

**Press Release**

22 April 2020

Manager of



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**Suntec REIT Announces First Quarter Distributable Income  
of S\$55.1 million**

**Singapore, 22 April 2020** – Suntec REIT reports distributable income from operations of S\$55.1 million for the period 1 January to 31 March 2020 ("1Q 2020") which was 6.5% lower than the quarter ended 31 March 2019 ("1Q 2019"). Distribution per unit ("DPU") to unitholders was 1.760 cents for 1Q 2020.

While the business began well in January 2020, operational performance declined when mandatory measures were put in place to arrest the spread of the novel coronavirus ("COVID-19"). One of the most immediate impact was the postponement and cancellation of events at Suntec Convention which resulted in a loss of dividend contribution from Suntec Singapore. The steep drop in advertising and promotion income for Suntec City Mall and the weakened Australian dollar added to the decline in distributable income from operations. Better performance from Suntec City Office, Suntec City Mall, Southgate Complex and contribution from 55 Currie Street helped to mitigate the impact of the decline that resulted.

Mr. Chong Kee Hiong, Chief Executive Officer of the Manager, said, "As the crisis deepens in the second quarter with continued weakness in the convention and retail business, the Manager has retained 10% of the distributable income from operations and held back its capital distribution in 1Q 2020. This resulted in a DPU of 1.760 cents to unitholders. This is necessary as we need to achieve a balance between providing a reasonable return to unitholders, building cash reserve as well as assisting our tenants to weather this period."

On Suntec City's retail performance, Mr. Chong said, "While we are pleased to report that Suntec City Mall recorded positive rent reversion of 16.1% in the first quarter, the committed occupancy for the mall dropped to 98.3% as at 31 March 2020, with footfall and tenants' sales declining significantly by 22.0% and 20.2% year-on-year respectively because of COVID-19.

To ride through this challenging period together, Suntec City will be waiving the rents of all our retail tenants in April 2020, including tenants providing essential services such as supermarkets, pharmacies, food courts and restaurants. We will pass through the full savings of the property tax rebates to these mall tenants in May 2020 ahead of us receiving them from the Inland Revenue Authority of Singapore. Together with the one-month cash security deposit that mall tenants can use to offset rent, most tenants will enjoy cash flow relief equivalent to a total of three months' rent over this trying period."

The Singapore office portfolio remained stable in 1Q 2020. The overall committed occupancy was 98.8% as at 31 March 2020. In particular, Suntec City Office achieved rent reversion of 13.1%, extending the positive rent reversions to eight consecutive quarters.

Overall committed occupancy for the Australia office portfolio remained stable at 97.7% with less than 2.0% of the Australia's portfolio leases by net lettable area ("NLA") expiring in the year.

On 6 April 2020, Suntec REIT completed the acquisition of 21 Harris Street, a newly completed freehold Grade A office building in Pyrmont, Sydney for A\$295 million. The accretive acquisition at an initial net property income yield of 5.5%, will improve earnings and distributions to unitholders with growth from the long leases with annual rent escalations.

## Outlook

The Singapore office portfolio is expected to remain resilient in 2020 given the properties' diverse tenant base and the limited office supply. Rent revenue is anticipated to remain robust driven by the lease renewals of 52.0% of the NLA for leases expiring in 2020 as well as the strong rent reversions achieved in the previous quarters. Rent reversion is expected to remain positive for the rest of the year. Key focus going forward include tenant retention, proactive management of leases and leveraging on technology to better facilitate the needs of the office community.

Suntec City Mall is expected to register a substantial decline in shopper traffic in the second quarter of 2020 due to safe distancing and circuit breaker measures. A gradual recovery from the third quarter is expected if the situation improves. Rent reversion for remaining quarters are likely to be in the negative range due to weaker market demand from retailers.

Tenant relief measures will impact the mall's rental revenue for 2020. However, this will be partially offset by the positive rent reversions achieved for the past eleven consecutive

quarters and the renewal of one-third of the mall's expiring leases for 2020 in 1Q 2020 at strong double digit rent reversion.

Given its strategic location and strong transport connectivity, Suntec City Mall plans to address changes in shopper behaviour with the use of technology and capitalise on pent-up shopper demand to drive shopper traffic to the mall to pre COVID-19 levels once the situation improves.

Adversely affected by the postponement and cancellation of events, Suntec Singapore will focus on costs control, jobs protection and preparation for recovery. The option of temporary closure of the convention centre will be considered if the situation does not improve.

Recovery of the Meetings, Incentives, Conventions and Events ("MICE") business at Suntec Singapore will likely be led by smaller-scale events, meetings and consumer shows when the current measures are lifted. However, demand for international conventions and events is expected to remain weak due to slower recovery in international travel. Suntec Singapore's income contribution to Suntec REIT will be significantly reduced.

In Australia, businesses have also been negatively affected by COVID-19. As mandated by law, partial rent rebate and deferments will be granted to eligible SME tenants who suffered a revenue loss of 30.0% or more. This is not expected to have a major impact on Suntec REIT's Australia portfolio as affected office and retail tenants constitute approximately 7% and 6% of the Australia's Portfolio by committed NLA.

The Australia Office portfolio will remain resilient underpinned by strong occupancy, long lease tenure with minimal lease expiry in 2020. New contributions from 21 Harris Street, and the completion of Olderfleet, 477 Collins Street in mid-2020 will improve the overall income of the Australia Office portfolio.

Mr. Chong concluded, "We are cognizant of the heightened uncertainties in the external environment and will proactively manage the risks to strengthen the resiliency of our properties. We will continue to adopt a disciplined approach in reducing operating costs, discretionary capital expenditure as well as practise prudent capital management so as to prepare ourselves for the upturn"

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## **ABOUT SUNTEC REIT**

Listed on 9 December 2004, Suntec REIT holds properties in Suntec City, Singapore's largest integrated commercial development (including one of Singapore's largest shopping Mall), a 60.8% interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall, and a 30.0% interest in 9 Penang Road. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, Sydney, a 100% interest in a commercial building located at 21 Harris Street, Pyrmont, Sydney, a 50.0% interest in Southgate Complex, Melbourne, a 50.0% interest in a commercial building located at Olderfleet 477 Collins Street, Melbourne and a 100% interest in a commercial building located at 55 Currie Street, Adelaide, Australia. Its aim is to invest in income-producing real estate which is primarily used for office and/or retail purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit [www.suntecreit.com](http://www.suntecreit.com).

## **ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED**

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA" or the "Group").

ARA is a leading APAC real assets fund manager with a global reach. With S\$88 billion<sup>1</sup> in gross assets under management as at 31 December 2019, ARA manages listed and unlisted real estate investment trusts (REITs) and private real estate and infrastructure funds in 28 countries. As part of its investor-operator philosophy, ARA also operates a real estate management services division with local teams to manage its assets worldwide.

ARA's multi-platform, multi-product global fund management strategy, combined with its dedicated teams with in-depth local knowledge and expertise, enables the Group to offer enduring value to investors. Built on a foundation of strong corporate governance and business integrity, ARA counts some of the world's largest pension funds, sovereign wealth funds, financial institutions, endowments and family offices as its investors.

For more information, please visit <http://www.ara-group.com>.

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<sup>1</sup> ARA Asset Management Limited and the Group of companies and its Associates as at 31 December 2019.

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The value of 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 may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Suntec REIT is not necessarily indicative of the future performance of Suntec REIT.

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