OPERATIONS **REVIEW**

NAVIGATING A YEAR OF COVID-19

Safe distancing measures, work-from-home directives and extensive border closures were some of the challenges brought on by the COVID-19 pandemic. With retail malls and offices being some of the hardest hit sectors in the industry, our "business as usual" operations have inevitably been impacted too.

The Singapore government imposed an eight-week nationwide circuit breaker from 7 April 2020 followed by a Phase One easing of circuit breaker from 2 to 18 June 2020 during which all business and social activities not deemed to be essential were suspended. For our office and retail spaces, this meant a mandatory halt in operations for all non-essential services. Consequently, our retail spaces experienced a steep decline in footfall and a complete stoppage in atrium events despite remaining open to provide access to essential trades such as supermarkets and F&B operators providing takeaway and delivery services.

As we developed and implemented our response to the impact of COVID-19 on our business, we do so with a commitment to our tenants, shoppers and communities. Under the rental relief framework provided by the COVID-19 (Temporary Measures) (Amendment) Act, eligible retail tenants would receive two months of government-assisted rental waivers and two months of additional rental relief supported by landlords. To further assist our retail tenants in navigating the new climate, MCT complemented such efforts with its own targeted rental assistance programme, rolling out one of the most comprehensive tenant support packages in the market. Since the onset of the pandemic, MCT has extended calibrated rental assistance amounting to more than S$70.0 million to eligible retail tenants. We also implemented other support measures including extension of rental waivers for atrium events and free weekday parking during lunch and dinner hours to encourage shopper traffic from the residents and working population in the vicinity.

In tandem with the multi-phased re-opening of the country, business and social activities had resumed. Following the transition to Phase Two of circuit breaker re-opening from 19 June 2020, our offices saw an increase in physical occupancy as employees gradually returned to their workplaces. Our retail spaces also experienced a progressive recovery in shopper traffic and tenant sales, with the latter outpacing the former. Singapore moved into Phase Three of re-opening from 28 December 2020 whereby social gathering sizes were raised from five to eight. Up to 75% of workers were further allowed to return to their workplaces from 5 April 2021. Notwithstanding these relaxations, prolonged border closures have hindered full recovery. However, workplace capacity and social gathering limits were reverted to 50% and five respectively from 8 May 2021 due to an increase in unlinked locally transmitted cases. To further curb the community spread of COVID-19, Singapore moved back to Phase Two (Heightened Alert) from 16 May to 13 June 2021, tightening measures such as reducing the limit for social gatherings to two, halting dining-in at F&B establishments and making work-from-home as the default working arrangement.

Throughout this entire period, MCT has put in place extensive protective measures across its properties to safeguard the health of the local community. Examples include increasing the frequency of cleaning and sanitising of our premises, deploying disinfecting robots and thermal scanning systems, and enforcing Safe-Entry check-ins.

The prolonged uncertainties from COVID-19 and disruptions due to the various contagion control measures have also put a significant dampener on the demand for retail, office and business park spaces. For retail spaces, beyond rental relief, there were also efforts taken to restructure leases with more flexible terms so as to maintain occupancy. Office and business park leasing activities have slowed dramatically during the first half of FY20/21 while in the second half, tenants increasingly priced in the impact of the pandemic in their rental demands. Additionally, their internal views of future work trends have led them to downsize and seek alternative workspace solutions.

Amidst this challenging operating environment, MCT's portfolio gross revenue decreased 0.8% year-on-year to S$479.0 million while portfolio NPI decreased by 0.2% to S$377.0 million on a full year basis. This was largely attributed to the provision of COVID-19 rental assistance to tenants and was partially alleviated by the maiden full year contribution of MBC II to the portfolio as compared to five months of contribution in FY19/20.

Overall, MCT achieved a high retention rate of 76.4% and the committed occupancy of the portfolio remained high at 97.1% as at 31 March 2021. Subsequent to the reporting year, there was mutual agreement to terminate a lease at mTower. Assuming the lease pre-termination had occurred before 31 March 2021 and the space had remained uncommitted as at 31 March 2021, the committed occupancy for MCT's portfolio would be 95.9%.

