# Soilbuild REIT 3Q FY2020 DPU grew 19.8% Y-o-Y and 47.7% Q-o-Q to 1.100 cents

**Summary of Financial Results:**

| | 3Q FY2020 | 3Q FY2019 | Variance (%) | 2Q FY2020 | Variance (%) | YTD FY2020 | YTD FY2019 | Variance (%) |
|---|---|---|---|---|---|---|---|---|
| Gross revenue (S$'000) | 22,880 | 21,194 | 8.0 | 23,009 | (0.6) | 69,387 | 66,242 | 4.7 |
| Net property income (S$'000) | 19,744 | 16,952 | 16.5 | 16,170 | 22.1 | 53,275 | 53,573 | (0.6) |
| Income attributable to perpetual securities holders (S$'000) | 983 | 983 | - | 973 | 1.0 | 2,928 | 2,917 | 0.4 |
| Income attributable to Unitholders (S$'000) | 13,979 | 11,573 | 20.8 | 9,459 | 47.8 | 34,603 | 36,873 | (6.2) |
| **Total DPU (in cents)** | **1.100** | **0.918** | **19.8** | **0.745** | **47.7** | **2.728** | **3.295** | **(17.2)** |
| From operations | 1.009 | 0.887 | 13.8 | 0.745 | 35.4 | 2.527 | 3.201 | (21.1) |
| From capital | 0.091 | 0.031 | 193.5 | - | - | 0.201 | 0.094 | 113.8 |
| Units Issued ('000) | 1,270,430 | 1,259,552 | 0.9 | 1,268,111 | 0.2 | 1,270,430 | 1,259,552 | 0.9 |

***Singapore, 15 October 2020*** –

**Holding Announcements**

On 4 September 2020, the Manager announced that it had been informed that Mr Lim Chap Huat, a non-executive director of the Manager, had entered into a non-binding term sheet ("**Non-Binding Term Sheet**") in relation to a possible transaction involving Mr Lim Chap Huat, Mr Lim Han Feng, Mr Lim Han Qin and Mr Lim Han Ren's direct and indirect interests in Soilbuild REIT, which may or may not lead to a transaction for the units of Soilbuild REIT ("**Possible Transaction**").

On 3 October 2020, the Manager announced that it had been informed that as at 3 October 2020, the discussions in relation to the Non-Binding Term Sheet were still ongoing and no definitive agreements have been entered into.

In view of the possible transaction involving the units of Soilbuild REIT as announced on 4 September 2020, the unaudited financial statements and distribution announcement will need to be reported on in accordance with the requirements under the Singapore Code on Take-overs and Mergers ("**Code**").

The external auditor, Ernst & Young LLP has been appointed to report on the interim condensed financial statements for the nine months ended 30 September 2020 in accordance with Singapore Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The auditors' report by Ernst & Young LLP is expected to be released on or prior to 29 October 2020. As the review by the auditors is still ongoing, the current set of interim condensed financial statements and distribution announcement is neither audited nor reviewed at this point in time.

**Financial performance**

SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.100 cents and 2.728 cents for the third quarter ("**3Q FY2020**") and nine months ("**YTD FY2020**") ended 30 September 2020 respectively.

In 3Q FY2020, gross revenue rose S$1.7 million or 8.0% year-on-year ("**y-o-y**") due to S$3.1 higher revenue from the newly acquired 25 Grenfell Street and was partially offset by net rent waivers of S$0.9 million and S$0.5 million lower contribution from 2 Pioneer Sector 1 which is under redevelopment.

Net property income ("**NPI**") grew 16.5% y-o-y to S$19.7 million on the back of a reversal of allowance for doubtful receivables/provision for rent waivers of S$1.5 million and lower property taxes. As at 30 September 2020, with better clarity on the amount of rent waivers required and having passed through a substantial portion of the rental waivers to our tenants, the allowance for doubtful receivables balance was reduced from S$2.1 million in 2Q FY2020 to S$0.6 million in 3Q FY2020.

3Q FY2020 total amount available for distribution rose 20.8% y-o-y to S$14.0 million. This includes tax-deferred distribution from our Australian portfolio but excludes reimbursements received from vendors in relation to outstanding rental incentives subsisting at the point of the completion of acquisitions.

Quarter-on-Quarter ("**q-o-q**") gross revenue fell 0.6% mainly due to rental rebates extended to tenants and was partially offset by higher contribution from the Australia portfolio.

NPI rose 22.1% q-o-q largely due to the abovementioned reversal of allowance for doubtful receivables.

**Operational performance**

Portfolio occupancy rate rose 3.4 percentage points q-o-q to 92.9% in 3Q FY2020. The Manager successfully completed more than 197,000 sqft of renewals and new leases for the quarter. Year-to-date, the Manager completed more than 581,000 sq ft of renewals and new leases. For the rest of FY2020, 4.3% of the portfolio or approximately 163,487 sqft of leases expire.

In 3Q FY2020, positive rental reversion of 1.3% was recorded for new leases and 1.2% for lease renewals. Weighted average lease expiry by net lettable area and gross rental income stood at 2.9 and 3.2 years respectively.

