



# OUE Commercial REIT

Presentation for REITs Symposium 2020  
19 September 2020

# Important Notice

This presentation should be read in conjunction with the announcements released by OUE Commercial REIT (“OUE C-REIT”) on 23 July 2020 (in relation to its Financial Results for 2<sup>nd</sup> Quarter 2020).

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

# Agenda

- Overview
- Financial Performance and Capital Management
- Navigating COVID-19
- Commercial Segment
- Hospitality Segment
- Summary



# Overview of OUE C-REIT





# Overview of OUE C-REIT

One of the  
**Largest Diversified**  
SGX-listed REITs

Total assets under management

**S\$6.8billion<sup>(1)</sup>**

**7** **High quality prime assets**

6 properties in Singapore and 1 property in Shanghai



OUE Bayfront



One Raffles Place



OUE Downtown Office



Lippo Plaza



Mandarin Orchard Singapore



Crowne Plaza Changi Airport



Mandarin Gallery

Strong Support  
OUE Group

**47.8%** stake<sup>(1)</sup>

More than **2.0** mil sq ft  
in net lettable area

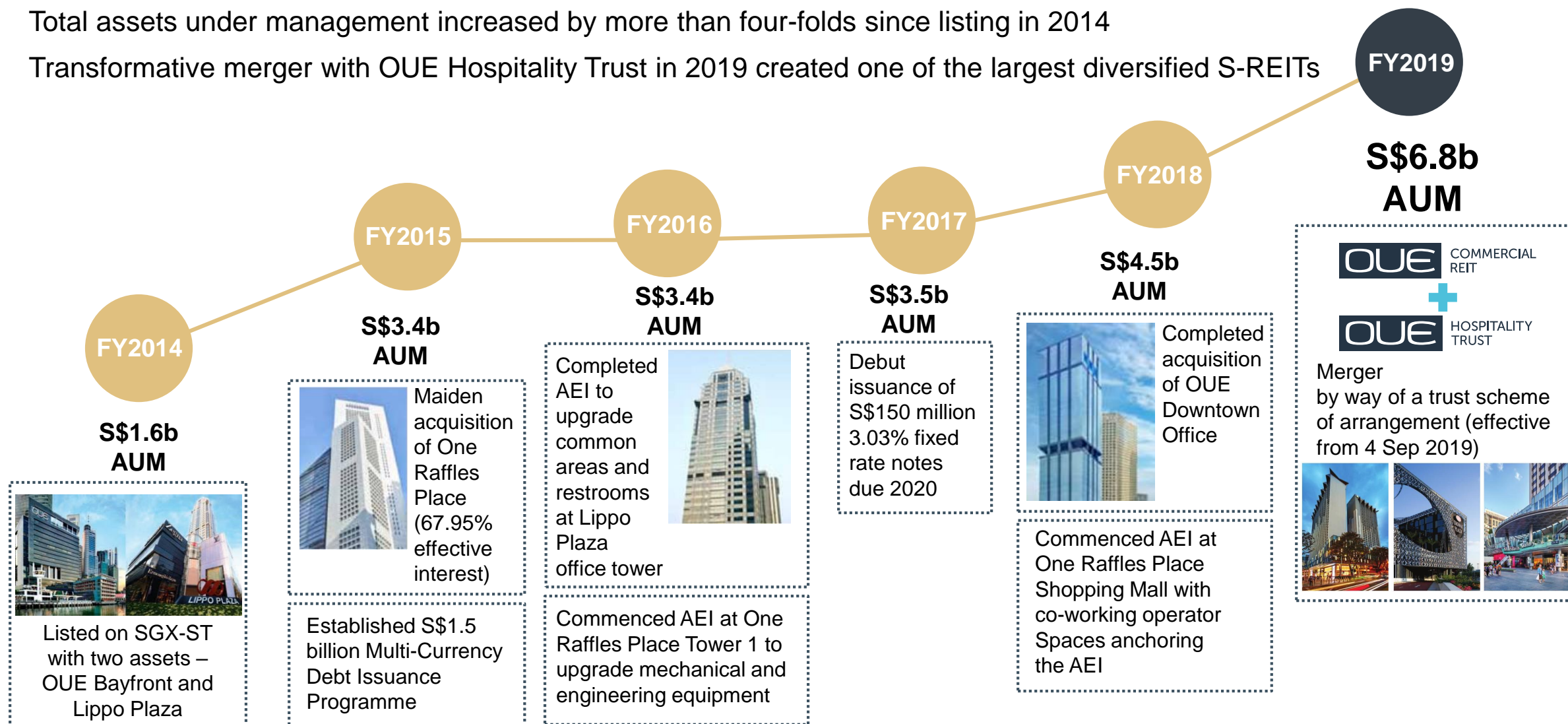
**1,640** upscale  
hotel rooms

Investment Mandate

✓ **Commercial**  
✓ **Hospitality / Hospitality-related**

# Milestones Since Listing

- Total assets under management increased by more than four-folds since listing in 2014
- Transformative merger with OUE Hospitality Trust in 2019 created one of the largest diversified S-REITs



