

**K-REIT**asia



## FY2008 FINANCIAL RESULTS




19 Jan 2009

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# Highlights

Performance better than  
FY2007 and forecast FY2008

- ✓ FY2008 distributable income  166.7% y-o-y
- ✓ Net property income  40.3% y-o-y
- ✓ Portfolio with 99% committed occupancy
- ✓ Average portfolio gross rental rate  26.4% y-o-y
- ✓ Low aggregate leverage of 27.6%
- ✓ No refinancing requirements until 2011

# *Operations Review*

# FY2008 DPU

## Outperformed Forecast by 18.3%

(\$'000)	FY 2008	FY2008		FY2007	
	Actual	Forecast <sup>(1)</sup>	% Chg	Actual	% Chg
<b>Property Income</b>	52,646	50,543	4.2	40,069	31.4
<b>Net Property Income</b>	39,659	35,949	10.3	28,262	40.3
<b>Distributable Income to Unitholders</b>	58,182	49,055	18.6	21,812	166.7
<b>Distribution Per Unit (cents)</b>	8.91	7.53	18.3	8.82	1.0
<b>Distribution Yield<sup>(2)</sup> (%)</b>	12.7	10.8	18.3	12.6	1.0

(1) Derived from the forecast shown in K-REIT Asia's circular dated 9 Apr 2008 for the renounceable rights issue

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

# 4Q 2008 DPU

## Outperformed Forecast by 32.2%

(\$'000)	4Q 2008	4Q 2008		4Q 2007	
	Actual	Forecast <sup>(1)</sup>	% Chg	Actual	% Chg
<b>Property Income</b>	14,289	13,345	7.1	11,028	29.6
<b>Net Property Income</b>	11,813	8,573	37.8	7,024	68.2
<b>Distributable Income to Unitholders</b>	17,410	13,156	32.3	6,920	151.6
<b>Distribution Per Unit (cents)</b>	2.67	2.02	32.2	2.80	(4.6)
<b>Distribution Yield<sup>(2)</sup> (%)</b>	15.2	11.4	32.6	15.9	(4.4)

(1) Derived from the forecast shown in K-REIT Asia's circular dated 9 Apr 2008 for the renounceable rights issue

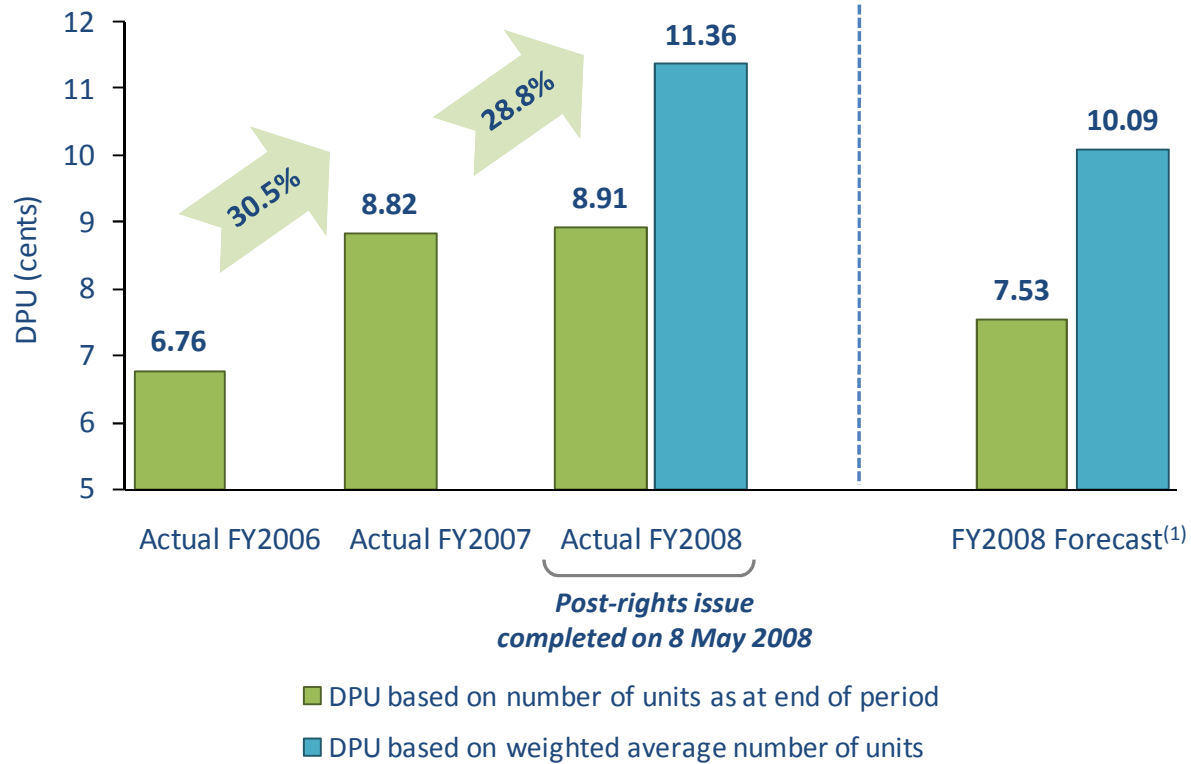
(2) Based on K-REIT Asia's unit closing price of \$0.70 as at 31 Dec 2008

