



(a real estate investment trust constituted on 13 December 2012
under the laws of the Republic of Singapore)

ANNOUNCEMENT

PROPOSED ACQUISITION OF 25 GRENFELL STREET, ADELAIDE, AUSTRALIA

Unless otherwise stated, the S\$ equivalent of the A\$ figures in this announcement have been arrived at based on an illustrative assumed exchange rate of A\$1:00:S\$0.95.

1. INTRODUCTION

SB REIT Management Pte. Ltd., in its capacity as manager of Soilbuild Business Space REIT ("**Soilbuild REIT**", and the manager of Soilbuild REIT, the "**Manager**"), is pleased to announce that Soilbuild REIT, through The Trust Company (Australia) Limited, as trustee of Soilbuild Australia Sub-Trust No. 3 ("**Sub Trustee**"), has entered into an acquisition contract (the "**Sale and Purchase Agreement**") with 25 Grenfell Street Adelaide Real Estate Netherlands B.V. (the "**Vendor**") to acquire the property located at 25 Grenfell Street, Adelaide, Australia ("**25 Grenfell Street**" or the "**Property**") for a purchase price of A\$134.22 million¹ (S\$127.51 million) (the "**Proposed Acquisition**"). The Proposed Acquisition is expected to complete in the fourth quarter of 2019.

2. INFORMATION ON THE PROPERTY

25 Grenfell Street is an iconic multi-tenanted freehold Grade A office building centrally located within the core of Adelaide's Central Business District ("**CBD**"). The Property has a site area of 1,968 square metres ("**sqm**") and net lettable area of 24,969 sqm comprising of 22 levels of office floors on top of 2 levels of retail floors together with 30 car park spaces and end-of-trip facilities. The committed occupancy of 25 Grenfell Street is 88.4%² with a weighted average lease expiry ("**WALE**") of approximately 5.0 years² by gross rental income ("**GRI**"). Key tenants of the building include the Government of South Australia, law firms Minter Ellison and Lipman Karas and Jones Lang Lasalle.

The Property is located on the southern side of Grenfell Street, east of King William Street

¹ After adjustment of outstanding tenant incentives and rental guarantee of A\$7,224,770 (S\$6,863,531) and A\$633,900 (S\$602,205) respectively. As the rental guarantee is calculated based on market rents, the board of directors of the Manager is of the view that the rental guarantee is on normal commercial terms and is not prejudicial to the interests of Soilbuild REIT and its minority unitholders.

² As at 1 November 2019 (being the expected completion date), inclusive of a committed lease which commences in May 2020.

³ Source: Rundle Mall official website: <https://rundlemall.com/about/about-rundle-mall/>

and directly opposite the City Cross Arcade which links directly to Rundle Mall, the longest and one of the busiest malls³ in Australia. The historic Stock Exchange building to the rear of the Property has long been regarded as the centre of the Adelaide core business precinct, surrounded by office towers and close to the Adelaide Town Hall and General Post Office. Completed in 1975 with refurbishments carried out in the 1990s and 2007, the building currently has a 3-star NABERS⁴ Energy Rating.

3. DETAILS OF THE PROPOSED ACQUISITION

3.1 Valuation and Purchase Consideration

The appraised value of the Property is A\$134.25 million⁵ (S\$127.54 million) as at 1 November 2019⁶ as stated by Colliers International Valuation & Valuation Services (SA) (the “**Independent Valuer**”) in its valuation report (“**Independent Valuation Report**”) which was commissioned by the Manager, DBS Trustee Limited (in its capacity as Trustee of Soilbuild Business Space REIT) and the Sub Trustee. The Property has been valued based on the income capitalisation and discounted cash flow approach, supported by a direct sales comparison approach.

The purchase consideration payable for the Property is A\$134.22 million⁷ (S\$127.51 million) (“**Purchase Consideration**”) which was negotiated on a willing-buyer and willing-seller basis, taking into account the independent valuation conducted by the Independent Valuer for the Proposed Acquisition.

3.2 Estimated Cost of the Acquisition

The total cost of the Proposed Acquisition is estimated to be approximately A\$142.01 million (S\$134.91 million), comprising:

- (i) the Purchase Consideration of A\$134.22 million (S\$127.51 million);
- (ii) the acquisition fee payable in cash to the Manager of A\$1.34 million (S\$1.28 million);
- (iii) the professional and other fees and expenses in connection with the acquisition of the Property of A\$1.37 million (S\$1.31 million); and
- (iv) the rental incentives payable to an incoming tenant amounting to A\$5.07 million (S\$4.82 million⁸).

3.3 Sale and Purchase Agreement

The Sub Trustee has entered into the Sale and Purchase Agreement with the Vendor to acquire a 100% interest in 25 Grenfell Street, Adelaide, Australia.

