Acquisition of 7000 AMK and the Proposed Equity Fund Raising

14 December 2017

Contents

ESR REIT

Overview

7000 Ang Mo Kio Avenue 5

Transaction Overview

Acquisition of 7000 Ang Mo Kio Avenue 5 (“7000 AMK”)

- ESR-REIT’s second acquisition in less than a year since Sponsor ESR Cayman Limited (“ESR”) acquired a controlling stake in the Manager
- Yield-accretive S$240.0 million acquisition of an 80% interest in company holding 7000 AMK[(1)]
- High-specifications multi-tenanted building comprising of high value-added manufacturers and data centre operators amongst its tenants

Overview of the Property	
Address	7000 Ang Mo Kio Avenue 5
Completion Year	1996
Remaining Land Tenure	c.39 years[(2)]
Purchase Consideration	S$240.0 million[(3)] (80% interest)
Independent Valuation[(4)]	S$303.0 million (100% interest)
Gross Floor Area	1,073,233 square feet
Net Lettable Area	834,783 square feet
Description	6-storey high-specifications production block 5-storey ancillary office block
Anchor Tenants	High value-added manufacturers, data centre operators, power and utilities companies and telecommunication companies such as Heptagon Micro Optics Pte. Ltd., SP Services Ltd and StarHub Ltd.
Committed Occupancy	91.9% (as at 1 December 2017)
Number of Tenants	8 (as at 1 December 2017)
WALE by Rental Income	5.5 years

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Notes:
(1) Refers to an acquisition of 80% interest in 7000 AMK Pte. Ltd. (the “AssetCo”), which holds 100% of the leasehold interest in 7000 Ang Mo Kio Avenue 5 (“7000 AMK”, together the “Acquisition”)
(2) 9 years for the first term with an option to renew for a further term of 30 years
(3) Put and call options for the remaining 20% interest in AssetCo is exercisable by either party within a 12-month period. The purchase price for the remaining 20% interest in AssetCo will be no less than S$60.0 million. Includes a shareholder’s loan of S$50.5 million to be provided to the AssetCo on completion. Excludes acquisition fee payable to the Manager of S$2.4 million, stamp duties of approximately S$0.5 million and other transaction costs of approximately S$0.6 million. Estimated total cost of the acquisition is approximately S$243.5 million.
(4) Refers to the independent valuation conducted by Savills Valuation and Professional Services (S) Pte. Ltd. as at 31 October 2017

Key Transaction Highlights

- ☑ **Improves Portfolio Quality in terms of WALE, Land Lease Expiry, Rent Expiry Profile and Diversification of Tenant Base**
- ☑ **Transaction is Yield Accretive, After the Proposed Equity Fund Raising**
- ☑ **Recycling Capital from Lower Yielding Assets to Scalable, Value-Adding Acquisitions with Long Term Growth Prospects and Potential to Increase GFA from Developing Un-Utilised Plot Ratio**
- ☑ **Backstop for Preferential Offering in Proposed Equity Fund Raising Reflects Sponsor's Commitment and Support for ESR-REIT**

Benefits of the Acquisition

7000 Ang Mo Kio Avenue 5

Benefits of the Acquisition

1. Augments Portfolio for Long-Term Growth
2. Income Diversification and Enlarged Tenant Base
3. Increase Portfolio Weighted Average Lease Expiry Profile
4. Potential Upside from Developing Un-Utilised Plot Ratio
5. Long Land Lease with No Upfront Land Premium Payable for First Term
6. Enhancement of ESR-REIT's Portfolio Quality

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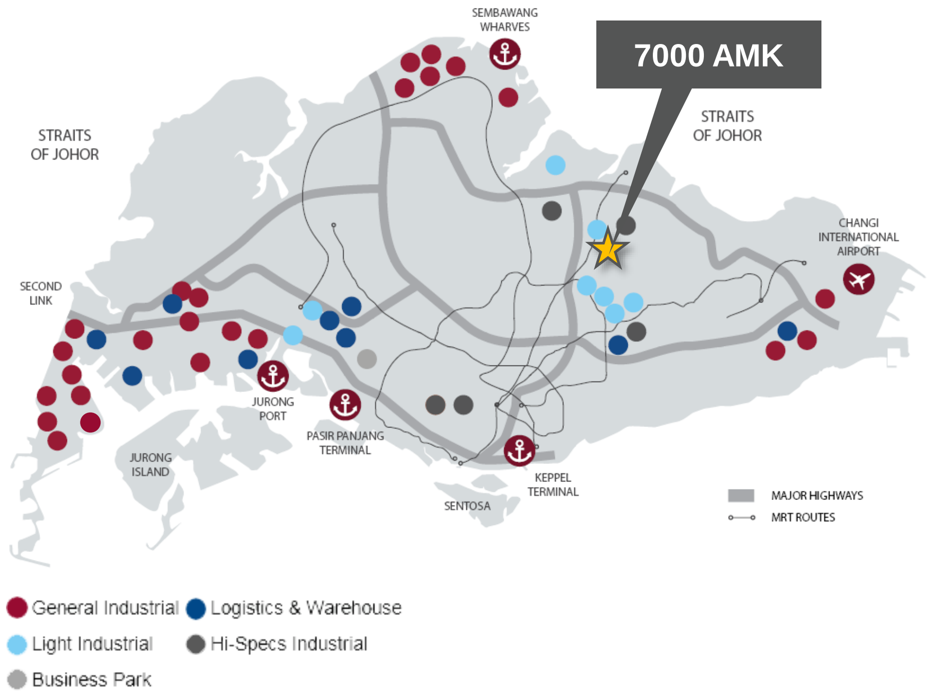
1 Augments Portfolio for Long-Term Growth

