

K-REITasía

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### **Contents**

- Ocean Financial Centre
- Transaction Summary
- Rationale and Key Benefits
- Summary



## **Ocean Financial Centre**



## **Key Property Information**



#### **Ocean Financial Centre Key Property Details**

#### **Description**

A 43-storey premium Grade A office development comprising:

■ Office Tower completed in April 2011

 222-lot car park and retail podium expected to be completed by end-2012

Approximate
Net Lettable Area
("NLA")

Office: 81,471sqm or 876,947sf

Retail: 744sqm or 8,010sf

Committed Occupancy

About 80%(1)

**Major Tenants** 

ANZ, BNP Paribas, Drew & Napier, Verizon Communications, Stamford Law Corporation, The Executive Centre

(1) As at 15 September 2011.



## **Transaction Summary**



## **Transaction Summary**

DPU-Accretive Acquisition

- >2.3% Distribution Per Unit ("DPU") accretion
- To acquire an approximate 87.5% equity interest in Ocean Properties Pte. Limited ("OPPL"), which owns Ocean Financial Centre ("OFC Interest") for a period of 99 years

Agreed Value of OFC Interest

	Total value	Capital value per square foot
Agreed Value:	S\$2,013.1 million	S\$2,600
Less Rental Support:	S\$170.0 million	S\$220
<b>Effective Price:</b>	S\$1,843.1 million	S\$2,380

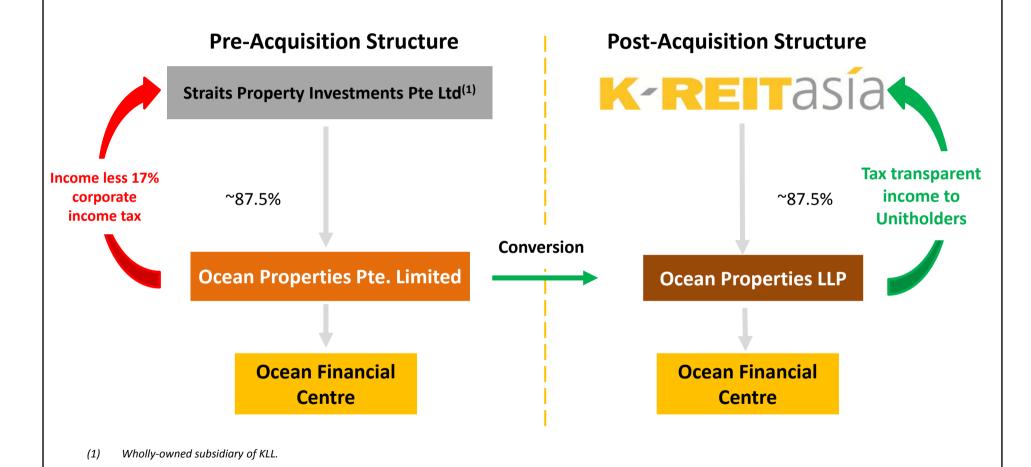
Tax Efficient Structure

> Conversion to LLP will provide **tax transparent** income to Unitholders



## **Tax Efficient Acquisition Structure**

Conversion provides tax transparent income to Unitholders post-Completion Date





## **Purchase Consideration**

> Agreed Value of the OFC Interest is supported by two independent valuations.

Agreed Value	:	S\$2,013.1 million <sup>(1)</sup>	(S\$2,600psf)
Savills' Valuation (Manager's valuer)	:	S\$2,054.0 million <sup>(2)</sup>	(S\$2,652psf)
Knight Frank's Valuation (Trustee's valuer)	:	S\$2,050.0 million <sup>(2)</sup>	(S\$2,647psf)

	Total Value	Value psf
Agreed Value	S\$2,013.1 million <sup>(1)</sup>	S\$2,600
Less Rental Support	S\$170.0 million	S\$220
Effective Price	S\$1,843.1 million	S\$2,380

<sup>(1)</sup> Refers to the Agreed Value of the approximate 87.5% interest in Ocean Financial Centre, and takes into account (i)the rental support capped at a maximum aggregate of \$\$170.0 million, to be in effect from the Completion Date up to 31 December 2016 and (ii)K-REIT's 99-year interest in OPPL.



<sup>(2)</sup> Independent valuations of the OFC Interest as at 15 September 2011.

