



# INVESTOR MEETINGS

December 2009

**K-REIT**asia

# Agenda

- ❖ Overview of K-REIT Asia
- ❖ Proactive Capital Management
- ❖ Singapore Office Sector Outlook
- ❖ Appendix

# ***Overview of K-REIT Asia***

# K-REIT Asia at a Glance

## Who we are

- ❖ Singapore-based REIT that invests in commercial real estate assets in Singapore and across Asia
- ❖ Listed on the SGX on 28 Apr 2006
- ❖ Market cap of S\$1.3bn as at 25 Nov 2009
- ❖ Managed by K-REIT Asia Management Limited<sup>(1)</sup>

## Sponsor

- ❖ Sponsored by Keppel Land Limited (“Keppel Land”), the property arm of Keppel Group
- ❖ Leading developer of prime commercial properties in Singapore with pan-Asian presence

## Property portfolio

- ❖ Four prime grade A commercial office properties – Prudential Tower, Keppel Towers and GE Tower, Bugis Junction Towers and a one-third interest in One Raffles Quay (“ORQ”)
- ❖ Strategically located in and around Singapore’s CBD with diverse blue-chip tenant base
- ❖ Valuation of S\$2.0bn as at 29 Sep 2009<sup>(2)</sup>

## Recent activities

- ❖ 1 Sep 2009 – announced acquisition of six additional strata floors in Prudential Tower
- ❖ Purchase price of S\$106.3mm – 14.7% discount to appraised value of S\$124.5mm
- ❖ Guaranteed net property income yield of 5.2% for 5 years – income support of up to S\$5.0mm per annum
- ❖ Gained majority control of the asset – strata ownership increased from approx. 44.4% to approx. 73.4%

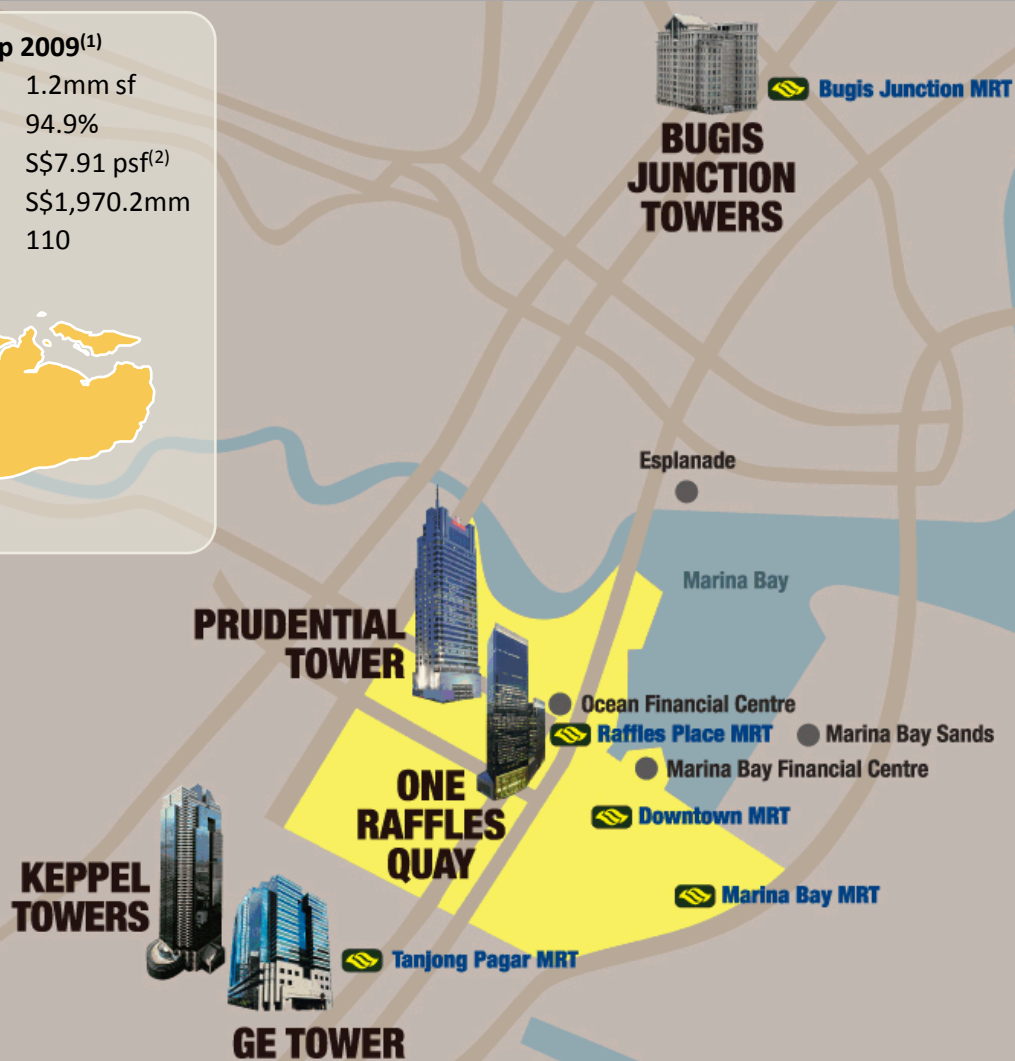
1. A wholly-owned subsidiary of Keppel Land Limited

