

Press Release  
16 July 2013



## A-REIT's Amount Available for Distribution grew by 11.3% y-o-y to S\$85.2 million

### Highlights:

1. 1Q FY13/14 amount available for distribution increased by 11.3% y-o-y to S\$85.2 million
2. Distribution per Unit ("DPU") grew by 5.3% q-o-q, from 3.37 cents per Unit (before performance fee) in 4Q FY12/13 to 3.55 cents per Unit in 1Q FY13/14
3. Continued to achieve positive rental reversion, averaging 9.6%, across all segments of the portfolio
4. Completed the proposed acquisition of A-REIT City@Jinqiao for total purchase consideration of S\$124.6 million in July 2013
5. Three new asset enhancement works to be undertaken at Techquest, LogisTech and Corporation Place to upgrade building specifications for a total of S\$25.4 million
6. Completed A-REIT's first divestment, 6 Pioneer Walk, for S\$32.0 million and realised capital gains of S\$7.2 million
7. Strong balance sheet with aggregate leverage at 28.6%

### Summary of A-REIT's Group Results (For the three months ended 30 June 2013)

	1QFY13/14	1QFY12/13	Variance (%)
Gross revenue (S\$ million)	150.9	142.0	6.3
Net property income (S\$ million)	108.0	101.1	6.8
Amount available for distribution (S\$ million)	85.2	76.5	11.3
DPU for the 1 <sup>st</sup> quarter (cents) <sup>(1)</sup>	3.55 <sup>(2)</sup>	3.53	0.6

Notes:

- (1) As at book closure date, none of the S\$300 million collateral loan with maturity date on 1 February 2017 is converted into A-REIT's Units.
- (2) DPU of 3.55 cents per Unit includes taxable income distribution of 3.53 cents per Unit and tax-exempt income distribution of 0.02 cent per Unit. Tax-exempt income relates to a distribution of finance lease interest income (net of Singapore corporate tax) received from a tenant. As tax has been withheld on this income, the distribution is exempt from tax in the hands of Unitholders.

**16 July 2013, Singapore** – The Board of Directors of Ascendas Funds Management (S) Limited (the “Manager”), the Manager of Ascendas Real Estate Investment Trust (“A-REIT”), is pleased to commence the financial year with a year-on-year growth of 11.3% in A-REIT’s amount available for distribution.

Chief Executive Officer and Executive Director of the Manager, Mr Tan Ser Ping said, “A-REIT’s portfolio continued to achieve positive rental reversion averaging 9.6% for leases renewed during the quarter. We expect this trend to continue in FY13/14 albeit at a more modest rate. The multi-tenanted portion of A-REIT’s portfolio has a vacancy of about 10% and this would provide significant potential net property income growth when these spaces are leased out in due course.

We are pleased that A-REIT’s DPU increased 5.3% q-o-q from 3.37 cents per Unit (before performance fee) in 4Q FY12/13 to 3.55 cents per Unit in 1Q FY13/14, despite a full quarter impact of 7.2% increase in units outstanding due to the private placement in March 2013.”

#### **A Well Diversified and Resilient Portfolio**

As at 30 June 2013, A-REIT continued to have a portfolio of long and short term leases (32% and 68% by property value respectively) with a weighted average lease to expiry of about 3.9 years. Long term leases are typically results of sale-and-leaseback or built-to-suit arrangements and these have stepped rental escalation, of which 31.4% of such leases incorporates CPI based adjustment with a floor. Such leases provide stability and predictability in earnings while short term leases are typically of three-year duration where rental rates are marked-to-market upon renewal.

At the beginning of the financial year, about 21.4% of A-REIT’s property income was due for renewal, comprising 6.0% of single-tenanted buildings tenancies and 15.4% of multi-tenanted buildings tenancies. Through the active management of the portfolio, this has been reduced to 14.8% (comprising 4.1% of single-tenanted buildings tenancies and 10.7% of multi-tenanted buildings tenancies) as at 30 June 2013. For the leases renewed during the quarter, A-REIT achieved positive rental reversion across all segments of the portfolio. The average increase in renewal rental rates was about 9.6%.

