

# Annual General Meeting

11 June 2020





# Agenda

1. FY 2019 & 1Q 2020 Highlights
2. COVID-19 Updates
3. Looking Forward
4. Appendix



# FY 2019 Highlights





# FY 2019 Key Highlights

- Divested 9 Tai Seng Drive (“**9TSD**”) for S\$99.6 million
- Redeemed S\$100 million 4.25% Trust Certificates
- Aggregated leverage was 31.1%, weighted average debt maturity was 2.3 years with no refinancing requirements until 2021
- Cost of capital is reduced to 3.9% from 4.2% (FY 2018)
- Commenced construction works on ~42,000 sq ft of new retail GFA at New Tech Park (“**NTP**”)

## Financial Highlights

No. of Properties	Gross Revenue	Net Property Income	Amount for Distribution	Distribution per Unit
<b>18</b>	<b>S\$76.34 m</b>	<b>S\$51.61 m</b>	<b>S\$30.74 m</b>	<b>2.92 cents</b>
FY 2018: 19	FY 2018: S\$80.96 m	FY 2018: S\$52.79 m	FY 2018: S\$33.39 m	FY 2018: 3.18 cents <sup>(1)</sup>

## Portfolio Management

Portfolio Occupancy	Weighted Average Lease Expiry	Rental Reversion (portfolio)	New Leases (33)	Renewed Leases (19)
<b>75.4 %</b>	<b>2.8 years</b>	<b>-0.7 %</b>	<b>514,737 sq ft</b>	<b>470,011 sq ft</b>
FY 2018: 84.4 %	FY 2018: 2.6 years	FY 2018: -3.6 %	FY 2018: 322,531 sq ft	FY 2018: 1,184,378 sq ft

(1) Includes DPU 0.12 cents of capital gains arising from the divestment of properties from prior periods, in 1Q 2019 only.

# FY 2019 Key Highlights

## January

- ✓ Divested 9 Tai Seng Drive (“**9TSD**”) for S\$99.6 million
- ✓ Received Provisional Approval for NTP asset enhancement initiative (“**AEI**”)

## September

- ✓ Ground-breaking ceremony for AEI at NTP
- ✓ Completed refurbishment of main lobby at 8 Commonwealth Lane
  - Occupancy increased from 62% to 86%
- ✓ Secured new master tenant at 18 Gul Drive



## April

- ✓ Redeemed S\$100 million 4.25% Trust Certificates due 2019

## May

- ✓ Renewed master-lease with Freight Links Express Logistics Pte Ltd at 33 & 35 Penjuru Lane

## November

- ✓ Commencement of new master-lease at 21 Joo Koon Crescent (“**21JKC**”)
- ✓ Completed refurbishment works at 21JKC
- ✓ Obtained new Commodity Murabaha Facilities to refinance maturing loan facilities and finance AEI at NTP

# Financial Performance

For the financial year ended 31 December 2019

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

n.m denotes “not meaningful”

(1) Includes distribution of approximately S\$1.24 million of capital gains arising from the divestment of property.

# Balance Sheet

<b>(S\$'000)</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
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>	<b>989,409</b>
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>	<b>384,931</b>
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
<b>NAV per unit (S\$)</b>	<b>0.57</b>	<b>0.57</b>

# Key Capital Management Indicators

	As at 31 December 2019	As at 31 December 2018
Total Borrowings (S\$ m)	276.5	363.0
Aggregate leverage <sup>(1)</sup> (%)	31.1 <sup>(2)</sup>	36.8
Proportion of borrowings on fixed rates (%)	36.2	71.6
Average all-in financing costs (%)	3.9	4.2
Weighted average debt expiry (years)	2.3	1.3
Profit Cover <sup>(3)</sup> (times)	4.2	3.8
Unencumbered assets (S\$ m) <sup>(4)</sup>	133.7	240.8
Undrawn committed loan facilities available (S\$ m)	37.5	5.0

(1) Ratio of total borrowings & 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.

