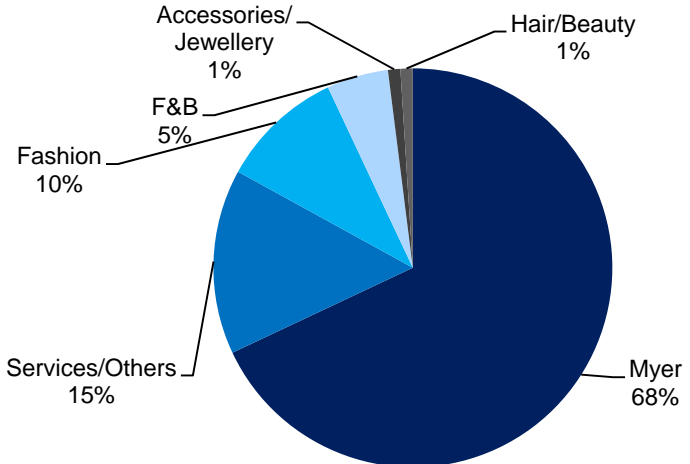


### The Property



Retail contributes to the bulk of the NLA at 84%, followed by office at 16%

### Retail Centre



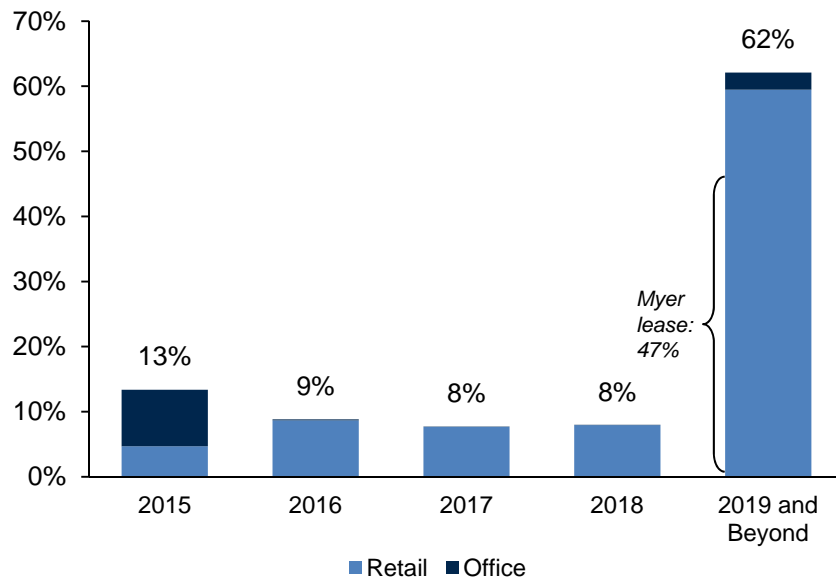
Myer accounts for 54% and 68% of the Property's and Retail Centre's NLA respectively

# Lease expiry profile

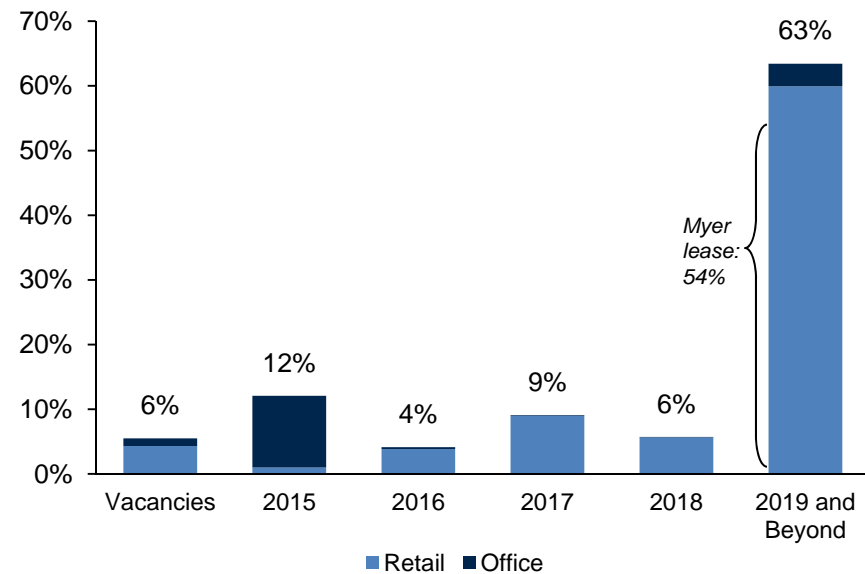


Recently renewed Myer lease, which does not expire until 2032, accounts for almost half the Property's gross rent

