



## SABANA SHARI'AH COMPLIANT INDUSTRIAL REIT

3Q 2015: Third Quarter Ended 30 September 2015 Financial Results Presentation

15 October 2015

# 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 third quarter from 1 July 2015 to 30 September 2015 ("3Q 2015").**

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 3Q 2015



- Sabana REIT generated Distribution per Unit (“DPU”) of 1.77 Singapore cents in 3Q 2015.
- 3Q 2015 gross revenue and net property income (“NPI”) grew year-on-year, by 1.5% and 1.4% respectively, due largely to income contributions from 10 Changi South Street 2, which was acquired in December 2014.
- Multi-tenanted occupancy level improved to 80.4% in 3Q 2015, from 78.3% in 2Q 2015. This led overall occupancy level to increase to 91.7% in 3Q 2015, compared to 90.9% in 2Q 2015.
- Secured a new S\$50.0 million Revolving Commodity Murabahah Facility due 2018<sup>(1)</sup> on 4 September 2015, further diversifying both borrowings maturity profile and funding sources.
- Aggregate leverage level in 3Q 2015 was at a healthy 38.0%, with 81.9% of its total outstanding borrowings on fixed profit rates.

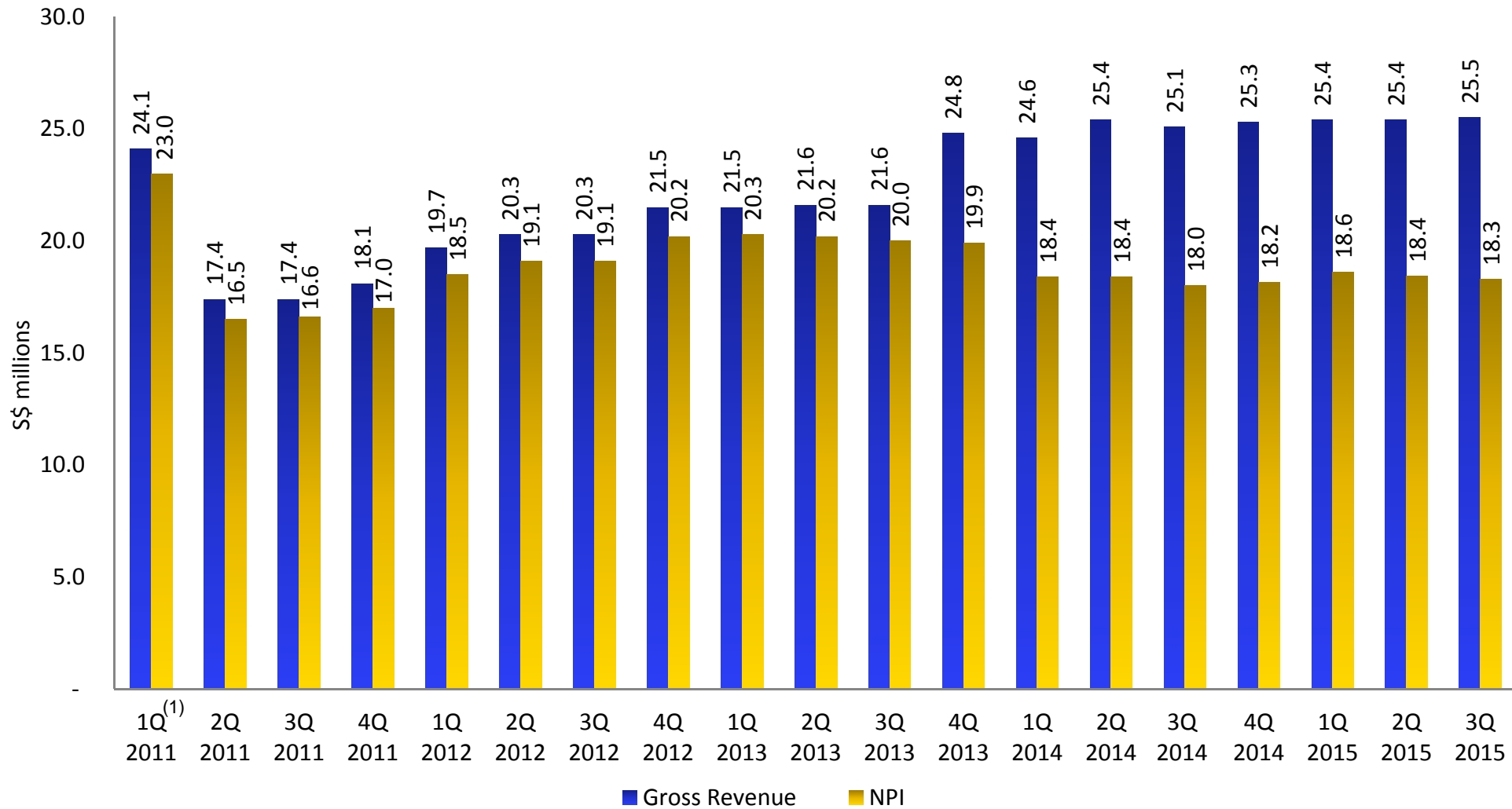
(1) S\$28.0 million was drawn from the Revolving Commodity Murabahah Facility to partially fund the redemption of an aggregate principal amount of S\$29.7 million of Convertible Sukuk due 24 September 2017 when its put option was exercised on 24 September 2015.

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# Gross Revenue and NPI Since Listing