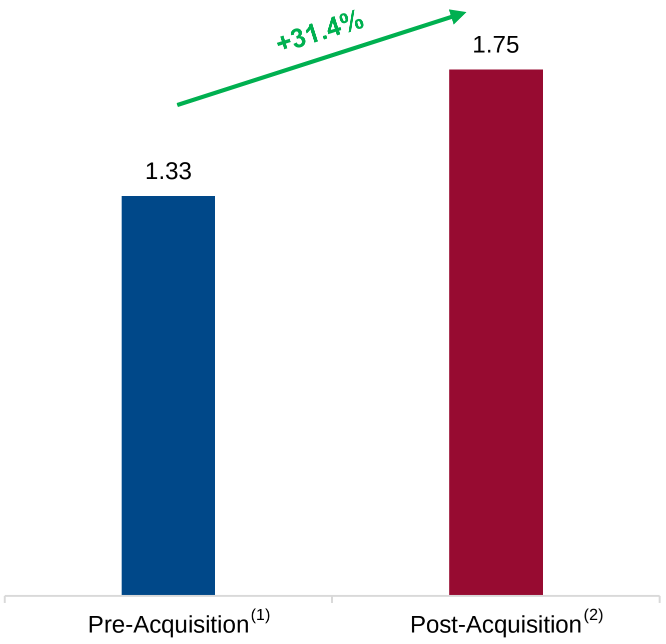
Increases Portfolio Valuation of ESR-REIT by 31.4%

- Yield-accretive acquisition of a high-specifications property
- Increases portfolio valuation of ESR-REIT by 31.4%, from S$1.33 billion(1) to S$1.75 billion(2)

Portfolio Property Locations(2)



Portfolio Valuation (S$ billion)



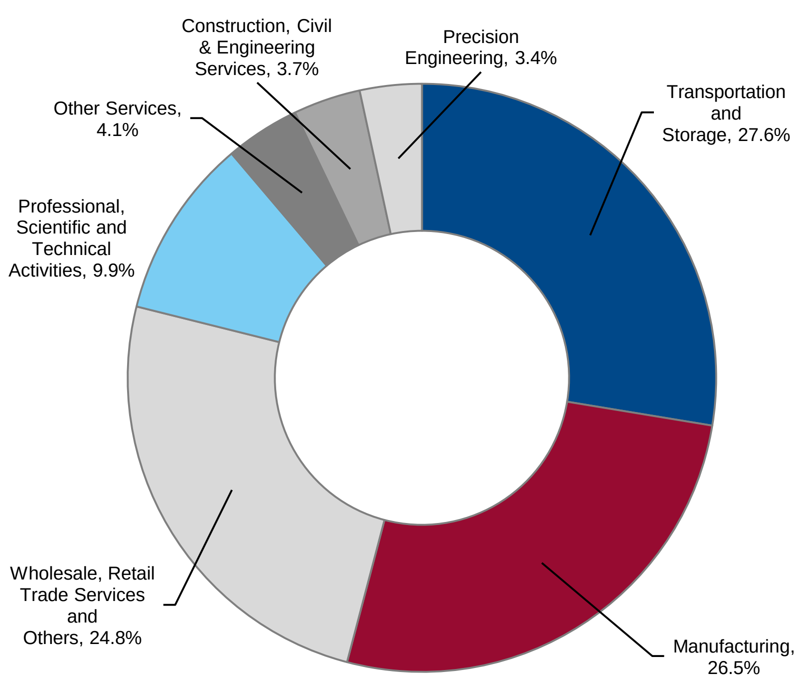
Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 100% of the value of the Property of S$303.0 million, and 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

2 Income Diversification and Enlarged Tenant Base

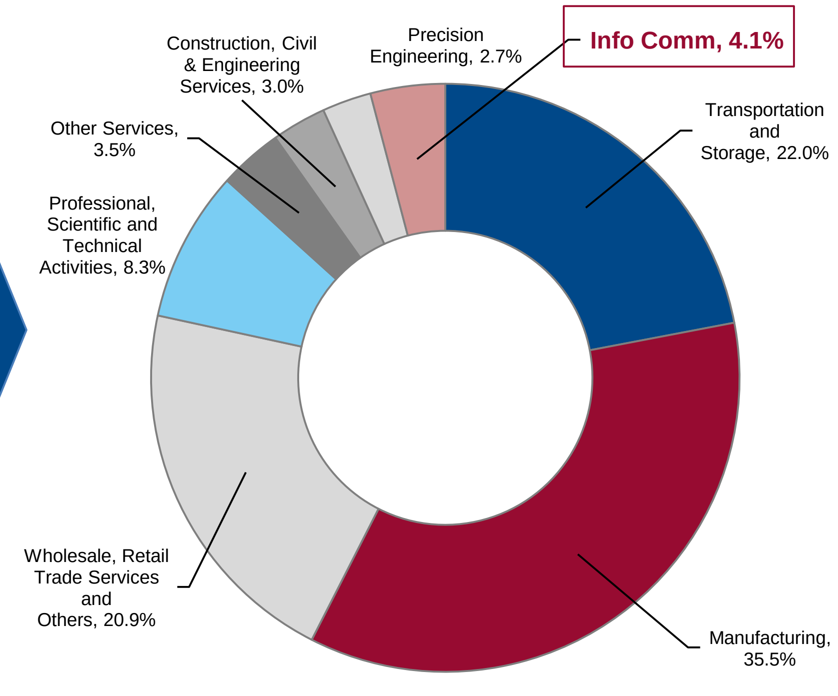
Diversifies Rental Income through Exposure to the Info Comm Industry

- Tenants comprise high value-added manufacturers (Heptagon Micro Optics Pte. Ltd.), data centre operators, power and utilities companies (SP Services Ltd), and telecommunication companies (StarHub Ltd)
- Diversifies ESR-REIT's rental income through exposure to the Info Comm industry

Rental Income Breakdown by Industry Segment: Pre-Acquisition(1)



Rental Income Breakdown by Industry Segment: Post-Acquisition(2)



