mapletree
north asia commercial

*For Immediate Release:*

**A) 1H FY21/22 DPU higher by 19.1% compared to 1H FY20/21**

- **Lower rental reliefs to retail tenants as footfall and retail sales increased at Festival Walk mall**
- **Contributions from acquisitions in Japan and South Korea**

**B) Portfolio occupancy edged up to 97.9% as at 30 September 2021**

***28 October 2021*** – Mapletree North Asia Commercial Trust Management Ltd. ("**MNACTM**" or the "**Manager**"), the Manager of Mapletree North Asia Commercial Trust ("**MNACT**"), announced today MNACT's financial results for the first six months from 1 April 2021 to 30 September 2021 ("**1H FY21/22**").

## Financial Highlights

| | 1H FY21/22 | 1H FY20/21 | Variance % |
|---|---|---|---|
| Gross Revenue[1] (S$'000) | 215,441 | 190,099 | 13.3 |
| Net Property Income ("**NPI**")[1] (S$'000) | 161,879 | 139,740 | 15.8 |
| Distributable Income (S$'000) | 119,533 | 96,832 | 23.4 |
| DPU (cents) | 3.426 | 2.876 | 19.1 |
| Annualised Distribution Yield | 7.1% | 6.1% | 15.4 |
| Closing Unit Price for period | S$0.965 | S$0.935 | 3.2 |

For 1H FY21/22, gross revenue and NPI increased by 13.3% and 15.8%, respectively, compared to the same period last year ("**1H FY20/21**"). The growth in gross revenue and NPI was mainly due to lower rental reliefs of S$4.7 million granted to the retail tenants at Festival Walk in 1H FY21/22 compared to the same period last year (1H FY20/21: S$34.9 million), contribution from Hewlett-Packard Japan Headquarters Building ("**HPB**") acquired on 18 June 2021 and a stronger average rate of RMB against SGD. The increase was partially offset by lower average rental rates at Festival Walk mall and Gateway Plaza, as well as lower average rates of HKD and JPY against SGD. Accordingly, DPU for 1H FY21/22 was 3.426 cents, 19.1% higher than 1H FY20/21, taking into account distribution adjustments and contribution from The Pinnacle Gangnam acquired on 30 October 2020.

[1] 1H FY21/22 Gross Revenue and NPI do not include the contribution from The Pinnacle Gangnam, acquired on 30 October 2020. MNACT will share profit after tax of The Pinnacle Gangnam based on its 50% interest.



**Mapletree North Asia Commercial Trust Management Ltd.**
10 Pasir Panjang Road, #13-01 Mapletree Business City, Singapore 117438
**Tel** 65 6377 6111 **Fax** 65 6273 2753 www.mapletreenorthasiacommercialtrust.com
Co. Reg No. 201229323R

Ms. Cindy Chow, Chief Executive Officer of the Manager, said, "We are pleased to have achieved a DPU growth of 19.1% for 1H FY21/22 over 1H FY20/21. This is largely due to a lower quantum of rental reliefs granted to our retail tenants at Festival Walk mall, as a result of a steady improvement to the mall's footfall and retail sales amid a stable COVID-19 situation in Hong Kong SAR. The recent gradual improvement in the retail market has been encouraging, though we remain cautious about the risks of resurgence of the Delta or other virus variants that may affect the pace of market recovery. We will continue to support our tenants through rolling out exciting marketing and promotion programmes and other initiatives in consultation with our tenants, to boost sales."

"In addition, through our diversification efforts, the acquisitions of HPB in Japan and The Pinnacle Gangnam in South Korea had contributed to the income streams in 1H FY21/22 compared to the corresponding period last year, contributing to growth and resilience of our portfolio."

"We have continued to maintain a high portfolio occupancy rate, which was close to 98% at the end of September 2021. In conjunction with active and prudent capital management, we will continue to drive the performance of our portfolio of quality assets and source for yield accretive acquisitions to achieve greater diversification and growth of MNACT."

