



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

ENTRY INTO JOINT VENTURE AND ACQUISITION OF 48 PANDAN ROAD, SINGAPORE 609289

1. INTRODUCTION

ESR Funds Management (S) Limited, as manager of ESR-REIT (the “**Manager**”), wishes to announce that RBC Investor Services Trust Singapore Limited, in its capacity as trustee of ESR-REIT (the “**Trustee**”) has today entered into a joint venture (the “**Joint Venture**”) through a limited liability partnership in Singapore known as PTC Logistics Hub LLP (the “**LLP**”) with Poh Tiong Choon Logistics Limited (“**PTC**”). ESR-REIT and PTC have each made an initial capital contribution to the LLP of S\$1.00 in cash. ESR-REIT currently holds 49.0% of the partnership interests in the LLP and PTC holds the remaining 51.0% of the partnership interests in the LLP.

Further to the Joint Venture, the LLP has today entered into a Put and Call Option Agreement (the “**Option Agreement**”) with PTC to acquire the leasehold interest over a property situated at 48 Pandan Road, Singapore 609289 (the “**Property**”, and the proposed acquisition of the Property, the “**Proposed Acquisition**”). The purchase consideration for the Property (the “**Purchase Consideration**”) under the Proposed Acquisition is S\$225.0 million which is expected to be funded through a S\$40.2 million contribution by PTC, a S\$38.6 million contribution by the Trustee, and debt of approximately S\$146.2 million to be taken out by the LLP. In connection with the Proposed Acquisition, the total acquisition costs attributable to ESR-REIT (the “**Total Acquisition Costs**”) is S\$44.4 million.

On completion of the Proposed Acquisition (the “**Completion**”), the Property shall be leased back by the LLP as landlord to PTC as tenant for a term of ten years with fixed rental escalation per annum (the “**Leaseback**”).

2. DETAILS OF THE PROPOSED ACQUISITION AND THE JOINT VENTURE

2.1 Information on the Property

The Property is located within the Pandan area and is in close proximity to major infrastructure. It is well accessed by major expressways such as the Ayer Rajah Expressway and West Coast Highway. A newly redeveloped 6-storey ramp-up warehouse with rooftop parking, the Property recently obtained its Certificate of Statutory Completion and houses an ancillary dormitory, a temporary ancillary canteen and an ancillary office which serves as PTC’s corporate headquarters.

The details of the Property are as follows:

Address	Poh Tiong Choon Logistics Hub 48 Pandan Road Singapore 609289
Property Description	A 6-storey ramp-up general warehouse with ancillary facilities
Type	Business 2
Land Tenure	Existing lease term with a further term of 24 years 4 months commencing from 1 July 2019
Land Area	Approximately 437,436 square feet
Gross Floor Area	1,093,415 square feet

2.2 The Proposed Acquisition

In accordance with the Option Agreement, the LLP has paid a refundable deposit of S\$490,000 and has been granted a call option to purchase the Property from PTC. In turn, PTC has been granted a corresponding put option to require the LLP to purchase the Property from PTC. The put and call options under the Option Agreement may only be exercised upon the satisfaction of, *inter alia*, the following conditions precedent:

- (i) PTC (in its capacity as the vendor of the Property) obtaining the approval from JTC Corporation (“**JTC**”) and any other relevant authorities for the Proposed Acquisition and the Leaseback on terms and conditions reasonably satisfactory to the LLP and PTC;
- (ii) the LLP receiving satisfactory legal requisition replies from the relevant authorities in respect of the Property; and
- (iii) the LLP obtaining sufficient funds, on terms acceptable to the LLP to complete the Proposed Acquisition.

Upon fulfilment of the conditions precedent and exercise of a put or a call option under the Option Agreement, the LLP and PTC are deemed to have entered into a sale and purchase agreement relating to the Property. For the avoidance of doubt, the deposit of S\$490,000 paid by the LLP will be applied towards the Purchase Consideration.

On completion of the Proposed Acquisition, the LLP will lease the Property to PTC under the Leaseback.

2.3 The Joint Venture

The Joint Venture is structured as a limited liability partnership registered in Singapore. The Trustee and PTC have entered into an agreement to govern their relationship as partners of the LLP (the “**LLP Agreement**”).

