

**Keppel REIT**

**10**  
TEN YEARS  
CAPTURING VALUE | SUSTAINING RETURNS

**ANNUAL GENERAL MEETING**

15 April 2016





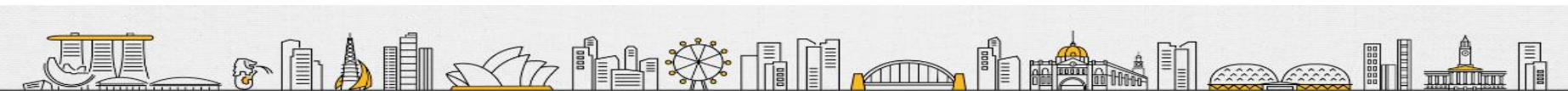
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## ***Important Notice***

*The value of Units and the income 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 of Keppel REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.*

*The past performance of Keppel REIT is not necessarily indicative of the future performance of Keppel REIT.*





## Best-in-Class Assets in Strategic Locations

11 office towers in 8 quality  
Premium Grade and Grade A assets in the  
business and financial districts  
of Singapore and Australia

## Largest Portfolio of Premium Office Assets

3.3 million sf  
total attributable NLA

## Assets Under Management

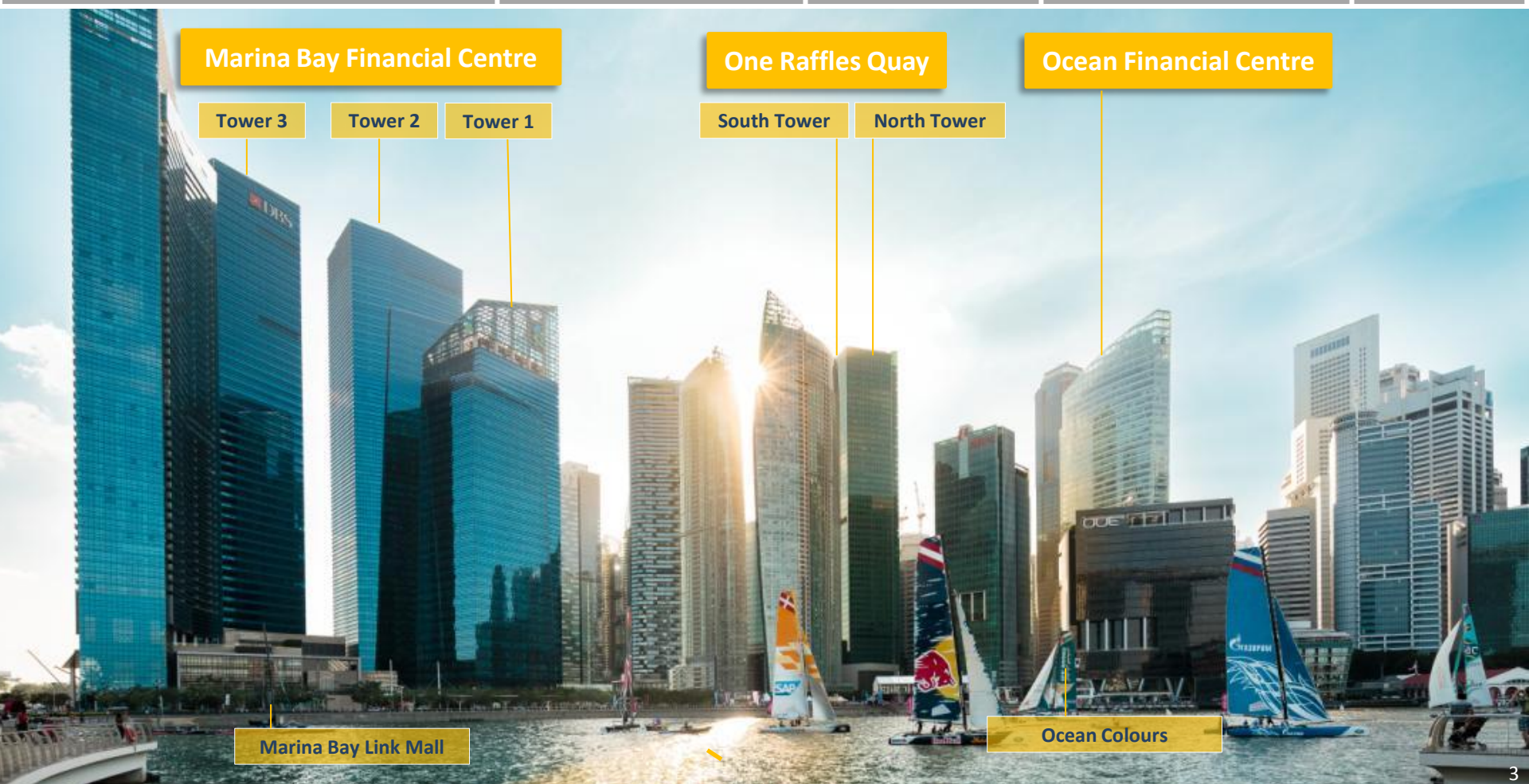
S\$8.2 billion

## Well-Diversified Tenant Base

296 tenants  
diversified across various  
business sectors

## Youngest Portfolio

5 years



Marina Bay Financial Centre

Tower 3

Tower 2

Tower 1

Marina Bay Link Mall

One Raffles Quay

South Tower

North Tower

Ocean Financial Centre

Ocean Colours

# Youngest Premium Grade A Office Portfolio

- » **90%** of portfolio in Singapore and **10%** in Australia
- » **Youngest** and **largest portfolio of premium Grade A office assets** in Singapore's business district
  - **Strategically located** in the prime Raffles Place and Marina Bay precinct
  - **Average portfolio age** of approximately **5 years**



Singapore

- » **93%** of Singapore properties in the prime **Raffles Place** and **Marina Bay precinct**



Ocean Financial Centre  
(99.9% interest)



Marina Bay Financial Centre  
(33.3% interest)



One Raffles Quay  
(33.3% interest)



Bugis Junction Towers  
(100% interest)



Australia

- » **Strategically** located in the key financial precinct of **Sydney, Melbourne, Brisbane** and **Perth**



8 Chifley Square, Sydney  
(50% interest)



8 Exhibition Street,  
Melbourne  
(50% interest)



275 George Street,  
Brisbane  
(50% interest)



David Malcolm Justice  
Centre, Perth  
(50% interest)



## Offices

- A. Ocean Financial Centre
- B. One Raffles Quay
- C. Marina Bay Financial Centre
- D. Bugis Junction Towers

Location of Singapore Properties



## MRT Stations

- |                  |                    |
|------------------|--------------------|
| 1. Raffles Place | 9. City Hall       |
| 2. Telok Ayer    | 10. Dhoby Ghaut    |
| 3. Downtown      | 11. Somerset       |
| 4. Bayfront      | 12. Bugis          |
| 5. Chinatown     | 13. Outram Park    |
| 6. Promenade     | 14. Clarke Quay    |
| 7. Esplanade     | 15. Nicoll Highway |
| 8. Bras Basah    | 16. Marina Bay     |

