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MEDIA RELEASE

Unaudited Results of Keppel REIT for the Fourth Quarter and Full Year Ended 31 December 2016

24 January 2017

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to announce the unaudited results of Keppel REIT for the fourth quarter and full year ended 31 December 2016.

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Keppel REIT delivers 6.37 cents in DPU amidst challenging market environment in 2016
Maintains high committed occupancy as at end-2016, with minimal leasing risk expected in 2017

Keppel REIT's Fourth Quarter (4Q 2016) and Full Year 2016 (FY 2016) Results Highlights

- Distributable income (DI) to Unitholders was $48.7 million for 4Q 2016, bringing FY 2016 DI to $208.1 million.
- Distribution per Unit (DPU) of 1.48 cents for 4Q 2016, bringing total DPU for FY 2016 to 6.37 cents. There is no distribution of other gains in 4Q 2016.
- Distribution yield of 6.2% for FY 2016.
- Weighted average term to maturity of borrowings at 3.5 years as at end-2016, with no refinancing requirements until 2018.
- Aggregate leverage at 38.5%.
- All-in interest rate of 2.51% and interest coverage ratio of 4.7 times.
- High tenant retention rate of 95% and portfolio occupancy rate of 99.2% as at end-2016.
- Rent reversion for new, renewal, forward renewal and review leases for all assets in the Keppel REIT portfolio was -9% for FY 2016.
- Average monthly signing rent for Singapore office leases was $9.60 psf(1) for FY 2016.
- Weighted average lease expiry (WALE) for top 10 tenants and portfolio at 9.3 years and 6.1 years respectively.
- Minimal leasing risks with only 3.9% and 1.7% of leases due for renewal and review in 2017 respectively.

Summary of Results

	GROUP			
	4Q 2016 $'000	**4Q 2015** $'000	**FY 2016** $'000	**FY 2015** $'000
Property income	40,001	42,795	161,252	170,347
Net property income	31,422	34,771	128,370	137,465
Share of results of associates	19,907	16,862	83,460	75,695
Share of results of joint ventures	7,746	5,157	30,789	17,163
Income available for distribution(2)	48,716	54,031	208,123	217,268
Distribution to Unitholders(3)	48,716	54,031	208,123	217,268
DPU (cents) for the period/year	1.48(4)	1.68(5)	6.37	6.80
Distribution yield(6)			6.2%	7.3%

(1) For the office leases signed in FY 2016 for all Singapore assets, and calculated on a simple average basis.
(2) Income contribution from 77 King Street was from 1 January 2016 up to the date of divestment on 29 January 2016.
(3) Distribution to Unitholders was based on 100% of the taxable income available for distribution.
(4) There was no distribution from other gains for 4Q 2016.
(5) There was a distribution from other gains of 0.16 cents for 4Q 2015.
(6) Based on the market closing price per unit of $1.02 as at 31 December 2016, and $0.93 as at 31 December 2015.

Financial Performance & Capital Management

2016 was a difficult year for the Singapore office market given the oncoming supply of office space and aggressive leasing efforts from newly completed buildings. In navigating the challenging environment, the Manager continued its proactive approach to renew and forward renew leases to retain tenants and mitigate leasing risk.

For FY 2016, Keppel REIT achieved DI of $208.1 million, which included one-off income of approximately $10 million. On a year-on-year (y-o-y) basis, DI for FY 2016 was lower compared to the $217.3 million for FY 2015 due mainly to the absence of contribution from 77 King Street in Sydney, which was divested in 1Q 2016, and lower contribution from Bugis Junction Towers. Property income and net property income for FY 2016 also declined correspondingly by 5.3% and 6.6% y-o-y respectively.

Share of results of associates and joint ventures increased 10.3% and 79.4% y-o-y to $83.5 million and $30.8 million for FY 2016. This was due to better performance from One Raffles Quay and 8 Chifley Square in Sydney, as well as higher contribution from share of David Malcolm Justice Centre in Perth, which was completed and handed over to the Government of Western Australia in November 2015.

The Manager is declaring a DPU of 1.48 cents for 4Q 2016. There is no distribution of other gains for this quarter[1]. This brings total DPU to 6.37 cents for 2016, and translates to a yield of 6.2%, based on the market closing price per unit of $1.02 as at 31 December 2016.

