Managed by
Keppel REIT Management Limited
(Co Reg No. 200411357K)
230 Victoria Street
#15-03 Bugis Junction Towers
Singapore 188024
www.keppelreit.com
Tel: (65) 6835 7477
Fax: (65) 6835 7747

MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Quarter and Half Year Ended 30 June 2016

19 July 2016

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 quarter and half year ended 30 June 2016.

The materials are also available at *www.keppelreit.com and www.kepcorp.com*.

For more information, please contact:

Media Relations
Ms Eileen Tan
Senior Executive
Group Corporate Communications
Keppel Corporation Limited
Tel: (65) 6413-6430 / (65) 9770-2546
Email: eileen.tan@kepcorp.com

Investor Relations
Ms Teo Soo Kiam
Vice President
Investor Relations & Research
Keppel REIT Management Limited
Tel: (65) 6433-7534
Email: sookiam.teo@keppelreit.com

Keppel REIT continues to show resilience amidst market headwinds

Proactive leasing efforts brought expiring leases down to a minimal 0.6% for the rest of 2016, with close to full portfolio occupancy and almost every expiring tenant retained

Key Financial Highlights

- Due mainly to the absence of contribution from 77 King Street, property income and net property income for 2Q 2016 were marginally lower by 1.5% and 1.4% quarter-on-quarter ("q-o-q") respectively. Excluding contribution from 77 King Street, property income and net property income remained stable in 2Q 2016.
- Share of results of associates and joint ventures increased to $20.1 million and $8.3 million in 2Q 2016, up 7% and 22.6% q-o-q respectively, on higher share of contribution from David Malcolm Justice Centre and Marina Bay Financial Centre.
- Distribution per Unit ("DPU") of 1.61 cents for 2Q 2016, which translates to an annualised yield of 6.3%.

Key Portfolio Highlights

- Almost all the leases expiring in 2016 have been renewed, with only a minimal 0.6% of expiring leases due for renewal in 2H 2016, a significant improvement from 13.4% as at the beginning of 2016.
- Forward renewal efforts brought the proportion of expiring leases in 2017 and 2018 down substantially to 9.5% and 5.5% respectively as at 2Q 2016, from 11.5% and 7.5% respectively as at the beginning of 2016. The majority of these expiring leases are in their first renewal cycle and are likely to be renewed.
- Achieved overall portfolio occupancy of 99.7% as at 2Q 2016, not at the expense of rental to-date.
- Retained almost every expiring tenant in 1H 2016.
- New tenants secured in 1H 2016 were mainly from the banking, financial and insurance, real estate and property services as well as government agency sectors.
- Continues to command above-market rents, achieving average committed rent of $10.10 psf for new, renewal and forward renewal leases in 2Q 2016, higher than CBRE's average Grade A rent of $9.50 psf.
- Despite the subdued office market, the Manager achieved positive rent reversion of approximately 2% for new, renewal and forward renewal leases in 1H 2016.
- Maintained a long WALE of approximately 8 years for top 10 tenants and 6 years for the overall portfolio, which will provide income stability for Unitholders amidst economic and market headwinds.
- Approximately 90% of leases are not due for renewal till 2018 and beyond, and approximately 85% of leases not due for renewal till 2019 and beyond, when limited to no new office supply in the central business district ("CBD") is expected.

Key Capital Management Highlights

- Aggregate leverage remained stable at 39% as at 2Q 2016.

- Extended the weighted average term to maturity to a healthy 3.9 years with minimal refinancing requirements until 2H 2018.
- Released the encumbrance on Ocean Financial Centre.
- Significantly improved the percentage of unencumbered assets from 72% to 83%.
- Secured loan facilities at better pricing.
- Increased the proportion of fixed-rate loans to 75% as at 2Q 2016, up from 70% as at end-2015. This helps to mitigate interest rate risk and provide certainty of interest expenses.
- Average cost of debt remained stable at 2.55%, with interest coverage ratio at a healthy 4.6 times.

Resilient Performance amidst Challenging Market Conditions

Keppel REIT Management Limited, the Manager of Keppel REIT, continued to show resilience in its performance, delivering a creditable set of results for the second quarter of 2016 amidst market headwinds.

Due mainly to the absence of contribution from 77 King Street which was divested in 1Q 2016, property income and net property income for 2Q 2016 were marginally lower by 1.5% and 1.4% q-o-q respectively. Excluding contribution from 77 King Street, property income and net property income for the current portfolio remained stable in 2Q 2016.

