



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 GROWS DISTRIBUTABLE INCOME BY 11.7% Y-O-Y TO \$32.5 MILLION IN FY 2021; PIVOTS TO GROW VALUE, TARGETING TO UPSIZE PORTFOLIO TO MORE THAN \$1 BILLION IN 3-5 YEARS

- Delivering on Refreshed Strategy with robust performance for FY 2021
 - Overall income available for distribution to Unitholders improved by 11.7% year-on-year (“y-o-y”)
 - Improvement in overall portfolio occupancy to 85.4% (FY 2020: 76.5%), the highest since FY 2018
 - Achieved positive rental reversion of 10.5%
 - Increased valuation to \$866.2 million as at 31 December 2021 from \$840.1 million a year ago
- Entering the **Grow VALUE** phase of Refreshed Strategy with five new Strategic Priorities
 - New target to upsize portfolio valuation to more than \$1 billion in three to five years
 - Plans for major AEI for 1 Tuas Avenue 4 and accretive acquisitions; continuing to watch leverage as the Manager builds value and advances the REIT’s ESG goals

“2021 was a key inflection point for Sabana Industrial REIT as reflected in our latest FY 2021 results. This has borne fruit from the Refreshed Strategy we unveiled in January 2018, that had three phases to ‘go back to basics’, and look ‘within’ for stability and growth. We were undaunted despite being one of the smaller REITs in Singapore.

Today, we have stabilised and uplifted Sabana’s performance and are ready to further intensify Phase 2 and move into Phase 3 of our Refreshed Strategy to execute growth. This has come after the Management and the Board maintained a disciplined focus on converting several ‘challenging’ master leases into multi-tenancies, proactive asset enhancement initiatives (“AEIs”) and multiple asset rejuvenations. We also sold assets and substantially brought down our gearing. We then enhanced returns by attracting expansionary tenants in growth sectors, improved occupancy and increased portfolio value. Reflecting this, our crown jewel - New Tech Park - which underwent a major AEI from 3Q 2019 to 1Q 2021 has seen its valuation rising to \$355.0 million as at end-2021, a 16.0% jump from its purchase consideration of \$305.9 million in 2010. Despite the ongoing pandemic and with 18 properties (vs 20 in 2018), our FY 2021 performance has improved significantly over FY 2020’s and is comparable with FY 2018’s.

*Now that we have built firm foundations, we look forward to 2022 as one that will see us **Grow VALUE** for Unitholders, guided by our five strategic priorities as we set our target of achieving a portfolio valuation of more than \$1 billion in three to five years.”*

Donald Han, Chief Executive Officer, Sabana Industrial REIT

“Phases 1 and 2 of Sabana’s Refreshed Strategy have been well executed by the REIT despite unprecedented economic and industrial challenges amid the pandemic. With Phases 2 and 3 comprising AEIs and asset acquisitions on the cards from 2022 onwards, the Board and Management will remain resolute in enhancing Unitholder interests as the Manager optimises and grows the REIT’s portfolio.

Beyond striving for improved portfolio performance, the Manager will exercise prudent capital management with optimal leverage as it stays guided to building value and aligning with environmental, social and governance commitments in growing beyond.”

Tan Cheong Hin, Chairman of the Board of Directors

Singapore, 20 January 2022 – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**”), today reported the REIT’s financial results for 2H 2021 and FY 2021.

Delivering on Refreshed Strategy with robust performance

Unitholders will receive a distribution per unit (“DPU”) of 1.57 cents for 2H 2021, a decrease of 31.4% y-o-y from 2H 2020 mainly due to the higher base in 2H 2020 which included one-off rollover adjustments from prior years and withheld DPU previously retained in 1H 2020 for prudent cash management amidst COVID-19 uncertainties.

Excluding the impact of these adjustments and previously withheld DPU, the DPU from operations for 2H 2021 of 1.57 cents had improved 11.3% y-o-y from the 1.41 cents in 2H 2020.

Full year DPU was 3.05 cents, which marked a 10.5% y-o-y increase from the 2.76 cents a year ago.

