



# Frasers Commercial Trust 2QFY16 Financial Results

21 April 2016



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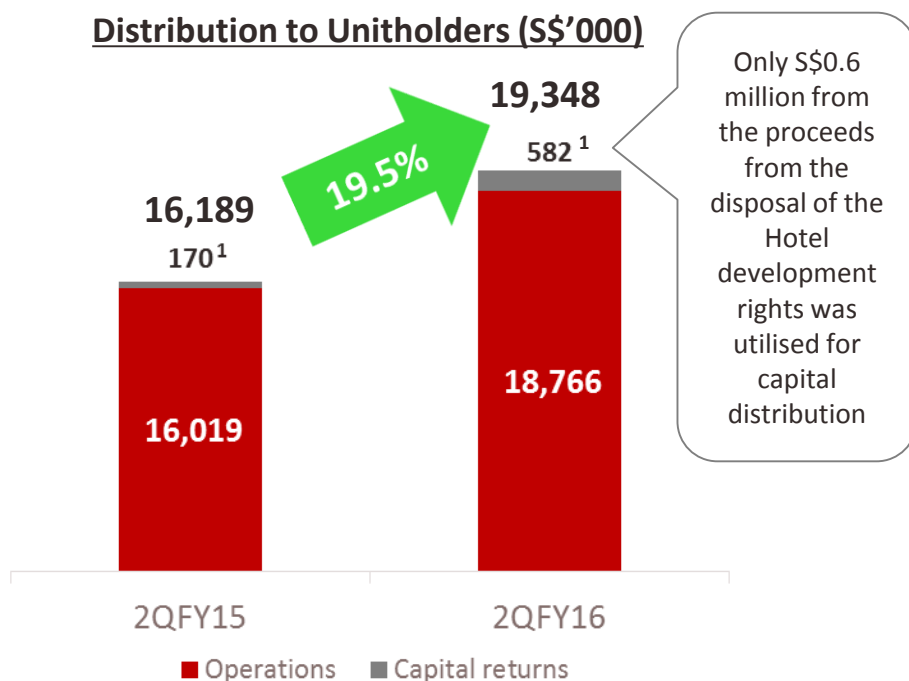
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- ➔ **Results**
- ➔ **Actual vs. forecast results for 357 Collins Street**
- ➔ **Portfolio review**
- ➔ **Capital management**
- ➔ **Moving Forward**

# Results

## 2QFY16 bolstered by the better performances of Alexandra Technopark and Caroline Chisholm Centre and contribution from 357 Collins Street

Distribution to Unitholders (S\$'000)



### 19.5% increase in distribution to Unitholders

- 1 Higher contribution from Alexandra Technopark:**
  - Higher rental rates achieved
  - Lower utilities expenses
- 2 Contribution from 357 Collins Street**
- 3 Lower repair and maintenance and painting expenses for Caroline Chisholm Centre**

### Capital distribution

Construction works have commenced at China Square Central<sup>2</sup> and the loss of income was supplemented by S\$0.6 million capital distribution

<sup>1</sup> In 2QFY16, distribution from capital returns relates to a portion of consideration received from the disposal of the Hotel development rights at China Square Central in August 2015, which is classified as capital distribution from tax perspective. Unitholders' distribution from capital returns for 2QFY15 relates to the distribution available to Unitholders arising from the capital reduction of a subsidiary to distribute earnings trapped due to non-cash items.

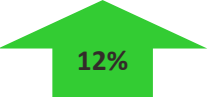




<sup>2</sup> Development of a 16 storey hotel ("Hotel") and additions and alterations at China Square Central. Refer to the Circular to Unitholders dated 3 June 2015 for details.



## → Results – 2QFY16 Financial highlights

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### ▪ 20% rise in distributable income for 2QFY16

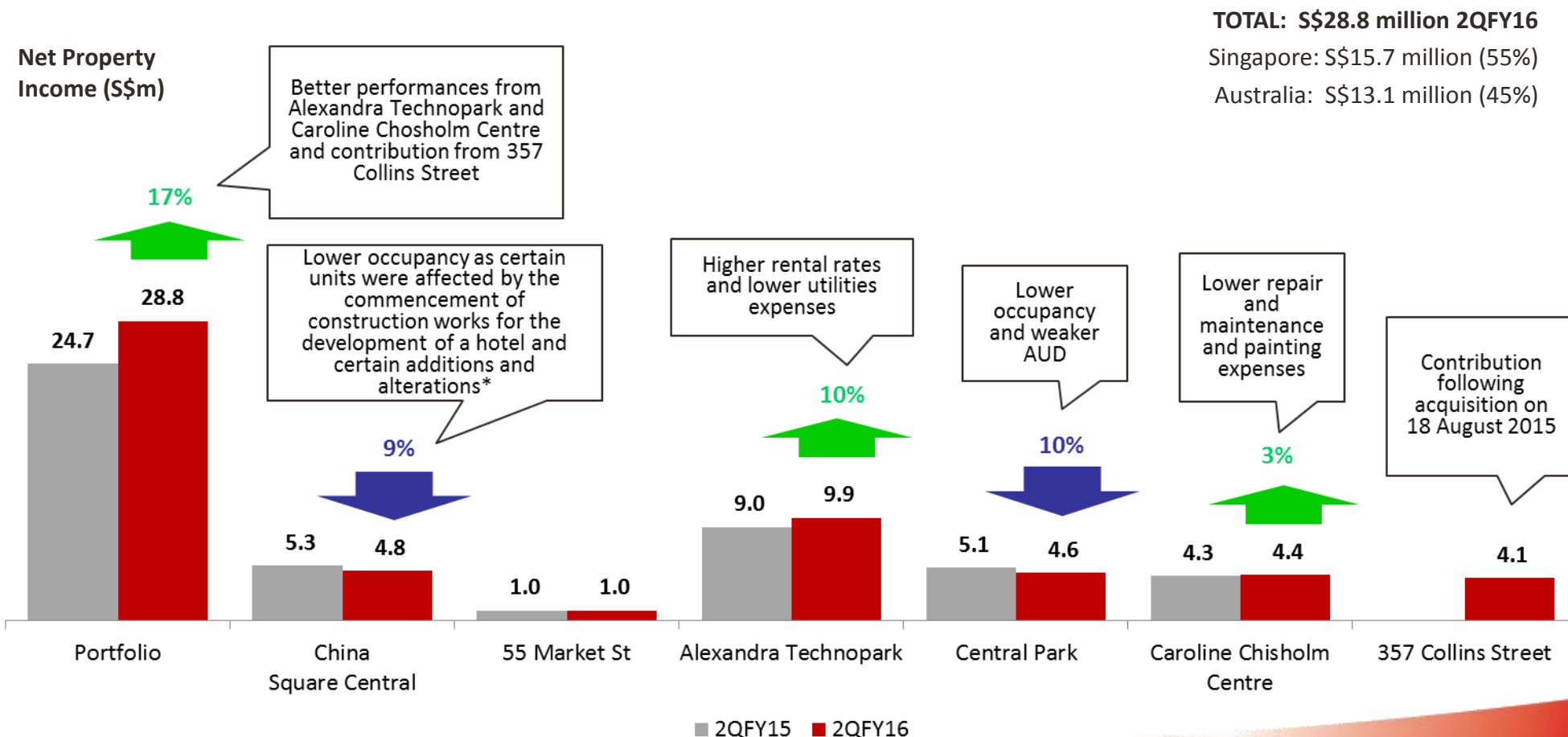
1 Jan 2016 – 31 Mar 2016	2QFY16 (S\$ '000)	Y-o-Y Change (%)	Contributing factors
Gross Revenue	38,994	 12%	▪ Higher revenue contribution from Alexandra Technopark due to higher rental rates, contribution from 357 Collins Street, offset by the weaker Australian dollar and lower occupancy rates for China Square Central and Central Park
Net Property Income	28,836	 17%	▪ Higher rental rates and lower utilities expenses at Alexandra Technopark, contribution from 357 Collins Street and lower repair and maintenance and painting expenses for Caroline Chisholm Centre, offset by the weaker Australian dollar and lower occupancy rates for China Square Central and Central Park
Net Property Income (cash basis)	27,917	 15%	▪ Increase in net property income excluding the effects of recognising accounting income on a straight line basis, despite the weaker Australian dollar
Distributable income to Unitholders	19,348	 20%	▪ Distributable income to Unitholders increased y-o-y in line with NPI
DPU <sup>1</sup>	2.45¢	 3%	▪ DPU increased with the higher distributable income to Unitholders <sup>2</sup> . Inclusive of capital distribution of 0.07¢ <sup>3</sup> .

