

MEDIA RELEASE

Unaudited Results of Keppel REIT for the Second Quarter and Half Year Ended 30 June 2020

20 July 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 second quarter and half year ended 30 June 2020.

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Keppel REIT achieves distributable income of \$47.5 million for 2Q 2020

Key Highlights

- Distributable income for the second quarter of 2020 (2Q 2020) was \$47.5 million, including capital gains distribution of \$5.0 million, bringing total distributable income for the half year of 2020 (1H 2020) to \$94.8 million.
- 2Q 2020 distribution per Unit (DPU) was 1.40 cents, bringing DPU for 1H 2020 to 2.80 cents.
- Aggregate leverage was 36.3% and all-in interest rate was reduced to 2.48% per annum.
- High portfolio committed occupancy of 98.6% and long portfolio weighted average lease expiry (WALE) of 4.6 years.
- 30-year lease for Victoria Police's new headquarters commenced with practical completion of 311 Spencer Street development in Melbourne.

Summary of Results

	GROUP					
	2Q 2020 \$'000	2Q 2019 \$'000	+/(%)	1H 2020 \$'000	1H 2019 \$'000	+/(%)
Property income	36,772	39,913	(7.9%)	75,487	79,930	(5.6%)
Net property income (NPI)	28,814	31,063	(7.2%)	58,979	62,374	(5.4%)
Less: Attributable to non-controlling interests	(4,099)	(4,201)	(2.4%)	(8,437)	(8,258)	+2.2%
NPI attributable to Unitholders	24,715	26,862	(8.0%)	50,542	54,116	(6.6%)
Share of results of associates	21,489	19,831	+8.4%	40,505	39,102	+3.6%
Share of results of joint ventures	6,783	7,125	(4.8%)	13,686	14,297	(4.3%)
Income available for distribution	47,465	47,293	+0.4%	94,782	94,612	+0.2%
Distribution to Unitholders	47,465 ^(a)	47,293 ^(b)	+0.4%	94,782 ^(a)	94,612 ^(b)	+0.2%
DPU (cents)	1.40	1.39	+0.7%	2.80	2.78	+0.7%
Distribution yield (%)				5.1% ^(c)	4.5% ^(d)	+0.6 pp

(a) Includes capital gains distribution of \$5.0 million for 2Q 2020 and \$10.0 million for 1H 2020.

(b) Includes capital gains distribution of \$3.0 million for 2Q 2019 and \$6.0 million for 1H 2019.

(c) Based on an annualised DPU and the market closing price of \$1.10 per Unit as at 30 June 2020.

(d) Based on the total DPU of 5.58 cents for FY 2019, and the market closing price of \$1.24 per Unit as at 31 December 2019.

Financial Performance

Keppel REIT has achieved stable distributable income of \$47.5 million for 2Q 2020 and \$94.8 million for 1H 2020, which were comparable to the same periods in 2019.

Notwithstanding the impact of the implementation of COVID-19 tenant relief measures, the cessation of rental support¹ and lower income contribution following the divestment of Bugis Junction Towers in November 2019, distributable income for 1H 2020 was maintained year-on-year due mainly to contributions from T Tower², commencement of major leases in the Singapore portfolio, higher capital gains distribution, and lower borrowing costs.

DPU for 2Q 2020 was 1.40 cents, bringing DPU for 1H 2020 to 2.80 cents. This translated to an annualised distribution yield of 5.1% based on the market closing price of \$1.10 per Unit as at 30 June 2020.

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

² The acquisition of T Tower in Seoul was completed in May 2019.

Capital Management

As at 30 June 2020, all of Keppel REIT's 2020 loans have been refinanced. The all-in interest rate was lower at 2.48% per annum compared to 2.86% per annum for the same period in 2019. Aggregate leverage was 36.3% with a weighted average term to maturity of 3.6 years. Interest coverage ratio was 3.5 times³ and the interest rates of 79% of total borrowings are fixed.

As at 30 June 2020, Keppel REIT had approximately \$938 million of undrawn credit facilities available, including \$369 million of committed facilities. Keppel REIT also has capital gains available from prior divestments that could be used to enhance the stability of distributions.

Managing the COVID-19 Situation

Keppel REIT's prime office portfolio and high quality tenant profile have provided income stability and resilience during this challenging period. However, with increased government measures and the extended outbreak, the Manager has increased targeted tenant support measures over this last quarter.

In line with the COVID-19 (Temporary Measures) (Amendment) Bill, eligible small and medium enterprise (SME) retail tenants in Singapore will receive a minimum of four months of rental support from the government and landlord. Office SME tenants that qualify will receive two months of rental support co-shared by the government and landlord. Based on the initial eligibility criteria, it is estimated that approximately 4.2%⁴ of Keppel REIT's tenants will qualify⁵ for this mandatory relief in Singapore. In addition, to alleviate tenants' cashflow pressures, Keppel REIT has allowed eligible tenants to utilise part of their security deposit to offset rental payments and/or defer certain amount of rent under a prescribed repayment scheme.

