

## ESR completes acquisition of ARA Asset Management

- Creates APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally with a gross AUM of US\$140 billion<sup>1</sup>
- US\$59 billion<sup>2</sup> of New Economy AUM which cements ESR as APAC's largest New Economy real estate platform, contributing approximately 80%<sup>3</sup> of the Group's EBITDA
- Largest sponsor and manager of REITs in APAC with 14 listed REITs across the Group
- Deepened pool of talent, resources and offerings which will enhance and solidify the long-term sustainable growth of the Group

**HONG KONG / SINGAPORE, 20 January 2022** – ESR Cayman Limited (“ESR”; SEHK Stock Code: 1821) today announced the completion of its acquisition of ARA Asset Management (“ARA”), including its subsidiary LOGOS, in a US\$5.2 billion transaction (the “Transaction”), which transforms the enlarged company (“ESR Group” or the “Group”) into APAC's #1 real asset manager powered by the New Economy and the third largest listed real estate investment manager globally with a gross AUM of US\$140 billion.

Jeffrey Perlman, Chairman of the ESR Group, said: “We are excited to bring together the best-in-class platforms of ESR, ARA and LOGOS to form APAC's largest real asset manager powered by the New Economy. On the back of the accelerating advancement, broad-based adoption and high frequency usage of technology, we are witnessing a once-in-a-multi generation change in real estate and our vision is to deliver a fully integrated solution to leading global capital partners and customers. As a part of this continuous pursuit, the ESR Group will leverage its expanded scale and offerings, capabilities and resources to provide a full suite of New Economy real estate development products and real asset investment solutions that spur meaningful, long-term sustainable value for all its stakeholders.”

### A Landmark Transaction

With the successful completion of the Transaction, ARA's diversified business is combined with ESR's platform under a unified ESR brand, uniquely positioning the Group to capitalise on the largest secular trends in APAC, including the continued rise of e-commerce, an accelerating digital transformation and the financialisation of real estate.

According to JLL<sup>4</sup>, ESR's Total Addressable Market (TAM)\* is now set to potentially triple from US\$750 billion to US\$2.5 trillion across the region's most promising growth sectors of logistics, data centres and public REITs. The logistics sector, supported by the continued rise of e-commerce and supply chain localisation (including higher levels of local inventory), is projected to grow by up to 3.4 times by 2030 to reach US\$1 trillion while data centres will increase by up to 3.9 times to US\$150 billion. As witnessed in the US over the past 20 years, where total REIT market capitalisation rose from approximately US\$100

<sup>1</sup> Based on management estimates for the Group (including the AUM of associates - Cromwell and Kenedix) as of 31 December 2021

<sup>2</sup> Based on management estimates for the Group as of 31 December 2021

<sup>3</sup> Based on 1H2021 segmental EBITDA, before unallocated corporate costs and transaction costs

<sup>4</sup> Data or information compiled by JLL (“Forecast”) has been reproduced in this press release. The Forecast contains forward-looking statements that are JLL's beliefs, expectations or predictions for the future based on information known to JLL at the time and relying on third party information. The forecast process involves assumptions about a substantial number of variables, any one of which can substantially affect outcomes therefore JLL cannot assure that the outcome outlined in the Forecast will be achieved. The Forecast should be read by any third party for informational purposes only and should not be used or considered as an offer or a solicitation by JLL to sell or an offer or solicitation by JLL to any party to subscribe in shares or investment products. Unless otherwise prohibited by applicable law or agreed in writing by JLL, JLL does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance or any inference drawn on any data or information contained in the Forecast.

billion (1% of GDP) to nearly US\$1.2 trillion today (6% of GDP), the public REIT sector is also set to take off in APAC. Over remainder of the decade, JLL is projecting growth of up to 3.2 times from a total market capitalisation of US\$407 billion today (1% of GDP) to US\$1.3 trillion (2% of GDP)\*\*. As the largest New Economy platform and sponsor of REITs in APAC, the ESR Group is well positioned to capture a significant share of these compelling opportunities.

