

# SABANA

Shari'ah Compliant Industrial REIT

FY 2019 and 4Q 2019  
Financial Results Presentation

23 January 2020, Thursday



# 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 fourth quarter from 1 October 2019 to 31 December 2019 (“4Q 2019”) and full year from 1 January 2019 to 31 December 2019 (“FY 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.

# Agenda

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- 01** Results Review: Key Highlights for FY 2019 and 4Q 2019

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- 02** Results Review: Financial Performance and Capital Management

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- 03** Results Review: Portfolio Performance

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- 04** Outlook and Key Takeaways

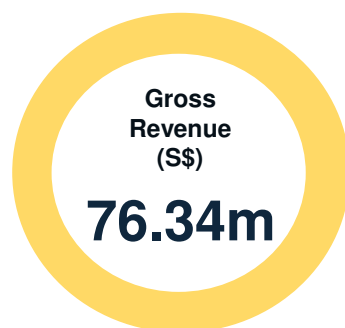
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- 05** Appendix: Distribution Details

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# FY 2019 Financial Highlights

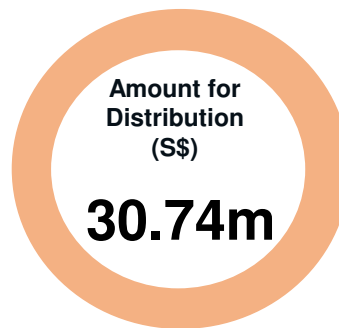
For the financial year ended 31 December 2019



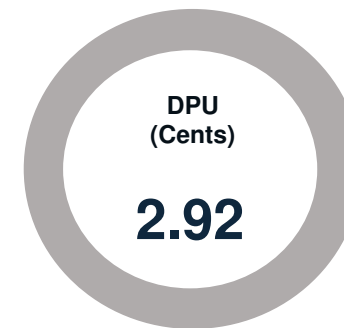
FY 2018: S\$80.96m



FY 2018: S\$52.79m



FY 2018: S\$33.39m



FY 2018: 3.18 cents

## Summary

- **Delivered Phase 1 of Refreshed Strategy with divestments of non-performing and mature assets; Proactive management and optimisation of portfolio:**
  - Divested 9 Tai Seng Drive, with proceeds deployed to pay down borrowings
  - Secured three new major tenants at New Tech Park and 2 Toh Tuck Link
  - Renewed master lease for 33 and 35 Penjuru Lane and secured new master tenant for 18 Gul Drive.
  - In advanced negotiations with potential anchor tenant to take up more than 50% of the space at 3A Joo Koon Circle
- **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

# 4Q 2019 Financial Highlights

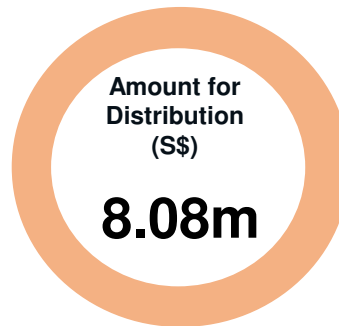
For the quarter ended 31 December 2019



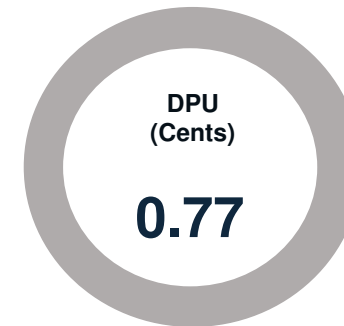
4Q 2018: S\$20.02m



4Q 2018: S\$13.00m



4Q 2018: S\$7.44m



4Q 2018: 0.71 cents

## Summary

- **Continued progress with Phase 2 of Refreshed Strategy to undertake 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

# Above average returns among industrial REITs in 2019

**26.0%**

Sabana REIT's  
total returns in 2019

**9.4%**

STI's  
total returns in 2019

Industrial REITs	Total returns in 2019
Mapletree Logistics	46%
Mapletree Industrial	44%
Frasers Logistics and Industrial Trust	28%
<b>Sabana REIT</b>	<b>26%</b>
Ascendas REIT	24%
EC World REIT	17%
AIMS APAC REIT	16%
ESR-REIT	12%
Cache Logistics Trust	11%
Soilbuild Business Space REIT	-3%

Source: "Significant Milestones for S-REITs in 2019". SGX website. 6 January 2020.

