PRESS RELEASE
For Immediate Release

OUE C-REIT Announces 1H 2022 Distribution of S$59.5 million, DPU of 1.08 cents

- Singapore office properties committed occupancy improved 2.1 ppt QoQ to 92.9% as at 30 June 2022 with average passing rents remaining stable. OUE Bayfront average passing office rent reached a high of S$12.55 psf per month
- Mandarin Gallery committed occupancy increased 1.6 ppt QoQ to 90.3% with shopper traffic and sales recovering to approximately 90% and 85% of pre-COVID levels, respectively, in 2Q 2022
- 2Q 2022 hospitality segment RevPAR doubled QoQ to S$226 on the back of Hilton Singapore Orchard's RevPAR tripling QoQ to S$302 and an increase in tourist arrivals
- Interest rate fluctuations mitigated by 76.3% of total debt hedged into fixed rates
- Well-spread out debt maturity profile at 2.7 years with only 7.8% of total debt due in 2022

25 July 2022 – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial Real Estate Investment Trust ("OUE C-REIT"), wishes to announce a distribution amount of S$59.5 million for the financial period 1 January 2022 to 30 June 2022 ("1H 2022"), translating to a distribution per unit ("DPU") of 1.08 cents. OUE C-REIT pays out its distribution on a semi-annual basis. With the books closure date being Tuesday, 2 August 2022, payment of 1H 2022 distribution can be expected on Tuesday, 6 September 2022.

Net property income for 1H 2022 was S$93.6 million, 14.2% lower year-on-year ("YoY") mainly due to the deconsolidation of OUE Bayfront's performance post the divestment of a 50% interest in the property on 31 March 2021. The net property income decrease was partially offset by lower property expenses and lower rental rebates. Including the drawdown of income support at OUE Downtown Office, share of joint venture results of OUE Bayfront and lower interest expense, amount to be distributed was S$59.5 million, 11.4% lower YoY.

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Summary of OUE C-REIT's Group Results

(S$'000)	1H 2022	1H 2021	Change (%)
Revenue	**115,837**	133,546	(13.3)
Net Property Income	**93,604**	109,045	(14.2)
Share of Joint Venture Results	**8,297**	4,066	NM
Amount to be Distributed[1]	**59,542**	67,212	(11.4)
DPU (cents)	**1.08**	1.23	(12.2)

Notes:

NM: Not meaningful

(1) Net of working capital requirements in relation to the hospitality segment

Mr Han Khim Siew, Chief Executive Officer of the Manager, said, "Amidst improving market conditions and supported by the Manager's focus on proactive asset management, the Singapore properties have seen increases in committed occupancy with average passing rents remaining stable. In 2Q 2022, the hospitality segment RevPAR has also doubled to S$226 on the back of RevPAR tripling quarter-on-quarter at the newly re-branded Hilton Singapore Orchard and an increase in tourist arrivals with Singapore's reopening. However, businesses in Shanghai continue to be impacted by restrictions imposed to stem the spread of COVID-19 in China. Given the fluidity of the pandemic situation in Shanghai, we will continue to monitor our operations closely and adapt our business strategies accordingly. OUE C-REIT's high-quality assets in prime strategic locations as well as the wide and diversified tenant base, will continue to underpin the resilience of the portfolio."

"In May, OUE C-REIT issued Singapore's first S$150 million five-year 4.2% fixed rate notes with a coupon step-down of 25 basis points upon assignment of an investment grade. This brings the total proportion of debt hedged into fixed rates to 76.3%, mitigating the impact of interest rate fluctuations on distribution. We will continue to maintain our prudent capital management strategy to diversify funding sources, manage refinancing requirements and enhance financial flexibility to deliver stable and sustainable returns to Unitholders," added Mr Han.

Commercial Segment – Improving Operational Performance

For 1H 2022, the commercial (office and retail) segment reported lower revenue and net property income of S$82.1 million (-17.7% YoY) and S$62.1 million (-20.9% YoY), respectively, due to the partial divestment of OUE Bayfront on 31 March 2021. Approximately S$5.0 million of rental rebates were extended, mainly in support of tenants at Lippo Plaza in Shanghai due to the COVID-19 lockdown over 2Q 2022.