2. Excluding the acquisition of an additional six strata floors in Prudential Tower, which was completed in Nov 2009 (“Prudential Tower Strata Acquisition”)

# Property Portfolio

## Property Portfolio as at 30 Sep 2009<sup>(1)</sup>

Attributable NLA	1.2mm sf
Committed occupancy	94.9%
Average portfolio rental	S\$7.91 psf <sup>(2)</sup>
Valuation	S\$1,970.2mm
Number of tenants	110



1. Excluding the Prudential Tower Strata Acquisition

2. S\$8.22 if not for the lower income support from ORQ due to higher net property income arising from lower property expenses

# Quality Asset Portfolio

## Prudential Tower Property

- ❖ 30-storey Grade-A building within CBD
- ❖ Located at Raffles Place, within a 5-minute walk from Raffles Place MRT station
- ❖ Approx. 73.4% of building's strata area owned by K-REIT Asia, following the acquisition of six additional strata floors
- ❖ Winner of office/industrial category of the 2003 FIABCI Prix d'Excellence Awards



### Key property information as at 30 Sep 2009<sup>(1)</sup>

Attributable NLA	108,439 sf
Tenure	99 years expiring 14 Jan 2095
Committed occupancy	89.5%
Valuation (as at 29 Sep 2009)	S\$200.6mm (S\$1,850 psf)
Number of tenants	11
Number of car park lots	181

## Keppel Towers and GE Tower

- ❖ Keppel Towers: Prime 27-storey office building
- ❖ GE Tower: Prime 13-storey office building
- ❖ 5-minute walk from Tanjong Pagar MRT station



### Key property information as at 30 Sep 2009

Attributable NLA	430,162 sf
Tenure	Estate in fee simple
Committed occupancy	92.9%
Valuation (as at 29 Sep 2009)	S\$537.7mm (S\$1,250 psf)
Number of tenants	60
Number of car park lots	288

1. Excluding the Prudential Tower Strata Acquisition



# Quality Asset Portfolio (cont'd)

## Bugis Junction Towers

- ❖ Prime 15-storey office tower located along Victoria Street
- ❖ Direct underground link to Bugis MRT station
- ❖ Part of an integrated development known as Bugis Junction, comprising a retail mall and the five-star InterContinental Singapore Hotel



### Key property information as at 30 Sep 2009

Attributable NLA	247,475 sf
Tenure	99 years expiring 9 Sep 2089
Committed occupancy	91.5%
Valuation (as at 29 Sep 2009)	S\$297.0mm (S\$1,200 psf)
Number of tenants	8
Number of car park lots	648 (for the entire integrated development)

## One Raffles Quay

- ❖ Grade-A office building strategically located at the heart of the business and financial district
- ❖ Direct underground link to Raffles Place MRT station
- ❖ Won FIABCI Prix d'Excellence Award 2008 and was awarded Green Mark Gold 2009



### Key property information as at 30 Sep 2009

Attributable NLA	445,185 sf <sup>(1)</sup>
Tenure	99 years expiring 12 Jun 2100
Committed occupancy	100.0%
Valuation (as at 29 Sep 2009)	S\$934.9mm (S\$2,100 psf) <sup>(1)</sup>
Number of tenants	31
Number of car park lots	713

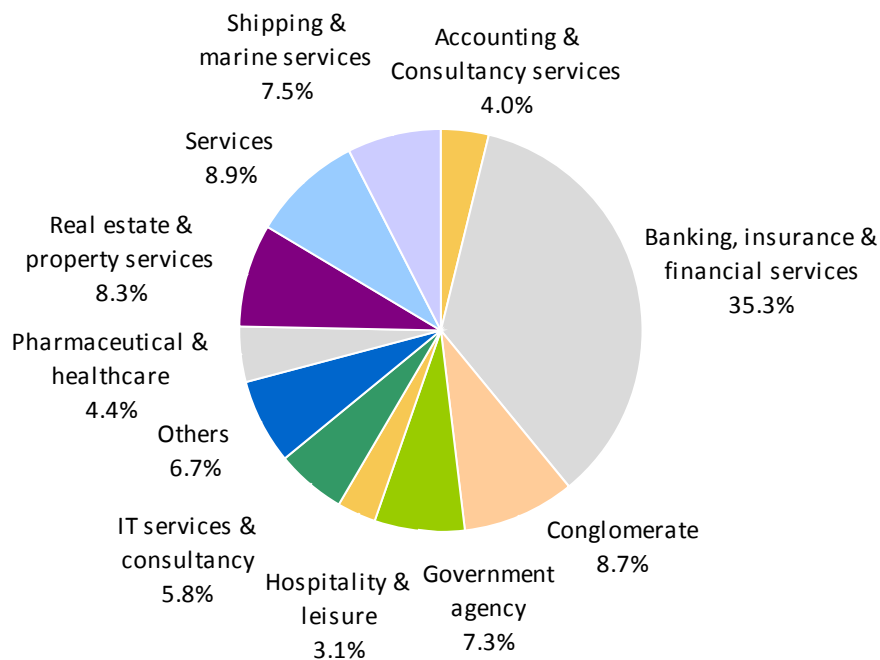
1. The information shown is based on K-REIT Asia's one-third interest in One Raffles Quay Pte Ltd

