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MEDIA RELEASE

Unaudited Results of Keppel REIT for the Fourth Quarter and Full Year Ended 31 December 2019

22 January 2020

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 2019.

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Keppel REIT delivers distributable income of $189.3 million for FY 2019

Key Highlights

- Distributable income for the fourth quarter of 2019 (4Q 2019) was $47.1 million, including capital gains distribution of $4.0 million, bringing total distributable income for the full year of 2019 (FY 2019) to $189.3 million.
- 4Q 2019 distribution per Unit (DPU) of 1.40 cents was up 2.9% year-on-year, bringing DPU for FY 2019 to 5.58 cents.
- Aggregate leverage lowered to 35.8% and all-in interest rate reduced to 2.77% per annum.
- Increase in sustainability-focused funding with two green loan facilities obtained in FY 2019.
- Strategic acquisition of T Tower and divestment of Bugis Junction Towers as part of portfolio optimisation.
- High portfolio committed occupancy of 99.1% and long portfolio weighted average lease expiry (WALE) of 4.9 years.

Summary of Results

	GROUP					
	4Q 2019 $'000	**4Q 2018** $'000	**+/(-)**	**FY 2019** $'000	**FY 2018** $'000	**+/(-)**
Property income	41,745	37,815	+10.4%	164,053	165,858	(1.1%)
Net property income (NPI)	33,355	30,525	+9.3%	128,899	133,155	(3.2%)
Less: Attributable to non-controlling interests	(4,369)	(953)	Nm	(16,828)	(1,027)	Nm
NPI attributable to Unitholders	28,986[(1)]	29,572	(2.0%)	112,071[(1)]	132,128	(15.2%)
Share of results of associates	17,510	16,622	+5.3%	77,897	73,720	+5.7%
Share of results of joint ventures	6,912	7,324	(5.6%)	28,525	30,170	(5.5%)
Income available for distribution	47,135	46,150	+2.1%	189,261	189,045	+0.1%
Distribution to Unitholders	47,135[(2)]	46,150[(3)]	+2.1%	189,261[(2)]	189,045[(3)]	+0.1%
DPU (cents)	1.40	1.36	+2.9%	5.58	5.56	+0.4%
Distribution yield (%)				4.5%[(4)]	4.9%[(5)]	(0.4 pp)

(1) Reflects amount attributable to Unitholders based on an interest of 79.9% in Ocean Financial Centre following the divestment of a 20% stake in December 2018, as well as an interest of 99.38% in T Tower in Seoul which was acquired in May 2019.
(2) Includes distribution of capital gains of $4.0 million for 4Q 2019 and $12.0 million for FY 2019.
(3) Includes distribution of capital gains of $3.0 million for 4Q 2018 and FY 2018.
(4) Based on the market closing price of $1.24 per Unit as at 31 December 2019.
(5) Based on the market closing price of $1.14 per Unit as at 31 December 2018.

Financial Performance

Keppel REIT has achieved distributable income of $47.1 million for 4Q 2019, 2.1% above the same period in 2018. Total distributable income for FY 2019 is $189.3 million, which is comparable to $189.0 million for FY 2018.

Notwithstanding the absence of rental support[1] and lower income contribution following the two divestments – the 20% stake in Ocean Financial Centre in December 2018 and Bugis Junction Towers in November 2019 – distributable income was maintained year-on-year due mainly to the acquisition of T Tower in May 2019, higher average portfolio rentals and capital gains distribution, as well as lower borrowing costs.

DPU for FY 2019 is 5.58 cents, which translates to a distribution yield of 4.5% based on market closing price of $1.24 per Unit as at 31 December 2019.

[1] Refers to rental support in relation to Marina Bay Financial Centre Tower 3, which was fully drawn in 1Q 2019.

Capital Management

Keppel REIT's all-in interest rate was reduced from 2.81% per annum for FY 2018 to 2.77% per annum for FY 2019. Aggregate leverage was also lowered from 38.9% as at end 3Q 2019 to 35.8% as at end 4Q 2019, following the repayment of loans with a major portion of the divestment proceeds from Bugis Junction Towers. Weighted average term to maturity was 3.4 years. Interest coverage ratio[2] was 3.8 times and the interest rates of 76% of total borrowings are fixed.

In expanding its funding sources, the Manager has established a Green Loan Framework and obtained two green loan facilities totalling $655.0 million in FY 2019.

The Manager continued with its DPU-accretive Unit buy-back programme[3], purchasing and cancelling approximately 37.9 million issued Units in 4Q 2019. This brought the total issued Units bought back and cancelled in FY 2019 to 67.1 million.

