OUE REIT

10 YEARS of EXCELLENCE

PRESS RELEASE
For Immediate Release

OUE REIT Delivers Stable DPU of 1.04 cents in 2H 2023
Core 2H 2023 DPU Excluding Capital Distribution Rises 8.3% YoY

- Net property income rose 15.9% YoY to S$119.7 million in 2H 2023 underpinned by the full reopening of Hilton Singapore Orchard and the resilient performance of Singapore commercial portfolio
- Portfolio valuation increased by 1.7% YoY to S$6,276.5 million as of 31 December 2023, underpinned by higher valuations for the hotel properties and stable valuation of Singapore offices
- Aggregate leverage decreased by 1.2 ppt QoQ to 38.2% as of 31 December 2023 with no further refinancing requirements until 2025
- Overall hospitality segment revenue and NPI increased 48.5% and 52.2% YoY respectively in 2H 2023, driven by Hilton Singapore Orchard as well as the continued recovery of the tourism, business travel and MICE sectors in Singapore
- Committed occupancy of Singapore office properties remained healthy at 95.2% as of 31 December 2023 buoyed by positive rental reversions of 12.0% in FY 2023
- Completed Crowne Plaza Changi Airport asset enhancement in December 2023 with an expected 10% return on investment
- Rebranded to OUE REIT to reflect the REIT's diversified mandate in both hospitality and commercial sectors

29 January 2024 – OUE REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Real Estate Investment Trust ("OUE REIT", formerly known as "OUE Commercial REIT"), is pleased to announce robust results for the financial period 1 July 2023 to 31 December 2023 ("2H 2023"), with net property income ("NPI") rising 15.9% year-on-year ("YoY") to S$119.7 million.

The increase was due to the strong operational performance of OUE REIT's Singapore portfolio, driven particularly by the full room inventory of 1,080 rooms of Hilton Singapore Orchard compared to 634 rooms in FY 2022. Stable occupancies and rental growth achieved at OUE REIT's other commercial properties also contributed to the growth.

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To preserve financial flexibility and strength, capital distribution retention for working capital requirements was raised to S$5 million in 2H 2023. Despite lower share of joint venture results and increased working capital retention, amount available for distribution for 2H 2023 rose 10.8% YoY to S$57.7 million.

For 2H 2023, the distribution per unit ("DPU") was 1.04 cents, at the same level as FY 2022. Core 2H 2023 DPU rose 8.3% YoY if the S$4.6 million partial capital distribution from the 50% divestment of OUE Bayfront in the prior period is excluded.

For the financial year ended 31 December 2023 ("FY 2023"), the amount for distribution was S$115.3 million with DPU of 2.09 cents. Based on OUE REIT's unit closing price of S$0.285 as of the last trading day in 2023, the FY 2023 distribution yield was 7.3%, compared to 6.3% in FY 2022.

OUE REIT's distribution policy is to distribute at least 90% of its taxable income to its Unitholders on a semi-annual basis, with the actual level of distribution to be determined at the Manager's discretion.

Summary of OUE REIT's Group Financial Performance

(S$'000)	2H 2023	2H 2022	*Change (%)*	FY 2023	FY 2022	*Change (%)*
Revenue	**146,253**	**125,670**	*16.4*	**285,055**	**241,507**	*18.0*
Net Property Income	**119,702**	**103,311**	*15.9*	**234,967**	**196,915**	*19.3*
Finance Costs[(1)]	58,659	47,157	*24.4*	104,130	79,960	*30.2*
Share of Joint Venture Results	12,635	28,811	*(56.1)*	16,886	37,108	*(54.5)*
Retention for working capital	5,000	3,000	*66.7*	8,000	6,000	*33.3*
Amount Available for Distribution[(2)]	57,723	52,084	*10.8*	115,307	111,626	*3.3*
Amount to be Distributed	**57,723**	**56,684[(3)]**	*1.8*	**115,307**	**116,226[(3)]**	*(0.8)*
DPU (cents)	**1.04**	**1.04**	-	**2.09**	**2.12**	*(1.4)*