The Transaction was settled via a combination of cash and stock. For the stock component, US\$4.7 billion was paid by the issue of shares at HK\$27 per share, which represents approximately 31.8% of the total issued shares immediately upon completion. The cash portion, amounting to US\$519 million, was partially funded by a US\$250 million share placement to SMBC which further reinforces SMBC's strategic commitment to the Group. The founders and senior management will continue to remain as the largest shareholder in the aggregate with a 23% combined ownership stake in the company. Additionally, Warburg Pincus, which previously co-founded the company alongside Jeffrey Shen, Stuart Gibson and other key entrepreneurs, will become the largest institutional shareholder in the company with a 13.2% stake in the Group.

### **Leadership**

Along with Mr. Perlman, ESR Co-founders & Co-CEOs, Mr. Shen and Mr. Gibson, will continue their roles in leading the expanded Group across its various functions and markets as a unified platform.

Lim Hwee Chiang (John), Dr. Chiu Kwok Hung, Justin, and Rajeev Kannan will join the Board as Non-executive Directors. Senior management of ARA and LOGOS, including Moses K. Song, CEO of ARA, and John Marsh and Trent Iliffe, Managing Directors and Co-CEOs of LOGOS, will continue in their respective roles.

Mr. Shen and Mr. Gibson said: "Today we are very delighted to welcome our new strategic shareholders, Non-executive Directors as well as the talented ARA and LOGOS teams to ESR. Our robust scale, vastly expanded capabilities and deeper breadth of offerings will define the future of real estate in APAC. We are very proud of the integration work done to date which will allow us to hit the ground running immediately as a combined company. As we look forward, the senior management team will be immensely focused on harnessing all the synergies and opportunities of the enlarged Group."

### **Enhanced Offerings**

Driven by key pillars of investment, fund management and development, the enlarged ESR platform provides a suite of private real estate fund and REIT products that embrace every stage of the asset life cycle in the New Economy and prime commercial sectors. It also develops and manages a network of superior logistics, data centre and commercial assets across APAC's most dynamic growth markets.

### **Unique Closed-Loop-Solutions Ecosystem**

Institutional investment in income producing real estate is expected to increase from US\$3.3 trillion in 2020 to US\$5.2 trillion in 2025 in gross asset value, representing a US\$2 trillion growth opportunity<sup>5</sup>. Offering a full suite of both public and private investment solutions to leading global investors, ESR has created the only fully integrated closed-loop-solutions ecosystem for real estate globally. Leveraging the REITs and private funds from ARA on the commercial side, the platform allows global capital partners to divest Grade A commercial real estate assets and re-deploy the capital back into New Economy real estate via ESR and LOGOS.

Mr. Shen and Mr. Gibson added: "Global investors are increasingly consolidating their relationships towards a smaller number of large-scale managers with diversified capabilities and strong track records. Against this backdrop, ESR is in a prime position to capitalise on this outsized growth, leveraging the expanded scale and offerings of the enlarged platform as APAC's leading real asset manager to deliver unique 'one-of-a-kind' integrated solutions."

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<sup>5</sup> Source: JLL Independent Market Report

Bringing in ARA also significantly expands ESR Group's network of blue-chip capital partners by adding 59<sup>6</sup> new capital partners which really allows the Group to expand its product offering including adding discretionary pan-Asia vehicles for the first time. ESR now has active relationships with nine of the world's top 20 capital partners, representing more than 40% of global real estate<sup>7</sup> allocations.

### New Economy

New Economy remains at the core of the enlarged Group. By bringing together LOGOS (which will retain its existing independent brand and operations for the next three years) with ESR as a multi-pronged platform, the ESR Group cements its position as APAC's largest New Economy real estate platform with an AUM of US\$59 billion, development work-in-progress of over US\$10 billion<sup>8</sup> and a development pipeline of over 9 million sqm<sup>9</sup> across 10 countries which represents over 95% of GDP in APAC. Most importantly, the Group will have a leading (top one or two) position in every key market in APAC with the ability to offer a comprehensive pan-Asia solution to its customers and capital partners.

### REITs

The ESR Group is the largest sponsor and manager of REITs in APAC with over a 10%<sup>10</sup> market share. This positions the Group well to capitalise on the financialisation of real estate in APAC where, driven by the support of new REIT legislation and growing demand for professional and institutional ownership and management of real estate, REITs are emerging in various key markets including China, South Korea and India.