# Improved Performance Quarter-on-Quarter

(\$'000)	4Q 2008	3Q 2008	
	Actual	Actual	% Chg
<b>Property Income</b>	14,289	13,862	3.1
<b>Net Property Income</b>	11,813	9,531	23.9
<b>Distributable Income to Unitholders</b>	17,410	15,191	14.6
<b>Distribution Per Unit (cents)</b>	2.67	2.34	14.1
<b>Distribution Yield<sup>(1)</sup> (%)</b>	15.2	13.3	14.4

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

# Rising DPUs



(1) Based on forecast as stated in K-REIT Asia's Circular dated 9 Apr 2008 for the renounceable rights issue

**68% increase in DPU since listing in 2006**



# Healthy Balance Sheet

## ❖ Aggregate leverage of 27.6%

- Lower than S-REIT weighted average of 32.6%<sup>(1)</sup>

(\$ million)	As at 31 Dec 2008	As at 31 Dec 2007
<b>Non-current Assets</b>	2,038.7	2,061.8
<b>Total Assets</b>	2,092.3	2,088.1
<b>Borrowings</b>	577.1	1,131.3
<b>Total Liabilities</b>	606.7	1,154.3
<b>Unitholders' Funds</b>	1,485.7	933.8
<b>Net Asset Value Per Unit</b>	\$2.28	\$3.78
<b>Adjusted Net Asset Value Per Unit <sup>(2)</sup></b>	\$2.19	\$3.69

(1) Source: OCBC Investment Research, 12 Dec 2008

(2) Excluding FY2008/FY2007 distributable income

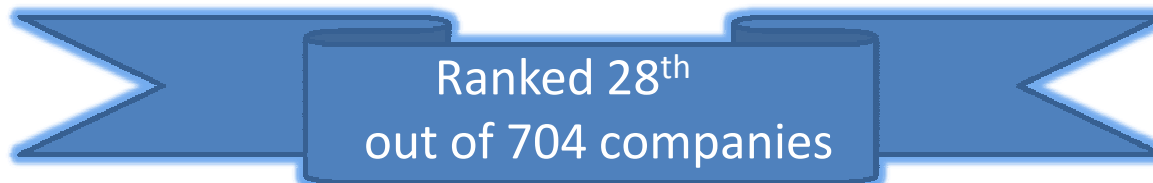
# Awards and Accolades in 2008

## ❖ One Raffles Quay:

- Winner of prestigious office category of the FIABCI Prix d'Excellence Awards 2008
- Winner of Safety and Engineering Excellence Award by Building & Construction Authority, Singapore
- Honorable Nominee for Best Tall Building Award by Council on Tall Buildings and Urban Habitat

