

Embassy Office Parks REIT

India REIT Primer

November 2022



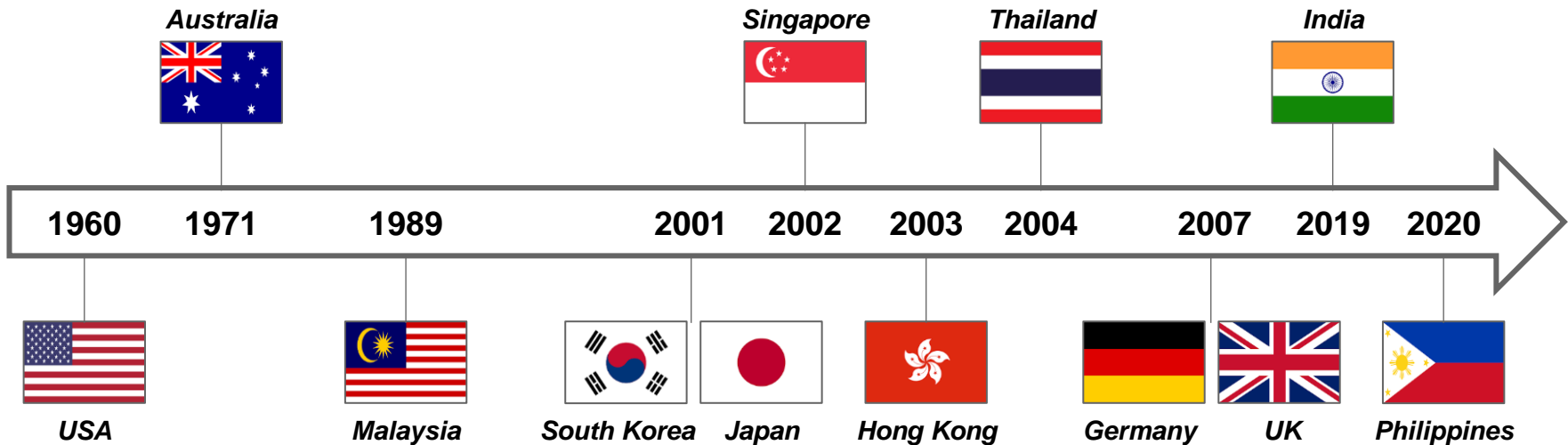
A photograph of the Embassy TechVillage in Bangalore, India. The image shows a modern, multi-story commercial building with a light beige facade and numerous windows. A large, covered outdoor plaza with a glass roof structure is in the foreground, featuring outdoor seating with white chairs and tables. The sky is blue with scattered white clouds. The text "Introduction to REITs" is overlaid in white on the left side of the image.

Introduction to REITs

Embassy TechVillage, Bangalore

REITs: Globally Accepted For 60 Years

History of REIT Launches in Major Economies



1960

First REIT started in the US

US\$ 3.0 trillion

Value of Publicly-listed REITs globally

900+

Number of REITs globally

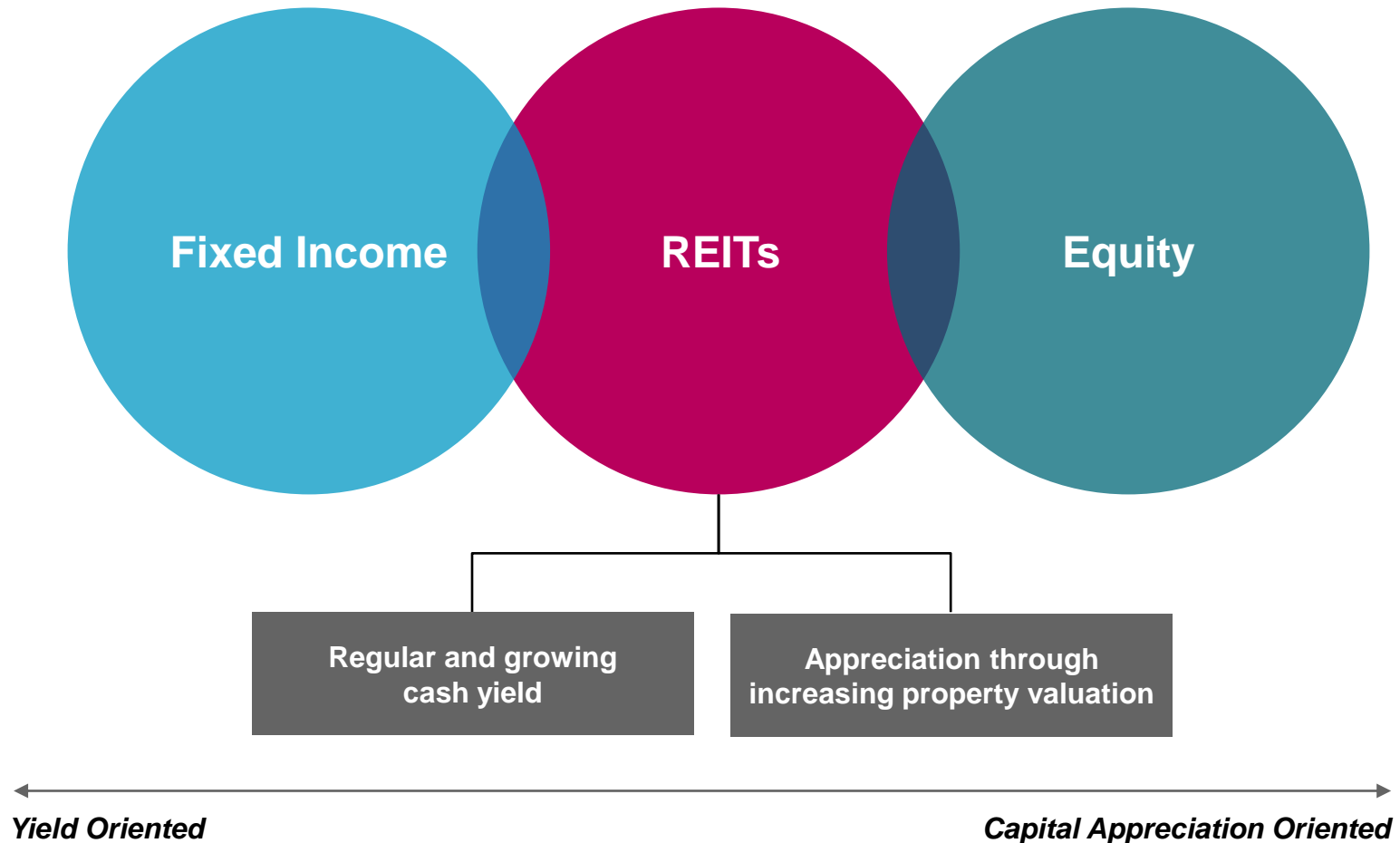
Global REITs – Major Constituents of Listed Real Estate Universe

