



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

NEWS RELEASE

For immediate release

ESR-REIT's 4Q2018 DPU Improved 8.2% Y-o-Y to 1.005⁽¹⁾ cents

- First set of financial results post the merger with Viva Industrial Trust
- 4Q2018 DPU improved 8.2% year-on-year (“Y-o-Y”) to 1.005⁽¹⁾ cents; reflecting stable distributions achieved as a result of effective execution of strategy
- Gross revenue was S\$156.9 million for FY2018; DPU at 3.857 cents for FY2018
- Portfolio occupancy is at 93.0%, increased exposure to sectors with higher rents, improving rental reversions, top 10 tenant concentration reduced from 38.7% to 30.1%
- Portfolio remains 100% unencumbered, with a lengthened debt tenor and 83.4% of interest rate exposure fixed for 3.0 years
- Focus remains on operational synergies and economies of scale via integration, flexibility to accelerate AEs, and value enhancing asset acquisitions to maximise unitholder returns

Summary of Financial Results:

	4Q2018 (S\$ million)	4Q2017 (S\$ million)	+ / (-) (%)	FY2018 (S\$ million)	FY2017 (S\$ million)	+ / (-) (%)
Gross Revenue	58.4	27.2	114.9	156.9	109.7	43.0
Net Property Income	42.3	19.9	112.1	112.0	78.4	42.8
Amount Available for Distribution to Unitholders	27.5	12.2	125.7	68.4	50.4	35.8
Distribution from Other Gains	1.8	-	n.m	6.0	-	n.m
Total Amount Available for Distribution to Unitholders	29.3	12.2	140.2	74.4	50.4	47.8
Distribution Per Unit (“DPU”) (cents)	1.005 ⁽¹⁾	0.929	8.2	3.857	3.853	0.1

Singapore, 18 January 2019 – ESR Funds Management (S) Limited, the Manager (“Manager”) of ESR-REIT, is pleased to declare a distribution per unit (“DPU”) of 1.005⁽¹⁾ cents for the quarter ended 31 December 2018 (“4Q2018”), an 8.2% increase from 0.929 cents for

⁽¹⁾ Includes the advanced distribution of 0.164 cents that was paid out on 26 Nov 2018.

the quarter ended 31 December 2017. This is the first set of financial results after the completion of the merger with Viva Industrial Trust on 15 October 2018. The total DPU for the financial year ended 31 December 2018 (“FY2018”) was 3.857 cents, an improvement of 0.1% from the 3.853 cents announced for the previous year (“FY2017”).

The total amount available for distribution to Unitholders for FY2018 was S\$74.5 million, while the gross revenue was S\$156.9 million, and Net Property Income (“NPI”) in FY2018 was S\$112.0 million.

This improved NPI was the result of contributions from 8 Tuas South Lane and 7000 Ang Mo Kio Avenue 5 that were acquired in December 2017 and the additional contributions from the newly-acquired 15 Greenwich Drive and the 9 properties from Viva Trust’s portfolio following the completion of the merger in October 2018.

Mr. Adrian Chui, Chief Executive Officer and Executive Director of ESR Funds Management (S) Limited, said: “2018 was a year of transformation for ESR-REIT. We are currently a S\$3.0 billion portfolio with well-located assets across Singapore and a larger market capitalization of close to S\$1.62 billion, which has resulted in higher liquidity and trading volume. We have strengthened and diversified our portfolio, with an increased exposure to in-demand High-Specs Industrial and Business Park assets.”

“The enlarged ESR-REIT, on the back of an increasingly stable industrial supply market, provides the foundations for us to execute our strategies to deliver value-add returns by optimising our portfolio through active leasing and operational synergies, undertake asset enhancements and rejuvenations, and carry out strategic acquisitions with the backing of a strong and committed Sponsor.”

A Resilient and Well-Diversified Portfolio

As at 31 December 2018, ESR-REIT’s portfolio comprises 57 properties across Singapore, with a total gross floor area of approximately 14.1 million square feet, across the following sub-asset classes: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial and Business Park.

