



# ASCENDAS REIT

Proposed Acquisition of Two Office Properties in San Francisco for S\$768.0 million

10 November 2020

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# Agenda

- Proposed Acquisition
- Key Merits of the Two Office Properties in San Francisco
- Pro Forma Financial Impact
- Pro Forma Portfolio Impact
- Benefits to Ascendas Reit & Unitholders
- Appendix: Property Details

# Proposed Acquisition



# Proposed Acquisition



San Francisco, US	510 Townsend Street	505 Brannan Street
Purchase Consideration	S\$498.6 m (US\$363.7 m) <sup>(1)</sup>	S\$269.4 m (US\$196.5 m)
Acquisition Fee <sup>(2)</sup> , Stamp Duty and Other Transaction Costs	S\$16.3 m (US\$11.9 m)	
Total Acquisition Cost	S\$784.3 m (US\$572.1 m)	
Vendors	B505 Industries, LLC and ARE-San Francisco No. 47, LLC	
Valuations as at 15 Oct 2020	S\$510.0 m (US\$372.0 m) <sup>(3)</sup>	S\$275.5 m (US\$201.0 m) <sup>(3)</sup>
Land Tenure	Freehold	Freehold
Net Lettable Area	27,437 sqm	13,935 sqm
Net Property Income (NPI)	S\$37.6 m (US\$27.4m)	
NPI Yield (pre-transaction cost)	4.9%	
Occupancy Rate	100%	100%
Portfolio Weighted Average Lease to Expiry (WALE) (as at 30 Sep 2020)	9.1 years	
Remaining Lease Term (as at 30 Sep 2020)	7.0 years	12.4 years
Lease Structure	Triple net, 3% annual escalation	Triple net, 3% annual escalation (last 5 years of lease at 2% annual escalation)
Year Built	2017	2017
Green Certification	LEED Platinum	LEED Platinum
Tenant		headquarters

(1) All conversions from US Dollar amounts into Singapore Dollar amounts is based on an illustrative exchange rate of US\$1.00: S\$1.37088.

(2) In accordance to Ascendas Reit's Trust Deed, the Manager is entitled to receive an acquisition fee of 1.0% of the Purchase Consideration, which will be paid in cash.

(3) The valuation was commissioned by the Manager and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Ascendas Reit), and was carried out by Newmark Knight Frank Valuation & Advisory, LLC, using sales comparison and income capitalisation approaches.

# Key Merits of the Two Office Properties in San Francisco (Properties)



# Key Merits

## In line with Ascendas Reit's Investment and Acquisition Growth Strategy

- 1 Strategic location in top tier one US tech city, San Francisco (SF)
- 2 Strong market fundamentals in South of Market (SoMa) submarket
- 3 Good quality and new office properties
- 4 High quality technology tenants

1

# Key Merits: SF – Epicentre of Technology Ecosystem & A Leading Life Sciences Cluster

## Leading technology and life sciences ecosystem

### Technology

- ✓ Significant contributor to the SF economy (~27%)
- ✓ ~33% of Top 25 Leases in SF

### Life sciences

- ✓ Bay Area has consistently been one of the top recipients of venture capital funding



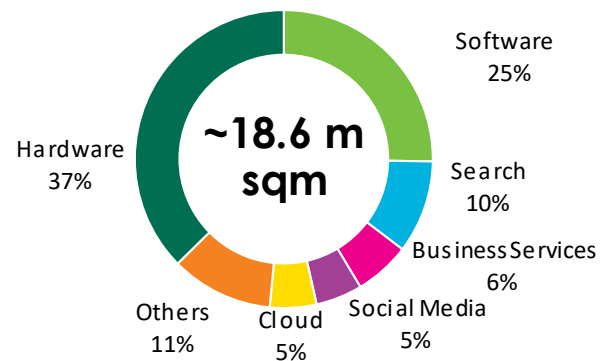


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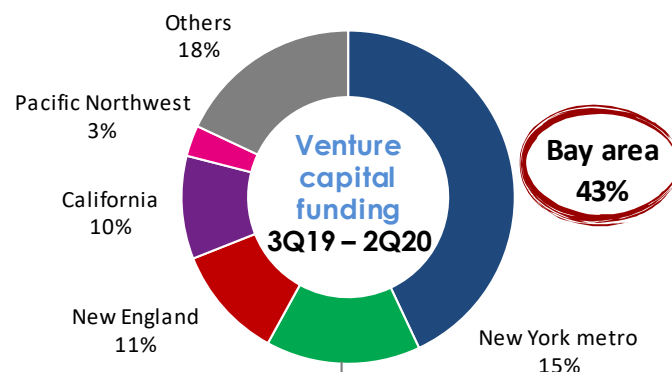
# Key Merits: Bay Area – Home to the Technology Ecosystem

Very well-anchored by tech companies across various subsectors

## Bay Area Tech Footprint

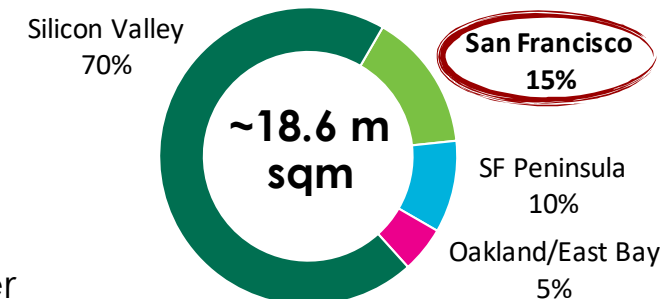


## Bay Area is the #1 region for venture capital funding for Tech



## San Francisco Tech Footprint

- **2<sup>nd</sup> largest tech market in the Bay Area**
- **Software and cloud firms** have the largest footprint
- **SoMa has the highest concentration of technology tenants in SF**, with over 85% of the inventory in the submarket occupied by tech companies



