

WHA INDUSTRIAL LEASEHOLD REAL ESTATE INVESTMENT TRUST

No. 140/2025
29 August 2025

CORPORATES

Issuer Rating: BBB+
Outlook: Stable

Last Review Date: 28/08/24

Issuer Rating History:

Date	Rating	Outlook/Alert
09/10/18	BBB+	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on WHA Industrial Leasehold Real Estate Investment Trust (WHAIR or trust) at “BBB+” with a “stable” outlook.

The rating reflects the trust’s good asset quality in strategic locations, the potential for revenue and earnings growth from new asset acquisitions supported by its sponsor, WHA Industrial Development PLC (WHAID, rated “A-/Stable”), and its moderate financial leverage. However, the rating is constrained by the trust’s modest scale, tenant concentration, and exposure to renewal risk. Additionally, the rating considers the challenges posed by intensifying competition and the potential impact of economic slowdowns and trade wars on occupancy and rental rates of industrial properties.

KEY RATING CONSIDERATIONS

Good-quality assets with 92% located in the EEC

WHAIR’s rental properties comprise ready-built factories (RBFs) and warehouses, sponsored by WHAID, the largest industrial real estate developer in Thailand, by total industrial land sales. Approximately 92% of these assets are strategically located in Chonburi and Rayong, within the Eastern Economic Corridor (EEC). The government offers tax benefits and other incentives to production facilities located in EEC.

As of June 2025, Chinese tenants represented the largest proportion of revenue at 41%, followed by European tenants 21%, Australian 11%, and Japanese 10%. Heightened trade tensions between the United States (US) and China have resulted in more Chinese manufacturers and their supply chains shifting operations to Southeast Asia, including Thailand.

Sustained occupancy levels of above 90%

We expect WHAIR to maintain an average occupancy rate (OR) of over 90% throughout 2025-2027, driven by the strategic locations of its assets, the quality of its assets within established industrial estates, and the exclusive yield enhancement committed by the sponsor. The sponsor guarantees a 100% OR for newly acquired properties and covers any shortfall if the rental rates offered to tenants fall below the guaranteed level during the first three years after acquisition. Since 2019, WHAIR has been able to keep its average OR, both with and without the sponsor’s support, at around 90% or above, surpassing the industry average. As of June 2025, the average OR of its assets was 97%.

Revenue expansion driven by regular asset acquisitions

We expect the trust’s revenue to reach THB1.1 billion in 2027, based on our assumption that the trust will acquire new assets in late 2026. Since 2016, the trust has acquired new assets every other year, with revenue increases typically occurring in the years following these acquisitions. For the first half of 2025, revenue reached THB500 million, up 16% year-on-year (y-o-y), mainly due to asset acquisitions in December 2024. Full-year revenue is projected to approach THB1 billion in 2025 and remain at this level through 2026, reflecting a slight increase in rental rate growth. We assume the trust to invest approximately THB1.2 billion in new assets. WHAIR’s annual revenues are forecast at THB990 million to THB1.1 billion for 2025-2027.

Consistent profitability

The EBITDA margin is expected to remain around 85% during the forecast period, consistent with the average over the past three years. While this is slightly below the 87%-90% range recorded during 2017-2021, the decline is mainly attributed to cost factors. These include an increase in property management fees to 5% from 1.75% of total rental and service revenue under the property management agreements for the first and second additional investment, rising repair and maintenance costs after the five-year post-acquisition period, property tax expenses on vacant spaces borne by the trust after the sponsor's undertaking period, and marketing expenses related to fundraising activities.

Satisfactory performance despite heightened competition and pressure on rental rates

Rental rate growth remains limited for both RBFs and warehouses, as supply continues to outpace demand. While supply continues to increase, its assets located within the EEC area still enjoy stable demand. However, heightened competition and efforts by developers to maintain high ORs are expected to keep rental rates under pressure and largely flat. As the majority of WHAIR's properties are in EEC, ORs have remained healthy. Nevertheless, the portfolio's average rental rate as of June 2025 was slightly increased compared with the same period last year.

Looking ahead, we expect the average rental rates for the trust's factory and warehouse space to see a slight increase during 2025-2027. This is supported by the fact that most of the new warehouse supplies in 2025 will be located outside EEC, while the new factory supply within EEC is primarily from WHAIR's sponsor.

Small business scale relative to peers

WHAIR is a small-sized industrial real estate investment trust (REIT) in terms of both assets and earnings compared with WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) and Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT), both of which are rated "A/Stable". As of June 2025, WHAIR's investment portfolio was worth THB13.6 billion, while those of WHART and FTREIT were THB52.5 billion and THB50.7 billion, respectively. WHAIR's EBITDA was THB773 million in fiscal year 2024 while those of WHART and FTREIT were THB3.2 billion and THB3.0 billion, respectively.

