

Rating Action: Moody's changes CCT's rating outlook to positive

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Approximately US\$219 million of debts affected

Hong Kong, June 28, 2010 -- Moody's Investors Service has changed the ratings outlook of CapitaCommercial Trust ("CCT") to positive from stable. At the same time, Moody's has affirmed CCT's Baa2 corporate family rating and Baa3 senior unsecured debt rating.

"The change in outlook reflects CCT's demonstration of operational resiliency through the economic downturn, as evidenced by the high occupancy and decent rental growth of its Grade A office portfolio," says Peter Choy, a Moody's Vice President & Senior Credit Officer.

"The change in outlook further reflects CCT's improved capital structure, as it had successfully recapitalized its balance sheet -- through an equity issuance in June 2009 -- and its improving liquidity profile, including the increased use of medium-term unsecured financing," adds Choy.

As a result, CCT's credit metrics have materially improved with Debt / EBITDA falling to 6.5x as of end of 1Q 2010 from 12x in 2008, and EBITDA/Interest increasing to 3.2x from 2.5x. CCT's level of encumbered asset also declined to 50% as of end of 1Q 2010 from its peak of 90% in 2008.

"While CCT's current improved financial profile could weaken moderately due to continuing assets growth, the change in outlook factors in Moody's expectation that CCT's strategy to reconstitute its portfolio will enhance the quality of its property portfolio and thus its cash flow generation," says Choy.

CCT has adopted a portfolio reconstitution strategy which targets to enhance asset quality and value. This includes the divestment of properties that have reached the optimal stage of their life cycle and reinvestment of the sale proceeds in other assets which have potential for value enhancement. This strategy makes CCT more competitive in face of the strong supply of new office space in Singapore.

CCT's Baa2 rating continues to reflect its high quality office portfolio in the central business district of Singapore and good quality tenants. These favourable features have translated into solid occupancy and relatively stable revenue. The rating also reflects CCT's proactive lease management, which has resulted in high occupancy.

Moreover, CCT's rating recognizes the operational leverage it enjoys with its sponsor, CapitaLand Group which is 40.9% (as of 31 May 2010) owned by Temasek (Aaa/stable), a situation which strongly facilitates its access to funding, as evidenced by its ability to raise both equity and debt during the financial crisis.

On the other hand, the rating reflects Moody's view that the unlikelihood of any strong rebound in rental rates in the next 12 months. Competition for tenants will remain keen with the new supply of office space.

Furthermore, the rating assumes that CCT will be prudent in future acquisitions as any new material debt funded transaction could alter its improving credit profile.

CCT showed improved credit metrics in 1Q 2010, but in the less likely event of an unexpected deterioration of the Singapore office market, the trend could be derailed.

The rating could be upgraded if CCT shows improvements in its liquidity profile and credit metrics, including Debt / EBITDA below 7 -- 7.5x and EBITDA / Interest exceeding 2.75x -- 3.0x on a sustained basis.

On the other hand, the rating could return to stable if it is unlikely that the improvement in its metrics can be sustained, or short-term debt increases as a result of material acquisitions.

The Baa3 senior unsecured debt rating is one notch below CCT's corporate family rating of Baa2, reflecting legal subordination risk, given that secured debt accounts for 21% of total assets.

The last rating action with regard to CCT was taken on 6 July 2009, when the outlook for its corporate family and senior unsecured debt ratings was changed to stable from negative.

The principal methodology used in rating CCT was Moody's REITs and Other Commercial Property Firms, published in January 2006 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

CapitaCommercial Trust is a Singapore-listed REIT that invests in commercial properties. It owns a portfolio of 10 prime properties, mainly in Singapore's central business district, with total assets of about S\$6.1 billion.

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