CREDIT OPINION
23 December 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 to credit analysis

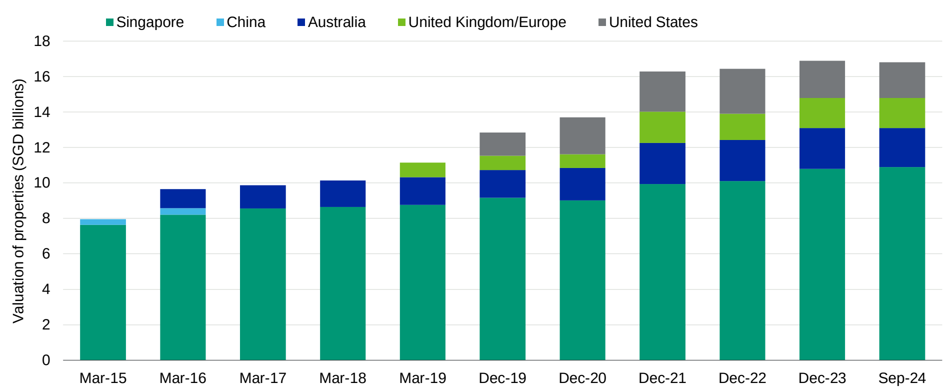
Summary

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 space 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 history 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 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
Asset values



As of 30 September 2024.
CLAR changed its financial year-end to December from March in 2019.
Source: Company filings

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

» Pockets of weaknesses, particularly in the business space segment

» 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 rating outlook reflects our expectation that CLAR will continue to demonstrate steady earnings growth over the next 12 months. At the same time, we expect the trust to remain financially prudent in the execution of its growth strategy.

Factors that could lead to upgrade

We could upgrade CLAR's rating 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 downgrade

We could downgrade CLAR's rating if its operating environment deteriorates, leading to higher vacancy levels and a decline in operating cash flow or a fall in asset valuations; or 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 3.25x.

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

Key indicators

Exhibit 2

CapitaLand Ascendas REIT

(in SGD millions)	FYE Dec-20	FYE Dec-21	FYE Dec-22	FYE Dec-23	LTM Jun-24	FYE Dec-24 (F)	FYE Dec-25 (F)	FYE Dec-26 (F)
Total deposited assets	14,968	17,548	17,611	18,054	18,133	18,380	18,825	18,925
EBITDA	725	836	862	927	949	960	969	986
Debt / total deposited assets	36%	39%	40%	41%	41%	40%	41%	41%
Net debt / EBITDA	7.1x	7.7x	7.9x	7.8x	7.7x	7.5x	7.8x	7.7x
EBITDA / interest expense	4.3x	5.1x	4.6x	3.6x	3.4x	3.6x	3.5x	3.7x
Secured debt / total deposited assets	4%	3%	3%	3%	3%	3%	3%	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 onward.
All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

CapitaLand Ascendas REIT (CLAR) was listed on the Singapore Stock Exchange in November 2002. As of 30 September 2024, the trust had a diversified portfolio of 97 properties in Singapore, 34 in Australia, 50 in Europe and 48 in the US, with a total appraised value of SGD16.8 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 October 2024, CLI held a 17.5% 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

Earnings will continue to grow, although at a moderate pace

We project CLAR's EBITDA will rise to SGD960 million in 2024 from SGD949 million in 2023 because of full-year earnings contribution from assets acquired last year, as well as high rental reversions. CLAR recorded rental reversions of 11%-16% in the first three quarters of 2024.

