



Proposed Acquisition of 100% of the Trust Beneficiary Interest in ESR Sakura Distribution Centre



29 August 2022



Maiden Entry into Japan via Proposed Acquisition of ESR Sakura Distribution Centre (“ESR Sakura DC”)



Key expressways serving Greater Tokyo

Proposed Acquisition	<ul style="list-style-type: none"> Acquisition of 100% of the Trust Beneficiary Interest in ESR Sakura DC, a 5-storey modern logistics facility located in Chiba Prefecture, Tokyo, Japan (the “Japan Acquisition”) 	
Independent Valuation⁽¹⁾	 	
Japan Purchase Consideration	<ul style="list-style-type: none"> JPY17,800m (c.S\$183.5m) with 12 months of Rental Support 	
Total Acquisition Costs	<ul style="list-style-type: none"> c.S\$187.0m⁽²⁾ 	
Method of Financing	<ul style="list-style-type: none"> The Manager intends to finance the Total Acquisition Outlay (save for the Acquisition Fee) with an optimal combination of internal sources of funds, external bank borrowings, and/or equity capital market issuances⁽³⁾ For the avoidance of doubt, the Manager has secured sufficient financing to fund the Japan Acquisition⁽⁴⁾ 	
Pro forma Financial Effects	<i>FOR ILLUSTRATIVE PURPOSES ONLY NOT A FORWARD-LOOKING PROJECTION</i>	
Scenario A:	<ul style="list-style-type: none"> (100% Debt) <ul style="list-style-type: none"> DPU Accretion: 2.9% Gearing: 42.0% 	
Scenario B:	<ul style="list-style-type: none"> (60% Debt / 40% Equity) <ul style="list-style-type: none"> DPU Accretion: 0.5% Gearing: 40.6% 	



Notes: Using an illustrative exchange rate of JPY 97.00 : S\$1.00. (1) Valuation as at 30 June 2022. (2) Comprises Purchase Price of JPY 17,800m (S\$183.5m), Acquisition Fee of S\$1.8m, and transaction costs of S\$1.7m. (3) At E-LOG's annual general meeting on 29 April 2022, Unitholders' approved a general mandate to issue up to 50% of the total number of issued Units (excluding treasury Units, if any), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders shall not exceed 20% of the total number of issued Units (excluding treasury Units, if any) in each class as calculated in accordance with the relevant laws and regulations. In the event that new Units are issued on (i) a non pro rata basis (i.e. a placement), Listing Rule 811 states that the issue price of such Units must not be priced at a discount of more than 10% discount to the weighted average price for trades done on the SGX for the full market day on which the placement (or if trading in the units is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed) (the "VWAP Price"), (ii) on a pro rata basis pursuant to a preferential offering, Listing Rule 816(2) states that the issue price of such Units must not be priced at a discount of more than 10% discount to the VWAP Price and (iii) on a pro rata basis pursuant to a rights issue, there is no limit set out in the Listing Manual on the discount to the VWAP Price. (4) As at 12 July 2022, the Manager has received committed debt financing term sheets of up to JPY 17,600 million (approximately S\$181.5 million) from banks for the purpose of financing the Japan Acquisition.

Overview of ESR Sakura DC



Modern Logistics Facility

Accessibility via **ramp** and **11 cargo lifts**

Attractive Entry Yield

Acquired at an attractive NPI yield of **4.35%** and purchase price **below market comparables**

Strategic Location

Excellent connectivity to key transportation nodes and infrastructure

ESG Initiatives

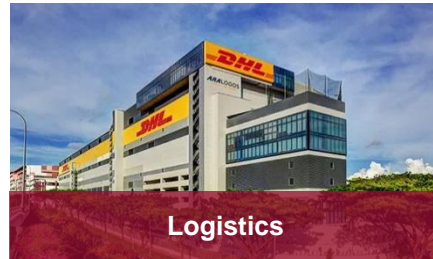
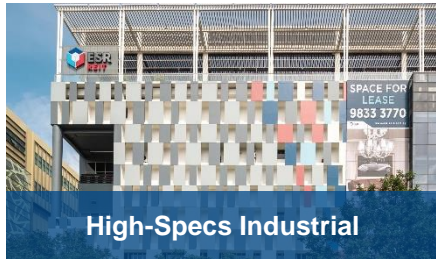
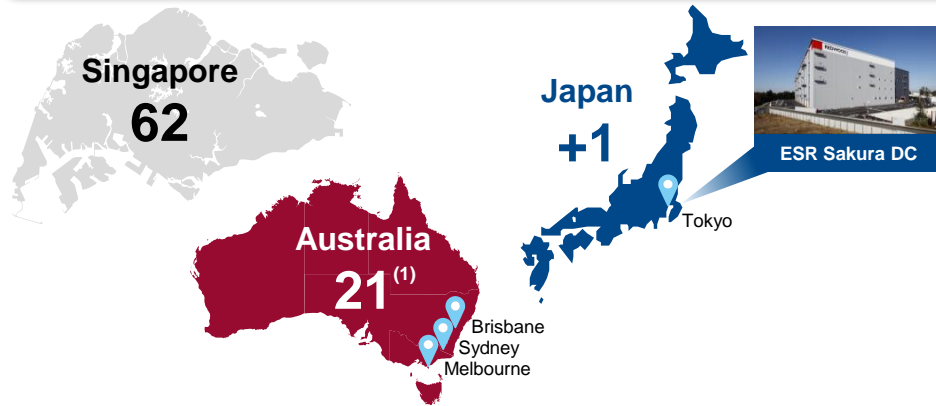
Roof spaces feature solar panels while **c.42% of the Net Lettable Area** is fitted with eco-friendly LED lighting





