



## Financial Results for 2<sup>nd</sup> Quarter 2019

7 August 2019

# Important Notice

This presentation should be read in conjunction with the announcements released by OUE Commercial Real Estate Investment Trust ("OUE C-REIT") on 7 August 2019 (in relation to its Financial Results for 2<sup>nd</sup> Quarter 2019).

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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 Singapore Exchange Securities Trading Limited (the "SGX-ST"). It is intended that holders of Units ("Unitholders") 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.

The information and opinions contained in this presentation are subject to change without notice.

# Agenda

- Key Highlights
- Financial Performance and Capital Management
- Portfolio Performance
- Outlook
- Appendices

# Key Highlights

## Financial Highlights

- Net property income in 2Q 2019 of S\$40.8 million was 20.1% higher year-on-year (“YoY”), due mainly to contribution from OUE Downtown Office which was acquired in November 2018
- The drawdown of OUE Downtown Office’s rental support, partially offset by higher interest expense in 2Q 2019 as a result of higher borrowings, led to amount available for distribution of S\$22.5 million, 36.6% higher YoY. 2Q 2019 DPU was 0.78 cents

## Portfolio Performance

- Stable committed portfolio occupancy of 94.5% as at 30 June 2019
- OUE C-REIT’s Singapore portfolio continued to achieve positive office rental reversions in 2Q 2019, resulting in higher average passing office rents
- At OUE Bayfront, the average passing office rent was S\$11.76 psf per month as of June 2019. One Raffles Place’s average passing office rent was S\$9.56 psf per month as of June 2019, while OUE Downtown Office’s was S\$7.16 psf per month. In Shanghai, Lippo Plaza’s average office passing rent was RMB9.86 psm per day

# Key Highlights

## Capital Management

- Aggregate leverage as at 30 June 2019 was stable at 39.3%, with weighted average all-in borrowing cost of 3.5% per annum
- As at 30 June 2019, average term of debt was 3.0 years with 76.1% of borrowings on fixed rate basis. No significant refinancing requirement until 2020

## Proposed Merger with OUE Hospitality Trust

- Announced proposed merger with OUE Hospitality Trust by way of a trust scheme of arrangement on 8 April 2019
- OUE C-REIT will seek the approval of OUE C-REIT unitholders (“Unitholders”) for the transaction at an extraordinary general meeting to be held on 14 August 2019
- The rationale for the proposed merger includes:
  - Creation of one of the largest diversified S-REITs, owning seven properties with total assets of approximately S\$6.9 billion
  - Larger capital base and broadened investment mandate provide flexibility to drive long-term growth; enhanced portfolio diversification with greater resilience
  - DPU accretive to Unitholders on a historical pro forma basis



# Financial Performance & Capital Management

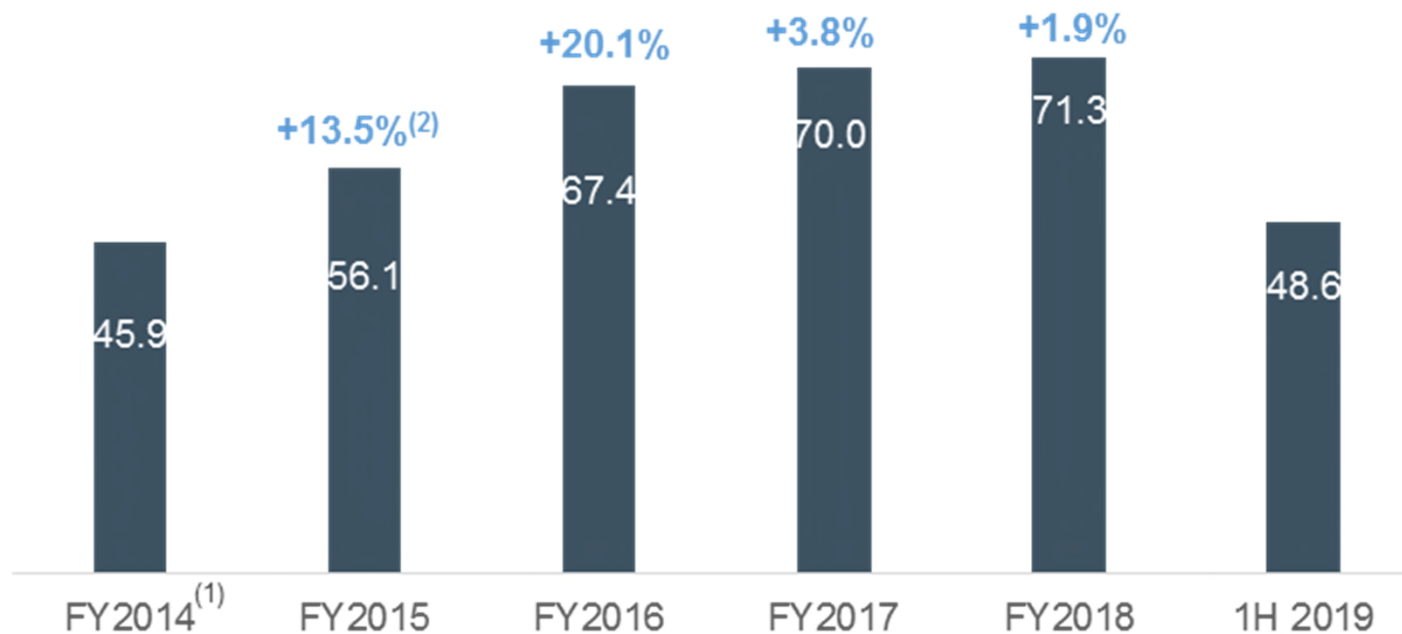


# Delivered Sustainable Distribution

Delivered sustainable distribution to Unitholders since IPO

## Distribution Since IPO

In S\$ million



(1) Period commencing from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014

(2) Growth rate from FY2014 to FY2015 is calculated based on annualised amount available for distribution for the period from OUE C-REIT's listing date of 27 January 2014 to 31 December 2014

# 2Q 2019 vs 2Q 2018

	2Q 2019	2Q 2018	Change
Revenue (S\$ m)	51.9	43.1	20.5%
Net Property Income (S\$ m)	40.8	33.9	20.1%
Amount Available for Distribution to Unitholders (S\$ m)	22.5	16.5	36.6%
DPU (cents) (actual)	0.78	1.06	-26.4%
DPU (cents) (restated)	-	0.58 <sup>(1)</sup>	34.5%

- Net property income of S\$40.8 million in 2Q 2019 increased 20.1% YoY due primarily to the contribution from OUE Downtown Office which was acquired in November 2018
- The drawdown of OUE Downtown Office's rental support, partially offset by higher interest expenses in 2Q 2019 as a result of higher borrowings, resulted in amount available for distribution of S\$22.5 million, 36.6% higher YoY

(1) For the purpose of comparison, 2Q 2018 DPU has been restated to include the 1,288,438,981 new Units issued on 30 October 2018 pursuant to the rights issue (the "Rights Issue")



# 2Q 2019 vs 2Q 2018

S\$'000	2Q 2019	2Q 2018	Change (%)
<b>Revenue</b>	<b>51,885</b>	<b>43,060</b>	<b>20.5</b>
Property operating expenses	(11,135)	(9,126)	22.0
<b>Net property income</b>	<b>40,750</b>	<b>33,934</b>	<b>20.1</b>
Other income	4,227	1,073	NM <sup>(1)</sup>
Amortisation of intangible assets	(1,250)	(1,113)	12.3
Manager's management fees	(3,192)	(2,456)	30.0
Other expenses	(702)	(630)	11.4
Interest income	213	225	(5.3)
Interest expense	(14,309)	(10,817)	32.3
Amortisation of debt establishment costs	(1,095)	(1,260)	(13.1)
Net fair value movement of financial derivatives	(62)	734	NM
Foreign exchange differences	(237)	22	NM
<b>Total return before tax</b>	<b>24,343</b>	<b>19,712</b>	<b>23.5</b>
Tax expense	(3,873)	(4,458)	(13.1)
<b>Total return for period</b>	<b>20,470</b>	<b>15,254</b>	<b>34.2</b>
Non-controlling interests	(1,888)	(1,782)	5.9
CPPU holder distribution	(935)	(935)	-
Distribution adjustments	4,888	3,957	23.5
<b>Amount available for distribution to Unitholders</b>	<b>22,535</b>	<b>16,494</b>	<b>36.6</b>

# 1H 2019 vs 1H 2018

	1H 2019	1H 2018	Change
Revenue (S\$ m)	107.2	87.2	23.0%
Net Property Income (S\$ m)	84.3	69.2	21.8%
Amount Available for Distribution to Unitholders (S\$ m)	48.6	33.9	43.2%
DPU (cents) (actual)	1.68	2.18	-22.9%
DPU (cents) (restated)	-	1.19 <sup>(1)</sup>	41.2%

- Net property income of S\$84.3 million in 1H 2019 was 21.8% higher YoY due primarily to contribution from OUE Downtown Office which was acquired in November 2018
- The drawdown of OUE Downtown Office's rental support, partially offset by higher interest expenses in 1H 2019 as a result of higher borrowings, resulted in amount available for distribution of S\$48.6 million, 43.2% higher YoY

(1) For the purpose of comparison, 1H 2018 DPU has been restated to include the 1,288,438,981 new Units issued on 30 October 2018 pursuant to the 10 Rights Issue

# 1H 2019 vs 1H 2018

S\$'000	1H 2019	1H 2018	Change (%)
<b>Revenue</b>	<b>107,220</b>	<b>87,155</b>	<b>23.0</b>
Property operating expenses	(22,902)	(17,944)	27.6
<b>Net property income</b>	<b>84,318</b>	<b>69,211</b>	<b>21.8</b>
Other income	9,220	2,029	NM <sup>(1)</sup>
Amortisation of intangible assets	(2,798)	(2,226)	25.7
Manager's management fees	(6,356)	(4,880)	30.2
Other expenses	(1,346)	(1,230)	9.4
Interest income	487	433	12.5
Interest expense	(28,478)	(21,249)	34.0
Amortisation of debt establishment costs	(2,180)	(2,509)	(13.1)
Net fair value movement of financial derivatives	880	716	22.9
Foreign exchange differences	(178)	424	NM
<b>Total return before tax</b>	<b>53,569</b>	<b>40,719</b>	<b>31.6</b>
Tax expense	(8,445)	(9,294)	(9.1)
<b>Total return for period</b>	<b>45,124</b>	<b>31,425</b>	<b>43.6</b>
Non-controlling interests	(3,858)	(3,717)	3.8
CPPU holder distribution	(1,860)	(1,860)	-
Distribution adjustments	9,166	8,067	13.6
<b>Amount available for distribution to Unitholders</b>	<b>48,572</b>	<b>33,915</b>	<b>43.2</b>

# Distribution Details

## Distribution Period

1 January 2019 to 30 June 2019

## Distribution Per Unit

**1.68 cents** comprising

- (i) Taxable income distribution of 1.03 cents
- (ii) Tax-exempt income distribution of 0.39 cents
- (iii) Capital distribution of 0.26 cents