1 The number of Units used to calculate the amount available for DPU is 788,863,242. See accompanying 2QFY16 Financial Statements announcement for more details.

2 96.0 million new Units were issued pursuant to a private placement which was completed in August 2015.

3 In 2QFY16, distribution from capital returns relates to a portion of consideration received from the disposal of the Hotel development rights at China Square Central in August 2015, which is classified as capital distribution from tax perspective. Unitholders' distribution from capital returns of 0.02 cents for 2QFY15 relates to the distribution available to Unitholders arising from the capital reduction of a subsidiary to distribute earnings trapped due to non-cash items.

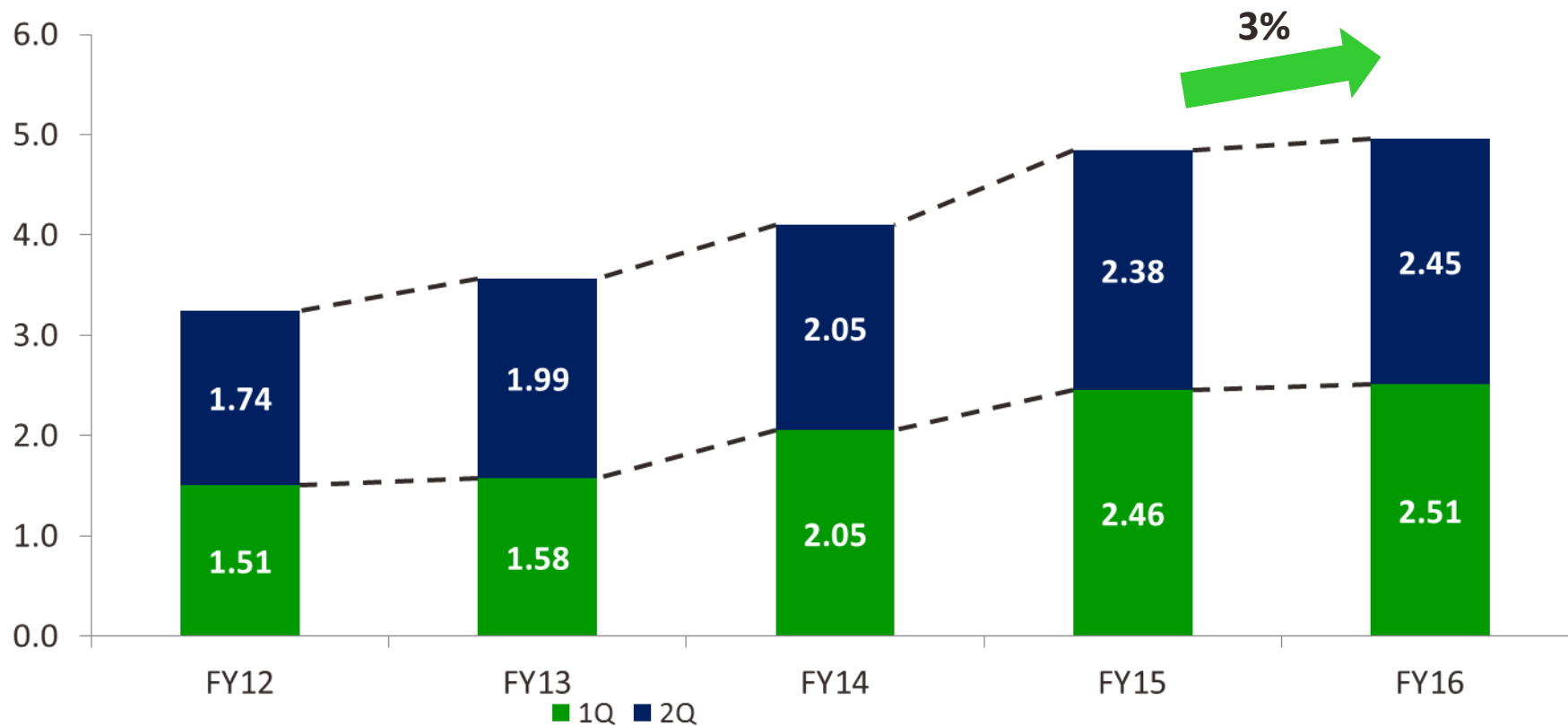
## Better performances from Alexandra Technopark and Caroline Chisholm Centre and contribution from 357 Collins Street



\* Affected units were mainly retail units at 18 Cross Street and certain units at the shophouses at 20 and 22 Cross Street. Construction is undertaken by an entity of Frasers Centrepoint Limited. Refer to Circular to Unitholders dated 3 June 2015 for details.

- Continuous DPU growth for 2QFY16

DPU (Cents)



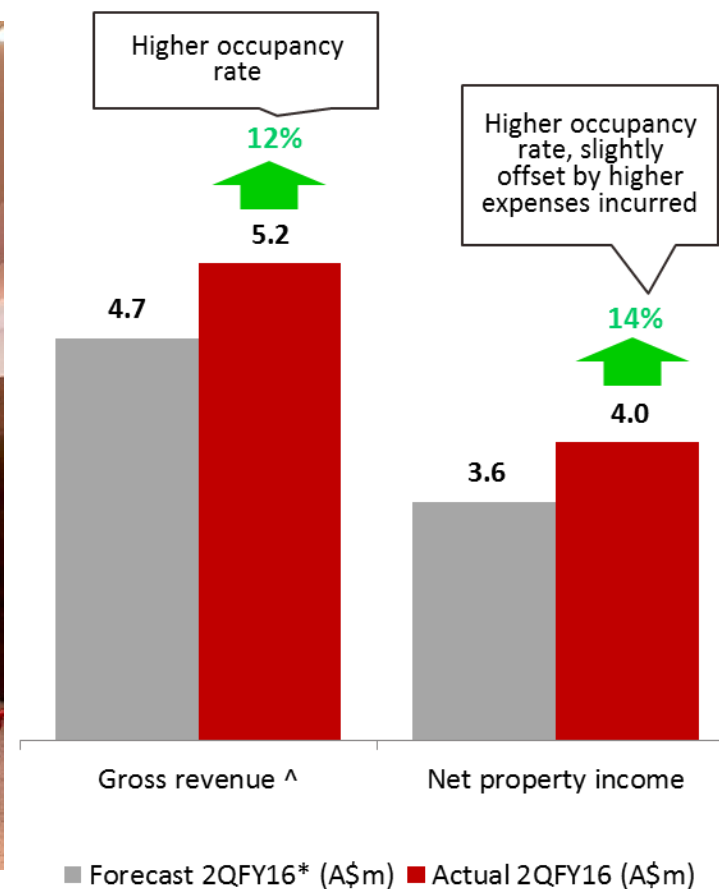


### DRP will be applied for the distribution for 2QFY16

<b>Distribution Period</b>	1 January 2016 to 31 March 2016
<b>Ordinary Unit Distribution Rate</b>	<b>Distribution of 2.4526 cents per Unit comprising:</b> <ul style="list-style-type: none"> <li>a) taxable income distribution of 1.7784 cents;</li> <li>b) tax-exempt income distribution of 0.6004 cents; and</li> <li>b) capital distribution of 0.0738 cents.</li> </ul>
<b>Last day of trading on “cum” basis</b>	<b>Tuesday, 26 April 2016</b>
<b>Ex-distribution trading commence</b>	Wednesday, 27 April 2016
<b>Distribution Books Closure Date</b>	Friday, 29 April 2016 at 5.00 pm
<b>Cash distribution payment date</b>	<b>Monday, 30 May 2016</b>
<b>Credit of Units to Unitholders’ securities accounts/ listing of Units issued under the DRP on SGX-ST</b>	<b>Monday, 30 May 2016</b>