## ❖ Business Times Corporate Transparency Index

- K-REIT Asia



# *Portfolio Analysis*

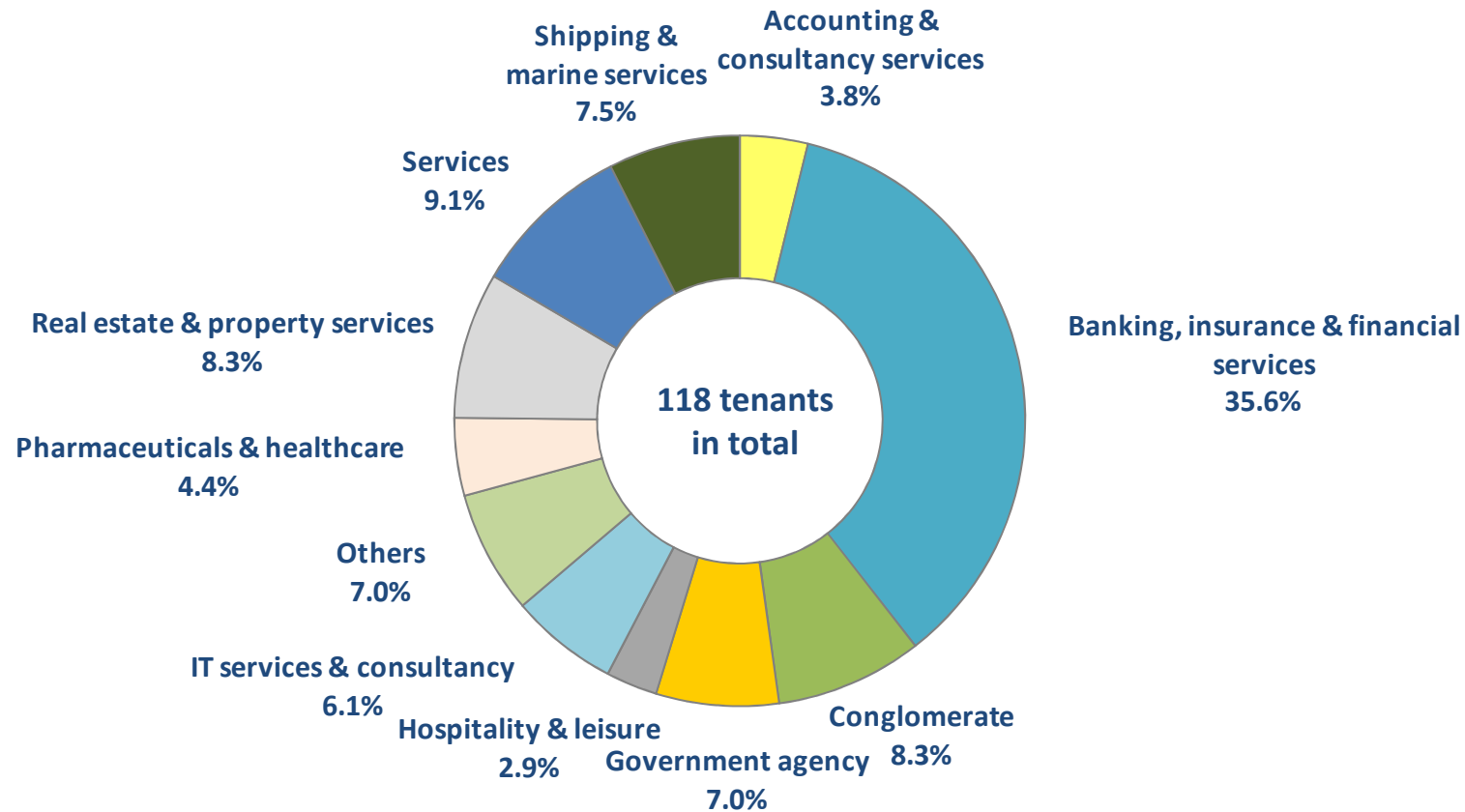
# Key Investor Concern

## Risk of declining rents

- Portfolio's low average rent base
- Rental support for 1/3 interest in One Raffles Quay
- Long lease tenures for major financial tenants
- Broad tenant diversity

