

Ascendas Reit's net property income rose 3.8% year-on-year

Highlights:

1. 1Q FY18/19 net property income rose 3.8% year-on-year (y-o-y) mainly due to contributions from newly acquired properties in Australia and a redeveloped property in Singapore.
2. Distribution per Unit (DPU) declined 1.2% y-o-y due to the absence of a one-off distribution. Excluding the one-off distribution, DPU would have improved by 4.0% y-o-y.
3. Diversified portfolio achieved average positive rental reversion of 10.5%.
4. Completed the acquisitions of two logistics properties in Australia for S\$50.9 million and announced Ascendas Reit's first foray into UK via the acquisition of 12 logistics properties.

Summary of Ascendas Reit Group Results (For the financial periods ended 30 June)

	1Q FY18/19	1Q FY17/18	Variance
Number of Properties	132 ⁽¹⁾	132	-
Gross revenue (S\$ million)	216.6	213.3	1.5%
Net property income (S\$ million)	159.2	153.4	3.8%
Total amount available for distribution (S\$ million)	117.3	118.5 ⁽²⁾	-1.0%
DPU for the 1st quarter (cents)	4.002 ⁽³⁾	4.049 ⁽⁴⁾	-1.2%
<i>Excluding one-off distribution of roll-over adjustments⁽²⁾</i>			
Amount available for distribution (S\$ million)	117.3	112.6 ⁽²⁾	4.1%
DPU for the 1st quarter (cents)	4.002	3.849 ⁽²⁾	4.0%

Notes:

- (1) As at 30 June 2018, Ascendas Reit had 99 properties in Singapore and 33 properties in Australia.
- (2) Included in 1Q FY17/18 was a one-off distribution of rollover adjustments from prior years amounting to S\$5.9 million (DPU impact of 0.200 cents). This arose mainly from a ruling by IRAS on the non-tax deductibility of certain upfront fees for certain credit facilities incurred in FY11/12. Excluding the effects of the one-off distribution, the total amount available for distribution and DPU would have been \$112.6 million and 3.849 cents respectively.
- (3) Includes taxable and capital distributions of 3.671 and 0.331 cents respectively.
- (4) Includes taxable and capital distributions of 3.822 and 0.227 cents respectively.

Press Release

30 July 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 1Q FY18/19 net property income (NPI) rose by 3.8% y-o-y to S\$159.2 million mainly attributable to contributions from newly acquired properties, 100 Wickham Street and 108 Wickham Street in Brisbane, Australia, and a redeveloped property, 50 Kallang Avenue in Singapore.

Lower property operating expenses (-4.2% y-o-y) also contributed to the higher NPI as property tax expense were reduced due to retrospective downward revisions in the annual value of certain properties.

Amount available for distribution declined by 1.0% y-o-y to S\$117.3 million as a result of a one-off distribution made in 1Q FY17/18 relating to the non-deductibility of certain upfront financing fees incurred in FY11/12¹. Excluding the one-off distribution, amount available for distribution would have increased by 4.1% y-o-y and DPU would have rose 4.0% y-o-y to 4.002 cents.

Mr William Tay, Chief Executive Officer and Executive Director of the Manager said, “We are pleased to start the new financial year on a positive note amidst challenging market conditions in Singapore. During the quarter, we completed two acquisitions in Australia and a redevelopment project in Singapore worth S\$112.3 million. At the same time, we look forward to completing our maiden investment of 12 logistics properties in the UK worth S\$373.2 million, which will improve the quality and diversity of Ascendas Reit’s earnings.”

Value-adding Investments

During the quarter, the Manager continued to deepen its presence in Australia through the acquisition of two freehold logistics properties in Melbourne, Australia for A\$50.2 million (S\$50.9 million)². These acquisitions are in line with the Manager’s objectives to expand its footprint in locations with favourable market dynamics.

¹ The one-off distribution relating to rollover adjustments from prior years amounted to S\$5.9 million in 1Q FY17/18. This arose mainly from a ruling by IRAS on the non-tax deductibility of certain upfront fees for certain credit facilities incurred in FY11/12.

