



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

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## PROPOSED ACQUISITION OF 46A TANJONG PENJURU

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### 1. INTRODUCTION

ESR Funds Management (S) Limited, as manager of ESR-REIT (“**Manager**”), is pleased to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (“**Trustee**”), has on 6 May 2021 entered into a put and call option agreement (“**Put and Call Option Agreement**”) with Montview Investments Pte. Ltd. (“**Vendor**”) in connection with the proposed acquisition (“**Acquisition**”) of 46A Tanjong Penjuru, Singapore 609040 (together with the plant and mechanical and electrical equipment) (“**Property**”) at a purchase consideration of S\$112.0 million (“**Consideration**”).

Based on the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual of Singapore Exchange Securities Trading Limited (“**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 5-storey modern ramp-up logistics facility with mezzanine offices on each floor, which is located within a well-established industrial estate of Tanjong Penjuru and is within the Jurong Industrial Estate in the west central area of Singapore. The Property is easily accessible to the city and is well served by major expressways such as the Ayer Rajah Expressway, the West Coast Highway and the Pan Island Expressway. The location is an established logistics sector and is well sought after due to its close proximity to the Central Business District, Jurong Port, Tuas Megaport and key container yards.

The Property has a gross floor area of approximately 523,689 square feet and is situated on a leasehold land of approximately 240,990 square feet with a 30-year lease term (“**first 30-year JTC lease term**”) from JTC Corporation (“**JTC**”) commencing on 1 May 2006 and an option to renew for a further term of 14 years. The Property is fully committed with six tenants.

### 3. CONDITION PRECEDENT

Pursuant to the terms of the Put and Call Option Agreement, each of the Trustee and the Vendor has granted to the other party an option that may only be exercisable upon the satisfaction of the condition precedent whereby the Vendor and the Trustee obtain the written approval from JTC to the Acquisition. Upon fulfilment of the condition precedent and exercise of the option, the parties will be deemed to have entered into a binding contract for the sale and purchase of the Property.

On completion of the sale and purchase, the existing tenancies at the Property will be assigned to the Trustee, together with the transfer to the Trustee of the cash security deposits or where the security deposits are provided in the form of guarantees or insurance bond, the assignment of the relevant guarantees and insurance bond.

### 4. INDEPENDENT VALUATION

The appraised value of the Property, based on a valuation conducted by Jones Lang LaSalle Property Consultants Pte Ltd as at 30 April 2021 using the capitalisation approach and the discounted cash flow approach, was S\$119.6 million inclusive of the upfront land premium payable for the balance of the first 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 first 30-year JTC lease term upon assignment of the JTC Lease to ESR-REIT.

### 6. ESTIMATED COST OF THE ACQUISITION

The estimated total cost of the Acquisition ("**Total Acquisition Cost**") is approximately S\$124.7 million, comprising:

- (a) the Consideration of S\$112.0 million;
- (b) estimated upfront land premium payable to JTC for the balance of the first 30-year JTC lease term of S\$7.6 million ("**Estimated ULP**");
- (c) stamp duties of approximately S\$3.6 million payable for the Property and the Estimated ULP; and
- (d) other transaction costs<sup>1</sup> of approximately S\$1.5 million in aggregate.

