

ANNOUNCEMENT

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE ANNUAL GENERAL MEETING ON 19 JULY 2022

18 July 2022 - Mapletree Industrial Trust Management Ltd., as manager (the “Manager”) of Mapletree Industrial Trust (“MIT”), wishes to thank all unitholders of MIT (the “Unitholders”) who have submitted their questions in advance of the 12th Annual General Meeting of MIT, which will be held at 20 Pasir Panjang Road, Mapletree Business City, Town Hall – Auditorium, Singapore 117439 and by way of electronic means on 19 July 2022, 2.30 p.m. (Singapore Time).

Please refer to Annex A for the list of substantial and relevant questions, and the Manager’s responses to these questions. Where questions overlap or are closely related, they have been merged and rephrased for clarity. For ease of reference, the questions have been grouped into the following key topics:

- A. Operational Performance
- B. Investments
- C. Financials and Capital Management
- D. Strategy and Outlook

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 the 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 the 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.

ANNEX A: RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

A. Operational Performance	
1.	Data Centres comprised about 50% of MIT’s assets under management. How can we improve its occupancy rate? Are there significant cost involved in upgrading the data centres to meet higher standards?
	<ul style="list-style-type: none"> ▪ The average occupancy rate for Data Centres for the financial year 2021/2022 ended 31 March 2022 (“FY21/22”) fell to 94.9%¹ from 98.5%¹ in FY20/21 following the completion of 29 data centres in the United States of America (the “United States”) (the “US Portfolio Acquisition”) in July 2021, which had a lower average occupancy rate of 87.5%. ▪ We are proactively undertaking various leasing and asset management strategies to optimise the performance of each property. These include adopting a more competitive pricing strategy to attract prospects and retain tenants, embarking on asset enhancement initiatives and redevelopments, or even divesting properties with lower long-term relevance to the portfolio. ▪ As at 31 March 2022, about 60.5% of the North American Portfolio (by gross rental income) were powered shell data centres whereby the tenants are responsible for the replacement of the fit-outs until the end of their respective lease terms. Such lease arrangements minimise the capital expenditure commitments of MIT.
2.	The remaining terms of lease for Kallang Basin 1 and 2 Cluster were nine years as at 31 March 2022. The valuations of both clusters were lower as compared to their purchase prices in 2011. May I know what the plans for these two clusters are?
	<ul style="list-style-type: none"> ▪ The fall in valuations for Kallang Basin 1 and 2 Clusters were due to their short remaining underlying land lease tenures of less than nine years. In view of their locations and permissible land use in the Singapore Master Plan, it is likely that both plots of land will be returned to the state at the end of their land leases. We will continue to ensure that the properties are competitive and appeal to tenants in order to optimise the returns for the balance of the underlying land tenures.

¹ Based on MIT’s 50% interest of the joint venture with Mapletree Investments Pte Ltd (“MIPL”) in three fully fitted hyperscale data centres and 10 powered shell data centres in North America through Mapletree Rosewood Data Centre Trust (“MRODCT”).

3.	Why did the valuation of STT Tai Seng 1 fall year-on-year by S\$5.7 million even though its gross revenue for FY21/22 was the highest among MIT's data centres in Singapore?
	<ul style="list-style-type: none"> ▪ The year-on-year decline in valuation for STT Tai Seng 1 was due to the amortisation of lease on data centre fit-out works rental component until May 2025. Data centre fit-out works were provided for a single floor at the six-storey data centre and the maintenance of these data centre fit-out works were fully borne by the tenant.
4.	Mr Jim Chanos is setting up a fund that will take short positions in US-listed REITs that specialise in data centre assets. His thesis is that bricks-and-mortar legacy data centres will come under pressure because cloud hyperscale providers will want to own these properties instead of leasing them. What is your view and how will it affect MIT? Does this give pause to your strategy on data centres?
	<ul style="list-style-type: none"> ▪ The global data centre industry continued to see strong demand, which is driven by structural trends accelerated by the pandemic such as cloud computing and e-commerce. Demand for edge infrastructure, whereby data centre sites are located closer to the data sources and end users, is also expected to be a long-term growth area, which will benefit colocation providers. Leased data centre supply (by net operational square feet) and demand (by net utilised square feet) are expected to grow at a compound annual growth rate of 6% and 8% respectively between 2020 and 2026E². ▪ As at 31 March 2022, MIT's portfolio has a good mix of tenant types within the North American Portfolio, which mainly comprises colocation providers (45.7%), enterprise/end-users (34.6%) and cloud/hyperscale users (13.7%). Maintaining a mix of tenant types reduces any negative impact on MIT. The weighted average lease to expiry of the North American Portfolio remained long at 6.1 years with 3.0% of leases due in FY22/23. ▪ We remain positive about the demand for data centre space as the structural tailwinds such as cloud computing and e-commerce are likely to continue into the future. We will strive to diversify our footprint in both established and secondary data centre markets in North America in order to capture demand from varied data centre users. In addition to Singapore and North America, we will explore investment opportunities in established data centre markets in Asia Pacific and Europe. These are strategically located markets (near submarine communications cables) in countries with highly developed infrastructure.

