CITY DEVELOPMENTS LIMITED

(REG. NO. 196300316Z)

OPERATIONAL UPDATE FOR THE QUARTER ENDED 31 MARCH 2020

The COVID-19 pandemic has adversely impacted businesses and communities globally, with supply chain disruptions and uncertainties around future demand. In response to the evolving situation, the Group continues to enhance its business continuity plans, implementing measures to ensure the well-being of stakeholders and mitigating disruptions to operations.

As the situation remains fluid, it is not possible at this stage to predict the scale of the eventual impact of COVID-19 on the Group's business. The Group is closely monitoring its operations and will continue to adjust its measures and strategies accordingly. Below is an update on its operating performance for the first quarter ended 31 March 2020 (Q1 2020).

Operational Review

Property Development

Singapore

Despite the dampened market sentiment, the Group and its joint venture (JV) associates sold 185 units with total sales value of $278.1 million in Q1 2020 (Q1 2019: 173 units with total sales value of $516.3 million). The sales value for this quarter was lower as the majority of the residential units sold were mass and mid-market projects like Piermont Grand, Whistler Grand and The Tapestry, as well as Amber Park, a luxury project. Comparatively, Q1 2019 was mainly ultra-luxury projects like Boulevard 88 and South Beach Residences.

Since the Government's circuit breaker measures took effect from 7 April (now extended till 1 June), all six of the Group's operating sales galleries have been closed. The Group has stepped up its digital marketing efforts through virtual showflat tours and online sales presentations to potential buyers. Interest remains encouraging and in April, the Group saw an increase of over 30% in online traffic views for its launched projects.

During this circuit breaker period, the Group expects its sales volume to decline. Notwithstanding the temporary setback, the Group continued to register sales in April for projects such as Amber Park, Boulevard 88, Coco Palms, Piermont Grand, Sengkang Grand Residences, South Beach Residences, The Jovell and The Tapestry.

Construction works for the Group's development projects are also affected. The Temporary Occupation Permits (TOPs) for majority of these projects are expected only in 2022 / 2023, which allows the Group sufficient buffer to accommodate the current delay. The Group's Forest Woods JV residential project is approaching completion by Q3 2020. As it is already in an advanced stage of construction, the project's completion remains on schedule.

The Group will continue to engage its contractors and manage its construction timelines closely. It welcomes the positive news announced on 6 May by the Ministry of National Development that the Government will extend the project completion period (PCP) and the deadlines for Additional Buyer's Stamp Duty (ABSD) on land purchase by six months for property developers affected by disruptions to construction timelines and residential sales. This extension is timely as the unprecedented measures have resulted in manpower and supply chain challenges for the industry. The Group is grateful for the timeline extensions and is heartened that the Government is continually reviewing market conditions and making temporary policy tweaks as needed.

Overseas

New home sales for the Group's launched projects in China, the UK and Australia have slowed significantly, impacted by lockdowns imposed by local governments in response to the COVID-19 pandemic.

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. As at 31 March 2020, the Group's Singapore office portfolio remains resilient with committed occupancy of 90.9%, above the island-wide occupancy of 89.0%.

However, retail and F&B businesses have been impacted by the decline in customer demand, strict safe distancing measures and closures for non-essential services. With the circuit breaker measures in place, approximately 80% of the Group's retail tenants in Singapore (totalling 426 tenants) are not operating. To support its Singapore tenants in tiding over this period, the Group is providing rental relief totalling over $23 million in property tax and rental rebates[1]. The full quantum of the Government's enhanced property tax rebate, announced under the Supplementary Budget 2020 on 26 March, will be passed on to its tenants. Majority of the Group's retail tenants will receive more than 2.8 months of gross rental rebates in total. In addition to the rebates, the Group is also assisting tenants with cashflow issues by allowing them to offset their rent using part of their security deposit as well as other initiatives.

Overseas

In the Group's overseas markets, the retail sectors were also similarly impacted by lockdowns imposed by local authorities. In China, rental rebates were provided to tenants at HLCC mall in Suzhou to tide them through the sharp declines in retail sales. In Thailand, where the Group's retail portfolio comprises the Jungceylon mall in Phuket and Mille Malle in Bangkok, rental rebates were given to tenants to mitigate the impact of the nationwide lockdown. Phuket's airport is closed till 16 May and Thailand's state of emergency has been extended till the end of May. In the UK, the government has mandated no eviction of tenants during this period. Any rental deferments and repayment plans need to be negotiated and agreed upon between landlords and tenants. The Group is constantly reviewing the situation and providing assistance to tenants where necessary.

