

**K-REIT**asia



## 1Q 2009 FINANCIAL RESULTS

21 Apr 2009

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# Highlights

- ✓ 1Q 2009 distributable income  37.3% y-o-y
- ✓ Net property income  18.4% y-o-y
- ✓ Portfolio with 95.8% committed occupancy
- ✓ Average portfolio gross rental rate in Mar 2009  17.5% y-o-y
- ✓ Low aggregate leverage of 27.6%
- ✓ No refinancing requirements until 2011

# *Operations Review*

# 1Q 2009 Distributable Income Up 37.3%

(\$'000)	1Q 2009	1Q 2008	Change	% Chg
<b>Property Income</b>	14,785	11,506	3,279	28.5
<b>Net Property Income</b>	10,820	9,141	1,679	18.4
<b>Distributable Income to Unitholders</b>	15,658	11,405	4,253	37.3
<b>Distribution Per Unit (cents)</b>	2.38	4.60 <sup>(1)</sup>	(2.22)	(48.3)
<b>Distribution Yield (%)</b>	16.2 <sup>(2)</sup>	12.1 <sup>(3)</sup>	4.1	33.9

- (1) Based on 248.1 million units in issue at end-March 2008; after a rights issue exercise was completed on 8 May 2008, 396.9 million new units were issued
- (2) Based on K-REIT Asia's unit closing price of \$0.595 as at 31 Mar 2009
- (3) Based on K-REIT Asia's unit closing price of \$1.53 as at 31 Mar 2008

# Quarter-on-Quarter Performance

(\$'000)	1Q 2009	4Q 2008	Change	% Chg
<b>Property Income</b>	14,785	14,289	496	3.5
<b>Net Property Income</b>	10,820	11,813	(993)	(8.4)
<b>Distributable Income to Unitholders</b>	15,658	17,410	(1,752)	(10.1)
<b>Distribution Per Unit (cents)</b>	2.38	2.67	(0.29)	(10.9)
<b>Distribution Yield (%)</b>	16.2 <sup>(1)</sup>	15.2 <sup>(2)</sup>	1.0	6.6