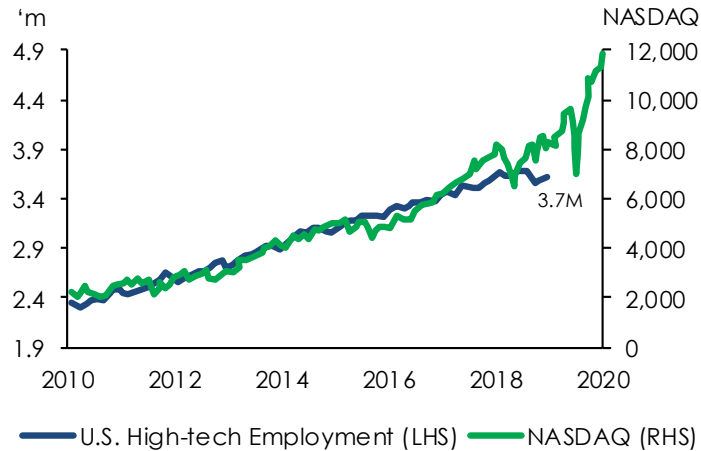
Submarkets in San Francisco	Tech footprint (sqm)	Tech concentration
<b>SoMa</b>	<b>658,863</b>	<b>85.6%</b>
South of Market West	190,171	60.1%
Mission Bay/ China Basin	246,005	51.6%
Yerba Bueno	138,331	44.9%
South Financial District	1,051,654	44.5%

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# Key Merits: SF, a Top-Ranked Talent Market in the US, Creating Demand for Office Space

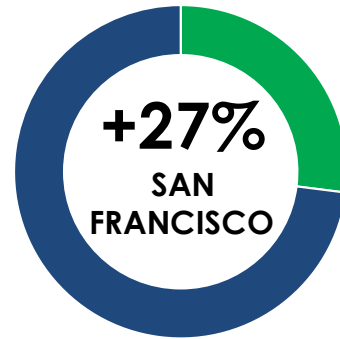
Tech firms want to locate near talent, and top talent prefers to locate in urban & amenity-rich submarkets

- The Nasdaq has historically been a leading indicator of business and employment activity
- **Current tech boom expected to translate into employment growth and office demand**



## SF is the Top-Growth Tech City in the US

Tech Job Growth <sup>(1)</sup>



	Growth rate <sup>(1)</sup>
1. San Francisco	+27%
2. Austin	+23%
3. Seattle	+22%

- **Strong tech talent job creators**
- Has the **largest concentration of unicorns** within the Bay area
- **Experienced one of the highest “Brain gain” in the US**, adding more tech talent jobs than graduates
- **Robust hiring by tech firms keeps tenant demand for space high and supply tight.** Especially evident in SF where regulations have high development limitations<sup>(2)</sup>

Source: NASDAQ, US Bureau of Labor Statistics, CBRE Research

(1) Growth rate % from 2018 – 2019

(2) Refer to pg 13 for more information on Proposition E

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# Key Merits:

## The Expansion of Life Sciences Expected to be A Boost to Overall Real Estate Demand in SF

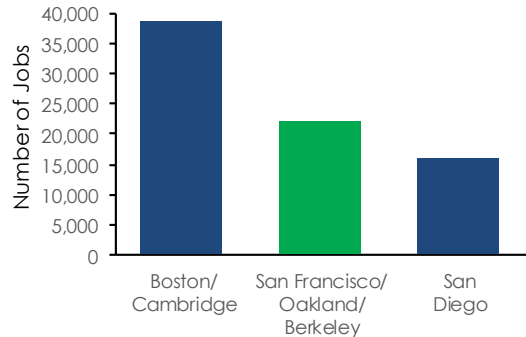


One of the top beneficiaries of the increase in Life Sciences employment and venture capital funding

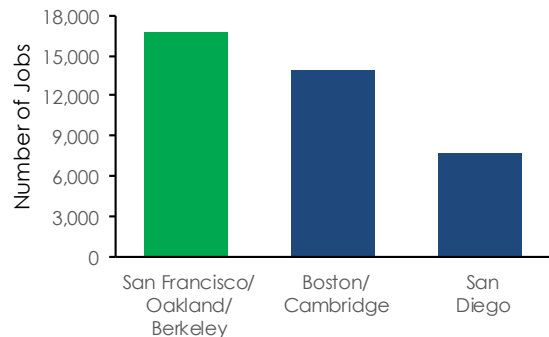
### Employment Outlook

- San Francisco is **Top 2** region in life sciences employment across US...
- ... and is the **#1 city** in terms of life sciences employment growth

Life Sciences Employment by City (2019)



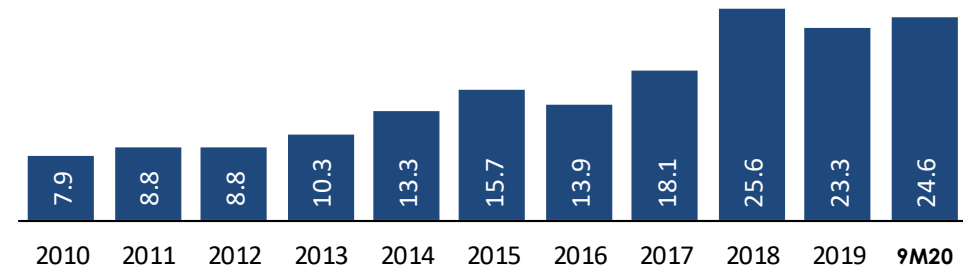
Life Sciences Employment Growth by City (2010-2019)



- Large talent pool heavily supported by major Bay Area research institutions



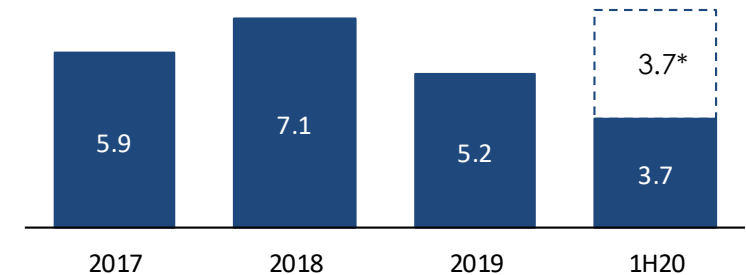
### Venture Capital Spending (US\$ b)



