



COMMERCIAL  
REIT



## Divestment of 50% Interest in OUE Bayfront, OUE Tower and OUE Link to Fund Managed by Allianz Real Estate

18 January 2021

# Important Notice

This presentation should be read in conjunction with the announcement released by OUE Commercial REIT (“OUE C-REIT”) on 18 January 2021 (in relation to the Sale and Contribution of OUE Bayfront, OUE Tower and OUE Link and Entry into Joint Venture).

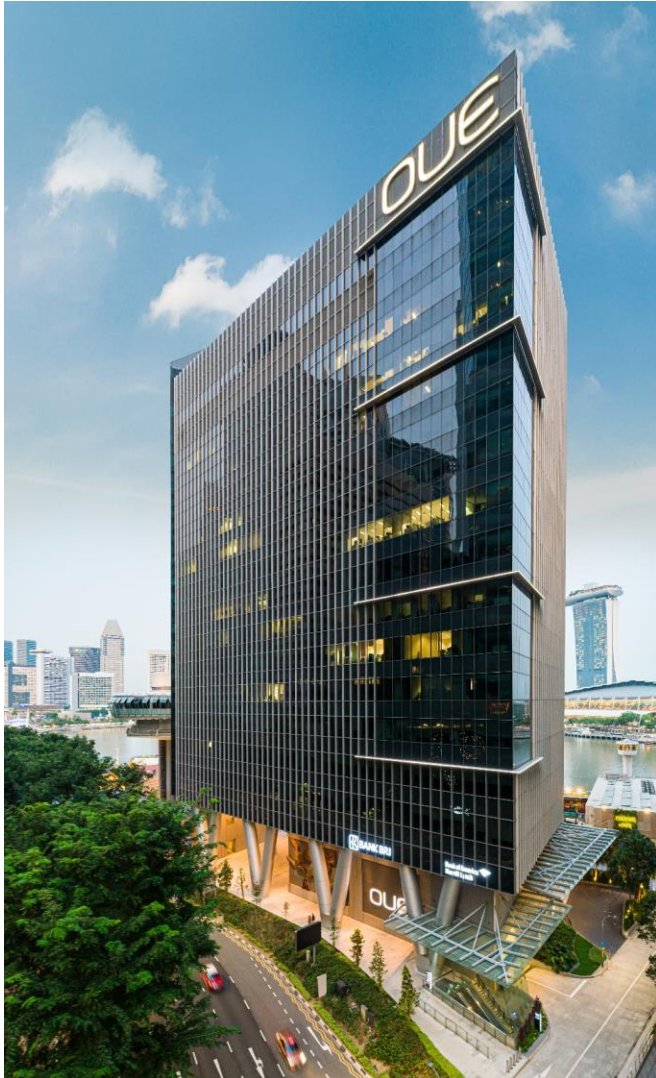
This presentation is for information purposes only and does not constitute an invitation, offer or solicitation of any offer to acquire, purchase or subscribe for units in OUE C-REIT (“Units”). The value of Units and the income derived from them, if any, may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, OUE Commercial REIT Management Pte. Ltd. (the “Manager”), DBS Trustee Limited (as trustee of OUE C-REIT) (the “Trustee”) or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. The past performance of OUE C-REIT is not necessarily indicative of the future performance of OUE C-REIT.

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. These forward-looking statements speak only as at the date of this presentation. Past performance is not necessarily indicative of future performance. No assurance can be given that future events will occur, that projections will be achieved, or that assumptions are correct. 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, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

Investors should note that they will have no right to request the Manager to redeem their Units while the Units are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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

# Transaction Overview



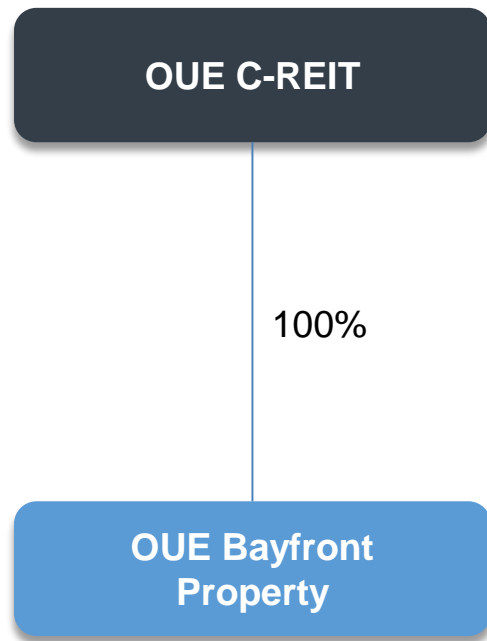
- Divestment of 50% interest in OUE Bayfront, OUE Tower and OUE Link (“OUE Bayfront Property”) to a fund managed by Allianz Real Estate Asia Pacific Pte. Ltd. via a sale and contribution agreement
- Allianz Real Estate is the world’s largest investor in real estate, with assets under management amounting to €71 billion as at 30 September 2020
- Agreed value of S\$1,267.5 million or S\$3,170 per sq ft<sup>(1)</sup>, representing 26.1% premium over purchase consideration in 2014
- Based on the net property income of S\$45.8 million<sup>(2)</sup> and agreed value of S\$1,267.5 million, the net property income yield is 3.6%
- Post divestment, OUE C-REIT’s portfolio rental revenue continues to be underpinned by contribution from resilient office segment

