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**MEDIA RELEASE**

**Unaudited Results of Keppel REIT for the Third Quarter and Nine Months Ended 30 September 2016**

**18 October 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 third quarter and nine months ended 30 September 2016.

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

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# Keppel REIT's income resilience supported by above-market occupancy and rents

***All its properties in Raffles Place and Marina Bay are 100% leased***

**Key Financial Highlights**

- Due mainly to the absence of income from 77 King Street, property income and net property income for 3Q 2016 were $39.5 million and $31.6 million respectively, lower year-on-year ("yoy"). Excluding contribution from 77 King Street, property income and net property income remained stable for 3Q 2016.
- Share of results of associates increased by 33.2% yoy to $24.7 million while share of results of joint ventures doubled to $7.9 million for the quarter. This was due mainly to higher share of contribution from Marina Bay Financial Centre and One Raffles Quay in Singapore as well as David Malcolm Justice Centre in Perth, Australia.
- Distribution per Unit ("DPU") for 3Q 2016 remained steady at 1.60 cents, which translates to an annualised yield of 5.8%.

**Key Portfolio Highlights**

- All of Keppel REIT's properties in Raffles Place and Marina Bay (Ocean Financial Centre, Marina Bay Financial Centre Towers 1, 2 and 3 as well as One Raffles Quay North and South Towers) are 100% leased.
- Rent reversion for new, renewal, forward renewal and review leases were positive at approximately 3% for the first nine months of this year.
- Proactive forward renewal efforts brought down expiring leases to a minimal of approximately 5% for 2017 and 2018 respectively.
- Overall portfolio remained almost full at 99.5% as at 3Q 2016.
- Achieved 98% tenant retention rate for the first three quarters of 2016.
- New tenants secured in 2016 were mainly from the banking, financial and insurance, legal, real estate and property services, technology, media and telecommunications ("TMT"), government agency as well as energy, natural resources, shipping and marine sectors.
- Continued to achieve above-market rents for Singapore leases, with average committed rent of $9.85 psf for new, renewal and forward renewal leases, higher than CBRE's average Grade A rent of $9.30 psf.
- Average rents for leases due for renewal and review in 2017 and 2018 are at low $9s psf.
- Weighted average lease expiry ("WALE") further extended to 8.5 years for top 10 tenants and 6.1 years for the overall portfolio, up from 8 years and 6 years respectively in 2Q 2016.

**Key Capital Management Highlights**

- Aggregate leverage remained stable at 39% as at 3Q 2016.
- Lowered all-in interest rate to 2.53% in 3Q 2016 and improved interest coverage ratio to 4.7 times.
- Completed all refinancing requirements for 2016 and 2017, and no refinancing requirements until 2H 2018.
- Weighted average term to maturity remained healthy at 3.7 years.
- The proportion of fixed-rate loans was steady at 74% as at 3Q 2016, providing greater certainty of interest expenses and mitigating interest rate risk.
- The percentage of unencumbered assets remained unchanged at 83% in 3Q 2016.

**Creditable Performance Demonstrates Resilience against Market Headwinds**

Keppel REIT continued to perform creditably in 3Q 2016 despite cyclical headwinds in the office market.

With the absence of income contribution from 77 King Street following divestment in 1Q 2016, property income and net property income for 3Q 2016 were $39.5 million and $31.6 million respectively, compared with $42.2 million and $33.4 million respectively for 3Q 2015. Excluding contribution from 77 King Street, property income and net property income remained stable for 3Q 2016.

Contribution from associates and joint ventures improved significantly in 3Q 2016. Share of results of associates increased by 33.2% yoy to $24.7 million while share of results of joint ventures doubled to $7.9 million for the quarter. This was due mainly to higher share of contribution from Marina Bay Financial Centre and One Raffles Quay in Singapore as well as David Malcolm Justice Centre in Perth, Australia.

Income available for distribution was $52.5 million for 3Q 2016 compared with $54.4 million for 3Q 2015 as a result of the absence of contribution from 77 King Street. DPU for 3Q 2016 was 1.60 cents. DPU for the first nine months of 2016 amounted to 4.89 cents, which translates to an annualised yield of 5.8%.

