

Ratings

Category	Moody's Rating
Outlook	Stable
Corporate Family Rating -Dom Curr	Ba2

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Key Indicators

AIMS-AMP Capital Industrial REIT

	2009	2010	[1]2011	3-Yr.Avg
Total Revenue (S\$ million)	50.8	50.9	73.2	[2]20.0%
EBITDA (S\$ million)	32.4	35.9	48.2	[2]21.9%
EBITDA Margin	63.8%	70.5%	65.8%	66.7%
Total Debt / EBITDA (x)	6.9	5.1	5.7	5.9
EBITDA / Interest (x)	5.4	2.6	4.5	4.2
Total Assets (S\$ million)	544	658	875	[2]26.8%
Total Debt % Total Assets	41.1%	27.7%	31.2%	33.4%
Secured Debt % Total Assets	41.1%	27.7%	31.2%	33.4%

[1] Year end March 31 [2] Compound Annual Growth Rate

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Rating Drivers

Small operating scale with geographic and tenant concentration

Sound financial metrics and improved liquidity

Lease expiry profile risk in FY2013 partially mitigated by underlying sub-tenancies in expiring master leases

Improved liquidity management albeit limited financial flexibility remains

Corporate Profile

Headquartered in Singapore, AIMS-AMP Capital Industrial REIT ("AIMSAMPiReit", formerly MacarthurCook Industrial REIT or "MI-REIT") is a real estate unit trust that owns and invests in a diversified portfolio of industrial properties. These properties mainly support warehousing, manufacturing, and logistics/distribution activities in Singapore.

Its initial portfolio, when it was listed on the SGX on April 19 2007, consisted of 12 properties with net lettable area (NLA) of 194,981 square meters (sqm), and valued at S\$316.5 million. As of March 2011, the portfolio had grown to 26 properties with NLA of 456,616 sqm, valued at S\$853.2 million.

The trust is managed by AIMS AMP Capital Industrial REIT Management Limited, a joint venture REIT management company owned by AIMS Financial Group and AMP Capital Investors. AIMS Financial Group is a privately owned Australian, non-bank financial services and investment group, while AMP Capital Investors is a wholly owned subsidiary of AMP Limited, an Australian retail and corporate pension provider, as well as an investment manager, listed on the Australian Securities Exchange.

Rating Rationale

AIMSAMPiReit's Ba2 corporate family rating reflects its healthy capital structure following the successful completion of its recapitalization plan in December 2009. The refinancing of its S\$175 million loan facility due 2012 with a new S\$280 million facility from Standard Chartered Bank, United Overseas Bank Limited and Commonwealth Bank of Australia in October 2010, further extends its debt maturities, and its broadened banking relationships. Currently, there are no near-term refinancing needs, with major debt maturities due only in 2013. Although AIMSAMPiReit has a substantial portion of its leases expiring in FY2013, lease expiry profile risk is partially mitigated by the underlying sub-tenancies in the expiring master leases. As of March 31, 2011, the weighted average lease expiry for the trust was 3.5 years.

On the other hand, AIMSAMPiReit's rating is constrained by its small operating scale, as well as its geographic and tenant concentration. Despite its strong financial profile, the trust's weak track record - in liquidity management and limited financial flexibility, given its high level of encumbered assets - also constrains its current rating.

DETAILED RATING CONSIDERATIONS

1. Small operating scale, with geographic and tenant concentration

As at March 31 2011, AIMSAMPiReit had a portfolio of 26 industrial assets valued at S\$853.2 million. The entire property portfolio were based in Singapore.

As the trust continues to seek yield accretive acquisitions, and add quality properties to expand its existing portfolio domestically, it also plans to tap into its sponsors', AIMS Financial Group and AMP Capital Investors, overseas presence and expand beyond Singapore. However, its focus will remain on industrial properties in the domestic market.