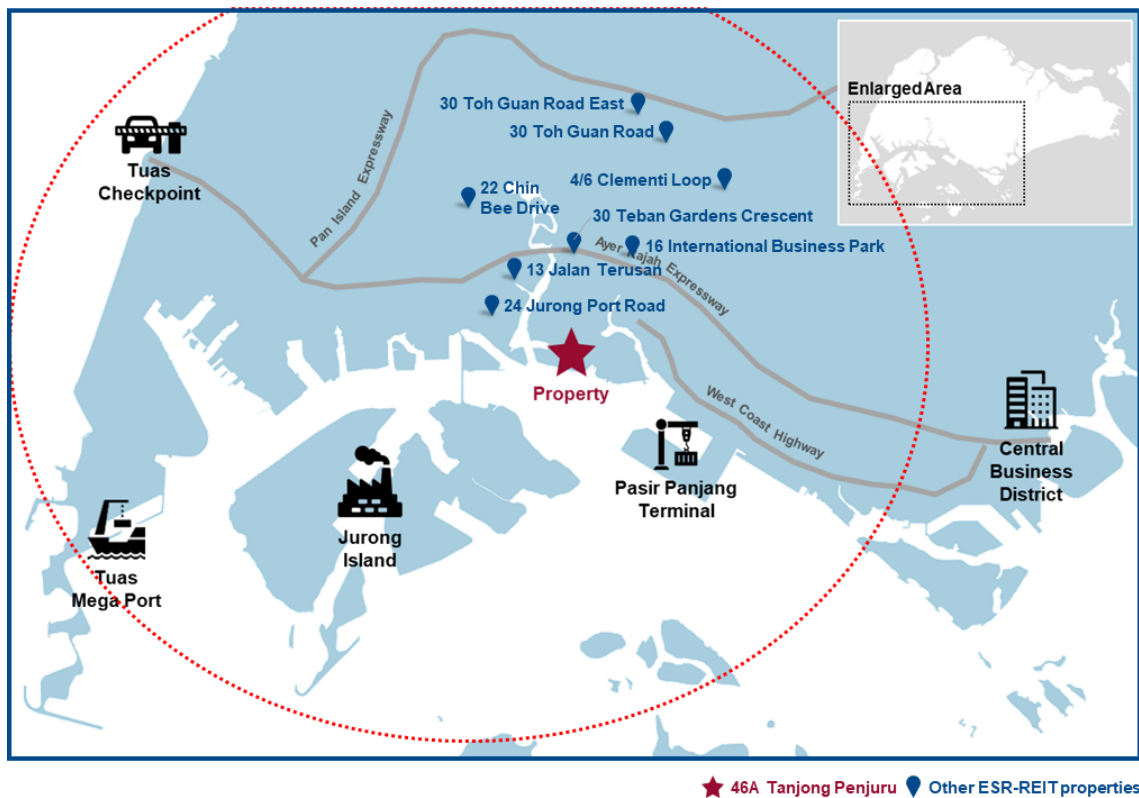
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<sup>1</sup> Includes the acquisition fees payable to the Manager in respect of the Acquisition, professional and other transaction fees and expenses incurred or to be incurred in connection with the Acquisition

## 7. RATIONALE AND BENEFITS FOR THE ACQUISITION

### 7.1. Strategically Located Property in a Well Sought-After Location

The Property is a modern ramp-up warehouse which is strategically located within Tanjong Penjuru in the western part of Singapore, an established logistics cluster well sought after by logistics players due to its relatively central location and is well served by major expressways such as the Ayer Rajah Expressway, the West Coast Highway and the Pan Island Expressway, and is in close proximity to the Central Business District, Jurong Port, Tuas Megaport and key container yards. With its ease of access to the city, the Property is well sought after by tenants. Furthermore, the building specifications of the Property are also suitable for multi-tenancy leases.



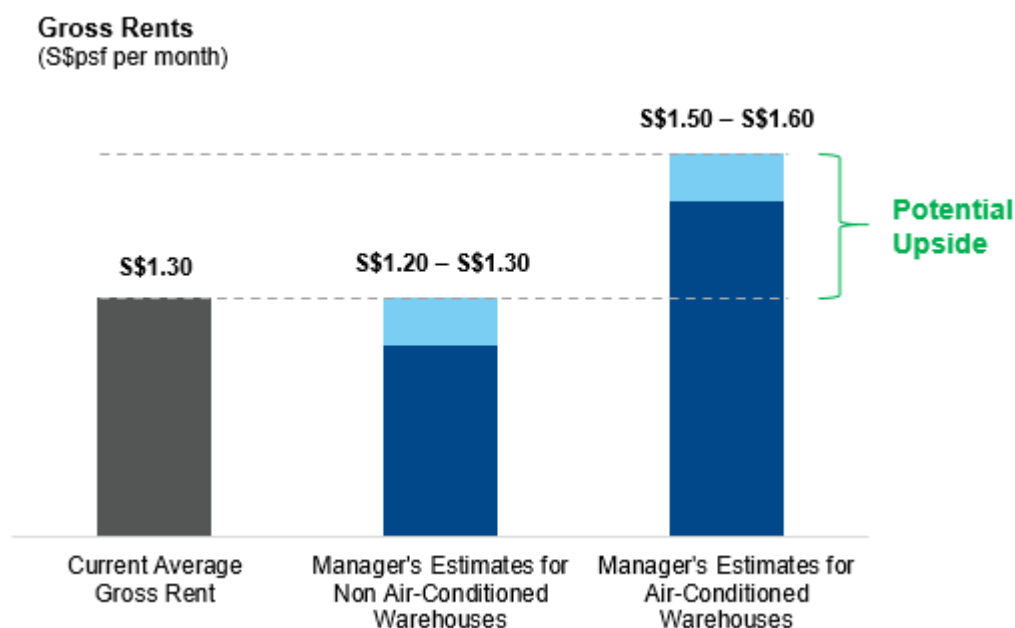
### 7.2. Opportunity to Enhance Specifications of the Property to Capture Higher Rental Demand through Active Asset Management