REITs contribute 74% of the listed real estate universe in the most mature REIT markets and 59% of the global listed real estate market capitalization

	Total Listed Real Estate	REITs Market Capitalization	
	\$bn	\$bn	As % of Total Listed RE
Global Markets	2,949	1,735	59%
Developed Markets	2,218	1,652	74%
Emerging Markets	730	82	11%
US	1,180	1,166	99%
Canada	64	55	85%
France	39	35	89%
United Kingdom	64	58	91%
Australia	82	78	95%
Singapore	100	66	66%
Mexico	21	17	84%
Japan	203	112	55%
Hong Kong	182	21	11%
Average	215	179	75%
India	48	8	17%

REITs – A Hybrid Product between Equity and Fixed Income

REITs provide regular yield with steady capital appreciation via increasing property valuation



An aerial photograph of the Express Towers in Mumbai, India. The image shows two tall buildings: a grey concrete structure on the left and a modern glass skyscraper on the right. The glass building has a curved facade and a rooftop terrace with a green lawn and a circular pool. The base of the buildings is surrounded by lush green trees and a parking lot. In the background, the Arabian Sea is visible, along with the city skyline of Mumbai under a dramatic, cloudy sky.

Introduction to Indian REITs

Express Towers, Mumbai

What Assets Can an Indian REIT Own?

PERMITTED

Rental income

earning real estate projects

Commercial Sectors

Offices, hotels, retail, industrial, healthcare

NOT PERMITTED

Residential (houses, apartments)

Speculative landbank

Min. 80%

completed & income producing assets

Max. 20%

under-construction assets

Leverage Restrictions

Unitholder approval needed for Debt to Capitalization above 25%

Debt to Capitalization capped at 49%

How do REITs Generate and Distribute Income?

Rental income is generated from underlying real estate assets held in the portfolio

Asset Quality

- ▶ High-quality institutional grade commercial properties in key metro cities attract premium rentals

Tenant Quality

- ▶ Diversified and high-credit quality Multinational Companies (MNCs) pay rentals on time

Lease Term

- ▶ Stable cash flows due to long-term nature of lease contracts

Minimum 90% of the available NDCF is REQUIRED to be distributed to unitholders (at least semi-annually)

Indian REIT Taxation – A Brief Summary

Nature of Income	Taxability / Exemption	Withholding Tax (WHT) Rate
Dividends received from SPVs distributed by REIT ⁽¹⁾	Exempt u/s 10(23FD)	NA
Interest received from SPVs distributed by REIT	Taxable u/s 115UA - Resident – Applicable rate - Non-Resident – 5% WHT ⁽²⁾	- Resident – 10% (194LBA) - Non-Resident – 5% (194LBA) - Cat I & II AIF and MF - NIL
Amortization of SPV debt distributed by REIT	Not taxable as per section 115UA ⁽³⁾	NA
Other income distributed by REIT	Exempt u/s 10(23FD) to be read with section 115UA	NA
Capital gains on sale of REIT units	Taxable u/s 111A / 112A - LTCG 10%, STCG 15% subject to taxability under applicable DTAA for non-residents ⁽⁴⁾	NA

Notes:

- (1) Dividend received from a SPV which has not opted for the concessional tax regime (25.17%) u/s 115BAA is exempt in hands of Unitholders. In case a SPV has opted for section 115BAA, dividend would be taxable in the hands of Unitholder and also subject to WHT @ 10%
- (2) Income is taxable as per applicable tax rates under relevant DTAA & taxability under the Income Tax Act, 1961
- (3) Taxability in the hands of investors to be assessed based on the advise from their respective tax advisors
- (4) LTCG is applicable if units held by unitholders for more than 36 months. LTCG exempted upto ₹1 million with no indexation benefit available. LTCG = Long Term Capital Gain, STCG = Short Term Capital Gain
- (5) All tax rates excluding applicable surcharge and cess

Snapshot of Indian REITs

The Indian REIT market continues to evolve since the listing of the first REIT in April 2019

94 msf

Across India's top
commercial office markets⁽¹⁾

₹619 billion

Market
Capitalization⁽²⁾

₹200 billion

Primary Equity Proceeds
Raised Since 2019

₹101 billion

Distributed more than entire
Nifty Realty Index Combined⁽³⁾

AAA

Credit Ratings

**Benchmark Global
Indices**

FTSE Russell/ EPRA-NAREIT/
S&P /MSCI Small Cap

**Strong Retail
Ownership**

Rapidly Expanding Retail
Unitholder Base

High Standards

of Corporate
Governance

Enhanced Liquidity

Through Reduction in
Trading Lot Sizes

Notes:

(1) Refers to total area (under construction, development potential and completed area) held by the 3 listed Indian REITs based on Q2 FY2023 disclosures

(2) Based on closing price on NSE as of November 15, 2022

(3) Refer to total distributions made by the 3 listed Indian REITs since their listing till Q2 FY2023

Listed REIT Landscape in India

	Embassy Office Parks	Mindspace Business Parks	Brookfield India REIT
Ticker (NSE)	EMBASSY	MINDSPACE	BIRET
Ticker (BSE)	542602	543217	543261
Listing Date	April 01, 2019	August 07, 2020	February 16, 2021
Market Capitalization¹	₹319 billion	₹201 billion	₹99 billion
Geographic Focus	Bengaluru, Mumbai, Pune, Noida	Mumbai, Hyderabad, Pune, Chennai	Mumbai, Gurgaon, Noida, Kolkata
Completed Area²	33.4 msf	24.9 msf	14.3 msf
Leased Area²	29.1 msf	21.6 msf	12.0 msf
Sponsor Ownership²	36% (Blackstone, Embassy Group)	63% (K Raheja Corp)	54% (Brookfield)