AIMSAMPiReit's property portfolio (based on total rental income for FY2011) comprises warehouse and logistics (64.9%), manufacturing (24.1%) and business park/Hi-Tech (11.0%). Although its portfolio size may be small, the properties are seasoned, well-maintained and in close proximity to major road networks as well as to airports, seaports and key industrial belts and transportation nodes. The overall occupancy for the properties remains high at 99.0% as of March 31, 2011.

As of March 31, 2011, AIMSAMPiReit had 21 properties under master lease arrangements and five under multi-tenanted leases. Its portfolio exhibits some degree of tenant concentration due to the head-lease agreement, with its top ten tenants accounting for about 72.1% of gross rental income in FY2011. However, no single tenant contributed more than 14.2% of rental income during the year. This concentration risk is also partially mitigated by the sub-lease arrangements in 17 out of the 21 properties under master lease arrangements, which should provide an additional layer of income protection.

In addition, the low tenant diversity is mitigated by the portfolio's broad tenant base by industry, with the construction and engineering sector taking up the largest share at 26.7% of rental income in FY2011, followed by logistics & warehousing at 19.3%.

While Moody's expects that AMP Capital Investors' established market presence and track record in real estate investment and management could benefit AIMSAMPiReit as it pursues growth and seeks new funding, it still needs to establish a track record in managing the REIT's business and planned financial positions.

2. Improved liquidity management albeit limited financial flexibility remains

After the completion of the recapitalization of its balance sheet via a rights issue and share placement in 2009, as well as debt refinancing exercise in 2009/10, AIMSAMPiReit's liquidity profile and capital structure improved, with its loan-to-value (LTV) ratio decreasing to 28% as of March 31 2010 from 41% in the previous year, and debt/EBITDA improving to 5.1x from 6.9x over the same period. For FY2011, AIMSAMPiReit's LTV ratio increased slightly to 32%, while Debt/EBITDA increased to 5.7x. The trust's portfolio of properties remains entirely encumbered, which limit its financial flexibility.

Singapore's industrial property sector was highly impervious to the economic downturn of 2008-2009. Market rental rates for industrial property remained stable and with improved economic conditions in Asia, have risen slightly since late 2009, particularly for factory and warehouse space.

Although the outlook for the industrial segment continues to be favorable, in tandem with economic conditions, there are concerns over a large supply of new factory and warehouse space in the next two years. Although much of this space is already pre-committed, growth in rental rates for factories is expected to slow in 2011 as Singapore's economic growth declines.

Although AIMSAMPiReit's financial profile could weaken moderately due to its acquisitive growth strategy, the rating accommodates Moody's expectation that the trust will fund potential acquisitions with a balanced mix of debt and equity and maintain gearing within its targeted 40%. Moody's positively recognizes the measures adopted by AIMSAMPiReit's sponsors and management team. However, a longer track record is required for these to fully offset the trust's difficult, recent history in liquidity management.

3. No near-term refinancing risk

In August 2010, AIMSAMPiReit accepted a letter of commitment for a new debt facility of S\$280 million with three tranches from Standard Chartered Bank, United Overseas Bank Limited, and the Commonwealth Bank of Australia. The proceeds from the facility were used to refinance its S\$175 million loan facility due in December 2012, partly finance the acquisition of property at Penjuru Lane, and cover any related costs as well as working capital.

The refinancing of the S\$175 million facility lengthened AIMSAMPiReit's debt maturity profile and enhanced its financial flexibility, as its loan payment maturities will stagger over the next three to five years. Moreover, the financing terms of the new S\$280 million loan facility are more advantageous, with interest margins at 2.05%-2.35%, compared to 3.50% for the previous facility.

In February 2011, AIMSAMPiReit had also accepted a commitment letter for a new debt facility from Standard Chartered Bank, comprising a three-year secured term loan facility and a one-year revolving credit facility to part-finance the acquisition of Northtech.

Accordingly, AIMSAMPiReit also has no major near-term refinancing needs until 2013.

