COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved Higher YoY Distribution of S$17.8 million in 2Q 2017

Key Highlights:

- 2Q 2017 amount available for distribution of S$17.8 million increased 0.6% year-on-year ("YoY"), distribution per unit ("DPU") of 1.15 cents
- Portfolio committed occupancy continued to increase, rising 0.6 percentage points ("ppt") quarter-on-quarter ("QoQ") to 96.4% as at 30 June 2017. Higher-than-market office occupancy was achieved across all three properties
- Aggregate leverage stable at 36.4% with 80.7% of borrowings on fixed rates, no refinancing requirement in 2017

2 August 2017 – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial REIT ("OUE C-REIT"), wishes to announce an amount available for distribution of S$17.8 million for the financial period 1 April 2017 to 30 June 2017 ("2Q 2017"). 2Q 2017 DPU was 1.15 cents, translating to an annualised distribution yield of 6.4% based on OUE C-REIT's unit closing price of S$0.715 as at 30 June 2017.

As OUE C-REIT pays out its distribution on a semi-annual basis, based on amount available for distribution of S$34.5 million for the financial period 1 January 2017 to 30 June 2017 ("1H 2017"), 1H 2017 DPU is 2.38 cents.

Pursuant to the private placement which was completed on 16 March 2017, an advance distribution of 1.00 cent per Unit for the period from 1 January 2017 to 16 March 2017 was paid on 6 June 2017. The balance distribution from 17 March 2017 to 30 June 2017 of 1.38 cents per Unit will be paid on Tuesday, 5 September 2017.

Summary of OUE C-REIT's Group Results

(S$'000)	2Q 2017	2Q 2016	Change	1H 2017	1H 2016	Change
Revenue	**44,214**	45,688	-3.2%	**89,030**	88,602	+0.5%
Net Property Income	**34,769**	35,228	-1.3%	**69,411**	68,483	+1.4%
Amount Available For Distribution	**17,833**	17,734	+0.6%	**34,475**	34,775	-0.9%
DPU (cents)	**1.15**	1.36	-15.4%	**2.38**	2.68	-11.2%
Pro forma DPU (cents)		1.15[(a)]	-		2.41[(b)]	-1.2%

Notes:

(a) 2Q 2016 pro forma DPU has been calculated based on 2Q 2016 amount available for distribution and the number of units in issue and to be issued as at 30 June 2017 which includes the new units issued pursuant to the private placement in March 2017.

(b) 1H 2016 pro forma DPU has been calculated based on 1H 2016 amount available for distribution and the weighted average number of units in issue for 1H 2017 and to be issued as at 30 June 2017 which includes the new units issued pursuant to the private placement in March 2017.

OUE C-REIT's property portfolio achieved stronger operational performance in 2Q 2017. Revenue however was 3.2% lower YoY due to lower one-off income recognised during the quarter. With lower operating expenses and lower borrowings costs, 2Q 2017 amount available for distribution was S$17.8 million, 0.6% higher YoY. DPU was 1.15 cents.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "We are pleased to deliver continued improvement in the operational performance of OUE C-REIT's portfolio in 2Q 2017, on the back of the Manager's focus on proactive asset management.

Despite the decline in market occupancy rate and increased leasing competition posed by new office developments, committed office occupancy achieved at all three properties in OUE C-REIT's portfolio outperformed their respective office markets, with overall portfolio committed occupancy increasing to 96.4% as at the end of 2Q 2017 from 95.8% a quarter ago. Further, committed rents for new and renewed office leases in 2Q 2017 were in line with or higher than current market rates, which attests to the quality and strategic location of OUE C-REIT's properties.

Other than maintaining our proactive efforts to retain tenants as well as attract new tenants to ensure healthy occupancy rates, the Manager will continue to focus on active cost management measures to mitigate any impact of lower committed rents on rental income. We remain steadfast in our commitment to deliver stable and sustainable returns for our Unitholders."

Resilient Operational Performance

All three properties in OUE C-REIT's portfolio achieved committed office occupancy which was higher than that of their respective office markets. In Singapore, core CBD office occupancy declined 1.5 ppt QoQ to 94.1% as at 2Q 2017, while overall Shanghai CBD Grade A office occupancy was 87.1%.

