

## **ANNOUNCEMENT**

### **REDEVELOPMENT OF KOLAM AYER 2 CLUSTER INTO A HIGH-TECH INDUSTRIAL PRECINCT**

#### **1. INTRODUCTION**

*10 July 2019* - Mapletree Industrial Trust Management Ltd., as manager (the “Manager”) of Mapletree Industrial Trust (“MIT”) is pleased to announce that MIT, through DBS Trustee Limited, as trustee of MIT (the “Trustee”), will be redeveloping the Kolam Ayer 2 Cluster in Singapore into a high-tech industrial precinct (the “Proposed Redevelopment”) at a total project cost of about S\$263 million<sup>1</sup>.

The Trustee has signed an agreement with a global medical device company headquartered in Germany (the “Anchor Tenant”) to develop and lease a build-to-suit facility (the “BTS Facility”) at the existing Kolam Ayer 2 Cluster (the “Agreement to Develop and Lease”). This will account for about 24.4% of the enlarged gross floor area (“GFA”) upon completion of the Proposed Redevelopment. The Anchor Tenant is committed to lease the BTS Facility for an initial lease term of 15 years.

Subject to receipt of all necessary regulatory approvals, the Proposed Redevelopment is slated for completion in the second half of 2022.

#### **2. INFORMATION ON THE PROPOSED REDEVELOPMENT**

##### **2.1 Description of the Kolam Ayer 2 Cluster**

The Kolam Ayer 2 Cluster at 155, 155A and 161 Kallang Way currently comprises two seven-storey Flatted Factories and an amenity centre. With GFA of about 506,720 square feet (“sq ft”), the cluster is sited on a land of about 346,270 sq ft with an utilised plot ratio of 1.5. The site is zoned for Business 2 use with its land lease tenure of 43 years commencing from 1 July 2008.

Located within the Kolam Ayer Industrial Estate, the cluster is close to the MacPherson neighbourhood and a short drive to the Central Business District. It is well-served by

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<sup>1</sup> The total project cost of about S\$263 million includes the book value of the Kolam Ayer 2 Cluster at S\$70.2 million as at 31 March 2019 prior to the commencement of the Proposed Redevelopment.

the Central Expressway, Kallang-Paya Lebar Expressway and Pan Island Expressway as well as the Geylang Bahru Mass Rapid Transit station. The cluster enjoys prominent frontage along the Pan Island Expressway.

The Kolam Ayer 2 Cluster accounted for 1.8% of MIT's gross revenue for the Financial Year 2018/2019 from 1 April 2018 to 31 March 2019.

## **2.2 The Proposed Redevelopment**

The Proposed Redevelopment of the Kolam Ayer 2 Cluster into a high-tech industrial precinct will increase the utilised plot ratio from 1.5 to 2.5. Upon completion of the Proposed Redevelopment, this will increase the total GFA to about 865,600 sq ft. One of the buildings with GFA of about 211,000 sq ft will be developed as a BTS Facility for the Anchor Tenant, which will account for about 24.4% of the enlarged GFA upon completion of the Proposed Redevelopment. Building on the successful leasing of the recently completed greenfield industrial development at 30A Kallang Place, the Manager will target high value-add and knowledge-based businesses from the advanced manufacturing, information and communications technology sectors for the other blocks with total GFA of about 654,600 sq ft. The Manager would also pursue opportunities to develop customised spaces for end-users.

The construction works for the Proposed Redevelopment are expected to commence in the second half of 2020 and complete in the second half of 2022. The total project cost of the Proposed Redevelopment, including the development cost of the BTS Facility, is expected to be around S\$263 million<sup>1</sup>.

## **2.3 Principal Terms of the Agreement to Develop and Lease**

Pursuant to the Agreement to Develop and Lease, MIT will develop the BTS Facility in accordance with the plans and specifications agreed with the Anchor Tenant. The seven-storey purpose-built development will serve as the company's new central hub in Asia Pacific, which include facilities for manufacturing as well as research and development.

