



Keppel REIT Management Limited Tel: (65) 6803 1818
(Co Reg No. 200411357K) Fax: (65) 6803 1717
1 HarbourFront Avenue
Level 2 Keppel Bay Tower
Singapore 098632
www.keppelreit.com

MEDIA RELEASE

Unaudited Results of Keppel REIT for the Third Quarter and Nine Months Ended 30 September 2019

16 October 2019

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 2019.

For more information, please contact:

Media Relations

Ms Frances Teh
Senior Manager
Group Corporate Communications
Keppel Corporation Limited
Tel: (65) 6413 6437
Email: frances.teh@kepcorp.com

Investor Relations

Ms Liang Huihui
Deputy Manager
Investor Relations
Keppel Capital
Tel: (65) 6803 1649
Email: huihui.liang@kepcapital.com

The materials are also available at www.keppelreit.com, www.kepcapital.com and www.kepcorp.com

Keppel REIT delivers distributable income of \$47.5 million for 3Q 2019

Key Highlights

- Distributable income for the third quarter of 2019 (3Q 2019) was \$47.5 million, including capital gains distribution of \$2.0 million, bringing total distributable income for the nine months of 2019 (9M 2019) to \$142.1 million.
- 3Q 2019 distribution per Unit (DPU) was up 2.9% year-on-year at 1.40 cents, bringing DPU for 9M 2019 to 4.18 cents.
- 311 Spencer Street development in Melbourne topped out with 30-year lease commencement expected in 2Q 2020.
- Ongoing portfolio optimisation strategy has resulted in the divestment of Bugis Junction Towers in Singapore, which will unlock capital gains of \$378.1 million.
- High portfolio committed occupancy of 98.9% and long portfolio weighted average lease expiry (WALE) of 5.1 years.

Summary of Results

	GROUP					
	3Q 2019 \$'000	3Q 2018 \$'000	+ / (-)	9M 2019 \$'000	9M 2018 \$'000	+ / (-)
Property income	42,378	36,655	+15.6%	122,308	128,043	(4.5%) ⁽¹⁾
Net property income (NPI)	33,170	28,204	+17.6%	95,544	102,630	(6.9%)
Less: Attributable to non-controlling interests	(4,201)	(19)	Nm	(12,459)	(74)	Nm
NPI attributable to Unitholders	28,969 ⁽²⁾	28,185	+2.8%	83,085 ⁽²⁾	102,556	(19.0%)
Share of results of associates	21,285	17,509	+21.6%	60,387	57,098	+5.8%
Share of results of joint ventures	7,316	7,528	(2.8%)	21,613	22,846	(5.4%)
Income available for distribution	47,514	46,340	+2.5%	142,126	142,895	(0.5%)
Distribution to Unitholders	47,514 ⁽³⁾	46,340	+2.5%	142,126 ⁽³⁾	142,895	(0.5%)
DPU (cents)	1.40	1.36	+2.9%	4.18	4.20	(0.5%)
Annualised/Actual distribution yield (%)				4.4% ⁽⁴⁾	4.9% ⁽⁵⁾	(0.5 pp)

(1) The decrease was due mainly to lower one-off income for early surrender of leases.

(2) Reflects amount attributable to Unitholders based on an interest of 79.9% in Ocean Financial Centre following the divestment of a 20% stake in December 2018, as well as an interest of 99.38% in T Tower in Seoul which was acquired in May 2019.

(3) Includes distribution of capital gains of \$2.0 million for 3Q 2019 and \$8.0 million for 9M 2019.

(4) Based on the market closing price of \$1.26 per Unit as at 30 September 2019.

(5) Based on the total DPU of 5.56 cents for FY 2018, and the market closing price of \$1.14 per Unit as at 31 December 2018.

Financial Performance

Keppel REIT Management Limited, as Manager of Keppel REIT, announced that Keppel REIT's distributable income for 3Q 2019 was \$47.5 million, 2.5% higher than 3Q 2018's distributable income of \$46.3 million. DPU for 3Q 2019 was 1.40 cents, up 2.9% year-on-year.

The improved performance was due mainly to a full quarter contribution from T Tower in Seoul, higher average portfolio rentals, capital gains distribution of \$2.0 million for 3Q 2019, and the DPU-accretive Unit buy-back programme. The increase was partially offset by the absence of rental support¹ and lower contribution from Ocean Financial Centre following the divestment of a 20% stake.

For 9M 2019, distributable income was \$142.1 million, slightly lower than 9M 2018's \$142.9 million. DPU for the period was 4.18 cents, which translates to an annualised distribution yield of 4.4% based on market closing price of \$1.26 per Unit as at 30 September 2019.

¹ Refers to rental support in relation to Marina Bay Financial Centre Tower 3, which was fully drawn in 1Q 2019.

Capital Management

As part of its proactive capital management strategy, the Manager continued with its DPU-accretive Unit buy-back programme². In 3Q 2019, a total of approximately 13.6 million issued Units were purchased and cancelled.

