

The logo for Keppel REIT, featuring the word "Keppel" in white and "REIT" in orange, with a small orange graphic element above the "e" in Keppel.

Keppel REIT

Acquisition of a 99.38% Stake in T Tower in Seoul's CBD

23 April 2019

Outline

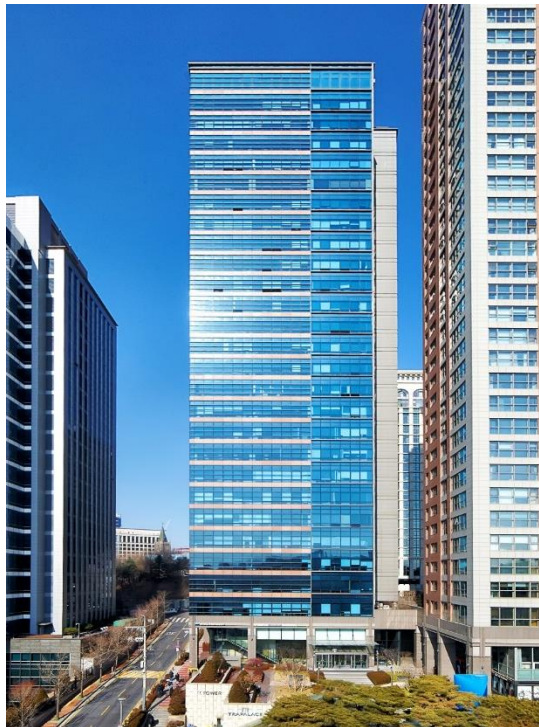
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Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (“SGX-ST”). Listing of the Units on SGX-ST does not guarantee a liquid market for the Units.

Transaction Overview



- Acquiring 99.38%⁽¹⁾ of T Tower, a freehold Grade A office building in Seoul's central business district (CBD)
- Entry into Seoul which has a deep office market with favourable fundamentals
- Ability to leverage Keppel Capital's on-the-ground presence and experience to seek opportunities for growth

T Tower in Seoul's CBD	
Land Tenure	Freehold
Building Completion	2010
Attributable NLA	226,945 sf
Occupancy	100% committed
WALE	2.8 years
No. of Tenants	11



[Click](#) to view property video

(1) The remaining 0.62% stake will be acquired by Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital)

Transaction Overview (Cont'd)

- DPU-accretive acquisition with NPI yield of 4.7% is part of ongoing portfolio optimisation efforts to improve portfolio yield
- Agreed property value of KRW 252.6 billion^(1,3) (approximately S\$301.4 million) is 2.5% lower than independent valuation by Cushman & Wakefield
- Acquisition is expected to complete in 2Q 2019 and will be funded by debt, including proceeds from issuance of 1.90% convertible bonds⁽²⁾

99.38% of T Tower	KRW	S\$
Independent Valuation by Cushman & Wakefield⁽¹⁾	259.0b	309.0m
Agreed Property Value^(1,3)	252.6b	301.4m
Transaction Costs⁽¹⁾	11.5b	13.7m
Total Acquisition Consideration⁽¹⁾	141.1b ⁽⁴⁾	168.3m

(1) Based on an approximate 99.38% interest in T Tower and an exchange rate of KRW 1,000 to S\$1.193 as at 18 April 2019.

(2) As announced by the Manager on 10 April 2019.

(3) Equivalent to KRW 20.2 million/pyeong (py), based on attributable gross floor area of 444,979 sf and conversion of 1 py to 35.6 sf.

(4) After taking into account the attributable share of the adjusted net tangible liabilities of KRW 123.0 billion (S\$146.8 million) to be assumed from the asset.

