Keppel REIT

# BNP Paribas Singapore Property Days

18 May 2022



# Outline


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## Constituent of:

FTSE ST Large & Mid Cap Index

FTSE EPRA Nareit Global Developed Index

GPR 250 Index Series

MSCI Singapore Small Cap Index

# 1Q 2022 Key Highlights

## $53.8m

**1Q 2022 distributable income from operations**[1]

Up 4.3% y-o-y

## 38.7%

**Aggregate leverage as at 31 Mar 2022**

## 1.81% p.a.

**All-in interest rate for 1Q 2022**

## 95.1%

**Portfolio committed occupancy as at 31 Mar 2022**

## 6.1 years

**Long portfolio weighted average lease expiry (WALE) as at 31 Mar 2022**

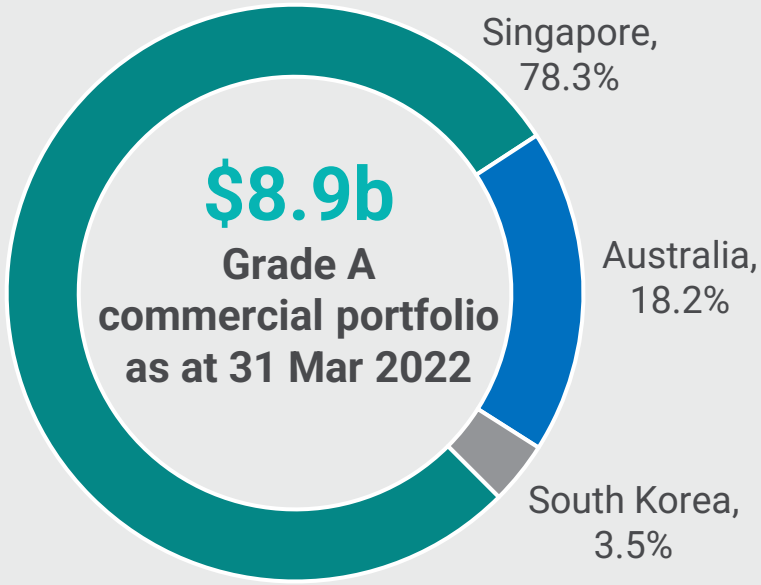
Top 10 tenants' WALE was 10.7 years

## Certified Carbon Neutral

**By Climate Active for Victoria Police Centre in April 2022**

## Pan-Asian Portfolio with Income Resilience

Anchored in key business districts of Singapore, Australia and South Korea




(1) *Keppel REIT adopts half-yearly distributions and any distribution of capital gains for 1H 2022 will be disclosed at the 1H 2022 results announcement.*

# Financial & Portfolio Highlights

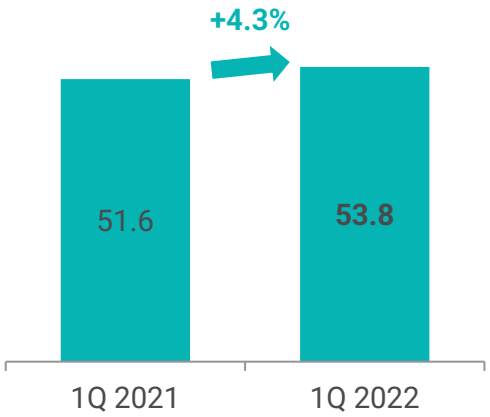


Pinnacle Office Park, Sydney

# Higher Distributable Income from Operations

- Distributable income of $53.8 million, a 4.3% year-on-year growth due mainly to the acquisition of Keppel Bay Tower in May 2021
- The increase was partially offset by the impact of the divestment of 275 George Street in July 2021

**Distributable Income from Operations** ($m)




| | 1Q 2022 | 1Q 2021 | +/(-) |
|---|---|---|---|
| **Property Income**(1) | $54.5m | $51.1m | +6.7% |
| **Net Property Income (NPI)** | $44.2m | $40.7m | +8.6% |
| Less: Attributable to Non-controlling Interests | ($4.2m) | ($4.3m) | (2.3%) |
| **NPI Attributable to Unitholders** | $40.0m | $36.4m | +9.9% |
| **Share of Results of Associates**(2) | $23.0m | $24.9m | (7.6%) |
| **Share of Results of Joint Ventures**(3) | $5.8m | $7.7m | (24.7%) |
| **Distributable Income from Operations** | **$53.8m** | **$51.6m** | **+4.3%** |

*(1) Property income relates to income from directly-held properties including Ocean Financial Centre, 50% interest in 8 Exhibition Street office building and 100% interest in the three adjacent retail units, 50% interest in Victoria Police Centre, Pinnacle Office Park, T Tower, Keppel Bay Tower after it was acquired on 18 May 2021 and 50% interest in 275 George Street before it was divested on 30 Jul 2021.*

*(2) Share of results of associates relates to Keppel REIT's one-third interests in One Raffles Quay and Marina Bay Financial Centre.*

