



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

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM
UNITHOLDERS FOR THE EXTRAORDINARY GENERAL MEETING ON 24 FEBRUARY 2021**

Keppel REIT Management Limited, as manager of Keppel REIT (the “**Manager**”), refers to:

- (a) Keppel REIT’s notice of extraordinary general meeting (“**EGM**”) dated 29 January 2021; and
- (b) the accompanying announcement released on 29 January 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the EGM via electronic means.

The Manager wishes to thank all unitholders of Keppel REIT who have submitted their questions in advance of the EGM. The Manager wishes to inform that responses to substantial and relevant questions submitted by unitholders are published in this announcement. For unitholders’ ease of reference and reading, we have summarised and grouped together certain related and similar questions, as well as organised them under relevant topic headings.

Please refer to **Annex A** hereto for the list of substantial and relevant questions, and the Manager’s responses to these questions.

By Order of the Board
Keppel REIT Management Limited
(Company Registration Number: 200411357K)
as manager of Keppel REIT

Tan Weiqiang, Marc
Company Secretary
23 February 2021

ANNEX A: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

1.	<p>What are the benefits of acquiring Keppel Bay Tower?</p> <p>The acquisition of Keppel Bay Tower is part of our ongoing portfolio optimisation efforts to enhance distributions and improve total Unitholder returns.</p> <p>The strategic addition of Keppel Bay Tower will complement our central business district (CBD) offering and is consistent with our strategy of strengthening and diversifying Keppel REIT's portfolio. This also allows us to meet the changing needs and demands of office tenants, while remaining focused on providing quality and well-located office premises.</p> <p>In addition, the acquisition will bring the following key benefits to Unitholders:</p> <p>A. DPU and NPI yield accretive acquisition that enhances Keppel REIT's distributions and improves total unitholder returns</p> <ul style="list-style-type: none"> ▪ The acquisition is expected to provide an accretion in DPU of 2.8% for FY 2020 on a pro forma basis¹. It will also improve Keppel REIT's net property income (NPI) yield given that the property's initial NPI yield of 4.0% is higher than the existing Singapore portfolio's NPI yield of 3.2%. <p>B. Diversifies portfolio and strengthens tenant base for income resilience</p> <ul style="list-style-type: none"> ▪ Income diversification: Post-acquisition, Keppel REIT's assets under management (AUM) will grow to approximately \$8.9 billion, with Grade A commercial assets in key business districts of Singapore (78.0%), Australia (18.5%) and South Korea (3.5%). The acquisition reduces Keppel REIT's exposure to any single asset and further diversifies its income streams. ▪ Well-established tenant base: Keppel Bay Tower has a strong tenant profile comprising major companies and multinational corporations including BMW Asia, Mondelez International, and Pacific Refreshments. The property also serves as the headquarters to the Keppel Group, with 39.7% of net lettable area (NLA) on long leases to Keppel Group entities. The addition of high-quality, established tenants in diverse industries will further strengthen and improve the quality of Keppel REIT's tenant base. ▪ Strong occupancy and well-spread lease expiries: As at 31 December 2020, Keppel Bay Tower has a committed occupancy of 98.5% and a weighted average lease expiry (WALE) of 3.1 years by NLA. Post-acquisition, this would raise the committed occupancy level by NLA of Keppel REIT's portfolio to 98.0%, while portfolio WALE by NLA will remain long at approximately 6.3 years with lease expiries well spread out. <p>C. Strategic expansion that complements the current core CBD offering</p> <ul style="list-style-type: none"> ▪ Keppel Bay Tower is strategically located in the HarbourFront/Alexandra submarket, a city-fringe submarket that has shown resilience during the COVID-19 pandemic. According to Cushman & Wakefield (S) Pte Ltd, the Independent Market Research Consultant, demand continues to be supported by tenants who are attracted to the value proposition in this submarket. Limited current Grade A office stock and tight supply are expected to sustain the growth of the HarbourFront/Alexandra submarket.
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¹ As disclosed in the Circular to Unitholders on 29 January 2021, assuming the total acquisition cost was funded by bank borrowings (approximately 60%) and the net proceeds of the equity fund raising (approximately 40%) based on the Illustrative Issue Price of \$1.10 per new unit to be issued pursuant to the equity fund raising.