² Based on exchange rate of A\$1.00: S\$1.0099 as at 30 June 2018.

1) No. 169-177 Australis Drive has a lettable floor area of 31,408 sq m and is situated in West Park Industrial Estate in the established industrial precinct of Derrimut. The property is approximately 16 kilometres (km) west of the Melbourne Central Business District (CBD) and is accessible via the Western Ring Road, the Wester Freeway and the Princes Freeway. The property was acquired on 4 June 2018 for A\$34.0 million³ (S\$34.5 million)⁴ from Abacus Funds Management and is 100% occupied by three tenants, namely, Hitachi Transport System, United Wholesalers and HB Commerce.

2) No. 1314 Ferntree Gully Drive is located in Scoresby, a strategic location in Melbourne's eastern suburbs, approximately 30 km east of the Melbourne CBD. The property is serviced by the Eastlink Arterial and Monash Highway and is a popular location amongst industrial and commercial users due to the surrounding population and workforce. The property has a lettable area of 16,134 sq m and was acquired on 26 June 2018 from Brian Davis Investments Pty Ltd for A\$16.2 million⁵ (S\$16.4 million⁶) with vacant possession. The vendor has provided a fixed rental guarantee for the vacant space and the Manager is actively marketing the space.

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 1Q FY18/19, the Manager completed the redevelopment of 20 Tuas Avenue 1, a ramp-up logistics property for S\$61.4 million as well as asset enhancements initiatives at 21 Changi South Avenue 2, KA Centre, KA Place and 1 Jalan Kilang worth S\$12.3 million.

The Manager is currently undertaking three asset enhancement initiatives worth approximately S\$26.1 million. They include Aperia (an integrated mixed development property), Nordic European Centre (a business park property) and 138 Depot Road (a high-specifications industrial property).

³ The purchase consideration of A\$34.0 million includes outstanding incentives reimbursed by the vendor. Ascendas Reit is expected to incur an estimated total transaction cost of A\$2.3 million (S\$2.4 million) which includes stamp duty, professional advisory fees, and acquisition fees payable to the Manager (being 1% of the purchase consideration of A\$34.0 million, which amounts to approximately A\$0.34 million (S\$0.35 million)).

⁴ Based on exchange rate of A\$1.00: S\$1.0133 as announced 23 April 2018.

⁵ Includes rental guarantee provided by the vendor.

⁶ Based on exchange rate of A\$1.00: S\$1.0099 as at 30 June 2018.

Proposed Acquisition in the United Kingdom

On 26 July 2018, the Manager announced its first foray into the United Kingdom (UK). The proposed acquisition comprises a portfolio of 12 freehold⁷ logistics properties for an agreed portfolio value of £207.27 million (S\$373.15 million⁸). The 12 properties are strategically located in established distribution centres with good connections to core urban areas. Ascendas Reit will be well-poised to capitalise on the growing demand for supply chain and logistics services in the UK as a result of the booming e-commerce activities. The proposed acquisition is expected to complete in 2Q FY18/19⁹.

Capital Recycling

In line with the Manager's proactive asset management strategy to redeploy capital and optimise returns for Unitholders, 30 Old Toh Tuck Road, a logistics property located in the western part of Singapore, was divested to Soon Bee Huat Trading Pte Ltd for S\$24.0 million on 30 April 2018.

On 20 July 2018 (within 2Q FY18/19), Ascendas Reit entered into a sale and purchase agreement with Y K Toh Marketing (S) Pte Ltd for the sale of No. 41 Changi South Avenue 2, a light industrial property located in the eastern part of Singapore for S\$13.58 million. The proposed sale price is 0.6% higher than the original purchase price of S\$13.5 million and 17.0% higher than the market valuation of the property of S\$11.6 million¹⁰ as at 31 March 2018. The divestment is expected to complete in 2Q FY18/19.

A Well Diversified and Resilient Portfolio

Ascendas Reit has a well-diversified portfolio comprising properties across five industrial sub-segments¹¹. As at 30 June 2018, the customer base of about 1,310 tenants is spread

⁷ Includes freehold and 999-year leasehold land.

