



SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

SABANA INDUSTRIAL REIT REPORTS 1H 2024 DISTRIBUTABLE INCOME OF \$16.6 MILLION; SUCCESSFUL ISSUANCE OF \$100 MILLION SUSTAINABILITY-LINKED GUARANTEED BONDS

- Portfolio valuation improved 3.3% year-on-year (“y-o-y”) to \$914.5 million¹, supported by asset enhancement initiatives, asset rejuvenation and higher rentals
- Sabana@1TA4, the REIT’s second major asset enhancement initiative (“AEI”), has received Temporary Occupation Permit (“TOP”) on 9 July 2024
 - Lease documentation underway with prospective tenant for the annex block comprising a three-storey warehouse, production and ancillary office, making up approximately 64% of total lettable area
- Executed 42 new and renewed leases totalling approximately 269,110 square feet (“sq ft”); with positive rental reversion of 16.8% for 1H 2024
- Overall portfolio occupancy of 78.8%² mainly due to repossessions of 33 & 35 Penjuru Lane and 30 & 32 Tuas Avenue 8
 - Manager is proactively re-marketing both properties. For 33 & 35 Penjuru Lane, subsequent to 30 June 2024, circa 42% of total lettable space has been leased out and one month booking fee has been received for circa 27% of total lettable area; for 30 & 32 Tuas Avenue 8, site viewings have been conducted by prospective tenants

Summary of Results

(\$'m)	1H 2024	1H 2023	Variance (%)
Gross Revenue ^(a)	55.2	55.3	(0.2)
Net Property Income (“NPI”) ^(a)	27.2	27.2	-
Total Income Available for Distribution ^(b)	16.6	17.8	(6.6)
Income Available for Distribution Per Unit (cents)	1.47	1.61	(8.7)
Total Distribution Amount Declared ^(b)	15.1	17.8	(15.4)
Distribution Amount Declared Per Unit (“DPU”) (cents) ^(c)	1.34	1.61	(16.8)

(a) Please refer to the other information section of the interim financial information for explanation of the variances.

(b) The REIT’s distribution policy is to distribute at least 90.0% of its distributable income to Unitholders. Approximately 10% of distributable income for FY 2023 was retained for prudent capital management in view of costs incurred and to be incurred in connection with the internalisation; Approximately 10% of distributable income for 1H 2024 was retained; further retention of distributable income may be required for 2H 2024 and FY 2025. In view of the ongoing internalisation process, the Trustee will provide further updates as and when there are material developments. All updates from the Trustee will be in the form of announcements via SGXNet. Unitholders may direct their enquiries to sabana.trustee@hsbc.com.sg.

(c) Based on 1,102,156,128 units as at 30 June 2023 and 1,125,055,242 units as at 30 June 2024

Singapore, 23 July 2024 – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**” or the “**REIT**”), today reported financial results for the first half financial year ended 30 June 2024 (“**1H 2024**”).

¹ As at 30 June 2024.

² As at 30 June 2024, excludes Sabana@1TA4 which obtained TOP on 9 July 2024.

NPI remained stable at \$27.2 million year-on-year (“y-o-y”) notwithstanding a marginal 0.2% y-o-y decline in gross revenue to \$55.2 million for 1H 2024. The Manager maintained positive rental reversions in 1H 2024, which marks 14 consecutive quarters of positive rental reversion since 1Q 2021.

As a result of higher finance costs due to increased borrowings and higher borrowing costs, total income available for distribution fell 6.6% y-o-y to \$16.6 million. Income available for distribution per unit was 8.7% lower y-o-y at 1.47 cents due to the enlarged unit base on the back of the distribution reinvestment plan. With the retention of approximately 10% of distributable income which will be deployed to fund costs incurred in connection with the internalisation, distribution amount declared per unit decreased by 16.8% y-o-y to 1.34 cents for 1H 2024, compared to 1.61 cents in 1H 2023.

Mr Donald Han, Chief Executive Officer of the Manager of Sabana Industrial REIT said, “On the operating front, we have consistently achieved positive rental reversions for 14 consecutive quarters, notwithstanding a challenging macro environment and uncertainties arising from internalisation process. These challenges have been compounded by the unexpected master lease terminations and the consequential repossessions of 33 & 35 Penjuru Lane and 30 & 32 Tuas Avenue 8. Our leasing efforts have produced good results, with about 42% of the total lettable area at 33 & 35 Penjuru Lane leased out and a one-month booking fee received for circa 27% of total lettable area. We have also quickly arranged for a number of prospective tenants to view 30 & 32 Tuas Avenue 8.

“Sabana@1TA4 has obtained its TOP on 9 July 2024. Lease documentation is underway with a prospective tenant for the annex block, which accounts for about 64% of the property’s total lettable area. Sabana@1TA4 has achieved the BCA Green Mark Super Low Energy certificate, the first such award for the REIT, and is expected to be a net positive energy building given current specifications. With the progress of our sustainability journey, we are well-positioned to capitalise on alternative solar energy to counter potential energy price volatility brought on by macro volatilities and conflicts.

