

OUE C-Reit to buy OUE Downtown's offices for S\$908m; plans 83-for-100 rights issue at S\$0.456 per rights unit

By Navin Sregantan, The Business Times TUE, SEP 11, 2018 - 8:38 AM

OUE Commercial Real Estate Investment Trust (C-Reit) has agreed to buy the office components of the OUE Downtown development from sponsor OUE for S\$908 million, according to exchange filings early Tuesday.

To help pay for the acquisition, OUE C-Reit is also proposing to raise S\$587.5 million through an underwritten and renounceable rights issue on the basis of 83 new units for every 100 units held at S\$0.456 per rights unit. OUE C-Reit units closed at 66.5 Singapore cents on Monday before the deals were announced. The rights issue pricing represents a theoretical ex-rights price of 57 Singapore cents.

Credit Suisse and OCBC Bank are the lead managers and underwriters of the deal. OUE, a property developer that holds a 55.9 per cent stake in the trust, has agreed to fully subscribe for its entitlement in the rights issue. OUE has also agreed to a sub-underwriting agreement to buy up 66 per cent of the rights units offered to other unitholders if those rights units are not taken up.

OUE Downtown is a mixed-use development comprising two high-rise towers, located along Shenton Way in Singapore's Central Business District. A multi-storey car park, a serviced residence component and a retail podium in the same development are excluded from the deal. The office components were 95.1 per cent occupied as at June 30, 2018, and have a weighted average lease expiry of 2.0 years when weighted by gross rental income and by net lettable area.

The purchase price works out to about S\$1,713 per square foot, a 2.0 per cent discount to a valuation by Savills and a 3.9 per cent discount to a valuation by Colliers. On top of the purchase price, OUE C-Reit expects acquisition-related fees and expenses to bring the total cost of the transaction to about S\$955.9 million. The trust will pay for S\$361.6 million of the acquisition through debt and borrowings.

OUE said that the proposed sale will unlock capital for higher-growth reinvestment opportunities, and allow the company to pursue its strategy through a capital efficient platform and to derive a stable income stream.

OUE shares closed at S\$1.58 on Monday.