



SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

ANNOUNCEMENT

RESPONSES TO QUESTIONS FROM UNITHOLDERS

Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**"), and the manager of Sabana REIT, the "**Manager**"), would like to thank Unitholders of Sabana REIT ("**Unitholders**") for submitting their questions in advance of the Annual General Meeting ("**AGM**") for the financial year ended 31 December 2019, which will be held via electronic means on Thursday 11 June 2020 at 10.00 a.m. The Manager's responses to the questions can be found in Appendix A to this announcement.

For Unitholders' easy reference, as several questions are overlapping in nature, we have grouped and summarised similar questions under relevant topic headers.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company registration no: 201005493K, Capital markets services licence no: CMS100169)

As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)

Chief Executive Officer

10 June 2020

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Appendix A

Impact from COVID-19

1. What is the impact of COVID-19 on your operations in detail? Have tenants been paying rent?

- Like all businesses, we have been and continue to be impacted by COVID-19.
- The TOP for the Asset Enhancement Initiative (“AEI”) at New Tech Park (“NTP”) has been delayed although the majority of retail and F&B tenants welcome a ‘delayed’ TOP as retailers are not ready to open for business before early signs of pandemic easing.
- “Circuit Breaker” measures to contain the spread of the virus put a pause on leasing activities such as viewings, handovers and fitting-out which have resulted in a delay in lease and rental commencement dates.
- But we remain in a stable position and the majority of our tenants remain timely in their rental payments.
- Approximately 50% of our tenants are deemed essential services providers and we have collected 96% and 90% of Gross Rental Incomes in April and May 2020 respectively.

2. How much rental relief granted to tenants so far?

- We fully support the government’s initiatives to help SMEs tide through COVID-19.
- We are fully passing on all government announced property rebates to our qualifying tenants.
- This includes:
 - From the Solidarity Budget:
 - the 30% property tax rebates
 - From the Fortitude Budget:
 - additional relief of about 0.64 month of rental
 - additional one month’s base rent rebate to qualifying SMEs that have suffered significant drop in revenue
- We have provided additional relief to industrial canteen operators.

3. What percentage of tenants (corresponding % in Gross Revenue Income (“GRI”)) have expressed an interest / requested to claim rental relief due to COVID-19, and ii) the REIT Manager’s projection of total claims (by GRI) till the end of this year, iii) its consequent impact to Distribution per Unit (“DPU”) for Unitholders?

- Less than 3% of tenants have requested for rental deferment under the COVID-19 (Temporary Measures) Act 2020 – as a percentage of GRI – and we have been engaging them to work out repayment schedules.
- As the Fortitude Budget has just been rolled out, it is too early to determine exactly how many tenants will claim rental relief eventually.
- However, with business activities gradually resuming in Phase 1 and 2 of the Safe Re-opening, we expect that tenants will see their cash flows improve.
- The Manager will continue to execute its strategy and create sustainable long-term value for Unitholders, while navigating the short-term challenges presented by COVID-19.
- We will continue to provide timely updates for the rest of FY 2020.

4. What is the current status of AEI project at NTP? Schedule of completion? Are there any tenants where they have committed to retail leases for NTP backing out or renegotiating the lease?

- The AEI at NTP has been delayed due to “Circuit Breaker” measures.
- There will be delayed construction work post “Circuit Breaker” due to tighter regulatory controls with limited number of workers allowed to work on-site at any point of time, adhering to safe distancing measures.
- We will now look into restarting and completing this AEI, as well as other projects where capital expenditure have already been planned for.
- The AEI at NTP is now likely to be completed in 4Q 2020.
- 36% of space for Phase 1 of the AEI has been pre-committed and we have resumed lease discussions on another 35% of space, which had been suspended due to the “Circuit Breaker”. We are also in negotiations with potential clients for Phase 2 of the AEI.
- So far, the proposed addition of the retail space has been viewed positively by existing tenants as it improves amenities and eating options.
- We have seen a higher renewal rate for existing tenants at NTP since the AEI was announced.

Strategy

5. Given the ongoing pandemic, what is Sabana's strategy for 2H 2020 and year 2021?

- We have a three-pronged strategy to provide sustainable growth.
- We will focus on growing organically, improving occupancy and extracting greater value through our ‘seeding’ demand strategy to incubate growing new expansionary tenant(s) who can take up anchor tenant(s) position.
- We are also engaged in ongoing negotiations with tenants on renewals well ahead of their lease expiry.
- While doing so, we are cognisant of the challenges that our tenants face and continue to work closely with them and all our stakeholders to overcome this difficult season together.
- To ensure financial prudence, we are also deferring or suspending non-essential operations and capital expenditure to conserve cash.
- Underlying our commitment to business resilience, we are also prioritising safety first and foremost, and continue to undertake all necessary measures in our buildings to ensure the health of our staff, tenants and the community.

