2021-2022 ASIA REIT MARKET INSIGHT

CUSHMAN & WAKEFIELD

TABLE OF CONTENTS

CHAPTER 1

OVERVIEW OF ASIA REIT MARKET

At the close of 2021 there were 198 REITs in Asia, with a total market value of US$304.1 billion, up by 8.1% y-o-y. The three largest REIT markets — Japan, Singapore, and Hong Kong SAR — accounted for nearly 90% of the total value of the Asia REIT market. Of the 198 REITs, 89 were mixed-use, containing multiple property types. Thirty REITs were focused on the office market, 25 were in industrial/logistics properties, 24 were in retail, 17 in the hotel sector, seven in healthcare, and four in multifamily. Two REITs focused on the data center market.

TABLE 1

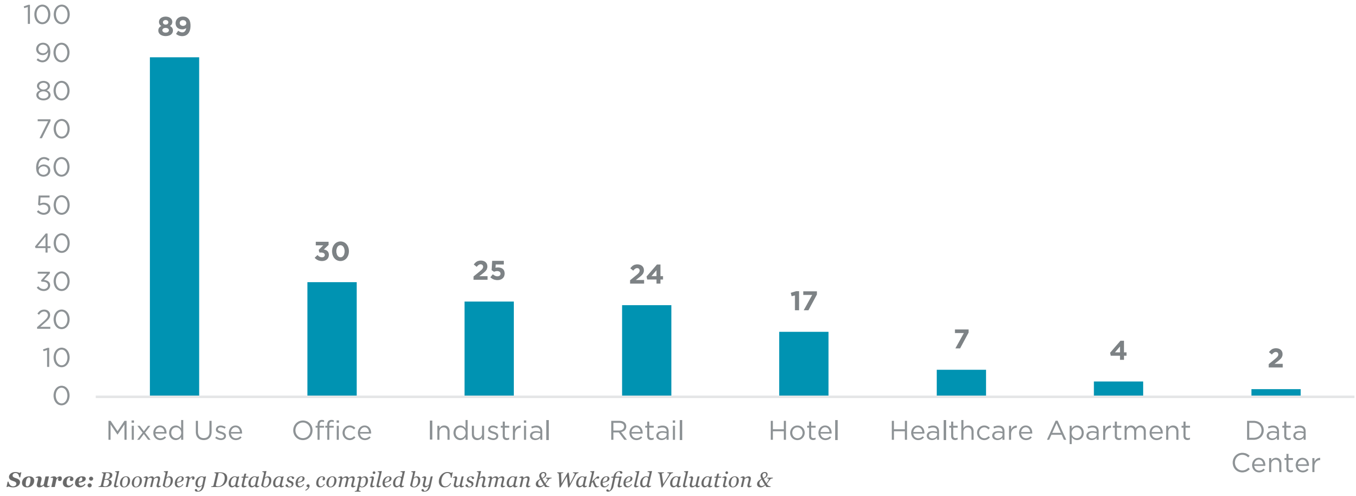
MARKET VALUE OF REITS IN ASIA*

	Number	Market Value (US$ billion)	Percentage
Japan	61	147.75	48.6%
Singapore	42	85.31	28.1%
Hong Kong, China	11	30.06	9.9%
Malaysia	18	9.25	3.0%
India	3	8.13	2.7%
Thailand	27	7.02	2.3%
Mainland China	11	6.86	2.3%
South Korea	18	6.23	2.0%
Taiwan, China	7	3.51	1.2%
Total	198	304.12	100%

Source: *Bloomberg's database, compiled by Cushman & Wakefield Valuation & Advisory Services*

**Data as of Dec. 31, 2021*

FIGURE 1: Number of REITs by Property Type in Asia



Source: *Bloomberg Database, compiled by Cushman & Wakefield Valuation & Advisory Services*

The year 2021 also marked 20 years since the Japanese REIT (J-REIT) market was established in 2001. As a result of two decades of development and improvement, both institutional and individual investors now have a high level of participation in J-REITs. Data shows that institutional investors are the driving force of J-REIT investors, accounting for the majority. As the largest Asian and second-largest global REIT market, Japan offered 61 REITs with a total market value of approximately US$147.8 billion at the end of 2021, accounting for 49% of the total market value of Asia REITs. Supported by strong performance from logistics and apartment REITs, the J-REIT total market yen valuation rose 18% in 2021.

Singapore hosts the second largest REIT market in Asia. The overall performance of the Singapore REIT (S-REIT) market was relatively stable in 2021, with market value growing 5% y-o-y, having previously been impacted by the COVID-19 pandemic during 2020. As at Dec. 31, 2021, Singapore REITs numbered 42, with a total market value of approximately US$85.3 billion, accounting for 28% of the total Asia REIT market value.

Hong Kong SAR completes the top three Asia REIT markets, with 11 active REITs comprising a total market value of around US$30.1 billion as at the end of 2021. The Link Real Estate Investment Trust (Link REIT) is the dominant player, accounting for roughly 60% of the total market value. REIT market performance fluctuated greatly during 2021, with both opportunities and challenges evident in Hong Kong SAR during the year.

Valued at US$8.13 billion, India's REIT market was the fifth largest in Asia as at the end of 2021. India's commercial real estate space is fast evolving, with three listed REITs holding a portfolio of predominantly completed office assets of approximately 72 million sq ft. This constitutes about 11% of India's existing Grade A office inventory, with additional development underway in all three REITs. These REIT portfolios enjoy a healthy occupancy level in the range of 80%–90%, despite the recent pandemic-induced uncertainty that occupiers have exhibited in making their office space decisions.

Last but not least, the first batch of infrastructure public REITs in mainland China were listed on the Shanghai and Shenzhen stock exchanges in June 2021, marking the official launch of the long-awaited pilots for China's public REITs. At present, there are 12 public REITs, covering industrial parks, logistics, highways, and other infrastructure projects.

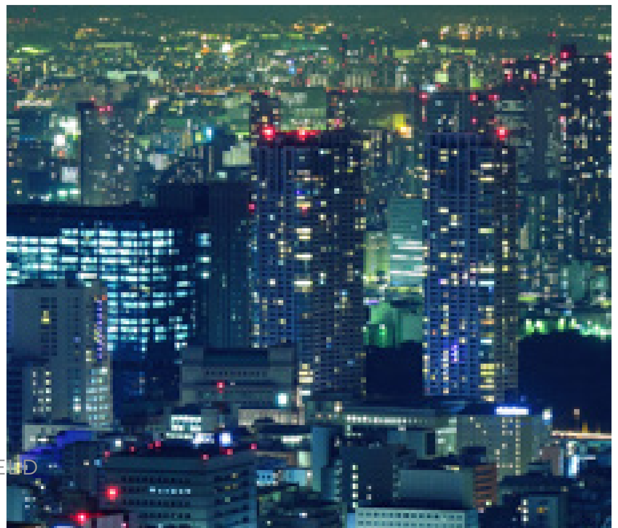
As the largest Asian and second-largest global REIT market, Japan offered 61 REITs with a total market value of approximately US$147.8 billion at the end of 2021.

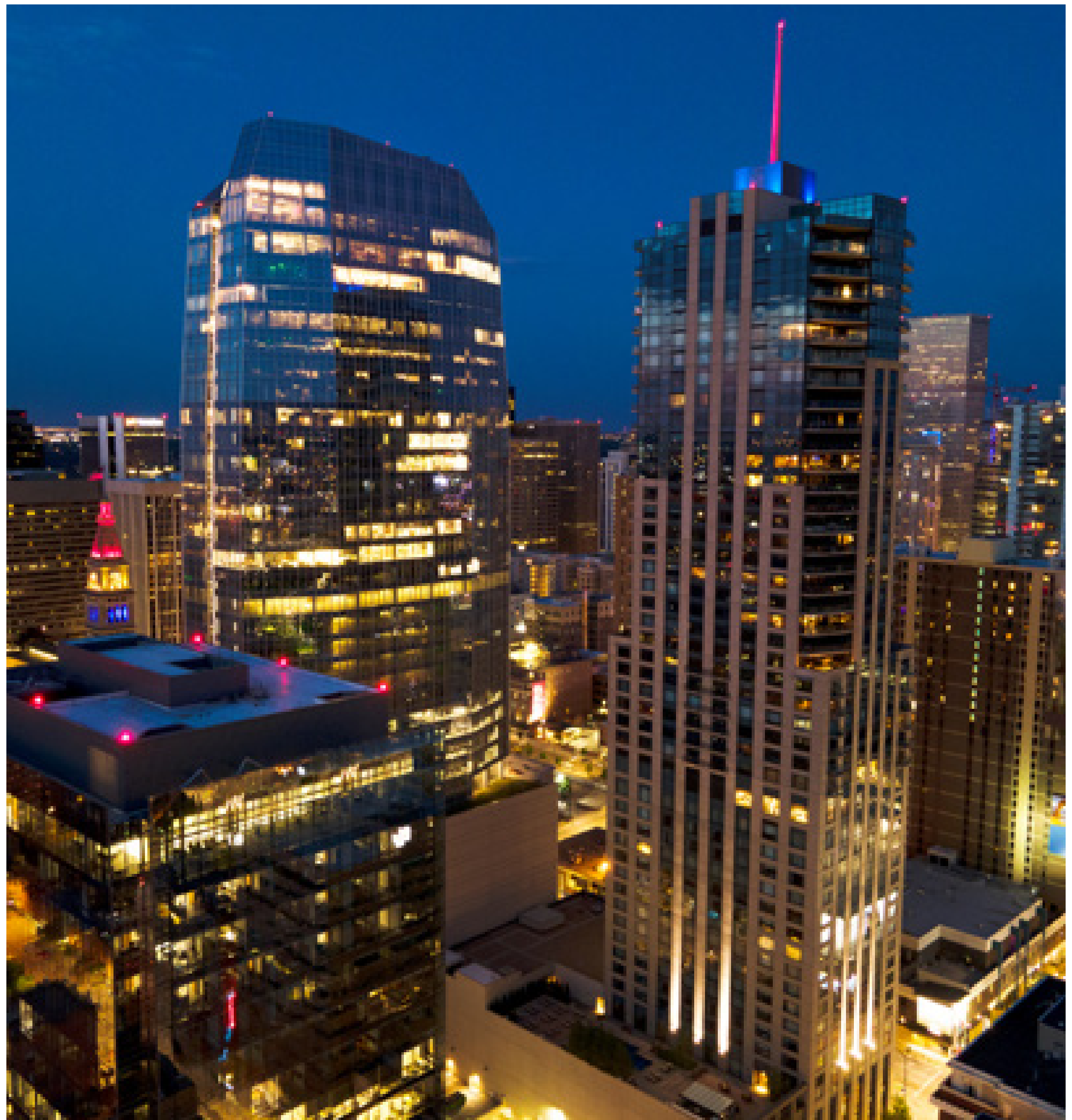
CHAPTER 2

ASIA REIT MARKET HIGHLIGHTS

JAPAN

The benefits that J-REITs have brought to the market have surpassed original expectations, including greater market transparency, job opportunities for real estate asset management professionals, enhanced compliance, and long-term index investment programs and ETF (Exchange Traded Fund) products for equity investors. The J-REIT market has also acted as a buffer for the direct property market. Its liquidity offers the Bank of Japan (BoJ) a flexible and viable transmission channel for its monetary policies. In fact, the BoJ introduced its asset purchasing program on J-REIT stocks in its efforts to stabilize the market during bouts of volatility. The BoJ has been purchasing J-REITs since 2010 to help enable a looser monetary policy. In 2021, the BOJ maintained the upper limit of annual purchase of J-REITs at ¥180 billion. As at Dec. 31, 2021, there were 20 J-REITs where the BOJ held over 5% investment units, totaling more than ¥670 billion. In addition, the GLP-REIT succeeded in its first accelerated global offering to international and Japanese investors in 2021, raising a total fund value of ¥28 billion (approximately US$250 million).





