



## 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 POSTS DPU OF 3.05 CENTS FOR FY 2022 - PORTFOLIO RESILIENCE AMID CHALLENGING MARKET CONDITIONS

- Positive rental reversion of 17.4% and 12.9% in 4Q 2022 and FY 2022 respectively, consistently among highest within the Singapore industrial REIT sector
- Overall portfolio occupancy at 91.2%<sup>1</sup> as at 31 December 2022, above JTC's 4Q 2022 industrial average
- 82.8% of total borrowings hedged to fixed rates, with no near-term refinancing requirement till 4Q 2024
- Healthy gearing at 32.4%<sup>2</sup> with debt headroom of \$156.1 million to support further growth
- Portfolio valuation improved 2.3% year-on-year to \$885.7 million

#### Summary of Results

(\$'m)	2H 2022	2H 2021	Variance (%)	FY 2022	FY 2021	Variance (%)
Gross Revenue <sup>(a)</sup>	50.1	42.8	16.9%	94.9	81.9	15.9%
Net Property Income ("NPI") <sup>(a)</sup>	26.3	26.3	-	53.3	52.0	2.6%
Total Amount Available for Distribution <sup>(b)</sup>	15.9	16.9	(5.6)	33.1	32.5	1.7
Distribution Per Unit ("DPU") (cents)	1.46	1.57	(7.0)	3.05	3.05	-

(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. For FY 2021 and FY 2022, the Manager has resolved to distribute 100.0% of the total amount available for distribution to Unitholders.

**Singapore, 30 January 2023** – 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 period from 1 July 2022 to 31 December 2022 ("2H 2022") and for the full year from 1 January 2022 to 31 December 2022 ("FY 2022").

#### Execution of Strategy, Delivering Consistent Performance

Gross revenue for 2H 2022 rose by 16.9% year-on-year ("y-o-y") to \$50.1 million, mainly due to higher contributions from New Tech Park, 30 & 32 Tuas Avenue 8, 508 Chai Chee Lane, 23 Serangoon North Avenue 5 and 10 Changi South Street 2. NPI for the period remained consistent y-o-y at \$26.3 million. For FY 2022, gross revenue rose 15.9% y-o-y to \$94.9 million, whilst NPI rose 2.6% y-o-y to \$53.3 million as the increase in revenue was largely offset by a surge in utility expenses, impacted by global-wide energy inflation.

Total amount available for distribution to Unitholders for 2H 2022 was \$15.9 million, 5.6% lower compared to the previous corresponding period ("2H 2021"), whilst DPU for 2H 2022 fell by 7.0% to 1.46 cents, impacted by higher interest expenses. Amid challenging market conditions, FY 2022 DPU remained consistent at 3.05 cents as compared to a year ago, reflective of the REIT's resilient portfolio. Total amount available for distribution to Unitholders for FY 2022 was \$33.1 million, 1.7% higher as compared to FY 2021.

<sup>1</sup> Excluding 1 Tuas Avenue 4, which is currently undergoing AEI.

<sup>2</sup> Ratio of total borrowings & deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

**Mr Tan Cheong Hin, Chairman of the Board of Directors commented,** “The Board and Management continue to place a strong emphasis on good corporate governance, and we are encouraged by the significant improvement made by the REIT in the latest Governance Index for Trusts (“GIFT”) 2022 report. Our overall GIFT score improved to 71.5 points in 2022 from 54 points a year ago. Our 17.5-point improvement was the largest among all trusts in the study. Our ranking improved from 38<sup>th</sup> to 14<sup>th</sup> position, a large upward improvement of 24 positions.

Additionally, we also achieved progress in the Singapore Governance and Transparency Index (“SGTI”) ranking with a score of 74.4 points in 2022 from 61.1 points a year ago, reflecting an improvement of 13.3 points. Our ranking rose from 43<sup>rd</sup> to 35<sup>th</sup> position, reflecting an improvement of 8 positions.

