

# Divestment of 72 Loyang Way

21 March 2019



# Agenda

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# Key Highlights



# Divestment of 72 Loyang Way

## 72 Loyang Way

<b>Address</b>	72 Loyang Way, Singapore 508762
<b>Acquisition Date</b>	27 May 2015
<b>Purchase Price</b>	S\$97.0 million
<b>Balance Land Lease Term (by valuation)</b>	19 years <sup>(1)</sup>
<b>Land Area (sq ft)</b>	291,598
<b>Net Lettable Area (sq ft)</b>	171,293
<b>WALE by Income</b>	1.13 years <sup>(1)</sup>
<b>FY2018 Valuation</b>	S\$34.0 million <sup>(2)</sup>
<b>FY 2018 Gross Revenue</b>	S\$1.4 million <sup>(3)</sup>
<b>Purchaser</b>	Kim Hock Enterprise Pte. Ltd.
<b>Selling Price</b>	S\$34.08 million
<b>Divestment Cost</b>	Professional fees of S\$25,000 (The Manager has waived the divestment fee)
<b>Divestment Gain</b>	S\$55,000

### Rationale and Benefits of the Divestment

1

Unlocks and releases capital for Soilbuild REIT

2

Prolonged weakness in marine offshore and oil & gas sectors resulting in low occupancy rate

3

Short balance land lease tenure of 19 years

4

Improvement of portfolio metrics

(1) As at 31 December 2018.

(2) Based on valuation performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers") as at 31 December 2018.

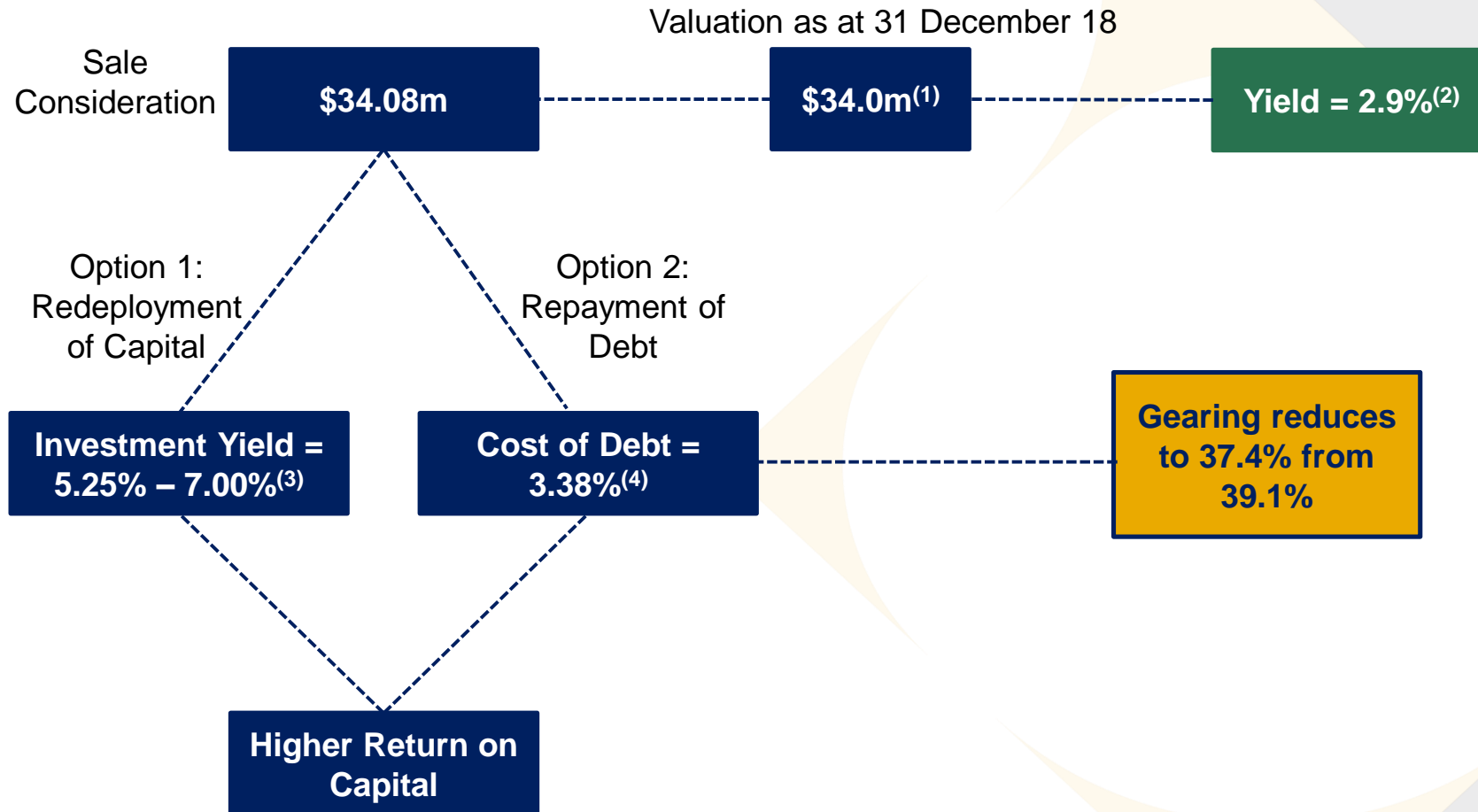
(3) Excludes liquidation proceeds amounting to S\$3.25 million from Technics Offshore Engineering Pte Ltd. ("TOE")

