



## **SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST**

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

### **ANNOUNCEMENT**

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#### **RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS") ON FY 2024 ANNUAL REPORT**

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Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Industrial Real Estate Investment Trust ("**Sabana Industrial REIT**", and the manager of Sabana Industrial REIT, the "**Manager**"), wishes to respond to the questions raised by SIAS in relation to the annual report issued by Sabana Industrial REIT in respect of the financial year ended 31 December 2024 (the "**Annual Report 2024**"). Our Annual Report 2024 was selected by SIAS as part of its regular practice of selecting annual reports for review on a rotational basis. The responses from the Manager and HSBC Institutional Services (Singapore) Limited (in its capacity as trustee of Sabana Industrial REIT) (the "**Trustee**") to the questions can be found in Appendices A and B to this announcement.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company Registration No: 201005493K, Capital Markets Services Licence No: CMS100169)

As Manager of Sabana Industrial Real Estate Investment Trust

Han Yong Lee (Donald)

Chief Executive Officer

17 April 2025

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**Sabana Industrial REIT**

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2024, Sabana Industrial REIT has a diversified portfolio of 18 quality 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 more than S\$1.0 billion as at 31 December 2024. 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 Industrial REIT, please visit [www.sabana-reit.com.sg](http://www.sabana-reit.com.sg).

**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.

For further information on Sabana Industrial REIT, please visit [www.sabana-reit.com.sg](http://www.sabana-reit.com.sg).

**Appendix A**  
**Questions from SIAS with Responses by Manager**

**Q1. For the financial year ended 31 December 2024, the REIT achieved a record-high gross revenue of \$113.3 million, the highest since its listing in November 2010. Distribution per unit (DPU) rose 3.6% to 2.86 cents in FY2024, up from 2.76 cents the previous year.**

**This was achieved despite operational disruptions at two master-leased properties: 33, 33A & 35 Penjuru Lane and 30 & 32 Tuas Avenue 8 in March and June 2024, respectively. Nevertheless, the financial distress of two master lessees within a short period raises concerns about tenant credit evaluation. The master lease for 30 & 32 Tuas Avenue 8 was a 10-year agreement that only just commenced in 2022.**

**i. Following the financial troubles of Kleio One-Solution Pte. Ltd. and GDMC Pte. Ltd., has the REIT manager reassessed its credit risk framework and the REIT's compliance with the framework? With the benefit of hindsight, were there any red flags, such as late rental payments, or deviations from the risk assessment framework, given that the default occurred within two years of lease signing?**

- The Manager screens all potential tenants before they are onboarded, including conducting credit assessments such as reviewing paid-up capital, which is in line with market practice. Following the two master lease disruptions in 2024, the Manager has further enhanced internal credit assessment and control processes, including implementing more regular credit checks, particularly on larger tenants and stricter rental payment timelines specifically for tenant/s with weaker track record/s, among others. Tenants with a history of late rental payments are monitored closely and regularly.
- However, no level of enhanced credit control measures can be entirely foolproof as markets and business conditions are volatile. In addition, unforeseen socio-political and macro-economic circumstances could adversely affect the financial position of our tenants. These are factors that are outside of the Manager's control.
- Notwithstanding these two ex-tenants, we have had a strong track record in rental collectability. Excluding these two ex-tenants, our rental collectability rates were above 99.0% in the financial years ended 31 December 2023 and 31 December 2024.
- As an update, the Manager has since leased out approximately 86.3%<sup>1</sup> of the net lettable area of 33, 33A & 35 Penjuru Lane as at 31 March 2025. Reconfiguration initiatives are currently underway to allow for maximum leasing flexibility at 30 & 32 Tuas Avenue 8.

**ii. Has the REIT conducted a stress test on its top tenants to identify potential vulnerabilities?**

- We have specific processes in identifying and monitoring, including reviewing the financial background of our top tenants. Rental collectability and account receivables are also closely tracked, with rental collectability for 2H 2024 at approximately 99.5%.

