

**Press Release**

23 July 2020

Manager of



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**Suntec REIT Announces First Half Distributable Income  
of S\$103.1 million**

**Singapore, 23 July 2020** – Suntec REIT reports distributable income from operations of S\$103.1 million for the period 1 January to 30 June 2020 (“1H 2020”) which was 12.2% lower than the quarter ended 30 June 2019 (“1H 2019”). Distribution per unit (“DPU”) to unitholders was 3.293 cents for 1H 2020<sup>1</sup>.

The COVID-19 had significantly affected both the convention and retail businesses, with Suntec Convention being closed from 7 April 2020. The rent assistance granted to tenants at Suntec City Mall and the weakened Australian dollar contributed to the decline in distributable income from operations. Better performance from Suntec City Office, Southgate Complex and contributions from 21 Harris Street and 55 Currie Street mitigated the impact of the resultant decline.

Mr. Chong Kee Hiong, Chief Executive Officer of the Manager, said, “To maintain financial flexibility in view of the evolving COVID-19 situation, the Manager has retained 10% of the distributable income from operations and held back its capital distribution in 1H 2020. This resulted in a DPU of 3.293 cents<sup>1</sup> to unitholders. This is to achieve 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, “The committed occupancy for the mall dropped to 96.3% while positive rent reversion in 1H 2020 softened to 8.4% due to negative rent reversion of most leases committed in the second quarter.”

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<sup>1</sup> 1.760 cents had been paid on 28 May 2020. Balance 1.533 cents to be paid on 27 August 2020.

To ride through this challenging period together, qualifying SMEs<sup>2</sup> have received rent assistance of 2 months base rent funded by government. In addition, Suntec City Mall has provided additional rent assistance of close to two months of rent from March to June 2020.

The Singapore office portfolio remained stable in 1H 2020. The overall committed occupancy was 98.6%<sup>3</sup> as at 30 June 2020. In particular, Suntec City Office achieved rent reversion of 9.1%, extending the positive rent reversions to nine consecutive quarters. The property tax rebates and cash rebates granted by government will be fully passed on to qualifying tenants<sup>2</sup>. Qualifying SME tenants<sup>2</sup> will also receive additional rent relief of 1 month base rent from the landlord and are eligible to defer rent for the period up to 19 October 2020.

Overall committed occupancy for the Australia office portfolio stood at 93.1% which was higher than the nationwide Central Business District occupancy of 91.6%<sup>4</sup>. In Australia, businesses have likewise been negatively affected by COVID-19. As mandated by law, partial rent rebates and deferrals have been granted to eligible SME tenants<sup>5</sup>. This has no major impact on Suntec REIT's Australia portfolio as 93% of the Australia's Portfolio by committed net lettable area ("NLA") is leased to large corporations, government tenants and businesses which do not qualify for rent reliefs.

## **Outlook**

### Singapore Office Portfolio

Rental revenue is anticipated to remain stable driven by high occupancy and strong rent reversions achieved in the previous quarters. However, with demand expected to remain subdued, positive rent reversion is likely to be moderated for the rest of the year. Key focus going forward include tenant retention, proactive arrears and lease management, deferral of non-critical expenditure and prudent cost management.

### Suntec City Mall

There have been signs of recovery in shopper traffic following the lifting of the circuit breaker and easing of safe distancing measures. The year-on-year decline in footfall moderated to -60% in July 2020 as compared to -90% during the circuit breaker period. As more businesses are allowed to resume operations and office workers return to work progressively, shopper traffic and tenant sales are expected to improve for the rest of the year.

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<sup>2</sup> New Rental Relief Framework for SMEs as announced by the Ministry of Law, Singapore on 3 June 2020

<sup>3</sup> The overall committed occupancy for Singapore Office Portfolio (including ancillary retail) was 98.4%

<sup>4</sup> Source: JLL 1Q 20

<sup>5</sup> Mandatory Code of Conduct on SME Commercial Leasing Principles during COVID-19 by Australia National Cabinet with effect from 3 April 2020

Suntec REIT will adopt a calibrated approach in supporting retail tenants for the third quarter of 2020. The mall's gross revenue will be impacted by the rental assistance measures and a drop in Marcoms and Gross Turnover revenue. Rent reversion for the second half of 2020 is likely to be negative due to weaker market demand from retailers.

To assist tenants in navigating through the downturn, three new digital capabilities – Suntec+ Eats, Suntec+ Shop Live and Suntec+ eMall were launched in June 2020 to cater to changing shopper behaviour and help increase tenant sales. Targeted marketing efforts will be launched to capture sales from the office community during weekdays and local residents during weekends.

#### Suntec Convention

The challenges face by the Meetings, Incentives, Conventions and Events ('MICE") industry are unprecedented with events not permitted to be held since 7 April 2020.

Recovery of the MICE business at Suntec Convention will likely be led by local corporate events, meetings and consumer shows when current measures on safe distancing are eased. However, demand for international conventions and events is expected to remain weak due to slower recovery in international travel.

On 1 July 2020, S\$40 million was injected into Suntec Singapore to support its business needs. The immediate focus is on costs control to ride out the downturn. Suntec Singapore's income contribution to Suntec REIT will be significantly reduced for FY 2020.

#### Australia Portfolio

The Australia Office portfolio will remain resilient underpinned by strong occupancy, long lease tenure with minimum lease expiry in 2020. Less than 1.0% of these leases by NLA is expiring in 2020. New contributions from 21 Harris Street and Olderfleet, 477 Collins Street will improve the overall income of the Australia Office portfolio. The vacant spaces at 21 Harris Street and 55 Currie Street are covered by rent guarantees.

For Southgate Complex in Melbourne, a development application has been submitted to the relevant authorities for the potential redevelopment of the retail podium and construction of a new office tower.

If the COVID-19 situation is protracted, resulting in a further deterioration of the economic downturn, the performance of the REIT's portfolio will be adversely impacted.

Mr. Chong concluded, "We will proactively manage risks to strengthen the resilience of our properties and adopt a disciplined approach in reducing operating costs and discretionary

capital expenditure. We will continue to source for good quality assets that are accretive and further enhance the income stability of the REIT.”

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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>6</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.

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#### **IMPORTANT NOTICE**

This announcement is for information purposes only and does not constitute or form part of any offer or

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<sup>6</sup> ARA Asset Management Limited and the Group of companies and its Associates as at 31 December 2019.

invitation to sell or issue, or any solicitation of any offer to subscribe for or acquire, units in Suntec REIT (the "Units") in any jurisdiction in which such an offer or solicitation is unlawful.

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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