# Premium Portfolio of Assets

## Strategically-located assets in the prime business districts of Singapore and Shanghai



	OUE Bayfront	One Raffles Place	OUE Downtown Office	Lippo Plaza	Mandarin Gallery	Mandarin Orchard Singapore	Crowne Plaza Changi Airport	Total
<b>Description</b>	A landmark Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place, completed in 2011	Iconic integrated development with two Grade A office towers and a retail mall located in Singapore's CBD at Raffles Place; latest AEI completed in 2019	Grade A office space, a mixed-used development with offices, retail and serviced residences at Shenton Way, recently refurbished in 2017	Grade A commercial building located along Huaihai Zhong Road within the established commercial district of Huangpu in Puxi, Shanghai	Prime retail landmark on Orchard Road – preferred location for flagship stores of international brands	A world class hospitality icon in Singapore since 1971, Mandarin Orchard Singapore is the largest hotel along Orchard Road	Award-winning hotel at Singapore Changi Airport and close to Changi Business Park with seamless connectivity to Jewel Changi Airport	<b>NLA:</b> <b>Office: 1,869,003</b> <b>Retail: 307,561</b> <b>Overall: 2,176,564</b>  <b>1,640 hotel rooms</b>
<b>Attributable NLA (sq ft)</b>	Office: 378,692 Retail: 21,132	Office: 599,439 Retail: 98,445	Office: 530,487	Office: 361,010 Retail: 60,776	Retail : 126,283	1,077 hotel rooms	563 hotel rooms	
<b>Occupancy<sup>(1)</sup></b>	Office: 100.0% Retail: 98.9% Overall: 99.9%	Office: 91.4% Retail: 96.5% Overall: 92.2%	Office: 91.7%	Office: 81.1% Retail: 85.0% Overall: 81.7%	Retail: 94.4%	-	-	<b>Office: 91.3%</b> <b>Retail: 93.6%</b> <b>Overall: 91.6%</b>
<b>Valuation<sup>(2)</sup></b>	S\$1,181.0m (S\$2,954 psf)	S\$1,862.0m <sup>(3)</sup> (S\$2,667 psf)	S\$912.0m (S\$1,719 psf)	RMB2,950.0m / RMB50,409 psm GFA S\$579.3m <sup>(4)</sup> (S\$1,374 psf)	S\$493.0m (S\$3,904 psf)	S\$1,228.0m (S\$1.1m / key)	S\$497.0m (S\$0.9m / key)	<b>S\$6,752.3m</b>

(1) Committed Occupancy as at 30 June 2020

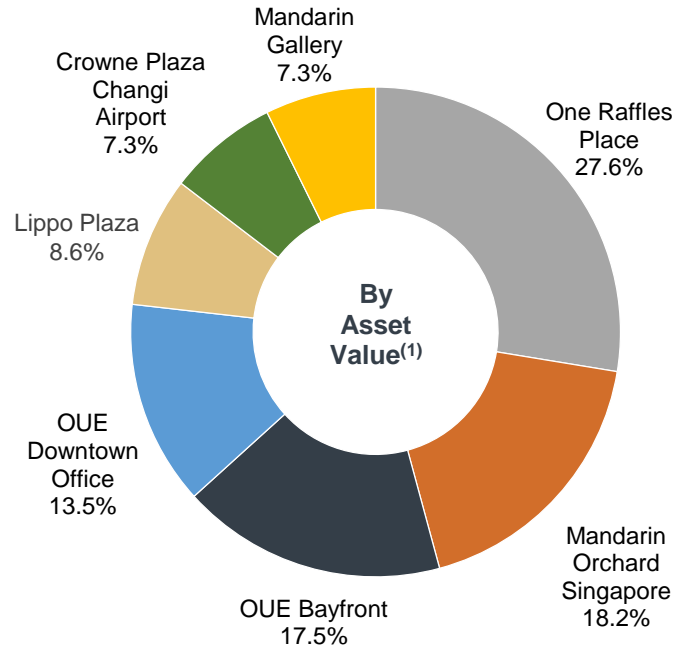
(2) As at 31 December 2019

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

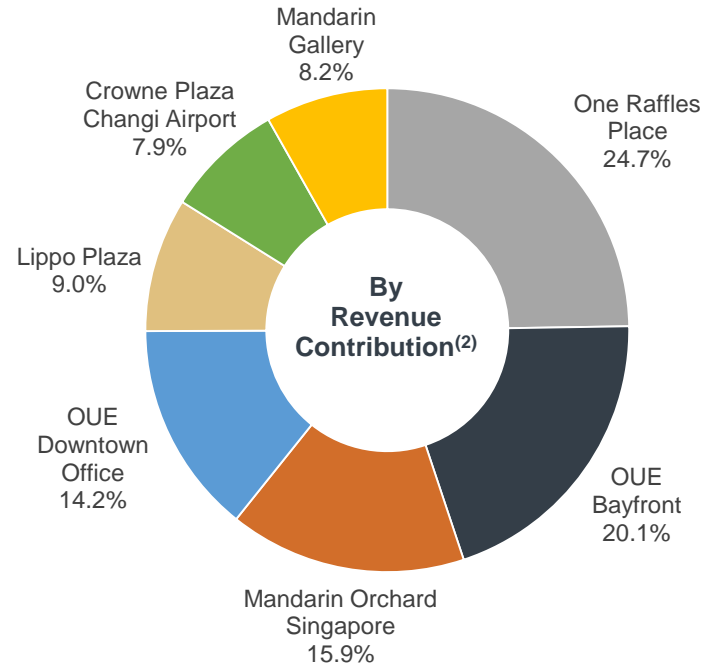
(4) Based on SGD:CNY exchange rate of 1:5.092 as at 30 June 2020



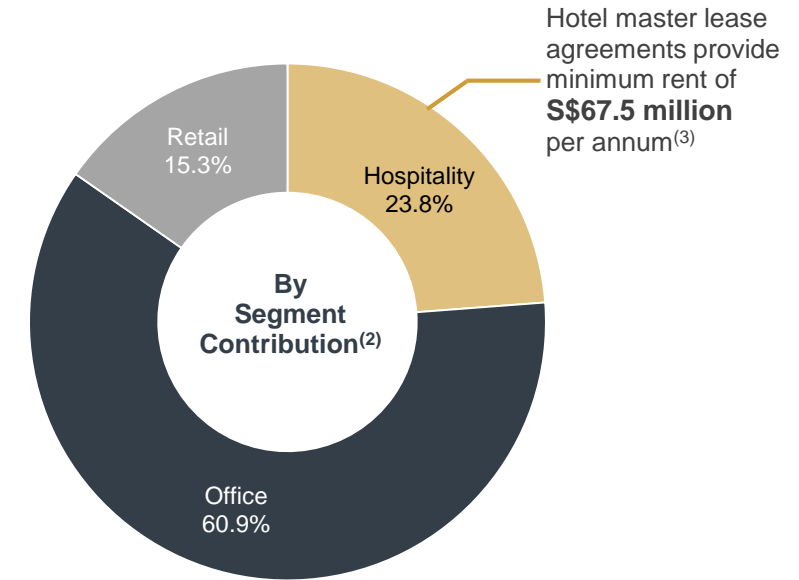
# Portfolio Composition – 1H 2020



■ 91.4% of assets under management in Singapore



■ No single asset contributes more than 24.7% to total revenue



■ Hospitality segment revenue was supported by the minimum rent under the hotels' respective master lease agreements

