



# Business Update for 1<sup>st</sup> Quarter 2024

24 April 2024



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# Agenda

- 1Q 2024 Key Highlights
- Financial Summary & Capital Management
- Portfolio Performance
- Progressing on Sustainability
- Outlook & Growth Strategy
- Appendices

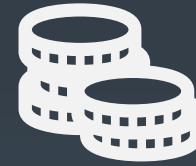


# 1Q 2024 Key Highlights



Revenue

**S\$74.9m** ▲ 9.5% YoY



Net Property Income

**S\$60.5 m** ▲ 6.9% YoY



**Singapore Office**

- Committed occupancy of Singapore office properties remained stable at 95.1% as of 31 March 2024
- Secured positive rental reversion of 12.6%



**Hospitality**

- Hospitality segment revenue increased 22.7% YoY to S\$26.9 million
- Revenue per available room (“RevPAR”) increased by 23.3% YoY to S\$280 due to higher room rates supported by the strong concerts and MICE events pipeline in Singapore



**Retail**

- Mandarin Gallery achieved high committed occupancy of 97.6%\*
- Achieved positive rental reversion of 22.0% at Mandarin Gallery

# 1Q 2024 Financial Performance

Higher revenue and net property income recorded

	1Q 2024 (S\$m)	1Q 2023 (S\$m)	YoY Change (%)
Revenue	74.9	68.4	9.5
Net Property Income	60.5	56.6	6.9
Share of Joint Venture Results	2.2	2.2	-

- Revenue and net property income increased 9.5% and 6.9% YoY to S\$74.9 million and S\$60.5 million, respectively, mainly driven by higher contributions from Hilton Singapore Orchard and the resilient performance of Singapore commercial properties
- In the interim, higher financing costs will continue to weigh on upcoming distributions
- From 1Q 2024, 100% of base management fees to be paid in cash, an increase from 65% previously

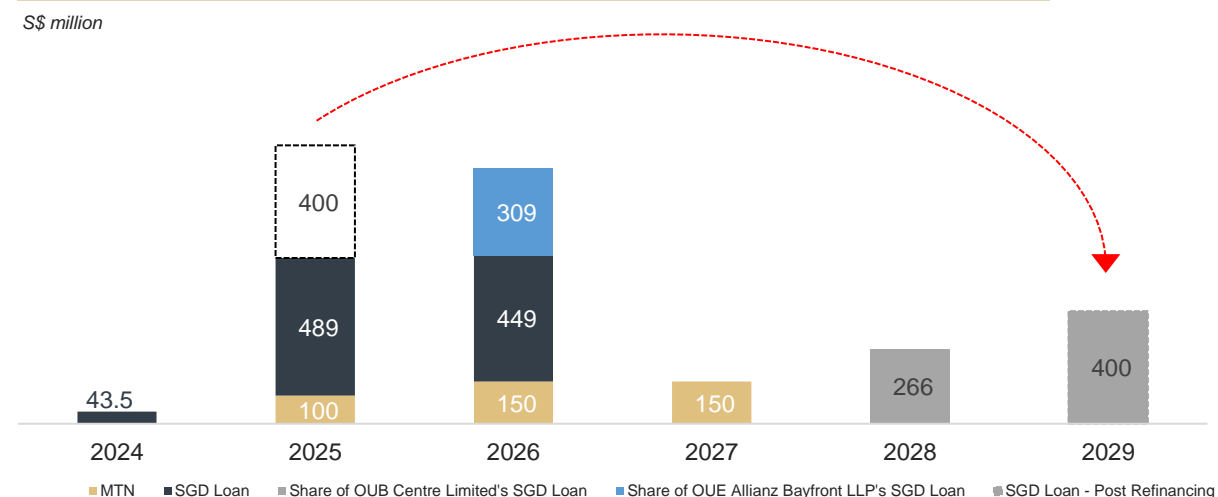
# Proactive and Prudent Capital Management

## No refinancing requirement until second half of 2025 where only 25% of the total debt is due

- Smoothed out the debt maturity profile by obtaining an unsecured sustainability-linked loan (“SLL”) of S\$600 million on 23 April 2024 for the early refinancing of existing borrowings due in 2025 and for general corporate purposes, referencing its recalibrated 40% absolute Greenhouse Gas (“GHG”) emission reduction target
- Backed by strong support from a total of 12 banks, the SLL was oversubscribed by 2.0 times and was subsequently upsized from the initial loan amount of S\$540 million to S\$600 million, including the greenshoe
- Upon completion of the early refinancing, OUE REIT’s average term of debt is expected to lengthen to 2.8 years from 2.2 years on a pro forma basis
- The proportion of the unsecured borrowings and total assets that are unencumbered will also significantly increase to 86.9% and 88.8% from 69.9% and 73.1% respectively as of 31 March 2024 on a pro-forma basis
- Assuming a 25 basis points decrease in interest rates, DPU would increase 0.04 Singapore cent per unit

	As of 31 Mar 2024	As of 31 Dec 2023
Aggregate leverage	38.8%	38.2%
Total debt <sup>(1)</sup>	S\$2,357m	S\$2,322m
Weighted average cost of debt	4.5% p.a.	4.3% p.a.
Average term of debt	2.2 years	2.4 years
% fixed rate debt	60.0%	66.3%
% unsecured debt	69.9%	69.5%
Interest coverage ratio (“ICR”) <sup>(2)</sup>	2.4x	2.4x
Adjusted ICR <sup>(3)</sup>	2.3x	2.4x

## Debt Maturity Profile (as of March 2024)



(1) Includes OUE REIT’s share of OUB Centre Limited’s loan and OUE Allianz Bayfront LLP’s loan

(2) As prescribed under Appendix 6 of the Monetary Authority of Singapore’s Code on Collective Investment Schemes (last revised on 23 May 2023)

(3) As above in (2) and including distributions on hybrid securities in the denominator



# Portfolio Performance

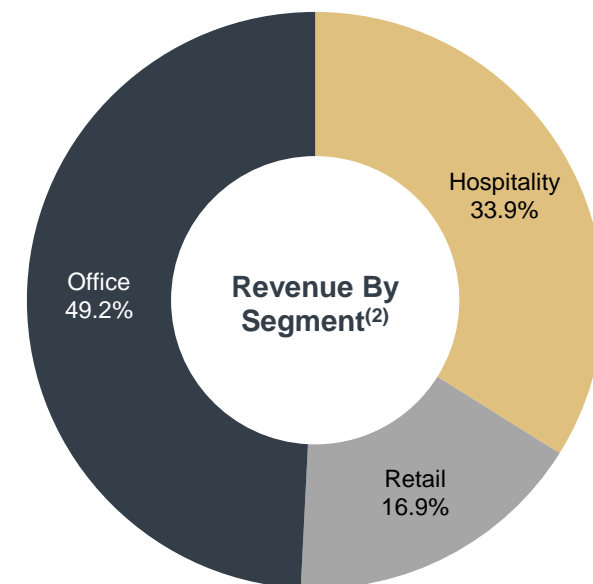
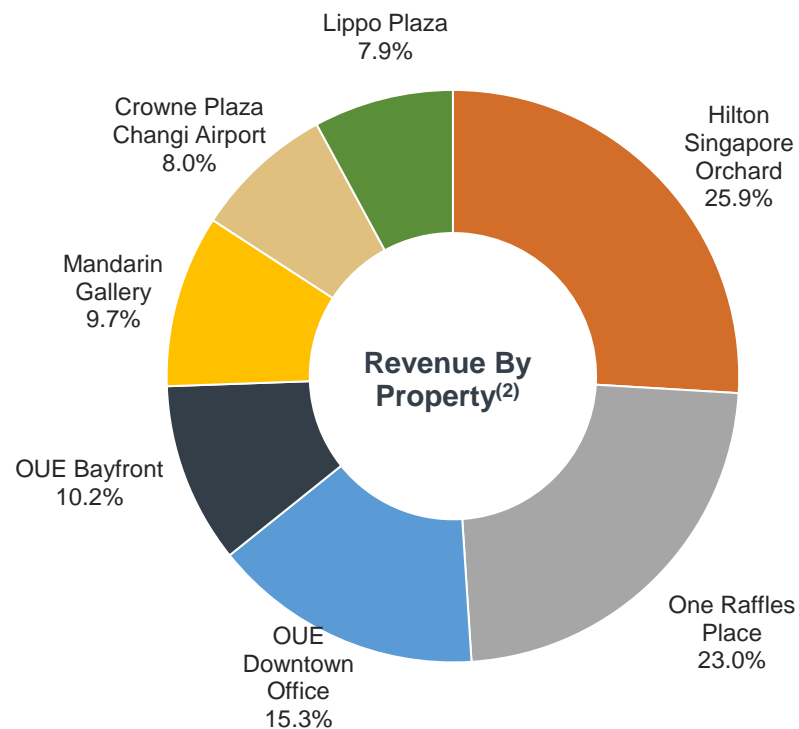
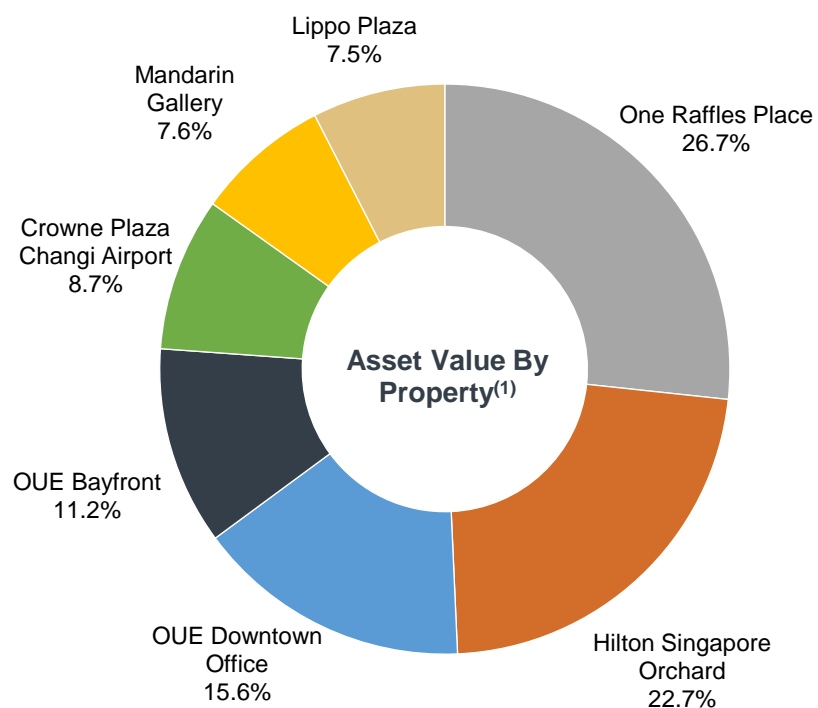


