SGX-ST Announcement

ANNUAL GENERAL MEETING TO BE HELD ON 29 OCTOBER 2024
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

YTL Starhill Global REIT Management Limited, as manager (the "**Manager**") of Starhill Global Real Estate Investment Trust ("**SGREIT**"), wishes to thank all unitholders of SGREIT ("**Unitholders**") who submitted their questions in advance of the Annual General Meeting to be held at Singapore Marriott Tang Plaza Hotel, Grand Ballroom, Level 3, 320 Orchard Road, Singapore 238865, on 29 October 2024 at 11.00 a.m. (Singapore time).

Please refer to Annex A hereto for the list of substantial and relevant questions, and the Manager's responses to these questions, including those from the Securities Investors Association (Singapore).

By Order of the Board
YTL Starhill Global REIT Management Limited
(Company registration no. 200502123C)
(as Manager of Starhill Global Real Estate Investment Trust)

Ivy Soh
Joint Company Secretary
Singapore
24 October 2024

ANNEX A: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

A. QUESTIONS FROM UNITHOLDERS

Financials	
1.	**You talked about elevated interest rates being a headwind for FY2024 in your FY2024 annual report. Would higher refinancing costs be expected to negatively impact DPU to the same extent in FY2025 as it did this year? Have you already started to see refinancing costs start to come down after the Fed cut rate in September this year?**
	Borrowing costs are not expected to vary significantly in FY 2024/25 as we do not have a lot of debt due for refinancing in the current financial year. Of the group's total debts of S$1,044 million as at 30 June 2024, only about 10% or S$100 million medium term notes will mature within the next 12 months in June 2025. Recently, we have successfully refinanced an existing RM330 million medium term notes at a lower annual coupon rate of 5.25% compared to the prevailing rate of 5.5%. We are reasonably shielded from any adverse interest rate upward swings for the current financial year as 79% of our borrowings were fixed/hedged as at 30 June 2024. In terms of funding cost going forward, we observed that both long-term and short-term benchmark rates (mainly SORA) have been trending downward, though the latter declined on a smaller scale. Further rate cuts will positively impact our floating rate loans, in particular SGD loans which stood at S$100 million as at 30 September 2024.

Divestment / Acquisition	
1.	**In the last few AGM responses to my questions, the company indicated that it intends to divest its lone China property. Please provide updates on the status of this divestment exercise. Has the company employed the services of any property agency company to market the property? How many potential buyers have expressed interest or viewed the property? Please elaborate on the efforts to divest the property, if any, done over the past year.**
	China is a very small asset in our portfolio, with valuation of S$24.7 million as at 30 June 2024, and contributes less than 1% of our asset base and revenue. We have been exploring the divestment of China for some time now. However, it is difficult to find an interested buyer at a fair price, given the short leasehold tenure and the challenging real estate market conditions since Covid-19.
2.	**Is the company still interested in acquiring the space in Wisma currently held by Isetan? Have there been advances made by Isetan to the company or vice-versa? Now that Isetan Singapore has been privatised, will the company approach Isetan to acquire Isetan space in Wisma again? Does the privatisation of Isetan Singapore improve the prospects of Starhill Global acquiring the space? Please explain and elaborate.**
	We have not explored this since December 2021 when Isetan (Singapore) Limited announced that their expression of interest exercise for their property in Wisma Atria has run its course without yielding a positive outcome. The Manager remains open to continue working with Isetan on improving Wisma Atria and explore acquisition opportunities on terms that are in line with the Manager's acquisition criteria.

