MOODY'S INVESTORS SERVICE

CREDIT OPINION
10 June 2022

Update

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RATINGS

Ascendas Real Estate Investment Trust

Domicile	Singapore
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Yu Sheng Tay +65.6311.2690
Analyst
yusheng.tay@moodys.com

Anthony Prayugo +65.6398.8331
Associate Analyst
anthony.prayugo@moodys.com

Jacintha Poh +65.6398.8320
Senior Vice President
jacintha.poh@moodys.com

Vikas Halan +65.6398.8337
Associate Managing Director
vikas.halan@moodys.com

Ascendas Real Estate Investment Trust

Update to credit analysis

Summary

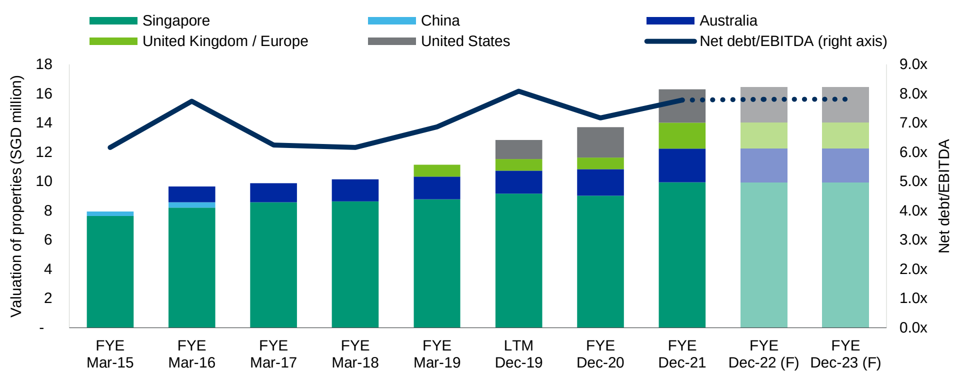
Ascendas Real Estate Investment Trust's (Ascendas REIT) A3 rating reflects its stable operating track record and income generation; diversified portfolio of good-quality industrial assets across Singapore, Australia, the UK, Europe and the US; established market position as one of the largest industrial landlords in Singapore; and disciplined financial policies.

Although Ascendas REIT has an acquisitive growth strategy, the trust has funded its expansion with a mix of divestments, debt and equity such that credit metrics remained within its A3 rating parameters. At the same time, the positioning of its portfolio enables the trust to capture growth in the technology, logistics and life sciences industries.

Ascendas REIT's rating is also constrained by its use of short-term revolving credit facilities, although liquidity risk is balanced by the trust's established banking relationships, track record of raising funds from capital markets and proactive approach toward capital management.

Exhibit 1

Ascendas REIT has grown its asset portfolio significantly over the years, but leverage remains broadly stable



Ascendas REIT changed its financial year end to December from March in 2019. FYE = Financial year end. LTM = Last 12 months. Debt calculation incorporates the 50% equity treatment assigned to the trust's perpetual securities, and the lease liabilities from FYE Dec-2019 following the trust's adoption of the Singapore Financial Reporting Standard 116 on 1 April 2019.
Sources: Company, Moody's Financial Metrics™ and Moody's Investors Service estimates

Credit strengths

» Established market position in Singapore and geographic diversification

» Credit metrics commensurate with its A3 rating parameters

» Stable operating track record and resilient income generation from a diversified portfolio of good-quality industrial assets

» Refinancing risk mitigated by its track record of access to funding and established banking relationships

Credit challenges

» Acquisitive growth strategy

» Inadequate liquidity for the next 12-18 months because of the use of short-term revolving credit facilities and debt maturities

Rating outlook

The rating outlook is stable, reflecting our expectation that Ascendas REIT's credit metrics will remain within the parameters of the A3 rating because the trust has a diversified asset portfolio, wide array of tenants and relatively low exposure to sectors severely affected by the coronavirus pandemic.

Factors that could lead to an upgrade

Ascendas REIT's rating could be upgraded if the trust continues to improve its geographic diversification while strengthening its credit metrics, such that its Moody's-adjusted debt/total deposited assets falls below 35% and Moody's-adjusted net debt/EBITDA drops below 6.0x on a sustained basis.

