



**K-REIT**asía

**Investor Presentation**

November 2010

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## Section 1

### K-REIT Asia Overview



# Singapore's leading office REIT

***Vision: To be the office real estate investment trust of choice renowned for its sterling portfolio of pan-Asian assets.***

- ❖ Listed on the SGX-ST in April 2006 with a market cap of S\$1.8bn<sup>1</sup> as at 29 October 2010
- ❖ Quality portfolio of 6 prime commercial properties
- ❖ Significant portfolio renewal and enhancement
  - Proposed acquisition of one-third interest in MBFC Property and divestment of KTGE
- ❖ 1.8m sf NLA portfolio of prime Grade A office assets valued at approximately S\$3.4 bn post transaction
- ❖ Strong sponsorship by Keppel Land Limited

1. Based on market closing unit price of S\$1.35 on 29 October 2010.



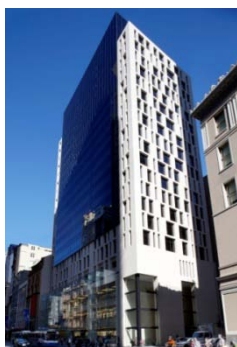


# Portfolio of quality commercial assets post transaction

1. One Raffles Quay, Singapore
2. Marina Bay Financial Centre, Singapore
3. Prudential Tower, Singapore
4. 275 George Street, Brisbane, Australia
5. 77 King Street, Sydney, Australia
6. Bugis Junction Towers, Singapore



# Portfolio of quality assets



As at 30 September 2010	77 King Street <sup>2</sup>	275 George Street	One Raffles Quay
Attributable NLA (sf)	147,756	224,686	445,120
Ownership	100%	50.0%	33.3%
Number of tenants	15	8	31
Tenure	Freehold	Freehold	99 years expiring 12 Jun 2100
Valuation <sup>1</sup>	S\$145m (S\$985 psf)	S\$209m (S\$932 psf)	S\$935m (S\$2,100 psf)
Committed occupancy	76.8%	99.6%	100.0%

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

2. Information correct as at 19 July 2010. The acquisition is expected to be completed in December 2010.




# Portfolio of quality assets (cont'd)



As at 30 September 2010	Prudential Tower	Bugis Junction Towers	Keppel Towers and GE Tower (KTGE)
Attributable NLA (sf)	175,672	246,259	430,112
Ownership	73.4%	100.0%	100.0%
Number of tenants	26	10	66
Tenure	99 years expiring 14 Jan 2095	99 years expiring 9 Sep 2089	Freehold
Valuation <sup>1</sup>	S\$325m (S\$1,850 psf)	S\$297m (S\$1,200 psf)	S\$541m (S\$1,257 psf)
Committed occupancy	96.6%	99.5%	99.1%

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

 KTGE to be divested.



# Our strategy

## Disciplined Acquisition Growth

- ❖ Pursue value accretive acquisition opportunities in Singapore and pan-Asia
- ❖ Focus on leading office assets in strong markets
- ❖ Strategic portfolio upgrading and optimisation

## Prudent Capital Management

- ❖ Manage assets and cost structure more effectively
- ❖ Exercise prudent interest rate and foreign exchange hedging policies

## Active Asset Management

- ❖ Attract creditworthy tenants to increase occupancy as well as retain good existing tenants
- ❖ Balance lease expiry and rent review profiles to generate stable income for Unitholders

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



# Key milestones



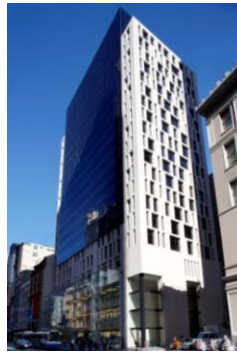
**2 Nov 2009**

Acquired additional strata lots in Prudential Towers from 44% to 73% for S\$106m



**1 Mar 2010**

Acquired 50% interest in 275 George Street, Brisbane, Australia for S\$209m



**19 Jul 2010**

Announced acquisition of 77 King Street office tower in Sydney, Australia for S\$145m



**11 Oct 2010**

Announced proposed acquisition of one-third stake in MBFC Towers 1 and 2 and Marina Bay Link Mall, and divestment of KTGE

**20 Nov 2009**

Completed rights issue with gross proceeds of S\$620m

**Dec 2010**

Expected completion of 77 King Street office tower, MBFC Property and divestment of KTGE



# Strong Keppel Land sponsorship

## 1 Leading development expertise

- ❖ Leading property developer having successfully completed multiple landmark commercial developments

## 2 Strong alignment with K-REIT Asia's Unitholders

- ❖ Anchor stake of approx. 45%
- ❖ Injection of one-third interest in One Raffles Quay in 2007

## 3 Established property management expertise

- ❖ Established property management capabilities and economies of scale
- ❖ Strong relationship with key tenants

**MBFC Phase 2<sup>(1)</sup>**



c. 1.3m sf office NLA

**Ocean Financial Centre<sup>(1)</sup>**



c. 850,000 sf NLA

**Keppel Bay Tower<sup>(1)</sup>**



c. 387,880 sf NLA

**Equity Plaza<sup>(1)</sup>**



c. 250,315 sf NLA

1. Properties owned or being developed by Keppel Land



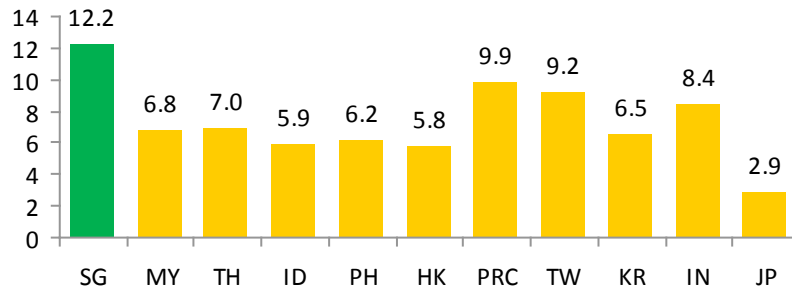
## Section 2

### Singapore Overview



# Singapore is one of Asia's leading economies with robust macro economic fundamentals

Forecast 2010 GDP Growth Estimates (%)