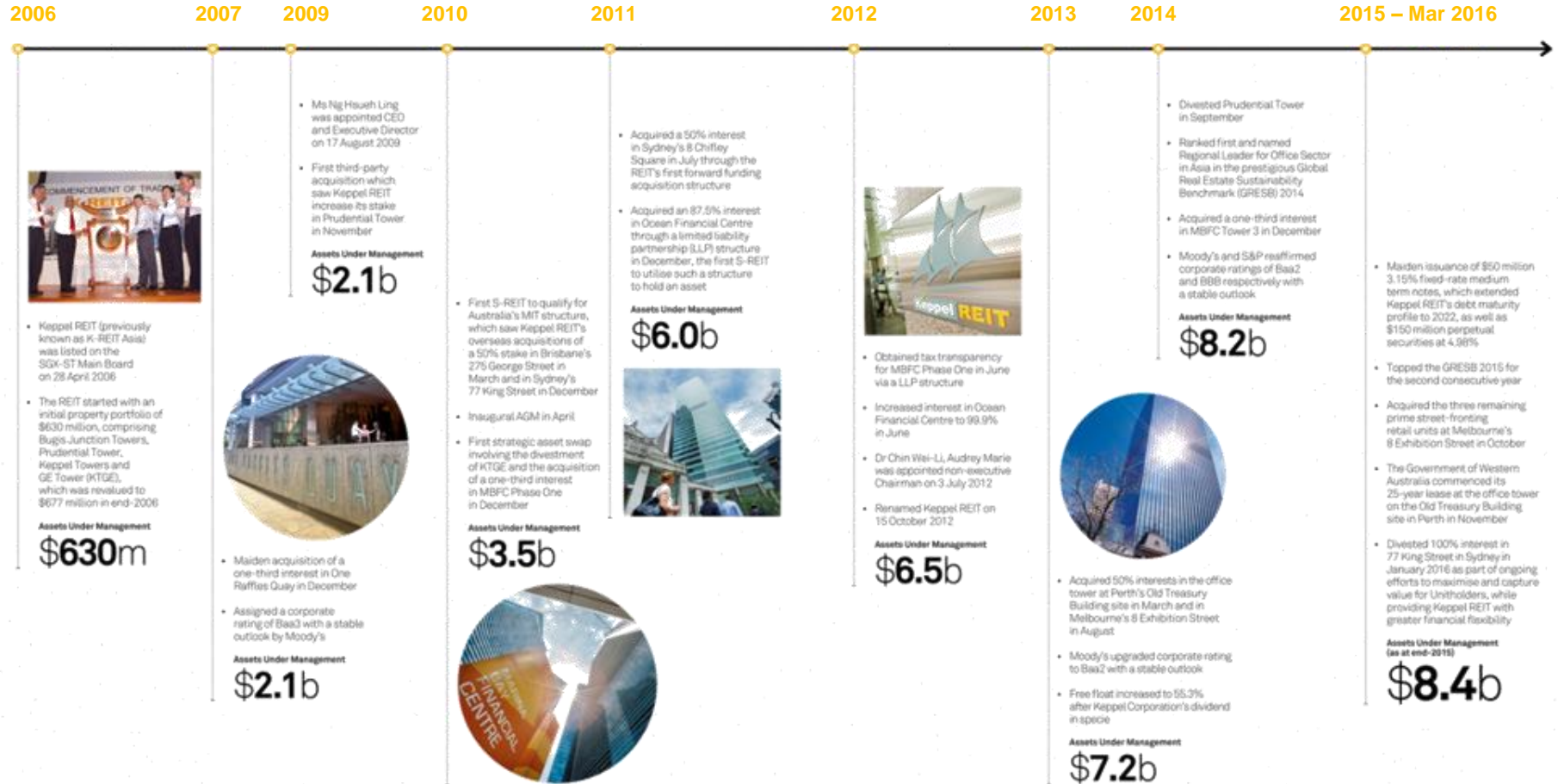
- Core CBD
- East West Line
- North South Line
- Downtown Line
- Circle Line
- North East Line







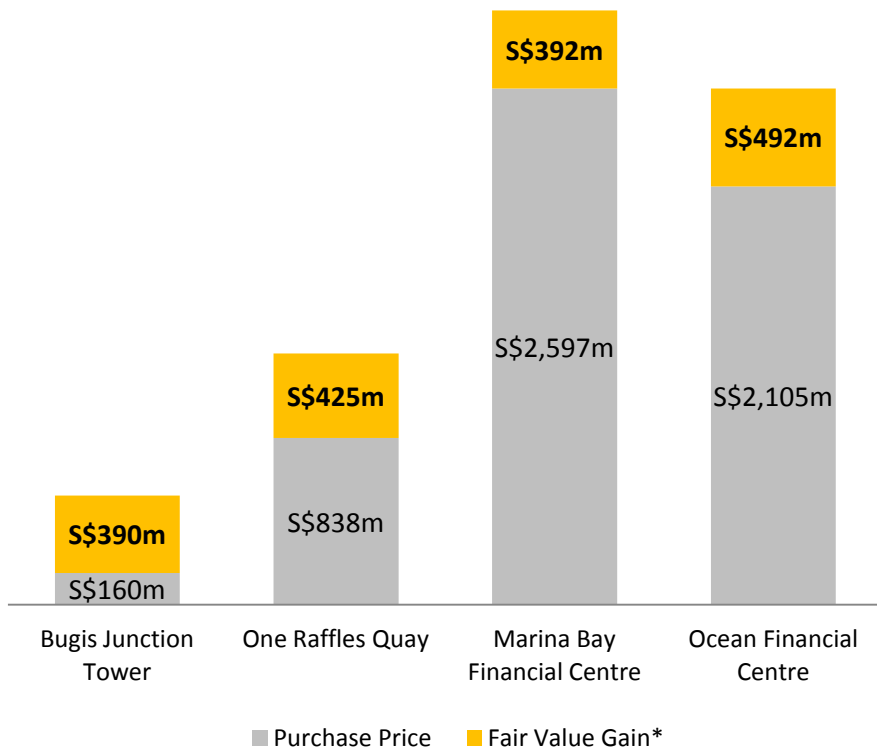
# Celebrating 10 Years of Excellence



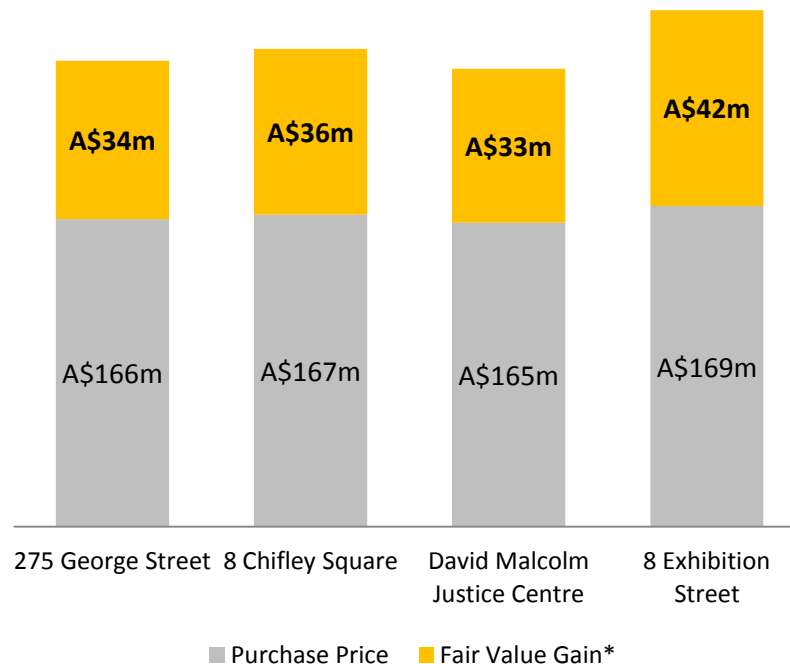
# Steady Appreciation of Current Portfolio

- » Average fair value gain of approximately **30%** for current portfolio, or an approximate **7% appreciation** per annum to-date
- » Average **4.5 years** portfolio holding period to-date
- » Compounded annual growth rate for Keppel REIT's distributable income has been approximately **40%** since listing

