



(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

ACQUISITION OF PINNACLE OFFICE PARK LOCATED IN MACQUARIE PARK, SYDNEY, AUSTRALIA

Unless otherwise stated in this announcement, all conversions are based on an exchange rate of A\$1.00 to S\$0.9912 as at 9 September 2020.

1. INTRODUCTION

Keppel REIT Management Limited, in its capacity as manager of Keppel REIT (the "**Manager**"), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of Keppel REIT (the "**Trustee**"), has, through The Trust Company (Australia) Limited as trustee of Keppel REIT (Australia) Sub-Trust 6¹ (the "**Sub-Trust 6 Trustee**"), a wholly-owned sub-trust of Keppel REIT, on 13 September 2020 entered into a contract for sale (the "**Contract for Sale**") with Trust Company Limited as custodian of the Goodman Australia Industrial Trust No. 3 (the "**Vendor**") to acquire the property known as Pinnacle Office Park, located at 6 Giffnock Avenue, Macquarie Park, New South Wales, Australia (the "**Property**"), and the acquisition of the Property, the "**Acquisition**").

2. INFORMATION ON THE PROPERTY

The Property is a freehold Grade A commercial development located in Macquarie Park, a key metropolitan office market in Sydney. With a total net lettable area ("**NLA**") of 35,132 square metres (378,165 square feet), it comprises three office buildings on a commercial land parcel of approximately 2.2 hectares.

The Property has a committed occupancy of 96.3% as at 30 June 2020. Key tenants include ASX-listed Aristocrat Technologies, Konica Minolta and Coles Supermarkets. The Property has a weighted average lease expiry ("**WALE**") of 4.8 years by NLA, and its existing leases have fixed annual rental escalations of between 3% and 4%.

Sited close to the Macquarie Park Metro Station and a major bus interchange, the Property is well served by public transportation and major arterial roads that provide direct links to the central business district ("**CBD**"). The expected completion of the City and Southwest metro rail in 2024 will also improve the commuting time between Macquarie Park and the CBD from 30 minutes to 20 minutes. Tenants enjoy on-site amenities including a childcare centre, a gymnasium, end-of-trip facilities and a café. The Property is also close to a range of retail, food and entertainment options at Macquarie Centre, Sydney's largest suburban shopping centre.

3. DETAILS OF THE ACQUISITION

3.1 Valuation and Purchase Consideration

The purchase consideration payable for the Acquisition is A\$306.0 million (approximately S\$303.3 million) (the "**Purchase Consideration**") and was negotiated on a willing-buyer and

¹ A trust constituted in Australia which is wholly-owned by Keppel REIT.

willing-seller basis taking into account the independent valuation of the Property. A deposit of A\$15.3 million (approximately S\$15.2 million) was paid by the Sub-Trust 6 Trustee upon entry into the Contract for Sale, with the balance of the Purchase Consideration to be paid upon completion of the Acquisition ("**Completion**").

The independent valuation conducted by CBRE Valuations Pty Limited (the "**Valuer**") concluded a market value for the Property of A\$306.0 million as of 31 August 2020. The Valuer has valued the Property primarily based on the market capitalisation analysis and discounted cash flow method.

3.2 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition (the "**Total Acquisition Cost**") is approximately A\$329.0 million (approximately S\$326.1 million), comprising:

- 3.2.1** the Purchase Consideration of A\$306.0 million (approximately S\$303.3 million);
- 3.2.2** the acquisition fee payable to the Manager for the Acquisition pursuant to the trust deed dated 28 November 2005 constituting Keppel REIT (as amended and restated) of approximately A\$3.1 million (approximately S\$3.1 million), which is payable in cash or units in Keppel REIT ("**Units**") as the Manager may elect; and
- 3.2.3** estimated professional and other transaction fees and expenses incurred, or to be incurred, in connection with the Acquisition (inclusive of due diligence cost, stamp duty and other applicable taxes, and other costs to be incurred in relation to the valuation) of approximately A\$19.9 million (approximately S\$19.7 million).

3.3 Contract for Sale

The Contract for Sale contains customary provisions relating to the Acquisition, including representations and warranties, indemnities, limitations of liabilities and other commercial terms. The Contract for Sale is conditional on there being no objection to the Acquisition by the Commonwealth of Australia under the Foreign Acquisitions and Takeovers Act 1975 (Cth).