6. Could you illustrate the upcoming growth plans (organic and/or inorganic)? Any particular type of industrial properties / area that the management would like to focus going forward (e.g. e-commerce warehouse, DCs)? Strategic decision(s) in moving ahead during this period despite the “wobbly economy”? What are your plans for the next 12 months?

- As reported by the Monetary Authority of Singapore (“MAS”) in their Macroeconomic Review published on 28 April 2020, Singapore will enter into a recession this year because of the blowout from the COVID-19 pandemic, resulting in job losses and lower wages, with “significant uncertainty” over how long and intense the downturn will be.

- Our focus in the next 12 - 24 months, is to achieve organic growth, improve occupancy and extract greater value from our existing portfolio. Nevertheless, we will explore build-to-suit or AEI opportunities if viable.
- Amid the challenging business environment currently, there are sectors including logistics, telecommunications, bio-medical and healthcare that will be more resilient or will continue to grow.
- Our portfolio is well-placed to serve more of these tenants, which may be looking to further decentralise their operations or are seeking relocation / additional space to cater to new requirements resulting from this pandemic.

7. What is the Company's focus for the next 4 years?

- Our longer-term objective of creating sustainable value through our Refreshed Strategy remains unchanged.
- Our focus in the next 12-24 months is to achieve organic growth, improve occupancy and extract greater value from our existing portfolio, as outlined in the answer above.

Shari'ah Compliant Status

8. Management suggested at the 2019 Annual General Meeting that Sabana REIT would be making known by the end of 2019 its thoughts on whether it would be ending its Shari'ah compliant policy. We are now into June 2020 and nothing has been announced. Why? II) And can management explain why Sabana REIT continues with Shariah compliance despite the clear negative impact including restricting the types of tenants and hence occupancy rates, and higher interest costs.

- We have just emerged from the "Circuit Breaker" and there remains significant uncertainty over the potential impact from COVID-19.
- Our immediate focus is on ensuring the resilience of our operations during these unprecedented times, while enabling Sabana REIT to deliver long-term sustainable value for Unitholders.
- The Board of Directors will continue to review and assess the benefits and costs of maintaining a Shari'ah compliant status in a holistic manner, with the best interest of Unitholders in mind.
- We will share an update at an appropriate time.

Portfolio Management

9. What is the current occupancy rate? Does Management expect Portfolio occupancy to go below 70% for 2020? What is the plan to improve the occupancy rate which is currently underperforming?

- Our portfolio occupancy is 77% as at 31 March 2020.
- Occupancy in FY 2019 was lower, mainly due to relocation of a major tenant in New Tech Park in 1Q 2019, the early settlement and termination of the master tenancy at 10 Changi South Street 2 in 3Q 2019 and the expiry of the master lease at 3A Joo Koon Circle in 4Q 2019.
- Negotiations with some tenants on their renewals for 2H 2020 are still in progress and we expect to see some consolidation with the soft market condition currently, which may impact occupancy. If the overall market sentiment does not improve in the coming months, we may see a deterioration in portfolio occupancy.
- However, there is still demand in certain sectors such as business parks, logistics and warehouses. Our priority is on retaining tenants by supporting them in any restructuring

or expansion plans as well as looking at enhancing selected properties to improve marketability and rental rates.

- As the economy gradually re-opens post “Circuit Breaker”, we continue to actively manage and optimise our portfolio occupancy by working with our wide network of agents, while continuing to be flexible in terms of the deal size, length of lease and space maintaining competitive pricing.
- We also remain open to all options to unlock value in our portfolio, including divesting assets for the right consideration or carrying out build-to-suit for suitable tenants. We have identified 1 Tuas Avenue 4 as one such asset.

10. What percentage of the leases due in 2020 (by GRI) have been renewed (please provide rental reversion rate) year-to-date, and ii) what is the REIT Manager’s outlook on rental reversion rate for the renewal of the balance leases expiring this year?

- As at 31 March 2020, we have renewed approximately 160,000 sq ft of leases which equates to approximately 18% of our FY 2020 expiry by GRI and will be renewing an additional 20%. We have also secured approximately 150,000 sq ft of new leases.
- Our rental reversion for 1Q 2020 was a positive 6.2%.
- However, we expect the full impact from COVID-19 to be reflected only in the subsequent quarters. We are also mindful of other macroeconomic factors such as the ongoing trade tensions between the U.S and China.
- In these unprecedented times, companies are more inclined to renew or extend their leases to avoid spending capital expenditure to fitout new premises. Many are waiting for more clarity on the economic situation before making any major decisions.
- We will continue to focus on proactive lease management, tenant retention and providing leasing solutions for our tenants in these unprecedented times.