**Notice of Books Closure Date**

7 August 2019

**Books Closure Date**

19 August 2019

**Distribution Payment Date**

12 September 2019



# Healthy Balance Sheet

S\$ million	As at 30 Jun 2019
Investment Properties	4,490.8
Total Assets	4,572.1
Borrowings	1,715.6
Total Liabilities	1,937.2
Net Assets Attributable to Unitholders	2,035.6
Units in issue and to be issued ('000)	2,871,606
NAV per Unit (S\$)	0.71

# Capital Management

- Aggregate leverage ratio as at 30 June 2019 was stable at 39.3%, with weighted average cost of debt of 3.5% per annum
- With 76.1% of debt on fixed rate basis, earnings are mitigated against interest rate fluctuations
- Every 25bps increase in floating interest rates is expected to reduce distribution by S\$1.0 million per annum, or 0.03 cents in DPU

	As at 30 Jun 2019	As at 31 Mar 2019
<b>Aggregate Leverage</b>	39.3%	39.4%
<b>Total debt</b>	S\$1,677m <sup>(1)</sup>	S\$1,685m <sup>(2)</sup>
<b>Weighted average cost of debt</b>	3.5% p.a.	3.5% p.a.
<b>Average term of debt</b>	3.0 years	3.3 years
<b>% fixed rate debt</b>	76.1%	71.6%
<b>% unsecured debt</b>	62.7%	62.2%
<b>Average term of fixed rate debt</b>	2.2 years	2.1 years
<b>Interest cover ratio</b>	3.1x	3.3x

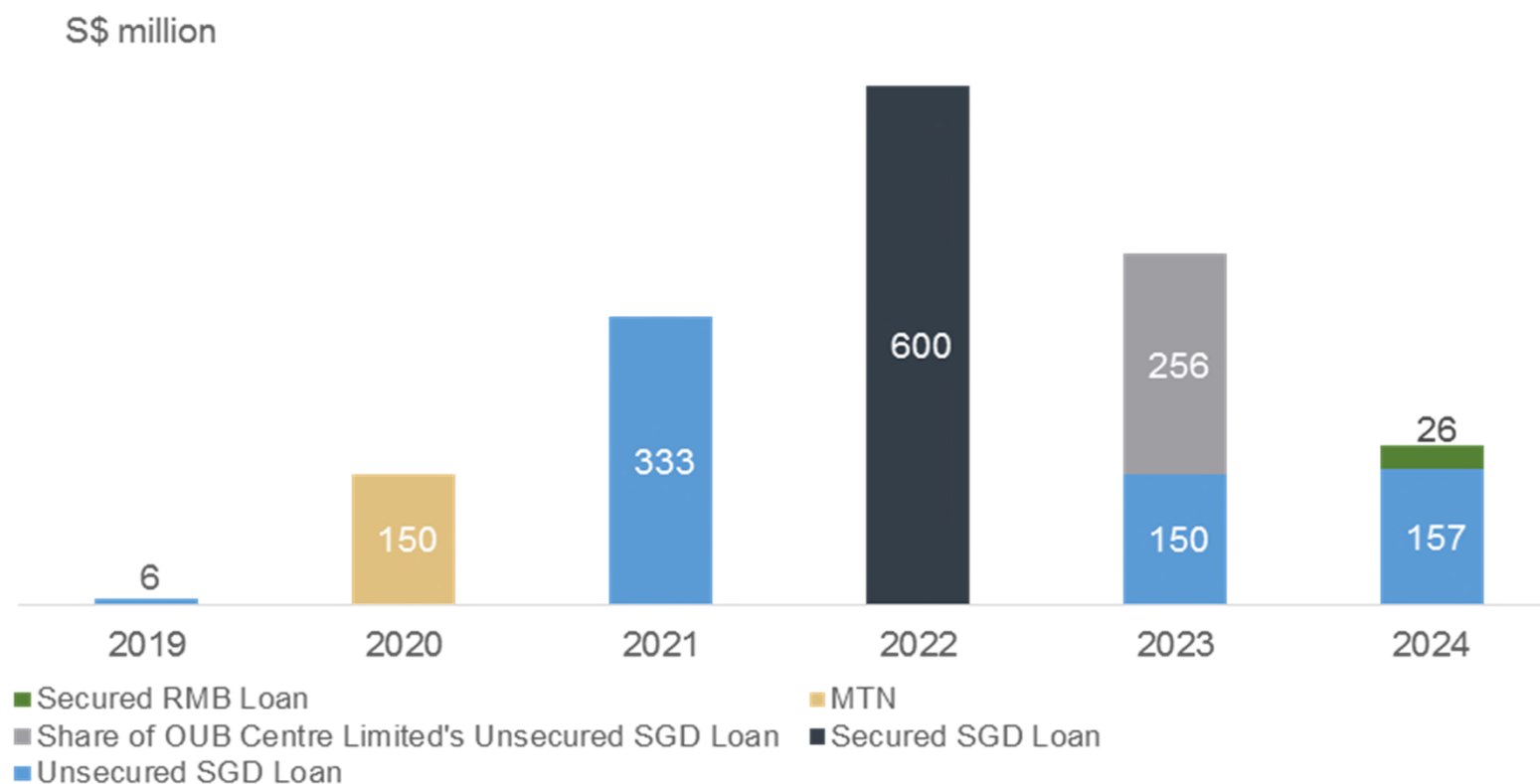
(1) Based on SGD:CNY exchange rate of 1:5.079 as at 30 June 2019 and includes OUE C-REIT's share of OUB Centre Limited's loan

(2) Based on SGD:CNY exchange rate of 1:4.958 as at 31 March 2019 and includes OUE C-REIT's share of OUB Centre Limited's loan

