



## Presentation for SGX-REITAS Webinar Series

15 November 2018

# Important Notice

This presentation should be read in conjunction with the announcements released by OUE Commercial REIT ("OUE C-REIT") on 8 November 2018 (in relation to its Financial Results for 3Q 2018).

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The information and opinions contained in this presentation are subject to change without notice.

# Agenda

- Overview
- Financial Highlights & Capital Management
- Portfolio Performance
- Investment Update
- Appendices

# About OUE Commercial REIT

- OUE C-REIT's principal investment strategy is to invest in income-producing real estate used primarily for commercial purposes in financial and business hubs in key gateway cities
- With the completion of the acquisition of OUE Downtown on 1 November 2018, OUE C-REIT's total assets-under-management is approximately S\$4.4 billion over 2.0 million sq ft of NLA, comprising :
  - **OUE Bayfront**, a premium Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place in Singapore;
  - **One Raffles Place**, an integrated commercial development comprising two Grade A office towers and a retail mall located in the heart of Singapore's CBD at Raffles Place
  - **OUE Downtown Office**, the Grade A office space at OUE Downtown, a recently refurbished mixed-used development with retail podium and serviced residences located at Shenton Way in Singapore; and
  - **Lippo Plaza**, a Grade A commercial building located in Huangpu, one of Shanghai's established core CBD locations



# Premium Portfolio of Assets

## *OUE Bayfront*



<b>GFA (sq m)</b>	46,774.6
<b>NLA (sq m)</b>	Office: 35,298.3; Retail: 1,830.1; Overall: 37,128.4
<b>Committed Occupancy (@ 30 Sep 2018)</b>	Office: 97.6%; Retail: 74.4%; Overall: 96.5%
<b>Valuation (@ 31 Dec 2017)</b>	S\$1,153.0 m (S\$2,885 psf)
<b>Valuation Cap Rate (Office):</b>	3.75%
<b>Land Use Right Expiry</b>	OUE Bayfront & OUE Tower: 99 yrs from 12 November 2007 OUE Link: 15 yrs from 26 March 2010 Underpass: 99 yrs from 7 January 2002
<b>Completion Year</b>	2011

# Premium Portfolio of Assets

## *One Raffles Place*



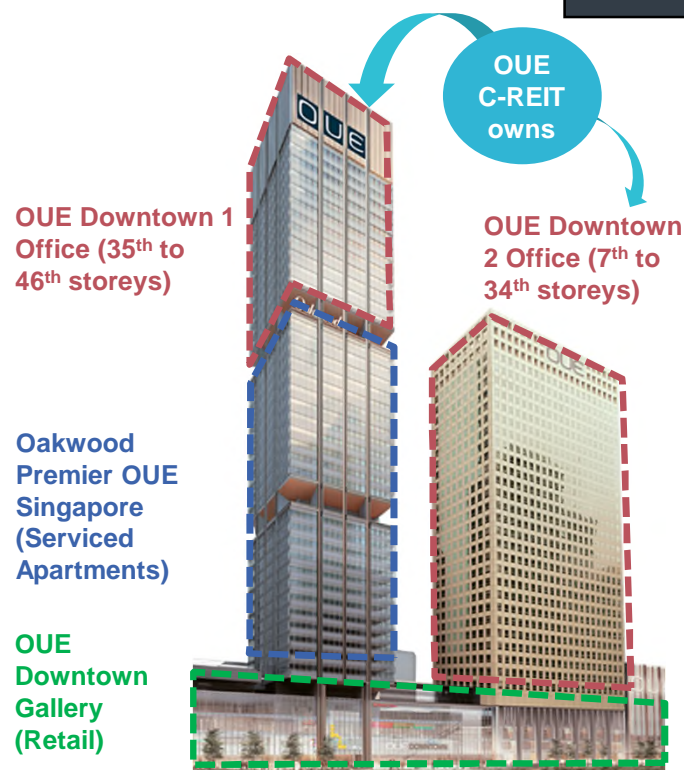
<b>GFA (sq m)</b>	119,626.3
<b>Attributable NLA (sq m)</b>	Office: 56,013.0; Retail: 9,386.0; Overall: 65,399.0
<b>Committed Occupancy (@ 30 Sep 2018)</b>	Office: 96.2%; Retail: 98.5%; Overall: 96.6%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2017)</b>	S\$1,773.2 m (S\$2,519 psf)
<b>Valuation Cap Rate (Office):</b>	3.60% - 3.90%
<b>Land Use Right Expiry</b>	Office Tower 1: 841 yrs from 1 Nov 1985; Office Tower 2: 99 yrs from 26 May 1983; Retail: ~75% of NLA is on 99 yrs from 1 Nov 1985
<b>Completion Year</b>	Office Tower 1: 1986; Office Tower 2: 2012; Retail (major refurbishment): 2014

(1) Based on OUB Centre Limited's 81.54% interest in One Raffles Place. OUE C-REIT has an 83.33% indirect interest in OUB Centre Limited held via its wholly-owned subsidiaries



# Premium Portfolio of Assets

## *OUE Downtown Office (Acquired on 1 Nov 2018)*



<b>GFA (sq m)</b>	69,922.0
<b>Attributable NLA (sq m)</b>	Office: 49,237.0
<b>Committed Occupancy (@ 30 Jun 2018)</b>	Office: 95.1%
<b>Valuation (@ 30 June 2018)</b>	S\$945.0 m (S\$1,783 psf)
<b>Valuation Cap Rate (Office):</b>	4.00%
<b>Land Use Right Expiry</b>	99 yrs from 19 July 1967
<b>Completion Year</b>	OUE Downtown 1: 1974; OUE Downtown 2: 1994; Major refurbishment : 2017



# Premium Portfolio of Assets

## *Lippo Plaza*



<b>GFA (sq m)</b>	58,521.5
<b>Attributable NLA (sq m)</b>	Office: 33,538.6; Retail: 5,685.9; Overall: 39,224.5
<b>Committed Occupancy (@ 30 Sep 2018)</b>	Office: 94.2%; Retail: 70.4%; Overall: 90.6%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2017)</b>	RMB2,887.0 m / RMB49,332 psm (S\$575.8 million) <sup>(2)</sup>
<b>Land Use Right Expiry</b>	50 yrs from 2 July 1994
<b>Completion Year</b>	Office : 1999; Retail (major refurbishment) : 2010

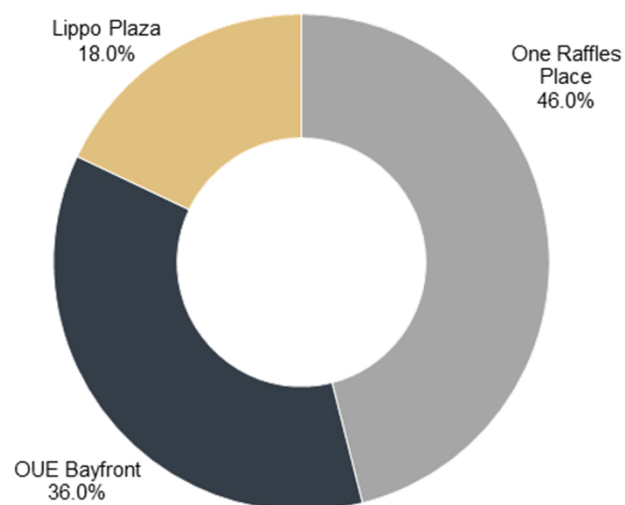
(1) Based on 91.2% strata ownership of Lippo Plaza