Property Description	<ul style="list-style-type: none"> 5-storey modern logistics facility
Land Tenure	<ul style="list-style-type: none"> Freehold
Year of Completion	<ul style="list-style-type: none"> November 2015
Net Lettable Area	<ul style="list-style-type: none"> 81,507.4 sqm
Occupancy	<ul style="list-style-type: none"> 75.0%
WALE	<ul style="list-style-type: none"> 2.9 years
NPI Yield	<ul style="list-style-type: none"> 4.35% (Including Rental Support)
No. of Tenants	<ul style="list-style-type: none"> 4
Key Tenants	<ul style="list-style-type: none"> Universal Entertainment: Listed manufacturer with FY2021 revenue of JPY90.4bn (c.\$932m) Sanzen Logistics Solution: Chiba-headquartered logistics and storage solutions provider, currently operating in 3 facilities across Chiba

ESR-LOGOS REIT:

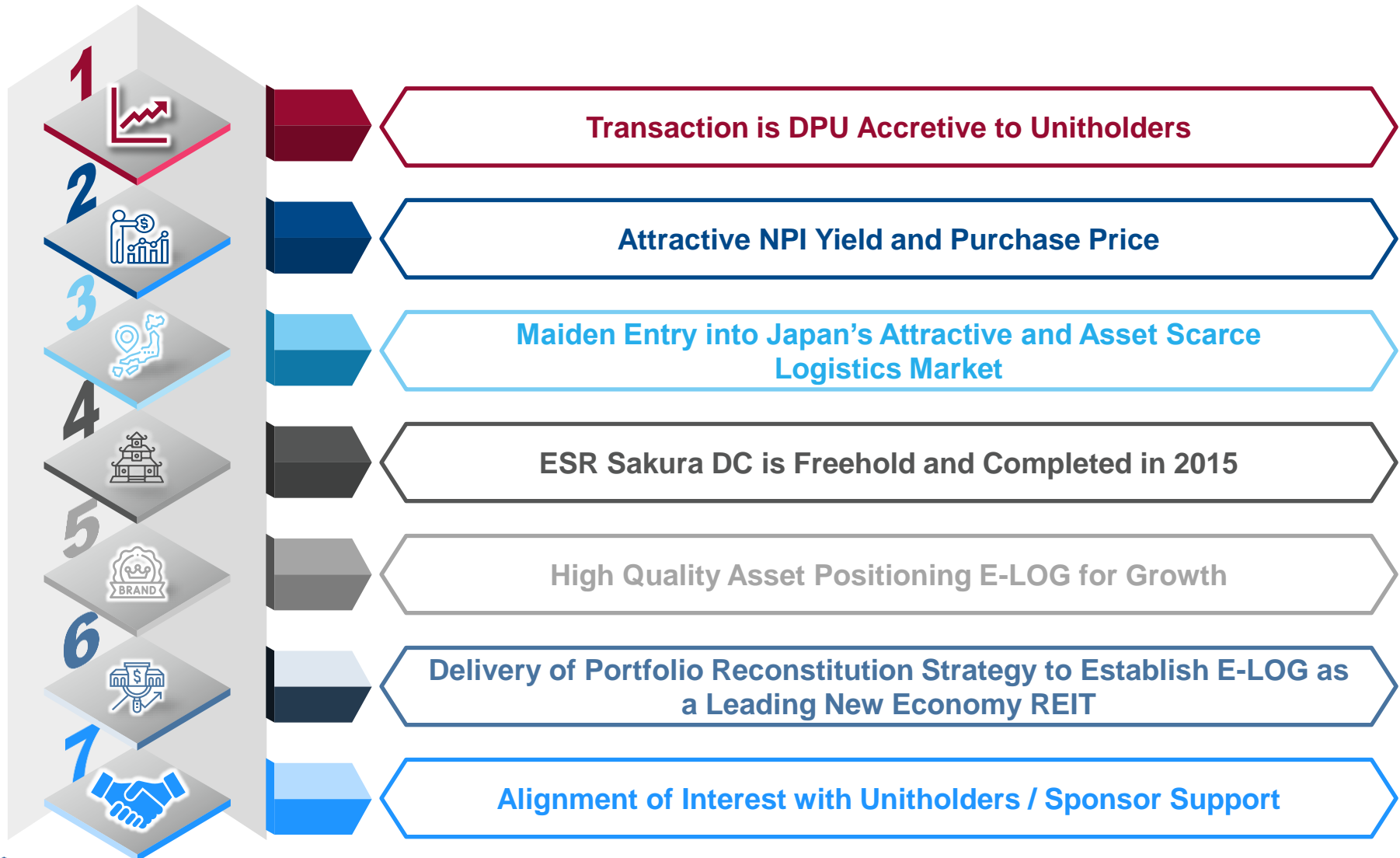
Future-Ready APAC New Economy REIT

Extended footprint into one of the largest logistics markets in APAC



	E-LOG Current	E-LOG Post the Japan Acquisition	
 No. of Portfolio Properties	83	84	+1.2%
 Total Assets (S\$ bn)	5.5	5.7	+3.8%
 Total NLA (m sqm)	2.1	2.2	+3.9%
 Proportion of New Economy Assets	62.7%	63.4%	+0.7pp

