



(a real estate investment trust constituted  
on 13 December 2012 under the laws of the Republic of Singapore)

## ANNOUNCEMENT

### PROPOSED ACQUISITION OF 2 AUSTRALIA PROPERTIES

*Unless otherwise stated, the S\$ equivalent of the A\$ figures in this Announcement have been arrived at based on assumed exchange rates of A\$1:00:S\$1.00.*

#### 1. INTRODUCTION

SB REIT Management Pte. Ltd., in its capacity as manager of Soilbuild Business Space REIT (the "**Soilbuild REIT**", and the manager of Soilbuild REIT, the "**Manager**"), is pleased to announce the proposed acquisitions of:

- (i) a centrally located office at Australia Place, 14 Mort Street, Canberra City, ACT ("**14 Mort Street**"), for A\$55.00 million<sup>1</sup> (S\$55.00 million); and
- (ii) a poultry processing plant located at 1118, 1120, 1122-1136 & 1138-1146 Port Wakefield Road, Burton SA 5110 ("**Inghams Burton**"), for A\$61.25 million (S\$61.25 million),

(together, the "**Proposed Acquisitions**").

On 27 November 2017, the Manager had announced its intention of expanding Soilbuild REIT's investment mandate to explore investment opportunities in Australia. Subsequently, Soilbuild REIT has established a wholly-owned managed investment trust by the name of "Soilbuild Australia Trust" (the "**AU Head Trust**") in Australia for the purposes of acquiring and holding the Proposed Acquisitions. The AU Head Trust will hold the Proposed Acquisitions through various wholly-owned intermediate sub-trusts (the "**Sub-Trusts**"). Perpetual Corporate Trust Ltd, as trustee of AU Head Trust (the "**MIT Trustee**"), will enter into the acquisition contracts (the "**Sale and Purchase Agreements**") to acquire 14 Mort Street and Inghams Burton from 14 Mort Street Property CT Pty Ltd as trustee for Ascot Capital 14 Mort Street Property Trust and Burton CT Pty Ltd as trustee for the Ascot Capital Burton Property Trust (the "**Vendors**") respectively. The Proposed Acquisitions are expected to complete in the third quarter of 2018.

#### 2. THE PROPOSED TRANSACTIONS

##### 2.1. Description of the Properties

###### **14 Mort Street, Canberra**

14 Mort Street is a leasehold commercial office building comprising ground level office lobby and office accommodation, seven upper office levels and basement car parking for 62 vehicles.

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<sup>1</sup> Before deduction of incentives reimbursed by the Vendor.

The total lettable floor area is 9,385.5 sqm. Floorplates range from 1,089 – 1,285sqm for the upper office levels and are regular in shape with good natural lighting. 14 Mort Street has achieved a five stars NABERS<sup>2</sup> rating. The building was constructed in 1996 with significant refurbishment in 2013/14 including ground floor foyer, amenities and lifts. The Commonwealth Government of Australia fully occupies the building on a lease expiring on 24 March 2025 with 5+5 year options. The gross lease has an annual rental escalation of 3.75% per annum and the weighted average lease expiry (“WALE”) of the property is 6.5 years.

The property is prominently located on the eastern side of Mort Street between Cooyong Street and Bunda Street within the Canberra city. The building is in close proximity to the new Alinga Street light rail station, City bus interchange and Canberra Centre / Bunda Street retail precinct.

### **Inghams Burton, Adelaide**

Inghams Burton is a substantial production and processing facility which includes high clearance and cold room, modern office and workshop facilities and expansive hardstand areas. The purpose-built facility is used as a slaughter house for processing of poultry, cold storage, distribution, administration and other associated uses. Inghams Group Limited (“Inghams”) occupies the facility on a triple net lease expiring on 28 October 2034 and five further 10-year option periods. The total gross lettable area of the building is 21,424sqm with a WALE of 16.1 years.