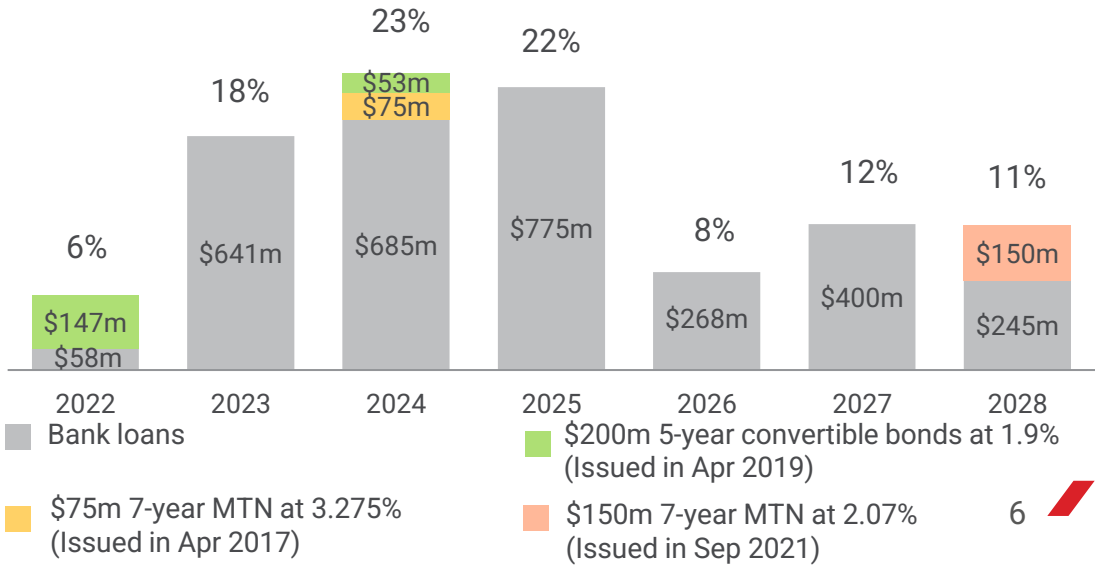
*(3) Share of results of joint ventures relates to Keppel REIT's 50% interests in 8 Chifley Square and David Malcolm Justice Centre.*

# Prudent Capital Management

- All-in interest rate reduced year-on-year to 1.81% p.a. from 2.01% p.a.
- Total borrowings on fixed rates increased from 63% to 71% during the quarter, to mitigate interest rate volatility
- Approximately 48%(1) of Keppel REIT's total borrowings are green loans
- On 11 April 2022, $146.5 million of the 1.90% convertible bonds due 2024 were redeemed. The redemption was funded through loan facilities at comparable interest rates, maturing mainly in 2026 and 2027

| As at 31 Mar 2022 | |
|---|---|
| **Adjusted NAV per Unit**(2) | $1.29 |
| **Interest Coverage Ratio**(3) | 3.8x |
| **All-in Interest Rate** | 1.81% p.a. |
| **Aggregate Leverage** | 38.7% |
| **Weighted Average Term to Maturity** | 3.1 years |
| **Borrowings on Fixed Rates** | 71% |
| **Sensitivity to Interest Rates**(4) | + 50 bps = ~0.14 cents ⬇ in DPU p.a. or ~2.4%(5) ⬇ in DPU p.a. |

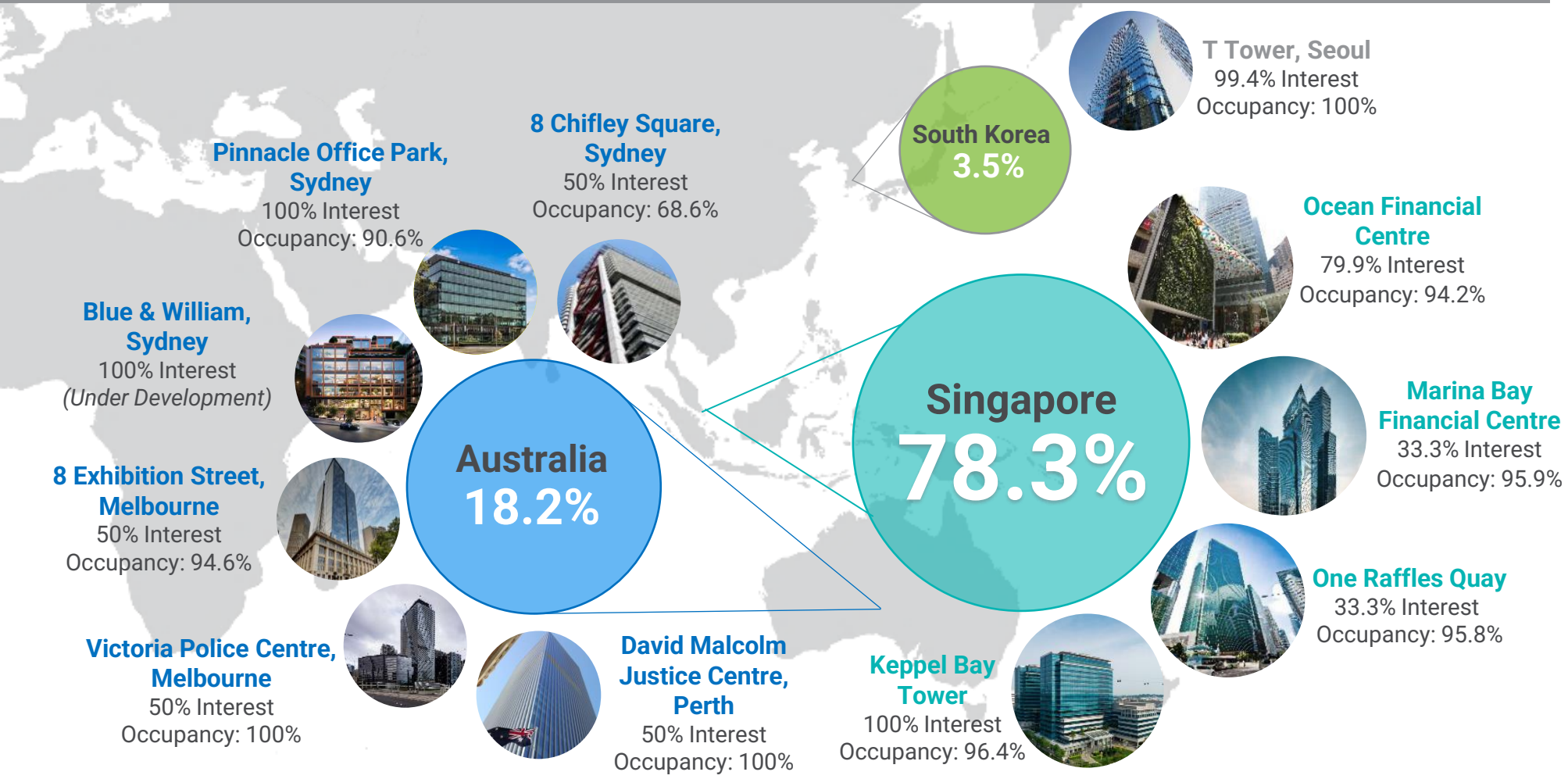
**Debt Maturity Profile** (As at 31 Mar 2022)




