

OPERATIONS REVIEW

Our proactive leasing approach and focus on maintaining strong relationship with tenants have enabled us to weather the volatile operating environment and heightened competition from both brick-and-mortar stores and online retailers.

We remain committed to constantly rejuvenate the mall and enhance our shoppers' experience through refreshing our tenant mix and embarking on asset enhancement initiatives (AEI) to improve the yield of our properties.

SPH REIT's leases are typically structured with three-year lease terms comprising base rent and turnover rent which is pegged to tenants' sales. The turnover rent makes up 2% to 3% of the portfolio's gross revenue. Thus, ensuring its stability. To provide for organic growth, 47% of the portfolio's leases are embedded with step-up clauses which provide for increases in the base rent during the lease term.

Committed
Occupancy

100.0%

Rental
Reversion

1.2%

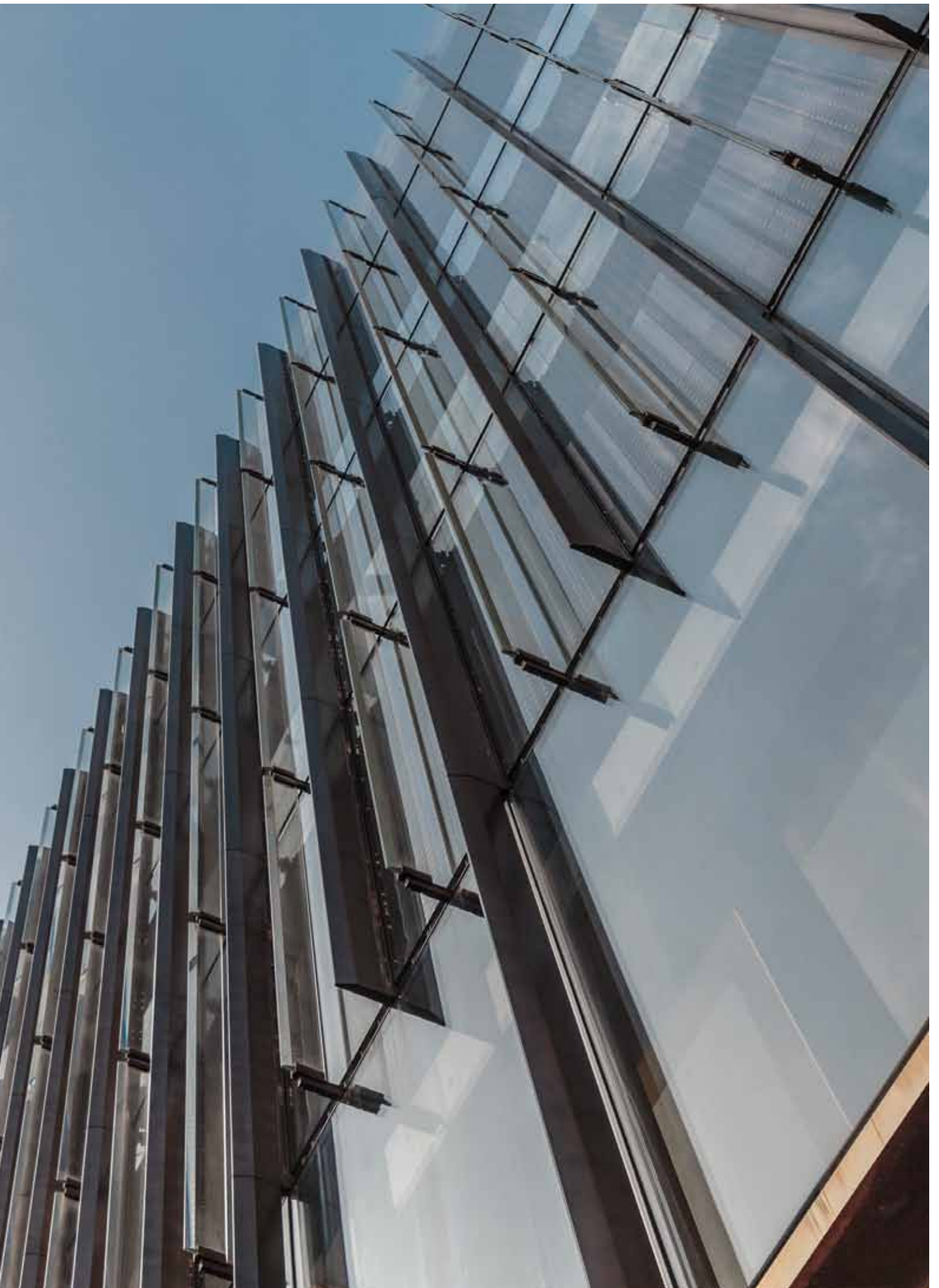
PARAGON

As part of our strategy to keep abreast of consumer trends and needs, we have enhanced our athleisure offerings by bringing in exciting brands like Puma and New Balance. Nike also expanded to house a wider selection of Nike's merchandise in Paragon.

In 2017, the second phase of its Air Handling Units decanting works involving the creation of additional lettable area at higher-yielding retail space commenced. This AEI is expected to be completed by 2018.

Paragon maintained 18.3 million visitors in FY2017. It achieved \$675 million in tenants' sales with an occupancy cost of 19.6%, 2.1% higher than \$661 million in FY2016 with an occupancy cost of 19.6%.

Paragon continues to maintain 100.0% committed occupancy, with a rental reversion of -0.8% amidst a challenging retail climate and a tenant retention rate of 83% by NLA.



OPERATIONS REVIEW

THE CLEMENTI MALL