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<sup>1</sup> Please refer to Sabana Industrial REIT's presentation dated 15 April 2025 for its financial results for the first quarter ended 31 March 2025 available on SGXNet and the REIT's corporate website.

**As at 31 December 2024, New Tech Park (151 Lorong Chuan) had an occupancy rate of 82.3%, a modest increase from previous years (81.2% in 2021, 78.3% in 2022).**

**iii. Are there structural barriers preventing occupancy from exceeding 90% and, what plans are in place to further increase the occupancy at New Tech Park? What differentiation strategy is being pursued to enhance its attractiveness?**

- There are no “structural barriers” at New Tech Park preventing occupancy from exceeding 90%. The occupancy rate at New Tech Park (akin to Business Park segment) stood at 85.0% as at 31 March 2025, which was above the average of 77.9% for Business Park as reported in JTC Quarterly Market Report for 4Q 2024. Based on JTC figures, New Tech Park occupancy rate has consistently outperformed the Business Park segment island-wide every quarter since 1Q 2024.
- Our leasing team has worked hard to revitalise the tenant mix at NTP+ Mall in the second half of 2024, adding diverse F&B options - including established brands - to the mall. This increases the attractiveness of the mall, which serves the captive market of office workers at New Tech Park and nearby residential estates.

**The REIT has committed to achieving carbon neutrality by 2040. Currently, solar panels at nine properties generate up to 7.6 megawatt-peak power, positioning the REIT among the leaders in solar power generation relative to gross floor area.**

**iv. Can the REIT manager provide insight into the extent to which sustainability initiatives provide the REIT with a competitive advantage in leasing discussions? How much do tenants value sustainability features, and do rental rates reflect the demand for green-certified spaces?**

- More tenants, particularly multinational corporations, are paying greater attention to landlords’ sustainability initiatives such as the availability of solar panel installations, LED/motion sensing lighting, water efficiency measures, waste recycling practices, among others. All these sustainability initiatives have been implemented at a majority of Sabana Industrial REIT’s multi-tenanted properties.
- As Manager, our focus is to constantly engage tenants and improve their workplace via asset enhancement initiatives and rejuvenation works, while keeping rents competitive against the backdrop of increased industrial supply.
- Retention rate for Sabana Industrial REIT’s properties was at creditable 87.9% as at 31 December 2024 and a high of 99.7% as at 31 March 2025 – a positive testament to the REIT’s value proposition to tenants.

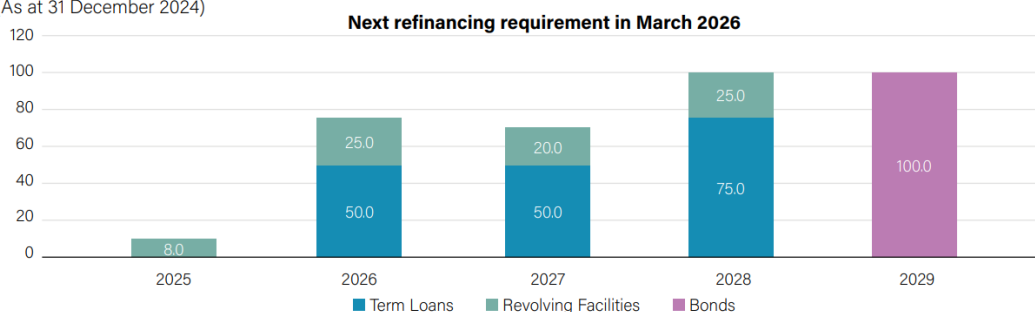
**Q2. Certain financial metrics and the debt maturity profile are presented on page 15 of the annual report and reproduced below:**

