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**ACQUISITION OF 100% INTEREST IN A FREEHOLD GRADE A OFFICE BUILDING AT  
21 HARRIS STREET, PYRMONT, SYDNEY, AUSTRALIA**

**1 INTRODUCTION**

ARA Trust Management (Suntec) Limited, in its capacity as manager of Suntec Real Estate Investment Trust ("**Suntec REIT**", and the manager of Suntec REIT, the "**Manager**"), is pleased to announce that Suntec REIT, through Perpetual Corporate Trust Limited, as trustee of Suntec REIT 21 Trust ("**Suntec REIT 21 Trust**"), has entered into a put and call option deed (the "**Put and Call Option Deed**") with 21 Harris Street Pty Ltd, as trustee for ATF 21 Harris Street Unit Trust (the "**Vendor**"), in relation to the acquisition of 100% interest of the currently under development freehold property located at 21 Harris Street, Pyrmont, New South Wales, Australia (the "**Property**", and the acquisition of the Property, the "**Acquisition**").

Suntec REIT 21 Trust and The Trust Company (Australia) Limited, as trustee of Suntec REIT (Australia) Trust ("**SRAT**") are indirectly wholly-owned by Suntec REIT. Suntec REIT 21 Trust is a subsidiary of SRAT.

Suntec REIT 21 Trust (acting through Perpetual Corporate Trust Limited) and SRAT has entered into a development agreement with 21 Harris Street Developments Pty Ltd, as trustee of Harris Street Development Trust (the "**Developer**") to develop the Property (the "**Development**", and the development agreement, the "**Development Agreement**"). The acquisition of 21 Harris Street is expected to be completed in first quarter 2020, following the Property achieving practical completion ("**Practical Completion**").

**2 INFORMATION ON THE PROPERTY**

The Property is designed to be a campus style Grade A nine-storey commercial office building with three basement levels. The building incorporates a central atrium with interconnecting stairs on all levels. The Property is currently under construction and is expected to achieve Practical Completion in first quarter 2020. On completion, the Property is expected to have an estimated total net lettable area of 203,400 square feet ("**sq ft**") which comprises 181,900 sq ft of office space and 21,500 sq ft of retail space as well as approximately 170 car park lots.

The Property is 91.2% pre-committed and will be anchored by Publicis Groupe ("**Publicis**"),

a global communications and marketing company as their Sydney headquarter. The remaining pre-committed spaces will be leased to Campfire, an international co-working operator, as well as a childcare centre and a gym operator. The Developer will provide a rent guarantee on the unlet office space for three years post practical completion. The weighted average lease expiry of the Property (including rent guarantee) is approximately 10.2 years (by NLA) with an annual rental escalation of between 3.0% to 4.0%.

Located at 21 Harris Street, Pyrmont, an inner-city fringe area 2 km west of Sydney's Core Central Business District ("CBD"), the Property is within a 10-minute drive or 15 to 20-minute walk to Sydney CBD. The Property is next to John Street Square light rail station that links directly to Sydney Central train station within 15 minutes by light rail.

The Property is designed with efficiency and sustainability in mind, targeting to achieve a 6-star Green Star rating from the Green Building Council of Australia and a 5-star Energy rating from NABERS<sup>1</sup>.

### **3 DETAILS OF THE TRANSACTION**

#### **3.1 Valuation and Purchase Consideration**

The amount payable by Suntec REIT 21 Trust for this project is approximately A\$297.0 million, which includes the purchase price for the Property of A\$119.0 million and expected fees for development services of around A\$178.0 million. These amounts were negotiated with the Vendor and Developer respectively on a willing-buyer and willing-seller basis.

An independent valuation conducted by JLL Valuation & Advisory Services, LLC ("JLL") dated 1 May 2019 determined that the value of the completed project is A\$297.0 million. JLL has valued the Property based on the discounted cash flow method and capitalisation approach.