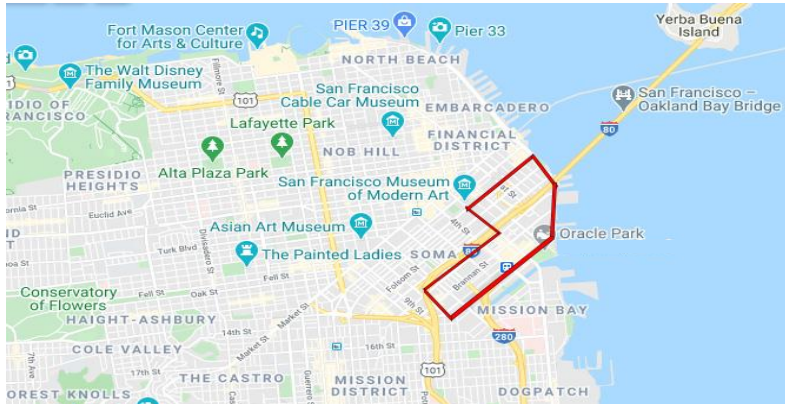
Source: Dealogic

- Bay Area venture capital funding in Life Sciences at all-time high

### Bay Area Life Sciences Venture Capital Funding (US\$ b)



## 2 Key Merits: South of Market (SoMa) – The Top Performing Submarket



South of Market (SoMa), San Francisco

📍 Properties in Portfolio

- Properties are situated within **SoMa submarket** → One of the **epicentres of San Francisco's technology industry**
- **Extensive connectivity** → Properties are well-located as they are just blocks away from Caltrain Station (4th & King Street), SF Muni metro and future Central Subway stops
- **Rich variety of amenities and attractions** → Including upscale restaurants, bars, SF museums, SF Giant's Oracle Park Baseball Stadium, etc
- In **close proximity** to:
  - **Mission Bay**, adjacent to SoMa's southern boundary, which is one of the **nation's leading life science and biotech clusters**
  - **South Park**, adjacent to the Properties, is **renowned for venture capital presence**

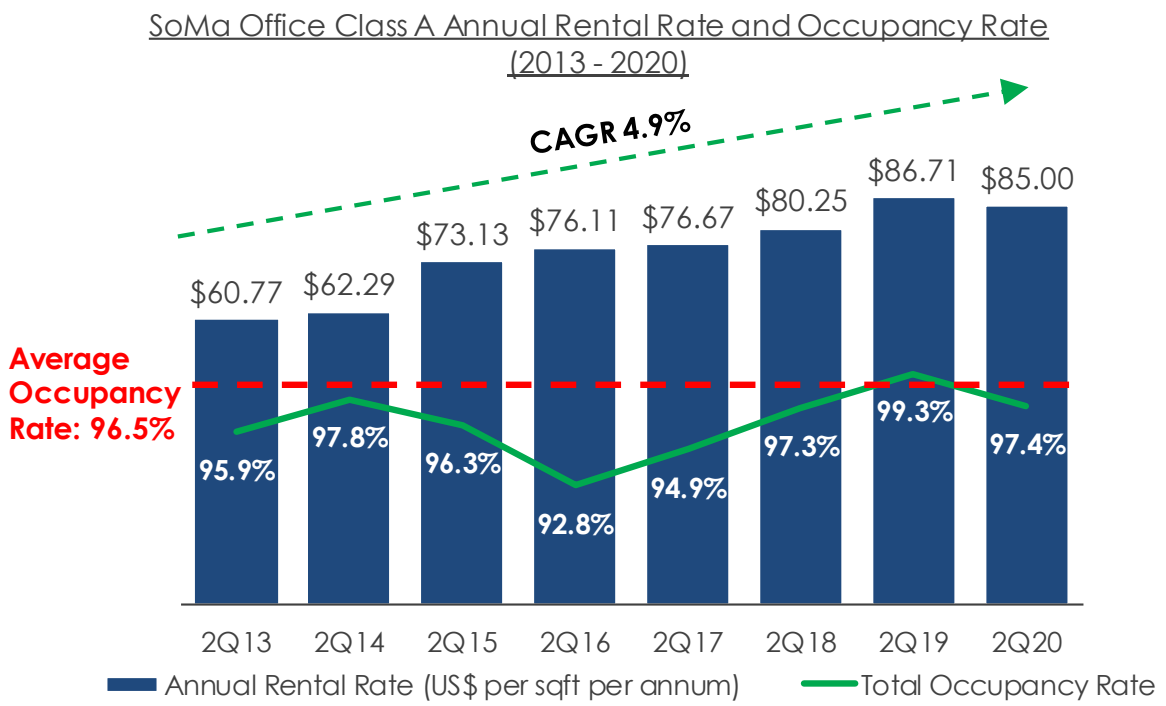
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# Key Merits: SoMa: Healthy Occupancy & Rental Growth, Further Supported by Limited New Supply



## Occupancy & Rental Rate

- SoMa's Class A office market has maintained an **average occupancy rate of >96%** and **average rental rate has grown 4.9% per annum**



Source: CBRE Research.

## Limited New Office Supply

- Future new office supply in SF will be limited** with the passing of Proposition E in March 2020
  - Office development will be pegged to affordable housing construction<sup>(1)</sup>
- CBRE forecast that this new restriction **will prevent nearly all new office development projects from being approved until after 2030**<sup>(2)</sup>

## New Office Construction in SoMa:

Address	Total office (sqm)	% pre-leased	Estimated completion
633 Folsom St	24,702	100	2020
1 De Haro St	8,568	100	2020
415 Natoma St / 5M	58,854	0	2021
	<b>92,124</b>	<b>36</b>	

~12% of existing SoMa office area

Source: CBRE Research.

(1) The proposition reduces the mandatory cap for office development in a year by the same percentage affordable housing construction is not met in the prior year, as assessed by the Regional Housing Needs Allocation assessment.

(2) CBRE Research, City and County of SF

3

## Key Merits: Good Quality and New Office Properties



Well-located in **SoMa** in **San Francisco, US**



Situated on **Freehold** land



Both properties were **newly completed in 2017**



Two **LEED Platinum-certified Class A** office buildings



510 Townsend Street



505 Brannan Street

## 4 Key Merits: High-quality Technology Tenants Occupying the Properties



stripe

### 3<sup>rd</sup> Most Valuable Startup in the US

- ✓ **Private global technology company** that builds and licenses online payment infrastructure
- ✓ Recognized as **Leader amongst merchant payment providers**
- ✓ Over **US\$1.9 b** raised to-date
- ✓ **Valued at US\$36 b** in most recent funding round
- ✓ **Backed by top tier venture capital investors** – Andreessen Horowitz, Sequoia Capital, General Catalyst, and Tiger Global Management



Pinterest

### Top 10 Brands in the US

- ✓ **Visual discovery engine** used to find creative inspiration for recipes, home and style ideas, travel destinations and many more topics
- ✓ **Over 400 m** monthly active users globally
- ✓ **>US\$35 b** market cap as of 6 Nov
- ✓ Revenue topped **US\$1 b** in 2019
- ✓ **3Q20 revenue US\$443 m (+58% YoY)**
- ✓ **Share price gained +244% in 2020 YTD**