Portfolio fundamentals have improved, with occupancy as at 31 December 2018 at 93.0%, above JTC’s average of 89.1%⁽²⁾. Rental reversions have also seen improvement with rental

⁽²⁾ Based on 3Q2018 data from JTC.

reversions for FY2018 at -2.9%, compared to -15.8% for FY2017. The current portfolio has a wider exposure to sectors with higher rents with Business Parks and High-Specs sectors accounting for 45.2% of the portfolio's rental income. The Manager secured approximately 1.7 million sq ft of lease renewals and new leases in FY2018.

As of 31 December 2018, ESR-REIT has a diversified tenant base of 339 tenants and a Weighted Average Lease Expiry ("WALE") of 3.8 years. Top 10 tenant concentration risk has been reduced with the top 10 tenants accounted for 30.1% of ESR-REIT's portfolio rental income as at 31 December 2018, lower than the 38.7% reported last year. No individual trade sector accounted for more than 24.2% of ESR-REIT's portfolio rental income.

The Manager has implemented a strategy of self-managing ESR-REIT's property management services and taking some of these services in-house. This would potentially result in cost efficiencies, faster response time and better service quality to tenants.

The Manager remains committed to enhancing portfolio returns through active asset management initiatives. Up to 7 assets have been identified for Asset Enhancement Initiatives ("AEI") over the next 3 years, which translates to c.1 million sq ft of unutilized plot ratio, thereby potentially unlocking further value from existing assets to deliver returns to Unitholders. The AEI at 30 Marsiling Industrial Estate Road 8 is 94% complete and is expected to achieve its Temporary Occupation Permit ("TOP") in February 2019.

Pro-active Capital Management

As at 31 December 2018, ESR-REIT's Debt to Total Assets was at 41.9%. The portfolio remains 100% unencumbered, and weighted average debt expiry had been lengthened from 2.2 years (as at 30 September 2018) to the current 2.7 years (as at 31 December 2018). ESR-REIT maintains a well-staggered debt maturity profile, with 83.4% of interest rate exposure fixed for the next 3.0 years.

Outlook for 2019

Mr. Chui said, "We continue to see the potential threat of a global trade war impacting industrialists operating in Singapore in 2019 and possibly having a negative impact on the demand for industrial space. However, we are cautiously optimistic about prospects in the sector given the improving supply/demand metrics pointing to an increasing stable industrial real estate market. We have taken steps to reposition our portfolio, with multi-tenanted properties making up close to 70% of our portfolio following the merger with Viva Industrial Trust and this bodes well for us in an industrial market that's showing signs of stabilisation."

He added that, “In light of the macroeconomic environment, we have also reduced our financing risks by hedging a significant proportion of our capital structure for a longer duration while expanding our banking relationships and widening our pools of capital. In the year ahead, we will continue to focus on extracting value for Unitholders through operational synergies via integration, AEI opportunities, and value-enhancing asset acquisitions to deliver stable and sustainable returns for Unitholders.”

For enquiries, please contact:

ESR Funds Management (S) Limited

Cheryl Lim
Marketing Communications Manager
Tel: +65 6222 3339
cheryl.lim@esr-reit.com.sg

Lyn Ong
Investor Relations Manager
Tel: +65 6222 3339
lyn.ong@esr-reit.com.sg

About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 December 2018 has a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 14.1 million sq ft and a property value of S\$3.02 billion³. The properties are in the following business sectors: General Industrial, Light Industrial, Logistics/Warehouse, Hi-Specs Industrial, and Business Park, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable and secure income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Pro-active asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("ESR") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor ESR

ESR is a leading Asia-Pacific focused logistics real estate platform. Co-founded by senior management and Warburg Pincus, ESR is backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CITIC CLSA, Goldman Sachs, CPPIB, PGGM, Ping An and Allianz. The ESR platform represents one of the largest in the Asia-Pacific region, spanning across the People's Republic of China, Japan, Singapore, South Korea, Australia and India. As at 30 September 2018, the company's assets under management (AUM) exceeded US\$14 billion, and the gross floor area (GFA) of projects owned and under development stood at approximately 11 million square metres.

³ Includes valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis, of which ESR-REIT has 80% economic interest.

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.

This material is for informational purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice, and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.