INITIATION

REIT ▪ Singapore

# AIMS APAC REIT

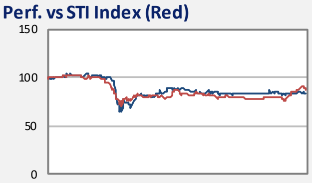
(AAREIT SP)

## Achieving their AIM

*Joel Ng / 65 6202 1192 / joel.ng@kgi.com*
*Amirah Yusoff / 65 6202 1195 / amirah.yusoff@kgi.com*

- With a portfolio occupancy rate of 94.5%, almost 5% higher than Singapore's industrial average occupancy level of 89.6% (based on JTC's 3Q 2020 statistics), we like AIMS APAC REIT (AAREIT) for its diversified and resilient portfolio.
- AAREIT's management also has an excellent track record with yield-accretive acquisitions, value-adding to its current portfolio through property redevelopments or asset enhancement initiatives (AEIs) by building out its properties with under-utilised plot ratios, and refurbishing older assets.
- We initiate coverage on AAREIT with an OUTPERFORM recommendation. Our target price of S$1.35 represents a total upside of 21.1%, inclusive of FY21F dividend yield of 7.4%.

| Outperform - Maintain | | | |
|---|---|---|---|
| Price as of 7 Dec 20 (SGD) | 1.19 | **Performance (Absolute)** | |
| 12M TP (SGD) | 1.35 | 1 Month (%) | 1.7 |
| Previous TP (SGD) | - | 3 Month (%) | 3.4 |
| Upside, incl div (%) | 21.1% | 12 Month (%) | -10.4 |
| **Trading data** | | **Perf. vs STI Index (Red)** | |
| Mkt Cap (USD mn) | 841.0 | | |
| Issued Shares (mn) | 707.0 | | |
| Vol - 3M Daily avg (mn) | 0.8 | | |
| Val - 3M Daily avg (SGD mn) | 1.0 | | |
| Free Float (%) | 61.6 | | |
| **Major Shareholders** | | **Previous Recommendations** | |
| ESR Cayman Ltd | 13.0% | | |
| Dragon Pacific Assets Ltd | 8.9% | | |
| George Wang | 8.0% | | |




Financials & Key Operating Statistics

| YE Mar SGD mn | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Gross revenue | 118.1 | 118.9 | 122.6 | 126.3 | 131.4 |
| Net property income | 78.5 | 89.1 | 81.8 | 86.0 | 89.4 |
| Distributable income | 50.0 | 85.5 | 75.4 | 78.6 | 80.6 |
| DPU (SGD cents) | 10.3 | 9.5 | 8.8 | 9.2 | 9.5 |
| Div Yield (%) | 8.6 | 8.0 | 7.4 | 7.8 | 8.0 |
| NAV (S$) | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 |
| Price / Book (x) | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 |
| NPI Margin (%) | 66.5 | 74.9 | 68.1 | 68.1 | 68.1 |
| Net Margin (%) | 42.4 | 71.9 | 61.5 | 62.2 | 61.4 |
| Gearing (%) | 33.5 | 33.5 | 32.5 | 32.4 | 32.3 |
| ROA (%) | 3.4 | 5.2 | 4.2 | 4.4 | 4.5 |

*Source: AAREIT, KGI Research*

### Investment Thesis

**Diversified and resilient with income visibility.** AAREIT's assets are well-diversified from all fronts – property types, lease structures and tenants. It has properties ranging from Logistics & Warehouse, Light Industrial, General Industrial, Business Parks as well as Hi-Tech. c.71% of its gross rental income (GRI, 2Q FY21) is earned from multi-tenanted assets, while the remaining GRI comes from master-leased assets with longer lease terms, providing a comfortable amount of income visibility and certainty. AAREIT's properties are also tenanted by close to 200 tenants operating across a broad range of industries, including Telecommunication, Biotech/Life Sciences, Fashion and Apparels, and Furniture.

**Strong performance track record.** Over the years, AAREIT has successfully built out several properties with under-utilised plot ratios, and refurbished its older assets where possible. All six of its redeveloped assets have attracted premium tenants since 2011, unlocking long-term value for unitholders. Its most recent design-and-build redevelopment of 3 Tuas Avenue 2 transformed the asset into a versatile ramp-up industrial facility suitable for production and storage, in line with the Singapore Government's master plan to develop and upgrade the Tuas region into a high performing industrial district, thereby enabling AAREIT to capture growth in demand for industrial space. With almost 7% of NLA still untapped, we like this as a key long term strategy that will help boost the REIT's performance, as prospective tenants will naturally be drawn to premium quality properties.

### Valuation & Action

We initiate coverage on AAREIT with an OUTPERFORM recommendation. Our target price of S$1.35 is derived using DDM methodology, with a terminal growth rate of 1.5%, and an all in cost of equity rate of 8.05%. AAREIT currently trades at a FY21F P/B ratio of 0.9x, a 25% discount to the average of its peers at 1.2x.

### Key Risks

Key risks include a prolonged impact of Covid-19 on the economy, potential oversupply of industrial assets, and the early termination of long-term leases, and interest rate risk.

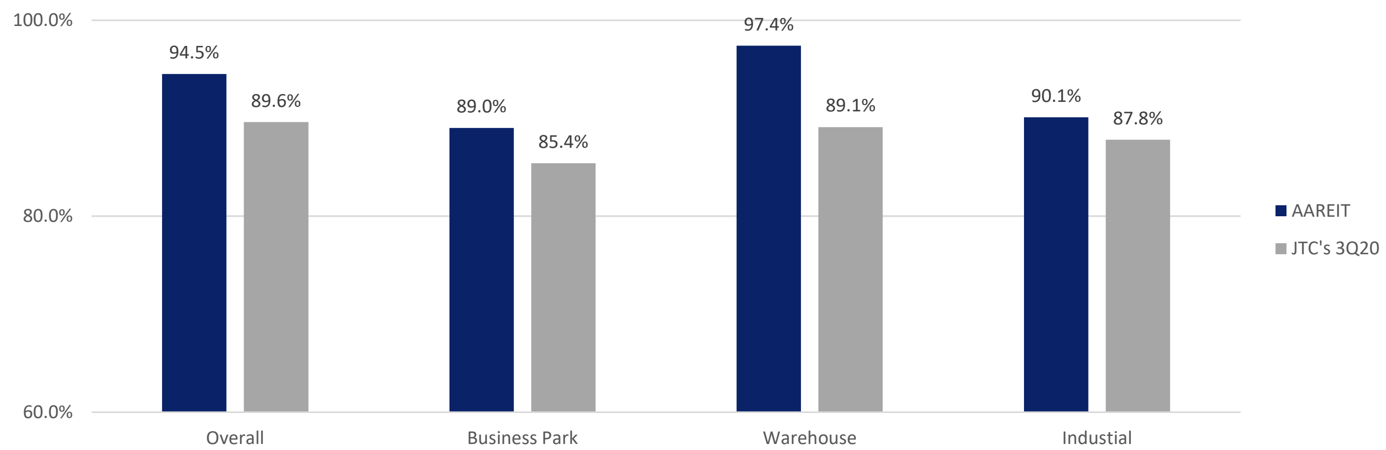
# Table of Contents

# INVESTMENT THESIS

## DIVERSIFIED AND RESILIENT PORTFOLIO

Following its most recent acquisition of 7 Bulim Street earlier in October 2020, AAREIT owns a total of 28 industrial properties, comprising 26 properties located throughout Singapore, a property located in Gold Coast, Queensland, Australia, and a 49.0% interest in a property located in Macquarie Park, New South Wales, Australia. It boasts an overall portfolio occupancy of 94.5%, almost 5% higher than Singapore's industrial average occupancy level of 89.6% (based on JTC's 3Q20 statistics).

**Figure 1: AAREIT's portfolio occupancy breakdown (%), as of 2QFY2021 (ending 30 Sept 2020)**

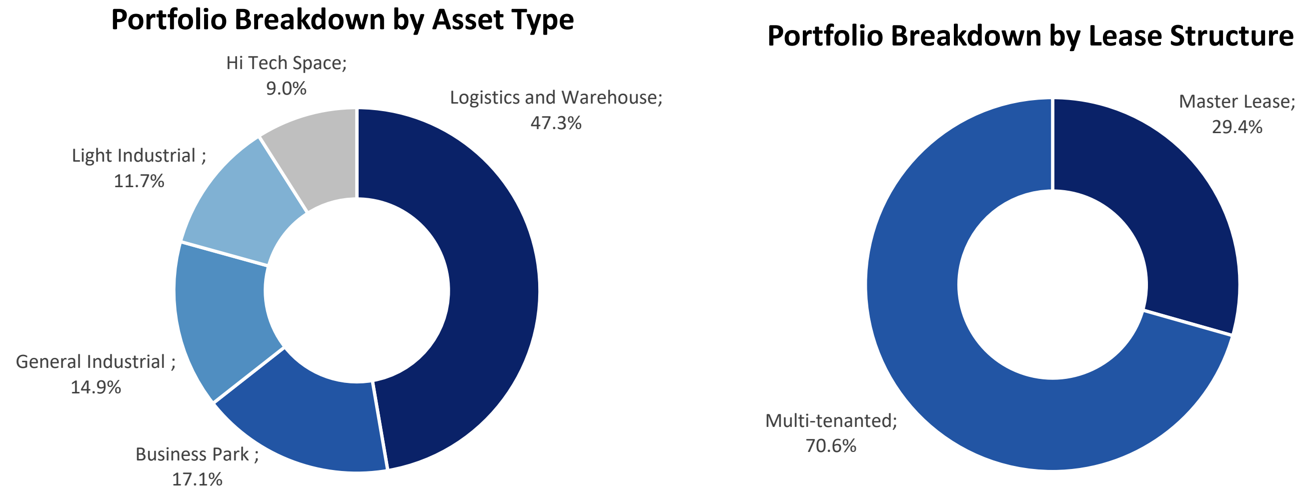



*Source: AAREIT, KGI Research*

Of these, its Logistics & Warehouse assets make up close to 50% of gross rental income (GRI) (based on 2Q FY 2021 as of 30 September 2020). Business Parks make up the next largest proportion of GRI (17.1%), followed by General and Light Industrial properties. There is also a good balance between lease structures – alleviating concentration risk on any one single tenant. With built-in rental escalations providing visible growth, its master leases should continue to offer investors a higher degree of income certainty over the medium term. AAREIT also has a WALE of of 4.23 years as at 30 September 2020, which is laudable given the consensus on a preference for shorter leases during this period of heightened uncertainty.

