OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE Commercial REIT's 2Q 2015 Distribution Grew 2.6% Y-o-Y and Exceeded Forecast by 5.0%

2Q 2015 Highlights:

- Net property income of S$14.7 million is 2.8% higher year-on-year ("y-o-y") and 3.2% ahead of Forecast[1]
- Amount available for distribution of S$12.8 million is 2.6% higher y-o-y and 5.0% ahead of Forecast
- Announced maiden acquisition of an indirect interest in One Raffles Place at an acquisition cost of approximately S$1.1 billion (the "Acquisition")
- Launched underwritten and renounceable rights issue to raise gross proceeds of approximately S$218.3 million to part-finance the Acquisition ("Rights Issue"); Rights Issue completed on 27 July 2015 with a subscription level of 130.8%

12 August 2015 – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial REIT ("OUE C-REIT"), is pleased to announce an amount available for distribution of S$12.8 million for the financial period 1 April 2015 to 30 June 2015 ("2Q 2015"), representing a y-o-y increase of 2.6% and exceeding Forecast by 5.0%. This was on the back of higher net property income from the portfolio, which saw a 2.8% y-o-y increase (3.2% ahead of Forecast).

[1] As disclosed in OUE C-REIT's initial public offering prospectus dated 17 January 2014 (the "Prospectus").

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Summary of OUE C-REIT's Group Results

Actual versus Prior Period

	2Q 2015	2Q 2014	Change	1H 2015	1H 2014[a]	Change
Gross Revenue (S$'000)	**19,677**	18,670	+5.4%	**40,088**	32,489	+23.4%
Net Property Income (S$'000)	**14,693**	14,292	+2.8%	**30,400**	24,609	+23.5%
Amount available for distribution (S$'000)	**12,794**	12,473	+2.6%	**25,411**	21,116	+20.3%
Distribution Per Unit (Cents)	**1.46**[b]	1.43	+2.1%	**2.90**[b]	2.43	+19.3%
Actual Distribution Per Unit[c] (Cents)	**1.01**	N.M.	N.M.	**2.00**	N.M.	N.M.

Actual versus Forecast

	2Q 2015			1H 2015		
	Actual	Forecast[d]	Change	Actual	Forecast[d]	Change
Gross Revenue (S$'000)	**19,677**	19,287	+2.0%	**40,088**	38,367	+4.5%
Net Property Income (S$'000)	**14,693**	14,240	+3.2%	**30,400**	28,250	+7.6%
Amount available for distribution (S$'000)	**12,794**	12,187	+5.0%	**25,411**	24,439	+4.0%
Distribution Per Unit (Cents)	**1.46**[b]	1.39	+5.0%	**2.90**[b]	2.79	+3.9%
Actual Distribution Per Unit[c] (Cents)	**1.01**	N.M.	N.M.	**2.00**	N.M.	N.M.

Notes:

(a) The comparative information presented relates to the financial period from listing date of 27 January 2014 to 30 June 2014.

(b) Based on 875,566,958 Units in issue and to be issued as at 30 June 2015, excluding the new Units issued pursuant to the Rights Issue. This DPU is presented for comparison purposes only.

(c) Based on 1,268,872,775 Units entitled to distribution, comprising 875,566,958 Units in issue and to be issued as at 30 June 2015 and 393,305,817 new Units issued on 4 August 2015 pursuant to the Rights Issue. Unitholders will be entitled to this Actual DPU.

(d) Forecast was derived from the Projection for 2015 as disclosed in the Prospectus.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "We are pleased to announce yet another strong set of operational results for OUE C-REIT, which is the sixth consecutive quarter of outperformance against Forecast since listing on 27 January 2014. Whilst portfolio committed occupancy eased from a high of 98.6% as at 31 March 2015 to 95.3% as at 30 June 2015, we continued to see uplift in rental rates for both new and renewal leases in the portfolio. OUE Bayfront's average passing office rent increased 4.2% from S$10.60 per square foot ("psf") per month a quarter ago to S$11.04 psf per month for June 2015, while Lippo Plaza's average passing office rent increased from RMB9.18 per square metre ("psm") per day for March 2015 to RMB9.21 psm per day for June 2015.

On the inorganic growth front, we are extremely heartened that OUE C-REIT's maiden acquisition of an indirect interest in One Raffles Place announced on 10 June 2015 had received strong endorsement from Unitholders at the Extraordinary General Meeting held on 27 July 2015. Similarly, the Rights Issue to part-finance the Acquisition was well-received and overwhelmingly supported by Unitholders. We are now on track to strengthen OUE C-REIT's competitive positioning in Singapore's Central Business District, as well as enhance the diversity and resilience of its portfolio."

