Operations Review

SINGAPORE

Mapletree Pioneer Logistics Hub

Singapore's economy expanded by 3.6% in 2017, faster than the 2.4% growth in 2016[1]. The better than expected performance was led by a strong recovery in the manufacturing sector.

Despite the strong pick-up in economic growth, the leasing market for logistics properties remained challenging in 2017. Industrialists were cautious in their expansion plans while a record 963,000 square metres ("sqm") of new warehouse space was added in 2017, representing a significant 10% increase year-on-year. Consequently, overall warehouse rents fell 5.2% while island-wide occupancy rate declined to 89.1% in 4Q 2017, from 89.7% in the preceding year[2].

With continued supply-side pressure prevailing in the Singapore market, the Manager maintained its intensive leasing and marketing efforts to ensure a stable occupancy. Of the 161,558 sqm of leases that expired during the year, 78% were successfully renewed or replaced by year end. This translated to a portfolio occupancy rate of 94.6% as at 31 March 2018, above the national average occupancy of 89.1%.

The Manager continued its proactive portfolio rejuvenation strategy to progressively upgrade the quality of its portfolio. 4 Toh Tuck Link, a property with older warehouse specifications and limited potential for redevelopment, was divested during the year[3]. Capital released from the divestment will be re-deployed into better quality, higher yielding investments. Meanwhile, MLT's third redevelopment project in Singapore at 76 Pioneer Road was completed in January 2018. The five-storey ramp-up facility with a gross floor area ("GFA") of 72,000 sqm has to-date attained a committed occupancy rate of 88%.

Looking ahead, the supply of new warehouse space is projected to taper to 0.7 million sqm over the next four years[2]. With Singapore's economic growth expected to remain firm in 2018, albeit moderating from 2017, and as the excess supply of warehouse gets absorbed, the market may finally see some reprieve in a stabilisation of rental and occupancy rates.

The Manager will continue to focus on tenant retention and maintaining stable occupancy. In the coming year, leases for about 275,373 sqm of net lettable area ("NLA") are due to expire. The Manager has renewed about 11% of these ahead of their expiries.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**49**	**1,743.6**	**94.6**	**4.2**	**2.6**	**1,547,320**
FY16/17	50	1,715.8	93.9	4.9	3.0	1,488,584

Notes:
1 "MTI Expects GDP Growth in 2018 to Moderate but Remain Firm", Ministry of Trade and Industry, 14 February 2018.
2 JTC Quarterly Market Report Industrial Property, 4Q 2017.
3 4 Toh Tuck Link was divested to Venus Beauty Pte Ltd on 21 March 2017 for a sale consideration of S$14.51 million. The Adopted Value as at 31 March 2017 was S$14.0 million. The valuation methods are Direct Comparison Method and Capitalisation Approach.

Operations Review
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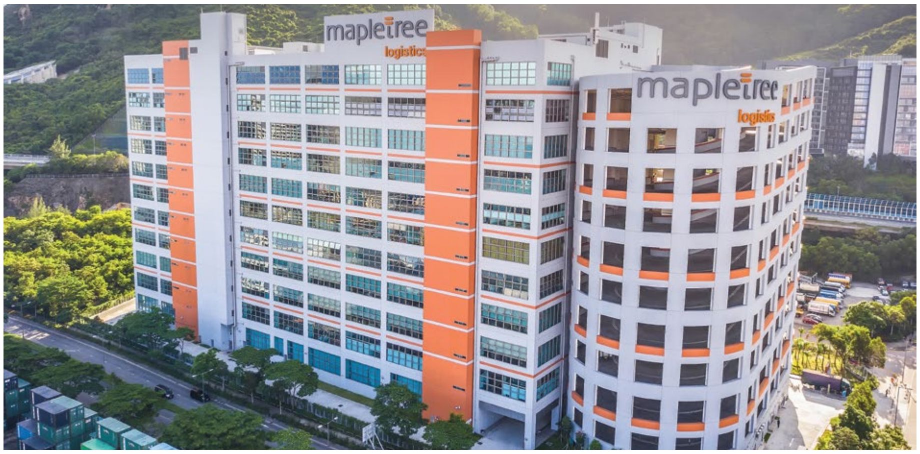
HONG KONG



Mapletree Logistics Hub Tsing Yi

The Hong Kong economy expanded by 3.8% in 2017, an improvement from the 2.1% registered in the previous year[1]. The pick-up in growth was fuelled by strong external demand amid a global economic upswing, and robust domestic demand underpinned by a healthy labour market and upbeat economic sentiment.