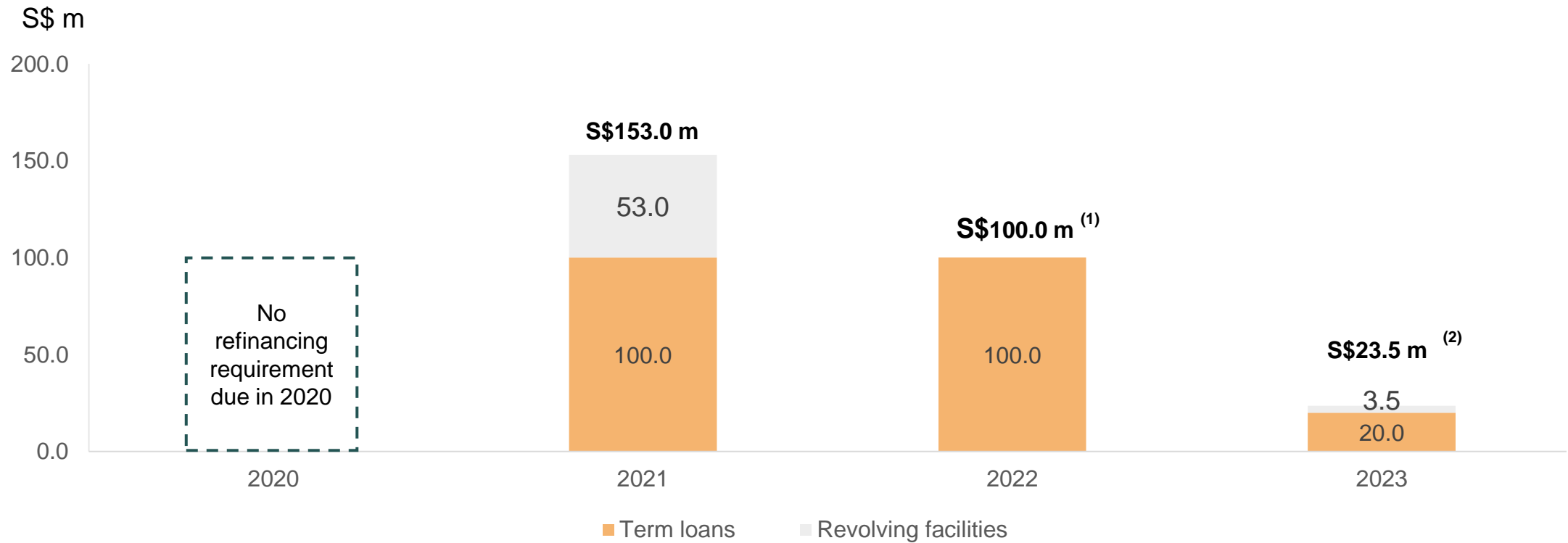
(3) Ratio of net property income over profit expense (excluding effects of FRS 116, amortisation of transaction costs, finance costs relating to lease liabilities & other fees).

(4) Based on valuations by independent valuers.



# Borrowings Maturity Profile (as at 31 Dec 2019)

Maturities of total outstanding borrowings of S\$276.5 million

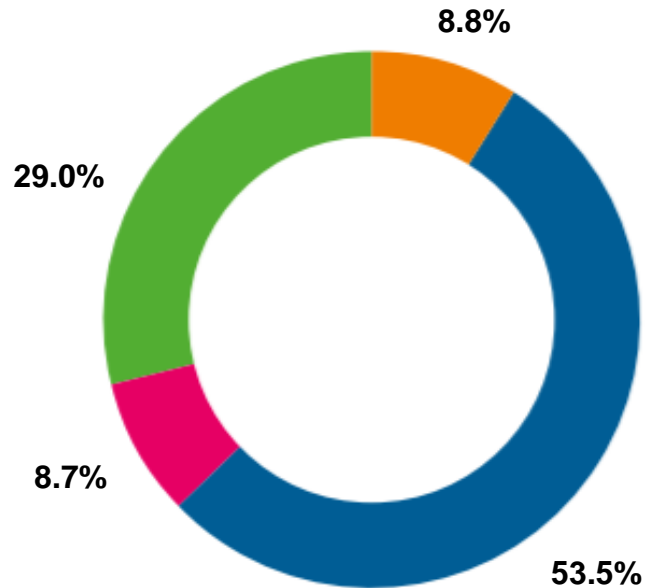


(1) Excludes both S\$14.0 million of undrawn Term loans and S\$7.0 million undrawn Revolving facility maturing in November 2022.

