CITY DEVELOPMENTS LIMITED
(REG. NO. 196300316Z)

OPERATIONAL UPDATE FOR THE QUARTER ENDED 30 SEPTEMBER 2020

The prolonged COVID-19 pandemic has continued to impact the Group's performance, though signs of improvement are witnessed across its core business segments. Below is an update on the Group's operating performance for the third quarter ended 30 September 2020 (Q3 2020).

Property Development

Singapore

The Singapore residential property market remained resilient, with strong sales of new private homes, supported by domestic demand and foreign interest. Showflat operations resumed gradually under the Phase 2 reopening which commenced in mid-June. The resilience is underpinned by demand drivers including the low interest rate environment, debt relief scheme and Government support measures to preserve jobs.

The Group and its joint venture (JV) associates sold an average of around 25 units weekly from its existing inventory, and sales was further boosted by the successful launch of Penrose, the Group's 566-unit JV residential project at Sims Drive in September – Singapore's best-selling property launch for 2020. For Q3 2020, the Group sold a total of 710 units with total sales value of $914.1 million, reflecting a significant improvement from the previous quarter (Q2 2020: 174 units with total sales value of $240.9 million). Number of units sold quadrupled while sales value increased by 279%, reflecting market optimism and the segment's resilience.

Investment Properties

Singapore

Majority of the Group's rental income is derived from its office asset portfolio, which is supported by medium- to long-term leases with a diversified pool of mainly blue-chip multinational corporations. The easing of restrictions to allow more employees to return to the office, with new tenants seizing opportunities to lease prime space at more attractive rental rates, has also tapered the dip in demand for Grade A office space during this period. Republic Plaza, the Group's flagship office property in Raffles Place, comprising two office towers and a retail podium, is over 96% leased, with Tower II fully leased out. As at 30 September 2020, the Group's Singapore office portfolio remains resilient with committed occupancy of 92.0%, above the island-wide occupancy of 88.0%.

Almost all of the Group's retail and F&B tenants in Singapore have reopened for business, with compliance to prevailing safe management requirements, except for the entertainment trade which is restricted by COVID-19 measures. F&B has remained resilient, with some retailers looking at expansion opportunities. City Square Mall, the Group's largest mall located near Farrer Park MRT station, continues to attract new tenants including MOS Burger and Shihlin which will open in Q4 2020, as well as Haidilao and Skechers to open by 1H 2021. Most of the F&B tenants at two other retail properties of the Group, Palais Renaissance and Quayside Isle, are also seeing better sales performance than pre-COVID.

Overseas

In China, Thailand and the UK, malls have been allowed to reopen, though footfall is largely confined to the domestic market. In Japan, the Group's residential rental apartment portfolio has demonstrated resilience amid the pandemic.

Hotel Operations

The hospitality industry continues to be adversely affected by the extensive travel restrictions, strict social distancing measures and border closures which resulted in a global collapse in demand for air travel, lodging and tourism. New strategies such as digital marketing, focusing on domestic retail travellers, staycations and other innovations – along with ongoing cost containment measures – have contributed to recovery of Gross Operating Margin in several locations.

For YTD Sep 2020, global occupancy dropped to 38.3% (YTD Sep 2019: 74.0%) and global RevPAR decreased by 62.7% to $54.30 (YTD Sep 2019: $145.40).

The Group's global hospitality portfolio comprises mainly its wholly-owned subsidiary Millennium & Copthorne Hotels Limited (M&C). M&C expects to close 2020 with an occupancy rate that is at least half the 73% rate achieved in pre-COVID-19 in 2019. M&C entities have begun recovering from a loss to Gross Operating Profit (GOP) in Asia (since May) and New Zealand (since June). Global M&C GOP has been positive since July. Despite these improvements, the Group expects to record losses for FY 2020 due to the unprecedented collapse of global travel and tourism from the pandemic.

As at 30 September 2020, around 11% of the Group's global portfolio of 153 hotels were temporarily closed (down from 28% in the previous quarter).

Capital Position

As at 30 September 2020, the Group's net gearing ratio (factoring in revaluation surplus from investment properties) stood at 52% with interest cover[1] at 4.1 times. The Group has strong cash reserves of $3.3 billion. It maintains a strong liquidity position comprising cash and available undrawn committed bank facilities totalling $4.7 billion. Its debt expiry profile also remains healthy and its total gross borrowings have a weighted average debt expiry of 2.4 years.

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

Sincere Property Group

The Board has appointed Deloitte & Touche Financial Advisory Services Pte. Ltd. (Deloitte) as its External Financial Advisor to assist in further evaluating and reviewing its 51.01% JV equity investment in Sincere. Deloitte has completed its review and has ascertained that there are good assets that the Group can extract further value. The Board will be deliberating Deloitte's recommendations and will update shareholders in due course.

Outlook and Prospects

Operational challenges continue to evolve as the global COVID-19 situation remains fluid. The Group is optimistic that developments such as the pending global vaccine rollout, gradual easing of border restrictions and increase in bilateral green-lane arrangements together with the launch of more air travel bubbles, will help to bolster the green shoots of recovery. However, the Group does not expect the current pace of recovery to significantly counter the adverse impact on its operations and financial performance for FY 2020. Please refer to the Group's guidance on its unaudited financial results for FY 2020 announced on 30 November 2020.

To ride out the turbulence, the Group remains focused on cost-containment and capital management measures, even as it continues to drive forward its long-term growth plans.

BY ORDER OF THE BOARD

Enid Ling Peek Fong
Company Secretary

30 November 2020

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[1] *Excludes non-cash impairment losses on investment properties and property, plant and equipment.*