

# TENACITY

A DECADE OF ENABLING BUSINESSES

**TENACITY** [/trɪˈnæsɪti/] ∞ **A FIRMNESS OF PURPOSE; AN UNRELENTING PERSISTENCE.**

Listen. Where once there was silence, comes now the faint gurgle. Calm and unassuming, the stream journeys through the uncharted forest. As it edges through the soil, it creates a seamless path for itself. This refreshing source of vitality satiates the weary; its essence quenches their thirst. Yet it leaves them in greater want: of Life. Along its banks spring new life in abundance, as a spirited dance of flora and fauna unravels. The myriad of species – awash in the ebb and flow of the cool, cleansing waters – grow and multiply. All the while they uncover and develop within themselves talents and capacities once unknown. In the currents of swift-moving rapids, there is a pulsating rhythm of energy that draws all living beings to it. Deftly, it navigates through rough, unpredictable terrain in artistic fluidity. When it reaches the edge of waterfalls, it crashes with magnificent roars into the deep... once again breaking new grounds. Its tributaries branch-out incessantly through rushing rivers and tranquil lakes, into the blue of open seas and vast oceans, beyond the horizon and what the human eye can see. The possibilities are endless, the opportunities – infinite.

**areit** ∞ **THIS IS ONLY THE BEGINNING.**

2001

**JAN**  
Ascendas Pte Ltd is formed through the merger of JTC International's Business Parks & Facilities Group and Arcasia Land.

2002

**NOV**  
Ascendas REIT (A-REIT), Singapore's first business space and industrial REIT, is listed on SGX-ST with a portfolio of eight properties worth about S\$636 million at an IPO price of S\$0.88 per unit.

2003

**JUN**  
A-REIT completes its first sale-and-leaseback transaction with OSIM for S\$35 million.

2004

**AUG**  
A-REIT issues its first commercial mortgage-backed securities (CMBS) with AAA rating, for an equivalent of S\$300 million in Euros.

2005

**DEC**  
A-REIT is assigned a corporate family credit rating of A3 by Moody's Investors Service.

2006

**JAN**  
A-REIT embarks on its first property development projects with Cold Storage Singapore and Courts, worth a total of S\$128 million. It is the first S-REIT to undertake development projects on its own balance sheet.

2007

**JUN**  
A-REIT holds its first AGM to better engage unitholders. This initiative came before MAS' new ruling in 2009 that required all REITs to hold AGMs once every calendar year.

2008

**MAR**  
Ascendas acquires Goodman Group's stake in A-REIT and its 40 per cent equity stake in A-REIT's Manager, Ascendas-MGM Funds Management Limited (AMFML). AMFML was consequently renamed Ascendas Funds Management (S) Limited (AFM).

2009

**APR**  
A-REIT is awarded its first Singapore Building and Construction Authority (BCA) Green Mark Award (Platinum) for its development project at 3 Changi Business Park Crescent.

2010


**MAR**  
A-REIT successfully issues exchangeable collateralised securities. It is a first for an equity-linked instrument to incorporate elements of CMBS and convertible bonds.

2011

**FEB**  
A-REIT makes its first investment in China through the forward acquisition of a S\$117.6 million business park property under development in Jinqiao, Shanghai.

2012

**MAY**  
A-REIT is the runner-up for the FIABCI PRIX D'Excellence Awards 2012 for the development of 1, 3 & 5 Changi Business Park Crescent awarded by the International Real Estate Federation.



ASCENDAS REAL ESTATE INVESTMENT TRUST (A-REIT) IS SINGAPORE'S FIRST AND LARGEST BUSINESS SPACE AND INDUSTRIAL REIT LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED. IT HAS A DIVERSIFIED PORTFOLIO OF PROPERTIES COMPRISING BUSINESS AND SCIENCE PARK PROPERTIES, HI-SPECS INDUSTRIAL PROPERTIES, LIGHT INDUSTRIAL PROPERTIES, LOGISTICS AND DISTRIBUTION CENTRES AS WELL AS WAREHOUSE RETAIL FACILITIES. THE MANAGER OF A-REIT, ASCENDAS FUNDS MANAGEMENT (S) LIMITED, IS COMMITTED TO DELIVER LONG-TERM SUSTAINABLE DISTRIBUTIONS AND CAPITAL STABILITY TO ALL UNITHOLDERS.

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ascendas reit

Straits Times Press

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*“By constantly reinventing and recalibrating its three-pronged strategies, A-REIT has withstood the trials of time to deliver consistent, paramount work. We stand ready for the next stride of advancement, in tandem with the changing global business dynamics.”*

**Mr Koh Soo Keong**  
Chairman  
Ascendas Funds Management (S) Limited

## FOREWORD

# THANK YOU FOR A DECADE OF SUPPORT

In 2002, the very first real estate investment trust (REIT) debuted in Singapore. Since then, the Singapore REIT (S-REIT) sector has grown through numerous challenges, including the 2003 SARS epidemic and the 2008 global financial crisis, and has emerged as a thriving S\$52 billion market capitalisation sector as at 30 June 2013. Compared to its global peers, the S-REIT sector can be said to be in its infancy, but the foundations for a more dynamic and mature REIT market are already firmly in place.

From its initial public offering in November 2002, Ascendas REIT (A-REIT) has been the largest business and industrial space REIT listed on the Singapore Exchange Securities Trading Limited, and has remained steadfastly so. A-REIT's portfolio has grown from an initial eight properties to more than 100 properties, with a customer base that has expanded almost four-fold to over 1,200 multinational and local companies. It continues to provide a wide range of business and industrial space that succeeds in meeting the unique needs of various businesses.

This book chronicles the first 10 years of A-REIT's significant milestones, in context of the growth and development of the S-REIT sector. It highlights valuable lessons that the manager, Ascendas Funds Management (S) Limited, has picked up along the way as it continues to fulfil A-REIT's mission of delivering predictable distributions and achieving long-term capital stability for its unitholders.

By constantly reinventing and recalibrating its three-pronged strategies, A-REIT has withstood the trials of time to deliver consistent, paramount work. We stand ready for the next stride of advancement, in tandem with the changing global business dynamics.

Koh Soo Keong  
Chairman  
Ascendas Funds Management (S) Limited



*The Capricorn is part of A-REIT's initial asset portfolio at IPO.*

## CHAPTER 1

# IN THE BEGINNING: AN INTRODUCTION

More than two decades ago, launching a real estate investment trust (REIT) sector was mooted as a solution to boost demand amidst the then flagging property market. Back then, the poor performance of REITs in the United States (US) spurred fears of a similar fate in Singapore. It would take another 10 years before this REIT discussion would take a more serious turn, and an additional two years before the first REIT would make its debut on the Singapore Exchange Securities Trading Limited (SGX-ST) in 2002.

Prior to 2002, investors in Singapore who wanted to put their money into property had limited choices. One option was to purchase physical properties, for which investors had to fork out large amounts of money. Another alternative was to buy shares in listed property companies which include developers with substantial investment property holdings. Investing in a listed property firm would mean an indirect investment into property because such firms could possibly diversify into unrelated activities or industries.

The launch of the REIT market opened up a new platform for both equity and property investment. It enabled retail investors to nudge into a sector previously opened only to deep-pocketed property investors. Investors now have the option of putting their money into specific types of property such as industrial buildings and office spaces. There was a new-found freedom in diversifying their investments across different property types and various foreign markets.

Since the debut of the first REIT, the Singapore REIT (S-REIT) sector has grown by leaps and bounds, blossoming from just two REITs in 2002 to more than 20 REITs by the end of 2012. This was fuelled by the country's growth as one of Asia's most vibrant economic and investment powerhouses.

As one of Singapore's REIT pioneers, Ascendas REIT (A-REIT) has played a crucial role in the development of the S-REIT sector. With its high standards of corporate governance, A-REIT has provided a platform for investment in business spaces and industrial properties. It has served – and continues to serve – as a model of success for future REIT launches.

Compared to its more mature global peers, the S-REIT sector can be said to still be in its infancy. However, the foundations for a more mature REIT market are already in place. A-REIT, with its diverse property portfolio and experienced manager, is poised for that next evolution of the REIT sector. There is no doubt it will thrive in tandem with that growth.



## CHAPTER 2

# REAL ESTATE INVESTMENT TRUSTS (REITS)

REITs are unique investment products but they are often grouped within the same category as other products like business trusts and stapled securities. Although similar in many respects, each product's structure contains subtle key differences. These differences may in turn affect the ownership, management and governance of the individual products.

In simple terms, a REIT is like a closed-end unit trust. The main difference between the two is that while unit trusts raise funds to invest in listed securities like shares and bonds, REITs use their funds to purchase a pool of real estate assets that are then leased out to generate rental income.

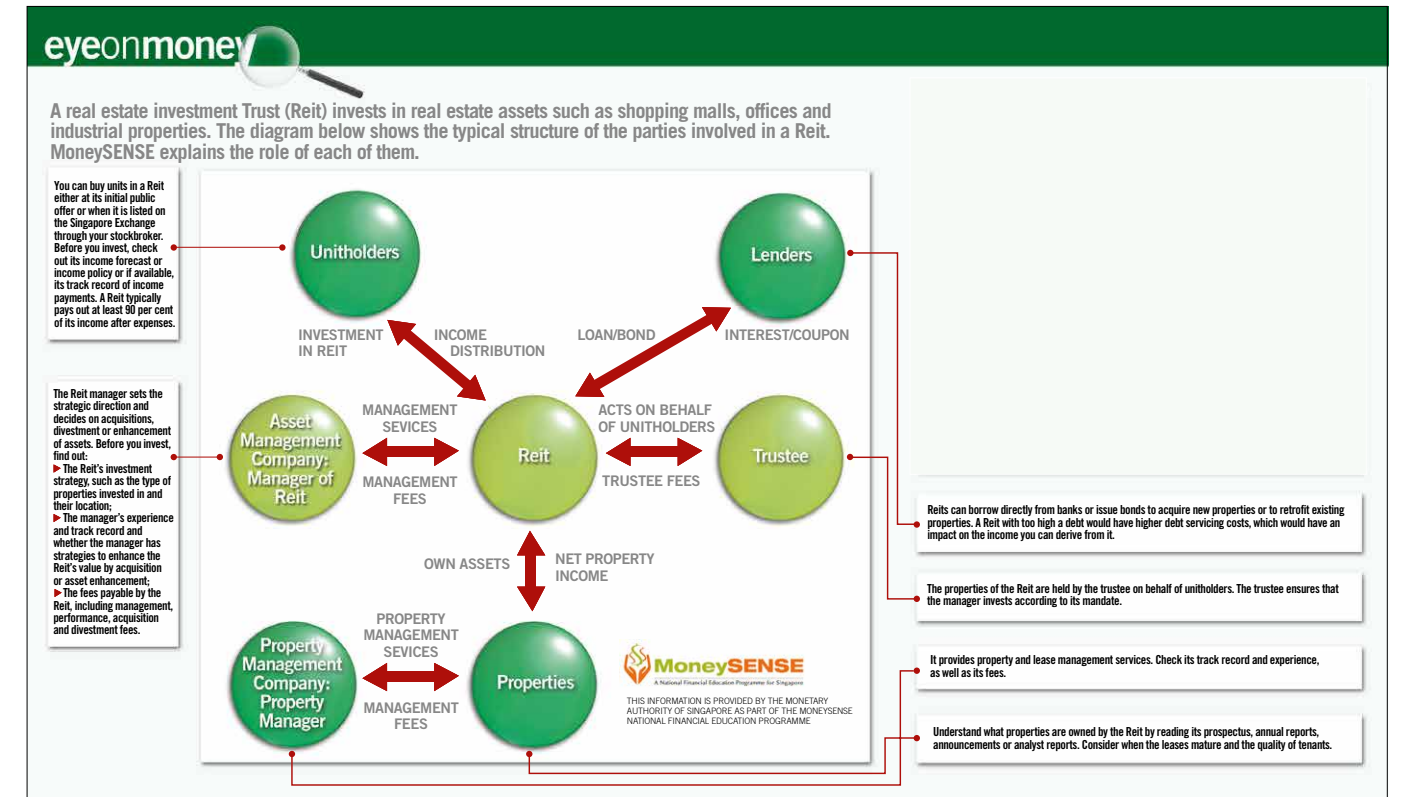
In a REIT structure, money is first raised from unitholders through an initial public offering (IPO). These funds are then used by the REIT to purchase a portfolio of real estate assets that are leased out to tenants. In return, the rental income earned – calculated by the deduction of related expenses from rental – flows back to the unitholders (investors) as income distributions (dividends) at regular intervals. In this way, REITs are able to establish a regular cash flow to unitholders through revenue derived primarily from rental income. Units of S-REITs are listed on the SGX-ST and are traded like other listed securities.

REITs in Singapore are each externally managed by a REIT manager. The manager might be a subsidiary of a sponsor, who is a major unitholder in the REIT, or an external manager with no relationship with other parties of the REIT. In the case of A-REIT, Ascendas Funds Management (S) Limited (AFM), a wholly owned subsidiary of the Ascendas Group, is its manager.