Occupancy rate for the portfolio and multi-tenanted buildings declined slightly to 93.6% and 89.3% from 94.0% and 89.6% respectively one quarter ago. This was mainly due to the conversion of certain single-tenanted buildings to multi-tenanted after the expiry of the

leases and some of these buildings were not immediately fully occupied. Some of these properties are undergoing asset enhancement works to improve their specifications and marketability. The Manager will capitalise on its leasing capabilities to improve occupancy and to extract organic growth.

### **Disciplined and Yield Accretive Investments**

During the quarter, the Manager continued to enhance returns from existing buildings by embarking on three new asset enhancement projects at Techquest, LogisTech and Corporation Place. These asset enhancements, amounting to a total estimated cost of S\$25.4 million, will upgrade the respective building specifications and improve their marketability. Details of the new and previously announced asset enhancement works are in **Annex A**.

Following the completion of the development of Unilever Four Acres Singapore, a built-to-suit facility for Unilever in April 2013, A-REIT completed another landmark investment - A-REIT City@Jinqiao, for a total purchase consideration of S\$124.6 million on 12 July 2013. A-REIT City@Jinqiao is a business park property in Shanghai Pudong, China with a gross floor area of about 80,000 sqm and located in Jinqiao Economic and Technological Zone of Pudong, Shanghai. The 8-block property targets MNCs and local corporates looking for quality suburban space for R&D and corporate HQs. It is A-REIT's 104<sup>th</sup> property, its second property in China and the first in Shanghai. With 3% space committed and about 20% under negotiation, A-REIT is actively marketing the remaining space.

Divestment of 6 Pioneer Walk was completed during the quarter, realising a gain of S\$7.2 million. It is A-REIT's first divestment. The Manager had previously announced the proposed divestment of Block 5006 at Techplace II to Venture Corporation Limited for S\$38 million. Block 5006 is one of the six blocks of flatted factory buildings in Techplace II. The transaction is undergoing regulatory approval and is expected to complete in 3Q 2013.

### **Proactive Capital Management**

The Manager continues to adopt a proactive stance towards capital management. A-REIT's aggregate leverage stands at 28.6% as at 30 June 2013. After funding of committed investments, aggregate leverage is expected to increase to 30.5%.

A-REIT's weighted term of debt is 3.6 years as at 30 June 2013 with a weighted average all-in borrowing cost of 3.09%. Interest rate swaps are used to manage or hedge the interest

rate exposure of its debts. About 68.1% of A-REIT's interest rate exposure is hedged with a weighted average duration of 4.0 years remaining.

For FY13/14, A-REIT has S\$125 million in medium term notes due for refinancing. The Manager could refinance the debt using available credit facilities, which is currently only about 13% utilized.

### **Outlook for the financial year ending 31 March 2014**

A-REIT had 21.4% of its revenue due for renewal at the beginning of FY13/14. As a result of its proactive portfolio management, this has been reduced to 14.8% at the end of 1Q FY13/14, thereby increasing the income stability of A-REIT.

For the balance of the financial year, the passing rents of leases due for renewal are still below market spot rent, hence positive rental reversions can be expected. Furthermore, A-REIT's portfolio has a mix of long and short term leases (32% versus 68% by asset value) with a weighted average lease to expiry of about 3.9 years which will provide sustainable and predictable earnings. With 10.7% vacancy in the multi-tenanted portion of the portfolio, there could be potential upside in net property income when these spaces are leased out in due course, if the market conditions do not deteriorate.

Barring any unforeseen event and any weakening of the economic environment, the Manager expects A-REIT to deliver a performance on par with the previous financial year.

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### **About A-REIT ([www.a-reit.com](http://www.a-reit.com))**

A-REIT is Singapore's first listed business space and industrial real estate investment trust. It has a diversified portfolio of 102 properties in Singapore, comprising business and science park properties, hi-specs industrial properties, light industrial properties, and logistics and distribution centres, and 2 business park properties in China. As at 30 June 2013, total assets amount to about S\$7.0 billion. These properties house a tenant base of over 1,200 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, C&P Logistics, Siemens, Honeywell, Zuellig Pharma, Citibank N.A., OSIM International, DBS Bank, Federal Express, Baidu, Inc., Johnson & Johnson, RSH, Infineon Technologies, Procter & Gamble and Hyflux.

A-REIT is listed in several indices. These include 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 and FTSE ST Mid Cap. A-REIT has an issuer rating of “A3” by Moody’s Investor Services.

