



# **Frasers Commercial Trust 1QFY13 Financial Results**

**25 January 2013**



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→ **Results**

→ **Portfolio review**

→ **Capital management**





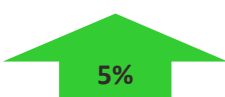
→ **Moving Forward**

# Results

### Key highlights:

- 1QFY13 distributable income to Unitholders of S\$10.3m, ↑ 6.9% Y-o-Y
- Distribution to CPPU holders of S\$4.7m, represents an annualised 5.5% distribution yield on the offer price of S\$1.0
- Caroline Chisholm Centre recorded higher NPI of S\$5.5 million as a result of the acquisition of the remaining 50% interest in FY2012
- Healthy portfolio average occupancy rate of 94.7%, with weighted average lease expiry (“WALE”) of 4.9 years
- Prepayment of aggregate amount of S\$159.5 million of the S\$320 million and A\$86 million term loan facilities from the divestment proceeds of KeyPoint
- Divested remaining Japanese properties on 25 October 2012 and exited Japan market
- 1,040,910 Series A CPPUs converted into 878,697 Units on 1 October following the exercise of conversion rights by CPPU holders
- 162,567,826 Series A CPPUs redeemed and 7,437,501 Series A CPPUs converted into 6,278,918 new ordinary units in FCOT on 2 January 2013

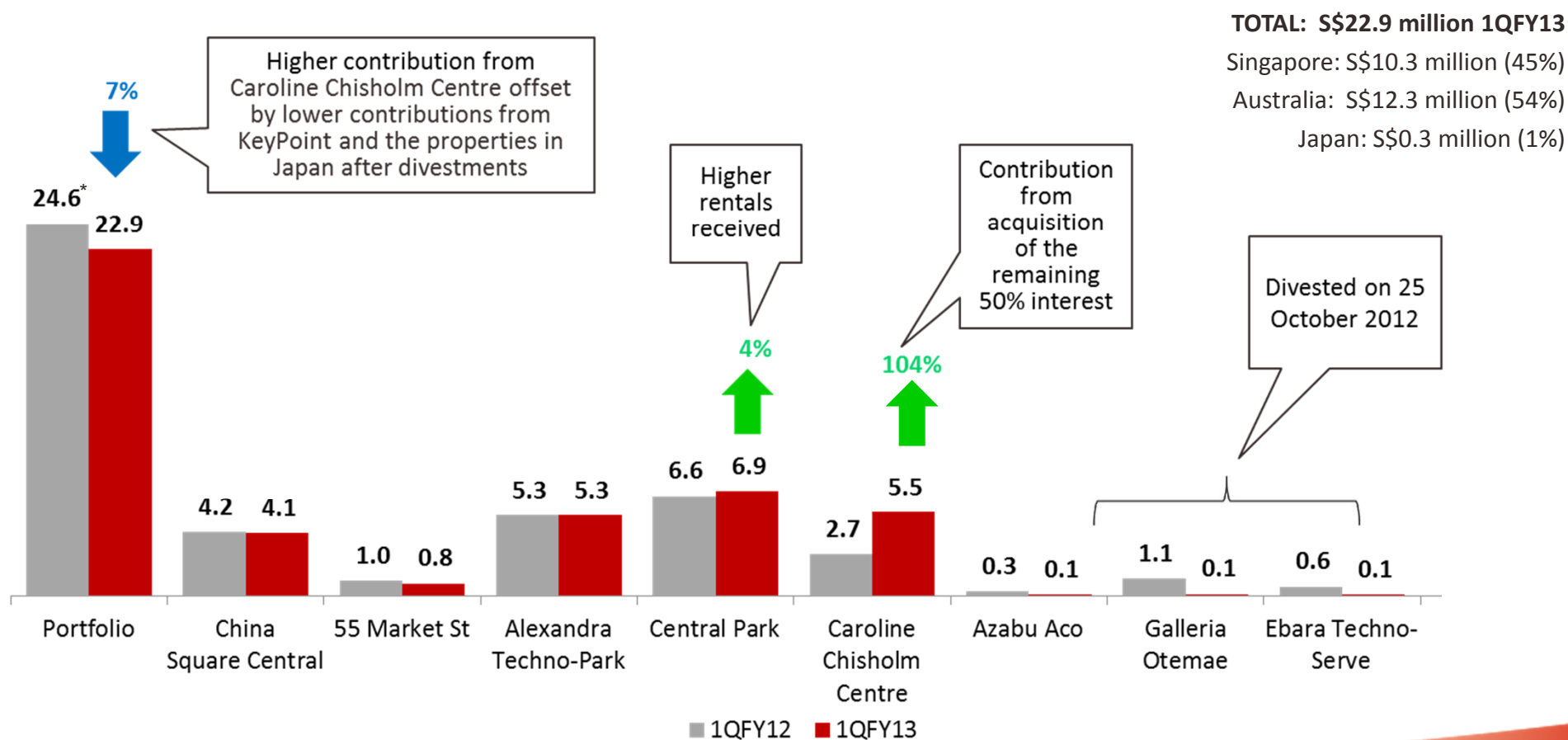
## 7% rise in distributable income for 1QFY13

| 1 Oct 2012 – 31 Dec 2012   | 1QFY13<br>(S\$ '000) | Y-o-Y<br>Change (%)   | Contributing factors   |
|----------------------------|----------------------|---|--|
| Gross Revenue              | 29,692               |  3%   | <ul style="list-style-type: none"> <li>Higher contribution from Caroline Chisholm Centre due to acquisition of remaining 50% interest and underlying revenue recognised after the expiry of master lease at China Square Central, offset by lower contributions from KeyPoint and the properties in Japan after the divestments</li> </ul> |
| Net Property Income        | 22,934               |  7%   | <ul style="list-style-type: none"> <li>Higher contribution from 100% interest in Caroline Chisholm Centre, offset by lower contributions from KeyPoint and the properties in Japan after the divestments</li> </ul>  |
| Total distributable income | 15,003               |  5%   | <ul style="list-style-type: none"> <li>Decrease in NPI offset by substantial reduction in interest expenses, resulting in higher total distributable income</li> </ul>   |
| - Unitholders              | 10,269               |  7%  | <ul style="list-style-type: none"> <li>Attributable to increase in total distributable income</li> </ul>   |
| - CPPU holders             | 4,734                | -   | <ul style="list-style-type: none"> <li>1QFY13 distribution for CPPU holders paid on 2 January 2013</li> </ul>  |
| Distribution per CPPU Unit | 1.39¢                | -   | <ul style="list-style-type: none"> <li>1QFY13 distribution for CPPU holders</li> </ul>   |
| DPU <sup>1</sup>           | 1.58¢                |  5% | <ul style="list-style-type: none"> <li>DPU increased Y-o-Y in line with distributable income</li> </ul>  |

<sup>1</sup> The number of Units used to calculate the amount available for DPU is 648,627,553. See accompanying 1QFY13 Financial Statements announcement for more details.