# Diverse Blue-chip Tenant Base

## Broad tenant diversity

### Tenant Business Sector by NLA

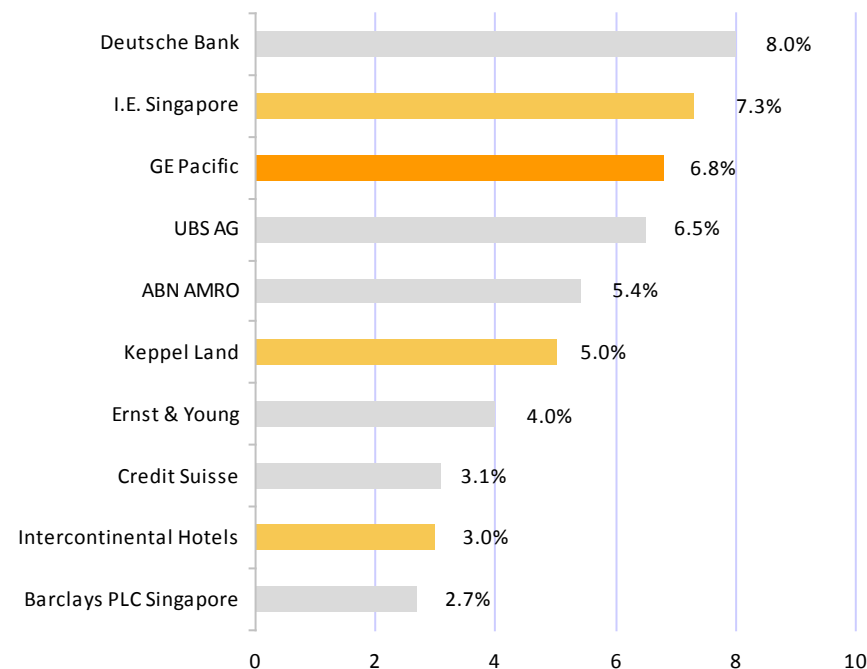
- ❖ 110 tenants in various business sectors