SINGAPORE

Two new REITs — Daiwa House Logistics Trust (DHLT) and Digital Core REIT — were listed on the Singapore Exchange (SGX) in 2021. DHLT is a REIT consisting solely of Japan assets, with 14 logistics properties in the country. Digital Core REIT, the second data center REIT on the SGX, was issued by Digital Realty, a global data center operator, whose asset portfolio is primarily in North America. Four of the ten listed properties are in the Silicon Valley region in California.

First REIT achieved a total return of 56.6% in 2021, the highest return in the S-REIT market. In addition, First REIT announced an expansion strategy plan to acquire 12 nursing home assets in Japan at S$164 million.

In 2021, the S-REIT market saw active property acquisitions, with 24 S-REITs announcing acquisitions, for a total market value of more than S$15.3 billion. New economy assets accounted for more than 60% of total S-REIT M&A activity by consideration in 2021, including 28% for industrial and logistics assets, 23% for data centers, and 11% for industrial parks. In addition, many of these are overseas acquisitions, especially in the U.S. and Europe, where the freehold tenure and typically longer lease terms are more attractive to investors.

HONG KONG SAR, CHINA

In fiscal year 2021–2022, a three-year funding scheme was announced to provide subsidies for REITs listed on the Hong Kong SAR stock exchange that have a market value of at least US$1.5 billion at IPO. The funding is capped at HK$8 million per REIT, upon approval from the China Securities Regulatory Commission (CSRC). To develop the REITs market and strengthen Hong Kong as a major fund-raising center, this initiative may drive more REITs to go public on the Hong Kong SAR stock exchange.

In addition, SF REIT, the first logistics REIT listed in Hong Kong SAR, went public in May 2021. The listed portfolio comprised three logistics assets, located in Hong Kong SAR, Foshan, and Wuhu. Meanwhile, New Century Real Estate Investment Trust (Hotel), which was listed in 2013, announced its privatization and was delisted in April 2021.

Compared to other major markets in Asia, the Hong Kong REIT market has a less diversified asset base, primarily holding traditional commercial assets such as shopping malls, offices, and hotels. Fewer REITS focus on new economy assets such as logistics and data centers. In its report titled Revitalizing the Hong Kong SAR REIT Market, the Hong Kong Monetary Authority encourages a range of property categories to go public as REITs on the Hong Kong SAR exchange.

INDIA

Brookfield REIT was listed in February 2021 with a fund-raise of US$520 million. The REIT has a portfolio spread across Delhi NCR, Mumbai, and Kolkata, and was oversubscribed by a factor of eight times. The REIT acquired a further asset in Delhi NCR's Noida region in December 2021 for approximately US$520 million, financed through a combination of a preferential share issue and a property-level debt issue. This was in line with the REIT's growth strategy through accretive acquisitions. In early 2022, Blackstone sold its 9.2% stake in the Mindspace Business Parks REIT to Abu Dhabi Investment Authority for US$240 million. The offloading was achieved through a bulk deal on the stock exchange at a 16% premium over the IPO issue price as at August 2020.

Since the listing of the first REIT in India, REIT regulations have become more investor-friendly and more flexible for REIT sponsors. In early 2021, the finance ministry announced amendments to help REITs to raise debt funds from foreign portfolio investors. This will ease access to finance for REITs and augment funds in the real estate sector. Additionally, it was proposed that dividend payments on REITs should be exempted from tax deducted at source, a pain point for many investors. In March 2021, the Insurance Regulatory and Development Authority of India allowed insurance firms to invest in debt securities issued by REITs, in a bid to enable more long-term funding for the real estate sector. In late July, the Securities and Exchange Board of India amended REIT regulations and reduced the minimum application value for REITs from US$670 to the range of INR10,000–INR15,000 (approximately US$134 to US$201) with trading in single-unit lots. The adjustments were intended to increase investor participation and liquidity.

With three successful REIT listings and more in the pipeline, institutional participation in office assets is set to grow. India's top seven cities present a sizeable opportunity for investors, with a REIT-eligible inventory of more than 220 million sq ft (in addition to existing REIT and PE portfolios) available for investment. A growing interest in land-stage opportunities also substantiates investor confidence in the nation's office market growth story.

Provision of an exit mechanism through REITs is attracting active interest and participation from global institutional investors in Indian real estate, including development assets. The India real estate space is expected to see more REIT listings, with investors and developers preparing themselves to be REIT-ready. Blackstone Group is planning to list the country's first retail-led REIT in the year ahead, and is integrating its portfolio of mall properties across multiple cities. DLF Cyber City Developers Ltd, the joint venture between DLF and GIC of Singapore, is planning its REIT listing with deliberations underway on multiple aspects, including corporate and capital structures. Tata Realty and Infrastructure is planning to list its commercial REIT in the next two to three years and is scaling up its office assets portfolio to monetize the same. More such listings in the commercial real estate space will be instrumental in the evolution of the office space, including the introduction of best practices in business.

A growing interest in land-stage opportunities also substantiates investor confidence in the nation's office market growth story.

MAINLAND CHINA

China started to explore the REIT system in year 2000. From 2014, when the first quasi-REIT product, CITIC Qihang, was successfully launched, to 2021, when the first batch of public infrastructure REITs were successfully listed on the Shanghai and Shenzhen stock exchanges, it has been a long journey for China's REIT development. However, compared to the most developed global countries and markets, China's public REITs are still in their infancy. In terms of the current proportion of market value of public REITs in stock capitalization, China is at 0.05%, markedly lower than Singapore at 13%, the United States at 3%, and Japan at 2%.

As at March 31, 2022, 11 public infrastructure REITs had been successfully listed in mainland China, marking a crucial step for the nation's REIT market. The opening up of public infrastructure REITs provided equity financing channels for domestic infrastructure holders, with active transactions in the secondary market indicating the market's recognition of these products. While paying heed to the performance of the public REITs secondary market, we should also note the operation of the underlying assets of the products, which would help investors make reasonable decisions. On the whole, the stock prices of public REITs in mainland China held a greater premium than the offering prices.

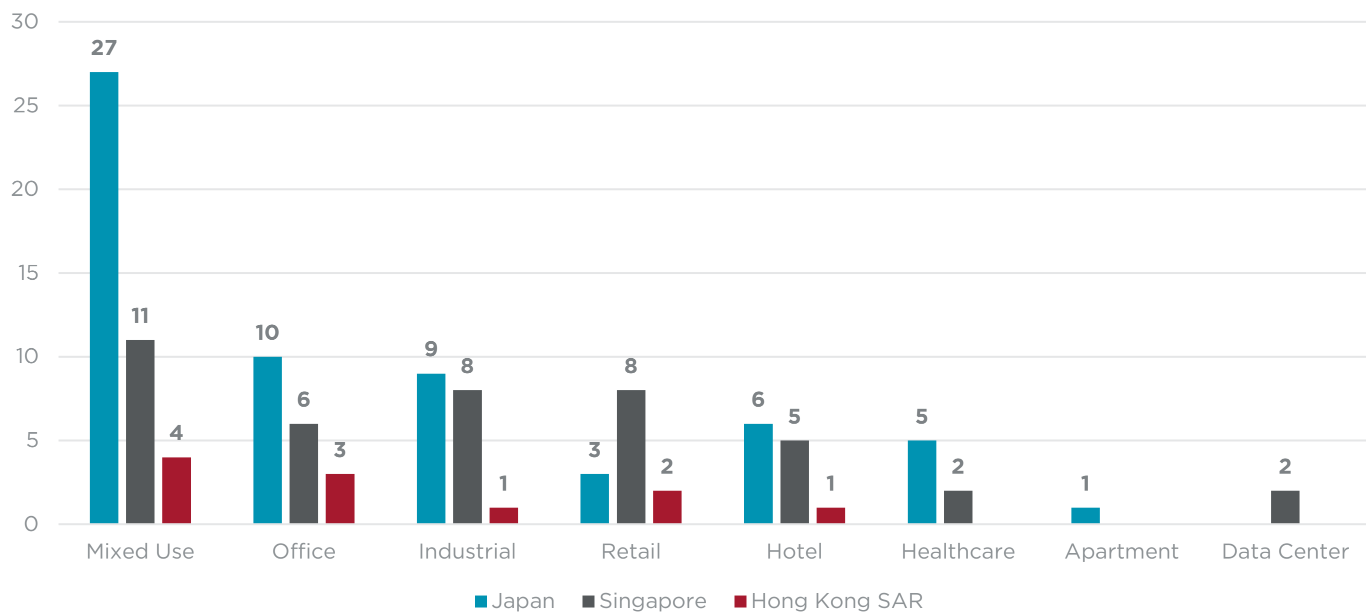
The total market value of issued public infrastructure REITs in China was RMB44.1 billion as of March 31, 2022, up 29% over the offering price (the average rise from the offering price in the prospectus of each REIT to the closing price on March 31). The average daily turnover rate (value traded/total value of floating shares) of the 11 issued infrastructure REITs was 2.07%, much higher than the turnover rate (0.24%) of the Hong Kong-listed Link Real Estate Investment Trust during the same period and the one-year daily turnover rate (0.25%) of the Singapore market as a whole, showing the strong liquidity of China's REIT secondary market.

CHAPTER 3

FINANCIAL PERFORMANCE ANALYSIS

This section focuses on financial analysis of REIT markets in Japan, Singapore, and Hong Kong SAR. The report uses the four financial indicators of gearing ratio, dividend yield, total return, and price-to-book (P/B) ratio, while also referring to the annual financial reports published by REITs listed in Japan, Singapore, and Hong Kong SAR, combined with Bloomberg data.

