



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 0.88 CENTS DPU FOR 1Q 2018

- **Income distributable to Unitholders of S\$9.2 million**
- **Manager waives 20% of base fees to cushion impact on DPU for Unitholders**
- **Continued execution of refreshed strategy:**
 - **Divested 6 Woodlands Loop at S\$13.8 million, 7% above book value; fully recovered total of S\$1.2 million in rental arrears from former master tenant**
 - **Active management of the six master leases, the bulk of which are expiring at the end of this year – one master tenancy has been renewed, proactive management of remaining five leases**
 - **Reduced property expenses and net finance costs significantly**

Financial Highlights

(S\$'000)	1Q 2018	4Q 2017	Variance (%)	1Q 2017	Variance (%)
Gross revenue	21,003	20,395	3.0	21,978	(4.4)
Net property income ("NPI")	14,586	13,711	6.4	13,335	9.4
Income available for distribution	9,244	8,783	5.2	9,318	(0.8)
Distribution per Unit ("DPU") (cents)	0.88 ¹	0.83	6.0	0.88 ²	-
Annualised DPU (cents)	3.57	3.29	8.5	3.57	-

Singapore, 23 April 2018 – 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 reported financial results for the first quarter ended 31 March 2018 ("1Q 2018").

Unitholders will receive a DPU of 0.88 cents for the period, from a distributable income base of S\$9.2 million. The Manager waived 20% of its base fees for 1Q 2018 to cushion the dilutive impact on DPU that is a result of the Manager not being able to receive management fees in units³. If the Manager had not waived a portion of its fees in 1Q 2018 and 1Q 2017, DPU would have been lower at 0.86 cents and 0.80 cents respectively.

Gross revenue declined 4.4% year-on-year ("y-o-y"), primarily on lower contribution from some of the other properties in the Trust's portfolio and non-contribution from 1 Tuas Avenue 4, which is vacant. This was offset by

¹ The Manager forgone 20% of its fees, approximately S\$238,000, for 1Q 2018.

² The Manager forgone 75% of its fees, approximately S\$944,000, for 1Q 2017.

³ For 1Q 2018 and 1Q 2017, the Manager elected to forgo part of its base fees to cushion the impact on DPU due to the general mandate not obtained to issue units as either full or partial payment of its fees at the Annual General Meeting held on 28 April 2017.

the recovery of rental arrears from the previous master tenant of 6 Woodlands Loop – divested in March 2018 – and higher contribution from 10 Changi South Street 2 and 39 Ubi Road 1.

Net property income improved by 9.4% y-o-y on active lease and asset management. This came as property expenses fell 25.8% on a net reversal of impairment losses from 6 Woodlands Loop following the recovery of rental arrears, lower impairment losses from 1 Tuas Avenue 4 after it was vacated, and lower expenses from the divestment of 218 Pandan Loop in 3Q 2017.

The Trust significantly lowered net finance costs by 24.1% by utilising net proceeds from the Rights Issue and divestment of 218 Pandan Loop to pay down borrowings, and refinancing higher cost convertible sukuk and trust certificates with lower cost facilities. The Manager remains well-capitalised to service its loans, improving profit coverage to 4.2 times (from 3.5 times in 1Q 2017) and with no refinancing requirements until 2Q 2019.

The Trust's overall occupancy levels at 31 March 2018 was 84.1%. This was mainly the result of the drag from 1 Tuas Avenue 4 which is currently vacant.

Donald Han, Chief Executive Officer of Sabana REIT, said: "Our 1Q results reflected active execution on our refreshed strategy to improve performance for Unitholders. We enhanced our portfolio by divesting our 6 Woodlands Loop property at above book value, and enacted discipline to further rationalise costs. To cushion DPU impact on Unitholders, we have again decided to waive part of our fees.

There are near-term headwinds facing our sector and Sabana REIT will inevitably be impacted by this, but we are already in the process of turning things around for the longer term. Our immediate priorities are to boost occupancy by engaging closely with agents and tenants, and to recycle divestment proceeds so we can pursue value-accretive propositions including asset enhancement initiatives. We hope our stakeholders continue to lend us their support as we position for our longer-term recovery."

Outlook for the Year

Based on advance estimates by the Ministry of Trade and Industry (MTI), Singapore's GDP grew by 4.3% on a year-on-year basis in 1Q 2018, up from 3.6% in the previous quarter⁴. The Monetary Authority of Singapore expects growth of 1.5-3.5% in 2018 but has cautioned about the impact on global trade should the US-China trade dispute escalate⁵.

Overall rent reversions for 2018 are likely to remain negative, with JTC data showing continued oversupply and island-wide vacancy of 11.1%.⁶ More JTC sales will be launched over the coming months despite lacklustre interest for two recent land parcels in Tuas. Knight Frank said landlords of older properties may need to offer competitive rental rates or asset enhancement initiatives to keep up with changing market needs.⁷ Colliers International, on the other hand, forecasted stronger leasing demand on manufacturing and export growth as well as an easing supply pipeline, which should stabilise rents in 2018⁸.

⁴ "Singapore's GDP Grew by 4.3 Per Cent in the First Quarter of 2018". Ministry of Trade and Industry. 13 April 2018.

⁵ "MAS Monetary Policy Statement". Monetary Authority of Singapore. 13 April 2018.

⁶ "JTC Quarterly Market Report. Industrial Properties. Fourth Quarter 2017". 4Q2017.

⁷ "Research Commentary – For Independent Review Of The Singapore Industrial Property Market". Knight Frank. 29 March 2018.

⁸ "Colliers Outlook: Singapore 2018 Market Outlook". Colliers International Singapore. 27 February 2018.

Amid challenging market conditions, the Manager will focus on rejuvenating its portfolio through active asset management, selective divestments and driving operational efficiencies. It has renewed one of the six master leases, the bulk of which are expiring at the end of this year, and is proactively managing the remaining five leases. It will maximise outreach to real estate agents to boost occupancy, as well as review and identify asset(s) that no longer aligns with the refreshed strategy for strategic divestments, and recycle any potential capital into higher-yielding assets.

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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 19 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 S\$1.0 billion.

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 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.