

PRESS RELEASE  
For Immediate Release

## **OUE C-REIT Announces 2H 2022 Distribution of S\$56.7 million, DPU of 1.04 cents**

- The 2H 2022 net property income increased 8.6% YoY to \$103.3 million mainly due to lower rental rebates
- Committed occupancy of Singapore office properties as of 31 December 2022 remained high at 95.5% with positive rental reversions of 3.2% to 8.3% in 4Q 2022
- Overall hospitality segment RevPAR for 4Q 2022 increased 18.4% QoQ to S\$310, supported by the successful re-branding of Hilton Singapore Orchard, as well as the continued recovery of the tourism, business travel and MICE sectors in Singapore
- Aggregate leverage decreased 1.5 ppt QoQ to 38.8% as at 31 December 2022, with 71.5% of total debt hedged and average cost of debt remaining stable at 3.4% per annum
- No further refinancing requirements until September 2023 where only 11.8% (S\$273 million) of total debt is due and none due in 2024

**30 January 2023** – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the “Manager”) of OUE Commercial Real Estate Investment Trust (“OUE C-REIT”), announced higher revenue and net property income (“NPI”) for the financial period 1 July 2022 to 31 December 2022 (“2H 2022”). In 2H 2022, revenue increased 8.0% year-on-year (“YoY”) to S\$125.7 million while NPI improved 8.6% YoY to S\$103.3 million. The increase was largely driven by lower rental rebates, partially offset by higher property expenses.

The share of joint venture results from OUE Bayfront jumped to S\$28.8 million mainly due to fair value gains. Taking into account lower income support for OUE Downtown Office and higher interest expense driven by macroeconomic factors, the 2H 2022 amount available for distribution was 19.1% lower YoY at S\$52.1 million. With the partial distribution of divestment gain from OUE Bayfront of S\$4.6 million, 2H 2022 amount to be distributed was S\$56.7 million, translating to a distribution per unit (“DPU”) of 1.04 cents.

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For the financial year ended 31 December 2022 (“FY 2022”), amount to be distributed was S\$116.2 million with DPU of 2.12 cents. Based on OUE C-REIT’s unit closing price of S\$0.335 as at the last trading day of 2022, FY 2022 distribution yield is 6.3%.

OUE C-REIT pays out its distribution on a semi-annual basis. With the books closure date on Tuesday, 7 February 2023, Unitholders can expect to receive the payment of 2H 2022 distribution on Tuesday, 28 February 2023.

### Summary of OUE C-REIT’s Group Financial Performance

(S\$’000)	2H 2022	2H 2021	Change (%)	FY 2022	FY 2021	Change (%)
Revenue	<b>125,670</b>	116,338	8.0	<b>241,507</b>	249,884	(3.4)
Net Property Income	<b>103,311</b>	95,160	8.6	<b>196,915</b>	204,205	(3.6)
Share of Joint Venture Results	<b>28,811</b>	9,170	NM	<b>37,108</b>	13,236	NM
Amount Available for Distribution <sup>(1)</sup>	<b>52,084</b>	64,420	(19.1)	<b>111,626</b>	131,632	(15.2)
Amount to be Distributed	<b>56,684<sup>(2)</sup></b>	74,820 <sup>(3)</sup>	(24.2)	<b>116,226<sup>(2)</sup></b>	142,032 <sup>(3)</sup>	(18.2)
DPU (cents)	<b>1.04</b>	1.37	(24.1)	<b>2.12</b>	2.60	(18.5)

Notes:

NM: Not meaningful

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

(2) Including S\$4.6 million capital distribution from divestment of OUE Bayfront in March 2021

(3) Including release of S\$5.0 million of distribution retained in FY 2020 and S\$5.4 million capital distribution from divestment of OUE Bayfront in March 2021

As at 31 December 2022, the valuation of OUE C-REIT’s properties increased 2.6% YoY to S\$6.2 billion. The increase was driven by higher valuation for the Singapore portfolio which offset the decrease at Lippo Plaza mainly due to the depreciation of the Chinese Renminbi against the Singapore Dollar. Consequently, net asset value per Unit increased to S\$0.59 as of 31 December 2022.

