

The logo for Keppel REIT, featuring the word "Keppel" in white on a dark grey background and "REIT" in yellow on a white background.

Keppel REIT

# Annual General Meeting

23 April 2019



# Outline

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**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.

# Young and Green Commercial Assets

## Large Portfolio of Premium Office Assets

Over \$8 billion of Grade A commercial assets pan-Asia

## Strong Portfolio Occupancy and WALE

High portfolio committed occupancy and long WALE provides income resilience

## Commitment to Sustainability

BCA Green Mark Platinum award for all Singapore assets; 5 Stars NABERS Energy rating for most Australian assets

Marina Bay Financial Centre

One Raffles Quay

Ocean Financial Centre

# Milestones since Listing

Listed on  
SGX  
with over  
\$600m AUM



Increased  
Stake in  
Prudential  
Towers



Acquired  
50% of  
8 Chifley  
Square



Acquired  
87.5% of  
Ocean  
Financial  
Centre

Acquired 50% of  
David Malcom Justice  
Centre, Perth, and  
8 Exhibition Street,  
Melbourne



Acquired three  
retail units at  
8 Exhibition Street



Acquired 50% of  
311 Spencer Street  
development in  
Melbourne



Expanded  
footprint to  
South Korea  
with 99.38% of  
T Tower



2007

2010

2012

2014

2016

2018

2006

2009

2011

2013

2015

2017

2019  
\$8.4b  
AUM



Maiden  
Acquisition:  
One Raffles  
Quay



Expanded footprint  
to **Australia** with  
77 King Street and  
275 George Street



Asset swap of  
Keppel Towers and  
GE Tower for one-third of  
MBFC Phase 1



Increased  
stake to 99.9%  
for Ocean  
Financial  
Centre



Acquired  
one-third of  
MBFC  
Tower 3



Divested  
stake in  
Prudential  
Tower



Divested  
77 King Street in  
Sydney



Divested 20%  
minority stake in  
Ocean Financial  
Centre

# Driving Performance

Marina Bay Financial Centre,  
Singapore



# FY 2018 Highlights



**Distributable Income**  
**\$189.0 m<sup>(1)</sup>**

**Distribution per Unit**  
**5.56 cents**

**Aggregate Leverage**  
**36.3%**



**Leases Committed**  
**2,853,100 sf**  
*(Attributable area ~1,227,100 sf)*

**Portfolio Committed Occupancy**  
**98.4%**

**Portfolio WALE**  
**5.9 years**

Average signing rent for  
Singapore office leases  
**~\$11.10<sup>(2)</sup> psf**

*above Grade A core CBD market average  
of \$10.26<sup>(3)</sup> psf*

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

(2) For the Singapore office leases concluded in FY 2018 and based on a simple average calculation.