Commercial segment comprises the office and/or retail contribution from OUE Bayfront, One Raffles Place (67.95% effective interest), OUE Downtown Office, Lippo Plaza (91.2% strata interest) and Mandarin Gallery

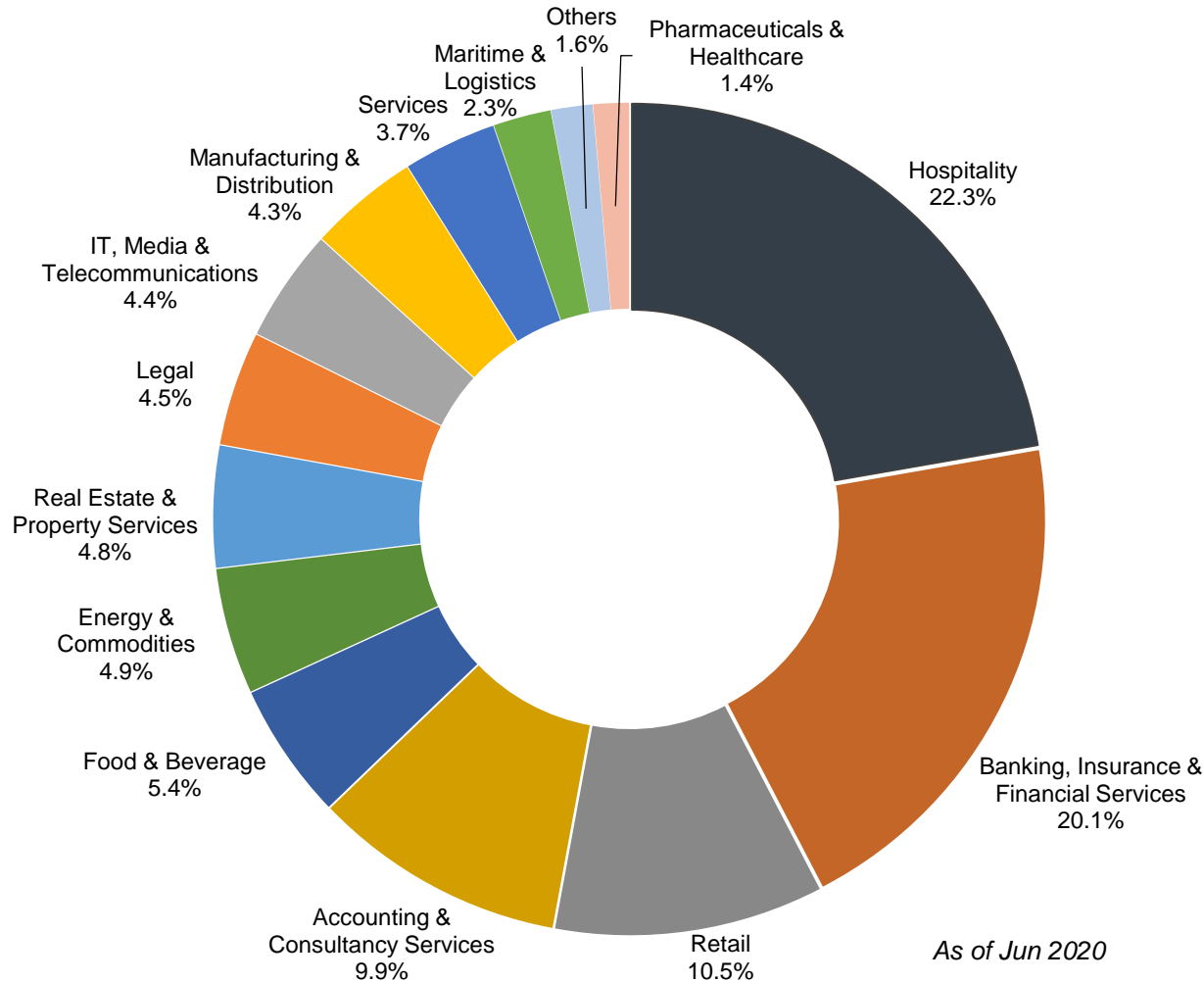
(1) Based on independent valuations as at 31 December 2019 and SGD:CNY exchange rate of 1:5.092 as at 30 June 2020

