ascendas Reit

A Member of CapitaLand

(Constituted in the Republic of Singapore
pursuant to a trust deed dated 9 October 2002 (as amended))

ANNOUNCEMENT

Annual General Meeting to be held on 29 April 2021
Responses to Substantial and Relevant Questions

Ascendas Funds Management (S) Limited, the manager of Ascendas Real Estate Investment Trust ("**Ascendas Reit**", and the manager of Ascendas Reit, the "**Manager**") would like to thank all Unitholders who submitted their questions in advance of Ascendas Reit's Annual General Meeting ("**AGM"**) to be held virtually via "live audio-visual webcast and live audio-only stream" at 3.00 p.m. on Thursday, 29 April 2021.

For Unitholders' ease of reference, we have grouped the questions into 5 key topics below.

Key topics include:

A. Strategy and Outlook
B. Investments
C. Capital Management
D. Asset Management
E. Impact of COVID-19

Please refer to our responses to these substantial and relevant questions in **Annex A**.

The Manager's Chief Executive Officer, Mr William Tay, will deliver a presentation to Unitholders at the AGM. Please refer to the 2021 AGM Presentation and all AGM-related documents at the URL https://ir.ascendas-reit.com/agm.html.

Following the conclusion of the AGM, the results of the AGM will be uploaded on SGXNet and made available on Ascendas Reit's website. The minutes of the AGM will be published on Ascendas Reit's website on or before 29 May 2021.

BY ORDER OF THE BOARD
ASCENDAS FUNDS MANAGEMENT (S) LIMITED
(Company Registration No. 200201987K)
As manager of Ascendas Real Estate Investment Trust

Mary Judith de Souza
Company Secretary
28 April 2021

Important Notice

The past performance of Ascendas Real Estate Investment Trust ("**Ascendas Reit**") is not indicative of future performance. The listing of the units in the Ascendas Reit ("**Units**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") does not guarantee a liquid market for the Units. The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, Ascendas Funds Management (S) Limited (the "**Manager**") or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units.

ANNEX A

A. Strategy and Outlook	
1.	**I invest in Ascendas Reit because of its strong track record of growing DPU, growing NAV and high ICR. Will that continue with the new organisation structure?**
	Response: Our priority is to build a strong and profitable portfolio for the long term. We will continue to focus on executing our long-standing strategy of diversifying across multiple developed countries and asset classes, and manage our capital prudently to create value for all Unitholders. The proposed restructuring of Ascendas Reit's sponsor, Capitaland, will not affect the above, nor the day-to-day business activities or ongoing operations of Ascendas Reit.
2.	**What steps are the Company taking to improve its share price performance?**
	Response: All companies will experience short-term fluctuations in their share prices. There are many factors that drive share price movements. Our strategy is to concentrate on acquiring good quality and accretive properties. We have a long-term horizon for our investments. We aim to deliver predictable distributions and achieve long-term capital stability for Unitholders.

B. Investments	
3.	**I note that the company only owns a 25% stake in Galaxis. Who owns the rest of the 75% stake in Galaxis? Does the company plan intend to acquire the remaining stake in Galaxis?**
	Response: The remaining 75% stake in Galaxis is held by our Sponsor, CapitaLand. We continue to be in discussion with our Sponsor and will evaluate any opportunities that are made available to Ascendas Reit.
4.	**Understand that the data centres bought from Digital Reality are older and less differentiated which do not have modern power supply, back-up power supply, and cooling systems. As such what are the plans to bring these assets to modern assets? How much will be needed to refurbish these assets and when will the refurbishment take place to bring these assets to modern specs?**
	Response: The portfolio consists of both Tier 2 and Tier 3 rated data centres. Each standard has its own captive and potential tenants. Our intention is to cover a diversified group of tenants in financial services, telecommunications, information technology, retail (supermarkets) and education sectors. The data centres are currently well-occupied at 97.9%. Over time, we plan to upgrade the mechanical and electrical systems (M&E) to meet the market and regulatory requirements in each of the markets. As the portfolio comprises eight triple net powered shells and three co-location assets with a long weighted average lease to expiry of 4.6 years, we will execute the upgrading plans at an appropriate time, taking into account the existing leases with our tenants.
5.	**I note that the company owns only one single property (35 Baile Road, Perth) in the state of Western Australia. The property does look “out of place”. Are there any plans to divest this property? Why did the company acquire this property in the first place? What attracted the company to acquire this property in the first place?**
	Response: Ascendas Reit made its first entry into Australia via a portfolio acquisition worth S$1.0 billion in 2015. The property, 35 Baile Road in Perth, was one of the 26 properties within the portfolio. The property was 100% occupied at the point of acquisition and continues to be 100% leased to the same tenant today, generating a steady stream of cashflow for Ascendas Reit. Valuation of the property has also increased to A$40.5 million (as at 1 December 2021, 6% higher than the A$38.2 million as at 31 March 2016. We will continue to evaluate the performance of all our properties to optimise returns for Unitholders.

