

PRESS RELEASE  
For Immediate Release

## **OUE C-REIT Achieves 2Q 2018 Distribution of S\$16.5 million, DPU of 1.06 Cents**

### **Key Highlights:**

- 2Q 2018 amount available for distribution of S\$16.5 million, translating to distribution per unit (“DPU”) of 1.06 cents
- Healthy portfolio occupancy of 95.2% with all three properties continuing to achieve higher-than-market office occupancy
- Committed office rents in 2Q 2018 were in line with or above market across the portfolio, with positive rental reversions at OUE Bayfront and Lippo Plaza
- 2018 refinancing requirement to be completed ahead of maturity

**2 August 2018** – 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 an amount available for distribution of S\$16.5 million for the financial period 1 April 2018 to 30 June 2018 (“2Q 2018”), translating to DPU of 1.06 cents.

OUE C-REIT pays out its distribution on a semi-annual basis. Together with 1Q 2018 DPU of 1.12 cents, DPU for 1H 2018 is 2.18 cents. Based on annualised 1H 2018 DPU and OUE C-REIT’s unit closing price of S\$0.685 as at 29 June 2018, the last trading day of the quarter, OUE C-REIT’s distribution yield is 6.4%.

With the books closure date being Monday, 13 August 2018, payment of the distribution can be expected on Wednesday, 5 September 2018.

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### Summary of OUE C-REIT's Group Results

(S\$'000)	2Q 2018	2Q 2017	Change (%)	1H 2018	1H 2017	Change (%)
Revenue	<b>43,060</b>	44,214	(2.6)	<b>87,155</b>	89,030	(2.1)
Net Property Income	<b>33,934</b>	34,769	(2.4)	<b>69,211</b>	69,411	(0.3)
Amount Available For Distribution	<b>16,494</b>	17,833	(7.5)	<b>33,915</b>	34,475	(1.6)
DPU (Cents)	<b>1.06</b>	1.15	(7.8)	<b>2.18</b>	2.38	(8.4)

Net property income in 2Q 2018 was S\$33.9 million, against S\$34.8 million net property income in 2Q 2017. This was due to lower retail revenue from One Raffles Place Shopping Mall as a result of transitional vacancy from the departure of an anchor tenant, offset partially by lower utilities cost. The retail vacancy has been committed by a new tenant which is renovating the space and expected to commence operations in early 2019.

With higher interest expenses in 2Q 2018 as a result of higher borrowings, partially offset by higher drawdown of income support and lower distribution to convertible perpetual preferred unit ("CPPU") holder, amount available for distribution in 2Q 2018 was S\$16.5 million, a decline of 7.5% year-on year ("YoY").

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "In 2Q 2018, the Manager continued to focus on its proactive leasing strategy of optimising rents and occupancy levels at OUE C-REIT's property portfolio, especially as rental growth momentum in Singapore continues to be positive.

Committed office occupancy at both OUE Bayfront and One Raffles Place remained healthy at 97.6% and 96.6% respectively, ahead of the market occupancy rate of 94.1%. In addition, with the acceleration in Singapore office rental growth, we are pleased to report positive rental reversions for leases renewed in 2Q 2018 at OUE Bayfront. With more than 50% of OUE Bayfront's gross rental income due for renewal over the next two years, we believe the property is well-positioned to benefit from a rising Singapore office market.

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In Shanghai, Lippo Plaza continued to perform well in 2Q 2018, recording above-market committed office occupancy of 95.1% and committed rents which were at a premium to market rates.

The Manager will continue to focus its efforts on proactive asset management, as well as maintain a prudent and disciplined stance towards capital management, so as to deliver stable and sustainable returns for Unitholders.”

### **Healthy Operational Performance**

As at 30 June 2018, OUE Bayfront’s committed office occupancy was 97.6%, ahead of the Singapore CBD office market occupancy rate of 94.1%. Committed rents achieved in 2Q 2018 for new and renewed office leases ranged from S\$11.50 psf per month to S\$12.80 psf per month, significantly above the office market rent of S\$10.10 psf per month. Consequently, OUE Bayfront achieved positive rental reversions in 2Q 2018. Average passing office rent for the property was stable, at S\$11.42 psf per month as at June 2018.

Committed office occupancy at One Raffles Place was 96.6% as at 30 June 2018, edging down 0.5 ppt QoQ but remaining above market occupancy. Committed office rents in 2Q 2018 for new and renewed leases ranged from S\$9.00 psf per month to S\$11.00 psf per month, which was in line with market rates. Average passing office rent was S\$9.49 psf per month for June 2018.

