INITIATION

Real Estate ▪ Singapore

IREIT Global

(IREIT SP/IREI.SI)

The French Evolution

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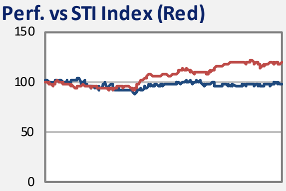
- We initiate on IREIT with an **OUTPERFORM** and a target price of S$0.69.
- **Fairly stable European office market –** While office property investment has slowed down substantially in Europe and vacancy rates are trending up, rents have held firm, and IREIT has managed to collect on due rents. IREIT should see positive news into the future as inflation rates climb in 2021.
- **Staying active with French entrée –** The proposed acquisition of 27 Decathlon properties will provide IREIT with further reduction of its tenant and geographical concentration risk, while potentially achieving both DPU and yield accretion.
- **Room for yield premiums to compress.** Foreign office REITs on SGX tend to trade at a dividend yield premium to local office REITs. This yield premium has widened since the pandemic begun, and we expect it to narrow as office markets stabilise in the future.

Outperform (Initiation)

Price as of 17 Jun 21 (S$)	0.65	**Performance (Absolute)**	
12M TP ($)	0.69	1 Month (%)	1.6
Previous TP ($)	na	3 Month (%)	0.8
Upside, incl. div. (%)	12.9	12 Month (%)	5.0
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	611		
Issued Units (mn)	940		
Vol - 3M Daily avg (mn)	0.6		
Val - 3M Daily avg ($mn)	0.4		
Free Float (%)	59.0%		
Major Shareholders		**Previous Recommendations**	
Tikehau Capital	29.1%		
City Strategic	20.9%		



Financials & Key Operating Statistics

YE 31 Dec (EUR mn)	2019A	2020A	2021F	2022F	2023F
Gross revenue	35.3	37.8	42.9	42.1	43.7
Net property income	30.7	32.9	37.3	36.7	38.0
Distributable Income	25.3	27.4	29.6	29.0	30.3
DPU (SGD Cents)	5.8	5.0	4.5	4.4	4.5
DPU growth (%)	2.8	-13.3	-10.9	-2.8	3.6
Div Yield (%)	7.2	7.7	6.9	6.7	6.9
NPI Margin (%)	86.9	87.0	87.0	87.0	87.0
Net Margin (%)	195.4	52.1	50.2	50.1	50.4
Gearing (%)	36.4	34.4	34.3	34.2	34.1
Price / Book (x)	0.7	0.9	0.9	0.9	0.9
ROE (%)	20.9	5.0	4.9	4.7	4.9

Source: Company Data, KGI Research

Investment Thesis:

European office market holding up. Office leasing activity is currently weak, as vacancies trend up from a global shift towards work-from-home arrangements. IREIT has fared relatively well in the recent pandemic as the company was able to promptly collect on rents, while settling new lease agreements with its key tenant, GMG, a wholly owned unit of Deutsche Telekom.

Inflation trends beneficial for IREIT – Similar to the US, Europe is now experiencing above average inflation, and the European Central Bank (ECB) has adopted an identical “wait-and-see” approach, maintaining a loose stance on monetary policies. A temporal spike in inflation could be beneficial for IREIT, as they can lock in earlier-than-expected rent increases with their tenants.

The French Evolution. The proposal to acquire 27 Decathlon properties represents IREIT’s first foray into France, and first foray into retail properties. We see the acquisition to be beneficial as it reduces key tenant, geographical and sector concentration risk, while being potentially DPU and yield accretive.

Dividend yield premiums at a high. IREIT, together with other foreign office REITs listed in SGX, often trade at a dividend yield premium to local office REITs. The yield premium has steadily risen over the years from around 1% to over 2%, as local investors demand a larger risk premium to hold onto foreign office property. We expect stabilisation in global office markets to reduce this risk premium, and for IREIT to benefit when foreign REITs become attractive again.

Valuation & Action: We initiate with **an OUTPERFORM and TP of S$0.69** based on the Dividend Discount Model, using 7.82% as our cost of equity and a 1.5% terminal growth rate. This implies a 6% capital appreciation gain and 6.9% forward dividend yield.

We expect the renewal or extension of the rest of GMG’s expiring leases as the key catalyst for price action, given the risk overhang on overall rents. The completion of the Decathlon acquisition at an appropriate level of unit dilution should also be beneficial for IREIT. Other catalysts include finding new tenants and improving occupancy rates.

Risks: Tenant concentration risk; work-from-home thematic leading to lower occupancy; tightening tax regulations in Europe; Forex.

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Investment Thesis

European economic recovery should lead to rental reversions

IREIT is geared towards a broad-based European recovery while also benefiting from low interest rates.

A recovering Europe… Europe's GDP was -6.6% in 2020, with 2021 forecasts in the 4-5% growth range as populations are increasingly vaccinated and governments have improved measures against COVID-19. The economy is expected to recover most of 2020's lost output through the support of EU funding, ultra-loose monetary and fiscal policy stances, as well as strengthening external demand as the global economy reopens. Interest rates are expected to remain lower for longer, as the European Central Bank deposit rate stays negative. This is favorable for IREIT's fairly aggressive expansion strategy, as borrowing costs are expected to stay low for the next couple of years.

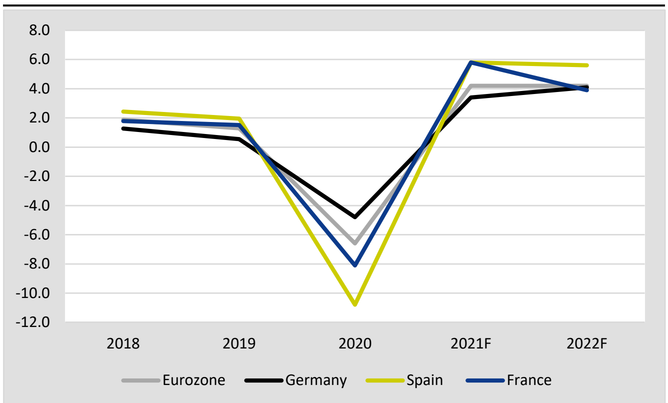
And a fairly resilient office market... Despite the weak office leasing environment and recent uptick in office vacancy rates across IREIT's key markets in Berlin, Munich, Madrid and Barcelona, overall vacancy rates are still largely lower than the levels back in 2015. Meanwhile, prime headline rents have barely bulged across Europe. Headline rents were largely stable at Barcelona and Munich, while Berlin saw rental growth from 3Q20 to 4Q20. Madrid was the sole prime market that saw a fairly steady downward pressure on headline rents.

Most of IREIT's leases are linked to inflation, which may help to offset the risk from faster-than-expected rise in interest rates.

