Press Release
For Immediate Release

Ascendas Reit's Total Amount Available for Distribution for 1Q FY2019 grew 6.3% y-o-y to S$124.7 million

1. Total amount available for distribution rose 6.3% year-on-year (y-o-y) to S$124.7 million mainly attributable to contributions from new acquisitions in the United Kingdom (UK) and Australia during FY18/19. 1Q FY2019 Distribution per Unit (DPU) was stable y-o-y at 4.005 cents.

2. Portfolio occupancy rate stood at 91.1% (as at 30 June 2019) and positive rental reversion of 2.7% was achieved for leases that were renewed in 1Q FY2019.

3. Maintained healthy aggregate leverage of 37.2% and a high level of natural hedge in Australia and the UK.

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

	1Q FY2019(1)	1QFY18/19	Variance
Number of Properties	171(2)	132	-
Gross revenue (S$m)	229.7	216.6	6.1%
Property operating expenses (S$m)	(52.2)	(57.4)	(9.0%)
Net property income (S$m)	177.5	159.2	11.5%
Total amount available for distribution (S$m)	124.7	117.3	6.3%
DPU (cents)	4.005(3)	4.002(4)	0.1%

Notes:
(1) Ascendas Reit has changed its financial year end from 31 March to 31 December. Therefore, the current financial year is a nine-month period from 1 April 2019 to 31 December 2019 (FY2019). Please refer to the announcement dated 24 July 2019 for more information.
(2) As at 30 June 2019, Ascendas Reit had 98 properties in Singapore, 35 properties in Australia and 38 properties in the United Kingdom.
(3) Included taxable and capital distributions of 3.495 and 0.510 cents respectively.
(4) Included taxable and capital distributions of 3.671 and 0.331 cents respectively.

29 July 2019, 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 gross revenue rose by 6.1% y-o-y to S$229.7 million. Key contributors were the newly acquired properties in the UK and Australia in FY18/19.

Property operating expenses decreased by 9.0% y-o-y to S$52.2 million. This was mainly due to the exclusion of land rent, which amounted to S$8.2 million, following the adoption of the new Singapore Financial Reporting Standard 116 *Leases* (FRS 116) effective from 1 April 2019.

Consequently, net property income rose by 11.5% y-o-y to S$177.5 million. Excluding the effects from the adoption of FRS 116, net property income would have risen by 6.3% y-o-y, in tandem with the increase in gross revenue.

Total amount available for distribution rose 6.3% y-o-y to S$124.7 million. Despite an enlarged number of Units in issue, DPU remained relatively stable at 4.005 cents (+0.1% y-o-y).

Mr William Tay, Chief Executive Officer and Executive Director of the Manager, said: "In view of the weak economic outlook, demand for industrial space in Singapore remains muted. However, Ascendas Reit's stable performance in the first quarter of 2019 reflects the resilience of its large and diversified portfolio. This resilient performance was underpinned by proactive asset management as well as prudent diversification executed in the value-add strategy. We will continue to explore accretive investment opportunities in Singapore and other developed markets to grow and strengthen the portfolio."

Capital Recycling

On 18 July 2019, the Manager entered into a sale and purchase agreement with Seow Kim Polythelene Co Pte Ltd for the sale of No. 8 Loyang Way 1 in Singapore for S$27.0 million[1]. The proposed sale price of S$27.0 million is 8.0% higher than the original purchase price (of S$25.0 million) and 14.4% higher than the market valuation (of $23.6 million[2]) as at 31 March 2019. The proposed divestment is expected to complete in 2Q FY2019 and the proceeds may be recycled to fund committed investments, repay existing indebtedness, extend loans to subsidiaries, fund general corporate and working capital needs.

[1] In accordance to Ascendas Reit's Trust Deed, the Manager is entitled to a divestment fee of 0.5% of the sale price of the properties.
[2] The valuation was commissioned by the Manager and the Trustee, and was carried out by Jones Lang LaSalle Property Consultants Pte Ltd using the capitalisation approach and discounted cash flow approach.

