

■ SINGAPORE NATIONAL DAY ■

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ESR-REIT POISED TO TAKE ADVANTAGE OF NEXT STAGE OF GROWTH WITH CORE STRENGTHS

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With a history of less than two decades, real estate investment trusts (REITs) are relatively a recent phenomenon in Asia, but the sector is growing by leaps and bounds to pull alongside the more developed markets of Australia and the United States. Rife with opportunities, Singapore has emerged as the largest REIT market in Asia, excluding Japan, and the sixth-largest globally with a market capitalisation of US\$53 billion, notwithstanding that the first Singapore REIT (S-reit) was only launched successfully in 2002. Singapore is increasingly turning into a global REIT hub, thanks to pioneer industry players such as

ESR-REIT. ESR-REIT today ranks as one of the top five largest industrial REITs listed on the Singapore Exchange Securities Trading. It is managed by ESR Funds Management (S) – also known as the Manager – and a subsidiary of ESR, formerly known as e-Shang Realwood. ESR is a leading Asia-Pacific-focused logistics real estate platform with operations in six countries and assets under management of US\$16 billion.

ESR-REIT invests in income-producing real estate and real estate-related assets. Fresh from its merger with Viva Industrial Trust (VIT), ESR-REIT has amassed a diversified portfolio of 56 quality industrial properties located across Singapore with a total value of more than

US\$3.02 billion (HK\$17.26 billion).

"Size is a competitive advantage for us," says Adrian Chui, CEO and executive director of the Manager. "With an expanded post-merger portfolio, we now have the foundation to execute our strategies to deliver value-added returns to our stakeholders and unitholders. Size provides us the flexibility to reposition our assets and carry out enhancements, upgrades and revitalisations. With a robust and competitive platform complemented by an experienced management team and the backing of a strong and committed sponsor, we are able to leverage these strengths to take on the next stage of growth."

Resilient and balanced portfolio

The merger of ESR-REIT and VIT is a milestone transaction, being the first-ever amalgamation of two REITs in the city-state. Completed last October, the union created an enlarged S-reit with a portfolio that is more resilient and better diversified. With a larger post-merger market capitalisation and increased free float and trading liquidity, ESR-REIT is also expected to attract a larger investor base that could result in more index inclusions. It is likewise anticipated to pave the way for more relationships with banks, financial institutions, research houses and brokerages.

As of the end of last year, ESR-REIT's portfolio consists of 56 industrial properties with a total gross floor area of about 14.1 million square feet. The properties are spread across four sub-asset classes, spanning business parks, high-specifications industrial facilities, logistics and warehouse properties, and general industrial facilities. These are located close to major transportation hubs and within key industrial zones island-wide. Key properties include the UE BizHub EAST within the Changi Business Park, the Viva Business Park and the recently acquired 15 Greenwich Drive logistics and warehouse facility, which is strategically located within the Tampines Logistics Park.

The current portfolio has a wider exposure to sought-after sectors with higher rents, with business parks and high-specifications industrial assets representing some 45 per cent of the portfolio's rental income and logistics accounting for about 20 per cent. Business parks and high-spec spaces are geared towards companies catering to research and development (R&D) activities, high-level manufacturing, automation and robotics, and data centres. This asset class is expected to see limited supply in Singapore over the next three years, providing a more landlord-friendly environment for business space needs and driving a more stable rental outlook from these properties.

"We are positioning our portfolio to become the real estate for tomorrow's businesses for industrialists," Chui says. "We're ensuring that we have a future-ready portfolio – that our spaces are configured and equipped to accommodate the tenants of sectors where the government is investing and where the Singaporean economy is restructuring towards. That is why we focus on the so-called 'in-demand' sectors such as business parks, high-specs industrial and logistics."

As of the end of the first half of this year, ESR-REIT has a diversified tenant base of 328 tenants engaged in key businesses, including advanced logistics, data centres, R&D laboratories, wholesale trade, general storage, data centres and electronics. Portfolio occupancy reached 91 per cent in the first half of this year, surpassing the 89.9 per cent average of JTC, a state-owned real estate company and statutory board under the Ministry of Trade and Industry.

The Manager reduced the top 10 tenant concentration risk during this quarter, with the top 10 tenants only accounting for 31.1 per cent of the portfolio's rental income, down from 38.7 per cent in 2017. Additionally, no individual trade sector made up more than 25.4 per cent of ESR-REIT's portfolio rental income. Meanwhile, the portfolio's weighted average lease expiry stood at 3.6 years with in-built escalation, providing a stable and secure income stream to ESR-REIT's unitholders.

