

**K-REIT**asia



# 1 JAN – 30 SEP 2009 FINANCIAL RESULTS

13 Oct 2009

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# Highlights

- ✓ YTD Sep 2009 distributable income up 25.4% y-o-y
- ✓ Net property income up 27.3% y-o-y
- ✓ Portfolio with 94.9% committed occupancy
- ✓ Average portfolio rent up 6.5% y-o-y in Sep 2009
- ✓ Proposed rights issue to enhance financial flexibility
- ✓ Increase in funding capacity with proposed rights issue

# *Operations Review*

# 3Q 2009 Distributable Income Up 18.3%

	3Q 2009	3Q 2008	Change	
<b>Property Income</b>	\$15.7m	\$13.9m	\$1.8m	12.9%
<b>Net Property Income</b>	\$12.3m	\$9.5m	\$2.8m	29.1%
<b>Distributable Income to Unitholders</b>	\$18.0m	\$15.2m	\$2.8m	18.3%
<b>Distribution Per Unit</b>	2.69cts <sup>(1)</sup>	2.34cts <sup>(2)</sup>	0.35cts	15.0%
<b>Distribution Yield</b>	9.0% <sup>(3)</sup>	9.7% <sup>(4)</sup>	- 0.7%	- 7.2%

- (1) Annualised 3Q 2009 distribution per unit : 10.67 cents
- (2) Annualised 3Q 2008 distribution per unit : 9.28 cents
- (3) Based on K-REIT Asia's closing unit price of \$1.18 as at 30 Sep 2009
- (4) Based on K-REIT Asia's closing unit price of \$0.96 as at 30 Sep 2008

# YTD Sep 2009 Distributable Income Up 25.4%

	YTD Sep 2009	YTD Sep 2008	Change	
<b>Property Income</b>	\$45.8m	\$38.4m	\$7.4m	19.4%
<b>Net Property Income</b>	\$35.4m	\$27.8m	\$7.6 m	27.3%
<b>Distributable Income to Unitholders</b>	\$51.1m	\$40.8m	\$10.3m	25.4%
<b>Distribution Per Unit</b>	7.67cts <sup>(1)</sup>	6.28cts <sup>(2)</sup>	1.39cts	22.1%
<b>Distribution Yield</b>	8.7% <sup>(3)</sup>	8.7% <sup>(4)</sup>	-	-

(1) Annualised YTD Sep 2009 distribution per unit : 10.25 cents

(2) Annualised YTD Sep 2008 distribution per unit : 8.37 cents

(3) Based on K-REIT Asia's closing unit price of \$1.18 as at 30 Sep 2009

(4) Based on K-REIT Asia's closing unit price of \$0.96 as at 30 Sep 2008

# Quarter-on-Quarter Performance

❖ 3Q 2009 distributable income up 2.7% quarter-on-quarter

	3Q 2009	2Q 2009	Change	
<b>Property Income</b>	\$15.7m	\$15.4m	\$0.3m	1.9%
<b>Net Property Income</b>	\$12.3m	\$12.3m	-	-
<b>Distributable Income to Unitholders</b>	\$18.0m	\$17.5m	\$0.5m	2.7%
<b>Distribution Per Unit</b>	2.69cts <sup>(1)</sup>	2.64cts <sup>(2)</sup>	0.05cts	1.9%
<b>Distribution Yield</b>	9.0% <sup>(3)</sup>	10.9% <sup>(4)</sup>	-1.9%	-17.4%

- (1) Annualised 3Q 2009 distribution per unit : 10.67 cents
- (2) Annualised 2Q 2009 distribution per unit : 10.59 cents
- (3) Based on K-REIT Asia's closing unit price of \$1.18 as at 30 Sep 2009
- (4) Based on K-REIT Asia's closing unit price of \$0.975 as at 30 Jun 2009

# Healthy Balance Sheet

❖ Aggregate leverage of 29.5% (*pre-Rights Issue*)

	<b>As at 30 Sep 2009</b>
Non-current Assets	\$1,921.0m
Total Assets	\$1,970.2m
Borrowings	\$578.5m
Total Liabilities	\$614.7m
Unitholders' Funds	\$1,355.5m
Net Asset Value Per Unit	\$2.03
Adjusted Net Asset Value Per Unit <sup>(1)</sup>	\$2.01

(1) Assuming distributable income for 3Q 2009 has been paid out to Unitholders



# Increase in Stake in Prudential Tower

- ❖ Acquisition of 6 strata floors for about \$106.3m
  - 14.6% discount to appraised value of \$124.5m
  - Gain of majority control (from 44% to 73% stake) of the asset
  - Guaranteed net property income yield of 5.2% for 5 years<sup>(1)</sup>
  - 6 additional tenants
- ❖ Acquisition will allow K-REIT Asia to:
  - Manage the asset's income more efficiently through its majority control
  - Improve income diversification
  - Enhance tenant base