FIGURE 2: Number of REITs by Property Type in Japan, Singapore, and Hong Kong SAR



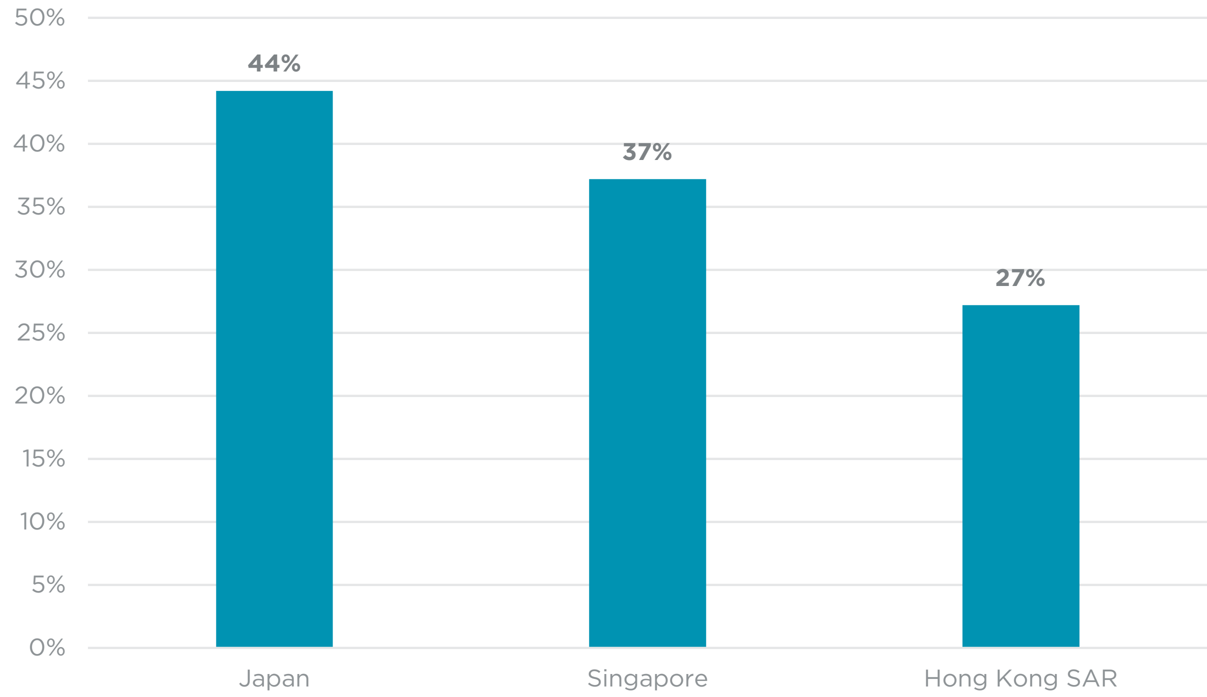
Source: Bloomberg Database, compiled by Cushman & Wakefield Valuation & Advisory Services

3.1 GEARING RATIO

In this report, we define the gearing ratio as the ratio of total liabilities to total assets. Currently, the gearing ratio of REITs in Hong Kong SAR and in Singapore is capped at 50% of the total asset value, directly or via special purpose vehicles (SPV). Japan's authorities place no restrictions on REIT gearing ratios, but stipulate that REITs may only borrow from qualified institutional investors.

Despite Hong Kong SAR and Singapore having eased policy restrictions on REIT gearing ratios, average gearing ratios in the two markets at the end of 2021 tended to be flat compared to the same period in the previous year, indicating that managers were cautious about increases in REITs' borrowing levels. The average gearing ratio of REITs in Japan was 44% as of Dec. 2021, compared to 37% in Singapore, which was unchanged from 2020. The average gearing ratio of REITs in Hong Kong SAR over the same period was at 27%, slightly down by 1 percentage point from the prior year. The total liability/total asset ratios of REITs in Japan, Singapore and Hong Kong SAR are shown in the chart below.

FIGURE 3: Average REITs Gearing Ratio by Region



Source: Bloomberg Database, Hong Kong SAR Exchanges website, SGX website and Tokyo Stock Exchange website, compiled by Cushman & Wakefield Valuation and Advisory Services

3.2 DIVIDEND YIELD

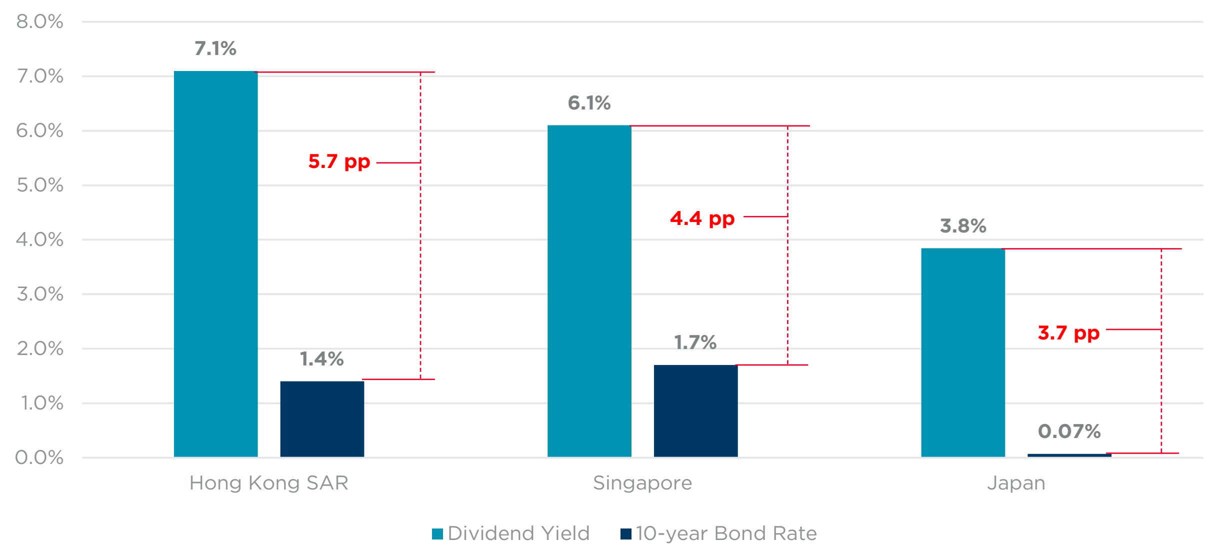
In this report we define dividend yield as the ratio of dividends for the past 12 months (total dividends for the past year) to the stock market price of REITs (price as of Dec. 31, 2021).

The dividend yield of REITs in Japan was approximately 3.8% in Dec 2021, 1.0 percentage point lower than 2020, while that of Singapore was approximately 6.1%, registering a fall of 0.3 percentage points from 2020. Hong Kong SAR REITs delivered the dividend distribution rate at 7.1%, 80 bps higher than 2020.

REITs possess features of both "equity" and "bond", and the dividend yield reflects the "bond" feature. Therefore, the dividend yield of REITs is sensitive to government bond interest rate changes. The interest rates of ten-year government bonds in the three major Asian REITs markets all rose in 2021. As at Dec. 31, 2021, the average spread for the three regions was around 4.6%, lower than at the same period in 2020.

Analysis of dividend yields alone is not sufficient to determine the overall performance and integrated earnings of a REIT. Sometimes, REITs with higher dividend yields may have challenges, such as insufficient growth or volatile performance, requiring them and need to compensate for high volatility in share price with higher dividends. Conversely, REITs with lower dividend yields may not necessarily perform badly, and could have the potential for high growth or soaring stock prices. As a result, investors need to weigh both dividend income and capital gains, but dividend income is generally less volatile compared to capital gain.

FIGURE 4: Comparison of Dividend Yield: REITs vs. 10-Year Government Bonds



Source: Bloomberg Database, Hong Kong SAR Exchanges website, SGX website and Tokyo Stock Exchange website, compiled by Cushman & Wakefield Valuation and Advisory Services. Data as of Dec. 31, 2021

Dividend by Property type

In terms of dividend yields by property type, industrial/logistics, multifamily, healthcare and data center REITs experienced relatively low dividend yields in 2021, chiefly due to the strong stock performance of these assets, which are favored by investors. Meanwhile, mixed-use, office and retail REITs have delivered relatively high dividend yields, mainly due to weaker stock performance in the wake of COVID-19.

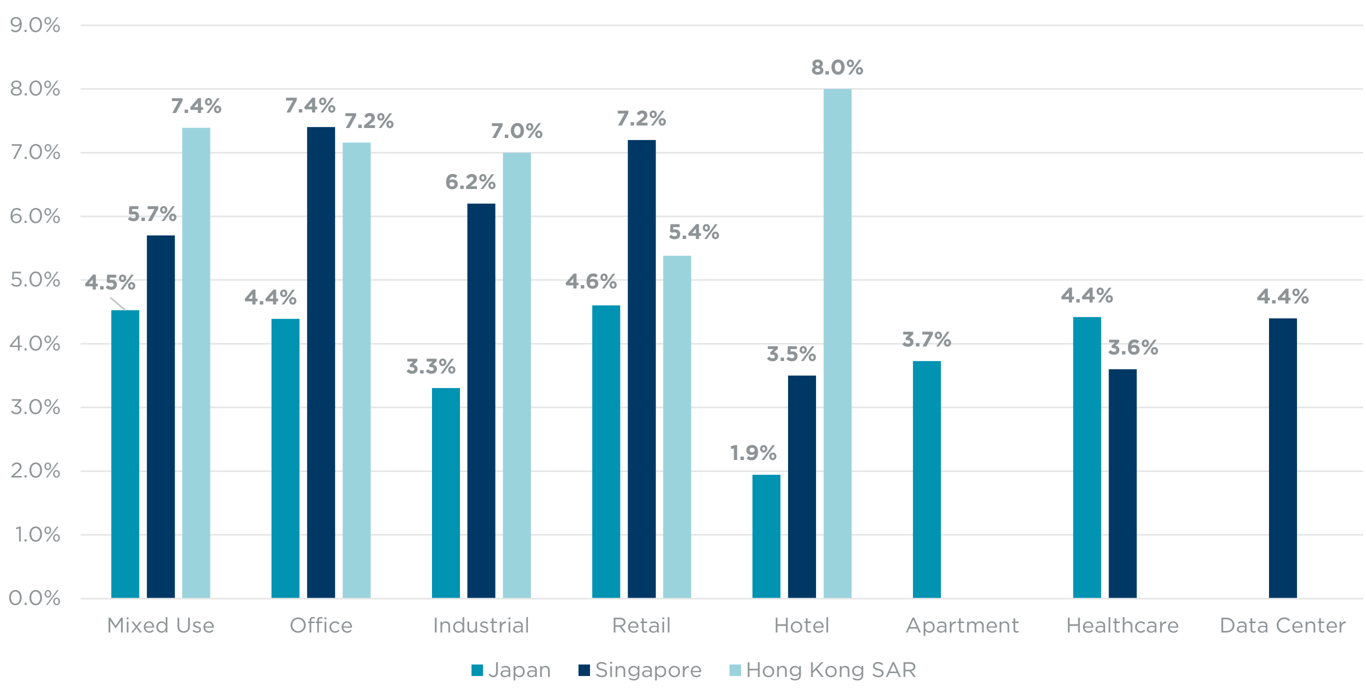
In Hong Kong SAR, the sole hotel REIT (Regal REIT) offered the highest distributions among all property types, with an average dividend yield of 8.0%. In 2021, dividend yields from all property types in Hong Kong SAR outperformed those of Japan and Singapore, largely due to weaker growth in the stock price.

