Soilbuild REIT announces distributable income of S$14.6 million and S$59.9 million for 4Q and full year FY2017 respectively

Highlights

- **4Q & FY2017 DPU was 1.383 cents and 5.712 cents respectively**
- **Proposed divestment of 61 and 71 Tuas Bay Drive for S$55.0 million**
- **More than 920,000 sq ft of renewals, forward renewals and new leases signed in FY2017**
- **Portfolio occupancy stands at 92.7%**

Summary of Financial Results:

	4Q FY2017	**4Q FY2016**	**Variance (%)**	**YTD FY2017**	**YTD FY2016**	**Variance (%)**
Gross revenue (S$'000)	20,747	21,687	(4.3)	84,817	81,130	4.5
Net property income (S$'000)	17,752	18,892	(6.0)	73,481	70,674	4.0
Distributable income (S$'000)	14,559	16,365	(11.0)	59,927	60,252	(0.5)
DPU (in cents)	1.383	1.570	(11.9)	5.712	6.091	(6.2)
Units Issued ('000)	1,052,111	1,042,174	1.0	1,052,111	1,042,174	1.0

Singapore, 17 January 2018 – SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.383 cents for the fourth quarter ended 31 December 2017 ("**4Q FY2017**"). Gross revenue and net property income ("**NPI**") fell by 4.3% and 6.0% respectively mainly due to lower contribution from 72 Loyang Way.

For the full year ended 31 December 2017, Soilbuild REIT's revenue and NPI grew 4.5% and 4.0% respectively largely due to the full year contribution from Bukit Batok Connection, a property acquired in September 2016.

Although DPU has fallen on a year-on-year ("**y-o-y")** basis, DPU has improved marginally quarter-on-quarter ("**q-o-q**"), from 1.374 cents in 3QFY2017 to 1.383 cents in 4QFY2017.

Operational performance

Occupancy rate stands at 92.7% in 4Q FY2017. The Manager successfully completed approximately 120k sq ft of renewals and forward renewals in the quarter and secured approximately 90k sq ft of new leases despite the soft leasing environment. Year to date, the team has completed more than 920k sq ft of new leases, renewals and forward renewals, amounting to 23.7% of the portfolio.

Negative rental reversion of 15.7% and 9.2% was recorded for new and renewal leases in 4Q FY2017 and FY2017 respectively. Weighted average lease expiry by net lettable area and gross rental income stands at 3.1 and 3.0 years respectively.

In December 2017, the Manager announced the proposed divestment of 61 and 71 Tuas Bay Drive ("**KTL**") to SB (Pioneer) Investment Pte. Ltd., a wholly-owned subsidiary of Soilbuild REIT's sponsor for S$55.0 million. The proposed divestment will unlock and release capital back to Soilbuild REIT, allowing it to pursue other growth opportunities, allows Soilbuild REIT to improve its portfolio diversification and minimises Soilbuild REIT's exposure to credit risk. The Manager expects the proposed divestment, subject to unitholders' approval, to be completed in 1Q 2018.

Prudent and Pro-active Capital Management

On 19 October 2017, Soilbuild REIT entered into a S$200 million, 4.5-year secured facility agreement with OCBC and RHB for the refinancing of a S$185 million secured loan with a balance of S$15 million available for draw down up to October 2018 ("**Refinancing**"). Post Refinancing, Solaris remains the single encumbered property in Soilbuild REIT's portfolio. The Refinancing ahead of the original debt expiry enabled Soilbuild REIT to extend its weighted average debt maturity and enjoy some interest expense savings.

In November 2017, Soilbuild REIT emerged as a highly commended winner at the Adam Smiths Awards Asia 2017 (best funding solution category) for the second year running.

In 4Q FY2017 and FY2017, Soilbuild REIT's weighted average borrowing cost was 3.20% p.a. and 3.31% p.a. respectively. As at 31 December 2017, its weighted average debt expiry stood at 2.7 years and interest rate exposure was 70.1% fixed for the next 1.4 years. Soilbuild REIT's unencumbered investment properties were in excess of S$803 million, representing approximately 69% of its investment properties (including a property held for sale) by value. The secured leverage was 15.7% in 4Q FY2017.

Revaluation of Investment Properties

Soilbuild REIT reported a deficit in total return before distribution for 4Q FY2017 and FY2017 amounting to S$68.0 million and S$28.3 million, mainly due to revaluation losses of S$80.5 million on its investment properties, attributed largely to Loyang Way, West Park BizCentral, Eightrium, NK Ingredients and Tuas Connection. The decline in valuation of the portfolio was generally due to the soft rental market and lower signing rents. In particular, Loyang Way suffered revaluation loss of S$27.0 million due to prolonged vacancy pursuant to the termination of the lease with Technics Offshore Engineering Pte Ltd.

Outlook

The Ministry of Trade and Industry ("**MTI**") announced that based on advanced estimates, the Singapore economy grew by 3.1% y-o-y in 4Q 2017, easing from the 5.4% growth in the previous quarter. On a q-o-q seasonally-adjusted annualised basis, the economy expanded at a slower pace of 2.8% compared to 9.4% growth in the preceding quarter. For the whole of 2017, the economy grew by 3.5%. Manufacturing remained the largest contributor of growth at 6.2% and 10.5% y-o-y in 4Q17 and 2017 respectively. Growth was supported mainly by robust output expansions in the electronics and precision engineering clusters, which outweighed output declines in the biomedical manufacturing and transport engineering clusters.

Singapore's factory activity rose for the 16th consecutive month with the Purchasing Managers' Index ("**PMI**") for December 2017 rising to 52.8. PMI for the electronics sector posted a reading at 53.2.

Rentals of all industrial properties fell by 3.0% and 1.1% in 3Q 2017 y-o-y and quarter-on-quarter respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 3.0%, 2.7% and 4.5% y-o-y respectively, whilst business park rentals expanded 2.6% y-o-y.

Mr Roy Teo, CEO of the Manager, said: "We are pleased to report that amid the subdued industrial market, Soilbuild REIT has maintained its DPU q-o-q. The portfolio continues to face headwinds from the oversupply of industrial space in Singapore. In the short term, our focus is to maintain the portfolio occupancy level which may require us to compromise on rental rates. In line with our proactive portfolio management strategy, we are also pleased to propose the divestment of KTL. The divestment will free up capital and provides greater financial flexibility for our pursuit of other growth drivers when opportunities arise in 2018."

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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 3.90 million square feet and an occupancy rate of 92.7% as at 31 December 2017.

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