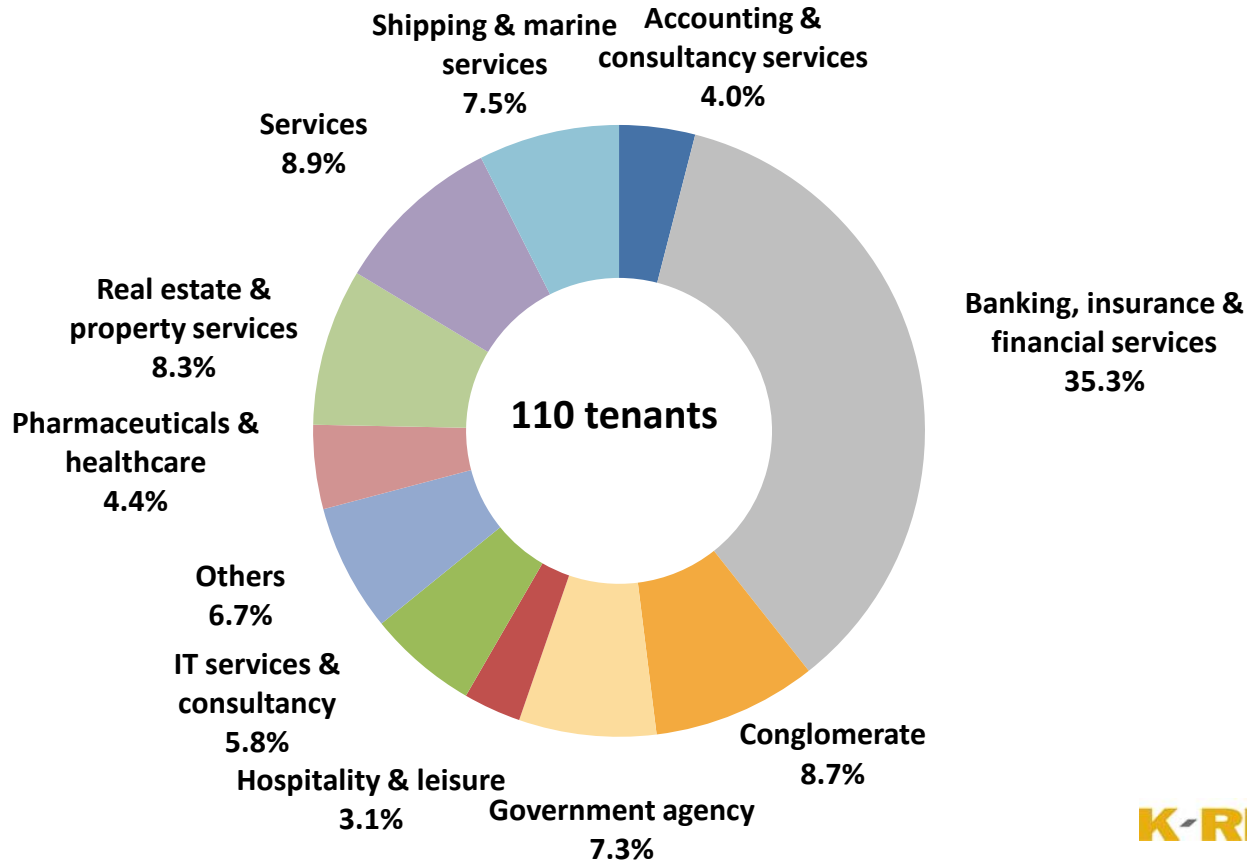
(1) Subject to income support of up to \$5m