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Mr Han Khim Siew, Chief Executive Officer of the Manager, said, “2H 2022 was characterised by continued operating challenges posed by geopolitical tensions, inflationary pressures, interest rate hikes and macroeconomic headwinds. Against this backdrop, OUE C-REIT remained diligent and focused on strengthening our capital structure and improving our asset performance. Taking a proactive approach to mitigate the higher interest rate environment, we forged ahead to obtain an unsecured sustainability-linked loan (“SLL”) totaling S\$978 million for the refinancing of existing secured borrowings – the largest SLL among S-REITs in Singapore. This has structurally strengthened the foundation of our capital structure and allowed us to diversify OUE C-REIT’s funding sources with the proportion of our unsecured debt increasing significantly to 69.4%.”

“Meanwhile, we continued to strengthen our portfolio fundamentals and leveraged on the Hilton Singapore Orchard (“HSO”) re-branding to drive growth in sustainable value to Unitholders. On 1 January 2023, we reopened the 446-room Orchard Wing at HSO, marking the successful completion of the final phase of the asset enhancement initiative (“AEI”) which was announced in March 2020. Despite limited inventory available for bookings in 2022, HSO exceeded the minimum rent of S\$45.0 million in FY 2022. While we will surely face macroeconomic headwinds in the year ahead, we remain confident in our ability to navigate market uncertainties and deliver positive results for FY 2023 with the support of our stakeholders,” added Mr Han.

### **Commercial Segment**

For 2H 2022, the commercial (office and retail) segment recorded higher revenue and net property income of S\$91.1 million (10.2% YoY) and S\$71.4 million (14.3% YoY), respectively, due to lower rental rebates and property expenses.

Singapore office properties, as the pillar of OUE C-REIT’s overall portfolio, continued to benefit from the “flight-to-quality” trend and limited supply, with the committed occupancy remaining high at 95.5% as at 31 December 2022 on the back of the Manager’s proactive leasing strategy. Positive rental reversions ranging from 3.2% to 8.3% were recorded across all Singapore office properties in 4Q 2022 with average passing rents remaining stable as of end December. OUE Bayfront’s average passing rent continued its upward climb to S\$12.64 per square foot (“psf”) per month due to positive rental reversions in previous quarters.

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Benefitting from the return of international travellers and the improving consumer sentiment in Singapore, the Manager focused on optimising rents while improving occupancy. Mandarin Gallery's rental reversion was 10.4% with committed occupancy (excluding short-term leases) as of 31 December 2022 increasing 2.7 percentage points ("ppt") QoQ to 91.9%. Including short-term leases, the committed occupancy increased 2.0 ppt QoQ to 95.4%. For 4Q 2022, shopper traffic further normalised to approximately 95% of pre-COVID levels. While tenant sales remained at approximately 85% of pre-COVID levels for the quarter, it was 41.3% higher YoY.

Against the backdrop of the COVID-19 response measures that affected the business operating environment and leasing sentiment in Shanghai, Lippo Plaza's committed office occupancy further declined 5.7 ppt to 79.9% as of 31 December 2022. In view of strong leasing competition amongst landlords due to significant new supply and the uncertain economic outlook, the Manager's key priority will be on sustaining occupancy at Lippo Plaza as China relaxes its COVID-19 measures. Lippo Plaza in Shanghai accounted for 10.5% of FY 2022 revenue based on OUE C-REIT's proportionate interest in the respective properties.

### **Hospitality Segment – Well-positioned to capture further recovery**

Hospitality segment revenue and net property income for 2H 2022 was S\$34.6 million and S\$31.9 million. Benefitting from the successful re-branding and AEI, HSO's revenue surpassed its minimum rent under the master lease arrangement despite the limited inventory.

With the return of tourism and recovery of the meetings, incentives, conventions and exhibitions ("MICE") sector on the back of Singapore's border reopening, the overall hospitality segment revenue per available room ("RevPAR") for 4Q 2022 was 18.4% higher QoQ at S\$310. In particular, HSO's RevPAR in 4Q 2022 increased 19.5% QoQ to S\$397. Crowne Plaza Changi Airport also recorded a 15.9% QoQ increase to S\$211 in 4Q 2022.

### **Proactive Prudent Capital Management**

As at 31 December 2022, OUE C-REIT's total debt decreased to S\$2,321 million compared to the previous quarter. The aggregate leverage declined 1.5 ppt QoQ to 38.8% with the weighted average cost of debt remaining stable at 3.4% per annum. Approximately 71.5% of total debt is on a fixed

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rate basis. The debt maturity profile is also well-spread out with an average term to maturity of 2.9 years.