Source: EIU estimates

❖ Singapore's global recognition is reflected in consistent high rankings in competitiveness rankings:

- **No.1 in IMD's World Competitiveness Scoreboard 2010** ahead of Hong Kong, the USA, and Switzerland in IMD's review of 58 global economies
- **No. 1 in Doing Business 2010 Report on the ease of doing business** ahead of Hong Kong, the United States and the United Kingdom
- **No. 2 in BERI Report 2010 as the city with the best investment potential** for 16 consecutive years
- **No.1 in the Globalisation Index 2009** ranking on foreign trade and investment

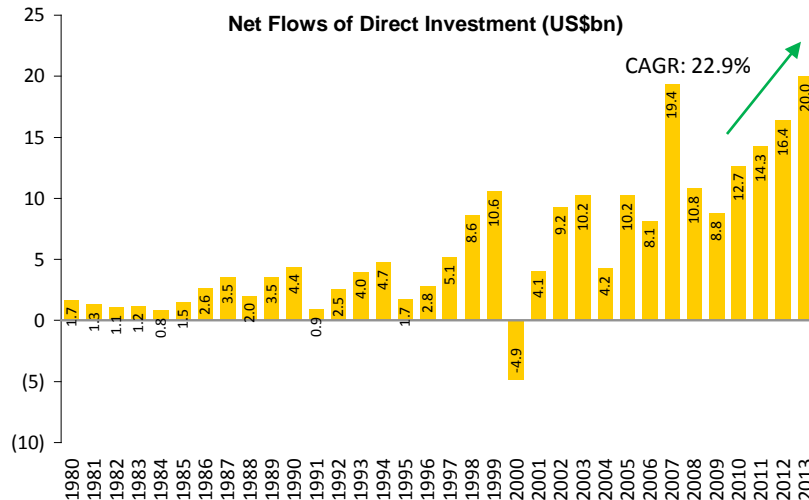
❖ MTI forecast 13%-15% GDP growth for FY2010

❖ 22.9% CAGR in forecast net flows of direct investment between 2010 and 2013

❖ Leading REIT market in Asia (ex. Japan) with market capitalisation growing at a CAGR of c.57% in the past 9 years. Total market capitalisation for S-REITs reached approximately S\$41.7bn (US\$32.4bn) as at 22 October 2010

❖ Strong performance of recent S-REIT IPOs illustrates significant global investor appetite for Singapore centric yield plays

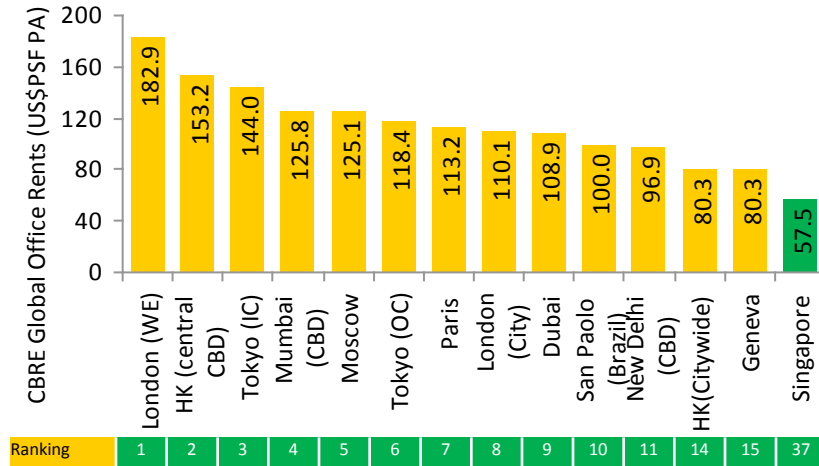
Net Flows of Direct Investment (US\$bn)



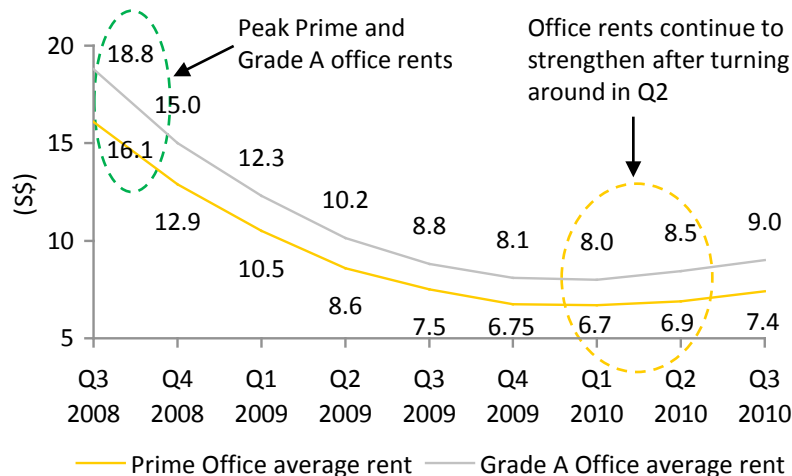
Source: MAS and IMF



# Singapore office rents are inexpensive in a global context but continue to strengthen



- Based on CBRE's latest Global Office Rents report, Singapore has dropped from the 32nd most expensive office market globally to 37th, compared to the 9th spot it occupied as at end 2008
- Stronger than expected economic growth presents a strong foundation for office sector growth
  - Considerable upside potential in office rents as office rents at an approximately 50% discount to 2008 peak
- Redevelopment of older office buildings in the central business district into residential properties expected to further drive office rentals upwards