# Singapore-focused and Well-balanced Portfolio Demonstrated both Resilience and Growth Potential in 1Q 2024

92.5% of assets under management in Singapore

Singapore assets contribute 92.1% of portfolio revenue

Hospitality and retail segment account for 50.8% of portfolio contribution





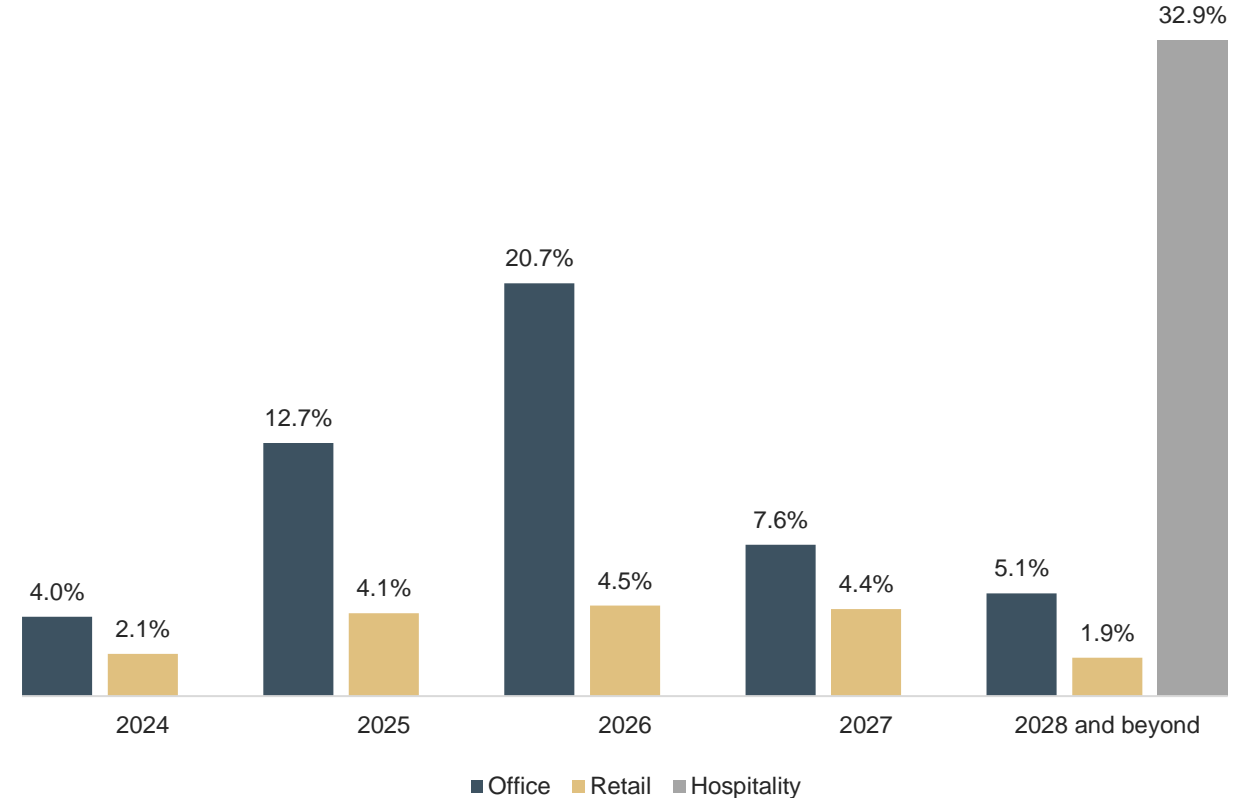
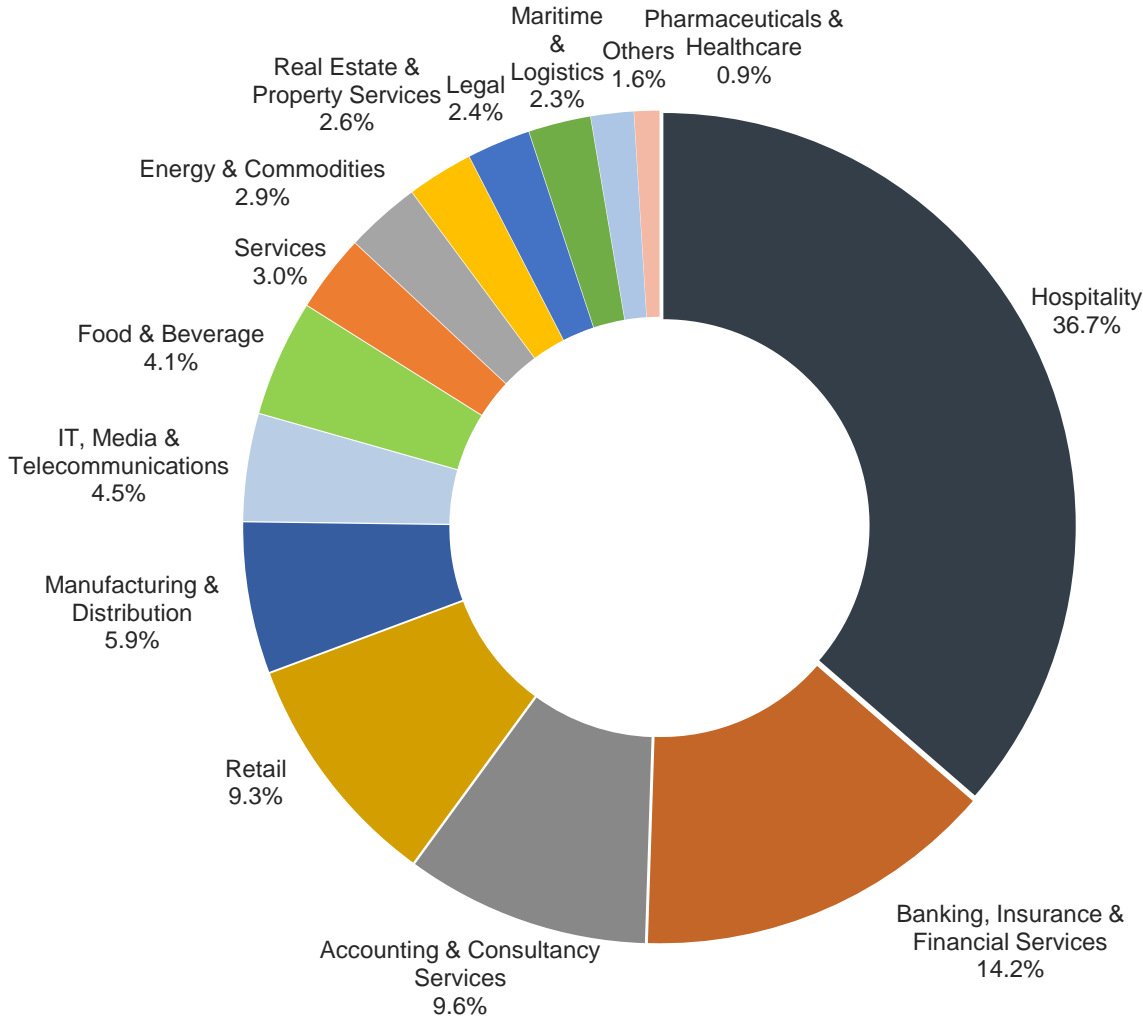
# Diversified Tenant Mix & Well-distributed Lease Expiry Profile

Underpinned by hospitality and resilient trade sectors

WALE<sup>(1)</sup> of 3.0 years by Gross Rental Income ("GRI")

As of Mar 2024

As of Mar 2024



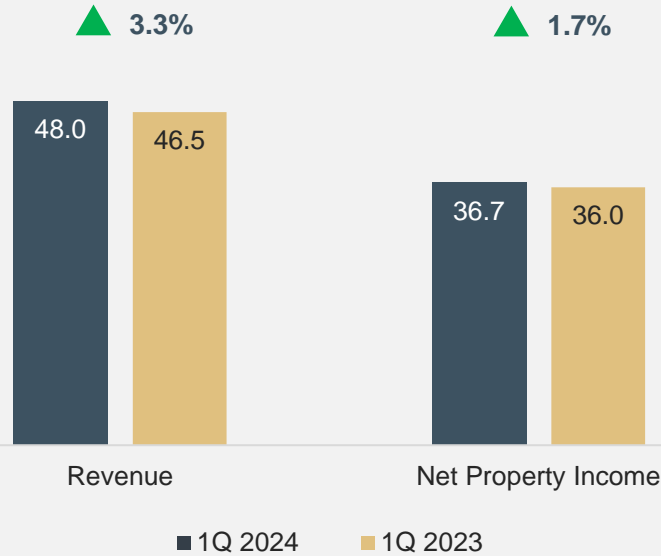
Note: Tenant by trade sector and lease expiry profile is based on GRI (excluding provision of rental rebates and turnover rent), and OUE REIT's proportionate interest in the respective properties

(1) "WALE" refers to the weighted average lease term to expiry

(2) Refers to contributions from Mandarin Gallery and all other retail components within OUE REIT's portfolio

# Commercial Segment Performance – 1Q 2024

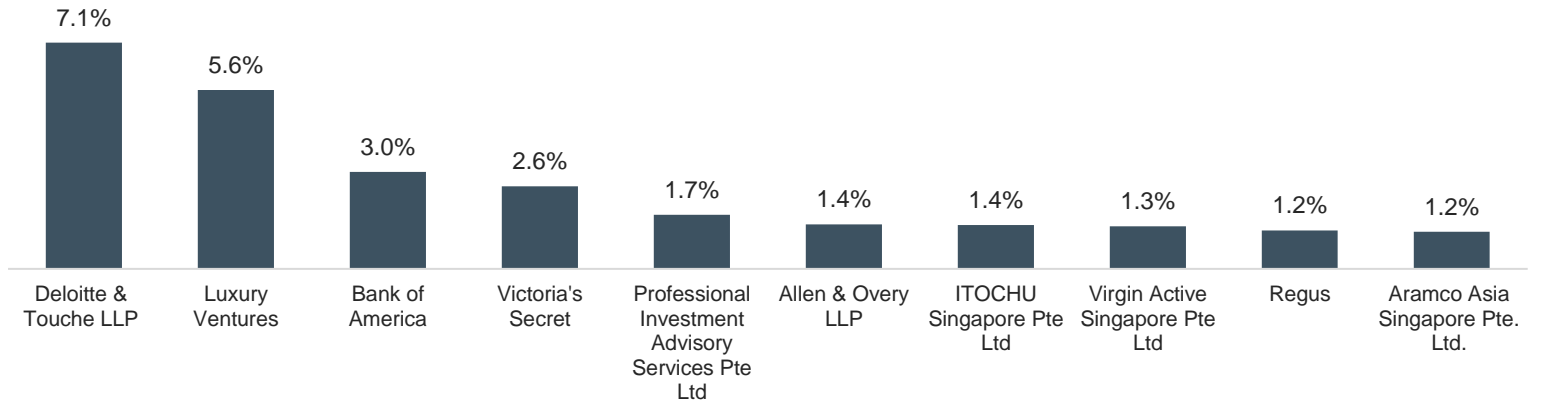
(\$ million)



