

Ascendas Reit makes debut investment in European data centres for S\$904.6 million

17 March 2021, Singapore – Ascendas Funds Management (S) Limited (the “Manager”), in its capacity as the manager of Ascendas Real Estate Investment Trust (“Ascendas Reit”), is pleased to announce the Proposed Acquisition of a portfolio of data centres located across Europe (the “Proposed Acquisition”) ¹, for S\$904.6 million ² (“Total Consideration”) from subsidiaries of Digital Realty Trust, Inc. (“Vendor”). The portfolio comprises 11 data centres (the “Target Portfolio” or “Target Properties”) located across the United Kingdom (“UK”) (4 properties), the Netherlands (3 properties), France (3 properties) and Switzerland (1 property).

Mr William Tay, Executive Director and Chief Executive Officer of the Manager said, “This acquisition gives us a unique opportunity to own a portfolio of well-occupied data centres located across key markets in Europe. It complements our existing data centre portfolio in Singapore and will increase the sector’s contribution to S\$1.5 billion or 10% of investment properties under management. We see good potential in the data centre business and will continue to source and make further acquisitions when the opportunities arise.”

Key Merits of the Proposed Acquisition

1. Enlarges Ascendas Reit’s exposure to the resilient data centre asset class

Demand for data centres is expected to grow due to increasing reliance on data and online applications as well as accelerating digitisation across industries.

Some of the key trends that continue to underpin demand for data centres include the increasing adoption of cloud computing, the growing number of internet users and mobile devices, larger data storage requirements and fast-growing technology trends

¹ The Proposed Acquisition will be made through the acquisition of the entire issued share capital of certain corporations which own the Target Properties. Total Consideration is subject to a completion working capital adjustment, as set out in the Sale and Purchase Agreement. Please refer to the announcement titled “Proposed Acquisition of a Portfolio of 11 Data Centres in Europe” and dated 17 March 2021 for more details.

² Comprising approximately £250.25 million for the target properties located in the UK and approximately €276.85 million for the other target properties located in the Netherlands, France and Switzerland. Illustrative exchange rates of £1.0000: S\$1.8395 and €1.0000: S\$1.6047 are used for all conversions from Pound Sterling and Euro amounts into Singapore Dollar amounts respectively in this press release.

such as big data analytics, Internet of Things (IoT), Industry 4.0, 5G network, e-commerce, video streaming services etc.

Additionally, data sovereignty laws are expected to benefit the European data centres as companies choose to store data within Europe to serve the large local markets.

The Target Portfolio will increase Ascendas Reit's investment in data centres to 10% (S\$1.5 billion) of total investment properties of S\$15.0 billion (from 4% or S\$0.5 billion as at 31 December 2020).

2. 93% of the Target Portfolio (by asset value) is located in key European data centre markets

The Target Portfolio comprises 11 data centres, of which nine (93% of Target Portfolio by asset value) are strategically located in London, Amsterdam and Paris, which are top data centre markets in Europe.

London, Amsterdam and Paris are ranked the first, third and fourth largest colocation markets in Europe respectively, with a combined colocation market size of approximately 1,383 megawatts ("MW") as at 31 December 2020.³

They benefit from being close to large population centres and have the connectivity and infrastructure to attract the data centre providers.

3. European data centre markets are recording strong capacity growth driven by robust take-up levels

According to CBRE, take-up of colocation data centres outstripped new supply in 2020 across the FLAP markets⁴ as more companies embark on their digital transformation plans. Companies are increasing their consumption of cloud services, in turn driving colocation demand from cloud providers. Colocation is also increasingly being used to satisfy companies' IT requirements which are growing in scale and complexity.

During 2020, a total of 201 MW was taken up in FLAP markets (Frankfurt 67 MW, London 86 MW, Amsterdam 32 MW and Paris 17 MW) on the back of new supply of 174 MW (Frankfurt 62 MW, London 26 MW, Amsterdam 57 MW and Paris 29 MW).

As a result, FLAP markets' vacancy rate improved to 19% (from 21% in 2019). In 2021, vacancy rate is expected to fall further to 17% driven by strong demand. Market

³ Source: CBRE Research, Q4 2020. Data refers to the carrier-neutral colocation market in each city.

⁴ "FLAP" refers to the four largest colocation markets in Europe: Frankfurt, London, Amsterdam and Paris.

absorption, which is the number of years it would take current vacant supply to be fully let⁵ was 2.4 years as at 31 December 2020 (down from 3.0 years in 2019) and is expected to decline to 2.3 years in 2021.³

4. Improves diversity of Ascendas Reit’s portfolio and offers more freehold land

With the Proposed Acquisition, Ascendas Reit’s portfolio will be geographically diversified, with 60% of investment properties in Singapore, 14% in the United States (“US”), 14% in Australia and 12% in the UK/Europe.

Approximately 67% of the Target Portfolio (by asset value) is located on freehold land whilst the remaining 33%⁶ is on leasehold land with a weighted average land lease to expiry of 42.9 years⁷. Ascendas Reit’s portfolio will further strengthen from the increase in proportion of freehold land (by asset value) from 35.4% to 37.5%⁸ assuming completion of the acquisition of the Target Portfolio.

5. Stable and sustainable income stream with long weighted average lease to expiry (“WALE”) and triple net lease structures

The Target Portfolio has a long WALE of 4.6 years by rental income. About 83% of the leases (by rental income) have embedded annual rent escalations of between 1.0% to 3.0%, providing organic growth.⁹

As at 31 December 2020, 58% of the Target Portfolio by rental income is leased on a triple net basis where all property outgoings such as maintenance, tax and insurance are borne by the tenants. The remaining 42% comprises leases within colocation data centres where Ascendas Reit will own the M&E and is responsible for property outgoings.