Source: CBRE

## **Section 3**

**Acquisition of a one-third interest in Marina Bay Financial Centre  
Towers 1 and 2 and Marina Bay Link Mall and  
Divestment of Keppel Towers & GE Tower**



# Transaction summary

## Proposed Acquisition

- ❖ Keppel Land's one-third interest in MBFC Towers 1 & 2 (MBFC Property) and Marina Bay Link Mall – purchase consideration of S\$1,427m, including an income support of up to S\$29m

## Proposed Divestment

- ❖ To divest Keppel Towers & GE Tower (KTGE) to Keppel Land for S\$573 million

## Funding

- ❖ Disposal proceeds from the sale of KTGE mitigates the need for equity fund raising, maximising accretion to existing Unitholders
- ❖ Acquisition to be funded by
  - Divestment proceeds : S\$570m;
  - Additional borrowings : S\$821m; and
  - Rights issue proceeds (completed in November 2009) : S\$41.5m



**Transaction is subject to certain conditions,  
including Unitholders' approval with EGM to be held in December 2010**

# Rationale: Optimising and upgrading K-REIT Asia's portfolio

## *Increased exposure to Grade A office in Raffles Place and new downtown*

- ❖ MBFC Phase 1 (prime Grade A office asset) located in Marina Bay
  - Located alongside existing property – One Raffles Quay
- ❖ Limited known supply of office properties expected in the core CBD/Marina Bay area over next few years
  - Sponsor Keppel Land currently developing MBFC Phase 2 and Ocean Financial Centre
- ❖ Value maximising funding structure with sale of Keppel Towers and GE Tower at above book value





# MBFC: The premier office asset in Singapore

## A prestigious landmark commercial development



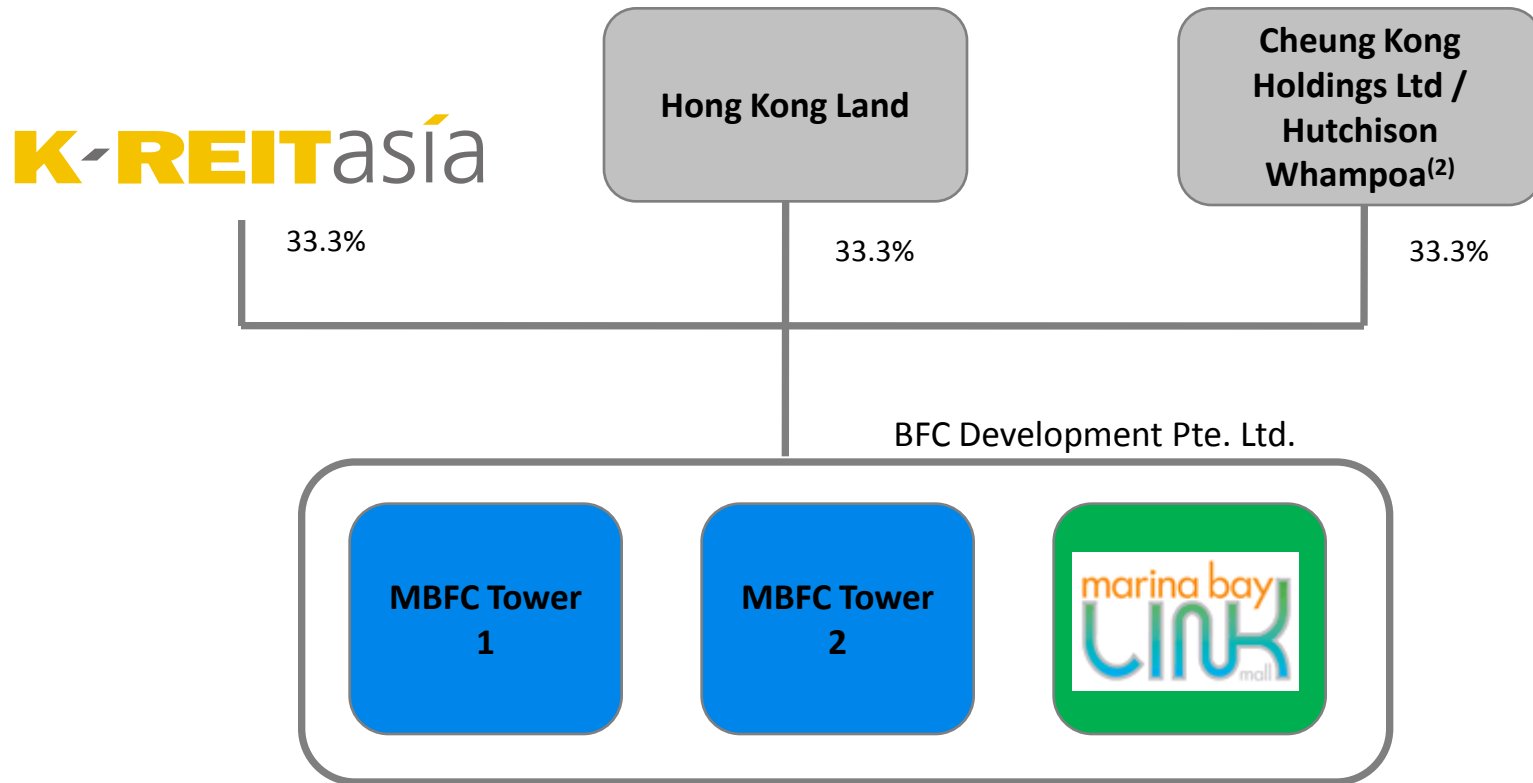
- ❖ Acquisition comprises Marina Bay Financial Centre Towers 1 & 2 and the retail Marina Bay Link Mall
- ❖ Strategically located in Singapore's new financial district
- ❖ Close proximity to the newly developed Marina Bay Sands integrated resort
- ❖ Retail / pedestrian link to Raffles Place MRT interchange station, future Downtown MRT station and Marina Bay Sands integrated resort