- Higher revenue and net property income of S\$48.0 million (3.3% YoY) and S\$36.7 million (1.7% YoY), respectively, due to resilient performance of the Singapore portfolio

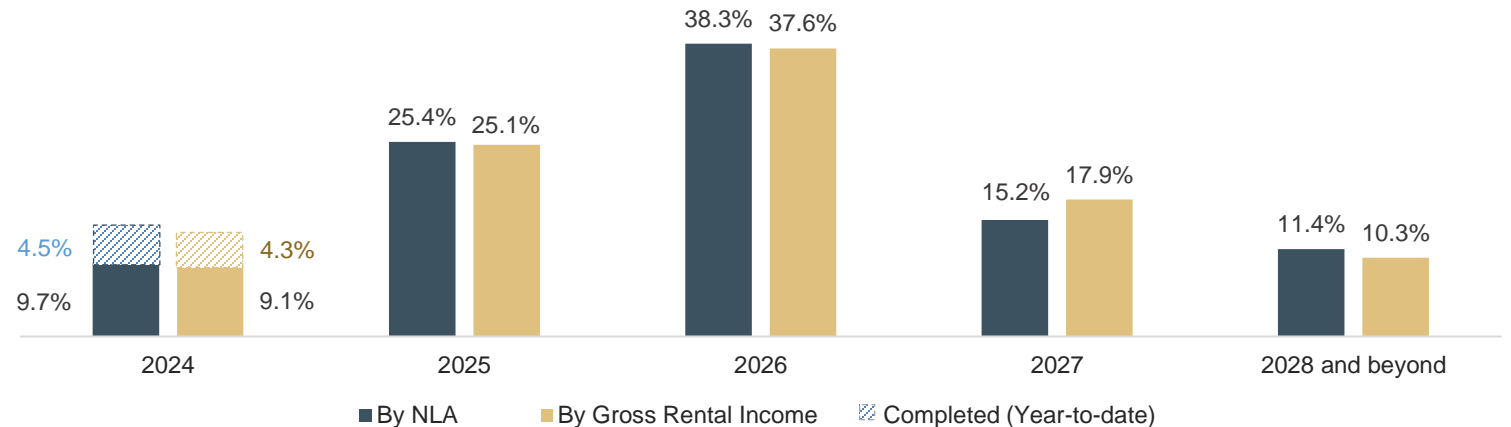
## Top 10 Tenants contribute 26.5% of Commercial Segment Gross Rental Income<sup>(1)</sup>

As of 31 Mar 2024



## Well-staggered WALE at 2.3 years for both NLA and GRI<sup>(2)</sup>

As of 31 Mar 2024





# Singapore Office Portfolio Performance Overview

Operating performance remained healthy despite cautious market sentiment

## Committed Occupancy

**95.1%** ▼ 0.1 ppt QoQ

As of 31 Mar 2024

## Average Passing Rent

**S\$10.50** psf ▲ 1.0% QoQ

As of 31 Mar 2024

## Rental Reversion<sup>(1)</sup>

**12.6%**

In 1Q 2024

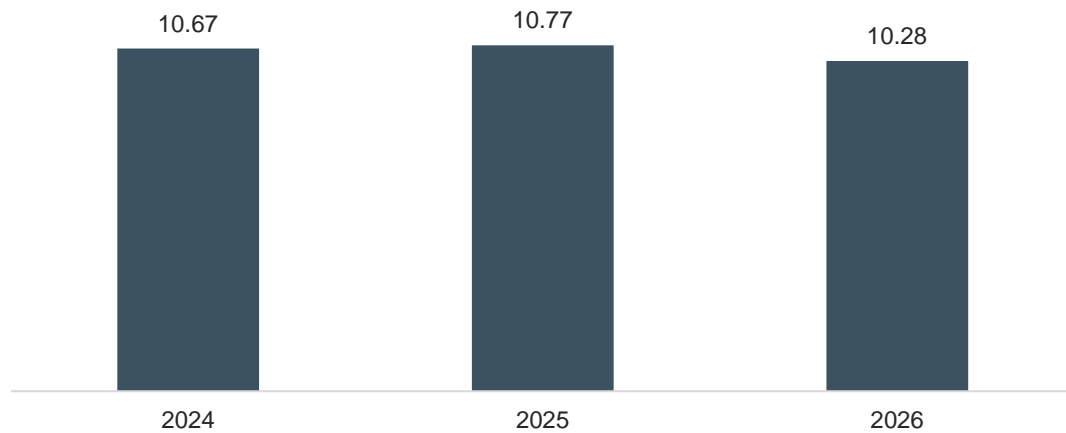
Navigating macroeconomic uncertainties through proactive lease management

### Average expiring rents in 2024 to 2026 below market rent rate

CBD Grade A office market rent at S\$11.95 psf per month in 1Q 2024<sup>(2)</sup>