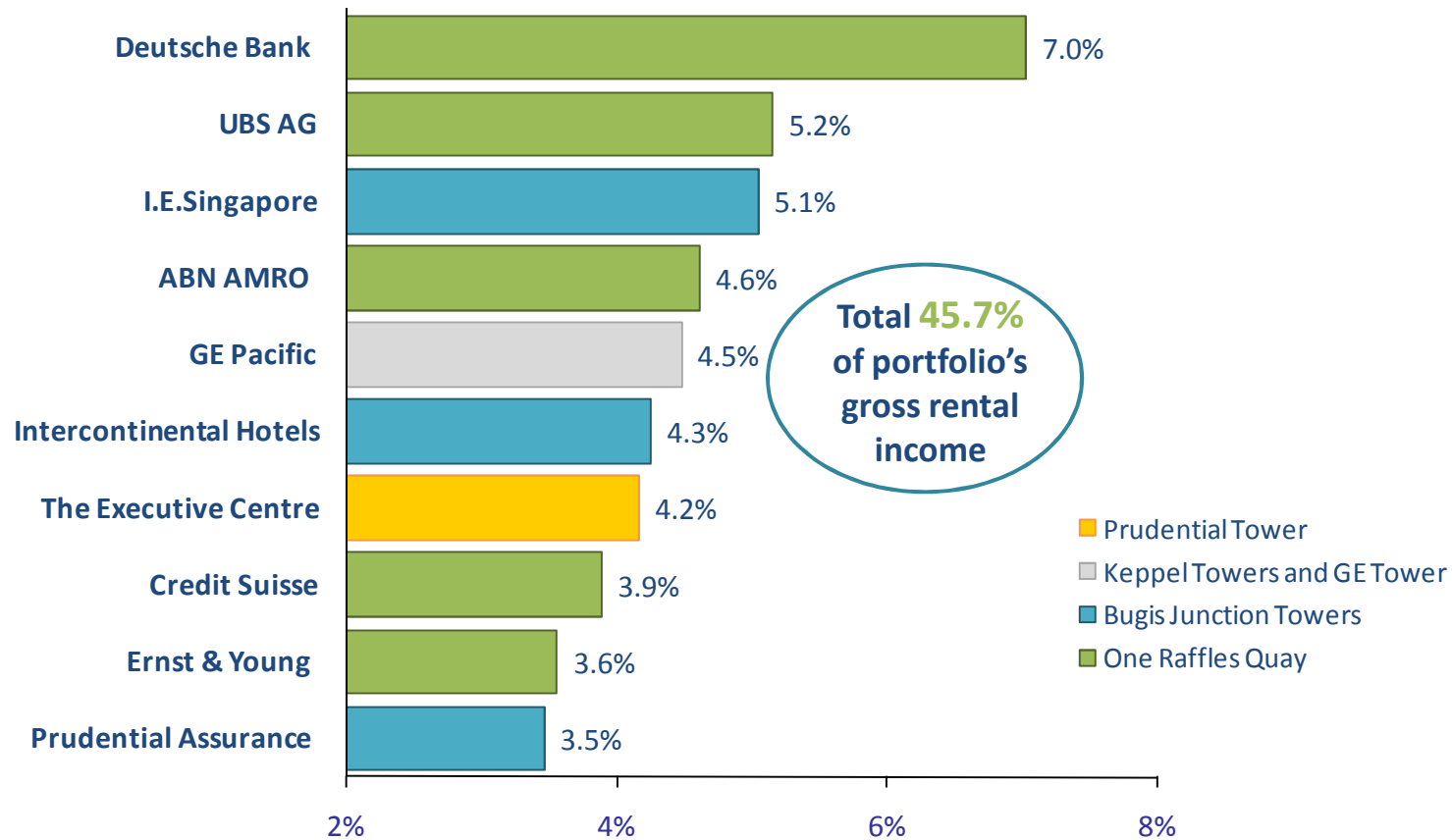
# Broad Tenant Diversity

Tenant Business Sector by Net Lettable Area as at 31 Dec 2008



# Blue-chip Tenants

Portfolio's Top 10 Tenants by Monthly Gross Rental Income for Dec 2008



# Healthy Occupancy Rate

- ❖ 99% portfolio committed occupancy as at 31 Dec 2008 higher than core CBD occupancy of 95.4%