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

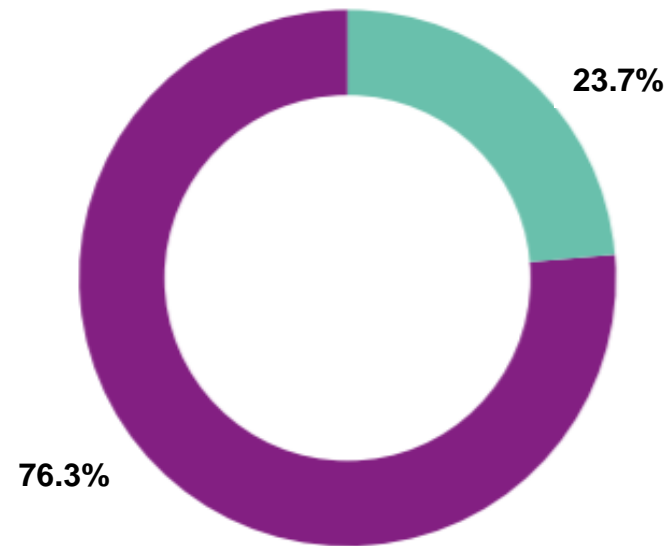
# Well-diversified Portfolio

**Breakdown of Asset Types  
By Gross Revenue**



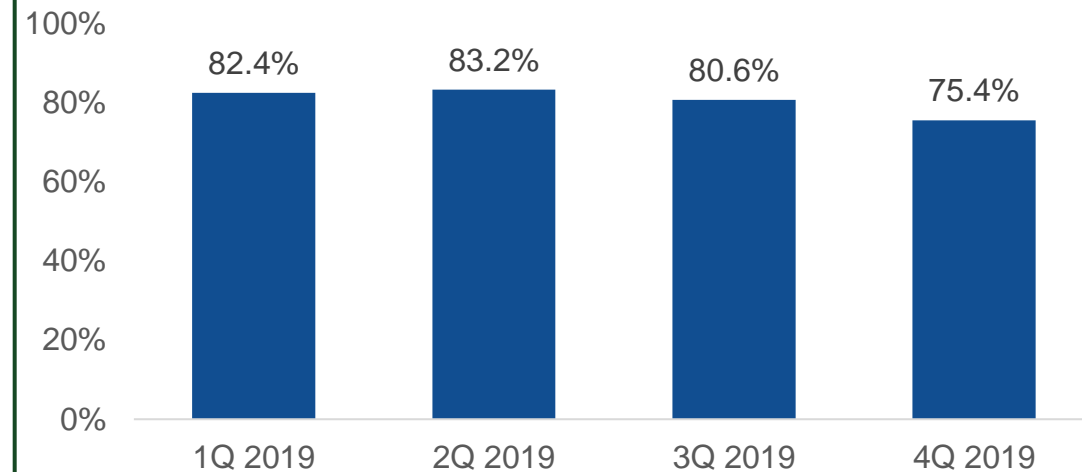
- High-tech Industrial
- Chemical Warehouse and Logistics
- Warehouse and Logistics
- General Industrial

