Keppel REIT
(Constituted in the Republic of Singapore pursuant to
a trust deed dated 28 November 2005 (as amended))

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE ANNUAL GENERAL MEETING ON 23 APRIL 2021

Keppel REIT Management Limited, as manager of Keppel REIT (the "**Manager**"), refers to:

(a) Keppel REIT's notice of annual general meeting ("**AGM**") dated 1 April 2021; and

(b) the accompanying announcement released on 1 April 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Manager wishes to thank all unitholders of Keppel REIT who have submitted their questions in advance of the AGM. The Manager wishes to inform that responses to substantial and relevant questions submitted by unitholders are published in this announcement.

Please refer to **Annex A** hereto for the list of substantial and relevant questions, and the Manager's responses to these questions.

By Order of the Board

Keppel REIT Management Limited
(Company Registration Number: 200411357K)
as manager of Keppel REIT

Tan Weiqiang, Marc
Company Secretary
22 April 2021

ANNEX A: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

1.	**What is the office leasing outlook post COVID-19?**
	• Leasing activities have improved from the low levels experienced last year, which were caused mainly by the economic uncertainty that impacted business sentiments and office demand, as well as the strict COVID-19 safe management measures which hampered office viewings. With improving sentiments and continued progress in the vaccine rollout, the Singapore Government has relaxed some of these safe management measures, which we believe will result in a pick up in economic activities and support positive leasing momentum this year. • During the pandemic, while we have seen some tenants, including those in the banking sector, downsize as part of their rationalisation exercises, many businesses are still re-evaluating their long term space needs. At the same time, there remains some bright spots in the office sector, as firms in the technology and non-banking financial services sectors continue to grow and expand their businesses despite the pandemic. Additionally, tenants displaced from office buildings slated for redevelopment have also contributed to leasing demand. • According to CBRE[1], the Singapore Grade A market is expected to be the main beneficiary through the market recovery phase, as large corporates leverage the short-term market pull-back to upgrade in location and quality. Moreover, Singapore remains an attractive and stable business destination for multi-national corporations. In the long term, positive economic growth, coupled with the limited Grade A supply pipeline, are expected to provide positive support for the overall Singapore office market. • Meanwhile, in Australia, JLL Research expects continued near-term pressure on occupancy and rents in view of upcoming supply and subdued leasing market conditions. However, the economy has rebounded strongly from COVID-19 and we continue to believe in the long-term fundamentals of the Australian market. • In Seoul, the CBD office market remains stable despite the COVID-19 pandemic. At the same time, the limited Grade A pipeline in Seoul CBD will continue to support the market. • Looking ahead, Keppel REIT, with its core CBD Grade A commercial portfolio and strong focus on health and safety operational standards, is well-positioned to retain and attract established tenants from diverse sectors.

[1] Source: https://www.cbre.com.sg/about/media-centre/grade-a-offices-to-lead-modest-recovery-in-singapores-office-market-in-2021

2.	**Are there any push backs in leasing from main tenants? Some of Keppel REIT's banking tenants were reported in the news to be returning some space – please comment and share how the Manager intends to mitigate any impact?**
	• We have seen recent media reports on banks returning spaces. While we are unable to confirm these reports nor provide further details due to tenant confidentiality, we have over the last 10 years seen banks reduce space through densification of their office or offshoring as they seek to reduce costs. Over the years, we have also adopted a more flexible leasing approach, and calibrated our leasing strategy to support tenants' evolving business needs. These proactive efforts have enabled us to maintain high portfolio committed occupancy rates. While banks generally commit to longer lease terms, which provide the REIT with long term income stability, we will continue to proactively engage our banking tenants, as well as all other tenants, to better understand their needs and requirements, as they re-evaluate their space needs. • Over the years, Keppel REIT has been proactively diversifying our tenant base to include other tenant types including as government and technology companies in order to strengthen income resilience. Keppel REIT's lease expiry is also well spread with only 8.1% (by attributable NLA) expiring in 2021, and 5.3% up for rent review as at 31 March 2021. The weighted average lease expiry (WALE) for Keppel REIT's portfolio remains long at approximately 6.7 years, while WALE for the top 10 tenants stands at 11.8 years, both which will provide the REIT with resilient income streams. • At the same time, to manage the impact of any potential occupancy voids, the Manager continues to focus on its leasing efforts to maximise occupancy and rental returns. This includes engaging tenants in other sectors such as technology companies, which have and are expected to continue expanding.
3.	**In view of the long term impact of potential changes in business activities in the physical office space, what are some of the Manager's plans to continue to grow DPU in terms of top line and cost management?**
	• While telecommuting has become widely adopted by companies during the COVID-19 pandemic, physical offices and face-to-face interactions remain important and essential for client engagement, team collaboration and building of corporate culture. We expect more tenants to return to their office premises over time, while re-assessing their long-term space needs. • To maximise Unitholder returns, the Manager will seek to optimise the balance between occupancy and rentals, manage expenses, as well as continue to implement asset enhancement initiatives where appropriate to future-proof Keppel REIT's portfolio. • To achieve sustainable DPU growth through property cycles, the Manager has and will continue to execute its portfolio optimisation strategy to improve income yield and resilience. The acquisition of Pinnacle Office Park in Sydney and Keppel Bay Tower in Singapore is also a strategic diversification of Keppel REIT's portfolio to provide Grade A non-CBD office space to tenants seeking cost-effective solutions or hub-and-spoke business models.