(2) For 1H 2020

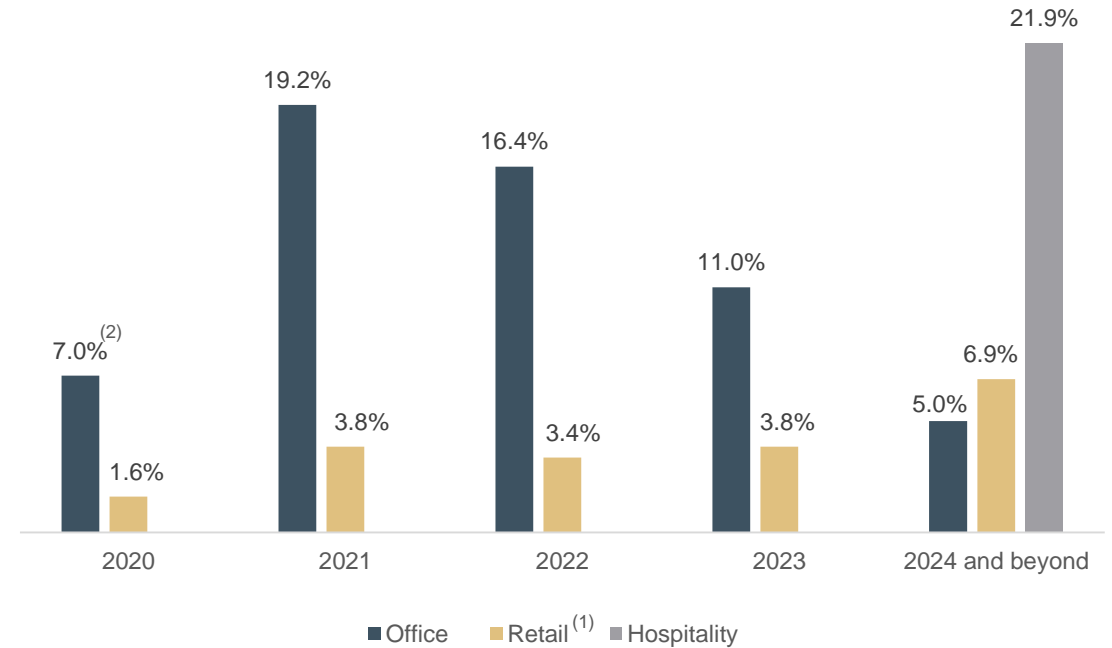
(3) Mandarin Orchard Singapore and Crowne Plaza Changi Airport's master lease agreements are subject to a minimum rent of S\$45.0 million and S\$22.5 million per annum respectively, totalling S\$67.5 million per annum



# Tenant Base and Portfolio Lease Expiry Profile



- As at 30 June 2020, 7.0% of OUE C-REIT's office segment gross rental income is due for renewal for the rest of 2020. This has been reduced to **2.9%** post the quarter-end



**WALE<sup>(3)</sup> of 3.5 years by Gross Rental Income**

As at 30 Jun 2020

Note: Tenant by trade sector is based on gross rental income excluding any provisions of rental rebates

(1) Refers to contribution from Mandarin Gallery and all other retail components within OUE C-REIT's portfolio

(2) Post the quarter-end, 2.9% of office gross rental income remains to be renewed for the balance of 2020

(3) "WALE" refers to the weighted average lease term to expiry. Based on committed tenancies and excludes turnover rent

# Financial Performance & Capital Management



# Key Highlights

## Financial Highlights

1H 2020  
Revenue

**S\$142.0m**

▲ 32.4% YoY

1H 2020  
Net Property Income

**S\$112.5m**

▲ 33.4% YoY

1H 2020 Amount Available  
for Distribution

**S\$68.3m**

▲ 40.6% YoY

1H 2020  
Distribution<sup>(1)</sup>

**S\$54.5m**

▲ 12.1% YoY

## Portfolio Performance

Commercial Segment<sup>(2)</sup>  
Committed Occupancy

**91.6%**

2Q 2019: 94.5%

2Q 2020 Singapore Office  
Rental Reversions

**6.8% - 14.8%**

Gross Rental Income Due for  
Renewal for Balance of 2020

**Less than 6%**

## Capital Management

Aggregate  
Leverage

**40.1%**

2Q 2019: 39.3%

Weighted Average  
Cost of Debt

**3.1%**

2Q 2019: 3.5%

% Fixed Rate Debt

**80.7%**

2Q 2019: 76.1%

Issued in June 2020

**S\$100.0m**

4.0% Notes due 2025

(1) After retention of S\$13.8 million, of which S\$3.0 million is for ongoing working capital requirements

(2) Commercial segment comprises OUE Bayfront, One Raffles Place (67.95% effective interest), office components of OUE Downtown ("OUE Downtown Office"), Lippo Plaza (91.2% strata interest) and Mandarin Gallery

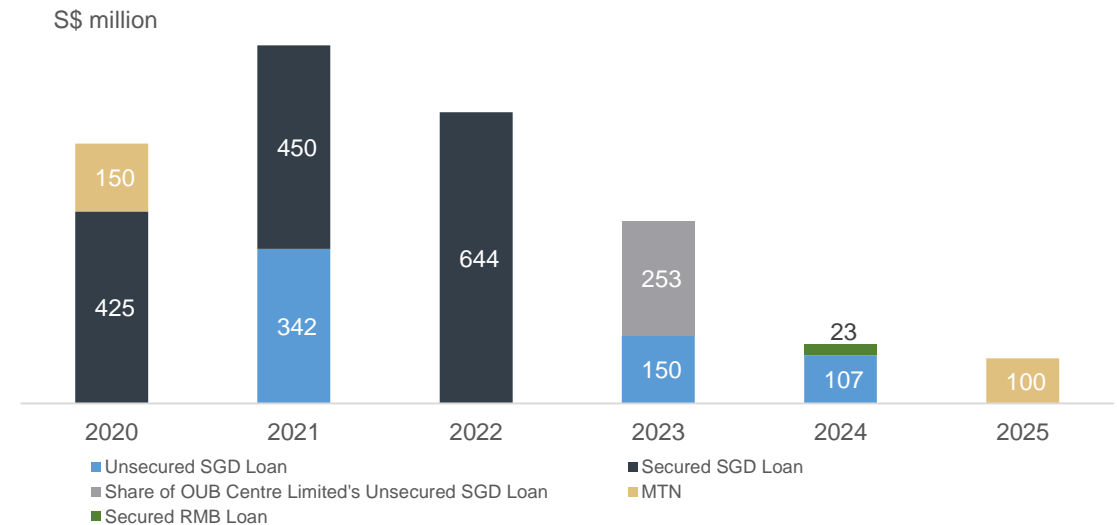


# Capital Management

- Issued S\$100 million 4.0% notes due 2025 in June 2020 to refinance existing borrowings
- Balance of 2020 debt to be refinanced ahead of maturity, with average cost of debt expected to remain stable
- With 80.7% of debt on fixed rate basis, earnings are mitigated against interest rate fluctuations

