



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

## NEWS RELEASE

For immediate release

### ESR-REIT Delivers 14.3% Year-on-Year Growth in 1H2021 Distribution per Unit

- *Distribution per Unit (“DPU”) for 1H2021 increased 14.3% year-on-year (“y-o-y”) to 1.554 cents, while DPU for 2Q2021 increased 13.9% y-o-y from 0.662 cents to 0.754 cents*
- *Robust all-round execution of our business strategy via acquisitions, asset enhancement initiatives (“AEI”), divestments and capital management to position ESR-REIT for eventual economic recovery*
- *Stabilised portfolio provides a strong platform to continue pursuing growth opportunities via value-accretive acquisitions and AEIs*

#### Summary of Financial Results:

	<b>1H2021 (S\$ million)</b>	<b>1H2020 (S\$ million)</b>	<b>+/(-) (%)</b>
<b>Gross Revenue <sup>(1)</sup></b>	119.8	113.8	5.4
<b>Net Property Income (“NPI”) <sup>(1)(2)</sup></b>	87.0	80.2	8.4
<b>Amount available for distribution to Unitholders <sup>(3)</sup></b>	56.8	47.8	18.7
<b>Applicable number of units for calculation of DPU (million)</b>	3,653.6	3,519.4	3.8
<b>DPU (cents)</b>	<b>1.554</b>	<b>1.359</b>	<b>14.3</b>

(1) Higher gross revenue and NPI mainly attributed to the absence of provision for COVID-19 rental rebates to tenants in 1H2021 (1H2020: S\$4.6 million).

(2) Lower property expenses also contributed to the higher NPI. Lower property expenses incurred in 1H2021 was mainly due to (i) lower utilities expenses arising from lower contracted electricity rates at certain properties, as well as reduction in electricity consumption for common areas of the properties; and (ii) lower maintenance costs in relation to safe management measures at the properties following the gradual relaxation of the safe management requirements.

(3) Includes management fees payable to the Manager and the Property Manager in ESR-REIT units of S\$4.3 million for 1H2021 (1H2020: S\$4.4 million).

**Singapore, 23 July 2021** – ESR Funds Management (S) Limited, as manager of ESR-REIT (the “Manager”), is pleased to announce that ESR-REIT’s DPU for the period from 1 January 2021 to 30 June 2021 (“1H2021”) increased 14.3% y-o-y to 1.554 cents.

### ***Financial Performance***

Gross revenue for 1H2021 grew 5.4% to S\$119.8 million and NPI for 1H2021 rose 8.4% to S\$87.0 million, respectively, on a y-o-y basis. The increase was mainly due to the absence of provision for COVID-19 rental rebates and lower property expenses. The amount available for distribution for 1H2021 was up 18.7% y-o-y to S\$56.8 million. This was driven by higher NPI and lower borrowing costs resulting in a 14.3% increase in DPU for 1H2021 compared to 1H2020.

DPU for 2Q2021 increased 13.9% y-o-y from 0.662 cents to 0.754 cents, out of which an advanced distribution of 0.410 Singapore cents for the period from 1 April 2021 to 17 May 2021 has been paid on 17 June 2021. The record date and payment date for the remaining DPU of 0.344 Singapore cents for the period from 18 May 2021 to 30 June 2021 will be announced at a later date.

### ***Portfolio Performance***

Portfolio occupancy rate increased from 90.8% in the preceding quarter to 91.7%<sup>1</sup> in 2Q2021, consistently above JTC’s average of 90.0%<sup>2</sup>. This was due to the completion of the acquisition of 46A Tanjong Penjuru and an improvement in the overall portfolio occupancy. During 1H2021, a total of 1.08 million sqft of space was leased comprising 500,600 sqft of new leases and 585,600 sqft of lease renewals. Majority of the new leases were attributed to the business parks and general industrial segments. Rental reversion for 2Q2021 ended at -0.2% with the year-to-date (“YTD”) rental reversion recording -1.6% as at 30 June 2021 primarily due to lower renewal rates for certain large business park tenants in 1Q2021. Despite the flattish rental reversion in 2Q2021, the high-specs industrial, logistics/warehouse and general industrial sectors registered positive reversions in 2Q2021.