Notes:

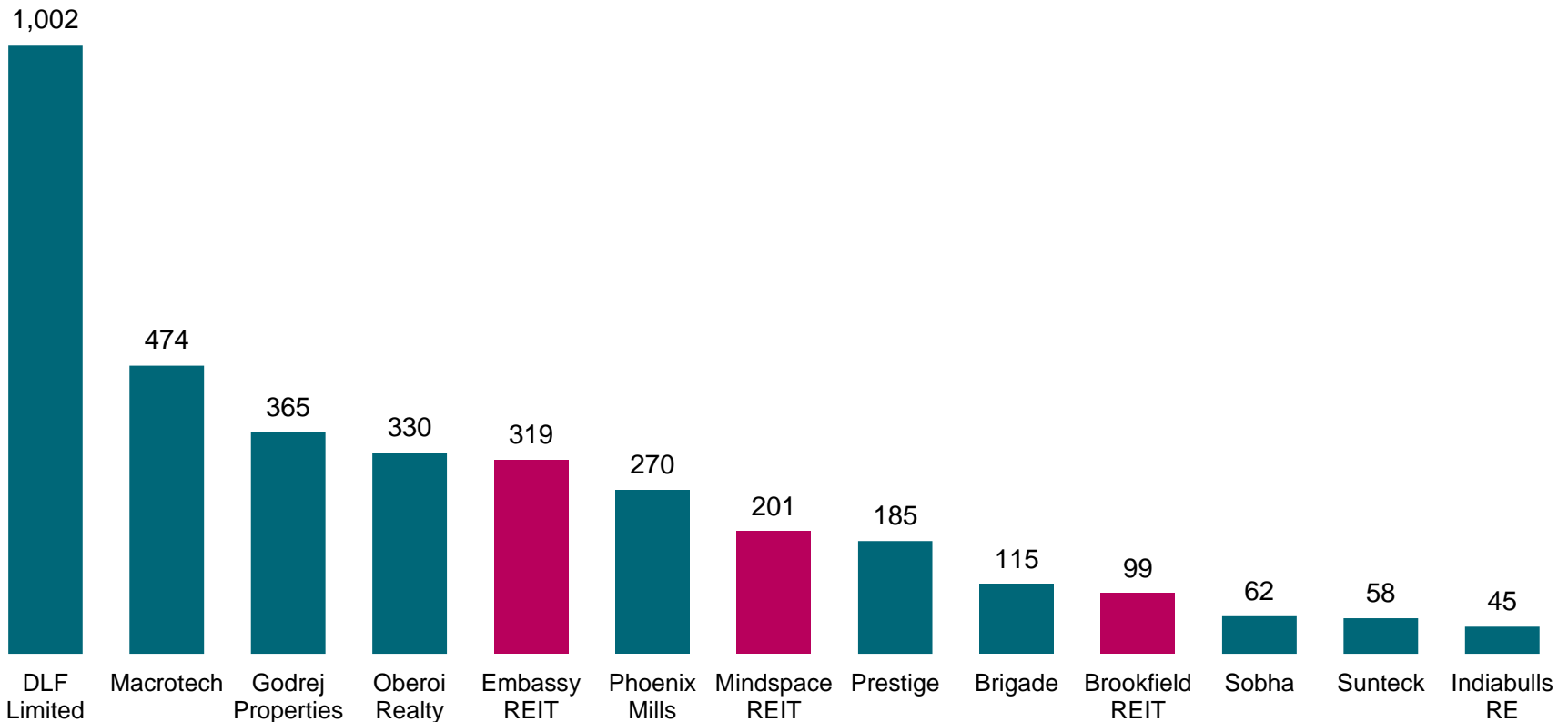
(1) Based on closing price on NSE on November 15, 2022

(2) Based on Q2 FY23 results

Indian REITs rank among top 10 listed real estate players in India

In short span of over 3 years since listing, Indian REITs' market capitalization rank among top 10 listed real estate players in the country

Market Capitalization (₹ billion)



Why Invest in Indian REITs?

Liquidity

REIT units are freely traded in stock markets like equity shares

Transparency

Strong governance framework and disclosure requirements from SEBI

Asset Quality

Fractional ownership in professionally-managed Grade A commercial assets

Distributions

Income stability due to requirement to distribute at least 90% of cash flows semi-annually

