



# Financial Results for 3<sup>rd</sup> Quarter 2017

2 November 2017

# Important Notice

This presentation shall be read in conjunction with OUE Commercial REIT's Financial Results announcement for 3Q 2017 dated 2 November 2017.

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Investors should note that they will have no right to request the Manager to redeem or purchase their Units while the Units are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

# Agenda

- Key Highlights
- Financial Performance and Capital Management
- Portfolio Performance
- Outlook
- Appendices

# Key Highlights

## Financial Highlights

- 3Q 2017 revenue of S\$43.3 million was 2.1% lower year-on-year (“YoY”) due to lower retail rental income during the quarter. Net property income of S\$34.1 million was 3.5% lower YoY, as property tax expense and leasing commission were higher on the back of significantly higher office occupancy rates YoY
- 3Q 2017 amount available for distribution was S\$17.8 million, 3.4% higher YoY, with a DPU of 1.15 cents

## Portfolio Performance

- Portfolio committed occupancy continued to increase in 3Q 2017, improving to 97.0%
- The portfolio enjoyed above-market committed office occupancy as at 30 September 2017; OUE Bayfront’s committed office occupancy was at 98.2% while One Raffles Place saw a 2.3 percentage point (“ppt”) quarter-on-quarter (“QoQ”) improvement to 97.3%. Lippo Plaza maintained 100% committed office occupancy
- Committed rents for new and renewed office leases for OUE C-REIT’s properties in 3Q 2017 were in line with or above their respective market rents
- Average office passing rent was S\$11.44 psf per month at OUE Bayfront, and S\$10.10 psf per month at One Raffles Place. Lippo Plaza’s average office passing rent was 0.8% higher YoY at RMB9.86 psm per day



# Key Highlights

## Capital Management

- Aggregate leverage as at 30 September 2017 was 36.9% with a weighted average cost of debt of 3.5% p.a.
- In September 2017, OUE C-REIT's maiden issuance of S\$150 million 3.03 per cent. fixed rate notes maturing in 2020 saw strong take-up. The diversification of funding sources and shift to unsecured borrowings improves OUE C-REIT's financial flexibility, increases its proportion of fixed rate debt to 91.8% and extends its debt maturity profile
- For 3Q 2017, the Manager has elected to receive 20% of its base management fees in cash with the balance in Units
- Announced in October 2017 the proposed redemption of S\$75 million convertible perpetual preferred units ("CPPUs"), to reduce the amount of CPPUs outstanding so as to mitigate dilution in DPU from potential conversion of CPPUs into new units in the future. The redemption was effected on 2 November 2017 and was funded by combination of existing credit facilities and cashflow from operations. Post redemption, the proforma aggregate leverage as at 30 September 2017 is expected to be 38.8%

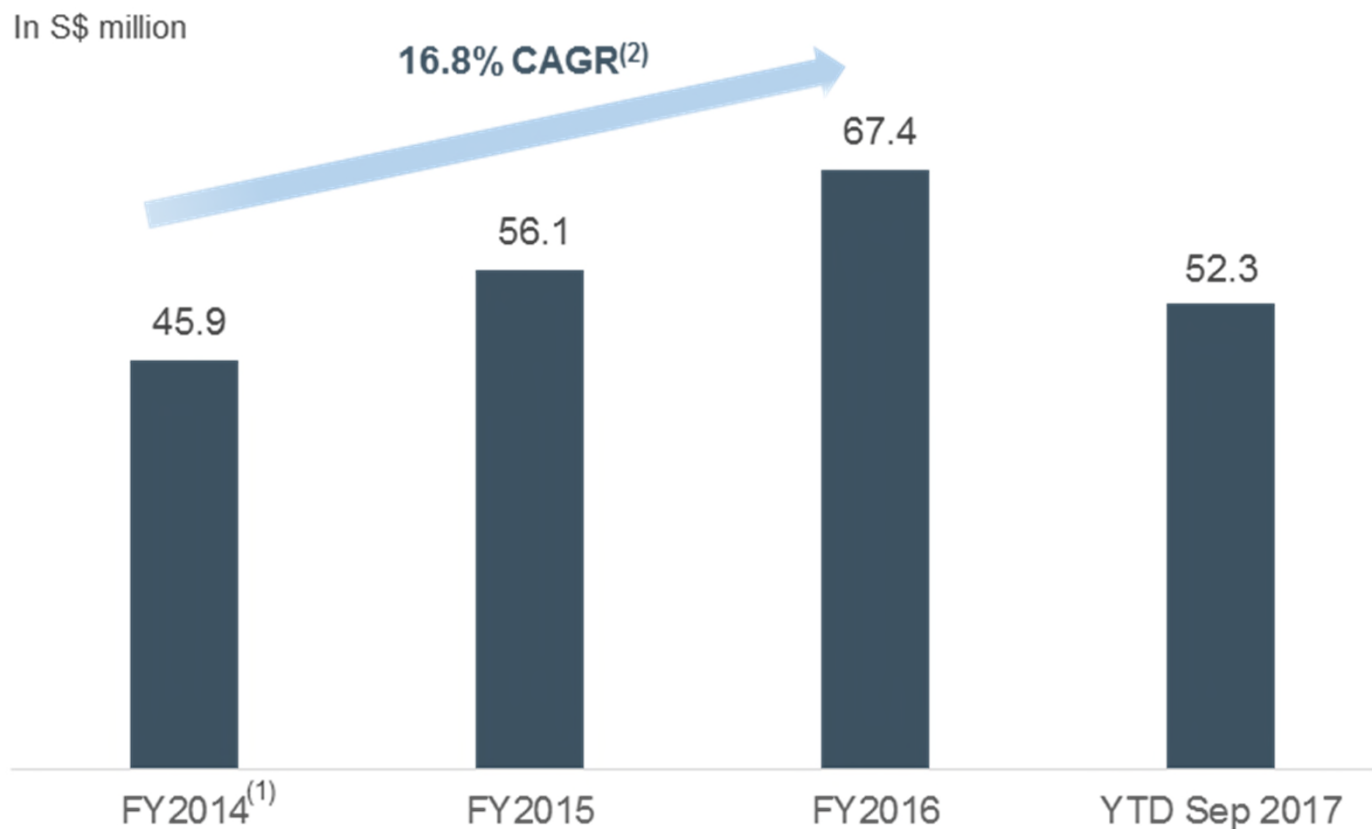
# Financial Performance & Capital Management



# Delivered Sustainable Distribution

Delivered sustainable distribution to Unitholders since IPO

## Distribution Since IPO



(1) Period commencing from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014

(2) FY2014-FY2016 compound annual growth rate (CAGR) computed on the basis of annualised amount available for distribution for the period from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014



# 3Q 2017 vs 3Q 2016

	3Q 2017	3Q 2016	Change
<b>Revenue (S\$m)</b>	<b>43.3</b>	<b>44.2</b>	<b>-2.1%</b>
<b>Net Property Income (S\$m)</b>	<b>34.1</b>	<b>35.3</b>	<b>-3.5%</b>
<b>Amount Available for Distribution to Unitholders (S\$m)</b>	<b>17.8</b>	<b>17.2</b>	<b>+3.4%</b>
<b>DPU (cents)</b>	<b>1.15</b>	<b>1.32</b>	<b>-12.9%</b>
<b>Pro forma DPU (cents)</b>	<b>-</b>	<b>1.11<sup>(1)</sup></b>	<b>+3.6%</b>

- 3Q 2017 revenue of S\$43.3 million was 2.1% lower YoY due to lower retail rental income during the quarter arising from lower occupancy at One Raffles Place Shopping Mall as the Manager embarked on rebalancing the tenant and trade mix at the mall
- Net property income of S\$34.1 million was 3.5% lower YoY, due to higher property tax expenses and leasing commission on the back of significant YoY improvement in office occupancy
- With the absence of performance fees and higher income support drawn in 3Q 2017, amount available for distribution was S\$17.8 million, 3.4% higher YoY

(1) 3Q 2016 proforma DPU has been calculated based on 3Q 2016 amount available for distribution of S\$17.2 million and the number of units in issue and to be issued as at 30 September 2017 which included the 233.3 million new units issued pursuant to the private placement in March 2017



# 3Q 2017 vs 3Q 2016

S\$'000	3Q 2017	3Q 2016	Change (%)
<b>Revenue</b>	<b>43,273</b>	<b>44,184</b>	<b>(2.1)</b>
Property operating expenses	(9,197)	(8,856)	3.9
<b>Net property income</b>	<b>34,076</b>	<b>35,328</b>	<b>(3.5)</b>
Other income	878	608	44.4
Amortisation of intangible asset	(1,113)	(1,117)	(0.4)
Manager's management fees	(2,409)	(3,126)	(22.9)
Other expenses	(623)	(438)	42.2
Interest income	226	14	NM <sup>(1)</sup>
Interest expense	(9,765)	(9,619)	1.5
Amortisation of debt establishment costs	(1,987)	(2,081)	(4.5)
Net fair value movement of financial derivatives	1,106	(2,465)	NM
Foreign exchange differences	98	8	NM
<b>Total return before tax</b>	<b>20,487</b>	<b>17,112</b>	<b>19.7</b>
Tax expense	(4,107)	(4,376)	(6.1)
<b>Total return for period</b>	<b>16,380</b>	<b>12,736</b>	<b>28.6</b>
Non-controlling interests	(1,814)	(1,716)	5.7
CPPU holder distribution	(1,387)	(1,382)	0.4
Distribution adjustments	4,616	7,576	(39.1)
<b>Amount available for distribution to Unitholders</b>	<b>17,795</b>	<b>17,214</b>	<b>3.4</b>