**Breakdown of Master-lease and  
Multi-tenanted Properties  
By Gross Revenue**



- Master-leased<sup>(1)</sup>
- Multi-tenanted<sup>(2)</sup>

**Portfolio Occupancy**

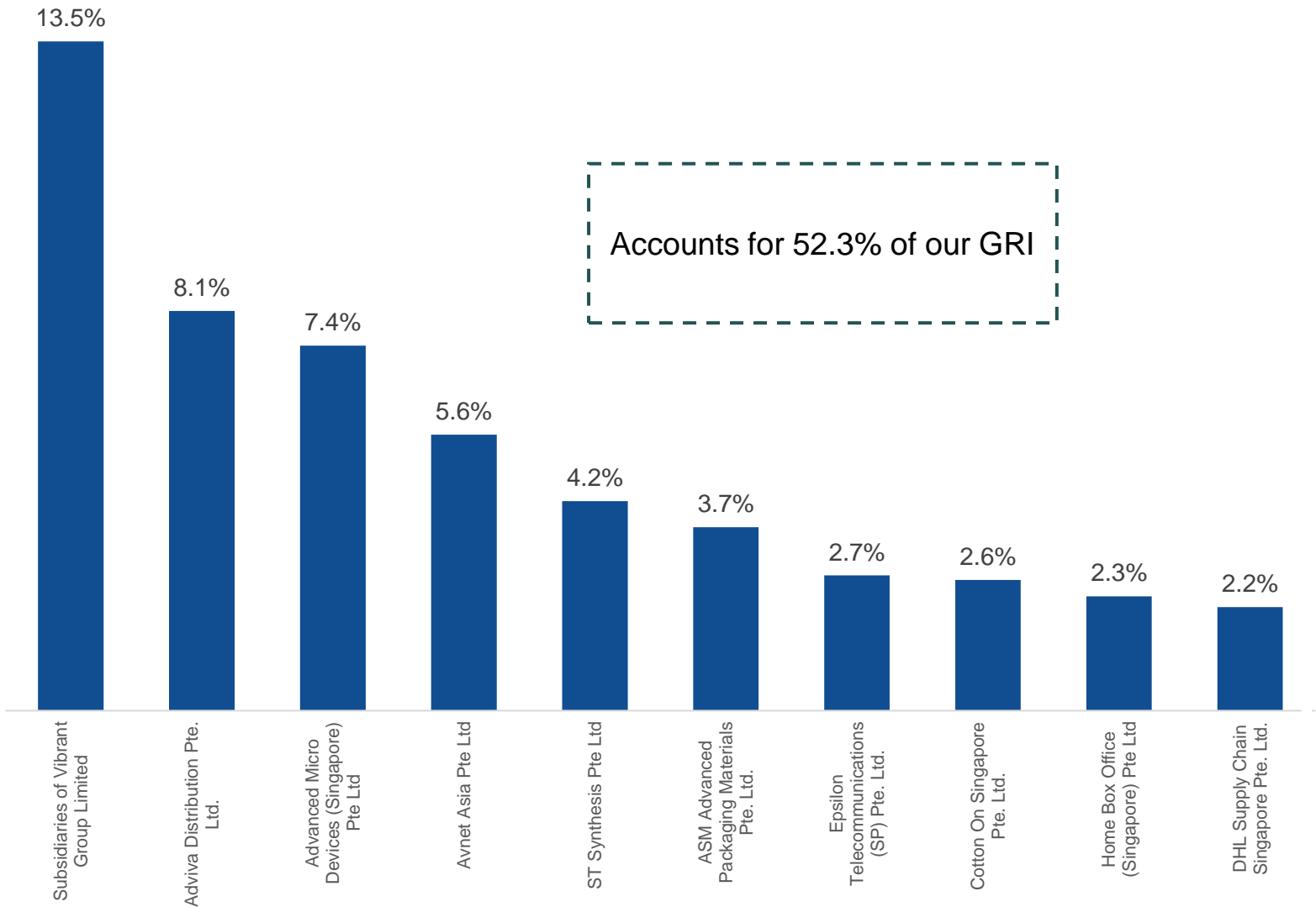


(1) Includes 1 Tuas Avenue 4 (“**1TA4**”) and 3A Joo Koon Crescent (“**3A JKC**”).

(2) Includes the gross revenue of 9TSD till its date of disposal.

# Diversified Tenant Base

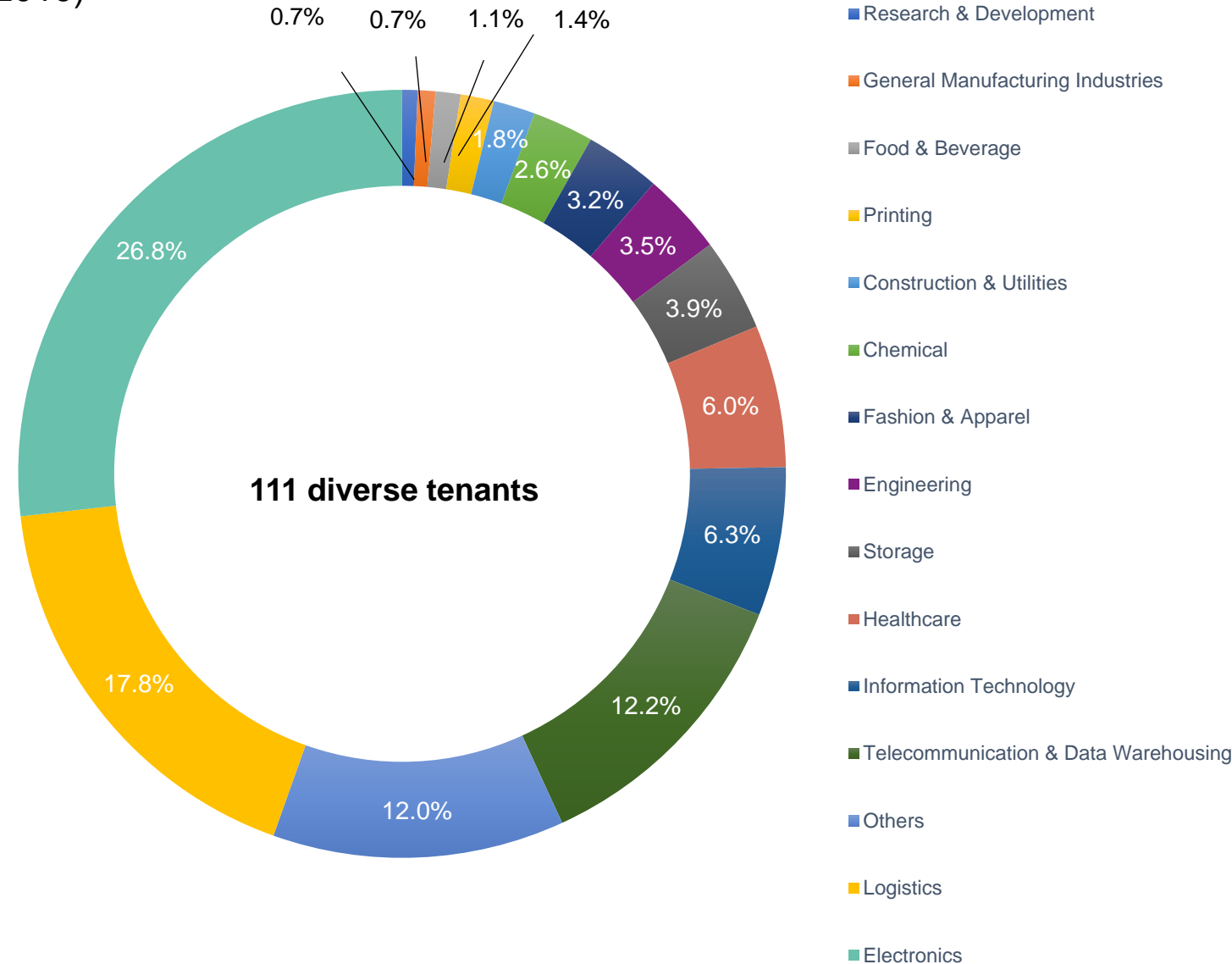
Top 10 Tenants by Gross Rental Income (“Gross Rental Income”)  
(In FY 2019)





