

# STATEMENT BY CHAIRMAN AND CEO



Ms Susan Leng Mee Yin      Dr Leong Horn Kee

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## DEAR UNITHOLDERS,

On behalf of the Board of Directors of SPH REIT Management Pte. Ltd., the Manager of SPH REIT (the “Manager”), we are pleased to present you with the SPH REIT’s Annual Report for the period from 1 September 2016 to 31 August 2017 (“FY2017”).

## DRIVEN BY VISION

SPH REIT has continued to maintain its good track record on several fronts since its Initial Public Offering in July 2013. Through proactive leasing, our properties maintained its track record of 100% committed occupancy. For expiries in FY2017, tenant retention rate of 86% was achieved demonstrating the strong landlord and tenant partnership and attest to the quality of our assets. Notwithstanding the uncertain retail environment, we delivered consistent distribution growth for Unitholders, on the back of steady performance of our properties.

Gross revenue grew by S\$3.2 million (1.5%) to S\$212.8 million and with proactive management of expenditure, we turned in a net property income (“NPI”) of S\$168.1 million for FY2017, which was S\$7.2 million (4.5%) higher than last year.

Total income available for distribution to Unitholders was S\$141.2 million for FY2017.

The aggregate distribution per unit (“DPU”) for FY2017 of 5.53 cents was 0.5% higher than last year and translated to a distribution yield of 5.53% based on the closing price of S\$1.00 as at 31 August 2017.

## MOTIVATED BY MISSION

The Manager has strived for long-term sustainability of financial returns of the properties so as to provide Unitholders with regular and stable distributions.

SPH REIT’s resilience is underpinned by the well established brand positioning of the assets in the portfolio which serves as a strong foundation to meet the fast-changing consumer expectations and consumption behavior. Our focus continues on improving and fine tuning the tenancy mix, creating differentiated and engaging activities to strengthen our malls. Working in close collaboration with our tenants, our mission is to elevate the shopping experience to delight our shoppers.

At Paragon during the year, Nike tripled its store size to about 5,000 sq ft. Emporio Armani’s flagship store was added to Paragon’s suite of international brands. Greyhound Café, a much sought after name opened its first store in Singapore. Marks & Spencer and Lalique expanded their presence to introduce a wider range of their products to our shoppers.

**Committed Occupancy**  
**100.0%**

**Distribution Per Unit**  
**5.53¢**

**Gearing**  
**25.4%**

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Shoppers were treated to the big brush water calligraphy by Japanese Ms Shoko Kanazawa and concert pianist from Singapore Mr Azariah Tan during the celebration of 50th Anniversary of Singapore-Japan diplomatic relations. During the three week Switzerland-Singapore national day celebration, shoppers experienced a unique alpine golf and ski chair challenge.

The Clementi Mall, a suburban mall in a well-established residential estate, welcomed an exciting array of new F&B offerings. The selection and number of food kiosks at the basement were widened with a fresh new look. In addition to these, new-to-market dine-in restaurants were also introduced to provide fresh options to our shoppers.

To engage the local community, an array of activities were held. The focus for the year was on nostalgia. One such event was introducing traditional snacks and activities to bring back the fond memories of yesteryear and provide opportunities for the young and old to interact.

Paragon and The Clementi Mall continued to attract high visitor traffic of 18.3 million and 29.9 million respectively. Tenant sales at Paragon increased by 2.1%, benefitting from more tourist arrivals and continued support from locals. The Clementi Mall recorded a 5.8% decline in tenant sales due to the weak economic sentiment that dampened consumer spending.

## POWERED BY PASSION

The Manager is committed to delivering a trusted and widely recognised brand of properties in Singapore. We continue to identify asset enhancement opportunities to create value and to keep our assets relevant with evolving consumer expectations.

The Manager embarked on a project in 2016 to decant areas occupied

by Air Handling Units at Paragon, which were due for replacement. This multi-phased project is scheduled to be completed by 2018 and will yield approximately 7,000 sq ft of additional lettable area and generate S\$0.9 million incremental gross rental revenue per year. The new equipment would also improve operational efficiencies. During the year, Paragon commenced the second phase of the project and progress is well on schedule.

In line with SPH REIT's prudent capital management strategy, we maintained our strong balance sheet with stable gearing rate of 25.4% as at 31 August 2017. The debt profile for the total borrowing of S\$850 million is well staggered with a weighted average term to maturity of 2.1 years at an average cost of 2.82% per annum. About 86% of the loan is on fixed rate basis.

As at 31 August 2017, the SPH REIT portfolio was valued at S\$3.278 billion, an increase of S\$48.0 million (1.5%) from last year's valuation of S\$3.23 billion.

## LOOKING AHEAD

The retail environment is expected to remain challenging amid modest economic growth and continuing structural changes in consumer trend towards online purchasing. The Ministry of Trade and Industry has announced that the Singapore economy grew by 2.9% year-on-year in the second quarter of 2017, faster than the 2.5% growth in the previous quarter.

We will continue to build upon the firm partnerships achieved with our tenants to embrace challenges in an evolving retail scene. To enhance shopper engagement in an integrated and seamless format, we will engage with our tenants to deliver quality and unique experiences. We will

seek further opportunities of asset enhancement initiatives to strengthen the value of our assets.

The well-established positioning of our assets and their strategic locations would underpin the long-term sustainability of SPH REIT.

## ACKNOWLEDGEMENTS

On behalf of the Board, we would like to thank Mr Alan Chan, who has retired from the Board on 1 August 2017, for his invaluable contributions and unstinting support since the IPO of SPH REIT in 2013.

We would also like to welcome Mr Ng Yat Chung to the Board. Mr Ng was appointed as a non-independent non-executive director to the Board with effect from 1 August 2017. He is also a member of the Nominating and Remuneration Committee. Mr Ng will offer a wealth of experience and strong insights to guide the setting of SPH REIT's strategies and directions.

Our sincere gratitude to our Board members, management team and staff for their dedication and commitment in the past year.

Finally, on behalf of the Board and management, we would like to express our appreciation to our Unitholders, business partners, tenants and shoppers for their continued and unwavering support.

We look forward to continued success and sustained performance in the coming year ahead.

### DR LEONG HORN KEE

Chairman, Non-Executive and Independent Director

### MS SUSAN LENG MEE YIN

Chief Executive Officer