## Actual vs forecast results for 357 Collins Street

## Actual net property income of 357 Collins Street outperformed forecast by 14%

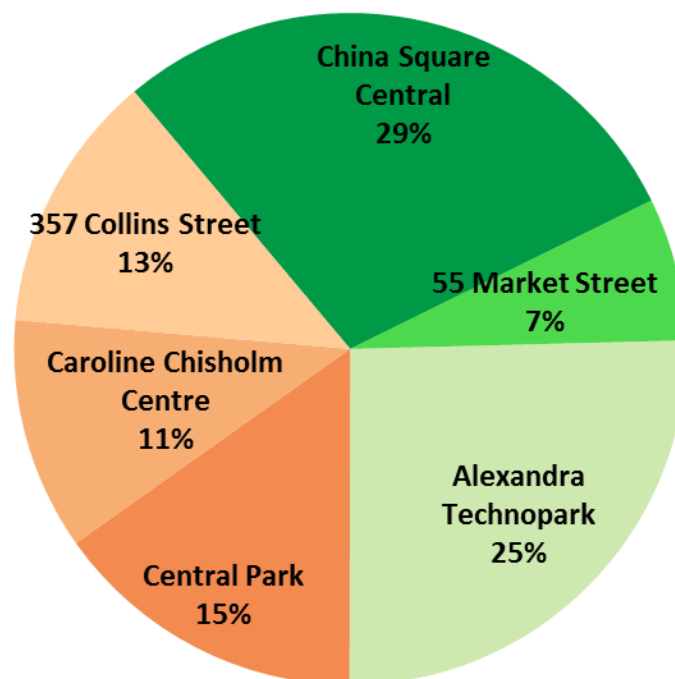


<sup>^</sup> Includes the reimbursement of rent-free periods of A\$0.05 million each for the forecast and actual results for 2QFY16.

\* Profit forecast of 357 Collins Street for 9 months period from 1 October 2015 to 30 June 2016 included in Appendix E of the Circular to Unitholders dated 3 June 2015, adjusted for the period from 1 January 2016 to 31 March 2016.

# Portfolio review

- **Balanced portfolio consisting of Singapore and Australian properties**
- **No one property consist of more than 29% of portfolio value**

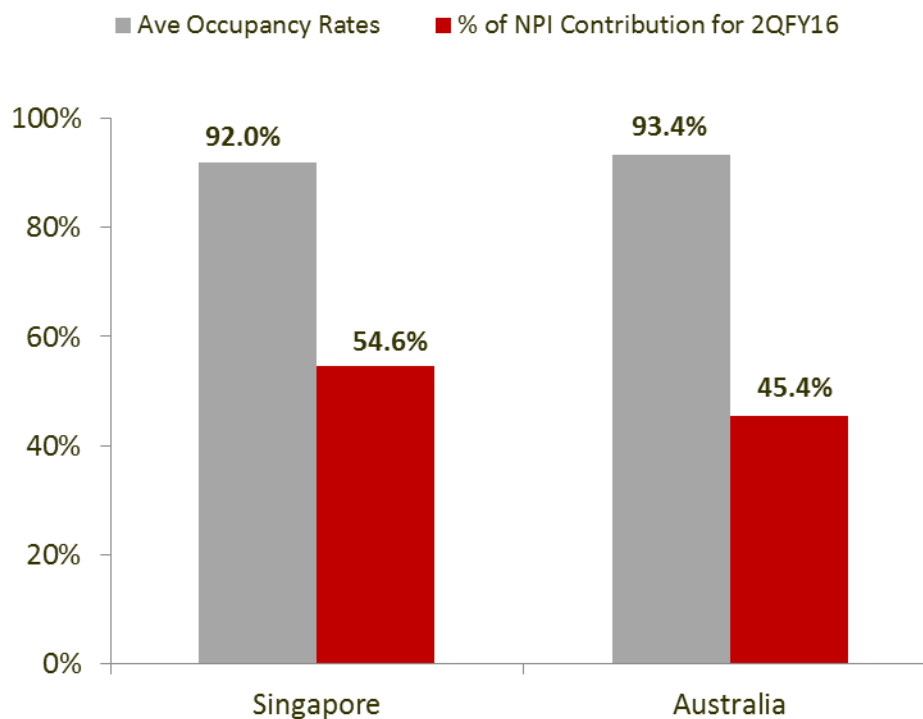


Singapore	\$	1,209.1	61%
Australia	\$	768.5	39%
<b>Total</b>	<b>\$</b>	<b>1,977.6</b>	<b>100%</b>

- **Healthy average occupancy rate of 92.6%**
- **Healthy WALE of 3.3 years**

Key portfolio statistics	As at 31 March 2016
Ave Occupancy	92.6%
Portfolio WALE by gross rental income	3.3 years

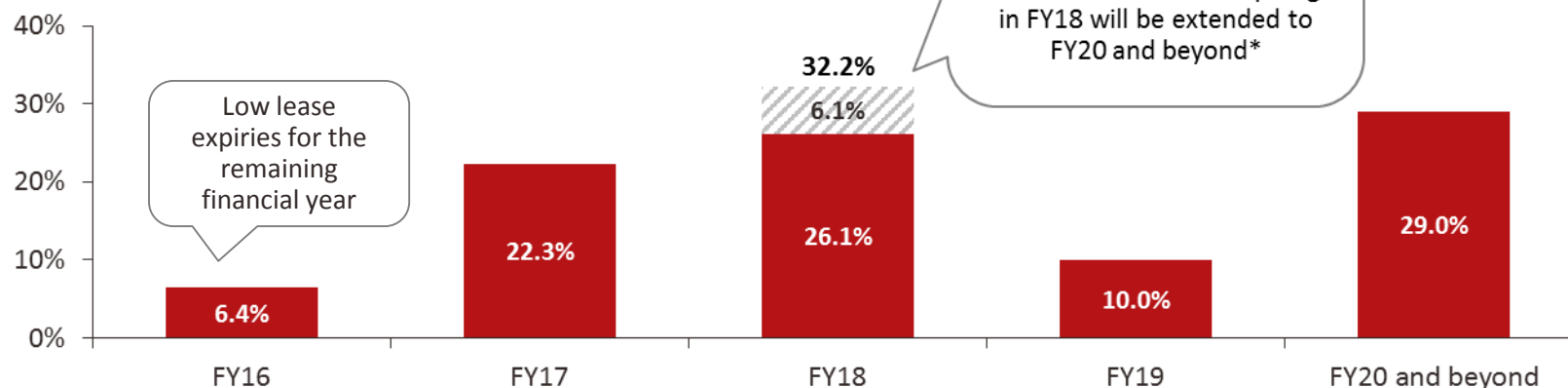
**Geographical occupancy and % of NPI contribution**





- **Low lease expiries for FY16**
- **Proactive leasing reduced lease expiries in FY18 and lengthened lease expiry profile**
- **Well spread lease expiry provides income stability**

Portfolio lease expiry by gross rental income



Portfolio lease expiry by gross rental income

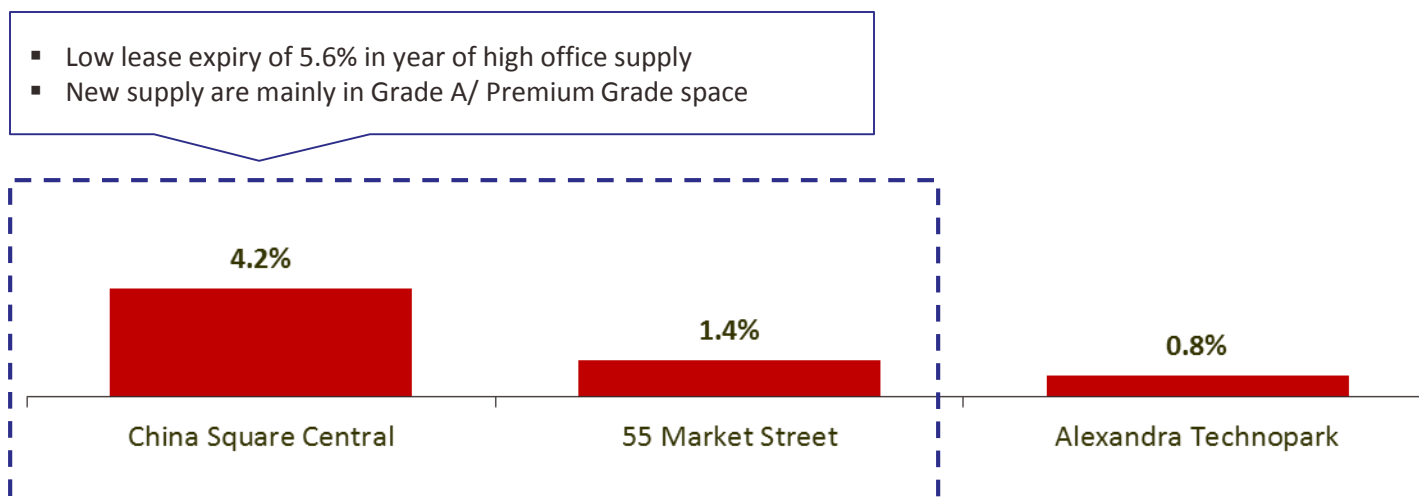
Number of leases expiring	48	82	64	27	36
NLA (sq ft) expiring	123,664	510,194	774,995	224,991	790,492
Expiries as % total NLA	4.7%	19.5%	29.6%	8.6%	30.2%
Expiries as % total Gross Rental Income	6.4%	22.3%	32.2%	10.0%	29.0%

