

# K-REITasia



## INVESTOR MEETINGS

April – June 2010

# 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 Singapore Exchange Securities Trading Limited (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. Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements due to 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.*

# Agenda

- ❖ Overview of K-REIT Asia
- ❖ Financial Performance
- ❖ Capital Management
- ❖ Singapore Office Sector Outlook
- ❖ Going Forward
- ❖ Appendices

# *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 April 2006
- ❖ Market cap of S\$1.5bn as at 31 March 2010
- ❖ Managed by K-REIT Asia Management Limited<sup>(1)</sup>

## Sponsor

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

## Property portfolio

- ❖ Six quality commercial office assets – Bugis Junction Towers, Keppel Towers and GE Tower, 33.3% interest in One Raffles Quay, 73.4% interest in Prudential Tower in Singapore and 50.0% interest in 275 George Street In Brisbane, Australia
- ❖ Portfolio asset size of S\$2.3bn as at 31 March 2010

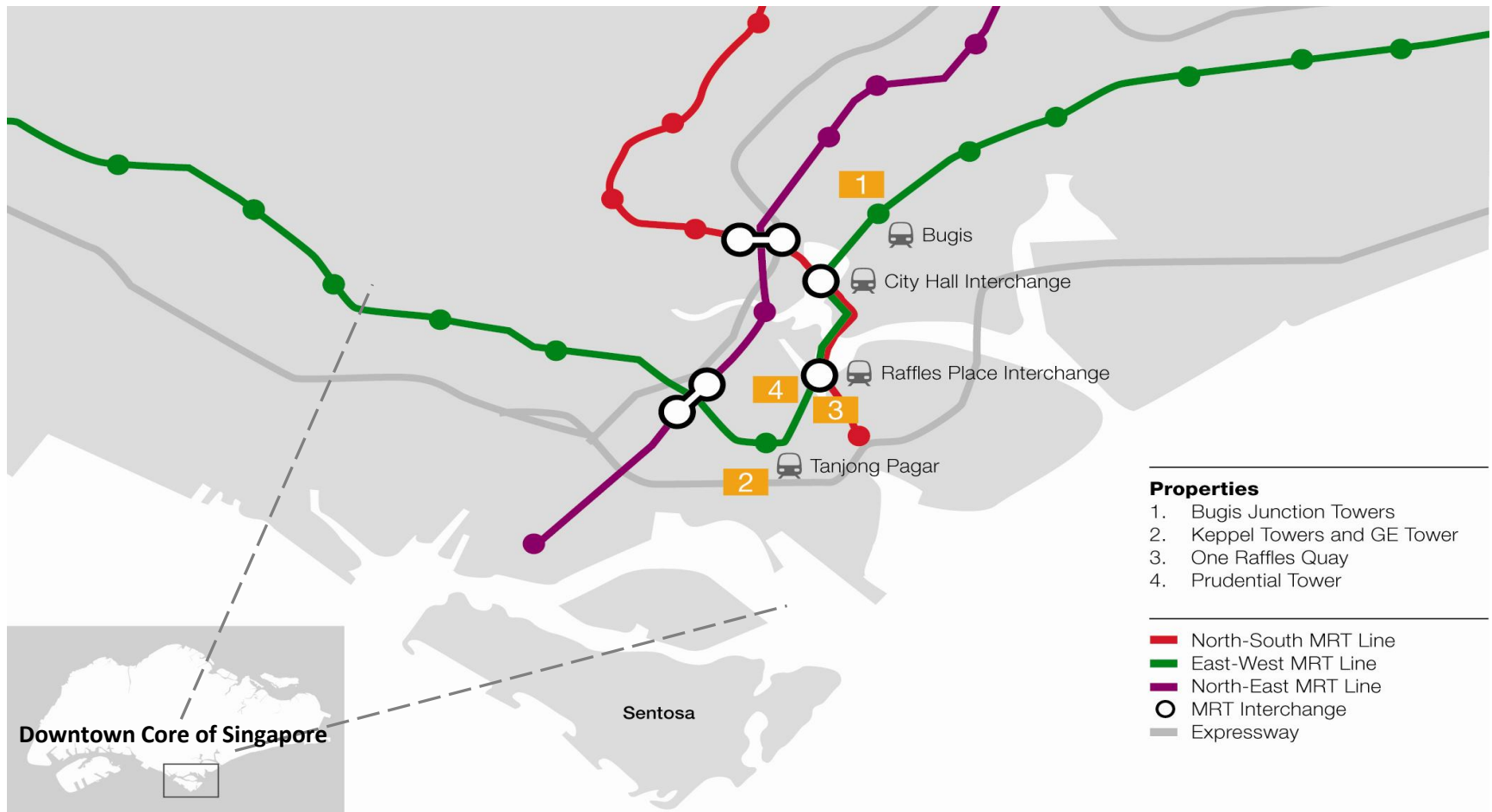
## Recent activities

- ❖ 2 November 2009 – completed acquisition of six additional strata floors in Prudential Tower
- ❖ 23 November 2009 – completed renounceable 1-for-1 rights issue that was oversubscribed by 10.6% and raised \$620.0 million in gross proceeds
- ❖ 1 March 2010 – completed acquisition of a 50.0% stake in 275 George Street in Brisbane, Australia

1. A wholly-owned subsidiary of Keppel Land Limited.

# Singapore Property Portfolio

Quality commercial properties accessibly located near train stations and expressways



# Quality Asset Portfolio

## Bugis Junction Towers

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



### Key property information as at 31 Dec 2009

|  |  |
|--|--|
| Ownership Interest                     | 100%   |
| Attributable NLA                       | 247,475 sf                                     |
| Tenure                                 | 99 years expiring 9 Sep 2089                   |
| Committed occupancy                    | 91.5%  |
| Valuation (as at 31 Dec 2009)          | S\$297.0mm (S\$1,200 psf)                      |
| Number of tenants                      | 8  |
| Number of car park lots <sup>(1)</sup> | 648<br>(for the entire integrated development) |

1. Car park lots owned and managed by the management corporation.

## 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 31 Dec 2009

|                               |                           |
|-------------------------------|---------------------------|
| Ownership Interest            | 100%                      |
| Attributable NLA              | 430,112 sf                |
| Tenure                        | Estate in fee simple      |
| Committed occupancy           | 93.5%                     |
| Valuation (as at 31 Dec 2009) | S\$540.7mm (S\$1,256 psf) |
| Number of tenants             | 59                        |
| Number of car park lots       | 288                       |



# Quality Asset Portfolio (cont'd)

## Prudential Tower Property

- ❖ 30-storey Grade-A building
- ❖ Located in the CBD, within a 5-minute walk from Raffles Place MRT station
- ❖ Winner of office/industrial category of the FIABCI Prix d'Excellence Award 2003



### Key property information as at 31 Dec 2009<sup>(1)</sup>

|                               |                               |
|-------------------------------|-------------------------------|
| Ownership Interest            | 73.4%                         |
| Attributable NLA              | 175,675 sf                    |
| Tenure                        | 99 years expiring 14 Jan 2095 |
| Committed occupancy           | 94.4%                         |
| Valuation (as at 31 Dec 2009) | S\$325.1mm (S\$1,850 psf)     |
| Number of tenants             | 22                            |
| Number of car park lots       | 181 <sup>(2,3)</sup>          |

- The information shown is based on K-REIT Asia's 73.4% interest in Prudential Tower.
- Car park lots owned and managed by the management corporation.
- For the entire development.
- The information shown is based on K-REIT Asia's one-third interest in One Raffles Quay Pte Ltd.

