

# CapitaCommercial Trust

## First listed commercial REIT



**Exane Asian Convertible Bonds Conference 2010**

**2 November 2010**



# Important Notice

**This presentation shall be read in conjunction with CCT's 2010 Third Quarter Unaudited Financial Statement Announcement.**

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# Contents

- 1. Who we are**
- 2. Portfolio Reconstitution Strategy**
- 3. Stable Portfolio**
- 4. Solid Financial Results**
- 5. Market Outlook**
- 6. Summary**
- 7. Supplementary Information**

# 1. Who we are





# Singapore's First Listed Commercial REIT

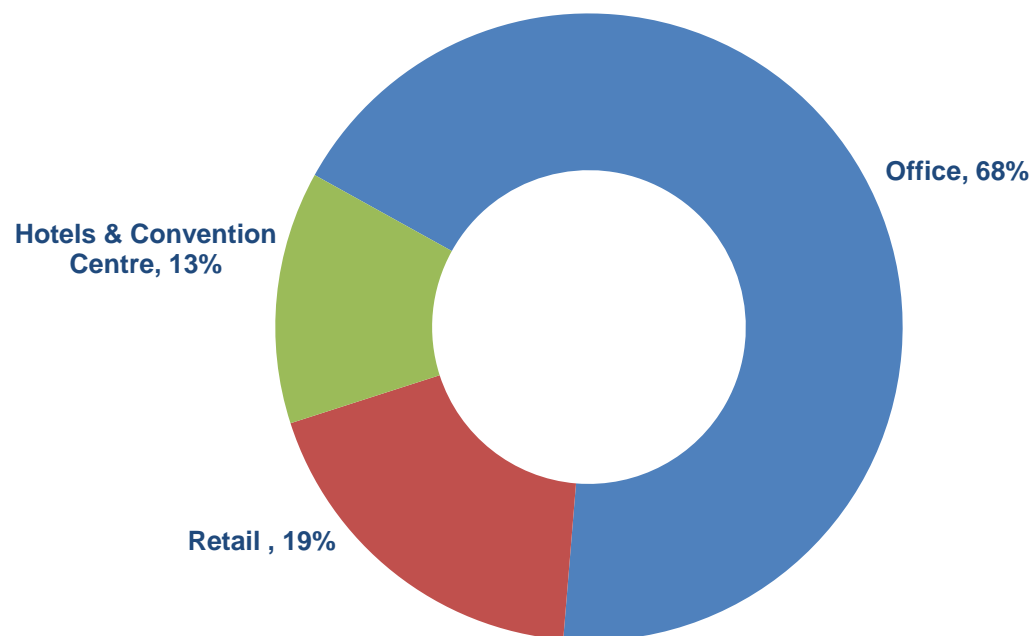
Listing	May 2004 on Singapore Exchange Securities Trading Limited
Portfolio - Singapore	Nine quality commercial assets in the Central Area of Singapore <i>Three Grade A offices and one prime office, three mixed-use properties, and two multi-storey car parks in CBD</i>
Total Net Lettable Area	About 3 million sq ft
Total number of Tenants	More than 400 (office and retail)
Investments - Malaysia (less than 5% of total assets)	30% stake in Quill Capita Trust who owns ten commercial properties in Kuala Lumpur, Cyberjaya and Penang 7.4% stake in Malaysia Commercial Development Fund Pte. Ltd.
Total assets	S\$6.0 billion (US\$4.6 billion) (as at 30 September 2010)
Market cap	S\$4.2 billion (US\$3.2 billion) Based on CCT's closing price of S\$1.49 on 29 October 2010 (last trading day of the month) and total units on issue 2,821,356,516



## Gross rental income<sup>(1)</sup> predominantly contributed by Grade A offices

*CT's focus is owning and investing in real estate and real estate-related assets, which are income-producing and used, or predominantly used, for commercial purposes.*

### Major usage mix for CCT properties By Gross Rental Income for the month of September 2010



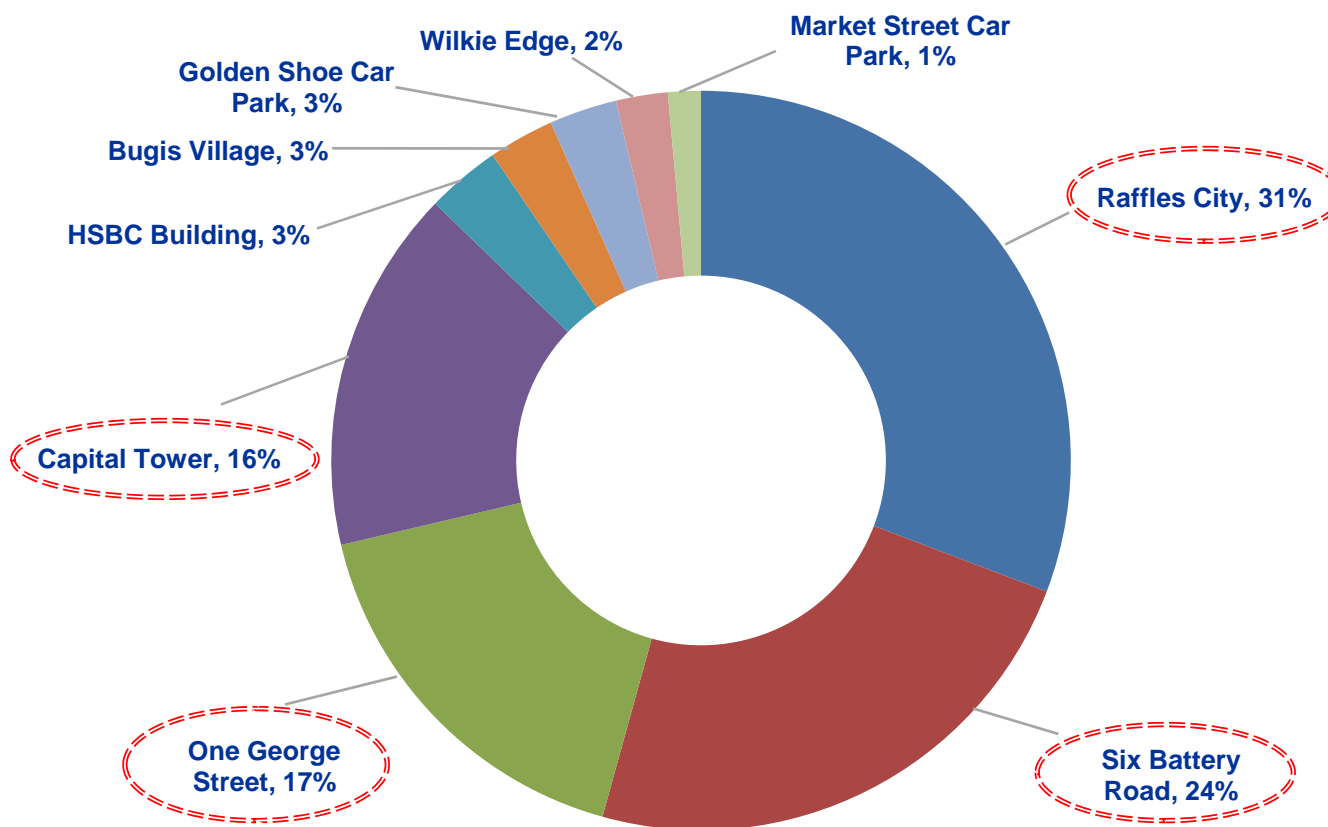
Notes:

(1) Excludes retail turnover rent and also Starhub Centre as the property has been divested.



# Portfolio diversification<sup>(1)</sup> with focus on quality

More than 80% of Net Property Income<sup>(2)</sup>  
from Grade A offices and Raffles City<sup>(3)</sup>



Notes:

(1) For the period from 1 Jan 2010 to 30 Sep 2010

(2) Excludes Starhub Centre as it has been divested

(3) Represents CCT's interest of 60% in Raffles City



## 2. Portfolio reconstitution strategy

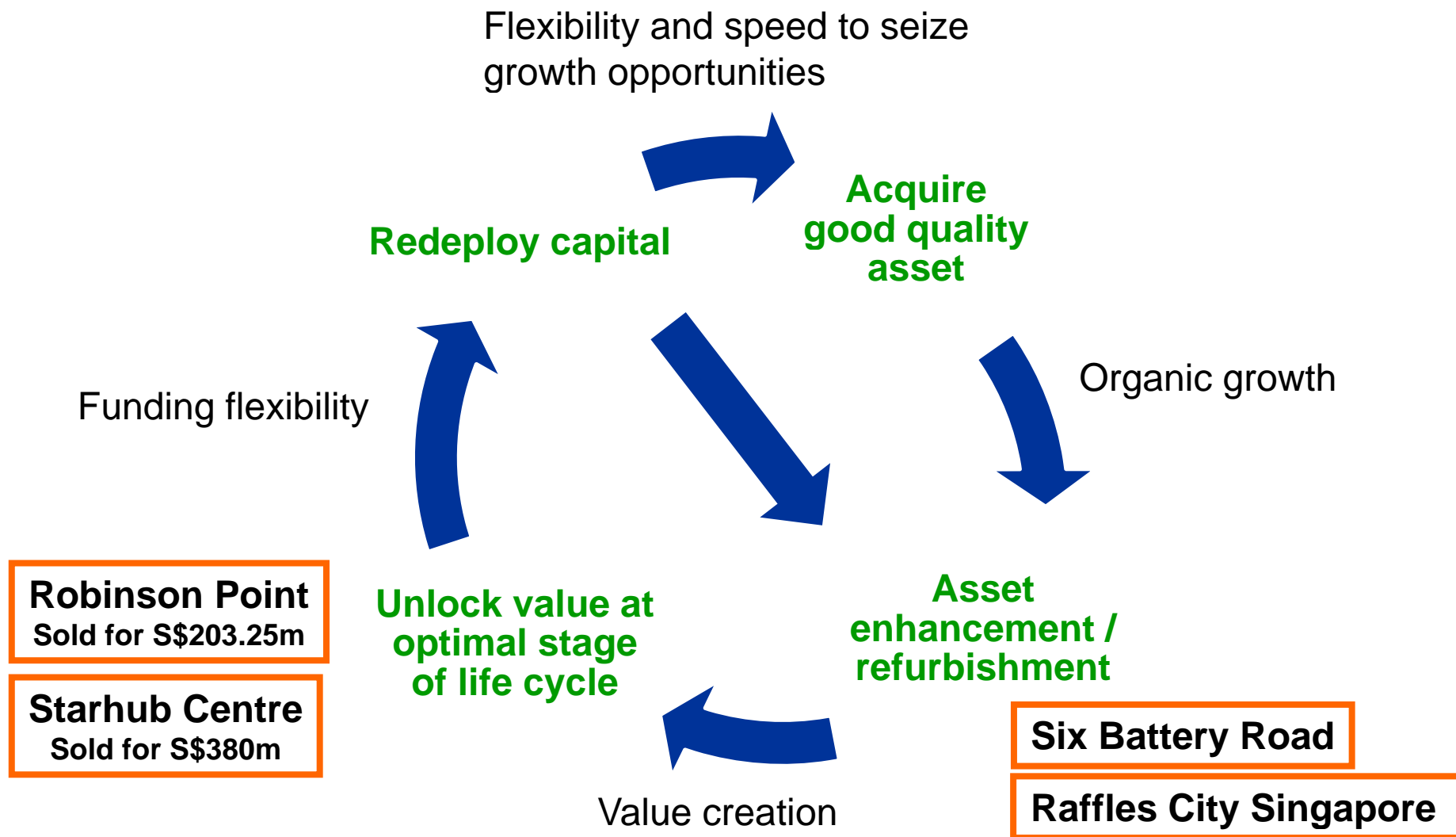


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# Portfolio reconstitution strategy to further enhance asset quality





# Enhance competitiveness of Six Battery Road



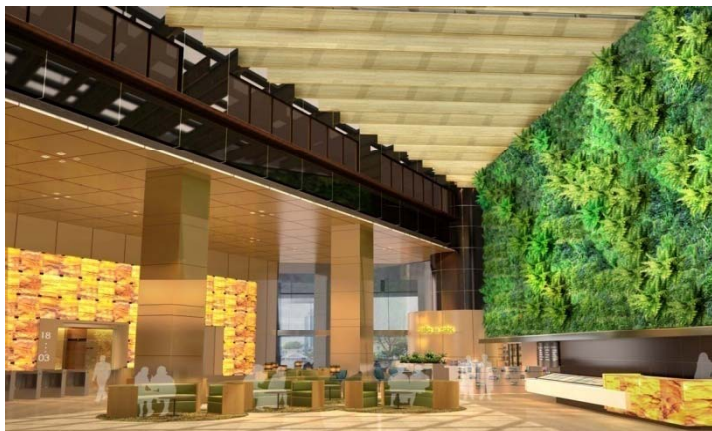
**Six Battery Road**

- **First operating office building in Singapore to attain 2010 Building and Construction Authority's Green Mark Platinum award**
- **Asset enhancement focus:**
  - Environmental sustainability
  - Technical efficiency
  - Aesthetic value
- **Cost of enhancement = S\$92m (disbursed over six years)**
- **Carry out works in phases till 2013**



# Six Battery Road's AEI Phase 1 to commence

UPGRADING WORKS	Commencement	End
Ground floor main reception and lift lobbies	November 2010	February 2011



New lobby reception with green wall and natural lighting that exude warm, hospitality feel



Welcoming and brighter main lift lobby



# Raffles City Singapore Basement 1 Tenants



**The Soup Spoon**



**Skinny Pizza**



**Paper Market**



**Royce**



# Value Creation of RCS Planned Initiatives

99% of New AEI Space Committed

## Basement 1 Marketplace Reconfiguration & Basement 2 Link

	Projected AEI Budget <sup>(1)</sup> (\$ mil)	Original AEI Budget <sup>(1)</sup> (\$ mil)	Variance
Total Gross Rent per annum	14.83	14.20	4.4% ↑
	Projected AEI Budget <sup>(1)</sup> (\$ mil)	Original AEI Budget <sup>(1)</sup> (\$ mil)	Variance (\$ mil)
Additional Gross Rental Revenue per annum	4.06	3.47	0.59
Estimated Net Property Income per annum	3.08	2.65	0.43
Total Project Cost	34.63 <sup>(2)</sup>	33.23	1.40
Return On Investment	8.9%	8.0%	0.9% pt ↑
Increase in Capital Value @ 6.0%	51.30	44.17	7.13
Net Increase in Capital Value (net of project cost)	16.67	10.94	5.73

(1) Based on Manager's estimate using actual rent for units leased and budgeted rent for uncommitted units. Numbers presented above are based on 100.0% interest in Raffles City Singapore, CCT's interest is only 60.0%.

(2) Revised total project cost.



# 3. Stable Portfolio



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## Outstanding performance of CCT's portfolio

**Portfolio committed occupancy rate at 98.2% ↑ from 95.6% (2Q 2010).**

**Signed new leases and renewals of about 560,000 square feet from Jan10 – Sep10.**

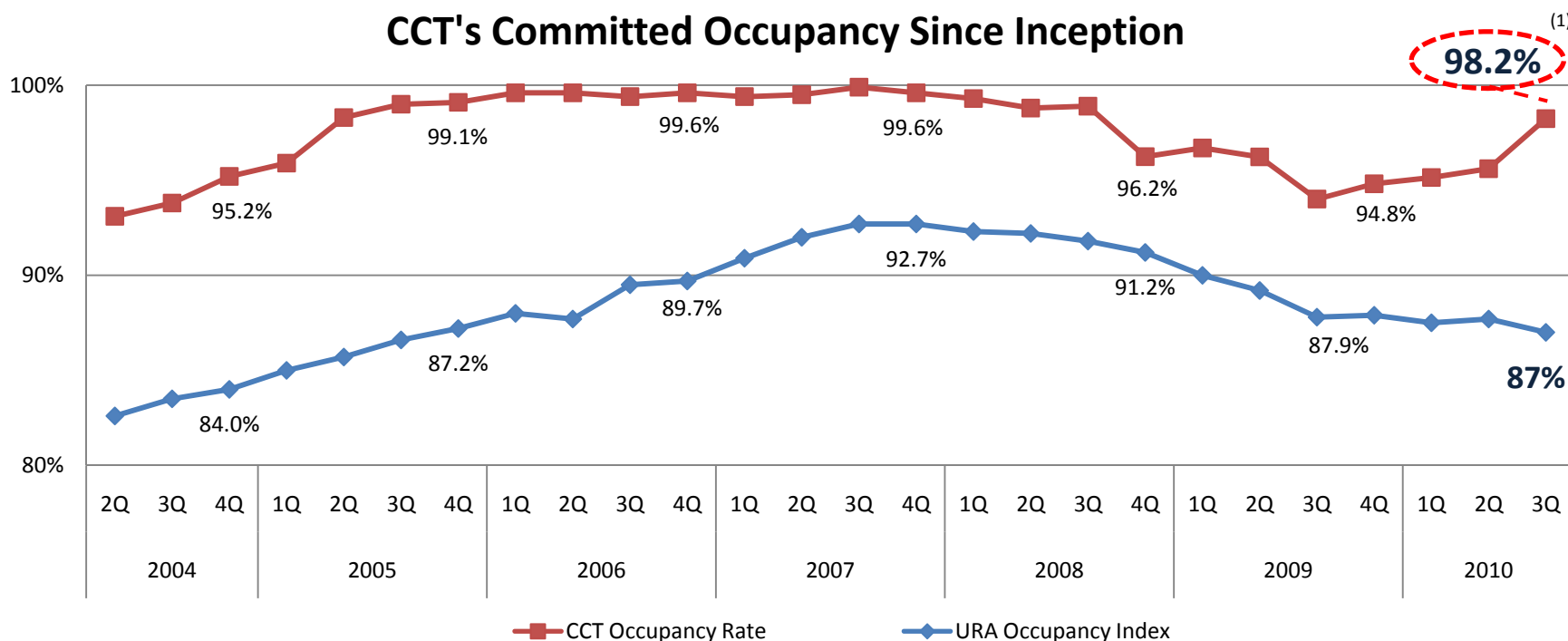
- For 3Q2010, tenants include:
  - Ai Mien Bar Holding Pte. Ltd. (Food and Beverage)
  - AXA Rosenberg Investment Management Asia Pacific Ltd. (Financial Services)
  - Neste Oil Singapore Pte Ltd (Energy)
  - Orix Investment & Management Private Limited (Financial Services)
  - Robert Walters (Singapore) Pte Ltd (Business Consultancy)
- Key sectors of these new leases and renewals:  
Banking & Financial Services and Business Consultancy.