Transaction Rationale



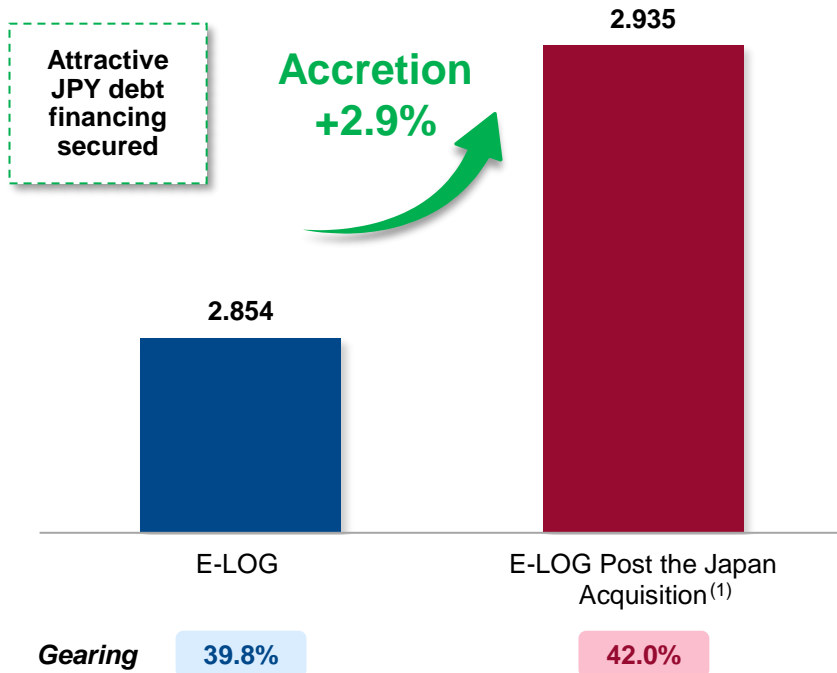
1 Transaction is DPU Accretive to Unitholders

Transaction expected to be DPU accretive to Unitholders, with funding already secured

Scenario A: DPU (100% Debt Funded)

(Singapore Cents)

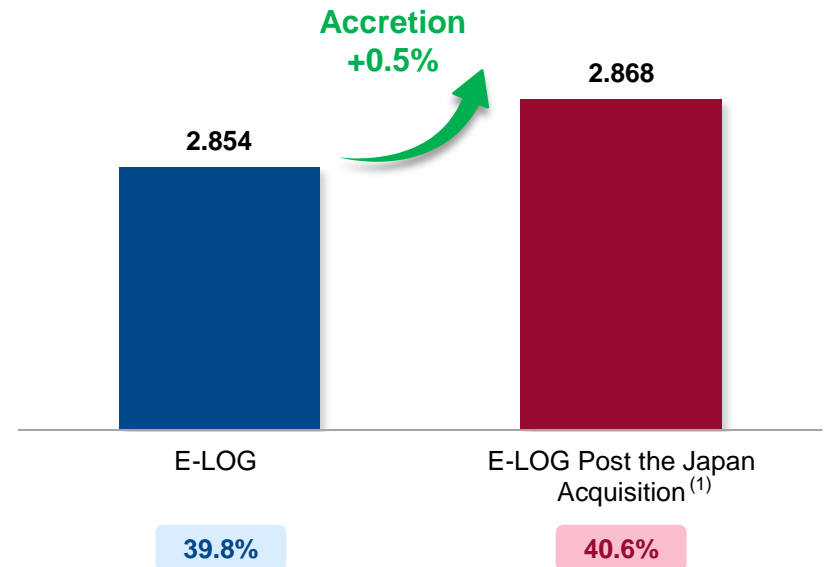
FOR ILLUSTRATIVE PURPOSES ONLY NOT A FORWARD-LOOKING PROJECTION



Scenario B: DPU (60% Debt / 40% Equity Funded)

(Singapore Cents)