## Singapore



## Australia



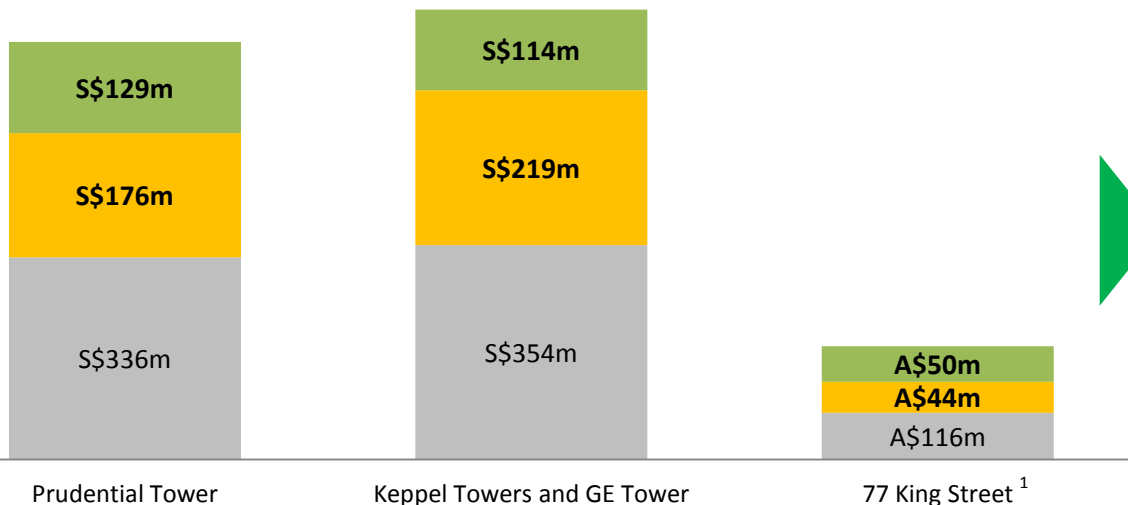
\* Based on 31 December 2015 valuation



# Capturing Value for Unitholders

- » As part of **portfolio transformation**, assets were divested at an average of approximately **50% above** original purchase prices, and an approximate **13% premium** to last appraised values, excluding income earned from these assets throughout holding period
- » Average holding period of approximately **6 years**

Divested Assets



- **Original Purchase Price:**  
**Approx. S\$840m**
- **Total Divested Value:**  
**Approx. S\$1.25b**
- **Total Divestment Gain & Income Earned:**  
**Approx. S\$710m**

■ Original Purchase Price ■ Divestment Gain <sup>2</sup> ■ Property Income



(1) Based on the exchange rates at the respective dates of transactions  
(2) Sale price over original purchase price



- » 2016 marks **Keppel REIT's 10<sup>th</sup> anniversary** since its listing in April 2006
- » Over the last decade, Keppel REIT achieved an approximate **40% compounded annual growth rate** for its distributable income, and has undergone a **portfolio transformation** to remain relevant to **changing economic** and **environmental landscapes**
- » With an **initial 4 assets** in Tanjong Pagar and Raffles Place, Keppel REIT has **transformed** and **grown** to become one of Asia's **leading REITs**
  - **Premium** portfolio of **11** office towers with **long land tenures**
  - **Strategically located** in the **prime** financial hub of the **Raffles Place** and **Marina Bay** precinct, and in key Australian cities of **Sydney, Melbourne, Brisbane** and **Perth**
- » **Assets under management** have grown from approximately **\$600 million** in 2006 to over **\$8 billion**
  - **90%** of total portfolio in Singapore and the remaining **10%** in key Australian cities, with approximately **300 tenants** across **diverse business sectors**
- » Average portfolio age of **5 years** old
  - Keppel REIT's portfolio is amongst the **youngest** in the industry
  - Had there been no **portfolio transformation**, the **4 initial assets** would now have been approximately **25 years** old on average





- » As part of the **portfolio transformation**,
  - Assets were divested at an average of approximately **50% above** original purchase prices and an approximate **13% premium** to last appraised value
  - Average holding period was approximately **6 years**
- » To ensure **long-term income sustainability**
  - Conscious efforts to sign **longer** leases have also seen portfolio WALE **improve significantly** from approximately 3 years at listing to approximately **8 years** for the top 10 tenants and **6 years** for overall portfolio currently
  - Long leases in Singapore are embedded with **mark-to-market rent mechanisms** at **pre-determined anniversaries**, ensuring there are **no voids or vacancies** throughout these long lease terms
  - Leases in Australia are on **triple-net basis**, with tenants responsible for **all property expenses** including taxes, insurance and common area maintenance, and also with **fixed annual rental escalations** embedded throughout each respective lease
- » Current portfolio has **appreciated steadily** over its average portfolio holding period of **4.5 years**, recording an average fair value gain of approximately **30%** or an approximate **7%** appreciation per annum to-date



# Key Highlights

- Continue to deliver sustainable returns to Unitholders amidst a challenging environment
- Significant reduction of expiring leases to only a minimal **3%** for the rest of 2016
- **99%** tenant retention rate
- **99.4%** portfolio occupancy rate
- Average positive rent reversion of **7%** for all leases executed in 1Q 2016



# 1. Financial Highlights

## BRIGHTENING ENVIRONMENTS

*A holistic and proactive approach towards environment management helps us achieve long-term savings for all our stakeholders.*

Bugis Junction Towers,  
Singapore

**Képpel REIT**



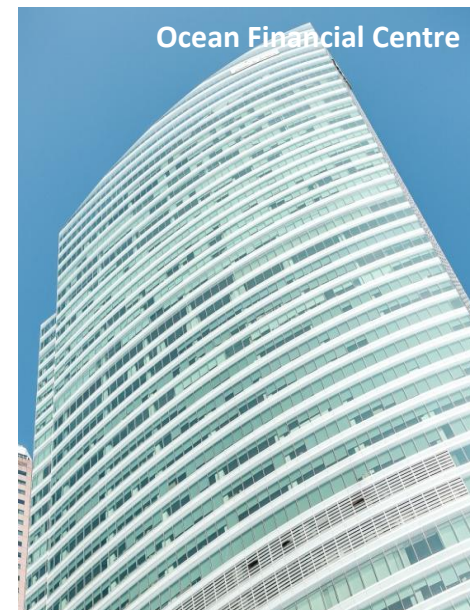
# Delivering Sustained Returns

## FY 2015

- » **Distributable income (DI) ↑ 5.4%** y-o-y for FY 2015, despite:
  - Lack of income from the divested Prudential Tower
  - Absence of rental support from the 87.5% interest in Ocean Financial Centre and MBFC Phase One
  - Due to **higher property income** from **all assets** in Singapore and Australia
  - **Full-year contribution** from **MBFC Tower 3** which saw **stronger share of results of associates**

## 1Q 2016

- » **DI ↑** y-o-y and q-o-q for 1Q 2016 despite the absence of income from 77 King Street
- » **Higher DI** due to:
  - **Consistent** performance across **all** properties in Singapore and Australia, in particular **improved contributions** from its **joint ventures**
  - **Better** results of joint ventures were due to **higher contributions** from **8 Chifley Square** and the **David Malcolm Justice Centre** office tower
- » Excluding 77 King Street and other non-recurring income and expenses, PI for the current portfolio<sup>(1)</sup> **improved 2.5%** y-o-y, while NPI **increased 1.6%** y-o-y



Ocean Financial Centre



David Malcolm Justice Centre,  
Perth

1. Financial Highlights

2. Portfolio Analysis

3. Capital Management

4. Market Review

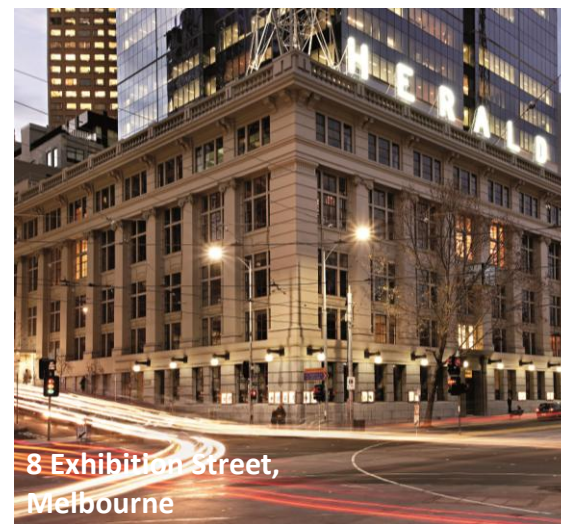
(1) Excluding the divested 77 King Street





