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AA Reit awards redevelopment of Tuas property to Boustead

by Melissa Tan

INDUSTRIAL landlord AIMS AMP Capital Industrial Reit (AA Reit) has tapped engineering and construction firm Boustead Projects to redevelop an industrial property at 8 and 10 Tuas Avenue 20 for an undisclosed amount up to S\$27 million.

The real estate investment trust accelerated plans to redevelop the property after a "fire incident" that resulted in "partial damage", it said in a Singapore Exchange (SGX) filing on Thursday morning, adding that its insurance "fully covered the loss of income caused by the incident, and the reinstatement of the asset".

"The redevelopment will cost approximately S\$27 million (including land cost), and AA Reit has sufficient funding capacity for this project," it said.

However, both AA Reit and Boustead Projects did not disclose the value of the design-and-build contract.

An AA Reit spokesman said in an email that the S\$27 million redevelopment cost excluded the insurance payout sum, which she declined to disclose. But since the figure also included land cost, the out-of-pocket cost for AA Reit would be lower than S\$27 million, she added.

She also said: "It is safe to estimate the contract sum at (S)\$100-110 psf of GFA (gross floor area)".

AA Reit did not provide the GFA of the property, but did say in its statement that "gross floor area will increase by around 41,614 square feet or 35 per cent, improving the plot ratio from 1.03 to the maximum of 1.4".

Back-of-envelope calculations indicate a pre-redevelopment GFA of 118,897 sq ft and a post-redevelopment GFA of 160,511 sq ft. The total contract price for redeveloping about 160,511 sq ft in GFA would work out to roughly S\$16.1 million to S\$17.7 million.

On Boustead Projects' end, it said in a separate SGX filing right after AA Reit's on Thursday

that this contract win would expand the Boustead Projects group's order book backlog to S\$258 million.

A Boustead spokesman said in an email that its design-and-build contract from AA Reit forms part of the S\$27 million figure but it was not at liberty to disclose the contract value. He added: "Our last known position was S\$228 million in order book backlog. This update (to S\$258 million) includes AA Reit's contract to us plus a few smaller contracts that (Boustead Projects) won in between that are immaterial in individual values to announce."

AA Reit said the redevelopment would turn "two adjoining two-storey detached industrial spaces" into an "industrial facility with ramp and cargo lift access, making it suitable for production and warehouse usage". It said it expects the redevelopment to be completed in H2 2017 and estimated that the property's value upon completion would be S\$32 million.

The trust manager's chief executive officer Koh Wee Lih added in the statement: "Rather than reinstate the buildings to their original condition where the specifications are customised, we will capitalise on its downtime, and the insurance compensation, to improve the property's specifications for the current market."

Boustead said in its filing that it would redevelop the Tuas property into "three-storey industrial facility", adding it expected the construction of the "three-storey industrial facility redevelopment" to begin "shortly" and be completed by Q3 of calendar year 2017.

It also noted that the contract was the second one it had won from AA Reit. Before this, it completed a redevelopment design-and-build of AA Reit's Defu Lane site into a six-storey industrial facility in mid-2014, it said.

AA Reit units closed flat at S\$1.35 while shares of Boustead Projects rose three cents to S\$0.69 on Thursday after the announcement.