



## AIMS APAC REIT MANAGEMENT LIMITED

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### Media Release

#### **AA REIT secures a 12-year master lease with its largest tenant Optus** *Achieving IRR of 17%<sup>1</sup> p.a. since its acquisition of Optus Centre*

**Singapore, 25 November 2019** – AIMS APAC REIT Management Limited (Manager), as the Manager of AIMS APAC REIT (AA REIT), is pleased to announce that AA REIT and its joint venture partner, Stockland, have successfully executed a new agreement for lease with the existing master tenant Optus Administration Pty Limited (Optus), which is AA REIT's largest tenant, for a further 12-year term at the Optus Centre property in Macquarie Park, New South Wales, Australia. The new lease will commence from 1 July 2021 following the completion of an asset enhancement initiative (AEI), to cater to Optus' evolving requirements. Optus is a wholly-owned subsidiary of SingTel Optus Pty Ltd, Australia's second largest telecommunications company, which is a wholly-owned subsidiary of Singapore Telecommunications Limited, Asia's leading communications technology group. The property will remain operational while the AEI works are being carried out.

This significant outcome is the culmination of almost three years of negotiations and collaborative effort between AIMS Financial Group as sponsor, the Manager, Stockland and Optus. It is one of Australia's largest recorded lease deals. Based on the latest valuation of the Optus Centre and compared to AA REIT's purchase price in 2014, the transaction represents a pre-tax equity internal rate of return (IRR) of approximately 17%<sup>1</sup> per annum.

Optus Centre is located at Macquarie Park in a suburb in northern Sydney, New South Wales, Australia, and is one of the largest campus style business parks in the country. It is an established Business Park located approximately 15 kilometres north west of Sydney's central business district. It is owned through AA REIT's 49% stake in the Macquarie Park Trust, with its joint venture partner Stockland, owning the remaining 51% (through two separate holdings). The campus comprises six buildings with a total net lettable area of 84,194 sq m on a land area of 75,860 sq m.

Highlights of the transaction include:

- A new 12-year master lease, with annual rental escalation of 3.25% on face rent, and two, five-year options to extend the lease after the initial lease term.
- The estimated net property income for the first year of the new lease is approximately A\$28.3 million. Average net property income over the 12-year lease term, taking into consideration rental escalation, is projected to be approximately A\$36.5 million.

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<sup>1</sup> The pre-tax equity IRR per annum is computed based on the net distributions received (net of capital contribution), after taking into consideration the existing onshore loan facility of A\$110.0 million. The pre-tax equity IRR per annum would have been approximately 52% if the offshore loan facility of A\$65.0 million used to fund the acquisition was also taken into consideration.

- Valuation uplift of A\$100.0 million from A\$470.0 million<sup>2</sup> as at 31 March 2019 to A\$570.0 million<sup>3</sup> as at 25 November 2019 upon the execution of the agreement for lease (after taking into account the lease incentives and AEI works). AA REIT's net asset value (NAV) per Unit as at 30 September 2019 will increase on a proforma basis from S\$1.32 to S\$1.38.
- The implied value of AA REIT's 49% share in the asset, based on the valuation of A\$570.0 million is A\$279.3 million, representing a 51.4% increase compared to AA REIT's purchase price of A\$184.4 million in 2014. This represents a pre-tax equity IRR of approximately 17%<sup>1</sup> per annum.
- On a proforma basis, the property's weighted average lease to expiry (WALE) by net lettable area improves to 13.6 years, up from 2.75 years as at 30 September 2019.
- The successful new lease arrangement highlights the quality of the Optus Centre property and AA REIT's ability to cater to the tenant's needs.

### *New Master Lease*

Optus will continue to occupy the entire net lettable area of the campus for a period of 12 years upon the commencement of the new lease. The new lease includes an annual rental escalation of 3.25% on the face rent, and two options to extend the lease for a further five years per option after the initial lease term. Upon the commencement of the new lease, the property will provide an estimated net property income of A\$28.3 million in the first year, with average net property income of A\$36.5 million over the lease term (after taking into account the lease incentives).

Following the new lease with Optus, the WALE by net lettable area of the property will improve on a proforma basis to 13.6 years compared to 2.75 years as at 30 September 2019. In addition, on a portfolio basis, the new lease would extend AA REIT's portfolio WALE from 2.45 years as at 30 September 2019 to 3.80 years on a proforma basis.

The new lease is the result of Optus' formal and competitive tender process which had been ongoing for almost three years. Optus sought proposals to best meet its growing commercial needs, as well as its business culture and vision, following the impending expiry of the existing leases at Macquarie Park from 2021 to 2023. AA REIT and Stockland's proposal satisfied Optus' stringent requirements, including buildings and landscape specifications, services, amenities, property management, costs and delivery schedule.

### *Asset Enhancement Initiative*

The AEI will see significant upgrade works to the existing property to enhance the facilities to meet Optus' needs. The main scope of work includes end-of-trip facilities, new access roads, drop-off areas, a pedestrian link from the car park, upgrades to existing bathrooms and utility infrastructure such as mechanical, electrical and building management systems.