…a good fit for IREIT's leases. All of IREIT's current leases, with the exception of the Berlin campus, are inflation-linked, with the country's Consumer Price Index (CPI) as the guideline for rental step-up. This allows IREIT's portfolio to continue experiencing rental increments through the lease, instead of banking solely on new leases for increasing rent. Additionally, the Euro zone inflation rate has recently surged past the ECB target in May, hitting the 2% goal as commodity prices hit new highs and the economy recovers much more strongly than expected. Should inflation data continue to come in strong for the rest of 2021, IREIT may benefit from early-than-expected triggers of its rental escalation clauses.

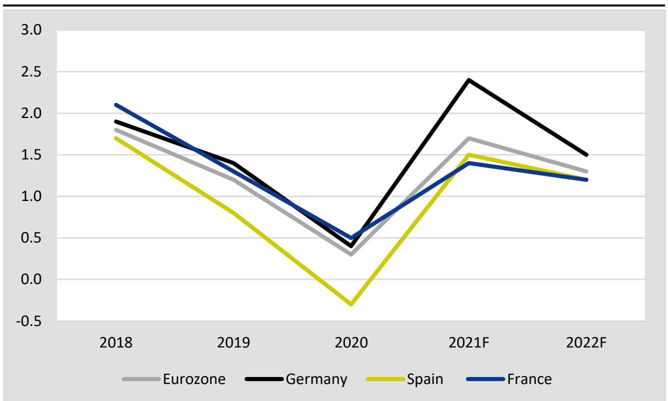
Step-up most likely at Darmstadt and Munster campus. We expect rental increment to occur at the Munster and/or Darmstadt campus within the next 2-3 years, as the prior rent adjustment for the two campuses occurred prior to IREIT's IPO in August 2014. The latest German CPI reading is at 107.6 for April 2021 (where 2015 is treated as the base year indexation of 100) while the Federal Statistical Office is forecasting for 2.5% inflation rate in May, which will push the CPI reading higher. A 10% rent increase in both campuses will lead to around 2.6% increase in IREIT's portfolio rents.

Figure 1: Eurozone and IREIT's 3 key economies' GDP



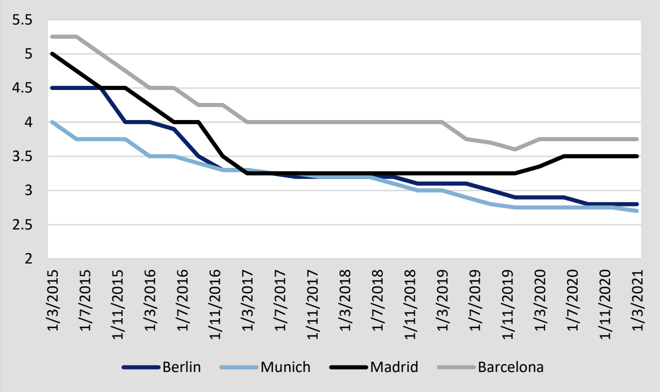
Source: Bloomberg

Figure 2: Eurozone and IREIT's 3 key economies' CPI



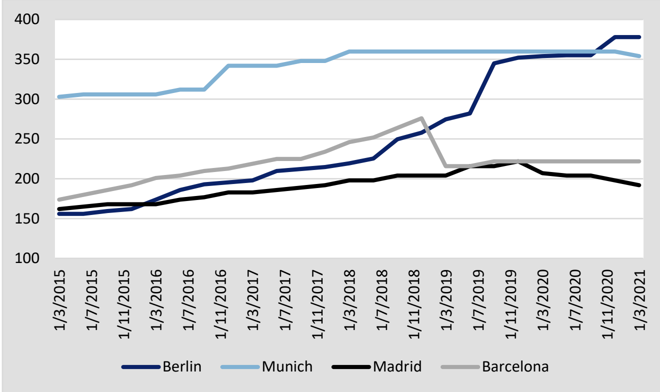
Source: Bloomberg

Figure 3: Prime CBD office yields



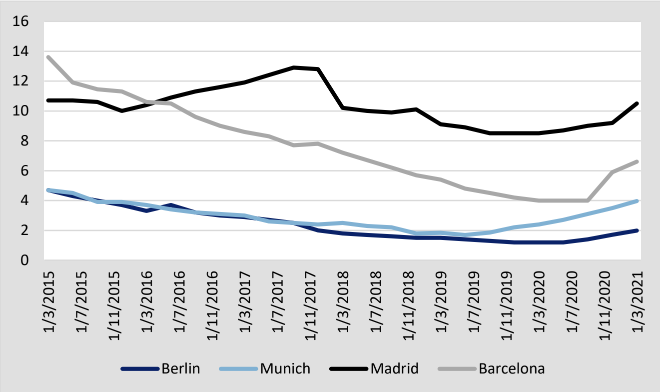
Source: Colliers International

Figure 5: Prime headline rents (EUR/sqm/yr)



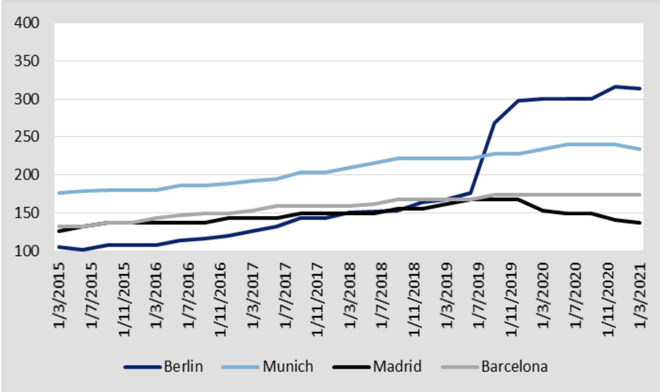
Source: Colliers International

Figure 4: Office vacancy rates



Source: Colliers International

Figure 6: Average headline rents (EUR/sqm/yr)



Source: Colliers International

Staying active with French entrée

Diversifying into France with another blue-chip tenant

IREIT's latest acquisition of Decathlon will help diversify the REITs portfolio, both in terms of geographical and sector exposure.

