OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved FY2017 Distribution of S$70.0 million, 3.8% Increase YoY

Key Highlights:

- FY2017 amount available for distribution of S$70.0 million increased 3.8% year-on-year ("YoY"), translating to DPU of 4.67 cents
- Healthy portfolio occupancy of 96.8%, up 2 percentage points ("ppt") YoY despite a competitive leasing market, with all three properties achieving higher-than-market office occupancy
- Committed office rents during the year were in line with or above market across the portfolio
- Strengthened balance sheet with S$300 million raised from debt and equity markets, diversifying funding sources and improving financial flexibility

31 January 2018 – 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$17.7 million for the financial period 1 October 2017 to 31 December 2017 ("4Q 2017"). 4Q 2017 DPU was 1.14 cents. For the financial year ended 31 December 2017 ("FY2017"), amount available for distribution was S$70.0 million, 3.8% increase from FY2016. FY2017 DPU was 4.67 cents, translating to a distribution yield of 6.5% based on OUE C-REIT's unit closing price of S$0.72 as at 31 December 2017.

OUE C-REIT pays its distribution semi-annually, and the distribution for the financial period from 1 July 2017 to 31 December 2017 is 2.29 cents. With the books closure date being Thursday, 8 February 2018, payment of the distribution can be expected on Friday, 9 March 2018.

Summary of OUE C-REIT's Group Results

(S$'000)	4Q 2017	4Q 2016	Change	FY2017	FY2016	Change
Revenue	**43,994**	45,023	-2.3%	**176,297**	177,809	-0.9%
Net Property Income	**34,699**	34,820	-0.3%	**138,186**	138,631	-0.3%
Amount Available For Distribution	**17,680**	15,428	+14.6%	**69,950**	67,417	+3.8%
DPU (Cents)	**1.14**	1.18	-3.4%	**4.67**	5.18	-9.8%

FY2017 revenue was slightly lower YoY at S$176.3 million due to lower one-off income in the current period. With lower property operating expenses, net property income of S$138.2 million was marginally lower YoY. Due to the absence of performance fees and higher income support drawn, FY2017 amount available for distribution was S$70.0 million, 3.8% higher YoY. FY2017 DPU was 9.8% lower due to an enlarged unit base from the equity placement completed in March 2017.

As at 31 December 2017, OUE C-REIT's investment properties were assessed by independent valuers to be S$3,515.1 million, a 3.1% increase compared to the valuation of S$3,408.5 million as at 31 December 2016. Higher valuations were recorded across the portfolio, supported by improved cashflows. This translates to a net asset value per Unit of S$0.91 as at 31 December 2017.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "We are pleased to report a good set of results for OUE C-REIT in FY2017 underpinned by the portfolio's strong operational performance, with amount available for distribution of S$70.0 million, 3.8% higher YoY, and DPU of 4.67 cents.

All three properties outperformed their respective office markets and enjoyed higher YoY office occupancy during the year, even as the market office occupancy in both the central business districts of Singapore and Shanghai declined in 2017 due to the completion of significant new office developments. As a result, OUE C-REIT's portfolio occupancy improved 2 ppt YoY to 96.8% as at 31 December 2017.

Further, committed office rents achieved across the portfolio in 2017 were in line with or higher than respective market rates. The strength of OUE C-REIT's operational performance attests to the quality of its portfolio, and demonstrates the Manager's successful efforts in proactive lease management.

While driving operating performance in 2017, the Manager also strengthened OUE C-REIT's balance sheet and improved its financial flexibility by raising S$300 million of capital from the debt and equity markets, so as to achieve a more sustainable capital structure and position OUE C-REIT to potentially capitalise on the nascent recovery in the Singapore office market.

The Manager will continue to focus its efforts to proactively attract and retain tenants to ensure healthy occupancy rates, as well as maintain cost efficiency so as to mitigate any impact on rental income as a result of negative rental reversions. Together with our prudent and disciplined approach to capital management, we remain committed to delivering stable and sustainable returns for our Unitholders."

Strong Operational Performance

OUE Bayfront's committed office occupancy as at 31 December 2017 was 98.2%, above the Singapore core CBD office occupancy of 93.8%. Committed rents achieved at OUE Bayfront in 4Q 2017 for new and renewed office leases ranged from S$12.00 psf per month to S$12.50 psf per month, above the office market rent of S$9.40 psf per month as at 4Q 2017, reflecting the premium positioning of the property. Average passing office rent for the property was S$11.43 psf per month as at December 2017.

