

Ascendas Reit's FY17/18 DPU grew 1.6% y-o-y to 15.988 cents

Highlights:

1. FY17/18 Distribution per Unit (DPU) grew by 1.6% year-on-year (y-o-y) to 15.988 cents and 4Q FY17/18 DPU rose 1.5% y-o-y to 3.910 cents mainly attributable to newly acquired properties during FY16/17 and FY17/18.
2. Operating performance improved: portfolio occupancy improved to 91.5% from 90.2% a year ago, and rental reversion of +0.7% was achieved.
3. Strong balance sheet underpinned by prudent capital management strategies: leverage at a healthy level of 34.4% with 71.9% of borrowings at fixed interest rates.
4. Portfolio valued at S\$10.14 billion with stable capitalisation rate of 6.24%.

Summary of Ascendas Reit's Group Results (For the financial year ended 31 March)

	FY17/18	FY16/17	Variance
Number of Properties	131 ⁽¹⁾	131	-
Gross revenue (S\$ million)	862.1	830.6	3.8%
Net property income (S\$ million)	629.4	611.0	3.0%
Total amount available for distribution (S\$ million)	468.0	446.3	4.9%
DPU for the financial year (cents)	15.988	15.743	1.6%
DPU for the 4 th quarter (cents)	3.910 ⁽²⁾	3.852 ⁽³⁾	1.5%

Notes:

(1) As at 31 March 2018, Ascendas Reit had 100 properties in Singapore and 31 properties in Australia.

(2) Includes taxable and capital distributions of 3.590 cents and 0.320 cents respectively.

(3) Includes taxable, tax exempt and capital distributions of 3.576 cents, 0.053 cents and 0.223 cents respectively.

23 April 2018, 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 FY17/18 total amount available for distribution increased by 4.9% y-o-y to S\$468.0 million.

Press Release

Net property income rose by 3.0% y-o-y to S\$629.4 million, mainly attributable to full year contributions from properties acquired in FY16/17 namely 12, 14 and 16 Science Park Drive in Singapore and 197-201 Coward Street in Sydney, Australia, as well as 100 Wickham Street in Brisbane, Australia acquired in FY17/18.

FY17/18 DPU rose by 1.6% y-o-y to 15.988 cents despite the increase in number of Units in issue.

Mr William Tay, Chief Executive Officer and Executive Director of the Manager said, “Ascendas Reit continues to generate positive DPU growth despite a competitive environment. Going forward, we aim to create value through more extensive asset enhancements in Singapore. We will also look to scale up the portfolio in our target markets.”

Value-adding Investments

During the year, the Manager acquired S\$225.8 million worth of properties in Australia, comprising two suburban offices in Brisbane (100 Wickham Street and 108 Wickham Street), and one logistics property in Melbourne (52 Fox Drive). These well-located and high quality freehold properties will improve the diversity and resilience of Ascendas Reit’s portfolio.

Asset enhancement and redevelopment projects, such as the upgrading of building specifications and maximisation of plot ratio, are undertaken to enhance the returns of Ascendas Reit’s existing portfolio. In FY17/18, asset enhancements worth S\$52.9 million were completed. This includes the redevelopment of 50 Kallang Avenue for an MNC who has signed a long term lease.

Recently, another redevelopment, 20 Tuas Avenue 1 received its temporary occupation permit. The 3-storey ramp up logistics facility is well-specified with features such as rooftop parking for container trucks. We are making good progress in leasing up the property.

Other ongoing asset enhancement projects include Aperia, an integrated mixed development property located in Kallang. About S\$13.7 million will be spent to reposition the retail mall and improve tenants’ experience.

Capital Recycling

During the year, three properties were divested for total proceeds of S\$60.8 million in line with the Manager's proactive asset management strategy to redeploy capital and optimise returns for Unitholders. This includes 10 Woodlands Link, 13 International Business Park and 84 Genting Lane in Singapore. The total gain on these divestments compared to the initial purchase costs was approximately S\$16.8 million.

A Well Diversified and Resilient Portfolio

Ascendas Reit has a well-diversified portfolio comprising properties across five industrial sub-segments¹. As at 31 March 2018, the customer base of about 1,320 tenants is spread over 100 properties in Singapore and 31 properties in Australia. Singapore accounts for 85% of Ascendas Reit's portfolio by asset value while Australia makes up the remaining 15%.

No single property accounts for more than 5.4% 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.

Ascendas Reit's portfolio comprises 24.7% of single-tenant buildings and 75.3% of multi-tenant buildings by asset value. The portfolio has a weighted average lease expiry of about 4.2 years.

Overall portfolio occupancy rate improved y-o-y and quarter-on-quarter (q-o-q) to 91.5% (31 March 2017: 90.2%, 31 December 2017: 91.1%). The Singapore portfolio occupancy rate rose to 89.5% (31 March 2017: 88.6%, 31 December 2017: 88.8%) mainly due to higher occupancies at Techpoint, 20 Tuas Avenue 6 and Xilin Districentre Building D. The Australian portfolio maintained a strong occupancy rate of 98.5% (31 March 2017: 96.3%, 31 December 2017: 98.5%).

