



(Constituted in the Republic of Singapore pursuant to a trust deed dated 28 November 2005 (as amended))

ACQUISITION AND DEVELOPMENT OF PROPERTY LOCATED AT INTERSECTION OF BLUE STREET AND WILLIAM STREET, NORTH SYDNEY, AUSTRALIA

Unless otherwise indicated, certain Australian dollar amounts in this announcement have been translated into Singapore dollar based on the exchange rate of A\$1.00 = S\$0.9833, as at 25 November 2021 for illustrative purpose only.

1. INTRODUCTION

1.1 Acquisition and Development

Keppel REIT Management Limited, in its capacity as manager of Keppel REIT (the “**Manager**”), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of Keppel REIT (the “**Trustee**”), through The Trust Company (Australia) Limited as trustee of Keppel REIT (Australia) Sub-Trust 7 (the “**Keppel Australia Trust**”), which is wholly-owned by Keppel REIT, has on 30 November 2021 entered into:

- (i) a contract of sale (the “**Contract of Sale**”) with vendors¹ for the acquisition of the land located at 2-4 Blue Street and 1-5 William Street, North Sydney, Australia (the “**Land**”, and the acquisition of the Land, the “**Land Purchase**”); and
- (ii) a development agreement (the “**Development Agreement**”) with Lendlease Development Pty Limited to develop the Land into a Grade A office building named “Blue & William” (the “**Development**”, and collectively, the Land Purchase and the Development, the “**Transaction**”).

The total development consideration (including the consideration for the acquisition of the Land of A\$150.0 million (approximately S\$147.5 million)) for the Development is A\$327.7 million² (approximately S\$322.2 million) (the “**Total Development Consideration**”).

1.2 Information on the Development

The Land is currently being developed into a freehold Grade A office building (the “**Property**”) that will offer a total net lettable area of approximately 14,000 sm. Practical completion of the development is expected in mid-2023.

The Property sits at the prime intersection of 2-4 Blue Street and 1-5 William Street, and is 160m from the North Sydney Train Station. With the upcoming Victoria Cross Metro Station, which will be located about 350m from the Property when completed, commuting time to Barangaroo and Martin Place in the Sydney CBD will be reduced to approximately three

1 The vendors are (i) Pyrmont Union Street Landowner Pty Ltd, (ii) William Street Home Units Pty Limited, (iii) 4 Blue Street Home Units Pty Limited and (iv) Conway Home Units Pty Limited.

2 The Total Development Consideration is subject to further true up adjustments depending on the final surveyed floor area, leasing status and actual rents achieved at the Development.

minutes and five minutes respectively.

Designed by leading global architecture firm Woods Bagot, Blue & William will feature outdoor terraces overlooking the Sydney Harbour Bridge, as well as an on-site café and end-of-trip facilities. In line with Keppel REIT's commitment towards sustainability, the Property is designed to achieve the 5 Star Green Star Design and As Built Rating by the Green Building Council of Australia, as well as the 5.5 Stars National Australian Built Environment Rating System (NABERS) Base Building Energy Rating. In addition, it will incorporate smart building technologies such as destination control lifts and motion detection lighting control systems.

2. PRINCIPAL TERMS OF THE LAND PURCHASE AND DEVELOPMENT

2.1 Consideration and Valuation

Pursuant to the Contract of Sale, Keppel REIT will purchase the Land for A\$150.0 million. This consideration was negotiated on a willing-buyer and willing-seller basis after taking into account the independent valuations as described below.

CIVAS (NSW) Pty Limited ("**Colliers**", or the "**Independent Valuer**") was commissioned by the Trustee to value the Land and the Property. The Independent Valuer had on 23 November 2021 valued (i) the Land (on a standalone land basis) at A\$150.0 million (approximately S\$147.5 million) and (ii) the Property (on a completed basis) at A\$327.8 million³ (approximately S\$322.3 million) based on the Capitalisation and Discounted Cashflow approach.

2.2 Estimated Total Project Cost

The estimated total cost of the Transaction for Keppel REIT (the "**Total Project Cost**") is approximately A\$342.9 million (approximately S\$337.1 million), comprising:

- (i) the Total Development Consideration of A\$327.7 million (approximately S\$322.2 million);
- (ii) the acquisition fee payable to the Manager for the Transaction pursuant to the trust deed of Keppel REIT of approximately A\$3.3 million (approximately S\$3.2 million); and
- (iii) transaction costs on the project, including stamp duty and other applicable taxes, estimated professional fees and other fees and expenses of approximately A\$11.9 million (approximately S\$11.7 million).

³ The valuation without Rental Guarantee is approximately A\$315.0 million (approximately S\$309.7 million).

2.3 Principal Terms of the Contract of Sale

Pursuant to the terms of the Contract of Sale, Keppel Australia Trust shall pay an initial amount of A\$143.0 million (approximately S\$140.6 million) on completion of the Land Purchase with a balance payment of A\$7.0 million (or approximately S\$6.9 million) on the earlier of the date that is eight business days after the date of practical completion and 30 June 2023.