As a key regional trading and logistics hub, the Hong Kong logistics market benefited from the uplift in global trade. Coupled with rapid e-commerce growth which prompted expansionary demand from third party logistics service providers ("3PLs"), leasing demand for warehouses remained strong throughout 2017.

Against this backdrop, MLT's Hong Kong portfolio delivered another set of strong operating performance in FY17/18. Leases for approximately 61,552 sqm were due for expiry during the year. By year end, the Manager had successfully renewed or replaced over 99% of these leases at an average positive rental reversion of 5%.

During the year, MLT expanded its presence in Hong Kong with two acquisitions, namely, Mapletree Logistics Hub Tsing Yi ("MLHTY") for HKD4.8 billion[2] (S$834.8 million) and the acquisition of the remaining 38% in strata share value of Shatin No.3 for HKD610.0 million[3] (S$103.7 million). MLHTY, a multi-storey ramp-up facility designed for modern logistics operations, is 100% leased to 12 quality tenants including adidas, DKSH and Swatch. Shatin No. 3, which has been in MLT's portfolio since 2006, has a consistent track record of strong operating performance. With full ownership of the property, the Manager will be pursuing active asset management to re-position the property, with the objective of generating a higher yield and improved capital value.

Following these two acquisitions, the Hong Kong portfolio of nine properties has become the largest contributor to MLT by asset value and the second largest by income. Total NLA increased 79.2% from approximately 205,516 sqm to approximately 368,361 sqm. As at 31 March 2018, the portfolio recorded an occupancy rate of 96.6%, compared to 99.4% a year ago. This takes into account the acquisition of the additional 38% interest in Shatin No.3 which is undergoing asset enhancement works.

Looking ahead, the Hong Kong economy is forecast to grow by 3% to 4% in 2018, on the back of resilient domestic demand and continued export growth. This will in turn drive demand for warehousing facilities. The supply of warehouse space remains constrained with no new warehouse coming on-stream over the next three years. The Manager expects the logistics property market to continue to perform well with low vacancy rates and stable warehouse rentals.

In FY18/19, leases for approximately 88,503 sqm of NLA in MLT's Hong Kong portfolio will be expiring. The Manager has successfully forward renewed/replaced 20% of the leases and is confident of securing renewal or replacement leases for the remaining space at attractive rentals.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**9**	**HKD13,278.9 (S$2,233.4)**	**96.6**	**1.9**	**2.0**	**368,361**
FY16/17	8	HKD6,596.0 (S$1,206.6)	99.4	2.0	2.2	205,516

Notes:
1 "2017 Economic Background and 2018 Prospects", The Government of the Hong Kong SAR, 28 February 2018.
2 The property was acquired from Mapletree Investments Pte Ltd. The agreed property value of HK$4.8 billion represents a discount of approximately 3.0% and 2.4% to the independent valuations conducted by Colliers (commissioned by the Manager) and CBRE (commissioned by the Trustee) respectively. Both Colliers and CBRE relied on the income capitalisation method and discounted cash flow method.
3 The 38% interest in the property was acquired from Hong Kong Logistics Company Ltd and was valued by an independent valuer, CBRE Limited, at HKD615.0 million based on the discounted cash flow method and the income capitalisation method.

JAPAN

Moriya Centre

Japan's economy expanded at an annualised 0.5% in the last three months of 2017, and 1.7%[1] for the year. This marked eight straight quarters of growth and the longest uninterrupted expansion since the late 1980s. The Japanese economy has benefitted from export growth and rising investments by corporates spurred by a recovering global economy, as well as infrastructure upgrades ahead of the 2020 Olympic Games.

