OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved Distribution of S$17.8 million in 3Q 2017, 3.2% Higher YoY

Key Highlights:

- 3Q 2017 amount available for distribution of S$17.8 million increased 3.4% year-on-year ("YoY"), translating to a distribution per unit ("DPU") of 1.15 cents
- Portfolio committed occupancy continued to increase, improving 0.6 percentage points ("ppt") quarter-on-quarter ("QoQ") to 97.0% as at 30 September 2017, with all three properties achieving higher-than-market office occupancy
- Strong take-up for debut issuance of S$150 million fixed rate notes due 2020 at coupon of 3.03 per cent.

2 November 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$17.8 million for the financial period 1 July 2017 to 30 September 2017 ("3Q 2017").

3Q 2017 DPU was 1.15 cents, translating to an annualised distribution yield of 6.5% based on OUE C-REIT's unit closing price of S$0.70 as at 30 September 2017.

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Summary of OUE C-REIT's Group Results

(S$'000)	3Q 2017	3Q 2016	Change	YTD Sep 2017	YTD Sep 2016	Change
Revenue	**43,273**	44,184	-2.1%	**132,303**	132,786	-0.4%
Net Property Income	**34,076**	35,328	-3.5%	**103,487**	103,811	-0.3%
Amount Available For Distribution	**17,795**	17,214	+3.4%	**52,270**	51,989	+0.5%
DPU (cents)	**1.15**	1.32	-12.9%	**3.53**	4.00	-11.8%
Pro forma DPU (cents)		1.11[(a)]	+3.6%		3.52[(b)]	+0.3%

Notes:

(a) 3Q 2016 pro forma DPU has been calculated based on 3Q 2016 amount available for distribution and the number of units in issue and to be issued as at 30 September 2017 which includes the new units issued pursuant to the private placement in March 2017

(b) YTD September 2016 pro forma DPU has been calculated based on YTD September 2016 amount available for distribution and the weighted average number of units in issue for YTD September 2017 which includes the new units issued pursuant to the private placement in March 2017

OUE C-REIT's 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.

Due to the absence of performance fees and higher income support drawn in the quarter, 3Q 2017 amount available for distribution was S$17.8 million, 3.4% higher YoY. The resultant DPU was 1.15 cents.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "We are pleased to report another quarter of strong operational performance for OUE C-REIT's portfolio in 3Q 2017.

Despite the sustained decline in market occupancy rate amid stiff leasing competition posed by newly completed office developments, all three properties in OUE C-REIT's portfolio continued to record high office occupancy rates, well above that of their respective office markets. Overall portfolio committed occupancy increased to 97.0% as at the end of September 2017, from 96.4% a quarter ago. We achieved committed rents for new and renewed office leases in 3Q 2017 which were in line with or higher than current market rates, in recognition of the premium quality and strategic location of OUE C-REIT's properties.

In line with our prudent capital management strategy, the Manager tapped the debt capital markets with the debut issuance of S$150 million 3.03 per cent. fixed rate notes due 2020 in September 2017. The diversification of funding sources and shift to unsecured borrowings improves OUE C-REIT's financial flexibility, increases the proportion of fixed rate debt to 91.8% as well as extending OUE C-REIT's debt maturity profile.

The Manager will continue its proactive efforts to retain tenants as well as attract new tenants to ensure that occupancy rates of the properties in OUE C-REIT's portfolio remain robust, as well as focus on active cost management measures to mitigate any impact of lower committed rents on rental income. We will also maintain prudence and discipline in capital management. Our key long-term objective remains delivering stable and sustainable returns for Unitholders."

Healthy Operational Performance

All three properties in OUE C-REIT's portfolio achieved committed office occupancy rates which were higher than that of their respective office markets. As at the end of 3Q 2017, Singapore core CBD office occupancy fell 1.6 percentage points ("ppt") QoQ to 92.5%, while overall Shanghai CBD Grade A office occupancy was 86.1%.

