Press Release
For Immediate Release

ascendas Reit
A Member of CapitaLand

Ascendas Reit's Total Amount Available for Distribution for FY2020 grew 6.7% y-o-y to S$538.4 million

1. Total amount available for distribution for the financial year ended 31 December 2020 rose 6.7% year-on-year (y-o-y) to S$538.4 million, mainly due to contributions from newly acquired properties. FY2020 Distribution per Unit (DPU) was 14.688 cents, 6.1% lower y-o-y, partially due to the impact of COVID-19.

2. S$973 million worth of acquisitions were completed in FY2020. We also announced a further S$535 million worth of investments which are expected to be completed within the next two years.

3. Portfolio occupancy rate held steady at 91.7% (as at 31 December 2020), and positive average rent reversion of 3.8% was achieved for leases that were renewed during FY2020.

Summary of Ascendas Reit Group Results[1]

	12 months ended 31 Dec 2020 (FY2020)	12 months ended 31 Dec 2019	Variance	2H FY2020 (Jul - Dec 2020)	2H 2019 (Jul - Dec 2019)	Variance
Gross revenue (S$m)	1,049.5	924.1	13.6%	528.2	469.4	12.5%
Net property income (S$m)	776.2	709.5	9.4%	388.2	360.2	7.8%
Total amount available for distribution (S$m)	538.4	504.4 (2)	6.7%	275.2	250.7	9.9%
DPU (cents)	14.688 (3)	15.638 (4)	-6.1%	7.418 (5)	7.485 (6)	-0.9%
Applicable no. of units (m)	3,666	3,226	13.6%	3,710	3,350	10.8%
No. of properties (as at end of period)	200 (7)	200	-	200 (7)	200	-

Notes:

(1) As disclosed in the announcement made by the Manager dated 24 July 2019 in relation to the Change of Ascendas Reit's Financial Year End, Ascendas Reit has changed its financial year end from 31 March to 31 December. Therefore, the current financial period is for the 12 months period from 1 January 2020 to 31 December 2020 (FY2020). The comparative information presented in the financial table was for the 12 months ended 31 December 2019 (2019). In order to present the comparative information in a consistent manner, the Group has re-presented the net property income from 1 January 2019 to 31 March 2019 by applying the principles of FRS 116 since 1 January 2019. The re-presented results from 1 January 2019 to 31 March 2019 were aggregated with the results from 1 April 2019 to 31 December 2019 to derive the

2019 results of the 12 months period. The re-presentation of comparative period information has no impact on the amount available for distribution.
(2) Included in 2019 was distribution of rollover adjustments from prior years amounting to S$7.8 million (DPU impact of 0.250 cents). This arose mainly from tax rulings by the Inland Revenue Authority of Singapore (IRAS) on the non-tax deductibility of certain finance costs in prior years. Excluding the rollover adjustments in 2019, DPU of FY2020 would have decreased by 4.5%.
(3) Included taxable, tax exempt and capital distributions of 11.751, 0.161 and 2.776 cents respectively.
(4) Included taxable tax exempt and capital distributions of 13.520, 0.130 and 1.988 cents respectively
(5) Included taxable, tax exempt and capital distributions of 5.841, 0.121 and 1.456 cents respectively.
(6) Included taxable, tax exempt and capital distributions of 6.392, 0.130 and 0.963 cents respectively.
(7) As at 31 December 2020, Ascendas Reit had 96 properties in Singapore, 36 properties in Australia, 38 properties in the United Kingdom and 30 properties in the United States.

2 February 2021, 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 full year ended 31 December 2020 (FY2020) rose by 13.6% y-o-y to S$1,049.5 million. The increase was mainly due to the full year contribution by the portfolio of 28 business park properties in the United States (US) and two business park properties in Singapore, which were acquired in December 2019. The newly completed suburban office, 254 Wellington Road in Melbourne Australia, as well as the two office properties recently acquired in San Francisco also contributed to the higher gross revenue.

This was partially offset by S$17.8 million of rent rebate recorded in FY2020 as part of Ascendas Reit's assistance to tenants amidst the challenges caused by the COVID-19 pandemic. There was also a decline in revenue from lower occupancies in certain properties during the year.

FY2020 net property income rose by 9.4% y-o-y to S$776.2 million in tandem with the increase in gross revenue.