Rental income contributed by the top 10 tenants decreased from 31.0% as at 31 March 2021 to 29.4% as at 30 June 2021, reducing tenant concentration risks. 2Q2021 leasing activities were partially affected by the tightening of restrictions under Phase 2 (Heightened Alert) (“P2(HA)”). The retention rate for 2Q2021 was 70.8% compared to 87.0% in the preceding quarter, with YTD retention rate at 73.7%. New tenants secured during 1H2021 include AF Global Logistics and XP Power Limited while some existing tenants such as EGIS Nanotech Pte. Ltd. have expanded their leased area.

### ***Portfolio Optimisation and Rejuvenation***

In 1H2021, the Manager continues to execute its all-round business strategy, announcing Singapore and overseas acquisitions, divestments of non-core properties, AEs and early financing strategies.

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<sup>1</sup> Excludes properties in the pipeline for divestment.

<sup>2</sup> Based on 1Q2021 data from JTC.

The Manager completed the DPU accretive acquisition of 46 Tanjong Penjuru for S\$124.7 million<sup>3</sup>, a modern in-demand ramp-up logistics facility in Singapore. The new addition strengthens ESR-REIT's portfolio exposure to the logistics sector. In addition, the Manager also completed its first overseas acquisition of a 10.0% interest in ESR Australia Logistics Partnership from the pipeline of ESR Cayman Limited (the "Sponsor"), signalling the beginning of an overseas expansion for the REIT and a pivot towards the resilient and robust logistics sector. The Manager further announced that 16 Tai Seng Street and 7000 Ang Mo Kio Avenue 5 ("7000AMK"), both high-specs industrial properties, will be undergoing AEI works at a total estimated cost of S\$79.2 million beginning in 2H2021. For 7000AMK, the AEI comprise the development of unutilised plot ratio, adding approximately 265,000 sqft of gross floor area.<sup>4</sup> Rejuvenation works at 19 Tai Seng Avenue previously announced are also on track to obtain temporary occupation permit ("TOP") in 3Q2021, with the Manager having secured over 63.0% committed occupancy. At the same time, the Manager divested two non-core properties, 3C Toh Guan Road East and 11 Serangoon North Ave 5, for S\$53.0 million at a 5.0% premium to their aggregate fair value.

### **Strong Capital Position with No Refinancing Requirements in FY2021**

ESR-REIT has a well-staggered debt maturity profile with a weighted average debt expiry of 2.6 years and an aggregate leverage of 42.9%. During 1H2021, the Manager announced an equity fund raising exercise comprising a S\$100.0 million Private Placement and an up to S\$50.0 million Preferential Offering to raise gross proceeds of approximately S\$150.0 million. The Private Placement was 3.4x subscribed with the upside option exercised. The Preferential Offering is expected to be launched in due course after Unitholders' approval has been obtained at the Extraordinary General Meeting (to be held on 26 July 2021) for the Sponsor to backstop the Preferential Offering. Post completion of the Preferential Offering and assuming the proceeds are fully applied towards debt repayment, the aggregate leverage will be reduced to 41.3% on a *pro forma* basis.

During 1H2021, the Manager successfully refinanced all expiring debt due in FY2021 ahead of expiry with a S\$320.0 million new loan facility and has no further refinancing requirements for the rest of the year. The weighted average all-in cost of debt has been reduced further from 3.52% per annum as at 31 March 2021 to 3.24% per annum as at 30 June 2021, with 75.0% of the REIT's borrowings on fixed interest rates over the next 2.1 years while the portfolio remains 100% unencumbered<sup>5</sup>. As at 30 June 2021, ESR-REIT has committed undrawn revolving credit facilities of S\$78.1 million. The Manager continues to actively manage its debt structure including assessing early refinancing options and may even consider tapping on the bond market if the terms are reasonably attractive.

### **COVID-19 Update**

Rental collection for 2Q2021 was 97.9% of total receivables, in line with pre-pandemic levels. Given that Singapore has recently tightened measures under P2(HA), the Manager provided rental rebates to some retail and F&B tenants in 2Q2021 to ease business and cash flow pressures. Such rental rebates were part of the provisions made in FY2020.

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<sup>3</sup> Comprising the consideration (S\$112.0 million), upfront land premium paid to JTC for the balance of the first 30-year JTC lease term (S\$7.6 million), stamp duties (S\$3.6 million) and other transaction costs (S\$1.5 million).