# Capital Management

No significant refinancing requirement until 2020

## Debt Maturity Profile as at 30 June 2019





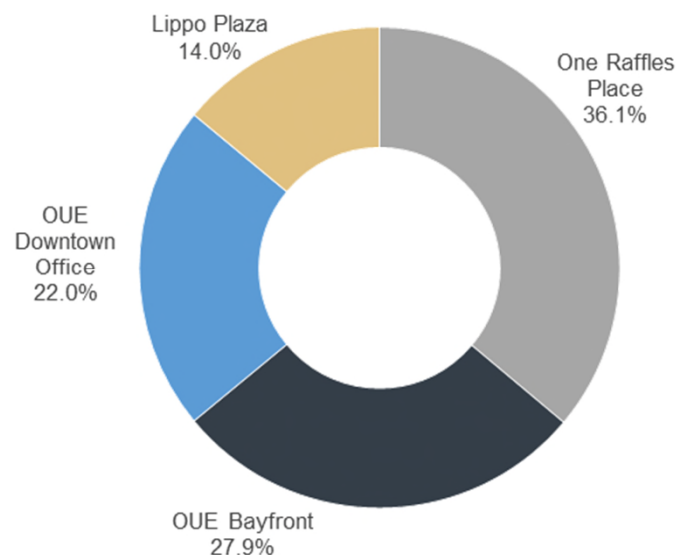
# Portfolio Performance



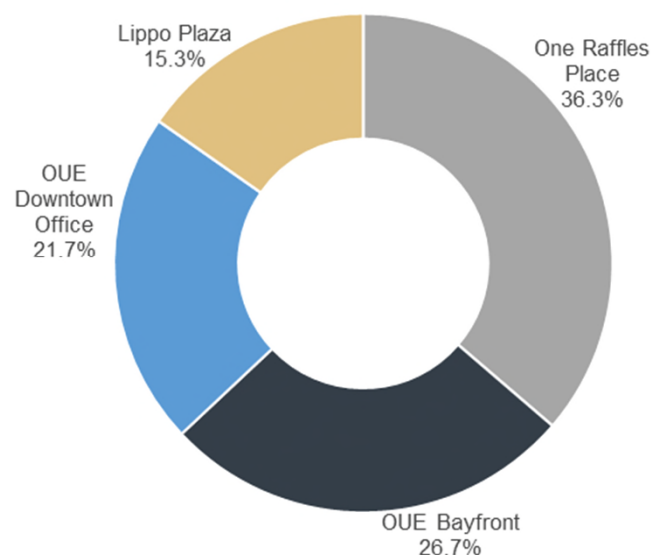


# Portfolio Composition

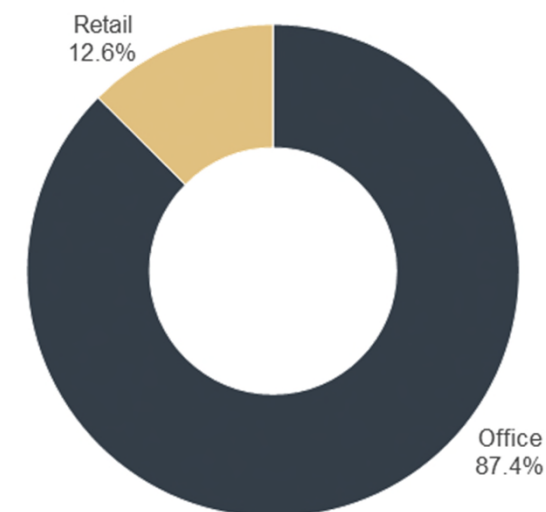
## By Asset Value<sup>(1)</sup>



## By Revenue Contribution<sup>(2)</sup>



## By Segment Income<sup>(2)</sup>



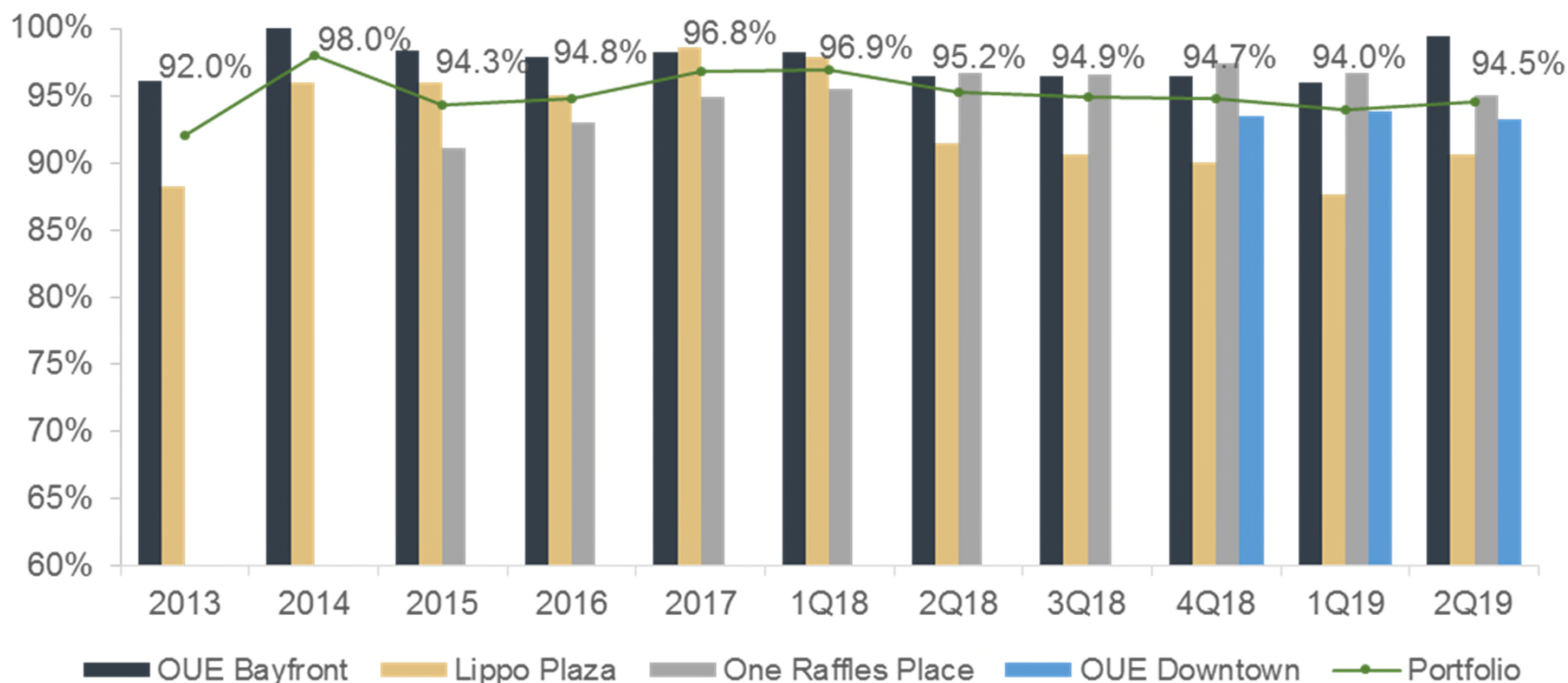
(1) Based on independent valuations as at 31 December 2018 and OUE C-REIT's proportionate interest in One Raffles Place

(2) For 2Q 2019 based on OUE C-REIT's attributable interest in One Raffles Place

# Resilient and Stable Portfolio

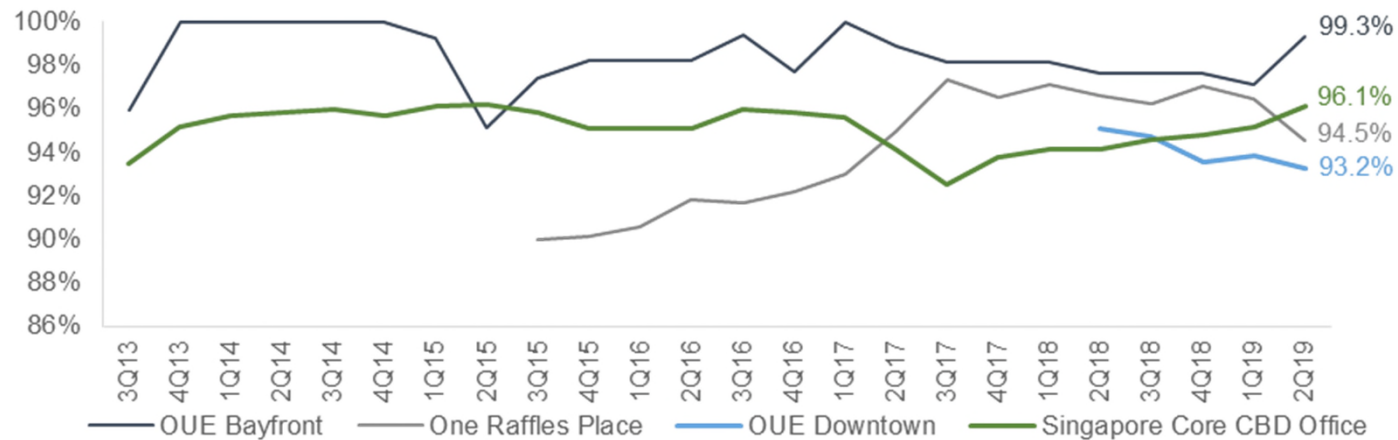
- Lippo Plaza's overall committed occupancy improved to 90.6% with the leasing of the vacant retail space during the quarter, resulting in a higher committed retail occupancy of 98.7%
- OUE Bayfront's overall committed occupancy increased to 99.4% with the improvement in committed office occupancy and leasing up of retail space which is now fully occupied

## Portfolio Committed Occupancy

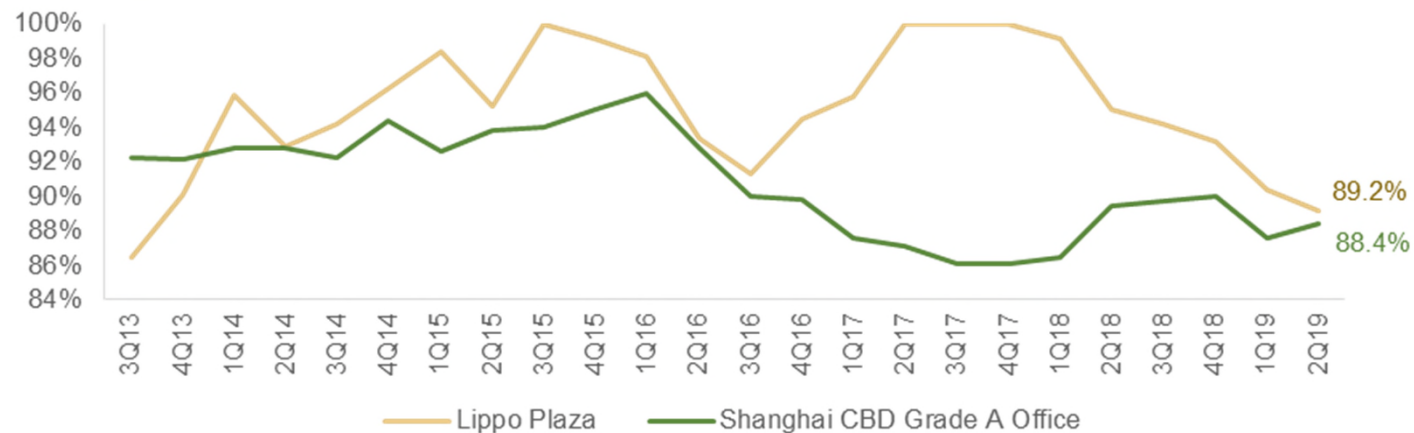


# Healthy Office Occupancy

## Singapore



## Shanghai



# Committed Office Rents In Line Or Above Market

2Q 2019	Average Expired Rents	Committed Rents <sup>(1)</sup>	Sub-market	Comparable Sub-market Rents	
				Colliers <sup>(2)</sup>	Savills <sup>(3)</sup>
Singapore					
OUE Bayfront	S\$13.75	S\$11.50 – S\$14.75	New Downtown/ Marina Bay	S\$11.96	S\$13.01
One Raffles Place	S\$9.46	S\$9.20 – S\$11.40	Raffles Place	S\$10.41	S\$10.22
OUE Downtown	S\$7.07	S\$8.00 – S\$9.20	Shenton Way/ Tanjong Pagar	S\$10.03	S\$8.87 – S\$9.21
Shanghai					
Lippo Plaza	RMB10.15	RMB8.35 – RMB11.20	Puxi	RMB9.54	RMB10.26

- Renewal rents in 2Q 2019 for the Singapore properties continued to be higher than preceding rents, as market rental growth continued to be positive

(1) Committed rents for renewals and new leases

(2) Source: Colliers Singapore Office Quarterly 2Q 2019 for Singapore comparable sub-market rents; Colliers Shanghai Office Property Market Overview 2Q 2019 for Shanghai comparable sub-market rents

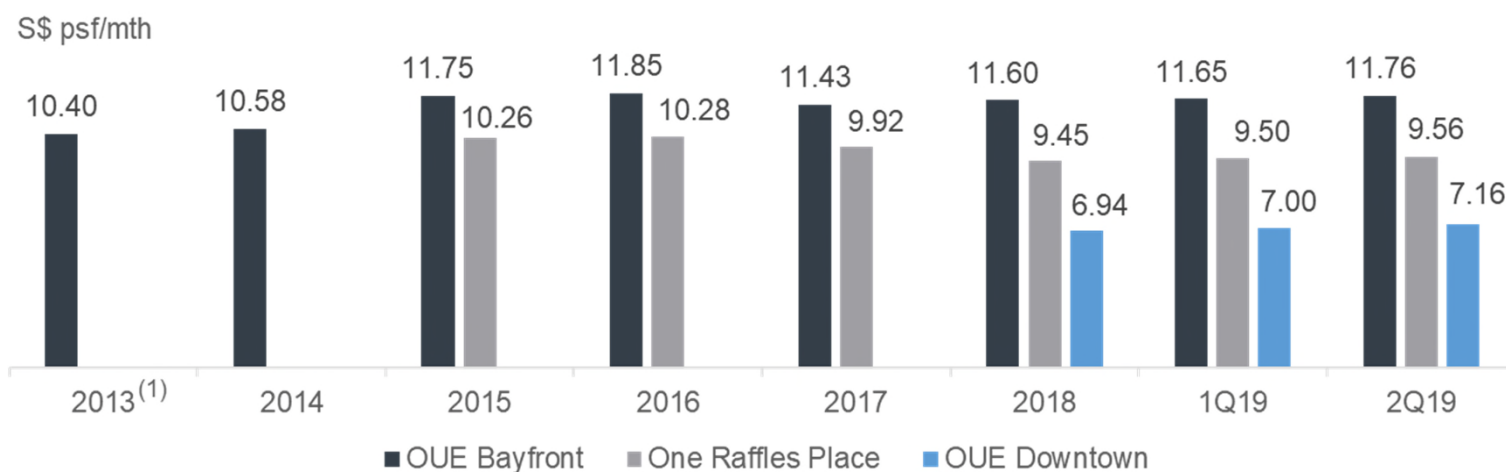
(3) Source: Savills Singapore Office Briefing 1Q 2019 for Singapore comparable sub-market rents; Savills Shanghai Grade A Office Market Update 2Q 2019 for Shanghai comparable sub-market rents

Note: For reference, CBRE Research's 2Q 2019 Grade A Singapore office rent is S\$11.30 psf/mth. Sub-market rents are not published