### Higher NPI from Caroline Chisholm Centre offset by divestments in 1QFY13

Net Property Income (S\$m)



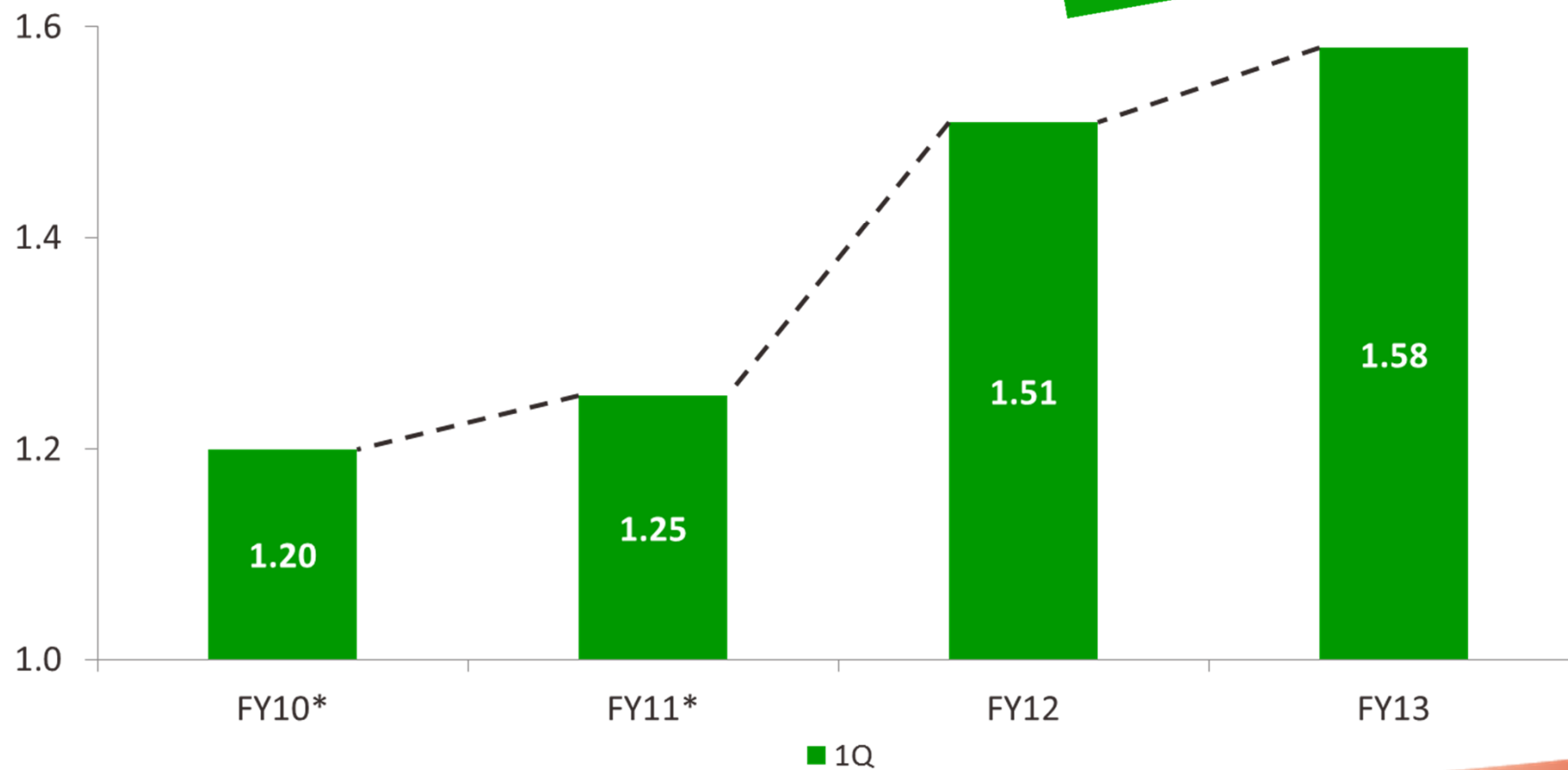
\* Includes KeyPoint which was divested on 28 September 2012.

## → Results – Financial highlights

8

- Continuous growth in DPU
- 4.6% DPU growth for 1QFY13

DPU (Cents)



\* Adjusted for Unit consolidation



### Distribution to be paid on 28 February 2013

|                            |                                    |
|----------------------------|------------------------------------|
| <b>Distribution Period</b> | 1 October 2012 to 31 December 2012 |
|----------------------------|------------------------------------|

|  |  |
|--|--|
|  | <b>Distribution of 1.5832 cents per Unit comprising:</b> |
|--|--|

|  |  |
|--|--|
| <b>Ordinary Unit Distribution Rate</b> |  |
|--|--|

- |  |  |
|--|--|
|  | a) taxable income distribution of 0.9040 cents;        |
|  | b) tax-exempt income distribution of 0.5682 cents; and |
|  | c) capital distribution of 0.1110 cents.               |

|   |                                   |
|---|-----------------------------------|
| <b>Last day of trading on “cum” basis</b> | <b>Wednesday, 30 January 2013</b> |
|---|-----------------------------------|

|   |                           |
|---|---------------------------|
| <b>Ex-distribution trading commence</b> | Thursday, 31 January 2013 |
|---|---------------------------|

|  |                                    |
|--|------------------------------------|
| <b>Distribution Books Closure Date</b> | Monday, 4 February 2013 at 5.00 pm |
|--|------------------------------------|

|                                  |                                   |
|----------------------------------|-----------------------------------|
| <b>Distribution Payment Date</b> | <b>Thursday, 28 February 2013</b> |
|----------------------------------|-----------------------------------|

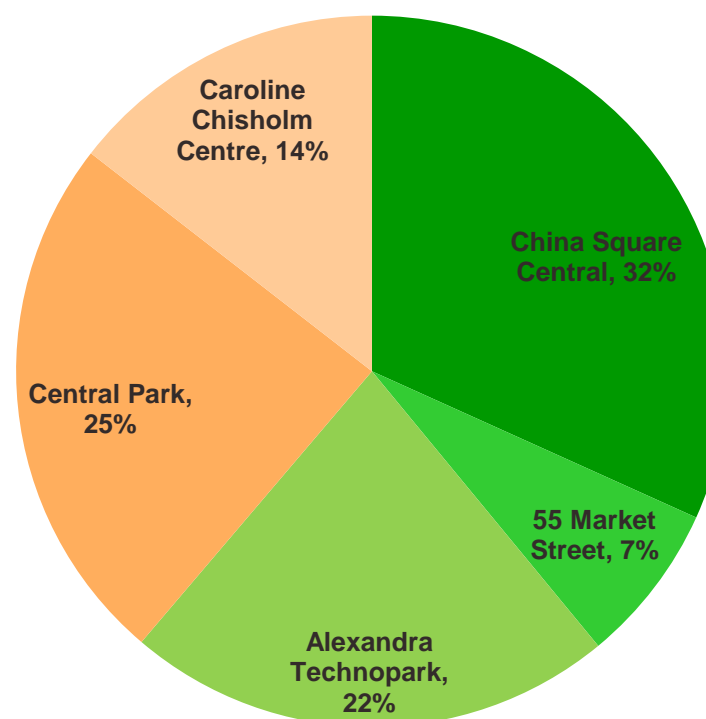
- 1.3863 cents distribution per CPPU unit for the period from 1 October 2012 to 31 December 2012 was paid on 2 January 2013.
- Commencing from 1QFY13, FCOT will be paying distributions on a quarterly basis. Prior to 1QFY13, FCOT had been paying distributions on a semi-annual basis.

# Portfolio review

## → Portfolio review – Valuation

11

- **Balanced portfolio consisting of Singapore and Australian properties**
- **No one property consist of more than 32% of property value**



|              |                   |             |
|--------------|-------------------|-------------|
| Singapore    | \$ 1,076.0        | 61%         |
| Australia    | \$ 679.0          | 39%         |
| <b>Total</b> | <b>\$ 1,755.0</b> | <b>100%</b> |