AAREIT's properties are also tenanted by close to 200 tenants operating across a broad range of industries, including Telecommunication, Biotech/Life Sciences, Fashion and Apparels, and Furniture. It is notable that over 50% of its tenants operate in 'Essential Services', lending some level of defensiveness and resiliency to its portfolio especially during the current pandemic. Its top 10 tenants (by 2QFY2021) include well-established firms such as Optus, Schenker Singapore, and Beyonics International, and no single tenant makes up more than 15% of GRI. These factors have altogether helped to stabilise earnings and DPU over the last 2-3 quarters.

**Figure 2: AAREIT's portfolio breakdown, as of 2QFY2021 (ending 30 Sept 2020)**




*Source: AAREIT, KGI Research*

**Figure 3: AAREIT's top 10 tenants and % contribution to gross rental income (GRI), as of 2QFY2021 (ending 30 Sept 2020)**

| Tenant | % |
|---|---|
| Optus Administration Pty Limited | 13.3 |
| Illumina Singapore Pte Ltd | 8.8 |
| Resmed Asia Pte Ltd | 4.2 |
| Schenker Singapore (Pte) Ltd | 3.7 |
| GSM (Operation) Pty Ltd | 3.0 |
| Focus Network Agencies (Singapore) Pte Ltd | 2.9 |
| Beyonics International Pte Ltd | 2.8 |
| CWT Pte Ltd* | 2.7 |
| CIT Cosmeceutical Pte Ltd | 2.6 |
| Element 14 Pte Ltd | 1.4 |
| **Top 10 tenants** | **45.4** |

* Exposure to CWT leases will be further reduced due to the expiries of the CWT lease agreements. Approximately 2.4% of AA REIT's 2Q FY2021 gross rental income from the CWT lease agreements will expire in FY2021, with the final CWT lease agreement expiring in July 2021 (FY2022).

*Source: AAREIT, KGI Research*

## STRONG PERFORMANCE TRACK RECORD

### Organic redevelopment strategies, active asset management

As part of its long term strategy to strengthen its portfolio for the long term, AAREIT continuously focuses on asset enhancement initiatives (AEIs), building out its properties with under-utilised plot ratios, and refurbishing older assets. As part of this value-add strategy, AAREIT has successfully redeveloped six assets into high quality properties and attracting premium tenants since 2011, unlocking long-term value for unitholders.

For example, AAREIT completed the design-and-build redevelopment of 3 Tuas Avenue 2 within budget and on schedule earlier this year – transforming the asset into a versatile ramp-up industrial facility suitable for production and storage. The property's facilities align with the Singapore Government's master plan to develop and upgrade the Tuas region into a high performing industrial district, thereby enabling AAREIT to capture growth in demand for industrial space.

In addition, a 10-year master lease agreement was secured for 3 Tuas Avenue 2 prior to completion of the redevelopment with a global medical device design and development, storage and distribution company. The master lease is on a triple net lease basis with rental escalations every two years during the initial term, and options to renew the lease for up to a further 20 years after the expiry of the initial 10-year term. The property is expected to provide S$3.8 million in rental income in the first year with an approximate initial net property income yield of 8.3% based on the estimated development cost.

**Figure 4: 3 Tuas Avenue 2, Singapore**

*Source: AAREIT Annual Report*

A significant proportion of its portfolio still provides some organic growth optionality with underutilized plot ratios: total potential untapped gross floor area (GFA) of up to 502,707 sqft (about 6.9% of existing NLA). We like this as a key long term strategy that will help boost the REIT's portfolio occupancy rates, WALE, and lease terms as prospective tenants will naturally migrate to properties with better quality specifications and facilities.

## Yield-accretive acquisitions

AAREIT made its first acquisition in Australia – a 49% stake in the Optus Centre (Macquarie Park, Australia) at a purchase price of AUD184 million. Later in 2019, together with its joint venture partner Stockland, AAREIT successfully secured a 12-year agreement for lease at Optus Centre in Macquarie Park, New South Wales, Australia, with its largest tenant Optus Administration Pty Limited (Optus).

The master lease agreement includes built-in annual rental escalation of 3.25% on face rent, and two, five-year options to extend the lease after the initial lease term. The estimated net property income (NPI) for the first year of the new lease is approximately A$28.3 million; average NPI over the 12-year lease term, taking into consideration rental escalation, is projected to be approximately A$36.5 million. With this, AAREIT has achieved a laudable 17% IRR on investment since acquisition.

AAREIT acquired its second Australian asset in Burleigh Heads, Queensland, also in 2019, for AUD38.46 million, bringing in a 7.8% p.a. triple net yield. The property sits on a 3.33 hectare freehold site with a purpose built warehouse and office building and a two-storey retail building, with a total net lettable area of 14,833 square metres. The property is leased to GSM (Operations) Pty Ltd, wholly-owned subsidiary of Boardriders, Inc[1]., also for 12 years on a triple net lease basis with stipulated annual rent increments and a rent review after 6 years.

**Figure 5: Boardriders Asia Pacific HQ, 209-217 Burleigh Connection Road, Burleigh Waters, Queensland, Australia**

*Source: AAREIT Annual Report 2020*

In Singapore earlier in October 2020, AAREIT made a S$129.6 million acquisition of a logistics warehouse – 7 Bulim Street – with an initial NPI yield of 7.07%. With this purchase, AAREIT becomes the first industrial REIT with a presence in Singapore's Jurong Innovation District, an advanced manufacturing campus with good connectivity to major expressways, as well as proximity to the future Tuas Mega Port and Tuas Checkpoint. The inclusion of this modern, high-quality warehouse, 100% leased to a master tenant with a strong lease covenant, boosts AA REIT's overall portfolio occupancy rate to 95.0%.

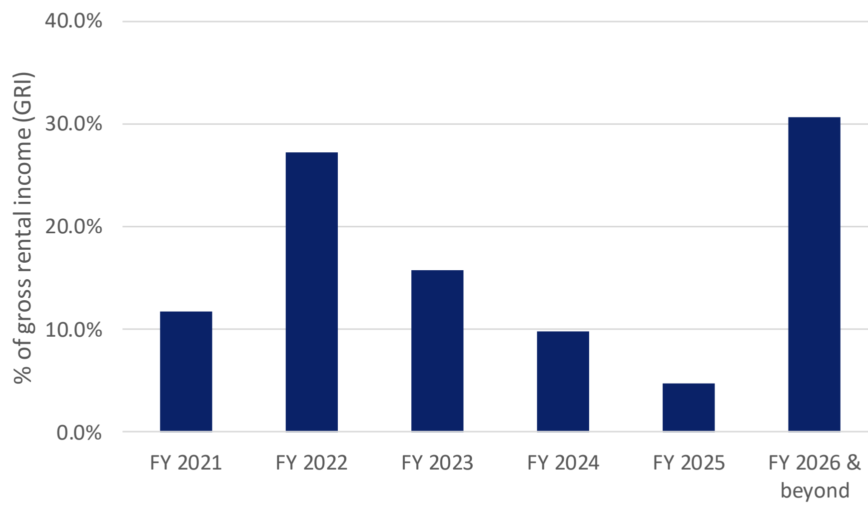
[1] Boardriders, Inc., a global leading actions sports and lifestyle company that designs, produces and distributes branded ready-to-wear apparel, footwear and accessories under globally-recognised brands including Quiksilver, Billabong, Roxy, DC Shoes, RVCA and Element.

## Active lease management

AAREIT has not only proven their successful track record in identifying, evaluating and executing yield-accretive acquisitions that provide for a stable and resilient portfolio, but have consistently also engaged in proactive asset and lease management strategies. In FY2020, AAREIT executed 86 new and renewal leases, representing 18.4% of portfolio's total NLA. In 2Q FY2021 alone, the REIT executed 22 new and renewal leases, representing 38,109sqm or 5.7% of portfolio NLA. As a result, its portfolio occupancy increased to 94.5% (1Q FY2021: 93.6%) mainly due to leases secured at 8 & 10 Pandan Crescent and 15 Tai Seng Drive, riding on the continued demand for Logistics and Warehouse space.

Subsequent to 2Q FY2021, AAREIT also secured a new master tenant for the entire premises of 541 Yishun Industrial Park A, whose previous lease had expired earlier in 1Q FY2021. Including tenants at this asset as well as the newly acquired 7 Bulim Street, pro-forma occupancy would stand at 96.1%, considerably above Singapore's industrial average occupancy level of 89.6% (based on JTC's 3Q20 statistics).

