Positive Retail Rental Reversion of 15.7%[1] Achieved in 1H FY2024

Mainly attributed to the positive retail market sentiments and proactive leasing strategy to refresh retail offerings

Key Highlights

- Restructured lease for Sky Complex provides greater certainty on long-term cashflow from Sky Italia without pre-termination rights[2]
- Positive office rental uplift of 1.5%[3] on top of the 5.9% rental escalation in May 2023
- Higher tenant sales in 1H FY2024 with visitation continuing to trend close to pre-COVID-19 average levels
- Healthy tenant retention rate of 80.6%
- No refinancing risks on committed debt facilities until FY2025
- Approximately 85% of the total committed debt facilities are sustainability-linked financing

Singapore, 1 February 2024 - Lendlease Global Commercial Trust Management Pte. Ltd. (the "Manager"), the manager of Lendlease Global Commercial REIT ("LREIT"), is pleased to announce its first-half financial results for FY2024.

Proactive asset management to reduce single-tenant exposure and reposition Sky Complex Building 3 to secure multi-tenancies at market rents

On 15 December 2023, the Manager restructured the lease with Sky Italia to reduce LREIT's single-tenant exposure to the broadcasting sector and reposition Building 3 to secure multi-tenancies at market rents. As at 31 December 2023, exposure to the broadcasting sector by gross rental income ("GRI") has been reduced to 10.2% from 13.6% in 1Q FY2024.

With the lease restructure, Building 1 and 2 will be leased to Sky Italia until January 2033 without pre-termination rights. There was also a positive rental uplift of 1.5% for both buildings, on top of the recent positive 5.9% rental escalation in May 2023. Sky Italia will continue to be responsible for most of the property operating expenses for Building 1 and 2.

Further information can be found within the announcement "Lendlease Global Commercial Italy Fund Restructures Lease at Sky Complex to Reduce Tenant Concentration Risk" dated 18 December 2023.

Financial Performance

Gross revenue for 1H FY2024 increased 17.9% YoY to S$119.9 million mainly attributed to the improved operational performance from the retail malls and recognition of supplementary rent from the lease restructure with Sky Italia. This has resulted in a higher net property income of

[1] Year-to-date on weighted average basis.
[2] Prior to the lease structure for Sky Complex, Sky Italia has the right to pre-terminate in 2026.
[3] Refers to Building 1 and 2 of Sky Complex.

22.2% YoY to S$93.4 million for 1H FY2024. Excluding the supplementary rent recognised in advance, both gross revenue and net property income increased by 5.1% YoY.

Property operating expenses in 1H FY2024 were S$26.5 million, S$1.2 million higher than in 1H FY2023 mainly due to expenses in relation to the lease restructuring with Sky Italia and higher costs of utilities from the Singapore properties.

LREIT's distributable income was S$49.3 million in 1H FY2024, translating to a distribution of 2.10 cents per unit (compared to 2.45 cents per unit in 1H FY2023). The lower distribution per unit in the first half of FY2024 was primarily driven by higher borrowing costs amidst the higher interest rates as compared to a year ago.

Capital Management

As at 31 December 2023, gross borrowings were S$1,547.1 million with a gearing ratio of 40.5%. The weighted average debt maturity was 3.0 years with a weighted average cost of debt of 3.37% per annum[4]. As at the period end, LREIT has an interest coverage ratio of 3.8 times[5], which provides ample buffer from its debt covenants of 2.0 times.

All of its debt is unsecured with approximately 61% of its borrowings hedged to fixed rate. In addition, LREIT has undrawn debt facilities of S$188.6 million to fund its working capital.

As at 31 December 2023, approximately 85% of LREIT's total committed debt facilities are sustainability-linked financing, which will generate net interest savings to LREIT's unitholders when the targets are met.

Operations Update

Post the lease restructure with Sky Italia, LREIT's portfolio committed occupancy, as at 31 December 2023, was 87.9%[6] with a long weighted average lease expiry ("WALE") of 7.9 years by net lettable area ("NLA") and 4.9 years by GRI. Leases expiring in FY2024 were further de-risked to 3.6% by NLA and 5.9% by GRI.