#### **3.2 Estimated Total Project Cost**

The estimated total cost of the Acquisition and subsequent development services for Suntec REIT (the "**Total Project Cost**") is approximately A\$307.7 million, comprising:

- 3.2.1 the purchase price of A\$119.0 million;
- 3.2.2 the fee for development services of around A\$178.0 million;
- 3.2.3 the acquisition fee payable to the Manager for the acquisition of the Property pursuant to the trust deed dated 1 November 2004 constituting Suntec REIT (as amended and restated) of approximately A\$2.97 million;
- 3.2.4 transaction costs on the project, including stamp duty and other applicable taxes, estimated professional fees and other fees and expenses of approximately A\$7.75 million.

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<sup>1</sup> "NABERS" means the National Australian Built Environment Rating System that measures the environmental performance of Australian buildings.

### **3.3 Establishment of Suntec REIT 21 Trust**

Suntec REIT 21 Trust was constituted on 27 June 2019 pursuant to a trust deed entered into by Perpetual Corporate Trust Limited, as trustee of Suntec REIT 21 Trust<sup>2</sup>.

### **3.4 Agreements**

#### **3.4.1 Put and Call Option Deed**

Suntec REIT 21 Trust has entered into the Put and Call Option Deed with the Vendor and the call option is exercisable by Suntec REIT 21 Trust for the period beginning on the date of Practical Completion of the Property and ending 10 business days after. The put option is exercisable on the day after the expiry of the call option and ending 5 business days after. The conditions for the exercise of the Put and Call Option Deed are as follows:

- (i) Practical Completion has been achieved as set out in the Certificate of Practical Completion; and
- (ii) the Publicis Lease Commencement Date has occurred.

#### **3.4.2 Contract for the Sale and Purchase**

Upon exercise of the Put and Call Option Deed, Suntec REIT 21 Trust and the Vendor shall enter into a contract for the sale and purchase of land in relation to the Property ("**Contract for Sale**"). The form of the Contract for Sale is contained in the Put and Call Option Deed. Pursuant to the terms of the Put and Call Option Deed, Suntec REIT 21 Trust shall pay the purchase price of A\$119.0 million after Practical Completion.

#### **3.4.3 Development Agreement**

Along with the Put and Call Option Deed, Suntec REIT 21 Trust and SRAT has also entered into the Development Agreement with 21 Harris Street Developments Pty Ltd, as trustee of Harris Street Development Trust. Pursuant to the terms of the Development Agreement, Suntec REIT 21 Trust shall pay a security deposit of A\$14.85 million upon signing of the Development Agreement, which will be refunded upon payment of fee for development services of A\$178.0 million after Practical Completion.

Pursuant to the Development Agreement, the Developer has provided a rent guarantee on all unlet office space based on market rent for a period of three years. The rent guarantee will be computed after Practical Completion and paid by the Developer into an escrow account.

As the rent guarantee is calculated based on market rents, the board of directors of the Manager is of the view that the rent guarantee is on normal commercial terms and is not prejudicial to the interests of Suntec REIT and its minority Unitholders.

In the period up to Practical Completion, when a lease is committed in relation to the unlet space varies from the rent guarantee, the fee for development services

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<sup>2</sup> Suntec REIT 21 Trust has been constituted in Australia, with its principal activity of being investment holding, and its unit capital is A\$101 comprising 100 Class A units and 1 Class B unit.

will be adjusted based on a capitalisation rate of 5.5% applied to the variance in net income achieved.

#### **4 RATIONALE FOR THE ACQUISITION**

The Manager believes that the Acquisition will bring the following key benefits to Unitholders:

##### **4.1 Acquisition of a high quality freehold Grade A office building strategically located in Pyrmont, Sydney's fast-growing office market.**

Pyrmont is Sydney's technology, media, and entertainment hub, and has a strong record in growing and attracting major tenants such as Google, Thomson Reuters, The Star Entertainment Group and Paramount Pictures. Behind the redevelopment of Barangaroo and the Darling Harbour precinct, Pyrmont now forms an extension of the Sydney CBD. Strong demand for Pyrmont is expected to continue driven by economic growth and low vacancy, as well as relatively attractive rents. The Property is also well serviced by frequent and reliable transport links.

