



## **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 CONTINUES TO EXECUTE REFRESHED STRATEGY AS IT OPTIMISES PORTFOLIO THROUGH TARGETED DIVESTMENTS**

- **Latest divestment of 1 Tuas Avenue 4 follows divestment of 9 Tai Seng Drive announced on Wednesday**
  - **1 Tuas Avenue 4 to be sold for S\$11.18 million**
  - **9 Tai Seng Drive to be sold for S\$99.6 million**
- **These divestments improve DPU, gearing and occupancy, delivers immediate cost efficiencies**
- **In line with first phase of refreshed strategy to optimise portfolio and divest non-performing or matured assets; proceeds to underpin phase 2 of plan to undertake asset enhancement initiatives**

**Singapore, 28 September 2018** – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**” or the “**Trust**”), continues to deliver on its refreshed strategy, with the divestment of two properties over this past week.

It announced today that it has agreed to divest its 1 Tuas Avenue 4 property for a cash consideration of S\$11.18 million to Kim Soon Lee (Lim) Heavy Transport Pte Ltd. This follows the proposed divestment of its 9 Tai Seng Drive property for a cash consideration of S\$99.6 million to Perpetual (Asia) Limited in its capacity as trustee of ADC Singapore Trust.

These divestments are in line with the first phase of Sabana REIT's refreshed strategy<sup>1</sup> to continue to optimise its portfolio, and divest non-performing or mature assets. The net proceeds raised from the divestments will be used to pay down 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.

#### **Divestment of 1 Tuas Avenue 4**

The Manager has been proactively seeking to divest or lease out 1 Tuas Avenue 4, which it had identified as a non-performing asset. The property, originally slated for development as a data centre by its previous master tenant, had been vacant following the surrender of lease agreement. After consultations with real estate experts, the Manager has concluded that it is not feasible to value or sell this property as a data centre in this location, based on current market conditions. As such, the Manager has decided to revert to the property's original general B2 industrial use.

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<sup>1</sup> Please refer to the Appendix for more details on the refreshed strategy

Given the unfinished development work and its vacant status, 1 Tuas Avenue 4 was divested on an “as-is” or a potential industrial redevelopment site basis and for general B2 industrial use. The sale consideration of S\$11.18 million was arrived at on a willing-buyer, willing-seller basis taking into account the latest September 2018 independent valuation reports by Suntec Real Estate Property Consultants Pte. Ltd. and Knight Frank Pte. Ltd. (“**Knight Frank**”), of S\$10.9 million and S\$11.1 million respectively, for the property made on this current basis.

The sale consideration is also therefore below the property’s book value of S\$23.3 million as at 30 June 2018, based on an earlier valuation report by Knight Frank, which had been determined based on now-outdated assumptions that:

- 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.

### **Divestment of 9 Tai Seng Drive**

The Manager decided to divest 9 Tai Seng Drive, which is a mature asset that has fully utilised its plot ratio capacity, following a compelling offer.

The proposed sale consideration of S\$99.6 million for the property compares against its latest book value of S\$39.6 million as at 30 June 2018.

### **Positive impact for Unitholders**

The pro forma financial effects of the two divestments (“**Divestments**”) presented below, which are strictly for illustrative purposes, were prepared based on the audited financial statements of Sabana REIT for the financial year ended 31 December 2017 (“**FY 2017**”), based on the following assumptions:

- a) Sabana REIT had completed the Divestments on 1 January 2017 and used the net proceeds from the Divestments to repay outstanding borrowings on 1 January 2017, in respect of its distribution per unit (“**DPU**”); and
- b) Sabana REIT had completed the Divestment on 31 December 2017 and used approximately S\$98.1 million of the net proceeds from the Divestment to repay outstanding borrowings on 31 December 2017, in respect of its net tangible assets (“**NTA**”),

<b>Description</b>	<b>Audited FY 2017</b>	<b>Pro forma FY 2017 after Divestments</b>
DPU (Singapore cents)	3.31	3.59
NTA per unit (S\$)	0.54	0.58
Aggregate leverage ratio	38.2%	28.9%

**Donald Han, Chief Executive Officer of the Manager of Sabana REIT**, said: “We are pleased to continue making progress on our refreshed strategy to improve performance for our Unitholders.

These two divestments will immediately improve our DPU and occupancy rates, and strengthen our balance sheet to enable further growth. The lower valuation and sale consideration for 1 Tuas Avenue 4 will ensure we do not continue to allow it to drag on our performance amid the increasingly competitive landscape at Tuas. For 9 Tai Seng Drive, the Manager had maximised the utility of the asset and the compelling offer will further secure our growth plans moving forward.”

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**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 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.

APPENDIX

## Our Refreshed Strategy with 3 Phases

