Soilbuild REIT announces distributable income of S$12.7 million and DPU of 1.198 cents

Summary of Financial Results:

	1Q FY2019	**1Q FY2018**	**Variance (%)**	**4Q FY2018**	**Variance (%)**
Gross revenue (S$'000)	22,684	19,447	16.6	25,783	(12.0)
Net property income (S$'000)	18,293	16,989	7.7	20,472	(10.6)
Income attributable to perpetual securities holders (S$'000)	962	-	Nm	983	Nm
Income attributable to Unitholders (S$'000)	12,740	13,960	(8.7)	15,392	(17.2)
Total DPU (in cents)	**1.198**	**1.324**	**(9.5)**	**1.451**	**(17.4)**
- From operations	1.163	1.324	(12.2)	1.451	(19.8)
- From capital	0.035	-	Nm	-	Nm
Units Issued ('000)	1,063,335	1,054,314	0.9	1,060,763	0.2

Note: Nm denotes not meaningful.

Singapore, 17 April 2019 **–** SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.198 cents for the first quarter ended 31 March 2019.

Financial performance

Year-on-Year ("**y-o-y**") gross revenue and net property income for 1Q FY2019 rose 16.6% and 7.7% 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 absence of revenue from a property known as KTL Offshore following the divestment of KTL Offshore in February 2018 and lower contribution from West Park BizCentral, Eightrium and 72 Loyang Way.

While revenue rose, property operating expenses, finance expenses, other trust expenses and perpetual securities coupons grew at a faster pace, resulting in distributable income attributable to Unitholders and DPU slipping 8.7% and 9.5% y-o-y respectively.

Quarter-on-Quarter ("**q-o-q**") gross revenue and net property income fell 12.0% and 10.6% respectively primarily due to one-off liquidation proceeds of S$3.25 million from Technics Offshore Engineering recognised as revenue in 4QFY2018.

Operational performance

Portfolio occupancy rate declined slightly from 89.5% in 4Q FY2018 to 89.0% in 1Q FY2019. The Manager successfully completed more than 99,000 sqft of renewals in the quarter and secured approximately 76,000 sqft of new leases.

Negative rental reversion of 2.5% and 4.0% was recorded for renewals and new leases respectively in 1Q FY2019. Weighted average lease expiry by net lettable area and gross rental income stood at 3.6 and 3.7 years respectively.

As at 1Q FY2019, a balance of 7.7% or approximately 308,239 sqft of the portfolio's net lettable area is due for renewal for the rest of 2019.

In March 2019, the Manager announced the proposed divestment of 72 Loyang Way to an unrelated third party for a sale consideration of S$34.08 million. This proposed divestment is subject to JTC's approval.

Prudent and Pro-active Capital Management

In 1Q FY2019, Soilbuild REIT's weighted average borrowing cost was 3.53% p.a., its weighted average debt maturity was 3.1 years with a fixed interest rate for 77.6% 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$884 million, representing approximately 69% of its portfolio by value. Aggregate leverage stood at 39.3% as at 31 March 2019.

Outlook

<u>Singapore</u>
Based on advance estimates by the Ministry of Trade and Industry ("**MTI**"), the Singapore economy grew by 1.3% on a year-on-year ("**y-o-y**") basis in the first quarter of 2019, moderating from the 1.9% growth in the fourth quarter of 2018. On a quarter-on-quarter ("**q-o-q**") seasonally-adjusted basis, the economy expanded by 2%, faster than the 1.4% growth

in the previous quarter. The manufacturing sector contracted by 1.9% on a y-o-y basis in the first quarter, a reversal from the 5.1% growth recorded in the previous quarter. The performance of the sector was weighed down by output declines in the precision engineering and electronics clusters, which more than offset output expansions in the biomedical manufacturing and transport engineering clusters. On a q-o-q seasonally-adjusted annualised basis, the sector shrank by 12%, extending the 2.7% decline in the preceding quarter. Over the last six months, the contribution of the manufacturing sector to GDP growth has waned, reflecting the maturing of the global electronics cycle and the economic slowdown in China. Against this backdrop, Singapore's GDP growth is expected to come in slightly below the mid-point of the 1.5% - 3.5% forecast range in 2019[1].

Singapore's manufacturing activity rose in March 2019 from February 2019 with the Purchasing Managers' Index ("**PMI**") of 50.8. PMI for the electronics sector posted a reading of 49.8.

Rentals of all industrial space was flat q-o-q in 4Q 2018 and fell by 0.3% y-o-y. The multi-user factories, single-user factories and warehouse rental indices have receded 0.1%, 1.9% and 0.9% y-o-y respectively, whilst business park rentals expanded 2.8% y-o-y. In 4Q 2018, occupancy rate for all industrial space rose 0.2 percentage point q-o-q largely due to a 1.0 percentage point increase in multiple-user factory[2].

<u>Australia</u>

The Australia economy grew by 0.2% in seasonally adjusted chain volume terms in the December 2018 quarter, following a 0.3% rise in the September 2018 quarter. The Australia economy grew 2.3% through the year. The government final consumption expenditure rose 1.8% in the December 2018 quarter and remains strong during the year at 5.6%. National non-defence was the main contributor to growth in the quarter, due to increases in social benefits to households from continued government spending on disability, health and aged care services. Household final consumption expenditure increased 0.4% in the December 2018 quarter. The growth in household expenditure was driven by spending on health, clothing and footwear, and hotels, cafes and restaurants. Household spending on electricity, gas and other fuel, purchases of vehicles, furnishings and household equipment fell. Compensation of

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

employees increased 0.9% in the December 2018 quarter due to strength in both the private and public sectors[3].

GDP growth is expected to be around 3% and 2.75% over 2019 and 2020 respectively. Accommodative monetary policy and tighter-than-anticipated labour market conditions are expected to provide ongoing support to growth in household income, consumption and business investment[4].

The total vacancy rate in Canberra office fell to 11.0% in December 2018 from 12.4% in June 2018. The Canberra A grade market has mirrored the total market vacancy movements with the vacancy rate at 4.9% from 8.5% in January 2018. CBD A grade space reduced further to 1.7% in January 2019 and could now be considered under supplied until new developments reach completion in 2020-2021[5].

Mr Roy Teo, CEO of the Manager, said: "We have announced the proposed divestment of 72 Loyang Way as part of our capital recycling efforts and are pleased to have waived the manager's divestment fee for this DPU-accretive divestment. We have also demonstrated pro-active capital management by refinancing two loans ahead of maturity in 1QFY2019 and now have no refinancing requirement until FY2021. Our focus in FY2019 will be to enhance our operational performance and prudently evaluate further growth opportunities in Australia to achieve sustainable returns for our Unitholders."

- End -

[3] Source: Australia Bureau of Statistics
[4] Source: Reserve Bank of Australia
[5] Source: Savills Research – Briefing Notes (Canberra Office) dated February 2019

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 89.0% as at 31 March 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date").

For media queries, please contact:

Mr. Lawrence Ang
Senior Executive, Investor Relations
DID: +65 6415 7351
Email: lawrence.ang@soilbuild.com
Website: www.soilbuildreit.com

IMPORTANT NOTICE