Factors that could lead to a downgrade

Ascendas REIT's rating could be downgraded if the operating environment deteriorates, leading to higher vacancy levels and a decline in operating cash flow or a fall in asset valuations; or the trust's credit metrics weaken, such that its Moody's-adjusted net debt/EBITDA rises above 8.0x or Moody's-adjusted EBITDA/interest coverage falls below 3.5x.

In addition, a significant change in Ascendas REIT's business risk profile resulting from expansion into higher-risk jurisdictions could strain its rating.

Key indicators

Exhibit 2

Ascendas Real Estate Investment Trust

SGD millions	FYE Mar-18	FYE Mar-19	LTM Dec-20	FYE Dec-21	FYE Dec-22 (F)	FYE Dec-23 (F)
Total deposited assets	10,425	11,470	14,968	17,548	17,817	18,066
EBITDA	613	631	720	832	877	900
Debt / Total deposited assets	36%	38%	36%	39%	40%	40%
Net debt / EBITDA	6.2x	6.9x	7.2x	7.8x	7.8x	7.8x
EBITDA / Interest expense	5.2x	4.7x	4.3x	5.0x	4.5x	4.5x
Secured debt / Total deposited assets	5%	5%	4%	3%	3%	3%

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's forecasts (f) are our opinion and do not represent the views of the issuer.
[2] FYE = Financial year end. LTM = Last 12 months. Ascendas REIT changed its financial year end to December from March in 2019.
[3] The debt calculation incorporates lease liabilities from the 12 months that ended December 2019 following the trust's adoption of the Singapore Financial Reporting Standard 116 on 1 April 2019.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Profile

Ascendas Real Estate Investment Trust (Ascendas REIT) was listed on the Singapore Stock Exchange in November 2002. As of 31 March 2022, the trust had a diversified portfolio of 95 properties in Singapore, 36 in Australia, 49 in the UK and Europe, and 41 in the US, with a total appraised value of SGD16.4 billion.

The trust's sponsor, CapitaLand Investment Limited (CLI) is a 53%-owned subsidiary of Temasek Holdings (Private) Limited (Aaa stable), which, in turn, is wholly owned by the Government of Singapore (Aaa stable). As of 31 March 2022, CLI held an 18% stake in Ascendas REIT. Ascendas REIT is managed by Ascendas Funds Management (S) Limited, while the properties in Singapore are managed by Ascendas Services Pte Ltd, both of which are wholly owned subsidiaries of CLI.

Detailed credit considerations

Established market position in Singapore and geographic diversification, but an acquisitive growth strategy

Ascendas REIT has an established market position as one of the largest industrial landlords in Singapore. The trust's business profile has strengthened over the last few years because of its enlarged portfolio and significant diversification into the matured US, UK and Europe, and Australian property segments. Ascendas REIT is better positioned to withstand the cyclical risk inherent in the real estate markets because of its geographically diversified income.

The diversification into Australia, the UK and Europe, and the US has allowed Ascendas REIT to acquire properties on freehold land, compared with industrial land in Singapore, which typically has a leasehold period of 30-60 years. The trust has targeted these developed markets because of their stable economic fundamentals and depth of the real estate markets.

The trust's appetite for growth has increased since 2015 when it expanded its investment mandate to explore opportunities beyond Singapore. We expect Ascendas REIT to remain financially prudent while growing its portfolio. To date, the trust has funded its investments with a mix of divestments, debt and equity. This included equity issuances of around SGD1.6 billion in 2020 and 2021.

Exhibit 3

Ascendas REIT's announced acquisitions and divestments in 2021 and 2022

Assets	Location	Asset type	Anouncement Date	Completion date	Transaction Type	Total cost (SGD million)
11 data centres	Europe	Data Centre	Mar-21	Mar-21	Acquisition	905
11 Changi North Way	Singapore	Logistics	Apr-21	Apr-21	Divestment	16
75% of Galaxis	Singapore	Business park	May-21	Jun-21	Acquisition	534
1314 Ferntree Gully Road	Melbourne, Australia	Logistics	Jun-21	Jun-21	Divestment	24
82 Noosa Street and 62 Stradbroke Street	Brisbane, Australia	Logistics	Jun-21	Jul-21	Divestment	105
11 logistics properties	Kansas City, United States	Logistics	Oct-21	Nov-21	Acquisition	208
1 Science Park Drive	Singapore	Business park	Nov-21	2Q 2025	Re-development	300[1]
7 logistics properties	Chicago, United States	Logistics	May-22	Jun-22	Acquisition	137