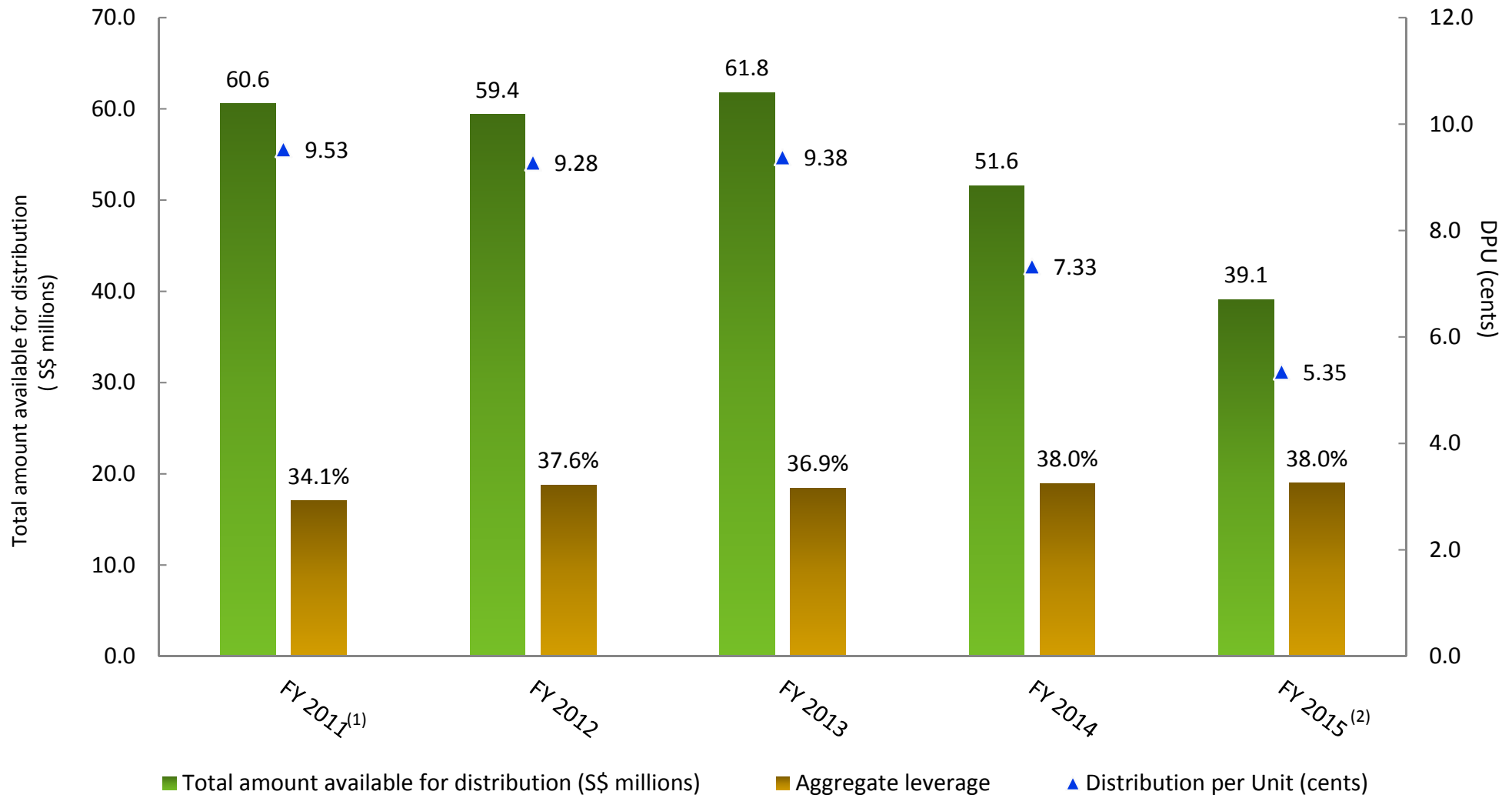
As at 30 September 2015



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

# Annual DPU Performance

As at 30 September 2015



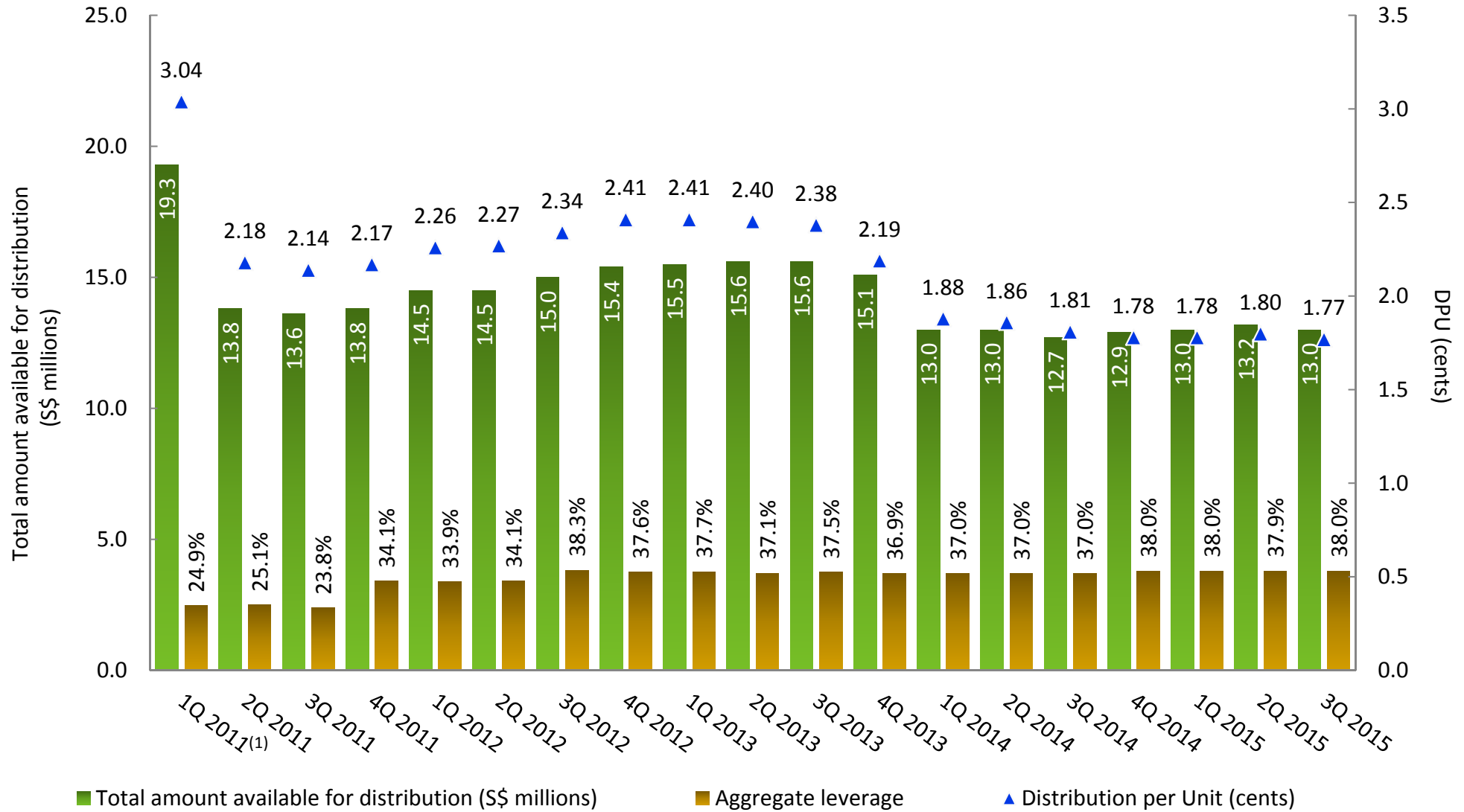
(1) For the period from 26 November 2010 to 31 December 2011.

(2) For the period from 1 January 2015 to 30 September 2015.



# Quarterly DPU Performance

As at 30 September 2015



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

# Financial Performance



## For the quarter ended 30 September 2015

(in S\$'000)	3Q 2015	3Q 2014	Variance (%)	3Q 2015	2Q 2015	Variance (%)
Gross revenue	<b>25,494</b>	25,126	1.5	<b>25,494</b>	<b>25,405</b>	0.4
Net property income ("NPI")	<b>18,294</b>	18,048	1.4	<b>18,294</b>	<b>18,437</b>	(0.8)
Income available for distribution	<b>12,971</b>	12,689	2.2	<b>12,971</b>	<b>13,156</b>	(1.4)
DPU (cents)	<b>1.77<sup>(1)</sup></b>	1.81	(2.2)	<b>1.77<sup>(1)</sup></b>	<b>1.80</b>	(1.7)
Annualised DPU (cents)	<b>7.02</b>	7.18	(2.2)	<b>7.02</b>	<b>7.22</b>	(2.8)
Distribution yield <sup>(2)</sup>	<b>8.9%</b>	9.1%	(2.2)	<b>8.9%</b>	9.2%	(3.3)

(1) Based 732,381,036 Units issued and to be issued as at 30 September 2015.

(2) Based on the last traded price of S\$0.785 per unit as at 14 October 2015.