Completion is expected to take place in the fourth quarter of 2020.

3.4 Rental Guarantees

Under the Contract for Sale, the Vendor has agreed to provide rental guarantees until the later of (i) 31 December 2021 or (ii) six or 12 months after the date of Completion, depending on the relevant vacant premises (the "**Rental Guarantee Period**"). The rental guarantees provide for an aggregate fixed amount of approximately A\$2.1 million (approximately S\$2.1 million) to be paid to the Sub-Trust 6 Trustee by way of bank cheques on Completion. The balance between the amount paid to the Sub-Trust 6 Trustee and the rental income and outgoings received by the Sub-Trust 6 Trustee for the premises during the Rental Guarantee Period, if any, will be paid to the Vendor at the end of the Rental Guarantee Period.

As the rental guarantees are calculated based on market rental, the directors of the Manager (the "**Directors**") are of the view that they are on normal commercial terms and are not prejudicial to the interests of Keppel REIT and the minority unitholders of Keppel REIT ("**Unitholders**").

4. RATIONALE FOR AND BENEFITS OF THE ACQUISITION

4.1 Portfolio Optimisation to Improve Income Resilience and Portfolio Yield

With an initial net property income ("NPI") yield² of 5.25%, the Acquisition is in line with the Manager's active portfolio optimisation strategy to improve Keppel REIT's income resilience and portfolio yield.

The expansion into the Grade A metropolitan office space strengthens Keppel REIT's portfolio and complements its prime CBD offering. A diversified portfolio across key business districts of Singapore, Australia and South Korea will also enhance the REIT's income diversification and long-term stability.

Post-Acquisition, Keppel REIT's assets under management³ will grow to S\$8.2 billion across 10 properties in Singapore (77.0%), Australia (19.4%) and South Korea (3.6%). Portfolio WALE will be approximately 6.9 years³, while the freehold portion of the portfolio will increase from 30.3% to 37.1%³ by NLA.

4.2 Distribution per Unit ("DPU") Accretive

The Acquisition is also expected to be DPU accretive following Completion, which is currently expected to occur in the fourth quarter of 2020. Please refer to paragraph 5.3 below for the pro forma financial effects of the Acquisition on Keppel REIT's DPU for the financial year ended 31 December 2019 ("FY2019").

4.3 Opportunity to Gain Exposure to a Key Australian Metropolitan Office Market

Macquarie Park is the second largest office market in New South Wales⁴ and has benefitted from improvements in transport infrastructure. The Acquisition enables Keppel REIT to gain exposure to Macquarie Park, and provide quality metropolitan space to tenants seeking cost-effective solutions or hub-and-spoke business models for office locations.

5. METHOD OF FINANCING AND PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

5.1 Method of Financing

The Total Acquisition Cost is expected to be funded entirely through Australian dollar denominated debt.

5.2 Pro Forma Financial Effects of the Acquisition

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the DPU and net asset value ("NAV") per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Keppel REIT and its subsidiaries (the "**Keppel REIT Group**") for FY2019.

The pro forma financial effects are for **illustrative purposes only** and do not represent Keppel REIT's DPU and NAV per Unit following Completion.

² Based on the estimated NPI for a year from Completion, including the rental guarantees provided by the Vendor for the same period.

³ On a pro forma basis as at 30 June 2020, assuming the 311 Spencer Street development in Melbourne had achieved practical completion and the Acquisition was completed on 30 June 2020.

⁴ Property Council of Australia, Office Market Report July 2020.

5.3 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on Keppel REIT's DPU for FY2019, as if the Acquisition was completed on 1 January 2019 and Keppel REIT held and operated the Property in FY2019 are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition ⁽¹⁾
Distributable income (S\$'000)	189,261	197,946
DPU (SG cents)	5.58	5.83
DPU accretion (%)	-	4.5%

Notes:

(1) Assuming the Acquisition was funded entirely through Australian dollar denominated debt.

