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CREDIT OPINION
19 January 2024

Update

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RATINGS

CapitaLand Ascendas REIT

Domicile	Singapore
Long Term Rating	A3
Type	LT Issuer Rating - Fgn 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.

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CapitaLand Ascendas REIT

Update following rating affirmation, outlook remains stable

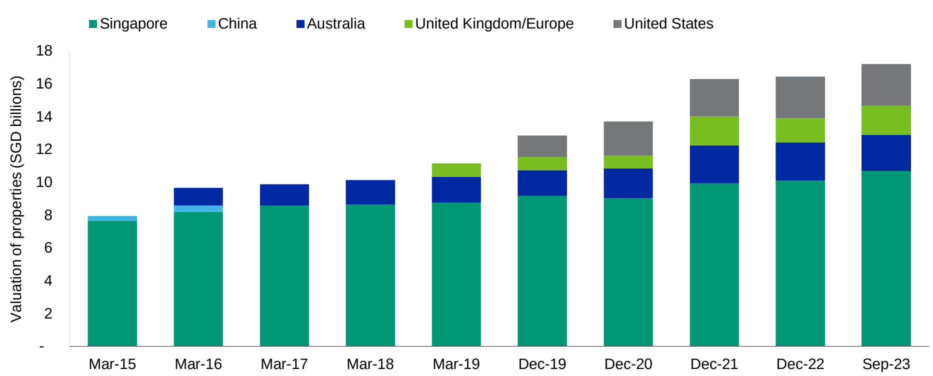
Summary

CapitaLand Ascendas REIT's (CLAR) A3 rating reflects its stable operating track record and income generation from its diversified portfolio of good-quality properties across Singapore, Australia, Europe, the UK and the US.

The trust has an established market position as one of the largest owners of business spaces and industrial assets in Singapore, allowing it to capture long-term growth trends in the technology, logistics and life sciences industries. At the same time, CLAR has a track record of maintaining prudent financial policies, having grown its property portfolio over the years through a balanced mix of debt, equity and asset recycling.

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

Exhibit 1
CLAR's properties are located across Singapore, Australia, Europe and the US



Source: Company

Credit strengths

» Established market position in Singapore and geographic diversification

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

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

Credit challenges

» Limited capacity under the trust's credit metrics

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

Rating outlook

The stable outlook reflects our view that CLAR will continue to demonstrate steady earnings growth. At the same time, we expect the trust to remain financially prudent in the execution of its growth strategy.

Factors that could lead to an upgrade

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

Factors that could lead to a downgrade

CLAR's rating could be downgraded if its operating environment deteriorates, leading to higher vacancy levels and a decline in operating cash flow or a fall in asset valuations; or if its credit metrics weaken, such that its Moody's-adjusted net debt/EBITDA rises above 8.0x-8.5x or Moody's-adjusted EBITDA/interest coverage falls below 3.5x.

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

Key indicators

Exhibit 2

CapitaLand Ascendas REIT

SGD millions	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23	FYE Dec-23 (F)	FYE Dec-24 (F)	FYE Dec-25 (F)
Total deposited assets	14,968	17,548	17,682	18,223	18,793	19,084	19,290
EBITDA	725	836	862	901	913	948	959
Debt / total deposited assets	36%	39%	40%	40%	40%	40%	40%
Net debt / EBITDA	7.1x	7.7x	7.9x	7.8x	8.0x	7.9x	7.9x
EBITDA / interest expense	4.3x	5.1x	4.6x	4.0x	3.8x	3.6x	3.5x
Secured debt / total deposited assets	4%	3%	3%	3%	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.
[3] Debt metrics incorporate (i) a 50% equity treatment assigned to the trust's perpetual securities and (ii) a pro rata share of debt at 1 Science Park Drive from 2022 onwards.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Profile

CapitaLand Ascendas REIT (CLAR) was listed on the Singapore Stock Exchange in November 2002. As of 30 September 2023, the trust had a diversified portfolio of 97 properties in Singapore, 36 in Australia, 50 in Europe and 48 in the US, with a total appraised value of SGD17.2 billion. The trust was formerly known as Ascendas Real Estate Investment Trust and was renamed CLAR in 2022.

