

## ANNOUNCEMENT

### THE PROPOSED ACQUISITION OF A DATA CENTRE LOCATED IN VIRGINIA, UNITED STATES

#### 1. INTRODUCTION

Mapletree Industrial Trust Management Ltd., as manager of Mapletree Industrial Trust (“MIT”, and the manager of MIT, the “**Manager**”), is pleased to announce that MIT, through its wholly-owned subsidiary, has entered into a Sale, Purchase and Escrow Agreement (the “**Sale and Purchase Agreement**”) with an unrelated third party vendor (the “**Vendor**”) for the proposed acquisition (the “**Proposed Acquisition**”) of a data centre and office located in the State of Virginia (the “**Property**”), the United States of America (the “**United States**”).

Due to confidentiality reasons, additional details relating to the Proposed Acquisition will be released in due course upon finalisation of the purchase consideration of the Proposed Acquisition (the “**Purchase Consideration**”), which will be within the Purchase Consideration range contractually agreed with the Vendor as stated in Paragraph 2.2 below. The target completion for the Proposed Acquisition is expected to be in the first quarter of 2021 (the “**Completion**”).

#### 2. THE PROPOSED ACQUISITION

##### 2.1 Description of the Property

The Property, located in the State of Virginia, United States, is fully leased on a triple net basis with a balance lease term of more than five years to a multinational company with strong credit standing (the “**Tenant**”).

##### 2.2 Purchase Consideration and Valuation

Under the Sale and Purchase Agreement, the Purchase Consideration of the Proposed Acquisition will be between US\$200.6 million (approximately S\$272.8 million<sup>1</sup>) and US\$262.1 million (approximately S\$356.5 million) subject to calibration of terms. The Purchase Consideration has been arrived at on a willing-buyer and willing-seller basis after taking into account the independent valuations of the Property.

The Manager has commissioned an independent property valuer, Cushman & Wakefield of North Carolina, Inc. (“**C&W**”) to value the Property. The corresponding valuations of the Property are between US\$205.0 million (approximately S\$278.8 million) and US\$266.0 million (approximately S\$361.8 million) as at 31 August 2020. C&W’s valuations are respectively 2.2% and 1.5% higher than the Purchase Considerations.

C&W had arrived at its market valuations of the Property using the the income capitalisation

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<sup>1</sup> Unless otherwise stated, an illustrative exchange rate of US\$1.00 to S\$1.36 is used in this announcement.

method (direct capitalisation and discounted cash flow) while using the sales comparison method as a check against its valuations. Based on the valuations of C&W, the value attached to the data centre is more than 50% of the total valuation.

### 2.3 Total Acquisition Outlay

The total acquisition cost is estimated to be approximately between US\$204.3 million (approximately S\$277.8 million) and US\$266.9 million (approximately S\$363.0 million), comprising:

- (i) the Purchase Consideration of between US\$200.6 million (approximately S\$272.8 million) and US\$262.1 million (approximately S\$356.5 million); and
- (ii) other fees and expenses (including acquisition fee<sup>2</sup> as well as professional fees and other expenses) of approximately between US\$3.7 million (approximately S\$5.0 million) and US\$4.8 million (approximately S\$6.5 million) incurred by MIT or to be incurred by MIT in connection with the Proposed Acquisition.

(collectively, the “**Total Acquisition Outlay**”).

## 3. ALIGNMENT OF INTEREST WITH UNITHOLDERS

As permissible under the Trust Deed, the Manager may elect to receive part of its base fee<sup>3</sup> in the form of Units with respect to the Property to demonstrate its alignment of interest with Unitholders. In the first year following Completion, the Manager may elect to receive Units as payment for up to 50% of the base fee in respect of the Property, with the balance to be paid in cash.

## 4. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with MIT’s investment strategy to acquire data centres worldwide beyond Singapore. The Manager believes that the Proposed Acquisition will bring the following key benefits to Unitholders:

### 4.1 Strategic Expansion in the Resilient Data Centre Segment

#### (a) Aligns with the Manager’s long-term strategy

The Proposed Acquisition is in line with the Manager’s long-term strategy of focusing on property segments with future growth potential. Upon Completion, MIT’s assets under management (“**AUM**”) will increase from S\$6.6 billion<sup>4</sup> as at 30 June 2020 to S\$6.9 billion<sup>5</sup>. Data Centres will increase from 38.5%<sup>4</sup> as at 30 June 2020 to 41.0%<sup>5</sup> of the portfolio (by AUM).

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<sup>2</sup> Under the trust deed dated 29 January 2008 constituting MIT (as amended) (The “**Trust Deed**”), the Manager is entitled to be paid an acquisition fee at the rate of 1.0% of the Purchase Consideration.

<sup>3</sup> Under the Trust Deed, the Manager is entitled to a base fee of 0.5% per annum of the value of MIT’s deposited property or such higher percentage as may be approved by an extraordinary resolution of a meeting of Unitholders.