## Operational Update

| Portfolio Update by Asset | Festival Walk | Gateway Plaza | Sandhill Plaza | Japan Properties[a] | The Pinnacle Gangnam |
|---|---|---|---|---|---|
| Average rental reversion[b] for expired leases that were renewed or re-let by 30 September 2021 | Retail: - 30%[c]<br>Office: n.a. | - 24%[d] | 5% | 1% | 58%[e] |
| Committed occupancy level as at 30 September 2021 | ***Portfolio level: 97.9%*** | | | | |
| | 99.9% | 95.4% | 99.7% | 97.8%[f] | 97.7% |
| Percentage of leases (by lettable area) with expiries in FY21/22 that were renewed or re-let as at 30 September 2021 | ***Portfolio level: 64%*** | | | | |
| | 63% | 65% | 89% | 78% | 37% |

[a] Includes HPB acquired in June 2021.

[b] Average rental reversion is calculated based on the change in the effective rental rates of the new leases compared to the previous leases. It takes into account rent-free periods and step-up rental rates over the lease term (if any). It excludes rental rates for short-term leases that are less than or equal to 12 months where the rental rates are not reflective of prevailing market rents that are on normal lease tenure basis.

[c] There were 35 retail leases with an average rental reversion of negative 30%.

[d] There were 13 office leases with an average rental reversion of negative 24%.

[e] There was 1 office lease that contributed to the rental reversion of 58%.

[f] All Japan Properties except mBAY POINT Makuhari ("**MBP**") registered full occupancy as at 30 September 2021. The occupancy rate for MBP was 92.8%.

**Festival Walk**

Festival Walk recorded an improved performance, with gross revenue and NPI for 1H FY21/22 increasing by 21.4% and 26.1%, respectively, compared with 1H FY20/21. This is mainly due to a lower quantum of rental reliefs granted, partially offset by a lower average retail rental rate. In line with the effective pandemic control measures, rising vaccination rate in Hong Kong SAR, the government consumption voucher scheme and a low base last year, shopper traffic and tenants' sales in 1H FY21/22 increased by 29.9% and 22.0%, respectively, compared to the same period last year.

To strengthen the mall's appeal as a lifestyle hub and to cater to evolving consumer preferences, the mall will continue to pivot to resilient trades such as F&B, services and lifestyle. Interior repair works[1] at the mall have been completed, and the mall held a mini-drone competition, the first to be held within a shopping mall in Hong Kong SAR, attracting shoppers and garnering media coverage. The recent sales-driven "My Shopping FESTIVAL" programme that started in September this year, which rewards shoppers with shopping vouchers for different retail categories, has also been very well received.

**Office Properties in Beijing, Shanghai, Greater Tokyo and Seoul**

For Gateway Plaza, gross revenue and NPI for 1H FY21/22 were higher by 3.8% and 3.1%, respectively, as compared to 1H FY20/21 mainly due to the absence of rental reliefs (1H FY20/21: S$0.3 million) and a higher average rate of RMB against SGD, partially offset by a lower average rental rate.

Sandhill Plaza registered a higher gross revenue and NPI of 7.5% and 8.2%, respectively, for 1H FY21/22 compared to a year ago. This is a result of a higher average occupancy rate and a higher average rate of RMB against SGD.

For the Japan Properties, 1H FY21/22 gross revenue was higher by 8.2% while 1H FY21/22 NPI increased by 10.6% compared to 1H FY20/21 mainly due to the contribution from the newly acquired HPB in June 2021 and higher average occupancy at IXINAL Monzen-nakacho Building ("**MON**") in Tokyo and MBP in Chiba.

The addition of The Pinnacle Gangnam increased MNACT's profit by S$2.4 million for 1H FY21/22. On a pro-forma basis, The Pinnacle Gangnam would have contributed 2.6% to both the portfolio's gross revenue and NPI.

---

[1] Repair works arising from the damage incurred during the social incidents in Hong Kong SAR in November 2019.

## Capital Management

MNACT's liquidity position remains healthy as at 30 September 2021, with committed and uncommitted undrawn credit facilities of S$621.6 million. During 1H FY21/22, MNACT issued S$250 million perpetual securities[1] to partially fund the acquisition of HPB in June 2021 and in addition, redeemed S$75 million of Fixed Rate Notes due 2021 through loan facility transactions announced in July 2021, including two new sustainability-linked loan facilities. These sustainability loans are tied to MNACT's energy and water intensity improvement targets, attesting to the Manager's commitment to sustainability.

