



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust
("Suntec REIT")



ACQUISITION OF 50% INTEREST IN OLDERFLEET, 477 COLLINS STREET, MELBOURNE, 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 477 Trust, has entered into a contract of sale ("**Contract of Sale of Land**") with A.C.N 165 515 515 Pty Ltd, as trustee of 477 Collins Street No. 2 Trust in relation to the acquisition of a 50% interest in a freehold land and property to be developed, located at Olderfleet, 477 Collins Street, Melbourne, Victoria, Australia (the "**Property**", and the acquisition of the Property, the "**Acquisition**"). The other co-owner of the Property is Mirvac Commercial Sub SPV Pty Ltd, as trustee for 477 Collins Street No. 1 Trust (the "**Mirvac Co-Owner**").

Suntec REIT 477 Trust is indirectly wholly-owned by Suntec REIT.

Suntec REIT 477 Trust and the Mirvac Co-Owner would appoint Mirvac Projects Pty Limited as the developer of the Property (the "**Developer**") to develop the Property (the "**Development**").

2. INFORMATION ON THE PROPERTY

The Property is designed to be one of Melbourne's highest quality Premium Grade office building, and will be the largest Premium Grade office building to be built in the city in the last 25 years. The 40-level building is under construction and is expected to achieve practical completion by mid 2020. On completion, the Property is expected to have an estimated total net lettable area of 58,000 square metres ("**sqm**") which comprises 56,000 sqm of office space and 2,000 sqm of retail space as well as 414 car park lots.

The Property is 39.1% pre-committed by leading professional services firm Deloitte Australia ("**Deloitte**"), as its Melbourne headquarters. Deloitte has signed a 12-year lease for over 22,000 sqm of office space, spanning 12 floors. In addition, the Developer will provide a rent guarantee on the unlet space for five years post practical completion. The resultant weighted average lease expiry of the Property (taking into account the rent guarantee) is approximately 7.74 years with an annual rental escalation of between 3.50%

and 3.75%.

Located along Melbourne's most prestigious commercial address, the Property is within the Western Core of the Central Business District ("**CBD**"). It is adjacent to the 5-Star Intercontinental Melbourne Hotel that offers exceptional convenience to business travellers and is located within the Melbourne CBD Free Tram Zone. With four tram lines serving Collins Street, the Property is excellently connected within the CBD. The Southern Cross Station, Victoria's primary metropolitan and regional transportation hub, is also a short walking distance away.

The Property is targeting to achieve 5-Star Green Star rating and 5-Star NABERS¹ Energy rating as well as a Platinum Core and Shell WELL² rating

3. DETAILS OF THE TRANSACTIONS

3.1 Valuation, Purchase Consideration and Construction Costs

The purchase consideration payable by Suntec REIT 477 Trust for the acquisition of 50% of the Property is A\$414.17 million and was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation conducted by Savills Valuations Pty Ltd ("**Savills**").

The open market valuation of the Property is A\$828.34 million based on a valuation dated 30 June 2017 conducted by Savills, the independent valuer appointed to value the Property. Accordingly, the value of a 50% interest in the Property based on the open market valuation is A\$414.17 million. Savills has valued the Property based on the discounted cash flow method, capitalisation approach and direct comparison approach.

The Acquisition is expected to be completed by 3Q 2017.

Including the new Acquisition, the aggregate contract value of property development activities (as defined in Appendix 6 of the Code on Collective Investment Schemes) undertaken and investments in uncompleted property developments by Suntec REIT represents approximately 7.4% of Suntec REIT's deposited property as at 30 June 2017.

3.2 Estimated Total Acquisition and Development Cost

The estimated total cost of the Acquisition and the Development for Suntec REIT (the "**Total Acquisition and Development Cost**") is approximately A\$421.31 million, comprising:

- 3.2.1 the purchase consideration of the Property of A\$414.17 million which includes land cost of A\$45.83 million;
- 3.2.2 stamp duty payable of A\$2.50 million;

1 "**NABERS**" means the National Australian Built Environment Rating System that measures the environmental performance of Australian buildings

2 "**WELL**" refers to the WELL Building Standard that measures the performance of building features that impact health and well-being.

3.2.3 the acquisition fee payable to the Manager for the acquisition pursuant to the trust deed dated 1 November 2004 constituting Suntec REIT (as amended and restated) of approximately A\$4.14 million; and

3.2.4 estimated professional and other fees and expenses of approximately A\$0.5 million.

3.3 Establishment of Suntec REIT 477 Trust

Suntec REIT 477 Trust was constituted on 24 July 2017 pursuant to a trust deed entered into by Perpetual Corporate Trust Limited, as trustee of Suntec REIT 477 Trust³.