“We are pleased to be among the top five best performers within the S-REIT sector, with highest total returns among industrial REITs in 2022<sup>3</sup>. We are also delighted to have achieved Best “Returns to shareholders over three years” among under S\$1 billion market cap industrial REITs<sup>4</sup>. These are strong testaments to the hard work put in by the Board and Management.”

**Mr Donald Han, Chief Executive Officer of the Manager of Sabana Industrial REIT explained,** “Our focused strategy on proactive leasing to drive occupancy and tenant diversification has continued to contribute to the resilience of our portfolio, and we have achieved positive rental reversions underpinned by healthy demand. Our improved portfolio occupancy of 91.2% is above JTC’s industrial average of 89.4%. We remain steadfast in our target to achieve an upsized portfolio valuation of more than \$1 billion between 2025 and 2027.”

### **Proactive Leasing Management and Portfolio Rejuvenation**

Overall occupancy rate as at 31 December 2022 was 91.2%<sup>5</sup>, 2.8 percentage points higher compared to a year ago. Rental reversion was 17.4% in 4Q 2022, which was a consecutive quarterly positive reversion over the past two financial years. The REIT, which had in the past consistently achieved among the highest rental reversions within the Singapore industrial REIT sector, obtained positive rental reversion of 12.9% in FY 2022 (FY 2021: 10.5%), supported by its proactive lease management. For FY 2022, Sabana Industrial REIT executed a total of 61 new and renewal leases totalling 1.03 million sq ft, representing close to 30% of total net lettable area of 3.5 million.

The REIT also saw an uplift in its portfolio valuation for its 18 properties, which increased by 2.3% y-o-y to \$885.7 million as at 31 December 2022, mainly attributable to higher signing rents for both new and renewed leases across the portfolio and the securing of a new master lease tenant at 30 & 32 Tuas Avenue 8.

Sabana Industrial REIT has also strengthened its tenant mix, which now includes a higher proportion of tenants from more resilient sectors such as electronics, logistics, F&B, retail and healthcare. The REIT’s tenant base is well-diversified, with 158 tenants across 14 sectors, thereby ensuring cash flow resilience. Out of the leases expiring in FY 2023, over 50% has been either successfully renewed or under lease negotiation process.

1 Tuas Avenue 4 has obtained JTC’s consent for A&A works, paving the way for further submissions to relevant governmental and statutory authorities for their respective approvals. The project is designed to comprise an approximately 156,000 sq ft warehouse cum production facility and ancillary office. It will also incorporate planned solar panels, a verdant green drop-off canopy and seamlessly integrate with the surrounding public greeneries. It is expected to be completed between end of 2023 and early 2024 and will target for a minimum Green Mark Super Low Energy (“SLE”) certification.

### **Prudent Capital Management**

As at 31 December 2022, aggregate leverage remained healthy at 32.4% with a debt headroom of \$156.1 million, to support future growth. The debt maturity profile remains well-spread out with weighted average debt maturity at 2.8 years with the next refinancing requirement due in 4Q 2024. A high proportion of approximately 82.8% of the REIT’s total borrowings is hedged to fixed rates to mitigate rising interest rates, with an average fixed debt expiry of 2.0 years. Weighted average all-in cost of borrowing increased to 3.86%, and Sabana Industrial REIT remains well-positioned to service its loans, with a healthy interest coverage of 3.8x as at 31 December 2022.

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<sup>3</sup> Data according to SGX Research, 9 January 2023.

<sup>4</sup> Data according to The Edge Singapore, 14 November 2022; over the period of March 2019 to March 2022.

<sup>5</sup> Excluding 1 Tuas Avenue 4, which is undergoing AEI.

## Ensuring Sustainable Growth

Sabana Industrial REIT will continue to build on its value enhancing strategy. The Manager will continue to pursue AEs while ensuring the resiliency of the current portfolio and capital structure.