	As at 30 Jun 2020	As at 31 Mar 2020
<b>Aggregate Leverage</b>	40.1%	40.2%
<b>Total debt</b>	S\$2,644m <sup>(1)</sup>	S\$2,656m <sup>(2)</sup>
<b>Weighted average cost of debt</b>	3.1% p.a.	3.2% p.a.
<b>Average term of debt</b>	1.8 years	1.9 years
<b>% fixed rate debt</b>	80.7%	76.6%
<b>% unsecured debt</b>	41.6%	40.7%
<b>Average term of fixed rate debt</b>	2.1 years	2.1 years
<b>Interest coverage ratio<sup>(3)</sup></b>	2.8x	2.9x

## Debt Maturity Profile as at 30 June 2020



(1) Based on SGD:CNY exchange rate of 1:5.092 as at 30 June 2020 and includes OUE C-REIT's share of OUB Centre Limited's loan

(2) Based on SGD:CNY exchange rate of 1:4.885 as at 31 March 2020 and includes OUE C-REIT's share of OUB Centre Limited's loan

(3) Interest coverage ratio as prescribed under Appendix 6 of the Monetary Authority of Singapore's Code on Collective Investment Schemes (last revised on 16 April 2020).



# Navigating COVID-19





# COVID-19 Impact & Measures

	Office (60.9% of 1H 2020 Revenue)	Retail (15.3% of 1H 2020 Revenue)	Hospitality (23.8% of 1H 2020 Revenue)
Impact	<ul style="list-style-type: none"> <li>Weak economic outlook coupled with suspension of leasing activities during the circuit breaker led to a decline in committed occupancy</li> <li>Nonetheless, SG portfolio continued to achieve positive rental reversions which resulted in the <b>stable performance</b></li> </ul>	<ul style="list-style-type: none"> <li>Tenants have resumed operations in Phase 2 post circuit breaker</li> <li>Shopper traffic rebounded to ~70% of pre-COVID-19 levels at Mandarin Gallery and back to ~30% at One Raffles Place Shopping Mall</li> <li><b>Continued operating challenges</b> amidst the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Hotels have sought alternative sources of demand due to continued restrictions on short-term visitors to Singapore</li> <li><b>Downside protection from minimum rent component</b> of S\$67.5 million p.a. under the hotel master lease agreements</li> </ul>
Tenant Support Measures	<ul style="list-style-type: none"> <li>Passed on in full property tax rebate as well as cash rebates from the Singapore Government</li> <li>Various assistance schemes (e.g. rental rebates, flexible rental payment and marketing assistance) to eligible tenants</li> <li>➤ OUE C-REIT's commitment to tenants to date amounts to <b>c.S\$13.8 million</b></li> </ul>		<ul style="list-style-type: none"> <li>Passed on in full Singapore property tax rebate</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Government support amounts to <b>c.S\$19.9 million</b> of relief</li> </ul>		



**Retained c.S\$13.8 million of distribution in 1H 2020** to preserve financial flexibility given fluidity of the COVID-19 situation



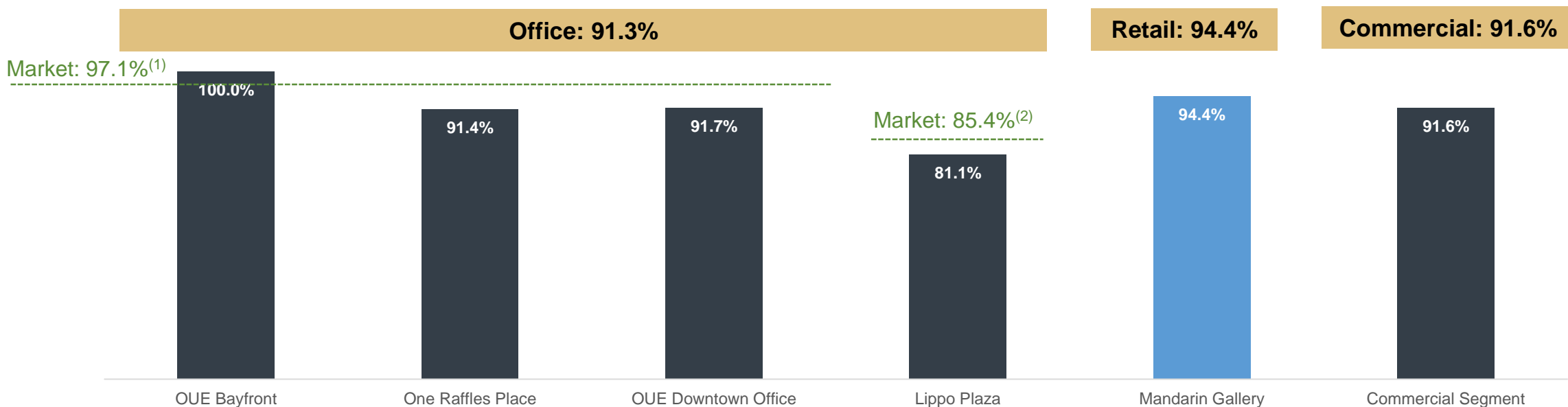
# Commercial Segment





# Commercial Segment Occupancy

- Commercial segment committed occupancy declined 2.7 percentage points (“ppt”) quarter-on-quarter (“QoQ”) to 91.6% as at 30 June 2020
- In Singapore, committed office occupancy eased 2.0 ppt QoQ to 93.7% as the weak economic outlook dampened leasing momentum, compounded by the suspension of leasing activities during the circuit breaker period
- Mandarin Gallery’s committed occupancy fell 3.4 ppt QoQ to 94.4% due to continued operating challenges facing the retail segment amidst the pandemic situation
- Lippo Plaza’s committed office occupancy declined 4.7 ppt QoQ to 81.1% as demand continued to be weak due to persistent business uncertainty exacerbated by COVID-19