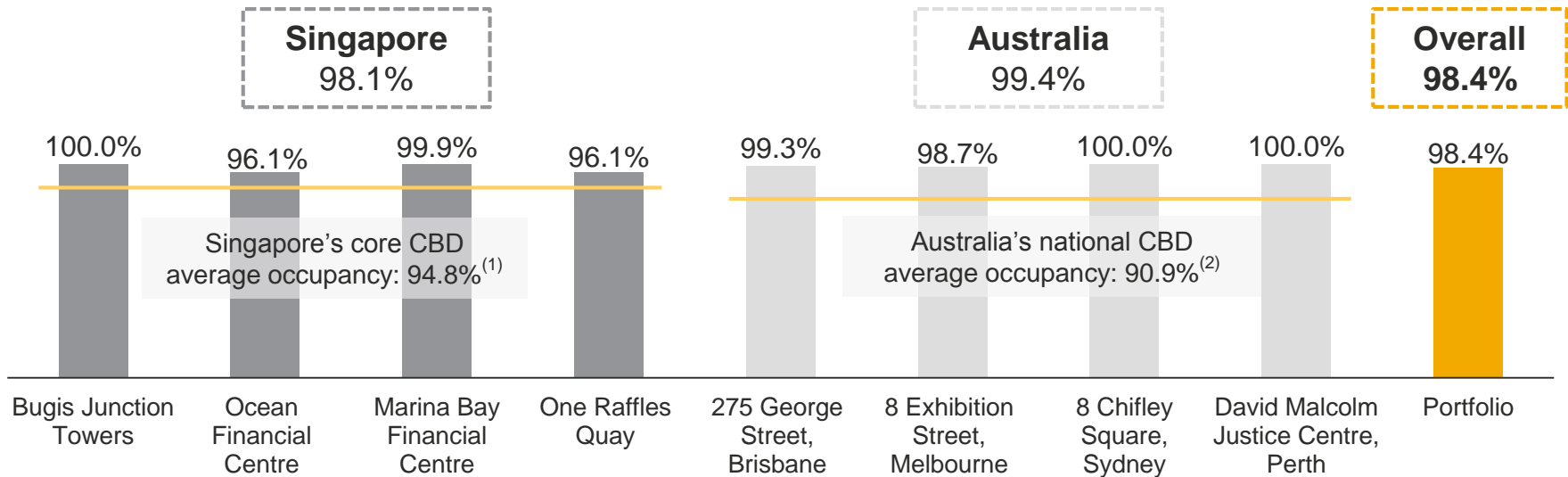
(3) Based on simple average calculation of CBRE Pte. Ltd.'s quarterly rents for Grade A offices in Singapore CBD in 2018  
(1Q 2018: \$9.70 psf pm, 2Q 2018: \$10.10 psf pm, 3Q 2018: \$10.45 psf pm, 4Q 2018: \$10.80 psf pm)

# Proactive Leasing Strategy

- Committed occupancies as at end-2018 remain healthy and above market average

## High Portfolio Committed Occupancy

(as at 31 December 2018)



Sources: (1) CBRE, 4Q 2018 (2) JLL, end September 2018

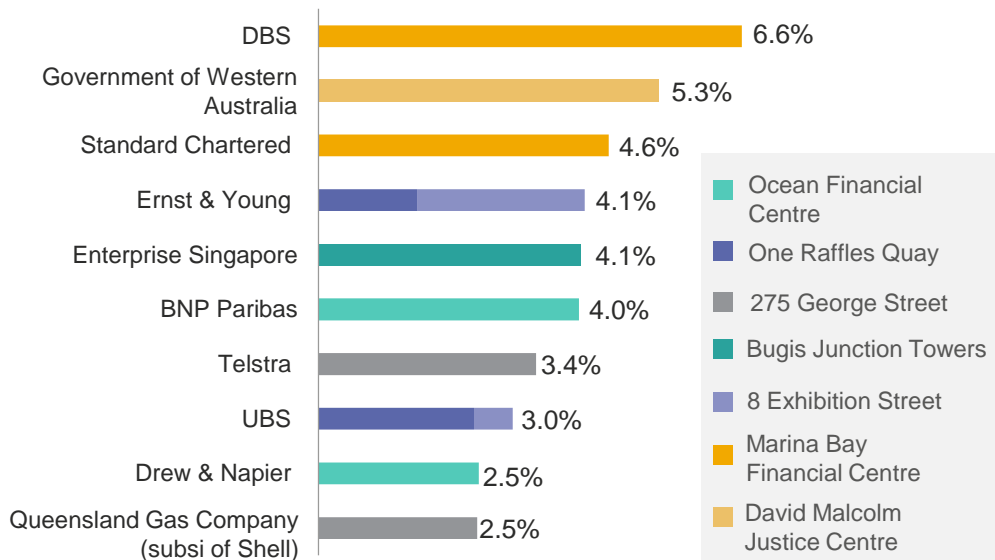
Note: Based on committed attributable area

# Diversified Tenant Base

## Top 10 Tenants

40.1% of NLA

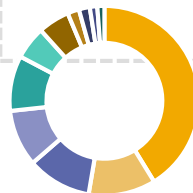
37.8% of gross rent



- Ocean Financial Centre
- One Raffles Quay
- 275 George Street
- Bugis Junction Towers
- 8 Exhibition Street
- Marina Bay Financial Centre
- David Malcolm Justice Centre

## Profile of Tenant Base

336<sup>(1)</sup> tenants in total



- Banking, insurance & financial services
- Government agency
- TMT
- Energy, natural resources, shipping and marine
- Legal
- Accounting & consultancy services
- Real estate & property services
- Services
- Retail and F&B
- Hospitality & leisure
- Others

Note: All data as at 31 December 2018 and based on portfolio committed NLA.