Performance

Upside participation in capital appreciation from organic / inorganic growth

Diversification

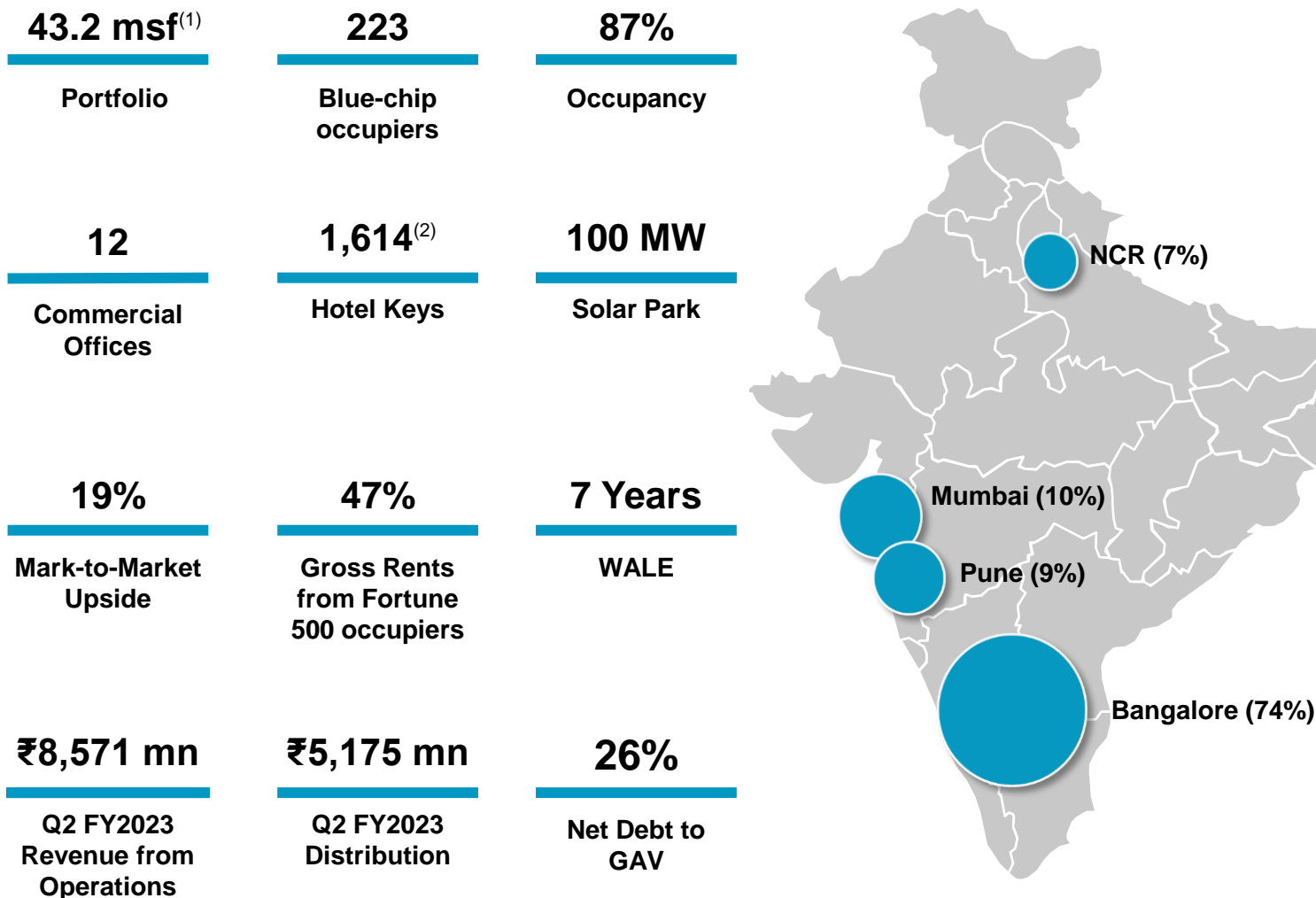
Investment in a high-quality diversified portfolio across sectors / cities

Embassy REIT Overview

Hilton Hotel Complex, Embassy Manyata

Who We Are: Quick Facts

We own and operate a commercial office portfolio that serves as essential corporate infrastructure to global occupiers, including many technology companies



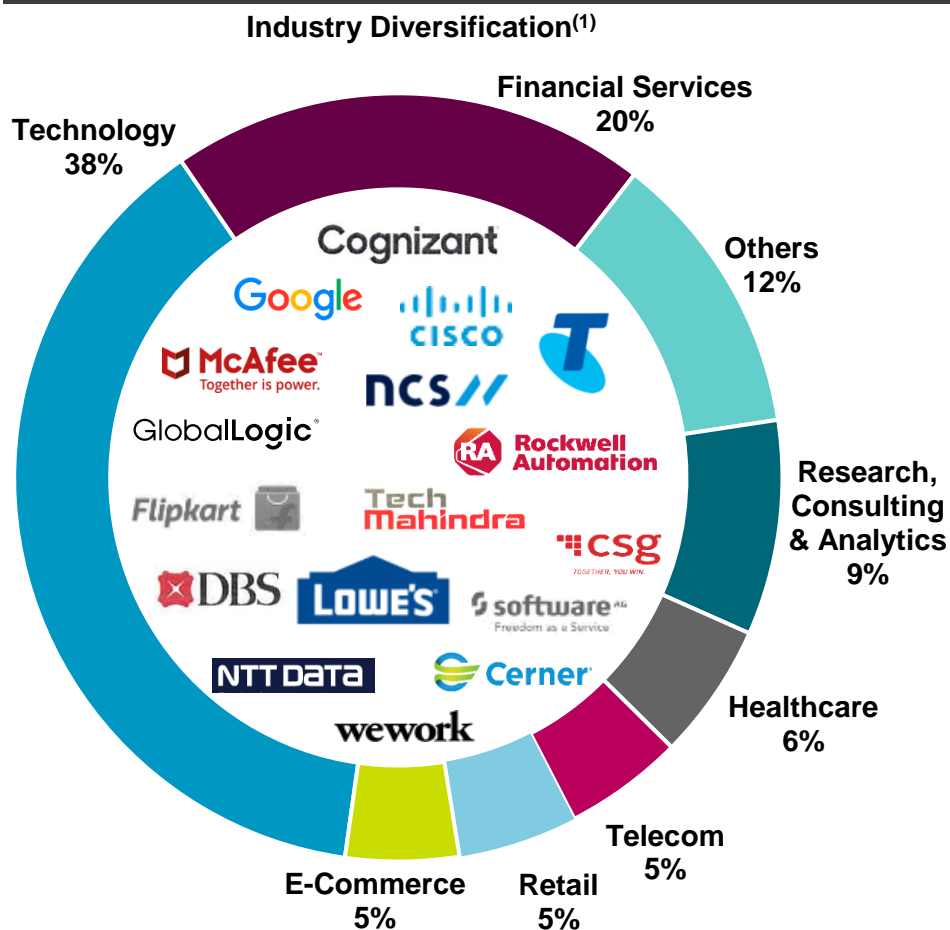
Notes: City wise split by % of Gross Asset Value (GAV) considered per Sep'22 valuation undertaken by iVAS Partners, represented by Mr. Manish Gupta, in conjunction with value assessment services undertaken by CBRE. Valuation exercise undertaken semi-annually

(1) Comprises 33.4 msf completed, 7.1 msf under construction and 2.7 msf future development

