Press Release
25 April 2017

Ascendas Reit's Total Amount Available for Distribution for FY16/17 grew 18.0% y-o-y to S$446.3 million

Highlights:

1. FY16/17 Distribution per Unit (DPU) grew by 2.5% year-on-year (y-o-y) to 15.743 cents mainly attributable to contributions from new acquisitions made in the second half of FY15/16 and in FY16/17.

2. 4Q FY16/17 DPU rose 13.0% y-o-y to 3.852 cents, underpinned by higher net property income from new acquisitions and active cost management.

3. Operating performance improved: portfolio occupancy improved to 90.2% from 87.6% a year ago, and rental reversion of +3.1% was achieved.

Summary of Ascendas Reit's Group Results (For the financial year ended 31 March)

	FY16/17	FY15/16	Variance
Number of Properties[1]	131	133	
Gross revenue (S$ million)	830.6	761.0	9.1%
Net property income (S$ million)	611.0	533.7	14.5%
Total amount available for distribution (S$ million)	446.3	378.3	18.0%
DPU after performance fees			
DPU for the financial year (cents)[2]	15.743	15.357	2.5%
DPU for the 4th quarter (cents)[3]	3.852[4]	3.410[5]	13.0%

Notes:
(1) As at 31 March 2017, Ascendas Reit has 103 properties in Singapore and 28 properties in Australia.
(2) Includes performance fee of S$1.9 million and S$17.4 million in FY16/17 and FY15/16 respectively
(3) Includes performance fee of S$1.9 million and S$9.0 million in 4Q FY16/17 and 4Q FY15/16 respectively.
(4) Includes taxable, tax exempt and capital distributions of 3.576 cents, 0.053 cents and 0.223 cents respectively.
(5) Includes taxable, tax exempt and capital distributions of 3.247 cents, 0.146 cents and 0.017 cents respectively.

25 April 2017, Singapore – The Board of Directors of Ascendas Funds Management (S) Limited (the Manager), the Manager of Ascendas Real Estate Investment Trust (Ascendas Reit), is pleased to report that for FY16/17, net property income rose by 14.5% y-o-y to S$611.0 million.

This was mainly attributable to higher gross revenue from the acquisitions in the second half of FY15/16, comprising the portfolio of Australian logistics properties and ONE@Changi City, as well as the new acquisitions in FY16/17, comprising 197-201 Coward Street in Sydney, Australia, and 12, 14 & 16 Science Park Drive (DNV/DSO). This was partially offset by the loss of income from the divestments of three properties in China and Four Acres Singapore.

Property operating expenses declined by 3.4% y-o-y. This was mainly due to lower utilities expenses and a one-off property tax refund.

FY16/17 DPU (after performance fees[1]) rose by 2.5% y-o-y to 15.743 cents despite the increase in number of Units in issue.

4Q FY16/17 DPU also grew 13.0% y-o-y to 3.852 cents, underpinned by higher net property income from new acquisitions and active cost management.

Mr Chia Nam Toon, Chief Executive Officer and Executive Director of the Manager said, "Our disciplined investment strategy and proactive asset management allowed for a more resilient performance and stable distributions to unitholders.

We continue to face some headwinds moving forward such as the bumper new supply of Singapore industrial properties, and uncertainties surrounding the global economic outlook. To counteract, the Australia portfolio was expanded further. Simultaneously, asset enhancements and cost reduction initiatives were undertaken. We also took the opportunity to recycle capital into more yield accretive investment assets through the divestment of our China properties. Ascendas Reit's total asset size has grown to $10.2 billion."

Value-adding Investments

During the year, the Manager acquired S$565.6 million worth of properties in Singapore and Australia. This comprises DNV/DSO, another high quality investment property in Singapore

[1] Under the Trust Deed, the Manager is entitled to a performance fee at the rate of 0.1% or 0.2% per annum of the deposited property provided that the DPU for the financial year (calculated before performance fees) exceeds the DPU in the preceding financial year by at least 2.5% but less than 5.0%; or by at least 5.0%, respectively. The Manager will waive such amount of performance fee payable such that any increase in DPU (which is calculated before accounting for performance fees) would not result in Unitholders receiving less DPU than the threshold percentage as a result of the payment of the performance fee.

Science Park 1, and Ascendas Reit's first business park property at 197-201 Coward Street, in Sydney, Australia.

With these acquisitions, the total business and science park segment increased to 39% of Ascendas Reit's portfolio (vs. 34% as at 31 March 2016), further reinforcing its market leadership in this segment.

The acquisition of Stage 4 Power Park Estate in Melbourne, Australia, was completed in April 2017 for S$26.5 million[2] (A$24.8 million). The freehold logistics property is a newly completed development and was 67.8% occupied upon completion. The Manager plans to continue growing its logistics and business park portfolio in Australia.

Asset enhancement projects are undertaken to enhance the returns of Ascendas Reit's existing portfolio. In FY16/17, five asset enhancements projects worth S$35.8 million were completed. As at 31 March 2017, there is one asset enhancement project and two re-development projects worth $114.3 million on-going.

A Well Diversified and Resilient Portfolio

Ascendas Reit has a well-diversified portfolio comprising properties across five industrial sub-segments[3]. The customer base of about 1,390 tenants is spread over 103 properties in Singapore and 28 properties in Australia. Singapore accounts for 86% of Ascendas Reit's portfolio by asset value while Australia makes up the remaining 14%.

No single property accounts for more than 5.4% of Ascendas Reit's monthly gross revenue. The stability of Ascendas Reit's future performance is underpinned by the diversity and depth of its portfolio.

As at 31 March 2017, Ascendas Reit portfolio comprises 24.8% of single-tenant and 75.2% of multi-tenant properties by property value. The portfolio has a weighted average lease expiry of about 4.3 years.

[2] Based on 31 March 2017 exchange rate of S$1.0675 = A$1
[3] The five major industrial sub-segments are business & science park, integrated development, amenities & retail, high-specifications industrial properties/data centres, light industrial properties/flatted factories and logistics & distribution centres.

Overall portfolio occupancy rate remained flat quarter-on-quarter at 90.2% but improved year-on-year from 87.6%.

The Singapore portfolio occupancy improved to 88.6% (as at 31 March 2017) from 88.1% (as at 31 December 2016) mainly due to the acquisition of 12, 14 & 16 Science Park Drive and new take-ups at 40 Penjuru Lane and Pioneer Hub.

In Australia, occupancy declined to 96.3% from 97.5% a quarter ago due to the termination of a short term license space at 494 - 500 Great Western Highway (Sydney).

The Manager is actively marketing the vacant space in the portfolio.

Positive rent reversion[4] of about 3.1% was achieved for renewed leases in multi-tenant buildings during FY16/17 (+3.2% rent reversion was achieved in 4Q FY16/17).

Based on new leases signed during the year, tenants from the transport and storage sector accounted for the largest proportion of new demand (26.2%) by gross income. In 4Q FY16/17, the biomedical sector was the largest contributor to new demand (30.5%) by gross income.

About 16.6% of Ascendas Reit's gross revenue will be due for renewal in FY17/18. Of these expiring leases, 1.0% are from single-tenant buildings and 15.6% are from multi-tenant buildings. The Manager has been proactively working on the renewal of the leases expiring in FY17/18.

Proactive Capital Management

As at 31 March 2017, aggregate leverage stood at 33.8% and weighted average all-in cost of borrowing at 3.00%. About 78.9% of Ascendas Reit's borrowings are on fixed rates for an average term of 3.2 years.

[4] Average gross rents over the lease period of the renewed leases divided by the preceding average gross rents (weighted by area renewed). Takes into account renewed leases that were signed in the respective periods.

The debt maturity profile remains well-spread and weighted average tenure of debt outstanding is 3.3 years.

We continue to enjoy the A3 credit rating by Moody's.

Outlook for FY17/18

Singapore

Uncertainties continue to prevail on the back of heightened geopolitical risks, unknown US foreign and trade policies, the fallout from Brexit, etc. However, there is growing optimism over global economic prospects. Some economists are of the opinion that the general global economy may be turning around.

In Singapore, Ascendas Reit is faced with some headwinds. The Singapore economy is expected to grow at 1.0% to 3.0% in 2017 (source: Ministry of Trade and Industry). Currently, companies continue to place a strong focus on improving efficiency and remain cautious about expansion. With island-wide vacancy for industrial property at 10.5% as at December 2016 (source: JTC), the incoming supply of about 2.4 million sq m of industrial space in 2017 will put further pressure on rental rates and occupancy.

Ongoing stringent subletting policies, i.e. the requirement for an anchor tenant (defined as a company occupying at least 1,000 sq m of gross floor area (GFA)) to occupy at least 70% of GFA for properties sited on JTC land, makes leasing more restrictive and selective. The effect is further exacerbated by shrinking space requirements by existing and new tenants.

The current trend is for the government to sell shorter leases of industrial land i.e. previously with a 60 year tenure to generally a tenure now of 30 years or less. The shorter land leases render the development of investment properties more challenging. This is because developers have a shorter time frame from which to recover the development cost. Against this backdrop, we acquired the property at 12, 14 and 16 Science Park Drive, which sits on a long land lease tenure of 64.2 years, from the Sponsor. This allowed us to stretch our portfolio's weighted average land lease to expiry from 45.7 years to 46.5 years.

Australia

Consensus 2017 GDP growth is forecast to be stable at about 2.5% as the Australian economy continues to make a transition from resources to a broader range of industries (e.g. housing, tourism, agricultural exports and educational services).

According to CBRE, leasing demand for industrial properties is expected to remain healthy in Sydney and Melbourne due to strong population growth and positive retail trade. Well-located facilities in Sydney benefitted from relatively limited supply against strong demand with CBRE forecasting rents to grow at 2% in 2017 for the prime logistics sub-sector.

High-quality investment assets remain attractive to investors on the back of positive property fundamentals. As a result, prime yields may compress further in Sydney and Melbourne due to strong investment appetite. With increasing investment outlay, this may result in potentially lower yields for new acquisitions.

Others

US interest rates are widely expected to rise in the next 12 months although the general view is for a gradual increase. As the SGD interest rate trend is highly correlated to the US, potential increases in USD rates may lead to higher interest expense. This may impact DPU and weigh on potential acquisition opportunities.

Conclusion

The most recent French election result gives hope for a more stable global environment. The general economic outlook should improve towards the 4th quarter of the year. Based on this scenario, we expect our performance for FY17/18 to remain stable.

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About Ascendas Reit (www.ascendas-reit.com**)**

Ascendas Reit is Singapore's first and largest listed business space and industrial real estate investment trust. As at 31 March 2017, total assets amount to about S$10.2 billion. The diversified portfolio of 103 properties in Singapore, comprise business and science park properties, hi-specs industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties. In Australia, Ascendas Reit owns 28 logistics properties and one business park property. These properties house a tenant base of around 1,390 international and local companies from a wide range of industries and activities, including research and development, life sciences, information technology, engineering, light manufacturing, logistics service providers, electronics, telecommunications, manufacturing services and back-room office support in service industries. Major tenants include SingTel, DSO, Citibank, DBS, Wesfarmers, Ceva Logistics, JPMorgan and Biomedical Sciences Institutes, to name a few.

Ascendas Reit is listed in several indices. These include the FTSE Straits Times Index, the Morgan Stanley Capital International, Inc (MSCI) Index, the European Public Real Estate Association/National Association of Real Estate Investment Trusts (EPRA/NAREIT) Global Real Estate Index and Global Property Research (GPR) Asia 250. Ascendas Reit has an issuer rating of "A3" by Moody's Investors Service.

Ascendas Reit is managed by Ascendas Funds Management (S) Limited (in its capacity as manager of Ascendas Reit), a wholly-owned subsidiary of the Singapore-based Ascendas-Singbridge Group. Ascendas REIT Australia and its sub-trusts, are managed by Ascendas Funds Management (Australia) Pty Ltd, which is a wholly-owned subsidiary of Ascendas Funds Management (S) Limited.

About Ascendas-Singbridge Group (www.ascendas-singbridge.com**)**

Ascendas-Singbridge Group is Asia's leading sustainable urban and business space solutions provider. With the combined capabilities of Ascendas and Singbridge, the group is uniquely placed to undertake urbanisation projects spanning townships, mixed-use developments and business/industrial parks. Headquartered in Singapore, Ascendas-Singbridge has projects in 28 cities across 9 countries in Asia, including Australia, China, India, Indonesia, Singapore and South Korea.

Ascendas-Singbridge has a substantial interest in and also manages three Singapore-listed funds under its subsidiary Ascendas. Besides these listed funds – Ascendas Reit, Ascendas India Trust and Ascendas Hospitality Trust, it also manages a series of private real estate funds, which hold commercial and industrial assets across Asia.

Jointly owned by Temasek Holdings and JTC Corporation through a 51:49 partnership, Ascendas-Singbridge is the asset and investment holding arm of the integrated urban solutions platform formed by Temasek and JTC to capitalise on urbanisation trends in the region.

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Important Notice

The value of Ascendas Reit's Units (**"Units"**) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of Ascendas Reit may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of Ascendas Reit is not necessarily indicative of the future performance of Ascendas Reit.

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support Ascendas Reit's future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

Any discrepancies in the figures included herein between the listed amounts and total thereof are due to rounding.