(2) Based on SGD:CNY exchange rate of 1 : 5.015 as at 30 September 2018

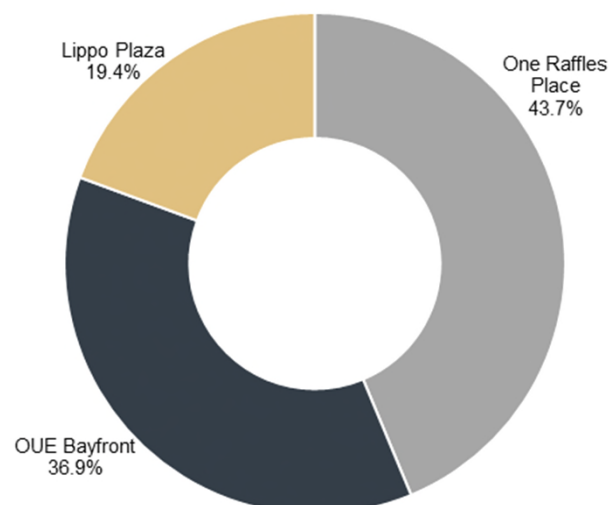


# Portfolio Composition

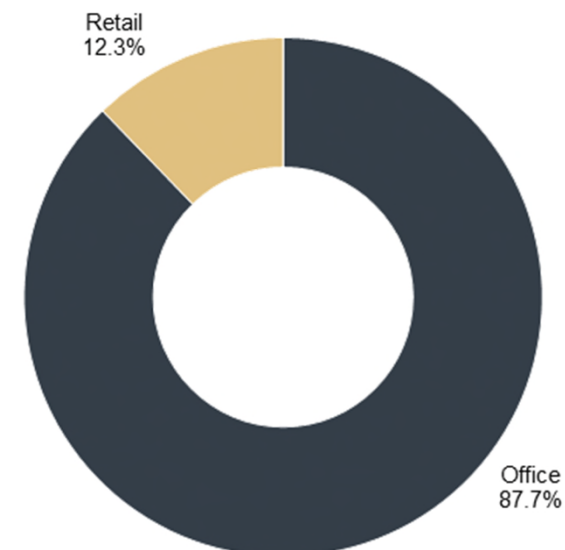
**By Asset Value<sup>(1)</sup>**



**By Revenue Contribution<sup>(2)</sup>**



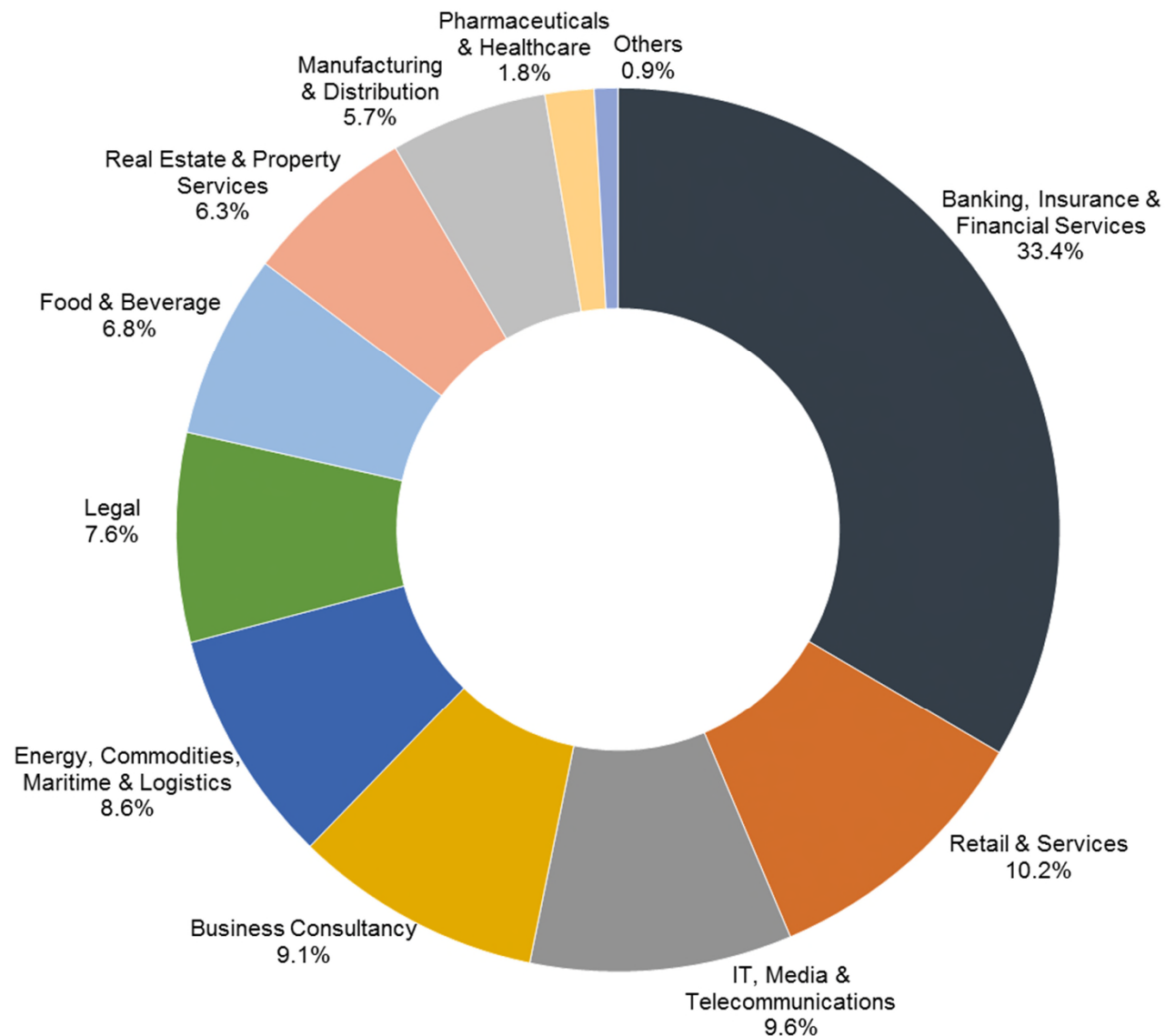
**By Segment Income<sup>(2)</sup>**



(1) Based on independent valuations as at 31 December 2017 and OUE C-REIT's proportionate interest in One Raffles Place

(2) For 3Q 2018 and based on OUE C-REIT's attributable interest in One Raffles Place

