

# SABANA

Shari'ah Compliant Industrial REIT

## SGX-SAC SMART Series Investor Presentation

12 September 2019



# Important Notice

## Disclaimer

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**This presentation shall be read in conjunction with the financial information of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (“Sabana REIT” or the “REIT”) for the second quarter from 1 April 2019 to 30 June 2019 (“2Q 2019”).**

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.

Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this presentation between the listed amounts and total thereof are due to rounding.



# 01 Sabana REIT Overview



# Sabana REIT Overview

- Diversified portfolio of 18 industrial properties in Singapore with a wide tenant base of both local & international companies;
- Total assets<sup>(1)</sup> currently valued at approximately S\$1.0 billion;
- Market Cap<sup>(2)</sup>: S\$468.62 million



(1) As at 30 June 2019  
(2) As at 9 September 2019

## Refreshed Strategy

### Focus for 2018 and 2019

### 2020 and beyond

#### PHASE 1

- Divesting Non-Performing and Mature Assets
- Continue to Actively Manage and Optimise Portfolio

#### PHASE 2

Undertake Asset Enhancement Initiatives

#### PHASE 3

Potential Yield-Accretive Acquisitions including Overseas

### ALL UNDERPINNED BY

- Prudent Capital and Risk Management
  - Ongoing Cost Rationalisation



# Milestones 2018/2019



# Portfolio Overview

**Portfolio Value**  
**S\$872.2 million**

**Total GFA (sq ft)**  
**4.1 million**

**Total NLA (sq ft)**  
**3.4 million**

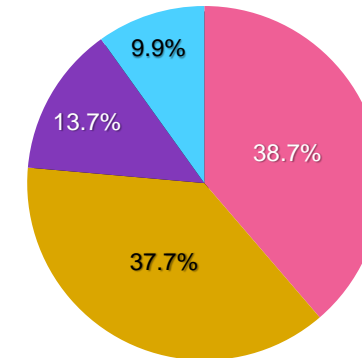
**Tenant Base**  
**109 tenants**

Our properties are diversified into **four industrial segments** across **Singapore**, close to expressways and public transportation.

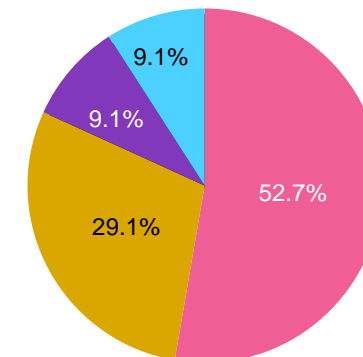
- High-tech Industrial 
- Chemical Warehouse & Logistics 
- Warehouse & Logistics 
- General Industrial 



**Asset Breakdown by NLA for 2Q 2019<sup>(1)</sup>**



**Gross Revenue by Asset Type for 2Q 2019<sup>(1)</sup>**



(1) As at 30 June 2019.