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 August 2023, CLI held a 17% stake in CLAR. CLAR is managed by CapitaLand Ascendas REIT Management 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

Credit quality can withstand difficult macroeconomic conditions

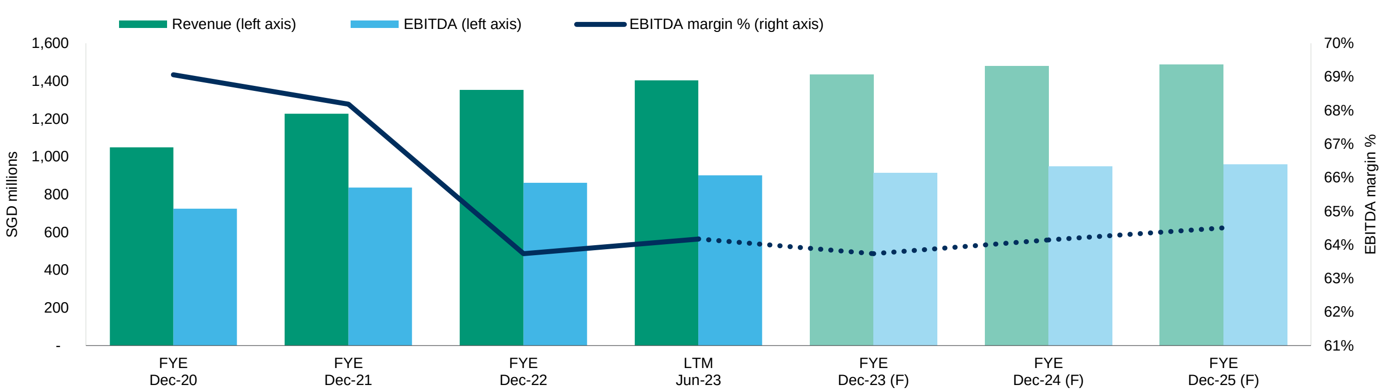
Amid challenging global macroeconomic conditions on the back of slower growth and higher-for-longer interest rates, we expect CLAR to record continued growth in earnings.

EBITDA is projected to rise to SGD950 million-SGD960 million over the next two years from SGD901 million over the 12 months that ended 30 June 2023. We expect operating performances to stay resilient because of the strong asset quality of CLAR's property portfolio and its market position. At the same time, asset acquisitions completed in 2023 will also contribute to full-year earnings.

Although rental reversions are likely to moderate as customer sentiment softens, we expect reversions to remain positive because of the tight supply conditions in the market, particularly for logistics and industrial properties. As of 30 September 2023, CLAR's portfolio occupancy rates remained high at around 95% and the trust recorded double-digit rental reversions in the first nine months of the year.

In addition, we expect CLAR's EBITDA margins to remain broadly stable as elevated utilities costs moderate following new tariff rates contracted in the second half of 2023.

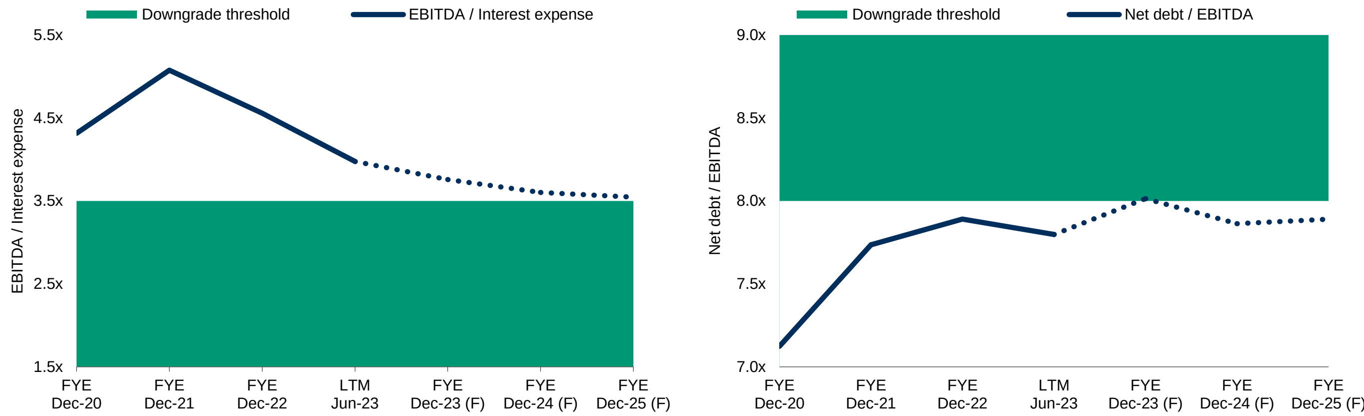
Exhibit 3
Earnings will continue to rise despite difficult macroeconomic conditions



