



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

PROPOSED ACQUISITION OF 15 GREENWICH DRIVE

1. INTRODUCTION

ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**Manager**”), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (the “**Trustee**”) has on 23 April 2018 entered into a conditional put and call option agreement (the “**Put and Call Option Agreement**”) with Tampines Distrihub Pte. Ltd. (the “**Vendor**”) in connection with the proposed acquisition (the “**Acquisition**”) of 15 Greenwich Drive Singapore 534022 (together with the mechanical and electrical equipment) (the “**Property**”). The estimated purchase price of the Acquisition is S\$95.8 million which includes the consideration of S\$86.2 million (the “**Consideration**”) and estimated upfront land premium payable for the balance lease term of S\$9.6 million.

Based on the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the Acquisition is a discloseable transaction for the purposes of Chapter 10 of the Listing Manual.

2. DETAILS OF THE ACQUISITION

The Property is a four-storey multi-tenanted ramp up logistics facility with ancillary offices, and located within Tampines LogisPark, an established dedicated logistics park in Singapore. It fronts the Kallang Paya Lebar Expressway and is easily accessible via major expressways to Seletar Aerospace Park, Changi Airport and Central Business District.

The Property has a Gross Floor Area (“**GFA**”) of approximately 455,396 square feet and sits on a JTC leasehold land of approximately 271,894 square feet with its lease tenure expiring in 2041. The Property has an occupancy of 100.0% and is currently tenanted to two tenants.

3. CERTAIN TERMS AND CONDITIONS

The option under the Put and Call Option Agreement may only be exercised upon the satisfaction of, *inter alia*, the following condition precedents:

- (i) The Vendor obtaining the approval from JTC Corporation (“**JTC**”) and any other relevant authorities to the Acquisition;

- (ii) The confirmation from JTC that the Vendor and the anchor tenant has fulfilled the requisite fixed investment criteria and JTC has granted lease term of 30 years from December 2011;
- (iii) The Vendor obtaining:
 - (a) JTC's unconditional written confirmation that JTC does not wish to accept the Vendor's offer to sell to JTC the Property;
 - (b) the anchor tenant's unconditional written confirmation that it does not wish to accept the Vendor's offer to sell to the anchor tenant the Property; and
 - (c) the bank guarantee in respect of level 3 and 3M of the premises demised to the anchor tenant ("**L3 BG**"); and
- (iv) Completion of due diligence (including legal, technical building due diligence and environmental baseline study) on the Property and the results of the due diligence being reasonably satisfactory to the Trustee.

Upon fulfilment of the conditions precedent and exercise of the option, the parties are deemed to have entered into a sale and purchase agreement.

On completion, the existing leases at the Property will be assigned to the Trustee, together with the transfer to the Trustee of the cash security deposit in respect of the non-anchor tenancy, and the assignment to the Trustee of the L3 BG (for level 3 and 3M) and the corporate guarantee in respect of the other parts of the anchor tenants' demised premises.

4. INDEPENDENT VALUATION

The appraised value of the Property, based on a valuation conducted by Savills Valuation and Professional Services (S) Pte Ltd as at 9 April 2018 using the income capitalisation approach, discounted cash flow analysis and direct comparison method, was S\$96.4 million inclusive of upfront land premium payable for the balance of the 30-year JTC lease term. The valuation was commissioned by the Manager.

5. PURCHASE CONSIDERATION

The Consideration for the Acquisition was negotiated on a willing-buyer and willing-seller basis, taking into consideration the independent valuation conducted in respect of the Property. In addition to the Consideration, the Trustee is required to pay an upfront land premium for the balance of the 30-year JTC lease term upon assignment of the land lease to ESR-REIT.

6. ESTIMATED COST OF THE ACQUISITION

The estimated total cost of the Acquisition ("**Total Acquisition Cost**") is approximately S\$99.9 million, comprising:

- i. Purchase Price of S\$95.8 million which includes the Consideration of S\$86.2 million and estimated upfront land premium payable for the balance lease term;
- ii. Stamp duties of approximately S\$2.9 million payable for the Property and upfront land premium; and
- iii. Other transaction costs¹ of approximately S\$1.2 million in aggregate.

7. RATIONALE FOR AND BENEFITS OF THE ACQUISITION

7.1. ENHANCE ESR-REIT'S PORTFOLIO QUALITY

15 Greenwich Drive will be the first modern ramp-up logistics facility within ESR-REIT's portfolio located in the East region of Singapore. With the acquisition of 15 Greenwich Drive, the Logistics/Warehouse sub-asset class will increase from 22.6%² to 27.1%. ESR-REIT's portfolio occupancy is expected to increase from 90.7%² to 91.2%.

7.2. INCOME DIVERSIFICATION AND ENLARGED BASE OF QUALITY TENANTS

The Acquisition will provide further income diversification from a wider base of quality tenants with the addition of leading logistics tenants.

7.3. STRATEGIC LOCATION AND GOOD ACCESSIBILITY

The Property is located within an established dedicated logistics park where there is limited supply and available space. It is also easily accessible to Changi Airport and Seletar Aerospace Park which is favoured by logistics players. Its strategic location next to Paya Lebar Airbase may provide further upside given the redevelopment of the site after the airbase relocates in 2030.