“The REIT’s proactive leasing strategy, asset rejuvenation and focus on tenant management and higher rentals have led to an improvement in portfolio valuation to \$914.5 million. We remain firmly focused on extracting value from our existing quality portfolio for sustainable growth.”

Proactive Leasing Management and Portfolio Rejuvenation

In 1H 2024, the Manager has successfully executed a total of 42 new and renewed leases totalling 269,110 sq ft and achieved a tenant retention rate of 90.5% for all lease renewals during the period. Sabana Industrial REIT has achieved a positive rental reversion of 16.8% for 1H 2024, following three consecutive years of positive double digit rental reversions in FY 2021, FY 2022 and FY 2023.

Weighted average lease expiry (“WALE”) by gross rental income was 2.7 years, with long underlying land leases averaging 26.9 years by gross floor area (“GFA”). The Manager continues to proactively engage with existing tenants ahead of lease expiries and has successfully renewed and replaced 53.5% of its leases expiring in FY 2024. Another 42.6% is under lease negotiation and/or lease documentation.

As at 30 June 2024, overall portfolio occupancy rate slipped to 78.8%³, from 93.9% as at 30 June 2023. This is mainly due to repossessions of 33 & 35 Penjuru Lane on 8 March 2024, and subsequently, 30 & 32 Tuas Avenue 8 on 14 June 2024, with the master tenant having been placed in creditors’ voluntary liquidation. For the former repossession, the court has ruled in favour of the REIT in respect of its claim of approximately \$4 million from Kleio One-Solution Pte. Ltd. (“Kleio”), being the sum outstanding from May 2023 to March 2024, as well as losses the REIT suffered as a result of Kleio’s non-repayment of outstanding rent and other payments due under the lease and termination for breach of the lease agreement, to be determined. Kleio filed a notice of appeal on 4 June 2024 to the Appellate Division of the High Court to appeal against part of the orders made by the court on 21 May 2024. This appeal is presently before the Appellate Division and the REIT Manager will provide updates on the outcome in due course.

³ As at 30 June 2024, excludes Sabana@1TA4 to which obtained TOP on 9 July 2024.

Sabana Industrial REIT's second major AEI of Sabana@1TA4 has received TOP on 9 July 2024. Lease documentation is underway with a prospective tenant for the annex block comprising a three-storey warehouse, production and ancillary office, making up approximately 64% of total lettable area. With its TOP, Sabana@1TA4 is scheduled for the installation of solar panels in 3Q 2024. Upon completion, the property will incorporate slightly over 4,500 square metres (approximately 48,438 sq ft) of solar panels that will potentially generate more than 1,000 megawatt-hours of energy per year. It is also expected to be a net positive energy building, based on current specifications. The property is situated within a highly industrialised region and in close proximity to the Tuas Mega Port and Tuas Crescent MRT station.

Portfolio Valuation

Sabana Industrial REIT has achieved higher portfolio valuation of \$914.5 million as at 30 June 2024 for its diversified portfolio of 18 properties, up from \$903.9 million as at 31 December 2023. The valuation uplift can be attributed to asset enhancement initiatives, asset rejuvenation and higher signing rents for both new and renewed leases across the portfolio.

Prudent Capital Management

Mr Tan Cheong Hin, Chairman of the Board of Directors commented, *"The successful issuance of the sustainability-linked guaranteed bonds, which received a long-term issue rating of 'AA' from Standard & Poor Global Ratings, marks a pivotal step towards the REIT's goal of becoming one of Singapore's first carbon-neutral industrial REITs by 2040. Building on the resilient 1H 2024 performance, the REIT will continue scaling up sustainable practices for the benefit of all Unitholders as Sabana Industrial REIT advances towards a greener future."*

In 1H 2024, the Manager successfully launched \$100 million in aggregate principal amount of 5-year 4.15% senior unsecured Sustainability-Linked Guaranteed Bonds due 2029 (the "**Bonds**"), representing the first Singapore dollar-denominated Credit Guarantee and Investment Facility ("**CGIF**") -guaranteed sustainability-linked bonds in Asia, the first listed CGIF-guaranteed bonds aligned to the ASEAN Sustainability-Linked Bond Standards and the first CGIF-guaranteed bonds issued by an industrial REIT in Asia. Consequently, the REIT has no refinancing requirements until March 2026.

As at 30 June 2024, aggregate leverage was 35.8% with a weighted average debt maturity at 3.4 years, compared to 2.9 years as at 31 December 2023. Weighted average all-in financing cost increased to 4.30% as at 30 June 2024 from 3.89% as at 31 December 2023. 80.1% of the REIT's total borrowings was hedged to fixed rates. The REIT's interest coverage ratio was 3.3 times as at 30 June 2024, with a debt headroom of \$136.3 million.

Sustainability Highlights

In alignment with the sustainability-linked bond principles, Sabana Industrial REIT has committed to minimise its environmental impact and focus on its Sustainability Performance Target ("**SPT**") for the Bonds by achieving 30% Absolute Reduction of Scope 2 GHG Emission by 2028.