## 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
- ❖ Winner of the FIABCI Prix d'Excellence Award 2008 and BCA Green Mark Gold 2009



### Key property information as at 31 Dec 2009<sup>(4)</sup>

|                               |                               |
|-------------------------------|-------------------------------|
| Ownership Interest            | 33.3%                         |
| Attributable NLA              | 445,120 sf                    |
| Tenure                        | 99 years expiring 12 Jun 2100 |
| Committed occupancy           | 100.0%                        |
| Valuation (as at 31 Dec 2009) | S\$934.9mm (S\$2,100 psf)     |
| Number of tenants             | 31                            |
| Number of car park lots       | 713 <sup>(3)</sup>            |



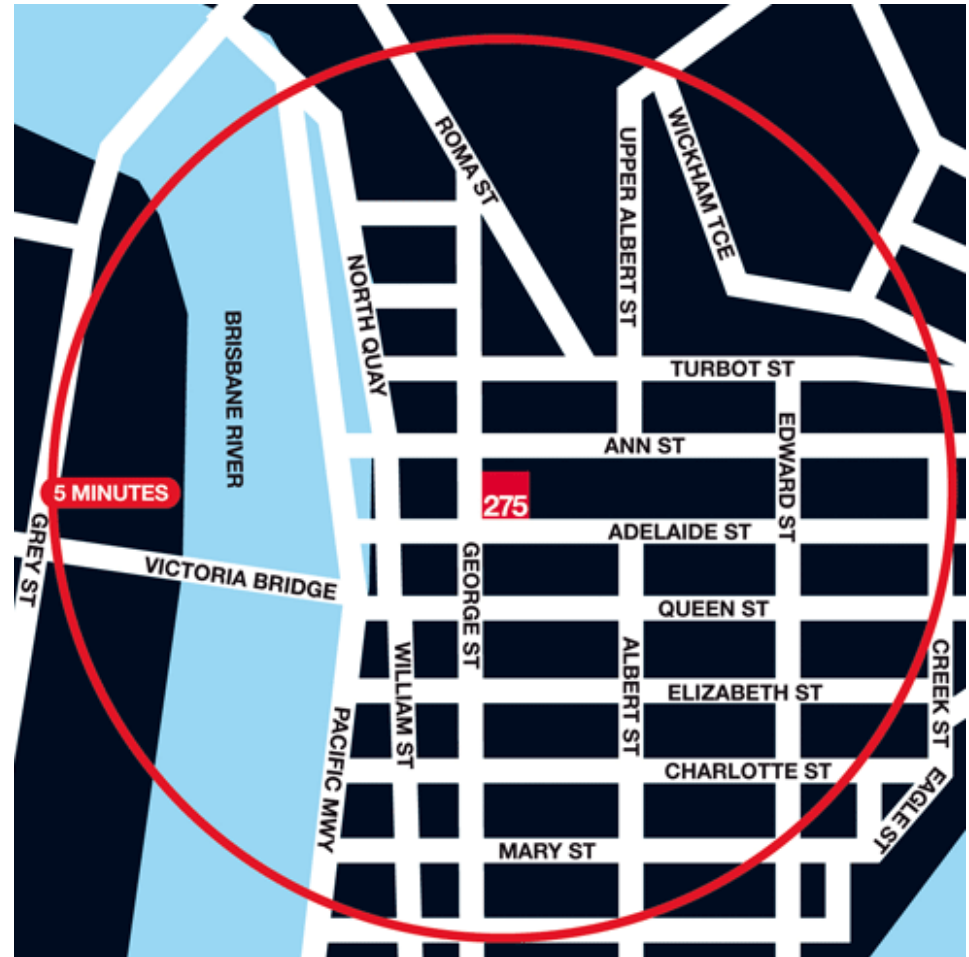
# Stake in Prudential Towers raised to 73.4%

- ❖ K-REIT Asia completed acquisition of six additional strata floors in Prudential Tower on 2 November 2009
- ❖ Purchase price of S\$106.3mm at 14.7% discount to appraised value of S\$124.5mm
- ❖ Guaranteed net property income yield of 5.2% for 5 years and income support of up to S\$5.0mm
- ❖ Strata ownership increased from approx. 44.4% to approx. 73.4%
- ❖ Majority control of the asset enables more efficient management of income
- ❖ Improves K-REIT Asia's income and tenant diversification



# Brisbane CBD, Australia

- ❖ State capital city of Queensland
- ❖ Third largest CBD office market in Australia
- ❖ Economic growth in Queensland is expected to trend above the national average for the next few years
- ❖ Demand for CBD offices is driven by the increase in size of population, white-collar employment, mineral and liquefied natural gas industries, infrastructure spending, and tourism
- ❖ 275 George Street's central location
  - straddles the core retail precinct and the revitalised George Street precinct of Brisbane's CBD
  - between the city's two largest railway stations, Roma Street and Central Railway Stations



Map not drawn to scale.