# Delivering Sustained Returns

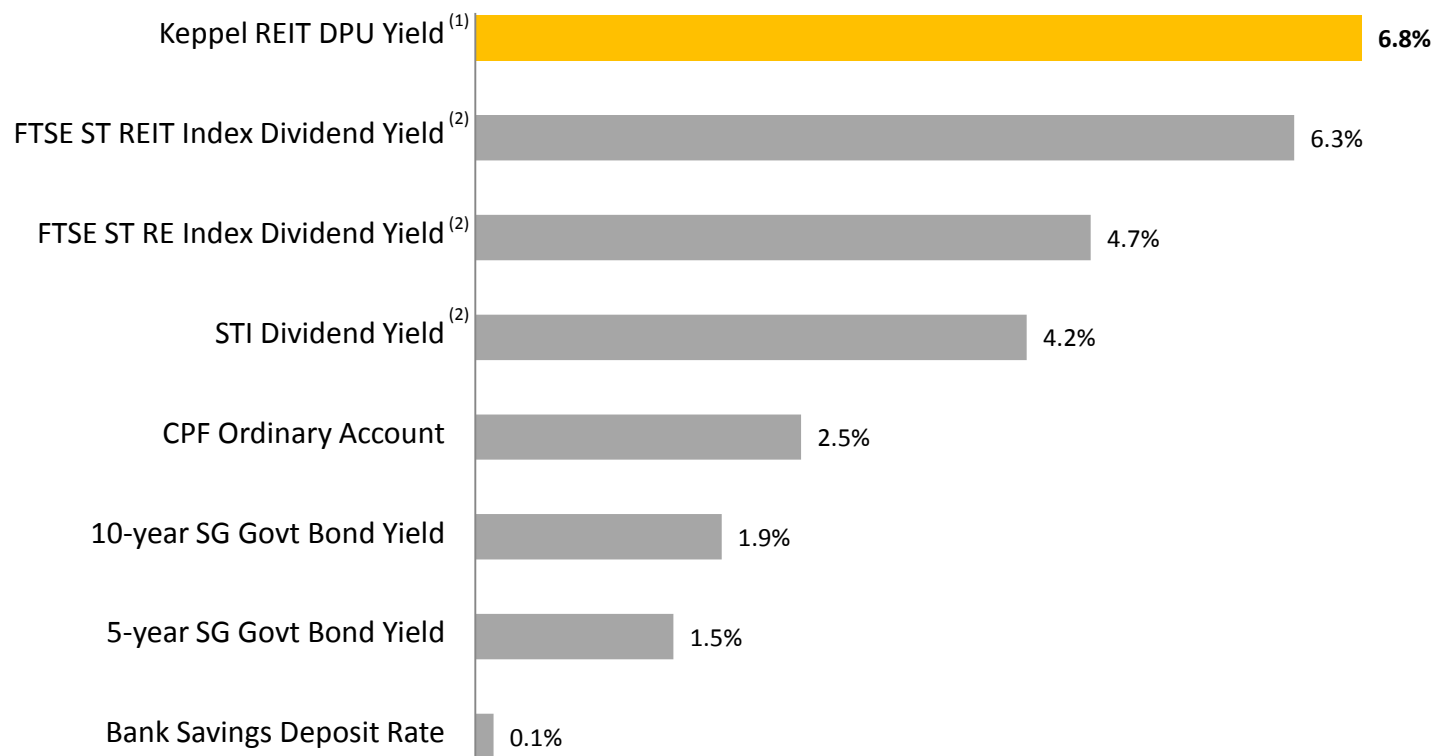
- » In its report dated 4 April 2016, Moody's reaffirmed its **Baa2** corporate rating on Keppel REIT, with a **stable** outlook
  - Rating reflects Keppel REIT's ability to continue generating **stable** and **recurring income** from its **quality tenant base** in **strategically-located** assets
  - Expects Keppel REIT to continue to generate **stable cashflows** from its portfolio, driven by **steady occupancy levels** and **positive rent reversions** for its portfolio
- » DPU of **1.68 cents** for **1Q 2016**, and an annualised yield of **6.8%**





# Continue to offer Attractive Yield

» Keppel REIT continues to offer an **attractive yield** compared to other investments



Sources: Bloomberg, Monetary Authority of Singapore, Central Provident Fund and Singapore Government Securities.

<sup>(1)</sup> Based on the market closing price per unit of \$0.995 as at 31 March 2016.

<sup>(2)</sup> Based on Bloomberg's dividend yield data for the FTSE ST Real Estate Investment Trust (REIT) Index, FTSE ST Real Estate (RE) Index and Straits Time Index (STI) as at 31 March 2016.



## 2. Portfolio Analysis

### ENGAGING **TENANTS**

*Tenants are the heart of our buildings.  
Keen understanding of their business  
and regular interactions help us create  
enduring partnerships.*

8 Exhibition Street,  
Melbourne



# Enhance Income Sustainability and Resilience

- » Conscious efforts to sign **longer leases** that will provide **income stability** over the **longer term**
- » **Top 10 tenants** accounted for approximately **44%** of portfolio NLA
- » **Long WALE** of approximately **8 years** and **6 years** for top 10 tenants and portfolio respectively
  - Long leases in Singapore are embedded with **mark-to-market rent mechanisms** at **pre-determined anniversaries**, thereby ensuring no voids or vacancies throughout the long lease term
  - Leases in Australia are on **triple-net basis**, with tenants covering all outgoings and also with **fixed annual rental escalations** embedded throughout the respective leases

## Weighted Average Lease Expiry (WALE)

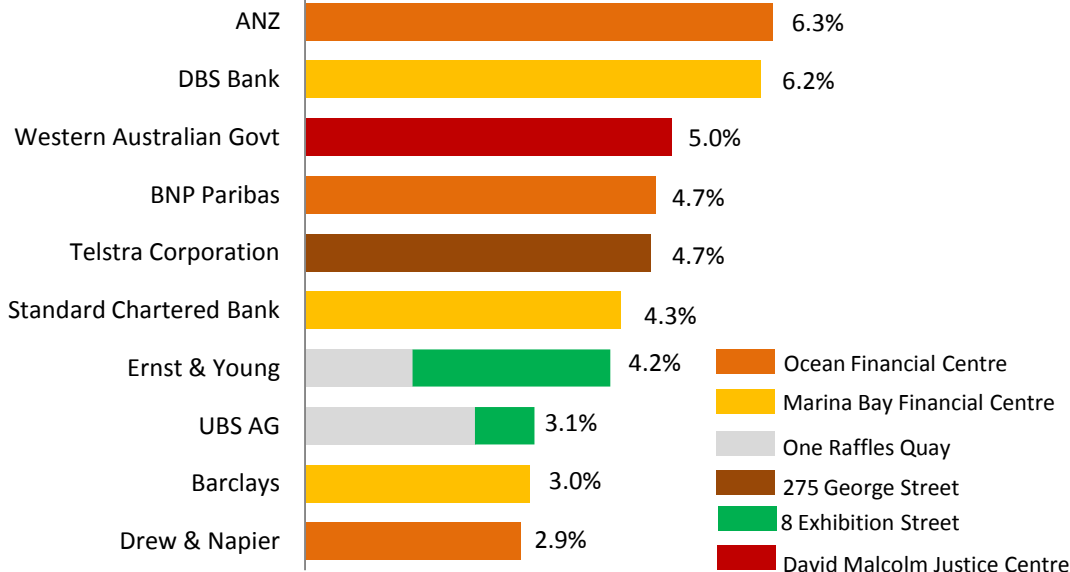
**Approx. 8 years**  
(till year 2024)