# *Portfolio Analysis*

# Diverse Tenant Mix

❖ 110 tenants in various business sectors

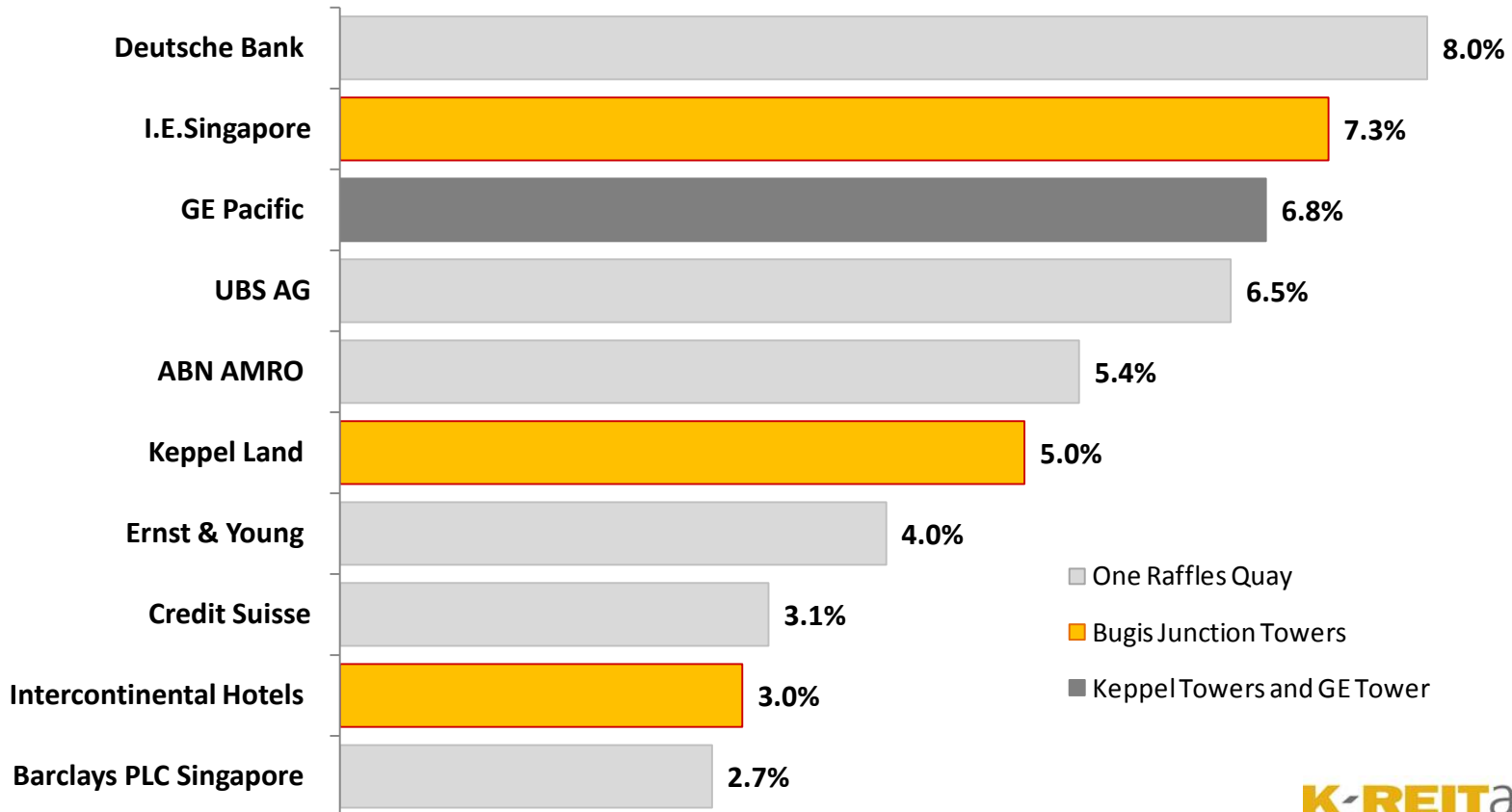
Tenant Business Sector by Net Lettable Area as at 30 Sep 2009



# Blue-chip Tenants

❖ Top 10 tenants comprise 51.9% of portfolio's net lettable area

Portfolio's Top 10 Tenants by Net Lettable Area as at 30 Sep 2009



# Portfolio Occupancy Rate vs Market

- ❖ 94.9% committed occupancy of portfolio as at 30 Sep 2009, higher than core CBD occupancy of 91.2% <sup>(1)</sup>

K-REIT Asia's Assets	As at 30 Sep 2009	As at 31 Dec 2008	Change in Area
Keppel Towers and GE Tower	92.9%	99.2%	27,182 sf
Bugis Junction Towers	91.5%	100%	20,968 sf
Prudential Tower (44% of strata area <sup>(2)</sup> )	89.5%	92.3%	3,046 sf
One Raffles Quay (1/3 stake)	100%	100%	-
<b>Portfolio</b>	<b>94.9%</b>	<b>99%</b>	<b>51,196 sf</b>