# Well-Diversified Portfolio Tenant Base

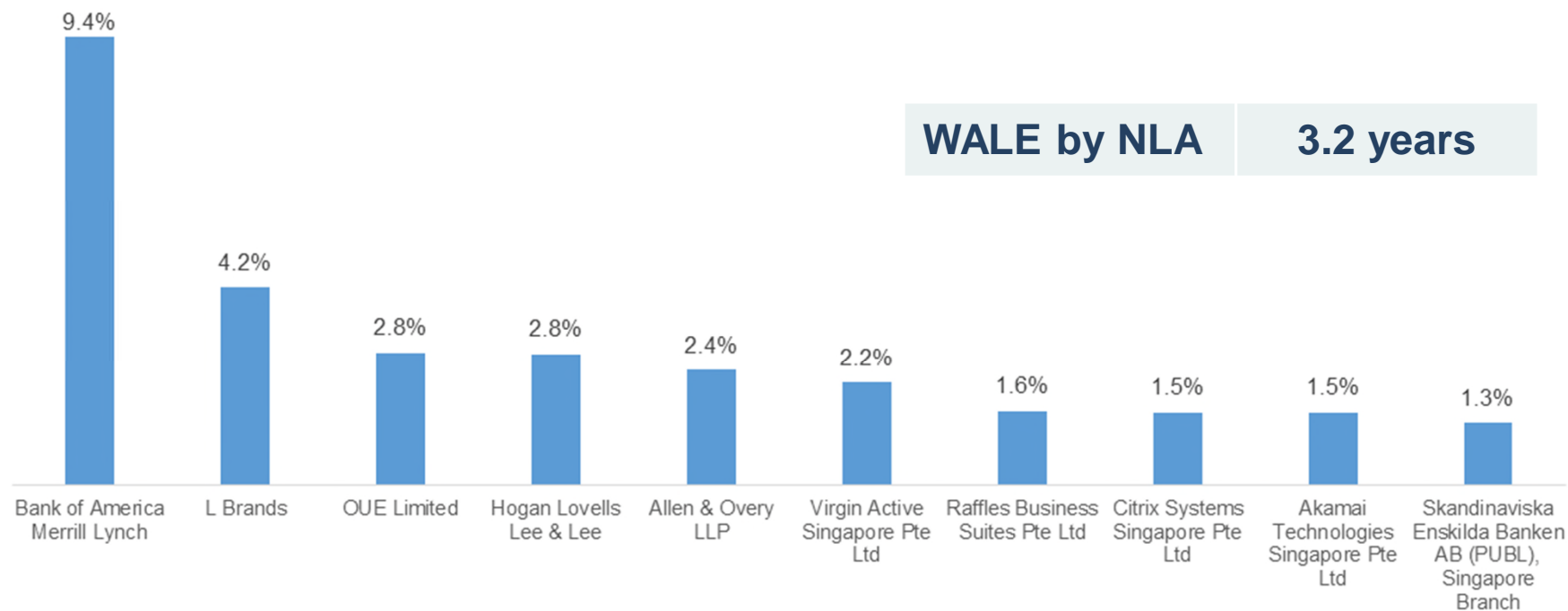


*As at Sep 2018*



# Quality and Diversified Tenant Base

Top 10 tenants contribute approximately 29.7% of gross rental income



As at 30 Sep 2018

# Financial Highlights & Capital Management



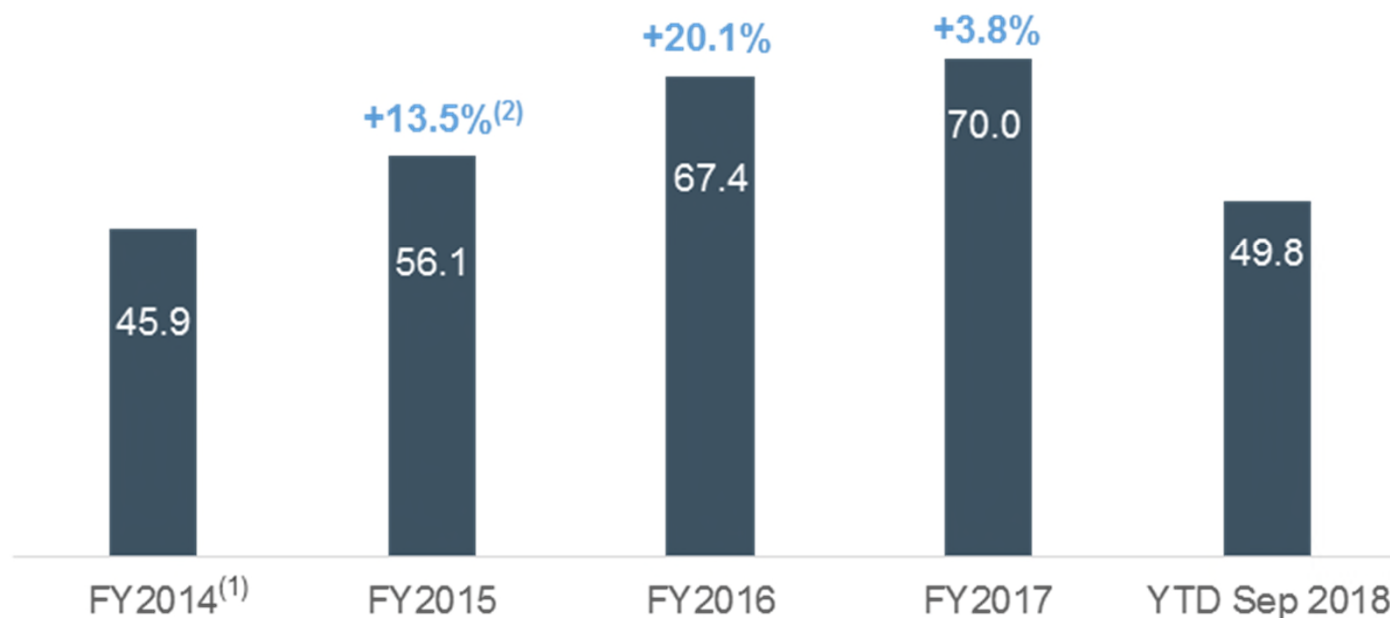


# Delivered Sustainable Distribution

Delivered sustainable distribution to Unitholders since IPO

## Distribution Since IPO

In S\$ million



(1) Period commencing from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014

(2) Growth rate from FY2014 to FY2015 is calculated based on annualised amount available for distribution for the period from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014

# Key Financial Highlights

YTD Sep 2018  
Revenue

**S\$128.4** million

YTD Sep 2018  
Net Property Income

**S\$101.6** million

YTD Sep 2018  
Amount for Distribution

**S\$49.8** million

YTD Sep 2018  
Distribution Per Unit

**2.73** cents

FY2018 DPU Yield

**7.7%**<sup>(1)</sup>

Increased proportion of  
unsecured debt from  
13.8% to **47.4%**<sup>(2)</sup>

- Completed acquisition of office components of OUE Downtown for **S\$908.0 million (S\$1,173 psf)**, 3.9% discount to independent valuation
- Partially funded by fully underwritten rights issue of **S\$587.5 million**
- Post-acquisition assets-under-management of **S\$4.4 billion** and aggregate leverage of approximately **40.4%**

(1) Based on Bloomberg analyst consensus estimate of FY2018 DPU of 3.60 cents and Unit closing price of S\$0.465 as at 12 November 2018

(2) As at 30 September 2018



# Capital Management

- Completed 2018 refinancing requirement on unsecured terms, increasing proportion of unsecured debt from approximately 13.8% to 47.4% as at 30 September 2018, improving OUE C-REIT's credit profile and financial flexibility
- Post completion of OUE Downtown acquisition on 1 November 2018, pro forma aggregate leverage as at 30 September 2018 is 40.4%

	As at 30 Sep 2018	As at 30 Jun 2018
<b>Aggregate Leverage</b>	41.4%	40.3%
<b>Total debt</b>	S\$1,344m <sup>(1)</sup>	S\$1,322m <sup>(2)</sup>
<b>Weighted average cost of debt</b>	3.5% p.a.	3.5% p.a.
<b>Average term of debt</b>	3.5 years	2.3 years
<b>% fixed rate debt</b>	75.0%	74.1%
<b>% unsecured debt</b>	47.4%	13.8%
<b>Average term of fixed rate debt</b>	1.6 years	1.6 years
<b>Interest service ratio</b>	3.0x	3.2x