As at 31 December 2012. Excludes retail turnover rent

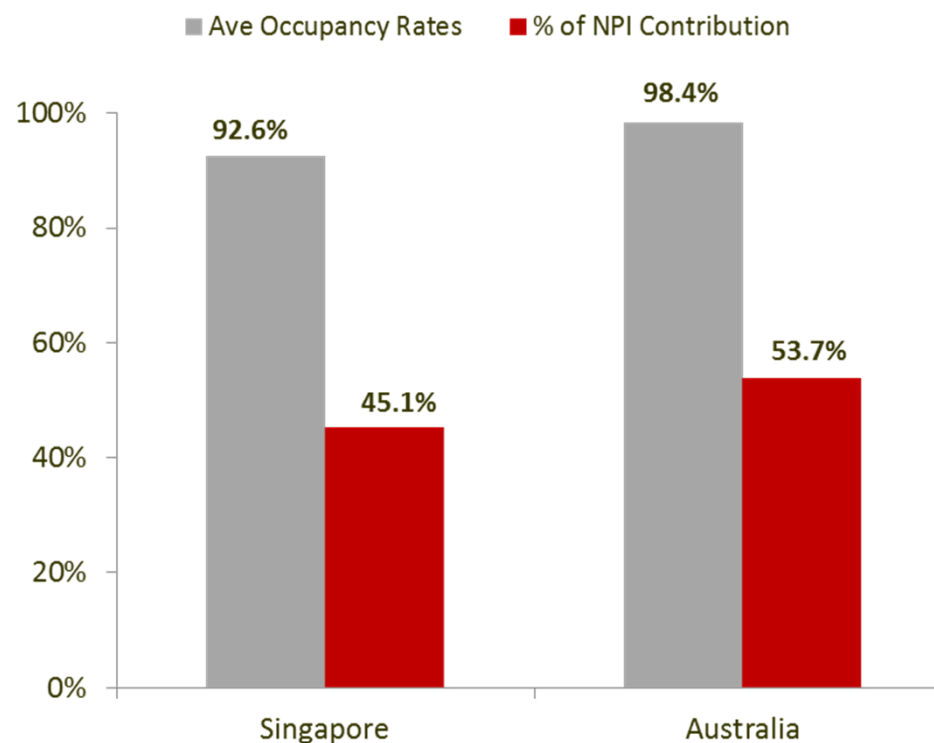
## ➔ Portfolio review – Occupancy Rates & WALE

12

- **Healthy average occupancy rate of 94.6%**
- **Healthy WALE of 4.9 years**

| Key portfolio statistics    | As at<br>31 December 2012 |
|-----------------------------|---------------------------|
| Ave Occupancy               | 94.6%                     |
| WALE by gross rental income | 4.9 years                 |

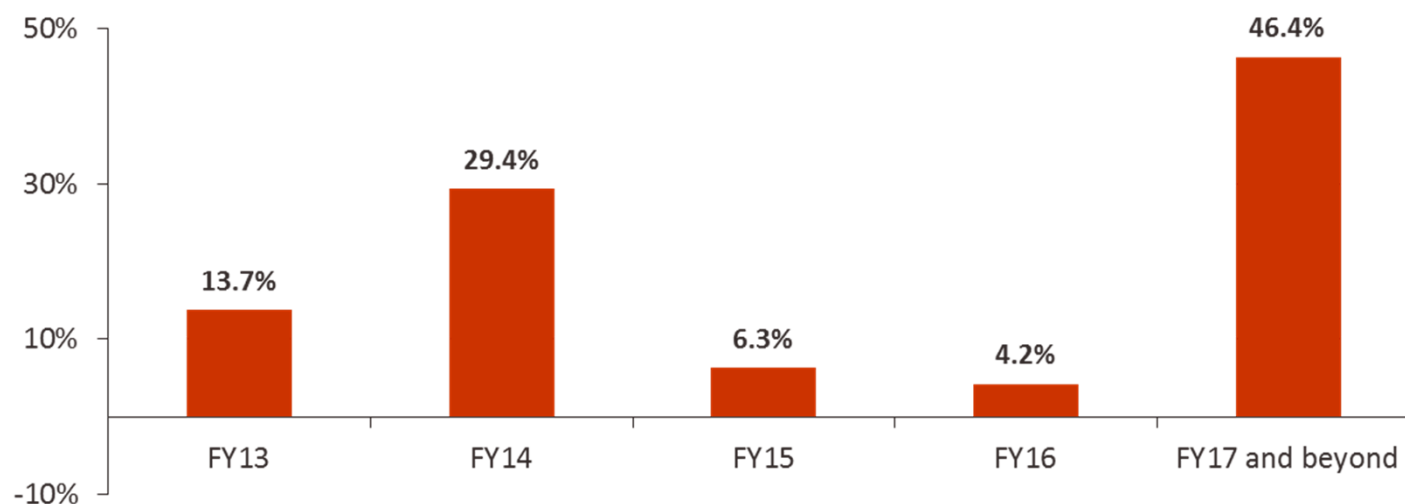
Geographical occupancy and % of NPI contribution



As at 31 December 2012. Excludes retail turnover rent

### More than 46% of lease expiry in FY2017 and beyond provides income stability

Portfolio lease expiry by gross rental income

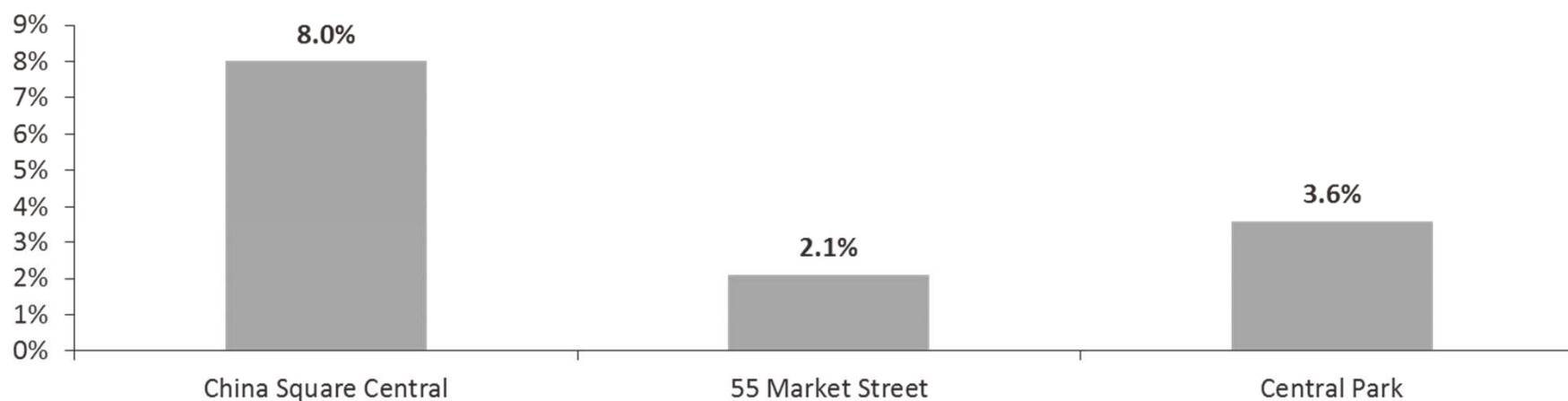


|   |         |           |        |        |         |
|---|---------|-----------|--------|--------|---------|
| Number of leases expiring               | 51      | 42        | 36     | 11     | 19      |
| NLA (sq ft) expiring                    | 174,821 | 1,133,311 | 82,518 | 58,615 | 708,867 |
| Expiries as % total NLA                 | 8.1%    | 52.5%     | 3.8%   | 2.7%   | 32.8%   |
| Expiries as % total Gross Rental Income | 13.7%   | 29.4%     | 6.3%   | 4.2%   | 46.4%   |

As at 31 December 2012. Excludes retail turnover rent

### Low passing rents presents potential for higher income

Property Lease Expiry as a proportion of total Portfolio Gross Rental Income



#### Ave passing rent for expiring leases

|                           |       |       |           |
|---------------------------|-------|-------|-----------|
| Number of leases expiring | 42    | 7     | 2         |
| Average passing rent      | \$6.2 | \$5.5 | AUD \$638 |

