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## **MEDIA RELEASE**

### **Unaudited Results of Keppel REIT for the First Quarter Ended 31 March 2015**

**13 April 2015**

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the first quarter ended 31 March 2015.

The materials are also available at [www.keppelreit.com](http://www.keppelreit.com), [www.keppelland.com](http://www.keppelland.com) and [www.kepcorp.com](http://www.kepcorp.com).

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## Keppel REIT's 1Q 2015 distribution income up approximately 18% q-o-q

### *Achieves DPU growth of 13% q-o-q, Upward trend of office rental reversion gathers momentum with 19% growth in rental rates in 1Q 2015*

- Sustained level of distributable income year-on-year ("y-o-y") notwithstanding the expiry of rental support from the 87.5% interest in Ocean Financial Centre in January 2015, the absence of income contribution from Prudential Tower and the absence of rental support from Marina Bay Financial Centre ("MBFC") Phase One
- Distribution per Unit ("DPU") grew 13% quarter-on-quarter ("q-o-q") to 1.70 cents due to a full-quarter contribution from MBFC Tower 3 and stronger performance from Bugis Junction Towers
- Successfully reviewed two-thirds of the leases due in 2015, all with positive rent reversions
- Achieved positive rental rate reversion of 19% for all office leases signed, renewed and reviewed in 1Q 2015
- High tenant retention rate of approximately 96% in 1Q 2015
- Close to 80% of total leases are not due for renewal till 2017 and beyond
- Maintained high committed portfolio occupancy of 99.3%, with nine of 11 completed office towers in Singapore and Australia fully committed
- Proactive capital management strategy saw the maiden issuance of a seven-year \$50 million fixed-rate Medium Term Notes, which is due in 2022
- Over 80% of borrowings are not due for repayment till 2017 and beyond
- Continuing the upward trend of office rental reversions, Keppel REIT's current strong portfolio will continue to deliver sustainable distributions for FY2015<sup>(1)</sup>

### Summary of Results

	GROUP		
	1Q2015 \$'000	4Q 2014 \$'000	1Q2014 \$'000
Property Income	42,405	42,337	46,782
Net Property Income	34,587	34,253	39,468
Share of Results of Associates	20,367	16,115	15,985
Share of Results of Joint Ventures	4,043	4,128	831
Income Available for Distribution	54,009	45,848	55,104
Distribution to Unitholders <sup>(2)</sup>	54,009	45,848	55,104
Distribution per Unit ("DPU") (cents) For the Period	1.70	1.51	1.97
Distribution Yield %	5.7% <sup>(3)</sup>	5.9% <sup>(4)</sup>	

(1) Barring any unforeseen developments and circumstances.

(2) Distribution to Unitholders is based on 100% of the taxable income available for distribution.

(3) The yield is based on the market closing price per Unit of \$1.20 as at the last trading day, 31 March 2015.

(4) The yield is based on the FY2014 DPU of 7.23 cents, at the market closing price per Unit of \$1.22 as at the last trading day, 31 December 2014.

## **Delivering Stable Returns**

Keppel REIT Management Limited is pleased to deliver distribution to Unitholders of \$54 million in 1Q 2015, which is approximately 18% higher q-o-q.

DPU for 1Q 2015 was 1.70 cents, which is 13% higher than 4Q 2014 DPU of 1.51 cents. This translates to an annualised distribution yield of 5.7%.

This higher distributable income and DPU on a q-o-q basis were due mainly to a full-quarter contribution from the one-third stake in MBFC Tower 3, which saw share of results of associates rise over 26% q-o-q and 27% y-o-y to reach \$20.4 million in 1Q 2015, as well as stronger performance from Bugis Junction Towers, which contributed to the improvement in both property income and net property income.

Distributable income for 1Q 2015 was comparable to that of 1Q 2014, notwithstanding the expiry of rental support from Keppel REIT's 87.5% interest in Ocean Financial Centre in January 2015, the absence of income contribution from the divested Prudential Tower<sup>(1)</sup> and the absence of rental support from MBFC Phase One.

## **Proactive Capital Management Strategy**

In February 2015, the Manager embarked on its maiden issuance of a seven-year \$50 million Medium Term Notes (MTN) at a fixed-rate of 3.15% per annum, which is due in 2022. Proceeds from the MTN were used to early refinance a \$50 million bank loan due in 2016.

With this, the Manager has completed the early refinancing of \$125 million loans due in 2016. Including the early refinancing of \$275 million of loans due in 2015, over 80% of the total borrowings are not due for repayment till 2017 and beyond.

As at 1Q 2015, Keppel REIT's weighted debt to maturity stood at 3.4 years. The all-in interest rate was 2.47% and interest coverage ratio was a healthy 4.6 times. As part of its ongoing efforts to mitigate interest rate volatility, the Manager continues to maintain approximately 65% of its total borrowings on fixed rates.

