

## **Ascendas Reit acquires two office properties in San Francisco for S\$768.0 million**

10 November 2020, Singapore – Ascendas Funds Management (S) Limited (the Manager), the manager of Ascendas Real Estate Investment Trust (Ascendas Reit), is pleased to announce the proposed acquisition of two office properties located in San Francisco, the United States (US), for US\$560.2 million (S\$768.0 million)<sup>1</sup> (Total Purchase Consideration) from B505 Industries, LLC and ARE-San Francisco No. 47, LLC (Vendors) (Proposed Acquisition). The properties are located at 510 Townsend Street and 505 Brannan Street (Properties) in the South of Market (SoMa) submarket.

Mr William Tay, Executive Director and Chief Executive Officer of the Manager said, “This acquisition allows us to plant a foothold in San Francisco, one of the most dynamic and progressive cities in the US. The properties are newly completed in 2017 and are fully leased to two high quality technology tenants, Stripe and Pinterest, for a long WALE of 9.1 years. We are really excited with this acquisition.”

### **Key Merits of the Proposed Acquisition**

#### **1. Well located in the tech city of San Francisco, and within SoMa, a top performing submarket**

The Proposed Acquisition comprises two office properties strategically located in San Francisco, the epicentre of technology ecosystem and a leading life sciences cluster. San Francisco was ranked the second top US tech city behind San Jose<sup>2</sup>.

Google, Facebook, FibroGen and Vir Biotechnology are some of the renowned companies which have established their headquarters or regional offices in San

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<sup>1</sup> An illustrative exchange rate of US\$1.000: S\$1.37088 is used for all conversions from US Dollar amounts into Singapore Dollar amounts in this press release.

<sup>2</sup> Cyberstates 2020, an annual analysis of the nation's industry published by CompTIA.

Francisco, driven by the availability of a highly skilled and educated workforce, high standard of living, and excellent transportation infrastructure.

Both Properties are situated in the submarket of SoMa, the leading submarket in San Francisco with one of the highest concentration (over 85% of inventory<sup>3</sup>) of technology tenants in the city. Key tenants in the vicinity include Adobe, Paypal, Airbnb, Pinterest and Cruise Automation.

SoMa has consistently been the top performing submarket with an average occupancy rate of more than 96% (for Class A properties) since 2013<sup>4</sup>. Average rental rate has grown 4.9% per annum since 2013<sup>5</sup>. The area is well served by trains from Caltrain Station (a commuter rail line between San Jose and San Francisco), BART and MUNI metro (light rail system) and bus networks. The area has an abundance of amenities from restaurants, bars and museums and is also the location of the home stadium of the San Francisco Giants, the city's baseball team.

## **2. Occupied by high quality technology-related customers**

The property at 510 Townsend Street is fully leased to Stripe, Inc. (Stripe)<sup>6</sup>, a private global technology company that builds and licenses online payment infrastructure. They are the third most valuable startup in the US, and recognised as a leader amongst merchant providers. Their customers include Salesforce, Amazon, Google and Shopify, amongst others. Stripe's lease has a remaining lease term of 7.0 years<sup>7</sup>.

Pinterest, Inc. (Pinterest) has its headquarters at 505 Brannan Street and occupies 100% of the office space. Pinterest is a visual discovery engine used to find creative inspiration for recipes, home and style ideas, travel destinations and many more topics. It has over 400 million of monthly active users globally and is listed on the New York Stock Exchange (NYSE: PINS) with a market capitalisation of more than US\$35 billion<sup>8</sup>. Pinterest's lease has a remaining lease term of 12.4 years<sup>9</sup>.

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<sup>3</sup> Source: CBRE Research

<sup>4</sup> Source: CBRE Research

<sup>5</sup> Source: CBRE Research

<sup>6</sup> 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 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.

<sup>7</sup> As at 30 September 2020

<sup>8</sup> As at 6 November 2020. Source: Bloomberg L.P.

<sup>9</sup> As at 30 September 2020

These two companies will further increase Ascendas Reit's exposure to the growing technology, biomedical and digital media industry in the US to 75% from 65% as at 30 September 2020, further enhancing Ascendas Reit's foothold within the technology and new economy sectors.

### **3. Enhances and diversifies Ascendas Reit's portfolio**

The Properties have a combined weighted average lease to expiry (WALE) of 9.1 years and this will lengthen Ascendas Reit's total portfolio WALE to 4.1 years from 3.9 years<sup>10</sup>. As the Properties are sited on freehold land, this will further increase the proportion of freehold properties in Ascendas Reit's portfolio from 30.2% to 34.2%<sup>11</sup>.