⁴ NABERS stands for the National Australian Built Environmental Rating System that measures the environmental performance of Australian buildings.

⁵ Assumes all outstanding incentives will be borne by the purchaser and rental guarantee will be paid by the Vendor for an incoming tenant.

⁶ As at expected completion date of the Proposed Acquisition.

⁷ After adjustment of outstanding tenant incentives and rental guarantee of A\$7,224,770 (S\$6,863,531) and A\$633,900 (S\$602,205) respectively. As the rental guarantee is calculated based on market rents, the board of directors of the Manager is of the view that the rental guarantee is on normal commercial terms and is not prejudicial to the interests of Soilbuild REIT and its minority unitholders.

⁸ The rental incentives payable to an incoming tenant will be placed in a trust account on settlement date to be paid to the incoming tenant in accordance with the lease agreement.

4. RATIONALE FOR AND KEY BENEFITS OF THE PROPOSED ACQUISITION

The Manager believes that the Proposed Acquisition will bring the following key benefits to Soilbuild REIT's Unitholders ("Unitholders"):

4.1 The Proposed Acquisition is in line with Soilbuild REIT's investment strategy

The Proposed Acquisition is in line with the Manager's aims to deliver stable distributions and to enhance the value of Soilbuild REIT's property portfolio over time through, *inter alia*, selectively acquiring additional properties that meet the Manager's investment criteria and mandate. The Proposed Acquisition is in line with the Manager's investment strategy of investing on a long-term basis, directly or indirectly, in a portfolio of income-producing real estate used primarily for business space purposes.

4.2 Deepens Soilbuild REIT's presence in the attractive Australia office market

Australia has a growing and mature real estate market coupled with resilient economic fundamentals underpinned by positive drivers in its key markets. South Australia, where Adelaide is located in, is currently in the early stages of some of the largest infrastructure investments in the country, with billions of dollars being invested in defence, medical, road networks, technology and renewable energy that is expected to generate significant employment in the long-term. Adelaide is the second most liquid CBD office market in Australia between 2000 and 2018 and enjoys vacancy rates of less than 5% in comparable Grade A office towers located in Adelaide's CBD¹⁰.

4.3 Opportunity to acquire a high-quality building in prime location

The Proposed Acquisition will add a high-quality asset to Soilbuild REIT's portfolio, in an attractive market with positive outlook. Positioned 'front and centre' in the core of Adelaide's office precinct, the Property is one of Adelaide's most prestigious and iconic Grade A office towers. The Property commands a key position at the crossroads of all activities in the CBD with direct access to the business community, Adelaide's primary retail precinct and major hotel and leisure facilities. The Property has well-designed floor plates with good levels of natural light to upper floors and includes end-of-trip facilities.

4.4 Increases resilience from size and diversification

The Proposed Acquisition will increase Soilbuild REIT's total portfolio asset value to approximately S\$1,393 million¹¹, with the three Australia properties accounting for 16.8% of the enlarged portfolio by asset value. The Proposed Acquisition is expected to benefit Unitholders by improving diversification and reducing the reliance of Soilbuild REIT's income stream on any single property, tenant or trade sector. The Property has a quality tenant base including government agencies, commercial service providers and co-working space operators, which improves the overall trade sector diversification of Soilbuild REIT's portfolio. Following the completion of the Proposed Acquisition, the Government of South Australia and international law firm Minter Ellison will be included in Soilbuild REIT's top 10 tenants by GRI, where the contribution from the top 10 tenants will decrease from 47.0% to 43.1%.

¹⁰ Source: JLL and KF Research

¹¹ Including 25 Grenfell Street which is valued at A\$134.2 million as at 1 November 2019.

4.5 Strengthens Soilbuild REIT's portfolio

The Property has a WALE of 5.0 years by GRI and is on a freehold tenure. Following the completion of the Proposed Acquisition, Soilbuild REIT's portfolio WALE by GRI will increase from 3.8 years to 3.9 years while the portfolio balance land lease term by valuation will rise from 46.4 years to 51.2¹² years.

4.6 Increases portfolio yield

The Proposed Acquisition is expected to be Net Property Income ("NPI") yield accretive for Soilbuild REIT. In the first year, the Property is expected to generate a NPI yield of approximately 7.67% (before taking into account the transaction costs) and 7.25% (after taking into account the transaction costs). This will lift Soilbuild REIT's portfolio NPI yield from 5.79%¹³ to 5.93%. Soilbuild REIT's Australia portfolio NPI yield will also increase from 6.14%¹³ to 7.00% following the Proposed Acquisition.

5. METHOD OF FINANCING

The Manager intends to finance the total cost of the acquisition of the Property via a combination of:

- (a) loan drawn from debt facilities¹⁴; and
- (b) proceeds of the issuance of new Soilbuild REIT units ("**New Units**") pursuant to a preferential offering¹⁵ (the "**Preferential Offering**").