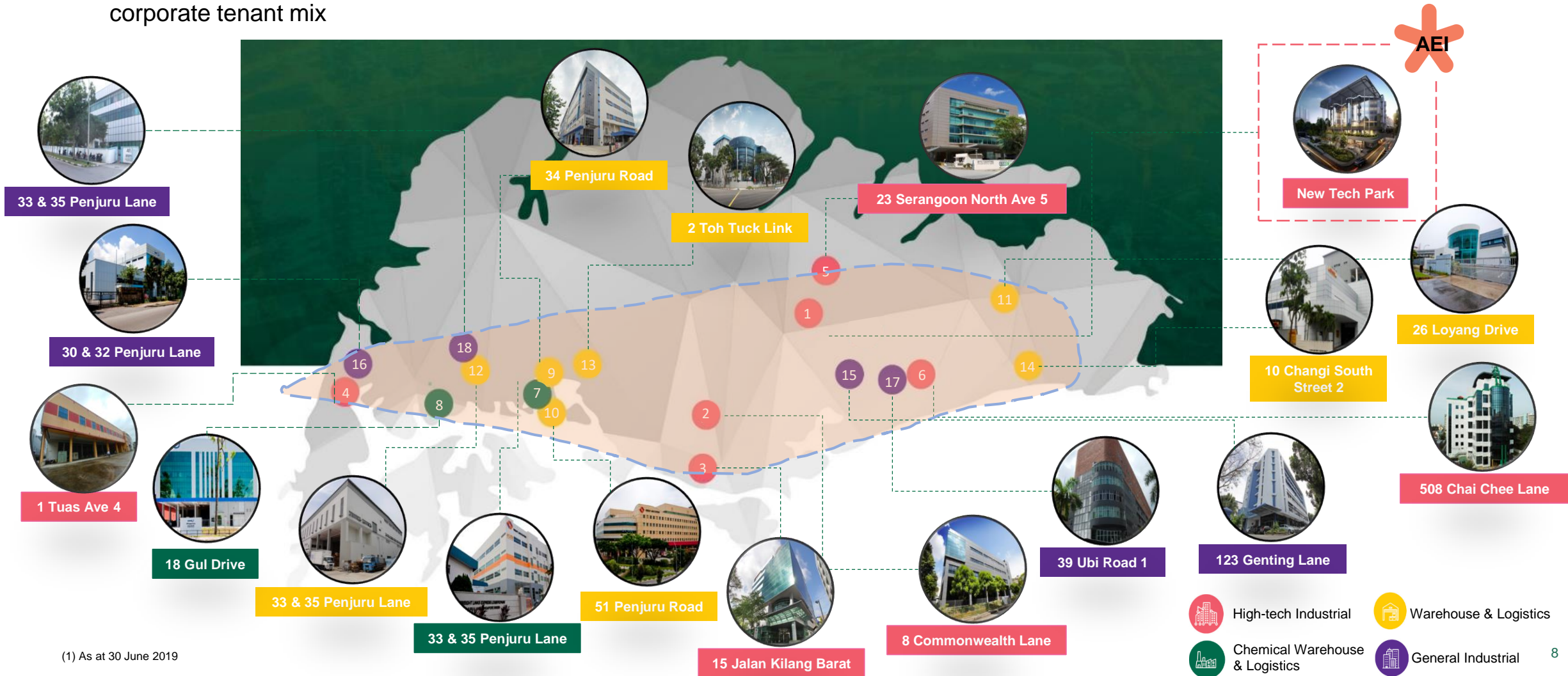
## 02 Portfolio Performance





# Property Portfolio

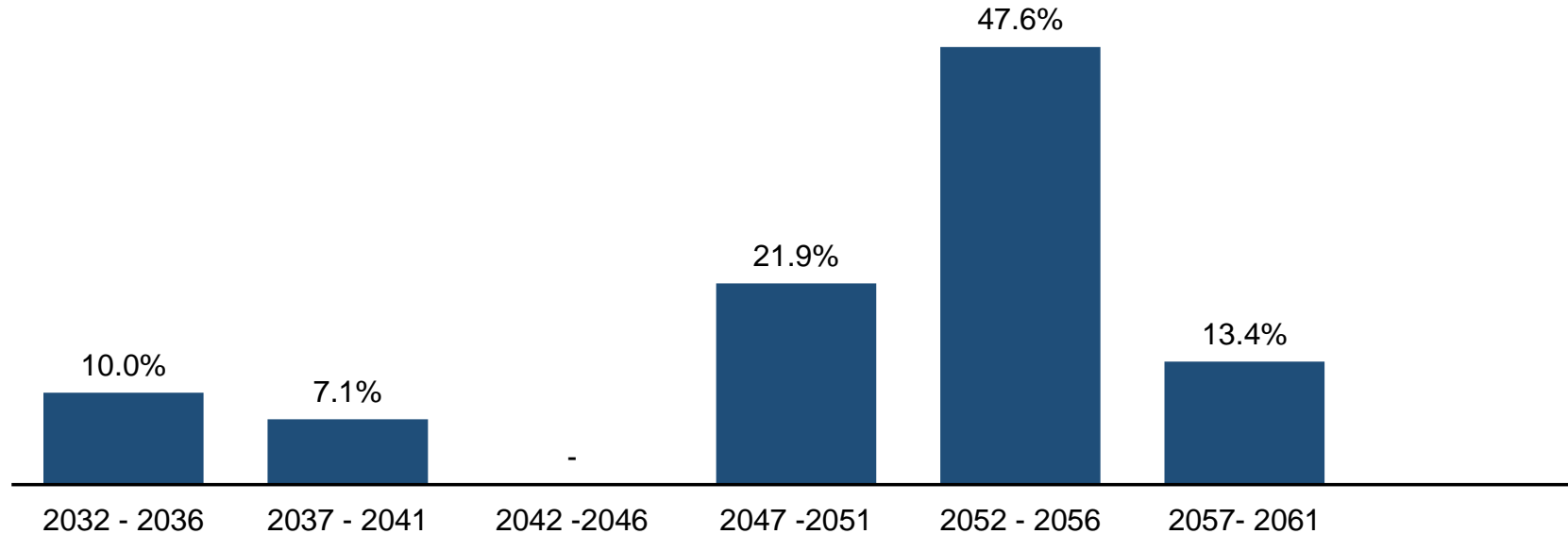
- Our diversified portfolio of 18 industrial properties are located close to expressways and public transportation;
- Encompass assets within key strategic economic growth areas such as