##### **4.2 Improve earnings and distributions to Unitholders**

The Acquisition is expected to be DPU accretive for Unitholders. Upon completion, the initial net property income yield will be 5.5% per annum (including rent guarantee). The Acquisition will also provide income growth through rental escalation between 3.0% to 4.0%.

##### **4.3 Long weighted average lease expiry enhances income stability**

The Property is currently 91.2% pre-committed with quality tenants such as Publicis and Campfire. The long weighted average lease expiry (including rent guarantee) of 10.2 years (by NLA) will provide income stability to Unitholders.

##### **4.4 Deepen Suntec REIT's presence in existing markets**

The proposed Acquisition is in line with the Manager's strategy to deepen presence in existing geographical locations or pursue acquisition opportunities that will provide attractive NPI yield and income growth. Upon completion, the proposed Acquisition will increase the contribution from Australia.

#### **5 METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION**

##### **5.1 Method of Financing**

The Acquisition is funded/will be funded via a combination of Australian Dollar debt and equity.

##### **5.2 Financial Effects**

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the distributions per unit in Suntec REIT ("Unit") and net asset value ("NAV") per Unit presented below are strictly for illustrative purposes and were prepared based on the

audited financial statements of Suntec REIT and its subsidiaries (the “**Suntec REIT Group**”) for the financial year ended 31 December 2018 (the “**Suntec REIT Group 2018 Audited Financial Statements**”).

The pro forma financial effects are for **illustrative purposes only** and do not represent Suntec REIT’s DPU and NAV per Unit following the completion of the Acquisition.

#### 5.2.1 Pro Forma Net Profit and Distribution per Unit<sup>3</sup> (“DPU”)

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on Suntec REIT’s DPU for the financial year ended 31 December 2018 (“**FY2018**”), as if the Acquisition was completed on 1 January 2018 are as follows:

	Before the Acquisition	After the Acquisition
Net Profit before Tax (S\$’000)	225,593	237,389 <sup>4</sup>
DPU from operations (cents)	8.529	8.571 <sup>5</sup>

#### 5.2.2 Pro Forma NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2018, as if the Acquisition was completed on 31 December 2018 are as follows:

	Before the Acquisition	After the Acquisition
NAV per Unit (S\$)	2.103	2.087 <sup>6</sup>

## 6 OTHER INFORMATION

### 6.1 Directors’ Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

### 6.2 Relative Figures under Chapter 10 of the Listing Manual

The relative figures for the Acquisition using the applicable bases of comparison in Rule 1006 of the Listing Manual are set out in the tables below.

<sup>3</sup> Rule 1010(9) of the Listing Manual requires that the issuer discloses the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year. The effect of the transaction on the distribution per Unit is disclosed instead as it is a more appropriate measure for a real estate investment trust.

<sup>4</sup> Based on net operating income from the Property post Practical Completion, less loan interest expense and other trust expenses at an average AUD:SGD rate of 0.96.

<sup>5</sup> Based on distributable income attributable to the Property post Practical Completion at an average AUD:SGD rate of 0.96.

<sup>6</sup> Based on AUD:SGD rate of 0.96.

Comparison of	Acquisition of the Property by Suntec REIT	Suntec REIT	Relative figure (%)
Rule 1006(b)	11.8 <sup>7</sup>	178.9 <sup>8</sup>	6.6%
Net Profits (S\$ million)			
Rule 1006(c)	285.1 <sup>9</sup>	5,421.6 <sup>10</sup>	5.3%
Consideration against market capitalisation (S\$ million)			

Accordingly, given that the relative figure computed on the basis under Rule 1006(b) or (c) as set out above exceeds 5% but does not exceed 20%, the Acquisition is regarded as a “discloseable transaction” under Chapter 10 of the Listing Manual.