The table below sets out the change to Soilbuild REIT's aggregate leverage¹⁶ purely for illustrative purposes. There is no assurance that the actual financing plan will be similar to the stated scenario.

Method of Financing	Soilbuild REIT's Aggregate Leverage	
	Scenario A Based on 60% Equity, 40% Debt (Maintain similar gearing)	Scenario B Based on 74% Equity, 26% Debt (Preferential Offering of S\$102 million)
Before the Proposed Acquisition ¹⁷	39.4%	39.4%
After the Proposed Acquisition	39.7%	38.3%

The Manager intends to maintain the aggregate leverage of Soilbuild REIT within its long-term target range of between 35.0% and 40.0%.

6. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on the distribution per unit ("**DPU**") and the net asset value ("**NAV**") per Unit

¹² For the calculation of average land lease tenure by valuation, 25 Grenfell Street has been assumed as a 99-year leasehold interest.

¹³ As at 30 June 2019.

¹⁴ A cross-currency swap will be entered into to convert a Singapore Dollar denominated loan into Australian Dollar denominated liabilities.

¹⁵ See announcement dated 21 August 2019 titled "Launch of fully underwritten preferential offering to raise gross proceeds of approximately S\$101.8 million" for further details of the Preferential Offering.

¹⁶ The ratio of the value of borrowings and deferred payments (if any) to the value of deposited property of Soilbuild REIT.

¹⁷ Gearing as at 30 June 2019.

presented below are strictly for illustrative purposes only and were prepared based on the audited financial statements of Soilbuild REIT for the financial year ended 31 December 2018 (the “**Soilbuild REIT 2018 Audited Financial Statements**”), and the unaudited financial statements of Soilbuild REIT for the financial period from 1 January 2019 to 30 June 2019.

The pro forma financial effects are for illustrative purposes only and do not represent Soilbuild REIT’s DPU and NAV per Unit following the completion of the Proposed Acquisition.

6.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Acquisition on Soilbuild REIT’s DPU for the audited financial year ended 31 December 2018, as if the Proposed Acquisition and issuance of New Units pursuant to the Preferential Offering were completed on 1 January 2018, and Soilbuild REIT held and operated the Property through to 31 December 2018, are as follows:

Pro Forma Financial Effects based on financial year ended 31 December 2018	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition	After the Proposed Acquisition	
		Scenario A ⁽³⁾ : Based on 60% Equity, 40% Debt (Maintain similar gearing)	Scenario B ⁽⁴⁾ : Based on 74% Equity, 26% Debt (Preferential Offering of S\$102 million)
Net Property Income (S\$'000)	66,775 ⁽¹⁾	76,605	76,605
Distributable Income (S\$'000)	52,742 ⁽²⁾	59,669	60,265
Issued Units ('000)	1,060,763 ⁽⁵⁾	1,216,814	1,253,801
Illustrative DPU (S\$ cents)	4.986	4.917	4.820
DPU Accretion/(Dilution) (%)	-	(1.38%)	(3.33%)

Notes:

- (1) Net Property Income before the Proposed Acquisition excludes the one-off receipt of liquidation proceeds of S\$3.25 million from Technics Offshore Engineering Pte. Ltd. Including the one-off receipt of liquidation proceeds, Net Property Income is S\$69.9 million.
- (2) Distributable Income before the Proposed acquisition excludes the one-off receipt of liquidation proceeds of S\$3.25 million from Technics Offshore Engineering Pte. Ltd. Including the one-off receipt of liquidation proceeds, Distributable Income is S\$55.9 million and DPU is 5.284 cents.
- (3) Pro-forma for Scenario A assumes Soilbuild REIT issues 155.22 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$82.3 million.
- (4) Pro-forma for Scenario B assumes Soilbuild REIT issues 192.14 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$101.8 million.
- (5) Reflects the applicable number of Units for the calculation of DPU as at 31 December 2018.

The pro forma financial effects of the Proposed Acquisition on Soilbuild REIT’s DPU for the unaudited half year ended 30 June 2019 (“**1H FY2019**”), as if the Proposed Acquisition and issuance of New Units pursuant to the Preferential Offering were completed on 1 January

2019, and Soilbuild REIT held and operated the Property throughout the financial period are as follows:

Pro Forma Financial Effects for 1H FY2019	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition	After the Proposed Acquisition	
		Scenario A ⁽¹⁾ : Based on 60% Equity, 40% Debt (Maintain similar gearing)	Scenario B ⁽²⁾ : Based on 74% Equity, 26% Debt (Preferential Offering of S\$102 million)
Net Property Income (S\$'000)	36,621	41,644	41,644
Distributable Income (S\$'000)	25,300	28,868	29,167
Issued Units ('000)	1,065,392 ⁽³⁾	1,220,876	1,257,817
Illustrative DPU (S\$ cents)	2.377	2.365	2.319
DPU Accretion/(Dilution) (%)	-	(0.50%)	(2.44%)

Notes:

- (1) Pro-forma for Scenario A assumes Soilbuild REIT issues 155.22 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$82.3 million.
- (2) Pro-forma for Scenario B assumes Soilbuild REIT issues 192.14 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$101.8 million.
- (3) Reflects the applicable number of Units for the calculation of DPU as at 30 June 2019.