*(1) This includes Keppel REIT's share of external borrowings accounted for at the level of associates.*
*(2) Excluded the distributable income for the period 1 Jan 2022 to 31 Mar 2022 to be paid in Aug 2022.*
*(3) Computed as trailing 12 months EBITDA (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), over trailing 12 months interest expense, borrowing-related fees and distributions on hybrid securities.*
*(4) Refers to changes to SOR/SORA/BBSW for applicable loans on floating rates.*
*(5) Computed based on DPU of 5.82 cents for FY 2021.*

# Diversified Pan-Asian Portfolio of Prime Commercial Assets

$8.9b portfolio of prime quality assets anchored across different markets enhance income stability and long-term growth opportunities




**As at 31 Mar 2022:**

**95.1%**

**Portfolio committed occupancy**

**10.7 years**

**Top 10 tenants' WALE**

**6.1 years**

**Portfolio WALE**

- Singapore portfolio: 2.9 years
- Australia portfolio: 13.3 years
- South Korea portfolio: 2.0 years

*Note: Information as of 31 Mar 2022.*

# Robust 1Q 2022 Portfolio Performance

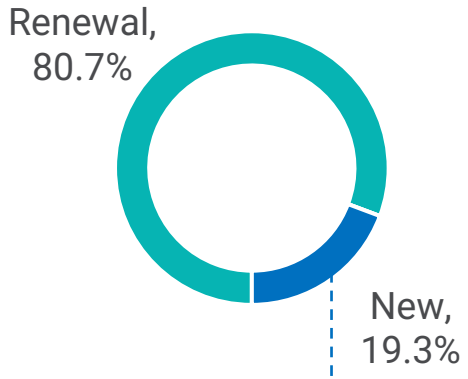
**Total Leases Committed**
**~475,000 sf**
(Attributable ~222,500 sf)

**Retention Rate**
**91%**

**Leases Committed by Geography[(1)]**




**Leases Committed by Type[(1)]**




- Rental collection remained healthy at 99% in 1Q 2022
- Tenant relief measures of ~$0.2m were granted in 1Q 2022, to some ancillary retail tenants

**New leasing demand and expansions from:**

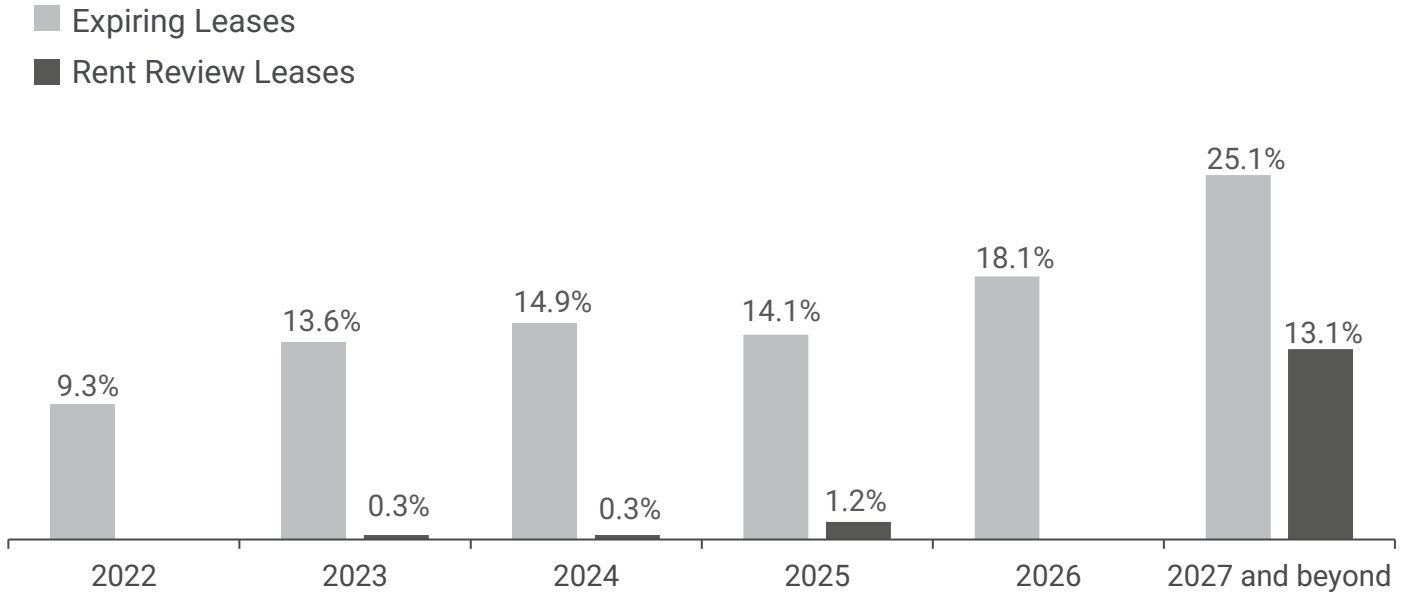
| | |
|---|---|
| Real estate and property services | 43.4% |
| Manufacturing and distribution | 23.1% |
| Banking, insurance and financial services | 13.0% |
| Accounting and consultancy services | 8.9% |
| Technology, media and telecommunications | 6.3% |
| Legal | 4.3% |
| Retail and F&B | 1.0% |