### Key property information<sup>1</sup>

Tenure	99 years Leasehold w.e.f. 2005
Acquisition consideration	S\$1,427 million
NLA (sf)	<div><div><div>33-Storey Office Tower 1 620,800</div><div>Marina Bay Link Mall 94,500</div><div>50-Storey Office Tower 2 1,031,900</div></div><p><b>Total NLA: 1,747,200 sf</b></p></div>
Car park lots	684
Weighted Average Lease Expiry	10.3 years

1. As at 30 September, 2010

# Joint ownership structure with established real estate managers<sup>(1)</sup>



1. Upon completion of the Transaction.

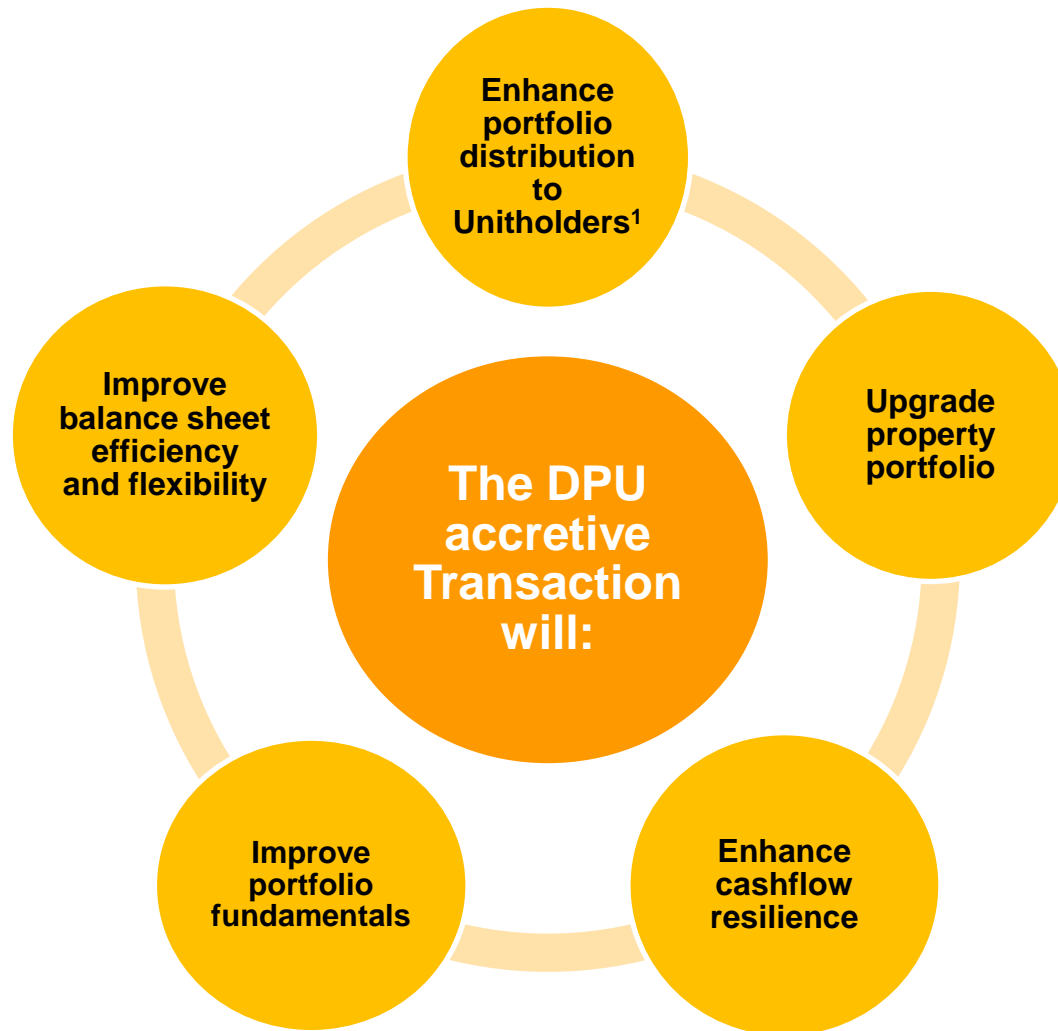
2. On 26 October 2010, Suntec REIT announced its proposed acquisition of Cheung Kong Holdings Ltd and Hutchinson Whampoa's 1/3 interest in BFC Development Pte Ltd.