Notwithstanding the incremental finance costs on borrowings to fund the acquisitions of The Pinnacle Gangnam and HPB, finance costs in 1H FY21/22 decreased by S$4.7 million compared to 1H FY20/21, due to lower benchmark interest rates and the refinancing of borrowings. The annualised effective interest rate for 1H FY21/22 remained low at 1.84% per annum, as compared to 1.99% per annum for 2H FY20/21. On the back of higher NPI, the adjusted interest cover ratio on a trailing 12-month basis edged up to 4.1 times[2] as at 30 September 2021, from 4.0 times as at 30 June 2021. Aggregate leverage ratio decreased marginally to 41.4% (from 41.8% as at 30 June 2021).

Interest cost on 79% of MNACT's debt has been fixed as at 30 September 2021, reducing exposure to interest rate volatility. In addition, MNACT's exposure to exchange rate volatility is mitigated, with approximately 68% of the expected distributable income for FY21/22 hedged into SGD.

## Distribution to Unitholders

Unitholders will receive a distribution of 3.426 cents per unit (being 100% of MNACT's distributable income for 1H FY21/22) on Friday, 24 December 2021. The closure of MNACT's Transfer Books and Register of Unitholders is on Monday, 8 November 2021 at 5.00pm.

## Distribution Reinvestment Plan ("DRP")

As part of the Manager's proactive capital management efforts to maintain an optimal overall aggregate leverage for MNACT, the Manager will continue to apply the DRP for MNACT's distribution for the period from 1 April 2021 to 30 September 2021.

---

[1] Please refer to MNACT's SGX announcement dated 1 June 2021 titled "Issue of S$250,000,000 3.50% Perpetual Securities Pursuant to the US$1,500,000,000 Euro Medium Term Securities Programme".

[2] The interest cover ratios as at 30 September 2021 and 30 June 2021 are based on a trailing 12-month basis and do not take into account the interim insurance proceeds.

## Outlook

While the global economy is expected to grow in 2021 compared to 2020, the outlook is expected to be uneven across different markets and continues to be clouded by the spread of the COVID-19 Delta variant, supply chain disruptions, higher inflation and rising interest rates.

Festival Walk, Hong Kong SAR

In Hong Kong SAR, improved retail sales performance[1] has yet to transform into leasing demand on a meaningful scale and a turnaround will be dependent on the lifting of border restrictions[2]. Most retailers have remained conservative and cautious on committing to long-term leases. As a result, demand in major shopping districts remain predominantly driven by short-term leases and pop-up stores.

For Festival Walk, the average renewal or re-let rental rate for FY21/22 is expected to be lower compared to FY20/21[3]. Maintaining a high occupancy rate remains an ongoing focus, while being agile and adaptable are key to navigating through the market changes. We will continue to strengthen Festival Walk mall's positioning as the preferred social gathering venue for families, friends and the community at large, roll out exciting marketing and promotional events to boost sales and implement further digitalisation initiatives to improve shopper satisfaction.

Interior recovery works resulting from the Festival Walk Incident[4] have been completed. The exterior works are being carried out progressively and are expected to be completed by the end of 2021. With the stabilisation of the COVID-19 situation, the gradual recovery of the retail market, completion of the interior recovery works at Festival Walk and no resurgence of the Delta or other variants, we expect that rental support will no longer be required for the retail tenants.

On the insurance claims for property damage and revenue loss due to business interruption during Festival Walk's closure, finalisation of the insurance claims remains in progress.

China, Japan and South Korea Properties

For Beijing[5], more new supply will come on stream in 2H 2021, further pushing up vacancy rates, and placing pressure on rents and landlords. 2022-23 is however expected to see a drop in new supply which should drive down vacancy rates to lower levels[6]. For Gateway Plaza, one of the major tenants (whose current lease is due to expire by December 2022) has extended its lease in advance by another year. There is a risk that this lease might not be extended beyond December 2023. We will continue

[1] Cushman & Wakefield, Hong Kong Retail, 2Q 2021.
[2] Savills, Hong Kong Retail, July 2021.
[3] For FY20/21, the average rental reversion at Festival Walk mall was negative 21%.
[4] Please refer to MNACT's SGX-ST Announcement dated 4 December 2019 titled "Update on Festival Walk and Impact on MNACT".
[5] CBRE Marketview Beijing, 2Q 2021.
[6] Savills, Beijing Office, 2Q 2021.

to engage our tenants closely, and stay disciplined in achieving high occupancy levels.

