



## **SABANA SHARI'AH COMPLIANT INDUSTRIAL REIT**

1Q 2016: First Quarter Ended 31 March 2016 Financial Results Presentation

18 April 2016

# Important Notice

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## 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 "Trust") for the first quarter from 1 January 2016 to 31 March 2016 ("1Q 2016").**

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.

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# Key Highlights for 1Q 2016



- Sabana REIT generated Distribution per Unit (“DPU”) of 1.33 Singapore cents and an annualised distribution yield of 8.2%<sup>(1)</sup> for 1Q 2016.
- Multi-tenanted occupancy level increased to 84.2% in 1Q 2016, from 80.5% in 4Q 2015. Weighted average lease term to expiry for master leases stood at 3.0 years and weighted average lease term to expiry for sub-tenancies stood at 31.6 months as at 31 March 2016.
- As at 31 March 2016, overall portfolio occupancy level also improved to 90.0% from 87.7% as at 31 December 2015.
- Proceeds from the divestment of 200 Pandan Loop and 3 Kallang Way 2A were utilised to pare down borrowings, thus lowering aggregate leverage from 41.7% as at 31 December 2015 to approximately 39.0% in April 2016.

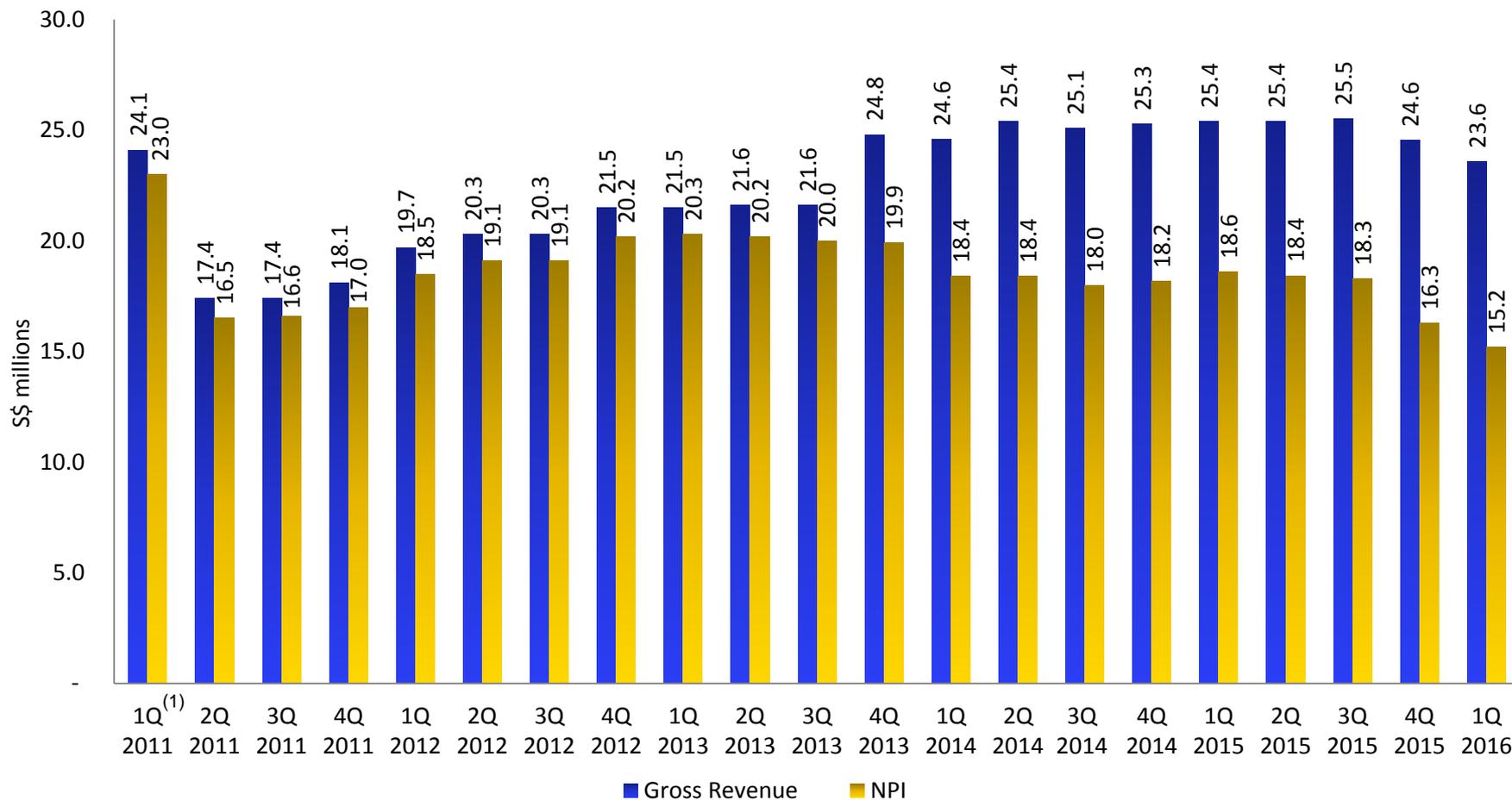
(1) Based on the last traded price of S\$0.655 per Unit as at 15 April 2016.

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# Gross Revenue and NPI Since Listing