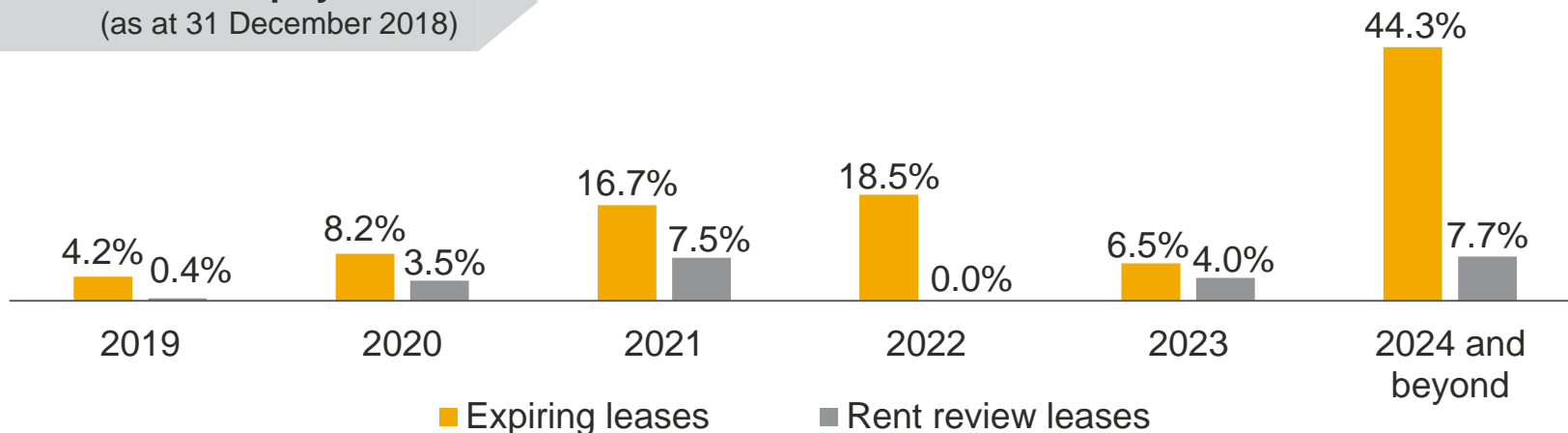
(1) Tenants with multiple leases were accounted as one tenant.