**Figure 6: Lease expiry profile as at 30 September 2020 (by 2Q FY2021 GRI)**




| | 2Q FY2021 | sqm | % of total NLA |
|---|---|---|---|
| Total new leases signed | 10 | 19,807 | 3.0 |
| Total renewal leases signed | 12 | 18,302 | 2.7 |

*Source: AAREIT, KGI Research*

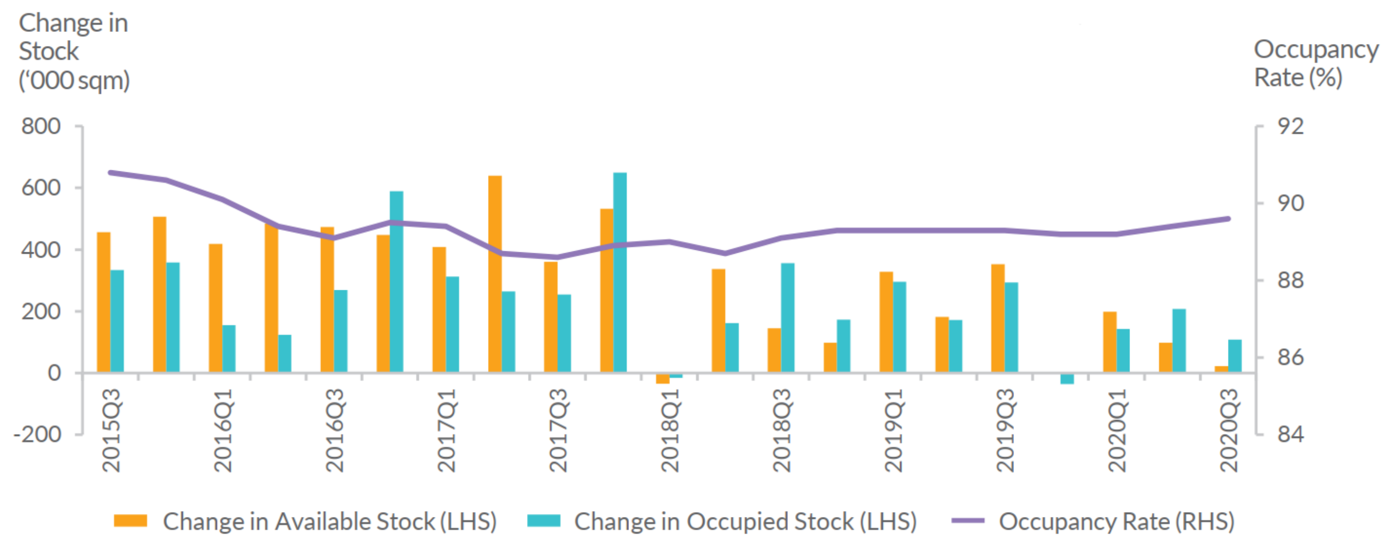
## Prudent capital management

Despite accelerated growth in its AUM through yield accretive investments, AAREIT has managed to maintain an aggregate leverage of 33.6% as of 2Q FY2021, and a sound balance sheet throughout. This provides more than ample headroom to fund any future AEIs, redevelopments or yield accretive acquisitions, in view of MAS's 50% gearing limit. The REIT had a cash balance of S$17.0 million and undrawn committed facilities of S$209.3 million as at 30 September 2020.

## SECTOR REVIEW & OUTLOOK

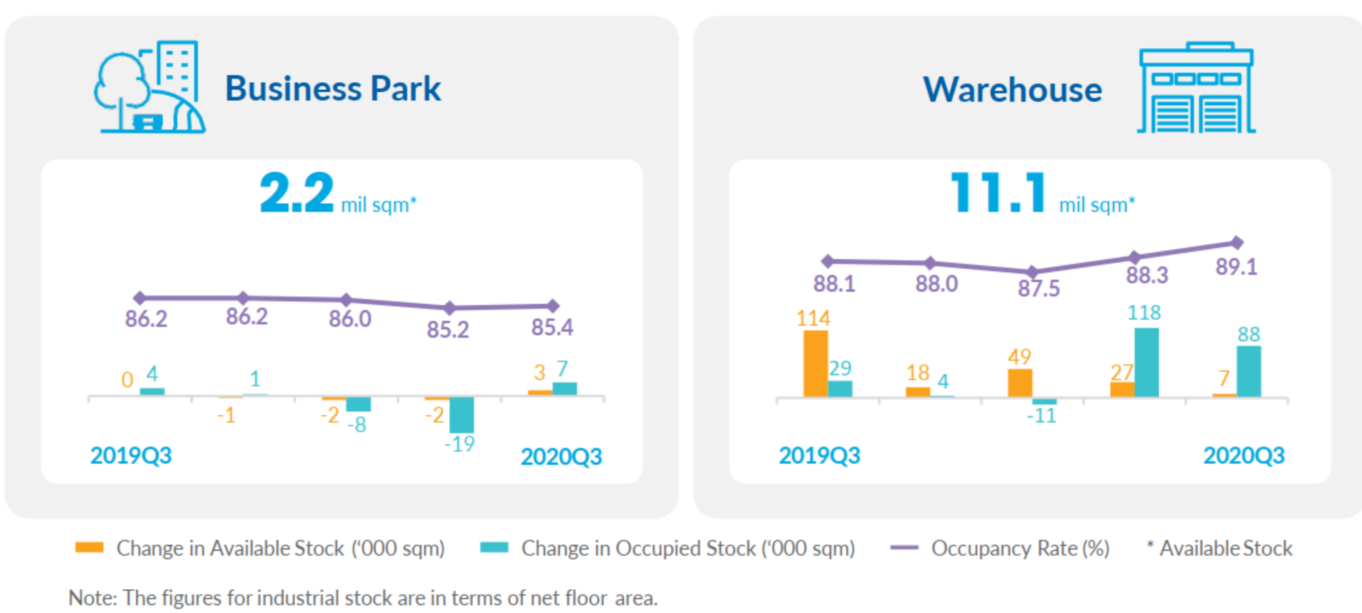
According to JTC's quarterly market report, 3Q20's occupancy rate for the overall industrial property market rose marginally by 0.2 ppts QoQ (2Q20: 89.4%; 3Q20: 89.6%), mainly due to increased demand for storage amid delays in new completions. Due to the impact of Covid-19 on the construction sector, only 24,000 sqm of new industrial stock was completed, as compared to an average quarterly completion of around 270,000 sqm since 2018.

**Figure 7: Stock & occupancy of industrial properties in Singapore, as of 3Q 2020**



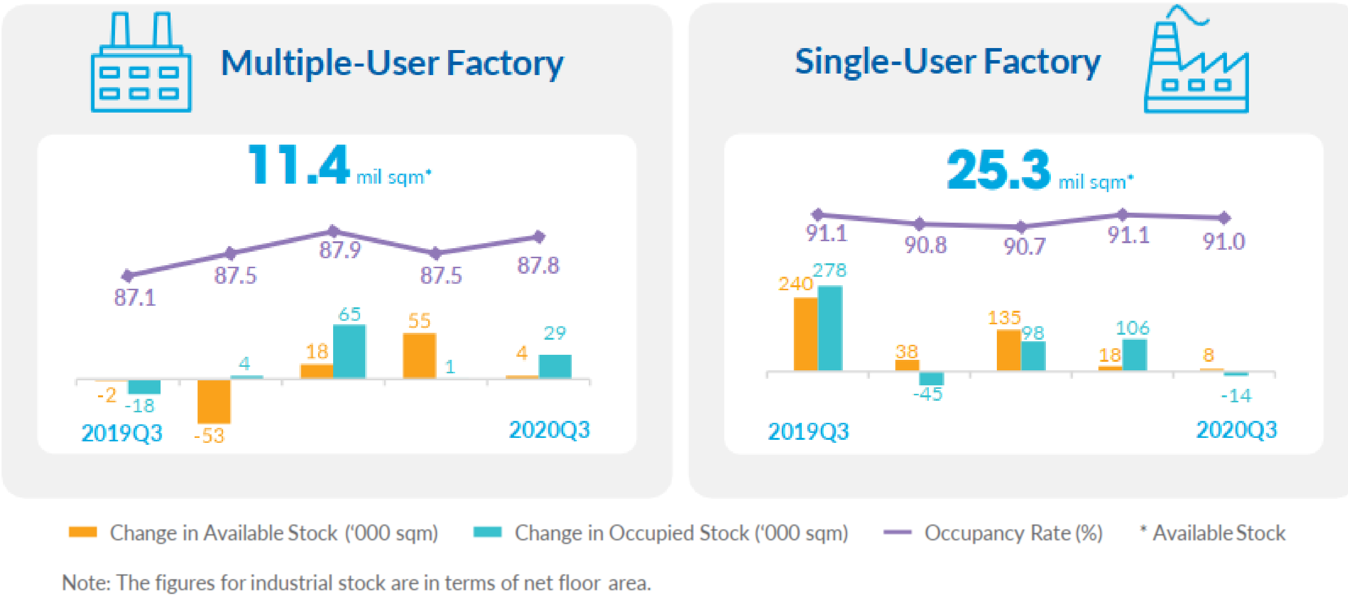

*Source: JTC Quarterly Market Report, Industrial Properties, 3Q2020*

**Figure 8: Stock & occupancy of business parks and warehouses in Singapore, as of 3Q 2020**




*Source: JTC Quarterly Market Report, Industrial Properties, 3Q2020*

**Figure 9: Stock & occupancy of multiple and single-user factories in Singapore, as of 3Q 2020**

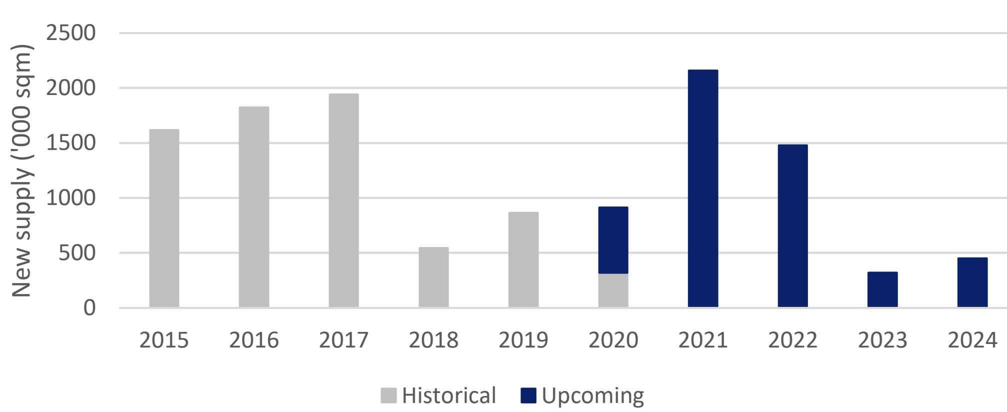



*Source: JTC Quarterly Market Report, Industrial Properties, 3Q2020*

Based on approved plans as at end September 2020, around 0.6mn sqm of industrial space could be completed in the last quarter of 2020 according to JTC. Of which, about 0.35mn sqm (equivalent to c.58%) of the supply comprises of single-user factory space; warehouse supply constitutes another 0.17mn sqm (representing 29% of the supply); and the remaining is accounted for by multiple-user factory and business park space.

Between 2021 and 2024, around 4.4mn sqm of industrial space is expected to be completed. Of which, 0.7mn sqm was delayed from 2021 to 2021 and 2022 due to the impact of Covid-19. Including the expected supply of 0.6mn sqm in the last quarter of 2020, this adds up to an average annual supply of about 1.2mn sqm from now until the end of 2024. As a comparison, the average annual supply and demand of industrial space according to JTC were both around 0.8mn sqm in the past 3 years.

