

**GENERAL ANNOUNCEMENT::OPERATIONAL UPDATE FOR THE QUARTER ENDED 31 MARCH 2022**

## Issuer &amp; Securities

## Issuer/ Manager

CITY DEVELOPMENTS LIMITED

## Securities

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## Stapled Security

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## Announcement Details

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Operational Update for the quarter ended 31 March 2022

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## Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

## Designation

Company Secretary

## Description (Please provide a detailed description of the event in the box below)

Please refer to the attached announcement relating to the operational update for the quarter ended 31 March 2022 issued by City Developments Limited on 24 May 2022.

## Attachments

[CDL Operational Update for the Quarter Ended 31 March 2022.pdf](#)

Total size =199K MB



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## **OPERATIONAL UPDATE FOR THE QUARTER ENDED 31 MARCH 2022**

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2022 began with cautious optimism as many countries, including Singapore, progressively eased pandemic restrictions, reopened borders, resumed international travel and adapted to living with an endemic COVID-19. With the positive move toward normalcy, the Group's business segments continued to display good momentum. Below is an update on the Group's operating performance for the first quarter ended 31 March 2022 (Q1 2022).

### **Property Development**

#### **Singapore**

The property cooling measures introduced on 16 December 2021 have somewhat dampened market sentiment as some homebuyers adopt a wait-and-see approach. In Q1 2022, the Group and its joint venture (JV) associates sold 188 units with a total sales value of \$477.9 million, a 41% decrease in units sold year-on-year (Q1 2021: 319 units with a total sales value of \$513.6 million).

While transaction volume is temporarily affected, the Group expects the property market to remain resilient and housing prices to hold firm due to moderate supply and strong underlying fundamentals. Market activities are expected to improve with new launches coming onstream.

Meanwhile, construction activities in most of the Group's projects are accelerating as the labour crunch gradually eases.

In January, the Group submitted the top bid of \$768 million for a coveted 210,623 square feet (sq ft) Government Land Sales (GLS) site at Jalan Tembusu, located within walking distance to the upcoming Tanjong Katong MRT station. The site was awarded to the Group, with its JV partner MCL Land taking a 49% interest in the project. The proposed development will comprise four blocks of 20 to 21 storeys with about 640 units.

In March, the \$315 million Central Square acquisition was completed. The property will be redeveloped alongside the Group's Central Mall properties into an enlarged mixed-use development comprising office, retail, hospitality and residential. Through the URA Strategic Development Incentive Scheme, the redevelopment could potentially yield a significant GFA uplift.

In April, the Group completed the off-market acquisition of a 179,007 sq ft site at 798 and 800 Upper Bukit Timah Road for \$126.3 million. Subject to planning approval, the Group plans to redevelop the site into a residential project with over 400 units.

In May, the Group and its JV partner MCL Land launched the highly anticipated 407-unit Piccadilly Grand. The rare city fringe integrated development on Northumberland Road is directly linked to Farrer Park MRT station and the residences are seamlessly connected to Piccadilly Galleria, which houses 1,500 square metres (sqm) of F&B and retail space and a 500 sqm childcare centre on the ground floor. The launch weekend saw a strong take-up, with 315 units (77%) sold at an average selling price (ASP) of \$2,150 per square foot (psf), reflecting the genuine demand for well-located and thoughtfully designed projects.

In May, the Government also announced the imposition of Additional Buyer's Stamp Duty (ABSD) on the transfer of residential properties into living trusts to level the playing field in the ABSD regime. The impact on the market is expected to be marginal as such transactions are generally low and genuine beneficiaries can obtain an appropriate refund based on their current property ownership status.

## **Overseas Markets**

### **Australia**

The Group's launched projects continued to see a healthy uptake, with its 215-unit Brickworks Park (Brisbane) 61% presold, its 198-unit The Marker (Melbourne) 81% presold and its 60-unit Fitzroy Fitzroy (Melbourne) 28% presold. In New South Wales, the Group's 135-unit luxury retirement project, Waterbrook Bowral, has presold all 77 villas in Phase 1, with construction due to complete in Q3 2023. Stage 2 (58 units) is scheduled for launch in 2H 2022.

To grow its pipeline, in March, the Group entered into a JV with New Urban Villages to acquire a mixed-use development site located in the riverside suburb of Toowong (Brisbane). The project will comprise 125 residential apartments plus a retail component.

### **China**

Since February, China has been impacted by Omicron, with Shanghai, Shenzhen and Suzhou under partial or full lockdown. Residential sales and construction work at the Group's properties in these locations were affected due to the government's COVID-19 control measures. As these key cities reopen, the Group expects business activities to improve.

## **Investment Properties**

### **Singapore**

As at 31 March 2022, the Group's Singapore office portfolio had a healthy committed occupancy of 93%, above the island-wide occupancy of 88%. Republic Plaza, the Group's flagship Grade A office building in Raffles Place, is 95% occupied and registered positive rental reversion in Q1 2022.