Share of results of associates and joint ventures increased to $20.1 million and $8.3 million in 2Q 2016, up 7% and 22.6% q-o-q respectively, on higher share of contribution from David Malcolm Justice Centre in Perth, Australia, and Marina Bay Financial Centre.

The Manager is declaring a DPU of 1.61 cents for 2Q 2016. DPU for 2Q 2016 was marginally lower compared with 1Q 2016, primarily due to the absence of income contribution from 77 King Street which was divested in 1Q 2016. DPU for the first half of 2016 amounted to 3.29 cents, which translates to an annualised yield of 6.3%.

Summary of Results

	GROUP			
	2Q2016 $'000	**2Q2015** $'000	**1H2016** $'000	**1H2015** $'000
Property income	40,552	42,964	81,719	85,369
Net property income	32,458	34,711	65,368	69,298
Share of results of associates	20,106	19,953	38,892	40,320
Share of results of joint ventures	8,346	4,056	15,153	8,099
Income available for distribution	52,517	54,820	106,955	108,829
Distribution to Unitholders[1]	52,517	54,820	106,955	108,829
Distribution per Unit ("DPU") (cents) for the period	1.61[2]	1.72	3.29[2]	3.42
Annualised/Actual distribution yield %			6.3%[3]	7.3%[4]

(1) *Distribution to Unitholders was based on 100% of the taxable income available for distribution.*
(2) *Excluded income contribution from 77 King Street which was divested in 1Q 2016.*
(3) *Based on the market closing price per unit of $1.05 as at the last trading day, 30 June 2016.*
(4) *Based on total DPU of 6.8 cents in FY2015 and the market closing price per unit of $0.93 as at the last trading day, 31 December 2015.*

Enhancing Income Stability with Proactive Lease Management

With its continued focus on proactive leasing and marketing, the Manager successfully renewed almost all the leases expiring in 2016 in the first half of this year, with only a minimal 0.6% of expiring leases due for renewal in the second half of this year. This is a significant improvement from 13.4% as at the beginning of 2016.

The Manager has also been actively engaging tenants to forward renew leases expiring in 2017 and 2018. The Manager successfully forward renewed approximately 365,000 sf (attributable space of 329,000 sf) of prime office space in the first half of 2016, bringing the proportion of expiring leases in 2017 and 2018 down to 9.5% and 5.5% respectively as at 2Q 2016, compared with 11.5% and 7.5% respectively as at the beginning of the year. The majority of these expiring leases are in their first renewal cycle and are likely to be renewed.

In all, the Manager concluded a total of 69 leases or approximately 900,000 sf (attributable space of approximately 615,000 sf) of prime office space in the first half of 2016. This raised Keppel REIT's overall portfolio occupancy to 99.7% as at 2Q 2016, from 99.3% as at end-2015, and this was achieved not at the expense of rental to-date. Occupancy levels for Keppel REIT's Singapore properties grew to 99.7% from 99.3% as at end-2015 on improved occupancy at Marina Bay Financial Centre while occupancy for the Australian portfolio remained strong at 99.5% as at 2Q 2016. Keppel REIT's Singapore portfolio occupancy has been consistently above CBRE's core CBD occupancy since its listing in 2006.

The ongoing efforts in retaining tenants have paid off as the Manager managed to retain almost every expiring tenant in the first half of 2016. Tenants seeking 'flight to quality' and companies setting up new operations in Singapore were also attracted to Keppel REIT's premium office buildings strategically located in the Marina Bay and Raffles Place financial districts. New tenants secured in the first half of 2016 were mainly from the banking, financial and insurance, real estate and property services as well as government agency sectors. Of the new office leases signed in the first half of 2016, 20% were new to Singapore, 30% were from serviced offices, and the remaining 50% were flight-to-quality tenants moving to the Marina Bay and Raffles Place districts.

Keppel REIT continues to command above-market rents for its Singapore office leases, achieving average committed rent of $10.10 psf for new, renewal and forward renewal leases in 2Q 2016. This was higher than the market's average Grade A rent of $9.50 psf (CBRE's 2Q 2016 average Grade A rent). Despite the subdued office market, the Manager achieved positive rent reversion of approximately 2% for new, renewal and forward renewal leases in the first half of 2016. Going forward, the Manager will continue to stay focused in its leasing efforts to retain tenants by renewing and forward renewing expiring leases. Average rents for leases due for renewal and review in 2016 to 2018 range from mid $8 psf to low $9 psf, which are currently below CBRE's average Grade A rent of $9.50 psf.

