

## Soilbuild REIT's 4QFY2018 DPU grew 16.5% q-o-q and 4.9% y-o-y to 1.451 cents

### Summary of Financial Results:

	4Q FY2018	4Q FY2017	Variance (%)	3Q FY2018	Variance (%)	YTD FY2018	YTD FY2017	Variance (%)
Gross revenue (S\$'000)	25,783	20,747	24.3	19,800	30.2	83,765	84,817	(1.2)
Net property income (S\$'000)	20,472	17,752	15.3	16,222	26.2	69,929	73,481	(4.8)
Income attributable to perpetual securities holders (S\$'000)	983	-	Nm	43	Nm	1,026	-	Nm
Income attributable to Unitholders (S\$'000)	15,392	14,559	5.7	13,186	16.7	55,896	59,927	(6.7)
<b>DPU (in cents)</b>	<b>1.451</b>	<b>1.383</b>	<b>4.9</b>	<b>1.245</b>	<b>16.5</b>	<b>5.284</b>	<b>5.712</b>	<b>(7.5)</b>
Units Issued ('000)	1,060,763	1,052,111	0.8	1,058,516	0.2	1,060,763	1,052,111	0.8

Note: Nm denotes not meaningful.

**Singapore, 21 January 2019** – SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.451 cents and 5.284 cents for the fourth quarter and full year ended 31 December 2018 respectively.

### Financial performance

Year-on-Year ("**y-o-y**") gross revenue and net property income for 4Q FY2018 rose 24.3% and 15.3% respectively mainly due to the liquidation proceeds received from Technics Offshore Engineering, conversion of Solaris into a multi-tenanted property and the maiden contribution from two Australia properties.

Distributable income attributable to Unitholders and DPU rose 5.7% and 4.9% respectively.

Quarter-on-Quarter (“q-o-q”) gross revenue and net property income grew 30.2% and 26.2% respectively. Finance and other trust expenses were each S\$0.5 million higher q-o-q. Distributable income to Unitholders and DPU rose by 16.7% and 16.5% respectively.

For the full year ended 31 December 2018, revenue and net property income dipped 1.2% and 4.8% y-o-y respectively largely due to the divestment of a property known as KTL Offshore in February 2018. Income attributable to unitholders and DPU fell 6.7% and 7.5% respectively.

### **Operational performance**

Portfolio occupancy rate rose from 87.2% in 3Q FY2018 to 89.5% in 4Q FY2018. The Manager successfully completed approximately 108k sqft of renewals, forward renewals in the quarter and secured approximately 66k sqft of new leases despite the soft leasing environment. Year to date, the Manager has completed approximately 885k sqft of renewals, forward renewals and new leases with a total of 52 leases signed.

In FY2019, 12.0% or approximately 481,800 sqft of the portfolio’s net lettable area is due for renewal.

Negative rental reversion of 12.6% and 8.6% was recorded for new and renewal leases in 4Q FY2018 and FY2018 respectively. Weighted average lease expiry by net lettable area and gross rental income stood at 3.7 and 3.9 years respectively.

### **Prudent and Pro-active Capital Management**

In 4Q FY2018, Soilbuild REIT’s weighted average borrowing cost was 3.52% p.a., its weighted average debt maturity was 3.2 years with a fixed interest rate for 74.0% of borrowings. Soilbuild REIT’s unencumbered investment properties were in excess of S\$847 million, representing approximately 68% of its investment properties by value.

### **Revaluation of investment properties**

Soilbuild REIT recorded a revaluation gain of S\$1.4 million on its investment properties, attributed primarily to an uplift in Solaris’ valuation of S\$21.6 million and was partially offset by revaluation losses for Bukit Batok Connection, Loyang Way and the write-off of acquisition costs for the Australia portfolio.

## Outlook

### Singapore

Based on advance estimates, the Singapore economy grew by 2.2% on a year-on-year (“**y-o-y**”) basis in the fourth quarter of 2018, easing slightly from the 2.3% growth in the preceding quarter. On a quarter-on-quarter (“**q-o-q**”) seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.6% compared to the 3.5% growth in the third quarter. For 2018 as a whole, the economy grew by 3.3%.

The manufacturing sector expanded by 5.5% y-o-y in the fourth quarter of 2018, faster than the 3.7% growth in the previous quarter. Growth was largely driven by robust output expansions in the biomedical manufacturing and electronics clusters, which more than offset the output decline in the precision engineering cluster. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector shrank by 8.7%, a reversal from the 3.1% growth in the third quarter.

Singapore’s manufacturing activity slipped in December 2018 with the Purchasing Managers’ Index (“**PMI**”) falling to 51.1. PMI for the electronics sector posted a reading of 49.8.

Rentals of all industrial properties fell by 0.4% and 0.1% in 3Q 2018 y-o-y and quarter-on-quarter respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 0.1%, 3.3% and 1.8% y-o-y respectively, whilst business park rentals expanded 4.9% y-o-y. In 3Q 2018, occupancy rate for all industrial space rose 0.4 percentage points q-o-q largely due to a 1.0 and 0.9 percentage points increase in business park and warehouse occupancy rates respectively.

### Australia

The Australia economy grew by 3.0% or 2.8% on a seasonally adjusted basis y-o-y in 3Q 2018. The household sector drove domestic growth with increased consumption supported by moderate rises in household income. Household consumption rose 0.3% driven by non-discretionary spending on food and housing. Household gross disposable income continued to grow at a slow pace due to moderate growth in household income being partially offset by a rise in income tax payable.

GDP growth is expected to be around 3.5% on average over 2018 and 2019. Accommodative monetary policy and tighter-than-anticipated labour market conditions are expected to provide ongoing support to growth in household income, consumption and business investment<sup>1</sup>.

A high level of office transaction activity was recorded in 2018 September quarter, maintaining the momentum as well as a significant number of assets brought on market. Rental growth for Australia's office asset profile is expected to continue and yields continuing to compress into 2019. In the Australia industrial sector, a high volume of industrial leasing activity transactions were recorded in 2018 September quarter, with majority in Sydney, Melbourne and Brisbane. The Adelaide industrial market has seen sales volumes significantly improve, aided by the abolishment of stamp duty for commercial transactions and underpinned by significant investment in infrastructure.

Mr Roy Teo, CEO of the Manager, said: "We have successfully raised S\$65 million from a perpetuals issuance in September 2018 and completed the acquisition of 2 properties in Australia which are expected to strengthen the portfolio. Our focus in FY2019 will be to enhance our operational performance and prudently evaluate further growth opportunities in Australia to achieve sustainable returns for our Unitholders."

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### **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, John Wiley & Sons and Autodesk Asia. 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 89.5% as at 31 December 2018. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 August 2013 ("Listing Date").

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<sup>1</sup> Source: Reserve Bank of Australia



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