(1) Based on K-REIT Asia's unit closing price of \$0.595 as at 31 Mar 2009

(2) Based on K-REIT Asia's unit closing price of \$0.70 as at 31 Dec 2008

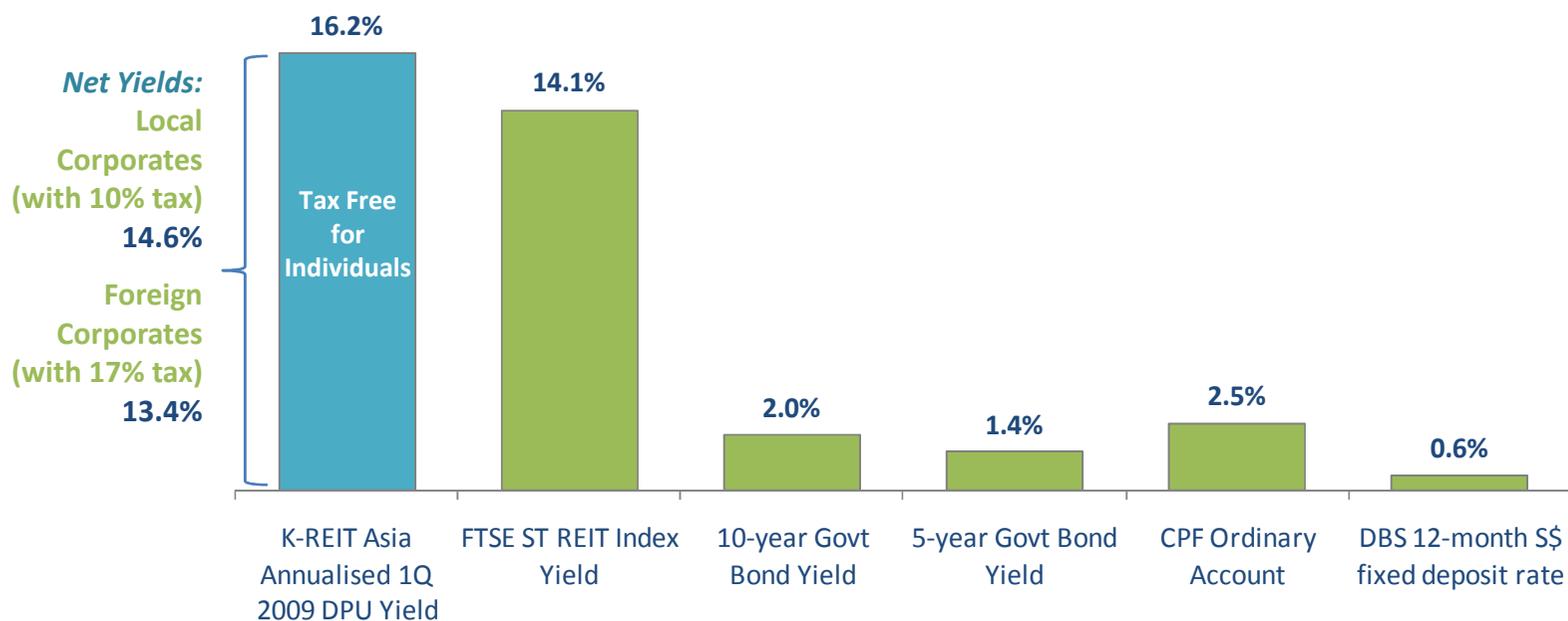
# Rising DPUs



(1) Based on annualised distribution per unit for 1Q 2009; distribution for 1Q 2009 was 2.38 cents per unit.

# Attractive Distribution Yield

As at 31 Mar 2009



- (1) Based on annualised 1Q 2009 distribution per unit of 9.65 cents and unit price of \$0.595 on 31 Mar 2009
- (2) Based on 12-month gross dividend yield of stocks in the FTSE ST Real Estate Investment Trust Index as at 31 Mar 2009

# Healthy Balance Sheet

## ❖ Aggregate leverage of 27.6%

- Lower than S-REIT sector average of about 35%<sup>(1)</sup>

(\$ million)	As at 31 Mar 2009
<b>Non-current Assets</b>	2,028.0
<b>Total Assets</b>	2,073.0
<b>Borrowings</b>	577.6
<b>Total Liabilities</b>	612.0
<b>Unitholders' Funds</b>	1,461.0
<b>Net Asset Value Per Unit</b>	\$2.22
<b>Adjusted Net Asset Value Per Unit <sup>(2)</sup></b>	\$2.20