# Financial Performance



## For the quarter ended 30 September 2015

(in S\$'000)	3Q 2015	3Q 2014	Variance (%)
Gross revenue	25,494	25,126	1.5
Property expenses	(7,200)	(7,078)	(1.7)
<b>NPI</b>	<b>18,294</b>	<b>18,048</b>	<b>1.4</b>
Net finance costs	(5,470)	(5,153)	(6.2)
Amortisation of intangible assets	-	(418)	100.0
Manager's fees	(1,614)	(1,555)	(3.8)
Trustee's fees	(136)	(131)	(3.8)
Donation of non-Shari'ah compliant income	(15)	(13)	(15.4)
Other trust expenses	(253)	(308)	17.9
Loss on exercise of put option on Convertible Sukuk by Sukukholders <sup>(1)</sup>	(648)	-	NM
<b>Net income</b>	<b>10,158</b>	<b>10,470</b>	<b>3.0</b>
Net change in fair value of financial derivatives	1,496	322	364.6
<b>Total return before taxation</b>	<b>11,654</b>	<b>10,792</b>	<b>8.0</b>
Distribution adjustments <sup>(2)</sup>	1,317	1,897	(30.6)
<b>Income available for distribution</b>	<b>12,971</b>	<b>12,689</b>	<b>2.2</b>

- **NPI** increased marginally by 1.4% mainly due to contributions from 10 Changi South Street 2, acquired in 4Q 2014, partially offset by lower gross revenue from 9 Tai Seng Drive as rental support from the vendor has been fully utilised in 2Q 2015. It is also offset by higher property expenses due to the conversion of 2 Toh Tuck Link into a multi-tenanted lease arrangement.

- **Net finance costs** increased by 6.2% mainly due to the higher profit expense arising from higher borrowings with higher average profit rates outstanding in 3Q 2015 over 3Q 2014, attributable to the issuance of the S\$100.0 million Trust Certificates due 2019 in 4Q 2014 to partly fund the Acquisition Property.

- **Other trust expenses** were 17.9% lower in 3Q 2015 over 3Q 2014 mainly due to lower central registry service charges arising from the non-application of the DRP and partially offset by higher professional fees in 3Q 2015 over 3Q 2014.

- **Distribution adjustments** were 30.6% lower in 3Q 2015 mainly due to higher non-tax chargeable effect on the net change in fair value of financial derivatives, lower non-tax deductible effect on lower amortisation of intangible assets, partially offset by one-time non-tax deductible effect on the non-recurring loss on exercise of put option on Convertible Sukuk by Sukukholders and lower non-tax chargeable effects on the lower straight-lining adjustments on rental income as lower rent-free periods were granted to tenants of multi-tenanted properties in 3Q 2015 over 3Q 2014.

(1) This represents the loss relating to the redemption and cancellation of aggregate principal amount of S\$29.7 million of Convertible Sukuk pursuant to the put option exercised by certain Sukukholders.

(2) 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, amortisation of intangible assets, Trustee's fees, net change in fair value of financial derivatives, and other income/expenses which are non-chargeable/deductible for tax purposes.

# Balance Sheet



As at 30 September 2015

S\$'000

Investment properties	1,261,301
Other assets	19,831
<b>Total assets</b>	<b>1,281,132</b>
Borrowings, at amortised cost	480,531
Other liabilities	27,459
<b>Total liabilities</b>	<b>507,990</b>
Net assets attributable to Unitholders	773,142
Units in issue <sup>(1)</sup>	732,381,036
NAV per unit (S\$)	1.06
Adjusted NAV per unit <sup>(2)</sup> (S\$)	1.04

(1) Comprises 730,688,829 units in issue as at 30 September 2015 and 1,692,207 units to be issued to the Manager by 31 October 2015, as partial consideration of Manager's fees incurred for the period from 1 July 2015 to 30 September 2015.

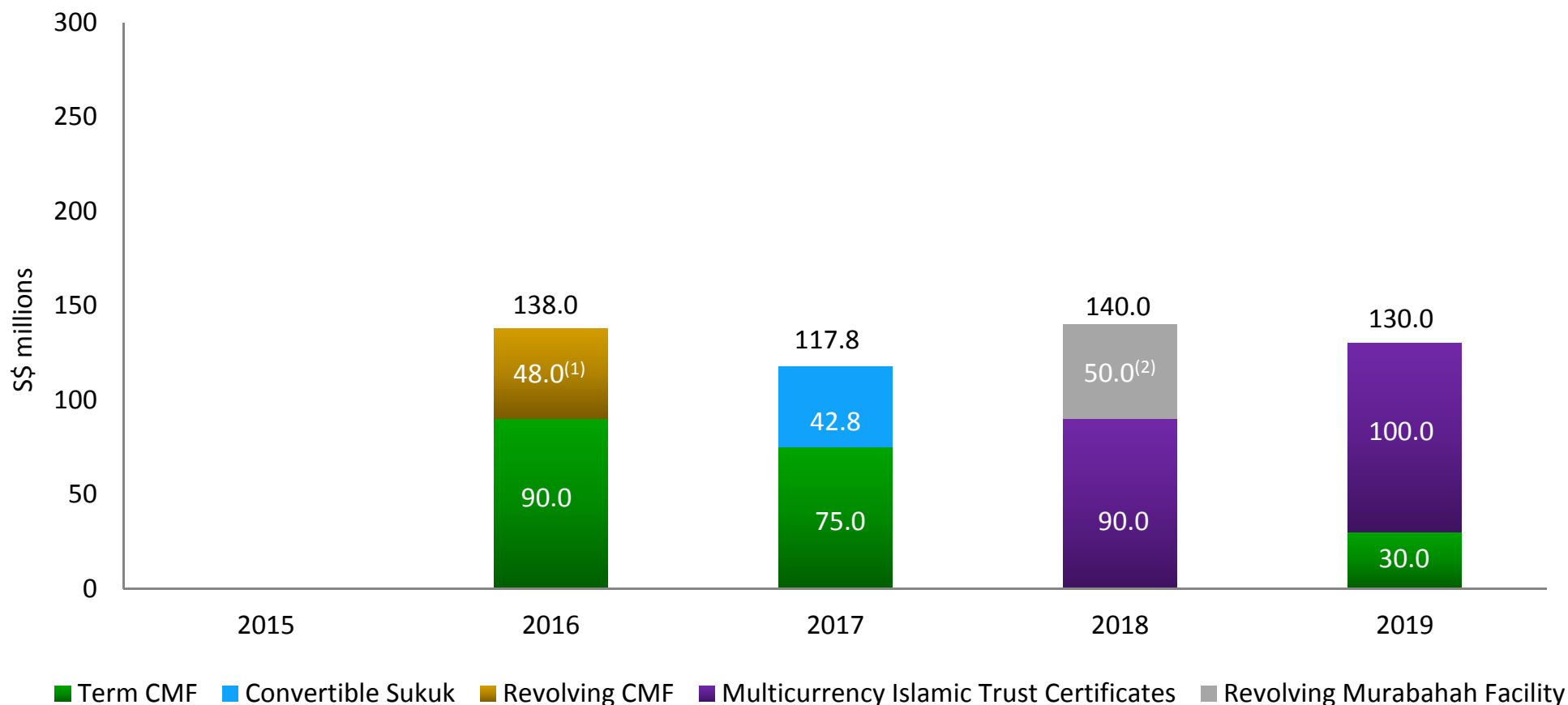
(2) Excludes distributable income of approximately S\$13.0 million available for distribution for the quarter ended 30 September 2015.

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# Borrowings Maturity Profile

As at 30 September 2015



**Maturities of total outstanding borrowings of S\$485.8 million evenly staggered over the next 4 years.**

(1) Comprises S\$30.0 million and S\$18.0 million of drawn and undrawn credit facilities.