(1) Based on net lettable area of 399,846 sq ft

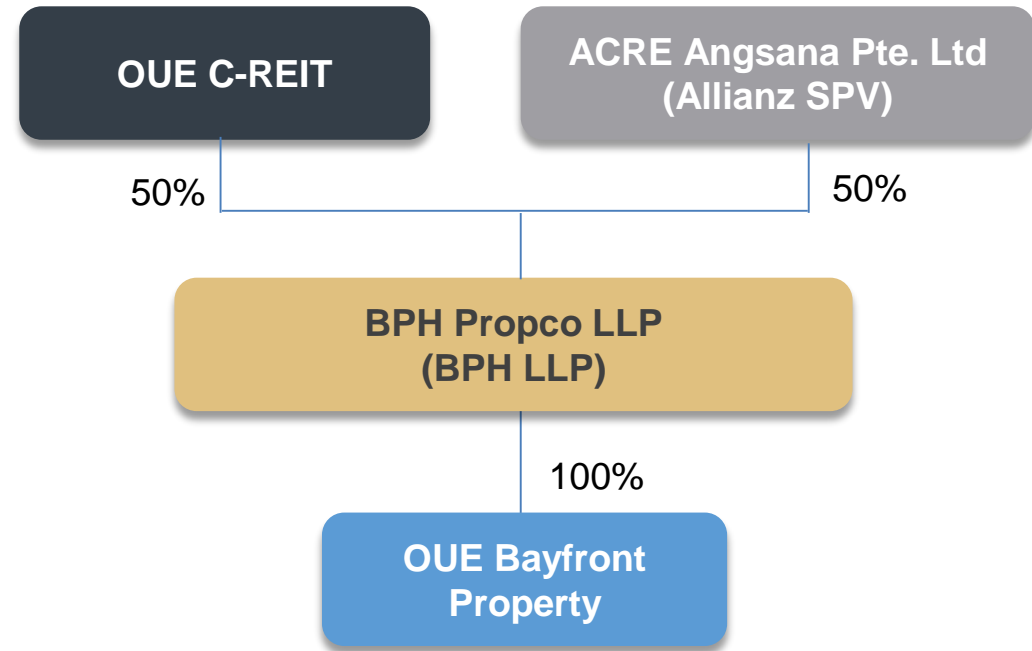
(2) Annualised based on the nine months ended 30 September 2020

# Divestment via Sale and Contribution into LLP

## Existing Ownership Structure



## New Ownership Structure after Divestment



- OUE Commercial REIT Management Pte. Ltd. (the “Manager”) and OUE Property Management Pte. Ltd. will be appointed as asset manager and property manager to BPH LLP respectively; fee structure is consistent with OUE C-REIT’s existing fee structure

# Rationale & Benefits of the Divestment

1

Active portfolio management to enhance value for Unitholders

2

Realise value of capital appreciation while maintaining 50% stake in premium Grade A office building and exposure to Singapore office market