## **Recent Office Transactions**

Property	Floor Plate	Age	Tenure	Transaction Date	NLA (sf)	Price psf (excl. rent support)
Ocean Financial Centre (87.5%) <sup>(1)</sup>	20,000sf to 23,000sf	0	Leasehold (Fresh 99 years)	Oct-11	884,957	\$2,380
Commerce Point (3 Phillip St)	4,700 sf to 6,300 sf	14 yrs	Leasehold (999 years)	Oct-11	82,160	\$2,490
1 Phillip Street	2,300 sf to 2,900 sf	18yrs	Leasehold (999 years)	Oct-11	36,194	\$2,050
Robinson Centre	6,600 sf to 9,200 sf	11yrs	Leasehold (85 years remaining)	Oct -11 <sup>(2)</sup>	132,388	\$2,300 <sup>(2)</sup>
Royal Brothers Building	Approx. 4,000 sf	Approx. 25 yrs	Leasehold (999 years)	Oct-11	59,000	\$3,050
One Finlayson Green	6,400 sf	17 yrs	Freehold	Mar-11	89,950	\$2,524
Capital Square	25,000 sf to 30,000 sf	13 yrs	Leasehold (84 years remaining)	Mar-11	386,526	\$2,300
MBFC Towers 1 & 2 (33.3%)	21,000sf to 25,000 sf	1 yr	Leasehold (93 years remaining)	Oct-10	1,164,734	\$2,400

- 1. The proposed Acquisition.
- 2. The Business Times reported that an investor is doing due diligence on Robinson Centre based on the approximate price of \$2,300 psf.



## **Overview of Rental Support**

#### **Rationale**

To smooth out the cash flow to Unitholders:

- > As Ocean Financial Centre is ~80% leased
- > For fitting-out periods where rents are not yet received
- > For existing leases which were committed during the global financial crisis

#### **Key terms**

Rental Support Vendor to top-up if Actual OFC Net Property Income of each quarterly period falls below the Guaranteed Income Amount

Maximum Amount

S\$170.0 million

**Period** 

Approximately 5 years from Completion Date to 31 December 2016



## Why Now

- Reasonable pricing of S\$2,380 net psf
  - Unique opportunity to acquire brand new premium office asset in the heart of Singapore's CBD
- > 2.3%  $\uparrow$  in DPU for Forecast Year 2012
  - ▶8.4% DPU yield based on Rights Issue price of S\$0.85 per Unit
- > Favourable LLP ruling from IRAS(1) provides tax transparent income to Unitholders
  - Tax savings flow direct to Unitholders
- Low interest rates for new borrowings locked-in for next five years
- OFC is ~80% tenanted to established organisations
  - Ability to choose quality tenants to take-up balance space

1. Refers to the Inland Revenue Authority of Singapore.



## **Funding Structure**

#### **Equity**

- > Net proceeds of S\$976.3 million(1)
- > 17 for 20 Rights Issue
- > KLL and KCL will subscribe for their pro rata 76.3%<sup>(2)</sup> entitlements
- > Balance Rights Units fully underwritten by DBS Bank Ltd. and United Overseas Bank Limited.
- > S\$0.85 per Rights Unit is at a discount of 17.5%(3)

#### **Debt**

- > S\$602.6 million
- Approximately 70% fixed for 5 years until end-2016
- > Average cost of borrowing: approximately 2.28% per annum
- (1) Gross proceeds of \$\$983.8 million net of transaction costs of \$\$7.5 million.
- (2) Based on KCL's and KLL's combined Unitholdings as at 30 September 2011.
- (3) Discount with reference to last traded price of \$\$1.03 per Unit on 17 October 2011, the day of the announcement of the proposed Acquisition.



# Transaction Rationale and Key Benefits



## **Transaction Rationale and Key Benefits**

- 1. Consistent with K-REIT's investment and growth strategy
- Enhances DPU to Unitholders
- 3. Strengthens branding in the Raffles Place and Marina Bay precincts
- 4. Increases exposure to Singapore office market
- **5.** Reduces average age of K-REIT's property portfolio
- 6. Improves K-REIT's lease profile
- 7. Enhances tenant base with established organisations
- 8. Manages K-REIT's aggregate leverage
- g. Increases K-REIT's trading liquidity



1.

# Consistent with K-REIT's Investment and Growth Strategy

- Unique opportunity to acquire a landmark office building in the tightly-held Singapore CBD
- Post-Acquisition, K-REIT will become the largest owner of premium offices in Singapore

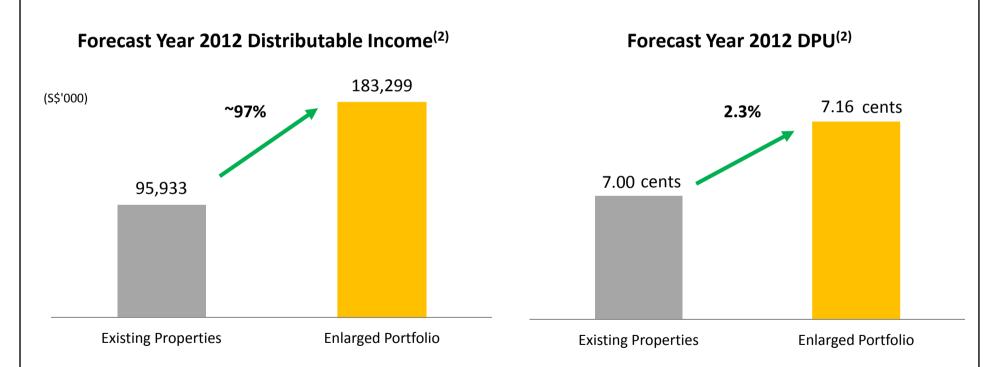


\* The proposed Acquisition of an 87.5% equity interest in Ocean Financial Centre.



