PRESS RELEASE

# Frasers Logistics & Commercial Trust Reports FY2023 DPU of 7.04 Singapore Cents

## FY2023 Highlights

- **Healthy average portfolio rental reversions of +7.8%** (incoming rent vs. outgoing rent basis) **and +18.9%** (average rent vs. average rent basis) achieved for FY2023
- Maintained a **high portfolio occupancy rate of 96.0% with full occupancies** for the logistics & industrial portfolio
- **Acquisition** of a freehold forward-funding logistics development in the Netherlands at a **12.7% discount to valuation**
- Healthy **aggregate leverage of 30.2%** as at 30 September 2023, with high interest coverage ratio of 7.1 times
- **No major refinancing is due in 1HFY24.** Over 98% of debt maturing in FY2024 is due in 2HFY24. Facilities are already in place for more than half of the debt maturing in FY2024

**Summary of Results**

| S$'000 | 2HFY23 | 2HFY22 | Variance (%) | FY2023 | FY2022 | Variance (%) |
|---|---|---|---|---|---|---|
| **Revenue** | **212,801** | 214,517 | (0.8) | **420,782** | 450,187 | (6.5) |
| **Adjusted Net Property Income**[1] | **155,525** | 162,053 | (4.0) | **311,442** | 342,138 | (9.0) |
| **Distributable Income** | **131,557** | 139,645 | (5.8) | **262,339** | 281,753 | (6.9) |
| **DPU (Singapore cents)** | **3.52** | 3.77 | (6.6) | **7.04** | 7.62 | (7.6) |

**SINGAPORE, 2 NOVEMBER 2023**

Frasers Logistics & Commercial Asset Management Pte. Ltd., the manager of Frasers Logistics & Commercial Trust ("**FLCT**" and the manager of FLCT, the "**REIT Manager**"), today announced FLCT's results for the six-month period ended 30 September 2023 ("**2HFY23**") and the financial year ended 30 September 2023 ("**FY2023**").

## FY2023 FINANCIAL PERFORMANCE AND DISTRIBUTION

FLCT reported revenue of S$212.8 million and Adjusted Net Property Income of S$155.5 million for 2HFY23, representing decreases of 0.8% and 4.0% respectively, from S$214.5 million and S$162.1 million in the second half of FY2022 ("**2HFY22**"). The year-on-year decreases were mainly due to the weaker exchange rates of the Australian dollar against the Singapore dollar over the period and lower average occupancies at Maxis Business Park and 357 Collins Street. Property operating expenses were higher mainly due to higher energy

[1] Actual net property income excluding straight lining adjustments for rental income and adding lease payments of right-of-use assets

and utility expenses. These were partially offset by the full six-month effect of the acquisition of four properties in Australia in 2HFY22 and full six-month contribution from the practical completion of the two logistics & industrial properties in the UK - Connexion II and Worcester. Finance costs were also higher mainly due to the increase in interest rates and additional borrowings drawn for capex and fund through developments. Distributable income for 2HFY23 was correspondingly lower at S$131.6 million, from S$139.6 million in 2HFY22.

For FY2023, FLCT reported revenue of S$420.8 million and Adjusted Net Property Income of S$311.4 million, representing decreases of 6.5% and 9.0% respectively, from S$450.2 million and S$342.1 million in FY2022. The year-on-year decreases were mainly attributed to the divestment of Cross Street Exchange on 31 March 2022, the weaker exchange rates against the Singapore dollar, and lower contributions from Farnborough Business Park, Maxis Business Park and 357 Collins Street. Property operating expenses were higher mainly due to higher energy and utility expenses. These were partially offset by the full-year contribution of the acquisition of four properties in Australia in 2HFY22 and contribution from the practical completion of Connexion II and Worcester. Finance costs were also higher in FY2023. Distributable income for FY2023 was correspondingly lower at S$262.3 million, from S$281.8 million a year ago.

The distribution per unit ("**DPU**") for 2HFY23 was 3.52 Singapore cents, representing a decrease of 6.6% from 3.77 Singapore cents in 2HFY22. The 2HFY23 DPU will be paid on 14 December 2023[2]. In addition to the DPU of 3.52 Singapore cents reported for 1HFY23, FLCT's total distribution for FY2023 amounts to 7.04 Singapore cents, or a distribution yield of 6.8%[3].