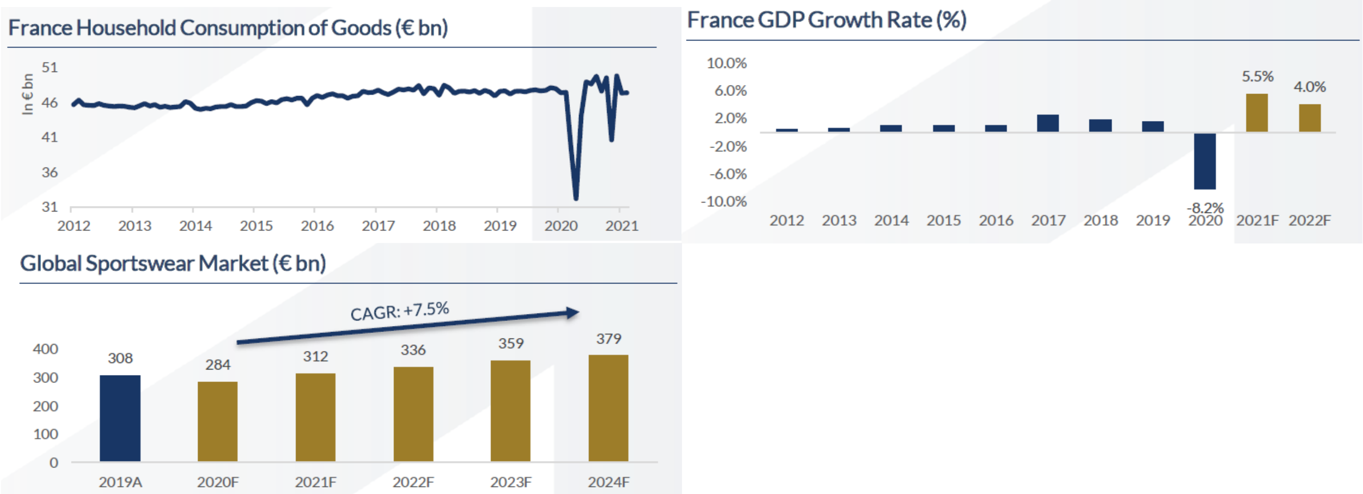
On 27 April 2021, IREIT entered into a conditional sale agreement with Decathlon SE to acquire 27 retail properties situated across France through a 10-year sale and leaseback arrangement with the company. Decathlon is the biggest player in France's sporting goods industry with a market share of 33%. It develops and sells its products under various in-house brands, which made up 80% of its turnover in 2020. Decathlon's stand-alone brands makes it less susceptible to competition as well as threats from brands that are developing their own direct-to-consumer channels.

The proposed acquisition will provide IREIT with exposure to France, a resilient economy where GDP growth is expected to exceed that of Europe, at a forecasted growth rate of 5.5% and 4.0% in 2021 and 2022 respectively. The reopening of sectors closed during COVID-19 as well as the rebound in household confidence have resulted in France's household consumption expenditure of goods returning to pre COVID-19 levels in December 2020. Globally, the sportswear market is forecasted to grow by c.7.5% per annum between 2020 and 2024. In line with global growth, the sporting goods industry in France is expected to rebound strongly with forecasted turnover growth of c.13.0% for 2021.

Staying debt-light for more future acquisitions

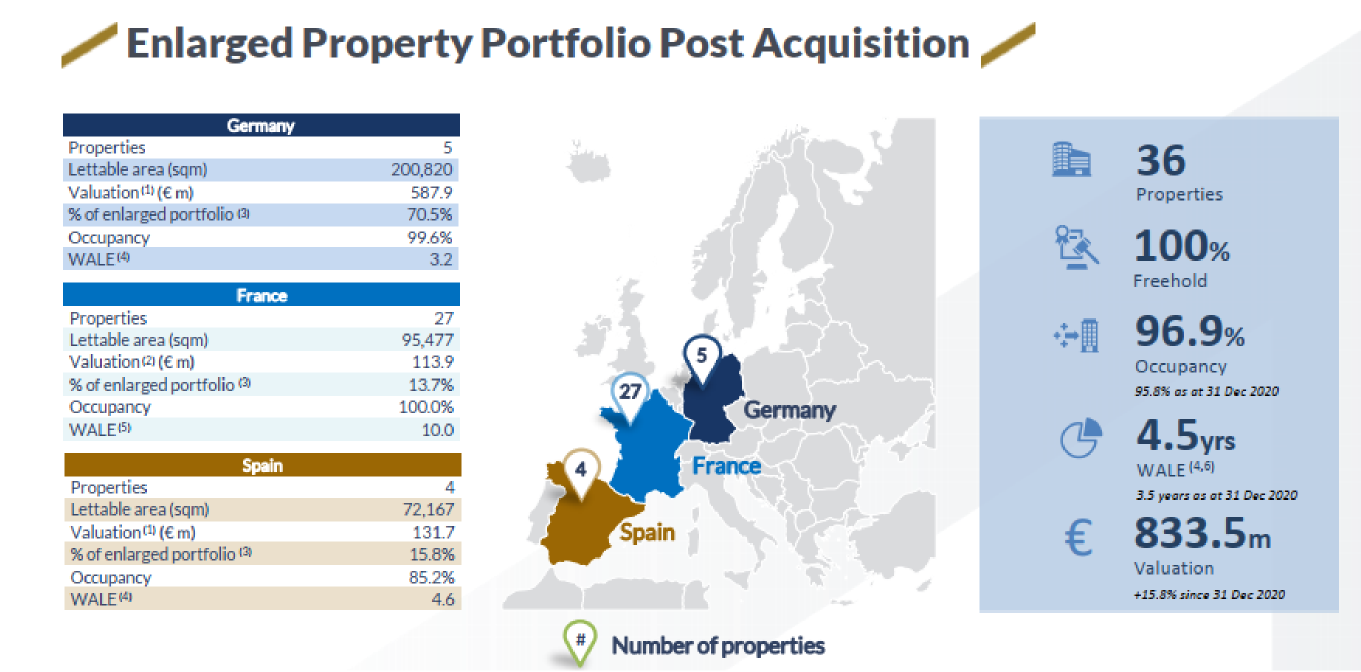
The acquisition is expected to be completed by 3Q21, in which the Decathlon property portfolio will account for around 14% of total property value and around 16% of gross rental income post-acquisition. IREIT intends to fund the acquisition through a mix of equity and debt. We model out two scenarios in our Valuation section.

Figure 7: France's economic performance and sportswear market growth, which are favorable for Decathlon and IREIT



Source: IREIT presentation, KGI Research

Figure 8: Post-acquisition property portfolio of IREIT



Source: IREIT presentation, KGI Research

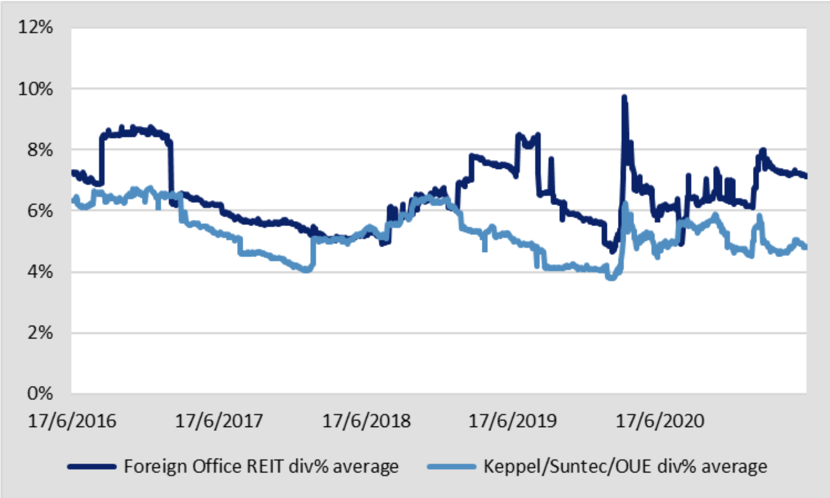
Foreign office REIT risk premium at a high

We note that on SGX, office and commercial REITs with a focus on foreign properties tend to trade at yield premiums to those with some local presence. We benchmark trailing 12-month dividend yield averages between 5 foreign office REITs (IREIT, Cromwell, Manulife US, Prime US, Keppel Pacific Oak and Elite Commercial) against 3 commercial/office REITs with a fair amount of local office properties (Suntec, Keppel, OUE Commercial), and find that average yield premiums have widened over the years.

