

**Daiwa House Logistics Trust post
DPU growth of 0.2% y-o-y for FY2023¹**

- ***Strong portfolio performance underpinned by positive contribution from properties acquired in December 2022***
- ***Renewed all leases that expired in FY2023 and ended the financial year with portfolio occupancy of 100%***
- ***Portfolio valuation grow by 1.8% y-o-y in JPY terms***
- ***Driving growth with recent announced acquisitions in Vietnam and Japan***

SINGAPORE, 28 FEBRUARY 2024 – Daiwa House Asset Management Asia Pte. Ltd., as manager of Daiwa House Logistics Trust (the “**Manager**” and Daiwa House Logistics Trust, “**DHLT**” or the “**REIT**”), has today announced the financial results for the financial year ended 31 December 2023 (“**FY2023**”).

Summary of Financial Results

	1 July to 31 December (2H)			1 January to 31 December		
	2H FY2022	2H FY2023	Variance	FY2022 ^(a)	FY2023	Variance
Gross Revenue (S\$ '000)	29,816	28,951	- 2.9%	66,120	59,852	-3.7%
Net Property Income (S\$ '000)	22,950	22,192	-3.3%	47,724	45,324	-5.0%
Distributable Income (S\$ '000)	17,720	18,244	+3.0%	35,283	36,373	+3.1%
Distribution per unit (cents)	2.61	2.61	-	5.21	5.22	+0.2%

a. *The corresponding period for the financial results reported in FY2022 was for the period from the listing of DHLT (26 November 2021) to 31 December 2023 (“FP2022”). However, the financial results for FY2023 were compared against the financial results for the corresponding 12-month period in FP2022 (1 January 2022 to 31 December 2022) for a more meaningful comparison. The gross revenue, net property income, distributable income to Unitholders and DPU reported for FP2022 were S\$68.7 million, S\$53.0 million, S\$38.6 million and 5.70 cents, respectively.*

¹ Compared against the corresponding 12-month period in the previous financial year (1 January 2022 to 31 December 2022).

During FY2023, DHLT maintained its track record of 100% lease renewal since listing in November 2021, and successfully leased the vacant space in DPL Koriyama to close the year with 100% portfolio occupancy. The high retention rate ensured minimal disruption of income to DHLT and allowed DHLT to retain high quality tenants involved in third-party logistics (“**3PL**”) sector. As a results, weighted average lease expiry (“**WALE**”) of the portfolio by gross rental income (“**GRI**”)² remained relatively long at 6.2 years. As a testament to the quality of the portfolio, the aggregate valuation of the 16 properties grew by 1.8% y-o-y in JPY terms.

Positive contribution from DPL Iwakuni 1 & 2 and D Project Matsuyama S, both acquired in December 2022, resulted in net property income (“**NPI**”) growth of 4.6% year-on-year (“**y-o-y**”) in JPY terms for FY2023³. Despite the y-o-y decline of NPI in S\$ terms due to weaker JPY against S\$, distributable income was higher y-o-y mainly due to realised foreign exchange gain from income hedging. As a result, distribution per unit (“**DPU**”) posted a modest growth to 5.22 cents for FY2023.

Prudent Capital Management

Aggregate leverage was 35.2% as at 31 December 2023. The properties and 100% of the borrowings are denominated in JPY, hence providing a natural hedge. The all-in weighted average borrowing cost was 0.99% per annum (including upfront fee), and 100% of the borrowings were on fixed rate basis to mitigate against interest rate volatility. Interest coverage ratio remained relatively high at 11.9 times for FY2023.

Driving Growth

DHLT recently announced the acquisition of D Project Tan Duc 2 in Vietnam and DPL Ibaraki Yuki in Japan, in December 2023 and January 2024, respectively⁴. Upon completion of these acquisitions, two high quality assets will be added to the portfolio, further enhancing its value. The acquisition of D Project Tan Duc 2, expected to complete in 2Q FY2024, will mark DHLT’s first acquisition outside Japan in Vietnam, one of the fastest growing economies in Asia.

² Based on the monthly rent as at December 2023.

³ Compared against the corresponding 12-month period in FY2022, i.e. 1 January 2022 to 31 December 2022.

⁴ Please refer to the announcements dated 29 December 2023 and 31 January 2024 for further information on the acquisitions of D Project Tan Duc 2 and DPL Ibaraki Yuki, respectively.

