



Rating Action: Moody's Ratings affirms CapitaLand Ascendas REIT's A3 ratings; assigns Baa2 to proposed subordinated perpetual securities

06 Aug 2025

Singapore, August 06, 2025 -- Moody's Ratings (Moody's) has affirmed CapitaLand Ascendas REIT's (CLAR) A3 issuer and senior unsecured ratings, the provisional (P)A3 senior unsecured ratings on its medium-term note programs, and the Baa2 rating on its subordinated perpetual securities.

At the same time, we have assigned a Baa2 rating to the proposed subordinated perpetual securities to be issued by CLAR under its SGD7 billion euro medium-term securities program, which is rated (P)A3 senior unsecured.

The outlook on all ratings is stable.

"The rating affirmation reflects CLAR's market position and our expectation that its operating performance will remain stable, supported by a diversified portfolio of assets that will benefit from tight supply and flight-to-quality trends in the market," says Yu Sheng Tay, a Moody's Ratings Assistant Vice President and Analyst.

"We also expect steady occupancy rates, positive rental reversions, and contributions from new acquisitions to drive earnings growth over the next 12-18 months," adds Tay.

RATINGS RATIONALE

CLAR's A3 issuer rating is supported by its leading market position and consistent income generation from a portfolio of industrial and business space properties across Singapore, Australia, Europe, the UK, and the US.

We expect CLAR's EBITDA to increase to around SGD960 million–SGD1 billion over the next 12-18 months, up from SGD930 million in 2024, driven by stable operating performance and earnings contributions from its planned acquisition of two properties in Singapore earlier this year.

Despite higher earnings, CLAR's leverage, as measured by net debt to EBITDA, will rise to around 8.0x over the forecast period due to additional debt to fund acquisitions and capital spending. EBITDA interest coverage is expected to gradually improve to 3.5x by 2026, supported by stronger earnings and declining interest rates. Nonetheless, CLAR has limited headroom under its rating thresholds to absorb a significant increase in debt.

CLAR's operating performance remains stable despite global macroeconomic headwinds - including higher tariffs, weak business confidence, soft consumer sentiment, and tighter financial conditions - which are expected to weigh on global trade and economic activity.

In Singapore, CLAR's properties are supported by a tightening supply pipeline and continued flight-to-quality trends. These factors will drive positive, albeit moderating, rental reversions.

In contrast, CLAR's overseas properties, particularly business spaces in Australia and the US, face softer leasing demand. We expect CLAR to explore asset recycling or redevelopment opportunities for these assets, which made up around 13% of its portfolio valuation as of end-2024.

CLAR reported a portfolio occupancy rate of 91.8% and rental reversions of 8% in the second quarter of 2025.

CLAR's A3 issuer rating also reflects its 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. Earlier this year, CLAR announced plans to acquire two properties in Singapore for a total purchase consideration of SGD725

million. This will be partly funded by a SGD500 million equity placement completed in May 2025.

The Baa2 rating on the proposed perpetual securities is two notches below CLAR's A3 issuer and senior unsecured ratings, reflecting the deeply subordinated nature of the securities. These securities rank below CLAR's senior debt in terms of priority of claims, are pari passu with the most junior class of preferred units, and rank senior only to ordinary equity. We expect CLAR to use the proceeds to redeem its existing perpetual securities, which are callable in September 2025.

The proposed perpetual securities qualify for "Basket M" under Moody's Hybrid Equity Credit methodology and receive 50% equity treatment in the calculation of credit ratios.

LIQUIDITY

CLAR's liquidity is inadequate due to the trust's reliance on revolving credit facilities. As of 30 June 2025, the trust's cash sources, namely its cash balance and committed undrawn facilities, were insufficient to cover SGD546 million of revolving credit facilities and SGD1.1 billion of medium-term notes and term loans maturing through December 2026.

Nonetheless, we expect refinancing risk to be mitigated by CLAR's demonstrated ability to access capital markets and its strong banking relationships. In addition, the trust's affiliation with its reputable sponsor, CapitaLand Investment, supports its access to funding.

OUTLOOK

The stable outlook reflects our view that CLAR will maintain stable operating performance and achieve steady earnings growth over the next 12 months. At the same time, we expect the trust to remain financially prudent in executing its growth strategy.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

We could upgrade CLAR's rating if it continues to improve its geographic diversification while strengthening its credit metrics, such that its debt/total assets remains below 35% and net debt/EBITDA improves to below 6.0x on a sustained basis.

Conversely, we could downgrade CLAR's rating if its operating environment deteriorates, leading to higher vacancy levels, a decline in operating cash flow, or a fall in asset valuations; or if its credit metrics weaken, such that net debt/EBITDA rises above 8.0x-8.5x or EBITDA/interest coverage falls below 3.25x.

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

The principal methodology used in these ratings was REITs and Other Commercial Real Estate Firms published in May 2025 and available at <https://ratings.moody.com/rmc-documents/443999>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

CapitaLand Ascendas REIT (CLAR) owns a diversified portfolio of industrial properties and business parks. As of 30 June 2025, the trust owned 94 properties in Singapore, 34 in Australia, 49 in Europe, and 48 in the United States, with a total appraised value of approximately SGD16.8 billion. CLAR was listed on the Singapore Stock Exchange in November 2002.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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