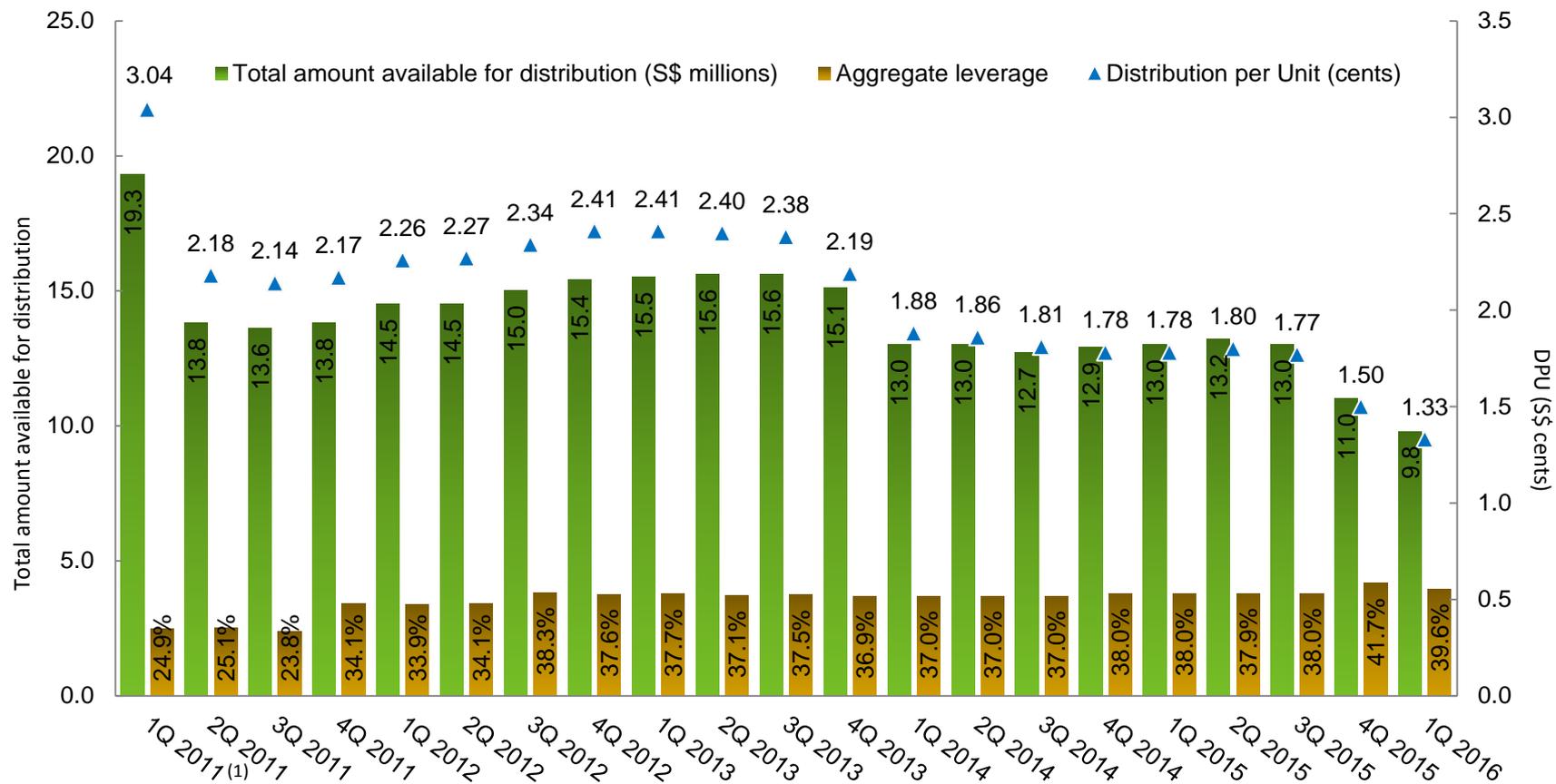
As at 31 March 2016



(1) For the period from date of listing on 26 November 2010 to 31 March 2011.

# Quarterly DPU Performance

As at 31 March 2016



(1) For the period from 26 November 2010 to 31 March 2011.



# Financial Performance



## For the quarter ended 31 March 2016

(in S\$'000)	1Q 2016	1Q 2015	Variance (%)	1Q 2016	4Q 2015	Variance (%)
Gross revenue	<b>23,606</b>	25,364	(6.9)	<b>23,606</b>	24,561	(3.9)
Net property income ("NPI")	<b>15,172</b>	18,587	(18.4)	<b>15,172</b>	16,287	(6.8)
Income available for distribution	<b>9,770</b>	12,973	(24.7)	<b>9,770</b>	11,035	(11.5)
DPU (cents)	<b>1.33<sup>(1)</sup></b>	1.78	(25.3)	<b>1.33<sup>(1)</sup></b>	1.50	(11.3)
Annualised DPU (cents)	<b>5.35</b>	7.22	(25.9)	<b>5.35</b>	5.95	(10.1)
Distribution yield <sup>(2)</sup>	<b>8.2%</b>	11.0%	(25.5)	<b>8.2%</b>	9.1%	(9.9)

(1) Based 735,794,129 Units issued and to be issued as at 31 March 2016.

(2) Based on the last traded price of S\$0.655 per unit as at 15 April 2016.

# Financial Performance

## For the quarter ended 31 March 2016

(in S\$'000)	1Q 2016	1Q 2015	Variance (%)
Gross revenue	23,606	25,364	(6.9)
Property expenses	(8,434)	(6,777)	(24.5)
<b>NPI</b>	<b>15,172</b>	<b>18,587</b>	<b>(18.4)</b>
Net finance costs	(5,269)	(5,230)	(0.7)
Amortisation of intangible assets	-	(262)	100.0
Manager's fees	(1,397)	(1,580)	11.6
Trustee's fees	(120)	(144)	16.7
Donation of non-Shari'ah compliant income	(43)	(11)	(290.9)
Other trust expenses	(349)	(424)	17.7
<b>Net income</b>	<b>7,994</b>	<b>10,936</b>	<b>(26.9)</b>
Net change in fair value of financial derivatives	(793)	1,143	(169.4)
Loss on divestment of investment properties	(558)	-	NM
<b>Total return before taxation</b>	<b>6,643</b>	<b>12,079</b>	<b>(45.0)</b>
Distribution adjustments <sup>(1)</sup>	3,127	894	249.8
<b>Income available for distribution</b>	<b>9,770</b>	<b>12,973</b>	<b>(24.7)</b>

NM denotes "not meaningful".

(1) Comprise the portion of management fees paid/payable in Units, donation of non-Shari'ah compliant income, amortisation of capitalised transaction costs incurred on borrowings, straight-lining adjustments on rental income for accounting purposes, Trustee's fees, net change in fair value of financial derivatives, loss on divestment of investment properties and other income/expenses which are non-chargeable/deductible for tax purposes.