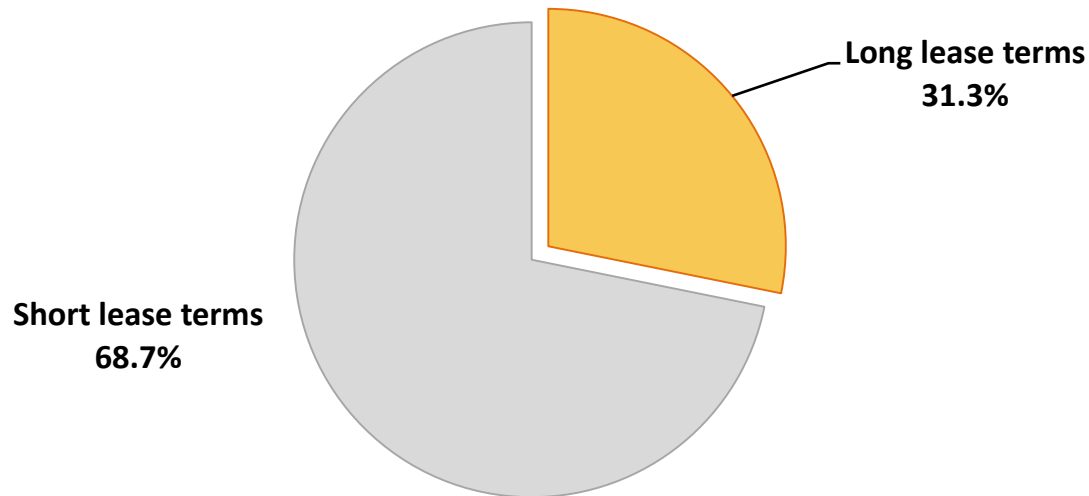
(1) Source: CBRE

(2) Equivalent to net lettable area of 108,439 sf; K-REIT Asia's stake will increase to 73% upon completion of acquisition of additional 6 strata floors in Nov 2009

# Long Lease Terms Provide Income Stability

- ❖ Weighted average lease term to expiry for
  - Portfolio: 5.3 years
  - Top 10 tenants who account for 51.9% of portfolio's NLA: 6.8 years
- ❖ Long lease terms<sup>(1)</sup> account for 31.3% of portfolio's NLA

**% of Portfolio's Net Lettable Area (NLA) with Long Lease Terms**

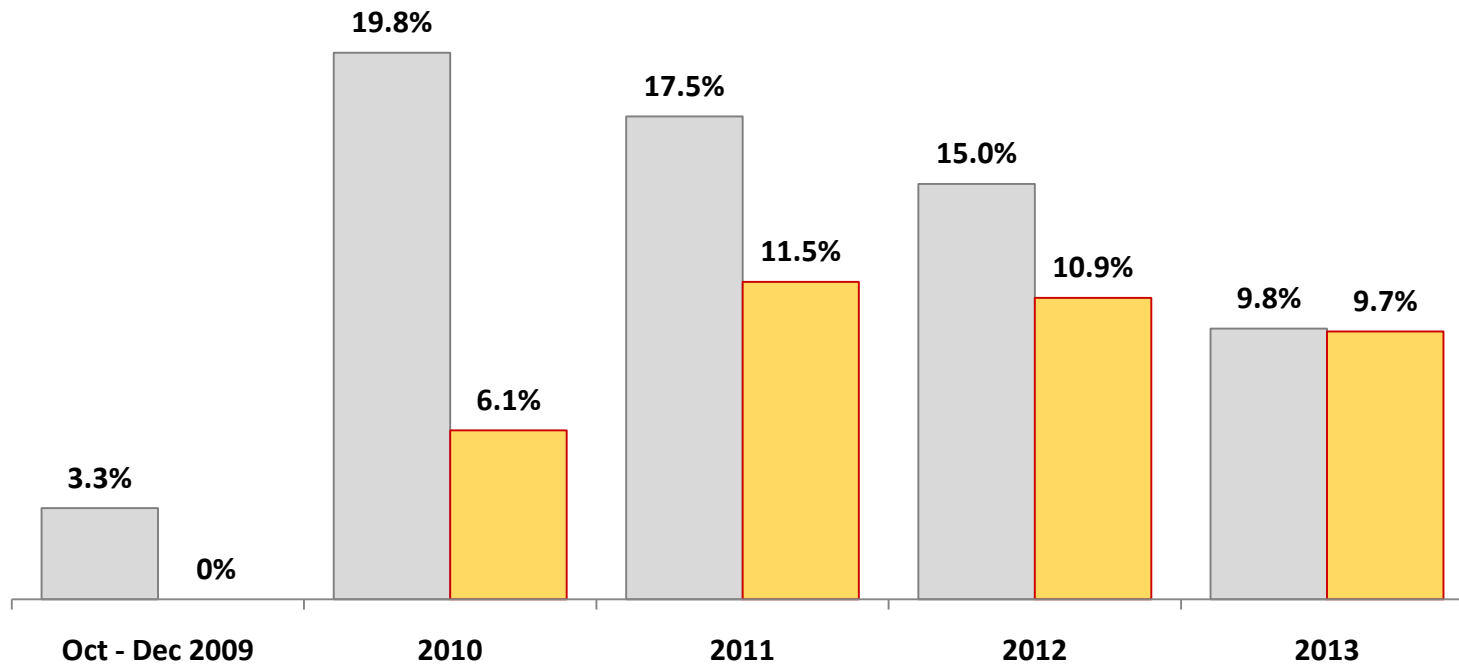


(1) Long lease terms are those with lease term to expiry of at least 5 years

# Portfolio Lease Profile

- ❖ Lease expiries and rent reviews well dispersed and staggered from 2010-2013

Lease Profile as a % of Net Lettable Area as at 30 Sep 2009



■ Expiring Leases as a Percentage of Portfolio's Total NLA (including 1/3 One Raffles Quay)