The Clementi Mall has completed its second renewal cycle and recorded a positive rental reversion of 3.7%. The mall continued to receive strong endorsement by tenants with retention rate of 89% by NLA. In conjunction with this renewal cycle, the asset enhancement works at Basement 1 were completed. The revamped eatery cluster with its improved ambience, offered additional food kiosks and a wider variety of food offerings.

Additional NLA was created on Level 4 and 5 to enhance the space

utilisation and circulation as well as to strengthen the F&B and lifestyle offerings with new tenants, such as So Pho, Daessiksin and Apgujeong.

The Clementi Mall maintained 100.0% committed occupancy and recorded a steady visitorship of 29.9 million. Tenants' sales was down by 5.8% to S\$225 million compared to the preceding year and occupancy cost increased from 14.8% to 15.8%.





SUMMARY OF RENEWALS/NEW LEASES FOR FY2017

Tenant	Number of renewals/new leases	Retention Rate ^(a)	NLA		Rental Reversion ^(c)
			Area (sq ft)	% of property	
PARAGON	92	78.3%	165,999	23.2%	-0.8%
THE CLEMENTI MALL	99	75.8%	155,666	79.8%	3.7%
SPH REIT PORTFOLIO	191	77.0%	321,665	35.3% ^(b)	1.2%

Notes:

(a) Based on number of leases.

(b) As a % of SPH REIT's total NLA of 910,395 sq ft as at 31 August 2017.

(c) The change is measured between average rents of the renewed & new lease terms and the average rents of the preceding lease terms. The leases are typically committed three years ago.

LEASE EXPIRY PROFILE

SPH REIT's portfolio lease expiry profile was well staggered with 36.7% of leases by Gross Rental Income expiring in FY2018. As leases are renewed or relet ahead of time, only 20.7% of the leases remain to be committed. The Weighted Average Lease Expiry (WALE) was 2.2 years by NLA as at 31 August 2017. The new leases entered into FY2017 contributed 34.4% of gross rental revenue as at 31 August 2017 and had a WALE of 2.4 years.