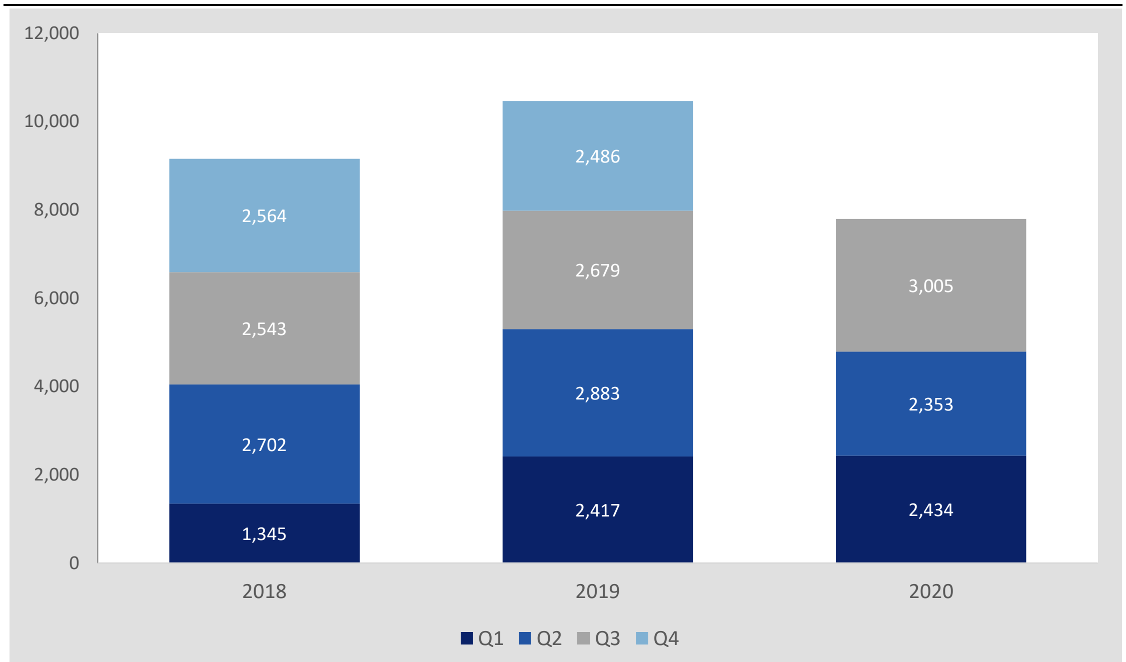
**Figure 10: Factory and warehouse leasing volumes, 2018 – 2020, by quarter**




*Source: JTC, Savills Research & Consultancy, KGI Research*

On the rental front, while JTC's rental indices continued to weaken across all segments in 3Q20 due to the downward pressure on rents as a result of the pandemic, Savills Research & Consultancy [2] noted that leasing volumes saw a substantial jump of 27.7% YoY for the quarter. Especially for warehouses, the latter forecasts strong demand going into 2021 as many continue to provide for buffers against potential supply chain disruption.

**Figure 11: Factory and warehouse leasing volumes, 2018 – 2020, by quarter**




*Source: JTC, Savills Research & Consultancy, KGI Research*

However, pressure on leasing activities for multiple-user factories may negate some effects due to social distancing trends that will likely still be prevalent in a post-pandemic environment. In addition, although there is increasing consensus that the economic recovery could be U-shaped, especially with multiple vaccinations in their final trials or already seeking emergency use approvals, the economy is unlikely to return to pre-COVID levels soon. As a result, overall industrial rents is expected to remain largely flat in FY 2021 despite increased leasing activity and volumes.

On the price and transaction front, prices of industrial spaces fell by 2.2% QoQ to 86.4 in 3Q20 on the price index. Conversely, transaction volumes for industrial properties, estimated by JTC based on the number of caveats lodged, nearly tripled compared to 2Q20, or increased by 32% YoY for the quarter. However, this could potentially simply be attributed to pent-up transactional demand given the 2-month circuit breaker measures in Singapore in April-June.

[2] Savills Research & Consultancy: Industrial market to see uneven recovery, November 2020

## VALUATION

We derive a target price of S$1.35 based on DDM valuations. Our target price represents an upside of 21.1%, inclusive of a forward 2021 (fiscal year ending Mar 31) dividend yield forecast of 7.4%.

**Revenues**: We expect gross revenue to grow due to contributions from AAREIT's recent acquisition of 7 Bulim Street, however the vacancy of around 5.5 months at 541 Yishun Industrial Park A is expected to offset some of the revenue growth. Going forward, we expect occupancy to grow gradually as the economy recovers from the impacts of Covid-19, but will be capped at a maximum of around 96% to account for timing differences and some vacancies from multi-tenanted assets.

**DPU**: We forecasted for a slight drop in DPU for FY2021F to account for disruptions to earnings due to the ongoing COVID-19 outbreak and the vacancy at 541 Yishun Industrial Park A for an estimated 5.5 months since the non-renewal of the previous lease, and prior to the new master lease commencing in mid-December 2020. We have forecasted for a terminal growth rate of 1.5%.

**Cost of equity**: We used an all in cost of equity rate of 8.05%, with a risk-free rate of 1.25% and market risk premium of 8.5%.

**Figure 12: Dividend Discount Model**

| Fiscal year ending March 31 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|---|---|---|---|
| Distribution per unit (SGD cents) | 10.30 | 10.25 | 9.50 | 8.80 | 9.25 | 9.48 | 9.55 | 9.59 | 9.73 |
| *Terminal Growth (%)* | | | | | | | | | *1.5%* |
| Terminal value per unit (SGD cents) | | | | | | | | 111.89 | |
| Cost of equity | 8.05% | | | | | | | | |
| **Target price (S$)** | **1.35** | | | | | | | | |
| Capital appreciation | 13.7% | | | | | | | | |
| FY21F distribution yield | 7.4% | | | | | | | | |
| Total upside, incl. dividends | 21.1% | | | | | | | | |

*Source: KGI Research*

## PEER COMPARISON

We compare AAREIT to other Singapore listed industrial REITS.

We note that at its forward P/B ratio of 0.8x, AAREIT trades at a discount compared to other industrial S-REITs averaging at about 1.1x. In addition, AAREIT's FY21F dividend yield is on the higher end at 7.4% compared to its peers' average at 6.2%.

**Larger REITs have outperformed in 2020.** An interesting trend in 2020 is that larger sized REITs (in terms of market capitalization) have outperformed the smaller REITs with market capitalizations of less than S$2 billion. The largest industrial REITs' unit prices have gained an average of 7.5% YTD, compared to the 5.7% decline across the whole sector. This outperformance is likely due to a flight to safety (i.e., those with established sponsors like Ascendas and Mapletree), and the more aggressive overseas expansion of the larger REITs such as Ascendas REIT (AREIT), Mapletree Industrial Trust (MINT), Mapletree Logistics Trust (MLT) and Frasers Logistics & Commercial Trust (FLT). Larger REITs also tend to benefit from fund inflows as being part of major equity indices such as MSCI Singapore and FTSE STI, as well as the various REIT indices

**Consolidation to continue.** The preference among investors for larger REITs have accelerated the trend of consolidation. Soilbuild Business Space REIT (SBREIT) announced in September 2020 that it had entered into a non-binding term sheet in relation to a possible transaction involving the major unitholders' interest. While the proposed merger between ESR-REIT and Sabana REIT was voted down last week, we think that a deal will still be likely going forward. Sabana REIT's small market capitalization of only S$271mn makes it a relatively easier acquisition target.

**Figure 13: Peer comparisons**

| BB ticker | Company Name | Last Price (local $) | Currency Adj. Market Cap (S$ m) | Dividend Yield (%) | | P/B (x) | | 6M Average daily trading volume (S$ '000) | YTD Price Performance (%) | 1YR Price Performance (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Current | +1 FY | Current | +1 FY | | | |
| AAREIT SP | AIMS APAC REIT | SGD 1.19 | 628 | 8.0 | 7.4 | 0.9 | 0.8 | 1,222 | -16.8 | -16.2 |
| | | | | | | | | | | |
| | **SINGAPORE LISTED INDUSTRIAL REITS (Avg)** | | **25,971** | **6.6** | **6.2** | **1.1** | **1.1** | **12,711.3** | (4.7) | **(5.7)** |
| AREIT SP | Ascendas Real Estate Investment Tru: | SGD 2.93 | 8,791 | 5.4 | 5.2 | 1.3 | 1.3 | 41,545 | -1.3 | -2.9 |
| MINT SP | Mapletree Industrial Trust | SGD 2.90 | 5,090 | 5.0 | 4.2 | 1.7 | 1.7 | 24,738 | 11.5 | 12.4 |
| MLT SP | Mapletree Logistics Trust | SGD 1.91 | 5,893 | 5.2 | 4.3 | 1.6 | 1.5 | 27,481 | 9.8 | 9.8 |
| FLT SP | Frasers Logistics & Commercial Trust | SGD 1.35 | 3,451 | 5.1 | 5.6 | 1.2 | 1.3 | 14,008 | 13.4 | 10.7 |
| EREIT SP | ESR-REIT | SGD 0.40 | 1,047 | 7.7 | 7.3 | 1.0 | 0.9 | 2,781 | -25.5 | -28.2 |
| ECWREIT SP | EC World Real Estate Investment Trus | SGD 0.71 | 427 | 8.1 | 7.7 | 0.8 | 0.8 | 766 | -4.7 | -6.0 |
| ALLT SP | ARA LOGOS Logistics Trust | SGD 0.59 | 521 | 7.7 | 8.3 | 1.0 | 1.0 | 1,629 | -17.5 | -17.5 |
| SBREIT SP | Soilbuild Business Space REIT | SGD 0.51 | 480 | 7.7 | 5.9 | 0.9 | 0.9 | 931 | -2.9 | -2.9 |
| SSREIT SP | Sabana Shari'ah Compliant Industrial | SGD 0.35 | 271 | 7.7 | 7.5 | 0.7 | 0.6 | 523 | -25.0 | -26.6 |

*Source: Bloomberg, KGI Research*

## KEY RISKS

### PROLONGED IMPACT OF COVID-19 ON ECONOMY AND OVERSUPPLY

Not only will the widening gap between demand and supply from now until 2024 put further pressure on rental reversionary trends and occupancy rates going forward, but a slowdown in the expected recovery of the global economy will also impede the recovery of the industrial property sector.