# Rationale for Divestment



# Rationale for the Divestment

This transaction will unlock capital and enhance SBREIT’s financial flexibility in funding acquisitions / AEs and/or repayment of debt to optimise returns for its unitholders.



(1) Based on valuation performed by Colliers as at 31 December 2018.

(2) Based on valuation of \$34.0 million and FY2018 net property income of \$1.0 million (excluding one-off liquidation proceeds from TOE).

(3) Based on the recent transacted yields of sub-regional office and prime industrial in Australia.

(4) Based on the weighted average borrowing cost in FY2018.

# Rationale for the Divestment

## Challenging Environment

Due to prolonged weakness in the marine offshore and oil & gas sector coupled with JTC's anchor tenant ruling which requires the anchor tenant to satisfy JTC's requirements such as usage, value-added, remuneration per worker, as well as occupying at least 70% of the premises' Gross Floor Area (GFA), it was challenging finding a suitable replacement tenant.

## Short Balance Land Lease Tenure

Given the relatively short balance land lease tenure of 19 years, the Manager seeks to realise the maximum value of 72 Loyang Way before its value declines further over time. Holding a low-yielding property indefinitely in anticipation of a recovery in the marine offshore and oil & gas sector weakens current portfolio performance.

# Rationale for the Divestment

## Relatively short balance land lease tenure of 19 years

Property	Land Lease Expiry Date	Balance Land Lease Tenure (years) <sup>(1)</sup>	Occupancy (%) <sup>(2)</sup>
Solaris	31-May-68	49	97.1%
Eightrium	15-Feb-66	47	90.6%
West Park BizCentral	31-Jul-68	49	85.9%
Tuas Connection	30-Sep-50	32	94.7%
NK Ingredients	30-Sep-46	28	100.0%
COS Printers	31-Jul-42	23	100.0%
Beng Kuang Marine	29-Oct-56	38	100.0%
39 Senoko Way (Phase 1)	15-Feb-54	35	34.6%
39 Senoko Way (Phase 2)			
Speedy-Tech	30-Apr-50	31	100.0%
Bukit Batok Connection	25-Nov-42	24	100.0%
14 Mort Street, Canberra	6-Feb-2118	99	100.0%
Inghams Burton, Adelaide	Freehold	Freehold	100.0%
<b>72 Loyang Way</b>	<b>20-Mar-38</b>	<b>19</b>	<b>29.3%</b>
<b>Portfolio Weighted Average (Pre-Divestment)</b>		<b>47.4</b>	<b>89.5%</b>
<b>Portfolio Weighted Average (Post-Divestment)</b>		<b>48.2</b>	<b>92.2%</b>

(1) As at 7 February 2019. The Manager renewed the Crown lease for 14 Mort Street in Canberra with a new 99 years lease granted on 7 February 2019.

(2) As at 31 December 2018.