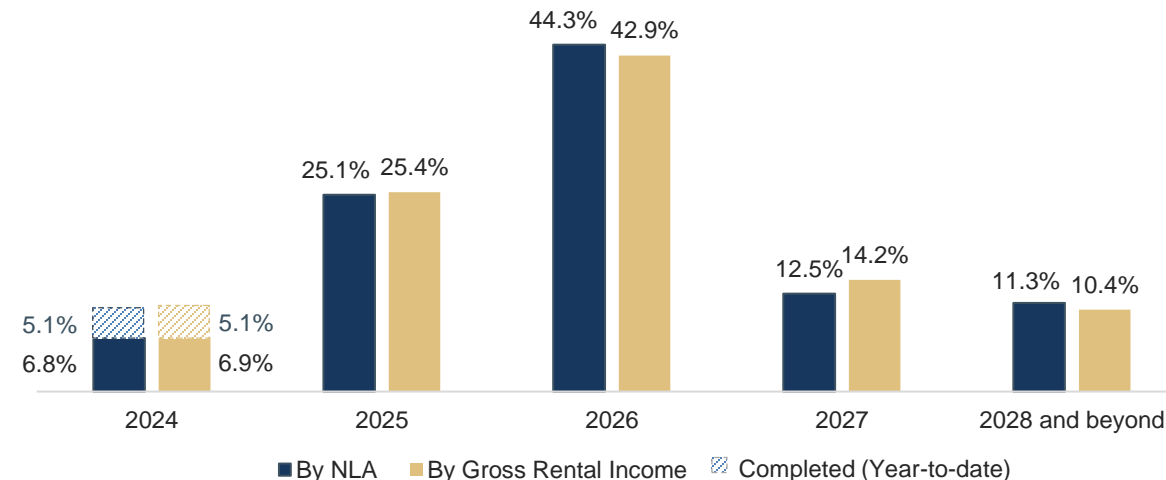
S\$ psf per month

As of Mar 2024



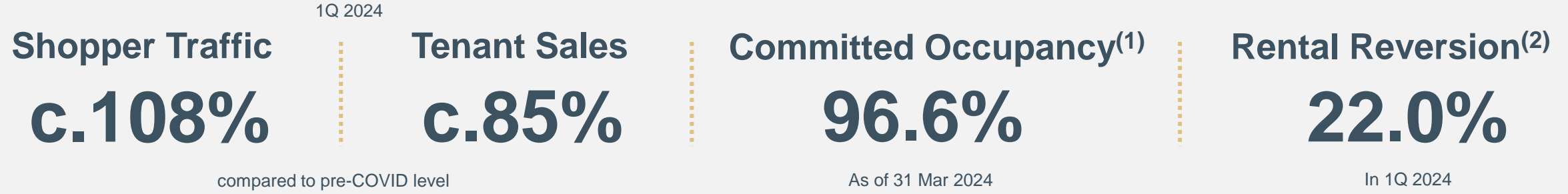
### WALE of 2.3 years by both NLA & GRI

As of 31 Mar 2024



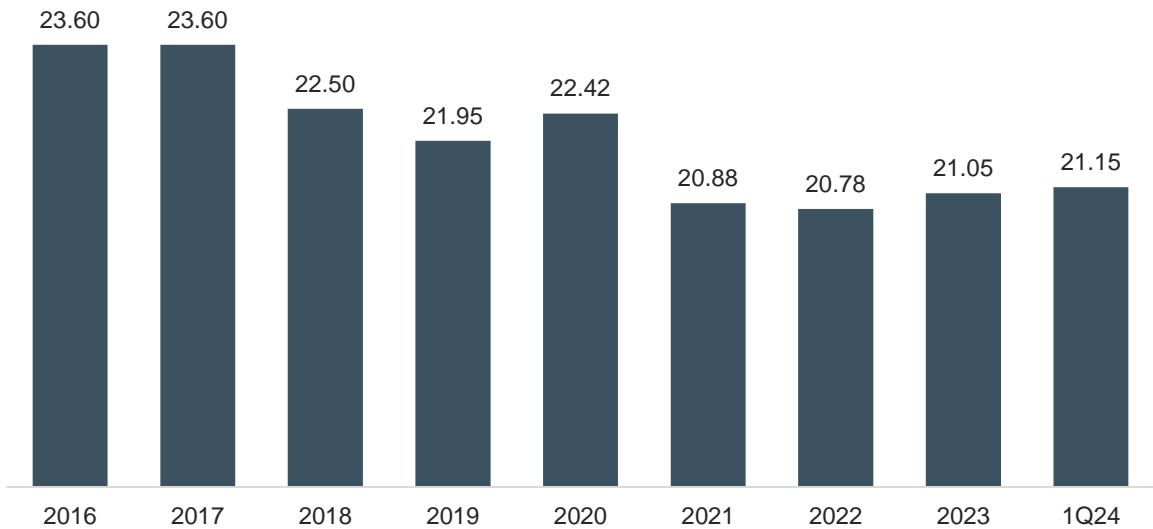
# Mandarin Gallery Performance Overview

Positive leasing sentiment supported by continued tourism recovery



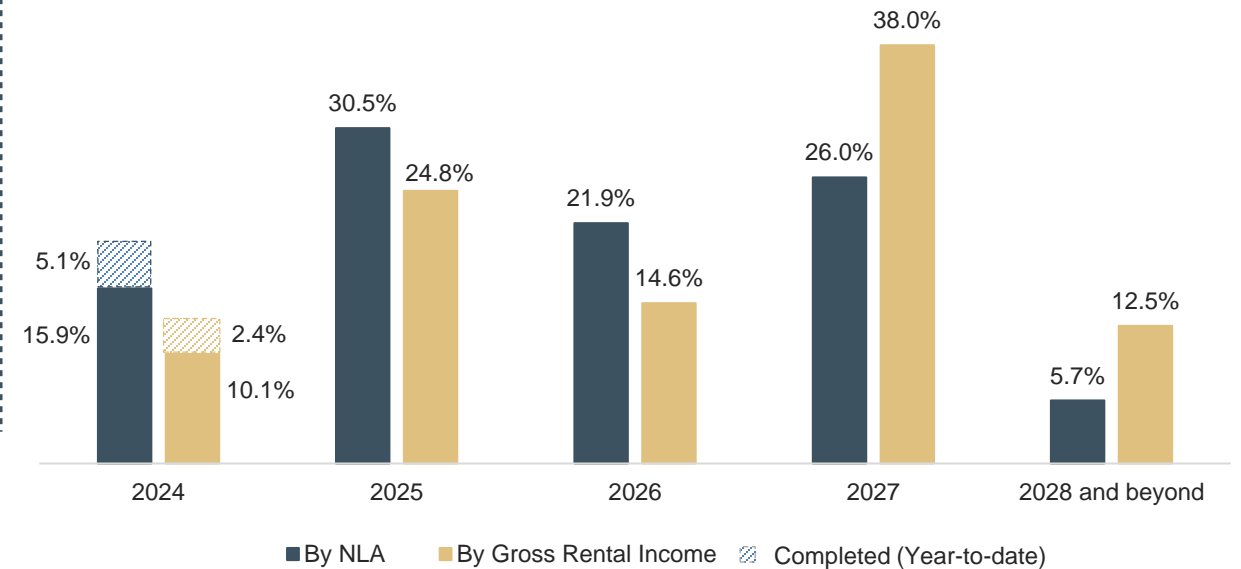
Average passing rent inched 0.5% QoQ to S\$21.15 psf per month

S\$ psf per month As of Mar 2024



WALE of 2.1 years (NLA); 2.5 years (GRI)

As of 31 Mar 2024



(1) Excluding short-term leases  
 (2) Rental reversion is based on average incoming committed rents versus average outgoing rents



# Shanghai Lippo Plaza Performance Overview

Focus on maintaining occupancy amidst continued increase in new supply and intensified competition

## Office Committed Occupancy

**75.5%** ▼ 7.8 ppt QoQ

As of 31 Mar 2024

## Retail Committed Occupancy

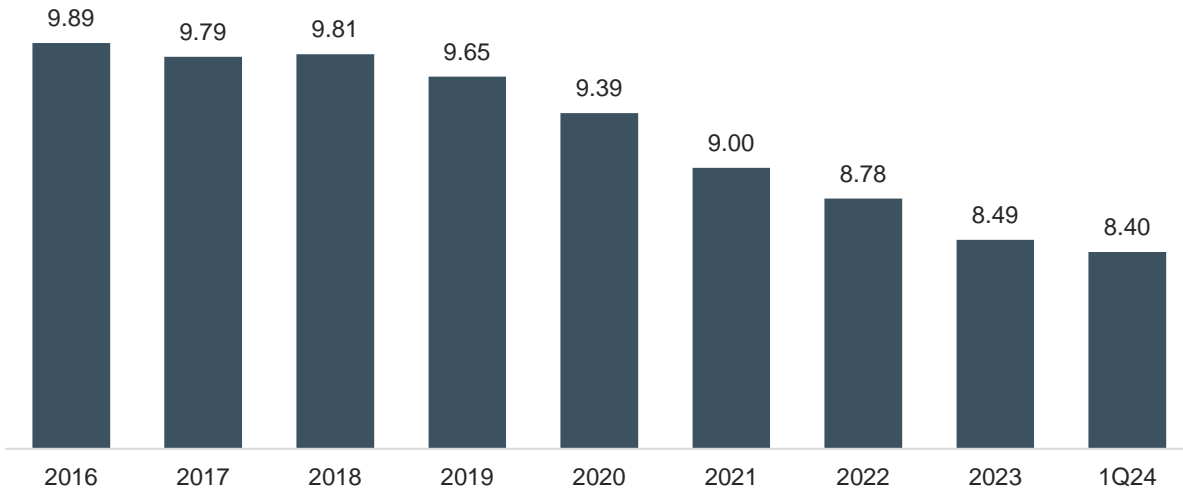
**94.5%** 0.0 ppt QoQ

As of 31 Mar 2024

Average office passing rent for Lippo Plaza declined 1.1% QoQ to RMB8.40 psm per day

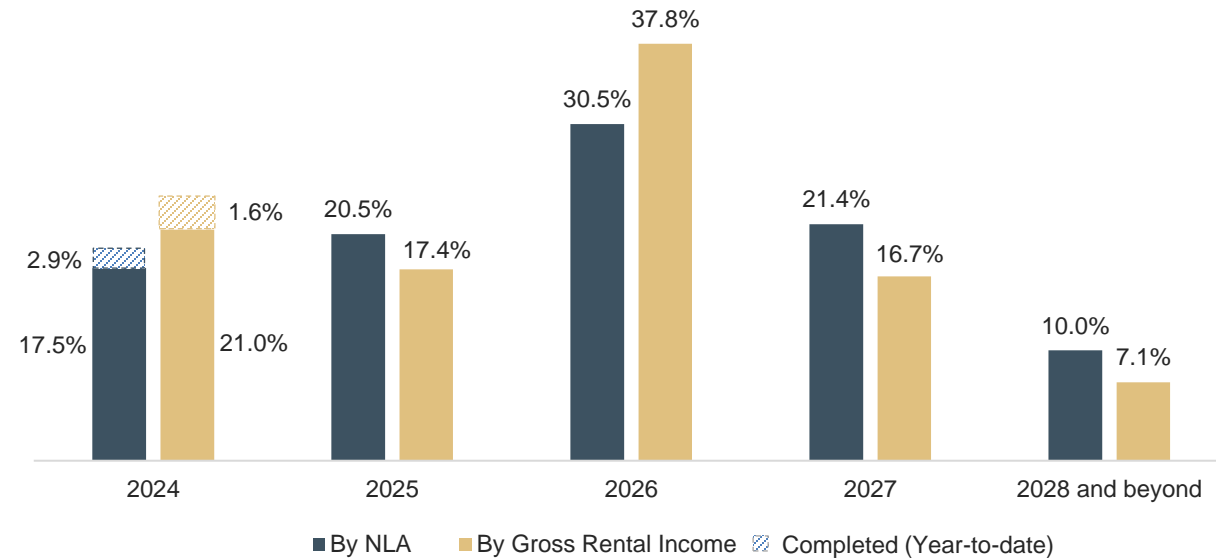
RMB psm per day

As of 31 Mar 2024



WALE of 2.2 years (NLA); 2.1 years (GRI)

As of 31 Mar 2024

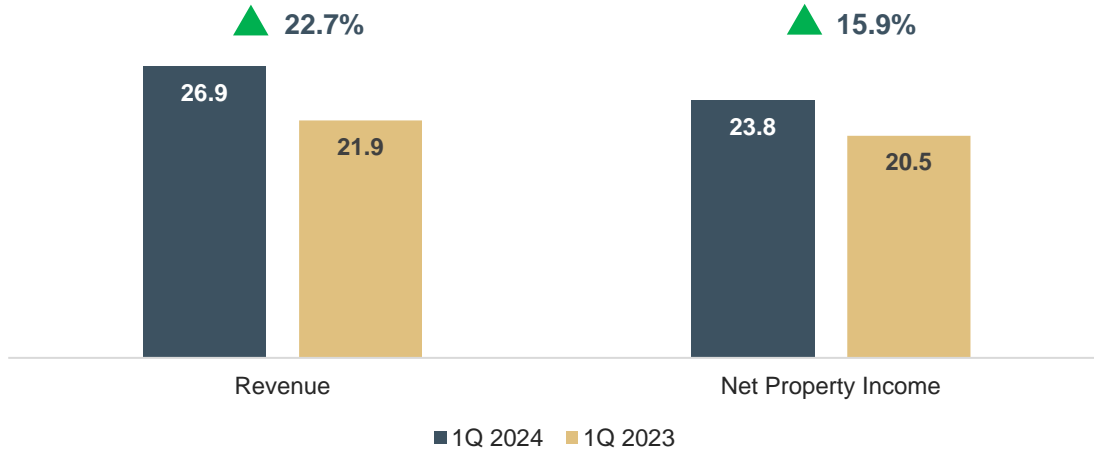


# Hospitality Segment Performance

Higher RevPAR supported by continued business and leisure travel demand

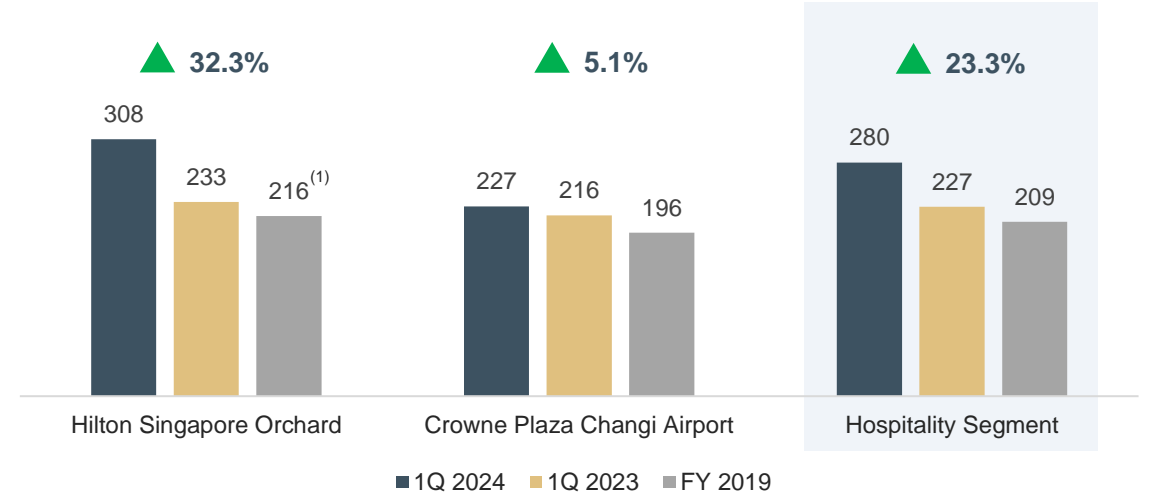
## 1Q 2024 Hospitality Segment Revenue and NPI