2.4 Principal Terms of the Development Agreement

Pursuant to the terms of the Development Agreement:

- (i) the Developer will administer the development of the Property; and
- (ii) progress payments for the Development shall be paid to the Developer. The Developer shall, pursuant to the Development Agreement, pay Keppel Australia Trust a coupon of 4.5% per annum (computed based on the aggregate amount of progress payments which Keppel Australia Trust has paid the Developer at each coupon date) every six months until the Property achieves practical completion. The coupon payable to Keppel Australia Trust will be applied as a reduction of the progress payments required to be paid to the Developer for the Development.

The Developer has, pursuant to the terms of Development Agreement, provided a rental guarantee for any vacant space based on the target rental rate during the rental guarantee period (being the period from the date of practical completion until the earlier of 100% of the available areas having been let or three years after the date of practical completion) (the “**Rental Guarantee**”). The Independent Valuer has assessed that the target rental rate on which the Rental Guarantee is calculated on is in line with market rents and therefore the Rental Guarantee is on normal commercial terms and in line with market transactions. Taking into account the Independent Valuer's assessment, the board of directors of the Manager is of the view that the Rental Guarantee is on normal commercial terms and is not prejudicial to the interests of Keppel REIT and its minority Unitholders.

3. RATIONALE FOR THE DEVELOPMENT

The Manager believes that the Development will bring, *inter alia*, the following key benefits to unitholders of Keppel REIT (“**Unitholders**”):

3.1 **Distribution per Unit (“DPU”) - accretive with regular coupon throughout the development phase**

Apart from deepening Keppel REIT's Australian footprint, the acquisition is expected to be DPU-accretive with regular coupon throughout the development phase. Please refer to paragraph 4.2 below for the pro forma financial effects of the Transaction on Keppel REIT's DPU for the financial year ended 31 December 2020 (“**FY2020**”).

3.2 Continuing portfolio optimisation that further strengthens and diversifies portfolio

In line with the Manager's active portfolio optimisation strategy, this DPU-accretive investment brings an initial net property income yield of 4.5%⁴, which will enhance Keppel REIT's overall portfolio returns. At the same time, regular coupon will be received from the Developer throughout the development phase, providing robust risk-adjusted returns.

Blue & William will be a strong addition to Keppel REIT's portfolio. Designed with tenant experience and wellness as a priority, Blue & William will include advanced green features and smart building technologies, as well as offer panoramic views of the Sydney Harbour Bridge.

The investment will reduce Keppel REIT's exposure to any single asset and further diversify its income streams. Post practical completion of the Property expected in mid-2023, Keppel REIT's portfolio will grow to S\$9.0 billion⁵ with Grade A commercial assets in key business districts of Singapore, Australia and South Korea.

3.3 Strategic expansion into North Sydney with positive leasing dynamics

The investment will also see Keppel REIT expand strategically into North Sydney, a major commercial district with positive leasing dynamics. North Sydney is New South Wales' second largest office market⁶ after the Sydney CBD, and is a location of choice for diverse industry sectors including technology, media and telecommunication, as well as the professional services and insurance sectors⁷.

Notwithstanding the pandemic, North Sydney recorded its third consecutive quarter of positive leasing demand in 3Q 2021, with new and refurbished buildings continuing to be drivers of leasing activity⁸. With no new significant supply anticipated for North Sydney until 2024, the market is well placed to absorb the current availability of stock and drive vacancy down⁹. The completion of the new Victoria Cross Metro Station in 2024 will also enhance connectivity to North Sydney and support future demand in the market¹⁰.

3.4 Well-located in major commercial district with excellent connectivity

The Property sits at the prime intersection of 2-4 Blue Street and 1-5 William Street, and is 160m from the North Sydney Train Station. With the upcoming Victoria Cross Metro Station, which will be located about 350m from the Property when completed, commuting time to Barangaroo and Martin Place in the Sydney CBD will be reduced to approximately three minutes and five minutes respectively.

4 Based on the estimated net property income for the first operational year after practical completion and taking into account the Rental Guarantee.

5 Pro forma as at 30 September 2021, assuming that practical completion was achieved on 30 September 2021.

6 Property Council of Australia, Office Market Report July 2021.

7 Knight Frank, North Shore Office Market Report September 2021.

8 JLL Research, 3Q 2021.

9 Knight Frank, North Shore Office Market Report, September 2021.

10 JLL Research, February 2021.

4. METHOD OF FINANCING AND FINANCIAL EFFECTS

4.1 Method of Financing

The Manager intends to fully finance the Total Development Consideration with Australian dollar denominated loans for natural hedge. Progressive payments will be made based on construction milestones.

4.2 Pro Forma Financial Effects

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Transaction presented below are strictly for illustration purposes only, and do not reflect the actual financial position of Keppel REIT following the completion of the Transaction¹¹.