Investment Rationale

- 1 Entry into Seoul which has a deep office market with favourable fundamentals
- 2 Freehold Grade A commercial building in the CBD
- 3 DPU-accretive acquisition
- 4 Geographical and income diversification
- 5 Leverage Keppel Capital's on-the-ground presence and experience in South Korea



Seoul Office Market

T Tower:
Located in CBD



Seoul: Deep Office Market

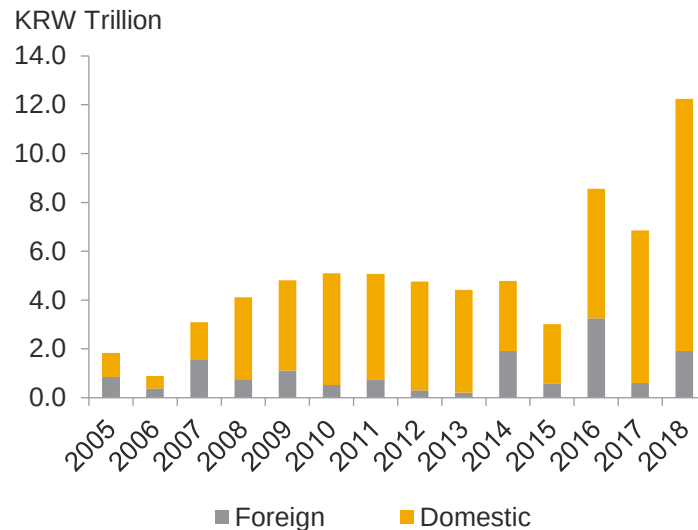
Economy

- South Korea is Asia's fourth largest economy⁽¹⁾
- The Korean economy is projected to expand by 2.5% in 2019 and 2.6% in 2020⁽²⁾
- Korean won (KRW) to Singapore dollar (S\$) has been trading in a tight band from S\$11.25 to S\$12.53 per KRW 10,000 over the past 10 years⁽³⁾

Office Transactions

- Seoul had the fourth highest volume of commercial real estate investment globally in 2018⁽⁴⁾
- Office investment hit historical high on the back of ample liquidity and quality investment stock, as well as favourable investment sentiment⁽⁴⁾

South Korea Office Transactions⁽⁴⁾
(by Buyer Type)



Sources:

(1) IMF, April 2019

(2) Bank of Korea, 18 April 2019

(3) Cushman & Wakefield, 25 March 2019

(4) JLL, 4Q 2018

3 Key Business Districts in Seoul⁽¹⁾

Central Business District (CBD):

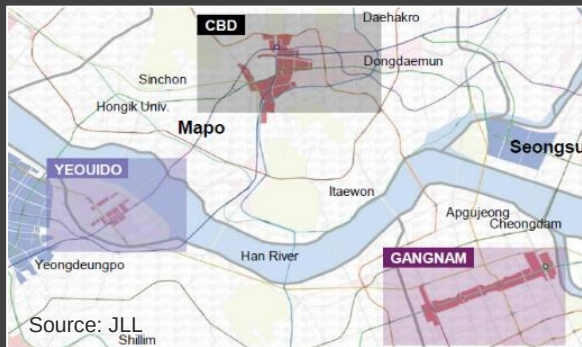
The traditional CBD, a well-established market

Gangnam Business District (GBD):

Fastest growing of late, newest major market

Yeouido Business District (YBD):

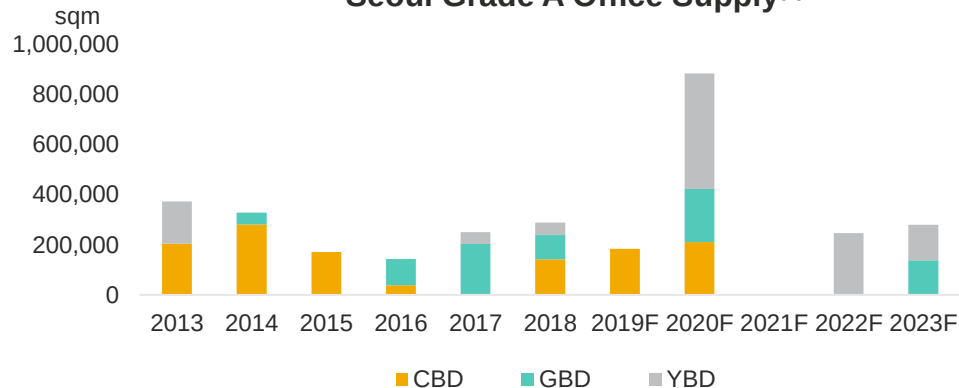
Government-driven finance hub on an island



