

Soilbuild REIT announces distributable income of S\$11.6 million and DPU of 0.918 cents

Summary of Financial Results:

	3Q FY2019	3Q FY2018	Variance (%)	2Q FY2019	Variance (%)	YTD FY2019	YTD FY2018	Variance (%)
Gross revenue (S\$'000)	21,194	19,800	7.0	22,364	(5.2)	66,242	57,982	14.2
Net property income (S\$'000)	16,952	16,222	4.5	18,328	(7.5)	53,573	49,457	8.3
Income attributable to perpetual securities holders (S\$'000)	983	43	Nm	972	Nm	2,917	43	Nm
Amount attributable to Unitholders (S\$'000)	11,573	13,186	(12.2)	12,560	(7.9)	36,873	40,504	(9.0)
Total DPU (in cents)	0.918	1.245	(26.3)	1.179	(22.1)	3.295	3.833	(14.0)
From operations	0.887	1.245	(28.8)	1.151	(22.9)	3.201	3.833	(16.5)
From capital	0.031	-	Nm	0.028	10.7	0.094	-	Nm
Units Issued ('000)	1,259,552	1,058,516	19.0	1,065,392	18.2	1,259,552	1,058,516	19.0
Pre-Preferential Offering DPU (in cents)	1.084¹	1.245	(12.9)	1.179	(8.1)	3.461	3.833	(9.7)

Note: Nm denotes not meaningful.

Singapore, 16 October 2019 – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 0.918 cents and 3.295 cents for the third quarter and nine months ended 30 September 2019 respectively.

Financial performance

Year-on-Year (“**y-o-y**”) gross revenue and net property income for 3Q FY2019 rose 7.0% and 4.5% respectively mainly due to contribution from two Australia properties acquired in October

¹ Computed based on Amount attributable to Unitholders divided by pre-preferential offering total issued Units.

2018 and conversion of Solaris into a multi-tenanted property in August 2018. The increase in revenue was partially offset by lower contribution from NK Ingredients, Eightrium and 39 Senoko Way.

The enlarged issued units post preferential offering coupled with cessation of revenue recognition from NK Ingredients resulted in the y-o-y decline in DPU.

Quarter-on-Quarter (“**q-o-q**”) net property income fell 7.5% largely due to lower contribution from NK Ingredients.

Operational performance

Portfolio occupancy rate dipped slightly from 88.6% in 2Q FY2019 to 88.4% in 3Q FY2019. The Manager successfully completed more than 76,600 sqft of renewals in the quarter and secured approximately 87,800 sqft of new leases. Year-to-date we have completed more than 548,500 sqft of renewals and new leases.

Positive rental reversion of 8.5% was recorded for renewals and negative rental reversion of 9.3% was recorded for new leases in 3Q FY2019. Weighted average lease expiry by net lettable area and gross rental income stood at 3.4 and 3.7 years respectively.

A balance of 1.2% or approximately 47,292 sqft of the portfolio’s net lettable area is due for expiry for the rest of 2019.

Update on NK Ingredients Pte. Ltd. (“NKI”)

The Manager announced on 20 August 2019 that a judicial management application filed by another creditor of NKI has been granted. The Manager has indicated that it was prepared to defer payment of NKI’s rent for a period of two months from 1 September 2019 to 31 October 2019 subject to certain conditions being met to assist the judicial manager’s management of NKI’s cash flow.

The Manager is exploring options which include a potential asset enhancement to maximise the gross floor area, amongst other possibilities.

Proposed acquisition of 25 Grenfell Street

On 21 August 2019, the Manager announced the proposed acquisition of a multi-tenanted freehold Grade A office located at 25 Grenfell Street, Adelaide, Australia for a purchase price of A\$134.22 million (the “**Proposed Acquisition**”).

