



# ANNUAL GENERAL MEETING

30 November 2018



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This presentation shall be read in conjunction with SPH REIT’s financial results for the financial year ended 31 August 2018 in the SGXNET announcement.

# Contents

Results and balance sheet

Slide 3

Operational performance

Slide 10

Growth strategy and market outlook

Slide 18

# Key Highlights

- Net property income for FY18 declined 1.2% year-on-year
- FY18 DPU was 5.54 cents, an increase of 0.2% against last year
- Distribution yield was 5.54% (based on closing price of \$1.00 per unit on 31 August 2018)
- The Rail Mall – yield accretive acquisition
- Strong balance sheet, with low gearing of 26.3% and 69.8% debt on fixed rate

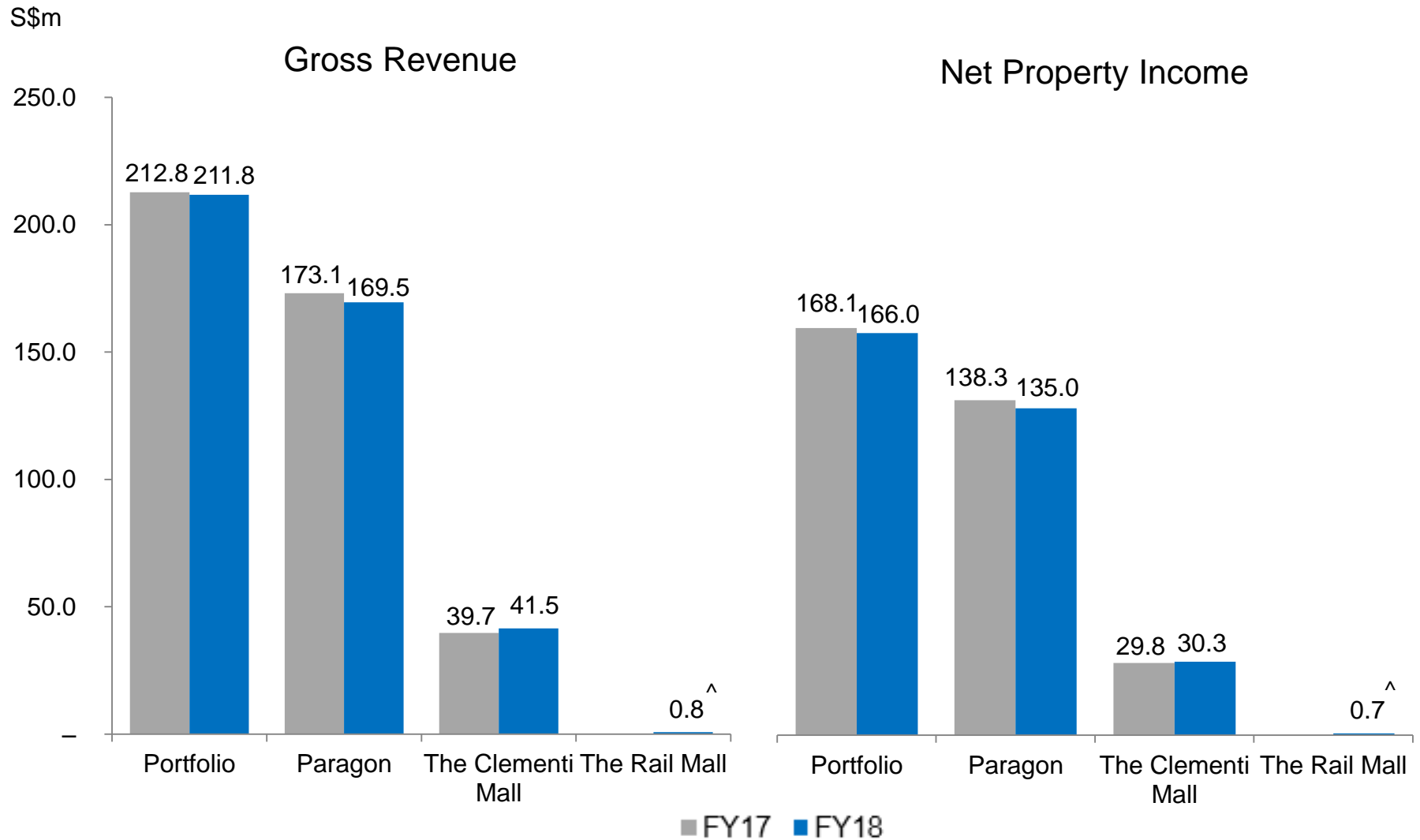
# Financial performance

	FY18 <sup>(a)</sup> S\$'000	FY17 S\$'000	Change %
Gross revenue	211,802	212,756	(0.4)
Property expenses	(45,806)	(44,668)	2.5
Net property income (NPI)	165,996	168,088	(1.2)
Income available for distribution	142,310	141,228	0.8
Distribution to Unitholders	142,310	141,228	0.8
Distribution per unit (DPU) (cents)	5.54	5.53	0.2