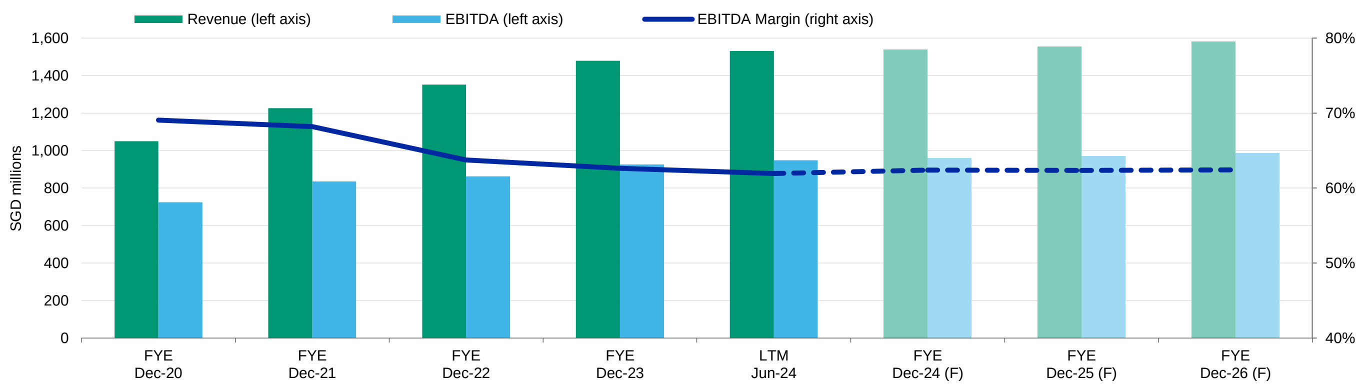
While we expect rental reversions to stay positive over the next 12-18 months, this will moderate from a high base as tenant demand softens amid consolidation of spaces and uncertainty around the global economic environment. Consequently, we expect EBITDA will rise marginally to around SGD970 million in 2025 and SGD990 million in 2026. Projected EBITDA in 2026 will be boosted by contributions from asset acquisitions and redevelopment works in the pipeline.

There will be pockets of weaknesses, particularly in CLAR's business space properties in Raleigh, North Carolina and Portland, Oregon, which remain challenged because of remote working trends. Nonetheless, these assets represented just 3% of CLAR's total investment property value as of June 2024.

In addition, we expect CLAR's EBITDA margins to remain broadly stable. Utility costs have moderated but inflationary pressures will continue to weigh on the trust's cost structure.

Exhibit 3

Earnings will continue to rise despite difficult macroeconomic conditions



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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

We expect CLAR's credit metrics to remain within their respective rating thresholds over the next two years, although with limited buffers. Interest coverage ratio will remain at 3.5x-3.7x as interest rates ease but high relative to historical levels. Meanwhile, leverage, measured as net debt/EBITDA, will improve to around 7.5x in 2024 from 7.8x in 2023 because of asset divestments. However, leverage will rise to 7.7x-7.8x over the next two years because of the trust's announced acquisitions and capital spending associated with redevelopment projects.

Exhibit 4

CLAR's interest coverage ratio will gradually improve as interest rates ease

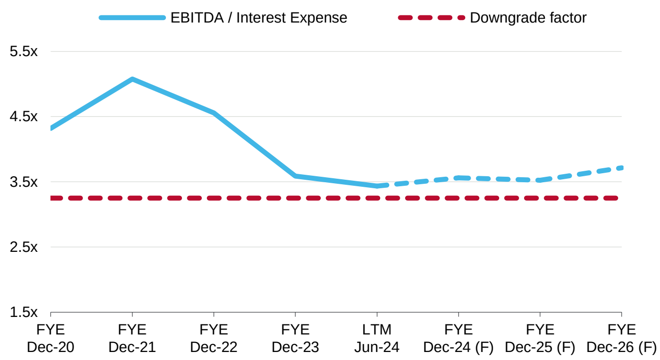

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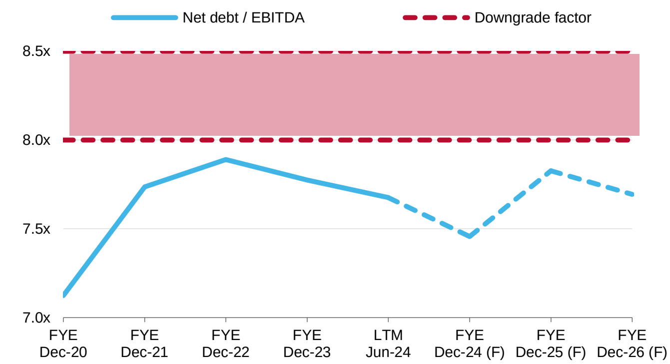
Exhibit 5

