



*Managed by*

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## **MEDIA RELEASE**

### **Unaudited Results of Keppel REIT for the Third Quarter and Nine Months Ended 30 September 2017**

**17 October 2017**

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the third quarter and nine months ended 30 September 2017.

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**Keppel REIT delivers distributable income of \$142.5 million for 9M 2017**  
**Portfolio committed occupancy remains high at 99.6%, with almost all renewals completed for 2017**

**Key Highlights**

- Distributable income (DI) of \$47.0 million for 3Q 2017, bringing DI for the nine months ended 30 September 2017 (9M 2017) to \$142.5 million.
- Distribution per Unit (DPU) for 9M 2017 was 4.27 cents, with DPU of 1.40 cents declared for 3Q 2017.
- Aggregate leverage at 38.8% and all-in interest rate at 2.58%.
- Commenced construction of office tower at 311 Spencer Street in Melbourne.
- High portfolio committed occupancy rate of 99.6% and WALE of six years as at end-September 2017.
- Maintained high tenant retention rate of 91.8% for 9M 2017.
- Garnered accolades at the internationally-recognised Global Real Estate Sustainability Benchmark 2017 and the Singapore Governance and Transparency Index 2017.

**Summary of Results**

|  | GROUP               |                     |                   |                      |
|--|---------------------|---------------------|-------------------|----------------------|
|  | 3Q 2017             | 3Q 2016             | 9M 2017           | 9M 2016              |
|  | \$'000              | \$'000              | \$'000            | \$'000               |
| Property income                          | 40,445              | 39,532              | 120,147           | 121,251              |
| Net property income                      | 31,672              | 31,580              | 94,958            | 96,948               |
| Share of results of associates           | 20,441              | 24,661              | 64,319            | 63,553               |
| Share of results of joint ventures       | 8,146               | 7,890               | 24,027            | 23,043               |
| Income available for distribution        | 47,002              | 52,452              | 142,529           | 159,407 <sup>1</sup> |
| Distribution to Unitholders <sup>2</sup> | 47,002 <sup>3</sup> | 52,452 <sup>4</sup> | 142,529           | 159,407              |
| DPU (cents) for the period               | 1.40                | 1.60                | 4.27              | 4.89                 |
| Annualised/Actual distribution yield (%) |                     |                     | 4.8% <sup>5</sup> | 6.2% <sup>6</sup>    |

(1) Included income from 77 King Street before divestment on 29 January 2016.

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

(3) There was no distribution of other gains for the quarter ended 30 September 2017.

(4) There was a distribution of other gains of \$3.0 million for the quarter ended 30 September 2016.

(5) Based on the market closing price per Unit of \$1.18 as at the last trading day, 30 September 2017.

(6) Based on the total DPU of 6.37 cents for FY 2016 and the market closing price per Unit of \$1.02 as at the last trading day, 31 December 2016.

**Financial Performance & Capital Management**

Keppel REIT Management Limited, the Manager of Keppel REIT, wishes to announce that the REIT has delivered stable DI across the three quarters of 2017. On a year-on-year basis, DI of \$142.5 million for 9M 2017 was lower mainly due to the absence of income from 77 King Street in Sydney which was divested in January 2016, lower one-off income received and the absence of other gains distribution.

The Manager is pleased to declare a DPU of 1.40 cents for 3Q 2017, bringing total DPU for 9M 2017 to 4.27 cents.

For 9M 2017, Keppel REIT's all-in interest rate was stable at 2.58% with interest coverage ratio at 4.4x. To manage the REIT's interest rate exposure, the Manager has entered into interest rate swaps. The interest rates of 76% of the REIT's borrowings were fixed.

Aggregate leverage remained stable quarter-on-quarter at 38.8%. Weighted average term to maturity of borrowings was 3.0 years. The Manager is proactively refinancing loans that are due in 2018.

## **Portfolio Review**

During the quarter, Keppel REIT commenced construction of its newly acquired premium office tower at 311 Spencer Street. When completed in 4Q 2019, the Grade A office tower will be the headquarters for the Victoria Police. The addition of a AAA-rated tenant on a 30-year lease at 311 Spencer Street will enhance the stability of Keppel REIT's income stream over the long term.

