

Soilbuild REIT announces distributable income of S\$14.0 million and DPU of 1.324 cents for 1Q FY2018

Highlights

- 1QFY2018 DPU was 1.324 cents
- Completed divestment of 61 and 71 Tuas Bay Drive (“KTL Offshore”) for S\$55.0 million
- More than 302,000 sq ft of renewals, forward renewals and new leases signed in 1QFY2018
- Portfolio occupancy stands at 87.5%

Summary of Financial Results:

	1Q FY2018	1Q FY2017	Y-o-Y variance	Y-o-Y variance (%)	4Q FY2017	Q-o-Q Variance	Q-o-Q Variance (%)
Gross revenue (S\$'000)	19,447	21,985	(2,538)	(11.5)	20,747	(1,300)	(6.3)
Net property income (S\$'000)	16,989	19,213	(2,224)	(11.6)	17,752	(763)	(4.3)
Distributable income (S\$'000)	13,960	15,573	(1,613)	(10.4)	14,559	(599)	(4.1)
DPU (in cents)	1.324	1.489	(0.165)	(11.1)	1.383	(0.059)	(4.3)
Units Issued ('000)	1,054,314	1,045,533	8,781	0.8	1,052,111	2,203	0.2

Singapore, 16 April 2018 – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.324 cents for the first quarter ended 31 March 2018 (“**1Q FY2018**”).

Financial performance

Year-on-Year gross revenue and net property income (“**NPI**”) fell by 11.5% and 11.6% respectively mainly due to lower contribution from 72 Loyang Way, West Park BizCentral, Eightrium and KTL Offshore which was divested in February 2018. Distributable income and DPU declined by 10.4% and 11.1% respectively.

Quarter-on-Quarter gross revenue fell by 6.3% mainly due to lower contribution from KTL Offshore, West Park BizCentral and Eightrium. Property expenses were S\$0.5 million lower



largely due to a reduction in property tax. Net property income, distributable income and DPU fell in tandem by 4.3%, 4.1% and 4.3% respectively.

Operational performance

Portfolio occupancy rate fell from 92.7% in 4Q FY2017 to 87.5% in 1Q FY2018. The Manager successfully completed more than 302,000 sq ft of renewals, forward renewals and new leases in the first quarter despite the soft leasing environment. Non-renewals of some expiring leases at Westpark BizCentral and Eightrium resulted in property occupancy dipping to 81.5% and 84.9% respectively. The non-renewals were mainly due to tenants' business closures and downsizing and tenants shifting into facilities they have acquired.

Negative rental reversion of 7.2% and 11.9% was recorded for renewal and new leases in 1Q FY2018 respectively. Weighted average lease expiry by net lettable area and gross rental income stood at 2.9 and 3.0 years respectively.

After having called on the insurance bonds provided by Tellus Marine, Soilbuild REIT held a security deposit in cash amounting to S\$1.2 million as at 31 March 2018. We have taken possession of 39 Senoko Way and the occupancy stood at 34.2% as at 31 March 2018. Tellus Marine contributed 1.9% of Soilbuild REIT's gross revenue in FY2017. The Manager is actively marketing the property and expects to be able to maintain the net property income of 39 Senoko Way as if the master lease is still in place for the substantial part of FY2018.

In February 2018, the Manager completed the divestment of KTL Offshore to SB (Pioneer) Investment Pte. Ltd., a wholly-owned subsidiary of Soilbuild REIT's sponsor for S\$55.0 million and recorded a capital gain of S\$1.7 million upon divestment.

Prudent and Pro-active Capital Management

In 1Q FY2018, Soilbuild REIT's weighted average borrowing cost was 3.21% p.a.. As at 31 March 2018, its weighted average debt expiry stood at 2.4 years and interest rate exposure was 70.1% fixed for the next 1.1 years. Soilbuild REIT's unencumbered investment properties were in excess of S\$751 million, representing approximately 68% of its investment properties by value. The aggregate leverage was 40.2% in 1Q FY2018.

Outlook

The Ministry of Trade and Industry announced that based on advance estimates, the Singapore economy grew by 4.3% year-on-year ("y-o-y") in the first quarter of 2018, higher



than the 3.6% growth in the fourth quarter of 2017. On a quarter-on-quarter (“q-o-q”) seasonally-adjusted annualised basis, the economy expanded by 1.4%. The manufacturing sector expanded by 10.1% y-o-y in the first quarter of 2018, faster than the 4.8% growth in the previous quarter. All the clusters within the manufacturing sector expanded, with the electronics and precision engineering clusters contributing the most to the sector’s growth. On a q-o-q seasonally-adjusted annualised basis, growth in the manufacturing sector came in at 23.3%.

Singapore’s factory activity rose for the 19th consecutive month with the Purchasing Managers’ Index (“PMI”) for March 2018 rising to 53.0. PMI for the electronics sector posted a reading at 52.4.

Rentals of all industrial properties fell by 2.6% and 0.1% in 4Q 2017 y-o-y and quarter-on-quarter respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 2.6%, 2.6% and 5.2% y-o-y respectively, whilst business park rentals expanded 3.5% y-o-y. In 4Q 2017, occupancy rate for warehouses, business parks and single-user factory space rose 1.6%, 0.7% and 0.1% q-o-q respectively while occupancy of multiple-user factory fell by 0.1%.

Mr Roy Teo, CEO of the Manager, said: “The industrial property market remains soft with competing supply negatively impacting our occupancy and rental rates. We are making headway with the restructuring of Soilbuild REIT’s portfolio and strengthening its tenants mix. With the divestment of KTL Offshore, marine offshore and oil and gas sectors account for only 6% of revenue. We have also received 6 months of cash security deposit from NK Ingredients Pte. Ltd. as they continue operating in our premises. We are now in a better position to benefit from a potential recovery of the industrial property market.”

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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 87.5% as at 31 March 2018.

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