(S\$ million)



## 1Q 2024 Revenue per Available Room (“RevPAR”)

(S\$)



- Hospitality segment revenue and net property income for 1Q 2024 climbed 22.7% and 15.9% YoY to S\$26.9 million and S\$23.8 million respectively
- Overall 1Q 2024 hospitality RevPAR surged 23.3% YoY to S\$280 supported by the continued recovery in the hospitality sector. Hilton Singapore Orchard’s RevPAR grew by 32.3% YoY to S\$308 on the back of higher occupancy
- With the enlarged room inventory of 575 rooms following the successful asset enhancement in December 2023, Crowne Plaza Changi Airport continued to ramp up its operations. RevPAR reached S\$227 in 1Q 2024, representing an increase of 5.1% YoY

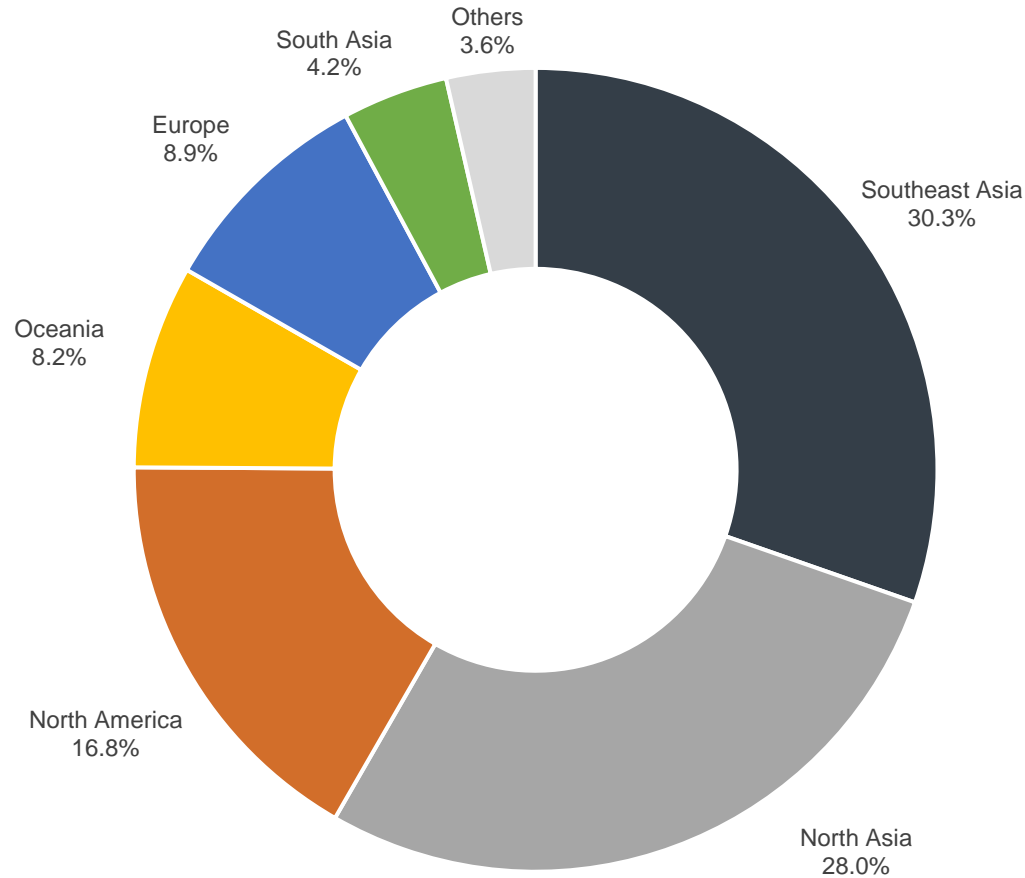


# Hospitality Segment Performance

Diversified business mix towards higher-yielding markets

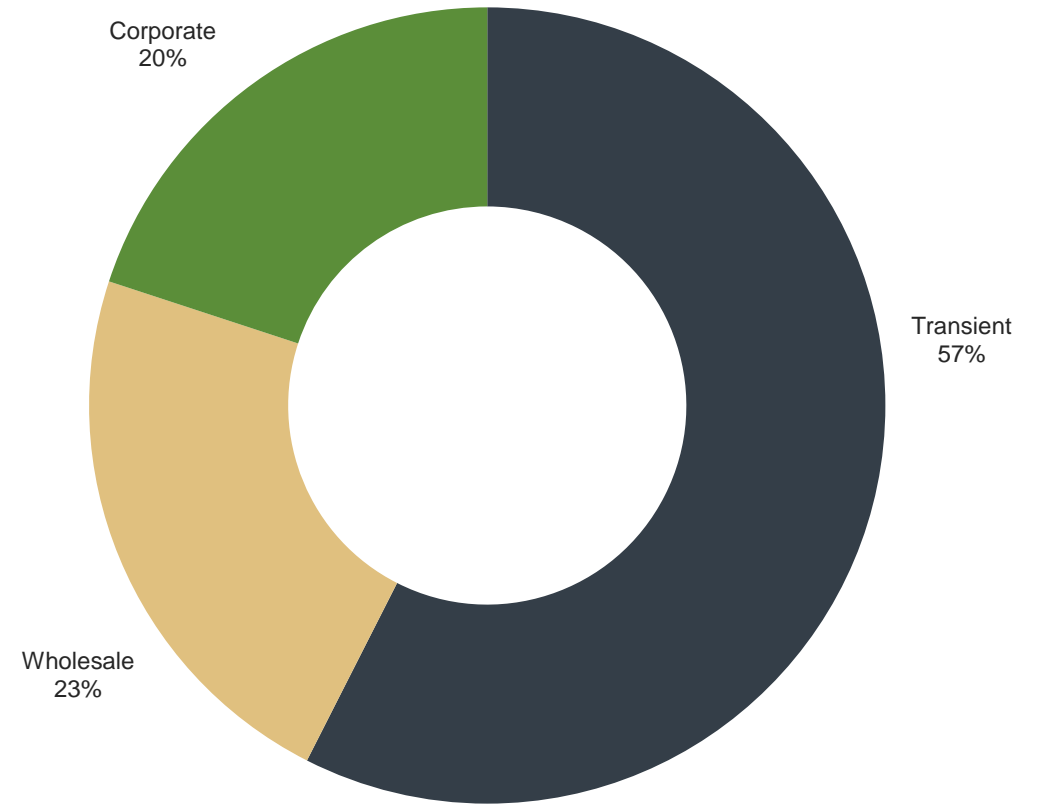
## By Geography

As of 31 Mar 2024 (By room nights)



## By Type

As of 31 Mar 2024 (By room revenue)



Notes:

Excludes aircrew and delays

"Transient" refers to revenue derived from the rental of rooms and suites to individuals or groups who do not have a contract with the hotel

"Corporate" refers to revenue derived from the rental of rooms and suites booked via a corporate or government company that has contracted annual rates with the hotel

"Wholesale" refers to revenue derived from the rental of rooms and suites booked via a third-party travel agent on a wholesale contracted rate basis



# Progressing on Sustainability





# Advancing in ESG with Recalibrated Targets

## FY 2023 ESG Performance

### STEWARDING THE ENVIRONMENT



Energy intensity reduced by **20.9%** for commercial assets<sup>(1)</sup>



Water intensity reduced by **26.1%** and **16.9%** for commercial and hospitality assets, respectively<sup>(1)</sup>



**50.3%** of Singapore commercial segment net lettable area are green leases

### STRENGTHENING SOCIAL FABRIC



Achieved **45.0** average training hours per employee



Achieved an overall employee engagement score of **95.6%**



Achieved an average tenant satisfaction rate of **88.7%** for all five commercial properties

### BUILDING TRUST



No incidents of non-compliance with laws and/or regulations



No incidents of corruption



No cyber incidents or data breaches

## ESG Vision 2030 – Key Recalibrated Targets



Setting a more ambitious goal by replacing energy intensity target with GHG carbon emission target

Reduce **40% absolute Scope 1 and 2 GHG emissions** for commercial properties by FY 2030<sup>(2)</sup>



90% green financing by FY 2030



Achieve average 30 training hours per employee

Include specific ESG-related trainings



25% of women represented on the Board of Directors

40% of employees in senior management are women



# Growth Strategies



*Crowne Plaza Changi Airport*



# Market Outlook

## Singapore

### Office

- Limited supply and low vacancies continued to drive Singapore's office rental growth in 1Q 2024<sup>(1)</sup>
- Core Central Business District ("CBD") Grade A rents recorded a modest 0.4% QoQ increase in 1Q 2024 to reach S\$11.95 psf per month
- Although flight-to-quality and flight-to-green trends are likely to sustain office demand, businesses are expected to take a conservative approach towards their spending and investment plans due to still-high interest rates and capital expenditure
- OUE REIT's green-certified core Grade A offices located in prime locations are well-positioned for potential near-term market headwinds

### Hospitality and Retail

- Visitor arrivals for 1Q 2024 grew by 49.6% YoY to reach 4.4 million, mainly due to high-profile business and leisure events as well as the implementation of mutual 30-day visa-free travel between China and Singapore on 9 February 2024<sup>(2)</sup>
- Tourism recovery is expected to continue, buoyed by improved global flight connectivity, the implementation of 30-day visa-free travel between China and Singapore, and a traditionally strong pipeline of MICE and major events in the second half of 2024
- In the near term, retailers will continue to face ongoing challenges such as labour shortages, elevated operating costs and competition from e-commerce platforms. However, prime retail rents is expected to continue recovering in 2024 with new retail supply remaining on par with the historical average
- OUE REIT's hotel and retail properties are well-positioned to benefit from the resurgence of both business and leisure travellers in 2024

## Shanghai

- Shanghai's CBD Grade A office occupancy declined by 1.1 ppt QoQ to 85.4%, while CBD Grade office rents fell to the lowest level in a decade, reaching RMB8.37 psf per day
- A total of 1.64 million square metre of new supply expected to come to the market in 2024. Coupled with continued weak leasing demand and intensified competition, Shanghai's office market is expected to remain under pressure<sup>(3)</sup>
- The Manager adopts proactive leasing strategies and cost management to improve operational performance at Lippo Plaza