# 50% stake in 275 George Street, Brisbane, Australia

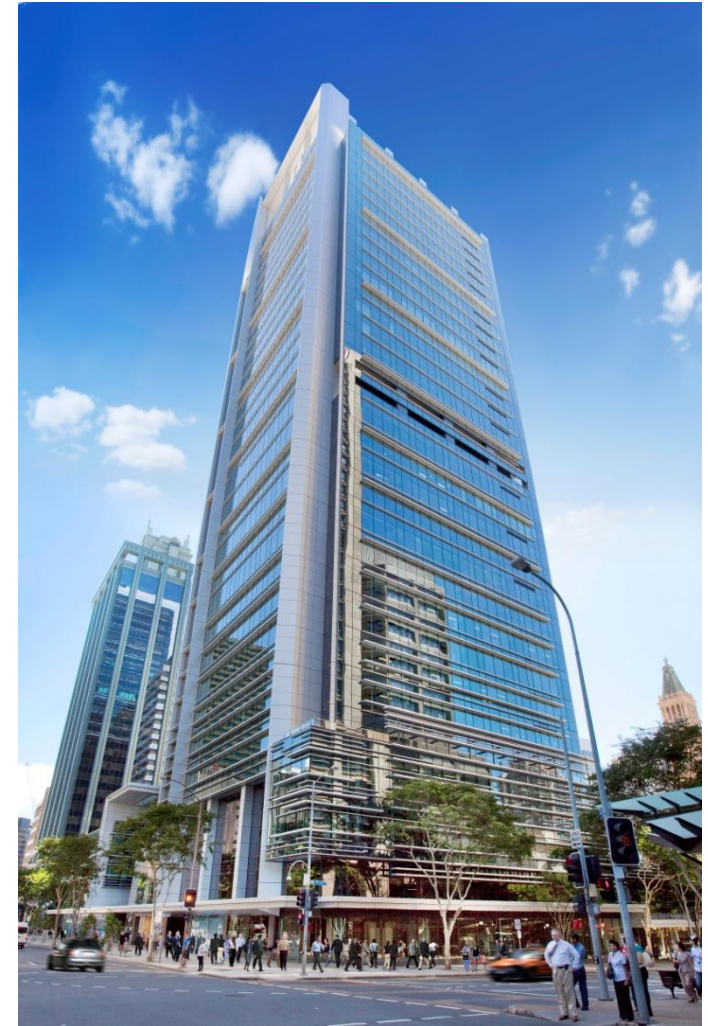
- ❖ 30-storey freehold Grade-A building newly completed in April 2009
- ❖ Long weighted average lease expiry of 9.2 years
- ❖ 99.4% leased with fixed annual rental escalations embedded in the lease agreements
- ❖ Tenanted by leading Australian companies Telstra Corporation and Queensland Gas Company
- ❖ 5 Star Green Star – Office Design v2 rating and targeting a 5 Star As Built rating and a 4.5 Star NABERS Energy rating

## Key property information as at 30 January 2010<sup>(1)</sup>

|  |                         |
|--|-------------------------|
| Ownership Interest                             | 50% as tenant-in-common |
| Attributable NLA <sup>(2)</sup>                | 224,686 sf              |
| Tenure   | Estate in fee simple    |
| Committed occupancy                            | 99.4%                   |
| Valuation <sup>(2)</sup> as at 28 January 2010 | \$209.4mm (\$932 psf)   |
| Number of tenants                              | 7                       |
| Number of car park lots                        | 244                     |

1. For the entire development unless otherwise stated.

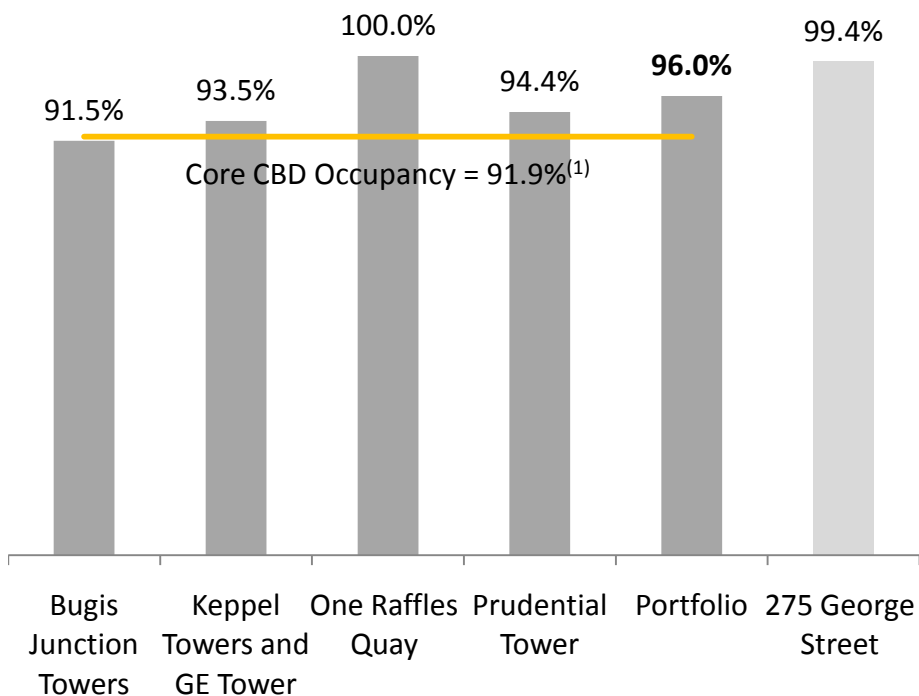
2. The information shown is based on K-REIT Asia's 50.0% interest (as a tenant-in-common) in 275 George Street, Brisbane, Australia.



# Strong Portfolio Fundamentals

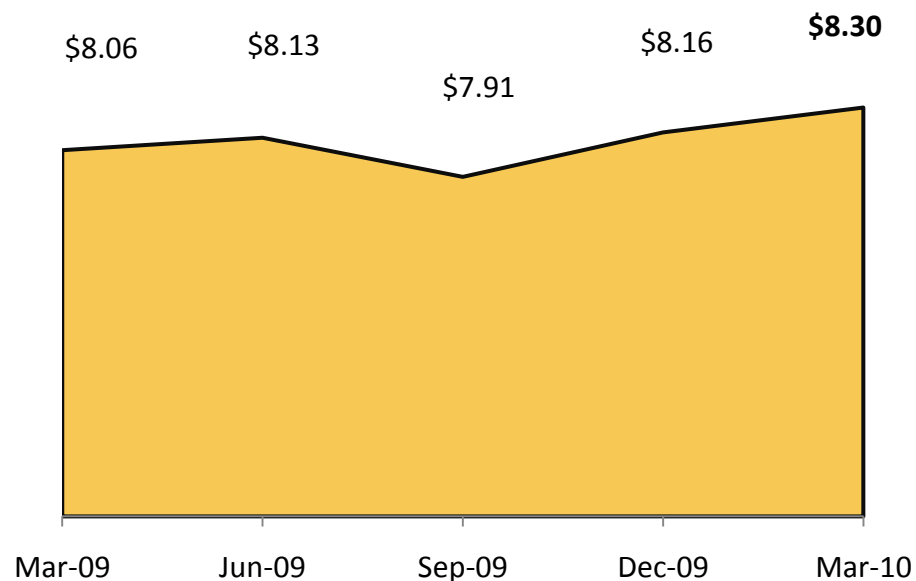
**96.0% portfolio occupancy is higher than 91.9% market average**