# Portfolio Impact



# Portfolio Summary

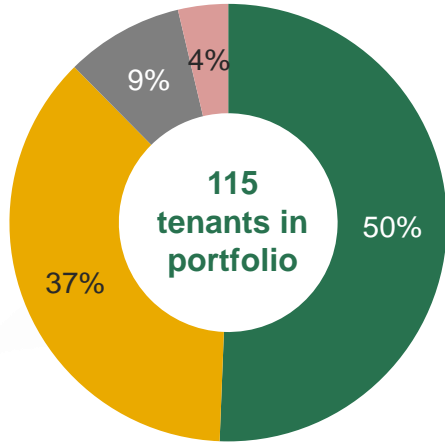
	Post-divestment of 72 Loyang Way	31 December 2018	31 December 2017
Number of Properties	12	13	12
Number of Tenants	111	115	115
Portfolio Net Lettable Area	3.86 million sq ft	4.03 million sq ft	3.90 million sq ft
WALE (by Gross Rental Income)	3.9 years	3.9 years	3.0 years
WALE (by Net Lettable Area)	3.8 years	3.7 years	3.1 years
Weighted Average Land Lease (by Valuation)	46.6 years	45.8 years	43.4 years
Weighted Average Portfolio Age (by Valuation)	9.9 years	10.0 years	8.0 years
Portfolio Occupancy	92.2%	89.5%	92.7%
Portfolio Valuation	S\$1.20 billion	S\$1.23 billion	S\$1.16 billion

# Well diversified Portfolio

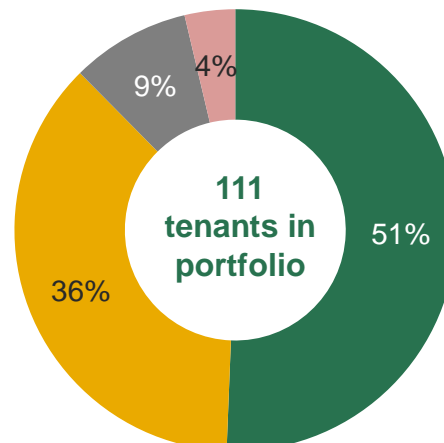
## Diversified Tenant Base

By Gross Revenue <sup>(1)</sup>

Pre-Divestment of 72 Loyang Way



Post-Divestment of 72 Loyang Way

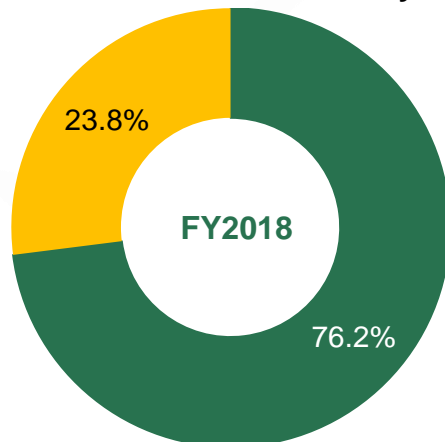


- MNC
- SME
- Government Agency
- SGX Listed Corporation

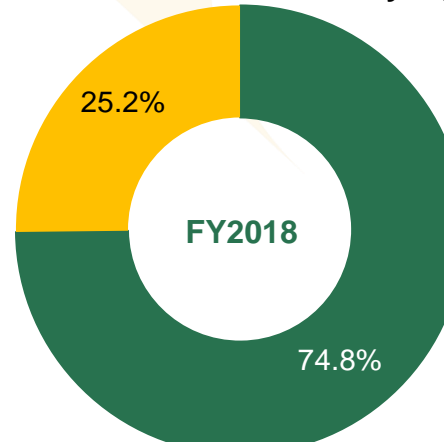
## Portfolio of Multi-tenanted and Master Leases

By Gross Revenue <sup>(1)</sup>

Pre-Divestment of 72 Loyang Way



Post-Divestment of 72 Loyang Way



- Multi-Tenanted
- Master Lease

Note:

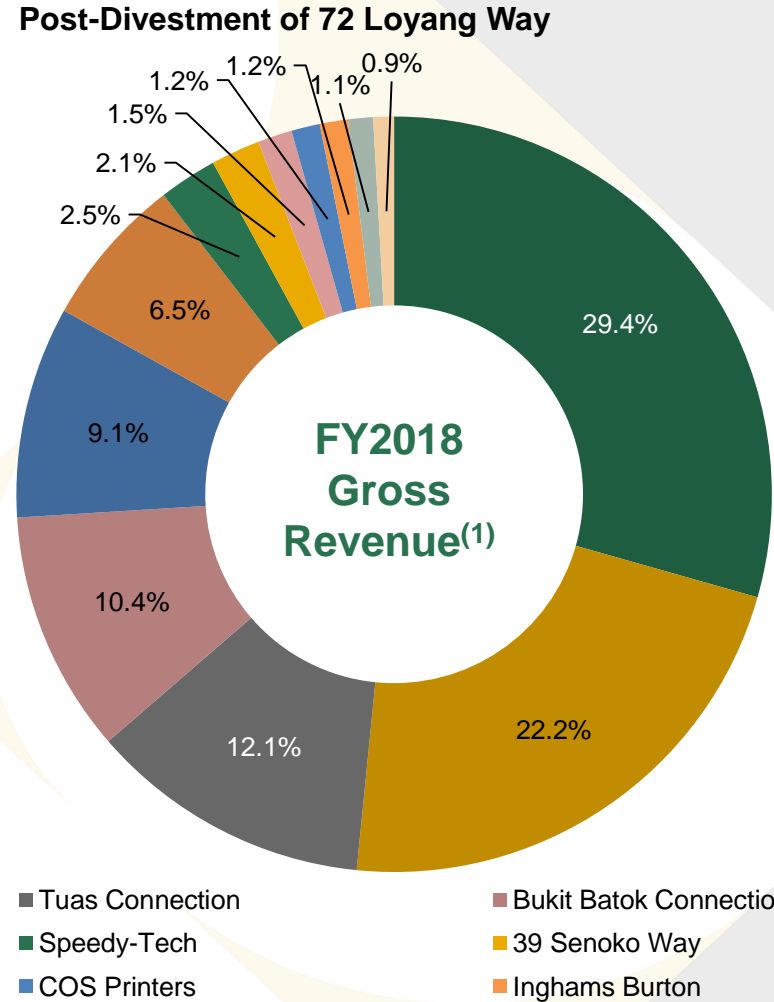
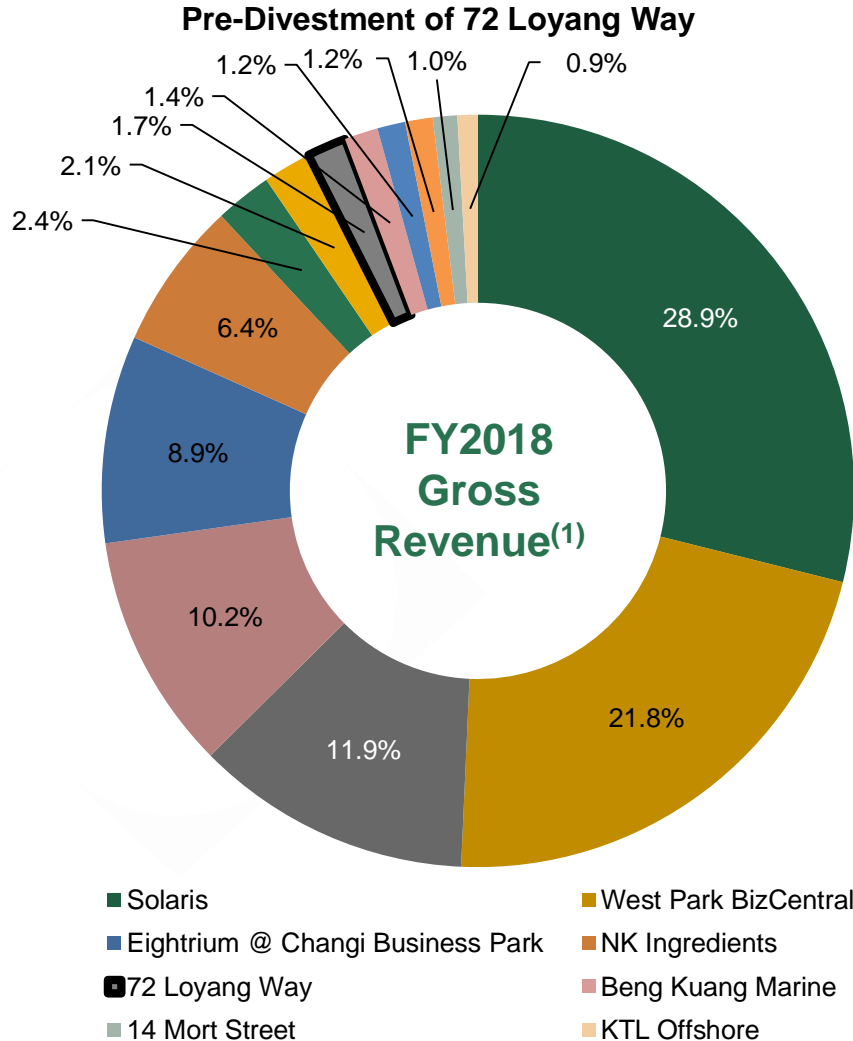
(1) Excluding one-off liquidation proceeds from TOE.

