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 REPORTS 1H 2020 DPU OF 0.47 CENTS, CONSERVES CAPITAL PRUDENTLY TO REMAIN RESILIENT AMID COVID-19

- DPU performance lower on deliberate capital management to weather pandemic:
  - DPU of 0.47 Singapore cents as Manager temporarily retains 55.0% of distributable income to conserve capital amid uncertain outlook; would have been 1.05 cents otherwise
- In steady financial position: healthy gearing ratio, no refinancing needs until 2021
- Improved portfolio occupancy to 77.3% in 1H 2020, up from 75.4% at the end of FY 2019
- Resumption of construction works for asset enhancement initiative ("**AEI**") at New Tech Park ("**NTP**")

Summary of Sabana REIT's Results

(S$'000)	1H 2020	1H 2019	Variance (%)
Gross revenue	34,263	36,729	(6.7)
Net property income ("NPI")	20,862	24,693	(15.5)
Total amount available for distribution to Unitholders for the period	11,077	14,451[1]	(23.3)
Total distribution amount declared to Unitholders for the period	4,985	14,451[1]	(65.5)
Amount available for distribution per Unit (cents)	1.05	1.37[1]	(23.4)
Distribution per Unit ("DPU") (cents)	0.47[2]	1.37[1]	(65.7)

Singapore, 16 July 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 half year ended 30 June 2020 ("**1H 2020**").

Financial Performance

Unitholders will receive a DPU of 0.47 Singapore cents for 1H 2020, which is 65.7% lower year-on-year ("**y-o-y**") from 1H 2019. In view of the still-evolving COVID-19 situation, the Manager made the difficult but prudent decision to temporarily retain 55.0% of its 1H 2020 distributable income to conserve capital, which will be paid out at a later date. Had this amount been included, DPU would be 1.05 cents. The half year's DPU must also be seen against the higher base in 1H 2019 that included a one-time capital gains distribution of S$1.24 million or 0.12 cents.

Gross revenue decreased 6.7% y-o-y for 1H 2020, mainly due to lower average occupancies at certain properties and the expiry and termination of master leases at 3A Joo Koon Circle ("**3AJKC**") and 10 Changi South Street 2 ("**10CSS2**").

[1] Distribution includes approximately S$1.24 million or 0.12 cents of capital gains arising from the divestment of properties.
[2] In view of the still-evolving COVID-19 situation, the Manager made the decision to temporarily retain 55.0% of its 1H 2020 distributable income to conserve capital, which will be paid out at a later date. Had this amount been included, DPU would be 1.05 cents.

NPI decreased 15.5% to S$20.9 million on lower revenue as well as a one-time provision for rental waiver and allowances for impairment losses on trade receivables were made for certain tenants across the portfolio out of prudence.

Steady Capital Structure with No Refinancing Needs Until 2021

The Manager remains well-positioned to service its loans, with a healthy profit coverage of 3.6 times. As at 30 June 2020, Sabana REIT has no refinancing requirements until 2021 and a gearing of 33.7%.

Improved Portfolio Performance

Overall occupancy levels improved to 77.3% as at 30 June 2020, up from 75.4% as at 31 December 2019. This follows higher occupancy at 15 Jalan Kilang Barat and the securing of a new anchor tenant for approximately 56.0% of total net lettable space at 3AJKC. An additional 39.0% of space at 3AJKC was leased out on a short-term basis[3].

Amid the challenging backdrop, rental reversion for 1H 2020 was a positive 4.4% as the Manager continues to proactively engage with tenants with expiring leases early.

Sabana REIT continues to make progress on targeted AEI and refresh of its portfolio as part of Phase 2 of its Refreshed Strategy. In January, the Manager completed refurbishment works at 10CSS2.