Outlook	
1.	**I read in the news (and I am sure you must be aware), luxury retailers are facing a gloomy outlook. (see below). What is the lease expiry profile of our two luxury malls Wisma and Ngee Ann City? I am quite concerned if the leases are running out soon, these luxury tenants in Wisma and Ngee Ann City might downsize, ask for lower rents or even vacate...** **What are your thoughts on the (gloomy outlook) for the luxury retail market as described by many of the top executives of these firms? When do you think the luxury retail market will recover? Please detail and elaborate.** ***Kering warns on profits after Gucci sales fall almost 20%. Second-quarter performance highlights struggle to turn round Paris-based luxury company.*** ***https://cnaluxury.channelnewsasia.com/obsessions/gucci-sales-fall-kering-246081*** ***World's biggest luxury fortunes lose billions as market slows*** ***https://www.businesstimes.com.sg/international/global/worlds-biggest-luxury-fortunes-lose-billions-market-slows*** ***LVMH's Earnings Show Luxury Demand Is Still on the Rocks*** ***https://www.barrons.com/articles/lvmh-earnings-stock-5963a8db*** ***Burberry replaces chief executive and warns on profits. Shares hit as British luxury fashion group suspends dividend and announces departure of Jonathan Akeroyd*** ***https://www.ft.com/content/3f4a98b9-3b9e-4e1f-85d2-1f207985a532***
	Global economic slowdown and weak consumer demand in China have impacted the sales of some luxury items. In addition, the elevated interest rate environment and geopolitical tensions have suppressed global economic growth over the past two years. However, our exposure to the luxury sector has been mitigated by structuring long-term master leases and through the diversification of tenant mix. Our Ngee Ann City Property is master tenanted to Toshin Development Singapore Pte Ltd ("Toshin") on a long-term lease. Toshin is a wholly owned subsidiary of Takashimaya which is rated A+ with stable outlook by Japan Credit Rating Agency. Toshin accounted for 23.8% of the portfolio's gross rent as at 30 June 2024. At Wisma Atria Property, British luxury house, Burberry is set to open its doors in the coming months and will account for about 2% of the portfolio gross rent. The other luxury tenant Emperor Watch & Jewellery which sells Blancpain, Breguet, Rolex and Tudor timepieces accounted for about 1.4% of the portfolio gross rent as at 30 June 2024. Aside from these two luxury brands, most of the retail tenants at Wisma Atria include mid-end merchandise while F&B makes up 33.3% of the mall's gross rental income. The lease expiry profile of Wisma Atria Property is staggered over the next four years. Due to the master tenancy lease with Toshin, most of Ngee Ann City Property's lease expiries extend beyond four years.

	It should also be noted that Singapore remains one of the top shopping destinations in the world and has solidified its role as a strategic gateway to Southeast Asia. As such, Singapore remains an attractive market for many global brands. The tourism recovery underpinned by the strong pipeline of MICE events and concerts, and the below-historical-average supply of prime retail space over the next few years should support demand for prime retail spaces and rents.

B. QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

1.	**The REIT successfully renewed the Toshin master lease for the Ngee Ann City Property ahead of its expiry in June 2025. The renewed master lease is for an initial term of 12 years (expiring on 7 June 2037), which may be renewed at the option of either party for a further six years (expiring on 7 June 2043), and thereafter at the option of Toshin for a further three years (expiring on 7 June 2046).** **The terms of the new lease are largely similar to the existing lease but include a profit-sharing component, which will comprise a portion of Toshin's annual operating income over and above agreed revenue and profit margin thresholds, as well as Starhill Global REIT's contribution of up to S$5.2 million towards Toshin's renovation and upgrading works during the initial term of the renewed master lease.** **(i) How frequently are the periodic rent reviews under the new lease, and are these reviews structured as "up-only" adjustments?**
	A rent review will be conducted every three years on the Annual Fixed Rent of the new master lease ("Annual Fixed Rent") during the term of the new lease and upon the exercise of options to renew. The first rent review will be conducted in June 2025. Similar to the current master lease, the Annual Fixed Rent may be agreed by both parties, or failing which, shall be based on the average market rental values determined by three licensed valuers. Like before, there will be a downside protection based on the prevailing Annual Fixed Rent but during the term, any upside will be capped at 125% of the prevailing Annual Fixed Rent.
	(ii) Can the REIT manager also elaborate further on the profit-sharing arrangement (including any details on the threshold and the profit-share percentage) and what is the estimated timeline and likelihood of the REIT benefitting from this?
	An annual turnover rent is payable comprising a portion of Toshin's annual operating income over and above agreed revenue and profit margin thresholds. This profit-sharing arrangement provides potential upside for Starhill Global REIT while taking into consideration Toshin's profit margin.
	With regard to the Wisma Atria property, the extensive interior upgrading works, including lift modernisation, were completed in 2024. Higher tourists arrivals, coupled with the upgrades and enhanced tenancy mix, led to higher tenant sales and shopper traffic of 2.8% and 8.2% y-o-y respectively in Wisma Atria Property in FY 2023/24. **(iii) Have the improvements in footfall and tenant sales met management's projections from the planning stage?**
	The interior upgrading works at Wisma Atria Property had a positive impact on footfall and tenant sales. Since the completion of the first interior upgrading works from Levels 1 to 7 in February 2023, footfall and tenant sales have been on the uptrend. For FY 2022/23, footfall and tenant sales increased 23.3% and 17.1% y-o-y respectively. The enhancement has certainly rejuvenated the mall and enabled us to uplift our positioning with new retail offerings. In view of the success, we will be exploring other initiatives to further enhance Wisma Atria so that it remains relevant and progressive.

