OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved FY2018 Distribution of S$71.3 million, 1.9% Increase YoY

Key Highlights:

- FY2018 amount available for distribution of S$71.3 million increased 1.9% year-on-year ("YoY"), translating to distribution per unit ("DPU") of 3.48[1] cents
- Healthy portfolio occupancy of 94.7% as at 31 December 2018, with positive rental reversions achieved at all properties for 4Q 2018
- Acquisition of OUE Downtown Office completed on 1 November 2018, increasing assets-under-management to S$4.5 billion as at 31 December 2018; acquisition was funded by a combination of new debt and rights issue
- Obtained S$1.1 billion of new bank borrowings on unsecured basis for refinancing as well as acquisition financing; proportion of unsecured debt increased from 13.9% to more than 60% as at 31 December 2018 while keeping average cost of debt stable

30 January 2019 – 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$21.5 million for the financial period 1 October 2018 to 31 December 2018 ("4Q 2018"), with 4Q 2018 DPU at 0.75 cents. OUE C-REIT completed the acquisition of the office components of OUE Downtown ("OUE Downtown Office") on 1 November 2018, and the quarter's financial results included its contribution from the completion date.

[1] The 1,288,438,981 new Units issued on 30 October 2018 (the "Rights Units") pursuant to the rights issue rank pari passu in all respects to the existing Units in issue and to be issued as at 31 December 2018, including the right to any distributions which accrue for the financial period from 1 July 2018 to 31 December 2018. FY2018 DPU is calculated based on actual 1H 2018 DPU, with 2H 2018 DPU adjusted for the Rights Units.

OUE COMMERCIAL REIT MANAGEMENT PTE. LTD.
Company Registration No. 201327018E
50 Collyer Quay, #04-08, OUE Bayfront, Singapore 049321
T +65 6809 8700 F +65 6809 8701 www.ouect.com

For the financial year ended 31 December 2018 ("FY2018"), amount available for distribution was S$71.3 million, 1.9% increase from FY2017. FY2018 DPU was 3.48 cents, translating to a distribution yield of 7.6% based on OUE C-REIT's unit closing price of S$0.46 as at 31 December 2018.

Summary of OUE C-REIT's Group Results

<table>
<tr><th>(S$'000)</th><th>4Q 2018</th><th>4Q 2017</th><th>Change (%)</th><th>FY2018</th><th>FY2017</th><th>Change (%)</th></tr>
<tr><td>Revenue</td><td>48,036</td><td>43,994</td><td>9.2</td><td>176,396</td><td>176,297</td><td>0.1</td></tr>
<tr><td>Net Property Income</td><td>36,635</td><td>34,699</td><td>5.6</td><td>138,187</td><td>138,186</td><td>0.0</td></tr>
<tr><td>Amount Available For Distribution</td><td>21,500</td><td>17,680</td><td>21.6</td><td>71,290</td><td>69,950</td><td>1.9</td></tr>
<tr><td rowspan="2">DPU (Cents)</td><td rowspan="2">0.75</td><td>1.14</td><td>(34.2)</td><td rowspan="2">3.48</td><td>4.67</td><td>(25.5)</td></tr>
<tr><td>0.62[2] (restated)</td><td>21.0</td><td>3.62[3] (restated)</td><td>(3.9)</td></tr>
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Net property income in 4Q 2018 was S$36.6 million, an increase of 5.6% YoY due primarily to contribution from OUE Downtown Office which was acquired on 1 November 2018, offset partially by lower net property income contribution from the existing portfolio. FY2018 net property income was stable YoY at S$138.2 million.

With higher interest expenses in 4Q 2018 as a result of higher borrowings to fund the acquisition, partially offset by the drawdown of OUE Downtown Office's rental support and lower distribution to convertible perpetual preferred unit ("CPPU") holder, amount available for distribution in 4Q 2018 was S$21.5 million, 21.6% higher YoY.

Due to an enlarged unit base from the rights issue to part-finance the acquisition of OUE Downtown Office, DPU for 4Q 2018 was 0.75 cents and FY2018 DPU was 3.48 cents.

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[2] For the purpose of comparison, 4Q 2017 DPU has been restated to include the 1,288,438,981 Rights Units issued on 30 October 2018.