*(1) Based on committed attributable area.*

# Well-spread Lease Expiry Profile

- Average signing rent for Singapore office leases[(1)] concluded in 1Q 2022 was $11.15 psf pm
- Average expiring rents of Singapore office leases[(2)](psf pm): $10.10 in 2022, $10.84 in 2023 and $10.72 in 2024

**Lease Expiries and Rent Reviews[(3)]**






*(1) Weighted average for Ocean Financial Centre, Marina Bay Financial Centre and One Raffles Quay.*
*(2) Weighted average based on attributable NLA of office lease expiries and rent reviews in Ocean Financial Centre, Marina Bay Financial Centre and One Raffles Quay.*
*(3) Based on committed attributable area.*

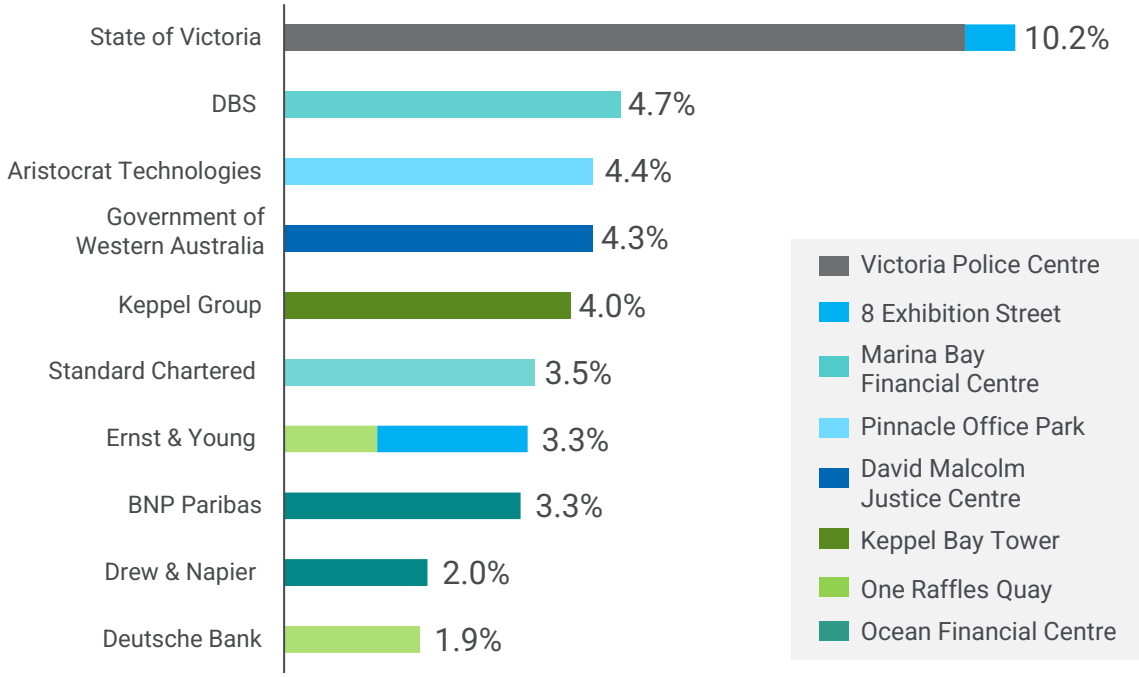
# Established and Diversified Tenant Base

- Keppel REIT has a diversified tenant base of 383[(1)] tenants, many of which are established blue-chip corporations

| Tenant Business Sector | % |
|---|---|
| Banking, insurance and financial services | 30.0% |
| Government agency | 15.2% |
| Technology, media and telecommunications | 12.9% |
| Legal | 7.2% |
| Manufacturing and distribution | 6.8% |
| Energy, natural resources, shipping and marine | 6.7% |
| Real estate and property services | 6.4% |
| Accounting and consultancy services | 5.3% |
| Services | 4.0% |
| Retail and food & beverage | 2.6% |
| Others | 2.9% |
| Total | 100% |

- Top 10 tenants take up 41.6% of NLA and contribute 36.8% of gross rent

**Top 10 Tenants**




*Note: All data as at 31 Mar 2022 and based on portfolio committed NLA.*
*(1) Tenants with multiple leases were accounted as one tenant.*

# Sustainable Portfolio with ESG Excellence

Supporting climate action and the transition to a low-carbon future with Keppel REIT's portfolio including Keppel Bay Tower and Blue & William






