PRESS RELEASE
For Immediate Release

# OUE C-REIT Announces 2H 2020 Distribution of S$78.4 million, DPU of 1.43 cents

- 2H 2020 net property income was S$119.4 million, 1.0% decrease year-on-year ("YoY"), due mainly to rental rebates, partially offset by contribution from the merger with OUE Hospitality Trust in September 2019 ("Merger")
- As at 31 December 2020, OUE C-REIT's commercial segment committed occupancy remained stable at 92.5%; Singapore office committed occupancy at 94.1%
- Mandarin Orchard Singapore to commence works on the re-branding exercise to Hilton Singapore Orchard
- Refinanced S$450 million of debt due in December 2021 ahead of maturity; approximately 14% of total debt remains due for refinancing in 2021
- Post the financial year-end in January 2021, OUE C-REIT announced the divestment of a 50% interest in OUE Bayfront property, in line with its active portfolio management strategy to enhance value for Unitholders

**28 January 2021 –** OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial Real Estate Investment Trust ("OUE C-REIT"), reported net property income of S$119.4 million for the financial period 1 July 2020 to 31 December 2020 ("2H 2020"), representing a decrease of approximately 1.0% YoY, due mainly to rental rebates granted to retail tenants, partially offset by contribution from the Merger. Amount to be distributed for 2H 2020 was S$78.4 million, translating to a DPU of 1.43 cents.

For the financial year ended 31 December 2020 ("FY 2020"), the amount available for distribution was S$143.8 million. To maintain financial flexibility, S$11.0 million of capital distribution (including S$6.0 million relating to ongoing working capital requirements for the hospitality segment) was retained for FY 2020. As a result, amount to be distributed for FY 2020 was S$132.8 million, 7.8% higher YoY, with

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FY 2020 DPU of 2.43 cents. Based on OUE C-REIT's unit closing price of S$0.385 as at 31 December 2020, FY 2020 distribution yield was 6.3%.

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

| (S$'000) | 2H 2020 | 2H 2019 | Change (%) | FY 2020 | FY 2019 | Change (%) |
|---|---|---|---|---|---|---|
| Revenue | **149,998** | 150,109 | (0.1) | **292,007** | 257,329 | 13.5 |
| Net Property Income | **119,390** | 120,633 | (1.0) | **231,890** | 204,951 | 13.1 |
| Amount Available for Distribution | **75,539** | 76,142 | (0.8) | **143,822** | 124,714 | 15.3 |
| Amount to be Distributed | **78,370**(1) | 74,642 | 5.0 | **132,822**(1) | 123,214 | 7.8 |
| DPU (Cents) | **1.43** | 1.63 | (12.3) | **2.43** | 3.31 | (26.6) |

Notes:

(1) In 1H 2020, OUE C-REIT retained S$10.8 million in addition to S$3.0 million that was retained for ongoing working capital requirements. For 2H 2020, OUE C-REIT has released S$5.8 million of the amount retained in 1H 2020. Similar to 1H 2020, for ongoing working capital requirements, OUE C-REIT has retained S$3.0 million in 2H 2020.

As at 31 December 2020, the valuation of OUE C-REIT's investment properties was approximately S$6,524.8 million[1], translating to a net asset value per Unit of S$0.59. The YoY decline of 3.2% was due mainly to lower valuations for the hotel and retail components of the portfolio.

In FY 2020, OUE C-REIT extended approximately S$18.3 million of rental rebates to support tenants during this challenging period of business disruption due to the COVID-19 pandemic. This excludes approximately S$21.9 million of support from the Singapore Government comprising property tax rebates and cash grants. Notwithstanding the recent shift to Phase 3 of Singapore's re-opening post circuit breaker, the pace and trajectory of business recovery is expected to remain uneven. As such, the Manager will continue to monitor the situation closely and is prepared to extend further support to tenants as required.

[1] Including the valuation of the OUE Bayfront property as at 31 December 2020 of S$1,181.0 million

Mr Lee Yi Shyan, Chairman of the Board of the Manager, said, "2020 has been a very difficult year for the S-REIT sector. The adverse impact of COVID-19 was particularly pronounced on the retail and hospitality segment of our portfolio. This said, our office segment provided us with financial stability and continuity. In all, OUE C-REIT has delivered a respectable set of results for FY 2020. The Manager will continue to focus on proactive asset management, prudent cost containment and maintaining financial flexibility, to deliver on sustainable returns for Unitholders."

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "While FY 2020 had been challenging due to the business disruption caused by the pandemic, we leveraged on our strong asset management track record to maintain a stable portfolio performance. We will capitalise on the weak hospitality operating environment to re-brand Mandarin Orchard Singapore to Hilton Singapore Orchard. More recently, we announced the divestment of a 50% interest in OUE Bayfront as part of our active portfolio management to enhance value for Unitholders. Both strategic moves were only possible with the enlarged portfolio base after the merger with OUE Hospitality Trust in 2019."