Assets	As at 31 Dec 2008	As at 31 Dec 2007
Prudential Tower	92.3%	100%
Keppel Towers and GE Tower	99.2%	99.8%
Bugis Junction Towers	100%	100%
One Raffles Quay (1/3 stake)	100%	100%

# Long Lease Terms

- ❖ Weighted average lease term to expiry for
  - Portfolio: 5.6 years
  - Top 10 tenants who contribute 45.7% of portfolio's rental income: 7.6 years
- ❖ 27% of NLA accounted by long lease terms<sup>(1)</sup>

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

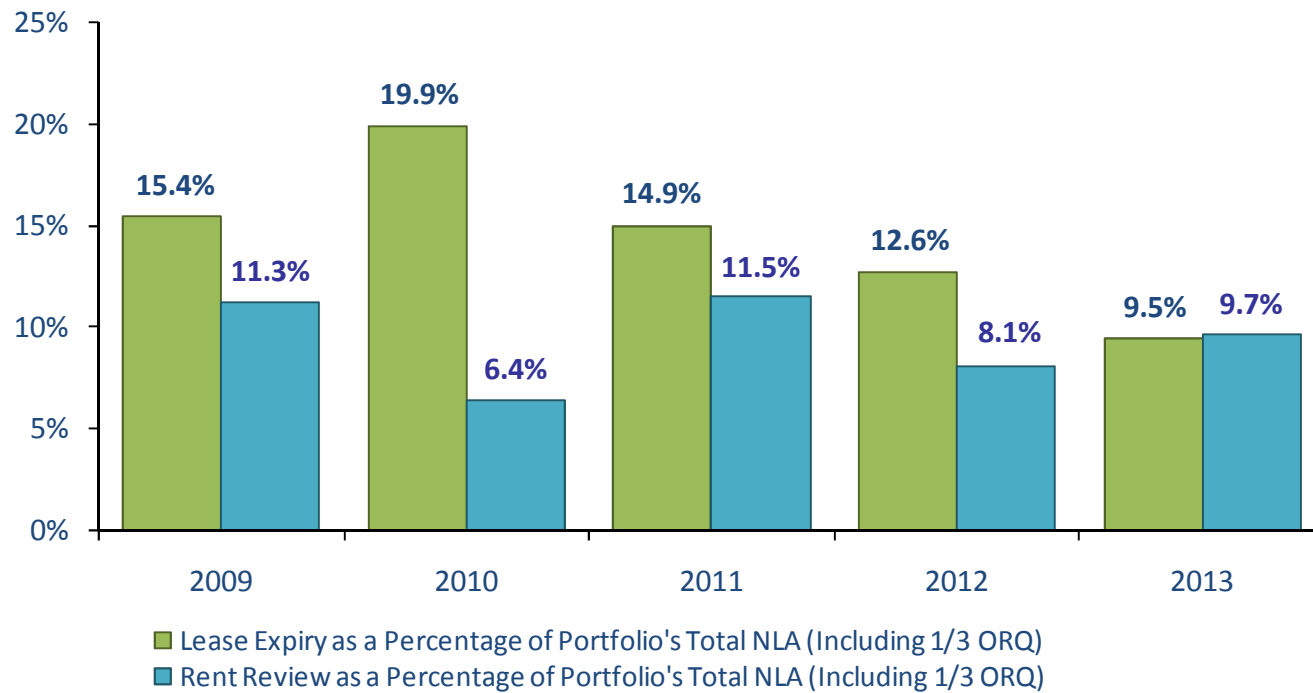


(1) Long lease terms are those with lease term to expiry of at least 5 years



# Portfolio Lease Profile

Lease Profile as a % of Net Lettable Area as at 31 Dec 2008



Lease expiries are well dispersed from 2009 to 2012

# Low Average Portfolio Rent than Market Rents

- ❖ Average portfolio rent in Dec 2008: \$7.61 psf pm
- ❖ Excluding ORQ, average portfolio rent is \$6.08 psf pm