## 2. Enhances DPU to Unitholders

- > DPU accretive Acquisition is expected to provide stable and sustainable returns to Unitholders
- > 8.4% DPU Yield based on the Rights Issue price of S\$0.85 per Unit for the Forecast Year 2012.
- > 7.6% DPU Yield based on a TERP of S\$0.947<sup>(1)</sup> per Unit for the Forecast Year 2012.



- (1) TERP based on the last traded price of \$\$1.03 per unit on 17 October 2011, the day of the announcement of the proposed Acquisition.
- (2) Based on the assumptions as set out in Appendix B of K-REIT's Circular dated 19 October 2011.

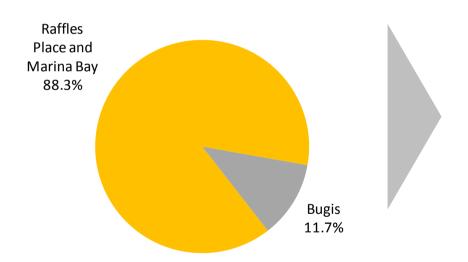


3.

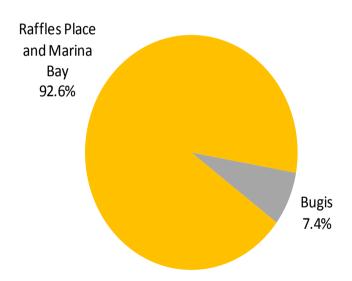
## **Enhances Portfolio Quality and Strengthens Branding** in the Raffles Place and Marina Bay Precincts

> Singapore Assets in the Raffles Place and Marina Bay Precincts ↑ to ~93%<sup>(1)</sup>

#### **Existing Properties**(1)



#### **Enlarged Portfolio**(1)



(1) Based on the asset value of the properties.



4.

# Increases exposure to the Singapore Office Market

> Proportion of Singapore property portfolio to entire property portfolio 1 to ~93%(1) from ~90%

Singapore Property Portfolio



OFC Interest<sup>(2)</sup>



Bugis Junction Towers



MBFC Interest



**ORQ** Interest



Prudential Tower
Property

Australia Property Portfolio



275 George Street Interest



77 King Street Property



8 Chifley Square Interest

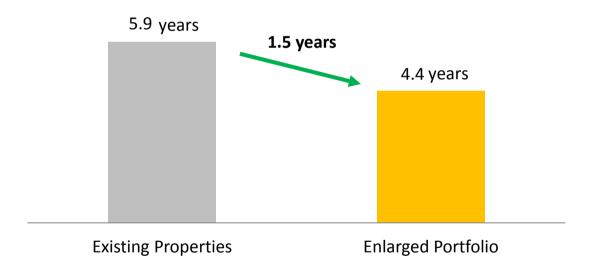
- (1) Based on the asset value of the properties.
- (2) Subject to the completion of the Acquisition.



## 5. Reduces Average Age of K-REIT's Property Portfolio

→ the average age of the properties by NLA to 4.4 years

#### **Property Portfolio Average Building Age by NLA**





## 6. Well-Staggered Lease Profile

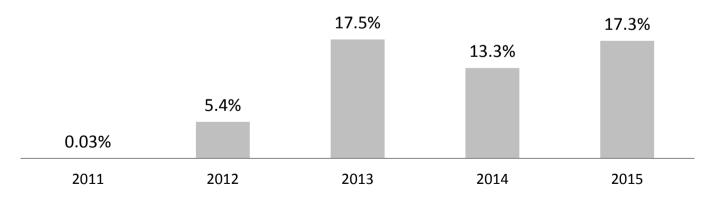
Portfolio weighted average lease expiry ("WALE") at 7.0 years

#### **Weighted Average Lease Expiry (WALE)**

Top Ten Tenants WALE 8.3 years

Portfolio WALE 7.0 years

#### Portfolio Lease Renewal and Rent Review Profile(1)



(1) Portfolio lease renewal and rent review profiles exclude K-REIT's interest in 8 Chifley Square, as the property is currently under construction.



