

**PRESS RELEASE****Mapletree Investments and Mapletree North Asia Commercial Trust to Acquire  
S\$528 million Freehold Office Building in Gangnam, Seoul**

- Mapletree Group adds a high quality commercial office asset to its real estate portfolio in South Korea
- Acquisition marks Mapletree North Asia Commercial Trust's maiden entry into the Seoul market
- Manager of Mapletree North Asia Commercial Trust waives entitlement to performance fees

**25 September 2020** – Mapletree Investments Pte Ltd (“MIPL” or the “Sponsor”) and Mapletree North Asia Commercial Trust (“MNACT”) are pleased to announce that they have entered into a unit sale and purchase agreement to co-invest in an office building located at 119, Nonhyeon-dong, Gangnam-gu, Seoul known as “The Pinnacle Gangnam” (the “Property”), at an agreed property value of KRW 452 billion (S\$528.4 million)<sup>1</sup> (the “Acquisition”). Under the agreement, MIPL will hold a 49.95% interest in IGIS Qualified Investment Type Private Placement Real Estate Investment Trust No. 6 (the “Target REF”) which beneficially owns the Property<sup>2</sup>, while MNACT will hold a 50.0% interest; with the remaining 0.05% interest to be held by an independent third-party investor.

A unitholders’ agreement has been entered into between MIPL’s SPV (“Gangnam Asset Pte. Ltd.”), MNACT’s SPV (“Pinnacle KR Asset Pte. Ltd.”), and the independent third-party investor to regulate their relationship as unitholders of the Target REF (the “Unitholders’ Agreement”).

Completed in 2011, the Property comprising a 20-storey freehold office building with six underground floors is located in Seoul’s Gangnam business district (“GBD”), known to be the preferred location for information technology (“IT”), technology, media, and fashion corporates<sup>3</sup>. It has direct access to an underground subway station (Gangnam-gu Office Station), providing excellent connectivity across the Seoul metropolitan area. The Property is sited on freehold land with a total gross floor area of about 44,444 square metres (“sq m”) and is within 10 minutes by car from Gangnam’s high-end retail district

<sup>1</sup> Based on exchange rate: S\$1.00 = KRW 855.37.

<sup>2</sup> The Property comprises 40 strata units (out of 41 total strata units) in the office building that are beneficially owned by the Target REF. The one strata unit not owned by the Target REF represents 2.07% of the building’s total gross floor area.

<sup>3</sup> Colliers, 24 September 2020.

(Cheongdam) and from COEX Convention & Exhibition Center.

Approximately 97% of the Property's leases have fixed annual rental escalations of approximately 2% to 3%. Offering Grade-A building specifications, the Property is leased to established local and international tenants from the IT, manufacturing, apparel and services sector, and has an occupancy rate of 89.6% as at 31 July 2020.

Mr. Hiew Yoon Khong, Group Chief Executive Officer of Mapletree, said, "We marked our presence in South Korea with the first logistics property acquisition in 2008. Despite the current challenging global business landscape, we still see opportunities and in this case in the Seoul office market. We are pleased with the addition of this quality office asset in Gangnam Business District to our balance sheet portfolio together with MNACT."

Ms. Cindy Chow, Chief Executive Officer of Mapletree North Asia Commercial Trust Management Ltd., as manager of MNACT (the "Manager"), said, "The acquisition of The Pinnacle Gangnam is in line with the Manager's strategy to diversify MNACT's portfolio. As MNACT's first entry into Seoul, the co-investment with the Sponsor provides a timely opportunity to acquire a freehold, premium Grade-A property in the GBD, and at an attractive yield spread that is distribution per unit ("DPU") accretive. Most of the leases at the Property provide for annual rental escalations within the lease term, and together with the increasing office demand from high-growth tech-based sectors attracted to the GBD, the Property is expected to provide a stable and growing income stream for MNACT."

Ranked the fourth largest<sup>1</sup> in terms of GDP in Asia, South Korea has emerged as one of the most resilient economies<sup>2</sup> in Asia Pacific amid the COVID-19. It also has an active and scalable office investment market, which registered the third highest volume of commercial real estate investment in Asia Pacific in the first half of 2020<sup>3</sup>. Despite the economic downturn amid COVID-19, net absorption in GBD continued to maintain in positive territory, aided by robust leasing demand<sup>4</sup>. New office supply in GBD is also limited from 2021 to 2023 and therefore, rents are expected to edge up in 2020 and 2021<sup>5</sup>.

The co-investment will enable the Manager to leverage on the Sponsor's local network, market experience and resources in South Korea. In addition, the 49.95% interest in the Target REF held by the Sponsor is subject to a right of first refusal granted by the Sponsor to MNACT, under the

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<sup>1</sup> International Monetary Fund ("IMF"), June 2020.

<sup>2</sup> Korea Defies COVID: A Low Volatility-high Growth Bet (JLL, July 2020).

<sup>3</sup> Real Capital Analytics, 1H 2020.

<sup>4</sup> Asia Pacific Property Digest, 2Q 2020 (JLL).

<sup>5</sup> Colliers, 24 September 2020.

Unitholders' Agreement, which MNACT could consider as an investment opportunity in the future.

The Acquisition represents an attractive value proposition for a prime Grade-A office property. The Agreed Property Value of KRW 452.0 billion (S\$528.4 million) is approximately 1.5% lower than the independent valuation of KRW 458.8 million (approximately S\$536.4 million) as at 15 September 2020.