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

We expect CLAR's credit metrics to remain within their respective rating thresholds over the next two years, although with limited capacity. Interest coverage ratio will weaken toward 3.5x over the next two years from 4.0x in the 12 months that ended 30 June 2023 as the trust refinances its maturing debt at prevailing borrowing costs. Meanwhile, leverage, measured as net debt/EBITDA, will remain around 8.0x over the same period.

Exhibit 4
CLAR has limited capacity under its interest coverage and leverage ratios



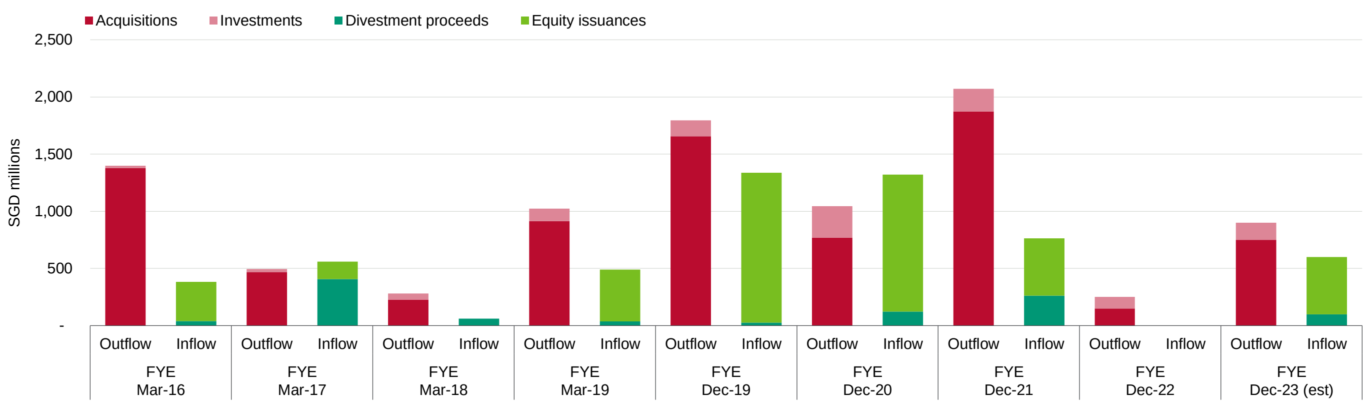
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Acquisitive growth strategy balanced with prudent financial policies

CLAR's appetite for growth has increased since 2015, when it expanded its investment mandate to explore opportunities beyond Singapore. Nonetheless, we expect the trust to remain financially prudent while growing its portfolio. CLAR has a track record of funding its investments with a mix of divestments, debt and equity (see Exhibit 5).

In 2023, CLAR completed around SGD724 million of acquisitions, which were partly funded by an equity placement of SGD500 million and divestments of around SGD100 million. These were transacted at net property income yields (after transaction costs) of 6.8%-9.4%, above the annualized yield of 6% for CLAR's portfolio in H1 2023.

Exhibit 5
CLAR has partly funded its growth with divestments and equity issuances



CLAR changed its financial year-end to December from March in 2019.
Source: Company

CLAR's diversification into Australia, Europe and the US has improved its portfolio quality because the assets in these markets have freehold land titles, while industrial land in Singapore is typically leasehold for a period of 30-60 years. Furthermore, these overseas markets tend to have triple net leases and rent escalation features, whereas leases in Singapore typically have three-year tenures with no rental escalations. CLAR will continue to focus on developed markets because of their stable economic fundamentals.