"The divestment of a partial stake in OUE Bayfront allows OUE C-REIT to realise the value of capital appreciation of a premium CBD Grade A asset, while maintaining exposure to the Singapore office market which has demonstrated resilience in a challenging operating environment. With the proceeds from the divestment, OUE C-REIT is able to optimise its capital structure and increase financial flexibility," added Ms Tan.

On 18 January 2021, OUE C-REIT announced the divestment of a 50% interest in OUE Bayfront located at Collyer Quay in Singapore's Central Business District ("CBD"), to a fund managed by Allianz Real Estate Asia Pacific Pte. Ltd.. The agreed value of S$1,267.5 million or S$3,170 per square foot ("psf"), translates to a premium of 7.3% over valuation and 26.1% over OUE C-REIT's purchase consideration. Estimated net proceeds from the divestment are S$262.6 million.

**Commercial Segment – Resilient Portfolio**

For 2H 2020, the commercial (office and retail) segment reported revenue and net property income of S$116.2 million (-1.3% YoY), and S$89.0 million (-2.2% YoY), respectively. The lower YoY performance was due mainly to rental rebates and other relief measures granted to retail tenants, partially offset by the inclusion of income from Mandarin Gallery upon completion of the Merger in September 2019.

As at 31 December 2020, OUE C-REIT's commercial segment committed occupancy remained stable quarter-on-quarter ("QoQ") at 92.5%. In Singapore, committed office occupancy declined 0.4 percentage points ("ppt") QoQ to 94.1%. Nevertheless, given that expiring office rents were below market rents during the year, FY 2020 rental reversions ranged from 5.3% to 20.1%.

In Shanghai, Lippo Plaza saw a significant 3.7 ppt QoQ increase in committed office occupancy to 86.5%. The second consecutive quarterly improvement at Lippo Plaza was boosted by a rebound in Shanghai CBD office leasing activity in 4Q 2020 and supported by the Manager's proactive leasing strategies. Nonetheless, amidst intense leasing competition arising from significant new supply in the market, Lippo Plaza's average office passing rent declined 1.6% QoQ to RMB9.39 per square metre ("psm") per day as of December 2020.

At Mandarin Gallery, shopper traffic and sales have stabilised at approximately 80% and 70% of pre-COVID levels respectively, with the recovery remaining uneven among retail tenant trade sectors due to travel restrictions on short-term visitors and safe distancing measures. The Manager has focused on proactive asset management and adopted flexible leasing strategies to sustain occupancy at Mandarin Gallery in view of continued challenges facing the retail segment.

**Hospitality Segment – Impacted by COVID-19**

For 2H 2020, the hospitality segment revenue was S$33.8 million, which is the minimum rent under the master lease arrangements of the hotel properties in OUE C-REIT's portfolio. Net property income for the same period was S$30.4 million.

In 4Q 2020, demand for OUE C-REIT's hotel properties was supported by inbound travellers serving out Stay-Home Notices ("SHN") and workers affected by border shutdowns, while Crowne Plaza Changi Airport continued to serve the air crew and aviation segment due to its location in the airport vicinity. During the year-end festive period, additional demand from local staycations had helped to boost occupancies and room rates, although the contribution remains small due to limited capacity. Consequently, Crowne Plaza Changi Airport's RevPAR rose 17.8% QoQ to S$135 in 4Q 2020, while Mandarin Orchard Singapore's RevPAR remained stable at S$74 in 4Q 2020. Overall hospitality segment RevPAR for 4Q 2020 was S$95, 8.0% higher QoQ.

**Re-branding of Mandarin Orchard Singapore**

The hotel will commence the phased asset enhancement works for the transformational re-branding of Mandarin Orchard Singapore to Hilton Singapore Orchard. The re-branding leverages on Hilton's strong brand recognition and marketing, as well as its strong global distribution network to tap the higher yielding luxury market for both leisure and corporate travel.

The re-branding works will also add new income-generating spaces and refreshed food & beverage offerings to drive growth in sustainable returns and value. The Manager is capitalising on the current challenging operating environment to undertake the renovations and position the property to benefit from the expected recovery once travel confidence resumes. The fixed minimum rent of S$45.0 million per annum under the master lease arrangement will provide income assurance to Unitholders of OUE C-REIT throughout the period of phased renovation and ramping-up of operations.

**Prudent Capital Management**

As at 31 December 2020, while total debt remained stable at approximately S$2,664 million, OUE C-REIT's aggregate leverage increased to 41.2% due to the lower portfolio valuation. Weighted average cost of debt declined slightly to 3.0% per annum.