	(iv) Does the REIT manager have insights as to why shopper traffic improved by 8.2% while tenant sales only increased by 2.8%?
	As tourism continued its sustained recovery, we have likewise seen the improvement in shopper traffic. Tenant transitions during the reference period with new tenants undergoing renovation works and yet to commence operation may have partly contributed to the lower tenant sales growth relative to traffic growth.
	The valuation of the Wisma Atria property (consisting of 74.23% strata title interest) was as high as S$932.0 million as at 30 June 2020. **The property has seen a steady decline in valuation:** – **S$932 million as at 30 June 2020** – **S$878 million as at 30 June 2021** – **S$837.6 million as at 30 June 2022** – **S$827.8 million as at 30 June 2023** – **S$817 million as at 30 June 2024** **This represents a decline of over 12% over the period. By contrast, Ngee Ann City's valuation rose from S$1.13 billion in 2020 to S$1.148 billion in 2024.** **(v) Given the consistent decrease in Wisma Atria's valuation, has management considered whether the $15 million upgrading works have been effective? How has the management assessed the return on this investment?**
	The main decline in valuation was during the Covid-19 period when tourism and retail sectors were severely impacted. Fortunately, the valuation for Ngee Ann City Property was resilient largely due to the master lease with Toshin. Following the successful renewal of the Toshin master lease with additional features, the valuation for Ngee Ann City Property rose further. Periodic upgrading works to modernise the mall so that it remains relevant is necessary. An aged retail asset will experience diminishing rents and occupancy over time, leading to subsequent devaluation. Following the enhancement works at Wisma Atria Property, we have seen progressive improvement in demand for the retail space while rental rates are also improving. Upgrading works have helped to mitigate any potential decline in Wisma Atria Property's valuation as it enhances Wisma Atria's positioning and tenancy mix and provides us with the opportunity to command higher occupancy and rents while tenants benefit from higher sales. Thus, through active asset management, the Manager will continuously refresh the mall in this rapidly evolving retail landscape, so that our rents and valuation remain sustainable.
	(vi) Has the REIT approached or received approach from the 25.77% owner of the Wisma Atria property to collectively explore strategic options, such as a collective sale or redevelopment?
	The REIT has not approached, nor has it been approached by the 25.77% owner of Wisma Atria to collectively explore strategic options.
	Six of nine properties in the REIT's portfolio have attained green certifications. **(vii) Are there concrete plans to upgrade the remaining three properties to meet modern ESG standards and tenant expectations?**