ACTIVE ASSET MANAGEMENT AND LEASING

Reigniting the Shopping Experience

Despite the challenges brought on by COVID-19, VivoCity remains a cornerstone of the Singapore retail landscape and is essential to the lifestyle of the community it serves. During the year, efforts to mitigate the effects of COVID-19 through rental reliefs, lease restructuring and flexibility in lease terms have allowed the mall to maintain at least 96% of actual occupancy throughout the year. VivoCity has also continued to revamp itself to welcome shoppers with a revitalised shopping experience. A refreshed tenant mix and well-executed tenant marketing campaign have helped to lighten the mood of pandemic-weary shoppers with a change of pace.

The F&B cluster on Level 1 was revitalised to introduce an eclectic mix of international dining concepts along the stretch, including popular American burger joint Shake Shack and plant-based dining concept Green Common. The entire exercise delivered approximately 30% of return on investment on a stabilised basis[1]. Besides this, new F&B concepts such as Astons Specialities, HEYTEA and Michelin Bib Gourmand Tamjai Samgor Mixian have been introduced to broaden F&B choices. Appealing to young adults and families alike, the new and refreshed F&B offerings have been well-received by shoppers.

On top of these, existing tenant, adidas, expanded its footprint in the mall by approximately 2.7 times to introduce adidas Originals' largest flagship store in Southeast Asia on Basement 1 and adidas Performance's largest flagship store in Singapore on Level 1. Reconfiguration works at Best Denki have widened and created a more inviting shopfront as well as introduced home-grown online-to-offline fashion retailer Love, Bonito. This reconfiguration exercise added approximately 30% of return on investment on a stabilised basis[2]. This proactive approach has refreshed the retail offerings and drawn in shoppers, further strengthening VivoCity's foothold as a destination mall.

Operationally, capital expenditures were re-prioritised to focus on enhancing operational efficiencies. Works to upgrade four sets of chiller plants in VivoCity were fully completed in July 2020. This will help us achieve significant energy and cost savings.

In view of curtailed tourist arrivals, our marketing campaign, "It's Time to Win It All", was timely executed to capture pent-up domestic consumer demand following Phase Two of circuit breaker re-opening. This campaign resonated well with shoppers and was met with an overwhelming response with S$3.7 million in shopper spend captured and S$1.1 million in tenant vouchers issued. On a year-on-year basis, shopper traffic and tenant sales for FY20/21 dipped 50.1% and 23.3% to reach 25.7 million and S$695.8 million respectively. On a quarterly basis, however, tenant sales have been improving progressively. 4Q FY20/21 tenant sales were 5.2% higher than 4Q FY19/20 levels, comparing well against 1Q FY20/21, 2Q FY20/21 and 3Q FY20/21, which recorded sales amounting to 36.6%, 78.0% and 85.9% respectively of the corresponding quarters in FY19/20. Measured against pre-COVID levels, monthly tenant sales from January to March 2021 have reached more than 86% of the corresponding months in 2019, with occupancy cost of 18.7%[3] as at 31 March 2021. Due to the uncertainties associated with COVID-19, VivoCity recorded a -8.7% rental reversion, with 18.6% of the mall's NLA being renewed and re-let.

Resilience and Stability from Office and Business Park Assets

Whilst work-from-home arrangements may have caused businesses to rethink their workspace requirements and strategy, MCT's office and business park assets have continued to demonstrate and lend resilience to the portfolio. In FY20/21, 24.6% of NLA at our offices and business parks were either re-let or renewed, out of a total of 27.2% of NLA expiring in FY20/21. These leases were secured at positive rental reversions of 0.4%. Supported by the Manager's proactive leasing strategy, renewals for both MBC I and MBC II were secured early, with MBC I achieving high committed occupancy of 94.6% and MBC II achieved full occupancy as at 31 March 2021. With its steady cashflows from high quality tenants, the premium integrated office and business park development will continue to be a source of stability and anchor for MCT's performance.