The Manager continued its proactive leasing strategy and has completed almost all leases due for renewal in 2017, with only 0.5% of the total portfolio NLA remaining as at 3Q 2017. Negotiations for some leases due for renewal and review in 2018 have also begun. Portfolio retention rate remained high at 91.8% for 9M 2017.

As at 3Q 2017, committed occupancy of the REIT's portfolio in Singapore remained high at 99.6%, above Singapore's core CBD average occupancy<sup>1</sup> of 92.5%. Meanwhile, committed occupancy of the Australian portfolio remained constant at 99.8%, well above Australia's national CBD office market average occupancy<sup>1</sup> of 89.1%. Overall committed occupancy for Keppel REIT's portfolio remained healthy at 99.6%. WALE for Keppel REIT's top 10 tenants and overall portfolio were approximately eight years and six years respectively.

## **Commitment to Sustainability**

Keppel REIT emerged 2<sup>nd</sup> among 13 Asian listed office entities, and 3<sup>rd</sup> among 52 Asian listed companies in the internationally-recognised Global Real Estate Sustainability Benchmark (GRESB) 2017. This is testament to the Manager's ongoing efforts to raise its environmental, social and governance standards. GRESB assesses the sustainability performance of property companies and real estate funds globally on aspects including environmental performance indicators.

At the same time, Keppel REIT ranked 3<sup>rd</sup> in the REIT and business trust category of the Singapore Governance and Transparency Index (SGTI) 2017. The SGTI reviews Singapore-listed companies' corporate governance practices, as well as their timeliness, accessibility and transparency of disclosure.

## **Looking Ahead**

Property consultants are generally of the view that sentiments in the Singapore office market are improving amidst stronger economic fundamentals. CBRE reported an increase in the average rental rate of Grade A office space to \$9.10 psf in 3Q 2017, up from \$8.95 psf in 2Q 2017. However, average occupancy rate in the core CBD was 92.5%, down from 94.1% in 2Q 2017.

In Australia, JLL reported marginal improvement in average occupancy for Australia's national CBD office market from 88.6% as at end-March 2017 to 89.1% as at end-June 2017. The Australian CBD office markets generally saw positive leasing activities in 2Q 2017 with business confidence at healthy levels. JLL has observed that 2Q 2017 was the first quarter in six years to have exhibited positive net absorption across key CBD office markets including Sydney, Melbourne, Brisbane and Perth.

Over the long term, the Manager remains focused on achieving stable and sustainable income for Unitholders. The Manager will maintain its proactive tenant and lease management strategy to optimise value from the REIT's quality portfolio of office buildings. Active refinancing and diversification measures will be undertaken to mitigate interest rate and funding related risks. The Manager will also continue to uphold environmental, social and governance standards and practices which will be essential to sustain Keppel REIT's performance.

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<sup>1</sup> Sources: Singapore – CBRE, 3Q 2017. Australia – Jones Lang LaSalle, end-June 2017.

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

Keppel REIT was listed by way of an introduction on 28 April 2006. Keppel REIT is one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial districts.

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

As at 30 September 2017, Keppel REIT had assets under management of approximately \$8.5 billion<sup>1</sup> comprising interests in nine premium office assets (completed and under development) strategically located in the central business districts of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

In Singapore, the assets are Ocean Financial Centre (99.9% interest), Marina Bay Financial Centre (office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall) (one-third interest), One Raffles Quay (one-third interest) and Bugis Junction Towers (100% interest).

In Australia, the assets are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in the three adjoining retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre in Perth (50% interest). Keppel REIT also has a 50% stake in a premium office tower which is under construction at 311 Spencer Street in Melbourne.

Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies. It is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital). Keppel Capital is a premier asset manager in Asia with a diversified portfolio in real estate, infrastructure and data centre properties in key global markets.

#### **Important Notice**

*The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments or shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.*

*Prospective investors and unitholders of Keppel REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel REIT (the "Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this presentation. None of the Manager, the trustee of Keppel REIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel REIT ("Units") and the income derived 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.*

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<sup>1</sup> Includes capitalised costs for 311 Spencer Street in Melbourne, which is under construction.

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