Sabana Industrial REIT remains committed to its ESG goals and will roll out energy saving initiatives, including more energy efficient building equipment, electric vehicle charging stations and planned solar panels, across its portfolio and with priority on properties with higher power consumption. The REIT remains committed to uphold strong corporate governance practices and transparency and look to contribute to the wider society and community in the coming year.

## Outlook

Based on advance estimates by the Ministry of Trade and Industry (“**MTI**”), the Singapore economy grew by 2.2% y-o-y in the fourth quarter of 2022, moderating from the 4.2% growth in the previous quarter. For 2022, Singapore’s Gross Domestic Product (“**GDP**”) grew by 3.8%, slower than the 7.6% growth in 2021. The manufacturing sector contracted by 3.0% y-o-y in the fourth quarter of 2022, a reversal from the 1.4% growth in the previous quarter. This came on the back of output contractions in the electronics, chemicals, and biomedical manufacturing clusters<sup>6</sup>.

According to JTC, the overall occupancy rate for the industrial property market stood at 89.4% in 4Q 2022<sup>7</sup>. This was a fall of 0.3 percentage points compared to the previous quarter, as new completions picked up significantly in 4Q 2022 and new supply has exceeded new demand. Notwithstanding the drop in occupancy, the all-industrial rental index and all-industrial price index for 4Q 2022 rose by 2.1% and 1.7% respectively, as compared to the previous quarter.

MTI has launched 7.16 hectares of industrial land for tender in the Industrial Government Land Sales programme for the first half of 2023<sup>8</sup>, compared to 4.48 hectares and 6.36 hectares offered in the first half and second half of the 2022 programme, respectively.

Based on a CBRE research report, while the full year rental growth for prime logistics and warehouse in 2022 reached 10.2% and 6.6% y-o-y respectively, attributed by occupiers raising inventory levels, this pace is expected to moderate in 2023 due to weakened economic outlook and as occupiers become more cost sensitive<sup>9</sup>.

According to IMF’s latest forecasts, global growth is projected to remain unchanged in 2022 at 3.2% and to slow to 2.7% in 2023, with a 25% probability that it could fall below 2%<sup>10</sup>. Furthermore, rising energy prices and interest rates amid an uncertain macroeconomic environment are expected to continue for the coming quarters<sup>11</sup>.

Since early 2022, the Manager has taken proactive measures aimed at reducing overall utility consumption across the portfolio and initiated the process at 508 Chai Chee Lane. The Manager is continuing with its efforts to implement energy and cost-saving measures across the portfolio and at the same time, further optimise the capital structure of REIT.

On a broader level, the Manager continues to see steady demand in the Singapore industrial sector and remains cautiously optimistic in its mid-term outlook. The Manager will stay focused on proactive lease management and enhancing its existing properties to cater to the changing tenant requirements. Sabana Industrial REIT will also continue to manage its costs prudently, optimise its funding sources and seize opportunities to enhance its portfolio resilience, to deliver long-term sustainable value for all Unitholders.

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<sup>6</sup> “Singapore’s GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2022 and by 3.8 Per Cent in 2022”. Ministry of Trade and Industry Singapore – 3 January 2023.

<sup>7</sup> “JTC Quarterly Market Report for 4Q2022”. JTC – 26 January 2023.

<sup>8</sup> “Launch of first half 2023 Industrial Government Land Sales programme”. Ministry of Trade and Industry Singapore. 28 December 2022.

<sup>9</sup> “At the Crossroads”. CBRE Research Q4 2022 – 11 January 2023.

<sup>10</sup> “World Economic Outlook, Countering the Cost-of-Living Crisis”. International Monetary Fund – October 2022.

<sup>11</sup> “Investment Outlook 2023”. J.P.Morgan – November 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 2022, 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 2022. Sabana Industrial REIT is a constituent of the SGX S-REIT Index, MSCI Singapore Micro Cap Index, and FTSE ST Singapore Shariah 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](http://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.