**Occupancy Rate (%)**



**Singapore portfolio average rent: \$8.30psf pm**

**Singapore Portfolio Average Monthly Rent<sup>(2)</sup>**



(1) Based on CBRE Estimates

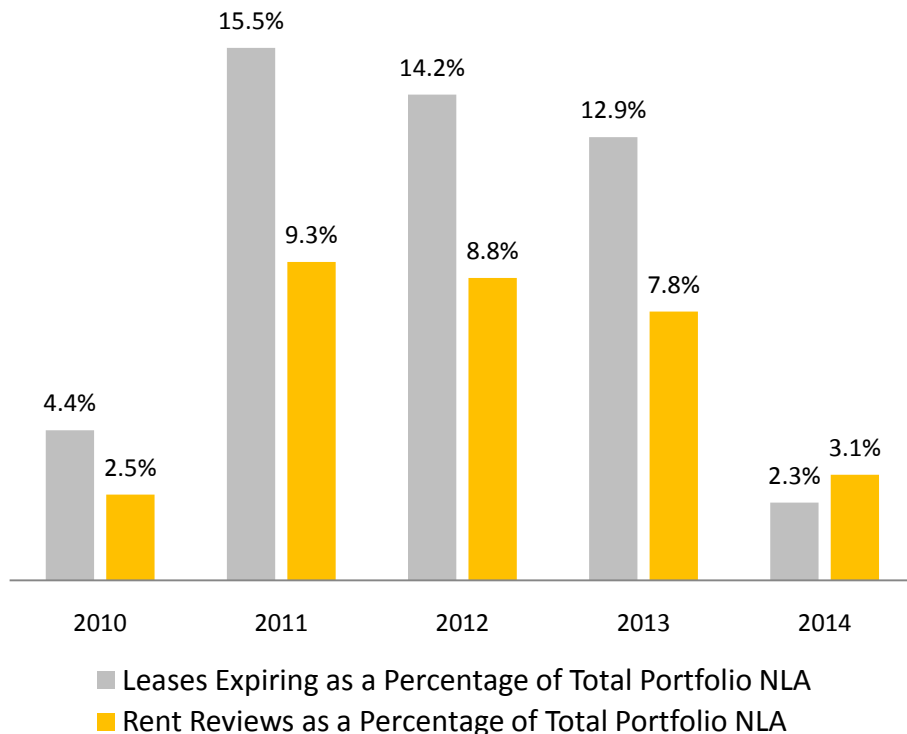
(2) The average rental of K-REIT Asia's portfolio of properties in Singapore, excluding 275 George Street in Brisbane, Australia.

Note: As of 31 March 2010

# Balanced Lease Portfolio

## Balanced Lease Expiry & Rent Review Profile

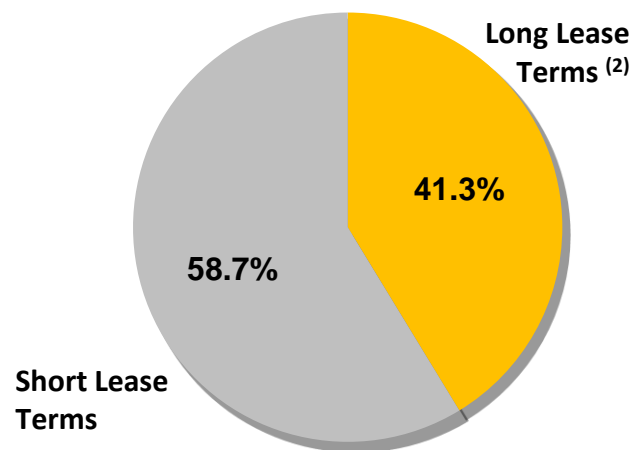
**Portfolio<sup>(1)</sup> Lease Profile by NLA**



## Long term leases<sup>(2)</sup> account for more than 40% of the portfolio's NLA

- ❖ Portfolio weighted average lease term to expiry ("WALE"): 5.9 years
- ❖ WALE of top 10 tenants: 7.6 years

**% Portfolio with Long Lease Terms by Net Lettable Area (NLA)**



(1) Includes 33.3% stake in One Raffles Quay and 50.0% stake in 275 George Street.

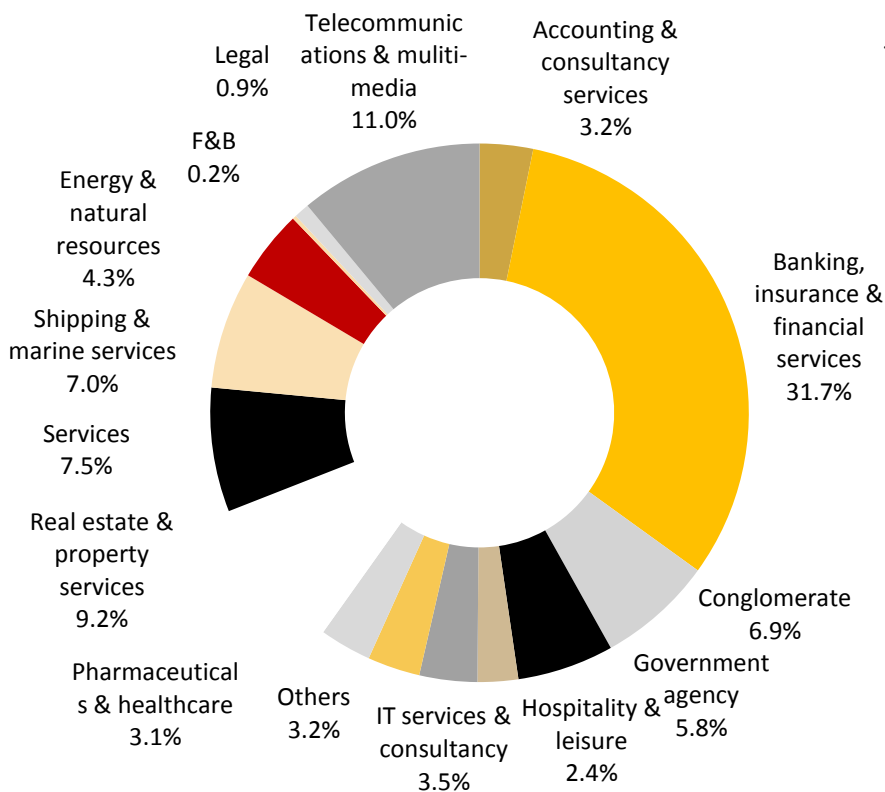
(2) Long lease terms have lease term to expiry of at least 5 years.