**By Gross Rent (as at 31 Mar 15)**



**By NLA (as at 31 Mar 15)**



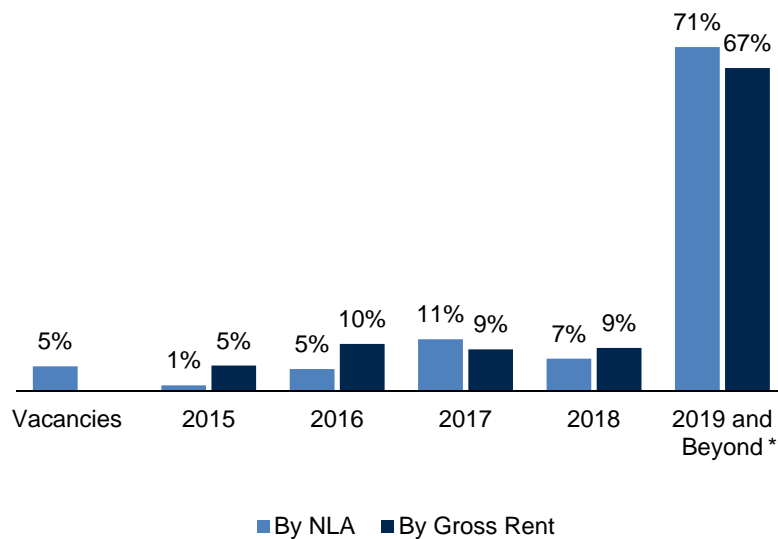
# Lease expiry profile



## Stable cashflow with embedded organic growth potential

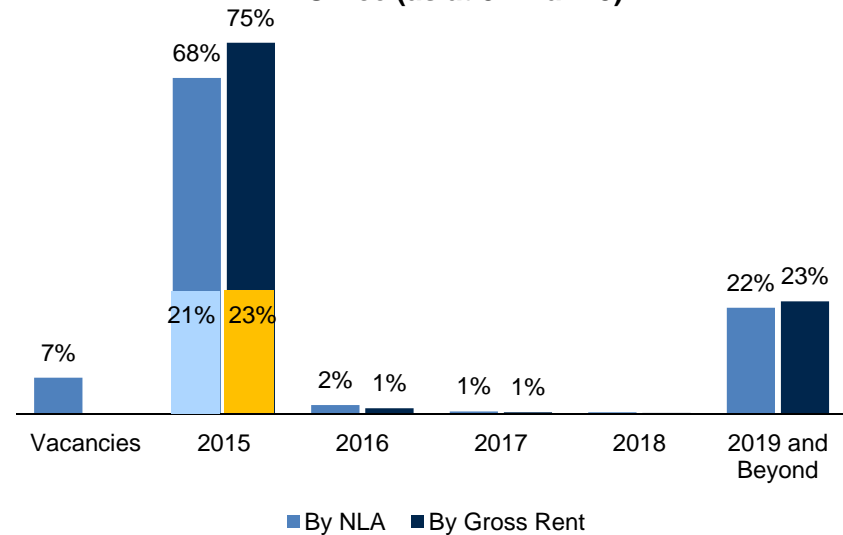
<b>Weighted average lease term to expiry</b>	<ul style="list-style-type: none"> <li>Retail: 10.4 yrs (by gross rent); 12.6 yrs (by NLA)</li> <li>Office: 2.4 yrs (by gross rent); 2.4 yrs (by NLA)</li> </ul>
<b>Rent reviews</b>	<ul style="list-style-type: none"> <li>Retail - annual rent escalation of fixed 5%; or CPI</li> <li>Office – annual rent escalation of approximately 3.5%</li> </ul>

**Retail (as at 31 Mar 15)**



\* comprises the Myer lease which expires in June 2032.

