Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: SPH REIT Management Pte. Ltd.

Security: SPH REIT

Meeting details:
Date: 30 November 2018
Time: 2.30 p.m.
Venue: The Auditorium, 1000 Toa Payoh North, News Centre, 1st Storey, Annexe Block, Singapore 318994

Company Description

SPH REIT is a Singapore-based real estate investment trust established principally to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets. Its portfolio of properties comprises a 99-year leasehold interest in Paragon commencing on 24 July 2013, a 99-year leasehold interest in The Clementi Mall commencing on 31 August 2010 and a leasehold interest in The Rail Mall with remaining lease tenure of about 28 years. Valued at S$3.368 billion with an aggregate net lettable area of approximately 960,000 sq. ft, the properties have a committed occupancy of 99.4% and have a diverse and high quality tenant base of about 500 local and international retailers and medical specialists.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=SK6U)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

1. On 30 April 2018, the REIT manager announced that the REIT would be acquiring The Rail Mall for $63.238 million. The Rail Mall is a retail strip, with a 360-metre prominent road frontage to Upper Bukit Timah Road, comprising 43 single-storey shop units and 95 private carpark lots. The Rail Mall has a total net lettable area of approximately 50,000 square feet. It is served by the Hillview MRT station (which is about 250 metres away) and a network of public bus services.

The Rail Mall is a 99-year leasehold property commencing 18 March 1947. The remaining lease tenure is approximately 28 years.

(i) **Would the manager help unitholders understand how it could create a "differentiated positioning" for the retail strip? What is the financial impact of that?**

(ii) **How synergistic is the newly acquired asset with the REIT's portfolio given that the other assets in the REIT are a premier upscale retail mall and medical suite/office property located in the heart of Orchard Road and a mid-market suburban mall?**

(iii) **Can the REIT disclose the projected financial/operational performance (including net property income, rental yield, weighted average lease expiry etc) of The Rail Mall based on the acquisition price of $63.238 million?**

(iv) **Are there any asset enhancement/redevelopment plans for the new asset?**

(v) **Can the board help unitholders better understand the financial considerations it had prior to the acquisition of the asset? Would this acquisition result in a favourable and sustainable yield "spread" based on the balance lease tenure of 28 years and an average cost of debt of 2.85% per annum.** The "amortisation charge" would be approximately 3.6% of the purchase consideration (without factoring in the time value of money).

2. With Paragon accounting for 80.7% of the portfolio by valuation and 80.0% by revenue, the performance of the REIT will be largely determined by the performance of Paragon.

Following a rental reversion of 5.2% at Paragon in FY2016, the rental reversion has been negative in the past two years – (0.8)% in FY2017 and (3.7)% in FY2018. Gross revenue from Paragon dropped from $173.1 million in FY2017 to $169.5 million in FY2018. On the other hand, tenant sales increased from $675 million to $693 million in FY2018.

(i) **Can management help unitholders understand the specific reason(s) for the drop in gross revenue from Paragon?**

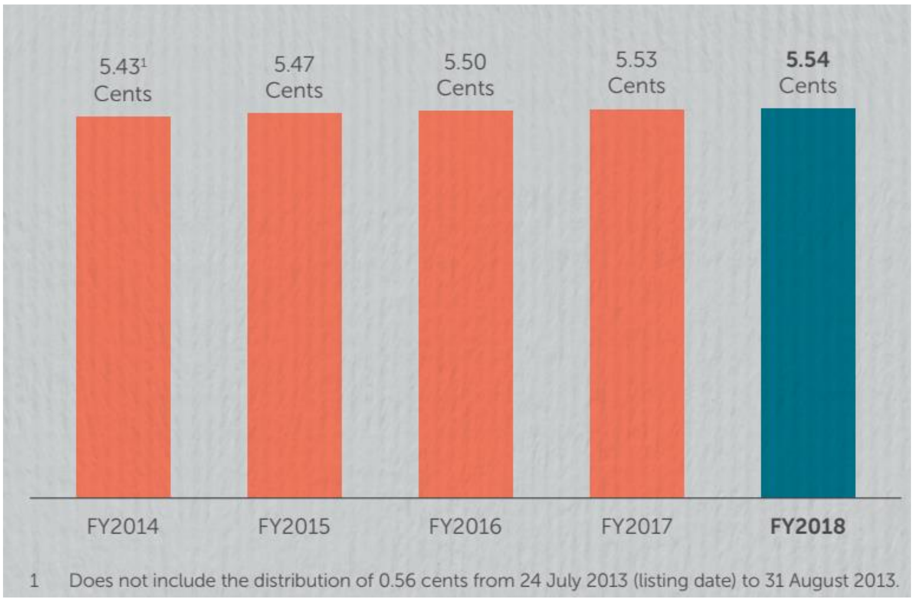
(ii) **Does the REIT receive any gross turnover rent in its leases with the tenants? If so, what is the percentage of such rent compared to the REIT's gross revenue?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(iii) Did the Asset Enhancement Initiative (AEI) affect the tenants since it started in early 2018?

(iv) In the planning and approval of any AEI, what is the manager's targeted return on investment (ROI) of its AEI efforts?

3. As shown in the Financial review (page 34 of the annual report), the REIT's distribution per unit (DPU) has increased from 5.43 cents in FY2014 to 5.54 cents in FY2018. This translates into a compound annual growth rate of the DPU of 0.5% from FY2014 to FY2018.



(Source: Annual report)

The maiden acquisition made by the REIT in April 2018 increased the REIT's portfolio by less than 2% (i.e. purchase consideration of $63.238 million compared to a portfolio valuation of $3.278 billion as at 31 August 2017).

(i) Can the board elaborate further on the REIT's multi-pronged strategy to grow the REIT? Other than proactive asset management and enhancement, what guidance has the board given to the manager to help it identify value-enhancing yield-accretive acquisitions?

(ii) What is the experience/track record of the key management team in sourcing and identifying investment properties that can deliver sustainable returns for the REIT?

(iii) Has the manager initiated any discussion with the sponsor on the potential acquisition of The Seletar Mall? The mall was first opened in November 2014.

A copy of the questions for the Annual Report for the financial year ended 31 August 2017 and 31 August 2016 could be found here:

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

https://sias.org.sg/qa-on-annual-reports/?company=SPH%20REIT%20Management%20Pte%20Ltd

The company's response could be found here: -----