

Issuer: AIMS AMP Capital Industrial REIT Management Limited

Security: AIMS AMP Capital Industrial REIT

Meeting details:

Date: 27 July 2017

Time: 2.00 p.m.

Venue: M Hotel Singapore, Anson III & IV, Level 2, 81 Anson Road, Singapore 079908

Company Description

AIMS AMP Capital Industrial REIT is a real estate investment trust externally managed by AIMS AMP Capital Industrial REIT Management Limited. The firm invests in the real estate markets Asia-Pacific. It seeks to invest in the properties operating in the industrial sector with a focus on distribution activities, business park activities and manufacturing activities. The firm was formerly known as MacarthurCook Industrial REIT. AIMS AMP Capital Industrial REIT was formed on December 05, 2006 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=O5RU)

Q1. The REIT has performed relatively well in FY2017 - portfolio occupancy remained healthy and improved to 94.6 per cent from 93.4 per cent a year ago, well above the industrial average across all industrial subsectors (page 9 – Letter to Unitholders). Notwithstanding the good performance, some of the REIT’s properties suffered a significant drop in the occupancy rate or had remained under-tenanted. The details are shown in the table below.

| Property | Occupancy rate 2017 % | Occupancy rate 2016 % | Carrying value 2017 \$'000 | Carrying value 2016 \$'000 | Net lettable area (sq m) |
|-----------------------------|-----------------------|-----------------------|----------------------------|----------------------------|--------------------------|
| 103 Defu Lane 10 | 76 | 100 | 36,000 | 37,000 | 17,935.20 |
| 11 Changi South Street 3 | 63 | 47 | 21,400 | 20,900 | 11,896.80 |
| 135 Joo Seng Road | 70 | 77 | 20,300 | 22,700 | 9,652.97 |
| 61 Yishun Industrial Park A | 64 | 97 | 20,000 | 24,500 | 11,941.50 |
| 10 Soon Lee Road | 72 | 72 | 6,400 | 7,700 | 7,224.20 |

(Source: AIMS AMP Capital Industrial REIT Annual Report)

- a) **Can unitholders understand the REIT’s “proactive asset and leasing management” efforts? How soon before the lease expiry does the manager start to engage the tenants?**
- b) **How does the REIT differentiate its products from the competition (including industrial space owned by other REITs)?**
- c) **Specifically, what are the manager’s plans to lease out the untenanted space for the properties with below-average occupancy rate?**
- d) **With 26.4% and 20.5% of total portfolio leases (by GRI) expiring in FY2018 and FY2019 respectively, how does management intend to retain its tenants and maintain the high occupancy rate of the REIT?**

Q2. In 2014, the REIT acquired a 49.0 per cent interest in a business park, Optus Centre, Macquarie Park, New South Wales, marking the REIT’s maiden (and only) acquisition in Australia.

The Optus Centre accounts for 16% of the REIT’s total portfolio value and contributes 13.5% of the REIT’s gross rental income.

- a) **Does the REIT have a target allocation for assets outside of Singapore to increase the REIT’s diversification?**
- b) **Which other country/city would the manager consider investing in?**
- c) **What are some of the critical investment criteria the target must have?**

Q3. The REIT undertook four redevelopments (namely 20 Gul Way in 2011, 103 Defu Lane 10 in 2013, 30 Tuas West Road in 2015 and 8 & 10 Tuas Avenue 20 in 2016) and has carried out its first greenfield build-to-suit industrial facility in August 2016.

The REIT currently has 760,000 square feet of under-utilised space in its existing portfolio and this could be leveraged by the manager to redevelop, enhance and rejuvenate older and underperforming assets as part of a defensive strategy.

- a) **How does the manager identify which assets are suitable for redevelopment/greenfield build-to-suit opportunities?**

- b) Are there plans to carry out more redevelopment in the near future?
- c) What is the manager's capital recycling strategy? Would it make sense for the REIT to sell some of the under-performing and smaller assets?