

## Ascendas Reit's Total Amount Available for Distribution for 3Q FY16/17 rose 19.2% y-o-y to S\$115.1 million

### Highlights:

1. Contributions from the new acquisitions in Australia and Singapore lifted 3Q net property income by 9.0% year-on-year (y-o-y) to S\$155.0m
2. Portfolio occupancy improved to 90.2% from 89.1% a quarter ago
3. 3Q Distribution per Unit (DPU) grew by 1.2% y-o-y to 3.993 cents

### Summary of Ascendas Reit's Group Results

	3Q FY16/17	3Q FY15/16	Variance	2Q FY16/17	Variance
Number of Properties	130 <sup>(1)</sup>	130	-	131	(1)
Gross revenue (S\$ million)	208.6	193.8	+7.6%	205.4	+1.6%
Net property income (S\$ million)	155.0	142.2	+9.0%	152.4	+1.7%
Total amount available for distribution (S\$ million)	115.1	96.6 <sup>(3)</sup>	+19.2%	112.5	+2.3%
DPU (cents)	3.993 <sup>(2)</sup>	3.946 <sup>(4)</sup>	+1.2%	4.016 <sup>(5)</sup>	-0.6%

*Notes:*

- (1) As at 31 December 2016, Ascendas Reit has 102 properties in Singapore and 28 properties in Australia.
- (2) Includes taxable, tax exempt and capital distributions of 3.717 cents, 0.054 cents and 0.222 cents respectively.
- (3) Includes a provision of S\$8.4 million performance fee.
- (4) Includes taxable, tax exempt and capital distributions of 3.810 cents, 0.045 cents and 0.091 cents respectively.
- (5) Includes taxable, tax exempt and capital distributions of 3.822 cents, 0.096 cents and 0.098 cents respectively.

**24 January 2017, Singapore** – The Board of Directors of Ascendas Funds Management (S) Limited (the Manager), the Manager of Ascendas Real Estate Investment Trust (Ascendas Reit), is pleased to report that for 3Q FY16/17, net property income rose by 9.0% y-o-y to S\$155.0 million. This was mainly attributable to contributions from the acquisition of the Australian portfolio and ONE@Changi City, partially offset by the loss of income from the divestments of A-REIT City @Jinqiao, Ascendas Z-Link and Four Acres Singapore.

## Press Release



The provision of S\$8.4 million performance fee in the same quarter last year (3Q FY15/16), despite the higher interest expense in 3Q FY16/17, contributed to the 19.2% y-o-y growth in total amount available for distribution to S\$115.1 million.

DPU rose by 1.2% y-o-y to 3.993 cents from 3.946 cents in 3Q FY15/16 despite the increase in number of Units in issue.

Mr Chia Nam Toon, Chief Executive Officer and Executive Director of the Manager said, “Our operating performance has remained resilient in 3Q, underpinned by our diverse property portfolio and proactive portfolio management. The new acquisitions will broaden and strengthen our resilience in view of the expected challenging business environment.”

### Value-adding Investments

In December 2016, the Manager announced the proposed acquisition of 12, 14 and 16 Science Park Drive for S\$420.0 million from its Sponsor, the Ascendas-Singbridge Group. The property is 100% occupied and leased to two tenants: DSO National Laboratories (Singapore’s national defence research & development organisation) and DNV GL Singapore Pte Ltd (a Norwegian risk management company). The leases have a weighted average lease expiry (WALE) of 16.2 years and built-in rental escalation of 2.2% to 2.5% per annum. The acquisition will extend Ascendas Reit’s market leadership in the business and science park space and reinforce its earnings stability and predictability<sup>1</sup>. The acquisition is subject to Unitholder’s approval and expected to complete within FY16/17.

The Manager continues to focus on improving returns from existing properties via asset enhancement initiatives (AEI). During the quarter, enhancement works worth about S\$7.7 million commenced at The Gemini. The main and lift lobbies, corridors, staircases and other common areas will be upgraded and improved to enhance the marketability of the building.

The asset enhancement at Akzonobel House was completed in December 2016 for S\$6.5 million. Occupancy of the property has improved to 93.6% from 73.5% in September 2016.