■ Rent Reviews as a Percentage of Portfolio's Total NLA (including 1/3 One Raffles Quay)

# 4Q 2009 Lease Profile by Asset

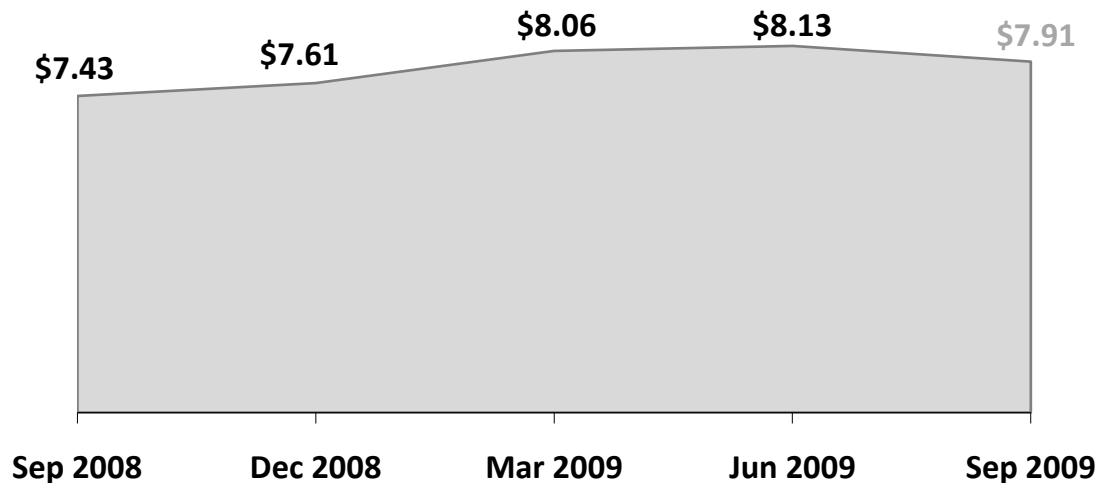
- ❖ Only 3.3% of portfolio's NLA up for lease expiry in 4Q 2009
- ❖ Completion of all rent reviews done for 2009

Net Lettable Area (NLA) as at 30 Sep 2009		
	Leases Expiring in 4Q 2009 (sf)	% of Portfolio's NLA
Keppel Towers and GE Tower	23,664	1.9%
Bugis Junction Towers	-	-
Prudential Tower (44% of strata area)	16,986	1.4%
One Raffles Quay (1/3 stake)	-	-
<b>Total</b>	<b>40,650</b>	<b>3.3%</b>



# Average Portfolio Rent

- ❖ Average portfolio rent in Sep 2009: \$7.91 psf
  - \$8.22 psf if not for lower income support from 1/3 ORQ <sup>(1)</sup>
- ❖ Excluding 1/3 ORQ, average portfolio rent: \$7.14 psf in Sep



(1) The lower income support from One Raffles Quay (ORQ) is due to higher net property income arising from lower property expenses

# Portfolio Valuations vs Market Valuations

- ❖ K-REIT Asia's portfolio valuation: \$2 bln<sup>(1)</sup> as at 29 Sep 2009
  - Slight fall of 6.3% from Dec 2008 portfolio valuation of \$2.1 bln

	As at 29 Sep 2009	As at 31 Dec 2008
Keppel Towers and GE Tower	\$1,250 psf	\$1,347 psf
Bugis Junction Towers	\$1,200 psf	\$1,265 psf
Prudential Tower (44% of strata area)	\$1,850 psf	\$2,066 psf
One Raffles Quay (1/3 stake)	\$2,100 psf	\$2,213 psf
<b>Average Portfolio Valuation</b>	<b>\$1,600 psf</b>	<b>\$1,707 psf</b>

- ❖ Market valuations for prime office , 3Q 2009
  - CBRE: \$1,550 psf and
  - Jones Lang LaSalle: \$1,700 psf

(1) Excludes the acquisition of the 6 strata floors of Prudential Tower

# *Capital Management*

# Rights Issue to Enhance Financial Flexibility

- ❖ Total debt of \$581m as at 30 Sep 2009, comprising
  - Fixed-rate mortgage loan of \$190m maturing in May 2011
  - Revolving loan of \$391m maturing in Mar 2011
    - To be repaid from proceeds of Rights Issue <sup>(1)</sup>