As at 31 March 2016. Excludes retail turnover rent

\* New lease is assumed based on the existing space currently occupied by Hamersley Iron Pty Limited, a wholly-owned subsidiary of Rio Tinto Limited at Central Park as the exact space requirement will only be determined later.

## FY16 – Low lease expiries for the Singapore properties

Property Lease Expiry in FY16 as a proportion of Portfolio Gross Rental Income



Number of leases expiring	19 (office) 18 (retail)	6	4
Average passing rent for expiring leases	S\$6.6 (office) S\$5.8 (retail)	S\$6.7	S\$4.0

**Singapore properties continue to achieve positive rental reversions for new and renewed leases that commenced in 2QFY16<sup>1</sup> despite the challenging leasing market**



**China Square Central:  
+2.4%**



**55 Market Street:  
+5.4%**



**Alexandra Technopark:  
+5.3%**

As at 31 March 2016. Excludes retail turnover rent

1 Weighted average rental reversions based on the area for the new and renewed leases that commenced in 2QFY16.

- **Robust leasing activities**
- **Committed, new and renewed tenants in 2QFY16 include:**

Tenant	Industry	Property
Mallal & Namazie	Legal	China Square Central
Niimi Singapore Pte Ltd	Consultancy/business services	China Square Central
Source Code Asia Pacific	IT Products & Services	China Square Central
Pacific Prime Singapore Insurance Agency Pte Ltd	Insurance	China Square Central
MOL Bulk Carriers Pte Ltd	Shipping	China Square Central
Best World Lifestyle Pte Ltd	Consumer goods	55 Market Street
Yuan Tai Petrochemical Pte Ltd	Mining/resources	55 Market Street
Hewlett-Packard Enterprise Singapore Pte Ltd	IT Products & Services	Alexandra Technopark
Omron Asia Pacific Pte Ltd	Electronics	Alexandra Technopark
The Great Eastern Life Assurance Company Ltd	Insurance	Alexandra Technopark

## More than 52% of leases have built-in step-up rents

### FY16 - Fixed % and other fixed lease rent reviews

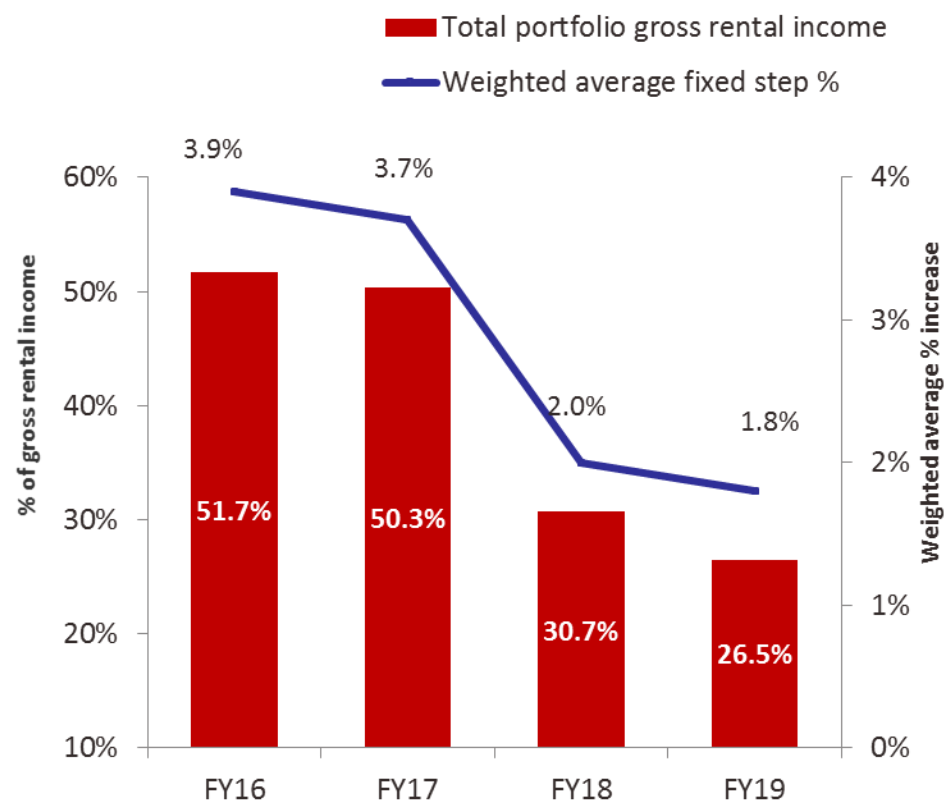
Property	Leases	Average step-up rent	GROSS RENTAL INCOME	
			Property	Total Portfolio
China Square Central	3	2.5%	4.0%	0.8%
55 Market Street	1	2.9%	3.5%	0.1%
Alexandra Technopark	8	5.2%	42.5%	13.5%
Caroline Chisholm Centre	1	3.0%	100.0%	13.8%
Central Park	14	4.7%	60.7%	10.6%
357 Collins Street	35	3.9%	97.3%	12.9%

### FY16 - Other mid-term lease rent reviews

Property	Leases	Review mechanism	GROSS RENTAL INCOME	
			Property	Total Portfolio
Central Park	3	Market	12.3%	2.1%
Central Park	6	CPI	11.3%	2.0%

Excludes retail turnover rent

### FY16 – 19 - Portfolio fixed % reviews



### Top 10 tenants:

- Established and well diversified across various sectors
- MNCs, government department or public listed companies
- Contribute 57% of portfolio gross rental income and have a long WALE of 5.5 years

### Top 10 tenants by gross rental income

Tenant	Property	Sector	Lease Expiry	% (Gross Rental Income)
Commonwealth of Australia	Caroline Chisholm Centre	Government	Jul-25	14.0%
Hewlett-Packard Singapore Pte Ltd	Alexandra Technopark	IT Products & Services	Nov-17	10.6%
Hewlett-Packard Enterprise Singapore Pte Ltd	Alexandra Technopark	IT Products & Services	Sept-17/ Nov-17	6.6%
Hamersley Iron Pty Ltd*	Central Park	Mining/ resources	Jun-30	6.1%
Commonwealth Bank of Australia	357 Collins Street	Banking, insurance & financial services	Dec-22	5.5%
GroupM Singapore Pte Ltd	China Square Central	Consultancy/ business services	Mar-19	3.2%
BHP Billiton Iron Ore Pty Ltd	Central Park	Mining/ resources	Between Jul-17 to Oct-17	2.8%
Service Stream Ltd	357 Collins Street	Multimedia & Telecommunications	Dec-19	2.8%
Microsoft Operations Pte Ltd	Alexandra Technopark	IT Products & Services	Jan-17	2.7%
Cerebos Pacific Ltd	China Square Central	Food & beverage	May-17	2.6%
<b>Total</b>				<b>56.9%</b>



Australian Government



Hewlett Packard Enterprise

groupm

Cerebos

Rio Tinto

Commonwealth Bank



Microsoft

As at 31 March 2016. Excludes retail turnover rent

\* An entity of Rio Tinto Limited signed a Heads of Agreement for a new lease for 12 years from FY18 to FY30. New lease is assumed based on the existing space currently occupied by Hamersley Iron Pty Limited, a wholly-owned subsidiary of Rio Tinto Limited at Central Park as the exact space requirement will only be determined later.



