

OPERATIONS REVIEW

COVID-19

With the World Health Organisation ("WHO") declaring COVID-19 a pandemic on 11 March 2020, businesses across all sectors were impacted. SPH REIT's portfolio, which comprises assets used primarily for retail purposes in Singapore and Australia, were also affected by the slowdown in the retail sector.

In Singapore, the Circuit Breaker imposed by the government in the months of April and May resulted in a decline in the footfall of SPH REIT's assets. Paragon, located

along Orchard Road - Singapore's premier shopping and tourist precinct - was directly impacted by the border restrictions which saw international visitor arrivals decline by 97.0% year-on-year ("y-o-y") between March and August.

The Government provided rental rebate assistance to tenants through property tax rebates and cash grants. Complementing the Government's schemes, SPH REIT provided its own additional targeted rental relief to eligible tenants, amounting to approximately S\$31.8 million.

In Australia, the Federal Government issued guidelines under the "SME Commercial Code of Conduct and Leasing Principles" (the "Code") which were enacted in various states. In line with the Code, SPH REIT provided rental assistance to tenants in its Australian assets and the rental assistance allowance amounted to approximately S\$8.1 million.

SPH REIT'S ASSETS

Before the onset of the pandemic, SPH REIT acquired a 50.0% interest in Westfield Marion Shopping Centre ("Westfield Marion"), the largest shopping centre in South Australia on 6 December 2019. The acquisition of Westfield Marion is in line with SPH REIT's long-term strategy to diversify its asset base and income stream geographically.

Amid this challenging operating environment, SPH REIT's portfolio occupancy remains high at 97.7% as at 31 August 2020.

SPH REIT's FY2020 gross revenue increased by 5.6%, mainly driven by the new income stream from the recently acquired Westfield Marion. Net property income ("NPI") marginally increased by 1.2% y-o-y to S\$181.9 million, despite the COVID-19 rental relief granted to tenants to help them tide through the pandemic.

SPH REIT's strategy has always been to renew and/or sign new leases in advance to mitigate against vacancies and a positive portfolio rental reversion of 5.9% for new and renewed leases was achieved.

SPH REIT's resilience can be attributed to the well-established assets and their strategic locations with dominant catchments.

PARAGON

Paragon continues to refresh its tenancy mix with the addition of exciting brands such as Polo Ralph Lauren, Fila Kids, Niki Han & Ethel Huang, Maryling and Bora Aksu. Additionally, a new Japanese fine dining restaurant, Matsukiya, also opened in Paragon, complementing the wide array of F&B options in the mall.



Luxury brand Balenciaga also expanded to a duplex store fronting Paragon's façade, making this the brand's largest store in South East Asia.

As at 31 August 2020, occupancy remained high at 97.8% and tenant retention was at 84.3% by number of leases in FY2020. Positive rental reversion of 7.0% was achieved for Paragon, mainly from leases committed before the onset of COVID-19.

Footfall declined by 27.4% to 13.8 million and tenant sales registered a y-o-y decline of 28.3% to S\$507.8 million.

In October 2019, an enhanced loyalty program was launched via a multi-feature app, which rewards members when they shop and dine in Paragon. Since its launch, the program, "Paragon Club", has attracted in excess of 11,000 members registering more than S\$60 million spend.

THE CLEMENTI MALL

The Clementi Mall maintained a high occupancy of 99.6% as at 31 August 2020, and 77.2% tenant retention by the number of leases in FY2020. FY2020 saw the introduction of a selection of tenants offering F&B such as Proofer Boulangerie and Tuk Tuk Cha, beauty services such as La Vida, Donna Beauty, Nailz Haus and K Skin. On the retail front, De Silver, Sorella, My Eye Cube, The Digital Gadgets and W.Two were added to complement the retail mix. Rental reversion achieved was positive 4.8%, mainly from renewed or new leases committed before the onset of COVID-19. The footfall at The Clementi Mall was affected by the work-from-home arrangements as it is located in a transport hub but tenant sales was less impacted as it was well-supported by the densely populated residential catchment. FY2020 footfall and tenant sales was 22.8 million and S\$206.6 million respectively, a 27.8% and 12.7% decline from FY2019.