# Well-Spread Lease Expiry Profile

- Long overall portfolio WALE of 5.9 years
- Top 10 tenants' WALE was 8.2 years

## Portfolio Lease Expiry Profile (as at 31 December 2018)

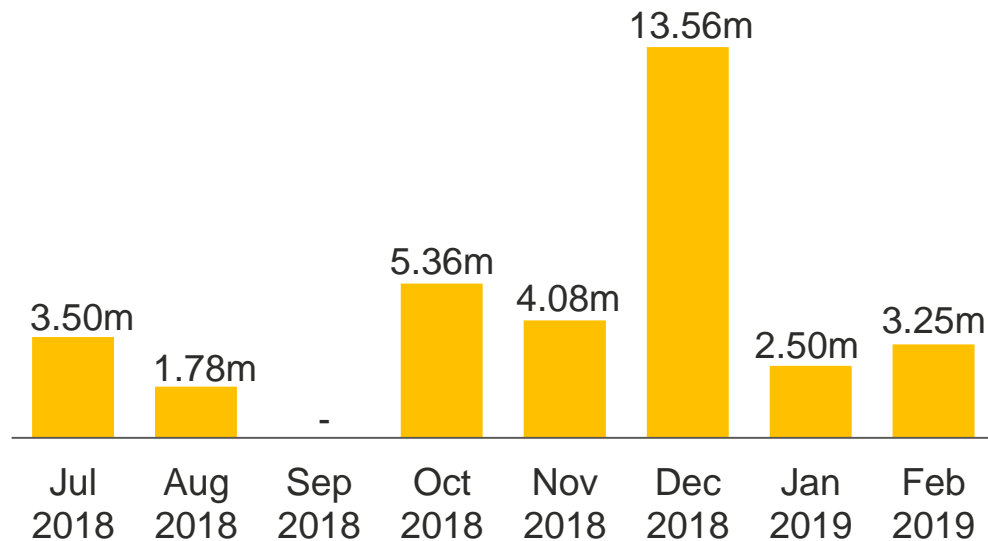


Note: All data as at 31 December 2018 and based on committed attributable area

# Unit Buy-Back Programme

- Buying back Units below NAV is accretive to Unitholders and is part of proactive capital management strategy
- As at 31 March 2019, purchased and cancelled 34.0 million issued Units since the initiation of Unit buy-back programme in 3Q 2018

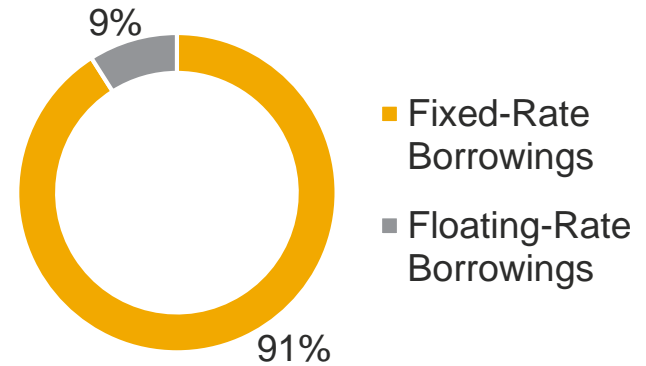
## Monthly Unit Buy-Back Volume (since initiation of programme)



# Proactive Capital Management

- **Refinancing remaining loans due in 2019** with commitments received as at 31 March 2019
- **Extended weighted average term to maturity** from 2.8 years<sup>(1)</sup> to 3.3 years<sup>(2)</sup> in 1Q 2019
- **Lowered aggregate leverage** from 36.3%<sup>(1)</sup> to 35.7% after repayment of loans in 1Q 2019

## Managing interest rate exposure (as at 31 March 2019)



**All-in Interest Rate: 2.88%**  
(as at 31 March 2019)

(1) As at 31 December 2018.

(2) This takes into account commitments received as at 31 March 2019 to refinance the remaining loans that are due in 2019.

# Convertible Bonds

- Issued 5-year convertible bonds on 10 April 2019 at coupon rate of 1.90% to lower interest costs and diversify funding sources
- Estimated interest savings of approximately \$1.5-2.0 million p.a. compared to a new loan in current high interest rate environment

