



## **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)

### **PROPOSED DIVESTMENT OF 1 TUAS AVENUE 4, SINGAPORE 639382**

**Singapore**, 28 September 2018 - Sabana Real Estate Investment Management Pte. Ltd. (the "**Manager**"), the manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**" or the "**Trust**"), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Sabana REIT (the "**Trustee**"), has on this day, entered into a conditional sale and purchase agreement (the "**SPA**") for the proposed divestment of 1 Tuas Avenue 4, Singapore 639382 (the "**Property**") with Kim Soon Lee (Lim) Heavy Transport Pte. Ltd. (the "**Purchaser**") for the sum of S\$11.18 million (the "**Sale Consideration**") (the "**Divestment**"). The Divestment is conditional upon the receipt of approvals from the relevant authorities and is expected to be completed by the fourth quarter of the financial year ended 31 December 2018 ("**4Q FY2018**").

The Sale Consideration is 52.0% below the Property's current book value of S\$23.3 million as at 30 June 2018 (the "**30 June 2018 Book Value**"), based on the valuation performed by an independent property valuer, Knight Frank Pte. Ltd. ("**Knight Frank**"), using capitalisation approach and discounted cash flow analysis method, commissioned by the Manager. More recent valuations were performed by independent valuers:

- Knight Frank determined a market value of S\$11.1 million as at 5 September 2018, using the comparison sales method; and
- Suntec Real Estate Property Consultants Pte. Ltd. ("**Suntec Real Estate**") determined a market value of S\$10.9 million as at 14 September 2018, using the market comparables approach. (collectively, the "**September 2018 Market Values**")

The 30 June 2018 Book Value had been determined based on certain assumptions made by Knight Frank, including:

- Further capital expenditure is required to complete the construction to a 'tenantable' condition; and
- A master tenant is identified within 12 months and will lease the entire asset for a 3-year term.

However, the Property has been vacant and remains uncompleted following the surrender of lease agreement by the former "data centre" master tenant. On this current status as a potential industrial redevelopment site and for general B2 industrial use, Suntec Real Estate and Knight Frank had updated the market value of the Property as mentioned above.

The Sale Consideration, which will be paid in cash, was arrived at on a willing-buyer, willing-seller basis taking into account the September 2018 Market Values.

The Property is a three-storey industrial building, located in the western part of Singapore. It has a gross floor area ("**GFA**") of approximately 160,361 square feet, with a remaining land tenure of

approximately 28.8 years as at 30 June 2018. The Property was acquired on 26 November 2010 for a purchase consideration of S\$28.0 million.

The Manager is of the view that it is not financially feasible to redevelop the Property given the significant capital outlay and low rental yields expected in the near to medium term. It has therefore been actively looking to divest the Property as part of Sabana REIT's refreshed strategy to improve performance for Unitholders.

The Divestment will:

- i. Improve Sabana REIT's overall occupancy from 84.5% to 87.5% as if the divestment occurred on 30 June 2018,
- ii. Deliver immediate cost efficiencies on all related expenses from the Property

The proceeds from the Divestment, after taking into account all relevant costs and expenses ("**Net Proceeds**"), would be used for the repayment of the Trust's outstanding borrowings, or to explore options to optimise returns to Unitholders such as value-accretive acquisitions – particularly in high-spec assets and business parks, asset enhancement initiatives, or other relevant growth opportunities.

For illustrative purposes, the pro forma impact of the Divestment, assuming that the divestment was completed on 1 January 2017 and the Net Proceeds were used for the repayment of outstanding borrowings, would improve the distribution per unit ("**DPU**") for the audited financial year ended 31 December 2017 from 3.31 to 3.41 cents.

The Purchaser has paid an aggregate cash deposit of S\$1.118 million, equivalent to 10.0% of the Sale Consideration with the goods and services tax ("**GST**") thereon, for the purpose of the Divestment. The balance of the Sale Consideration with the GST thereon will be paid in cash on completion of the Divestment.

The Manager will also be waiving the entire divestment fee of 0.5% on the Sale Consideration (approximately S\$55,900) which it is entitled to under the trust deed dated 29 October 2010 (as amended).

Copies of the following documents are available for inspection, with prior appointment, during normal business hours at the registered office of the Manager at 151 Lorong Chuan, #02-03, New Tech Park, Singapore 556741 from the date of this announcement up to and including the date falling three (3) months after the date of this announcement:

- (a) the SPA;
- (b) the independent valuation report on the Property issued by Knight Frank in relation to the 30 June 2018 Book Value;
- (c) the independent valuation report on the Property issued by Knight Frank in relation to the valuation performed as at 5 September 2018; and
- (d) the independent valuation report on the Property issued by Suntec Real Estate in relation to the valuation performed as at 14 September 2018.

By Order of the Board

Sabana Real Estate Investment Management Pte. Ltd.

(Company registration number 201005493K)

As Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Han Yong Lee (Donald)

Chief Executive Officer

28 September 2018

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**Sabana REIT**

Sabana REIT was listed on the SGX-ST 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 19 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 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](http://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.