¹ The five major industrial sub-segments are (1) business & science park/suburban office, (2) integrated development, amenities & retail, (3) high-specifications industrial properties/data centres, (4) light industrial properties/flatted factories and (5) logistics & distribution centres.

Press Release

Rental reversion² of about +0.7% was achieved for renewed leases in multi-tenant buildings during FY17/18. The Singapore and Australian portfolios achieved +0.5% and +1.8% rental reversion respectively.

Based on new leases signed, tenants from the transport and storage sector accounted for the largest proportion of new demand by gross revenue in 4Q FY17/18 (44.6%) and for FY17/18 (36.4%).

About 14.0% of Ascendas Reit's gross revenue will be due for renewal in FY18/19. Of these expiring leases, 0.8% are from single-tenant buildings and 13.2% are from multi-tenant buildings. The Manager has been proactively working on the renewal of the leases and marketing the vacant space to maximise returns from its portfolio.

Stable Valuation

Ascendas Reit's investment properties are assessed by independent valuers every year. For the financial year ended 31 March 2018, the portfolio was valued at S\$10.14 billion. The portfolio weighted average capitalisation rate remained stable at 6.24% (vs. 6.29% as at 31 March 2017).

Proactive Capital Management

As at 31 March 2018, aggregate leverage stood at 34.4% and weighted average all-in cost of borrowing at 2.9%. About 71.9% of Ascendas Reit's borrowings are on fixed rates for an average term of 3.3 years.

The debt maturity profile remains well-spread and weighted average tenure of debt outstanding is 3.2 years.

Ascendas Reit continues to enjoy the A3 credit rating by Moody's.

² Percentage change of the average gross rent over the lease period of the renewed leases against the preceding average gross rent from lease start date. Takes into account renewed leases that were signed in FY17/18 and average gross rents are weighted by area renewed.

Outlook for FY18/19

Ascendas Reit's Singapore portfolio occupancy rate improved to 89.5% as at 31 March 2018 from 88.8% a quarter ago. On the back of an improving economy and the tapering off of new industrial property supply, there are market expectations of a gradual recovery of the industrial property market. Although leasing enquiries have improved in recent months, businesses are still cautious and some are still consolidating and right-sizing.

The Australian portfolio maintained a high occupancy rate of 98.5%. The 31 properties are well-located in the key cities of Sydney, Melbourne and Brisbane. We expect our performance in Australia to remain stable.

The Ministry of Trade & Industry expects Singapore's 2018 GDP growth to moderate to 1.5% to 3.5%, after recording a 3.6% y-o-y growth in 2017. In 1Q 2018, the economy expanded by 4.3% y-o-y based on advance GDP estimate. The Monetary Authority of Singapore announced that it will be increasing slightly the slope of the S\$ nominal effective exchange rate policy band to allow for "modest and gradual" appreciation of the currency.

In Australia, consensus GDP growth forecast for 2018 is stronger at 2.7% y-o-y, from 2.3% y-o-y in 2017 (source: Bloomberg). The Australian economy is underpinned by the accommodative monetary policy and the diminishing drag from the decline in mining investment.

A rebound in investment and trade has contributed to the cyclical recovery in the global economy. However, the global outlook is still subject to downside risks, including in particular the escalating trade tensions between the US and China.

The financial markets have been volatile. Interest rates are widely expected to continue rising in the months ahead. With a prudent capital management strategy in place (e.g. 71.9% of our borrowings are at fixed interest rates) and a well-spread out debt expiry profile, we are well positioned to mitigate the impact of interest rate increases and maintain an optimal financial position.

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About Ascendas Reit (www.ascendas-reit.com)

Ascendas Reit is Singapore's first and largest listed business space and industrial real estate investment trust. As at 31 March 2018, total assets were about S\$10.4 billion, comprising 100 properties in Singapore and 31 properties in Australia. The portfolio includes business and science park/suburban office properties, hi-specs industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties. These properties house a tenant base of around 1,320 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, DSO National Laboratories, DBS, Citibank, Wesfarmers, JPMorgan, Ceva Logistics and Biomedical Sciences Institutes, 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, 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)

Ascendas-Singbridge Group is Asia's leading sustainable urban development and business space solutions provider with Assets Under Management exceeding S\$20 billion.

Jointly owned by Temasek Holdings and JTC Corporation through a 51:49 partnership, the Group undertakes urbanisation projects spanning townships, mixed-use developments and business/industrial parks. Headquartered in Singapore, Ascendas-Singbridge has projects in 29 cities across 9 countries in Asia, including Australia, China, India, Indonesia, Singapore and South Korea.

Ascendas-Singbridge holds commercial, hospitality and industrial assets across Asia Pacific. It has a substantial interest in and also manages three Singapore-listed funds under its subsidiary Ascendas, namely Ascendas Reit (a Straits Times Index component stock), Ascendas India Trust and Ascendas Hospitality Trust. Besides these listed funds, it also manages a series of private real estate funds.

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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.