# YTD Sep 2017 vs YTD Sep 2016

	YTD Sep 2017	YTD Sep 2016	Change
<b>Revenue (S\$m)</b>	<b>132.3</b>	<b>132.8</b>	<b>-0.4%</b>
<b>Net Property Income (S\$m)</b>	<b>103.5</b>	<b>103.8</b>	<b>-0.3%</b>
<b>Amount Available for Distribution to Unitholders (S\$m)</b>	<b>52.3</b>	<b>52.0</b>	<b>+0.5%</b>
<b>DPU (cents)</b>	<b>3.53</b>	<b>4.00</b>	<b>-11.8%</b>
<b>Pro forma DPU (cents)</b>	<b>-</b>	<b>3.52<sup>(1)</sup></b>	<b>+0.3%</b>

- YTD September 2017 net property income of S\$103.5 million was marginally lower YoY due mainly to lower one-off income recognised in the current period
- Due to the absence of performance fees and lower interest expense with the partial prepayment of loans from private placement proceeds in March 2017, YTD September 2017 amount available for distribution of S\$52.3 million was 0.5% higher YoY

(1) YTD September 2016 pro forma DPU has been calculated based on YTD September 2016 amount available for distribution of S\$52.0 million and the weighted average number of units in issue for YTD September 2017 which included the 233.3 million new units issued pursuant to the private placement in March 2017

# YTD Sep 2017 vs YTD Sep 2016

S\$'000	YTD Sep 2017	YTD Sep 2016	Change (%)
<b>Revenue</b>	<b>132,303</b>	<b>132,786</b>	<b>(0.4)</b>
Property operating expenses	(28,816)	(28,975)	(0.5)
<b>Net property income</b>	<b>103,487</b>	<b>103,811</b>	<b>(0.3)</b>
Other income	2,309	2,070	11.5
Amortisation of intangible asset	(3,339)	(3,353)	(0.4)
Manager's management fees	(7,115)	(8,999)	(20.9)
Other expenses	(1,831)	(1,604)	14.2
Interest income	451	92	NM <sup>(1)</sup>
Interest expense	(28,761)	(29,017)	(0.9)
Amortisation of debt establishment costs	(5,499)	(6,055)	(9.2)
Net fair value movement of financial derivatives	(154)	(6,634)	(97.7)
Foreign exchange differences	(235)	(664)	(64.6)
<b>Total return before tax</b>	<b>59,313</b>	<b>49,647</b>	<b>19.5</b>
Tax expense	(13,044)	(12,747)	2.3
<b>Total return for period</b>	<b>46,269</b>	<b>36,900</b>	<b>25.4</b>
Non-controlling interests	(5,775)	(5,266)	9.7
CPPU holder distribution	(4,114)	(4,117)	(0.1)
Distribution adjustments	15,890	24,472	(35.1)
<b>Amount available for distribution to Unitholders</b>	<b>52,270</b>	<b>51,989</b>	<b>0.5</b>

(1) NM: Not meaningful



# Healthy Balance Sheet

S\$ million	As at 30 Sep 2017
Investment Properties	3,402.5
Total Assets	3,478.8
Loans and borrowings	1,210.7
Total Liabilities	1,400.8
Net Assets Attributable to Unitholders	1,319.3
Units in issue and to be issued ('000)	1,544,013
NAV per Unit (S\$)	0.85

# Capital Management

- Maiden issue of S\$150 million 3.03% fixed rate notes maturing in 2020 in September 2017. The diversification of funding sources and shift to unsecured borrowings improves OUE C-REIT's financial flexibility
- Announced in October 2017 the proposed redemption of S\$75 million CPPUs, to reduce the amount of CPPUs outstanding so as to mitigate dilution in DPU from potential conversion of CPPUs unto new units in the future. Post redemption on 2 November 2017, the pro forma aggregate leverage as at 30 September 2017 is expected to be 38.8%

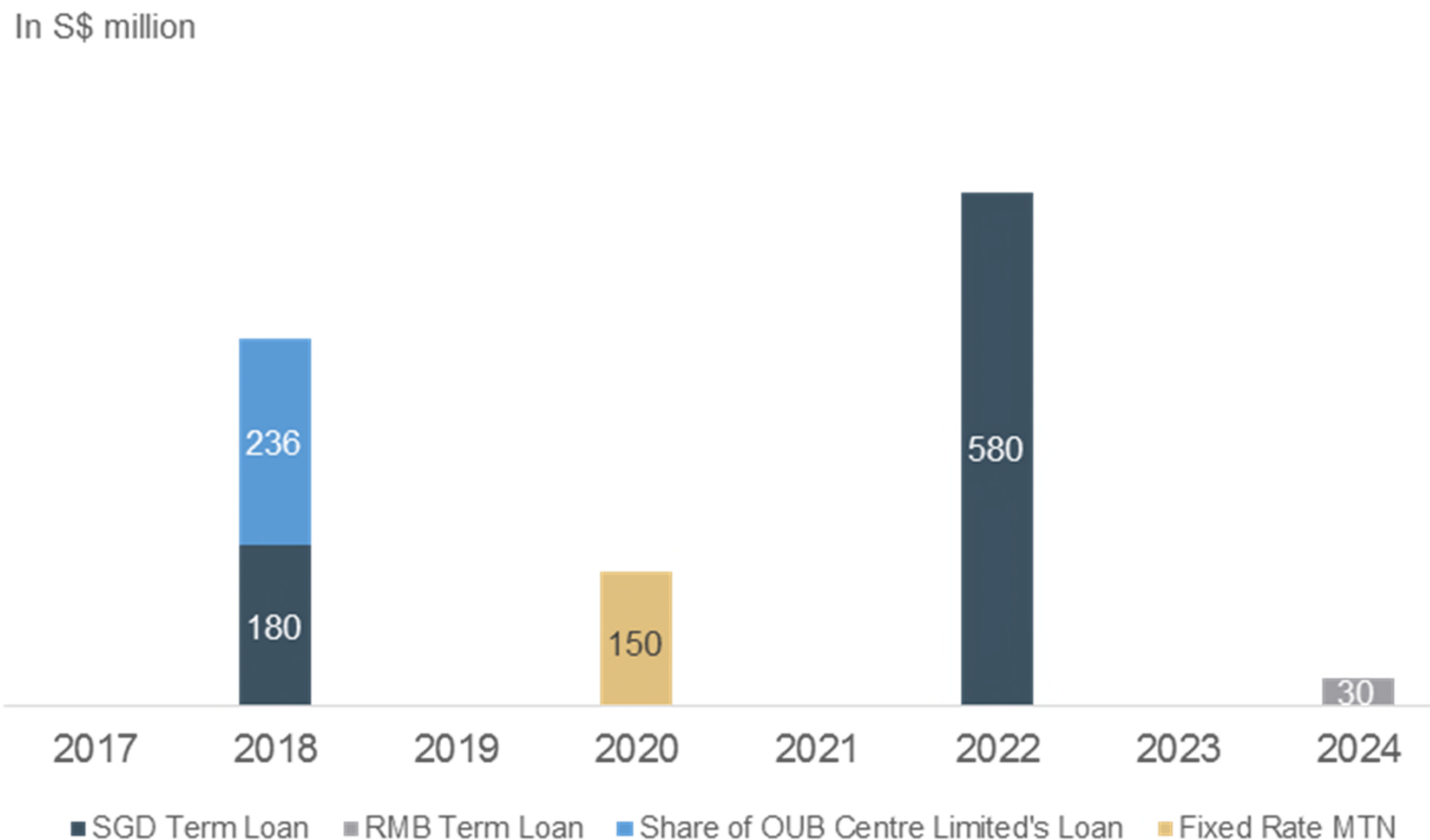
	As at 30 Sep 2017	As at 30 Jun 2017
<b>Aggregate Leverage</b>	36.9%	36.4%
<b>Total debt</b>	S\$1,176m <sup>(1)</sup>	S\$1,151m <sup>(2)</sup>
<b>Weighted average cost of debt</b>	3.5% p.a.	3.4% p.a.
<b>Average term of debt</b>	3.0 years	3.1 years
<b>% fixed rate debt</b>	91.8%	80.7%
<b>Average term of fixed rate debt</b>	2.2 years	2.3 years
<b>Interest service ratio</b>	3.2x	3.3x

(1) Based on SGD:CNY exchange rate of 1:4.880 as at 30 September 2017 and includes OUE C-REIT's share of OUB Centre Limited's loan

(2) Based on SGD:CNY exchange rate of 1:4.909 as at 30 June 2017 and includes OUE C-REIT's share of OUB Centre Limited's loan

# Debt Maturity Profile as at 30 Sep 2017

Maiden issuance of S\$150 million 3.03 per cent. fixed rate notes maturing in 2020 extended OUE C-REIT's debt maturity profile