² Source: 451 Research/S&P Global Market Intelligence, 2022.

5.	Against the backdrop of several data centre tenants in the United States facing bankruptcies, can management share more about the outlook of data centres and the impact on MIT?
	<ul style="list-style-type: none"> ▪ The global data centre industry continued to see strong demand, which is driven by structural trends accelerated by the pandemic such as cloud computing and e-commerce. Demand for edge infrastructure, whereby data centre sites are located closer to the data sources and end users, is also expected to be a long-term growth area, which will benefit colocation providers. Leased data centre supply (by net operational square feet) and demand (by net utilised square feet) are expected to grow at a compound annual growth rate of 6% and 8% respectively between 2020 and 2026E². ▪ MIT's diversified portfolio with low dependence on any single tenant or trade sector will help to mitigate any tenant concentration risk on its portfolio.
B. Investments	
6.	<p>(i) Can MIT continue to make DPU-accretive acquisitions under current rising interest rate environment?</p> <p>(ii) When will you be acquiring more data centres in the United States?</p> <p>(iii) Can you share the organic and inorganic growth plans for the REIT in the next three to five years?</p>
	<ul style="list-style-type: none"> ▪ Acquisitions have become challenging due to the increasing competition for investible assets and the resultant effect of rising asset valuations. Nevertheless, we remain disciplined in pursuing suitable acquisition and development opportunities by considering factors such as property attributes, impact to distributions and portfolio profile as well as long-term total returns. Stronger focus will be on segments with future growth potential including Data Centres, Hi-Tech Buildings and Business Park Buildings. This is underscored by the ongoing redevelopment of Flatted Factories into a high-tech industrial precinct at 161, 163 & 165 Kallang Way, which is slated for full completion in the first half of 2023. ▪ In addition, we continuously review the competitiveness and potential of each property within the portfolio. We completed the divestments of 19 Changi South Street 1, Singapore and 19675 West Ten Mile Road, Southfield, Michigan in April 2022 and June 2022 respectively. Both divestments were in line with our strategy to divest properties with lower long-term relevance to the portfolio and to recycle the capital for better investment properties. ▪ The right of first refusal from the Sponsor, MIPL for the acquisition of its 50% interest in MRODCT remains a significant acquisition pipeline.

7.	Are there plans to undertake data centre acquisitions outside the United States?
	<ul style="list-style-type: none"> ▪ The United States is a natural consideration as it is the world’s largest and most established data centre market. We are also interested in investment opportunities in established data centre markets in Europe (e.g. Frankfurt, London, Amsterdam, Paris and Dublin) and Asia Pacific (e.g. Singapore, Hong Kong, Japan, Australia and South Korea). These are strategically located markets (near submarine communications cables) in countries with highly developed infrastructure. ▪ Our investment focus remains in established data centre markets while leveraging on the Sponsor’s extensive capabilities and network to pursue suitable investment opportunities.
C. Financials and Capital Management	
8.	Can the Board consider a rights issue instead of a private placement in the future?
	<ul style="list-style-type: none"> • The format of the capital fund raising, typically takes into consideration various factors such as the prevailing market conditions, the size, nature and timing of investment projects with the objective of achieving a sustainable funding structure and optimising the accretion to existing Unitholders. While existing Unitholders were unable to participate in the past private placements, we believed that accretions were still positive to existing Unitholders after these fund raising exercises. ▪ During the financial year, we successfully completed an S\$823.3 million equity fund raising exercise to partially finance the US Portfolio Acquisition. This comprised approximately S\$512.9 million and S\$310.4 million from the private placement and the preferential offering respectively. ▪ We have resumed the distribution reinvestment plan (“DRP”) from the 3QFY21/22 Distribution to help finance the progressive funding needs of development projects and accord MIT greater financial flexibility to pursue growth opportunities. The DRP also provides an opportunity for existing Unitholders’ participation. We are encouraged by the support from Unitholders, as evident in the healthy DRP take-up rate of 42.5% for 3QFY21/22 Distribution.

