

PRESS RELEASE
For Immediate Release

OUE C-REIT's FY2016 Distribution Per Unit of 5.18 Cents Up 18.3% YoY

Key Highlights:

- FY2016 amount available for distribution of S\$67.4 million is 20.1% higher year-on-year ("YoY") due to a full year's contribution from One Raffles Place, and healthy organic growth at OUE Bayfront and Lippo Plaza
- FY2016 distribution per unit ("DPU") of 5.18 cents, 18.3% higher YoY
- Achieved healthy portfolio occupancy of 94.8% despite a challenging office market
- Completed the refinancing of 2017 and 2019 borrowings, extending tenure to 2022

26 January 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\$15.4 million for the financial period 1 October 2016 to 31 December 2016 ("4Q 2016"). 4Q 2016 DPU was 1.18 cents. For the financial year ended 31 December 2016 ("FY2016"), amount available for distribution was S\$67.4 million, a 20.1% increase from FY2015. FY2016 DPU was 18.3% higher YoY at 5.18 cents, translating to a distribution yield of 7.5% based on OUE C-REIT's unit closing price of S\$0.695 as at 31 December 2016.

OUE C-REIT pays out its distribution semi-annually, and the distribution for the financial period from 1 July 2016 to 31 December 2016 is 2.50 cents. With the books closure date being Monday, 6 February 2017, payment of the distribution can be expected on Tuesday, 28 February 2017.

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Summary of OUE C-REIT's Group Results

(S\$'000)	4Q 2016	4Q 2015	Change	FY2016	FY2015	Change
Revenue	45,023	40,344	+11.6%	177,809	101,038	+76.0%
Net Property Income	34,820	29,678	+17.3%	138,631	75,639	+83.3%
Amount Available For Distribution	15,428	17,626 ^(a)	-12.5%	67,417	56,118 ^(a)	+20.1%
Distribution Per Unit (Cents)	1.18	1.36 ^(a)	-13.2%	5.18	4.38 ^(a)	+18.3%

Note:

(a) Includes a one-off distribution of capital return of S\$1.3 million in relation to certain expenses which are non-tax deductible from a tax perspective. Excluding this one-off distribution, 4Q 2015 amount available for distribution and DPU would be S\$16.3 million and 1.26 cents respectively; while FY2015 amount available for distribution and DPU would be S\$54.8 million and 4.28 cents respectively

In 4Q 2016, OUE C-REIT achieved higher revenue of S\$45.0 million due to improved performance at all three properties in the portfolio. Coupled with lower property operating expenses, 4Q 2016 net property income of S\$34.8 million was 17.3% higher than the prior year.

Compared to 4Q 2015, amount available for distribution of S\$15.4 million in 4Q 2016 was lower due mainly to the presence of one-off adjustments that augmented the prior year's performance. In addition, for FY2016, the Manager elected to receive 20% of its base management fees in cash, versus 100% of the amount in Units in 2015. Further, OUE C-REIT is entitled to performance fees in FY2016, calculated as 25% of the difference in DPU in a financial year against the preceding financial year. 50% of this performance fee will be paid in cash and the balance in Units.

FY2016 revenue achieved of S\$177.8 million was 76.0% higher YoY mainly due to a full year's contribution from One Raffles Place, coupled with improved performance at OUE Bayfront and Lippo Plaza where organic growth was a healthy 10.4% YoY. The higher revenue coupled with higher property operating expenses which were incurred due to the inclusion of One Raffles Place's expenses, resulted in FY2016 net property income of S\$138.6 million, increasing 83.3% from FY2015.

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As FY2016 finance costs were higher compared to FY2015 mainly due to the full year impact of the borrowing costs on loans drawn to finance the acquisition of One Raffles Place, the resultant amount available for distribution was S\$67.4 million, 20.1% higher YoY.

As at 31 December 2016, OUE C-REIT's investment properties were assessed by independent valuers to be S\$3,408.5 million, a marginal increase of 0.2% compared to the valuation of S\$3,403.2 million as at 31 December 2015. This translates to a net asset value per Unit of S\$0.93.

Ms Tan Shu Lin, Chief Executive Officer of the Manager, said, "FY2016 has been a challenging year for the office markets in both the central business districts of Singapore and Shanghai, due to significant new office supply coming on-stream. Prime CBD Grade A rents in Singapore have declined 12.5% YoY whilst Shanghai CBD Grade A office vacancy increased to 10.2% as at 31 December 2016. Despite the lacklustre operating conditions, OUE C-REIT continued to deliver good results. We are pleased to report an amount available for distribution in FY2016 of S\$67.4 million and DPU of 5.18 cents, a respective increase of 20.1% and 18.3% over FY2015. Earnings growth was driven by contribution from One Raffles Place as well as healthy organic growth at OUE Bayfront and Lippo Plaza.

We are particularly pleased with the operational performance of One Raffles Place despite the headwinds faced in the office market, where in the one year since acquisition, office occupancy increased 2.1 percentage points to 92.2% while holding average passing rents steady at S\$10.28 per sq ft per month.

Overall, OUE C-REIT's portfolio occupancy remained resilient at 94.8% as at 31 December 2016. Committed rents in 4Q 2016 were in line with or higher than current market rates. However, as the rental rates for expiring leases were higher than market, FY2016 office rental reversions¹ for OUE Bayfront and One Raffles

¹ Calculated based on effective gross rents of renewals (including forward renewals, if any) and rent reviews, versus their preceding effective gross rents

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Place were negative at -10.1% and -3.0%, respectively. At Lippo Plaza in Shanghai however, office renewal rents recorded 9.3% uplift over preceding rents in FY2016.