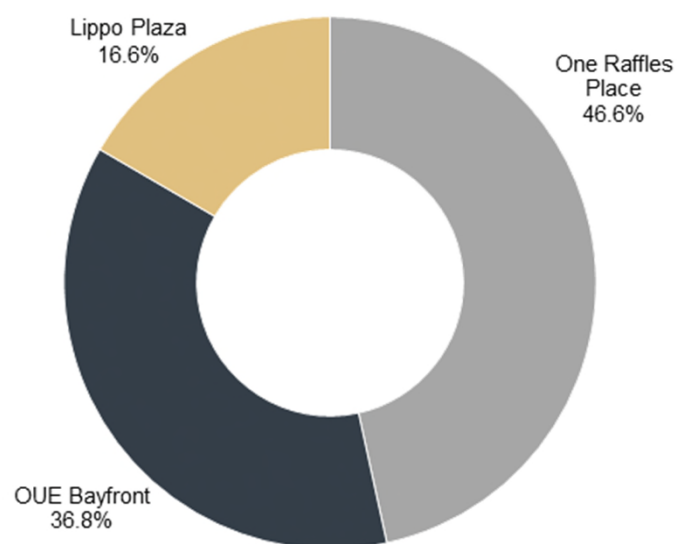


# Portfolio Performance

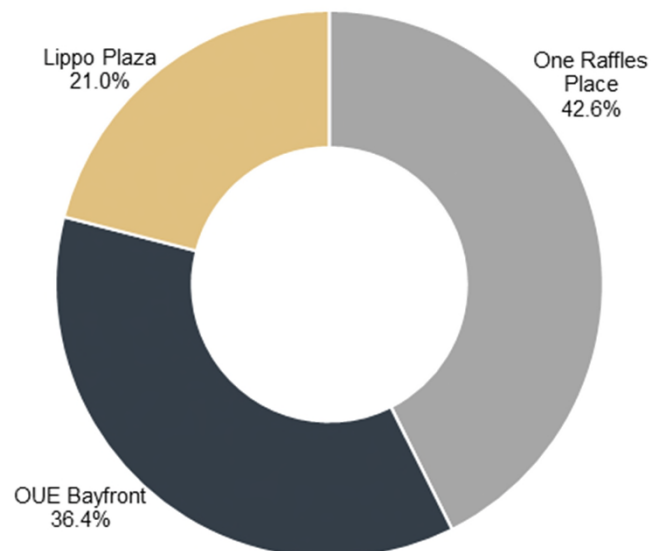


# Portfolio Composition

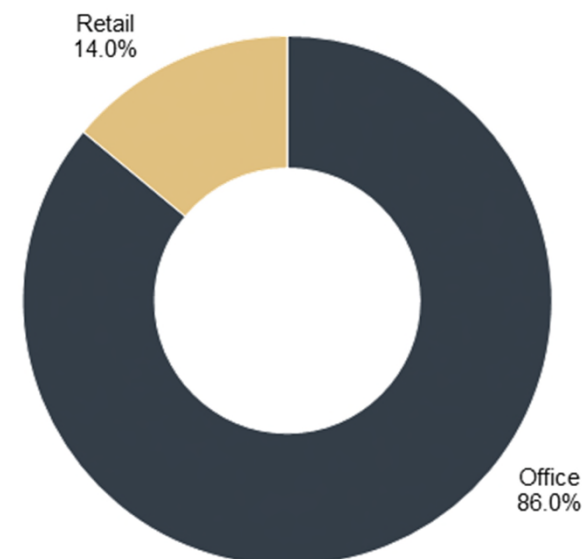
**By Asset Value<sup>(1)</sup>**



**By Revenue Contribution<sup>(2)</sup>**



**By Segment Income<sup>(2)</sup>**

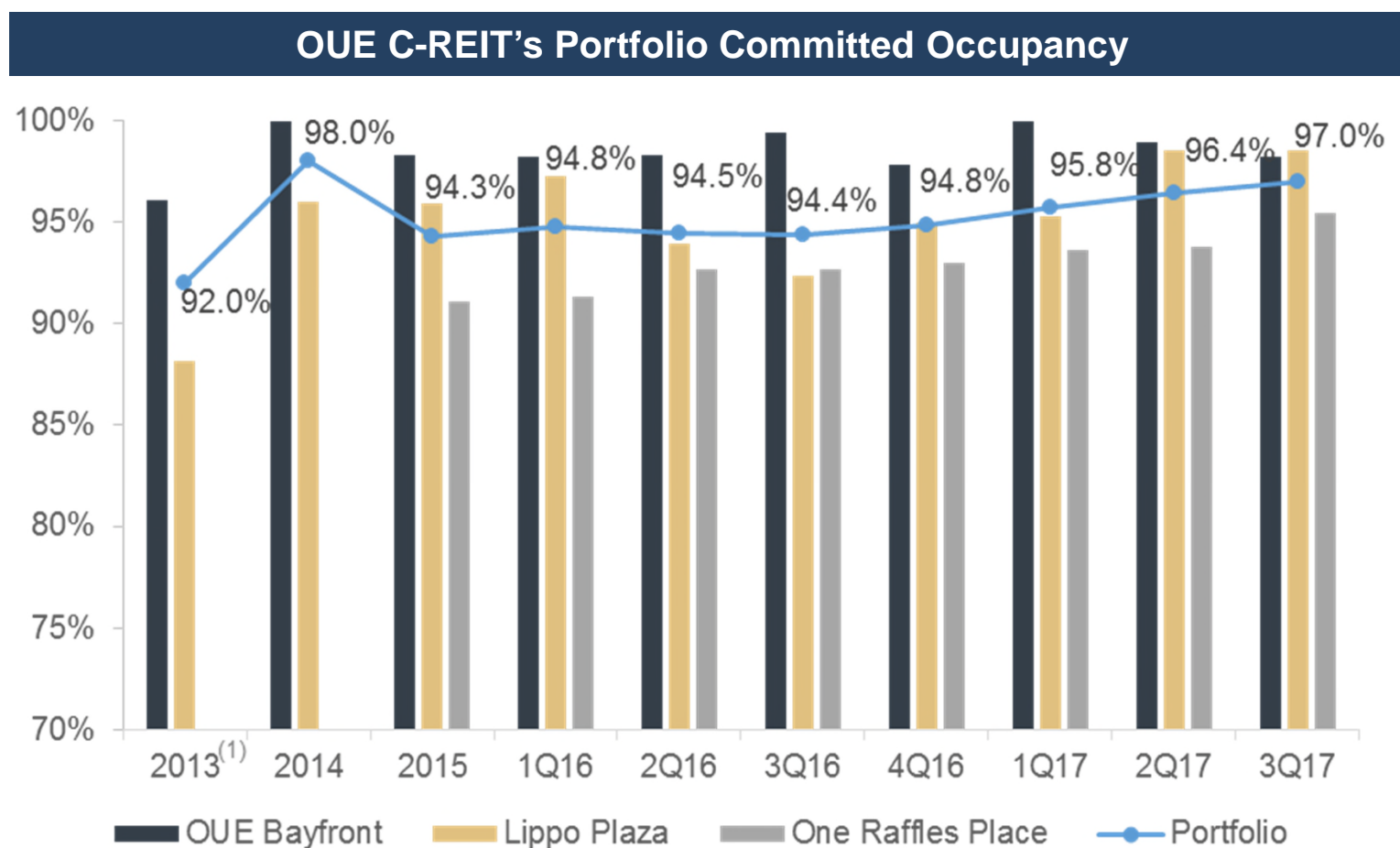


(1) Based on independent valuations as at 31 December 2016 and OUE C-REIT's proportionate interest in One Raffles Place

(2) For 3Q 2017 and based on OUE C-REIT's attributable interest in One Raffles Place

# Resilient and Stable Portfolio

- One Raffles Place achieved seven consecutive quarters of increase in committed occupancy since acquisition in October 2015
- Lippo Plaza maintained 100% committed office occupancy in 3Q 2017

