

**Press Release**

25 July 2018

Manager of



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**Suntec REIT Delivers 2Q 18 Distributable Income of S\$66.0 million**

***2Q 18 Distribution Per Unit (DPU) of 2.474 cents***

**Singapore, 25 July 2018** – ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust (“Suntec REIT”, and the “Manager”), is pleased to announce a distributable income of S\$66.0 million for the period 1 April to 30 June 2018 (“2Q 18”) which was in line with the quarter ended 30 June 2017 (“2Q 17”). The distribution per unit (“DPU”) of 2.474 cents for 2Q 18 was 0.8% lower than 2Q 17 DPU of 2.493 cents.

For the first half of 2018 (“1H 18”), the distributable income of S\$130.8 million was 2.3% higher year-on-year. The DPU of 4.907 cents for 1H 18 was a marginal 0.2% lower year-on-year mainly due to the enlarged units base.

Mr. Chan Kong Leong, Chief Executive Officer of the Manager, said, “We are pleased to report that the performance of our retail and convention business improved in the second quarter of 2018. This was however offset by transitory downtime in Suntec City office and higher financing costs.”

As at 30 June 2018, the Singapore office portfolio strengthened further to achieve an overall committed occupancy of 99.8%. The committed occupancy for Suntec City office improved to 99.7% while both One Raffles Quay and Marina Bay Financial Centre Properties enjoyed 100% committed occupancies.

On Suntec REIT’s office performance, Mr. Chan said, “In the second quarter of 2018, we renewed and signed approximately 187,000 sq ft of leases, reducing the 2018 leases expiring to only 5.1% of NLA. We will continue our proactive asset management to strengthen our office proposition and maintain the high occupancy level for our Singapore office portfolio.”

Commenting on Suntec City office, Mr. Chan said, “Suntec City has over the years diversified its tenant mix to multi-sectors. This has contributed to its resilient performance throughout the

property cycles. Ranked highly in terms of amenities, accessibility and transportation, Suntec City appeals to businesses desiring an address that supports talent attraction and retention."

In the past one year, Suntec City office had seen a growth in the Technology, Media and Telecommunications ("TMT") sector with new entrants and existing tenants taking up an approximate additional 70,000 sq ft of net lettable area. Suntec City is now home to industry leaders such as Adobe, Arinc Incorporated, F5 Network, Fortinet, Paypal, Trend Micro, Salesforce and VMWare.

On Suntec City office upgrading, Mr. Chan said, "We have commenced repositioning of Suntec City office to realise its intrinsic potential. Over the next three years, all five office towers will be progressively upgraded with refreshed lobbies, washrooms and visitor management system."

"To cater to the demand for flexible workspaces that supplement permanent offices, we are pleased to announce that Suntec City has brought in WeWork to set up a co-working space in Suntec City Tower 5. Spanning 36,500 sq ft over two floors at Tower 5, WeWork @ Suntec City is expected to commence operation in 4Q 2018. Besides WeWork, businesses in Suntec City requiring flexible meeting rooms and workspaces will also have access to Suntec Singapore Convention & Exhibition Centre and other established international operators such as ARCC, Centennial, Regus, Servcorp and Ucommune."

For the Singapore retail portfolio, the overall committed occupancy as at 30 June 2018 was 98.6%. The committed occupancy for Suntec City Mall maintained at 98.6%, while the committed occupancy for Marina Bay Link Mall improved to 99.4%.

On Suntec City's retail performance, Mr. Chan said, "The major asset enhancement initiative has placed the mall in a much stronger position to compete. Post AEI, amidst the retail headwinds, the strategy was to maintain the high occupancy level and win back shoppers who avoided the mall during the enhancement works."

"While we stabilised the mall, the retailers' market continued to evolve with brands exiting and new brands entering Singapore. Consumers' expectations and ways to engage them continue to change. Hence, we have executed a multi-pronged strategy to bring Suntec City to its next phase of growth."

"We are pleased that the strategy has yield positive results as the key operation indicators for Suntec City continued to show improvements. Overall committed occupancy of Suntec City mall maintained at a high level of 98.6%. Footfall increased 8.5% year-on-year, with

Promenade MRT station entrance continuing to register strong growth. Tenant sales per sq ft also increased 5.0% year-on-year."

Mr. Chan added, "With consumers' increasing focus on wholesome living, we have repositioned North Wing as a Fitness and Wellness zone. Shoppers are now treated to a wide array of athleisure and wellness offerings as well as fitness facilities such as Asics, Fightzone, Platinum Yoga, Pure Yoga, Nike, MST Golf, Reebok, Royal Sporting House, True Fitness and Spa Infinity."

"To further augment the positioning of the North Wing, we are pleased to announce that we have secured a new-to-market, large scale concept which will be opening in 4Q 2018. Taking approximately 30,000 sq ft, this will mark its first foray into Southeast Asia. In conjunction with this, works will be carried out from August at the area surrounding the North Atrium."

"As part of our ongoing efforts to reconfigure and optimise space, we have commenced works at level 2 connecting the North Wing to the East Wing in May. Approximately 18,000 sq ft of NLA was affected as we strengthened the tenant mix and pushed out the tenants' lease line along this key thoroughfare. 98.0% of the space have been pre-committed with majority of the shops opening in August 2018."

"As we continue this multi-pronged strategy, the mall is poised for further growth as we enter the second half of 2018."