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## ➔ Asset updates – Developments at China Square Central

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- Construction work for the development of a 16 storey hotel commenced in 1Q 2016 and are on track<sup>1</sup>
- New retail and commercial spaces with better frontage and visibility will also be created<sup>2</sup>
- Hoardings have been erected to demarcate construction area
- Construction expected to be completed by mid-2019



Artist's impression of the Hotel

<sup>1</sup> Construction is undertaken by an entity of Frasers Centrepoint Limited.

<sup>2</sup> New spaces to be created from relocated spaces from part of the existing basement at 18 Cross Street and a section of 22 Cross Street. This is undertaken by an entity of Frasers Centrepoint Limited as part of the additions and alterations at China Square Central.

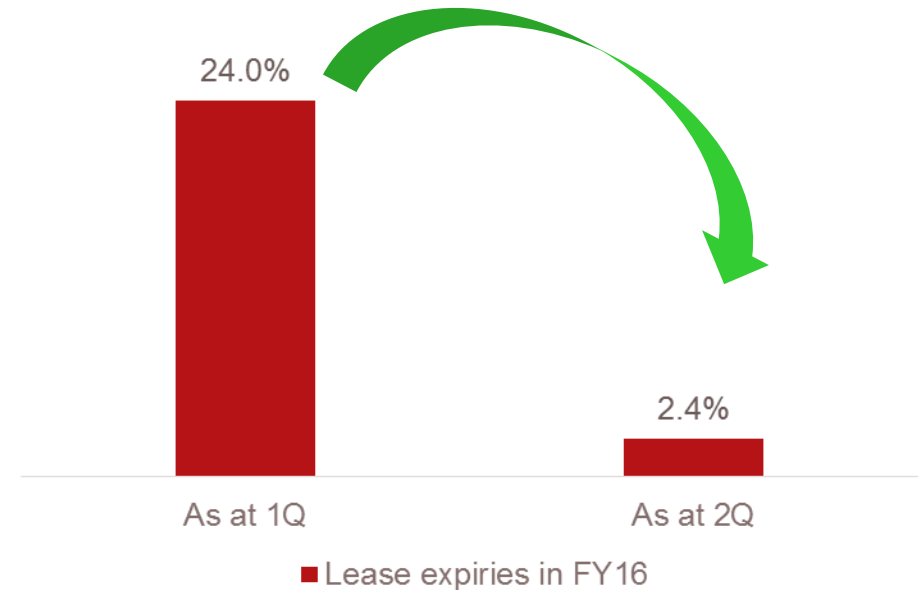
## ➔ Asset updates – Alexandra Technopark

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- Proactive leasing has reduced lease expiries substantially in FY16
- Only 2.4% of leases by gross rental income left to be renewed at Alexandra Technopark for the remainder of FY16



FY16 lease expiries by gross rental income at Alexandra Technopark





## China Square Central – full occupancy at office tower



## 55 Market Street – healthy occupancy rate



## Alexandra Technopark – healthy occupancy rate



Occupancy	88.6%* (office tower: 100.0%)	95.8%	94.8% ^
WALE	1.5 years	1.2 years	1.7 years
New leases, committed and renewals	Mallal & Namizie, Niimi Singapore Pte Ltd, Source Code Asia Pacific, Pacific Prime Singapore Insurance Agency Pte Ltd, MOL Bulk Carriers Pte Ltd	Best World Lifestyle Pte Ltd, Yuan Tai Petrochemical Pte Ltd	Hewlett-Packard Enterprise Singapore Pte Ltd, Omron Asia Pacific Pte Ltd, The Great Eastern Life Assurance Company
Tenants			

As at 31 March 2016.

\* Lower occupancy as certain units were affected by the commencement of construction for the hotel development and additions and alterations at China Square Central. Refer to the Circular to Unitholders dated 3 June 2015 for details.

^ Committed occupancy as at 31 March 2016.

## Central Park – Healthy WALE of 2.6 years



## Caroline Chisholm Centre – full occupancy with long WALE of 9.3 years



## 357 Collins Street – full occupancy



Occupancy	80.3%^	100.0%	100.0%
WALE	2.6 years (7.2 years with new lease#)	9.3 years	5.1 years
New leases, committed and renewals	-	Property occupied by a single tenant, i.e. the Commonwealth of Australia as represented by Centrelink (Aaa rated*) until July 2025	-
Tenants			

As at 31 March 2016.

^ Committed occupancy as at 31 March 2016.

\* Based on Moody's rating in December 2014.

# An entity of Rio Tinto Limited signed a Heads of Agreement for a new lease for 12 years from FY18 to FY30. New lease is assumed based on the existing space currently occupied by Hamersley Iron Pty Limited, a wholly-owned subsidiary of Rio Tinto Limited at Central Park as the exact space requirement will only be determined later.

# Capital management

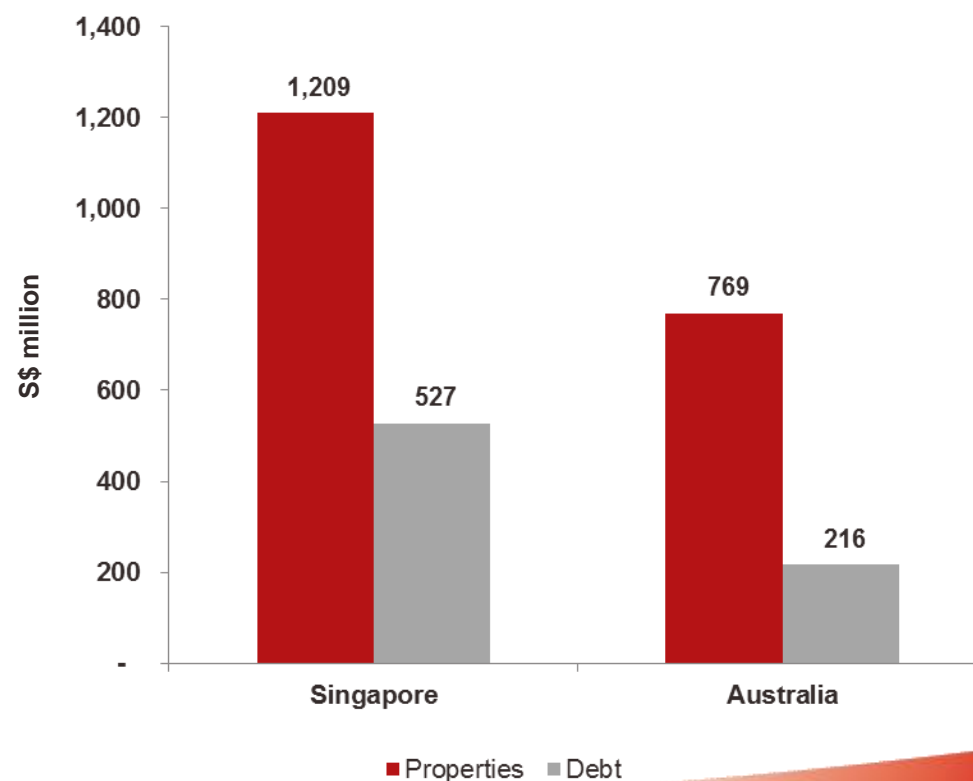
- **Healthy interest coverage ratio of 4.61 times**
- **Low average interest rate of 3.07%**
- **Borrowings in AUD provide natural hedge for the Australian properties**

### Statistics

**As at  
31 March 2016**

Total Assets (S\$'000)	2,049,743
Gross Borrowings (S\$'000)	742,963
Units on Issue and Issuable	788,863,242
NAV per Unit (ex-DPU) (S\$)	1.53
Gearing <sup>1</sup>	36.2%
Interest coverage ratio (times) <sup>2</sup>	4.61
Average borrowing rate <sup>3</sup>	3.07%
- Weighted average SGD debt rate	2.68%
- Weighted average AUD debt rate	4.03%
FCOT Issuer rating by Moody's	Baa3

### Borrowings and assets by currency



<sup>1</sup> Calculated as gross borrowing as a percentage of total assets

<sup>2</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 March 2016. See accompanying 2QFY16 Financial Statements announcement for more details.