<sup>4</sup> Based on MIT’s book value of investment properties as well as MIT’s interests in the joint ventures with Mapletree Investments Pte Ltd in a portfolio of 14 data centres in the United States (the “**MRDCT Portfolio**”), three fully fitted hyperscale data centres and 10 powered shell data centres in North America (“**MRODCT**”) and includes MIT’s right-of-use assets of S\$25.2 million as at 30 June 2020 and assuming the acquisition of the remaining 60.0% interest in MRDCT Portfolio was completed on 30 June 2020.

<sup>5</sup> Based on MIT’s portfolio as at 30 June 2020, assuming the acquisition of the remaining 60.0% interest in MRDCT Portfolio was completed on 30 June 2020 and the Total Acquisition Outlay of US\$204.3 million assuming the Proposed Acquisition was completed on 1 September 2020.

In particular, North American data centres are expected to account for 34.7%<sup>5</sup> of MIT's portfolio (by AUM), up from 32.0%<sup>4</sup> as at 30 June 2020.

**(b) Increases exposure to a resilient asset class with growth opportunities**

The global demand for insourced and outsourced data centres is expected to grow at a compound annual growth rate ("CAGR") of 2.2% from 2018 to 2024F<sup>6</sup>. The COVID-19 pandemic has provided favourable tailwinds for the data centre segment. The global revenue for cloud computing is expected to grow at a CAGR of 14% from 2018 to 2024F<sup>7</sup> and an accelerated growth may be expected as a result of the pandemic. There has been strong leasing demand for data centre space from content, social media, e-payment, software-as-a-service and other information technology firms during the pandemic. In addition, data centres were identified as essential infrastructure in North America during the pandemic and had remained open during the lockdown period.

**(c) Increases exposure to the United States, the world's largest data centre market**

The United States is the largest and most established data centre market in the world, which accounts for 28%<sup>8</sup> of the global insourced and outsourced data centre space. According to 451 Research LLC., the demand for data centre space in the country is driven by the explosive growth of data and cloud computing and the proliferation of consumer devices as well as the need for data to be stored close to its end users and at multiple locations for geographic diversity and resilience. In addition, the COVID-19 pandemic has accelerated the pace of cloud adoption as data centre capacity is required to meet the increased usage of remote working, video streaming and online gaming.

**4.2 Enhances Resilience of the Enlarged Portfolio**

**(a) Leased to a high-quality tenant on a triple net lease structure and minimal capital expenditure commitments**

The Property is fully leased to a multinational company with strong credit standing on a triple net lease structure whereby all outgoings such as maintenance, tax and insurance charges are borne by the Tenant. The Tenant is responsible for the replacement of fit-outs<sup>9</sup> until the end of its lease term. Such lease arrangement minimises the operating risks and the capital expenditure commitments of MIT.

**(b) Provides income stability**

Upon Completion, MIT's portfolio weighted average lease to expiry will increase from 4.2 years<sup>10</sup> as at 30 June 2020 to 4.3 years<sup>11</sup>. The Proposed Acquisition will augment MIT's tenant base with the addition of a new data centre tenant. Upon Completion, the Tenant will become the fifth largest tenant of the portfolio with a GRI contribution of 2.7%<sup>11</sup>. This will also reduce the exposure to any single tenant from 7.4%<sup>10</sup> as at 30 June 2020 to 7.2%<sup>11</sup>.

The Proposed Acquisition is expected to provide a stable cash flow with the potential for rental upside in the subsequent lease renewal.

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<sup>6</sup> Refers to the forecast (by net operational sq ft) between 2018 and 2024. Source: 451 Research LLC., 1Q 2020.

<sup>7</sup> Refers to the forecast between 2018 and 2024. Source: 451 Research LLC., 1Q 2020.

<sup>8</sup> By net operational sq ft. Source: 451 Research LLC., 1Q 2020.

<sup>9</sup> Fit-outs include uninterruptible power supply, generator, computer room air conditioning system, chillers and raised floor.

<sup>10</sup> Based on MIT's 100.0% interest in MRDCT Portfolio and 50.0% interest in MRODCT as at 30 June 2020.

<sup>11</sup> Based on MIT's portfolio as at 30 June 2020, assuming the acquisition of the remaining 60.0% interest in MRDCT Portfolio was completed on 30 June 2020 and the Proposed Acquisition was completed on 1 September 2020.

**(c) Increases freehold component of MIT's overall portfolio**

The Property is sited on freehold land. Upon Completion, MIT's freehold properties (by land area) will increase from 51.8%<sup>10</sup> as at 30 June 2020 to 55.9%<sup>11</sup> of the enlarged portfolio.

**4.3 Accretive Acquisition**

The Proposed Acquisition is expected to be accretive to MIT's distribution per unit based on *pro forma* historical financial impact. For the avoidance of doubt, it is expected to be accretive even at US\$266.9 million (approximately S\$363.0 million) as the Total Acquisition Outlay.

**5 METHOD OF FINANCING**

The Manager intends to finance the Total Acquisition Outlay with debt financing, proceeds from an equity fund raising and/or internal cash resources.

The final decision regarding whether the Total Acquisition Outlay will be funded entirely by debt financing or any combination of debt financing, an equity fund raising and/or internal cash resources will be made by the Manager at an appropriate time, taking into account the then prevailing market conditions.

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

14 September 2020

**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 Singapore Exchange Securities Trading Limited (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.