The property is approximately 28 kilometres north of the Adelaide CBD, fronting Port Wakefield Road. It is also accessible to the Adelaide Airport and Port of Adelaide via the National Highway 1.

The table below sets out a summary of selected information on the Proposed Acquisitions:

Property	Purchase Consideration (A\$ million)	Land Tenure	Gross Lettable Area (sqm)	Occupancy Rate	Tenants	WALE (years)
14 Mort Street	55.00 <sup>3</sup>	Crown Leasehold <sup>4</sup> Expiring on 10 August 2079	9,384	100%	Commonwealth Government of Australia	6.5
Inghams Burton	61.25	Freehold	21,424	100%	(i) Inghams Enterprises (ii) Telstra	16.1

## **2.2. Details of the Proposed Acquisitions**

Following the completion of the Proposed Acquisitions, Soilbuild REIT will own 11 properties in Singapore and 2 properties in Australia with the valuation of Soilbuild REIT’s portfolio expected to increase from S\$1.11 billion<sup>5</sup> to S\$1.23 billion.

<sup>2</sup> NABERS stands for the National Australian Built Environment Rating System.

<sup>3</sup> Before deduction of outstanding incentives reimbursed by the Vendor.

<sup>4</sup> If neither the state nor the federal government needs the land for a public purpose, it can request for an additional term not exceeding 99 years. Compensation under just terms will be made if the request is not granted.

<sup>5</sup> Based on Soilbuild REIT’s Existing Properties valuation as at 31 December 2017.

### 2.3. Valuation and Purchase Consideration

The total amount payable to the Vendor for the Proposed Acquisitions is A\$116.25<sup>6</sup> million (S\$116.25 million) (the “**Total Purchase Consideration**”).

The Manager and the Trustee have commissioned the independent valuers Colliers International Valuation & Advisory Services (ACT) and Colliers International Valuation & Advisory Services (SA) to value 14 Mort Street and Inghams Burton respectively. The appraised values for 14 Mort Street and Inghams Burton conducted by the independent valuers as at 31 August 2018, are A\$55.25<sup>7</sup> million and A\$61.25 million respectively. The Proposed Acquisitions have been valued based on the income capitalisation and discounted cash flow approach, supported by a sales comparison approach.

The Total Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Proposed Acquisitions.

### 2.4. Estimated Total Acquisition Cost

The Total Acquisition Cost is currently estimated to be approximately A\$120.96 million<sup>6</sup> (S\$120.96 million), comprising:

- (i) the Purchase Consideration of A\$55.00 million<sup>6</sup> (S\$55.00 million) and A\$61.25 million (S\$61.25 million) for 14 Mort Street and Inghams Burton respectively;
- (ii) the acquisition fee payable in cash to the Manager for the Proposed Acquisition (**the “Acquisition Fee”**) of A\$1.16 million (approximately S\$1.16 million); and
- (iii) the estimated stamp duty, professional and other fees and expenses of approximately A\$3.55 million (approximately S\$3.55 million) incurred or to be incurred by Soilbuild REIT in connection with the Proposed Acquisitions.

### 2.5. Investment and Asset Management Services

In connection with the setting up of the MIT structure to acquire the Proposed Acquisitions, SB REIT Management (Australia) Pty Ltd has entered into an agreement with the MIT Trustee to appoint The Trust Company (RE Services) Limited, a subsidiary of Perpetual Corporate Trust Ltd, to be the investment manager to provide certain investment and other related services. In addition, Soilbuild REIT has appointed Realmont Property Partners as asset manager to provide lease and asset management services in respect of the Proposed Acquisitions.

### 2.6. Method of Financing

The Manager intends to finance the Total Acquisition Cost through:

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<sup>6</sup> Before deduction of outstanding incentives reimbursed by the Vendor.

<sup>7</sup> Before adjustment for outstanding incentives.

- (i) a combination of debt financing (in Australian dollar loans); and
- (ii) the issuance of perpetual securities.