# Diverse Blue-chip Tenant Base

## Broad tenant diversity

### Tenant Business Sector by NLA

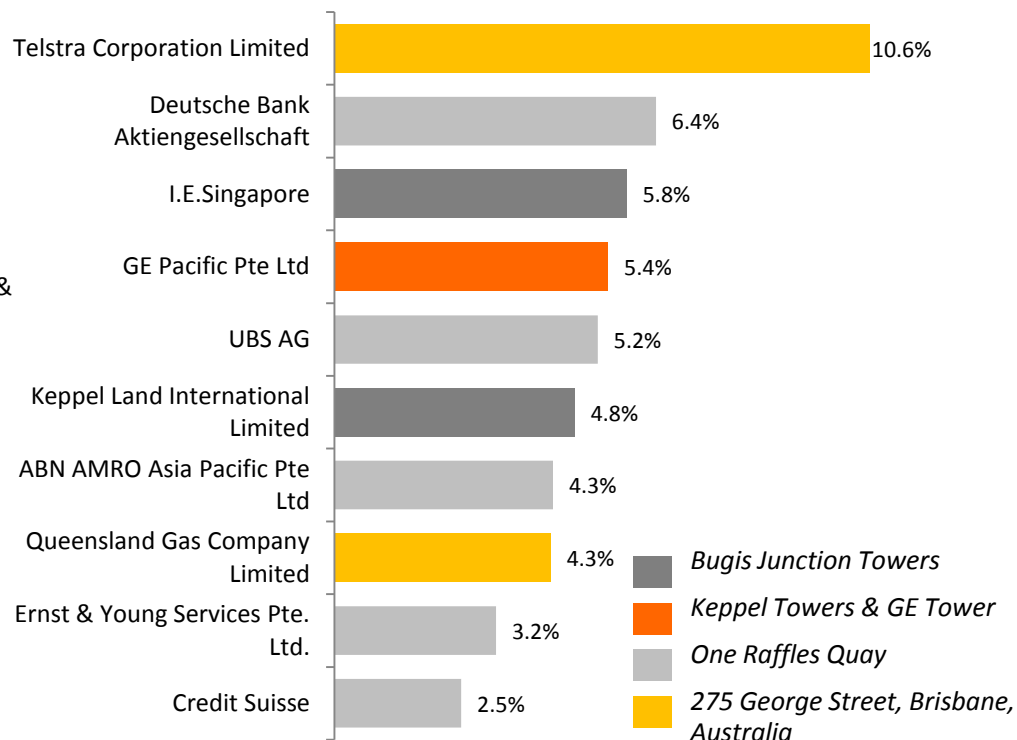
❖ 127 tenants in various business sectors



## Blue-chip tenant base

### Portfolio Top 10 Tenants by NLA

❖ Top 10 tenants comprise 52.5% of the portfolio



Note: As of 31 March 2010

# Awards & Accolades

## ❖ Singapore Corporate Awards 2009

- Best Investor Relations Award (Silver)  
“\$300m to less than \$1b market capitalisation” category
- Best Annual Report Awards (Silver)  
“REITs and Business Trusts” category



## ❖ BCA - Green Mark Gold Award

- Awarded to One Raffles Quay



## ❖ ISO 14000 certification

- Management operations at all K-REIT Asia's buildings in Singapore

## ❖ PUB - Water Efficient Building Award

- Awarded to all K-REIT Asia's buildings in Singapore

## ❖ 275 George Street in Brisbane, Australia

- 5 Star Green Star – Office Design v2 rating and targeting a 5 Star As Built rating and a 4.5 Star NABERS Energy rating



# ***Financial Performance***

# 1Q 2010 Financial Results

## 1Q 2010 Distributable Income 13.8% Y-o-Y

|  | 1Q 2010             | 1Q 2009                | Change               |        |
|--|---------------------|------------------------|----------------------|--------|
| <b>Property Income</b>                     | \$18.2m             | \$14.8m                | \$3.4m               | 23.2%  |
| <b>Net Property Income</b>                 | \$13.9m             | \$10.8m                | \$3.1m               | 28.4%  |
| <b>Distributable Income to Unitholders</b> | \$17.8m             | \$15.7m                | \$2.1m               | 13.8%  |
| <b>Distribution Per Unit ("DPU")</b>       |                     |                        |                      |        |
| - <b>For the period</b>                    | 1.33cts             | 1.18cts <sup>(1)</sup> | 0.15cts              | 12.7%  |
| - <b>Annualised</b>                        | 5.39cts             | 4.79cts <sup>(1)</sup> | 0.60cts              | 12.5%  |
| <b>Distribution Yield</b>                  | 4.9% <sup>(2)</sup> | 8.1% <sup>(2)</sup>    | -3.2% <sup>(3)</sup> | -39.5% |

(1) Restated taking into account the effect of the 1-for-1 rights issue and computed based on the issued units at the end of each period aggregated with 666,703,965 rights units issued on 22 November 2009.

(2) Based on K-REIT Asia's market closing price per unit of \$1.10 as at 31 March 2010 and \$0.595 as at 31 March 2009.

(3) Lower DPU yield due the improvement of closing unit price from \$0.595 as at 31 March 2009 to \$1.10 as at 31 March 2010.

# FY 2009 Financial Results

## FY 2009 Distributable Income 21.1%

|  | FY 2009             | FY 2008                | Change  |        |
|--|---------------------|------------------------|---------|--------|
| <b>Property Income</b>                     | \$62.8m             | \$52.6m                | \$10.2m | 19.4%  |
| <b>Net Property Income</b>                 | \$48.9m             | \$39.7m                | \$9.2m  | 23.2%  |
| <b>Distributable Income to Unitholders</b> | \$70.5m             | \$58.2m                | \$12.3m | 21.1%  |
| <b>Distribution Per Unit</b>               | 5.28cts             | 4.41cts <sup>(1)</sup> | 0.87cts | 19.7%  |
| <b>Distribution Yield</b>                  | 4.8% <sup>(2)</sup> | 6.3% <sup>(3)</sup>    | -1.5%   | -23.8% |

1. Restated taking into account the effect of the underwritten, renounceable 1-for-1 rights issue to raise gross proceeds of \$620 million at an issue price of \$0.93 per rights unit and computed based on the issued units at the end of each period aggregated with 666,703,965 units which were issued on 22 November 2009.
2. The yield is based on K-REIT Asia's market closing price per unit of \$1.10 as at 31 Dec 2009.
3. The yield is based on K-REIT Asia's market closing price per unit of \$0.70 as at 31 Dec 2008.

