OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved Distribution of S$16.6 million, DPU of 1.23 Cents in 1Q 2017

Key Highlights:

- 1Q 2017 amount available for distribution of S$16.6 million, distribution per unit ("DPU") of 1.23 cents
- Committed office occupancy at all three properties increased in 1Q 2017 despite the challenging macroeconomic and office market environment, lifting overall portfolio committed occupancy 1.0 percentage points quarter-on-quarter to 95.8% as at 31 March 2017
- Strengthened balance sheet and improved financial flexibility, with lower aggregate leverage of 36.2% as at 31 March 2017

5 May 2017 – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial REIT ("OUE C-REIT"), wishes to announce an amount available for distribution of S$16.6 million for the financial period 1 January 2017 to 31 March 2017 ("1Q 2017"). 1Q 2017 DPU was 1.23 cents.

Summary of OUE C-REIT's Group Results

(S$'000)	1Q 2017	1Q 2016	Change
Revenue	**44,816**	42,914	+4.4%
Net Property Income	**34,642**	33,255	+4.2%
Amount Available For Distribution	**16,642**	17,041	-2.3%
DPU (Cents)	**1.23**	1.32	-6.8%

OUE COMMERCIAL REIT MANAGEMENT PTE. LTD.
Company Registration No. 201327018E
50 Collyer Quay, #04-08, OUE Bayfront, Singapore 049321
T +65 6809 8700 F +65 6809 8701 www.ouect.com

OUE C-REIT achieved 1Q 2017 revenue of S$44.8 million, an increase of 4.4% over the same period last year due to strong performance from all three properties in the portfolio. Accordingly, net property income of S$34.6 million was 4.2% higher year-on year ("YoY").

Amount available for distribution of S$16.6 million in 1Q 2017 was lower compared to the same period last year, mainly due to an adjustment for the amount set aside for the transfer of China-sourced profits from Lippo Plaza to statutory reserve. This is a prudent measure by the Manager to maintain sustainable distribution to Unitholders.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "Against a backdrop of subdued macroeconomic and office market conditions, we are pleased to announce a commendable set of results. OUE C-REIT achieved an amount available for distribution of S$16.6 million and DPU of 1.23 cents in 1Q 2017, due to resilient operational performance of the properties in its portfolio. Steady revenue and net property income growth was driven by higher occupancy at OUE Bayfront and One Raffles Place, as well as continued rental growth at Lippo Plaza.

Committed office occupancy at all three properties in OUE C-REIT's portfolio increased in 1Q 2017, lifting portfolio committed occupancy by 1.0 percentage points ("ppt") quarter-on-quarter ("QoQ") to 95.8% as at 31 March 2017. Further, committed rents for new and renewed leases in 1Q 2017 were in line with or higher than current market rates. However, some renewal leases in the Singapore properties were committed at below expiring rents.

In view of the headwinds faced in both the office markets of Singapore and Shanghai, the Manager will continue to focus its efforts to proactively attract and retain tenants to ensure stability of occupancy rates. We will also focus on active cost management measures so as to mitigate any impact of lower committed rents on rental income. Together with our prudent and disciplined approach to capital management, we remain committed to delivering stable and sustainable returns for our Unitholders."

Resilient Operational Performance

Committed office occupancy at all three properties in OUE C-REIT's portfolio increased QoQ as at 1Q 2017, outperforming their respective office markets which saw declines in CBD office occupancy. In Singapore, core CBD office occupancy declined 0.2 ppt QoQ to 95.6% as at 1Q 2017, while overall Shanghai CBD Grade A office occupancy corrected 2.2 ppt QoQ to 87.6% in the same period.

OUE Bayfront achieved committed occupancy of 100% as at 31 March 2017, compared to Singapore's core CBD office occupancy of 95.6% in the same period. The property's office rents continued to command a premium over the market, with committed rents for new and renewed office leases in 1Q 2017 ranging from S$10.00 psf per month to S$11.70 psf per month, compared to Grade A CBD core office rents of S$8.95 psf per month. Average passing office rent for OUE Bayfront was S$11.67 psf per month for March 2017.