THE RAIL MALL

The Rail Mall's key tenancy mix offers a wide array of destination F&B. In FY2020, occupancy increased from 84.3% in FY2019 to 92.2% with the addition of new F&B concepts such as Green on Earth and The Cat Café. For lease expiries in FY2020, the tenant retention was 85.7% and an overall positive rental reversion of 10.1% was achieved.

Being a strip mall comprising 43 shop units, The Rail Mall, unlike a shopping mall, does not have footfall numbers. Progressively, tenant sales submissions are being integrated into the lease structure.

Leveraging on the unique building façade of The Rail Mall and its adjacencies to the historical preserved Rail Corridor, SPH REIT commissioned Mr Yip Yew Chong, an established local artist to create wall murals showcasing the history of the Bukit Timah area through its different eras.



OPERATIONS REVIEW

WESTFIELD MARION SHOPPING CENTRE

SPH REIT's acquisition of a 50.0% interest in Westfield Marion, South Australia was completed on 6 December 2019 and contributed S\$26.3 million in NPI to SPH REIT's results in FY2020.

Australia borders were closed to all non-residents in March 2020 and social distancing rules were also imposed. Westfield Marion, being a regional

mall in South Australia, with a higher exposure to discretionary offerings, was more impacted when residents stayed home.

The containment of COVID-19 cases in South Australia was well-managed and the decline in footfall in Westfield Marion has since seen a strong recovery. FY2020 footfall at Westfield Marion registered a drop of 11.2% to 11.9 million. Correspondingly, it registered a 9.1% decline in tenant sales to A\$690.6 million.

The tenant retention based on the number of leases was 98.1% and rental reversion was negative 1.5%. Australian Football League ("AFL") opened its first store in South Australia at Westfield Marion.

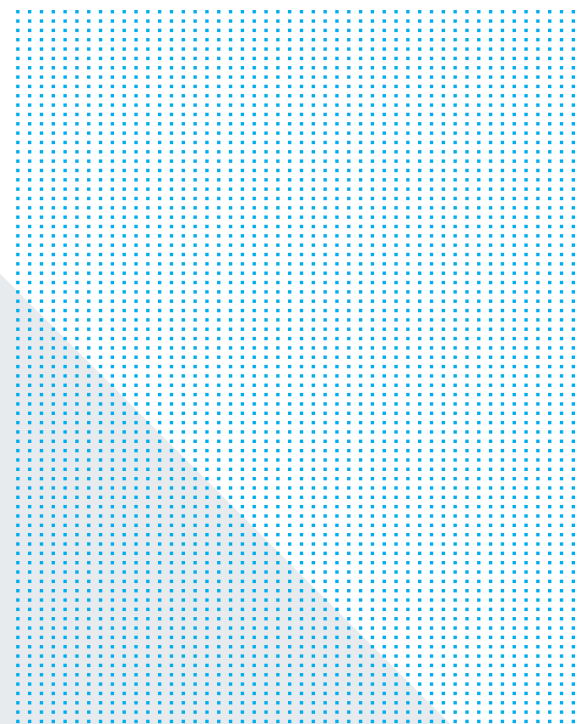
Amid the pandemic, through proactive tenant engagement, the occupancy remains high at 97.4% as at 31 August 2020.

FIGTREE GROVE SHOPPING CENTRE

Figtree Grove was acquired in December 2018 and contributed its first full year NPI of S\$12.5 million in FY2020.

Figtree Grove, a suburban mall located in Wollongong, New South Wales, with a tenant mix offering mainly essential goods and services and serving its immediate catchment, is less impacted by COVID-19. The footfall remained stable at 4.6 million, while tenant sales declined marginally by 1.1% to A\$184.7 million in FY2020.