As Singapore pursued pandemic control measures such as working from home and reduced social gatherings in 2021, office and retail REITs were both impacted, with stock prices plummeting, while dividend yields rose to 7.4% and 7.2% respectively, up by 60 and 110 bps y-o-y.

In Japan, retail REITs enjoyed the highest dividend yields at 4.6%, while hotel REITs record the lowest dividend yields at 1.9% (6.1% in 2020). The major sponsor of Japan Hotel REIT Investment Corp, SC Capital Partners, is optimistic about Japan's tourism industry recovery once the pandemic ends. Research shows that while Japanese hotel revenues have fallen sharply, in many cases potential property values have not seen significant declines (in relation to rental declines). For example, according to The Business Times, the valuation of a Kyoto hotel owned by Invincible Investment Corp fell by about 15%, but the hotel's average revenue per saleable room dropped by 82% in 2021. According to the Tokyo Stock Exchange, the dividend yields of the six Japanese hotel REITs in 2021 revealed remarkable differences, ranging from the lowest of 0.61% to the highest of 4.3%, partially because of tenant arrangements, either lease contract or management contract. REITs in Japan generally have lower dividend yields than those in Hong Kong and Singapore, except for healthcare REITs, which are slightly higher than Singapore.

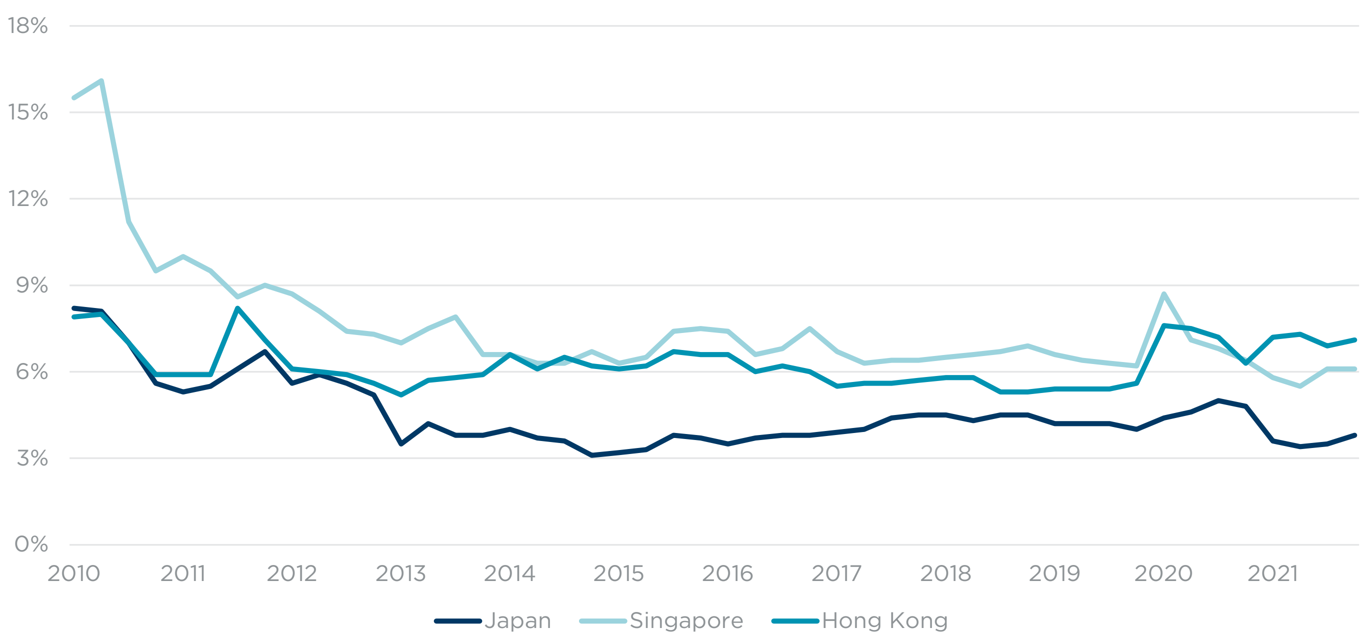
In 2021, dividend yields from all property types in Hong Kong SAR outperformed those of Japan and Singapore, largely due to weaker growth in the stock price.

FIGURE 5: Dividend Yield Return by Property Types



Source: Bloomberg Database, Hong Kong SAR Exchanges website, SGX website and Tokyo Stock Exchange website, compiled by Cushman & Wakefield Valuation and Advisory Services

Figure 6: Historical Average Dividend Yield



Source: Bloomberg Database, compiled by Cushman & Wakefield Valuation and Advisory Services. Data as of Dec. 31, 2021

3.3 TOTAL RETURN

Aside from the distribution yields mentioned above, the total return of a REIT is a key income indicator for investors. REIT investors enjoy investment returns by holding equity shares (fund shares) of the asset portfolio, and the integrated earnings of REITs consist of two components: the change in the stock price per fund unit, and the dividend.

REITs in the Asia market largely recovered in 2021, and the annualized total return rate of REITs of each property type turned from negative to positive (except for industrial/logistics, which remained positive throughout the period). In the wave of capitalization in the new economy, industrial/logistics REIT products led the market. As of Dec. 31, 2021, the one-year and 10-year annualized total returns of the Japan REIT market were the highest, recorded at 20.1% and 13.8% (Hong Kong SAR had the highest 10-year annualized total returns in 2019 and 2020).

In the long run, REITs will likely bring investors considerable annualized total returns.

TABLE 2
Annualized Total Return of REITs Market by Region

	Hong Kong SAR	Japan	Singapore
1 year	12.4%	20.1%	5.5%
3 years	1.0%	9.4%	8.8%
5 years	6.2%	6.3%	10.1%
10 years	12.6%	13.8%	10.6%

Source: APREA (based on a selected number of REITs in each market)

TABLE 3
Annualized Total Return of REITs by Property type in the Asia-Pacific Market

	Mixed Use	Retail	Office	Hotel	Industrial/ Logistics	Apartment	Healthcare
1 year	13.9%	9.8%	16.1%	9.4%	24.7%	19.1%%	22.3%
3 years	7.8%	1.1%	5.8%	-1.2%	25.9%	13.6%	9.8%
5 years	7.1%	3.7%	6.6%	1.8%	17.2%	9.3%	8.5%
10 years	12.4%	10.0%	12.7%	-	16.4%	15.3%	14.1%

Source: APREA (based on a selected number of REITs in each market)

Data shows that the 10-year annualized total returns for all property types have exceeded 10%. In the past three years, industrial/logistics REITs have developed rapidly, recording 10-year annualized total returns as high as 16.4%, followed by apartment and healthcare REITs, registered at 15.3% and 14.1% respectively. Investment products most affected by COVID-19 are those most closely associated with social distancing measures, which are primarily retail and hotel REITs.

3.4 PRICE-TO-BOOK RATIO

We define P/B ratio as the ratio of the market price per fund unit (the market price on Dec. 31, 2021) to the net asset value per fund unit (the net asset value per fund unit on Dec. 31, 2021). If the ratio is greater than one, it is at a premium, and if it is less than one, it is at a discount.

P/B RATIO BY REGION

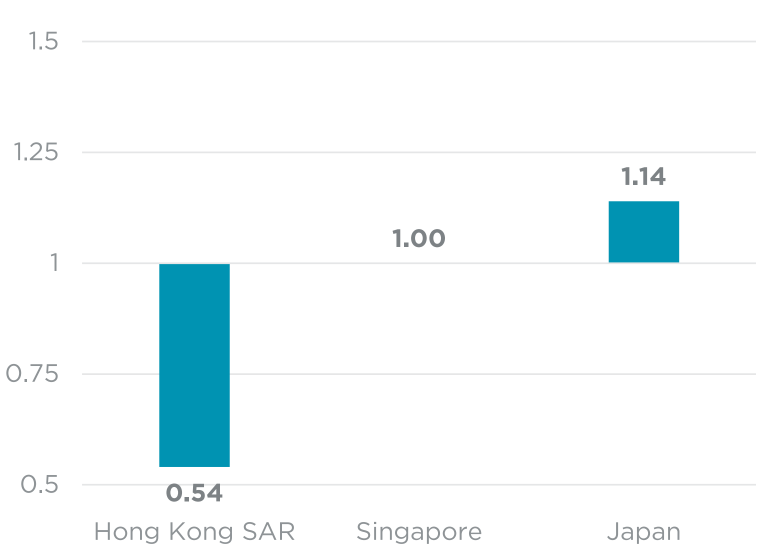
The P/B ratio of REIT markets in Asia are generally lower than that in the United States. In 2021, the median P/B ratio of REITs market in the U.S. was 1.7, of which the median P/B ratio of equity REITs was as high as 2, which indicated a general premium in U.S. REITs.

Of the Asia markets, REITs in Hong Kong SAR have remained at a discount status for several years, with the P/B ratio at less than 1.0. Data shows that the average P/B ratio of REITs in Hong Kong SAR was at 0.91 as at their IPO date. As at the end of 2021, the average P/B ratio of REITs in Hong Kong SAR was 0.54, meaning that the trading price on the secondary market was only 54% of the net asset value. Trading price of REITs in Hong Kong has been greatly impacted by the pandemic, with the city's border remaining closed for over two years. In addition, REITs in Hong Kong had a higher proportion of traditional commercial properties which were more sensitive to the impact of the pandemic.

The average P/B ratio of REITs in Singapore was 1.01 as at IPO. As at the end of 2021, the average P/B ratio was 1.0. In other words, the trading price of Singapore REITs on the secondary market were basically equivalent to book net assets.