- **Net property income** decreased by 18.4% mainly due to lower gross revenue arising from negative rental revisions for certain master leases renewals and the non-renewal of one master lease, higher property expenses arising from higher service, repairs, maintenance, property tax, land rent, utilities and marketing expenses from the conversion of three properties into multi-tenanted lease arrangements and higher property and land rent expenses from three properties which were converted into non-triple net master lease tenancies when the master leases expired in 4Q 2015.

- **Net income and distribution income** decreased by 26.9% and 24.7% respectively in 1Q 2016 over 1Q 2015 mainly due to lower net property income.

# Balance Sheet



**As at 31 March 2016**

**S\$'000**

Investment properties	1,090,706
Other assets	33,359
<b>Total assets</b>	<b>1,124,065</b>
Borrowings, at amortised cost	440,140
Other liabilities	33,434
<b>Total liabilities</b>	<b>473,574</b>
Net assets attributable to Unitholders	650,491
Units in issue <sup>(1)</sup>	735,794,129
NAV per unit (S\$)	0.88
Adjusted NAV per unit <sup>(2)</sup> (S\$)	0.87

(1) Comprises 734,026,663 units in issue as at 31 March 2016 and 1,767,466 units to be issued to the Manager by 30 April 2016, as partial consideration of Manager's fees incurred for the period from 1 January 2016 to 31 March 2016.

(2) Excludes distributable income of approximately S\$9.8 million available for distribution for the quarter ended 31 March 2016.

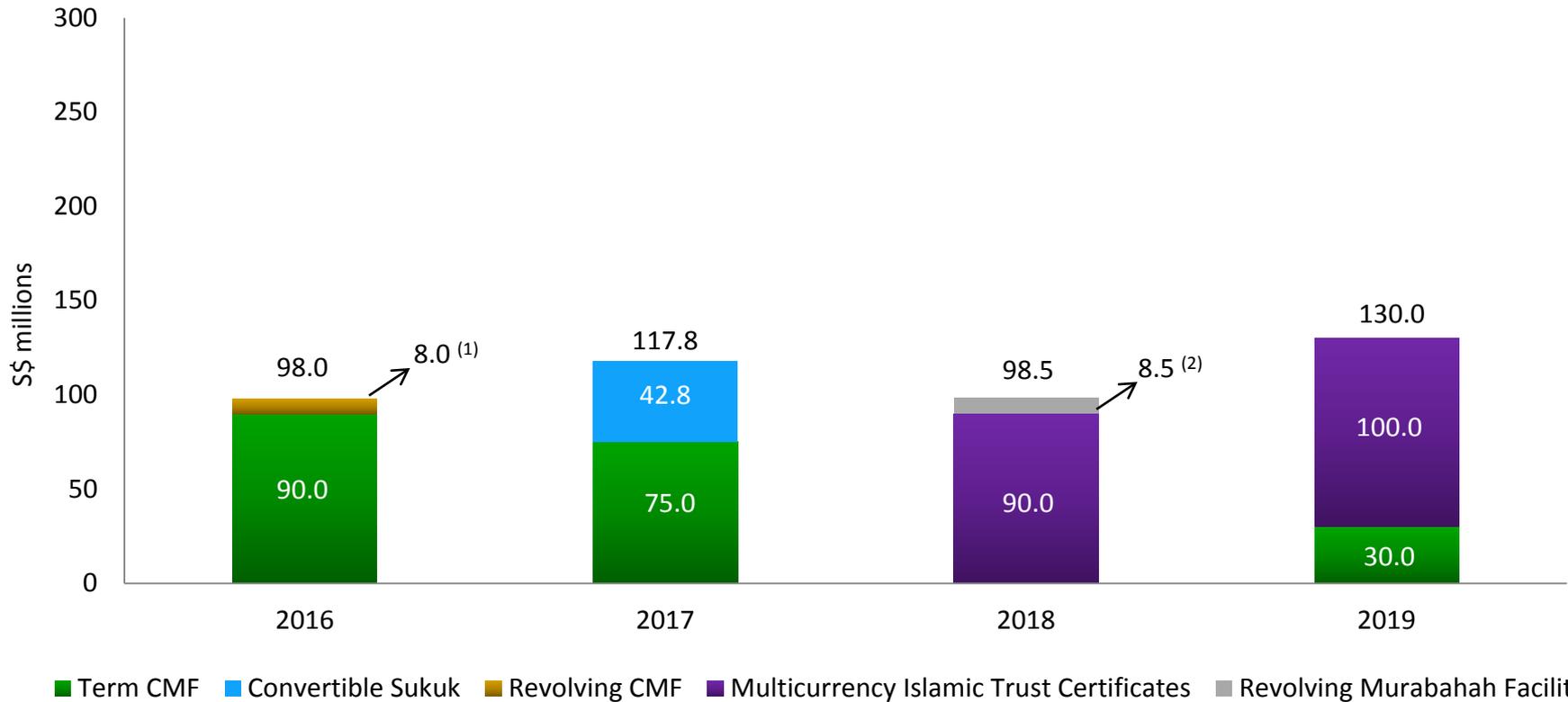
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# Borrowings Maturity Profile

As at 31 March 2016



**Maturities of total outstanding borrowings of S\$444.3 million evenly staggered over the next 4 years.**

(1) Excludes S\$40.0 million of undrawn credit facilities.

(2) Excludes S\$41.5 million of undrawn credit facilities.

# Capital Structure At A Glance



## As at 31 March 2016

Borrowings	S\$444.3 million
Aggregate leverage <sup>(1) (2)</sup>	39.6%
Proportion of total borrowings fixed	89.5%
<b>Average all-in financing cost<sup>(3)</sup></b>	<b>4.2%</b>
Outstanding Term CMF	S\$195.0 million
Outstanding Revolving CMF	S\$8.0 million
Outstanding Revolving Commodity Murabahah Facility <sup>(3)</sup>	S\$8.5 million
Convertible Sukuk due 2017	S\$42.8 million
Trust Certificates	S\$190.0 million
<b>Weighted average tenor of borrowings</b>	<b>1.8 years</b>
Profit cover <sup>(4)</sup>	3.2 times
Unencumbered assets	S\$322.8 million

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

(2) Subsequently, in April 2016, the proceeds from the divestment of 3 Kallang Way 2A were used to repay S\$8.0 million of Revolving CMF and S\$8.5 million of the Revolving Commodity Murabahah Facility, bringing down the aggregate leverage to approximately 39.0%.