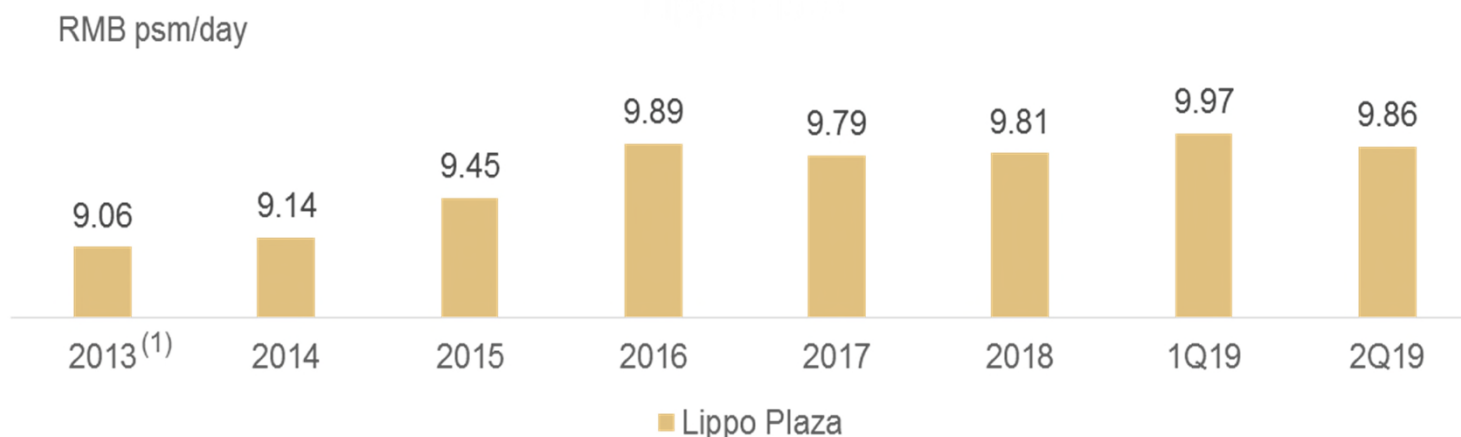
# Average Passing Office Rents

## Singapore



- Average passing office rent for Singapore properties improved in 2Q 2019, due to positive rental reversions in the previous quarters

## Shanghai

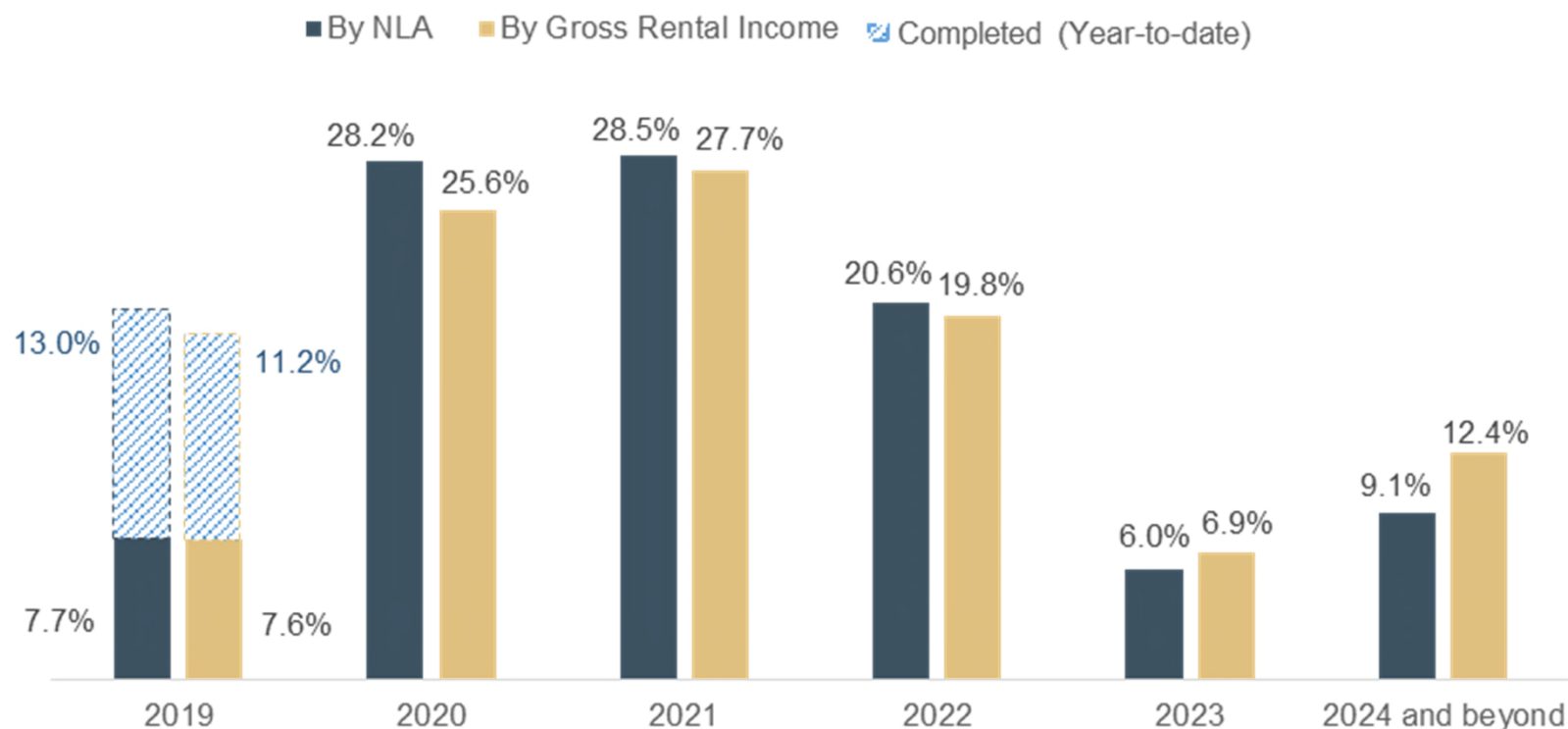


- Average passing office rent at Lippo Plaza was RMB9.86 psm/day as of June 2019

(1) Proforma average passing rents as at 30 September 2013 as disclosed in OUE C-REIT's Prospectus dated 17 January 2014

# Lease Expiry Profile - Portfolio

7.6% of OUE C-REIT's portfolio gross rental income is due for renewal for the balance of 2019



**WALE<sup>(1)</sup> of 2.2 years by NLA<sup>(2)</sup> and 2.4 years by Gross Rental Income**

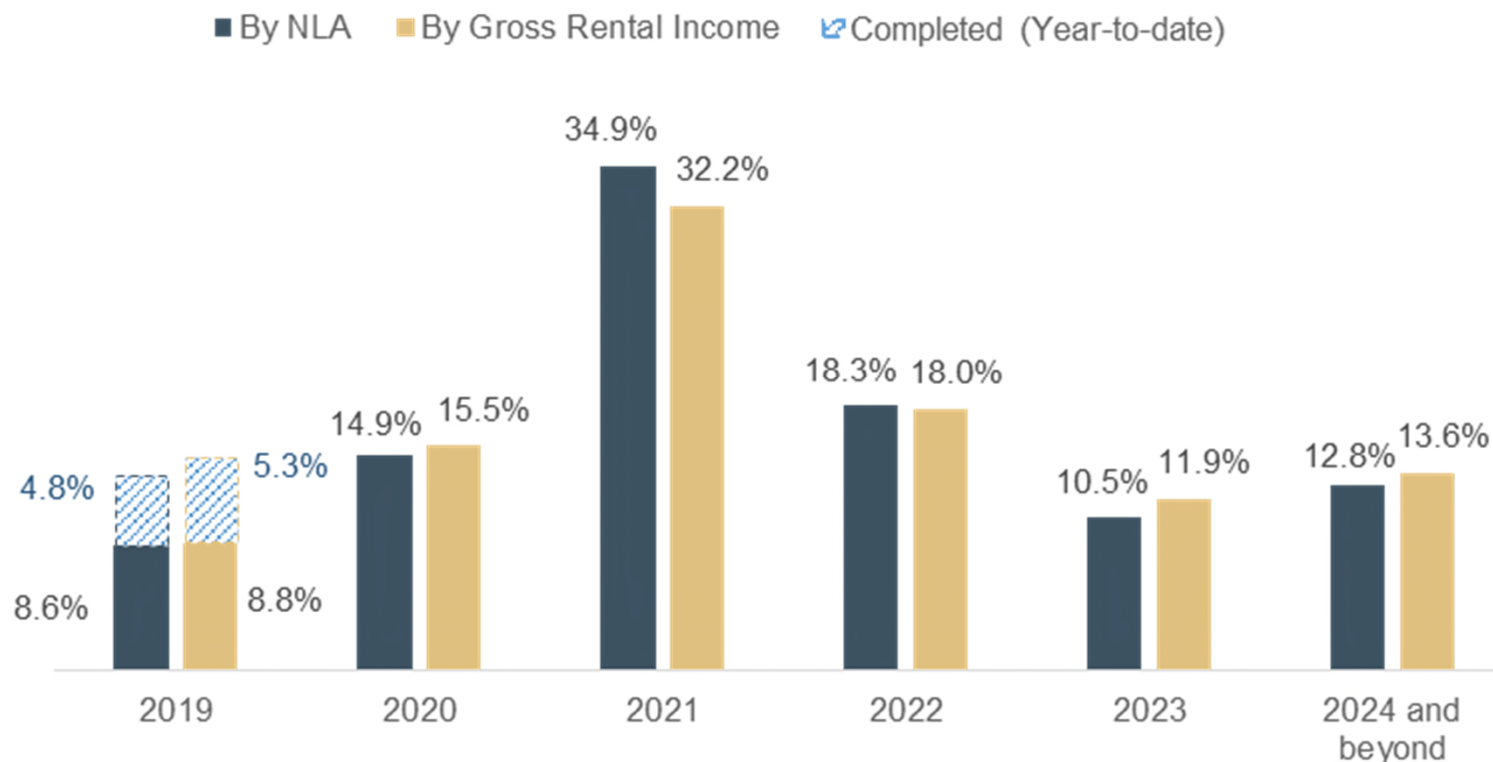
As at 30 Jun 2019

(1) "WALE" refers to the weighted average lease term to expiry

(2) "NLA" refers to net lettable area

# Lease Expiry Profile - OUE Bayfront

Well-positioned to benefit from a rising Singapore office market, with 24.3% of OUE Bayfront's gross rental income due for renewal in 2019 and 2020