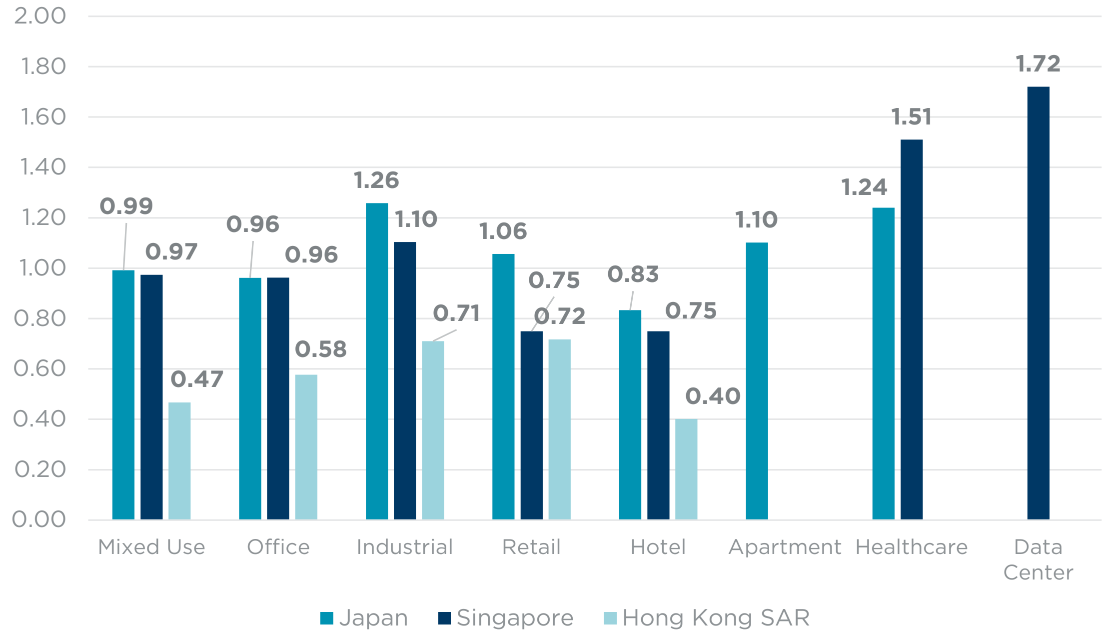
Given the fact that REITs in Japan saw a large rise in share price in 2021, as at the end of 2021, the average P/B ratio of REITs in Japan was 1.14, an increase of 5 bps year-on-year. In summary, J-REITs on average have been trading at a premium.

FIGURE 6: P/B Ratio by Region



Source: Bloomberg Database, Hong Kong SAR Exchanges website, SGX website and Tokyo Stock Exchange website, compiled by Cushman & Wakefield Valuation and Advisory Services

FIGURE 7: P/B Ratio by Property Type



Source: Bloomberg Database, Hong Kong SAR Exchanges website, SGX website and Tokyo Stock Exchange website, compiled by Cushman & Wakefield Valuation and Advisory Services

P/B RATIO BY PROPERTY TYPE

P/B ratios for REITs can vary greatly by property type. The impact of COVID-19 has seen P/B ratios of retail and hotel REITs drop sharply. The P/B ratios of network technology-related data center, healthcare, industrial/logistics and apartment REITs in Japan are high, while those of hotel REITs are low in every market.

In Singapore, data center REITs led the average P/B ratio table at 1.72, while hotel and retail REITS bring up the rear at 0.75. The Japan REIT market operates in a narrower average P/B ratio band, with industrial/logistics REITs being the highest at 1.26, followed by healthcare at 1.24, with hotel REITs the lowest at 0.83. In Hong Kong SAR, hotel, retail, and mixed-asset REITs all traded at a discount, with hotel REITs holding the lowest average P/B ratio at 0.4.

CONCLUSION AND OUTLOOK

Asia market REITs have demonstrated notable resilience through the COVID-19 period — backed by robust capital structures, sufficient financial liquidity, and supportive regulatory policies — gaining overall momentum to recover strongly during 2021. At the same time, the explosive growth of online shopping during the pandemic has promoted rapid expansion in related industry areas such as e-commerce, while applications of technology have become probably irreversibly ingrained into daily lives. As face-to-face interactions have been curtailed, so virtual channels have enabled people worldwide to live, work and communicate more flexibly and with more freedom.

On the one hand, the changes we have seen in channels of economic activity have undeniably brought unprecedented challenges to traditional real estate sectors, such as office properties and traditional shopping malls. On the other hand, the surge of activity in the new economy has brought alternative property types such as logistics parks and data centers to the center of investors' attention. In 2021, industrial/logistics REITs in the Asia market showed the greatest resilience, recording a total return of 24.7%. Research shows that available warehousing space in Asia is becoming saturated, while attention from Asia capital markets on warehouse and logistics assets, and relevant capital allocation, have reached an unprecedented level. Recent data reveals that leasing rates of industrial/logistics REITs remained high even during the peak COVID-19 period, with e-commerce operators primarily driving demand. Real estate asset sectors such as medical facilities, student dormitories and other property types that are central to daily living and well-being needs have also attracted greater attention.

In 2022, we expect demand for logistics assets to remain healthy, despite the headwinds arising from global supply chain disruptions. In fact, in some markets, supply chain uncertainties are already resulting in a need to expand and accumulate reserves of warehouse space. Moreover, we expect the growth of REITs in developing markets, such as mainland China, India, and Southeast Asia (excluding Singapore), to accelerate as these markets mature. In mature markets such as Singapore, we may see greater M&A activity as investors look to increase their holdings and market share. For instance, Mapletree Commercial Trust (MCT) and Mapletree North Asia Commercial Trust (MNACT) announced their merger to form Mapletree Pan Asia Commercial Trust (MPACT) in 2021. The merger is expected to be completed this year, achieving a total market value of approximately S$10.5 billion. Furthermore, cross-border acquisitions will likely remain active as asset diversification now plays an increasingly important role amid the rapidly changing global economic environment. And finally, 2022 is expected to be another record year for Asia REIT IPOs, especially in China, as local authorities encourage the development of infrastructure-backed REITs as an important financing vehicle for developers.

APPENDIX
CASE STUDY OF ASCENDAS REIT

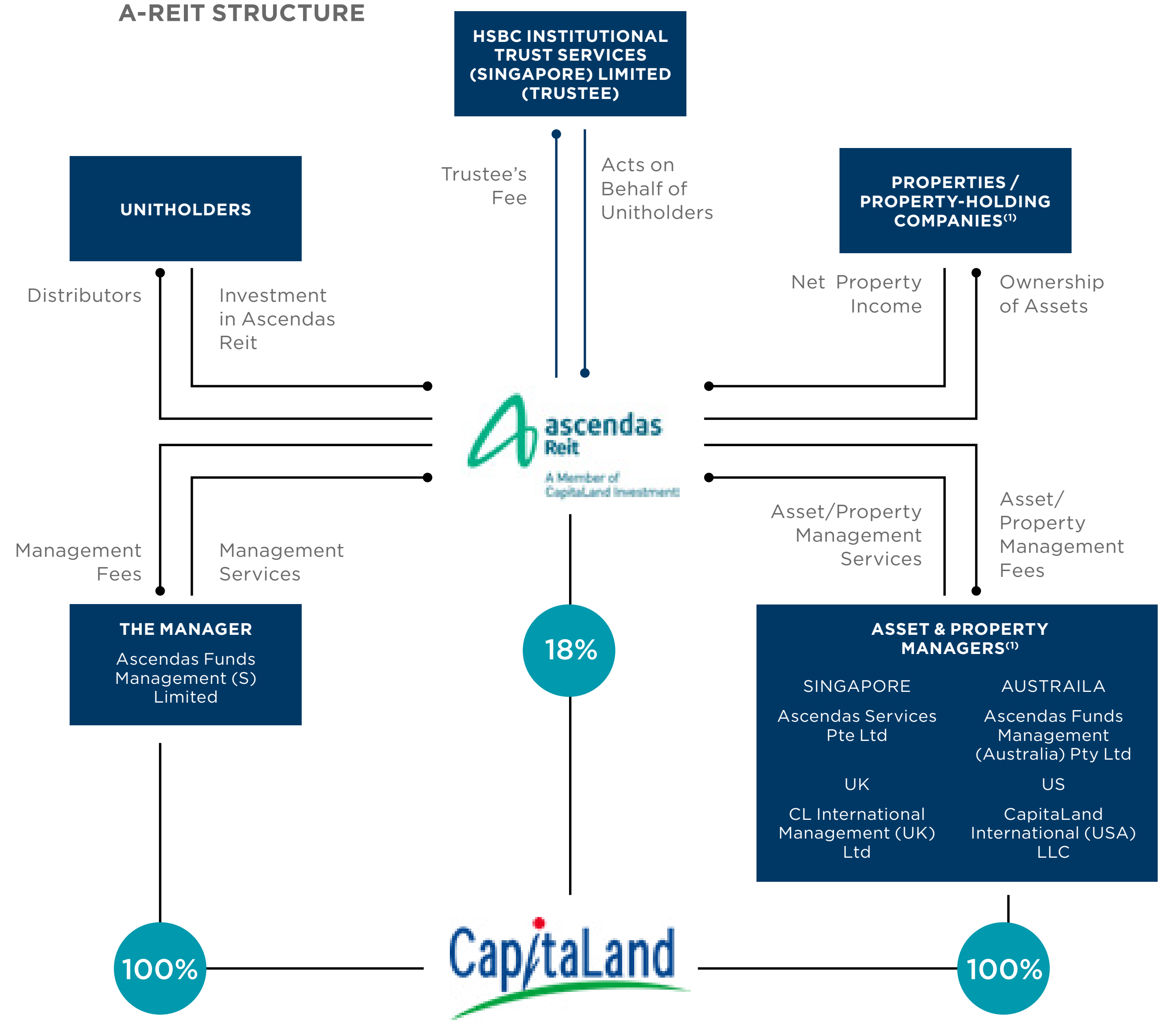
Ascendas REIT (A-REIT) is Singapore's first and largest listed business space and industrial real estate investment trust, listed on the Singapore Exchange (SGX) on Nov. 19, 2002.

Since its listing, A-REIT has grown from eight properties valued at around S$600 million in 2002 to 2,17 properties valued at around S$16.3 billion as at Dec. 31, 2021.

It owns a well-diversified portfolio across multiple countries, with 962 properties in Singapore, 34 properties in Australia, 49 properties in the United Kingdom and Europe, and 41 properties in the United States, as at Dec. 31, 2021.

A-REIT is listed on several indices, including 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 the Global Property Research (GPR) Asia 250.

A-REIT STRUCTURE



Source: A-REIT

(1)Properties located in Singapore are held directly by Ascendas Reit.

Properties located in the Australia are held through wholly owned subsidiaries of Ascendas Reit, and are managed by Ascendas Funds Management (Australia) Pty Ltd together with CapitaLand Australia Pty Ltd and third-party managing agents.