<sup>4</sup> Based on assumed yield on cost of approximately 7.1%.

<sup>5</sup> Excludes ESR-REIT's 49% interest in 48 Pandan Road.

## **Outlook**

According to the Ministry of Trade and Industry (“MTI”), Singapore’s economy grew by 14.3% on a y-o-y basis in 2Q2021, extending the 1.3% growth recorded in 1Q2021.<sup>6</sup> MTI expects Singapore’s GDP to grow by 4.0% to 6.0% in 2021.<sup>7</sup> The Purchasing Managers’ Index (“PMI”) registered the 12<sup>th</sup> consecutive month of expansion for the overall manufacturing sector with a 0.1-point increase to 50.8 in June 2021.<sup>8</sup> Based on JTC’s latest market data, the rental and price index of industrial space in 1Q2021 had marginal increases with overall occupancy increasing slightly by 0.1% to 90.0% as compared to the previous quarter. Due to the tightening measures under P2(HA), completion of new industrial space has been further delayed to 2H2021 and 2022, directly impacting rents and prices in the coming quarters.<sup>9</sup> The Manager remains cautiously optimistic despite the prolonged uncertainties arising from the evolving COVID-19 variants and its economic impact on the industrial market over the short to medium term.

## **Looking Ahead**

Mr. Adrian Chui, Chief Executive Officer and Executive Director of the Manager, said, “Driven by trends in the post-pandemic economy amidst a global pivot towards ‘new economy assets’ of modern ramp-up warehouses and high-specs infrastructure, the ongoing shift in consumption patterns across the industrial space is fundamentally impacting industrialists’ demand.”

“Our 1H2021 performance reflects a relatively stable operating performance underpinned by a robust all-round execution of our business strategy, providing a strong balance sheet with significant liquidity, stability and financial resources for sustainable growth. Despite the continued uncertainties over COVID-19, our stabilised portfolio provides us with a strong platform as we will continue to pursue opportunities through asset enhancements of existing properties; value-accretive acquisitions of quality, modern and in-demand properties from our Sponsor’s visible asset pipeline; and divestment of non-core assets”, added Mr. Chui.

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<sup>6</sup> Based on Advance GDP Estimates for Second Quarter 2021 released by Ministry of Trade and Industry (MTI) on 14 July 2021.

<sup>7</sup> Based on Economic Survey of Singapore First Quarter 2021 released by MTI on 25 May 2021.

<sup>8</sup> Based on monthly PMI figures obtained from the SPIMM institute.

<sup>9</sup> Based on JTC 1Q2021 Industrial Property Market Statistics.

## 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 30 June 2021 holds interest in a diversified portfolio of 58 properties located across Singapore, with a total gross floor area of approximately 15.6 million square feet and an aggregate property value of S\$3.2 billion<sup>10</sup>. 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. ESR-REIT also holds a 10.0% interest in ESR Australia Logistics Partnership, a private fund comprising 37 predominantly freehold logistics properties all located in Australia.

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;
- Proactive 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](http://www.esr-reit.com.sg).

## About the Sponsor, ESR

ESR is the largest APAC 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 manages. ESR and the funds and investment vehicles it manages are backed by some of the world's preeminent investors including APG, CPP Investments, JD.com, Oxford Properties, PGM and SK Holdings. The ESR platform spans major economies across the APAC region, including the People's Republic of China, Japan, South Korea, Singapore, Australia, India and Vietnam. As of 31 December 2020, 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\$30 billion, and GFA of properties completed and under development as well as GFA to be built on land held for future development comprised over 20 million sqm in total. Listed on the Main Board of The Stock Exchange of Hong Kong Limited in November 2019, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index.

For more information on ESR, please visit [www.esr.com](http://www.esr.com).

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<sup>10</sup> Includes 100% of the valuation of 7000 Ang Mo Kio Avenue 5 and 48 Pandan Road, in which ESR-REIT holds 80% interest in 7000 Ang Mo Kio Avenue 5 and 49% interest in 48 Pandan Road, but excludes the effects arising from the adoption of Financial Reporting Standard (FRS) 116 Leases which became effective on 1 January 2019.

## 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.

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 news release 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 news release is for information 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.