3

Opportunity to optimise capital structure and increase financial flexibility

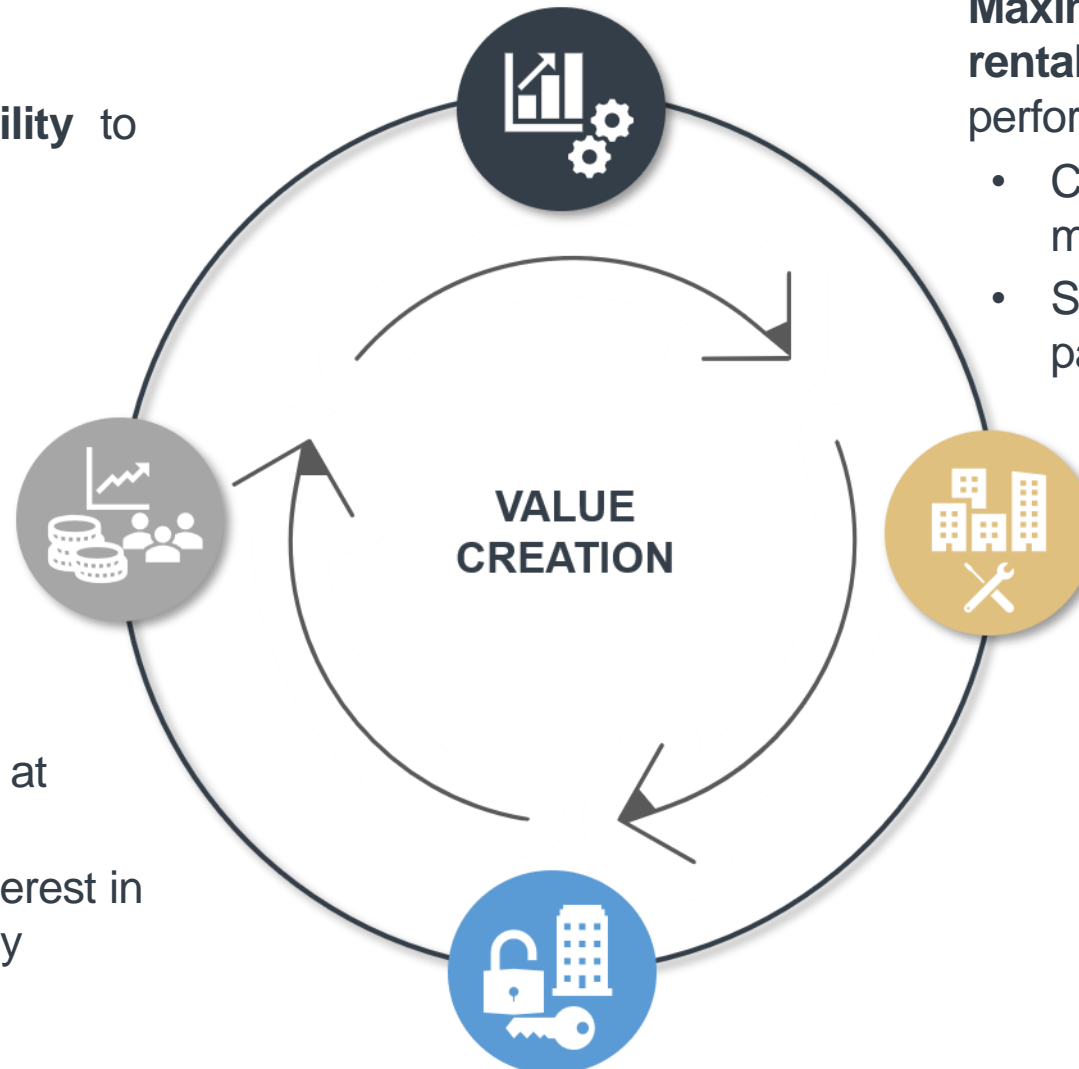
# 1 Active portfolio management to enhance value for Unitholders

**Enhanced financial flexibility** to create value for Unitholders

- Divestment proceeds to optimise capital structure

**Unlock value** of property at optimal stage of life cycle

- Divestment of 50% interest in OUE Bayfront Property



**Maximise occupancy and optimise rental growth** to drive operational performance

- Consistently achieved above-market occupancy
- Significant growth in average office passing rents since listing