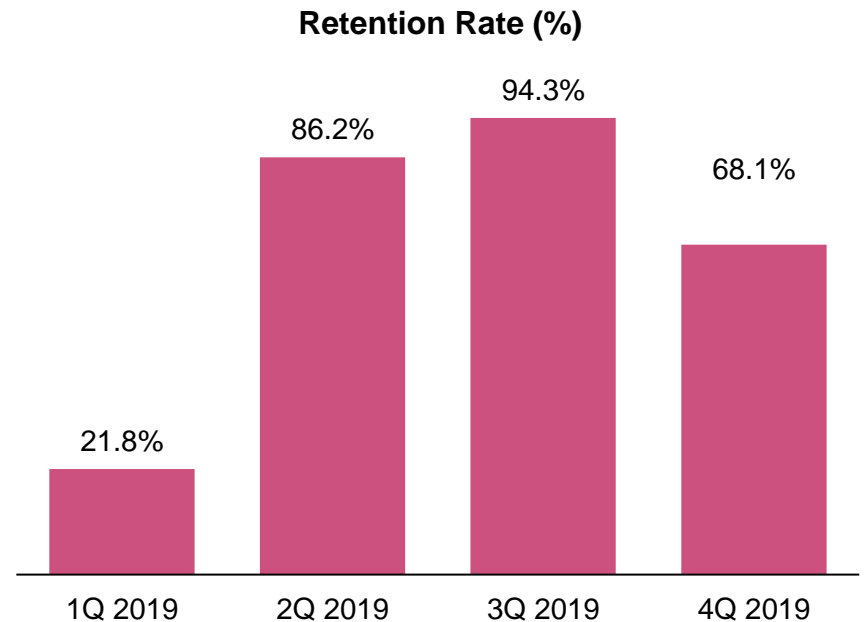
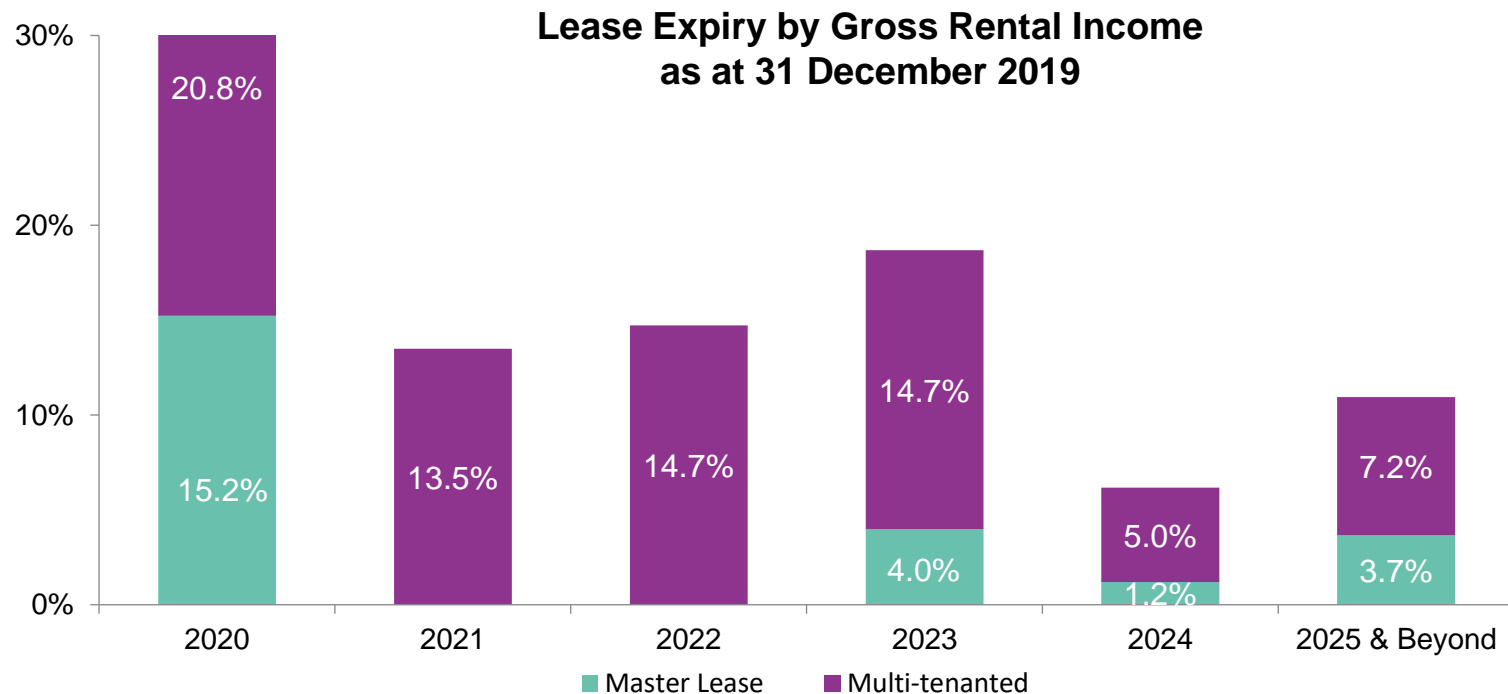
# Diversified Tenant Base