The Proposed Acquisition deepens Soilbuild REIT's presence in the attractive Australia office market, provides an opportunity to acquire a high-quality building in a prime location, increases Soilbuild REIT's resilience through size and diversification, strengthens Soilbuild REIT's portfolio and increases portfolio yield.

The Manager intends to fund the Proposed Acquisition with a combination of proceeds from a preferential offering and loan drawn from a debt facility.

Prudent and Pro-active Capital Management

In 3Q FY2019, Soilbuild REIT's weighted average borrowing cost was 3.54% p.a., its weighted average debt maturity was 2.6 years with a fixed interest rate for 93.0% 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\$881 million, representing approximately 69% of its portfolio by value. Aggregate leverage stood at 36.5% as at 30 September 2019.

Pursuant to a fully underwritten, pro-rata and non-renounceable preferential offering of new units in Soilbuild REIT (the "**New Units**") on the basis of 18 New Units for every 100 existing units in Soilbuild REIT (the "**Preferential Offering**"), 192,135,040 New Units have been issued at the issue price of S\$0.53 per New Unit on 19 September 2019 to raise gross proceeds of approximately S\$101.8 million.

On 16 October 2019, Soilbuild REIT obtained a S\$45 million, 4-year, unsecured revolving credit facility from CIMB Bank Berhad, Singapore Branch ("**CIMB Loan Facility**").

The net proceeds from the Preferential Offering and part of the CIMB Loan Facility will be utilised for the funding of the Proposed Acquisition.

Outlook

Singapore

Based on advance estimates, the Singapore economy grew marginally by 0.1% on a year-on-year ("**y-o-y**") basis in the third quarter of 2019, unchanged from the pace of growth in the previous quarter. On a quarter-on-quarter ("**q-o-q**") seasonally-adjusted basis, the economy expanded by 0.6%, a turnaround from the 2.7% contraction in the preceding quarter.

The manufacturing sector contracted by 3.5% y-o-y in the third quarter, extending the 3.3% decline in the previous quarter. The contraction was due to output declines in the electronics, precision engineering and transport engineering clusters, which more than offset output

expansions in the chemicals, biomedical manufacturing and general manufacturing clusters. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector shrank by 0.4%, moderating from the 4.2% contraction in the preceding quarter².

Singapore's manufacturing activity slipped to 49.5 in September 2019, 0.4 points lower than August 2019. The electronics sector purchasing manager's index shrank for an eleventh consecutive quarter, coming in at 49.1.

Rentals of all industrial space rose 0.1% q-o-q in 2Q 2019 and was flat y-o-y. The multi-user factories and warehouse rental indices have receded 0.3% and 0.2% y-o-y respectively, whilst business park rentals expanded 0.9% y-o-y. In 2Q 2019, occupancy rate for all industrial space rose 0.6% year-on-year with higher occupancies across the various industrial space³.

Australia

Australia's economy and key indicators remain positive. However, GDP growth of 1.4% and inflation of 1.6% have been slightly below trend recently and were part of the catalyst for the Reserve Bank of Australia's decision to lower cash rate to 0.75%. The recent loosening of monetary policy is expected to stimulate the economy. The recent tax cuts passed by the Federal Government will also provide an additional stimulus over the medium term and will complement the significant amount of infrastructure spending occurring across the country. Unemployment remains low at 5.3% with employment and wages growth delivering a positive 2.5% and 2.3% annual growth rate respectively.

Mr Roy Teo, CEO of the Manager, said: "We are grateful to our unitholders for supporting the Preferential Offering and are pleased to add 25 Grenfell Street to our portfolio in 4QFY2019. The Proposed Acquisition improves portfolio metrics and is in line with our investment strategy of building a sustainable portfolio. We are also pleased that our pro-active leasing efforts have translated into positive rental reversion for renewals and we will continue working towards achieving higher organic growth."

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² Source: MTI's press release dated 14 October 2019.

³ Source: JTC quarterly rental index of industrial space.



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 88.4% as at 30 September 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date").

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