**Approx. 6 years**  
(till year 2022)



## Top Ten Tenants (by NLA)





# Singapore Average Net Office Demand and Supply

- » **Healthy demand** for office space of approximately **1.1 mil sf p.a.** in the last 6 years
- » Average supply of approximately **0.7 mil sf p.a.** over the next 6 years till 2021
- » **Limited new office supply after 2018**

6 years (2010 – 2015) Ave annual net demand <sup>(1)</sup>

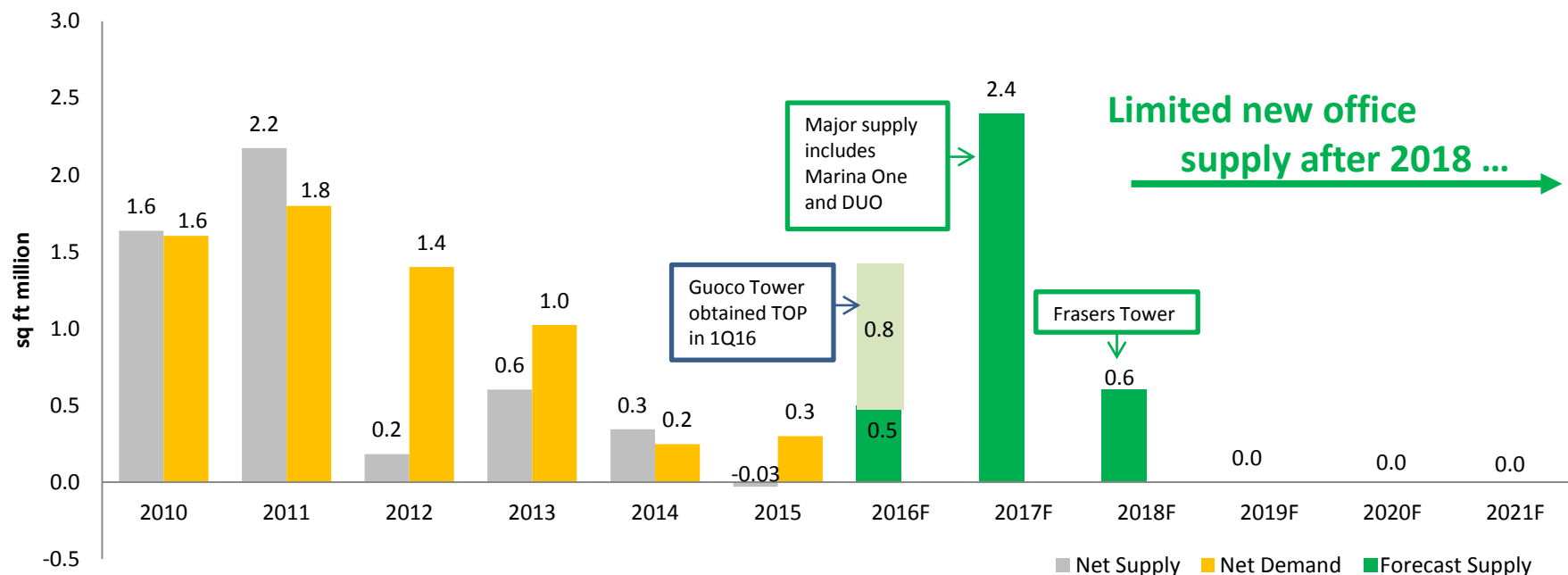
~1.1 mil sf

6 years (2010 – 2015) Ave annual net supply <sup>(1)</sup>

~0.8 mil sf

Ave forecast supply over next 6 years (2016 – 2021) <sup>(2)</sup>

~0.7mil sf



Sources: URA and CBRE

(1) Net demand and supply of office space in Downtown Core, Orchard and Rest of Central Area

(2) Forecast new supply excludes strata offices

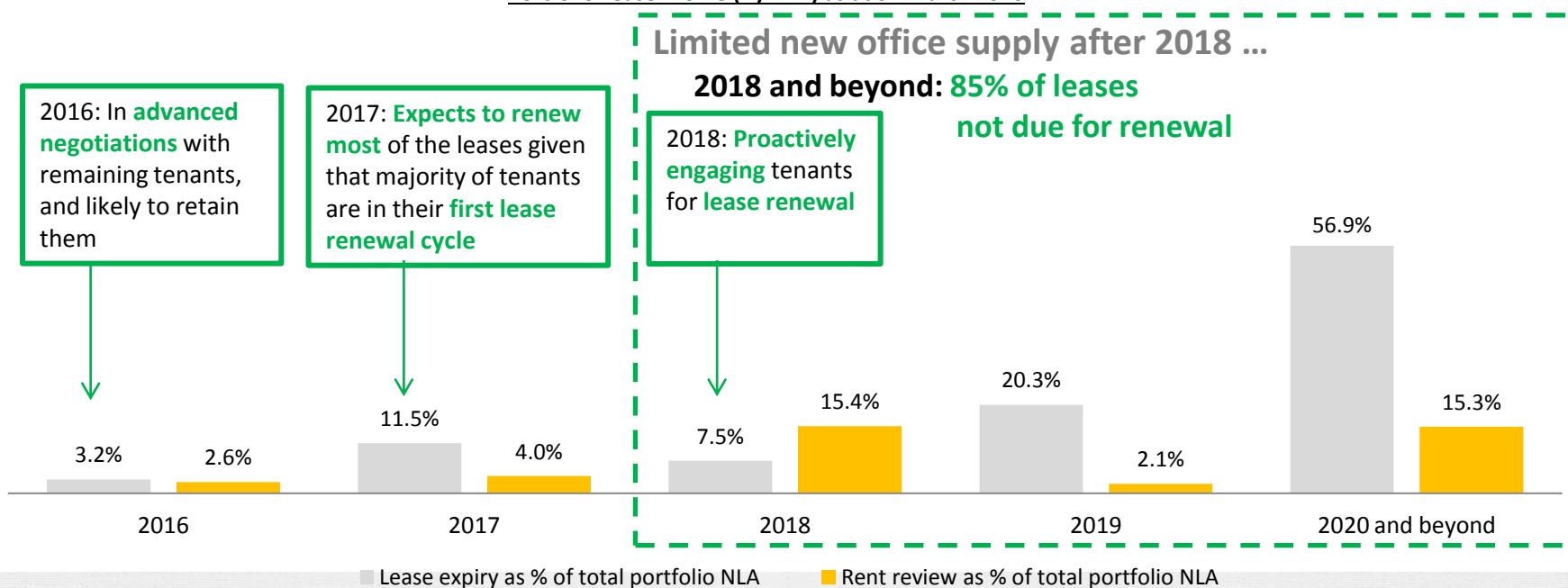




# Healthy Lease Expiry Profile

- » Only a minimal approximate **3%** of the portfolio's total NLA due for renewal for the **rest of 2016**, a **significant decrease** from the approximate 14% one quarter ago
- » Majority of the remaining **3%** of expiring leases for **the rest of 2016** likely to be **renewed** and **tenants retained**
- » To-date, approximately **85%** of total leases is **not due for renewal till 2018 and beyond**, and approximately **80%** of total leases is **not due for renewal till 2019 and beyond**, when **limited new office supply** is expected
  - Expects to renew most of the **11.5%** of expiring leases in **2017**, given that majority of these tenants are in their **first lease renewal cycle**
  - **Proactively engaging** tenants with leases expiring in **2018**
- » Average rents for leases due for **renewal** and **review** from 2016 to 2018 range between **\$8.50 to low \$9 psf**