The Manager had also on 7 September 2020 announced the pricing of the offering of S\$150.0 million 3.15 per cent. subordinated perpetual securities which were issued on 11 September 2020 and to be subsequently listed on Singapore Exchange Securities Trading Limited (the "SGX-ST") on 14 September 2020 (the "Issuance"). The net proceeds from the Issuance will be used towards refinancing Keppel REIT's existing S\$150.0 million 4.98 per cent. perpetual securities. As the existing perpetual securities cannot be refinanced until 2 November 2020, for the purpose of illustrating the collective pro forma financial effects of the Acquisition and the Issuance on Keppel REIT's DPU for FY2019, the Manager has assumed that the Acquisition was funded by a combination of the Issuance and Australian dollar denominated debt, completed on 1 January 2019 and Keppel REIT held and operated the Property in FY2019:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
Distributable income (S\$'000)	189,261	195,566
DPU (SG cents)	5.58	5.76
DPU accretion (%)	-	3.2%

5.4 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2019, as if the Acquisition was completed on 31 December 2019, are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
NAV per Unit (S\$)	1.36	1.36
NAV per Unit excluding distributable income for the fourth quarter of 2019 (S\$)	1.35	1.35

The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2019, as if the Acquisition was funded by a combination of the Issuance and Australian dollar denominated debt, and completed on 31 December 2019, are as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
NAV per Unit (S\$)	1.36	1.36
NAV per Unit excluding distributable income for the fourth quarter of 2019 (S\$)	1.35	1.35

5.5 Pro Forma Aggregate Leverage

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma aggregate leverage of Keppel REIT as at 30 June 2020, based on its unaudited financial statements for the six-month period from 1 January 2020 to 30 June 2020, and as if the Acquisition was completed on 30 June 2020, is as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
Aggregate leverage	36.3% ⁽¹⁾	38.7% ⁽²⁾

Notes:

- (1) Based on Keppel REIT's aggregate leverage as at 30 June 2020 as announced on 20 July 2020.
- (2) Assuming the 311 Spencer Street development in Melbourne had achieved practical completion and the Acquisition was completed on 30 June 2020, with the Acquisition funded entirely through Australian dollar denominated debt.

The pro forma aggregate leverage of Keppel REIT as at 30 June 2020, based on its unaudited financial statements for the six-month period from 1 January 2020 to 30 June 2020, and as if the Acquisition was funded by a combination of the Issuance and Australian dollar denominated debt, and completed on 30 June 2020, is as follows:

	Effects of the Acquisition	
	Before the Acquisition	After the Acquisition
Aggregate leverage	36.3%	36.9%

6. OTHER INFORMATION

6.1 Disclosure under Rule 1010(13) of the Listing Manual

The relative figures for the Acquisition using the applicable bases of comparison in Rule 1006 of the Listing Manual are set out in the table below.

Comparison of	Transaction (S\$'million)	Keppel REIT (S\$'million)	Relative figure (%)
Net profits	3.0	73.9	4.0%

Consideration⁽¹⁾ to be given compared with Keppel REIT's market capitalisation⁽²⁾	326.1	3,656.9	8.9%
--	-------	---------	------

Notes:

- (1) For the purposes of computation under Rule 1006(c), the aggregate consideration given by Keppel REIT is the Total Acquisition Cost.
- (2) Based on 3,398,947,934 Units in issue and the weighted average price of S\$1.0759 per Unit on the SGX-ST on 11 September 2020, being the market day immediately prior to the date of entry into the Contract for Sale.

6.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

6.3 Interest of Directors and Controlling Unitholders

As at the date of this announcement and based on information available to the Manager, none of the Directors or the controlling Unitholders has an interest, direct or indirect, in the Acquisition.

7. DOCUMENTS FOR INSPECTION

A copy of the following is available for inspection during normal business hours at the office of the Manager located at 1 HarbourFront Avenue, Level 2 Keppel Bay Tower, Singapore 098632 for a period of three months commencing from the date of this announcement, prior appointment would be appreciated:

- (i) a copy of the Contract for Sale; and
- (ii) a copy of the valuation report by the Valuer.

BY ORDER OF THE BOARD
Keppel REIT Management Limited
(Company registration no. 200411537K)
(as manager of Keppel REIT)

Marc Tan
Company Secretary
13 September 2020

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Keppel REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, the Trustee or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. 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. The past performance of Keppel REIT is not necessarily indicative of the future performance of Keppel REIT.