Demand for logistics space remained robust in 2017, fuelled by the rapid expansion of e-commerce. In particular, facilities close to population centres are favoured due to the relative ease in securing labour and a growing demand for satellite logistics facilities that handle last-mile delivery to consumers.

As part of its active asset management strategy, the Manager divested Zama Centre and Shiroishi Centre, two properties with older warehouse specifications and limited redevelopment potential, for a consideration of JPY13,500 million (S$165.4 million)[2].

The remaining 20 properties in Japan's portfolio continued to perform well in FY17/18. The master leases at three single-user assets that expired during the year were successfully renewed or replaced, with a positive rental reversion achieved for one lease and the same rates maintained for the other two. Consequently, portfolio occupancy is maintained at 100% with a weighted average lease expiry of 5.3 years.

The 20 properties comply with seismic safety standards and have a Probable Maximum Loss[3] value of less than 15%, indicative of low exposure to earthquake risks. In line with the general market practice in Japan, they do not have specific earthquake insurance coverage.

Looking ahead, leasing demand for logistics properties is expected to remain firm with the fast expanding e-commerce market being a key growth driver. In spite of strong leasing demand, rents may face downward pressure in certain sub-markets given the substantial volume of new supply due to be completed in the next two years. New supply of logistics space for Greater Tokyo is projected at more than 1.5 million sqm in 2018 and 1.8 million sqm in 2019[4].

In view of the influx of new supply, the Manager has taken proactive steps to mitigate leasing risks and minimise downtime. The leasing team has engaged tenants in active negotiations 24 months prior to the lease expiries. Five leases at four properties in Greater Tokyo and Sendai with a total NLA of 51,364 sqm will be expiring in FY18/19 and FY19/20. The Manager has successfully renewed two leases totalling 4,249 sqm of NLA for another seven years. For the remaining three leases due in FY18/19 and FY19/20 with a total NLA of 47,115 sqm, negotiations are well underway with the existing tenants who have indicated they are keen to renew.

In addition, the Manager will continue to pursue AEI and acquisition opportunities to upgrade the quality of the portfolio and enhance its growth profile.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**20**	**JPY77,185 (S$953.6)**	**100**	**5.3**	**5.3**	**419,196**
FY16/17	22	JPY86,094 (S$1,064.7)	100	5.9	5.9	470,986

Notes:
1 Economic and Social Research Institute, Cabinet Office, Government of Japan, 8 March 2018.
2 Zama Centre and Shiroishi Centre were divested to Godo Kaisha Asset Toshi Jigyo 4 Go on 31 July 2017. The Adopted Value of the two properties as at 31 March 2017 was JPY10,225 million. The valuation methods are the discounted cash flow, income capitalisation and cost methods.
3 Probable Maximum Loss ("PML") is a gauge commonly used to assess a property's seismic resistance. A PML of 15% is deemed to be sufficiently safe from earthquakes.
4 "2018 Asia Pacific Real Estate Market Outlook, Japan", CBRE.

Operations Review
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AUSTRALIA

Coles Chilled Distribution Centre

The Australian economy grew 2.4%[1] in 2017, supported by low interest rates and continued strength in the global economy. Increased activity in both private business investment and public infrastructure underpinned growth across the industries. Household consumption was resilient, growing 2.9% year-on-year amidst an improving job market.

Leasing activities remained robust in the Australian logistics property market in 2017. According to JLL, the national occupier activity finished above the 10-year average with the majority of gross take-up occurring in the east coast markets of Sydney, Melbourne and Brisbane. In Sydney, a growing domestic economy and a high level of infrastructure investment underpinned demand for warehousing facilities and supported rental growth. Similarly, in Melbourne, sustained growth in warehousing and third-party logistics had supported rental growth.