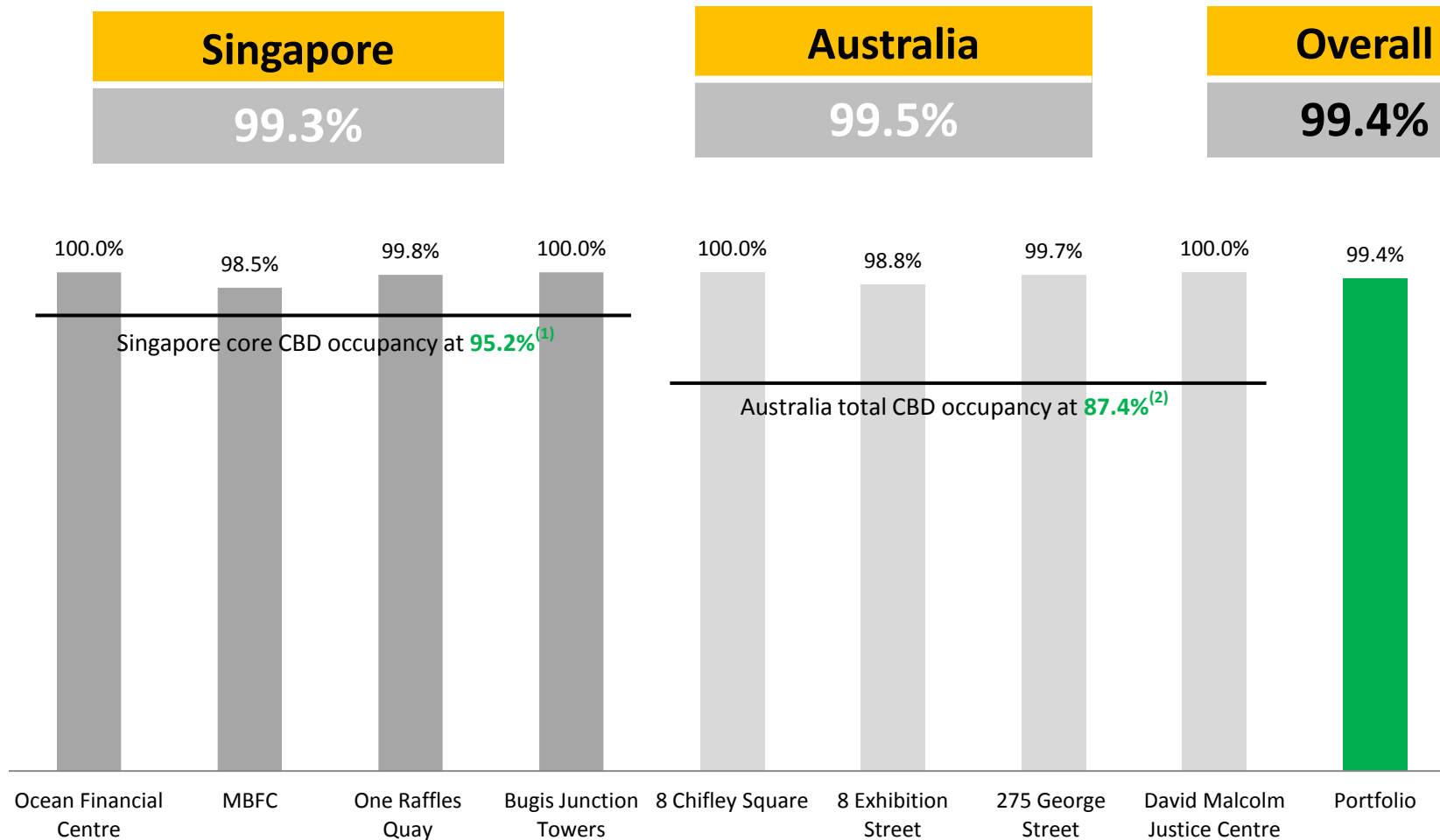
Portfolio Lease Profile (By NLA) as at 31 March 2016





# Stable Committed Occupancy Levels

» Maintained **high portfolio committed occupancy** of **99.4%**



(1) CBRE, 1Q 2016

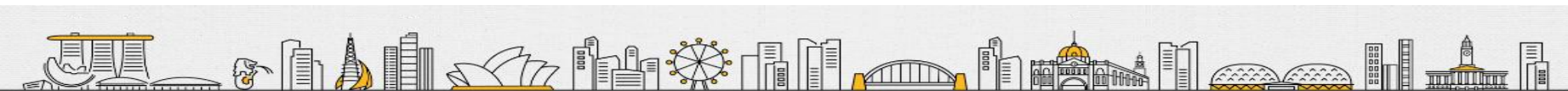
(2) JLL, January 2016

1. Financial Highlights

2. Portfolio Analysis

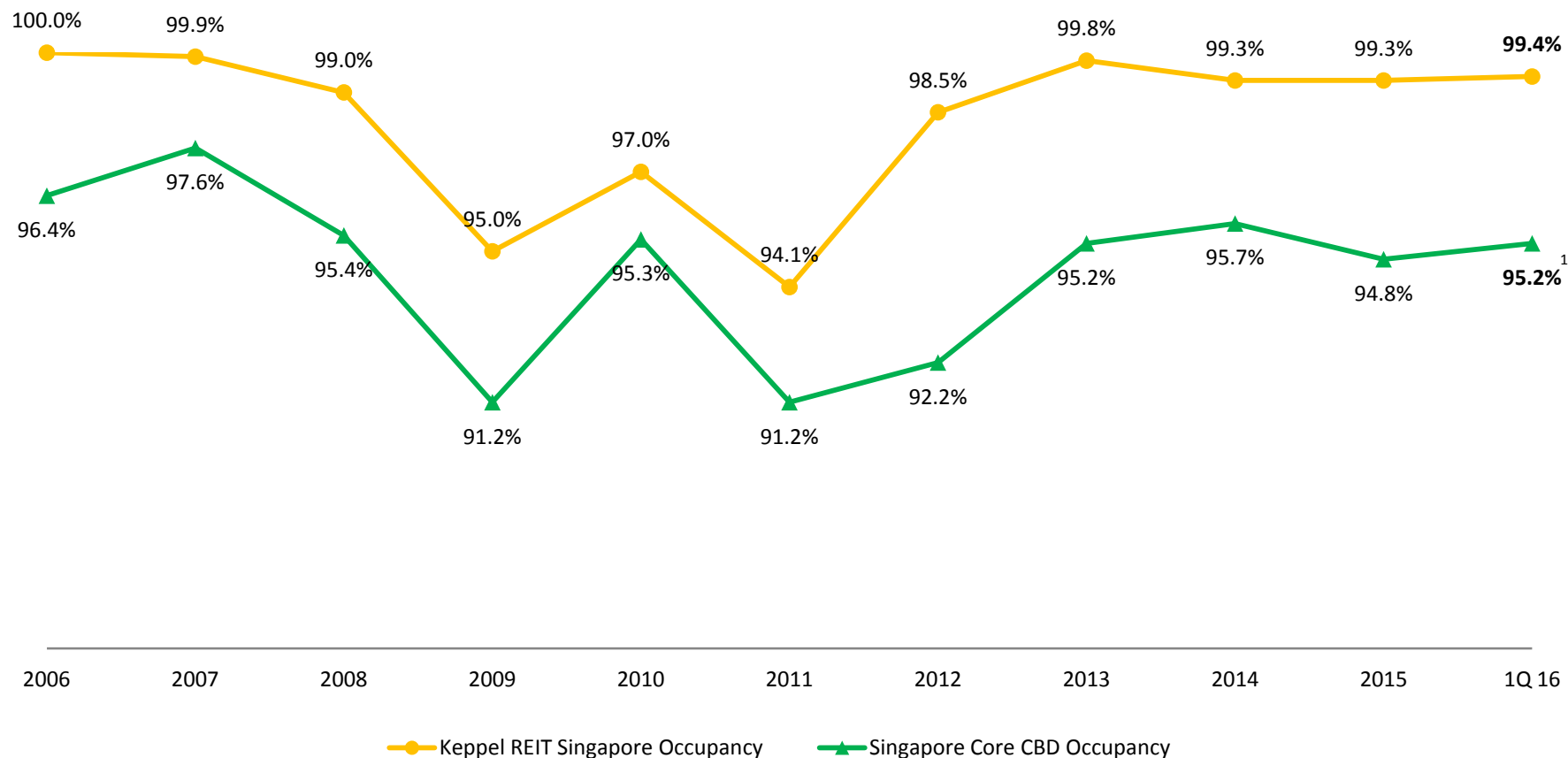
3. Capital Management

4. Market Review



# Strong Singapore Portfolio Occupancy

- » **Occupancy** in Singapore's **core CBD** remained **stable** at **95.2%** in 1Q 2016
- » **Keppel REIT's** Singapore portfolio occupancy has remained **consistently above** Core CBD occupancy levels since listing in 2006



