

## **A-REIT makes maiden acquisition of logistics portfolio in Australia for A\$1,013.0 million**

18 September 2015, Singapore – Ascendas Funds Management (S) Limited (the “**Manager**”), the manager of Ascendas Real Estate Investment Trust (“**A-REIT**”) is pleased to announce the proposed acquisition of a portfolio of 26 logistics properties located in Australia (the “**Target Portfolio**” or “**Properties**”) for which A\$1,013.0 million (S\$1,013 million<sup>1</sup>), subject to post-completion adjustments (“**A-REIT Purchase Consideration**”) will be payable by A-REIT (the “**Proposed Acquisition**”) to the real estate arm of GIC and Frasers Property Australia Pty Limited through their controlled subsidiaries/affiliates (collectively, the “**Vendors**”).

Mr Tan Ser Ping, Executive Director and Chief Executive Officer of the Manager said, “We are excited by this unique opportunity to make a strategic investment in Australia. The Proposed Acquisition, comprising 26 prime logistics properties located on freehold land in the key cities of Sydney, Melbourne and Brisbane, will establish A-REIT as the 8th largest industrial landlord in Australia. In addition, this will further enhance our customer base with high calibre end-users (such as Wesfarmers, Mondelez, Pacific Brands, API, Nestlé, Officemax) and multinational third-party logistics tenants (such as CEVA, DB Schenker, and Linfox). It also diversifies A-REIT’s portfolio geographically. The portfolio has 24 tenants with 30 triple net leases.”

### **Details of the Proposed Acquisition**

A-REIT has established a wholly-owned managed investment trust by the name of “Ascendas REIT Australia” (the “**MIT**”) in Australia for the purposes of acquiring and holding the Target Portfolio. The MIT will hold the trust by the name of “Ascendas Logistics Trust” (the “**Logistics Trust**”) which will in turn hold the Properties by way of various wholly-owned intermediate sub-trusts and Property-holding sub-trusts (the “**Sub-Trusts**”). Perpetual Corporate Trust Limited, a professional trustee service provider, has been appointed as the trustee of the MIT (the “**MIT Trustee**”), the Trust Company

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<sup>1</sup> An illustrative exchange rate of A\$1.00: S\$1.00 is used for all conversions from Australian Dollar amounts into Singapore Dollar amounts in this press release.

(Australia) Limited, a related corporation of the MIT Trustee, has been appointed as the trustee of the Logistics MIT (the “**Logistics Trust Trustee**”) and various trustees, being related corporations of the MIT Trustee, have also been appointed in respect of the various Sub-Trusts (the “**Sub-Trusts’ Trustees**”).

HSBC Institutional Trust Services (Singapore) Limited, as trustee of A-REIT, the MIT Trustee and the Vendors have entered into an implementation agreement (the “**Implementation Agreement**”) to implement the Proposed Acquisition. Pursuant to the Implementation Agreement, A-REIT (through the Logistics Trust Trustee and/or the Sub-Trusts’ Trustees, as the case may be) will enter into various acquisition contracts with the Vendors today to acquire the Target Portfolio.

A-REIT is expected to incur estimated transaction costs of about A\$64.8 million (S\$64.8 million), which includes stamp duty, professional advisory fees and the acquisition fee payable to the Manager (being 1% of the A-REIT Purchase Consideration of A\$1,013.0 million) which amounts to approximately A\$10.1 million (S\$10.1 million) (the “**Acquisition Fee**”). The Manager has decided that the Acquisition Fee will be paid in the form of units in A-REIT (“**Units**”), and has undertaken not to dispose of the Acquisition Fee Units within one year from the date of issuance.

The Proposed Acquisition is expected to generate a net property income yield of approximately 6.4% pre-transaction costs in the first year (6.0% post-transaction costs). The Target Portfolio has a committed weighted average lease expiry (“**WALE**”) of 6.1 years as at 30 June 2015.

The Proposed Acquisition is expected to complete in the fourth quarter of 2015.

### **Funding and Risk Management**

The Manager intends to fund the Proposed Acquisition with a combination of (i) Australian onshore loans of approximately A\$600 million; and (ii) the issuance of perpetual securities by A-REIT. Distribution per Unit (“**DPU**”) accretion is expected to be about 3% to 3.5% depending on the ultimate cost of perpetual securities to be issued.

Funding the Proposed Acquisition with Australian dollar debt is aimed at achieving a natural hedge against foreign exchange risk. The Manager may hedge the expected net income cash flow via appropriate hedging instruments. The Manager will continue to

manage interest rates exposure at the A-REIT level, and will be guided by the existing policy of maintaining 50% to 75% of borrowings on fixed interest rates.