As at 30 June 2022, OUE C-REIT's Singapore office properties committed occupancy increased 2.1 percentage points ("ppt") quarter-on-quarter ("QoQ") to 92.9% due to improvements in office leasing momentum and supported by the Manager's focus on prioritising occupancy. The average passing rents remained stable as of June 2022, with OUE Bayfront's average passing rent hitting a high of S$12.55 per square foot ("psf") per month due to positive rental reversions in past consecutive quarters.

With the lifting of major COVID-19 restrictions in Singapore and the reopening of borders, business confidence improved on the back of a recovery in consumption and tourist arrivals. Consequently, Mandarin Gallery's committed occupancy increased 1.6 ppt QoQ to 90.3%, with committed occupancy including short-term leases at 95.6% as at 30 June 2022. For 2Q 2022, both shopper traffic and tenant sales had also improved to approximately 90% and 85%, respectively, of pre-COVID levels.

With interrupted leasing activity due to the lockdown in Shanghai in 2Q 2022, Lippo Plaza's committed office occupancy declined 3.9 ppt to 87.7%. Nonetheless, average office passing rent at Lippo Plaza remained stable at RMB8.96 per square metre ("psm") per day. As the business environment remains uncertain due to the continued resurgence of COVID-19 in Shanghai, the Manager will adapt its leasing strategies accordingly and is committed to working together with tenants during this challenging period.

Hospitality Segment – Positioned to Ride Recovery

Hospitality segment revenue for 1H 2022 was S$33.8 million, which is the minimum rent under the master lease arrangements of OUE C-REIT's hotel properties. Net property income for the same period was 3.1% higher YoY at S$31.5 million.

For 2Q 2022, the overall hospitality segment revenue per available room ("RevPAR") doubled QoQ to S$226. The increase was largely driven by higher room rates at the newly re-branded Hilton Singapore Orchard (previously known as Mandarin Orchard Singapore) with RevPAR tripling QoQ to S$302, as well as strong demand at both hotels due to the increase in Singapore's tourist arrivals. Compared to before the property's re-branding to Hilton's flagship hotel in Singapore, the RevPAR had increased 33.6% from S$226 in 4Q 2019. Crowne Plaza Changi Airport, which started to receive corporate and leisure bookings in 2Q 2022, registered a 12.2% QoQ increase in RevPAR to S$142.

With a strong pipeline of events, the growth momentum of tourist arrivals, and longer stays for business and corporate travellers expected to sustain into the second half of 2022, OUE C-REIT's hotel assets are well-positioned to benefit from Singapore's reopening.

Prudent Capital Management

In May 2022, the Manager issued S$150.0 million 4.2% fixed rate notes due in 2027 to refinance existing borrowings. A first in Singapore's capital markets, the notes feature a coupon step-down of 25 basis points upon OUE C-REIT obtaining an investment grade within 18 months of the issuance.

As at 30 June 2022, OUE C-REIT's aggregate leverage remained stable at 39.1%, with a weighted average cost of debt of 3.1% per annum. Approximately 76.3% of total debt is on a fixed rate basis to mitigate the potential impact of rising interest rates. The debt maturity profile is also well-spread out with an average term of 2.7 years. In line with the Manager's proactive and prudent approach to capital management, S$178 million or 7.8% of total debt due in 2022 will be refinanced ahead of maturity with the average cost of debt expected to remain stable.

For 1H 2022, the Manager has elected to receive 50% of its management fees in cash with the balance in Units of OUE C-REIT.

Outlook

According to CBRE, the positive leasing momentum in Singapore's office market from 2021 carried through to 2Q 2022 as Singapore eased workplace restrictions. Leasing activity was largely driven by renewals and new set-ups in the legal and non-bank financial sectors. Consequently, core Central Business District ("CBD") Grade A occupancy increased slightly to 95.6% in 2Q 2022 while office rents saw an increase of 3.2% QoQ to S$11.30 psf per month which was the fastest pace of rental increase since 2Q 2021. While the hiring slowdown in the technology sector has raised concerns over potential demand risk, core CBD Grade A office rents are expected to remain healthy amidst a stable domestic economic outlook, limited supply pipeline and the back-to-office trend. OUE C-REIT's portfolio of well-located Grade A offices and diversified tenant base is expected to underpin a stable performance as the Singapore office rental recovery continues.