[1] The total cost of the redevelopment of 1 Science Park Drive is around SGD883 million. Ascendas REIT will hold a 34% interest in the joint venture of the redevelopment.
Source: Company

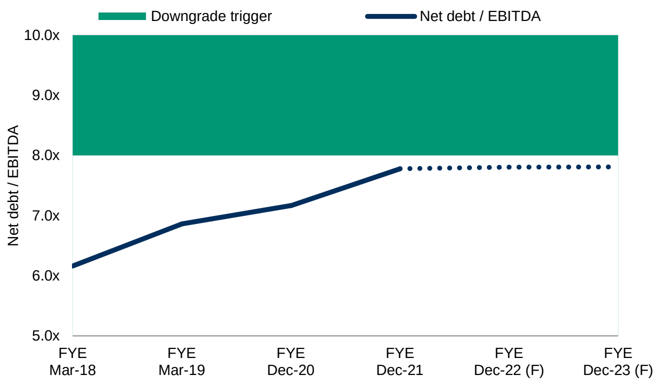
Credit metrics commensurate with its A3 rating parameters

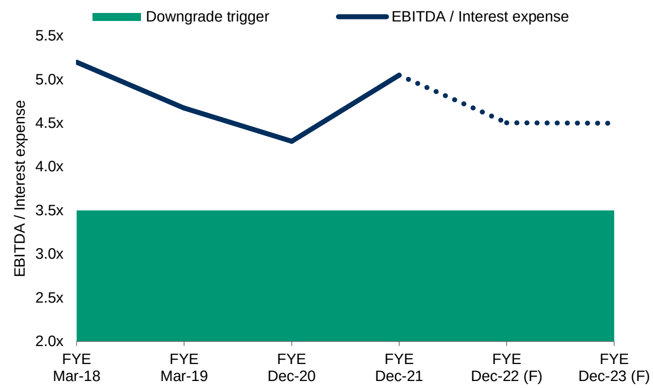
We expect Ascendas REIT's leverage, as measured by net debt/EBITDA, will remain at 7.8x over the next 18 months, similar to that in 2021. Although we expect additional debt to be incurred to partially fund the Chicago acquisition completed in June 2022 and ongoing redevelopment of 1 Science Park Drive, earnings will also increase because of full-year contributions from assets acquired last year (see Exhibit 3).

We also expect Ascendas REIT's overall EBITDA margin to weaken slightly to 66%-67% over the next 18 months from 68% in 2021 because rising utilities costs will weigh on the earnings of its Singapore portfolio. For the overseas portfolio, most of the utilities costs are reimbursed by its tenants, which offsets margin erosion in the Singapore portfolio.

Nonetheless, Ascendas REIT's interest coverage will remain robust at around 4.5x over the next 18 months.

Exhibit 4
Ascendas REIT's credit metrics will remain within the parameters of the A3 rating





Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

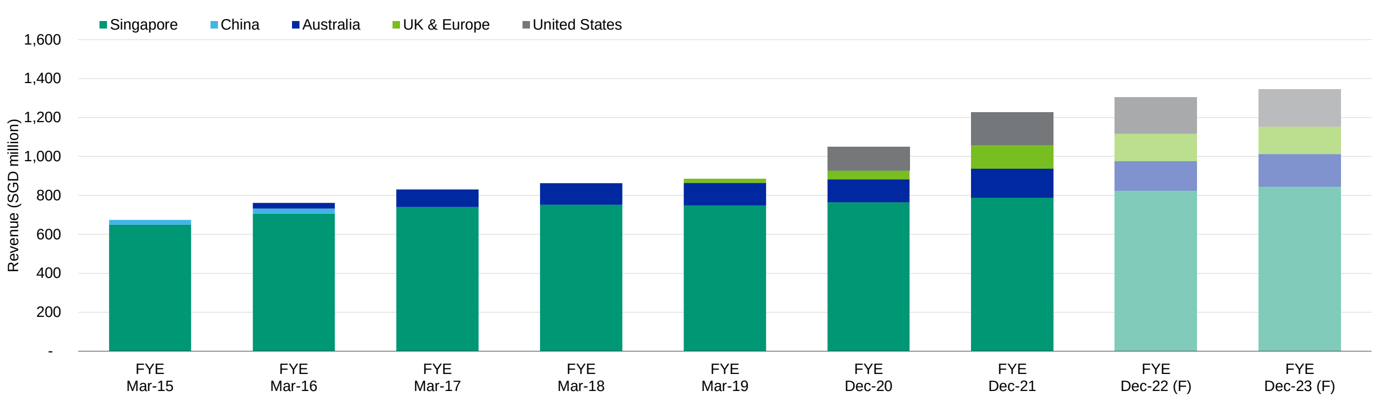
Stable operating track record and income generation from a diversified portfolio of good-quality industrial assets