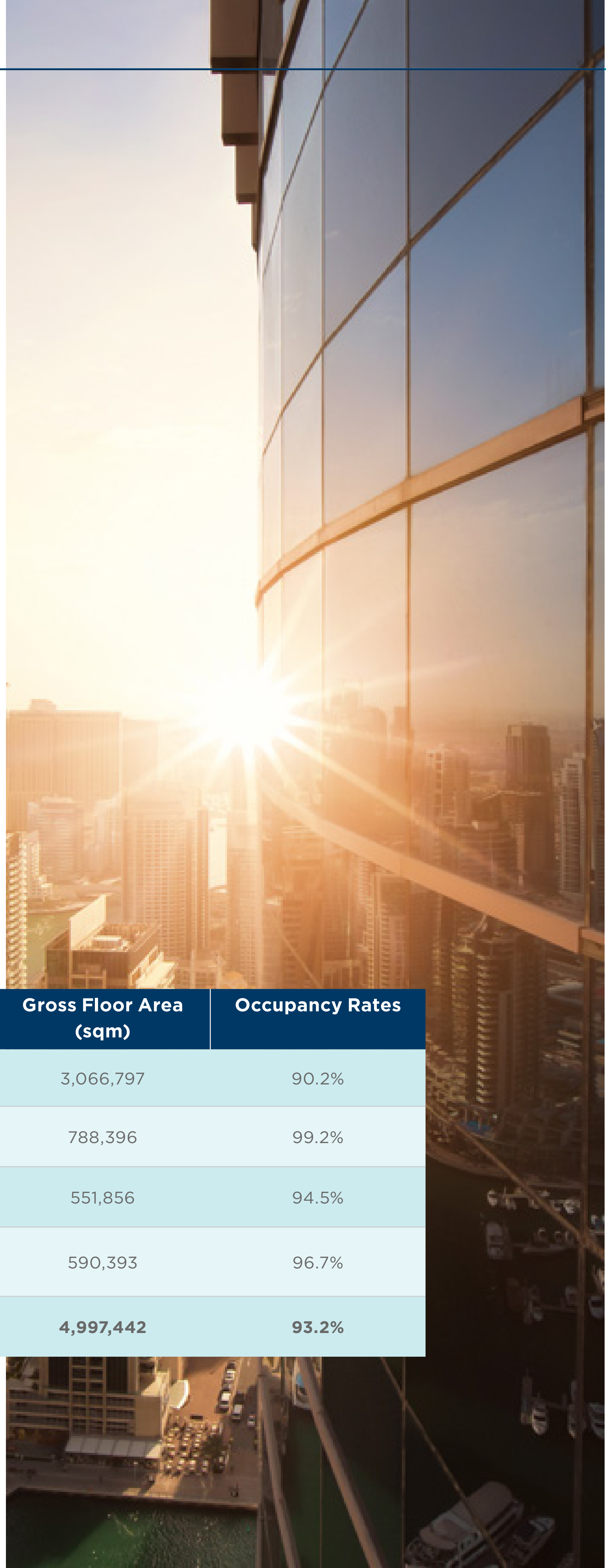
Properties located in the UK are held through wholly owned subsidiaries of Ascendas Reit and are managed by CL International Management (UK) Ltd (formerly known as Ascendas management (UK) Ltd) together with third-party managing agents.

Properties located in the US are held through wholly owned subsidiaries of Ascendas Reit and are managed by CapitaLand International (USA) LLC together with third-party managing agents.

(1) Excludes 25 & 27 Ubi Road 4, and iQuest@IBPin Singapore which are under redevelopment.

CapitaLand became A-REIT's sponsor following the integration of CapitaLand and Ascendas-Singbridge on July 1, 2019. During the financial year ending Dec. 31, 2019, A-REIT acquired a record S$1.7 billion worth of properties from the sponsor.

A-REIT is managed by Ascendas Funds Management (S) Limited, a wholly owned subsidiary of Singapore-listed CapitaLand Investment Limited (CLI). CLI is a leading global real estate investment manager with a strong Asian foothold. CLI made its trading debut on the Singapore Exchange (SGX) on Sept. 20, 2021. Its listing came after CapitaLand Limited restructured its business to form two distinct entities: CLI, the listed real estate investment management business, and CapitaLand Development, the privatized property development arm. CLI had about S$119 billion of real estate assets under management as at June 30, 2021, of which more than 80% are located in Asia. Its real estate funds under management stood at about S$83 billion, spanning six listed real estate investment trusts and business trusts and over 20 private funds.



PORTFOLIO OVERVIEW

	Valuation (S$ billion)	Gross Floor Area (sqm)	Occupancy Rates
Singapore portfolio (93 properties)	9.93	3,066,797	90.2%
Australia portfolio (34 properties)	2.32	788,396	99.2%
United States portfolio (41 properties)	2.28	551,856	94.5%
United Kingdom / Europe portfolio (49 properties)	1.76	590,393	96.7%
TOTAL	**16.29**	**4,997,442**	**93.2%**

Source: A-REIT, Cushman & Wakefield
Data as at Dec. 31, 2021

PORTFOLIO OVERVIEW

Since its listing, A-REIT has grown from eight properties in 2002 to 220 properties as at Dec. 31, 2021. It owns a well-diversified portfolio across multiple countries, with 96 properties in Singapore, 34 properties in Australia, 49 properties in the United Kingdom and Europe, and 41 properties in the United States.

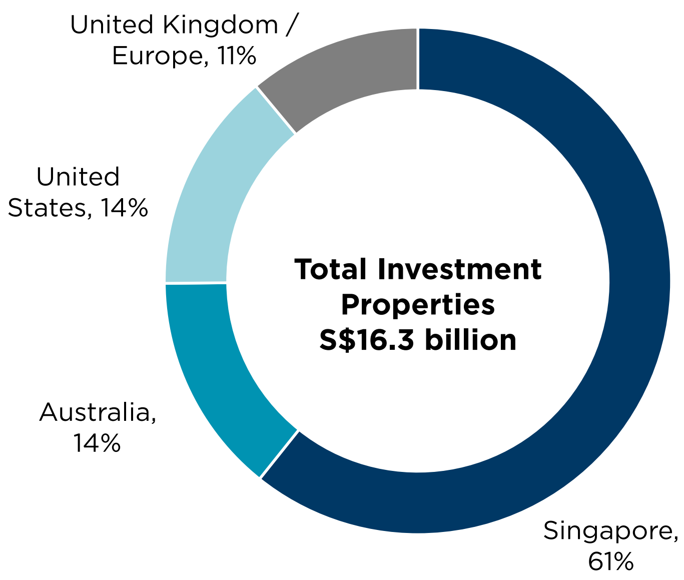
In Singapore, A-REIT owns a well-diversified portfolio comprising business and science park properties, integrated development, amenities and retail properties, high-specifications industrial properties, light industrial properties, and logistics and distribution centers.

The portfolio in Australia includes logistics and suburban office properties located across key cities such as Sydney, Melbourne, Brisbane, and Perth.

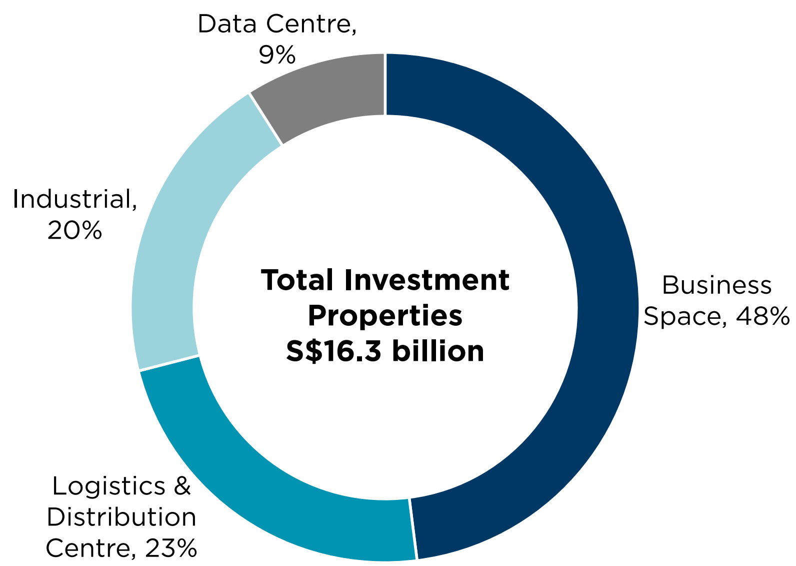
In the United Kingdom (UK), A-REIT's logistics properties are situated in established industrial areas across regions including Yorkshire and The Humber, North West England, East and West Midlands, South East England, and East of England. It also owns a portfolio of data centers located across European cities including London, Manchester, Amsterdam, Paris, and Geneva.

The portfolio in the United States (U.S.) comprises business park and office properties located across the technology cities of Portland, Raleigh, San Diego, and San Francisco, as well as logistics properties in Kansas City.

DIVERSIFIED PORTFOLIO GEOGRAPHICALLY



DIVERSIFIED PORTFOLIO BY ASSET CLASS



Source: A-REIT, Cushman & Wakefield

Note:

Business Space includes business and science park properties and offices, and suburban offices

Logistic & Distribution Centre comprises logistics properties

Industrial comprises high specification industrial properties, light industrial properties and flatted factories, integrated developments, and amenities and retail properties

HISTORICAL PERFORMANCE

PROPERTY RENTAL SITUATION

As at Dec. 31, 2021, A-REIT's overall portfolio occupancy rate stood at 93.2%, up from 91.7% in the previous year. For the past six financial years, the occupancy rate of its portfolio has remained relatively stable at more than 90%. Despite the pandemic, occupancy rates improved from 90.9% in 2019 to 91.7% in 2020, given the resilient performance of assets in the portfolio.

The occupancy rate of the Singapore portfolio climbed to 90.2% as at Dec. 31, 2021, from 88.5% as at Dec. 31, 2020. This could be mainly attributable to the divestment of 1 Science Park Drive and higher occupancy for some business and science park and logistics properties.

The overseas portfolio occupancy rates remained high at 99.2% for Australia (as at end 2021), 96.7% for the UK / Europe (as at end 2021) and 94.5% for the U.S. (as at end 2021).

A-REIT has a diverse customer base with more than 1,230 tenants and strong industry exposure to over 20 industries which will help it maintain stable performance. The portfolio Weighted Average Lease Expiry (WALE) stood at 3.8 years as at the end of December 2021, only a slight drop from 4.1 years observed in 2020. For the past ten financial years, WALE ranged between 3.7 years to 4.3 years. The 3.8-year WALE level is still healthy with well-spread lease expiry, extending beyond financial year 2036, ensuring a relatively stable and predictable future income. Only about 18.7% of gross rental income will be due for renewal in FY2022. The WALE in Singapore was at 3.4 years, the U.S. was 4.4 years, Australia was 3.5 years and the UK / Europe was 5.7 years.