(1) Based on SGD:CNY exchange rate of 1:5.015 as at 30 September 2018 and includes OUE C-REIT's share of OUB Centre Limited's loan

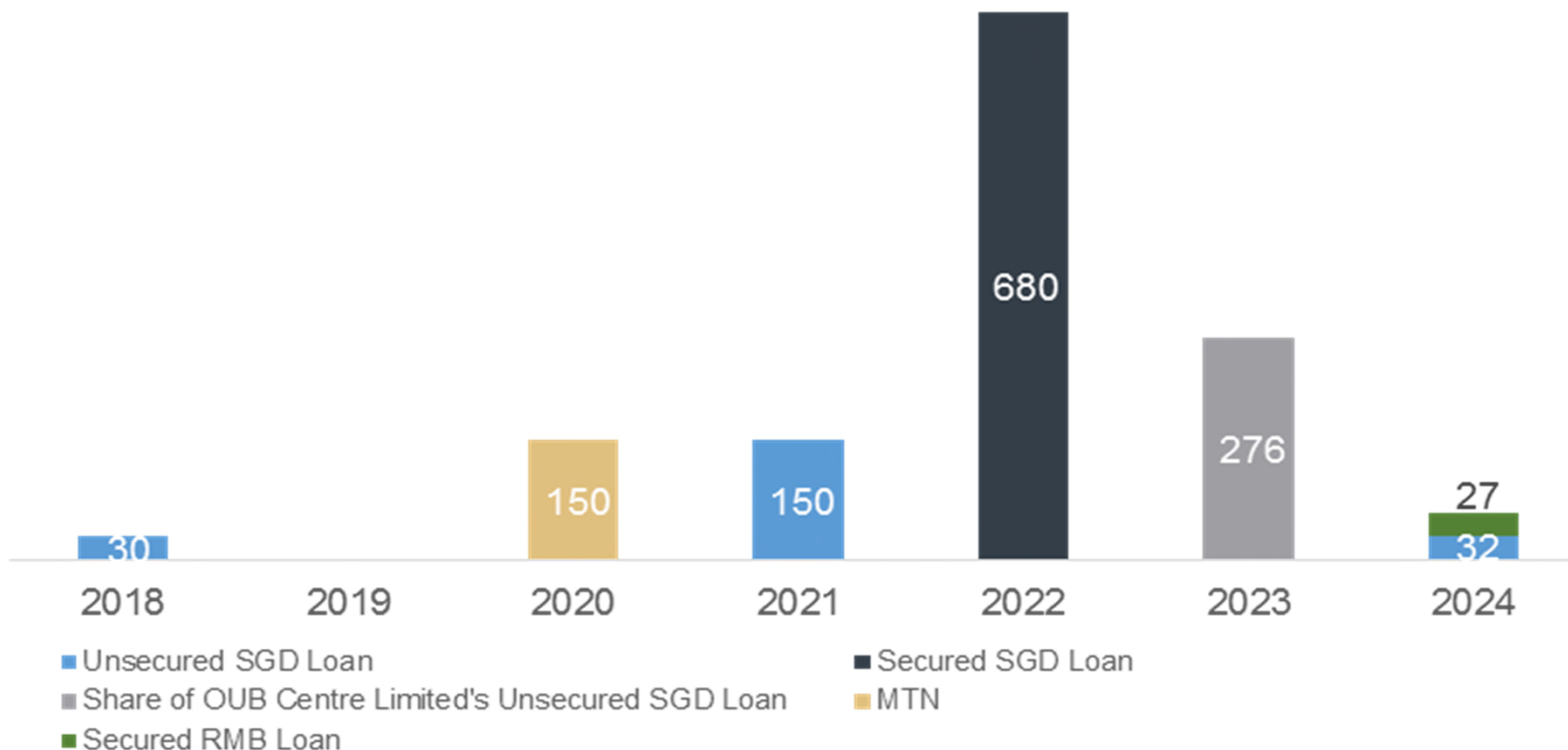
(2) Based on SGD:CNY exchange rate of 1:4.764 as at 30 June 2018 and includes OUE C-REIT's share of OUB Centre Limited's loan

# Well-Diversified Debt Maturity Profile

- With new loans obtained on varying tenures of between 3.0 to 5.5 years, debt maturity is more spread-out with average term of debt lengthened from 2.3 years to 3.5 years
- No significant refinancing requirement until 2020

## Debt Maturity Profile as at 30 September 2018

S\$ million





# Portfolio Performance

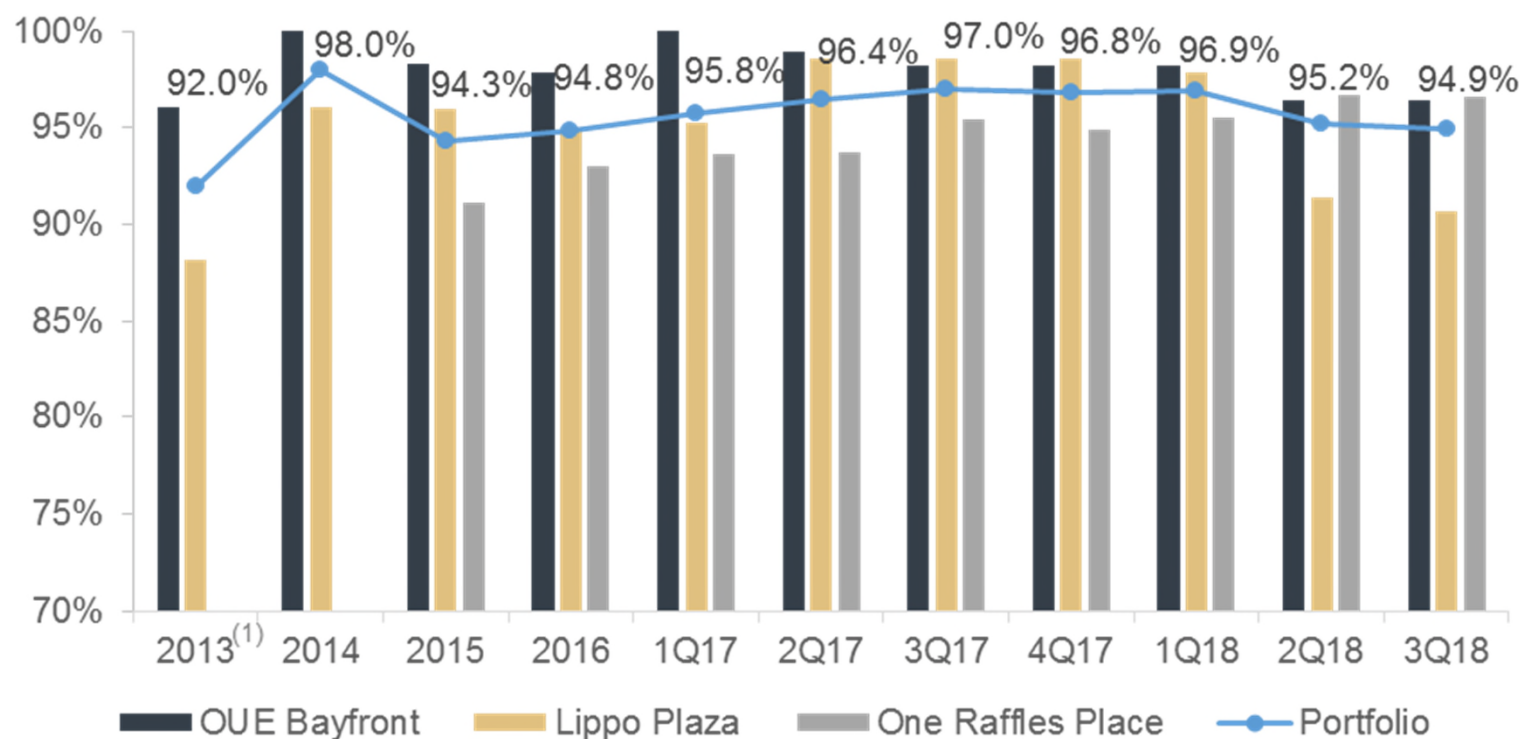




# Resilient and Stable Portfolio

- Portfolio committed occupancy of 94.9% as at 30 September 2018
- Lippo Plaza's overall occupancy as at 30 September 2018 is 90.6% due mainly to the departure of a retail tenant in 2Q 2018 which lowered retail occupancy to 70.4%. The office occupancy remains healthy at 94.2%