The total amount available for distribution in FY2020 rose 6.7% y-o-y to S$538.4 million, which was partially offset by the increase in non-property operating expenses relating to new acquisitions and higher net finance costs mainly due to higher average debt balances. Excluding the one-off distribution of rollover adjustments from prior years amounting to S$7.8 million in 1H 2019, DPU would have decreased by a lower 4.5% y-o-y.

Mr William Tay, Chief Executive Officer and Executive Director of the Manager, said: "Despite the challenging environment in 2020, I am pleased that Ascendas Reit delivered a resilient DPU of 14.688 cents. This was underpinned by a diversified portfolio with exposure in business park, logistics and high-specs segments across selected strong markets. We also seized the opportunity to secure over S$1.4 billion worth of accretive acquisitions in Singapore, Australia and the US to further strengthen our portfolio. We will continue to develop and strengthen our business in 2021."

Value-adding Investments

During FY2020, Ascendas Reit continued to grow its portfolio strategically with assets that support key growth industries, and further diversified its portfolio geographically. The Trust completed S$973 million worth of acquisitions and announced a further S$535 million worth of investments which are expected to be completed within the next two years.

Ascendas Reit's total portfolio value grew by 6.7% y-o-y to S$13.7 billion as at 31 December 2020. Singapore accounts for 66% (S$9.0 billion) of the total portfolio with the remaining 34% comprising of properties in the US (S$2.1 billion or 15%), Australia (S$1.8 billion or 13%) and the United Kingdom (UK) (S$0.8 billion or 6%).

The completed acquisitions included a 25% stake in Galaxis, a prime business park property located in one-north, Singapore (S$104.6 million) and two office properties located at 510 Townsend Street and 505 Brannan Street, in San Francisco, US (S$768.0 million). In Australia, a brand-new suburban office located at 254 Wellington Road in Melbourne (S$100.6 million) received practical completion in September 2020.

Ascendas Reit also announced the acquisitions of two suburban offices located in Sydney, Australia. Both properties are located within Macquarie Park, a well-established business precinct expected to benefit from office decentralisation trends. MQX4 (S$161.0 million) is a high-quality suburban office under development (completion expected around mid-2022) and No. 1-5 Thomas Holt Drive ($284.0 million) is a well-occupied campus style property (acquisition was completed on 13 January 2021).

In addition, Ascendas Reit acquired two Australian logistics properties, Lot 7 Kiora Crescent located in Sydney (S$21.1 million) and 500 Green Road located in Brisbane (S$69.1 million). Both properties are under development and are expected to complete in 2Q 2021 and 4Q 2021 respectively.

A total of seven asset enhancement initiatives (AEI) were completed in Singapore and Australia at a total cost of S$34.2 million to upgrade building specifications and improve amenities to enhance the properties.

Capital Recycling

During the year, three Singapore properties, Wisma Gulab (190 Macpherson Road), 202 Kallang Bahru and 25 Changi South Street 1, were divested for total sales proceeds of S$125.3 million. This is in line with the Manager's proactive asset management strategy to redeploy capital and optimise returns for Unitholders.

A Diversified and Resilient Portfolio

As at 31 December 2020, Ascendas Reit's S$13.7 billion portfolio had a customer base of more than 1,450 tenants spread across properties in five industrial sub-segments, ranging from business & science park/suburban office/office properties, high-specifications industrial, light industrial properties, integrated developments and logistics and distribution centres.

Ascendas Reit's portfolio comprises 32% of single-tenant buildings and 68% of multi-tenant buildings by asset value. No single property accounts for more than 4.2% of Ascendas Reit's monthly gross revenue.

As at 31 December 2020, overall portfolio occupancy rate held steady at 91.7% (30 September 2020: 91.9%).

Occupancy rate of the Singapore portfolio declined to 88.4% quarter-on-quarter (q-o-q) (30 Sep 2020: 88.8%). This was mainly attributable to the non-renewal of the lease at 11 Changi North Way, a logistics property.

The newly acquired properties in San Francisco lifted the US portfolio occupancy rate to 92.9% (30 September 2020: 92.0%). The Australian and UK portfolio occupancy rates remained largely stable at 97.4% (30 September 2020: 97.5%) and 97.5% (30 September 2020: 97.5%) respectively.