FOR ILLUSTRATIVE PURPOSES ONLY NOT A FORWARD-LOOKING PROJECTION

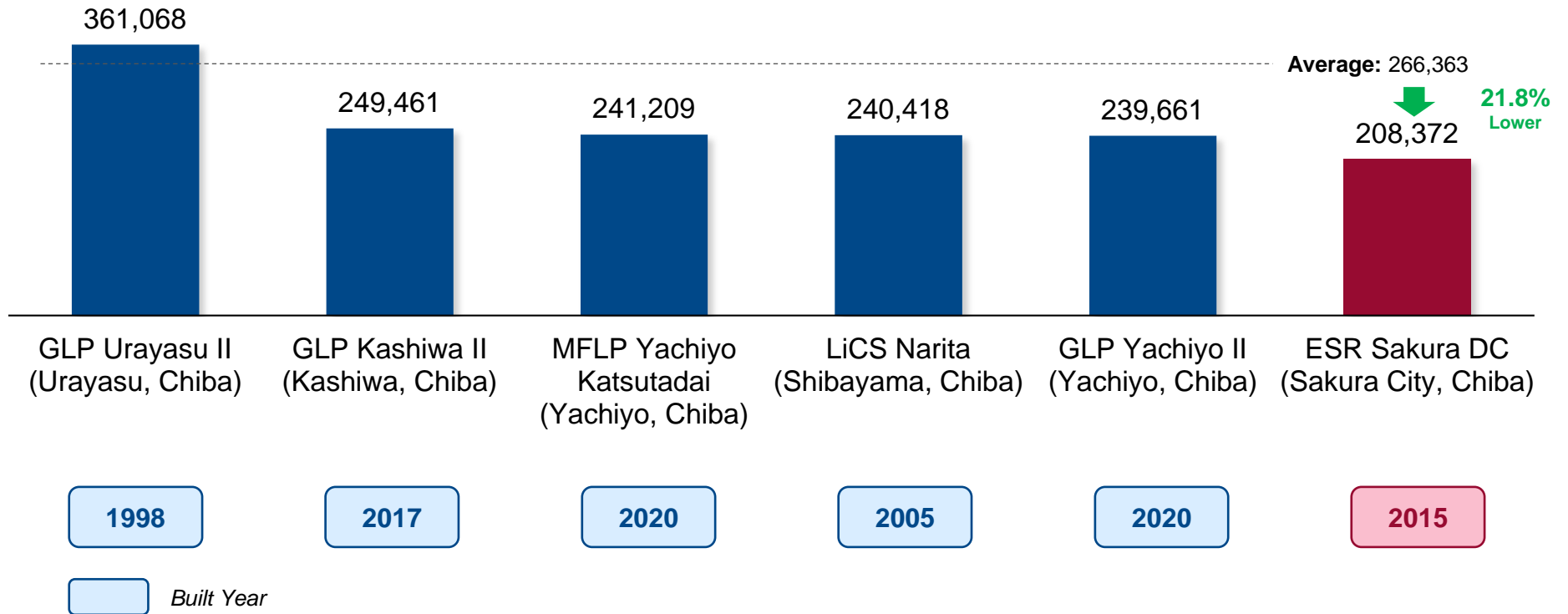


2 Attractive NPI Yield and Purchase Price

Attractive NPI yield of c.4.35% and Purchase Consideration of JPY 208,372 per sqm
(approximately 21.8% lower than market comparables on average)⁽¹⁾

Lowest Price per sqm Among Recent Logistics Asset Transactions in the Chiba Prefecture, Tokyo

(Value per sqm in JPY)



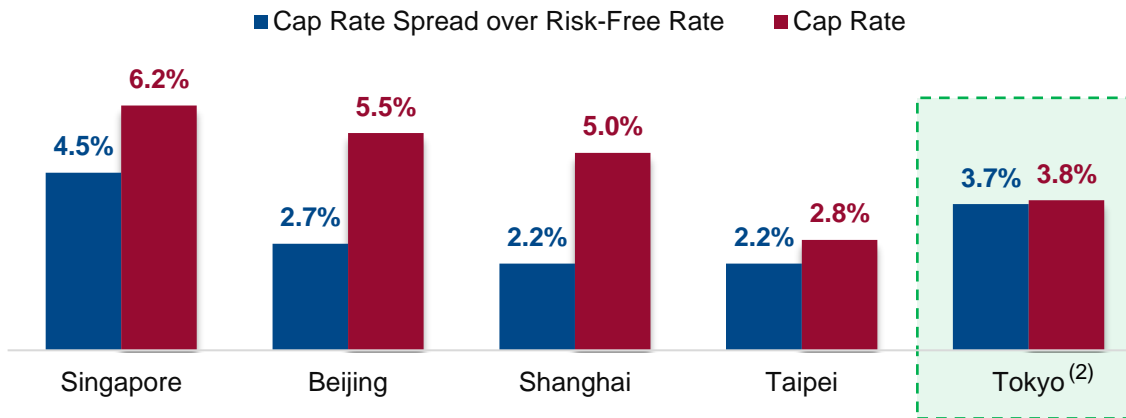
3

Maiden Entry into Japan's Attractive and Asset Scarce Logistics Market

Attractive entry point into a market which exhibits good risk / reward investment

Attractive Yield Spreads⁽¹⁾ for Japan Logistic Investments Driven by the Bank of Japan's Adoption of a Negative Interest Rate Policy

What Does This Mean For the ESR-LOGOS REIT



1

High yield spreads for Japanese real estate is driven by the **Bank of Japan's** adoption of a **negative interest rate policy**

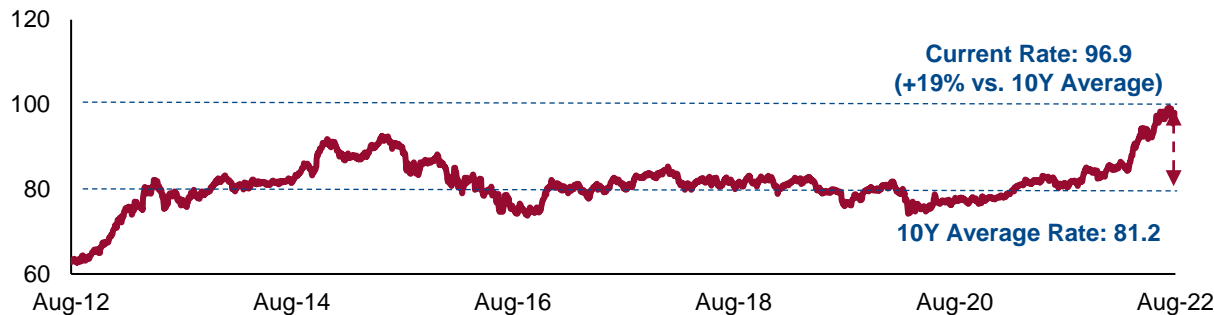
2

Long term government bond yields expected to remain low as the BoJ is expected to **maintain its current monetary policy** despite inflationary pressures