(2) Comprises S\$28.0 million and S\$22.0 million of drawn and undrawn credit facilities.

# Capital Structure At A Glance



## As at 30 September 2015

Borrowings	S\$485.8 million
Aggregate leverage <sup>(1)</sup>	38.0%
Proportion of total borrowings fixed	81.9%
<b>Average all-in financing cost<sup>(2)</sup></b>	<b>4.2%</b>
Outstanding Term CMF	S\$195.0 million
Outstanding Revolving CMF	S\$30.0 million
Outstanding Revolving Commodity Murabahah Facility	S\$28.0 million
Convertible Sukuk due 2017	S\$42.8 million
Trust Certificates	S\$190.0 million
<b>Weighted average tenor of borrowings</b>	<b>2.3 years</b>
Profit cover <sup>(3)</sup>	3.8 times
Unencumbered assets	S\$413.4 million

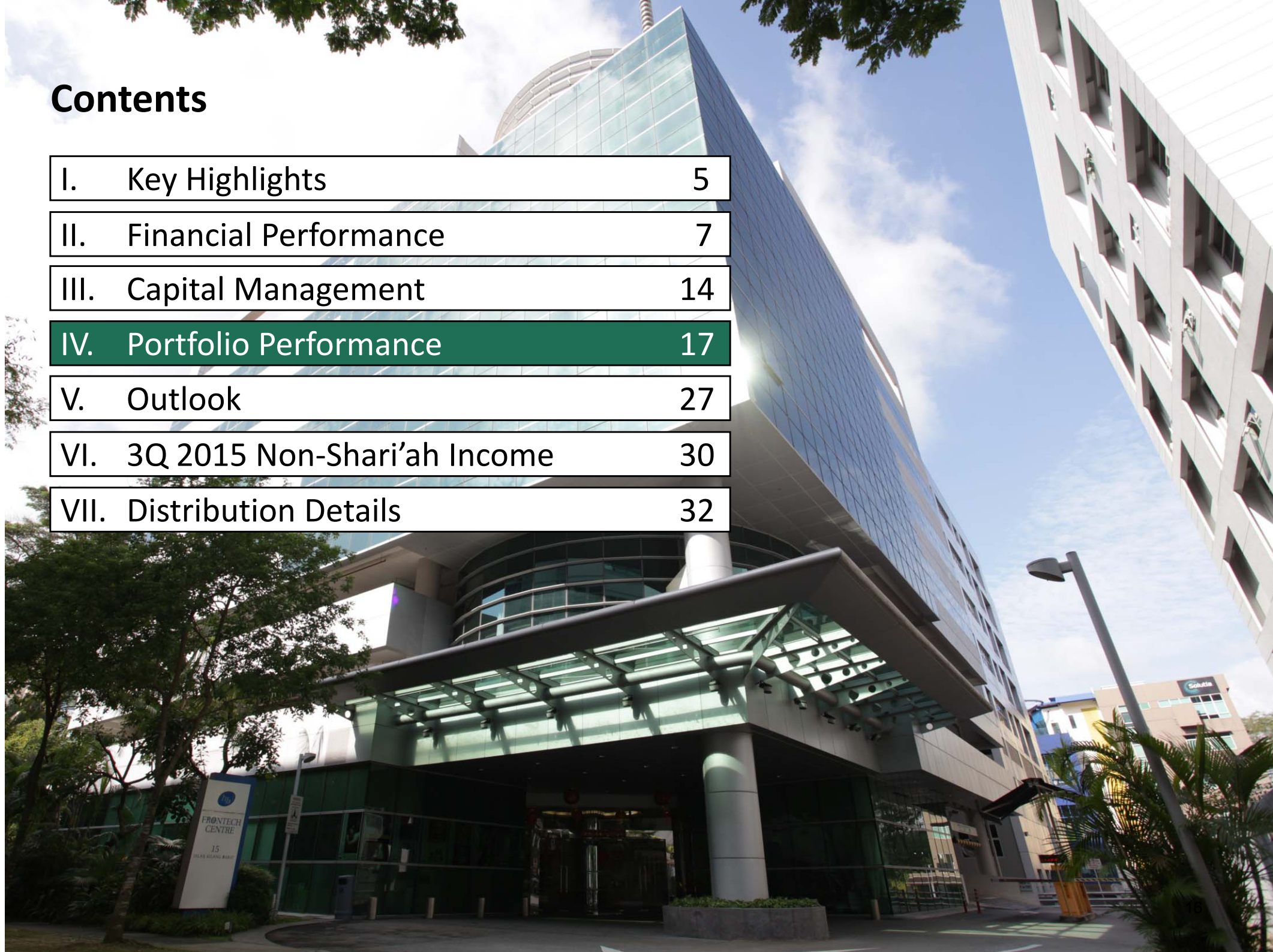
(1) Ratio of total borrowings and deferred payment over deposited property as defined in the Property Funds Appendix of the Code on Collective Investment Schemes.

(2) Inclusive of amortisation of transaction costs.

(3) Ratio of Net Property Income over profit expense (excluding amortisation of transaction costs and other fees) for the period from 1 July 2015 to 30 September 2015.

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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 30 September 2015

Total portfolio GFA	4,675,363 sq ft
Portfolio occupancy	
16 properties, master leases <sup>(1)</sup>	100.0%
7 properties, multi-tenanted <sup>(2)</sup>	80.4%
23 properties, total portfolio <sup>(3)</sup>	91.7%
Weighted average lease term to expiry <sup>(4)</sup>	1.7 years
Weighted average unexpired lease term for the underlying land <sup>(5)</sup>	37.1 years

(1) 14 triple net & 2 single net master leases.

(2) 151 Lorong Chuan, 8 Commonwealth Lane, 9 Tai Seng Drive, 200 Pandan Loop, 508 Chai Chee Lane, 2 Toh Tuck Link and 123 Genting Lane.