# CCT's Grade A offices at near 100% occupancy and consistently above market

CCT Committed Occupancy level			Industry Statistics- Occupancy Level		
Grade A office	3Q: 99.8%	2Q: 100.0%	Grade A office	3Q: 97.2%	2Q: 93.6%
Portfolio	3Q: 98.2%	2Q: 95.6%	Core CBD	3Q: 95.2%	2Q: 93.3%



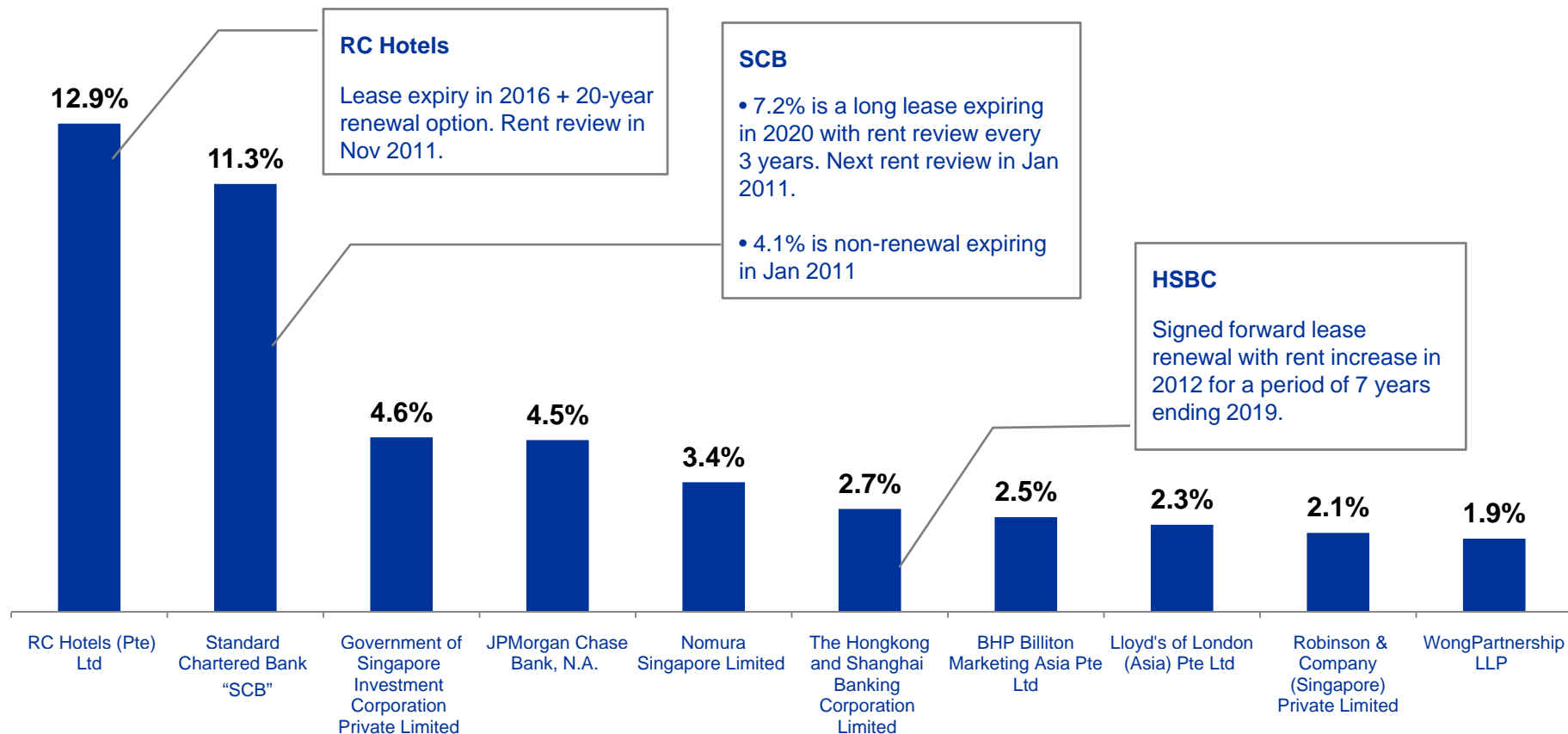
Note:

(1) Data shown as at 30 Sep 2010 excludes Starhub Centre as it has been divested



# Top ten blue-chip tenants<sup>(1)</sup> contribute about 48% of monthly gross rental income

**Weighted Average Lease Term to Expiry (by floor area)  
for Top 10 Tenants as at 30 Sep 2010 = 5.3 years<sup>(2)</sup>**



Notes:

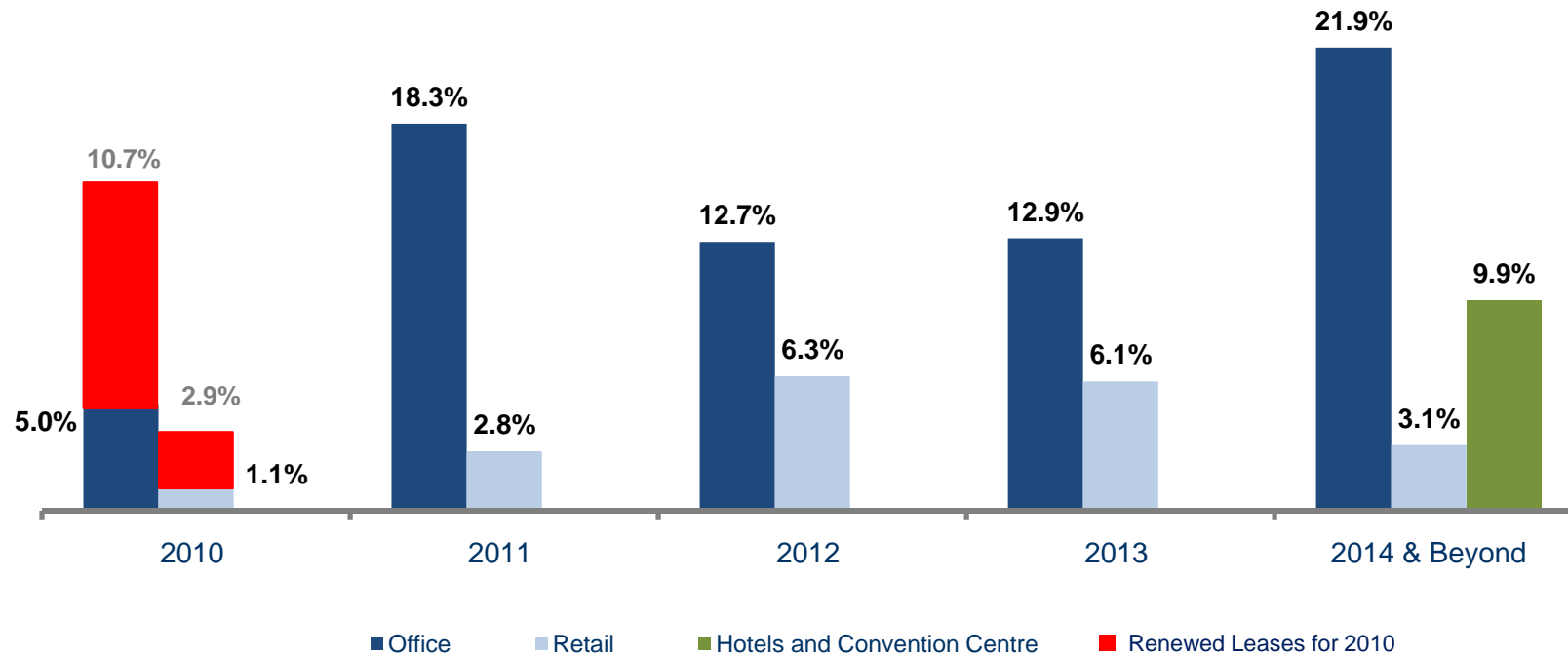
(1) Based on monthly gross rental income contribution as at 30 Sep 2010 (excluding retail turnover rent)

(2) Data excludes Starhub Centre as it has been divested



# Well spread portfolio lease expiry profile

**Leases up for renewal (by Monthly Gross Rental Income<sup>(1)</sup>)  
as at 30 September 2010**



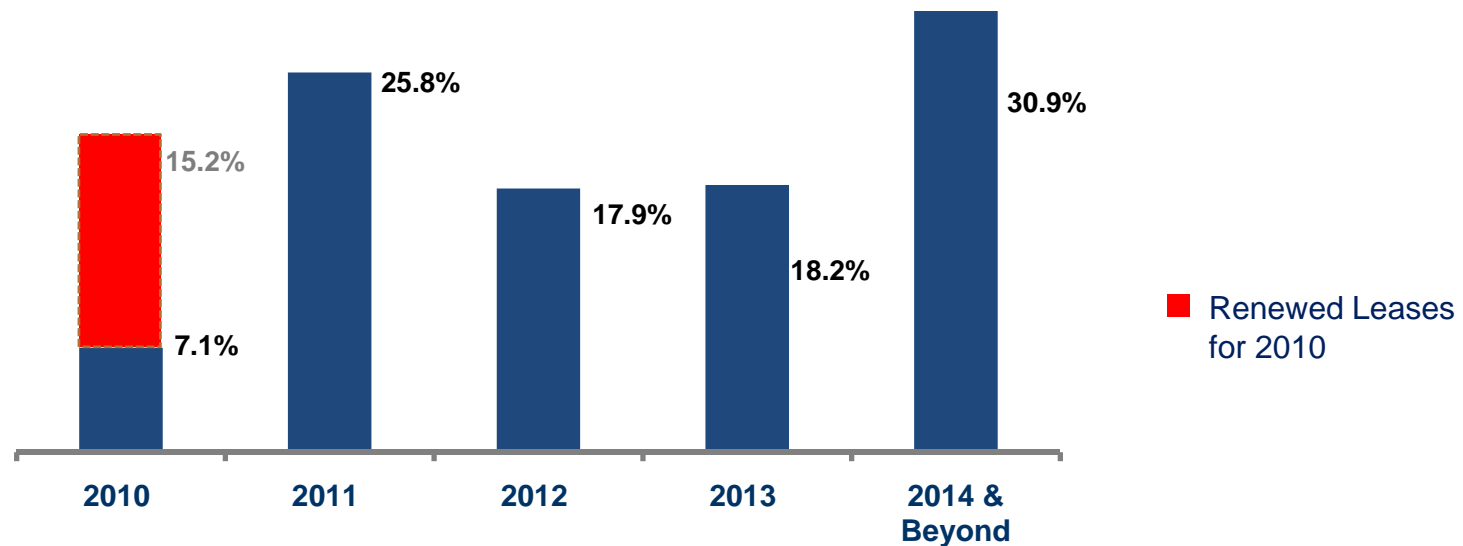
Note:

(1) Excludes turnover rent and Starhub Centre as it has been divested



## In advanced negotiation for majority of leases due 2010

### Office leases expiring as a percentage of Monthly Office Gross Rental Income<sup>(1)</sup> as at 30 September 2010



Average office portfolio rent as at 30 Sep 2010 is \$8.73 psf<sup>(2)</sup>

Notes:

(1) Data shown excludes Starhub Centre as it has been divested.

(2) As at 30 June 2010, average office portfolio rent (without Starhub Centre) on committed basis was \$8.79psf.