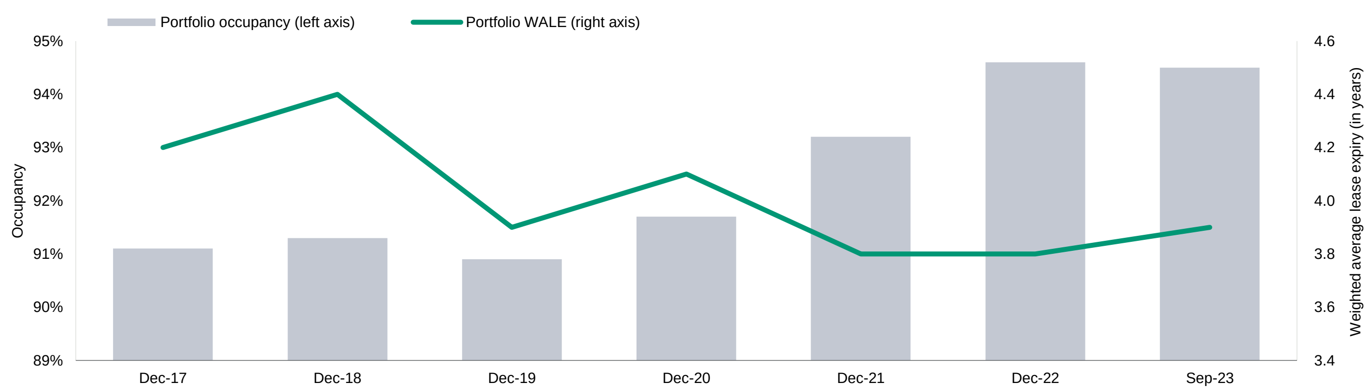
In addition, CLAR has ongoing organic growth plans. The trust is redeveloping three of its existing properties in Singapore at an estimated cost of SGD544 million, which will improve the properties' earnings yield once completed in 2025-26.

Stable operating track record backed by a good-quality portfolio of geographically diversified industrial assets

CLAR has been able to generate stable income through economic cycles, supported 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 CLAR to capture growth in the technology, logistics and life sciences industries.

CLAR's tenant base is diversified. Its largest tenant, Singapore Telecommunications Limited (A1 stable), accounted for 3.1% of its monthly gross revenue; and its top 10 tenants contributed 16.5% of its monthly gross revenue as of 30 September 2023. CLAR recorded a portfolio occupancy rate of 94.5% and portfolio weighted average lease expiry (WALE) of 3.9 years. The trust has consistently recorded occupancy rates in excess of 90%, and WALE of three to four years (see Exhibit 6).

Exhibit 6
CLAR has consistently recorded occupancy rates in excess of 90%, and WALE of three to four years

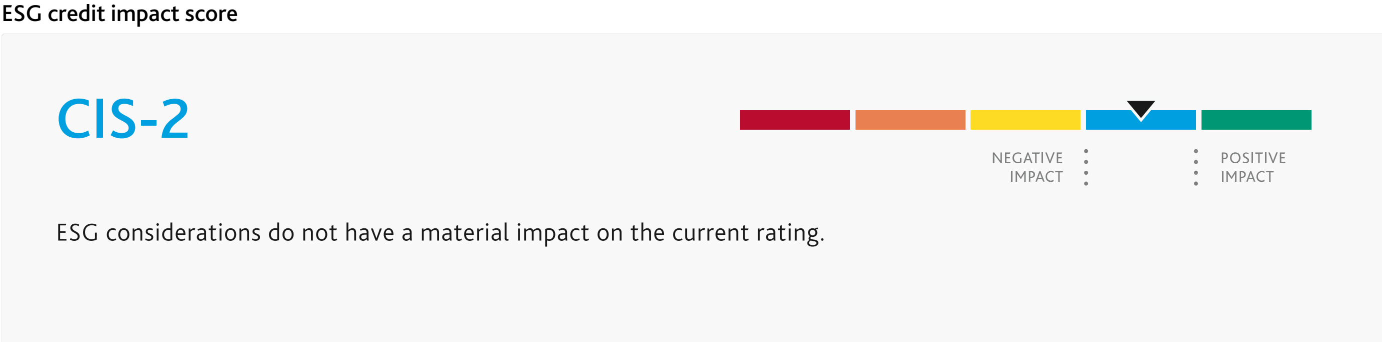


WALE refers to weighted average lease expiry.
Source: Company

ESG considerations

CapitaLand Ascendas REIT's ESG credit impact score is CIS-2

Exhibit 7
ESG credit impact score



Source: Moody's Investors Service

CLAR's **CIS-2** indicates that ESG considerations are not material to the rating. The trust's prudent financial policies and management track record will help to manage its exposure to environmental risks.

