



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 DECLARES FY 2023 DPU OF 2.76 CENTS AFTER A 10% RETENTION FOR PRUDENT CAPITAL MANAGEMENT; INCOME AVAILABLE FOR DISTRIBUTION PER UNIT STABLE AT 3.05 CENTS

- Record high gross revenue on the back of three consecutive years of double-digit positive rental reversions and stable portfolio occupancy of 91.2%¹
- NPI highest since 2016 despite a smaller number of 18 portfolio properties compared to 21 in 2016
- Higher portfolio valuation of \$903.9 million, supported by asset enhancement initiative, asset rejuvenation and higher rentals for new and renewed leases

Summary of Results

(\$'m)	2H 2023	2H 2022	Variance (%)	FY 2023	FY 2022	Variance (%)
Gross Revenue ^(a)	56.6	50.1	13.1	111.9	94.9	17.9
Net Property Income ("NPI") ^(a)	27.8	26.3	5.9	55.0	53.3	3.2
Total Income Available for Distribution ^(b)	15.9	15.9	(0.2)	33.7	33.1	1.9
Income Available for Distribution per Unit (cents)	1.44	1.46	(1.4)	3.05	3.05	-
Total Distributable Amount Declared ^(b)	12.8	15.9	(19.7)	30.5	33.1	(7.7)
Distribution Amount Declared Per Unit ("DPU") (cents)	1.15	1.46	(21.2)	2.76	3.05	(9.5)

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

(b) The REIT's policy is to distribute at least 90.0% of its distributable income to Unitholders. 10% of distributable income for FY 2023 was retained for prudent capital management in view of additional costs incurred and to be incurred in connection with the internalisation; further retention of distributable income may be required for FY 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.

Singapore, 23 January 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 period from 1 July 2023 to 31 December 2023 ("**2H 2023**") and for the full year from 1 January 2023 to 31 December 2023 ("**FY 2023**"). For FY 2023, the REIT reported a record high gross revenue of \$111.9 million, 17.9% higher year-on-year ("**y-o-y**"). FY 2023 NPI increased by 3.2% y-o-y to \$55.0 million, a new high since 2016 despite a smaller number of 18 portfolio properties, from 21 assets in 2016. The Manager maintained positive rental reversions in 4Q 2023, which marks 12 consecutive quarters of positive rental reversion since 1Q 2021, and three consecutive years of double-digit rental reversion.

Financial Highlights

Gross revenue for 2H 2023 rose by 13.1% y-o-y to \$56.6 million, due to higher rental reversions across the portfolio which saw stable overall occupancy rate. NPI for the period increased by 5.9% y-o-y to \$27.8 million, uplifted by positive rental reversions, partially offset by higher utility expenses.

¹ Portfolio occupancy includes 33 & 35 Penjuru Lane, which is master-leased and under legal proceedings and excludes 1 Tuas Avenue 4, which is currently undergoing AEI.

In FY 2023, in view of the ongoing claim against a master lease tenant at 33 & 35 Penjuru Lane, the Manager has taken a prudent stance and recorded a one-off impairment loss of \$2.0 million. Excluding this, the REIT attained overall rental collectability of 99.8% as of 31 December 2023. Finance costs for the year under review increased by 13.4% to \$12.3 million. Correspondingly, despite accounts receivable impairment, total income available for distribution in FY 2023 was \$33.7 million, 1.9% higher y-o-y.

Total distribution amount declared in FY 2023, however, declined by 7.7% y-o-y to \$30.5 million due to the retention of 10% of distributable income, which will be deployed to fund costs incurred in connection with the internalisation. Accordingly, FY 2023 DPU declined by 9.5% y-o-y to 2.76 cents. This comprises the payout of 1H 2023 DPU of 1.61 cents and 2H 2023 DPU of 1.15 cents.

In FY 2022, 100.0% of income available for distribution was distributed to unitholders, which was equivalent to distribution per unit of 3.05 cents. In FY 2023, total income available for distribution per unit remained unchanged from FY 2022 at 3.05 cents.