Attesting to the Manager's proactive leasing strategy, we continued to deliver a fifth consecutive quarter of increase in office occupancy rate at One Raffles Place. Committed office occupancy at One Raffles Place improved 0.8 ppt QoQ and 2.4 ppt YoY to 93.0% as at 31 March 2017. Office rents achieved in 1Q 2017 for new and renewed leases ranged from S$8.00 psf per month to S$10.20 psf per month. Average passing office rent was stable at S$10.21 psf per month for March 2017.

As at 31 March 2017, Lippo Plaza's committed office occupancy increased 1.3 ppt QoQ to 95.8%, significantly above the overall Shanghai CBD Grade A occupancy of 87.6% and the Puxi average office occupancy of 87.2%. With the range of committed rents for new and renewed office leases from RMB8.00 psm per day to RMB11.30 psm per day, average passing office rent continued to rise, registering a 3.5% YoY increase to RMB9.88 psm per day for March 2017.

In view of the completion of significant office supply in Singapore, the Manager has proactively termed out the expiry of office leases at OUE Bayfront such that more than 75% of the property's gross rental income is due for renewal only in 2019 and beyond as at 31 March 2017. At the portfolio level, about 13.0% of OUE C-REIT's gross rental income is due for renewal in 2017 compared to 20.9% at the beginning of the year.

Prudent Capital Management

In line with the Manager's prudent and proactive approach to capital management, the Singapore dollar loans due in 2017 and 2019 were refinanced ahead of maturity in January 2017, with a new five-year facility due in 2022. Accordingly, OUE C-REIT's average term of debt increased to 3.3 years as at 31 March 2017, from 1.5 years a quarter ago. OUE C-REIT has no refinancing requirement in 2017.

On 17 March 2017, the Manager issued 233.3 million new Units to raise gross proceeds of S$150.0 million via a private placement to institutional and local investors. The net proceeds were used to pare down existing borrowings, thus strengthening OUE C-REIT's balance sheet and enhancing financial flexibility. Aggregate leverage improved to 36.2% as at 31 March 2017, compared to 39.8% as at 31 December 2016, with a weighted average cost of debt as at 1Q 2017 of 3.4% per annum.

Approximately 81.2% of borrowings are on fixed rate basis with an average term of fixed rate debt of 2.5 years, providing a hedge against interest rate volatility in an environment of rising interest rates.

For 1Q 2017, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units.

Outlook

Core CBD occupancy in Singapore dipped 0.2 ppt QoQ to 95.6% with net absorption falling back to negative territory at -47,439 sq ft in 1Q 2017 according to CBRE. The rate of decline in CBD Grade A office rents continued to slow, with rents declining by 1.6% QoQ to S$8.95 psf per month. Leasing activity was driven by higher quality office buildings and new developments, due to more competitive rents on offer. There was some expansion in demand from the technology and media sector, as well as signs of improved interest from the financial services sector. While pre-commitment levels for projects slated to complete in 2Q 2017 continue to improve, increasing vacancy remains a concern in the coming quarters as occupiers, who are still fulfilling existing lease terms prior to relocation, vacate their existing premises.

While the decline in Singapore office rents has slowed, current market rents are still lower than that in 2014, when most of OUE C-REIT's Singapore leases expiring in 2017 were committed. Hence, negative rental reversions for leases due for renewal in 2017 may be expected.

According to Colliers International, Shanghai CBD Grade A office rents softened 0.8% QoQ to RMB10.4 psm per day as at 1Q 2017. While demand was strong, occupancy nevertheless declined 2.2 ppt QoQ to 87.6% as at 1Q 2017, due to significant new office completions during the quarter which increased stock by 4.8% QoQ to 6.4 million sq m. In Puxi, where Lippo Plaza is located, Grade A office occupancy moderated by 1.3 ppt QoQ to 87.2%, with rents also declining 1.4% QoQ to RMB 9.3 psm per day.

In view of further new office supply coming on-stream in Shanghai in 2017, the overall CBD Grade A vacancy rate may continue to increase in the coming quarters and hence the rental outlook continues to be soft.

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For further information and enquiries, please contact:

Elaine Cheong
Vice President, Investor Relations
Tel: +65 6809 8704
Email: elaine.cheong@ouect.com

About OUE Commercial REIT

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 comprises OUE Bayfront and One Raffles Place in Singapore, as well as Lippo Plaza in Shanghai, with a total assets-under-management of approximately S$3.4 billion.

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 United States. OUE consistently grows its business by leveraging its brands and proven expertise in developing and managing landmark assets 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

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.