Seoul Office Market: Favourable Fundamentals

- Grade A office buildings will continue to be in high demand across the three business districts⁽²⁾
- CBD new supply is expected to increase within these 2 years while having limited supply for the subsequent years⁽²⁾

Seoul Grade A Office Supply⁽²⁾



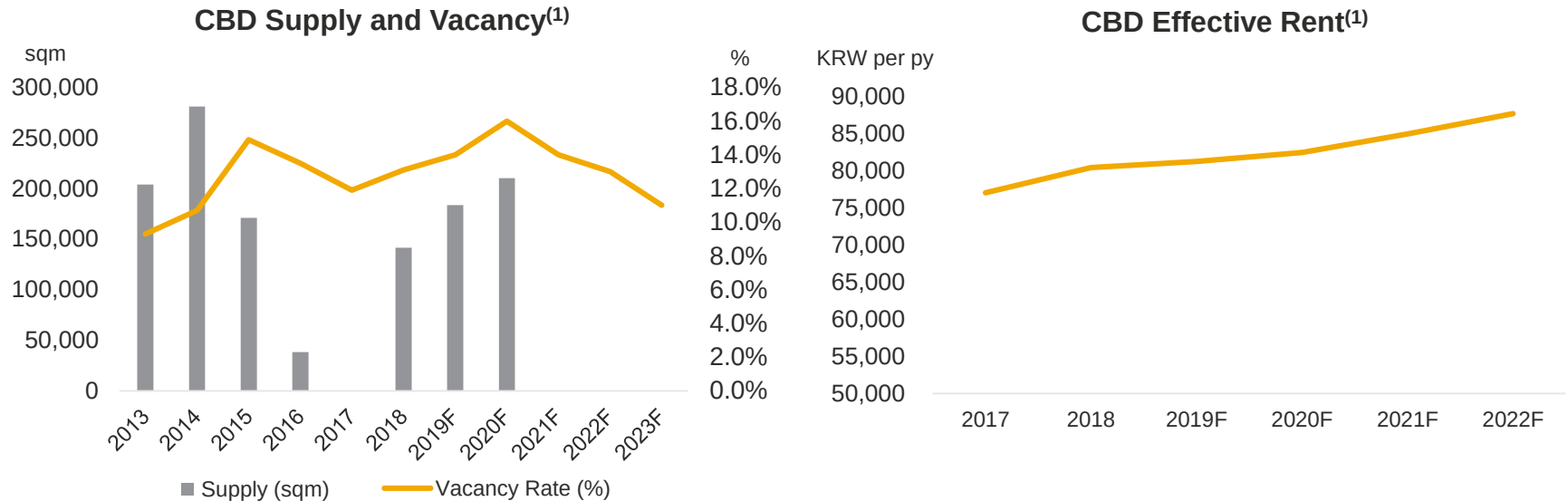
Sources:

(1) JLL, 4Q 2018

(2) Cushman & Wakefield, 25 March 2019

Seoul CBD: Limited Upcoming Supply

- Vacancy rate will peak in 2020 at 16% before lowering to 13% in 2022 with the limited supply for the subsequent years⁽¹⁾



Source:

(1) Cushman & Wakefield, 25 March 2019

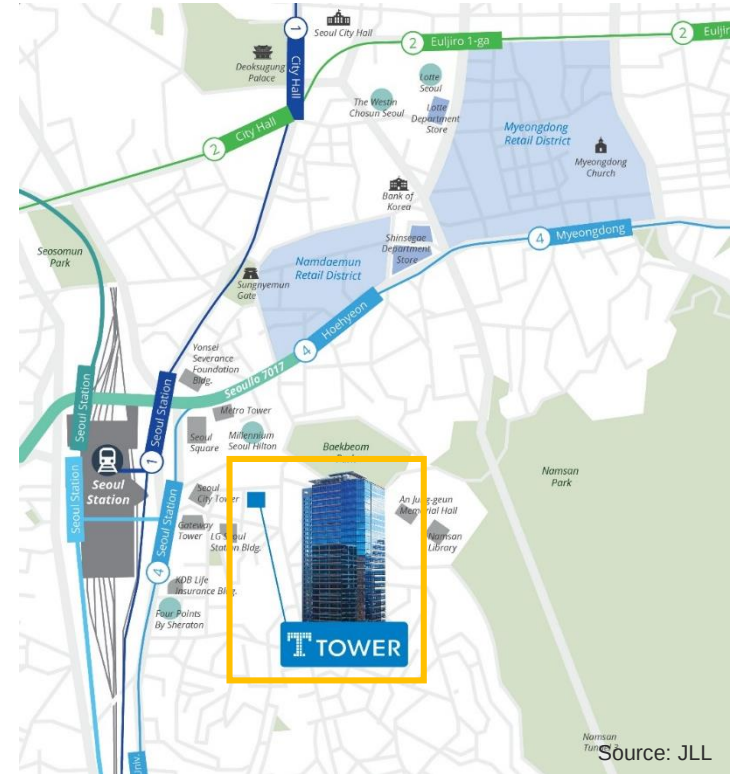
Property Highlights

T Tower:
High Accessibility



Freehold Grade A Property

- Located in the CBD, Seoul's well-established business district
- Close to Seoul Station and well-served by various rail, subway and bus networks, including direct connections across the Seoul metropolitan area and regionally via high speed KTX train
- Strong connectivity attracts multinational and national companies with regional presence
- Sited amidst diverse range of amenities and major hotels, and is close to key retail districts such as Myeong-dong and Namdaemun



Tenant-Centric Building

- Freehold 28-storey office building offering efficient, column-free office space
- Close proximity to a wide range of food & beverage outlets and auxiliary retail



Modern lobby



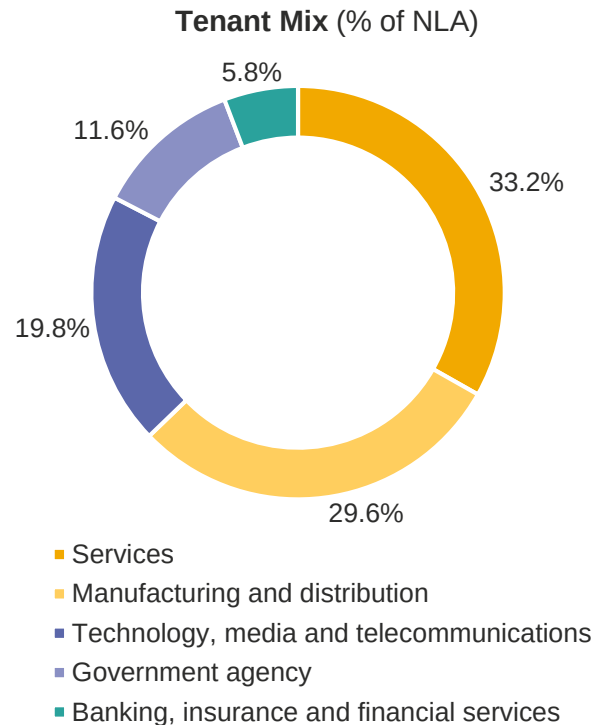
Proximity to amenities



Pleasant work environment

Fully Leased to Established Tenant Base

- 100% leased to established national and international tenants mainly from the technology, media and telecommunications (TMT), manufacturing and distribution, and services sectors
- Notable tenants include:
 - Philips Korea (country HQ)
 - LG Electronics
 - SK Communications
- Majority of the leases have fixed annual rental escalations of 3%



Impact to Portfolio

T Tower:
Complements
Existing Portfolio



DPU-Accretive Acquisition

- Acquisition of T Tower brings 2.5%⁽¹⁾ DPU accretion on a pro forma basis for FY 2018

FOR ILLUSTRATIVE PURPOSES ONLY: Pro forma financial effects of the acquisition on DPU

