Soilbuild REIT announces distributable income of S$12.6 million and DPU of 1.179 cents

Summary of Financial Results:

	2Q FY2019	2Q FY2018	Variance (%)	1Q FY2019	Variance (%)	1H FY2019	1H FY2018	Variance (%)
Gross revenue (S$'000)	22,364	18,735	19.4	22,684	(1.4)	45,048	38,182	18.0
Net property income (S$'000)	18,328	16,246	12.8	18,293	0.2	36,621	33,235	10.2
Income attributable to perpetual securities holders (S$'000)	972	-	Nm	962	Nm	1,934	-	Nm
Income attributable to Unitholders (S$'000)	12,560	13,358	(6.0)	12,740	(1.4)	25,300	27,318	(7.4)
Total DPU (in cents)	**1.179**	**1.264**	**(6.7)**	**1.198**	**(1.6)**	**2.377**	**2.588**	**(8.2)**
From operations	1.151	1.264	(8.9)	1.163	(1.0)	2.314	2.588	(10.6)
From capital	0.028	-	Nm	0.035	(20.0)	0.063	-	Nm
Units Issued ('000)	1,065,392	1,056,453	0.8	1,063,335	0.2	1,065,392	1,056,453	0.8

Note: Nm denotes not meaningful.

Singapore, 17 July 2019 – SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.179 cents and 2.377 cents for the second quarter and half year ended 30 June 2019 respectively.

Financial performance

Year-on-Year ("**y-o-y**") gross revenue and net property income for 2Q FY2019 rose 19.4% and 12.8% respectively mainly due to the conversion of Solaris into a multi-tenanted property and contribution from two Australia properties. The increase in revenue was partially offset by lower contribution from Eightrium and 39 Senoko Way.

The lower occupancy in Eightrium and the depletion of the security deposit from the previous master lessee of 39 Senoko Way resulted in distributable income attributable to Unitholders and DPU slipping 6.0% and 6.7% y-o-y respectively.

Quarter-on-Quarter ("**q-o-q**") net property income rose 0.2% primarily due to lower property taxes incurred.

Operational performance

Portfolio occupancy rate declined slightly from 89.0% in 1Q FY2019 to 88.6% in 2Q FY2019. The Manager successfully completed more than 131,000 sqft of renewals in the quarter and secured approximately 77,000 sqft of new leases. Year-to-date we have completed more than 380,000 sqft of renewals and new leases.

Negative rental reversion of 2.0% and 6.9% was recorded for renewals and new leases respectively in 2Q FY2019. Weighted average lease expiry by net lettable area and gross rental income stood at 3.5 and 3.8 years respectively.

As at 2Q FY2019, a balance of 2.6% or approximately 104,600 sqft of the portfolio's net lettable area is due for renewal for the rest of 2019.

Update on NK Ingredients Pte. Ltd. ("NKI")

The Manager announced on 3 July 2019 that NKI has defaulted on its July 2019 Rent. The Manager is in discussion with the creditor who had filed for the appointment of a Judicial Manager. We are actively engaging the various stakeholders including prospective end-users in our efforts to minimise loss of rental.

Prudent and Pro-active Capital Management

In 2Q FY2019, Soilbuild REIT's weighted average borrowing cost was 3.56% p.a., its weighted average debt maturity was 2.9 years with a fixed interest rate for 94.9% of borrowings. There is no debt expiring in 2019 and 2020. Soilbuild REIT's unencumbered investment properties and a property held for sale were in excess of S$883 million, representing approximately 69% of its portfolio by value. Aggregate leverage stood at 39.4% as at 30 June 2019.

Outlook

<u>Singapore</u>

Based on advance estimates, the Singapore economy grew by 0.1% on a y-o-y basis in the second quarter of 2019, slower than the 1.1% growth in the previous quarter. On a q-o-q seasonally-adjusted basis, the economy shrank by 3.4%, after posting growth of 3.8% in the preceding quarter.

The manufacturing sector contracted by 3.8% y-o-y in the second quarter, extending the 0.4% decline in the previous quarter. The contraction was due to output declines in the electronics and precision engineering clusters, which outweighed output expansions in the rest of the manufacturing clusters. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector shrank by 6.0%, moderating from the 6.4% contraction in the preceding quarter[1].

Singapore's manufacturing activity slipped to 49.6 in June 2019, 0.3 points lower than May 2019. The electronics sector purchasing manager's index shrank for an eighth consecutive quarter, coming in at 49.2, which was 0.2 points lower than the previous month.

Rentals of all industrial space was flat q-o-q in 1Q 2019 and fell by 0.2% y-o-y. The multi-user factories, single-user factories and warehouse rental indices have receded 0.2%, 1.7% and 0.5% y-o-y respectively, whilst business park rentals expanded 1.3% y-o-y. In 1Q 2019, occupancy rate for all industrial space rose 0.3% year-on-year with higher occupancies for single-user factory, business park and warehouse and lower occupancy for multiple-user factory[2].

Australia

Australia's economy and key indicators remain positive. However, GDP growth and inflation have been slightly below trend recently and were part of the catalyst for the Reserve Bank of Australia's decision to lower cash rate to 1%. Consumer and business confidence remain at or above long-term averages and the recent loosening of monetary policy is expected to stimulate the economy. The recent tax cuts passed by the Federal Government will also provide an additional stimulus over the medium term and will complement the significant amount of infrastructure spending occurring across the country. Unemployment remains low at 5.2% and continues to trend down with employment and wages growth delivering a positive 2.9% and 2.3% annual growth rate respectively. Australia's export markets have also enjoyed strong tailwinds due to the declining Australian dollar.

[1] Source: MTI's press release dated 12 July 2019.
[2] Source: JTC quarterly rental index of industrial space.

Mr Roy Teo, CEO of the Manager, said: "We are encouraged by the pick-up in leasing activities with 18.9% increase in renewals and new leases transacted q-o-q on a square footage basis. Our leasing team is pro-actively working on the remaining 2.6% of leases (by net lettable area) expiring in the rest of 2019. On the capital management front, we have increased the proportion of fixed rate debt with the entry into interest rate swaps to hedge S$85 million of borrowings in 2Q FY2019. The Manager remains committed to creating a sustainable portfolio for Soilbuild REIT's investors through increasing exposure to freehold assets in Australia."

- End –

About Soilbuild Business Space REIT

Soilbuild Business Space REIT ("Soilbuild REIT") is a Singapore and Australia-focused real estate investment trust ("REIT") 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. Major tenants of the REIT include Dyson Operations, Ubisoft Singapore, Nestle Singapore and John Wiley & Sons. Its Singapore portfolio of properties include Solaris, a landmark development in one-north, Eightrium @ Changi Business Park, Tuas Connection, West Park BizCentral and Bukit Batok Connection. Its Australia portfolio includes an office building at 14 Mort Street in Canberra and a poultry production and processing facility known as Inghams Burton in Adelaide. Soilbuild REIT's portfolio comprises 11 properties in Singapore and 2 properties in Australia with a total net lettable area of 4.03 million square feet and an occupancy rate of 88.6% as at 30 June 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date").

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