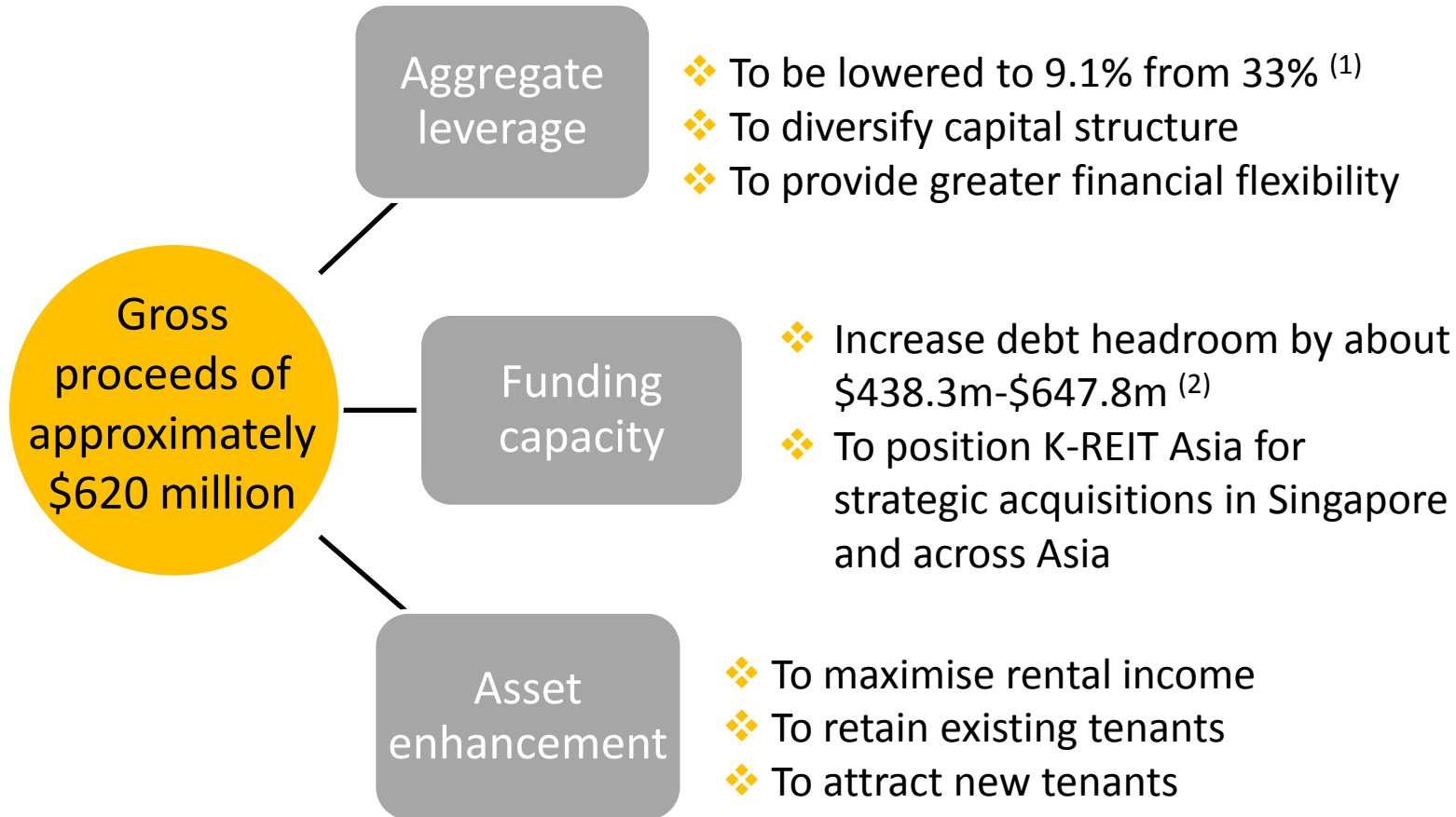
<i>Pre-Rights Issue</i>	
<b>As at 30 Sep 2009</b>	
Gross Borrowings <sup>(2)</sup>	\$581.1m
Aggregate Leverage	29.5%
All-in Interest Rate	4.25%
Interest Coverage Ratio <sup>(3)</sup>	3.3 times
Weighted Average Term to Expiry	1.5 years

(1) If approval is obtained at extraordinary general meeting to be convened on 21 Oct 2009

(2) Includes unamortised portion of fees of \$2.6 million

(3) Interest coverage ratio = Ratio of year-to-date earnings before interest, tax, depreciation and amortisation to interest expense

# Impact of Rights Issue



(1) After taking into account the latest valuation of K-REIT Asia's assets and proposed acquisition of 6 strata floors of Prudential Tower