**Trade Sectors by Gross Rental Income**  
(As at 31 December 2019)



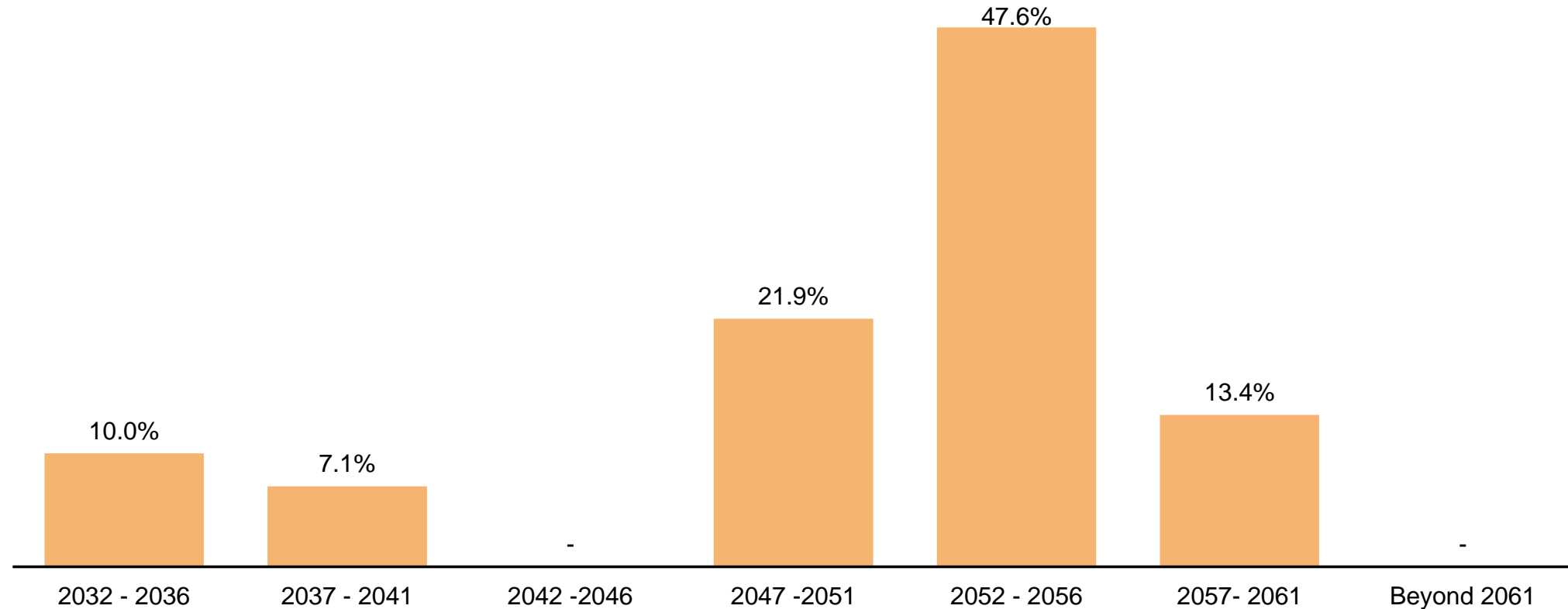
# Well-spread Lease Expiry Profile

- Occupancy decreased to 75.4% from 84.4%
  - Due to: Relocation of a major tenant in NTP in 1Q 2019, early settlement and termination of the master tenancy at 10 Changi South Street 2 (“**10CSS2**”) in 3Q 2019, and expiry of the master-lease at 3A JKC in 4Q 2019
- Improved rental reversion from -3.6% to -0.7%, with increased WALE of 2.8 years from 2.6 years
- Tenant retention rate was 47.5%



# Long Weighted Average Leasehold For Underlying Land

Long underlying land leases, with an average of 31.4 years





# 1Q 2020 Highlights



# 1Q 2020 Highlights

- Aggregated leverage at 31.5%; one of the lowest leverage in REIT industry
- No refinancing requirements until 2021 with weighted average debt maturity of 2.0 years
- Lower all in borrowing cost at 3.7% (1Q 2019: 4.1%)

## Capital Management

Weighted Average Debt Expiry	Aggregate Leverage <sup>(1)</sup>	Proportion of borrowings on fixed rate	Profit Cover <sup>(2)</sup>	Undrawn committed loan facilities available
<b>2.0 years</b>	<b>31.5 %</b>	<b>71.2 %</b>	<b>4.1 times</b>	<b>S\$33.2 m</b>
1Q 2019: 1.1 years	1Q 2019: 33.9 %	1Q 2019: 90.6 %	1Q 2019: 3.9 times	1Q 2019: 71.0 m

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

(2) Ratio of net property income over profit expense (excluding effects of FRS 116, amortisation of transaction costs, finance costs relating to lease liabilities & other fees).