CLAR's planned acquisitions and capital spending will keep leverage high



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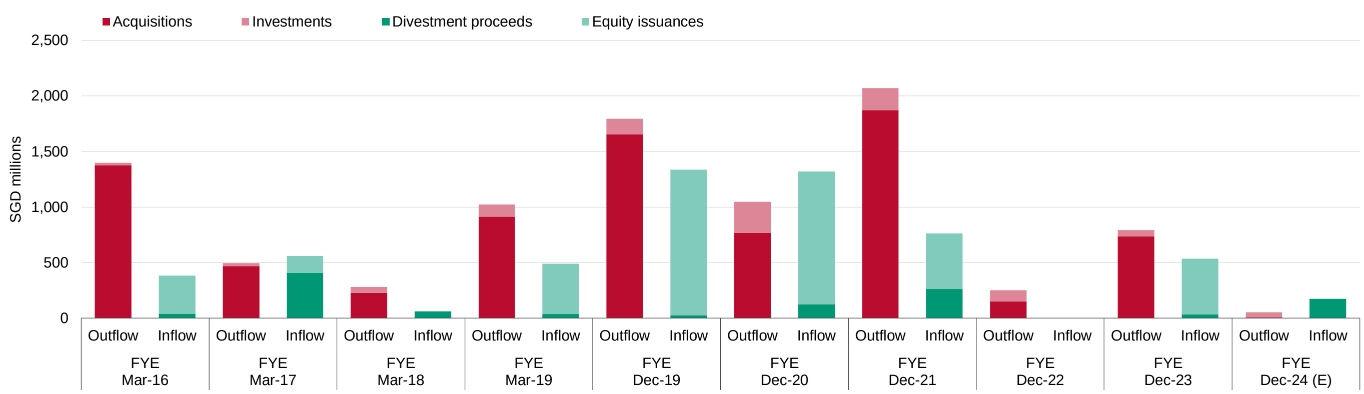
Acquisitive growth strategy balanced with prudent financial policies

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 6).

Exhibit 6

CLAR has partly funded its growth with divestments and equity issuances



FYE Dec-24 excludes DHL transaction which will conclude by 1Q 2025 and Charleston logistics center developmental cost which will conclude by 4Q 2025
CLAR changed its financial year-end to December from March in 2019.
YTD = Year to date.
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 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.

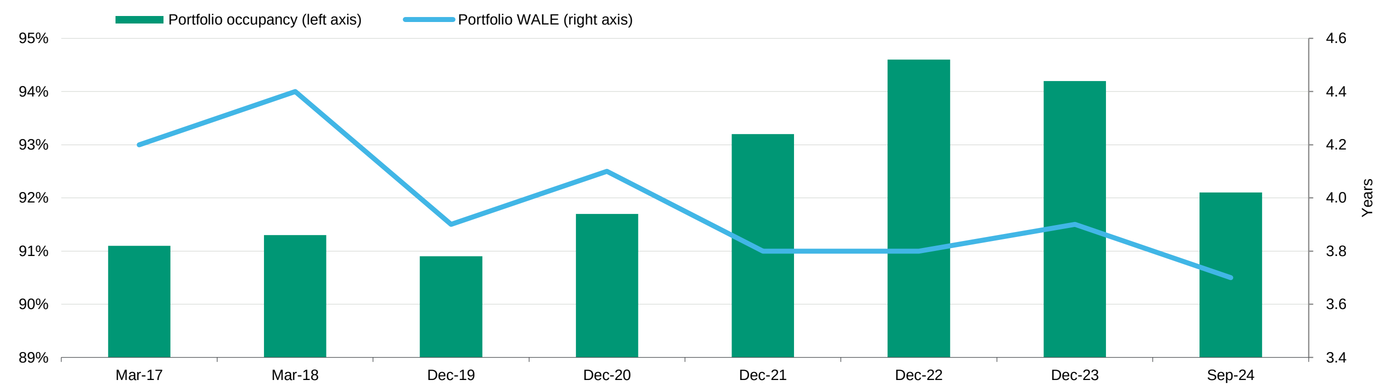
In addition, CLAR has ongoing organic growth plans. The trust is redeveloping three of its existing properties in Singapore at an estimated cost of SGD544 million, which will improve the properties' earnings yield once completed in 2025-26.

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 3.2% of its monthly gross revenue; and its top 10 tenants contributed 16.5% of its monthly gross revenue as of 30 September 2024. CLAR recorded a portfolio occupancy rate of 92.1% 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 three to four years (see Exhibit 7).