Due to the refinancing of S$450 million of debt ahead of maturity in December 2021, only 14% of OUE C-REIT's total debt (approximately S$370 million) remains due for refinancing in 2021. OUE C-REIT's average term of debt has increased to 2.3 years as at 31 December 2020, from 1.6 years a quarter ago.

Assuming the estimated net proceeds from the proposed divestment of OUE Bayfront is used to repay loans, the aggregate leverage as at 31 December 2020 is expected to be 34.5% on a pro forma basis.

In alignment with the objective of delivering long-term sustainability in DPU, the Manager has elected to receive 50% of its base management fees in cash with the balance in Units of OUE C-REIT for 4Q 2020.

**Outlook**

According to CBRE, Singapore's core CBD Grade A occupancy declined by 0.7 ppt QoQ to 96.1% for 4Q 2020 on negative net absorption of 14,800 square feet ("sq ft"). For 2020, net absorption was a negative 560,000 sq ft, trailing annual net supply of 320,000 sq ft. Core CBD Grade A office rents declined by 2.8% QoQ, to S$10.40 psf per month, bringing the full year decline to 10.0%. While there was an uptick in leasing activity from the technology and financial sectors in 4Q 2020, office demand is expected to remain subdued in 1H 2021 in view of weak economic prospects. Increased secondary vacancy as a result of rationalisation by occupiers may also heighten leasing competition. Against a backdrop of limited Grade A office supply in 2021, prospects for office rental growth in 2H 2021 would depend largely on the impact of the expected expansion in economic activity on the back of the vaccine rollout. OUE C-REIT's stable committed occupancy of the Singapore office portfolio and diversified tenant base is expected to underpin the resilience of the office segment. OUE C-REIT's Singapore office properties contributed 55.7% to FY 2020 revenue.

While Singapore has various arrangements with numerous countries in place to facilitate essential business and official travel, including the unilateral opening of borders for visitors from selected countries, the positive impact to visitor numbers is expected to be minimal as long as borders remain closed to tourism. Mandarin Orchard Singapore will commence the phased asset enhancement works for the re-branding to Hilton Singapore Orchard to enhance the competitive positioning of the property amongst the upper upscale hotels along Orchard Road. This will position the property to capture the recovery in the Singapore hospitality segment when restrictions are eventually relaxed. The minimum rent component of S$67.5 million per annum under the master lease arrangements of OUE C-REIT's hotel portfolio will continue to provide significant downside protection. In FY 2020, the hospitality segment contributed 23.1% of revenue.

In 4Q 2020, Orchard Road prime retail rents declined 2.7% QoQ and 7.9% YoY to S$29.20 psf per month, according to CBRE. Uncertainty about the economic and employment outlook is expected to continue to weigh on discretionary expenditure, while the operating environment remains challenging for retailers relying on short-term visitors and office-based employees. Hence, outlook for the retail sector in Singapore is expected to remain weak. The Singapore retail segment contributed 12.3% to FY 2020 revenue.

According to Colliers International, office demand for Shanghai CBD Grade A office rebounded in 2H 2020 on the back of the recovery in the economy. Nevertheless, leasing competition was intense due to significant new supply entering the market. Consequently, overall Shanghai CBD Grade A occupancy was 85.1%, down 0.2 ppt QoQ as at 4Q 2020, with CBD Grade A office rents at RMB9.00 psm per day, -1.0% QoQ. As vacancy rates are expected to remain elevated due to significant new office supply in the medium term, the rental outlook continues to be subdued. Lippo Plaza contributed 8.9% to OUE C-REIT's FY 2020 revenue.

In light of the fluidity in the recovery trajectory, the Manager will adapt its strategies according to the business environment and continue its focus on proactive asset management and prudent capital management to maintain financial flexibility, so as to preserve sustainable long-term returns to Unitholders.

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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 completed the merger with OUE Hospitality Trust in September 2019 to become one of the largest diversified REITs with total assets of S$6.5 billion. 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 1,640 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.

## About the Sponsor: OUE Limited

OUE Limited (SGX-ST: OUE) is a diversified real estate owner, developer and operator with a real estate portfolio located in prime locations in Asia. 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.

In March 2017, OUE expanded its portfolio into the healthcare sector with the acquisition of OUE Lippo Healthcare Limited, a listed integrated healthcare services and facilities provider. This was followed by the acquisition of First REIT Management Limited (formerly known as Bowsprit Capital Corporation Limited), the manager of First REIT, Singapore's first healthcare real estate investment trust, in October 2018. In 2019, OUE expanded into the consumer sector with OUE Restaurants.

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.

**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.