<sup>3</sup> For quarter ended 31 March 2016

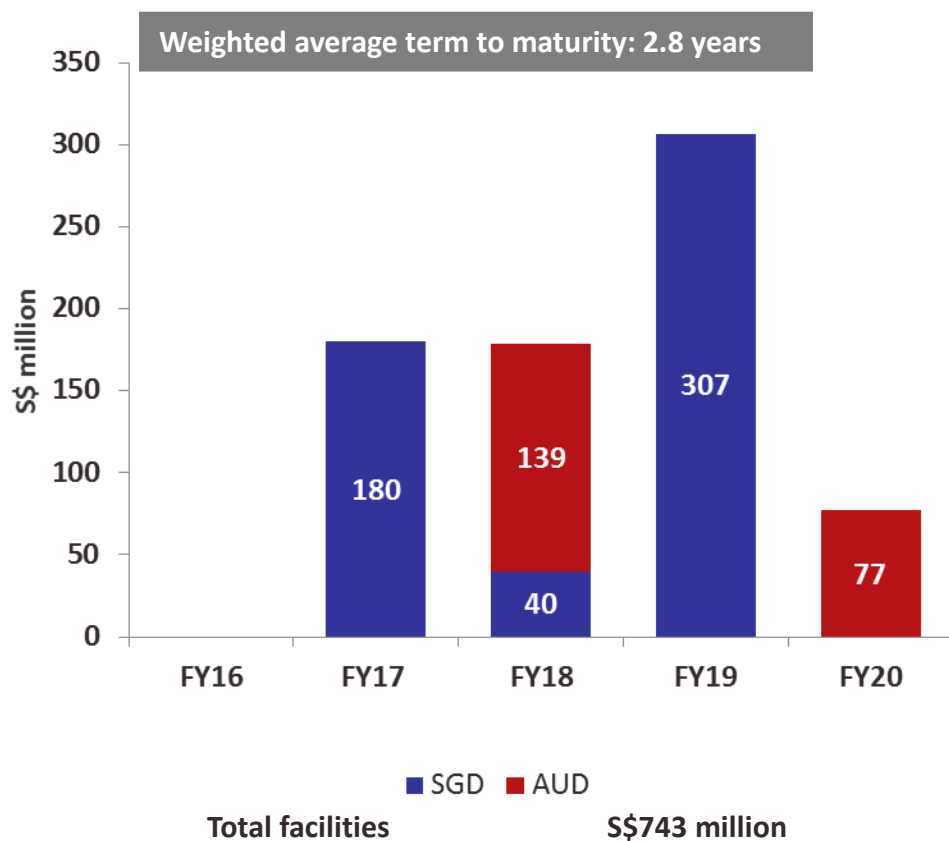


## → Capital Management and debt statistics

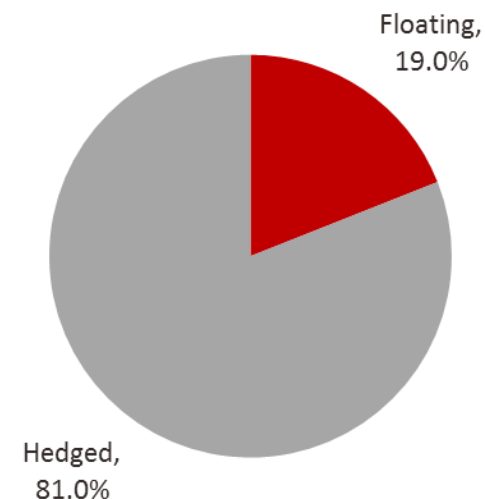
27

- Well spread debt maturity profile
- No refinancing required until FY17
- All debts are unsecured
- Hedged 81% of gross borrowings on fixed rate

### Debt maturity



### Debt composition – floating vs. hedged



### Hedging debt

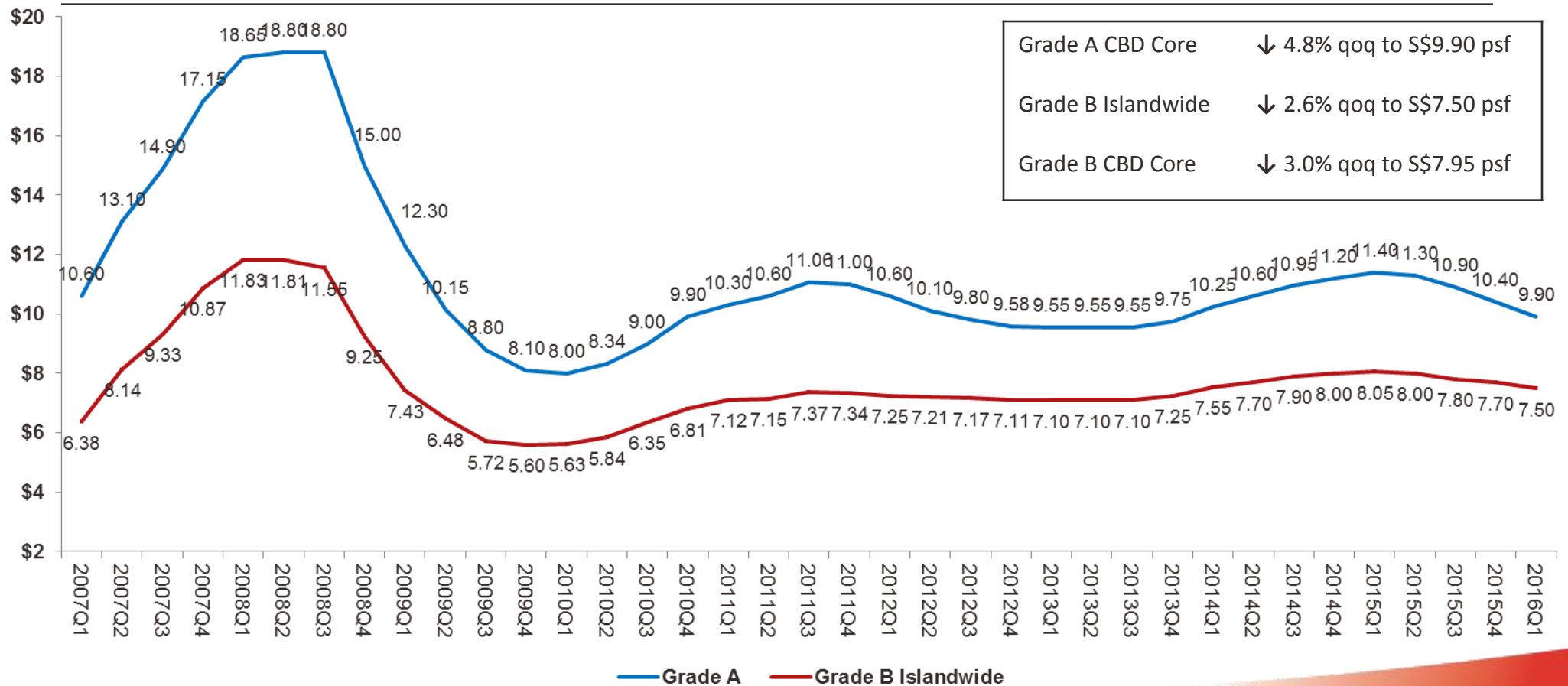
As a % of:	As at 31 March 2016
Total Gross Borrowings	81%

As at 31 March 2016.