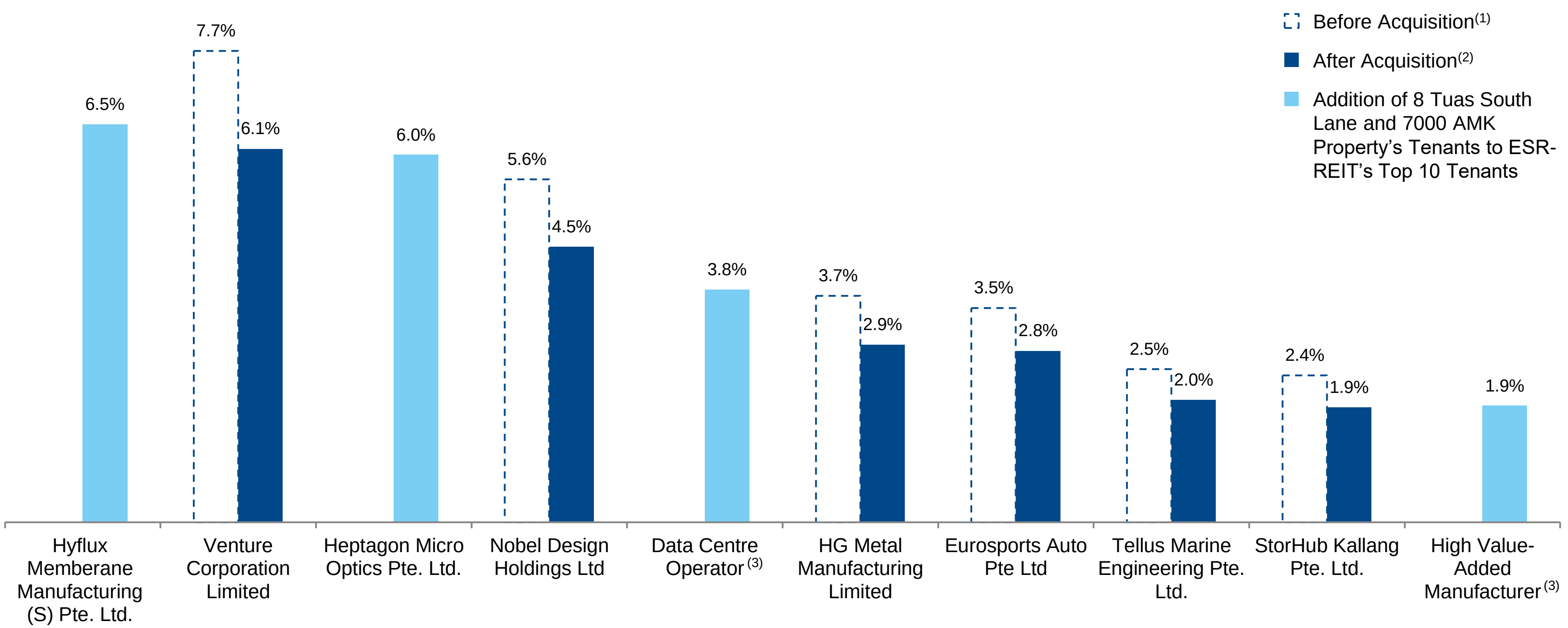
Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

2 Income Diversification and Enlarged Tenant Base

Improves Quality of Portfolio Tenant Base

- Improves quality of portfolio tenant base with the inclusion of tenants like Heptagon Micro Optics Pte. Ltd., SP Services Ltd and StarHub Ltd
- Rental income contribution by largest tenant decreases from 7.7%(1) to 6.5%(2)
- Top 10 tenants account for c.38.4% of portfolio

Top 10 Tenants by Rental Income



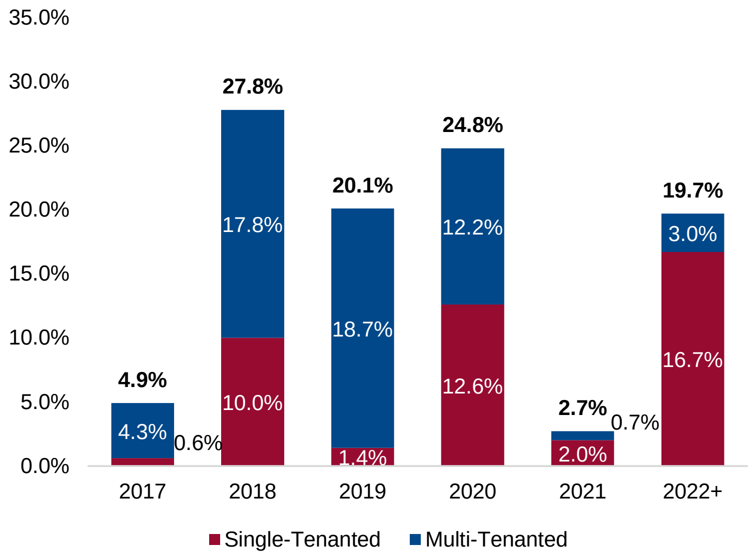
Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017
(3) Tenant cannot be named due to confidentiality obligations

3 Increase Portfolio WALE Profile

Extends ESR-REIT's Portfolio WALE from 3.4 Years to 4.2 Years

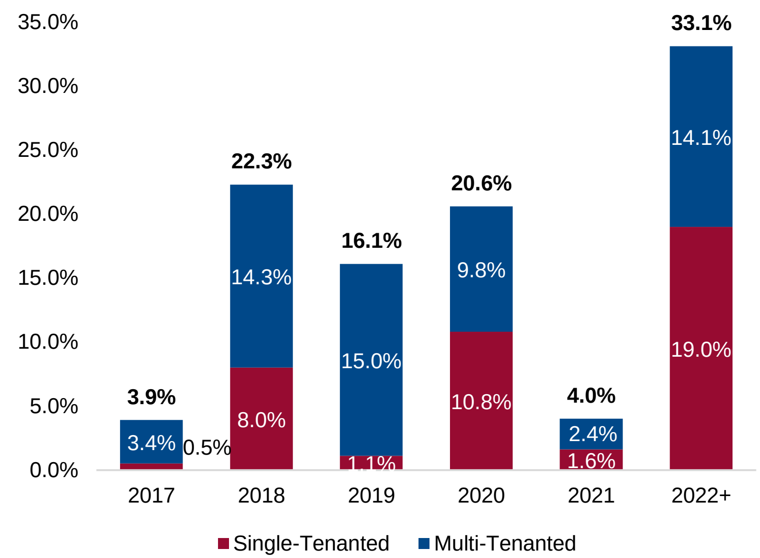
- 7000 AMK has a long Weighted Average Lease Expiry ("WALE") of 5.5 years for a multi-tenanted building
- Extends ESR-REIT's portfolio WALE from 3.4 years(1) to 4.2 years(2)
- Provides income stability while providing potential rental upside from increased occupancy and renewals
- Single-tenant leases expiring in the next 3 years decreases from 12.0% to 9.6%