[3] For the purpose of comparison, FY2017 DPU has been restated based on actual 1H 2017 DPU with 2H 2017 DPU adjusted for the 1,288,438,981 Rights Units issued on 30 October 2018.

OUE C-REIT pays out its distribution semi-annually, and distribution for the financial period from 1 July 2018 to 31 December 2018 ("2H 2018") is 1.30 cents. With the books closure date being Monday, 11 February 2019, payment of the distribution can be expected on Tuesday, 5 March 2019.

As at 31 December 2018, OUE C-REIT's investment properties were assessed by independent valuers at S$4,494.5 million, translating to a net asset value per Unit of S$0.71. The significant increase in OUE C-REIT's portfolio from S$3,515.1 million a year ago was mainly due to the inclusion of OUE Downtown Office. Excluding OUE Downtown Office, the value of OUE C-REIT's portfolio has increased 1.7% from 31 December 2017.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "We are pleased to report healthy operational performance for OUE C-REIT's portfolio of properties in FY2018, resulting in an amount available for distribution of S$71.3 million, 1.9% higher YoY, and DPU of 3.48 cents.

With the completion of the acquisition of OUE Downtown Office on 1 November 2018, OUE C-REIT has increased its exposure to the Singapore Central Business District ("CBD") office market which continues to record positive rental growth momentum. The strategic addition of a new office sub-market in the Singapore CBD has also strengthened OUE C-REIT's competitive positioning, enhancing the diversity and resilience of its portfolio.

As at 31 December 2018, committed office occupancy at both OUE Bayfront and One Raffles Place as at 31 December 2018 remained healthy at 97.6% and 97.1% respectively, significantly ahead of Singapore core CBD occupancy of 94.8%. As rental income is underpinned by income support at OUE Downtown Office, the Manager pursued a strategy of maximising rents while optimising occupancy, resulting in committed occupancy of 93.5%.

With sustained growth in Singapore CBD Grade A office rents, OUE C-REIT's Singapore properties, including OUE Downtown Office, achieved positive rental reversions for the lease renewals and rent reviews committed in 4Q 2018.

Lippo Plaza's committed office occupancy of 93.2% as at 4Q 2018 remained above the overall Shanghai CBD Grade A market occupancy of 90.0%, while committed rents continued to be higher than market rates.

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

Healthy Operational Performance

As at 31 December 2018, OUE Bayfront's committed office occupancy was 97.6%, ahead of the Singapore CBD office market occupancy rate of 94.8%. Committed rents for new, reviewed and renewed office leases achieved in 3Q 2018 ranged from S$11.50 psf per month to S$14.20 psf per month, significantly outperforming office market rents of S$10.80 psf per month as at 4Q 2018. With three consecutive quarters of positive rental reversions, average passing office rent for the property rose from S$11.50 psf per month a quarter ago to S$11.60 psf per month as of December 2018.

As leasing momentum continued to gain, committed office occupancy at One Raffles Place increased 0.9 percentage points ("ppt") quarter-on-quarter ("QoQ") to 97.1% as at 31 December 2018. The property also continued to enjoy positive rental reversions on its lease renewals in 4Q 2018, with committed office rents for new and renewed leases ranging from S$9.60 psf per month to S$11.80 psf per month. Average passing office rent was stable at S$9.45 psf per month as of December 2018.

At One Raffles Place Shopping Mall, the asset enhancement exercise to create more open retail space as well as to improve circulation areas has completed. The Manager has substantially leased up the new areas created as part of the asset enhancement, with committed retail occupancy reaching 99.4% as at 31 December 2018. As tenants' renovations complete progressively from 1Q 2019, visitors to One Raffles Place Shopping Mall will be able to enjoy a wider range of food & beverage options as well as services.

OUE Downtown Office's committed office occupancy was 93.5% as at 31 December 2018. The range of rents for new leases and renewals committed in 4Q 2018 was S$7.80 psf per month to S$8.50 psf per month, against expiring rents in the quarter of S$7.44 psf per month.

