



**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'S 4Q 2019 DPU IMPROVES 8.5% Y-o-Y TO 0.77 CENTS**

- **Financial performance for 4Q 2019 and FY 2019**
  - 4Q 2019 DPU improved 8.5% year-on-year (“y-o-y”) to 0.77 cents
  - Gross revenue was S\$76.3 million for FY 2019; DPU at 2.92 cents for FY 2019
- **Continued progress with Phase 2 of Refreshed Strategy to undertake asset enhancement initiatives (“AEIs”):**
  - Obtained building plan approval for New Tech Park and on track to completing Phase 1 of AEI by 2Q 2020
  - Submitted application for planning approval for Phase 2 of AEI at New Tech Park
  - Completed refurbishment works at 21 Joo Koon Crescent and ongoing works at 10 Changi South Street 2
- **Proactive management and optimisation of portfolio:**
  - In advanced negotiations with potential anchor tenant to take up more than 50% of the space at 3A Joo Koon Circle

**Summary of Sabana REIT's Results**

(S\$'000)	4Q 2019	4Q 2018	Variance (%)	3Q 2019	Variance (%)	FY 2019	FY 2018	Variance (%)
<b>Gross revenue</b>	19,444	20,023	(2.9)	20,165	(3.6)	76,338	80,961	(5.7)
<b>Net property income (“NPI”)</b>	13,006	13,001	-	13,913	(6.5)	51,612	52,790	(2.2)
<b>Total distribution amount declared to Unitholders</b>	8,080 <sup>1</sup>	7,436	8.7	8,212 <sup>1</sup>	(1.6)	30,743	33,391	(7.9)
- from operations	8,080 <sup>1</sup>	7,436	8.7	8,212 <sup>1</sup>	(1.6)	29,500	33,391	(11.7)
- from capital gains	-	-	-	-	-	1,243 <sup>2</sup>	-	n.m.
<b>Distribution per Unit (“DPU”) (cents)</b>	0.77	0.71	8.5	0.78	(1.3)	2.92	3.18	(8.2)
- from operations	0.77 <sup>1</sup>	0.71	8.5	0.78	(1.3)	2.80	3.18	(11.9)
- from capital gains	-	-	-	-	-	0.12 <sup>2</sup>	-	n.m.

n.m. denotes “not meaningful”

**Singapore, 23 January 2020** – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**”), today reported the REIT’s financial results for the fourth quarter (“**4Q 2019**”) and full year ended 31 December 2019 (“**FY 2019**”).

<sup>1</sup> For 4Q 2019, the remaining 5.5% distributable income amounting to approximately S\$0.5 million (DPU: 0.05 cents) withheld from 3Q 2019 distribution will be distributed together with the full quarter of 4Q 2019 distribution.

<sup>2</sup> Distribution of approximately S\$1.24 million of capital gains arising from the divestment of properties from prior periods, in 1Q 2019 only.

Unitholders will receive a DPU of 0.77 Singapore cents for 4Q 2019, which is 8.5% higher y-o-y. The distribution amount declared of S\$8.08 million for 4Q 2019 comprised the full distributable income for 4Q 2019 and the remaining 5.5% of the distributable income in 3Q 2019<sup>2</sup>.

### **Financial Performance**

Gross revenue decreased 2.9% y-o-y for 4Q 2019, mainly due to lower average occupancies at certain properties, the expiry of a master lease at 3A Joo Koon Circle and following the divestment of 9 Tai Seng in January 2019. The decrease was partially offset by improved occupancy from certain multi-tenanted properties and a new master lease at 21 Joo Koon Crescent, which commenced in November 2019.

NPI was stable at S\$13.0 million. For FY 2019, Sabana REIT reported a DPU of 2.92 Singapore cents (FY 2018: 3.18 Singapore cents).

### **Stable Capital Structure With No Refinancing Needs Until 2021**

On 22 November 2019, the REIT refinanced its maturing loans with a S\$161.0 million in Commodity Murabaha Facilities. The facilities will be used in part to finance the AEI works for New Tech Park.

The Manager remains well-positioned to service its loans, with a healthy profit coverage of 4.5 times. As at 31 December 2019, Sabana REIT has no refinancing requirements until 2021.