port, airport and central locations for diverse corporate tenant mix





# Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 31.8 years by GFA



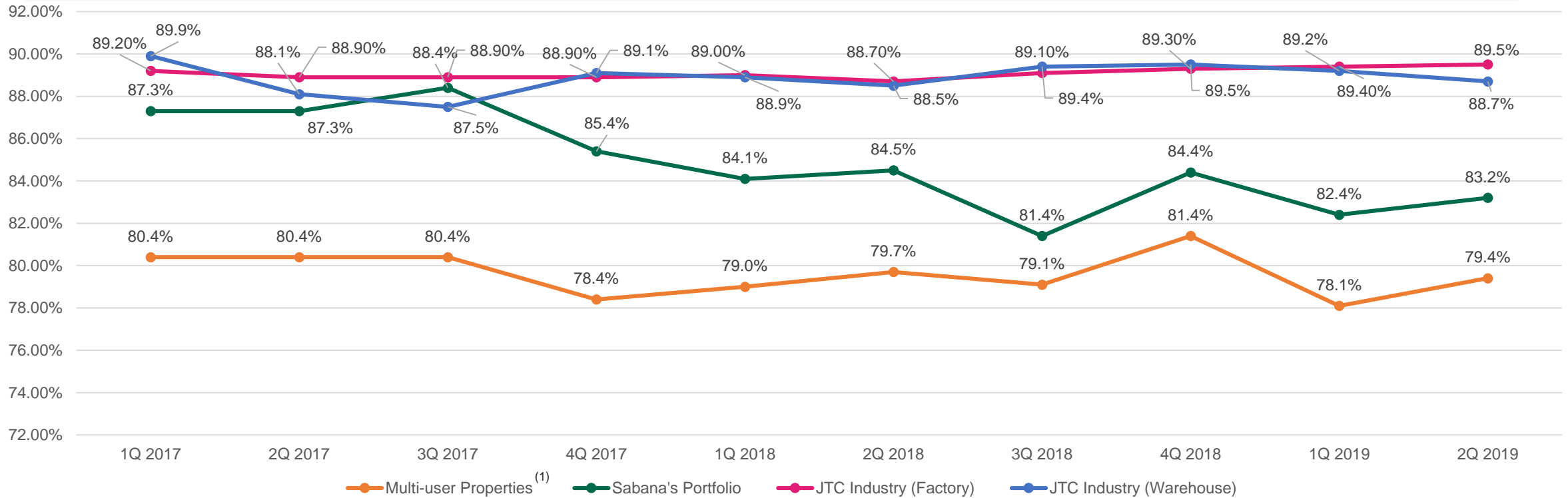
Percentage of unexpired land lease term by GFA<sup>(1)</sup>

(1) Weighted average unexpired lease term for the underlying land.

