



KEPPEL REIT MANAGEMENT LIMITED

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MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Half and Full Year Ended 31 December 2023

30 January 2024

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the second half and full year ended 31 December 2023.

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Keppel REIT Achieves Higher Net Property Income Supported by Strong Operating Performance

Key Highlights

- Net property income (NPI) in FY 2023 increased 3.7% year-on-year to \$182.4 million
- Positive rental reversion supported by healthy demand from diverse sectors for prime office space
- Achieved higher portfolio committed occupancy of 97.1% compared to 95.9% a quarter ago
- KR Ginza II has achieved 100% committed occupancy following the signing of two new tenants from the technology, media and telecommunications sector
- Executing asset enhancement initiatives (AEI) at key properties to enhance customer experience, improve amenities and future proof the assets
- Aggregate leverage at 38.9% and all-in interest rate of 2.89% p.a. with 75% of borrowings on fixed rates

Summary of Results

	GROUP					
	2H 2023 \$'million	2H 2022 \$'million	+/(-) %	FY 2023 \$'million	FY 2022 \$'million	+/(-) %
Property income	118.2	109.5	7.9	233.1	219.3	6.3
Net property income (NPI)	92.5	86.5	7.0	182.4	175.9	3.7
Less: Attributable to non-controlling interests	(9.5)	(8.5)	12.5	(18.6)	(17.0)	9.7
NPI attributable to Unitholders	83.0	78.0	6.4	163.8	158.9	3.0
Interest income^(a)	3.7	16.2	(77.4)	7.3	25.3	(70.9)
Share of results of associates^(b)	39.8	33.2	20.1	80.1	77.8	3.0
Share of results of joint ventures^(c)	11.7	11.2	4.3	23.7	22.9	3.3
Borrowing costs	(35.2)	(32.5)	8.3	(67.0)	(57.7)	16.0
Distributable income from operations	99.7	100.4	(0.7)	198.7	210.9	(5.8)
Anniversary Distribution^(d)	10.0	10.0	-	20.0	10.0	100.0
Distribution to Unitholders	109.7	110.4	(0.6)	218.7	220.9	(1.0)
DPU (cents)	2.90	2.95	(1.7)	5.80	5.92	(2.0)
Distribution yield				6.2%^(e)	6.5%^(f)	(0.3)pp

(a) Includes interest income from advances to associates. The decrease is due mainly to repayments of advance by an associate in January 2023 and April 2023.

(b) Share of results of associates relates to Keppel REIT's one-third interests in One Raffles Quay and Marina Bay Financial Centre.

(c) Share of results of joint ventures relates to Keppel REIT's 50% interests in 8 Chifley Square and David Malcolm Justice Centre.

(d) In appreciation to Unitholders for their support and to celebrate Keppel REIT's 20th anniversary in 2026, Keppel REIT announced in October 2022 that it will distribute a total of \$100 million of Anniversary Distribution over a 5-year period. \$20 million will be distributed annually with such distribution to be made semi-annually.

(e) Based on the market closing price of \$0.93 per Unit as at 29 December 2023.

(f) Based on the market closing price of \$0.91 per Unit as at 30 December 2022.

Financial Performance

Keppel REIT announced \$109.7 million in distribution to Unitholders for 2H 2023 compared to the distribution to Unitholders of \$110.4 million for 2H 2022. The distribution to Unitholders for FY 2023 was \$218.7 million, a slight 1.0% lower year-on-year due mainly to increased borrowing costs.

2H 2023 DPU was 2.90 cents with FY 2023 DPU at 5.80 cents. Based on the market closing price as at end 2023 of \$0.93 per Unit, distribution yield was 6.2%.

2H 2023 and FY 2023 NPI were higher by 7.0% and 3.7% at \$92.5 million and \$182.4 million respectively due mainly to higher rentals and occupancy for the Singapore properties.

Capital Management

As at 31 December 2023, Keppel REIT's aggregate leverage was 38.9% with 75% of its borrowings on fixed rates. All-in interest rate was 2.89% per annum, with interest coverage ratio¹ and adjusted interest coverage ratio² at 3.4 times and 3.0 times respectively. Weighted average term to maturity of borrowings was 2.4 years.

Keppel REIT's sustainability-focused funding formed 64% of total borrowings³, a reflection of Keppel REIT's portfolio of green-certified office properties.

The majority of the debt due in 2024 will mature in 2Q 2024, for which refinancing discussions with the respective lenders are in progress. Keppel REIT has access to more than \$1.2 billion of available borrowing facilities to meet funding requirements.

Portfolio Review

Keppel REIT's portfolio performance continued to be resilient, achieving positive rental reversion of 9.9% for FY 2023 and higher committed occupancy of 97.1% as at 31 December 2023 compared to occupancy of 95.9% as at 30 September 2023. Portfolio and top 10 tenants' WALE remained long at approximately 5.5 years and 9.7 years respectively.

