



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust  
("Suntec REIT")



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## ANNUAL GENERAL MEETING ON 18 APRIL 2024

### RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS

ARA Trust Management (Suntec) Limited (the "Manager"), as manager of Suntec Real Estate Investment Trust ("Suntec REIT") would like to thank unitholders of Suntec REIT ("Unitholders") for submitting their questions in advance of Suntec REIT's Annual General Meeting ("AGM") to be held in a physical format at 2.30 p.m. on 18 April 2024 at Level 3, Summit 1, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593.

The Manager will address the substantial and relevant questions with regards to the resolutions tabled. Please refer to **Annex A** for the list of substantial and relevant questions and the Manager's responses to these questions.

For full details on Suntec REIT's financial results for the financial year ended 31 December 2023, please refer to Suntec REIT's 2023 Annual Report on Suntec REIT's website at <https://suntecreit.listedcompany.com/ar.html>.

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  
12 April 2024

## Annex A

Please refer to The Manager's responses to the questions as set out in the table below:

### Capital Management

<b>Questions</b>	<b>Responses</b>
1. What is the impact of the \$94.4 million divestment of strata units at Suntec City Office?	Proceeds from the divestments were used to pare down debt, reducing our aggregate leverage ratio ("ALR") to 42.3%. The divestments were accretive to Suntec REIT's earnings as the units were divested at the Net Property Income ("NPI") yield of approximately 3.0% which is lower than the borrowing cost of 4.0% for 4Q 2023.
2. What is Suntec REIT's target ALR?	Our current target ALR is in the range of 40% as the elevated interest rate environment is expected to persist.
3. Is the all-in financing cost expected to rise further in FY 2024?	<p>The financing cost for 2024 is expected to be above 4.0% compared to 3.84% in FY 2023 as interest rates swaps and hedges that were locked in at lower rates in previous years will progressively drop off in 2024.</p> <p>Management is mindful of the uncertainty in timing for lower interest rates and has been proactively managing the balance between our fixed and floating interest rates.</p>

### Divestments

<b>Questions</b>	<b>Responses</b>
1. What is Suntec REIT's divestment plan, and what will be the impact of the potential divestment on Distribution per Unit ("DPU")?	<p>We will continue with our active portfolio management strategy of divesting mature assets and re-investing in good quality, accretive assets.</p> <p>In Australia, the office capital market has been quiet. In 2023, the transacted value of Australia office assets was 50% below the 10-year historical average. Transactions are expected to pick up when interest rates come down and economic conditions improve.</p> <p>In 2023, Suntec REIT divested \$94.4 million of strata units at Suntec City Office at 31% above the book value of \$2,555 psf. We plan to continue with the divestment of strata units at Suntec City Office in 2024.</p>

	Any potential divestment is not expected to be DPU dilutive as the loss of Net Property Income (“NPI”) is expected to be less than interest savings when the sales proceeds are used to pare down debts.
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### Valuation

Questions	Responses
1. The valuation for the United Kingdom (“UK”) properties have decreased. Why is this so?	<p>Valuation is impacted by property market conditions as well as macroeconomic factors such as the interest rate, GDP growth and inflation rate. The decline in valuation was due to the expansion of cap rates of more than 50 basis points (i.e 0.5%) as a result of the higher interest rates for the British Pound.</p> <p>Management maintains the view that London will continue to be a key global market that will enhance Suntec REIT’s income diversification and unitholders’ value.</p>

### Operations

Questions	Responses
1. The committed occupancies at 55 Currie Street, Southgate Complex and The Minster Building dropped. What is the progress of the backfilling?	<p><u>55 Currie Street</u> Backfilling of the vacant space at 55 Currie Street has been slow as the demand for office space in Adelaide has not caught up with the large increase in office supply in 2023.</p> <p><u>Southgate Complex</u> Melbourne office market was impacted by a lack of expansionary demand in 2023 due to macroeconomic conditions.</p> <p>To improve marketability, the Manager embarked on several asset enhancement initiatives such as refurbishment of the main office lobby, auditorium and roof terrace. Fully fitted office suites were also created to meet the varied demand of tenants.</p> <p><u>The Minster Building</u> A third of the space has been committed in the first quarter of 2024, with the remaining spaces being in negotiations with several interested prospects.</p>

<p>2. What is the current utilisation rate for Suntec Convention, and how does it compare to pre-COVID levels?</p>	<p>Suntec Convention business has recovered earlier in 2023 than projected to be by 2024. Gross Revenue and NPI in FY 23 surpassed pre-COVID levels by +3% and +11% respectively.</p> <p>Singapore's MICE industry will continue to drive and benefit from the country's tourism recovery. Future growth will continue to be driven by MICE, consumer events and long-term licences.</p>
<p>3. With the change in visa policy for Chinese tourists, has that impacted the profile of shoppers at Suntec City?</p>	<p>The Singapore-China mutual visa exemption kicked in only on 9 Feb 24. Whilst we are unable to determine the tourist footfall by nationality, we observed an increase in tourist spend of about 40% at Suntec City in 1Q 24 compared to last year.</p>

### **Others**

<b>Questions</b>	<b>Responses</b>
<p>1. Suntec REIT unit price had declined around 10% in 2023 and is trading at a steep discount to Net Asset Value per unit ("NAV"), will Suntec REIT remain fundamentally sound and what actions can be taken so that Suntec REIT is more appropriately valued by the market?</p>	<p>In FY 2023, Suntec REIT's unit price declined by 10.9% while comparable peers' unit price change were within the range of -6% to +2.2%. Suntec REIT's discount to NAV was 41.4% while comparable peers' discount to NAV were between -3.3% to -27.9%.</p> <p>The improved operating performance of our portfolio of assets had resulted in steady NPI throughout 2023. However, the better operating performance was eroded by higher financing costs amid the high interest rate environment.</p> <p>Management will continue to focus its efforts on improving operating performance of our diversified portfolio of high-quality assets in Singapore, Australia and UK, as well as the divestment of mature assets at market value.</p>

## **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 66.3% 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. 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. Suntec REIT also holds a 50.0% interest in Nova Properties and a 100% interest in The Minster Building both located in London, United Kingdom. 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).

Suntec REIT is committed towards the sustainable management of its real estate portfolio, and to ensure good corporate governance, prudent financial management, fair employment practices and efficient utilisation of resources to support its economic growth and the delivery of long-term value to unitholders.

## **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").

ARA is part of the ESR Group ("ESR"), APAC's largest real asset manager powered by the New Economy and one of the largest listed real estate investment manager globally. With approximately US\$81 billion in fee-related assets under management, ESR's fully integrated fund management and development platform extends across key APAC markets, including Greater China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, with a presence in Europe and the U.S.. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across the private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR's purpose — Space and Investment Solutions for a Sustainable Future — drives it to manage sustainably and impactfully, and ESR considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

**More information is available at [www.esr.com](http://www.esr.com).**