



SGX-ST Announcement

STANDARD & POOR'S UPGRADES STARHILL GLOBAL REIT'S RATING TO BBB+; OUTLOOK STABLE

YTL Starhill Global REIT Management Limited, as manager (the "**Manager**") of Starhill Global Real Estate Investment Trust ("**Starhill Global REIT**"), wishes to announce that Standard & Poor's Ratings Services ("**Standard & Poor's**") has today raised its long-term rating of the following to 'BBB+' from 'BBB':

- (i) Long-term corporate credit rating on Starhill Global REIT;
- (ii) S\$2,000,000,000 Multicurrency Medium Term Note Programme (the "**Programme**") established on 8 January 2008 by Starhill Global REIT MTN Pte. Ltd. (the "**Issuer**"); and
- (iii) S\$124.0 million Series 001 Notes issued under the Programme (maturing in July 2015).

A copy of Standard & Poor's press release entitled "Starhill Global REIT Upgraded to 'BBB+' on Likelihood of Lower Leverage and Stronger Cash Flow Coverage; Outlook Stable" dated 11 July 2013 is attached for information.

The Issuer is a wholly-owned subsidiary of HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Starhill Global REIT.

A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment, if any, or the receipt of default interest and may be subject to revision or withdrawal at any time by the assigning rating organisation.

YTL Starhill Global REIT Management Limited
(*Company registration no. 200502123C*)
(as manager of Starhill Global Real Estate Investment Trust)

Lam Chee Kin
Joint Company Secretary
11 July 2013

About Starhill Global REIT

Starhill Global REIT is a Singapore-based real estate investment trust investing primarily in real estate used for retail and office purposes, both in Singapore and overseas. Since its listing on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 20 September 2005, Starhill Global REIT has grown its initial portfolio from interests in two landmark properties on Orchard Road in Singapore to 13 properties in Singapore, Malaysia, Australia, China and Japan, valued at about S\$2.8 billion.

These comprise interests in Wisma Atria and Ngee Ann City on Orchard Road in Singapore, Starhill Gallery and Lot 10 in Kuala Lumpur, Malaysia, the David Jones Building and Plaza Arcade in Perth, Australia, a premier retail property in Chengdu, China, and six properties in the prime areas of Tokyo, Japan. Starhill Global REIT remains focused on sourcing attractive property assets in Singapore and overseas, while driving organic growth from its existing portfolio, through proactive leasing efforts and creative asset enhancements.

Starhill Global REIT is managed by an external manager, YTL Starhill Global REIT Management Limited. The Manager is a wholly-owned subsidiary of YTL Starhill Global REIT Management Holdings Pte. Ltd., which is in turn an indirect wholly-owned subsidiary of YTL Corporation Berhad.

Important Notice

The value of units in Starhill Global REIT ("**Units**") and the income derived from them may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Starhill Global REIT is not necessarily indicative of the future performance of Starhill Global REIT.

This document may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.

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Research Update:

Starhill Global REIT Upgraded To 'BBB+' On Likelihood Of Lower Leverage And Stronger Cash Flow Coverage; Outlook Stable

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Overview

- SGREIT's shareholder and sponsor has converted about 88% of the REIT's outstanding CPUs into equity in the REIT.
- We expect this to improve Singapore-based SGREIT's capital structure and cash flow adequacy over the next two years.
- We are raising our long-term corporate credit rating on SGREIT to 'BBB+' from 'BBB' and our long-term ASEAN regional scale rating on the REIT to 'axA+' from 'axA'.
- We are also raising our ratings on SGREIT's medium-term notes program and its drawdown to 'BBB+' from 'BBB' and our ASEAN regional scale ratings on the program and the drawdown to 'axA+' from 'axA'.
- The stable outlook reflects our expectation of lower leverage and improved cash flow coverage for SGREIT over the next two years.

Rating Action

On July 11, 2013, Standard & Poor's Ratings Services raised its long-term corporate credit rating on Singapore-based Starhill Global Real Estate Investment Trust (SGREIT) to 'BBB+' from 'BBB'. The outlook is stable. At the same time, we raised our long-term ASEAN regional scale rating on the REIT to 'axA+' from 'axA'. We also raised our ratings on SGREIT's medium-term notes program and its S\$124 million 2015 notes drawdown to 'BBB+' from 'BBB', and our ASEAN regional scale ratings on the program and the drawdown to 'axA+' from 'axA'.

Rationale

We raised the rating on SGREIT because we expect the improvement in the REIT's capital structure and cash flow adequacy over the next two years to be greater than we had earlier anticipated. This follows YTL Group's conversion of about 88% of SGREIT's outstanding convertible preferred units (CPUs) into equity in the REIT in July 2013 for about Singapore dollar (S\$) 152.7 million. YTL is SGREIT's largest shareholder and sponsor. SGREIT had issued the CPUs in 2010 when it acquired properties in Malaysia. We had treated these CPUs as debt as per our hybrid criteria. We continue to treat the outstanding CPUs as debt, and the dividends on these as interest expenses.

We assess SGREIT's business risk profile as "satisfactory" and its financial

risk profile as "intermediate."