In view of the challenging outlook for the office market, the Manager will continue to focus its efforts to proactively attract and retain tenants to ensure stability of occupancy rates. We will also focus on active cost management measures so as to mitigate any impact on rental income as a result of negative rental reversions. Together with our prudent and disciplined approach to capital management, we remain committed to delivering stable and sustainable returns for our Unitholders.”

Steady Operational Performance

OUÉ Bayfront’s committed office occupancy as at 31 December 2016 was 97.7%, above the Singapore core CBD office occupancy of 95.8%. Committed rents achieved at OUÉ Bayfront in 4Q 2016 for new and renewed office leases ranged from S\$10.80 psf per month to S\$12.30 psf per month, above the office market rent of S\$9.10 psf per month as at 4Q 2016, which reflects the premium positioning of OUÉ Bayfront. Average passing office rent for the property was stable at S\$11.85 psf per month as at December 2016.

Committed office occupancy at One Raffles Place increased 0.5 percentage points (“ppt”) quarter-on-quarter (“QoQ”) and 2.1 ppt YoY to 92.2% as at 31 December 2016. 4Q 2016 committed office rents for new and renewed leases ranged from S\$8.00 psf per month to S\$11.50 psf per month. Average passing office rent was stable at S\$10.28 psf per month for December 2016, compared to S\$10.26 psf per month a year ago.

As at 31 December 2016, Lippo Plaza’s committed office occupancy increased 3.2 ppt QoQ to 94.5%, above the overall Shanghai CBD Grade A occupancy of 89.8%. Office rental reversion achieved in 4Q 2016 was a healthy 5.2% with the range of committed rents for new and renewed office leases from RMB6.86 psm per day to RMB10.50 psm per day. Average passing office rent increased 4.7% YoY to RMB9.89 psm per day for December 2016.

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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 70% of the property's gross rental income is due for renewal only in 2019 and beyond. At the portfolio level, about 20.9% of OUE C-REIT's gross rental income is due for renewal in 2017.

Prudent Capital Management

OUE C-REIT's aggregate leverage improved to 39.8% as at 31 December 2016 compared to 40.8% a quarter ago, with a weighted average cost of debt of 3.6% per annum. To mitigate interest rate volatility, about 79.3% of borrowings are on fixed rate basis with an average term of fixed rate debt of 2.5 years.

In line with the Manager's prudent and proactive approach to capital management, the RMB onshore loan due in 2017 was refinanced in July 2016 ahead of maturity with a new eight-year term loan expiring in 2024. Further, we also secured refinancing for the Singapore dollar loans due in 2017 as well as 2019, ahead of maturity in January 2017, with a new five-year facility due in 2022. As a result, OUE C-REIT's average term to maturity is expected to increase from 1.5 years as at 31 December 2016 to 3.5 years.

For 2016, the Manager has elected to receive 20% of its base management fees to be paid in cash, with the balance in Units. As the Manager's performance fee is based on 25% of the difference in DPU in a financial year against the preceding financial year, it will be entitled to a performance fee for FY2016. 50% of this performance fee will 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, CBD Grade A office rents in Singapore contracted 2.2% QoQ to S\$9.10 psf per month as at end-2016, with core CBD office occupancy edging down 0.1% ppt QoQ to 95.8%. Though net absorption was a positive 542,260 sq ft

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in 4Q 2016, this was mainly due to pre-commitments and further leasing in the newly completed office projects. Vacancy levels are expected to rise once occupiers, who are still fulfilling existing lease terms prior to relocation, vacate existing premises in the coming quarters.

Shanghai CBD Grade A office rents increased 3.1% YoY to RMB10.4 psm per day as at end-2016, edging down slightly QoQ from RMB10.5 psm per day in the previous quarter, according to Colliers International. CBD Grade A office vacancy increased 0.4 ppt QoQ to 89.8% as at 4Q 2016, up 5.3 ppt YoY due to a record amount of new office completions. 11 new office buildings completed during 2016, the highest full-year supply in five years which expanded stock 7.4% YoY to 6.1 million sq m.

OUE C-REIT's portfolio of strategically located Grade A office properties continue to record steady occupancy levels which provide stability in income. Rental rates achieved at OUE C-REIT's properties have been in line with, or above current market rates.

While the decline in Singapore office rents appears to have slowed, current market rents are still lower than that in 2014, when most of OUE C-REIT's leases expiring in 2017 were committed. Hence, negative rental reversions for expiring leases are likely in the coming quarters. However, this is mitigated as there is downside protection for rental revenue at OUE Bayfront as a result of the income support arrangement which will expire only in 2019. At One Raffles Place, the Manager will continue to focus on improving operational performance.

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 is expected to be subdued. We expect a stable performance from Lippo Plaza given its prime location. Further, the long-term lease committed by Victoria's Secret for its first flagship store in China which is opening in

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1Q 2017 will start to contribute to Lippo Plaza's performance in 2017. This further underpins the stability of the property's income.

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About QUE Commercial REIT

QUE 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.

QUE C-REIT's portfolio comprises QUE 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.

QUE C-REIT is managed by QUE Commercial REIT Management Pte. Ltd., which is a wholly-owned subsidiary of QUE Limited.

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

About the Sponsor : QUE Limited

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