(1) Source: CBRE Singapore MarketView 2Q 2020 for Singapore Grade A office occupancy of 97.1%

(2) Source: Colliers Shanghai Office Property Market Overview 2Q 2020 for Shanghai CBD Grade A office occupancy of 85.4%

As at 30 Jun 2020

# Committed Office Rents In Line Or Above Market

- Singapore office properties continued to achieve rents which were in line or above their respective market rents
- Continue to record positive rental reversions across Singapore office properties in 2Q 2020, ranging from 6.8% to 14.8%

2Q 2020	Average Expired Rents	Committed Rents <sup>(1)</sup>	Sub-market	Comparable Sub-market Rents	
				Colliers <sup>(2)</sup>	Savills <sup>(3)</sup>
Singapore					
OUE Bayfront	S\$11.50	S\$13.20	New Downtown/ Marina Bay	S\$11.98	S\$12.98
One Raffles Place	S\$8.89	S\$8.80 – S\$10.20	Raffles Place	S\$10.29	S\$10.17
OUE Downtown Office	S\$7.32	S\$8.00 – S\$8.80	Shenton Way/ Tanjong Pagar	S\$10.43	S\$8.91 – S\$9.26
Shanghai					
Lippo Plaza	RMB9.73	RMB5.50 – RMB10.90	Puxi	RMB8.83	RMB10.40 <sup>(4)</sup>

(1) Committed rents for renewals and new leases

(2) Source: Colliers Singapore Office Quarterly 2Q 2020 for Singapore comparable sub-market rents; Colliers Shanghai Office Property Market Overview 2Q 2020 for Shanghai comparable sub-market rents

(3) Source: Savills Singapore Office Briefing 1Q 2020 for Singapore comparable sub-market rents; Savills Shanghai Office Market in Minutes Update 1Q 2020 for Shanghai comparable sub-market rents

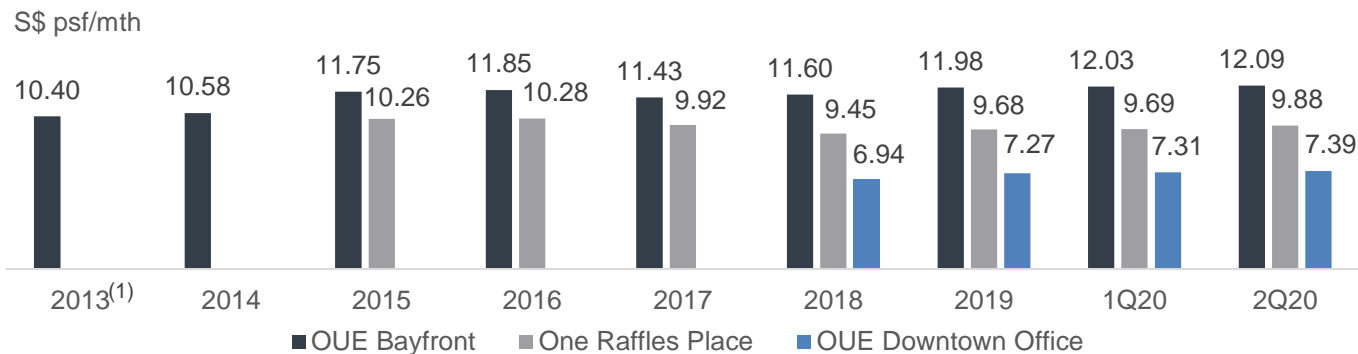
(4) Shanghai Grade A office rent for prime districts of Nanjing Road West, Huaihai Middle Road and Lujiazui as defined by Savills

Note: For reference, CBRE Research's 2Q 2020 Grade A Singapore office rent is S\$11.15 psf/mth. Sub-market rents are not published