Exhibit 8
ESG issuer profile scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-2	G-2

Source: Moody's Investors Service

Environmental

CLAR is exposed to carbon transition risk because evolving regulations and growing stakeholder expectations could entail increased investments to reduce carbon emissions and improve energy efficiency. CLAR is also exposed to physical climate risks because it has a significant proportion of assets in Singapore, which as a low-lying island nation is vulnerable over the long run to rising sea levels.

Social

CLAR's exposure to social risks is mitigated by its portfolio of industrial assets which enables the trust to capture favorable trends in the technology, e-commerce, logistics and life sciences sectors.

Governance

CLAR has prudent financial policies and a strong management track record, having established the trust as a leading industrial REIT in Singapore. While there are related-party transactions between CLAR and its sponsor, this risk is mitigated by regulatory oversight provided by the Monetary Authority of Singapore and exercised through the board, which consists mostly of independent directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

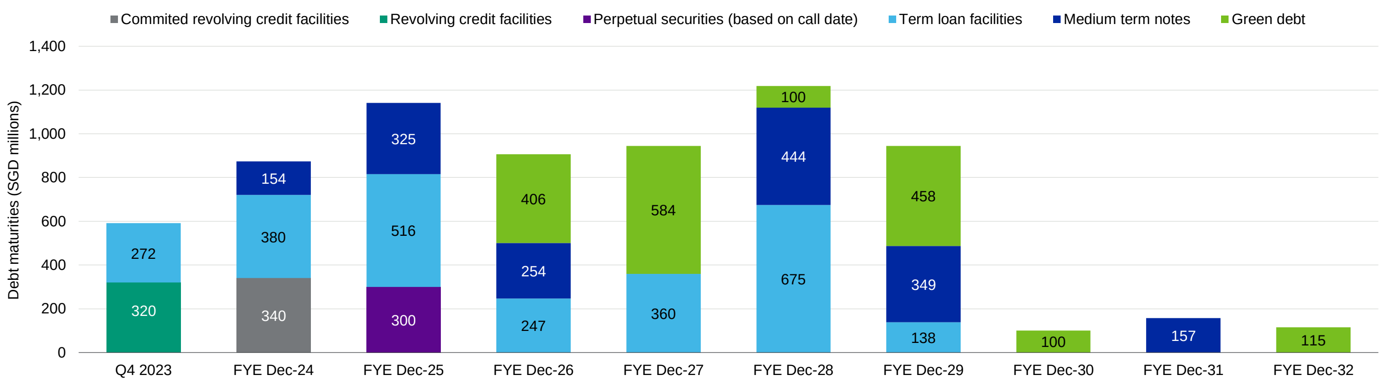
Liquidity analysis

CLAR's liquidity is inadequate because of the trust's reliance on revolving credit facilities. As of 30 September 2023, the trust's cash sources — namely its cash balance and committed undrawn facilities — are insufficient to cover SGD660 million of revolving credit facilities and SGD806 million of medium-term notes and term loans maturing through December 2024.

Nonetheless, we expect refinancing risk to be mitigated by the trust's track record of access to funding and established banking relationships. In December 2023, CLAR obtained a $200 million revolving credit facility maturing in 2030.

Exhibit 9

CLAR has a well-balanced debt maturity profile
As of 30 September 2023



Source: Company

CLAR's use of revolving credit facilities is credit negative because these facilities are mostly short term and result in a mismatch with the trust's long-dated assets. Although the revolving credit facilities are largely uncommitted, the trust successfully rolled over or refinanced these facilities with long-term loans as they came due over the past decade. CLAR prudently manages its debt maturities and ensures that no more than 20% of debt is due in each year.

Furthermore, CLAR has a track record of accessing funds from the debt and equity markets. We expect the trust's relationship with a reputable sponsor, CLI, to support its ability to access capital.

