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MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Quarter and Half Year Ended 30 June 2018

16 July 2018

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 2018.

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Keppel REIT delivers stable distributable income of $48.3 million for 2Q 2018

Key Highlights

- Distributable income (DI) of $48.3 million for the second quarter of 2018 (2Q 2018), bringing DI for the half year of 2018 (1H 2018) to $96.6 million.
- Distribution per unit (DPU) for 1H 2018 was 2.84 cents, with DPU of 1.42 cents declared for 2Q 2018.
- No refinancing requirement until 2019. 77% of total borrowings on fixed rates.
- Aggregate leverage at 38.6% and all-in interest rate at 2.77% per annum.
- High portfolio committed occupancy of 99.3% and portfolio weighted average lease expiry (WALE) of 5.2 years.

Summary of Results

	GROUP			
	2Q 2018	**2Q 2017**	**1H 2018**	**1H 2017**
	$'000	$'000	$'000	$'000
Property income	51,654(1)	39,846	91,388(1)	79,702
Net property income	43,206	31,892	74,426	63,286
Share of results of associates	18,977	20,733	39,589	43,878
Share of results of joint ventures	7,479	7,565	15,318	15,881
Income available for distribution	48,323	47,406	96,555	95,527
Distribution to unitholders	48,323	47,406	96,555	95,527
DPU (cents) for the period	1.42	1.42	2.84	2.87
Annualised/Actual distribution yield (%)			5.2%(2)	4.5%(3)

(1) The increase in property income was mainly contributed by one-off income for early surrender of leases.
(2) Based on the market closing price per unit of $1.10 as at 30 June 2018.
(3) Based on the total DPU of 5.70 cents for FY 2017, and market closing price per unit of $1.26 as at 31 December 2017.

Financial Performance & Capital Management

Keppel REIT Management Limited, the Manager of Keppel REIT, is pleased to announce that the REIT has delivered DI of $96.6 million for 1H 2018, higher than DI of $95.5 million for 1H 2017. A DPU of 1.42 cents has been declared for 2Q 2018, bringing DPU for 1H 2018 to 2.84 cents. This translates to an annualised distribution yield of 5.2% based on the market closing price per unit of $1.10 as at 30 June 2018.

On the capital management front, there is no refinancing requirement until 2019 and the Manager is proactively managing the refinancing of loans that are due in 2019. All-in interest rate was at 2.77% per annum with interest coverage ratio at 4.3 times. To mitigate exposure to interest rate volatility, the rates of 77% of the REIT's total borrowings have been fixed. As at the end of 2Q 2018, aggregate leverage remained stable at 38.6%, and weighted average term to maturity was 2.9 years.

The Manager also intends to initiate unit buy-backs pursuant to the mandate obtained at the annual general meeting in April 2018 as part of its proactive capital management strategy. Subject to market conditions and taking into account the restrictions under the Singapore Code on Take-overs and Mergers, the Manager currently intends to buy back up to approximately 1.5% of issued units over 6 months. In considering the buy-back of units, the Manager will only purchase units when it is accretive to distribution and net asset value per unit, while maintaining the REIT's financial capability for strategic opportunities. In view of the planned buy-backs, the Distribution Reinvestment Plan (DRP) will be suspended.

Portfolio Review

The Grade A office tower at 311 Spencer Street in Melbourne is currently under development. Upon completion, the 30-year lease to the Victoria Police will commence and contribute a steady income stream with fixed annual rental escalations to the portfolio.

Meanwhile, the Manager remains focused on its proactive leasing strategy to generate returns from the REIT's young and well-located portfolio of Grade A office space in Singapore and Australia.

Approximately 882,800 sf (attributable area of approximately 386,800 sf) of leases were committed in 1H 2018. Of the total leases signed in 1H 2018, based on attributable area, about 40% are new leases and the rest are renewals and rent reviews. Average signing rent for the Singapore office leases was approximately $10.74 psf pm[1] for 1H 2018.

New leasing demand was driven by diverse sectors in 1H 2018. In Singapore, new leases were mainly from the banking, insurance and financial services sector, while in Australia, demand came mainly from a government agency.

As at end June 2018, portfolio committed occupancy remained high at 99.3%. Although portfolio tenant retention rate was 77%, majority of the available space has been leased up. Committed occupancies for the Singapore and Australian portfolios were 99.9% and 97.1% respectively, above the average of 94.1%[2] for Singapore's core in the Central Business District (CBD) and 90.1%[3] for Australia's national CBD. This is testament to the portfolio's ability to attract quality tenants.

The continuous tenant-centric leasing approach also helped to reduce the remaining leases due for renewal. Remaining leases for renewal and review in 2018 were 2.9% and 8.8% respectively as at 30 June 2018. The WALE for top 10 tenants and overall portfolio are at approximately 8.0 years and 5.2 years respectively, providing a sustainable income stream.

Looking Ahead

According to CBRE, office occupancy in Singapore's core CBD remained stable quarter-on-quarter (q-o-q) at 94.1% in 2Q 2018. Average Grade A rents rose q-o-q from $9.70 psf pm in 1Q 2018 to $10.10 psf pm in 2Q 2018. Medium-term rental outlook remains positive in view of tapering supply pipeline and recovering market fundamentals.

In Australia, JLL reported an improvement in national CBD office average occupancy from 89.6% as at end December 2017, to 90.1% as at end March 2018. Vacancy level was noted to be at its lowest since 2013, driven largely by improving business and leasing conditions across Australia office markets. JLL also observed that leasing enquiries were gravitating towards quality assets.

Looking ahead, the volatile environment will continue to pose challenges. The Manager will continue to drive operational excellence through a tenant-centric leasing approach to capitalise on the improving office market so as to offset the impact of recent years' declining rentals. A prudent capital management strategy will be maintained to optimise the REIT's performance in a rising interest rate environment.

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[1] For the Singapore office leases concluded in 1H 2018, and based on a simple average calculation.
[2] CBRE, 2Q 2018.
[3] JLL, end March 2018.

About Keppel REIT (www.keppelreit.com)
Keppel REIT was listed by way of an introduction on 28 April 2006. Keppel REIT is 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 pan-Asia.

Keppel REIT had assets under management of approximately $8.5 billion[1] comprising interests in nine premium office assets strategically located in the central business districts of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

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

In Australia, the assets are 8 Chifley Square (50% interest) in Sydney, 8 Exhibition Street in Melbourne (50% interest in the office building and 100% interest in another three retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre in Perth (50% interest). Keppel REIT also has a 50% stake in a premium office tower which is under construction at 311 Spencer Street in Melbourne.

Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies. It is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital). Keppel Capital is a premier asset manager in Asia with a diversified portfolio in real estate, infrastructure and data centre properties in key global markets.

[1] Includes the office tower under development at 311 Spencer Street in Melbourne.