The table below sets out the change to Soilbuild REIT's Aggregate Leverage<sup>8</sup> through two different funding scenarios purely for illustrative purposes. There is no assurance that the actual financing plan will be similar to Scenario A or Scenario B.

Method of Financing	Soilbuild REIT's Aggregate Leverage	
	Scenario A: Debt Financing and S\$60m Perpetual Securities	Scenario B: Debt Financing and S\$100m Perpetual Securities
Before the Proposed Acquisition <sup>9</sup>	37.6%	37.6%
After the Proposed Acquisition	38.8%	35.6%

Post-Acquisition, the Manager intends to maintain the aggregate leverage within Soilbuild REIT's long-term target range of between 35.0% and 40.0%.

### 3. RATIONALE FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Manager believes that the Proposed Transactions will bring the following key benefits to Unitholders:

#### 3.1. The Proposed Acquisitions are in line with Soilbuild REIT's investment strategy

The Proposed Acquisitions are in line with the Manager's aims to deliver predictable distributions and to enhance the value of Soilbuild REIT's property portfolio over time through, *inter alia*, selectively acquiring additional properties that meet the Manager's investment criteria. The Proposed Acquisitions are in line with the Manager's investment strategy of investing on a long-term basis, directly or indirectly, in a portfolio of income-producing real estate used primarily for business space purposes so as to deliver stable distributions and sustainable total returns to the Unitholders.

#### 3.2. Strategic Entry into the Attractive Australia Office and Industrial Markets

Australia has a growing and mature real estate market underpinned by strong domestic consumption and population growth. The Proposed Acquisitions will provide high-quality assets to anchor Soilbuild REIT's expansion into the Australia office and industrial markets, which offer growth potential and scalability.

#### 3.3. Provides Revenue and Geographical Diversification for Soilbuild REIT

The Proposed Acquisitions are expected to benefit Unitholders by improving revenue diversification and reducing the reliance of Soilbuild REIT's revenue stream on any single property. Soilbuild REIT's tenant base will be enlarged with tenants - Commonwealth Government of Australia and Inghams Group making up the top 10 tenants by portfolio income contribution. The Australia properties are expected to contribute 10.1% of the portfolio income

<sup>8</sup> The ratio of the value of borrowings and deferred payments (if any) to the value of deposited property of Soilbuild REIT (the "**Deposited Property**").

<sup>9</sup> Aggregate leverage as at 30 June 2018.

and make up 9.5% of Soilbuild REIT's portfolio by asset value, providing geographical diversification for Soilbuild REIT.

### 3.4. Increase Exposure to Tenants from Stable Sectors

The Commonwealth Government of Australia has attained the highest credit ratings by Standard & Poor's and Moody's Investors Service while Inghams Group has achieved stable financial performance since its listing in November 2016 on the Australian Securities Exchange.

Inghams Group recorded net profit after tax of A\$114.6 million and reduced its leverage to 0.7 times<sup>10</sup> in the financial year ended 30 June 2018<sup>11</sup>. Inghams Group's market capitalisation was A\$1.4 billion on 6 September 2018. The inclusion of these two tenants will improve Soilbuild REIT's tenant mix through higher exposure to tenants from stable, non-cyclical sectors.

### 3.5. Increase in Distributable Income to Unitholders

The Proposed Acquisitions are expected to be yield accretive. In the first year, the Proposed Acquisitions are expected to generate a net property income yield of approximately 6.42% and 6.17% pre and post transaction costs respectively. The table below shows the Net Property Income ("NPI") yield for the first year pre-transaction costs and post-transaction costs for the Proposed Acquisitions.

	14 Mort Street <sup>12</sup> , Canberra	Inghams Burton <sup>13</sup> , Adelaide	Australia Portfolio
<b>Pre-transaction costs yield</b>	6.31%	6.51%	6.42%
<b>Post-transaction costs yield</b>	5.90%	6.42%	6.17%

The pro forma financial effects of the Proposed Acquisitions on the distribution per Unit ("DPU") of Soilbuild REIT is disclosed in paragraph 4 below.

