



## 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)

### SABANA REIT ANNOUNCES 12.1% Y-O-Y GROWTH IN FY 2014 GROSS REVENUE AND 1.78 CENTS DPU FOR 4Q 2014

#### Financial Highlights

(\$'000)	FY 2014	FY 2013	Variance (%)	4Q 2014	3Q 2014	Variance (%)
Gross revenue	100,342	89,485	12.1	25,292	25,126	0.7
Net property income ("NPI")	72,946	80,360	(9.2)	18,163	18,048	0.6
Income available for distribution	51,624	61,755	(16.4)	12,891	12,689	1.6
Distribution per Unit ("DPU") (cents)	7.33 <sup>1</sup>	9.38	(21.9)	1.78 <sup>1</sup>	1.81	(1.7)
Annualised DPU (cents)	7.33	9.38	(21.9)	7.06	7.18	(1.7)
Annualised distribution yield <sup>2</sup>	7.9%	10.1%	(21.8)	7.6%	7.8%	(2.6)

**Singapore, 21 January 2015** – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust"), today announced a 12.1% year-on-year growth in gross revenue for FY 2014.

NPI for FY 2014 was 9.2% lower than that for FY 2013 mainly due to the increase in vacancies and property expenses in relation to the conversion of master-tenanted properties into multi-tenanted properties. That said, NPI in 4Q 2014 inched higher by 0.6% compared to 3Q 2014, owing mainly to contributions from 10 Changi South Street 2, which was acquired on 15 December 2014.

For 4Q 2014, Sabana REIT registered distributable income of S\$12.9 million, which was 1.6% higher than that of 3Q 2014. However, DPU in 4Q 2014 dipped by 1.7% compared to the previous quarter due to an increase in units issued mainly for the Trust's partial payment for the acquisition of 10 Changi South Street 2 in units. The full impact for the DPU-accretive acquisition will be seen from 1Q 2015 onwards.

#### Proactive management of lease expiries

During the year, the Manager intensified its marketing and leasing activities to find new and suitable tenants to occupy available space within the portfolio. At the same time, the Manager proactively managed lease renewals to minimise downtime and maximise rental yields. In FY 2014, a total of 86 transactions (renewals and new tenants) were secured by the Manager across Sabana REIT's portfolio. These included the successful renewal of the expiring master lease of 6 Woodlands Loop in December 2014 and the signing of a new master lease for 3A Joo Koon Circle in November 2014, representing a total of 6.32% of Sabana REIT's GFA.

<sup>1</sup> Based 725,982,571 Units issued and to be issued as at 31 December 2014

<sup>2</sup> Based on the last traded price of S\$0.925 per Unit as at 20 January 2015.

The conversion of 2 Toh Tuck Link into a multi-tenanted property upon the expiry of its master lease in November 2014 also went well. Since the conversion, Sabana REIT has now seven multi-tenanted properties and 16 master-tenanted properties, including 10 Changi South Street 2. As at 31 December 2014, the overall occupancy level for Sabana REIT was maintained above a healthy 90.0%.

### **Borrowings maturing in 2014 and 2015 fully repaid**

On 3 October 2014, Sabana REIT issued its second series of Fixed Period Distribution Trust Certificates. The S\$100.0 million proceeds from the issuance partly finance the proposed acquisition of 10 Changi South Street 2, as well as refinance S\$10.2 million of borrowings due in November 2014 and a portion of the S\$177.6 million borrowings due in August 2015, under two existing three-year Commodity Murabaha Facilities.

On 25 November 2014, the Trust also secured S\$243.0 million new Commodity Murabaha Facilities to refinance the remaining S\$120.0 million under its three-year Commodity Murabaha Facility due in August 2015 and roll over a five-year Commodity Murabaha Facility of up to S\$75.0 million and a three-year revolving Commodity Murabaha Facility of up to S\$48.0 million.

Chief Executive Officer and Executive Director of the Manager, Mr Kevin Xayaraj said, “We have been proactive and prudent in managing Sabana REIT’s capital structure. In view of rising interest rates globally, we are pleased to be able to repay our near-term borrowings well before their maturities. Our refinancing exercises in 2014 enabled an additional eight properties valued at S\$305.8 million to be unencumbered. Sabana REIT’s weighted average tenor of borrowings also lengthened from 2.3 years to 3.0 years as at 31 December 2014. Sabana REIT’s capital structure has strengthened overall.”