Committed office occupancy for OUE Bayfront dipped slightly to 98.2% as at 30 September 2017 from 98.9% a quarter ago, but continued to outperform Singapore's core CBD office occupancy rate of 92.5% for 3Q 2017. OUE Bayfront's quality specifications and vantage location overlooking Marina Bay have enabled the Manager to achieve committed rents which were at a significant premium over market rates. Office rents for new and renewed leases in 3Q 2017 ranged from S$11.50 psf per month to S$13.50 psf per month, compared to CBD core Grade A office rents of S$9.10 psf per month for the same period. The average passing office rent for OUE Bayfront was S$11.44 psf per month for September 2017.

Committed office occupancy at One Raffles Place increased for the seventh consecutive quarter, hitting a high of 97.3% as at 30 September 2017, rising 2.3 ppt QoQ and 5.6 ppt YoY. Office rents achieved in 3Q 2017 for new and renewed leases ranged from S$7.00 psf per month to S$10.70 psf per month, with weighted average committed rents above that of the market rate. Average passing office rent was S$10.10 psf per month for September 2017.

At One Raffles Place Shopping Mall, the Manager continued to focus its efforts on rebalancing the retail tenant mix, for a more sustainable tenant profile and to better serve the needs of the working population in the CBD given the competitive environment. In response to the demand for conveniently-located quality early education services in the vicinity, One Raffles Place has brought in a leading premium preschool which will commence operations in 2018.

Lippo Plaza maintained committed office occupancy of 100% for two consecutive quarters as at 30 September 2017, which was significantly above the overall Shanghai CBD Grade A occupancy of 86.1% and the Puxi average office occupancy of 85.3% as at 3Q 2017. With the range of committed rents for new and renewed office leases from RMB9.30 psm per day to RMB11.00 psm per day, average passing office rent for Lippo Plaza continued to increase, up 0.8% YoY to RMB9.86 psm per day for September 2017.

With the Manager's focus on active lease management, 2017 lease expiries have been substantially renewed, with about 1.8% of OUE C-REIT's portfolio gross rental income remaining due for renewal in 2017 compared to 20.9% at the beginning of the year.

Prudent and Proactive Capital Management

As at 30 September 2017, aggregate leverage was 36.9%, compared to 36.4% a quarter ago, with a weighted average cost of debt of 3.5% per annum.

As part of the Manager's prudent and proactive approach to capital management, OUE C-REIT raised S$150 million in the maiden issuance of 3.03 per cent. fixed rate notes due 2020. The diversification of funding sources and shift to unsecured borrowings improved OUE C-REIT's financial flexibility, as well as increased the proportion of fixed rate debt to 91.8% from 80.7% a quarter ago, which mitigates interest rate volatility. With no refinancing requirement in 2017, the weighted average debt to maturity as at the end of 3Q 2017 is 3.0 years.

For 3Q 2017, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units, in line with its objective of delivering sustainable and stable DPU to Unitholders.

In October, the Manager announced the proposed redemption of S$75 million of convertible perpetual preferred units ("CPPUs") to optimise OUE C-REIT's capital structure for sustainability over the longer-term. The redemption will reduce the amount of CPPUs outstanding, allowing the Manager 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 a combination of existing credit facilities and cashflow from operations. Post redemption, the pro forma aggregate leverage as at 30 September 2017 is expected to be 38.8%.

Outlook

CBD Grade A office rents rose 1.7% QoQ to S$9.10 psf per mth in 3Q 2017, the first increase in 10 quarters. Net absorption was 409,723 sq ft with mainly mid-sized leasing transactions, driven by relocations within the banking and finance, oil & gas and engineering sectors to newly completed office developments. New and expansionary demand was limited to the co-working and technology sectors. Core CBD office occupancy corrected 1.6 ppt QoQ to 92.5%, with the completion of a new office project.

While Singapore 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.

According to Colliers International, Shanghai CBD Grade A office occupancy as at 3Q 2017 declined 1.0 ppt QoQ to 86.1%, 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, given the competition to retain tenants. 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.

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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$3.4 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.