



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

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## NEWS RELEASE

For immediate release

### **ESR-REIT has acquired an 80% stake in SPV holding 7000 Ang Mo Kio Avenue 5 for S\$240.0 million**

- Transaction marks ESR-REIT's largest acquisition to date
- Yield-accretive acquisition grows portfolio valuation to S\$1.75 billion<sup>1</sup>
- Improves portfolio quality across WALE, land lease expiry, rent expiry profile and tenant base
- Demonstrates ability to recycle capital into better quality acquisitions
- Proposed issuance of up to 263.0 million new units via an Equity Fund Raising
- Sponsor ESR shows commitment and support with the Undertaking to backstop the proposed Preferential Offering

**Singapore, 14 December 2017-** ESR Funds Management (S) Limited as manager of ESR-REIT (the "Manager") is pleased to announce the acquisition of an 80% interest in 7000 AMK Pte. Ltd., which owns a leasehold interest in 7000 Ang Mo Kio Avenue 5, Singapore 569877 (the "Property") for a purchase consideration of S\$240.0 million.

The Property is a high-specifications building located within an established industrial estate in the north-eastern part of Singapore and has an independent valuation of S\$303.0 million (on a 100% basis) as at 31 October 2017. This transaction is the largest acquisition by ESR-REIT to date and follows the recent acquisition of 8 Tuas South Lane from Hyflux Membrane Manufacturing (S) Pte. Ltd., completed on 13 December 2017.

The two acquisitions will boost ESR-REIT's portfolio value by 31.4%, increasing from S\$1.33 billion<sup>2</sup> to S\$1.75 billion<sup>1</sup>. The transaction is part of ESR-REIT's on-going efforts to rejuvenate

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<sup>1</sup> Post-acquisition, taking into account 100% of the value of the Property of S\$303.0 million, and 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017.

<sup>2</sup> As at 30 September 2017.

its portfolio, by recycling capital released from divestments of lower yielding non-core assets to scalable and value-adding acquisitions which will benefit unitholders in the long term.

### **Details of the Acquisition**

The transaction involves ESR-REIT acquiring from Ho Lee Properties Pte. Ltd. (the "Vendor") an 80% interest in 7000 AMK Pte. Ltd., a special purpose vehicle which owns a leasehold interest in the Property. Following the completion of the acquisition, the remaining 20% interest in 7000 AMK Pte. Ltd. is held by the Vendor. Put and call options have also been granted for ESR-REIT to purchase the remaining 20% interest from the Vendor.

The Property is a high-specifications building located within the Serangoon North Industrial Estate, and is easily accessible by Ang Mo Kio Avenue 5 and Serangoon North Avenue 6. It comprises a 6-storey multi-tenanted high-specifications production block and a 5-storey multi-tenanted ancillary office block connected by a covered linkway with an un-utilised plot ratio of 0.8. It has a gross floor area (GFA) of approximately 1,073,233 square feet (sqft) and a net lettable area of approximately 834,783 sqft. As at 1 December 2017, the Property has an occupancy of 91.9%. Tenants include high value-added manufacturers, data centre operators, power and utilities companies and telecommunication companies such as Heptagon Micro Optics Pte. Ltd., SP Services Ltd and Starhub Ltd.

### **Benefits of the Acquisition**

Mr Adrian Chui, Chief Executive Officer of the Manager, said "Demand for high-specifications space has been on the rise, in tandem with the increasingly sophisticated requirements from industrial tenants and the government's push towards the industry's adoption of advanced manufacturing technologies.

"The acquisition of this strategically located asset will ensure that ESR-REIT is well-positioned to ride on the growth of high-specifications spaces and reinforces our ability to secure yield-accretive properties that will create stable long-term value for our unitholders."

"In addition, it is important to note the support of our Sponsor, ESR, which makes this transaction possible."

## **1. Income Diversification and Enlarged Tenant Base**

Following the acquisition, contribution from ESR-REIT's largest tenant by rental income will reduce from 7.7%<sup>2</sup> to 6.5%<sup>3</sup>, while diversifying ESR-REIT's rental income through exposure to the Info Comm industry, and adding three of the Property's tenants to ESR-REIT's top 10 tenants list.

## **2. Increased Portfolio Weighted Average Lease Expiry ("WALE") Profile**

The Property has a long WALE of 5.5 years for a multi-tenanted building, which, in addition to ESR-REIT's recent acquisition of 8 Tuas South Lane, will extend ESR-REIT's portfolio WALE from 3.4 years<sup>2</sup> to 4.2 years<sup>3</sup>. This will provide income stability to ESR-REIT while providing potential rental upside from increased occupancy and renewals.