## Blue-chip tenant base

### Portfolio's Top 10 Tenants by NLA

- ❖ Top 10 tenants comprise 51.9% of the portfolio



■ One Raffles Quay 
 ■ Bugis Junction Towers 
 ■ Keppel Towers and GE Tower

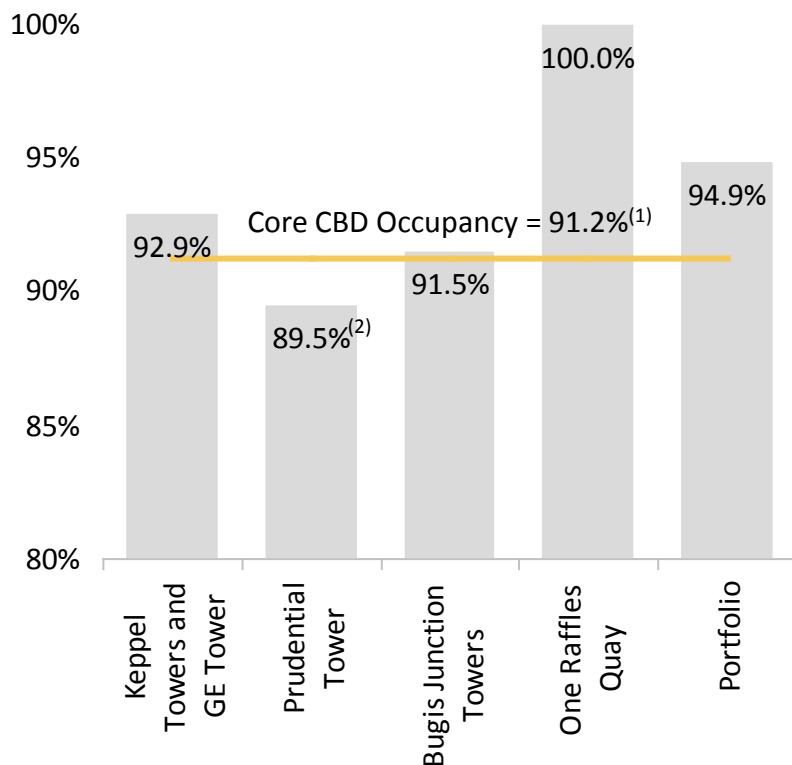
Note: all data are as of 30 Sep 2009



# Strong Portfolio Fundamentals

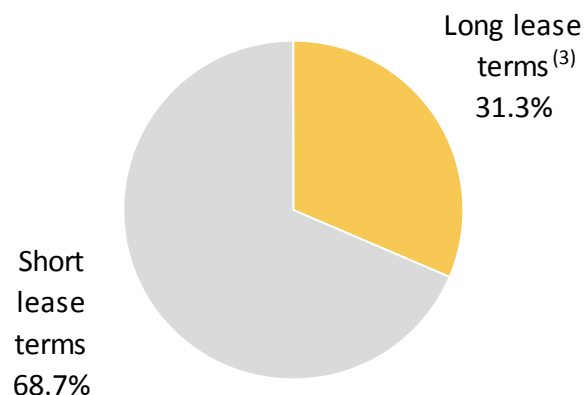
**K-REIT Asia's portfolio occupancy rate is higher than the market average**

Occupancy %



**Long term leases account for more than 30% of the portfolio's NLA**

- ❖ Portfolio weighted average lease term to expiry ("WALE"): 5.3 years
- ❖ WALE of top 10 tenants: 6.8 years



Note: all data are as of 30 Sep 2009

1. Based on CBRE estimates

2. Excluding the Prudential Tower Strata Acquisition

3. Long lease terms are those with lease term to expiry of at least 5 years

# Strong Sponsorship by Keppel Land

Keppel Land's extensive network, strong development expertise and well-established tenant relationships provide a strong platform for K-REIT Asia to further its pan-Asian REIT ambition

## Keppel Land

- ❖ With history dating back to 1890, Keppel Land is one of the largest listed property companies in Singapore
  - ▶ Market cap of S\$4.5bn as at 25 Nov 2009
  - ▶ Total assets of S\$6.8bn as at 30 Sep 2009
- ❖ Leading commercial property owner and developer in and around Singapore's CBD
- ❖ Pan-Asian presence in Indonesia, Vietnam, Philippines, and China

## Selected Portfolio of Commercial Properties



Marina Bay  
Financial Centre  
NLA: 2.9mm sf



Ocean Financial  
Centre  
NLA: 850,000 sf



Equity Plaza  
NLA: 249,165 sf



Keppel Bay Tower  
NLA: 387,676 sf



HarbourFront Towers 1&2  
NLA: 523,891 sf



Saigon Centre  
NLA: 155,119 sf

Note: NLAs shown on 100% basis

# Key Strengths

## Prime assets with blue-chip tenants

- ✓ Portfolio of four prime grade-A commercial office properties
- ✓ Strategically located in and around Singapore's CBD
- ✓ Diverse blue-chip tenant base with long term leases
- ✓ Above-market portfolio occupancy of 94.9% as at 30 Sep 2009

## Stable and growing income

- ✓ Stable income underpinned by long term leases (WALE of 5.3 years)
- ✓ Steady growth of average portfolio rent
- ✓ Income support protects against negative rental reversions – ORQ income support until end of 2011 and Prudential Tower's net property income guarantee until end of 2014<sup>(1)</sup>

## Strong capital position

- ✓ Minimum refinancing risks – S\$190.1mm maturing in May 2011
- ✓ Undrawn S\$1.0bn MTN Programme
- ✓ Low aggregate leverage of 9.1% post-rights issue
- ✓ Additional funding capacity of up to S\$648mm post-rights issue<sup>(2)</sup>

## Strong sponsorship

- ✓ One of Asia's premier property companies with sizeable commercial asset base and projects under development in Singapore and across Asia
- ✓ Strong pan-Asian platform with extensive network and proven track record

## Robust financial performance

- ✓ YTD Sep 2009 distributable income up 25.4% y-o-y
- ✓ YTD Sep 2009 net property income up 27.3% y-o-y
- ✓ Latest portfolio valuation slightly down 6.3% from Dec 2008 vs. market expectations

1. Prudential Tower Strata Acquisition – net property income guarantee of 5.2% per annum for 5 years

2. Assuming aggregate leverage of up to 40% based on total Deposited Property value of S\$2,094.7mm (including the Prudential Tower Strata Acquisition)

# ***Proactive Capital Management***

# Successful Completion the Rights Issue

## The Rights Issue

### Offer Structure

- ✓ Underwritten renounceable 1-for 1 Rights Issue
- ✓ Approx. 666.7m Rights Units issued at S\$0.93 per Rights Unit
- ✓ Raised gross proceeds of approximately S\$620 million
- ✓ 110.6% subscribed