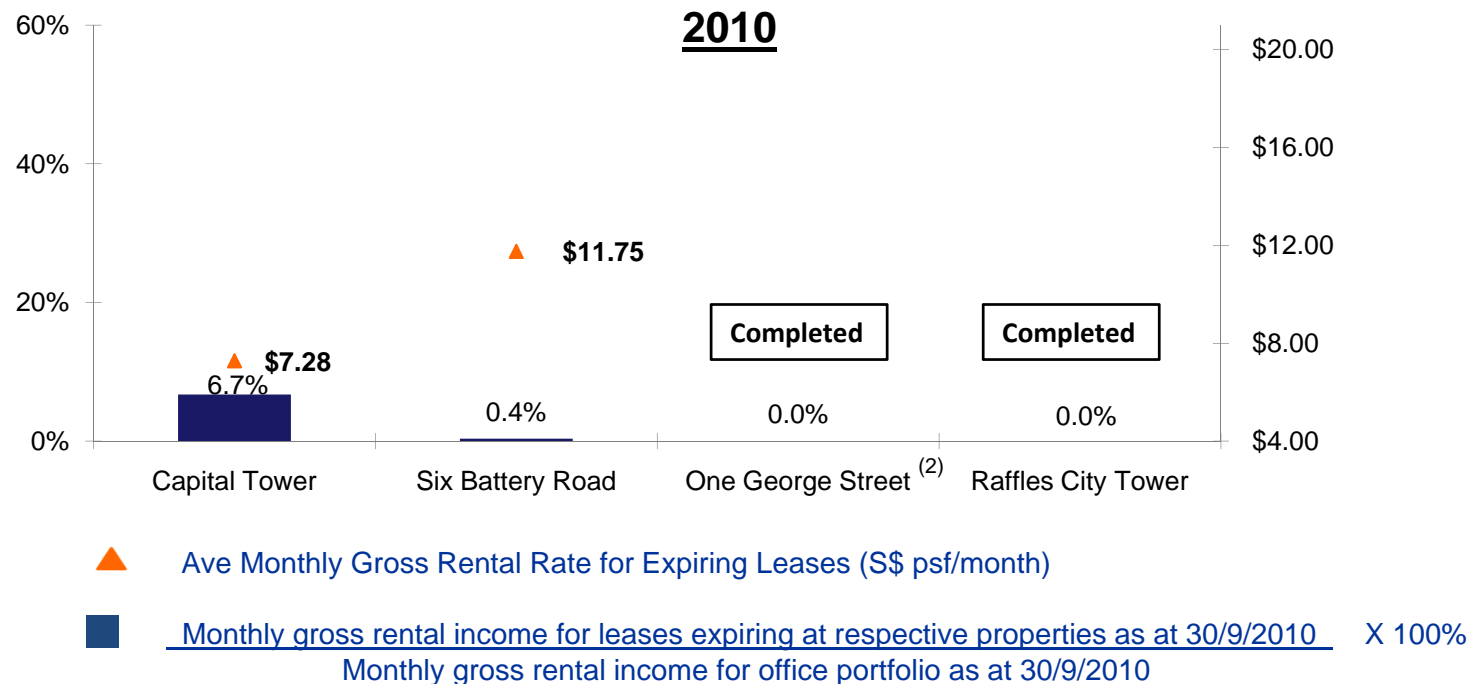
# Most 2010 expiries completed at four key office properties

**Average rent of office portfolio leases expiring in 2010 is \$7.38 psf**

3Q 2010 Industry Statistics <sup>(1)</sup> –

Grade A Office Average Market Rent: **S\$9.00 psf**

Prime Office Average Market Rent: **S\$7.40 psf**



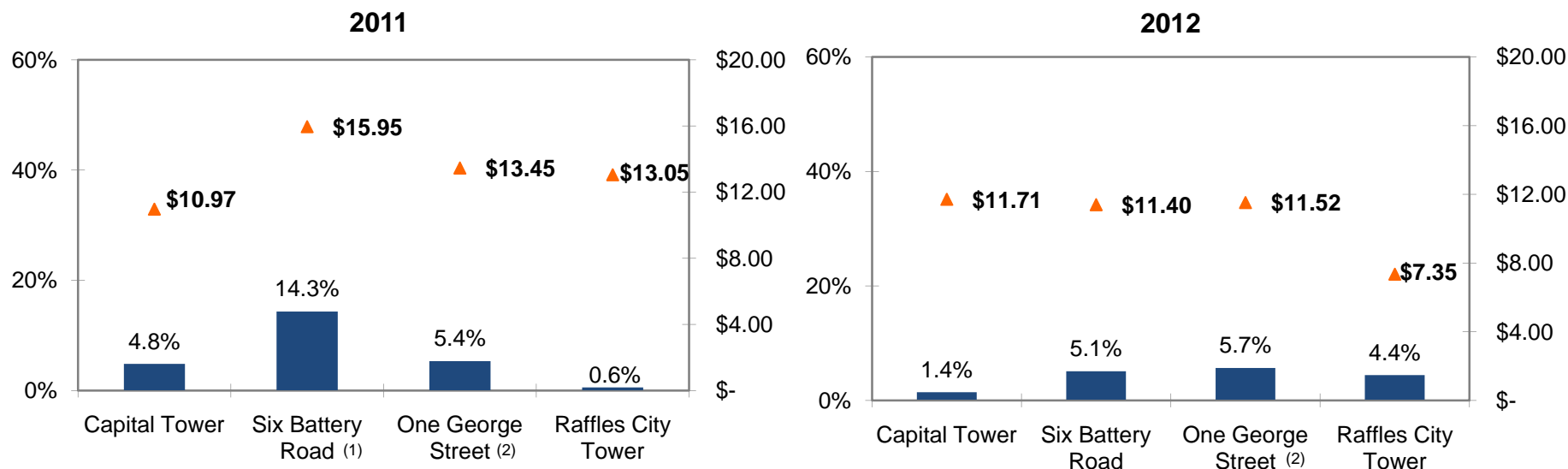
Notes:



(1) Source: CBRE (as at 3Q 2010)

(2) Has embedded yield protection of 4.25% p.a., based on purchase consideration of S\$1.165 billion until 10 July 2013 from CapitaLand. This eliminates downside rental risk for One George Street during the yield protection period, but allows CCT to benefit from any upside in rental reversion.



# Positioning leasing strategy to benefit from office market recovery upon lease expiries



 Ave Monthly Gross Rental Rate for Expiring Leases (S\$ psf/month)  
  $\frac{\text{Monthly gross rental income for leases expiring at respective properties as at 30/9/2010}}{\text{Monthly gross rental income for office portfolio as at 30/9/2010}} \times 100\%$

## Notes:

- (1) Does not include SCB rent review in Jan 2011.
- (2) Has embedded yield protection of 4.25% p.a., based on purchase consideration of S\$1.165 billion until 10 July 2013 from CapitaLand. This eliminates downside rental risk for One George Street during the yield protection period, but allows CCT to benefit from any upside in rental reversion.

## 4. Solid Financial Results

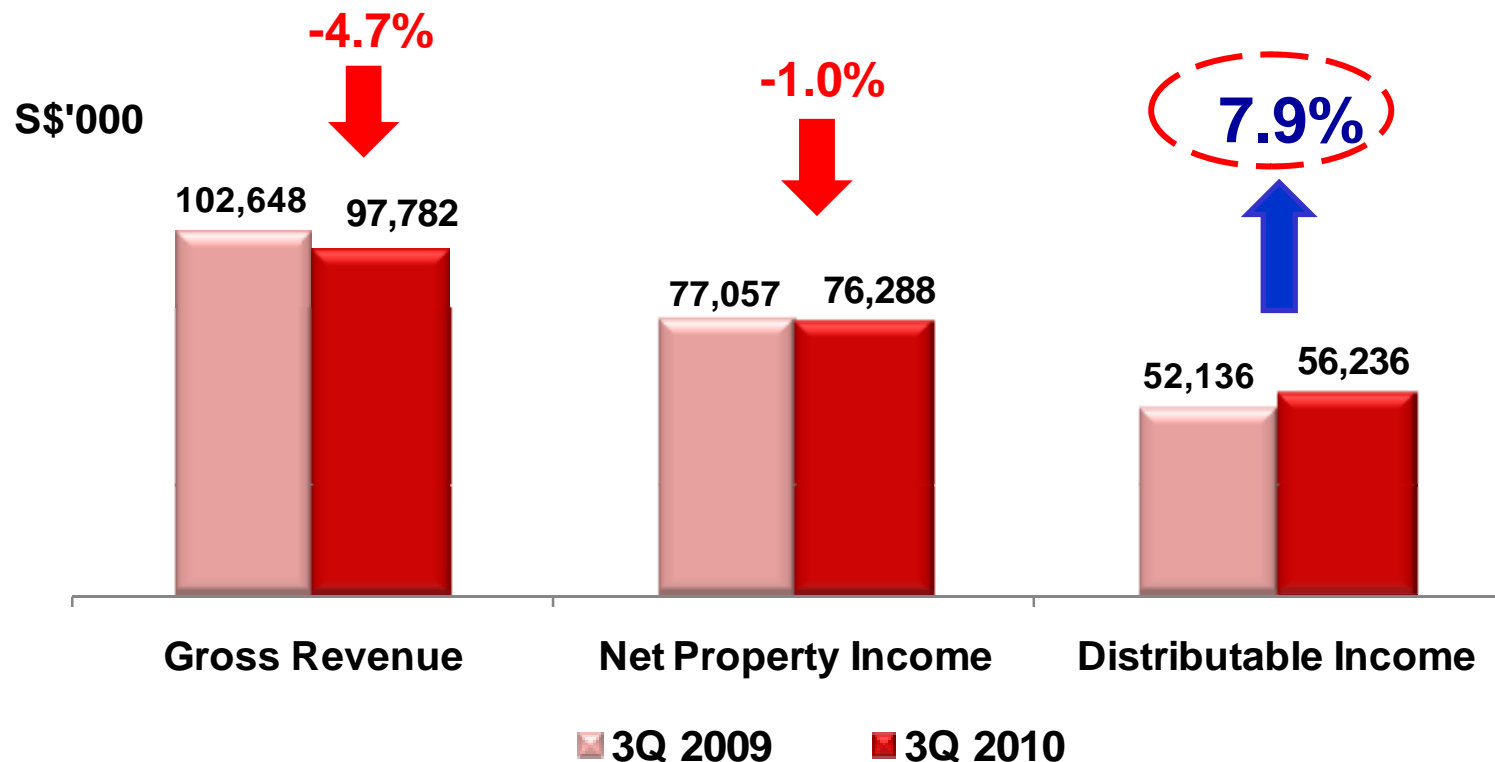


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## 3Q 2010 distributable income up by 7.9%