(2) Assuming aggregate leverage of 30% to 40%

# ***Market Review & Outlook***

# Improvement in Business Confidence

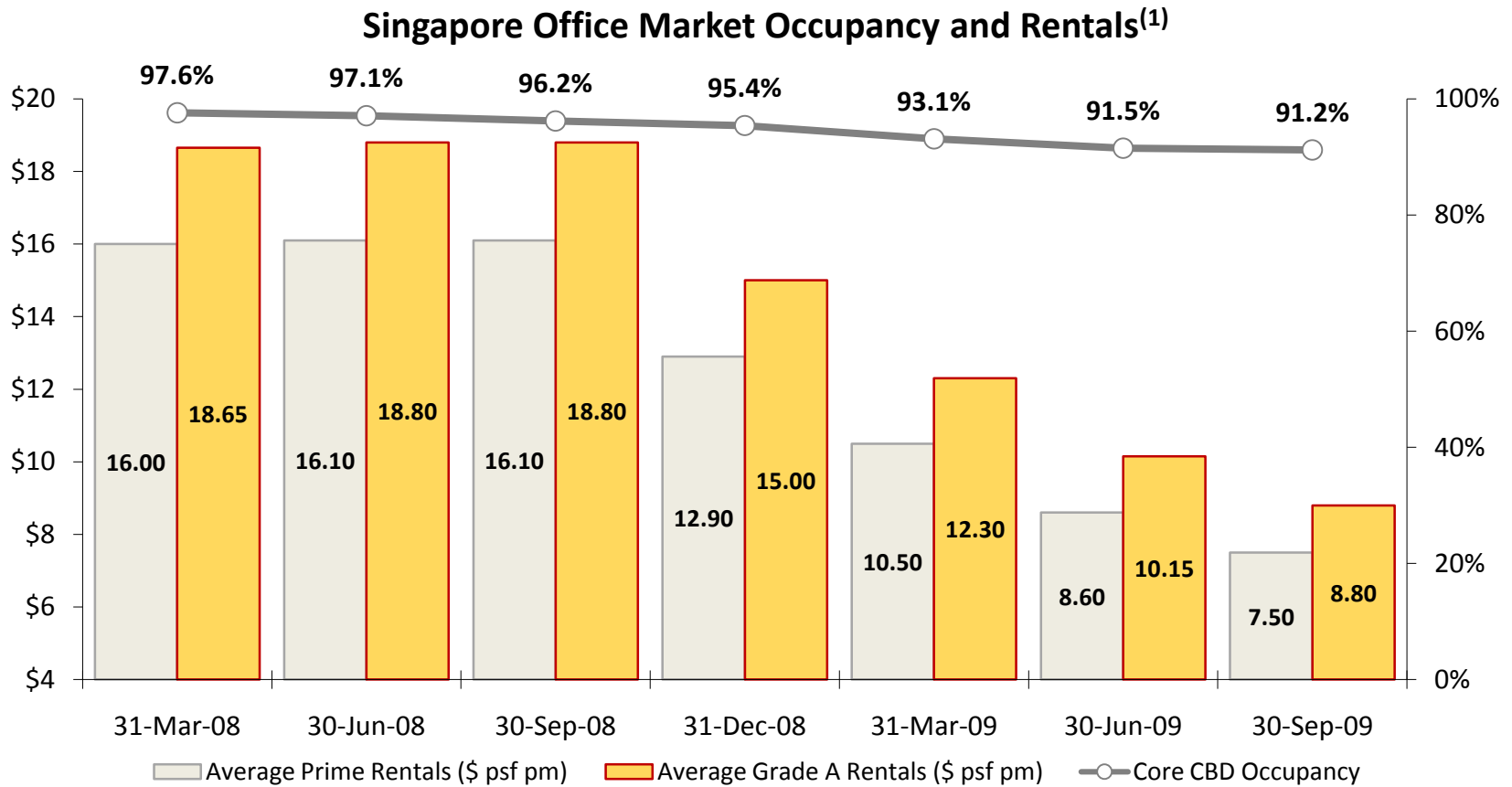
- ❖ Signs of economic recovery
  - Singapore government revises 2009 GDP forecast upwards to between -2.5% and -2% from -6% to -4%
  - 2<sup>nd</sup> consecutive quarter-on-quarter expansion in GDP
  - Pick-up in office leasing activities
- ❖ Delays in construction of office projects have reduced supply
  - New office supply from 3Q 2009-2013 of about 5.7m sf<sup>(1)</sup> (or 1.3m sf p.a.), compared to 7.1m sf<sup>(2)</sup> (or 1.8m sf p.a.)
- ❖ Trend of conversion of office space in central area to other uses such as residential, may further trim supply

(1) Excluding pre-committed space of about 2.3 million sf as estimated by CBRE

(2) As estimated by CBRE in Jan 2009

# Pace of Decline for Rents Easing

❖ Flight to quality and opportunistic expansion as rents ease



(1) Source: CBRE



# Singapore: Key Business Destination

- ❖ Singapore remains a key investment market in Asia
  - World's easiest place to do business ("Doing Business 2009" ranking by World Bank) for 4th consecutive year
  - 4<sup>th</sup> best financial centre globally in 2009, up from 10<sup>th</sup> in 2008 (ranking by World Economic Forum)
  - Financial sector selectively re-hiring
  - Diversifying beyond a financial hub and establishing multi-hubs in various industry sectors
  - Positive spin-offs for office sector with transformation of Singapore into a global city and the completion of the two integrated resorts