8. METHOD OF FINANCING AND FINANCIAL EFFECTS

8.1. METHOD OF FINANCING

The Manager currently intends to finance the Total Acquisition Cost wholly through debt financing. However, the Manager may finance the Total Acquisition Cost via a combination of cash from divestment proceeds, equity, debt and/ or hybrid securities. The proportion and mode of financing will be determined closer to Completion.

8.2. FINANCIAL EFFECTS

The Acquisition is regarded as being in the ordinary course of business and ESR-REIT is thus not required to disclose the illustrative financial effects of the Acquisition as prescribed

¹ Includes acquisition fees, professional and other transaction fees and expenses incurred or to be incurred in connection with the Acquisition.

² As of 31 March 2018

in Chapter 10 of the Listing Manual. However, the financial effects of the Acquisition, using the latest unaudited financial statements being as at 31 March 2018 and based on the guidelines in Chapter 10 of the Listing Manual, are set out in the illustrative examples below for Unitholders' reference and ease of comparison.

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the distribution per unit (“DPU”) and the net asset value (“NAV”) per unit presented below are strictly for illustrative purposes only and do not reflect the actual financial performance or position of ESR-REIT after the completion of the Acquisition.

The pro forma financial effects were prepared based on the unaudited statements of ESR-REIT for the three-month period ended 31 March 2018, assuming the Manager fully funds the Total Acquisition Cost by debt financing.

8.2.1. PRO FORMA DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the annualised DPU for the three-month period ended 31 March 2018, as if the Acquisition had been completed on 1 January 2018, and ESR-REIT held the Property throughout the period, are as follows:

	Before the Acquisition	After the Acquisition
Distributable Income (S\$'000) ⁽¹⁾	53,704	55,850
No. of Units ('000) ⁽²⁾	1,583,702	1,583,702
DPU (cents)	3.388	3.527

Notes:

- (1) Estimate based on the assumed revenue derived from the Property net of operating, financing and trust expenses.
- (2) Reflects the applicable number of units for the calculation of DPU for the three-month period ended 31 March 2018.

8.2.2. PRO FORMA NAV PER UNIT

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 March 2018, as if the Acquisition had been completed on 31 March 2018, are as follows:

	Before the Acquisition	After the Acquisition
NAV (S\$'000)	924,098	924,098
No. of Units ('000) ⁽¹⁾	1,583,702	1,583,702
NAV Per Unit (cents)	58.4	58.4

Notes:

- (1) Reflects the total issued units as at 31 March 2018.

8.2.3. PRO FORMA CAPITALISATION

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Acquisition on the capitalisation of ESR-REIT as at 31 March 2018, as if the Acquisition

were completed on 31 March 2018, are as follows:

	Before the Acquisition	After the Acquisition
Gross Debt ('000)	502,000	601,838
Total Deposited Property ('000) ⁽¹⁾	1,675,592	1,775,430
Aggregate Leverage (%)	30.0%	33.9%

Notes:

(1) Total Deposited Property refers to the value of ESR-REIT's total assets as at 31 March 2018.

9. INTEREST OF THE DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement, none of the directors of the Manager, and, as far as the directors of the Manager are aware, none of the controlling unitholders of ESR-REIT has any interest, direct or indirect, in the Acquisition.

10. DIRECTOR'S SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Put and Call Option Agreement and the valuation certificate in respect of the Acquisition may be inspected, by prior appointment, at the registered office of the Manager during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited

As Manager of ESR-REIT

(Company Registration No. 200512804G, Capital Markets Services Licence No.100132-5)

Adrian Chui

Chief Executive Officer and Executive Director

24 April 2018

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About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 March 2018 has a diversified portfolio of 47 properties located across Singapore, with a total gross floor area of approximately 9.7 million sq ft and a property value of S\$1.65 billion³. The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, Hi-Specs Industrial, and Business Park, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable and secure income stream through the successful implementation of the following strategies:

- Pro-active asset management
- Acquisition of value-enhancing properties
- Divestment of non-core properties
- Prudent capital and risk management

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by two stakeholders, namely, ESR Cayman Limited ("ESR") (indirectly c.80 percent) and Mitsui & Co., Ltd ("Mitsui") (20 percent):

- Headquartered in Hong Kong, ESR is one of the leading pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics ("3PLs") providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Co-founded by Warburg Pincus and backed by some of the world's preeminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, ESR's platform represents one of the largest in the Asia-Pacific region managing approximately 10 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current assets under management stands at over US\$11 billion.
- Mitsui is one of the largest corporate conglomerates in Japan and listed on the Tokyo Stock Exchange. It is one of the largest publicly traded companies in the world. Mitsui also developed the Japan Logistics Fund Inc., a publicly listed REIT in Japan dedicated to investing in distribution facilities.

For further information on ESR-REIT, please visit www.esr-reit.com.sg

³ Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.

Important Notice

The value of units in ESR-REIT ("**Units**") and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited ("**Manager**"), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) ("**Trustee**"), or any of their respective related corporations and affiliates (individually and collectively "**Affiliates**"). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This material may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

This material is for informational purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice, and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.