## ESG Benchmarks

- **MSCI ESG** – 'A' Rating
- **ISS ESG Corporate Rating** – Prime status
- **Global Real Estate Sustainability Benchmark (GRESB)** – Green Star status; 'A' rating for Public Disclosure

## ESG Indices

- **iEdge SG ESG Transparency Index and ESG Leaders Index**
- **iEdge-UOB APAC Yield Focus Green REIT Index**
- **Morningstar Singapore REIT Yield Focus Index**
- **Solactive CarbonCare Asia Pacific Green REIT Index**

## Green Credentials and Green Financing

- 9 out of 11 Keppel REIT's properties are **green certified.** T Tower is targeting green certification in 2022 while Blue & William is under development
- All Singapore office assets have maintained **BCA Green Mark Platinum**
- 5 Stars and above in the **NABERS Energy** rating for majority of the operational Australian assets
- **Fully powered by renewable energy:** Keppel Bay Tower, 8 Exhibition Street and Victoria Police Centre
- **Carbon neutral:** 8 Exhibition Street and Victoria Police Centre (certified in April 2022)
- Approximately 48% of Keppel REIT's total borrowings are **green loans**

# ESG Targets

## Environmental Stewardship

- Halve Scope 1 and 2 emissions by 2030 from 2019 levels
- Reduce energy and water usage
- Increase renewable energy usage
- Increase waste recycling rate

## Responsible Business

- Uphold high standards of corporate governance and risk management
- Attain green certification for all properties by 2023
- Increase sustainability-focused funding to 50% by 2025

## People and Community

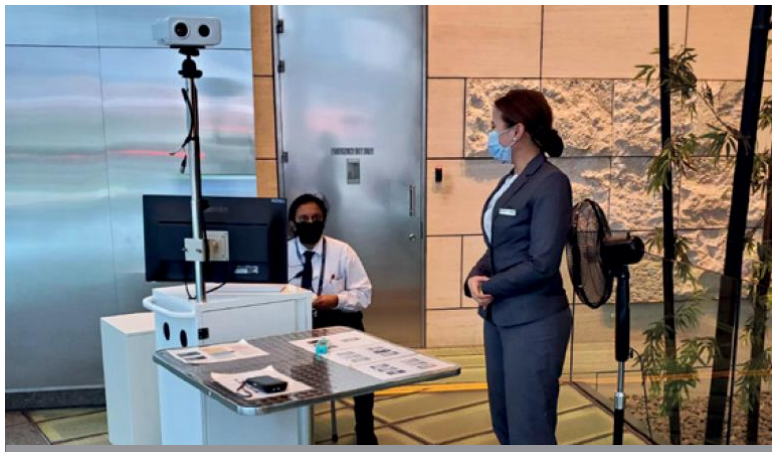
- Provide a safe and healthy workplace
- Invest in developing and training its people
- Uplift communities wherever it operates
- Maintain approximately 30% of female directors on the Board




In support of PUB's "City Turns Blue" initiative, Ocean Financial Centre was lit blue to celebrate World Water Day 2022



Sustainability credentials and potential for enhancement are taken into consideration in investment decisions



Safety and wellbeing are key considerations in building a safe and healthy workplace

# Meeting Diverse Tenant Needs

Robust portfolio of Grade A office properties that caters to tenants' diverse business needs

## Quality Workplaces with Strong ESG Focus

Grade A office buildings that are well managed with sustainable and technologically-advanced features

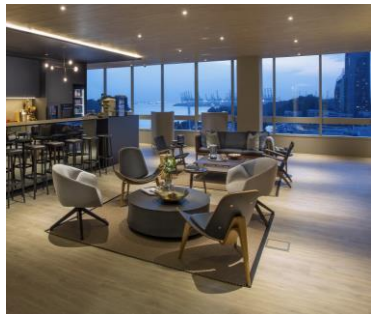





## Fitted/Flexible Solutions

Providing greater tenant flexibility with fully fitted out spaces and/or flexible space operators in Keppel REIT's portfolio





## Hub-and-Spoke Business Model

Offering alternatives to tenants seeking cost-effective solutions or dual locations for business continuity purposes