3.4 Contract of Sale of Land

Suntec REIT 477 Trust has entered into a contract of sale of land with A.C.N. 165 515 515 Pty Ltd, as trustee of 477 Collins Street No. 2 Trust, to acquire 50% of the land at Olderfleet, 477 Collins Street, Melbourne which forms part of the total consideration.

The terms and conditions of the Contract of Sale were negotiated on an arm's length basis.

3.5 Co-Owners' Agreement

Suntec REIT 477 Trust has entered into a Co-Owners' Agreement ("**CoA**") with the Mirvac Co-Owner. Some key terms of the CoA include the following:

- (i) Co-owners agree to maximise and maintain the value of their interests in the Property; and
- (ii) Suntec REIT 477 Trust is granted veto rights over key operational matters specified in the CoA.

3.6 Property Management Agreement

Suntec REIT 477 Trust and the Mirvac Co-Owner as the co-owners of the Property will be appointing Mirvac Real Estate Pty Limited as the property manager of the Property for a term of five years commencing from practical completion of the Property ("**Practical Completion**").

3.7 Investment Management Agreement

Suntec REIT 477 Trust will be appointing Mirvac Capital Investments Pty Limited as the investment manager of Suntec REIT 477 Trust for a term of five years commencing from Practical Completion.

3.8 Fund through Agreement

Suntec REIT 477 Trust, the Mirvac Co-Owner, the Developer and Mirvac Limited have entered into a fund through agreement to appoint Mirvac Projects Pty Limited as the developer to carry out the development services.

The Developer will be responsible for and will underwrite all cost overrun and delay based on the terms and specifications agreed. Under the Fund through Agreement, Suntec REIT 477 Trust will make progressive payments to the Developer based on the percentage of

3 Suntec REIT 477 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.

construction progress as certified by an independent certifier. During the construction, there will be a coupon at 4.80% per annum on the progressive payments made to the Developer.

In the period up to 12 months post Practical Completion ("**Supplemental Adjustment Period**"), when a lease commitment in relation to the unlet space is achieved above the rent guarantee, Suntec REIT 477 Trust will pay a Supplemental Adjustment based on a capitalisation rate of 4.80% applied to the variance in net income received.

3.9 Rent Guarantee

From the date of Practical Completion until the end of the leasing period (being the earlier of the date on which all the unlet space has been leased and five years after the date of Practical Completion), the Developer will provide a rent guarantee on the unlet space such that the Property would generate an initial net property income yield of 4.80% (with an annual escalation of between 3.50% to 3.75%).

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 Unitholders on the basis that it ensures that Suntec REIT receives a minimum rental income for the Property during the initial leasing up period following Practical Completion, and the rent guarantee is determined based on the comparable market rents in comparable properties in the area where the Property is located. The amount payable under the rent guarantee will be payable monthly in arrears. Mirvac Limited has guaranteed the obligations of the Developer in relation to the payment of the rent guarantee.

4. RATIONALE FOR THE TRANSACTIONS

The Acquisition will bring the following key benefits to Unitholders:

4.1 Strategic Addition to Suntec REIT's portfolio

The Acquisition is in line with the growth strategy to expand Suntec REIT's footprint in the Asia-Pacific region, by acquiring quality commercial properties in key cities. The Property is expected to augment Suntec REIT's Australian portfolio which comprises 177 Pacific Highway in Sydney and Southgate Complex in Melbourne.

4.2 Greater Income and Geographical Diversification

The Acquisition will further enhance Suntec REIT's income and geographical diversification.

4.3 Improve earnings and distributions to Unitholders

The Acquisition is expected to have a positive impact on distributable income. Upon completion, the initial net property income yield would be 4.80% per annum (taking into account the rent guarantee) with an annual rental escalation between 3.50% to 3.75%.

4.4 Acquiring into well-located, substantially pre-leased, Property Council of Australia Premium Grade office building in Melbourne CBD

The Property is strategically located along Collins Street, the most prestigious commercial address within Melbourne CBD. With four tram lines serving Collins Street, the Property is

well connected to the other buildings within the CBD. The Southern Cross Station, Victoria's primary metropolitan and regional transportation hub, is also a short walking distance away.

The Property is 39.1% pre-committed with a rent guarantee on the unlet space for five years post Practical Completion.

4.5 Riding on strong economic pillars and a strengthening Melbourne CBD office market

The Australia Bureau of Statistics forecasts that by 2030, Melbourne's population will grow to 6.1 million residents thereby making it Australia's largest capital city.

Office rents in Melbourne CBD have been trending upwards as the demand for high quality office space outweighs supply. Office rents are expected to increase underpinned by strong population and workforce growths.⁴

4.6 Partnering with one of Australia's leading property group, with established development and investment management capabilities

Suntec REIT would benefit from the local knowledge and best-in-class practices from Mirvac a leading, diversified Australian property group, with integrated investment, development and asset management capabilities. An ASX 50 company with over A\$15 billion of assets under management, Mirvac owns and manages assets across the office, retail and industrial sectors and has a strong history of successful capital partnerships for prime grade office assets.

5. METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

5.1 Method of Financing

The Total Acquisition and Development Cost will be fully funded by debt.

5.2 Pro Forma DPU

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 2016 (the "**Suntec REIT Group 2016 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.

4 JLL Australian Office Investment Review & Outlook, April 2017

5.3 Pro Forma Distribution per Unit⁵ (“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 2016 (“FY2016”), as if the Acquisition was completed on 1 January 2016 and assuming that the Practical Completion of the Property was on 1 January 2016 on are as follows:

| | Before the Acquisition | After the Acquisition |
|---------------------------------|------------------------|-----------------------|
| Net Profit before Tax (S\$'000) | 275,489 | 279,808 ⁶ |
| DPU (cents) | 10.003 | 10.180 ⁷ |

5.4 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2016, as if the Acquisition was completed on 31 December 2016 and assuming that the Practical Completion of the Property was on 31 December 2016 are as follows:

| | Before the Acquisition | After the Acquisition |
|--------------------|------------------------|-----------------------|
| NAV per Unit (S\$) | 2.147 | 2.147 ⁸ |

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 Transactions or any other transactions contemplated in relation to the Transactions.

5 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.

6 Based on net operating income from the Property post practical completion, less trust expenses at an average AUD:SGD rate of 1.08.

7 Based on distributable income attributable to the Property post Practical Completion at an average AUD:SGD rate of 1.08.

8 Based on AUD:SGD exchange rate of 1.08.

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.

| Comparison of | Acquisition by Suntec REIT | Suntec REIT | Relative figure (%) |
|--|----------------------------|-----------------------|---------------------|
| Rule 1006(b) Net Profits (S\$ million) | 20.5 ⁹ | 178.0 ¹⁰ | 11.5 |
| Rule 1006(c) Consideration against market capitalisation (S\$ million) | 447.3 ¹¹ | 5,107.3 ¹² | 8.8 |

Accordingly, given that the relative figure computed on the basis under Rule 1006(b) 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 Manager¹³ located at 6 Temasek Boulevard, #16-02 Suntec Tower Four, 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 Contract of Sale of Land; and
- (ii) a copy of the valuation report by Savills.

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

Chan Kong Leong
Director

26 July 2017

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- 9 Based on net operating income from the Property post Practical Completion, less trust expenses at an average AUD:SGD rate of 1.08.
 - 10 Based on Suntec REIT's annualised unaudited half year financial statements for the financial year ending 31 December 2017
 - 11 Based on AUD:SGD exchange rate of 1.08.
 - 12 Suntec REIT's market capitalisation is as at 25 July 2017, being the market day preceding the date of entry into the Contract of Sale of Land.
 - 13 Prior appointment will be appreciated.

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 and a 25.0% interest in Southgate complex, Melbourne, Australia. Its aim is to invest in income-producing real estate which is primarily used for retail and/or office purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit 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").

Established in 2002, ARA is a premier integrated real estate fund manager driven by a vision to be the best-in-class real estate fund management company focused on the management of real estate investment trusts ("REITs") and private real estate funds.

ARA's business is focused on the following segments:

- (a) **REITs** – ARA is one of the largest REIT managers in Asia ex-Japan and currently manages six REITs listed in three countries, namely Fortune REIT dual-listed in Singapore and Hong Kong, Suntec REIT and Cache Logistics Trust listed in Singapore, Hui Xian REIT and Prosperity REIT listed in Hong Kong and AmFIRST REIT listed in Malaysia. The Group also manages six privately-held REITs in South Korea;
- (b) **Private real estate funds** – The Group manages 10 private funds investing in real estate in Asia; and
- (c) **Real estate management services** – The Group provides property management services and convention & exhibition services, including managing the award-winning Suntec Singapore Convention & Exhibition Centre

ARA's diverse suite of REITs and private real estate funds are invested in the office, retail, logistics/industrial, hospitality and residential sectors. ARA has distinguished itself over the years with its unique investor-operator philosophy, which nurtures each asset from acquisition to divestment to add value to every stage of the asset life cycle. Built on a foundation of strong corporate governance and business integrity, it counts some of the world's largest pension funds, financial institutions, endowments and family offices as its investors.

ARA has approximately 1,300 staff in 19 cities in seven countries. It manages close to 100 properties measuring 55 million square feet in Asia Pacific, with approximately S\$36 billion in assets under management.

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Suntec REIT.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, ARA Trust Management (Suntec) Limited (as the manager of Suntec REIT) (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 should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The 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.