## 4 Key Merits: Attractive Lease Structures

100% occupied by two leading technology companies



No termination option for both leases



Acquisition portfolio WALE of 9.1 years<sup>(2)</sup>



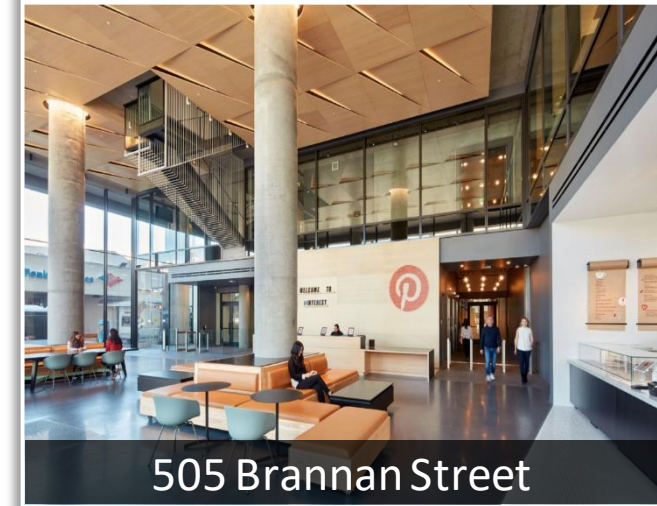
Triple net lease structure with built-in annual rent escalation of 2 – 3% p.a.<sup>(3)</sup>



100% rental collection rate



510 Townsend Street



505 Brannan Street

(1) Stripe's lease has a remaining lease term of 7 years as at 30 September 2020. Stripe has communicated its potential plans to move its headquarters from 510 Townsend Street to a larger space in South San Francisco, by the end of 2021. As the terms of the lease do not give Stripe a unilateral right to terminate the lease before the expiry of the lease term, Stripe has indicated it may either continue to occupy the space for their other existing operations, or it may consider sub-leasing the space, which would require the approval of the landlord of the lease.

(2) By rental income as at 30 Sep 2020.

(3) 510 Townsend Street and 505 Brannan Street have an initial built-in annual rent escalation of 3%. For 505 Brannan Street, the last 5 years of lease have a built-in annual rent escalation of 2%.



# Pro Forma Financial Impact



# Financial Impact: A DPU Accretive Acquisition

## Pro Forma Financial Impact

### DPU Impact <sup>(1)</sup>

(pro forma annualised impact)

**0.129**

**Singapore cents**

### Net Property Income Yield – 1<sup>st</sup> Year <sup>(2)</sup>

Pre-transaction cost

**4.9%**

Post-transaction cost

**4.8%**

(1) The annualised pro forma DPU impact is calculated based on the following assumptions a) Ascendas Reit had completed the Proposed Acquisition on 1 April 2019, held and operated the Properties from 1 April 2019 to 31 December 2019, b) the Proposed Acquisition is funded by 50% equity and 50% debt, c) the Manager elects to receive its base fee 80% in cash and 20% in units.

(2) The Net Property Income (NPI) Yield is derived using the estimated NPI expected in the first year of acquisition.

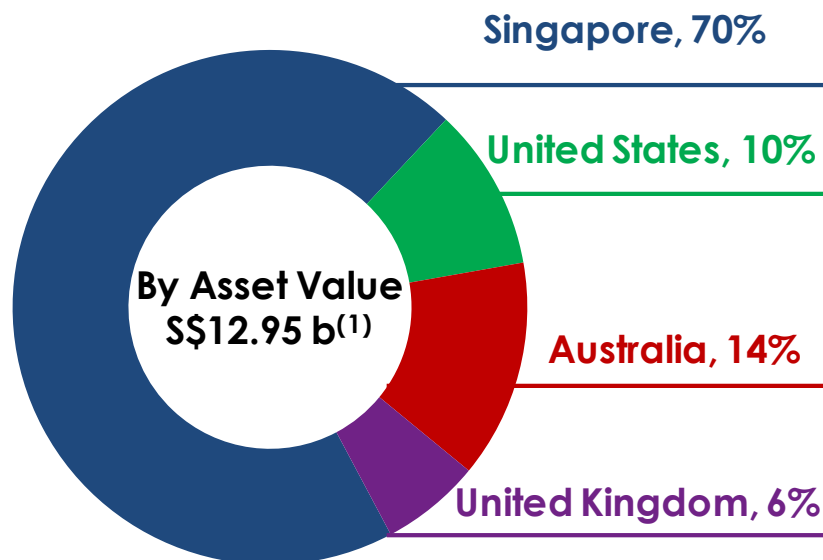
# Pro Forma Portfolio Impact



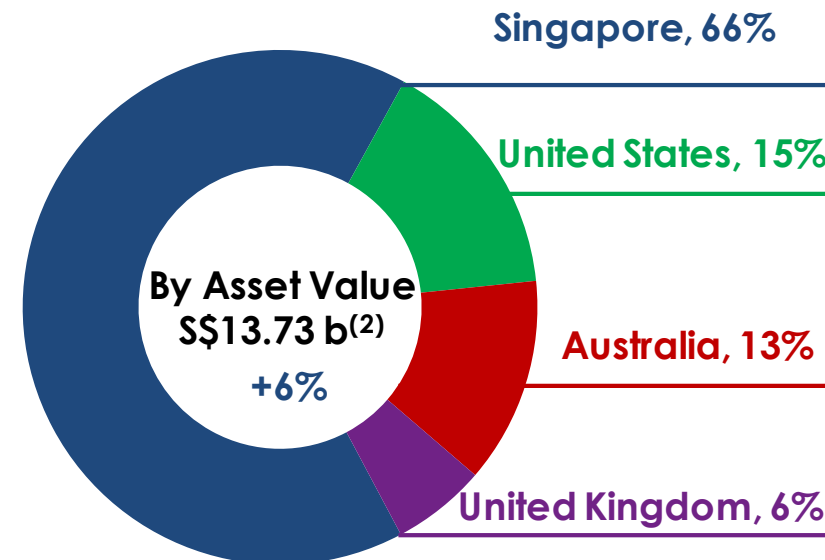
# Portfolio Impact: More Geographically Diversified