Exposure to tenant concentration risk, but mitigated by strong tenant profiles and portfolio growth

WHAIR is exposed to tenant concentration risk, stemming from both the tenant composition and the lease duration profile. In the first half of 2025, the top 10 tenants accounted for 37% of the trust's total revenue and occupied area. Additionally, around 90% of tenant contracts have lease terms of three years or less, with a weighted average lease expiry of 1.7 years as of June 2025.

Early contract terminations or reduced space leased by key tenants may significantly affect the trust's operations. This risk is mitigated by the tenants' strong credit profiles, asset base growth, and effective property management filling vacancies.

Moderate financial leverage

We expect the trust's debt levels to continue rising, in line with its strategy of acquiring new assets every other year. Maturing debt is likely to be refinanced through new bank loans, while future acquisitions are expected to be partially funded by additional borrowings. Although leverage is projected to increase, the EBITDA contribution from WHAIR's newly acquired assets should help support the trust's financial profile. The adjusted debt to EBITDA ratio has hovered in the 5-6 times range since 2020. Nonetheless, WHAIR's loan to fair value of total assets ratio (LTV) has remained in the 32%-34% range, lower than the trust's policy.

Additionally, as the trust typically acquires new assets in December, the full debt amount is recorded immediately, while only a few days of the corresponding EBITDA contribution are recognized. As a result, leverage tends to spike during acquisition years. Typically, the leverage ratio is expected to decline in the following year, once a full year of EBITDA from the new assets is recognized.

Under our base-case scenario, we assume the trust will fund acquisitions in 2026 through a combination of debt and equity, while keeping its LTV at around 33%. The adjusted net debt to EBITDA ratio should range 5-6 times and EBITDA interest coverage ratio at 4-5 times.

Adequate liquidity

As of June 2025, WHAIR had total outstanding bank debt of THB4.8 billion. A debt repayment of THB622 million is due in December 2025, followed by a larger repayment of THB1.5 billion scheduled for the fourth quarter of 2026. WHAIR intends to refinance these maturing obligations through new bank loans. The trust has secured a refinancing offer for its December 2025 debt maturity. As of June 2025, WHAIR reported approximately THB270 million in net cash on hand, net of customer deposits.

The financial covenant on WHAIR's loan obligations requires the trust to keep its debt to EBITDA ratio below 7.5 times, its interest-bearing debt to equity ratio below 1 time, and its LTV ratio below 50%. The ratios at the end of June 2025 were 5.5 times, 0.5 times, and 34%, respectively. We expect the trust to comply with the financial covenant over the next 12 months.

Debt structure

As of June 2025, WHAIR's consolidated debt, excluding lease liabilities, was THB4.8 billion. All were secured long-term bank loans, pledged by some assets of the trust. The ratio of secured debt to fair value of total assets was 34%, below the threshold of 35% according to TRIS Rating's "Rating Methodology for Real Estate for Rent Companies".

BASE-CASE ASSUMPTIONS

- Investment assets to increase by THB1.2 billion in 2026.
- OR (with the sponsor's undertaking) at 95% over the next three years.
- Total revenue of THB990 million-THB1.1 billion per annum.
- EBITDA margin of around 85% with EBITDA of THB820-THB920 million per annum.

RATING OUTLOOK

The "stable" outlook reflects our expectation that WHAIR's property portfolio will continue to generate steady cash flows during 2025-2027. We also expect the trust's assets to sustain a high average OR of around 90%. In addition, we expect the trust to remain in compliance with the debt covenants.

RATING SENSITIVITIES

The rating on WHAIR could face downward pressure if the OR falls significantly below expectations and/or a larger-than-expected debt-funded expansion causes the net debt to EBITDA ratio to exceed 6.5 times for a prolonged period. A downgrade scenario could also occur if the trust is unable to comply with bank covenants without obtaining a waiver, or if it fails to refinance its maturing debt.

On the other hand, the rating could be revised upward if WHAIR is able to enlarge its business scale, achieving EBITDA above THB1.5 billion while maintaining a healthy capital structure with net debt to EBITDA ratio of less than 4.5 times.

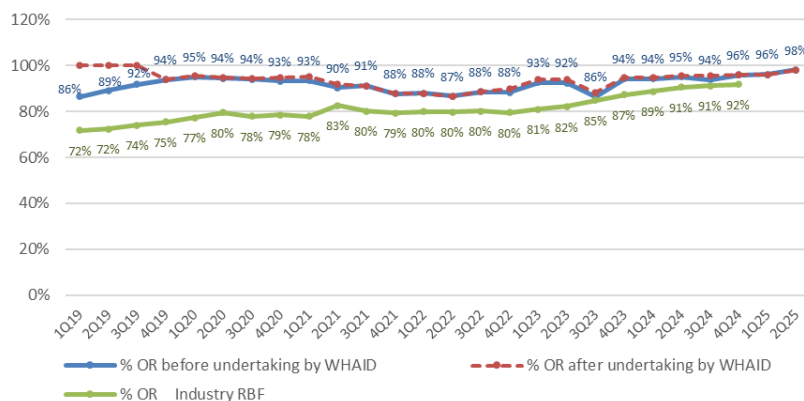
TRUST OVERVIEW

WHAIR, formerly named Hemaraj Leasehold Real Estate Investment Trust (HREIT), was established and listed on the Stock Exchange of Thailand (SET) in November 2016, with registered capital of THB5.69 billion. At present, WHAID holds a 17% stake in WHAIR. The REIT manager is WHA Industrial REIT Management Co., Ltd. (WHAIRM) which is wholly-owned by WHAID, the property manager and main sponsor of the trust. WHAIR focuses on the acquisition of leasehold rights for good-quality and well-occupied industrial properties including RBFs and warehouses.

