



**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 GENERATES 1.20 CENTS DPU FOR 3Q 2016**

**Financial Highlights**

(S\$'000)	3Q 2016	3Q 2015	Variance (%)	3Q 2016	2Q 2016	Variance (%)
<b>Gross revenue</b>	23,031	25,494	(9.7)	23,031	22,630	1.8
<b>Net property income ("NPI")</b>	13,911	18,294	(24.0)	13,911	13,965	(0.4)
<b>Income available for distribution</b>	8,858	12,971	(31.7)	8,858	9,063	(2.3)
<b>Distribution per Unit ("DPU") (cents)</b>	1.20 <sup>1</sup>	1.77	(32.2)	1.20 <sup>1</sup>	1.23	(2.4)
<b>Annualised DPU (cents)</b>	4.77	7.02	(32.1)	4.77	4.95	(3.6)
<b>Annualised distribution yield<sup>2</sup></b>	9.0%	13.2%	(31.8)	9.0%	9.3%	(3.2)

**Singapore, 17 October 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 distributable income of approximately S\$8.9 million in 3Q 2016.

On a quarter-on-quarter basis, Sabana REIT registered a gross revenue of S\$23.0 million, which saw an improvement of 1.8% from S\$22.6 million in 2Q 2016. However, gross revenue and NPI dipped by 9.7% and 24.0% respectively in 3Q 2016 as compared to 3Q 2015. NPI is impacted by higher property expenses which mainly resulted from higher service, repairs, maintenance, property tax, land rent, utilities and marketing expenses from 34 Penjuru Lane, 23 Serangoon North Avenue 5 and 15 Jalan Kilang Barat which were converted into multi-tenanted lease arrangements and the non-renewal of 218 Pandan Loop's triple-net master lease in 4Q 2015, higher property tax and land rent expenses from 30 & 32 Tuas Avenue 8, 26 Loyang Drive and 21 Joo Koon Crescent which were converted into non-triple net master lease tenancies in 4Q 2015 and higher net impairment losses on trade receivables in 3Q 2016 over 3Q 2015 largely arising from the master tenant at 1 Tuas Avenue 4 whose arrears were in excess of the security deposit held.

Based on approximately 739.8 million units issued and to be issued as at 30 September 2016, Unitholders will receive a DPU of 1.20 Singapore cents for 3Q 2016.

**Lease Management for 3Q 2016**

<sup>1</sup> Based 739,791,059 Units issued and to be issued as at 30 September 2016.

<sup>2</sup> Based on the last traded price of S\$0.53 per Unit as at 14 October 2016.

In the three months ended 30 September 2016, multi-tenancy occupancy levels increased to 82.6%, slightly higher than 2Q 2016 of 81.9%. From this increase, it had resulted in a total portfolio occupancy level of 89.2%. In addition, 9 Tai Seng Drive had also achieved 100% occupancy at the end of the quarter.

As at 30 September 2016, the weighted average lease term to expiry for master leases and weighted average lease term to expiry for direct and sub-tenancies is at 2.5 years<sup>3</sup> and 31.0 months respectively.

## Capital Management

During the quarter, the Manager successfully secured S\$108.0 million Commodity Murabaha Facilities due 2020 on 25 August 2016 with existing lenders to refinance the then S\$138.0 million Commodity Murabaha Facilities, ahead of their maturities in November 2016. The encumbrances on two mortgaged properties valued at S\$36.0 million were removed, thus increasing the total value of unencumbered assets to S\$339.6 million, higher than the previous quarter of S\$303.6 million.

At the end of the quarter, the Trust's percentage of all outstanding borrowings on fixed profit rates had increased from 70.6% to approximately 90.5%. The Trust's weighted average tenor of borrowings was also improved from approximately 1.6 years in the previous quarter to 2.1 years, while the weighted average all-in cost of borrowings for the Trust remained unchanged at 4.1% p.a. from the previous quarter.