As at 31 December 2012.. Excludes retail turnover rent

## → Portfolio review – Mid-term rent reviews

15

### More than 35% of leases have built-in step-up rents

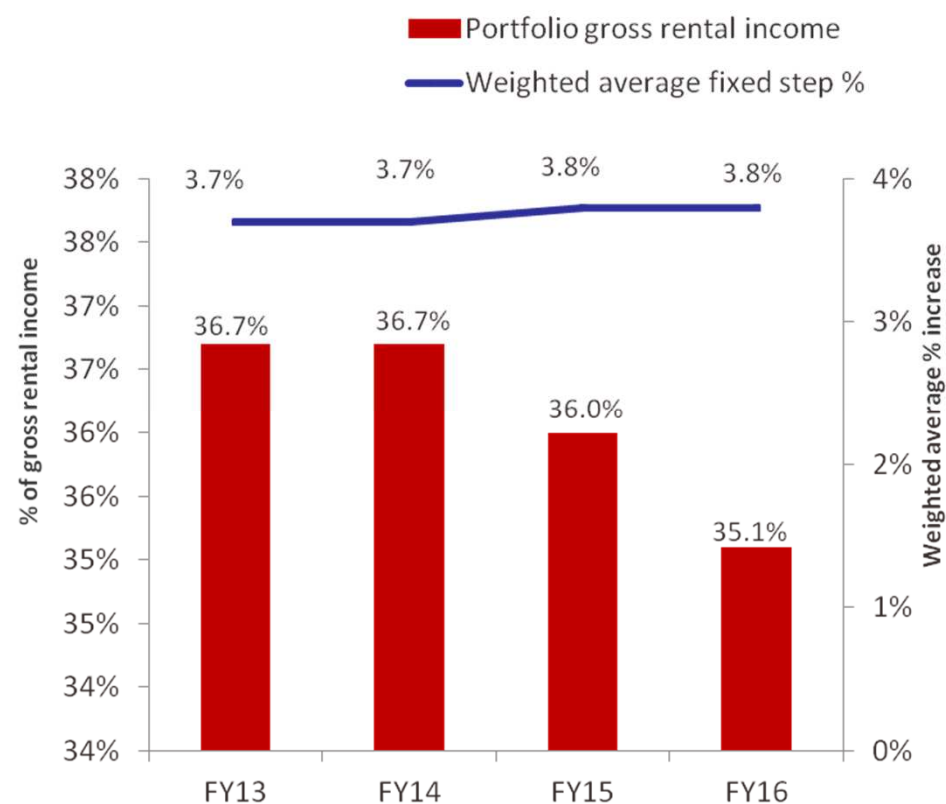
#### FY13 - Fixed % and other fixed lease rent reviews

| Property                 | Leases | Average step-up rent | GROSS RENTAL INCOME |                 |
|--------------------------|--------|----------------------|---------------------|-----------------|
|                          |        |                      | Property            | Total Portfolio |
| China Square Central     | 4      | 8.4%                 | 3.5%                | 0.7%            |
| Caroline Chisholm Centre | 1      | 3.0%                 | 100.0%              | 20.8%           |
| Central Park             | 14     | 4.5%                 | 58.2%               | 15.2%           |
| Central Park             | 5      | CPI                  | 9.0%                | 2.5%            |

#### FY13- Other mid-term lease rent reviews

| Property     | Leases | Review mechanism | GROSS RENTAL INCOME |                 |
|--------------|--------|------------------|---------------------|-----------------|
|              |        |                  | Property            | Total Portfolio |
| Central Park | 4      | Market           | 6.6%                | 1.8%            |

#### FY13 – 16 - Portfolio fixed % reviews

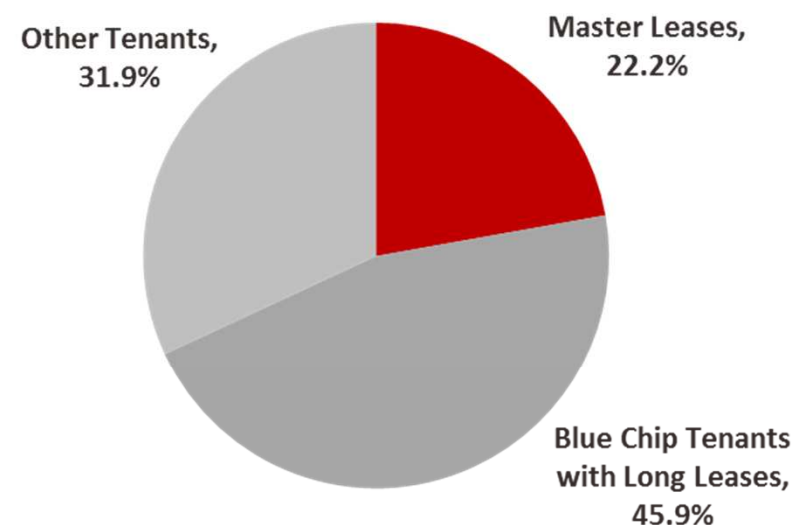


Excludes retail turnover rent

## Master lessees/ blue chip tenants with long leases contribute 68% of total gross rental income

| Master Leases                                     |              |                         |
|---|--------------|-------------------------|
| Tenant  | Lease Expiry | % (Gross Rental Income) |
| Alexandra Technopark – Orrick Investments Pte Ltd | Aug 2014     | 22.2%                   |

| Blue Chip Tenants with Long Leases             |                    |                         |
|--|--------------------|-------------------------|
| Tenant   | Lease Expiry       | % (Gross Rental Income) |
| Commonwealth of Australia (Centrelink)         | Jul 2025           | 22.5%                   |
| Hamersley Iron Pty Ltd (Rio Tinto)             | Jun 2018           | 9.7%                    |
| BHP Billiton Iron Ore Pty Ltd                  | Jul/ Aug/ Oct 2017 | 4.1%                    |
| Cerebos Pacific Ltd                            | May 2017           | 3.7%                    |
| Government Employees Superannuation Board (WA) | May 2017           | 2.3%                    |
| PF Lawyers Pty Ltd (DLA Piper)                 | Jun 2020           | 1.6%                    |
| Plan B Administration Pty Ltd                  | June 2019          | 1.2%                    |
| Jones Lang LaSalle (WA) Pty Ltd                | Mar 2021           | 0.8%                    |
| <b>Total</b>                                   |                    | <b>45.9%</b>            |



**Master Lessees**  
 +  
**Blue Chip Tenants with Long Leases**
 =
 **68.1% portfolio income secured**

As at 31 December 2012. Excludes retail turnover rent



## China Square Central – Healthy tenancy activities



- **Healthy tenancy activities:**
  - Approx. 36,000 sq ft of new leases, renewals and committed leases secured during the quarter. Diverse mix of tenants including consultancy/business services, legal, IT products & services
  - GroupM will lease 49,000 sq ft office space formerly occupied by Marsh & McLennan for 6 years commencing from 1 April 2013
  - Committed occupancy of 86.1% as at 31 December 2012

## Precinct Master Plan initiatives on schedule



- Installation of columns and trusses are in progress
- PMP scheduled to be completed in the first quarter of 2013
- Retail offering being upgraded





## China Square Central – Asset Enhancement Initiatives (“AEI”) on schedule



- AEI commenced in November 2012, scheduled to be completed in the second quarter of 2013
- Upgrading of main lobby, drop-off point, common corridors and other common areas
- Enhancement and addition of facilities such as a new security system with turnstiles and card access system
- Office tenants will continue to operate with minimal disruptions

As at 31 December 2012

### 55 Market Street – healthy occupancy rate



- **Healthy occupancy:**
  - 96.7% committed occupancy as at 31 December
  - New tenants Mr Teh Tarik and Best World Lifestyle with 3-year leases

### Alexandra Technopark – Robust tenancy activities



- **Robust tenancy activities:**
  - 99.5% occupancy as at 31 December
  - New leases and leases renewed (including early renewals) and committed for office space >119,900 sf between 3-5 years

