Soilbuild REIT announces 4th Quarter and Full Year DPU of 0.925 and 4.22 cents respectively

Summary of Financial Results:

	4Q FY2019	4Q FY2018	Y-o-Y Change (%)	3Q FY2019	Q-o-Q Change (%)	YTD FY2019	YTD FY2018	Y-o-Y Change (%)
Gross revenue (S$'000)	22,827	25,783	(11.5)	21,194	7.7	89,069	83,765	6.3
Net property income (S$'000)	17,448	20,472	(14.8)	16,952	2.9	71,021	69,929	1.6
Income attributable to perpetual securities holders (S$'000)	983	983	-	983	-	3,900	1,026	280.1
Amount attributable to Unitholders (S$'000)	11,680	15,392	(24.1)	11,573	0.9	48,553	55,896	(13.1)
Total DPU (in cents)	**0.925**	**1.451**	**(36.3)**	**0.918**	**0.8**	**4.220**	**5.284**	**(20.1)**
From operations	0.807	1.451	(44.4)	0.887	(9.0)	4.008	5.284	(24.1)
From capital	0.118	-	n.m	0.031	280.6	0.212	-	n.m
Units Issued ('000)	1,261,711	1,060,763	18.9	1,259,552	0.2	1,261,711	1,060,763	18.9

Note: Nm denotes not meaningful.

Singapore, 22 January 2020 – SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 0.925 cents and 4.220 cents for the fourth quarter and full year ended 31 December 2019 respectively.

Financial performance

Year-on-Year ("**y-o-y**") gross revenue and net property income for 4Q FY2019 fell 11.5% and 14.8% respectively in the absence of a S$3.25 million one-off liquidation payout from Technics Offshore Engineering and lower contribution from 2 Pioneer Sector 1.

A $101.8 million preferential offering to partly fund the acquisition of 25 Grenfell Street, Adelaide ("**Acquisition**") enlarged Soilbuild REIT's unit base. Consequently, DPU was 36.3% lower y-o-y.

Quarter-on-Quarter ("**q-o-q**") gross revenue and net property income rose 7.7% and 2.9% respectively on the back of the completion of the Acquisition on 1 November 2019. DPU grew 0.8% q-o-q.

Operational performance

Portfolio occupancy rate dipped from 88.4% in 3Q FY2019 to 84.0% in 4Q FY2019 mainly due to the pre-termination of the master lease agreement with NKI. Excluding NKI, the portfolio occupancy in 4Q FY2019 would be 88.8%. The Manager successfully completed more than 100,000 sqft of renewals and new leases for the quarter. Year-to-date we have completed more than 700,000 sqft of renewals and new leases.

Positive rental reversion of 5.6% was recorded for renewals and negative rental reversion of 14.1% was recorded for new leases in 4Q FY2019. All new leases for 4Q FY2019 were industrial space of which approximately 20,000 sqft of space had been vacant for the past two to three years. For FY2019, renewals and new leases recorded a positive 1.6% and negative 9.2% reversion respectively. Weighted average lease expiry by net lettable area and gross rental income stood at 2.8 and 3.4 years respectively.

Update on 2 Pioneer Sector 1

The Manager announced on 13 December 2019 that it had re-entered and taken possession of 2 Pioneer Sector 1 as NKI failed to comply with its rental obligations under the master lease agreement.

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

Update on divestment of 72 Loyang Way ("Proposed Divestment")

The Manager announced on 10 January 2020 that JTC had issued a conditional letter of consent for the Proposed Divestment which was accepted by Soilbuild REIT and the purchaser. Soilbuild REIT and the purchaser have agreed to further extend the deadline for obtaining JTC's final approval to 28 May 2020. In consideration of the further extension, the sale consideration has been revised to S$33.08 million.

Prudent and Pro-active Capital Management

In 4Q FY2019, Soilbuild REIT's weighted average borrowing cost was 3.51% p.a., its weighted average debt maturity was 2.5 years with a fixed interest rate for 81.9% of borrowings. There is no debt expiring in 2020. Soilbuild REIT's unencumbered investment properties and a property held for sale were in excess of S$1.0 billion, representing approximately 73% of its portfolio by value. Aggregate leverage stood at 38.2% as at 31 December 2019.

Outlook

Singapore

Based on advance estimates, the Singapore economy grew by 0.8% on a y-o-y basis in the fourth quarter of 2019, extending the 0.7% growth in the previous quarter. On a q-o-q seasonally-adjusted basis, the economy expanded at a slower pace of 0.1% compared to the 2.4% growth in the third quarter. For the whole of 2019, the Singapore economy grew by 0.7%.

The manufacturing sector contracted by 2.1% y-o-y in the fourth quarter, extending the 0.9% decline in the previous quarter. The contraction was due to output declines in the electronics, chemicals and transport engineering clusters, which more than offset output expansions in the precision engineering, biomedical manufacturing and general manufacturing clusters. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector shrank by 7.3%, a reversal from the 8.9% growth in the third quarter[1].

Rentals of all industrial space rose 0.1% y-o-y in 3Q 2019 and was flat q-o-q. In 3Q 2019, the multi-user factories and warehouse rental indices have receded 0.1% and 0.5% y-o-y respectively, whilst business park rentals expanded 1.1% y-o-y. In 3Q 2019, the all-industrial occupancy rate grew 0.2% y-o-y with multiple-user factory and business park recording 1.6% and 0.2% growth y-o-y respectively[2].

Australia

Australia's economy and key indicators remain positive. However, GDP growth of 1.7% and inflation of 1.7% 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

[1] Source: MTI's press release dated 2 January 2020.
[2] Source: JTC quarterly rental index of industrial space.

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 5.2% with employment and wages growth delivering a positive 2.0% and 2.2% annual growth rate respectively.

Mr Roy Teo, CEO of the Manager, said: "We are pleased to report a marginal q-o-q DPU growth following the completion of the acquisition of 25 Grenfell Street in Adelaide in November 2019. In 4QFY2019, we continued achieving positive rental reversion for renewals. For FY2020, we will continue to work towards improving our portfolio quality through asset enhancement initiatives and recycling of capital through divestment of under-performing assets."

- End –

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, a poultry production and processing facility known as Inghams Burton in Adelaide and a Grade A freehold office building at 25 Grenfell Street in Adelaide. Soilbuild REIT's portfolio comprises 11 properties in Singapore and 3 properties in Australia with a total net lettable area of 4.30 million square feet and an occupancy rate of 84.0% as at 31 December 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date").

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