(1) CBRE, 1Q 2016

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# David Malcolm Justice Centre, Perth

- » The office tower on the Old Treasury Building site in Perth was named the **David Malcolm Justice Centre** on 11 March 2016
- » The Government of WA commenced its **25-year lease** since end-November 2015
  - Lease is on **triple-net basis** and includes **fixed annual rental escalations** throughout its lease term with options for another 25 years
  - Initial yield of **7.15%**
- » Fit-out ongoing, with move-in expected in **mid-2016**



David Malcolm Justice Centre,  
Perth



# 3. Capital Management

## UNRELENTING TENACITY

*Our steadfast discipline and prudent capital management approach propel us towards operational efficiency in all that we do.*

One Raffles Quay,  
Singapore



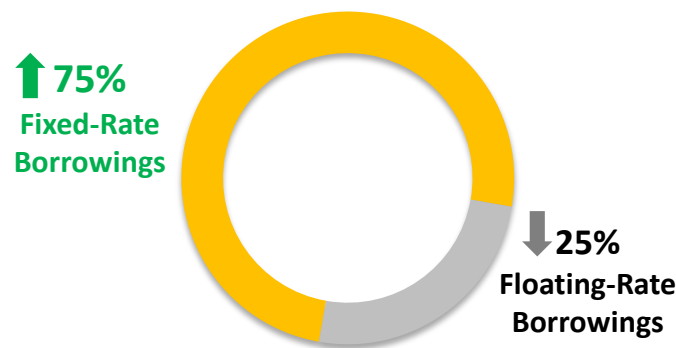
# Prudent Capital Management

- » Continued proactive refinancing efforts saw aggregate leverage **decrease** to **39.0%** as at 1Q 2016 from 39.3% as at end-2015
- » **Increased fixed-rate loans** to over **75%** as at 1Q 2016, up from 70% last quarter
  - Provides **certainty** of interest expenses and **safeguards** against interest rate volatility
- » Average cost of debt remained **stable** at **2.58%**, with **interest coverage ratio** at a **healthy 4.5 times**

	As at 31 Mar 2016
Gross Borrowings	<b>\$3,321 mil</b>
Interest Coverage Ratio	<b>4.5 times</b>
All-in Interest Rate	<b>2.58%</b>
Weighted Average Term to Expiry	<b>3.6 years</b>
Aggregate Leverage	<b>39.0%</b>
Moody's Rating	<b>Baa2</b>

	DPU Change
Every 100 bps <b>↓↑</b> in SOR	~0.12cents <b>↑↓</b> in DPU

**Borrowings on Fixed-Rate**



**% of Assets Unencumbered**

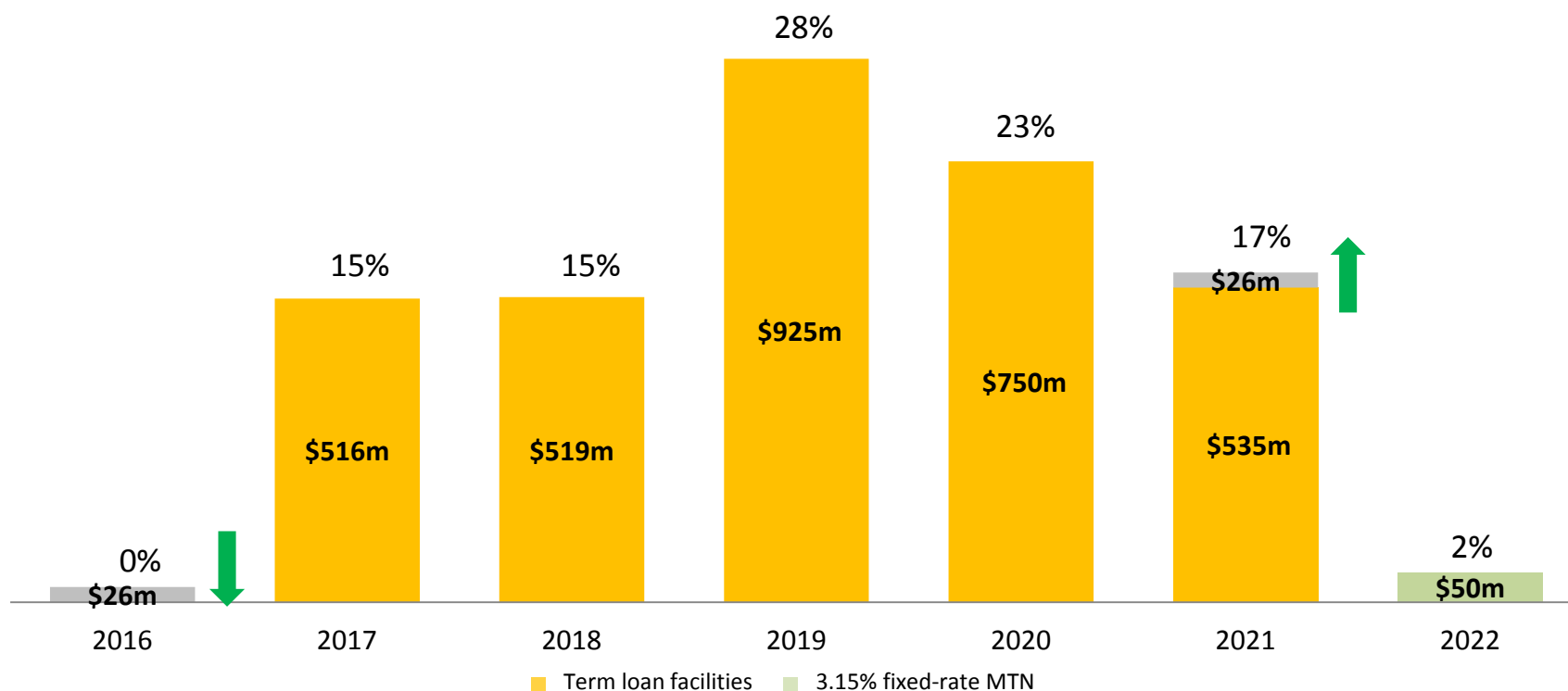




# Well-staggered Debt Maturity Profile

- » 100% of refinancing requirements completed for FY 2016
- » Continue to maintain well-staggered debt maturity profile with weighted average term to expiry at a healthy 3.6 years

No refinancing requirements until second half of 2017



# 4. Market Review & Outlook

## EXTENSIVE EXPERIENCE

*We leverage our Board of Directors' depth of experience and wealth of expertise to shape Keppel REIT's growth into the future.*

8 Chifley Square, Sydney

**Keppel REIT**



## Singapore

- » Advance estimates indicate that the economy grew 1.8% y-o-y for 1Q 2016, driven by expansions in the construction and services sectors
- » Growth is expected to remain muted in 2016 with full-year GDP growth at between 1 and 3%
- » Occupancy in Singapore's core CBD was 95.2% in 1Q 2016 as landlords continued to focus on preserving occupancy and/or attracting new tenants
  - Positive leasing activities by TMT companies, as well as firms in the insurance and pharmaceutical sectors
- » CBRE opined that the contraction phase for office spaces in the financial sector appears to be nearing an end. However, volatility in the energy sector may result in further right-sizing activities by tenants in the oil and gas sector
- » CBRE expects the down cycle in the office sector to persist through the rest of 2016
- » However, with very limited confirmed supply from 2018 onwards, CBRE is of the opinion that the market could recover earlier than expected

Sources: Ministry of Trade (MTI) and Industry and CBRE





## Australia

- » Economy grew 2.5% in 2015, supported by healthy demand from non-mining sectors
- » To drive continued growth, the Reserve Bank of Australia kept its official cash rate at 2% in 1Q 2016
- » Australia expects to record steady growth of between 2.5% and 3.5% in 2016
- » Positive net absorption in the office market in 2015 came in higher than the 20-year average for the CBD office markets
  - Leasing activities driven mainly by the TMT, commercial banking and education sectors

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Sources: Australian Bureau of Statistics, Reserve Bank of Australia and Jones Lang LaSalle





# Celebrating a Decade of Excellence

Keppel REIT's **transformation** in the last decade has seen it grow to become a REIT with a **young portfolio** of **best-in-class assets** on **long land tenures** in **premium locations**.