3

JPYSGD exchange rate is currently lower than the 10-year average, resulting in **favorable capital market conditions to raise offshore capital** with potential upside from **FX gains** on income distributions

JPYSGD Chart (JPY per S\$)



Source: Monetary Authority of Singapore, Macrobond, ARES, Knight Frank Asia-Pacific, Knight Frank Consultancy, FactSet. Market data as of 11 August 2022.

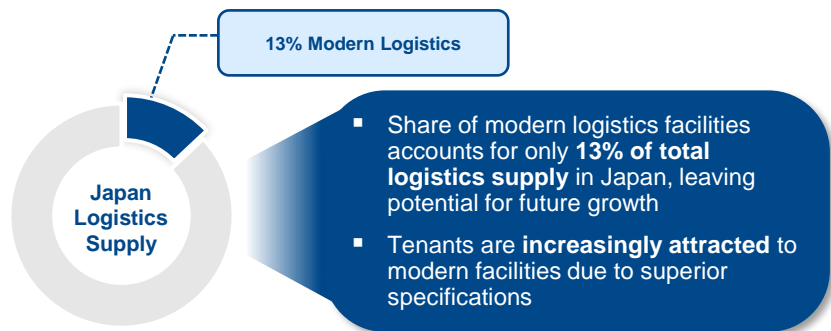
Notes: (1) The 10-year government bond yield is taken as a proxy of the risk-free rates. All government bond yields are based on the respective country of origination. (2) Refers to the "23 Special Wards of Tokyo".

3

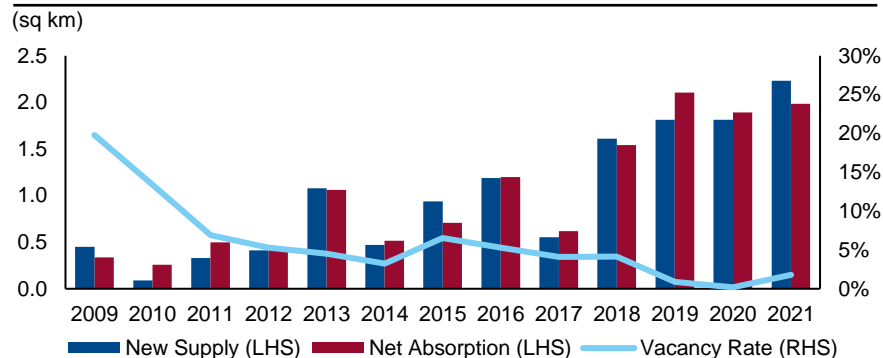
Sector Fundamentals Underpinned by Attractive Market Dynamics

Strong supply and demand dynamics expected to drive positive rent growth

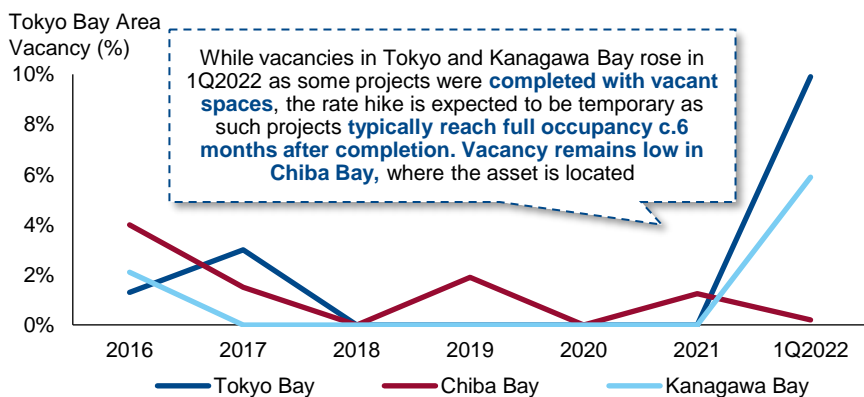
High Demand for Modern Logistics Warehouse



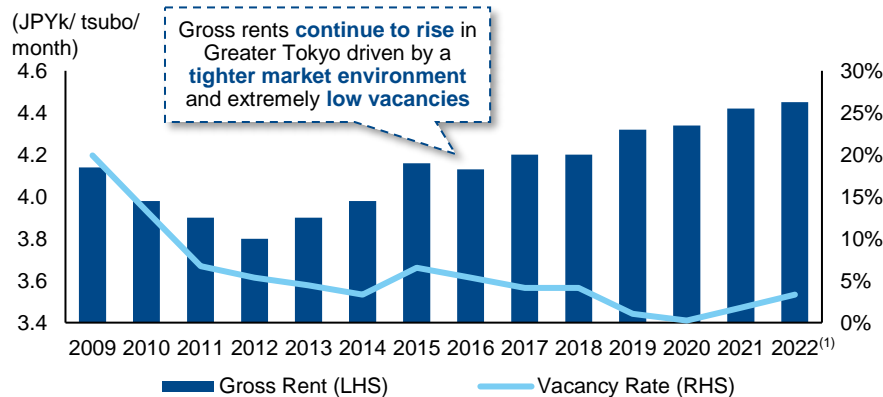
High Net Absorption in Greater Tokyo



Low Vacancy Rates Across the Industry



Rising Rental Rates in Greater Tokyo



3 Prime Location with Excellent Connectivity

Strategically located asset with excellent connectivity to major transportation nodes and transportation infrastructure

Good Location within Greater Tokyo...