A partners' committee (the "**Partners' Committee**") shall be formed to undertake the management of the LLP on behalf of the partners of the LLP ("**Partners**"). Each Partner holding more than 20 per cent. of the partnership interests in the LLP may appoint one representative to the Partners' Committee for each 20 per cent. of the partnership interests held by the Partner. The day to day business and affairs of the LLP will be managed by or under the direction of a manager as appointed by the Partners' Committee.

3. INDEPENDENT VALUATION

The Manager has commissioned Savills Valuation & Professional Services (S) Pte Ltd (the "**Independent Valuer**") to value the Property. The appraised value of the Property, as stated by the Independent Valuer in its valuation report dated 3 May 2019 (the "**Valuation Report**"), is S\$225.0 million (as at 3 May 2019).

The appraised value of the Property was determined by the Independent Valuer using the Income Capitalisation Method, Discounted Cash Flow Analysis and Direct Comparison Method, with an equal weightage being ascribed to each method.

4. PURCHASE CONSIDERATION

4.1 Purchase Consideration

The Purchase Consideration of S\$225.0 million was determined on a willing-buyer, willing-seller basis, of which:

- (i) S\$40.2 million is expected to be funded by PTC's contributions to the LLP through the transfer of its existing interest in the Property;
- (ii) S\$38.6 million is expected to be funded by the Trustee's contributions to the LLP through cash or, subject to the agreement of the Partners, a mixture of cash and units in ESR-REIT as agreed upon between the Partners. The final decision regarding the proportion of cash and/or units in ESR-REIT to be employed to fund the Proposed Acquisition will be made at the appropriate time, taking into account the then prevailing market conditions and the agreement between the Partners; and
- (iii) S\$146.2 million is expected to be funded by debt to be taken out by the LLP.

4.2 Estimated Total Acquisition Costs

The total cost of the Acquisition to ESR-REIT (being the Total Acquisition Costs) is approximately S\$44.4 million, comprising:

- (i) ESR-REIT's equity share of the Purchase Consideration which is expected to be S\$38.6 million;
- (ii) ESR-REIT's share of the stamp duty payable for the Property of approximately S\$3.3 million;
- (iii) ESR-REIT's share of the debt related transaction costs of approximately S\$0.6 million; and

(iv) other transaction costs¹ of approximately S\$1.9 million in aggregate.

4.3 Method of Financing

The Manager currently intends to finance the Total Acquisition Costs through a combination of debt, units in ESR-REIT and/or the proceeds from an equity fund raising (the “**Equity Fund Raising**”).

The final decision regarding the proportion of the debt, units in ESR-REIT and/or proceeds from the Equity Fund Raising to be employed to fund the Proposed Acquisition will be made by the Manager at the appropriate time, taking into account the then prevailing market conditions and overall incremental distribution per Unit (“**DPU**”) contribution to Unitholders while maintaining an optimum level of aggregate leverage.

The details and timing of the Equity Fund Raising have not been determined. Further details of the Equity Fund Raising will be announced by the Manager at the appropriate time.

5. RATIONALE

5.1 Strengthens ESR-REIT’s Portfolio Exposure to the Logistics Sector

The Property is a newly completed, modern ramp-up logistics warehouse located within the Pandan area at Jurong Industrial Estate. The Pandan location is considered to be a key logistics cluster of the Jurong Industrial Precinct given its immediate proximity to Jurong Port, International Business Park and Jurong Island. The addition of the Property enhances the quality of ESR-REIT’s logistics portfolio to comprise four² in-demand and modern ramp-up logistics properties, representing 60% of ESR-REIT’s logistics portfolio. Rental income from the logistics portfolio will also increase from 19.7%³ to 22.3% following the Proposed Acquisition.

5.2 Improves ESR-REIT’s Portfolio Metrics

The Proposed Acquisition would increase ESR-REIT’s portfolio weighted average lease expiry from 3.7 years to 3.9 years and improve the lease expiry concentration for 2024 and beyond⁴ from 25.6% to 28.2%. Overall portfolio occupancy would also improve from 92.0% to 92.6%, above the JTC average of 89.3%⁵.

1 Includes acquisition fees, professional fees, and other transaction fees and expenses incurred or to be incurred in connection with the Proposed Acquisition.