*REITs listed on the SGX-ST are traded like any other listed securities.*

**Real Estate Investment Trusts (REITs)**

Name	Year of Initial Public Offering (IPO)
CapitaMall Trust	2002
Ascendas REIT	2002
Fortune REIT	2003
CapitaCommercial Trust	2004
Suntec REIT	2004
Mapletree Logistics Trust	2005
Starhill Global REIT (formerly Macquarie Prime REIT)	2005
Ascott Residence Trust	2006
Cambridge Industrial Trust	2006
CapitaRetail China Trust	2006
First REIT	2006
Frasers Centrepoint Trust	2006
Frasers Commercial Trust (formerly Alco Commercial REIT)	2006
Keppel REIT (formerly K-REIT Asia)	2006
AIMS AMP Capital Industrial REIT (formerly MacarthurCook Industrial REIT)	2007
Lippo Malls Indonesia Retail Trust (formerly Lippo Mapletree Indonesia Retail Trust)	2007
Parkway Life REIT	2007
Saizen REIT	2007
Cache Logistics Trust	2010
Mapletree Industrial Trust	2010
Sabana Shari'ah Compliant Industrial REIT	2010
Mapletree Commercial Trust	2011
Mapletree Greater China Commercial Trust	2013
Singapore Press Holdings REIT	2013
Soilbuild Business Space REIT	2013



The roles and responsibilities of the manager include taking charge of the REIT's properties and managing the businesses of the REIT. These are all carried out in exchange for a fee. All REITs have annual management fees, property management fees, trustees fees and other expenses that are deducted from the REIT's revenue stream before distributions are made to their investors. REITs which hold properties in foreign jurisdictions may also be subject to taxation by the relevant jurisdictions.

*The typical structure of the parties involved in a REIT, as explained by MoneySENSE.*

### Business Trusts And Stapled Securities

Investors in Singapore have also the option to trade in business trust – an equity investment product similar to REITs. Business trusts can be formed to operate in sectors such as shipping, infrastructure and energy. While conventional companies can only pay their dividends out of profit, business trusts can pay dividends from their operational cash flows. As such, it is particularly suited to businesses that are capital intensive with strong cash flows.

Business trusts and REITs are similar in the way they are structured and managed by their respective appointed managers. Both can be listed on the stock exchange. However, they possess unique features distinct from the other.

Unlike business trusts, REITs are passive investment vehicles that engage in property investments to collect rent. Because of this feature, REITs are regulated as collective investment schemes, similar to the way unit trusts are regulated. Business trusts, however, are not bound by the legal or regulatory restrictions that REITs face under the Property Funds Appendix, found under the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (MAS). It includes guidelines on the authorised businesses and activities of REITs, as well as the development and leverage limits that REITs can undertake.

Additionally, REITs are not permitted to invest in development projects that exceed more than 10 per cent of their deposited assets. Their aggregate leverage should not exceed 35 per cent of their deposited property (60 per cent, if rated by rating agencies). Business trusts, on the other hand, do not face these restrictions.

Business trusts have also the added advantage over REITs when it comes to distributions of dividends. When a business trust is “stapled” to a REIT, it results in the product known as a stapled security. In a stapled security arrangement, a business trust is operated like a company by its trustee-manager, without facing any of the legal or regulatory restrictions which a REIT will encounter on its borrowings. The stapled trust is able to distribute dividends directly out of the cash flow from its business operations. Investors might view this as a more attractive option than buying into a listed company which pays dividends only out of its accounting profit – an amount derived at after deducting non-cash items such as depreciation of machinery and buildings.

### BUSINESS TRUSTS

Name	Year of Initial Public Offering (IPO)
Ascendas India Trust	2007
Indiabulls Properties Investment Trust	2008
Forterra Trust (formerly Treasury China Trust)	2010
Perennial China Retail Trust	2011
Religare Health Trust	2012
Croesus Retail Trust	2013

### STAPLED SECURITIES

Name	Year of Initial Public Offering (IPO)
CDL Hospitality Trusts	2006
Ascendas Hospitality Trust	2012
Far East Hospitality Trust	2012
OUE Hospitality Trust	2013



*In 1999, MAS issued formal guidelines on the listing of REITs.*

## CHAPTER 3

# THE BIRTH OF THE SINGAPORE REIT SECTOR

In May 1999, MAS announced guidelines on the setting-up of property funds in Singapore, putting to rest discussions about the establishment of a REIT sector that was ongoing for over a decade. These guidelines were aimed at broadening the range of financial products available for investment, and would eventually pave the way for REITs to enter into Singapore's equity investment market.

The decision to introduce REITs in Singapore had its detractors early on. In 1998, REITs were criticised as a way for property developers to repay their debts after the Asian Financial Crisis. The crisis had left them with large, unsold housing stocks and a tightened bank credit<sup>1</sup>, which led to difficulties in raising debt capital. Even as MAS released its set of property fund guidelines, arguments were still being raised against the formation of a S-REIT sector. Mr Daniel Teo, former head of the Real Estate Developers' Association of Singapore, had said that REITs would find it tough to compete with other investment instruments without sufficient tax breaks<sup>2</sup>.

The initial set of guidelines issued by MAS required property funds to invest at least 35 per cent of their assets in real estate, and at least 70 per cent in real estate and real estate-related assets<sup>3</sup>. In contrast, REITs in the US are required to invest at least 75 per cent in real estate assets.

Supporters welcomed the framework, saying that the move by MAS would change the way property firms and investors approach real estate investment. One of these supporters was Mr Liew Mun Leong, former president and chief executive officer (CEO) of CapitaLand Group. He highlighted that a flourishing REIT sector

would mean that the traditional model of an asset-heavy property developer-cum-owner would be refashioned. He went on to say that it would allow companies to create wealth from their properties, which would otherwise be “buried capital”<sup>4</sup>.

In the months following the MAS announcement, several local property groups began discussions on the possibility of setting-up their own REIT vehicles. They were keen on cashing-in on the anticipated demand from investors looking for a stable yield-based income stream. However, 18 months on, the S-REIT market had still not taken-off due to poor yields and absent tax breaks<sup>5</sup>. Back then, with no REIT sector in place, retail investors in Singapore were unfamiliar with REITs as investment products, and were thus unprepared to invest in them.

Investors who were keen to put their money into real estate investments had few options. They could either buy a physical piece of property or invest in shares of listed property companies, of which, many were developers. These were representative of more indirect forms of investment into real estate. While REIT was still a new concept then, market watchers had believed there were merits to it, and called for further public education on this instrument.

Investing in REITs has indeed several advantages. Not only do they provide investors an indirect ownership stake in specific property segments, they also offer the prospect of regular dividend payouts and yields that are higher than the interest rates of a typical savings account. It is to be noted that at least 90 per cent of a REIT’s taxable income is paid out to its investors in the form of dividends<sup>6</sup>. REITs with managers experienced in the real estate sector would be able to steer properties towards long-term growth too. Because they are traded on major stock exchanges, units of REITs with high liquidity can be readily converted into cash. A REIT is thus often regarded as a cheaper, more liquid, long-term-focused investment alternative as compared to directly buying and owning property.

However, these benefits are also weighed up by some risks. Precisely because they are traded on the stock market, REITs are susceptible to supply and demand conditions and the unpredictable nature of the stock market. REITs’ unit prices can be volatile for they are usually dependent on factors such as investors’ confidence

in the economy, the property market and its returns, and the management of the individual REITs<sup>7</sup>. While REITs are often viewed as income-generating investments, dividends may not be paid if the REIT reports an operating loss. REIT investors may be exposed to a greater risk too, if the REIT has a significant portion of its funds tied up in just a small number of properties, or if it depends on just a few major tenants for its income.

The maiden attempt at launching a REIT in Singapore was for a retail property trust listing in November 2001<sup>8</sup>. However, the listing was aborted due to under-subscription of the public offer. Analysts cited poor market conditions and concerns of whether the trust could deliver expected returns amidst spending curbs brought on by the recession, as reasons for the then tepid response.

As companies continued to slash their spending in an uncertain economic climate, commercial rents slid. This served to raise discussions among analysts about how a listed REIT might receive a warmer reception if property companies – with assets involved in the REIT – slashed the capital values of its properties<sup>9</sup>. Doing so would result in a more attractive yield of 6.5 per cent to 7.5 per cent for the REIT.

### Growth Of New Business Opportunities

Despite witnessing the unsuccessful IPO attempt, former president and CEO of Ascendas Group, Ms Chong Siak Ching, said the formation of a REIT was an option that the group had considered. This came after the merger of JTC



*One of A-REIT's roadshow at Caltex House in late 2002.*



*Ms Chong Siak Ching, former president and CEO of Ascendas, and Mr Lim Neo Chian, former Chairman of Ascendas and JTC Corporation, chaired the press conference at the launch of Ascendas in January 2001.*

International's Business Parks and Facilities Group, and Arcasia Land to form Ascendas in January 2001. Ms Chong recounted, “We looked at various business models that we should operate in. Eventually, we decided to focus on the areas of our core expertise which included the development and the creation of new products, and the active management of our customers and our assets.”

Clearer guidelines for REITs emerged later on. These included the Inland Revenue Authority of Singapore’s stipulation of the tax transparency status for listed REITs<sup>10</sup>, and the prohibition of REITs from owning vacant land and taking part in property developments<sup>11</sup>. Many tax and regulatory rulings were clarified, paving the way for the launch of the S-REIT sector. At its inception, Ascendas decided to explore the possibility of a real estate fund management business. Launching a REIT seemed like a natural choice at that time, for investors’ interest in REITs were picking up. On top of that, Ascendas was already a reputable real estate player in Singapore, equipped with a well established asset portfolio of matured, high quality properties with quality tenants. Launching a REIT would provide Ascendas with the opportunity to draw on a bigger pool of capital to grow the company and its portfolio.

Mr Tan Ser Ping, executive director and CEO of A-REIT’s manager, AFM, shared, “In early 2001, when we were reviewing the business model of the newly-formed Ascendas, S-REIT regulations were introduced. As head of the Ascendas Group’s Real Estate Development and Investment business unit, I led a task force to look into the feasibility of establishing a REIT as part of Ascendas’ new business model. The plan was to integrate its investment-holding business with the capital market, in order to undertake a larger volume of business with the same capital base. At the same time, the fund management and property management businesses would generate fee-based income for Ascendas.

“Even though as a group, Ascendas had years of experience handling property development within Singapore and the region, fund management was for us, a relatively new type of business. At that time, Australia was considered the leading REIT market within the Asia Pacific region because of their years of experience in the trading of similar investment vehicles known as Listed Property Trusts.

Our task force visited Sydney, talking to practically all the players in the industrial property market, as we learnt all we could on what is involved in the setting up of a REIT. Subsequently, Ascendas decided to enter into a joint venture with Macquarie Goodman Industrial Management. The rest, as they say, is history.”

Ms Tracey Woon, vice chairman of the ASEAN Corporate and Investment Banking at Citibank N.A., commented, “In 2002, REIT was a very new investment product in Singapore. A-REIT, being the first business space and industrial REIT, had to educate the public of its attributes. Both retail and institutional investors were soon bought over by the defensiveness and the attractive yield of REITs and similar equity products.”



*A-REIT's investor roadshow for its IPO.*

### Vision, Mission And Objectives For The New REIT

Together in partnership with Australian-based fund management and property services company, Macquarie Goodman Industrial Management, Ascendas embarked on the launch of A-REIT, with the mission of delivering stable distributions and long-term capital growth for its unitholders.

These objectives would be carried out through a three-pronged strategy. The first would address value-adding through investments via the acquisition of income-producing properties. The second would be on fostering organic growth through the proactive management of A-REIT’s portfolio of properties. Finally, by prudently managing A-REIT’s capital structure, its manager would ensure that the REIT would be able to deliver stable distributions and long-term capital growth.

Ultimately, the focus has always been on investors. As Ms Chong puts it, “We have to gain the confidence and the trust of our investors, that we are doing our

*From left to right: Mr Goh Kok Huat (former Ascendas-MGM Funds Management CEO), Mr Gregory Goodman (CEO of Macquarie Goodman Group that is now known as Goodman Group), Ms Chong Siak Ching (former president and CEO of Ascendas), Mr Richard Seow (then Head of Southeast Asia Investment Banking of Citibank N.A), Mr Eric Ang (Managing Director & Joint Head, ECM of DBS Bank), and Mr Philip Lee (then managing director and head of merchant banking at JP Morgan Singapore) at A-REIT's IPO launch in November 2002.*



best for them to give them the returns. They can park their money anywhere, why park it with us? Therefore we must demonstrate our ability to give them as good a return as they are hoping for in our sector.”

### Issues Considered Before The Launch Of The IPO

Even with the best plans in place, there were still many issues to consider before A-REIT was ready for its trading debut.

One of the factors deliberated upon was the type of properties to include in the initial asset portfolio. Mr Tan explained, “It’s about selecting suitable properties that are stable and able to generate a predictable and sustainable income stream. We examined properties from different segments of the market, and considered what their key characteristics offered.”

Another issue that AFM had to contend with was the timing of the REIT’s launch. The market had witnessed the first aborted attempt of a trust launch in Singapore. Property developers who had previously indicated that they were working on pushing out REITs, were now cautiously waiting by the sidelines and

observing how investors would react. Ascendas pressed on with the preparation for a REIT listing despite the uncertain market conditions because it saw that the REIT could potentially become a vital component of its business model.

In July 2002, CapitaMall Trust (CMT) was successfully listed. A-REIT’s launch soon followed, hot on the heels of CMT’s listing. Investors’ demand for A-REIT was expected to be strong, given its status as the first business space and industrial REIT to be launched in Singapore and the then-favourable market conditions.

### News Reports And Investors’ Reactions To A-REIT’s Trading Debut And Its Performance

In the pre-marketing phase of A-REIT’s IPO, the strong investor interest led to the IPO being oversubscribed by five times. Analysts gave the thumbs-up, commenting that the REIT’s prospects for the next two years were rosy. One of the reasons was that both Ascendas and Macquarie Goodman Industrial Management had strong, well-established track records in their respective areas of expertise.

Ascendas eventually sold S\$240 million worth of units during its IPO, offering a yield of about 8 per cent backed by rental income from its eight properties within Singapore. A third of the 272.5 million units on offer were sold to retail investors with the rest going to institutional investors.

However, in the days leading to its debut, A-REIT had to contend with voices challenging its decision. Some analysts said the REIT should have focused on one property sector instead of being diversified. This argument was eventually raised by newspaper journalist Mr Lee Han Shih in one of his columns in 2002<sup>12</sup>. He wrote that REITs focusing solely on industrial properties would have to offer a higher yield to entice investors because of the risks typically associated with attracting and retaining tenants. A-REIT, on the other hand, as a diversified REIT which invested in industrial properties and business spaces, would find it smoother sailing because the business space leases would balance up any possible downsides from industrial property assets.



(above left)  
From left to right: Mr Goh Kok Huat, former CEO of Ascendas MGM Funds Management, Mr Lim Neo Chian, former chairman of JTC Corporation, Mr Lew Syn Pau, former chairman of Ascendas and Mr Ang Swee Tian, former president of SGX-ST, celebrating the official listing of A-REIT.

(above right)  
A Business Times article, dated 20 November 2002, reports on A-REIT's stellar trading debut.



Other analysts predicted that the IPO launch of telecommunications company M1, which was to take place around the same time, would draw away retail investors' interest from A-REIT. Many more raised doubts, citing concerns of the high vacancy rates at some of A-REIT's buildings, as well as competition for choice assets from JTC Corporation, Singapore's largest industrial landlord<sup>13</sup>.

However, the positive trading history of CMT was expected to raise confidence in potential investors, especially since CMT's unit price had traded up by about 6.0 per cent despite the stock market being in turmoil. On the day of its debut, A-REIT investors saw the stock trading up by as much as 6.8 per cent. More than 32 million A-REIT units changed hands, driving the counter to the top of the active list on that day. A-REIT units that were issued at 88 cents a unit, started the day trading at 91.5 cents. The stock later peaked at 94 cents, before ending the day at 92.5 cents – almost 5.0 per cent above its issue price<sup>14</sup>.

Unfortunately, the robust trading performance was short-lived. Barely months after its IPO, market jitters about a possible reduction in industrial rents due to Singapore's weak economic health sent A-REIT's share price falling to 86 cents a unit. CMT, the only other REIT at that time, fared better at S\$1.04, up from its 96 cents opening offer because of the market perception that retail properties would

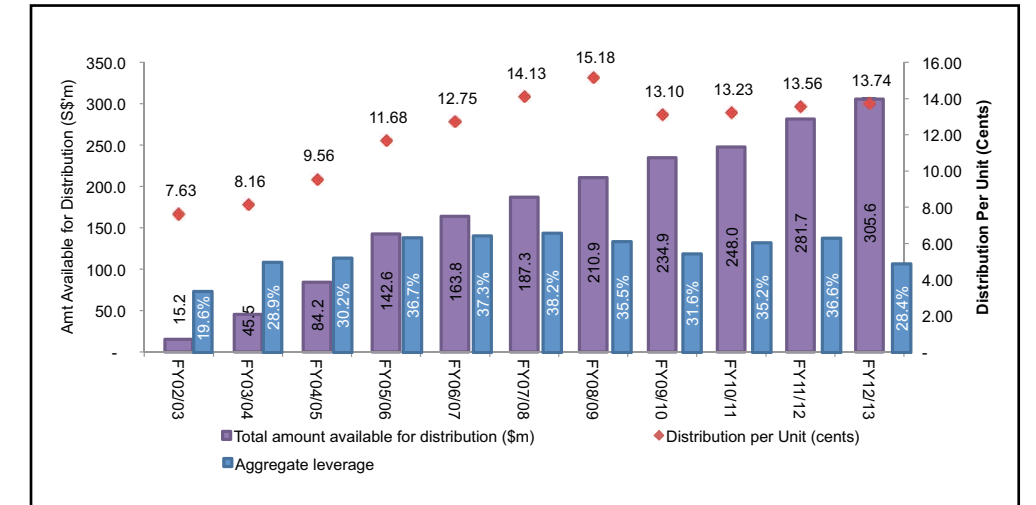
be more resilient as compared to other classes of property in a weak economy.

Yet looking back on the year, analysts remained upbeat on the prospects of the REIT sector. They supported this view by pointing out that the low interest rate environment seen in the last few years had made REITs and bonds more attractive than holding on to cash. At the same time, they added that the stable returns from these investment instruments were backed by rental income from good quality property assets.

Putting money in such assets would be more appealing than investing in more volatile equities like internet stocks, especially in times of uncertainty.

In the following year, Singapore's economy took a battering as businesses grappled with the effects of the Severe Acute Respiratory Syndrome (SARS) epidemic as it spread across the island and the region. A-REIT was not spared from the epidemic's impact on the economy either. Yet, it was with an experienced management team on board, did A-REIT manage to achieve a net distributable income of S\$15.2 million in the first reporting period that ended in March 2003. It was 7.8 per cent above its IPO forecast of S\$14.1 million. At 2.78 cents, its DPU was also 7.8 per cent higher than its forecast of 2.58 cents.

In the years to come, A-REIT would face many more challenges. While encountering these setbacks, A-REIT's management team would pick up valuable lessons along the way, enabling them to develop and roll out a carefully-calibrated business strategy that would grow the REIT from strength to strength and lay the foundations for future growth opportunities.



A-REIT's steady growth since its listing on SGX-ST in 2002.

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*Telepark – one of the four properties in A-REIT's sale-and-leaseback agreement with SingTel. The other three are Kim Chuan Telecommunications Complex, KA Centre and KA Place.*

## CHAPTER 4

# SOWING THE SEEDS OF SUCCESS

With the success of its IPO, A-REIT's strategy over the next decade was to embark on growth opportunities within Singapore's real estate sector before ultimately venturing overseas to explore regional deals in foreign markets.

### The Early Years

The priority for AFM in its early years was to establish A-REIT as a market leader in Singapore's business space and industrial REIT sector. Back then, embarking on this mission was relatively easy, with few competitors jostling for investments within the sector. By 2003, A-REIT decided to take a step further to explore the sale-and-leaseback business. This move came at a time when many companies were facing pressure from their competitors to go global, forcing firms to focus their time and resources on growing their core operations.

Under a sale-and-leaseback scheme, companies sell the properties they own to a third-party company that is usually a property investment holding company who will lease back the property for the formers' use for an agreed period of time. This scheme often involves terms and conditions such as predetermined rental rates and reversionary rates. The new owner-landlord may or may not be responsible for the property management of the building after the change in ownership – this is dependent on the user's preference and the final agreement. Before the creation of a REIT sector within Singapore, industrial buildings were typically owner-occupied and secondary capital opportunities for industrial properties were practically non-existent.

*In 2006, A-REIT was the first S-REIT to undertake development projects on its own balance sheet. Courts Megastore was one of its first such projects.*



Companies that participated in A-REIT's sale-and-leaseback schemes were able to release expensive and scarce capital that were locked up in their properties, and redeploy the capital back into their core business, with no disruption to their operations. A-REIT's first partnership under this scheme was with OSIM International. AFM later went on to strike other significant deals, including a more than S\$300 million sale-and-leaseback agreement with SingTel for a portfolio of four properties.

This led to another business opportunity for A-REIT: offering build-to-suit options for their customers. The executive director and CEO of AFM, Mr Tan Ser Ping, explained that in 2006, three main factors pushed the REIT to take on this new business opportunity. The first, he said, was that A-REIT's association with Ascendas meant that the REIT manager was able to tap on the group's expertise in developing real estate.

The second factor was one that occurred towards the end of 2005. MAS amended a regulation that allowed S-REITs to undertake development projects

of up to 10 per cent of their deposited properties <sup>1</sup>. Mr Tan said that the revised regulation proved to be a game changer for the industry, because it meant S-REITs could develop properties which they intended to hold after completion.

He added, "The third factor is that by 2006, the market for acquisitions had heated up so much that there were more companies chasing after a relatively limited number of property deals. This drove up the prices to a point where it made more sense for us to pursue other business opportunities instead of competing with everyone else for the same slice of the pie."

As part of the build-to-suit process, A-REIT develops facilities tailored to the needs and requirements of its end-user clients. This allows the REIT's clients to free up resources and cash for more productive purposes by taking a long-term lease – typically 7 to 10 years – on the facility. Companies that participate in this scheme will enjoy several benefits. These benefits include: i) not having to fork out large amounts of capital to develop facilities which are not their core business, and ii) a certainty in rental expenses during the lease period, thus enabling the companies to assess business costs with more precision, while benefitting from tax deductions for the rents paid. iii) Companies would also be able to avoid the hassles of being involved with the project management during the construction process and the management of the facility thereafter <sup>2</sup>.

In 2006, A-REIT was the first S-REIT to undertake development projects on its own balance sheet. Its first two projects were Courts Megastore and Cold Storage's Giant Hypermart. By May 2013, A-REIT had completed 11 development projects, achieving a total revaluation gain of about S\$296.5 million or 36.9 per cent over a total development cost of S\$803.9 million. These demonstrated AFM's ability in delivering value-added investments for the portfolio through its development capabilities.

Further steps were taken to build a firm foundation for future growth through the development of A-REIT's asset portfolio. With Singapore's push towards more capital and knowledge intensive activities, AFM recognised the opportunity to establish a portfolio aligned with Singapore's economic direction. It made efforts to expand A-REIT's presence in the business and science parks

*"...by 2006, the market for acquisitions had heated up so much that there were more companies chasing after a relatively limited number of property deals. This drove up the prices to a point where it made more sense for us to pursue other business opportunities instead of competing with everyone else for the same slice of the pie."*

**MR TAN SER PING**  
Executive director and CEO of  
Ascendas Funds Management (S)  
Limited

segment to leverage on Singapore's push to become a global hub for research and development (R&D). By doing so, A-REIT would be able to meet the needs of spatial businesses involved in knowledge-intensive and high-value industries, which had requirements that traditional manufacturing spaces were not able to meet. AFM achieved this by tapping on the Government Land Sales programme and selectively bidding for development land plots such as the Nexus @ one-north – a business park facility within Fusionopolis. “R&D is likely to be one of the next up-and-coming growth sector in Singapore. Thus, we want to have a larger presence in the one-north region to participate in the growth of this sector,” said Mr Tan. He added that this path would not have been an option for A-REIT if it had not built up its asset base and capabilities in earlier years.



*(right)*  
Nexus @ one-north, a business space facility in Fusionopolis.

*(overleaf)*  
1, 3 & 5 Changi Business Park Crescent, one of A-REIT's development. Two blocks are leased to Citibank N.A.

Many Singaporean companies, recognising the business potential that China holds as a growth market, have ventured into this market. Likewise, A-REIT has taken steps to enter the Chinese market to provide reliable business spaces to its customer base. In 2011, A-REIT's first overseas investment in China was primed to serve A-REIT's growing base of more than 1,200 international and local companies. It was also timely for A-REIT to do so, as it could tap on the existing relationships it had with its customers and further capitalise on its expertise to build infrastructure for businesses. These businesses usually have a firm presence in China, and are looking to consolidate and set-up corporate headquarters or R&D centres to service the Chinese market. With the companies' consolidation efforts in full swing, the demand for buildings in business parks in China has been greater than ever.

### Helping Companies Grow

Customers have always been the lynchpin of A-REIT's business and it is with their interests in mind that the REIT continues to review and refine its processes and programmes to stay ahead of competition. This approach to doing business has enabled A-REIT's customer base to grow from 321 companies at its IPO in 2002, to more than 1,200 Singapore and international firms across 20 different industries as at March 2013.

A-REIT's diverse real estate options within its portfolio have enabled it to retain strong links while attracting and growing its customer base. The REIT's strong commitment in ensuring the efficient management of its facilities and buildings means that its management team is always looking to broaden their knowledge of the operating and spatial requirements of its customers.

The results of these efforts speak for themselves. With the support of its customers, A-REIT's portfolio occupancy was at 94.0 per cent as at March 2013, a marked improvement from the overall portfolio occupancy rate of 84.6 per cent recorded at its IPO launch in 2002.



#### CITIBANK N.A. (SINGAPORE): MR ERWIN CHONG, FORMER HEAD OF CITI REALTY SERVICES

“A-REIT’s development of this business space at Changi Business Park has provided us a suburban place of welcoming atmosphere that is tailored to our business needs. The building incorporates environmentally friendly features such as rain and grey water collection systems, as well as motion detectors that activate lights only when needed. These features not only create a healthier indoor environment but they also minimise any adverse impacts that the development may have on the surrounding areas.”

#### FEDEX EXPRESS SINGAPORE: MR KHOO SENG THIAM, MANAGING DIRECTOR

“Before we moved into our South Pacific Regional Hub at Alps Avenue, we were operating out of several locations in Singapore. This facility reinforces our long-term commitment to Singapore, where we already have a significant presence with our South Pacific Headquarters, Asia Pacific Data Centre and Asia Pacific Financial Service Centre. The new facility will strengthen FedEx operations in Singapore and provide our customers with greater, faster and more reliable access to regional and global trade opportunities.”

#### Emerging As An Industry Leader

As one of the most established REITs in Singapore, A-REIT has often been regarded as the market leader in the business space and industrial REIT segment. Ms Chong Siak Ching shared that in the initial phases of growth, marketing the concept of a REIT focused on industrial and business spaces required more effort, as investors were not familiar with that segment of the real estate market.

Part of those efforts included changing perceptions that industrial and business spaces were dusty, polluted places dedicated to factory or production work. Ms Chong said, “When we started to show images of the business spaces we have in our parks, investors could see that the buildings and the spaces were different from what they expected. They were met with attractive facilities that

were spaces not only for working, but also environments where people could dine and exercise in, and take part in leisure activities.”

It was to be another three years after A-REIT’s IPO in 2002 before the next industrial REIT – Mapletree Logistics Trust – would be listed on the SGX-ST. By 2012, seven industrial REITs were trading on the SGX-ST, a phenomenon that Mr Tan suggests might be due to A-REIT’s early success.

He explained, “When other people see the performance of A-REIT in the market, the opportunities we’ve had available to us and how we’ve capitalised on them, it may have made them look at the industrial real estate business in a different light. These companies may be spurred on to consider setting up their own REIT too. The dispersed ownership structure of industrial properties in Singapore also made the barrier of entry into the industrial REIT sector relatively low.”

Equipped with an in-depth knowledge of the business space and industrial property sector, A-REIT’s management team has drawn on the capabilities and skills it has developed throughout the years, taking on new opportunities through various businesses.

#### Opportunities

##### FIRST SALE-AND-LEASEBACK: OSIM HEADQUARTERS

Months after the launch of its IPO, A-REIT announced it would be entering its first sale-and-leaseback agreement with OSIM International, a healthy lifestyle company<sup>3</sup>. The deal, announced in May 2003, involved A-REIT buying OSIM’s headquarters at Ubi Avenue 1 for a sum of S\$35 million, and leasing it back to OSIM for a period of 12 years. The OSIM headquarters is an eight-storey warehouse and office space, and it was A-REIT’s ninth asset and first addition to



*90 Alps Avenue, a build-to-suit logistic facility for FedEx Singapore.*



*The OSIM headquarters is A-REIT's first sale-and-leaseback transaction.*

the trust's portfolio after its IPO. OSIM has indicated that when its lease expires, it will further extend its lease by another seven years.

This agreement was to be the first of many. Four months later, A-REIT entered into another two sale-and-leaseback arrangements – one involving Ghim Li Building, and the other, Ultro Building. Both buildings are located in Changi and the combined value of these deals was S\$31.5 million <sup>4</sup>.

#### FIRST DEVELOPMENT: WAREHOUSE RETAIL FACILITIES FOR GIANT AND COURTS

Revisions to the Property Fund Guidelines in 2005 meant that REITs were now allowed to take on development projects for up to 10 per cent of their deposited property value. Following this change, A-REIT embarked on the development of two warehouse retail facilities in 2006 <sup>5</sup>, a project which came under the Warehouse Retail Scheme by the Singapore Economic Development Board. The S\$128 million deal involved A-REIT building a facility for Cold Storage Singapore



*Giant Hypermart is one of A-REIT's first development projects.*

for its operations under the Giant brand and another facility for Courts, a furniture and electrical product distributor. The two facilities are located at Tampines Avenue 10. Both buildings are four-storey high and are comprised of retail, warehouse and office spaces.

#### Investment

When it was first listed on the SGX-ST, A-REIT's portfolio was made up of eight properties in three asset segments: light industrial properties, business parks and science parks. Together, these properties formed a portfolio with an assets under management (AUM) size of S\$0.64 billion. By making a series of sound investment decisions, AFM has since grown the REIT's portfolio to 103 properties with an AUM of S\$6.96 billion as at 31 March 2013.

The REIT was also able to further diversify its portfolio by acquiring and subsequently offering a series of different real estate products. It now boasts a

comprehensive portfolio comprising of data centres, high-specifications industrial buildings, logistics and distribution centres, warehouse retail facilities as well as business and science park properties.

As part of its investment strategy, AFM has selectively undertaken asset enhancement works to ensure a continued growth of the value of assets within its portfolio. This has also enabled the manager to constantly examine and ensure its buildings are in line with the requirements of various businesses, and keep up with the evolving needs of prospective and existing tenants.

The asset enhancement exercises often address various challenges. In some cases, the enhancement of a property, like The Alpha and the Thales Building, would involve the addition of gross floor area within the existing property, maximising the plot ratio of those assets. Another project, FoodAxis @ Senoko, involved redeveloping an existing property to increase the plot ratio utilised from 0.6 times to 2.5 times. These instances demonstrated AFM's pro-active approach to managing and catering to the increasing and changing spatial requirements of the market.

In other cases, the enhancement exercises would upgrade the usage capabilities of a particular property. One of A-REIT's major asset enhancement projects was for the building at 10 Toh Guan Road: an old warehouse was reconfigured into a new industrial building, complete with a showroom on the first storey, and a three-storey car park. The building's exterior was revamped to reflect its repositioned image. It is an example of how A-REIT had seized the opportunity to retrofit a matured single-tenanted property by enhancing the building's specifications and facilities space, thus improving the value of its assets.

Having expanded its portfolio to over 100 properties in the past decade since its listing, A-REIT continues to consolidate its position as the leading industrial and business space provider in Singapore, looking internally for opportunities to conduct asset enhancements in order to extract better returns for its portfolio.

The key to this strategy's success is a disciplined approach to not just property acquisitions, but also development projects and asset enhancement initiatives.

AFM has always upheld that the main goal in every investment deal is to ensure that the deal works out well for investors, and assets are not injected just to bulk-up the portfolio. Every building added is measured by how much the asset will appreciate in value over the years, and how it can potentially enhance A-REIT's overall portfolio. Each asset that A-REIT invests in has to bring in attractive returns and be able to bring diversity to the portfolio in order to ensure risk is diversified. In this way, A-REIT is able to harness the benefits of economies of scale, lower its cost of capital and emerge as a competitive player in the segments of the real estate market that it operates in.

*FoodAxis @ Senoko is a redevelopment of an existing food facility to increase lettable space. There is increasing demand for such facilities.*



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*A-REIT's journey for the past 10 years saw it ride through the bull and bear periods.*

## CHAPTER 5

# A-REIT'S JOURNEY IN THE GROWTH AND DEVELOPMENT OF THE SINGAPORE REIT SECTOR

The true test of a business' resilience is demonstrated by its ability to weather crises. In this respect, A-REIT has proved its mettle by navigating the storms of numerous challenges by drawing on the skills and expertise of its manager, AFM.

### 2003: The SARS Outbreak

In 2003, barely a year after its conception, A-REIT had to grapple with challenges brought on by the SARS epidemic. At that time, many businesses were crippled as Singapore's authorities struggled to contain the spread of this unknown threat. Travel restrictions imposed on SARS-affected countries stifled the business development activities of companies based in Singapore. Many companies also incurred additional costs as they took precautionary measures and developed contingency plans to safeguard their business operations.

Running a business centred around the leasing and management of physical properties meant that A-REIT was especially vulnerable during the SARS outbreak. Ms Chong Siak Ching recalls how A-REIT's management and staff went on the offensive to keep the negative impacts of the outbreak at bay.

"The Ascendas team immediately went into crisis management mode. This was activated across the board throughout the whole business, including A-REIT's. Communication was key, especially because working under these circumstances meant working closely with our customers, who are an essential part of our business."

*“The Ascendas’ team immediately went into crisis management mode and this was activated across the board throughout the whole business, including A-REIT’s. Communication was key, especially because working under these circumstances meant working closely with our customers, who are an essential part of our business.”*

**Ms Chong Siak Ching,**  
former president and CEO of  
Ascendas.



New processes like a contact tracing plan were implemented while existing business processes were enhanced to ensure A-REIT’s tenants were kept informed about what was happening in their offices, enabling them to activate their own plans.

At the same time, A-REIT was able to defy the gloomy business outlook and find an upside to the SARS crisis. AFM – then known as Ascendas-MGM Funds Management Limited – said they experienced a higher take-up in short term leases, as companies scrambled to put in place contingency plans in preparation for any potential SARS outbreak in their main offices <sup>1</sup>.

While the epidemic cost Singapore’s economy millions of dollars, A-REIT was able to take away valuable lessons from the episode, including how vital customers were to the REIT’s business, and the importance of working hand-in-hand with them. At its half-year period that ended on 30 September 2003, the financial results showed that A-REIT delivered a distributable income of S\$22.1 million – 14 per cent higher than its IPO forecast. Net profit for the three-month period came to S\$20.5 million, 18.6 per cent above what was forecasted.

### 2004-2006: A Strong Bull Market

After the troubled 12 months of 2003, the following three years would signal the start of a bull market for the S-REIT sector, with 11 REITs listing during that period. This surge of activity in the S-REIT sector was brought on primarily by three economic and regulatory factors.

The first factor was the revision of borrowing limits for REITs. In 2005, MAS issued revised guidelines for the governance of REITs, which permitted REITs to exceed the 35 per cent borrowing limit, subject to a cap of 60 per cent of its deposited properties, provided the REIT obtains a credit rating and publicises it <sup>2</sup>. The revision in MAS guidelines was hailed as a move that would help S-REITs, especially when they acquired overseas properties and would have to compete with REITs from other markets like Japan and Australia, which had no borrowing limits.

The performance of A-REIT and CMT – the first two listed REITs on SGX-ST – was another factor that contributed to the increase in the S-REIT sector’s activities. In their initial three years, both REITs delivered good and consistent profits. It was this strong financial performance that shored-up investors’ interest in REITs as investment instruments and subsequently encouraged the listing of other REITs like Starhill Global REIT and Mapletree Logistics Trust <sup>3</sup>.

The final factor was the overall positive market development of the S-REIT sector. With S-REITs outperforming the Straits Times Index between December 2004 and August

*A-REIT acquired the Infineon building in December 2004.*



2005, more companies were attracted to launch REITs, including Keppel Land Limited, Parkway Holdings Limited, and Fraser and Neave Limited.

A-REIT flourished under these market conditions. It embarked on an acquisition trail that saw it grow at a phenomenal pace – A-REIT's portfolio grew from 16 properties as at 31 March 2004, to 77 properties as at 31 March 2007<sup>4</sup>. Another factor which supported this fast-paced growth was the opportunities available for A-REIT to make quality acquisitions. Between 2004 and 2006, a large portion of Singapore's investment grade industrial property was held by end users. Many companies holding on to industrial and logistics properties were also keen to unlock their real estate capital by divesting their properties and channelling the funds back into their core businesses. This provided a greater number of opportunities for REITs to tap into. Being the first business space and industrial REIT in Singapore, A-REIT was able to capitalise on this opportunity to grow its portfolio. Since then, the market has seen the listing of numerous REITs focused on industrial properties, such as Mapletree Logistics Trust in July 2005, Cambridge Industrial Trust (CIT) in July 2006 and MacarthurCook Industrial REIT (MI-REIT) in April 2007.

### 2007- 2009: A Global Bear Market

The year 2007 marked the end of a bull run for the investment sector as financial markets across the globe took beatings on the back of political and economic upheavals such as the US subprime mortgage crisis and the Eurozone sovereign debt crisis.

#### THE EXIT OF GOODMAN GROUP

Many developments took place after A-REIT's launch. Macquarie Goodman Management Group had been a joint venture between Macquarie Bank and Australian Goodman Group. In July 2007, the partners announced the parting of ways. The Macquarie Goodman Management Group was then re-branded as the Goodman Group.



In January 2008, the Goodman group made a bid to acquire a portfolio of industrial properties to be divested by JTC Corporation. But by doing so, Goodman's move raised an issue of a possible conflict of interest: if Goodman did eventually become JTC Corporation's REIT manager, it would have stakes in two Singapore REIT managers which would compete for the similar assets and tenants in the same industrial sector<sup>5</sup>.

By then, it was already five years after the IPO of A-REIT. Ascendas had since gained considerable property fund management expertise, which later led to the setting up of Singapore's first listed Indian property trust in August 2007, the Ascendas India Trust.

*Hansapoint @ CBP, A-REIT's first development of a business park facility in Changi Business Park.*



*The management of Ascendas Funds Management (S) Limited at their bi-yearly analysts and media briefing.*

Talk among market watchers was that the Goodman Group was expected to relinquish its stake in A-REIT. Analysts monitoring the situation said that the move would make sense. If the Goodman Group was appointed JTC Corporation's REIT manager, it would have a bigger stake in the JTC Corporation's REIT, allowing Goodman Group more control to expand the trust as it deemed best. It was believed that the REIT would be able to leverage on the group's substantial presence and large customer base of tenants across Asia, especially in China, Hong Kong and Japan. This would help pave the way for possible future acquisitions across the region.

Both Goodman and Ascendas eventually parted ways in March 2008 <sup>6</sup>, with Ascendas acquiring Goodman Group's stake in A-REIT and its 40 per cent equity stake in AFM.

Unfortunately, the global financial crisis struck and Goodman eventually did not proceed with its bid for the JTC Corporation portfolio. JTC Corporation then appointed Temasek Holdings subsidiary, Mapletree Investments, to establish and manage its REIT. But in April 2008, it was announced that plans for the JTC Corporation's REIT would be scrapped, with sources from JTC Corporation and Mapletree saying the decision was made after considering the "volatile market conditions which were not conducive for a REIT IPO" <sup>7</sup>.

The global financial crisis hit Australia's trust sector hard. Even though the Goodman Group held stakes in one of Australia's biggest industrial property trusts, it was not spared since it was highly leveraged to gear up for a global expansion during this period. When Lehman collapsed in early 2008, the global stock markets capitulated. Billions of dollars were wiped off from the Goodman Group's market capitalisation <sup>8</sup>.

Said Mr Tan Ser Ping, "Ascendas offered an opportunity for the Macquarie Goodman Group to step into the Asian market in 2001. Prior to our partnership, they were very much an Australian-focused business. When they were interested in the JTC Corporation portfolio and became the forerunner in the race to be

the manager of the new JTC Corporation's REIT, both Goodman and Ascendas had to discuss and manage the issue of a potential conflict of interest. The eventual parting with Goodman seemed like a very natural progression for A-REIT. Ascendas has always been involved in property management, and by 2008, we had established a good track record in capital management as well.

"However, by the time the JTC Corporation transaction was into its final stages of negotiations, the global financial crisis was in its full swing. It was unfortunate that Goodman Group decided not to proceed with the deal <sup>9</sup>."

#### SUBSEQUENT CHALLENGES

In 2008, A-REIT was met with yet another hurdle. One of A-REIT's tenants – electronics import and export firm TT International Limited – announced that it had run into financial difficulties and was seeking to stop repayments owed to its principal bankers and unsecured creditors. This immediately put the REIT's investors on the edge. At that point, TT International Limited was considered a major tenant of A-REIT, leasing a six-storey warehouse and an annex 10-storey office building near Jurong East MRT station. With a net lettable area (NLA) of 42,765 square metres, the occupied properties accounted for 2.3 per cent of A-REIT's then total NLA, and for 1.8 per cent of the REIT's then total gross monthly revenue <sup>10</sup>.

AFM reassured investors, saying that it had a security deposit of S\$6.86 million from TT International Limited. The REIT eventually took back the building at 10 Toh Guan Road after restructuring its lease with TT International Limited. The property later underwent an asset enhancement exercise and now houses a showroom which is tenanted to The Furniture Mall, enabling A-REIT to extract extra value from an existing asset in its portfolio.

At that same time, the S-REIT sector was dealt a blow as the global financial crisis stirred up uncertainty among both financial institutions and investors, causing a slowdown in investors' appetite. This was fuelled by investors' fears that highly-leveraged REITs would collapse if they lacked sufficient funding. Prior to this financial crisis, several REITs had relied quite heavily on debt to fund their



*"The eventual parting with Goodman seemed like a very natural progression for A-REIT. Ascendas has always been involved in property management, and by 2008, we had established a good track record in capital management as well."*

**MR TAN SER PING**  
*Executive director and CEO of Ascendas Funds Management (S) Limited (AFM)*



*The building at 10 Toh Guan Road. A-REIT's quick steps in restructuring its lease with TT International and carrying out asset enhancement reassured its investors.*

growth. However, between 2008 and 2009, many companies – including REITs – were forced to cut their borrowings as credit markets froze <sup>11</sup>.

This caused widespread panic through the S-REIT sector with many REITs caught in a bind, as short-term debt made up a significant portion of their overall debt. The panic caused a free-fall in the market. By March 2009, the overall value of Singapore's REIT sector fell by about 60 per cent since the onset of the crisis in the second half of 2007. Several listings, including a JTC Corporation-related REIT, were aborted or postponed during this time of uncertainty <sup>12</sup>.

During this tumultuous two-year period, some REITs, such as the Saizen REIT, had to cut their distribution payout due to credit issues <sup>13</sup>. The MI-REIT was left saddled with more than S\$200 million in debt and an unfunded contractual obligation to acquire a business park after it ran into liquidity problems <sup>14</sup>. The

REIT's sponsor later underwent a corporate restructuring which led to AMP Capital and AIMS Financial Group becoming co-sponsors. The REIT was renamed AIMS AMP Capital Industrial REIT. The impact of the crisis was widespread, with the S-REIT market capitalisation falling by more than 50 per cent in the later half of 2008 and continuing its downward slide well into the first quarter of the following year <sup>15</sup>.

Tighter credit conditions in 2009 also led to worries that S-REITs would be affected by asset devaluations, brought on by the slowing economy weighing down on rents and occupancies <sup>16</sup>. Lower property values would raise gearing ratios, and as property revaluations went south, they spurred concerns about whether some S-REITs would be breaching MAS rules on the borrowing limits. However, MAS stepped in and issued a circular that clarified if a REIT's leverage had gone up because of a decline in property values, it would not be considered a breach of leverage limits <sup>17</sup>.

With refinancing concerns weighing heavily on the minds of REIT managers, investors and analysts, several REITs turned to recapitalisation exercises to reduce their debt. Between June and September 2009, five REITs conducted rights issues or private placements to raise a total of more than S\$1.23 billion in capital. This upset investors and resulted in them selling out, and in some cases, driving down unit prices <sup>18</sup>. The most prominent was a rescue plan to save the troubled MI-REIT in 2009. The deal involved the placement of new shares, a rights issue and a new term loan <sup>19</sup>. It drew heavy criticisms from unitholders who felt that the deal significantly diluted their holdings, and favoured new investors as the new units were sold at a hefty discount of 70 per cent to the REIT's net asset value.

Despite the challenging circumstances, A-REIT was once again able to find a silver lining. While caution swept through the market, there were investors who were still keen to grow their money. They were placing greater emphasis on investments that had good earnings visibility and reasonable valuations. This meant that A-REIT was viewed as an ideal investment pick <sup>20</sup>, with equity analysts highlighting the REIT's gearing ratio of 33 per cent – one of the lowest



*The year 2009 saw a tightening of credit conditions.*

among the S-REIT sector then – and its smaller portion of short-term refinancing requirements.

In 2009, A-REIT also completed three development projects and two acquisitions. Its financial results that were announced the following year, painted a picture of A-REIT's ability in navigating through the tough economic times: it had delivered a distributable income of S\$234.9 million for the 12 months which ended on 31 March 2010. This was an 11.4 per cent improvement over what was achieved the previous year <sup>21</sup>.

### 2010 and 2011: Modest Market Upswing Followed By More Economic Turbulence

The recovery of the global economy and financial markets brought a more positive note to 2010. Data from DBS Vickers published in 2010 revealed that S-REITs, including A-REIT, had embarked on a shopping spree for the year, snapping up about S\$7 billion worth of properties in Singapore and abroad <sup>22</sup>.

In 2011, the uncertain economic conditions brought on by persistent worries over the Eurozone debt crisis once again rippled through the world's markets, rattling investors' confidence in the S-REIT sector <sup>23</sup>. In the wake of Europe's worsening credit crunch, major European banks once again scaled back on their lending. Their cautious sentiment trickled down to REIT investors, causing the Financial Times and Stock Exchange Straits Times REIT index – a modified index which tracks the performance of 24 REITs – to fall by 13.2 per cent in August 2011.

Despite all these, analysts were positive that the S-REIT sector would bounce back because many REITs had, by now, sturdy balance sheets. This placed the sector in a much stronger capital position in 2011 than it was three years before. Other equity market experts said that many S-REITs had learned lessons from the previous financial crisis and had used the prevailing low interest rates to lengthen their debt maturities, capping their short-term debt at 8 per cent of total outstanding debt – much lower than the 38 per cent that was recorded in mid-2008.

### 2012: Cautious Investor Sentiment Hits Singapore

The year 2012 saw signs of slowing economic growth in China that cast a shadow of doubt upon investors. Wary investors once again became more selective in their choice of investments, and looked for companies and markets with longer-term growth horizons to reduce the impact of mid-term volatility <sup>24</sup>.

Emerging from 2011's economic doldrums, A-REIT grew stronger by taking advantage of the recovering market to commit to almost S\$950 million worth of investments. Of this amount, S\$545 million was allocated towards the acquisition of income-producing properties. However, the effects of the cautious investor outlook made their mark too, as observed in a fall in value of new IPO listings. Companies were also forced to abort or defer their listings. Data from intelligence firm Dealogic revealed that in 2012, the 14 IPOs that were launched in Singapore in the first eight months of the year had a market capitalisation of US\$2.4 billion, as compared to the 23 IPOs in 2011 that had a market capitalisation of US\$7.6 billion.

In Singapore, Ascendas Hospitality REIT postponed its plans for an IPO in May 2012 <sup>25</sup>. It would later reduce the size of its IPO when it eventually hit the market in July 2012 <sup>26</sup>.

Three other potential IPOs were also pulled out during the year. M&L Hospitality Trust deferred its IPO after investors' demand for its shares was lower than expected. Japan-focused Croesus Retail Trust postponed its S\$800 million offering, citing "weak markets". It was subsequently listed in May 2013. Dynasty REIT made headlines after announcing plans to raise S\$1 billion – a move that would have made it the largest IPO debut for 2012. However, even this REIT which was backed by Hong Kong tycoon Li Ka-shing, had its listing aborted with the REIT manager citing reasons of weakened investor sentiment following the poor post-launch market performance of several IPOs and a gradual worsening of market conditions <sup>27</sup>.

Several months later in early 2013, the robust demand and strong performance of Mapletree Greater China Commercial Trust (MGCCT) demonstrated ample liquidity in the capital markets seeking yield. The S\$1.7 billion IPO of MGCCT

was labelled as Singapore's largest IPO offering in nearly two years <sup>28</sup>, and was also the largest REIT ever launched in Singapore <sup>29</sup>. The IPO was close to 30 times oversubscribed and debuted trading on the SGX-ST at S\$1.02 per unit – almost 11 per cent above its issue price of 93 cents per unit <sup>30</sup>. In the following week, MGCCT's average trading volume was 28.1 million units a day, and the unit price closed at S\$1.06 at the end of the week, delivering a 14 per cent gain over its issue price <sup>31</sup>.

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## CORPORATE GOVERNANCE

The popularity of S-REITs among investors has led to the sector celebrating multiple successes. At the same time, REITs have had to deal with several challenging issues raised by investors. To address these issues, more comprehensive corporate governance practices have been introduced over the years to ensure that the sector remains an attractive option for domestic and international investors.

### REIT Management Models: Internally And Externally Managed

REITs are either internally or externally managed. In an internally-managed REIT, the trust owns the assets and the management company.

In Singapore, all REITs are externally managed<sup>1</sup>. In this type of structure, the REIT is managed by a manager who is responsible for the trust's daily operations, but is not part of the REIT. By appointing an external manager, a REIT can stand to benefit from hiring a firm specialising in the management of real estate operations. This can be an advantage for REITs that are geographically diversified or own multiple property types.

But some argued that this particular model of management has its inherent weaknesses, with potential conflict of interests existing in three areas: between the manager and the REIT, the property manager and the REIT, and the trustee and the REIT. A 2007 report published by credit rating agency, Moody's, outlined some of the corporate governance risks associated with externally-managed REITs<sup>2</sup>.

*A-REIT won accolades at AsiaMoney Corporate Governance Poll 2012 garnering five awards, including Overall Best Company in Singapore for Corporate Governance.*

These include:

- *Externally-managed structures may create hurdles to changing-out the REIT's external management.*
- *An external manager may use its influence over the REIT to further its own interests over those of the REIT's unitholders.*
- *The Board of the external manager is appointed by its shareholders – usually the REIT sponsor – and not the REIT's unitholders. This may limit the board's capacity to independently supervise the external manager and to ensure that the interests of the REIT and its unitholders rank above those of the shareholders of the manager.*
- *An externally-managed REIT may rely heavily on the manager to provide control functions like compliance and internal audits. In doing so, the manager may possibly be creating conflicts of interests in its dealings with the manager's affiliates.*

While these potential risks exist, both MAS and the individual REIT managers have taken steps to mitigate these risks through the establishment of a comprehensive corporate governance framework. The framework has been revised over the years in order to meet the evolving needs and characteristics of the S-REIT sector, as well as its managers' and investors' demands. More details about this framework are illustrated later in the chapter.

REITs in the US and Australian markets both started off with purely external management structures, but they have since evolved with the changing markets' and investors' requirements. Almost all the REITs in the US and about half of all Australian REITs are now internally managed<sup>3</sup>. The shift in the REIT management structures in the two countries was triggered by the increasing conflict of interest situations between REIT managers and unitholders, and changes to regulatory frameworks that created more flexible REIT structures. In recent years, there have been discussions about whether it could be time for S-REITs to move towards an internalised management structure as the sector continues to mature.

### Building-up The Corporate Governance Framework Within The S-REIT Sector

Several improvements had taken place in the last decade to build up a strong corporate governance framework within the young S-REIT sector. These moves reinforced a sense of trust among investors and shaped Singapore as a desirable destination to invest in. Some changes were initiated by MAS and included a regulatory framework that compelled REIT managers to be more transparent about the financial arrangements they use to enhance short term yields.

In 2005, MAS released a revised set of guidelines aimed at making Singapore a more attractive place to list REITs. Key changes included the prescription of a 50 per cent voting threshold for unitholders to remove a REIT manager, the stipulation that REITs are to obtain two independent valuations of properties before they transact with interested parties, and the introduction of a REIT Manager Licensing Framework. One particular change required REITs with deferred payment arrangements to include such deferred payments as debt in the calculation of the REIT's aggregate leverage<sup>4</sup>.

Deferred payment structures, which can artificially prop-up a REIT's yield, came under fire after Temasek Holdings' CEO, Ms Ho Ching, warned the industry about them in a July 2005 speech. In the same speech, she also cautioned against "clever financial engineering" that could boost the short term performance of REITs, but in doing so would run the risk of tainting the reputation of the whole industry<sup>5</sup>.

The set of guidelines was further revised in 2007, and among the key changes was a ruling aimed at levelling the playing field for both institutional and retailer investors. As part of the change, institutional investors would no longer enjoy discounts for subscribing to units at the time of the listing of a REIT. While the new rule had its detractors, MAS pointed out that there was no good reason for different groups of investors to pay different amounts for the same interests in assets at the time of the IPO<sup>6</sup>.

Ensuring that unitholders are well protected has been at the heart of the regulations enacted by MAS. It introduced a licensing framework for REIT



*MAS' Code on Collective Investment Scheme (CIS) sets out best practices on the management, operation and marketing of schemes that managers and trustees are expected to observe.*



*A-REIT's first annual general meeting in June 2007. It has been holding Unitholders' Meetings on an annual basis since 2007 even though such meetings was only made mandatory by MAS in 2010.*

managers in 2009, requiring them to obtain a Capital Markets Services license. This implementation brought REITs in line with other MAS-regulated institutions such as banks and insurance companies, allowing MAS to ensure that REIT managers have the necessary experience and qualifications <sup>7</sup>.

MAS has been poised to step in whenever there might be corporate governance issues such as a conflict of interest, as was the case of CIT's manager's bid to take over MI-REIT in 2009. The manager of CIT had embarked on a vocal campaign and was ready to take over as MI-REIT's manager, but doing so would have created a conflict of interest as both CIT and MI-REIT operate within the industrial property space <sup>8</sup>. MAS blocked CIT's bid, basing its decision on Appendix 2 of Code on Collective Investment Schemes. Eventually, MI-REIT secured a contentious S\$430 million rescue deal through a discounted share sale to key investors, among them AIMS Financial Group and AMP Capital Holdings. The REIT was later renamed AIMS AMP Capital Industrial REIT <sup>9</sup>.

Management fee structures have also been the subject of discussion, especially following MGCCT's IPO. The REIT adopts a management fee structure that has its base fee pegged at 10 per cent of MGCCT's distributable income, and performance fee is computed as 25 per cent of the growth in distribution per unit (DPU) between financial years, if there is any <sup>10</sup>. This would mean that the REIT manager would not receive a performance fee if there is no DPU growth. This unconventional method differs from most management fee structures, which include a base fee component that is linked to the REIT's AUM and a performance fee component that is tied to net property income, and not DPU growth.

Market experts have said that this type of fee structure has its advantages because it addresses unitholders' two key priorities of DPU and unit price growth. While not all S-REITs adhere strictly to the traditional manager fee models, some industry analysts, like Maybank Kim Eng's Mr Ong Kian Lin, expects that if MGCCT's model does take-off, more REITs are likely to follow suit and adopt its fee structure.

### A-REIT And Its Internal Corporate Governance Framework

Throughout the last decade, A-REIT has placed an important emphasis on maintaining an effective internal corporate governance framework, based on the industry's prevailing best practice principles. Its manager, AFM, has always acted transparently, with due care and diligence, working in the best interests of unitholders.

A-REIT is one of the few REITs in Singapore that links its performance fees to a minimum growth in its DPU. AFM's performance fees depend not only on the management and the performance of its property portfolio, but also on the capital structure of the REIT <sup>11</sup>. For many other REITs, performance fees are linked to the REIT's property performance and not to DPU growth. However, more REIT managers, such as MGCCT's manager, are recognising the value in adopting a fee structure linked to DPU growth, as it better aligns unitholders' interests with that of the manager's.

A-REIT held its first annual general meeting for unitholders in 2007,

three years before MAS made it compulsory for all REITs to do so. According to MAS, their rationale behind this move was to provide an important channel of communication between REIT managers and unitholders, enabling REIT managers to be more accountable to their unitholders<sup>12</sup>. The move followed a year-long series of urgent extraordinary general meetings called by managers of the various S-REITs to obtain shareholders' approval for fund raising exercises to refinance debts.

In 2011, following a couple of relatively high-profile transactions that drew criticisms from minority investors regarding whether they were done in the best interest of minority investors, MAS took steps to beef-up corporate governance. In particular, MAS improved transparency among S-REITs by issuing a revised Code of Corporate Governance to address these concerns<sup>13</sup>. The new changes included guidelines on the composition of independent directors on the board of the REIT manager, factors that determine a director's independence, and the board of director's responsibilities towards risk management. For example, independent directors would need to make up at least half of the board i) if the chairman is also the CEO, ii) if they are related, or iii) if the chairman is not independent. Under the new corporate governance code, a director is deemed independent if he has not had direct association with a substantial shareholder of the company in the current financial year or any of the past three financial years.

In the months following the issuance of the revised corporate governance code, several REITs, including K-REIT and the CapitaLand group of REITs, announced changes to the composition of their boards, including the appointment of non-executive and independent directors. A-REIT, however, has been staying ahead of this curve. Since its inception in 2002, the chairman of AFM has always been an independent director. This was done even before the regulations on independent board members were formalised<sup>14</sup>. With the exception of its CEO and one other director, 75 per cent of all the members on AFM's board are independent directors.

Through the many years, A-REIT and its manager have shown to possess a sound internal corporate governance framework. It was ranked third and first in

the "Best Company in Singapore for Corporate Governance" category at the AsiaMoney Corporate Governance Poll in 2009 and 2012, respectively. In addition, FinanceAsia's annual poll of Asia's best managed companies also commended A-REIT for coming in eighth place in the "Singapore's Best Managed Companies" category in the years 2010 and 2011. A-REIT has also received the "Most Transparent Company Award" in the REITs category at the Securities Investors Association Singapore's (SIAS) Investor Choice Awards four times, and have come in as runner-up in that same category in four other occasions in the nine years since the award was first introduced in 2004<sup>15</sup>. In the more recent 2011 Asia Pacific Real Estate Association (APREA) Best Practices Awards, A-REIT was honoured with the Best Practices Award (Merit), in the "Mature Markets: Market Disclosure" category. The following table shows the list of A-REIT's awards and achievements through the years.



*Ms Tan Shu Lin, Head of Capital Markets and Singapore Portfolio of AFM, receiving an award on behalf of A-REIT at the AsiaMoney Awards 2013.*

**A-REIT'S AWARDS AND ACHIEVEMENTS**

Date of Award	Award	Organising committee / Awarded by
May 2013	Recognised as one of Singapore's Top 100 Brands	Brand Finance 2013
	Four Acres Singapore was awarded the BCA Green Mark Certification (Platinum)	Building & Construction Authority
	Nexus@one-north was awarded the BCA Green Mark Certification (Platinum)	
Oct 2012	Winner of the Most Transparent Company Award 2012 in the REITs category	SIAS Investors' Choice Award 2012
	Mr Tan Ser Ping was awarded the Brendan Wood International – SIAS TopGun CEO Award	Brendan Wood International – SIAS TopGun CEO Award
Jul 2012	Winner of the Best Annual Report (Silver) in the REITs & Business Trusts category	Singapore Corporate Award
May 2012	Runner-up for FIABCI Prix d'Excellence Awards 2012 for the development of 1, 3, and 5 Changi Business Park Crescent	International Real Estate Federation (FIABCI)
	FoodAxis @Senoko was awarded the Green Mark Certification (Gold)	Building & Construction Authority
Feb 2012	Best for Shareholders' Rights and Equitable Treatment in Singapore	AsiaMoney Corporate Governance Poll 2012
	Best for Investor Relations in Singapore	
	Best for Disclosure and Transparency in Singapore	
	Best for Responsibilities of Management and the Board of Directors in Singapore	
Jan 2012	Ranked 1st for Overall Best Company in Singapore for Corporate Governance	
Jan 2012	Recognised as one of Singapore's Top 100 Brands	Brand Finance 2012
Dec 2011	Awarded the Certificate of Excellence in Investor Relations	IR Magazine Awards 2011 (Southeast Asia)
Nov 2011	Winner of Silver Award in Design Excellence for FY10/11 Annual Report	International Davey Awards 2011
Oct 2011	1 and 3 Changi Business Park Crescent was winner of the FIABCI Singapore Award in the industrial category	FIABCI-Singapore Property Awards 2011
	Winner of the Merit Award for 2011 APREA Best Practices Award in the Mature Markets: Market Disclosure category	APREA Best Practices Awards 2011
	Winner of the Most Transparent Company Award 2011 in the REITs category	SIAS Investors' Choice Award 2011

**A-REIT'S AWARDS AND ACHIEVEMENTS (continued)**

Date of Award	Award	Organising committee / Awarded by
Jul 2011	Mr Tan Ser Ping was awarded the Best CEO for Property Sector	Institutional Investor 2011 All-Asia Executive Team survey
	Winner of bronze award for Best Annual Report in the REITs and Business Trusts category	Singapore Corporate Award
Apr 2011	5 Changi Business Park Crescent was awarded the Green Mark Certification (Gold)	Building and Construction Authority
Jan 2011	Ranked 8th for Singapore's Best Managed Companies	FinanceAsia's 2011 annual poll of Asia's best managed companies
	Ranked 7th for Singapore's Best Corporate Governance	
Oct 2010	Runner-up of the Most Transparent Company Award 2010 in the REITs category	SIAS Investors' Choice Award 2010
Jul 2010	Winner of the Asia Pacific Logistics Park Developer of the Year	Frost and Sullivan 2010
May 2010	3 Changi Business Park Crescent was awarded winner in the Best Green Building (Built) category	2010 Cityscape Asia Real Estate Awards
Apr 2010	Ranked 8th for Singapore's Best Managed Companies	FinanceAsia's 2010 annual poll of Asia's best managed companies
	Ranked 11th for Singapore's Best Corporate Governance	
Feb 2010	Ranked 1st for Best for Responsibilities of Management and the Board of Directors in Singapore	AsiaMoney Corporate Governance Poll 2009
	Ranked 3rd for Overall Best Company for Corporate Governance in Singapore	
Oct 2009	Winner of the Most Transparent Company Award 2009 in the REITs category	SIAS' Investors' Choice Award 2009
Apr 2009	3 Changi Business Park Crescent was awarded the Green Mark Certification (Platinum)	Building and Construction Authority
Oct 2008	Winner of the Most Transparent Company Award 2008 in the REITs category	SIAS Investors' Choice Awards 2008
Oct 2007	Runner-up of the Most Transparent Company Award 2007 in the REITs category	SIAS Investors' Choice Awards 2007
Oct 2005	Runner-up of the Most Transparent Company Award 2005 in the REITs category	SIAS Investors' Choice Awards 2005
Oct 2004	Runner-up of the Most Transparent Company Award 2004 in the REITs category	SIAS Investors' Choice Awards 2004
Jan 2003	Ascendas-MGM Funds Management was the Winner of the Best Structure Equity Deal	Asset Asian Awards 2003

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Healthy Lifestyle Week, an annual event organised by Ascendas and A-REIT, aims at promoting a healthy lifestyle for their tenants.

## CHAPTER 7

# MORE THAN JUST A PROPERTY TRUST

As A-REIT's manager, AFM understands that building a sustainable business means focusing on more than just the bottom line. It includes focusing on its people, the community, where the business operates in, the institutionalising of best business practises, as well as contributing to a healthy ecosystem and environment.

### People: The Building Blocks For Success

While good business acumen and a focused business strategy have helped propel A-REIT to where it is today, the successes of both the manager, AFM, and the REIT have been the result of the efforts of capable staff.

A-REIT's sponsor, Ascendas, has led by example with its outstanding business excellence. It has been awarded the Singapore Quality Class (SQC), a certification handed out to companies that have achieved high standards in business management. Awarded by SPRING Singapore (Standards, Productivity and Innovation Board), the SQC is based on a holistic and internationally-benchmarked business excellence framework. The group has also received certification as a People Developer organisation, in recognition of its investment and commitment to staff programmes dedicated to learning and development. The People Developer standard is a national certification for human resource development and is administered by SPRING Singapore.

Since the A-REIT's IPO in 2002, AFM has been taking an active approach toward developing the very people that constitute and drive A-REIT forward. Even now, management programmes are conducted to nurture skilled employees to

grow in tandem with A-REIT. Staff are encouraged to take on training opportunities and are required to attend at least two courses annually – one developmental and one functional.

Developmental courses enable employees to expand on competencies that can be applied beyond their professional responsibilities in the workplace. These courses are aimed at improving the personal and leadership effectiveness of employees through skills like negotiation, writing and problem-solving. Functional courses, on the other hand, serve to develop the expertise specific to each employee's profession. These skills can include facility management, finance and accounting updates and information technology management.

### Developing And Growing A Sustainable Tomorrow Through Corporate Social Responsibility

While achieving business excellence and delivering increasing value to unitholders have been the cornerstones to A-REIT's strategy over the last decade, efforts have also been made to share A-REIT's success with its stakeholders and the wider community.

Throughout the years, AFM has consistently made responsible choices, ensuring that A-REIT's activities result in positive impacts on its consumers, employees, communities and the general public. It develops buildings that are sustainable, not just in the way they are designed, but also in how these properties interact and impact the environment and the larger community.

Several of A-REIT's assets, including 1, 3 and 5 Changi Business Park Crescent and FoodAxis @ Senoko, have received Green Mark Certifications from Singapore's Building and Construction Authority (BCA). The BCA Green Mark Scheme is an initiative to encourage the development of more environmentally-friendly buildings and promote sustainability in Singapore's built-up environment while raising environmental awareness among developers, designers and builders. The certification also incorporates internationally-recognised best practices in environment design and performance.

A-REIT's build-to-suit project for Citibank N.A. at 3 Changi Business Park

Crescent was also recognised by the BCA in 2009 when it was awarded the Green Mark Certification (Platinum) – the highest environmental sustainability accolade in Singapore. The REIT's 1, 3 and 5 Changi Business Park Crescent development also clinched the top prize in the industrial category for the International Real Estate Federation (FIABCI) Singapore Property Awards in 2011. This award recognises the excellent design, aesthetics, functionality and contribution of industrial buildings to the built environment and community. The same project also came in as a runner-up for the FIABCI Prix d'Excellence Awards in 2012.

### NURTURING A SUSTAINABLE ENVIRONMENT

Through its manager's efforts, A-REIT has embarked on new opportunities and methods to reduce energy consumption by improving its operations and the design of facilities. Regular audits are carried out on properties within A-REIT's portfolio to identify opportunities to improve energy efficiency. As of 2012, enhancements have been carried out on the air-conditioning systems in seven of A-REIT's buildings, reducing carbon emissions by 3,310 tons per year.

In partnership with the Ascendas Group, A-REIT also organises an annual Green Month event, aimed at educating and promoting environmental awareness as part of daily life. This is carried out through the redesign of existing business practices, by redefining the way staff, management and tenants work, live and play.

The month-long campaign involves activities that engage A-REIT's tenants to adopt earth-friendly practices. These events include lunchtime talks and roadshows carried out at various Ascendas business space facilities across Singapore.

### HEALTH AND GOODWILL FOR THE COMMUNITY

AFM has also been focusing on promoting a healthy lifestyle among its employees and tenants. It has done so through the years via initiatives like the annual Healthy Lifestyle Week, which comprises a series of activities like sports seminars, bazaars and competitive games.



1, 3 and 5 Changi Business Park Central are recipients of the Green Mark Certification.

Fitness Network, a gym at the Singapore Science Park, is another example of A-REIT's emphasis on workplace health. It serves as an outlet for tenants of Ascendas and A-REIT's properties to cultivate and sustain a healthy lifestyle for themselves.

#### FOR THE LESS PRIVILEGED IN THE COMMUNITY

Numerous outreach efforts have been conducted by both Ascendas and AFM, with a focus on giving back to the communities they operate in, as well as supporting the less fortunate.

During Ascendas' annual Dinner and Dance in 2011, the staff raised a sum of S\$57,000 for the Movement for the Intellectually Disabled of Singapore. In



Members of the Science park community warming up before taking part in the annual road relay, "Run for Your Life", organised by Ascendas. Left to right: former president and CEO of Ascendas Ms Chong Siak Ching, former Director for Reuters Asia Mr Phil Beagent (No.24-2), former CEO of Sensfab Mr K. Sooriakumar (in blue) and former president of Artemis International Mr Johnny Tan (No.11-2).

addition, Ascendas sponsored a charity event organised by a non-profit organisation by committing S\$20,000 to help fund the education of underprivileged students in the Philippines.

To mark the 10th anniversary of A-REIT in 2012, AFM donated S\$100,000 to the Straits Times School Pocket Money Fund (SPMF). SPMF is an initiative by The Straits Times – a Singapore broadsheet publication – that seeks to alleviate the financial strain faced by parents from low income families in providing for their children's education. To further extend a helping hand, AFM also made consistent contributions to the Singapore Children's Society's "1000 Enterprises for Children-in-Need" fund-raising initiative. This project hopes to encourage 1000 small, medium and large enterprises to donate S\$1,000 or more each year to the Society.

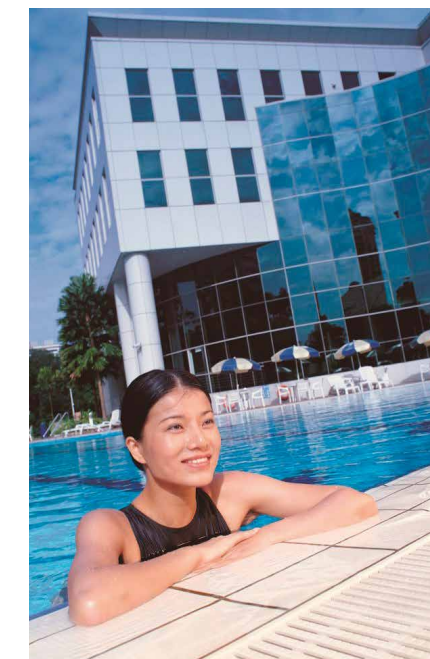
As an avid supporter of education that is passionate in developing the next generation of leaders for Singapore and the region, AFM recently established two bursary awards for the Singapore Management University (SMU) and the Nanyang Technological University (NTU) in 2013. A sum of S\$500,000 was contributed to SMU while another S\$250,000 was contributed to the Nanyang Business School at NTU. The bursaries aim to motivate outstanding undergraduates with financial needs to achieve academic excellence.

#### Ascendas GIVES Foundation

The Ascendas Group together with its associated entities, have set up a non-profit charity called the Ascendas GIVES Foundation (AGF). Established in 2012, the foundation aims to cultivate and spread the spirit of caring and sharing throughout the communities Ascendas operates in. This is done by giving the people the space to develop and excel through programmes that reach out to the arts, the community and the environment at large.

#### THE ARTS

As an ardent supporter of the arts, AGF has been actively contributing to the expansion and progression of local arts groups in Singapore and within the



Fitness Network, a gym with a pool at Singapore Science Park 1.

region. This dedication has driven AGF to develop programmes that 1) aim to nurture individuals and groups that possess artistic inclinations, and 2) increase audience interest in the arts. AGF has extended much support to emerging artists by creating spaces, environments and programmes that are inspiring, and by establishing the Ascendas Art Gallery. This gallery houses art collections of Ascendas, which showcase the various works of artists, both locally and abroad.

#### THE COMMUNITY

AGF's active involvement across Asia is part of its efforts to improve the quality of life for less-fortunate individuals, in particular, youths in need. Ascendas has done so through several approaches, including organising large scale activities involving employees and their families in worthy causes and handing out bursaries to underprivileged children. More recently, it has built a new annex for Children's Aid Society (Melrose Home). The foundation also helps the less fortunate by contributing to welfare organisations and disaster relief programmes such as the Asian Tsunami Relief Fund and the Sichuan Earthquake Relief Fund.

#### THE ENVIRONMENT

As an active advocate in promoting environmental sustainability, AGF has supported initiatives focused on conservation efforts of Singapore's biodiversity and the natural environment. By organising community-wide events, Ascendas has engaged over 2,000 tenant participants annually. It continues its pursuit to engage and encourage more participants to "Go Green".



Participants of the Ascendas GIVES Foundation showing their care for the environment and community by engaging in a litter-picking event.



*A-REIT City@Jinqiao, a business park property in Jinqiao, Shanghai, that was acquired by A-REIT in July 2013.*

## CHAPTER 8

# LOOKING AHEAD

The S-REIT sector has sprinted past its 10-year mark. By now, investors have come to view S-REITs as resilient and yield-accretive investments. What has made S-REITs popular among investors is their ability to generate stable distribution yields while providing trading liquidity relative to direct real estate investment <sup>1</sup>.

In 2012, S-REITs offered an average distribution yield of 6.6 per cent, higher than the rates offered by direct property (less than 4.0 per cent), the Central Provident Fund (2.5 to 4.0 per cent) and government bonds (1.6 per cent).

S-REITs have operated in both bull and bear markets while delivering steady dividends and unit price increases <sup>2</sup>. Towards the end of 2012, APREA released a report that unveiled the S-REIT sector as having one of the highest average yields at 6.39 per cent, when compared with REIT sectors of other developed Asian markets. It performed better than Japan's REIT sector, which registered 5.9 per cent, and Hong Kong's, which came in at 5.16 per cent. S-REITs' returns also prevailed over other mature REIT markets like those in Australia (4.38 per cent) and the US (3.4 per cent) <sup>3</sup>. APREA's report also showed that S-REITs had outperformed stocks and provided better risk-adjusted returns compared to other stocks and real estate companies listed on the SGX-ST.

Regulations across the various Asian REIT markets vary dramatically. For example, while S-REITs are allowed to develop projects of up to 10 per cent of their deposited property, others like Japan's and Taiwan's are prohibited from doing so. Gearing limits for REITs also fluctuate across the different markets.

The gearing limits for S-REITs is at 35 per cent of a REIT's total assets, but it can be exceeded if the REIT discloses a credit rating from a major rating agency. Taiwan REITs can gear up to 50 per cent of their total assets, Hong Kong REITs are restricted to a gearing of 45 per cent, while Thailand REITs have to stick to a limit of just 10 per cent of net assets, to be used for operating purposes.

Market experts claimed that two main factors have given S-REITs an edge over its regional counterparts. Firstly, the capitalisation rates for real estate assets in Singapore were higher than in markets like Japan and Hong Kong. This enabled REITs in Singapore to offer higher DPU yields without having to trade at a price-to-book discount. Secondly, Singapore's low interest rate environment meant that S-REITs were able to maintain low borrowing costs <sup>4</sup>.

Similarly, A-REIT has enjoyed the fruits of its labour. The trust started-off planting its roots in Singapore, and has since grown a portfolio of business space and industrial properties island-wide. Over the years, as investors and companies broadened their investment and business outlooks, A-REIT refined its strategies and boosted its portfolio to cater to the real estate requirements of its customers.

Leveraging on the solid reputation built up by the Ascendas Group across the region, AFM paved the way for A-REIT to establish itself as a one-stop provider for its customers, servicing their real estate needs as companies embark on regional expansions.

As at 31 December 2012, Singapore had over 20 REITs with a market capitalisation of more than S\$46 billion. Together, these REITs cut across a diverse range of real estate sectors, geographies and currencies.

As it matures, the S-REIT sector will continue to face challenges, including significant developments in foreign markets. Fledgling REIT markets in Malaysia, Korea and Taiwan are expected to undergo improvements in their regulatory frameworks to encourage growth in the respective markets. On top of that, the Philippines and India also have plans in place to introduce more robust REIT frameworks in the next few years <sup>5</sup>.

As the S-REIT sector becomes more dynamic, the state of the industry's corporate governance framework will also increasingly become an area of concern

for unitholders and potential investors. In May 2012, MAS had already made some significant changes to the corporate governance framework to address some of the outstanding concerns.

Given today's yield-hungry environment, the S-REIT sector remains attractive to investors. Investors' interest in the S-REIT sector will continue to grow. As REIT managers, the challenge remains for us to continue to deliver the best value to our customers, as well as to our investors. To do so, we will have to ensure that our existing customers will stay with us while prospective clients will find our properties attractive. More importantly, we must continue to manage our capital prudently to deliver consistent distribution to our investors. In this regard, A-REIT's ability to adapt to the changing environment and its focused approach to business will enable the REIT to stand firm and overcome the obstacles that may lie ahead, delivering and hopefully exceeding our customers' and investors' expectations.

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## TIMELINE: DEVELOPMENT OF S-REITS

<b>1998</b>	<b>2003</b>	<b>MARCH</b> A-REIT's portfolio as at 31 March 2004 comprises of 16 properties, with AUM of S\$1.02 billion.	<b>JUNE</b> MAS proposes that REITs be permitted to own parts of properties, as well as develop properties that they intend to hold after completion for up to 10 per cent of deposited properties.
<b>AUGUST</b> MAS gives the thumbs-up to the introduction of REITs, as a way to broaden the range of investment instruments available in Singapore's capital market.	<b>JANUARY</b> A-REIT's manager, AFM, wins the Best Structure Equity Deal in the Asset Asian Awards 2003.	<b>APRIL</b> Mr Tan Ser Ping is appointed new chief executive of AFM.	<b>JULY</b> Listing of Mapletree Logistics Trust.
<b>1999</b>	<b>MARCH</b> MAS raises the borrowing limit of REITs from 25 per cent to 35 per cent of the funds' total holdings. The change is aimed at giving property funds more flexibility in managing their capital structure and enhancing risk disclosure in such funds.	<b>MAY</b> Listing of CapitaCommercial Trust, Singapore's first office REIT.	<b>SEPTEMBER</b> Listing of Prime REIT. Days later, it is renamed Macquarie Prime REIT after Macquarie Bank took a 50 per cent stake in the trust's manager and property manager.
<b>MAY</b> MAS issues formal guidelines on the listing of REITs.	<b>A-REIT's asset portfolio as at 31 March 2003 is made up of 8 properties, with AUM of S\$636.4 million.</b>	<b>JULY</b> A-REIT establishes a S\$1 billion multi-currency secured Medium Term Note Programme with an initial issuance of S\$300 million.	
<b>2001</b>	<b>OCTOBER</b> A retail REIT launches its IPO, only to cancel it one month later, citing poor market conditions and insufficient investor demand.	<b>OCTOBER</b> A-REIT comes in as runner-up for the Most Transparent Company Award 2004 in the REITs category at the SIAS Investors' Choice Awards.	<b>OCTOBER</b> MAS releases a revised set of guidelines. Some of the changes, which had terms and conditions attached, includes:  - raising the borrowing limit for REITs from 35 to 60 per cent of their property assets. This is valid only if the REIT obtains and discloses a credit rating from a major rating agency.  - prescribing a 50 per cent voting threshold for unitholders to remove a REIT manager.  - making it a requirement for all REITs to obtain two independent valuations of properties before they transact with interested parties.  - boosting the entrance criteria for REIT managers.
<b>DECEMBER</b> Ascendas announces plans to launch a property trust.	<b>APRIL</b> The SARS epidemic dampens investors' sentiment in Singapore.	<b>NOVEMBER</b> A-REIT issues another 258 million units to raise S\$400 million.	
<b>2002</b>	<b>MAY</b> A-REIT's has its first sale-and-leaseback transaction. Healthy lifestyle products maker, OSIM International, agrees to sell and lease back its headquarters to A-REIT for S\$35 million. Based on the arrangement, the property is expected to give A-REIT a yield of 8.7 per cent in the first year, after factoring in acquisition costs.	<b>DECEMBER</b> Listing of Suntec REIT.	
<b>JULY</b> CapitaMall Trust makes its trading debut. It is the first REIT listing in Singapore.	<b>AUGUST</b> Listing of Fortune REIT, Singapore's first offshore REIT.	<b>2005</b>	
<b>NOVEMBER</b> A-REIT launches its S\$240 million IPO with an asset portfolio of eight properties worth about S\$600 million. Units were initially offered at 88 cents but ended the trading day at 92.5 cents – about 5 per cent above the issue price.	<b>2004</b>	<b>MARCH</b> A-REIT's asset portfolio as at 31 March 2005 is made up of 36 properties, with AUM of S\$2.11 billion.	<b>A-REIT comes in as runner-up for the Most Transparent Company Award 2004 in the REITs category at the SIAS Investors' Choice Awards.</b>
	<b>JANUARY</b> A-REIT issues 160.5 million new shares to raise S\$171.7 million to partially fund five new acquisitions.		