(2) Includes completed, under construction and proposed future development

High Quality, Diversified High Occupier Base

Tech occupiers and Global Captives constitute over 70% of our occupier base



Top 10 Occupiers ⁽²⁾	Sector	% of Rentals
JP Morgan	Financial Services	6.9%
Global Technology and Consulting Major	Technology	6.8%
Cognizant	Technology	6.0%
NTT Data	Technology	3.4%
Wells Fargo	Financial Services	3.3%
Flipkart	E-commerce	2.9%
ANSR	Research, Consulting & Analytics	2.7%
PwC	Research, Consulting & Analytics	1.9%
Cerner	Healthcare	1.8%
Google India	Technology	1.8%
Total		37.4%

► Added 15 new occupiers in Q2, expanding our overall occupier base to 223 (vs 165 at the time of listing)

► Contribution from Top 10 occupiers at 37% today (vs 42% at the time of listing)

Notes: Actual legal entity name of occupiers may differ

(1) Represents industry diversification percentages based on Embassy REIT's share of gross rentals

(2) Excludes enterprise level deals between end use occupier(s) and co-working operators

Continued Leasing Momentum

Strong 1.6 msf total leasing across 27 deals in Q2 FY2023, including 587k sf of new leases at 19% spreads and 528k sf of pre-commitment to ANZ⁽¹⁾ and others

587k sf

New Lease-up at 19% spreads

528k sf

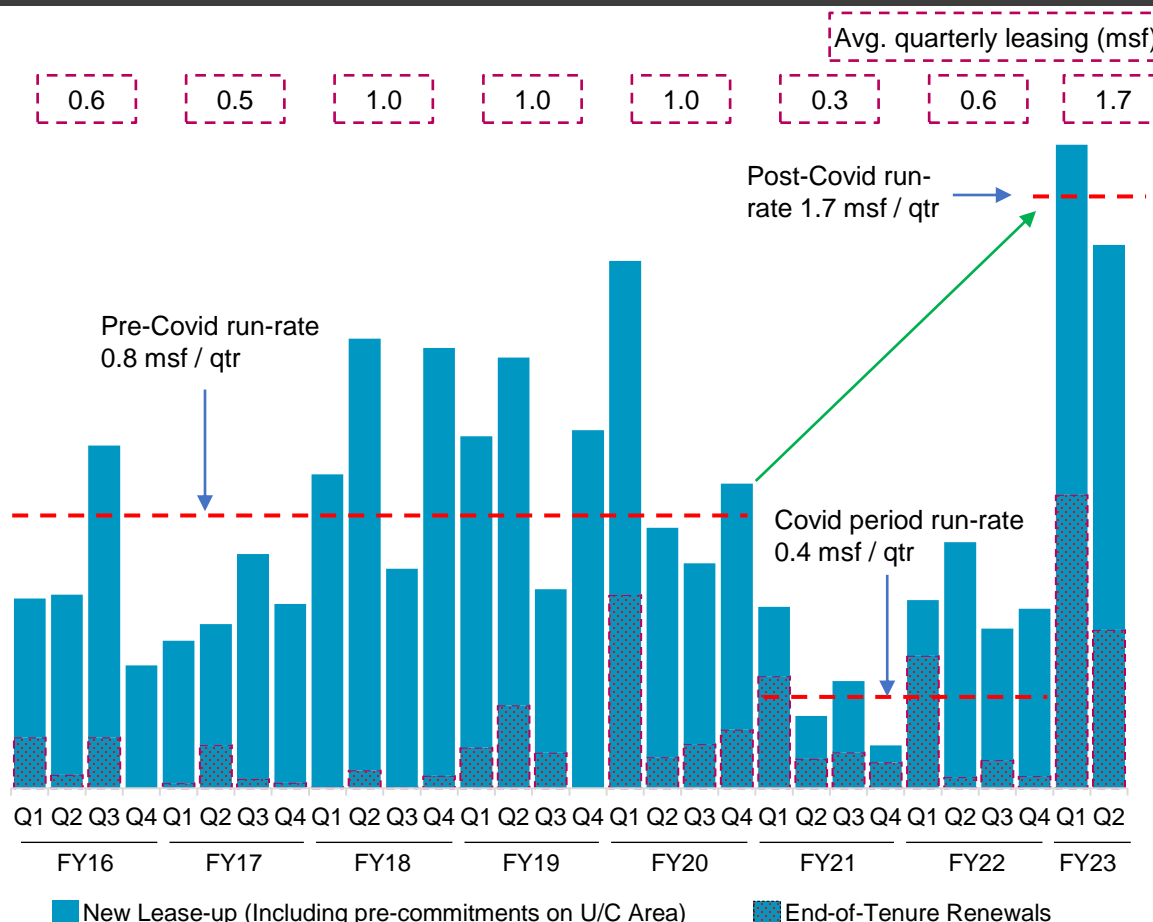
Pre-commitment by ANZ⁽¹⁾ & others

459k sf

Renewed at 28% spreads

27

Total Lease Deals



► Cumulatively signed over 3.4 msf leases in H1, achieved ~70% of our 5 msf of FY23 guidance

► Bangalore continued to drive India's office demand, 64% of our Q2 deals were signed for our Bangalore properties

Notes:

(1) ANZ Support Services India Private Limited. Excludes 133k sf growth option. This option is exercisable up to 8 months from Lease Commencement Date

(2) Total leases comprises of new lease-up, pre-commitment in under development properties, end-of-tenure renewals and early renewals. End-of-tenure renewals exclude rolling renewals

(3) Quarterly total leases (as set out in table and note 1 above) have been presented for all the properties that are currently part of Embassy REIT's portfolio as if the Embassy REIT's structure was in place since the beginning of FY16, or comparative purposes. These numbers have been included for purposes of providing general information and may differ from the historical consolidated or combined financial information and other operational metrics of Embassy REIT

Fortress Balance Sheet with Active Debt Management

Balance sheet significantly well-positioned amidst rising interest rate environment – low leverage, attractive interest cost and limited exposure to floating-rate debt