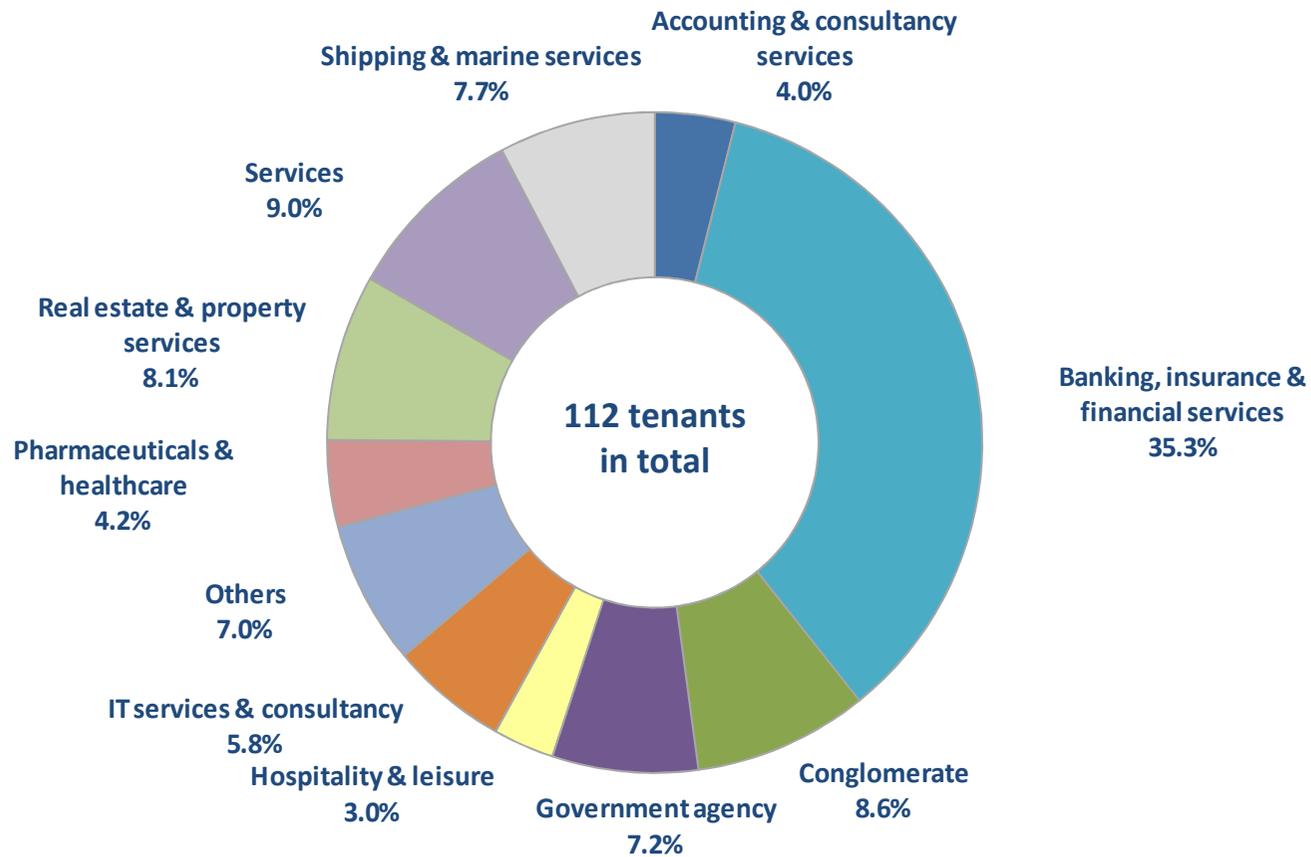
(1) Source: OCBC Research, 1 Apr 2009

(2) Excluding distributable income for 1Q 2009

# *Portfolio Analysis*

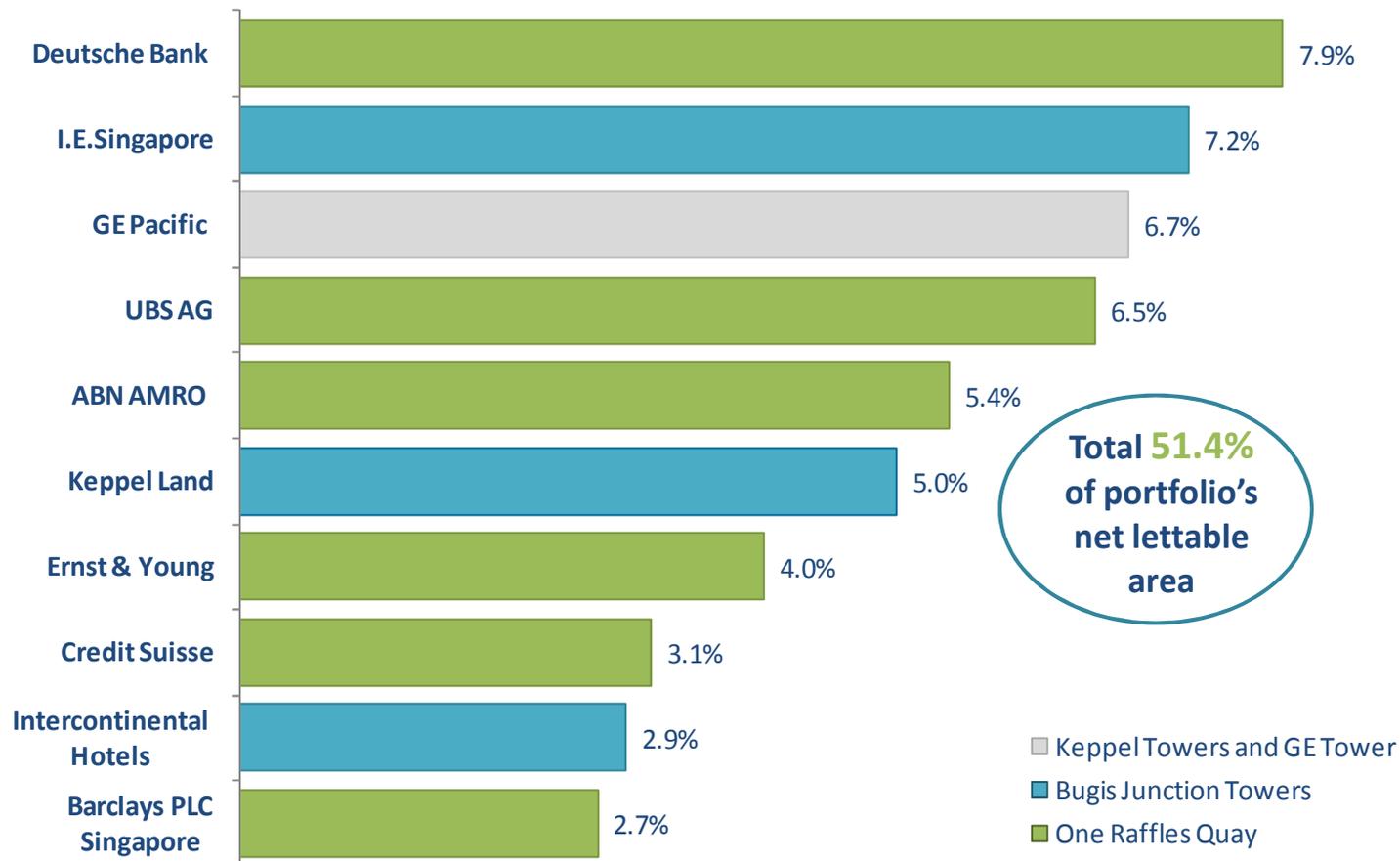
# Broad Tenant Diversity

Tenant Business Sector by Net Lettable Area as at 31 Mar 2009



# Blue-chip Tenants

Portfolio's Top 10 Tenants by Net Lettable Area as at 31 Mar 2009



# Occupancy Rate

- ❖ 95.8% committed occupancy of portfolio as at 31 Mar 2009 higher than core CBD occupancy of 93.1%<sup>(1)</sup>