Hotel Operations

The prolonged COVID-19 pandemic has severely affected the global hospitality sector with travel restrictions, trip cancellations, postponement of major events and a steep reduction in F&B spend.

Key operating statistics for hotels owned by the Group:

	Room Occupancy			Average Room Rate			RevPAR		
	Q1 2020 %	Q1 2019 %	Incr / (Decr) %	Q1 2020 $	Q1 2019* $	Incr / (Decr) %	Q1 2020 $	Q1 2019* $	Incr / (Decr) %
Singapore	54.5	85.6	(31.1)	190.3	170.0	11.9	103.6	145.6	(28.8)
Rest of Asia	41.2	66.4	(25.2)	143.3	162.6	(11.9)	59.1	107.9	(45.2)
Total Asia	**46.3**	**73.3**	**(27.0)**	**164.4**	**165.7**	**(0.8)**	**76.1**	**121.1**	**(37.2)**
New Zealand	**77.2**	**91.3**	**(14.1)**	**166.4**	**166.4**	**-**	**128.5**	**152.0**	**(15.5)**
London	47.3	73.7	(26.4)	225.8	198.8	13.6	106.8	146.5	(27.1)
Rest of Europe	49.6	62.8	(13.2)	118.8	126.5	(6.1)	58.9	79.5	(25.9)
Total Europe	**48.4**	**68.0**	**(19.6)**	**172.1**	**163.7**	**5.1**	**83.3**	**111.3**	**(25.2)**
New York	58.5	76.9	(18.4)	229.4	263.4	(12.9)	134.2	202.6	(33.8)
Regional USA	48.6	51.5	(2.9)	161.5	165.9	(2.7)	78.5	85.5	(8.2)
Total USA	**52.3**	**59.9**	**(7.6)**	**190.3**	**209.3**	**(9.1)**	**99.5**	**125.4**	**(20.7)**
Total Group	**52.1**	**70.0**	**(17.9)**	**173.9**	**177.4**	**(2.0)**	**90.6**	**124.1**	**(27.0)**

For comparability, Q1 2019 Average Room Rate and RevPAR had been translated at constant exchange rates (31 Mar 2020).

[1] This includes 100% of the property tax rebates for qualifying commercial property tenants and 30% for businesses in other non-residential properties such as offices and industrial properties.

For Q1 2020, global occupancy dropped to 52.1% (Q1 2019: 70.0%) and global RevPAR decreased by 27.0% to $90.60 (Q1 2019: $124.1). All regions recorded declines in RevPAR driven primarily by a drop in occupancies.

The Group's global hospitality portfolio, mainly comprising its wholly-owned subsidiary Millennium & Copthorne Hotels Limited (M&C), has been severely impacted by closures following lockdowns imposed by local governments to curb the COVID-19 outbreak. The situation has worsened rapidly with the epicentre shifting from China and other parts of Asia to Europe and the US. As at 31 March 2020, around 30% of the Group's global portfolio of 152 hotels were temporarily closed.

Throughout Europe and the UK, the governments have mandated a shutdown of most hotels except for a few which remain open to support stays for key essential workers. Most hotels in the US remain open and are supporting personnel from hospitals, the police and students who are unable to travel home.

In New Zealand, which commenced a country-wide lockdown on 19 March and closed its borders to travellers, most of the Group's hotels had closed during this period except for a handful which was designated to support aircrew and essential workers.

The Q1 2020 RevPAR for Asia was down 37.2%, the steepest decline amongst all the regions and mainly due to hotels in Beijing, Taipei and Seoul. Europe was down 25.2% while London registered a 27.1% decline as it experienced cancellations of major citywide events. In the US, New York, being the epicentre of the COVID-19 outbreak in the region, was the worst-hit key gateway city, dragging down the US's performance and causing the whole region to experience a 20.7% decline in RevPAR.