## Portfolio Management

Portfolio Occupancy	Weighted Average Lease Expiry	Rental Reversion (portfolio)	New Leases (9)	Renewed Leases (10)
<b>77.0 %</b>	<b>2.9 years</b>	<b>6.2 %</b>	<b>149,521 sq ft</b>	<b>161,437 sq ft</b>
1Q 2019: 82.4 %	1Q 2019: 2.4 years	1Q 2019: -3.0 %	1Q 2019: 94,646 sq ft	1Q 2019: 55,518 sq ft

# 2020 YTD Highlights: Refreshed Strategy

## Delivering Phase 1

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

- 1TA4 – evaluating alternative options including a data centre, a build-to-suit lease for industrial end user(s) and a dormitory concept, subject to Regulatory Approval
- Secured new anchor tenant for approximately 115,000 sq ft (56%) of net lettable space at 3A JKC. Another approximately 92,000 sq ft (39%) has been leased out on a short term (<1 year) basis. Both tenants are in the bio-med/ healthcare industry

Note : 39% 'short term' take-up rate is not computed in the overall occupancy of the building.

## Continued progress on Phase 2

Undertake Asset Enhancement Initiatives (“**AEIs**”)

### Completed refurbishment / lobby works :

- 10 CSS2 (Feb 2020)

### Update on AEI at NTP:

- Written Permission obtained for Phase 2 of AEI where Phase 1 TOP is now envisaged for 4Q 2020





# COVID-19: Updates



# COVID-19: Outlook

## Singapore and Global Economy

- Singapore will enter a recession this year due to COVID-19, resulting in job losses and lower wages, with “significant uncertainty” over how long and intense the downturn will be<sup>(1)</sup>
- The Ministry of Trade and Industry forecasts Singapore’s 2020 GDP figures to shrink by 4% to 7%<sup>(2)</sup>
- Global Chief Financial Officers are more negative on economy and expect hit to their companies in 2020<sup>(3)</sup>

## Industrial Outlook

- Industrial real estate sector faces several challenges
  - Manufacturing sector faces operational and financial challenges as COVID-19 continues to disrupt global supply chains<sup>(4)</sup>
  - Downward pressure expected on price and rents, compounded by current oversupply in the market<sup>(5)</sup>
  - Industrialists have shelved plans to relocate or expand, reducing the volume of new leases
- However, some bright spots emerging
  - Higher demand expected for logistics/warehouse space, business parks and high-spec space due to new trends arising from the COVID-19 disruptions (e-commerce, storage requirements, technology adoption etc.)
  - Higher demand for high-spec space also expected from technology, e-commerce and firms moving their back-end operations - relocating out from ‘high-cost, high-density (locations) with higher COVID-19 risk in the Central Business District (“**CBD**”), to accessible and cheaper, low-density locations

(1) [Macroeconomic Review](#) by Monetary of Singapore on 28 April 2020

(2) [MTI Downgrades 2020 GDP Growth Forecast to “-7.0 to -4.0 Per Cent”](#) by Ministry of Trade and Industry on 26 May 2020

(3) [Global CFOs more negative on economy and expect big coronavirus hit to their company in 2020: Survey](#) by CNBC on 1 June 2020

(4) [Market in Minutes](#) by Savills Research, 12 May 2020

(5) [Singapore Marketbeat Industrial Report](#) by Cushman & Wakefield, 15 April 2020

# COVID-19: Impact on Our Operations

- Approximately **50%** of tenants deemed essential services and have remained operational over the “Circuit Breaker” period
  - Tenants from diversified sectors provides resilience
- April and May 2020 Gross Rental Invoices: 96% and 90% collection respectively
- <3% of tenants have lodged prescribed the Ministry of Law’s Form 1 for rental deferment under COVID-19 (Temporary Measures) Act 2020
- **NTP AEI:** Majority retail/F&B tenants welcome a ‘delayed’ TOP, as retailers are not ready to open for business before early signs of pandemic easing
- **Rest of portfolio:** Leasing activities such as viewings, handovers and fitting-out have been delayed, affecting lease and rental commencement dates.