MLT is well-positioned to benefit from these trends. Its portfolio in Australia comprises nine properties located in well-established logistics hubs in Sydney (five properties), Melbourne (three properties) and Wodonga (one property).

MLT's portfolio continues to provide a stable income stream with organic growth. During the year, the Manager successfully secured a replacement tenant for a 3,800 sqm lease in Sydney with a positive rental reversion of 2%. Portfolio occupancy rate was maintained at 100% with a weighted average lease expiry (by revenue) of 9.7 years as at 31 March 2018. The lease arrangements have built-in annual rent escalations that are fixed or pegged to the consumer price index, thus providing stable growth for the Trust.

In Sydney, a prolonged period of rental growth has led to a steady increase in industrial development, especially in west Sydney. Going forward, rental growth is likely to moderate alongside the increase in new supply. In Melbourne, a decline in the amount of new supply in the short term is expected to sustain rental growth and reduce leasing incentive levels.

Looking ahead, the Manager expects its well-located portfolio concentrated around key logistics nodes in Sydney and Melbourne to continue to provide stable income streams in FY18/19. There are no leases due for expiry until FY19/20. The Manager will maintain focus on seeking acquisitions of quality and well-located properties to augment its portfolio.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**9**	**A$536.2 (S$551.8)**	**100**	**7.5**	**9.7**	**211,818**
FY16/17	9	A$529.0 (S$563.9)	100	8.4	10.7	211,818

Note:
1 Australian Bureau of Statistics.

SOUTH KOREA

Mapletree Logistics Centre – Iljuk

The South Korean economy grew at 3.1% in 2017[1], its fastest pace in three years. Growth momentum was driven by exports growth fuelled by a revival in global demand. Increased government spending and a recovery in private consumption also contributed to the year's economic expansion.

In the logistics property market, leasing demand for Grade-A logistics properties in prime areas remained robust. The rapid growth in retail e-commerce, a market which grew 13% year-on-year in 2017 to US$40.7 billion in sales value[2], was a key growth driver. Demand was also driven by expansionary requirements from 3PLs and manufacturers. On the back of improved market transparency, increased supply of high quality facilities and robust demand, the sector continued to attract strong investor interest due to the higher yields offered by logistic assets relative to other asset classes.

MLT's portfolio of 11 properties achieved another set of stable performance in FY17/18. Of the 131,354 sqm of leases that were due for expiry in FY17/18, all were renewed or replaced except for two leases: 9,622 sqm at Mapletree Logistics Centre - Baekam1 and 5,248 sqm at Mapletree Logistics Centre - Yeoju. Mapletree Logistics Hub - Pyeongtaek ("MLHPT"), which was previously a single-user asset, was converted to a multi-tenanted building following the expiry of the master lease in March 2017. Through intensive marketing efforts, the occupancy rate of MLHPT was progressively ramped up to 89.0% by year-end. Its tenant base includes reputable companies such as Hyundai Mobis, Halla Holdings and CJ Logistics, which are also new customers to MLT. As at 31 March 2018, MLT's South Korea portfolio occupancy rate was 95.0%.

The South Korean economy is projected to grow at 3% in 2018 according to the Bank of Korea. The positive outlook is supported by increased government spending, a healthy global economy and a boost from the PyeongChang Winter Olympics. The Manager expects demand for well-located grade-A warehouses to be sustained, supported by rising consumption, increasing requirements from logistics service providers and a fast growing e-commerce sector. While the market continues to absorb new supply, as evidenced by healthy occupancy rates, a projected increase in supply of logistics space in the next few years may exert pressure on rental growth, especially for facilities with older specifications.

In FY18/19, the Manager will continue its active leasing efforts to renew or seek replacement tenants for nine leases coming due for expiry which have a total NLA of approximately 78,900 sqm. In addition, the Manager will continue to pursue acquisition opportunities for quality assets in core logistics locations to strengthen the portfolio.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**11**	**KRW336,367 (S$414.5)**	**95.0**	**1.8**	**2.0**	**327,338**
FY16/17	11	KRW326,800 (S$400.2)	98.4	1.3	1.8	327,326

Notes:
1 National Accounts in the Year 2017 (Preliminary), The Bank of Korea, 28 March 2018.
2 Retail e-commerce sales in South Korea from 2016 to 2022, www.statista.com.

