

## A-REIT's Distributable Income Increased by 11.4% Year-on-Year

### Highlights:

1. Distributable income of S\$234.9 million is 11.4% higher year-on-year (“yoy”)
2. 13.7% yoy growth over FY2008/09 Distribution Per Unit (“DPU”) of 11.76 cents<sup>(1) (2)</sup>
3. FY2009/10 Net Property Income grew by 7.9% of which 34.6% is contributed organically
4. Positive rental reversion on lease renewals in the sectors of Business & Science Parks, Hi-Tech Industrial as well as Logistics & Distribution Centres

### Summary of A-REIT Results (For the financial year ended 31 March)

	FY2009/10	FY2008/09	Variance (%)
Gross Revenue (S\$ m)	413.7	396.5	4.3
Net Property Income (S\$ m)	320.0	296.6	7.9
Distributable Income (S\$ m)	234.9	210.9	11.4
DPU for the FY(cents)	13.10 <sup>(1)</sup>	11.76 <sup>(1)(2)</sup> (proforma)	11.4

<sup>(1)</sup> DPU is computed on the basis that none of the S\$300 million collateral loan due February 2017 is converted into A-REIT Units on or before the book closure date. Accordingly, the actual quantum of DPU may differ if any portion of the collateral loan is converted into Units on or prior to the book closure date.

<sup>(2)</sup> Proforma DPU for FY08/09 includes units issued pursuant to the placement in August 2009 and units issued in lieu of the 20% base management fee in May 2009 and December 2009.

**19 April 2010, 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 announce a year-on-year increase of 11.4% and 7.9% in distributable income and net property income respectively for FY2009/10.

Chief Executive Officer and Executive Director of the Manager, Mr Tan Ser Ping said, “We are pleased to conclude the financial year with improvements in A-REIT’s operational metrics despite the challenging economic environment in 2009.

Net property income increased to about S\$320 million partly due to cost savings in land rent and property tax as a result of the rebates provided by the Government as well as reduction in utilities expenses due to lower energy prices in 2009.

Occupancy rate for the portfolio moderated to 95.7% from 96.5% a quarter ago. Nonetheless, occupancy for the various sectors continued to be higher than market average, largely attributed to the quality and resilience of the properties as well as the diversified nature of the portfolio which caters to different segments of the economy.

A-REIT continued to achieve positive rental reversion for its Business & Science Parks, Hi-Tech Industrial and Logistics & Distribution Centre properties for the financial year as in-place rental rates of the leases which have been renewed were lower than prevailing market rental rates.

During the financial year, A-REIT completed three development projects and two acquisitions. As the two acquisitions were completed in end-Mar 2010, they will provide a full year net property income contribution of approximately S\$9 million for the next financial year.”

### **Portfolio Performance**

The Manager continues to evaluate potential investment opportunities on a disciplined approach with a focus on built-to-suit development for high-credit quality tenants and acquisition of well-located income producing properties to ensure sustainable yield accretive returns.

In FY2009/10, A-REIT completed three development projects and two acquisitions, namely: 71 Alps Avenue, Plaza8@CBP and 38A Kim Chuan Road (a built-to-suit facility for SingTel) as well as DBS Asia Hub and 31 Joo Koon Circle for a total consideration of S\$429m.

The Manager also took advantage of the current lower construction cost and limited potential new supply of business park space in Changi Business Park, other than those owned by A-

REIT, over the next two years to commence construction of a partial built-to-suit facility for Citibank N.A. Upon completion in 4Q FY2010/11, Citibank N.A. will lease 50% of the building for a period of 6 years with annual rental escalation and option to renew for two further terms of 3 years each.

Following the repossession of 1 Senoko Avenue, A-REIT plans to re-develop this property in two phases to fully utilize its permitted plot ratio (increasing it from 0.6 times currently to 2.5 times). The redeveloped property will be targeting potential tenants in the food processing industry. Following the restructuring of the property at 10 Toh Guan Road, the Manager will have the existing Automated Storage and Retrieval System (ASRS) warehouse removed to create additional space and the building will be re-positioned for higher value usage.