Outlook

Large supply of logistics space in Japan over the past year has resulted in moderation of rental growth for logistics space in general, with older facilities or those with poor accessibility facing challenges securing tenants. However, new supply may reduce in future, in view of the rising land prices and increasing construction costs, and this may tighten the demand-supply dynamics⁵.

Despite the increased supply of logistics space, demand has remained healthy with 3PL and e-commerce companies looking to expand their businesses and establish new bases. With the restriction on overtime for truck drivers coming into effect from April 2024 in Japan, this is expected to create new demand for logistics facilities in the regional areas. Further, the returning of overseas production processes back to Japan, particularly in the semiconductor and automotive industries, may also boost demand for logistics space in Japan⁶.

In view of the above, the Manager believes that the long-term fundamentals of logistics sector in Japan is expected to remain healthy and will remain vigilant to changes in market conditions.

Mr Jun Yamamura, Chief Executive Officer of the Manager, said, “Despite the volatility in the movement of JPY against S\$, we are heartened that DHLT was able to deliver stable DPU to its unitholders over the past four distribution periods, due to the quality of the portfolio and foreign exchange hedges put in place. We are also pleased to close the year by announcing the acquisition of DHLT’s first property outside Japan, and follow up with the announced acquisition of DPL Ibaraki Yuki in Japan. On a pro forma basis assuming the completion of the announced acquisitions on 31 December 2023, the aggregate leverage is expected to be at a healthy level of 39.1%⁷.

⁵ Source: Savills Research – Japan: Review and 2024 Prospects (December 2023).

⁶ Source: CBRE Research – Asia Pacific Real Estate Market Outlook 2024: Japan (December 2023).

⁷ The pro forma aggregate leverage is based on the assumptions that the transaction costs (save for the acquisition fees) for the two acquisitions were fully financed by debt financing and converted to S\$ based on the foreign exchange rates of S\$1.00 = VND18.412.82 and S\$1.00 = JPY107.11 for the D Project Tan Duc 2 and DPL Ibaraki Yuki, respectively.

We are confident that the high quality of the portfolio will stand us in good stead, which is demonstrated with a portfolio valuation growth of 1.8% in JPY terms, and we will continue to develop DHLT by adopting a disciplined and sustainable approach.”

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About Daiwa House Logistics Trust (www.daiwahouse-logisticstrust.com)

Daiwa House Logistics Trust (“**DHLT**”) is a Singapore real estate investment trust (“**REIT**”) established with the investment strategy of principally investing in a portfolio of income-producing logistics and industrial real estate assets located across Asia.

Its current portfolio comprises 16 high-quality modern logistics properties across Japan with an appraised value of JPY89,108 million as at 31 December 2023, and an aggregate net lettable area of approximately 444,728 sq m.

DHLT is managed by Daiwa House Asset Management Asia Pte. Ltd., a wholly-owned subsidiary of its Sponsor, Daiwa House Industry Co., Ltd.

About the Sponsor, Daiwa House Industry Co., Ltd. (www.daiwahouse.co.jp)

Daiwa House Industry Co., Ltd. (“**Daiwa House Industry**”) is one of the largest construction and real estate development companies in Japan. It is listed on the Tokyo Stock Exchange (“**TSE**”) with a market capitalisation of JPY2,647.3 billion (S\$24.7 billion) as of 29 December 2023.

Founded in 1955, Daiwa House Industry has an extensive track record in real estate development. In addition to its primary operations in Japan, the Sponsor has presence in other markets including ASEAN, East Asia, the United States of America, Europe, and Australia. Daiwa House Industry has vast and deep experience in logistics asset development and is one of the largest logistics real estate developers in Japan by both number of properties and gross floor area.

Daiwa House Industry has extensive knowledge in both asset and fund management and is currently managing real estate funds which include TSE-listed Daiwa House REIT Investment Corporation, two unlisted REITs as well as multiple private funds.

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Daiwa House Logistics Trust (“**DHLT**”, and the units in DHLT, the “**Units**”).

The past performance of DHLT is not necessarily indicative of the future performance of DHLT. The value of the Units and the income derived from them, if any, may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, Daiwa House Asset Management Asia Pte. Ltd., as manager of DHLT (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 or purchase their Units for so long as the Units are listed on Singapore Exchange Securities Trading Limited (“**SGX-ST**”). It is intended that unitholders of DHLT may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.