## **Section 4**

### **Key Benefits of Transaction**



# Key benefits of the Transaction

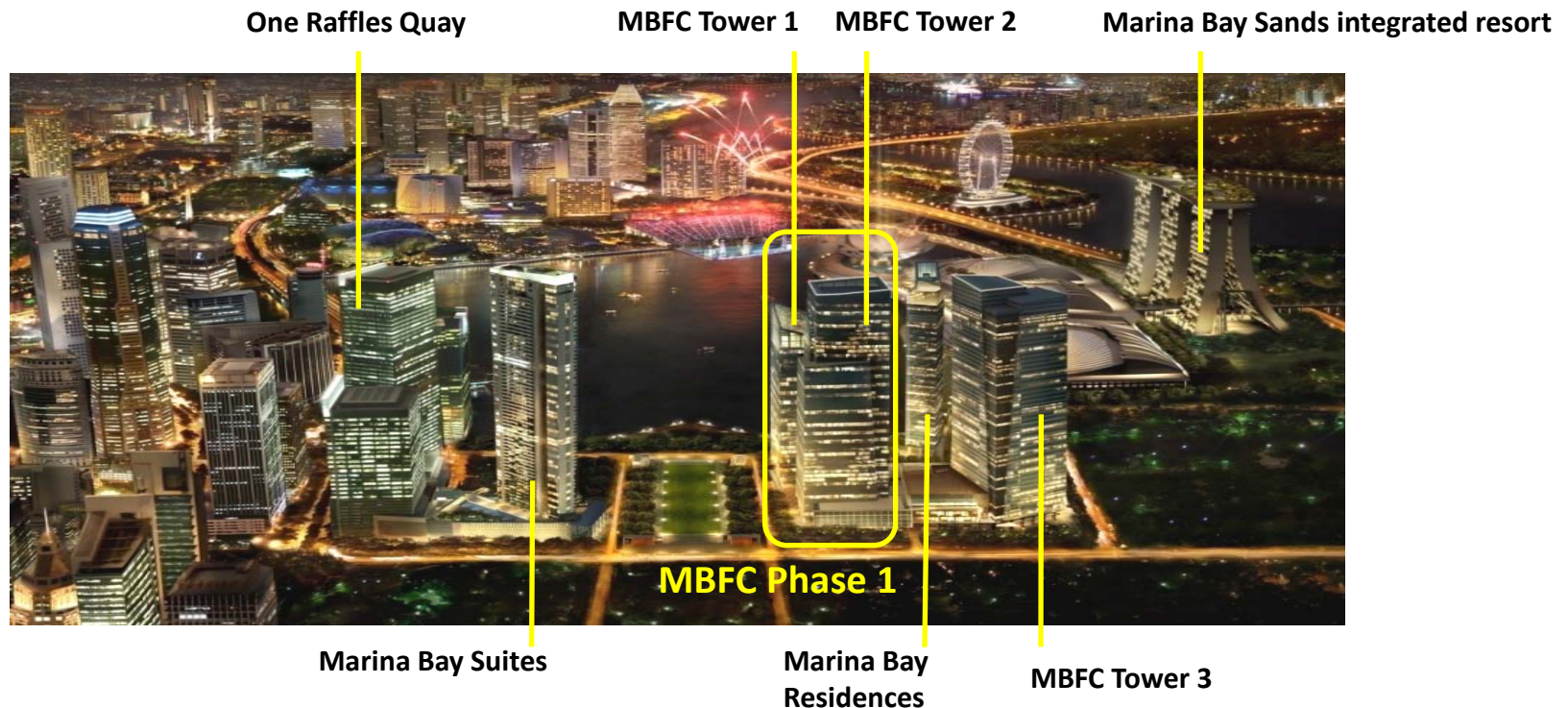


1. Based on the assumptions set out in K-REIT Asia Management Limited's announcement on the profit forecast for the Financial Year 2011 dated 18 October 2010.



# 1 Optimising and upgrading property portfolio

## *Acquisition of super prime Grade A property in core Singapore CBD area*



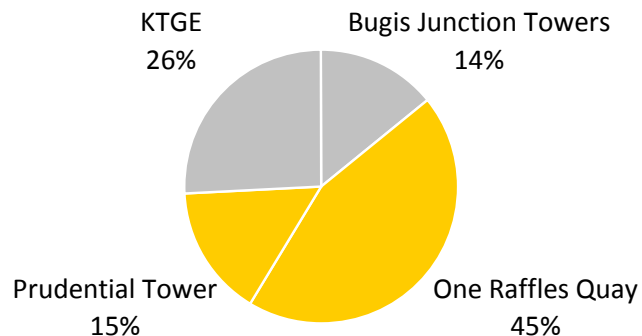
- ❖ Located in Marina Bay which is envisaged as the new Singapore downtown
- ❖ Designed by internationally-acclaimed architecture firm, Kohn Pederson Fox, New York
- ❖ Easy access via major expressways
- ❖ Retail / pedestrian link to Raffles Place MRT interchange station, future Downtown MRT station and Marina Bay Sands integrated resort

# 1 Optimising and upgrading property portfolio

## *Positive rebalancing of portfolio*

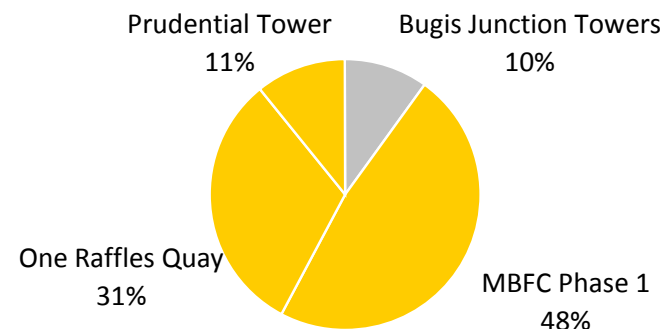
- ❖ K-REIT Asia's Singapore property portfolio in Raffles Place and Marina Bay increases from **60% to 90%** post-Transaction (based on assets under management)
  - Key locations for “front offices” of leading multi-national corporations in Singapore
- ❖ Enhances K-REIT Asia's position as a leading commercial REIT in Asia
- ❖ Well-positioned to leverage on the uptick in the Singapore office sector