The Acquisition is expected to complete in the quarter ending 31 December 2020.

### **Manager of MNACT to Waive Entitlement to Performance Fees**

The broadening of the investment mandate to include South Korea reflects the Manager's continued strategy to diversify MNACT's portfolio and to deliver sustainable value to the unitholders. The DPU-accretive Acquisition helps to mitigate the impact of COVID-19 on the performance of MNACT. Separately, in consideration of the impact of COVID-19 on MNACT's distributions to the unitholders and to demonstrate the Manager's commitment to align its interest with the unitholders, the Manager will waive its entitlement to any performance fee as provided under the Trust Deed ("Performance Fee") until such time that the DPU exceeds 7.124 cents ("Threshold DPU"), which was the DPU achieved in FY19/20, prior to the full year impact of COVID-19.

As an illustration:

- (a) If the DPU for Year 2 is higher than the DPU for Year 1 but is lower than the Threshold DPU, no Performance Fee will be payable for Year 2.
- (b) If the DPU for Year 2 is higher than the DPU for Year 1 and is higher than the Threshold DPU, the Performance Fee will be payable and the Manager will be entitled to receive the Performance Fee for Year 2 and thereafter.

While the Performance Fee formula<sup>1</sup> is intrinsically aligned with the unitholders' interest and provides for payment of a Performance Fee to the Manager only upon the Manager delivering an increase in DPU year-on-year, a "low base" effect from a preceding year may result in a significant increase in Performance Fee payable to the Manager in the following year. As illustrated above, the proposed Threshold DPU would eliminate the "low base" effect, and would benefit the unitholders.

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<sup>1</sup> Under the trust deed dated 14 February 2013 (as amended) constituting MNACT (the "Trust Deed"), the Manager shall be entitled to receive a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee in each financial year), multiplied by the weighted average number of Units in issue for such financial year (the "Performance Fee"). The Performance Fee is payable if the DPU in respect of any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in such relevant financial year may be less than the DPU in the financial year prior to the preceding financial year.

Upon MNACT's DPU performance exceeding the Threshold DPU, the waiver will cease (and the Threshold DPU will no longer be applicable) in subsequent years, and the Manager will continue to be entitled to receive the Performance Fee in accordance with the Trust Deed.

## Appendix – Photographs of the Property



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### **About the Sponsor – Mapletree Investments Pte Ltd**

Mapletree Investments (“Mapletree”) is a leading real estate development, investment, capital and property management company headquartered in Singapore. Its strategic focus is to invest in markets and real estate sectors with good growth potential. By combining its key strengths, the Group has established a track record of award-winning projects, and delivers consistent and high returns across

real estate asset classes.

Mapletree currently manages four Singapore-listed real estate investment trusts (“REITs”) and five private equity real estate funds, which hold a diverse portfolio of assets in Asia Pacific, Europe, the United Kingdom (“UK”) and the United States (“US”).

As at 31 March 2020, Mapletree owns and manages S\$60.5 billion of office, retail, logistics, industrial, data centre, residential, and lodging properties.

The Group’s assets are located across 13 markets globally, namely Singapore, Australia, Canada, China, Europe, Hong Kong SAR, India, Japan, Malaysia, South Korea, the UK, the US and Vietnam. To support its global operations, Mapletree has established an extensive network of offices in these countries.

For more information, please visit [www.mapletree.com.sg](http://www.mapletree.com.sg).

### **About Mapletree North Asia Commercial Trust**

Listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 7 March 2013, Mapletree North Asia Commercial Trust (“MNACT”) is the first real estate investment trust (“REIT”) that offers investors the opportunity to invest in best-in-class commercial properties situated in prime locations in China, in Hong Kong SAR, and in Japan. MNACT’s mandate will be expanded<sup>1</sup> to include South Korea.

MNACT consists of 11 properties in China, in Hong Kong SAR and in Japan:

- Beijing, China: Gateway Plaza, a premier Grade-A office building with a podium area;
- Hong Kong SAR: Festival Walk, a landmark territorial retail mall with an office component;
- Shanghai, China: Sandhill Plaza, a premium quality business park development situated in Zhangjiang Hi-tech Park, Pudong; and
- Japan: three office buildings in Tokyo (IXINAL Monzen-nakacho Building, Higashi-nihonbashi 1-chome Building, and TS Ikebukuro Building); an office building in Yokohama (ABAS Shin-Yokohama Building); two office buildings in Chiba (SII Makuhari Building and Fujitsu Makuhari Building) (these six were acquired on 25 May 2018). Another two office buildings, mBAY POINT Makuhari located in Chiba and Omori Prime Building located in Tokyo, were acquired on 28 February 2020 (collectively the “Japan Properties”).

The 11 properties cover a lettable area of approximately 5.2 million square feet, with a total book value of S\$8.3 billion as of 30 June 2020.

MNACT is managed by Mapletree North Asia Commercial Trust Management Ltd., a wholly owned subsidiary of Mapletree Investments Pte Ltd. For more information, please visit [www.mapletreenorthasiacommercialtrust.com](http://www.mapletreenorthasiacommercialtrust.com).

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<sup>1</sup> Please refer to MNACT’s SGX-ST Announcement titled “Expansion of Investment Mandate” dated 25 September 2020.