The Manager continues to secure tenants for the longer term, maintaining a long WALE of approximately 8 years for Keppel REIT's top 10 tenants and 6 years for the overall portfolio, which will provide income stability for Unitholders amidst economic and market headwinds.

The long leases in Singapore are embedded with mark-to-market rent mechanisms at pre-determined anniversaries during the lease terms. In addition, the leases in Australia are on a triple-net basis, with tenants covering all outgoings including taxes, insurance and common area maintenance costs, and are embedded with fixed annual rental escalations throughout the respective leases.

Keppel REIT's lease expiry profile is well spread out, with approximately 90% of leases not due for renewal till 2018 and beyond, and approximately 85% of leases not due for renewal till 2019 and beyond, when limited to no new office supply in the CBD is expected. There will be no office supply in the CBD in 2019 to 2021, which is unprecedented.

The Singapore office market will remain challenging over the next two years given the impending new supply. The Manager remains committed to executing its strategy, focusing on tenant retention and attraction to maintain a healthy and long lease expiry profile as well as provide sustained returns for Unitholders over the longer term. The Manager will also continue its active capital management efforts to safeguard against interest rate and currency volatilities as well as enhance its financial flexibility to capitalise on opportunities that may arise during periods of uncertainties.

The Manager believes that Keppel REIT is well positioned to weather the current challenging conditions, supported by its proactive leasing and capital management, as well as its sterling property portfolio and quality tenant profile.

Focusing on Capital Efficiency and Financial Flexibility

In line with its disciplined and prudent approach towards capital management, the Manager maintained Keppel REIT's aggregate leverage at 39% as at 2Q 2016. All refinancing requirements in 2016 and almost all refinancing requirements in 2017 have been completed, extending the weighted average term to maturity to a healthy 3.9 years. Keppel REIT has minimal refinancing requirements until 2H 2018.

The Manager recently refinanced a $505 million secured loan facilities with unsecured borrowings at better pricing. The new unsecured loan facilities also released the encumbrance on Ocean Financial Centre and significantly improved the percentage of unencumbered assets from 72% to 83%. The Manager has increased the proportion of fixed-rate loans to 75% as at 2Q 2016, up from 70% as at end-2015. This helps to mitigate interest rate risk and provide certainty of interest expenses. The average cost of debt remained stable at 2.55%, with interest coverage ratio at a healthy 4.6 times.

The Manager will maintain its focus on optimising capital structure and enhancing financial flexibility to improve operational performance and capitalise on opportunities when they arise.

Office Market Overview

Advance estimates by the Ministry of Trade and Industry ("MTI") indicate that the economy grew 2.2% year-on-year ("y-o-y") in 2Q 2016, marginally higher than the 2.1% expansion in 1Q 2016. Growth was led mainly by the construction and services sectors and a 0.8% expansion in the manufacturing sector, a reversal from the 0.5% contraction in 1Q 2016. With the slowdown in private sector activities, growth in the construction sector eased from 4.5% to 2.7% during the quarter. The services sectors maintained stable growth at 1.7%, driven mainly by the transportation, storage, wholesale and retail trade sectors. MTI expects growth in 2016 to remain subdued, with full-year GDP growth forecast at between 1% and 3%.

Based on statistics from CBRE, core CBD office occupancy remained steady at 95.1% in 2Q 2016, marginally lower than the 95.2% occupancy in the previous quarter. Average Grade A rent was lower at $9.50 psf per month, compared with $9.90 psf in 1Q 2016. The pressure on rents is a result of competition from new CBD developments due for completion over the next two years. New office supply from Marina One and Guoco Tower are progressively being absorbed. During the current quarter, leasing activities increased, supported by flight-to-quality move by companies taking advantage of the more favourable lease terms. Sectors that contributed to leasing demand included financial and professional services as well as technology, media and telecommunications ("TMT").

Singapore is fast emerging as Asia's hub for financial technology ("fintech") as the country seeks to cultivate growth in this new field as part of its initiatives to become a Smart Financial Centre and support the growing startup ecosystem. Singapore's first-mover advantage in the development of fintech will also reinforce the city-state's status as a regional financial hub. Uncertainties from Brexit are expected to prompt some UK-based fintech companies to accelerate their move to Asia and Singapore is currently poised to benefit from such a trend.