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<sup>2</sup> Based on Jones Lang LaSalle Advisory Services Pty Ltd valuation dated 31 March 2019 for 100% interest of the asset. A short-form valuation was undertaken by Knight Frank NSW Valuations & Advisory Pty Ltd (Knight Frank) in 30 September 2019, which valued the asset at A\$475.0 million.

<sup>3</sup> Based on Knight Frank's valuation dated 25 November 2019 on an "as-is" basis for 100% interest of the asset.

### *Manager's commentary on the New Lease and AEI*

The Manager's Chief Executive Officer Mr Koh Wee Lih said, "We are pleased to announce the new agreement for lease with Optus, Australia's second largest telecommunications company, which has a top-quality covenant and provides a secure income stream. The new agreement for lease arrangement and AEI will significantly enhance the quality and value of our Optus Centre property in a market currently experiencing limited supply of quality business park assets.

"The agreement to commence an AEI at the Optus Centre reflects AA REIT's successful track record of fostering strong partnerships by working with tenants to cater to their specific needs. The enhancement is in line with our strategy to strengthen and optimise our high-quality portfolio, through proactive asset and lease management. The Manager constantly looks for ways to optimise and strengthen AA REIT's portfolio, to ensure we can achieve long-term value creation for AA REIT's Unitholders.

"The new lease and AEI also highlight the value in a partnership approach with the strength of AIMS' real-estate expertise complementing the Manager's long-standing relationship with joint venture partner, Stockland, to deliver attractive real estate solutions for our tenant."

### *Stockland's commentary on Optus and partnership with AA REIT*

Stockland Chief Executive Officer Commercial Property, Ms Louise Mason, said, "We're pleased to extend our existing relationship with Optus at Macquarie Park with this long-term lease arrangement, and we are working closely with Optus to carry out some significant upgrades to the campus. This further commitment to Macquarie Park is in line with our strategy to grow our Workplace and Logistics weighting through a strong focus on upgrading existing properties and development opportunities. We look forward to extending our solid relationship with joint-venture partner AA REIT as we continue to provide customers with flexible, efficient and cost-effective facilities from which to drive their businesses."

### *High-quality Australian property strengthening AA REIT's diverse portfolio*

As at 30 September 2019, the property represented 14.7% of AA REIT's total portfolio valuation and accounted for 6.4% of the portfolio's net lettable area. Optus is AA REIT's largest tenant, contributing 12.3% of gross rental income for the quarter ended 30 September 2019.

AA REIT continues to have high-quality tenants operating in diverse industry sectors, with strategically located freehold land in Australia. The signing of the new lease with Optus and recent acquisition of the Boardriders property at Gold Coast, Queensland, Australia with a 12-year lease term further strengthen AA REIT's portfolio, providing revenue stability and geographical diversification.

### *About Optus Centre and Macquarie Park*

Optus Centre is located at Macquarie Park in a suburb in northern Sydney, New South Wales, Australia, and is one of the largest campus style business parks in the country. It is an established Business Park located approximately 15 kilometres north west of Sydney's central business district. The corporate prestige, close access to facilities and aesthetically pleasing environment, are an attraction for many corporations. It is well connected via Macquarie Park railway station and is close to shopping facilities at Macquarie Centre and Macquarie University.

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**Important Notice**

The value of units of AIMS APAC REIT (“**AA REIT**”) (“**Units**”) and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, AIMS APAC REIT Management Limited (“**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 AA REIT may only deal in their Units through trading on the 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.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of AA REIT is not necessarily indicative of the future performance of AA REIT.

This announcement may contain forward-looking statements that involve 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. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s view of future events.

**About AIMS APAC REIT** ([www.aimsapacreit.com](http://www.aimsapacreit.com))

Managed by the Manager, AA REIT was established with the principal investment objective of owning and investing in a diversified portfolio of income-producing industrial real estate located throughout the Asia Pacific that is used for industrial purposes, including, but not limited to warehousing and distribution activities, business park activities and manufacturing activities. AA REIT’s existing portfolio consists of 27 industrial properties, of which 25 properties are located throughout Singapore, a property located in Gold Coast, Queensland, Australia and a 49.0% interest in one business park property, Optus Centre, which is located in Macquarie Park, New South Wales, Australia with an estimated total value of approximately S\$1.5 billion as at 30 September 2019.

**About AIMS Financial Group** ([www.aims.com.au](http://www.aims.com.au))

AIMS Financial Group (“**AIMS**”) is the sole sponsor of AA REIT. Established in 1991, AIMS is a diversified financial services and investment group, active in the areas of mortgage lending, securitisation, investment banking, funds management, property investment, venture capital, stock broking and high-tech investment. AIMS is also a strategic investor in the Sydney Stock Exchange.

AIMS has raised funds from capital markets and issued residential mortgage-backed securities, predominantly rated AAA by both Standard & Poor’s and Fitch Ratings. AIMS has also attracted a number of international investors into the Australian markets and is the investment manager for various funds.

AIMS’ head office is in Sydney and it has businesses across Australia, China, Hong Kong and Singapore. Its highly qualified, professional and experienced cross-cultural teams enable AIMS to bridge the gap between Australia and Asia across various sectors.