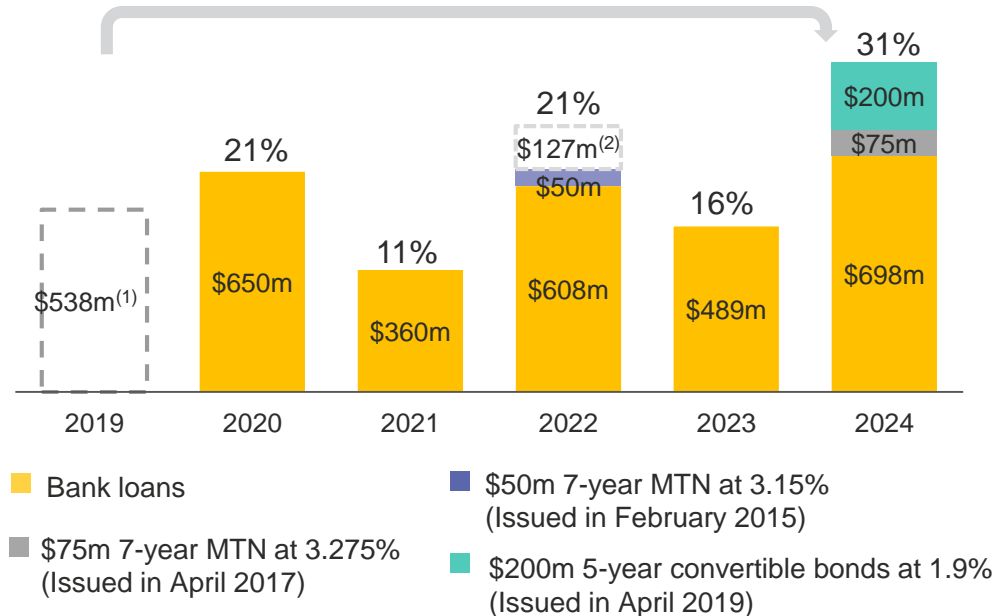
Convertible Bonds	
<b>Issue Size</b>	\$200.0 m
<b>Coupon Rate</b>	1.9% p.a.
<b>Conversion Premium</b>	12.5%
<b>Maturity</b>	5 year

(1) Received commitments to refinance these loans.

(2) \$127.0 million loan repayment through working capital optimisation efforts and with part of the proceeds from the sale of a 20% stake in Ocean Financial Centre.

## Debt Maturity Profile

(as at 31 Mar 2019, assuming convertible bonds were issued in 1Q 2019)



# Unlocking Capital Gains

- Divested 20% stake in Ocean Financial Centre to Allianz
- Keppel REIT maintains controlling stake of 79.9%
- Unlocking capital gains while maintaining exposure to strengthening Singapore Grade A office market



Partial divestment of  
Ocean Financial Centre  
as part of  
**portfolio optimisation**

20% of Ocean Financial Centre	
<b>Sale Price<sup>(1)</sup></b>	\$537.3 m
<b>Purchase Price<sup>(2)</sup></b>	\$460.2 m
<b>Capital Gain<sup>(3)</sup></b>	\$77.1 m
<b>Net Asset-level Return</b>	8.3%

(1) The net proceeds received amounted to approximately \$439.3 million, based on 20% of OPLLP's adjusted net asset value on the date of completion of the divestment (subject to final adjustments).

(2) Based on 20% of the historical purchase price of \$2,298.8 million for Keppel REIT's 99.9% ownership.

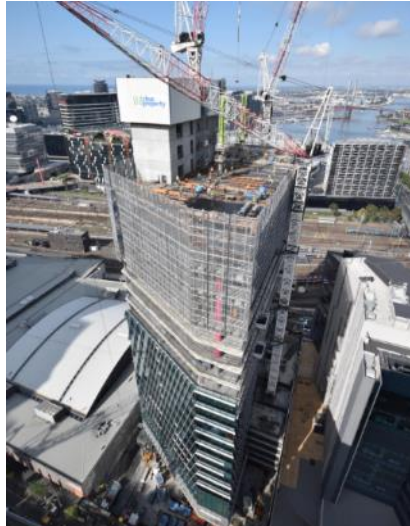
(3) Computed based on the pro-rated difference between agreed property value and historical purchase price of Ocean Financial Centre.

# 311 Spencer Street Development

- Construction of freehold Grade A office tower is in progress in Melbourne
- 30-year lease to the Victoria Police will commence in 1H 2020 and contribute steady income



Artist's Impression



Development in Progress

- Average NPI Yield: 6.4%<sup>(1)</sup>**
- Stable income stream:**  
30-year lease with fixed annual rental escalations
- Enhanced tenancy profile:**  
Freehold Grade A office tower will be headquarters for the Victoria Police, a AAA-rated tenant

*(1) Stable average yield based on the expected net property income of the building for the first 15 years of the lease to the tenant, over the consideration.*