As at 31 March 2010, A-REIT has a portfolio of 93 properties with a total asset value of about S\$4.8b, housing a tenant base of about 930 international and local companies. With a relatively large base of properties and tenants, A-REIT has reduced its reliance on any one property such that no single property accounts for more than 4.5% of its monthly gross revenue.

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

A-REIT has a diversified portfolio spread across five sectors of Business & Science Parks, Hi-Tech Industrial, Light Industrial, Logistics & Distribution Centres and Warehouse Retail Facilities with a mix of long and short term leases (46% and 54% by portfolio value respectively) and a weighted lease term to expiry of about 4.8 years. Long term leases are the results of sale-and-leaseback and built-to-suit transactions of which 32.5% have rental escalation pegged to CPI with a fixed rate floor. The remaining long term leases have incorporated periodic annual rental escalation of varying percentages.

As a result of this diversification, A-REIT's properties houses tenants from an array of industries 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. Consequently, A-REIT's top 10 tenants only account for 26.8% of its monthly gross revenue.

For the financial year ended 31 March 2010, the Manager successfully leased (including expansion by existing tenants) and renewed leases totaling 274,316 sqm to a diversified base of tenants in the lifestyle and apparels, telecommunications & datacentres, biomedical, transport and storage, information technology as well as companies in the marketing services industries.

As at 31 March 2010, occupancy rate for the portfolio moderated to 95.7% from 96.5% a quarter ago while A-REIT's multi-tenanted properties declined from 93.3% to 92.1%. In FY2009/10, the Business & Science Parks, Hi-Tech Industrial, and Logistics & Distribution Centers sectors continued to register positive rental reversion of between 2.7% and 10.3% upon lease renewal. New take-up rates in 4Q FY2009/10 also showed signs of improvements in Business & Science Parks, Hi-Tech Industrial as well as Light Industrial sectors compared to 3Q FY2009/10.

Outstanding accounts receivables that are more than two months past due amounted to about S\$1,310,531 or about 0.3% of gross revenue as at 31 March 2010. These are adequately covered by security deposit on hand.

In 2009, A-REIT benefited from various government policies implemented to cushion the adverse impact of the global financial and economic crisis. These included property tax and land rent rebates which resulted in approximately S\$4.0 million savings in A-REIT's operating expenses for FY2009/10. Lower energy prices also reduced utilities expenses by about S\$7.1 million in 2009. However, these savings may not be repeated in the future.

Pursuant to Rule 703 of the SGX-ST Listing Manual, the Manager has obtained a new independent valuation, as of 31 March 2010, for its portfolio of 91 properties. These valuations will be reflected in the financial statements of A-REIT for the year ended 31 March 2010. A marginal revaluation loss of 0.7% was booked and the total book value for these properties currently stands at S\$4,683.6 million. In addition, two acquisitions, namely DBS Asia Hub and 31 Joo Koon Circle, were valued by independent valuers in January 2010 and February 2010 at S\$116 million and S\$15 million respectively.

### **Prudent & Proactive Capital Management**

Through prudent and proactive capital management strategies, the Manager focuses on strengthening and maintaining an optimum capital structure for A-REIT. In FY2009/10, the

Manager embarked on a series of proactive capital management strategies to enhance A-REIT's capital structure. These include:

- Issuance of a total of S\$275 million fixed rate notes in April and July 2009 as part of the S\$1 billion multi-currency Medium Term Note program established on 20 March 2009
- Private placement of 185 million new units at S\$1.63 per unit which is above net asset value to raise approximately S\$302 million to fund the development of the built-to-suit Hi-Tech Industrial facility for SingTel and potential investments projects
- Repayment of the S\$300 million CMBS due in August 2009 using existing unsecured credit facilities. 14 properties worth about S\$936.1 million were released from the security pool
- Early redemption of the €165 million Class AAA Secured Floating Rate Notes due in May 2012 at a discount to par. 23 properties worth about S\$1,233.4 million were released from the security pool. This is in view of the significant amount of refinancing expected in the Singapore REITs sector in 2012
- Issuance of the first ever S\$300 million Exchangeable Collateralised Securities due 2017 with a put option in 2015 ("ECS") at a coupon of 1.6% and exchange price of S\$2.45 which is 56% premium over A-REIT's current NAV. 19 properties worth about S\$935.0 million were provided as security for the ECS
- Extension of A-REIT's S\$300 million term loan due in March 2010 by 7 years to March 2017