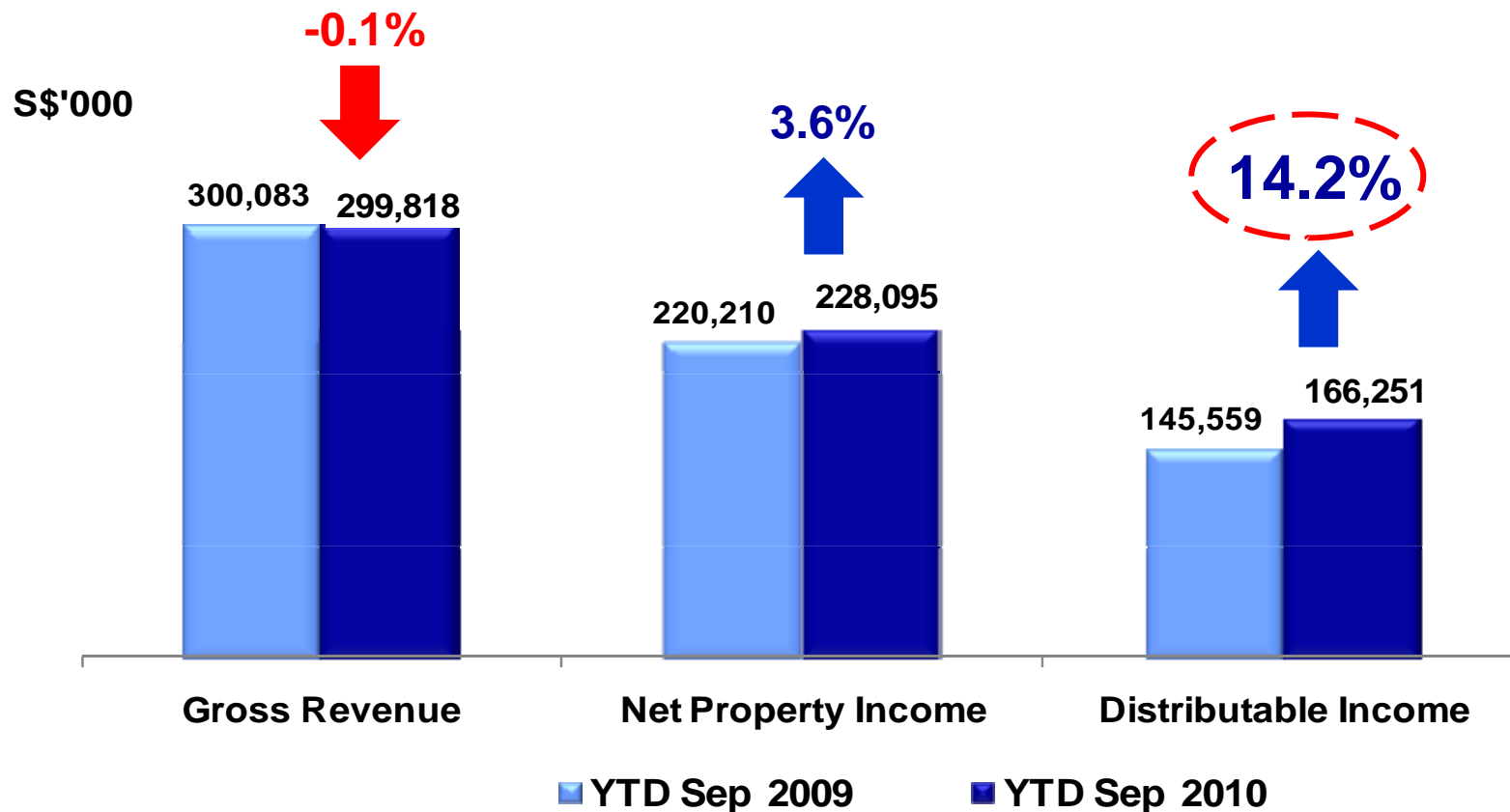
Due to sale of Robinson Point (19 Apr 2010) and Starhub Centre (16 Sep 2010).

Due to lower property tax and other operating expenses.

Attributable to interest savings from lower borrowings, release of RCS Trust's S\$0.3 million taxable income retained in 2Q 2010 and tax adjustment in 2009.



## YTD Sep 2010 distributable income up by 14.2%



Minimal change in YTD 2010 rental income notwithstanding sale of Robinson Point (19 Apr 2010) and Starhub Centre (16 Sep 2010).

Due primarily to lower property tax, lower utilities cost and other operating expenses.

Attributable to interest savings from lower borrowings.



# Total Assets at S\$6.0B, Adj. NAV at S\$1.40

	30 Sep 10 S\$'000	31 Dec 09 S\$'000
Non-current assets <sup>1</sup>	5,310,085	5,595,598
Current assets <sup>2</sup>	735,443	504,374
<b>Total assets</b>	<b>6,045,528</b>	<b>6,099,972</b>
Current liabilities <sup>3</sup>	968,035	325,902
Non-current liabilities <sup>4</sup>	1,077,552	1,817,661
<b>Net assets</b>	<b>3,999,941</b>	<b>3,956,409</b>
<b>Unitholders' funds</b>	<b>3,999,941</b>	<b>3,956,409</b>
<b>NAV Per Unit</b>	<b>\$1.42</b>	<b>\$1.41</b>
<b>Adjusted NAV Per Unit <sup>5</sup></b>	<b>\$1.40</b>	<b>\$1.37</b>

Notes: **Comparing Sep 10 against Dec 09**

- (1) Lower non-current assets due to sale of Starhub Centre and downward revaluation of investment properties as at 30 June 2010.
- (2) Increase in current assets due to proceeds from sale of Robinson Point and Starhub Centre.
- (3) Increase in current liabilities mainly due to reclassification of S\$100.0m MTN, S\$180.0m CB due 2013 with a put option in 2011, S\$519.4m RCS CMBS and S\$49.8m revolving credit facility from non-current liabilities but partially offset by repayment of \$150.0m MTN and S\$85.0m MTN.
- (4) Lower non-current liabilities mainly due to the reclassification of long term borrowings to short term borrowings -see (3) , but offset by increase due to issuance of S\$70.0m MTN due 2015, issuance of S\$225.0m CB due 2015 and drawdown of RCS revolving credit facility of S\$14.4m (CCT's 60.0% interest).
- (5) The adjusted NAV per Unit of S\$1.40 assumes the distributable income has been paid out to the unitholders. Based on CCT's trading price of S\$1.48 per Unit as at 30 September 2010, CCT traded at 5.7% above the adjusted NAV per Unit of S\$1.40.



# Key Financial Indicators

## - Improved leverage

	3Q 2010	2Q 2010	Remarks
<b>Total Gross Debts (S\$m)</b>	1,907.1	1,983.7	Repaid S\$85m MTN loan
<b>Gearing Ratio</b>	31.5%	32.8%	Improved
<b>Net Debt/EBITDA</b>	4.5 times	6.0 times	Improved
<b>Unencumbered Assets as % of Total Assets<sup>1</sup></b>	56.2%	51.9%	Improved
<b>Average Term to Maturity<sup>2</sup></b>	1.7 years	1.9 years	-0.2 years (due to passing of time)
<b>Average Cost of Debt</b>	3.6%	3.7%	Improved
<b>Interest Coverage</b>	3.8 times	3.8 times	Stable

Notes:

(1) Unencumbered assets includes cash balance.

(2) Assuming CB holders put on 6 May 2011.