# Balance Sheet

**Portfolio asset size  10.0% after acquisition of 50.0% interest in 275 George Street, Brisbane, Australia**

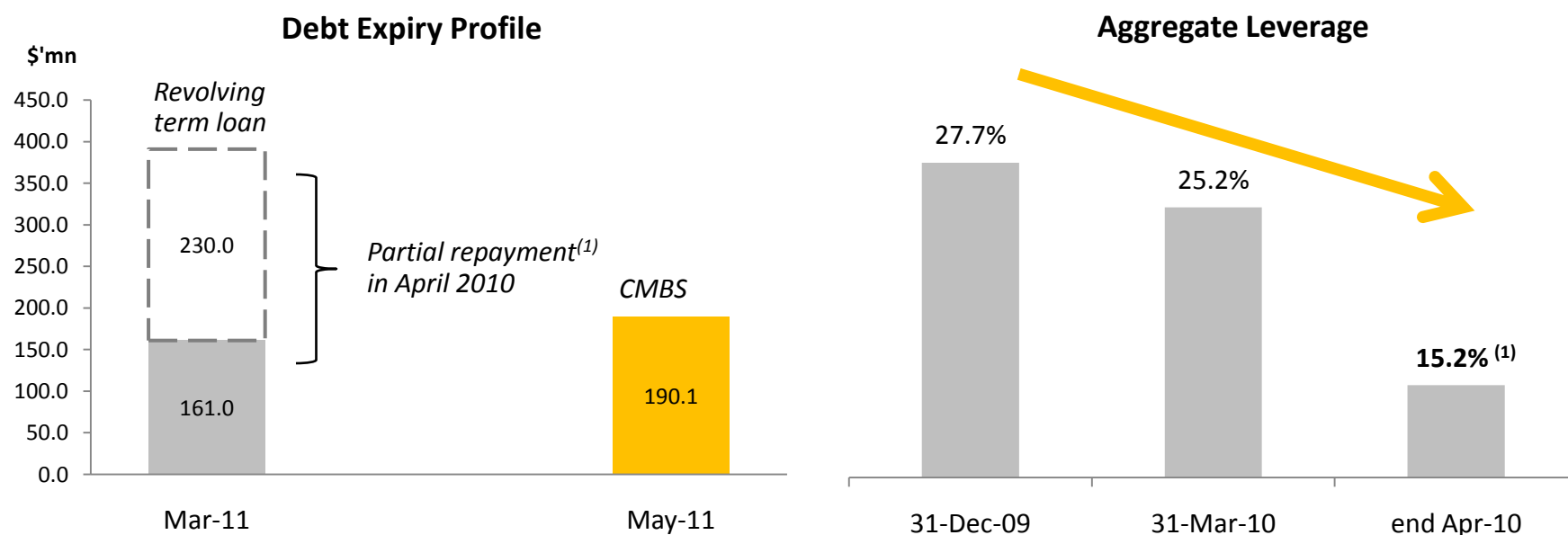
|                                      | As at<br>31 March 2010 | As at<br>31 December 2009 |
|--------------------------------------|------------------------|---------------------------|
| Non-current Assets                   | \$2,267.1m             | \$2,044.6m                |
| Total Assets                         | \$2,619.7m             | \$2,631.6m                |
| Borrowings                           | \$581.8m               | \$581.8m                  |
| Total Liabilities                    | \$637.2m               | \$629.0m                  |
| Unitholders' Funds                   | \$1,982.5 m            | \$2,002.7m                |
| Adjusted NAV Per Unit <sup>(1)</sup> | \$1.47                 | \$1.47                    |

(1) Excluding balance distributable income.

# ***Capital Management***

# No Immediate Refinancing Need

- ✓ *No refinancing due until March 2011*
- ✓ *54.3% of assets unencumbered*
- ✓ *\$1bn multi-currency Medium Term Note Programme*
- ✓ *Cash and cash equivalents of \$286.2m as at 31 March 2010*
- ✓ *Low Aggregate Leverage at 15.2%<sup>(1)</sup>*



(1) The aggregate leverage reduced to 15.2% as at end April 2010 when \$230m of the balance rights issue proceeds was used to partially repay the revolving term loan.

# Capital Position

|  | As at<br>31 March 2010  | As at<br>31 December 2009 |
|--|-------------------------|---------------------------|
| Gross Borrowings                       | \$581.1m <sup>(1)</sup> | \$581.1m                  |
| Aggregate Leverage                     | 25.2% <sup>(2)</sup>    | 27.7%                     |
| All-in Interest Rate                   | 4.26%                   | 4.23%                     |
| Interest Coverage Ratio <sup>(3)</sup> | 3.6 times               | 3.2 times                 |
| Weighted Average Term to Expiry        | 1.0 years               | 1.3 years                 |

(1) Includes unamortised portion of upfront fees in relation to the borrowings.

(2) Gross borrowings and aggregate leverage reduced to \$351.1m and 15.2% respectively as at end April 2010, when \$230m is used to partially repay the revolving term loan.