	We made significant progress over the years by attaining green certifications for 6 properties in FY 2023/24 from 2 properties initially, representing 63% of our portfolio by Net Lettable Area ("NLA"). Riding on this, we have set a new target to attain green certifications for at last 70% of the portfolio NLA or 7 out of 9 properties by 2030. We are currently working to achieve the BCA Green Mark Gold^{PLUS} Award for Wisma Atria Property by FY 2025/26. Upgrading of chillers has commenced via adopting a Cooling-as-a-Service system to enhance energy efficiency. It is part of our long-term plans to obtain green certifications for the remaining assets, namely The Starhill and David Jones Building. However, as execution requires capital expenditure, we have phased out our plans.
2.	**While gross revenue and net property income grew by 1.1% and 0.8% respectively, income available for distribution fell by 4.8% to S$84.7 million. This decline resulted in a distribution per unit (DPU) decrease from 3.8 cents to 3.63 cents per unit, a 4.5% drop.** **Gearing remains stable at 36.8%, with a weighted average debt maturity of 2.5 years. As at 30 June 2024, 79% of borrowings were fixed or hedged. The weighted average interest rate was approximately 3.80% per annum, with adjusted interest coverage ratio at 2.9 times.** **(i) Can the REIT manager provide a detailed breakdown of the factors leading to the 4.5% drop in DPU to 3.63 cents? Please provide a waterfall diagram or similar presentation to clarify the main factors, particularly the extent to which higher financing costs contributed to the decline.**
	The decline in DPU can be attributed to the following: 1) Weaker foreign currencies mainly the Australian dollar and Malaysian ringgit against the Singapore dollar by 3% and 5% respectively y-o-y; 2) Higher net finance costs by S$3.4 million y-o-y amidst a rising interest rate environment globally; 3) Higher taxes by S$2.5 million y-o-y in relation to the overseas properties; 4) One-off leasing commission in relation to the renewal of Toshin master lease; and 5) Loss of income from Japan divestment (lower revenue by S$0.4 million y-o-y).
	(ii) Out of the 79% in borrowings that are fixed or have been hedged, what is the precise breakdown?
	The Group has fixed/hedged about 79% of its borrowings as at 30 June 2024 using a combination of derivative financial instruments and fixed rate debt. Approximately S$407 million of the borrowings were on fixed rate as at 30 June 2024, and the Group hedged its exposure to changes in interest rates on its variable rate borrowings by the use of interest rate swaps, with a notional amount of S$350 million and A$70 million.
	(iii) What is the average remaining tenure of the interest rate swaps in place?
	The interest rate swaps have an average maturity of about 2.7 years as at 30 June 2024, which is close to our debt maturity of 2.5 years.
	(iv) What are the management's views on the Australian dollar, Malaysian ringgit, and interest rate trends and how do these views influence the strategic positioning and risk management of the REIT?

	The market is currently projecting that interest rates should start easing. Over the past year, we have witnessed Singapore T-Bill rates declining from 4% to below 3%. The US Federal Reserve ("Fed") has recently started its rate cut cycle with a 50 basis points ("bps") cut after inflation slowed while RBA kept its cash rate unchanged since November 2023 amid stubborn CPI. In its latest dot-plot, the Fed has signalled a further 50 bps cut in 4Q 2024 and a 100 bps of rate cut in 2025. SORA will likewise be on a downward path, benefitting our floating rate loans and DPU. As for the Australian dollar and the Malaysian ringgit, the narrowing interest rate differential with the US dollar and generally more positive global and domestic economic outlook is likely to lend strength to these currencies. As the cost of funds declines, opportunities are likely to arise for REITs. Over the past few years, we have been prudent and strategic with our capital management, and this has placed us in a good financial position to tap into opportunities which might emerge. However, given the uncertain economic conditions we will remain vigilant and selective, and also explore alternative financing options to achieve optimal risk-adjusted returns. In terms of risk management, we will continue to hedge our interest rate exposure substantially and our income in foreign currencies partially (mainly Australian dollar and Malaysian ringgit) via short term foreign currency exchange contracts, to protect the group's earnings from volatility.
	(v) What operational levers are available to increase DPU, and can management provide specific examples of cost savings from recent initiatives?
	There are operational and financial levers which are able to improve DPU. Operational levers will include cost control measures and revenue improvement initiatives. In terms of cost, increasing the usage of renewable energy such as solar panels will help to raise operating margins marginally. Solar panels have been installed and activated at Myer Centre Adelaide recently, in July 2024. We are also progressively upgrading the Air Handling Units (AHU) for the Heating, Ventilation and Air Conditioning (HVAC) systems in Myer Centre Adelaide to improve energy efficiency. As for revenue, the Manager will continue to identify and convert under-utilised spaces to unlock value, improve tenancy mix by introducing stronger brands that appeal to shoppers, and ensure healthy occupancy levels through active asset management and asset enhancement initiatives. Additionally, 53% of our leases are on master/anchor leases with periodic rental step-ups, and the Toshin master lease which was recently renewed includes a profit-sharing arrangement. For financial levers, prudent capital management of interest rates and foreign exchange rates will help to optimise unitholders' returns. Having a good credit standing and healthy balance sheet with a stable gearing will also translate to lower borrowing cost for Starhill Global REIT.
3.	**The REIT's last acquisitions were approximately a decade ago, namely the Plaza Arcade on 1 March 2013 and Myer Centre Adelaide on 18 May 2015.** **(i) Can the board outline the group's current growth strategy in detail?**