With the relaxation of safe management measures since 29 March 2022, there is a gradual increase in occupiers returning to the workplace, bringing vibrancy to the office community. With the reopening and tight office supply in 2022 and 2023, the Group is cautiously optimistic on the office market recovery.

The committed occupancy of the Group's retail portfolio is at 95%, above the island-wide occupancy of 92%. The Group's flagship mall, City Square Mall, is 97% occupied and average tenants' sales have also recovered in Q1 2022 to close to pre-pandemic levels. At Palais Renaissance, committed occupancy reached 99% and average GTO sales have surpassed pre-pandemic levels.

The progressive easing of social distancing measures and the rise in inbound travel will boost the recovery of footfall and tenants' sales. However, retailers remain cautious due to manpower shortages and rising operating costs.

## **Overseas Markets**

### **China**

In Shanghai, the city-wide lockdown caused a decline in business activity in Q1 2022 but office occupancy remains relatively stable. At Hong Leong Hongqiao Center, the committed occupancy of the office and retail space is preserved at 93%. However, the Group faces increasing pressure to provide financial support as preventive and control measures continue. Retail has been severely impacted in Suzhou as only essential services and takeaways are allowed.

### **UK**

Aldgate House and 125 Old Broad Street continued to benefit from businesses gravitating to well-located Grade A offices. This is reflected in the increase in recent lettings and longer-term

commitments from existing occupiers for both buildings, with some companies also increasing their space requirements.

### Private Rented Sector (PRS)

The Group continues to focus on enhancing recurring income and leverage on the rising demand for rental accommodation in the UK. The Junction, the Group's 665-unit PRS project in Leeds, is currently under construction and the phased completion will start from 2H 2022.

In Japan, the Group completed the acquisition of two more PRS projects in Yokohama in April – City Lux Tobe, formerly known as Tobe Residence (117 residential units) and LOC's Yokohama Bayside (89 residential units). Its PRS portfolio in Osaka and Yokohama enjoys stable rent with a high average occupancy of above 90%. Leasing momentum is expected to be maintained in the 1H 2022 due to strong demand amongst residents and corporates as recruitment and workplace strategies begin to normalise to pre-pandemic levels.

### Hotel Operations

With COVID-19-related travel restrictions being gradually lifted and a high vaccination rollout rate in the majority of the countries that the Group operates in, the Group's hotels witnessed global occupancies recovering to 52.2% in Q1 2022 (Q1 2021: 36.8%) and global RevPAR rebounded by 101.8% to \$89.6 (Q1 2021: \$44.4). The average GOP margin increased by 8.5% points to 14.6% for Q1 2022 (Q1 2021: 6.1%).

Key operating statistics for hotels owned by the Group:

	Room Occupancy			Average Room Rate			RevPAR			GOP Margin		
	Q1 2022 %	Q1 2021 %	Incr / (Decr) % pts	Q1 2022 \$	Q1 2021 * \$	Incr / (Decr) %	Q1 2022 \$	Q1 2021 * \$	Incr / (Decr) %	Q1 2022 %	Q1 2021 %	Incr / (Decr) % pts
Singapore	58.2	70.6	(12.4)	179.2	102.8	74.3	104.4	72.6	43.8	32.9	31.9	1.0
Rest of Asia	41.0	34.4	6.6	136.6	128.3	6.5	55.9	44.2	26.5	5.0	2.7	2.3
<b>Total Asia</b>	<b>47.7</b>	<b>48.6</b>	<b>(0.9)</b>	<b>156.8</b>	<b>113.8</b>	<b>37.8</b>	<b>74.7</b>	<b>55.3</b>	<b>35.1</b>	<b>17.6</b>	<b>15.4</b>	<b>2.2</b>
<b>Australasia</b>	<b>44.2</b>	<b>50.3</b>	<b>(6.1)</b>	<b>156.6</b>	<b>157.4</b>	<b>(0.5)</b>	<b>69.3</b>	<b>79.2</b>	<b>(12.5)</b>	<b>35.7</b>	<b>50.4</b>	<b>(14.7)</b>
London	57.8	9.3	48.5	226.7	118.0	92.1	131.0	11.0	1,090.9	32.8	(26.2)	59.0
Rest of Europe	57.6	13.0	44.6	165.7	94.9	74.6	95.5	12.4	670.2	17.2	(76.5)	93.7
<b>Total Europe</b>	<b>57.7</b>	<b>11.3</b>	<b>46.4</b>	<b>196.1</b>	<b>103.9</b>	<b>88.7</b>	<b>113.2</b>	<b>11.7</b>	<b>867.5</b>	<b>25.8</b>	<b>(54.2)</b>	<b>80.0</b>
New York	65.9	44.4	21.5	196.1	128.3	52.8	129.3	57.0	126.8	(31.1)	(133.2)	102.1
Regional US	50.5	37.0	13.5	152.1	109.2	39.3	76.9	40.4	90.3	16.0	12.9	3.1
<b>Total US</b>	<b>56.4</b>	<b>39.4</b>	<b>17.0</b>	<b>171.6</b>	<b>116.2</b>	<b>47.7</b>	<b>96.7</b>	<b>45.8</b>	<b>111.1</b>	<b>(7.2)</b>	<b>(38.5)</b>	<b>31.3</b>
<b>Total Group</b>	<b>52.2</b>	<b>36.8</b>	<b>15.4</b>	<b>171.7</b>	<b>120.7</b>	<b>42.3</b>	<b>89.6</b>	<b>44.4</b>	<b>101.8</b>	<b>14.6</b>	<b>6.1</b>	<b>8.5</b>