Moving forward

## Singapore office - Grade B rents relatively more stable

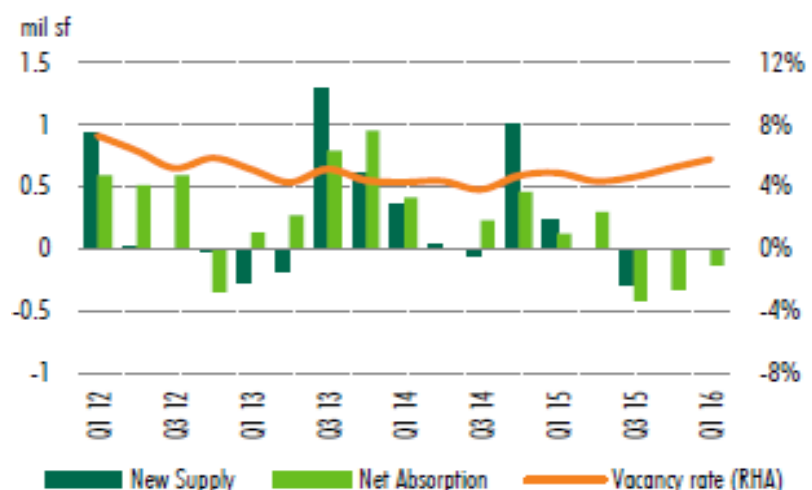
Singapore Grade A and Grade B office rents<sup>1</sup>



Source: CBRE Research

<sup>1</sup> CBRE, Singapore Market View, Q1 2016

## Office supply-demand dynamics and vacancy rates <sup>1</sup>



Source: CBRE Research, Q1 2016

Table 1: Office Vacancy Rates

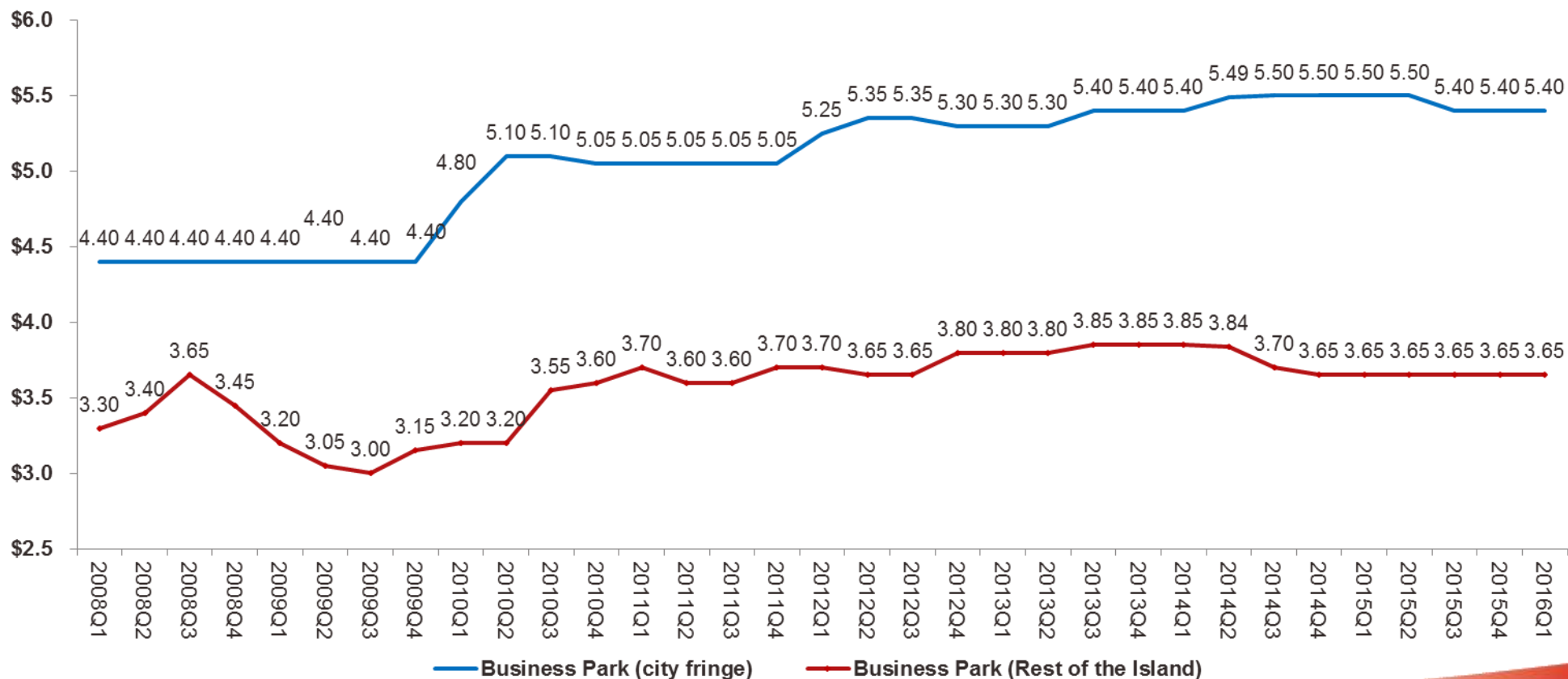
	Q1 16	Q-o-q	Y-o-y
Islandwide	5.8%	24 bps	88 bps
Core CBD	4.9%	0 bps	98 bps
Fringe CBD	6.8%	60 bps	97 bps
Decentralised	6.4%	34 bps	55 bps
Grade A	5.0%	-12 bps	-8 bps

Source: CBRE Research, Q1 2016

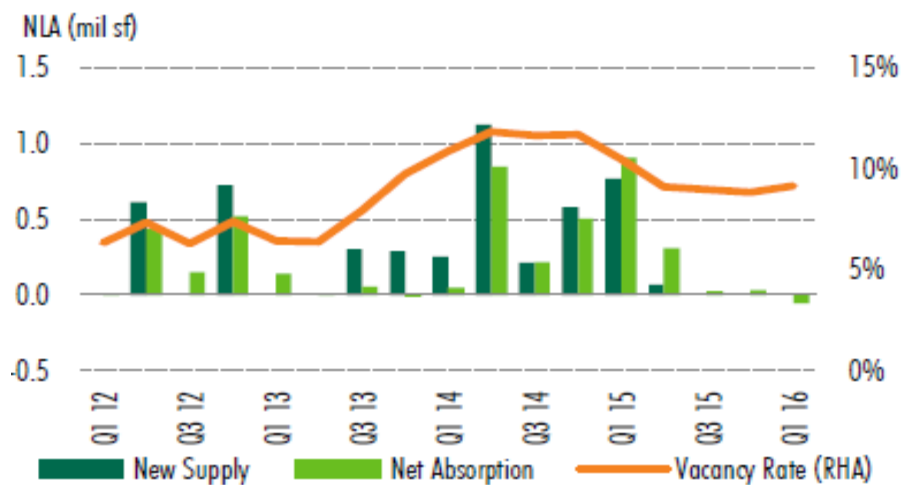
- Q1 2016 total Islandwide office net absorption was negative 133,474 sf, the third consecutive quarter of negative absorption
- Recent turmoil in the energy sector is impacting oil and gas tenants and a phase of right sizing may be anticipated
- Active occupiers include IT and e-commerce companies and the insurance and pharmaceutical sectors
- Low vacancy at 5.8% with no new supply in the past three months, but vacancy is expected to rise sharply from Q3 2016 onwards with the completions of major new CBD developments
- Market may find a support level in 2017 with very limited confirmed supply from 2018 onwards
- Conditions leading to a return of rental growth may arrive earlier than expected

## Singapore business park rents trend – Rents have remained stable<sup>1</sup>

Singapore Business Park (city fringe) rents<sup>1</sup>



## Business Park supply-demand dynamics and future pipeline<sup>1</sup>



Source: CBRE Research, Q1 2016

Year	Est. NLA (mil sf)	Est. Pre-commitment
2016	1.82	44%
2017	-	-
<b>Total</b>	<b>1.82</b>	<b>44%</b>

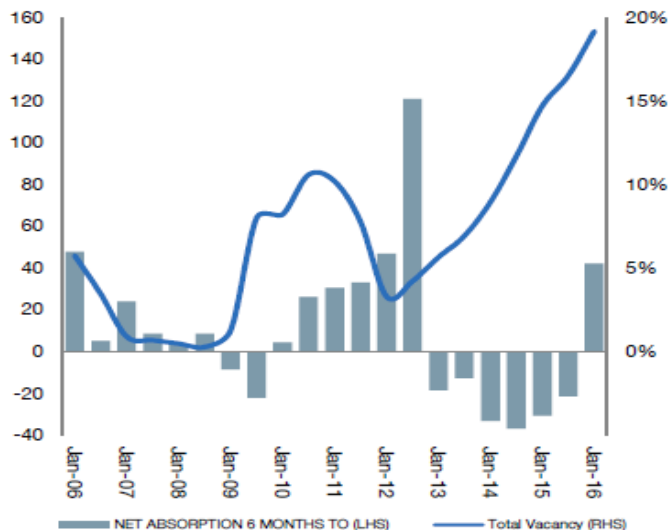
Source: CBRE Research, Q1 2016

- Business parks vacancy increased narrowly from 8.8% in Q4 2015 to 9.2% in Q1 2016
- Vacancy rates have been largely stable and have tracked within a one percentage point band over the past four quarters
- Occupancy in the city fringe sub-market tightened further as tenants continued to prefer higher quality stock in the one-north region
- Tenant movements were mainly from the ICT, technology and banking and finance sectors
- The longer-term prospects of business parks remain healthy
- Business parks as a cost efficient quality office alternative for qualifying tenants will continue to be a major drawing point, particularly those that are better located and of higher specifications