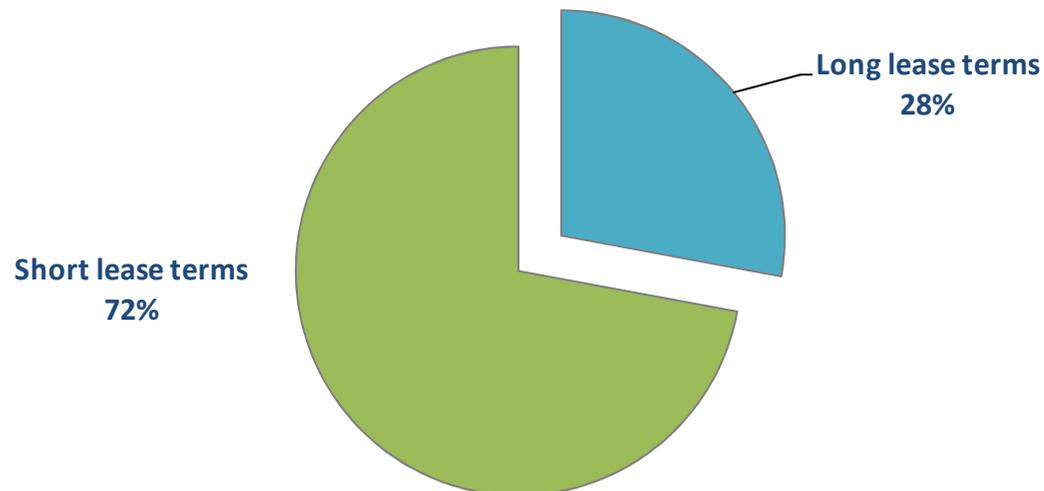
Assets	As at 31 Mar 2009	As at 31 Dec 2008
Prudential Tower	87.7%	92.3%
Keppel Towers and GE Tower	95.9%	99.2%
Bugis Junction Towers	91.5%	100%
One Raffles Quay (1/3 stake)	100%	100%
<b>K-REIT Asia's Portfolio</b>	<b>95.8%</b>	<b>99%</b>

(1) Source: CBRE

# Long Lease Terms

- ❖ Weighted average lease term to expiry for
  - Portfolio: 5.5 years
  - Top 10 tenants who account for 51.4% of portfolio's NLA: 7.3 years
- ❖ 28% of portfolio's NLA accounted by long lease terms<sup>(1)</sup>