## Portfolio Committed Occupancy

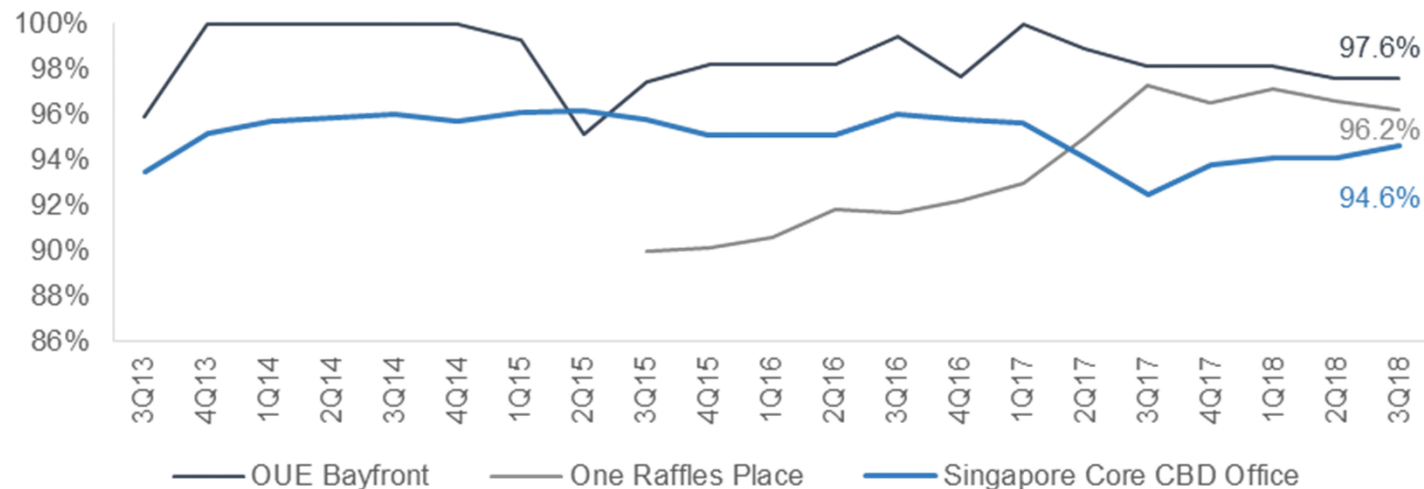


(1) Proforma committed occupancy as at 30 September 2013 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014

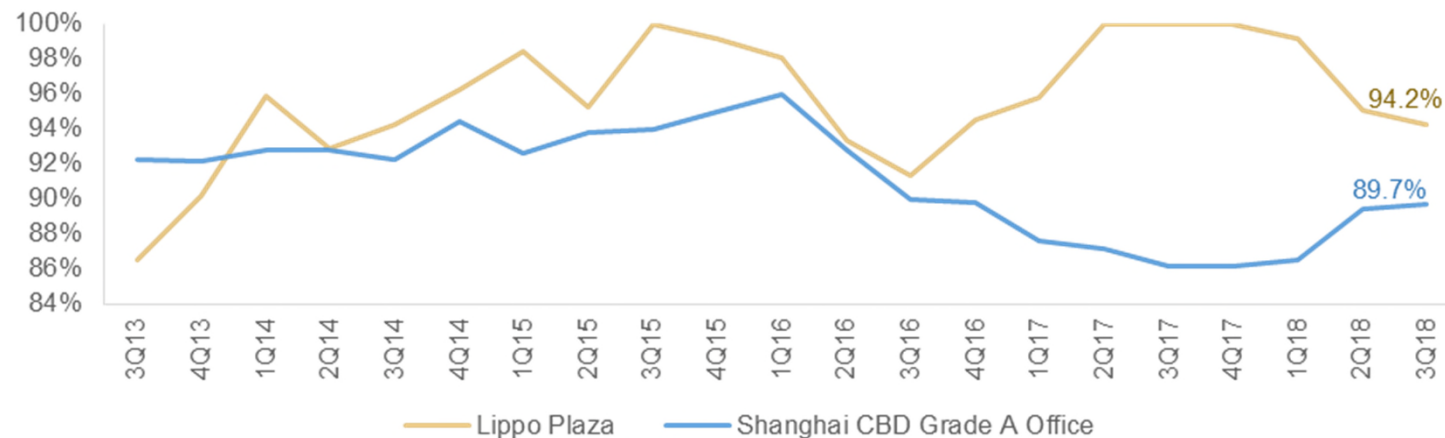
# Office Occupancy Higher Than Market

All three properties continued to achieve above market office occupancy

## Singapore



## Shanghai





# Committed Office Rents In Line Or Above Market

3Q 2018	Average Expired Rents	Committed Rents <sup>(1)</sup>	Market Rents	Average Passing Rents for Sep 2018
OUE Bayfront	S\$10.67 psf/mth	S\$10.70 – S\$12.80 psf/mth	S\$10.45 psf/mth <sup>(2)</sup>	S\$11.50 psf/mth
One Raffles Place	S\$10.39 psf/mth	S\$9.70 – S\$11.50 psf/mth	S\$10.45 psf/mth <sup>(2)</sup>	S\$9.45 psf/mth
Lippo Plaza	RMB9.28 psm/day	RMB9.00 – RMB11.00 psm/day	RMB9.51 psm/day <sup>(3)</sup>	RMB9.84 psm/day

- As Singapore office market rents continue their upward trajectory in 3Q 2018, OUE Bayfront continued to achieve positive rental reversions. At One Raffles Place, rental reversions were flat
- In Shanghai, Lippo Plaza also achieved positive rental reversions in 3Q 2018