Overseas exposure will increase from 30% to 34% of total asset value

## Before Acquisition



## After Acquisition



In line with strategy to remain Singapore-centric with the overseas assets in developed markets accounting for **30% – 40%** of portfolio value over time

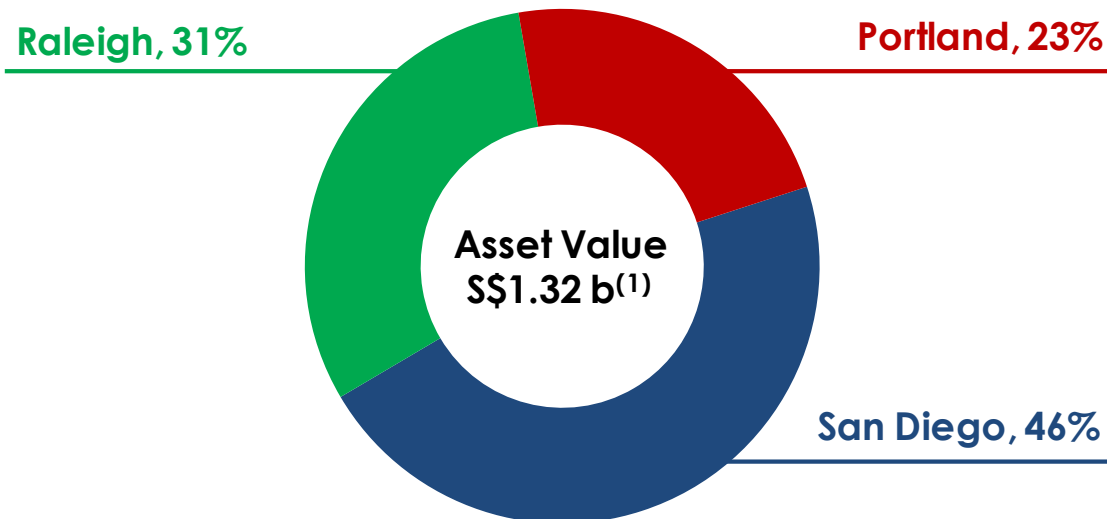
(1) As at 30 Sep 2020.

(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020.

# Portfolio Impact: Moving Up the Ranks of US Technology Cities and Life Sciences Hub; Better US Portfolio Occupancy

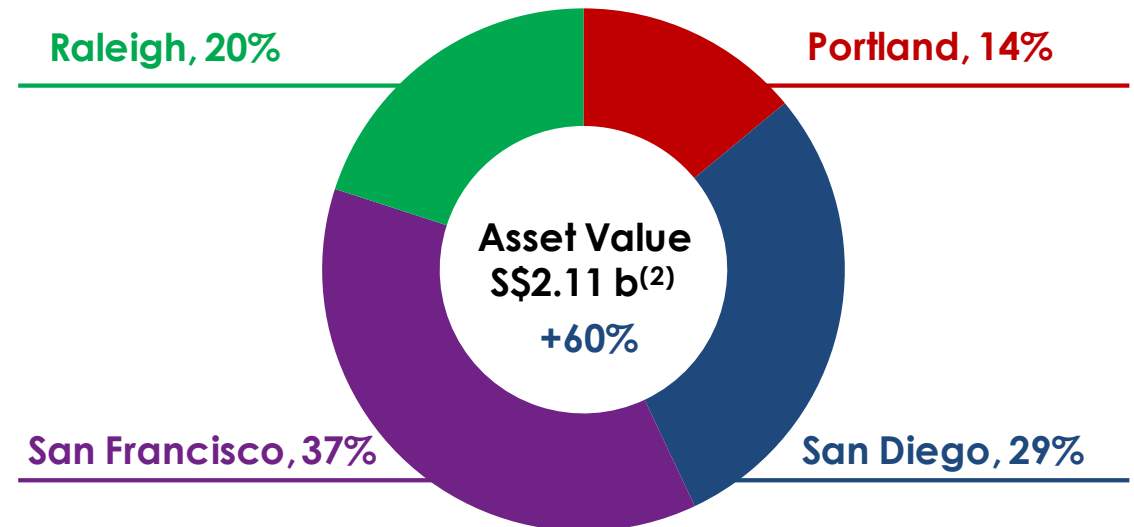
San Francisco will further strengthen our investments in US technology cities

## Before Acquisition



92.0% Occupancy Rate <sup>(1)</sup>

## After Acquisition



92.9% Occupancy Rate <sup>(2)</sup>

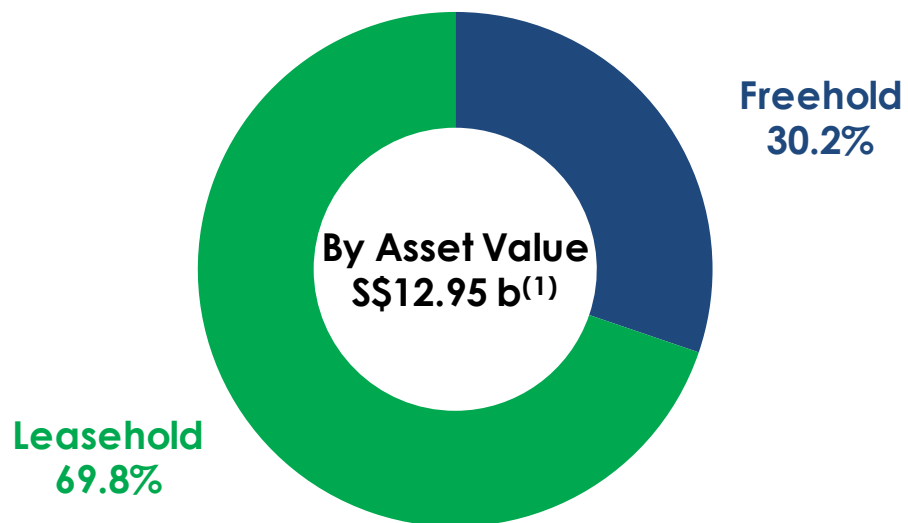
(1) As at 30 Sep 2020.

(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020.