Various strategies have been put in place to achieve the REIT's SPT. These include the installation of solar panels across nine portfolio properties, with a total installed capacity of 7.1 Megawatt peak and potentially producing over 8,400 Megawatt hours per year. Additionally, building equipment at 508 Chai Chee Lane has been upgraded, and all common area lighting across selected multi-tenanted properties has been replaced with LED. The REIT Manager will continue to implement energy conservation measures to reduce energy consumption, including the upgrading of existing M&E equipment at selected aged portfolio properties to more efficient equipment.

Ongoing Internalisation Process

In accordance with the resolutions passed at the Extraordinary General Meeting (“**EGM**”) on 7 August 2023, HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Sabana REIT) (the “**Trustee**”) is working closely with its appointed advisers to carry out the implementation of the resolutions in a compliant and prudent manner to protect the interests of all Unitholders. \$1.37 million of expenses were incurred in connection with (and up to) the requisition of the 7 August 2023 EGM.

For the period from 1 January 2024 to 30 June 2024, \$3.53 million of expenses were incurred in respect of implementation of the resolutions passed on 7 August 2023 to effect the internalisation.

Amid the ongoing internalisation process of the REIT management function and costs to be incurred in connection with this process, approximately 10% of distributable income for 1H 2024 was retained and further retention of distributable income may be required for 2H 2024 and FY 2025.

The Manager advises that Unitholders refer to the Trustee’s statements published on SGXNet in respect of the internalisation. The Trustee has stated in its various statements to Unitholders that the nature of this internalisation process, through the establishment of an internalised manager, is unprecedented in the Singapore market, and is expected to take at least 12 months and potentially significantly longer.

During this interim period, the Trustee continues to engage with the Manager regularly to ensure the ongoing and stable operations of the REIT. The Trustee has been diligently working on, and has progressed, various workstreams to effect the internalisation. Unitholders may wish to refer to the various Trustee’s Statements dated 8 August 2023, 29 August 2023, 4 October 2023, 7 November 2023, 6 December 2023, 15 December 2023, 9 January 2024, 23 January 2024, 30 January 2024, 20 February 2024, 29 February 2024, 22 March 2024, 26 March 2024, 9 April 2024, 26 April 2024, 24 May 2024, 31 May 2024, 12 June 2024 and 18 June 2024 disclosing the Trustee’s progress in its implementation of the internalisation.

The Trustee will provide further updates as and when there are material developments. All updates from the Trustee will be in the form of announcements via SGXNet.

Outlook

The Ministry of Trade and Industry announced on 12 July 2024 that Singapore’s economy grew by 2.9 per cent on a year-on-year basis in the second quarter of 2024, extending the 3.0 per cent growth in the previous quarter⁴. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 0.4 per cent, slightly faster than the 0.3 percent in the first quarter. According to the Monetary Authority of Singapore, both headline and core inflation are projected to average between 2.5% and 3.5% in 2024⁵.

Overall occupancy rate for the industrial property market fell 0.3 percentage points to 88.7% in 1Q 2024 when compared to the previous quarter, driven by a surplus of supply over demand, according to JTC. Occupancy rate of business parks in 1Q 2024 was 78.0%, compared to 78.4% in 4Q 2023⁶.

According to Knight Frank, the return of growth in the manufacturing sector will underpin stability for the outlook for the industrial and logistics market. Key industrial indicators such as prices, rents and occupancy levels are expected to remain relatively stable across the various industrial property types for the rest of the year. Overall factory rental and price growth for 2024 is expected to grow by 3% to 5%⁷.

With macroeconomic conditions remaining uncertain, global interest rates staying at elevated levels and operating costs remaining a key concern, these factors will put pressure on the REIT’s performance.

⁴ “Singapore’s GDP Grew by 2.9 Per Cent in the Second Quarter of 2024”. Ministry of Trade and Industry Singapore. 12 July 2024.

⁵ “MAS Monetary Policy Statement - April 2024”. Monetary Authority of Singapore. 12 April 2024.

⁶ “JTC Quarterly Market Report for 1Q 2024”. JTC. 25 April 2024.

⁷ “Singapore Industrial and Logistics Market Update - Q1 2024”. Knight Frank. 12 April 2024.

The Manager will focus on proactive lease and portfolio management and prudent capital management as it navigates through these uncertainties and challenges.

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For enquiries, please contact:

Sabana Real Estate Investment Management Pte. Ltd.

Mr Joshua Wong

Tel: +65 6580 7766

Email: joshua.wong@sabana.com.sg

Citigate Dewe Rogerson

Ms Chia Hui Kheng/ Ms Dolores Phua/ Ms Louise Lim

Tel: +65 6534 5122

Email: sabana@citigatedewerogerson.com

Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2023, Sabana Industrial REIT has a diversified portfolio of 18 quality properties with a total gross floor area of approximately 4.2 million square feet 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 more than S\$1.0 billion as at 31 December 2023. Sabana Industrial REIT is a constituent of the SGX S-REIT Index and MSCI Singapore Micro Cap Index.

Sabana Industrial REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana Industrial REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended, varied or supplemented from time to time). Sabana Industrial 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.

Important Notice

The value of units in Sabana Industrial 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 Industrial 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 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.