

## **MEDIA RELEASE**

### **Unaudited Results of Keppel REIT for the First Quarter Ended 31 March 2020**

**22 April 2020**

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 2020.

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

## Keppel REIT delivers distributable income of \$47.3 million for 1Q 2020

### Key Highlights

- Distributable income for the first quarter of 2020 (1Q 2020) was \$47.3 million, including capital gains distribution of \$5.0 million. 1Q 2020 distribution per Unit (DPU) was 1.40 cents.
- Aggregate leverage was 36.2% and all-in interest rate was 2.58% per annum.
- Refinanced majority of loans due in 2020 and received commitments for the remainder.
- High portfolio committed occupancy of 98.9% and long portfolio weighted average lease expiry (WALE) of 4.7 years.
- Announced measures to support tenants during the COVID-19 outbreak and safeguard long-term interests of all stakeholders.

### Summary of Results

	GROUP		
	1Q 2020 \$'000	1Q 2019 \$'000	+ / (-)
Property income	38,715	40,017	(3.3%)
Net property income (NPI)	30,165	31,311	(3.7%)
Less: Attributable to non-controlling interests	(4,338)	(4,057)	+6.9%
NPI attributable to Unitholders	25,827	27,254	(5.2%)
Share of results of associates	19,016	19,271	(1.3%)
Share of results of joint ventures	6,903	7,172	(3.8%)
Income available for distribution	47,317	47,319	N.m.
Distribution to Unitholders	47,317 <sup>(a)</sup>	47,319 <sup>(b)</sup>	N.m.
DPU (cents)	1.40	1.39	+0.7%
Distribution yield (%)	5.9% <sup>(c)</sup>	4.5% <sup>(d)</sup>	+1.4 pp

(a) Includes capital gains distribution of \$5.0 million for 1Q 2020.

(b) Includes capital gains distribution of \$3.0 million for 1Q 2019.

(c) Based on an annualised DPU and the market closing price of \$0.95 per Unit as at 31 March 2020.

(d) Based on the total DPU of 5.58 cents for FY 2019, and the market closing price of \$1.24 per Unit as at 31 December 2019.

N.m. = Not meaningful

### Financial Performance

Keppel REIT has achieved distributable income of \$47.3 million for 1Q 2020. Notwithstanding the absence of rental support<sup>1</sup> and lower income contribution following the divestment of Bugis Junction Towers in November 2019, distributable income was maintained year-on-year due mainly to the acquisition of T Tower in May 2019, higher capital gains distribution, as well as lower borrowing costs.

DPU for 1Q 2020 was 1.40 cents, which translated to an annualised distribution yield of 5.9% based on market closing price of \$0.95 per Unit as at 31 March 2020.

### Capital Management

As at the end of 1Q 2020, the majority of loans due in 2020 have been refinanced while commitments have been received for the remainder. This lengthened the weighted average term to maturity to 3.8 years. Aggregate leverage was 36.2%.

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

All-in interest rate was 2.58% per annum, with interest coverage ratio at 3.2 times<sup>2</sup>. The interest rates of 79% of total borrowings are fixed.

To meet future financing obligations, Keppel REIT has in place approximately \$966 million of undrawn credit facilities available, of which approximately \$400 million are committed facilities.

### **Managing the COVID-19 Situation**

With the safety of our tenants as our first priority, precautionary measures were implemented across all properties at the onset of the COVID-19 outbreak. These include temperature screening, increased frequency of cleaning for all common areas, provision of hand sanitisers and regular purging of air from the buildings. Keppel REIT's properties in Singapore, Australia and South Korea remain accessible to tenants that are operational during the outbreak.

In Singapore, to ease tenants' cash flow and cost pressures during the COVID-19 outbreak, Keppel REIT has extended approximately \$9.5 million of tenant support measures, which include the full pass-through of property tax rebates<sup>3</sup> of 30% to its office tenants and 100% to its retail tenants, in line with the Singapore Government's Resilience Budget which was announced on 26 March 2020, as well as full rental waiver for April 2020<sup>4</sup> to eligible retail tenants. In addition, eligible retail tenants will also be able to utilise one month's security deposit to offset rent payment.