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



# Asset Enhancement Initiatives to Optimise Rental Income

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

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



Improve cashflow  
from the asset

Retain and attract  
creditworthy tenants

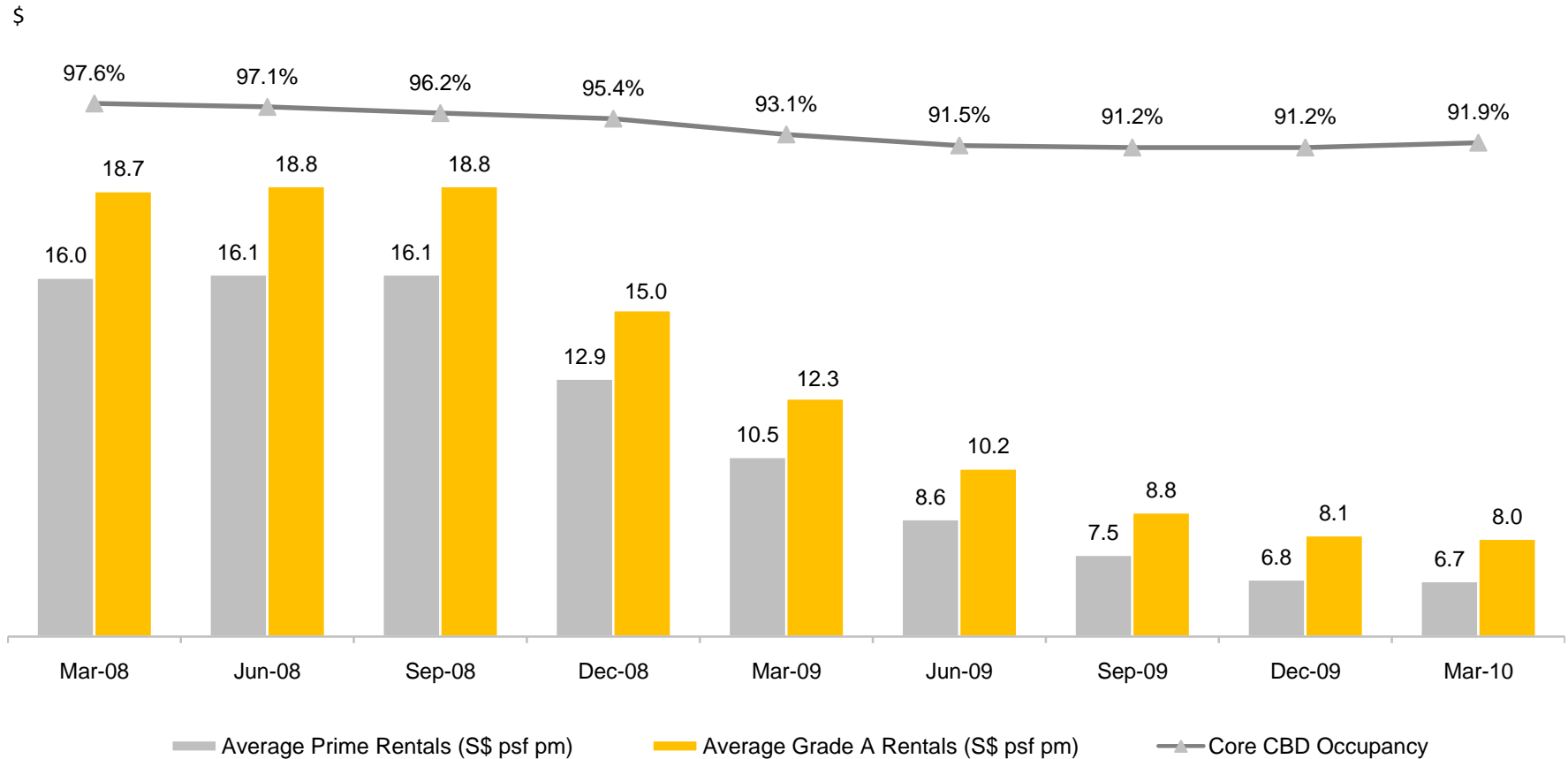
Improve Manager's  
bargaining power  
with tenants

Improve operating  
efficiency and  
optimise NLA

# ***Singapore Office Sector Outlook***

# Stabilising Occupancy and Rental Levels

## Pace of rental decline easing as business confidence returns



Source: CBRE

# Sustained Economic Recovery

## Singapore GDP Growth in 2010 to range between 7.0% to 9.0%

### Positive economic outlook

- ❖ Singapore GDP growth 2010 forecast range between 7.0% to 9.0%
- ❖ 13.1% y-o-y GDP growth in 1Q2010
- ❖ Positive spin-offs for office sector as Singapore transforms into a global city, diversifying beyond a financial hub and establishing multi-hubs in various industry sectors

### Improving office sector fundamentals

- ❖ Market bottoming out with rentals and capital values stabilising
- ❖ Adjustment in office rentals make Singapore a more competitive and attractive business destination vis-à-vis the rest of the region
- ❖ Increase in leasing activities
  - Marina Bay Financial Centre (MBFC) Phase One is fully leased with Barclays Capital recently committing another 250,000sf of space

### Reduction in office supply

- ❖ 4.1mn sf new office supply from 2010-2015 <sup>(1)</sup> (or 0.7mn sf per annum)
- ❖ Conversion of office space in central area to other uses such as residential, hotel may trim supply
  - *CBRE estimates that about 1.2 mn sq ft of office space will be converted to mainly residential use up to 2013.*

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

1. Excluding estimated pre-committed space of about 3mn sf

# Singapore remains key investment market in Asia

- ❖ World's easiest place to do business

*"Doing Business 2009" ranking by World Bank for 4th consecutive year*

- ❖ World's most open economy for International Trade and Investment

*"The Global Enabling Trade Report 2009"*

- ❖ 4<sup>th</sup> best financial centre globally in 2009

*Ranking by World Economic Forum, up from 10<sup>th</sup> in 2008*

- ❖ Most competitive country in Asia (ranking 5<sup>th</sup> worldwide)

*"Global Competitiveness Report"*

- ❖ Diversifying beyond a financial hub and establishing multi-hubs in various industry sectors

- ❖ Positive spin-offs for office sector as the Singapore transforms into a global city and the completion of the two integrated resorts

# ***Going Forward***

# Key Strengths

## Prime assets with blue-chip tenants

- ❖ Portfolio of six strategically located commercial office properties in Singapore and Australia
- ❖ Diversed stable of creditworthy tenants
- ❖ Above-market portfolio occupancy of 96.0% as at 31 March 2010



## Stable and growing income

- ❖ Stable income underpinned by long term leases (WALE of 5.9 years)
- ❖ Steady growth of average portfolio rent
- ❖ Income support protects against negative rental reversions:
  - ORQ income support until end of 2011
  - Additional stake in Prudential Tower has net property income guarantee until end of 2014
  - 275 George Street income support until June 2012

## Strong capital position

- ❖ Aggregate leverage of 25.2%<sup>(1)</sup>
- ❖ No immediate refinancing risks
- ❖ Undrawn S\$1bn MTN Programme

## Positive financial performance

- ❖ 2009 distributable income  21.2% y-o-y
- ❖ 2009 net property income  23.3% y-o-y

## Strong sponsorship

- ❖ Proven track record in commercial asset development and management
- ❖ Sizeable commercial asset base and projects under development in Singapore and across Asia

(1) The aggregate leverage reduced to 15.2% as at end April 2010 when \$230m of the balance rights issue proceeds was used to partially repay the revolving term loan.