Rental Income Breakdown by WALE: Pre-Acquisition(1)



Portfolio WALE = 3.4 years

Rental Income Breakdown by WALE: Post-Acquisition(2)



Portfolio WALE = 4.2 years

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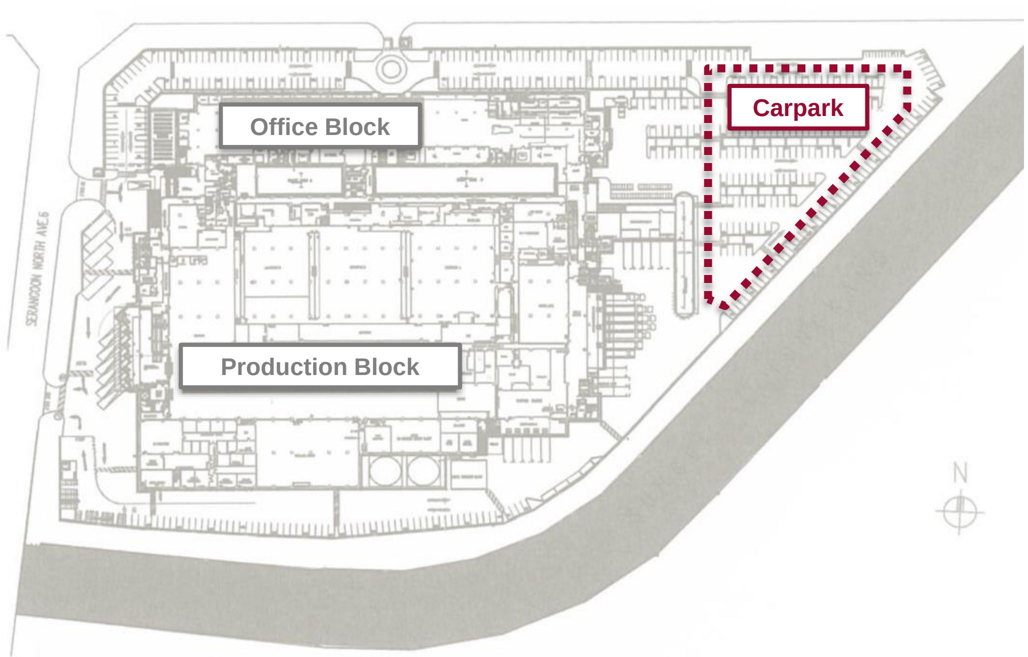
Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

4 Potential Upside from Developing Un-Utilised Plot Ratio

Opportunity to Unlock Further Value

- 7000 AMK has an un-utilised plot ratio of 0.8 which translates into potential additional gross floor area of up to c.495,000 sq ft
- The un-utilised GFA can be developed as an extension block either on a multi-tenanted basis or a built-to-suit basis to be leased to data centre operators or high value-added manufacturers
  - Potential to generate additional rental revenue and improve capital value



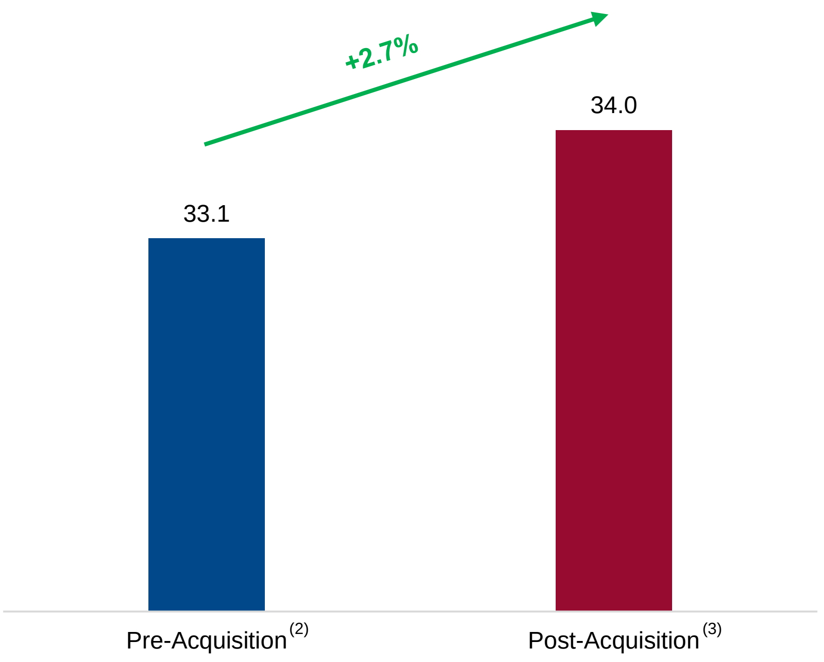
Unlocking value within 7000 AMK: Potential additional GFA of up to c.495,000 sq ft

5 Long Land Lease with No Upfront Land Premium Payable for First Term

Increases Portfolio Land Lease Expiry from 33.1 Years to 34.0 Years

- Long remaining land tenure of 39 years (9 years plus 30 years)(1) compared to 20 to 30 years land lease terms for new industrial sites in recent years
- No upfront land premium is payable for the first term
- Acquisition increases the average land tenure of ESR-REIT's portfolio from 33.1 years(2) to 34.0 years(3)

Land Lease Expiry (Years)