Operations Review
continued

CHINA

Mapletree Wuxi Logistics Park

China's economy grew at a faster pace of 6.9% in 2017[1], up from 6.7% in 2016. This exceeded the government's target of around 6.5% and also marked the first acceleration for the economy since 2010. The robust economic expansion was driven by continued growth in the service sector and higher domestic consumption, with retail sales and online sales recording a year-on-year growth of 10.2%[1] and 32.2%[1], respectively.

In the logistics property sector, the strong growth momentum in the service sector and domestic consumption continued to drive demand for warehouse space. Notably, e-commerce, express delivery and 3PLs have become the major demand drivers in the Chinese logistics market, contributing to sustained rental growth in first tier and satellite cities. On the other hand, the leasing market conditions in certain sub-markets of central and western China were more challenging due to a high supply of new warehouse space in the short term.

Against this backdrop, MLT's China portfolio maintained a steady performance in FY17/18. Out of the 189,900 sqm of NLA due for expiry during the year, 99% was renewed or replaced at an average rental reversion of 3%. As at 31 March 2018, the portfolio occupancy rate was 96%, an improvement from 93.7% in the previous year.

Ouluo Logistics Centre, located in a prime site close to Pudong airport in Shanghai, has embarked on three years of redevelopment works. It will be redeveloped into a modern, two-storey ramp-up logistics facility with about 81,000 sqm of gross floor area, representing a 2.4 times increase from before. Phase 1 of the redevelopment is scheduled to be completed by September 2018 and Phase 2 by March 2020. With its excellent location and modern specifications, the project has secured strong pre-commitment from both existing and new tenants.

China is currently the world's largest e-commerce market, with e-commerce retail sales projected to reach RMB10 trillion by 2020. The rapid development of China's e-commerce and express delivery industries will continue to drive demand for quality warehouse. In addition, demand from other industries such as 3PLs and automobile is expected to remain strong on the back of continued growth momentum in China's economy.

Looking ahead, leases for approximately 188,252 sqm of NLA will be due for expiry in FY18/19. The Manager will maintain focus on proactively engaging tenants in forward lease renewals to achieve a high occupancy rate and positive rental growth. The Manager will continue to capture customer demand and capitalise on the significant opportunities in the market, such as those offered by the burgeoning e-commerce and express delivery industries.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**9**	**CNY1,642.0 (S$341.6)**	**96.0**	**2.0**	**2.0**	**402,821**
FY16/17	9	CNY1,548.0 (S$318.2)	93.7	1.5	1.5	422,795

Note:
1 National Bureau of Statistics of China.

MALAYSIA

Celestica Hub

The Malaysian economy expanded by 5.9% in 2017, stronger than the 4.9% recorded in 2016[1]. The acceleration in growth was fuelled by a strengthening in domestic demand, stable employment and wage growth, as well as improved external demand for Malaysia's manufactured products and commodity exports.

In the logistics property sector, demand for good quality, well-located warehouses remained strong, underpinned by the pick-up in domestic consumption and manufacturing. In addition, the rapid growth of e-commerce and last-mile delivery have spurred demand for warehouse space in locations close to urban areas. Coupled with a tight supply of quality warehouse space, overall occupancy rates were well supported while rental rates were stable.

Against this backdrop, MLT's Malaysia portfolio achieved another set of healthy operating results in FY17/18. The majority of MLT's properties are located in the industrial parks in Shah Alam and Subang. Well served by transportation networks, they are ideal for local distribution and have continued to enjoy strong leasing interest. Of the 107,037 sqm of NLA due for expiry in the year, all of the leases were renewed or replaced at an average positive rental reversion of about 2%. Portfolio occupancy improved to 100% at the close of the financial year, up from 98.6% in the previous year.