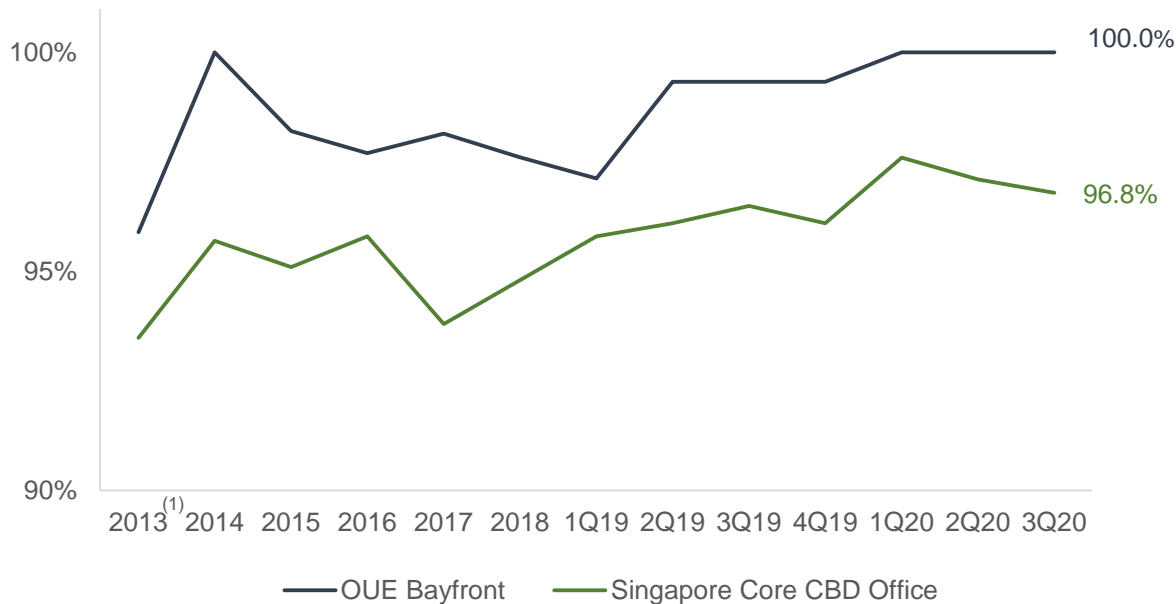
**Asset enhancement and refurbishment** to support and enhance organic growth

- Created 1,433 sq ft of additional net lettable area at rooftop restaurant of OUE Bayfront

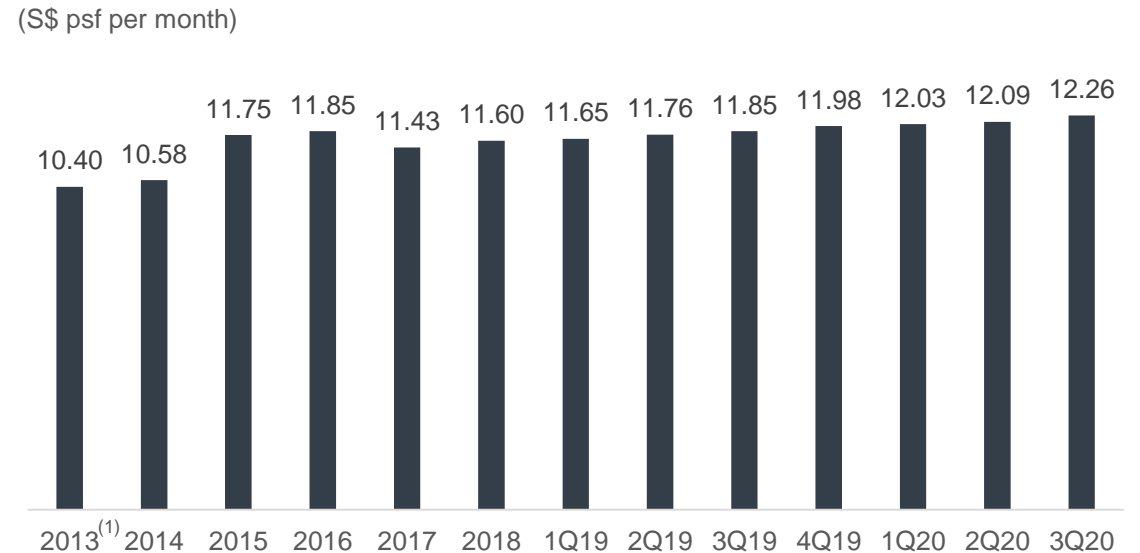
# 1 Active portfolio management to enhance value for Unitholders

- OUE Bayfront Property has been held since OUE C-REIT’s listing in 2014, with the Manager successfully maintaining a consistently high occupancy level at the property while optimising rental growth. The property has also demonstrated a resilient performance amidst a challenging operating landscape
  - Committed office occupancy consistently high and above-market
  - Average office passing rent has risen by 18% since listing