(3) Inclusive of amortisation transaction costs.

(4) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for the period from 1 January 2016 to 31 March 2016.

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# Property Locations

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





# Occupancy Rates

## As at 31 March 2016

Total portfolio GFA	4,403,674 sq ft
Portfolio occupancy	
11 properties, master leases <sup>(1)</sup>	100.0%
9 properties, multi-tenanted <sup>(2)</sup>	84.2%
21 properties, total portfolio <sup>(3)</sup>	90.0%
Weighted average lease term to expiry <sup>(4)</sup>	3.0 years
Weighted average unexpired lease term for the underlying land <sup>(5)</sup>	35.3 years

(1) Seven triple net & four single net master leases.

(2) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 15 Jalan Kilang Barat, 23 Serangoon North Avenue 5, 508 Chai Chee Lane, 34 Penjuru Lane, 2 Toh Tuck Link and 123 Genting Lane.

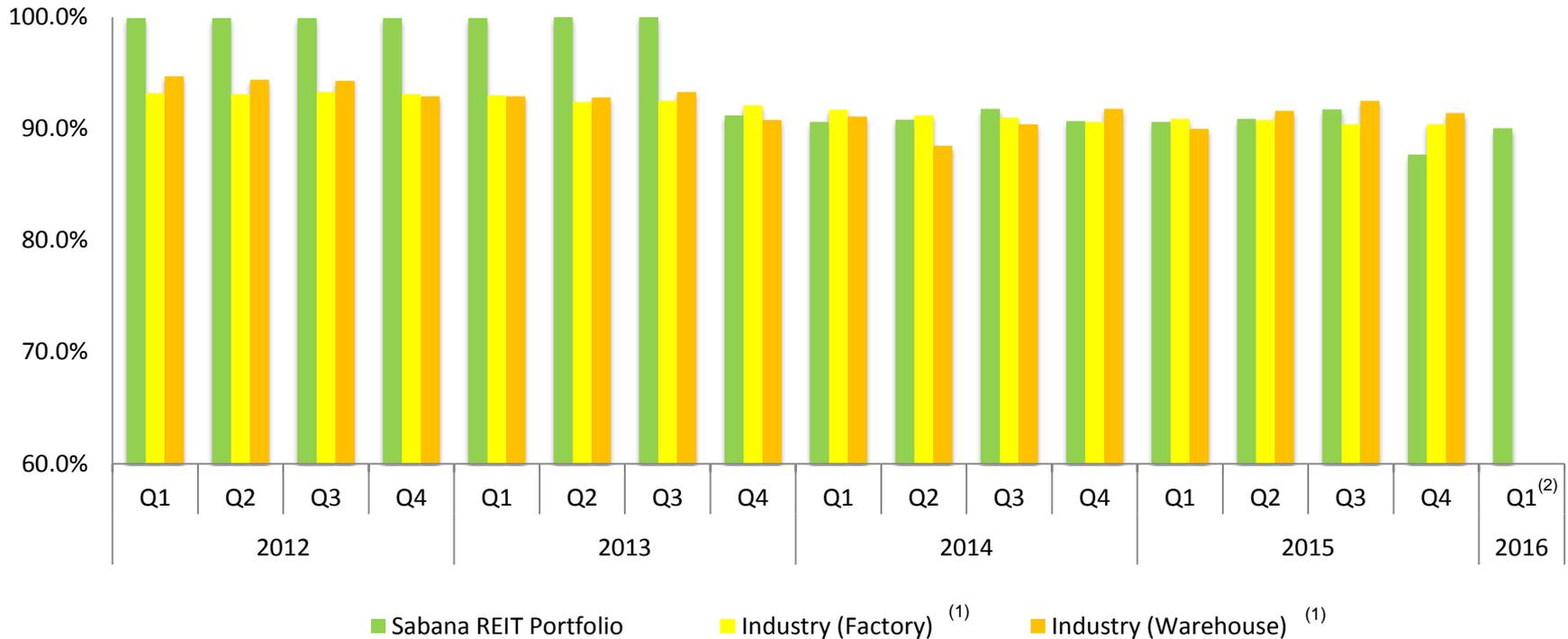
(3) By Net Lettable Area ("NLA"). One property, 218 Pandan Loop (NLA 43,103 sq ft), is temporarily vacant. The Manager is evaluating a few attractive options including asset enhancement initiative (AEI) such as Build-to-Suit-and-Lease, and divestment.

(4) Weighted by gross revenue (master leases of 11 properties).

(5) Weighted by GFA.

# Occupancy Levels Since Listing

## Comparisons to Singapore industrial average occupancy levels



(1) Source: Property Market Information by Urban Redevelopment Authority and Quarterly Market Report by Jurong Town Corporation.

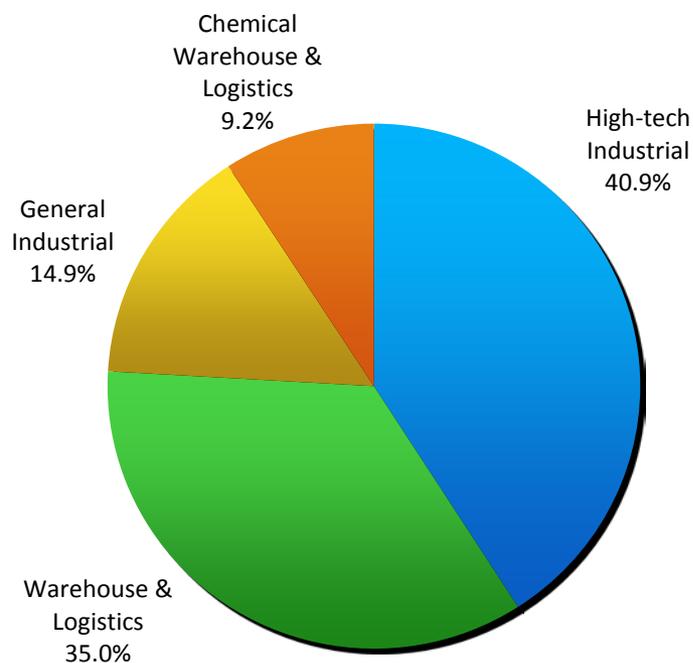
(2) 1Q 2016 data are not available as at 31 March 2016 from Jurong Town Corporation.