## PORTFOLIO UPDATE

For FY2023, on the back of steady leasing demand, approximately 492,000 square metres ("**sq m**") or 18.5% of the portfolio was committed, with the logistics & industrial sectors making up most of the leases committed. The portfolio average rental reversion achieved for FY2023 was +7.8% on an incoming rent vs. outgoing rent basis and +18.9% for the average rent of the new lease as compared to the average rent of the preceding lease ("**average rent vs. average rent**"). The logistics & industrial portfolio continued to demonstrate resilience with healthy reversions of +8.0% and +19.9% on an incoming rent vs. outgoing rent basis and on an average rent vs. average rent basis respectively in FY2023.

FLCT maintained a high portfolio occupancy of 96.0%, with zero vacancies for the logistics & industrial sector as at 30 September 2023. The portfolio weighted average lease expiry ("**WALE**") is 4.3 years.

As at 30 September 2023, FLCT's portfolio of 107 properties[4] across five countries was valued at S$6.4 billion, impacted by pressures of capitalisation rate expansion, translation impact from the weaker Australian dollar and vacancies in the commercial sector, which were partly offset by market rental growth in the logistics & industrials sector. Net asset value ("**NAV**") per unit was S$1.17 as at 30 September 2023.

During the year, FLCT completed the development of the two UK logistics & industrial properties, namely Connexion II and Worcester in the United Kingdom. Development progress on the forward-funding acquisition of the logistics & industrial property in Ellesmere, North West England is on track and is expected to be completed in December 2023. Central Park in Perth is currently undergoing an asset enhancement and is expected to be completed by 2HFY24.

## INVESTMENT UPDATE

In October 2023, FLCT strengthened its foothold in the Netherlands with the acquisition of a freehold forward-funding logistics development at Maastricht, within the South Limburg region. The development is strategically

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2 FLCT's distributions are made on a semi-annual basis for the six-month periods ending 31 March and 30 September

3 Based on FLCT's closing price of S$1.04 on 1 November 2023

4 Excludes the property under development in UK and right-of-use assets

located next to Maastricht Airport and within Aviation Valley business park, which is the second largest air cargo hub in the Netherlands. The purchase price of €14.5 million, represented a 12.7% discount to the valuation[5], and was negotiated on a willing buyer and willing seller basis and taking into consideration the independent valuation[5] by Savills. The development is expected to increase the contribution from the Netherlands from 7.5% to 7.9% of FLCT's logistics & industrial portfolio[6]. The proposed acquisition is fully funded by debt and is expected to be completed by 1 November 2024.

Ms. Anthea Lee, Chief Executive Officer of the REIT Manager, said, "Operating in the current economic climate remains challenging, as continued uncertainty around long-term rates and translation impact of our foreign sourced income placed pressure on FLCT's financial performance in FY2023. Notwithstanding, our strong logistics & industrial portfolio fundamentals remain steady. Coupled with our disciplined asset management and healthy financial standing, our investment focus remains to be in high-quality logistics & industrial assets, while we leverage our Sponsor's extensive network and capabilities for suitable investment opportunities. We will focus our attention on increasing our logistics & industrial exposure from the current 70% to 85% in the long term."

"The acquisition of the logistics development in the Netherlands is a unique opportunity to acquire a new, good quality asset that is strategically located next to the Maastricht Airport, the country's second largest air cargo hub. This acquisition further underscores our focus in strengthening our portfolio through accretive logistics & industrial acquisitions. The development also bears a "Very Good" BREEAM (Building Research Establishment Environmental Assessment Method) rating that is aligned with FLCT's sustainability focus."

## CAPITAL MANAGEMENT

As at 30 September 2023, FLCT's aggregate leverage remained healthy at 30.2%, with a weighted average debt maturity of 2.2 years and high interest coverage ratio of 7.1 times. With a high proportion of 77.2% of borrowings at a fixed rate, FLCT's cost of borrowings for FY2023 was 2.2%[7] per annum. For the debts maturing in FY2024, there is no major refinancing due in the six-month period ending 31 March 2024 ("**1HFY24**") with over 98% of debt maturing in FY2024 due in the second half of FY2024 ("**2HFY24**"). Management has proactively taken measures to refinance the borrowings, including securing floating interest rate facilities for more than half of the debts due in FY2024[8].

FLCT is rated "BBB+" rating by Standard & Poor's with a stable outlook.