OCCUPANCY AND WEIGHTED AVERAGE LEASE EXPIRY (WALE)

Source: A-REIT, Cushman & Wakefield

WALE (as at 31 December 2021)	Years
Singapore	3.4
Australia	3.5
United States	4.4
United Kingdom / Europe	5.7
Portfolio	3.8

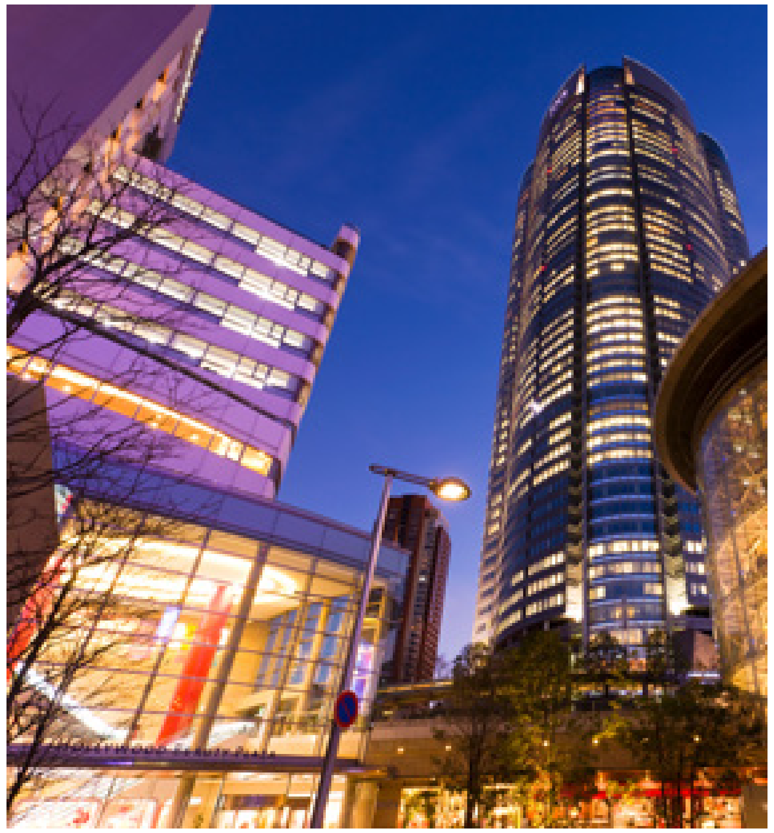
Source: A-REIT, Cushman & Wakefield

PROPERTY INCOME

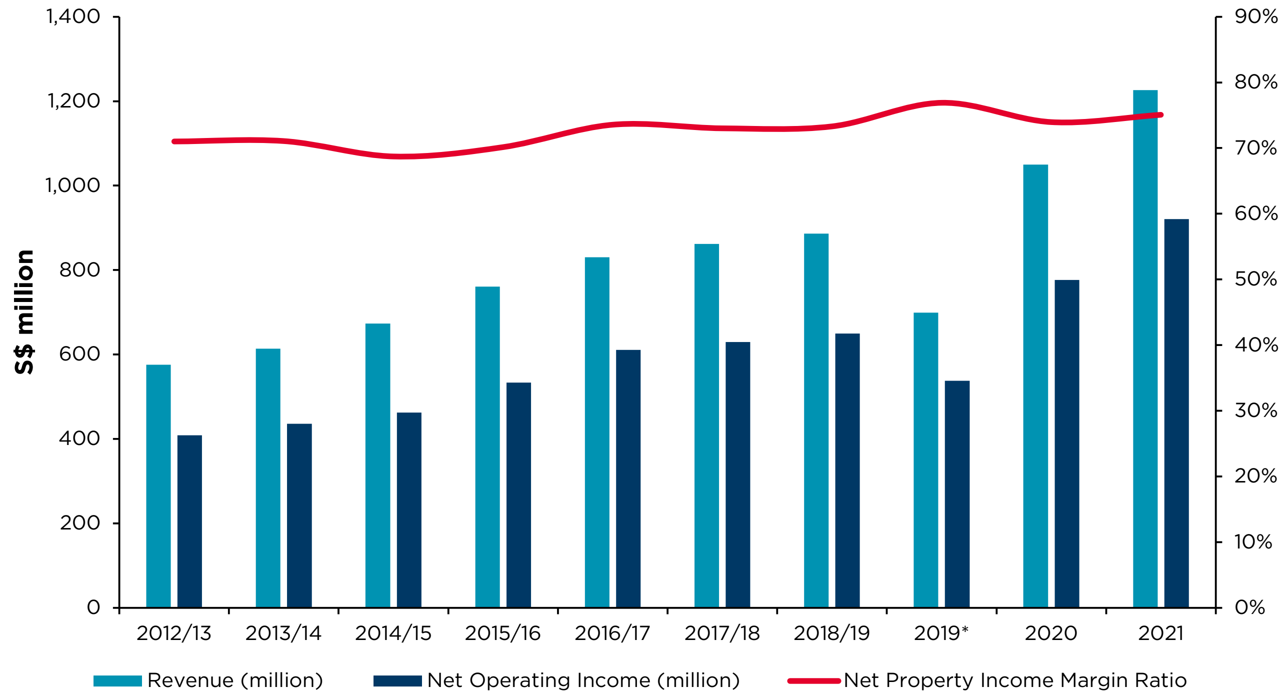
In general, net property income has been on the rise in tandem with the increase in gross revenue, except for financial year 2019, due to the change in reporting year. In July 2019, A-REIT announced that it changed its financial year end from March 31 to December 31. Therefore, financial year 2019 was a nine-month period from April 1, 2019, to Dec. 31, 2019.

During 2021, net operating income rose by 18.6% y-o-y to S$920.8 million, in line with the 16.9% increase in gross revenue.

For the past ten years, net property income has increased at a compound annual growth rate (CAGR) of 9.6% per annum (p.a.) while total revenue has risen at a similar CAGR of 9.3% p.a., indicating sustainable growth. Net property income margin ratios have remained relatively stable over the past years, hovering between 69% and 77%.



REVENUE, NET PROPERTY INCOME AND NET PROPERTY INCOME MARGIN RATIOS



Source: A-REIT, Cushman & Wakefield

*Note: * In July 2019, A-REIT announced that it changed its financial year end from March 31 to December 31. Therefore, FY2019 was a nine-month period from April 1, 2019, to Dec. 31, 2019.*

DISTRIBUTION

Generally, the Distribution Per Unit (DPU) has been following a rising trend, except for financial year 2019 due to the change in reporting year from March 31 to December 31. Therefore, financial year 2019 was a nine-month period from April 1, 2019, to Dec. 31, 2019.

The steady increase in A-REIT's DPU over the years has indicated healthy performance of the REIT on the back of prudent capital management and deployment.

Distribution yield stood at around 5.2% in 2021, a marginal increase from 4.9% in the preceding year given the rise in DPU during 2021. In general, distribution yields in recent years were lower despite stable growth in DPU, mainly due to the rise in share prices.

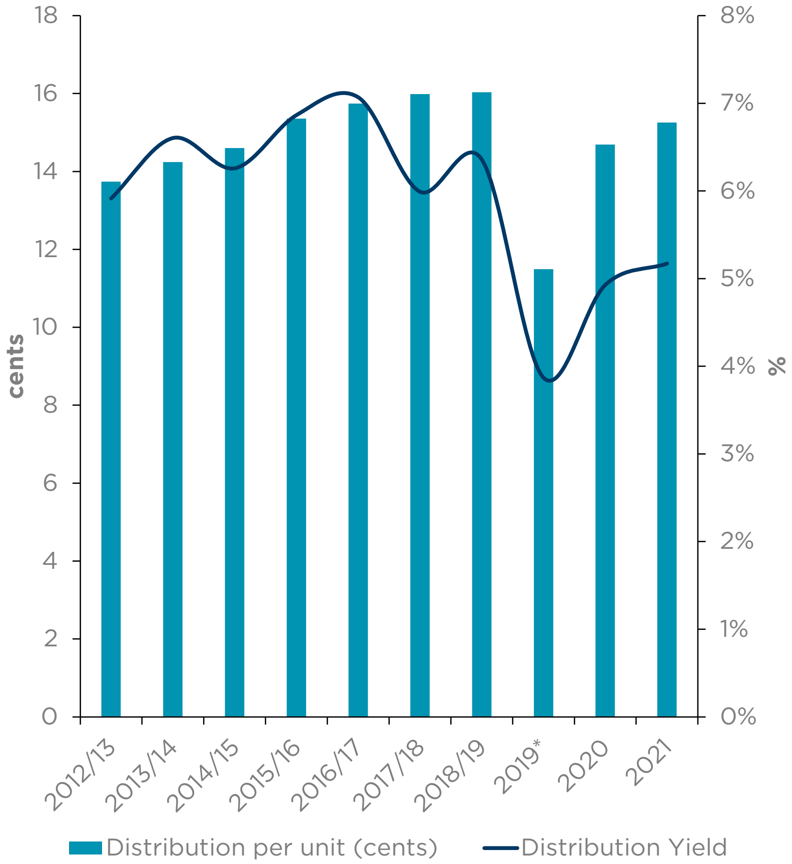
TOTAL PROPERTY VALUATION

A-REIT's total property valuation has been growing over the years on the back of active acquisition of new assets, divestment, and asset enhancements works for existing properties.

Notably, annual growth rates of total property values were very strong during 2019 and 2021. Total investment properties increased by 15.7% to S$12.8 billion during financial year 2019, bolstered by the acquisitions of 31 properties across three markets. Specifically, a record S$1.8 billion worth of properties were acquired, of which around S$1.7 billion worth of properties were acquired from its sponsor, CapitaLand, following the integration of CapitaLand and Ascendas-Singbridge on July 1, 2019. During 2021, A-REIT also completed a record S$2.1 billion of acquisition / developments, which resulted in the growth of total property investments by 19.0% to S$16.3 billion from S$13.7 billion registered in the preceding year.

Across different countries, Singapore has the highest proportion of both leasable area and total property valuation at 61.4% and 61.0%, respectively, followed by the Australia portfolio.

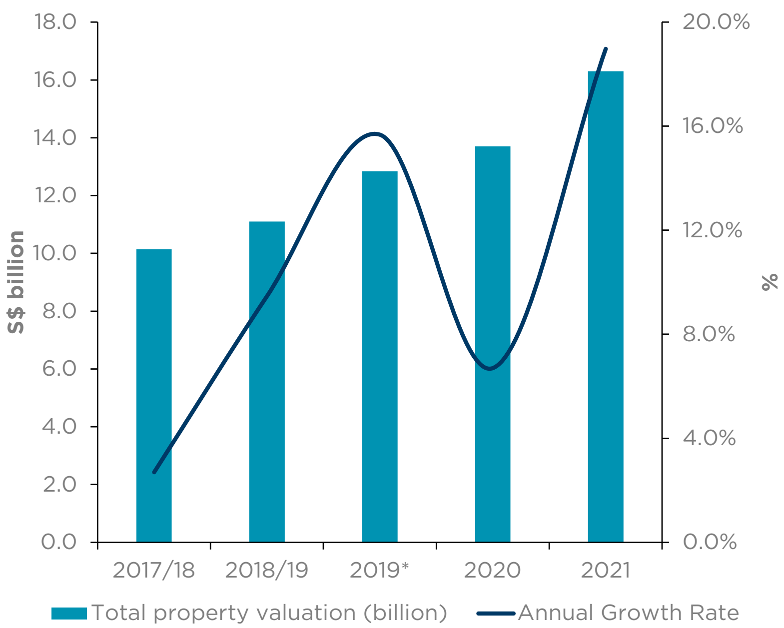
DISTRIBUTION PER UNIT AND DISTRIBUTION YIELD



Source: A-REIT, Cushman & Wakefield

*Note: * In July 2019, A-REIT announced that it changed its financial year end from March 31 to December 31. Therefore, FY2019 was a nine-month period from April 1, 2019, to Dec. 31, 2019.*