Gross revenue increased 14.4% y-o-y to \$42.8 million for 2H 2021, mainly due to higher contribution from 151 Lorong Chuan (“151LC” or “New Tech Park”), 23 Serangoon North Avenue 5 (“23SNA5”) and 10 Changi South Street 2 (“10CSS2”) on higher occupancy rates. NPI rose 10.4% y-o-y to \$26.3 million on the higher revenue. Full year revenue and NPI increased 14.2% and 16.4% y-o-y respectively as compared to FY 2020.

Sabana Industrial REIT remains well-positioned to service its loans, with a healthy interest coverage of 4.4 times and an aggregate leverage of 35.0% as at 31 December 2021.

Overall occupancy rate as at 31 December 2021 was 85.4%, up from 76.5% as at 31 December 2020 and the highest since 2018. The improvement came on the back of the 100% occupancy at the new lifestyle mall NTP+ within New Tech Park and higher occupancy rates across the portfolio, reflecting the fruits of the Refreshed Strategy. Equally significant, 12 out of the 18 properties in the portfolio achieved occupancy rates of 90% and above as at end-2021.

The Manager’s focus on attracting tenants in expansionary sectors has led to the continued onboarding of companies from the electronics, healthcare, data centre, and logistics sectors in FY 2021. NTP+ also drew in a new, diverse tenant mix including from the F&B and retail sectors.

Amid heightened alert restrictions implemented since May 2021 and continuing into 2022, rental reversion was a positive 10.5% for FY 2021 as compared to a positive 0.9% for FY 2020 and significantly improved from FY 2018’s negative 3.6%, as the Manager continues to proactively engage with existing tenants ahead of lease expiries.

Summary of Results

(\$'000)	2H 2021	2H 2020	Variance (%)	1H 2021	Variance (%)	FY 2021	FY 2020	Variance (%)
Gross Revenue ⁽¹⁾	42,821	37,438	14.4	39,092	9.5	81,913	71,701	14.2
NPI ⁽¹⁾	26,255	23,781	10.4	25,698	2.2	51,953	44,643	16.4
Total Distribution Amount Declared ⁽⁴⁾	16,862	24,125 ⁽³⁾	(30.1)	15,642	7.8	32,504	29,110	11.7
Total DPU (cents)	1.57	2.29	(31.4)	1.48	6.1	3.05	2.76	10.5
- From operations	1.57	1.41	11.3	1.48	6.1	3.05	2.46	24.0
- Rollover adjustments from prior years ⁽²⁾	-	0.30	-	-	-	-	0.30	-
- Distribution withheld from previous period ⁽³⁾	-	0.58	-	-	-	-	-	-

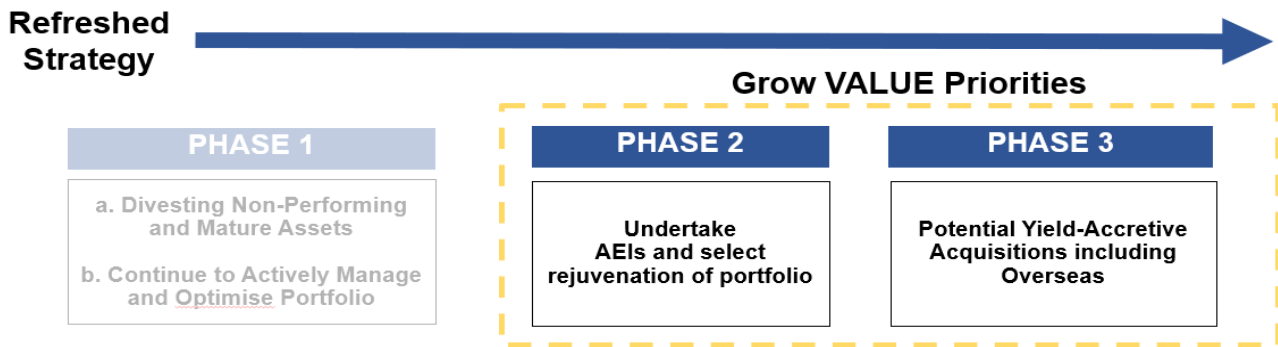
(1) Please refer to the other information section of the interim financial information for explanation of the variances.