## ESG LEADERSHIP

Sustainability is integral to FLCT's operations and FLCT remains committed in delivering sustainability outcomes that underpin long-term performance. During the year, FLCT continues to make progress in various green initiatives, such as achieving green certification for the portfolio, sustainability linked loans and maintaining the highest 5-star rating in the 2023 GRESB Real Estate Assessment for the third consecutive year. Central Park in Perth is undergoing a facade replacement project whereby approximately 95% of the material will be recycled from the project including all former aluminium panels and polyurethane cores and temporary steel structures. FLCT will continue to focus on solar installation across the portfolio as well as the installation of energy and water sub metering for better monitoring of our consumption, and to have all new projects to be certified using third party consultants and relevant green building programmes by FY2024.

## OUTLOOK

An overview of the countries in which FLCT has a presence is provided below:

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5 Valued by Savills Valuation at € 16.6 million on a completed and pre-let basis, assuming no real estate transfer tax is payable.

6 Based on portfolio value as at 30 September 2023 which excludes one property under development in UK and right-of-use assets.

7 Based on trailing 12 months borrowing cost

8 Management will monitor the market and consider putting in place interest rate swaps in accordance with FLCT's Treasury and Hedging Policy.

According to the International Monetary Fund, global growth is projected to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024, with the rise in central bank policy rates to fight inflation continues to weigh on economic activity[9]. The Group of 20 finance chiefs noted increasing concern for global economic growth and implications from geopolitical conflicts[10].

**Australia**

In the last quarter, the Australian economy grew 0.4%, while the Consumer Price Index (CPI) rose 6.0% over the last 12 months[11]. In Q3 2023, gross take-up of logistics space increased compared to the last two quarters owing to greater pre-lease transactions which are expected to continue dominating take-up activity[12]. Rental growth in the logistics sector continues for all major markets but at a slower rate and a 1% increase in incentives was recorded over the quarter[12]. While yields have also expanded over the quarter and further cap rate expansions between 25 and 50 bps over the next six months is anticipated, near zero vacancy across Australia is expected to maintain rental growth, which is anticipated to offset potential capital depreciation[4]. The Melbourne office sector continues to see rising vacancies amidst rising incentives in the third quarter of 2023[13], while the Perth office market conditions continue to strengthen on increased demand and lower vacancies. Plans have been approved for a further 11 projects in Perth CBD as part of the city's rejuvenation, further adding to the oversupply situation[14].

**Germany, the Netherlands and the UK**

The European Central Bank (ECB) expects the eurozone economy to expand by 0.7% and inflation at 5.6% in 2024[15]. In September, the ECB raised its key interest rate to a record 4.0%. In response to market uncertainty, supply remains tight and user demand continues to be stable in the German and Dutch logistics & industrial markets. There is a persistent mismatch between supply and occupier requirements including ESG-compliancy, energy efficiency which contributes to higher construction costs, and is expected to continue to put upward pressure on rents[16]. The Bank of England has raised rates from almost zero to 5.25% over the past two years, which has impacted returns and real estate valuations. The UK logistics sector remains challenging on increased vacancies, reduced demand and increased development activities with a further 8 million sq ft of space to be delivered by end-2023[17], while asset valuations are impacted by expansion in capitalisation rates. While the UK business park sector has continued to experience lower levels of physical occupation and elevated vacancy levels, the flight-to-quality theme continues. Many occupiers are consolidating with increasing focus on better quality space.

**Singapore**

In Singapore, rents for business parks are expected to remain under pressure in the near term on the back of an influx of approximately 1.03 million sq ft per annum of new business park space to be completed over 2023 and 2026[18]. In Q3 2023, demand for business parks remained muted and expansionary activity continued to be limited with selected tenants reducing their space requirements to cut costs[16]. However, high-spec industrial spaces and prime business parks (such as those in the city fringe where ATP is located) with modern facilities and accessibility are expected to see healthy demand in the medium term[19]. The REIT Manager will continue its proactive asset and lease management efforts, which includes embarking on competitive marketing strategies, to maintain an optimised portfolio occupancy level.

**Outlook**

Looking forward into FY2024, the REIT Manager remains prudent in capital management to navigate emerging issues and risks including further global financial stress, the persistent inflation and the expected prolonged

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9 Colliers, United Kingdom Property Snapshot, September 2023
10 CBRE Research, Singapore, Q3 2023
11 Australia Bureau of Statistics
12 CBRE Research, Australia, Industrials & Logistics, Q3 2023
13 CBRE Research, Australia Office, Q3 2023, Rental growth mixed across Australian markets
14 JLL Office Research, Asia Pacific, Q2 2023, Lopsided recovery in leasing markets
15 European Central Bank, Economic Bulletin Issue 6, 2023
16 JLL Research, European Logistics Market Update, August 2023
17 Colliers, United Kingdom Property Snapshot, September 2023
18 CBRE Research, Singapore, Q3 2023
19 Savills Research, Singapore, Industrial, August 2023

higher interest rate environment. The REIT Manager will continue its proactive asset and lease management efforts in improving occupancies for commercial assets and leverage on market demand to further rental growth. For operating expenses, the REIT Manager will continue to work on cost optimisation initiatives, and to remain vigilant on the movement on energy prices. The REIT Manager will evaluate appropriate hedging strategies for energy contracts to mitigate impact to its operating expenses.