# AEI to drive long-term growth progressing as planned

New Tech Park represents approx. one third of portfolio value



- Obtained building plan approval and on target to achieving Phase 1 TOP by 2Q 2020
  - Submitted application for planning approval for Phase 2 of AEI

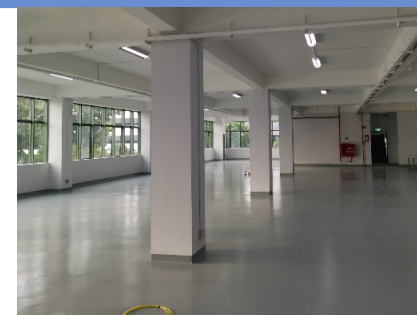
# Enhancing our assets to drive long-term growth

## Completed refurbishment works at 21 Joo Koon Crescent

Before refurbishment



After refurbishment

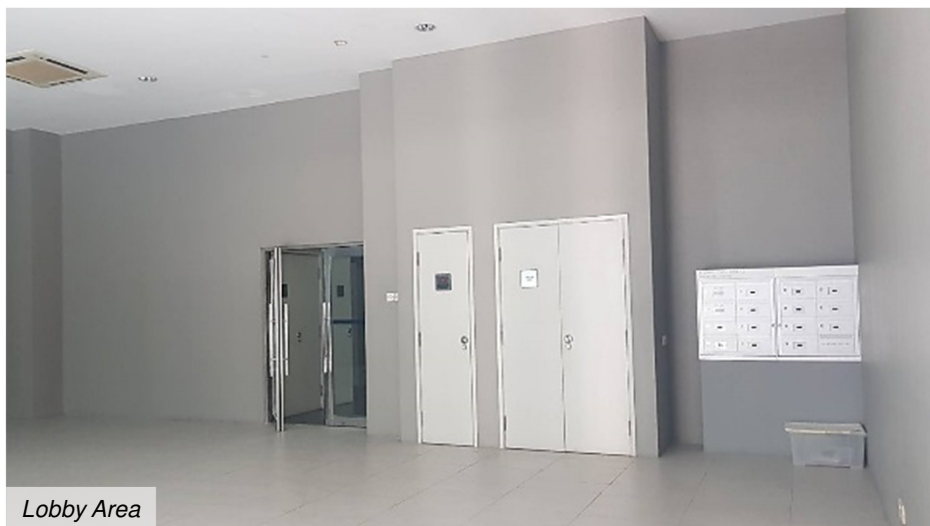




# Enhancing our assets to drive long-term growth

## Ongoing refurbishment works at 10 Changi South Street 2

Before refurbishment



After refurbishment



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# 4Q 2019 Financial Performance (YoY)

For the quarter ended 31 December 2019

(in S\$'000)	4Q 2019	4Q 2018	Variance (%)
Gross revenue	19,444	20,023	(2.9)
Net property income ("NPI")	13,006	13,001	-
Total distribution amount declared to Unitholders	8,080	7,436	8.7
Distribution per unit ("DPU") (cents)	0.77	0.71	8.5

#### DPU increased:

- mainly due to the additional distribution of the remainder 5.5% distributable income amounting to S\$0.5 million (DPU: 0.05 cents) withheld during 3Q 2019 distribution.

#### NPI remained stable:

- contributions from new master lease at 21 Joo Koon Crescent which commenced in November 2019 and higher contribution from 508 Chai Chee Lane, 23 Serangoon North Avenue 5, 8 Commonwealth Lane and 2 Toh Tuck Link due to improved occupancies;
- partially offset by lower contribution from 3A Joo Koon Circle which master lease expired in 4Q 2019 and certain properties due to lower average occupancy in 4Q 2019.

# FY 2019 Financial Performance

For the financial year ended 31 December 2019

(in S\$'000)	FY 2019	FY 2018	Variance (%)
Gross revenue	<b>76,338</b>	80,961	(5.7)
Net property income ("NPI")	<b>51,612</b>	52,790	(2.2)
Total distribution amount declared to Unitholders	<b>30,743</b>	33,391	(7.9)
- from operations	<b>29,500</b>	33,391	(11.7)
- from capital gains	<b>1,243<sup>(1)</sup></b>	-	<i>n.m</i>
Distribution per unit ("DPU") (cents)	<b>2.92</b>	3.18	(8.2)
- from operations	<b>2.80</b>	3.18	(11.9)
- from capital gains	<b>0.12<sup>(1)</sup></b>	-	<i>n.m</i>

n.m denotes "not meaningful"

(1) Includes distribution of approximately S\$1.24 million of capital gains arising from the divestment of properties from prior periods, in 1Q 2019 only.

#### DPU decreased on:

- weaker NPI performance of the portfolio amid master lease expires, lower occupancy at some properties and property divestment of 9 Tai Seng Drive;
- partially offset by lower profit expense after the repayment of Trust Certificates in April 2019 and capital gains distribution of approximately S\$1.24 million in 1Q 2019.

#### NPI decreased on:

- lower contribution from divestment of 9 Tai Seng Drive in 1Q 2019 and 3A Joo Koon Circle which master lease expired in 4Q 2019;
- absence of one-time recovery of revenue in 1Q 2018 from the ex-master tenant of 6 Woodlands Loop; and
- lower contribution from 21 Joo Koon Crescent due to expiry of previous master lease in 3Q 2018. The new master lease commenced in November 2019;
- partially offset by one-off recovery of revenue relating to prior usage of common area from tenants of 151 Lorong Chuan and 2 Toh Tuck Link in 3Q 2019.