Due to the weak market sentiment, rental reversion was negative 9.8%, however with a high tenant retention of 90.9% by number of leases in FY2020. Its occupancy as at 31 August 2020, remains high at 99.2%.



SUMMARY OF RENEWALS/ NEW LEASES FOR FY2020

	No of renewals/ new leases ^(a)	Retention Rate ^(b)	NLA/ GLA		Rental Reversion ^(c)
			Renewed/ new leases (sq ft)	as % of property	
SINGAPORE					
Paragon	104	84.3%	208,966	29.1%	7.0%
The Clementi Mall	111	77.2%	132,727	68.0%	4.8%
The Rail Mall	14	85.7%	26,547	53.3%	10.1%
Singapore assets	229	80.9%	368,240	38.2%	6.4%
AUSTRALIA					
Westfield Marion Shopping Centre	9	98.1%	129,741	8.8%	-1.5%
Figtree Grove Shopping Centre	7	90.9%	5,418	2.3%	-9.8%
Australia assets	16	96.8%	135,159	7.9%	-3.2%
SPH REIT PORTFOLIO TOTAL	245	84.3%	503,399	18.8%	5.9%

(a) For expiries in FY20, excluding newly created and reconfigured units.

(b) Based on number of leases expiring in FY2020.

(c) For Singapore assets – rental reversion is measured between the average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases are typically committed three years ago.

For Australia assets – rental reversion is based on the first year fixed rent of the new leases divided by the preceding final year fixed rent of the expiring leases.

PORTFOLIO OCCUPANCY

	As at 31 August	
	2019	2020
SINGAPORE		
Paragon	99.8%	97.8%
The Clementi Mall	100.0%	99.6%
The Rail Mall	84.3%	92.2%
Singapore assets	99.1%	97.8%
AUSTRALIA		
Westfield Marion Shopping Centre	98.2% ^(a)	97.4%
Figtree Grove Shopping Centre	99.2%	99.2%
Australia assets	99.2%^(b)	97.7%
SPH REIT PORTFOLIO TOTAL	99.1%^(b)	97.7%

(a) The occupancy as at 31 August 2019 of 98.2% was before SPH REIT's acquisition of a 50.0% interest in Westfield Marion, which was completed on 6 December 2019.

(b) SPH REIT's occupancy as at 31 August 2019 for Australia assets and SPH REIT portfolio total do not include Westfield Marion.

OPERATIONS REVIEW

PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST 2020

	2020	2021	2022	2023	2024	2025 & beyond
SINGAPORE						
By no. of lease expiry	21	112	142	176	56	4
By NLA	2%	21%	22%	32%	16%	7%
By Gross Rental Income	0%	23%	26%	30%	14%	7%
AUSTRALIA						
By no. of lease expiry	43	161	52	42	64	59
By GLA	2%	21%	5%	11%	7%	54%
By Gross Rental Income	0%	34%	10%	10%	12%	34%
PORTFOLIO TOTAL						
By no. of lease expiry	64	273	194	218	120	63
By NLA/GLA	2%	21%	11%	19%	10%	37%
By Gross Rental Income	0%	25%	23%	26%	14%	12%

LEASE EXPIRY PROFILE

SPH REIT's portfolio lease expiry profile was well staggered with 25.0% of leases by gross rental income expiring in FY2021.

The portfolio Weighted Average Lease Expiry ("WALE") by gross rental income was 2.6 years. For new leases, the WALE by gross rental income based on the commencement in FY2020 is 3.1 years. The proportion of gross rental income attributed to these leases is 36.5% of the portfolio gross rental income in FY2020.

TOP 10 TENANTS BY GROSS RENTAL INCOME

SPH REIT's top 10 tenants contributed 19.6% of gross rental income in August FY2020.

The top 10 tenants (by gross rental income) are listed below, in alphabetical order.