## 7 DOCUMENTS FOR INSPECTION

A copy of the following is available for inspection during normal business hours at the registered office of the Manager<sup>11</sup> located at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038986 for a period of three months commencing from the date of this announcement, prior appointment would be appreciated:

- (i) a copy of the Put and Call Option Deed (including the form of the Contract for Sale);
- (ii) a copy of the valuation report by JLL; and

## 8 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors or substantial shareholders of Suntec REIT has, any interest, direct or indirect, in the Acquisition.

<sup>7</sup> Based on net operating income from the Property post Practical Completion, less loan interest expense and other trust expenses at an average AUD:SGD rate of 0.96.

<sup>8</sup> Based on Suntec REIT’s annualized unaudited first quarter financial statements for the financial year ending 31 December 2019.

<sup>9</sup> Based on AUD:SGD rate of 0.96.

<sup>10</sup> Suntec REIT’s market capitalization at 28 June 2019, being the market day preceding the date of entry into the Put and Call Option Deed.

<sup>11</sup> Prior appointment will be appreciated.

By Order of the Board  
ARA Trust Management (Suntec) Limited  
(as manager of Suntec Real Estate Investment Trust)  
(Company registration no. 200410976R)

Chong Kee Hiong  
Director  
01 July 2019

## **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 50.0% interest in Southgate complex, Melbourne and a 50.0% interest in a commercial building to be developed located at Olderfleet 477 Collins Street, Melbourne, 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 premier global integrated real assets fund manager. As at 31 December 2018, the Gross Assets Managed by ARA Group and its Associates is approximately S\$80.1 billion<sup>12</sup> across over 100 cities in 23 countries.

Driven by a vision to be the best-in-class real assets fund management company, ARA Group and its Associates' businesses include:

- (a) **REITs** – ARA is one of the largest REIT managers in Asia Pacific. The Group directly manages Fortune REIT, dual-listed in Singapore and Hong Kong; Suntec REIT and Cache Logistics Trust, listed in Singapore; and Hui Xian REIT and Prosperity REIT, listed in Hong Kong. It also indirectly manages REITs in Japan, Australia, Singapore and Malaysia through its associate companies.
- (b) **Private real estate funds** – The Group manages private funds providing investment opportunities in diverse real estate sectors and geographies that cater to different investor risk appetites.
- (c) **Country desks** – ARA operates country desks in China, Korea, Japan, Malaysia, Australia,

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<sup>12</sup> Includes assets under management by ARA Asset Management Limited and the Group of companies ("**ARA Group**") and its Associates and Joint Ventures as at 31 December 2018.

Europe and the United States. The country desks employ a strong understanding of each local market to facilitate the flow of inbound and outbound capital and cross-country collaborations. ARA has an expanded presence in Japan via its strategic stake in Kenedix, Inc. and in Europe via its strategic stake in Cromwell Property Group.

- (d) **Infrastructure** – ARA Infrastructure was established in 2018 to cater to strong investor demand for global infrastructure investment.
- (e) **Real estate management services** – As part of the Group's investor-operator philosophy, its dedicated property management teams actively work the ground to manage its assets globally.

Its multi-platform, multi-product global fund management strategy, combined with its dedicated teams with in-depth local knowledge, 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 [www.ara-group.com](http://www.ara-group.com)



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**IMPORTANT NOTICE**

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

This announcement is not for release, publication or distribution, directly or indirectly, in or into the United States, European Economic Area, Canada, Japan or Australia, and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations.

The securities referred to herein have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act and under the applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the securities referred to herein in the United States.

This announcement has not been reviewed by the Monetary Authority of Singapore.

**Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore:**

The Units are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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