# Balance Sheet

(\$'000)	As at 31 Dec 2019	As at 31 Dec 2018
Investment properties	<b>949,241</b>	869,200
Investment properties held for divestment	<b>14,888</b>	110,550
Other assets	<b>7,518</b>	9,659
<b>Total assets</b>	<b>971,647</b>	989,409
Borrowings, at amortised cost	<b>275,184</b>	361,709
Other liabilities	<b>101,448</b>	23,222
<b>Total liabilities</b>	<b>376,632</b>	384,931
Net assets attributable to Unitholders	<b>595,015</b>	604,478
Units in issue (units)	<b>1,053,083,530</b>	1,053,083,530
NAV per unit (S\$)	<b>0.57</b>	0.57

- Increase in investment properties due to:
  - (i) the adoption of FRS 116 *Leases* on 1 January 2019 which the Group had recognised Right-of-Use (“ROU”) assets on their existing land leases with JTC, alongside the corresponding lease liabilities; and
  - (ii) valuation gains mainly from 151 Lorong Chuan due to its improved occupancy as at 31 December 2019.
- Decrease in investment properties held for divestment due to divestment of 9 Tai Seng Drive in January 2019.
- Decrease in borrowings mainly due to the repayment of the S\$100.0 million Trust Certificates Series in April 2019, largely from the divestment proceeds from the divestment of 9 Tai Seng Drive, partially offset by the net drawdown of S\$13.5 million revolving facilities.

# Key Capital Management Indicators

	As at 31 Dec 2019	As at 31 Dec 2018
Borrowings (S\$ million)	276.5	363.0
Aggregate leverage <sup>(1)</sup> (%)	31.1 <sup>(2)</sup>	36.8
Proportion of total borrowings on fixed rates (%)	36.2 <sup>(3)</sup>	71.6
<b>Average all-in financing cost (%)</b>	<b>3.9</b>	<b>4.2</b>
Term CMF (S\$ million)	120.0	120.0
Revolving CMF (S\$ million)	3.5	13.0
Term Murabahah Facility (S\$ million)	70.0	70.0
Revolving Murabahah Facilities (S\$ million)	53.0	30.0
Trust Certificates (S\$ million)	-	100.0
Term Loan Facility (S\$ million)	30.0	30.0
<b>Weighted average tenor of borrowings (years)</b>	<b>2.3</b>	<b>1.3</b>
Profit cover <sup>(4)</sup> (times)	4.5	3.7
Unencumbered assets <sup>(5)</sup> (S\$ million)	133.7	240.8
Undrawn available committed facilities (S\$ million)	37.5	5.0

- Prudent aggregated leverage at 31.1%**
- Lower all-in financing cost at 3.9%**
- Weighted average tenor of borrowings at 2.3 years**
- No refinancing requirements until 2021**

(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 ROU assets (included in investment properties and investment properties held for divestment) are excluded from the computation of aggregate leverage.

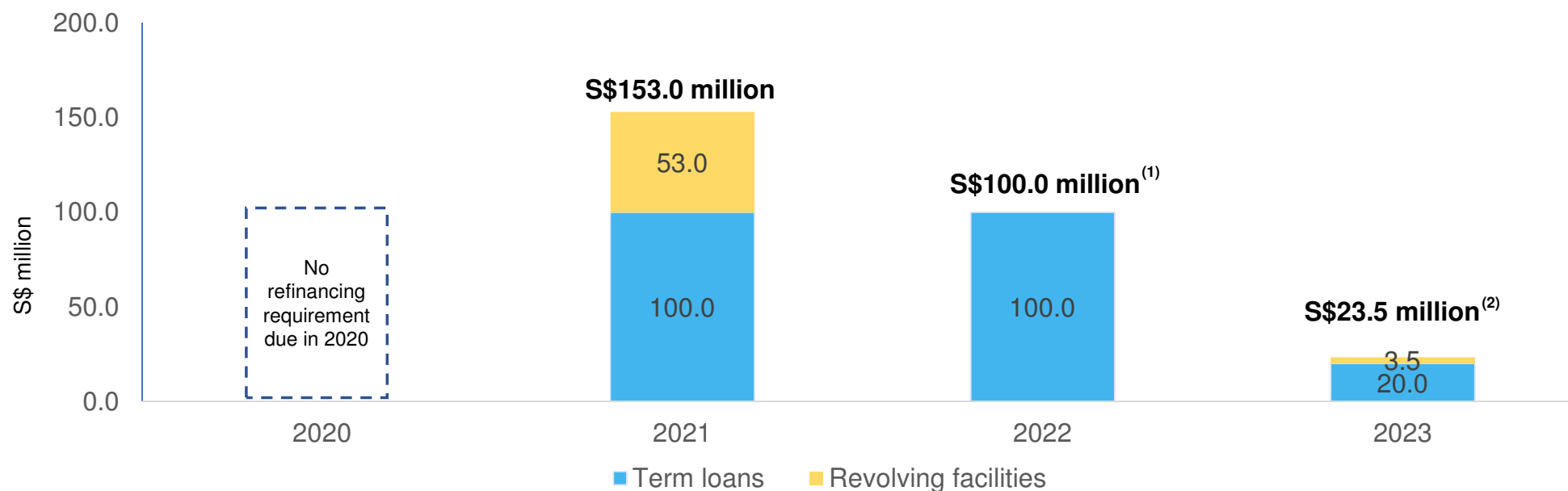
(3) Proportion of total borrowings on fixed rates is at 36.2%. Majority of the Nov 2019 refinanced S\$161.0 million facility is expected to be hedged in 1Q 2020.