## Above-market Committed Office Occupancy



## Optimised average office passing rents



Source: CBRE for historical Singapore Core CBD office occupancy

(1) At OUE C-REIT’s listing

## 2 Realise value of capital appreciation while maintaining exposure to Singapore office market

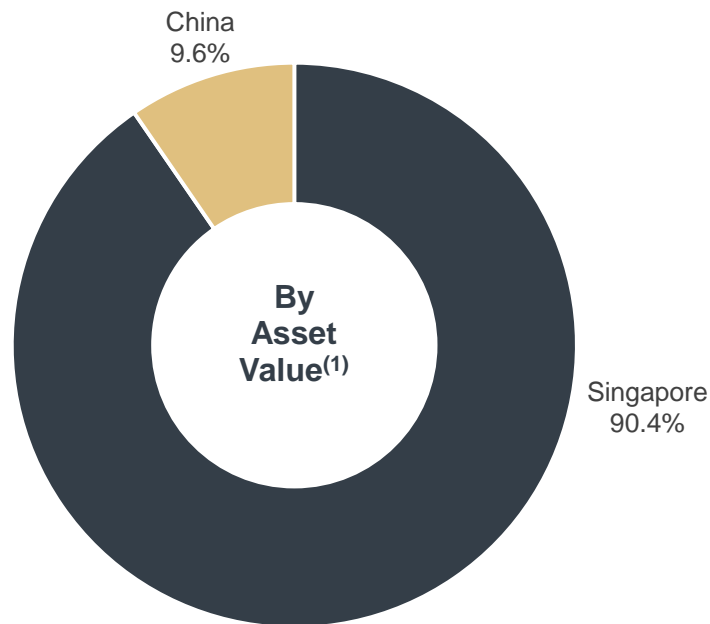


OUE Bayfront comprising OUE Tower and OUE Link

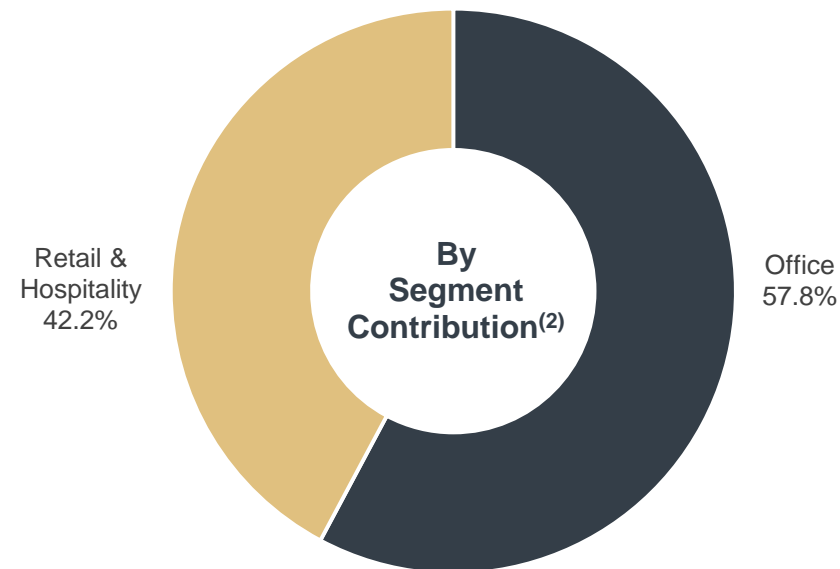
- Agreed value of S\$1,267.5 million is attractive, representing 26.1% above purchase consideration at OUE C-REIT's listing

<b>Agreed Value</b>	<b>S\$1,267.5 million (~S\$3,170 psf)</b>
<b>Purchase Consideration</b>	<b>S\$1,005.0 million (~S\$2,498 psf)</b>

## 2 Realise value of capital appreciation while maintaining exposure to Singapore office market



- Total assets in Singapore remains high at 90.4% of total portfolio value<sup>(1)</sup>



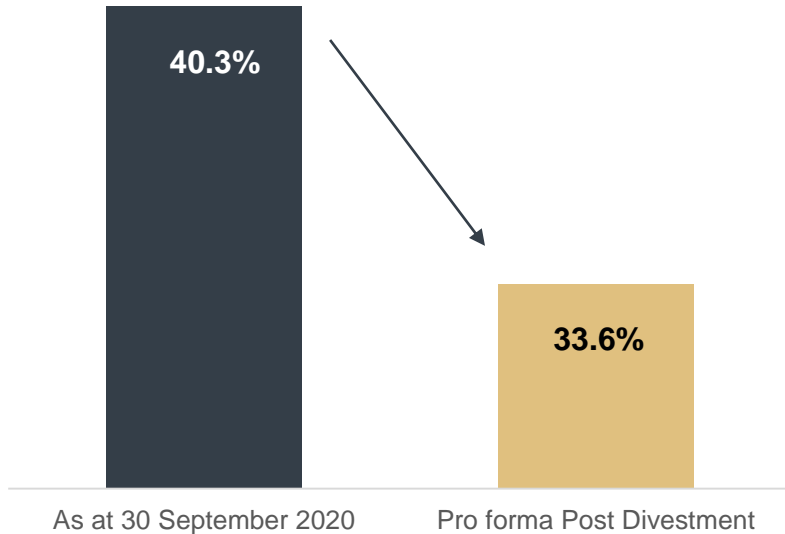
- Revenue contribution remains underpinned by office segment at approximately 57.8%<sup>(2)</sup>