With 8.0% of NLA renewed, Mapletree Anson achieved rental uplift of 7.1% and 100% physical occupancy. The portfolio's stability was further bolstered by MLHF's full occupancy throughout FY20/21.

mTower has seen its actual occupancy fall from 88.1% (as at 31 March 2020) to 75.5% (as at 31 March 2021), reflecting the current difficulties in the office leasing market during COVID-19 and also due to the lease expiry of a major tenant, which occupied 23.5% of the office NLA. The performance of mTower has also been affected by the negotiated pre-termination of a major tenant's lease at mTower in April 2021. However, the pre-termination compensation would provide more than 16 months of lead time for backfilling. Marketing of the space is still in progress. Assuming the pre-termination had occurred before 31 March 2021 and the space had remained uncommitted as at 31 March 2021, mTower would be 79.7% committed.

1 Based on estimated capital expenditure of approximately S$0.7 million.
2 Based on estimated capital expenditure of approximately S$1.3 million.
3 Included the rental assistance granted in FY20/21.

OPERATIONS **REVIEW**

PORTFOLIO OCCUPANCY

Notwithstanding the challenging operating environment, the portfolio maintained a healthy committed occupancy of 97.1% as at 31 March 2021.

	As at March 2017	As at March 2018	As at March 2019	As at March 2020	As at March 2021	
					Actual	Committed
VivoCity	99.0%	93.1%	99.4%	99.6%	97.1%	99.1%
MBC I	99.0%	99.4%	97.8%	96.4%	90.2%	94.6%
MBC II	–	–	–	99.4%	100%	100%
mTower	98.3%	96.1%	96.4%	88.1%	75.5%[1]	91.7%[2]
Mapletree Anson	100%	86.6%	96.8%	97.8%	100%	100%
MLHF	79.2%	100%	100%	100%	100%	100%
MCT Portfolio	**97.9%**	**96.1%**	**98.1%**	**97.1%**	**93.5%**	**97.1%[2]**

SUMMARY OF LEASES COMMITTED IN FY20/21

The retention rate of MCT's tenants in FY20/21 was 76.4%. Retail leases recorded a healthy retention rate of 80.8% while the office and business park leases recorded 75.4% retention rate.

On a portfolio basis, rental rates for renewed and new leases in FY20/21 posted an average decline of 3.1% against preceding fixed rents at the end of the expiring leases.

	Number of Leases Committed	Retention Rate (by NLA)	% Change in Fixed Rents[3]
Retail	105	80.8%	-9.6%[4]
Office/Business Park	31	75.4%	0.4%[5]
MCT Portfolio	**136**	**76.4%**	**-3.1%[5]**

LEASE EXPIRY PROFILE

As at 31 March 2021, MCT has a portfolio weighted average lease expiry ("WALE") on a committed basis of 2.4 years. With a typical retail lease term of three years, the WALE for retail leases was 2.1 years. The WALE for the office and business park assets was healthy at 2.7 years largely contributed by the defensive lease profiles at MBC, Mapletree Anson and MLHF.

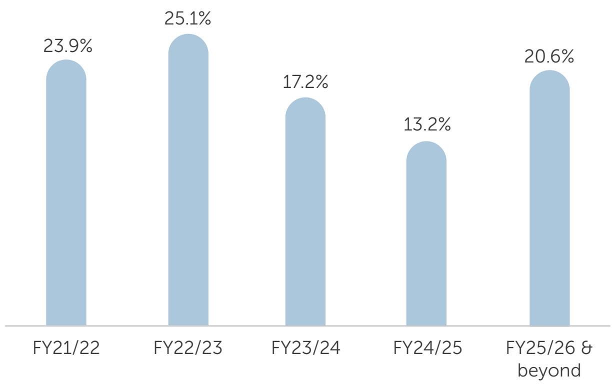
Based on the date of commencement of leases, MCT's portfolio WALE was 2.1 years as at 31 March 2021.

MCT's overall portfolio had 575 committed leases of which 23.9% would be expiring in FY21/22.

The leases entered into in FY20/21 contributed 22.2% of gross rental income as at 31 March 2021 and had a WALE of 4.2 years.