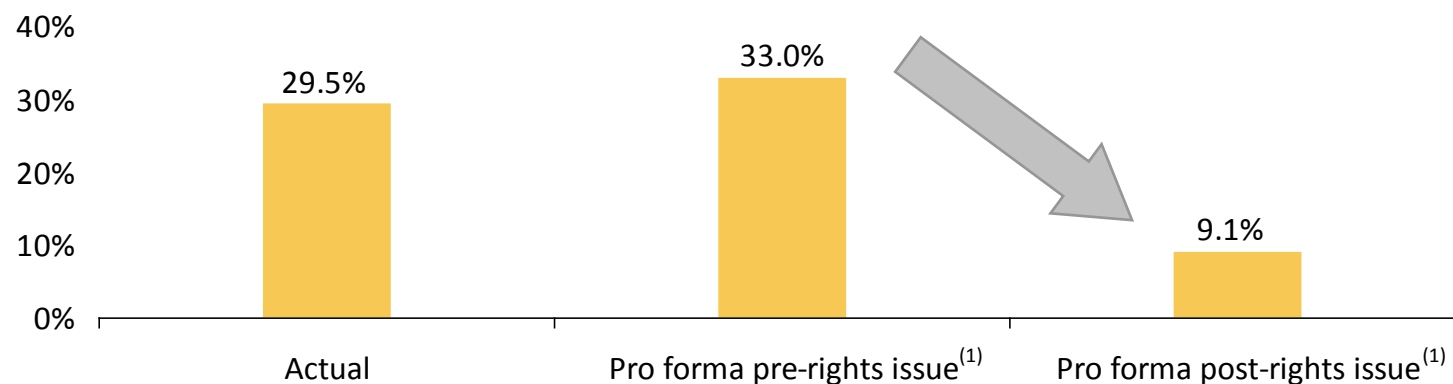
### Use of Proceeds

- ✓ Strengthen balance sheet
- ✓ Provide headroom for strategic acquisitions
- ✓ Finance asset enhancement initiatives

# Provide Greater Financial Flexibility

## Low aggregate leverage post-rights issue

As at 30 Sep 2009



**Additional funding capacity of up to S\$648 million allowing K-REIT Asia to increase its assets under management<sup>(2)</sup>**

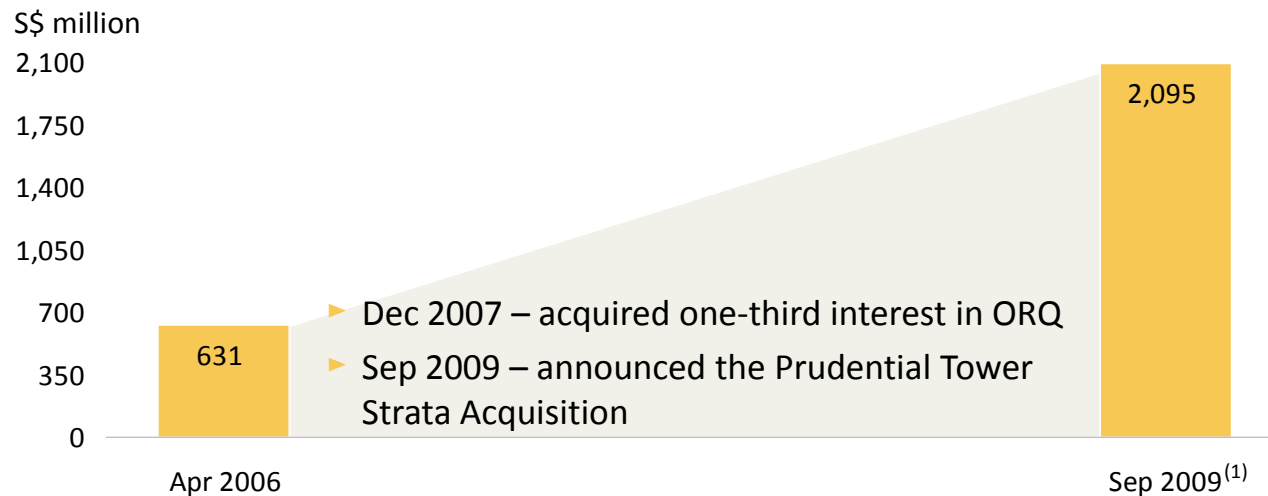
1. As adjusted for the Prudential Tower Strata Acquisition

2. Assuming aggregate leverage of up to 40% based on total Deposited Property value of S\$2,094.7mm (including the Prudential Tower Strata Acquisition)



