



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 DPU OF 0.77 CENTS FOR 3Q 2018

- **Income distributable to Unitholders of S\$8.1 million**
- **Strong execution of refreshed strategy:**
 - **Announced divestments of non-performing and mature assets to fund future growth:**
 - **9 Tai Seng Drive and 1 Tuas Avenue 4 for S\$110.78 million**
 - **Active portfolio management:**
 - **Renewed all four remaining master leases expiring in 2018**

Financial Highlights

(S\$'000)	3Q 2018	3Q 2017	Variance (%)	2Q 2018	Variance (%)	9M 2018	9M 2017	Variance (%)
Gross revenue	19,855	20,859	(4.8)	20,080	(1.1)	60,938	64,801	(6.0)
Net property income ("NPI")	12,633	13,400	(5.7)	12,570	0.5	39,789	39,668	0.3
Income available for distribution	8,072	8,336	(3.2)	8,639	(6.6)	25,955 ¹	26,222 ²	(1.0)
Distribution per Unit ("DPU") (cents)	0.77	0.79	(2.5)	0.82	(6.1)	2.47	2.48	(0.4)
Annualised DPU (cents)	3.05	3.13	(2.6)	3.29	(7.3)	3.30	3.32	(0.6)

Singapore, 26 October 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 third quarter ended 30 September 2018 ("3Q 2018").

Unitholders will receive a DPU of 0.77 Singapore cents for the period, 2.5% lower than the previous corresponding period, from a distributable income of S\$8.1 million, on lower revenue amid a challenging market.

Gross revenue declined 4.8% year-on-year ("y-o-y") for 3Q 2018, primarily on lower contribution from some of the Trust's multi-tenanted properties due to lower occupancies and lower rental reversions on some master lease renewals. As such, NPI decreased by 5.7% y-o-y to S\$12.6 million, though property expenses also came down by 3.2%.

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

² The Manager had forgone 25% and 75% of its fees, approximately S\$310,000 and S\$944,000, for 2Q 2017 and 1Q 2017 respectively.

In line with its ongoing commitment to rationalise costs, the Trust reduced net finance costs by 9.1% y-o-y as it utilised net proceeds from the divestment of properties to pay down borrowings, and refinanced higher cost convertible sukuk and trust certificates with lower cost facilities.

The Manager remains well-positioned to service its loans, improving profit coverage to 3.7 times (3Q 2017: 3.6 times), with no refinancing requirements until 2Q 2019.

Overall, occupancy levels for the Trust stood at 81.4% as at 30 September 2018 (at 30 June 2018: 84.5%), reflecting vacancy in 21 Joo Koon Crescent, 9 Tai Seng Drive and 1 Tuas Avenue 4, the latter two of which are pending completion of divestment. If the divestment of these two properties had completed by 30 September 2018, the occupancy levels would have stood at 85.1%.

Significant Updates

Sabana REIT made progress in executing phase one of its refreshed strategy to a) divest non-performing or mature assets to fund value-accretive propositions such as Asset Enhancement Initiatives (“AEIs”) and b) continue to actively manage and optimise its portfolio:

1. Announced divestments of 9 Tai Seng Drive and 1 Tuas Avenue 4 properties:

- Total consideration of S\$110.78 million
- Net proceeds will be used to pay down outstanding borrowings and to explore other relevant options to optimise returns to Unitholders

2. Successfully renewed remaining four master leases expiring this year:

- Renewed master lease for 26 Loyang Drive for another 5+3 years in September 2018
- Renewed three Sponsor master leases in October 2018 for 51 Penjuru Road, 33 & 35 Penjuru Lane, and 18 Gul Drive with a lease period between one and two years³, for a combined total of S\$11.53 million
- Actively finding a replacement lease or considering divesting 21 Joo Koon Crescent following renewal of 30 & 32 Tuas Avenue 8 earlier in 1Q 2018

3. Secured a new lease in October resulting from proactive leasing management efforts:

- A 5+3+3-year lease with a U.S. semiconductor company for 508 Chai Chee Lane, which will raise its occupancy rate from 71.8% (as at 30 September 2018) to 100.0% once the lease starts in 2019

Donald Han, Chief Executive Officer of the Manager of Sabana REIT, said: “As the entire industrial real estate sector continues to face challenges, we have seen some impact to our headline performance. Our decisive actions in the quarter to restructure our portfolio will ensure we are in a stronger position going forward as we continue to execute our refreshed strategy.

“Additionally, we have secured key recurring income streams, by renewing all of our expiring master leases for the year. Our proactive asset management efforts enabled us to bring on a new tenant that will boost our occupancy levels. The divestment of 9 Tai Seng Drive and 1 Tuas Avenue 4 will provide us with a much-strengthened balance

³ 33 & 35 Penjuru Lane were renewed for 1 year; 18 Gul Drive was renewed for 1 year, 1 month and 5 days; 51 Penjuru Road was renewed for 2 years.

sheet that helps to underwrite the second phase of our strategy. The Manager remains focused on delivering on our strategy to realise sustainable growth for Sabana REIT.”

Outlook for the Year

Based on advance estimates by the Ministry of Trade and Industry (“MTI”), Singapore’s GDP grew by 2.6% y-o-y in 3Q 2018, moderating from the 4.1% growth in the previous quarter⁴. MTI forecasts growth of 2.5%-3.5% for 2018⁵ and the Monetary Authority of Singapore has projected that the Singapore economy is likely to expand at a slow but steady pace for the rest of this year and in 2019⁶.

Overall rent reversions for 2018 are likely to remain negative, with JTC data showing continued oversupply and island-wide vacancy of 10.9%⁷ as at 3Q 2018. Views from analysts on industrial space are mixed. Colliers International foresees a pick-up in interest in industrial properties as rents bottom out and stabilise, with increasing interest from institutional investors in the remainder of 2018⁸. Savills, however, expects continued pressure on rentals amid an upcoming supply of 11.7 million square feet of space in 2018⁹.

Amid challenging market conditions, the Manager will focus on executing its growth plan through active asset management and progressing on proposed AEIs. Consultations with the authorities on undertaking AEI for New Tech Park are still ongoing.

=== END ===

For enquiries, please contact:

Sabana Real Estate Investment Management Pte. Ltd.

Grace Chew
Manager, Investor Relations & Investments
Sabana Real Estate Investment Management Pte. Ltd.
DID: +65 6580 7857
Email: grace.chew@sabana.com.sg

WATATAWA Consulting

Josephine Chew
HP: +65 9061 0353
Email: jchew@we-watatawa.com

Ong Chor Hao
HP: +65 9627 2674
Email: chorhao@we-watatawa.com

⁴ “Singapore’s GDP Grew by 2.6 Per Cent in the Third Quarter of 2018”. Ministry of Trade and Industry. 12 October 2018.

⁵ “MTI Maintains 2018 GDP Growth Forecast at “2.5 to 3.5 Per Cent””. Ministry of Trade and Industry. 13 August 2018.

⁶ “MAS Monetary Policy Statement”. Monetary Authority of Singapore. 12 October 2018.

⁷ “JTC Quarterly Market Report. Industrial Properties. Third Quarter 2018”. JTC. 25 October 2018.

⁸ “Colliers Quarterly: Singapore Investment Q2 2018”. Colliers International Singapore. 13 August 2018.

⁹ “Briefing Industrial Sector”. Savills World Research Singapore. 23 August 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\$0.9 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 one of the constituents of the new FTSE ST Singapore Shariah 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.