



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 1.50 CENTS DPU FOR 4Q 2015

Financial Highlights

(S\$'000)	FY 2015	FY 2014	Variance (%)	4Q 2015	3Q 2015	Variance (%)
Gross revenue	100,824	100,342	0.5	24,561	25,494	(3.7)
Net property income ("NPI")	71,605	72,946	(1.8)	16,287	18,294	(11.0)
Income available for distribution	50,135	51,624	(2.9)	11,035	12,971	(14.9)
Distribution per Unit ("DPU") (cents)	6.85 ¹	7.33	(6.5)	1.50 ¹	1.77	(15.3)
Annualised DPU (cents)	6.85	7.33	(6.5)	5.95	7.02	(15.2)
Annualised distribution yield²	9.9%	10.6%	(6.6)	8.6%	10.2%	(15.7)

Singapore, 25 January 2016 – 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 modest year-on-year (Y-O-Y) growth in gross revenue for FY 2015.

NPI for FY 2015 and 4Q 2015 decreased by 1.8% and 11.0% respectively, mainly due to the lower gross revenue arising from negative rental revisions for certain master leases renewals and increase in vacancies in 4Q 2015, coupled with an increase in property expenses due to conversion of three more master leases into multi-tenanted leases. Furthermore, there were also higher property tax and land rent expenses from the conversion of certain master leases from triple-net into non-triple-net tenancies.

For 4Q 2015, Sabana REIT registered distributable income of S\$11.0 million, which was 14.9% lower than 3Q 2015. On a Y-O-Y basis, distributable income and distribution yield in FY 2015 fell by 2.9% and 6.6% respectively.

Proactive Management of Lease Expiries

In FY 2015, the Manager continued to intensify its marketing and leasing activities. Out of the eleven master leases which expired in 2015, the Manager has signed six master leases, converted three properties into multi-tenanted buildings, announced divestment for one property (3 Kallang Way 2A) and is evaluating a number of options for another (218 Pandan Loop).

Portfolio occupancy eased from 91.7% as at 30 September 2015 to 87.7% as at 31 December 2015.

¹ Based 734,026,663 Units issued and to be issued as at 31 December 2015.

² Based on the last traded price of S\$0.69 per Unit as at 22 January 2016.

During 4Q 2015, the Manager announced divestment of a second property, namely 200 Pandan Loop, Pantech 21 for a sale consideration of S\$38.0 million.

Chief Executive Officer and Executive Director, Kevin Xayaraj said, “The divestment is in line with the Manager’s strategy to divest underperforming assets with lower NPI yields, lower occupancy rates and limited redevelopment potential, and to recycle Sabana REIT’s capital so as to optimize portfolio returns. We will also continue to assiduously carry out our strategy to proactively manage our assets and capital to achieve sustainable distributions for our Unitholders.”

As at 31 December 2015, the portfolio’s weighted average lease term of expiry stood at approximately 3.2 years³.

Capital Management Activities in FY 2015

Sabana REIT had outstanding borrowings of S\$485.8 million as at 31 December 2015, of which 81.9% was effectively fixed. Aggregate leverage is expected to drop from 41.7% as at 31 December 2015 to 39.0%, assuming successful legal completion of the divestment of the two properties, namely 3 Kallang Way 2A and 200 Pandan Loop. Total weighted average tenor of borrowings stood at 2.1 years as at 31 December 2015. Unencumbered assets totalled S\$375.8 million, providing future financing flexibility.

Outlook

Based on advanced estimates by the Ministry of Trade and Industry, the Singapore economy grew by 2.0% on a year-on-year basis in 4Q 2015, higher than the 1.8% growth in the previous quarter. The economy grew at a faster pace of 5.7% as compared to the preceding quarter of 1.7% growth based on a quarter-on-quarter seasonally-adjusted annualised basis⁴. Overall GDP growth however, was at its slowest in six years, despite performing better than expected. Economists expect GDP growth in Singapore to remain at 2.0% for 2016, with risks tilted towards the downside⁵.