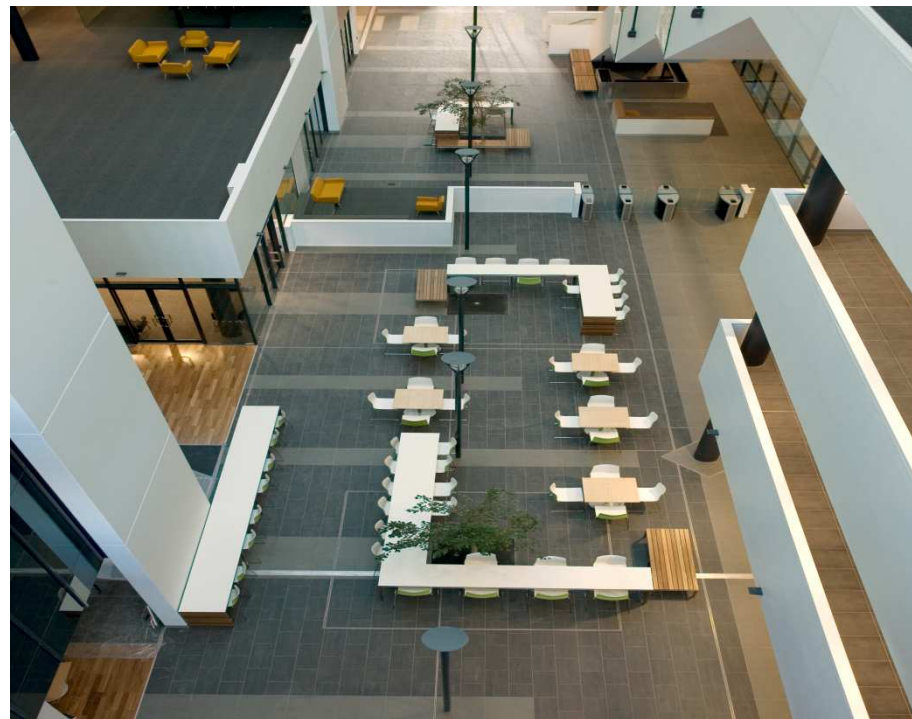


### Central Park – Long WALE of 4.2 years



- **Robust occupancy:**
  - 96.4% occupancy as at 31 December
  - Long WALE by gross rental income of 4.2 years
- **Upgrading projects:**
  - Toilet and lift upgrading works on-going

### Caroline Chisholm Centre –full occupancy coupled with long WALE of 12.5 years



- **Robust tenancy activities:**
  - 100% occupancy as at 31 December
  - Aaa rated tenant \*
  - Long WALE by gross rental income of 12.5 years

As at 31 December 2012.

\* Based on Moody's rating in September 2012

### Divestment of Japanese properties will strengthen financial position

#### ▪ Divestment details

- Nominal sale consideration of ¥4
- Completed on 25 October 2012

#### ▪ Rationale

- Declining occupancy and weak performance
- TMK holding properties currently at negative NAV of S\$4.9 million
- Peripheral and non-prime asset
- Divestment will reduce gearing to 33.7% from 36.8%



# Capital management

### Healthy gearing level

#### Statistics

|   | As at<br>31 December<br>2012 |
|---|------------------------------|
| Total Assets (S\$'000)  | 2,017,976                    |
| Gross Borrowings (S\$'000)  | 589,002                      |
| Units on Issue and Issuable <sup>1</sup>  | 648,627,553                  |
| NAV per Unit (ex-DPU) <sup>1</sup> (S\$)  | 1.50                         |
| NAV per Unit (ex-DPU and assuming all CPPUs are converted into Units <sup>2</sup> ) (S\$) | 1.44                         |
| Gearing <sup>3</sup>  | 29.2%                        |
| Interest coverage ratio (times) <sup>4</sup>  | 3.93                         |
| Average borrowing rate <sup>5</sup>   | 3.3%                         |

#### Borrowings and assets by currency



<sup>1</sup> The number of Units includes 1,853,587 Units arising management fees payable in Units and excludes 6,278,918 Units arising from the conversion of 7,437,501 Series A CPPUs into Units at a conversion price of S\$1.1845 (the "January Conversion").

<sup>2</sup> Based on the January Conversion and assuming the remaining 171,453,763 CPPUs as at 2 January 2013 are converted into Conversion Units at the conversion price of S\$1.1845 per Unit

<sup>3</sup> Calculated as gross borrowing as a percentage of total assets

<sup>4</sup> Calculated as net income before changes in fair values of investment properties, interest, other investment and derivative financial instruments, income tax and distribution and adding back certain non-recurring items/ cash finance costs for the quarter ended 31 December 2012. See accompanying 1QFY13 Financial Statements announcement for more details.

<sup>5</sup> For quarter ended 31 December 2012

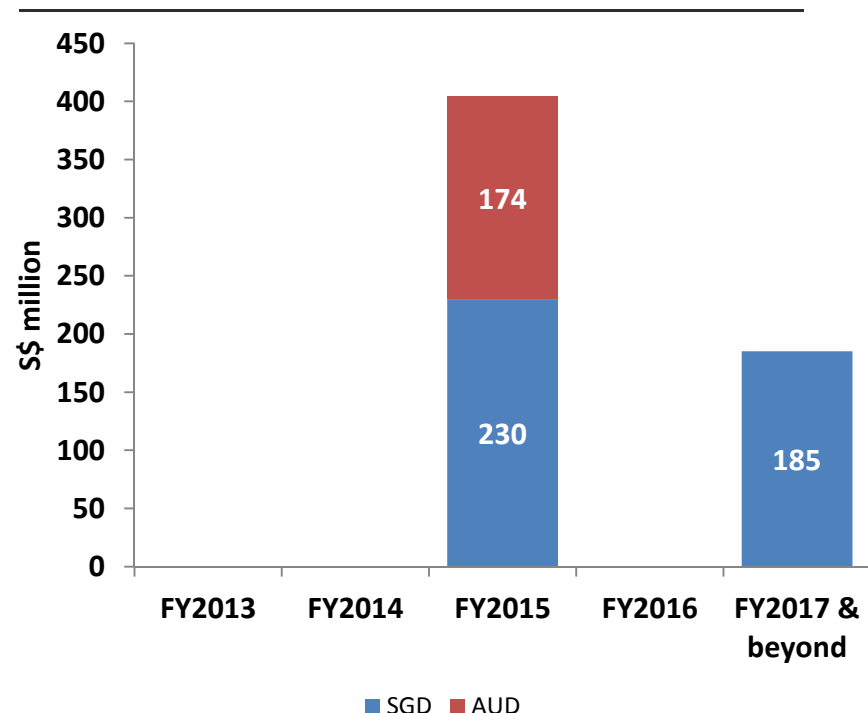


## → Capital Management – Debt statistics

25

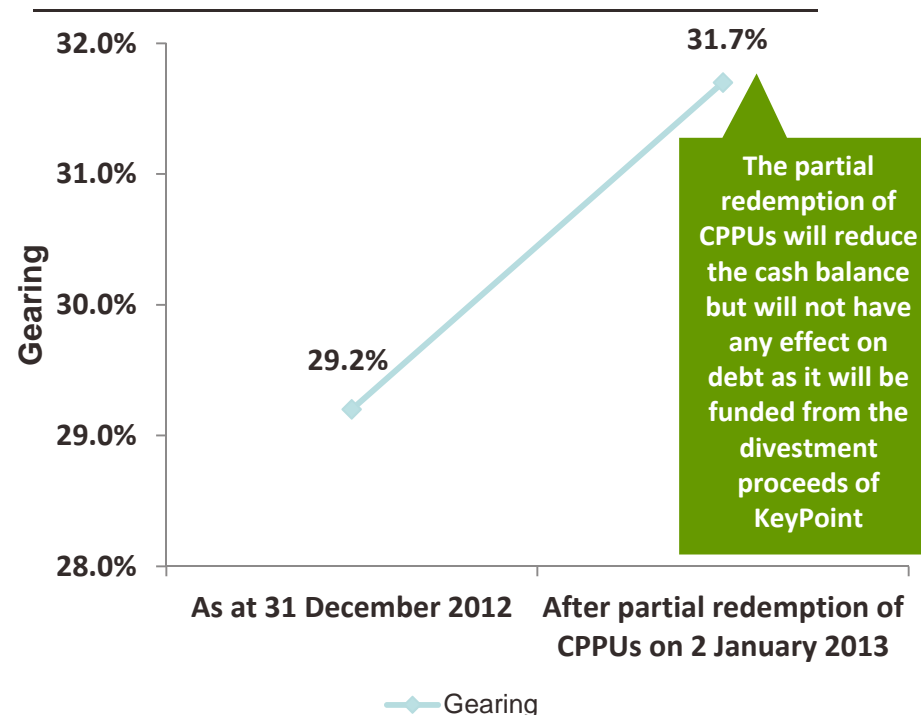
- No debt maturing until FY2015
- Proceeds from Keypoint used for partial redemption of CPPUs resulted in gearing of 31.7%