(2) Information as at 31 December 2018.

# Well diversified Portfolio

## Portfolio Income Spread

By Property



Note:

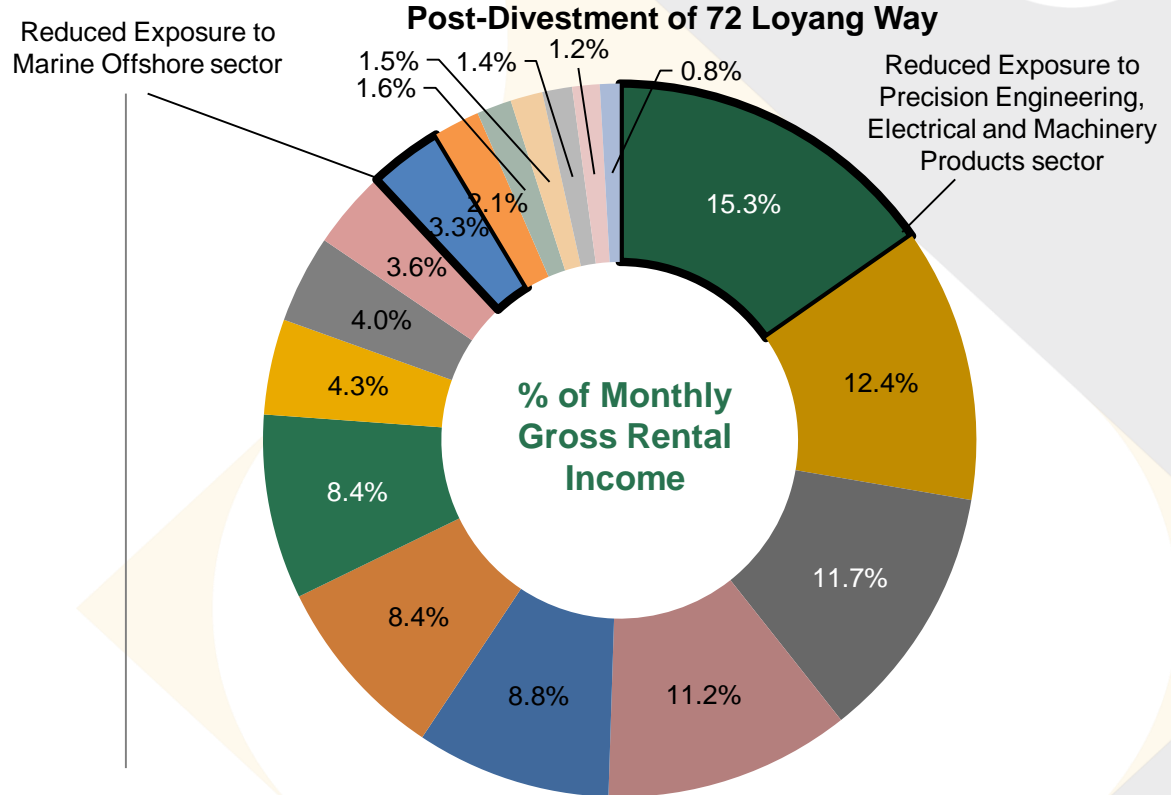
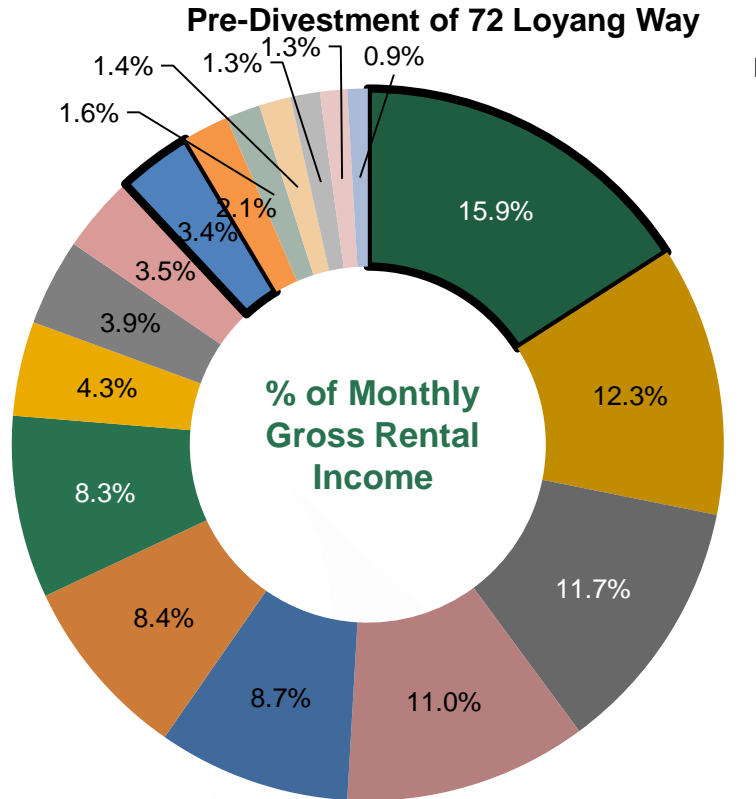
(1) Excluding one-off liquidation proceeds from TOE.