---

<sup>1</sup> Please refer to the announcement “Ascendas Reit to Acquire 12, 14 and 16 Science Park Drive for S\$420.0 million” on 5 December 2016 for more information.

## Press Release



As at 31 December 2016, one asset enhancement and two redevelopment projects worth a total of S\$114.3 million are still on-going.

### Capital Recycling

In 3Q FY16/17, the Manager completed the divestment of A-REIT City @Jinqiao for S\$221.6 million, realising capital gains of about S\$94.4 million over the original cost of investment.

We will continue to review our property portfolio, taking into account our strategic direction and anticipated future market changing demand.

### A Well Diversified and Resilient Portfolio

Ascendas Reit is well-diversified in terms of rental income. The customer base is about 1,390 tenants spread over 102 properties in Singapore and 28 properties in Australia. No single property accounts for more than 5.6% of Ascendas Reit's monthly gross revenue. The stability of Ascendas Reit's future performance is underpinned by the diversity and depth of its portfolio.

As at 31 December 2016, Ascendas Reit owns a portfolio of single-tenant and multi-tenant properties (26.3% and 73.7% by property value respectively). The portfolio has a WALE of about 3.7 years.

Overall portfolio occupancy rate improved to 90.2% (as at 31 December 2016) from 89.1% (as at 30 September 2016).

The Singapore portfolio occupancy improved to 88.1% (as at 31 December 2016) from 87.9% (as at 30 September 2016) mainly due to new take-up and expansion at two logistics properties, 40 Penjuru Lane and Pioneer Hub.

In Australia, the Manager leased some of the vacant space at 62 Stradbroke Street in Brisbane during the quarter. This contributed to the improvement in the Australia portfolio occupancy to 97.5% from 94.2% in September 2016.

## Press Release

Positive rent reversion of about 3.0% was achieved for leases renewed in Singapore during 3Q FY16/17.

Based on leases accepted during the quarter, tenants from the transport and storage sector accounted for the largest proportion of new demand (21.2%) by gross income.

About 6.0% of Ascendas Reit's gross revenue will be due for renewal for the remaining of FY16/17. Of these expiring leases, 1.3% are from single-tenant buildings and 4.7% are from multi-tenant buildings. The Manager is already proactively working on the renewal of the leases expiring in FY17/18.

### **Proactive Capital Management**

As at 31 December 2016, aggregate leverage stood at 31.8% and weighted average all-in cost of borrowing at 3.0%. About 82.7% of Ascendas Reit's interest rate risk exposure is hedged with a weighted average duration of 3.6 years remaining.

The debt maturity profile remains well-spread and weighted average tenure of debt outstanding is 3.9 years.

We continue to enjoy the A3 credit rating by Moody's.

### **Outlook for FY16/17**

#### **Singapore**

Global economic growth is expected to pick up slightly in 2017, underpinned by improvements in US, Japan, newly-industrialised economies and ASEAN. There is some uncertainty from Brexit, China's debt levels and impact of US president Donald Trump's trade policies.

The uncertain global economic outlook will have certain impact on Ascendas Reit.

The Singapore economy has slowed down and is expected to grow at 1.0% to 3.0% in 2017 (source: Ministry of Trade and Industry). Leasing demand for industrial property space is expected to remain subdued. In addition, island-wide vacancy for industrial property has

## Press Release

risen to 10.9% as at December 2016 (source: JTC). New supply of about 2.2 million sm of industrial space in 2017 will put further pressure on occupancy and rental rates.

Ongoing stringent subletting policy i.e. the requirement of anchor tenant (defined as a company occupying at least 1,000 sm gross floor area (GFA)) occupying at least 70% of GFA for properties sited on JTC land, makes leasing more restrictive and selective. The effect is further exacerbated by shrinking space requirement by existing and new tenants.

The current trend by the government is to sell shorter lease industrial land i.e. from 60 years tenure previously to 30 years or less. The shorter time period of 30 years as compared with 60 years has made Built-to-Suit investments less feasible due to the gap between rental expectation and the reluctance of tenants signing on longer lease term in this uncertain economic climate.

To enhance the stability and sustainability of returns, we plan to continue to invest in properties with long remaining land lease tenures. Ascendas Reit's portfolio weighted average land lease to expiry is about 46 years.