In Australia, the committed occupancy for 177 Pacific Highway maintained at 100%. For Southgate Complex, the committed occupancies for the office towers and retail podium were 92.7% and 90.4% respectively.

On 31 May 2018, Suntec REIT completed the acquisition of an additional 25% interest in Southgate Complex, raising its total interest in the integrated development to 50%. The A\$144.5 million purchase consideration was agreed upfront when the initial 25% interest was acquired in 2016, also at A\$144.5 million.

Mr. Chan said, "Since acquiring the initial 25% interest, through active asset management and capitalising on the strong office market in Melbourne, we have raised the occupancy level, improved the net property income and valuation for Southgate Complex by 4.4%, 8.2% and 15.1% respectively. With the enlarged interest, we will be able to extract greater value from the asset through the repositioning of the office and retail podium."

“While 177 Pacific Highway continued to enjoy 100% occupancy, the net property income and valuation for our first Australia asset improved by 5.3% and 40.4% respectively since we acquired the property in 2013.”

Commenting on Suntec REIT's Australia portfolio, “Suntec REIT continues to enjoy the value uplift of the Australia assets with 177 Pacific Highway and Southgate Complex contributing a stable recurring income for Suntec REIT unitholders.”

For the projects under development, 9 Penang Road and 477 Collins Street, construction works are in progress and are scheduled to complete by end 2019 and mid 2020 respectively.

On 477 Collins Street, Mr. Chan said, “We are pleased to report that we have secured our second tenant, Norton Rose and the pre-committed occupancy for 477 Collins Street has increased to 54.5%. With an additional approximate 5% of NLA with Heads of Agreements signed, we are close to reaching the 60% pre-committed occupancy mark two years ahead of practical completion.”

#### Summary of Suntec REIT's 2Q 18 and 1H 18 Results

	2Q 18 (\$S'000)	2Q 17 (\$S'000)	% Change	1H 18 (\$S'000)	1H 17 (\$S'000)	% Change
Gross revenue	90,521	87,305	3.7	181,240	175,741	3.1
Net property income	60,719	59,417	2.2	123,707	121,250	2.0
Income contribution from JVs	22,616	21,809	3.7	45,337	46,110	-1.7
<b>Distributable income</b>	<b>66,009</b>	<b>66,033</b>	<b>0.0</b>	<b>130,823</b>	<b>127,879</b>	<b>2.3</b>
- from operations	56,009	58,033	-3.5	114,323	116,879	-2.2
- from capital	10,000	8,000	25.0	16,500	11,000	50.0
<b>Distribution per unit</b>	<b>2.474¢</b>	<b>2.493¢</b>	<b>-0.8</b>	<b>4.907¢</b>	<b>4.918¢</b>	<b>-0.2</b>
- from operations	2.099¢	2.191¢	-4.2	4.288¢	4.498¢	-4.7
- from capital	0.375¢	0.302¢	24.2	0.619¢	0.420¢	47.4
Distribution yield						
- based on 30 June 2018 closing price of S\$1.73	5.7%	5.8%		5.7%	5.7%	
- based on 24 July 2018 closing price of S\$1.89	5.3%	5.3%		5.2%	5.2%	

For 2Q 18, Suntec REIT's gross revenue of S\$90.5 million was 3.7% higher year-on-year. This was mainly due to higher contribution from Suntec Singapore and Suntec City mall, partially offset

by lower contribution from Suntec City office as a result of transitory downtime from replacement leases.

The net property income of S\$60.7 million was 2.2% higher year-on-year which was similarly due to higher contributions from Suntec Singapore and Suntec City mall, partially offset by lower contribution from Suntec City office.

The debt-to-asset ratio stood at 36.5% as at 30 June 2018 whilst the all-in financing cost was 2.74% per annum for 2Q 18.

For 1H 18, Suntec REIT's gross revenue of S\$181.2 million was an increase of 3.1 % year-on-year while net property income increased by 2.0% to S\$123.7 million. These were similarly due to higher contribution from Suntec Singapore and Suntec City mall.

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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 50.0% interest in Southgate Complex, Melbourne, and a 50.0% interest in a commercial building to be developed which is 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 ASSET MANAGEMENT LIMITED

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("ARA"). ARA is a premier global integrated real assets fund manager. As at 1 June 2018, the Gross Assets Managed by ARA Group<sup>1</sup> and its Associates is approximately S\$77.2 billion across 62 cities in 20 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. 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 and Australia 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) **Infrastructure** – ARA Infrastructure was established in 2018 to cater to strong investor demand for global infrastructure investment in line with the increasing opportunities in this asset class.
- (d) **Country desks** – ARA operates country desks in China, Korea, Japan, Malaysia, Australia and Europe. The country desks employ a strong understanding of each local market to facilitate the flow of inbound and outbound capital and cross-country collaborations. In Korea, ARA manages six private REITs; In Japan, ARA holds a strategic stake in Kenedix, Inc. with approximately S\$25 billion in assets under management ("AUM"); In Europe, ARA's platform is extended through its strategic partnership with Australia-based Cromwell Property Group which has approximately S\$11 billion in AUM, of which S\$5 billion is in Europe.
- (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 around the world.

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 its 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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<sup>1</sup> ARA Asset Management Holdings Pte. Ltd. and the Group of companies

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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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