Average Portfolio Gross Rental Rates



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

# *Portfolio Valuation*

# Key Investor Concern

Asset  
devaluation  
risk leading  
to rise in  
leverage

- Low aggregate leverage
- Portfolio valuations within the lower end of market range
- Aggregate leverage will exceed 60% only if capital value drops by more than 54%

# Portfolio Valuations vs Market Valuations

## ❖ K-REIT Asia's asset valuations

- Portfolio valuation of \$2.1 billion unchanged from previous year

Assets	As at 31 Dec 2008	As at 10 Dec 2007
Prudential Tower	\$ 2,066 psf	\$2,093 psf
Keppel Towers and GE Tower	\$1,347 psf	\$1,347 psf
Bugis Junction Towers	\$1,265 psf	\$1,224 psf
One Raffles Quay	\$2,213 psf	\$2,228 psf
<b>Average Portfolio Valuation</b>	<b>\$1,707 psf</b>	<b>\$1,706 psf</b>

## ❖ Market valuations for prime office, 4Q 2008

- CBRE: \$2,600 psf and
- Jones Lang LaSalle: \$2,480 psf

# Sensitivity to Changes in Asset Values

Change in Value of K-REIT Asia's Portfolio	Current	-10%	-20%	-30%	-40%	-50%	-54%
Aggregate Leverage	27.6%	30.7%	34.6%	39.5%	46.1%	55.3%	60.1%
Average Portfolio Valuation (\$ psf)	1,707	1,536	1,365	1,195	1,024	853	785

Aggregate leverage will exceed 60% limit only if capital value drops by more than 54%

# *Capital Management*

# Key Investor Concern

## Refinancing risk

- Rights issue completed in May 2008
- No refinancing needs until 2011
- Low aggregate leverage
- Medium-term note programme established



# Improved Financial Position

## ❖ Rights issue strengthened balance sheet

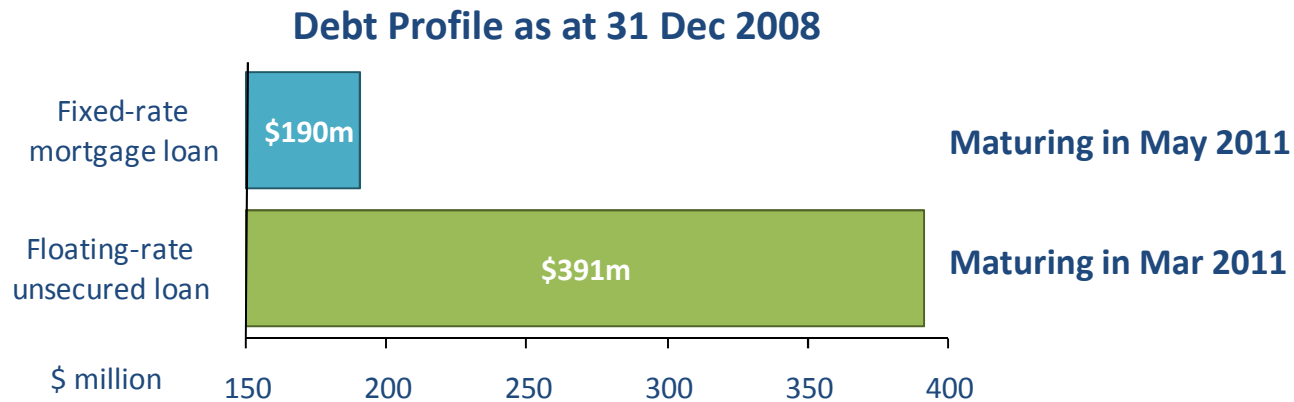
- \$551.7 million raised from issue of 396.9 million new units on 8 May 2008

