

## **MEDIA RELEASE**

### **Keppel REIT Key Business and Operational Updates for the First Quarter of 2024**

**23 April 2024**

The Directors of Keppel REIT Management Limited, as Manager of Keppel REIT, are pleased to provide the key business and operational updates of Keppel REIT for the first quarter of 2024.

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*The materials are also available at [www.keppelreit.com](http://www.keppelreit.com), [www.keppel.com/fundmgt](http://www.keppel.com/fundmgt) and [www.keppel.com](http://www.keppel.com).*

## Higher net property income driven by strong demand for prime office space

### Key Highlights

- 1Q 2024 property income and net property income grew 6.3% and 7.2% year-on-year respectively underpinned by higher rentals, as well as contribution from 2 Blue Street
- Supported by strong demand for prime office space, rental reversion for 1Q 2024 was 10.9%
- Maintained high portfolio committed occupancy of 96.4% and long portfolio weighted average lease expiry (WALE) of 4.6 years<sup>1</sup> with top 10 tenants' WALE at 8.1 years<sup>2</sup>
- Aggregate leverage at 39.4% and all-in interest rate of 3.18% p.a. with 74% of borrowings on fixed rates
- Keppel REIT to acquire 50% interest in 255 George Street, a freehold Grade A office building located in the highly sought after Core Precinct of Sydney CBD at an attractive yield with DPV accretion

### Summary of Results

	GROUP		
	1Q 2024 \$'million	1Q 2023 \$'million	+/(-) %
<b>Property Income</b>	<b>\$61.3</b>	\$57.7	6.3%
<b>Net Property Income (NPI)</b>	<b>\$48.2</b>	\$45.0	7.2%
<b>NPI Attributable to Unitholders</b>	<b>\$43.4</b>	\$40.5	7.1%
<b>Share of Results of Associates</b> <sup>(a)</sup>	<b>\$21.9</b>	\$19.7	11.2%
<b>Share of Results of Joint Ventures</b> <sup>(b)</sup>	<b>\$5.7</b>	\$6.0	(5.4%)
<b>Borrowing Costs</b>	<b>(\$18.7)</b>	(\$15.4)	21.3%
<b>Distributable Income from Operations</b>	<b>\$50.2</b>	\$50.2	-
<b>Anniversary Distribution</b> <sup>(c)</sup>	<b>\$5.0</b>	\$5.0	-
<b>Distributable Income Including Anniversary Distribution</b>	<b>\$55.2</b>	\$55.2	-

(a) Share of results of associates relates to Keppel REIT's one-third interests in One Raffles Quay and Marina Bay Financial Centre. The increase is due mainly to higher rentals, offset partially by higher borrowing costs and property expenses.

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

(c) In appreciation to Unitholders for their support and to celebrate Keppel REIT's 20th anniversary in 2026, Keppel REIT announced in October 2022 that it will distribute a total of \$100 million of Anniversary Distribution over a 5-year period. \$20 million will be distributed annually with such distribution to be made semi-annually.

### Financial Performance

Driven by higher rentals from Ocean Financial Centre and contribution from 2 Blue Street, Keppel REIT's property income<sup>3</sup> increased 6.3% year-on-year to \$61.3 million, while net property income grew 7.2% to \$48.2 million in 1Q 2024. Notwithstanding the stronger operating performance, distributable income including anniversary distribution remained at \$55.2 million due mainly to higher borrowing costs.

<sup>1</sup> Based on committed attributable gross rent. Portfolio WALE based on committed NLA was 5.4 years as at 31 March 2024.

<sup>2</sup> Based on committed attributable gross rent. Top 10 tenants' WALE based on committed NLA was 9.5 years as at 31 March 2024.

<sup>3</sup> 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, KR Ginza II and 2 Blue Street after it achieved practical completion on 3 April 2023.

## Capital Management

As at 31 March 2024, Keppel REIT's aggregate leverage was 39.4% with 74% of its borrowings on fixed rates. All-in interest rate was 3.18% per annum, with adjusted interest coverage ratio<sup>4</sup> at 2.9 times. Weighted average term to maturity of borrowings was 2.3 years.

Supported by its portfolio of green-certified properties, Keppel REIT's sustainability-focused funding formed 63% of its total borrowings<sup>5</sup>.

Keppel REIT is in the final stage of financing documentation with the respective lenders to refinance the loans that are maturing in 2Q 2024. Keppel REIT has approximately \$1.2 billion of borrowing facilities available to meet short- to medium-term funding requirements.

## Portfolio Optimisation

On 1 April 2024, Keppel REIT announced the acquisition of a 50% interest in 255 George Street, an iconic freehold office building strategically located in the highly sought after Core Precinct of Sydney CBD. The property enjoys high occupancy of 93.0%, long WALE of 6.8 years as at 31 December 2023, a diversified tenant base consisting of government agency and other blue-chip corporations, as well as an excellent ESG credential of 5.5 Star NABERS Energy rating. The property will provide a first-year yield of more than 6.0% and DPU accretion on a pro forma basis of 1.4%<sup>6</sup>, or 1.5%<sup>6</sup> if the Anniversary Distribution is excluded.