## 7. Enhances Tenant Base

- K-REIT's current portfolio will be enhanced with established corporations that have tenancies at Ocean Financial Centre
  - Australia and New Zealand Banking Group Ltd
  - Barclays Capital Service Limited Singapore Branch
  - BHP Billiton Marketing Asia Pte Ltd
  - BNP Paribas
  - Deutsche Bank Aktiengesellschaft
  - Drew & Napier LLC
  - International Enterprise Singapore
  - Standard Chartered Bank
  - Telstra Corporation Limited
  - UBS AG

Pro forma Top Ten Tenants of Enlarged Portfolio as a Percentage of Leased NLA:

46.2%(2)

- (1) Highlighted in green are tenants in Ocean Financial Centre.
- (2) Information shown is based on K-REIT's enlarged portfolio including the OFC Interest on a pro forma basis as at 30 September 2011.



## 8. Manages K-REIT's Capital Structure

	As at 30 Sep 2011	Pro forma as at 31 Dec 2011
Aggregate Leverage Level <sup>(1)</sup>	39.8%	41.6%
Total Borrowings <sup>(2)</sup>	S\$1,454 million	S\$2,483 million
All-in Cost of Debt	2.48%	2.23%
Interest Service Ratio <sup>(3)</sup>	4.6 times	4.3 times
Debt Term to Expiry	3.6 years	3.2 years <sup>(4)</sup>

<sup>(1)</sup> Based on K-REIT's total borrowings, including the borrowings accounted for at the level of associated companies and unamortised portion of fees in relation to borrowings, divided by the K-REIT's deposited property value.

- (3) Refers to the ratio of year-to-date earnings before interest, tax, depreciation and amortisation divided by interest expense.
- (4) Assuming the \$526 million loans which are due for refinancing on 31 December 2012 are refinanced post-Acquisition for 5 years, the debt term to expiry will be 4.0 years.

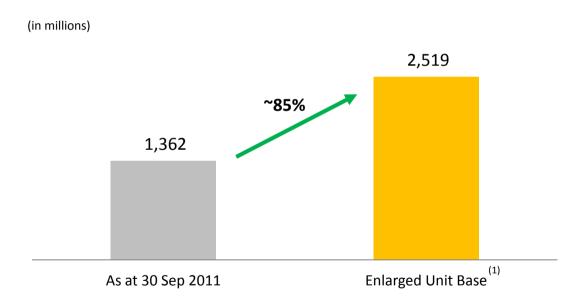


<sup>(2)</sup> Includes borrowings accounted for at the level of associated companies and unamortised portion of fees in relation to borrowings.

## 9. Increases Trading Liquidity

> Significant increase in Units in issue is expected to improve level of trading liquidity

#### **Pro forma Units in Issue**



(1) Based on the enlarged Unit base which includes the estimated total number of Rights Units.



# **Summary** K-REITasía

## **Summary**

#### The proposed Acquisition



- Unitholders will get to enjoy  $\uparrow$  DPU in 2012 without having to put in additional cash
- 8.4% DPU yield based on Rights Issue Price of \$\$0.85 per unit
- Ownership of landmark premium Grade A office asset in the heart of Singapore's CBD

#### **Fully Underwritten and Renounceable Rights Issue**





- Unitholders have the choice to sell their nil-paid Rights entitlement
- Unitholders have the option to subscribe for additional units at a preferential rate
- ♠ in issued units potentially improves trading liquidity



## **Positive Feedback**

- Moody's upgraded outlook on K-REIT from Stable to Positive
- Standard & Poor's initiated coverage on K-REIT at BBB with Stable outlook
- > ISS<sup>(1)</sup> recommended that investors vote in favour of both resolutions as:
  - i. "the acquisition is in line with the trust's investment strategy; and
  - ii. the portfolio distribution to unitholders would be enhanced."

1. Institutional Shareholders Services Inc.



## **Indicative Timetable**

Key Events	Dates	
Last day of "cum-rights" trading	11 November 2011 <sup>(1)</sup>	
First day of "ex-rights" trading	14 November 2011 <sup>(1)</sup>	
Book closure date	16 November 2011 <sup>(1)</sup>	
Commencement of "nil-paid" rights trading	21 November 2011 <sup>(1)</sup>	
Last day of "nil-paid" rights trading	29 November 2011 <sup>(1)</sup>	
Close of Rights Issue	5 December 2011 <sup>(1)</sup>	
Expected date of issuance of Rights Units	13 December 2011 <sup>(1)</sup>	
Expected commencement of trading of Rights Units	14 December 2011 <sup>(1)</sup>	
Expected Acquisition completion date	No later than 31 December 2011 <sup>(1)</sup>	

<sup>(1)</sup> Conditional on both resolutions at the EGM being duly passed on 10 November 2011.



## Thank you