Ascendas REIT has been able to generate stable income through economic cycles, helped by its diversified asset portfolio.

In addition to geographic diversification, the trust's portfolio of good-quality industrial assets is spread across three property subsegments — business space and life sciences, logistics, and industrial and data centers — which are exposed to different market dynamics and have different occupancy and rental trends. The positioning of the portfolio also allows Ascendas REIT to capture growth in the technology, logistics and life sciences industries.

We expect Ascendas REIT's revenue to grow by around 6% in 2022, driven mainly by contributions from its newly acquired assets in Singapore, Australia, Europe (including the UK) and the US. Consequently, we expect assets in Singapore, Australia, the US and Europe (including the UK) to account for around 63%, 12%, 14% and 11% of its 2023 revenue, respectively (see Exhibit 5).

Exhibit 5
Ascendas REIT's revenue will grow by around 6% over the next 12-18 months, driven by acquisitions

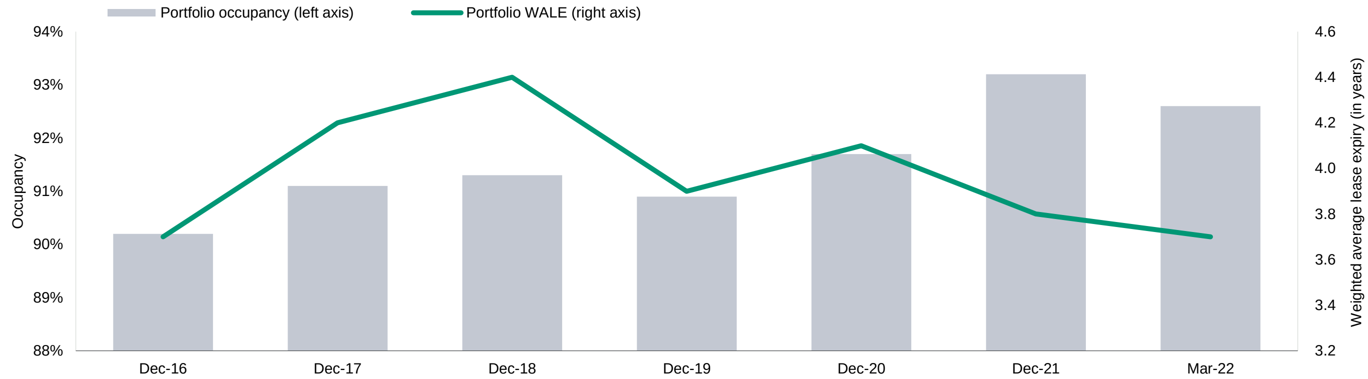


Ascendas REIT changed its financial year end to December from March in 2019.
Sources: Company and Moody's Investors Service estimates

Ascendas REIT is not exposed to tenant concentration risk because its largest tenant Singapore Telecommunications Limited (A1 stable) accounted for 3.3% of its monthly gross revenue; and its top 10 tenants contributed 16.5% of monthly gross revenue as of 31 March 2022.

As of 31 March 2022, Ascendas REIT recorded portfolio occupancy rate of 92.6% and portfolio weighted average lease expiry (WALE) of 3.7 years. The trust has consistently recorded occupancy rates in excess of 90% and WALE of 3-4 years.

