



(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 Distributable Income for 1Q2018 Grows 2.4% y-o-y to S\$13.4 million

- Gross Revenue rose 21.2% y-o-y to S\$33.6 million, Net Property Income increased 20.8% y-o-y to S\$23.8 million
- Proceeds from S\$141.9 million Preferential Offering on 28 March 2018 used to pay down debt
- Aggregate leverage reduced from 39.6% to 30.0% following equity fund raising in March 2018
- Distribution Per Unit ("DPU") of 0.847 cents due to enlarged Unitholder base; adjusted DPU⁽¹⁾ of 1.008 cents
- Debt headroom of c.S\$458.2 million and undrawn available committed revolving credit facilities of S\$213.0 million provide financial flexibility

Summary of Financial Results:

	1Q2018 (S\$ million)	1Q2017 (S\$ million)	YoY (%)
Gross Revenue⁽²⁾⁽⁴⁾	33.6	27.7	21.2
Net Property Income⁽³⁾⁽⁴⁾	23.8	19.7	20.8
Amount Available for Distribution to:	15.1	13.1	
- Perpetual Securities Holders	1.7	-	n.m
- Unitholders	13.4	13.1	2.4
Distribution Per Unit ("DPU") (cents)	0.847⁽⁵⁾	1.004	(15.6)
Adjusted DPU (cents)	1.008⁽¹⁾	1.004	0.4

⁽¹⁾ Adjusted DPU is based on the weighted average number of units in issue during 1Q2018 (assumes the units issued under the Preferential Offering were only entitled to distributable income from 28 March to 31 March 2018).

⁽²⁾ Includes straight line rent adjustment of S\$0.4 million (1Q2018: S\$0.2 million).

⁽³⁾ Higher Net Property Income ("NPI") and distributable income mainly due to full quarter contributions from two acquisitions in mid-December 2017, partially offset by non-renewal of leases at 12 Ang Mo Kio Street 65, 31 Kian Teck Way and 30 Toh Guan Road, lease conversion of 21B Senoko Loop (1Q2018) and 3 Pioneer Sector 3 (3Q2017) and 4 property divestments since 1Q2017.

⁽⁴⁾ Includes Non-Controlling Interest ("NCI") of 20% of 7000 AMK in 1Q2018.

⁽⁵⁾ Lower DPU due to dilution from new units issued pursuant to the Preferential Offering (262.8 million units) and Distribution Reinvestment Plan ("DRP") units issued since 1Q2017.

Singapore, 20 April 2018 – ESR Funds Management (S) Limited, the Manager (“Manager”) of ESR-REIT, is pleased to announce Gross Revenue of S\$33.6 million and a Net Property Income (“NPI”) of S\$23.8 million for the first quarter ended 31 March 2018 (“1Q2018”). This translates to a year-on-year (“y-o-y”) increase of 21.2% and 20.8%, respectively.

These positive results were due mainly to full quarter contributions from the two recent acquisitions completed in December 2017⁽⁶⁾, which were partially offset by the non-renewal of certain leases, lease conversion of 21B Senoko Loop (1Q2018) and 3 Pioneer Sector 3 (3Q2017) and four property divestments since 1Q2017.

Total amount available for distribution to Unitholders for 1Q2018 was S\$13.4 million, an increase of 2.4% from 1Q2017. Distribution Per Unit (“DPU”) for 1Q2018 was 0.847 cents, impacted mainly by the new units issued pursuant to the Preferential Offering in March 2018 (262.8 million units) and the Distribution Reinvestment Plan units issued since 1Q2017. The proceeds from the Preferential Offering, although ultimately used to partially fund the acquisition of the 80% stake in the 7000 Ang Mo Kio Ave 5 SPV (“7000AMK”) in December 2017, were used to repay debt due to the timing difference between acquisition and receipt of proceeds. Assuming the new units were only entitled to distributable income for the period 28 March 2018 to 31 March 2018, the adjusted DPU for 1Q2018 would be 1.008 cents, based on the weighted average number of units in issue during 1Q2018.

A Well-Diversified Portfolio

As at 31 March 2018, ESR-REIT’s portfolio comprises 47 properties across Singapore, with a diversified tenant base of 194 tenants and a total gross floor area of approximately 9.7 million square feet, across the following five sub-asset classes: General Industrial, Light Industrial, Logistics/Warehouse, High-Specs Industrial and Business Park.

For 1Q2018, the Manager renewed and leased approximately 394,616 sq ft of space and recorded a tenant retention rate of 70.7%. As at 31 March 2018, ESR-REIT portfolio’s Weighted Average Lease Expiry (“WALE”) improved to 4.4 years from the 4.3 years recorded as at the end of 2017. An active approach towards lease management has resulted in a renewal of one master lease, reducing the proportion of single-tenanted lease expiries from 7.2% to 6.0% as at the end of 1Q2018.