Portfolio Optimisation

As part of its portfolio optimisation strategy, the Manager deployed $292.0 million[4] into the acquisition of T Tower in May 2019, following the divestment of a 20% stake in Ocean Financial Centre in December 2018. T Tower is a Grade A freehold office building in the CBD of Seoul which has an initial NPI yield of 4.7% and complements Keppel REIT's existing Singapore-centric portfolio.

On 29 November 2019, Keppel REIT completed the divestment of Bugis Junction Towers for a sale price of $547.7 million[5] at a NPI yield of 3.0%[6]. Approximately $378.4 million[7] of capital gains were realised from the divestment of Bugis Junction Towers. The divestment proceeds enable the Manager to continue its DPU-accretive Unit buy-back programme and pare down debt, while seeking higher yielding growth opportunities. The Manager will also work to enhance the stability of distribution to Unitholders while continuing with its portfolio optimisation initiatives and proactive efforts to mitigate occupancy voids.

Portfolio Review

As at 31 December 2019, portfolio committed occupancy was high at 99.1% and tenant retention rate for FY 2019 was 75%. The portfolio and top 10 tenants' WALE remained long at approximately 4.9 years and 7.0 years respectively.

In FY 2019, the Manager committed total leases of approximately 831,200 sf (attributable area of approximately 343,500 sf). Of the attributable spaces committed, approximately one-third were new leases and expansions from tenants mainly in the technology, media and telecommunications sector, real estate and property services sector, as well as banking and financial services sector, while the remaining committed leases were renewals and rent reviews.

Most leases concluded in FY 2019 were in Singapore. The average signing rent for the Singapore office leases committed in FY 2019 was approximately $12.42[8] psf pm.

In FY 2020, two new major leases are expected to commence in the second quarter. In Singapore, fit-out work for HSBC Singapore's new headquarters in Marina Bay Financial Centre Tower 2 is ongoing before the 10-year

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[2] Computed as EBITDA (including share of results of associates and joint ventures) over borrowing costs, after adjusting for non-cash items including but not limited to management fees paid in Units and fair value changes of derivatives.

[3] Subject to market conditions and taking into account restrictions under the Singapore Code on Take-overs and Mergers.

[4] Based on an exchange rate of KRW 1,000 to $1.156 used for payment.

[5] The sale price was adjusted upwards from $547.5 million to $547.7 million, arising from an increase in leased area post-announcement of the divestment. The sale price per square foot (psf) remained unchanged at $2,200 psf based on the building's adjusted net lettable area.

[6] Based on the net property income for the 12 months preceding 30 June 2019.

[7] Based on difference between sale price and purchase price, after taking into consideration capitalised expenditures and divestment costs.

[8] For the Singapore office leases concluded in FY 2019 and based on a simple average calculation.

lease commences in May 2020. In Australia, the 30-year lease to the Victoria Police at 311 Spencer Street in Melbourne is also expected to commence upon completion of the development.

There are 6.9% and 3.9% of leases (by attributable NLA) expiring and due for review respectively in FY 2020. Of these, majority of the Singapore office leases range between $9.30 and $11.70 psf pm. The Manager will strive for an optimal balance between achieving healthy occupancy levels and maximising returns from the assets.

Looking Ahead

According to CBRE, Singapore average Grade A office rents continued to trend upwards in 4Q 2019, rising from $11.45 psf pm to $11.55 psf pm. Average occupancy dipped slightly during the quarter from 96.0% as at end September 2019 to 95.8% as at end December 2019.

In Australia, JLL Research reported a slight increase in the national CBD office market occupancy from 91.7% as at end June 2019 to 91.9% as at end September 2019. In Seoul, JLL Research observed an improvement in CBD Grade A occupancy from 84.5% as at end June 2019 to 85.1% as at end September 2019.

Amidst an uncertain macro-economic environment, the Manager remains focused on delivering stable and sustainable distributions to Unitholders, and achieving long-term growth. The Manager will continue its ongoing portfolio optimisation strategy, which seeks to improve yield and create long-term value for Unitholders. Apart from driving operational excellence in asset management, the Manager will continue its prudent capital management to optimise borrowing costs, manage debt maturities and hedging strategies to improve returns.

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About Keppel REIT (www.keppelreit.com)

Keppel REIT was listed by way of an introduction on 28 April 2006. It is one of Asia's leading REITs with a young and large portfolio of premium Grade A commercial assets in prime business and financial districts pan-Asia.

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.

The REIT has assets under management of approximately $8 billion in Singapore, key Australian cities of Sydney, Melbourne, Brisbane and Perth, as well as Seoul, South Korea.

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.

Prospective investors and unitholders of Keppel REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel REIT (the "Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this release. None of the Manager, the trustee of Keppel REIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this release or its contents or otherwise arising in connection with this release. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel REIT ("Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

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.