Operational Performance

OUE Bayfront's committed office occupancy declined from a high of 99.2% as at end-1Q 2015 to 95.1% as at end-2Q 2015, due to the non-renewal of a lease in April 2015. The Manager has since back-filled approximately 51.9% of the space vacated with new tenants at rental rates which are higher than the passing rent of the unrenewed lease. Committed rents in 2Q 2015 for new and reviewed leases were in the range of S$12.00 psf per month to S$14.50 psf per month. Rental reversions (including rent reviews) achieved during the quarter was 14.6%. Consequently, OUE Bayfront's average passing office rent increased 4.2% from S$10.60 psf per month for March 2015 to S$11.04 psf per month for June 2015.

At Lippo Plaza, committed rents for new and renewed office leases ranged from RMB7.30 psm per day to RMB10.50 psm per day, with renewal office rents achieved in 2Q 2015 at 12.9% higher than preceding rents. This is despite a dip in the committed occupancy to 95.2% as at 30 June 2015 from a high of 98.4% as at 31 March 2015. Nonetheless, Lippo Plaza's committed office occupancy still compares favourably with the overall Shanghai CBD Grade A occupancy of 93.8% and the Grade A CBD office occupancy of 92.2% in Puxi.

At the beginning of 2015, about 19.8% of OUE C-REIT's portfolio gross rental income was due for renewal. The Manager has proactively negotiated and secured renewal commitments for the majority of these leases. As at 30 June 2015, only about 4.2% of OUE C-REIT's gross rental income is due for renewal for the rest of 2015, comprising 15.2% contribution from OUE Bayfront and 84.8% from Lippo Plaza.

Growth by Quality Acquisition

On 10 June 2015, the Manager announced the proposed acquisition of an indirect interest in One Raffles Place ("ORP") at an agreed property value of S$1,715 million (S$2,382 psf). ORP is a landmark integrated commercial development with total net lettable area of approximately 860,000 sq ft comprising two Grade-A office buildings, One Raffles Place Tower 1 and Tower 2, as well as a recently refurbished retail mall known as One Raffles Place Shopping Mall. It is strategically located in the heart of Singapore's Central Business District in Raffles Place, directly above the Raffles Place Mass Rapid Transit ("MRT") Interchange station, and has a direct and seamless connection to the MRT station and other neighbouring developments in Raffles Place and Marina Bay via an extensive underground network of pedestrian walkways.

The Acquisition was approved at an Extraordinary General Meeting of Unitholders held on 27 July 2015 and completion is expected in 4Q 2015. This significant, strategic acquisition is expected to further strengthen OUE C-REIT's competitive position by enlarging its portfolio of quality Grade-A offices, broaden its tenant base as well as enhance portfolio diversification and resilience. OUE C-REIT's assets-under-management will increase significantly from S$1.6 billion as at 30 June 2015 to approximately S$3.4 billion post-Acquisition. With a long weighted average land lease expiry of 435 years, ORP will lengthen OUE C-REIT's weighted average land lease expiry from 72 years to 258 years.

According to DTZ's Independent Market Research Report[2], ORP's estimated occupancy of between 85.0% and 90.0%, and estimated current office rent of between S$9.50 psf per month and S$10.00 psf per month, are below that of Grade A office developments within the Raffles Place area. Based on DTZ's estimates, there is potential for ORP to increase its occupancy by 7 to 12 percentage points to reach an occupancy level in line with the market, and as well as for rentals to potentially increase by between 15% to 21% to market rents.

The total acquisition cost for the Acquisition of between S$1,061.2 million to S$1,178.3 million[3] will be funded by a combination of debt, ordinary equity and the issue of convertible perpetual preferred Units ("CPPUs").

On 29 June 2015, the Manager announced an underwritten and renounceable Rights Issue to raise approximately S$218.3 million to part-finance the Acquisition. The Rights Issue closed successfully on 27 July 2015, with a subscription level of 130.8%.

The balance of the total acquisition cost will be funded by the issuance of between S$500.0 million and S$550.0 million of CPPUs to OUE Limited (being the vendor of the Acquisition), and drawdown of approximately S$333.3 million to S$399.3 million from debt facilities that have been put in place. Post the completion of the Acquisition expected in 4Q 2015, OUE C-REIT's gearing is expected to be between 40.9% to 41.9%, depending on the quantum of indirect interest in ORP acquired.

