



(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 15.4% Year-on-Year Growth in Amount Available for Distribution for FY2021

- Amount available for distribution for FY2021 increased 15.4% year-on-year (“y-o-y”) to S\$114.4 million
- Distribution per Unit (“DPU”) for FY2021 increased 6.7% y-o-y to 2.987 cents
- Aggregate leverage of 40.0% with all-in cost of debt lower y-o-y at 3.31% per annum
- Improved portfolio performance supported by strong execution of business strategy through asset enhancements of selected properties; value-accretive acquisitions of quality assets; and divestment of non-core assets at a blended premium to fair value of 3.0%

#### Summary of Financial Results:

	<b>FY2021 (S\$ million)</b>	<b>FY2020 (S\$ million)</b>	<b>+/(-) (%)</b>
<b>Gross Revenue <sup>(1)</sup></b>	241.3	229.9	+5.0
<b>Net Property Income (“NPI”) <sup>(1)(2)</sup></b>	173.3	164.2	+5.5
<b>Amount available for distribution to Unitholders <sup>(3)</sup></b>	<b>114.4</b>	<b>99.1</b>	<b>+15.4</b>
<b>Applicable number of units for calculation of DPU (million) <sup>(4)</sup></b>	3,829.7	3,540.3	+8.2
<b>DPU (cents)</b>	<b>2.987</b>	<b>2.800</b>	<b>+6.7</b>

(1) Higher gross revenue mainly due to (i) the absence of provision for COVID-19 rental rebates to tenants in FY2021 (FY2020: S\$7.4 million), (ii) contribution from 46A Tanjong Penjuru which was acquired on 29 June 2021, as well as (iii) the leasing up of certain properties during the year.

(2) Higher NPI was due to the higher gross revenue, partially offset by higher property expenses in FY2021. The increased property expenses were mainly attributable to higher electricity rates and higher property tax expense for certain properties.

(3) Higher amount available for distribution mainly due to (i) higher NPI, (ii) lower borrowing costs, as well as (iii) contribution from ESR-REIT’s 10.0% interest in ESR Australia Logistics Partnership.

(4) Higher applicable number of units mainly due to the equity fund raising comprising a private placement of 268.8 million new ESR-REIT Units and a preferential offering of 124.1 million new ESR-REIT Units which were completed on 18 May 2021 and 26 August 2021, respectively.

**Singapore, 27 January 2022** – ESR Funds Management (S) Limited, as manager of ESR-REIT (the “Manager”), is pleased to announce that the amount available for distribution for the financial year ended 31 December 2021 (“FY2021”) increased 15.4% y-o-y to S\$114.4 million with an uplift of 6.7% y-o-y to 2.987 cents for DPU.

### **Financial Performance**

Gross revenue for FY2021 grew 5.0% to S\$241.3 million and NPI for FY2021 rose 5.5% to S\$173.3 million, respectively, on a y-o-y basis. The increase was mainly due to the contribution from 46A Tanjong Penjuru which was acquired on 29 June 2021, the leasing up of certain properties, as well as the absence of provision for COVID-19 rental rebates during the year. The amount available for distribution for FY2021 was up 15.4% y-o-y to S\$114.4 million, driven by higher NPI, lower borrowing costs and contribution from ESR-REIT’s 10.0% interest in ESR Australia Logistics Partnership (“EALP”), resulting in a 6.7% increase in DPU for FY2021 as compared to FY2020. DPU for 4Q2021 increased 1.3% quarter-on-quarter from 0.712 cents to 0.721 cents. Rental collection for FY2021 remains healthy at 99.5% of total receivables.

The record date for the distribution of 0.721 cents per unit for the period from 1 October 2021 to 31 December 2021 is on 8 February 2022 and the expected payment date is 30 March 2022.

### **Portfolio Performance**

Portfolio occupancy rate increased from 91.2% in the preceding quarter to 92.0%<sup>1</sup> in 4Q2021, consistently above JTC’s average of 90.1%<sup>2</sup>. During FY2021, a total of 2.15 million sqft of space was leased comprising 1.02 million sqft of new leases (47.4% of total leases) and 1.13 million sqft of lease renewals (52.6% of total leases). Despite pandemic-related uncertainties, leasing activities remained positive with many new leases in FY2021 secured from logistics, info-communications, semiconductor and manufacturing industries. Although the rental reversion for 4Q2021 ended on the positive at 3.0%, the full year rental reversion for FY2021 recorded at -1.7% primarily due to lower renewal rates for certain large business park tenants during the year. High-specs industrial, logistics/warehouse and general industrial sectors registered positive reversions in FY2021. The weighted average lease expiry as at 31 December 2021 remained at 2.7 years. Rental income contributed by the top 10 tenants decreased from 31.0% as at 31 December 2020 to 30.2% as at 31 December 2021, reducing tenant concentration risks. New tenants secured during 4Q2021 include Aw Transport & Warehousing Pte Ltd, Danzyl Private Limited and Armacell Asia Pte. Ltd. while some existing tenants such as Eng Lam Contractors Co (Pte) Ltd, YCH DistriPark (Pte) Ltd and Vektro Asia Pte. Ltd. have expanded their leased area.