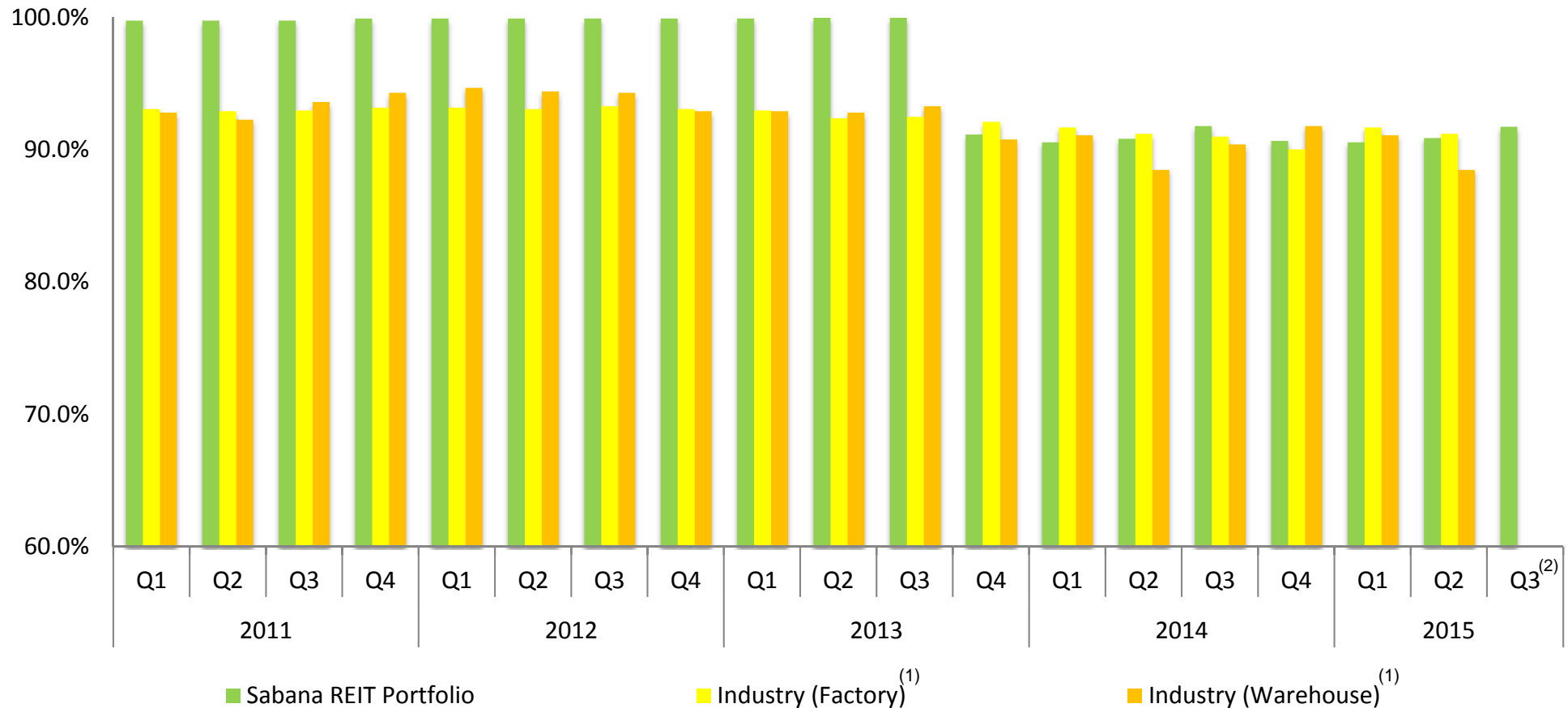
(3) By Net Lettable Area ("NLA").

(4) Weighted by gross revenue (master leases of 16 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.

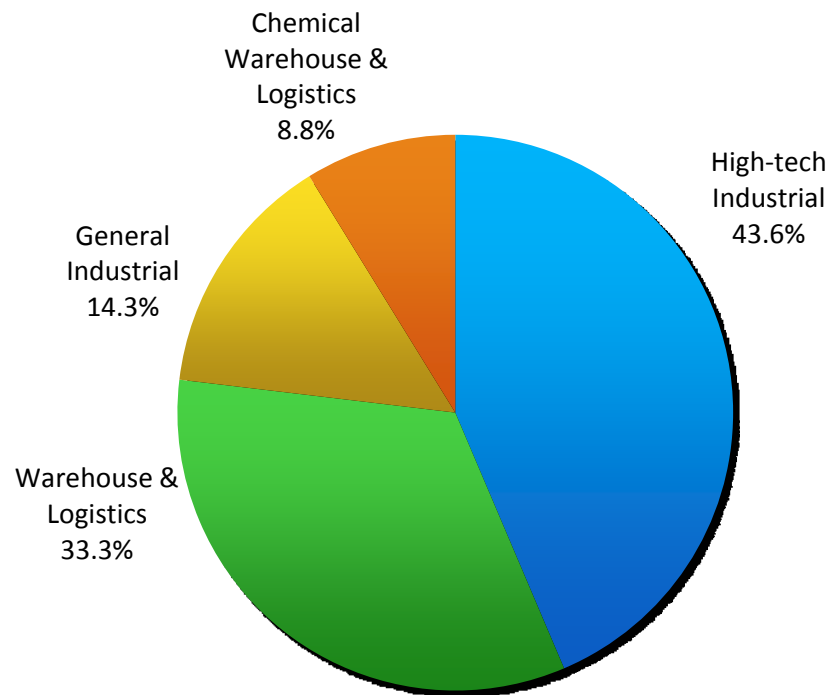
(2) 3Q 2015 data are not available as at 30 September 2015 from Jurong Town Corporation.

# Diverse Asset Types

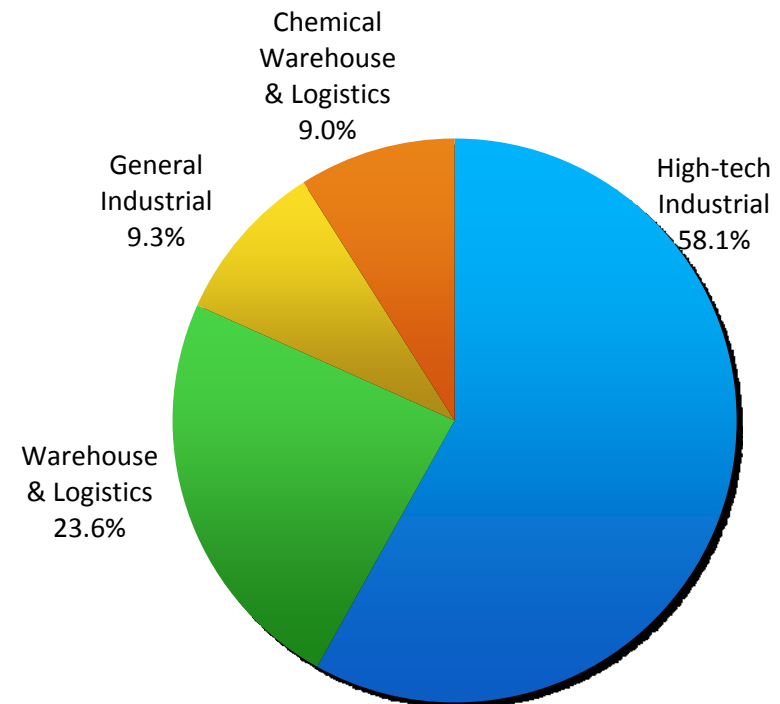
Sabana REIT's portfolio is diversified in the following asset types:

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

Asset Breakdown by NLA for 3Q 2015<sup>(1)</sup>



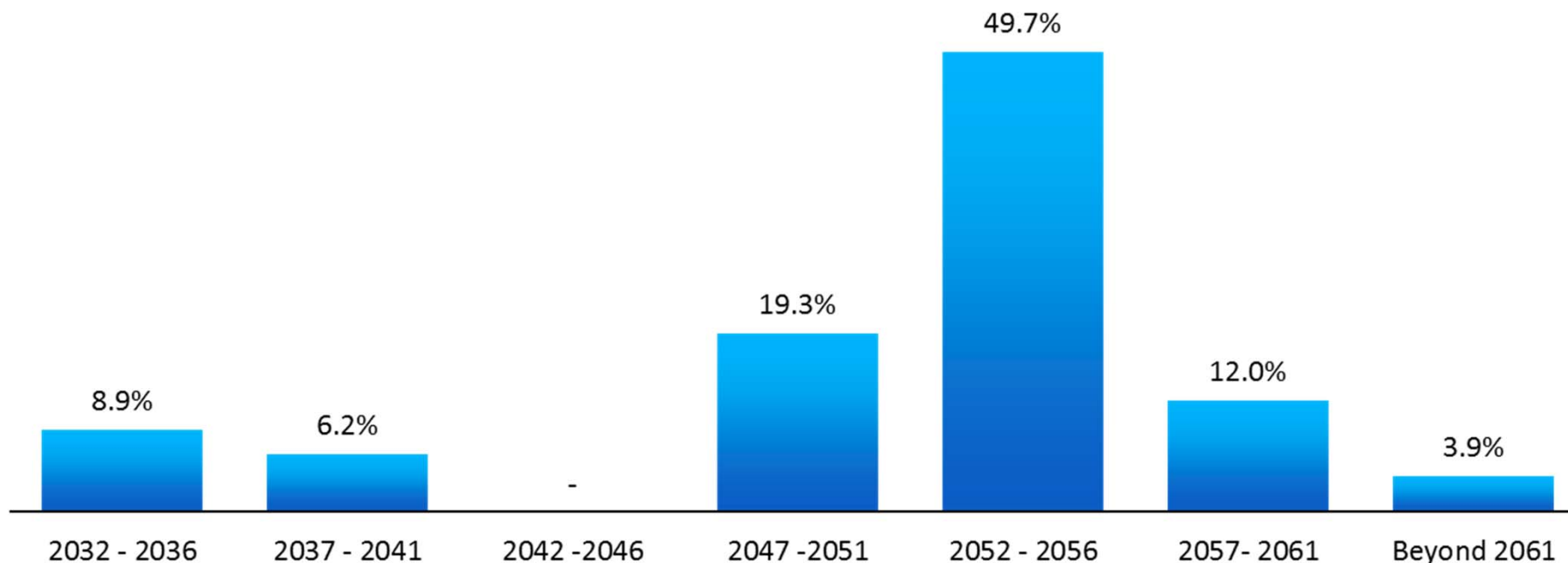
Gross Revenue by Asset Type for 3Q 2015



(1) As at 30 September 2015.

# 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 37.1 years by GFA.**

(1) As at 30 September 2015, weighted by GFA.

# Quality Assets Attract Quality Tenants

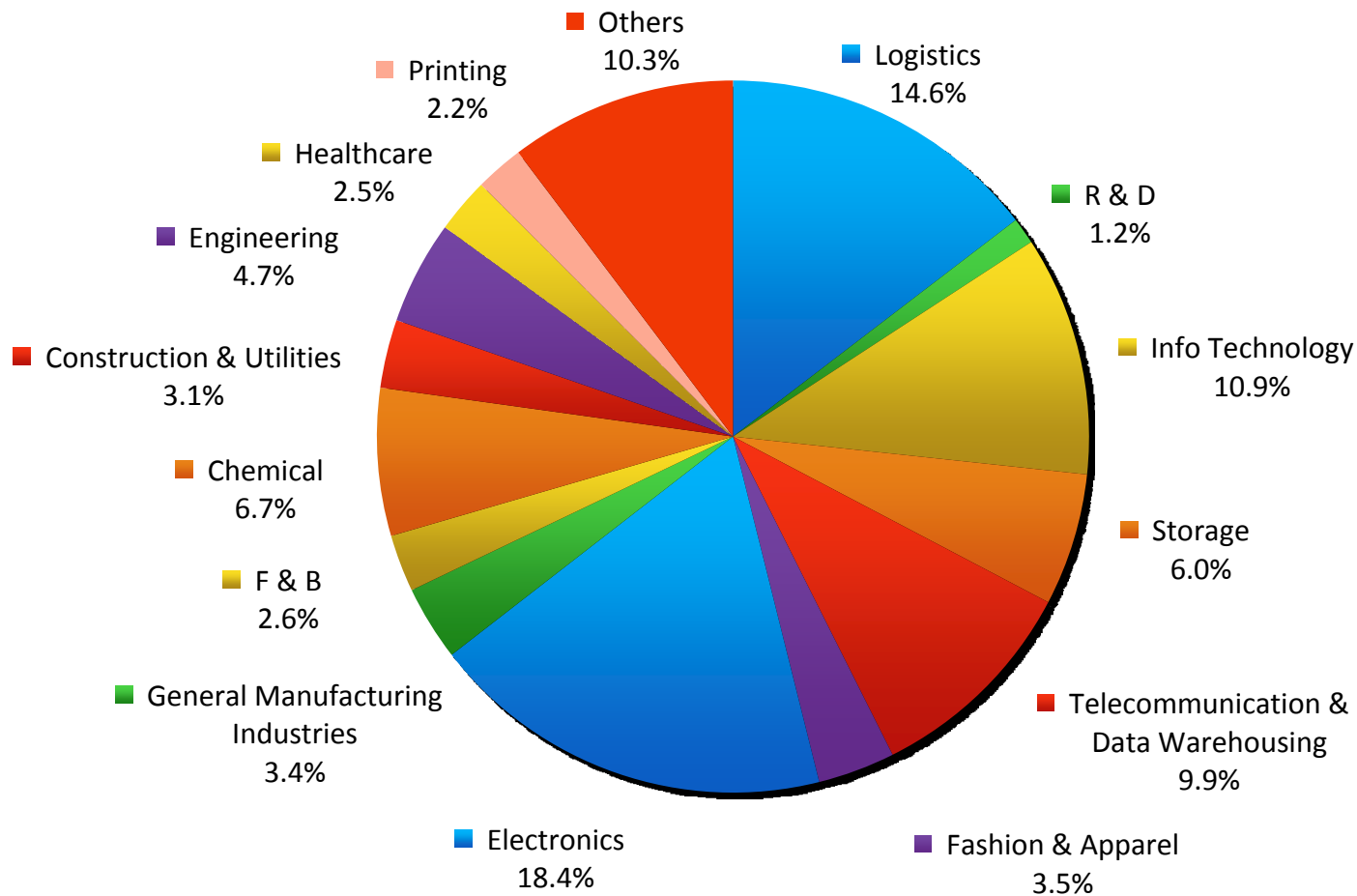


	As at 30 September 2015	As at 30 June 2015
Total NLA (sq ft)	3,754,744 <sup>(1)</sup>	3,731,348
Total number of direct and sub-tenants	149	146
Weighted average lease term to expiry (mths) <sup>(2)</sup>	28.0	30.0

(1) Increase in NLA due to reconfiguration of space at 2 Toh Tuck Link.

(2) Weighted by sub-tenancy gross rent.