26%

Leverage⁽¹⁾

7.1%

Debt Cost

66%

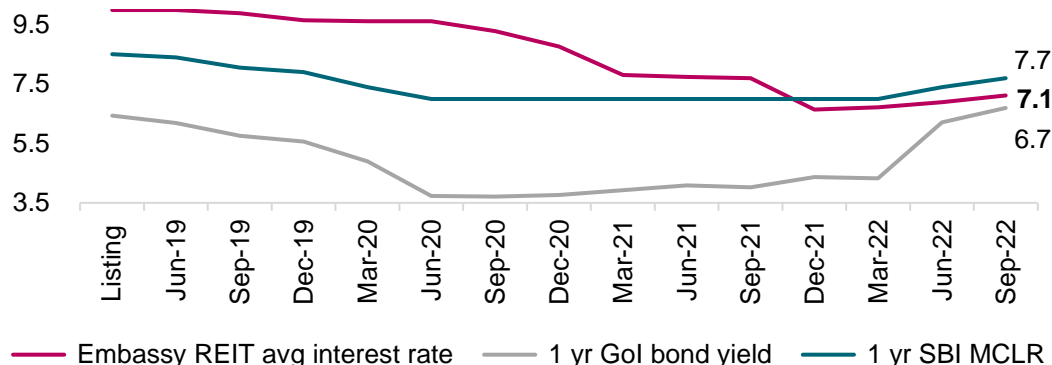
Fixed Rate Debt

AAA / Stable

Credit Rating

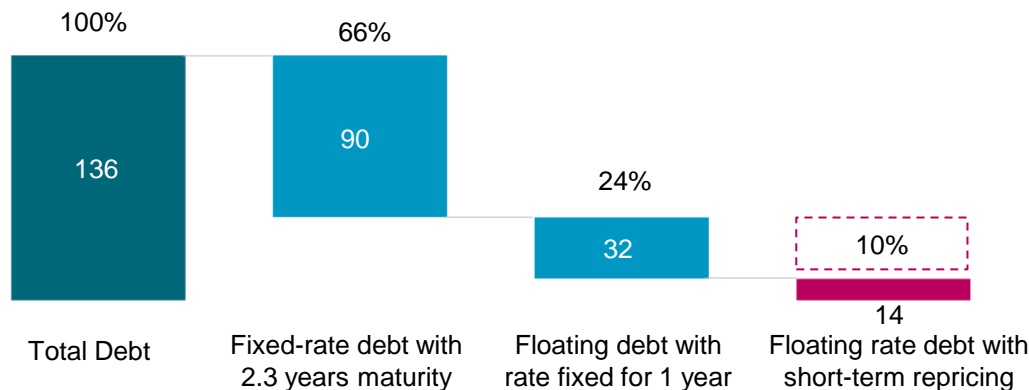
Significant reduction in our cost of debt since listing

% Interest Rate



Substantially shielded from rising interest rates

₹ billion



Notes:

(1) Based on Net Debt to GAV. GAV computed based on Sep'22 valuation undertaken by iVAS Partners

(2) Source: National Stock Exchange, State Bank of India

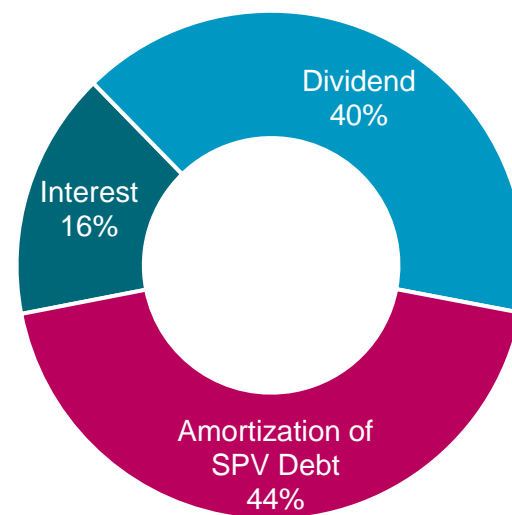
Delivering on Distributions

Distributions for Q2 stood at ₹5,175 million or ₹5.46 per unit, representing a 100% payout ratio

Distribution Highlights

Particulars	Q2 FY2023	H1 FY2023
Distribution period	Jul'22 – Sep'22	Apr'22 – Sep'22
Distribution amount (mn)	₹5,175	₹10,228
Outstanding units (mn)	948	948
Distribution per unit (DPU)	₹5.46	₹10.79
Announcement date	October 20, 2022	-
Record date	November 01, 2022	-
Payment date	On or before November 04, 2022	-

Distribution Mix – Q2



- ▶ 100% distribution payout ratio demonstrates commitment to regular and predictable quarterly distributions
- ▶ Tax efficient distributions with significant proportion tax free for Unitholders

What We Do: Our Strategy

Embassy REIT's strategy focuses on enhancing NAV and delivering long-term, total return value for Unitholders



Supported by robust financial management, proactive asset management and strong corporate governance

Notes:

(1) Figures above are indicative only. There can be no assurance that they can be achieved

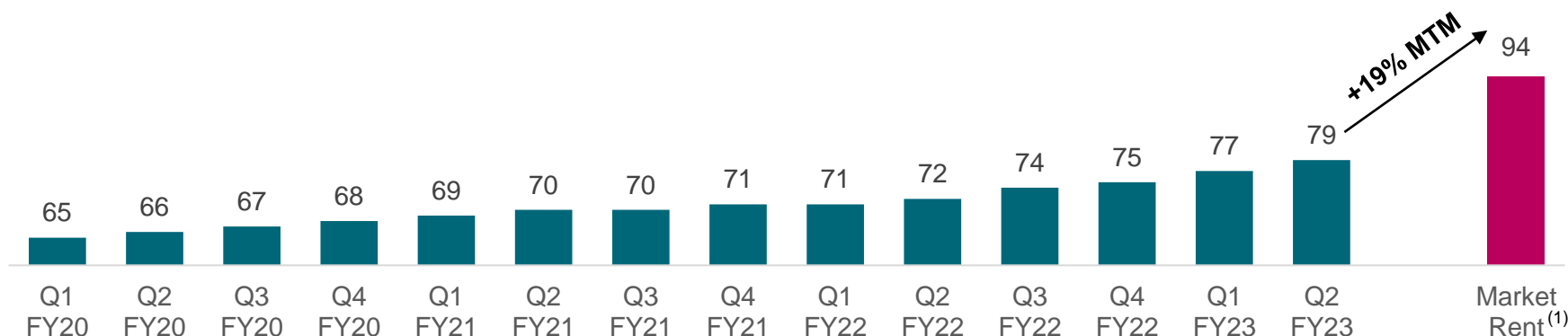
(2) Pipeline and opportunities are indicative only. There can be no assurance that above opportunities or other pipeline opportunities will materialize in current form or at all or result in transactions