(2) Information as at 31 December 2018.

# Well diversified Portfolio

## Well-spread Trade Sectors

By Gross Rental Income



- Precision Engineering, Electrical and Machinery Products
- Real Estate and Construction
- Government Agency
- Electronics
- Publishing, Printing & Reproduction of Recorded Media
- Marine Offshore
- Financial
- Education & Social Services
- Oil & Gas

- Information Technology
- Others
- Chemicals
- Fabricated Metal Products
- Food Products & Beverages
- Supply Chain Management, 3rd Party Logistics, Freight Forwarding
- Telecommunication & Datacentre
- Pharmaceutical & Biological

# Financial Impact



# Pro Forma Financial Impact

## Pro Forma Net Asset Value (NAV) per Unit Effect of the Sale

Based on FY2018 Audited Financial Statements	Effects of the Sale	
	Before the Sale	After the Sale
NAV per Unit (\$)	0.63	0.63 <sup>1</sup>

## Pro Forma Distribution per Unit (DPU) Effect of the Sale

Based on FY2018 Audited Financial Statements	Effects of the Sale	
	Before the Sale	After the Sale
DPU (Singapore cents)	5.284 <sup>2</sup>	5.300 <sup>1,2</sup>

1 Assuming that the net sale proceeds from the proposed divestment of S\$34.055 million will be utilised for the repayment of borrowings as at 1 January 2018 with finance expenses savings of 3.38% per annum.

2 Includes one-off liquidation proceeds of \$3.25 million from TOE.

# Rule 1006 of the Listing Manual





# Pro Forma Financial Impact

Chapter 10 of the Listing Manual classifies transactions by Soilbuild REIT into (i) nondiscloseable transactions, (ii) discloseable transactions and (iii) major transactions, depending on the size of the relative figures computed on, inter alia, the following applicable bases of comparison set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual:

Comparison of	Percentage
<p><b><u>Rule 1006(a)</u></b></p> <p>Net asset value of the assets to be disposed of, compared with Soilbuild REIT's net asset value for the financial year ended 31 December 2018</p>	4.6%
<p><b><u>Rule 1006(b)</u></b></p> <p>Net profits attributable to the assets disposed of compared to Soilbuild REIT's net profits for the financial year ended 31 December 2018</p>	1.7% <sup>1</sup>
<p><b><u>Rule 1006(c)</u></b></p> <p>Aggregate value of consideration received, compared with Soilbuild REIT's market capitalisation</p>	5.3% <sup>2</sup>

1 Excludes receipt of one-off liquidation proceeds of S\$3.25 million from TOE. If the liquidation proceeds are included, the net profits attributable to 72 Loyang Way as compared to Soilbuild REIT's net profits for the financial year ended 31 December 2018 is 7.2%.

2 This figure is based on Soilbuild REIT volume weighted average price of S\$0.602 per Unit on 20 March 2019, being the Market Day immediately prior to the date of the entry of the Sale and Purchase Agreement.

# Estimated Timeline



# Estimated Timeline

Timeline	Milestone
21 March 2019	Signing of Sale and Purchase Agreement
Second quarter of 2019	JTC's Grant of Approval
Second quarter of 2019	Completion of Sale