In Shanghai[1], Zhangjiang Science City, which enjoys a wide rent differential compared to the CBD and central office areas, continues to attract healthy demand from potential tenants, especially from the technology, media and telecommunications ("**TMT**") as well as the biomedical sectors. Sandhill Plaza is expected to continue to achieve a stable and consistent performance.

In Tokyo[2], office vacancy is expected to rise with downward pressure on rents. However, with hopes that the expedited vaccine rollout will fuel a recovery in corporate performance, the outlook for the office market should improve[3]. As many tenants are still in cost-cutting mode, this is expected to underpin demand for office buildings in decentralised areas where rental levels are lower. The growing popularity of satellite offices[3] as a result of COVID-19 should provide a further tailwind for this segment of the office market. For the Japan Properties, which comprise mainly decentralised offices, they are expected to continue to attract such demand and maintain a high level of occupancy.

For the Seoul office market[4], leasing demand has increased across all key districts, and vacancy rates are expected to drop further. MNACT is expected to continue to benefit from the positive rental reversions from The Pinnacle Gangnam arising from the high proportion of leases with rent escalation clauses, and the strong leasing demand for expansion and relocation from high-growth industries such as the information technology ("**IT**") and pharmaceutical/medical sectors.

For further information, please contact:

**Mapletree North Asia Commercial Trust Management Ltd.**
Elizabeth Loo Suet Quan
Director, Investor Relations
Tel: +65 6377 6705
Email: elizabeth.loo@mapletree.com.sg
Website: www.mapletreenorthasiacommercialtrust.com

[1] CBRE Marketview Shanghai, 2Q 2021.
[2] JLL Asia Pacific Office Digest 2Q 2021.
[3] Savills, Tokyo Office Leasing, 2Q 2021.
[4] Savills, Seoul Prime Office, 2Q 2021.

**About Mapletree North Asia Commercial Trust**

Listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 7 March 2013, Mapletree North Asia Commercial Trust ("**MNACT**") is the first real estate investment trust ("**REIT**") that offers investors the opportunity to invest in high-quality commercial properties situated in China, Hong Kong SAR, Japan and South Korea.

MNACT consists of 13 properties in China, Hong Kong SAR, Japan and South Korea:

- Beijing, China: Gateway Plaza, a Grade-A office building with a podium area;
- Hong Kong SAR: Festival Walk, a landmark territorial retail mall with an office component;
- Shanghai, China: Sandhill Plaza, a Grade-A business park development situated in Zhangjiang Science City, Pudong;
- Japan: total of nine properties comprising five office buildings in Tokyo (IXINAL Monzen-nakacho Building, Higashi-nihonbashi 1-chome Building, TS Ikebukuro Building, Omori Prime Building and Hewlett-Packard Japan Headquarters); an office building in Yokohama (ABAS Shin-Yokohama Building) and three office buildings in Chiba (SII Makuhari Building, Fujitsu Makuhari Building and mBAY POINT Makuhari) (collectively the "Japan Properties"); and
- Seoul, South Korea: The Pinnacle Gangnam, a freehold office building with retail amenities located in Gangnam business district.

As at 30 September 2021, MNACT's total assets under management is S$8.4 billion (including MNACT's 50% interest in The Pinnacle Gangnam).

MNACT is managed by Mapletree North Asia Commercial Trust Management Ltd., a wholly owned subsidiary of Mapletree Investments Pte Ltd. For more information, please visit www.mapletreenorthasiacommercialtrust.com.

**IMPORTANT NOTICE**

The value of units in MNACT ("**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of MNACT may only deal in their Units through trading on SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units. The past performance of MNACT is not necessarily indicative of the future performance of MNACT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or transactions not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any public offering of securities to be made in the United States would be made by means of a prospectus that may be obtained from an issuer and would contain detailed information about such issuer and the management, as well as financial statements. There will be no public offering of the securities referred to herein in the United States.