NOI Growth Drivers

Embassy REIT's strategy focuses on enhancing NOI and delivering long term total return value for Unitholders, driven by rental growth as well as leased area expansion

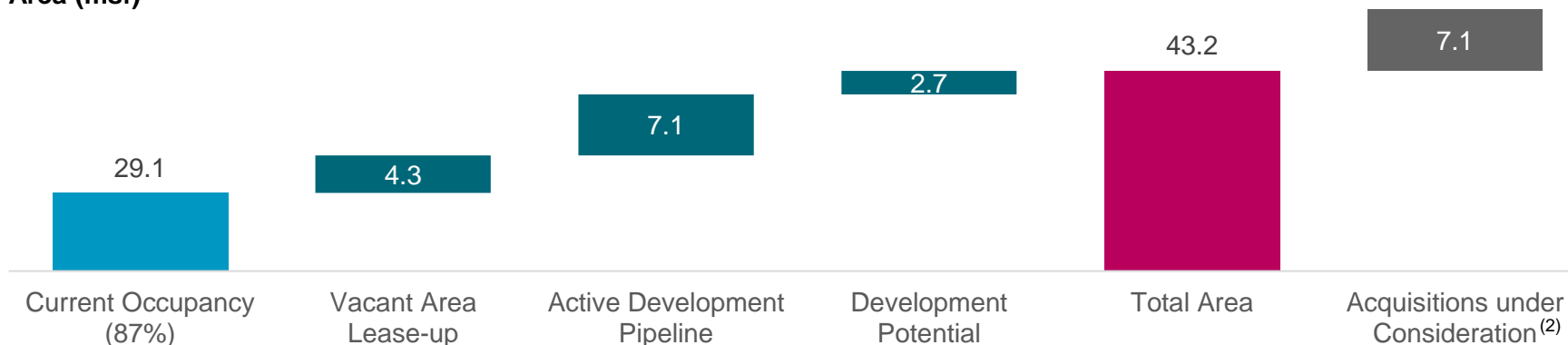
Embedded rent growth in existing portfolio, driven by contracted rent escalation (~15% every 3 yrs) and market rent growth

Average In-Place Rent (₹ per sf per month)



Expected area growth, driven by organic and inorganic expansion

Area (msf)



Notes:

(1) Source: CBRE, Sep'22

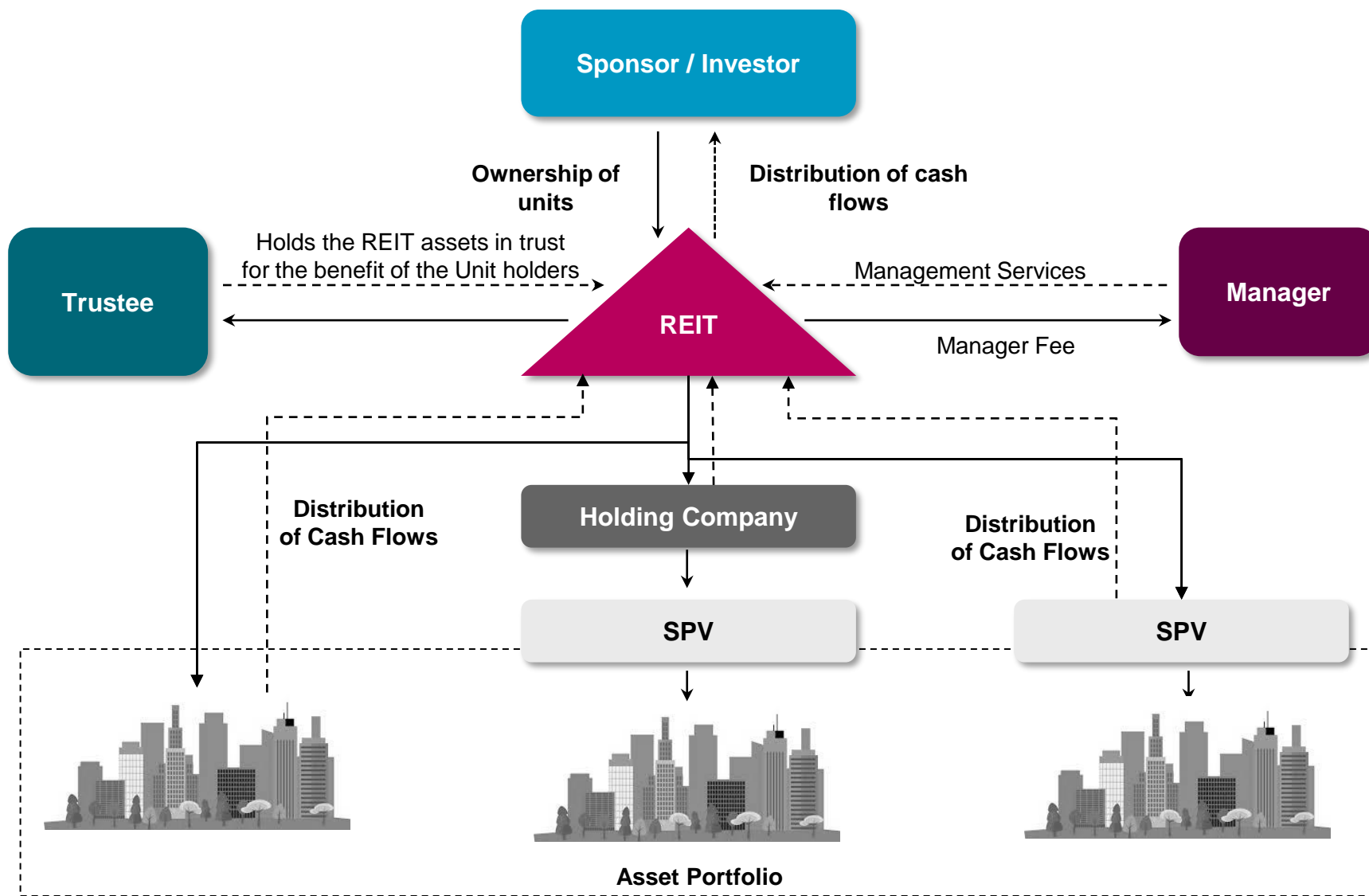
(2) Entered into non binding offer letters with Embassy Sponsor and its affiliates with 120 days exclusivity period. The non binding offer letters are subject to diligence, entry into definitive agreements and obtain approvals, including from third parties, unitholders and regulatory authorities to the extent applicable. There is no assurance that any transactions will be entered pursuant to the offer letters or the terms and timing of any such transactions