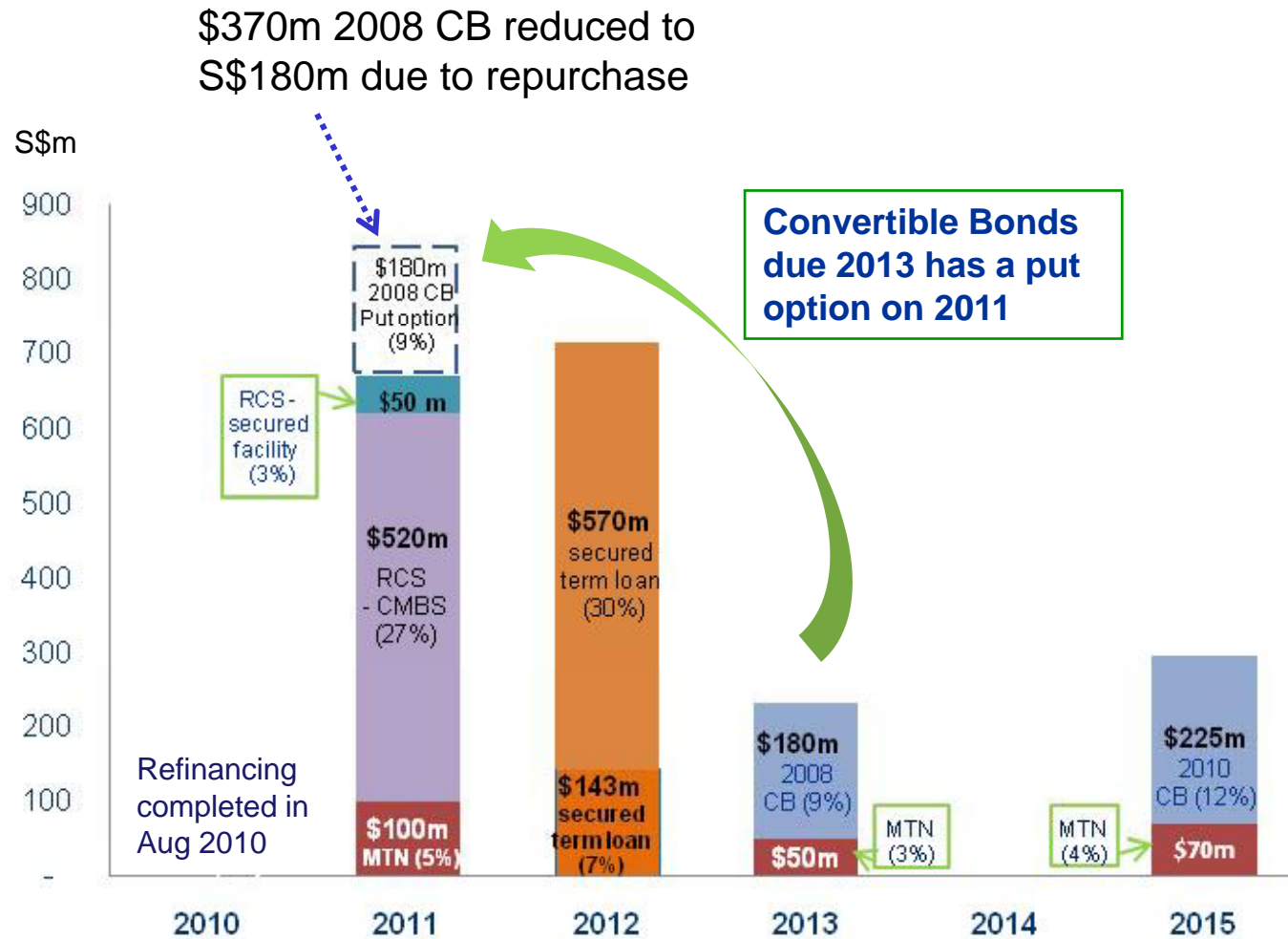
# Proactive capital management

## Focus:

- Refinancing well ahead of debt maturity dates
- Diversifying sources of funding and extend debt maturities
- Financial flexibility to respond quickly to investment opportunities



## Refinancing well ahead of maturity, extending debt maturity



As at 30 September 2010



## **Issue of S\$370 million Convertible Bonds**

- **In May 2008, CCT issued S\$370 million 2.0% convertible bonds due 2013 with a put option in May 2011**
- **CCT repurchased S\$190 million of the bonds as of September 2010**
- **Adjusted Conversion Price is S\$1.7778 as at 30 September 2010**
- **Yield to maturity of 3.95%**
- **CCT has option to pay the conversion right entirely in cash or partially in cash and in units**
- **Listed on Singapore Exchange**





# CCT Existing CB – S\$370m due 2013

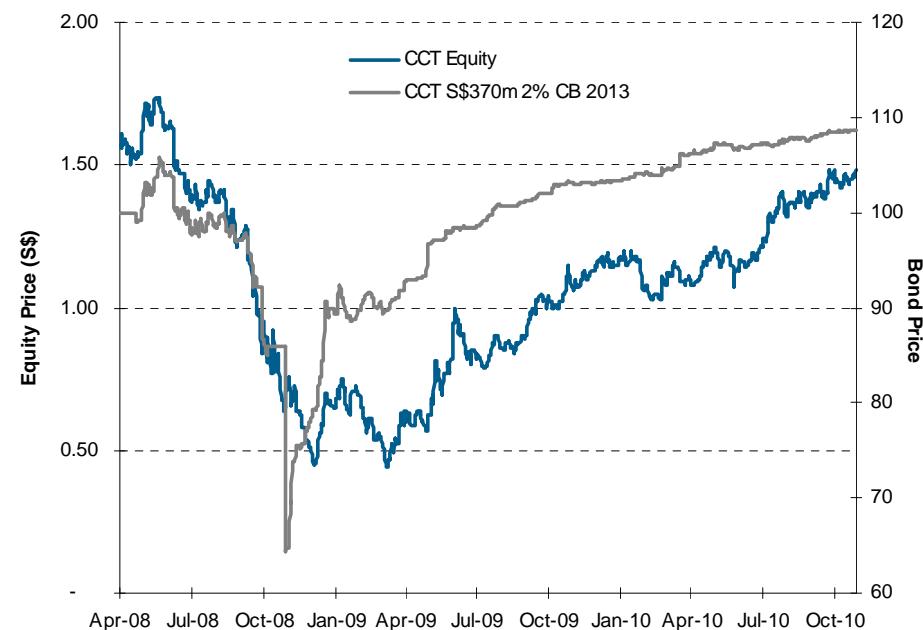
## Terms at Issue

<b>Issuer</b>	CapitaCommercial Trust
<b>Size</b>	S\$370 million
<b>Announcement Date</b>	1 April 2008
<b>Maturity Date</b>	6 May 2013 (5 years)
<b>Put Date</b>	6 May 2011 (3 years)
<b>Issue Price</b>	100.00
<b>Coupon</b>	2.00%
<b>Yield to Maturity / Put</b>	3.95%
<b>Conversion Premium</b>	23.9%
<b>Redemption Price</b>	110.66
<b>Put Price</b>	106.15

## Trading Statistics (as of 28 Oct 2010)

<b>CB price</b>	109.25
<b>Stock price</b>	S\$1.48
<b>Parity</b>	83.2%
<b>Premium to Parity</b>	31.2%
<b>Credit Spread</b>	150 bps
<b>Implied Volatility</b>	12.7%
<b>Trading Yield to Maturity / Put</b>	2.33% / (3.74)%
<b>S\$ Swap Rate (interpolated)</b>	0.91% / 0.45%
<b>Balance Maturity (yrs &amp; mth)</b>	6m (put) 2y 6m (maturity)

## Equity and Convertible Bond Graph





## **S\$225 million Convertible Bonds**

- **In April 2010, CCT issued S\$225 million 2.7% convertible bonds due 2015**
- **Initial Conversion Price is S\$1.356 and has no adjustment as of 30 September 2010**
- **Upon maturity, the convertible bonds will be redeemed at 100% of their principal amount together with accrued interest**
- **Listed on Singapore Exchange**



# CCT Existing CB – S\$225m due 2015

## Terms at Issue

Issuer	CapitaCommercial Trust
Size	S\$225 million
Announcement Date	17 March 2010
Maturity Date	21 April 2015 (5 years)
Put Date	No Put
Issue Price	100.00
Coupon	2.70%
Yield to Maturity	2.70%
Conversion Premium	20.0%
Redemption Price	100.00

## Trading Statistics (as of 28 Oct 2010)

CB price	117.50
Stock price	S\$1.48
Parity	109.14%
Premium to Parity	7.79%
Implied Credit Spread	<b>245 bps</b>
Volatility Assumption	<b>20%</b>
Trading Yield to Maturity	-1.11%
S\$ Swap Rate	1.56%
Balance Maturity (yrs & mth)	4y 6m (maturity)

## Equity and Convertible Bond Graph





## Enhanced financial flexibility

- Total number of unsecured assets : 6 out of 9
- Value of unsecured assets : S\$2.3 billion (44.0% of total value of investment properties)
- S\$1.8 billion untapped balance from S\$2.0 billion multicurrency medium term note programme