**Office (as at 31 Mar 15)**



About 23% of leases expiring in 2015 have been renewed. Majority of the remaining 52% (by gross rent) expires in 2H 2015

## Potential for new international brands in Adelaide



- The premier location of Rundle Mall in Adelaide is likely to be one of the preferred destinations for international retailers who are expanding into Adelaide
- Tiffany & Co. entered Adelaide end-2014. Apple is located along Rundle Mall and Zara is at Burnside Village, approximately 6.4km from the Property

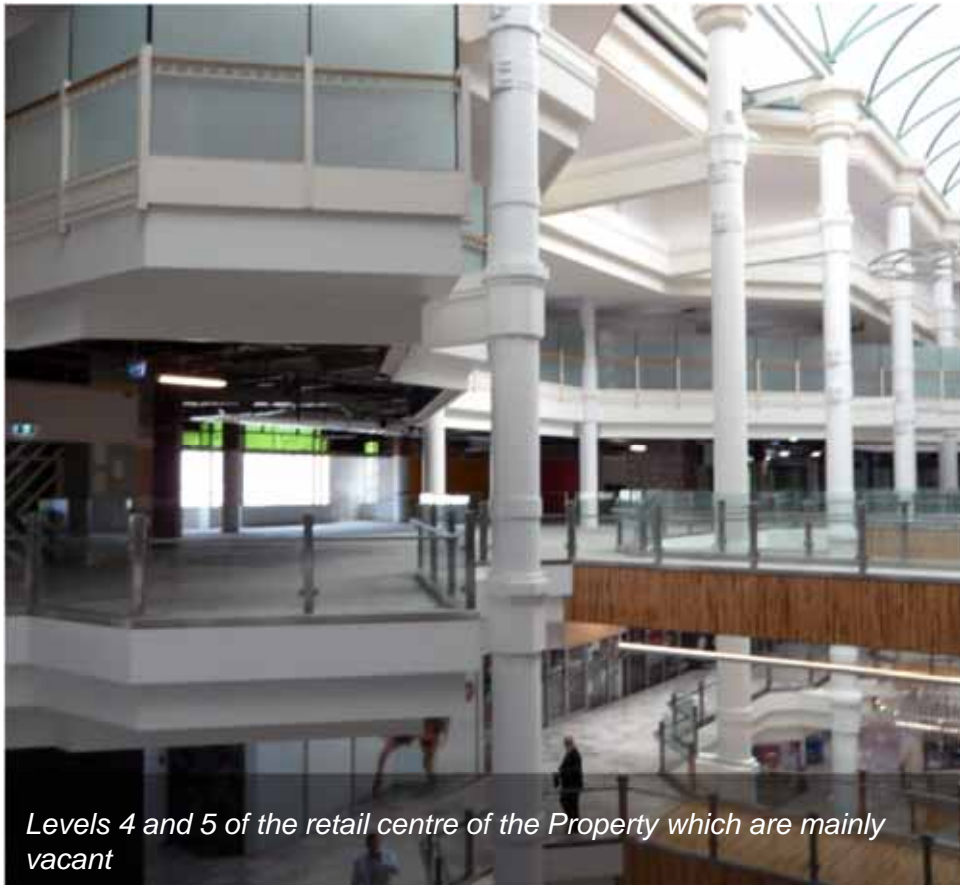