Debt maturity as at 31 December 2012



Total facilities S\$589 million

Proforma gearing as at 31 December 2012<sup>1</sup>



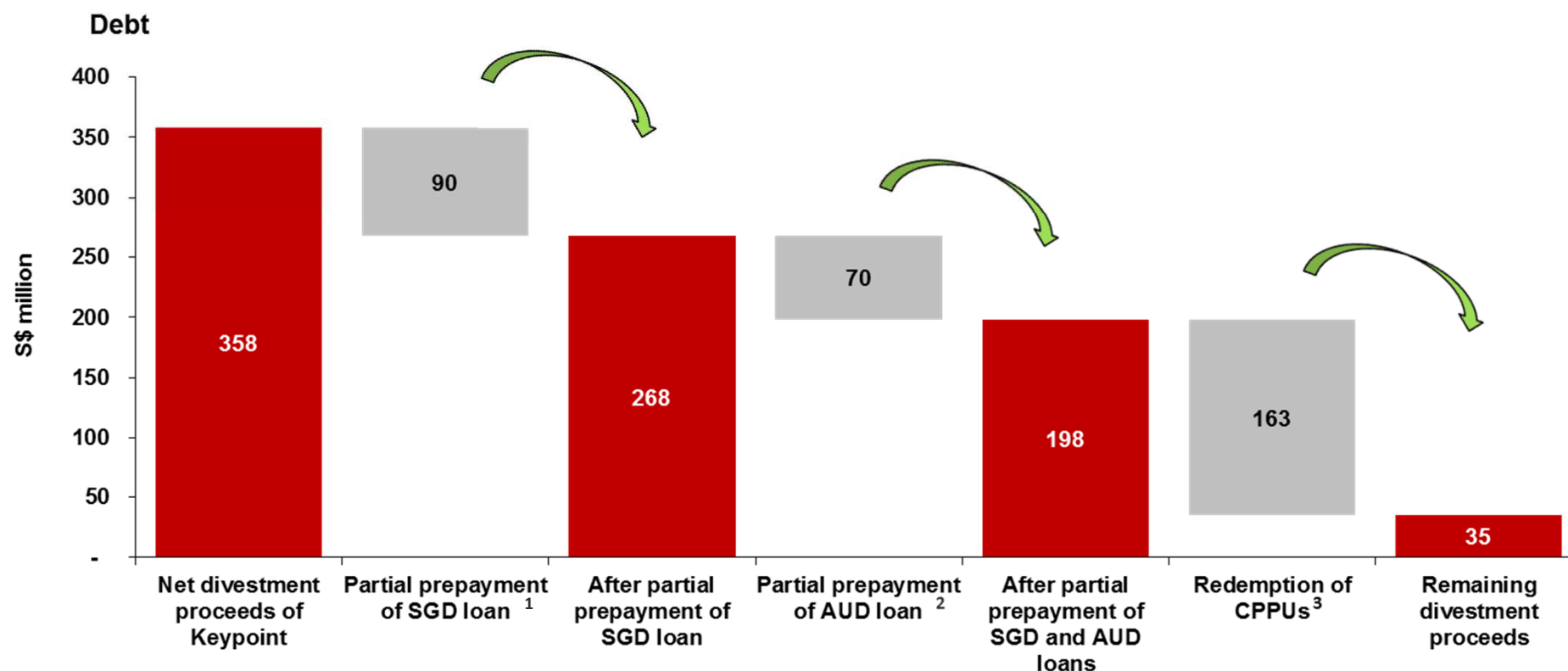
As at 31 December 2012.

1 On 2 January 2013, FCOT announced that 162,567,826 Series A CPPUs were redeemed and 7,437,501 Series A CPPUs were converted into 6,278,918 new Units.

## → Capital Management– Utilisation of proceeds from the divestment of Keypoint

26

- **S\$160 million or 45% of the divestment proceeds from Keypoint utilised for part prepayment of SGD and AUD loans**
- **S\$163 million or 46% of the divestment proceeds from Keypoint utilised for redemption of CPPUs**

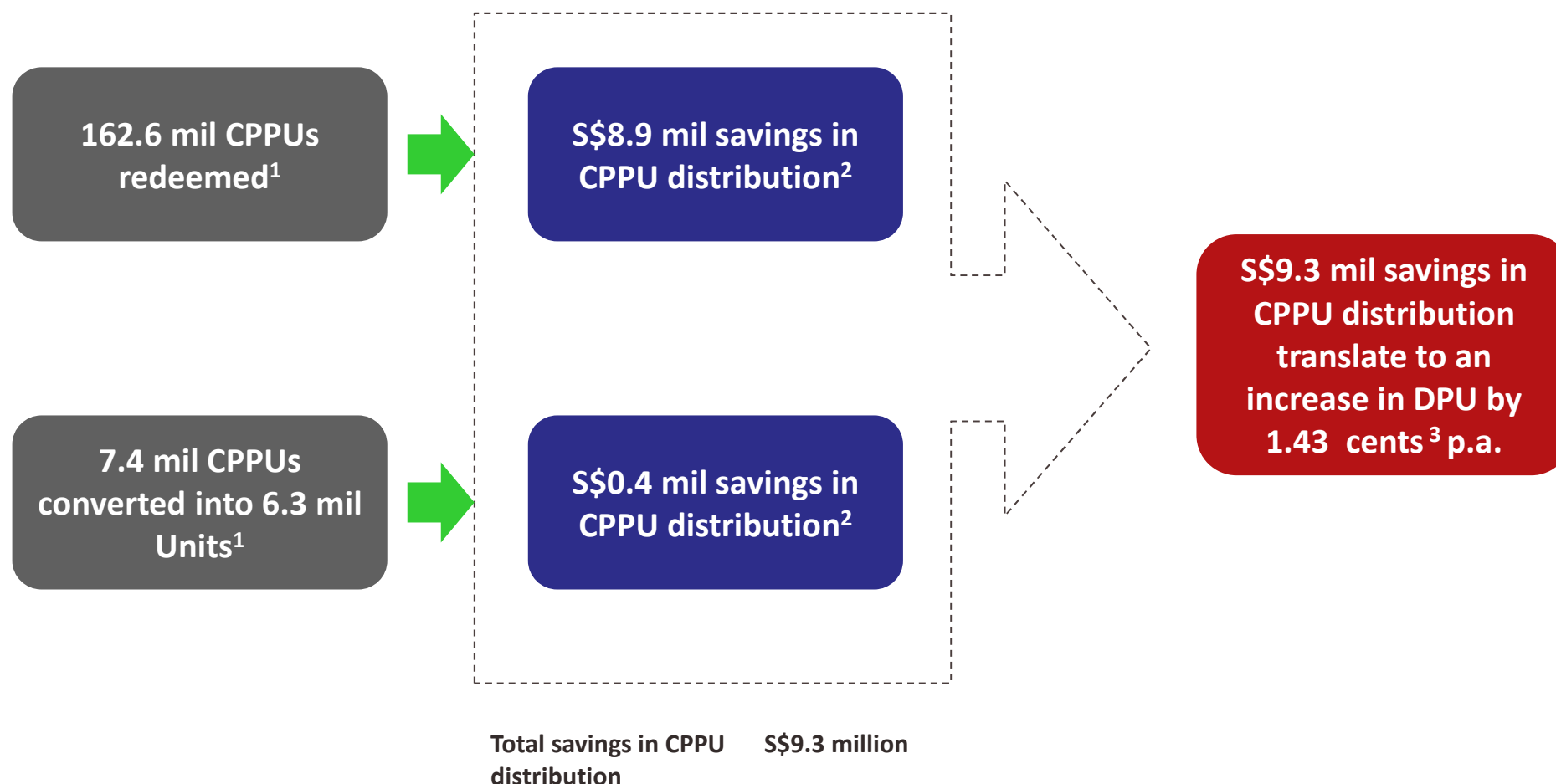


<sup>1</sup> Partial prepayment of S\$90 million of the S\$320 million transferable term loan facility which will mature in 2015

<sup>2</sup> Partial prepayment of A\$55 million of the A\$86 million transferable term loan facility which will mature in 2015. Translated at an exchange rate of A\$1.00 = S\$1.2633 based on the contracted foreign exchange contracts

<sup>3</sup> On 2 January 2013, FCOT announced that 162,567,826 Series A CPPUs were redeemed and 7,437,501 Series A CPPUs were converted into 6,278,918 Units.