Note:

(a) Included the contribution from The Rail Mall (acquisition was completed on 28 June 2018).

# Gross revenue and NPI

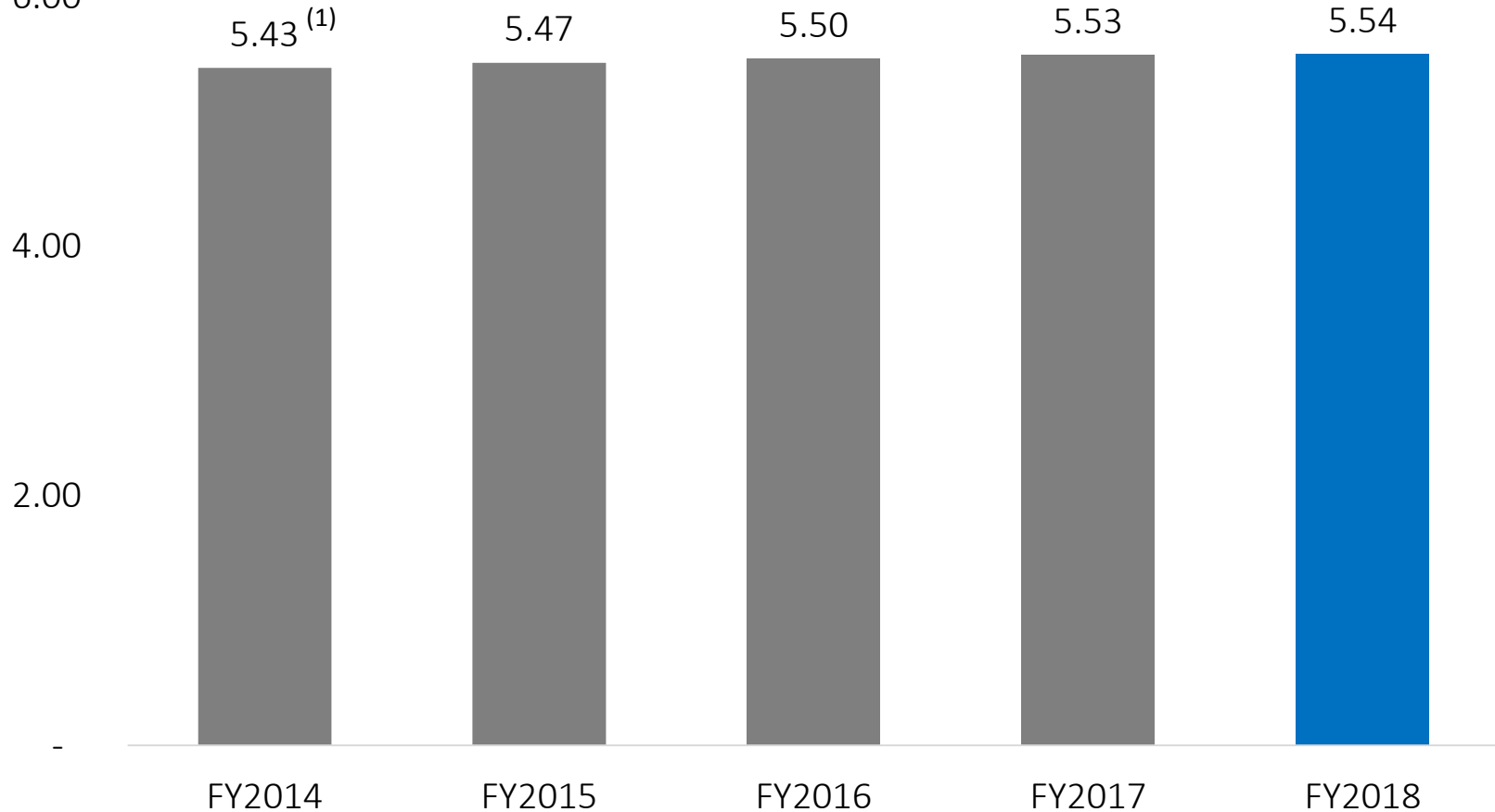


Note:

<sup>^</sup> Included the contribution from The Rail Mall (acquisition was completed on 28 June 2018).