(1) Based on independent valuations as at 31 December 2019 and 50% of valuation for OUE Bayfront, assuming SGD:CNY exchange rate of 1:4.960 as at 30 September 2020

(2) Based on portfolio revenue for the nine months ended 30 September 2020 and assuming that the divestment was completed on 1 January 2020

# 3 Optimise capital structure and increase financial flexibility

## Aggregate Leverage



- Net divestment proceeds of S\$262.6 million<sup>(1)</sup>
- Assuming net proceeds are used to repay loans, aggregate leverage expected to **reduce from 40.3% as at 30 September 2020 to 33.6%** on pro forma basis
- With increased financial flexibility, funds can potentially be redeployed to:
  - ☑ Pare down debt
  - ☑ Accretive acquisitions of higher yielding assets or asset enhancement initiatives
  - ☑ Redeem CPPUs, of which S\$375.0 million remains outstanding
  - ☑ Commence DPU accretive Unit buy-back programme to enhance long-term returns to Unitholders
  - ☑ Distribution of capital gains

(1) Based on OUE C-REIT's 50% interest and net of divestment fee and other divestment related expenses

# Pro forma Financial Effects

Pro forma Financial Effects <sup>(1)</sup>	Before Divestment	After Divestment
Adjusted Net Asset Value (“NAV”) per Unit	S\$0.60	S\$0.61 <sup>(2)</sup>
Distribution per Unit (Singapore cents)	3.31	3.13 <sup>(3)</sup>

(1) For illustrative purposes only. Based on the audited financial statements of OUE C-REIT for the financial year ended 31 December 2019

(2) The Adjusted NAV per Unit is computed on the basis that OUE C-REIT will indirectly retain 50% interest in the OUE Bayfront Property through OUE C-REIT’s 50% interest in BPH LLP.

(3) Assuming the entire proceeds from the divestment is used to pay the divestment fee and all divestment-related costs, as well as repay loans, and that BPH LLP incurred bank borrowings of S\$633.8 million

# Appendix: Property Details



# Property Details

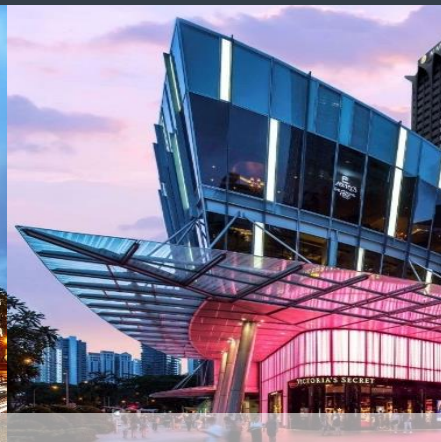
Description	<p><b>OUE Bayfront Property comprises:</b></p> <ul style="list-style-type: none"> <li>• OUE Bayfront, an 18-storey landmark Grade A office building with panoramic views of Marina Bay</li> <li>• OUE Tower, a conserved tower building</li> <li>• OUE Link, an overhead pedestrian link bridge with retail units</li> </ul>
Location	In Singapore's Central Business District at Collyer Quay, between the Marina Bay downtown and established financial hub of Raffles Place
Title	<p><b>OUE Bayfront and OUE Tower:</b> 99-year leasehold title commencing 12 November 2007</p> <p><b>OUE Link:</b> 15-year leasehold title commencing 26 March 2010</p>
Building Completion	2011
Net Lettable Area as at 31 December 2020	399,846 sq ft
Committed Occupancy as at 30 September 2020	Office: 100.0%; Retail: 97.8%; Overall: 99.9%
Net Property Income	S\$45.8 million <sup>(1)</sup>
Major Tenants	Bank of America Merrill Lynch, Allen & Overy LLP, Aramco Asia Singapore Pte. Ltd.
Car Park Lots	245



(1) Based on annualised net property income for the nine months ended 30 September 2020



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Thank You