A Well Diversified and Resilient Portfolio

Ascendas Reit has a well-diversified portfolio comprising properties across five industrial sub-segments[3]. As at 30 June 2019, the customer base of about 1,350 tenants is spread over 98 properties in Singapore, 35 properties in Australia and 38 properties in the UK. Singapore accounts for 79% of Ascendas Reit's portfolio by asset value while Australia and the UK make up 14% and 7% respectively.

No single property accounts for more than 5.1% 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 29.4% of single-tenant buildings and 70.6% of multi-tenant buildings by asset value. The portfolio's weighted average lease expiry (WALE) declined to 4.1 years (31 March 2019: 4.2 years).

Overall portfolio occupancy rate declined to 91.1% compared to 91.9% in the previous quarter. This was mainly due to the lower portfolio occupancy rate in Australia, which fell to 92.3% (31 March 2019: 98.0%). During 1Q FY2019, there was a non-renewal of a lease at 94 Lenore Drive, a logistics property in Sydney. However, a new tenant has already commenced its five-year lease at the property with effect from July 2019.

The Singapore portfolio occupancy rate improved to 88.9% from 88.3% as at 31 March 2019 mainly due to new take-ups at 37A Tampines Street 92, 20 Tuas Avenue 1 and 10 Toh Guan Road. The UK portfolio occupancy rate remained at 100%.

Portfolio rental reversion[4] of +2.7% was achieved for renewed leases in multi-tenant buildings during 1Q FY2019. The Singapore and Australian portfolios achieved +3.0% and +0.2% rental reversions respectively. There were no multi-tenant building renewals in the UK during the quarter.

[3] 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.

[4] 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 FY2019 and average gross rents are weighted by area renewed.

Based on new leases signed, tenants from the transport and storage sector accounted for the largest proportion of new demand by gross rental income in 1Q 2019 (28.9%).

About 9.0% of Ascendas Reit's gross rental income will be due for renewal in the remaining two quarters of FY2019. Of these expiring leases, 1.4% are from single-tenant buildings and 7.6% 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 June 2019, aggregate leverage stood at 37.2%. Weighted average all-in cost of borrowing was maintained at 3.0%. About 75.3% of Ascendas Reit's borrowings are on fixed rates for an average term of 3.6 years.

The debt maturity profile remains well-spread with weighted average tenure of debt outstanding at 3.8 years.

A high level of natural hedge in Australia (75.4%) and the United Kingdom (100%) is maintained to minimise the effects of adverse exchange rate fluctuations.

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

Outlook

The global economic outlook continues to weaken amid uncertainties arising from the on-going trade frictions, political tensions and Brexit negotiations. Some central banks have signalled that they are prepared to lower interest rates to support economic growth.

<u>Singapore</u>

Singapore's 2Q 2019 GDP growth slowed to 0.1% y-o-y from 1.1% y-o-y in 1Q 2019. The manufacturing sector shrank by 3.8% y-o-y, deteriorating further from the 0.4% y-o-y contraction in the previous quarter. The Singapore government expects GDP growth for 2019 to be between 1.5% to 2.5% (source: Ministry of Trade and Industry). In view of the uncertain economic outlook, businesses are likely to remain conservative with their capital investments and expansion plans.

On top of the excessive new supply of industrial property space that was built-up over the last 4-5 years, an additional 2.7 million sqm of new industrial space is expected to complete in the rest of 2019 and in 2020, representing 5.5% of the total stock of 49.3 million sqm as at 30 June 2019.

Rental rates are expected to remain subdued, in view of the available industrial supply and moderated economic growth.

Assets under management (AUM) in Singapore stood at S$8.8 billion (79% of total property value as at 30 June 2019) underpinned by a diversified pool of tenants operating in across more than 20 industries. Properties in the business and science park segment, which makes up 42% of the Singapore portfolio, can serve the needs of industries in the new economy and this segment remains a key growth area for Ascendas Reit.