As at 31 December 2014, Sabana REIT had outstanding borrowings of S\$486.0 million, of which 88.0% was effectively fixed. The Trust’s aggregate leverage was approximately 38.0%.

### **Outlook**

Based on advanced estimates, the Singapore economy grew by 1.5% on a y-o-y basis in 4Q 2014, lower than the 2.8% registered in the previous quarter.<sup>3</sup> For the whole of 2014, the economy is estimated to have grown by 2.8% which is in line with the government’s growth forecast of around 3.0%.<sup>3</sup>

According to DTZ, Singapore industrial rental market for 2014 was stable, with average monthly rents for traditional industrial space increasing by 1.6% from 2013 to S\$2 per sq ft.<sup>4</sup> That was despite weak demand for conventional factory space in 4Q 2014, coupled with a big supply to existing stock that saw rents for the overall industrial property sector in Singapore fall during the quarter.<sup>4</sup> That said, demand for space in business parks and high-tech industrial facilities continue to rise in 4Q 2014, as increase in office rents motivated some qualifying occupiers to seek more affordable options in office-industrial hybrid spaces.<sup>4</sup>

Sabana REIT’s DPU continued to be affected by the conversion of 5 master tenanted properties (4 properties in 4Q 2013 and 1 property in 4Q 2014) into multi-tenanted properties, which resulted in a lower DPU in 4Q 2014 compared to the same period last year. The Manager anticipates market conditions to remain challenging and it will actively manage Sabana REIT’s lease expiry profile and continue to be aggressive in its marketing and leasing efforts to increase the Trust’s portfolio occupancy. The Manager will also continue to prudently manage Sabana REIT’s capital structure by improving borrowings maturity profile and maintaining aggregate leverage below 40.0%.

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<sup>3</sup> “Singapore’s GDP Grew by 1.5 Per Cent in Fourth Quarter of 2014”. [www.mti.gov.sg](http://www.mti.gov.sg). Ministry of Trade and Industry Singapore. 2 January 2015. Web. 12 January 2015.

<sup>4</sup> “Weak demand hits industrial rents, but business parks boom”. <http://www.todayonline.com/print/991031>. Channel News Asia. 6 January 2015. Web. 13 January 2015.

With approximately 10 months to go before the expiry of the 11 master leases, the Manager is working towards renewing or securing new master leases for 7 of them. The remaining 4 properties will likely be converted into multi-tenanted buildings. In addition, the Manager will continue to evaluate potential yield-accretive acquisition opportunities and also explore opportunities to divest underperforming assets to recycle Sabana REIT's capital.

#### **4Q 2014 non-Shari'ah compliant income**

In 4Q 2014, Sabana REIT recorded a non-Shari'ah compliant income of S\$6,993 that was equivalent to approximately 0.03% of the quarter's gross revenue. Sabana REIT will be allocating its 4Q 2014 non-Shari'ah income to a fund-raising campaign by Majlis Ugama Islam Singapura or Islamic Religious Council of Singapore ("MUIS"), organised for the victims of the recent Malaysian floods. The funds raised in this campaign would be used to provide relief aid in the form of food, clean water, medicine and basic necessities for flood victims in the eastern Malaysian states of Pahang, Terengganu and Kelantan.

#### **Distributions to Unitholders**

The DRP will be applied to 4Q 2014 distribution. Unitholders may elect to receive distributions for the period from 1 October 2014 to 31 December 2014 in the form of fully-paid Units, instead of cash. Distribution payment will take place on 27 February 2015.

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## **ABOUT SABANA REIT**

Sabana REIT was listed on Singapore Exchange Securities Trading Limited 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. Sabana REIT currently has a diversified portfolio of 23 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. Its total assets amount to approximately S\$1.3 billion.

Sabana REIT is listed in several indices within the Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices. Sabana REIT is assigned a BBB-'long-term corporate credit rating' with a stable outlook by Standard & Poor's Rating Services.

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 <http://www.sabana-reit.com>.

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