

## Soilbuild REIT Announces 4<sup>th</sup> Quarter FY2016 Distributable Income of S\$16.4 million

### Highlights

- Full Year and 4Q FY2016 DPU was 6.091 cents and 1.570 cents respectively
- Completion of new annex block at 39 Senoko Way
- 620K sq ft of renewals and new leases signed
- Portfolio occupancy of 89.6% as at 31 December 2016

### Summary of Financial Results:

	YTD FY2016	YTD FY2015	Variance	4Q FY2016	4Q FY2015	Variance
Gross revenue (S\$'000)	81,130	79,340	2.3%	21,687	20,434	6.1%
Net property income (S\$'000)	70,674	67,777	4.3%	18,892	17,490	8.0%
Net income (S\$'000)	50,278	47,124	6.7%	13,405	11,983	11.9%
Net change in fair value of investment properties (S\$'000)	(50,855)	4,535	nm <sup>1</sup>	(50,855)	4,535	nm
Total return before distribution (S\$'000)	(577)	51,659	(101.1%)	(37,450)	16,518	(326.7%)
Net effect of non-tax deductible items (S\$'000)	60,829	6,208	nm	53,815	(1,427)	nm
Distributable income (S\$'000)	60,252	57,867	4.1%	16,365	15,091	8.4%
DPU (in cents)	6.091	6.487	(6.1%)	1.570	1.614	(2.7%)
Units in Issued ('000)	1,042,174	934,442	11.5%	1,042,174	934,442	11.5%

**Singapore, 23 January 2017** – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.570 cents for the fourth quarter ended 31 December 2016 (“**4Q FY2016**”). Gross revenue was S\$21.7 million in 4Q FY2016 while net property income (“**NPI**”) was

<sup>1</sup> nm denotes not meaningful

8.0% higher at S\$18.9 million due to a full quarter revenue contribution from Bukit Batok Connection.

Further to the press release dated 25 November 2016, the Manager is also pleased to announce the completion of a new annex block at 39 Senoko Way. As at 31 December 2016, Soilbuild REIT's asset value stands at \$1.24 billion and has a net lettable area of 3.93 million sqft.

### **Operational performance**

Occupancy rate stands at 89.6% in 4Q FY2016, mainly due to the termination of lease at 72 Loyang Way with Technics Offshore Engineering Pte Ltd ("TOE"). On the assumption that 72 Loyang Way is fully tenanted, the occupancy rate remains at 94.8%. Despite the soft leasing environment, approximately 620K sq ft of renewals and new leases were signed in FY2016. The portfolio renewals registered a positive rental uplift of 0.5% in FY2016 and a negative rental reversion of 7.1% in 4Q FY2016. Weighted average lease expiry by gross rental income stands at 3.4 years.

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

In 4Q FY2016, Soilbuild REIT's weighted average borrowing cost was 3.37% p.a. As at 31 December 2016, its weighted average debt expiry stood at 2.8 years and interest rate exposure was 86.5% fixed for the next 1.9 years. Soilbuild REIT's unencumbered investment properties were in excess of S\$883 million, representing approximately 71% 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 14.5% in 4Q FY2016.

### **Revaluation of Investment Properties**

Soilbuild REIT reported a deficit in total return before distribution for 4Q FY2016 and FY 2016 amounting to S\$37.5 million and S\$0.6 million respectively, mainly due to revaluation losses of S\$50.9 million on its investment properties, attributed largely to Loyang Way, West Park, Tuas Connection and Eightrium. The decline in valuation of Loyang Way was mainly due to the termination of the lease with TOE whereas the decline in the valuation of West Park and Tuas Connection was mainly attributed to higher vacancies and negative rental reversions.

## Outlook

Ministry of Trade and Industry (“MTI”) reported its advance estimates<sup>2</sup> of 1.8% growth in Singapore’s economy year-on-year (“y-o-y”) in the fourth quarter of 2016, an improvement from 1.2% in the previous quarter. The growth was attributed by an expansion in the manufacturing sector by 6.5% y-o-y, partially offset by a contraction of 2.8% y-o-y in the construction sector. The improvement was generally driven by the electronics and biomedical manufacturing clusters, while the transport engineering and general manufacturing clusters continue to weaken. On a quarter-on-quarter (“q-o-q”) seasonally-adjusted annualised basis, the economy expanded by 9.1%, contributed by a growth in the manufacturing sector of 14.6% q-o-q, moderated by a 14.8% contraction in the construction sector. Despite an economic growth of 1.8% for the whole of 2016, which is above MTI’s GDP growth forecast of “1.0% to 1.5%”, MTI cautioned the downside risks in the global economy, specifically lower external demand and weak demand conditions in the marine & offshore engineering segment.

Rentals of all industrial properties softened by 2.0% in 3Q 2016 over the preceding quarter. Rental indices for warehouses fell by the largest margin of 4.4%, followed by contraction in the single-user, multi-user and business park properties of 2.1%, 1.3% and 0.2% respectively<sup>3</sup>.

The Manager expects Soilbuild REIT’s near-term financial performance to be weaker than the preceding quarters should the Manager be unable to find a replacement tenant prior to the full utilisation of the security deposit provided by TOE. The balance security deposit is expected to be fully utilised by May 2017.

Mr Roy Teo, CEO of the Manager, said: “Despite the headwinds in the industrial market, we are pleased to deliver a DPU of 1.57 cents for 4Q FY2016, contributed by a full quarter of revenue from the completion of Bukit Batok Connection in September 2016. As part of our proactive lease management, we are glad to have completed forward renewals amounting to 110,000 sqft representing 17.2% of leases expiring in 2017. The key challenge in 2017 is to improve occupancy given the weak business environment and subdued outlook in the Oil & Gas and Marine cluster.”

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<sup>2</sup> Source: Ministry of Trade and Industry’s press release dated 3 January 2017.

<sup>3</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 3.93 million square feet and an occupancy rate of 89.6% as at 31 December 2016.

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