The pro forma financial effects of the Transaction on the DPU and the net asset value (“NAV”) per unit in Keppel REIT (“Unit”) presented below were prepared based on the audited financial statements of Keppel REIT for the financial year ended 31 December 2020, taking into account the Total Project Cost as well as the assumption that (i) the Property had achieved practical completion on 1 January 2020; and (ii) the Rental Guarantee in respect of the Property is in place on 1 January 2020.

4.2.1 Pro Forma DPU¹² of the Transaction

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Transaction on Keppel REIT’s DPU for the financial year ended 31 December 2020, as if Keppel REIT had completed the Transaction on 1 January 2020, are as follows:

	Effects of the Transaction	
	Before the Transaction	After the Transaction
DPU (cents)	5.73	5.90

4.2.2 Pro Forma NAV of the Transaction

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Transaction on the NAV per Unit as at 31 December 2020, as if the Transaction was completed on 31 December 2020, are as follows:

	Effects of the Transaction	
	Before the Transaction	After the Transaction
NAV per Unit (S\$)	1.32	1.32
NAV per Unit excluding distributable income for the second half year of 2020 (S\$)	1.29	1.29

11 As the Property is expected to be completed in mid-2023, the Transaction is not expected to have a significant effect on the financial performance and position of Keppel REIT immediately following completion of the Transaction.

12 Rule 1010(9) of the Listing Manual requires that the issuer disclose the effect of the Transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the Transaction had been effected at the beginning of that financial year. The effect of the Transaction on the distribution per Unit of the issuer is disclosed instead as it is a more appropriate measure for a real estate investment trust.

4.2.3 Pro Forma Aggregate Leverage

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma aggregate leverage of Keppel REIT as at 30 September 2021, and as if the Transaction was completed on 30 September 2021, is as follows:

	Effects of the Transaction	
	Before the Transaction	After the Transaction
Aggregate leverage	37.6% ⁽¹⁾	39.9% ⁽²⁾

Notes:

- (1) Based on Keppel REIT's aggregate leverage as at 30 September 2021 as announced on 26 October 2021.
- (2) Assuming the Property had achieved practical completion on 30 September 2021, with the Total Development Consideration funded entirely by Australian dollar denominated debt.

5. OTHER INFORMATION

5.1 Clearance from the Foreign Investment Review Board of the Commonwealth of Australia (FIRB)

The completion of the Land Purchase is subject to Keppel Australia Trust obtaining FIRB clearance for the Land Purchase. A notice was lodged with FIRB and as at the date of this announcement, Keppel Australia Trust has obtained clearance via a no objection notification from FIRB for the Land Purchase.

5.2 Interests of Directors and Controlling Unitholders

Save for the unitholding interests in Keppel REIT held by certain directors of the Manager and the controlling Unitholders, and based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Transaction.

5.3 Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Transaction or any other transactions contemplated in relation to the Transaction.

5.4 Disclosure under Rule 1010(13) of the Listing Manual

Chapter 10 of the listing manual of the SGX-ST (the "**Listing Manual**") classifies transactions by Keppel REIT into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following bases:

- (i) the net profits attributable to the assets acquired or disposed of, compared with Keppel REIT's net profits; and
- (ii) the aggregate value of the consideration given or received, compared with Keppel REIT's market capitalisation.

The relative figures for the Transaction using the applicable bases of comparison described above are set out in the table below.

Comparison of	Transaction	Keppel REIT	Relative figure (%)
Profit before tax ⁽¹⁾ (S\$' million)	3.9 ⁽²⁾	101.6 ⁽³⁾	3.8
Consideration against market capitalisation (S\$' million)	322.2	4,158.8 ⁽⁴⁾	7.7

Notes:

- (1) Refers to profit before net change in fair value of investment properties and income tax expense.
- (2) Estimated based on the assumed net profit derived from the Property upon practical completion of the Property, including the Rental Guarantee, for the first six months post practical completion.
- (3) Based on Keppel REIT's unaudited interim financial statements for the half year ended 30 June 2021.
- (4) Based on the 3,695,418,528 Units in issue and the weighted average price of S\$1.1254 per Unit on the SGX-ST as at 29 November 2021, being the trading day immediately prior to the entry into of the Contract of Sale and Development Agreement dated 30 November 2021.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Transaction is regarded as being a discloseable transaction.

5.5 Documents Available for Inspection

A copy of the following is available for inspection during normal business hours at the office of the Manager located at 1 HarbourFront Avenue, Level 2 Keppel Bay Tower, Singapore 098632 for a period of three months commencing from the date of this announcement, prior appointment would be appreciated:

- (i) a copy of the Contract of Sale; and
- (ii) a copy of the independent valuation report by Colliers.

BY ORDER OF THE BOARD
Keppel REIT Management Limited
(Company registration no. 200411357K)
(as manager of Keppel REIT)

Chiam Yee Sheng
Company Secretary
30 November 2021

IMPORTANT NOTICE

This announcement is for information purposes only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for any securities of Keppel REIT in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by the Manager, the Trustee or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Keppel REIT is not necessarily indicative of the future performance of Keppel REIT. Similarly, the past performance of the Manager is not indicative of the future performance of the Manager.