Positive rental reversion and higher tenant sales for retail portfolio

As at 31 December 2023, LREIT's retail portfolio continued to maintain a high committed occupancy rate of 99.6% with a positive retail rental reversion of 15.7%[1] against the Manager's proactive asset management and leasing strategy.

[4] Excludes amortisation of debt-related transaction costs.
[5] The interest coverage ratio (ICR) as at 31 December 2023 of 3.8 times (30 September 2023: 3.9 times) is in accordance with requirements in its debt agreements; 2.5 times (30 September 2023: 2.5 times) and 1.9 times for adjusted ICR (30 September 2023: 1.9 times) in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.
[6] The lower occupancy is mainly due to the lease restructuring with Sky Italia. Sky Italia has made an upfront payment equivalent to approximately 2 years of the prevailing annual rent of Building 3 for returning the building.

Tenant sales increased 0.6% YoY in 1H FY2024 with visitation trending close to pre-COVID-19 average levels. As at the period end, the retail portfolio has maintained a healthy tenant retention rate of 80.6% with essential services accounting for the majority of trades at approximately 57% by GRI.

As at 31 December 2023, LREIT's office portfolio was underpinned by a long WALE period of 12.8 years by NLA and 15.3 years by GRI to deliver stable income stream for LREIT's unitholders.

Mr Kelvin Chow, Chief Executive Officer of the Manager, said, "We continued to see good operational performance with positive retail rental reversion and higher tenant sales in the first-half of FY2024 for our Singapore portfolio. In Milan, the lease restructure with Sky Italia is a pertinent move given the continued work-from-home trend in Europe. This exercise allows us to mitigate the pre-termination risk and enables us to continue maintaining cashflow stability for our unitholders.

Moving forward, we remain focused on active capital management to manage cost and gearing. Concurrently, in this interest rate environment, we will stay flexible and adaptive while monitoring the market for potential additional hedging as appropriate."

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About Lendlease Global Commercial REIT

Listed on 2 October 2019, Lendlease Global Commercial REIT ("**LREIT**") is established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes.

Its portfolio comprises leasehold properties in Singapore namely Jem (an office and retail property) and 313@somerset (a prime retail property) as well as freehold interest in Sky Complex (three Grade A office buildings) in Milan. These five properties have a total net lettable area of approximately 2.1 million square feet, with an appraised value of S$3.65 billion as at 30 June 2023. Other investments include a stake in Parkway Parade (an office and retail property) and development of a multifunctional event space on a site adjacent to 313@somerset.

LREIT is managed by Lendlease Global Commercial Trust Management Pte. Ltd., an indirect wholly-owned subsidiary of Lendlease Corporation Limited. Its key objectives are to provide unitholders with regular and stable distributions, achieve long-term growth in distribution per unit and net asset value per unit, and maintain an appropriate capital structure.

About the Sponsor - Lendlease Corporation Limited

The Sponsor, Lendlease Corporation Limited, is part of the Lendlease Group, an international real estate group with core expertise in shaping cities and creating strong and connected communities, with operations in Australia, Asia, Europe and the Americas.

Headquartered in Sydney and established in 1958, the Lendlease Group's vision is creating places where communities thrive. The Lendlease Group's approach is to maintain a portfolio of operations that deliver diversification of earnings by segment and region, providing a mitigant to property cycles. This approach means that through cycles the composition of earning from each segment or region may vary.

The Lendlease Group has a development pipeline value of approximately A$124 billion[7], core construction backlog of A$8.7 billion[7] and funds under management of A$48 billion[7].

The Lendlease Group is a trusted investment manager to over 150 key capital partners in property and investments.

For more information, please contact Investor Relations:

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[7] As at 30 June 2023.

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The value of units in LREIT (the **"Units"**) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by Lendlease Global Commercial Trust Management Pte. Ltd. (the **"Manager"**), DBS Trustee Limited (as trustee of LREIT) or any of their affiliates.

This press release 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 and the continued availability of financing in the amounts and the terms necessary to support future business.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (**"Unitholder"**) have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (**"SGX-ST"**). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

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The past performance of LREIT is not necessarily indicative of its future performance.