Financials

11. What is the free cash flow available for the REIT?

- Our cash position is stable and do not require refinancing in FY 2020. We also have undrawn committed credit facilities to help us through the difficult period.

12. What is Sabana's maximum leverage for the next 4 years?

- We will continue to observe the leverage limit as guided by the MAS of 50%.
- We are comfortable with our current gearing level, one of the lowest in our industry.
- This provides us financial resilience and gives us headroom to seek growth opportunities that may arise.

13. Target dividend yield till i) end of 2020, ii) within 2 years from now and iii) within 5 years from now?

- Our focus remains on ensuring that Sabana REIT can navigate through the near-term challenges presented by COVID-19 and are also committed to delivering sustainable value for Unitholders over the longer term.
- While we continue to prioritise creating value for our Unitholders, it would not be appropriate or constructive to provide forward guidance.

14. How is Sabana sukuk conducted?

- Since the redemption of the last convertible sukuk in 2017, the Manager has not issued sukuk to fund the REIT's business.
- The Manager has reviewed the REIT's capital structure and there are no plans in future to issue sukuk.

15. I note that despite my suggestion at last year's AGM that Management consider putting forward a share buyback resolution at this year's AGM in order to improve Unitholder returns, Management has not done so. It is therefore surprising to see that this year ESR-REIT have chosen to put forward a share buyback resolution at their AGM, despite i) being more leveraged than Sabana REIT, and ii) its share price trading far better as a percentage to Net Asset Value ("NAV") than Sabana REIT. It seems odd that ESR-REIT is proposing a share buyback mandate while Sabana REIT is not, given Sabana REIT Unitholders would have much more to gain from such a proposal. Can Management explain why it has chosen not to put up share buyback resolution when it is so clearly in Sabana REIT Unitholders' interest to do so?

- We consider our capital structure / management holistically along with our overall strategy and operating environment to enhance Unitholders' value.
- As we continue to weather COVID-19, it is crucial to maintain fiscal discipline and prudence. As such, our immediate focus is on ramping up our existing operations and conserving our liquidity while maintaining a stable balance sheet and cash position. We also would like to be ready to capitalise on any potential opportunities that may arise.
- We will continue to consider all options that will enable us to deliver long-term sustainable value for Unitholders.

Others

16. Rumours have been swirling about a merger with ESR-REIT for some time. Would the Board have any details with regard to the merits of such a deal, should it happen? Would the Board like to clarify if such plans to merge are indeed on the horizon?

- We do not comment on market rumours.
- Sabana REIT will continue to comply with its disclosure obligations under the Listing Manual of the SGX-ST and will make any announcements if necessary.

17. Can the Board please clarify how potential conflicts of interest situations are dealt with in the context of the Managers of ESR-REIT and Sabana REIT being both controlled by ESR? For instance, if both ESR-REIT and Sabana REIT were both competing to buy the same sizable asset in Singapore? Or where ESR-REIT and Sabana REIT were considering a merger?

- Our Sponsor has put in place strict internal controls to regulate potential conflicts of interest between the REITs.
- We have gone through a thorough process of setting up structures in order to mitigate such conflicts in various possible circumstances:
 - i) Independent and no overlapping directors - the board of the Sabana REIT Manager is comprised entirely of independent directors, with no ESR representative. Further, there are no overlapping directors between the boards of the Sabana REIT Manager and the ESR-REIT Manager;
 - ii) No overlapping senior management - No member of senior management of the Sabana REIT Manager is involved in the management of the ESR-REIT Manager, and vice versa. This will ensure that the management of both REITs remain independent of each other;
 - iii) Information barriers have been put in place between both managers to ensure that commercially sensitive information relating to Sabana REIT is not shared with ESR-

REIT, and vice versa. Further, both REITs will continue to operate in their respective separate physical offices.

Sabana REIT

Sabana REIT was listed on the SGX-ST on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. As at 31 December 2019, Sabana REIT has a diversified portfolio of 18 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to approximately S\$1.0 billion as at 31 December 2019.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is one of the constituents of the FTSE ST Singapore Shariah Index.

Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended). Sabana REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana REIT, please visit www.sabana-reit.com.

Important Notice

The value of units in Sabana REIT (“Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana REIT, or any of their respective affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that unitholders of Sabana REIT may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.