- Rebound in net absorption of 42,387 square metres, after six consecutive half-yearly periods of negative net absorption
- Average Perth CBD prime net face rent was A\$579 per square metre per annum
- Tenants seeking better quality space, increasing demand for Prime grade space
- Stability in near future due to positive demand and minimal supply in pipeline

Perth CBD office net absorption and vacancy ('000 sm and %) per six month period <sup>1</sup>



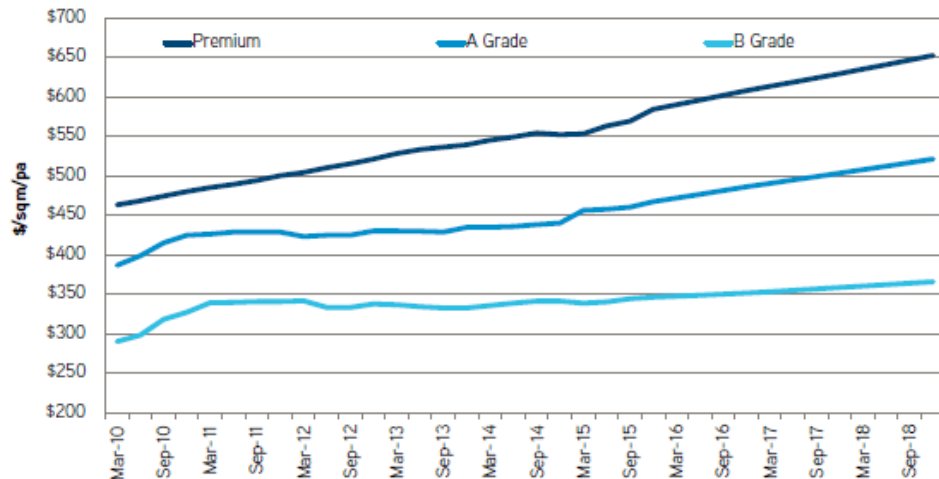
### Market conditions <sup>1</sup>

- Prime grade vacancy increased from 13.5% in July 2015 to 16.8% as at January 2016; vacancy rate to rise to circa 21% to 22% in mid/late 2016
- Current office market allows tenants opportunity to seek better quality space and greater incentives
- Incentives are around 45% to 50% and are expected to remain high
- Demand for Prime grade space has allowed a slight lift in achieved rents at the beginning of 2016 as tenants are taking advantage of incentive levels and relocating to better quality office space
- Positive tenant demand plus little to no supply in 2016 and the next two years indicates a level of stability for the market in the near future
- Net absorption is expected to remain soft in 2016

Source: Knight Frank Research/ PCA

- Melbourne CBD A Grade office average net face rent to increase from A\$467 to A\$486 psm per annum in the next 12 months
- Incentives expected to decline from 32% to 28% by end-2016
- Positive outlook and vacancy to drop to 6.3% by end-2017
- Forecast 100,000 sm of space required per annum over the next 10 years to accommodate growing white collar workforce

Melbourne CBD net face rents

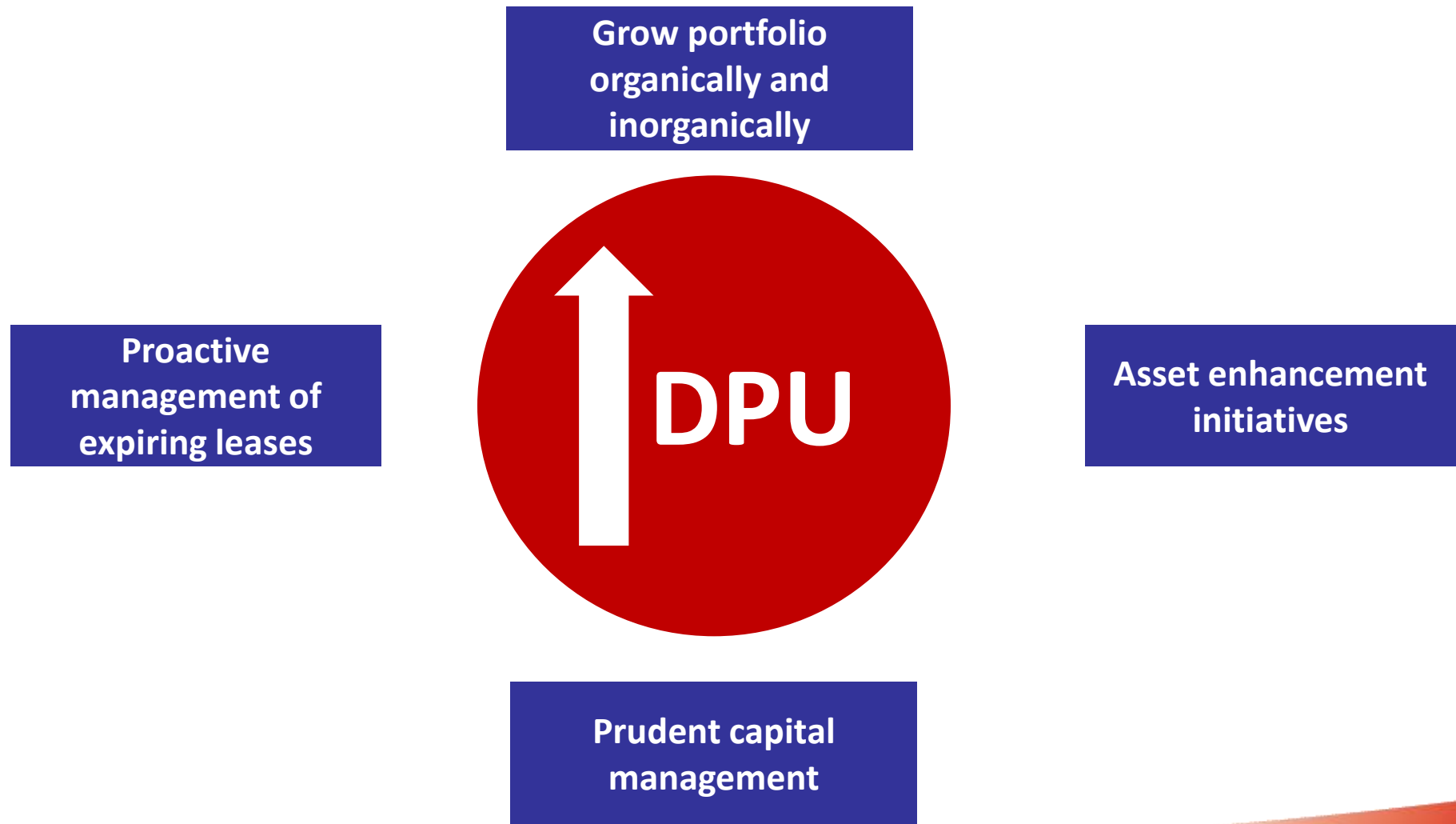


Source: Colliers Edge

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

- Average net face rents for A Grade office buildings in Melbourne climbed the greatest level in the years over 2015
- A Grade net face rents increased by an average of 6.1%, ahead of the 10 year average of 5.1%
- Vacancy has decreased from 400,783 square metres in January 2015 to 344,480 square metres in January 2016, the lowest amount of space available since July 2013
- Tenant demand remains elevated from both existing CBD and metro tenants
- Melbourne's employment growth is forecast to require an additional 100,000 square metre of space per annum over the next 10 years to accommodate the growing white collar workforce

Organic and in-organic initiatives to deliver growth in distributable income



Thank you

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