	As at 31 Dec 2008	As at 31 Dec 2007
Gross Borrowings	\$581.1m	\$1,132.1m
Aggregate Leverage	27.6%	53.9%
All-in Interest Rate	3.19%	3.88%
Interest Coverage Ratio <sup>(1)</sup>	3.14 times	2.46 times
Weighted Average Term to Expiry	2.3 years	1.1 years
Corporate Rating (by Moody's)	Baa3	Baa3

(1) Interest coverage ratio = Year-to-date earnings before interest, tax, depreciation and amortisation/ Interest expense

# MTN Programme Established

- ❖ \$1 billion medium-term note (MTN) programme has been established as an additional source of funding



# *Market Review and Outlook*

# Market Sentiment Weakens

## ❖ Global economic downturn

- Singapore government expects GDP at between -2% and 1% in 2009
- Collective efforts by worldwide governments prevent downturn from worsening
- Office demand likely to slow

## ❖ Singapore government acts to stabilise market

- Suspension of confirmed land sales
- Lifting of the ban on conversion of office space to other uses in CBD
- \$2.3 billion loan and credit facilities for companies
- More measures likely to be announced in Jan 2009 Budget

## ❖ Some developers may delay construction of office buildings

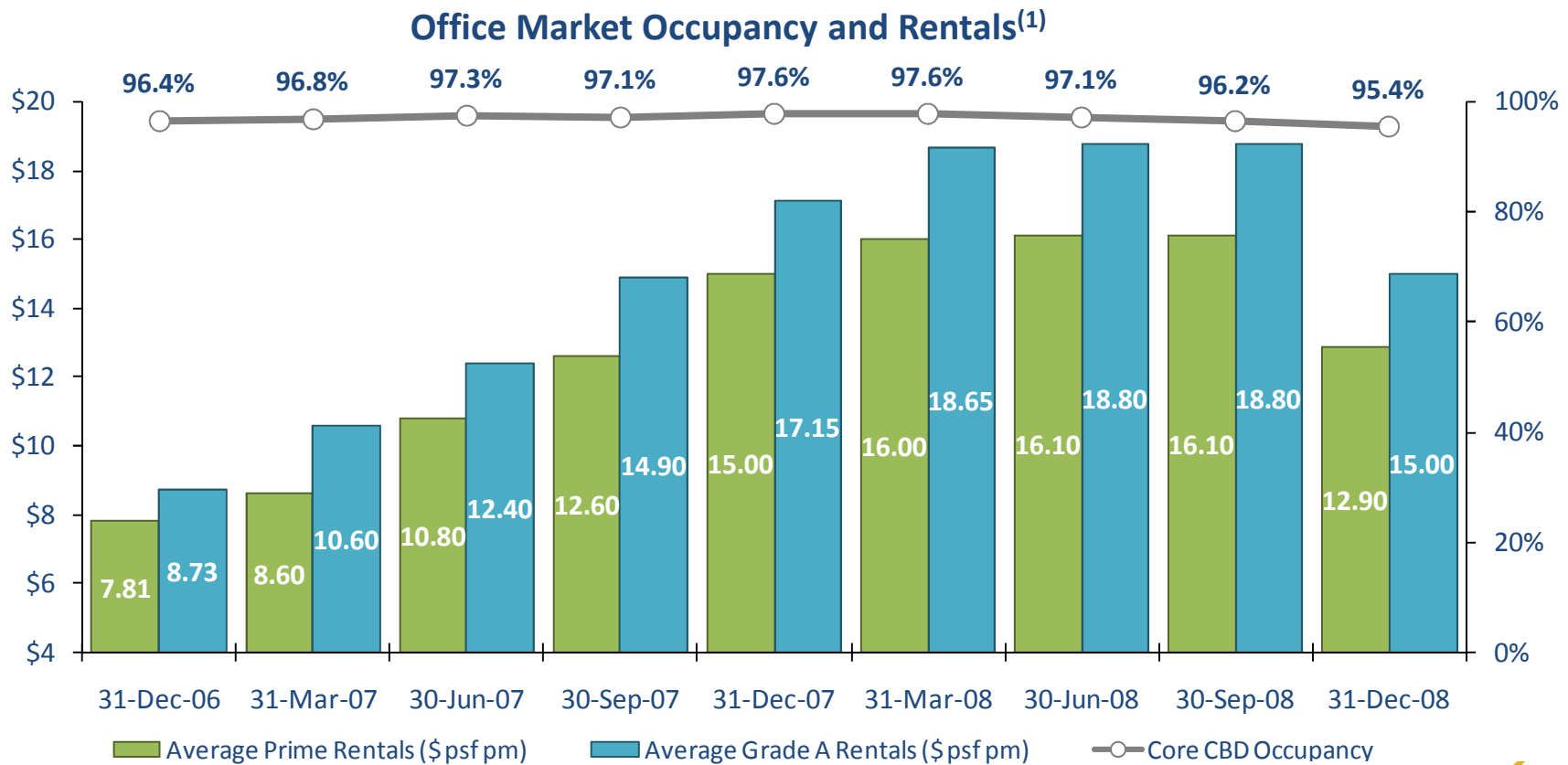
- Potentially reduce new office supply, projected at 7.1 million sf from 2009-2012<sup>(1)</sup>