(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 4Q 2019 (31 Dec 2018: 4Q 2018).

(5) Based on latest valuation as at 31 December 2019 (2018: 31 Dec 2018).

# Borrowings Maturity Profile (as at 31 December 2019)

## Maturities of total outstanding borrowings of S\$276.5 million



(1) Excludes both S\$14.0 million of undrawn Term loans and S\$7.0 million undrawn Revolving facility maturing in November 2022.

(2) Excludes S\$16.5 million undrawn Revolving facility maturing in November 2023.

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# 18 Properties Across 4 Industrial Segments

Portfolio Value  
**S\$884.4 million**

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

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

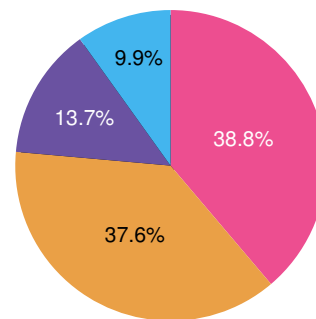
Tenant Base  
**111 tenants**

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

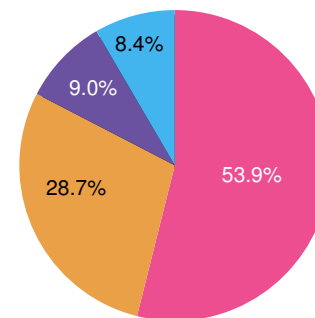
- High-tech Industrial
- Chemical Warehouse & Logistics
- Warehouse & Logistics
- General Industrial



**Asset Breakdown by NLA as at 31 December 2019**



**Gross Revenue by Asset Type as at 31 December 2019**



# Occupancy

	As at 31 Dec 2019	As at 30 Sep 2019
Total portfolio GFA	4,127,767 sq ft	4,127,767 sq ft
Portfolio occupancy		
6 properties, master leases <sup>(1)</sup>	100.0%	100.0%
10 properties, multi-tenanted <sup>(2)</sup>	76.8%	75.3%
18 properties, total portfolio <sup>(3)</sup>	75.4%	80.6%
Weighted average master lease term to expiry <sup>(4)</sup>	2.8 years	2.5 years
Weighted average unexpired lease term for the underlying land <sup>(5)</sup>	31.4 years	31.6 years
Weighted average portfolio lease term to expiry <sup>(6)</sup>	2.8 years	2.8 years

(1) 4 triple net, 2 single net master leases. 1 forward single net master lease has been signed at 18 Gul Drive.

(2) 151 Lorong Chuan, 8 Commonwealth Lane, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link, 10 Changi South Street 2, 123 Genting Lane and 39 Ubi Road 1.