(2) As at 30 June 2019

# Portfolio Occupancy

## Comparisons to Singapore industrial average occupancy levels



- Overall occupancy levels for Sabana REIT improved to 83.2% as at 30 June 2019 (as at 31 March 2019: 82.4%).
- In June 2019, the Manager secured three new leases for a combined 33,055 sf;
  - New Tech Park (two leases) and 2 Toh Tuck Link
  - 33 & 35 Penjuru Lane: Renewed master lease for another year

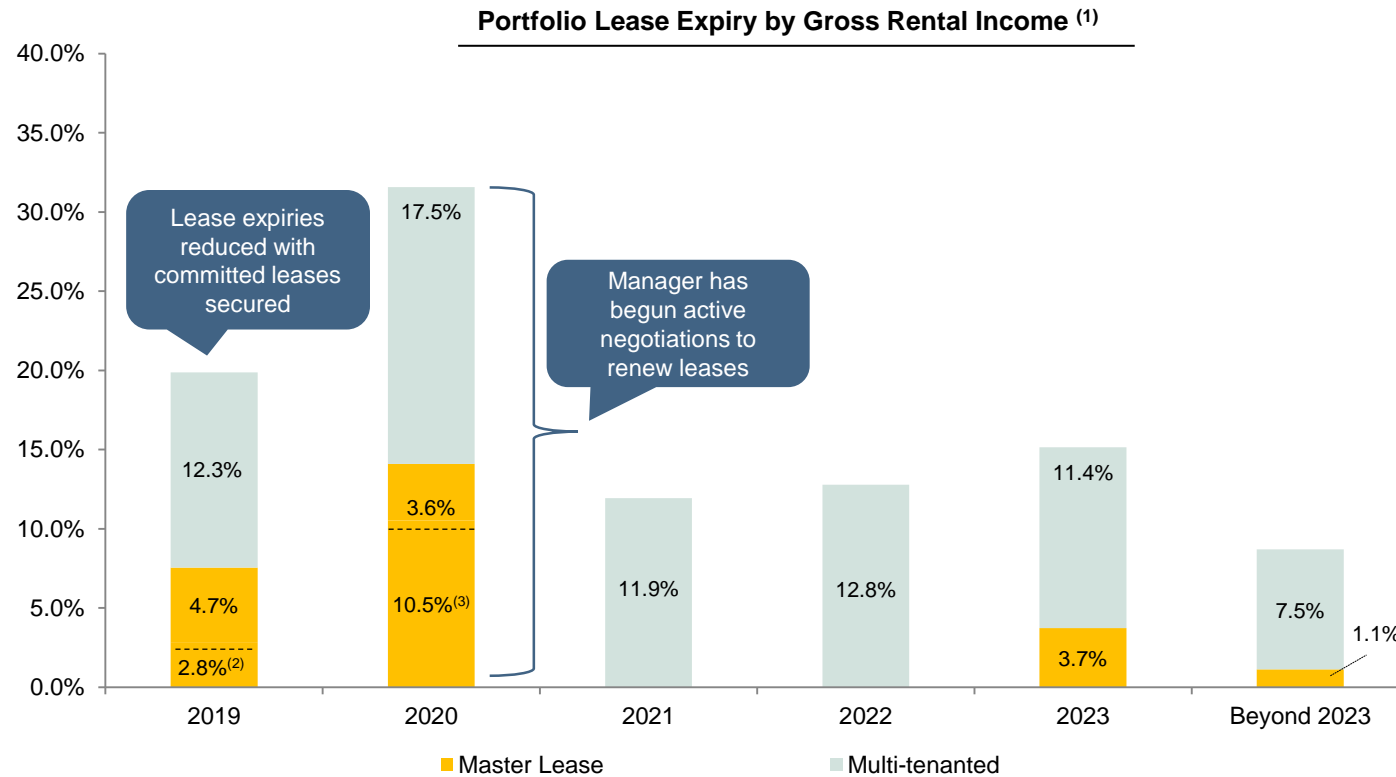


# Portfolio Lease Expiry Profile

- Well-spread leases expiries and proactive forward leasing



**Portfolio WALE: 2.4 years**



(1) As at 30 June 2019.

(2) One property: 18 Gul Drive. Master tenant is former Sponsor related company.

(3) Two properties: 33 & 35 Penjuru Lane and 51 Penjuru Road. Master tenants are former Sponsor related companies.

## 03 Investment Management





# Investment Highlights in 2018/19

## Capital Recycling through Strategic Divestments

- In line with the Manager's strategy to divest under-performing assets with lower net property income yield, lower occupancy rate and limited redevelopment potential, and to recycle Sabana REIT's capital so as to optimise portfolio returns for Unitholders
- Divested 9 Tai Seng Drive on 10 January 2019; S\$60.0 million above book value
- Divested 6 Woodlands Loop on 29 March 2018; approx. 7.0% above book value

## Asset Enhancement Initiatives (AEI)

- Rejuvenate building façade with F&B and lifestyle use



	Total Consideration	Completion Date
<b>Total (AEI)</b>		
151 Lorong Chuan	Not exceeding S\$20 million (est. construction costs)	2Q/4Q 2020
<b>Total (Divestment)</b>		
9 Tai Seng Drive	S\$99.6 million (sale)	10 January 2019
6 Woodlands Loop	S\$13.8 million (sale)	29 March 2018