In January 2018, MLT completed the divestment of Senai-UPS[2], a move in line with its proactive asset management efforts to continually improve the quality of its portfolio. Capital released from the divestment will provide MLT with greater financial flexibility to pursue other investments of modern and higher yielding assets.

The outlook on Malaysia's logistics property sector remains positive, supported by resilient demand from the fast-moving consumer goods sector and the growth of e-commerce. The supply of quality logistics facilities is expected to increase but still remain relatively tight. Occupancy rates are likely to be sustained at healthy levels while rental rates will likely remain stable.

In FY18/19, leases for approximately 131,157 sqm of NLA are due to expire. The Manager is in final negotiations for 20% of the leases and is confident of renewing or securing replacement leases for the remaining 80%.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**14**	**MYR661.0 (S$222.7)**	**100**	**1.2**	**1.1**	**317,824**
FY16/17	15	MYR675.0 (S$215.0)	98.6	1.8	1.8	326,893

Notes:
1 Bank Negara Press Release, 14 February 2018.
2 Senai-UPS was divested to V.S Industry Berhad for MYR28.0 million (approximately S$9.2 million). Savills (Johor) Sdn Bhd conducted an independent appraisal of the property as at 31 October 2017 and valued the property at MYR20.5 million based on the cost approach.

Operations Review
continued

VIETNAM

Mapletree Logistics Centre

Vietnam's economy expanded by 6.81%[1] in 2017, representing the country's best performance in a decade. Simultaneous and balanced growth across numerous industries, higher domestic demand and record export earnings contributed to the robust economic growth. Foreign direct investment ("FDI") also played a key role in the thriving economy, surging 44% year-on-year to reach a record high of US$35.88 billion[2].

Against this backdrop, the logistics market in Vietnam continued to deliver a strong performance in 2017. Demand for warehouse space was underpinned by the strong inflow of FDI, healthy growth in manufacturing and fast rising consumption, especially in e-commerce.

MLT's portfolio in Vietnam has benefitted from these trends, achieving another set of strong operating metrics in FY17/18. MLT's portfolio is comprised of three assets, namely, Mapletree Logistics Park Bac Ninh Phase 1 located in northern Vietnam, and Mapletree Logistics Centre and Mapletree Logistics Park Binh Duong Phase 2 in southern Vietnam. Given their strategic locations within the established manufacturing hubs of Bac Ninh and Binh Duong, and close proximity to Hanoi and Ho Chi Minh City, respectively, they are attractive to 3PLs and manufacturing companies.

All leases due for expiry during the year were successfully renewed or replaced. In total, the Manager secured new and renewal leases representing 47,982 sqm of NLA and achieved an average positive rental reversion of 3% on these leases. This has brought the portfolio occupancy rate to 100% as at 31 March 2018, up from 96.4% in the previous year.

Looking ahead, the leasing outlook for logistics facilities remains bright, supported by strong export growth and robust domestic consumption. In addition, the recent signing of the Comprehensive and Progressive Agreement for TPP and the upcoming EU-Vietnam Free Trade Agreement to be signed in 2018 are expected to bring significant benefits to the economy in the medium term. This in turn should help to drive sustained industrial growth and demand for modern warehousing facilities.

In FY18/19, leases for about 60,800 sqm of space are due to expire. In view of a healthy leasing market, the Manager is confident of renewing or replacing the leases and maintaining a high occupancy level for the three assets. In addition, the Manager will continue to seek opportunities to acquire quality and well-located facilities to capitalise on the strong demand for logistics properties.

	No. of Properties	Book Value (million)	Occupancy Rate (%)	WALE by NLA (years)	WALE by Revenue (years)	NLA (sqm)
FY17/18	**3**	**VND931,876 (S$54.0)**	**100**	**1.3**	**1.3**	**143,325**
FY16/17	3	VND893,333 (S$55.7)	96.4	1.7	1.8	143,318

Notes:
1 General Statistics Office of Vietnam.
2 Ministry of Planning and Investment of Vietnam.