**KEY DEBT FUNDING INDICATORS**

	As at 31 December 2024 (\$ '000)	As at 31 December 2023 (\$ '000)
Aggregate leverage <sup>1</sup> (%)	37.4	34.3
Total borrowings	353,000	318,000
Proportion of total borrowings on fixed rates (%)	73.7	76.3
Average all-in financing cost (%)	4.42	3.89
Weighted average tenor of borrowings (years)	2.9	2.9
Interest coverage ratio <sup>2</sup> ("ICR") (times)	3.0	3.5
Unencumbered assets <sup>3</sup>	915,900	903,900
Undrawn committed facilities available	22,000	95,000

**DEBT MATURITY PROFILE (\$ MILLIONS)**

(As at 31 December 2024)



(source: annual report)

**i. Does this mean that the REIT is funding capital expenditure using borrowings which led to the increase in borrowings from \$318 million to \$353 million since there has been no new acquisitions? Is this sustainable?**

- The increase in borrowings was mainly for the funding of capital expenditure ("capex") deployed for asset enhancement initiatives and rejuvenation works at selected properties. The balance funds were utilised for financing-related expenses and working capital for the REIT.
- The Manager will continue to be prudent and disciplined in its capital deployment to ensure capex deployed will have a positive impact on the REIT and value-accretive to unitholders.
- Equally importantly, the Manager is seeking a sustainable source of capital and additional funding flexibility for the REIT via the unit issue mandate to be tabled at the upcoming Annual General Meeting. For more information on this, please refer to Sabana Industrial REIT's pre-AGM presentation<sup>2</sup>.

**ii. Can the manager provide a breakdown of the \$30.5 million of capital expenditure over the past two years?**

- Of the \$30.5 million of capex incurred over the past two years in FY 2023 (capex: \$16.7 million) and FY 2024 (capex: \$13.8 million), approximately 60% was for the asset enhancement initiative of Sabana@1TA4, of which ground breaking took place in April 2023.
- The remaining capex was for rejuvenation works and mechanical and electrical ("M&E")

<sup>2</sup> Please refer to Sabana Industrial REIT's pre-AGM presentation dated 13 March 2025 [https://sabana.listedcompany.com/newsroom/20250313\\_080623\\_M1GU\\_38G8E7V10JC31VKH.3.pdf](https://sabana.listedcompany.com/newsroom/20250313_080623_M1GU_38G8E7V10JC31VKH.3.pdf) available on SGXNet and the REIT's corporate website.

equipment upgrading works at selected properties over these two years, notably capex deployment as below:

- Continuous asset refurbishment and upgrading of M&E capacity at New Tech Park, to future proof and improve the overall energy efficiency of the building;
  - Continuous M&E equipment upgrading works for better building performance efficiency and optimisation of 508 Chai Chee Lane; and
  - Asset rejuvenation at selected high-tech industrial and warehouse buildings, to future proof the assets and cater to more diverse occupier requirements.
- All asset enhancement initiatives and capex deployment were in line with the REIT's sustainability commitment. The Manager will continue to enhance and improve the overall attractiveness and efficiency of the properties across the REIT's portfolio.

**In June 2024, the REIT issued \$100 million in five-year 4.15% senior unsecured sustainability-linked bonds, backed by a Credit Guarantee and Investment Facility ("CGIF") guarantee. This was the first CGIF-guaranteed bond issuance by an industrial REIT in Asia.**

**iii. What was the cost of the CGIF guarantee, and what were the key factors in deciding to secure it?**

- While we are unable to disclose the cost for commercial reasons, the CGIF Guarantee is instrumental in enhancing the bond's creditworthiness and attracting international investors by mitigating default risk. The payment obligations of the Issuer under the Bonds and the bond trust deed are unconditionally and irrevocably guaranteed by CGIF, a trust fund of the Asian Development Bank, which is rated AA by Standard & Poor's<sup>3</sup> to the extent of, and in accordance with and subject to the terms of, such guarantee.
- The issuance marks CGIF's first-ever sustainability-linked bond, underscoring the developmental impact by enabling the REIT to extend its weighted average maturity and diversify funding source.
- Our average all-in financing costs for the REIT, inclusive of the guarantee fee, was 4.42% as at 31 December 2024.