OUE Bayfront's committed office occupancy edged down slightly to 98.9% as at 30 June 2017 from 100% a quarter ago, but continued to outperform Singapore's core CBD office occupancy of 94.1% for 2Q 2017. Given the quality of the property and its excellent location, OUE Bayfront continues to command a premium over market rents. Office rents achieved in 2Q 2017 for new and renewed leases ranged from S$10.85 psf per month to S$14.00 psf per month, compared to Grade A CBD core office rents of S$8.95 psf per month for the same period. Average passing office rent for OUE Bayfront was S$11.42 psf per month for June 2017.

The committed office occupancy rate at One Raffles Place climbed for the sixth consecutive quarter to 95.0% as at 30 June 2017, improving 2.0 ppt QoQ and 3.2 ppt YoY. Office rents achieved in 2Q 2017 for new and renewed leases ranged from S$8.00 psf per month to S$11.80 psf per month, with weighted average committed rents above that of the market. Average passing office rent was S$10.14 psf per month for June 2017.

Lippo Plaza achieved committed office occupancy of 100% as at 30 June 2017, rising 4.2 ppt from 95.8% as at 31 March 2017. This is significantly above the overall Shanghai CBD Grade A occupancy of 87.1% and the Puxi average office occupancy of 87.6% as at 2Q 2017. With the range of committed rents for new and renewed office leases from RMB8.60 psm per day to RMB11.00 psm per day, average passing office rent for Lippo Plaza continued to rise, increasing 1.8% YoY to RMB9.84 psm per day for June 2017.

In view of the completion of significant office supply in Singapore, the Manager has proactively termed out the expiry of office leases at OUE Bayfront such that more than 80% of the property's gross rental income is due for renewal only in 2019 and beyond as at 30 June 2017. With the Manager's active lease management efforts, about 4.6% of OUE C-REIT's portfolio gross rental income is due for renewal in 2017 compared to 20.9% at the beginning of the year.

Prudent Capital Management

As at 30 June 2017, aggregate leverage was 36.4%, compared to 36.2% a quarter ago, with a weighted average cost of debt remaining stable at 3.4% per annum. OUE C-REIT's average term of debt as at 30 June 2017 was 3.1 years, and approximately 80.7% of borrowings are on fixed rate basis with an average term of fixed rate debt of 2.3 years, in mitigation of any interest rate volatility.

For 2Q 2017, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units, in line with its objective of delivering sustainable and stable DPU to Unitholders.

Outlook

CBD Grade A office rents in Singapore stabilised at S$8.95 psf per month in 2Q 2017, unchanged QoQ, after eight consecutive quarters of decline, according to CBRE. With the completion of Marina One East Tower and UIC Building in 2Q 2017, core CBD occupancy in Singapore slipped 1.5 ppt QoQ to 94.1%. Net absorption was 923,810 sq ft in 2Q 2017, boosted by pre-commitments in the newly completed office buildings. Otherwise, leasing activity remains tepid with mostly small and medium-sized transactions. Demand for office space continued to be driven by growth in the banking and finance, as well as the technology sectors.

While Singapore office rents have stabilised on diminished fears of a supply overhang given the strong pre-commitment levels at new office developments, current market rents are still lower than that in 2014, when most of OUE C-REIT's Singapore leases expiring in 2017 were committed. Hence, negative rental reversions for leases due for renewal in 2017 may be expected.

According to Colliers International, Shanghai CBD Grade A office occupancy edged down 0.5 ppt QoQ to 87.1% as at 2Q 2017 despite strong net absorption of 261,000 sq m, due to significant new office completions during the quarter which increased stock by 5.2% to 6.75 million sq m. Consequently, Shanghai CBD Grade A office rents as at 2Q 2017 were RMB10.3 psm per day, marginally lower by 0.3 ppt QoQ. In Puxi, Grade A office occupancy increased 0.4 ppt QoQ to 87.6% as at 2Q 2017, with rents 0.7% QoQ lower at RMB 9.3 psm per day.

In view of further new office supply coming on-stream in Shanghai in 2017, the overall CBD Grade A vacancy rate may continue to increase in the coming quarters and hence the rental outlook continues to be soft.

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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 and One Raffles Place in Singapore, as well as Lippo Plaza in Shanghai, with a total assets-under-management of approximately S$3.4 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.

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.