C. Capital Management	
6.	**I noticed that the gearing of Ascendas Reit was in the low 30%+. In fact, the gearing level dropped compared to last year. It is rather low vis-a-vis other REITs and trusts.** **Are there plans to lever up to a higher but still comfortable gearing level, closer to 40% (bearing in mind the regulatory limit is now 50%, up from 45%, conditional upon an ICR of at least 2.5x and also that we are in a low interest rate environment)?**
	Response: There are advantages from having a low and healthy gearing e.g. (1) lower interest expense; (2) ability to act quickly when the opportunity arises; (3) maintain our Moody's rating of A3; and (4) secure borrowings at competitive rates. Nonetheless, we strive to strike a balance between gearing and cost, and will manage the gearing ratio at a level that will optimise Ascendas Reit's funding structure to deliver value to Unitholders.

D. Asset Management	
7.	**From the *section "In Conversation with CEO":* *About 21% of the Singapore portfolio rental income is due for renewal this year. In view of current market uncertainties and excess supply of certain industrial properties in Singapore, we expect overall renewal rates to be in the low single digit positive range."* Please provide more colour of what these "certain industrial properties" that are showing excess supply are? When does the company see this "excess supply" situation abating?**
	Response: Based on JTC's latest Quarterly Market Report for 1Q 2021, around 2.4 million sqm of new industrial space is expected to complete in the remaining three quarters of 2021. This is higher than the new supply levels in the past five years which ranged between 0.4 million to 1.9 million sqm. Multiple-user factories (light industrial and high specifications properties) make up 31% of the new supply, warehouses 17% and business park 8%. The remaining 44% of the new supply are single-user factories. In the near term, we expect competition for tenants within the industrial and warehouse segments to remain keen as a result of the high levels of new supply and subdued demand as companies are likely to stay cautious in view of the lingering global uncertainties.
8.	**Can you provide updates on the plans to rejuvenate Singapore Science Park?**
	Response: The rejuvenation plan for the Singapore Science Parks is on-going. Our Sponsor had kicked-started the rejuvenation with the redevelopment of Ascent, 12, 14 & 16 Science Park Drive (DSO National Laboratories and DNV Technology Centre) and 5 Science Park Drive. Ascendas Reit acquired the redeveloped property at 12, 14 & 16 Science Park Drive from the Sponsor in 2017. Currently, these properties are well-occupied by tenants such as Johnson & Johnson, Dyson, DSO National Laboratories and Shopee. Future redevelopment is expected to take place in phases to minimise disruptions to tenants. For example, we plan to initiate the redevelopment of TÜV SÜD PSB Building in Singapore Science Park 1, in line with the recent expiry of the tenant's lease. In addition, we have introduced amenities, collaborative spaces and green features such as shared meeting pods and electric vehicle parking lots to revitalise the parks. In tandem with Singapore's Smart Nation ambition, a Smart Urban Co-Innovation Lab was launched last year at The Galen, in Singapore Science Park 2, bringing together over 30 industry players including Amazon Web Services, Cisco Systems

	and Microsoft to partner local firms to co-innovate and pilot trials within the parks. We will continue to work closely with partners and the authorities to enhance offerings within the Science Parks.
9.	**There has been much discussion that with companies migrating their staff to Work-From-Home (WFH) indefinitely, the demand for office space etc would go down. We have heard that some companies in Singapore had already downsized their leased office space. Could you share with us if there had been any impact of WFH on Ascendas Reit portfolios in Singapore, the United States (US), Australia and the UK? Could you also provide some numbers on how much space were downsized and the location?**
	Response: In Singapore, Australia and the US, we own business park properties and suburban offices which are well-located in precincts outside the central business districts. We believe that these locations remain attractive for companies seeking affordable business space and to decentralise from the central business districts (CBD). All our markets achieved healthy occupancy rates of between 88% to 97%. Overall, portfolio occupancy has remained stable at 91.7% as at 31 December 2020. Ascendas Reit's portfolio is also diversified across asset classes (48% business space, 27% industrial space and 25% logistics as at 31 December 2020), which will minimise any potential impact from WFH.

E. Impact of COVID-19	
10.	**(i) How many tenants are you still giving rental relief?** **(ii) What percentage of tenants would that be?** **(iii) When would this rental relief cease?** **(iv) Should Ascendas Reit be giving rental relief to these tenants indefinitely?**
	Response: We have taken a tailored approach towards supporting our tenants across all our markets depending on the respective COVID-19 situations. The assistance we have provided to our tenants include rent rebates, rent deferments, lease restructuring and changes to rental payment frequency. In Singapore, we passed through all property tax rebates and cash grants from the Singapore government to qualifying customers. In addition, S$17.2 million of rent rebates were provided, including rebates that were over and above the statutory requirements to qualifying tenants as well as others whose businesses were affected by the pandemic. On a portfolio basis, a total of S$17.8 million in rent rebates (or 1.7% of total gross revenue) was recognised in FY2020. Given our large and diversified portfolio, the tenants who received rent rebates accounted for less than 15% of our tenant base by monthly gross rent. In 1Q FY2021, there were no additional rebates recognised. The COVID-19 situation remains fluid and we will continue to work together with our tenants if necessary and adhere to government guidelines on any future rebates.