

## NEWS RELEASE

For immediate release

### ESR-REIT Declares DPU of 0.798<sup>1</sup> Singapore Cents for 3Q2020

- Distribution to Unitholders for 3Q2020 was S\$28.3 million, including the payment of S\$3.5 million distributable income from 1Q2020, which was previously retained in view of COVID-19 uncertainties.
- Core Distributable Income Available Per Unit for 3Q2020 is 0.700 Singapore cents. This reflects an increase of 5.7% quarter-on-quarter (“q-o-q”) and a 19.0%<sup>2</sup> decrease year-on-year (“y-o-y”) after setting aside rental rebates to support tenants adversely affected by COVID-19.
- Rental rebates due to the COVID-19 outbreak and lease conversions from single to multi-tenancies for five properties led to the y-o-y declines in Gross Revenue and Net Property Income.
- Portfolio remained resilient with occupancy at 90.8% with weighted average lease expiry (“WALE”) at 3.0 years with year-to-date (“YTD”) portfolio rental reversions improving from -4.3% last quarter to -0.2% this quarter.
- Renewed about 585,000 sqft of space and secured 244,000 sqft of new leases, bringing the total leases signed in 3Q2020 to approximately 829,000 sqft. YTD tenant retention rate stood at 85.0%.
- Balanced capital structure with no debt refinancing requirements till June 2021.

#### Summary of Financial Results:

	3Q2020 (S\$ million)	2Q2020 (S\$ million)	+/(-) (%)	3Q2019 (S\$ million)	+/(-) (%)
Gross Revenue <sup>(1)</sup>	56.9	56.0	1.6	62.0	(8.2)
Net Property Income <sup>(1)</sup>	40.4	39.2	3.1	45.3	(10.8)
Distributable Income <sup>(2)</sup>	24.8	23.4	6.0	29.2	(15.1)
Distribution from Other Gains <sup>(3)</sup>	-	-	-	4.6	(100.0)
Total Distribution to Unitholders	24.8	23.4	6.0	33.8	(26.6)
Applicable number of units for calculation of DPU (million)	3,544.6	3,531.7	(0.4)	3,382.4	(4.8)
Core Distribution Per Unit (cents) <sup>(4)</sup>	0.700	0.662	5.7	0.864	(19.0)
Distribution from Other Gains (cents) <sup>(3)</sup>	-	-	-	0.136	(100.0)
Payment of 1Q2020 Retained Distribution (cents) <sup>(5)</sup>	0.098	-	n.m.	-	n.m.
Total Distribution to Unitholders (cents)	0.798	0.662	20.5	1.000	(20.2)

(1) Gross revenue and net property income increased q-o-q mainly due to contributions from new leases that commenced during 3Q2020. Gross revenue and net property income however decreased y-o-y mainly due to (a) lease conversion from single to multi-tenancies for certain

<sup>1</sup> Includes the payment of S\$3.5 million distributable income from 1Q2020 which was retained in view of COVID-19 uncertainties.

<sup>2</sup> Excludes “Distributions from Other Gains”.

- properties; (b) non-renewals and downsizing by certain tenants; and (c) rental rebates set aside for / given to tenants as part of ESR-REIT's measures to support tenants adversely affected by the COVID-19 outbreak.
- (2) Includes management fees payable to the Manager and the Property Manager in ESR-REIT units of S\$2.2 million for 3Q2020 (2Q2020: S\$2.2 million and 3Q2019: S\$2.3 million).
  - (3) Capital gains from divestments of investment properties in prior years and ex-gratia payments received from Singapore Land Authority in connection with the compulsory acquisitions of land in prior years.
  - (4) Refers to Distribution Per Unit from operations.
  - (5) Payment of S\$3.5 million or 50% of the S\$7.0 million distributable income previously retained in 1Q2020 in view of COVID-19 uncertainties.
- n.m. – Not meaningful

**Singapore, 30 October 2020** – ESR Funds Management (S) Limited, the Manager of ESR-REIT (the “Manager”), announced today its interim update for the quarter ended 30 September 2020 (“3Q2020”). ESR-REIT declared a Distribution Per Unit of 0.798 Singapore cents for 3Q2020, including the release of S\$3.5 million distributable income from 1Q2020, which was previously retained in view of COVID-19 uncertainties. The release of S\$3.5 million or 50% of the retained distribution reflects the resilience and stability of the portfolio since the start of circuit breaker period and the gradual resumption of economic activities. This brings the 3Q2020 distribution to Unitholders to S\$28.3 million.