# Market Review

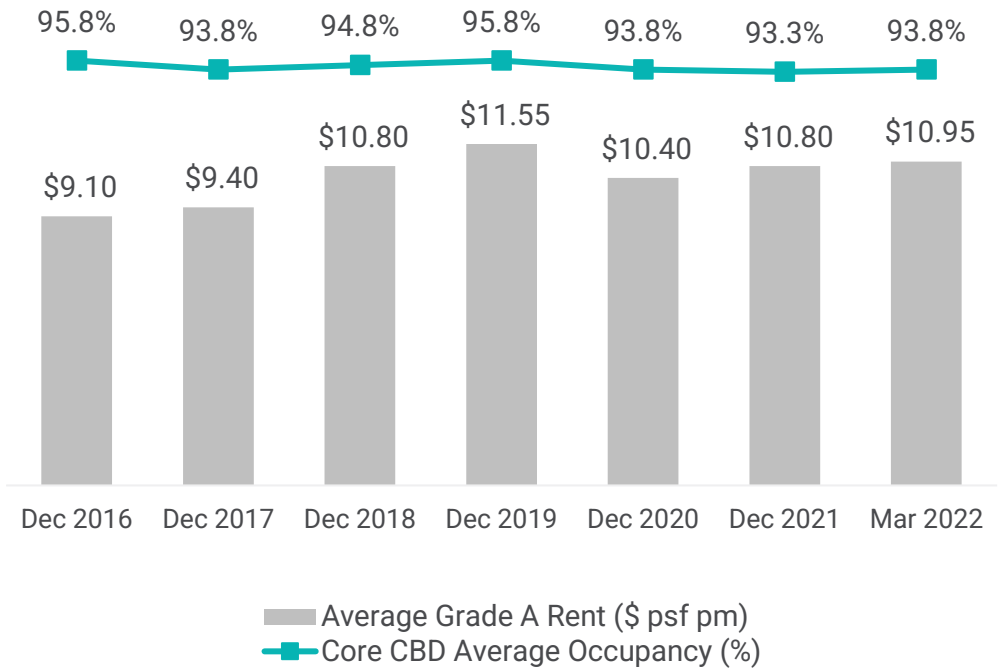



Marina Bay Financial Centre, Singapore

# Singapore Office Market

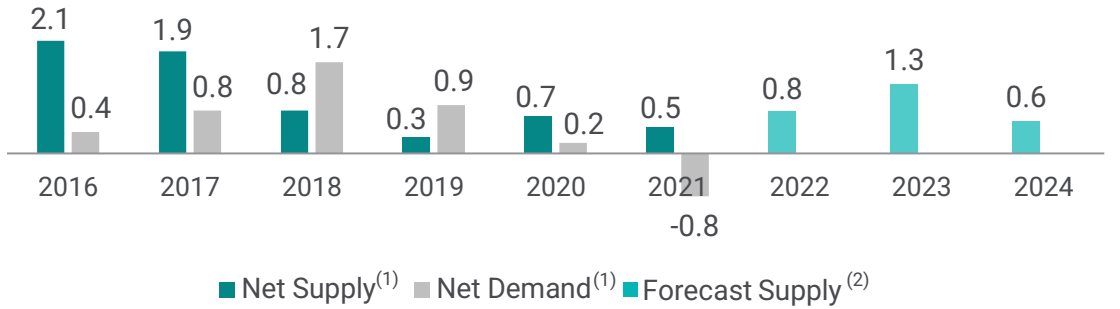
- Average core CBD Grade A office rents increased to $10.95 psf pm in 1Q 2022 and average occupancy in core CBD increased to 93.8%

## Grade A Rent and Core CBD Occupancy




*Source: CBRE, 1Q 2022.*

## Demand and Supply




| Key Upcoming Supply in CBD(2) | | sf |
|---|---|---|
| 2022 | Guoco Midtown | 709,100 |
| | Hub Synergy Point Redevelopment | 131,200 |
| 2023 | IOI Central Boulevard Towers | 1,258,000 |
| 2024 | 333 North Bridge Road | 40,000 |
| | Keppel Towers Redevelopment | 526,100 |

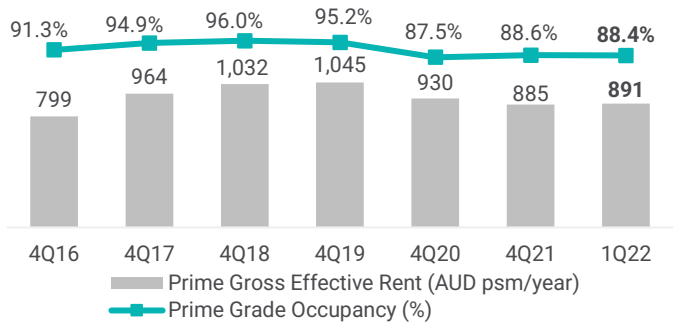
*(1) Based on URA data as at 4Q 2021, on historical net demand and supply of office space in Downtown Core and Rest of Central Area. Supply is calculated as net change of stock over the year and may include office stock removed from market due to demolitions or change of use.*