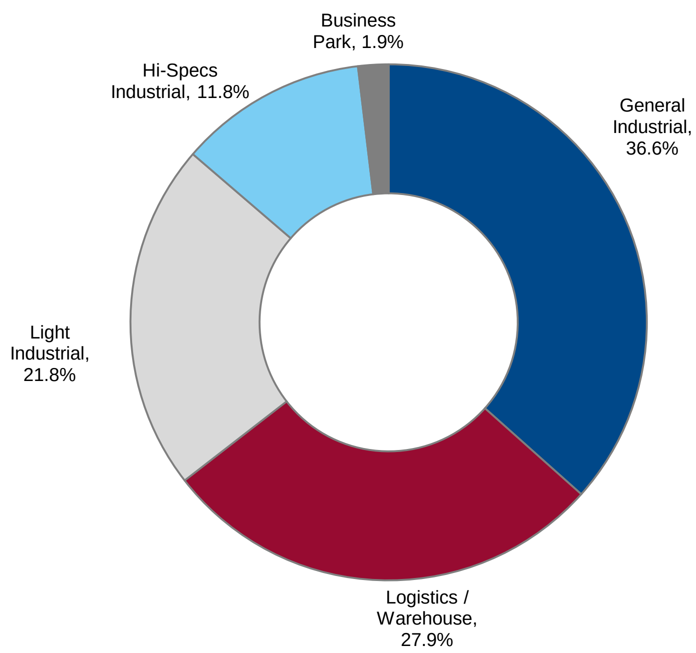
Notes:
(1) 9 years for the first term with an option to renew for a further term of 30 years
(2) As at 30 September 2017
(3) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

6 Enhancement of ESR-REIT's Portfolio Quality

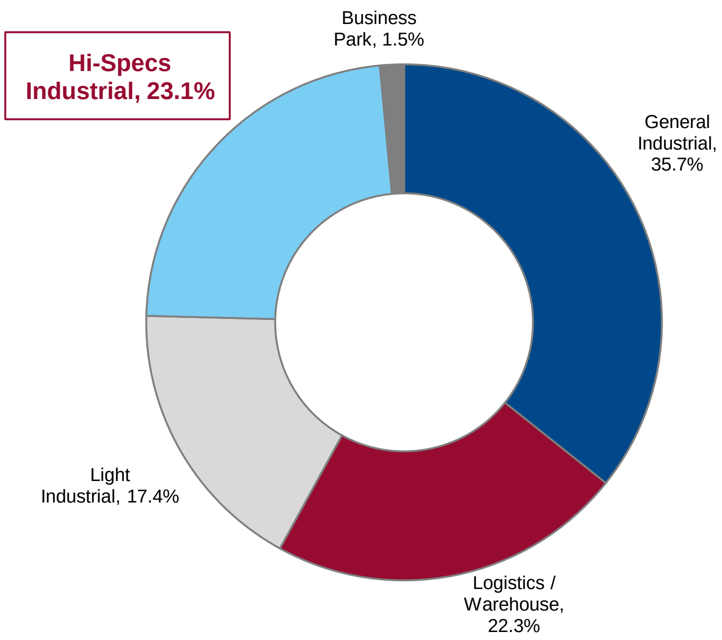
Enhances ESR-REIT's Exposure to High Specification Assets

- Property has strong specifications that meet the needs of high value-added manufacturers
- Exposure to High-Specs Industrial increases from 11.8%(1) to 23.1%(2)
- Reduces concentration in any asset class from 36.6%(1) to 35.7%(2)

Rental Income Breakdown by Asset Class: Pre-Acquisition(1)



Rental Income Breakdown by Asset Class: Post-Acquisition(2)



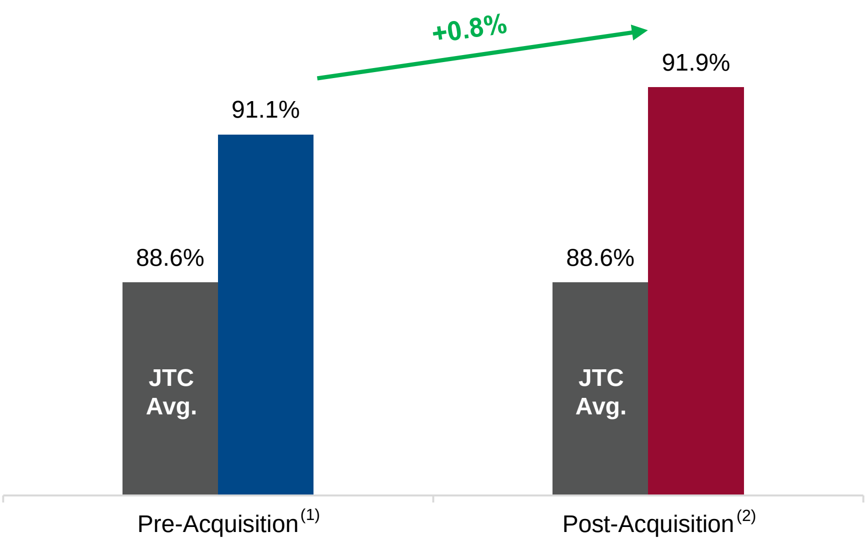
Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

6 Enhancement of ESR-REIT's Portfolio Quality

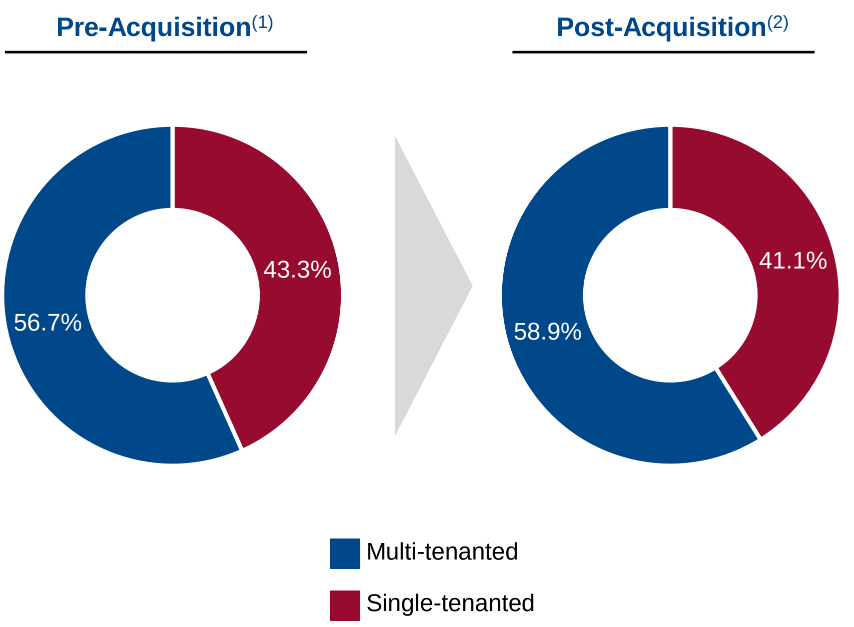
Increases Portfolio Occupancy to 91.9% and Enhances Tenant Diversification