# Divestment of 6 Woodlands Loop

## Benefits of Divestment

- In line with the Manager's Phase 1 refresh strategy - divest under-performing/mature assets
- Upon completion, the divestment:
  - Improved Sabana REIT's overall occupancy from 85.4% to 87.1% as at 31 December 2017
  - Delivered immediate cost efficiencies – all related expenses from the Property, no longer apply to the REIT
- Proceeds were used for repayment of outstanding borrowings, explore options to optimise returns to Unitholders



**\$S\$13.8 million**

**Sales Price  
On 29 March 2018**

**Approx. 7.0%**

**Above book value**

**\$S\$12.9 million**

**Valuation  
(as at 31 December  
2017)**

**Systematic  
Holdings Pte.  
Ltd.**

**Buyer**

### Description

Comprises a 3-storey general industrial building with an ancillary office and mezzanine extension, and is located in the northern part of Singapore.

### GFA

Approx. 77,544 sq ft

### Remaining land tenure

37 years

### Opening market value

\$S\$12.9 million<sup>(1)</sup>

(1) Based on Property Valuation Report dated 31 December 2017



# Divestment of 9 Tai Seng Drive

## Benefits of Divestment

- In line with the Manager's Phase 1 refresh strategy - divest under-performing/mature assets
- Proceeds are largely used for the repayment of the S\$100.0 million Trust Certificates Series II on 3 April 2019
- Recycle Sabana REIT's capital to optimise portfolio returns for Unitholders



**S\$99.6 million**

Sales Price  
On 10 January 2019

**S\$60.0 million**

Above book value

**S\$39.6 million**

Valuation  
(as at 30 June 2018)

**Perpetual  
(Asia) Limited**

Buyer

### Description

Six-storey industrial building with an authorised business use as Carrier Hotel/Data Centre, located within Tai Seng Industrial Estate, along Hougang Avenue 3 in the north-eastern part of Singapore.