## **3. Potential Upside From Developing Un-Utilised Plot Ratio**

The Property has an un-utilised plot ratio of 0.8 which translates into a potential additional GFA of up to c.495,000 sqft. The un-utilised GFA could be developed as an extension block either on a multi-tenanted or a built-to-suit basis to be leased to data centre operators or high value-added manufacturers. This will create opportunities for ESR-REIT to generate additional rental revenue and improve capital value.

## **4. Long Land Lease with No Upfront Land Premium Payable for First Term**

The remaining land tenure for the Property is approximately 39 years<sup>4</sup> which is desirable given the shorter lease terms of 20-30 years allocated by the government to new industrial sites. In addition, no upfront land premium is payable for the first term.

## **5. Enhancement of ESR-REIT's portfolio quality**

With the addition of both 7000 Ang Mo Kio Avenue 5 and 8 Tuas South Lane, assets from the High-Specs Industrial sub-asset class will form a bigger proportion of ESR-REIT's portfolio; increasing from 11.8%<sup>2</sup> to 23.1%<sup>3</sup>. This reduces the sub-asset class concentrations within the portfolio, with no individual sub-asset class accounting for more than 35.7%<sup>3</sup> when both assets are included in the portfolio. ESR-REIT's portfolio occupancy is expected to increase to 91.9%<sup>3</sup>, which is higher than the JTC Corporation average occupancy rate across all industrial properties of 88.6%.

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<sup>3</sup> Post-acquisition, taking into account 80% of the rental income of the Property, and 100% of the rental income of 8 Tuas South Lane, the acquisition of which was completed on 13 December 2017.

<sup>4</sup> 9 years for first term with an option to renew for a further term of 30 years.

Moreover, the two acquisitions demonstrate ESR-REIT's ability to recycle capital from lower yielding non-core assets to scalable and value-adding acquisitions with long term growth prospects for the benefit of unitholders.

### **Funding for the Acquisition**

The acquisition has been funded with internal cash resources, existing bank debt facilities and part of the proceeds from ESR-REIT's subordinated perpetual securities. Concurrently, the Manager also proposes to undertake an equity fund raising (the "Equity Fund Raising") to issue up to 263.0 million new units in ESR-REIT to rebalance ESR-REIT's capital structure, allowing it to begin 2018 from a position of strength. The structure and timing of the Equity Fund Raising have not been determined, and may take the form of a private placement and/or a non-renounceable preferential offering (the "Preferential Offering") to existing unitholders on a *pro rata* basis.

To demonstrate its commitment and support for ESR-REIT and the Equity Fund Raising, ESR Cayman Limited (the "Sponsor") will undertake to the Manager (the "Undertaking") that it will take on its full entitlement of new units and any unsubscribed units up to a total subscription amount of S\$125.0 million<sup>5</sup>, in the event the Equity Fund Raising includes the Preferential Offering.

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For media and analyst enquiries, please contact:

**ESR Funds Management (S) Limited**

Cheryl Lim

Marketing Communications Manager

Tel: +65 6827 9332

cheryl.lim@esr-reit.com.sg

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<sup>5</sup> Subject to approval of unitholders.

## **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 September 2017 has a diversified portfolio of 48 properties located across Singapore, with a total gross floor area of approximately 8.2 million sqft and a property value of S\$1.33 billion. The properties are in the following business sectors: Logistics/ Warehouse, Hi-Specs Industrial, Light Industrial, General Industrial and Business Parks, 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 and secure 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 two stakeholders, namely, ESR Cayman Limited ("ESR") (indirectly c.80 percent) and Mitsui & Co., Ltd ("Mitsui") (20 percent):

- Headquartered in Hong Kong, ESR is one of the leading "pure-play" pan-Asia logistics real estate platforms, focusing on developing and managing institutional-quality logistics facilities that cater to third-party logistics ("3PLs") providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies. Co-founded by Warburg Pincus and backed by some of the world's preeminent investors including APG, CPPIB, Goldman Sachs, Morgan Stanley AIP, PGGM, Ping An and SK Holdings, ESR's platform represents one of the largest in the Asia-Pacific region managing approximately 9.0 million square metres of projects owned and under development across China, Japan, Singapore, South Korea and India, with capital and funds management offices in Hong Kong and Singapore. Its current assets under management stands at over US\$8 billion.
- Mitsui is one of the largest corporate conglomerates in Japan and listed on the Tokyo Stock Exchange. It is one of the largest publicly traded companies in the world. Mitsui also developed the Japan Logistics Fund Inc., a publicly listed REIT in Japan dedicated to investing in distribution facilities.

For further information on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg)

## 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 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 (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support future ESR-REIT 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.