### **Portfolio Optimisation and Rejuvenation**

In addition to the acquisition of 46A Tanjong Penjuru and the investment in EALP, the Manager also divested three non-core properties at a blended premium to fair value of 3.0% as part of its continuing optimisation strategy to enhance income resilience and unitholders’ returns. The divestments of 3C Toh Guan Road East and 11 Serangoon North Avenue 5 were completed on 30 November 2021 while 45 Changi South Avenue 2 is expected to be completed in

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

<sup>2</sup> Based on 3Q2021 data from JTC.

1Q2022. Additionally, the Manager has completed the asset enhancement initiatives (“AEI”) at ESR BizPark @ Changi and the conversion of 19 Tai Seng Avenue to a high-specs industrial property, expanding ESR-REIT’s exposure to New Economy assets. 7000 Ang Mo Kio Avenue 5 is currently undergoing AEI and is expected to complete in 3Q2023.

### **Strong Capital Position**

ESR-REIT has a well-staggered debt maturity profile with a weighted average debt expiry of 2.4 years and an aggregate leverage of 40.0%<sup>3</sup>. ESR-REIT’s 10.0% interest in EALP is 100% hedged by an AUD-denominated loan, providing a natural foreign currency hedge. The weighted average all-in cost of debt has been reduced further from 3.52% per annum as at 31 December 2020 to 3.31% per annum as at 31 December 2021, with 92.1% of the REIT’s borrowings on fixed interest rates over the next 2.0 years while the portfolio remains 100% unencumbered<sup>4</sup>. As at 31 December 2021, ESR-REIT has committed undrawn revolving credit facilities of S\$262.9 million. The Manager continues to proactively manage its capital structure including assessing early refinancing options. As at 31 December 2021, it has repaid S\$45.0 million of debt expiring in March 2022 and is in discussions to refinance the S\$30.0 million and S\$180.0 million term loans due in March 2022 and October 2022, respectively, ahead of their expiries.

### **Outlook**

According to the Ministry of Trade and Industry (“MTI”), Singapore’s economy grew 7.2% on a y-o-y basis in FY2021, marking a strong rebound from FY2020.<sup>5</sup> MTI expects Singapore’s GDP to expand at a slower pace of 3.0% to 5.0% in 2022.<sup>6</sup> The manufacturing sector expanded by 14.0% on a y-o-y basis in 4Q2021 due to output expansions in electronics and precision engineering.<sup>7</sup> Singapore’s Purchasing Managers’ Index posted an increase of 0.1 point to 50.7 in December 2021.<sup>8</sup> According to JTC’s market report for 3Q2021, the occupancy rate of the overall industrial property market remains unchanged from the previous quarter at 90.1%. With the strong economic rebound and continued disruptions in global supply chain, headline inflation rates are increasing with interest rates expected to rise in tandem.

The industrial leasing market is expected to remain stable with new expansions and set-ups, particularly in the high-specs industrial and logistics sector.<sup>9</sup> Bright spots in the semiconductor manufacturing and electronics sectors remain robust and are expected to continue to drive demand for high-specs space, spilling over to general industrial properties as industrialists scale up inventory to safeguard supplies against near-term disruptions and pandemic bottlenecks. While 100% work-from-home is no longer the default from 1 January 2022, the leasing prospects for the business park sector may still face some challenges as companies continue to adopt hybrid work arrangements amid the ongoing pandemic.

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<sup>3</sup> Includes ESR-REIT’s 49.0% share of borrowings and total assets of PTC Logistics Hub LLP but excludes the effects arising from the adoption of FRS 116 Leases.

<sup>4</sup> Excludes ESR-REIT’s 49.0% interest in 48 Pandan Road.

<sup>5</sup> Based on Advance GDP Estimates for Fourth Quarter 2021 released by Ministry of Trade and Industry (MTI) on 3 January 2022.

<sup>6</sup> Based on Advance GDP Estimates for Fourth Quarter 2021 released by Ministry of Trade and Industry (MTI) on 3 January 2022.

<sup>7</sup> Based on Advance GDP Estimates for Fourth Quarter 2021 released by Ministry of Trade and Industry (MTI) on 3 January 2022.

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

<sup>9</sup> Real Estate Times January 2022 by Edmund Tie Research.

### **Looking Ahead**

Mr. Adrian Chui, Chief Executive Officer and Executive Director of the Manager, said, “The pandemic and global supply chain disruptions have provided tailwinds in the industrial sector as industrialists adapt to a paradigm shift in the way goods are produced, delivered and consumed. Our steady FY2021 operating performance is reflective of these transformation efforts while we actively pursue growth opportunities through asset enhancements to reposition selected properties; value-accretive acquisitions of quality assets from our Sponsor’s pipeline and third parties; and divestment of non-core assets. Sustainability remains key to our business strategy as we fulfil our vision of delivering sustained returns and long-term value to our Unitholders. Despite the continued pandemic and global supply chain uncertainties, our stabilised portfolio with contributions from our new acquisitions will enable us to grow our business and recycle capital into high returning opportunities, as we cement our interest in quality New Economy assets with embedded income potential.”

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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 December 2021 holds interest in a diversified portfolio of 56 properties located across Singapore, with a total gross floor area of approximately 15.3 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 36 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 APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), ESR's fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, which allows capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by ESR and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. ESR's purpose – *Space and Investment Solutions for a Sustainable Future* – drives it to manage sustainably and impactfully and ESR considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at [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.

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