

Soilbuild REIT announces 3Q FY2017 distributable income of S\$14.4 million

Highlights

- 3Q & 9M FY2017 DPU was 1.374 cents and 4.329 cents respectively
- More than 710K sq ft of renewals, forward renewals and new leases signed as at YTD 9M FY2017
- Portfolio occupancy stands at 94.1%

Summary of Financial Results:

	3Q FY2017	3Q FY2016	Variance	9M FY2017	9M FY2016	Variance
Gross revenue (S\$'000)	20,535	19,731	4.1	64,070	59,443	7.8
Net property income (S\$'000)	17,789	17,264	3.0	55,729	51,782	7.6
Distributable income (S\$'000)	14,432	14,551	(0.8)	45,368	43,887	3.4
DPU (in cents)	1.374	1.399	(1.8)	4.329	4.521	(4.2)
Units Issued ('000)	1,050,040	1,039,419	1.0	1,050,040	1,039,419	1.0

Singapore, 13 October 2017 – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.374 cents for the third quarter ended 30 September 2017 (“**3Q FY2017**”). Gross revenue and net property income (“**NPI**”) rose by 4.1% and 3.0% respectively due to higher revenue from Bukit Batok Connection, West Park BizCentral, Solaris, Tuas Connection and Tellus Marine. It was partially offset by reduction in revenue from 72 Loyang Way, upon the full utilisation of security deposit in 2Q FY2017.

Property expenses were 11.3% higher due to higher property operating expenses for 72 Loyang Way and Bukit Batok Connection. From 1 January 2017, property and lease management fees were paid in cash instead of units. In 3Q FY 2017 and YTD 2017, these fees amounted to S\$0.5 million and S\$1.5 million respectively.



Operational performance

Occupancy rate has improved to 94.1% in 3Q FY2017, contributed by higher occupancy at West Park BizCentral and 72 Loyang Way of 95.0% and 27.0% respectively. The Manager successfully completed more than 90k sq ft of forward renewals in the quarter and secured approximately 50k sq ft of new leases despite the soft leasing environment. Year to date, the team has completed more than 710k sq ft of new leases, renewals and forward renewals, amounting to 18.2% of the portfolio, leaving approximately 5.9% of the portfolio NLA expiring in the last quarter of 2017.

Negative rental reversion of 4.0% and 7.8% was recorded for new and renewal leases in 3Q FY2017 and YTD FY2017 respectively. Weighted average lease expiry by net lettable area and gross rental income stands at 3.2 and 3.1 years respectively.

In September 2017, the Manager commenced an Asset Enhancement Initiative at Eightrium @ Changi Business Park to refresh its overall aesthetics, lifts improvements and installation of new end of trip facilities. The refurbishment works are scheduled to be completed in mid-2018.

Prudent and Pro-active Capital Management

On 12 September 2017, Soilbuild REIT redeemed an aggregate of S\$18.5 million in principal amount of the 3.45% Series 1 notes due 2018 and 3.60% Series 2 notes due 2021 put back by noteholders pursuant to a change of control event ("**Notes Redemption**"). The Notes Redemption was carried out concurrently with the withdrawal of Soilbuild REIT's credit rating, thus allowing noteholders an opportunity to redeem the notes at par value. The Notes Redemption was financed by way of a 3-year unsecured loan from the Hongkong and Shanghai Banking Corporation Limited.

In 3Q FY2017, Soilbuild REIT's weighted average borrowing cost was 3.32% p.a. As at 30 September 2017, its weighted average debt expiry stood at 2.1 years and interest rate exposure was 63.9% fixed for the next 1.5 years. Soilbuild REIT's unencumbered investment properties were in excess of S\$883 million, representing approximately 71% of its investment properties by value. The secured leverage remains at 14.6% in 3Q FY2017.

Outlook

The Ministry of Trade and Industry (“**MTI**”) announced that based on advanced estimates, the Singapore economy grew by 4.6% year-on-year (“**y-o-y**”) in 3Q 2017. On a quarter-on-quarter (“**q-o-q**”) seasonally-adjusted annualised basis, the economy expanded by 6.3%. Manufacturing remained the largest contributor of growth at 15.5% y-o-y and 23.1% q-o-q. Growth was supported mainly by robust expansions in the electronics, biomedical manufacturing and precision engineering clusters.

Singapore’s factory activity rose for the 13th consecutive month with the Purchasing Managers’ Index (“**PMI**”) for September 2017 rising to 52.0. In particular, PMI for electronics sector rose to a seven-year high reading of 53.6.

Rentals of all industrial properties fell by 4.1% and 0.8% in 2Q 2017 y-o-y and q-o-q respectively. The multi-user factories, single-user factories and warehouse rental indices have receded 3.7%, 3.8% and 7.2% y-o-y respectively, whilst business park rentals expanded 2.0% y-o-y.

Mr Roy Teo, CEO of the Manager, said: “We are pleased to deliver 3Q FY2017 DPU of 1.374 cents. The Singapore economy is experiencing a mixed sectoral growth with robust growth in the electronics and precision engineering sectors but persistent contraction in the general manufacturing and transport engineering clusters. The Manager has found opportunities amid tenant turnover in this period of uneven growth. This is evident from the signing of 44 new and renewal leases spanning 712,780 sqft in YTD FY2017, culminating in our third consecutive q-o-q portfolio occupancy growth to 94.1%. In YTD FY2017, 34.1% of leases were signed with tenants in the precision engineering and electrical and machinery products sector. In this transitory period, we remain focused on rebalancing our portfolio tenancy mix to deliver sustainable returns to our unitholders.”

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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 94.1% as at 30 September 2017.

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