### EARLY TERMINATION OF LONG-TERM LEASES

AAREIT's longer-term leases that expire in FY2026 and beyond (representing by c.31% of its 2Q FY2021 GRI) provide income visibility and stability to the REIT. Early termination of any of these leases would affect the long-term stability of unitholders' returns.

### INTEREST RATE RISK

Any sharper-than-expected rise in interest rates would increase AAREIT's current (blended) cost of debt (2Q FY2021: 3.2%), and negatively impact profits and consequently its distributions to unitholders.

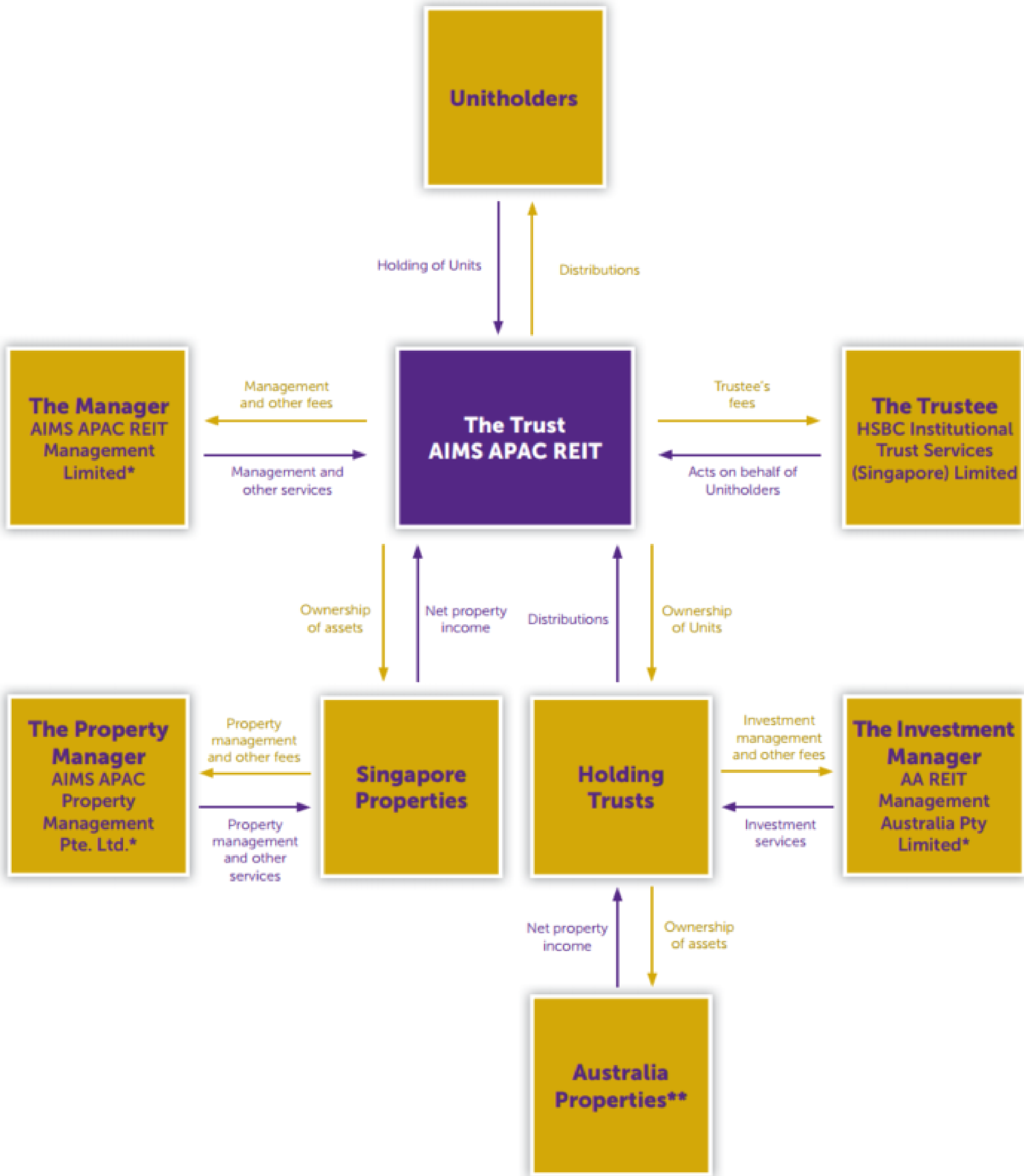
### FOREIGN CURRENCY FLUCTUATIONS AND EXCHANGE RATE RISK

Any AUD/SGD currency volatility may hinder hedging efforts put in place by AAREIT, and may negatively affect its share of profits from its joint ventures relating to the Australian properties, and consequently its distributions to unitholders.

# COMPANY OVERVIEW

AIMS APAC REIT (AAREIT) has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 2007, with the principal investment objective of investing in a diversified portfolio of income-producing industrial, logistics and business park real estate, located throughout the Asia Pacific region.

**Figure 14: Structure of AIMS APAC REIT**




*Source: AAREIT, KGI Research*

**Indirectly owned by AIMS Financial Group*

*** The Australian properties are Optus Centre and Boardriders Asia Pacific HQ. Optus Centre is held through a joint venture and the joint venture partners have certain pre-emptive rights that may be triggered if there are changes in the trust ownership structure.*

## The Manager: AIMS APAC REIT Management Limited

AAREIT is managed by AIMS APAC REIT Management Limited, a wholly-owned by the sponsor AIMS Financial Group (AIMS).

AAREIT has come a long way since AIMS's acquisition of then distressed MacarthurCook Limited and MI-REIT (Macarthur Cook Industrial REIT, now known as AAREIT) in 2009, that was under management by a wholly-owned subsidiary of the ASX-listed fund manager. Under AIMS's guidance as Sponsor, and AIMS APAC REIT Management Limited as the new Manager, AAREIT was recapitalised with the securing of finance and its performance was turned around. Since that time, AA REIT has grown significantly, from an AUM (assets under management) of S$658 million as at end FY2010, to S$1.65 billion of total assets as at 31 March 2020, while still maintaining an aggregate leverage of 34.8% (as at 31 March 2020).

This turnaround was the result of a confluence of AIMS's and the management team's strategic initiatives and incredible effort – including its value-add strategy to redevelop assets, and its timely, value and yield-accretive acquisitions. Earlier in May 2020, AAREIT was included in the MSCI Singapore Small Cap Index. Their proven track record over the last ten years provide much needed assurance and confidence to investors in their ability to sustain AAREIT's long-term returns and performance in a volatile and uncertain global economy.

## The Sponsor: AIMS Financial Group (AIMS)

AIMS is the sole sponsor of AA REIT. Established in 1991, AIMS is a diversified financial services and investment group, active in the areas of mortgage lending, securitisation, investment banking, funds management, property investment, stock broking and high-tech investment. AIMS is also a strategic investor in the Sydney Stock Exchange.

AIMS has raised funds from capital markets and issued residential mortgage-backed securities, predominantly rated AAA by both Standard & Poor's and Fitch Ratings. AIMS has also attracted a number of international investors into the Australian markets and is the investment manager for various funds.

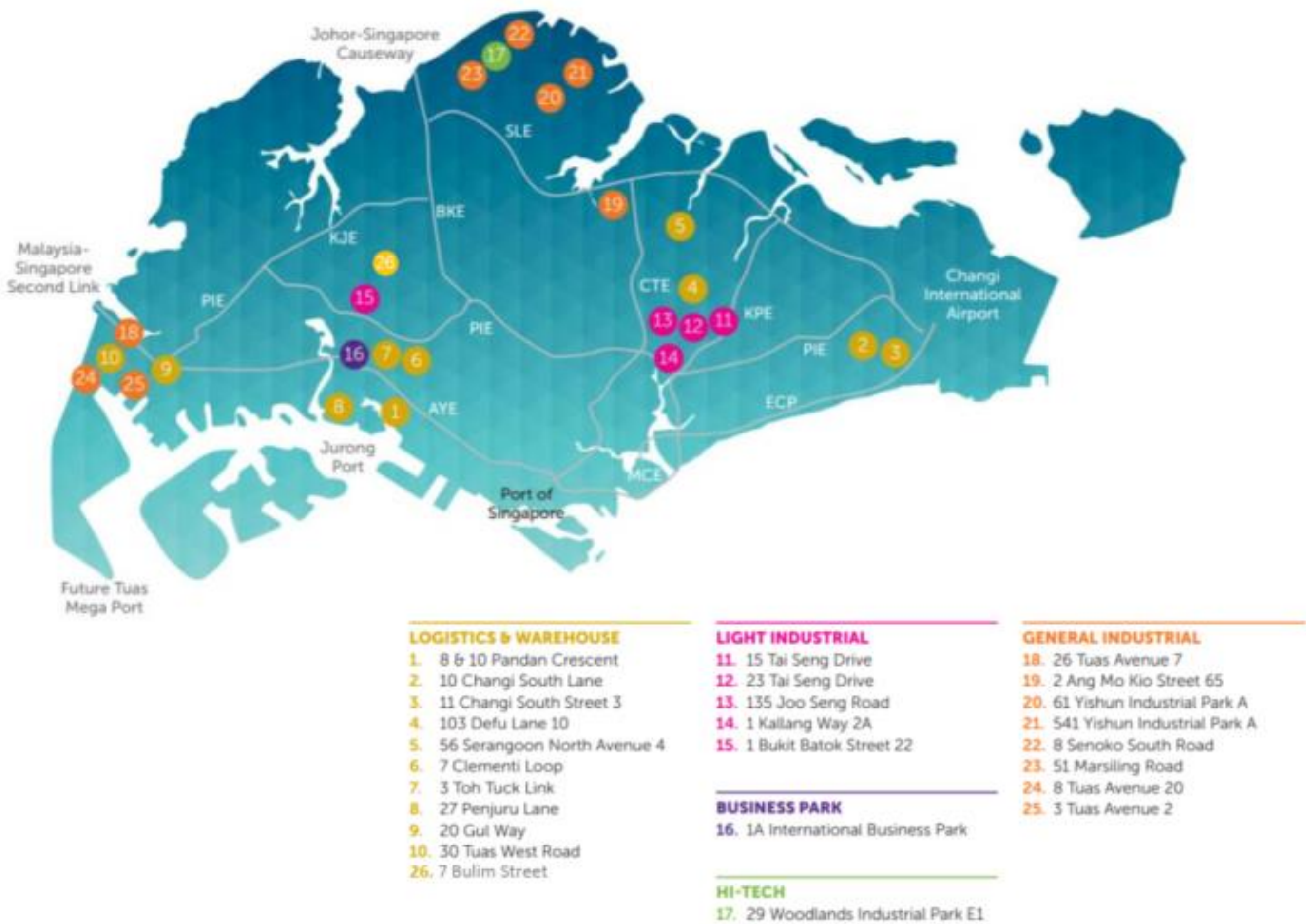
AIMS' head office is in Sydney and it has businesses across Australia, China, Hong Kong and Singapore. Its highly qualified, professional and experienced cross-cultural teams enable AIMS to bridge the gap between Australia and Asia across various sectors.