Appendix



Embassy Galaxy, Noida

How are REITs Structured?



Who can Invest in Indian REITs?

- ▶ Any investor (domestic / foreign / retail / institutional) can buy REIT units in India
- ▶ No minimum trading lot size; previous minimum trading lot size of Rs 50,000 and 200 units done away with now
- ▶ Investors can purchase REIT units through a demat account, similar to how they would purchase shares in a company
- ▶ Indian REIT units can be bought / sold freely on either NSE or BSE – either online or through a broker
- ▶ Investors can also buy REIT units through participation in REIT IPO upon listing

Benefits of a REIT vs Direct Investment vs Equity Shares

	REIT Units	Direct Investment in RE ¹	Real Estate Equity Shares
Investment Characteristics	<ul style="list-style-type: none"> ▶ Minimum lot size of 1 units ▶ Freely transferable listed securities ▶ Professionally managed ▶ No entry / exit load 	<ul style="list-style-type: none"> ▶ ₹ 2.5 million onwards (for strata units) ▶ Illiquid, lock-ins & non-transparent market ▶ Hassles in managing assets ▶ Transaction costs involved 	<ul style="list-style-type: none"> ▶ Minimum lot size of 1 share ▶ Freely transferable listed securities ▶ Professionally managed ▶ No entry / exit load
Asset and Tenant Quality	<ul style="list-style-type: none"> ▶ Grade A assets in prime locations, primarily office ▶ Multiple marquee tenants across sectors 	<ul style="list-style-type: none"> ▶ Usually, strata interests in standalone buildings ▶ Usually exposed to single tenant risk 	<ul style="list-style-type: none"> ▶ Grade A / B assets with a mix of office / residential / retail ▶ Multiple tenants across sectors
Return Profile	<ul style="list-style-type: none"> ▶ Returns driven by capital appreciation and regular cash distribution (90% mandatory) 	<ul style="list-style-type: none"> ▶ Returns driven by a timely and profitable exit 	<ul style="list-style-type: none"> ▶ Returns driven by capital appreciation and dividends (NOT mandatory)
Tax Efficiency	<ul style="list-style-type: none"> ▶ Dividends are tax exempt 	<ul style="list-style-type: none"> ▶ Dividends are taxable 	<ul style="list-style-type: none"> ▶ Dividends are tax exempt
Leverage Profile	<ul style="list-style-type: none"> ▶ Restricted to 49% Net debt / Total Enterprise Value 	<ul style="list-style-type: none"> ▶ No restrictions 	<ul style="list-style-type: none"> ▶ No restrictions
Governance Standard	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ Lower than REIT standards
Risk Profile	<ul style="list-style-type: none"> ▶ Lower than other commercial real estate vehicles 	<ul style="list-style-type: none"> ▶ High 	<ul style="list-style-type: none"> ▶ Higher than REIT profile

Notes:

(1) Assumed Real Estate (RE) held through an SPV

(2) Excluding applicable surcharges and cess

Regulatory Framework for Indian REITs

India REITs have to adhere to a strong SEBI regulatory framework aimed at protecting unitholder value

Asset and Distributions	<ul style="list-style-type: none"> ▶ Minimum 80% of value in completed and income producing assets – hence, less risk to cash flows ▶ Restrictions on speculative land acquisition ▶ Minimum 90% of distributable cash flows to be distributed semi-annually
Debt	<ul style="list-style-type: none"> ▶ Majority unitholder approval required if debt exceeds 25% of asset value ▶ Debt cannot exceed 49% of asset value
Corporate Governance	<ul style="list-style-type: none"> ▶ 50% independent directors on the Board, with 50% representation on all committees ▶ REIT Manager can be removed with 60% approval of unrelated unitholders ▶ Alignment with unitholder interests due to a distribution-linked management fees structure
Related Party Safeguards	<ul style="list-style-type: none"> ▶ Sponsors are prohibited from voting on their related party transactions ▶ Majority unitholder approval required for acquisition or disposal of asset which exceeds 10% of REIT value ▶ Acquisition or sale price of new asset cannot deviate from average valuation of two independent valuers by + / - 10% ▶ Fairness opinion from independent valuer required if related party leases exceed 20% of the underlying asset

Management Fee Structure Comparison

Compared to international counterparts, Indian REITs have a significantly lower and simpler fee structure to drive value to unitholders

	Indian REITs ¹	Select Asian REITs ²
Property Mgmt. Fees	3% - 3.5% <i>of Total Rents</i>	2% - 3% <i>of Gross Revenue or / and Net Property Income</i>
REIT / Performance Fees	0.5% - 1% <i>of Net Distributable Cash Flows / Distributions</i>	3% - 5.25% <i>of Net Property Income</i>
Base Fees	Nil	0.1% - 0.5% <i>of Gross Asset Value</i>
Acquisition Fees	Nil	1% <i>of Acquisition Price</i>
Divestment Fees	Nil	0.5% <i>of Sale Price</i>

Notes:

(1) Based on the fee structure adopted by the 3 REITs listed in India

(2) Based on the fee structure adopted by select key REITs / trusts listed in Singapore

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