The ECS, which is rated "AAA" by S&P and "Aaa" by Moody's, has allowed A-REIT to diversify its sources of debt financing. With a quality underlying portfolio and an understanding of investors' needs, the Manager was able to tap a new investor base in the international capital markets and obtain very competitive medium-term debt financing.

As a result of the above initiatives, the Manager has extended A-REIT's weighted average debt maturity from 2.2 years to 4 years and increased its financial flexibility with about S\$2.5 billion worth of unencumbered properties. As at 31 March 2010, the weighted average cost of funding increased from 3.67% a year ago to 3.94% due to higher interest margins required by lenders. Aggregate leverage was 31.6%. 100% of A-REIT's interest rate exposure is fixed for the next 3.1 years.

## **Outlook for FY2010/11**

The financial markets have rebounded significantly since April 2009 and the economic climate has improved over the past year. The near term outlook appears to be positive; however, considerable uncertainties remain given the unusually high unemployment, muted growth dynamics, persistently large deficits and regulatory uncertainty in the developed world.

Asia is likely to see positive growth rates and lead the global economic recovery. MTI revised Singapore's growth estimates for 2010 to between 7.0% and 9.0% from between 4.5% and 6.5%. The Singapore industrial property sector seems to be turning the corner with a pause in the decline of rental rates and marginal upturn in rental rates for selected sub-sectors. If the current rate of economic recovery is sustained, the industrial property market could begin its recovery soon.

In the next financial year, about 15.3% of A-REIT's revenue is due for renewal, the outlook of which will largely depend on the sustainability and strength of the global economic recovery.

A-REIT's portfolio has a weighted average lease to expiry of about 4.8 years. The diversified nature of A-REIT's portfolio across five segments of the industrial property sector and a good mix of long and short term leases provide a high degree of predictability and sustainability of the earnings for its portfolio.

Barring any unforeseen surprises, the Manager aims to at least sustain the current level of net income for A-REIT in the new 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 93 properties in Singapore, comprising business and science park properties, hi-tech industrial properties, light industrial properties, and logistics and distribution centres, with total assets of about S\$4.85 billion. These properties house a tenant base of about 930 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, LFD (Singapore), OSIM International, Venture Corporation, Federal Express, Freight Links Express, 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 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 premier provider of business space solutions with a significant presence in the region. Ascendas develops, manages and markets IT Parks, industrial parks (manufacturing, logistics and distribution centres), business parks, science parks, hi-tech facilities, office and retail space. Among its flagships are the Singapore Science Park, International Tech Park Bangalore, Ascendas-Xinsu in Suzhou and Dalian-Ascendas IT Park. More than 1,800 of the world's leading companies, many in the Fortune 500 list, have made Ascendas properties their preferred address in Asia.

Ascendas is also a leading real estate fund management player focused on the management of public-listed property trusts and private real estate funds, investing in a diverse range of industrial and commercial real estate properties across Asia. Listed on the main board of Singapore Exchange Securities Trading Limited are Ascendas Real Estate Investment Trust (A-REIT), Singapore's first business space trust, and Ascendas India Trust (a-iTrust), Asia and Singapore's first Indian property trust. The Ascendas Group also manages a range of private real estate funds which invest in business space in India, China, South Korea and ASEAN. All the funds are supported by Ascendas' strong fund management and real estate expertise, and are testament to its commitment to each of its markets.

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**Important Notice**

The value of 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.