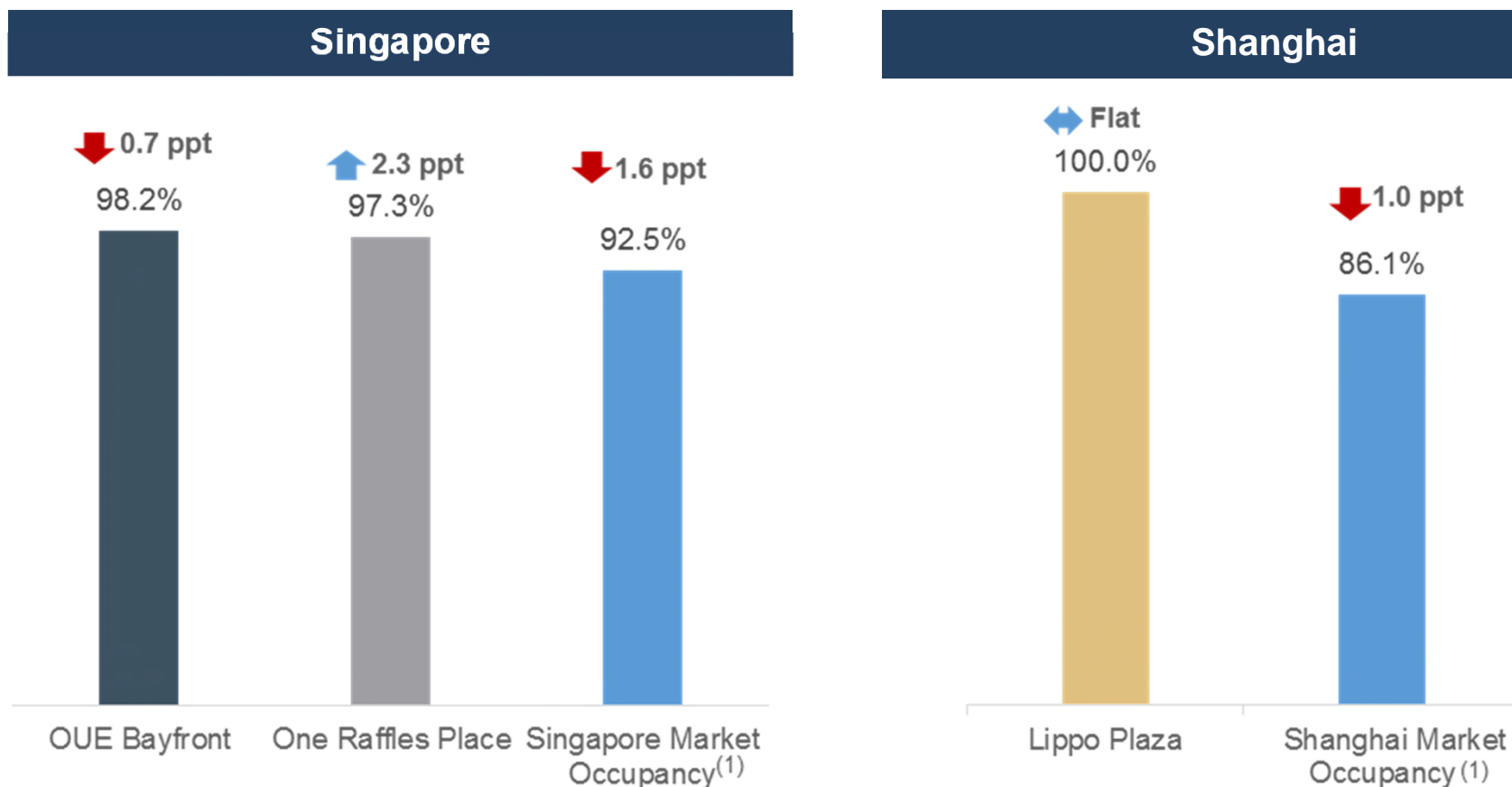


(1) Proforma committed occupancy as at 30 September 2013 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014



# Office Occupancy Higher Than Market

Committed office occupancy at One Raffles Place increased 7.2 ppt since acquisition in October 2015, despite Singapore office market occupancy falling 2.7 ppt in the same period



(1) Singapore Market Occupancy refers to Core CBD office occupancy for 3Q 2017 according to CBRE Research. Shanghai Market Occupancy refers to Shanghai Grade A office occupancy as at 3Q 2017 according to Colliers International Shanghai

# Committed Office Rents In Line Or Above Market

3Q 2017	Average Expired Rents	Committed Rents <sup>(1)</sup>	Market Rents	Average Passing Rents in Sep 2017
OUE Bayfront	S\$13.43 psf/mth	S\$11.50 – S\$13.50 psf/mth	S\$9.10 psf/mth <sup>(2)</sup>	S\$11.44 psf/mth
One Raffles Place	S\$10.82 psf/mth	S\$7.00 <sup>(3)</sup> – S\$10.70 psf/mth	S\$9.10 psf/mth <sup>(2)</sup>	S\$10.10 psf/mth
Lippo Plaza	RMB9.93 psm/day	RMB9.30 – RMB11.00 psm/day	RMB9.14 psm/day <sup>(4)</sup>	RMB9.86 psm/day

- Average expired rents for the portfolio continued to be above market rents. Nevertheless, the average of new and renewal office rents committed across the portfolio were at a premium to their respective market office rents
- Average passing office rent for Lippo Plaza continued to increase, registering a 0.8% growth in September 2017 to RMB9.86 psm per day

(1) Committed rents for renewals, rent reviews (if any) and new leases

(2) Refers to Grade A CBD Core office rents in Singapore. Source: CBRE Singapore MarketView 3Q 2017

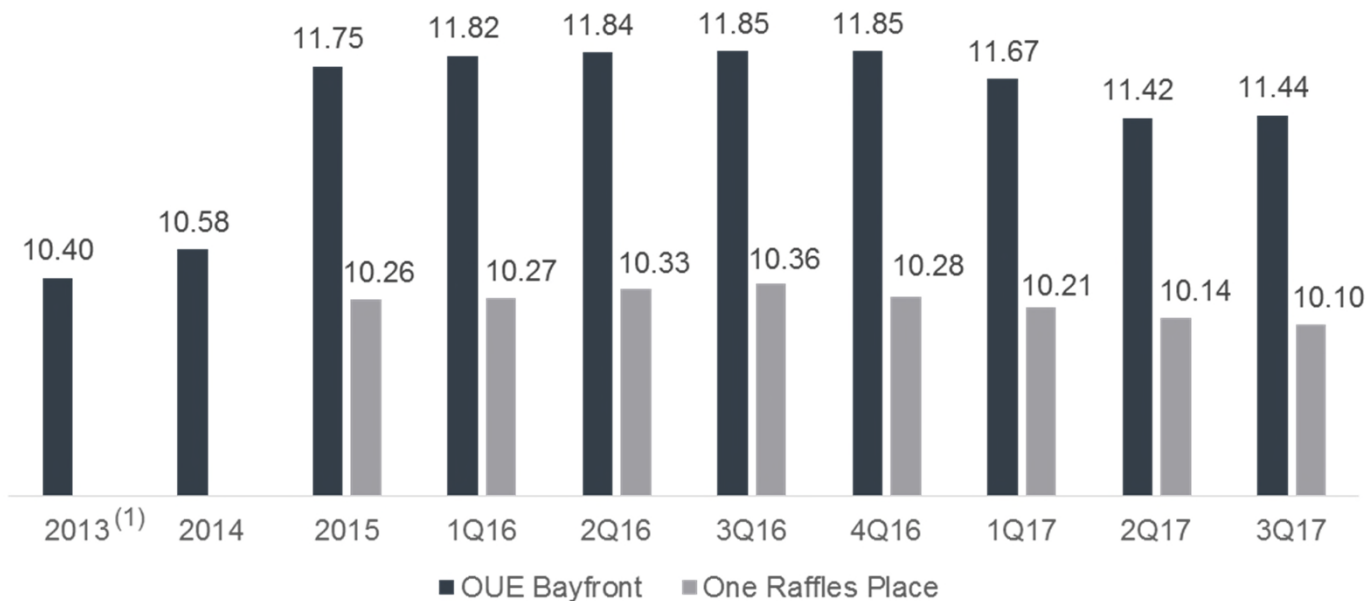
(3) Due to the leasing of a sub-optimal unit on a low floor in 3Q 2017. Excluding this, the lower end of the range of committed rents is S\$8.50 psf per month

(4) Refers to CBD Grade A office rents in Puxi. Source: Colliers International Shanghai Research and Forecast Report, 3Q 2017