Upon the completion of the BTS Facility, the Anchor Tenant is committed to fully lease it for 15 years<sup>2</sup> with annual rental escalations as well as an option to renew for two additional five-year terms.

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<sup>2</sup> This includes a rent-free period of six months distributed over the first six years. The Anchor Tenant will be responsible for the payment of all operating expenses and property tax of the BTS Facility.

### **3. RATIONALE FOR THE PROPOSED REDEVELOPMENT**

#### **3.1 Unlocks Value for the Portfolio**

Given the good location of the site and significant pre-commitment of about 24.4%, the Proposed Redevelopment will unlock value for MIT's portfolio by repositioning the Kolam Ayer 2 Cluster for higher-value industrial uses and utilising untapped plot ratio. Upon completion, this will increase the GFA of the cluster by about 358,880 sq ft and maximise the utilised plot ratio from the current 1.5 to 2.5.

#### **3.2 Grows the Hi-Tech Buildings Segment and Strengthens the Portfolio**

The Proposed Redevelopment is expected to grow the Hi-Tech Buildings segment, which is in line with the Manager's strategy to reshape and build a portfolio of assets for higher value uses. The long-term lease commitment from the Anchor Tenant will provide stable income and increase the portfolio's weighted average lease to expiry. Upon the completion of the BTS Facility, the income contribution from the Anchor Tenant is expected to be accretive to MIT's distribution per unit.

#### **3.3 Adds to Track Record of Redevelopment and Build-to-suit Projects**

The Proposed Redevelopment will be MIT's largest redevelopment to date. This follows the successful redevelopment of a Flatted Factory Cluster into a purpose-built facility with a GFA of over 824,500 sq ft for HP Singapore Private Limited in June 2017.

Correspondingly, the BTS Facility for the Anchor Tenant will add to MIT's track record of build-to-suit projects. Other projects include the global headquarters for Kulicke & Soffa and the Asia Pacific headquarters for HP Singapore Private Limited as well as purpose-built data centres for Tata Communications International, Equinix Singapore and an established data centre operator.

### **4. TENANT ASSISTANCE PACKAGE**

MIT is offering a comprehensive Tenant Assistance Package for existing tenants at the Kolam Ayer 2 Cluster. The tenants will be offered an extended notice period of 12 months at preferential gross rental rates for their remaining leases at the Kolam Ayer 2 Cluster. They will not be required to reinstate their premises and will not need to compensate for early termination if they choose to move out prior to the expiration of their leases.

More than 469,200 sq ft of space at Alternative MIT Clusters<sup>3</sup> has been set aside for tenants considering relocation. This is equivalent to about 1.6 times of the space

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<sup>3</sup> Shortlisted units within MIT's portfolio for tenants at the Kolam Ayer 2 Cluster.

presently occupied by the tenants. Premises at Alternative MIT Clusters will be offered at discounted gross rental rates for new three-year leases. These are about 7% to 33% lower than the average rental rates for new leases at the respective clusters. Rent-free periods and longer fit-out periods of up to nine months, as well as cash subsidies of up to 16 months of gross rents at the Alternative MIT Clusters will be given to tenants who choose to relocate to the Alternative MIT Clusters. Tenants who do not take-up any new lease at an Alternative MIT Cluster will also be given a cash subsidy equivalent to six months of gross rent based on preferential gross rental rates.

## **5. METHOD OF FINANCING**

MIT has sufficient financial capacity to fund the Proposed Redevelopment. Assuming the Proposed Redevelopment is fully funded by debt, the aggregate leverage ratio is expected to increase progressively from 33.8% as at 31 March 2019 to 36.0% upon the completion of the Proposed Redevelopment.

By order of the Board  
Wan Kwong Weng  
Joint Company Secretary  
Mapletree Industrial Trust Management Ltd.  
(Company Registration No. 201015667D)  
As Manager of Mapletree Industrial Trust

### **Important Notice**

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of MIT 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.

The past performance of MIT is not necessarily indicative of the future performance of MIT.