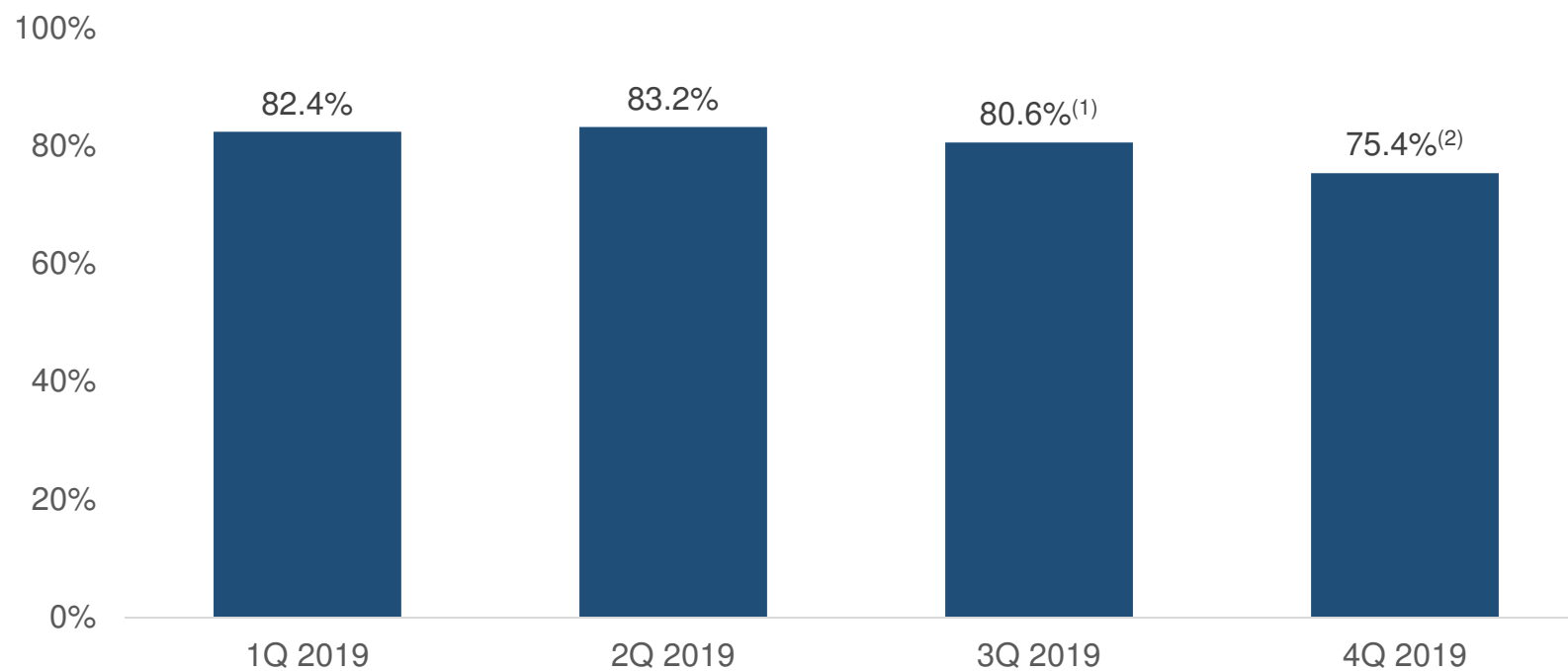
(3) By Net Lettable Area ("NLA"), including 1 Tuas Avenue 4 and 3A Joo Koon Circle, both are currently vacant.

(4) Weighted by gross rental income (master leases of 6 properties, including 1 forward master lease at 18 Gul Drive).

(5) Weighted by Gross Floor Area ("GFA").

(6) Weighted by gross rental income (6 master properties and 10 multi-tenanted properties, including 1 forward master lease at 18 Gul Drive).