- Portfolio occupancy increases to 91.9%(2), which is higher than the JTC Corporation average occupancy rate across all industrial properties of 88.6%
- Portfolio continues to be well balanced between single-tenanted and multi-tenanted leases ensuring concentration risk is appropriately managed

Portfolio Occupancy Rate (%)



Rental Income: Single-Tenanted vs. Multi-Tenanted



Notes:
(1) As at 30 September 2017
(2) Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017

6 Enhancement of ESR-REIT's Portfolio Quality

Demonstrates ESR-REIT's Ability to Recycle Capital

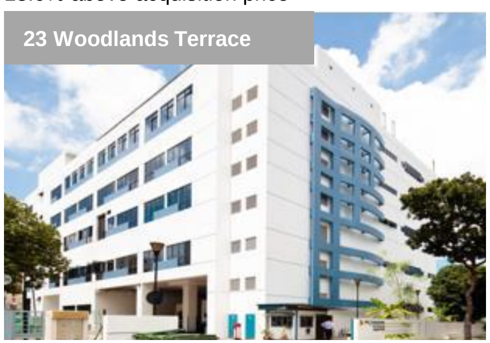
- Sizeable and accretive acquisitions enhances ESR-REIT's portfolio quality and improves portfolio stability while recycling capital towards scalable, value-adding acquisitions with long term growth prospects

Divestment of Lower Yielding Non-Core Assets Above Valuation

55 Ubi Avenue 3

Sale Consideration
S$22.1 million
0.6% above valuation
18.0% above acquisition price

23 Woodlands Terrace



Sale Consideration
S$17.7 million
2.8% above valuation
14.8% above acquisition price

87 Defu Lane 10

Sale Consideration
S$17.5 million
0.6% above valuation
34.0% above acquisition price

Scalable and Value-Adding Acquisitions

8 Tuas South Lane

Purchase Consideration
S$106.1 million(1)

7000 Ang Mo Kio Avenue 5

Purchase Consideration
S$240.0 million (80.0% interest)

Note:
(1) Purchase consideration comprises of consideration of S$95.0 million and upfront land premium payable to JTC Corporation of approximately S$11.1 million

Funding Structure and Financial Impact

7000 Ang Mo Kio Avenue 5

Method of Financing

Illustrative Uses	
Cost of the Acquisition	▪ Total Consideration: S$240.0 million[(1)] ▪ Acquisition Fee : S$2.4 million ▪ Stamp Duties: S$0.5 million ▪ Other Transaction Costs[(2)]: S$0.6 million ▪ **Total Acquisition Cost: S$243.5 million**

Illustrative Sources	
Initial Funding	▪ Internal cash resources ▪ Existing bank borrowings[(3)] ▪ Part of the proceeds from its subordinated perpetual securities issued on 3 November 2017
Proposed Equity Fund Raising ("EFR")	▪ ESR-REIT is proposing to issue up to 263.0 million new units under an EFR to reduce the debt facilities utilised to partially fund the Total Acquisition Cost ▪ The structure and timing of the EFR has not been determined but, if undertaken, may comprise: - a private placement of new units to institutional and other investors; and / or - a non-renounceable preferential offering of units to existing holder of units of ESR-REIT on a pro-rata basis (the "Preferential Offering") ▪ If the EFR includes the Preferential Offering, ESR (the "Sponsor") will undertake to subscribe in full its entitlement of 12.4%, and additionally subscribe for excess units up to a total subscription amount of S$125.0 million (the "Undertaking")[(4)] ▪ Illustrative EFR scenario assumes gross proceeds of approximately S$125.1 million at an illustrative issue price of S$0.530 per Unit

Transaction is Fully Funded

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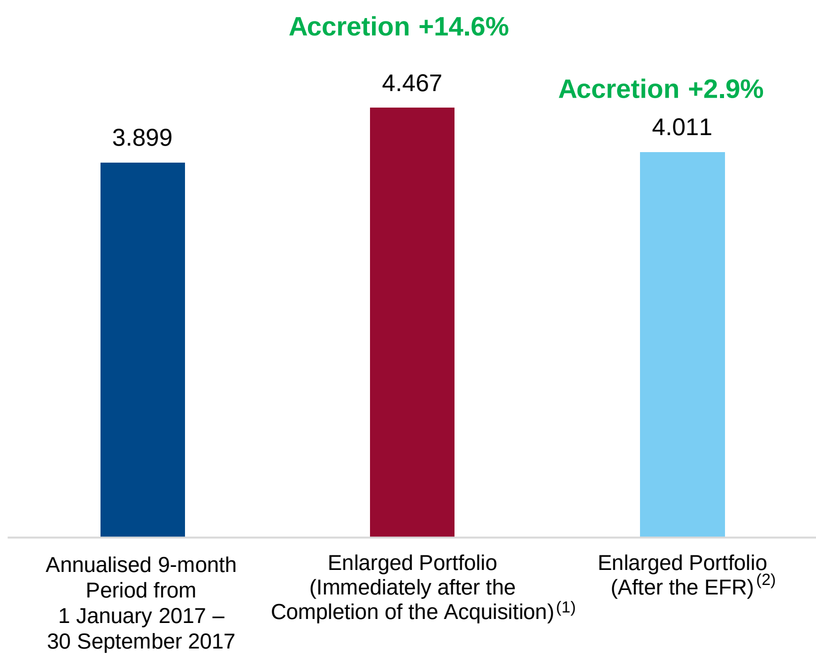
Notes:
(1) Includes a shareholder's loan of S$50.5 million to be provided to the AssetCo on completion
(2) Includes professional and other transaction fees and expenses incurred or to be incurred in connection with the Acquisition
(3) Manager has in place committed undrawn 3-year revolving credit facilities of S$225.0 million
(4) Subject to the approval of Unitholders