# Steady distribution

Cents  
6.00



Note:

(1) Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013

# Financial position

	As at <sup>(a)</sup> 31 August 2018 S\$'000	As at 31 August 2017 S\$'000
Total assets	3,408,034	3,346,701
Total liabilities	969,087	925,641
Net assets	2,438,947	2,421,060
Net asset value per unit	S\$0.95	S\$0.95
Gearing <sup>(b)</sup>	26.3%	25.4%

Note:

(a) Included the contribution from The Rail Mall (acquisition was completed on 28 June 2018).

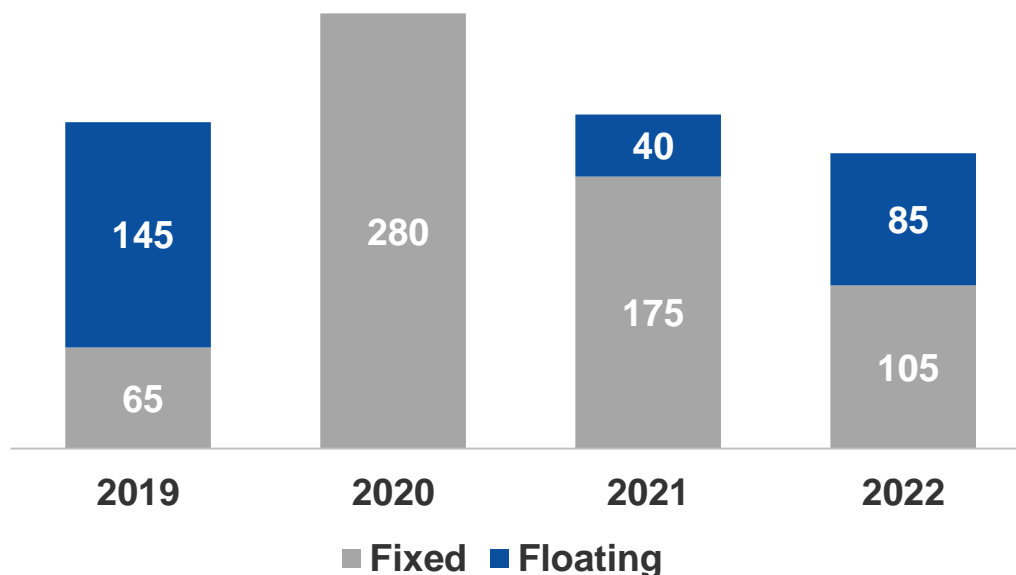
(b) Gearing is computed based on total debt/ total assets



# Low gearing

- SPH REIT maintained a well staggered debt maturity profile without major concentration of debts maturing in a single year.
- Gearing remained low at 26.3% and average cost of debt of 2.85% p.a. as at 31 August 2018.
- Weighted average term to maturity: 2.3 years
- A three year loan of S\$45.0 million was established on 25 June 2018 to partially finance the acquisition of The Rail Mall.

**Debt Maturity Profile (S\$ million)  
as at 31 August 2018**



# Market value of properties

	Valuation as at 31 August <sup>(a)</sup>		Capitalisation Rate As at 31 August	
	2018 S\$ million	2017 S\$ million	2018 %	2017 %
Paragon	2,719.0	2,695.0	4.50% - Retail 3.75% - Medical Suite/ Office	4.50% - Retail 3.75% - Medical Suite/ Office
The Clementi Mall <sup>(b)</sup>	586.0	583.0	4.75%	4.80%
The Rail Mall	63.3	-	6.00%	-
SPH REIT Portfolio	3,368.3	3,278.0		

Notes:

(a) Valuations as at 31 August 2018 and 31 August 2017 were conducted by Edmund Tie & Company (SEA) Pte Ltd and JLL respectively.

(b) The Clementi Mall's valuation excludes income support. The income support has ended on 23 July 2018, five years after listing date on 24 July 2013.



