

Rating Action: Moody's assigns (P) Baa2 to CapitaCommercial Trust's MTN Programme

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Singapore, December 07, 2011 -- Moody's Investors Service has assigned a provisional (P)Baa2 rating to the SGD2 billion multi-currency medium term note (MTN) programme established by CapitaCommercial Trust ("CCT") through CCT MTN Pte. Ltd. ("CCTN"), and the proposed issuance of the senior unsecured notes sixth series.

CCTN is a Singapore-based special purpose vehicle and is a wholly-owned subsidiary of HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of CCT ("the CCT Trustee").

The programme is unconditionally and irrevocably guaranteed by the CCT Trustee.

Moody's has also affirmed CCT's Baa1 corporate family rating.

The outlook for both ratings is stable.

CCTN intends to raise SGD200 million of debt from the MTN programme.

CCTN will lend the proceeds from the issuance of the S\$200 million of senior unsecured notes to CCT Trustee, who will in turn use such proceeds to refinance existing borrowings, to on-lend to any entity in which CCT has an interest, to finance any asset enhancement works initiated by CCT and for the general working capital of CCT.

RATINGS RATIONALE

Moody's assignment of the Baa2 Multi-Currency MTN Programme rating, which is one notch below CCT's corporate family rating of Baa1, reflects legal subordination risk.

Upon the issuance of the SGD200 million of senior unsecured notes, CCT and its subsidiaries ("CCT Group") will have approximately SGD1.2 billion of secured debt, comprising 62% of the total debt and 18% of the total assets of CCT Group.

"CCT's Baa1 corporate family rating reflects its strong market position as one of the major landlords within Singapore's CBD, evidenced by its strong and recurring cash flow, which is supported in turn by consistently high occupancy rates, and a broad tenant and trade mix," says Alvin Tan, a Moody's Analyst.

CCT has SGD570 million of debt maturing in March 2012. Nevertheless, Moody's believes that CCT's balance sheet strength and its track record for raising new debt and equity during the global financial crisis will substantially reduce any potential concomitant refinancing risk.

The rating outlook is stable, reflecting Moody's expectation that CCT will maintain its prudent operating and financial policy as it expands its portfolio. Accordingly, it will keep its credit profile within its targeted parameters, such as gearing below 40%.

The rating could be upgraded if CCT shows improvement in its liquidity profile and credit metrics, including Debt/EBITDA around 6x, Debt/Total Assets below 30-35%, and EBITDA/Interest coverage above 4x, on a consistent basis.

On the other hand, downward pressure could emerge if (1) the operating environment deteriorates, such that it suffers high vacancy rates and a decline in rentals and operating cash flows, and/or financial metrics with Debt/EBITDA exceeding 8x, Debt/Total Assets above 40%, and EBITDA/Interest coverage below 3x on a consistent basis; (2) further acquisitions are made without long-term committed funding in place; and (3) a more aggressive growth policy is undertaken to fund new investments.

The principal methodology used in this rating was Moody's Approach for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

CCT is a Singapore-listed REIT that focuses on the office and commercial property market in Singapore. It has a portfolio of nine prime properties, mainly in Singapore's CBD, valued at about S\$5.6 billion.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 31 January 2012. ESMA may extend the use of credit ratings for regulatory purposes in the European Community for three additional months, until 30 April 2012, if ESMA decides that exceptional circumstances arise that may imply potential market disruption or financial instability. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moody's.com.

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Information sources used to prepare the rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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