

## Soilbuild REIT's 1Q FY2017 distributable income grew 6.6% year-on-year

### Highlights

- 1Q FY2017 DPU was 1.489 cents
- Approximately 260K sq ft of renewals, forward renewals and new leases signed
- Portfolio occupancy of 91.8% as at 31 March 2017, occupancy rate at 72 Loyang Way stands at 9.9%

### Summary of Financial Results:

	1Q FY2017	1Q FY2016	Variance
Gross revenue (S\$'000)	21,985	20,142	9.2%
Net property income (S\$'000)	19,213	17,193	11.7%
Distributable income (S\$'000)	15,573	14,609	6.6%
DPU (in cents)	1.489	1.557	(4.4%)
Adjusted DPU (in cents) <sup>1</sup>	1.539	1.557	(1.2%)
Units Issued ('000)	1,045,533	938,010	11.5%

**Singapore, 12 April 2017** – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.489 cents for the first quarter ended 31 March 2017 (“**1Q FY2017**”). Gross revenue and net property income (“**NPI**”) rose by 9.2% and 11.7% respectively due to higher revenue from Bukit Batok Connection, Solaris, Tellus Marine and Tuas Connection, partially offset by reduction in revenue from West Park. Lower property tax expense further improved Soilbuild REIT’s net property income. In 1Q FY2017, the Manager has elected for cash payment of the property and lease management fees amounting to S\$0.5 million.

<sup>1</sup> Assuming payment of property and lease management fees in Units



To date, Soilbuild REIT has maintained its net property income contribution from 72 Loyang Way by utilising the security deposit received. The unutilised security deposit amounted to S\$1.3 million as at 31 March 2017.

### **Operational performance**

Occupancy rate stands at 91.8% in 1Q FY2017, including the 9.9% occupancy at 72 Loyang Way. Despite the soft leasing environment, the Manager secured close to 260K sq ft of renewals, forward renewals and new leases in 1Q FY2017. The portfolio renewals registered a positive rental uplift of 3.6% in 1Q FY2017 and portfolio rental reversions remained flat with the inclusion of the forward renewals. Weighted average lease expiry by net lettable area and gross rental income stands at 3.4 and 3.3 years respectively.

### **Prudent and Pro-active Capital Management**

In 1Q FY2017, Soilbuild REIT's weighted average borrowing cost was 3.37% p.a. As at 31 March 2017, its weighted average debt expiry stood at 2.6 years and interest rate exposure was 86.5% fixed for the next 1.7 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 remained at 14.5% in 1Q FY2017.

### **Outlook**

Ministry of Trade and Industry ("MTI") announced that the Singapore economy grew by 2.0% in 2016 and maintained its GDP growth estimates<sup>2</sup> of 1.0% to 3.0% for 2017. The overall performance in 2016 was largely driven by growth in the manufacturing sector. Particularly in 4Q 2016, manufacturing activity grew 11.5% y-o-y and 39.8% q-o-q. The improvement was primarily supported by the electronics and biomedical manufacturing clusters, while the transport engineering and general manufacturing clusters remained weak.

MTI projected global growth to recover slightly in 2017, especially in the US and key ASEAN economies. MTI cautioned the uncertainties from political risks in the Eurozone economies and tightening monetary policies in China. Barring the downside risks, the manufacturing and transportation & storage sectors will likely provide growth to the Singapore economy in 2017, riding on the improvement in global trade flows. However, outlook for the construction sector, marine & offshore and retail and food services sectors is likely to remain subdued.

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<sup>2</sup> Source: Ministry of Trade and Industry's press release dated 17 February 2017.



Rentals of all industrial properties softened by 0.5% in 4Q 2016 over the preceding quarter, partially offset by an improvement in business park rentals of 1.2%. Rental indices for single-user factories, multi-user factories and warehouses contracted marginally by 0.9%, 0.5% and 0.2% respectively<sup>3</sup>.

Mr Roy Teo, CEO of the Manager, said: “We are pleased to deliver 1Q FY2017 DPU of 1.489 cents on the back of a full quarter’s revenue contribution from Bukit Batok Connection. The team has secured close to 160k sq ft of new leases and completed 100k sq ft of renewals and forward renewals in this quarter which improved the portfolio’s occupancy rate by 2.2% compared to previous quarter. With 12.6% of the portfolio NLA expiring in the rest of 2017, the key challenge remains to retain existing tenants and improve occupancy in the multi-tenanted buildings and 72 Loyang Way.”

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<sup>3</sup> Source: JTC quarterly rental index of industrial space.



## **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 3.93 million square feet and an occupancy rate of 91.8% as at 31 March 2017.

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