Australia

The Australian economy grew by 1.8% y-o-y in 1Q 2019 (4Q 2018: 2.3% y-o-y). Household spending moderated to 1.8% y-o-y (4Q 2018: 2.0%) as a result of weak discretionary spending. The Reserve Bank of Australia lowered the cash rate from 1.5% to 1.0% in 2Q 2019 to reduce unemployment and achieve its inflation target over time. Consensus GDP growth forecast for Australia in 2019 is 2.1% (Source: Bloomberg).

Ascendas Reit's Australian properties are well-located in key industrial precincts. The stable performance of the portfolio is underpinned by the long weighted average lease to expiry of 4.3 years and average annual rent escalations of approximately 3% per annum.

United Kingdom (UK)

In 1Q 2019, the UK economy grew by 1.8% y-o-y (4Q 2018: 1.4% y-o-y). The services sector, which is the largest contributor to the UK economy, weakened slightly to 0.4% quarter-on-quarter (4Q: 0.5% q-o-q) whilst production output increased 1.1% q-o-q after recording a decline of 0.8% in 4Q 2018. Consensus GDP growth forecast for 2019 is 1.3% (source: Bloomberg).

With the on-going political and economic uncertainty arising from Brexit, leasing activity for the logistics sector has slowed in the first quarter of 2019. However, the sector remains fundamentally resilient as rents are expected to remain firm amidst supply constraints.

Ascendas Reit's UK portfolio stood at S$0.8 billion (7% of total property value) as at 30 June 2019. Strong attributes such as the long weighted average lease to expiry of 9.1 years and the domestic nature of the tenants' logistics business will stand Ascendas Reit in good stead to overcome any potential impact arising from Brexit.

Conclusion

Despite the uncertainty in the global economic outlook, the portfolio performance in the current three markets remains stable. The Manager will continue with our multi-pronged strategy to sustain the performance and complement it with disciplined and accretive investments in Singapore and other developed markets.

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About Ascendas Real Estate Investment Trust (www.ascendas-reit.com)

Ascendas Real Estate Investment Trust (Ascendas Reit) is Singapore's first and largest listed business space and industrial real estate investment trust. It was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in November 2002. As at 30 June 2019, investment properties under management stands at S$11.1 billion, comprising 98 properties in Singapore, 35 properties in Australia and 38 properties in the United Kingdom. Ascendas Reit's portfolio includes business and science parks, suburban office properties, high-specifications industrial properties, light industrial properties, logistics and distribution centres, and integrated developments, amenities and retail properties. These properties house a tenant base of around 1,350 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, Ceva Logistics, JPMorgan and A*STAR Research Entities.

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 Singapore-listed CapitaLand Limited, one of Asia's largest diversified real estate groups.

About CapitaLand Limited (www.capitaland.com)

CapitaLand Limited (CapitaLand) is one of Asia's largest diversified real estate groups. Headquartered and listed in Singapore, it owns and manages a global portfolio worth over S$103 billion[5] as at 31 March 2019. CapitaLand's portfolio spans across diversified real estate classes which includes commercial, retail; business park, industrial and logistics; integrated development, urban development; as well as lodging and residential. With a presence across more than 200 cities in over 30 countries, the Group focuses on Singapore and China as its core markets, while it continues to expand in markets such as India, Vietnam, Australia, Europe and the USA.

CapitaLand has one of the largest real estate investment management businesses globally. It manages eight listed real estate investment trusts (REITs) and business trusts as well as over 20 private funds. Since it pioneered REITs in Singapore with the listing of CapitaLand Mall Trust in 2002, CapitaLand's REITs and business trusts have expanded to include Ascendas Reit, CapitaLand Commercial Trust, Ascott Residence Trust, CapitaLand Retail China Trust, Ascendas India Trust, CapitaLand Malaysia Mall Trust and Ascendas Hospitality Trust.

[5] CapitaLand's assets under management is over S$123 billion with the completion of its acquisition of Ascendas-Singbridge by end June 2019.

Press Release

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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.