**Singapore portfolio as at 30 Sep 2010**



**Total Attributable Value: S\$2.1bn**

**Singapore portfolio post-Transaction**



**Total Attributable Value: S\$3.0bn**

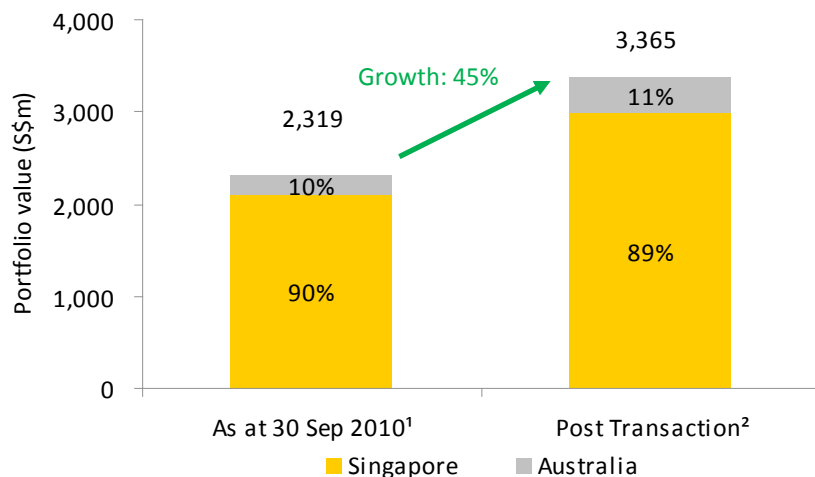
■ Raffles Place & Marina Bay area ■ Others

# 1 Optimising and upgrading property portfolio

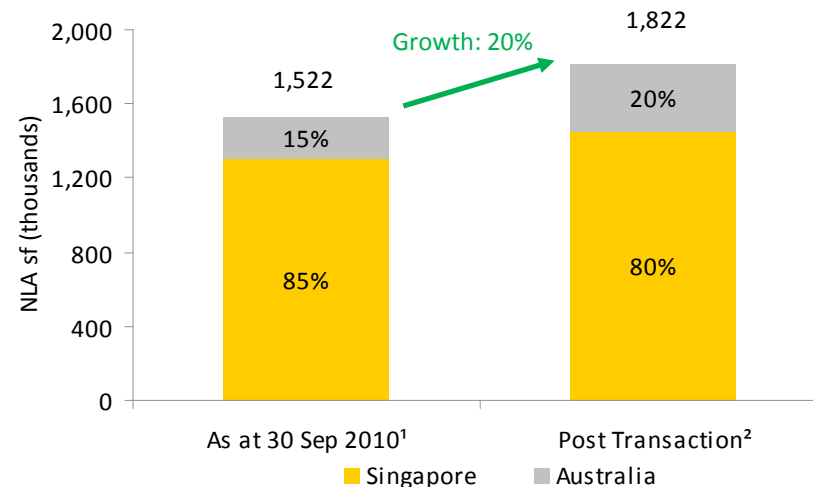
## Delivering on growth strategy

- ❖ Significantly increases scale of K-REIT Asia's portfolio
- ❖ Reinforces strategy to invest in the top office properties in hard to access markets with attractive fundamentals to support continued capital appreciation
- ❖ Illustrates K-REIT Asia's ability to execute acquisitions in prime Grade A office sector

Portfolio value (\$m)



Attributable NLA (sf)



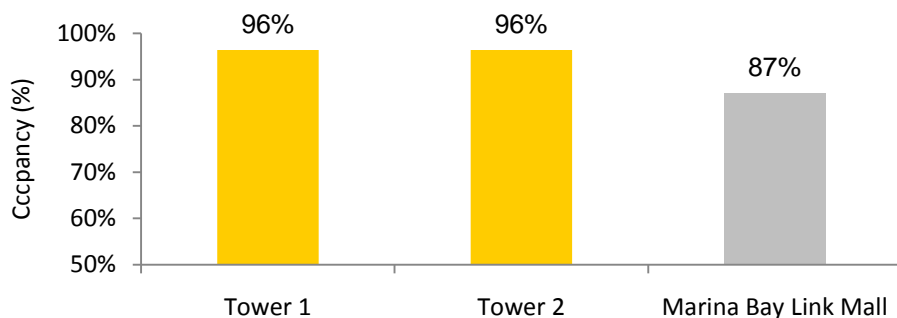
1. K-REIT Asia's existing portfolio comprising Bugis Junction Towers, Keppel Towers & GE Tower, One Raffles Quay (33.3% interest), Prudential Tower (73.4% interest), and 275 George Street (50.0% interest).

2. K-REIT Asia's portfolio post-Transaction comprises Bugis Junction Towers, One Raffles Quay (33.3% interest), Prudential Tower (73.4% interest), MBFC Property (33.3% interest), 275 George Street (50.0% interest) and 77 King Street Office Tower.

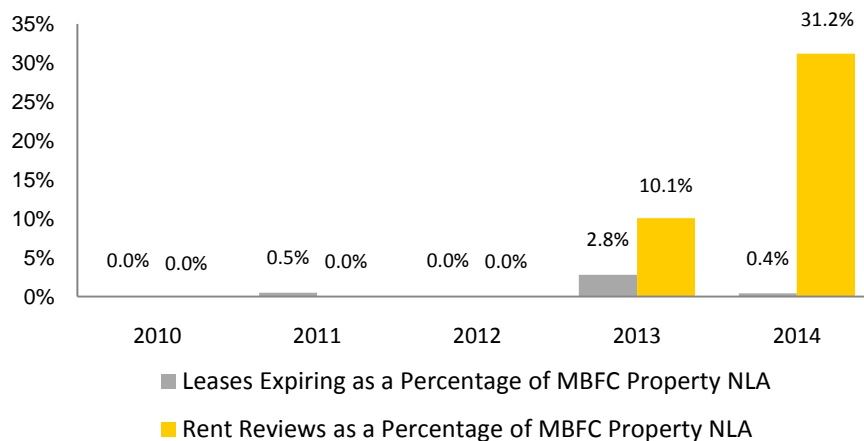
# Enhances cashflow resilience and improves portfolio fundamentals