## Redemption of CPPUs will be accretive to Unitholders



1 On 2 January 2013, 162,567,826 Series A CPPUs was redeemed and 7,437,501 Series A CPPUs was converted into 6,278,918 new Ordinary Units (the "Conversion Units") in FCOT.

2 Based on distribution rate of 5.5% p.a. for Series A CPPUs, assuming that the redemption and conversion had occurred on 1 October 2012.

3 Based on issued and issuable units as at 31 December 2012 (including the Conversion Units and Units issuable to the Manager as payment for management fees for 1QFY13)

Moving forward

## 2. Solid fundamentals – positive market outlook

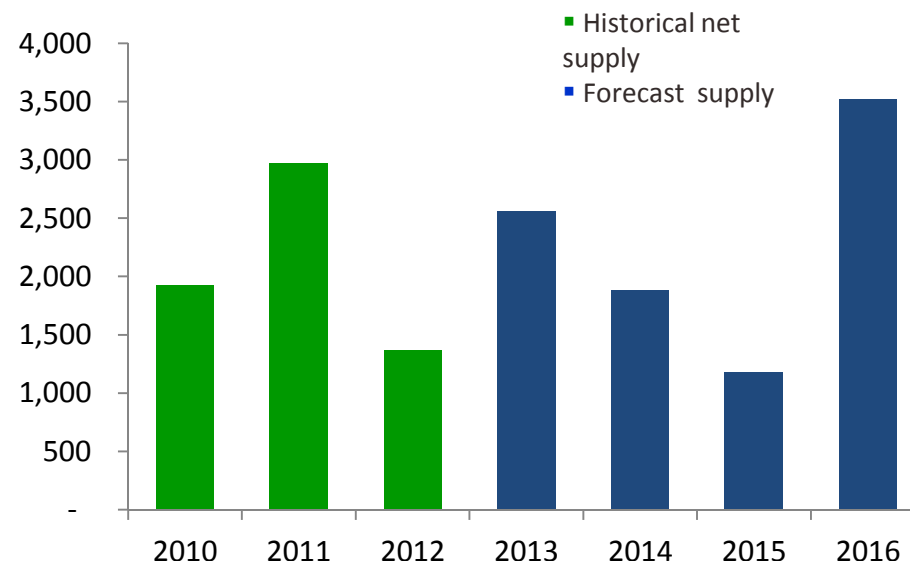
29

### Singapore office market recorded negative net absorption after 4 consecutive quarters of positive net absorption and declined vacancy rates in Q4 2012

#### Market conditions<sup>1</sup>

- Demand for the Singapore office market relented in Q4 2012 after 4 consecutive quarters of positive net absorption
- Recorded negative net absorption of 354,886 sf in Q4 2012 compared to a positive net absorption of 590,104 sf in the preceding quarter. Total net absorption of 1.33 million sf for 2012 was slightly above the 10 year (2003-2012) average net absorption of 1.27 million sf
- Island wide vacancy rate grew 0.6% points q-o-q to 5.8%
- Grade A office rents declined by 2.2% q-o-q to \$9.58 psf/mth
- Grade B office rents dropped by 0.8% q-o-q to \$7.11 psf/mth
- Going forward, CBRE expects further rental corrections in the Grade B market given the competition from impending secondary/ vacant stock and upcoming decentralised supply. Vacancy rate in the older fringe locations are projected to increase in the next 6 to 12 months