As of June 2025, the investment asset size of WHAIR was valued at THB13.56 billion with total leasable area of 468,990 square meters. The property portfolio comprised factories (68%) and warehouses (32%) in four provinces: Chonburi, Rayong, Saraburi, and Prachinburi. WHAIR's properties are in key industrial estates and manufacturing hubs in Thailand. About 92% of the leasable properties are in the EEC development area. The tenant is diversified across several sectors, with auto and parts accounting for 34% of revenue, consumer products 31%, logistics 13%, and electronics 10%.

KEY OPERATING PERFORMANCE

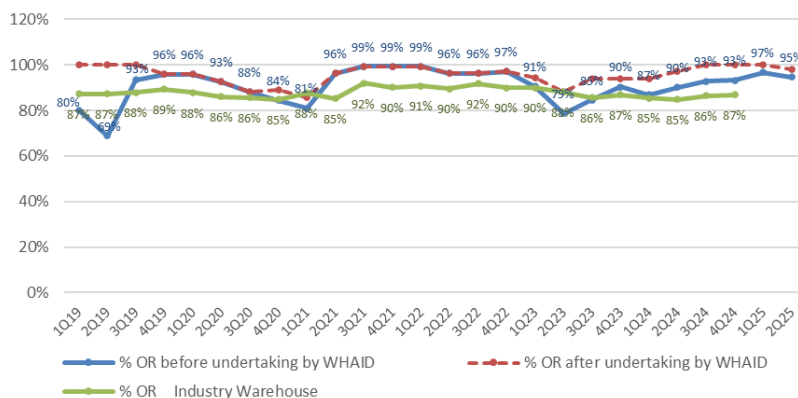
Chart 1: RBF's OR



Note: OR as of end of period

Sources: WHAIR and CB Richard Ellis (CBRE)

Chart 2: Warehouse's OR

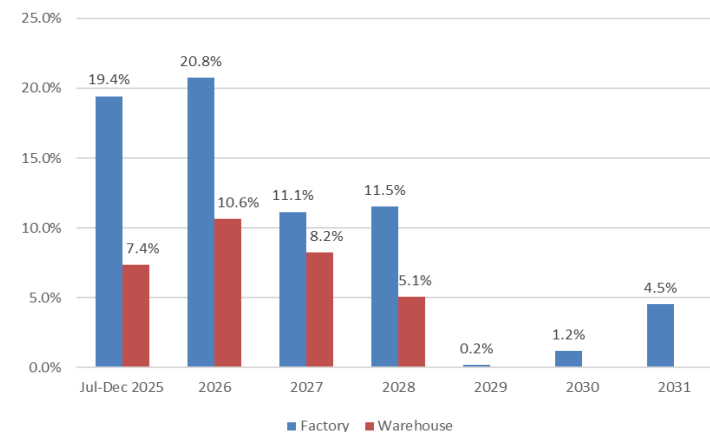


Note: OR as of end of period

Sources: WHAIR and CB Richard Ellis (CBRE)

Chart 3: Lease Expiry

Unit: % of Total Occupied Area



Source: WHAIR

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	510	910	870	747	764
Earnings before interest and taxes (EBIT)	439	773	743	623	670
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	439	773	745	634	682
Funds from operations (FFO)	346	583	563	527	577
Adjusted interest expense	93	190	182	107	105
Capital expenditures	0	1,086	0	1,372	0
Total assets	14,156	14,041	13,109	13,321	11,771
Adjusted debt	4,230	4,279	3,966	3,902	3,391
Adjusted equity	9,084	8,868	8,475	8,575	7,792
Adjusted Ratios					
EBITDA margin (%)	86.0	84.9	85.6	84.9	89.3
Pretax return on permanent capital (%)**	6.2	5.9	5.8	5.1	5.9
EBITDA interest coverage (times)	4.7	4.1	4.1	5.9	6.5
Debt to EBITDA (times)**	5.1	5.5	5.3	6.2	5.0
FFO to debt (%)**	15.2	13.6	14.2	13.5	17.0
Debt to capitalization (%)	31.8	32.5	31.9	31.3	30.3

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

WHA Industrial Leasehold Real Estate Investment Trust (WHAIR)

Issuer Rating:	BBB+
Rating Outlook:	Stable

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