Aiming to maximise returns from its portfolio, ESR-REIT employs a proactive approach to asset management. Since 2017, the Manager has divested five non-core

assets at or above valuation and reallocated the proceeds to finance three yield accretive acquisitions. Various properties have also been identified for asset enhancement and redevelopment. These steps are being taken to potentially unlock value from existing assets and ultimately deliver better returns to unitholders.

Strong and experienced management team

Since the merger, the Manager has transitioned to taking property management services in-house to build up cost efficiencies and improve service quality to tenants. It relies on an expanded management team with close to 70 years of collective expertise in local and regional real estate, specialising in the industrial property sector.

"We want more interaction with our tenants to build rapport," Chui says. "That's why we are choosing to increasingly self-manage our properties so that we can add the human touch to our tenant services. More important than being able to react faster to requests, building a relationship with tenants will allow us to better understand their needs and planned expansions either in Singapore or in the region, and help us address their emerging requirements."

As part of its self-management strategy, the Manager is retaining management control of ESR-REIT's flagship and largest assets such as the UE BizHub EAST. The Manager has also clustered its properties by region for better on-site management and faster response time.

"Real estate remains a people's business, and we value partnerships as we are part of an ecosystem," Chui says. "We always need to have business partners. And while we would like to move towards a self-management model, we'll continue to deal with third-party facility managers and other service providers as we would like to build long-term partnerships. If our business partners are able to provide us better value and/or more efficient services, we'd very much like to work with them for the benefit of our unitholders."

Support of a strong and committed sponsor

ESR-REIT is backed by a strong and committed developer-sponsor, ESR, a prominent Asia-Pacific-focused integrated real estate developer, operator and fund manager. Headquartered in Hong Kong, ESR has a 57.9 per cent stake in the Manager and is the second-largest unitholder of ESR-REIT. Since ESR came on board in January 2017, ESR-REIT's portfolio has surged by more than 130 per cent from S\$1.2 billion to S\$3.02 billion as of June this year.

"We value ESR for its entrepreneurial spirit set on institutional platform and processes," Chui says. "The people at the reins of ESR know the importance of making quick and decisive calls in our line of business, being both a developer and a fund management company. We had their full support when we embarked on the merger with VIT to strengthen our portfolio."

ESR has a solid track record and presence in the Asia-Pacific logistics and industrial real estate sector with a platform that covers China, Japan, South Korea, Singapore, Australia and India. Apart from strong financial support, ESR-REIT has access to ESR's development expertise, extensive regional tenant network and potential pipeline of assets.

ESR-REIT can also leverage ESR's key alliances with prominent global e-commerce companies, retailers, logistics service providers and manufacturers. To further advance its growth agenda, ESR-REIT welcomes opportunities to form strategic connections with investors, banks, real estate brokers, asset owners and business operators.

"Today, we are 100 per cent focused on Singapore in terms of opportunities for our portfolio and acquisitions," Chui says. "But we do recognise the vast growth prospects beyond Singapore, and it's only a matter of time before we start to go regional especially when we recognise the footprint of the wider ESG group. In the near term, we're open to looking at countries where ESR has a consolidated presence and 'on-the-ground' expertise and pursuing scalable and manageable projects. This is when we expect to be able to leverage on the support of ESR's real estate value chain."

S\$3.3B AUM
14.1M SQ FT GFA
56 PROPERTIES
ACROSS SINGAPORE



Viva Business Park Business Park

30 Toh Guan Road General Industrial



16 Tai Seng Street High-Specs Industrial



3 Tuas South Avenue 4 General Industrial



UE BizHub EAST Business Park

7000 Ang Mo Kio Avenue 5 High-Specs Industrial



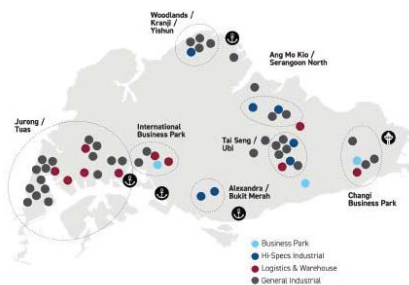
AT ESR-REIT, WE BELIEVE IN THE FUTURE

That's why we own quality income-producing properties strategically located across Singapore. You can gain access to our well-connected properties in **Business Parks, High-Specs Industrial, Logistics / Warehouse and General Industrial** sectors island wide.

We look forward to supporting and providing the footprint for our tenants' expansion.

We believe in creating new and sustainable partnerships for a better future.

For leasing enquiries, speak to us at +65 6827 9555 and discover the benefits.



Legend:
● Business Park
● High-Specs Industrial
● Logistics & Warehouse
● General Industrial



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