



Keppel REIT Management Limited    Tel: (65) 6803 1818  
(Co Reg No. 200411357K)            Fax: (65) 6803 1717  
1 HarbourFront Avenue  
Level 2 Keppel Bay Tower  
Singapore 098632  
[www.keppelreit.com](http://www.keppelreit.com)

## **MEDIA RELEASE**

### **Unaudited Results of Keppel REIT for the Fourth Quarter and Full Year Ended 31 December 2018**

**21 January 2019**

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 2018.

**For more information, please contact:**

#### **Media Relations**

Ms Frances Teh  
Manager  
Group Corporate Communications  
Keppel Corporation Limited  
Tel: (65) 6413 6437  
Email: [frances.teh@kepcorp.com](mailto:frances.teh@kepcorp.com)

#### **Investor Relations**

Ms Liang Huihui  
Assistant Manager  
Investor Relations  
Keppel Capital  
Tel: (65) 6803 1649  
Email: [huihui.liang@kepcapital.com](mailto:huihui.liang@kepcapital.com)

*The materials are also available at [www.keppelreit.com](http://www.keppelreit.com), [www.kepcapital.com](http://www.kepcapital.com) and [www.kepcorp.com](http://www.kepcorp.com)*

## Keppel REIT achieves distributable income of \$189.0 million for FY 2018

### Key Highlights

- Distributable income (DI) for the full year ended 31 December 2018 (FY 2018) was \$189.0 million. DI for the fourth quarter of 2018 (4Q 2018) was \$46.2 million and includes distribution of capital gains of \$3.0 million.
- Distribution per Unit (DPU) of 1.36 cents for 4Q 2018, bringing FY 2018 DPU to 5.56 cents.
- Strategic divestment of a 20% minority stake in Ocean Financial Centre allowed Keppel REIT to unlock part of the capital gains, while maintaining exposure to the strengthening Singapore office market.
- Aggregate leverage lowered to 36.3% and all-in interest rate was 2.81% per annum.
- Total of 28.3 million Units purchased and cancelled in Unit buy-back exercises in FY 2018.
- Portfolio weighted average lease expiry (WALE) extended to 5.9 years while portfolio committed occupancy rose to 98.4%.

### Summary of Results

	GROUP			
	4Q 2018	4Q 2017	FY 2018	FY 2017
	\$'000	\$'000	\$'000	\$'000
Property income	37,815	44,369	165,858	164,516
Net property income	30,525	36,242	133,155	131,200
Share of results of associates	16,622	19,476	73,720	83,795
Share of results of joint ventures	7,324	7,932	30,170	31,959
Income available for distribution	46,150	48,201	189,045	190,730
Distribution to Unitholders	46,150 <sup>(1)</sup>	48,201	189,045 <sup>(1)</sup>	190,730
DPU (cents) for the period	1.36	1.43	5.56	5.70
Distribution yield (%)			4.9% <sup>(2)</sup>	4.5% <sup>(3)</sup>

(1) This includes distribution of capital gains of \$3.0 million for 4Q 2018.

(2) Based on the market closing price of \$1.14 per Unit as at 31 December 2018.

(3) Based on the market closing price of \$1.26 per Unit 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 achieved DI of \$46.2 million for 4Q 2018, bringing DI for the year to \$189.0 million. DI for FY 2018 was comparable to FY 2017 due mainly to the one-off income received from tenants pre-terminating spaces and capital gains distribution of \$3.0 million.

DPU for 4Q 2018 was 1.36 cents, which brings total DPU for FY 2018 to 5.56 cents. This translates to a distribution yield of 4.9% based on the market closing price of \$1.14 per Unit as at 31 December 2018.

As at the end of 2018, aggregate leverage was lower at 36.3%, following the repayment of \$300.0 million of loans with part of the divestment proceeds received in 4Q 2018. All-in interest rate was 2.81% per annum with interest coverage ratio at 3.9 times. The weighted average term to maturity was 2.8 years, and the interest rates of 85% of the REIT's total borrowings are fixed.

The Manager continued its Unit buy-back programme<sup>1</sup> in 4Q 2018. For the whole of 2018, the Manager purchased and cancelled approximately 28.3 million issued Units.