Occupancy at the recently-acquired 7000 Ang Mo Kio Avenue 5 property grew 2.3% in the quarter to 94.2%. ESR-REIT’s portfolio occupancy was 90.7% as at the end of 1Q2018 and continues to exceed the JTC average occupancy, which was 88.9% as at 31 December 2017. The top 10 tenants accounted for 42.9% of ESR-REIT’s portfolio rental income, with no individual trade sector contributing more than 13.6% of the REIT’s overall rental income.

⁽⁶⁾ The two acquisitions completed in December 2017 are 8 Tuas South Lane and an 80% stake in a special purpose vehicle that owns 7000 Ang Mo Kio Avenue 5.

During 1Q2018, the Manager initiated an Asset Enhancement Initiative (“AEI”) at 30 Marsiling Industrial Estate Road 8, a property located close to the Woodlands Industrial Estate. The AEI will enable the addition of two quality tenants to ESR-REIT’s portfolio: Aptiv, a global technology company that develops safer, greener and more connected solutions to enable the future of mobility, and FormFactor, a Nasdaq-listed company that provides essential test and measurement technologies along the full Integrated Circuit life cycle from characterization, modelling, reliability, and design de-bug, to qualification and production test. The Manager has also secured long leases with these tenants and this will boost the occupancy of the property to 100.0% for a five-year period, from an occupancy of 82.0% as at 31 December 2017. Following the completion of the AEI, the building’s sub-asset classification will be updated from General Industrial to High-Specs Industrial.

Pro-active Capital Management

In March 2018, the Manager announced the successful completion of a Preferential Offering with 262.8 million new units issued, raising gross proceeds of S\$141.9 million. The Preferential Offering was 1.7 times oversubscribed. Proceeds from the Preferential Offering were used to repay the debt drawn to partially fund the acquisition of 7000AMK. ESR-REIT’s aggregate leverage was reduced from 39.6% to 30.0%, and it now currently has a debt headroom of c.S\$458.2 million and S\$213.0 million in undrawn available revolving credit facilities, providing financial flexibility to the REIT for future acquisitions, organic growth and asset enhancement opportunities.

Approximately 92.6% of ESR-REIT’s interest rate exposure rate is fixed for the next 1.6 years. ESR-REIT remains 100% unencumbered with no major refinancing requirements until 4Q2018.

Market Outlook for FY2018

While market conditions remain challenging given the overall macroeconomic and global trade outlook, the Manager remains cautiously optimistic. In the last five years, industrial rents were impacted as the market absorbed a large supply of industrial space that came on-stream. Nevertheless, latest forecasts from JTC show a considerable drop in the supply of industrial space from 2019 onwards, which will allow the industrial market to rebalance as net absorption slowly catches up.

Mr Adrian Chui, Chief Executive Officer and Executive Director of ESR Funds Management (S) Limited, said “We continue to build upon the strong foundations established in 2017 in order to enable ESR-REIT to capture growth opportunities within our portfolio and externally as the overall economic situation improves. Our recent Preferential Offering, supported by financial commitment from our Sponsor ESR, was well-received and was 1.7 times oversubscribed. This has enabled us to lower our gearing to 30.0%, providing us with c.S\$458.2 million in debt headroom.”

“Although we are still seeing some headwinds, we are cautiously optimistic on the outlook of the Singapore industrial market. With our financial flexibility, we will continue to focus on our strategy of

pro-active asset management and rejuvenation, asset acquisitions, development projects and appropriate M&A transactions, with a focus on boosting portfolio quality, resilience and optimising Unitholder returns.”

For media and analyst enquiries, please contact:

ESR Funds Management (S) Limited

Cheryl Lim
Marketing Communications Manager
Tel: +65 6222 3339
cheryl.lim@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 March 2018 has a diversified portfolio of 47 properties located across Singapore, with a total gross floor area of approximately 9.7 million sq ft and a property value of S\$1.65 billion⁷. 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 two stakeholders, namely, ESR Cayman Limited ("ESR") (indirectly c.80 percent) and Mitsui & Co., Ltd ("Mitsui") (20 percent):

- Headquartered in Hong Kong, ESR is one of the leading pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics ("3PLs") providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Co-founded by Warburg Pincus and backed by some of the world's preeminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An, SK Holdings, State Street Global Advisors and Stepstone, ESR's platform represents one of the largest in the Asia-Pacific region managing approximately 10 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current assets under management stands at over US\$11 billion.
- Mitsui is one of the largest corporate conglomerates in Japan and listed on the Tokyo Stock Exchange. It is one of the largest publicly traded companies in the world. Mitsui also developed the Japan Logistics Fund Inc., a publicly listed REIT in Japan dedicated to investing in distribution facilities.

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

⁷ 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.