PORTFOLIO COMMITTED OCCUPANCY

	As at 31 August 2015	As at 31 August 2016	As at 31 August 2017
PARAGON	100.0%	100.0%	100.0%
THE CLEMENTI MALL	100.0%	100.0%	100.0%
SPH REIT PORTFOLIO	100.0%	100.0%	100.0%

PORTFOLIO LEASE EXPIRY AS AT 31 AUGUST

	FY2018	FY2019	FY2020	FY2021	FY2022 and beyond
Portfolio	94	136	188	46	4
Expiries by NLA	16.8%	22.0%	36.9%	23.2%	1.1%
Expiries by Gross Rental	20.7%	22.2%	39.3%	17.2%	0.6%

OPERATIONS REVIEW

TOP 10 TENANTS BY GROSS RENTAL INCOME

SPH REIT's top 10 tenants in terms of Gross Rental Income contributed 23.2% of Gross Rental Income for the month of August 2017. No single trade sector accounted for more than 27.8% of Gross Rental Income in the same period.

The top 10 tenants of the portfolio (by Gross Rental Income for the month of August 2017) are, in alphabetical order:

TOP 10 TENANTS

Name of Top 10 Tenants:

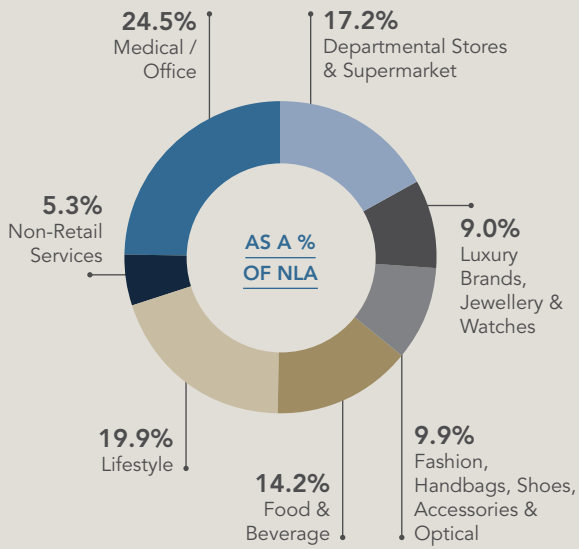
Burberry (Singapore) Distribution Company Pte Ltd | Club 21 Pte Ltd | Cold Storage Singapore (1983) Pte Ltd | Cortina Watch Pte Ltd | Ermenegildo Zegna Far-East Pte Ltd | Ferragamo (Singapore) Pte Ltd | Metro (Private) Limited | NTUC Fairprice Co-operative Limited | Prada Singapore Pte Ltd | Tod's Singapore Pte Limited

Tenant ⁽¹⁾⁽²⁾	Trade Sector	Lease Expiry (Year) ⁽³⁾	% of Rental Income
Tenant A	Luxury brands, jewellery, watches	2nd Half 2019	5.7%
Tenant B	Departmental stores & supermarket	2nd Half 2020	4.0%
Tenant C	Departmental stores & supermarket Lifestyle	Between 2nd Half 2018 and 1st Half 2021	2.2%
Tenant D	Luxury brands, jewellery, watches	2nd Half 2020	2.1%
Tenant E	Luxury brands, jewellery, watches Fashion, handbags, shoes & accessories	Between 1st Half 2019 and 2nd Half 2020	2.0%
Tenant F	Luxury brands, Lifestyle	2nd Half 2019	1.5%
Tenant G	Luxury brands, jewellery, watches	1st Half 2018	1.5%
Tenant H	Luxury brands, jewellery, watches	1st Half 2021	1.4%
Tenant I	Departmental stores & supermarket Lifestyle	1st Half 2020	1.4%
Tenant J	Luxury brands, jewellery, watches	1st Half 2019	1.4%
Total			23.2%

Notes:

- (1) The list of top 10 tenants above does not take into account one of the tenants which has not consented to the disclosure of its tenancy arrangements in the Annual Report.
- (2) The names of the tenants cannot be matched to the information set out above for confidentiality reasons.
- (3) Some of the tenants above have signed more than one tenancy agreement and this has resulted in more than one tenancy expiry date for such tenants.

TRADE MIX
By NLA



TRADE MIX
By Gross Rental Income

