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Issuer: Mapletree Industrial Trust Management Ltd.

Security: Mapletree Industrial Trust

Meeting details:

Date: 17 July 2018

Time: 2.30 p.m.

Venue: 10 Pasir Panjang Road, Mapletree Business City, Town Hall - Auditorium, Singapore 117438

Company Description

Mapletree Industrial Trust is a real estate investment trust ("REIT") listed on the Main Board of Singapore Exchange. Its principal investment strategy is to invest in a diversified portfolio of income-producing real estate used primarily for industrial purposes in Singapore, and income-producing real estate used primarily as data centres worldwide beyond Singapore, as well as real estate-related assets. MIT's property portfolio comprises 85 industrial properties in Singapore and 14 data centres in the United States (40.0% interest through the joint venture with Mapletree Investments Pte Ltd). The properties in Singapore include Flatted Factories, Hi-Tech Buildings, Business Park Buildings, Stack-up/Ramp-up Buildings and Light Industrial Buildings. As at 31 March 2018, MIT's total assets under management was S\$4.3 billion. MIT is managed by Mapletree Industrial Trust Management Ltd. and sponsored by Mapletree Investments Pte Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=ME8U)

1. As listed under the REIT's proactive asset management efforts, the REIT aims to unlock value through asset enhancement initiative (AEI) (page 11 of the annual report). In February 2018, the AEI at 30A Kallang Place was completed, adding approximately 336,000 square feet of gross floor area to the portfolio.

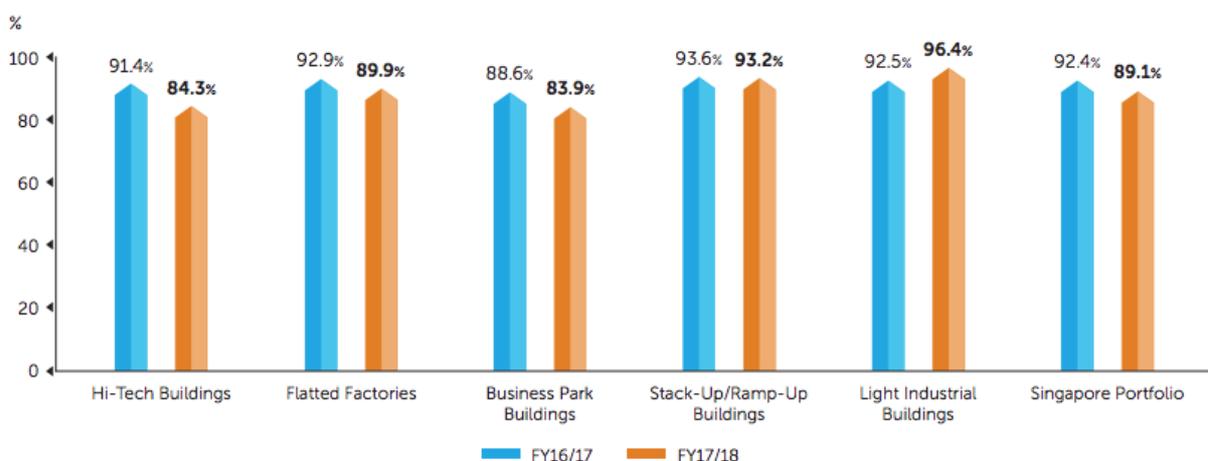
- (i) **What is the targeted/minimum return on investment of the group's AEI?**
- (ii) **Can the manager help unitholders understand the opportunities to unlock further value through accretive AEI in the REIT's other 84 industrial properties in Singapore?**

Separately, 65 Tech Park Crescent was divested at \$17.688 million in July 2017. As at 31 March 2017, the valuation of 65 Tech Park Crescent was \$17.6 million. **What is the manager's approach to divesting the REIT's more mature assets and to optimise and to recycle its capital more efficiently?**

2. As disclosed, the average occupancy for the Singapore Portfolio decreased from 92.4% in FY16/17 to 89.1% in FY17/18. It was partly attributed to *"the short time gap between the completion of the Phase Two of the BTS project at 1 & 1A Depot Close and the lease commencement with HP, as well as the increase in leasable area upon the completion of the AEI at 30A Kallang Place"*.

However, both properties are classified as Hi-Tech buildings. Based on the segmental occupancy rates (shown on page 39), the average occupancy rates for the flatted factories, business park buildings and stack-up/ramp-up buildings segments all fell. Only the light industrial buildings segment showed improved occupancy rates.

SEGMENTAL OCCUPANCY RATES (SINGAPORE)



(Source: Annual report)

Would management provide unitholders with better visibility of the following operational matters relating to the occupancy rates of its portfolio? Specifically:

- (i) **Business park buildings:** Both occupancy and gross rental rate fell for the business park buildings segment. **Would the manager help unitholders understand the challenges in the segment? What pro-active leasing efforts have the manager taken? How attractive are the business park buildings in the portfolio to prospective tenants?** With an occupancy rate of just 84%, it means that a sixth of the space in the three business park buildings is left vacant. **Are there opportunities to carry out any asset optimisation or enhancement?**
- (ii) **Flatted factories:** The REIT has 36.6% of its portfolio in flatted factories and the segment is the largest contributor of gross revenue (43.8%) and net property income (44.0%). **With an occupancy rate of 89.9%, and about 1/3 of leases expiring in each of the next three years, what is management's strategy to minimise the impact of the negative rental reversion?**
- (iii) **Hi-Tech buildings:** **Can management update unitholders on the committed occupancy of its Hi-Tech buildings given the commitments secured for 30A Kallang Place and the HP BTS buildings?**

3. On 26 September 2017, The manager announced that it was giving notice to all unitholders of MIT that the principal investment strategy of MIT as set out on page 1 of the prospectus dated 12 October 2010 would be *"expanded to include real estate and real estate-related assets used primarily as data centres worldwide beyond Singapore"*.

It was also stated that the above change in investment strategy shall be effective from 26 October 2017, being 30 days from the date of the announcement.

On 24 October 2017, the manager announced the proposed acquisition of 14 data centres in the USA through a joint venture with Mapletree Investments Pte Ltd who is the sponsor of the trust.

- (i) **Can the manager help unitholders understand the experience and the track record, if any, of the manager in developing and/or operating data centres outside of Singapore?**
- (ii) **In the opinion of the board, would the acquisition of the USA data centres significantly alter the risk profile of the REIT?**
- (iii) **Would it have been more prudent if the REIT had given the unitholders the full 30 days notice before announcing the proposed acquisition on 24 October 2017, two days before the change in investment strategy came into effect on 26 October 2017?**
- (iv) **What is the level of due diligence carried out by the board and by the manager (and not by the sponsor)?**
- (v) **How did the trust determine that it would take up 40% of the joint venture?**