Given the Property's central location, it is well sought after by potential higher rental paying tenants handling high-valued goods, such as electronics and pharmaceutical products, and e-commerce

players. These tenants would typically require a controlled environment to store, pack and distribute temperature-sensitive products. The Manager intends to enhance the Property's specifications into an air-conditioned warehouse to capture such tenants.

The multi-tenanted nature of the Property, with a weighted average lease tenure of 2.7 years<sup>2</sup> and a staggered lease expiry profile will allow the Manager to actively manage and progressively enhance the Property to capture such higher rental demand.

The current average gross rent of the Property and the Manager's estimates of the gross rents for non air-conditioned and air-conditioned warehouses are shown below.



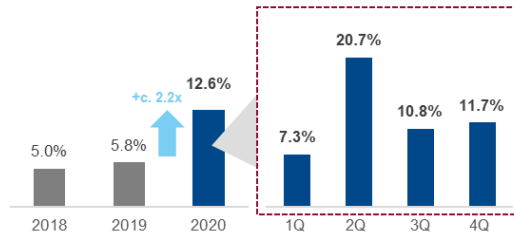
### 7.3. Strengthens ESR-REIT's Portfolio Exposure to the Logistics Sector

The logistics sector has remained resilient during the COVID-19 pandemic amid an e-commerce surge, as well as stockpiling for essential goods. Increasingly, industrialists have also been stocking up on raw materials for production as there is an industry shift from Just-In-Time inventory model to Just-In-Case inventory approach towards manufacturing. Increased e-commerce adoption underpins the sustained demand for warehouse space particularly for centrally located quality ramp-up logistics facilities such as the Property.

<sup>2</sup> As at 30 April 2021.

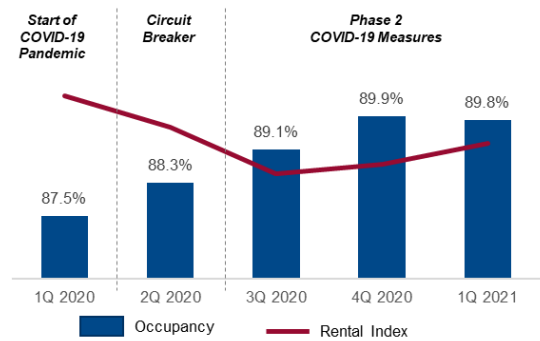
**Average E-commerce Adoption in Singapore has Increased to 12.6% in 2020**

(as measured by proportion of total retail sales)



