

MEDIA RELEASE

Keppel REIT Key Business and Operational Updates for the Third Quarter 2020

19 October 2020

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to provide the key business and operational updates of Keppel REIT for the third quarter of 2020.

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Keppel REIT achieves distributable income from operations of \$47.6 million for 3Q 2020

Key Highlights

- Distributable income from operations¹ for the third quarter of 2020 (3Q 2020) was \$47.6 million, bringing total distributable income for the nine months of 2020 (9M 2020) to \$142.4 million.
- Lengthened portfolio weighted average lease expiry (WALE) to 7.1 years and maintained high portfolio committed occupancy of 98.3%.
- Issued two tranches of perpetual securities, totalling \$300 million at a coupon rate of 3.15%.
- Aggregate leverage was 35.0% and all-in interest rate was reduced to 2.39% per annum.
- Optimising portfolio and expanding into Sydney's Grade A metropolitan office space with the proposed acquisition of Pinnacle Office Park.

Summary of Results

	GROUP					
	3Q 2020	3Q 2019	+/(-) %	9M 2020	9M 2019	+/(-) %
	\$'m	\$'m		\$'m	\$'m	
Property income	44.8	42.4	+5.7	120.3	122.3	(1.6)
Net property income (NPI)	35.6	33.2	+7.2	94.6	95.5	(0.9)
Less: Attributable to non-controlling interests	(4.3)	(4.2)	+2.4	(12.7)	(12.5)	+1.6
NPI attributable to Unitholders	31.3	29.0	+7.9	81.9	83.0	(1.3)
Share of results of associates	23.1	21.3	+8.5	63.6	60.4	+5.3
Share of results of joint ventures	8.2	7.3	+12.3	21.9	21.6	+1.4
Distributable income from operations	47.6	45.5	+4.6	132.4	134.1	(1.3)
Capital gains distribution	N.a. ¹	2.0	N.m.	10.0 ¹	8.0	+25.0

Financial Performance

With effect from the second half of 2020 (2H 2020), Keppel REIT has adopted half-yearly announcement of financial statements and half-yearly distributions. In lieu of its quarterly financial statements, the Manager is providing interim operational updates on the REIT's performance for 3Q and 9M 2020.

Distributable income from operations was \$47.6 million for 3Q 2020, a 4.6% increase year-on-year due mainly to the commencement of income contribution from 311 Spencer Street in Melbourne, which achieved practical completion on 9 July 2020, and lower interest expenses. Distributable income from operations for 3Q 2020 excludes any distribution of capital gains, which will be disclosed at the full year 2020 results announcement.

Distributable income for 9M 2020 was stable year-on-year at \$142.4 million, notwithstanding the absence of income from Bugis Junction Towers, which was divested in November 2019, the impact of COVID-19 tenant relief measures and the cessation of rental support².

Capital Management

During the quarter, the Manager further optimised Keppel REIT's capital structure and issued a total of \$300 million of perpetual securities³ at a coupon rate of 3.15%. The rate compares favourably to the \$150 million of perpetual securities at 4.98%, which will be redeemed in November 2020. The remaining proceeds will be used for various purposes including the financing of investments and asset enhancement works, as well as general working capital purposes and refinancing of borrowings.

¹ As Keppel REIT has adopted half-yearly distributions from 2H 2020 onwards, any distribution of capital gains for 2H 2020 will be disclosed at the FY 2020 results announcement.

² Refers to rental support in relation to Marina Bay Financial Centre Tower 3, which was fully drawn in 1Q 2019.

³ \$150 million was issued on 11 September 2020 while another \$150 million was issued on 7 October 2020.

Keppel REIT's all-in interest rate was lower at 2.39% per annum for the period ended 30 September 2020 compared to 2.82% per annum for the same period in 2019. Aggregate leverage was 35.0%⁴ with a weighted average term to maturity of 3.3 years. Interest coverage ratio was 3.9 times⁵ and the interest rates of 80% of total borrowings are fixed.

Meanwhile, Keppel REIT had approximately \$894 million of undrawn credit facilities available, including \$426 million of committed facilities. Keppel REIT also has capital gains available from prior divestments that can be used to enhance the stability of distributions.

Portfolio Review

In September 2020, Keppel REIT announced the DPU-accretive acquisition of Pinnacle Office Park, a freehold Grade A commercial property comprising three office buildings located within Macquarie Park in Sydney.

With an initial net property income yield of 5.25%⁶, the acquisition is part of the Manager's active portfolio optimisation efforts to improve income resilience and portfolio yield. The expansion into the Grade A metropolitan office space strengthens Keppel REIT's portfolio, complementing its prime CBD offering. The acquisition is targeted to be completed in 4Q 2020.

On the leasing front, the Manager committed total leases of approximately 955,600 sf (attributable area of approximately 413,100 sf) for 9M 2020. The majority of the leases concluded for 9M 2020 were in Singapore. The average signing rent for the Singapore office leases committed in 9M 2020 was approximately \$11.03⁷ psf pm. As at 30 September 2020, Keppel REIT has completed all its rent reviews for the year, and had less than 1% of expiring leases remaining.

Keppel REIT's portfolio performance remained resilient, supported by its quality portfolio with high committed occupancy of 98.3%. The portfolio WALE was also further lengthened to 7.1 years from 4.6 years as at 30 June 2020, due mainly to the addition of 311 Spencer Street which is on a 30-year long lease to the Victoria Police. For 9M 2020, Keppel REIT had a tenant retention rate of 81%.

The Manager continues to take proactive steps in managing the COVID-19 situation. As at 30 September 2020, Keppel REIT's tenant relief measures were estimated to amount to approximately \$13.8 million, including the full pass-through of property tax rebates and cash grants from the Singapore Government amounting to approximately \$10.0 million, as well as rental waivers for eligible tenants. Rental collection for 3Q 2020 was also at a healthy 97%, with only approximately \$1.7 million in rent deferrals as at end September 2020. With more tenants expected to return to the workplace over time, the Manager will continue to adopt measures to provide a safe and conducive work environment.

Market Review

According to CBRE, Singapore average Grade A office rents registered a decrease in 3Q 2020, from \$11.15 psf pm to \$10.70 psf pm. Average occupancy decreased during the quarter from 94.4% as at end June 2020 to 93.9% as at end September 2020.

⁴ Assuming the acquisition of Pinnacle Office Park is completed as at 30 September 2020 and taking into account the effects of the issuance of \$150 million perpetual securities on 7 October 2020 and the redemption of \$150 million perpetual securities on 2 November 2020, the aggregate leverage would have been 36.9%.

⁵ 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.

⁶ Includes A\$2.1 million of rental guarantee until the later of 31 December 2021 and 12 (or 6) months after the date of completion, depending on the relevant vacant premises.

⁷ For the Singapore office leases concluded in 9M 2020 and based on a weighted average calculation.

In Australia, JLL Research observed a general decline in the office market occupancy across the various cities during the quarter. In Seoul, JLL Research reported stable occupancy in the CBD Grade A office market at 85.1% as at end September 2020.

The COVID-19 pandemic continues to present unprecedented challenges to the business community. The Manager remains focused on maintaining stable and sustainable distributions to Unitholders, and achieving long-term growth. Keppel REIT's high portfolio committed occupancy, long WALE and established tenants from diversified sectors will continue to support the REIT's income resilience.

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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 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.