## PROPERTY PORTFOLIO

AAREIT's real estate assets are utilised for a variety of purposes, including but not limited to warehousing and distribution activities, business park activities and manufacturing activities. AA REIT's portfolio consists of 28 properties, of which 26 properties are located throughout Singapore, a property located in Gold Coast, Queensland, Australia, and a 49.0% interest in one business park property, Optus Centre, which is located in Macquarie Park, New South Wales, Australia.

### Singapore Properties

**Figure 15: AAREIT's portfolio in Singapore**




*Source: AAREIT, KGI Research*

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 1 | **8 & 10 Pandan Crescent** | The property comprises one five storey (Block 8) and one six-storey (Block 10) warehouse buildings. The two blocks are serviced by 16 cargo lifts and 12 passenger lifts. The property has loading and unloading areas accommodating a total of 80 bays with 38 dock-levellers on the first storey. The property is well-served by expressways such as West Coast Highway, AYE and PIE. The Clementi MRT station and bus interchange are both a short drive away. | **Valuation (S$'mn)** | 147.9 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 8.8% |
| | | | **Land lease expiry** | 31-May-68 |
| | | | **Land area ('sqm)** | 32,376.50 |
| | | | **Net lettable area ('sqm)** | 65,831.72 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy (%)** | 90.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 9.77 |
| | Property | Description | Property Details | |
| 2 | **10 Changi South Lane** | The property comprises a part five-storey and part seven-storey warehouse with ancillary office space. The building has one passenger lift, three cargo lifts and eight loading and unloading bays with dock-levellers. It is located within Changi South Industrial Estate. The property is well-served by expressways and major roads such as PIE, ECP, and is approximately 18.0 km from the City Centre. | **Valuation (S$'mn)** | 22.1 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.3% |
| | | | **Land lease expiry** | 15-Jun-56 |
| | | | **Land area ('sqm)** | 9,219.10 |
| | | | **Net lettable area ('sqm)** | 12,612.90 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.3 |
| | Property | Description | Property Details | |
| 3 | **11 Changi South Street 3** | The property comprises a four-storey industrial building which has 60 car park lots and industrial/warehouse space located at the basement. The property is served by two passenger lifts, two cargo lifts and three common loading and unloading bays with dock-levellers. It is located in the well-established Changi South industrial estate on the southern end of Changi South Street 3. It is approx. 15.5 km from the City Centre and is a short drive from Changi International Airport. | **Valuation (S$'mn)** | 21.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.2% |
| | | | **Land lease expiry** | 31-Mar-55 |
| | | | **Land area ('sqm)** | 8,832.60 |
| | | | **Net lettable area ('sqm)** | 11,791.49 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 80.8 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.71 |
| | Property | Description | Property Details | |
| 4 | **103 Defu Lane 10** | The property comprises a six-storey industrial facility with sheltered car parking and display area on the first storey. The building has 12 loading and unloading bays with dock-levellers/scissors lifts, two passenger lifts and three cargo lifts. It is located within the well-established Defu Industrial Estate. The property is a short drive from Kovan MRT station and Hougang MRT station with close proximity to expressways including CTE, SLE, KPE, PIE via Eunos Link and is approximately 10.0 km from the City Centre. | **Valuation (S$'mn)** | 30.8 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.8% |
| | | | **Land lease expiry** | 30-Jun-43 |
| | | | **Land area ('sqm)** | 7,541.00 |
| | | | **Net lettable area ('sqm)** | 17,604.59 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 4.12 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 5 | **56 Serangoon North Avenue 4** | The property comprises a seven-storey industrial building incorporating warehouse, production and ancillary office areas. The building is served by one passenger lift, one fire lift, two cargo lifts and six loading and unloading bays with four dock-levellers. It is located within the Serangoon North Industrial Estate and is approximately 11.5 km from the City Centre. The property is in proximity to Ang Mo Kio MRT station and is well-served by major expressways and roads such as CTE, SLE, TPE. | **Valuation (S$'mn)** | 19.1 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.1% |
| | | | **Land lease expiry** | 15-May-55 |
| | | | **Land area ('sqm)** | 4,999.10 |
| | | | **Net lettable area ('sqm)** | 9,899.91 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 77.8 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.13 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 6 | **7 Clementi Loop** | The property comprises a warehouse and office building with a single level high-bay warehouse and a four-storey ancillary office block. There are eight loading and unloading bays with dock-levellers within the development. Vertical access for the ancillary office block is via a passenger lift. It is located within the well established Clementi West Distripark, and is approx. 13.0 km from the City Centre. The property is a short drive from Clementi MRT station and is well served by PIE, AYE and West Coast Highway. | **Valuation (S$'mn)** | 11.8 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 0.7% |
| | | | **Land lease expiry** | 15-Jun-53 |
| | | | **Land area ('sqm)** | 9,998.30 |
| | | | **Net lettable area ('sqm)** | 8,099.31 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 94.2 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.24 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 7 | **3 Toh Tuck Link** | The property comprises a part three-storey and part five-storey warehouse building with ancillary office space. TThe building is served by one passenger lift and one cargo lift, as well as seven loading and unloading bays with docklevellers on the first storey. It is located within the Toh Tuck Industrial Estate and is approximately 15.5 km from the City Centre. The property is a short drive from Jurong East MRT station, Clementi MRT station and bus interchanges. It is well-served by major roads and expressways such as Boon Lay Way, AYE and PIE. | **Valuation (S$'mn)** | 24.3 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.4% |
| | | | **Land lease expiry** | 15-Nov-56 |
| | | | **Land area ('sqm)** | 10,724.40 |
| | | | **Net lettable area ('sqm)** | 11,956.10 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.66 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 8 | **27 Penjuru Lane** | The property incorporates two five storey individual building envelopes providing high clearance warehouse and logistics facility with mezzanine offices serviced by a central vehicular ramp. In addition, there is an attached nine-storey ancillary office annex incorporating both office accommodation and a canteen. It is located within the well-established Jurong Industrial Estate along Penjuru Lane, and is approx. 16.5 km from the City Centre. The property is in close proximity to AYE, PIE, West Coast Highway and Jurong East MRT station. | **Valuation (S$'mn)** | 160.4 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 9.5% |
| | | | **Land lease expiry** | 15-Oct-49 |
| | | | **Land area ('sqm)** | 38,297.00 |
| | | | **Net lettable area ('sqm)** | 95,371.95 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 88.5 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 11.0 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 9 | **20 Gul Way** | The property comprises a five-storey warehouse and logistics facility serviced by a central vehicular ramp with a substantial hardstand marshalling yard. The property has 291 loading and unloading bays that are mostly fitted with dock-levellers. It is located in the well-established Jurong Industrial Estate and is approx 23.0 km from the City Centre. The property is a short drive from Gul Circle MRT station and Joo Koon MRT station and is well served by expressways such as AYE and PIE. The property is also a short drive from the Tuas Checkpoint. | **Valuation (S$'mn)** | 219.5 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 13.0% |
| | | | **Land lease expiry** | 15-Jan-41 |
| | | | **Land area ('sqm)** | 76,946.10 |
| | | | **Net lettable area ('sqm)** | 147,965.46 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 87.4 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 16.97 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 10 | **30 Tuas West Road** | The property comprises a purpose built five-storey ramp-up warehouse facility with mezzanine office and six loading and unloading bays with dock-levellers on each level. It is located within the well established Jurong Industrial Estate on the south-eastern side of Tuas West Road and is approximately 28.0 km from the City Centre. The property is a short walk from the Tuas West Road MRT station. Accessibility to other parts of Singapore is enhanced by its proximity to PIE and AYE. The property is also a short drive from the Tuas Checkpoint. | **Valuation (S$'mn)** | 53.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 3.1% |
| | | | **Land lease expiry** | 31-Dec-55 |
| | | | **Land area ('sqm)** | 12,894.90 |
| | | | **Net lettable area ('sqm)** | 25,943.66 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Part ML, part multi-tenanted |
| | | | **Occupancy** | 61.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 4.04 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 11 | **7 Bulim Street** | The property comprises a four storey ramp-up logistics facility with ancillary offices at each level. It is D99located in the Jurong West Logistics Cluster, within the Jurong Innovation District, which is part of the Singapore Government's plan to develop a one-stop 600-hectare advanced manufacturing campus. The property is in close proximity to the future Tuas Mega Port, current PSA ports, arterial expressways PIE and KJE, as well as Tuas Checkpoint. In addition to the existing East-West MRT Line, the property will also be well-served by the future Jurong Region MRT Line. | **Valuation (S$'mn)** | 130.0 |
| | | | **Valuation date** | 7-Aug-20 |
| | | | **Valuation as % of total portfolio value** | 7.7% |
| | | | **Land lease expiry** | 31-Aug-42 |
| | | | **Land area ('sqm)** | 34,095.00 |
| | | | **Net lettable area ('sqm)** | 68,190.55 |
| | | | **Property type** | Logistics and Warehouse |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Year 1 net property income (S$'mn)** | 9.2 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 12 | **15 Tai Seng Drive** | The property comprises a five storey light industrial building with a basement. The building has three loading and unloading bays with dock-levellers and is serviced by two passenger lifts and two cargo lifts. It is located along the eastern end of Tai Seng Drive, a cul-de-sac off Airport Road within the Tai Seng Industrial Estate. The property is a short drive from Tai Seng MRT station, PIE and KPE, Bartley viaduct and is approx. 9.5 km from the City Centre. | **Valuation (S$'mn)** | 33.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 2.0% |
| | | | **Land lease expiry** | 31-Mar-51 |
| | | | **Land area ('sqm)** | 9,077.90 |
| | | | **Net lettable area ('sqm)** | 17,886.46 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 69.1 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 3.17 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 13 | **23 Tai Seng Drive** | The property comprises a six storey light industrial building with a basement car park. The building is used for warehousing, data-centre and ancillary office and is served by two passenger lifts, one cargo lift and two loading and unloading bays with raised platforms. It is located within Tai Seng Industrial Estate and is approx. 9.5 km from the City Centre. The property is a short drive from Tai Seng MRT station and is well-served by major roads and expressways such as Paya Lebar Road, PIE, KPE as well as the Bartley viaduct. | **Valuation (S$'mn)** | 24.2 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.4% |