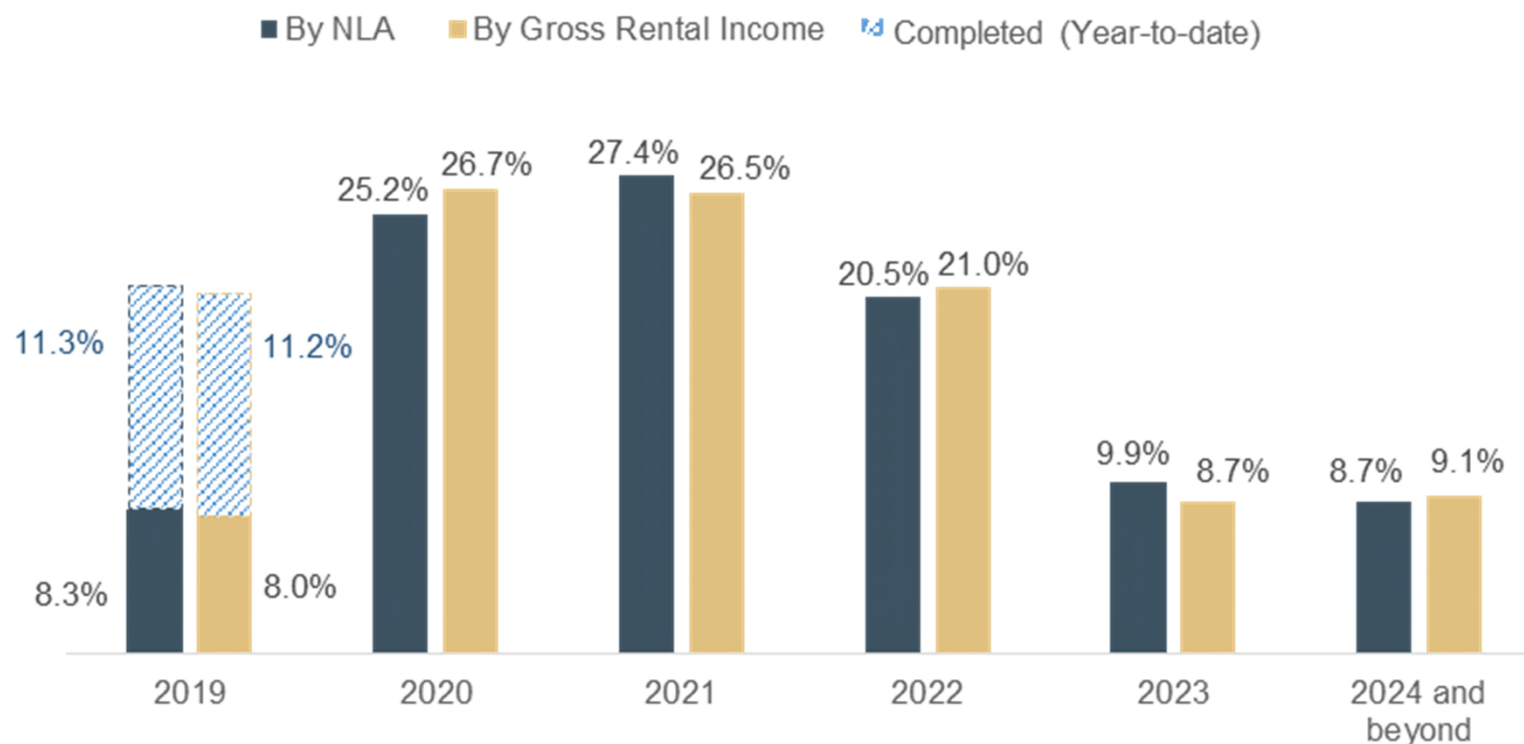


**WALE of 2.6 years by NLA and 2.7 years by Gross Rental Income**

As at 30 Jun 2019

# Lease Expiry Profile - One Raffles Place

Approximately 34.7% of gross rental income due for renewal in 2019 and 2020, with expiring rents below current market rents



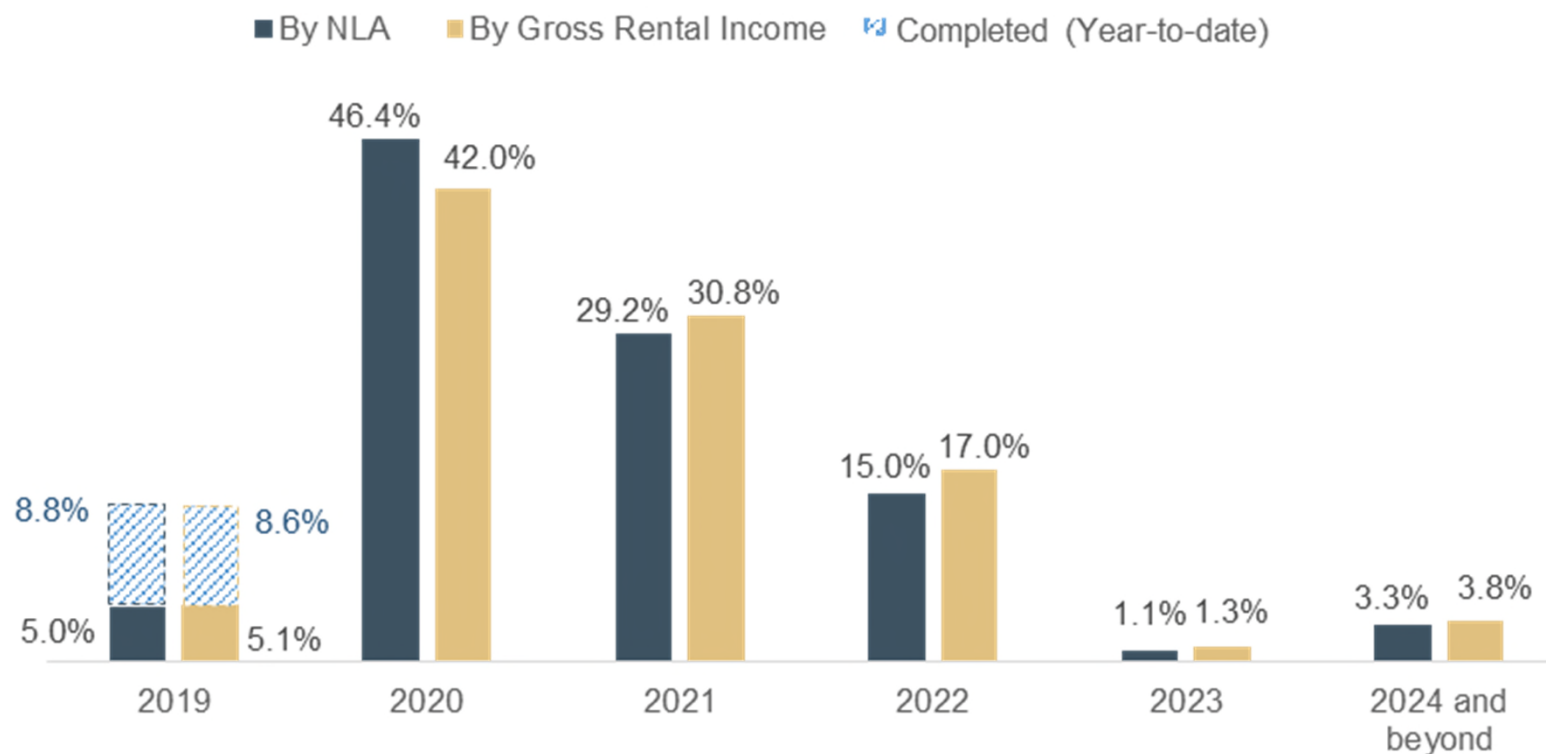
**WALE of 2.3 years by NLA and by Gross Rental Income**

As at 30 Jun 2019



# Lease Expiry Profile - OUE Downtown Office

Rental revenue for OUE Downtown Office enjoys downside protection from income support arrangement

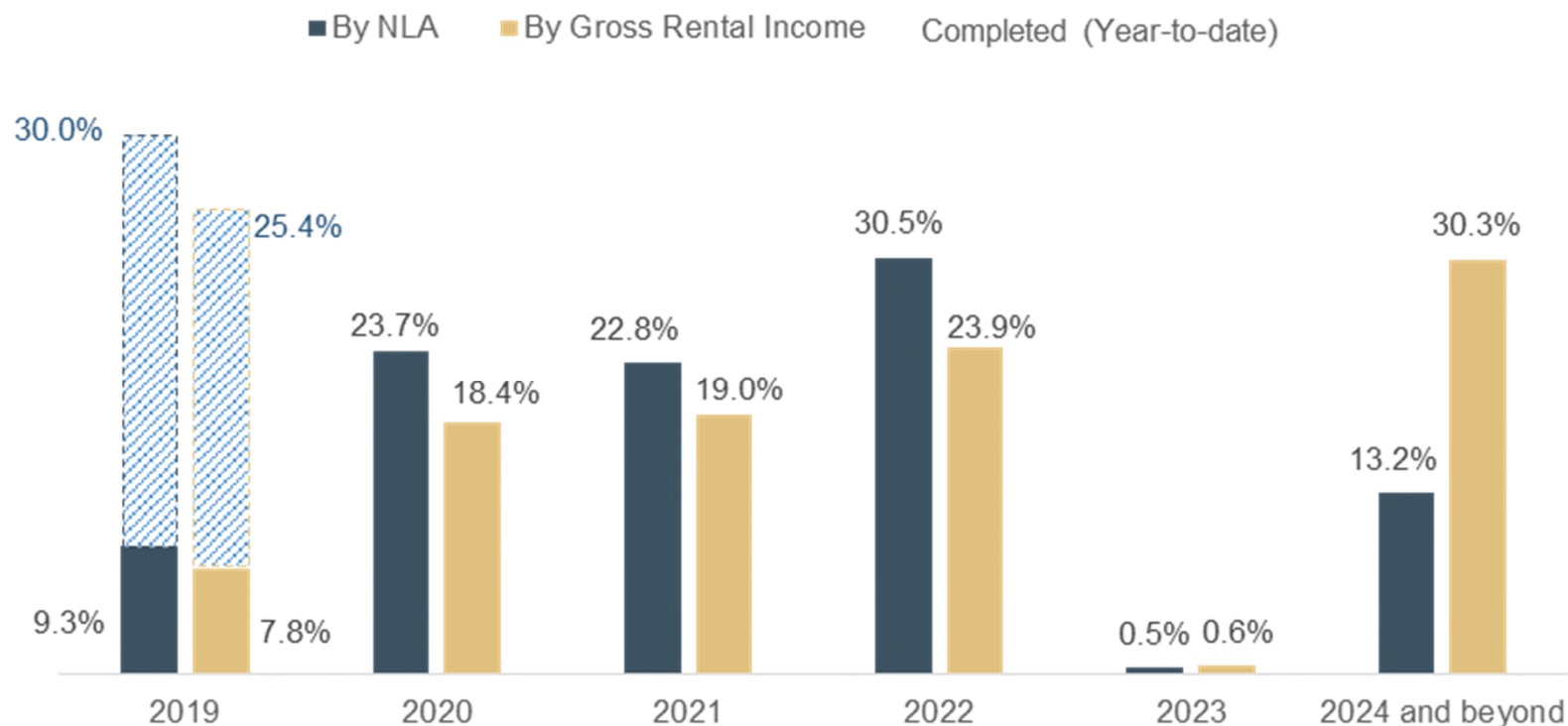


**WALE of 1.8 years by NLA and by 1.9 years by Gross Rental Income**

As at 30 Jun 2019

# Lease Expiry Profile - Lippo Plaza

WALE increased to 3.3 years from 3.1 years a quarter ago, due to the long-term lease commitment of a new retail tenant