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**About Frasers Logistics & Commercial Trust**

Frasers Logistics & Commercial Trust ("**FLCT**") is a Singapore-listed real estate investment trust with a portfolio comprising 107 industrial and commercial properties, worth approximately S$6.4 billion, diversified across five major developed markets – Australia, Germany, Singapore, the United Kingdom and the Netherlands. FLCT was listed on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 20 June 2016 as Frasers Logistics & Industrial Trust and was subsequently renamed Frasers Logistics & Commercial Trust on 29 April 2020 following the completion of a merger with Frasers Commercial Trust.

FLCT's investment strategy is to invest globally in a diversified portfolio of income-producing properties used predominantly for logistics or industrial purposes located globally, or commercial purposes (comprising primarily CBD office space) or business park purposes (comprising primarily non-CBD office space and/or research and development space) located in the Asia-Pacific region or in Europe (including the United Kingdom). FLCT is sponsored by Frasers Property Limited.

FLCT is a constituent of the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index), Straits Times Index and Global Property Research (GPR) 250.

For more information about FLCT, visit www.frasersproperty.com/reits/flct

**About Frasers Property Limited**

Frasers Property Limited ("**Frasers Property**" and together with its subsidiaries, the "**Frasers Property Group**" or the "**Group**"), is a multinational developer-manager-investor of real estate products and services across the property value chain. Listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and headquartered in Singapore, the Group has total assets of approximately S$40.1 billion as at 31 March 2023.

Frasers Property's multinational businesses operate across five asset classes, namely, residential, retail, commercial & business parks, industrial & logistics as well as hospitality. The Group has businesses in Southeast Asia, Australia, Europe and China, and its well-established hospitality business owns and/or operates serviced apartments and hotels in over 20 countries and more than 70 cities across Asia, Australia, Europe, the Middle East and Africa.

Frasers Property is also the sponsor of two real estate investment trusts ("**REITs**") and one stapled trust listed on the SGX-ST. Frasers Centrepoint Trust and Frasers Logistics & Commercial Trust are focused on retail, and industrial & commercial properties, respectively. Frasers Hospitality Trust (comprising Frasers Hospitality Real Estate Investment Trust and Frasers Hospitality Business Trust) is a stapled trust focused on hospitality properties. In addition, the Group has two REITs listed on the Stock Exchange of Thailand. Frasers Property (Thailand) Public Company Limited is the sponsor of Frasers Property Thailand Industrial Freehold & Leasehold REIT, which is focused on industrial & logistics properties in Thailand, and Golden Ventures Leasehold Real Estate Investment Trust, which is focused on commercial properties.

The Group is committed to inspiring experiences and creating places for good for its stakeholders. By acting progressively, producing and consuming responsibly, and focusing on its people, Frasers Property aspires to raise sustainability ideals across its value chain, and build a more resilient business. It is committed to be a net-zero carbon corporation by 2050. Building on its heritage as well as leveraging its knowledge and capabilities, the Group aims to create lasting shared value for its people, the businesses and communities it serves. Frasers Property believes in the diversity of its people and are invested in promoting a progressive, collaborative and respectful culture.

For more information on Frasers Property, please visit frasersproperty.com or follow us on LinkedIn.

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The value of the units in FLCT ("**Units**") and the income derived from them may fall or rise. The Units are not obligations of, deposits in, or guaranteed by the REIT Manager, Perpetual (Asia) Limited, in its capacity as trustee of FLCT, or Frasers Property (as the sponsor of FLCT).

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the REIT Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This news release may contain forward-looking statements or financial information that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of FLCT. The forecast financial performance or financial information of FLCT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements or financial information, which are based on the REIT Manager's current view of future events.

This news release is not an offer or sale of the Units in the United States. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act. Any public offering of the Units in the United States would be made by means of a prospectus that would contain detailed information about FLCT, the REIT Manager and its management, as well as financial statements.

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