Exhibit 6
Ascendas REIT has consistently recorded occupancy rates of at least 90% and WALE of 3-4 years



WALE = Weighted average lease expiry.
Source: Company

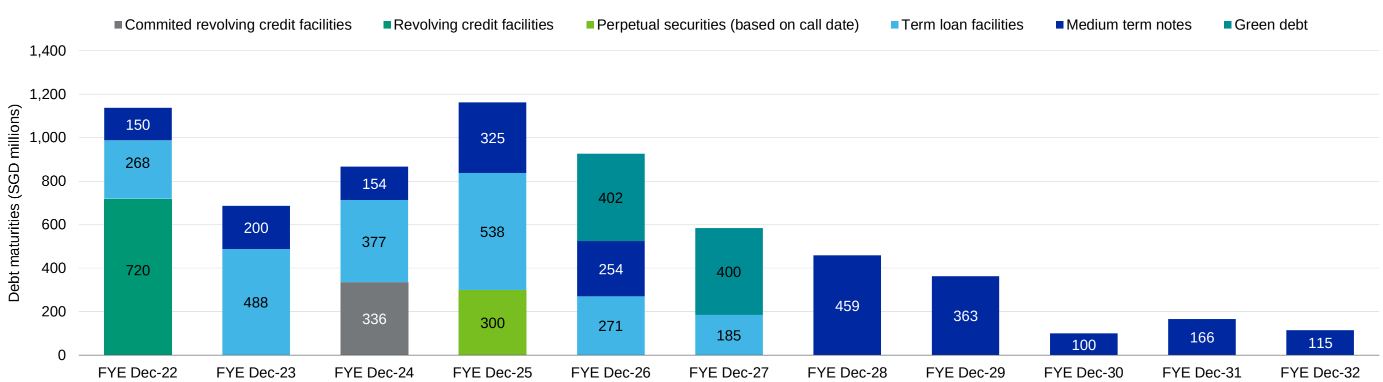
ESG considerations

In terms of environmental, social and governance (ESG) factors, we have considered the governance risk stemming from related-party transactions between Ascendas REIT and its sponsor, CLI. This risk is mitigated by the regulatory oversight provided by the Monetary Authority of Singapore and exercised through the board, which consists mostly of independent directors. Furthermore, there is an alignment of interest between Ascendas REIT and CLI because the latter has an 18% stake in the trust.

Liquidity analysis

Ascendas REIT's liquidity is inadequate for the next 12-18 months. As of 31 March 2022, the trust had cash and cash equivalents of SGD269 million, compared with SGD720 million of utilized revolving credit facilities, as well as SGD837 million of medium-term notes and term loans maturing over the next 18 months (see Exhibit 7). Nonetheless, we expect refinancing risk to be mitigated by the trust's track record of access to funding and established banking relationships.

Exhibit 7
Ascendas REIT has a well-balanced debt maturity profile
As of 31 March 2022



The SGD208 million of revolving credit facilities maturing in 2022 will be refinanced with proceeds from a SGD208 million green bond in April 2022. The green bond used for the refinancing will mature in 2029.
Source: Company

We view Ascendas REIT's use of revolving credit facilities as credit negative because these facilities are mostly short-term and result in a mismatch with the trust's long-dated assets. While the revolving credit facilities are largely uncommitted, the trust has successfully rolled over these facilities as they come due over the past decade. Ascendas REIT's strategy is to keep 10%-20% of its total debt as revolvers to ensure flexibility to repay debt when the trust has excess cash and to maintain long-term banking relationships with multiple banks.

Furthermore, Ascendas REIT has demonstrated a track record of accessing funds from debt and equity markets, including a HKD661 million bond raised in February 2022 and a SGD208 million bond raised in April 2022. We expect the trust's relationship with a reputable sponsor, CLI, to support its ability to access capital.

As of 31 March 2022, Ascendas REIT had a weighted-average debt maturity of 3.5 years at a weighted-average all-in debt cost of 2.1%. The trust has also achieved a high level of natural hedge for its overseas assets. Around 65% of its Australian asset portfolio is funded by borrowings in Australian dollars, while 100% of its asset portfolios in Europe, 70% in the UK and around 82% in the US are funded by borrowings in euros, British pounds and US dollars, respectively.

Structural considerations

The rating for Ascendas REIT's SGD300 million perpetual securities is notched down to Baa2 from the A3 issuer rating to reflect the legal subordination inherent in terms of perpetual securities, according to our standard approach for assigning a rating to such hybrid securities.

We have assigned a 50% equity rating to the perpetual issuance, such that half of the security is treated as debt when assessing the overall credit profile of Ascendas REIT. Similarly, the perpetual distributions are equally split between interest expense and distributions. We expect subordination to remain at around the same level over the next 12-18 months.