At One Raffles Place, committed office occupancy was 96.5% as at 31 December 2017, a notable increase of 4.3 ppt YoY in a period of intense leasing competition from new office supply coming on-stream, and a 6.4 ppt increase since acquisition in October 2015. 4Q 2017 committed office rents for new and renewed leases ranged from S$8.50 psf per month to S$10.50 psf per month. Average passing office rent was S$9.92 psf per month for December 2017.

As at 31 December 2017, Lippo Plaza's committed office occupancy was 100%, 5.5 ppt higher from a year ago in a market which saw Shanghai CBD Grade A occupancy decline 3.7 ppt YoY to 86.1% as at 4Q 2017. The range of committed rents for new and renewed office leases was RMB9.70 psm per day to RMB12.00 psm per day in 4Q 2017, above Puxi market rent of RMB9.14 psm per day as at 4Q 2017. Average passing office rent was RMB9.79 psm per day for December 2017.

At the portfolio level, about 19.3% of OUE C-REIT's gross rental income is due for renewal in 2018. At OUE Bayfront, only 8.6% of gross rental income is due, while One Raffles Place has 22.4% of gross rental income due in 2018.

Prudent Capital Management

OUE C-REIT's aggregate leverage was 37.3% as at 31 December 2017 with a weighted average cost of debt of 3.5% per annum. To mitigate interest rate volatility, about 84.3% of borrowings are on fixed rate basis with an average term of fixed rate debt of 2.0 years.

In line with its prudent and disciplined approach to capital management, the Manager raised S$300 million via debt and equity markets in 2017 to strengthen OUE C-REIT's balance sheet, as well as diversify its funding sources. In addition to the maiden issuance of medium-term notes in September 2017, OUE C-REIT in December 2017 obtained unsecured loan facilities as part of its strategy to shift towards unsecured borrowings. These moves improved OUE C-REIT's financial flexibility, while maintaining a high proportion of fixed rate debt with an extended debt maturity profile.

Further, the Manager is currently in active negotiations to complete OUE C-REIT's 2018 refinancing ahead of maturity in 2H 2018.

The Manager proactively manages its capital structure to ensure longer-term sustainability. S$75 million convertible perpetual preferred units ("CPPUs") were redeemed in November 2017 to reduce the amount of CPPUs outstanding so as to mitigate future DPU dilution from potential conversion of CPPUs into new units. A further S$100 million CPPUs was redeemed on 2 January 2018. Post the redemption, the proforma aggregate leverage as at 31 December 2017 is expected to be approximately 40.3%, with the remaining amount of outstanding CPPUs at S$375 million.

For 2017, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units. This is in line with its objective of delivering sustainable and stable DPU to Unitholders.

Outlook

CBD Grade A office rents continued to recover, rising 3.0% QoQ to S$9.40 psf/mth in 4Q 2017 as the outlook for the office market continued to be positive, underpinned by stronger economic fundamentals and lower office supply expected over the medium term. Core CBD office occupancy improved 1.3 ppt QoQ to 93.8% as at 4Q 2017 on the back of stronger leasing activity; 4Q 2017 net absorption was 783,621 sq ft with expansionary demand driven by the co-working and technology sectors.

While the Singapore office rents recovered earlier than expected, the extent of the rebound may be curtailed by potential secondary vacancy in older buildings due to relocations to newly completed buildings, as well as continued lacklustre occupier demand from traditional source sectors such as banking, maritime and energy.

According to Colliers International, Shanghai CBD Grade A office occupancy as at 4Q 2017 was 86.1%, unchanged from 3Q 2017 but 3.7 ppt lower YoY, due to significant new office completions of 956,000 sq m during the year. Shanghai CBD Grade A office rents as at 4Q 2017 were RMB10.21 psm per day, up 0.6% QoQ but down 2.4% YoY given the competition to retain tenants. In Puxi, Grade A office occupancy as at 4Q 2017 edged up 0.4 ppt QoQ to 85.7%, with rents holding steady at RMB 9.14 psm per day.

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. Depending on the pace of recovery in spot rents in the Singapore CBD, negative rental reversions may potentially continue into 2018. However, this is mitigated as only 8.6% of OUE Bayfront's gross rental income is due for renewal in 2018 and its rental revenue has downside protection from the income support arrangement which will expire only in 2019. At One Raffles Place, its 2018 revenue base would have improved due to the notable increase in committed office occupancy achieved in 2017, thereby mitigating potential negative reversions in 2018.

Despite the ongoing absorption from the finance and technology sectors which is expected to underpin demand in Shanghai, further new office supply coming on-stream in 2018 is expected to keep the overall CBD Grade A vacancy rate elevated and may impact rental growth.

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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$3.5 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

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.