At One Raffles Place Shopping Mall, the asset enhancement exercise to create a more open retail space and improve the circulation areas has commenced. Co-working operator, Spaces, is set to open their flagship site in the mall occupying more than 35,000 sq ft, taking over the space vacated by a previous anchor tenant, in early-2019 when renovations are completed. The mall remains operational during the asset enhancement period to minimise disruption to existing tenants and customers.

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As at 30 June 2018, Lippo Plaza's committed office occupancy was 95.1%, significantly ahead of the Shanghai CBD Grade A occupancy of 89.4% as at 2Q 2018. It continued to enjoy positive rental reversions for leases renewed during the quarter. The range of committed rents for new and renewed office leases was RMB9.80 psm per day to RMB11.00 psm per day in 2Q 2018, above the Puxi market rent of RMB9.46 psm per day as at 2Q 2018. Average passing office rent was RMB9.83 psm per day for June 2018.

At the portfolio level, about 8.3% of OUE C-REIT's gross rental income remains due for renewal in 2018.

### **Prudent Capital Management**

As at 30 June 2018, OUE C-REIT's aggregate leverage was stable at 40.3%, with a weighted average cost of debt of 3.5%.

To mitigate interest rate volatility, about 74.1% of borrowings are on fixed rate basis. Further, the Manager is currently in an advanced stage of concluding OUE C-REIT's 2018 refinancing requirements, which will be completed ahead of maturity in the later half of 2018. The refinancing to be provided is on unsecured terms, which would improve OUE C-REIT's credit profile and hence financial flexibility.

For 2018, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units. This is to align with its objective of delivering sustainable and stable DPU to Unitholders.

### **Outlook**

According to CBRE, islandwide net absorption for office space in 2Q 2018 was 503,907 sq ft, due mainly to healthy level of pre-commitment at a newly completed office building. As market fundamentals continued to be strong, core CBD office occupancy remained unchanged at 94.1% as at 2Q 2018, with demand supported by co-working operators, technology firms as well as the insurance sector. As a result of the tight vacancy environment, rental growth for Grade A CBD Core office

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accelerated to 4.1% quarter-on-quarter (“QoQ”) to S\$10.10 psf per month, the fastest pace of growth since 1Q 2014.

Given the pace of recovery in office market rents in the Singapore CBD, OUE Bayfront achieved positive rental reversions for the lease renewals and rent reviews committed in 2Q 2018. At One Raffles Place, due to the narrowing gap between expiring rents and market rents, the extent of negative reversions in 2018 is expected to be less than that in 2017. Further, One Raffles Place’s 2018 revenue base has improved due to the notable increase in committed office occupancy achieved in 2017, thereby mitigating the impact of any negative reversions.

According to Colliers International, Shanghai CBD Grade A office occupancy increased 2.9 ppt QoQ to 89.4% as at 2Q 2018, supported by strong net absorption of 217,000 sq m for the quarter. Major sectors driving demand were finance, professional services, trading, technology, media & telecommunications as well as flexible workspace operators. Consequently, Shanghai CBD Grade A office rents rose 0.8% QoQ to RMB10.36 psm per day as at 2Q 2018. In Puxi, Grade A office occupancy improved 4.5 ppt QoQ to 90.7% as at 2Q 2018, while rents increased 1.6% QoQ to RMB 9.46 psm per day.

A significant amount of new office supply is expected to enter the Shanghai market over the next two years, before easing in 2020. Nevertheless, healthy demand from the finance and technology sectors are expected to underpin occupancy as well as rental rates in Shanghai.

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## QUE COMMERCIAL REIT MANAGEMENT PTE. LTD.

### **About QUE Commercial REIT**

QUE 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.

QUE C-REIT's portfolio comprises QUE Bayfront and One Raffles Place in Singapore, as well as Lippo Plaza in Shanghai, with a total assets-under-management of approximately S\$3.5 billion.

QUE C-REIT is managed by QUE Commercial REIT Management Pte. Ltd., which is a wholly-owned subsidiary of QUE Limited.

For more information, please visit [www.ouect.com](http://www.ouect.com).

### **About the Sponsor : QUE Limited**

QUE Limited ("QUE") is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the United States. QUE 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, QUE 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](http://www.oue.com.sg).

### **IMPORTANT NOTICE**

The value of units in QUE 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 QUE C-REIT is not necessarily indicative of the future performance of QUE 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

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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.