During the quarter, all-in interest rate decreased from 2.86% per annum to 2.82% per annum. As at 30 September 2019, aggregate leverage was 38.9% and weighted average term to maturity was 3.4 years. Interest coverage ratio³ was 3.8 times and the interest rates of 91% of total borrowings are fixed.

The Manager will continue to optimise the REIT's capital structure to reduce borrowing costs, as well as manage the debt maturity and hedging profiles to improve returns.

Unlocking Value for Further Portfolio Optimisation

In line with the Manager's ongoing portfolio optimisation strategy, Keppel REIT announced the divestment of its strata ownership of Bugis Junction Towers in Singapore for a sale price of \$547.5 million or \$2,200 psf based on the building's net lettable area. The sale price is 6.3% above the latest valuation⁴ of \$515.0 million and 243.2% above the purchase price of \$159.5 million in 2006. Based on the net property income for the 12 months preceding 30 June 2019, the sale price translates to a yield of 3.0%.

Bugis Junction Towers has been held since Keppel REIT's listing in 2006 and has delivered asset-level returns of 19.4% p.a. over the holding period. The divestment will realise capital gains of approximately \$378.1 million⁵. The office tower was completed in 1994 with a remaining leasehold tenure of approximately 70 years.

With the divestment proceeds, the Manager will continue its DPU-accretive Unit buy-back programme, seek higher yielding opportunities for growth in Singapore, Australia and South Korea, as well as pare down debt. The Manager will also work to enhance stability of distribution to Unitholders while continuing with its ongoing portfolio optimisation initiatives and proactive efforts to mitigate occupancy voids.

Portfolio Review

Post-divestment of Bugis Junction Towers, which is expected to be completed in 4Q 2019, Keppel REIT's portfolio will remain firmly anchored by assets in the Singapore CBD. Assuming the divestment was completed on 30 September 2019, Keppel REIT's portfolio would comprise nine premium commercial properties in Singapore (81.0%), Australia (15.2%) and South Korea (3.8%)⁶.

On 19 August 2019, the development of 311 Spencer Street in Melbourne achieved an important milestone with the topping out and completion of the building structure. The 40-storey office tower will be internally fitted out over the coming months. Upon commencement of the 30-year lease to the Victoria Police expected in 2Q 2020, the freehold Grade A office tower will contribute a steady income stream to Keppel REIT and complement its pan-Asian portfolio of premium Grade A commercial assets.

In 9M 2019, the Manager committed total leases of approximately 516,400 sf (attributable area of approximately 221,000 sf). Of the attributable spaces committed, approximately one-third were new leases and expansions from mainly tenants in the technology, media and telecommunications sector, real estate and

² Subject to market conditions and taking into account restrictions under the Singapore Code on Take-overs and Mergers.

³ Computed as EBITDA (including share of results of associates and joint ventures) over borrowing costs, after adjusting for non-cash items including but not limited to management fees paid in Units and fair value changes on derivatives.

⁴ Valuation as at 8 August 2019.

⁵ Based on difference between sale price and purchase price, after taking into consideration capitalised expenditures and divestment costs.

⁶ Percentages based on assets under management, assuming that the divestment of Bugis Junction Towers was completed on 30 September 2019.

property services sector, as well as banking and financial services sector, while the remaining committed leases were renewals and rent reviews.

Almost all leases concluded in 9M 2019 were in Singapore. The average signing rent for the Singapore office leases committed in 9M 2019 was approximately \$12.35⁷ psf pm.

As at 30 September 2019, Keppel REIT's portfolio committed occupancy was healthy at 98.9%. The portfolio and top 10 tenants WALE remained long at approximately 5.1 years and 7.2 years respectively. Portfolio tenant retention rate for 9M 2019 was 78%.

Looking Ahead

According to CBRE, Singapore average Grade A office rents continued to trend upwards in 3Q 2019, rising from \$11.30 psf pm to \$11.45 psf pm. Average occupancy also rose during the quarter from 95.8% as at end June 2019 to 96.0% as at end September 2019.

In Australia, the national CBD office market occupancy was reported by JLL Research to be stable quarter-on-quarter at 91.7% as at end June 2019.

In Seoul, JLL Research observed an improvement in CBD Grade A occupancy from 82.5% as at end March 2019 to 84.5% as at end June 2019. Occupancy is expected to decline going into 2020, before rising in the subsequent years with the lack of new supply.

Amidst the current uncertain macro-economic environment, the Manager remains focused on delivering stable and sustainable distributions to Unitholders, and on achieving long-term growth. The Manager will continue its ongoing portfolio optimisation strategy, while driving operational excellence in its asset and capital management efforts.

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⁷ For the Singapore office leases concluded in 9M 2019 and based on a simple average calculation.

About Keppel REIT (www.keppelreit.com)

Keppel REIT was listed by way of an introduction on 28 April 2006. It is one of Asia's leading REITs with a young and large portfolio of premium Grade A commercial assets in prime business and financial districts pan-Asia.

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.

The REIT has assets under management of approximately \$8 billion in Singapore, key Australian cities of Sydney, Melbourne, Brisbane and Perth, as well as Seoul, South Korea.

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 release 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 release. 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 release or its contents or otherwise arising in connection with this release. 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.

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.