(1) Committed rents for renewals, rent reviews and new leases

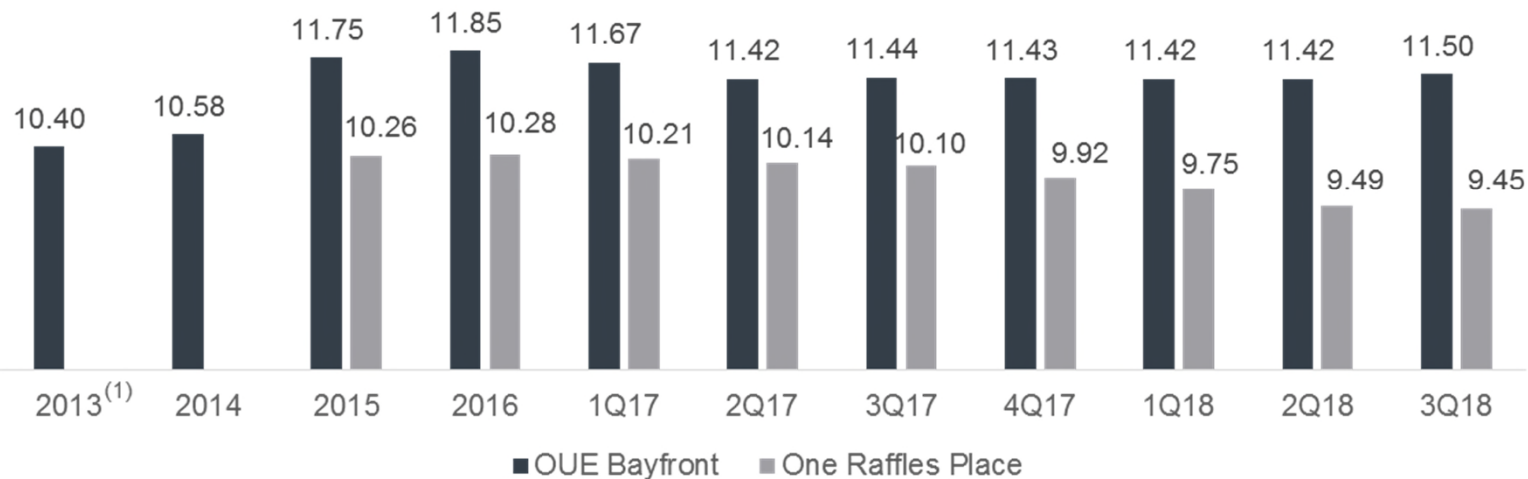
(2) Refers to Grade A CBD Core office rents in Singapore. Source: CBRE Singapore MarketView 3Q 2018

(3) Refers to CBD Grade A office rents in Puxi. Source: Colliers International, Shanghai Office Quarterly 3Q 2018, 20 October 2018

# Average Passing Office Rents

## Singapore

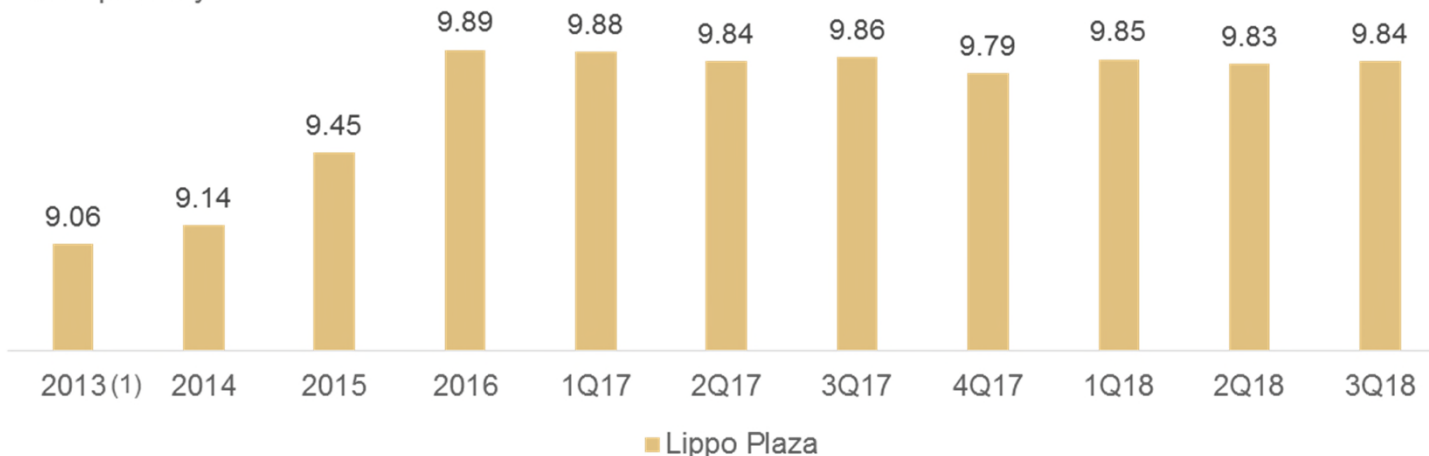
S\$ psf/mth



- With two quarters of positive rental reversions, average passing office rent for OUE Bayfront improved to S\$11.50 psf per month as at September 2018

## Shanghai

RMB psm/day

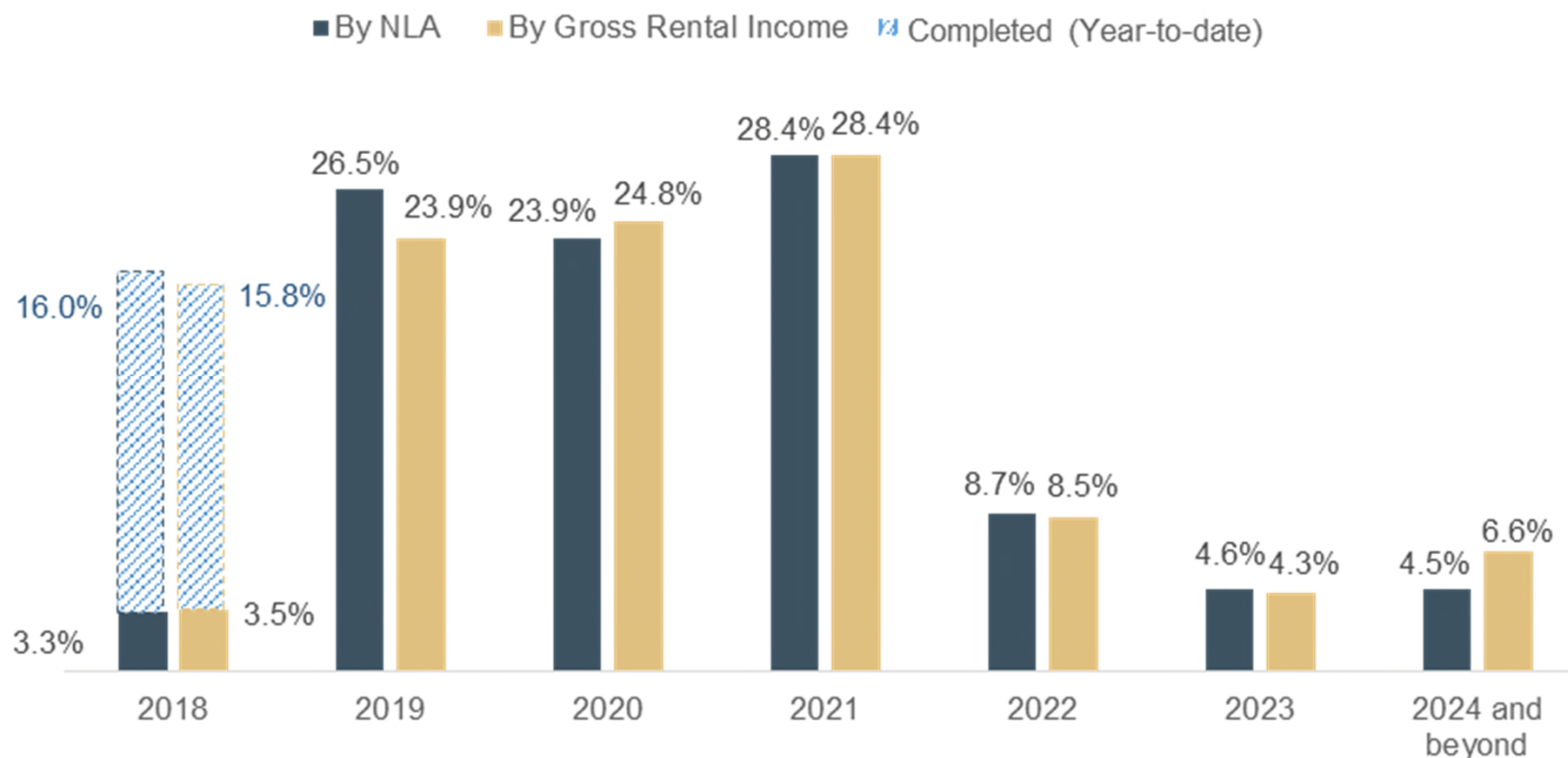


- Average passing office rent at One Raffles Place and Lippo Plaza were stable as at September 2018