It also received approval from the Building and Construction Authority to resume construction works for AEI at NTP post "Circuit-Breaker". The initial delay means Phase 1 completion is now envisaged for 1Q 2021. There continues to be healthy demand for the new space, as approximately 36.0% of space at the ground floor for retail and F&B stores has been pre-committed while an additional approximately 5.2% of space is pending issuance of lease agreements to prospective tenants. Meanwhile, the Manager is in advanced negotiations for another 40.0% of space on the ground floor and 100.0% of space at the food court on level two.

Donald Han, Chief Executive Officer of the Manager, said: "We have improved occupancy and achieved positive rental reversion for two straight quarters by executing our strategy of delivering value despite unprecedented challenges from COVID-19. Even so, we must anticipate and prepare for a highly uncertain outlook as Singapore braces for its worst recession since independence. The Board and management therefore made the difficult decision to conserve capital to ensure the REIT is positioned to remain resilient. This is a temporary prudent measure and we will look to pay out the withheld amount at an appropriate later date.

As we emerge from the "Circuit Breaker", we are actively resuming discussions or engaging early with tenants whose leases are expiring this year. Many existing tenants have expressed an interest to renew their leases than to relocate, to minimise relocation-related expenses. We are also pushing on with our targeted AEI and portfolio refresh to provide tenants with the amenities and solutions that they need to navigate the post-COVID world."

Outlook for the Year

The Ministry of Trade and Industry ("**MTI**") Singapore's latest advance estimates showed that Singapore's economy contracted 12.6% y-o-y and 41.2% quarter-on-quarter ("**q-o-q**") in 2Q 2020 due to "Circuit Breaker" measures[4]. Earlier last month, a survey by the Monetary Authority of Singapore ("**MAS**") showed that Singapore's Gross Domestic Product ("**GDP**") is expected to contract by 5.8% this year in response to the fallout from COVID-19, a sharp reversal from the 0.6% growth expected in the previous survey[5].

Rental reversion for industrial properties is likely to remain negative for the year, with JTC Corporation data showing continued oversupply and substantial island-wide vacancy. Industrial rents remained flat and occupancy rates decreased by 0.1% y-o-y as at 1Q 2020[6]. Given the heightened macroeconomic uncertainties, JLL said that logistics

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[3] This 39% short-term take-up is not computed in the overall occupancy of the property.
[4] "Singapore's GDP Contracted by 12.6 Per Cent in the Second Quarter of 2020". Ministry of Trade and Industry Singapore. 14 July 2020.
[5] "Economic Policy Group survey of professional forecasters June 2020". Monetary Authority of Singapore. 15 June 2020.
[6] "Quarterly Market Report Industrial Properties First Quarter 2020". JTC. 23 April 2020.

or warehouse rents could face downward pressure in 2020, while yields could compress in a low-interest rate environment[7].

Still, market watchers see some pockets of opportunities amid the challenges. Savills expects the Singapore industrial and warehousing markets to hold the greatest fundamental potential for a recovery after 2020[8]. There could be increased demand from certain sectors such as pharmaceutical and medical technology, food and grocery delivery from central kitchen, warehousing and logistics for food and basic necessities, manufacturers of hygiene goods, as well as e-commerce products that facilitate online learning and workplace conferencing, said Knight Frank[9].

Against this difficult backdrop, Sabana REIT expects to face pressure on its earnings for the rest of the year. The Manager will remain focused on executing its Refreshed Strategy through proactive lease and asset management and AEIs, while navigating the near-term challenges through the four key thrusts of supporting its tenants, continued prudent capital management, commitment to safety excellence and ensuring business resilience and continuity.

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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. As at 30 June 2020, Sabana REIT has a diversified portfolio of 18 properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to approximately S$0.9 billion as at 30 June 2020.

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.

[7] "Property Market Monitor, Singapore,". JLL. 15 April 2020.
[8] "Singapore Industrial Briefing Q1 2020" Savills. 12 May 2020.
[9] "Singapore Research: Industrial Q1 2020". Knight Frank. Retrieved 6 July 2020.

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.