| | | | **Land lease expiry** | 31-Jul-50 |
| | | | **Land area ('sqm)** | 3,813.60 |
| | | | **Net lettable area ('sqm)** | 8,456.43 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.46 |
| 14 | **135 Joo Seng Road** | The property comprises an eight storey light industrial building with sheltered car parks on the first storey and a canteen on the second storey. The building is served by two passenger lifts and two cargo lifts with four loading and unloading bays. It is located at the north-western junction of Joo Seng Road and Jalan Bunga Rampai and is approximately 8.0 km from the City Centre. The property is in proximity to Tai Seng MRT station and Bartley MRT station. It is well-served by major roads directly linked to CTE, PIE and KPE. | **Valuation (S$'mn)** | 20.2 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.2% |
| | | | **Land lease expiry** | 30-Jun-54 |
| | | | **Land area ('sqm)** | 5,420.10 |
| | | | **Net lettable area ('sqm)** | 9,666.35 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 88.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.26 |
| 15 | **1 Kallang Way 2A** | The property comprises an eight storey building used for light industrial production and ancillary offices. The building is served by two passenger lifts, one cargo lift, one fire lift and three loading and unloading bays. It is located on the western junction of Kallang Way 2A and Kallang Way and is approximately 6.5 km from the City Centre. The property is a short drive from Aljunied, MacPherson, Geylang Bahru and Mattar MRT stations. It is well-served by PIE, CTE, KPE, MacPherson Road and Aljunied Road. | **Valuation (S$'mn)** | 12.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 0.7% |
| | | | **Land lease expiry** | 30-Jun-55 |
| | | | **Land area ('sqm)** | 3,231.40 |
| | | | **Net lettable area ('sqm)** | 6,583.52 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.23 |
| 16 | **1 Bukit Batok Street 22** | The property comprises an eight storey light industrial building incorporating a four-storey factory and an eight-storey ancillary office space. The building is served by two passenger lifts and two cargo lifts. There is loading and unloading areas. It is located within the Bukit Batok Industrial Park A and is approximately 15.5 km from the City Centre. The property is a short drive from PIE and AYE and is within close proximity to Bukit Batok MRT station and the bus interchange. | **Valuation (S$'mn)** | 25.5 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.5% |
| | | | **Land lease expiry** | 30-Jun-55 |
| | | | **Land area ('sqm)** | 6,399.30 |
| | | | **Net lettable area ('sqm)** | 13,704.87 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 90.8 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.99 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 17 | **1A International Business Park** | The property comprises a 13-storey high-technology business park building with a basement car park. The building is designated for business park use and incorporates ancillary office and warehouse areas that are serviced by four passenger lifts and two loading and unloading bays. It is located within the precinct of International Business Park, a business and technology hub for companies involved in high-technology industries that include software development, research and some ancillary supporting activities. The property is within a short drive from Jurong East MRT station, PIE, AYE, and is approx. 14.0 km from the City Centre. | **Valuation (S$'mn)** | 78.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 4.6% |
| | | | **Land lease expiry** | 31-May-59 |
| | | | **Land area ('sqm)** | 7,988.40 |
| | | | **Net lettable area ('sqm)** | 16,111.98 |
| | | | **Property type** | Business Park |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 61.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 7.07 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 18 | **29 Woodlands Industrial Park E1** | The property comprises an L-shaped four-storey high-technology industrial building with a basement car park. The building is serviced by nine passenger lifts, nine cargo lifts and six lift lobbies with ancillary canteen and clinic located on the first storey. Asset enhancement works were completed in January 2020. It is located within the well-established Woodlands East Industrial Estate. The property is within close proximity to Admiralty MRT station, Sembawang MRT station and the Woodlands North MRT station. Its accessibility to other parts of Singapore is enhanced by its proximity to SLE, BKE, and the upcoming North-South Corridor and is approx. 23.5 km from the | **Valuation (S$'mn)** | 116.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 6.9% |
| | | | **Land lease expiry** | 8-Jan-55 |
| | | | **Land area ('sqm)** | 17,955.50 |
| | | | **Net lettable area ('sqm)** | 36,645.45 |
| | | | **Property type** | Hi-Tech |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 10.8 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 19 | **26 Tuas Avenue 7** | The property comprises a two storey purpose-built factory with a mezzanine office level. The building has four loading and unloading bays and one cargo lift. It is located at the junction of Tuas Avenue 7 and Tuas West Road within the Jurong Industrial Estate. The property is well-served by major arterial roads and expressways such as Jalan Ahmad Ibrahim, AYE and PIE and is approximately 27.5 km from the City Centre. The property is a short drive from Tuas West Road and Tuas Link MRT stations and the Tuas Checkpoint. | **Valuation (S$'mn)** | 11.9 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 0.7% |
| | | | **Land lease expiry** | 31-Dec-53 |
| | | | **Land area ('sqm)** | 5,823.30 |
| | | | **Net lettable area ('sqm)** | 5,715.13 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.36 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 20 | **2 Ang Mo Kio Street 65** | The property comprises an L-shaped three-storey detached factory building incorporating production area, laboratories, warehouse and office areas. The building is served by one passenger lift and two cargo lifts. It is located in the Ang Mo Kio Industrial Estate and is approx. 14.0 km from the City Centre. The property is well-served by major arterial roads and expressways such as CTE, SLE and TPE, and is within close proximity to Yio Chu Kang MRT station and bus interchange. | **Valuation (S$'mn)** | 16.3 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.0% |
| | | | **Land lease expiry** | 31-Mar-47 |
| | | | **Land area ('sqm)** | 5,610.20 |
| | | | **Net lettable area ('sqm)** | 6,255.00 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.51 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 21 | **61 Yishun Industrial Park A** | The property comprises a six storey industrial building suitable for light manufacturing, warehouse, distribution and ancillary offices. The building is served by one passenger lift and three cargo lifts as well as six loading and unloading bays with four dock-levellers. It is located at the south-eastern side of Yishun Industrial Park A and is approx. 21.5 km from the City Centre. The property is a short drive from Yishun and Sembawang MRT stations and is well-served by major expressways and major roads such as CTE and Yishun Avenue 2, which lead directly to SLE. | **Valuation (S$'mn)** | 19.2 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.1% |
| | | | **Land lease expiry** | 31-Aug-52 |
| | | | **Land area ('sqm)** | 5,921.80 |
| | | | **Net lettable area ('sqm)** | 11,916.89 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 51.7 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.19 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 22 | **541 Yishun Industrial Park A** | The property comprises a four storey factory building primarily incorporating production, warehouse and ancillary offices. The building is served by one passenger lift and two cargo lifts as well as six loading and unloading bays. It is located at the north-eastern junction of Yishun Industrial Park A and is approximately 20.0 km from the City Centre. The property is a short drive from Yishun MRT station and bus interchange. It is well-served by major arterial roads and expressways such as Gambas Avenue, Sembawang Road and Yishun Avenue 2 which directly link to SLE and the upcoming North-South Corridor. | **Valuation (S$'mn)** | 14.2 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 0.8% |
| | | | **Land lease expiry** | 30-Jun-54 |
| | | | **Land area ('sqm)** | 6851.4 |
| | | | **Net lettable area ('sqm)** | 8017.5 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100 |
| | | | **Annual gross rental income FY2020 (S$'mn)*** | 1.89 |
| | | | **Previous lease was not renewed. New master tenant to commence 3-year lease in mid Dec 2020.* | |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 23 | **8 Senoko South Road** | The property comprises a six-storey food processing factory with an ancillary office building and a singlestorey annex building. The building is served by one passenger lift and two cargo lifts as well as five loading and unloading bays. It is located at the northern side of Senoko South Road, within the Woodlands East Industrial Estate and is approximately 23.0 km from the City Centre. The property is a short drive from Admiralty and Sembawang MRT stations and is well-served by expressways such as SLE, BKE, and the upcoming North-South Corridor. | **Valuation (S$'mn)** | 12.9 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 0.8% |
| | | | **Land lease expiry** | 31-Oct-54 |
| | | | **Land area ('sqm)** | 7,031.30 |
| | | | **Net lettable area ('sqm)** | 7,278.80 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master Lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.47 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 24 | **51 Marsiling Road** | The property is a five-storey purpose built industrial building which is fully air-conditioned with cargo lift access and ancillary canteen. The building is served by two passenger lifts, one fire lift, two cargo lifts as well as four loading and unloading bays with dock-levellers. It is situated within the Marsiling Industrial Estate and is approx. 31.0 km from the City Centre. The property is well served by expressways such as BKE and SLE. It is a short drive from the Woodlands Checkpoint and is within close proximity to the Woodlands, Marsiling and Admiralty MRT stations. | **Valuation (S$'mn)** | 47.6 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 2.8% |
| | | | **Land lease expiry** | 31-Jul-44 |
| | | | **Land area ('sqm)** | 8,611.60 |
| | | | **Net lettable area ('sqm)** | 21,529.00 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 4.47 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 25 | **8 Tuas Avenue 20** | The property is a three-storey versatile industrial facility with ramp and cargo lift access. The building has 12 loading and unloading bays with dock-levellers and direct vehicular access to the second storey via a ramp. The property is located on the north-western side of Tuas Avenue 20, off Pioneer Road in the Jurong Industrial Estate and is approx. 27.5 km from the City Centre. It is well-served by major arterial roads and expressways such as Jalan Ahmad Ibrahim, AYE and PIE. It is within close proximity to Tuas West Road MRT station and is a short drive from the Tuas Checkpoint. | **Valuation (S$'mn)** | 28.2 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 1.7% |
| | | | **Land lease expiry** | 13-Nov-51 |
| | | | **Land area ('sqm)** | 10,560.10 |
| | | | **Net lettable area ('sqm)** | 13,359.16 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Multi-tenanted |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 1.92 |