### 3.6. Strengthened Portfolio Creates Better Platform for Further Acquisition Growth

Following the completion of the Proposed Acquisitions, Soilbuild REIT's portfolio occupancy will increase from 87.6% to 88.6%. The Australia properties' long weighted average lease to expiry ("WALE") of 13.2 years will also extend Soilbuild REIT's portfolio WALE by net lettable area of 3.1 years<sup>14</sup> to 3.9 years. The Manager believes that the increased portfolio size will create a stronger and more diversified platform for further acquisition growth with better access to the debt and equity capital markets.

## 4. DETAILS AND FINANCIAL INFORMATION OF THE PROPOSED ACQUISITIONS

### 4.1. Pro Forma Financial Effects of the Proposed Acquisitions

The pro forma financial effects of the Proposed Acquisitions on the DPU and NAV per Unit presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of Soilbuild REIT for the financial year ended 31 December 2017 (the

<sup>10</sup> Based on net debt/earnings before interest, taxes, depreciation and amortisation reported by Inghams Group in its full year financial results presentation slides released on 22 August 2018.

<sup>11</sup> Based on Inghams Group's full year financial results released on 22 August 2018.

<sup>12</sup> The NPI yield is derived using the estimated net property income expected and before deduction of outstanding incentives which are reimbursed by the Vendor.

<sup>13</sup> Based on the Net Property Income upon factoring in the built-in escalation in October 2018.

<sup>14</sup> As at 30 June 2018 (including Solaris underlying tenants).

“**Soilbuild REIT 2017 Audited Financial Statements**”), factoring in the Total Acquisition Cost, and assuming that:

- (i) **Scenario A** – the Purchase Consideration and the payment of the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Soilbuild REIT in connection with the Proposed Acquisitions are funded by Australia dollar loans and S\$60 million perpetual securities;
- (ii) **Scenario B** – the Purchase Consideration and the payment of the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Soilbuild REIT in connection with the Proposed Acquisitions are funded by Australia dollar loans and S\$100 million perpetual securities.

#### 4.2. Pro Forma DPU

##### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Acquisitions on Soilbuild REIT’s DPU for FY2017, as if the Proposed Acquisitions were completed on 1 January 2017 and Soilbuild REIT held and operated the Properties through to 31 December 2017 are as follows:

	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition	After the Proposed Acquisition	
		Scenario A: AUD Debt Financing and S\$60m Perpetual Securities	Scenario B: AUD Debt Financing and S\$100m Perpetual Securities
Net Property Income <sup>15</sup> (S\$'000)	73,481	80,941	80,941
Distributable Income attributable to perpetual securities holder (S\$'000)	-	3,240	5,400
Distributable Income attributable to Unitholders (S\$'000)	59,927	60,640	60,020
Issued Units ('000)	1,052,111	1,052,136	1,052,111
DPU (cents)	5.712	5.780	5.720

<sup>15</sup> Assuming rental incentive for 14 Mort Street is recognised as revenue over the lease term.

#### 4.3. Pro Forma NAV

##### FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Acquisition on Soilbuild REIT's NAV per Unit as at 31 December 2017, as if the Proposed Acquisition was completed on 31 December 2017 are as follows:

	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition	After the Proposed Acquisition	
		Scenario A: AUD Debt Financing and S\$60m Perpetual Securities	Scenario B: AUD Debt Financing and S\$100m Perpetual Securities
NAV per Unit attributable to Unitholders (S\$)	0.64	0.64	0.64

#### 4.4. Disclosable Transactions

Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by Soilbuild REIT. Such transactions are classified into the following categories:

- (a) non-disclosable transactions;
- (b) disclosable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers

A transaction by Soilbuild REIT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the NAV of the assets to be disposed of, compared with Soilbuild REIT's NAV;
- (ii) the net profits attributable to the assets acquired, compared with Soilbuild REIT's net profit;
- (iii) the aggregate value of the consideration given or received, compared with Soilbuild REIT's market capitalisation; and
- (iv) the number of Units issued by Soilbuild REIT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above exceeds 5.0% but does not exceed 20.0%, the transaction is classified as a disclosable transaction.