A-REIT is managed by Ascendas Funds Management (S) Limited (in its capacity as manager of A-REIT), a wholly-owned subsidiary of the Singapore-based Ascendas Group.

### **About the Ascendas Group ([www.ascendas.com](http://www.ascendas.com))**

Ascendas is Asia’s leading provider of business space solutions with more than 30 years of experience across the region. Based in Singapore, Ascendas has built a strong regional presence and serves a global clientele of over 2,400 customers in 33 cities across 10 countries including Singapore, China, India, South Korea and Australia.

Ascendas specializes in masterplanning, developing, managing and marketing IT parks, industrial & logistics parks, business parks, science parks, hi-specs facilities, office and retail space for a host of industries. Leveraging on its track record and experience, Ascendas has introduced new business space concepts such as integrated communities and solutions which seamlessly combine high-quality business, lifestyle, retail and hotel spaces to create conducive human-centric work-live-play-learn environments. Its flagship projects include the Singapore Science Park, International Tech Park Bangalore in India, Dalian-Ascendas IT Park in China and Carmelray Industrial Park II in the Philippines. Ascendas provides end-to-end real estate solutions, assisting corporate customers through the entire real estate process.

In November 2002, Ascendas launched Singapore’s first business space trust, Ascendas Real Estate Investment Trust (A-REIT), and in August 2007, Ascendas India Trust (a-iTrust) was launched as Asia’s first listed Indian property trust. In July 2012, Ascendas listed Ascendas Hospitality Trust (A-HTRUST), which comprises a portfolio of 11 quality hotels in China, Japan and Australia. Besides managing listed real estate funds, Ascendas also manages a series of private funds with commercial and industrial assets across Asia.

For enquiries, please contact:

Tan Shu Lin (Ms)  
Head, Singapore Portfolio and Capital  
Markets & Transactions  
Ascendas Funds Management (S) Ltd  
Tel: +65 6508 8822  
Mobile: +65 9683 1500  
Email: [shulin.tan@ascendas-fms.com](mailto:shulin.tan@ascendas-fms.com)

### **Important Notice**

The value of A-REIT’s Units (“Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of A-REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of A-REIT is not necessarily indicative of the future performance of A-REIT.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as

a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale or distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

Any discrepancies in the Figures included herein between the listed amounts and total thereof due to rounding.

## **Annex A:**

### **Asset enhancement works committed in FY13/14: S\$25.4 million**

1) Techquest for S\$4.3 million (To commence in 3Q 2013)

Located within International Business Park and the Jurong Lake District and easily accessible via major expressways, Techquest is one of six A-REIT properties in International Business Park. The asset enhancement works comprise improving building efficiency and specifications through reconfiguration of floor layout and upgrading of façade, restrooms, lobbies, etc. to improve marketability. The asset enhancement work is expected to complete in 3Q 2014.

2) LogisTech for S\$6.6 million (To commence in 3Q 2013)

LogisTech is located in Changi International LogisPark (north) and in close proximity to Changi Airport and easily accessible via major expressways (ECP, PIE and TPE). The Manager is building a new 2-storey air-conditioned warehouse annex block of 3,370 sqm to capitalise on the strong demand for such space in the East through maximisation of plot ratio from existing 1.16 times to 1.25 times. The work is scheduled for completion in 3Q 2014.

3) Corporation Place for S\$14.5 million (In progress)

Corporation Place is located at Corporation Road and enjoys immediate access to the Ayer Rajah Expressway (AYE) which conveniently leads to the city centre, airport and seaport. The Manager will upgrade all lifts and toilets, and create extended lobbies and physical connectivity between all lobbies. The upgrade is expected to improve marketability of the building and be completed in 3Q 2014.

### **Development committed in prior financial year: S\$199.8 million**

1) DBS Asia Hub Phase 2 for S\$21.8 million (To commence in 4Q 2013)

An extension of the existing DBS Asia Hub, DBS Asia Hub Phase 2 caters to DBS Bank's increasing business space requirement within the Changi Business Park. The development of Phase 2 will commence in 4Q 2013 and create a new 6-storey business park annex building with an estimated gross floor area and net lettable floor area of 7,081 sqm and 6,074 sqm respectively. Upon completion, expected in 4Q 2014, DBS Bank will lease the entire block until July 2020 to coincide with the lease expiry of DBS Asia Hub. DBS has options to renew the combined buildings for another 3 terms of 3 years each.