# Competitive Occupancy Costs in Singapore

- ❖ Global ranking of 170 cities' office rents <sup>(1)</sup>
  - Singapore slipped to 26<sup>th</sup> position in Jun 2009, compared to 6<sup>th</sup> in Dec 2008 in terms of occupancy costs
  - Ranked below Hong Kong, Tokyo and Mumbai
- ❖ Asia Pacific ranking of Grade A office rents <sup>(1)</sup>
  - Singapore's rents fell below Ho Chi Minh City in 2Q 2009

Asia Pacific Grade A Office Rents Ranking

Rank	2Q 2009	Rents (US\$/sf/yr)	1Q 2009	Rents (US\$/sf/yr)
1	Tokyo	120.0	Tokyo	117.3
2	Hong Kong	79.0	Hong Kong	88.1
3	Ho Chi Minh City	58.5	<b>Singapore</b>	72.0
4	<b>Singapore</b>	55.7	Ho Chi Minh City	64.1

(1) Source: Colliers

# *Going Forward*

# Key Thrusts

- ❖ Pursue opportunities for strategic acquisitions in Singapore and across Asia
- ❖ Source for optimal debt to minimise interest costs
- ❖ Focus on tenant retention
- ❖ Attract creditworthy new tenants
- ❖ Manage K-REIT Asia's assets efficiently
- ❖ Manage operating cost structure more effectively

### **IMPORTANT NOTICE**

*The value of units in K-REIT Asia (“Units”) and the income 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 K-REIT Asia is not necessarily indicative of its future performance. This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view on future events.*

# ***Additional Information***

# Snapshot of K-REIT Asia

**Manager**

K-REIT Asia Management Limited

**Property Portfolio**

5 commercial office assets valued at \$2.0 billion

**Listing Date**

28 Apr 2006 on Singapore Stock Exchange

**Market Capitalisation**

\$747 million as at 12 Oct 2009

**Unit Price**

\$1.12

**Number of Units in Issue**

666,703,965

**Free Float**

24.2%<sup>(1)</sup>

**Aggregate Leverage**

29.5%

(1) Excludes stakes of about 45.3% held by Keppel Land and 30.6% held by Keppel Corporation

# Asset Portfolio Information

Property within/ near Singapore CBD	Prudential Tower <sup>(1)</sup>	Keppel Towers and GE Tower	Bugis Junction Towers	One Raffles Quay
Net Lettable Area (sm)	10,074	39,963	22,991	41,359 <sup>(2)</sup>
Number of Tenants	11	60	8	31
Principal Tenants	McGraw-Hill Companies The Executive Centre KBC Bank N.V.	GE Pacific Seadrill Management Singapore Business Federation	IE Singapore Keppel Land Intercontinental Hotels Group	Deutsche Bank UBS ABN Amro
Tenure	99 years expiring 14 Jan 2095	Estate in fee simple	99 years expiring 9 Sep 2089	99 years expiring 12 Jun 2100
Valuation <sup>(3)</sup>	\$200.6 million (\$1,850 psf)	\$537.7 million (\$1,250 psf)	\$297 million (\$1,200 psf)	\$934.9 million <sup>(2)</sup> (\$2,100 psf)
Committed Occupancy @ 30 Sep 2009	89.5%	92.9%	91.5%	100%

(1) K-REIT Asia's ownership in Prudential Tower will increase to 73% of the total strata area of the building from 44%, upon completion of the acquisition of an additional 6 strata floors in Nov 2009

(2) Based on one-third interest in One Raffles Quay

(3) Valuation as at 29 Sep 2009 by Colliers International Consultancy & Valuation (Singapore) Pte Ltd



# Asset Portfolio

**Prudential Tower**



**Keppel Towers**



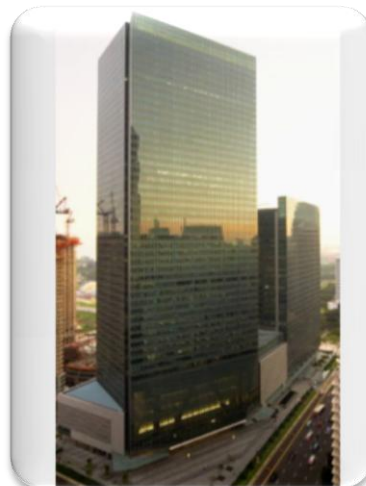
**GE Tower**



**Bugis Junction Towers**



**One Raffles Quay North Tower**



**One Raffles Quay South Tower**