	• We believe that our continued focus on executing our portfolio optimisation strategy and ongoing efforts to enhance capital efficiency will improve yield and generate stable and sustainable returns to Unitholders.
4.	**It was mentioned in Keppel REIT's Annual Report 2020 that the manager has adapted and fine-tuned its portfolio approach strategy to meet the changing demands and requirements of its tenants. How does the manager ensure that the assets meet the changing demands of its tenants?**
	• The Manager continues to calibrate its leasing and investment strategy to meet continuous shifts in occupier demand. • With the experience of COVID-19, quality office buildings that are well managed with sustainable and technologically-advanced features will be sought after by tenants, and areas such as wellness will be a key consideration for offices of the future. Our focus on investing in newer quality buildings over the years has resulted in the young portfolio of premium core CBD assets that we have today. That said, we will continue to build a resilient portfolio with a strong focus on hygiene, air quality and safe management measures to enhance the well-being and safety of building occupants. Testament to our efforts is Ocean Financial Centre's latest recognition in March 2021 as Singapore's first commercial building to achieve the WELL Health-Safety rating by the International WELL Building Institute. • Flexibility is another consideration in tenants' space needs, as some businesses incorporate more collaboration spaces and allow for flexible work arrangements. In meeting tenants' changing needs and demands, Keppel REIT has allowed for greater flexibility in its leases. At the same time, most of our properties feature flexible workspace operators to cater for tenants' need for core-and-flex arrangements. • Technology adoption will also be essential. Landlords would have to provide robust IT infrastructure and incorporate smart building technology to support tenants' conferencing requirements. • Sustainability will be another key focus area with increasing focus on climate risks. On this front, Keppel REIT continues to maintain high environmental standards, with all of its Singapore assets holding the Building and Construction Authority (BCA) Green Mark Platinum Award, while most of its buildings in Australia have achieved 5 Stars and above in the National Australian Built Environment Rating System (NABERS) Energy rating.

5.	**The REIT has been diversifying into key overseas cities such as Melbourne, Sydney and Seoul while divesting some of its mature assets in Singapore for capital recycling (such as Bugis Junction Towers and 20% stake in Ocean Financial Centre). The REIT is now looking to complete the acquisition of Keppel Bay Tower in 2Q 2021 at an agreed property value of $657.2 million. The proposed acquisition of Keppel Bay Tower in December 2020 followed Keppel Corporation's earlier announcement in September 2020 that it has identified assets to be monetised in its Vision 2030.** **(i) Was the acquisition of Keppel Bay Tower initiated by the manager?** **(ii) Can the manager elaborate further on its expansion into non-CBD assets? Would the "hub-and-spoke" business model for office locations fall out of favour once the COVID-19 pandemic is over?** **(iii) Would the board/manager provide greater clarity to unitholders on its capital allocation strategy by geography? What will be the percentage of overseas assets in the REIT in five or 10 years' time?**
	• The Manager independently evaluates opportunities from both its Sponsor and third parties, taking into account the risks and rewards of each potential acquisition and the long-term benefits to Unitholders. • Keppel Bay Tower was an asset that the Manager had decided to pursue and had been evaluating before Keppel Corporation announced its Vision 2030. The transaction was done on a willing buyer-willing seller basis and is part of Keppel REIT's ongoing portfolio optimisation strategy. • The acquisitions of Keppel Bay Tower in Singapore and Pinnacle Office Park in Sydney allow Keppel REIT to offer more leasing options and alternative solutions to tenants seeking hub-and-spoke business models or dual locations for business continuity purposes. Post COVID-19, the expansion into well-located Grade A non-CBD office spaces will continue to complement Keppel REIT's CBD offering, strengthening the overall portfolio and enhancing the stability of distributions to Unitholders. Post-acquisition of Keppel Bay Tower, Keppel REIT's portfolio remains anchored by prime CBD assets, while 11.0%[2] of the assets under management comprises non-CBD office buildings. • In terms of current geographical focus, Keppel REIT is a Pan-Asian commercial REIT with Singapore CBD assets as its core. As at 31 March 2021 and assuming the inclusion of Keppel Bay Tower[3] in Singapore, Keppel REIT's $8.9 billion Grade A commercial portfolio is anchored by Singapore assets which formed 77.4% of assets under management, while the remaining assets are in key business districts of Australia (19.2%) and South Korea (3.4%). • The Manager believe that investing in assets across Singapore, Australia and South Korea enhances Keppel REIT's ability to deliver sustainable returns over time through changing property cycles in the different markets. In the medium term, having 25%-30% of assets overseas would complement Keppel REIT's Singapore portfolio.