# Position K-REIT Asia for Acquisition Growth Across Asia

**K-REIT Asia's assets under management has more than tripled since listing in April 2006**

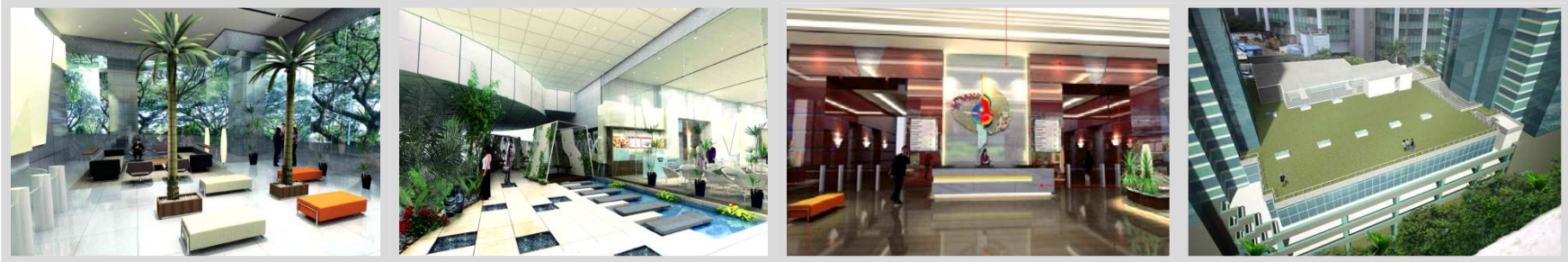


**Ready to capture more acquisition opportunities – rights issue will improve the cost of capital, making accretive acquisitions feasible within a responsible capital structure**

# Fund Asset Enhancement Initiatives to Maximise Rental Income

## Proposed asset enhancement initiatives at Keppel Towers and GE Tower

- ❖ Proposed conversion of existing 4<sup>th</sup> storey roof garden to an office podium
- ❖ Alteration and renovation of reception lobbies, lift car interiors, washrooms, pantries, etc.



Improve operating  
efficiency and  
maximise NLA

Retain and attract  
creditworthy tenants

Improve Manager's  
bargaining power  
with tenants

Improve cashflow  
from the asset

# Long-term Proactive Capital Management

## **The Manager adopts a proactive and prudent capital management strategy**

- ❖ Maintain strong capital position
  - ▶ Established S\$1.0bn MTN Programme in Jan 2009
  - ▶ Additional source of funding and added flexibility to manage capital requirements
- ❖ Proactive management of aggregate leverage
- ❖ Prudent management of K-REIT Asia's refinancing risk

# In Line with the Manager's Strategies...

Key Strategies	Track Record	Current Initiatives
Active asset management	<ul style="list-style-type: none"><li>❖ Portfolio occupancy consistently above market levels</li><li>❖ Steady growth of average portfolio rent</li></ul>	<ul style="list-style-type: none"><li>❖ Planned AEIs at Keppel and GE Towers to improve operating efficiency and maximise rental income</li></ul>
Prudent capital management	<ul style="list-style-type: none"><li>❖ Strong capital position</li><li>❖ Low refinancing risk</li><li>❖ Prudent valuation practice</li></ul>	<ul style="list-style-type: none"><li>❖ Rights issue to expand funding capacity and improve financial flexibility</li></ul>
Acquisition growth	<ul style="list-style-type: none"><li>❖ Assets under management more than tripled since listing</li><li>❖ Recently announced Prudential Tower acquisition</li></ul>	<ul style="list-style-type: none"><li>❖ Focus on growth-oriented strategy</li><li>❖ Currently evaluating new opportunities</li></ul>

***...to deliver sustainable long term growth in DPU and asset value***

# ***Singapore Office Sector Outlook***

# Improvement in Economic Prospects

**General consensus that recovery should kick in earlier in 2010 instead of 2011 as previously expected**

## **Singapore economy emerged from recession**

- ❖ 2<sup>nd</sup> consecutive quarter-on-quarter expansion in GDP
- ❖ Government forecast of 3 – 5% GDP growth in 2010
- ❖ 2009 GDP growth forecast of negative 2.0% to 2.5%

## **Improving office sector fundamentals**

- ❖ Pace of decline for rents easing
- ❖ Demand for office space has turned positive in 3Q09 after three quarters of negative growth
- ❖ Increase in leasing activities and requests for proposals
- ❖ Pick-up in office asset transactions

## **Reduction in office supply**

- ❖ Delays in construction of office projects have reduced supply
- ❖ New office supply from 4Q 2009-2016 of about 5.8mm sf<sup>(1)</sup> (or 0.8mm sf per annum)
  - ▶ No new supply of office space in 2013 – 2015
- ❖ Trend of conversion of office space in central area to other uses such as residential, hotel may further trim supply