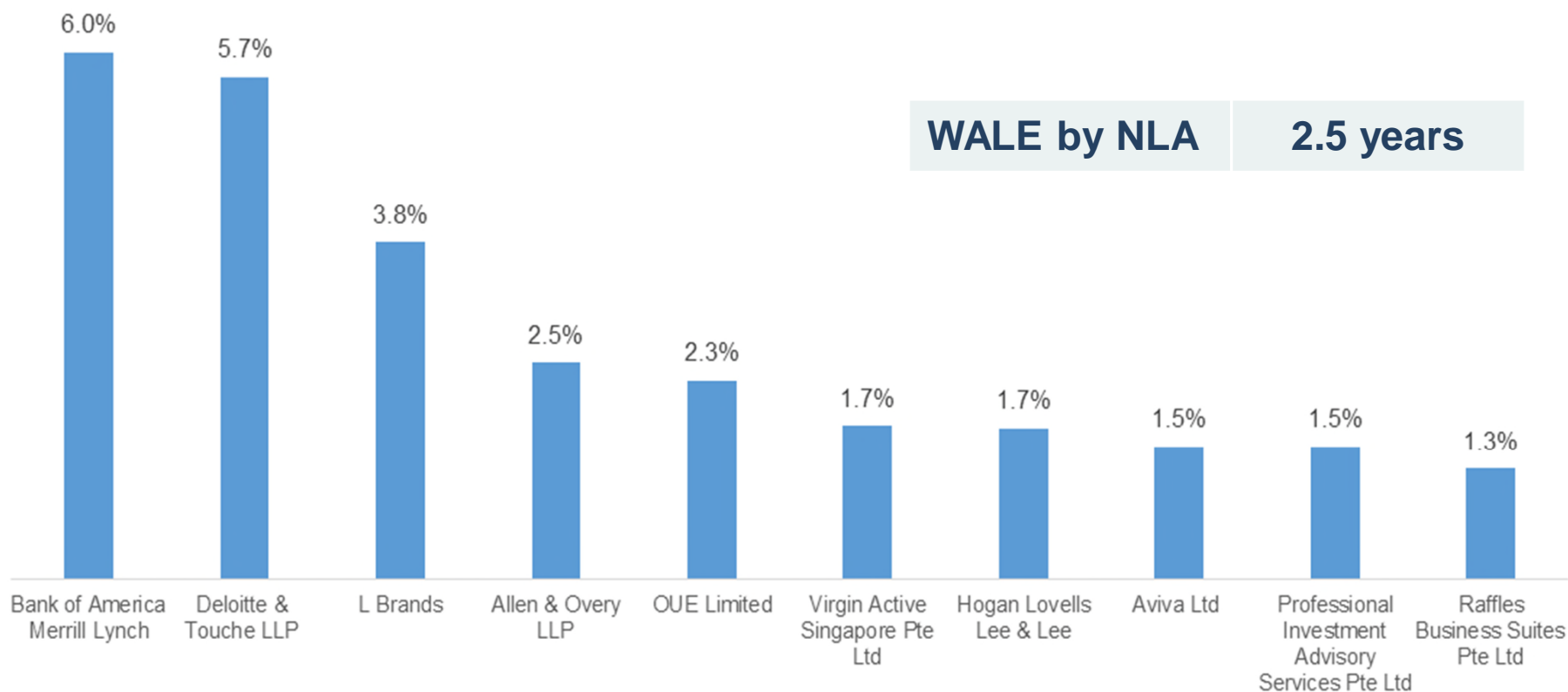


**WALE of 2.6 years by NLA and 3.3 years by Gross Rental Income**

As at 30 Jun 2019

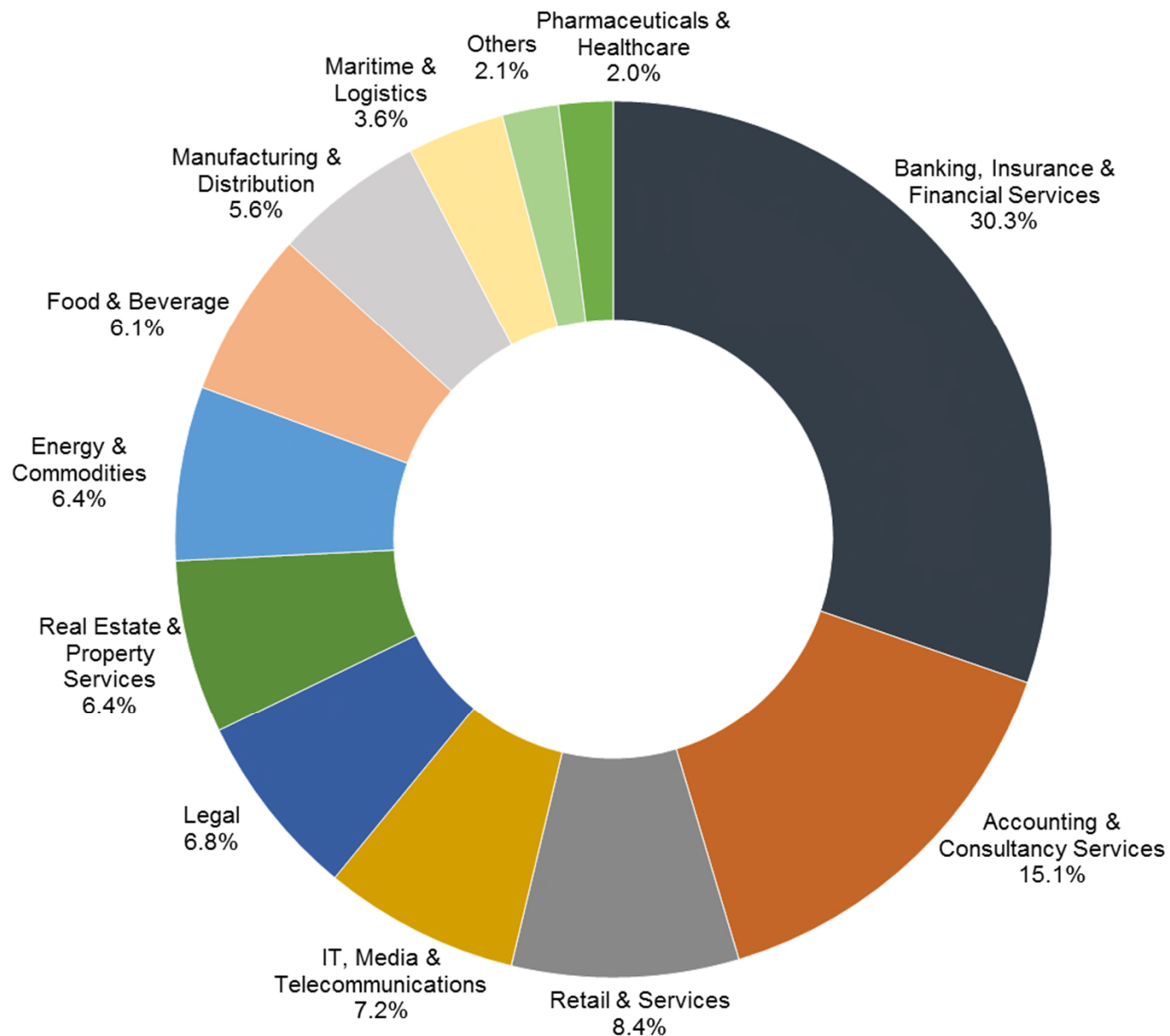
# Quality and Diversified Tenant Base

Top 10 tenants contribute approximately 28.0% of gross rental income



*As at 30 Jun 2019*

# Well-Diversified Portfolio Tenant Base



*As at Jun 2019*



# Outlook





# Outlook – Singapore

- Singapore's GDP growth slowed sharply in 2Q 2019 to 0.1%<sup>(1)</sup> based on advance estimates by the Ministry of Trade and Industry ("MTI"), from 1.1% in the previous quarter, due to output declines in the electronics and precision engineering clusters. The ongoing US-China trade tensions and deterioration in the external macroeconomic environment is expected to curtail Singapore's growth prospects for the balance of 2019. The official 2019 GDP growth forecast was narrowed to 1.5% and 2.5%, from the range of 1.5% to 3.5% previously
- According to CBRE, while office vacancy continued to tighten on the back of positive islandwide net absorption of 508,443 sq ft due mainly to the completion of an office building in the CBD fringe, leasing momentum has slowed on the back of business uncertainty and consolidation due to the cloudy global economic outlook. Consequently, even as the core CBD Grade A occupancy rose 0.9 percentage points ("ppt") quarter-on-quarter ("QoQ") to 96.1%<sup>(2)</sup> in 2Q 2019, growth in core CBD Grade A office rents moderated to 1.3% QoQ, to S\$11.30 psf per month
- Given the benign medium term office supply outlook, however, we continue to expect positive operational performance in 2019

(1) Ministry of Trade and Industry Press Release, 12 July 2019

(2) CBRE, Singapore Market View, 2Q 2019

# Outlook – China

- China's 2Q 2019 GDP growth was 6.2%<sup>(1)</sup>, down from 6.4% in 1Q 2019 and at the weakest pace in 27 years. The trade tensions with the US weighed on the economy, as higher tariffs led to a contraction in exports, while imports into China also slowed as domestic demand retreated
  
- According to Colliers International, Shanghai CBD Grade A office net absorption turned positive in 2Q 2019 at 61,000 sq m<sup>(2)</sup>, albeit below-trend. Due to slow leasing progress, some planned completions of new office projects were delayed. With no new completions during the quarter, Shanghai CBD Grade A office occupancy increased 0.8 ppt QoQ to 88.4%. With increased competition for tenants, Shanghai CBD Grade A office rents edged down 0.5% QoQ to RMB10.27 psm per day as at 2Q 2019. In Puxi, Grade A office occupancy was 91.9% as at 2Q 2019, 2.2 ppt higher QoQ, with rents 0.1% lower QoQ at RMB 9.54 psm per day
  
- With a significant amount of new office supply scheduled to enter the Shanghai market in 2019 and the decentralisation of demand expected to continue, rental growth is expected to be subdued in the near-term. As supply eases in the longer term from 2020, stable demand is expected to underpin steady rental growth

(1) National Bureau of Statistics of China Press Release, 15 July 2019

(2) Colliers International, Shanghai Office Property Market Overview 2Q 2019

# Appendices

- Overview of OUE C-REIT
- OUE C-REIT's Portfolio
- Singapore Office Market
- Shanghai Office Market



# Overview of OUE C-REIT

## About OUE C-REIT

- OUE C-REIT is a Singapore real estate investment trust listed on the Main Board of Singapore Exchange Securities Trading Limited 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
- OUE C-REIT is managed by OUE Commercial REIT Management Pte. Ltd., a wholly-owned subsidiary of OUE Limited