# Diverse Asset Types

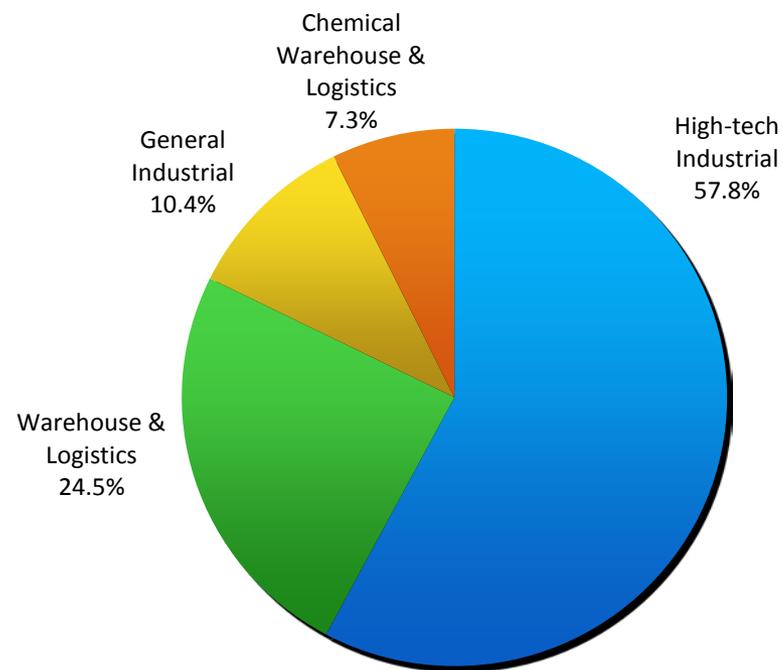
Sabana REIT's portfolio is diversified in the following asset types:

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

Asset Breakdown by NLA for 1Q 2016<sup>(1)</sup>



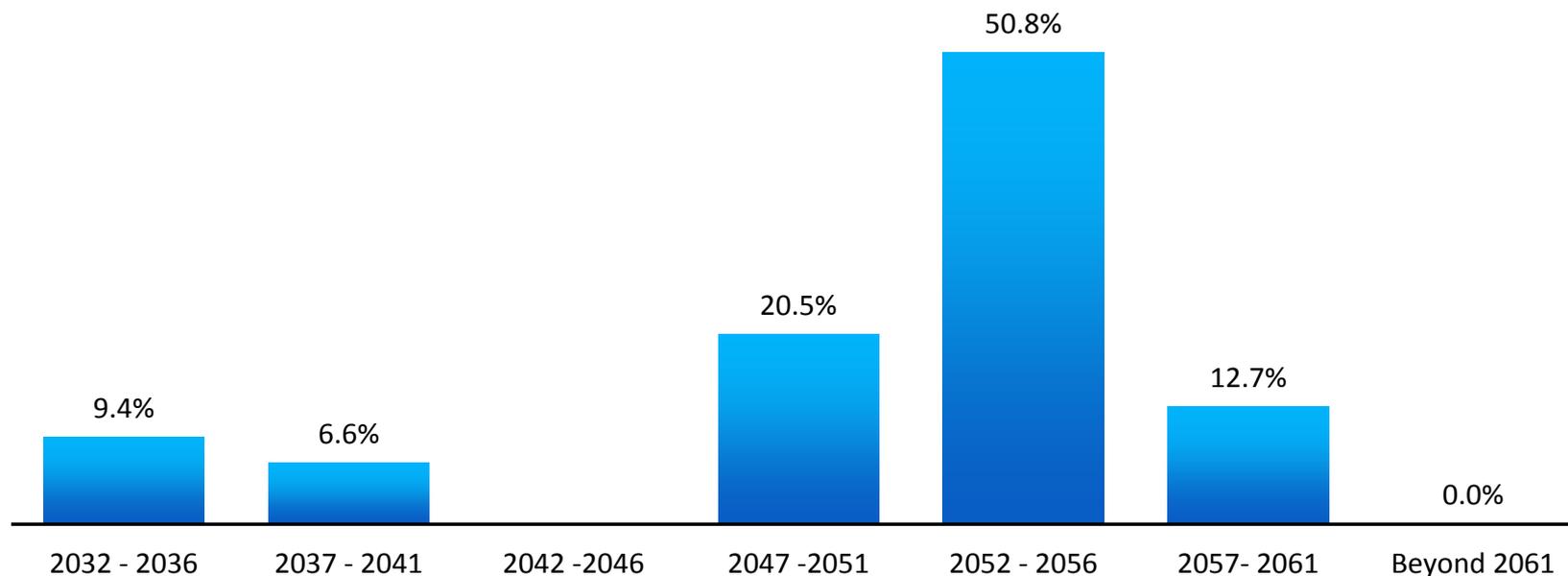
Gross Revenue by Asset Type for 1Q 2016



(1) As at 31 March 2016.

# Long Weighted Average Leasehold For Underlying Land

## Percentage of unexpired land lease term by GFA<sup>(1)</sup>



**Well distributed, long underlying land leases, with an average of 35.3 years by GFA.**

(1) As at 31 March 2016, weighted by GFA.

