



Mr Chan Kong Leong took over as chief executive officer of Suntec REIT, known to be one of Singapore's largest REIT by its market capitalization, in January this year. With Suntec REIT expanding its footprint in Australia, he shares in this interview what he has planned for the REIT, his views on the property market and the impact of interest rate hikes on the REIT.

Q1: You took over Suntec REIT from, Mr Yeo See Kiat, who helmed the REIT for a decade. How do you plan to take it to the next level?

Under See Kiat's leadership, Suntec REIT has grown from strength to strength. Our assets under management grew from S\$2.2 billion at the initial public offering in 2004 to S\$9.5 billion today, making it one of

the largest REITs listed in Singapore. The continuing focus is to strengthen the REIT's fundamentals and build on the strong foundations.

Key to this is improving the performance of our properties through proactive asset management to increase the utilization rate and optimize the asset value whilst continually improving and delivering high property management standards and service levels. Since Suntec REIT's initial public offering, we have delivered a total distribution per unit (DPU) of 115.9 cents and a total return of 194.9%*.

Q2: How is Suntec REIT tackling the threat from the rise of online retailing in Singapore?

The retail sector continues to face pressure driven by factors such as manpower shortage and competition from e-commerce.

Shoppers today enjoy offerings from both the physical and online fronts. To remain competitive and relevant, we have refreshed our tenancy mix with new-to-market concepts and flagship stores. We also launched Suntec Rewards, Suntec City's digital platform which brings together the community of retailers, shoppers, professionals, tourists and

convention delegates. Since its introduction, more than 80,000 shoppers have signed up as members.

For the first three months of 2017, Suntec City mall's committed occupancy improved by 0.5% quarter-on-quarter to 98.4% while footfall and tenant sales improved 7.3% and 4.3% year-on-year respectively. Suntec City also benefits from the completed asset enhancement works, excellent connectivity with direct connections to two stations along two MRT lines and ample parking facilities with over 3,000 car park lots. We expect the occupancy of the mall to remain strong as we sharpen our tenant mix to strengthen our value proposition.

Q3: The local office market is expected to remain under pressure. How is Suntec positioning its assets to deal with this?

Our office portfolio continues to perform well despite the challenging operating environment. Throughout the different property cycles, our strategy of proactive asset management has enabled us to maintain our Singapore office portfolio occupancy rate at above market occupancy level. Our Singapore office portfolio achieved 99.4%

committed occupancy versus the overall CBD Grade A occupancy of 94.1% in the first quarter of 2017. We will continue with our proactive leasing strategy to renew leases ahead of expiry and maintain our high office occupancy levels.

Q4: How big a role will overseas assets play in the portfolio of Suntec REIT and how will this impact the REIT's returns?

Suntec REIT will continue to be Singapore-centric. We will continue to grow the REIT strategically and our current focus will be Singapore or key gateway cities in Australia where we have already established our presence.

We expect the occupancy in Australia to strengthen as demand continues to be positive in Sydney and Melbourne office markets. As we have hedged a majority of the recurring rental income, the fluctuating Australian dollar will have a minimal impact on the REIT's Singapore dollar returns.

Q5: With interest rates on the rise, will REITs as an investment vehicle lose their shine? How will rising rates impact Suntec REIT?

For the long-term investment horizon, REITs is still a relatively attractive instrument. Based on our sensitivity analysis, a 1% point increase in interest rate would not have a material impact on Suntec REIT's DPU.

As part of our prudent capital management approach, we have completed our 2017 and part of 2018's refinancing requirements. We are actively reviewing the refinancing options for the remaining loans due in 2018.

Suntec REIT is managed by ARA Trust Management (Suntec) Limited, which is part of ARA Asset Management Limited ("ARA"). Following ARA's successful privatisation in April with its new investors, Warburg Pincus and AVIC Trust, it is likely that opportunities and partnership synergies will benefit Suntec REIT and its unitholders.

To find out more about Suntec REIT, catch Mr Chan Kong Leong's speaking session at Invest Fair on Saturday, 5 August, 12pm, Room 2.

* Note: As of 31 March 2017

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REITs



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