### GFA

Approx. 218,905 sq ft

### Remaining land tenure

37 years

### Opening market value

S\$39.6 million<sup>(1)</sup>

### Plot Ratio

Plot ratio of 2.5, fully utilised

(1) Based on Property Valuation Report dated 30 June 2018

# Asset Enhancement Initiative: New Tech Park



**New Tech Park represents approx. one third of portfolio value**

## Unlocking Value in Unutilised Plot Ratio at New Tech Park



### A 6-storey industrial building with a ground level car park

<b>Master Plan Zoning (2014):</b>	'B1' with a permissible plot ratio of 2.5 <ul style="list-style-type: none"> <li>Existing plot ratio: 1.89</li> <li>Unutilised plot ratio: 0.61 or additional 240,000 sf (approx.)</li> </ul>		
<b>Tenancy Profile</b>	Multi-tenanted	<b>Site Area</b>	39,795.6 sqm
<b>Age</b>	30-year old property	<b>Total GFA</b>	Approx. 75,317 sqm (810,710 sf)
<b>Remaining land tenure</b>	37 years	<b>Market Value (as at 31 Dec 2018)</b>	S\$308.6 million

### Rationale for AEI (42,800 sf retail/F&B)

- In need to rejuvenate 30-year old building with improved amenities (e.g. Auditorium, gym), new retail facilities and increased eating dining options to retail tenants and attract new ones
- Helps to inject new tenant demand for building, not only via increasing occupancy rates but improve rentals as well
- Sits well with government's decentralisation plan well supported by the government as the property provides a key source of employment for the area
- Huge under-utilised plot ratio of almost 240,000 sf GFA (approx.)



### Solid Slate of Tenants

- More than 30 corporate tenants, including MNCs like HBO, Nickelodeon, Fuji Electric, Epsilon, Kodak and 3D Networks
- Premise serving as regional and global HQs for 70% of tenants



### Healthy Daily Footfall:

- ~2,200-strong workforce; 300 daily visitors



### Opportunities From Captive Surrounding Developments:

- Affluent/mid-income residential developments
- >7,000 student population from educational institutions including Australian International School, within 5 to 15 min walking radius

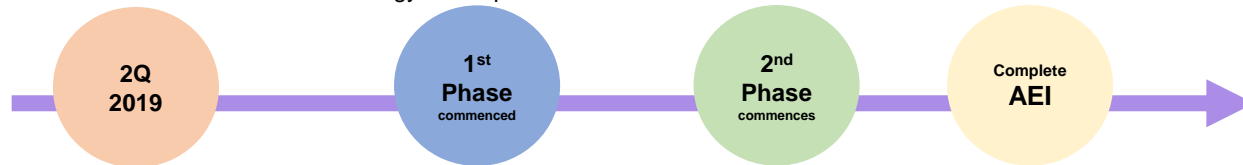
# Asset Enhancement Initiative: Timeline

Construction in this 'live' building will be carried out in stages to minimise impact on tenants' operations, and to the REIT's overall performance



## AEI: First Floor

Primarily for F&B and lifestyle use, including a gym & supermarket



## Provisional Permission

Alterations and Additions works for the **first stage of AEI** to add up to 3,242.88 sqm (34,906.06 sf) of space for commercial use