⁸ Based on exchange rate of £1.00: S\$1.8003 as at 29 June 2018

⁹ For more information, please refer to the announcement "Proposed Acquisition of UK Logistics Portfolio" on 26 July 2018.

¹⁰ The valuation was commissioned by the Manager and HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Ascendas Reit), and was carried out by Savills Valuation and Professional Services (S) Pte Ltd using the capitalisation approach and discounted cash flow approach.

¹¹ 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.

over 99 properties in Singapore and 33 properties in Australia. Singapore accounts for 84% of Ascendas Reit's portfolio by asset value while Australia makes up the remaining 16%.

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 23.9% of single-tenant buildings and 76.1% of multi-tenant buildings by asset value. The portfolio has a weighted average lease expiry of about 4.1 years.

Overall portfolio occupancy rate declined to 90.5% from 91.5% a quarter ago. The Singapore portfolio occupancy rate declined to 88.1% (31 March 2018: 89.5%) dragged down by the newly completed redevelopment at 20 Tuas Avenue 1, which was 51.1% occupied¹² as at 30 June 2018. Non-renewals at SB Building and No. 31 International Business Park also contributed to the lower portfolio occupancy rate. The Australian portfolio maintained a high occupancy rate of 98.6% (31 March 2018: 98.5%).

Rental reversion¹³ of about +10.5% was achieved for renewed leases in multi-tenant buildings in Singapore during 1Q FY18/19.

Based on new leases signed, tenants from the transport and storage sector accounted for the largest proportion of new demand by gross revenue in 1Q FY18/19 (46.7%).

About 9.3% 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 8.5% 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.

¹² With another 40.0% of space pre-committed.

¹³ 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 1Q FY18/19 and average gross rents are weighted by area renewed.

Proactive Capital Management

As at 30 June 2018, aggregate leverage stood at 35.7% and weighted average all-in cost of borrowing at 2.9%. About 72.4% (4Q FY17/18: 71.9%) of Ascendas Reit's borrowings are on fixed rates for an average term of 3.4 years.

The debt maturity profile remains well-spread and weighted average tenure of debt outstanding is 3.4 years.

During the quarter, Moody's upgraded its credit rating outlook for Ascendas Reit to A3 positive from A3 stable.

Outlook for FY18/19

Global economic growth has been more broad-based. In particular, global trade and industrial production have strengthened. However, the escalating trade tensions between the US and China continue to be one of the key uncertainties surrounding the global outlook.

Financial markets remained volatile. Interest rates are widely expected to continue rising in the months ahead. We are well positioned to mitigate the impact of interest rate increases and maintain an optimal financial position.

Singapore

In 2Q 2018, the Singapore economy expanded by 3.8% y-o-y, driven by the manufacturing sector which grew by 8.6% y-o-y. The Ministry of Trade and Industry expects the Singapore economy to grow between 2.5% to 3.5% in 2018, moderating from 3.6% in 2017.

On the back of healthy macro-economic data 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.

Australia

In Australia, the economy grew by 3.1% y-o-y in 1Q 2018. Higher non-mining investment and public infrastructure investment continued to support economic growth. Consensus GDP growth forecast for 2018 is 2.8% y-o-y, higher than the 2.4% y-o-y growth achieved in 2017 (source: Bloomberg).

The investment landscape in Australia continues to strengthen with increasing interest from investors for industrial properties. The recently-acquired logistics properties such as 169-177 Australis Drive and 1314 Ferntree Gully Drive will further augment Australia's DPU contribution.

United Kingdom

The proposed acquisition of a portfolio of 12 logistics properties in the United Kingdom (UK) worth S\$373.15 million is expected to complete in 2Q FY18/19. This will enhance Ascendas Reit's AUM by 4% to S\$10.5 billion. Stable returns are expected based on its long weighted average lease to expiry of 14.6 years. The Manager will continue to explore opportunities to expand its presence in the UK.

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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 30 June 2018, total assets were about S\$10.4 billion, comprising 99 properties in Singapore and 33 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 1,310 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 28 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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Press Release



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.