***Summary of Results***

| | GROUP | |
|---|---|---|
| | **3Q2016**<br>$'000 | **YTD Sep 2016**<br>$'000 |
| Property income | 39,532 | 121,251 |
| Net property income | 31,580 | 96,948 |
| Share of results of associates | 24,661 | 63,553 |
| Share of results of joint ventures | 7,890 | 23,043 |
| Income available for distribution | 52,452 | 159,407 |
| Distribution to Unitholders[1] | 52,452 | 159,407 |
| Distribution per Unit ("DPU") (cents) for the period | 1.60[2] | 4.89[2] |
| Annualised distribution yield | | 5.8%[3] |

*(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 on 29 January 2016.*
*(3) Based on the market closing price per unit of $1.115 as at the last trading day, 30 September 2016.*

**Successful Renewal of All Expiring Leases in 2016 and Majority of Leases in 2017 and 2018**

All of Keppel REIT's properties in the Raffles Place and Marina Bay precinct, namely Ocean Financial Centre, Marina Bay Financial Centre and One Raffles Quay, are 100% leased. Keppel REIT's portfolio remained almost full, with overall occupancy maintained at a high of 99.5% as at 3Q 2016.

The Manager's proactive leasing efforts led to a significant reduction in lease expiry. All leases expiring in 2016 had been successfully renewed. The Manager also brought down expiring leases in 2017 and 2018 to a minimal 5.2% and 5.4% respectively as at 3Q 2016. The majority of the expiring leases in 2017 and 2018 are in their first renewal cycles and are likely to be renewed.

Keppel REIT continued to achieve above-market rents for its Singapore office leases. Average committed rent for new, renewal and forward renewal leases was $9.85 psf for YTD Sep 2016, higher than the market's average of $9.30 psf for the quarter. Rent reversion for new, renewal, forward renewal and review leases were positive at approximately 3% for the first nine months of this year, amidst cyclical headwinds exerting pressure on office rents.

The Manager concluded 39 leases or approximately 635,000 sf of office space for new, renewal, forward renewal and review leases in the third quarter of 2016. This brought the total amount of office space concluded to approximately 1.5 million sf for the first nine months of this year.

The Manager has retained almost all expiring tenants in the first three quarters of this year. Keppel REIT's premium office buildings strategically located in the Raffles Place and Marina Bay precinct also attracted many flight-to-quality tenants as well as foreign companies setting up new headquarters and offices in Singapore. These newly-secured tenants were diversified across multiple sectors including banking, financial and insurance, legal, real estate and property services, TMT, government agency as well as energy, natural resources, shipping and marine sectors. Of the new tenants secured in the first nine months of this year, approximately 10% were new set-ups in Singapore, 75% were new and flight-to-quality tenants and the remaining 15% were expansions by existing tenants.

Going forward, the Manager will continue to actively engage tenants to renew and forward renew leases expiring in 2017 and 2018. Average rents for leases due for renewal and review in 2017 and 2018 are at low $9s psf.

Keppel REIT's lease expiry profile remains well spread out, with approximately 95% of leases not due for renewal until 2018 and beyond when very limited new office supply in the central business district ("CBD") is expected between 2019 and 2021.

Keppel REIT further extended its WALE to 8.5 years for top 10 tenants and 6.1 years for the overall portfolio in 3Q 2016, up from 8 years and 6 years respectively in 2Q 2016. The long WALE will ensure a stable stream of income for Unitholders in the mid to longer term. In Singapore, the long leases are embedded with mark-to-market rent mechanisms at pre-determined anniversaries during the entire lease terms. The leases in Australia are on a triple-net basis where tenants are responsible for all outgoings including taxes, insurance and common area maintenance costs, and are embedded with fixed annual rental escalations throughout the lease terms.

**Prudent Approach towards Capital Management**

Keppel REIT's aggregate leverage remained stable at 39% as at 3Q 2016, unchanged from 2Q 2016. All refinancing requirements for 2016 and 2017 have been completed and there are no refinancing requirements until 2H 2018. Keppel REIT's weighted average term to maturity remained healthy at 3.7 years.

The all-in interest rate was slightly lower at 2.53% in 3Q 2016, compared with 2.55% in 2Q 2016. Interest coverage ratio also improved to 4.7 times in 3Q 2016 from 4.6 times in 2Q 2016. The proportion of fixed-rate loans held steady at 74% as at 3Q 2016, providing greater certainty of interest expenses and mitigating interest rate risk. The percentage of unencumbered assets remained unchanged at 83% in 3Q 2016.