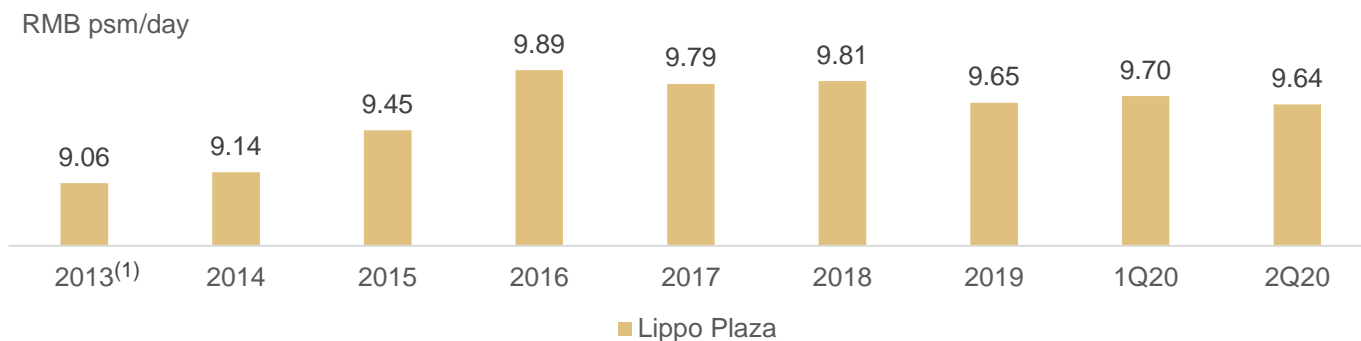
# Average Passing Rents

## Singapore (Office)



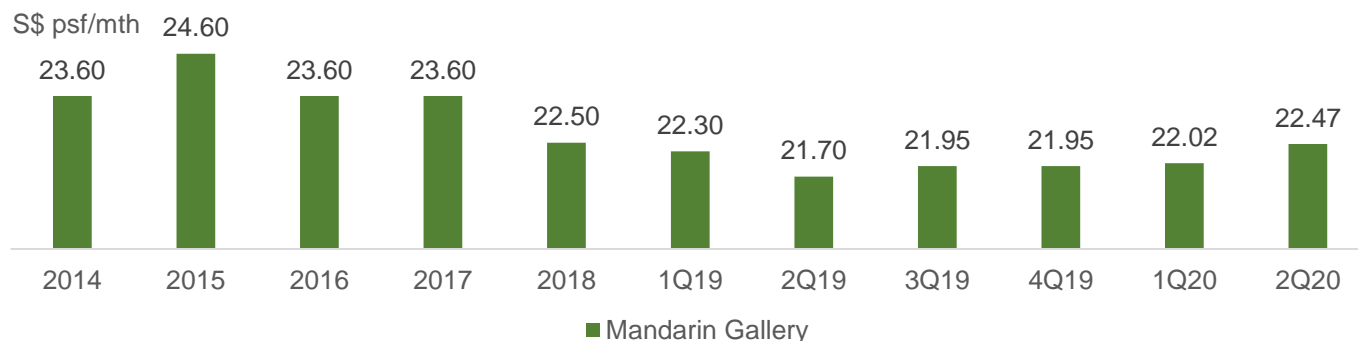
- Average passing office rent for all Singapore office properties improved as of June 2020 due to consecutive quarters of positive rental reversions

## Shanghai (Office)



- Lippo Plaza's average passing office rent was stable at RMB9.64 psm/day as of June 2020

## Mandarin Gallery

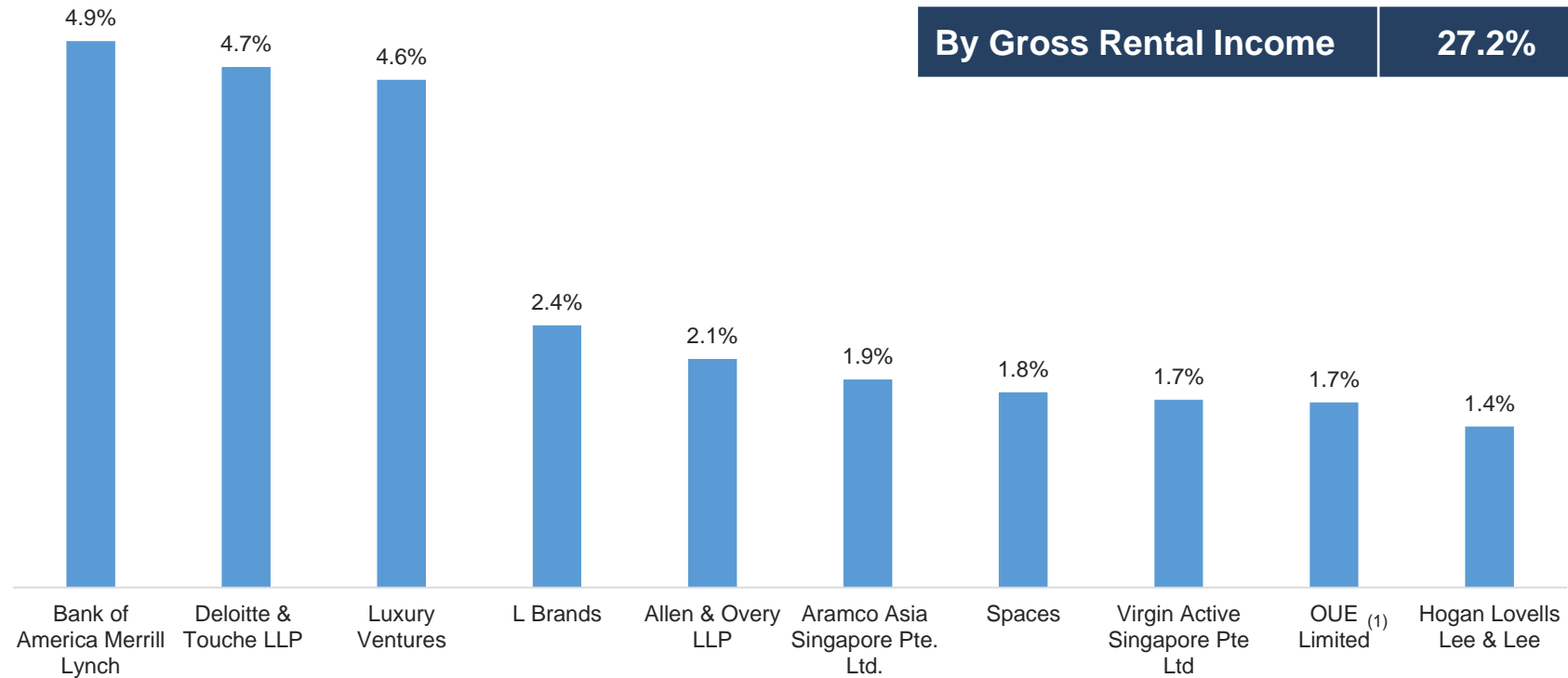


- Average retail rent at Mandarin Gallery remained stable

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

# Top 10 Tenants – Commercial Segment

## Top 10 Tenants



As of Jun 2020

(1) Including the hotel master lease arrangements for Mandarin Orchard Singapore and Crowne Plaza Changi Airport, where OUE Limited is the master lessee, OUE Limited's contribution to the portfolio by gross rental income is 23.5%