(1) Excluding net change in fair value of derivatives
(2) Net of retention for working capital
(3) Including S$4.6 million capital distribution from the 50% divestment of OUE Bayfront

As of 31 December 2023, the valuation of OUE REIT's properties increased 1.7% YoY to S$6,276.5 million. The increase was mainly driven by higher valuations for the hotel properties benefitting from the significantly improved hospitality sector post-pandemic. Meanwhile, valuation of Singapore offices remained stable, supported by positive rental reversion achieved during the year. Consequently, net asset value per Unit increased to S$0.60 as of 31 December 2023.

Mr Han Khim Siew, Chief Executive Officer of the Manager, said, “This year marks OUE REIT’s 10th anniversary, and to better reflect our current investment strategy, we have officially rebranded from OUE Commercial REIT to OUE REIT today. Over the past few years, we have successfully built a robust portfolio of commercial and hospitality properties in prime locations under one umbrella and are pleased that this diversified portfolio has allowed us to grow from strength to strength. Post-pandemic, our hospitality segment has been the key growth engine and has achieved remarkable performance following the successful rebranding of Hilton Singapore Orchard. In December 2023, we successfully completed the S$22 million asset enhancement initiative (“AEI”) for Crowne Plaza Changi Airport (“CPCA”) and are well-positioned to capture the continued tourism recovery. Going forwards, OUE REIT will focus on driving both organic and inorganic growth across the hospitality and commercial assets in Singapore and abroad, whilst monitoring suitable portfolio reconstitution opportunities,”

“In view of the continued financial environment uncertainties in the near term, the management remains proactive in driving balance sheet discipline and mitigating refinancing risk. As a result of the Manager’s continued efforts to strengthen the REIT’s capital structure, OUE REIT successfully achieved an investment grade credit rating of BBB- with a stable outlook by S&P Global Ratings in October 2023. The rate of interest payable to holders of S$150 million 4.20% 5-year fixed-rate notes issued in May 2022 was reduced by 25 basis points to 3.95%. Subsequently in November 2023, OUE REIT established the Green Financing Framework to facilitate the issuance of green bonds and green loans. With the investment grade credit rating and green financing framework in place, OUE REIT will continue to optimise its cost of debt, as well as prudently manage its refinancing requirements to achieve a well-diversified debt maturity profile.” he concluded.

Commercial Segment

Benefitting from robust performance of the Singapore office portfolio, the commercial (office and retail) segment recorded higher revenue of S$94.8 million (4.2% YoY) in 2H 2023, with NPI remaining stable at S$71.1 million.

Committed occupancy in OUE REIT’s Singapore office portfolio remained healthy at 95.2% as of 31 December 2023, with average passing rent increasing by 0.4% quarter-on-quarter (“QoQ”) to reach S$10.40 per square foot (“psf”) per month as of 31 December 2023. The resilient performance was mainly driven by continued positive rental reversions achieved in previous quarters. In 4Q 2023, the Manager also recorded a positive rental reversion of 13.2% for Singapore office lease renewals.

Mandarin Gallery's committed occupancy (excluding short-term leases) remained high at 96.6%. Including short-term leases, the committed occupancy was 97.6% with a high rental reversion of 29.8% in 4Q 2023, backed by positive retailer sentiment.

Against the backdrop of intensified leasing competition and a slower-than-expected economic recovery in Shanghai, Lippo Plaza's committed office occupancy decreased by 5.4 percentage points QoQ to 83.3% as of 31 December 2023. The average office passing rent remained stable at RMB8.49 per square meter ("psm") per day as of 31 December 2023. In light of subdued demand due to China's uncertain macroeconomic outlook and oversupply, the Manager is actively engaged in optimising occupancies and rental to offset the slow leasing environment.