Name of Top 10 Tenants

Burberry Singapore • Club 21 • Cold Storage Singapore • Cortina Watch • Ermenegildo Zegna Far-East
Ferragamo Singapore • Metro • Prada Singapore • Wesfarmers • Woolworths Group

The table below sets out selected information about the top 10 tenants of the portfolio based on gross rental income for the month of August 2020:

TOP 10 TENANTS				
	Tenant ^{1,2}	Trade sector	Lease expiry year ³	% of rental income
1	Tenant A	Department Stores & Supermarket	Between 1H2021 & 1H2024	3.2%
2	Tenant B	Luxury brands, Jewellery, Watches	Between 2H2022 & 2H2024	3.1%
3	Tenant C	Department Stores & Supermarket	Between 2H2021 & 1H2035	3.1%
4	Tenant D	Department Stores & Supermarket, Lifestyle	Between 1H2022 & 1H2026	2.3%
5	Tenant E	Luxury brands, Jewellery, Watches	Between 1H2022 & 2H2024	1.9%
6	Tenant F	Luxury brands, Jewellery, Watches	Between 2H2022 & 1H2023	1.6%
7	Tenant G	Luxury brands, Jewellery, Watches	2H2024	1.2%
8	Tenant H	Department Stores & Supermarket	Between 2H2021 & 2H2033	1.1%
9	Tenant I	Luxury brands, Jewellery, Watches	1H2021	1.1%
10	Tenant J	Luxury brands, Lifestyle	1H2023	1.0%
Total				19.6%

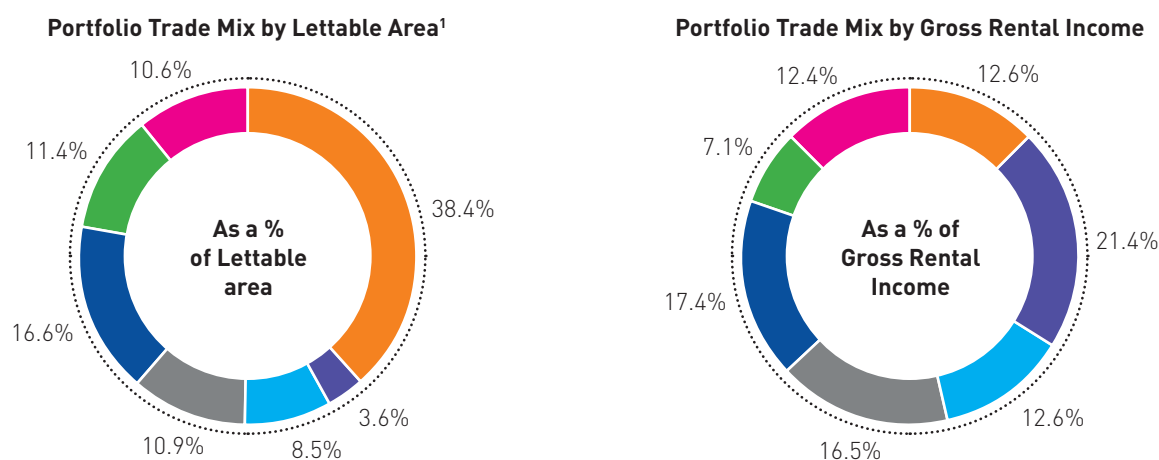
1. The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.
2. The names of the tenants cannot be matched to the information set out above for confidentiality reasons.
3. Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.

BY TRADE MIX

SPH REIT's portfolio is well-diversified and relies on different trade sectors for rental income.

The following charts provide a breakdown by gross rental income and NLA of the different trade sectors represented in the portfolio as at 31 August 2020:

PORTFOLIO TRADE MIX



- Department Stores & Supermarket
- Luxury Brands, Jewellery & Watches
- Fashion, Handbags, Shoes, Accessories & Optical
- Food & Beverage
- Lifestyle/General Retail
- Non-Retail Services
- Medical / Office

1. Lettable Area refers to NLA in Singapore and GLA in Australia.