Press Release
For Immediate Release

Ascendas Reit's Total Amount Available for Distribution for FY2019 grew 5.2% y-o-y to S$375.4 million

1. Total amount available for distribution for the nine months ended 31 December 2019 (FY2019) rose 5.2% year-on-year (y-o-y) to S$375.4 million largely due to contributions from new acquisitions in the United Kingdom (UK), the United States (US) and Singapore. FY2019 Distribution per Unit (DPU) was 11.490 cents taking into account the enlarged number of Units in issue after the Rights Issue[1] in December 2019.

2. Portfolio occupancy rate stood at 90.9% (as at 31 December 2019) and positive rental reversion of 6.0% was achieved for leases that were renewed in FY2019.

3. Improved aggregate leverage to 35.1% and maintained a high level of natural hedge for its overseas investments.

Summary of Ascendas Reit Group Results

	3Q FY2019	3Q FY18/19	Variance	9 months ended 31 Dec 2019 (FY2019) (1)	9 months ended 31 Dec 2018	Variance
Gross revenue (S$m)	239.7	226.4	5.9%	699.1	661.1	5.7%
Net property income (S$m)	182.3	168.0	8.5%	537.7	486.1	10.6%
Total amount available for distribution (S$m)	126.9	124.3	2.1%	375.4	356.7	5.2%
DPU (cents)	3.507(2)	3.998(3)	-12.3%	11.490(4)	11.887(5)	-3.3%
Applicable no. of units (m)	3,618	3,109	+16.4%	3,267	3,000	+8.9%
Number of properties	200(6)	171	-	200(6)	171	-

Notes:
(1) Ascendas Reit has changed its financial year end from 31 March to 31 December in July 2019. Therefore, the current financial year is a nine-month period from 1 April 2019 to 31 December 2019 (FY2019). Please refer to the announcement dated 24 July 2019 for more information.
(2) Included taxable, tax exempt and capital distributions of 2.956, 0.130 and 0.421 cents respectively. The number of applicable units for the computation of DPU is approximately 3.6 billion.
(3) Included taxable and capital distributions of 3.456 and 0.542 cents respectively. The number of applicable units for the computation of DPU is approximately 3.1 billion.
(4) Included taxable, tax exempt and capital distributions of 9.887, 0.130 and 1.473 cents respectively. The number of applicable units for the computation of DPU is approximately 3.3 billion.
(5) Included taxable and capital distributions of 10.640 and 1.247 cents respectively. The number of applicable units for the computation of DPU is approximately 3.0 billion.
(6) As at 31 December 2019, Ascendas Reit had 99 properties in Singapore, 35 properties in Australia, 38 properties in the UK and 28 properties in the US.

[1] The Rights Units issued on 6 December 2019 rank *pari passu* in all respects with the Units before the Rights Issue, including the right to full distributions for the period from 1 October 2019 to 31 December 2019 as well as all distributions thereafter.

31 January 2020, 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 gross revenue for the nine months ended 31 December 2019 (FY2019) rose by 5.7% y-o-y[2] to S$699.1 million. This was largely due to the nine months contributions from the 38 logistics properties in the UK acquired between August 2018 and October 2018, and the 28 properties in the US and two properties in Singapore acquired in December 2019.

FY2019 net property income rose by 10.6% y-o-y to S$537.7 million, in tandem with the increase in gross revenue and the effects from the adoption of FRS 116[3] since 1 April 2019.

Total amount available for distribution for FY2019 rose 5.2% y-o-y to S$375.4 million. DPU declined to 11.490 cents (-3.3% y-o-y), taking into account an enlarged number of applicable units (+8.9%) in issue due to the Rights Issue[4] in December 2019.

Mr William Tay, Chief Executive Officer and Executive Director of the Manager, said: "FY2019 was another milestone year for Ascendas Reit. Our maiden US acquisition was completed in December 2019, which lifted Ascendas Reit's overseas exposure from 21% to 28% of portfolio value. Including the Singapore acquisitions (Nucleos and FM Global Centre), the portfolio is further strengthened with the business park segment accounting for 42% of the portfolio value, up from 33% a year ago.

In 2020, we can look forward to a full year's contribution from the new US and Singapore properties.

We will continue to invest in well-located properties that benefit from structural growth trends such as technology and e-commerce, and strengthen Ascendas Reit's presence across its four developed markets to optimise portfolio returns."

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[2] Previous year comparison refers to the nine months period from 1 April 2018 to 31 December 2018.
[3] Following the adoption of the new Singapore Financial Reporting Standard 116 *Leases* (FRS 116), land rent, which amounted to S$24.6 million, has been excluded from property operating expenses in FY2019.
[4] On 6 December 2019, 498 million new units were issued in relation to the Rights Issue (please refer to announcement dated 6 December 2019). The proceeds from the Rights Issue were used to partially fund the acquisition of the 28 properties in the US and two properties in Singapore on 11 December 2019.

Value-Adding Investments

During FY2019, Ascendas Reit acquired 31 properties across the US, Singapore and Australia for a total acquisition cost of S$1.77 billion. This brings Ascendas Reit's total investment properties under management to S$12.84 billion.

The acquisitions of 28 business park properties in the US tech-cities of San Diego, Raleigh and Portland and two business park properties in Singapore were completed on 11 December 2019. With these properties, the proportion of Ascendas Reit's portfolio on freehold land increased to 29.3% from 21.6%[5] and the weighted average land lease to expiry of its leasehold land improved to 44.5 years from 44.1 years.

In Australia, Ascendas Reit will add a fourth suburban office to its portfolio when construction of 254 Wellington Road, located in Melbourne, is completed in 2Q 2020.

Redevelopment projects and Asset Enhancement Initiatives (AEI), such as asset repositioning and the upgrading of building specifications, are undertaken to enhance the returns of Ascendas Reit's existing portfolio. At the Singapore Science Park 2, two new AEIs commenced at The Capricorn and The Galen for a total estimated cost of S$13.0 million. New collaborative spaces, enhanced lobby areas and other improvements will be introduced at these two business park properties.

In 1Q FY2020, Ascendas Reit commenced the redevelopment of iQuest@IBP, a business park property located in the International Business Park for an estimated cost of S$84.3 million. This redevelopment, as well as the AEI completed at Nordic European Centre (business park property) in January 2019, are part of the transformation plan to rejuvenate Ascendas Reit's portfolio of assets within International Business Park.

iQuest@IBP will benefit from enhanced accessibility via the future Jurong Regional Line and enjoy greater vibrancy from its proximity to the Jurong Lake District, which is envisioned to be the largest commercial and regional centre outside the Singapore CBD. The new building is designed to the highest Green Mark standard of Platinum rating with sustainable features and lush greenery. The building will also include facilities such

[5] As at 30 September 2019.

as a gym, skydeck and food court as well as end of trip facilities to complement the government's strategy for a car-lite nation. Plot ratio will be maximised resulting in an additional gross floor area (GFA) of approximately 12,000 sqm (total GFA of 24,641 sqm post redevelopment).

Including the redevelopment of iQuest@IBP and 25 & 27 Ubi Road 4, approximately S$150.7 million worth of asset enhancement projects are ongoing. The built-to-suit development for Grab worth S$181.2 million is also on track for completion in 4Q FY2020.

Capital Recycling

The Manager continues to adopt a proactive asset management strategy to redeploy capital and optimise returns for Unitholders.

During FY2019, No. 8 Loyang Way 1, a light industrial property located in Singapore was divested for S$27.0 million, about 14.4% higher than the book value of S$23.6 million[6].

On 23 January 2020, Ascendas Reit completed the sale of Wisma Gulab, a high-specifications building located at 190 Macpherson Road, Singapore, to Heap Seng Group Pte Ltd. The sale price of S$88.0 million was 5.5% higher than its book value of $83.4 million[7].

Ascendas Reit entered into a sale and purchase agreement with Work Plus Store (Kallang Bahru) Pte Ltd on 7 January 2020 for the divestment of a light industrial building located at No. 202 Kallang Bahru, Singapore. The proposed sale price of S$17.0 million is 13.3% higher than its book value of S$15.0 million[8]. The divestment is expected to complete in 1Q 2020.

The proceeds from the divestments may be recycled to fund committed investments, repay existing indebtedness, extend loans to subsidiaries, fund general corporate and working capital needs, and/or make distributions to Unitholders.

[6] As at 30 September 2019.
[7] As at 31 December 2019
[8] As at 31 December 2019.

A Well Diversified and Resilient Portfolio

As at 31 December 2019, Ascendas Reit has a well-diversified portfolio of 200 properties located across four countries, Singapore, Australia, the UK and the US. Singapore properties account for 72% of Ascendas Reit's portfolio (by asset value) and overseas properties account for the remaining 28%[9]. The customer base of about 1,490 tenants is spread across properties in five industrial sub-segments, ranging from business & science park properties, high-specifications industrial, light industrial properties, integrated developments and logistics and distribution centres.

Ascendas Reit's portfolio comprises 29.0% of single-tenant buildings and 71.0% of multi-tenant buildings by asset value. No single property accounts for more than 4.6% of Ascendas Reit's monthly gross revenue.

As at 31 December 2019, overall portfolio occupancy rate remained stable at 90.9% (30 September 2019: 91.0%).

The Singapore portfolio occupancy rate declined to 87.2% q-o-q (30 September 2019: 88.1%). This was mainly attributable to lower occupancies at Wisma Gulab, 40 Penjuru Lane and Pioneer Hub. Taking into account the divestments of Wisma Gulab and 202 Kallang Bahru, and the redevelopment of iQuest, the Singapore portfolio occupancy would have been 88.4%.

The Australian portfolio occupancy rate improved to 97.4% q-o-q (30 September 2019: 95.4%) mainly due to a new take-up at 62 Stradbroke Street, which is now 100% occupied, and the decommissioning of partial space at 484-490 and 494-500 Great Western Highway for asset enhancement works.

In the UK, occupancy rate was stable at 97.7%. The newly acquired US portfolio occupancy rate was 93.9%.

[9] Australia, US and UK assets make up 12%, 10% and 6% of Ascendas Reit's portfolio by asset value respectively.

In 3Q FY2019, positive portfolio rental reversion[10] of 8.8% was achieved for renewed leases in multi-tenant buildings, translating into a positive rental reversion[11] of 6.0% for FY2019.

Based on new leases signed, tenants from the engineering sector accounted for the largest proportion of new demand by gross rental income in 3Q FY2019 (30.2%) and in FY2019 (20.5%).

The portfolio's weighted average lease expiry (WALE) stood at 3.9 years. About 19.4% of Ascendas Reit's gross rental income will be due for renewal in FY2020. Of these expiring leases, 14.5% are from multi-tenant buildings and 4.9% are from single-tenant buildings. The Manager is proactively working on the renewal of leases that are coming due for expiry and marketing the vacant space to maximise returns from its portfolio.

Stable Valuation

Ascendas Reit's investment properties are assessed by independent valuers every year. For the financial year ended 31 December 2019, Ascendas Reit's total portfolio[12] was valued at S$12.84 billion. Same-store valuation[13] of S$11.13 billion as at 31 December 2019 was stable compared to S$11.10 billion as at 31 March 2019.

Proactive Capital Management

As at 31 December 2020, aggregate leverage improved to 35.1% (30 September 2019: 36.2%) and weighted average all-in cost of borrowing improved to 2.9% (30 September 2019: 3.0%). About 75.8% of Ascendas Reit's borrowings are effectively on fixed rates for an average term of 3.3 years.

The debt maturity profile remains well-spread with weighted average tenure of debt outstanding stood at 4.0 years.

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[10] Percentage change of the average gross rent over the lease period of the renewed leases against the preceding average gross rent from lease start date. Takes into account renewed leases that were signed in 3Q FY2019 and average gross rents are weighted by area renewed.

[11] Takes into account renewed leases in multi-tenant buildings that were signed in Singapore and Australia during FY2019. There were no multi-tenant building renewals in the UK and US during FY2019.

[12] Comprises 198 properties, excluding two properties, 25 & 27 Ubi Road 4, which are under redevelopment.

[13] Same-store valuation comprises 168 properties, excluding divested, newly acquired properties and properties under redevelopment during FY2019.

A high level of natural hedge in Australia (73.8%), the UK (100%) and the US (75.8%) minimises the effects of adverse exchange rate fluctuations.

Ascendas Reit continues to enjoy the A3 credit rating by Moody's.

Outlook

In 2019, global growth was dampened by trade tensions and weak business sentiments. Although several economists expect global growth to recover modestly in 2020, downside risks from trade and economic policy uncertainties remain. The recent outbreak of the novel coronavirus, which has been declared as a Public Health Emergency of International Concern by the World Health Organisation, has created a new element of uncertainty.

<u>Singapore</u>

The Singapore economy grew 0.7% y-o-y in 2019, slower than the 3.1% growth in 2018. Whilst the construction and services producing industries grew 2.5% (2018: -3.7%) and 1.1% (2018: 2.9%) y-o-y respectively, the manufacturing sector contracted by 1.5% y-o-y (2018: 7.0%). In 2020, GDP growth is expected to be between 0.5% to 2.5% (source: Ministry of Trade and Industry).

Another 2.2 million sqm of new industrial space, representing 4.4% of the total stock of 49.6 million sqm, is expected to complete in 2020. This is higher than the average annual supply of around 1.1 million sqm in the past three years. According to JTC, the higher supply will help to provide replacement space for businesses affected by JTC's Industrial Redevelopment Programme to rejuvenate older industrial estates (source: JTC).

Companies are expected to remain conservative with their business and expansion plans in view of the lingering economic uncertainties. Coupled with the relatively high amount of new completions in 2020, rental growth and demand for industrial space may remain subdued.

<u>Australia</u>

The Australian economy grew by 1.7% y-o-y in 3Q 2019 compared to 1.4% y-o-y a quarter ago. Household spending continued to slow, recording a 1.2% growth y-o-y (2Q 2019: +1.4%) (source: Australian Bureau of Statistics). The Reserve Bank of Australia lowered the cash rate three times in 2019 from 1.5% to 0.75% to support employment and income growth and achieve its inflation target over time. Consensus GDP growth forecast for 2020 is 2.2% y-o-y (source: Bloomberg), higher than the estimated 1.8% y-o-y growth in 2019.

The bushfires have impacted some rural areas in Australia. Ascendas Reit's properties are unaffected as they are located in the capital cities and metropolitan areas (i.e. Sydney, Melbourne, Brisbane).

The Australian portfolio continues to deliver stable performance due to their good locations, long WALE of 4.4 years and average rent escalations of approximately 3% per annum.

United Kingdom (UK)

In 3Q 2019, the UK economy rose by 1.1% y-o-y compared to 1.2% y-o-y in 2Q 2019. During the quarter, there was a pick up in the services (3Q 2019:+0.5%, 2Q 2019: +0.2%) and construction (3Q 2019: +1.2%, 2Q 2019: -1.0%) sectors whilst the production sector was flat (3Q 2019: +0.1%, 2Q 2019: -1.7%) (source: Office for National Statistics). Consensus GDP growth forecast for 2020 is 1.1% y-o-y (source: Bloomberg), unchanged from the estimated 1.1% y-o-y growth in 2019.

The high e-commerce penetration rate (21% of retail sales) (source: Office for National Statistics) in the UK is expected to continue to benefit the logistics sector. Ascendas Reit's UK portfolio has a long WALE of 8.8 years, which will help to mitigate the on-going uncertainties surrounding the future of the UK post Brexit.

United States (US)

The US economy is in its 11th consecutive year of growth. In 3Q 2019, the economy recorded a growth of 2.1% y-o-y compared to 2.0% y-o-y in 2Q 2019 (source: US Bureau of Economic Analysis). After making three interest rate cuts in 2019, the Federal Reserve signalled that the current policy is appropriate to support a sustainable level of economic activity and inflation for the US. Consensus GDP growth forecast for 2020 is 1.8% y-o-y (source: Bloomberg), lower than the estimated 2.3% y-o-y growth in 2019.

Ascendas Reit acquired 28 business park properties located in US tech cities (San Diego, Raleigh and Portland) for S$1.3 billion. The properties are well-positioned to benefit from the fast-growing technology and healthcare sectors. The strength of the US portfolio is also underpinned by its WALE of 4.1 years, and the high proportion of leases with rent escalations of between 2.5% to 4.0% per annum.

Conclusion

The stability of Ascendas Reit's performance is underpinned by its large and diversified portfolio with a strong tenant base. The Manager will continue to strengthen Ascendas Reit's presence across its four developed markets to optimise portfolio returns.

- End –

About Ascendas Real Estate Investment Trust (www.ascendas-reit.com)

Ascendas Real Estate Investment Trust (Ascendas Reit) is Singapore's first and largest listed business space and industrial real estate investment trust. It was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in November 2002.

As at 31 December 2019, investment properties under management stands at S$12.8 billion, comprising 200 properties across the developed markets of Singapore, Australia, the United Kingdom and the United States. Ascendas Reit's portfolio includes business and science parks, suburban office properties, high-specifications industrial properties, light industrial properties, logistics and distribution centres, and integrated developments, amenities and retail properties.

These properties house a tenant base of around 1,490 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 National Laboratories, Citibank, DBS, Wesfarmers, CareFusion, Ceva Logistics, JPMorgan and A*STAR Research Entities.

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, a wholly owned subsidiary of Singapore-listed CapitaLand Limited, one of Asia's largest diversified real estate groups.

About CapitaLand Limited (www.capitaland.com)

Press Release

CapitaLand Limited (CapitaLand) is one of Asia's largest diversified real estate groups. Headquartered and listed in Singapore, it owns and manages a global portfolio worth S$131.7 billion as at 30 September 2019. CapitaLand's portfolio spans across diversified real estate classes which includes commercial, retail; business park, industrial and logistics; integrated development, urban development; as well as lodging and residential. With a presence across more than 200 cities in over 30 countries, the Group focuses on Singapore and China as its core markets, while it continues to expand in markets such as India, Vietnam, Australia, Europe and the USA.

CapitaLand has one of the largest real estate investment management businesses globally. It manages seven listed real estate investment trusts (REITs) and business trusts as well as over 20 private funds. Since it pioneered REITs in Singapore with the listing of CapitaLand Mall Trust in 2002, CapitaLand's REITs and business trusts have expanded to include Ascendas Real Estate Investment Trust, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust, Ascendas India Trust and CapitaLand Malaysia Mall Trust.

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