



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

## ANNOUNCEMENT

### ACQUISITION OF AN OFFICE ASSET LOCATED IN TOKYO, JAPAN

Unless otherwise indicated, certain Japanese Yen (“JPY”) amounts in this announcement have been translated into Singapore dollar (“S\$” or “SGD”) based on the exchange rate of JPY 100:S\$0.9553 as at 24 October 2022 for illustrative purposes only.

#### 1. INTRODUCTION

Keppel REIT Management Limited, in its capacity as manager of Keppel REIT (the “**Manager**”), wishes to announce that KR Ginza TMK (the “**Buyer**”)¹, has on 28 October 2022 entered into a trust beneficial interest purchase and sale agreement (the “**Purchase and Sale Agreement**”) with Tokyu REIT, Inc. (the “**Seller**”) to acquire the trust beneficial interest of Ginza 2-chome (the “**Property**”) located in Tokyo, Japan for a purchase consideration of JPY 8.97 billion (approximately S\$85.7 million, excluding the consumption tax) (the “**TMK Consideration**”). Through Keppel REIT’s indirect investment into KR Ginza TMK, Keppel REIT will have an effective interest of 98.47% in KR Ginza TMK and accordingly, be liable to pay 98.47% of the TMK Consideration for its effective interest in the Property (the “**Effective Consideration**”) to acquire an effective interest of 98.47% in the Property (the “**Acquisition**”)². The Effective Consideration is approximately JPY 8.83 billion (approximately S\$84.4 million) and will be satisfied fully in cash. The remaining 1.53% effective interest in the Property will be held by Keppel Capital Japan Ltd. (“**KCJ**”) which is an indirect wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (“**Keppel Capital**”) which in turn wholly-owns the Manager. Pursuant to the Purchase and Sale Agreement and in lieu of a deposit, HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Keppel REIT (the “**Trustee**”), has entered into a guarantee letter as guarantor with the Buyer and the Seller, to the effect that the Trustee will jointly and severally guarantee the obligations of the Buyer for up to JPY 913.15 million (approximately S\$8.7 million) (being 10% of the TMK Consideration including consumption tax) until the date of completion of the Acquisition (the “**Completion**”).

#### 2. THE ACQUISITION

##### 2.1 Details of the Property

The Property is a freehold boutique office building located in the Ginza district in the Chuo ward, one of Tokyo’s core three wards and home to major Japanese corporations, the Bank

1 A *tokutei mokuteki kaisha* (“**TMK**”) is a common structure adopted for investment in real estate under Japanese law.

2 While Keppel REIT will hold an effective interest of 98.47% in the Property upon Completion, all property and financial-related figures (including the TMK Consideration, GFA, NLA, WALE, occupancy, NPI (as defined herein), agreed value and valuation) stated in this announcement relating to the Property are based on a 100.0% effective interest in the Property, unless otherwise stated.

of Japan and the Tokyo Stock Exchange. Completed in August 2008, the Property comprises eight storeys of office space and one ground floor retail unit with a total gross floor area ("**GFA**") of 1,542.3 tsubo / 5,098.6 square metre ("**sqm**") and net lettable area ("**NLA**") of 1,036.7 tsubo / 3,427.1 sqm. The quality, well-maintained office building has a Comprehensive Assessment System for Built Environment Efficiency ("**CASBEE**") A rating. The CASBEE Sustainability Rating system is one of the more widely adopted green certifications in Japan. The Property is easily accessible via the Tokyo Metro and is within walking distance to four metro stations, with the nearest being a two-minute walk to Shintomicho Station on the Tokyo Metro Yurakucho Line.

The Property is anchored by Netyear Group Corporation<sup>3</sup>, a subsidiary of NTT Data Corporation, with an occupancy rate of 36.3% as at 28 October 2022 and a weighted average lease expiry ("**WALE**") of 3.4 years as at 28 October 2022. As the Property is currently not fully leased, this presents an opportunity for Keppel REIT to lease up the remaining space after Completion. The Property is expected to achieve a net property income ("**NPI**") yield of 3.1% when fully leased<sup>4</sup> which will provide a distribution per unit ("**DPU**") accretion of 0.5% to unitholders of Keppel REIT ("**Unitholders**") on a *pro forma* basis<sup>5</sup>. Keppel REIT will work closely with KCJ which shall be appointed as the asset manager to provide asset management services in relation to the Property, including leasing up the remaining space in the Property upon Completion. For avoidance of doubt, Keppel REIT's effective share of the fees payable to KCJ will be adjusted out of the fees which the Manager is entitled to receive under the the trust deed dated 28 November 2005 constituting Keppel REIT, as amended, supplemented and/or restated from time to time (the "**Trust Deed**") in relation to the Property. Accordingly, there is no double counting of fees to be paid out of Keppel REIT in relation to the Property.