LEASE EXPIRY PROFILE BY GROSS RENTAL INCOME

(as at 31 March 2021)



Number of Leases

184	176	132	48	35

1 Mainly due to the expiring of a major tenant's short-term lease on 31 August 2020.

2 The committed occupancies for mTower and MCT's portfolio would be 79.7% and 95.9% respectively assuming the lease pre-termination at mTower had occurred before 31 March 2021 and the space had remained uncommitted as at 31 March 2021.

3 On a committed basis and based on the average of the fixed rents over the lease period of the new committed leases divided by the preceding fixed rents of the expiring leases. Rent reviews are typically not included in the calculation of rental reversions.

4 Includes the effect from trade mix changes and units subdivided and/or amalgamated.

5 Mainly due to the expiry of a major tenant's short-term lease at mTower on 31 August 2020 and assuming the pre-terminated tenant had remained committed to lease part of the space as at 31 March 2021. Including the effect of this short-term lease and assuming the pre-terminated tenant had not signed the lease and the space had remained uncommitted as at 31 March 2021, rental reversion for Office/Business Park and MCT Portfolio would be 3.0% and -1.7% respectively. Excluding the effect of this short-term lease and assuming the pre-terminated tenant had not signed the lease and the space had remained uncommitted as at 31 March 2021, rental reversion for Office/Business Park and MCT Portfolio would be 4.5% and -0.9% respectively.

TENANT PROFILE

MCT's top ten tenants (excluding an undisclosed tenant) contributed 28.5% of gross rental income as at 31 March 2021. For both retail and office/business park assets, MCT's tenants come from a wide variety of trade sectors, providing good diversification. No single trade segment accounted for more than 19.3% of MCT's gross rental income.

BREAKDOWN OF TENANTS IN MCT'S PORTFOLIO

(as at 31 March 2021)

Property	Number of Tenants
VivoCity	308
MBC	62[1]
mTower	110
Mapletree Anson	19
MLHF	3
Total	**472[2]**

MCT TOP TEN TENANTS BY GROSS RENTAL INCOME

(as at 31 March 2021)

	Tenant	% of Gross Rental Income
1	Google Asia Pacific Pte. Ltd.	10.7%
2	Merrill Lynch Global Services Pte. Ltd.	3.2%
3	(Undisclosed Tenant)	–
4	The Hongkong and Shanghai Banking Corporation Limited	2.8%
5	Info-Communications Media Development Authority	2.4%
6	SAP Asia Pte. Ltd.	2.0%
7	Mapletree Investments Pte Ltd	2.0%
8	NTUC Fairprice Co-operative Ltd	1.9%
9	Samsung Asia Pte. Ltd.	1.8%
10	WeWork Singapore Pte. Ltd.	1.7%
	Total	**28.5%[3]**

MCT TRADE MIX BY GROSS RENTAL INCOME

(as at 31 March 2021)

	Trade Mix	% of Gross Rental Income
1	IT Services & Consultancy	19.3%
2	F&B	14.1%
3	Banking & Financial Services	10.5%
4	Fashion	7.2%
5	Government Related	6.6%
6	Fashion Related	4.0%
7	Hypermarket / Departmental Store	3.8%
8	Shipping Transport	3.8%
9	Real Estate	3.7%
10	Beauty	3.0%
11	Electronics[4]	3.0%
12	Pharmaceutical	2.9%
13	Consumer Goods	2.9%
14	Sports	2.1%
15	Electronics[5]	2.1%
16	Lifestyle	2.1%
17	Others[6]	8.9%
	Total MCT Portfolio	**100%**

1 MBC I and MBC II had 30 and 34 tenants respectively. Total does not add up to 62 due to common tenants.
2 Total does not add up due to common tenants across properties.
3 Excluding the undisclosed tenant.
4 Refers to tenants in office/business park.
5 Refers to tenants in retail.
6 Others includes Trading, Energy, Entertainment, Retail Bank, Optical, Insurance, Education, Consumer Services, Medical, Services and Convenience.