Hospitality Segment

Hospitality segment revenue for 2H 2023 rose 48.5% YoY to S$51.4 million while NPI grew significantly by 52.2% YoY to S$48.6 million. The better performance was mainly due to Hilton Singapore Orchard operating with a full inventory of 1,080 rooms from 1 January 2023 compared to 634 rooms a year ago, supported by the rising tide of Singapore's tourism recovery.

For 2H 2023, overall hospitality RevPAR decreased 6.2% YoY to S$268 in 2H 2023. Hilton Singapore Orchard's RevPAR declined 17.5% YoY to S$301 in 2H 2023, attributed to the larger room inventory, as well as the time required to ramp up and stabilise performance. Crowne Plaza Changi Airport's RevPAR increased 3.8% to S$204 despite operational disruptions from the AEI between August to December 2023.

Crowne Plaza Changi Airport Asset Enhancement Initiative ("AEI")

CPCA's AEI to revitalise the landmark asset's product suite was successfully completed in 2023 after five months. Crowned the World's Best Airport Hotel for eight consecutive years by Skytrax, the hotel now has an additional 10 Premier Rooms and two Suites, some of which have direct pool access, an exciting upgraded all-day dining area and refreshed meetings, incentives, conventions and exhibitions ("MICE") spaces. CPCA now operates a full inventory of 575 rooms and is well-positioned to capture the increase in tourist and business travellers in 2024 and beyond. Based on a capital expenditure of S$14 million contributed by OUE REIT, the AEI is expected to be DPU-accretive with a stabilised 10% return on investment.

Proactive Capital Management

OUE REIT has no refinancing needs until the second half of 2025. As of 31 December 2023, OUE REIT's aggregate leverage decreased to 38.2% while weighted average cost of debt remained stable at 4.3% per annum. The proportion of fixed rate debt remains high at 66.3% and the weighted average term of debt stood at 2.4 years as of 31 December 2023.

For 4Q 2023, the Manager has elected to receive 65% of its base management fees in cash with the balance in Units of OUE REIT.

Outlook

According to CBRE, broad office leasing sentiment in Singapore exceeded expectations in 4Q 2023, driven by continued back-to-office trends and a decline in shadow space. Although Core Central Business District ("CBD") (Grade A) vacancies slightly increased to 3.5% in 4Q 2023 compared to 3.2% in 3Q 2023, rents continued to inch up 0.4% QoQ in Q4 2023 to S$11.90 psf per month. For FY 2023, growth in Core CBD Grade A rents slowed to 1.7% YoY, marking a notable moderation from the 8.3% growth in 2022. In the near term, an uncertain global economy, softening leasing demand, and new supply may pose market headwinds to Singapore's office market. Nevertheless, buoyed by the ongoing flight-to-quality and flight-to-green trends, CBRE expects rents for core CBD Grade A offices to experience moderate growth in 2024. Leveraging on their prime location and well-diversified tenant mix, OUE REIT's green certified core Grade A office assets are well-positioned to capitalise on these trends.

In the period from January to November 2023, international visitor arrivals reached 12.4 million, within the 12 million to 14 million arrivals forecasted by Singapore Tourism Board's forecast for the full year. The strong concert pipeline alongside major events are expected to provide a boost to the hospitality sector in 2024. The 30-day visa-free arrangement between China and Singapore, starting from 9 February, is also set to further accelerate tourism recovery. As global air travel volume is expected to make a full recovery early this year, OUE REIT is well positioned to capitalize on the anticipated increase in tourists and business travellers in 2024 and beyond.

Singapore's retail leasing demand remained strong in 4Q 2023, underpinned by continued optimism among retailers amidst the year-end festive season. According to CBRE, Orchard Road retail rents outperformed other submarkets, rising 1.5% QoQ to S$36.3 psf per month, driven by retailers' confidence in the ongoing recovery of the tourism sector. In the near term, challenges such as manpower shortages, competition from e-commerce, and higher operating costs will persist. However, it is expected that overall rents will continue their growth trajectory, supported by sustained demand for prime retail spaces as well as below-historical-average new supply.