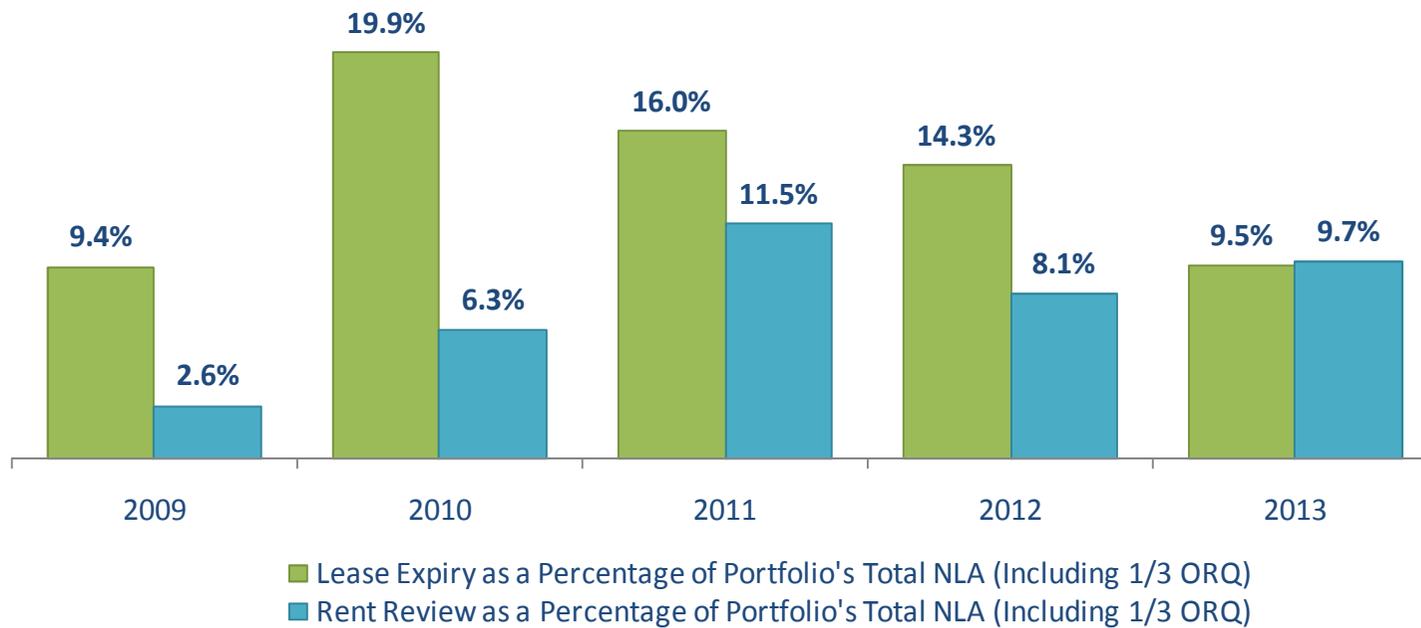
**% of Portfolio's Net Lettable Area (NLA) Accounted by Long Lease Terms**



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

# Portfolio Lease Profile

Lease Profile as a % of Net Lettable Area as at 31 Mar 2009



**Gross rental income based on committed leases for FY2009 already exceeds FY2008's total gross rental income**

# 2009 Lease Expiry Profile by Asset

As at 31 Mar 2009	Net Lettable Area (NLA)	
	Area of Leases Expiring in 2009 (sf)	% of Portfolio's NLA
Prudential Tower	18,762	1.5%
Keppel Towers and GE Tower	90,980	7.4%
Bugis Junction Towers	2,228	0.2%
One Raffles Quay (1/3 stake)	3,731	0.3%
<b>Total</b>	<b>115,701</b>	<b>9.4%</b>

# 2009 Rent Review Profile by Asset

As at 31 Mar 2009	Net Lettable Area	
	Area Subject to Rent Review in 2009 (sf)	% of Portfolio's NLA
One Raffles Quay (1/3 stake)	31,915	2.6%
<b>Total</b>	<b>31,915</b>	<b>2.6%</b>

