

Press Release  
17 October 2008



**A-REIT reports Second Quarter DPU of 4.01 cents,  
14.2% year-on-year growth over previous comparable DPU of 3.51 cents**

**Highlights:**

1. Distributable income per unit (“**DPU**”) of 4.01 cents represents a 14.2% year-on-year (“**yoy**”) growth over 3.51 cents and a 3.1% growth over 1<sup>st</sup> Quarter DPU
2. Gross revenue of S\$97.3 million is 21.3% above yoy of S\$80.2 million
3. Net property income of S\$72.6 million is 20.8% above yoy of S\$60.1 million, of which organic growth contributed about 47% of the NPI growth
4. Completed two development projects for about S\$120 million

**Summary of A-REIT Results** (For the three months ended 30 Sep)

	<b>2Q FY 2008/09</b>	<b>2Q FY 2007/08</b>	<b>Variance (%)</b>
Gross Revenue (S\$m)	97.3	80.2	21.3
Net Property Income (S\$m)	72.6	60.1	20.8
Available for distribution (S\$m)	53.3	46.4	14.8
DPU for the quarter (cents)	4.01	3.51	14.2
First Half DPU (cents)	7.90	6.88	14.8
Annualised (based on the six mths to 30 Sept)	15.8	13.76	14.8

**17 October 2008, 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 DPU of 4.01 cents per unit for the three months ended 30 September 2008, an increase of 14.2% on the 3.51 cents recorded in the same quarter of the last financial year. This represents an annualized yield of 8.4% based on the closing price of \$1.87 per unit on 30 September 2008.

Chief Executive Officer and Executive Director of the Manager, Mr Tan Ser Ping said, “We are pleased to report sustainable financial results for the second quarter of FY2008/09 amidst a very turbulent global financial market and a slowing economy. Distribution per unit for the quarter rose 14.2% to 4.01 cents compared to a year ago, and 3.1% compared to the previous quarter.

A-REIT continued to register double digit growth in new take-up and renewal rental rates for the Business & Science Park and Hi-Tech Industrial properties. Business & Science Park space recorded 56.6% increase in renewal rates versus preceding contracted rates while the new take-up rate was 13.5% higher than that achieved in 2QFY2007/08. A 58.8% increase was recorded in renewal rates versus preceding contracted rates for space in Hi-Tech Industrial properties while new take-up rates improved by 20% over new take-up rates contracted a year ago.

The increase in rates can be attributed to demand for space from conventional sources of demand such as biomedical industries for Business & Science Parks and IT related industries for Hi-Tech Industrial. The Property Manager, Ascendas Services Pte Ltd (ASPL), continues to pursue active leasing and marketing activities to deliver organic growth for the portfolio.

Net property income for 1HFY2008/09 increased by 20.4% to S\$142.3 million compared to a year ago, of which 46.7% is contributed organically by rental rate increases from both positive rental reversions in the multi-tenanted buildings and stepped rental increases in the single-tenanted buildings.

Despite the slowdown in the economy, barring any significant further deterioration in the economic situation resulting from the global financial turmoil, the Manager expects to be able to deliver a return that is in line with its recent performance for the balance of the current financial year.”

### **Portfolio Continues to Grow through Disciplined Investments**

Disciplined acquisitions and development of high-quality properties remain the focal point of the Manager’s investment strategy. As at 30 September 2008, A-REIT had a portfolio of 88 properties with a total book value of about S\$4.5 billion, housing a tenant base of over 860

international and local companies. In Q2 FY08/09, A-REIT completed two development projects, 15 Changi North Way and Pioneer Hub with a total value of about S\$120 million.

15 Changi North Way, located at Changi LogisPark (North), is a partial build-to-suit logistics facility for Zuellig Pharma, a leading pharmaceutical product distributor, while Pioneer Hub is a two-block ramp-up high specification industrial facility located at the west of Singapore. At completion, the Manager is pleased to report achieved occupancy rates for 15 Changi North Way and Pioneer Hub are 100% and 99.4% respectively.

Development projects currently in progress are Plaza8 @ Changi Business Park which comprises two integrated suburban office buildings with amenity facilities totaling 75,000 sqm. The first phase (about 21,000 sqm) is fully committed by Citibank N.A. and is currently under development with an expected date of completion in 4Q FY2008/09. Construction of the second phase, a multi-tenanted building of about 33,000 sqm with about 8,000 sqm of amenity space, has commenced and is expected to complete in 3QFY2009/10. A few prospective tenants are in advance negotiations to take up 75% of business park space in the building.