According to Colliers International, 1.11 million square meters ("sqm") new supply entered the Shanghai's Grade A office market – the highest new supply in the last five years. Despite a slight recovery in demand in 4Q 2023, CBD Grade A office vacancies remained high at 13.5%, while rents declined by 1.5% QoQ to a historical low of RMB 8.62 per sqm per day. With a total of 910,000 sqm new supply entering the CBD market between 2024 – 2028, Shanghai's CBD Grade A Office new supply is expected to peak in 2024, with rental growth only recovering from 2025 onwards. In the face of continued market headwinds, the Manager is adopting proactive leasing and flexible asset management strategies for Lippo Plaza.

Despite macroeconomic uncertainties and slower-than-expected economic growth in Singapore, the Manager remains confident that OUE REIT's prime portfolio of hospitality and commercial assets will continue to provide stable returns for Unitholders.

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About OUE REIT

OUE Real Estate Investment Trust ("OUE REIT"), formerly known as OUE Commercial Real Estate Investment Trust, is one of the largest diversified Singapore REITs ("S-REITs") with total assets of S$6.3 billion as of 31 December 2023.

OUE REIT aims to deliver stable distributions and provide sustainable long-term growth in return to holders of units ("Unitholder") by investing in income-producing real estate used primarily for hospitality, retail and/or office purposes in financial and business hubs, as well as real estate-related assets. With six assets in Singapore and one in Shanghai, the property portfolio comprises 1,655 upper upscale hotel rooms and approximately 2.2 million square feet ("sq ft") of prime office and retail space.

In Singapore, OUE REIT owns two hotels, Hilton Singapore Orchard and Crowne Plaza Changi Airport. Complementing Hilton Singapore Orchard is Mandarin Gallery, a choice location for international brands in the heart of Orchard Road. Meanwhile, OUE REIT's office assets – OUE Bayfront, One Raffles Place and OUE Downtown Office, are situated within the Central Business District ("CBD").

In Shanghai, OUE REIT's Grade A commercial asset Lippo Plaza is located on Huaihai Middle Road, one of Shanghai's established core CBD locations in the Huangpu district of Puxi.

Listed on the Main Board of the Singapore Exchange Securities Trading Limited since 27 January 2014, OUE REIT is managed by OUE REIT Management Pte. Ltd. (the "Manager"), a wholly-owned subsidiary of OUE Limited (the "Sponsor"). The Sponsor is a leading real estate and healthcare group, growing strategically to capitalise on growth trends across Asia. Its real estate activities include the development, investment and management of real estate assets across the commercial, hospitality, retail, residential and healthcare sectors.

For more information, please visit www.ouereit.com.

About the Sponsor: OUE Limited

OUE Limited (SGX: LJ3) is a leading real estate and healthcare group, growing strategically to capitalise on growth trends across Asia.

OUE's real estate activities include the development, investment and management of real estate assets across the commercial, hospitality, retail, residential and healthcare sectors. OUE manages two SGX-listed REITs: OUE REIT, one of Singapore's largest diversified REITs, and First REIT, a pan-Asian healthcare REIT. As of 31 December 2022, OUE's real estate portfolio was valued at S$9.5 billion, with S$7.8 billion in funds under management across OUE's two REIT platforms and managed accounts.

OUE Healthcare, an SGX Catalist-listed subsidiary of OUE, operates and owns high-quality healthcare assets in high-growth Asian markets. With a vision of creating a regional healthcare ecosystem that is anchored on Singapore's medical best practices, OUE Healthcare's portfolio of owned and operated businesses includes hospitals, medical centres, clinics and senior care facilities in Singapore, China, Japan, Myanmar and Indonesia.

Anchored by its "Transformational Thinking" philosophy, OUE has built a strong 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.