# Average Passing Office Rents

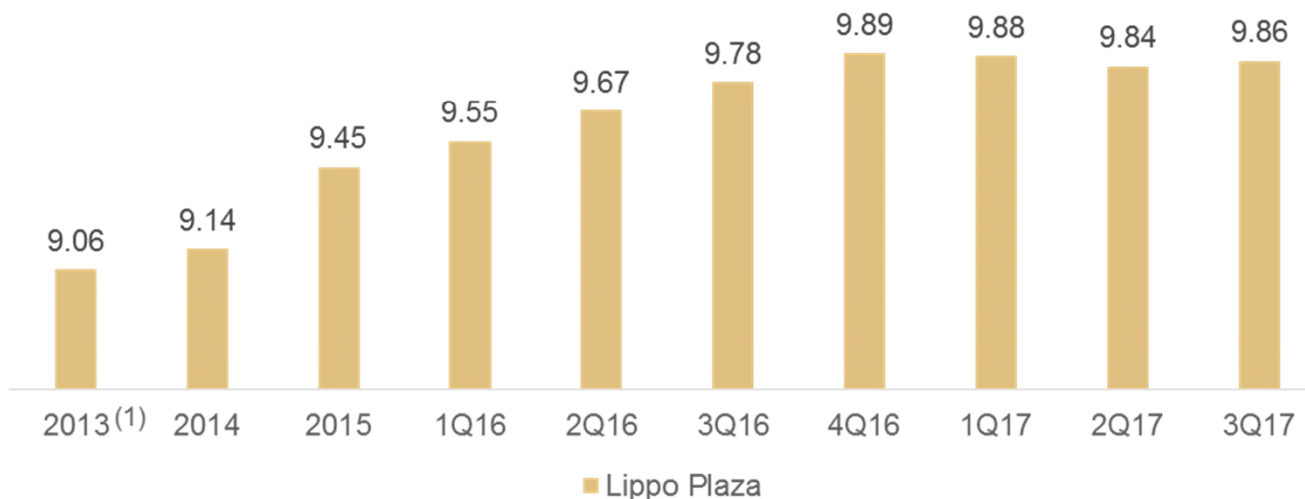
## Singapore

S\$ psf/mth



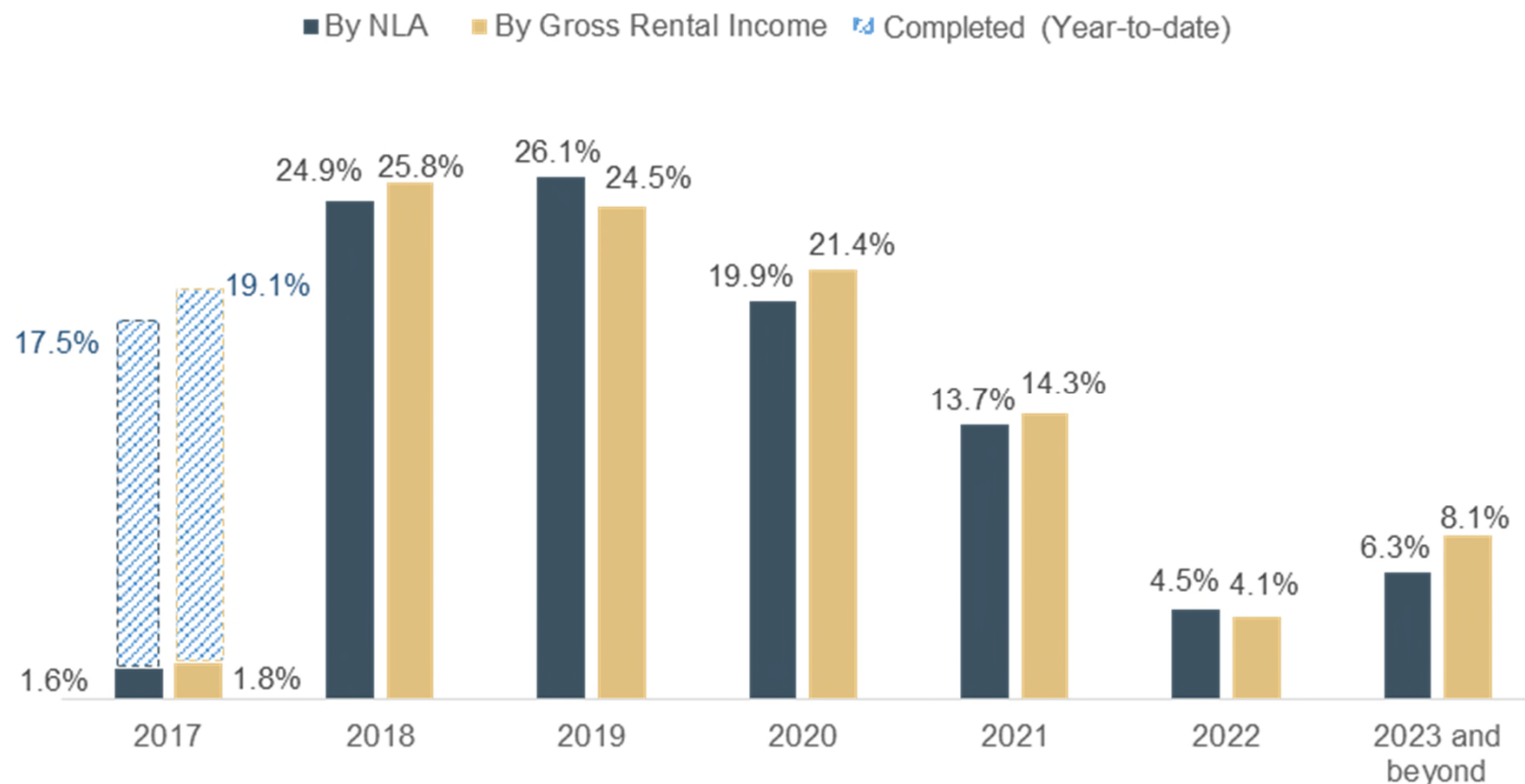
## Shanghai

RMB psm/day



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

# Lease Expiry Profile - Portfolio



**WALE<sup>(1)</sup> of 2.5 years by NLA<sup>(2)</sup> and 2.6 years by Gross Rental Income**

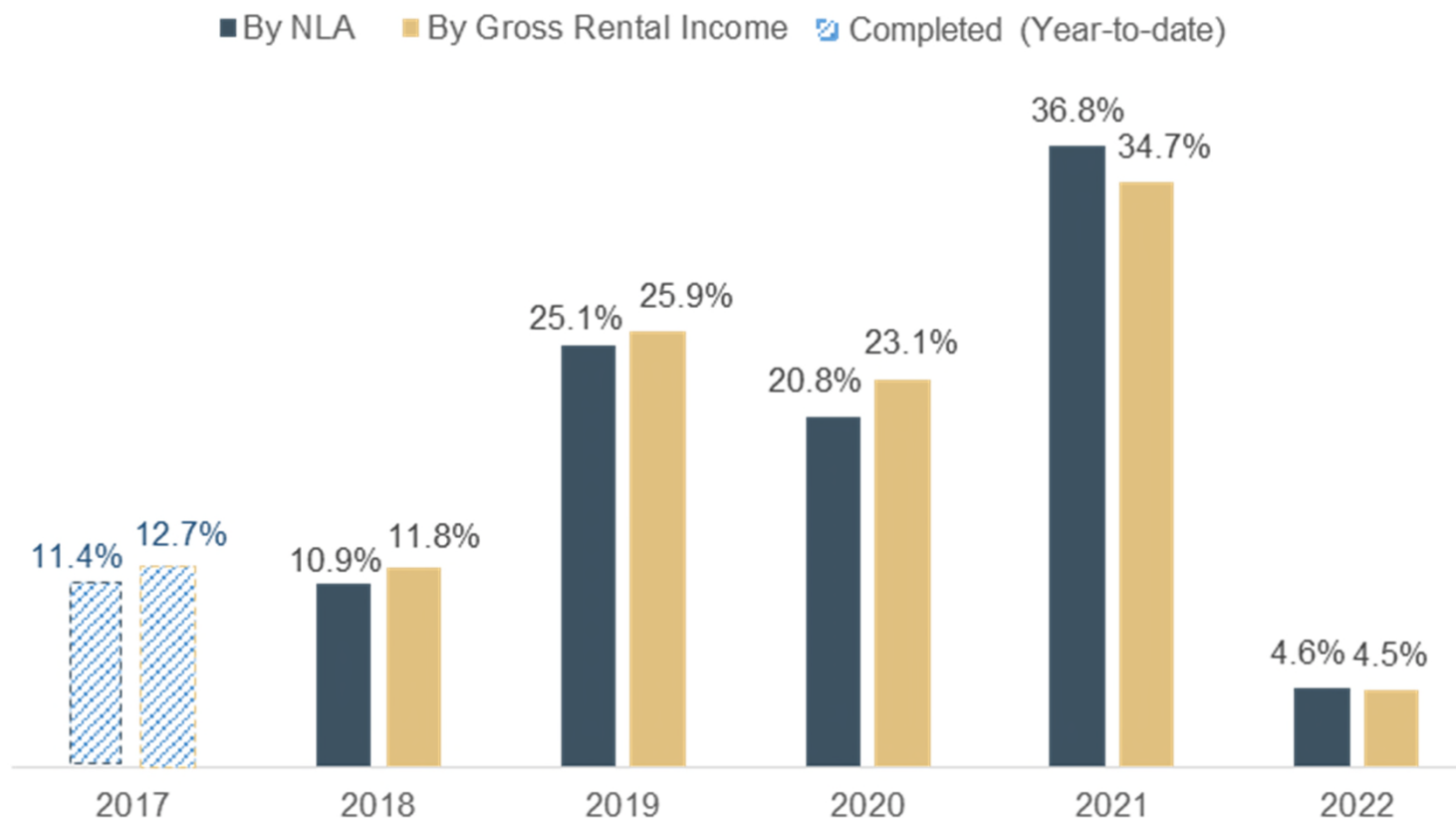
*As at 30 Sep 2017*

(1) "WALE" refers to the weighted average lease term to expiry

(2) "NLA" refers to net lettable area

# Lease Expiry Profile - OUE Bayfront

Completed 2017 lease renewals, with 88% of OUE Bayfront's gross rental income due only in 2019 and beyond