# Average Portfolio Rent Below Market Rents

❖ Average portfolio rent in Mar 2009: \$8.06 psf pm

Average Portfolio Gross Rental Rates



(1) Includes one-third interest in One Raffles Quay (ORQ) with income support

# *Capital Management*

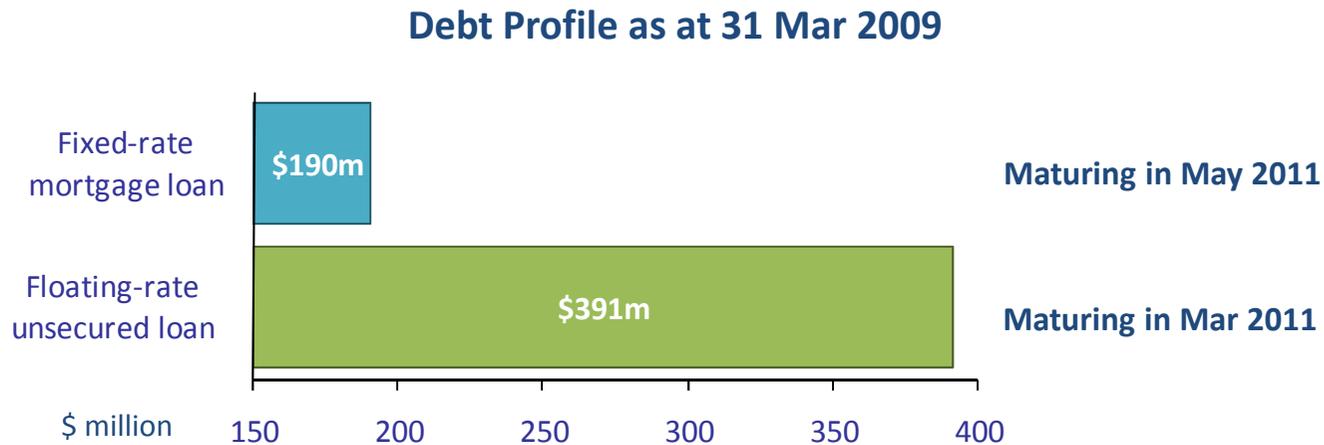
# Prudent Financial Management

	As at 31 Mar 2009
Gross Borrowings	\$581.1m
Aggregate Leverage	27.6%
All-in Interest Rate	4.26%
Interest Coverage Ratio <sup>(1)</sup>	3.04 times
Weighted Average Term to Expiry	2.0 years
Corporate Rating (by Moody's)	Baa3

