

# LETTER TO UNITHOLDERS

## Dear Unitholders,

Global economic sentiments remained subdued over the past year, weighed down by slowing growth in China as well as uneven economic recovery in the United States and Eurozone. Nevertheless, the United States economy was the main bright spot in 2014, given its stronger than expected recovery. Amid the mixed external environment, Singapore's gross domestic product expanded by 2.9% in 2014, slower than the 4.4% in 2013. Growth in the manufacturing sector also improved to 2.6% in 2014 from 1.7% in 2013<sup>1</sup>.

### BUILDING MOMENTUM IN GROWING THE HI-TECH BUILDINGS SEGMENT

The successful completion of the BTS data centre for Equinix and commencement of the redevelopment of Telok Blangah Cluster<sup>2</sup> in FY14/15 are significant milestones in our strategy to grow the Hi-Tech Buildings segment. This is in line with the increasing demand for industrial spaces with higher specifications as Singapore pursues higher value-added manufacturing activities. As at 31 March 2015, the Hi-Tech Buildings segment accounted for 23.5% of the portfolio by valuation, up from 18.9% a year ago.

Strategically located within the one-north precinct, the purpose-built facility for Equinix strengthened MIT's presence in the growing data centre trade sector. With a total gross floor area ("GFA") of about 385,000 square feet ("sq ft") and an estimated development cost of S\$108 million, the seven-storey data centre is fully leased to Equinix for a minimum tenure of 20 years. The portfolio's weighted average lease to expiry ("WALE") increased from 2.5 years as at 31 March 2014 to 3.1 years as at 31 March 2015, offering MIT income stability from a high-quality tenant.

During the financial year, we also commenced the redevelopment of the Telok Blangah Cluster as a BTS project for Hewlett-Packard. We have successfully relocated 69% of the affected tenants to alternative MIT clusters. This is a reflection of the good tenant-landlord partnerships that we have built over the years. Upon completion in the first half of 2017, the two new Hi-Tech Buildings in the cluster will include facilities for manufacturing, product and software development as well as an office for Hewlett-Packard.

### DELIVERING HEALTHY RETURNS

MIT continued to deliver healthy returns in FY14/15. Compared to the previous financial year, gross revenue



We remain focused on growing the Hi-Tech Buildings segment to drive our next phase of growth. We continue to maintain strong financial discipline to seize development and acquisition opportunities, while sharpening the competitiveness of our properties.

for FY14/15 increased 4.9% to S\$313.9 million. This was due to higher rental rates secured for new leases and renewal leases, as well as revenue contribution from the acquisition of 2A Changi North Street 2 and the completion of the BTS project for Equinix.

Net property income for FY14/15 rose 6.5% to S\$228.6 million. The portfolio's net property income margin for FY14/15 was at a healthy level of 72.8% against the backdrop of rising cost of service contracts as Singapore restructures its economy. We had also



**WONG MENG MENG**  
CHAIRMAN

**THAM KUO WEI**  
CHIEF EXECUTIVE OFFICER

worked with licensed electricity retailers to purchase electricity in bulk, proactively lowering the utilities costs for both MIT and its qualifying tenants.

Distributable income of S\$180.8 million for FY14/15 was 8.9% higher than the S\$166.1 million for the previous financial year. DPU for FY14/15 increased by 5.1% from 9.92 Singapore cents to 10.43 Singapore cents. This represented a distribution yield of 6.6% on the closing unit price of S\$1.580 on 31 March 2015.

MIT's 84 investment properties were valued at S\$3,424.2 million as at 31 March 2015, an increase of 8.0% over the previous valuation as at 31 March 2014. The increase included a portfolio revaluation gain of S\$197.4 million (from the redevelopment of the Telok Blangah Cluster and improved portfolio performance) and capitalised cost of S\$57.2 million from developments and acquisition. Correspondingly, the net asset value per Unit increased from S\$1.20 as at 31 March 2014 to S\$1.32 as at 31 March 2015.

<sup>1</sup> Ministry of Trade and Industry, 26 May 2015.

<sup>2</sup> The redevelopment of the Telok Blangah Cluster as a BTS facility for Hewlett-Packard had commenced in FY14/15. On 31 March 2015, the Telok Blangah Cluster was reclassified from a Flatted Factory Cluster to a Hi-Tech Building Cluster.