In Shanghai, Lippo Plaza's committed office occupancy eased 1.0 ppt QoQ to 93.2% as at 31 December 2018, but still remains ahead of Shanghai CBD Grade A occupancy of 90.0% as at 4Q 2018. The range of committed rents for new and renewed office leases increased slightly for 4Q 2018, at RMB9.90 psm per day to RMB11.00 psm per day. As a result, Lippo Plaza continued to achieve positive rental reversions for leases renewed during the quarter. Average passing office rent was RMB9.81 psm per day for December 2018.

At the portfolio level, approximately 18.8% of OUE C-REIT's gross rental income is due for renewal in 2019, with a further 28.7% of gross rental income due in 2020.

Prudent Capital Management

In line with the Manager's prudent and proactive approach to capital management, OUE C-REIT's 2018 refinancing requirements were completed ahead of maturity, and on unsecured terms so as to improve financial flexibility. To part-finance the acquisition of OUE Downtown Office, the Manager further entered into unsecured loan facilities of S$400.0 million in 4Q 2018. With S$1.1 billion of new loans obtained on unsecured basis in FY2018, OUE C-REIT's proportion of unsecured debt increased to 61.1% as at 31 December 2018 from 13.9% a year ago.

As the tenure of new loans committed in FY2018 ranged from 3.0 to 5.5 years, the average term of debt was extended to 3.5 years as at 31 December 2018 compared to 2.7 years at the end of the previous year, with no refinancing requirement until 2020. OUE C-REIT also enjoyed lower all-in interest margins from the new loans, resulting in a stable weighted average cost of debt of 3.5% per annum despite the higher interest rate environment. As at 31 December 2018, 76.4% of borrowings were on fixed rate basis, mitigating interest rate volatility in a rising interest rate environment.

With the completion of the S$587.5 million equity fund raising in 4Q 2018 coupled with the higher revaluation on its existing portfolio, OUE C-REIT's aggregate leverage stood at 39.3% as at 31 December 2018.

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

Outlook

According to CBRE, Grade A CBD core office rents rose 3.3% QoQ in 4Q 2018 for the sixth consecutive quarter to S$10.80 psf/mth, a cumulative 20.7% uplift from the trough. While 4Q 2018 net absorption of approximately 330,000 sq ft was significantly lower YoY, full year net absorption of 1.59 million sq ft outweighed net supply of 1.51 million sq ft, leading to tighter occupancy of 94.8% as at 4Q 2018, up 0.2 ppt QoQ. Co-working operators continued to be the main driver of demand, with technology companies contributing to demand expansion.

While Singapore office market rents have yet to surpass the last peak of S$11.40 psf/mth achieved in 2015, the gap between market rents and expiring rents has narrowed significantly. As a result, OUE C-REIT's Singapore properties, including OUE Downtown Office which was acquired on 1 November 2018, achieved positive rental reversions for the lease renewals and rent reviews committed in 4Q 2018.

Given the benign medium term supply outlook, we continue to expect positive operational performance across the Singapore portfolio in 2019.

According to Colliers International, Shanghai CBD Grade A office occupancy edged up 0.3 ppt QoQ to 90.0% as at 4Q 2018. Net absorption was a record 635,000 sq m for 2018, a 6.0% increase YoY despite weaker demand in the later half of the year due to a slowdown in the economy. Demand growth was supported by expansion in the flexible workspace, finance and technology sectors. With increased competition for tenants amid a supply influx, Shanghai CBD Grade A office rents remained stable at RMB10.35 psm per day as at 4Q 2018. In Puxi, Grade A office occupancy rose 1.0 ppt QoQ to 92.5% as at 4Q 2018, with rents 0.3% higher QoQ at RMB 9.54 psm per day.

With the 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. As supply abates in the longer term from 2020, stable demand is expected to underpin steady rental growth.

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For further information and enquiries, please contact:

Elaine Cheong
Vice President, Investor Relations
Tel: +65 6809 8704
Email: elaine.cheong@ouect.com

About OUE Commercial REIT

OUE 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.

OUE C-REIT's portfolio comprises OUE Bayfront, One Raffles Place and OUE Downtown Office in Singapore, as well as Lippo Plaza in Shanghai, with a total assets-under-management of approximately S$4.5 billion.

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 ("OUE") is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia and the United States. OUE 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, OUE 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.