# Operational performance



# Operating performance

- SPH REIT portfolio maintained high occupancy of 99.4%.
- Paragon recorded a rental reversion of -3.7% for new and renewed leases cumulatively for FY18. Earlier leases were committed about a year ago, during the retail sales downturn, however, with the recovery in retail sales in the second half of 2017, the cumulative decline was moderated during the financial year.
- The Clementi Mall recorded a positive rental reversion of 3.0%.
- Paragon recorded visitor traffic of 18.8 million, 2.7% higher than the year before. Tenant sales increased by 2.7% to S\$693 million.
- The Clementi Mall visitor traffic remained steady at 29.9 million. Tenant sales grew by 2.2% to S\$230 million.
- Occupancy cost was at 18.3% and 16.2% for Paragon and The Clementi Mall respectively.

# Rental reversion

	Number of renewals / new leases <sup>(a)</sup>	NLA renewed / new leases (sqft)	As a % of properties' NLA	Change compared to preceding rental rates <sup>(c)</sup>
Paragon	97	282,413	39.4%	(3.7%)
The Clementi Mall	19	11,602	5.9%	3.0%
The Rail Mall	1	1,140	2.3%	-
SPH REIT Portfolio	117	295,155	30.7% <sup>(b)</sup>	(3.5%) <sup>(d)</sup>

Notes:

(a) For expiries in FY18, excluding newly created and reconfigured units

(b) As a % of SPH REIT portfolio's total Net Lettable Area ("NLA") of 961,523 sqft as at 31 August 2018.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. Preceding leases were typically committed three years ago.

(d) Reversion rate is computed based on weighted average of all expiring leases.

# Staggered portfolio lease renewal

## Weighted Average Lease Expiry (WALE) as at 31 August 2018

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By NLA	1.9 years
By Gross Rental Income	2.0 years

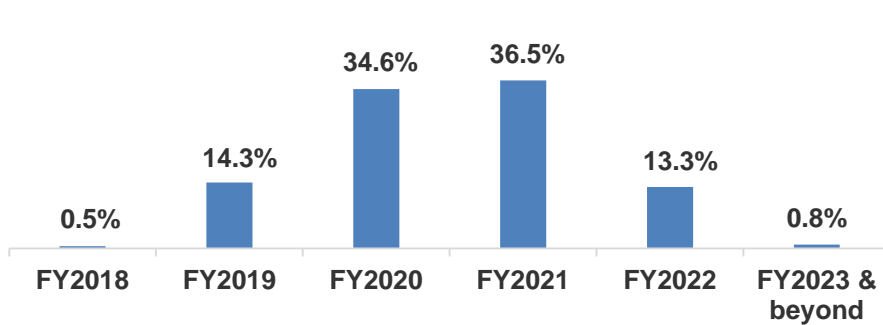
## Lease expiry as at 31 August 2018

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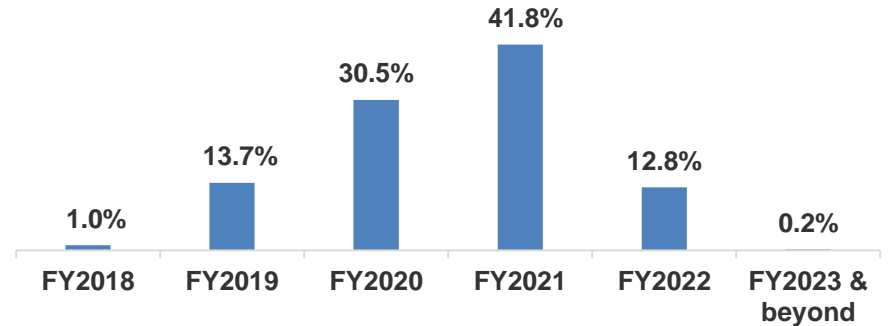
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 and beyond
Expiries as a % of total NLA	1.0%	14.1%	39.3%	35.3%	10.1%	0.2%
Expiries as a % of Gross rental income	0.4%	13.9%	41.5%	32.6%	11.0%	0.6%