*(2) Based on CBRE data on CBD Core and CBD Fringe.*

# Australia Office Market

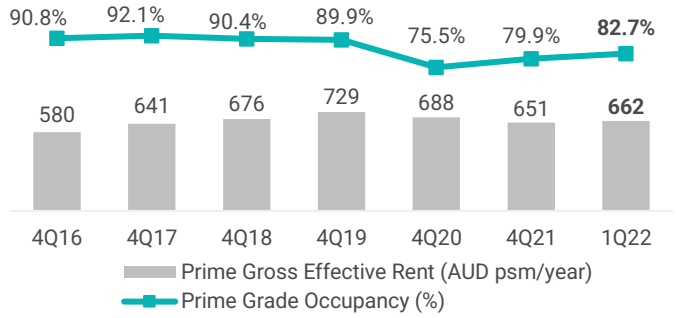
## Sydney CBD

Prime Grade occupancy decreased to 88.4%



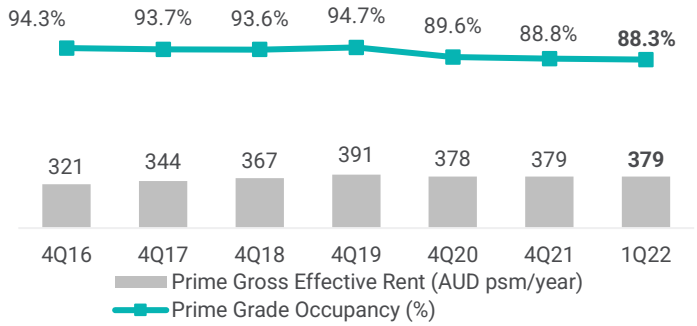

## North Sydney

Prime Grade occupancy increased to 82.7%



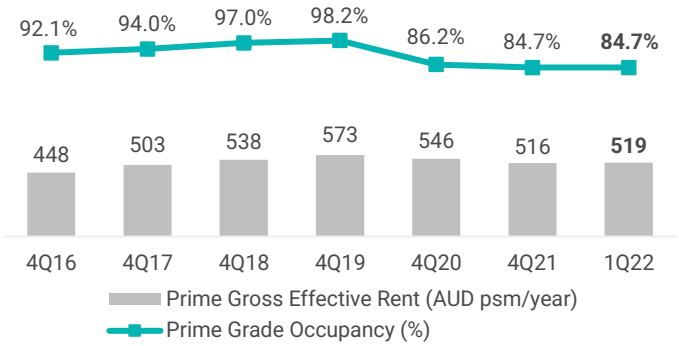

## Macquarie Park

Prime Grade occupancy decreased to 88.3%



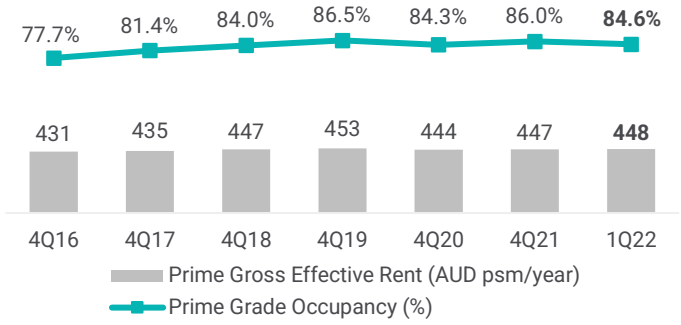

## Melbourne CBD

Prime Grade occupancy maintained at 84.7%




## Perth CBD

Prime Grade occupancy decreased to 84.6%

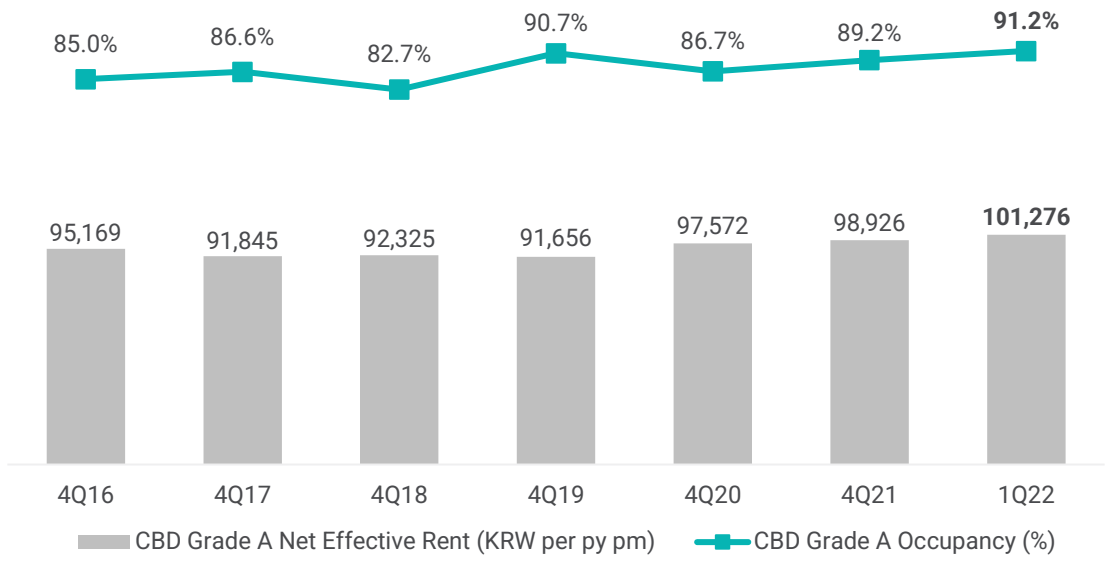



*Source: JLL Research, 1Q 2022.*

# Seoul Office Market

- CBD Grade A occupancy increased to 91.2% in 1Q 2022

**CBD Grade A Rent and Occupancy**







*Source: JLL Research, 1Q 2022.*

# Committed to Delivering Stable Income & Sustainable Returns

## Portfolio Optimisation

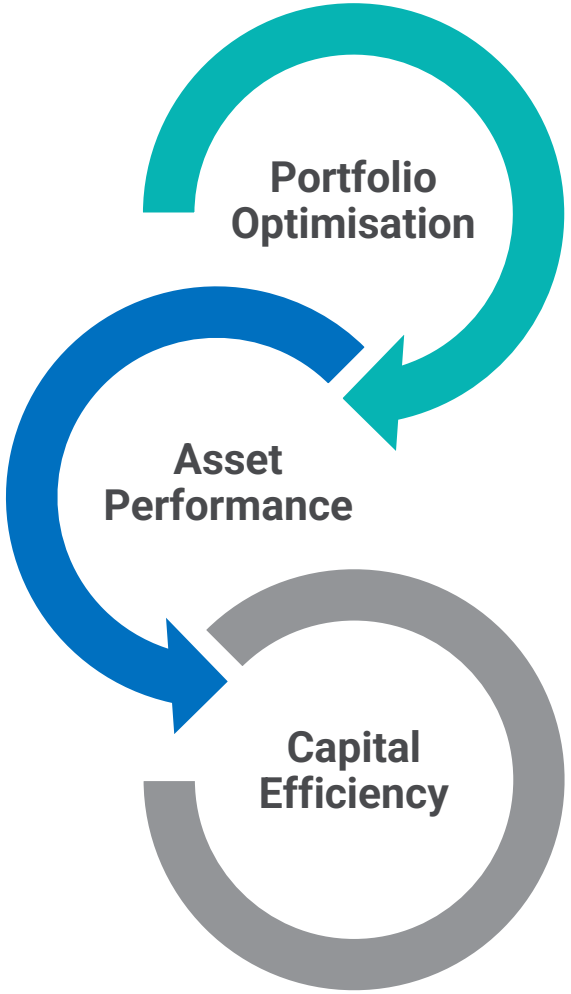
- Portfolio optimisation to improve yield, anchored by prime CBD assets in Singapore
- Hold quality assets across different markets for improved income stability and to provide more long-term growth opportunities