## Quality Portfolio

- OUE C-REIT's S\$4.5 billion portfolio comprises :
- **OUE Bayfront**, a premium Grade A office building located at Collyer Quay between the Marina Bay downtown and Raffles Place in Singapore;
  - **One Raffles Place**, an integrated commercial development comprising two Grade A office towers and a retail mall located in the heart of the Singapore's CBD at Raffles Place;
  - **OUE Downtown Office**, the Grade A office space at OUE Downtown, a recently refurbished mixed-use development with Grade A offices, a six-storey mall and serviced residences located at Shenton Way in Singapore; and
  - **Lippo Plaza**, a Grade A commercial building located in Huangpu, one of Shanghai's established core CBD locations

## Strong Sponsor

- Committed Sponsor in OUE Group which has a 56.3% stake in OUE C-REIT
- Sponsor has proven track record in real estate ownership and operations
- Leverage on Sponsor's asset enhancement and redevelopment expertise



# Premium Portfolio of Assets

## *OUE Bayfront*



<b>GFA (sq m)</b>	46,774.6
<b>NLA (sq m)</b>	Office: 35,298.3; Retail: 1,830.1; Overall: 37,128.4
<b>Committed Occupancy (@ 30 Jun 2019)</b>	Office: 99.3%; Retail: 100.0%; Overall: 99.4%
<b>Valuation (@ 31 Dec 2018)</b>	S\$1,173.1 m (S\$2,935 psf)
<b>Valuation Cap Rate (Office):</b>	3.625%
<b>Land Use Right Expiry</b>	OUE Bayfront & OUE Tower: 99 yrs from 12 November 2007 OUE Link: 15 yrs from 26 March 2010 Underpass: 99 yrs from 7 January 2002
<b>Completion Year</b>	2011



# Premium Portfolio of Assets

## *One Raffles Place*

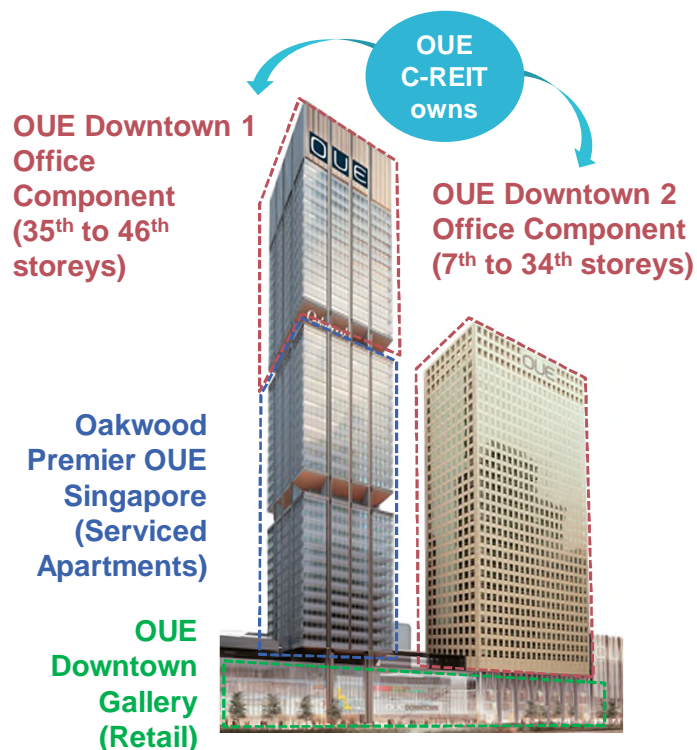


<b>GFA (sq m)</b>	119,626.3
<b>Attributable NLA (sq m)</b>	Office: 57,043.1; Retail: 9,227.4; Overall: 66,270.5
<b>Committed Occupancy (@ 30 Jun 2019)</b>	Office: 94.5%; Retail: 97.8%; Overall: 95.1%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2018)</b>	S\$1,813.5 m (S\$2,542 psf)
<b>Valuation Cap Rate (Office):</b>	3.50% - 3.70%
<b>Land Use Right Expiry</b>	Office Tower 1: 841 yrs from 1 Nov 1985; Office Tower 2: 99 yrs from 26 May 1983; Retail: ~75% of NLA is on 99 yrs from 1 Nov 1985
<b>Completion Year</b>	Office Tower 1: 1986; Office Tower 2: 2012; Retail (major refurbishment): 2014

(1) Based on OUB Centre Limited's 81.54% interest in One Raffles Place. OUE C-REIT has an 83.33% indirect interest in OUB Centre Limited held via its wholly-owned subsidiaries

# Premium Portfolio of Assets

## *OUE Downtown Office*



<b>GFA (sq m)</b>	69,922.0
<b>Attributable NLA (sq m)</b>	Office: 49,239.0
<b>Committed Occupancy (@ 30 Jun 2019)</b>	Office: 93.2%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2018)</b>	S\$920.0 m (S\$1,736 psf)
<b>Valuation Cap Rate (Office):</b>	4.00%
<b>Land Use Right Expiry</b>	99 yrs from 19 July 1967
<b>Completion Year</b>	OUE Downtown 1: 1974; OUE Downtown 2: 1994; Major refurbishment : 2017

(1) Valuation without income support



# Premium Portfolio of Assets

## *Lippo Plaza*



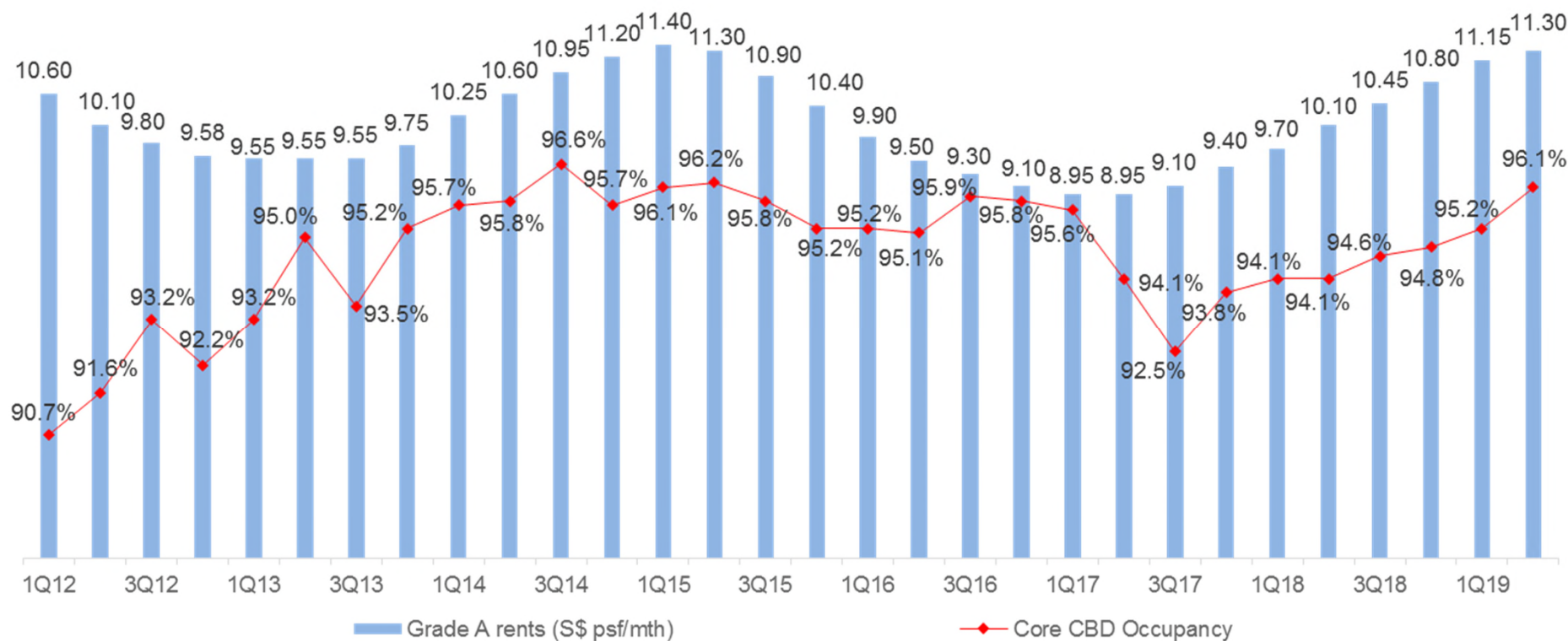
<b>GFA (sq m)</b>	58,521.5
<b>Attributable NLA (sq m)</b>	Office: 33,538.6; Retail: 5,685.9; Overall: 39,224.5
<b>Committed Occupancy (@ 30 Jun 2019)</b>	Office: 89.2%; Retail: 98.7%; Overall: 90.6%
<b>Valuation<sup>(1)</sup> (@ 31 Dec 2018)</b>	RMB2,950.0 m / RMB50,409 psm (S\$580.9 million) <sup>(2)</sup>
<b>Land Use Right Expiry</b>	50 yrs from 2 July 1994
<b>Completion Year</b>	Office : 1999; Retail (major refurbishment) : 2010