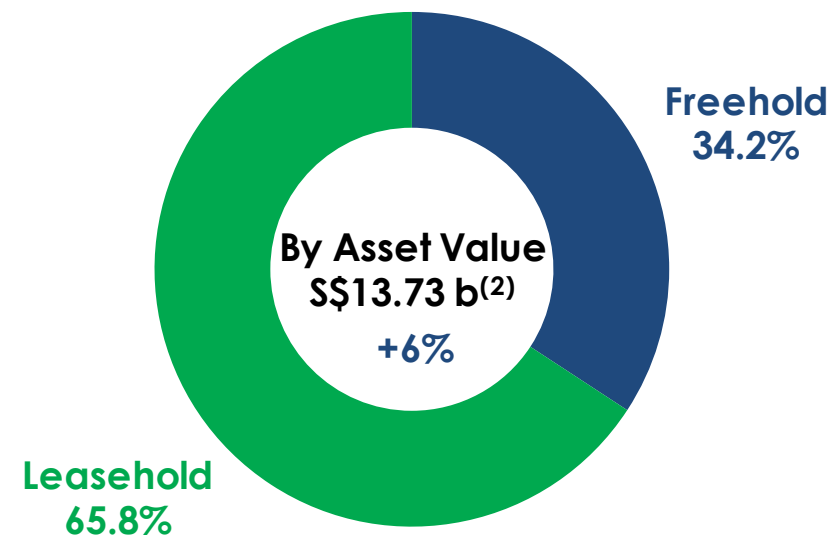
# Portfolio Impact: More Freehold Properties

Proportion of freehold properties will increase from 30.2% to 34.2%

## Before Acquisition



## After Acquisition



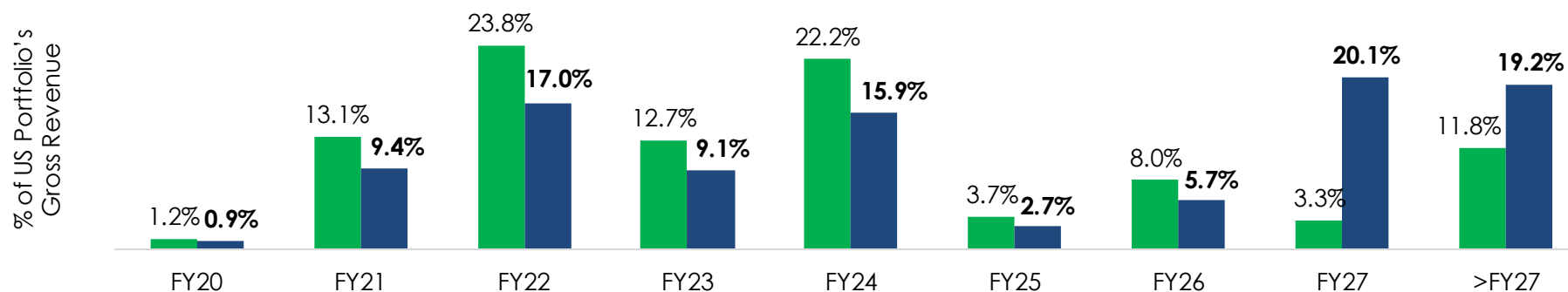
(1) As at 30 Sep 2020.

(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020.

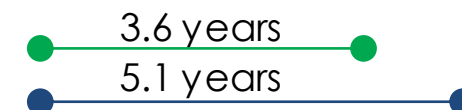
# Portfolio Impact: Lease Expiry Profile Remains Well Spread

## US Portfolio Lease Expiry Profile

US WALE increases from 3.6 years to 5.1 years

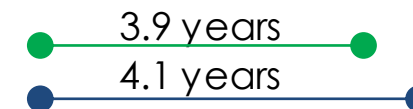
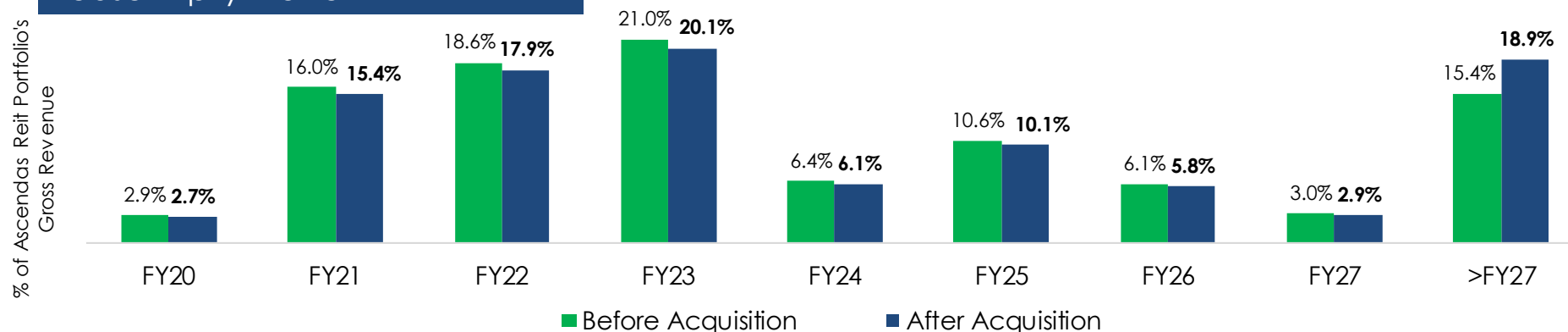


## WALE (as at 30 Sep 2020)



## Ascendas Reit Total Portfolio Lease Expiry Profile

Portfolio WALE increases from 3.9 years to 4.1 years



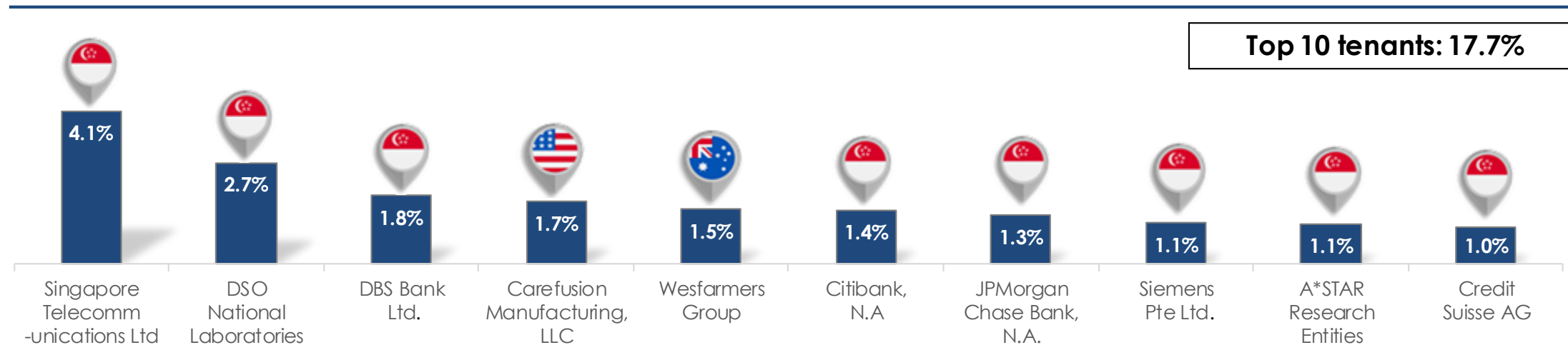
- Before Acquisition
- After Acquisition

(1) As at 30 Sep 2020.