# Focus on Maximising Returns and Driving Long-term Growth



## Actively Pursue Value Creation Opportunities

- **Further leverage on our balanced portfolio to deliver attractive potential returns, with a goal to increase revenue contribution from hospitality segment to 40.0%**
- **Review opportunities in Singapore as well as key gateway cities in Australia (Sydney and Melbourne), Hong Kong, Japan and the UK (London).** Seek further exposure to hotels, offices or mixed-use developments in prime CBD areas
- **Monitor portfolio reconstitution opportunities** to unlock value



## Maximise Asset Performance

- **Leverage on the successful AEs of both hotels** to capitalise on the continued tourism recovery and enhance performance
- **Tap on asset enhancement** initiatives to create value and maximise portfolio returns
- **Focus on tenant retention and optimise occupancy** – actively monitor market sentiment and customise asset-specific leasing strategies to meet occupiers' need
- **Improve the environmental credential** of OUE REIT's properties to future proof asset performance and value



## Reinforce Capital Structure

- **Optimise cost of debt** by leveraging on investment grade credit rating to lower funding costs from capital markets and adopt appropriate hedging strategies
- **Proactively manage refinancing requirements** to achieve a well-diversified debt maturity profile



# Appendix

- Overview of OUE REIT
- Premium Portfolio of Assets
- Office Segment Occupancy
- Singapore Office Market
- Shanghai Office Market
- Singapore Hospitality Market
- Hotel Master Lease Details





# Premium Portfolio of Assets

## Strategically located assets in the prime business districts of Singapore and Shanghai



	OUE Bayfront	One Raffles Place	OUE Downtown Office	Lippo Plaza	Mandarin Gallery	Hilton Singapore Orchard	Crowne Plaza Changi Airport
<b>Description</b>	A landmark Grade A office building located at Collyer Quay between Marina Bay downtown and Raffles Place	Iconic integrated development with two Grade A office towers and a retail mall located in Singapore's CBD at Raffles Place	Grade A office space, part of a mixed-used development with offices, retail and serviced residences at Shenton Way	Grade A commercial building located along Huaihai Zhong Road within the established commercial district of Huangpu in Puxi, Shanghai	Prime retail landmark on Orchard Road – preferred location for flagship stores of international brands	Hilton's flagship hotel and its largest in Asia Pacific, strategically located in the heart of Singapore's shopping and entertainment district	Award-winning hotel at Singapore Changi Airport and close to Changi Business Park with seamless connectivity to Jewel Changi Airport
<b>Ownership Interest</b>	50%	67.95%	100%	91.2% strata ownership	100%	100%	100%
<b>NLA (sq ft) /No. of Rooms</b>	Office: 378,339 Retail: 21,272	Office: 605,491 Retail: 99,157	Office: 529,969	Office: 361,007 Retail: 60,810	Retail: 126,294	1,080 hotel rooms	575 hotel rooms
<b>Occupancy<sup>(1)</sup></b>	Office: 99.3% Retail: 92.3% Overall: 98.9%	Office: 94.5% Retail: 97.3% Overall: 95.0%	Office: 92.8%	Office: 75.5% Retail: 94.5% Overall: 78.3%	Retail: 97.6%	-	-
<b>Valuation as of 31 Dec 2023</b>	S\$1,340m <sup>(2)</sup> (S\$3,353 psf)	S\$1,909m <sup>(3)</sup> (S\$2,709 psf)	S\$930m (S\$1,755 psf)	RMB2,400m / RMB41,011 psm GFA	S\$453m (S\$3,591 psf)	S\$1,346m (S\$1.2m / key)	S\$519m (S\$0.9m / key)

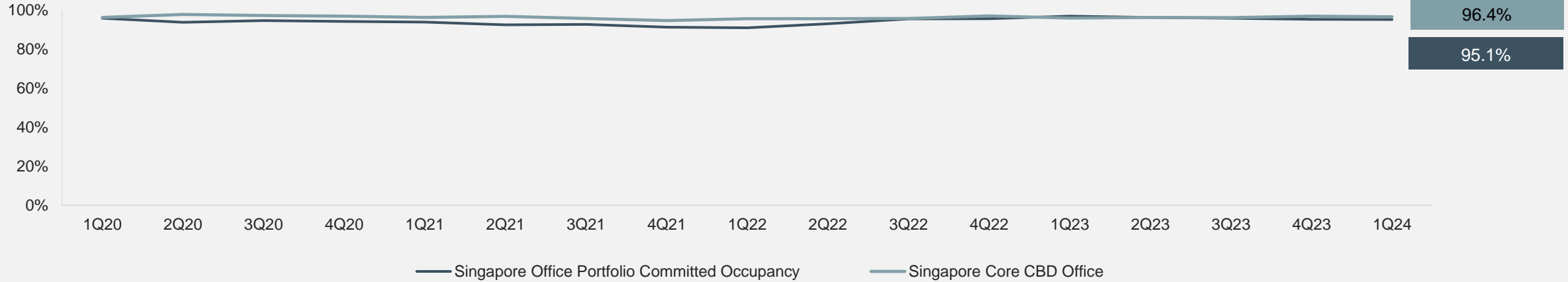
(1) Committed occupancy as of 31 March 2024

(2) Based on OUE Allianz Bayfront LLP's 100% interest in OUE Bayfront. OUE REIT has a direct 50.0% interest in OUE Allianz Bayfront LLP

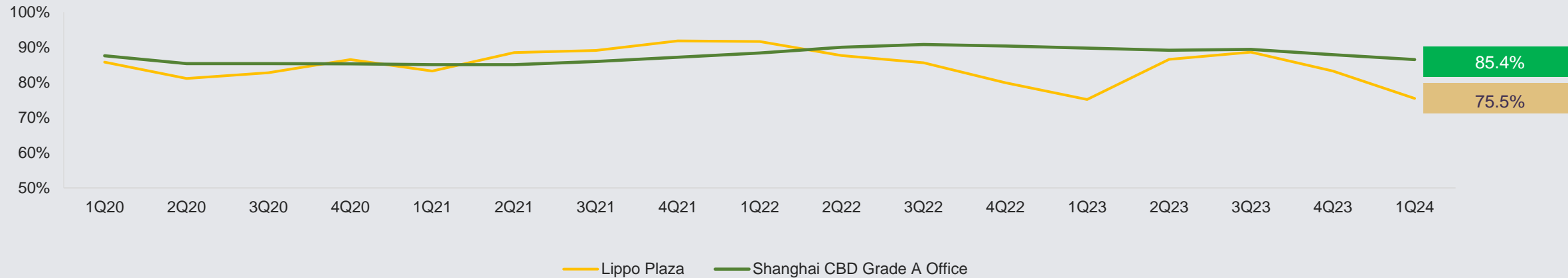
(3) Based on OUB Centre Limited's 81.54% interest in One Raffles Place. OUE REIT has an indirect 83.33% interest in OUB Centre Limited held via its wholly-owned subsidiaries