# Hospitality Segment

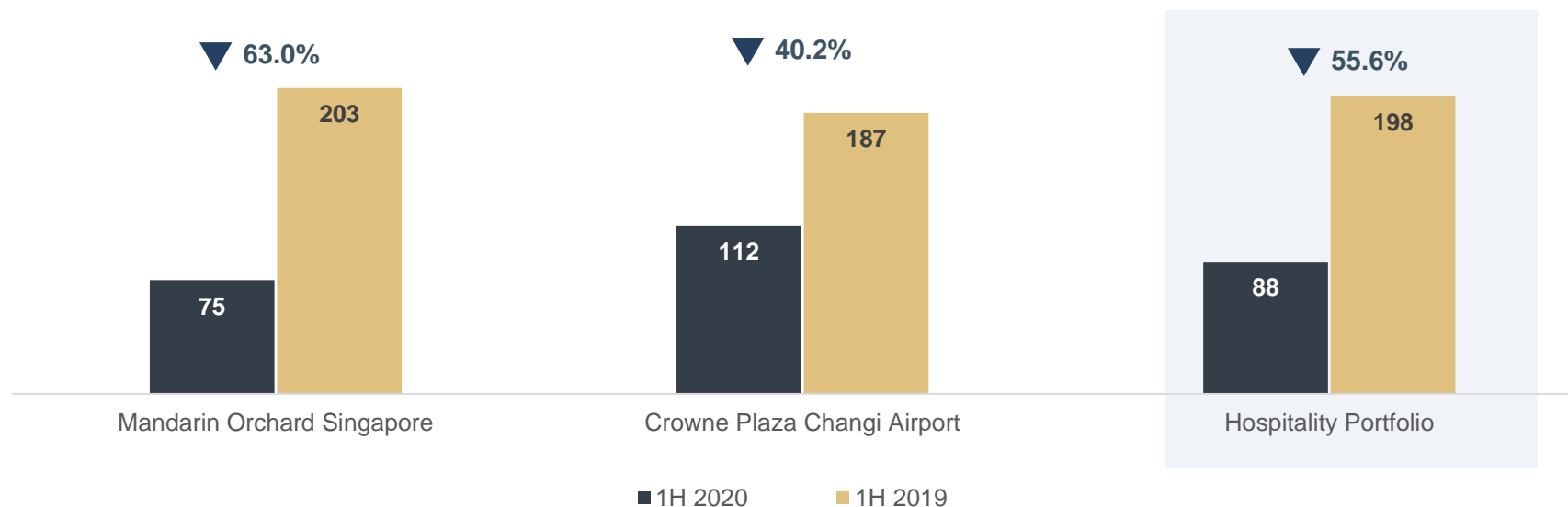




# Portfolio Performance – Hospitality Segment 1H 2020

## 1H 2020 RevPAR Performance

(S\$)



- For 1H 2020, Mandarin Orchard Singapore's RevPAR declined 63.0% YoY to S\$75, while RevPAR for Crowne Plaza Changi Airport declined 40.2% YoY to S\$112. Hospitality segment RevPAR was 55.6% lower YoY in 1H 2020 at S\$88.
- The relatively smaller decline in RevPAR for Crowne Plaza Changi Airport was due to additional demand from the air crew segment.

# Re-branding of Mandarin Orchard Singapore to Hilton Singapore Orchard



Transformational re-branding with addition of new income-generating spaces to drive growth in sustainable returns and value



Rebranding will allow the hotel to leverage on Hilton's strong brand recognition and global sales & distribution network



Re-branded hotel set to become Hilton's flagship in Singapore and the largest Hilton hotel in Asia-Pacific



Major refurbishments to complete by end-2021 to capitalise on weak operating environment due to COVID-19



Expected re-launch of hotel in 2022

## Income assurance for Unitholders

Downside protection from master lease throughout phased renovation and ramping-up period

**~10%** expected return on investment of approx. S\$90 mil on a stabilised basis




# Summary





# Immediate Strategies & Focus

Operations	Capital Management
<ul style="list-style-type: none"> <li>▪ Proactive lease management to retain tenants and sustain occupancy</li> <li>▪ Intensified frequency of cleaning and implemented various safe management measures to ensure a safe and clean environment for tenants and visitors</li> <li>▪ Capitalising on weak operating environment due to COVID-19 to re-brand Mandarin Orchard Singapore to Hilton Singapore Orchard               <ul style="list-style-type: none"> <li>➢ <b>Adding new income-generating spaces</b> to drive growth in sustainable returns</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet remains healthy with sufficient liquidity to meet operational and financial commitments               <ul style="list-style-type: none"> <li>➢ Asset values would need to correct by ~20%, before regulatory limit of 50% is reached</li> </ul> </li> <li>▪ In line with our proactive and prudent stance, actively building up credit facilities to augment working capital and for refinancing requirements               <ul style="list-style-type: none"> <li>➢ Average cost of debt of 3.1% p.a. is <b>expected to remain stable</b></li> </ul> </li> </ul>

- 
- ☑ Tenant retention through proactive lease management
  - ☑ Focus on cost management and cash conservation, and maintaining financial flexibility
  - ☑ Preserve sustainable long term returns for Unitholders

# Summary

**1****S\$6.8 billion portfolio of high quality, strategically located landmark assets**

- Quality assets are well-positioned to maintain their values throughout economic cycles and tend to rebound faster when the economy recovers
- Assets have yielded resilient performance since listing

**2****Enlarged capital base**

- Improved access to various competitive sources of capital
- Ability to undertake larger asset enhancement initiatives such as the rebranding of Mandarin Orchard Singapore to Hilton Singapore Orchard

**3****Enhanced portfolio diversification**

- Reduced concentration risk associated with exposure to any single real estate class or asset
- Stability of OUE C-REIT's income is underpinned by stable operating performance of the commercial segment; hotel minimum rent component provides downside protection

**4****Broadened investment mandate**

- Greater flexibility in assessing investment targets with broadened investment mandate
- Scope for investment management strategies such as asset recycling with 7 properties in the portfolio





Thank You