



**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 1.81 SINGAPORE CENTS DPU FOR 3Q 2014**

**Financial Highlights**

(S\$'000)	3Q 2014	2Q 2014	Variance (%)	3Q 2014	3Q 2013	Variance (%)
Gross revenue	25,126	25,354	(0.9)	25,126	21,598	16.3
Net property income ("NPI")	18,048	18,350	(1.6)	18,048	19,998	(9.8)
Income available for distribution	12,689	13,000	(2.4)	12,689	15,552	(18.4)
Distribution per Unit ("DPU") (cents)	1.81 <sup>1</sup>	1.86	(2.7)	1.81 <sup>1</sup>	2.38	(23.9)
Annualised DPU (cents)	7.18	7.46	(3.8)	7.18	9.44	(23.9)
Annualised distribution yield <sup>2</sup>	7.18%	7.46%	(3.8)	7.18%	9.44%	(23.9)

**Singapore, 15 October 2014** – 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 announced a distributable income of S\$12.7 million for the third quarter from 1 July 2014 to 30 September 2014. This translates to quarterly DPU of 1.81 Singapore cents for a unit base of 699.7 million Units<sup>3</sup>.

The Manager's Chief Executive Officer and Executive Director, Mr Kevin Xayaraj, said, "Distributable income dipped by 2.4% partly due to rent-free period granted to new tenants secured during the quarter. Overall portfolio occupancy increased to 91.8% in 3Q 2014, from 90.8% in 2Q 2014."

**Latest Proposed Acquisition**

On 21 August 2014, Sabana REIT announced the proposed acquisition of 10 Changi South Street 2, a purpose-built part single-storey/part six-storey warehouse building with ancillary office areas, located within the Changi South Industrial Estate. The property is strategically located next to Changi Business Park, approximately 13.5 kilometres from the city centre. The estimated total cost of the acquisition is S\$55.1 million.

Commenting on the proposed acquisition, Mr Xayaraj said, "We are pleased with the proposed acquisition, which will enable us to further strengthen Sabana REIT's presence in the eastern part of Singapore. Upon successful completion of the acquisition, we will sign a ten-year leaseback agreement with the vendor, Adviva Distribution Pte. Ltd. Rental contribution from the proposed acquisition will likely be the later part of 4Q 2014."

The acquisition of 10 Changi South Street 2 will be financed with a combination of equity, which will be by way of issue of new units to the vendor, and borrowings, which will be financed by the issuances of Fixed Period

<sup>1</sup> Based 699,653,525 Units issued and to be issued as at 30 September 2014

<sup>2</sup> Based on the last traded price of S\$1.00 per Unit as at 14 October 2014.

<sup>3</sup> Comprises 698,425,418 Units in issue as at 30 September 2014 and 1,228,107 units to be issued to the Manager by 31 October 2014, as partial consideration of Manager's fees incurred for the period from 1 July 2014 to 30 September 2014.

Distribution Trust Certificates under Sabana REIT's S\$500.0 million Multicurrency Islamic Trust Certificates Issuance Programme.

### **Capital Management Activities in 3Q 2014**

On 24 September 2014, Sabana REIT launched its second series of Fixed Period Distribution Trust Certificates. The S\$100.0 million trust certificates were successfully issued on 3 October 2014 and the proceeds will partly finance the proposed acquisition of 10 Changi South Street 2, as well as refinance the S\$10.2 million borrowings due in November 2014 and a portion of the S\$177.6 million borrowings due in August 2015.

Mr Xayaraj said, "We are pleased to be able to successfully launch the second series of our Trust Certificates. Its positive take-up rate demonstrates the confidence major institutional investors have on Sabana REIT. More importantly, the issuance has enabled us to improve the borrowings maturity profile of Sabana REIT and strengthen the Trust's capital structure."

As at 30 September 2014, Sabana REIT had outstanding borrowings of S\$455.8 million, of which 91.0% was effectively fixed. Sabana REIT's total weighted average tenor of borrowings stood at 2.3 years, with aggregate leverage at approximately 37.0%. Unencumbered assets totalled S\$281.8 million, equivalent to 61.8% of total borrowings.