The Manager has elected to receive 50% of its management fees in cash with the balance in Units of OUE C-REIT for 4Q 2022.

### **Outlook**

According to CBRE, the Singapore office market saw positive net absorption of 0.59 million square feet ("sq ft") in 4Q 2022 with demand driven by legal firms, fast-moving consumer goods sector and non-banking financial companies. This brings 2022's total net absorption to 1.15 million sq ft which was 3.6 times the net demand in 2021. Consequently, the islandwide vacancy of office space declined to 5.0% as at end 2022 from 6.3% as at end 2021. Core Central Business District ("CBD") Grade A office vacancy decreased to 4.2% in 4Q 2022 from 4.5% a year ago while rents climbed for the seventh consecutive quarter to S\$11.70 per square feet ("psf") per month. However, the QoQ rental growth has slowed to 0.9% in 4Q 2022 from 2.7% in the previous quarter. With weaker economic growth expected in 2023 and slowing demand from large occupiers, especially the tech sector, CBRE trimmed its rental forecast. Core CBD Grade A office rents are expected to increase by about 1.0% YoY from the previous YoY forecast of 4.0% to 5.0%. OUE C-REIT's portfolio of core Grade A offices and well-diversified tenant base is expected to underpin a stable performance in 2023.

International visitor arrivals reached 6.3 million in 2022, exceeding the Singapore Tourism Board's ("STB") forecast of between four to six million. The continued recovery in the MICE sector and China's recent relaxation of COVID-19 restrictions are expected to provide a further boost to international arrivals in 2023 with the STB expecting 12 to 14 million on the back of increasing flight connectivity and capacity. Tourism activity is expected to recover to pre-pandemic levels by 2024. While the pace of recovery may be impacted by labour and cost challenges, as well as the murky economic outlook and business uncertainties, OUE C-REIT's hotel properties are well-positioned to capitalise on the ongoing recovery in the hospitality sector.

Retail leasing activity continued to pick up in 4Q 2022 according to CBRE, with the demand mainly driven by food & beverage ("F&B") operators as they sought to capitalise on the recovery in tourism

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by selecting locations near or within hotels. Alongside the increase in back-to-office workers and recovering visitor arrivals, prime Orchard Road retail rents increased 0.3% QoQ to S\$34.55 psf per month in 4Q 2022. While landlords have raised rents amidst improving shopper traffic and retail sales, retailers continue to face a labour shortage, higher business costs and competition from e-commerce against the backdrop of an economic slowdown. Nonetheless, overall retail rents are expected to continue the recovery in 2023 with improved mobility, the return of Chinese tourists and lower-than-historical-average new supply.

According to Colliers International, Shanghai CBD Grade A office demand picked up in 4Q 2022 with the easing of COVID-19 restrictions. Net absorption increased almost three times QoQ to 1,187 square metres (“sqm”) in 4Q 2022. However, the total demand in 2022 was less than half that of 2021. Consequently, occupancy declined 0.5 ppt to 89.8% while rents remained unchanged at RMB9.08 per square metre per day. Due to a large CBD office supply of 1.22 million sqm over the next five years, with the supply peak in 2023 and 2024, Colliers expects rents to remain under pressure in view of intense leasing competition, before a gradual rebound in late 2024. The Manager continues to prioritise occupancy at Lippo Plaza as the office market gradually moves towards a full recovery.

In view of the weaker global economic outlook and continued business uncertainties, the Manager will continue to calibrate its leasing strategy to adapt to potential shifts in occupier demand to optimise the performance of OUE C-REIT’s properties. OUE C-REIT’s Singapore portfolio of core Grade A offices with high occupancies and a well-diversified tenant base is expected to underpin a stable performance in 2023. The stronger capital structure and the Manager’s prudent capital management approach to preserve financial flexibility places OUE C-REIT on solid footing to pursue future growth opportunities.

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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\$6.0 billion as at 31 December 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](http://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 30 June 2022, OUE's real estate portfolio was valued at S\$9.4 billion.

OUE is the manager of two SGX-listed real estate investment trusts ("REITs"): OUE C-REIT and First REIT. As at 30 June 2022, 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](http://www.oue.com.sg).

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### **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.