Legend:



...Connected to Major Transport Nodes

1

Located in the Chiba Logistics Market, located c.40km east of the Tokyo CBD, which includes:

- **Narita International Airport**, the largest air freight transportation centre in Japan
- **Chiba Port**, Japan's largest seaport and 2nd busiest container port

2

1.9km from the **Higashi Kanto Expressway**, providing connectivity to **central Tokyo** and the **East/North-East** of the Greater Tokyo Region

3

Located within an **Exclusive Industrial District**, where:

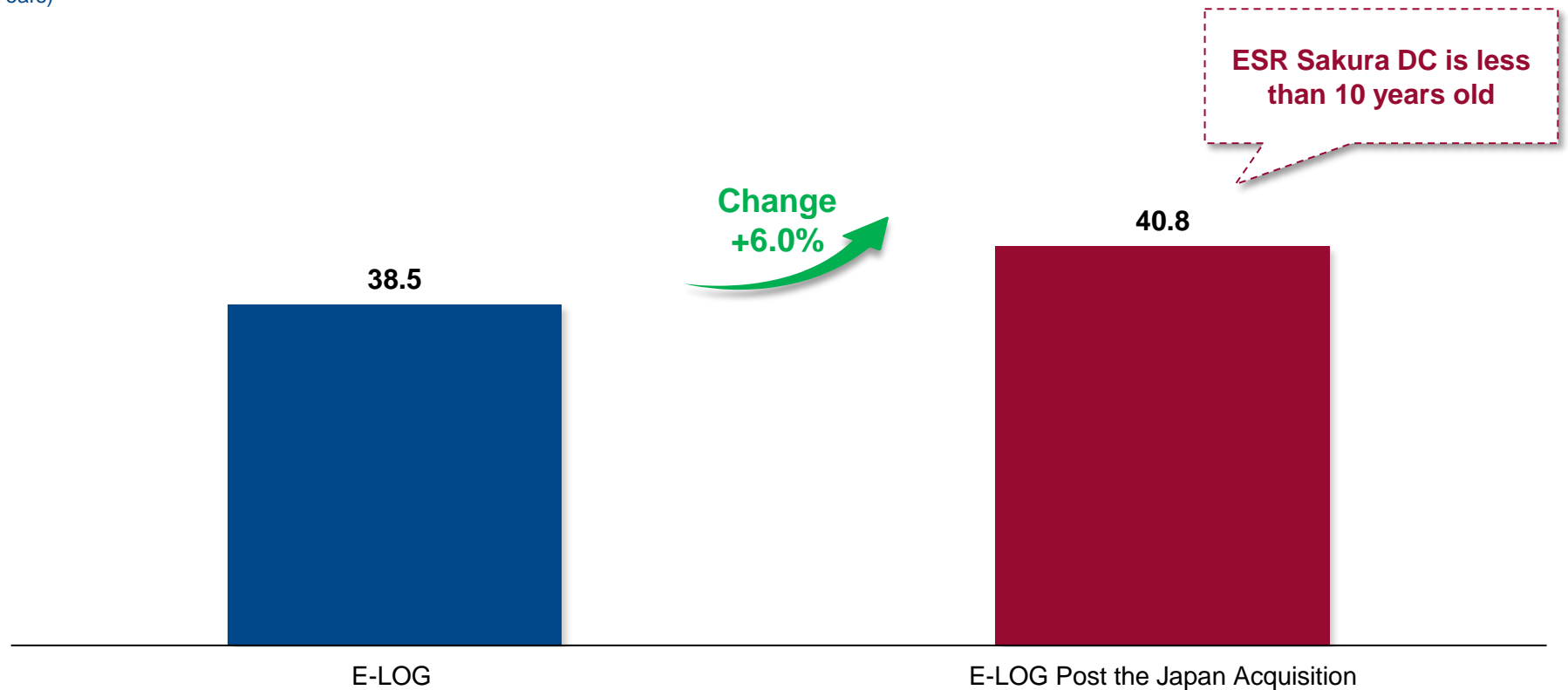
- Only **14% of the 327ha of land** is designated as industrial⁽¹⁾
- Substantial industrial-zoned land has been **fully built out**, limiting new supply

4 ESR Sakura DC is Freehold and Completed in 2015

E-LOG will gain more exposure to freehold assets which do not suffer from valuation decay as a result of declining land lease