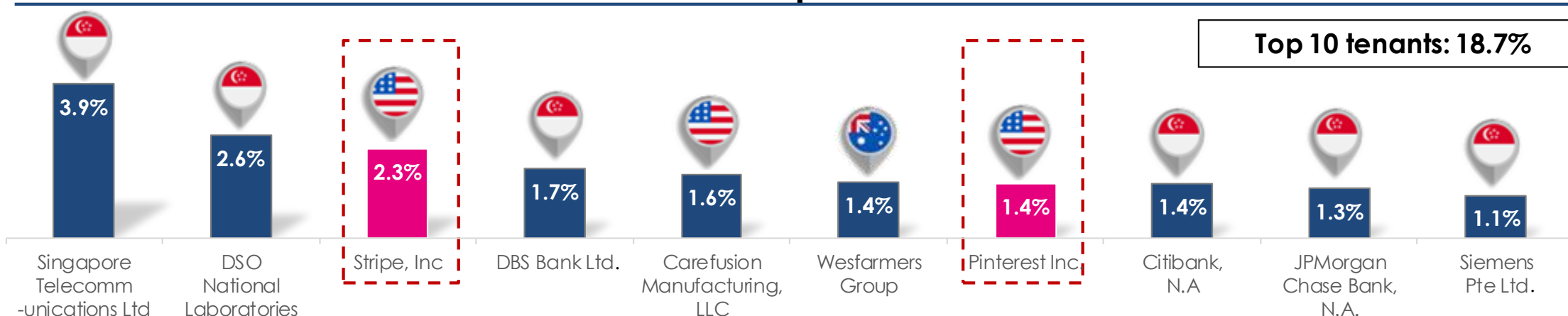
(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020.

# Portfolio Impact: High Quality Top 10 Tenants

## Before Acquisition<sup>(1)</sup>



## After Acquisition<sup>(2)</sup>



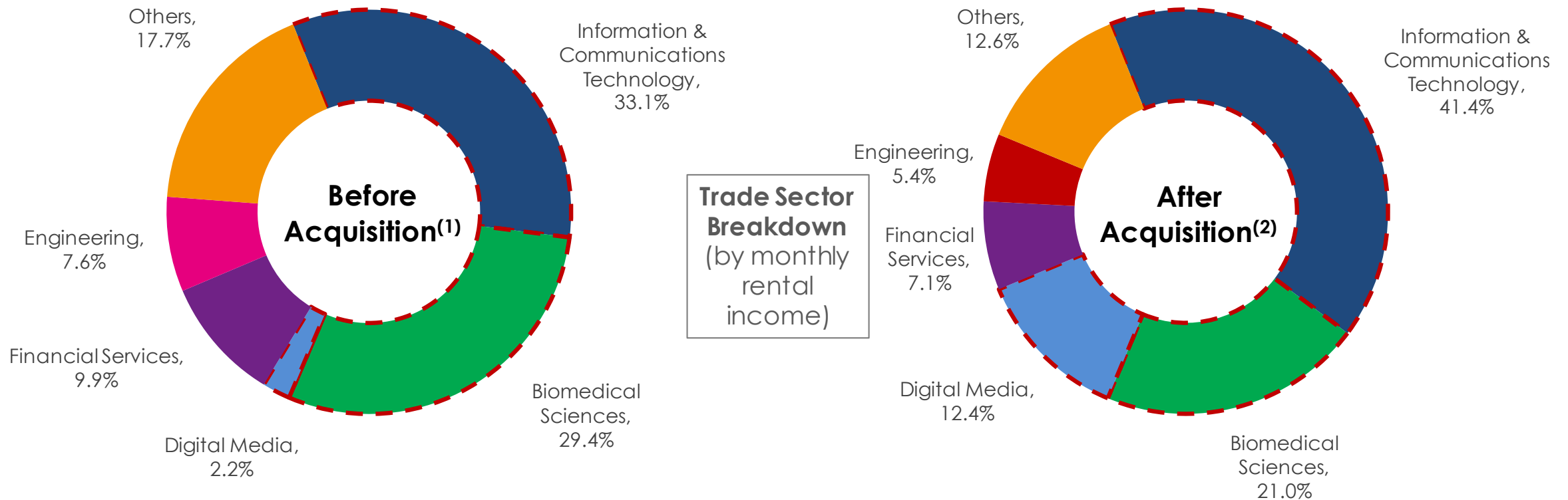
(1) As at 30 Sep 2020. By monthly gross revenue.

(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020. By monthly gross revenue.



# Portfolio Impact: High-Quality Technology Tenants Strengthen US Tenant Base

Proportion of US tenants in the ICT, Biomedical and Digital Media sectors grow to 75% from 65%<sup>(1)</sup>



(1) As at 30 Sep 2020.

(2) Assuming the Proposed Acquisition was completed on 30 Sep 2020.

