

Soilbuild REIT announces distributable income of S\$13.4 million and DPU of 1.264 cents for 2Q FY2018

Summary of Financial Results:

	2Q FY2018	2Q FY2017	Variance (%)	1Q FY2018	Variance (%)	1H FY2018	1H FY2017	Variance (%)
Gross revenue (S\$'000)	18,735	21,550	(13.1)	19,447	(3.7)	38,182	43,535	(12.3)
Net property income (S\$'000)	16,246	18,727	(13.2)	16,989	(4.4)	33,235	37,940	(12.4)
Distributable income (S\$'000)	13,358	15,363	(13.1)	13,960	(4.3)	27,318	30,936	(11.7)
DPU (in cents)	1.264	1.466	(13.8)	1.324	(4.5)	2.588	2.955	(12.4)
Units Issued ('000)	1,056,453	1,047,897	0.8	1,054,314	0.2	1,056,453	1,047,897	0.8

Singapore, 16 July 2018 – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.264 cents for the second quarter ended 30 June 2018 (“**2Q FY2018**”).

Financial performance

Year-on-Year (“**y-o-y**”) gross revenue and net property income (“**NPI**”) for 2Q FY2018 fell 13.1% and 13.2% respectively mainly due to lower contribution from 72 Loyang Way, a property known as KTL Offshore and West Park BizCentral. The reduction in revenue was primarily attributed to the loss of income following the termination of the 72 Loyang Way master lease, absence of revenue following the divestment of KTL Offshore in February 2018 and lower occupancy in West Park BizCentral. Distributable income and DPU declined by 13.1% and 13.8% respectively.

Quarter-on-Quarter (“**q-o-q**”) gross revenue fell 3.7% mainly due to the divestment of KTL Offshore. Net property income, distributable income and DPU fell in tandem by 4.4%, 4.3% and 4.5% respectively.



Operational performance

Portfolio occupancy rate rose modestly from 87.5% in 1Q FY2018 to 87.6% in 2Q FY2018. The Manager successfully completed more than 251,000 sq ft and 554,000 sq ft of renewals, forward renewals and new leases in 2Q FY2018 and YTD FY2018 respectively despite the soft leasing environment. In 2Q FY2018, new take-up has boosted the occupancy of Eightrium by 3.6 percentage points to 88.5% whereas non-renewals resulted in a marginal 0.5 percentage point dip in occupancy at West Park BizCentral.

For the 2nd half of 2018, including Solaris' underlying tenants, the balance expiring leases by portfolio net lettable area is 5.9%.

Negative rental reversions of 8.3% and 14.6% were recorded for renewals (including forward renewals) and new leases in 1H FY2018 respectively. On a blended basis, the rental reversion stands at negative 9.8% with a total of 32 leases signed. Weighted average lease expiry by net lettable area and gross rental income stood at 2.8 and 2.9 years respectively.

Prudent and Pro-active Capital Management

In May 2018, Soilbuild REIT fully redeemed on maturity S\$93.5 million 3.45% fixed rate notes ("**Series 1 Notes**"). The redemption of the Series 1 Notes was funded with proceeds from the divestment of KTL Offshore, bank borrowings and cash amounting to S\$54.7 million, S\$38.5 million and S\$0.3 million respectively.

The redemption of the Series 001 Notes has lowered Soilbuild REIT's aggregate leverage from 40.2% as at 31 March 2018 to 37.6% and lengthened Soilbuild REIT's weighted average debt maturity from 2.4 years as at 31 March 2018 to 2.9 years as at 30 June 2018.

In 2Q FY2018, Soilbuild REIT's weighted average borrowing cost was 3.34% p.a. and its interest rate exposure was 65.4% fixed for the next 2.3 years. Soilbuild REIT's unencumbered investment properties were in excess of S\$752 million, representing approximately 68% of its investment properties by value.

Outlook

Based on advance estimates, the Singapore economy grew by 3.8% on a y-o-y basis in the second quarter of 2018, moderating from the 4.3% growth in the previous quarter. On a q-o-q

seasonally-adjusted annualised basis, the economy expanded at a slower pace of 1.0% compared to the 1.5% growth in the preceding quarter.

The manufacturing sector grew by 8.6% y-o-y in the second quarter of 2018, slower than the 9.7% growth in the previous quarter. All clusters within the sector expanded during the quarter, with the electronics and biomedical manufacturing clusters contributing the most to the sector's growth. On a q-o-q seasonally-adjusted annualised basis, the sector shrank marginally by 0.1%, a reversal from the 21.3% growth in the preceding quarter.

Singapore's manufacturing activity continued to expand in June 2018 but at a slower pace, with the Purchasing Managers' Index ("**PMI**") falling to 52.5. PMI for the electronics sector posted a reading of 51.9.

Rentals of all industrial properties fell by 2.0% and 0.1% in 1Q 2018 y-o-y and quarter-on-quarter respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 1.8%, 2.4% and 5.5% y-o-y respectively, whilst business park rentals expanded 6.9% y-o-y. In 1Q 2018, vacancy rate for all industrial space fell by 0.1 percentage points q-o-q largely due to a 0.2 percentage point reduction in single-user factory vacancy and was partially offset by an increase in vacancy rates of business park and warehouse space by 1.5 and 0.2 percentage points respectively.

Mr Roy Teo, CEO of the Manager, said: "Rental rates for multiple-user factories are starting to stabilise with the growth in the manufacturing sector and GDP, alongside an easing industrial properties pipeline. We expect to benefit from the conversion of the Solaris master lease to a multi-tenanted building in August 2018. Management remains focused on proactive asset and lease management and continues to adopt a prudent capital management approach."

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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 3.69 million square feet and an occupancy rate of 87.6% as at 30 June 2018.

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