- 2) Development of Nexus@one-north, a business park facility in Fusionopolis, for S\$178.0 million (In progress)

Development of Nexus@one-north is in progress with about 55.7% of the lettable space pre-committed with another 5.7% under offer and 7.8% in negotiation. This suburban business space facility comprises 60% business park space and 40% office space with a total gross floor area of about 25,500 sqm. It is designed to cater to businesses in the infocomm technology ("ICT") and media industries as well as research and development activities in the physical sciences and engineering sectors. It is scheduled for completion in 3Q 2013.

**Asset enhancement works committed in prior financial years: S\$94.6 million**

- 1) Asset enhancement for 31 Ubi Road 1 for S\$7.0 million (In progress)

Strategically located off Paya Lebar Road and in close proximity to the MacPherson MRT Station, 31 Ubi Road 1 is undergoing upgrading of the existing building specifications and enhancement of the building façade to reposition the building from a light industrial building to a high-specs industrial building. This will include improvements to the lift lobbies, erection of new canopies as well as upgrading of the lifts and toilets. The asset enhancement is expect to complete in 3Q 2013. About 45.3% of lettable area has been committed at about 2x the existing passing rental with another 28.3% in negotiation.

- 2) Asset enhancement at Xilin Districentre Building D for S\$6.0 million (In progress)

Located in Changi International LogisPark (South), prominently beside Xilin Ave and in close proximity to Changi Business Park and Changi Airport and easily accessible via East Coast Parkway Expressway, ancillary office space will be converted to warehouse space to cater to the tight supply of warehouse space in the eastern part of Singapore. The exercise is target for completion in 3Q 2013. About 40.6% of lettable area has been leased with a further 51.5% under offer.

- 3) Asset enhancement for Techplace II for S\$42.4 million (In progress)

Strategically located in Ang Mo Kio and easily accessible to the Central Expressway and the MRT, Techplace II currently comprise a total of 6 blocks of flatted factory buildings and a canteen block. The Manager is developing a new factory block with ancillary F&B space totaling about 24,016 sqm through the maximisation of plot ratio from existing 2.05 times to 2.5 times. Works will also include the enhancement of the external façade of all

buildings in the estate to improve the corporate image of the property. The project is scheduled for completion in 4Q 2013.

- 4) Asset enhancement for 31 International Business Park for S\$13.2 million (In progress)  
Strategically located within the International Business Park and within the Jurong Lake District Development and easily accessible via major expressways, 31 International Business Park is one of six A-REIT properties in International Business Park. The asset enhancement works comprise conversion of the property into a multi-tenanted property and upgrading of the building specifications to meet contemporary expectations and is expected to complete in 4Q 2013. About 76.7% of lettable area has been committed.
  
- 5) Asset enhancement at 1 Changi Business Park Avenue 1 for S\$12.0 million (In progress)  
One of A-REIT's six buildings within the Changi Business Park, the property is next to the Expo MRT station and is easily accessible via the Pan Island Expressway and the East Coast Parkway Expressway. The property was acquired in October 2003 and leased to a single-user. In view of the healthy demand for quality business space within the Changi Business Park, the Manager took advantage of the expiring lease to upgrade the building to position it to be comparable with the newest properties within the vicinity. Building specifications such as toilets, lifts and building facades are in the process of being upgraded and will be completed in two phases in 3Q 2013 and 4Q 2013.
  
- 6) Asset enhancement at Techpoint for S\$7.0 million (In progress)  
Situated along Ang Mo Kio Street 65, Techpoint is easily accessible to major transport routes via major expressways. The asset enhancement will improve existing building specifications and finishing so as maintain Techpoint as a state-of-the-art hi-specs industrial building. The works is scheduled for completion in 1Q 2014.
  
- 7) Asset enhancement at 5 Toh Guan Road East for S\$7.0 million (In progress)  
5 Toh Guan Road East was converted to a multi-tenanted property in January 2013. The property is well served by major roads and expressways such as Toh Guan Road, Boon Lay Way, Ayer Rajah Expressway (AYE) and Pan-Island Expressway (PIE), which provide efficient links to the city centre, airport and other parts of Singapore. The asset enhancement involves upgrading of lifts and subdivision of units to enhance marketability. The asset enhancement works will commence in 2Q 2013 and is expected to complete in 2Q 2014.

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