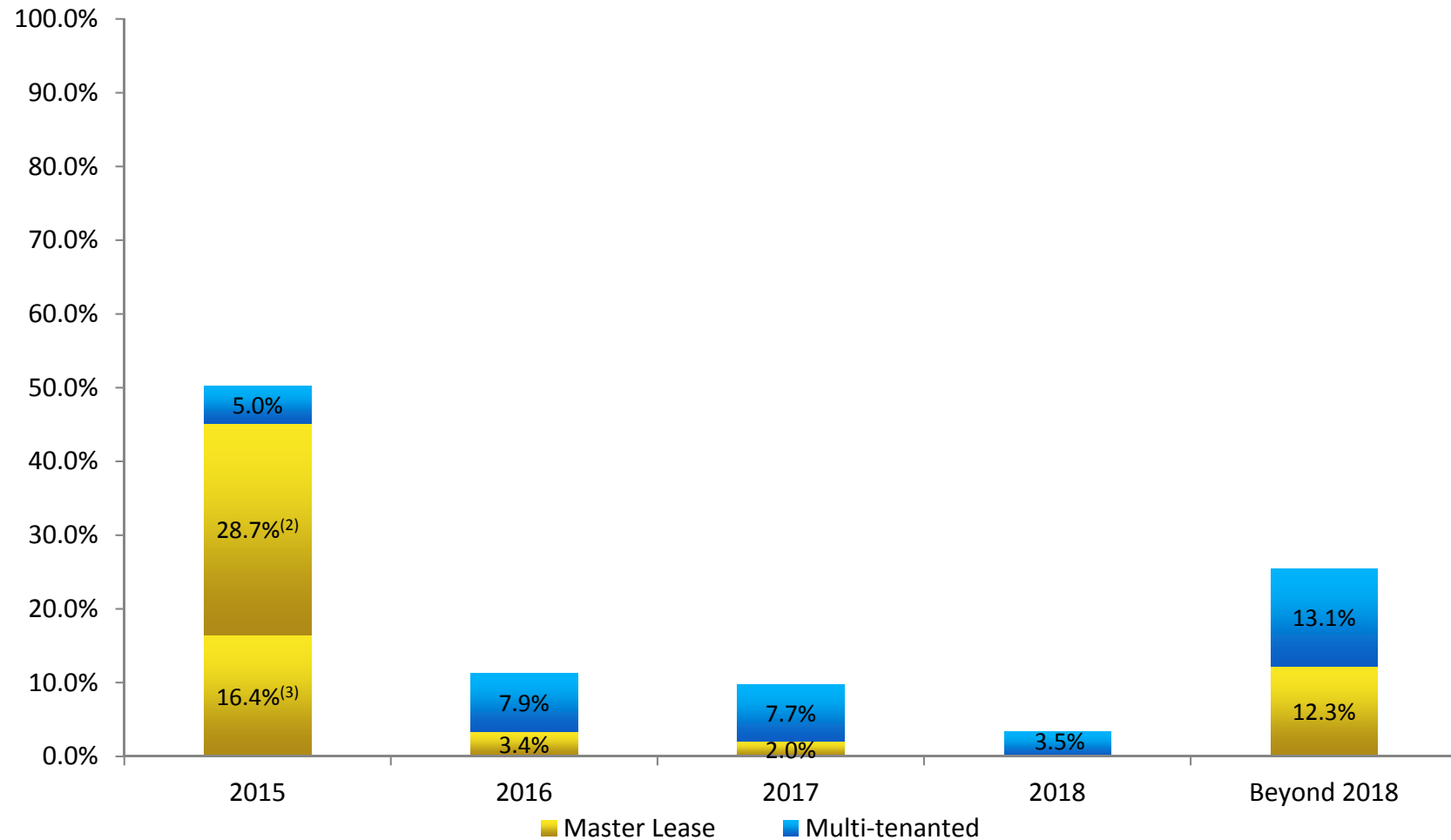
## Sub-tenants' industry diversification by NLA<sup>(1)</sup>:



**No concentration in any single trade sector**

(1) As at 30 September 2015.

## Lease Expiry by NLA for 3Q 2015<sup>(1)</sup>



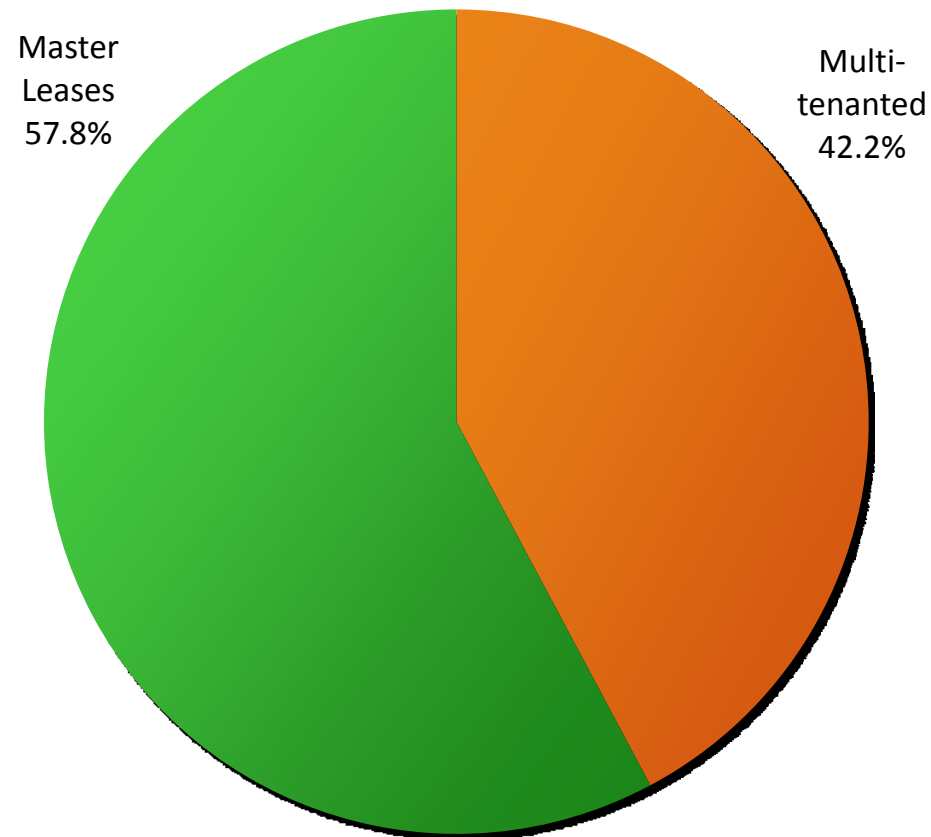
(1) As at 30 September 2015.

(2) 8 properties to renew or secure new master leases.

(3) 3 properties to be converted to multi-tenanted.



## Lease Type by NLA for 3Q 2015<sup>(1)</sup>



(1) As at 30 September 2015.

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## Singapore Economy

### Singapore economic growth moderated in 3Q 2015

- Based on advanced estimates by the Ministry of Trade and Industry, the Singapore economy grew by 1.4% on a year-on-year basis in 3Q 2015, lower than the 2.0% growth in the previous quarter. The economy narrowly avoided a technical recession in 3Q 2015, expanding 0.1% from the previous quarter, versus a 2.5% contraction in 2Q 2015.<sup>1</sup>
- In view of a softening global economy, the Monetary Authority of Singapore (“MAS”) eased its Singapore dollar policy for the second time, as it narrowed 2015 inflation forecasts to the lower end of earlier expectations.<sup>2</sup>
- MAS expects GDP growth in Singapore to come in at 2.0% to 2.5% for FY 2015, with risks tilted towards the downside.<sup>2</sup>

## Singapore Industrial REIT Sector

### Singapore industrial REIT sector to remain resilient in face of an economic slowdown

- According to credit rating agency Fitch, some 80 per cent of the Singapore REIT sector’s debt have fixed rate. Coupled by the narrow mismatch between the duration and its lease and debt contracts, the robust financial profiles will help support the sector’s resilience in an economic downturn.<sup>3</sup>
- However, rental rates of Singapore industrial property will remain under pressure due to falling demand and increasing supply, though higher-specification properties are expected to be less affected as demand remains stable in 3Q 2015.<sup>3</sup>
- Credit rating agency Moody’s has also kept its stable outlook of the Singapore REIT sector, noting that Singapore REITs earnings will maintain their healthy growth for at least another year on the back of acquisitions made in 2014 and 2015.<sup>4</sup>
- While occupancy and rental rates for most property segments are expected to come under pressure, the rated S-REITs well-staggered lease expiry profile and proactive lease management approach to secure rentals in advance of tenancy expiry will limit the impact on earnings.<sup>4</sup>
- On 1 October 2015, JTC revised a few of its existing policies which reflected a more relaxed stance on the industrial sub-sector. The changes include (1) reduced GFA requirement by anchor sub-tenants to 1,000 sq m (previously at 1,500 sq m); (2) anchor sub-tenants without GFA/usage change at renewal need not be reassessed; and (3) no minimum occupation period for anchor sub-tenants’ subsequent leases.<sup>5</sup>
- According to J.P.Morgan Asia Pacific Equity Research, the revised policies are positive for all industrial Singapore REITs, particularly the first policy given the wider pool of eligible tenants as a result of the smaller required size of anchor sub-tenants which will expedite improvement in occupancies.<sup>5</sup>