(1) Based on 91.2% strata ownership of Lippo Plaza

(2) Based on SGD:CNY exchange rate of 1 :5.079 as at 30 June 2019

# Singapore Office Market

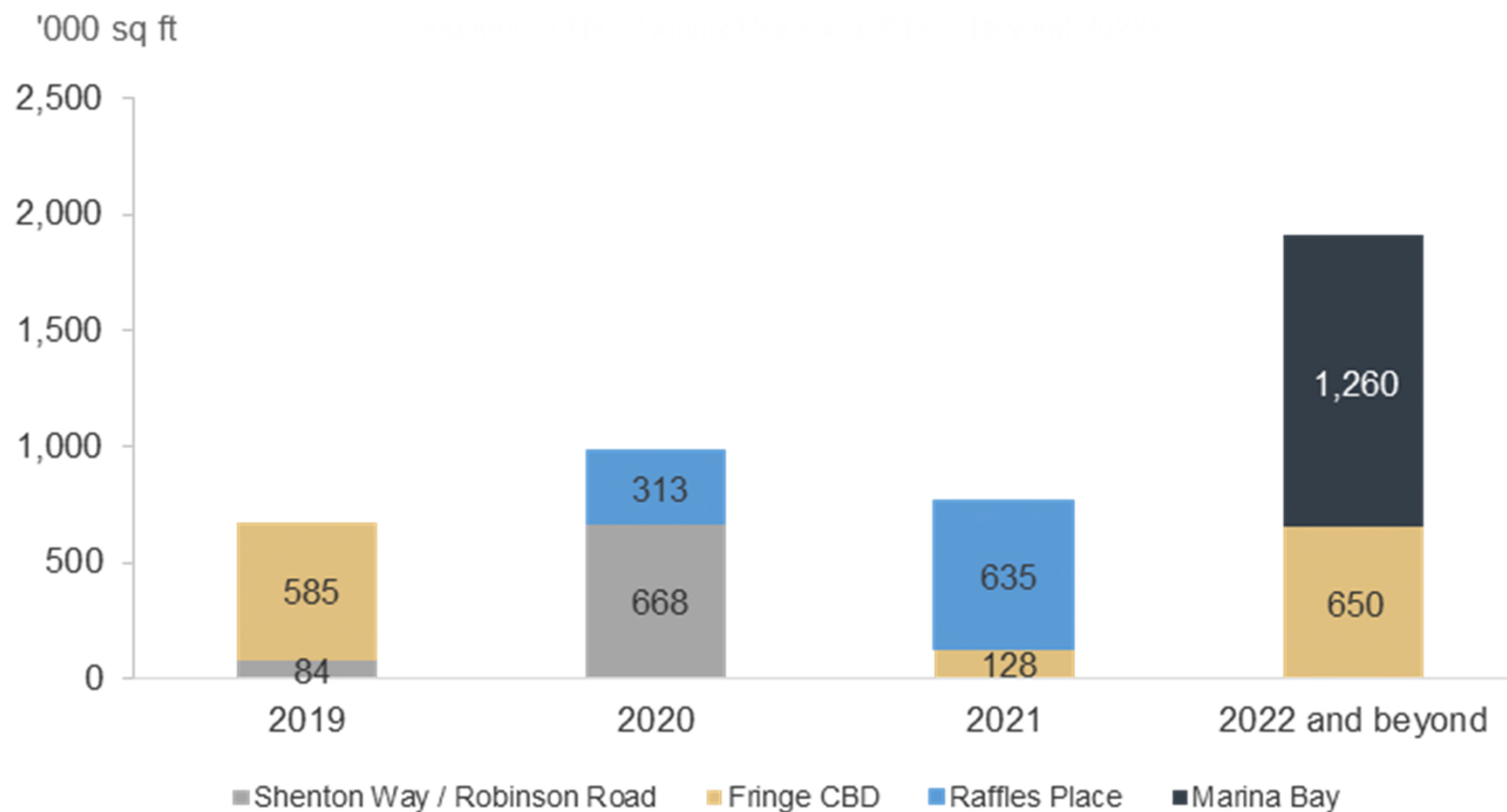
- Core CBD Grade A office occupancy rose 0.9 ppt QoQ to 96.1% as at 2Q 2019, on the back of positive islandwide net absorption of 508,443 sq ft due mainly to the completion of an office building in the CBD fringe
- With slowing leasing momentum due to the uncertain economic outlook, Grade A CBD core office rental growth moderated to 1.3% QoQ in 2Q 2019, to S\$11.30 psf per month



# Known Office Supply Pipeline

Benign office supply outlook for the Singapore core CBD over next 2 years

## Office Supply Pipeline in Singapore (CBD and Fringe of CBD)



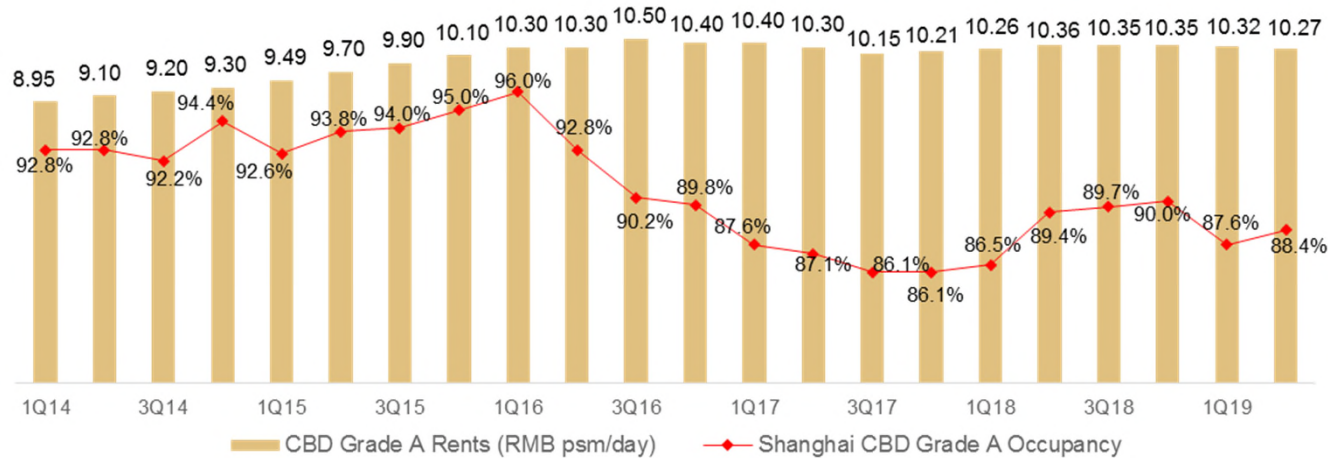
Note: Excluding strata-titled office

Source: CBRE Research and respective media reports



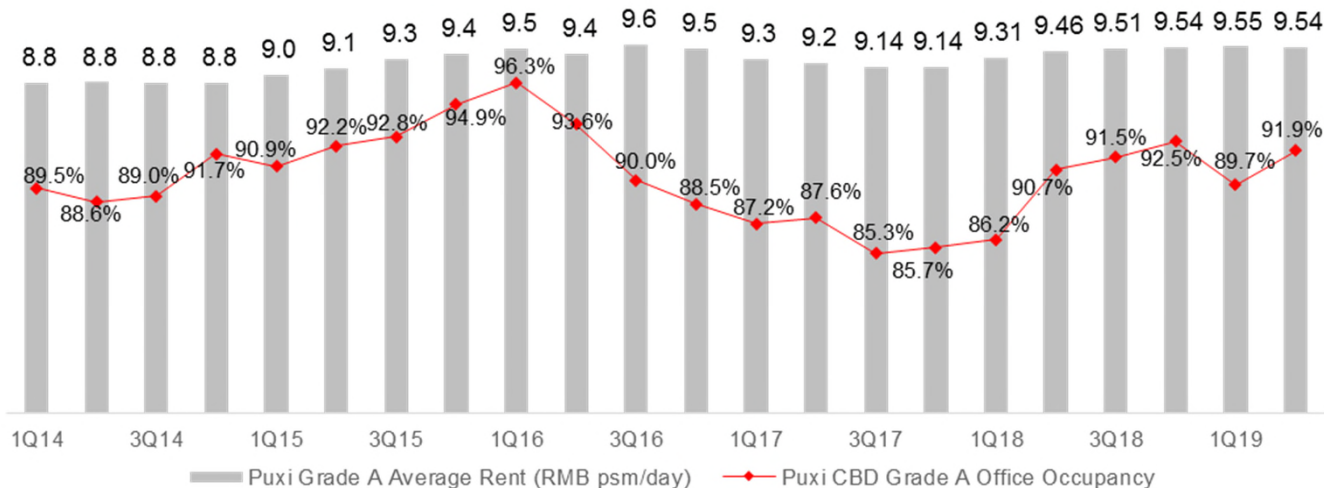
# Shanghai Office Market

## Shanghai



- Shanghai CBD Grade A office occupancy edged up 0.8 ppt QoQ to 88.4% as at 2Q 2019, with rents easing 0.5% QoQ to RMB10.27 psm/day. Puxi Grade A office occupancy was 91.9% as at 2Q 2019, up 2.2 ppt QoQ, with rents at RMB9.54 psm/day

## Puxi

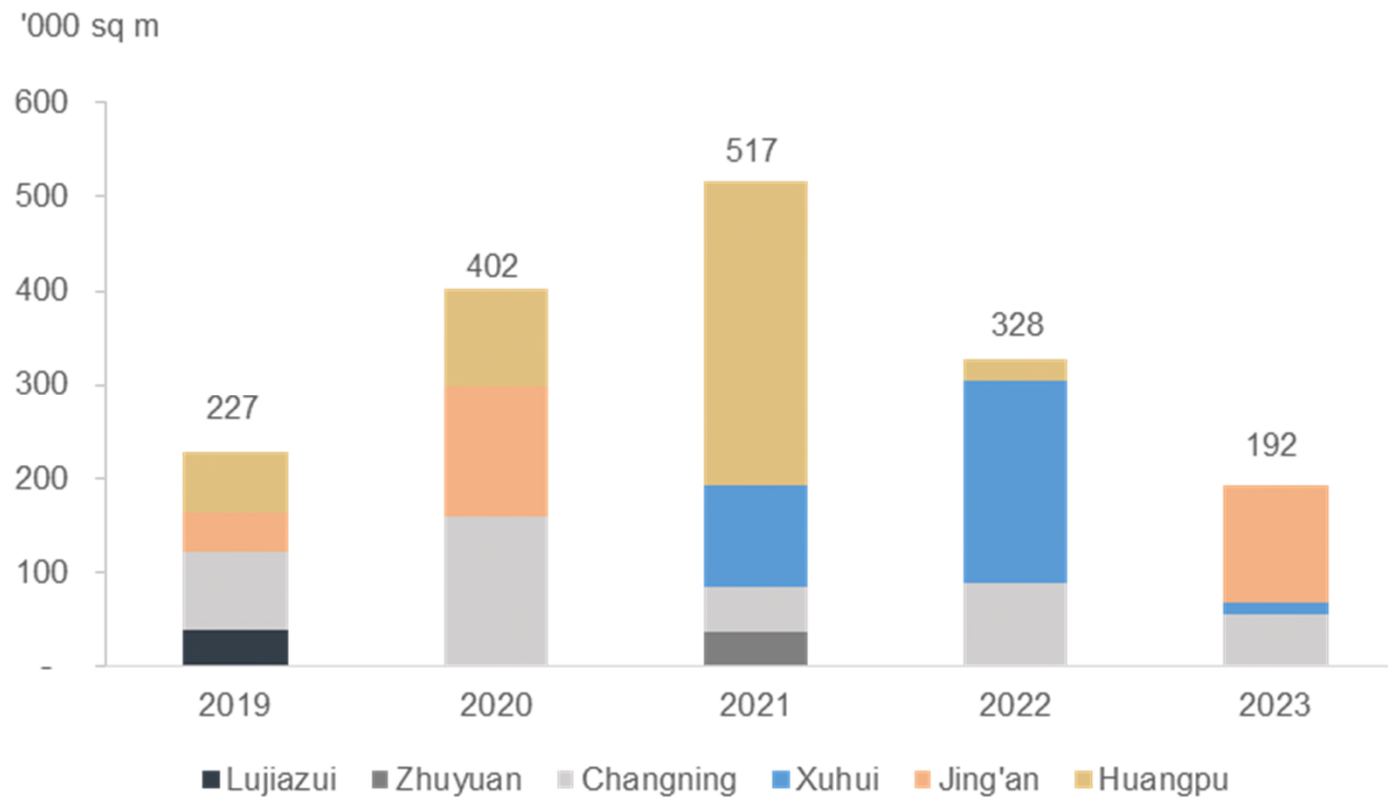


- With a significant amount of new office supply scheduled to enter the Shanghai market in 2019, coupled with softer demand from a slower economy, rental growth is expected to be subdued in the near-term

# CBD Grade A Office Supply Pipeline

Shanghai CBD Grade A office supply expected to abate in the longer term

## Office Supply Pipeline in Shanghai CBD





Thank You