# Office Segment Occupancy

## Singapore Office Portfolio



## Shanghai Lippo Plaza

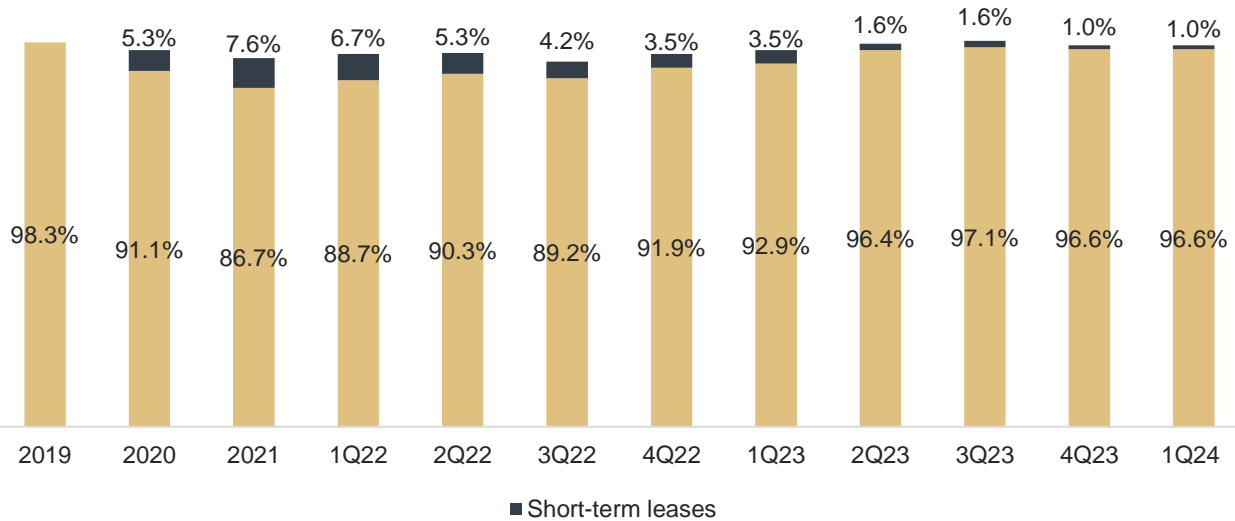




# Mandarin Gallery Occupancy and Tenants Profile

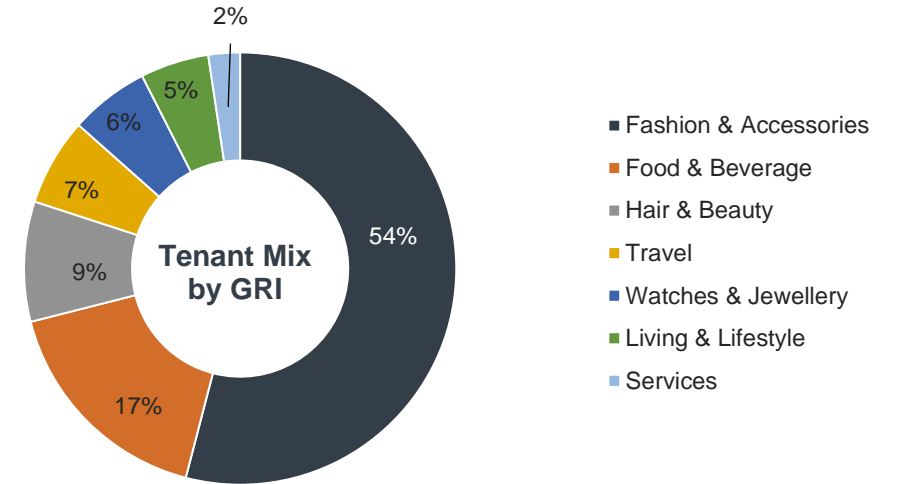
## Committed Occupancy

As of 31 Mar 2024



## Tenant Mix by GRI

As of Mar 2024



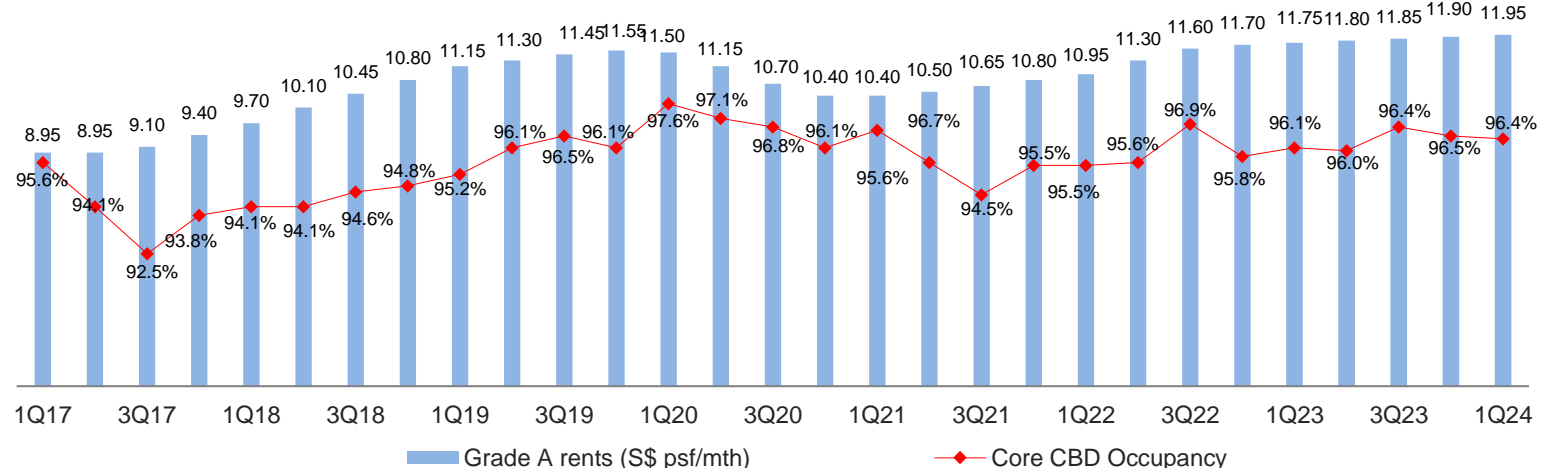
## Diversified brands to capture the return of tourism



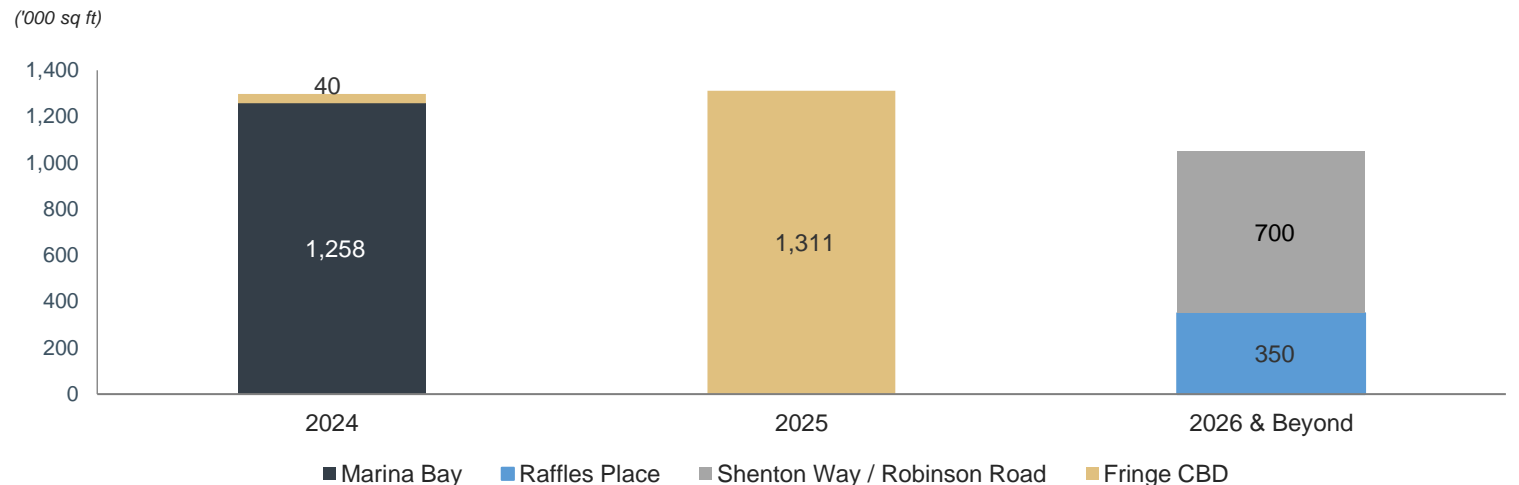
# Singapore Office Market

- Office rental continued to grow, driven by low vacancies, limited supply and flight to quality. Leasing demand however was relatively muted, mainly driven by small to mid-sized demand
- Net absorption was flat with no new supply in 1Q 2024. Consequently, vacancies in the Core CBD (Grade A) office remained slow at 2.6%, while gross effective rents increased by 0.4% QoQ to reach S\$11.95 psf per month
- For the rest of the 2024, 2.3 million square feet of quality office stock is expected to enter the market
- Although flight-to-quality and flight-to-green trends are likely to sustain office demand, businesses are expected to take a conservative approach towards their spending and investment plans due to still-high interest rates and capital expenditure
- OUE REIT's green-certified core Grade A offices located in prime locations are well-positioned to withstand near-term market headwinds

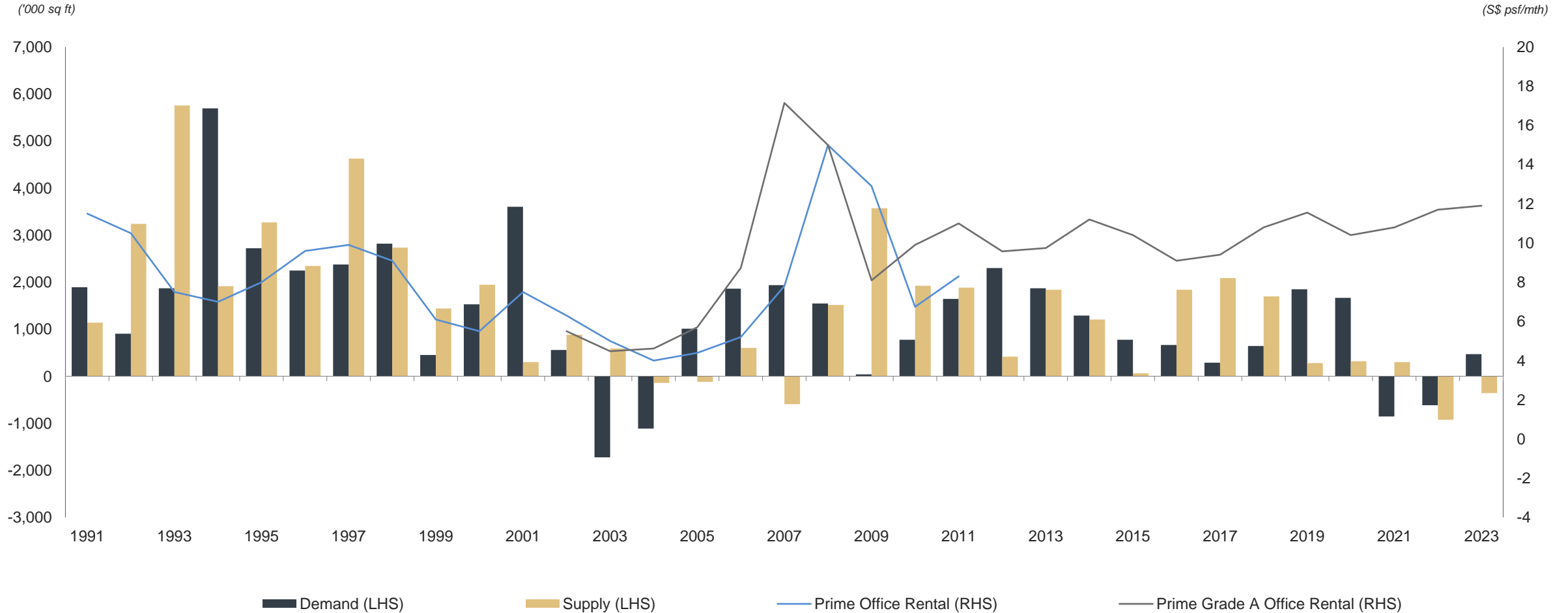
## Singapore Core CBD Grade A Rents and Occupancy



## Office Supply Pipeline in Singapore (CBD and Fringe of CBD)



# Singapore Office Demand, Supply and Rents



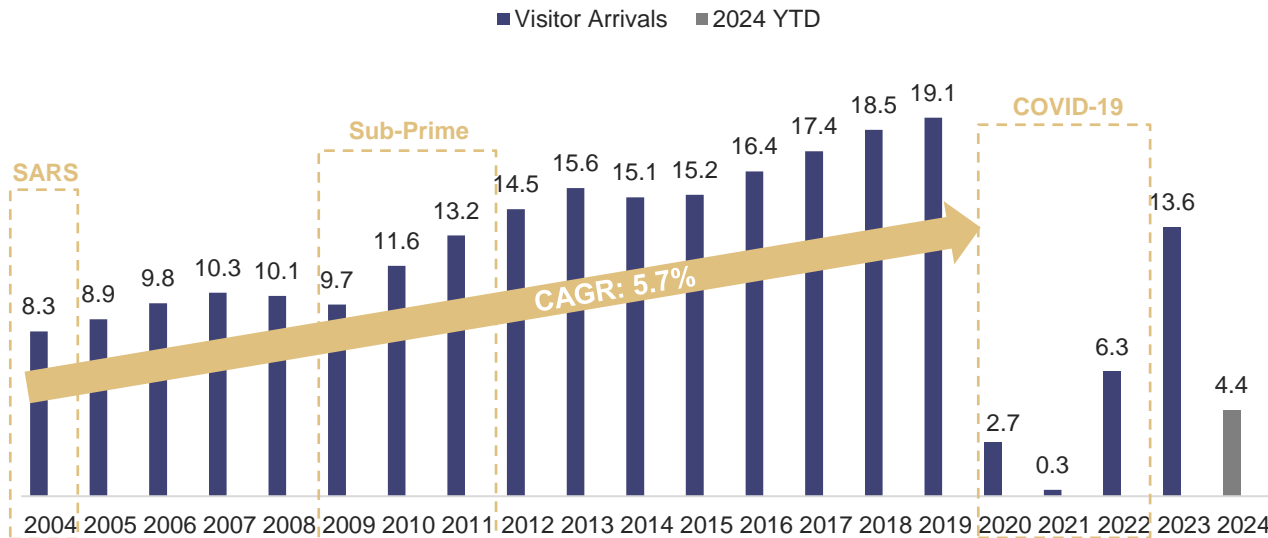


# Singapore Hospitality Market – 1Q 2024

- 2023 visitor arrivals were 13.6 million, meeting the Singapore Tourism Board’s official forecast of between 12 million and 14 million visitors. This was underpinned by strong demand from a mix of Singapore’s key markets, led by Indonesia, China, and Malaysia. Other key markets, including Australia, South Korea, and the USA, also posed buoyant recovery
- Visitor arrivals for 1Q 2024 grew by 49.6% YoY to reach 4.4 million, mainly due to high-profile business and leisure events as well as the implementation of mutual 30-day visa-free travel between China and Singapore from 9 February 2024. The STB expects international visitor arrivals to reach 15 to 16 million in 2024<sup>(1)</sup>
- New hotel supply is expected to remain muted with a CAGR of 3.4% between 2024 and 2026 compared to a pre-pandemic historical five-year CAGR of 4.4% between 2014 and 2019