### **Australia**

Consensus 2017 GDP growth is forecast to be stable at about 2.6% as the Australian economy continues to make a transition from resources to a broader range of industries (e.g. housing, tourism, agricultural exports and educational services).

According to CBRE, leasing demand for industrial properties is expected to remain healthy in Sydney and Melbourne due to strong population growth, positive retail trade and low unemployment. Well located facilities in Sydney benefitted from relatively limited supply against strong demand, with CBRE reporting market rents increasing by ~4.4% in 2016 for the super-prime industrial sub-sector.

High quality investment assets remain attractive to investors on the back of positive property fundamentals. As a result, prime yields may compress further in Sydney and Melbourne due to strong investment appetite. With increasing investment outlay, this may result in potentially lower yields for new acquisitions.

**Others**

Currently, there is a consensus view that interest rates are on the uptrend. Higher interest rates will result in higher interest expense and lower DPU. To mitigate interest rates volatility, about 82.7% of Ascendas Reit's borrowings have been hedged.

In addition, new acquisitions feasibility will have to factor in the potential higher interest rates and impact.

- End -

**About Ascendas Reit ([www.ascendas-reit.com](http://www.ascendas-reit.com))**

Ascendas Reit is Singapore's first and largest listed business space and industrial real estate investment trust. As at 31 December 2016, total assets amount to about S\$9.7 billion. The diversified portfolio of 102 properties in Singapore, comprise business and science park properties, hi-specs industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties. In Australia, Ascendas Reit owns 27 logistics properties and one business park property. These properties house a tenant base of around 1,390 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, DBS, Citibank, Wesfarmers, Ceva Logistics, JPMorgan and Siemens, to name a few.

Ascendas Reit is listed in several indices. These include the FTSE Straits Times Index, 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. Ascendas Reit has an issuer rating of "A3" by Moody's Investors Service.

Ascendas Reit is managed by Ascendas Funds Management (S) Limited (in its capacity as manager of Ascendas Reit), a wholly-owned subsidiary of the Singapore-based Ascendas-Singbridge Group. Ascendas REIT Australia and its sub-trusts, are managed by Ascendas Funds Management (Australia) Pty Ltd, which is a wholly-owned subsidiary of Ascendas Funds Management (S) Limited.

**About Ascendas-Singbridge Group ([www.ascendas-singbridge.com](http://www.ascendas-singbridge.com))**

Ascendas-Singbridge Group is Asia's leading provider of sustainable urban solutions. With the combined capabilities of Ascendas and Singbridge, the group is uniquely placed to undertake urbanisation projects spanning townships, mixed-use developments and business/industrial parks. Headquartered in Singapore, Ascendas-Singbridge has projects in 29 cities across 10 countries in Asia, including Australia, China, India, Indonesia, Singapore and South Korea.

Ascendas-Singbridge Group has a substantial interest in and also manages three Singapore-listed funds under its subsidiary Ascendas. Besides these listed funds – Ascendas REIT, Ascendas India Trust (a-iTrust) and Ascendas Hospitality Trust (A-HTRUST), Ascendas also manages a series of private real estate funds, which hold commercial and industrial assets across Asia.

Jointly owned by Temasek and JTC Corporation (JTC) through a 51:49 partnership, Ascendas-Singbridge Group is the asset and investment holding arm of the integrated urban solutions platform formed by Temasek and JTC to capitalise on urbanisation trends in the region.

For enquiries, please contact:

Yeow Kit Peng (Ms)  
Head, Capital Markets & Corporate Development  
Ascendas Funds Management (S) Ltd  
Tel: +65 6508 8822  
Email: [kitpeng.yeow@ascendas-singbridge.com](mailto:kitpeng.yeow@ascendas-singbridge.com)

Wylyn Liu (Ms)  
Senior Manager, Investor Relations &  
Communications  
Ascendas Funds Management (S) Ltd  
Tel: +65 6508 8840  
Email: [wylun.liu@ascendas-singbridge.com](mailto:wylun.liu@ascendas-singbridge.com)

**Important Notice**

The value of Ascendas 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 Ascendas 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 Ascendas Reit is not necessarily indicative of the future performance of Ascendas Reit.

This release may contain forward-looking statements that involve assumptions, 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 similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support Ascendas Reit's 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 are due to rounding.