Pro Forma Impact of the Acquisition	Before (FY 2018)	After (Assuming acquisition was completed on 1 January 2018)
DPU	5.56 cents	5.70 cents
DPU Accretion		+2.5%

Pro Forma Impact of the Acquisition	Before (FY 2018)	Before (Assuming the divestment of a 20% stake in Ocean Financial Centre was completed on 1 January 2018)	After (Assuming the acquisition of T Tower and the divestment of a 20% stake in Ocean Financial Centre were completed on 1 January 2018)
DPU	5.56 cents	5.44 cents	5.57 cents

(1) Pro forma effect on FY 2018 DPU, assuming acquisition was completed on 1 January 2018.

DPU-Accretive Acquisition (Cont'd)

- Acquisition will be funded by debt, including proceeds from issuance of 1.90% convertible bonds
- Aggregate leverage will increase from 35.7% to approximately 38.1%
- Investment will be approximately 50% natural hedged with a KRW denominated loan

FOR ILLUSTRATIVE PURPOSES ONLY: Pro forma financial effects of the acquisition on NAV per Unit

Pro Forma Impact of the Acquisition	Before	After
NAV per Unit ⁽¹⁾	S\$1.39	S\$1.39

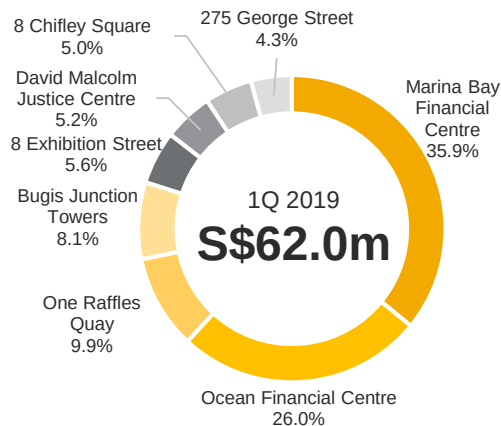
(1) The pro forma NAV per Unit as at 31 December 2018, as if the acquisition was completed on 31 December 2018 and after adjusting for 4Q 2018 distribution.

Income Diversification

Owning assets across Singapore, Australia and South Korea enhances income stability of the REIT

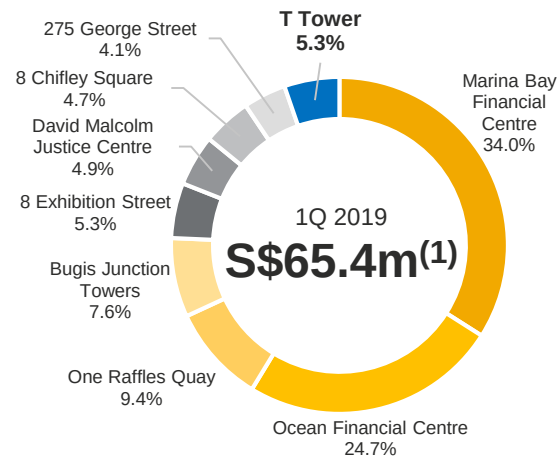
Portfolio Income

Before Acquisition



Country	% of Income
Singapore	79.9
Australia	20.1

After Acquisition



Country	% of Income
Singapore	75.7
Australia	19.0
South Korea⁽¹⁾	5.3

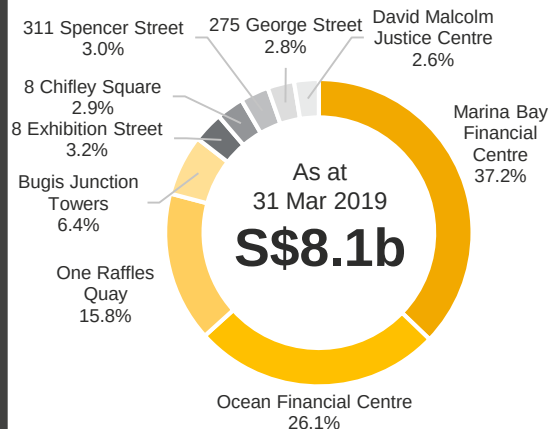
(1) For illustrative purposes, assuming the acquisition was completed on 1 January 2019.