	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 enhancement as well as maintaining a prudent capital management approach.
	(ii) Are there any plans to acquire assets that align with the REIT's strategic objectives? Could the board detail its strategic framework for evaluating potential acquisitions?
	Overall, we remain committed to delivering long-term sustainable returns to our Unitholders through growth and value creation for our assets. This will ensure income stream stability and protect the asset values. These will be backed by prudent capital management which has ensured the healthy financial standing of Starhill Global REIT since its listing. In terms of acquisitions, the global real estate market remains fluid and the outlook is looking more positive with anticipated rate cuts. While we have debt headroom for acquisitions, we remain prudent and highly selective in our approach. We shall keep to our focus on strategic locations and geographies.
	(iii) Has the manager actively explored distressed assets in the current market?
	Yes, the Manager constantly explores assets in key markets around the world. Despite the challenging economic conditions, quality distressed assets are hard to come by as either the sellers are in strong financial standing or competition for these assets are still intense, driving up prices. Given the rapidly changing and evolving real estate market, we are also prudent by keeping track of the current trends and future supply.
	All the remaining assets in the REIT's portfolio located outside of Singapore are currently valued below their original purchase prices in Singapore-dollar terms. This raises concerns about the effectiveness of the manager's hedging strategies and value-creation initiatives. Specifically, net asset value per unit attributable to unitholders has decreased over the past decade: **30 June 2015 - S$0.91** **30 June 2016 - S$0.92** **30 June 2017 - S$0.92** **30 June 2018 - S$0.91** **30 June 2019 - S$0.88** **30 June 2020 - S$0.81** **30 June 2021 - S$0.81** **30 June 2022 - S$0.78** **30 June 2023 - S$0.73** **30 June 2024 - S$0.71** **(iv) Has the board conducted a thorough analysis to determine the root causes of NAV erosion? And if so, what guidance has the board given to the REIT manager to halt or reverse this trend and protect unitholder value?** **(v) Has the board considered strategic alternatives, including an orderly liquidation or a strategic sale, to preserve value for unitholders?**

	The Board has reviewed the slide in NAV. The key cause of the decline can be attributed mainly to Covid-19 pandemic where prolonged periods of lock-down and business disruptions have impacted the values of commercial assets around the world, including our portfolio of assets. Secondly, geopolitical risk and other factors affecting global economic outlook have impacted foreign exchange rates of the countries we operate in. Foreign currencies, namely Australian dollar and Malaysian ringgit have depreciated against the Singapore dollar. It is inevitable for REITs to explore overseas markets as the domestic market is tight with limited supply of quality commercial assets and yields tend to be low. Overseas investment provides some diversification of the income stream as well as capital and yield is often higher. We are constantly reviewing alternatives to preserve value for unitholders, including asset enhancement initiatives and rejuvenating the portfolio through selective divestments. Other strategic initiatives to preserve value of the portfolio includes the decision to trigger the early renewal of the long-term lease with Toshin. Over the years, we have also gradually and systematically divested certain non-core assets particularly the ones in Japan at or above prevailing market valuation and recycled the proceeds.

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 (the "**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 nine properties in Singapore, Australia, Malaysia, Japan and China, valued at about S$2.8 billion.*

These comprise interests in Wisma Atria and Ngee Ann City on Orchard Road in Singapore; Myer Centre Adelaide, David Jones Building and Plaza Arcade in Adelaide and Perth, Australia; The Starhill and Lot 10 Property in Kuala Lumpur, Malaysia; a property in Tokyo, Japan and a retail property in Chengdu, China. 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, of which all of its shares are indirectly held by YTL Corporation Berhad.

Important Notice

The value of units in Starhill Global REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Starhill Global REIT), or any of their affiliates. An investment in Units is subject to investment risks, including possible delays in repayment, loss of income or principal invested. The Manager and its affiliates do not guarantee the performance of Starhill Global REIT or the repayment of capital from Starhill Global REIT or any particular rate of return. Unitholders have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST.

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 indicative of the future performance of Starhill Global REIT. Similarly, the past performance of the Manager is not indicative of the future performance of the Manager.

This document may contain forward-looking statements that involve assumptions, 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, outbreak of contagious diseases or pandemic, interest rate and foreign exchange trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.