## Outlook

According to advance estimates released by the Ministry of Trade and Industry (MTI), the Singapore economy only grew 0.6% in comparison to the previous year, which is lower than what the market expected in Q3 2016. Based on a seasonally-adjusted quarter-on-quarter annualised basis, overall GDP had contracted 4.1%, which is a reversal from the annualised 0.2% growth in the previous quarter<sup>4</sup>.

Previously in August 2016, MTI narrowed Singapore's economy growth forecast to range between 1% and 2%, which is lower than the earlier wider range of between 1% and 3%. However, according to the latest Monetary Authority of Singapore survey of professional forecasters, the survey predicted that the economic growth is likely to be at 1.8% for both this year and the next<sup>5</sup>.

In a recent report by Knight Frank, industrial rents are expected to be under pressure with the onset of the softening demand and high supply of industrial space in the market. Knight Frank also estimated that average industrial rents could fall 6 – 8% year on year in the fourth quarter of 2016, as industrialists seek to consolidate and relocate in order to cope with the challenging business climate<sup>6</sup>.

Further to the announcements made on 6 April 2016 and 22 July 2016, the Manager is currently in the final stage of negotiations with the Sponsor for the renewal of the three of the master leases that are due to expire in 4Q 2016. On the remaining property (39 Ubi Road 1), the transition phase for the conversion from master-lease arrangement to multi-tenanted arrangement has already commenced and is well under way.

Even though the Manager anticipates market conditions to remain challenging, it will continue to stay proactive in managing the lease expiry profile, be aggressive in its marketing and leasing efforts to increase the Trust's portfolio occupancy and take necessary measures to mitigate potential credit risks. The Manager is very focused on filling up

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<sup>3</sup> Weighted by gross revenue (master leases of 11 properties).

<sup>4</sup> "Singapore Q3 GDP grows 0.6% year-on-year, below expectations". The Business Times. 14 October 2016. Web. 14 October 2016.

<sup>5</sup> "2016 growth to be at lower end of 1-2% forecast: Tharman". The Business Times. 29 September 2016. Web. 29 September 2016.

<sup>6</sup> "Industrial rents could dip 6-8% in Q4: Knight Frank". The Business Times. 1 October 2016. Web. 1 October 2016.

any available space within the shortest time possible and is consistently actively engaging with tenants to manage the lease expiries.

The Manager will also continue to evaluate potential yield-accretive acquisition opportunities both locally and abroad, as well as asset enhancement initiatives to grow the Trust's portfolio. The Manager also intends to divest underperforming or non-core assets to recycle Sabana REIT's capital and is evaluating opportunities to do so. On the capital management front, the Manager will continue to explore new ways to diversify funding sources, to improve the Trust borrowings maturity profile and to strengthen the Trust's capital structure.

Chief Executive Officer and Executive Director, Kevin Xayaraj said, "We are constantly thinking of ways to create value amidst the changing economic climate and operating conditions. We will also continue to diligently execute our strategy of proactive asset, risk and capital management to achieve sustainable distributions for the Unitholders. On the Trust's portfolio occupancy, we are very focused on filling up any available space within the shortest time possible and are consistently actively engaging with tenants to manage our lease expiries."

### **3Q 2016 Non-Shari'ah Compliant Income**

Sabana REIT will be allocating \$22,728 to Mendaki SENSE, the training arm of Yayasan MENDAKI, set up to help individuals who are affected by the structural changes in the economy. The organisation actively promotes education and skills upgrading, caring and giving back to the community at large. The funds will be utilised for their "Back-to-Work" women programme called "EmpoWOMENT". This programme aims to educate and help equip the under-privileged with the necessary skills required to return to the work force.

### **Distributions to Unitholders**

Unitholders can expect to receive distributions for the period from 1 July 2016 to 30 September 2016 in cash on 29 November 2016. The closure of Sabana REIT's transfer books and register of Unitholders will take place at 5pm on 25 October 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 21 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\$1.1 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 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](http://www.sabana-reit.com).

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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.

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