



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: Mapletree Industrial Trust
(Manager: Mapletree Industrial Trust Management Ltd.)

Stock code: ME8U

Meeting details:

Date: 14 July 2021

Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the corporate profile, as at 31 March 2021, the REIT's total assets under management was \$6.8 billion, which comprised 87 properties in Singapore and 28 properties in North America (including 13 data centres held through the joint venture with Mapletree Investments Pte Ltd).

The REIT broadened its geographical footprint in 2017/2018 with the expansion of its investment strategy to include data centres worldwide beyond Singapore. Since then, the REIT has acquired data centers in North America that now account for 35% of the entire portfolio, valued at approximately \$2.38 billion as at 31 March 2021.



(Adapted from annual report 2020/2021)

- (i) **What is the long-term capital allocation target of the data centre segment for the REIT? Has the board/manager set a limit to the individual sector exposure so as to maintain a well-diversified portfolio?**
- (ii) **In particular, what is the REIT's value proposition in investing in the data centre segment in North America? How can the REIT manager value-add to create value for unitholders (other than the contribution of capital/being a financial investor)?**
- (iii) **Is there a risk that "hot money" is piling into data centers and the sector may be faced with a demand-supply imbalance as COVID-19 driven demand normalises?**

In the annual report, the REIT has stated that it leverages the sponsor's network and expertise to source for data centre investment opportunities beyond Singapore.

- (iv) **Can the manager help unitholders understand its "in-house" capability to source for and evaluate investment opportunities? How dependent is the REIT on the sponsor for acquisitions?**

- (v) **Given that the sponsor does not have an organic pipeline of data centers, would it be more beneficial to unitholders if the REIT manager develops its own capability to source for high quality assets that fit the REIT's investment mandate?**

Q2. As noted in the letter to unitholders, the REIT handed out rental reliefs of approximately \$12.7 million to support its tenants in FY20/21. This comprised of the REIT's COVID-19 Assistance and Relief Programme as well as mandated rental reliefs under the COVID-19 (Temporary Measures) Act 2020. The REIT stated that it gave priority to small and medium-sized enterprises which were more affected by lower business volumes and supply chain disruptions.

In the flatted factories segment, the REIT has 53 properties (grouped into 23 clusters) valued at \$1.47 billion (21.7% of the portfolio). The occupancy rate improved from 87.4% in FY19/20 to 88.3% in FY20/21 (page 48) with a gross rental rate of \$1.67 psf/month.

In FY2015/16, the occupancy rate was as high as 94.6% and the gross rental rate achieved was \$1.90 psf/month.

- (i) **Is the REIT still providing rental relief to its tenants in FY21/22?**
- (ii) **What is the manager's strategy to further improve the occupancy rate of the flatted factories?**
- (iii) **Does the manager see any silver lining in the flatted factories segment? What are the long-term prospects of the flatted factories segment given the challenges and disruptions faced by SMEs which have been exacerbated by COVID-19?**
- (iv) **Can the REIT manager elaborate further on the asset enhancement/repositioning potential of its flatted factories? In particular, the remaining term of lease for Kallang Basin 1 & 2 is 10 years. Has the manager adjusted the pace of redevelopment for the REIT due to COVID-19?**

Q3. On 20 May 2021, the REIT announced a non-renounceable preferential offering of 117,576,607 new units to eligible unitholders to raise \$300 million, along with a private placement to raise \$500 million. At the close of the non-renounceable preferential offering, the REIT received valid acceptances for 102,516,855 new units, or 87.2% of the units available under the preferential offering.

- (i) **Has the board evaluated, ex-post, the relatively low acceptance rate by unitholders?**

- (ii) **Can the board, especially the independent directors, help unitholders understand why it had carried out a non-renounceable preferential offering? What were the deliberations by the board on the negative/dilutive impact on unitholders who are unable or unwilling to subscribe to the preferential offering?**
- (iii) **Given that the new units under the private placement were issued on 1 June 2021 while the preferential offering units were only issued on 21 June 2021, would it disadvantage unitholders who participated in the preferential offering?**

The sponsor's stake in the REIT has been reduced to 27.50%. In May 2017, the sponsor's stake was 34.25%. Although the REIT has stated that the sponsor's stake in the REIT "demonstrates its alignment of interests with unitholders", it does appear that the alignment has weakened over the years as the REIT manager opted to raise funds via numerous private placements.

- (iv) **Have the independent directors evaluated the impact, if any, on the REIT given that the sponsor's alignment of interests with unitholders has been reduced?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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