### **Outlook**

Based on advanced estimates, the Singapore economy grew by 2.4% on a year-on-year basis in 3Q 2014, the same pace of growth as the previous quarter, though markedly slower compared to the 5.0% growth in 3Q 2013. On a quarter-on-quarter seasonally adjusted annualised basis, the economy expanded by 1.2%, a reversal from the 0.1% contraction in 2Q 2014.<sup>4</sup>

Industrial property market was relatively more subdued in 3Q 2014 compared to 2Q 2014, with sales of strata-titled industrial properties easing by approximately 36.0% compared to 2Q 2014, though business parks remained a bright spot with monthly gross rents rising by 2.0% quarter-on-quarter.<sup>5</sup> Leasing activity was stable in 3Q 2014 as industrialists' real estate decisions remained largely guided by cost containment and longer cost savings objectives.<sup>6</sup> Citing caveats from the Urban Redevelopment Authority's REALIS, DTZ said both average capital and rental values of conventional industrial space remained unchanged in 3Q 2014.<sup>5</sup>

In July 2014, JTC announced a revised subletting policy which states that third party facility providers can only sublet up to 50.0% of the building's gross floor area to non-anchor tenants within five years after obtaining Temporary Occupation Permit, and up to 30% thereafter. The new policy will be effective from 1 October 2014.<sup>7</sup>

The Manager has continued to make progress in improving Sabana REIT's occupancy level since the conversion of four master tenanted properties into multi-tenanted properties in November 2013.

The Manager expects to see rental contribution from the proposed acquisition of 10 Changi South Street 2, in the later part of 4Q 2014, subject to approval from JTC.

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<sup>4</sup> "Singapore's GDP Grew 2.4 Per Cent in the Third Quarter of 2014". [www.mti.gov.sg](http://www.mti.gov.sg). Ministry of Trade and Industry Singapore. 14 October 2014. Web. 14 October 2014.

<sup>5</sup> Industrial property transactions down sharply in Q3: DTZ". <http://www.channelnewsasia.com/news/singapore/industrial-property/1405682.html>. Channel News Asia. 9 October 2014. Web. 9 October 2014.

<sup>6</sup> "Stable leasing activity and weak sales amid mixed sentiments". <http://www.colliers.com/-/media/Files/APAC/Singapore/Research-Reports/TKInd-3Q2014.pdf>. Colliers International. 9 October 2014. Web. 14 October 2014.

<sup>7</sup> "Revised subletting policy (with effect from 1 October 2014)". [www.jtc.gov.sg](http://www.jtc.gov.sg). JTC. 3 July 2014. Web. 8 July 2014.

For 4Q 2014, Sabana REIT will have three master leases expiring and the Manager is in the process of signing new master leases for two of the three properties. The Manager expects to convert the remaining one into a multi-tenanted property.

Looking forward, the Manager anticipates market conditions to remain challenging. The Manager will continue to prudently manage Sabana REIT's capital structure by improving borrowings maturity profile and maintaining aggregate leverage below 40%. It will actively manage Sabana REIT's lease expiry profile and continue to be aggressive in its marketing and leasing efforts to increase the Trust's portfolio occupancy. In addition, the Manager will continue to evaluate potential yield-accretive acquisition opportunities and also explore opportunities to divest underperforming assets to recycle Sabana REIT's capital.

#### **Donation of non-Shari'ah compliant income**

In 3Q 2014, Sabana REIT recorded a non-Shari'ah compliant income of S\$12,748 that was equivalent to approximately 0.05% of the quarter's gross revenue. Sabana REIT will be distributing half of its 3Q 2014 non-Shari'ah income to Operation Hope Foundation ("OHF"), a charity that delivers programme for the poor in developing countries with high-benefit-to-cost ratio. The S\$6,374 allocated to OHF will help to finance activities such as the construction of orphanages, homes for the poor, and in providing skills training for school leavers and young adults.

The other half of the Sabana REIT's 3Q 2014 non-Shari'ah income will be given to Habitat for Humanity Singapore, a non-profit organisation with a mission to eliminate poverty housing by building simple, decent houses with the help of volunteers and the homeowner families themselves. The S\$6,374 for Habitat for Humanity Singapore will help finance the cost of constructing housing for the poor in Batam, Indonesia.

#### **Distributions to Unitholders**

The DRP will be applied to 3Q 2014 distribution. Unitholders may elect to receive distributions for the period from 1 July 2014 to 30 September 2014 in the form of fully-paid Units, instead of cash. Distribution payment will take place on 28 November 2014.

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## **ABOUT 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 22 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\$1.2 billion.

Sabana REIT is listed in several indices within the Morgan Stanley Capital International, Inc (MSCI) Index, the Global Property Research (GPR) index, FTSE index and S&P Dow Jones Indices. Sabana REIT is assigned a BBB-'long-term corporate credit rating' with a stable outlook by Standard & Poor's Rating Services.

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 <http://www.sabana-reit.com>.

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