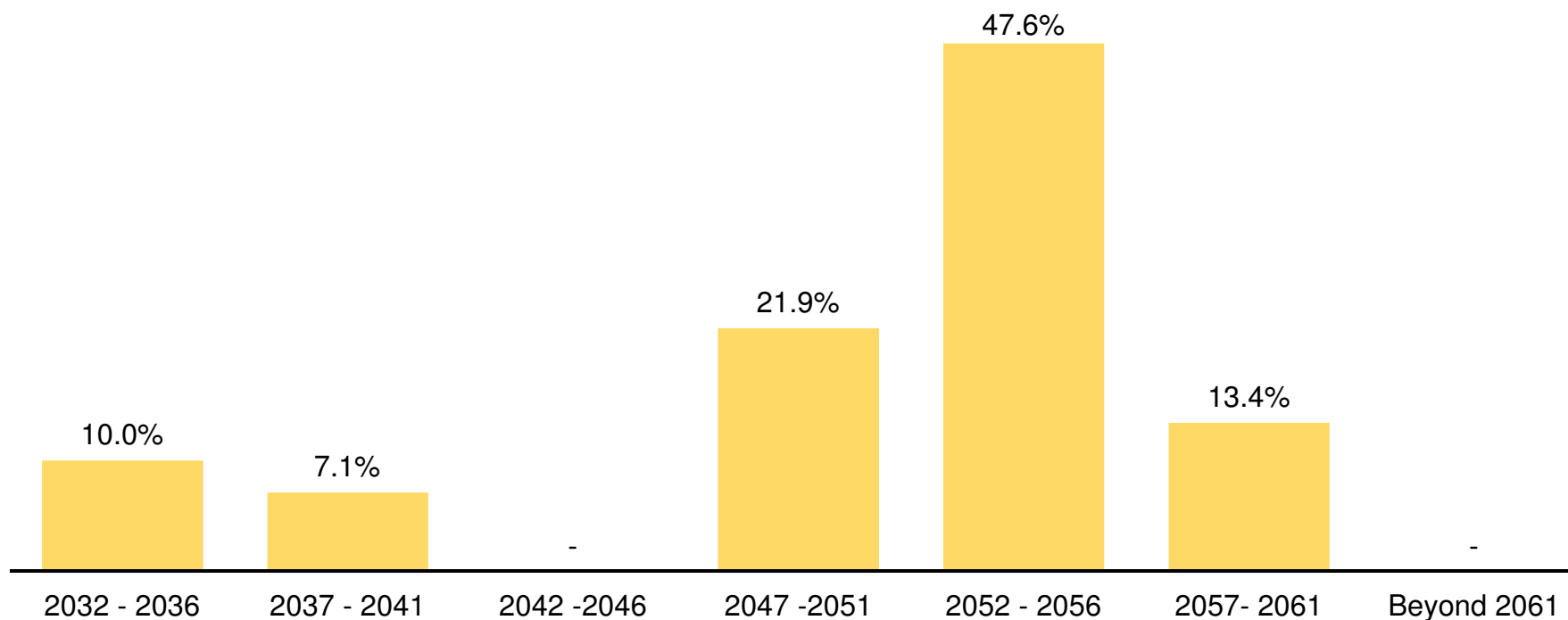
# Portfolio Occupancy



- (1) Decrease in occupancy mainly due to early settlement and termination of master lease at 10 Changi South Street 2.
- (2) Dip in occupancy due largely to expiry of 3A Joo Koon Circle master lease.

# Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 31.4 years by GFA

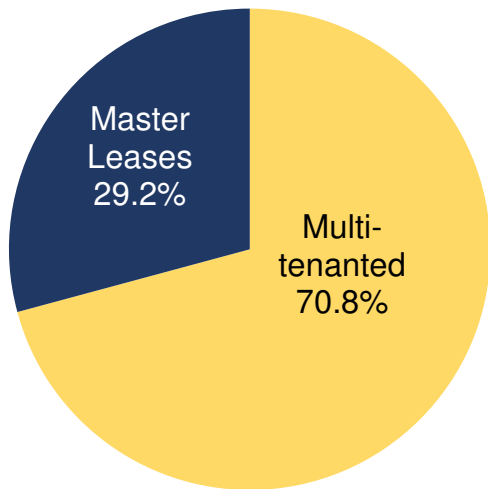


Percentage of unexpired land lease term by GFA<sup>(1)</sup>

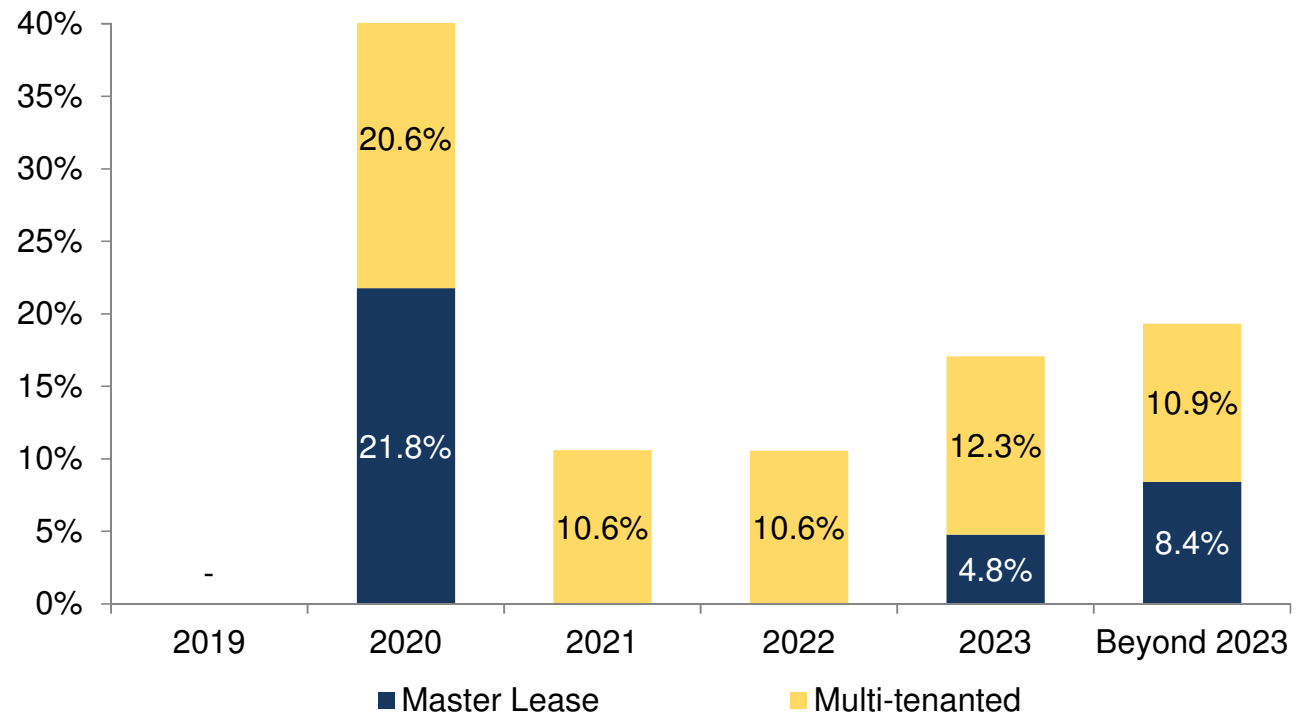
(1) As at 31 December 2019.