(1) Proforma average passing rents as at 30 September 2013 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014

# Lease Expiry Profile - Portfolio

Only 3.5% of OUE C-REIT's portfolio gross rental income is due for renewal for the balance of 2018



**WALE<sup>(1)</sup> of 2.3 years by NLA<sup>(2)</sup> and 2.4 years by Gross Rental Income**

As at 30 Sep 2018

(1) "WALE" refers to the weighted average lease term to expiry

(2) "NLA" refers to net lettable area



# Investment Update





# OUE Downtown Office Components



<b>Description</b>	<ul style="list-style-type: none"> <li>OUE Downtown 1 Office Component and OUE Downtown 2 Office Component</li> <li>Part of OUE Downtown, a mixed-use development, comprising two high-rise towers, a retail podium and service residences</li> </ul>						
<b>Head Title</b>	<ul style="list-style-type: none"> <li>99-year leasehold title commencing 19 July 1967</li> </ul>						
<b>Independent Valuations <sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>S\$927.0 million (S\$1,749 psf) by Savills</li> <li>S\$945.0 million (S\$1,783 psf) by Colliers</li> </ul>						
<b>Purchase Consideration</b>	<ul style="list-style-type: none"> <li><b>S\$908.0 million (S\$1,713 psf)</b></li> <li>At 2.0% to 3.9% discount to independent valuations</li> </ul>						
<b>Gross Floor Area</b>	<ul style="list-style-type: none"> <li>752,634 sq ft</li> </ul>						
<b>Net Lettable Area</b>	<ul style="list-style-type: none"> <li>529,981 sq ft</li> </ul>						
<b>Committed Occupancy<sup>(1)</sup></b>	<ul style="list-style-type: none"> <li>95.1%</li> </ul>						
<b>Net Property Income Yield<sup>(2)</sup></b>	<ul style="list-style-type: none"> <li>5.0%</li> </ul>						
<b>Rental Support</b>	<ul style="list-style-type: none"> <li>Up to aggregate amount of S\$60.0 million or for a period of up to 5 years, whichever is earlier</li> <li>Rental income top-up if actual rental income falls below the target rent ("Base Rate")</li> </ul>						
	<b>Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	Base Rate (S\$ psf/mth)	8.90	9.10	9.25	9.40	9.40	9.40

(1) As at 30 June 2018

(2) Based on 1H 2018 annualised net property income including the rental support, adjusted for one-off expenses, and assumes 12 months of the management corporation expenses divided by the purchase consideration

# Acquisition Completed on 1 Nov 2018

- Purchase consideration of S\$908.0 million for the office components of OUE Downtown, with total acquisition cost of S\$955.9 million funded via combination of equity and debt
  - Completed the rights issue on 23 October 2018, with a healthy subscription rate of 108.5% of the total number of Units available under the rights issue
  - 1,288.4 million new Units were issued at S\$0.456 per new Unit on 30 October 2018, raising gross proceeds of approximately S\$587.5 million
  - In October 2018, entered into a S\$400.0 million unsecured loan facility agreement for facilities of 3 and 5 years in tenure to part finance the acquisition
- Completed the acquisition on 1 November 2018, increasing assets-under-management to S\$4.4 billion. Post the transactions, pro forma aggregate leverage as at 30 September 2018 is 40.4%



# Key Rationale

- 1 Strategic acquisition to benefit from the transformation of Tanjong Pagar
- 2 Attractive price (S\$1,713 psf) and acquisition NPI yield (5.0%) for a high quality Grade A office property
- 3 Favourable growth profile from a rising Singapore CBD office market and potential positive rental reversions
- 4 Enhanced market positioning and diversified product offering
- 5 Increased portfolio size post-Acquisition, providing OUE C-REIT with a stronger platform for growth
- 6 Improved portfolio diversification with reduced asset and tenant concentration risk

# Enhanced Market Positioning

Strengthens OUE C-REIT's footprint within the Singapore CBD and allows OUE C-REIT to capture tenant demand within the three major office rental submarkets

- The addition of OUE Downtown would allow OUE C-REIT to capture tenant demand within the three major office rental submarkets in the Singapore CBD, namely Raffles Place, New Downtown (Marina Bay area) and Shenton Way/Tanjong Pagar

- 1 One Raffles Place** – commanding an iconic position in the Raffles Place submarket
- 2 OUE Bayfront** – gateway between the developing Marina Bay area and the established financial hub of Raffles Place
- 3 OUE Downtown** – positioned to benefit from the rejuvenation of the Tanjong Pagar precinct