# Three-pronged Growth Strategies

| Key Strategies             | Track Record   | 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>❖ Attract new creditworthy tenants to increase occupancy as well as retain good existing tenants</li> <li>❖ Embark on asset enhancement initiatives to optimise income</li> </ul>                       |
| Prudent capital management | <ul style="list-style-type: none"> <li>❖ Strong capital position</li> <li>❖ No immediate refinancing needs</li> <li>❖ Prudent valuation practice</li> </ul>  | <ul style="list-style-type: none"> <li>❖ Manage K-REIT Asia's assets and cost structure more effectively</li> <li>❖ Exercise prudent interest rate and forex hedging policies to maintain stable income distribution to Unitholders</li> </ul> |
| Acquisition growth         | <ul style="list-style-type: none"> <li>❖ Assets under management rose 341%<sup>(1)</sup> since listing</li> <li>❖ Enlarged stake in Prudential Tower and 50% stake in 275 George Street</li> </ul> | <ul style="list-style-type: none"> <li>❖ Pursue opportunities for strategic acquisitions in Singapore and Pan-Asia</li> </ul>  |

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

1. Based on portfolio asset size of \$2,307mn and \$677mn as at 31 March 2010 and 31 December 2006 respectively.

# ***Appendices***

# Key Portfolio Statistics

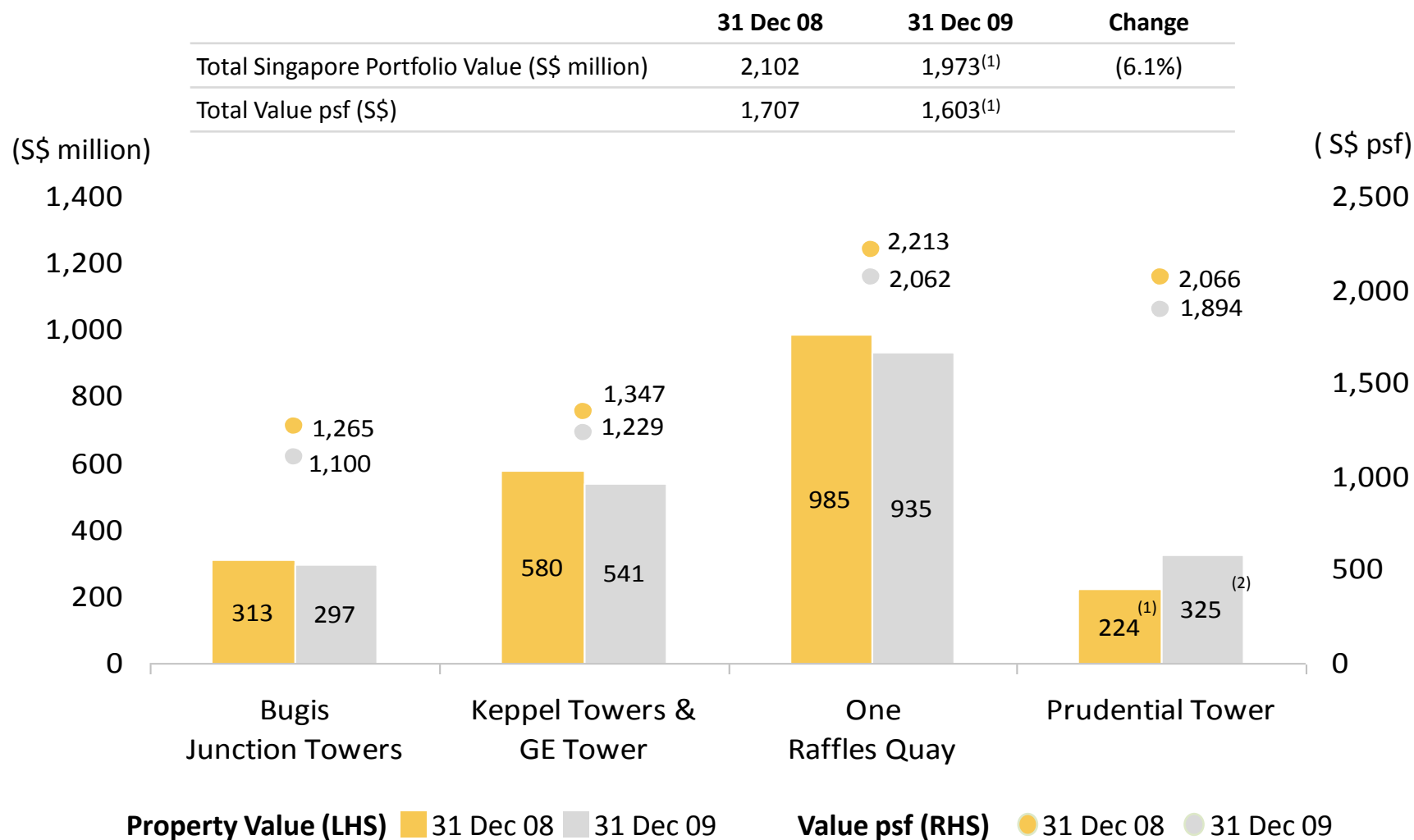
| As at 31 March 2010      | Bugis Junction Towers                                    | Keppel Towers and GE Tower                          | One Raffles Quay              | Prudential Tower <sup>(2)</sup>                                | 275 George Street <sup>(3)</sup>            |
|--------------------------|--|---|-------------------------------|--|---|
| Attributable NLA (sf)    | 247,475  | 430,112   | 445,120                       | 175,675  | 224,686                                     |
| Ownership                | 100.0%   | 100.0%  | 33.3%                         | 73.4%  | 50.0%                                       |
| Number of tenants        | 8  | 59  | 31                            | 22   | 7   |
| Principal tenants        | IE Singapore, Keppel Land, InterContinental Hotels Group | GE Pacific, Novartis Singapore, Seadrill Management | Deutsche Bank, UBS, ABN Amro  | UniCredit Bank AG, The Executive Centre, McGraw-Hill Companies | Telstra Corporation, Queensland Gas Company |
| Tenure                   | 99 years expiring 9 Sep 2089                             | Estate in fee simple                                | 99 years expiring 12 Jun 2100 | 99 years expiring 14 Jan 2095                                  | Estate in fee simple                        |
| Valuation <sup>(1)</sup> | S\$297.0mm<br>S\$1,200 psf                               | S\$540.7mm<br>S\$1,250 psf                          | S\$934.9mm<br>S\$2,100 psf    | S\$325.1mm<br>S\$1,850 psf                                     | S\$209.4mm<br>S\$932 psf                    |
| Committed occupancy      | 91.5%  | 93.5%   | 100.0%                        | 94.4%  | 99.4%                                       |

1. Valuation as at 31 December 2009 based on K-REIT Asia's interest in the respective property.

2. K-REIT Asia's ownership in Prudential Tower increased from approx. 44.4% to 73.4% following the acquisition of 6 additional strata floors on 2 November 2009.

3. Acquisition of the 50.0% interest in 275 George Street was completed on 1 March 2010.

# Prudent Approach to Portfolio Valuation



1. Excludes the additional 29.0% interest in Prudential Tower.

2. Includes the additional 29.0% interest in Prudential Tower that was acquired on 2 November 2009.

***Thank you***

For queries, please contact  
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<http://www.kreitasia.com>