## 2Q 2020

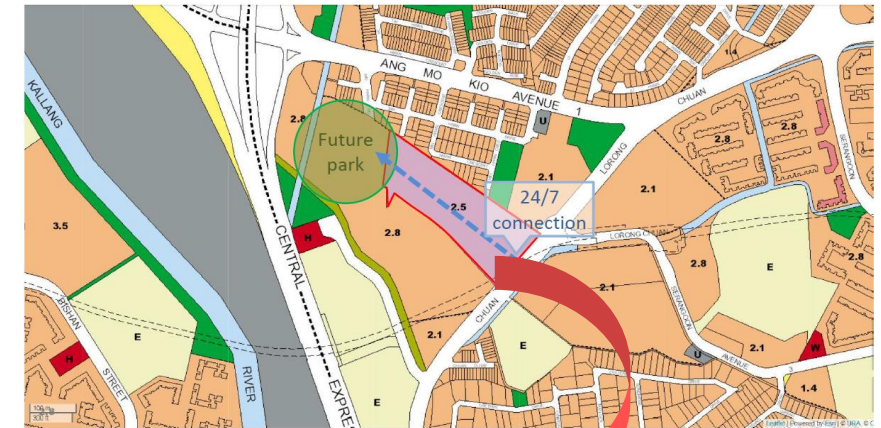
First floor targeted completion

## AEI: Second Floor

Renovation works for canteen (level 2)

Targeted completion: early 4Q 2020

## 4Q 2020



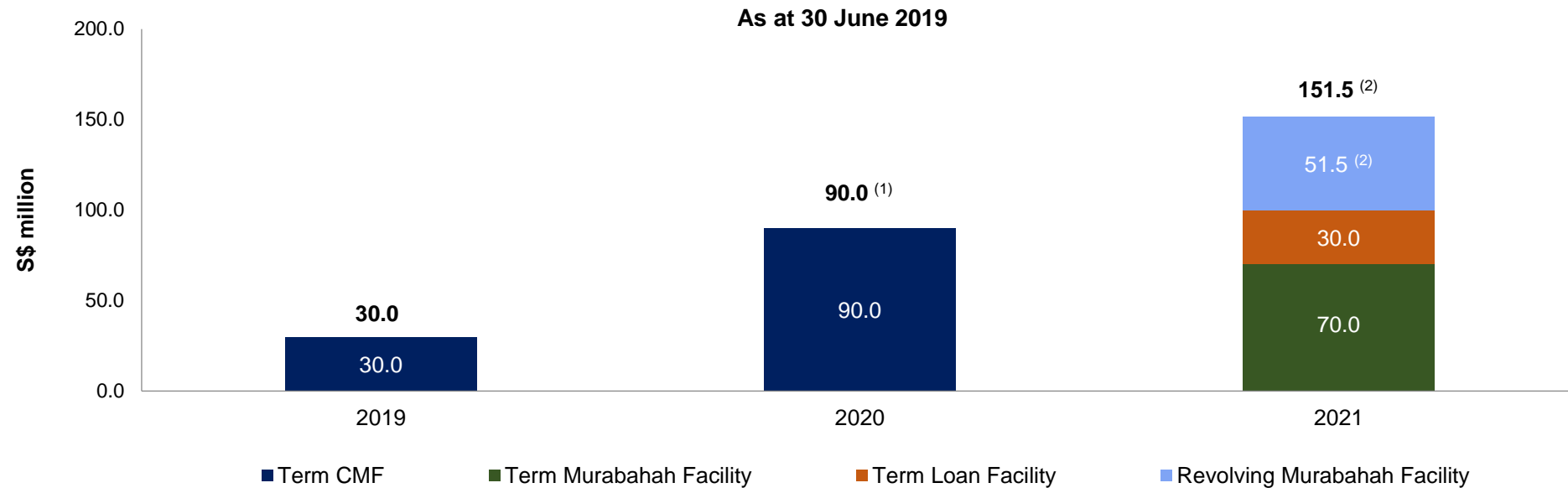


## 04 Capital Management



# Borrowings Maturity Profile

Maturities of total outstanding borrowings of S\$271.5 million over next 3 years



(1) Excludes S\$18.0 million undrawn Revolving CMF.

(2) Excludes S\$53.0 million undrawn Revolving Murabahah Facilities.