Extended Land Lease Expiry Profile⁽¹⁾⁽²⁾

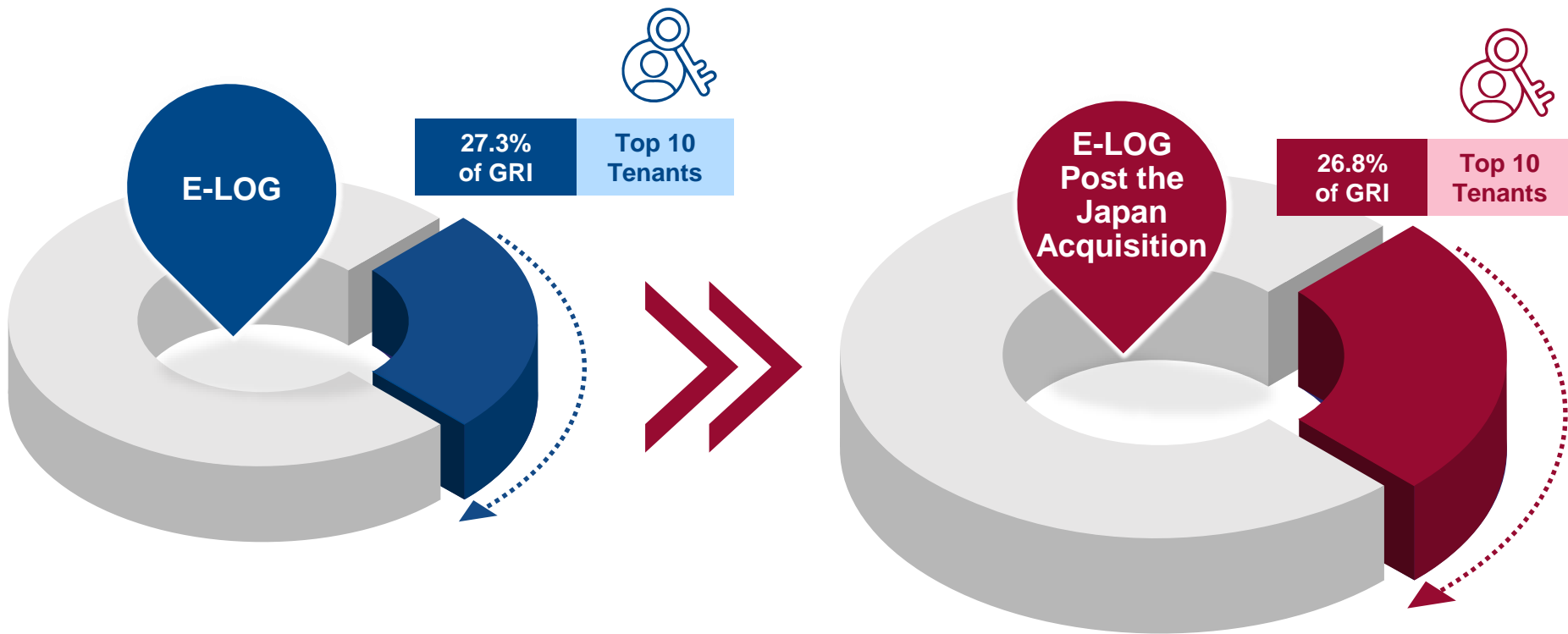
(Years)



5 High Quality Asset Positioning E-LOG for Growth

Acquisition of ESR Sakura DC enhances tenant diversification

Reduced Contribution by Top 10 Tenants⁽¹⁾



5 Future-Ready New Economy Asset | ESR Sakura DC

Well-Spec Modern Logistics Asset

Green Features



Roof space features **solar panels** while **c.42%** of Net Lettable Area fitted with eco-friendly **LED lighting**

Floor Loading and Ceiling Height



Warehouse floor loading of **15kilonewton/sqm** and ceiling height of **5.5m**

Loading/ Unloading Bays



1st Storey: 21 bays and 6 dock levellers
4th Storey: 13 bays and 3 dock levellers

Ancillary Amenities



Office workspaces for tenants, a cafeteria, convenience stores and adequate parking lots

Access



5-storey modern warehouse facility accessible by ramp and **11 cargo lifts**

6

Delivery of Portfolio Reconstitution Strategy to Establish E-LOG as a Leading New Economy REIT

Execution of E-LOG's portfolio constitution and acquisition strategy to create the flagship New Economy REIT

E-LOG Portfolio Breakdown

Key Initiatives

E-LOG Post the Japan Acquisition



✓ New Economy exposure increases to 63.4%

✓ Demonstrates E-LOG's access to Sponsor's pipeline of New Economy freehold assets

● Business Park ● High-Specs ● Logistics ● General Industrial

7 Alignment of Interests / Sponsor Support

Sponsor Support demonstrates alignment of interest with Unitholders in supporting E-LOG's growth by providing transaction certainty and mitigating risks for E-LOG

i

Sponsor to backstop E-LOG's risk of forfeiting the deposit

- A key condition of the willingness of the Fund Vendor to sell ESR Sakura DC that a **deposit of JPY 872.5 million (approximately S\$9.0 million)** (the “**Deposit**”) is payable upon signing of the sale and purchase agreement and such Deposit will not be refundable after 31 August 2022⁽¹⁾
- As E-LOG would not be able to convene an EGM to obtain Unitholder's approval for the Japan Acquisition prior to 31 August 2022, the Deposit would be forfeited if Unitholders do not approve proceeding with the Japan Acquisition
- To backstop E-LOG's risks of having the Deposit forfeited, the Sponsor Vendor, as a show of support to E-LOG to allow E-LOG to secure the transaction, has therefore agreed to enter into the Fund SPA and on-sell the asset to E-LOG via the Japan Sale and Purchase Agreement (which provides for the refund of the Deposit from the Sponsor Vendor to E-LOG⁽²⁾ in the event Unitholders do not approve proceeding with the Japan Acquisition)