## Blue-chip tenant base with committed occupancy

### MBFC Property Committed Occupancy



### MBFC Property Lease Profile



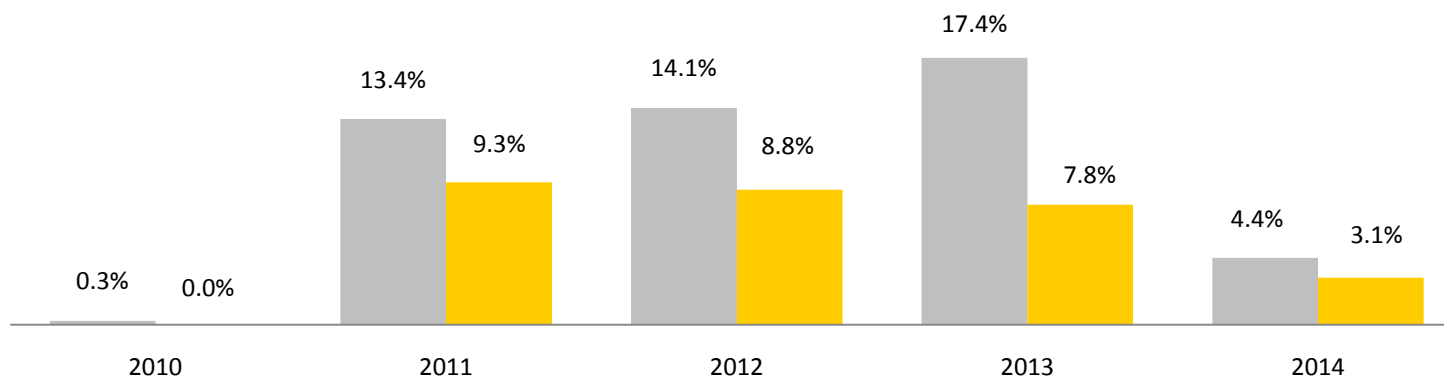
- ❖ Long and staggered weighted average lease expiry of 10.3 years
- ❖ Top ten tenants occupy 90% of leased NLA
- ❖ Office towers 1 and 2 are let to blue-chip global multinational tenants
- ❖ Tower 1 key tenants: Standard Chartered Bank and Wellington International Management Company
- ❖ Tower 2 key tenants: Barclays, BHP Billiton, Macquarie and Nomura



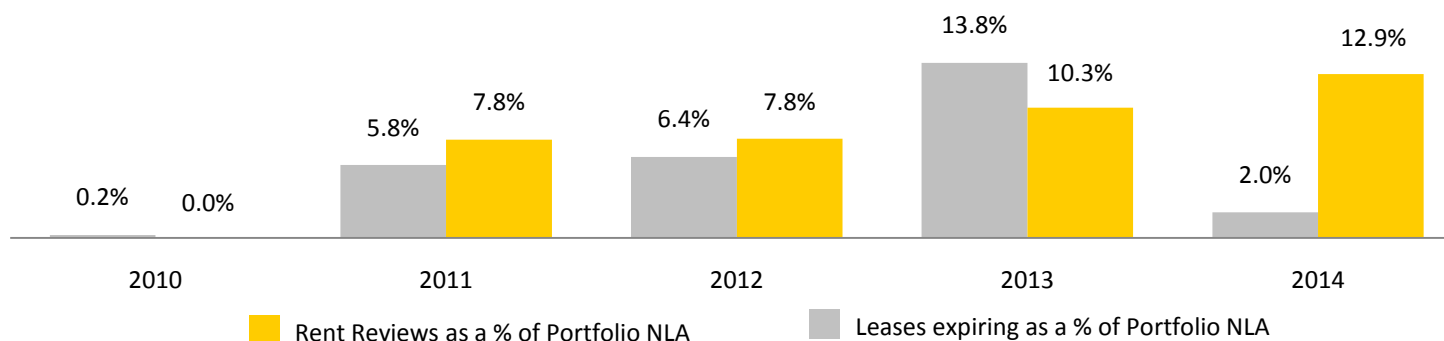
# Enhances cashflow resilience and improves portfolio fundamentals

## Well-balanced portfolio lease expiry and rent review profile

As at 30 September 2010<sup>1</sup>



Post-Transaction<sup>2</sup>



1. K-REIT Asia's existing portfolio comprising Bugis Junction Towers, Keppel Towers & GE Tower, One Raffles Quay (33.3% interest), Prudential Tower (73.4% interest), and 275 George Street (50.0% interest).
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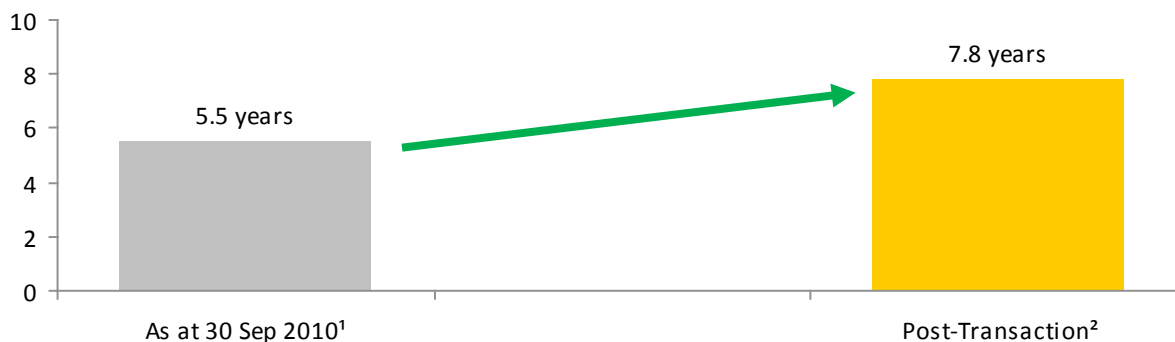
# Enhances cashflow resilience and improves portfolio fundamentals