Source: Singapore Department of Statistics

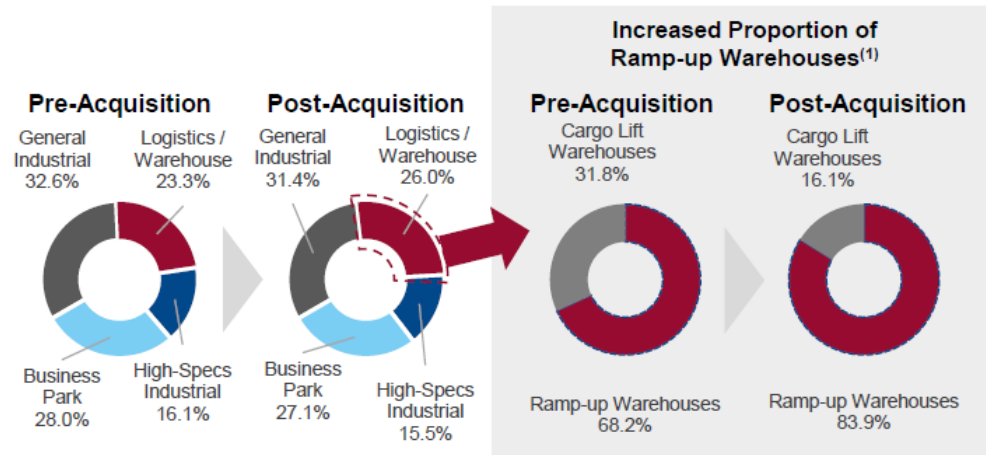
**Strengthens ESR-REIT's Portfolio Exposure to the Logistics Sector which has Remained Resilient During the COVID-19 Pandemic**



Source: JTC Quarterly Market Reports 1Q2020 – 1Q2021

The Acquisition will raise ESR-REIT's portfolio income exposure to the logistics sector as at 31 March 2021 from 23.3% to 26.0% (by rental income). The Property will be the sixth modern ramp up warehouse in ESR-REIT's portfolio. As such, the proportion of in-demand ramp-up warehouses within ESR-REIT's logistics sector would be increased from 68.2% to 83.9% (by rental income).

**Increased Proportion of Logistics in Portfolio<sup>(1)</sup>**



**Note:**

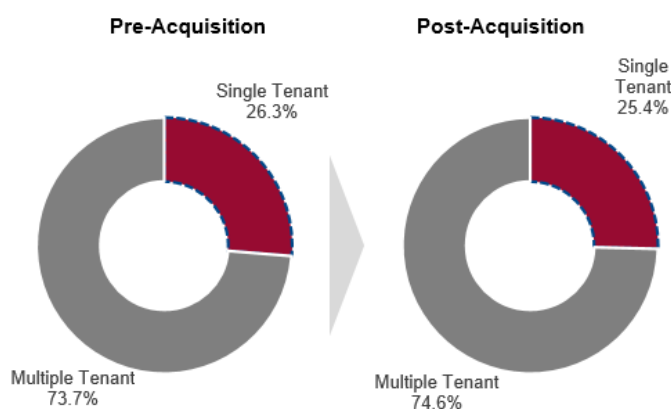
(1) By rental income as at 31 March 2021.

The Acquisition is in line with ESR-REIT's strategy to rejuvenate its portfolio organically and through the acquisition of quality assets such as ramp-up logistics facilities which are in demand with logistics players, thereby improving its asset offering.

**7.4. Improves Portfolio Asset Offering with Reduced Single Tenant Concentration**

The Property is currently fully committed with six tenants. These leases will provide stable income to ESR-REIT and reduce single-tenant concentration and credit risks. The proportion of single-tenant buildings in ESR-REIT’s portfolio will decrease from 26.3% as at 31 March 2021 to 25.4% post-Acquisition. Furthermore, the remaining land lease tenure of the Property is relatively long at approximately 29 years (comprising the balance of approximately 15 years from the first 30-year JTC lease term and an option to renew for a further term of 14 years).

### Reduced Single-tenant Concentration Risk (by rental income) <sup>(1)</sup>



**Note:**

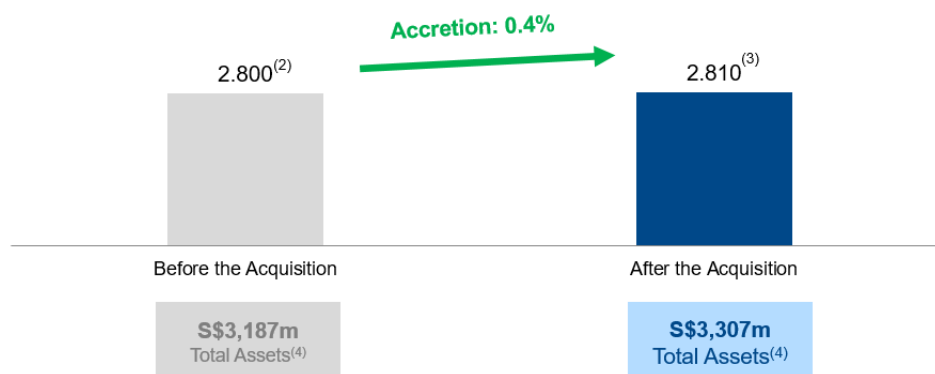
(1) As at 31 March 2021.