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.

As of 31 December 2023, an additional \$3.27 million of internalisation expenses were incurred in respect of implementation of the resolutions passed on 7 August 2023.

Amid the ongoing internalisation process of the REIT management function and costs to be incurred in connection with this process, further retention of distributable income may be required in FY 2024 and FY 2025.

The Manager advises that Unitholders refer to the Trustee’ 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 complex and unprecedented in the Singapore market. Given this complexity, the Trustee has previously stated that it is expected to take at least 12 months and potentially significantly longer to internalise the REIT management function of Sabana Industrial REIT. 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 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.

Mr Donald Han, Chief Executive Officer of the Manager of Sabana Industrial REIT said, “Our performance on a business-as-usual basis is highly commendable. Sabana’s distributable income improved by 1.9% in FY 2023, despite the trying environment arising from the ongoing internalisation. Against this challenging backdrop, we attained record-high gross revenue over the 12-year track record of the REIT since the initial public offering. Our net property income reached a new high since 2016, despite a smaller number of portfolio properties since then. Of note, if not for the 10% retention of distributable income as a prudent measure to fund costs incurred in connection with the internalisation, the REIT would have attained a total income available for distribution per unit of 3.05 cents, unchanged from FY 2022.

“Operationally, we have demonstrated our efforts in bolstering the resilience of our portfolio. We attained a portfolio occupancy rate of 91.2% as at 31 December 2023 and maintained a positive rental reversion in 4Q 2023, marking 12 consecutive quarters of positive rental reversion since 1Q 2021, and three consecutive years of double-digit rental reversion.

“Another noteworthy highlight is the REIT’s higher portfolio valuation, which was mainly lifted by the ongoing asset enhancement initiative of 1 Tuas Avenue 4. Despite the challenges of elevated construction costs, our disciplined and vigilant project execution efforts have enabled us to lower our development cost to about \$18m from the initially projected \$20m.

Another commendable highlight is our asset at 34 Penjuru Lane. With about nine years remaining on its land lease tenure, the property has defied devaluation gravity and has achieved an uptick in valuation since June 2022, thanks to the proactive leasing efforts of the team!

“On sustainability, we are continuing with our efforts to implement solar panel installations across selected portfolio assets. I am pleased to share that our very first solar PV system at 10 Changi South Street 2 has been operational since December 2023. By 4Q 2024, majority of our multi-tenanted properties will be covered by renewable energy.”

Mr Tan Cheong Hin, Chairman of the Board of Directors commented, *“We are delighted to have achieved the highest returns to shareholders over three years in the REITs sector² for the second successive year, a strong testament to the steadfast commitment and dedication of our team.”*

Portfolio Highlights

As at 31 December 2023, overall portfolio occupancy rate was 91.2%¹, unchanged from a year ago while weighted average lease expiry (“WALE”) by gross rental income remained stable at 3.0 years.

For FY 2023, Sabana Industrial REIT executed a total of 80 new and renewed leases totalling 0.96 million sq ft, representing approximately 26.9% of total net lettable area of 3.5 million sq ft. Notably, the Manager renewed an anchor tenant lease at 508 Chai Chee Lane and secured new tenants to replace an anchor tenant at 34 Penjuru Lane ahead of lease expiry in 2H 2023. Tenant retention rate stood at 65.6% for FY 2023. The REIT achieved positive rental reversion of 16.6% in FY 2023, following consecutive positive rental reversions of 10.5% and 12.9% in FY 2021 and FY 2022 respectively.

The REIT recorded higher portfolio valuation of \$903.9 million as of 31 December 2023 for its 18 properties, compared to \$885.7 million a year ago. The valuation uplift can be attributed to asset enhancement initiative, asset rejuvenation and higher signing rents for both new and renewed leases across the portfolio.

The Manager continues to proactively engage existing tenants ahead of lease expiries and 42.7% of leases expiring in FY 2024 have been renewed or under lease documentation. The Manager is also in discussion with prospective tenants for the leasing of the premises at 33 & 35 Penjuru Lane.