## Improved lease expiry profile post-Transaction

### Portfolio Lease Terms by Net Lettable Area



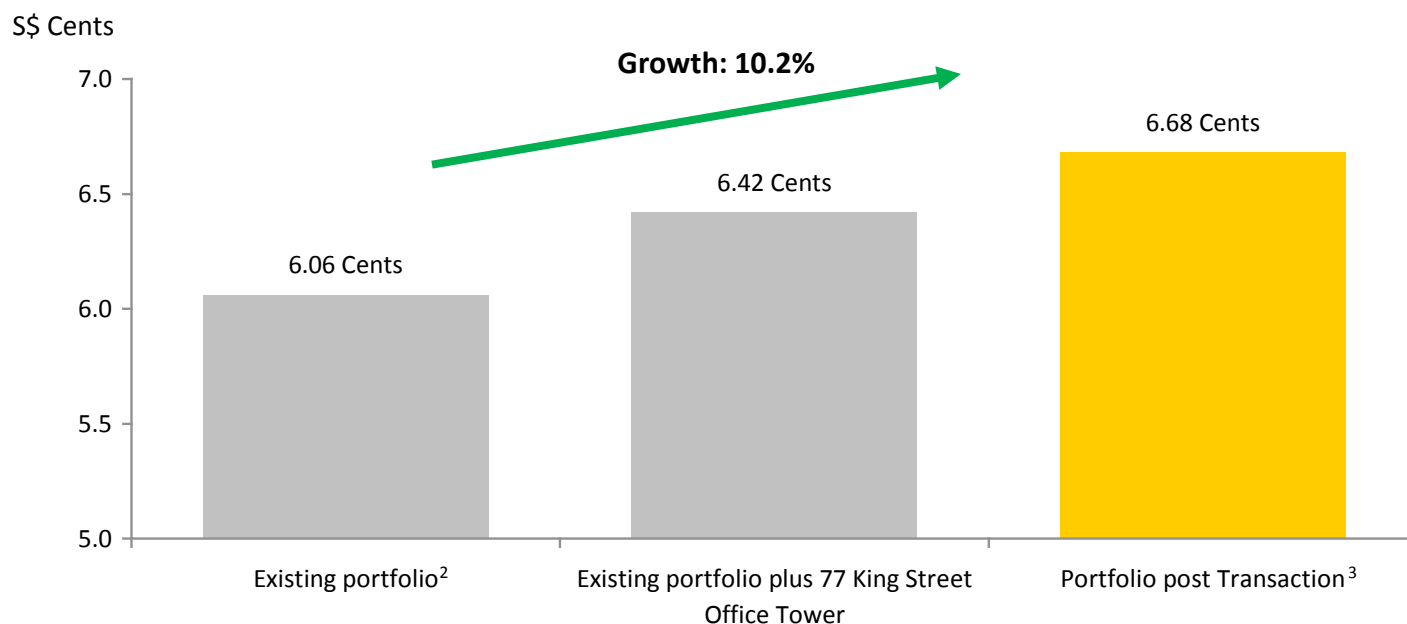
### Portfolio Weighted Average Lease Expiry (years)



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

### 3 DPU accretive Transaction

**10% growth in DPU in FY 2011**

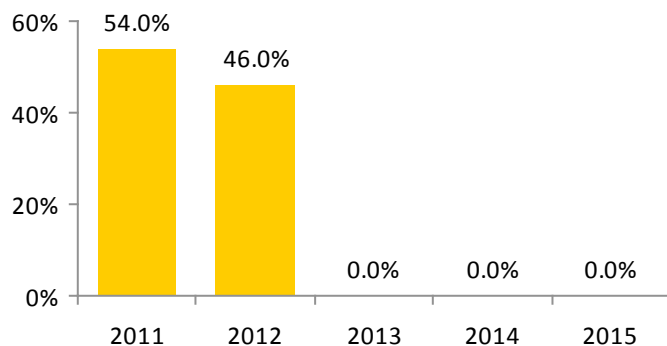


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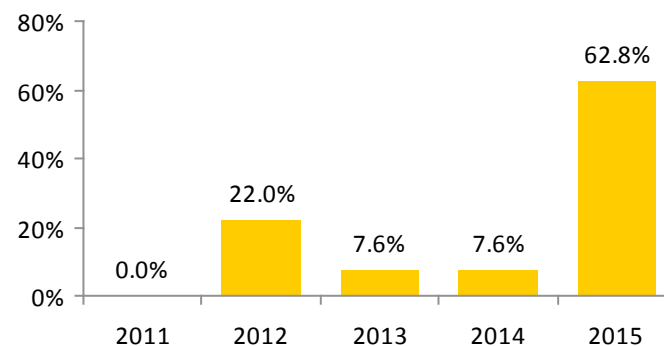
## 4 Improves balance sheet efficiency and flexibility

- ❖ All-in cost of borrowings ↓ from 3.4% to approximately at **3.05%** post-Transaction
- ❖ Debt maturity profile is well-balanced and staggered post-Transaction
  - Debt weighted term to maturity increased from 1.4 years to **4.1 years**
  - No immediate refinancing needs

Debt Expiry Profile as at 30 Sept 2010<sup>1</sup>



Debt Expiry Profile Post-Transaction<sup>2</sup>



- ❖ Unencumbered assets ↑ from 54.3% to **81.5%** post-Transaction
- ❖ Aggregate leverage level at 39.1% post-Transaction

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## Section 5

### K-REIT Asia Investment Highlights



# Attractive investment proposition



**Leading pure-play commercial REIT**



**High quality portfolio with blue-chip tenants**



**Proven organic growth and acquisition track record**



**Strong sponsorship commitment from Keppel Land**



# Thank You

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