### 7.5. DPU Accretive Acquisition

The Acquisition is expected to be distribution per unit (“DPU”) accretive. Based on the *pro forma* financial effects of the Acquisition on ESR-REIT’s DPU for the financial year ended 31 December 2020 (“FY2020”), assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Property through to 31 December 2020, the Acquisition would have increased ESR-REIT’s FY2020 DPU by 0.4%. Please refer to section 8.2 for further details.

### Distribution per Unit (Singapore Cents)<sup>(1)</sup>

FOR ILLUSTRATIVE PURPOSES ONLY



**Notes:**

- (1) Assumes that the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Property through to 31 December 2020.
- (2) Based on ESR-REIT's DPU for FY2020.
- (3) Includes approximately 196.3 million new Units issued at an illustrative issue price of S\$0.375 per new Unit to raise gross proceeds of S\$73.6 million and approximately 0.9 million new Units issued as payment of management fees to the Manager in FY2020 at an illustrative issue price of S\$0.410 per Unit as at 5 May 2021.
- (4) As at 31 December 2020.

## **8. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION**

### **8.1. METHOD OF FINANCING**

The Manager currently intends to finance the Total Acquisition Cost by equity, debt or a combination of equity and debt. The proportion and mode of financing will be determined closer to the completion of the Acquisition.

### **8.2. FINANCIAL EFFECTS OF THE ACQUISITION**

The *pro forma* financial effects of the Acquisition presented below are strictly for illustrative purposes only and do not reflect the actual position of ESR-REIT following the completion of the Acquisition. The *pro forma* financial effects were prepared based on ESR-REIT's latest audited financial statements for FY2020 and the following assumptions:

- (i) the Consideration and the Estimated ULP of S\$119.6 million is funded by existing bank loan facilities of S\$47.8 million (approximately 40.0% of the Consideration and the Estimated ULP) with an all-in interest cost of approximately 1.85% per annum and equity of S\$71.8 million (approximately 60.0% of the Consideration and the Estimated ULP) and assuming that 196.3 million new Units are issued at an illustrative issue price of S\$0.375 per new Unit to raise gross proceeds of S\$73.6 million; and
- (ii) the stamp duties, acquisition fees payable to the Manager, professional and other transaction fees and expenses incurred or to be incurred in connection with the Acquisition of approximately S\$5.1 million is funded by existing bank loan facilities.

#### **8.2.1. PRO FORMA DPU**

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the Acquisition on ESR-REIT's DPU for FY2020, assuming the Acquisition had been completed on 1 January 2020 and ESR-REIT had held the Property through to 31 December 2020, are as follows:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
<b>Net Property Income (S\$'000)</b>	164,207	171,334

<b>Income available for distribution (S\$'000)</b>	99,127	105,035
<b>Applicable number of Units ('000)</b>	3,540,250 <sup>(1)</sup>	3,737,392 <sup>(2)</sup>
<b>DPU (cents)</b>	2.800	2.810
<b>DPU Accretion</b>		0.4%

**Notes:**

- (1) Based on the applicable number of Units during FY2020.  
(2) Includes approximately 196.3 million new Units issued at an illustrative issue price of S\$0.375 per new Unit to raise gross proceeds of S\$73.6 million and approximately 0.9 million new Units issued as payment of management fees to the Manager in FY2020 at an illustrative issue price of S\$0.410 per Unit as at 5 May 2021.