4. Lease expiry profile risk in FY2013 partially mitigated by the underlying sub-tenancies in expiring master leases

Moody's notes that AIMSAMPIREit will have a substantial portion of its leases expiring in FY2013, with approximately 43.0% expiring that year. As of March 31, 2011, the weighted average lease expiry for the trust was 3.5 years, with 4.6% of its rental income subject to lease expiry in FY2012.

With a substantial portion of the leases expiring in FY2013, AIMSAMPIREit is exposed to re-tenant risk over the medium term. Nevertheless, Moody's expects AIMSAMPIREit to actively manage and renegotiate the leases with existing tenants. Its quality assets and long-term relationships with its tenants could help in managing its lease profile. The lease expiry profile risk is also partially mitigated by the underlying sub-tenancies in the expiring master leases.

As of March 31, 2011, AIMSAMPREit held tenant security deposits for all rental properties with tenures between 3 and 12 months. All of its 21 master lessees (head tenants) are also secured by bank guarantees &/or cash deposits which cover rental and service charges and for tenures between 3 and 12 months.

Liquidity Profile

Given the high dividend payout characteristics of the S-REITs, AIMSAMPIREit has to rely on refinancing and additional funding for planned expansion

However, Moody's takes comfort that AIMSAMPIREIT will have no material refinancing needs over the next 12 months. Furthermore, AIMSAMPIREIT's balance sheet strength, with moderate leverage of 31% as of March 31, 2011, will provide some flexibility in raising required funding for planned expansion and debt repayment.

Rating Outlook

The stable outlook reflects Moody's expectation that AIMSAMPIREit will maintain a prudent capital structure while it expands, such that adjusted debt/total assets is maintained below 40% over time.

What Could Change the Rating - Up

AIMSAMPIREit may experience upward pressure if it (1) further demonstrates a sustained track record in managing its business growth with a prudent mix of long-term debt and equity financing; (2) substantially strengthens its business scale; and (3) improves on its financial flexibility by broadening its banking relationships and increasing the level of unencumbered assets in its portfolio.

What Could Change the Rating - Down

The rating may experience downward pressure if (1) operating environment deteriorates, such that it suffers high vacancy rates and a decline in rentals operating cash flows, and/or financial metrics with Debt/EBITDA exceeding 8x, Debt/Total Assets rises above 40%, and EBITDA/interest coverage drops below 2.5-3x on a consistent basis; (2) further acquisitions are made without committed funding in place; and (3) a more aggressive growth policy is undertaken to fund new investments.

Other Considerations

Methodology

In accordance with Moody's global "Rating Methodology for REITs and Other Commercial Property Firms" (July 2010), AIMSAMPIREit's credit profile maps broadly to a Ba-rated issuer, incorporating factors such as healthy capital structure with no near term refinancing needs, broadened banking relationships, as well as small operating scale, geographic and tenant concentration, and limited financial flexibility, given its high level of encumbered assets.

Rating Factors

AIMS-AMP Capital Industrial REIT

Real Estate Investment Trust	Aaa-Aa	A	Baa	Ba	B	Caa
Factor 1: Liquidity & Funding						
a) Liquidity Coverage				X		
b) Upcoming Debt Maturities				X		
c) FFO Payout Ratio				X		
d) Unencumbered Assets						X
Factor 2: Leverage & Capital Structure						
a) Debt + Preferred / Gross Assets			X			
b) Net Debt / EBITDA				X		
c) Secured Debt / Gross Assets					X	
d) Access to Capital				X		
Factor 3: Market Position & Asset Quality						
a) Franchise / Brand Name				X		
b) Gross Assets (US\$ Billion)				X	X	
c) Portfolio Diversity				X		
d) Development % Gross Assets		X		X		
e) Asset Quality				X		

Factor 4: Cash Flow & Earnings						
a) EBITDA/ Revenues		X				
b) EBITDA Margin Volatility			X			
c) Fixed Charge Coverage		X				
d) JV / Fund Business % Revenues	X					
Rating:						
Actual Rating Assigned				Ba2		



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