(2) This relates to one-off rollover adjustments from prior years of \$3.2 million (DPU: 0.30 cents).

(3) This includes the withheld distribution from 1H 2020 amounting to \$6.1 million (DPU: 0.58 cents) retained for prudent cash management in view of COVID-19 uncertainties.

(4) For FY 2020 and 2021, the Manager has resolved to distribute 100.0% of the total amount available for distribution to Unitholders.

Entering the *Grow VALUE* Phase of Refreshed Strategy:



- Five strategic VALUE priorities for Phases 2 and 3 of Refreshed Strategy
 - **Value:** Building on Value, taking advantage of market opportunities with eye on macro-economic challenges
 - **Accretive:** Pursuing Accretive acquisitions and executing AEs
 - **Leverage:** Optimising Leverage and capital structure
 - **Upsized Portfolio:** Upsizing portfolio by retaining and attracting expansionary tenants from growth sectors including e-commerce, logistics, healthcare, electronics and technology
 - **ESG:** Advancing ESG in our goals and investing with sustainability agenda
- New targets to **achieve upsized portfolio valuation of more than \$1 billion** in three to five years
 - **Phase 2:** Undertaking AEs, with 1 Tuas Avenue 4 earmarked for the REIT's second major AEI after New Tech Park, for up to approximately 350,000 sq ft in gross floor area.
 - **Phase 3:** Pursuing yield accretive acquisitions in Singapore and/or overseas.

Outlook for the Year

Based on advance estimates by the Ministry of Trade and Industry (“**MTI**”), Singapore’s Gross Domestic Product (“**GDP**”) grew by 5.9% y-o-y in Q4 2021, moderating from the 7.1% growth in the previous quarter. The economy grew by 7.2% in 2021, rebounding from a 5.4% contraction in 2020¹. Industrial rents increased by 1.9% y-o-y, and occupancy rates rose by 0.5% y-o-y in 3Q 2021 due to higher demand for storage amid delays in new completions².

Knight Frank noted that some 21.1 million sf of GFA of new industrial space is projected to come on stream across 2022, comprising 42.6% of the total stock set to be completed from Q4 2021 to 2025.³ Though a delay in construction could lead to a supply peak in 2022, occupancy is forecasted to remain elevated, CBRE said.⁴

Meanwhile, Cushman & Wakefield expects to see a slew of redevelopments to meet the needs of quality and higher specifications’ demand. Against this backdrop, it noted that occupancy rates of factory space could come under pressure in 2022 due to substantial upcoming supply in the pipeline. While newer and higher spec developments that are able to better meet evolving end-user requirements would lead growth, older warehouse stock would however likely see stagnant rates.⁵ Amid rising environmental concerns, more investors will also place their ESG agenda at the forefront of investment decision-making efforts, said Edmund Tie.⁶

While Singapore’s economy is gradually recovering, the COVID-19 situation remains fluid with new variants causing much uncertainty. The Manager will continue to keep a close watch on the opportunities in the industry amid prevailing uncertainties and challenges in the macroeconomic landscape. The growth pivot for 2022 and beyond is a continuation of Sabana Industrial REIT’s Refreshed Strategy first launched in 2018. The Manager is now sharpening its focus on Phases 2 and 3 after successfully executing Phases 1 and 2 over the past four years. The five new strategic priorities and set targets as part of the Strategy serve to guide the Manager to ensure that it delivers long-term sustainable value for all Unitholders.

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¹ “Singapore’s GDP Grew by 5.9 Per Cent in the Fourth Quarter of 2021 and by 7.2 Per Cent in 2021”. Ministry of Trade and Industry Singapore. 3 January 2022

² “JTC Quarterly Market Report for 3Q 2021”. JTC. Retrieved 7 January 2022.

³ “Singapore Research Industrial Q4 2021”. Knight Frank. 12 January 2022.

⁴ “Singapore Figures Q4 2021”. CBRE. 14 January 2022.

⁵ “Industrial Marketbeat Report”. Cushman & Wakefield. 7 January 2022.

⁶ “Singapore Q4 2021”. Edmund Tie. Retrieved 18 January 2022

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Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2021, 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\$0.9 billion as at 31 December 2021.

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.

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.