	<ul style="list-style-type: none"> ▪ The acquisition expands Keppel REIT’s offering to include quality CBD-fringe office space to meet potential shifts in future occupier demand due to the impact of COVID-19 and the adoption of flexible work arrangements. Keppel Bay Tower allows Keppel REIT to offer more leasing options and alternative solutions to tenants seeking hub-and-spoke business models or dual locations for business continuity purposes. ▪ Post-acquisition, Keppel REIT’s portfolio remains anchored by prime CBD assets, while 10.9% of the AUM would comprise non-CBD office buildings. <p>D. Grade A waterfront office with excellent connectivity to the CBD and amenities</p> <ul style="list-style-type: none"> ▪ Keppel Bay Tower is an approximate 10-minute drive to the CBD, and tenants enjoy seamless access to the nearby HarbourFront MRT station and bus interchange via sheltered walkways. ▪ The property is surrounded by a wide variety of food, retail and entertainment amenities ranging from food and beverage outlets in the building, to nearby Seah Im Food Centre, HarbourFront Centre, VivoCity, Keppel Island and Sentosa Island. With a coveted waterfront locale, tenants are able to enjoy unobstructed views of Keppel Bay and Sentosa Island. ▪ The property is located in Singapore’s Greater Southern Waterfront, which according to the Independent Market Research Consultant, is positioned as a destination for work, live and play. In addition, the Greater Southern Waterfront is expected to drive potential redevelopments for the HarbourFront/Alexandra submarket, which could be attractive to technology or knowledge tenants who are expected to be a key future driver of office space demand. <p>E. Augments green footprint via renewable energy and technology innovation</p> <ul style="list-style-type: none"> ▪ Featuring some of the latest in green building technology, Keppel Bay Tower is the first commercial development in Singapore to be certified as a Green Mark Platinum (Zero Energy) building by the Building and Construction Authority. In January 2020, it became the first commercial development in Singapore to utilise renewable energy to power all its operations, including the offices of tenants in the building. ▪ Keppel Bay Tower adds to Keppel REIT’s green credentials, which is an increasingly important factor that tenants consider in their business address decision. It is also in line with Keppel REIT’s environmental target of reducing energy usage and carbon emission intensity levels. <p>F. Increases free float and liquidity</p> <ul style="list-style-type: none"> ▪ The partial funding of the total acquisition cost with net proceeds from an equity fund raising seeks to increase Keppel REIT’s free float and trading liquidity. This would potentially enhance Keppel REIT’s weightage in indices and represent a step towards further index inclusions, which could lead to stronger investor demand for Keppel REIT’s Units.
2.	How do you propose to finance the acquisition?
	<ul style="list-style-type: none"> ▪ The total acquisition cost will be funded by bank borrowings and net proceeds from the private placement that was successfully closed on 18 February 2021.

3.	What is Keppel Bay Tower’s occupancy rate now, who are the anchor tenants?
	<ul style="list-style-type: none"> ▪ Keppel Bay Tower’s committed occupancy rate as at 31 December 2020 was 98.5%. ▪ Keppel Bay Tower has a strong tenant profile comprising major companies and multinational corporations including the Keppel Group, Mondelez International, BMW Asia, Pacific Refreshments and Syngenta. The property is headquarters to the Keppel Group, with 39.7% of NLA on long leases to the Keppel Group entities.
4.	Are there any major capex in the next 2 to 3 years since the building will be 20 years old in 2022. When were major machineries e.g. air conditioning, lifts and escalators, security systems upgraded/replaced?
	<ul style="list-style-type: none"> ▪ Major refurbishments or capex requirements are not expected in the near term given that Keppel Bay Tower was just refurbished in 2019 and features newly installed green building technology. ▪ Since its completion in 2002, Keppel Bay Tower has undergone several refurbishments, including lobby, lift and amenities upgrades, to offer an enhanced experience to its tenants. Keppel Bay Tower has also been upgraded with environmentally friendly features, resulting in it becoming Singapore’s first commercial development to be certified as a Green Mark Platinum (Zero Energy) building by the Building and Construction Authority and to be fully powered by renewable energy.
5.	Is this acquisition at a significant discount, to reflect the current stressed environment and higher risks?
	<ul style="list-style-type: none"> ▪ Despite the COVID-19 pandemic, there have been minimal discounts in pricing in Singapore. Some commercial property transactions were at record pricing in 2020. ▪ The agreed property value of \$657.2 million for Keppel Bay Tower was arrived at on a willing-buyer and willing-seller basis after taking into account the two independent valuations by JLL (commissioned by the Trustee) and Cushman & Wakefield (commissioned by the Manager) as at 30 November 2020. The agreed property value represents a discount of approximately 1.2% and 1.5% to JLL and Cushman & Wakefield’s respective valuations². ▪ More importantly, the acquisition is a continuation of Keppel REIT’s portfolio optimisation strategy while factoring in the current environment. Keppel Bay Tower will be able to complement the REIT’s CBD offering, enabling it to meet potential shifts in occupier demand as more companies seek hub-and-spoke business models, or dual locations for business continuity purposes. The expansion into well-located Grade A non-CBD office spaces via the acquisitions of Pinnacle Office Park and Keppel Bay Tower will strengthen the overall portfolio and enhance the stability of distributions to Unitholders.
6.	What is the impact of COVID-19 pandemic on Keppel REIT’s business and how will Keppel REIT mitigate the impact?
	<ul style="list-style-type: none"> ▪ The COVID-19 pandemic has caused numerous challenges to businesses and communities globally. Amidst this pandemic, the Manager has been proactively managing Keppel REIT’s assets with health and safety as a top priority, while continuing to optimise the REIT’s portfolio and also enhance capital efficiency.