Geographical Diversification

Entry into a third market for potential DPU-accretive acquisitions, in addition to Singapore and Australia

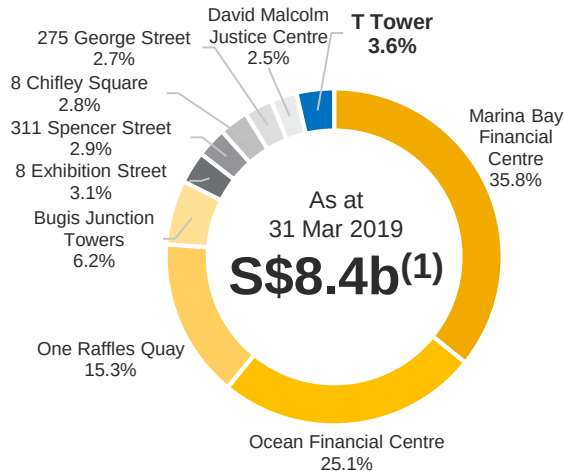
Assets Under Management

Before Acquisition



Country	% of AUM
Singapore	85.5
Australia	14.5

After Acquisition



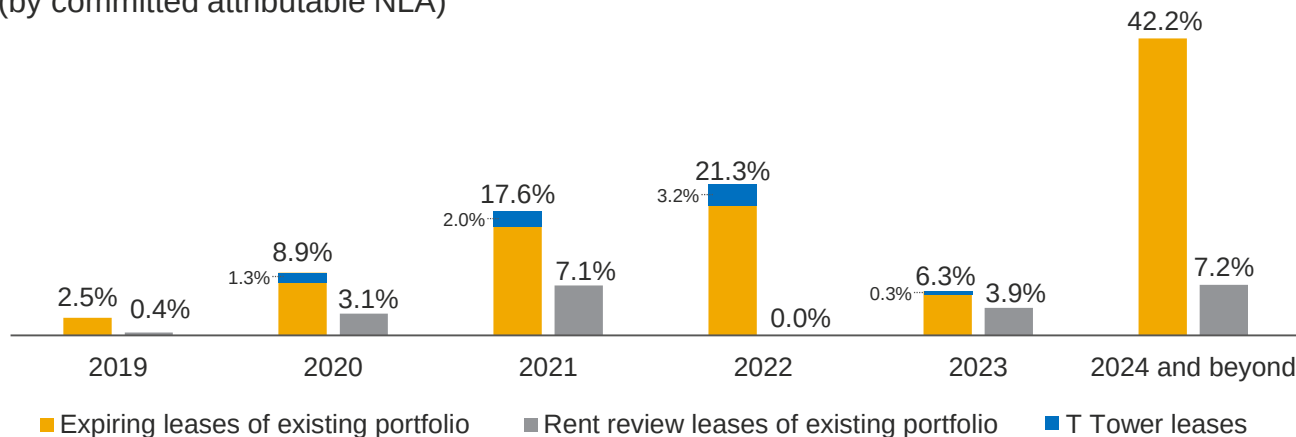
Country	% of AUM
Singapore	82.4
Australia	14.0
South Korea⁽¹⁾	3.6

(1) Assuming the acquisition was completed in 1Q 2019. Based on valuation of T Tower by Cushman & Wakefield as at 25 March 2019 and an exchange rate of KRW 1,000 to S\$1.193 as at 18 April 2019.

