

Press Release  
12 October 2016

## Soilbuild REIT Announces 3<sup>rd</sup> Quarter FY2016 Distributable Income of S\$14.6 million

### Highlights

- 9M and 3Q FY2016 DPU was 4.521 cents and 1.399 cents respectively
- Successfully completed the acquisition of Bukit Batok Connection and the entry into the Master Lease Agreement
- Raised S\$59.4 million gross proceeds from the 1 for 10 preferential offering in September 2016
- YTD Over 500K sq ft of renewals and new leases signed
- Portfolio occupancy of 94.8% as at 30 September 2016

### Summary of Financial Results:

	YTD FY2016	YTD FY2015	Variance	3Q FY2016	3Q FY2015	Variance
Gross revenue (S\$'000)	59,443	58,906	0.9%	19,731	20,701	(4.7%)
Net property income (S\$'000)	51,782	50,287	3.0%	17,264	17,777	(2.9%)
Distributable income (S\$'000)	43,887	42,776	2.6%	14,551	15,147	(3.9%)
DPU (in cents)	4.521	4.873	(7.2%)	1.399	1.625	(13.9%)
DPU (in cents) (adjusted for Pre- Preferential Offering <sup>1</sup> for comparison purposes only)	4.655	4.873	(4.5%)	1.533	1.625	(5.7%)
Units in Issued ('000)	1,039,419	931,947	11.5%	1,039,419	931,947	11.5%

(1) <sup>1</sup> The adjustment excludes the issuance of 94,353,672 new Units pursuant to the Preferential Offering and 1,528,571 new Units for the payment of acquisition fee at an issuance price of S\$0.63 per unit, as well as the revenue and associated borrowing costs relating to the acquisition of Bukit Batok Connection which was completed on 27 September 2016.



**Singapore, 12 October 2016** – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.399 cents for the third quarter ended 30 September 2016 (“**3Q FY2016**”). Gross revenue was S\$19.7 million in 3Q FY2016 while net property income (“**NPI**”) was 2.9% lower at S\$17.3 million due to lower occupancy.

### **Acquisition**

The Manager successfully completed the acquisition of Bukit Batok Connection at a total acquisition cost of S\$100.4 million and entered into a 7-year Master Lease Agreement with SB (Westview) Investment Pte. Ltd. at an initial annual rental of S\$8.0 million. Post-acquisition, Soilbuild REIT’s portfolio has a net lettable area of 3.92 million sq ft and a valuation of S\$1.29 billion.

### **Operational performance**

Occupancy rate rose to 94.8% in 3Q FY2016, mainly due to higher occupancy at West Park BizCentral and the acquisition of Bukit Batok Connection. Excluding the acquisition of Bukit Batok Connection, portfolio occupancy registered 94.2%, compared to 92.0% in the previous quarter. Despite the soft industrial outlook, over 150K sq ft of renewals and new leases were signed in 3Q FY2016.

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

In September 2016, Soilbuild REIT raised S\$59.4 million gross proceeds from its 1 for 10 preferential offering to existing unitholders. The issuance was 1.7x subscribed, reflecting unitholders’ confidence in Soilbuild REIT. In addition, Soilbuild REIT also obtained a S\$40 million unsecured term loan facility and S\$5 million uncommitted loan facility from the Bank of East Asia, Limited, Singapore Branch of which S\$29 million was drawn down as at 30 September 2016. The proceeds were utilised for the acquisition of Bukit Batok Connection.

In 3Q FY2016, Soilbuild REIT’s weighted average borrowing cost was 3.42% p.a. As at 30 September 2016, its weighted average debt expiry stood at 3.1 years and interest rate exposure was 88.5% fixed for the next 2.1 years. Soilbuild REIT’s unencumbered investment properties were in excess of S\$931 million, representing approximately 72% of its investment properties by value. The Manager has demonstrated its commitment towards achieving greater financial flexibility by reducing secured leverage from 23.2% in 1Q FY2016 to 14.0% in 3Q FY2016.

## Outlook

Ministry of Trade and Industry reported that the Singapore economy grew by 2.1% on a year-on-year (“y-o-y”) basis in the second quarter of 2016, a slight expansion from the first quarter. On a quarter-on-quarter (“q-o-q”) seasonally-adjusted annualised basis, the economy expanded by 0.3%, slightly faster than the 0.1% growth in the preceding quarter. The manufacturing sector expanded by 1.1% y-o-y, a reversal from the 0.5% decline in the previous quarter. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector grew by 1.0%, slower than the 18.7% growth in the preceding quarter<sup>2</sup>.

Purchasing Managers’ Index for September 2016 rose to 50.1, registering the highest reading since June 2015<sup>3</sup>. Factory activity rose due to the increase in domestic and export orders, as well as increased rate of expansion of inventory and finished goods. Manufacturing employment on the other hand, remains lacklustre with its continual contraction since November 2014.

Rentals of all industrial properties softened by 1.7% in 2Q 2016 over the preceding quarter. Rental indices for multi-user, single-user factories and warehouse contracted by 2.4%, 1.8% and 1.0%, whereas the business park rental index rose 0.5% from the previous quarter respectively<sup>4</sup>.

Mr Roy Teo, CEO of the Manager, said: “We are glad to have received strong support from our unitholders for the preferential offering which has enabled us to complete the acquisition of Bukit Batok Connection in September 2016. For the rest of 2016, 3.0% of our portfolio net lettable area is due for renewal. Year-to-date, out of the 15.3% of leases expiring in FY2017, we have managed to forward renew 2.3%. The challenge remains to improve occupancy rate in this subdued market while maintaining existing leases.”

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<sup>2</sup> Source: Ministry of Trade and Industry’s press release dated 11 August 2016.

<sup>3</sup> Source: Singapore Institute of Purchasing & Materials Management publication.

<sup>4</sup> Source: JTC quarterly rental index of industrial space.



## **About Soilbuild Business Space REIT**

Soilbuild REIT is a Singapore-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. Its portfolio of properties includes Solaris, a landmark development in one-north, Eightrium @ Changi Business Park, Tuas Connection, West Park BizCentral and Bukit Batok Connection. Soilbuild REIT’s portfolio has a net lettable area of 3.92 million square feet and an occupancy rate of 94.8% as at 30 September 2016.

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