[2] Based on assets under management as at 31 March 2021.
[3] Targeted for completion in 2Q 2021.

6.	**The Monetary Authority of Singapore (MAS) increased the aggregate leverage limit from 45% to 50% in April 2020. It also deferred the implementation of a minimum interest coverage ratio requirement for REITs. Would the board help unitholders understand if it has set an internal limit to the aggregate leverage? How is the REIT fine-tuning its pace of acquisition and/or asset enhancement initiatives in view of the higher aggregate leverage limit (50% as set by MAS) while also considering the risks and uncertainties in the market due to the pandemic?**
	• As at 31 March 2021, Keppel REIT's aggregate leverage was 35.2%. Assuming the acquisition of Keppel Bay Tower was completed as at 31 March 2021, the aggregate leverage would have been 39.4%. • Keppel REIT's aggregate leverage and its interest coverage ratio of 3.7 times as at 31 March 2021 are well within MAS' prescribed limits. The Manager will continue to review and assess, amongst others, these metrics regularly as part of its risk management process and will place due consideration of the potential effects of any transaction on these metrics. • Given the quality of Keppel REIT's assets, the Manager is comfortable with its aggregate leverage level. While the increase in limit by MAS allows more financial flexibility, the Manager will remain prudent given current market uncertainties.
7.	**In February 2021, the manager carried out a private placement of 238.9 million new units at an issue price of $1.13 per new unit to raise approximately $270 million to fund the acquisition of Keppel Bay Tower (which is an "interested party transaction" under the Property Funds Appendix).** **(i) How does the manager determine the optimal way to raise fund for its acquisitions? Did the board, especially the independent directors, consider the NAV impact of carrying out a private placement at a price below the NAV per unit?** **(ii) Did the manager evaluate the cost (including dilution) to the then-existing unitholders? What was the REIT's cost of this additional capital if the dilutive effects are considered?**
	• In determining the appropriate type of funding, the Manager considered various factors, such as the cost of funding, the level of DPU and NAV accretion or dilution to Unitholders, and the capital structure of the REIT. • Keppel REIT's private placement in February 2021 was small in size relative to its market capitalisation and thus the NAV dilution impact was limited. At the same time, the DPU-accretive acquisition of Keppel Bay Tower will bring clear benefits for Unitholders. • The private placement also served to increase Keppel REIT's market capitalisation and improve its free float, which will enhance trading liquidity and attract more investor demand.

8.	**With reference to the Profit and Loss Statement for FY 2020, the net change in fair value of investment properties has lowered the profit significantly. Why were the changes in fair value of investment properties so extreme?**
	• In line with the Property Funds Appendix of the Code on Collective Investment Schemes, an annual independent valuation of all Keppel REIT's investment properties was performed as at 31 December 2020. • Fair value changes on investment properties for FY 2020 ranged from positive 0.5% to negative mid-2%. o In Singapore, Ocean Financial Centre, One Raffles Quay and Marina Bay Financial Centre recorded a decrease in their respective valuations due mainly to potential occupancy changes and lower rental expectations in view of the COVID-19 pandemic. o Australian building valuations, excluding David Malcolm Justice Centre, Victoria Police Centre and Pinnacle Office Park, declined due to potential occupancy changes at 8 Chifley Square, as well as expansion of capitalisation rate used in the valuations of 8 Exhibition Street and 275 George Street. The decrease in valuations of these properties was partially offset by the appreciation of the Australian dollar against the Singapore dollar. o T Tower in Seoul recorded an increase in property value due to compression of capitalisation rate used in valuation.

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