Six Battery Road



One George Street



Wilkie Edge



Bugis Village



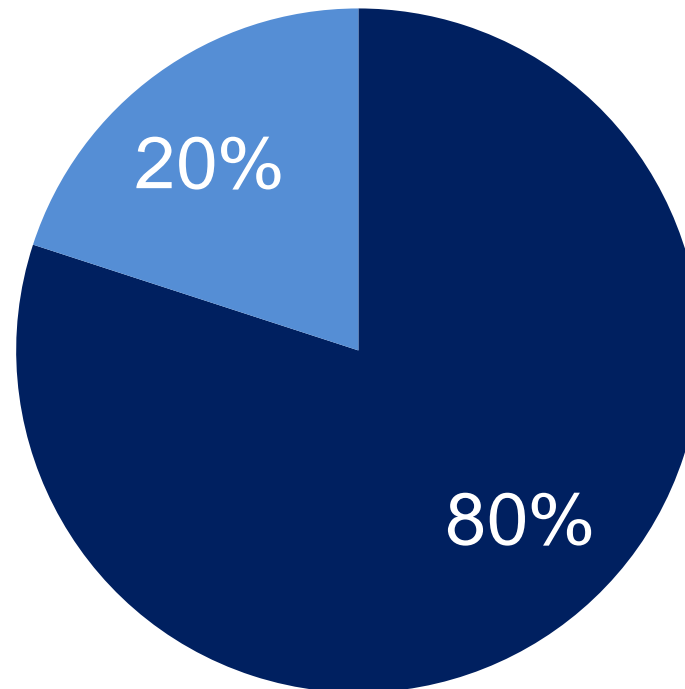
Golden Shoe Car Park



Market Street Car Park



## Low Exposure to Interest Rate Risk



■ Borrowings on fixed rate

■ Borrowings on floating rate

## 5. Market Outlook

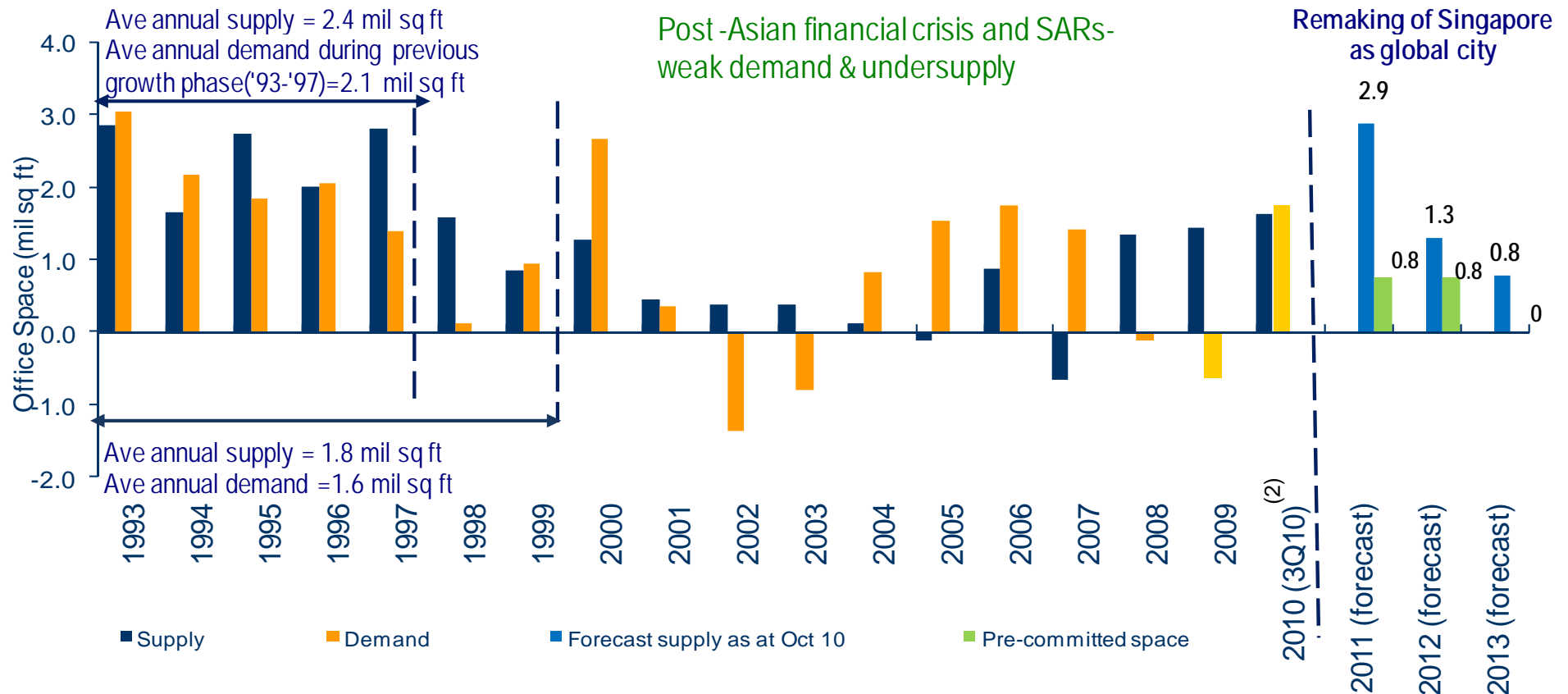


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# Future supply in Central Area <sup>(1)</sup> from 2011 to 2013 at 4.95 million sq ft. Approx 31% have already been pre-committed

## Singapore Private Office Space (Central Area) -- Demand & Supply



Notes:

(1) Central Area comprises 'The Downtown Core', 'Orchard' and 'Rest of Central Area'

(2) No known new supply coming in 4Q 2010

(3) Supply shown has not taken in approximately 1.7 million sq ft of office space to be converted into residential

Source: Consensus Compiled from CBRE & JLL (Oct 10)





## Details of known future office supply in Central Area for 2011 – 2013\*

Exp. DOC	Proposed Office Projects	Micromarket	NFA (sf)	Pre-commitment Level as at 3Q10
1Q11	50 Collyer Quay	Raffles Place	412,000	22% <sup>(1)</sup>
2Q11	Ocean Financial Centre (OFC)	Raffles Place	850,000	63%
Mid-2011	Asia Square Tower 1 (Marina View Tower 1 (only L6 – L43 Office))	Marina Bay	1,260,000	11% <sup>(1)</sup>
2011	1 Raffles Place (Tower 2)	Raffles Place	350,000	N.A.
Subtotal (2011):			2,872,000	27%
2012	Marina Bay Financial Centre (MBFC – Phase 2)	Marina Bay	1,300,000	58%
Subtotal (2012):			1,300,000	58%
1Q13	Asia Square Tower 2	Marina Bay	782,000	N.A.
Subtotal (2013):			782,000	N.A.
TOTAL FORECAST SUPPLY (2011 – 2013)			4,954,000	31%

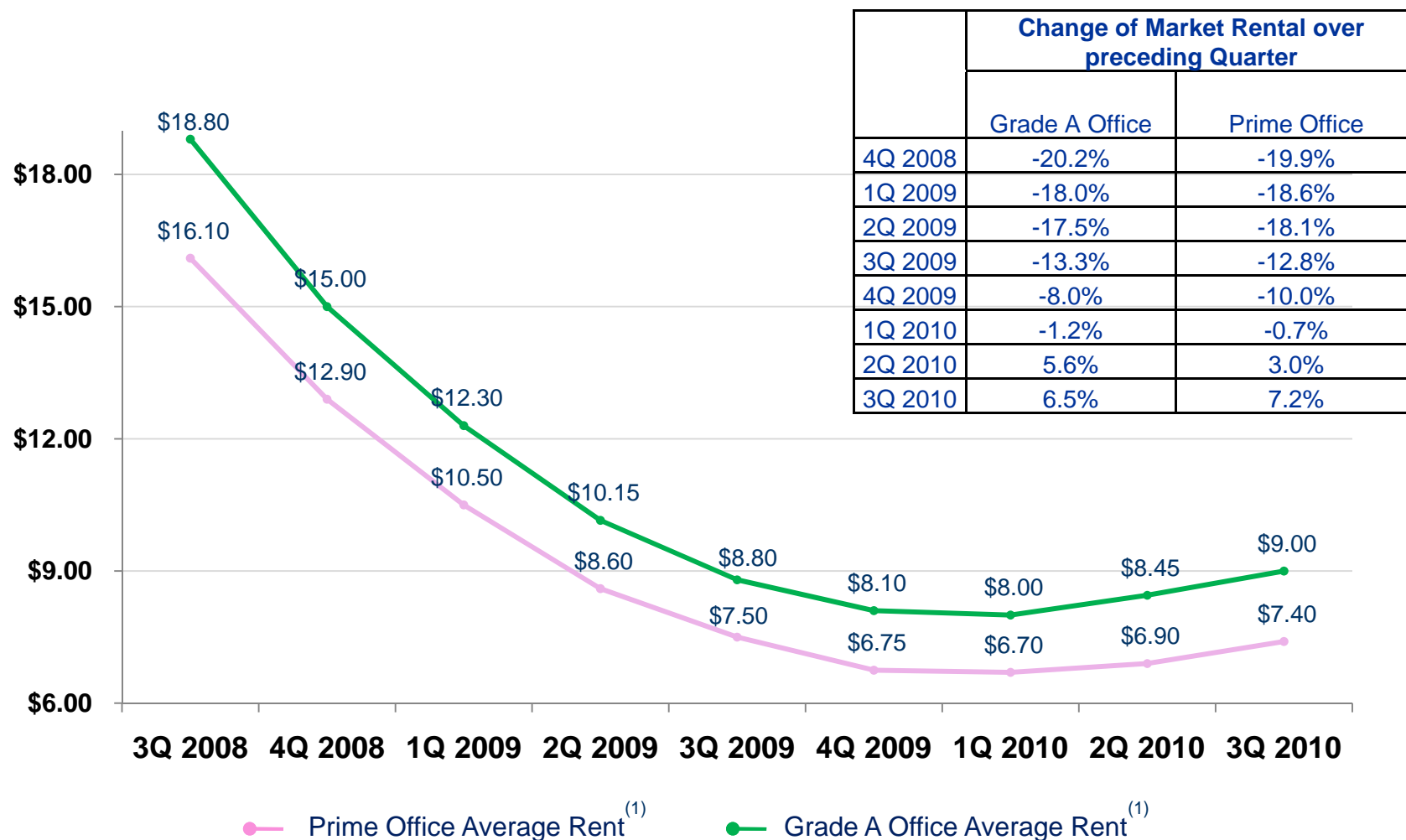
\* No new supply expected in 4Q10

(1) Pre-commitment does not take into consideration other leases under negotiation.

Source: CBRE, JLL & CapitaLand Research, Oct 2010



# Office market rents continue to strengthen



Note:

(1) Source for office market rent: CBRE (figures as at end of each quarter)