The structure of the leases is triple-net and have built-in rent escalations of 2% to 3% per annum providing organic growth.

After this Proposed Acquisition, Ascendas Reit's portfolio will be more diversified with San Francisco accounting for 37% of the US portfolio<sup>12</sup>. Total US assets will make up 15% of the total portfolio (from 10% as at 30 September 2020).

### **4. High quality LEED Platinum buildings**

510 Townsend Street and 505 Brannan Street are both LEED® Platinum-certified Class A office properties. Both properties were newly completed in 2017 featuring large floor plates, state-of-the-art building and HVAC<sup>13</sup> systems, providing a safe and healthy environment for employees, which is advantageous in a post-COVID 19 era.

### **5. Distribution per Unit (DPU) accretive acquisition**

Net property income yield<sup>14</sup> for the first year is approximately 4.9% and 4.8% pre-transaction costs and post-transaction costs respectively. The annualised pro forma impact on FY2019 DPU is expected to be an improvement of 0.129 Singapore cents<sup>15</sup> assuming the Proposed Acquisition was completed on 1 April 2019.

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<sup>10</sup> By rental income as at 30 September 2020.

<sup>11</sup> By asset value as at 30 September 2020.

<sup>12</sup> San Diego (29%), Raleigh (20%) and Portland (14%) make up the rest of Ascendas Reit's US portfolio.

<sup>13</sup> Heating, ventilation and air conditioning

<sup>14</sup> The net property income (NPI) yield is derived from the estimated NPI expected in the first year of acquisition.

<sup>15</sup> The annualised pro forma DPU impact on FY2019 DPU 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, and (c) the Manager elects to receive its base fee 80% in cash and 20% in units.

### **Details of the Proposed Acquisition**

Ascendas Reit, through its indirectly wholly owned subsidiaries, has entered into conditional purchase and sale agreements with the Vendors to acquire the Properties for US\$560.2 million (S\$768.0 million).

The independent market valuations of the Properties amount to US\$573.0 million (S\$785.5 million) as at 15 October 2020<sup>16</sup>.

Ascendas Reit is expected to incur an estimated transaction cost of US\$11.9 million (S\$16.3 million) which includes stamp duty, professional advisory fees, and acquisition fees payable to the Manager in cash (being 1% of the Total Purchase Consideration of US\$560.2 million, which amounts to approximately US\$5.6 million (S\$7.7 million)).

The total acquisition cost, which amounts to US\$572.1 million (S\$784.3 million), will be financed with proceeds from the Equity Fund Raising (please refer to “Launch of Equity Fund Raising to Raise Gross Proceeds of Approximately S\$1,200 million” announcement dated 10 November 2020), debt financing, and/or internal cash resources.

The completion of the Proposed Acquisition is subject to conditions precedent and is expected to take place within the current financial year.

Including the Properties, Ascendas Reit will own 96 properties (S\$9.0 billion) in Singapore, 36 properties (S\$1.8 billion) in Australia, 38 properties (S\$0.8 billion) in the United Kingdom and 30 properties in the US (S\$2.1 billion).

### **Property Details**

#### **510 Townsend Street**

510 Townsend Street is a seven-storey building with 50 car park spaces. Newly completed in 2017, it features an attractive brick façade, expansive floorplates, high ceiling heights as well as a roof deck with a large urban garden. It has a net lettable area of 27,437 square metres and sits on a freehold land area of 5,504 square metres.

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<sup>16</sup> The valuations were commissioned by the Manager and HSBC Institutional Trust Services (Singapore) Limited (trustee of Ascendas Reit) and carried out by Newmark Knight Frank Valuation & Advisory, LLC, using the sales comparison and income capitalisation approaches.

### 505 Brannan Street

505 Brannan Street is a six-storey building with 68 car park spaces developed over a freehold land area of 2,377 square metres. It has a net lettable area of 13,935 square metres. Newly completed in 2017, the building has a glass and steel exterior, light-filled two-story lobby, expansive ceiling heights, a landscaped passageway, and a roof deck with panoramic views of the city.

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### **About Ascendas Real Estate Investment Trust ([www.ascendas-reit.com](http://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 30 September 2020, investment properties under management stands at S\$12.95 billion, comprising 198 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, DSO National Laboratories, Citibank, DBS, CareFusion, Wesfarmers, 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](http://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 Retail 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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You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management regarding future events. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this press release. Neither Ascendas Funds Management (S) Ltd ("**Manager**") nor any of its affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising, whether directly or indirectly, from any use of, reliance on or distribution of this press release or its contents or otherwise arising in connection with this press release.

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