The dividend yield spread compression is a potentially positive upside to IREIT.

The widening of average yield premiums from 2016 to 2019 could be partially explained by the IPO of Prime US REIT and Elite Commercial REIT, though we see COVID-19 as the main trigger that led to investors demanding larger risk premiums for foreign office and commercial REITs. Going forward, we expect yield premiums to compress as foreign office markets stabilise, which will be beneficial to IREIT. Catalysts include the renewal of its GMG leases, and maintaining overall occupancy rate in the high 90% amidst a weak office market environment.

Figure 9: Foreign office REIT vs local office REIT average dividend yield comparison



Time frame	Average yield premium	Std.Dev	Max	Min
5-year	1.3%	0.9%	4.2%	-0.6%
2019 - current	1.8%	0.8%	4.2%	-0.6%
16/6/2021	2.3%	-	-	-

Source: Bloomberg, KGI Research

Valuation

We initiate on IREIT with an OUTPERFORM recommendation, through a Dividend Discount Model with a Target Price of S$0.69. This brings the upside to 12.9%, including the forward dividend yield of 6.9%. Our target price implies an FY22F dividend yield of 6.3%.

Key Assumptions

We valuate IREIT on a few key assumptions:

1) We exclude the Decathlon acquisition from our current valuation, as its impact on capital structure is currently undecided, which can lead to a variance in valuation. We provide an illustration of potential capital structure that IREIT may adopt in its acquisition, and its potential impact on distributions per unit.

2) We assume Munster Campus to stay at 64% occupancy in 2022, with rental step-up and potentially 1 or 2 tenants to be found in 2023 to boost the gross rental income back near its prior level.

3) We assume that the lease on Bonn and Darmstadt Campus will be extended, as GMG has plans to continue using the two offices. We also assume that Darmstadt will have its 10% rental increase in 2023.

Our DDM-derived valuation uses conservative assumptions.

Without the Decathlon acquisition, we expect gross rental income and net property income to rise in FY21 from the full contribution of the properties in Spain, followed by a fall in FY22 as a substantial portion of Munster South campus will be vacated. We use a risk-free rate of 1.8%, which is much higher than Europe's risk-free rates, providing margin of safety for valuation. We use a beta of 0.87, in line with the 5-year average for IREIT, as well as a combined market and country risk premium of 8.5%. We expect a terminal growth rate of 1.5%, which is fairly in line with the long-term CPI increment rate of IREIT's target countries.

Figure 10: IREIT's Dividend Discount Model valuation

DCF/DDM approach	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2026F
Distribution per unit (S$ cents)	5.80	5.03	4.48	4.36	4.51	4.61	4.67	4.74
YoY%	*2.8%*	*-13.3%*	*-10.9%*	*-2.8%*	*3.6%*	*2.0%*	*1.5%*	*1.5%*
Terminal value (S$ cents)								75.02
Future distributions (S$ cents)	5.80	5.03	4.48	4.36	4.51	4.61	4.67	79.77

Risk free rate	1.80%
Beta	0.87
Market risk premium	7.00%
Country risk premium	1.50%
Cost of equity	**7.82%**
Target price (S$)	**$0.69**
Capital appreciation	6.0%
Forward dividend yield	6.9%
Upside/downside	12.9%

Source: KGI Research

Figure 11: IREIT's Dividend Discount Model sensitivity analysis

Sensitivity Analysis		Terminal growth rate								
		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
Cost of equity	6.32%	0.73	0.76	0.78	0.81	0.84	0.87	0.90	0.94	0.98
	6.82%	0.68	0.70	0.72	0.74	0.76	0.79	0.82	0.85	0.88
	7.32%	0.63	0.65	0.66	0.68	0.70	0.72	0.75	0.77	0.80
	7.82%	0.59	0.60	0.62	0.63	0.65	0.67	0.69	0.71	0.73
	8.32%	0.56	0.57	0.58	0.59	0.61	0.62	0.64	0.66	0.67
	8.82%	0.52	0.53	0.54	0.56	0.57	0.58	0.60	0.61	0.63
	9.32%	0.50	0.50	0.51	0.52	0.53	0.55	0.56	0.57	0.58

Source: KGI Research

Illustrating Decathlon's acquisition impact

The acquisition of Decathlon tenanted properties, based on a combination of debt and equity, is expected to be DPU accretive.

IREIT is likely to fund the Decathlon property acquisition through a mixture of new debt and equity issuance, as it keeps gearing ratio at a healthy level. We provide an illustration of the potential impact on DPU, using purely debt and cash funding for the first scenario, and using debt and equity funding similar to IREIT's Extraordinary General Meeting circular. We note that the acquisition is potentially both yield and DPU accretive to our estimated FY21 results, if the rights offering is done without a significant discount.

Figure 12: IREIT's Decathlon property acquisition analysis

Figures in EUR mn unless stated otherwise	FY21F Pre-Acquisition	Decathlon properties	Post-Acquisition	
			Debt+Cash	Debt+Equity
Net property income*	37.3	7.9	45.2	45.2
Property value	719.6	110.5	830.1	830.1
NPI yield	5.2%	7.1%	5.4%	5.4%
Acquisition cost	-	122.3	122.3	122.3
Debt raised	NA		109	51.4
Equity raised	NA		0	79.0
New total borrowings	264.6		373.6	316.0
Gearing ratio	34.3%		43.0%	35.6%
Additional interest cost (est. 3%)	NA		3.3	1.5
Assumed rights issuance price (S$)	NA			0.50
Outstanding units (mn)	944.3		944.3	1195.1
Distributable income	29.6		33.0	34.7
DPU (EUR cents)*	2.82		3.50	2.91
DPU (SGD cents)*	4.48		5.55	4.61
Accretion/(dilution)			23.9%	3.0%
Dividend yield*	6.9%		8.5%	7.1%

Source: KGI Research. NPI, DPU and dividend yield are pro forma and assumes acquisition completion on 1 January 2021. FX assumption: 1 SGD = 0.63 EUR.

