OUE COMMERCIAL REIT

PRESS RELEASE
For Immediate Release

OUE C-REIT Achieved 3Q 2016 Distribution Per Unit of 1.32 Cents, 29.4% Higher Year-on-Year

3Q 2016 Highlights:

- Amount available for distribution increased 31.6% year-on-year ("YoY") to S$17.2 million due primarily to contribution from One Raffles Place acquired in October 2015
- Distribution per unit ("DPU") of 1.32 cents, 29.4% higher YoY
- Excluding contribution from One Raffles Place, organic growth in net property income of the portfolio in 3Q 2016 continued to be healthy at 8.5% YoY
- Steady and healthy occupancy levels maintained, with average passing rents higher than a year ago
- Completed refinancing of onshore RMB loan ahead of maturity in 2017

1 November 2016 – OUE Commercial REIT Management Pte. Ltd., in its capacity as manager (the "Manager") of OUE Commercial REIT ("OUE C-REIT"), is pleased to announce an amount available for distribution of S$17.2 million for the financial period 1 July 2016 to 30 September 2016 ("3Q 2016"), representing an increase of 31.6% YoY. 3Q 2016 DPU was 1.32 cents, 29.4% higher YoY, translating to an annualised distribution yield of 7.5% based on OUE C-REIT's unit closing price of S$0.70 as at 30 September 2016.

Summary of OUE C-REIT's Group Results

(S$'000)	3Q 2016	3Q 2015	Change	YTD Sep 2016	YTD Sep 2015	Change
Gross Revenue	**44,184**	20,606	+114.4%	**132,786**	60,694	+118.8%
Net Property Income	**35,328**	15,561	+127.0%	**103,811**	45,961	+125.9%
Amount Available For Distribution	**17,214**	13,081	+31.6%	**51,989**	38,492	+35.1%
Distribution Per Unit (Cents)	**1.32**	1.02	+29.4%	**4.00**	3.02	+32.5%

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

OUE C-REIT achieved higher gross revenue of S$44.2 million in 3Q 2016, mainly due to contribution from One Raffles Place which was acquired in October 2015, as well as improved performance at OUE Bayfront and Lippo Plaza. Higher property operating expenses were incurred due to the inclusion of One Raffles Place's expenses, which were partially offset by lower property tax at OUE Bayfront and lower leasing commissions at Lippo Plaza. As a result, 3Q 2016 net property income was S$35.3 million, increasing from S$15.6 million in 3Q 2015.

As 3Q 2016 finance costs were higher compared to 3Q 2015 due to the larger amount of loans outstanding as well as higher interest rates, the resultant amount available for distribution was S$17.2 million, 31.6% higher YoY.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "Despite the lacklustre office market, OUE C-REIT continued to deliver a strong set of results in 3Q 2016. We are pleased to report a 29.4% year-on-year increase in DPU of 1.32 cents. While the increase in distribution was underpinned by contribution from One Raffles Place, healthy organic growth of 8.5% in 3Q 2016 net property income from the initial portfolio comprising OUE Bayfront and Lippo Plaza also boosted earnings.

Portfolio committed occupancy was stable at 94.4% as at 30 September 2016 compared to 94.5% a quarter ago, with higher average passing rents at all three properties year-on-year despite declining market rents, attesting to the resilience of OUE C-REIT's portfolio. Year-to-date September 2016 rental reversions remained positive at 1.2% and 0.9% at OUE Bayfront and One Raffles Place, respectively. At Lippo Plaza, renewed rents continued to see a 10.3% uplift over preceding rents over the same period.

Notwithstanding the challenging operating environment, the Manager will continue its proactive efforts to attract new tenants as well as retain existing tenants. Together with our prudent and disciplined approach to capital management, we remain focused on delivering stable and sustainable returns for our Unitholders."

Healthy Operational Performance

OUE Bayfront's committed office occupancy rose 1.2 percentage points ("ppt") quarter-on-quarter ("QoQ") to 99.4% as at 30 September 2016, above the Singapore core CBD office occupancy of 95.9%. 3Q 2016 office rental reversion was -2.2% due to the property's higher-than-market passing rents for leases which were renewed during the quarter. Nonetheless, committed rents achieved at OUE Bayfront in 3Q 2016 for new and renewed office leases ranged from S$10.40 psf per month to S$13.20 psf per month, which is still above the office market rent of S$9.30 psf per month as at 3Q 2016, reflecting the premium positioning of OUE Bayfront. Average passing office rent for the property was stable at S$11.85 psf per month as at September 2016, above the derived income supported level of S$11.80 psf per month.