<sup>1</sup> On 16 July 2018, the Manager announced its intention of buying back up to approximately 1.5% of issued units over six months, subject to market conditions and taking into account the restrictions under the Singapore Code on Take-overs and Mergers.

## Portfolio Optimisation

In December 2018, Keppel REIT divested a 20% non-controlling stake in Ocean Financial Centre to Allianz Real Estate for \$537.3 million. Approximately \$77.1 million of capital gains<sup>1</sup> were realised, which translate to an attractive net asset-level return of 8.3% p.a. over the holding period.

The partial divestment allowed Keppel REIT to unlock part of the capital gains from this premium Grade A office building, while maintaining continued exposure to the strengthening Singapore office market through its controlling stake of 79.9%.

In Australia, the development of 311 Spencer Street in Melbourne is in progress. Upon commencement of the 30-year lease to the Victoria Police in 1H 2020, 311 Spencer Street will contribute a steady income stream with fixed annual rental escalations.

As part of the strategy to rejuvenate the assets, enhancement initiatives were carried out at 275 George Street in Brisbane in FY 2018. Similar initiatives have been planned for 8 Exhibition Street in Melbourne to improve its amenities and are expected to commence in 1H 2019.

## Leasing Updates

In 4Q 2018, the Manager committed approximately 967,200 sf (attributable area of approximately 371,200 sf) of leases, bringing the total committed spaces across the portfolio for the year to approximately 2.9 million sf (attributable area of approximately 1.2 million sf). Of the total attributable space committed in FY 2018, about a third are new leases and expansions, while the remainder are renewals and rent reviews. New leasing demand and expansions were mainly contributed by government agencies as well as the banking, financial services, energy and natural resources sectors.

Average signing rent for the Singapore office leases was approximately \$11.10<sup>2</sup> psf pm for FY 2018, above the Grade A core CBD market average of \$10.26<sup>3</sup> psf pm for the same period. Portfolio committed occupancy was 98.4% as at end December 2018 and portfolio tenant retention rate was 83% for the year. The WALE for the portfolio and top 10 tenants remained long at approximately 5.9 years and 8.2 years respectively.

There are 4.2% and 0.4% of leases (by attributable NLA) expiring and due for review respectively in 2019. Of these, majority of the Singapore office leases range between \$9.10 and \$12.00 psf pm.

The Manager will continue to strive for an optimal balance between achieving high occupancy levels and maximising returns from the assets.

## Looking Ahead

CBRE's research showed continued improvement in average Grade A office rents through FY 2018. In 4Q 2018, average Grade A office rents increased from \$10.45 psf pm to \$10.80 psf pm as occupancy in Singapore's core CBD rose quarter-on-quarter from 94.6% as at end September 2018 to 94.8% as at end December 2018. Despite the presence of macroeconomic factors that could dampen its growth, the Singapore office market outlook remains largely positive, supported by a tightening supply pipeline and diverse demand drivers.

---

<sup>1</sup> Computed based on the pro-rated difference between agreed property value and historical purchase price of Ocean Financial Centre.

<sup>2</sup> For the Singapore office leases concluded in FY 2018 and based on a simple average calculation.

<sup>3</sup> Based on simple average calculation of CBRE Pte. Ltd.'s quarterly rents for Grade A offices in Singapore CBD in 2018 (1Q 2018: \$9.70 psf pm, 2Q 2018: \$10.10 psf pm, 3Q 2018: \$10.45 psf pm, 4Q 2018: \$10.80 psf pm).

In Australia, JLL reported quarterly net absorption at its highest level in more than a decade. National CBD office average occupancy increased from 90.6% as at end-June 2018 to 90.9% as at end-September 2018. Business conditions remain generally positive across Australia. However, global trade and geopolitical uncertainties could potentially impact future leasing demand.

Amidst a volatile macro-economic environment, the Manager remains focused on delivering stable and sustainable distribution through ongoing portfolio optimisation, as well as driving operational excellence in its asset and capital management efforts.

- END -

**About Keppel REIT ([www.keppelreit.com](http://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 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.

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

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.

**Important Notice**

*The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments or shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.*

*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 presentation. 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 presentation or its contents or otherwise arising in connection with this presentation. 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.*