For the first six months of 2022, Singapore's international visitor arrivals jumped almost 12 times YoY to reach 1.5 million. As Singapore's borders have significantly reopened to all fully vaccinated travellers from 1 April 2022 and with global travel picking up pace, the Singapore Tourism Board expects between 4 to 6 million total arrivals in 2022 with tourism flows recovering to pre-COVID levels by the mid-2020s. While the outlook is positive, the hospitality sector faces staffing challenges and inflationary pressures. The contribution from OUE C-REIT's hospitality segment will continue to be supported by the minimum rent component of S$67.5 million embedded in the master lease arrangements.

Prime Orchard Road retail rents remained at S$34.20 psf per month in 2Q 2022 amidst stable leasing demand, according to CBRE. While retail sales have continued to improve alongside the easing of border and social restrictions, retailer confidence has been tempered by uncertainties in the economic outlook, rising business costs and labour shortage. Consequently, retail rents are expected to remain stable for the most of 2022 with meaningful increases expected only in 2023.

According to Colliers International, the Shanghai office market was affected by the resurgence of COVID-19 in China and the resultant lockdown in 2Q 2022. Demand weakened and leasing activity slowed significantly. As curbs are lifted and activity resumes, Colliers expects demand to return to normal levels in 2H 2022 although net absorption for the full year is likely to be below 2021 levels. Occupancy and rental growth are thus expected to come under pressure in view of the significant new supply. At Lippo Plaza, the Manager's priority is to retain tenants and maintain strong occupancy.

Supported by the easing of most COVID-19 restrictions, Singapore's economy is expected to remain on the recovery path in 2022. In China, a rapid economic recovery in 2H 2022 is not expected due to multiple headwinds. Significant uncertainties continue to remain, including tightening monetary policy in response to elevated inflation which dampens consumption and investment demand, and a weak global economic environment. The Manager will continue to calibrate its asset management strategy and adapt to shifts in occupier demand so as to optimise the performance of OUE C-REIT's portfolio, while maintaining its proactive and prudent capital management approach to maintain financial flexibility.

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About OUE Commercial REIT

OUE C-REIT is a real estate investment trust listed on the Main Board of Singapore Exchange Securities Trading Limited since 27 January 2014.

OUE C-REIT is one of the largest diversified Singapore REITs with total assets of S$5.8 billion as at 30 June 2022. With seven properties across the commercial and hospitality segments in Singapore and Shanghai, OUE C-REIT's portfolio comprises approximately 2.2 million sq ft of prime office and retail space, and 1,643 upper upscale hotel rooms.

OUE C-REIT invests in income-producing real estate used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs, and/or hospitality and/or hospitality-related purposes, as well as real estate-related assets.

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 (SGX: LJ3) is a leading pan-Asian, full service real estate development, investment and management company with assets across the commercial, hospitality, retail, residential and healthcare sectors. Best known for its landmark property portfolio in Singapore, OUE consistently leverages its expertise in property development and asset management to maximise yields and unlock value. As at 31 December 2021, OUE's total assets were valued at S$9.0 billion.

OUE is the manager of two SGX-listed real estate investment trusts ("REITs"): OUE C-REIT and First REIT. As at 31 December 2021, OUE managed S$7.8 billion in funds under management across its two REIT platforms and its managed accounts.

Since 2017, OUE has expanded its business activities into the complementary and high-growth healthcare and consumer sectors. OUE is the controlling shareholder of OUE Lippo Healthcare Limited, an SGX-listed, integrated healthcare services provider that owns, operates and invests in quality healthcare assets in high-growth Asian markets.

Anchored by its "Transformational Thinking" philosophy, OUE has built a reputation for developing iconic projects, transforming communities, providing exceptional service to customers and delivering long-term value to stakeholders. For more information, please visit www.oue.com.sg.