### 8.2.2. PRO FORMA NAV

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the Acquisition on the net asset value (“NAV”) per Unit of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
<b>NAV attributable to Unitholders (S\$'000)</b>	1,446,990	1,513,651 <sup>(2)(3)</sup>
<b>Number of Units ('000)</b>	3,576,362 <sup>(1)</sup>	3,772,629 <sup>(3)</sup>
<b>NAV per Unit (cents)</b>	40.5	40.1

**Notes:**

- (1) Number of Units in issue as at 31 December 2020.  
(2) After payment of approximately S\$5.1 million of stamp duties, acquisition fees payable to the Manager, professional and other transaction fees and expenses incurred or to be incurred in connection with the Acquisition.  
(3) Includes approximately 196.3 million new Units issued at an illustrative issue price of S\$0.375 per new Unit to raise net proceeds of S\$71.8 million.

### 8.2.3. PRO FORMA CAPITALISATION AND GEARING

**FOR ILLUSTRATIVE PURPOSES ONLY:** The *pro forma* financial effects of the Acquisition on the capitalisation and gearing of ESR-REIT as at 31 December 2020, assuming the Acquisition had been completed on 31 December 2020, are as follows:

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
<b>Gross debt (S\$'000)</b>	1,264,926	1,317,865
<b>Total deposited property (S\$'000)</b>	3,038,272	3,157,872
<b>Aggregate Leverage<sup>(1)</sup></b>	41.6%	41.7% <sup>(2)</sup>

**Notes:**

- (1) Includes ESR-REIT's 49% share of the borrowings, lease liabilities and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019



where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.

- (2) On 28 April 2021, ESR-REIT announced the divestment of 11 Serangoon North Avenue 5 and 3C Toh Guan Road East for approximately S\$53.0 million (the "Divestment"). Assuming the Divestment had been completed on 31 December 2020 and the net proceeds from the Divestment had been fully utilised to repay outstanding borrowings, the *pro forma* aggregate leverage of ESR-REIT as at 31 December 2020 would have been reduced by approximately 1.0% from 41.7% to 40.7%.

## 9. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

Chapter 10 of the Listing Manual classifies transactions by ESR-REIT into (i) non-discloseable transactions; (ii) discloseable transactions; (iii) major transactions; and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on. The relative figures for the Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual, which have been based on the audited financial statements of ESR-REIT for FY2020, are set out below:

Listing Rule	Criteria	ESR-REIT (S\$ million)	Acquisition (S\$ million)	Relative Figure (%)
1006(b)	Net profit attributable to the assets acquired <sup>(1)</sup> , compared with the net profit of ESR-REIT	164.2	7.1	4.3
1006(c)	Aggregate value of the consideration given, compared with ESR-REIT's market capitalization	1,466.6 <sup>(2)</sup>	119.6	8.2

**Notes:**

- (1) In the case of a real estate investment trust, net property income is a close proxy to the net profit attributable to its assets.  
(2) The figure is based on the weighted average traded price of S\$0.4084 per Unit on the SGX-ST as at 5 May 2021, being the market day immediately preceding the date of this announcement.

## 10. 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.

## 11. DIRECTOR'S SERVICE CONTRACTS

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

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Put and Call Option Agreement and the valuation report in respect of the Property 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)

**Adrian Chui**

Chief Executive Officer and Executive Director

6 May 2021

For further enquiries, please contact:

**ESR Funds Management (S) Limited**

Gloria Low

Corporate Communications Manager

Tel: +65 6827 9332

Email: [gloria.low@esr-reit.com.sg](mailto:gloria.low@esr-reit.com.sg)

Lyn Ong

Investor Relations Manager

Tel: +65 6827 9504

Email: [lyn.ong@esr-reit.com.sg](mailto:lyn.ong@esr-reit.com.sg)

## 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 December 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion<sup>3</sup> The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, 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 income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("ESR") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

## About the Sponsor, ESR

ESR is the largest APAC focused logistics real estate platform by gross floor area ("GFA") and by value of the assets owned directly and by the funds and investment vehicles it manages. ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, CPP Investments, JD.com, Oxford Properties, PGGM and SK Holdings. The ESR platform spans major economies across the APAC region, including the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2020, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$30 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 20 million sqm in total. Listed on the Main Board of The Stock Exchange of Hong Kong Limited in November 2019, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

For more information on ESR, please visit [www.esr.com](http://www.esr.com).

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<sup>3</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

## 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 announcement 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, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT’s future 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 announcement is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this announcement 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.