² Taking into account rental support of up to \$3.2 million for vacant units and leases that are expiring in the 18 months post-completion.

	<ul style="list-style-type: none"> ▪ In FY 2020, despite the effects of the pandemic, Keppel REIT delivered distribution per Unit of 5.73 cents, an increase of 2.7% over FY 2019, while distributable income rose 2.8% year-on-year to \$194.6 million. ▪ To support the business continuity of tenants and the long-term interests of all stakeholders, we rolled out tenant relief measures amounting to approximately \$14.6 million in 2020. This included the full pass-through of property tax rebates and cash grants from the Singapore Government, which amounted to approximately \$9.9 million. Rental collection for 4Q 2020 was at a healthy 98%, with only \$1.9 million in rent deferrals as at end December 2020. ▪ Keppel REIT’s portfolio performance remains resilient, supported by its quality well-located assets with high committed occupancy, long WALE and established tenants from diverse sectors. At the same time, the Manager’s continued focus on operational excellence and proactive adoption of technology puts it in good stead to ensure income stability and resilience for the REIT. ▪ Since the onset of the pandemic, the Manager has put in place measures to ensure the safety and health of tenants and employees. As more tenants return to their physical work spaces, together with our property managers, we continue to provide a safe and conducive work environment, and ensure the well-being of our building occupants. ▪ Looking ahead, we will continue to focus our efforts on strengthening and optimising Keppel REIT’s portfolio, while calibrating our leasing and investment strategy to meet potential shifts in occupier demand. High-quality buildings with strong operational excellence are expected to be more sought after in view of COVID-19. We have been proactively engaging our tenants to better understand their requirements and will continue to work closely with them to develop mutually beneficial solutions and outcomes.
<p>7.</p>	<p>What’s the outlook on the Singapore office sector in view of current supply pipeline and the adoption of work-from-home initiatives? How will Keppel REIT adapt to ensure sustainability of profitability?</p>
	<ul style="list-style-type: none"> ▪ Leasing activities in Singapore have picked up towards the end of 2020, particularly from the technology and financial services sectors, even as the leasing market remains generally soft due to the COVID-19 pandemic and the ensuing travel restrictions, as well as the negative economic outlook. The overall market occupancy was down slightly at 93.8% as at the end of 2020, while average Grade A office rents also registered a decrease to \$10.40 psf pm. ▪ Demand is likely to remain subdued in 1H 2021, although there are some potential bright spots. Chinese technology companies and non-banking financial services firms continue to support expansionary demand. Relocation of tenants from buildings slated for redevelopment also contribute to leasing demand. If the economy continues to recover as businesses resume activities and with the gradual roll-out of the COVID-19 vaccines, we believe office demand will improve from current levels. ▪ At the same time, the limited supply of Grade A offices is expected to lend support to office market dynamics. In the long term, Singapore remains an attractive and stable business destination, and Keppel REIT’s quality portfolio is well-positioned to retain and attract established tenants from various sectors.

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| | <ul style="list-style-type: none">▪ While telecommuting has become widely adopted by companies during the COVID-19 pandemic, we believe that physical offices will remain a necessity, although the form and functions of the office will evolve. Physical offices and face-to-face interactions remain important for client engagement, collaboration and building of corporate culture. The safe distancing guidelines will also likely limit or even reverse the office densification trend, which could offset the impact from any wider adoption of telecommuting.▪ We will continue to optimise Keppel REIT's portfolio and calibrate our leasing and investment strategy to meet potential shifts in occupier demand. Keppel REIT has a portfolio of high-quality buildings and we will continue to maintain them at high safety and health standards to ensure the well-being of our tenants.▪ The acquisition of Pinnacle Office Park and Keppel Bay Tower is also a strategic diversification of Keppel REIT's portfolio to provide Grade A non-CBD office space to tenants seeking cost-effective solutions or hub-and-spoke business models. Looking ahead, we will focus on quality and sustainable properties in well-connected locations that will complement and strengthen Keppel REIT's portfolio. |
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