## **Steady Leasing Momentum**

Proactive and rigorous marketing efforts have seen the Manager continue its upward trend of achieving positive rental rate reversions for its office leases.

As at 1Q 2015, the Manager has successfully reviewed two-thirds of the leases due in 2015, and all reviews were completed with positive rental reversions. Office leases that were signed, renewed and reviewed during the quarter saw positive reversion of approximately 19% on rental rates on average.

Given Keppel REIT's quality portfolio of prime properties in strategic locations, the Manager was able to maintain a high tenant retention rate of approximately 96% in 1Q 2015.

To-date, close to 80% of total leases in the portfolio are not due for renewal till 2017 and beyond.

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<sup>1</sup> Prudential Tower was divested in September 2014.

In terms of portfolio occupancies, the Manager continues to maintain a high committed occupancy of 99.3%.

In Singapore, six of its seven office towers achieved 100% committed occupancy, bringing the overall occupancy for the Singapore portfolio to 99.5%, well above the average occupancy rate of 96.1%<sup>(1)</sup> for the core central business district (“CBD”). In Australia, Keppel REIT’s overall portfolio achieved 98.5% commitment. Three of four completed office towers in Sydney, Melbourne and Brisbane are fully committed, with the fifth office tower in Perth currently under construction.

The Manager continues to maintain a healthy weighted average lease expiry (“WALE”) of approximately nine years and six years for its top 10 tenants and overall portfolio respectively. The extended WALE and Keppel REIT’s young portfolio enhances the sustainability of the property income over the long term.

On 12 March 2015, the Manager marked the topping-out of the office tower being built on the Old Treasury Building site in Perth. A strategic landmark in Perth’s CBD, the office tower is expected to be completed in 2H 2015. It is 100% pre-committed to the Government of Western Australia with a 25-year lease with options for another 25 years.

### **Office Market Outlook**

In Singapore, the economy grew by 2.9% in 2014, with the finance and insurance sector recording the highest growth rate at 7.7%, followed by the information and communications sector at 3.6%. For the year 2015, the Ministry of Trade and Industry has forecast a 2.0% to 4.0% growth, on the back of modest global growth and a tightening domestic labour market.

Property consultants expect demand for Grade A space to remain positive in 2015. In 1H 2015, consultants expect demand for quality office space to continue to be supported by steady economic conditions and a tight office supply situation, although rental momentum is expected to slow down from 2H 2015 when pre-leasing activities for the 2016 office supply commence. However, consultants expect average Grade A office rentals to increase by 5.0% to 6.0% in 2015.

In Australia, the Australian Bureau of Statistics reported a 2.5% y-o-y economic growth in 4Q 2014. In February 2015, the Reserve Bank of Australia eased monetary policy to encourage sustainable economic growth by reducing the cash rates to 2.25%.

Demand for office space remained relatively stable in key Australian cities, with the last two consecutive quarters of 2014 recording positive net absorption for CBD office space. Consultants also noted that the number of job advertisements in 2014 has increased, indicating that firms are looking to grow headcount amidst improving business conditions.

### **Looking Ahead**

The Manager will continue on its proactive leasing strategy to maintain strong portfolio occupancy for all its properties. A prudent and proactive capital management approach will also be maintained to mitigate financing risks.

Such efforts, coupled with Keppel REIT’s young portfolio of premium assets in strategic business and financial precincts in Singapore as well as key cities in Australia, put the Manager in good stead to provide Unitholders with income stability and resilience over the long term.

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<sup>1</sup> Source: CBRE, 1Q 2015.

## **About Keppel REIT ([www.keppelreit.com](http://www.keppelreit.com))**

Keppel REIT was listed by way of an introduction on 28 April 2006. Today, it is one of the largest real estate investment trusts listed on the Singapore Exchange.

Keppel REIT's objective is to generate stable income and provide long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets pan-Asia.

As at 31 March 2015, Keppel REIT has assets under management of approximately \$8.2 billion comprising interests in nine premium office assets with 12 office towers strategically located in Singapore's CBD as well as key financial precincts of Sydney, Melbourne, Brisbane and Perth in Australia.

The assets in Singapore are Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall), a one-third interest in One Raffles Quay and a 99.9% interest in Ocean Financial Centre.

The assets in Australia are a 50% interest in 8 Chifley Square and the office tower at 77 King Street, both in Sydney, a 50% interest in the office building at 8 Exhibition Street in Melbourne, a 50% interest in 275 George Street in Brisbane, as well as a 50% interest in the office tower and its annexe being built on the site of the Old Treasury Building in Perth.

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property developers, and is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Land.

### ***Important Notice***

*The value of Units and the income from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by the Manager, or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.*

*Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of Keppel REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.*

*The past performance of Keppel REIT is not necessarily indicative of the future performance of Keppel REIT.*