Valuation: Comparable companies

Figure 13: IREIT's peer comparison table

BB ticker	Company Name	Last Price (local $)	Currency Adj. Market Cap (US$ m)	Dividend Yield (%)		Gearing (%)	P/B (x)		6M Average daily trading volume (S$ '000)	(YTD) Price Performance	(1YR) Price Performance	(1YR) Total Returns (%)
				FY20	FY21F		FY20	FY21F				
IREIT SP	**IREIT GLOBAL**	**SGD 0.65**	**456**	**8.0**	**6.9**	**37.5**	**0.9**	**-**	**353**	**0.0**	**-2.3**	**5.0**
	SGX Listed Foreign Office REITs			**6.1**	**7.7**	**37.6**	**0.9**	**1.0**		**5.1**	**(2.0)**	**11.1**
CERT SP	CROMWELL REIT EUR	EUR 2.36	1,576	7.3	7.4	39.4	0.9	0.9	1,534	-1.7	4.9	14.8
MUST SP	MANULIFE US REAL ESTATE INV	USD 0.76	1,210	7.6	7.8	42.4	1.0	1.1	2,400	2.0	-12.3	3.9
PRIME SP	PRIME US REIT	USD 0.87	919	0.0	8.2	34.6	0.9	1.1	591	9.5	-1.7	16.5
KORE SP	KEPPEL PACIFIC OAK US REIT	USD 0.77	725	9.0	7.8	39.5	0.8	1.0	851	10.9	1.3	16.7
ELITE SP	ELITE COMMERCIAL REIT	GBP 0.67	436	6.8	7.5	31.9	1.0	1.0	166	4.6	-2.2	3.6
	SGX Listed SG Office REITs			**5.0**	**5.7**	**38.8**	**1.0**	**1.0**		**0.5**	**(7.6)**	**7.4**
CICT SP	CAPITALAND INTEGRATED COMMER	SGD 2.10	10,146	4.0	5.2	40.0	1.0	1.0	37,735	-2.8	-17.3	2.6
MCT SP	MAPLETREE COMMERCIAL TRUST	SGD 2.14	5,301	4.5	4.5	34.7	1.2	1.2	15,858	0.5	6.3	7.4
FLT SP	FRASERS LOGISTICS & COMMERCI	SGD 1.41	3,859	5.1	5.5	40.8	1.2	1.3	15,220	0.0	15.6	26.2
KREIT SP	KEPPEL REIT	SGD 1.15	3,154	5.1	5.1	31.3	0.9	0.9	12,368	2.7	-7.3	3.7
SUN SP	SUNTEC REIT	SGD 1.47	3,117	5.0	5.9	44.1	0.7	0.7	20,324	-1.3	-21.8	1.9
OUECT SP	OUE COMMERCIAL REAL ESTATE I	SGD 0.40	1,621	6.3	8.0	41.9	0.7	0.7	740	3.9	-20.8	2.6
	Foreign Listed EU Office REITs			**4.3**	**4.7**	**44.9**	**1.0**	**1.0**		**5.2**	**(9.0)**	**15.0**
GFC FP	GECINA SA	EUR 131.80	12,039	4.2	4.0	36.8	0.8	0.8	14,177	4.4	-3.2	17.9
COV FP	COVIVIO	EUR 77.24	8,720	4.8	5.0	50.1	0.8	0.9	9,948	2.5	-18.9	20.9
ICAD FP	ICADE	EUR 74.35	6,765	6.4	5.6	67.3	1.9	2.1	5,240	18.2	-7.6	20.3
AOX GR	ALSTRIA OFFICE REIT-AG	EUR 15.70	3,336	3.6	3.4	34.3	0.9	0.8	6,648	6.1	9.4	23.3
BEFB BB	BEFIMMO	EUR 34.45	1,170	1.6	5.8	39.8	0.6	0.6	1,139	-5.1	-33.6	-11.1
HBRN ID	HIBERNIA REIT PLC	EUR 1.27	1,002	4.5	4.2	17.4	0.7	0.0	1,953	9.9	-9.3	18.0
HABA GR	HAMBORNER REIT AG	EUR 9.04	877	5.2	5.0	61.8	1.5	1.5	993	0.3	-0.2	15.6

Source: Bloomberg, KGI Research

Key Risks

Tenant concentration risk

While the Decathlon acquisition reduces tenant concentration, we note that GMG (Deutsche Telekom) and DRB (German Pension Insurance), the two largest tenants, will still represent over 20% of FY21F gross rental income respectively. Additionally, GMG's leases are set to expire between FY22 to FY24, a fairly unfortunate timing as the current weakness in office market could mean little room for negotiating better leases.

Tightening tax regulations in Europe

All foreign-based REITs will face similar risks if countries start to tighten tax regulations.

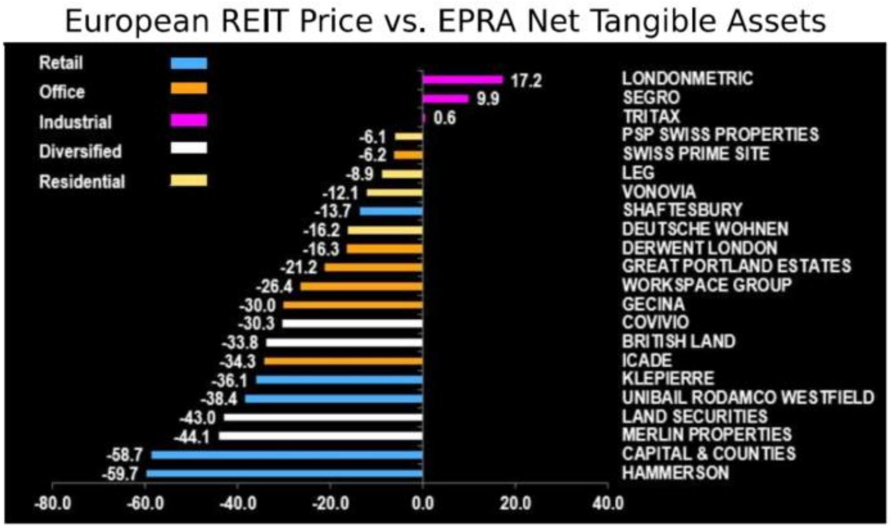
We note that foreign REITs listed in SGX will face country-specific property regulations and tax laws. IREIT's investment strategy through Europe will expose the company to various other regulations in which local unitholders may be less than familiar with. For example, with the potential Decathlon acquisition, IREIT unitholders will also be exposed to the French real estate wealth tax, where individual investors holding approximately 4.3% or more of IREIT's units will be subjected to a wealth tax from 0.5% to 1.5% of their investment value.