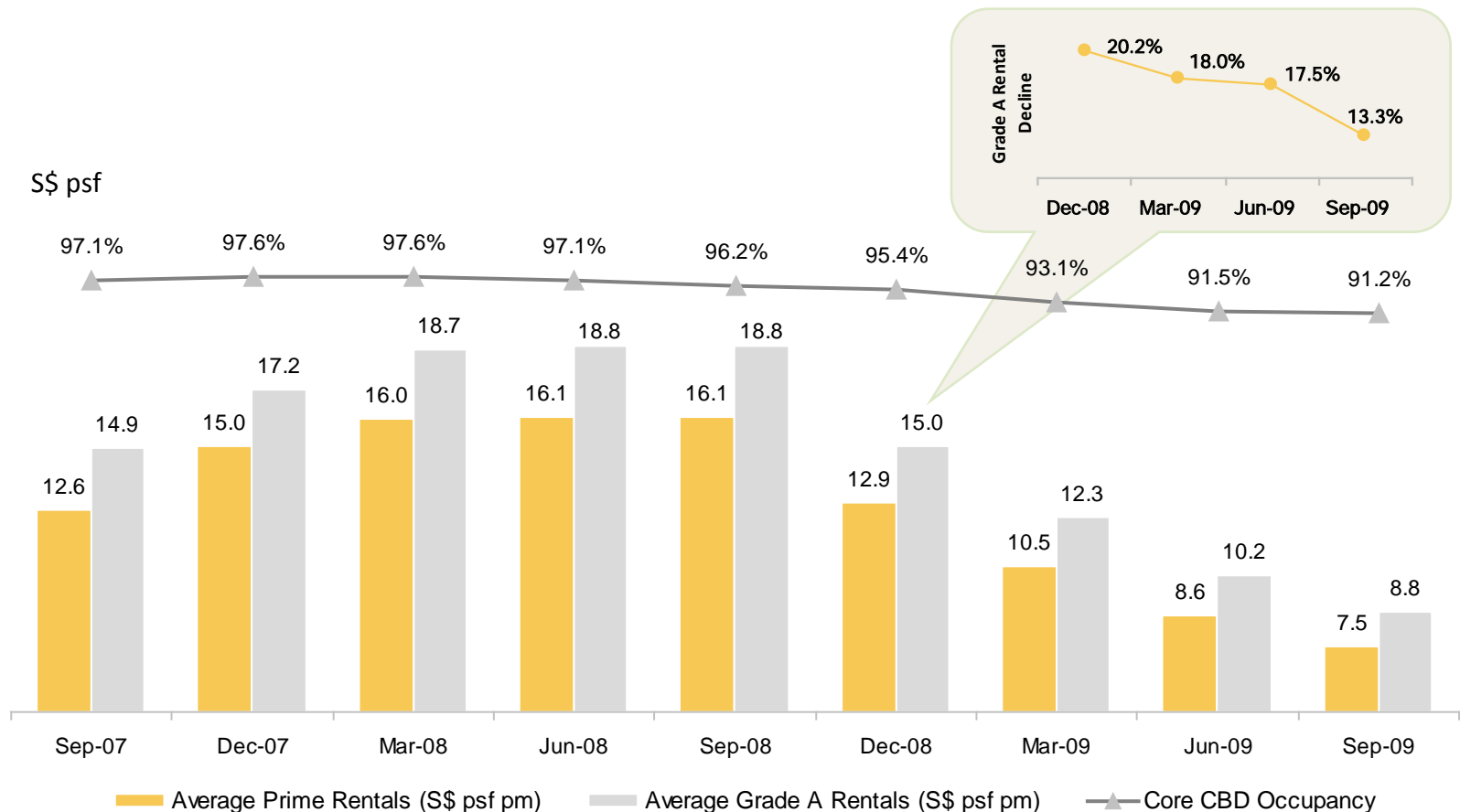
Source: CBRE, Ministry of Trade & Industries (Singapore)

1. Excluding estimated pre-committed space of about 2.4mm sf



# Decline in Rents Continues to Ease in 3Q 2009

Rate of rental decline continues to moderate for Singapore's grade A and prime office properties



Source: CBRE, 3Q 2009

# 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 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

# Important Notice

*The information contained in this presentation is for information purposes only. A circular dated 3 October 2009 (the “Unitholders’ Circular”) setting out the details of the Rights Issue and the Trust Deed Supplement to Facilitate Equity Fund Raisings (each as defined herein) has been dispatched to unitholders of K-REIT Asia (“Unitholders”). An offer information statement dated 27 October 2009 has been lodged with the Monetary Authority of Singapore in connection with the Rights Issue (the “Offer Information Statement”). This presentation is qualified in its entirety by, and should be read in conjunction with, the full text of the Unitholders’ Circular and the Offer Information Statement. Terms not defined in this presentation shall have the meanings ascribed to them in the Unitholders’ Circular.*