Methodology and scorecard

When mapped to our REITs and Other Commercial Real Estate Firms Methodology, published in July 2021, the scorecard-indicated outcome for Ascendas REIT is Baa1 based on its financials for 2021 and our 12-18-month forward view (see Exhibit 8). The A3 rating reflects the trust's strong franchise and track record of stable operating performance.

Exhibit 8
Rating factors
Ascendas Real Estate Investment Trust

REITs and other commercial real estate firms industry grid [1][2]	FYE 12/31/2021		Moody's 12-18 Month Forward View As of 06/07/2022 [3]	
Factor 1: Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross assets ($ billions)	$13.2	A	$13.3 - $13.5	A
Factor 2 : Business profile (25%)				
a) Market positioning and asset quality	A	A	A	A
b) Operating environment	Baa	Baa	Baa	Baa
Factor 3 : Liquidity and access to capital (25%)				
a) Liquidity and access to capital	Baa	Baa	Baa	Baa
b) Unencumbered assets / gross assets	93%	A	93%	A
Factor 4 : Leverage and coverage (45%)				
a) Total debt + preferred stock / gross assets	39%	Baa	39%-40%	Baa
b) Net debt / EBITDA	7.8x	Ba	7.8x	Ba
c) Secured debt / gross assets	3%	A	3%	A
d) Fixed-charge coverage	5.0x	A	4.5x	A
Rating:				
a) Scorecard indicated outcome		Baa1		Baa1
b) Actual rating assigned		A3		A3

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] Debt includes a portion of hybrid securities considered to have debtlike features, as explained in Moody's Hybrid Equity Credit, dated 10 September 2018.
[3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Ratings

Exhibit 9

Category	Moody's Rating
ASCENDAS REAL ESTATE INVESTMENT TRUST	
Outlook	Stable
Issuer Rating -Dom Curr	A3
Senior Unsecured	A3
Preference Stock -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 10

Peer comparison

Ascendas Real Estate Investment Trust

	Ascendas Real Estate Investment Trust A3 Stable			Mapletree Commercial Trust Baa1 Stable			CapitaLand Integrated Commercial Trust A3 Negative		
(in US millions)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Mar-20	FYE Mar-21	LTM Sep-21	FYE Dec-19	FYE Dec-20	FYE Dec-21
Real Estate Gross Assets	$10,311	$11,443	$13,152	$6,326	$6,662	$6,559	$9,073	$17,512	$17,249
Debt / Gross Assets	39%	36%	39%	33%	34%	34%	33%	41%	37%
Net Debt / EBITDA	10.7x	7.2x	7.8x	8.6x	8.4x	8.1x	6.5x	18.4x	9.0x
Secured Debt / Gross Assets	4%	4%	3%	0%	0%	0%	0%	5%	4%
EBITDA / Interest Expense	4.0x	4.3x	5.0x	4.3x	4.4x	4.9x	5.1x	3.9x	5.1x

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year end. LTM = Last 12 months. Ascendas REIT changed its financial year end to December from March in 2019. FYE Dec-19 figures are based on data for the nine months that ended 31 December 2019.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-adjusted debt breakdown

Ascendas Real Estate Investment Trust

(in SGD millions)	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported Debt	**5,229**	**5,292**	**6,689**
Hybrid Securities	150	149	149
Moody's-Adjusted Debt	**5,380**	**5,441**	**6,838**

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year end. Ascendas REIT changed its financial year end to December from March in 2019. FYE Dec-19 figures are based on data for the nine months that ended 31 December 2019.
Source: Moody's Financial Metrics™

Exhibit 12

Moody's-adjusted EBITDA breakdown

Ascendas Real Estate Investment Trust

(in SGD millions)	FYE Dec-19	FYE Dec-20	FYE Dec-21
As Reported EBITDA	**528**	**655**	**1,204**
Unusual	(32)	66	(372)
Non-Standard Adjustments	(0)	0	0
Moody's-Adjusted EBITDA	**496**	**720**	**832**

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year end. Ascendas REIT changed its financial year end to December from March in 2019. FYE Dec-19 figures are based on data for the nine months that ended 31 December 2019.
Source: Moody's Financial Metrics™

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