The recent global moment to tighten up the global minimum corporate tax rate can also spur subsequent regulatory changes that are unbeneficial to IREIT. The majority of foreign REITs listed on SGX benefit from a shareholder loan tax shield that substantially reduces effective tax rates. Should these tax structures face any regulatory revision, there could be a negative impact to DPU.

Growing Work-from-home prominence

The pandemic has hit retail REITs the hardest, while logistics and certain industrial REITs benefitted, with respective price to tangible net asset value discounts and premiums assigned by the market reflecting either lower property values in the future, or weaker rent pricing power. Office REITs sit in between the two and are largely still trading below their pre-COVID levels, due to the uncertainty behind the growing prominence of work-from-home trends. Should remote working continue to stay relevant in a post-COVID world, the outlook for office REITs would be fairly muted.

Figure 14: European REIT discount/premium to Net Tangible Assets



Source: Bloomberg Intelligence

Company Overview

Listed on the SGX since 2014, IREIT is the first REIT to provide Singapore-based investors exposure to European real estate.

IREIT Global (IREIT) focuses on investing in income-producing real estate in Europe used for office, retail and industrial purposes. IREIT was listed on SGX in August 2014 as the first Singapore REIT with a European focus. The REIT started out with 4 German properties, acquiring its 5th German property in August 2015. In November 2016, Tikehau Capital acquired 80% of IREIT's trust manager IREIT Global Group Pte Ltd, enacted a change in the CEO and CIO, and expanded the investment mandate to cover all of Europe. 2019 was a significant year for IREIT as in April, major property developer City Developments Limited announced a strategic acquisition of 12.4% of IREIT and 50% of IREIT's manager. With its 2 strategic investors, IREIT was able to acquire a portfolio of 4 freehold office properties in Spain through a 40:60 joint venture with Tikehau Capital in December 2019.

Moving forward, IREIT is better positioned to grow and acquire more assets with the backing of its 2 strategic investors. IREIT has subsequently funded the acquisition of Tikehau Capital's remaining 60% interest in the Spanish properties through a rights offering in October 2020. As of June 2021, IREIT is looking to acquire 27 properties from Decathlon as its first foray into France.

IREIT's investment strategy

IREIT's manager has kept to its 'ABBA' investment strategy to own great properties in good cities and good properties in great cities. This allows for IREIT to acquire higher yielding assets with the potential for improvement through rental increases, or through active asset enhancement and management of the properties. IREIT's geographic focus is currently on mainland Europe, and specifically the western European countries of Germany, Spain, France, Italy and the Benelux region, compromising of Belgium, Netherlands and Luxembourg. In terms of tenants, while IREIT's ideal tenant base would be to have multiple well-known blue-chip companies spread across its property portfolio, the company has not shied away from acquiring single-tenant properties, if the tenant is fairly large blue-chip company.

Figure 15: IREIT's 'ABBA' Investment Strategy

Source: Company presentation, KGI Research

IREIT's property portfolio

IREIT currently holds 9 freehold office properties in its portfolio, with 5 in Germany and 4 in Spain.

Germany properties:

	BERLIN CAMPUS 	**BONN CAMPUS** 	**DARMSTADT CAMPUS** 	**MÜNSTER CAMPUS** 	**CONCOR PARK** 
Location	Located in Schreiberhauer Straße in the Lichtenberg district, 6km east of Berlin city centre and near the well-established Media Spree commercial centre.	Centrally located in Bonn's prime office area Bundesviertel (federal quarter), the campus is well connected to public transportation with the nearest underground train station, U-Bahn, only 100m away.	Located on Heinrich-Hertz Straße 3-7 within a commercial zone in a prime office location (Europaviertel). The property is strategically located at the entrance of Europaviertel, benefitting from easy access to the train station and other public transports.	Located approximately 2.5km north of Münster city centre, the property is situated in one of the city's largest office submarkets known as "Zentrum Nord". The regional railway station and bus stop are within walking distance and ensure optimal access to the city centre and the entire Münster region by public transport.	Concor Park is located in the community of Aschheim-Dornach, within a large suburban business park situated about 10km from the centre of Munich.
Interior	The property consists of five connected building parts with 8 to 13 upper floors which are used mainly for office purposes. An underground parking garage of two levels that spans across the entire property accommodates parking spaces for 432 motor vehicles. 64 additional external parking spaces are available at the entrance area and towards the rear of the property.	The U-shaped property comprises 4 connected buildings, each with 3 to 5 upper floors, which can easily be sub-divided into smaller offices or self-contained units.	The property consists of 6 interconnected 7 storey office buildings in a double H-shape with an additional link building. Parts of the property are only built with 5 storeys which provide for more effective natural lighting. The property has highly specified modern open plan office floors with subdivision flexibility.	The property consists of 2 self-contained and directly adjacent office buildings (Münster North and Münster South). They each have 7 above-ground floors built around open inner courtyards for a maximum of natural light.	The 5-storey building with 3 independent wings and entrances was fully refurbished with a modern office fit-out in 2011. In 2016, Concor Park became the first redevelopment project in Germany to be awarded the prestigious Green Building Gold Certificate by the German Sustainable Building Council.

Spain properties:

	DELTA NOVA IV AND DELTA NOVA VI	IL·LUMINA	SANT CUGAT GREEN
			
Location	Delta Nova IV and Delta Nova VI are two office buildings forming an office complex located in the consolidated business office area of Manoteras, north of Madrid.	Il·lumina is an office building located in Esplugues de Llobregata, a mixed use office and industrial area including a technology and audio-visual office cluster which is five kilometres away from the financial district of Barcelona.	Sant Cugat Green is a modern office building in Barcelona with a 5,146 sqm data centre space and a restaurant for internal use by its tenants.
Interior	Delta Nova IV comprises a ground floor, four upper floors and two basement parking levels with 249 parking spaces, while Delta Nova VI comprises a ground floor, six upper floors and two basement parking levels with 384 parking spaces.	Built over two basements, a lower ground floor, a ground floor and three upper floors, the property comprises 310 parking spaces (of which 87 are for motorbikes). The property offers flexible office floors with ceilings from 2.7 metres up to four metres high and supplies a wide variety of services including meeting rooms, gym, changing rooms, a cafeteria and an auditorium. Il·lumina also has over 3,800 sqm of fully equipped TV studios.	The property comprises three basement levels, a ground floor and four upper floors, and 580 parking spaces (of which 30 are for motorbikes).