Excluding the release of 50% of the 1Q2020 retained distribution, the core Distributable Income Available Per Unit for 3Q2020 is 0.700 Singapore cents. This reflects an increase of 5.7% q-o-q and a 19.0%<sup>2</sup> decrease y-o-y after setting aside rental rebates to support tenants adversely affected by COVID-19 and the slower-than-expected market recovery. Based on the 3Q2020 core DPU of 0.700 Singapore cents and ESR-REIT's closing price of S\$0.385 per unit on 30 September 2020, the annualised distribution yield for 3Q2020 is 7.3%.

### **Financial Performance**

ESR-REIT reported gross revenue of S\$56.9 million for 3Q2020, an increase of 1.6% q-o-q and a decrease of 8.1% y-o-y. Net property income (“NPI”) for 3Q2020 was S\$40.4 million, an increase of 3.1% q-o-q and a decline of 10.9% y-o-y. New leases that commenced during 3Q2020 contributed to the improved showing in gross revenue and NPI on a q-o-q basis. The y-o-y decline in gross revenue and NPI was mainly due to the lease conversion from single to multi-tenancies for five properties where ESR-REIT has to bear land rent, property tax and maintenance costs that were previously borne by tenants under master lease arrangements; non-renewals and downsizing by certain tenants; and rental rebates given to tenants as part of ESR-REIT's measures to support tenants adversely affected by the COVID-19 outbreak.

The books closure date for the distribution of 0.798 Singapore cents per unit for the period from 1 July 2020 to 30 September 2020 is on 9 November 2020 and the expected payment date is 30 December 2020.

### **Portfolio Performance**

As at 30 September 2020, ESR-REIT's portfolio occupancy remains resilient at 90.8%, consistently above JTC's average of 89.6%<sup>3</sup>. Leasing activities gained traction during the quarter with a total of 19 new leases signed, accounting for approximately 244,000 sqft of space secured. In addition to new leases, ESR-REIT also renewed about 585,000 sqft of space in this quarter. The YTD tenant retention rate and YTD portfolio rental reversion as at 30 September 2020 was 85.0% and -0.2%, respectively. All single-tenanted leases due for renewal in FY2020 have been renewed. There are currently less than 5.3% of expiring leases for multi-tenanted properties due for renewal in 4Q2020, of which 4.4% of such expiring leases are in advanced negotiations where tenants have given indications of renewal.

ESR-REIT has a diversified tenant base of 346 tenants with a Weighted Average Lease Expiry ("WALE") of 3.0 years as at 30 September 2020. The portfolio's average security deposit is 5.5 months with multi-tenanted properties at 4.2 months and single-tenanted properties at 9.3 months. The top 10 tenants accounted for 30.9% and 25.2% of ESR-REIT's portfolio by rental income and net leasable area, respectively, with no single tenant accounting for more than 6.0% of portfolio rental income.

### **Prudent Capital Management with No Debt Refinancing Requirements until June 2021**

ESR-REIT continued with its disciplined and proactive capital management strategy with 88.8% of its borrowings on fixed interest rates over the next 2.3 years. As at 30 September 2020, ESR-REIT's Debt to Total Assets was 41.6%, with a Weighted Average Debt Expiry ("WADE") of 2.5 years. The weighted average all-in cost of debt is 3.5% per annum. The portfolio remains 100% unencumbered, while maintaining a well-staggered debt maturity profile.<sup>4</sup> ESR-REIT ended the quarter with committed undrawn revolving credit facilities of S\$117.0 million while interest coverage ratio has improved from 3.4x in the previous quarter to 3.6x. The Manager will continue to balance its cashflow requirements, capital structure and portfolio risks.

### **COVID-19 Update**

Rental collection in 3Q2020 is approximately 94.0% of the gross rental income, consistent with 1H2020, as well as pre-COVID-19 level. The Manager has actively supported the viability of its SME tenants most affected by the crisis through the provision of rental relief and also offered rental deferment schemes on a case-by-case basis to some tenants to alleviate operating pressures. The Manager has previously estimated that S\$10.1 million of rental rebates and reliefs may be required for tenant support. As at 30 September 2020, S\$3.8 million of rental rebates and reliefs have been given out to eligible tenants and another S\$3.2 million has been recognised but yet to be given out as the majority of it are pending IRAS's confirmation of the cash grants and eligibility for tenants under the Rental Relief Framework for SMEs.

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<sup>3</sup> Based on 3Q2020 data from JTC.

