

Rating Action: Moody's upgrades Ascendas' ratings; outlook stable

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Approximately USD 202 million of debt affected

Hong Kong, August 26, 2010 -- Moody's Investors Service has today upgraded Ascendas Real Estate Investment Trust's ("A-REIT") corporate family rating to A3 from Baa1 and the senior unsecured rating to Baa1 from Baa2.

This action concludes the review for possible upgrade initiated on 28 June 2010. The outlook for both ratings is stable.

RATINGS RATIONALE

"The upgrade reflects A-REIT's operating and financial strength, as evidenced by its revenue growth and high occupancy rates during the 2008/09 economic downturn," says Peter Choy, a Moody's Vice President and Senior Credit Officer.

A-REIT's revenue grew from SGD322 million in FYE 3/2008 to SGD414 million in FYE 3/2010, while occupancy remained at around 96%-98%.

"A-REIT has also demonstrated its proactive capital and risk management through public offerings and reductions of secured debt, which has improved its financial flexibility and capital structure," says Choy.

Amidst the very volatile credit markets over the past two fiscal years, A-REIT raised SGD700 million in equity; secured debt declined from 25% to 14%. A-REIT was also able to redeem in full its SGD350 million CMBS due 2012 with a seven-year SGD300 million exchangeable collateral loan.

"A-REIT has been adopting conservative acquisition and debt strategies, which help it maintain a relatively stable financial profile during the economic downturn," says Choy. "The track record and commitment to continue to grow with prudence is important to support the A3 rating," adds Choy.

The company managed to maintain its total debt/total assets within its target range with debt leverage ranged from 31% to 37% during the March 31, 2008 to June 30, 2010 period.

The A3 rating further reflects A-REIT's established market position and its diversified portfolio of industrial assets in Singapore. It has also taken into account A-REIT's access to the capital markets and its ability to leverage its close relationship with its sponsor, Ascendas Group.

The A3 rating, on the other hand, also reflects A-REIT's weak liquidity given absence of any meaningful committed bank backup facilities or on balance sheet liquidity. Liquidity risk is not considered high because of its good access to the debt and capital markets -- due to its strong sponsor and its good banking relationship.

A-REIT's A3 corporate family rating reflects Moody's opinion of the company's ability to honor its financial obligations as if it had a single class of debt and were a single consolidated legal entity. A-REIT's senior unsecured debt obligations are notched down to Baa1 from the A3 corporate family rating to reflect legal subordination risk.

The stable outlook reflects Moody's expectation that A-REIT will maintain its prudent operating and financial policy as it expands its portfolio, and thus maintain its current credit profile.

Further upward pressure is limited over the near term given the company's current scale, geographical concentration, and the lack of meaningful committed undrawn bank facilities.

A-REIT's ratings could experience downward pressure if (a) occupancy rates fall, past-due rents increase, or profitability declines due to a high level of supply in the market or adverse changes in market conditions; or (b) it makes any significant debt-funded acquisitions -- such that EBITDA/Interest coverage falls below 3.5x-4x, Debt/EBITDA rises above 6x -- 6.5x, or Debt/Total Assets rises above 40%.

The last rating action with regard to A-REIT was taken on June 28, 2010, when the REIT's corporate family rating was put on review for possible upgrade.

The principal methodology used in rating A-REIT was Moody's "Rating Methodology for REITs and Other Commercial Property Firms," published in July 2010, and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab.

Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Singapore, Ascendas Real Estate Investment Trust has a diversified portfolio of 92 properties in Singapore, comprising business and science park properties, hi-tech industrial properties, light industrial properties, and logistics and distribution centres.

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