Figure 16: Germany properties' characteristics

Properties	Berlin Campus	Bonn Campus	Darmstadt Campus	Munster Campus	Concor Park
Location	Germany, Berlin	Germany, Bonn	Germany, Darmstadt	Germany, Munster	Germany, Munich
Acquisition Announcement Date	2015	2014 (IPO)	2014 (IPO)	2014 (IPO)	2014 (IPO)
Building Completion Date	1994	2008	2007	2007	1978
Last Refurbishment	-	-	-	-	2011
Ownership	100%	100%	100%	100%	100%
Land Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Occupancy rate	100.0%	100.0%	100.0%	100.0%	97.5%
Number of tenants	7	1	1	3	15
Key tenant(s)	DRB	GMG	GMG	GMG	Multiple
WALE as of 31 Mar 21 (years)	3.2	2	1.6	3.5	6.1
Valuation (EURmn)	226.1	113.7	90.4	64.4	93.3
Net Lettable Area (sqm)	79,097	32,736	30,371	27,204	31,412
FY21F Gross Rental Income %	27.8%	17.4%	14.6%	9.4%	10.9%
RIWIS city classification	A	B	C	B	A

Source: Company reports, KGI Research

Figure 17: Spain properties' characteristics

Properties	Delta Nova IV	Delta Nova VI	Il-lumina	Sant Cugat Green
Location	Spain, Madrid	Spain, Madrid	Spain, Barcelona	Spain, Barcelona
Acquisition Announcement Date	Oct-20	Oct-20	Oct-20	Oct-20
Building Completion Date	2005	2005	1970	1993
Last Refurbishment	2015	2015	2004	-
Ownership	100%	100%	100%	100%
Land Tenure	Freehold	Freehold	Freehold	Freehold
Occupancy rate	84.8%	92.5%	90.2%	77.1%
Number of tenants	10	9	12	4
Key tenant(s)	Multiple	Multiple	Multiple	Multiple
WALE as of 31 Mar 21 (years)	4	5.1	3.5	4.8
Valuation (EURmn)	28.4	38.6	25.4	39.3
Net Lettable Area (sqm)	10,256	14,855	20,922	26,134
FY21F Gross Rental Income %	4.0%	4.0%	4.7%	7.2%

Source: Company reports, KGI Research

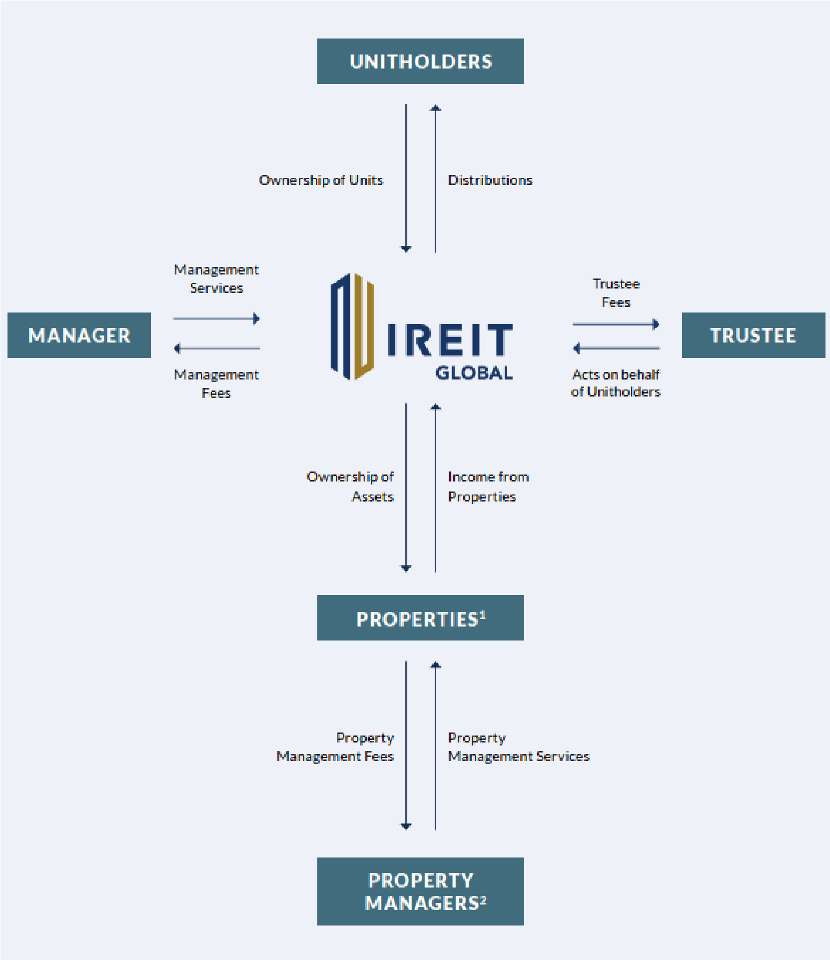
IREIT's key management personnel

 MR LIM KOK MIN, JOHN *Chairman and Independent Non-Executive Director*	Mr Lim has more than 45 years of senior corporate experience in both the private and public sectors, and has worked in various countries in Southeast Asia, holding board appointments in these countries and in Australia and New Zealand.	Mr Lim is currently the Non-Executive Chairman of Boustead Projects Limited, as well as a director of several private companies in education, retail and corporate services. He also serves as an Adviser to a European private equity fund.
 MR CHNG LAY CHEW *Independent Non-Executive Director and Chairman of the Audit and Risk Committee*	Mr Chng has over 35 years of experience in the financial industry. He recently retired from Singapore Exchange Limited after 9 years as its Chief Financial Officer. Prior to that, he was with DBS Bank and JP Morgan where he held senior finance positions in Singapore, Hong Kong, Tokyo and New York.	Mr Chng currently serves on the board of AWWA Ltd, a social service agency in Singapore, the Investor Relations Professionals Association (Singapore) Ltd, and NUHS Fund Ltd. He was appointed as the Chairman of the Audit and Risk Committee with effect from 1 March 2021. He is a Fellow of the Institute of Singapore Chartered Accountants, Fellow of the Chartered Accountants Australia and New Zealand, and Fellow of CPA Australia.
 MR NIR ELLENBOGEN *Independent Non-Executive Director and Chairman of Nominating and Remuneration Committee*	Mr Ellenbogen has more than 20 years of leadership and experience in the fields of medical technology and IT systems & software.	Mr Ellenbogen is currently the Managing Director of Eye- Lens Pte. Ltd., a multi-disciplinary medical devices distributor, and the Chief Executive Officer of CeePro Pte. Ltd., a medical devices manufacturer. He is also the Managing Director of Focalpoint Asia, a sole proprietorship that provides medical consultancy services.
 MR LOUIS D'ESTIENNE D'ORVES *Chief Executive Officer*	As CEO, Mr d'Estienne d'Orves is responsible for planning and implementing IREIT's investment strategy, the overall day-to-day management and operations of IREIT, as well as working with the Manager's investment, asset management, financial, legal and compliance personnel in meeting IREIT's strategic investment and operational objectives.	Mr d'Estienne d'Orves is based in London, United Kingdom and has over 14 years of experience in European real estate investments. He was previously an Executive Director at Tikehau Capital within the European Real Estate investment team. As Executive Director, his responsibilities included sourcing and executing deals across Europe in the office, retail, hotel, and residential sectors, securing external debt