Following the conversion, our revised base-case scenario forecasts SGREIT's ratio of debt to debt plus equity to improve to 31.5%-32.0% over the next two years from about 37% in 2012. We also expect the REIT's ratio of funds from operations (FFO) to debt to strengthen to 12.5%-13% and its FFO interest coverage to increase to 4.5x-5.0x. We attribute the improvement to lower debt and interest expenses. We had earlier estimated the FFO-to-debt ratio at about 10% and FFO interest coverage at 3.5x-4.0x. We project SGREIT's average occupancy rates to be more than 98% over the next two years. This should support the REIT's high cash flow stability.

We believe SGREIT's lower debt has improved its ability to withstand our stress-case operating conditions in the property markets in which it operates, including significantly weaker occupancy rates, lower rents, and a sudden increase in interest rates. We estimate that SGREIT's FFO interest coverage will remain above 2.5x and its FFO-to-debt ratio will be more than 7% if occupancy rates across its portfolio fall by an average 25 percentage points and rent declines by 15% from 2013 levels for the next two years. However, we view this scenario as unlikely because we expect the Singapore retail and office property market to remain fairly stable despite increased supply in a weaker economy. In addition, about 36% of the REIT's leases are multi-year master tenancy agreements with good stability. We also note that SGREIT's retail leases held-up well during the downturn in 2008 and 2009. We also estimate that the REIT's FFO interest coverage will remain robust, at more than 3.0x, if interest rates increase by 300 basis points. This is mostly because about 80% of SGREIT's debt is fixed or hedged.

Our base-case scenario assumes that SGREIT will operate at a lower leverage level compared with the past three years. We anticipate that the REIT will maintain a ratio of debt to debt plus equity of less than 35%. This leaves some buffer if the REIT decides to acquire new properties. SGREIT's acquisition record has been moderate and geared toward smaller-sized assets since it acquired the Malaysia properties in 2010. We believe that the REIT will maintain this growth strategy.

Liquidity

SGREIT's liquidity is "adequate," as defined in our criteria. We expect the REIT's liquidity sources to cover its liquidity needs by more than 1.3x over the next 12 months. Our liquidity assessment incorporates the following factors and assumptions:

- Liquidity sources include our expectation of about S\$100 million-S\$105 million in FFO in 2013.
- Liquidity sources also include about S\$62.2 million in cash and cash equivalents as of March 31, 2013, about S\$650 million of committed credit facilities available to refinance maturities due in September and December 2013, and S\$120 million in unsecured committed revolving credit lines.

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- Liquidity uses include short-term borrowings of about S\$512.4 million as of March 31, 2013, and dividends that we assume at 98% of net income.
- Uses also include about S\$1.8 million in derivatives liabilities and about S\$3 million regular capital spending.
- SGREIT will maintain ample headroom under its covenants.

We believe SGREIT will maintain good financial flexibility over the next two years. The REIT has sound banking relationships and a satisfactory standing in the capital markets.

SGREIT has headroom to issue about S\$1.876 billion in debt under its multicurrency medium-term notes program. The REIT's proportion of unencumbered assets will increase substantially following the unsecured refinancing of secured borrowing from September 2013. SGREIT's ratio of encumbered debt to assets will decline to about 8% after this refinancing, from more than 20% at the end of 2012.

Outlook

The stable outlook reflects our expectation that SGREIT's leverage will remain lower than historical levels and that the REIT will generate high and stable cash flows over the next 24 months at least. We expect SGREIT's ratio of debt to debt plus equity to remain below 35% over the next two years. In addition, our outlook for REITs in Singapore is largely stable for the period.

We may lower the rating if SGREIT makes aggressive debt-funded acquisitions that weaken its cash flow adequacy and increase its leverage, such that its debt-to-capital ratio exceeds 35% for an extended period. We believe this could materialize if the REIT undertakes a large debt-funded acquisition. We could also lower the rating if: (1) SGREIT is unable to replace the loss of a key tenant within a reasonable timeframe under favorable lease terms, resulting in sustained lower profitability and cash flows; or (2) the performance of the Singapore property market deviates markedly from our expectations.

An upgrade is unlikely in the next two years given SGREIT's single asset and single tenant concentration risks. However, we may raise the rating if SGREIT diversifies its portfolio and tenant base and increases its scale, while maintaining its asset quality, its financial risk profile, and moderate financial policies.

Related Criteria And Research

- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology: Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate

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Issuers, Sept. 28, 2011

- Key Credit Factors: Global Criteria For Rating Real Estate Companies, June 21, 2011
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008
- 2008 Corporate Criteria: Ratios And Adjustments, April 15, 2008

Ratings List

Upgraded

| | To | From |
|--|----------------|---------------|
| Starhill Global Real Estate Investment Trust | | |
| Corporate Credit Rating | BBB+/Stable/-- | BBB/Stable/-- |
| ASEAN Regional Scale | axA+/--/-- | axA/--/-- |
| Starhill Global Reit MTN Pte Ltd. | | |
| Senior Unsecured | BBB+ | BBB |
| Senior Unsecured | axA+ | axA |

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