#### Singapore office new supply<sup>2</sup>



<sup>1</sup> CB Richard Ellis, "MarketView Singapore", Q4 2012

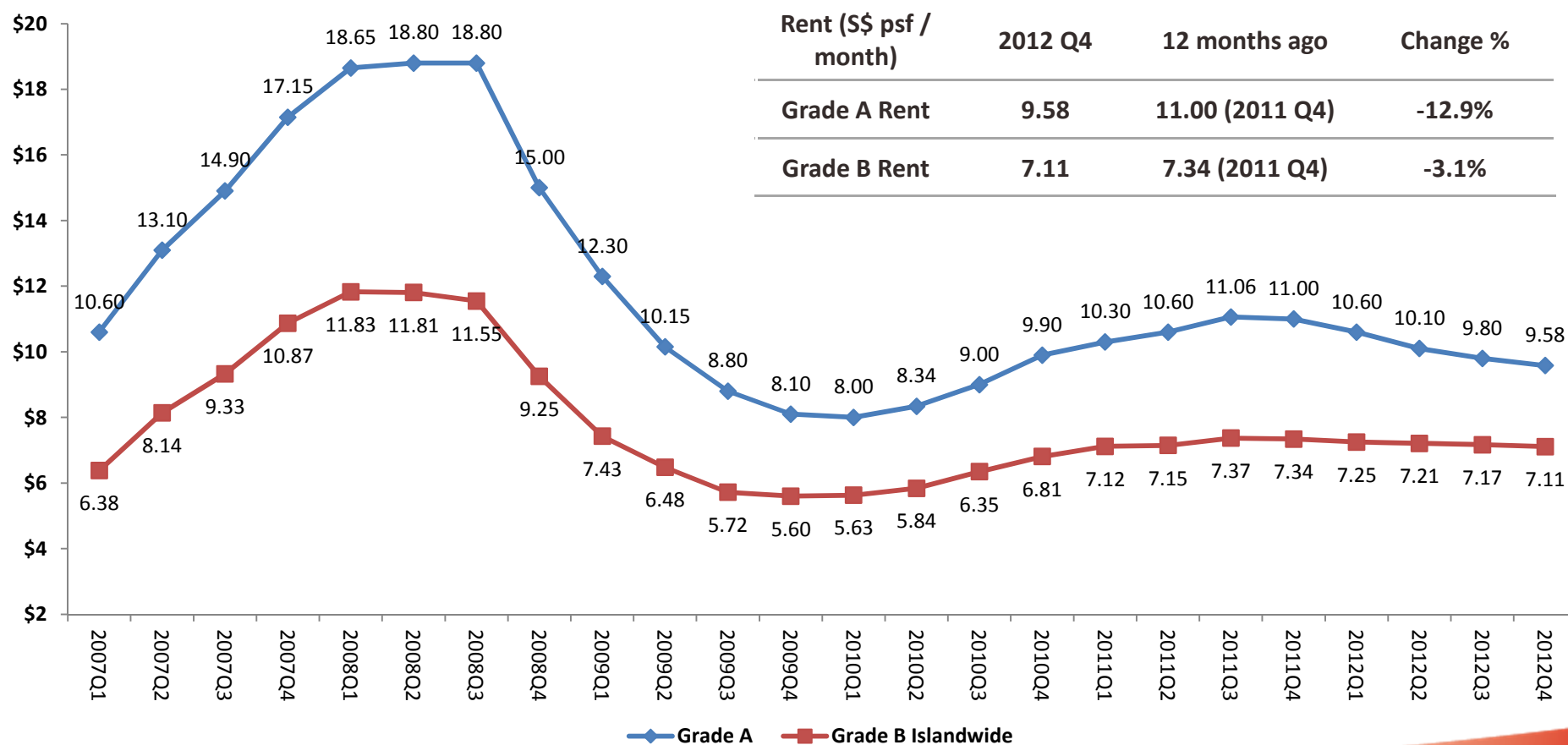
<sup>2</sup> Source: URA; CBRE Research

## 2. Solid fundamentals – positive market outlook

30

### Singapore office rents trend – Grade B rents more resilient

Singapore Grade A and Grade B office rents <sup>1</sup>



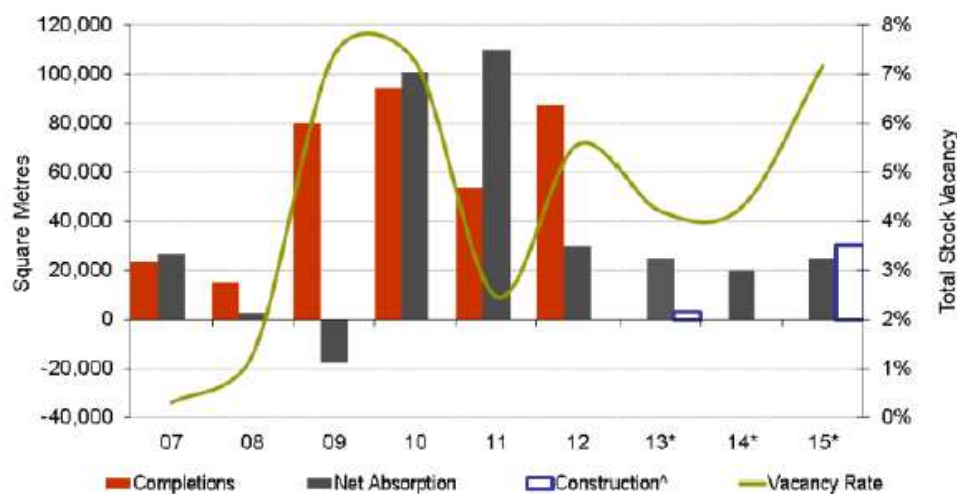
<sup>1</sup> Source: CBRE Research

## 2. Solid fundamentals – positive market outlook

31

### Premium Grade office rents forecast to remain static for the foreseeable short term

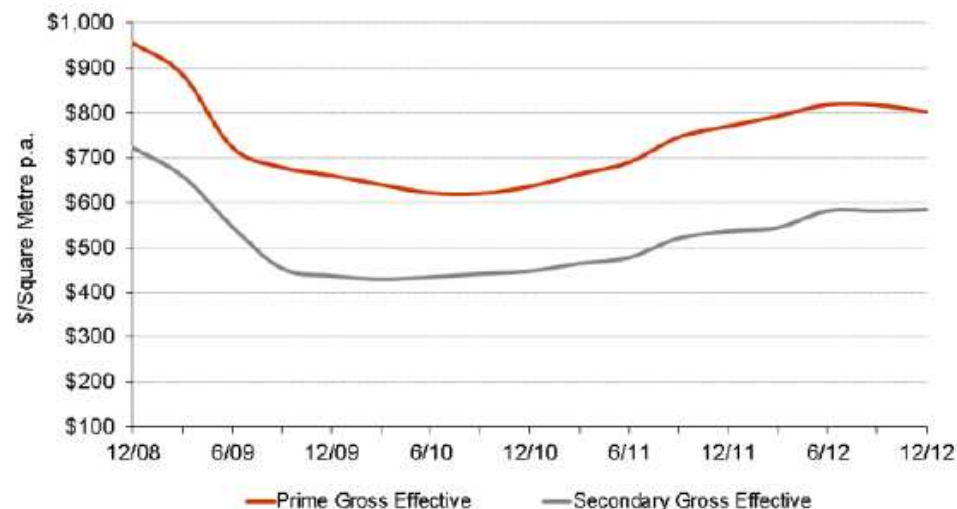
Perth CBD supply <sup>1</sup>



Source: Jones Lang LaSalle Research

\* Forecast as at December 2012  
\* Under construction (as at Dec '12), by expected completion year

Perth CBD average net face rents <sup>1</sup>



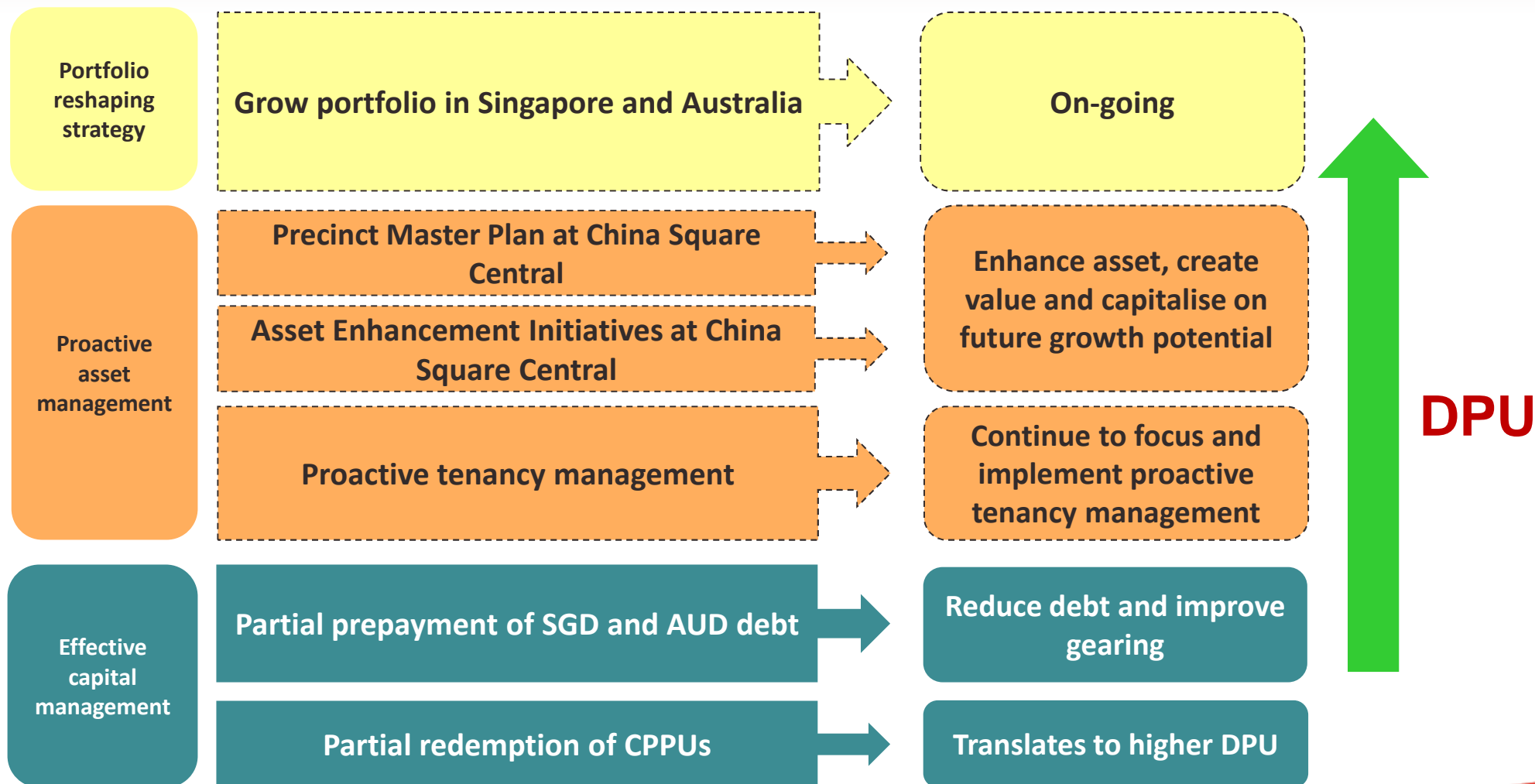
Source: Jones Lang LaSalle Research

#### Market conditions <sup>1</sup>

- Prime vacancy increased by 1.4% points q-o-q to 4.4% in 4Q2012 mainly due to sub-lease availability
- Higher sub-lease availability mainly driven by rationalisation among iron ore producers following sharp fall in spot pricing in September 2012
- In 2012, prime gross effective rents grew 4.1% over the 12 months to an average of AUD803 psm p.a. in December 2012. Limited rental growth is expected.
- Vacancy is forecast to decrease slightly over 2013 due to the limited supply pipeline and improving market confidence as iron ore pricing rebounds
- The stability and confidence resulting from investment in long-term oil and gas projects will see the state's economy continue to enjoy above-average growth in the medium term

<sup>1</sup> Jones Lang LaSalle "Market Commentary Perth CBD Office", December Quarter 2012

## Strategic initiatives to deliver growth to Unitholders



Completed

On-going



Thank you

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