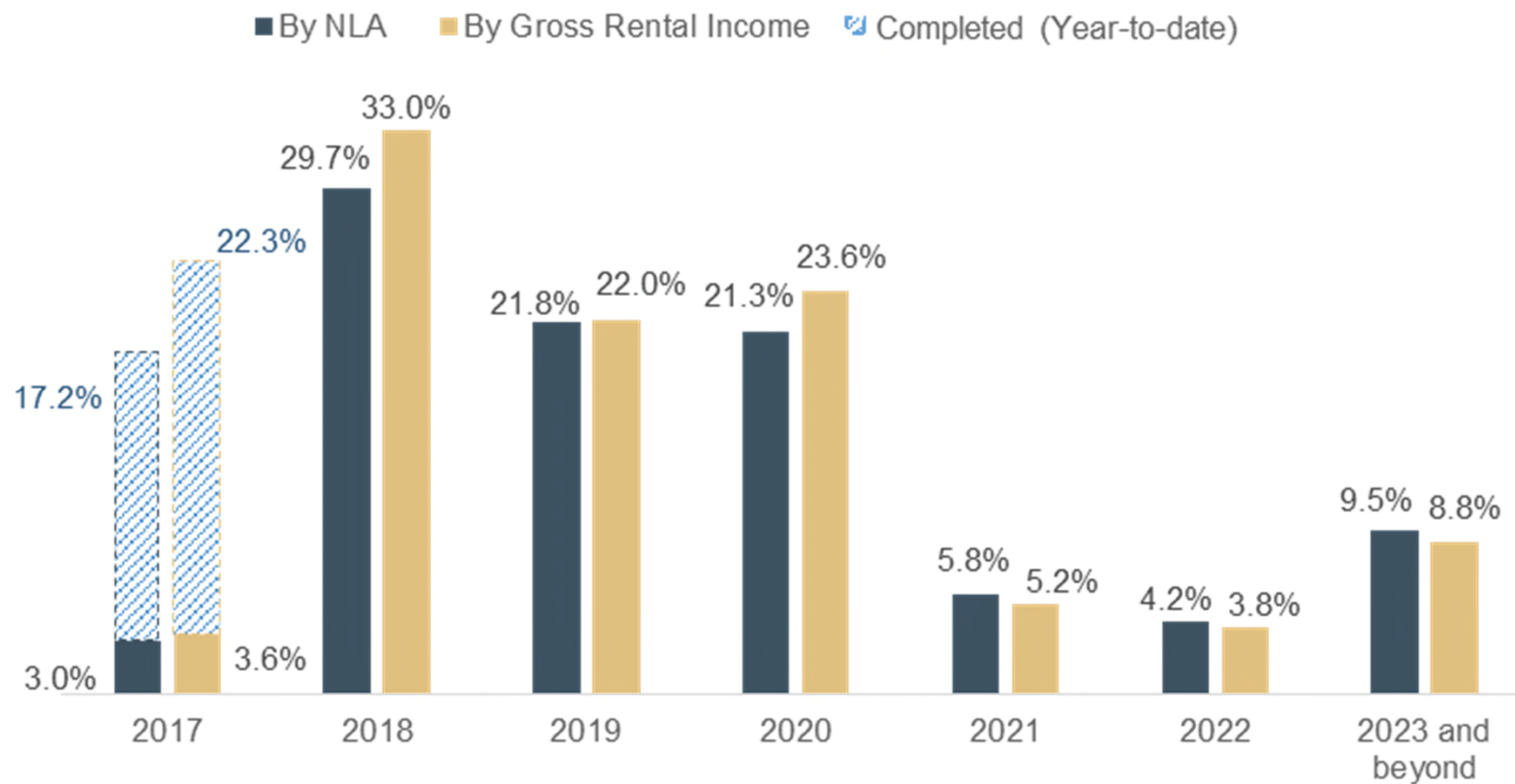


**WALE of 2.9 years by NLA and Gross Rental Income**

As at 30 Sep 2017



# Lease Expiry Profile - One Raffles Place

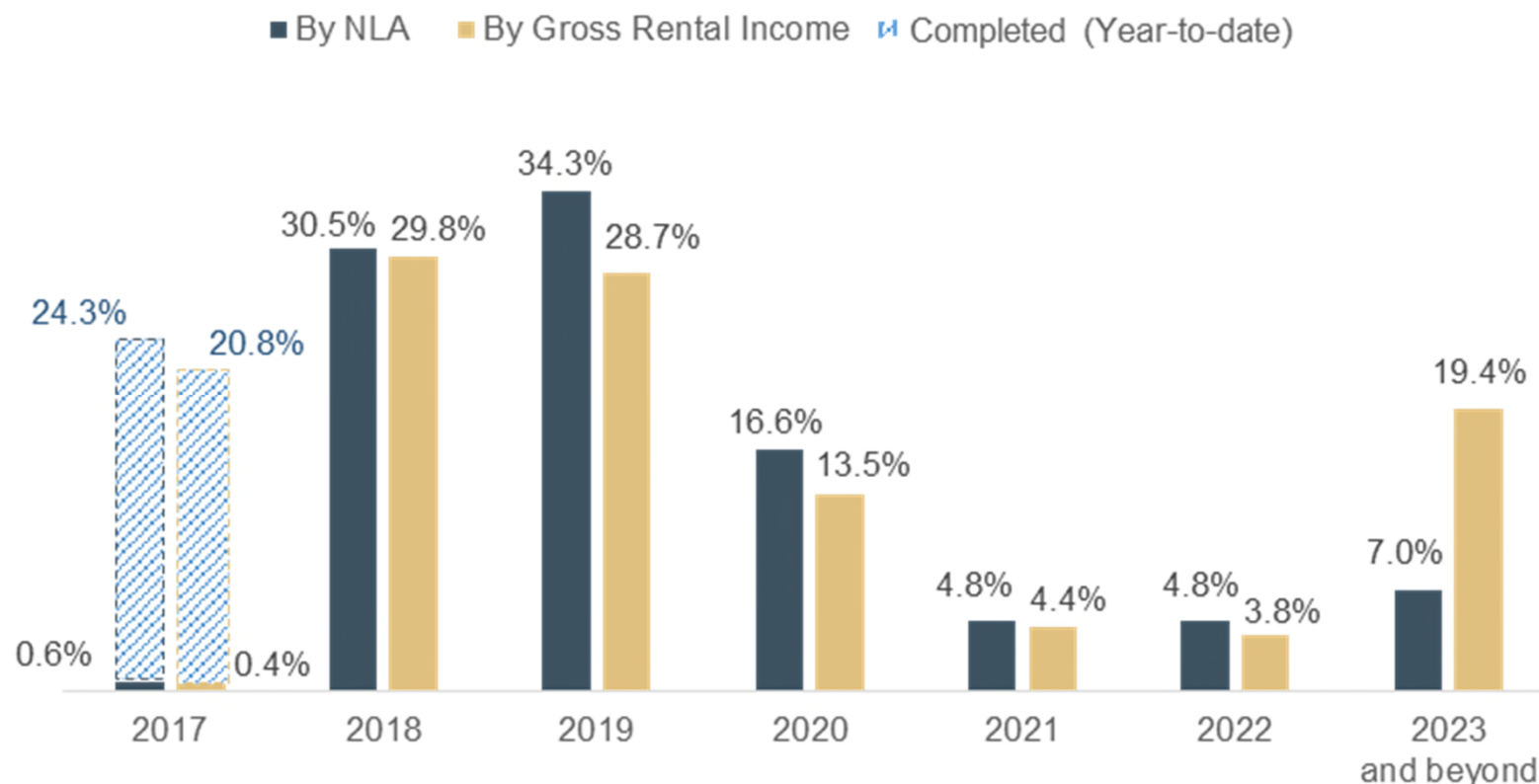


**WALE of 2.3 years by NLA and 2.2 years by Gross Rental Income**

As at 30 Sep 2017

# Lease Expiry Profile - Lippo Plaza

Substantially renewed 2017 office leases due for renewal while maintaining 100% committed office occupancy