Prudent Capital Management

In FY 2023, the Manager secured a \$100.0 million sustainability-linked facility and consequently has no refinancing requirements until 4Q 2025. As at 31 December 2023, aggregate leverage was 34.3% with a weighted average debt maturity at 2.9 years. Weighted average all-in financing cost inched modestly higher to 3.89% as at 31 December 2023 from 3.86% a year ago. 76.3% of the REIT’s total borrowings is hedged to fixed rates, with an average fixed debt expiry of 1.0 year.

The REIT’s interest coverage ratio was 3.5 times as at 31 December 2023, with a debt headroom of \$145.7 million.

Sustainability Highlights

Almost two-thirds of the REIT’s existing financing are sustainability-linked and the Manager continues to target to convert all financing facilities into sustainability-linked or green loans by 2025. With the planned solar panel installations across five additional portfolio properties targeted for completion in 4Q 2024, the REIT is on track with its goal of becoming one of Singapore’s first carbon-neutral industrial REITs by 2040.

² Data according to The Edge Singapore, 13 November 2023, over the period of 31 March 2020 to 31 March 2023.

Outlook

Based on advance estimates by the Ministry of Trade and Industry (“**MTI**”), Singapore’s economy grew by 2.8% y-o-y in 4Q 2023, faster than the 1.0% growth in the previous quarter. The manufacturing sector expanded by 3.2% y-o-y in 4Q 2023, a turnaround from the 4.7% contraction in the previous quarter³. Meanwhile, Singapore’s non-oil domestic exports (“**Nodx**”) contracted 1.5% in December 2023 mainly due to electronics which declined by 11.7% from a year ago⁴. For the full year 2023, Singapore’s Nodx in 2023 is 13.1% lower than a year ago and marks the worst performance since 2001.

According to JTC, the overall occupancy rate for the industrial property market stood at 88.9% in 3Q 2023⁵, a decline of 0.2 percentage points compared to the previous quarter as new supply outpaced new demand. Rentals and prices of industrial space continued to rise as the all-industrial rental index and all-industrial price index rose by 2.0% and 1.4% respectively in 3Q 2023 compared to the previous quarter. To ensure an adequate supply of industrial space in Singapore, MTI has also launched 13.75 hectares of industrial land for tender in the Industrial Government Land Sales programme for the first half of 2024⁶.

Separately, CBRE research anticipates that new warehouse supply will average 2.3m sq ft per year, which is 34% below the 6-year historical supply. With demand expected to outpace supply over the next few years, this will keep occupancy stable.⁷

The REIT’s performance in 2024 is expected to be challenging in an environment where interest rates are likely to stay elevated and operating costs are high, and taking into consideration the impact of additional costs incurred and to be incurred in connection with the internalisation. Despite these challenges, the Manager will endeavour to steer through the unfavourable business climate and optimise the REIT’s performance.

Requisition of Extraordinary General Meeting

Since the extraordinary general meeting of Sabana Industrial REIT held on 7 August 2023 where unitholders of Sabana Industrial REIT (“**Unitholders**”) had voted to, among others, direct HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana Industrial REIT (the “**Trustee**”), to remove Sabana Real Estate Investment Management Pte. Ltd. as the manager of Sabana Industrial REIT as soon as practicable and to *inter alia* “effect the internalisation of the REIT management function by incorporating a subsidiary wholly owned by the Trustee and appointing such a subsidiary to act as the manager of Sabana Industrial REIT” (the “**Resolutions**”), the Trustee has issued various statements dated 8 August 2023, 29 August 2023, 4 October 2023, 7 November 2023, 6 December 2023, 15 December 2023 and 9 January 2024 (collectively, the “**Trustee Statements**”) where the Trustee had provided updates to Unitholders in relation to the implementation of the Resolutions, including the filing of an originating application, by way of HC/OA 19/2024 (the “**Originating Application**”), with the High Court of Singapore under Order 32 of the Rules of Court 2021 of Singapore. The Trustee has stated in its statements that it will provide further updates and engage with Unitholders as and when there are material developments. All updates from the Trustee (including the abovementioned statements) are and will be made available via SGXNet.