<b>2006</b>	<b>SEPTEMBER</b> A-REIT announces plans to construct a build-to-suit development at Changi Business Park for S\$28.6 million.	<b>JUNE</b> A-REIT holds its first annual general meeting.  MAS releases a rule change that will include REITs under the Singapore Code on Takeovers and Mergers. Earlier changes to the Takeovers and Mergers code, which applies to a takeover or merger situation for deals of a certain size, were made in March after getting industry feedback in 2006.	<b>NOVEMBER</b> Listing of Lippo-Mapletree Indonesia Retail Trust.  Listing of Saizen REIT.
<b>JANUARY</b> A-REIT embarks on its first property development project with the S\$128 million construction of two warehouse retail facilities for Cold Storage Singapore for its operations under the Giant brand, and Courts. This is a first for a S-REIT.	<b>DECEMBER</b> Listing of CapitaRetail China Trust.  Listing of First REIT, Singapore's first healthcare REIT.	<b>2007</b>	<b>2008</b>
<b>MARCH</b> Listing of Allco Commercial REIT, now known as Frasers Commercial Trust.  Listing of Ascott Residence Trust.	<b>FEBRUARY</b> A-REIT announces private placement of 40.3 million new units to fund new acquisitions and undertake property development activities to develop suitable properties.	<b>2007</b>	<b>MARCH</b> Goodman sells its 40 per cent stake in Ascendas-MGM Funds Management Limited, and its 6.3 per cent stake in A-REIT to Ascendas Group.  Effects of global financial crisis begin to seep into the market.
<b>APRIL</b> Listing of K-REIT Asia, now known as Keppel REIT.	<b>MARCH</b> MAS proposes changes requiring all professional employees of REIT managers to hold a Capital Markets Services representative's licence. A new module is also added to the Capital Markets and Financial Advisory Services Examination. Employees of existing REIT have to undergo a non-examinable course covering the same topics.  A-REIT's asset portfolio as at 31 March 2007 is made up of 77 properties, with AUM of S\$3.31 billion.	<b>AUGUST</b> Listing of Ascendas India Trust.  Listing of Parkway Life REIT.	<b>A-REIT's asset portfolio as at 31 March 2008 is made up of 84 properties, with AUM of S\$4.21 billion.</b>
<b>JUNE</b> The listing of the Cambridge Industrial Trust is postponed due to poor investor response amid volatile market.	<b>APRIL</b> Listing of MacarthurCook Industrial REIT.	<b>SEPTEMBER</b> MAS revises guidelines with four major changes including:  - making disclosure requirements stricter, essentially compelling REIT managers to be more transparent about the financial arrangements they use to enhance short-term yields.  - barring REITs from issuing discounts of at least 75 per cent of their assets in income-producing real estate.  - amending the Securities and Futures Act to include REIT management as a regulated activity.	<b>APRIL</b> Mr David Wong is appointed Chairman of AFM.  AFM's Board and Audit Committee is reconstituted following Goodman Group's divestment of its interest in AFM.
<b>JULY</b> Listing of Frasers Centrepoint Trust.  Listing of Cambridge Industrial Trust.  Listing of CDL Hospitality Trusts, a stapled security comprising of CDL Hospitality REIT – Singapore's first hospitality-focused REIT – and CDL Hospitality Business Trust.		<b>OCTOBER</b> A-REIT is runner-up for the Most Transparent Company Award 2007 in the REITs category at the SIAS Investors' Choice Awards.	<b>JULY</b> Allco Commercial REIT is renamed Frasers Commercial Trust after Frasers Centrepoint bought 18 per cent of Allco Commercial REIT and all of its manager, Allco Singapore.

<p><b>OCTOBER</b></p> <p>A-REIT comes in as winner for the Most Transparent Company Award 2008 in the REITs category at the SIAS Investors' Choice Awards.</p> <p>Malaysian YTL Corporation acquires Macquarie Group's 26 per cent stake in Macquarie MEAG Prime REIT and a 50 per cent stake in the holding company for the REIT manager and the REIT's property manager. It is subsequently rebranded Starhill Global REIT.</p>	<p><b>MARCH</b></p> <p>A-REIT's asset portfolio as at 31 March 2009 is made up of 89 properties, with AUM of S\$4.55 billion.</p> <p><b>APRIL</b></p> <p>A-REIT's development project, a business park property at 3 Changi Business Park Crescent, is awarded the Singapore Building and Construction Authority (BCA)'s Green Mark Certification (Platinum) – the highest accolade in Singapore for environmental sustainability.</p>	<p><b>2010</b></p> <p><b>FEBRUARY</b></p> <p>In the 7th Annual AsiaMoney Corporate Governance Poll, A-REIT is ranked:</p> <ul style="list-style-type: none"> <li>- first for Best for Responsibilities of Management and the Board of Directors in Singapore in the 7th Annual AsiaMoney Corporate Governance Poll.</li> <li>- third for Overall Best Company in Singapore for Corporate Governance.</li> </ul>	<p><b>MAY</b></p> <p>A-REIT's property – 3 Changi Business Park Crescent – is awarded Winner in the Best Green Building (Built) category at the 2010 Cityscape Asia Real Estate Awards.</p>
<p><b>2009</b></p> <p><b>JANUARY</b></p> <p>MAS gives REIT managers more breathing space on borrowing limits and clarified how downward revaluations of properties should be treated. REITs have no need to worry if their leverage has increased because of downward revaluation of properties.</p>	<p><b>AUGUST</b></p> <p>A-REIT issues 185 million new units at S\$1.63 per unit to raise gross proceeds of about S\$301.6 million.</p> <p><b>OCTOBER</b></p> <p>A-REIT comes in as winner for the Most Transparent Company Award 2009 in the REITs category at the SIAS Investors' Choice Awards.</p>	<p><b>MARCH</b></p> <p>A-REIT introduces exchangeable collateralised securities. This is a first for an equity-linked fund-raising to incorporate elements of Commercial Mortgage-Backed Securities. Its successful execution presented a new alternative for a sector that had struggled to raise cost-effective funding following the collapse of the securitisation market.</p> <p>A-REIT's asset portfolio as at 31 March 2010 is made up of 93 properties, with AUM of S\$4.85 billion.</p>	<p><b>JULY</b></p> <p>A-REIT is the winner of the Asia Pacific Logistics Park Developer of the Year.</p> <p><b>OCTOBER</b></p> <p>A-REIT clinches the runner-up title for the Most Transparent Company Award 2010 in the REITs Category at the SIAS Investors' Choice Awards .</p> <p>Listing of Mapletree Industrial Trust.</p> <p><b>NOVEMBER</b></p> <p>A-REIT announces plans to go regional with the setting up of a representative office in China.</p> <p>Listing of Sabana Shari'ah Compliant REIT, Singapore's first certified Shari'ah compliant REIT.</p>
<p>A-REIT launches a private placement of 258 million new units at S\$1.16 per unit to raise approximately S\$300 million and a 1-for-15 preferential offering to raise approximately S\$108 million. The net proceeds from the equity fundraising exercise are then used to fund committed development projects and reduce borrowings.</p>	<p><b>NOVEMBER</b></p> <p>In a bid to enhance corporate governance and make managers more accountable, MAS announces its requirement for all REITs to hold annual general meetings with effect from 1 January 2010.</p> <p>MAS ruling bars Cambridge Industrial Trust's manager from taking on MacarthurCook Industrial REIT's assets. After a take over by AIMS AMP, the REIT is subsequently rebranded AIMS AMP Capital Industrial REIT.</p>	<p><b>APRIL</b></p> <p>Listing of Cache Logistics Trust.</p> <p>A-REIT is voted Singapore's 8th Best Managed Company and 11th Best Corporate Governance in FinanceAsia's 2010 annual poll of Asia's best managed companies.</p>	<p><b>2011</b></p> <p><b>JANUARY</b></p> <p>A-REIT is ranked seventh for Singapore's Best Corporate Governance and 8th for Singapore's Best Managed Companies in FinanceAsia's 2011 annual poll of Asia's best managed companies.</p>
<p><b>FEBRUARY</b></p> <p>MAS makes changes affecting the control of REIT managers. These revised rules fall under the capital market services licencing framework for REITs.</p>			<p><b>FEBRUARY</b></p> <p>A-REIT makes its first investment in China by acquiring a S\$117.6 million business park property through the purchase of Shanghai (JQ) Investment Holdings.</p>

<p><b>MARCH</b></p> <p>A-REIT's asset portfolio as at 31 March 2011 is made up of 93 properties, with AUM of S\$5.42 billion.</p>	<p><b>OCTOBER</b></p> <p>A-REIT wins the FIABCI Singapore Award in the industrial category for the development of 1, 3 &amp; 5 Changi Business Park Crescent.</p>	<p><b>MARCH</b></p> <p>A-REIT's asset portfolio as at 31 March 2013 is made up of 103 properties, with AUM of S\$6.8 billion.</p>	
<p><b>APRIL</b></p> <p>Listing of Mapletree Commercial Trust.</p> <p>A-REIT's property, 5 Changi Business Park Crescent, is awarded the BCA Green Mark (Gold) Certification.</p>	<p>A-REIT is the winner for 2011 APREA Best Practices Award in the Mature Markets: Market Disclosure category.</p> <p>A-REIT is the winner of Most Transparent Company Award 2011 in the REITs category at the SIAS Investors' Choice Award.</p>	<p><b>MAY</b></p> <p>Ascendas Hospitality Trust (a-hTrust) postpones listing due to challenging market conditions.</p> <p>FoodAxis @ Senoko is awarded the BCA Green Mark (Gold) Certification.</p> <p>A-REIT comes in as runner-up for FIABCI PRIX d'Excellence Awards 2012 for the development of 1, 3 &amp; 5 Changi Business Park Crescent awarded by FIABCI.</p>	
<p><b>JUNE</b></p> <p>A-REIT is awarded business park site at Fusionopolis for S\$110 million.</p> <p>Listing of Perennial China Retail Trust.</p>	<p><b>NOVEMBER</b></p> <p>A-REIT is the winner of the Silver Award in Design Excellence for its FY10/11 Annual Report, awarded by the International Davey Awards 2011.</p>	<p><b>JULY</b></p> <p>Listing of a-hTrust. Its trading debut comes after the reduction of the size of its IPO.</p>	
<p><b>JULY</b></p> <p>Mr Tan Ser Ping, CEO of AFM, is voted Asia Pacific Best CEO for Property Sector in the Institutional Investor 2011 All-Asia Executive Team survey.</p> <p>A-REIT is awarded the bronze award for Best Annual Report FY10/11 in the REITs &amp; Business Trusts category at the Singapore Corporate Awards.</p> <p>Mr David Wong retires as Chairman of AFM. Mr Koh Soo Keong, an independent director, takes over this role.</p>	<p><b>DECEMBER</b></p> <p>A-REIT receives a Certificate of Excellence in Investor Relations, awarded by IR Magazine Awards 2011.</p> <p>A-REIT spends S\$946.4 million on new investments for the whole year, including buying income-producing properties and work to improve existing sites. The purchases included its first business park in Beijing.</p> <p>In 2011, 17 out of 22 S-REITs outperform the Straits Times Index which declined 17 per cent.</p>	<p><b>AUGUST</b></p> <p>Listing of Far East Hospitality Trust.</p>	
<p><b>SEPTEMBER</b></p> <p>Lippo-Mapletree Indonesia Retail Trust is renamed to Lippo Malls Indonesia Retail Trust after Mapletree divested its stake in the REIT.</p>	<p><b>2012</b></p> <p><b>JANUARY</b></p> <p>A-REIT is named one of the Top 100 Singapore Brands by Brand Finance 2012.</p>	<p><b>OCTOBER</b></p> <p>Dynasty REIT, set to be Singapore's first yuan-denominated REIT, postpones its IPO indefinitely, citing changes in market sentiment.</p>	
		<p><b>2013</b></p> <p><b>MAY</b></p> <p>A-REIT is named one of the Top 100 Singapore Brands by Brand Finance 2013.</p> <p>Nexus @ one-north and Unilever Four Acres Singapore are both awarded the BCA Green Mark (Platinum) Certification.</p>	

## ABBREVIATIONS

a-hTrust	Ascendas Hospitality Trust
A-REIT	Ascendas REIT
AFM	Ascendas Funds Management (S) Limited
AGF	Ascendas GIVES Foundation
APREA	Asia Pacific Real Estate Association
AUM	assets under management
BCA	Building and Construction Authority
CEO	chief executive officer
CIT	Cambridge Industrial Trust
CMT	CapitaMall Trust
DPU	distribution per unit
FIABCI	International Real Estate Federation
IPO	initial public offering
MAS	Monetary Authority of Singapore
MGCCT	Mapletree Greater China Commercial Trust
MI-REIT	MacarthurCook Industrial Trust
MIT	Mapletree Industrial Trust
MLREIT	M&L Hospitality Trust
NLA	net lettable area
R&D	research and development
REIT	REIT
S-REIT	Singapore REIT
SARS	Severe Acute Respiratory Syndrome
SGX-ST	Singapore Exchange Securities Trading Limited
SIAS	Securities Investors Association Singapore
SPMF	Straits Times School Pocket Money Fund
SQC	Singapore Quality Class
US	United States

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### Symbols

10 Toh Guan Road 36, 47

### A

AFM see Ascendas Funds Management (S) Limited

AGF see Ascendas GIVES Foundation

AIMS AMP Capital Industrial REIT 8, 49, 58

APREA (Asia Pacific Real Estate Association) 61, 62, 75

Arcasia Land 16

A-REIT see Ascendas real estate investment trust

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