

# LETTER TO UNITHOLDERS



**“With the support of the Sponsor’s strong network and capabilities, the Manager will actively pursue investment opportunities in Singapore and overseas, with a focus on good quality industrial properties like high specification facilities and data centres.”**

Left  
**WONG MENG MENG**  
Chairman

Right  
**THAM KUO WEI**  
Chief Executive Officer

Dear Unitholders,

## **VISION TO VALUE**

Our strategy to diversify our portfolio by growing the Hi-Tech Buildings segment has made significant strides. The successful completion of Phase One of the redevelopment of Flatted Factories at the Telok Blangah Cluster to Hi-Tech Buildings demonstrates our ability to transform a vision to a world-class facility for HP. The BTS development with a total gross floor area (“GFA”) of over 824,500 square feet (“sq ft”) is on track for full completion by June 2017.

In March 2017, we secured a S\$60 million data centre development for an established data centre operator, marking another milestone in our strategy. The six-storey purpose-built data centre located in the West Region of

Singapore will be fully leased for an initial lease term of more than 10 years. This new project with a GFA of about 242,000 sq ft will add to our track record after successful completions of data centres for Tata Communications International and Equinix.

The S\$77 million asset enhancement initiative (“AEI”) at 30A Kallang Place and improvement works at the existing Kallang Basin 4 Cluster is on track for completion in the first quarter of 2018. Adding 336,000 sq ft to the portfolio, the AEI will benefit from its proximity to the Kallang iPark, which is poised to be an industrial hub for high value and knowledge-based businesses.

Through these efforts, we are strengthening the portfolio to remain relevant to the changing needs of industrialists and attracting users from new growth segments as Singapore pursues higher value industries. As at 31 March 2017, the Hi-Tech Buildings segment accounted for 28.8% of the portfolio by valuation, up from 14.8% four years ago.

## DELIVERING STEADY RETURNS

Amidst the challenging conditions, MIT continued to deliver steady returns in FY16/17. Net property income for FY16/17 rose by 4.8% to S\$256.8 million. This was driven by higher rental rates achieved across all property segments with initial contribution from Phase One of the BTS development for HP and lower property operating expenses. Our cost containment efforts enabled us to maintain the portfolio's net property income margin at a healthy level of 75.4% against the backdrop of rising cost pressures.

Distributable income for FY16/17 grew by 3.6% to S\$205.0 million. DPU for FY16/17 was 11.39 Singapore cents, 2.2% higher than the DPU of 11.15 Singapore cents for FY15/16. Unitholders would have received a total return of about 18.7%<sup>1</sup> in FY16/17, comprising a capital appreciation of 11.6% and a distribution yield of 7.1%.

MIT's 86 investment properties were valued at S\$3,748.7 million as at 31 March 2017, which was an increase of S\$190.8 million over the previous valuation as at 31 March 2016. The increase was due to a portfolio revaluation gain of S\$70.2 million and capitalised cost of S\$120.6 million from development and improvement works. The revaluation gain was driven by the progress of ongoing development projects, as well as improved portfolio performance. Correspondingly, the net asset value per Unit increased from S\$1.37 as at 31 March 2016 to S\$1.41 as at 31 March 2017.

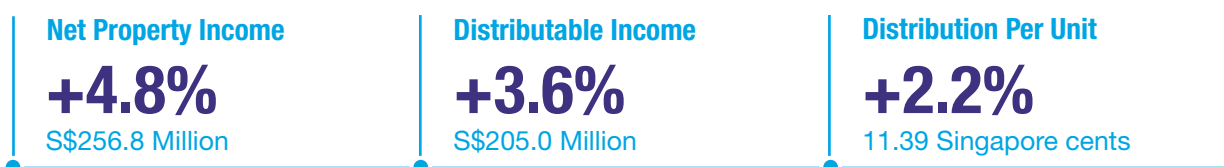
## STAYING NIMBLE

MIT's operational performance remained stable despite headwinds in the Singapore industrial property market. The portfolio's average passing rental rate increased by 1.6% from S\$1.88 per square foot per month ("psf/mth") in FY15/16 to S\$1.91 psf/mth in FY16/17. The improvement was driven by the commencement of the new lease for Phase One of the BTS project for HP in December 2016. Average portfolio occupancy rate fell from 94.1% in FY15/16 to 92.4% in FY16/17.

In order to minimise the leasing risk from an impending large supply of industrial space, we remain focused on tenant retention to ensure a sustainable portfolio occupancy. We are also intensifying our efforts to engage tenants ahead of their lease expirations. These resulted in a healthy portfolio's retention rate of 71.0% in FY16/17. In addition to recalibrations of rental rates to respond to market conditions, we are proactively prospecting tenants from growing trade sectors such as e-commerce and information and communication technology.

## STRENGTHENING OUR CAPITAL STRUCTURE

In March 2017, we diversified our funding sources with the successful issuance of S\$100 million 7-year medium term notes at a fixed rate of 3.16% per annum. The balance sheet remained robust with a healthy interest cover ratio of 7.9 times and an average borrowing cost of 2.6% in FY16/17. MIT's aggregate leverage ratio of 29.2% as at 31 March 2017 will provide sufficient debt headroom for potential investment opportunities.



<sup>1</sup> Sum of distributions and capital appreciation for the period over the closing unit price of S\$1.595 on 31 March 2016.

# LETTER TO UNITHOLDERS

About 74.9% of MIT's total debt had been hedged as at 31 March 2017, which will mitigate the impact of rising interest rates. We continue to monitor the market for opportunities to increase interest rate hedges and draw on fixed rate borrowings while keeping the average borrowing cost manageable.

## STAYING THE COURSE

The operating environment is expected to remain difficult. The continued supply of competing industrial space and movement of tenants are expected to exert pressure on rental and occupancy rates. Though the manufacturing sector in Singapore had demonstrated signs of potential improvement, leasing activity may be muted as industrial space users are cautious in their real estate decisions in an environment of global trade uncertainties and rising interest rates.

We expect the contribution from the Hi-Tech Buildings segment to continue to grow as we progressively complete the ongoing development projects. The new BTS data centre development extends MIT's foothold as a data centre developer in this growing asset class. With the support of the Sponsor's strong network and capabilities, the Manager will actively pursue investment opportunities in Singapore and overseas, with a focus on good quality industrial properties like high specification facilities and data centres. With a strong balance sheet, we remain disciplined in pursuing investment opportunities to strengthen the portfolio.

We are also pleased to present our first sustainability report where we discussed MIT's material environmental, social and governance factors as well as sustainable policies and performances. We are committed to integrating environmental and social considerations in our business practices while upholding high standards of corporate governance.

## ACKNOWLEDGEMENTS

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



**WONG MENG MENG**  
Chairman



**THAM KUO WEI**  
Chief Executive Officer

29 MAY 2017