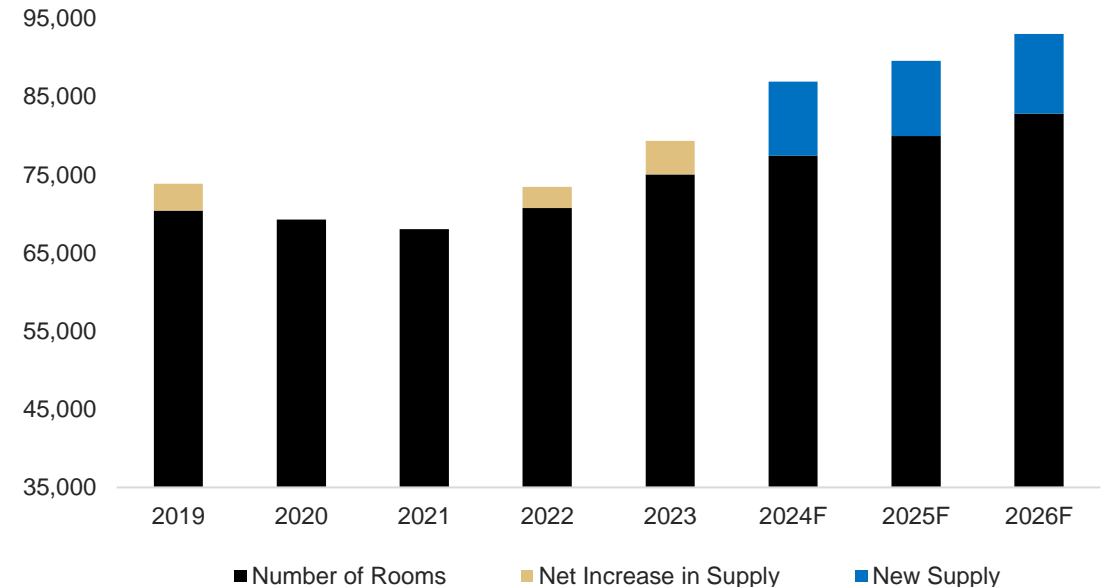
## Visitor Arrivals in Singapore

(million)



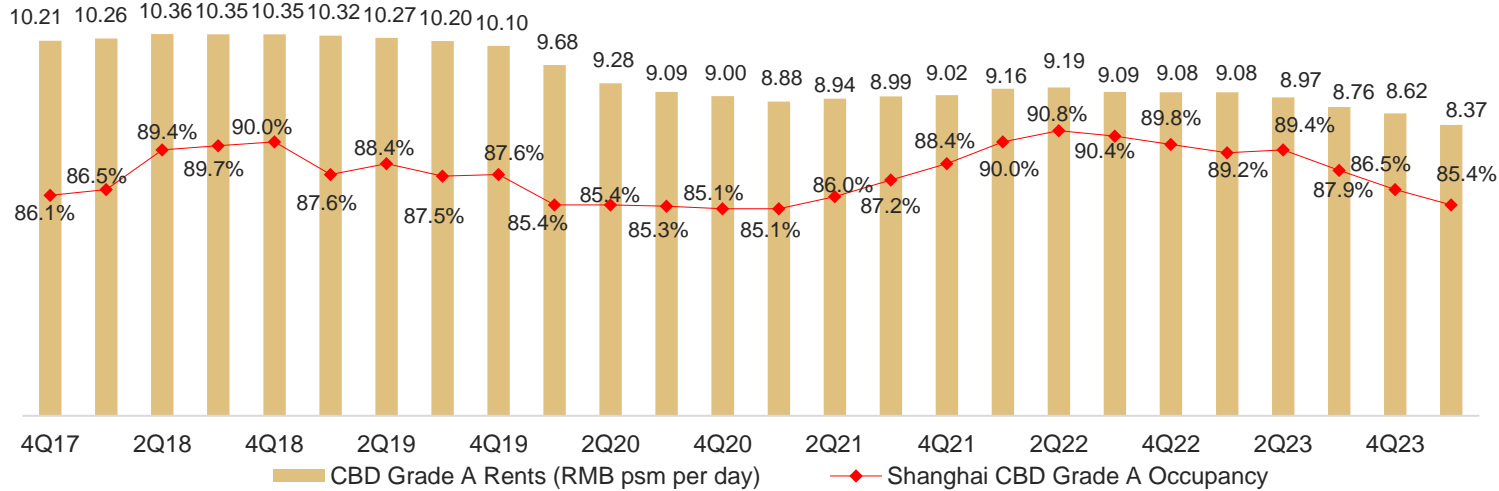
## Singapore Hotel Supply

(No. of Hotel Rooms)

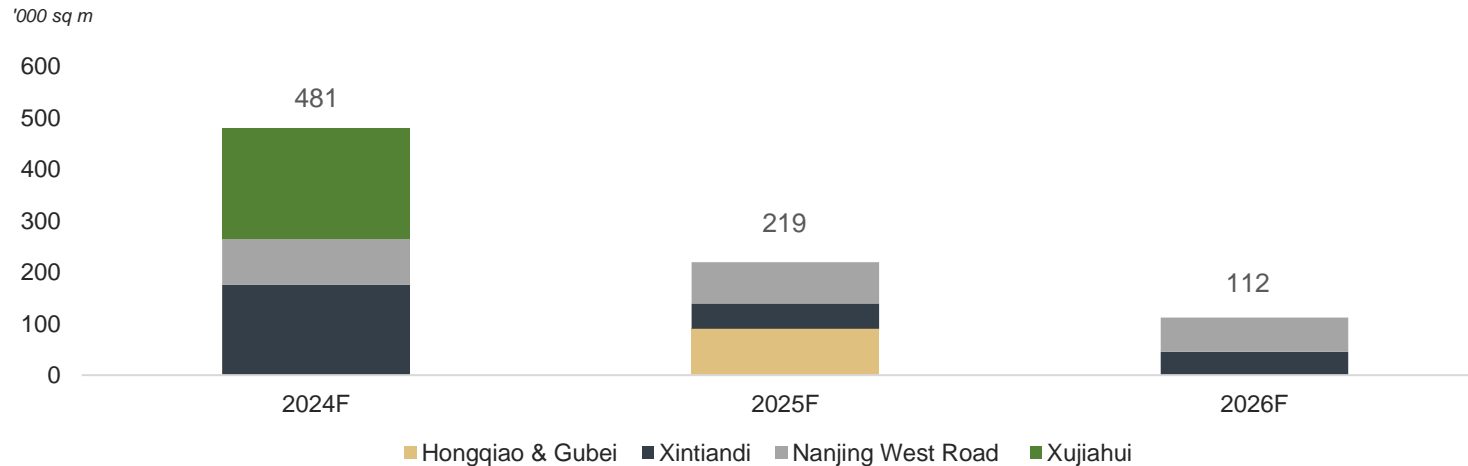


# Shanghai Office Market - 1Q 2024

## Shanghai



## Office Supply Pipeline in Shanghai CBD



- Shanghai's CBD Grade A office occupancy declined 1.1 ppt QoQ to 85.4%, while CBD Grade office rents fell to the lowest level in a decade, reaching RMB8.37 per square metre per day
- With the further expansion of the stock and an expected total of 1.64 million square metres of new supply entering the market in 2024, Shanghai's office market is expected to remain under pressure
- In the face of continued market headwinds, the Manager is adopting proactive leasing and flexible asset management strategies for Lippo Plaza

# Hotel Master Lease Details



Property	Hilton Singapore Orchard (“HSO”)	Crowne Plaza Changi Airport
No. of Guestrooms	1,080	575
Master Lease Rental	Variable Rent Comprising Sum of: <i>(i) 33.0% of HSO GOR<sup>(1)</sup> ; and</i> <i>(ii) 27.5% of HSO GOP<sup>(2)</sup>;</i> subject to minimum rent of S\$45.0 million <sup>(3)</sup>	Variable Rent Comprising Sum of: <i>(i) 4% of Hotel F&amp;B Revenues;</i> <i>(ii) 33% of Hotel Rooms and Other Revenues not related to F&amp;B;</i> <i>(iii) 30% Hotel GOP; and</i> <i>(iv) 80% of Gross Rental Income from leased space;</i> subject to minimum rent of S\$22.5 million <sup>(3)</sup>
Master Lessee	<ul style="list-style-type: none"> <li>OUE Limited</li> </ul>	<ul style="list-style-type: none"> <li>OUE Airport Hotel Pte. Ltd. (OUEAH)</li> </ul>
Tenure	<ul style="list-style-type: none"> <li>First term of 15 years to expire in July 2028</li> <li>Option to renew for an additional 15 years on the same terms and conditions</li> </ul>	<ul style="list-style-type: none"> <li>First term of Master Lease to expire in May 2028</li> <li>Option to renew for an additional two consecutive 5-year terms</li> </ul>
	<b>FF&amp;E Reserve</b>	<b>Capital Replacement Contribution</b>
	<ul style="list-style-type: none"> <li>3% of GOR</li> </ul>	<ul style="list-style-type: none"> <li>3% of GOR<sup>(4)</sup></li> </ul>

(1) GOR: Gross operating revenue

(2) GOP: Gross operating profit

(3) The rental under the master lease will be the minimum rent if the amount of variable rent for that operating year is less than the amount of minimum rent

(4) Since the acquisition of Crowne Plaza Changi Airport in September 2019



**OUÉ REIT**

**Thank You!**

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