# Paragon: Staggered lease expiry

### Expiry by Gross Rental Income

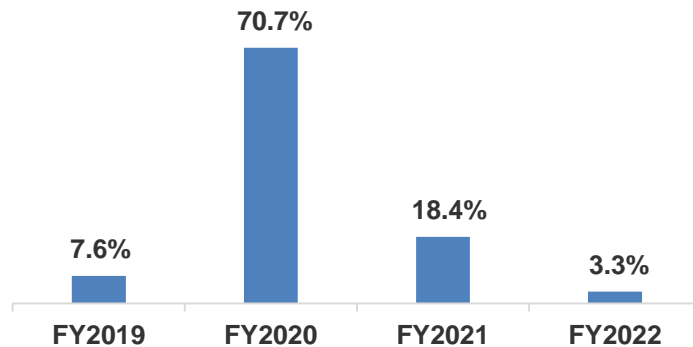


### Expiry by NLA

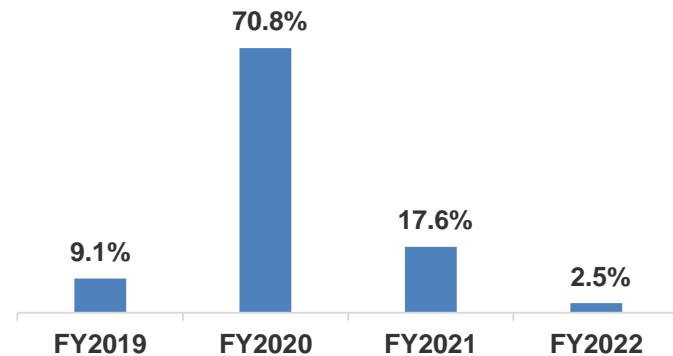


## The Clementi Mall : Tenant retention rate of 89% for second renewal cycle in 2017

### Expiry by Gross Rental Income



### Expiry by NLA

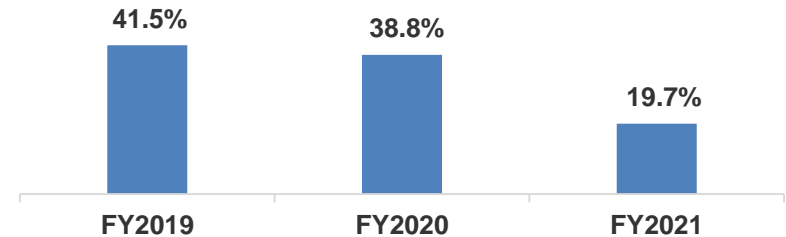


# The Rail Mall

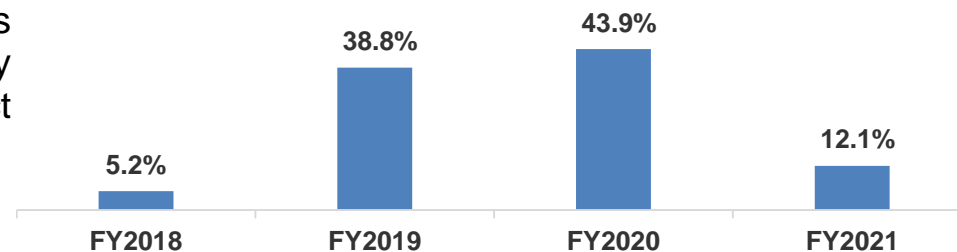
## Completed Acquisition on 28 June 2018

- Purchase consideration at S\$63.238 million
- 99-year lease commencing 18 March 1947, with remaining lease tenure of about 28 years
- Approximately 50,000 sq ft net lettable area
- 360 metres prominent road frontage to Upper Bukit Timah Road
- Unique cluster of 43 single-storey shop units with established F&B offerings
- 250 metres to Hillview MRT and a network of public bus services
- Opportunity for SPH REIT to further strengthen its current F&B offerings and to initiate community programs leveraging on the Rail Corridor to attract a wider catchment