The Manager plans to maintain the aggregate leverage ratio of A-REIT at a level below 40% through options such as capital recycling.

A wholly-owned subsidiary of the Manager incorporated in Australia, Ascendas Funds Management (Australia) Pty Ltd (“**AFMA**”) will be appointed as investment manager of the MIT and Logistics Trust (including the Sub-Trusts) and strategic manager of the Target Portfolio. The agreements<sup>2</sup> relating to these appointments entered into between the Manager, the MIT Trustee, the Logistics Trust Trustee and/or the relevant Sub-Trusts’ Trustees (as the case may be) and AFMA are interested person transactions under Chapter 9 of the SGX Listing Manual and the aggregate value of the transactions fall under 3.0% of A-REIT’s net tangible assets<sup>3</sup>. The Audit Committee has reviewed and confirmed that the entry into these agreements is not prejudicial to the interests of A-REIT and its minority Unitholders.

The Manager will take a proactive approach to customer service and leasing and property management to mitigate operational risks. A local team will be established to oversee operations, manage customer relationships and seek further growth opportunities in Australia.

### **Merits of Investment**

- **Complementary to Singapore market and strengthens A-REIT’s portfolio**

The Australian industrial real estate market is mature, transparent and provides opportunities for growth underpinned by domestic consumption and population growth. The Target Portfolio comprises of freehold properties which will complement A-REIT’s current portfolio.

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<sup>2</sup> The agreements include the (i) acceptance agreement entered into by the Trustee and the Manager pursuant to which, (subject to completion of the Proposed Acquisition) the Manager (or its nominee) will be appointed to act as investment manager in respect of the MIT and the Logistics Trust (including the Sub-Trusts) and the strategic manager in respect of the Target Portfolio, (ii) the investment management agreements entered into by AFMA and the MIT Trustee in respect of the MIT, (iii) the investment management agreement entered into by AFMA and the Logistics Trust Trustee in respect of the Logistics Trust and Sub-Trusts, and (iv) the strategic management agreement which will be entered into between the Manager, MIT Trustee and AFMA concurrently with completion of the Proposed Acquisition to appoint AFMA as the strategic manager of the Target Portfolio and to provide various strategic management services.

<sup>3</sup> Aggregated with other interested person transactions with the Ascendas Group for the financial year ending 31 March 2016.

The Proposed Acquisition is in line with A-REIT's disciplined value-adding investment strategy of acquiring good quality, income-producing assets with established tenants. It will strengthen A-REIT's ability to fulfil its mission to generate stable and predictable income streams and long term capital stability.

- **Diversification of portfolio**

The Target Portfolio will diversify A-REIT's portfolio geographically, increasing the contribution of overseas investment (by asset value) from 4.0% (China) to 14.0%. This is in line with A-REIT's investment target for overseas markets to account for 20.0% to 30.0%<sup>4</sup> of A-REIT's portfolio. A-REIT's customer base will also be enlarged with high-calibre end users such as Wesfarmers, Mondelez, Pacific Brands, API, Nestlé, Officemax and multinational third-party logistics tenants such as CEVA, DB Schenker and Linfox. The tenants' businesses are underpinned by the growing Australian population, rising domestic retail spending and expanding e-commerce sector.

- **A-REIT achieves immediate scale in a new market**

With the size and geographical spread of the Target Portfolio, A-REIT will be able to establish a strategic presence as the 8<sup>th</sup> largest national industrial landlord in the Australian market. With this beachhead, A-REIT could explore potential opportunities to expand its footprint through partnerships with property consultants and local real estate partners to provide greater choices for industrial property users.

- **Strengthen portfolio with high-quality properties on freehold land**

A-REIT's portfolio will be strengthened with the addition of mostly new (the average age of buildings in the Target Portfolio is 6.4 years) and highly functional warehousing and logistics facilities located on freehold land in Australia. The weighted average land lease to expiry for A-REIT's portfolio is expected to increase from 55 years (including freehold) to 162 years<sup>5</sup>. As the property space in the Target Portfolio is leased to tenants on a triple-net basis (where the tenant pays all statutory outgoings and operating costs), operational demand will be minimal and this will ease A-REIT's initial entry into the market. Leases include annual rental escalation of 3.3% on a portfolio basis, which is generally higher than similar leases in Singapore. The WALE of the Target Portfolio stood at 6.1 years as at 30 June 2015 and is expected to extend A-REIT's portfolio WALE from 3.7 to 4.0 years.