6. Strengthens overall customer base with high-quality companies

The Target Portfolio is 97.9%⁹ occupied by 14 high-quality and established customers. These customers operate in a range of industries such as financial services, telecommunications, information technology, retail (supermarkets) and education, and are leasing the properties for their data centre requirements.

⁵ Based on the fixed average take-up of the previous five years.

⁶ Includes two properties on perpetual leasehold basis.

⁷ As at 31 December 2020.

⁸ Pro forma as at 31 December 2020.

⁹ As at 31 December 2020.

7. Distribution per Unit (“DPU”) accretive acquisition

Net property income (“NPI”) yield¹⁰ for the first year is approximately 6.0% and 5.7% pre-transaction costs and post-transaction costs respectively. The pro forma impact on the DPU for the financial year commencing on 1 January 2020 and ended 31 December 2020 is expected to be an improvement of 0.189 Singapore cents assuming the Proposed Acquisition was completed on 1 January 2020.¹¹

Details of the Acquisition

Ascendas Reit, through its wholly owned subsidiaries, has today entered into a sale and purchase agreement with the Vendor and is expected to complete the Proposed Acquisition today in UK time.

The total consideration of S\$904.6 million is in line with the independent market valuations of the Target Properties, which amount to S\$905.0 million¹².

Ascendas Reit is expected to incur an estimated transaction cost of S\$55.4 million, which includes stamp duty, professional advisory fees, and acquisition fees payable to the Manager in cash (being 1% of the Total Consideration of S\$904.6 million, which amounts to approximately S\$9.0 million).

The total acquisition cost of S\$960.0 million, will be financed with proceeds from the Equity Fund Raising¹³ announced on 10 November 2020, debt financing and/or internal cash resources.

About the Target Portfolio

The 11 data centres have a total net lettable area of 61,637 sqm. Six data centres are located on freehold land whilst the remaining five data centres¹⁴ are sited on leasehold land with a weighted average land lease to expiry of 42.9 years.

¹⁰ The NPI yield is derived using the estimated NPI expected in the first year of acquisition.

¹¹ The annualised pro forma DPU impact is calculated based on the following assumptions a) Ascendas Reit had completed the Proposed Acquisition on 1 Jan 2020, held and operated the Target Properties through 31 Dec 2020, b) the Proposed Acquisition is funded by equity of approximately S\$612.5 million (approximately 63.8% of Total Acquisition Cost) and additional borrowings of S\$347.5 million (36.2%) and, c) the Manager elects to receive its base fee 80% in cash and 20% in units.

¹² The valuations were commissioned by the Manager and HSBC Institutional Trust Services (Singapore) Limited (trustee of Ascendas Reit) and carried out by Newmark Knight Frank Valuation & Advisory, LLC, using the sales comparison and income capitalisation approaches. The independent valuations concluded an aggregate market value of £250,250,000 for the UK Properties and €277,100,000 for the other Target Properties. Please refer to the announcement titled “Proposed Acquisition of a Portfolio of 11 Data Centres in Europe” dated 17 March 2021 for the dates of valuation.

¹³ Please refer to “Launch of Equity Fund Raising to Raise Gross Proceeds of Approximately S\$1,200 million” announcement dated 10 November 2020.

¹⁴ Includes two properties on perpetual leasehold basis.

Including the Target Portfolio, Ascendas Reit will own 212 properties worth S\$15.0 billion comprising 96 properties (S\$9.0 billion) in Singapore, 37 properties (S\$2.1 billion) in Australia¹⁵, 49 properties (S\$1.7 billion) in the UK/Europe and 30 properties in the US (S\$2.1 billion).

For more details about the Proposed Acquisition and the individual data centres, please refer to the accompanying (1) announcement, and (ii) investor presentation, both titled “Proposed acquisition of a portfolio of 11 data centres in Europe” dated 17 March 2021.

Target Portfolio Statistics	
Location & Number of Properties	11 data centres London, UK: 3 properties Amsterdam, Netherlands: 3 properties Paris, France: 3 properties Manchester, UK: 1 property Geneva, Switzerland: 1 property
Land Area	136,816 sqm
Land Tenure (by asset value)	Freehold: 6 properties Leasehold: 5 properties ¹⁶ with weighted average land lease to expiry of 42.9 years
Total Net Lettable Area	61,637 sqm
WALE (by gross revenue)	4.6 years
Occupancy Rate	97.9%
Total Number of Customers	14
Lease Structures (by rental income)	58% triple-net 42% colocation

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¹⁵ Includes 1-5 Thomas Holt Drive in Sydney, Australia, acquired on 13 January 2021.

¹⁶ Includes two properties on perpetual leasehold basis.

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 31 December 2020, Ascendas Reit's investment properties under management stood at S\$13.7 billion. The portfolio comprises 200 properties across the developed markets of Singapore, Australia, the United Kingdom and the United States. 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 more than 1,450 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, Stripe, DSO National Laboratories, Pinterest, DBS, CareFusion, Wesfarmers, Citibank and JPMorgan.

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 about S\$132.5 billion as at 31 December 2020. 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 230 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 six listed real estate investment trusts (REITs) and business trusts as well as over 20 private funds. CapitaLand launched Singapore's first REIT in 2002 and today, its stable of REITs and business trusts comprises CapitaLand Integrated Commercial Trust, Ascendas Real Estate Investment Trust, Ascott Residence Trust, CapitaLand China Trust, Ascendas India Trust and CapitaLand Malaysia Mall Trust.

CapitaLand places sustainability at the core of what it does. As a responsible real estate company, CapitaLand contributes to the environmental and social well-being of the communities where it operates, as it delivers long-term economic value to its stakeholders.

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