**Despite the increase in leverage, the REIT manager retained 10% of distributable income, citing "prudent capital management in view of additional costs incurred and to be incurred in connection with the internalisation."**

**iv. What are the specific considerations behind the REIT manager's decision to retain 10% of distributable income? Going forward, will this practice of retaining 10% continue or cease?**

- The retention of distributable income is for prudent capital management in view of additional costs incurred and to be incurred in connection with the internalisation of the REIT management function; further retention of distributable income may be required for FY 2025 and the Manager will provide any material updates via SGXNet.

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<sup>3</sup> 100% unconditional guarantee of the payment obligations of the Issuer under the bonds and the bond trust deed, to the extent of, and in accordance with and subject to the terms of, such guarantee. For more information, please refer to the 18 June 2024 announcements, [https://sabana.listedcompany.com/newsroom/20240618\\_235152\\_M1GU\\_HOOMNN6AWXUTOHTF.1.pdf](https://sabana.listedcompany.com/newsroom/20240618_235152_M1GU_HOOMNN6AWXUTOHTF.1.pdf) and [https://sabana.listedcompany.com/newsroom/20240618\\_235134\\_M1GU\\_4CH4SON1HZJE1YZD.1.pdf](https://sabana.listedcompany.com/newsroom/20240618_235134_M1GU_4CH4SON1HZJE1YZD.1.pdf), available on SGXNet and the REIT's corporate website.

**Appendix B**  
**Questions from SIAS with Responses by Trustee**

The information, statements or opinions contained in this Appendix B are provided by the Trustee in response to questions raised by SIAS.

The Manager assumes no responsibility for any of the contents of Appendix B, including the accuracy, completeness or correctness of any of the information, statements or opinions contained in Appendix B.

**Q1. In October 2024, unitholders approved the resolutions appointing and/or endorsing six directors for the internalised manager of the REIT. However, three resolutions proposing candidates identified by the trustee were not carried.**

**Currently, the appointment of these director candidates, along with the application for a capital markets services (CMS) licence for the internalised manager, remains subject to approval by the Monetary Authority of Singapore (MAS).**

**The latest trustee statement on 21 January 2025 shows the following timeline for the internalisation efforts:**

**ANNEX A: Indicative Internalisation Timeline**

Reference Key: ● Completed ● In Progress ● Not Started

Activity:	Status:	Workplan				Comments:
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	
1. Appointment of Professional Advisers	●					
2. Seek ESR's views in relation to Resolution 1 passed at the 6 March 2024 EGM	●					
3. Establish entity for New Internalised Manager	●					
4. Establish functionality for New Internalised Manager	●					
5. Review applicable regulations	●					
6. Establish Trust Deed amendments	●					
7. Order 32 application	●					
8. Establish personnel for New Internalised Manager	●					The Trustee has been engaging with the ICDE with a view to progressing the management executive workstream. Among others: (i) the Trustee met with the ICDE on 30 October 2024, 17 November 2024 and 23 December 2024 to discuss the process for reviewing candidates for executive management roles in the New Internalised Manager, and (ii) the Trustee also arranged for the ICDE to meet with the Further Management Candidates, and these meetings have now been completed.
9. Establish budget and operating plan for New Internalised Manager	●					The drafts of the budget and operating plan prepared by the Financial Adviser have been provided to the ICDE to assist them in formulating the business plan of the New Internalised Manager for the CMS licence application.
10. Licensing and applications*	●					The ICDE is working on formulating the business plan of the New Internalised Manager required to update the CMS licence application, which will be shared with the Trustee prior to submission to the MAS.
11. Capitalisation of new entity	●					Capitalisation of the entity proposed to be the New Internalised Manager is expected to take place after the approval-in-principle is granted by the MAS pursuant to the CMS licence application.
12. Transition and operationalisation	●					Operational actions required to set up the New Internalised Manager, including the hiring of staff, and the setting up of systems, premises, and equipment will be progressed with oversight by the Trustee.
13. Unitholder communications	●					The Trustee will continue to provide updates to Unitholders in respect of material developments. All updates from the Trustee will be in the form of announcements via SGXNet.
14. Extraordinary general meeting(s) to implement and effect internalisation	●					Further meeting(s) may be scheduled as necessary.