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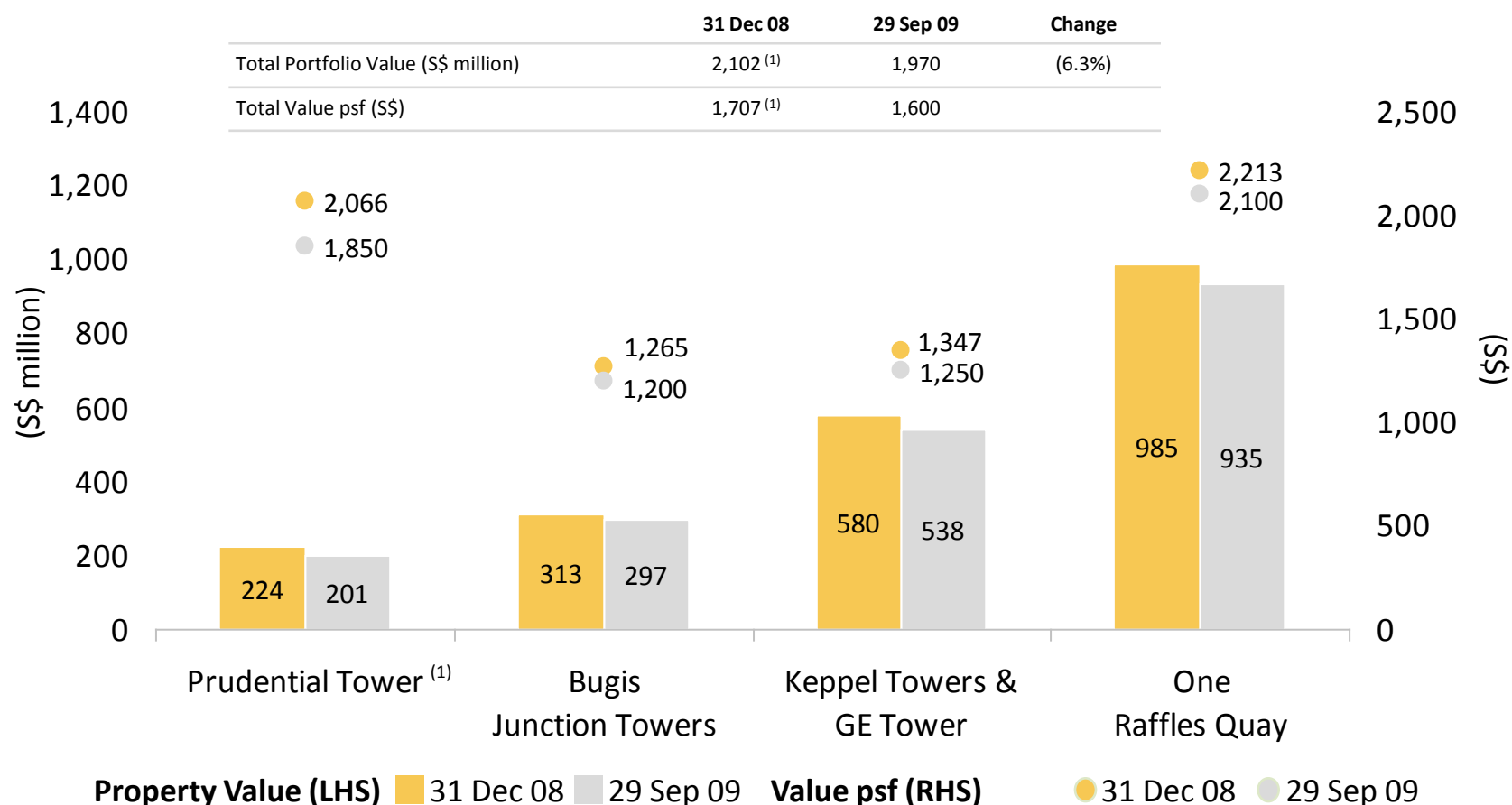
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# ***Appendix***

# Prudent Approach to Portfolio Valuation

Change in portfolio valuation of ↓6.3%



1. Excluding the Prudential Tower Strata Acquisition

# Key Portfolio Statistics

As at 30 Sep 2009	Prudential Tower <sup>(1)</sup>	Keppel Towers and GE Tower	Bugis Junction Towers	One Raffles Quay
<b>Attributable NLA (sf)</b>	108,439	430,162	247,475	445,185 <sup>(3)</sup>
<b>Ownership</b>	44.4%	100.0%	100.0%	33.3%
<b>Number of tenants</b>	11	60	8	31
<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>(2)</sup></b>	S\$200.6mm S\$1,850 psf	S\$537.7mm S\$1,250 psf	S\$297.0mm S\$1,200 psf	S\$934.9mm <sup>(3)</sup> S\$2,100 psf
<b>Committed occupancy</b>	89.5%	92.9%	91.5%	100.0%

1. K-REIT Asia's ownership in Prudential Tower has increased from approx. 44.4% to 73.4% following the Prudential Tower Strata Acquisition

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

3. Based on K-REIT Asia's one-third interest in One Raffles Quay Pte Ltd.