ii

Sponsor to provide 12 months of Rental Support to mitigate leasing risks

- The Sponsor Vendor has agreed to provide E-LOG with a rental support for the vacant space (25% of NLA) which the Fund Vendor would not be providing
- The 12 months of rental support for the vacant space amounting to JPY 236.5 million (approximately S\$2.4 million) (the “**Rental Support**”) is (i) based on market rent and (ii) in line with the current rates being charged for the rest of the tenanted spaces in ESR Sakura DC
- Each of the Japan Independent Valuers is of the opinion that the Rental Support is in line with market rental rates
- The Rental Support will also be used to cover any rent free period(s) provided to new tenant(s) for securing new lease(s)

The Sponsor Vendor will acquire ESR Sakura DC (at the purchase price of JPY17,450 million without rental support) from the Fund Vendor and on-sell the asset to E-LOG at JPY17,800 million⁽³⁾ with 12 months of Rental Support

7 Alignment of Interests / Sponsor Support

Rental Support reduces potential leasing risks of the current vacant areas and provides income stability

Details of the Rental Support Structure

Total Rental Support Amount	<ul style="list-style-type: none"> JPY236.5 million (approximately S\$2.4 million)
Rental Support Period	<ul style="list-style-type: none"> 12 months commencing after the Date of Completion
Rental Support Amount	<ul style="list-style-type: none"> JPY3,200 per tsubo per month
Safeguards	<ul style="list-style-type: none"> E-LOG will retain the Total Rental Support Amount from the Japan Purchase Consideration Any amount not utilized will be returned to the Sponsor Vendor after the Rental Support Period

Rationale

- ✔ Provide **rental support** to E-LOG for a period of **12 months** from the completion date in respect of the vacant space to **mitigate leasing risks** as time is required to secure and negotiate lease for the vacant space
- ✔ The 12 months of rental support for the vacant space (c.25% of NLA) is **(i) based on market rent and (ii) is in line with the current rates being charged for the rest of the tenanted spaces in ESR Sakura DC**
- ✔ Rental support will also be used to **cover any rent free period(s)** provided to new tenant(s) for securing new lease(s)
- ✔ Each of the Japan Independent Valuers is of the opinion that the Rental Support is in line with market rental rates
- ✔ **Provides income stability for Unitholders and mitigates potential leasing risks**

Transaction Summary

ESR Sakura DC acquisition is in line with E-LOG's long-term strategy to create a high quality New Economy REIT



1

Transaction is DPU Accretive to Unitholders

- Transaction is DPU accretive and will drive long term value for Unitholders, with funding already secured for the transaction

2

Attractive NPI Yield and Purchase Price

- Relatively new facility transacted at highly attractive price per sqm, c.21.8% lower than transacted market comparables

3

Maiden Entry into Japan's Attractive and Asset Scarce Logistics Market Leveraging on Sponsor's Local Presence

- Strategically-located asset well-connected to major transport nodes
- Attractive sector fundamentals underpinned by the favorable risk / return profile and strong supply and demand dynamics of the Greater Tokyo logistics market

4

ESR Sakura DC is Freehold and Completed in 2015

- Increases E-LOG's exposure to freehold assets
- Asset is less than 10 years old

5

High Quality Asset Positioning E-LOG for Growth

- Strengthens E-LOG's portfolio metrics and enhances income resilience through diversification

6

Delivery of Portfolio Reconstitution Strategy to Establish E-LOG as a Leading New Economy REIT

- Further increase E-LOG's New Economy exposure
- Demonstrates superior access to Sponsor's pipeline and commitment to execute the US\$2.0bn acquisition pipeline

7

Alignment of Interest with Unitholders / Sponsor Support

- Sponsor to backstop E-LOG's risk of forfeiting the deposit
- Sponsor to provide 12 months of Rental Support to mitigate leasing risks

3. Approvals Required



Top: ESR BizPark @ Changi | Business Park
Second: 7000 Ang Mo Kio Avenue 5 | High-Specs Industrial
Bottom: 30 Marsiling Industrial Estate Road 8 | High-Specs Industrial

Unitholder Approvals Required

Approvals Required

- Interested Person Transaction Pursuant to the Listing Manual
- Interested Party Transaction Pursuant to the Property Funds Appendix

(Ordinary Resolution)

Requirements

- The Manager is seeking approval from unitholders of E-LOG for the proposed Japan Acquisition, as an interested person transaction (*Ordinary Resolution*)
- Majority being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
- The Sponsor, LOGOS and their associates are prohibited from voting on the resolution to approve the Japan Acquisition

Important Notice

This material shall be read in conjunction with ESR-LOGOS REIT's results announcement for the half year ended 30 June 2022 and the announcement titled "*The Proposed Acquisition Of 100.0% Trust Beneficiary Interest in ESR Sakura Distribution Centre which is Located at Sakura City, Chiba Prefecture, Japan*" announced on 29 August 2022.

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