(<https://links.sgx.com/FileOpen/Trustee%20Statement.ashx?App=Announcement&FileID=830988>)

**(i) What is the progress made in appointing new management for the internalised manager, and what are the specific regulatory or operational hurdles delaying this process?**

- Please refer to the Trustee's Statement dated 16 April 2025 for an update on the progress of the management executive workstream.



**(ii) Has the trustee and the internalisation committee and directors elect (ICDE) agreed on a firm deadline to finalise the business plan for the CMS licence application? When is the submission expected, and what are the key outstanding issues?**

- Please refer to paragraph 1(c) of the Trustee's Statement dated 16 April 2025 for an update on the status and progress of the CMS licence application for the New Internalised Manager. The CMS licence application will be revised, updated and sent to MAS for review once it is complete.

**(iii) Regarding the trustee's three proposed director candidates at the EGM, can the trustee provide a transparent breakdown of the professional fees incurred, including those charged by the change management advisor? Given that over 100 candidates were initially identified, how were costs managed to ensure efficiency in the entire process? How was this justified when the candidates received no support from any of the controlling unitholders of the REIT?**

- Please refer to the Trustee's Statement dated 16 April 2025 for the breakdown of the total costs incurred in connection with the Internalisation process as at 31 March 2025, which includes the costs incurred from fees paid to the change management advisor.
- Such fees were incurred to cover work done by the change management advisor in conducting the search for director candidates, assessing the incumbent management team employed by the Manager, conducting a parallel market scan of candidates in the market for key executive roles, and compensation benchmarking.
- The scope of work outlined above was required to implement the resolutions passed at the EGM held on 7 August 2023, where the Trustee was directed to "*hire and appoint qualified candidates as directors and staff of the Internal Manager in accordance with the applicable requirements of the Securities and Futures Act 2001 of Singapore*". The Trustee had also clearly communicated to Unitholders from as early as the Trustee's Statement dated 21 July 2023 that considerable time and costs will be required to internalise the REIT management function and that all costs will be reimbursed out of the assets of Sabana Industrial REIT in accordance with the terms of the trust deed.
- The fees payable to the change management advisor also included a success fee component, which is payable upon successful placement of a director or management candidate identified by the change management advisor under its engagement for the Internalisation.
- As none of the director candidates identified by the change management advisor were approved by Unitholders to be appointed and/or endorsed as directors of the board of the New Internalised Manager such candidates will not be considered as "successfully placed", and accordingly the change management advisor is not entitled to the success fee component of its engagement.

**(iv) As internalisation is unprecedented in Singapore, how does the trustee balance its fiduciary duty with cost discipline? What specific benchmarks, governance frameworks, or industry comparisons are available for unitholders to assess whether the professional fees incurred are justified and not excessive?**

- The Trustee has a fiduciary duty to all Unitholders, which includes the prudent use of trust resources.
- As the Internalisation is an unprecedented and novel process in Singapore and one that is outside the ordinary scope of business of professional trustees in Singapore, the Trustee discharges its duties to safeguard the interests of all Unitholders by engaging qualified professionals to support and advise on the various workstreams identified in relation to the implementation of the resolutions passed at the EGM held on 7 August 2023.

- All advisors are appointed through a robust selection process conducted by the Trustee, which includes the consideration of different vendors, their proposed fees and relevant experience.

- Ends -