TOTAL PROPERTY VALUATION



Source: SGX, A-REIT, Cushman & Wakefield

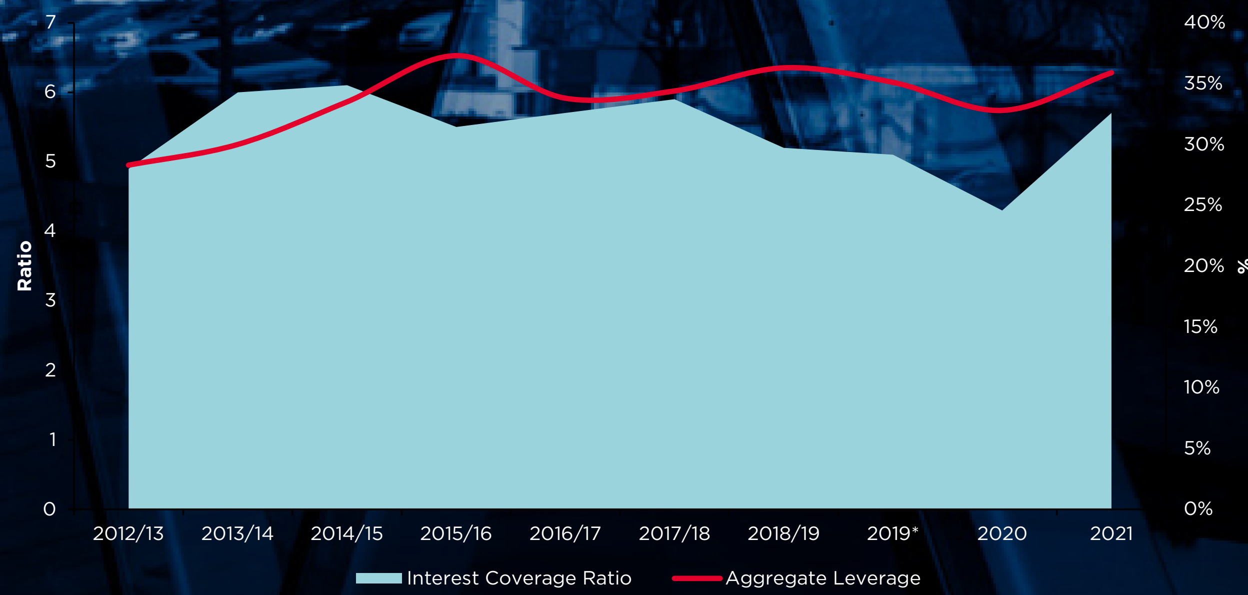
As at 31 December 2021	Valuation (S$ billion)	%	Gross Floor Area (sqm)	%
Singapore portfolio (93 properties)	9.93	61.0%	3,066,797	61.4%
Australia portfolio (34 properties)	2.32	14.2%	788,396	15.8%
United States portfolio (41 properties)	2.28	14.0%	551,856	11.0%
United Kingdom / Europe portfolio (49 properties)	1.76	10.8%	590,393	11.8%
TOTAL	**16.29**	**100%**	**4,997,442**	**100%**

Source: A-REIT, Cushman & Wakefield

LEVERAGE PROFILE

The aggregate leverage levels remained healthy over the years, staying well below the 50% level (the leverage limit set by the Monetary Authority of Singapore) with the 10-year average leverage of only 33.7%. This indicates a sound capital profile for A-REIT, with opportunity for an increase in borrowing to finance further acquisitions / developments. Interest coverage ratios also stayed robust throughout the years and stood at 5.7 as at end of 2021.

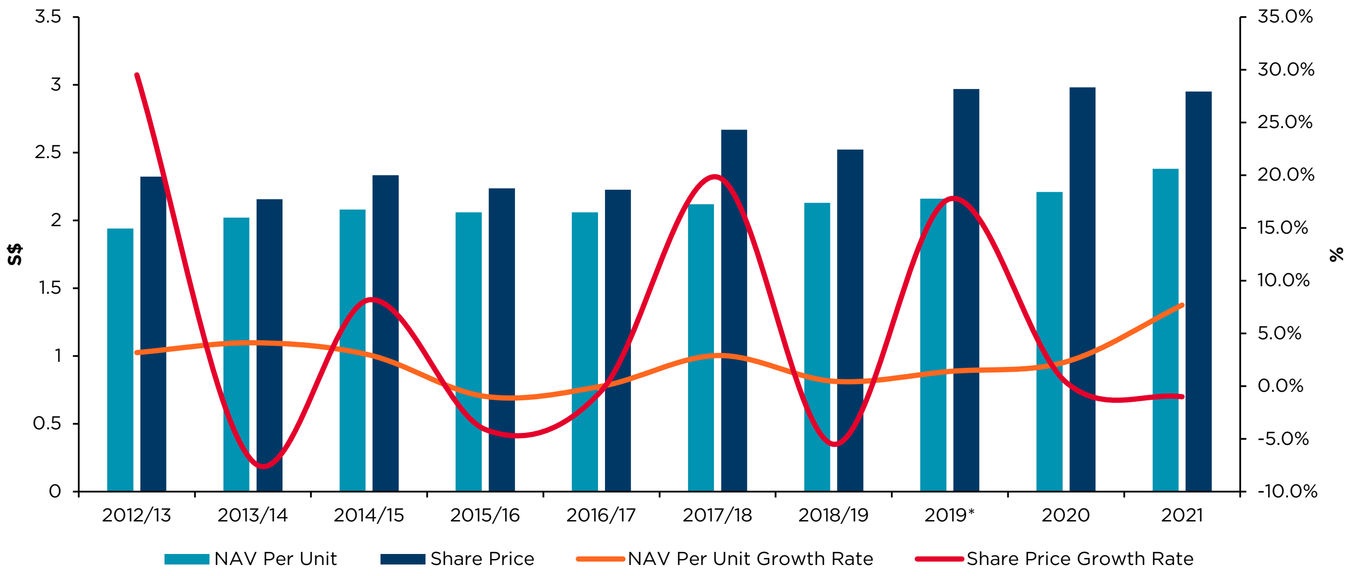
CAPITAL PROFILE



Source: SGX, A-REIT, Cushman & Wakefield

NET ASSET VALUE (NAV) PER UNIT AND SHARE PRICE ANALYSIS

A-REIT's NAV per unit has largely followed a rising trend over the past ten years while share prices experienced some fluctuations. In general, NAV per unit rose at a CAGR of 2.4% p.a. whereas share prices increased at faster pace of 5.1% p.a. during the 10-year period. The price-to-NAV ratios of A-REIT also stayed above one during the past years, indicating good performance of its shares which were traded at a premium to its book values.



Source: SGX, A-REIT, Cushman & Wakefield

MANAGEMENT STRATEGY

The healthy historical performance of A-REIT based on the above analysis has shown a prudent capital management strategy as well as the deep experience and expertise of the REIT's manager. By optimizing asset portfolios, the manager can ensure sustainable returns to unitholders.

The manager employs an appropriate mix of six types of capital and a three-pronged strategy to drive its business activities.

Six Types of Capital

Environmental Capital	Energy and water are important resources to the business operations of A-REIT
Manufactured Capital	Capability to acquire and develop high-quality properties to achieve value-adding investments
Human Capital	Commitment and drive from employees, and asset and property managers contribute towards business growth
Social & Relationship Capital	Fostering strong relationships with stakeholders to actively understand and manage their expectations and create a shared value in the long term
Organizational Capital	Specialized asset management expertise and knowledge to develop premium and attractive solutions
Financial Capital	Available pool of funds leveraged to optimize value for Stakeholders

Source: SGX, A-REIT, Cushman & Wakefield

THREE-PRONGED STRATEGY

PROACTIVE PORTFOLIO MANAGEMENT	DISCIPLINED VALUE-ADDING INVESTMENTS	PRUDENT CAPITAL & RISK MANAGEMENT
Maximizing organic growth potential and returns of the portfolio through active asset management. The Manager works closely with the asset and property managers in carrying out these principal strategies and the relevant activities.	Undertaking disciplined value-adding investments through acquisitions and development of high-quality properties.	Optimizing A-REIT's funding structure and costs. Maintaining an effective system of risk management and internal controls.
• Proactive marketing and leasing of spaces to achieve a healthy occupancy rate • Providing high standards of property and customer services to customers • Enhancing operational efficiency and optimization of operating costs • Carrying out asset enhancement initiatives	• Acquiring income-producing properties leased to established customers • Acquiring high-quality properties with strong income stream and/ or asset enhancement potential • Developing build-to-suit projects to cater to prospective customers' operational requirements and specifications • Selective development/ redevelopment to capitalize on the Manager's development capabilities • Sourcing of overseas investment opportunities to strengthen portfolio diversification and resilience	• Regular reviews of Ascendas REIT's debt and capital management, and financial policy • Diversifying sources of funding, managing interest rate risk, liquidity risk, credit risk and foreign currency risk • Monitoring Ascendas REIT's exposure to various risk elements and externally imposed requirements in the markets it operates in by closely adhering to clearly established management policies and procedures • Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Ascendas REIT's strategic direction • Creating an acceptable balance between the benefits derived from managing risks and the cost of managing those risks

Source: A-REIT

AUTHORS:

Gilbert Dong
Senior Manager,
Valuation and Advisory Services,
North China
gilbert.yf.dong@cushwake.com

Kim Huynh
Manager, Research,
Singapore
kim.huynh@cushwake.com

Kate Zhang
Assistant Manager,
Valuation and Advisory Services,
North China
kate.zhang@cushwake.com

Wanying Zou
Assistant Valuer,
Valuation and Advisory Services,
North China
wanying.zou@cushwake.com

EDITORS:

Catherine Chen
Director, Research,
Asia Pacific,
catherine.chen@cushwake.com

Simon Graham
Senior Communications Manager,
Greater China,
simon.graham@cushwake.com

REPORT CONTRIBUTORS:

Dominic Brown
Head of Insight & Analysis,
APAC
dominic.brown@cushwake.com

Hideaki Suzuki
Senior Research Director,
Head of Business Development Services,
Japan
hideaki.suzuki@cushwake.com

Xian Yang Wong
Head of Research,
Singapore
xianyang.wong@cushwake.com

Suvishesh Valsan
Director, Research,
India
suvishesh.valsan@cushwake.com

FOR REQUESTS ON GREATER CHINA REIT VALUATION, PLEASE CONTACT:

Andrew Chan
Managing Director,
Valuation & Advisory Services,
Greater China
andrew.kf.chan@cushwake.com

Feng Hu
Deputy General Manager,
Beijing Office
Head of Valuation &
Advisory Services, North China
feng.hu@cushwake.com

Chris Yang
Director,
Valuation & Advisory Services,
North China
chris.z.yang@cushwake.com

FOR REQUESTS ON REIT VALUATION IN OTHER MARKETS, PLEASE CONTACT:

Dennis Yeo
Head of Investor Services,
APAC
dennis.yeo@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of $9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.