## Asset Performance

- Drive individual asset performance with proactive leasing and cost management strategies
- Implement initiatives to future proof assets and enhance sustainability

## Capital Efficiency

- Optimise capital structure to reduce borrowing costs and improve returns
- Manage debt maturities and hedging profiles to reduce risk



# Additional Information



Keppel Bay Tower,
Singapore

# Portfolio Information: Singapore

| As at 31 Mar 2022 | Ocean Financial Centre | Marina Bay Financial Centre[4] | One Raffles Quay | Keppel Bay Tower |
|---|---|---|---|---|
| Attributable NLA | 698,312 sf | 1,022,508 sf | 441,102 sf | 386,223 sf |
| Ownership | 79.9% | 33.3% | 33.3% | 100.0% |
| Principal tenants[1] | BNP Paribas, Drew & Napier, The Executive Centre | DBS Bank, Standard Chartered Bank, HSBC | Deutsche Bank, Ernst & Young, TikTok | Keppel Group, BMW Asia, Pacific Refreshments |
| Tenure | 99 years expiring 13 Dec 2110 | 99 years expiring 10 Oct 2104[5] and 7 Mar 2106[6] | 99 years expiring 12 Jun 2100 | 99 years expiring 30 Sep 2096 |
| Purchase price (on acquisition) | S$1,838.6m[3] | S$1,426.8m[5] S$1,248.0m[6] | S$941.5m | S$657.2m |
| Valuation[2] | S$2,066.2m | S$1,683.3m[5] S$1,265.3m[6] | S$1,250.0m | S$674.7m |
| Capitalisation rates | 3.50% | 3.45%[7]; 3.63%[6]; 4.25%[8] | 3.45% | 3.55% |

1) *On committed gross rent basis.*
2) *Valuation as at 31 Dec 2021 based on Keppel REIT's interest in the respective properties.*
3) *Based on Keppel REIT's 79.9% of the historical purchase price.*
4) *Comprises Marina Bay Financial Centre (MBFC) Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).*
5) *Refers to MBFC Towers 1 and 2 and MBLM.*
6) *Refers to MBFC Tower 3.*
7) *Refers to MBFC Towers 1 and 2.*
8) *Refers to MBLM.*

# Portfolio Information: Australia & South Korea

| As at 31 Mar 2022 | 8 Chifley Square, Sydney | Pinnacle Office Park, Sydney | Blue & William[3], Sydney *(Under Development)* | 8 Exhibition Street[4], Melbourne | Victoria Police Centre, Melbourne | David Malcolm Justice Centre, Perth | T Tower, Seoul |
|---|---|---|---|---|---|---|---|
| Attributable NLA | 104,055 sf | 375,640 sf | 152,666 sf | 244,490 sf | 364,180 sf | 167,784 sf | 226,949 sf |
| Ownership | 50.0% | 100.0% | 100.0% | 50.0% | 50.0% | 50.0% | 99.4% |
| Principal tenants[1] | Corrs Chambers Westgarth, QBE Insurance, Berkshire Hathaway | Aristocrat Technologies, Konica Minolta, Coles Supermarkets | Pending Practical Completion | Ernst & Young, Amazon, Minister for Finance - State of Victoria | Minister for Finance - State of Victoria | Minister for Works - Government of Western Australia | Hankook Corporation, Philips Korea, SK Communications |
| Tenure | 99 years expiring 5 Apr 2105 | Freehold | Freehold | Freehold | Freehold | 99 years expiring 30 Aug 2114 | Freehold |
| Purchase price (on acquisition) | A$165.0m S$197.8m | A$306.0m S$289.9m | A$327.7m S$322.2m | A$168.8m S$201.3m[4] | A$347.8m S$350.1m | A$165.0m S$208.1m | KRW252.6b S$292.0m |
| Valuation[2] | A$234.5m S$228.5m | A$310.0m S$302.1m | A$166.8m[3] S$162.5m | A$294.4m S$286.9m[4] | A$405.0m S$394.7m | A$237.5m S$231.4m | KRW272.0b S$313.1m |
| Capitalisation rates | 4.63% | 5.13% | 4.50% | 5.00%[5] | 4.38% | 5.38% | 3.80% |

1) *On committed gross rent basis.*
2) *Valuation as at 31 Dec 2021 based on Keppel REIT's interest in the respective properties and the exchange rates of A$1 = S$0.9745 and KRW 1,000 = S$1.151.*
3) *Under development and based on "as-is" valuation as at 31 Dec 2021.*
4) *Keppel REIT owns a 50% interest in the 8 Exhibition Street office building and a 100% interest in the three adjacent retail units.*
5) *Refers to Keppel REIT's 50% interest in the office building and 100% interest in the three adjacent retail units.*

# Thank You

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