# Continued Capital Structure Optimisation

	As at 30 Jun 2019	As at 31 Dec 2018
Borrowings	S\$271.5 million	S\$363.0 million
Aggregate leverage <sup>(1)</sup>	30.9% <sup>(2)</sup>	36.8%
Proportion of total borrowings on fixed rates	70.0%	71.6%
<b>Average all-in financing cost<sup>(3)</sup></b>	<b>4.1%</b>	<b>4.2%</b>
Term CMF	S\$120.0 million	S\$120.0 million
Revolving CMF	-	S\$13.0 million
Term Murabahah Facility	S\$70.0 million	S\$70.0 million
Revolving Murabahah Facilities	S\$51.5 million	S\$30.0 million
Trust Certificates	-	S\$100.0 million
Term Loan Facility	S\$30.0 million	S\$30.0 million
<b>Weighted average tenor of borrowings</b>	<b>1.3 years</b>	<b>1.3 years</b>
Profit cover <sup>(4)</sup>	4.1 times	3.7 times
Unencumbered assets <sup>(5)</sup>	S\$133.9 million	S\$240.8 million

**Reduced aggregated leverage, largely due to the repayment of Trust Certificates using the net proceeds from the divestment of 9 Tai Seng Drive**

- To 30.9% as at 30 June 2019, down from 36.8% as at 31 December 2018

**Average all-in financing cost** of 4.1% as at 30 June 2019 (31 December 2018: 4.2%)

(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

(2) Lease liabilities and right-of-use assets (included in investment properties and investment properties held for divestment) are excluded from the computation of aggregate leverage.

(3) Inclusive of amortisation of transaction costs.

(4) Ratio of net property income over profit expense (excluding effects of FRS116, amortisation of transaction costs, finance costs on lease liabilities and other fees) for 2Q 2019 (31 December 2018: 4Q 2018).

(5) Based on valuation as at 30 June 2019 (2018: 30 June 2018).



## 05 Market Update & Outlook



# Market Update & Outlook

## Economy



- Singapore's GDP growth continued to moderate, growing 0.1% on a year-on-year basis in 2Q 2019 compared to 1.1% growth in 1Q 2019 and the 1.9% growth in 4Q 2018, based on the Ministry of Trade & Industry's ("MTI") advance estimates.<sup>(1)</sup>
- The MTI announced Singapore's GDP growth at between 0 to 1.0%, with growth expected to come in around the midpoint of the forecast range. It was previously narrowed downwards the forecast range to 1.5-2.5%.<sup>(2)</sup>
- Economists predict a technical recession may take place.<sup>(3)</sup>
- JTC Corporation data showed continued oversupply and island-wide vacancy, with industrial rents staying flat as at 2Q 2019.<sup>(4)</sup>

## Property



- Knight Frank envisages industrial rents to decline up to 2.0% year-on-year by end 2019 on the uncertain trade outlook, which continues to be weighed down by the escalated trade tensions between the US and China.<sup>(5)</sup>

- Challenging macro conditions may translate to negative sentiments affecting leasing demand in short to medium term.
- Proactive lease and asset management by maintaining a 'market-competitive stance' to retain existing tenants and bring onboard new ones.
- Commencing first stage of AEI for New Tech Park, adding up to 3,242.88 sqm (34,906.06 sf) of space for primarily F&B use; bulk of additional revenue upon completion in 2Q 2020.



### Sources:

- (1) "Singapore's GDP Grew by 0.1 Per Cent in the Second Quarter of 2019". Ministry of Trade & Industry. 12 July 2019.  
 (2) "MTI Expects GDP Growth to be '0.0 to 1.0 Per Cent in 2019' Press Release. Ministry of Trade & Industry. 13 August 2019.  
 (3) "As Singapore relooks 2019 projections, economists warn of possible technical recession". Channel NewsAsia. 27 June 2019.  
 (4) "JTC Quarterly Market Report – Industrial Properties". JTC. 25 July 2019.  
 (5) "Q2 2019 Industrial Market Snapshot". Knight Frank Singapore. Retrieved 12 July 2019.

# Thank You

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