As for Keppel REIT's overseas markets, support measures in line with the relevant government advisories issued will also be extended to all qualifying tenants.

These measures serve to support the business continuity of tenants and the long-term interests of all stakeholders.

### **Portfolio Review**

As at 31 March 2020, portfolio committed occupancy was high at 98.9%. The portfolio and top 10 tenants' WALE remained long at approximately 4.7 years and 6.7 years respectively. For 1Q 2020, Keppel REIT had a tenant retention rate of 50% due mainly to non-renewals at 275 George Street in Brisbane, as well as at Marina Bay Financial Centre and One Raffles Quay in Singapore. The majority of the non-renewed spaces have been leased to new and expanding tenants.

In 1Q 2020, the Manager committed total leases of approximately 170,600 sf (attributable area of approximately 75,200 sf). Of the attributable spaces committed, slightly over half were new leases and expansions from tenants mainly in the real estate sector, banking, insurance and financial services sector, as well as technology, media and telecommunications sector.

The majority of the leases concluded in 1Q 2020 were in Singapore. The average signing rent for the Singapore office leases committed during the quarter was approximately \$12.16<sup>5</sup> psf pm.

As at the end of 1Q 2020, there were only 4.9% and 3.9% of leases (by attributable NLA) expiring and due for review respectively for the remainder of the year. The Manager will strive for an optimal balance between achieving healthy occupancy levels and maximising returns from the assets.

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<sup>2</sup> Computed as trailing 12 months EBITDA (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), over trailing 12 months interest expense and borrowing-related fees, as defined in the Code on Collective Investment Schemes revised by the Monetary Authority of Singapore on 16 April 2020.

<sup>3</sup> Estimated to amount to approximately \$8.2 million.

<sup>4</sup> This replaces earlier announced relief measures so as to provide tenants with more immediate assistance.

<sup>5</sup> For the Singapore office leases concluded in 1Q 2020 and based on a simple average calculation.

Keppel REIT has a diversified tenant base, many of which are established blue-chip corporations. Notable tenants who are scheduled to move into Keppel REIT's properties include HSBC Singapore, whose 10-year lease at Marina Bay Financial Centre Tower 2 will begin in May 2020, as well as the Victoria Police, whose 30-year lease at 311 Spencer Street in Melbourne is expected to start by end-2Q 2020<sup>6</sup>.

### **Market Review**

According to CBRE, Singapore average Grade A office rents registered a slight decrease in 1Q 2020, from \$11.55 psf pm to \$11.50 psf pm. Average occupancy decreased during the quarter from 95.8% as at end December 2019 to 95.4% as at end March 2020.

In Australia, JLL Research reported a slight decline in the national CBD office market occupancy from 91.9% as at end September 2019 to 91.7% as at end December 2019. In Seoul, JLL Research observed an improvement in CBD Grade A occupancy from 85.1% as at end September 2019 to 90.0% as at end December 2019.

The COVID-19 pandemic presents unprecedented challenges to the business community. Its impact on the global economy has yet to be fully assessed. The Manager remains focused on maintaining stable and sustainable distributions to Unitholders, and achieving long-term growth. Keppel REIT's portfolio of established tenants from diversified sectors, high portfolio committed occupancy and long WALE will continue to support the REIT's income resilience.

### **Adoption of Half-Yearly Financial Results Reporting and Distribution Payout**

As announced in March 2020, with effect from the second half of 2020, Keppel REIT will adopt half-yearly announcement of financial statements as well as half-yearly distributions. In lieu of announcing the quarterly financial statements, the Manager will seek to provide interim business updates to engage investors and other stakeholders on the performance of Keppel REIT.

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<sup>6</sup> Subject to any further COVID-19 related measures that may be imposed by the Australian Government.

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