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

# No Immediate Need for Refinancing

- ❖ About 2/3 of total debt is unsecured



# *Market Review and Outlook*

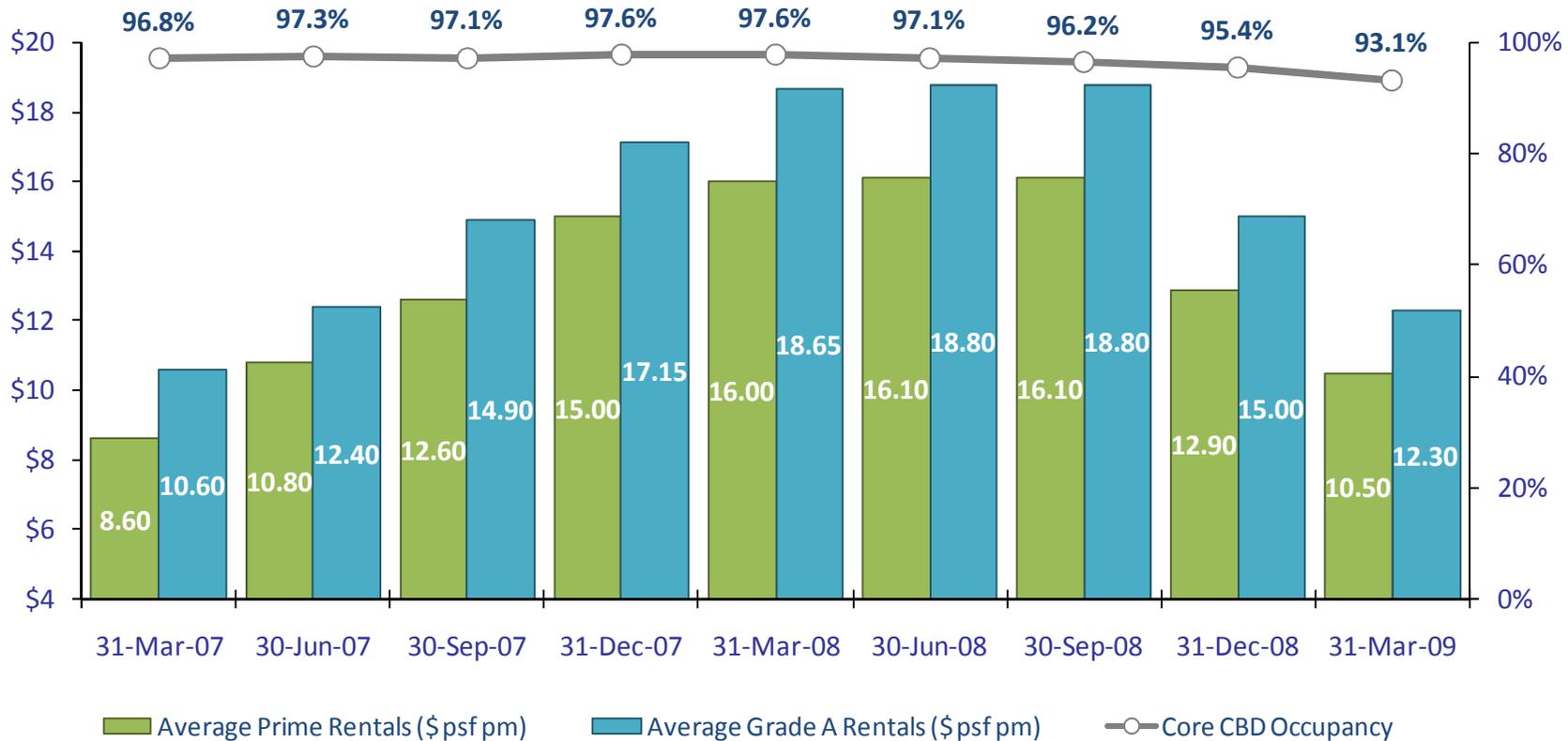
# Weak Market Sentiment

- ❖ Global economic downturn deepens
  - Singapore government cut GDP forecast to between -9% and -6% in 2009
  - Office demand likely to be soft for 2009
  - However, collective efforts by worldwide governments prevent downturn from worsening
- ❖ Singapore government's measures to cushion the impact
  - \$20.5 billion stimulus package announced in 2009 Budget
  - Suspension of confirmed list for government land sales
- ❖ Delays in construction of some office projects have reduced supply
  - Deferred projects already total about 872,000 sf of new office space
  - New office supply from 2009-2012 lowered to 6.2 million sf<sup>(1)</sup>

(1) Excluding pre-committed space of about 2.4 million sf as estimated by CBRE

# Office Rents Moderating

Office Market Occupancy and Rentals<sup>(1)</sup>



(1) Source: CBRE

# Singapore: Key Business Destination in Longer Term

## ❖ Singapore:

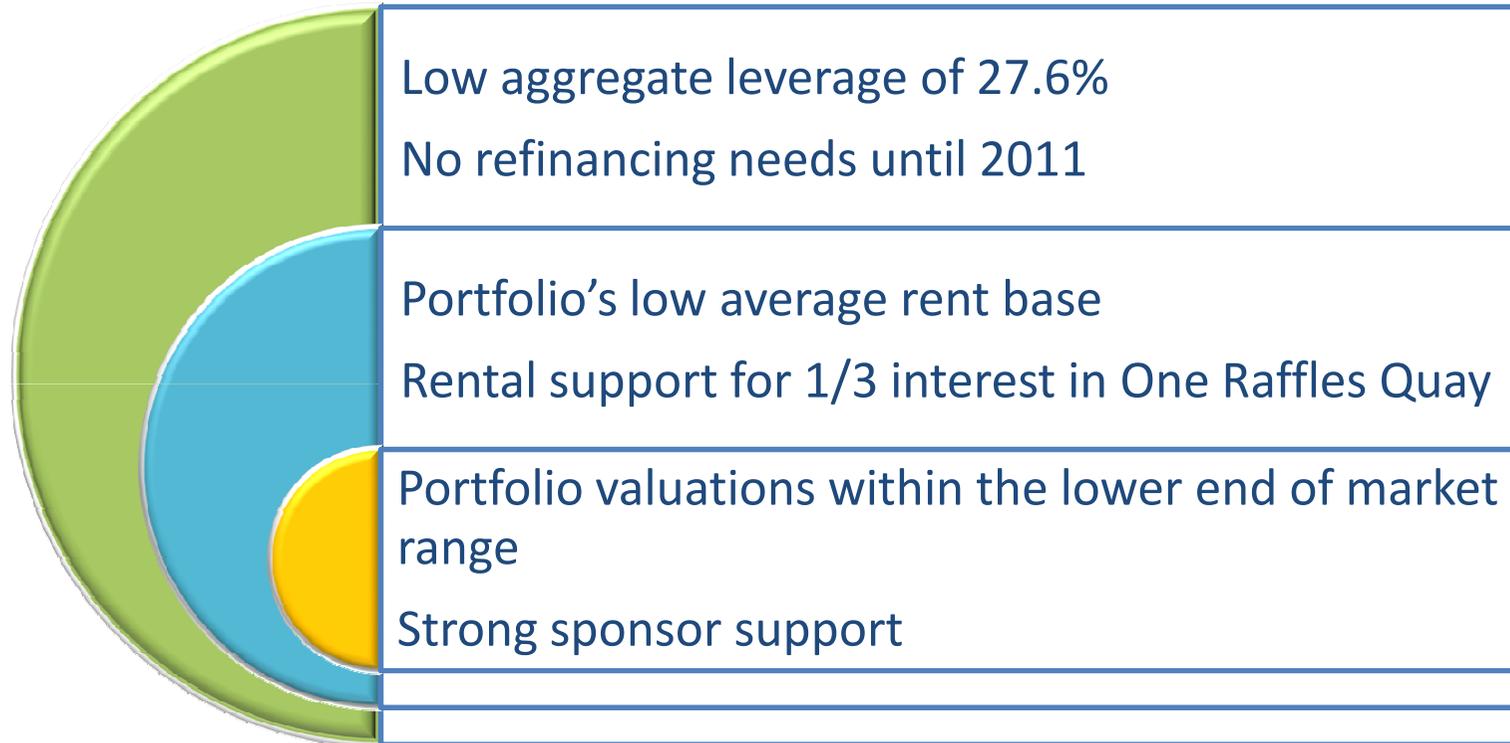
- Remains a key investment market in Asia
  - 4<sup>th</sup> in Forbes magazine's 2009 ranking of the best countries to do business
- Diversifying beyond a financial hub and establishing multi-hubs in various industry sectors
- In the medium term: Positive spin-offs for office sector with transformation of Singapore into a global city and the completion of the two integrated resorts
- Ranked 10<sup>th</sup> in DTZ's 2009 global survey of office occupancy costs
  - Singapore more cost-competitive than Asian cities, Tokyo (ranked 1<sup>st</sup>) and Hong Kong (ranked 3<sup>rd</sup>)