6.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Acquisition on the NAV per unit as at 31 December 2018, as if the Proposed Acquisition and the issuance of New Units pursuant to the Preferential Offering had been completed on 31 December 2018, are as follows:

	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition	After the Proposed Acquisition	
		Scenario A ⁽¹⁾ : Based on 60% Equity, 40% Debt (Maintain similar gearing)	Scenario B ⁽²⁾ : Based on 74% Equity, 26% Debt (Preferential Offering of S\$102 million)
NAV represented by Unitholders' funds (S\$'000)	666,575	746,641	766,206
Issued Units ('000)	1,060,763 ⁽³⁾	1,215,982	1,252,898
NAV per Unit attributable to Unitholders (S\$)	0.63	0.61	0.61

Notes:

- (1) Pro-forma for Scenario A assumes Soilbuild REIT issues 155.22 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$82.3 million.
- (2) Pro-forma for Scenario B assumes Soilbuild REIT issues 192.14 million New Units at a Unit price of S\$0.530 per New Unit, raising gross proceeds of approximately S\$101.8 million.
- (3) Refers to the number of Units in issue as at 31 December 2018.

7. DISCLOSURE UNDER RULE 1010(13) OF THE LISTING MANUAL

Chapter 10 of the Listing Manual classifies transactions into (i) non-disclosable transactions, (ii) disclosable transactions, (iii) major transactions and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, *inter alia*, the following applicable bases of comparison set out in Rules 1006(b), and 1006(c) of the Listing Manual:

- (i) the net profits attributable to the assets acquired, compared with the Soilbuild REIT's net profits; and
- (ii) the aggregate value of the consideration given, compared with the Soilbuild REIT's market capitalisation.

The relative figures for the Proposed Acquisition using the applicable bases of comparison described above are set out in the table below:

Comparison of	The Proposed Acquisition	Soilbuild REIT	Relative figure (%)
Rule 1006(b): Net Profits	S\$6,780,300 ⁽¹⁾	S\$50,056,000 ⁽²⁾	13.5% ⁽³⁾
Rule 1006(c): Consideration against market capitalisation	S\$127,510,300 ⁽⁵⁾	S\$617,820,897 ⁽⁴⁾	20.6%

Notes:

- (1) Assuming Scenario B. Net profit excluding net change in fair value of investment properties.
- (2) Net profit excluding net change in fair value of investment properties.
- (3) Includes one-off receipt of liquidation proceeds of S\$3.25 million from Technics Offshore Engineering Pte. Ltd. If the liquidation proceeds are excluded, the net profits attributed to the Property as compared to Soilbuild REIT's net profits is expected to be 14.5%.
- (4) Based on 1,067,416,892 Units in issue and the weighted average price of S\$0.5788 per Unit on the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 21 August 2019, being the market day immediately prior to the entry into the Sale and Purchase Agreement.
- (5) For the purposes of computation under Rule 1006(c), the aggregate consideration given by Soilbuild REIT is the Purchase Consideration.

The Manager is of the view that the Proposed Acquisition is within Soilbuild REIT's ordinary course of business as it is within the investment mandate of Soilbuild REIT and the Property is of the same class as Soilbuild REIT's existing properties and within the same geographical markets that Soilbuild REIT targets. Accordingly, Unitholders' approval for the Proposed Acquisition is not required.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the controlling Unitholders has an interest, direct or indirect, in the Proposed Acquisition (other than those through his/her Unitholdings in Soilbuild REIT, shareholdings in the Manager and/or their appointment(s) with Soilbuild Group).

8.1. Directors' Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Proposed Acquisition or any other transactions contemplated in relation to the Proposed Acquisition.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 23 Defu South Street 1, Singapore 533847 from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the Sale and Purchase Agreement;
- (ii) the Soilbuild REIT 2018 Audited Financial Statements; and
- (iii) the Independent Valuation Report.

By Order of the Board
SB REIT Management Pte. Ltd.
(UEN/Company Registration No. 201224644N)
As Manager of Soilbuild Business Space REIT

Mr Roy Teo
Chief Executive Officer
21 August 2019

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 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 88.6% as at 30 June 2019. Soilbuild REIT was listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 16 August 2013 (“**Listing Date**”).

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