# COVID-19: Updates on NTP



- More than **80%** of NTP AEI is designated for F&B, food court and supermarket use
- Dedicated area for quick **'pick-up & go'** for delivery riders to facilitate F&B business, and to target large surrounding residential catchment

## Delayed construction work post-“Circuit Breaker”

Tighter regulatory controls with limited number of workers allowed to work on-site at any point of time, adhering to safe distancing measures

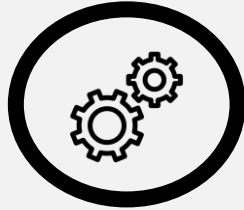
### Phase 1 progress: Ground floor

36% of space have been pre-committed and negotiations over another 35% of space have commenced since 2 June

### Phase 2 progress: Food court on 2<sup>nd</sup> floor

In negotiations with potential tenants to take up 100% of space

# Our Differentiation



## Hands-on approach by senior management

- Proactively retaining/ onboarding major tenants, obtaining regulatory approval, driving AEI process like NTP – senior management including CEO personally involved in spearheading many initiatives



## Close proximity to CBD

- 12 out of 18 properties are within 15 min drive from the CBD, with 7 properties located within 250-metre walking distance to MRT station – e.g. NTP, 8 Commonwealth Lane, 15 Jalan Kilang Barat etc.
- Well-placed to take on potential demand from tenants in the CBD looking to decentralise, lower occupancy costs and to minimise COVID-19 risk from high density areas



## High potential to tap on future organic growth

- High under-utilised plot ratio (in GFA sq ft) for strategically located assets like NTP (~200,000 sq ft), 10 CSS2 (~100,000 sq ft), 26 Loyang Drive (~340,000 sq ft), with no nearby impending Industrial Government and Sales programme (IGLS); low risk of oversupply
- Presents excellent opportunity for organic growth, AEI and ramp up

# Navigating through COVID-19



## Supporting Tenants: Relief Measures

- Passing on full 30% property tax rebate from Singapore Government and one month's base rent to eligible small and medium enterprises ("**SMEs**"), providing additional relief and rental deferment (up to 6 months) to eligible tenants
- SMEs make up approximately 50% of our Gross Rental Income



## Capital Management

- Successfully obtained new S\$30m financing facility (in Apr 20), further boosting the financial capability of the REIT
- No refinancing risk until 2021
- Deferring non-essential capital expenditure



## Safe Management Measures

- All properties have SafeEntry requirement and remain accessible
- Strict temperature screening for all visitors entering the properties
- Frequent sanitisation and disinfection in common and high touch point areas



## Business Continuity and Development

- Focus on organic growth; improve occupancy and extract greater value from existing portfolio
  - 'Seeding' demand strategy – 10CSS2, 3A JKC and 23 Serangoon North Ave 5 to incubate growing new expansionary tenant(s) who can take up anchor tenant(s) position
- Engage and work closely with tenants and stakeholders to overcome this difficult season
- Proactive engagement with tenants on renewals well ahead of lease expiry

### Continue to assess Shari'ah compliance

- Immediate focus is on ensuring the resilience of our operations during these unprecedented times, while enabling Sabana REIT to deliver long-term sustainable value for Unitholders
- Board will continue to assess Shari'ah compliant status

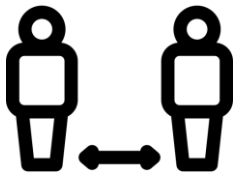


# Looking Forward





# Opportunities



New world order after COVID-19 – offices may move out from dense CBD locations to lower density areas with good transport links and are near to MRTs. Portfolio of high-tech buildings present upside for Sabana, as 12 out of 18 properties are located within a 15-min drive from the CBD with 7 properties located within 250-metre walking distance to the MRT station.



Demand for technology, digitalisation, innovation, logistics, telecommunications, bio-medical and healthcare will spur companies in these “bright spot” clusters to expand footprint.

- We will evaluate and identify properties within our existing portfolio for AEI and/or refurbishments to attract these tenants
- Have successfully transformed 3A JKC into a bio-med/healthcare cluster



Despite short-term cashflow impact, rental relief measures should have positive net impact as tenants and landlords can keep the business eco-system going and provide longer term rental stability for REITs and tenants.

(1) [Acceleration towards a decentralized CBD as remote working takes hold](#), by The Straits Times on 8 May 2020

(2) [Singapore Office Market 2020](#) by CBRE

(3) [Economic transformation must speed up for Singapore's survival beyond Covid-19 crisis](#), by The Business Times on 6 June 2020

(4) [Added reliefs for landlords, tenants positive for S-Reits sentiment: Jefferies](#) by The Business Times on 5 June 2020



# Appendix





# Overview of Sabana REIT

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



Portfolio Value  
**S\$884.4 million**

Tenant Base  
**111 tenants**

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

Portfolio Occupancy  
**75.4%**

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

Portfolio WALE  
**2.8 years**

# Refreshed Strategy

## Focus for 2018 - 2020

## Opportunistic

### PHASE 1

- a. Divesting Non-Performing and Mature Assets**
- b. Continue to Actively Manage and Optimise Portfolio**

### PHASE 2

**Undertake Asset Enhancement Initiatives (“AEIs”)**

### PHASE 3

**Potential Yield-Accretive Acquisitions including Overseas**

## All underpinned by

- **Prudent Risk and Capital Management**
- **Ongoing Cost Rationalisation**

# Disclaimer

**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 full financial 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.

**Thank you**