#### Sources:

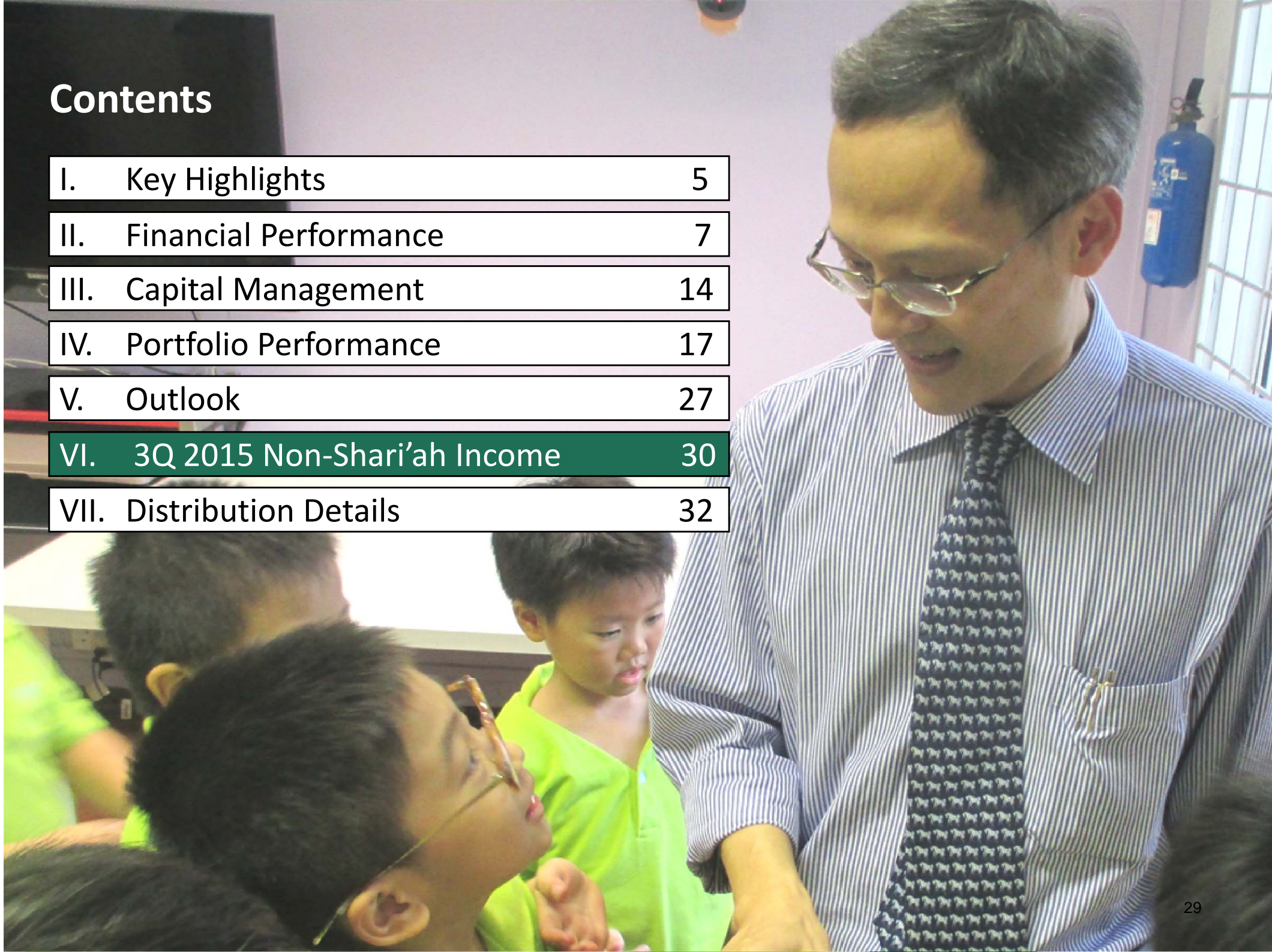
- (1) “Singapore’s GDP Growth Moderated in the Third Quarter of 2015”. Ministry of Trade and Industry. 14 October 2015. Web. 14 October 2015.
- (2) “Update: MAS slows rate of S\$ appreciation, sees 2016 GDP growth at around 2-2.5%”. The Business Times. 14 October 2015. Web. 14 October 2015.
- (3) “Singapore industrial Reit sector will be resilient in slowdown: Fitch”. The Business Times. 22 September 2015. Web. 7 October 2015.
- (4) “Outlook for Singapore Reits positive despite soft demand and oversupply, says Moody’s”. 7 October 2015. Web. 7 October 2015.
- (5) “Singapore Industrial Property: Signs of relaxation emerge”. J.P.Morgan Asia Pacific Equity Research. 6 October 2015.

### Management strategy and outlook

- The Manager expects the Singapore economy to remain subdued and market conditions to be challenging. It will continue to proactively manage Sabana REIT's lease expiries.
- The Manager views JTC's relaxation of anchor sub-tenant policies as a positive development for the industrial REIT industry, which will benefit Sabana REIT.
- The Manager will continue to proactively manage Sabana REIT's lease expiries.
- For the remaining ten master leases that are slated to expire in 4Q 2015, the Manager is still in the process of renewing or securing new master leases for eight of them. The remaining two properties will likely be converted into multi-tenanted buildings.
- On the capital management front, the Manager will continue to explore diversification of its funding sources to improve borrowings maturity profile, and to further strengthen the Trust's capital structure.
- Simultaneously, the Manager will also 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.
- The Manager also intends to divest underperforming or non-core assets to recycle Sabana REIT's capital and is evaluating opportunities to do so.

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# 3Q 2015 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 3Q 2015 non-Shari'ah income:



**Organisation:** Majlis Ugama Islam Singapura or Islamic Religious Council of Singapore (“MUIS”)

**Purpose:** Sabana REIT's 3Q 2015 non-Shari'ah income amounting to **S\$14,835** will be allocated to MUIS. The amount will be utilised as relief aid for victims of the severe floods in Myanmar that took place in July 2015, through partners of MUIS.

The total amount of **S\$14,835** allocated to the organisation above represents approximately **0.06%** of Sabana REIT's 3Q 2015 gross revenue.

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# Distribution Details



## Sabana REIT Code: MIGU

Distribution period	DPU (cents)
1 July 2015 to 30 September 2015	1.77

Distribution Timetable	
Last date that the Units are quoted on a “cum”- distribution basis	20 October 2015
Ex-date	21 October 2015, 9am
Books closure date	23 October 2015, 5pm
Distribution payment date	27 November 2015
Disbursement of non-Shari’ah income to approved charities	27 November 2015 or earlier



# Thank you

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

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