In addition, the Manager is pleased to announce that it has secured a new built-to-suit project from Expeditors Singapore Pte Ltd. This investment comprises the development of a part 2-storey / part 4-storey logistics facility at Plot 6 of the Airport Logistics Park of Singapore which is strategically located within the Airport Free Trade Zone. Upon completion in 3QFY2009/10, the development is expected to have a gross floor area of 12,707 sqm and a net lettable area of 11,430 sqm and will be leased to Expeditors Singapore Pte Ltd for a period of 5 years with an option to renew for another 5 years. The development is expected to cost about S\$25.6 million. The annualised pro forma financial effect of the development on A-REIT's DPU would be an additional 0.05 cents per unit<sup>(1)</sup>.

### **A Well Diversified and Resilient Portfolio with High Occupancy**

The overall occupancy of A-REIT's portfolio of 88 properties remains high at 98.0% as at 30 September 2008. The occupancy rate for A-REIT's multi-tenanted buildings was 95.6%.

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<sup>1</sup> Assuming that: A-REIT had completed the development, held and operated the property for the whole of the financial year ended 31 March 2008 (based on 84 properties); the development was funded using the optimal gearing level of 40% debt and 60% equity; and in respect of the development, the Manager had elected to receive its base fee 80% in cash and 20% in units and its performance fee entirely in units.

The Property Manager, ASPL, has successfully renewed or leased a total of 55,352 sqm of space in the second quarter of FY2008/09. These leases represent about 6.4% of the net lettable area of A-REIT's multi-tenanted buildings and an annualised rental income of S\$17.6 million for A-REIT. Year-to-date retention ratio for the portfolio is about 83.4%.

Total new leases (including expansions) for the quarter were 26,002 sqm, of which 40.3% was in Logistics & Distribution Centres and 21.9% was from Hi-Tech Industrial. Some of the new tenants that A-REIT welcomed into its portfolio in 2Q FY2008/09 included: Equinix Singapore Pte Ltd at Pioneer Hub, TTG Asia Media Pte Ltd at The Capricorn, Crown Worldwide Pte Ltd at Nan Wah Building and Advanced Micro-Fabrication Equipment International Pte Ltd at Techpoint.

The weighted average lease term to expiry for A-REIT's portfolio is 5.5 years as at 30 September 2008 while the weighted lease to expiry for A-REIT's sale-and-leaseback properties is 7.8 years. 49% of A-REIT's properties (by value) are long term leases resulting from sale-and-leaseback transactions. The remaining 51% are multi-tenanted buildings.

A-REIT has a well-diversified high quality property portfolio spread across four main sub-sectors to provide stability in the portfolio and to meet the diverse space requirements of its customers. These sub-sectors are exposed to different segments of the economy and have different growth drivers. Through the diversification of our portfolio, it minimizes A-REIT's reliance on any one property such that no single property accounts for more than 5.0% of the monthly gross revenue of the portfolio.

About 21% of the net leasable area is occupied by tenants engaged in conventional manufacturing activities, of which, a majority (about 64%) is on long-term leases. The rest of the tenanted space is used for services oriented activities.

### **Prudent Capital Management**

The Manager remains committed to optimizing A-REIT's capital structure through prudent capital management strategies.

As at 30 September 2008, A-REIT has 76.7% of its debt hedged into fixed rate for the next 3.93 years.

A-REIT manages its debt maturity profile actively. The nearest refinancing requirement (excluding existing short term borrowings) is the Commercial Mortgage Backed Security (CMBS) of S\$300 million due in August 2009. The Manager has fixed the interest rate at an all-in rate of 2.9% at the start of its issuance. The related interest rate swap contracts have a remaining weighted average term to maturity of 3.04 years as at 30 September 2008. The Manager has secured firm commitment for S\$200 million which could be used to refinance the CMBS partially when it expires in August 2009.

A Medium Term Note (MTN) programme is being incorporated to further diversify A-REIT's sources of funding. The programme is expected to be ready in November 2008.

### **Outlook for FY2008/09**

With the deterioration in the economic conditions as a result of the global financial turmoil, Ministry of Trade and Industry has revised its GDP estimates for 2008 down to about 3.0%.

The outlook will, to a large extent, be determined by the severity of the impact of the potential global recession on the Singapore economy. Barring any further deterioration in the external economic environment, the Manager believes that A-REIT is well-positioned to deliver a DPU for the current financial year that is in line with its recent performance for the following reasons:

- 77% of outstanding loans have been hedged to fixed rate with a weighted average cost of debt of 3.25%. Only the remaining 23% of outstanding loans will be subject to fluctuations in interest rates.
- A relatively long average lease expiry of 5.5 years and only about 4% of income is due for renewal for the balance of this financial year.

- End -

**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 88 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\$4.6 billion. These properties house a tenant base of over 860 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, TT International, 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 corporate family credit rating of A3 was assigned to A-REIT by Moody's Investors Service in December 2005 and reaffirmed in January 2008.

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.

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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.