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<sup>4</sup> Refer to A-REIT's announcement on 6 August 2015 for more details.

<sup>5</sup> Based on an assumption of freehold land lease of 999 years for illustrative purposes.

- **Enhance competitive advantage through multi-pronged strategy of proactive asset management & customer focus**

A-REIT will proactively manage the Properties with a focus on customer service. The Manager believes that the Proposed Acquisition will allow A-REIT to build a stronger competitive advantage by providing business space solutions across markets and maximising value from the Properties. With an expanded footprint, A-REIT can explore strategic real estate partnerships with tenants in Singapore and Australia.

- **Potential upside**

The current occupancy rate of the Target Portfolio is 94.4%. In addition, there are several leasing enquiries for the entire space at 62 Stradbroke Street located in Brisbane. The Manager is working with the Vendors on these leasing enquiries. When 62 Stradbroke Street is fully leased out, the occupancy rate of the Target Portfolio is expected to increase to 98.3%.

Four of the lease agreements in respect of the Properties include rights for the tenants to expand their current space leased. This could increase potential rental income from the Target Portfolio by around A\$3.3 million if all four tenants exercise their expansion rights comprising an aggregate of 28,430 sq m of leasable area.

### **About the Target Portfolio**

The Target Portfolio comprises a gross floor area of approximately 630,946 sq m across 26 prime institutional grade logistics properties on freehold land across Australia. The modern and mostly new properties are located in the core industrial markets of Sydney, Melbourne, Brisbane and Perth, within 40 kilometres from their respective central business districts. The Properties are in close proximity to major transport networks including the M4 Motorway, Westlink M7 and M2 Motorway in Sydney; the Western Ring Road Eastlink, West Gate and Monash Freeways in Melbourne; Logan Motorway and Acacia Ridge Intermodal Terminal in Brisbane and the Roe Highway and Kwinana Freeway in Perth.

For more details about the individual Properties, please refer to the “Acquisition of Australian Logistics Portfolio” presentation slides dated 18 September 2015. With the Proposed Acquisition, A-REIT will own a total of 102 properties in Singapore, 26 logistics properties in Australia and two business park properties in China.

Portfolio Statistics	
Location & Number of properties	<b>26 logistics properties</b> Sydney – 9 properties Melbourne – 9 properties Brisbane – 7 properties Perth – 1 property
Land Area	1,208,427 sqm
Land Tenure	Freehold
Total Gross Floor Area (“GFA”)	630,946 sqm
Weighted Average Lease Expiry (“WALE”)	6.1 years (as at 30 Jun 2015)
Occupancy Rate	94.4%
Average building age	Approx. 6.4 years
Total Net Property Income	Approx. A\$64.5 million (S\$64.5 million)
Total number of leases	30 (with 24 customers)
Lease Structure	Tenant pays all statutory outgoings & operating expenses

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

A-REIT is Singapore’s first and largest 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, logistics and distribution centres, integrated development, amenities and retail properties and 2 business park properties in China. As at 30 June 2015, total assets amount to about S\$8.2 billion. These properties house a tenant base of around 1,420 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, Siemens, Honeywell, Zuellig Pharma, Citibank N.A., OSIM International, DBS Bank, Federal Express, Baidu, Inc., Johnson & Johnson, RSH, Infineon Technologies, Cold Storage and Hyflux.

A-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. 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 and a member of the Ascendas-Singbridge Group.

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

A member of the Ascendas-Singbridge Group, Ascendas is Asia's leading provider of business space solutions with more than 30 years of experience. Based in Singapore, Ascendas has built a strong regional presence and serves a global clientele of over 2,400 customers in 25 cities across 10 countries including Singapore, China, India, Malaysia, South Korea and Vietnam.

Ascendas specialises in masterplanning, developing, managing and marketing IT parks, industrial & logistics parks, business parks, science parks, hi-specs facilities, office and retail spaces. 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 hospitality spaces to create conducive human-centric work-live-play-learn environments. Its flagship projects include the Singapore Science Park and Changi City at Changi Business Park in Singapore, International Tech Park Bangalore in India and Ascendas-Xinsu in Suzhou Industrial Park, China. Ascendas provides end-to-end real estate solutions, assisting companies across 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 listed as the first Indian property trust in Asia. In July 2012, Ascendas listed Ascendas Hospitality Trust (A-HTRUST), which comprises a portfolio of quality hotels in Australia, China, Japan and Singapore. Besides managing listed real estate funds, Ascendas also manages a series of private funds with commercial and industrial assets across Asia.

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### 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 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 A-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.