

## Ascendas Reit announces DPU of 3.887 cents for 2Q FY18/19

### Highlights:

1. In 2Q FY18/19, Ascendas Reit acquired S\$437.9 million worth of properties comprising a portfolio of 12 logistics properties in the United Kingdom (UK) and two logistics properties in Australia.
2. Achieved average portfolio rental reversion of 2.3% for leases that were renewed in 2QFY18/19.
3. Distribution per Unit (DPU) declined by 4.2% year-on-year mainly due to (i) lower contribution from Singapore, (ii) higher interest expense, and (iii) equity raised of S\$450 million in anticipation of the second UK portfolio acquisition (which was completed in October 2018) and a Built-to-Suit development in Singapore.

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

	2Q FY18/19	2Q FY17/18	Variance
<b>Number of Properties</b>	145 <sup>(1)</sup>	131	-
<b>Gross revenue (S\$ million)</b>	218.1	215.8	1.1%
<b>Net property income (S\$ million)</b>	158.9	160.5	-1.0%
<b>Total amount available for distribution (S\$ million)</b>	115.0	118.8 <sup>(2)</sup>	-3.1%
<b>DPU for the 2<sup>nd</sup> quarter (cents)</b>	3.887 <sup>(3)</sup>	4.059 <sup>(4)</sup>	-4.2%

*Notes:*

- (1) As at 30 September 2018, Ascendas Reit had 98 properties in Singapore, 35 properties in Australia and 12 properties in the UK.
- (2) Included in 2Q FY17/18 was a reversal of certain accrued property operating expenses amounting to S\$2.5 million which were no longer required.
- (3) Includes taxable and capital distributions of 3.513 and 0.374 cents respectively.
- (4) Includes taxable and capital distributions of 3.830 and 0.229 cents respectively.

**25 October 2018, Singapore** – The Board of Directors of Ascendas Funds Management (S) Limited (the Manager), the Manager of Ascendas Real Estate Investment Trust (Ascendas Reit), today announced a DPU of 3.887 cents for 2Q FY18/19.

Gross revenue improved by 1.1% y-o-y mainly due to contributions from newly acquired properties in Australia and the UK. The key contributors were 100 Wickham Street and 108 Wickham Street in Brisbane, Australia acquired in September 2017 and December 2017

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respectively, and the portfolio of 12 logistics properties in the UK acquired in August 2018. The increase was partially offset by lower occupancy in Singapore.

Net property income declined by 1.0% y-o-y mainly due to a one-off reversal of accrued operating expense in 2Q FY17/18.

Total amount available for distribution fell by 3.1% y-o-y to S\$115.0 million mainly due to additional interest expense. DPU declined by 4.2% y-o-y taking into account an enlarged number of Units in issue.

Mr William Tay, Chief Executive Officer and Executive Director of the Manager said, “We had a very active quarter and made significant progress in expanding into the UK. We also raised equity in anticipation of the second UK portfolio acquisition which was completed in October 2018. Besides Singapore, our long term strategy is to build up our portfolio in Australia, the UK and also into Europe.”

### Value-adding Investments

During 2Q FY18/19, the Manager completed S\$437.9 million worth of acquisitions in the UK and Australia to further diversify and strengthen Ascendas Reit’s portfolio.

On 16 August 2018, the maiden acquisition in the UK, comprising a portfolio of 12 logistics properties, was completed for S\$373.2 million<sup>1</sup>. Ascendas Reit’s footprint in the UK was further expanded with the completion of a second portfolio acquisition (26 logistics properties worth S\$459.2 million<sup>2</sup>) on 4 October 2018. The UK 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.

In Australia, the acquisitions of two freehold logistics properties, 1-7 Wayne Goss Drive (S\$30.8 million) and Cargo Business Park (S\$33.9 million), were completed on 7 September

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<sup>1</sup> Refers to the Agreed Portfolio Value. Please refer to the announcement dated 26 July 2018 titled “Proposed Acquisition of UK Logistics Portfolio” for more information.

<sup>2</sup> Refers to the Agreed Portfolio Value. Please refer to the announcement dated 29 September 2018 titled “Proposed Acquisition of 26 Logistics Properties in the United Kingdom” for more information.

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2018 and 17 September 2018 respectively. These logistics properties are well-located in established industrial precincts in Brisbane, have excellent access to key transport infrastructure and offer high quality logistics and office spaces.

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. 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).

### Capital Recycling

In line with the Manager's proactive asset management strategy to redeploy capital and optimise returns for Unitholders, 41 Changi South Avenue 2, a light industrial property located in the eastern part of Singapore was divested to Y K Toh Marketing (S) Pte Ltd for S\$13.6 million on 20 August 2018.

### A Well Diversified and Resilient Portfolio

Ascendas Reit has a well-diversified portfolio comprising properties across five industrial sub-segments<sup>3</sup>. As at 30 September 2018, the customer base of about 1,340 tenants is spread over 98 properties in Singapore, 35 properties in Australia and 12 properties in the UK. Singapore accounts for 82% of Ascendas Reit's portfolio by asset value while Australia and the UK make up 15% and 3% respectively.

No single property accounts for more than 5.3% 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 23.1% of single-tenant buildings and 76.9% of multi-tenant buildings by asset value. The portfolio's weighted average lease expiry (WALE) has

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<sup>3</sup> 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.