Its portfolio is **well-leased** to a stable of creditable tenants on **long leases** with **mark-to-market rent mechanisms** in Singapore and **triple-net leases** with **fixed annual rental escalations** in Australia, all of which position Keppel REIT to continually deliver **long-term steady returns** and **sustainable capital values**.





## ACTIVE LISTENING

*People are the cornerstone of our business.  
We believe in creating a cohesive workplace that  
nurtures and brings out the best in our talent.*

**Keppel REIT**

**Thank You**

**Ocean Financial Centre,  
Singapore**

## UNDIVIDED ATTENTION

*Our attention to details helps ensure  
that we provide the best value propositions  
to our stakeholders*



# Capturing Value. Sustaining Returns



## Vision

To be a successful commercial real estate investment trust with a sterling portfolio of assets pan-Asia.

## Mission

Guided by our operating principles and core values, we will deliver stable and sustainable returns to Unitholders by continually enhancing our assets and expanding our portfolio.

## Operating Principles

- 1 Best value propositions to customers.
- 2 Tapping and developing best talents from our global workforce.
- 3 Cultivating a spirit of innovation and enterprise.
- 4 Executing our projects well.
- 5 Being financially disciplined to earn best risk-adjusted returns.
- 6 Clarity of focus and operating within our core competence.
- 7 Being prepared for the future.

*The Manager will continue to capture value and sustain returns through:*

### Maximising Performance

- Maximising asset performances and managing costs to achieve operational efficiency
- Executing proactive marketing and leasing strategies to attract and retain a well-diversified tenant base from various business sectors
- Maintaining a well-staggered lease expiry profile
- Delivering quality property and customer services to tenants
- Seeking additional income opportunities

### Enhancing Assets

- Undertaking asset enhancement initiatives to maintain a portfolio of premium Grade A offices that meets changing business needs
- Leveraging technology to enhance operations
- Ensuring the safety and security of all building occupants
- Implementing environmentally sustainable features and initiatives where feasible
- Strengthening asset management expertise and capabilities

### Achieving Capital Efficiency

- Maintaining a disciplined capital management approach
- Extending the debt maturity profile to mitigate refinancing risks
- Limiting exposure to fluctuations in interest and foreign exchange rates
- Optimising capital structure
- Negotiating favourable credit facilities to fund business operations

### Acquiring Quality Assets

- Identifying quality assets that are aligned with Keppel REIT's investment mandate
- Conducting thorough feasibility studies and comprehensive due diligence on potential acquisitions
- Structuring investments to optimise tax efficiency and allow for repatriation of income from foreign assets
- Evaluating performance of the properties and recycling of capital, where appropriate, to optimise portfolio

### Developing Talent

- Nurturing a motivated and competent team to drive further growth
- Investing in training and development to raise the competency level of its employees
- Promoting workplace wellness
- Adopting best-in-class management practices
- Leveraging technology to raise productivity and enhance workflow efficiencies





# Portfolio Information: Singapore

- » Keppel REIT's AUM is approximately **\$8.2 billion** as at 31 March 2016
- » **90%** of portfolio in Singapore and **10%** in Australia

	Ocean Financial Centre <sup>(2)</sup>	Marina Bay Financial Centre <sup>(2) (4)</sup>	One Raffles Quay <sup>(2)</sup>	Bugis Junction Towers
Description	43-storey premium Grade A office tower	Comprises of three premium Grade A office towers and a subterranean mall	A pair of 50 and 29 storey premium Grade A office towers	15-storey Grade A office tower
Attributable NLA (sf)	883,193	1,027,647	443,760	244,989
Ownership	99.9%	33.33%	33.33%	100.0%
Number of tenants	55	159	47	15
Principal tenants	ANZ, BNP Paribas, Drew & Napier	DBS Bank, Standard Chartered Bank, BHP Billiton	Deutsche Bank, Ernst & Young, UBS	IE Singapore, InterContinental Hotels Group, Keppel Land
Tenure	99 years expiring 13 Dec 2110	99 years expiring 10 Oct 2104 <sup>(5)</sup> and 7 March 2106 <sup>(6)</sup>	99 years expiring 12 June 2100	99 years expiring 9 Sept 2089
Purchase Price (on acquisition)	S\$2,298.8m <sup>(3)</sup>	S\$1,426.8m <sup>(5)</sup> S\$1,248m <sup>(6)</sup>	S\$941.5m	S\$159.5m
Valuation <sup>(1)</sup>	S\$2,597m	S\$1,682m <sup>(5)</sup> S\$1,307m <sup>(6)</sup>	S\$1,263m	S\$550m
Capitalisation rates	3.75%	3.75%	3.75%	3.75%
Committed occupancy (As at 31 Mar 2016)	100.0%	98.5%	99.8%	100.0%

1) Valuation as at 31 December 2015 based on Keppel REIT's interest in the respective properties.

2) Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

3) 87.5% interest of the building was acquired on 14 December 2011 and 12.4% interest of the building was acquired on 25 June 2012.

4) Comprises Marina Bay Financial Centre (MBFC) office Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).

5) Refers to MBFC Towers 1 and 2 and MBLM.

6) Refers to MBFC Tower 3.



# Portfolio Information: Australia

	8 Chifley Square, Sydney <sup>(3)</sup>	8 Exhibition Street, Melbourne <sup>(4)</sup>	275 George Street, Brisbane <sup>(3)</sup>	David Malcolm Justice Centre <sup>(3)</sup>
Description	34-storey Grade A office tower	35-storey Grade A office tower and 5 retail units	30-storey Grade A office tower	33-storey Grade A office tower and its annexe
Attributable NLA (sf)	104,138	247,033	224,688	167,784
Ownership	50.0%	50.0% <sup>(4)</sup>	50.0%	50.0%
Number of tenants	8	21	7	2
Principal tenants	Corrs Chambers Westgarth, QBE Insurance Group, Quantum Group	Ernst & Young, UBS, CBRE	Queensland Gas Company, Telstra Corporation	Government of Western Australia
Tenure	99 years expiring 5 Apr 2105	Freehold	Freehold	99 years
Purchase Price (on acquisition)	A\$167m	A\$169m	A\$166m	A\$165m
Valuation <sup>(1) (2)</sup>	A\$200m S\$206.6m	A\$212m S\$215.5m <sup>(4)</sup>	A\$200 S\$204m	A\$197.5m S\$201.5m
Capitalisation rates	5.40%	5.75% <sup>(4)</sup>	6.75%	6.00%
Committed occupancy (As at 31 Mar 2016)	100.0%	98.8%	99.7%	100.0%

1) Valuation as at 31 December 2015 based on Keppel REIT's interest in the respective properties unless otherwise stated.

2) Based on the exchange rate of A\$1 = S\$1.02.

3) Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

4) Keppel REIT owns a 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the adjoining three retail units.