**Asset valuation**

The carrying values of Soilbuild REIT's investment properties and an investment property under development disclosed in the 3Q FY2020 unaudited financial statements and distribution announcement are based on independent valuations as at 31 December 2019 and have not taken into account the impact of the COVID-19 pandemic.

Given that the potential impact of COVID-19 is constantly evolving, the valuations of investment properties are subject to uncertainty. Values may change more rapidly and significantly than during standard market conditions.

**Update on 2 Pioneer Sector 1**

At an extraordinary general meeting held on 25 June 2020, Soilbuild REIT obtained Unitholders' approval to award a design and build contract to an interested person, Soil-Build (Pte.) Ltd. The development cost is estimated to be S$82.1 million and S$91.4 million based on plot ratios of 1.0 and 1.32 respectively. Construction commenced on 9 October 2020 and is expected to be completed in 1Q FY2022.

**Prudent and Pro-active Capital Management**

In 3Q FY2020, Soilbuild REIT's weighted average borrowing cost remained stable at 3.19% p.a. Weighted average debt maturity was 1.6 years with a fixed interest rate for 80.1% of borrowings. There is no debt expiring in 2020.

Soilbuild REIT has approximately S$53 million committed undrawn loan facilities. The Manager is in active discussions with various lenders on refinancing of debt due in the next one year. Soilbuild REIT's unencumbered investment properties were in excess of S$987 million, representing approximately 72% of its portfolio by value. Aggregate leverage stood at 36.8% as at 30 September 2020.

**Outlook**

Singapore

Based on advance estimates released by the Ministry of Trade and Industry on 14 October 2020, for the third quarter of 2020, the Singapore economy expanded by 7.9% on a q-o-q seasonally adjusted basis, rebounding from the 13.2% contraction in the preceding quarter. On a y-o-y basis, the economy contracted by 7.0%, an improvement from the 13.3% contraction in the second quarter. The improved performance of the Singapore economy in the third quarter came on the back of the phased re-opening of the economy following the circuit breaker that was implemented between 7 April and 1 June 2020.

The manufacturing sector grew by 2.0% y-o-y in 3Q 2020, a reversal from the 0.8% contraction in the previous quarter. Growth of the sector was supported by output expansions in the electronics and precision engineering clusters, which were in turn driven by robust global demand for semiconductors and semiconductor manufacturing equipment. On a q-o-q seasonally-adjusted basis, the manufacturing sector expanded by 3.9%, a turnaround from the 9.1% contraction in the second quarter.

The Singapore Purchasing Managers' Index rose to 50.3 in September 2020 from 50.1 in August 2020.

According to the JTC 2Q 2020 market report, the rental index of all industrial space receded 0.7% and 0.8% q-o-q and y-o-y respectively mainly due to weaker rentals for multiple-user

factories, single-user factories and warehouses. Business park rentals were more resilient, with rental index remaining flat y-o-y and a 0.2% decline q-o-q.

In 2Q 2020, the all-industrial occupancy rate rose 0.2% and 0.1% q-o-q and y-o-y respectively. The q-o-q occupancy uplift was mainly attributed to warehouses whereas the y-o-y growth was mainly due to multiple-user factories.

Australia

Based on the uneven recovery of the global economy due to the coronavirus, the RBA decided on 6 October 2020 to keep the nation's official cash rate unchanged at 0.25%. In its new projections, the government expects unemployment to rise to 7.25 per cent by the end of the current fiscal year and then fall to 6 per cent by June 2023. Australia's GDP is expected to shrink 1.5 per cent for the current fiscal year before returning to growth of 4.75 per cent in the next.

The Australian Government has gazetted the COVID-19 Emergency Response (Commercial Leases No 2) (Prescribed Period) Variation Regulations 2020 which covers the period from 1 October 2020 to 3 January 2021 ("**Period 2**"). The extension to the rent relief provisions will only apply to those who can prove they remain an affected lessee or have become one during Period 2. An affected lessee is a lessee who is suffering financial hardship as a result of the COVID-19 pandemic and has an annual turnover of less than A$50 million. A lessee will be automatically determined to be suffering from financial hardship if the lessee is eligible for a Jobkeeper payment in respect of the business of the lessee.

**Mr Roy Teo, CEO of the Manager, said: "In 3Q FY2020, despite operating in a challenging COVID-19 environment, we were able to increase our portfolio occupancy rates by 3.4 percentage points while achieving marginal positive rental reversions for both new take-ups and lease renewals. As cashflow visibility improves, the Manager is able to release provisions and resume capital distribution relating to Australia-sourced income. We are mindful that the economy and lives have yet to return to normalcy. The Manager is monitoring the situation closely and will respond quickly to changes with the aim of building a more resilient portfolio."**

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## 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, a poultry production and processing facility known as Inghams Burton in Adelaide and a Grade A freehold office building at 25 Grenfell Street in Adelaide. Soilbuild REIT's portfolio comprises 10 properties in Singapore and 3 properties in Australia with a total net lettable area of 4.13 million square feet and an occupancy rate of 92.9% as at 30 September 2020. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 16 August 2013 ("**Listing Date**").

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