2 Four ramp-up properties include 3 Pioneer Sector 3, 6 Chin Bee Avenue, 15 Greenwich Drive and 48 Pandan Road.

3 Based on the unaudited financial statements of ESR-REIT for 1Q2019 as announced on 24 April 2019.

4 By rental income based on the unaudited financial statements of ESR-REIT for 1Q2019 as announced on 24 April 2019.

5 Source: JTC Quarterly Market Report on Industrial Property – Fourth Quarter 2018 as released on 24 January 2019

5.3 Provides Stable Income Stream

The Property will be 100% leased to PTC for a lease term of ten years with a fixed rental escalation per annum. This provides stable and growing distributions for the Unitholders.

5.4 Strategic Partnership with an Established Logistics Player

The LLP is a strategic partnership between ESR-REIT and PTC in respect of the Property. The strategic partnership has also been undertaken with PTC to provide real estate solutions for their business expansion and logistics real estate needs in Singapore and the region.

PTC is a logistics company founded in 1950 with an established and long track record in Singapore logistics business. PTC is now a leading third-party logistics provider with core business in transportation, bulk cargo handling, warehousing, drumming, trading, terminal management, leasing and property development.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is regarded as being in the ordinary course of business and ESR-REIT is thus not required to disclose the illustrative financial effects of the Proposed Acquisition as prescribed in Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**Listing Manual**"). However, the *pro forma* financial effects of the Proposed Acquisition, using the latest announced unaudited financial statements of ESR-REIT for the first quarter ended 31 March 2019 ("**1Q2019**") and based on the guidelines in Chapter 10 of the Listing Manual, are set out in the illustrative examples below for Unitholders' reference and ease of comparison.

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Acquisition on the DPU and net asset value attributable to Unitholders ("**NAV**") per ESR-REIT unit ("**Unit**") presented below are strictly for illustrative purposes only and have been prepared based on the latest announced unaudited financial statements of ESR-REIT for 1Q2019, assuming the following:

- (i) the Total Acquisition Costs was funded entirely via the Equity Fund Raising; and
- (ii) the issuance of approximately 88.1 million new Units at an illustrative issue price of S\$0.515 per New Unit in connection with the Equity Fund Raising to raise net proceeds of approximately S\$44.4 million to finance the Proposed Acquisition.

6.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Acquisition on ESR-REIT's DPU annualised for 1Q2019, as if the Proposed Acquisition and the issuance of New Units pursuant to the Equity Fund Raising were completed on 1 January 2019 and ESR-REIT had held the Property through the LLP throughout the financial period, are as follows:

	Effects of the Proposed Acquisition		
	Before the Proposed Acquisition		After the Proposed Acquisition
	1Q2019	Annualised 1Q2019	
Distribution (S\$'000)	31,962 ⁽¹⁾	127,848 ⁽²⁾	131,916 ⁽³⁾
Number of Units ('000)	3,173,802	3,173,802	3,261,859
DPU (cents)	1.007	4.028	4.044

Notes:

- (1) Includes other gains of S\$2.1 million representing partial pay-out of (a) ex-gratia payments received from the Singapore Land Authority in connection with the compulsory acquisitions of land in prior years; and (b) gains from disposal of investment properties in prior years.
- (2) Based on the annualised distribution of ESR-REIT for 1Q2019.
- (3) Includes the net income from the Property held through the LLP but does not include the fixed annual rental escalation under the Leaseback.

6.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Acquisition on the NAV per Unit as at 31 March 2019, as if the Proposed Acquisition and the issuance of New Units pursuant to the Equity Fund Raising were completed on 31 March 2019, are as follows:

	Effects of the Proposed Acquisition	
	Before the Proposed Acquisition	After the Proposed Acquisition
Net assets attributable to Unitholders (S\$'000)	1,483,840	1,526,380 ⁽¹⁾
Number of Units ('000)	3,173,802	3,261,859
NAV per Unit (cents)	46.8	46.8

Note:

- (1) After payment of approximately S\$1.9 million of other transaction costs directly attributable to the Proposed Acquisition.

