Soilbuild REIT announces distributable income of S$13.2 million and DPU of 1.245 cents for 3Q FY2018

Summary of Financial Results:

	3Q FY2018	3Q FY2017	Variance (%)	2Q FY2018	Variance (%)	YTD FY2018	YTD FY2017	Variance (%)
Gross revenue (S$'000)	19,800	20,535	(3.6)	18,735	5.7	57,982	64,070	(9.5)
Net property income (S$'000)	16,222	17,789	(8.8)	16,246	(0.1)	49,457	55,729	(11.3)
Income attributable to perpetual securities holders (S$'000)	43	-	Nm	-	Nm	43	-	Nm
Income attributable to Unitholders (S$'000)	13,186	14,432	(8.6)	13,358	(1.3)	40,504	45,368	(10.7)
DPU (in cents)	1.245	1.374	(9.4)	1.264	(1.5)	3.833	4.329	(11.5)
Units Issued ('000)	1,058,516	1,050,040	0.8	1,056,453	0.2	1,058,516	1,050,040	0.8

Singapore, 17 October 2018 – SB REIT Management Pte. Ltd. ("**Manager**"), the Manager of Soilbuild Business Space REIT ("**Soilbuild REIT**"), today announced a distribution per unit ("**DPU**") of 1.245 cents for the third quarter ended 30 September 2018 ("**3Q FY2018**").

Financial performance

Year-on-Year ("**y-o-y**") gross revenue and net property income for 3Q FY2018 fell 3.6% and 8.8% respectively mainly due to the divestment of KTL Offshore, lower contribution from West Park BizCentral and Eightrium and was partially offset by higher revenue from the conversion of Solaris into a multi-tenanted property on 15 August 2018. Distributable income to Unitholders and DPU declined by 8.6% and 9.4% respectively.

Quarter-on-Quarter ("**q-o-q**") gross revenue rose 5.7% largely due to the conversion of Solaris and was partially offset by lower contribution from West Park BizCentral and Eightrium. Net property income fell marginally by 0.1% as higher revenue was offset by higher property expenses for Solaris. Distributable income and DPU fell by 1.3% and 1.5% respectively primarily due to lower net property income and higher net finance expenses. The increase in net finance expenses was mainly attributed to the repayment of the Sponsor's interest-free loan.

Operational performance

The Manager successfully completed more than 110,000 sq ft of renewals, forward renewals and new leases in 3Q FY2018. In YTD FY2018, 665,000 sq ft of leases were signed despite the soft leasing environment. In 3Q FY2018, new take-up has boosted the occupancy of Eightrium by 0.8 percentage points to 89.3% whereas non-renewals resulted in a 2.3 percentage point dip in occupancy at Tuas Connection. Portfolio occupancy rate fell marginally from 87.6% in 2Q FY2018 to 87.2% in 3Q FY2018.

For the last quarter of 2018, the balance expiring leases by portfolio net lettable area is 1.8%.

Rental reversions of 3.6% and -2.4% were recorded for renewals (including forward renewals) and new leases in 3Q FY2018 respectively. On a blended basis, the rental reversion stands at 2.7% in 3Q FY2018 with 10 leases signed. The rental reversion was negative 5.8% in YTD FY2018 with a total of 42 leases signed. Weighted average lease expiry by net lettable area and gross rental income stood at 3.0 and 3.2 years respectively.

Acquisitions

On 5 October 2018, Soilbuild REIT has completed the acquisitions of a centrally located office in the Canberra city ("**14 Mort Street**") and a poultry primary processing plant in Adelaide ("**Inghams Burton**") with total lettable area spanning 30,807.5 square metres. 14 Mort Street and Inghams Burton are leased to the Commonwealth Government of Australia and Inghams Group and have an weighted average lease expiry of 6.5 years and 16.1 years respectively.

The total gross acquisition cost of A$120.96 million was funded by the issuance of perpetual securities, Australian dollar denominated loan and internal resources.

Prudent and Pro-active Capital Management

Soilbuild REIT has issued S$65 million 6% NC3 subordinated perpetual securities on 27 September 2018 and entered into a bilateral A$50 million, 5-year unsecured loan facility agreement on 1 October 2018 to fund the Australia acquisitions.

In 3Q FY2018, Soilbuild REIT's weighted average borrowing cost was 3.42% p.a., its weighted average debt maturity was 3.3 years with a fixed interest rate for 66.6% of borrowings for a weighted average term of 2.1 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 2.6% on a y-o-y basis in the third quarter of 2018, easing from the 4.1% growth in the previous quarter. On a q-o-q seasonally-adjusted annualised basis, the economy expanded by 4.7%, faster than the 1.2% growth in the preceding quarter.

The manufacturing sector grew by 4.5% y-o-y in the third quarter of 2018, slower than the 10.6% growth in the previous quarter. Growth was supported mainly by output expansions in the electronics, biomedical manufacturing and transport engineering clusters. On a q-o-q seasonally-adjusted annualised basis, the manufacturing sector expanded at a faster pace of 7.6% compared to the 2.9% growth in the preceding quarter.

Singapore's manufacturing activity continued to expand in September 2018 but at a slower pace, with the Purchasing Managers' Index ("**PMI**") falling to 52.4. All manufacturing clusters recorded gains, with the pick-up largely attributed to the electronics, biomedical and transport engineering clusters. PMI for the electronics sector saw a slip of 0.6 points to expand at 51.4.

Rentals of all industrial properties fell by 1.4% and 0.1% in 2Q 2018 y-o-y and quarter-on-quarter respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 0.7%, 4.2% and 3.8% y-o-y respectively, whilst business park rentals expanded 5.3% y-o-y. In 2Q 2018, vacancy rate for all industrial space rose 0.3 percentage points q-o-q largely due to a 0.5 and 0.4 percentage points increase in multiple-user and warehouse vacancy rates respectively.

Mr Roy Teo, CEO of the Manager, said: "We are pleased with our maiden foray into the Australia real estate market. The DPU accretive Australia acquisitions and the recent conversion of Solaris to a multi-tenanted building are expected to strengthen and provide further stability to Soilbuild REIT's DPU. In the near term, industrial rents and occupancy rate still face headwinds amid a supply influx in recent years."

- End -

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 87.2% as at 30 September 2018.

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