9.	<p>(i) Will the recent increases in federal funds rate reduce the dividend for FY22/23?</p> <p>(ii) How does management ensure that the interest rate risk is appropriately managed?</p> <p>(iii) How will management tackle a possible stagflation scenario?</p> <p>(iv) What is management doing to mitigate the rising energy prices for the data centre portfolio?</p>
	<ul style="list-style-type: none"> ▪ The pace of global economic recovery remains uneven and uncertain. The fallout from the Russia-Ukraine war and China’s strict zero-COVID strategy compounded inflationary pressure and weighed on an already fragile global recovery. It is difficult to provide a guidance in this environment. Nevertheless, we remain committed to deliver sustainable returns to Unitholders in the long-term through our proactive portfolio rebalancing initiatives and asset management, which is supported by our prudent capital management efforts. ▪ We remain mindful of the risks on margins from rising energy prices and higher interest costs while proactively taking steps to manage their impact on the portfolio. ▪ About 70.5% of MIT’s total borrowings as at 31 March 2022 had been hedged into fixed rates. The weighted average tenor of interest rate hedges as at 31 March 2022 was 3.6 years. Considering the rising interest rate environment, we have been actively monitoring the market and have taken on additional hedges and extended hedges. We look to maintain an average interest rate hedge ratio of between 70% and 80%, which will also provide us with some flexibility for rebalancing when the need/opportunity arises. Based on unhedged borrowings as at 31 March 2022, the amount available for distribution or DPU would have been lower by approximately S\$3.5 million or 0.13 cent per annum respectively if interest rates increase by 50 basis points, with all other variables being held constant. ▪ As at 31 March 2022, about 90.2% of the North American Portfolio (by gross rental income) are on triple net leases whereby all outgoings including utilities expenses are borne by the tenants. We do not expect the property operating expenses for the North American Portfolio to be significantly affected by the increases in energy prices. ▪ Following the expiry of our energy procurement contracts in Singapore in May 2022, we anticipated an increase in utilities expenses for the multi-tenanted industrial properties in Singapore. Accordingly, we have embarked on measures such as installing solar panels at six Flatted Factory clusters in FY22/23, reducing energy consumption and raising set temperature in common areas of our properties. These will help to partially offset the impact of rising energy prices on the portfolio.

10.	How has the strengthening of US Dollar affected MIT?
	<ul style="list-style-type: none"> ▪ As MIT received income denominated in US Dollars from its investments in the United States, foreign exchange forward contracts were entered into to hedge against foreign exchange rate volatility on distributable income. 60.1% of MIT's FY21/22 US Dollar-denominated net income was hedged into Singapore Dollars through such forward contracts.
D. Strategy and Outlook	
11.	What is MIT's strategy in terms of asset mix? Will MIT be acquiring only data centres in the future? Is MIT actively looking to acquire non-data centre assets such as industrial parks?
	<ul style="list-style-type: none"> ▪ Data Centres may comprise up to two thirds of MIT's portfolio (by assets under management) in the medium term in view of the scalability and growth potential of this asset class. We will strive to mitigate possible concentration risk through diversification across multiple geographies, which comprise established data centre markets in Asia Pacific and Europe. In addition, we will focus on segments with future growth potential such as Hi-Tech Buildings and Business Park Buildings. An example will be the ongoing redevelopment of Flatted Factories into a high-tech industrial precinct at 161, 163 & 165 Kallang Way.
12.	Will there be a merger between MIT and Mapletree Logistics Trust ("MLT")?
	<ul style="list-style-type: none"> ▪ MLT's focus is to invest in a diversified portfolio of logistics real estate and real estate-related assets in Asia Pacific. In contrast, MIT focuses on industrial real estate assets in Singapore and data centres beyond Singapore. MIT's investment mandate specifically excludes industrial properties primarily used for logistics purposes. ▪ We believe that there is sufficient differentiation between MIT and MLT in terms of asset types, tenant profiles and types of uses of properties. MIT and MLT are both of significant scale and in different sectors with growth potential; and hence, there appears to be no compelling reason for a merger.

13.	Will MIT be involved in any merger and acquisition (“M&A”) activity in the financial year to enhance Unitholder value?
	<ul style="list-style-type: none"> <li data-bbox="300 456 1423 797">▪ We remain disciplined in pursuing suitable investment opportunities by considering factors such as property attributes, impact to distributions and portfolio profile as well as long-term total returns. We will continue to pursue growth opportunities in Singapore and overseas, with a focus on data centres and high specification industrial facilities. The financial performance for FY22/23 will be underpinned by the full-year contribution from the 29 data centres in the United States acquired in July 2021. In addition, the US Portfolio Acquisition will enhance the sustainability of MIT’s returns to Unitholders with increased freehold land component and long leases with embedded rental growth.