For FY2020, the portfolio recorded positive average rental reversion[1] of 3.8% for leases that were renewed in multi-tenant buildings (FY2019: +6.0%). In Singapore, average rental reversion was +3.1% whilst in the US and Australia, average rental reversion was +16.6% and +14.0% respectively.

Based on new leases signed, tenants from the government sector accounted for the largest proportion of new demand by gross rental income in FY2020 (22.7%).

The portfolio's weighted average lease expiry (WALE) stood at 4.1 years. About 16.3% of Ascendas Reit's gross rental income will be due for renewal in FY2021. We are working proactively on the renewal of leases that are coming due and marketing the vacant spaces 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 2020, Ascendas Reit's total portfolio[2] was valued at S$13.7 billion. Same-store valuation[3] of S$12.83 billion as at 31 December 2020 was stable compared to S$12.70 billion as at 31 December 2019. This underlines the resilient nature of the portfolio, maintaining its valuation despite the challenges posed by the pandemic.

Proactive Capital Management

As at 31 December 2020, aggregate leverage was healthy at 32.8% (30 June 2020: 36.1%, 31 December 2019: 35.1%). Weighted average all-in cost of borrowing improved to 2.7% (30 June 2020: 2.9%, 31 December 2019: 2.9%) and its debt maturity profile remains well-spread out with weighted average tenure of debt outstanding at 3.7 years.

Ascendas Reit's liquidity position remains robust. Operating cashflow is stable, underpinned by a well-diversified portfolio. In the event that the COVID-19 pandemic prolongs, Ascendas

[1] 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 the respective period and average gross rents are weighted by area renewed.

[2] Comprises 197 properties, excluding three properties, 25 Ubi Road 4, 27 Ubi Road 4 and iQuest@IBP, which are under redevelopment. Valuations of the two recently acquired US office properties in San Francisco, 510 Townsend Street and 505 Brannan Street, were as at 15 October 2020.

[3] Same-store valuation comprises 194 properties, excluding divested, newly acquired properties and properties under redevelopment during FY2020.

Reit has in its reserves, S$478 million comprising of S$278 million in cash and fixed deposits and S$200 million in committed facilities to make up for any shortfall.

A high level of natural hedge in Australia (~70%), the UK (~100%) and the US (~60%) minimises the effects of adverse exchange rate fluctuations.

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

Outlook

In January 2021, the International Monetary Fund (IMF) projected a return to global growth of 5.5% in 2021 from an estimated contraction of 3.5% in 2020. However, the recent resurgence of COVID-19 and new strains of the virus in many countries have triggered repeated lockdowns and restrictions. The IMF has cautioned that global economic recovery could be affected even if the distribution of COVID-19 vaccines takes place successfully.

Singapore

In Singapore, the economy contracted 5.8% y-o-y in 2020 as a result of weak economic activity caused by the COVID-19 pandemic. The Ministry of Trade and Industry (MTI) expects a slow and uneven recovery amongst major advanced and developing economies in 2021. However, given the low base in 2020, the Singapore economy is projected to return to growth at between "4.0% to 6.0%" in 2021 (source: MTI).

Despite the difficult environment, the occupancy rate for Ascendas Reit's Singapore properties remained healthy at 88.4%. During the financial year, Ascendas Reit provided rent waivers to its tenants, amounting to approximately S$17.2 million (2.3% of FY2020 Singapore gross revenue). This amount is in addition to the Singapore Government's property tax rebates and cash grants which were fully passed through to eligible tenants.

Demand is expected to remain subdued as companies are likely to stay cautious and continue to put their business and expansion plans on hold on the back of an uncertain economic outlook. Excess supply in some industrial property segments is also expected to curb rental growth.

United States

In 2020, the US economy recorded a contraction of 3.5% y-o-y compared with a growth of 2.2% y-o-y in 2019 (source: US Bureau of Economic Analysis). The spike in COVID-19 infections towards the end of 2020 presents a key risk to economic recovery in 2021.

The Federal Reserve held US interest rates at between 0% to 0.25% to enable the economy to weather the recent challenges. The US GDP is expected to expand by 5.1% y-o-y in 2021 (source: IMF).

In the US, S$70,000 of rent rebates were provided to tenants affected by COVID-19 in 2020.