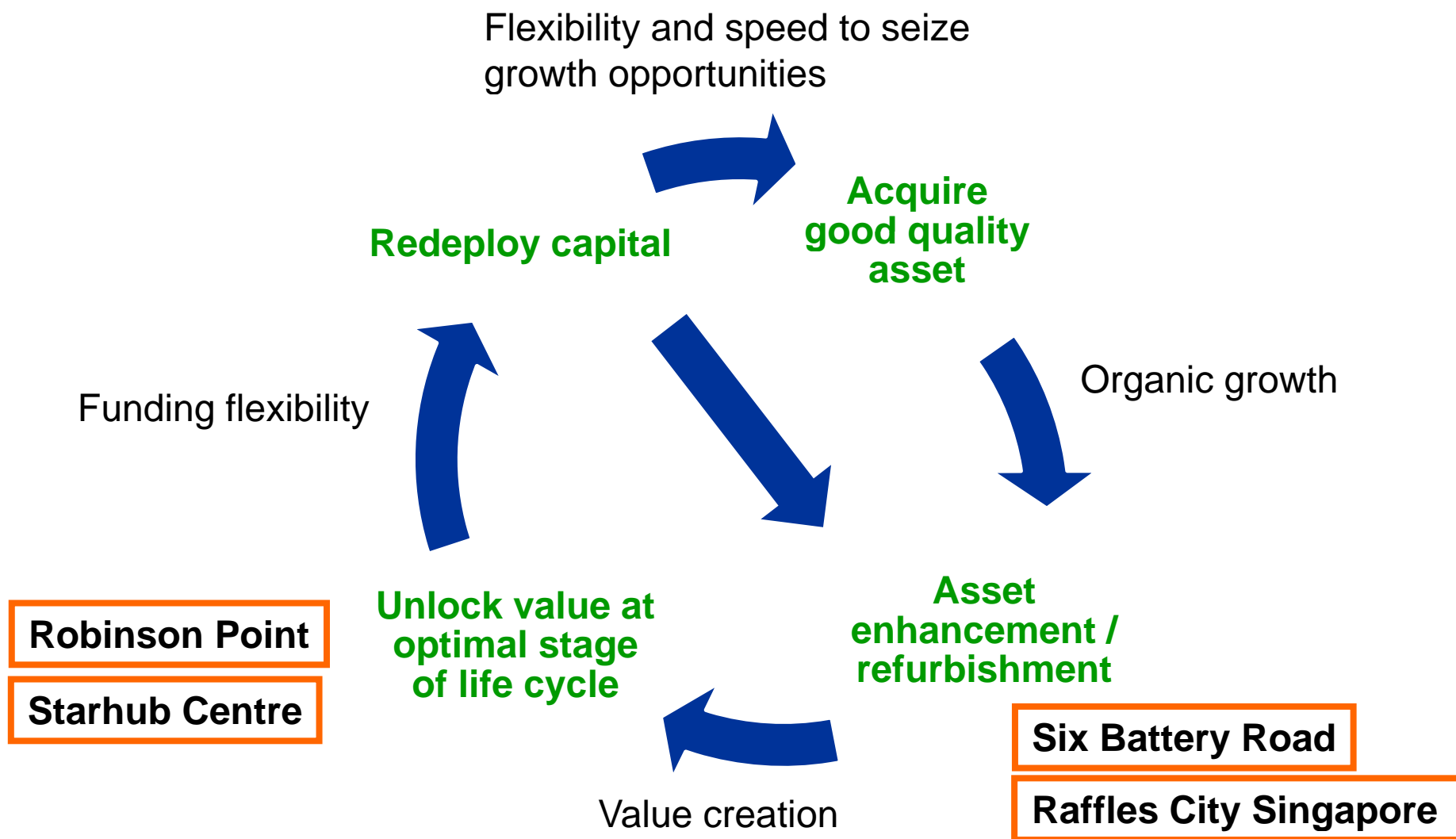
## 6. Summary



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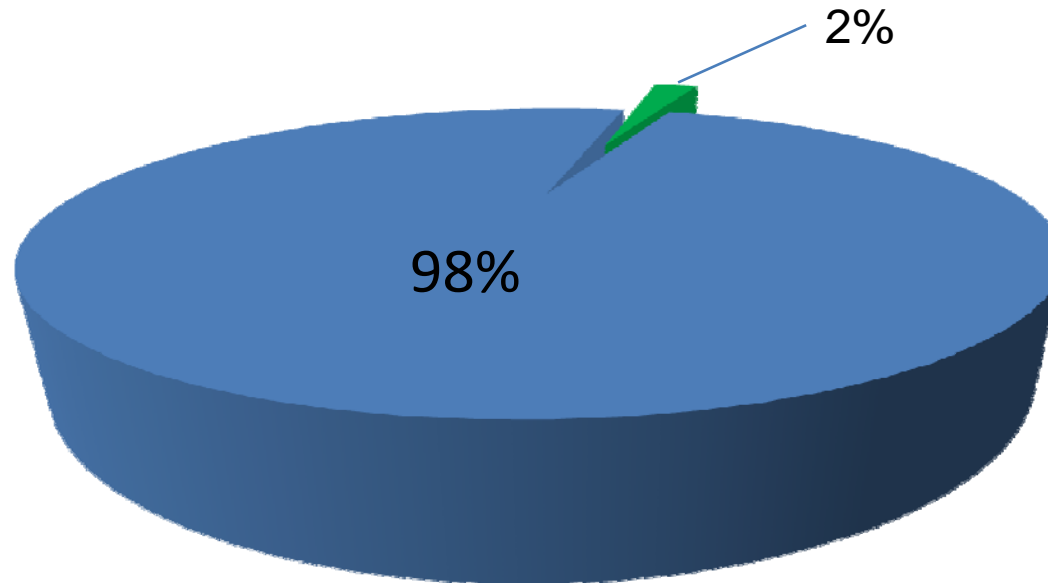


# Portfolio reconstitution strategy to further enhance asset quality





## Already secured 98% of 2009's annual gross rental income<sup>(1)</sup> for 2010 based on existing and committed leases



Note:

(1) includes gross rental income contribution from Robinson Point and Starhub Centre before their sale completion.

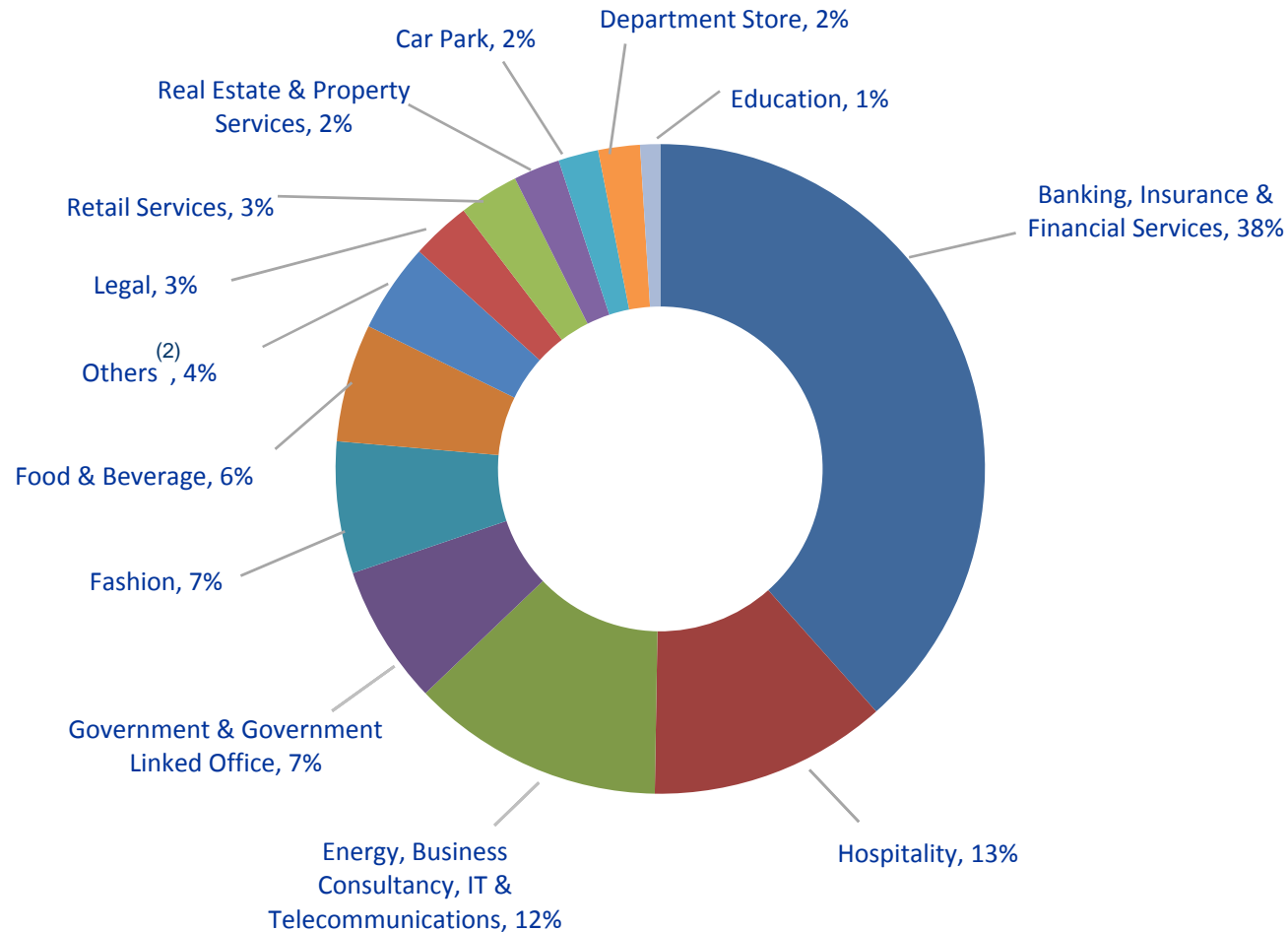
# Supplementary Slides



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## Diverse tenant mix<sup>(1)</sup> in CCT's portfolio



Notes:

(1) Based on monthly gross rental income as at 30 Sep 2010 for the portfolio including car park income from Golden Shoe Car Park and Market Street Car Park. Data excludes Starhub Centre as it has been divested.

(2) Consists of other minor retail and office trades.



## Property details (1)



	Capital Tower	Six Battery Road	One George Street	Raffles City
Address	168 Robinson Road	6 Battery Road	1 George Street	250/252 North Bridge Rd; 2 Stamford Rd; 80 Bras Basah Rd
NLA (sqm)	68,836	46,339	41,620	72,689
NLA (sqm)				Office: 35,340 Retail: 37,349
Leasehold expiring	31-Dec-2094	19-Apr-2825	21-Jan-2102	15-Jul-2078
Committed occupancy	99.6%	100.0%	100.0%	99.2%
Valuation (30 Jun 10)	\$1,052.5m	\$1,065.8m	\$896.8m	\$1,530m (60%)
Car park lots	415	190	175	1,043





## Property details (2)



	<b>HSBC Building</b>	<b>Wilkie Edge</b>	<b>Bugis Village <sup>(1)</sup></b>	<b>Golden Shoe Car Park</b>	<b>Market Street Car Park</b>
<b>Address</b>	21 Collyer Quay	8 Wilkie Road	62 to 67 Queen St, 151 to 166 Rochor Rd, 229 to 253 (odd nos only) Victoria St	50 Market Street	146 Market Street
<b>NLA (sqm)</b>	18,624	13,576	11,375	4,117	2,360
<b>Leasehold expiring</b>	18-Dec-2849	20-Feb-2105	30-Mar-2088	31-Jan-2081	31-Mar-2073
<b>Committed occupancy</b>	100.0%	78.4%	92.9%	100.0%	100.0%
<b>Valuation (30 Jun 10)</b>	\$313.7m	\$143m	\$62.5m	\$102.6m	\$47m
<b>Car park lots</b>	NA	215	NA	1,053	704

Note:

(1) The leasehold title and the valuation take into account the right of the President of the Republic of Singapore, as lessor under the State Lease, to terminate the State Lease on 1 April 2019 upon payment of S\$6,610,208.53 plus accrued interest.



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