(1) Excluding pre-committed space; sources: CBRE, K-REIT Asia Management

# Office Rents Expected to Moderate

## ❖ Prime office rent forecast for 2009:

- \$12 psf pm (source: Cushman & Wakefield)



(1) Source: CBRE

# Singapore: Key Business Destination in Longer Term

## ❖ Singapore:

- Ranked as one of the top four places in the world to invest
  - KPMG's survey of 260 leading global companies in Oct 2008
- Diversifying beyond a financial hub and establishing multi-hubs in various industry sectors
- Recent corporate expansions in Singapore despite credit crunch:
  - Barclays: 1,500 staff
  - BNP Paribas: 200 staff
  - Electrolux: 130 staff
  - Fujitsu Asia: a few hundred new positions

# Occupancy Costs in Singapore Remains Competitive

## ❖ CBRE survey:

- Singapore ranked below Hong Kong (Central CBD), Tokyo and Mumbai

CBRE's Global 50 Index for Office Occupancy Costs, Nov 2008

Rank	Market	US\$/sq ft per year
1	London (West End), England	248.66
2	Moscow, Russia	234.73
3	Hong Kong (Central CBD)	231.59
4	Tokyo (Inner Central), Japan	184.26
5	Mumbai (CBD), India	170.85
6	Dubai, United Arab Emirates	156.53
7	Tokyo (Outer Central), Japan	151.69
8	London (City), England	146.61
<b>9</b>	<b>Singapore</b>	<b>135.13</b>
10	Hong Kong (Prime districts)	132.97

# *Going Forward*



# Going Forward

- ❖ Challenging year ahead
- ❖ Mitigating factors for K-REIT Asia
  - Low aggregate leverage with no refinancing needs until 2011
  - Room for positive rental reversions despite weak market sentiment
  - Proactive asset management
  - Strong sponsor support
- ❖ Economic downturn presents opportunities for selective asset acquisitions



# 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*

# Distribution Details

## Distribution to Unitholders

Distribution Period	1 Jul 2008 - 31 Dec 2008
Distribution Rate	5.07 cents per unit
	- Taxable: 3.91 cents per unit
	- Tax-exempt: 1.16 cents per unit

## Timetable

Notice of Books Closure Date	29 Jan 2009
Last Day of Trading on "cum" Basis	22 Jan 2009, 5.00 pm
Ex-dividend Date	23 Jan 2009, 9.00 am
Books Closure Date	29 Jan 2009
Distribution Payment Date	23 Feb 2009

# 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>	\$437 million as at 16 Jan 2009
<b>Unit Price</b>	\$0.67
<b>Number of Units in Issue</b>	652,724,165
<b>Free Float</b>	24.7% <sup>(1)</sup>
<b>Aggregate Leverage</b>	27.6%

(1) Excludes stakes of about 44.1% held by Keppel Land and 31.2% 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	40,002	22,991	41,360 <sup>(2)</sup>
<b>Number of Tenants</b>	11	66	9	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 Dec 08</b>	92.3%	99.2%	100%	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