Approximately 1,509,800 sf (attributable area of approximately 773,900 sf) was committed in FY 2023. Keppel REIT's Australia portfolio continued to achieve higher occupancy. In 4Q 2023, 8 Chifley Square achieved 100% occupancy, while 2 Blue Street's (formerly known as Blue & William) committed occupancy increased further to 66.4% from 42.5% as at 30 September 2023. The rental support arrangement⁴ on the unlet space of 2 Blue Street will continue for a period of up to three years from the practical completion date. In Tokyo, KR Ginza II has also achieved 100% committed occupancy.

The Singapore portfolio and South Korea property continued to enjoy high occupancy of 99% and 95.8% respectively.

The total new and expansion leases committed were distributed across various industry sectors, including banking, insurance and financial services (22.6%), technology, media and telecommunications (22.4%), and energy, natural resources, shipping and marine (15.7%).

Keppel REIT conducted an independent valuation of all its investment properties as at 31 December 2023. Valuation of the portfolio increased 0.8% from 30 June 2023. As at 31 December 2023, Keppel REIT's \$9.2 billion portfolio of prime commercial properties is strategically located in key business districts of Singapore (79.1% of portfolio), Australia (16.5% of portfolio), South Korea (3.4% of portfolio) and Japan (1.0% of portfolio).

¹ Defined as trailing 12 months earnings before interest, tax, depreciation and amortisation (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.

² Defined 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, borrowing-related fees and distributions on hybrid securities.

³ This includes Keppel REIT's share of external borrowings accounted for at the level of associates.

⁴ Rental support received for the period from practical completion date (3 April 2023) to 31 December 2023 amounted to \$10.9 million.

As part of Keppel REIT's proactive asset management to ensure that its properties continue to be the preferred choice amongst quality tenants, AEI will be implemented at One Raffles Quay (ORQ) in Singapore. The AEI will commence in 1Q 2024, with completion expected by end 2024. The garden plaza, as well as North and South Tower lobbies at ORQ will undergo enhancements to elevate the arrival experience. There will be new seating areas at the lobbies to promote collaboration and networking among tenants. In addition, food and beverage (F&B) offerings will be expanded to enrich the building's amenities and to provide more options for tenants.

In Australia, refurbishment of Pinnacle Office Park's lobby and outdoor terrace areas were completed in January 2024. The ground floor lobby, café area and lift lobby were refreshed to elevate arrival and tenant experience. In addition, the property also features a new convertible clubhouse lounge and meeting rooms to offer tenants comfortable and private areas for social events and meetings. The outdoor terrace was also renovated to modernise and freshen the seating areas, as well as to create a walking track to allow tenants to socialise and encourage them to stay active.

Continued Focus on ESG Excellence

In Australia, Pinnacle Office Park (2 and 4 Drake Avenue) achieved certification from Climate Active (an Australian Government programme) on its carbon neutral status, a demonstration of Keppel REIT's continued focus on managing its portfolio's carbon footprint.

Keppel REIT is committed to supporting sustainable practices at its properties and in giving back to the community. As part of National Recycling Week in Australia, an activity was hosted at David Malcom Justice Centre to share with the office community on the waste and recycling initiatives in place through fun and engaging quizzes. In December 2023, as part of community engagement efforts at Keppel Bay Tower, 158 children from Care Corner Singapore's Student Care Centres were invited to attend a caroling performance by the Anglo-Chinese Junior College choir and received gifts donated by Keppel Bay Tower's tenants.

Market Review

In Singapore, the average core CBD Grade A office rents reported by CBRE registered an increase from \$11.85 psf pm in 3Q 2023 to \$11.90 psf pm in 4Q 2023, and with average core CBD occupancy at 94.8% as at end 2023.

In Australia, JLL Research (JLL) noted that the prime grade occupancy in North Sydney and Perth CBD increased. Prime grade occupancy in Sydney CBD remained stable while Melbourne and Macquarie Park prime grade occupancy trended lower in 4Q 2023. In Seoul, the CBD Grade A office market recorded higher occupancy of 98.5% as at end 2023 according to JLL. In Tokyo central five wards, market occupancies for both Grade A and Grade B office remained high at 95.4% and 96.3% respectively as at end 2023 according to JLL.

Keppel REIT remains focused on delivering sustainable long-term total return to Unitholders and the Manager will continue to proactively manage the portfolio and exercise prudence in capital management.

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About Keppel REIT (www.keppelreit.com)

Listed by way of an introduction on 28 April 2006, Keppel REIT is one of Asia's leading real estate investment trusts with a portfolio of prime commercial assets in Asia Pacific's key business districts.

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

Keppel REIT has a portfolio value of over \$9.0 billion, comprising properties in Singapore; the key Australian cities of Sydney, Melbourne and Perth; Seoul, South Korea; as well as Tokyo, Japan.

Keppel REIT is managed by Keppel REIT Management Limited and sponsored by Keppel, a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of infrastructure, real estate and connectivity.

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.