

Issuer: SB REIT Management Pte. Ltd.

Security: Soilbuild Business Space REIT

Meeting details:

Date: 20 April 2017

Time: 14:30H

Venue: Fairmont Singapore, 80 Bras Basah Road, Level 4 Raffles City Convention Centre, Singapore 189560, Atrium Ballroom

Company Description

Soilbuild Business Space REIT engages in the investment of various real estate properties for business space purposes, as well as real estate-related assets in Singapore. Its property portfolio includes seven business space properties comprising two business park developments and five industrial properties. The company operates as a real estate investment trust. Soilbuild Business Space REIT was founded in 2012 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=SV3U)

Q1. In the Letter to Unitholders (page 11 of the annual report), re-letting of 72 Loyang Way has been identified as a key challenge in 2017, along with improving occupancy rates. In the announcement titled “Proposed Acquisition of 72 Loyang Way, Singapore 508762” dated 12 March 2015, the REIT had described the property as one that is “suitable for a wide range of end users in the marine & offshore, oil & gas industry as well as other heavy industrialists who require heavy floor loading and waterfront jetty for loading/unloading of oversize and overweight cargo”.

- a) **What are the REIT’s current options with regard to leasing out 72 Loyang Way?**
- b) **Can the manager update unitholders on the progress made in leasing out 72 Loyang Way?**

During the acquisition, the REIT did not make reference to the credit-worthiness of the vendor. With the benefit of hindsight, the security deposit equivalent to 18 months’ rent and a corporate guarantee from the vendor is insufficient to offset the revaluation losses of over \$30 million for the asset.

- c) **Can the manager let unitholders understand how they evaluate any potential vendor when the REIT proposes to acquire third party assets and enters into a sale and leaseback arrangement?**

Q2. The REIT has three multi-tenanted leases, namely Eightrium @ Changi Business Park, Tuas Connection and West Park BizCentral. In the Operations Review (page 16), it was disclosed that “the occupancy rate for multi-tenanted buildings at 90.1%, was above the industrial average of 89.5%”.

Even though the occupancy rate is marginally better than the industry, it means that over 200,000 square feet of the REIT’s portfolio is vacant and not generating rental income.

- a) **Can the manager describe in greater detail the proactive leasing and marketing efforts?**
- b) **How does the manager differentiate the REIT’s assets from other industrial buildings?**

The lease expiry at Eightrium @ Changi Business Park in 2017 is 36% (by gross rental income). The lease expiries in 2017 (by gross rental income) are 27.7% and 37.3% for Tuas Connection and West Park BizCentral respectively.

- c) **Does the manager expect to be able to renew or re-let the expiring leases?** If not, the net property income and distribution (per unit) will likely come under further stress.

Q3. In September 2016, the REIT completed the acquisition of Bukit Batok Connection, the first of the four assets to be injected into Soilbuild REIT’s portfolio of assets, as part of the Right of First Refusal granted by the Sponsor at IPO (page 10).

- a) **Has the acquisition been yield accretive to unitholders?**
- b) **If not, would the manager help unitholders understand the rationale for acquiring Bukit Batok Connection?**
- c) **If the REIT were to acquire any more of the ROFR properties, would the manager consider doing it only if it were yield accretive?**

In connection with the acquisition, the manager also launched a non-renounceable preferential offering of new units to fund the acquisition.

- d) **Would the manager explain why it had decided on a non-renounceable preferential offering?**