

Press Release

23 January 2019

Manager of



Suntec REIT FY18 Distributable Income 1.4% Higher Year-on-Year

FY18 Distribution Per Unit (DPU) of 9.988 cents

Singapore, 23 January 2019 – 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\$69.5 million for the period 1 October to 31 December 2018 (“4Q 18”) which was 0.3% higher compared to the quarter ended 31 December 2017 (“4Q 17”). The distribution per unit (“DPU”) of 2.590 cents for 4Q 18 was 0.5% lower than 4Q 17 DPU of 2.604 cents due to the enlarged units base.

For the financial year ended 2018 (“FY18”), the distributable income of S\$266.8 million was 1.4% higher year-on-year. This included the capital distribution of S\$39.0 million which was 34.5% higher year-on-year. The DPU of 9.988 cents for FY18 was marginally lower than 2017 DPU of 10.005 cents by 0.2%.

Mr. Chong Kee Hiong, Chief Executive Officer of the Manager, said, “We are pleased to have recorded a higher distributable income for 2018. Suntec City Mall has performed well with improved occupancy, higher footfall and tenants’ sales. The acquisition of the additional 25% interest in Southgate Complex also contributed to the stronger performance. This was however offset by higher financing costs, transitory downtime for the Singapore office leases and the weakened Australian dollar.”

As at 31 December 2018, the overall committed occupancy for the Singapore office portfolio stood at 98.5%.

Commenting on Suntec City Office, Mr. Chong said, “Suntec City continued to see a healthy take up of office spaces last quarter with demand coming from the Banking, Insurance and Financial Services and Technology, Media and Telecommunications sectors. The replacement leases from prior quarters have also fully commenced operations and their full contributions will flow through in 2019.”

Upgrading works at Suntec City Office has commenced and the entire project is targeted to complete by end 2021. 9 Penang Road is scheduled to complete by end 2019.

The performance of the Singapore office portfolio is expected to improve further in 2019 given the limited supply coming on-stream.

For Australia, the overall committed occupancy for the office portfolio improved to 99.4% as at 31 December 2018.

Mr. Chong said, "The high occupancy levels and longer weighted average lease expiries of our Australia office portfolio coupled with annual rental escalations contribute to a stable recurring income for Suntec REIT unitholders. Construction works for 477 Collins in Melbourne is on schedule to complete in mid 2020. Including the heads of agreement signed, we have achieved close to 82% pre-committed occupancy. In 2019, the occupancy and rental levels for our Australian assets are expected to remain high given the strong occupier demand and limited supply."

For the Singapore retail portfolio, the overall committed occupancy as at 31 December 2018 was 99.6%.

On Suntec City's retail performance, Mr. Chong said, "We have executed a successful multi-pronged strategy to reposition Suntec City Mall. In 2018, Suntec City's footfall increased by 4.8% year-on-year to 47 million and tenants' sales registered a 5.2% growth year-on-year. We expect Suntec City Mall to continue to perform well in 2019 as we curate exciting offerings to strengthen Suntec City's ecosystem and deliver greater value to our shoppers."

On the capital management front, Suntec REIT raised S\$1.2 billion in financing in 2018 and the aggregate leverage ratio was 38.1% as at 31 December 2018. All-in financing cost for FY18 was 2.82% per annum with approximately 75.0% of the debt fixed/hedged.

Mr. Chong added, "In view of the rising interest rate environment, we will continue our prudent capital management strategy and proactively manage the refinancing of the loan due in 2019."

Summary of Suntec REIT's 4Q 18 and FY18 Results

	4Q 18 (S\$'000)	4Q 17 (S\$'000)	% Change	FY18 (S\$'000)	FY17 (S\$'000)	% Change
Gross revenue	93,453	87,323	7.0	363,504	354,196	2.6
Net property income	60,726	59,355	2.3	240,977	244,457	-1.4
Income contribution from JVs	22,717	21,316	6.6	91,213	89,679	1.7
Distributable income	69,459	69,280	0.3	266,811	263,017	1.4
- from operations	56,959	59,280	-3.9	227,811	234,017	-2.7
- from capital	12,500	10,000	25.0	39,000	29,000	34.5
Distribution per unit	2.590¢	2.604¢	-0.5	9.988¢	10.005¢	-0.2
- from operations	2.124¢	2.228¢	-4.7	8.529¢	8.907¢	-4.2
- from capital	0.466¢	0.376¢	23.9	1.459¢	1.098¢	32.9
Distribution yield - based on 31 December 2018 closing price of S\$1.78				5.6%	5.6%	

For 4Q 18, Suntec REIT's gross revenue of S\$93.5 million was 7.0% higher year-on-year. This was mainly due to higher revenue from Suntec Singapore, 177 Pacific Highway and Suntec City Mall.

The net property income of S\$60.7 million was S\$1.4 million or 2.3% higher year-on-year. The sinking fund contribution for Suntec City Office upgrading works for 4Q 18 was S\$4.8 million. Excluding the sinking fund contribution which has no impact on DPU, the net property income would have increased 10.4% year-on-year.

For FY18, Suntec REIT's gross revenue of S\$363.5 million was an increase of 2.6% year-on-year. This was mainly due to higher contribution from Suntec Singapore and Suntec City Mall, partially offset by lower revenue from Suntec City Office due to the transitory downtime and lower revenue from 177 Pacific Highway due to the weakened Australian dollar.

Net property income decreased by 1.4% to S\$241.0 million which was similarly due to the sinking fund contribution for Suntec City Office upgrading works and the weakened Australian dollar. Excluding the sinking fund contribution of S\$11.2 million, the net property income would be 3.1% higher year-on-year.

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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.

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 30 June 2018, the Gross Assets Managed by ARA Group¹ and its Associates is approximately S\$78.2 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.; In Europe, ARA's platform is extended through its strategic partnership with Australia-based Cromwell Property Group.
- (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.

¹ 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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