SABANA SHARI'AH COMPLIANT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

SABANA REIT RECEIVES PROVISIONAL APPROVAL FOR NEW TECH PARK REJUVENATION; EMBARKS ON GROWTH PHASE OF REFRESHED STRATEGY

- **Embarks on Phase 2 of Refreshed Strategy to undertake asset enhancement initiatives ("AEIs"):**
  - **Granted Outline Permission for proposed works to New Tech Park, adding approximately 4,000 sqm of new commercial space**
- **Follows successful execution of Phase 1:**
  - **Completed the sale of 9 Tai Seng Drive for S$99.6 million post 4Q 2018:**
    - **Net proceeds to fund capital expenditures, repay outstanding loans and for consideration of distribution to Unitholders**
  - **Proactive leasing management efforts and diversification of tenancy mix:**
    - **Secured master tenant for 21 Joo Koon Crescent**
    - **Converted 10 Changi South Street 2 into multi-tenanted property; secured major tenant to complement current master tenant**
- **Distribution per unit (DPU) of 0.71 Singapore cents for 4Q 2018**

Singapore, 24 January 2019 – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("Sabana REIT" or the "Trust"), has embarked on Phase 2 of its refreshed strategy – to undertake Asset Enhancement Initiatives ("AEIs") - after receiving provisional approval for the rejuvenation of New Tech Park.

This follows the Manager's successful execution of Phase 1 to a) divest non-performing or mature assets to fund value-accretive propositions such as AEIs and to b) continue to actively manage and optimise its portfolio.

Growing in Phase 2 with AEI

The Manager has obtained a Grant of Outline Permission from the Urban Redevelopment Authority for its proposed additions and alterations work to New Tech Park at 151 Lorong Chuan, subject to approval of its final application.

Once approval is confirmed, the Manager will be able to add 3,979.69 sqm of new temporary commercial gross floor area ("GFA") at the property – with up to 3,400 sqm reserved for retail (including food and beverage) use and the remaining for non-retail uses (such as offices and commercial schools). It will also look to upgrade the common areas at New Tech Park including its lift lobbies, sanitation facilities and other building services.

Upon completion of the AEI, New Tech Park will offer tenants and residents nearby an improved and exciting mix of integrated retail and dining options within a best-in-class high-tech industrial space, and deliver enhanced value for Unitholders.

The Manager will work closely with its team of consultants on the rejuvenation of New Tech Park's 75,317 sqm of GFA.

Donald Han, Chief Executive Officer of the Manager of Sabana REIT, said: "We are excited to embark on the next phase of our refreshed strategy which will be focused on growth. Key to this will be the rejuvenation of our flagship property New Tech Park for which we have received provisional approval from the authorities. We are currently evaluating the best funding options for New Tech Park's AEI, which represents approximately one third of our portfolio asset value, and its enhancement will be a significant growth driver.

"We have successfully delivered on Phase 1 of our turnaround strategy, with steadily improving NAV, lower gearing and increasing occupancy. Highlights include achieving higher occupancies for 23 Serangoon North Avenue 5, 39 Ubi Road 1, and securing a new master tenant for 21 Joo Koon Crescent. The star portfolio performer was 508 Chai Chee Lane which is now 100% filled.

"We have also strengthened our balance sheet, giving us more headroom to fund growth and repay loans. This is primarily from our disposal of three properties for S$124.58 million, realising approximately 59% gain over book value. In the near term, the sale completion of 9 Tai Seng Drive puts us in a good position to fund capital expenditures, repay outstanding loans and consider distribution to Unitholders.

Yong Kok Hoon, Chairman and Independent Director of Sabana REIT said: "In the past year, we delivered on our key strategic goals, even as headline performance was affected by the continued downcycle in our industry. Hard, long-term decisions the team has taken in the last 12 months to reshape our portfolio will eventually result in an uplift in our performance.

"Having laid a strong foundation, we are now focused on ensuring growth is on track. We will continue to focus on balancing current returns with future growth to optimise value for Unitholders."

Reports DPU of 0.71 Singapore cents for 4Q 2018

Financial Highlights

(S$'000)	4Q 2018	4Q 2017	Variance (%)	3Q 2018	Variance (%)	FY 2018	FY 2017	Variance (%)
Gross revenue	20,023	20,395	(1.8)	19,855	0.8	80,961	85,196	(5.0)
Net property income ("NPI")	13,001	13,711	(5.2)	12,633	2.9	52,790	53,379	(1.1)
Amount available for distribution	7,436	8,783	(15.3)	8,072	(7.9)	33,391[1]	35,005[2]	(4.6)
Distribution per Unit ("DPU") (cents)	0.71	0.83	(14.5)	0.77	(7.8)	3.18	3.31	(3.9)

[1] The Manager had forgone 20% of its fees, approximately S$238,000, for 1Q 2018.
[2] The Manager had forgone 25% and 75% of its fees, approximately S$310,000 and S$944,000, for 2Q 2017 and 1Q 2017 respectively.