#### 4.5. Relative Figures computed on the Bases set out in Rule 1006

The relative figures for the Proposed Acquisitions using the Applicable bases of comparison described in paragraph 4.5 above are set out in the table below.

	Percentage
<b><u>Rule 1006(b)</u></b> Net profits attributable to the assets acquired compared to Soilbuild REIT's net profits <sup>(1)</sup>	9.3
<b><u>Rule 1006(c)</u></b> Aggregate value of consideration to be given compared with Soilbuild REIT's market capitalisation <sup>(2)</sup>	17.6
<b><u>Rule 1006(d)</u></b> Number of units to be issued by Soilbuild REIT as consideration for an acquisition compared with the number of units previously in issue	N.A.

Notes:

- (1) This figure is based on the assets net profit of S\$4,847k assuming Proposed Acquisitions are funded with S\$100 million perpetual securities and Australian dollar loan and Soilbuild REIT's FY2017 net profit of S\$52,221k (excluding net change in fair value of investment properties).
- (2) This figure is based on Soilbuild REIT's volume weighted average price of S\$0.6239 per Unit on 6 September 2018, being the market day prior to the entry into of the Sale and Purchase Agreement.

#### 4.6. Interests of Directors and Substantial Unitholders

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 Proposed Acquisitions (other than those through his/her unitholdings in Soilbuild REIT, shareholdings in the Manager and/or their appointment(s) with Soilbuild group).

#### 4.7. Directors' Service Contracts

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



## **5. DOCUMENTS AVAILABLE FOR INSPECTION**

### **5.1. Directors' Service Contracts**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 23 Defu South Street 1, Singapore 533847 from the date of this Announcement up to and including the date falling three months after the date of this Announcement<sup>16</sup>:

- (i) the Sale and Purchase Agreements
- (iii) the Soilbuild REIT 2017 Audited Financial Statements
- (iii) the Trust Deed
- (iv) the Valuation Reports

By Order of the Board  
SB REIT Management Pte. Ltd.  
(Registration Number: 201224644N)  
as Manager of Soilbuild Business Space REIT

Roy Teo  
Chief Executive Officer  
7 September 2018

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<sup>16</sup> Prior appointment with the Manager is appreciated.

## **About Soilbuild Business Space REIT**

Soilbuild Business Space REIT is a Singapore real estate investment trust ("REIT") established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a portfolio of income-producing real estate used primarily for business space purposes in Singapore and Australia as well as real estate-related assets. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date") and with a portfolio of business parks and industrial properties used by industries engaging in manufacturing, engineering, logistic, warehousing, electronics, marine, oil & gas, research and development and value-added knowledge-based activities. Its portfolio of properties includes Solaris, a landmark development in one-north, Eightrium @ Changi Business Park, Tuas Connection, West BizCentral and Bukit Batok Connection. Soilbuild REIT's portfolio has a net lettable area of 3.69 million square feet and an occupancy rate of 87.6% as at 30 June 2018.

For media queries, please contact:  
Mr Lawrence Ang  
Senior Executive, Investor Relations  
DID: +65 6415 7351  
Email: [lawrence.ang@soilbuild.com](mailto:lawrence.ang@soilbuild.com)  
Website: [www.soilbuildreit.com](http://www.soilbuildreit.com)

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The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by the Manager, DBS Trustee Limited (as trustee of Soilbuild REIT) 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. Investors 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 the Manager is not indicative of the future performance of the Manager.

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