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improved to 4.3 years (30 June 2018: 4.1 years) due to the long WALE of the newly acquired UK portfolio.

Overall portfolio occupancy rate remained stable at 90.6% (30 June 2018: 90.5%). The Singapore portfolio occupancy rate declined to 87.1% (30 June 2018: 88.1%) mainly due to non-renewals at 40 Penjuru Lane and 9 Changi South Street 3.

The Australian portfolio maintained a high occupancy rate of 98.5% (30 June 2018: 98.6%) and the UK portfolio is 100% occupied.

Rental reversion<sup>4</sup> of about +2.3% was achieved for renewed leases in multi-tenant buildings in Singapore during 2Q FY18/19. There were no multi-tenant building renewals in Australia and the UK.

Based on new leases signed, tenants from the transport and storage sector accounted for the largest proportion of new demand by gross revenue in 2Q FY18/19 (24.4%).

About 4.4% of Ascendas Reit's gross revenue will be due for renewal in the remaining two quarters of FY18/19. Of these expiring leases, 0.5% are from single-tenant buildings and 3.9% 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.

### Proactive Capital Management

As at 30 September 2018, aggregate leverage improved to 33.2% (30 June 2018: 35.7%) following the equity fund raising on 7 September 2018. Weighted average all-in cost of borrowing was 3.0% (30 June 2018: 2.9%). About 84.6% (30 June 2018: 72.4%) 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 improved to 3.7 years (30 June 2018: 3.4 years).

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<sup>4</sup> 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 2Q FY18/19 and average gross rents are weighted by area renewed.

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

**Outlook for FY18/19**

Global economic growth moderated in the first half of 2018. Potential escalation of trade tensions between the United States and China remains a key threat to the global outlook.

Interest rates are widely expected to continue rising in the months ahead. With 84.6% of borrowings on fixed rates and a healthy aggregate leverage level of 33.2%, Ascendas Reit is well positioned to mitigate the impact of interest rate increases and maintain an optimal financial position.

**Singapore**

In 3Q 2018, the Singapore economy expanded by 2.6% y-o-y, moderating from the 4.1% growth in 2Q 2018. Growth in the manufacturing sector slowed to 4.5% y-o-y (2Q 2018: 10.6%) whilst the services producing industries maintained a 2.9% y-o-y growth (1Q 2018: 2.9%). The Monetary Authority of Singapore expects the Singapore economy to expand within the upper half of the 2.5% to 3.5% forecast in 2018 (2017: 3.6%).

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. However, businesses remain cautious amid uncertainties arising from the trade tensions and continue to review their business space commitments.

**Australia**

In Australia, the economy grew by 3.4% y-o-y in 2Q 2018. Higher household and government spending contributed to GDP growth in the second quarter. Consensus GDP growth forecast for 2018 is 3.2% y-o-y, higher than the 2.2% y-o-y growth achieved in 2017 (source: Bloomberg).

The underlying strength of the Australian economy has been positive for user demand in the logistics and office sectors with higher occupancy rates prevalent in most major markets over the past 12 months.

Investment yields have shown further compression over the past six months due to strengthening fundamentals and strong investor demand for prime logistics assets. Year-to-date, Ascendas Reit has acquired four well-located logistics properties worth S\$115.6m in Australia. We will continue to look for accretive opportunities to grow the S\$1.6b assets under management in Australia (15% of total property value) further.

### **United Kingdom**

In 2Q 2018, the UK economy grew by 1.2% y-o-y. Growth in the second quarter was driven by the services sector offset by a fall in the production industries. GDP growth forecast for 2018 is expected to be lower at 1.3% y-o-y, compared to the 1.7% y-o-y growth achieved in 2017 (source: Bloomberg).

Including the second portfolio of UK logistics properties acquired on 4 October 2018, Ascendas Reit's assets under management in the UK stands at approximately S\$830 million (8% of total property value).

The UK portfolio has strong attributes such as the long weighted average lease to expiry of 11.4 years, good quality tenants, and the domestic nature of the tenants' logistics business. These attributes will stand Ascendas Reit in good stead to overcome any potential impact arising from Brexit.

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**About Ascendas Reit ([www.ascendas-reit.com](http://www.ascendas-reit.com))**

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Ascendas Reit is Singapore's first and largest listed business space and industrial real estate investment trust. As at 30 September 2018, total assets were about S\$10.8 billion, comprising 98 properties in Singapore, 35 properties in Australia and 12 properties in the United Kingdom. The portfolio includes business and science park/suburban office properties, high-specifications industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties. These properties house a tenant base of around 1,340 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, Citibank, DBS, Wesfarmers, JPMorgan, Ceva Logistics and A\*STAR Research Entities, 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](http://www.ascendas-singbridge.com))**

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

Jointly owned by Temasek Holdings and JTC Corporation, Ascendas-Singbridge Group undertakes projects spanning townships, mixed-use developments, business/industrial parks, offices, hotels and warehouses. Headquartered in Singapore, the Group has a presence across 11 countries in Asia, Australia, Europe and the United States of America.

Ascendas-Singbridge Group has deep capabilities in real estate fund management, holding commercial, hospitality and industrial assets. 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**

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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.