The Core Precinct, where 255 George Street is located, has outperformed other sub-markets of the Sydney CBD and has been leading the market recovery with five consecutive quarters of declining office vacancies<sup>7</sup>. It currently enjoys the lowest office vacancy in Sydney CBD. Looking ahead, the Core Precinct will continue to benefit from the flight-to-quality and flight-to-core trends and remain attractive for businesses. The acquisition is expected to be completed by 2Q 2024.

## Portfolio Review

As at 31 March 2024, Keppel REIT's portfolio committed occupancy was 96.4%. Portfolio and top 10 tenants' WALE remained long at approximately 4.6 years<sup>1</sup> and 8.1 years<sup>2</sup> respectively.

With strong demand for Grade A office space in CBD locations, Keppel REIT recorded a positive portfolio rental reversion of 10.9% and committed approximately 279,100 sf (attributable area of approximately 111,300 sf) of office space in 1Q 2024. Committed occupancy for the Singapore portfolio remained high at 98.8%, while 8 Chifley Square and KR Ginza II maintained 100% committed occupancy. T Tower also achieved higher committed occupancy increasing from 95.8% as at 31 December 2023 to 97.5% as at 31 March 2024.

The weighted average signing rent<sup>8</sup> for Singapore office leases was approximately \$12.30 psf pm in 1Q 2024 with average expiring rents for the rest of 2024 at \$11.01 psf pm.

The total new and expansion leases committed were distributed across various industry sectors, including legal (46.3%), banking, insurance and financial services (17.7%) and manufacturing and distribution (13.0%).

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<sup>4</sup> Defined as trailing 12 months earnings before interest, tax, depreciation and amortisation (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.

<sup>5</sup> This includes Keppel REIT's share of external borrowings accounted for at the level of associates.

<sup>6</sup> Based on the audited financial statements for FY 2023 assuming the acquisition was completed on 1 January 2023.

<sup>7</sup> JLL Research, 4Q 2023.

<sup>8</sup> Weighted average for the Singapore office leases concluded in Ocean Financial Centre, Marina Bay Financial Centre and One Raffles Quay.

The spec suites at Pinnacle Office Park achieved practical completion ahead of schedule in February 2024, and have since been receiving strong interest from prospective tenants.

As part of Keppel REIT's commitment to engage its stakeholders, various activities were carried out in 1Q 2024, such as weekly yoga and pilates classes for tenants at Victoria Police Centre and a fun-filled crafts workshop with the beneficiaries from the Muscular Dystrophy Association (Singapore). Tenants from One Raffles Quay and Marina Bay Financial Centre also collaborated with TOUCH Community Services to host a "Caring Hearts, Caring Carts" event for underprivileged seniors, where the volunteers engaged the beneficiaries from TOUCH Community Active Ageing Centre over grocery shopping and lunch.

### **Market Review**

In Singapore, the average core CBD Grade A office rents reported by CBRE registered an increase from \$11.90 psf pm in 4Q 2023 to \$11.95 psf pm in 1Q 2024, and average core CBD occupancy increased from 94.8% as at end-2023 to 95.1% as at end March 2024.

In Australia, JLL Research (JLL) noted that the prime grade occupancies in Sydney CBD, North Sydney and Perth CBD increased and prime grade occupancy in Macquarie Park maintained at the same level, while prime grade occupancy in Melbourne CBD was lower as at 31 March 2024. According to JLL, CBD Grade A office market vacancy in Seoul remained low with occupancy increased to 98.3% as at 31 March 2024. In the Tokyo central five wards, JLL noted that the Grade A office market occupancy increased from 95.4% as at end-2023 to 95.8% as at 31 March 2024, while the Grade B office market occupancy increased from 96.3% as at end-2023 to 96.8% as at 31 March 2024.

Delivering sustainable long-term total return to the Unitholders remains a key focus for Keppel REIT. The Manager will continue to adopt a prudent stance towards capital management and a proactive approach in managing the portfolio.

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## **About Keppel REIT ([www.keppelreit.com](http://www.keppelreit.com))**

Listed by way of an introduction on 28 April 2006, Keppel REIT is one of Asia's leading real estate investment trusts with a portfolio of prime commercial assets in Asia Pacific's key business districts.

Keppel REIT's objective is to generate stable income and sustainable long-term total return for its Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Asia Pacific.

Keppel REIT has a portfolio value of over \$9.0 billion, comprising properties in Singapore; the key Australian cities of Sydney, Melbourne and Perth; Seoul, South Korea; as well as Tokyo, Japan.

Keppel REIT is managed by Keppel REIT Management Limited and sponsored by Keppel, a global asset manager and operator with strong expertise in sustainability-related solutions spanning the areas of infrastructure, real estate and connectivity.

### **Important Notice**

*The past performance of Keppel REIT is not necessarily indicative of its future performance. Certain statements made in this release may not be based on historical information or facts and may be "forward-looking" statements due to 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 or shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.*

*Prospective investors and unitholders of Keppel REIT ("Unitholders") are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of Keppel REIT Management Limited, as manager of Keppel REIT (the "Manager") on future events. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, or opinions contained in this release. None of the Manager, the trustee of Keppel REIT or any of their respective advisors, representatives or agents shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this release or its contents or otherwise arising in connection with this release. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. The value of units in Keppel REIT ("Units") and the income derived from them may fall as well as 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.*

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