



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 IMPROVED DPU IN 2Q 2018 TO 0.82 CENTS

- **Income distributable to Unitholders of S\$8.6 million**
- **Refreshed strategy announced and general mandate returned to Manager at AGM**
- **Disciplined execution of first phase of growth strategy:**
 - **Active management of master leases expiring end of this year**
 - **Ongoing cost rationalisation and restructuring**

Financial Highlights

(S\$'000)	2Q 2018	2Q 2017	Variance (%)	1Q 2018	Variance (%)	1H 2018	1H 2017	Variance (%)
Gross revenue	20,080	21,964	(8.6)	21,003	(4.4)	41,083	43,942	(6.5)
Net property income ("NPI")	12,570	12,933	(2.8)	14,586	(13.8)	27,156	26,268	3.4
Income available for distribution	8,639	8,568	0.8	9,244	(6.5)	17,883	17,886	-
Distribution per Unit ("DPU") (cents)	0.82	0.81 ¹	1.2	0.88 ²	(6.8)	1.70	1.69 ¹	0.6
Annualised DPU (cents)	3.29	3.25	1.2	3.57	(7.8)	3.43	3.41	0.6

Singapore, 25 July 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 second quarter ended 30 June 2018 ("2Q 2018").

Unitholders will receive a DPU of 0.82 Singapore cents for the period, 1.2% higher than in 2Q 2017, from a distributable income of S\$8.6 million despite challenging market conditions.

Gross revenue declined 8.6% year-on-year ("y-o-y") for 2Q 2018, primarily on lower contribution from some of the Trust's multi-tenanted properties as well as non-contribution from 1 Tuas Avenue 4 - which is vacant - and 6 Woodlands Loop - which was divested in 1Q 2018. This was partially offset by improved occupancy in 39 Ubi Road 1.

¹ The Manager forgone 25% of its fees, approximately S\$310,000, for 2Q 2017.

² The Manager forgone 20% of its fees, approximately S\$238,000, for 1Q 2018.

Net property income decreased 2.8% y-o-y to S\$12.6 million, versus a decline of 13.8% in 1Q 2018, mainly on cost savings relating to non-performing assets. Property expenses were reduced by 16.8% on lower impairment losses for 1 Tuas Avenue 4 and 6 Woodlands Loop, as well as lower property expenses for 6 Woodlands Loop.

In line with its commitment to cost rationalisation, the Trust lowered net finance costs y-o-y by 9.3% as it utilised net proceeds from the divestment of 218 Pandan Loop and 6 Woodlands Loop to pay down borrowings, and refinanced higher cost convertible sukuk and trust certificates with lower cost facilities. The Manager remains well-capitalised to service its loans, improving profit coverage to 3.7 times (2Q 2017: 3.5 times) and with no refinancing requirements until 2Q 2019.

Overall occupancy levels for the Trust improved to 84.5% as at 30 June 2018 (at 31 March 2018: 84.1%).

Significant updates

During the Annual General Meeting (“AGM”) on 25 April 2018, the general mandate was returned to the Manager of the REIT³.

The Manager also unveiled a refreshed strategy during the AGM to execute a growth plan⁴. In 2Q 2018, the Trust commenced execution of Phase 1 of this strategy, which is focused on: a) **divesting non-performing assets** to fund value-accretive propositions such as Asset Enhancement Initiatives (“AEIs”); and b) **continuing to actively manage and optimise its portfolio**; underlined always by **prudent capital and risk management** and **ongoing cost rationalisation**.

Donald Han, Chief Executive Officer of the Manager of Sabana REIT, said: “We are grateful to Unitholders for their support for our refreshed strategy to improve DPU following a constructive AGM.

“The process of improving the business has commenced, as evidenced by the increase in DPU and occupancy in the quarter. This was achieved by maintaining discipline in executing Phase 1 of our strategy, which focuses on divesting non-performing assets and optimising our portfolio, while keeping a tight rein on costs.

“As our industry continues to face headwinds, all options consistent with our strategy will be considered, to put us in a good position to pursue growth opportunities including undertaking AEIs. As for New Tech Park, discussions with the authorities on the proposed AEI is ongoing and we hope to receive feedback in 2H 2018.”

Outlook for the Year

Based on advance estimates by the Ministry of Trade and Industry (“MTI”), Singapore’s GDP grew by 3.8% y-o-y in 2Q 2018, moderating from the 4.3% growth in the previous quarter⁵. MTI forecasts growth of 2.5-3.5% for 2018⁶

³ For 1Q 2017, 2Q 2017 and 1Q 2018, 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 at the previous Annual General Meeting held 28 April 2017.

⁴ Refer to Appendix for details on the refreshed strategy that comprises 3 phases

⁵ “Singapore’s GDP Grew by 3.8 Per Cent in the Second Quarter of 2018”. Ministry of Trade and Industry. 13 July 2018.

⁶ “MTI Expects GDP Growth to be “2.5 to 3.5 Per Cent” in 2018”. Ministry of Trade and Industry. 24 May 2018.

but the Monetary Authority of Singapore had earlier cautioned that there will be an impact on global trade should the US-China trade dispute escalate⁷.

Overall rent reversions for 2018 are likely to remain negative, with JTC data showing continued oversupply and island-wide vacancy of 11.0%⁸. Colliers International foresees a pick-up in interest in industrial properties as rents bottom out, with increasing interest from institutional investors seeking higher yields⁹. Savills forecasts a moderate quarterly rental decline in 1H 2018 and rents may only start to stabilise in 2H 2018¹⁰.

Amid challenging market conditions, the Manager will focus on executing its growth plan through active asset management, selective divestments and progressing on proposed AEs. Of the remaining five master leases expiring in 2018, the Trust is finalising one renewal, considering divesting one asset, and is in discussions on the other three. Consultation with the authorities on undertaking AEI for New Tech Park is ongoing.

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⁷ "MAS Monetary Policy Statement". Monetary Authority of Singapore. 13 April 2018.

⁸ "JTC Quarterly Market Report. Industrial Properties. First Quarter 2018". JTC . 1Q2018.

⁹ "Colliers Quarterly: Singapore Investment Q1 2018". Colliers International Singapore. 09 May 2018.

¹⁰ "Briefing Industrial Sector". Savills World Research Singapore. 24 May 2018.

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.

APPENDIX

Our Refreshed Strategy with 3 Phases