# Quality Assets Attract Quality Tenants

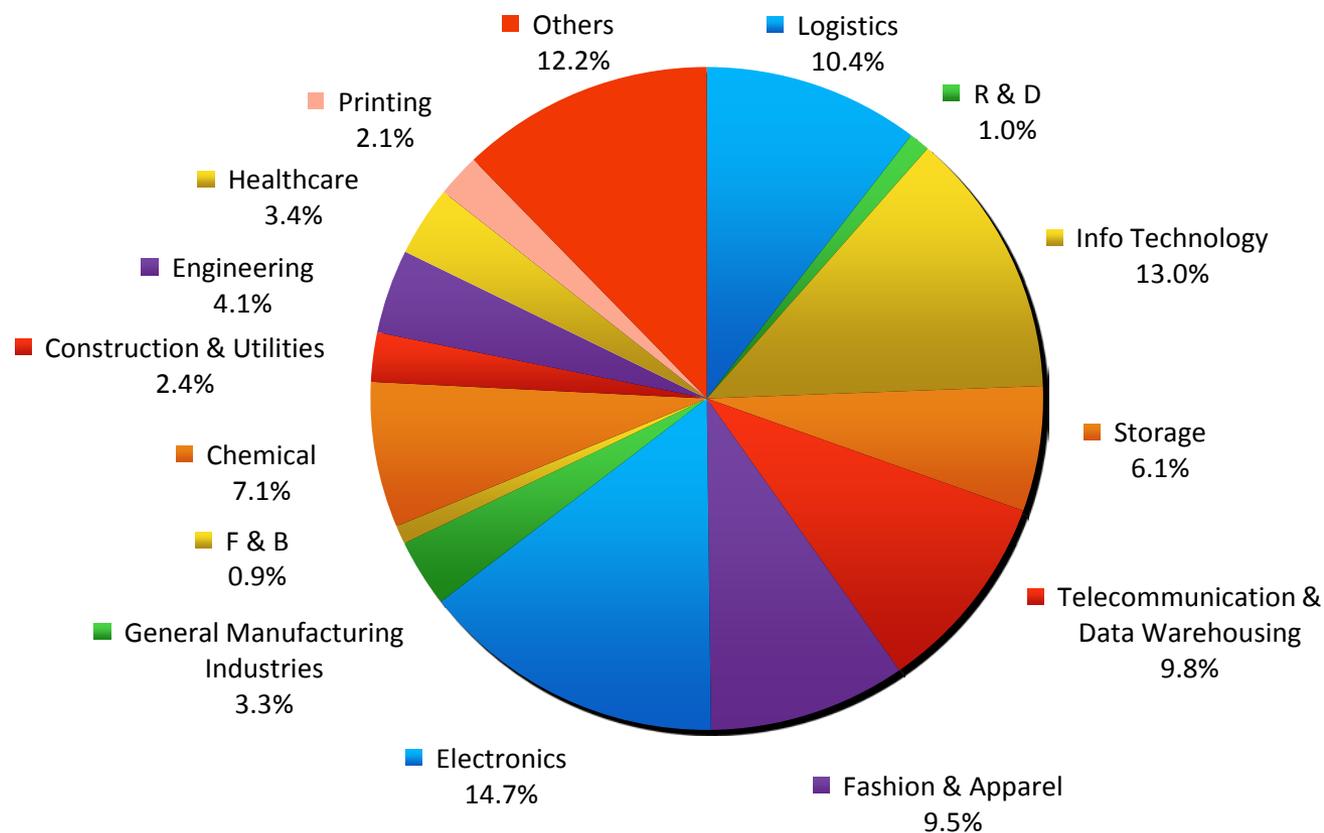


	As at 31 Mar 2016	As at 31 Dec 2015
Total NLA (sq ft)	3,605,498 <sup>(1)</sup>	3,754,744
Total number of direct and sub-tenants	123	137
Weighted average lease term to expiry (mths) <sup>(2)</sup>	31.6	31.1

(1) Change in NLA due to divestment of two properties (200 Pandan Loop and 3 Kallang Way 2A) and conversion of master-leased properties to multi-tenanted properties.

(2) Weighted by sub-tenancy gross rent.

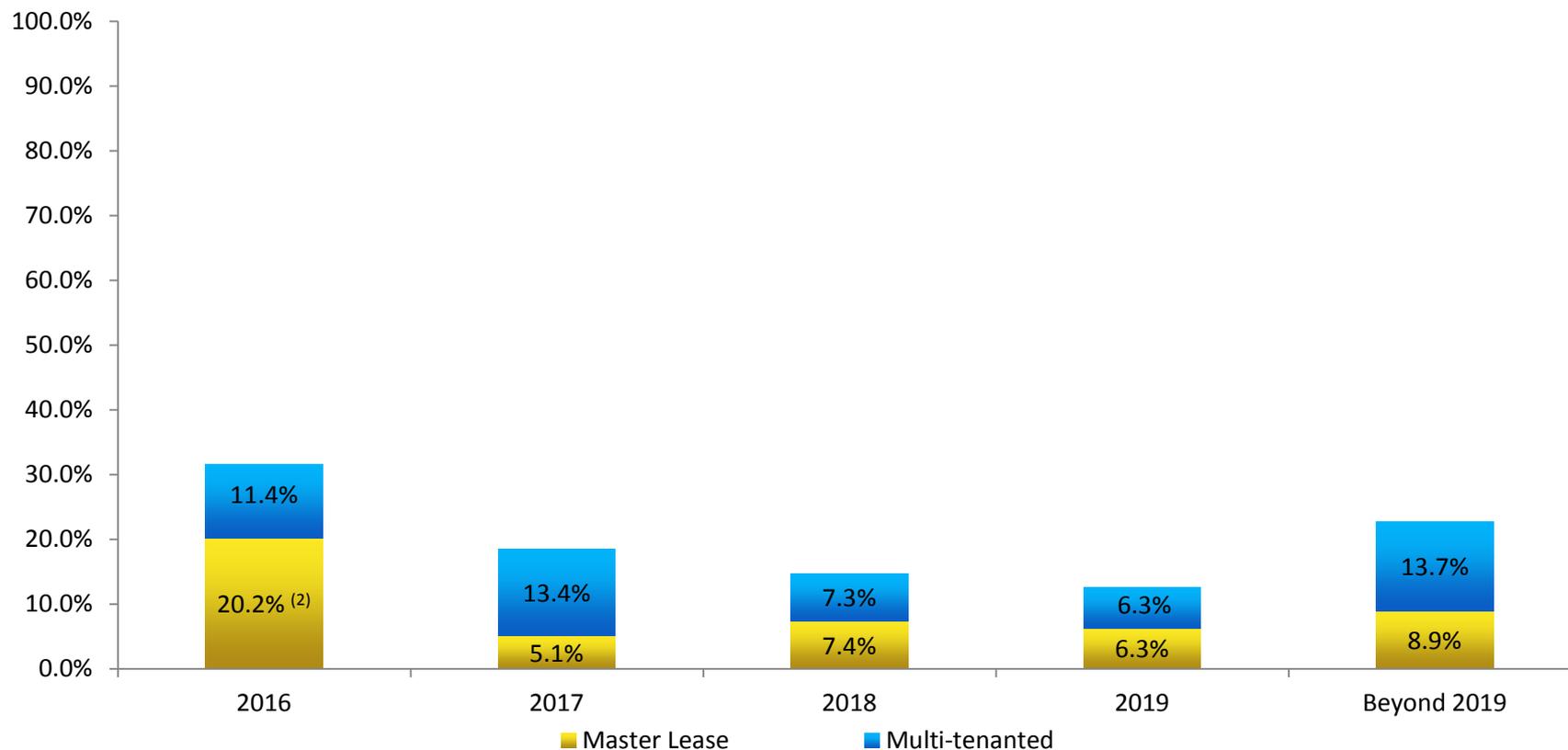
## Sub-tenants' industry diversification by NLA<sup>(1)</sup>:



**No concentration in any single trade sector**

(1) As at 31 March 2016.

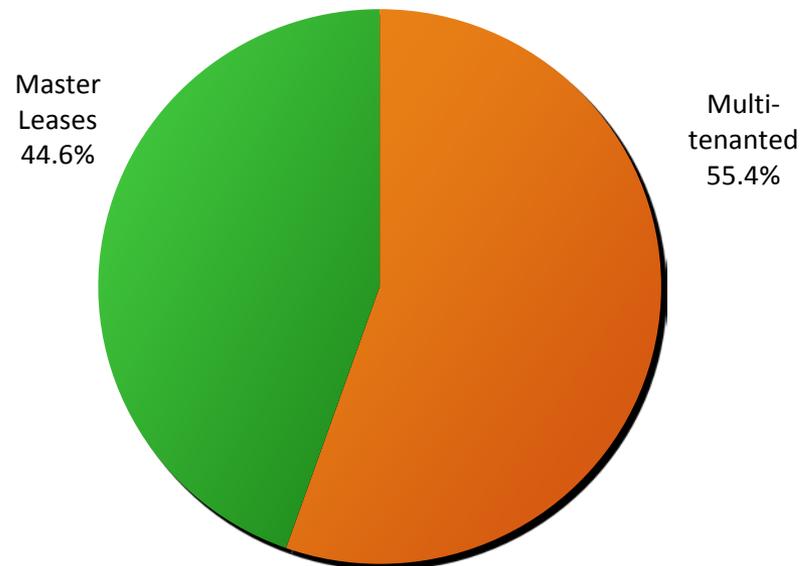
## Lease Expiry by NLA for 1Q 2016<sup>(1)</sup>



(1) As at 31 March 2016.

(2) Four properties: 51 Penjurong Road, 33 & 35 Penjurong Lane, 18 Gul Drive and 39 Ubi Road 1.

## Lease Type by NLA for 1Q 2016<sup>(1)</sup>



(1) As at 31 March 2016. Excludes 218 Pandan Loop which is temporarily vacant. The Manager is evaluating a few attractive options including asset enhancement initiative (AEI) such as Build-to-Suit-and-Lease, and divestment.



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## Singapore Economy

### Singapore's economic growth outlook in 1Q 2016

- According to the Ministry of Trade and Industry (“MTI”), amidst the sharp fall in oil prices and global financial market volatility, the economic prospects for Singapore has softened since the opening for the year 2016. MTI maintains its GDP growth forecast at 1.0% to 3.0%. The Singapore economy grew by 2.0% in 2015<sup>(1)</sup>.
- A quarterly survey by the Monetary Authority of Singapore in March 2016 has also shown that private sector economists are projecting an economic growth of 1.9% this year<sup>(2)</sup>.

## Singapore Industrial Sector

### Weakness in industrial property market expected ahead

- With a surge in supply, industrial property prices in Singapore fell at their steepest pace in over two years in 4Q 2015 and analysts are pointing to further weakness ahead<sup>(3)</sup>.

## The Trust

### Management Strategy and Outlook

- With the successful legal completion of the divestment of the two non-core and underperforming assets, namely 3 Kallang Way 2A and 200 Pandan Loop in 1Q 2016, estimated net proceeds of S\$53.0 million will be used to pare down part of the S\$138.0 million Commodity Murabaha Facilities due for refinancing in November 2016, to lower the Group's borrowing costs. Consequently, aggregate leverage will drop from 41.7% as at 31 December 2015 to approximately 39.0% in April 2016. The impact of the divestments on 1Q 2016 DPU was minimal. The Manager is in advanced stage of negotiations with the lenders on the refinancing of the maturing Commodity Murabaha Facilities and targets to complete the refinancing exercise by 3Q 2016.

#### Sources:

- (1) “Singapore economy grew 2% in 2015, slowest since 2009; 2016 growth forecast maintained at 1-3%”. The Straits Times. 24 February 2016. Web. 24 February 2016.
- (2) “Economists cut Singapore 2016 growth forecast to 1.9% from 2.2%: MAS survey”. The Straits Times. 16 March 2016. Web. 16 March 2016.
- (3) “Singapore industrial property prices drop on oversupply, manufacturing slowdown”. CNBC. 8 April 2016. Web. 8 April 2016.

