

**Rating Action: Moody's assigns Baa3 to Cambridge Industrial Trust's senior unsecured debt issuance**

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Global Credit Research - 04 May 2016

Singapore, May 04, 2016 -- Moody's Investors Service has assigned a provisional (P)Baa3 rating to the senior unsecured notes component of the SGD750 million multi-currency debt issuance program, issued by RBC Investor Services Trust Singapore Limited -- a co-issuer with Cambridge-MTN Pte. Ltd. -- in its capacity as trustee of Cambridge Industrial Trust (CIT, Baa3 stable).

At the same time, Moody's has also assigned a Baa3 rating to the SGD50 million senior unsecured notes which were drawn down under the program issued by RBC Investor Services Trust Singapore Limited - in its capacity as trustee of CIT.

The notes show a coupon of 3.95% per annum and will mature on 9 May 2023.

The rating outlook is stable.

Proceeds from the issuance will be used for refinancing.

Issuer: Cambridge Industrial Trust

Ratings Assigned:

.Senior Unsecured Notes Program Rating, Assigned (P)Baa3

.Senior Unsecured Notes Rating, Assigned Baa3

**RATINGS RATIONALE**

"CIT's Baa3 rating reflects its stable and resilient income generation from a portfolio of well-located industrial properties in Singapore, and its well-diversified tenant base," says Rachel Chua, a Moody's Analyst. "The rating also recognizes its moderate credit profile, improved financial flexibility and long-dated debt maturity profile."

At the same time, CIT's rating remains constrained by its relatively small scale and lower occupancy rates over the next 12 months, as it converts some master-leased assets to multi-tenanted buildings. The rating is also constrained by the event risk that it faces from its portfolio growth strategy; a focus which will likely result in higher borrowings and in turn pressure its credit metrics.

CIT will use proceeds from the SGD50 million senior unsecured notes to repay SGD17.5 million of its unsecured revolving credit loans maturing in June 2019 and a portion of its secured bank loans maturing in April 2017.

"The issuance of the notes is credit positive because it allows CIT to reduce its total secured borrowings, thereby improving its financial flexibility and capital structure. Moreover, it also demonstrates management's commitment towards proactively refinancing the trust's debt maturities ahead of time," adds Chua, who is also Moody's lead analyst for CIT.

This latest exercise follows CIT's refinancing efforts in 2015, when it successfully refinanced a SGD250 million secured club loan facility with senior unsecured borrowings.

Post-transaction, Moody's expects that CIT's secured leverage -- as measured by secured debt/total deposited assets -- will improve to less than 5% on a pro-forma basis as compared to 6.6% at 31 March 2016.

The trust faces low near-term refinancing risk, given that its next maturity is in April 2017, when the reduced balance of its SGD100 million secured term loan facility comes due.

The outlook on the ratings is stable, reflecting Moody's expectation that CIT will continue to generate stable

cash flows from its current portfolio and maintain its credit profile while pursuing growth.

The ratings could be upgraded if CIT expands its asset size to SGD2.0-SGD2.5 billion through organic growth or prudently funded acquisitions, and improves its credit profile such that its adjusted debt-to-deposited assets falls below 35% and adjusted EBITDA/interest coverage improves to in excess of 4x.

The maintenance of a long-dated debt maturity profile and access to committed funding will also prove beneficial for the ratings.

Downward ratings pressure could emerge if: (1) the operating environment deteriorates, leading to higher vacancy levels and lower operating cash flow; (2) CIT's financial metrics deteriorate, such that adjusted debt/total deposited assets exceeds 45% or adjusted EBITDA/interest coverage falls below 3x on a sustained basis; or (3) CIT's reliance on secured borrowings increases, such that secured debt to deposited assets exceeds 15%-20%.

The principal methodology used in these ratings was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Ratings Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

Cambridge Industrial Trust is a Singapore-based, industrial real estate investment trust listed on the Singapore Stock Exchange in July 2006. At 31 March 2016, its portfolio comprised 51 industrial properties in Singapore, with a total appraised value of SGD1.4 billion.

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