The Group is committed to the long-term growth of all ESR-managed REITs and its sponsorship will include access to its strong portfolio of real estate properties as well as financial and operational support. The Group's continued commitment and support will ensure the REITs are well positioned to capture the largest secular trends and deliver long-term sustainable growth and expansion.

### **A New Phase of Sustainable Growth**

The completion of the Transaction allows the Group to further strengthen its ESG leadership and offerings, given that both ARA and LOGOS have been pioneers on the sustainability front. As ESR Group continues to grow and scale, the range of stakeholders and local communities it impacts will also expand. The Group is committed to ensuring it continues to integrate ESG into every aspect of its business and operations. In November 2021, ESR and ARA both announced the closing of their respective US\$1 billion Sustainability-Linked Loans, demonstrating the teams' commitment towards ESG and sustainable financing.

"At ESR, our ambitions as a firm extend well beyond the pursuit of financial success. We seek to achieve sustainable growth through a balance of personal, professional, and social values – pillars that define and set us apart as a firm. As we bring together a deepened pool of professionals to create a best-in-class, diverse team with a wealth of experience and knowledge across all our markets and business areas, our people will continue to steer the Group's long-term growth. Together we will make ESR even stronger by building a robust, purpose-led organisation that creates Space and Investment Solutions for a Sustainable Future," said Mr. Shen and Mr. Gibson.

### **Advisors**

Morgan Stanley Asia Limited acted as lead financial advisor to ESR, and Freshfields Bruckhaus Deringer served as legal counsel to ESR. United Overseas Bank Limited provided financing advisory services to ESR on the Transaction.

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<sup>6</sup> Excluding existing investors in ESR funds or currently in documentation

<sup>7</sup> Global real estate allocation by Top 20 LPs since 2011 (JLL Independent Market Research, Preqin)

<sup>8</sup> As of 30 June 2021

<sup>9</sup> 2021-23 pipeline as of 1Q2021

<sup>10</sup> Includes ESR-REIT and ARA LOGOS Logistics Trust

Citigroup Global Markets Singapore Pte. Ltd. acted as lead financial advisor to ARA, and DBS and OCBC Bank also acted as financial advisors. Latham & Watkins served as legal counsel to ARA and its shareholders.

Deutsche Bank acted as a financial advisor to Warburg Pincus.

## About ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by the Group and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – *Space and Investment Solutions for a Sustainable Future* – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at [www.esr.com](http://www.esr.com).

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#### JLL Forecast, Methodology & Definitions:

\*APAC's prime total logistics real estate market is estimated to grow from a TAM of USD 295 billion in 2020, and to an estimated USD 850 to 1,000 billion by 2030.

- AP logistics TAM (total addressable market) is estimated by prime grade logistics space (sqm GFA) multiplied by average capital values of logistics space (USD per sqm GFA) in each market.
- Projected TAM growth: 1) growth up to 2023 is based on REIS forecasts. 2) Figures after 2023 are range forecasts based on 10-year historical CAGR of the mature markets (lower bound) as well as all markets (upper bound).
- Geographical coverage include prime logistics facilities in all markets monitored by JLL (Australia, Mainland China, Hong Kong SAR, India, Japan, New Zealand, South Korea, Singapore and emerging SE Asia)
- Prime stock: Prime logistics facilities generally refers to modern space. Modern logistics real estate space is characterized by, among other things, large floor plates, high ceilings, wide column spacing, modern loading docks, as well as enhanced safety systems and other value-added features. Different countries have different methodologies and definitions to define modern stock. As such, modern and non-modern stock between countries may not be directly comparable.
- Other methodologies may yield different results.

\*APAC's data centre market is expected to grow from an estimated TAM of USD 38 billion in 2020, to an estimated USD 120 to 150 billion by 2030.

- AP estimated data centre TAM (total addressable market) is calculated by multiplying estimated total megawatt by estimated average capital value
- Geographical coverage includes Australia, Mainland China, Hong Kong SAR, Taiwan, India, Japan, South Korea, Singapore and emerging SE Asia
- Other methodologies may yield different results

\*\*\*% of 2030 GDP based on high level assumptions on growth. Different growth assumptions will lead to different results. High level estimates only.