On the acquisition front, two office properties located in San Francisco were acquired in November 2020, lifting the US portfolio value by 59% y-o-y to S$2.1 billion. Ascendas Reit's US portfolio is located in the US technology cities of San Francisco, San Diego, Raleigh and Portland and is well-positioned to benefit from the growing technology and healthcare sectors. The strength of the US portfolio is also underpinned by its long WALE of 5.1 years and the high proportion of leases with rent escalation clauses of between 2.5% to 4.0% per annum.

Australia

Australia exited a technical recession after recording 3.3% q-o-q GDP growth for 3Q 2020 although this represented a 3.8% contraction y-o-y (source: Australian Bureau of Statistics). The Reserve Bank of Australia expects the positive momentum to continue in 4Q 2020, with the easing of lockdown measures in Melbourne and the significant stimulus measures announced in October 2020 by the Australian Government.

The Reserve Bank lowered the cash interest rate to 0.1% from 0.25% in November 2020 to provide more support to employment and economic activity amidst the COVID-19 outbreak. GDP for 2021 is forecast to expand by 4.5% (source: Australian Government Mid-Year Economic and Fiscal Outlook).

The overall impact of COVID-19 on the Australian portfolio has been mild to-date, amounting to less than S$0.6 million in FY2020. The portfolio continues to deliver stable performance due to good locations in the key cities of Sydney, Melbourne and Brisbane, WALE of 4.1 years and average rent escalations of approximately 3% per annum.

The Australian portfolio value is expected to grow by 29% to S$2.4 billion after taking into account recently announced acquisitions. They include (1) two logistics properties under development in Sydney and Brisbane, which will expand Ascendas Reit's footprint in key distribution markets benefiting from robust e-commerce demand in Australia, and (2) two suburban office properties, located in Macquarie Park, Sydney, which will allow Ascendas Reit to take advantage of decentralisation trends as companies seek office space in affordable satellite hubs.

<u>United Kingdom</u>

In 3Q 2020, the UK economy contracted by 8.6% y-o-y, following the record 20.8% y-o-y contraction in 2Q 2020. On a q-o-q basis, the economy grew 16.0% reflecting the easing of lockdown restrictions during the quarter and the base effects from the steep contraction of 8.6% q-o-q in 2Q 2020 (source: Office for National Statistics (ONS)). UK's economy is forecast to deliver a growth of 4.5% y-o-y in 2021 (source: IMF).

Due to the disruptions from COVID-19, rental payment frequency for some tenants were changed from quarterly to monthly in advance and some rents have been deferred to provide cashflow relief to tenants. To-date, all tenants have honoured their rent payments.

On 1 January 2021, the UK formally separated from the European Union (EU). A free trade deal was secured, which avoided the introduction of tariffs or quotas on goods traded between the UK and the EU. Ascendas Reit's UK portfolio has a long WALE of 8.8 years, which will help to mitigate any uncertainties that may arise as businesses adjust to the new regime.

The proportion of internet sales in the UK remained consistently above 26% of total retail sales in the second half of 2020, higher than the previous year's record of 21.6% achieved in November 2019. This strong e-commerce penetration trend is expected to continue benefiting the logistics sector that all of Ascendas Reit's UK properties are in (source: ONS).

Conclusion

Many countries are faced with a surge in coronavirus infection and it may take time to successfully roll out their vaccination programmes.

The pace of business recovery globally is expected to vary across sectors and remain uncertain. The Manager will continue to exercise prudence, maintain a strong balance sheet and proactively manage its portfolio to deliver sustainable returns for its Unitholders.

- 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 2020, Ascendas Reit's investment properties under management stood at S$13.7 billion. The portfolio comprises 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 more than 1,450 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, Stripe, DSO National Laboratories, Pinterest, DBS, CareFusion, Wesfarmers, Citibank and JPMorgan.

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)

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 about S$133.3 billion as at 30 September 2020. 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 220 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 six listed real estate investment trusts (REITs) and business trusts as well as over 20 private funds. CapitaLand launched Singapore's first REIT in 2002 and today, its stable of REITs and business trusts comprises CapitaLand Integrated Commercial Trust, Ascendas Real Estate Investment Trust, Ascott Residence Trust, CapitaLand China Trust, Ascendas India Trust and CapitaLand Malaysia Mall Trust.

CapitaLand places sustainability at the core of what it does. As a responsible real estate company, CapitaLand contributes to the environmental and social well-being of the communities where it operates, as it delivers long-term economic value to its stakeholders.

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