Committed office occupancy at One Raffles Place remained stable at 91.7% as at 30 September 2016, compared to 91.8% as at 30 June 2016. 3Q 2016 committed office rents for new and renewed leases ranged from S$6.20 psf per month to S$10.00 psf per month, resulting in a rental reversion of -3.1% for the quarter. The bottom end of the rental range was low due to the leasing of a sub-optimal unit on a low floor. Excluding this, the lower end of the range is S$8.50 psf per month. Average passing office rent was stable at S$10.36 psf per month for September 2016.

As at 30 September 2016, Lippo Plaza's committed office occupancy was 91.3%, a decline from 93.4% a quarter ago due to the departure of some tenants whose leases were not back-filled within the quarter. Nonetheless, Lippo Plaza's committed office occupancy still compares favourably to the overall Shanghai CBD Grade A occupancy of 90.2%, as well as with the Puxi sub-market occupancy of 90.0% as at end-June 2016. Office rental reversion achieved in 3Q 2016 was a commendable 13.2% with the range of committed rents for new and renewed office leases from RMB8.55 psm per day to RMB11.33 psm per day. Average passing office rent increased 4.6% YoY to RMB9.78 psm per day for September 2016.

As at 30 September 2016, 1.2% of OUE C-REIT's gross rental income is due for renewal in 2016, reduced from 15.1% at the start of the year. The Manager has completed the renewal of all expiring office leases in 2016 for OUE Bayfront and more than 65% of the property's gross rental income is due for renewal only in 2019 and beyond.

Prudent Capital Management

As at 30 September 2016, OUE C-REIT's aggregate leverage was 40.8%, with a weighted average cost of debt of 3.4% per annum. About 78.3% of borrowings are on fixed rate basis with an average term of fixed rate debt of 2.7 years.

OUE C-REIT has no refinancing requirements in 2016. In July 2016, an onshore RMB loan maturing in 2017 was refinanced with a new eight-year loan expiring in 2024 at a rate lower than the previous interest rate, in line with the Manager's prudent and proactive approach to capital management.

For 2016, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units. This is in line with its objective of delivering sustainable and stable DPU to Unitholders.

Outlook

According to CBRE, leasing momentum in Singapore picked up markedly in 3Q 2016, resulting in net absorption of 820,420 sq ft, reversing four consecutive quarters of contraction. However, leasing activity continues to mainly be driven by "flight to quality" relocations and increased pre-commitment levels at new office projects. Consequently, Grade A office rents contracted at a slower pace of 2.1% QoQ to S$9.30 psf per month. Core CBD office occupancy at end-3Q 2016 increased 0.8 ppt QoQ to 95.9%. It is noted that as result of occupiers of the upcoming office projects fulfilling existing lease terms before relocation, vacancy levels are expected to rise once these occupiers vacate existing premises in the coming quarters. With underlying new demand remaining muted, challenges faced in back-filling secondary office space as well as potential uncommitted future supply may impact vacancy and rents.

According to Colliers International, Shanghai CBD Grade A office vacancy rose 2.6 ppt QoQ to 9.8% as at end-3Q 2016, due to the completion of four new office projects during the quarter totalling 206,000 sq m. Net absorption rebounded to positive territory at 33,700 sq m, supported mainly by pre-commitments at the newly completed buildings. Nonetheless, average CBD Grade A office rents in Shanghai increased by 2.5% QoQ to RMB10.5 psm per day, due to the implementation of value-added tax included in the headline rental figures. In Puxi, Grade A office vacancy increased 3.5 ppt QoQ to 10.0% as at end September 2016, with average Grade A rents rising 2.1% QoQ to RMB9.6 psm per day. In view of further new supply coming on-stream in 2016 and beyond, the overall Shanghai vacancy rate may continue to increase in the coming quarters and hence the rental outlook is expected to be subdued.

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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.