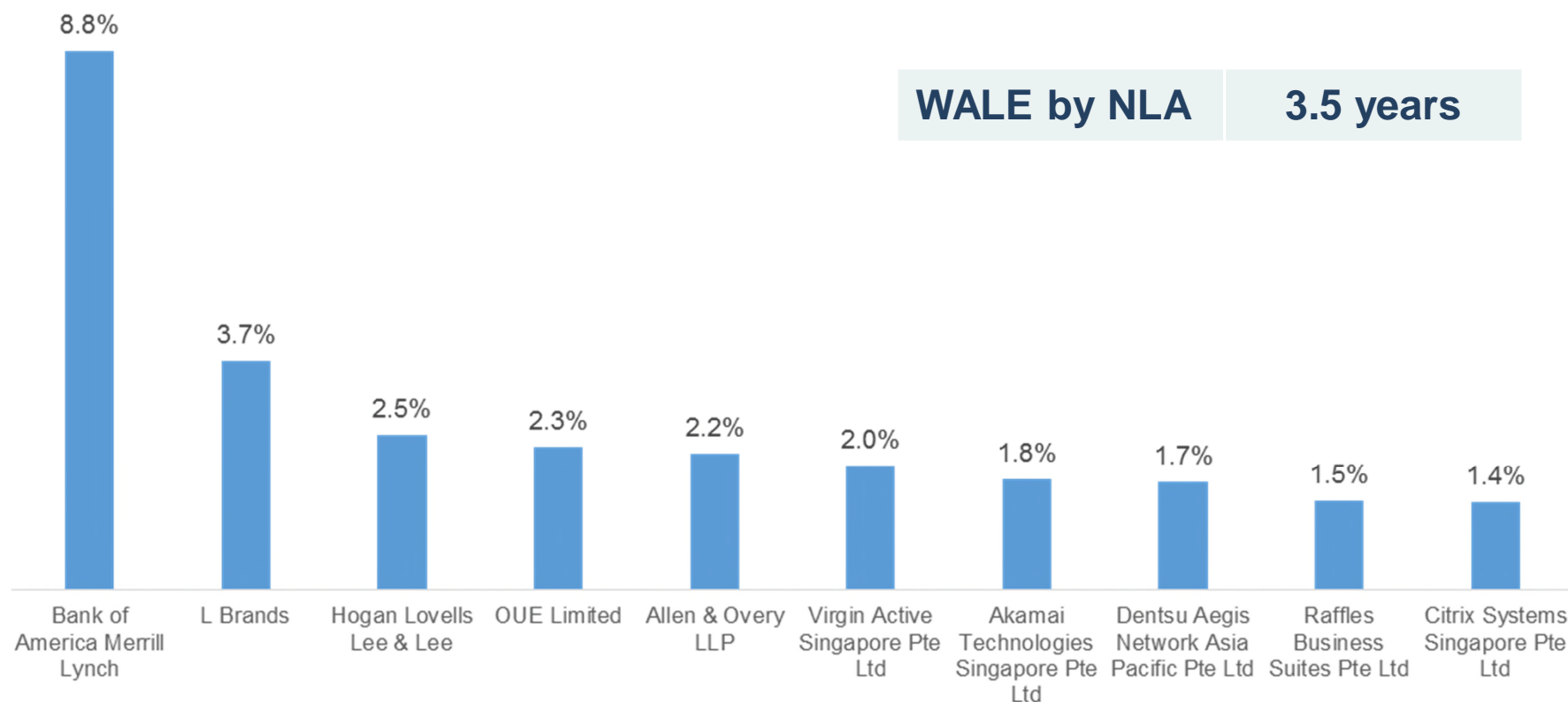


**WALE of 2.4 years by NLA and 3.2 years by Gross Rental Income**

As at 30 Sep 2017

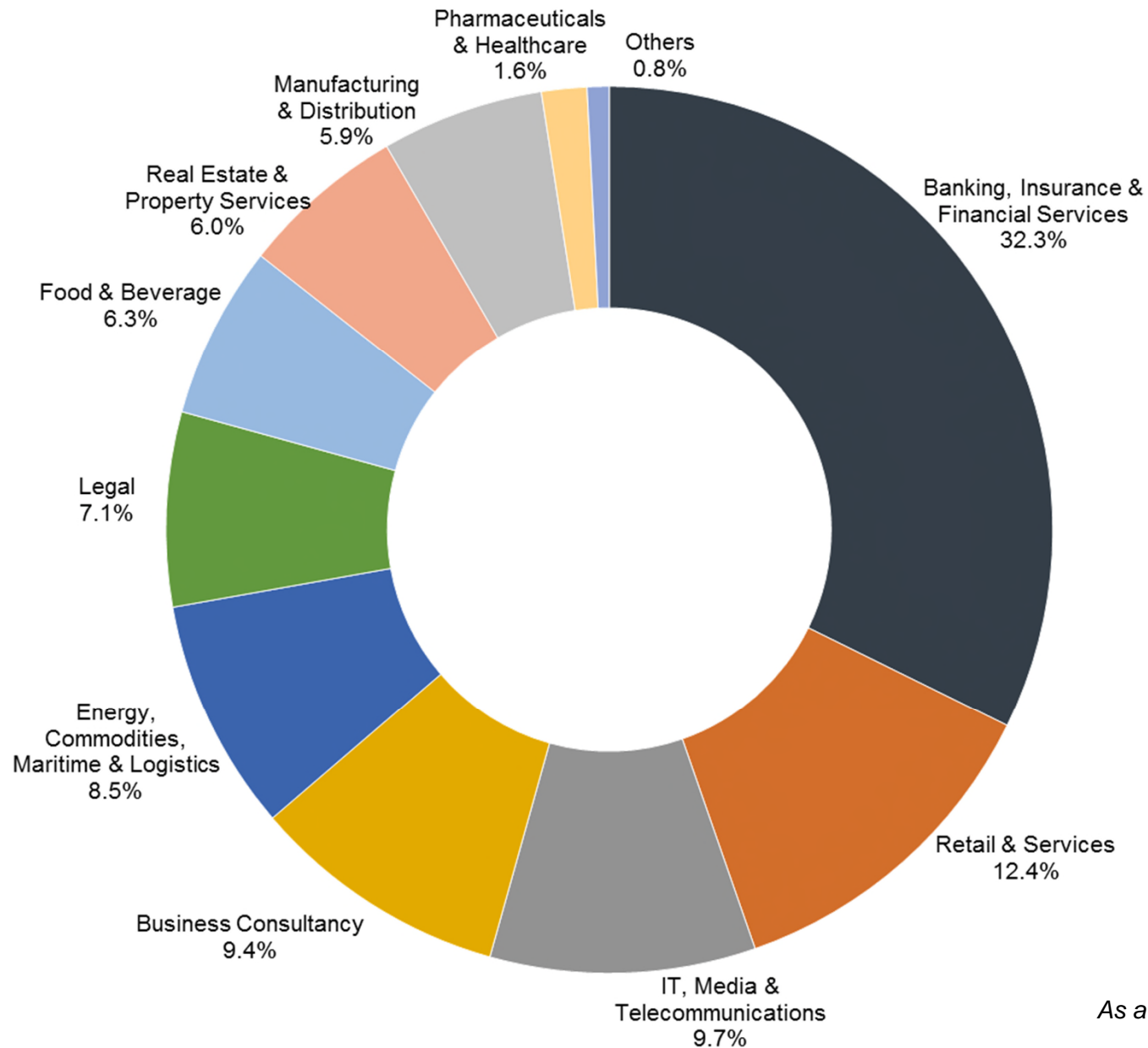
# Quality and Diversified Tenant Base

Top 10 tenants contribute approximately 27.9% of gross rental income



*As at 30 Sep 2017*

# Diversified Tenant Base



As at Sep 2017

# Outlook





# Outlook – Singapore

- Based on advance estimates by the Ministry of Trade and Industry (“MTI”), Singapore’s economy grew 4.6%<sup>(1)</sup> YoY in 3Q 2017, improving from the 2.9% growth in 2Q 2017. The strong growth was driven by the manufacturing sector, which expanded 15.5% YoY, compared to 8.2% in 2Q 2017. The services industries grew 2.6% YoY in 3Q 2017, similar to the rate of growth in 2Q 2017, largely supported by the finance & insurance, wholesale & retail trade and transportation & storage sectors. MTI in August narrowed 2017 GDP growth forecast of 1.0% to 3.0% to 2.0% to 3.0%
- CBD Grade A office rents rose 1.7% QoQ to S\$9.10 psf/mth<sup>(2)</sup> in 3Q 2017, the first increase in 10 quarters. Net absorption was 409,723 sq ft with mainly mid-sized leasing driven by relocations within the banking and finance, oil & gas and engineering sectors to new office completions. New and expansionary demand was limited to co-working and technology sectors. Core CBD office occupancy declined 1.6 ppt QoQ to 92.5%, with the completion of a new office project
- While office rents appear to have bottomed on the back of stronger economic fundamentals and more positive market sentiment, underlying occupier demand remains uncertain. OUE C-REIT’s rental income in 2018 may be impacted by the full-year impact of negative rental reversions of leases committed in 2017. However, this is mitigated by the downside protection of rental revenue at OUE Bayfront from the income support arrangement which will expire only in 2019. Further, the 2018 revenue base at One Raffles Place would have improved due to the notable increase in committed office occupancy achieved in 2017. Depending on the pace of recovery in spot rents, negative rental reversions may potentially continue into the next year.

(1) Ministry of Trade and Industry Press Release, 13 October 2017

(2) CBRE, Singapore Market View, 3Q 2017

# Outlook – China

- China's 3Q 2017 GDP growth was 6.8%<sup>(1)</sup>, slowing slightly from the 6.9% growth recorded 2Q 2017. While policymakers' efforts to curb property speculation and credit expansion was expected to temper growth, GDP growth continued to be healthy and broad-based. Exports and factory production continued to be firm, while September retail sales growth was robust at 10.3% YoY. With 2017 GDP growth target of around 6.5%, the strong growth achieved year-to-date provides substantial buffer for authorities to push through with structural reforms and rein in excess capacity, to shift towards a more sustainable growth path
- According to Colliers International, Shanghai CBD Grade A office occupancy as at 3Q 2017 declined 1.0 ppt QoQ to 86.1%<sup>(2)</sup>, due to significant new office completions of 204,000 sq m during the quarter. Consequently, Shanghai CBD Grade A office rents as at 3Q 2017 fell 3.4% QoQ to RMB10.15 psm per day. In Puxi, Grade A office occupancy as at 3Q 2017 fell 2.3 ppt to 85.3%, with rents 1.5% QoQ lower at RMB 9.14 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 is expected to be soft

(1) National Bureau of Statistics of China Press Release, 19 October 2017

(2) Colliers International, Shanghai Office Research & Forecast Report 3Q 2017



# Appendices

- Overview of OUE C-REIT
- OUE C-REIT's Portfolio
- Singapore Office Market
- Shanghai Office Market



# Overview of OUE C-REIT

## About OUE C-REIT

- OUE C-REIT is a Singapore real estate investment trust listed on the Mainboard of Singapore Exchange Securities Trading Limited 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
- OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd., a wholly-owned subsidiary of OUE Limited

## Quality Portfolio

OUE C-REIT's portfolio comprises :

- **OUE Bayfront**, a premium Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place in Singapore;
- **One Raffles Place**, an integrated commercial development comprising two Grade A office towers and a retail mall located in the heart of the Singapore's central business district at Raffles Place; and
- **Lippo Plaza**, a Grade A commercial building located in Huangpu, one of Shanghai's established core CBD locations

## Strong Sponsor

- Committed Sponsor in OUE Group which has a 55.6% stake in OUE C-REIT
- Right of First Refusal over 1 million sq ft NLA of commercial space
- Sponsor has proven track record in real estate ownership and operations
- Leverage on Sponsor's asset enhancement and redevelopment expertise



# Premium Portfolio of Assets

## *OUE Bayfront*



<b>GFA (sq m)</b>	46,774.6
<b>NLA (sq m)</b>	Office: 35,342.7; Retail: 1,830.0; Overall: 37,172.7
<b>Committed Occupancy (@ 30 Sep 2017)</b>	Office: 98.2%; Retail: 100.0%; Overall: 98.2%
<b>Valuation (@ 31 Dec 2016)</b>	S\$1,146.0 m (S\$2,864 psf)
<b>Valuation Cap Rate (Office):</b>	3.75%
<b>Land Use Right Expiry</b>	OUE Bayfront & OUE Tower: 99 yrs from 12 November 2007 OUE Link: 15 yrs from 26 March 2010 Underpass: 99 yrs from 7 January 2002
<b>Completion Year</b>	2011