Exhibit 7
CLAR has consistently recorded occupancy rates in excess of 90%, and WALE of three to four years

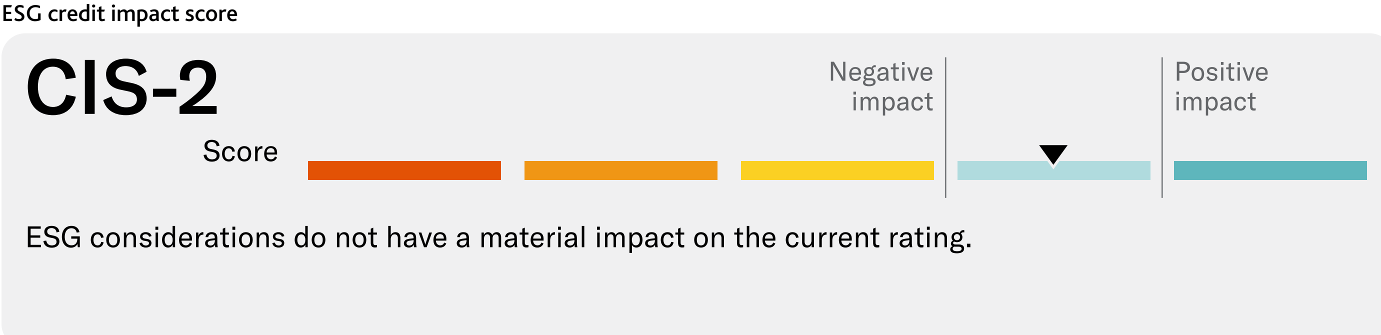


As of 30 September 2024.
WALE refers to weighted average lease expiry.
Source: Company filings

ESG considerations

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

Exhibit 8
ESG credit impact score

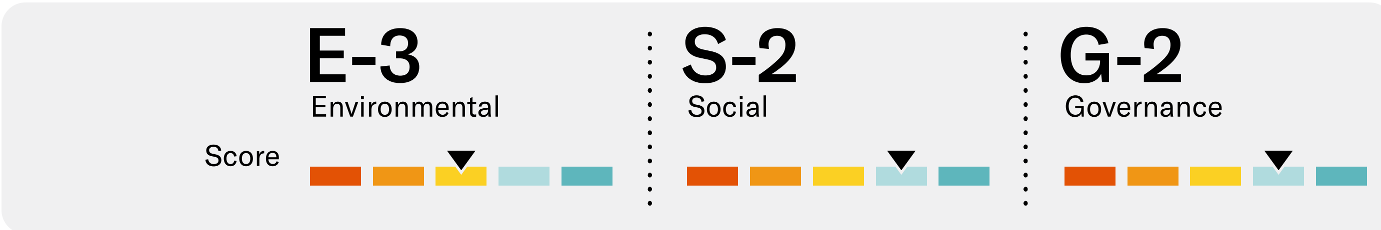


Source: Moody's Ratings

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 9

ESG issuer profile scores



Source: Moody's Ratings

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.

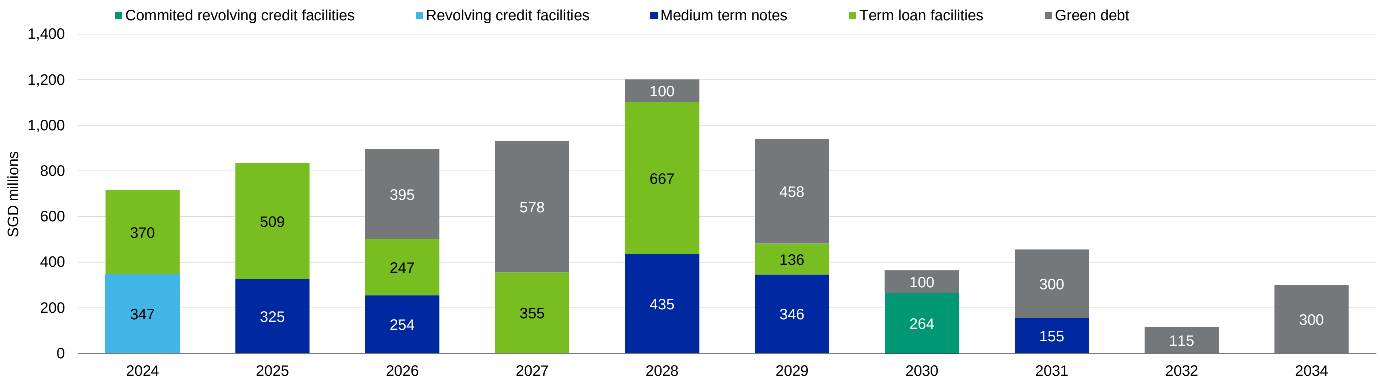
Liquidity analysis

CLAR's liquidity is inadequate because of the trust's reliance on revolving credit facilities. As of 30 September 2024, the trust's cash sources — namely its cash balance and committed undrawn facilities — were insufficient to cover SGD347 million of revolving credit facilities and SGD1.2 billion of medium-term notes and term loans maturing through December 2025.