The rout in global financial markets continues, driven by worries about the health of the global economy, in particularly that of China, the weakening of China’s currency, Iran-Saudi Arabia tension, fresh lows in oil prices and possible further interest rate hikes in the U.S.

The Government of Singapore will be reducing industrial land supply in its industrial land sales programme for the first half of 2016⁶. According to Colliers International, reduction in supply suggests that the Government is monitoring the sector and taking into consideration the large amount of existing and upcoming supply⁶. Reduction in land supply however will allow more time for the real estate market to absorb the current existing supply of industrial space in the market⁷.

Rental estimates for 4Q 2015 geared towards lower levels below 3Q 2015 figures, signaling a less-than-positive outlook for industrial property sector which will result in a period of over-supply⁸. According to DTZ Research, the rents for business parks and high-tech industrial space had fallen in 4Q 2015, and further stated that this was the first time they had dropped since 3Q 2012⁸.

³ Weighted by gross revenue (master leases of 12 properties).

⁴ “Singapore’s GDP Grew by 2.0 Per Cent in the Fourth Quarter of 2015”. Ministry of Trade and Industry. 4 January 2016. Web. 4 January 2016.

⁵ “Singapore economy grew 2.1% in 2015, beating expectations”. Channel NewsAsia. 4 January 2016.

⁶ “Govt cuts industrial land supply for 2016”. The Straits Times. 29 December 2015. Web. 29 December 2015.

⁷ “Industrial land supply for H1 2016 at 8-year low”. The Business Times. 29 December 2015. Web. 29 December 2015.

⁸ “Oversupply of industrial space looms”. The Straits Times. 13 January 2016. Web. 13 January 2016.

Sabana REIT reported a deficit in total return after taxation and before distribution, for 4Q 2015 and for FY 2015, mainly due to a 9.3% revaluation loss on its investment properties, against a backdrop of sluggish economic growth, oversupply of industrial space and as discussed in the following paragraph.

Further to the announcement dated 26 November 2015 on the status of the eleven master leases which expired in 2015, the Manager expects Sabana REIT's near-term financial performance to be weaker than the preceding quarters. This is due to the negative rental reversions from the renewal of some master leases, as well as increased vacancies and heightening operating expenses, arising from the conversion of three more properties into multi-tenanted buildings.

Assuming successful legal completion of the divestment of two properties, namely 3 Kallang Way 2A and 200 Pandan Loop in 1Q 2016, estimated net proceeds of S\$53.0 million will be used to pare down part of the S\$138.0 million Commodity Murabaha Facilities due for refinancing in November 2016. Consequently, aggregate leverage will drop from 41.7% as at 31 December 2015 to approximately 39.0%. The Manager has commenced negotiations with the lenders on the refinancing of the maturing Commodity Murabaha Facilities and targets to complete the refinancing exercise by 3Q 2016.

With approximately eleven months to go before the expiry of four master leases, the Manager is working towards renewing or securing new master leases for three of them. The remaining property will likely be converted into a multi-tenanted building.

While the Manager expects the Singapore economy to remain subdued and market conditions to be very challenging for 2016, it remains committed in its efforts to improve the portfolio occupancy, implement productivity and cost control measures, and to prudently manage Sabana REIT's capital structure. The Manager will also continue to evaluate potential yield-accretive acquisition opportunities both locally and abroad, as well as development projects and asset enhancement initiatives, to grow the Trust's portfolio.

4Q 2015 Non-Shari'ah Compliant Income

Sabana REIT's 4Q 2015 non-Shari'ah income amounting to S\$23,535 will be allocated to Singapore Red Cross. The amount will be utilised as relief aid for victims of the severe floods in South India that took place in November 2015. The funds raised in this campaign would be used to provide relief aid such as food and basic necessities for flood victims in Chennai, Tamil Nadu.

Distributions to Unitholders

Unitholders can expect to receive distributions for the period from 1 October 2015 to 31 December 2015 in cash on 29 February 2016. The closure of Sabana REIT's transfer books and register of Unitholders will take place at 5pm on 2 February 2016.

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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\$1.2 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, 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 by Standard & Poor's Ratings 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 www.sabana-reit.com.

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