# Future-Proofing Assets

Before

After

## 275 George Street, Brisbane

Initiatives carried out to  
rejuvenate asset



*Artist's impression after foyer upgrade*

## 8 Exhibition Street, Melbourne

Initiatives planned to  
improve amenities



*Artist's impression after foyer upgrade*

# Portfolio Statistics

High Committed Occupancy

**98.7%**

Long Weighted Average Lease Expiry

**5.7 years**

## 1Q 2019 Key Highlights



- **Delivered distributable income (DI)** of \$47.3 million<sup>(1)</sup> and **distribution per Unit (DPU)** of 1.39 cents
- **Lowered aggregate leverage** to 35.7% and **extended weighted average term to maturity** to 3.3 years<sup>(2)</sup>
- **Issued \$200.0 million convertible bonds** at a coupon rate of 1.9% per annum



- **Raised portfolio committed occupancy** to 98.7%
- **Maintained long portfolio WALE** of 5.7 years

(1) Includes distribution of capital gains of \$3.0 million for 1Q 2019.

(2) Takes into account commitments received to refinance the remaining 2019 loans.



# Acquisition in Seoul

T Tower in Seoul's CBD



# Transaction Overview



- Acquiring 99.38%<sup>(1)</sup> of T Tower, a freehold Grade A office building in Seoul's central business district (CBD)
- Entry into Seoul which has a deep office market with favourable fundamentals
- Ability to leverage Keppel Capital's on-the-ground presence and experience to seek opportunities for growth

T Tower in Seoul's CBD	
<b>Land Tenure</b>	Freehold
<b>Building Completion</b>	2010
<b>Attributable NLA</b>	226,945 sf
<b>Occupancy</b>	100% committed
<b>WALE</b>	2.8 years
<b>No. of Tenants</b>	11

(1) The remaining 0.62% stake will be acquired by Keppel Capital Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital)

# Transaction Overview (Cont'd)

- DPU-accretive acquisition with NPI yield of 4.7% is part of ongoing portfolio optimisation efforts to improve portfolio yield
- Agreed property value of KRW 252.6 billion<sup>(1,3)</sup> (approximately \$301.4 million) is 2.5% lower than independent valuation by Cushman & Wakefield
- Acquisition is expected to complete in 2Q 2019 and will be funded by debt, including proceeds from issuance of 1.90% convertible bonds<sup>(2)</sup>

99.38% of T Tower	KRW	\$
<b>Independent Valuation by Cushman &amp; Wakefield<sup>(1)</sup></b>	259.0b	309.0m
<b>Agreed Property Value<sup>(1,3)</sup></b>	252.6b	301.4m
<b>Transaction Costs<sup>(1)</sup></b>	11.5b	13.7m
<b>Total Acquisition Consideration<sup>(1)</sup></b>	141.1b <sup>(4)</sup>	168.3m

(1) Based on an approximate 99.38% interest in T Tower and an exchange rate of KRW 1,000 to \$1.193 as at 18 April 2019.

(2) As announced by the Manager on 10 April 2019.

(3) Equivalent to KRW 20.2 million/pyeong (py), based on attributable Gross Floor Area of 444,979 sf and conversion of 1 py to 35.6 sf.

(4) After taking into account the attributable share of the adjusted net tangible liabilities of KRW 123.0 billion (\$146.8 million) to be assumed from the asset.

# Video of T Tower in Seoul

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 [Click](#) to view property video

# Merits of Acquisition

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- 1 Entry into Seoul which has a deep office market with favourable fundamentals
- 2 Freehold Grade A commercial building in the CBD
- 3 DPU-accretive acquisition
- 4 Geographical and income diversification
- 5 Leverage Keppel Capital's on-the-ground presence and experience in South Korea

# DPU-Accretive Acquisition

- Acquisition of T Tower brings 2.5%<sup>(1)</sup> DPU accretion on a pro forma basis for FY 2018