# Balanced and Proactive Lease Management

Lease Type by NLA<sup>(1)</sup>



Lease Expiry by NLA<sup>(1)</sup>

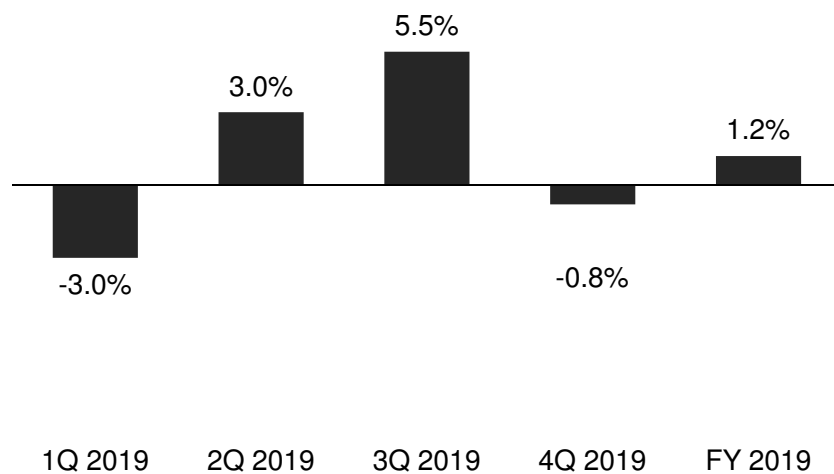


(1) As at 31 December 2019.

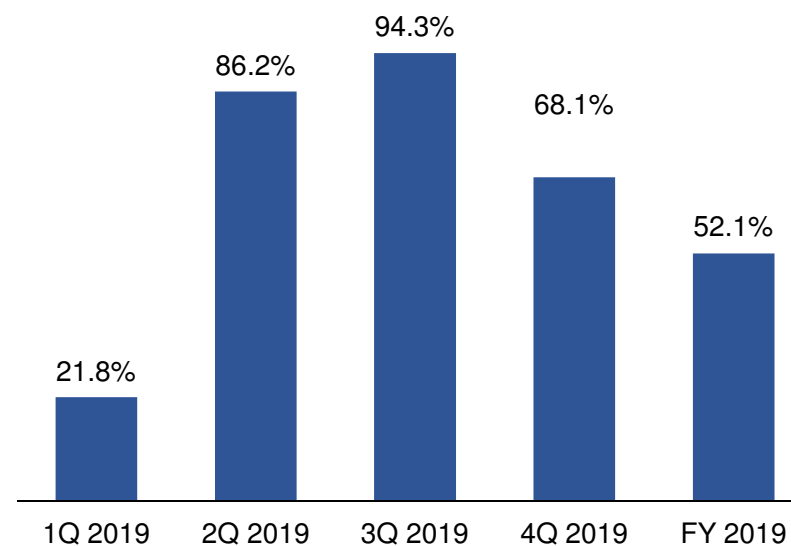
# Leasing Update for Multi-Tenanted Buildings

	1Q 2019	2Q 2019	3Q 2019	4Q 2019	FY 2019
<b>Renewal (sq ft) (No. of Leases)</b>	55,518 (3)	59,533 (6)	31,561 (4)	37,207 (5)	183,819 (18)
<b>New Leases (sq ft) (No. of Leases)</b>	94,646 (9)	33,055 (3)	75,879 (8)	78,704 (11)	282,284 (31)

Rental Reversion (%)