		financing and capital raising for co-investment opportunities and funds
 MR CHOO BOON POH *Chief Financial Officer*	As CFO, Mr Choo is responsible for applying the appropriate capital management strategy (including tax, treasury, finance and accounting matters), as well as overseeing the implementation of IREIT's short and medium-term business plans, fund management activities, financial condition and investor relations.	Mr Choo has more than 20 years of experience in audit, banking and corporate finance-related work. From 1998 to 2009, he was with BNP Paribas Capital (Singapore) Ltd., where he served in various roles. His last position held there was as Director of Corporate Finance for Southeast Asia. In his role as a senior member of the corporate finance origination and execution team covering Southeast Asia, he successfully completed numerous domestic and cross-border mergers and acquisitions. Focusing mainly on the real estate sector and REIT transactions, he and his team successfully launched several initial public offerings of REITs in Singapore.

Source: Company reports

Figure 18: IREIT's current trust structure



Source: Company annual report

(1): German Properties are held through property holding companies in the Netherlands, while Spanish Properties are held through a property holding company in Spain.

(2) Professional third party property managers have been appointed pursuant to the property management agreements entered into between the relevant property holding company and the property manager.

Financials

YE 31 Dec

INCOME STATEMENT (EUR '000)	2019A	2020A	2021F	2022F	2023F
Gross revenue	**35,265**	**37,821**	**42,872**	**42,145**	**43,691**
Property operating expenses	(4,603)	(4,927)	(5,585)	(5,490)	(5,692)
Net property income	**30,662**	**32,894**	**37,287**	**36,655**	**38,000**
Manager & Trustee fees	(2,635)	(2,878)	(3,082)	(3,022)	(3,150)
Admin & Other expenses	(1,086)	(2,294)	(1,986)	(1,964)	(2,011)
Profit from Operations	**26,941**	**27,722**	**32,219**	**31,669**	**32,839**
Finance income/(expenses)	(6,100)	(4,410)	(5,293)	(5,293)	(5,293)
Other operating income/(expenses)	61,361	2,343	0	0	0
Profit before Tax	**82,202**	**25,655**	**26,927**	**26,376**	**27,546**
Income tax	(13,304)	(5,934)	(5,385)	(5,275)	(5,509)
Distributable Income	**25,264**	**27,434**	**29,619**	**29,014**	**30,301**

BALANCE SHEET (EUR '000)	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalents	25,343	43,109	45,183	47,197	49,340
Other current assets	2,290	3,145	3,145	3,145	3,145
Current Assets	**27,633**	**46,254**	**48,328**	**50,342**	**52,485**
Investment properties	574,900	719,580	719,600	719,600	719,600
Other non-current assets	33,844	3,195	3,195	3,195	3,195
Non-current Assets	**608,744**	**722,775**	**722,795**	**722,795**	**722,795**
Total assets	**636,377**	**769,029**	**771,123**	**773,137**	**775,280**
Trade and other payables	3,717	4,690	4,690	4,690	4,690
Borrowings (current)	0	0	0	0	0
Other current liabilities	13,815	16,540	16,540	16,540	16,540
Current Liabilities	**17,532**	**21,230**	**21,230**	**21,230**	**21,230**
Borrowings (non-current)	231,453	264,628	264,628	264,628	264,628
Other non-current liabilities	33,099	41,428	39,998	39,998	39,998
Non-current liabilities	**264,552**	**306,056**	**304,626**	**304,626**	**304,626**
Net assets attributed to Unitholders	354,293	441,743	445,267	447,281	449,424
Non-controlling interests	0	0	0	0	0
Total Equity	**354,293**	**441,743**	**445,267**	**447,281**	**449,424**
Total Liabilities and Equity	**636,377**	**769,029**	**771,123**	**773,137**	**775,280**

CASH FLOW STATEMENT (EUR '000)	2019A	2020A	2021F	2022F	2023F
Profit after unitholder transactions	46,160	(4,970)	(5,117)	(5,012)	(5,234)
Depreciation & Amortisation	0	0	0	0	0
Change in Working Capital	325	(3,512)	(269)	(264)	(275)
Income Tax Paid	(187)	(1,256)	(269)	(264)	(275)
Other non-cash adjustments	(17,121)	36,225	40,567	39,847	41,379
CF from operating activities	**29,177**	**26,487**	**34,912**	**34,307**	**35,594**
Purchase/Disposal of PPE	(655)	(1,170)	(887)	(887)	(887)
Other CFI	(30,918)	(37,706)	0	0	0
CF from investing activities	**(31,573)**	**(38,876)**	**(887)**	**(887)**	**(887)**
Distributions paid	(22,795)	(22,727)	(26,658)	(26,113)	(27,271)
Debt Raised / (Repaid)	39,266	(32,000)	0	0	0
Equity Raised / (Bought Back)	0	89,371	0	0	0
Other Cash from Financing	(7,128)	(4,489)	(5,293)	(5,293)	(5,293)
CF from financing activities	**9,343**	**30,155**	**(31,950)**	**(31,406)**	**(32,564)**
Net increase in cash & cash equiv.	6,947	17,766	2,074	2,014	2,143
FX effects	0	0	0	0	0
Beginning Cash	18,396	25,343	43,109	45,183	47,197
Ending Cash	**25,343**	**43,109**	**45,183**	**47,197**	**49,340**

KEY RATIOS	2019A	2020A	2021F	2022F	2023F
Profitability					
DPU (SGD Cents)	5.8	5.0	4.5	4.4	4.5
DPU growth (%)	2.8	(13.3)	(10.9)	(2.8)	3.6
Dividend Yield (%)	7.2	7.7	6.9	6.7	6.9
Profitability					
NPI margin	86.9%	87.0%	87.0%	87.0%	87.0%
EBIT margin	87.9%	84.3%	86.4%	86.4%	86.4%
Net margin	195.4%	52.1%	50.2%	50.1%	50.4%
ROE	20.9%	5.0%	4.9%	4.7%	4.9%
ROA	11.8%	2.8%	2.8%	2.7%	2.8%
Financial Structure (x)					
Interest coverage	13.5	5.8	5.1	5.0	5.2
Total Debt/Equity	65.3	59.9	59.4	59.2	58.9
Total Debt/Assets	36.4	34.4	34.3	34.2	34.1
Market Valuation (x)					
Price / Earnings	3.7	14.7	18.0	18.5	17.8
Price / Book	0.7	0.9	0.9	0.9	0.9
Price / Sales	11.7	16.1	14.3	14.7	14.3

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Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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