Complements Existing Portfolio

- Freehold portion of portfolio increases from 14.9% to 20.6%
- Portfolio committed occupancy level rises from 98.7% to 98.8%
- Portfolio WALE remains long at approximately 5.5 years while lease expiry remains well spread

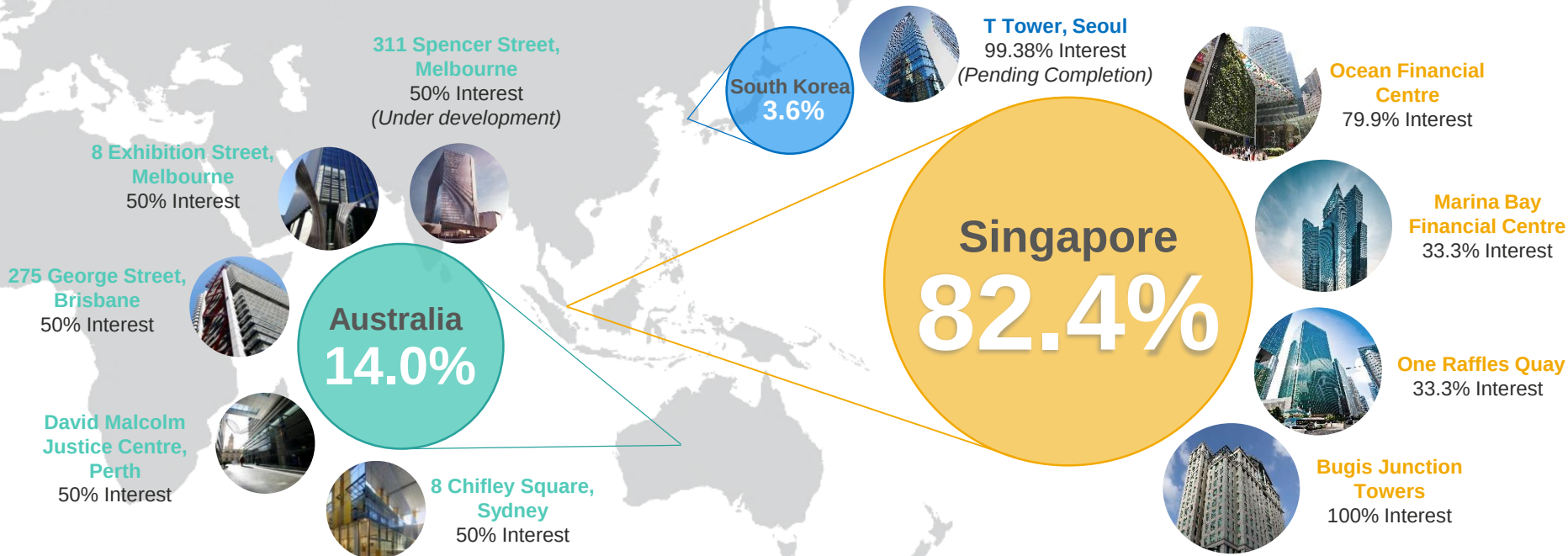
Portfolio Lease Expiry Profile
(by committed attributable NLA)



Note: Pro forma data as at 31 March 2019.

Pan-Asia REIT with Premium Office Portfolio

S\$8.4b portfolio of 10 prime commercial assets
in key business districts of Singapore, Australia and South Korea



Note: Based on total assets under management of approximately S\$8.4 billion as at 31 March 2019, assuming acquisition of T Tower was completed in 1Q 2019.

Leverage Keppel Capital's Expertise in South Korea

15 years
of operations

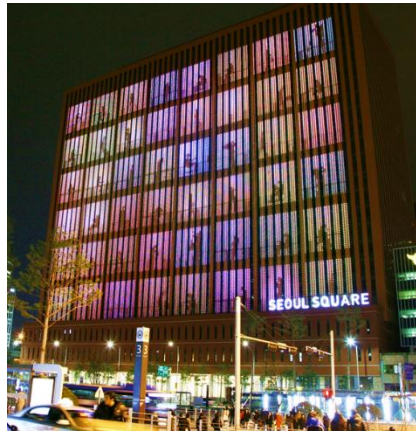
\$3 billion
of AUM managed

5.2 million sf
of total GFA managed

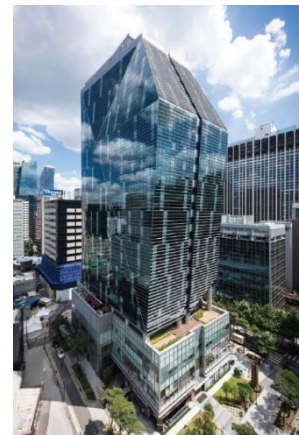
- Keppel Capital has been operating in South Korea since 2004 and has managed various commercial assets in Seoul