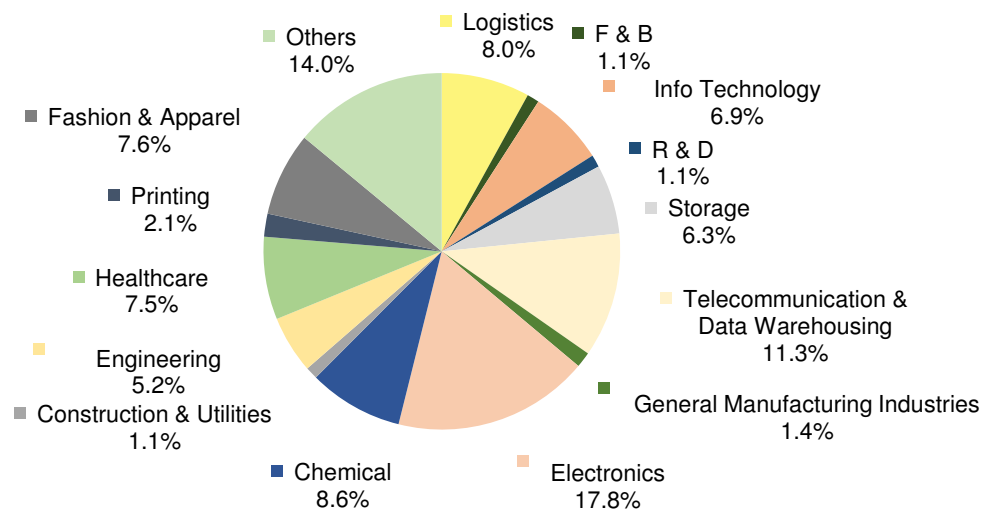
Retention Rate (%)



# Diverse Base of Tenants at Multi-Tenanted Buildings

	As at 31 Dec 2019	As at 30 Sep 2019
Total NLA (sq ft)	3,342,694 <sup>(1)</sup>	3,357,126
Total number of tenants <sup>(2)</sup>	105	103
Weighted average lease term to expiry (year) <sup>(3)</sup>	2.7	2.8

No concentration in any single trade sector exceeding 18%



(1) Adjusted due to reconfiguration of space.  
 (2) Excludes master tenants.  
 (3) Weighted by tenancy gross rental income.  
 (4) As at 31 December 2019.

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# Outlook

## Singapore Economic Outlook

- In 2019, the Singapore economy grew by 0.7%,<sup>(1)</sup> the slowest expansion in a decade since the global financial crisis in 2009.<sup>(2)</sup> According to Ministry of Trade & Industry (“**MTI**”), Singapore’s Gross Domestic Product (“**GDP**”) is projected to expand 0.5% to 2.5%.<sup>(3)</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>(4)</sup>

## Industry Property Outlook

- 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>(5)</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>(5)</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, said CBRE.<sup>(6)</sup> Likewise, JLL expects logistics/warehouse rents and capital values to hold relatively steady in 2020, barring any unforeseen external shocks.<sup>(7)</sup>

## Sabana REIT

- Global slowdown and challenging macro conditions may hamper recovery and affect leasing demand in short to medium term.
- Proactive lease and asset management will support DPU contribution:
  - In advanced negotiations with potential anchor tenant to take up more than 50% of the space at 3A Joo Koon Circle
- Amid challenging market conditions, the Manager remains focused on proactive leasing and asset management while progressing on AEs, as it executes its Refreshed Strategy.

### Sources:

- (1) “Singapore’s GDP Grew by 0.8 Per Cent in the Fourth Quarter of 2019”. Ministry of Trade & Industry. 2 January 2020.
- (2) “Decade-low growth in 2019 clouds 2020 forecasts for Singapore GDP”. The Business Times. 3 January 2020.
- (3) “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.
- (4) “Quarterly Market Report Industrial Properties Fourth Quarter 2019”. JTC. 23 January 2020.
- (5) “Q4 2019 Industrial Market Snapshot”. Knight Frank. 9 January 2020.
- (6) “Singapore MarketView Q4 2019”. CBRE. 17 January 2020.
- (7) “Singapore Property Market Monitor Q4 2019”. JLL. 16 January 2020.

# Key Takeaways

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## RESULTS

- DPU improves 8.5% Y-o-Y to 0.77 cents
- Continued balance sheet resilience with no refinancing requirements until 2021

## STRATEGY

- Continued progress with Phase 2 of Refreshed Strategy to undertake AEs:
  - 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
  - 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

## MARKET OUTLOOK

- Muted performance expected for 2020 amid challenging market conditions
- Negative reversionary rents likely for 2020 with over-supply of industrial space in Singapore and broader geopolitical and economic uncertainty

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# Appendix: Distribution Details

## Sabana REIT Code: M1GU

Distribution period	DPU (cents)
1 October 2019 to 31 December 2019	0.77
Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	Thursday, 30 January 2020
Ex-date	Friday, 31 January 2020
Books closure date	Monday, 3 February 2020
Distribution payment date	Thursday, 27 February 2020

## Appendix: Non-Shari'ah Compliant Income

Sabana REIT distributes its non-Shari'ah compliant income on a quarterly basis as assessed, to various charitable causes.

Details on the contribution and beneficiary for 4Q 2019 as follows:



**Organisation:** SG Enable Ltd - Mediacorp Enable Fund

**Purpose:** Sabana REIT's 4Q 2019 non-Shari'ah income amounting to S\$183.35 will be directed to support people with disabilities. The fund aims to help build a society where people with disabilities are recognised for their abilities and lead full, socially integrated lives.

*\*This follows our donation of S\$1,347 to SG Enable in 3Q 2019.*