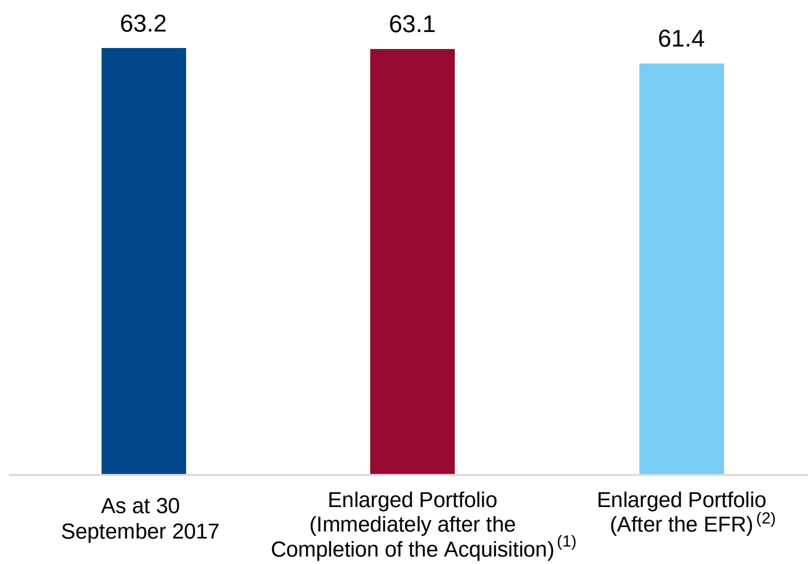
Financial Impact on ESR-REIT

FOR ILLUSTRATIVE PURPOSES ONLY – NOT A FORWARD LOOKING PROJECTION

Annualised Distribution per Unit (Singapore Cents)



Net Asset Value per Unit (Singapore Cents)

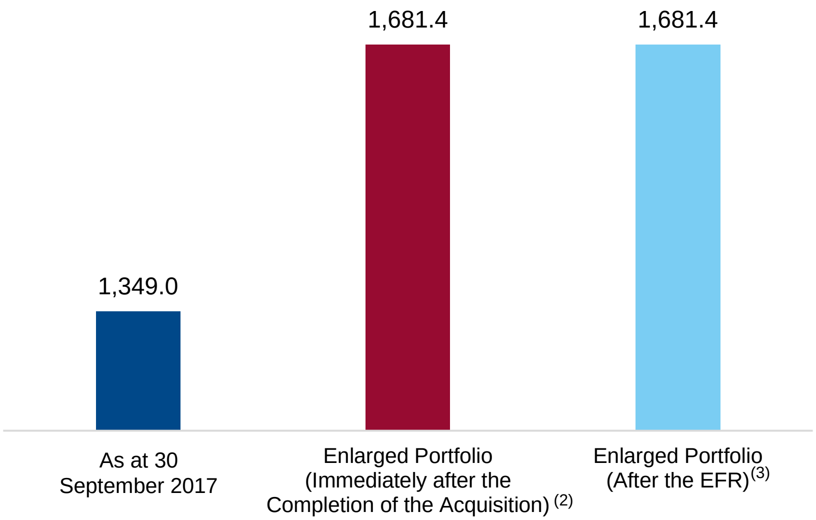


Notes:
(1) Pro forma as at 30 September 2017 assuming the total acquisition cost is funded using a combination of part of the proceeds of subordinated perpetual securities, internal cash resources and existing debt facilities
(2) Pro forma as at 30 September 2017 assuming ESR-REIT issues 236.0 million new units at an illustrative issue price of S$0.530 per new unit, raising gross proceeds of approximately S$125.1 million to reduce the debt facilities utilised to partially fund the total acquisition cost

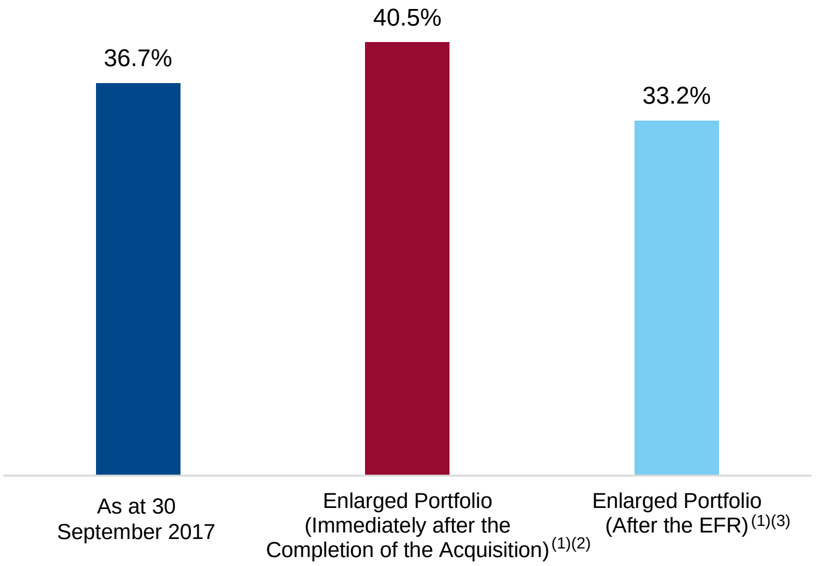
Financial Impact on ESR-REIT (Cont'd)

FOR ILLUSTRATIVE PURPOSES ONLY – NOT A FORWARD LOOKING PROJECTION

Total Deposited Property (S$ million)



Aggregate Leverage (%)

