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MOODY'S ASSIGNS ASCENDAS REIT A3 CORPORATE FAMILY RATING; OUTLOOK STABLE

Hong Kong, December 08, 2005 -- Moody's Investors Service has assigned a corporate family rating of A3 to the Ascendas Real Estate Investment Trust ("A-REIT"). The rating reflects Moody's opinion of A-REIT's ability to honor its financial obligations as if it had a single class of debt and single consolidated legal entity structure. The rating outlook is stable. This is the first time Moody's has assigned a rating to A-REIT.

The A3 rating reflects A-REIT's credit strengths, which include 1) leading market position in the business space and industrial property sector, 2) stable cash flow, supported by a portfolio of diverse and quality business space and industrial properties, and 3) a strong REIT management, including a good track record for growing REIT revenues through acquisitions and asset enhancements.

Conversely, the rating incorporates the credit risks associated with 1) geographic concentration in Singapore, 2) weak liquidity and limited financial flexibility, and 3) continued acquisition growth strategy, in both domestic and possibly overseas markets, increasing leverage and its business risk profile.

A-REIT is Singapore's largest business space and industrial property REIT, demonstrating a leading marketing position and well-regarded property management services. Its portfolio, with a total asset value of about SGD2.6 billion as at November 2005, comprises 58 properties which are well-maintained, well-located and with good access to transportation networks. Its portfolio includes four categories of assets, namely, 1) logistics & distribution centres, 2) business and science park properties, 3) hi-tech properties, and 4) light industrial properties, with even contributions to total revenue.

REIT's stable cash flow is supported by the large number of assets in its portfolio, their diverse industry mix, good tenant quality, relatively longer average lease terms and an evenly distributed lease rollover profile.

No individual building in the portfolio accounts for more than 8% of total revenue. Tenants are diversified – warehousing & shipping, electronics, machinery & equipment, and telecommunications account respectively for 35%, 14%, 10% and 7% of total net lettable area. The higher weighting for warehousing and shipping is usual, given the industrial nature of A-REIT. Furthermore, around 35% of its tenants are from outside of Singapore, thereby reducing dependence on Singapore companies and economic conditions.

A-REIT's lease portfolio has an evenly spread expiry profile with an average lease term of 6.8 years. This longer average lease term is due to the portfolio's large portion of sale and leaseback properties. A total 32.5% of the portfolio will expire in the next 3 years; therefore, a high portion of its lease revenues is committed in the next few years.

There is some degree of tenant concentration as its top 10 tenants account for about 37% of gross rental revenues, and of which the top three represent close to 22%. But, concerns over revenue concentration among these few top tenants are mitigated by their high creditworthiness. Moody's expects that such concentration to decline as the portfolio continues to expand.

Since its listing in 2002, A-REIT has continuously improved its occupancy, from 82.5% (in 2003) to 94.9%, and revenues, from S$22.8M (in 2003) to S$129M (in 2005), and at a time when overall market conditions were still in the doldrums. Moody's also notes improvements in A-REIT's net property income margin, and expects it to measure around 77% for FY2006. This outcome has been achieved by the REIT Manager's pro-active tenant management policies to increase organic growth and the acquisition of properties with accretive contributions to the portfolio.

The REIT Manager has established a track record in growth by acquisitions, while providing a high level of accountability and transparency on REIT strategy and performance. At the same time, the Manager's performance fee structure requires improved DPU, thereby further aligning the interests of the REIT Manager and unit-holders.

A-REIT has low financial flexibility, typical for Singapore REITs, given its requirement of distributing 100% of taxable income, low retained cash and the fact that most of its assets are pledged for CMBS financing, even though its loan-to-value rests at a low 30%. Its liquidity is very weak for its rating level due to an absence of committed financing facilities.

Moody's notes this situation is somewhat mitigated by the low refinancing risk because of the staggered and longer-dated nature of its debt maturities as well as its relatively low projected capex. Furthermore, around 15% of its borrowings, a moderate level, are floating rate.

As of September 2005, EBITDA/Interest was 7.4x, Total Debt/Annualized EBITDA 6.3x, and Total debt/ Total capitalization 34.4%. Moody's rating reflects the company's intention to continue its acquisitive growth strategy, which will be partially debt funded. As such, leverage is anticipated to rise, weakening debt service coverage ratios. Moody's has, in its ratings, incorporated the expectation that the company will prudently undertake new investments with leverage not, in any event, exceeding 45%.

The stable rating outlook for A-REIT reflects the rating agency's expectation of continued stable cash flow generation from its portfolio, supported by high committed rental revenues, improving industrial market conditions, and ongoing financial discipline in the pursuit of its growth strategy.

For upward rating pressure to emerge, A-REIT will need to demonstrate significant improvements in its liquidity and financial flexibility, by considerably reducing encumbered assets and putting in place reasonably large committed backup financing facilities. At the same time, it should maintain EBITDA/Interest above 6x, Total Debt/EBITDA below 4x, and Total Debt/Total Assets leverage below 35% on a sustainable basis.

Conversely, the rating may experience a downward trend if A-REIT's EBITDA/Interest coverage falls below 4x, Total Debt/EBITDA rises above 8x, and Total Debt/Total Assets is above 45%.

A-REIT was listed on the Singapore Exchange Securities Trading Limited in November 2002 and is one of Singapore's leading REITs. It is managed by Ascendas-MGM Funds Management Ltd, which is owned 60/40 by Ascendas and Macquarie Goodman Group.

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