The Manager also today reported financial results for the fourth quarter and full year ended 31 December 2018 ("4Q 2018" and "FY2018" respectively).

For 4Q 2018, Unitholders will receive a DPU of 0.71 Singapore cents, 14.5% lower than the previous corresponding period, from a distributable amount of S$7.4 million, amid a still challenging market.

Gross revenue declined 1.8% year-on-year ("y-o-y") for 4Q 2018. This was primarily on lower contribution from some of the Trust's multi-tenanted properties due to lower occupancies, negative rental reversions on some master lease renewals, and lower contribution from 21 Joo Koon Crescent whose master lease expired in 3Q 2018. The decline was partially offset by higher contribution from 10 Changi South Street 2 and improved occupancies at 39 Ubi Road 1, 508 Chai Chee Lane and 23 Serangoon North Avenue 5.

Correspondingly, NPI decreased by 5.2% y-o-y to S$13.0 million.

Net finance costs rose by 2.4% y-o-y as higher interest rates for the Trust's floating rate borrowings in 4Q 2018 offset the positive impact from its refinancing of higher cost trust certificates with lower cost facilities earlier in 2018. The Manager remains well-positioned to service its loans, with a healthy profit coverage of 3.7 times.

Overall, occupancy levels for the Trust improved to 84.4% as at 31 December 2018 (at 30 September 2018: 81.4%). This was on higher occupancy rates for its multi-tenanted properties, supported by 10 Changi South Street 2, which was converted to a multi-tenanted arrangement in 4Q 2018. If the divestment of 1 Tuas Avenue 4 and 9 Tai Seng Drive - announced in September 2018 - had completed by end of FY2018, the occupancy level would have been 88.5%.

For FY2018, Sabana REIT reported a DPU of 3.18 Singapore cents (FY2017: 3.31 Singapore cents).

Significant Operational Updates

Sabana REIT made sustained progress in executing Phase 1 of its refreshed strategy:

1. **Completed the sale of 9 Tai Seng Drive for total consideration of S$99.6 million in Jan 2019:**
    - Net proceeds to fund capital expenditures, repay outstanding loans and for consideration of distribution to Unitholders
2. **Secured new master tenant for 21 Joo Koon Crescent:**
    - Signed a 5-year master lease on a triple-net basis which will bring the property that has been vacant since September 2018 to 100% occupancy. The lease will officially commence in 4Q 2019, following initial refurbishment work
3. **Converted 10 Changi South Street 2 into multi-tenanted property; secured major tenant to complement master tenant:**
    - Conversion from master tenant arrangement in 4Q 2018 to diversify income flows
    - Signed on new major tenant on 10-year lease for 25% of net lettable space at the property, with the remaining taken up by the current master tenant

Outlook for the Year

Based on advance estimates from the Ministry of Trade and Industry ("MTI"), Singapore's GDP growth moderated to 2.2% y-o-y in 4Q 2018 from 2.3% in 3Q 2018[3]. For the full year 2018, Singapore's GDP grew by 3.3%, compared to 3.6% in 2017. MTI forecasts Singapore will grow at 1.5% to 3.5% for 2019[4].

Overall rent reversion for 2019 is likely to remain negative, with JTC Corporation data showing continued oversupply and island-wide vacancy of 10.7% as at 4Q 2018[5]. Analyst views are generally subdued. Knight Frank sees continued demand for industrial space in the short to medium term, but does not expect rents to rise due to ample supply, especially given the uncertain external environment[6]. CBRE however, expects that rents will likely recover in light of higher leasing activity, albeit from a low base[7]. Colliers International foresees a pick-up in investment interest in industrial assets as rents bottom out and stabilise, especially those in high-end sectors such as high-spec facilities and modern ramp-up logistics properties[8].

Amid challenging market conditions, the Manager continues to focus on executing its growth plan through active asset management and progressing on the proposed AEI.

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[3] "Singapore's GDP Grew by 2.2 Per Cent in the Fourth Quarter of 2018". Ministry of Trade and Industry. 2 January 2019.
[4] "MTI Forecasts GDP to Grow by "3.0 to 3.5 Per Cent" in 2018 and "1.5 to 3.5 Per Cent" in 2019". Ministry of Trade and Industry. 22 November 2018.
[5] "JTC Quarterly Market Report. Industrial Properties. Fourth Quarter 2018". JTC. 24 January 2019.
[6] "Knight Frank Q3 2018 industrial market snapshot". Knight Frank Singapore. Retrieved 10 January 2019.
[7] "CBRE Q4 2018 Marketview Singapore". CBRE Research (Singapore). 11 January 2019.
[8] "Q3 2018 Singapore Investment", Colliers International. 14 November 2018

Sabana REIT

Sabana REIT was listed on Singapore Exchange Securities Trading Limited on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. Sabana REIT currently 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. Its total assets amount to S$1.0 billion.

Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is one of the constituents of the FTSE ST Singapore Shariah Index.

Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd., (in its capacity as the Manager of Sabana REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended). Sabana 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 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 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 of Sabana REIT 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.