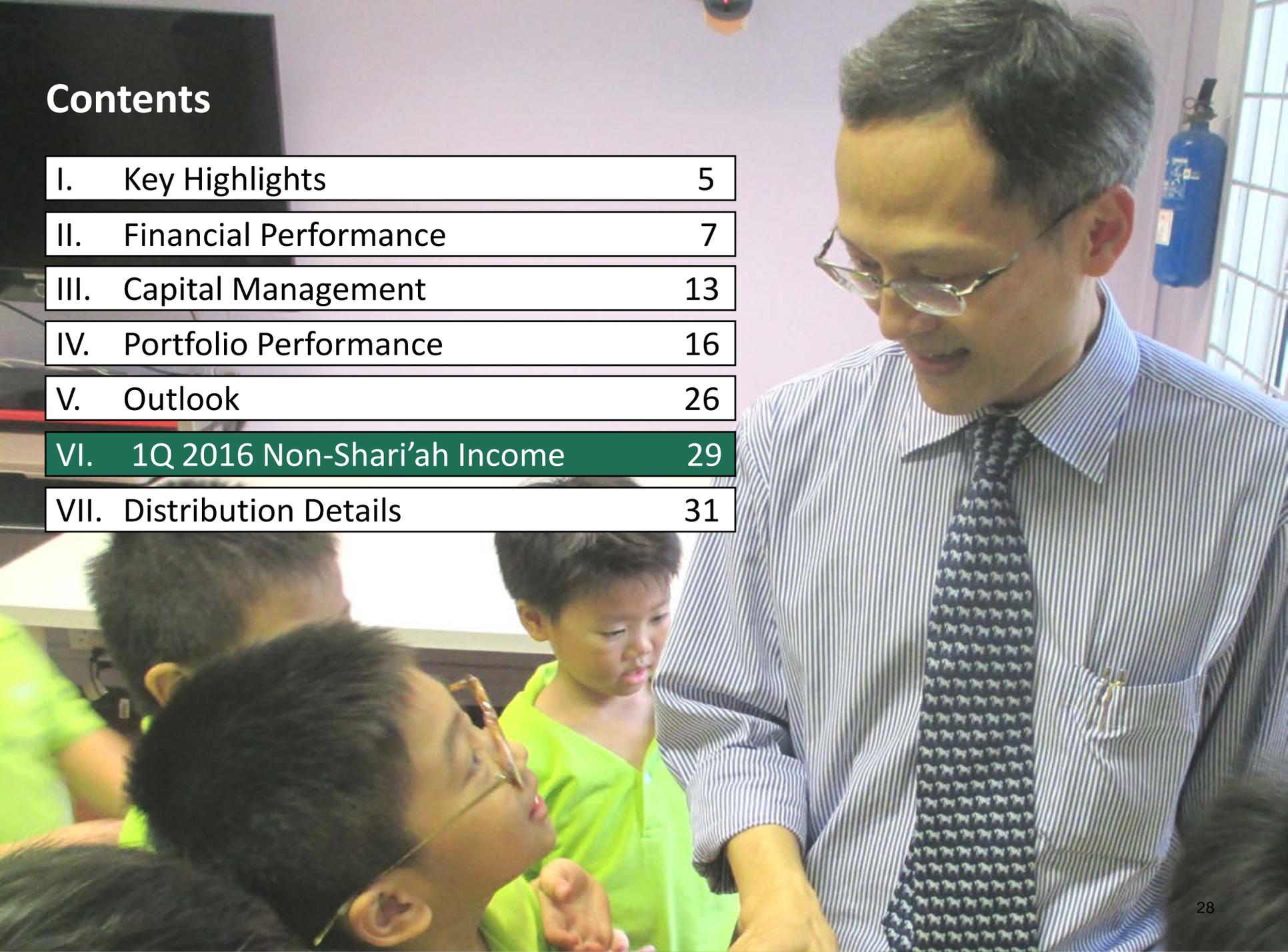
## Management Strategy and Outlook

- The Manager expects market conditions to remain challenging. With the softening of the global economic climate, heightening interest rates and over-supply of industrial space in Singapore, overall rentals for industrial space are likely to remain under downward pressure.
- The Group's 1Q 2016 financial performance reflects the full impact of the negative rental reversions for some of the master leases renewed and the non-renewal of one master lease, higher vacancies and higher operating expenses arising from the conversion of three more properties into multi-tenanted buildings, as well as the higher property tax and land rent expenses due to the conversion of certain master leases from triple-net into non-triple net tenancies, in 4Q 2015.
- Out of the four master leases that are due to expire in 4Q 2016, the master lessees (Sponsor-related companies) for three of the master leases have indicated interest to continue their operations in the three properties (33 & 35 Penjuru Lane, 18 Gul Drive and 51 Penjuru Road) via five successive options to renew for one year term each, subject to the parties agreeing on the rental rate for each renewal term<sup>(1)</sup>. The remaining property (39 Ubi Road 1) will likely be converted into a multi-tenanted property.
- The Manager will continue to evaluate potential yield-accretive acquisition opportunities both locally, and abroad, as well as development projects and asset enhancement initiatives to grow the Trust's portfolio. On the capital management front, the Manager will carry on exploring new ways to diversity funding sources and improve the Trust's borrowings maturity profile.

(1) SGX announcement on update of master leases with the Sponsor was made on 6 April 2016.

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# 1Q 2016 Non-Shari'ah Income

Sabana REIT gives out its non-Shari'ah income on a quarterly basis, to charitable causes

The charitable cause below is the chosen beneficiary of Sabana REIT's 1Q 2016 non-Shari'ah income:



**Organisation:** Lien Aid

**Purpose:** Lien Aid is a non-profit organisation that seeks to make clean water and proper sanitation more accessible and affordable for poor rural communities in Asia. It builds the capability of beneficiaries and empowers them with skills and knowledge, and a strong sense of project ownership.

Sabana REIT will be allocating S\$43,221 to Lien Aid to co-sponsor the installation of a centralised water supply system providing tap water to 380 households in the Hunan province, China and to support Lien Aid's health and hygiene awareness campaigns held for that community.

The total amount of **S\$43,221** allocated to the organisation above represents approximately **0.2%** of Sabana REIT's 1Q 2016 gross revenue.

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# Distribution Details



## Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 January 2016 to 31 March 2016	1.33

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	21 April 2016
Ex-date	22 April 2016, 9am
Books closure date	26 April 2016, 5pm
Distribution payment date	30 May 2016
Disbursement of non-Shari’ah income to approved charities	30 May 2016 or earlier

# Thank you

**Sabana Real Estate Investment Management Pte. Ltd.**

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