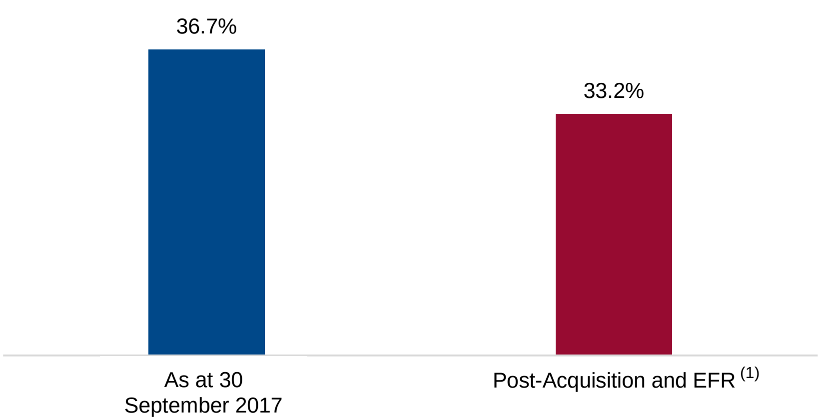


Notes:
(1) Includes proceeds from the subordinated perpetual securities which were issued on 3 November 2017
(2) Pro forma as at 30 September 2017 assuming the total acquisition cost is funded using a combination of part of the proceeds of subordinated perpetual securities, internal cash resources and existing debt facilities
(3) Pro forma as at 30 September 2017 assuming ESR-REIT issues 236.0 million new units at an illustrative issue price of S$0.530 per new unit, raising gross proceeds of approximately S$125.1 million to reduce the debt facilities utilised to partially fund the total acquisition cost

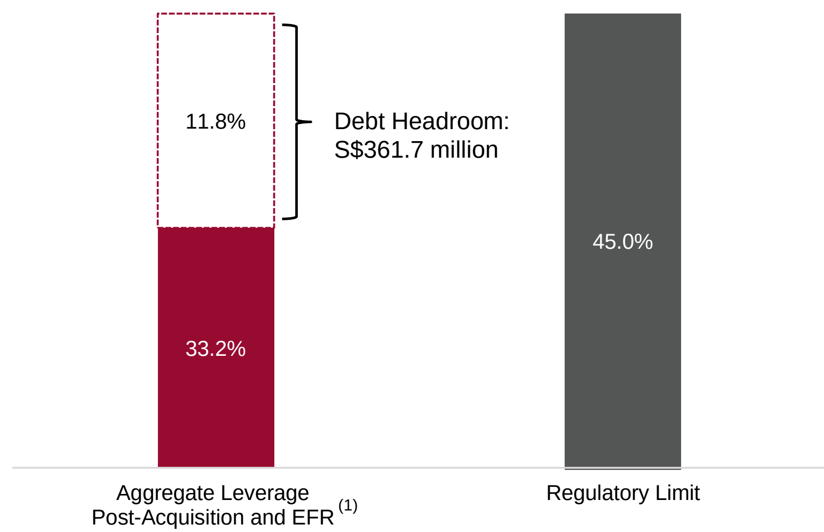
Proposed Equity Fund Raising Enhances ESR-REIT's Financial Flexibility

- Recent S$150.0 million Perpetual Issuance and the proposed EFR, if undertaken, will reduce ESR-REIT's gearing and enhance its financial flexibility
- Post-acquisition and completion of the proposed EFR, ESR-REIT's gearing will be 33.2% (1) implying a debt headroom of S$361.7 million which can be used to fund future acquisitions

Aggregate Leverage (%)



Debt Headroom



Note:
(1) Pro forma acquisition of 7000 AMK is prepared assuming the total acquisition cost is funded using a combination of part of the proceeds of subordinated perpetual securities, internal cash resources, existing debt facilities and gross proceeds from a S$125.1 million Preferential Offering. The Preferential Offering assumes 236.0 million new units are issued at the illustrative issue price of S$0.530 per new unit

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Recent Developments

7000 Ang Mo Kio Avenue 5

Recent Developments

Divestment of Non-Core Assets

- Announced / completed 3 divestments to improve portfolio returns and re-align portfolio
- **Each divestment was <S$25 million** in size and all were **divested at above valuation**

Value-Enhancing Acquisition of 8 Tuas South Lane

- **c. S$111.0 million**[1] **yield-accretive acquisition** marks first acquisition since Sponsor came on board
- Broadens tenant base to include a quality tenant, Hyflux, while providing potential to tap onto the future Tuas Megaport
- Acquisition announced on 18 October 2017 and completed on 13 December 2017

Inaugural PERP Issuance

- On 3 November 2017, ESR-REIT raised **S$150.0 million in NC5 Perpetual Securities at a 4.60% coupon**
- **Perpetual Securities lower ESR-REIT's gearing** and demonstrates ESR-REIT's **ability to diversify sources of funding**

7000 AMK Acquisition Further Augments Portfolio

- **Yield accretive acquisition** which enhances ESR-REIT's portfolio quality
- **Potential to unlock further value** via developing un-utilised plot ratio providing potential additional GFA of up to 495,000 sqft.

Note:
(1) Comprising consideration of S$95.0 million, upfront land premium payable to JTC Corporation of approximately S$11.1 million, stamp duties of approximately S$3.2 million and other transaction costs of approximately S$1.4 million

Conclusion

7000 Ang Mo Kio Avenue 5

Conclusion

- ☑ **Improves Portfolio Quality in terms of WALE, Land Lease Expiry, Rent Expiry Profile and Diversification of Tenant Base**
- ☑ **Transaction is Yield Accretive, After the Proposed Equity Fund Raising**
- ☑ **Recycling Capital from Lower Yielding Assets to Scalable, Value-Adding Acquisitions with Long Term Growth Prospects and Potential to Increase GFA from Developing Un-Utilised Plot Ratio**
- ☑ **Backstop for Preferential Offering in Proposed Equity Fund Raising Reflects Sponsor's Commitment and Support for ESR-REIT**

Important Notice

This material shall be read in conjunction with ESR-REIT's results announcements for the financial period ended 30 September 2017 and the announcement dated 14 December 2017 in relation to the Acquisition and Equity Fund Raising.

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.

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