

7. Ascendas Real Estate Investment Trust's focus on sustainable business parks
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Ascendas Real Estate Investment Trust (Ascendas REIT) is one of the largest real estate investment trusts in Asia with a focus on business and industrial parks. As with any real estate investment trust, Ascendas REIT faces challenges related to economic cycles, interest rate fluctuations, and tenant demands. However, the trust has also faced challenges specific to its focus on sustainable business parks.

One of the main challenges Ascendas REIT has faced is the need to constantly update and adapt its properties to meet the evolving needs of its tenants. As businesses become increasingly focused on sustainability, the demand for eco-friendly buildings and green spaces has grown. Ascendas REIT has responded by investing in sustainable building features, such as energy-efficient lighting and water-saving fixtures, and creating green spaces for tenants to enjoy. However, these upgrades require significant capital investment and ongoing maintenance, which can be a challenge for a real estate investment trust (CapitaLand Ascendas REIT, 2021). Studies show that green buildings can benefit REITs environmentally and socially, but they also require more investment and costs (Wong et al., 2018). REITs should strategically invest in green buildings, considering the market, tenants, regulations, and stakeholders. REITs should also incorporate sustainability into their strategy and governance and disclose their Environmental, Social, and corporate Governance (ESG) performance to improve their financial performance and risk management (Lee & Chan, 2019).

Another challenge Ascendas REIT has faced is the need to balance the demands of sustainability with the needs of its tenants for affordable space. Sustainable building practices and features can be more expensive to implement and maintain, which can increase rental rates and make it more difficult to attract and retain tenants. Ascendas REIT has responded by focusing on long-term sustainability initiatives that will not only benefit the environment but also provide cost savings for tenants over time. JLL (2022) reports that green-certified office buildings can earn up to 28% higher rents than non-certified ones in some Asian markets like Hong Kong, where green-certified supply is scarce. The report also states that sustainability is a key factor for corporate tenants, and that demand for green-certified buildings exceeds supply in the region. CBRE (2022) agrees that green-certified buildings have higher rents in the office sector and expects the same for other property types as tenants and end-users want more environmental performance. The report also advises investors to view ESG factors to create value and reduce risk, not as a compromise or a cost.

Despite these challenges, Ascendas REIT has succeeded by adopting a proactive and innovative approach to sustainable business parks. The trust has invested heavily in research and development to identify new technologies and practices that can improve the sustainability and efficiency of its properties. It has also worked closely with its tenants to understand their evolving needs and incorporate their feedback into its property management and development strategies (CapitaLand Ascendas REIT, 2021).

Overall, Ascendas REIT's focus on sustainable business parks has allowed it to differentiate itself in the competitive real estate market and attract a diverse range of tenants. By embracing

innovation and sustainability, the trust has positioned itself for long-term success in a rapidly changing business landscape.

References

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