\*For the purpose of comparison, Q1 2021 Average Room Rate and RevPAR had been translated at constant exchange rates (31 March 2022).

### Asia

The Group's Singapore hotels are recovering well with a 74.3% jump in average room rate and a 43.8% increase in RevPAR. Demand was driven mainly by staycations and corporate groups, with two hotels catering to the Government quarantine business. While the performance for the Rest of Asia hotels had improved in Q1 2022, the region's recovery was weighed down by the resurgence of Omicron cases and travel restrictions in North Asia. The Group's hotels in Singapore and Kuala Lumpur are poised to benefit from the lifting of international travel restrictions in April 2022.

## Australasia

In New Zealand, the Group's hotels' performance was dampened by the cancellation and postponement of events and activities due to a spike in Omicron cases, while the performance of the hotels operating as Managed Isolation Facilities remained stable. Progressive reopening of borders from mid-April 2022 to key feeder markets will aid in the region's recovery.

## Europe

The Group's UK hotels continued to witness strong recovery momentum from pent-up demand and the extension of government business contracts. Most hotels registered a strong rebound at the end of Q1 2022, trading close to or in excess of pre-pandemic levels.

## US

The US region's recovery continued to gain momentum with the return of more events and commercial activities. The Group's 569-room Millennium Hilton New York Downtown was reflagged as the Millennium Downtown New York on 18 January 2022. Plans are underway to renovate and rebrand the property to an M Social in 2023, following the successful launch of M Social Hotel Times Square New York in May 2021.

## **Group Divestments**

As announced previously, the freehold Tanglin Shopping Centre was sold for \$868 million via a public tender which closed on 22 February. Through King's Tanglin Shopping Pte Ltd, a wholly-owned subsidiary of M&C, the Group owns about 34.6% of the Share Value and 60.2% of the Strata Area in the strata-titled development. The sale is subject to the approval of the Strata Titles Board and other conditions. This collective sale exercise will enable the Group to unlock value and realise a significant capital gain from its investment that has been held since 1981.

On 24 February, the Group completed the divestment of Millennium Hilton Seoul and the adjoining land site for KRW 1.1 trillion (approximately \$1.25 billion). The Group recognised a total gain on disposal of \$526.2 million, net of taxes and related transaction costs.

On 6 May, the collective sale of Golden Mile Complex at \$700 million to a consortium was announced. The Group holds 6.3% of the total Share Value and 34.8% of the Strata Area (mainly attributed to the large carpark). The sale is subject to the approval of the Strata Titles Board. The Group has held its interest in this complex for around 40 years and the transaction provides yet another opportunity to unlock the deep value of investment assets held over a long period at low book value.

## **Capital Position**

As at 31 March 2022, the Group's net gearing ratio (after factoring in fair value on investment properties) stands at 53%, with interest cover at 20.7 times. The Group has strong cash reserves of \$3.1 billion. It maintains a stable liquidity position comprising cash and available undrawn committed bank facilities totalling \$4.6 billion. Its debt expiry profile also remains healthy and its total gross borrowings have a weighted average debt expiry of 1.8 years.

There are no material concerns over the Group's ability to fulfil its near-term debt obligations.

## **Outlook and Prospects**

The Group is optimistic about the outlook for its core business segments for the rest of 2022, with more residential launches planned in Singapore and overseas while ensuring that its commercial and hospitality portfolio continues to ramp up on the back of a strong global rebound. With the global recovery underway, the Group will focus on executing its Growth, Enhancement and Transformation (GET) strategy to accelerate growth, enable asset and operational enhancements, and embrace

innovative strategies to transform the Group into a stronger and more resilient company, while employing capital recycling initiatives to unlock and maximise shareholder value.

**BY ORDER OF THE BOARD**

Yeo Swee Gim, Joanne  
Enid Ling Peek Fong  
Company Secretaries

24 May 2022