# *Going Forward*

# Meeting Challenges Ahead

- ❖ Priority on tenant retention and proactive asset management
- ❖ Opportunities for selective asset acquisitions

# Positive Factors for K-REIT Asia





# Thank You

*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

<b>Manager</b>	K-REIT Asia Management Limited
<b>Property Portfolio</b>	5 commercial office assets valued at \$2.1 billion
<b>Listing Date</b>	28 Apr 2006 on Singapore Stock Exchange
<b>Market Capitalisation</b>	\$450 million as at 20 Apr 2009
<b>Unit Price</b>	\$0.685
<b>Number of Units in Issue</b>	657,543,286
<b>Free Float</b>	24.5% <sup>(1)</sup>
<b>Aggregate Leverage</b>	27.6%

(1) Excludes stakes of about 44.5% held by Keppel Land and 31.0% held by Keppel Corporation

# Asset Portfolio

Property within/ near Singapore CBD	Prudential Tower <sup>(1)</sup>	Keppel Towers and GE Tower	Bugis Junction Towers	One Raffles Quay
<b>Net Lettable Area (sm)</b>	10,074	39,963	22,991	41,360 <sup>(2)</sup>
<b>Number of Tenants</b>	10	62	8	32
<b>Principal Tenants</b>	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
<b>Tenure</b>	99 years expiring 14 Jan 2095	Estate in fee simple	99 years expiring 9 Sep 2089	99 years expiring 12 Jun 2100
<b>Valuation<sup>(3)</sup></b>	\$224 million (\$2,066 psf)	\$580 million (\$1,347 psf)	\$313 million (\$1,265 psf)	\$985 million <sup>(2)</sup> (\$2,213 psf)
<b>Committed Occupancy @ 31 Mar 2009</b>	87.7%	95.9%	91.5%	100%

(1) K-REIT Asia owns approximately 44% of the strata area of the building

(2) Net lettable area of 41,360 sm represents one-third of One Raffles Quay's total net lettable area and valuation of \$985 million is for one-third interest in One Raffles Quay

(3) Valuation as at 31 Dec 2008 by Knight Frank

# Asset Portfolio

Prudential Tower



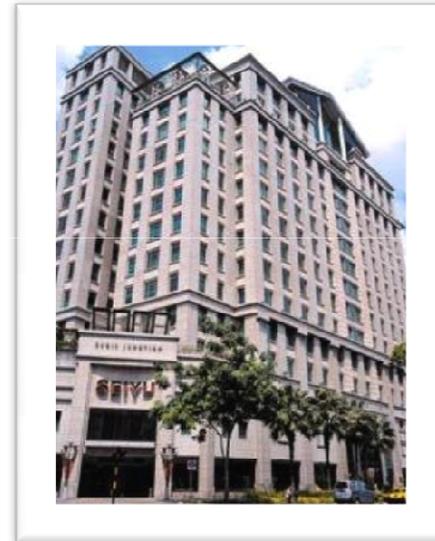
Keppel Towers



GE Tower



Bugis Junction Towers



One Raffles Quay North Tower



One Raffles Quay South Tower