<sup>4</sup> Excludes ESR-REIT's 49% interest in 48 Pandan Road.

The Manager does not expect major changes to the rental rebates and reliefs to be given out for the remainder of the year. SME tenants represent approximately 34% of ESR-REIT's portfolio by rental income.

### ***AEI Update***

Asset enhancement initiatives ("AEI") at UE BizHub EAST have resumed with the expected date of completion in 1Q2021. AEI works have also commenced at 19 Tai Seng Avenue ("19TS") to convert the property from a general industrial building to high-specs industrial to unlock its value to meet the increasing demand of technology companies and firms from higher value-added industries. 19TS will remain operational during the AEI works and is expected to complete in 2H2021. The total cost of the AEI at 19TS is estimated at S\$7.65 million, which will be funded by internal cashflows and debt.

### ***Outlook for 2020***

Advanced estimates by the Ministry of Trade & Industry indicated that Singapore's economy contracted by 7.0% on a y-o-y basis but expanded by 7.9% q-o-q in 3Q2020.<sup>5</sup> MTI specified that the phased re-opening of the economy in June contributed to the improved figures in 3Q2020. Manufacturing output recorded a 13.7% growth y-o-y in August, led by strong growth in the electronics sector, after contracting for three consecutive months.<sup>6</sup> The Purchasing Managers' Index ("PMI") registered the third month of expansion for the overall manufacturing sector with a 0.2-point increase to 50.3 in September 2020.<sup>7</sup>

Although Singapore has shown signs of gradual stabilisation, external demand conditions and concerns over a softening labour market may likely weigh down its recovery pace. The continuing US-China trade standoff has also disrupted global recovery while pressures from the slow openings of international borders and potential resurgence of COVID-19 in some countries have impeded global trade and production volumes. Industrial property rents and prices continued to slide in 3Q2020.<sup>8</sup> Industrial rents are expected to remain muted due to pandemic pressures and current weak trade conditions which prevent industrialists from committing to long term space needs. In addition, the delay in construction of industrial space is expected to push new-supply completion into 2021. Therefore, we expect there will be continued downward pressure on industrial rents in the short term. Nevertheless, the pandemic has reinforced short-term stockpiling requirements of companies while the rising demand for web-enabled services and e-commerce may pivot industrialists' space requirements towards high value segments. Singapore continues to be an attractive hub for multinational corporations ("MNCs") to locate their business operations with its political stability, business-friendly environment and strong legal and financial infrastructure.

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<sup>5</sup> Based on Advanced Estimates for Third Quarter of 2020 released on 14 October 2020 by Ministry of Trade and Industry (MTI).

<sup>6</sup> Based on monthly manufacturing performance data obtained from Economic Development Board (EDB).

<sup>7</sup> Based on monthly PMI figures obtained from the SPIMM institute.

<sup>8</sup> Based on JTC 3Q2020 Industrial Property Market Statistics.

Mr. Adrian Chui, Chief Executive Officer and Executive Director of the Manager, said, “Even though Singapore is gradually showing green shoots of recovery from the economic slowdown with the authorities beginning to ease pandemic restrictions and Singapore’s considerable efforts and ability to attract new industrialists and MNCs, uncertainties from the COVID-19 pandemic continue to weigh on business sentiments while we remain cautiously optimistic of the recovery and continue to prepare our portfolio to be future-ready.”

Mr. Chui added, “Despite the ongoing pandemic, ESR-REIT has a well-diversified and resilient portfolio. Our stable portfolio metrics is reflective of our proactive leasing and asset management strategy and cost control initiatives. Our capital structure remains balanced with a well-staggered debt expiry profile and we continue to enjoy strong banking support. Our 100% unencumbered portfolio provides us with the flexibility to tap into various debt financing options and secure committed credit lines of S\$117.0 million to execute our organic growth strategies. Our robust balance sheet and stable cash flow position will enable us to strengthen ESR-REIT’s presence to capitalise on growth opportunities locally and overseas.”

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## 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 30 June 2020 holds interest in a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 15.1 million square feet and an aggregate property value of S\$3.1 billion<sup>9</sup>. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, 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 income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Proactive 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](http://www.esr-reit.com.sg).

## About the Sponsor, ESR

ESR is the largest APAC focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CPP Investments, OMERS, PGGM and Ping An. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 30 June 2020, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$26.5 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised 18.7 million sqm in total. ESR has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1 November 2019.

For more information on ESR, please visit [www.esr.com](http://www.esr.com).

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<sup>9</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

## 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.

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