As of 30 September 2023, CLAR had a weighted average debt maturity of 3.3 years at a weighted average all-in debt cost of 3.3%. The trust has also achieved a high level of natural hedge for its overseas assets. Around 69% of its Australian asset portfolio is funded by borrowings in Australian dollars, while 100% of its asset portfolios in Europe, 79% in the UK and around 74% in the US are funded by borrowings in euros, British pounds and US dollars, respectively.

Structural considerations

The rating for CLAR's SGD300 million perpetual securities is notched down to Baa2 from the A3 issuer rating to reflect the legal subordination inherent in 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 quality of CLAR. Similarly, the perpetual distributions are equally split between interest expense and distributions. We expect subordination to remain around the same level over the next 12-18 months.

Methodology and scorecard

When mapped to our REITs and Other Commercial Real Estate Firms rating methodology, published in September 2022, the scorecard-indicated outcome for CLAR is Baa1 based on its financials for the 12 months that ended 30 June 2023 and our forward view for 2024 and 2025 (see Exhibit 10). The A3 rating reflects the trust's track record of stable operating performance, strong access to funding and prudent approach toward growth.

Exhibit 10
Rating factors
CapitaLand Ascendas REIT

REITs and other commercial real estate firms industry grid [1][2][3]	LTM Jun-23		Moody's Forward View 2024 (F) & 2025 (F) [4]	
Factor 1: Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross assets ($ billions)	$13.6	A	$14.2 - $14.3	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	40%	Baa	41%	Baa
b) Net debt / EBITDA	7.8x	Ba	7.9x	Ba
c) Secured debt / gross assets	3%	Aa	3%	Aa
d) Fixed-charge coverage	3.9x	Baa	3.5x	Baa
Rating:				
a) Scorecard indicated outcome		Baa1		Baa1
b) Actual rating assigned				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 debt-like features, as explained in Hybrid Equity Credit, dated 10 September 2018.
[3] Debt metrics in LTM Jun-23 and the forecasts include the pro rata share of debt at 1 Science Park Drive.
[4] This represents Moody's forward view, not the view of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Investors Service estimates

Ratings

Exhibit 11

Category	Moody's Rating
CAPITALAND ASCENDAS REIT	
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
Preference Stock -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 12
Peer comparison
CapitaLand Ascendas REIT

	CapitaLand Ascendas REIT A3 Stable			Mapletree Pan Asia Commercial Trust Baa1 Negative			CapitaLand Integrated Commercial Trust A3 Stable		
(in US millions)	FYE Dec-21	FYE Dec-22	LTM Jun-23	FYE Mar-21	FYE Mar-22	FYE Mar-23	FYE Dec-21	FYE Dec-22	LTM Jun-23
Real estate gross assets	$13,152	$13,328	$13,598	$6,662	$6,639	$12,616	$17,249	$18,786	$18,657
Debt / Gross assets	39%	39%	39%	34%	34%	43%	37%	40%	40%
Net debt / EBITDA	7.7x	7.9x	7.8x	8.4x	8.5x	12.0x	9.0x	10.2x	9.4x
Secured debt / Gross assets	3%	3%	3%	0%	0%	6%	4%	6%	6%
EBITDA / Interest expense	5.1x	4.6x	4.0x	4.4x	4.7x	3.5x	5.1x	4.2x	3.7x

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.
Source: Moody's Financial Metrics™

Exhibit 13
Moody's-adjusted debt breakdown
CapitaLand Ascendas REIT

(in SGD millions)	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported Debt	**5,292**	**6,689**	**6,789**	**7,010**
Hybrid Securities	149	149	149	149
Moody's-Adjusted Debt	**5,441**	**6,838**	**6,939**	**7,160**

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. Excludes proportionate share of joint venture debt.
Source: Moody's Financial Metrics™

Exhibit 14
Moody's-adjusted EBITDA breakdown
CapitaLand Ascendas REIT

(in SGD millions)	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported EBITDA	**659**	**1,208**	**1,034**	**1,028**
Unusual	66	-372	-172	-127
Moody's-Adjusted EBITDA	**725**	**836**	**862**	**901**

All figures and ratios are calculated using Moody's estimates and standard adjustments. FYE = Financial year-end.
Source: Moody's Financial Metrics™

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