The Manager will continue to optimise Keppel REIT's capital structure to improve its operational performance and enhance its financial flexibility to seize opportunities when they arise.

New office supply over the next one to two years, coupled with slower economic growth, will however continue to pose challenges for the Singapore office market. The Manager's key strategic focus of proactive lease management and tenant retention to ensure a healthy and long lease expiry profile for its portfolio will provide a sustainable and stable income stream. The Manager will also maintain a disciplined and prudent approach towards capital management to safeguard against interest rate and foreign currency volatilities as well as enhance its financial capabilities to seize opportunities that may arise during periods of market uncertainties.

With its premium and strategically located portfolio, strong tenant base, long WALE and financial prudence, Keppel REIT is poised to stay resilient and ride out the challenging market conditions.

**Office Market Overview**

Advance estimates from the Ministry of Trade and Industry ("MTI") indicate the Singapore economy grew by 0.6% yoy in 3Q 2016, lower than the 2% expansion in 2Q 2016. MTI expects growth in 2016 to be muted and has narrowed its full-year GDP growth forecast to between 1% and 2% instead of between 1% and 3% as earlier projected.

CBRE statistics showed core CBD office occupancy improved to 95.9% in 3Q 2016 from 95.1% in 2Q 2016. Another positive trend came from the increased pre-commitment levels for the upcoming supply, supported by take-up from various sectors including banking and financial services, technology as well as professional services sectors. Net absorption was a positive 820,417 sf in 3Q 2016, reversing four consecutive quarters of contraction. However, office rents continued to come under pressure. Average Grade A rent declined, albeit at a slower pace, to $9.30 psf per month in 3Q 2016, down from $9.50 psf in 2Q 2016 and $9.90 psf in 1Q 2016. According to CBRE, a market recovery could start by early 2018.

The Australian economy maintained its growth momentum, achieving a 3.3% yoy growth in 2Q 2016, mainly due to expansion in public sector investment and exports. In August 2016, the Reserve Bank of Australia ("RBA") cut the official cash rate further from 1.75% to a historic low of 1.5% to further stimulate the economy and spur inflation to its target range of 2-3%. RBA maintains a full-year GDP growth at between 2.5% and 3.5% for 2016.

According to Jones Lang LaSalle, occupancy in Australia's national CBD office market improved from 87.6% in 1Q 2016 to 88.1% in 2Q 2016 as a result of positive net absorption recorded across most CBD office markets. In Sydney, occupancy level and prime rents in the CBD are forecast to improve over the next 12 months as demand momentum continues and office stocks are withdrawn from the market. Melbourne's CBD is also expected to benefit from strong demand and the lack of new office supply over the next three years as the next round of new office supply is only expected to come through in 2019/2020. In Brisbane, the CBD recorded strong net absorption in 2Q 2016 but vacancy is expected to rise for the rest of 2016 with the completion of new developments in the fringe area.

**Strong Advocate of Sustainability**

Embracing sustainability as an integral part of its business operations, Keppel REIT is committed to continuously enhance its standards of environmental protection for the benefits of all stakeholders.

At the annual Global Real Estate Sustainability Benchmark (GRESB), Keppel REIT garnered top accolades in several categories. It retained its pole position as the Regional Sector Leader for the Office Sector in Asia for three consecutive years, reaffirming its commitment towards sustainability performance. Globally, it was ranked second across all 733 diversified entities and sectors as well as among 173 companies in the office sector, up from third position in both categories in 2015. It was also placed first among listed real estate companies globally.

GRESB assesses the sustainability performance of property companies and real estate funds globally on its integrated organisational approach and performance in environmental measurement and management. Companies are evaluated on seven aspects of sustainability namely management; policy and disclosure; risks and opportunities; monitoring and environmental management systems; performance indicators; building certificate benchmarking; as well as stakeholder engagement.

One Raffles Quay was recently conferred the highest BCA Green Mark Platinum Award by the Building and Construction Authority of Singapore ("BCA"), an improvement from its previous certification of BCA Green Mark Gold Award. Together with Ocean Financial Centre, Marina Bay Financial Centre Tower 3 and Bugis Junction Towers, this brought the number of properties within the Singapore portfolio with the coveted BCA Green Mark Platinum certification to four.

**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 September 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.