# Benefits to Ascendas Reit & Unitholders



# Benefits to Ascendas Reit & Unitholders



- **DPU accretive with sustainable returns**
  - Expects 1<sup>st</sup> year NPI yield of 4.8%
  - DPU accretion of 0.85%<sup>(1)</sup>
- **Merits of the Properties**
  - Office Properties in San Francisco, a leading technology and life sciences ecosystem
  - New facilities with an average age of 3 years and LEED® Platinum-certified
  - Attractive contractual terms
    - WALE of 9.1 years with no termination clause
    - Triple net lease structure with built-in annual rental escalation of 2 – 3% per annum <sup>(2)</sup>
- **High quality tenants (Stripe and Pinterest)** in the high growth technology-related industries
- **Strengthens Ascendas Reit's portfolio**
  - Increases proportion of freehold land from 30% to 34% of asset value <sup>(3)</sup>
  - Extends portfolio WALE from 3.9 to 4.1 years <sup>(3)</sup>
  - Diversifies portfolio geographically by increasing total overseas portfolio from 30% to 34% of total asset value <sup>(3)</sup>

(1) The annualised pro forma DPU impact is calculated based on the following assumptions a) Ascendas Reit had completed the Proposed Acquisition on 1 April 2019, held and operated the Properties from 1 April 2019 to 31 December 2019, b) the Proposed Acquisition is funded by 50% equity and 50% debt, c) the Manager elects to receive its base fee 80% in cash and 20% in units.

(2) 510 Townsend Street and 505 Brannan Street have an initial built-in annual rent escalation of 3%. For 505 Brannan Street, the last 5 years of lease have a built-in annual rent escalation of 2%.

(3) Pro Forma Impact as at 30 Sep 2020.

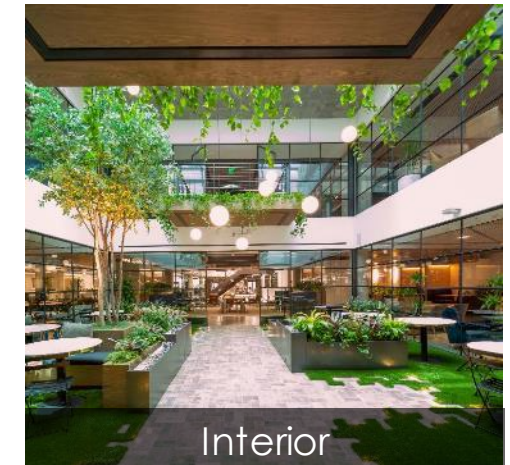
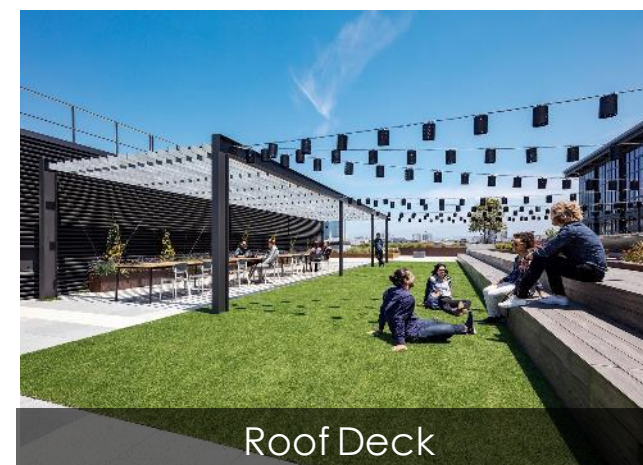
(4) Pro Forma Impact based on 1H FY2020 rental income.

# Appendix: Property Details



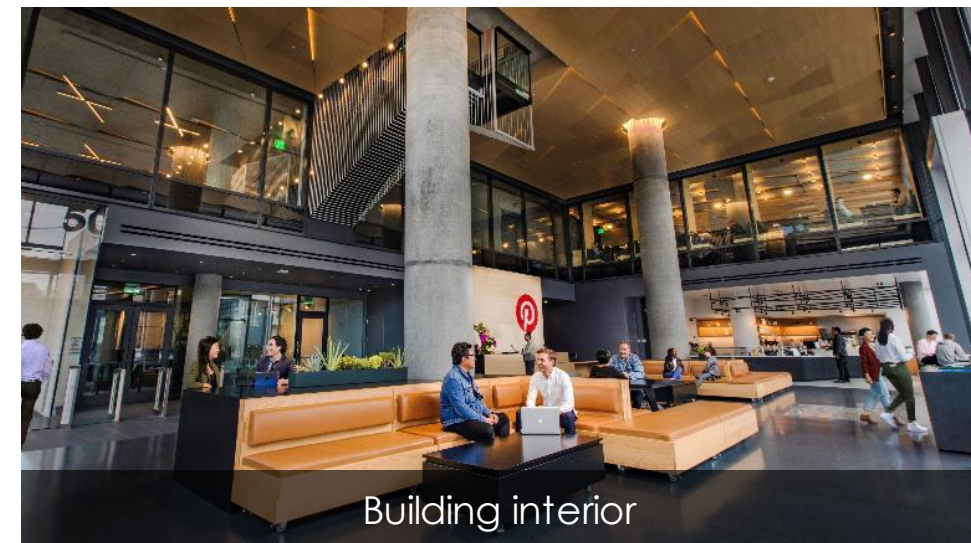
# 510 Townsend Street Property Details

<b>Address</b>	510 Townsend Street, San Francisco, CA 94103
<b>Description</b>	<ul style="list-style-type: none"> <li>7-storey building featuring attractive brick façade, expansive floor plates, soaring ceiling heights</li> <li>Landscaped mini-plaza and a 1,858 sqm roof deck with a large urban garden</li> </ul>
<b>Year Built</b>	2017
<b>Land Area</b>	5,504 sqm (freehold)
<b>Net Lettable Area</b>	27,437 sqm
<b>Gross Floor Area</b>	27,437 sqm
<b>Remaining Lease Term</b>	7.0 years
<b>Parking</b>	50 total spaces (including 4 loading, 3 EV, 2 accessible parking, and 1 car sharing)
<b>Tenant</b>	Stripe
<b>Occupancy</b>	100%
<b>Green Certification</b>	LEED Platinum



# 505 Brannan Street Property Details

<b>Address</b>	505 Brannan Street, San Francisco, CA 94107
<b>Description</b>	<ul style="list-style-type: none"> <li>6-storey building with glass and steel exterior, light-filled two-story lobby, high ceiling heights</li> <li>Landscaped passageway at grade, and a roof deck</li> </ul>
<b>Year Built</b>	2017
<b>Land Area</b>	2,377 sqm (freehold)
<b>Net Lettable Area</b>	13,935 sqm
<b>Gross Floor Area</b>	16,569 sqm
<b>Remaining Lease Term</b>	12.4 years
<b>Parking</b>	68 total spaces (including 4 accessible parking and 2 car sharing)
<b>Tenant</b>	Pinterest (headquarters)
<b>Occupancy</b>	100%
<b>Green Certification</b>	LEED Platinum





# Thank You

