

Soilbuild REIT's 2Q & 1H FY2017 distributable income grew 4.3% and 5.5% year-on-year

Highlights

- 2Q & 1H FY2017 DPU was 1.466 cents and 2.955 cents respectively
- Approximately 570K sq ft of renewals, forward renewals and new leases signed as at YTD 1H FY2017
- Portfolio occupancy stands at 92.6%
- S\$200 million unsecured facility put in place for greater financial flexibility

Summary of Financial Results:

	2Q FY2017	2Q FY2016	Variance	1H FY2017	1H FY2016	Variance
Gross revenue (S\$'000)	21,550	19,570	10.1%	43,535	39,712	9.6%
Net property income (S\$'000)	18,727	17,325	8.1%	37,940	34,518	9.9%
Distributable income (S\$'000)	15,363	14,727	4.3%	30,936	29,336	5.5%
DPU (in cents)	1.466	1.565	(6.3%)	2.955	3.122	(5.3%)
Adjusted DPU (in cents) ¹	1.514	1.565	(3.3%)	3.053	3.122	(2.2%)
Units Issued ('000)	1,047,897	940,678	11.4%	1,047,897	940,678	11.4%

Singapore, 13 July 2017 – SB REIT Management Pte. Ltd. (“**Manager**”), the Manager of Soilbuild Business Space REIT (“**Soilbuild REIT**”), today announced a distribution per unit (“**DPU**”) of 1.466 cents for the second quarter ended 30 June 2017 (“**2Q FY2017**”). Gross revenue and net property income (“**NPI**”) rose by 10.1% and 8.1% 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.

Property expenses were 25.7% higher due to a one-off reversal of property tax expense for West Park BizCentral in 2Q FY2016 arising from the re-assessment of annual values by the tax authority, coupled with higher property operating expenses for 72 Loyang Way and Bukit

¹ Assuming payment of property and lease management fees in Units



Batok Connection. In 2Q FY2017, the property and lease management fees amounting to S\$0.5 million were payable in cash.

Soilbuild REIT has maintained its net property income contribution from 72 Loyang Way until May 2017 by utilising the security deposit received.

Operational performance

Occupancy rate has improved to 92.6% in 2Q FY2017, contributed by full occupancy at Eightrium and 22.8% occupancy at 72 Loyang Way. With active marketing and leasing efforts, the Manager secured more than 310K sq ft of renewals, forward renewals and new leases in 2Q FY2017. The portfolio rental reversions were relatively flat, while forward renewals registered a negative rental reversion of 9.8%, primarily due to higher expiring rents secured 2 to 3 years ago when the rental index was at its peak. 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

Following the amendment to Appendix 6 of the Code of Collective Investment Schemes for REITs to adopt a single-tier leverage limit of 45% without the requirement for a credit rating, the Manager has requested Moody's Investors Service to withdraw its corporate credit rating on Soilbuild REIT.

On 30 June 2017, Soilbuild REIT entered into a S\$200 million 3-year unsecured facility agreement with The Hong Kong and Shanghai Banking Corporation Limited ("the **Facility**"). The proceeds from the Facility will be used for the refinancing of existing borrowings.

In 2Q FY2017, Soilbuild REIT's weighted average borrowing cost was 3.37% p.a. As at 30 June 2017, its weighted average debt expiry stood at 2.3 years and interest rate exposure was 86.5% fixed for the next 1.4 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 was 14.6% in 2Q FY2017.

Outlook

The Ministry of Trade and Industry ("**MTI**") announced that the Singapore economy grew by 2.7% in 1Q 2017, largely contributed by the continued strength in the manufacturing sector. The manufacturing sector's growth was primarily driven by the electronics and precision



engineering clusters, which expanded on the back of global demand for semiconductors. While information and communications sector remained resilient, the construction sector on the other hand, continued to contract.

MTI expects growth for 2017 to be above 2%, maintaining its GDP growth estimates of 1.0% to 3.0%. MTI projects trade-related sectors such as manufacturing, transportation and storage to sustain the growth of the Singapore economy in 2017.

Rentals of all industrial properties had fallen since 1Q 2015, with a 5.0% decline in 1Q 2017 over the preceding year. The multi-user factories, single-user factories and warehouse rental indices have receded 5.2% to 6.1% year-on-year, whilst business park rentals remained relatively resilient.

Mr Roy Teo, CEO of the Manager, said: “We are pleased to deliver 2Q FY2017 DPU of 1.466 cents. Despite a soft industrial market, the leasing team has secured more than 110K sq ft of new leases and completed more than 200K sq ft of renewals and forward renewals in this quarter, raising portfolio occupancy to 92.6%. With 7.6% of the portfolio NLA expiring in the second half of 2017, the key asset management focus remains to retain existing tenants and improve occupancy in the multi-tenanted buildings and 72 Loyang Way. With the full utilisation of the security deposit received for 72 Loyang Way, the distributable income will be negatively impacted until the Manager finds a suitable replacement anchor tenant.”

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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 92.6% as at 30 June 2017.

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