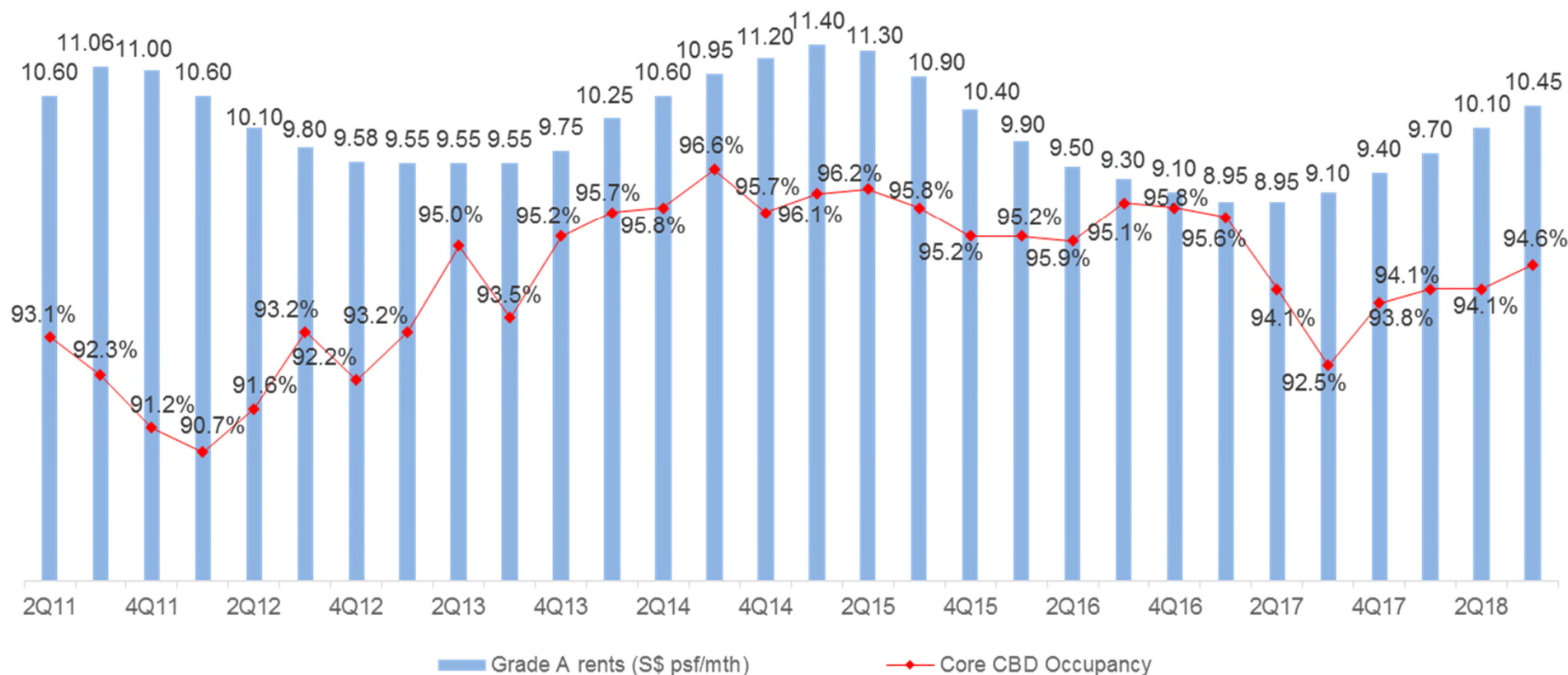
# Outlook and Summary





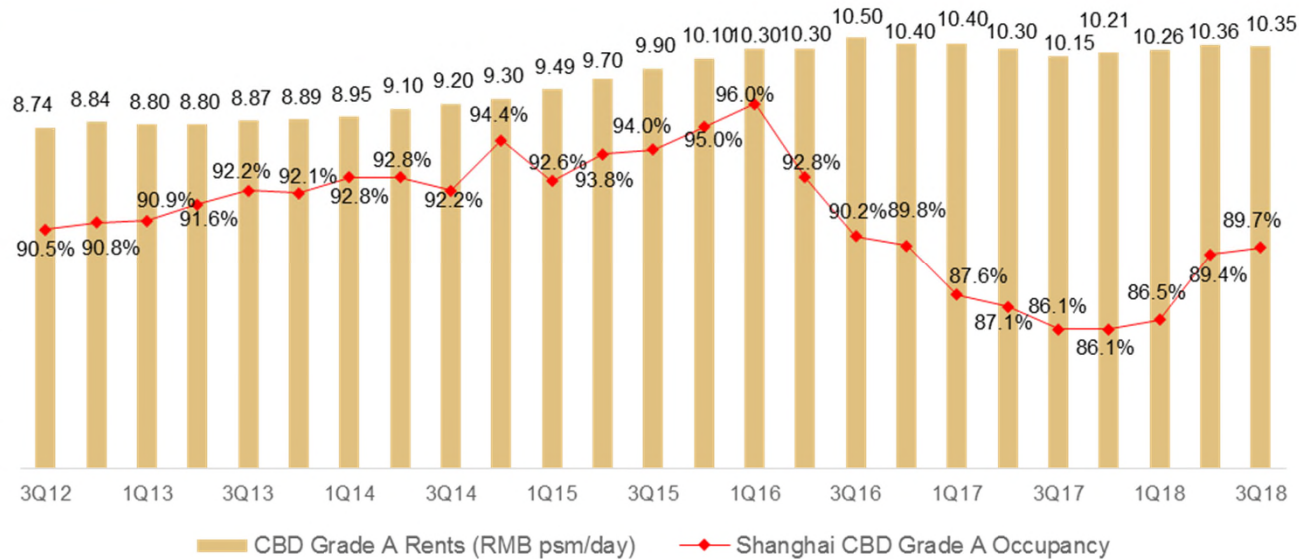
# Singapore Office Market

- Core CBD office occupancy improved 0.5 ppt QoQ to 94.6% as at 3Q 2018 due to stronger leasing activity supported by diversified demand from technology, shipping, insurance as well as European and Asia financial institutions
- As vacancy continued to tighten, Grade A CBD office rents grew 3.5% QoQ to S\$10.45 psf per month. Rents have risen approximately 17% since the market bottomed in 2Q 2017 and are about 9% below the previous peak achieved in 1Q 2015



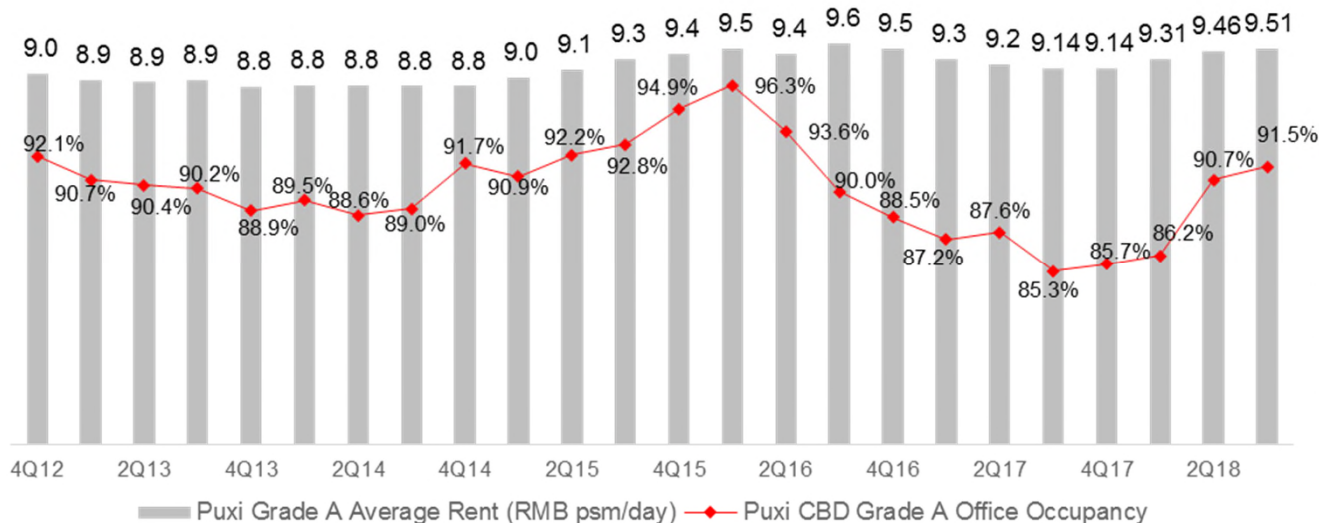
# Shanghai Office Market

## Shanghai



- In 3Q 2018, Shanghai CBD Grade A office occupancy rose 0.3 ppt QoQ to 89.7% and rents softened 0.1% QoQ to RMB10.35 psm/day
- Puxi Grade A office occupancy rose 0.8 ppt QoQ to 91.5%, while rents increased 0.6% QoQ to RMB9.51 psm/day
- Continued significant new office supply is expected in Shanghai over the next few years. Nevertheless, healthy demand from the finance and technology sectors and underpin occupancy as well as rental rates

## Puxi



# Summary

- Positive overall rental outlook given office market recovery in Singapore and a stable Shanghai office market
  - ✓ Increased exposure to strategically located, Grade A commercial properties in Singapore, which are expected to ride on sustained rent recovery
  - ✓ Lippo Plaza in Shanghai expected to continue to achieve a stable performance
- Large proportion of debt cost is fixed, mitigating interest rate volatility





Thank You