The Australian economy grew further by 3.1% y-o-y in 1Q 2016, after registering a 2.5% growth in 2015, supported by growth in the tourism, healthcare and education sectors as well as higher mining and resource-related exports. According to the Reserve Bank of Australia ("RBA"), Australia is expected to record stable economic growth of between 2.5% and 3.5% for 2016. In a preemptive move to stave off deflation and spur inflation to its target range of 2-3%, RBA cut its official cash rate by 25 basis points to 1.75% in May 2016.

The Australian office market continues to see positive net absorption in 1Q 2016. According to Jones Lang LaSalle, net absorption in 1Q 2016 reached 67,300 sm. Overall office occupancy in the CBD remained stable at 87.6% in 1Q 2016 compared with 87.4% in 4Q 2015. In Sydney and Melbourne, office occupancy continued to strengthen to 93.2% and 90.8% respectively in 1Q 2016, up from 92.2% and 90% respectively in 4Q 2015, on positive demand driven mainly by the professional services and education sectors. Improved business sentiments prompted companies to look beyond the short-term financial market volatility and make long-term strategic real estate decisions.

Consolidation of Keppel REIT Management Ltd under Keppel Capital Holdings Pte Ltd

On 1 July 2016, Keppel Corporation Limited completed the consolidation of its interests in all four of its subsidiaries in business trust management, REIT management and fund management under its wholly-owned subsidiary, Keppel Capital Holdings Pte Ltd. This includes a 100% interest in Keppel REIT Management Ltd. Following the consolidation, the Manager will benefit from being part of a larger asset management platform.

Upholding Excellence in Sustainability

As a sustainability leader, the Manager is committed to maintain high standards of environmental protection and uphold excellence in sustainability. Keppel REIT received top accolades at the coveted Building and Construction Authority of Singapore ("BCA") Awards 2016. Ocean Financial Centre and Marina Bay Financial Centre Tower 3 were re-certified as BCA Green Mark Platinum developments. Ocean Financial Centre was also winner of the BCA Green Mark Pearl Award, which recognises building owners for their efforts in collaborating with tenants to achieve better total building performance. Keppel REIT's management offices at Ocean Financial Centre and Bugis Junction Towers were also conferred BCA Green Mark Gold^{Plus} certification for Office Interior, in recognition of their efforts in implementing green office practices and inculcating an eco-mindset among employees.

In May 2016, the Singapore Exchange ("SGX") announced the launch of the SGX Sustainability Leaders Index, which comprises companies considered as clear frontrunners in Environmental, Social and Governance ("ESG") standards when compared to their peers. Keppel REIT is among the 24 constituents and this inclusion puts Keppel REIT on the radar screen of a growing pool of ESG-focused investors.

In 2015, Keppel REIT topped the Global Real Estate Sustainability Benchmark with numerous accolades in various sectors. Keppel REIT was also the first REIT in Asia to maintain its pole position as the Regional Leader for Office Sector in Asia for two consecutive years.

Keppel REIT continues to engage the REIT investing community through the Manager's participation in the REITs Symposium for the second consecutive year. Held on 4 June 2016, the REITs Symposium provided an opportunity for existing and potential retail Unitholders to learn more about Keppel REIT's business operations.

Believing in doing well and doing good, Keppel REIT continues to reach out to the less privileged. On 23 June 2016, the Manager organised an outing to the Lee Kong Chian Natural History Museum for the youths from the Muscular Dystrophy Association of Singapore ("MDAS"). Staff volunteers, together with staff from MDAS, parents and caregivers, spent a meaningful day at the museum, where the youths immersed in the history and diversity of life on Earth.

About Keppel REIT (www.keppelreit.com)

Keppel REIT was listed by way of an introduction on 28 April 2006. Over the last decade, Keppel REIT has grown from strength-to-strength to become one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial districts.

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 across Asia.

As at 30 June 2016, Keppel REIT had assets under management of approximately $8.3 billion comprising interests in eight premium office assets with 11 office towers strategically located in the central business districts of Singapore, as well as key cities of Sydney, Melbourne, Brisbane and Perth in Australia.

In Singapore, the assets are Bugis Junction Towers (100% interest), Ocean Financial Centre (99.9% interest), Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall) (one-third interest) and One Raffles Quay (one-third interest).

In Australia, the assets are 8 Chifley Square in Sydney (50% interest), 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in another three retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre office tower in Perth (50% interest).

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property companies, and is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd.