



A Member of CapitaLand

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

ANNOUNCEMENT

Annual General Meeting to be held on 29 June 2020 Responses to Substantial and Relevant Questions

Ascendas Funds Management (S) Limited, the manager of Ascendas Real Estate Investment Trust (“**Ascendas Reit**”, and the manager of Ascendas Reit, the “**Manager**”) would like to thank all Unitholders who submitted their questions in advance of Ascendas Reit’s Annual General Meeting (“**AGM**”) to be held virtually via “live audio-visual webcast and live audio-only stream” at 3.00 p.m. on Monday, 29 June 2020.

For Unitholders’ ease of reference, we have grouped the questions into 5 key topics below. Questions received from Securities Investors Association (Singapore) are also included.

Key topics include:

- A. Impact of COVID-19
- B. Strategy and Outlook
- C. Investments
- D. Capital Management
- E. Asset Management

Please refer to our responses to these substantial and relevant questions in **Annex A**.

The Manager’s Chief Executive Officer, Mr William Tay, will deliver a presentation to Unitholders at the AGM. Please refer to the 2020 AGM Presentation and all AGM-related documents at the URL <https://ir.ascendas-reit.com/agm.html>.

Following the conclusion of the AGM, the results of the AGM will be uploaded on SGXNet and made available on Ascendas Reit’s website. The minutes of the AGM will be published on Ascendas Reit’s website on or before 29 July 2020.

BY ORDER OF THE BOARD
ASCENDAS FUNDS MANAGEMENT (S) LIMITED
(Company Registration No. 200201987K)
As manager of Ascendas Real Estate Investment Trust

Mary Judith de Souza
Company Secretary
28 June 2020

Important Notice

The past performance of Ascendas Real Estate Investment Trust ("**Ascendas Reit**") is not indicative of future performance. The listing of the units in the Ascendas Reit ("**Units**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") does not guarantee a liquid market for the Units. The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, Ascendas Funds Management (S) Limited (the "**Manager**") or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST.

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

ANNEX A

A. Impact of COVID-19	
1.	<p>(i) How has COVID-19 affected your portfolio and operations in the different countries?</p> <p>(ii) Please update on the impact of COVID-19 on Ascendas Reit's assets in Singapore, the United States (US), the United Kingdom (UK) & Australia.</p> <p>(iii) In Singapore, how has the Circuit Breaker affected the Integrated Development, Amenities & Retail (IDAR) and Business Park segments?</p> <p>(iv) In Australia, how has the Suburban Offices been impacted?</p> <p>(v) In the US, have the lockdowns affected business continuity at the three Tech Cities?</p>
	<p>Response:</p> <p>All Ascendas Reit's properties remained opened during the pandemic.</p> <p>At the height of the pandemic, various forms of lockdown were imposed by respective governments in our markets and most of our tenants' employees were working from home. Tenants in essential industries continued to operate normally.</p> <p>Our retail and F&B tenants, located in some business parks properties and Aperia in Singapore as well as in our suburban offices in Australia, have been more directly impacted due to the lockdowns and work-from-home arrangements. However, they comprise less than 5% of Ascendas Reit's portfolio by rental income.</p> <p>We have provided assistance to selected tenants across the geographies, such as in rental rebates and changes in payment schedule. To date, the financial amounts of the assistance do not have a material impact on revenue.</p> <p>There has been no pre-termination of leases due to COVID-19 in any of the four countries.</p>
2.	<p>(i) How much if any, will it cost Ascendas Reit in 2020 to support tenants during the period of lockdowns?</p> <p>(ii) What is the impact from the COVID-19 laws that require landlords to give SME tenants more rental relief?</p> <p>(iii) What is the impact to rental revenue during the circuit breaker period? What about after the COVID-19 period?</p> <p>(iv) Do we have to set aside a percentage of Distributable Income for deferred rentals, rental abatement and tenancy termination?</p>
	<p>Response:</p> <p>In Singapore, we estimate that rent waivers provided to tenants year to date amount to less than S\$20 million. The actual amount to be disbursed will depend on the tenants' eligibility assessment by the authorities.</p>

	<p>This amount is in addition to the Singapore Government's property tax rebates and cash grants which we will fully pass through to eligible tenants.</p> <p>SME tenants currently make up less than 20% of Ascendas Reit's Singapore portfolio by gross rental income. About 12% of these tenants are F&B and retail SMEs and the remaining 88% are industrial SMEs.</p> <p>In Australia, we have suspended rent collection from our F&B and retail tenants located at our three suburban offices from April 2020 until their reopening. We have also restructured one lease of a leisure/hospitality tenant and provided the tenant with rent rebate. The overall impact is less than S\$0.5 million.</p> <p>To date, we have not offered any rent rebates to our tenants in the UK. Instead, we have allowed some tenants to change their rental payment frequency from quarterly to monthly in advance and approved some rent deferrals to the latter part of the year, to help them with their cashflow management.</p> <p>In the US, we have provided rent rebate of about US\$10,000 to a small café operator in Portland, whose business was affected after employees in the vicinity started to work from home.</p>
3.	Has any major tenants terminated their leases and what is the financial impact of these terminations in FY2020?
	<p>Response:</p> <p>To date, no tenant has pre-terminated their lease due to COVID-19 in all the four countries.</p>
4.	Does management see any risk in terms of tenant's credit given the significant depression in the global economy?
	<p>Response:</p> <p>Currently, about S\$3 million of rent in Singapore has been granted deferment, and these are covered by the tenants' security deposits.</p> <p>For tenants who have been granted deferment, we will continue to monitor them closely to minimise the possibility of default.</p> <p>There are also measures under the rental relief framework for SMEs in Singapore to protect landlords. For example, the landlord will be entitled to immediate repayment of arrears if the tenant fails to make a payment under the statutory repayment scheme within the prescribed period of time or if the tenant terminates the lease. Tenants will also need to file a statutory declaration on their statement of accounts from April 2020 until the termination of the lease and set out how he proposes to repay the outstanding rental arrears.</p>

5.	Have the built-to-suit deadline for Grab & the two Asset Enhancement Initiatives at Science Park 2 been affected by foreign worker dormitories issues?
	<p>Response:</p> <p>The development of Grab's headquarters will be delayed from 4Q 2020 to 1Q 2021 due to a delay in materials from China and the stop-work order during the circuit breaker.</p> <p>Our two asset enhancement initiatives at The Capricorn and The Galen, located in Singapore Science Park 2, were completed on 20 February 2020 and 6 April 2020 respectively.</p>
6.	Does COVID-19 affect the future growth of the business?
	<p>Response:</p> <p>Logistics space in large markets such as Australia and the UK remain a very attractive asset class as they support e-commerce activities which has accelerated amidst the pandemic. In Singapore too we have seen an increase in demand for logistics spaces for certain industries. Ascendas Reit's portfolio of overseas logistics properties is well-positioned to benefit from the growth.</p> <p>A significant part of our business park and suburban offices in Singapore and the US cater to growth industries such as biomedical, infocomm technologies and healthcare, which we believe will continue to remain resilient in the near to medium term.</p>
7.	Has any tenant failed to pay rent so far?
	<p>Response:</p> <p>To date, the amount of rent arrears is less than 1% of portfolio revenue.</p>
8.	Which segments of the properties most affected?
	<p>Response:</p> <p>Ascendas Reit's customer base of about 1,490 tenants is diversified in more than 20 different industries.</p> <p>Whilst some industries such as retail, aviation, oil and gas and hospitality & leisure are more affected by COVID-19, they make up less than 15% of Ascendas Reit's monthly gross revenue.</p> <p>On the other hand, about 50% of monthly gross revenue is contributed by relatively more resilient industries such as financial services, government, infocomm data centres and biomedical.</p> <p>Although some companies may be more affected than others by the COVID-19 outbreak, we have not experienced any pre-termination by tenants so far.</p>

9.	Do we see a weakening in property valuation in coming months?
	<p>Response:</p> <p>So far, occupancy rates for our business park and industrial properties remain relatively stable. Hence, we do not expect any significant adjustment in valuations due to COVID-19. Additionally, there has not been any significant market transactions that indicate otherwise.</p>
10.	<p>(i) How does the impact of rent deferment and rebate affect the dividend distribution?</p> <p>(ii) What is the estimated distribution per Unit (DPU) for FY2020 after giving rental rebates to tenant?</p> <p>(iii) Will any distributions be held back in 2020?</p> <p>(iv) Would the DPU be comparable to last year?</p>
	<p>Response:</p> <p>There will be an impact on the dividend distribution, although, as you can see from the various answers provided above, the impact of COVID-19 on Ascendas Reit has been minimal.</p> <p>So far, we see no reason to hold back any dividends and we will continue to monitor the circumstances and business environment.</p>
11.	<p>(i) How will COVID-19 affect the operations of Ascendas Reit going forward?</p> <p>(ii) What pre-emptive measures will the management and Board take in the new world?</p>
	<p>Response:</p> <p>As per our various answers above, the impact has been minimal.</p> <p>However, we will continue to monitor the situation closely and adopt a conservative and cautious stance until we have a clearer understanding of how the future new world will evolve.</p>

B. Strategy and Outlook

12. (i) What is Ascendas Reit's strategy to stay resilient amidst the COVID-19 crisis (during and post-COVID-19)?
- (ii) What is the company's medium-term strategy to overcome the challenges posed by the COVID-19 pandemic?

Response:

So far, our diversification strategy has enabled Ascendas Reit to ride through good and bad economic cycles, including the on-going COVID-19 pandemic.

Ascendas Reit's portfolio is diversified across geographic locations and across asset classes. With more than 1,490 customers across over 20 industries, this reduces exposure to any one industry and lowers customer concentration risk. We will remain disciplined and selective in acquisitions.

We will also continue to maintain a prudent capital management strategy. Besides maintaining aggregate leverage at healthy levels below 40%, we also ensure that our debt maturity is well spread with no more than 20% of our debt due in any one year.

13. Please update Unitholders on the current business status, and the outlook of the Ascendas Reit for 2020 and beyond (especially your overseas business).

Response:

In the first quarter of FY2020, Ascendas Reit delivered a healthy set of operational results with minimal impact from COVID-19. Occupancy improved quarter-on-quarter to 91.7% and positive rental reversions of 8% was achieved.

Financially, aggregate leverage was healthy at 36.2% and all our loan covenants were well within the thresholds. We also have sufficient cash of (S\$290 million) and unutilised credit facilities (S\$200 million committed and S\$1.0 billion uncommitted) to meet financial and operating requirements as they come due.

The near term outlook remains uncertain given that the COVID-19 situation remains fluid. Leasing remains challenging in all our markets as existing and potential tenants put their business and expansion plans on hold until they have greater clarity.

In the longer term, we believe that Ascendas Reit has the right mix of properties that can deliver sustainable returns:

- In Singapore, 45% of the portfolio is in the business and science park segment which puts us in a good position to ride the growth in the new economy;
- the logistics properties in the UK and the US will benefit from the e-commerce growth and demand from their large domestic markets; and
- the US business park properties are well located in US tech cities and taps on the increasing demand from companies in the technology and healthcare sectors.

C. Investments	
14.	Are there new markets that Ascendas Reit is interested to enter into across the world?
	<p>Response:</p> <p>As at 31 March 2020, Ascendas Reit's investment properties under management amounts to S\$12.8 billion i.e. S\$9.0 billion in Singapore, S\$1.6 billion in Australia, S\$1.3 billion in the United States and S\$0.8 billion in the United Kingdom.</p> <p>We would like to focus mainly on these four developed markets for now and continue to acquire well-located and good quality assets to scale up and deepen our presence.</p>
15.	<p>(i) Can the manager help Unitholders understand the rationale for acquiring a minority stake in Galaxis, which is a rather mature asset?</p> <p>(ii) What is the level of control or influence over the daily operations and strategic direction?</p> <p>(iii) Are there opportunities for the manager to value-add given its minority 25% stake?</p>
	<p>Response:</p> <p>For clarity, Galaxis was owned by two parties (25% stake by MBK Real Estate Asia Pte Ltd and 75% stake by CapitaLand) prior to Ascendas Reit's acquisition.</p> <p>It was an opportune time for Ascendas Reit to secure a 25% stake in a quality business park property at an attractive 6.1% net property income yield. The strategic location of Galaxis in Fusionopolis with direct access to the one-north MRT station, long land lease tenure of 52 years and strong tenant base were some of the key factors that led to our decision to acquire the stake.</p> <p>We have ensured veto rights over key operational issues such as the approval of asset enhancement and capital expenditure plans and sale of Galaxis, in accordance with the Property Funds Appendix of the Code of Collective Investment Schemes (issued by the Monetary Authority of Singapore).</p> <p>If there is an opportunity to acquire the remaining 75% stake, we will look at it.</p>
16.	<p>(i) Which assets in its Singapore portfolio have the potential to be redeveloped?</p> <p>(ii) What is the investment hurdle used by the manager in its planning process for its redevelopment projects?</p>
	<p>Response:</p> <p>Every year, we undertake about S\$100 million worth of asset enhancement initiatives (AEIs) including redevelopments. We conduct asset-level analysis to evaluate the best option for each property.</p>

	<p>Redevelopment projects and AEs such as asset repositioning are undertaken to enhance our properties and the returns of the existing portfolio.</p> <p>For example, new collaborative areas, enhancement to the lobby areas and other improvements were introduced in our AEs at Singapore Science Park 2 at The Capricorn and The Galen.</p> <p>The redevelopment of iQuest@IBP and AEs at Nordic European Centre in the International Business Park are part of the transformation plan to rejuvenate Ascendas Reit's portfolio of assets within the park. iQuest@IBP will benefit from the enhanced accessibility via the future Jurong Regional MRT Line and enjoy greater vibrancy from its proximity to the future Jurong Lake District which is envisioned to be the largest regional and commercial centre outside the CBD.</p> <p>Each of the projects are carefully studied and timed. We will make the announcement at the appropriate time.</p> <p>Generally, redevelopment projects are forecast to be yield accretive and achieve a return on investment (ROI) of $\geq 6\%$.</p>
17.	What are the long-term capital allocation targets by asset class as set by the board? Does the manager have a pre-determined portfolio allocation by geography?
	<p>Response:</p> <p>We do not have allocation targets by asset class or by countries.</p> <p>Generally, we still want to be a Singapore-focused REIT, so the majority of our assets (60% to 70%) will be in Singapore, with the remaining 30-40% overseas.</p>
18.	Please elaborate on management's plans to expand its portfolio of data centres, if any.
	<p>Response:</p> <p>We continue to seek additions to our Data Centre portfolio. If the project is accretive, fits our portfolio and provides a sustainable income stream for Ascendas Reit, we will take a serious look at it.</p>
19.	For the overseas markets, where does the manager see the greatest opportunities?
	<p>Response:</p> <p>Ascendas Reit has always adopted a prudent and cautious approach when investing in overseas markets.</p> <p>Our focus is in developed markets such as Australia, the US and the UK which have clear rule of the law, a transparent property market, good infrastructure and good scalability potential.</p>

20.	<p>(i) During this COVID-19 outbreak, are there opportunities for the REIT to acquire good assets at distressed prices?</p> <p>(ii) Has COVID-19 presented any acquisition opportunities for Ascendas Reit here in Singapore or in the other markets?</p>
	<p>Response:</p> <p>We are always on the lookout for opportunities that are yield accretive, and will evaluate the opportunities in the markets closely.</p>

D. Capital Management

21. How is this impact on the debt situation?

Response:

Ascendas Reit has a strong balance sheet with a healthy aggregate leverage ratio of 36.2% (as at 31 March 2020).

In the second half of 2020, about S\$660 million worth of bond, perpetual securities and loan are due for refinancing. We are exploring various refinancing options to determine the best options for Ascendas Reit. Key considerations include competitive rates, certainty of funding, achieving an optimal capital structure, and at the same time, not to have any negative impact on our portfolio and Moody's A3 credit rating.

There were no refinancing requirements in the first half of 2020.

So far, COVID-19 has not negatively affected our debt situation. Our Moody's credit rating remains an A3.

22. (i) In April 2020, the Monetary Authority of Singapore increased the aggregate leverage for REITs to 50% (from 45%) and delayed the implementation of the interest cover ratio of 2.5x.

Would the manager help Unitholders understand the practical debt headroom available? In the past, REITs have not used up the full aggregate leverage as a matter of prudence in view of market volatility.

Specifically, has the board set an internal limit on aggregate leverage?

(ii) Would the manager be utilising the extra headroom from the higher aggregate leverage limit to push ahead with its acquisitions or will the REIT be using it as a buffer during this uncertain time?

Response:

Based on our current aggregate leverage of 36.2%, the debt headroom is S\$3.8 billion to reach the 50% threshold.

Despite the increase in aggregate leverage limit to 50%, we plan to keep Ascendas Reit's aggregate leverage ratio at below 40%, which is a level that we remain comfortable with. This translates into a headroom of about S\$900 million.

E. Asset Management

23. While it was mentioned in the chairman's message that the portfolio occupancy was stable at 90.9%, it was a drop from 91.9% as at 31 March 2019. The drop in the occupancy rates of the Singapore portfolio was between (1.1)% and (2.1)%. The overall portfolio Singapore portfolio was at 87.2% while the occupancy rate of multi-tenant buildings was just 83.4%, down (2.1)%.

With approximately one-sixth of the space vacant, is there an over-supply in the multi-tenant buildings segment? Coupled with the challenges from the pandemic, what are the manager's plans to improve the occupancy rates of the Singapore portfolio?

Response:

The weaker Singapore portfolio occupancy as at 31 December 2019 was mainly attributable to vacant properties under divestment discussions then. These included Wisma Gulab, 202 Kallang Bahru and 25 South Changi South Street 1, which were divested in 1Q 2020. If these properties had been excluded, the occupancy of the overall Singapore property portfolio and multi-tenanted buildings as at 31 December 2019 would be 88.5% and 85.1% respectively.

As an update, the Singapore portfolio recorded an improved occupancy rate of 88.6% as at 31 March 2020.

Island-wide occupancy rate in Singapore has hovered around 88% to 89% in the past 3 years. Whilst new supply completions have tapered since its peak between 2014 and 2017, demand for space has been muted.

During the COVID-19 pandemic, enquiries for space have been soft as businesses hold back their decisions to relocate or expand. However, there has been no forced termination of lease to date.

Simultaneously, we are adopting a more competitive pricing strategy to target new prospects to fill up the vacant space and to retain tenants, as well as pursue shorter term leases.

We will continue to conduct asset-level analyses to evaluate the best option for each property, among options that include hold-as-is/sell, asset enhancement initiatives and redevelopment. The key objective is to improve the overall performance of the portfolio.

24. What is the likelihood that rental reversions for 2020 will be negative?

Response:

We expect rent reversions to be flattish for the rest of the 2020 although it is dependent on the specific property and tenant situation.