Jongno Tower



Seoul Square

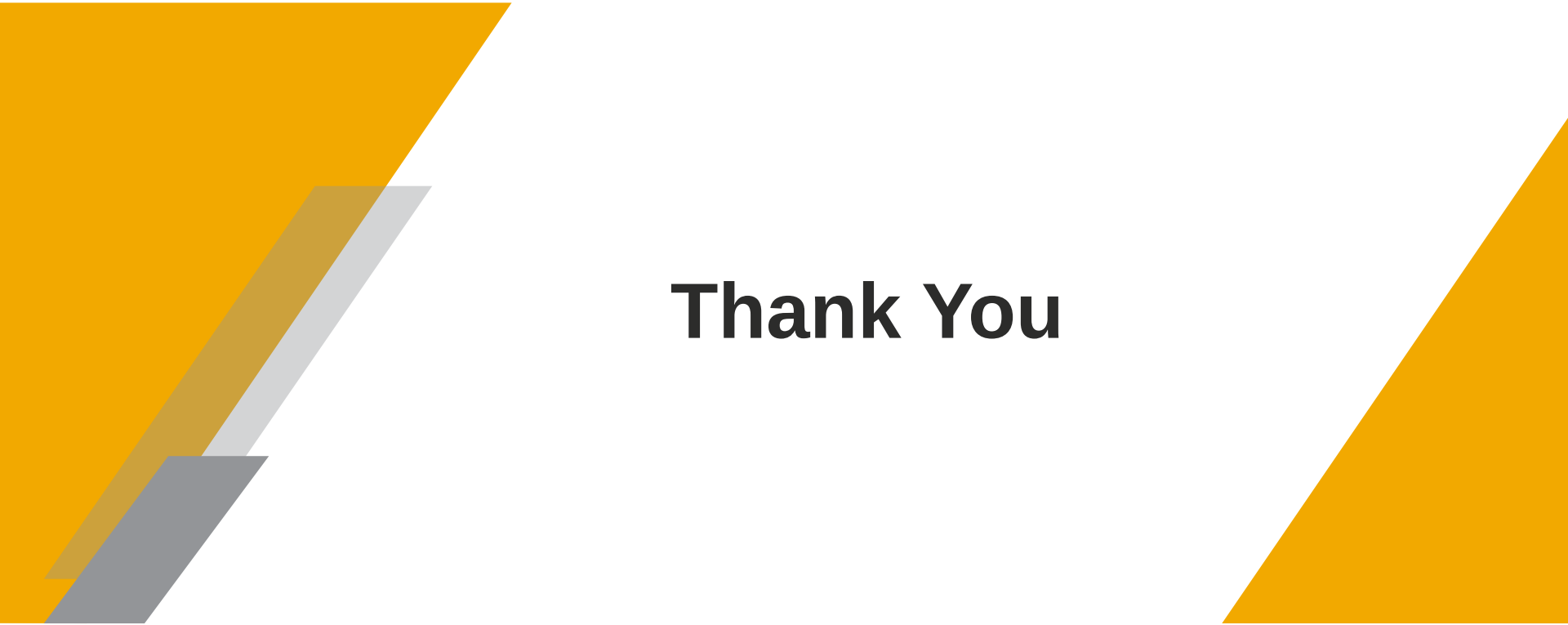


Center Place

- Keppel Investment Management, the asset management arm of Keppel Capital in South Korea, will be appointed the local asset manager for the property
- Keppel REIT will be able to leverage Keppel Capital's experienced team on the ground to seek opportunities for growth in the Seoul office market

Merits of Acquisition

- 1 Entry into Seoul which has a deep office market with favourable fundamentals
- 2 Freehold Grade A commercial building in the CBD
- 3 DPU-accretive acquisition
- 4 Geographical and income diversification
- 5 Leverage Keppel Capital's on-the-ground presence and experience in South Korea

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Thank You