On the capital management front, Keppel REIT's average cost of debt was 2.51%, and interest coverage ratio at 4.7 times as at end-2016.

Aggregate leverage was 38.5% as at end-2016. The weighted average term to maturity of borrowings remained at 3.5 years, with no refinancing requirements till 2018 and beyond.

Portfolio Performance

As at end-2016, committed occupancy for Keppel REIT's portfolio remained high at 99.2%. Occupancy for the REIT's properties in Singapore and Australia was 99.1% and 99.4% respectively, above Singapore's core CBD of 95.8%[2] and Australia's national CBD office market of 88%[2].

In managing the oncoming supply pressure and notwithstanding that the renewal for all leases expiring in 2016 have been completed as at end-3Q, the Manager concluded 28 leases or approximately 621,000 sf of space (attributable NLA: approximately 264,000 sf) in 4Q 2016. This brought total leases signed during the year to 136, equivalent to 2.2 million sf of space (attributable NLA: 1.3 million sf).

In line with market expectations that the cyclical headwinds are exerting pressure on office rents, Keppel REIT saw a -9% rent reversion for new, renewal, forward renewal and review leases for all assets in the Keppel REIT portfolio in FY 2016. Average signing rent for the Singapore office leases concluded in 2016 was $9.60 psf[3].

Ongoing engagement with tenants saw the portfolio's tenant retention rate remain high at 95% for FY 2016. The WALE for Keppel REIT's top 10 tenants and overall portfolio was 9.3 years and 6.1 years respectively. The Manager expects minimal leasing risks with only 3.9% and 1.7% of leases due for renewal and review in 2017 respectively.

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[1] As at end-2016, there is a total of $48 million of other gains that has not been distributed.
[2] Source: Singapore – CBRE, as at 4Q 2016. Australia – Jones Lang LaSalle, as at 3Q 2016.
[3] For the office leases signed in FY 2016 for all Singapore assets, and calculated on a simple average basis.

Looking Ahead

Advance estimates from the Ministry of Trade and Industry indicate that the Singapore economy recorded a 1.8% y-o-y growth in 4Q 2016, bringing full-year growth to 1.8%. Growth forecast for 2017 is estimated at between 1% and 3%.

On the Singapore office market, CBRE opined that weaker economic growth and cautious sentiments weighed in on the office sector in 2016. According to CBRE, occupancy for Singapore's core CBD office market was 95.8%, while average Grade A rents eased further to $9.10 psf in 4Q 2016. New office demand was driven mainly by tenants in the fin-tech, technology and co-working sectors. Meanwhile, firms in the banking and energy sectors were faced with a challenging operating environment in 2016.

In Australia, the economy saw a moderate growth of 1.8% y-o-y in 3Q 2016. Full-year growth for 2016 is estimated at between 2.5% and 3.5%, with a similar forecast for 2017. According to Jones Lang LaSalle, Australia's national CBD office market occupancy remained steady at 88% in 3Q 2016.

Looking ahead, the challenging global economic environment is expected to have a continued dampening effect on the Singapore office leasing market especially in 2017. While Keppel REIT's portfolio of quality assets and its high committed occupancy as at end-2016 will help the REIT weather the supply and demand imbalance in the office sector, Keppel REIT's rental income is not immune to the general decline in rents in the Singapore office market.

On the capital management front, the rising interest rate environment will see borrowing costs gradually increase as the US Federal Reserve seeks rate normalisation in the longer term. At its December 2016 meeting, interest rates were raised by 25 basis points, with more rate hikes anticipated in 2017. To manage volatility in interest rates, the Manager continued its prudent approach, with fixed-rate loans at 75% of total borrowings as at end-2016.

The Manager maintains its strategy of adding value to its portfolio through selective acquisitions that are aligned with the REIT's investment mandate.

The consolidation of the shareholding interest in Keppel REIT Management under Keppel Capital was completed in July 2016. As a member of Keppel Capital, the Manager can leverage and grow Keppel REIT further with the increased scale, larger investor base, wider geographical coverage and greater resources.

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 31 December 2016, Keppel REIT had assets under management of approximately $8.4 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.