### International brands in Adelaide



### International brands in the Eastern States but not in Adelaide yet



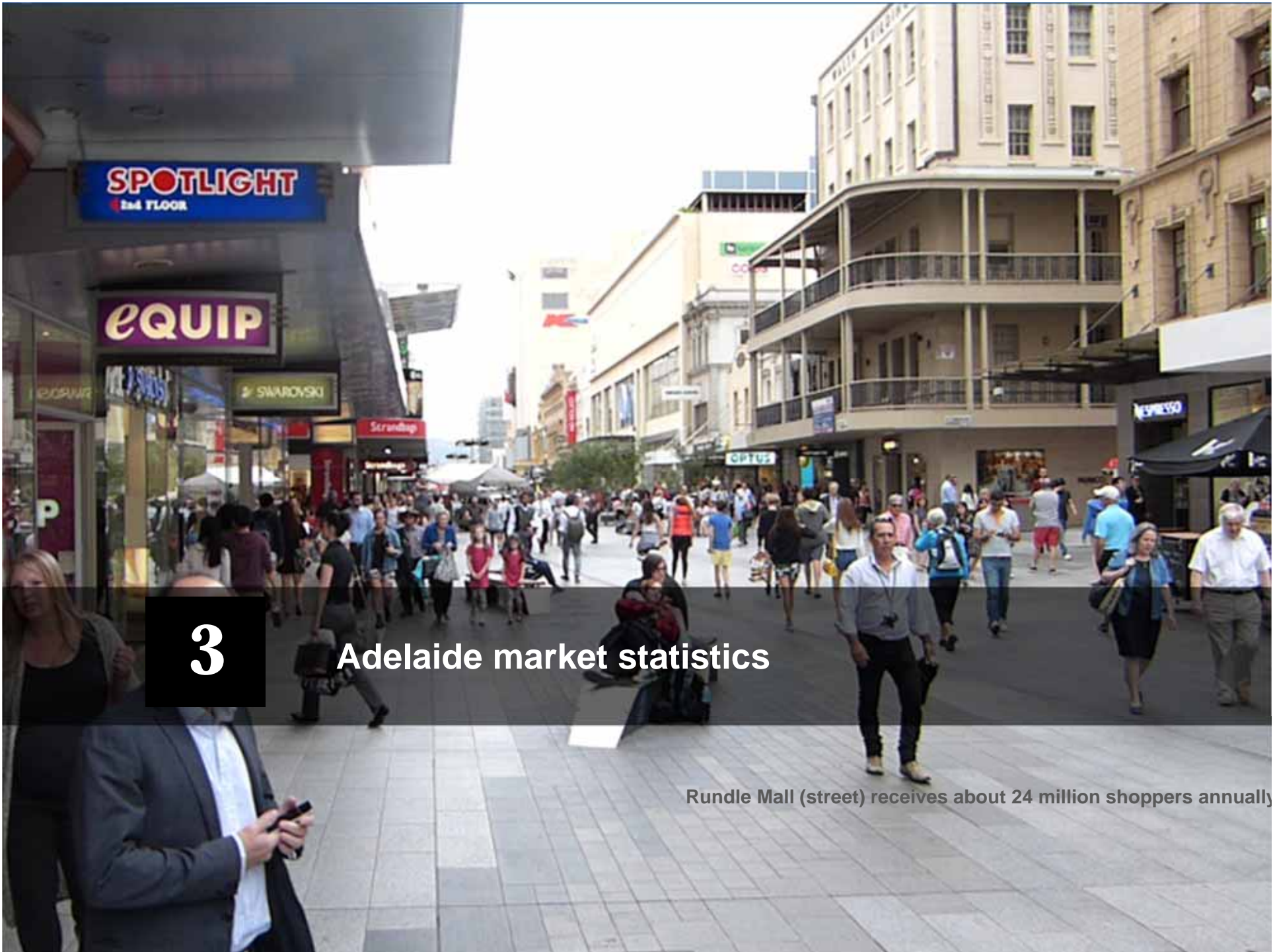
## Potential upsides from AEs and rent increases



*Levels 4 and 5 of the retail centre of the Property which are mainly vacant*

- Potential upside from activating Levels 4 and 5 of the retail centre (114,000 sq ft of NLA) which are currently vacant
- Upside from rent increases as most leases have an annual rent increase component embedded





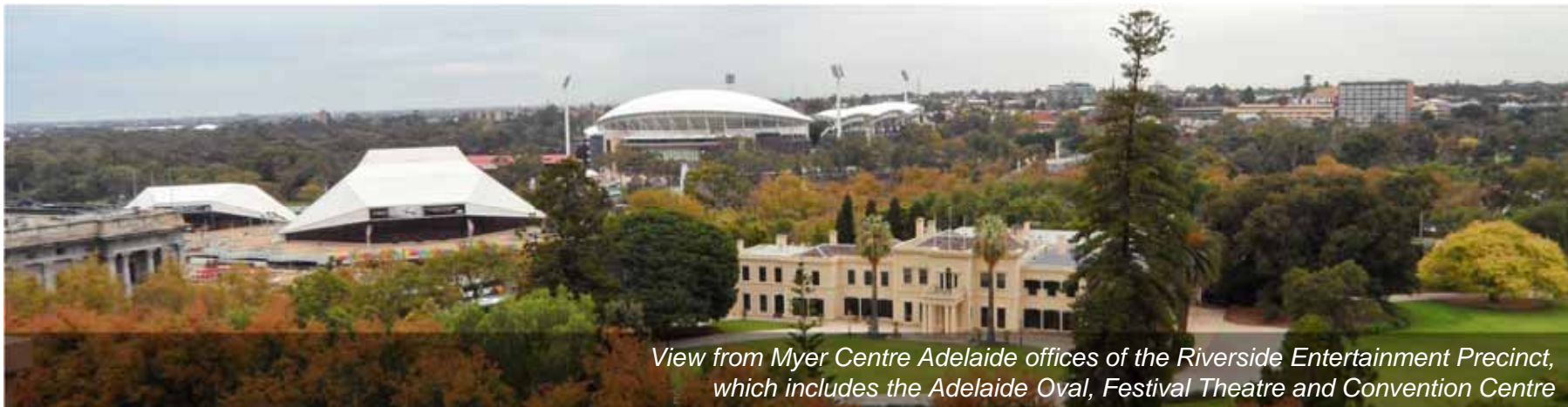
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## Adelaide market statistics

Rundle Mall (street) receives about 24 million shoppers annually

## Why Adelaide

- Fifth largest city in Australia with current population of 1.7 million
- Adelaide received 386,000 international visitors with A\$5.2 billion in tourism receipts in 2014
- Out of the 220,000 daily visitors to the city, 52% of city visitors came to shop
- 86,000 students at city universities and colleges, of which two universities and their hostels are located near the Property
- Ranks highly in terms of liveability, being listed in the Top 10 of The Economist's World's Most Liveable Cities index in 2010, 2011 and 2012. It was also ranked the most liveable city in Australia by the Property Council of Australia in 2011, 2012 and 2013. New York Times has also ranked Adelaide the 24<sup>th</sup> and the only Australian city in the list of 52 places to go in 2015



*View from Myer Centre Adelaide offices of the Riverside Entertainment Precinct, which includes the Adelaide Oval, Festival Theatre and Convention Centre*

## City of Adelaide's investment in the city centre for reinvigoration



- A\$30 million Rundle Mall refurbishment which included landscaping and services infrastructure, was completed in late 2014 as part of the masterplan to transform the precinct into a world class shopping destination
- A\$535 million redevelopment of Adelaide Oval, which hosts international and local sporting events, was upgraded in March 2014 to improve infrastructure and increase capacity



### Projects in progress

- A\$1.8 billion redevelopment and relocation of the Royal Adelaide Hospital to become Australia's most advanced hospital, is expected to be completed in 2016
- A\$350 million Adelaide Convention Centre redevelopment is expected to be completed by June 2017
- A\$350 million expansion and refurbishment of SkyCity casino to be completed by end-2016 will include a boutique hotel and signature dining establishments





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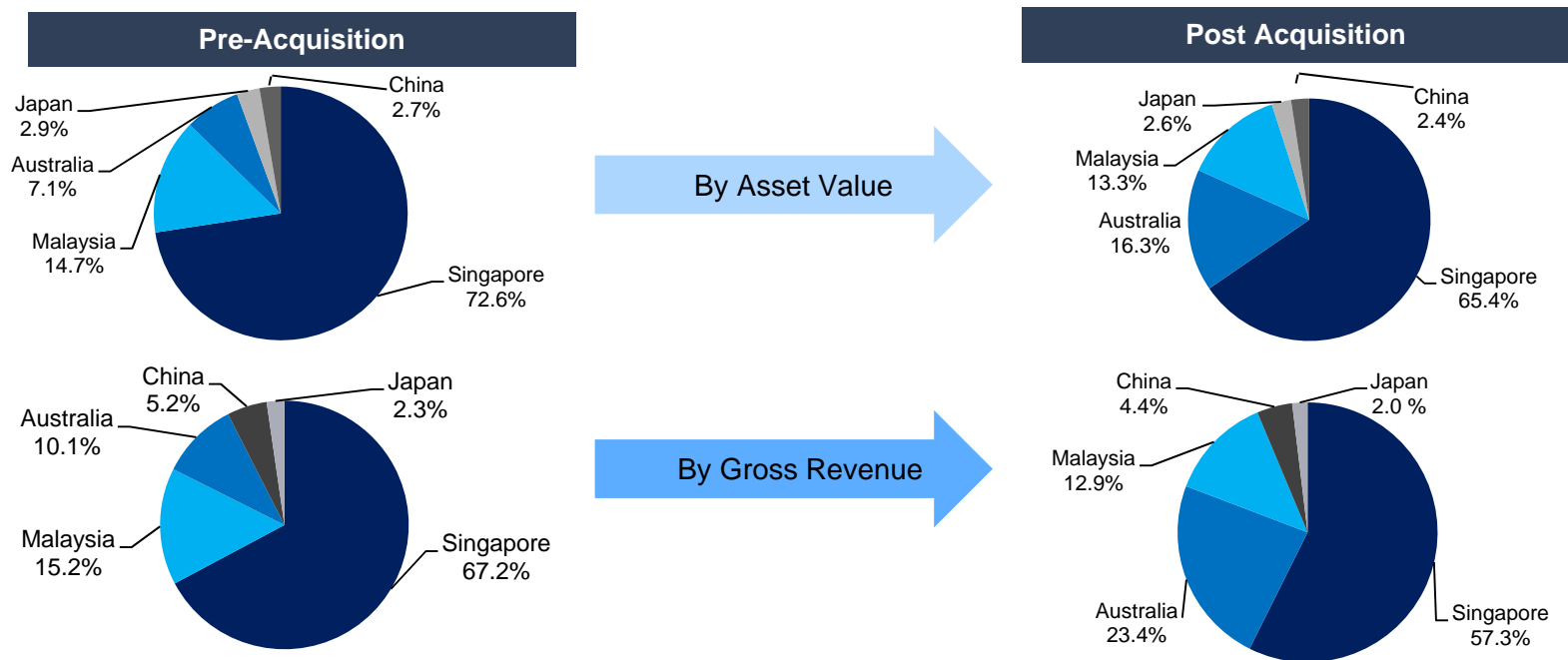
Impact on SGREIT

Myer Centre Adelaide retail centre interior

# Acquisition fits into Manager's investment strategy and increases footprint in Australia



- ➔ Increases SGREIT's portfolio asset value from S\$2.8 billion<sup>1</sup> to approximately S\$3.1 billion upon completion of acquisition
- ➔ Extends SGREIT's footprint in Australia from 7.1% to 16.3% by asset value<sup>1</sup>; and from 10.1% to 23.4% by gross revenue<sup>2</sup>



**Notes:**

1. Valuations as at 31 December 2014 and based on exchange rates as at 31 December 2014.
2. For the 12 months ended 31 December 2014.

## Method of financing and financial ratios



- ➔ Assuming the Acquisition is funded by internal working capital and debt (approximately A\$145 million and S\$150 million term loans)
- ➔ The Manager has secured commitment from banks, namely committed term sheets for new facilities and its existing committed revolving credit facilities, for the full funding of the acquisition
- ➔ Gearing of SGREIT is expected to increase from 28.6%<sup>1</sup> to 35.3% upon completion of the acquisition
- ➔ DPU accretion of 2.8% or an additional 0.14 Singapore cents per unit<sup>2</sup> on a pro forma historical basis

	Before Acquisition <sup>1,2</sup>	Post Acquisition <sup>1,2</sup>
<b>DPU</b>	5.05 cents	5.19 cents
<b>NAV per unit</b>	S\$0.94	S\$0.94
<b>Total debt</b>	S\$849 million	S\$1,151 million
<b>Gearing</b>	28.6%	35.3%

**Notes:**

1. As at 31 December 2014.
2. The pro forma financial effects of the Acquisition are strictly for illustrative purposes only and were prepared based on the unaudited consolidated financial statements of Starhill Global REIT for the 12 months ended 31 December 2014.



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Conclusion

## Conclusion

### Attractive pricing

- Property yield of 6.6%<sup>1</sup> and 2.8% DPU accretive<sup>2</sup> on a pro forma historical basis
- Purchase price is at valuation and is below replacement cost

### Quality Asset: Prime Location

- Largest CBD shopping mall in prime location in city centre, along the city's only retail pedestrian street
- Located within vicinities of the Riverbank Entertainment Precinct, universities and hostels, and art galleries

### Income stability

- Myer lease, which does not expire until 2032 and accounts for almost half of the Property's gross rent, provides stable cashflow

### Potential upsides

- Opportunities for asset enhancement from activating two vacant levels or approximately 114,000 sq ft of NLA
- Upside from rent increases from current leases which have annual rent increases of a fixed rate or CPI
- Likely to be one of the preferred destinations for international retailers who are just beginning to expand out of the more matured cities in Australia

#### Notes:

1. Based on the net income of approximately A\$19.0 million that is derived based on information available to the Manager, namely the tenancy schedule as at 31 March 2015 and actual property expenses for the 12 months ended 30 June 2014.
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The Property – view from Rundle Mall and North Terrace



The Property – retail specialty tenants





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