Nonetheless, we expect refinancing risk to be mitigated by the trust's track record of access to funding and established banking relationships.

Exhibit 10

CLAR has a well-balanced debt maturity profile
As of 30 September 2024



Source: Company filings

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 2024, CLAR had a weighted average debt maturity of 3.3 years at a weighted average all-in debt cost of 3.7%. 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, 82% in the UK and around 72% 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.

Rating methodology and scorecard factors

When mapped to our REITs and Other Commercial Real Estate Firms rating methodology, the scorecard-indicated outcome for CLAR is Baa1 based on its financials for the 12 months that ended 30 June 2024 and 12-18 month forward view (see Exhibit 11). The A3 rating reflects the trust's track record of stable operating performance, strong access to funding and prudent approach toward growth.

Exhibit 11
Rating factors
CapitaLand Ascendas REIT

REITs and Other Commercial Real Estate Firms Industry Scorecard	Current LTM Jun-24		Moody's 12-18 month forward view	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets ($ billions)	13.5	A	13.6 - 13.9	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	42%	Baa	41% - 42%	Baa
b) Net Debt / EBITDA	7.6x	Ba	7.5x - 7.8x	Ba
c) Secured Debt / Gross Assets	2.8%	Aa	2.7% - 2.8%	Aa
d) Fixed Charge Coverage	3.4x	Baa	3.5x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned				A3

Debt includes a portion of hybrid securities considered to have debt-like features, as explained in Hybrid Equity Credit.
All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 12
Peer comparison
CapitaLand Ascendas REIT

(in $ millions)	CapitaLand Ascendas REIT A3 Stable			CapitaLand Integrated Commercial Trust A3 Stable			Mapletree Pan Asia Commercial Trust Baa1 Negative		
	FY Dec-22	FY Dec-23	LTM Jun-24	FY Dec-22	FY Dec-23	LTM Jun-24	FY Mar-23	FY Mar-24	LTM Sep-24
Revenue	982	1,102	1,136	1,046	1,162	1,170	602	713	704
EBITDA	626	690	704	707	788	803	423	513	503
Total Debt	5,174	5,547	5,420	7,561	7,615	7,415	5,290	5,112	4,824
Gross Assets	13,328	13,853	13,492	18,786	19,165	18,708	12,658	12,346	12,246
Total Debt + Preferred / Gross Assets	38.8%	40.0%	40.2%	40.2%	39.7%	39.6%	41.8%	41.4%	39.4%
Net Debt / EBITDA	7.8x	7.7x	7.6x	10.2x	9.4x	9.1x	11.8x	9.8x	8.9x
Secured Debt / Gross Assets	2.9%	2.8%	2.8%	5.6%	5.6%	5.6%	4.7%	4.2%	
Fixed Charge Coverage	4.5x	3.5x	3.4x	4.2x	3.4x	3.3x	3.5x	3.0x	2.9x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

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

(in SGD millions)	2020	2021	2022	2023	LTM Jun-24
As reported debt	**5,291.9**	**6,689.0**	**6,789.3**	**7,167.2**	**7,195.6**
Hybrid Securities	149.5	149.5	149.5	149.5	149.5
Moody's-adjusted debt	**5,441.4**	**6,838.5**	**6,938.8**	**7,316.7**	**7,345.1**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

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

(in SGD millions)	2020	2021	2022	2023	LTM Jun-24
As reported EBITDA	**658.8**	**1,208.4**	**1,034.0**	**420.7**	**394.6**
Unusual	65.9	(372.1)	(171.8)	506.1	554.1
Moody's-adjusted EBITDA	**724.8**	**836.3**	**862.2**	**926.8**	**948.7**

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 15

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

Source: Moody's Ratings

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