**FOR ILLUSTRATIVE PURPOSES ONLY:** Pro forma financial effects of the acquisition on DPU

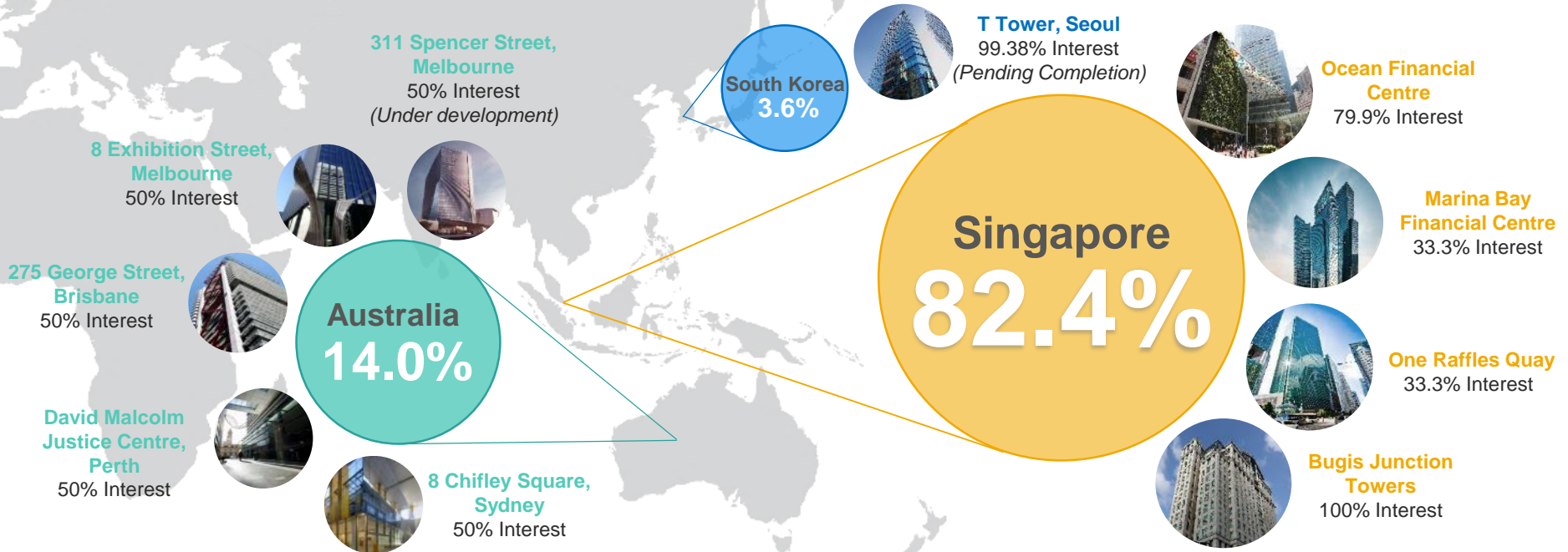
<b>Pro Forma Impact of the Acquisition</b>	<b>Before</b> <i>(FY 2018)</i>	<b>After</b> <i>(Assuming acquisition was completed on 1 January 2018)</i>
<b>DPU</b>	5.56 cents	5.70 cents
<b>DPU Accretion</b>		+2.5%

<b>Pro Forma Impact of the Acquisition</b>	<b>Before</b> <i>(FY 2018)</i>	<b>Before</b> <i>(Assuming the divestment of a 20% stake in Ocean Financial Centre was completed on 1 January 2018)</i>	<b>After</b> <i>(Assuming the acquisition of T Tower and the divestment of a 20% stake in Ocean Financial Centre were completed on 1 January 2018)</i>
<b>DPU</b>	5.56 cents	5.44 cents	5.57 cents

(1) Pro forma effect on FY 2018 DPU, assuming acquisition was completed on 1 January 2018.

# Pan-Asia REIT with Premium Office Portfolio

\$8.4b portfolio of 10 prime commercial assets  
in key business districts of Singapore, Australia and South Korea



Note: Based on total assets under management of approximately \$8.4 billion as at 31 March 2019, assuming acquisition of T Tower was completed in 1Q 2019.

**Thank You**