## 2.2 Japan economic and market overview

The Acquisition marks Keppel REIT's entry into Japan, the world's third largest economy and Asia's largest developed market. The Japan Cabinet Office has recently projected GDP growth of 2.0% per annum in 2022<sup>6</sup> and recent data has shown that unemployment rate in Japan remained low at 2.5%<sup>7</sup>. Additionally, the low interest rate environment in Japan provides an attractive NPI yield spread. Tokyo also has the largest CBD office market in Asia, which is 2.6 times larger than Singapore office market<sup>8</sup>, and is leading in office investment volume in Asia-Pacific with transaction value of US\$15.6 billion in 2021, which is 4 times more than Singapore<sup>9</sup>. According to JLL (as defined herein), supported by the economic recovery, the demand for office space is expected to continue as companies increase their recruitment in 2022<sup>10</sup>.

The Manager believes that the Acquisition will enhance Keppel REIT's geographical and

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3 Netyear Group Corporation has been a tenant since 2014 and recently renewed its lease.

4 The fully leased NPI yield of 3.1% is before taking into account any potential leasing commission and rent-free incentives arising from the leasing up of vacant space and is in line with the market convention of how yields are quoted in Japan.

5 The pro forma DPU is based on the audited financial statements of Keppel REIT for the financial year ended 31 December 2021 and assuming that the Acquisition was completed on 1 January 2021.

6 Source: Cabinet Office, "Mid-Year Economic Projection for FY 2022", 25 July 2022, <https://www5.cao.go.jp/keizai1/mitoshi/2022/r040725shisan-e.pdf>.

7 Source: Statistics Bureau of Japan, 30 September 2022, <https://www.stat.go.jp/english/data/roudou/results/month/index.html#TAB>.

8 Source: JLL Research, 2Q 2022.

9 Source: JLL Singapore, data as at 26 October 2022.

10 Source: JLL Morii Valuation & Advisory K.K. Market Report, 24 October 2022.

income diversification, provide greater stability and enhance Keppel REIT's overall portfolio return to create long-term value for Unitholders. Post-Acquisition, the assets under management ("**AUM**") of Keppel REIT will be approximately S\$9.0 billion<sup>11</sup> across 12 properties in Singapore (77.8% of AUM), Australia (18.0% of AUM), South Korea (3.2% of AUM) and Japan (1.0% of AUM), and the proportion of freehold assets in Keppel REIT's portfolio will increase from 30.1% to 30.7%<sup>11</sup> (by NLA).

Keppel REIT will be able to leverage and benefit from KCJ's experience and expertise pursuant to its appointment as asset manager. KCJ will work with Keppel REIT in the local Japan market and seek further growth opportunities in Japan. KCJ has been operating in Japan since 2005 and has 17 years of track record investing and managing various assets worth more than JPY 180 billion since its inception.

### **2.3 Other information**

The TMK Consideration, arrived at on a willing-buyer and willing-seller basis, is based on the agreed value of the Property of JPY 8.97 billion (approximately S\$85.7 million). This represents a discount of approximately 1.4% to the valuation of JPY 9.1 billion by JLL Morii Valuation & Advisory K.K. ("**JLL**"), the independent property valuer commissioned by the Manager and the Trustee, in its report dated 1 October 2022. The independent valuation was prepared primarily using the Discounted Cash Flow Approach with reference to the Direct Capitalisation Approach and Cost Approach.

In accordance with the Trust Deed, the Manager is entitled to an acquisition fee of approximately JPY 88.3 million (approximately S\$0.8 million), being 1.0% of the Effective Consideration.

The Manager proposes to finance the Effective Consideration and other transaction costs in connection with the Acquisition entirely with JPY denominated external borrowings. Following Completion, Keppel REIT's aggregate leverage would increase from 38.4% to 39.0%<sup>12</sup>.

Completion is expected to take place by end November 2022, once customary conditions are satisfied.

The Acquisition constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

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

Chiam Yee Sheng  
Company Secretary  
28 October 2022

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<sup>11</sup> Assuming the Acquisition was completed on 30 September 2022.

<sup>12</sup> Based on the unaudited financial statements of Keppel REIT as at 30 September 2022 and assuming that the Acquisition was completed on 30 September 2022.

**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.