6.3 Pro Forma Capitalisation

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Acquisition on the capitalisation of ESR-REIT as at 31 March 2019, as if the Proposed Acquisition and the issuance of New Units pursuant to the Equity Fund Raising were completed on 31 March 2019, are as follows:

	Effects of the Proposed Acquisition	
	Before the Proposed Acquisition	After the Proposed Acquisition
Gross Debt (S\$'000)	1,279,569	1,357,941 ⁽¹⁾
Total Deposited Property (S\$'000) ⁽²⁾⁽³⁾	3,049,731	3,169,998 ⁽⁴⁾⁽⁵⁾
Aggregate Leverage (%)	42.0	42.8 ⁽⁶⁾

Notes:

- (1) Includes ESR-REIT's proportionate share of the borrowings and lease liabilities of the LLP.
- (2) Includes the valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis of which ESR-REIT has 80% economic interest.
- (3) Excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 *Leases* which became effective on 1 January 2019 where such effects relate to operating leases that were entered into in the ordinary course of ESR-REIT's business and were in effect before 1 January 2019.
- (4) After payment of approximately S\$1.9 million of other transaction costs directly attributable to the Proposed Acquisition.
- (5) Includes ESR-REIT's proportionate share of the total assets of the LLP.
- (6) In accordance with Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, ESR-REIT's proportionate share of the borrowings, lease liabilities and total assets of the LLP are included when computing aggregate leverage.

7. INTERESTS OF THE DIRECTORS AND CONTROLLING UNITHOLDERS

As at the date of this announcement, none of the directors of the Manager, and, as far as the directors of the Manager are aware, none of the controlling Unitholders of ESR-REIT has any interest, direct or indirect, in the Joint Venture and the Proposed Acquisition (otherwise than through their unitholdings, if any, in ESR-REIT).

8. OTHER INFORMATION

8.1 Directors' Service Contracts

No person is or is proposed to be appointed as a director of the Manager in connection with the Joint Venture and the Proposed Acquisition.

8.2 Documents for Inspection

Copies of the Option Agreement and the Valuation Report may be inspected, by prior appointment, at the registered office of the Manager during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

ESR Funds Management (S) Limited

As Manager of ESR-REIT

(Company Registration No. 200512804G, Capital Markets Services Licence No.100132-5)

Adrian Chui

Chief Executive Officer and Executive Director

17 June 2019

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About ESR-REIT

ESR-REIT has been listed on the Singapore Exchange Securities Trading Limited since 25 July 2006.

ESR-REIT invests in quality income-producing industrial properties and as at 31 March 2019 has a diversified portfolio of 57 properties located across Singapore, with a total gross floor area of approximately 14.1 million square feet and an aggregate property value of S\$3.03 billion⁶. The properties are in the following business sectors: Business Park, High-Specs Industrial, Logistics/Warehouse and General Industrial, and are located close to major transportation hubs and key industrial zones island-wide.

The Manager's objective is to provide Unitholders with a stable income stream through the successful implementation of the following strategies:

- Acquisition of value-enhancing properties;
- Pro-active asset management;
- Divestment of non-core properties; and
- Prudent capital and risk management.

ESR Funds Management (S) Limited, the Manager of ESR-REIT, is owned by namely, ESR Cayman Limited ("ESR") (67.3%), Shanghai Summit Pte. Ltd. (25.0%), and Mitsui & Co., Ltd (7.7%).

For further information on ESR-REIT, please visit www.esr-reit.com.sg.

About the Sponsor, ESR

ESR is the largest Asia-Pacific focused logistics real estate platform by gross floor area (GFA) and by value of the assets owned directly and by the funds and investment vehicles it manages⁷. Co-founded by its senior management team and Warburg Pincus, ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, SK Holdings, JD.com, CLSA, Goldman Sachs, CPPIB, Ping An and Allianz Real Estate. The ESR platform spans across the People's Republic of China, Japan, South Korea, Singapore, Australia and India. As of 31 December 2018, the fair value of the properties directly held by ESR and the assets under management with respect to the funds and investment vehicles managed by ESR recorded approximately US\$16 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development stood at over 12 million square metres in total.

⁶ Includes the valuation of 7000 Ang Mo Kio Avenue 5 on a 100% basis of which ESR-REIT has 80% economic interest, and excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

⁷ Source: JLL market report.

Important Notice

The value of units in ESR-REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR Funds Management (S) Limited (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) (“**Trustee**”), or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-REIT, any particular rate of return from investing in ESR-REIT, or any taxation consequences of an investment in ESR-REIT. Any indication of ESR-REIT performance returns is historical and cannot be relied on as an indicator of future performance.

While the Manager has taken reasonable actions to ensure that the information from the relevant source cited in footnotes 5 and 7 are reproduced in their proper form and context, and that the information is extracted accurately and fairly from the relevant sources, neither the Manager, nor any other party has conducted an independent review of the information contained in the relevant sources or verified the accuracy of the contents of the relevant information.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This material may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-REIT’s future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This material is for informational purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.