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 26 | **3 Tuas Avenue 2** | The property comprises a four storey ramp-up industrial facility for production and storage. It received its Temporary Occupation Permit on 10 January 2020. The redevelopment was in line with the Singapore Government's masterplan to develop and upgrade the Tuas region into a high performing industrial district. It is located on the north-western side of Tuas Avenue 2, within the Jurong Industrial Estate. The property is in close proximity to PIE, AYE, and Tuas Crescent MRT station and is approx. 26.0 km from the City Centre. The property is also a short drive from the Tuas Checkpoint. | **Valuation (S$'mn)** | 54.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 3.2% |
| | | | **Land lease expiry** | 15-Mar-55 |
| | | | **Land area ('sqm)** | 17,802.70 |
| | | | **Net lettable area ('sqm)** | 24,899.28 |
| | | | **Property type** | General Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 0.41 |

## Australian Properties

**Figure 16: AAREIT's portfolio in Australia**


*Source: AAREIT, KGI Research*

| | Property | Description | Property Details | |
|---|---|---|---|---|
| 1 | **Optus Centre, 1-5 Lyonpark Road, Macquarie Park, New South Wales** | The property is a secure campus style A Grade business park which was completed in 2007 and comprises six buildings. The buildings are a combination of four and five levels and are arranged in a chevron shape that opens to the main entrance. The buildings are serviced by a total of 15 passenger lifts and two goods lifts. Amenities include a secure central courtyard featuring extensive landscaping, water feature, paved seating areas and a basketball court. The business park also provides various cafes, retail food court area, bar, automated teller machines, a convenience store and a childcare centre for the exclusive use of employees. The property is undergoing asset enhancement works while remaining operational.<br><br>It is located at 1-5 Lyonpark Road, Macquarie Park with access to Epping Road and is a short drive from Macquarie Shopping Centre and Macquarie University. It is approximately 15.0 km to the northwest of the Sydney central business district and is approximately 12.0 km to the northwest of the North Sydney central business district. | **Valuation (S$'mn) ^*** | 292.8 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 17.4% |
| | | | **Land lease expiry** | Freehold |
| | | | **Land area ('sqm)** | 37,171.40 |
| | | | **Net lettable area ('sqm)** | 41,255.06 |
| | | | **Property type** | Business Park |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)^** | 15.17 |
| | | | *^ Reflects 49.0% interest in the property.*<br>** Based on exchange rate of AUD1.00 = S$0.873003. The valuation for the property is AUD584.00 million appraised by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2020* | |
| | **Property** | **Description** | **Property Details** | |
| 2 | **Boardriders Asia Pacific HQ, 209-217 Burleigh Connection Road, Burleigh Waters, Queensland** | The property is a light industrial facility comprising warehousing facility, office and a retail showroom. It is located in the Gold Coast suburb of Burleigh Heads which is an established industrial, commercial, retail and residential suburb located approximately 11 km south of Surfers Paradise, 3 km east of Burleigh Heads Beach and approximately 3.7 km from the Varsity Lakes Railway Station.<br><br>The property has easy access to the Gold Coast Highway and M1 Pacific Motorway, which link to the Gold Coast International and Domestic Airport to the south and Brisbane CBD to the north. | **Valuation (S$'mn) *** | 41.0 |
| | | | **Valuation date** | 30-Sep-20 |
| | | | **Valuation as % of total portfolio value** | 2.4% |
| | | | **Land lease expiry** | Freehold |
| | | | **Land area ('sqm)** | 33,300.00 |
| | | | **Net lettable area ('sqm)** | 14,833.00 |
| | | | **Property type** | Light Industrial |
| | | | **Lease type** | Master lease |
| | | | **Occupancy** | 100.0 |
| | | | **Annual gross rental income FY2020 (S$'mn)** | 2.6 |
| | | | ** Based on exchange rate of AUD1.00 = S$0.873003. The valuation for the property is AUD584.00 million appraised by Knight Frank NSW Valuations & Advisory Pty Ltd as at 31 March 2020* | |

## FINANCIAL FORECASTS

FYE 31 March

| INCOME STATEMENT (SGD mn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Gross revenue | 118.1 | 118.9 | 122.6 | 126.3 | 131.4 |
| **Net property income** | **78.5** | **89.1** | **81.8** | **86.0** | **89.4** |
| Management and trustee fees | (9.5) | (10.4) | (10.4) | (10.9) | (11.3) |
| Net interest expense | (18.5) | (21.7) | (20.9) | (21.2) | (22.1) |
| Other expenses | (0.1) | (0.2) | 0.0 | 0.0 | 0.0 |
| **Net profit/(loss)** | **50.3** | **56.8** | **50.5** | **53.9** | **56.0** |
| Share of results of joint venture (net of tax) | 23.8 | 61.1 | 30.0 | 30.0 | 30.0 |
| **Total return before tax** | **52.8** | **93.1** | **80.5** | **83.9** | **86.0** |
| Income tax | (2.7) | (7.6) | (5.1) | (5.3) | (5.4) |
| **Total return after tax** | **50.0** | **85.5** | **75.4** | **78.6** | **80.6** |

| BALANCE SHEET (SGD mn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| Cash and cash equivalents | 18.1 | 20.4 | 33.8 | 33.2 | 34.0 |
| Trade and other receivables | 5.9 | 5.5 | 6.1 | 6.1 | 6.1 |
| **Total current assets** | **24.0** | **25.9** | **39.9** | **39.3** | **40.1** |
| Investment properties | 1,202.3 | 1,366.8 | 1,496.8 | 1,504.3 | 1,511.8 |
| Joint venture | 221.8 | 242.8 | 242.8 | 242.8 | 242.8 |
| **Total assets** | **1,484.8** | **1,638.9** | **1,783.0** | **1,789.8** | **1,798.1** |
| Trade and other payables | 34.1 | 30.2 | 30.7 | 30.7 | 30.7 |
| Other current liabilities | 80.0 | 156.6 | 170.1 | 170.1 | 170.1 |
| **Total current liabilities** | **114.0** | **193.2** | **206.8** | **206.8** | **206.8** |
| LT Borrowings | 417.5 | 382.7 | 396.0 | 396.0 | 396.0 |
| Other non-current liabilities | 24.9 | 118.1 | 105.8 | 97.9 | 90.9 |
| **Total liabilities** | **556.3** | **694.0** | **708.5** | **700.7** | **693.6** |
| Unitholders' funds and reserves | 928.5 | 955.0 | 1,074.5 | 1,089.1 | 1,104.5 |
| **Total liabilities and equity** | **1,484.8** | **1,648.9** | **1,783.0** | **1,789.8** | **1,798.1** |

| CASH FLOW STATEMENT (SGD mn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Total return before tax** | **52.8** | **93.1** | **80.5** | **83.9** | **86.0** |
| Changes in working capital | 0.3 | 2.0 | 1.8 | 1.8 | 1.8 |
| Taxes paid | (1.1) | (1.5) | (1.9) | (2.0) | (2.1) |
| **Cash flows from operations** | **72.4** | **82.4** | **74.9** | **78.9** | **81.9** |
| Acquisition of investment properties | 0.0 | (36.6) | (12.0) | 0.0 | 0.0 |
| Other investing cashflow | 0.2 | (23.9) | 14.9 | 14.9 | 14.9 |
| **Cash flows from investing** | **0.2** | **(60.5)** | **2.9** | **14.9** | **14.9** |
| Borrowings raised / (repaid) | 11.3 | 62.4 | 26.8 | 0.0 | 0.0 |
| Distributions paid | (63.8) | (53.2) | (62.8) | (66.7) | (69.0) |
| Other financing cashflow | (19.5) | (28.3) | (28.5) | (27.7) | (27.0) |
| **Cash flows from financing** | **(71.9)** | **(19.2)** | **(64.5)** | **(94.4)** | **(96.1)** |
| **Net increase/(decrease) in cash** | **0.7** | **2.7** | **13.3** | **(0.6)** | **0.8** |
| Beginning Cash | 17.6 | 18.1 | 20.4 | 33.8 | 33.2 |
| **Ending cash** | **18.1** | **20.4** | **33.8** | **33.2** | **34.0** |

| KEY RATIOS | 2019A | 2020A | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| DPU (SGD cents) | 10.25 | 9.50 | 8.80 | 9.25 | 9.48 |
| Dividend yield (%) | 8.6 | 8.0 | 7.4 | 7.8 | 8.0 |
| NAV per stapled security (S$) | 1.3 | 1.4 | 1.5 | 1.5 | 1.5 |
| Price/NAV (x) | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 |
| | | | | | |
| **Profitability (%)** | | | | | |
| NPI Margin | 66.5 | 74.9 | 68.1 | 68.1 | 68.1 |
| Net Margin | 42.4 | 71.9 | 61.5 | 62.2 | 61.4 |
| ROA | 3.4 | 5.2 | 4.2 | 4.4 | 4.5 |
| | | | | | |
| **Financial Structure** | | | | | |
| Interest Coverage (x) | 4.0 | 5.3 | 3.8 | 3.9 | 3.8 |
| Debt/Assets (%) | 33.5 | 33.5 | 32.5 | 32.4 | 32.3 |

## KGI's Ratings

| 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. |
| **Underperform (U)** | We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon |
| **Not Rated (NR)** | The stock is not rated by KGI Securities. |
| **Restricted (R)** | KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. |

## Disclaimer