### **Portfolio Performance**

Overall occupancy levels stood at 75.4% as at 31 December 2019 (at 30 September 2019: 80.6%), largely due to the expiry of 3A Joo Koon Circle's master lease during the quarter. It is in advanced negotiations with a potential anchor tenant to take up more than 50% of the space at 3A Joo Koon Circle. Rental reversion for 4Q 2019 were at negative 0.8%, down from positive 5.5% for 3Q 2019, but full year rental reversion is at positive 1.2%. The Manager is working proactively to manage and optimise its portfolio.

As part of Phase 2 of its Refreshed Strategy, Sabana REIT continues to evaluate and undertake selective AEIs across its portfolio. It obtained the building plan approval for New Tech Park and is on track to completing Phase 1 of AEI by 2Q 2020. It also submitted an application for the planning approval for Phase 2 of AEI at New Tech Park. The Manager has embarked on refurbishment works at 10 Changi South Street 2, which will be completed in February 2020 to suit the needs of its new master tenant. The Manager completed refurbishment works at 21 Joo Koon Crescent, which is now at 100% occupancy.

**Donald Han, Chief Executive Officer of the Manager,** said: "Industrial rents remained challenged in 2019 but we continue to make progress on our Refreshed Strategy. The rejuvenation of our landmark asset New Tech Park will provide strong upside upon completion in 2Q 2020. We are also pressing on with refurbishments in other parts of our portfolio to enhance value and improve marketability of our assets. These initiatives collectively ensure we remain on course to deliver long-term value."

## Outlook for the Year

In 2019, the Singapore economy grew by 0.7%<sup>3</sup>. This was the slowest expansion in a decade since the global financial crisis in 2009<sup>4</sup>. According to Ministry of Trade & Industry (“MTI”), Singapore’s Gross Domestic Product (“GDP”) is projected to expand 0.5% to 2.5% in 2020.<sup>5</sup>

Overall rent reversion for 2020 is likely to remain negative, with JTC Corporation data showing continued oversupply and island-wide vacancy, and industrial rents rising slightly by 0.1% y-o-y as at 4Q 2019<sup>6</sup>.

Industrial rents are likely to stay flat in 2020, with the market expected to stay segmented and demand of high-specification spaces expected to grow, fuelled by multinational companies (MNCs) setting up regional service centres and R&D hubs in Singapore, as well as the growth of high-value industries such as Biomedical Manufacturing, Medical Technology and Information & Communications clusters<sup>7</sup>.

According to Knight Frank, the supply of industrial spaces is likely to be moderated as the government continues to monitor the sector closely<sup>7</sup>.

Warehouse rents are expected to be more resilient, supported by the tight supply pipeline while the factory market remains two-tiered, with assets of higher specifications performing better in terms of rental values and occupancy rates<sup>8</sup>. Likewise, JLL expects logistics/warehouse rents and capital values to hold relatively steady in 2020, barring any unforeseen external shocks<sup>9</sup>.

Amid challenging market conditions, the Manager continues to focus on active lease and asset management and progressing on AEIs, as it executes its Refreshed Strategy.

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<sup>3</sup> “Singapore’s GDP Grew by 0.8 Per Cent in the Fourth Quarter of 2019”. Ministry of Trade & Industry. 2 January 2020.

<sup>4</sup> “Decade-low growth in 2019 clouds 2020 forecasts for Singapore GDP”. The Business Times. 3 January 2020.

<sup>5</sup> “MTI Forecasts GDP to Grow by “0.5 to 1.0 Per Cent” in 2019 and “0.5 to 2.5 Per Cent” in 2020”. Ministry of Trade & Industry. 21 November 2019

<sup>6</sup> “Quarterly Market Report Industrial Properties Fourth Quarter 2019”. JTC. 23 January 2020

<sup>7</sup> “Q4 2019 Industrial Market Snapshot”. Knight Frank. 9 January 2020.

<sup>8</sup> “Singapore MarketView Q4 2019”. CBRE. 17 January 2020.

<sup>9</sup> “Singapore Property Market Monitor Q4 2019”. JLL. 16 January 2020.

## **Sabana REIT**

Sabana REIT was listed on the SGX-ST 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 18 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\$1.0 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 one of the constituents of the 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](http://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.