# Premium Portfolio of Assets

## *One Raffles Place*



<b>GFA (sq m)</b>	119,626.3
<b>Attributable NLA (sq m)</b>	Office: 56,090.0; Retail: 9,500.0; Overall: 65,590.0
<b>Committed Occupancy (@ 30 Sep 2017)</b>	Office: 97.3%; Retail: 85.7%; Overall: 95.4%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2016)</b>	S\$1,738.3 m (S\$2,462 psf)
<b>Valuation Cap Rate (Office):</b>	3.65% - 4.00%
<b>Land Use Right Expiry</b>	Office Tower 1: 841 yrs from 1 Nov 1985; Office Tower 2: 99 yrs from 26 May 1983; Retail: ~75% of NLA is on 99 yrs from 1 Nov 1985
<b>Completion Year</b>	Office Tower 1: 1986; Office Tower 2: 2012; Retail (major refurbishment): 2014

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

# Premium Portfolio of Assets

## *Lippo Plaza*



<b>GFA (sq m)</b>	58,521.5
<b>Attributable NLA (sq m)</b>	Office: 33,538.6; Retail: 5,685.9; Overall: 39,224.5
<b>Committed Occupancy (@ 30 Sep 2017)</b>	Office: 100.0%; Retail: 90.4%; Overall: 98.6%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2016)</b>	RMB2,524.0 m / RMB43,129 psm (S\$517.8m) <sup>(2)</sup>
<b>Land Use Right Expiry</b>	50 yrs from 2 July 1994
<b>Completion Year</b>	1999; Retail (major refurbishment) : 2010

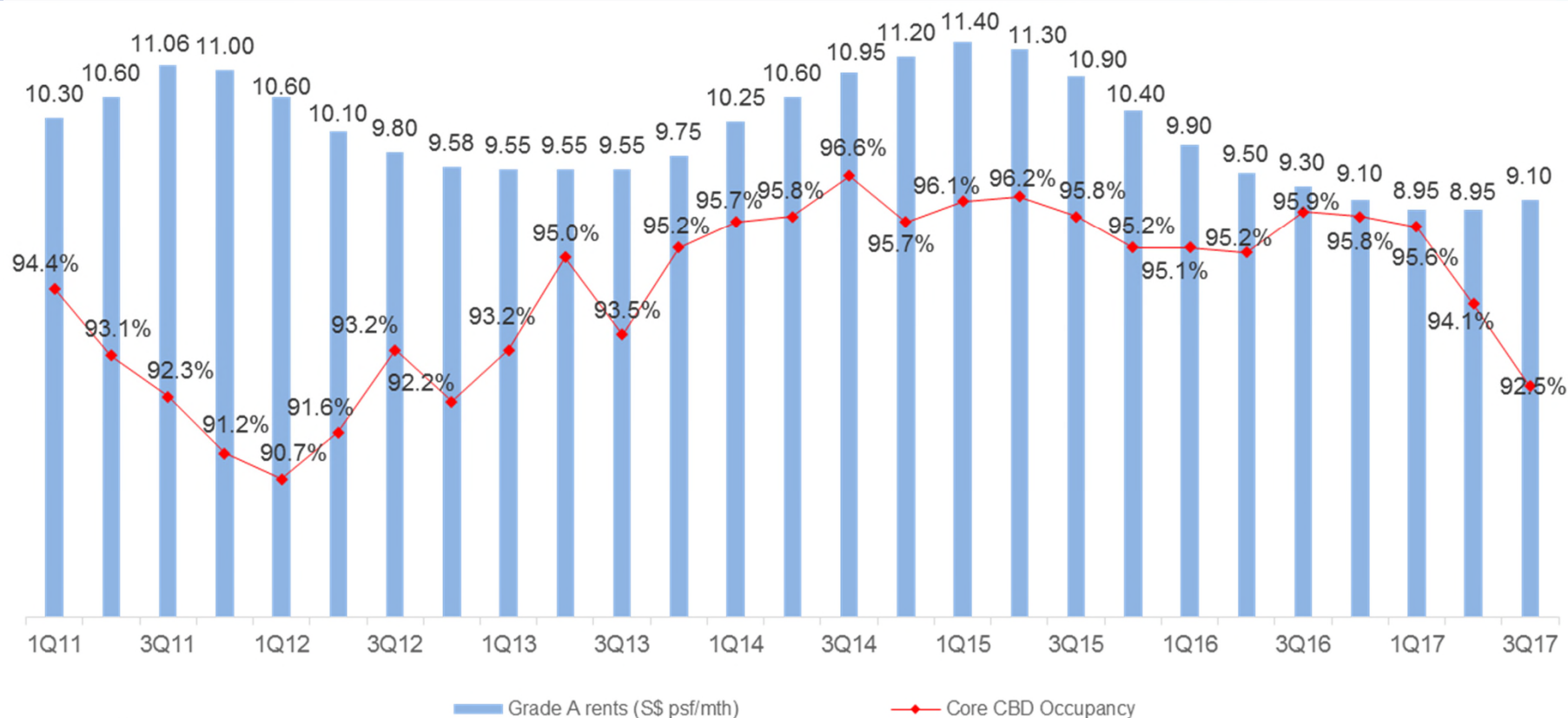
(1) Based on 91.2% strata ownership of Lippo Plaza

(2) Based on SGD:CNY exchange rate of 1 : 4.880 as at 30 September 2017



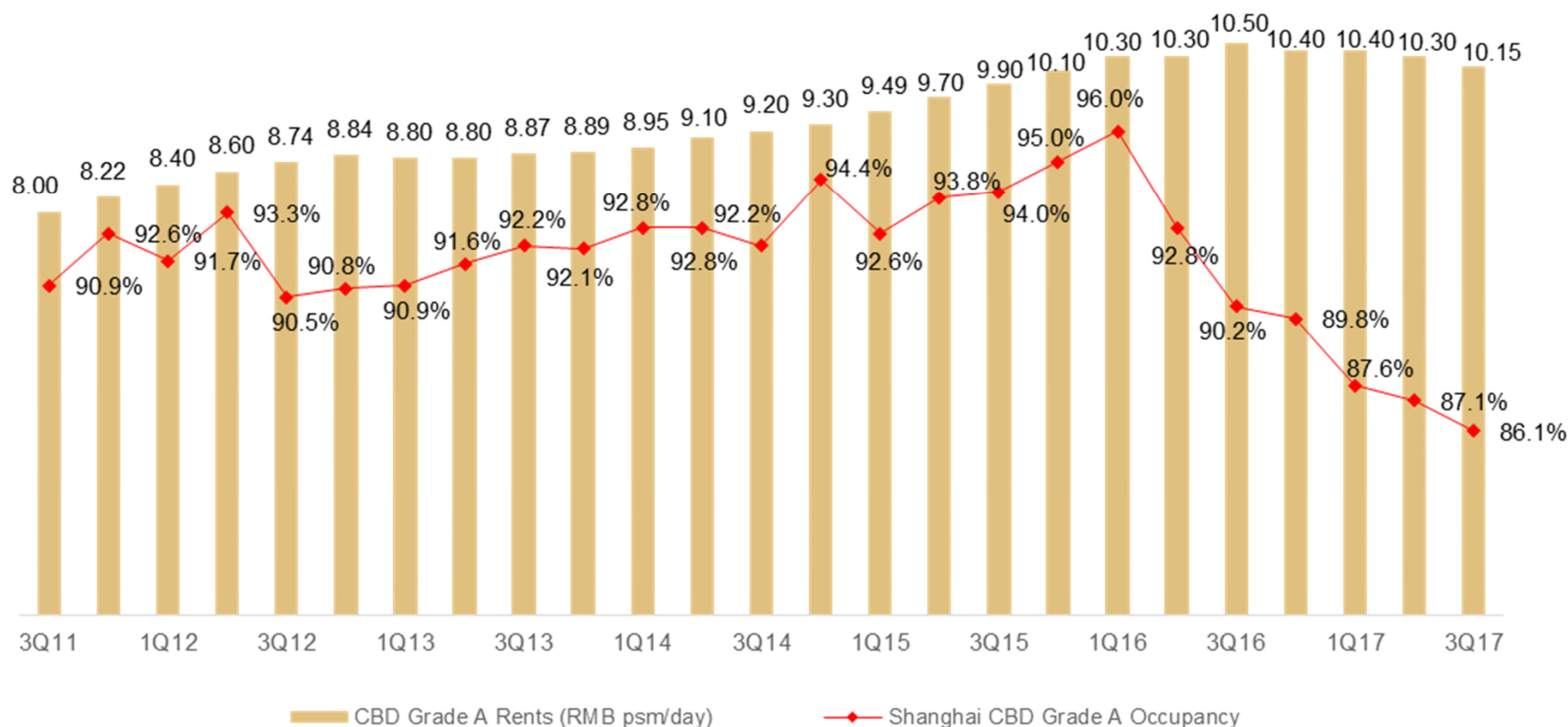
# Singapore Office Market

- Core CBD office occupancy corrected 1.6 ppt QoQ to 92.5% as at 3Q 2017 with the completion of a new office project, while Grade A office rents rose 1.7% QoQ to S\$9.10 psf/mth, the first increase in 10 quarters
- Leasing transactions in 3Q 2017 were mid-sized, driven by relocations within the banking and finance, oil & gas and engineering sectors to new office completion; new and expansionary demand was limited to the co-working and technology sectors



# Shanghai Office Market

- In 3Q 2017, Shanghai CBD Grade A office occupancy declined 1.0 ppt QoQ to 86.1% due to significant new office completions in the quarter. CBD Grade A office rents fell 3.4% to RMB10.15 psm/day.
- In the Puxi area, Grade A office occupancy declined by 2.3 ppt QoQ to 85.3% as at 3Q 2017, with rents 1.5% QoQ lower at RMB9.14 psm/day







**Thank you**