



(Constituted in the Republic of Singapore  
pursuant to a trust deed dated 9 October 2002 (as amended))

## PROPOSED ACQUISITION OF UK LOGISTICS PORTFOLIO

### 1. INTRODUCTION

Ascendas Funds Management (S) Limited, in its capacity as the manager (the **“Manager”**) of Ascendas Real Estate Investment Trust (**“Ascendas Reit”**), has identified a portfolio of 12 logistics properties located in the United Kingdom (the **“Target Portfolio”** or **“Properties”**, and each a **“Property”**), for acquisition by Ascendas Reit (the **“Proposed Acquisition”**).

In connection with the Proposed Acquisition, Ascendas REIT (Europe Sub 1) Ltd. (the **“Purchaser”**), an indirect wholly-owned entity of HSBC Institutional Trust Services (Singapore) Limited, as trustee of Ascendas Reit (the **“Trustee”**), has today entered into a share purchase agreement (the **“Share Purchase Agreement”**) with two third-party vendors, Oxenwood Catalina Midco Limited and Oxenwood Catalina II Midco Limited (together, the **“Vendors”**), being indirect wholly-owned subsidiaries of Oxenwood Real Estate Capital LP and Catalina Oxenwood Investments Ltd., to acquire all the shares in the capital of the 10 companies which own the Target Portfolio (the **“Target Propcos”**, and each a **“Target Propco”**), on the principal terms set out in paragraph 3 below.

For purposes of the Proposed Acquisition, Ascendas REIT (Europe) Pte. Ltd., a direct wholly-owned subsidiary of the Trustee, has been incorporated in Singapore with an issued and paid up capital of S\$1.00 and in turn directly owns 100% of the Purchaser, Ascendas REIT (Europe Sub 1) Ltd., which has been incorporated in Guernsey with an issued and paid-up capital of £1.00.

### 2. INFORMATION ON THE TARGET PORTFOLIO

#### 2.1 The Target Portfolio

The Target Portfolio comprises 12 logistics properties located across the United Kingdom with a gross internal area of approximately 242,633 square metres (**“sq m”**) and are sited on freehold and 999-year leasehold land. The Target Propcos are wholly-owned subsidiaries of the Vendors.

The table below sets out a summary of selected information on the Properties.

| Target Propco                         | Property Address                                                                                                                  | Site Area (sq m) | Gross Internal Area (sq m) | Land Tenure                                                                        |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------|------------------------------------------------------------------------------------|
| OXW Catalina (Logistics) Limited      | Market Garden Road, Stratton Business Park, Biggleswade, Bedfordshire, SG18 8QB, United Kingdom (Biggleswade Property)            | 28,409           | 13,016                     | Freehold                                                                           |
|                                       | Unit 3, Brookfields, Rotherham, Yorkshire, S63 5DL, United Kingdom (the "Rotherham Property")                                     | 34,156           | 18,341                     | Freehold                                                                           |
| OXW Catalina (Logistics II) Limited   | Howdens Facility, Astmoor Industrial Estate, Astmoor Road, Runcorn, WA7 1PQ, United Kingdom (Runcorn Property)                    | 97,084           | 45,043                     | Freehold                                                                           |
| OXW Catalina (Logistics III) Limited  | DHL Unit, Vernon Road, Stoke on Trent, ST4 2TP, United Kingdom (Stoke on Trent Property)                                          | 58,356           | 25,701                     | Freehold                                                                           |
| OXW Catalina (Logistics IV) Limited   | Units 1a, 1b, 2 & 3 Victory Park, Upwell Street, Lower Don Valley, Sheffield, S4 4AL, United Kingdom (Sheffield Property)         | 63,131           | 14,065                     | Freehold                                                                           |
| OXW Catalina (Logistics V) Limited    | DHL, Derby Road, Stretton, Burton-upon-Trent, DE13 0BB, United Kingdom (Burton Property)                                          | 43,382           | 15,994                     | Freehold                                                                           |
| OXW Catalina (Logistics VI) Limited   | Heywood, Transpennine 200, Pilsworth Road, Greater Manchester, OL10 2TL, United Kingdom (Heywood Property)                        | 24,888           | 8,522                      | Freehold                                                                           |
| OXW Catalina (Logistics VII) Limited  | Bibby Distribution Centre, Park Farm Road, Foxhills Industrial Estate, Scunthorpe, DN15 8QP, United Kingdom (Scunthorpe Property) | 46,215           | 23,454                     | Freehold and Leasehold for a term of 999 years from 26 March 1999 to 25 March 2998 |
| OXW Catalina (Logistics VIII) Limited | Unit 1-5 Export Drive, Huthwaite, South Normanton, Nottingham, NG17 6AF, United Kingdom (Sutton Property)                         | 5,140            | 2,785                      | Freehold                                                                           |
|                                       | Main Building, Extrusion Hall, Huthwaite, South Normanton, Nottingham, NG17 6AF, United Kingdom (Synseal Property)                | 92,714           | 47,298                     | Freehold                                                                           |

| Target Propco                       | Property Address                                                                                                          | Site Area (sq m) | Gross Internal Area (sq m) | Land Tenure                                                                 |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------|----------------------------|-----------------------------------------------------------------------------|
| OXW Catalina (Logistics IX) Limited | Units 1-2, Stoke Park Tower Industrial Estate, Chickenhall Lane, Eastleigh, SO50 6RR, United Kingdom (Eastleigh Property) | 15,257           | 7,803                      | Freehold                                                                    |
| OXW Catalina (NPP) Limited          | Interchange Park, Renny Park Road, Newport Pagnell, MK16 9PX, United Kingdom (Newport Pagnell Property)                   | 40,469           | 20,611                     | Leasehold for a term of 999 years from 29 November 2005 to 28 November 3004 |

## 2.2 Purchase Consideration and Valuation

The purchase consideration (the “**Purchase Consideration**”) payable by Ascendas Reit to the Vendors for the Proposed Acquisition is estimated to be £200,025,000, subject to post-completion adjustments. The Purchase Consideration will be determined based on the adjusted net asset value of the Target Propcos as at completion of the Proposed Acquisition (“**Completion**”) which takes into account the agreed value of the Target Portfolio of £207,270,000 (the “**Agreed Portfolio Value**”).

As the tenant of the Rotherham Property is in administration and has vacated the space leased by it, the Vendors have agreed to provide a rental top-up to primarily to make good the shortfall in rent (equivalent to 2 years of the existing tenant’s rent) arising from the vacant space and such amount will be deducted upfront from the Purchase Consideration.

A refundable deposit of £20,727,000 (approximately S\$37.31 million<sup>1</sup>) has been paid by Ascendas Reit today upon entry into the Share Purchase Agreement. The deposit will be refunded if the Share Purchase Agreement is terminated in connection with a default (or deemed default) of the Vendors.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the independent valuation of the Target Portfolio commissioned by Ascendas Reit.

In this respect, the Manager and the Trustee have commissioned Colliers International Valuation UK LLP (“**Colliers**”) to value the Properties. Colliers, in its valuation report dated 21 June 2018 on the Properties (collectively, the “**Valuation Reports**”), stated that the aggregate market value of the Target Portfolio as a whole as at 4 June 2018 is £207,325,000. Colliers has valued the Properties using the comparable and investment valuation method.

The Agreed Portfolio Value of £207,270,000 is at a discount of approximately 0.03% to the independent valuation of the Target Portfolio.

<sup>1</sup> An illustrative exchange rate of £1.00 : S\$1.8003 is used for all conversions from Pound Sterling amounts into Singapore Dollar amounts in this Announcement.

### **3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

#### **3.1 The Share Purchase Agreement**

On 26 July 2018, the Purchaser entered into the Share Purchase Agreement with the Vendors to acquire the Target Propcos.

Warranties customary to a transaction of this nature have been given by the Vendors under the Share Purchase Agreement. Completion is scheduled to be within the third quarter of 2018 or such later date as the Sellers and Buyers may agree.

#### **3.2 Estimated total cost of the Proposed Acquisition**

The estimated total cost of the Proposed Acquisition to Ascendas Reit (the “**Total Acquisition Cost**”) is approximately £205.01 million (approximately S\$369.08 million), comprising:

- 3.2.1** the Purchase Consideration which is estimated to be £200.03 million (approximately S\$360.11 million), subject to post-completion adjustments;
- 3.2.2** the acquisition fee payable to the Manager for the Proposed Acquisition of approximately £2.07 million (approximately S\$3.73 million) (representing 1.0% of the Agreed Portfolio Value), which shall be paid in cash; and
- 3.2.3** the estimated professional fees, insurance premiums, and other fees and expenses incurred by Ascendas Reit in connection with the Proposed Acquisition which amount to approximately £2.91 million (approximately S\$5.24 million).

#### **3.3 Asset Management Services**

In connection with the Proposed Acquisition, Ascendas Reit currently intends to appoint the subsidiaries of the sponsor of Ascendas Reit as asset managers to provide certain asset management services and other related services in respect of the Properties upon completion of the Proposed Acquisition. Further details will be announced upon the entry into the relevant asset management agreements on completion of the Proposed Acquisition.

### **4. RATIONALE OF THE PROPOSED ACQUISITION**

#### **4.1 Complementary to Ascendas Reit’s portfolio**

The real estate market in the United Kingdom is mature, transparent and provides opportunities for growth underpinned by domestic consumption. The Target Portfolio comprises of both freehold and 999-year leasehold properties which will complement Ascendas Reit’s current portfolio.

The 12 well-located properties under the Target Portfolio will serve as a good entry portfolio given its geographic spread in key distribution centres across the United Kingdom.

The Proposed Acquisition is in line with Ascendas Reit’s disciplined value-adding investment strategy of acquiring good quality, income-producing assets with established tenants and will strengthen Ascendas Reit’s ability to fulfil its mission to generate stable and predictable income streams and long term capital stability.

#### **4.2 Diversification of Ascendas Reit's portfolio**

The Proposed Acquisition will benefit Ascendas Reit and its unitholders (“**Unitholders**”) with further diversification, both geographically and from an enlarged tenant base. The contribution of overseas investment (by asset value) is expected to increase from 15% to 17%. The tenant base of Ascendas Reit will also be enlarged to include more quality tenants such as DHL, Secretary of State for Communities and Local Government, Amazon and Howden Joinery<sup>2</sup>, just to name a few.

#### **4.3 Opportunity to expand into the United Kingdom**

The logistics property market in the United Kingdom is expected to see a sustained period of rental growth driven by strong demand and constrained supply conditions. One of the key demand drivers is the structural shift towards online retail sales, which accounted for an average logistics take-up of approximately 20% between 2015 and 2017 compared to an average take-up of approximately 7% between 2009 and 2011<sup>3</sup>. This trend is expected to continue to benefit the logistics sector.

The addition of the 12 Properties under the Target Portfolio will hence provide Ascendas Reit with a sizeable presence in the United Kingdom's logistics property sector.

In addition, the Pound Sterling has depreciated against the Singapore dollar (-33% over the last 10 years and -10% over the last two years), making investments in the United Kingdom attractive.

#### **4.4 Strengthens Ascendas Reit's portfolio**

Following the completion of the Proposed Acquisition, the proportion of freehold properties (by asset value) of Ascendas Reit will increase from 16% to 19%.

The Target Portfolio's long weighted average lease to expiry (“**WALE**”) of 14.6 years will also extend Ascendas Reit's portfolio WALE of 4.2 years (as at 31 March 2018) to 4.4 years.

As the property space in the Target Portfolio is leased to tenants on a triple-net basis (where the tenant pays all statutory outgoings, operating and maintenance costs), operational demand will be minimal and this will ease Ascendas Reit's initial entry into the United Kingdom.

#### **4.5 Increase distributable income to Unitholders**

In the first year, the Properties are expected to generate a net property income (“**NPI**”) yield<sup>4</sup> of approximately 5.32% (before taking into account the transaction costs) and 5.22% (after taking into account the transaction costs).

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2 Howden Joinery is the United Kingdom's largest manufacturer and supplier of fitted kitchens, appliances and joinery products to local builders and trade professionals. The company is listed on the London Stock Exchange.

3 Source: CBRE

4 The NPI yield is derived from the estimated net property income expected in the first year of acquisition and includes one year of rental top-up provided by the Vendors for the Rotherham Property.

## **5. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The Manager intends to fund the Proposed Acquisition with Pound Sterling denominated loans.

Funding the Proposed Acquisition with Pound Sterling debt is aimed at achieving a natural hedge against foreign exchange risk. The Manager may hedge the expected net income cash flow via appropriate hedging instruments. Ascendas Reit's interest rates exposure will be managed at the portfolio level, and the Manager will be guided by the existing policy of maintaining 50% to 75% of borrowings on fixed interest rates. The Manager plans to maintain Ascendas Reit's aggregate leverage ratio at a level below 40%.

The pro forma financial effect of the Proposed Acquisition on the distribution per unit is expected to be 0.194 cents based on the following assumptions and bases:

- (i) the Proposed Acquisition had been completed on 1 April 2017 and Ascendas Reit had held and operated the Target Portfolio for the financial year ended 31 March 2018;
- (ii) the Proposed Acquisition is fully funded by debt;
- (iii) the distribution includes one year of rental top-up provided by the Vendors for the Rotherham Property; and
- (iv) the Manager elects to receive its base fee 80% in cash and 20% in Units for the financial year ended 31 March 2018.

## **6. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDER(S)**

**6.1** As at the date of this announcement and based on information available to the Manager as at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and indirect interest in 66,000 Units.

**6.2** Save as disclosed above and based on information available to the Manager as at the date of this announcement, none of the directors of the Manager or the Controlling Unitholder(s)<sup>5</sup> has an interest, direct or indirect, in the Proposed Acquisition.

## **7. OTHER INFORMATION**

### **7.1 Directors' Service Contracts**

No person is or is proposed to be appointed as a director of the Manager in connection with the Proposed Acquisition.

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<sup>5</sup> "Controlling Unitholders" refers to any person(s) with an interest in Units constituting not less than 15.0% of all Units in issue

## **7.2 Documents for Inspection**

Copies of the Share Purchase Agreement and the Valuation Reports are available for inspection during normal business hours (by prior appointment only) at the registered office of the Manager at 1 Fusionopolis Place, #10-10 Galaxis, Singapore 138522, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

**ASCENDAS FUNDS MANAGEMENT (S) LIMITED**

(as manager of Ascendas Real Estate Investment Trust)

Mary Judith De Souza

Company Secretary

26 July 2018

### **Important Notice**

The value of 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 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.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

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

This announcement may contain forward-looking statements that involve 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 future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Manager's current view of future events.