In Australia, partial rent waivers and deferrals are being progressively granted to qualifying SME tenants as guided by the "Mandatory Code of Conduct" issued by the Australian National Cabinet. Australian SMEs constitute approximately 1.4%⁴ of Keppel REIT's portfolio. In South Korea, none of Keppel REIT's tenants qualify for mandatory relief measures.

Keppel REIT's tenant support measures are estimated to amount to approximately \$12.5 million as at 30 June 2020. These include the full pass-through of property tax rebates⁶ and cash grants from the Singapore Government which is estimated to amount to approximately \$9.2 million. Additionally, as at 30 June 2020, Keppel REIT's has allowed \$1.6 million of rents to be deferred. The Manager will continue to review the situation and provide further targeted support where required.

With tenants beginning to return to the workplace, the Manager has adopted measures to provide a safe and conducive work environment. Examples of measures include the re-programming of lift destination control systems to facilitate social distancing, increased disinfection of high contact areas, and providing hand sanitisers at common areas. Keppel REIT's buildings have advanced air filtration systems to maintain high indoor air quality, and are equipped with appropriate broadband network infrastructure to support tenants' video conferencing and meeting facilities.

While telecommuting has become widely adopted during the COVID-19 outbreak, the Manager believes that physical offices will remain a necessity, although the form and functions of the office will evolve. The Manager will continue to optimise the portfolio and calibrate Keppel REIT's leasing strategy to meet potential shifts in occupier demand.

³ Computed as trailing 12 months EBITDA (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), over trailing 12 months interest expense and borrowing-related fees, as defined in the Code on Collective Investment Schemes revised by the Monetary Authority of Singapore on 16 April 2020.

⁴ Based on net lettable area.

⁵ Tenant eligibility will be dependent on the final assessment by the authorities.

⁶ Property tax rebates of 30% for office tenants and 100% for retail tenants from the Singapore Government.

Portfolio Review

311 Spencer Street in Melbourne achieved practical completion on 9 July 2020. With this, the 30-year lease to the Minister for Finance for the State of Victoria has commenced and the office tower will serve as the headquarters for the Victoria Police. Designed to be an eco-icon in Melbourne, the 40-storey freehold Grade A office tower is powered by 100% renewable electricity as part of the City of Melbourne's second Melbourne Renewable Energy Project.

As at 30 June 2020, Keppel REIT's portfolio performance remained resilient, supported by its quality portfolio with high committed occupancy of 98.6%, as well as long WALE of approximately 4.6 years and 6.5 years for the portfolio and top 10 tenants respectively. For 1H 2020, Keppel REIT had a tenant retention rate of 71%.

In 1H 2020, the Manager committed total leases of approximately 623,200 sf (attributable area of approximately 267,800 sf). Of the spaces committed, 39.7% were rent reviews concluded with financial institutions, while 22.6% were new leases and expansions from tenants mainly in the real estate sector, technology, media and telecommunications sector, as well as banking, insurance and financial services sector. The remaining 37.7% of committed leases were renewals.

The majority of the leases concluded in 1H 2020 were in Singapore. The average signing rent for the Singapore office leases committed in 1H 2020 was approximately \$11.86⁷ psf pm. As at 30 June 2020, there were only 2.2% and 0.5% of leases expiring and due for review respectively for the remainder of the year.

Market Review

According to CBRE, Singapore average Grade A office rents registered a decrease in 2Q 2020, from \$11.50 psf pm to \$11.15 psf pm. Average occupancy decreased during the quarter from 95.4% as at end March 2020 to 94.4% as at end June 2020.

In Australia, JLL Research reported a slight decrease in the national CBD office market occupancy from 91.7% as at end December 2019 to 91.6% as at end March 2020. In Seoul, JLL Research observed an improvement in CBD Grade A occupancy from 90.7%⁸ as at end December 2019 to 91.2% as at end March 2020.

The COVID-19 pandemic continues to present unprecedented challenges to the business community. Its impact on the global economy is yet to be fully determined. The Manager remains focused on maintaining stable and sustainable distributions to Unitholders, and achieving long-term growth. Keppel REIT's high portfolio committed occupancy, long WALE and established tenants from diversified sectors will continue to support the REIT's income resilience.

Adoption of Half-Yearly Financial Results Reporting and Distribution Payout

As announced in March 2020, with effect from the second half of 2020, Keppel REIT will adopt half-yearly announcement of financial statements as well as half-yearly distributions. In lieu of announcing the quarterly financial statements, the Manager will seek to provide interim business updates to engage investors and other stakeholders on the performance of Keppel REIT.

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⁷ For the Singapore office leases concluded in 1H 2020 and based on a simple average calculation.

⁸ Based on JLL's revised 4Q 2019 Seoul CBD Grade A occupancy rate of 90.7% (previously reported as 90.0%).

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 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.

Important Notice

The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this release 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 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.