Prudent Capital Management

The Manager continued to adopt a prudent and proactive approach towards capital management. As at 30 June 2015, OUE C-REIT's aggregate leverage was 37.9%,

[2] The independent market research report dated 24 April 2015 by DTZ Debenham Tie Leung (SEA) Pte Ltd found in OUE C-REIT's Circular to Unitholders dated 1 July 2015 (the "Independent Market Research Report")

[3] The acquisition of an indirect interest in One Raffles Place is to be effected through the acquisition of between 75.0% and 83.33% interest in OUB Centre Limited ("OUBC"), which owns a beneficial interest of 81.54% in One Raffles Place. If a 75.0% interest in OUBC is acquired, the acquisition cost will be S$1,061.2 million. If 83.33% interest in OUBC is acquired, the acquisition cost will be S$1,178.3 million.

from 38.6% as at 31 March 2015 as a portion of the RMB-denominated term loan was prepaid from operational cashflow. About 72.7% of OUE C-REIT's interest rate exposure is hedged into fixed rates for the next 2.72 years, with an average cost of debt as at 30 June 2015 of 2.74% per annum. Post 30 June 2015, the Manager had entered into additional interest rate swaps to further hedge OUE C-REIT's interest rate exposure, resulting in a higher proportion of fixed rate debt of 82.1% for the next 2.76 years. Consequently, the average cost of debt is expected to increase to about 2.82% per annum. With an average term to maturity for its debt of 2.46 years, OUE C-REIT has no refinancing requirement until 2017.

Outlook

According to CBRE, island-wide net office absorption in Singapore was a modest 296,000 sq ft in 2Q 2015, slowing down from the five-year average of 459,500 sq ft typically seen during the quarter. Leasing activity was driven primarily by tenants upgrading to better quality locations or rent advantage, while demand for office space continued to be underpinned by tenants from the information technology, e-commerce, insurance and energy sectors. The Core CBD office occupancy rate edged up slightly by 0.1 percentage points ("ppt") to 96.2% quarter-on-quarter ("q-o-q") in 2Q 2015, though CBD Grade A office rents eased marginally by 0.9% q-o-q to S$11.30 psf per month. With no large office developments scheduled for completion this year, vacancy levels are expected to remain stable over the next six months.

Overall Shanghai CBD Grade A office vacancy improved from 7.4% in 1Q 2015 to 6.2% in 2Q 2015, as net absorption more than doubled from the previous quarter to 118,900 sq m in 2Q 2015 despite the completion of two new office projects in Puxi totalling 84,000 sq m within the same period. Consequently, overall CBD Grade A office rents rose 2.4% q-o-q to RMB9.7 psm per day, according to Colliers International Shanghai.

In the Puxi office submarket, Grade A office vacancy improved from 9.1% in 1Q 2015 to 7.8% as at 2Q 2015, with rents rising 1.9% q-o-q to about RMB9.1 psm per day. In view of further new supply coming on-stream in the second half of 2015, the overall Shanghai office vacancy rate may increase in the coming quarters and hence the rental outlook is expected to be subdued.

OUE C-REIT's portfolio comprises two strategically located Grade A office properties which enjoy high occupancy levels, thereby providing a stable income stream. At the beginning of 2015, about 19.8% of OUE C-REIT's portfolio by gross rental income was due for renewal. These have been substantially completed and only 4.2% of portfolio gross rental income is due for renewal for the balance of 2015 as at 30 June 2015.

The portfolio will be further enlarged with the completion of the Acquisition expected in 4Q 2015. With about 10% to 15%[4] overall estimated office vacancy at the office towers of One Raffles Place, there could be potential upside to OUE C-REIT's rental income when some of this space is leased.

Barring any unforeseen event and any weakening of the economic environment, the Manager expects OUE C-REIT to meet its forecast amount available for distribution for 2015.

Distribution to Unitholders

OUE C-REIT pays its distribution to Unitholders on a semi-annual basis. The distribution for the period 1 January 2015 to 30 June 2015 is 2.00 cents. With the books closure date on Thursday, 20 August 2015, Unitholders can expect to receive the distribution on Tuesday, 15 September 2015.

\- End -

[4] Source: Independent Market Research Report by DTZ Debenham Tie Leung (SEA) Pte Ltd dated 24 April 2015.

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About OUE Commercial Trust

OUE C-REIT is a Singapore real estate investment trust listed on the Main Board of Singapore Exchange Securities Trading Limited. It was established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs within and outside of Singapore, as well as real estate-related assets.

OUE C-REIT's portfolio comprising OUE Bayfront in Singapore and Lippo Plaza in Shanghai, has a total asset value of about S$1.7 billion as at 30 June 2015.

OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd., which is a wholly-owned subsidiary of OUE Limited.

For more information, please visit www.ouect.com

About the Sponsor : OUE Limited

OUE Limited ("OUE") is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the U.S.. The group focuses its business across the commercial, hospitality, retail and residential sectors primarily in Singapore. With its core strategy of investing in and enhancing a stable of distinctive properties, OUE is committed to developing a portfolio that has a strong recurrent income base, balanced with development profits, to enhance long-term shareholder value.

For more information, please visit www.oue.com.sg.

IMPORTANT NOTICE

The value of units in OUE C-REIT ("Units") and the income derived from them, if any, may fall or 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. The past performance of OUE C-REIT is not necessarily indicative of the future performance of OUE C-REIT.

Investors should note that they will have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This press release 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. 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.