Additionally, the Manager refers to its announcement dated 12 January 2024 (the “**12 January Announcement**”) in relation to the requisition by certain unitholders of Sabana Industrial REIT requesting the Manager to convene an extraordinary general meeting of Sabana Industrial REIT to consider certain resolutions. As stated in the 12 January Announcement, the Manager is seeking legal counsel and considering this requisition notice (including the reasoning for the proposed resolutions set out therein), taking into consideration the Trustee’s Statements and the Originating Application. As stated in the 12 January Announcement, as the Trustee has been directed by Unitholders to effect the internalisation exercise, the Manager is also discussing with the Trustee on their next steps and further announcements will be made on SGXNet in due course.

³ “Singapore’s GDP Grew by 2.8 Per Cent in the Fourth Quarter of 2023 and by 1.2 Per Cent in 2023”, Ministry of Trade and Industry Singapore, 2 January 2024.

⁴ “Singapore’s External Trade – December 2023”, Enterprise Singapore, 17 January 2024.

⁵ “JTC Quarterly Market Report for 3Q 2023”, JTC, 26 October 2023.

⁶ “Launch Of First Half 2024 Industrial Government Land Sales Programme”, Ministry of Trade and Industry Singapore, 27 December 2023.

⁷ “The Evolution of E-commerce and its Impact on Singapore Logistics Real Estate”, CBRE Research, 22 November 2023.

Announcement pursuant to Rule 704(5) of the Listing Manual

The Manager would like to draw attention to the Rule 704(5) announcement that states that the independent auditor's review report (the "**Independent Auditor's Review Report**") issued by Sabana Industrial REIT's independent external auditors, Ernst & Young LLP, in relation to the unaudited Interim Financial Information of Sabana Industrial REIT for the half year ended and year ended 31 December 2023 ("**Unaudited Interim Financial Information**") has included an emphasis of matter in respect of a material uncertainty that may cast significant doubt on the Group's⁸ and Sabana Industrial REIT's⁹ ability to continue as a going concern depending on the outcome of the internalisation exercise.

The above-mentioned material uncertainty arises because of the potential financial implication to Sabana Industrial REIT arising from the implementation of the Resolutions which could affect Sabana Industrial REIT's ability to remain as a going concern.

The Manager would like to highlight that the conclusion in the Independent Auditor's Review Report remains not qualified in respect of the above emphasis of matter.

Total outstanding loans as of 31 December 2023 stood at \$318.0 million. Please refer to page 18, Note 7 of the Interim Financial Information for details.

The above-mentioned update shall be read in conjunction with the "Announcement Pursuant to Rule 704(5) of the Listing Manual" which is released on the SGXNet and the REIT's corporate website at <https://sabana.listedcompany.com/newsroom.html>

The Manager will make further announcements on SGXNet regarding any material developments. This press release shall be read in conjunction with previous announcements released on the SGXNet and REIT's corporate website at <https://sabana.listedcompany.com/newsroom.html>.

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⁸ "Group" means Sabana Industrial REIT and its subsidiary, collectively.

⁹ During the extraordinary general meeting of Sabana Industrial REIT held on 7 August 2023, unitholders of Sabana Industrial REIT ("Unitholders") had voted to, among others, direct HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana Industrial REIT (the "Trustee"), to remove Sabana Real Estate Investment Management Pte. Ltd. as the manager of Sabana Industrial REIT as soon as practicable and to "effect the internalisation of the REIT management function by incorporating a subsidiary wholly owned by the Trustee and appointing such a subsidiary to act as the manager of Sabana Industrial REIT" (the "Resolutions"). For more information on the progress of the internalisation exercise, Unitholders may refer to the Trustee's statements dated 8 August 2023, 29 August 2023, 4 October 2023, 7 November 2023, 6 December 2023, 15 December 2023 and 9 January 2024.

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 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.