In Singapore, all 10 hotels are operational. However, RevPAR declined 28.8% due to lower occupancy. By focusing on corporate and public-sector businesses, the Group's Singapore hotels have been able to partially mitigate the occupancy impact. Several of its hotels have locked in arrangements to house those affected by the recent events such as the Malaysia border closure (from 18 March to 12 May) or been designated as dedicated facilities for overseas returnees serving out their Stay-Home Notices. These initiatives have helped to sustain occupancy rates in Singapore, allowing hotels to maintain a breakeven position in April.

For the hotels that are still operating, certain floors and sections are closed. M&C and its listed REIT-associate, CDL Hospitality Trusts (CDLHT), are also utilising this period of low occupancy to carry out critical guests-related asset enhancement works to optimise the potential of their asset portfolio while deferring non-essential capital expenditures.

Capital Position

As at 31 March 2020, the Group's net gearing ratio (factoring in revaluation surplus from investment properties) stood at 44% with interest cover at 6.2 times.

The Group has strong cash reserves of $3.3 billion as well as undrawn and committed credit lines of $2.3 billion.

The Group's debt expiry profile also remains healthy and its total gross borrowings have a weighted average debt expiry of 2.3 years as at 31 March 2020.

For the $1.8 billion in loans due for the remainder of 2020, the Group has refinanced 17% and set aside funds for the repayment of 65%, with the balance of 18% scheduled for renewal in Q3 2020. In addition, the Group has also secured early financing or is at advanced stages of documentation for the $1.7 billion of corporate funding for its Irwell Bank residential development and its Liang Court JV.

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

Outlook and Prospects

Given the evolving COVID-19 situation, the recovery trajectory remains uncertain. Headwinds affecting overall demand and disrupting supply chains are expected to persist in the near-term. This will likely weigh on the Group's operations and financial performance, though the full extent of the impact for the rest of FY 2020 cannot be conclusively determined yet.

In Singapore, the financial impact arising from the outbreak is partially mitigated by the Government's support measures, including property tax rebates and wage subsidies. Similarly, the governments in other regions, such as the UK and New Zealand, have stepped in to provide economic stimulus packages and support measures such as wage and tax reliefs, which have helped to defray some of the labour costs for the Group.

The Group's hospitality business has suffered the most severely from the impact of COVID-19. The near-term outlook remains highly challenging and uncertain. The Group has a strong balance sheet and is well-positioned to absorb the pressures. While headwinds continue to persist, the Group will stay resilient as it navigates through the storm.

To mitigate the impact of the pandemic, the Group has implemented a series of business optimisation and cost control initiatives to reduce operating expenses. As a show of solidarity, the Group's Board of Directors took a voluntary 25% reduction of directors' fees. Top management took 20% pay cuts while other senior personnel took 15% pay cuts. These cuts have been effective since 1 April 2020.

The Group will continue to embrace a highly disciplined capital management approach of conserving cash and maintaining liquidity, especially during such unprecedented times. Notwithstanding this, the Group is mindful that in a crisis, there are opportunities to be seized and it must continue to drive its long-term growth plans.

On 7 April, the Group announced it had increased its stake from 12.52% to 20.87% in Singapore-listed IREIT Global, a Europe-focussed real estate investment trust. It remains confident in the long-term fundamentals of the established European economies. The Group, together with another key unitholder, Tikehau Capital, hold over 50% in aggregate. This strategic investment opportunity allows the Group to strengthen its alignment with minority unitholders' interest and support IREIT's growth plans.

On 15 April, the Group also announced the strategic investment of RMB 4.39 billion ($0.88 billion) for a 51.01% joint controlling stake in Sincere Property Group (Sincere), an established real estate developer in China. The acquisition was based on an attractive entry valuation of RMB 8.6 billion, which is almost 50% of Sincere's FY 2019 audited net asset value of RMB 16.1 billion. The transaction includes a call option exercisable in 2022 for the Group to acquire an additional 9% effective interest for RMB 0.77 billion ($0.16 billion) at the same entry valuation, which would allow the Group to have sole control and a 60.01% stake in one of China's Top 100 real estate developers. The renegotiated terms for the investment are significantly improved over the original investment terms announced in May 2019. The Group maintains a long-term view of its investments in China and remains confident of China's strong fundamentals and market outlook. This transformational deal will significantly broaden the Group's scale in China and establish itself as a major player in China's real estate market. The deal is expected to be completed by Q2 2020.

BY ORDER OF THE BOARD

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Company Secretary
12 May 2020