# LETTER TO UNITHOLDERS

## DEMONSTRATING STABLE PORTFOLIO PERFORMANCE

Our large and well-diversified tenant base will continue to underpin MIT's stable operational performance. Average portfolio occupancy rate remained healthy at 90.9%, despite the progressive relocation of the tenants from the Telok Blangah Cluster. The portfolio's average passing rental rate increased by 5.2% to S\$1.81 per square foot per month ("psf/mth") with positive rental revisions across all property segments. Through proactive lease management and marketing efforts, the portfolio's retention rate remained healthy at 74.9% in FY14/15.

## STRENGTHENING BALANCE SHEET AND CAPITAL STRUCTURE

We continued to adopt a prudent capital management strategy to augment MIT's growth initiatives. The balance sheet remained robust with a healthy interest cover ratio of 8.1 times and low weighted average all-in funding cost of 2.1% in FY14/15. The weighted average tenor of debt was 3.7 years as at 31 March 2015.

While the growing confidence in the recovery of United States economy had led to the anticipation of an end of its quantitative easing programme, the Federal Open Market Committee was divided on the timing for interest rate hikes. As at 31 March

2015, MIT's hedged borrowings formed about 86.8% of the total debt outstanding, an increase from 73.1% a year ago. We continue to monitor the money market for opportunities to extend interest rate hedges and draw on fixed rate borrowings while keeping the average borrowing cost manageable.

We have continued the distribution reinvestment plan ("DRP") in FY14/15, as part of the efforts to diversify MIT's sources of funding. We are pleased to have received strong support from Unitholders, with an average take-up rate of about 45.2% for each quarter, raising total proceeds of S\$78.6 million. This helped to finance the progressive funding requirements of the development projects. With an aggregate leverage of 30.6% as at 31 March 2015, MIT has sufficient debt headroom to pursue growth opportunities.

## ACCOLADES

At the SIAS Investors' Choice Award in October 2014, MIT was the runner-up of the Singapore Corporate Governance Award in the REITs and Business Trusts category. The Singapore Corporate Governance Award recognised companies with good corporate governance practices and shareholder interests based on the Singapore Corporate Governance Code, Organisation for Economic Co-operation and Development standards and shareholder confidence.

The BTS data centre for Equinix received the prestigious Platinum Award for the BCA-IDA Green Mark for New Data Centres. This was the highest green accolade jointly conferred by BCA and IDA for data centre developments.

## FORGING AHEAD

The pace of global economic growth in 2015 is expected to be marginally better than in 2014, with the improved performance in the United States and Eurozone partly offset by weakness in China. The plunge in oil prices could benefit oil-importing economies, but it has dampened growth prospects in oil-exporting economies. Against this backdrop, Ministry of Trade and Industry expects Singapore to grow at a modest pace of 2.0% to 4.0% in 2015.

Despite facing rising costs and an increase in industrial space supply, MIT is well-positioned to withstand the challenging operating environment with its portfolio

of strategically located industrial properties. Our large and diversified tenant base underpins the stability of the portfolio, with no single tenant and trade sector accounting for more than 4% and 16% as at 31 March 2015. We will continue to manage the cost pressures by adopting performance-based contracts for some of the labour-intensive contracts as well as implementing energy conservation measures to improve operational efficiency.

We remain focused on growing the Hi-Tech Buildings segment to drive our next phase of growth. We continue to maintain strong financial discipline to seize development and acquisition opportunities, while sharpening the competitiveness of our properties.

## IN APPRECIATION

Mr Phua Kok Kim stepped down from the Board of Mapletree Industrial Trust Management Ltd. as a Non-Executive Director on 31 July 2014. We would like to thank him for his invaluable contributions during his tenure of service.

We wish to express our sincere appreciation to our directors and our staff for their contributions and dedication. We would also like to thank our Unitholders, tenants and business partners for their continued support.



An artist's impression of the BTS project for Hewlett-Packard.

**WONG MENG MENG**  
CHAIRMAN

**THAM KUO WEI**  
CHIEF EXECUTIVE OFFICER

27 MAY 2015