### Lease expiry by Gross Rental Income



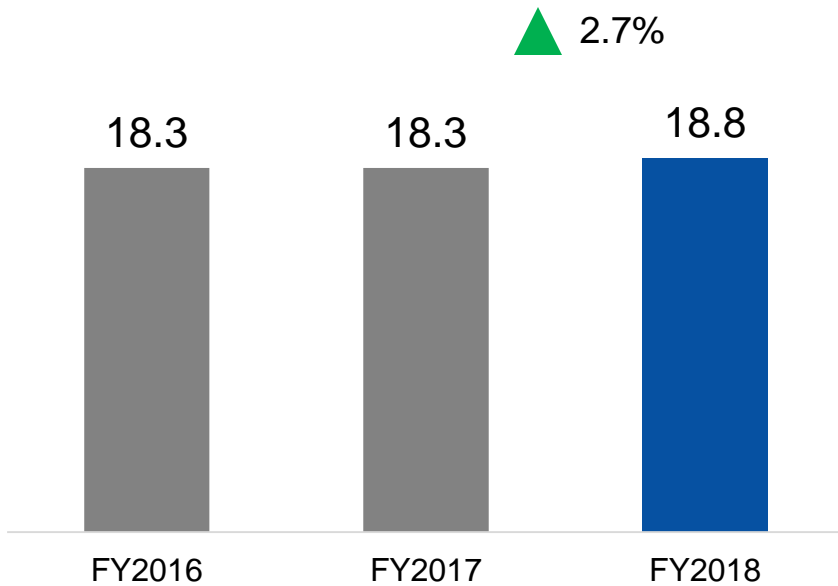
### Lease expiry by NLA



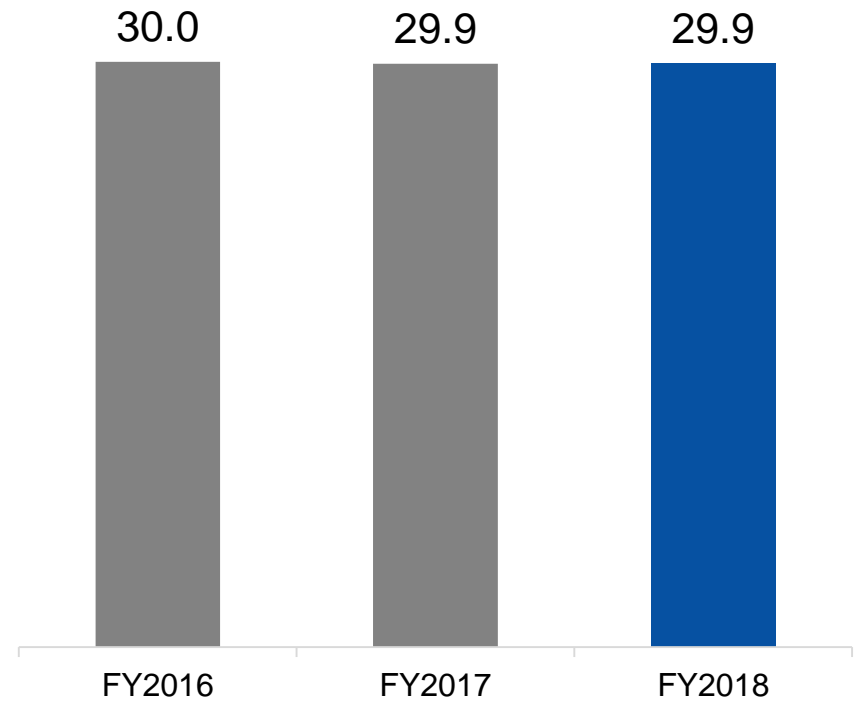


# Visitor traffic

## Paragon



## The Clementi Mall

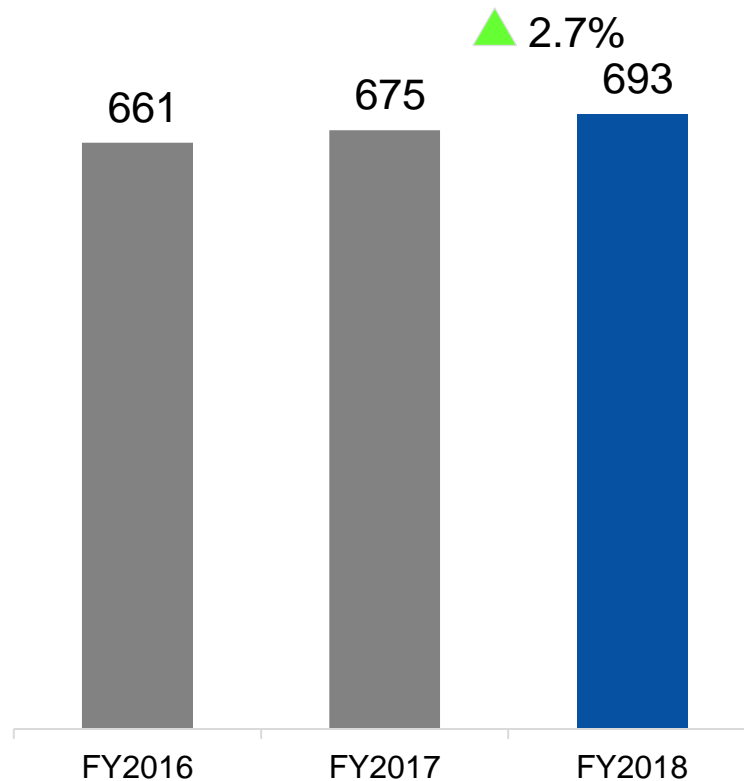


Note:

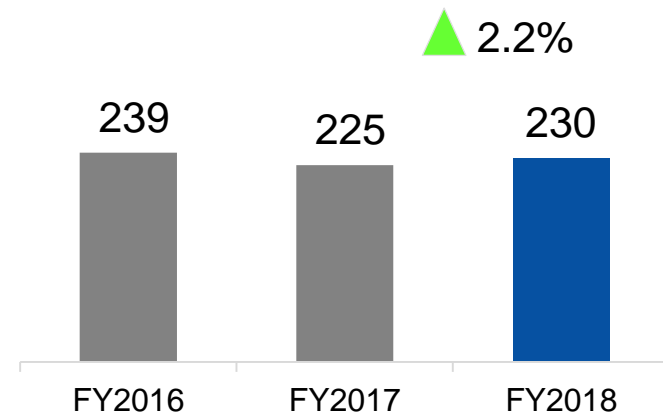
- (a) Financial year refers to the period from 1 September to 31 August in the respective years.
- (b) All figures are in millions

# Tenant sales

## Paragon



## The Clementi Mall



Note:

(a) Financial year refers to the period from 1 September to 31 August in the respective years.

(b) All figures are in millions



# Growth strategy and market outlook



# Multi-pronged strategy to ensure growth

## Proactive asset management and asset enhancement strategy

- Ensure that interests of all stakeholders, including tenants, shoppers and Unitholders are protected while keeping its properties at the forefront of evolving retail mall trends and relevant to changing demands of consumers
- Continually optimise tenant mix of its properties
- Deliver high quality service to tenants and become the landlord of choice in the Singapore retail real estate space
- Implement asset enhancement initiatives and implement proactive marketing plans

## Investments and acquisition growth strategy

- ROFR on the Sponsor's future income-producing properties used primarily<sup>(1)</sup> for retail purposes in Asia Pacific
  - Currently one applicable ROFR property, The Seletar Mall, which has opened on 28 November 2014, and maintained high occupancy rate since its opening.
  - Explore acquisition opportunities that will add value to SPH REIT's portfolio and improve returns to Unitholders

Note:

- (1) 'primarily' means more than 50.0% of net lettable area or (in the case of a property where the concept of net lettable area is not applicable) gross floor area.

# Engaging activities at our malls



Exciting Japanese-infused cultural performances, activities, workshop and demonstrations in Paragon.



The Clementi Fiesta community fun to create the largest CD weaved wall.

Prada Silver Line Pop-up store in Singapore with exclusive range of merchandise.

# Continual asset enhancement

## Level 3

- New retail experience for shoppers with open store design and curated multi-brands concept.
- New retail zone of about 16,000 sq ft at Level 3 will be completed in phases to minimise disruption to tenants. The first phase was launched in June.



Curated multi brands includes:



HUE

MOISELLE

MAKE UP STORE®

Samsonite  
FOR HER

SuLin Serio



esentials



# Market outlook

- **Outlook for Singapore economic growth is expected to moderate**
  - The Ministry of Trade and Industry (MTI) reported that the Singapore economy grew by 2.2 per cent on a year-on-year basis in the third quarter of 2018, slower than the 4.1 per cent growth in the preceding quarter.
  - MTI expects Singapore's economy to grow by "3.0 to 3.5 per cent" in 2018 and by "1.5 to 3.5 per cent" in 2019.
- **Growth in international visitor arrivals and tourism receipts**
  - In the first nine months of 2018, international visitor arrivals grew by 7.5% y-o-y to reach 14.0 million visitors.
  - Tourism receipts for the first half of 2018 held steady at S\$13.4 billion, due to lower expenditure across some components including shopping, accommodation and food & beverage.
- **Growth in retail sales for five quarters**
  - The retail sales index (excluding motor vehicles) grew by 0.8% y-o-y in Q3 2018, 0.5% in Q2 2018 and 1.3% in Q1 2018.

# Thank You

Please visit [www.sphreit.com.sg](http://www.sphreit.com.sg) for more information.

