



**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 COMMENCES ASSET ENHANCEMENT INITIATIVE FOR NEW TECH PARK;  
ANNOUNCES 0.62 CENTS DPU FOR 2Q 2019**

- **AEI works commences this month at New Tech Park**
- **Continues to actively manage and optimise portfolio**
  - **Secured 3 new strategic tenants for New Tech Park and 2 Toh Tuck Link in June 2019**
  - **Renewed master lease for 33 & 35 Penjuru Lane**
- **Excluding the recovery of costs for 6 Woodlands Loop and loss of income from 9 Tai Seng Drive, DPU would have been lower by approximately 9% y-o-y**

**Summary of Sabana REIT's Results**

(S\$'000)	2Q 2019	2Q 2018	Variance (%)	1Q 2019	Variance (%)	1H 2019	1H 2018	Variance (%)
<b>Gross revenue</b>	18,205	20,080	(9.3)	18,524	(1.7)	36,729	41,083	(10.6)
<b>Net property income ("NPI")</b>	12,040	12,570	(4.2)	12,653	(4.8)	24,693	27,156	(9.1)
<b>Amount available for distribution</b>	6,553	8,639	(24.1)	7,898 <sup>1</sup>	(17.0)	14,451 <sup>1</sup>	17,883 <sup>2</sup>	(19.2)
- from operations	6,553	8,639	(24.1)	6,655	(1.5)	13,208	17,883	(26.1)
- from capital gains	-	-	-	1,243	NM	1,243	-	NM
<b>Distribution per Unit ("DPU") (cents)</b>	0.62	0.82	(24.4)	0.75 <sup>1</sup>	(17.3)	1.37 <sup>1</sup>	1.70 <sup>2</sup>	(19.4)
- from operations	0.62	0.82	(24.4)	0.63	(1.6)	1.25	1.70	(26.5)
- from capital gains	-	-	-	0.12	NM	0.12	-	NM

NM denotes "not meaningful"

**Singapore, 25 July 2019** – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari'ah Compliant Industrial Real Estate Investment Trust ("**Sabana REIT**", and as manager of Sabana REIT, the "**Manager**"), today announced that it will commence asset enhancement initiative ("**AEI**") works at New Tech Park, as it continues to deliver against its refreshed strategy.

Sabana REIT has now started Phase 2 of its refreshed strategy – undertaking AEIs for growth – even as the Manager continues to execute on Phase 1 to a) divest non-performing or mature assets to fund value-accretive propositions such as AEIs and to b) actively manage and optimise its portfolio.

**Embarking on growth with AEI**

The Manager has received Provisional Permission from the Urban Redevelopment Authority for alterations and additions works for the first stage of AEI at New Tech Park, 151 Lorong Chuan. This will primarily involve works to

<sup>1</sup> Includes distribution of approximately S\$1.24 million of capital gains, arising from the divestment of properties from prior periods, in 1Q 2019 only.

<sup>2</sup> The Manager forgone 20% of its fees, approximately S\$238,000, for 1Q 2018 only.

add food and beverage (“**F&B**”) space and also lifestyle amenities, including a gym and supermarket. Works will start this month and are scheduled to complete in 2Q 2020.

The Manager is concurrently working to finalise approval for the next stage of the AEI, which it targets to complete in 4Q 2020. The AEI is being carried out in stages to minimise impact on tenants and to the REIT’s performance.

### **Reports DPU of 0.62 Singapore cents for 2Q 2019**

Sabana REIT also today announced financial results for the second quarter ended 30 June 2019 (“**2Q 2019**”).

Unitholders will receive a DPU of 0.62 Singapore cents for 2Q 2019, from a total distributable amount of S\$6.6 million. This was 24.4% lower than 2Q 2018, amid lower revenue and NPI from a challenging market and having divested 9 Tai Seng Drive in 1Q 2019, as well as the absence of a one-time recovery of costs for 6 Woodlands Loop in 2Q 2018. Excluding the recovery of costs for 6 Woodlands Loop and loss of income from 9 Tai Seng Drive, DPU would have been lower by approximately 9% year-on-year (“**y-o-y**”).

Gross revenue declined 9.3% y-o-y in 2Q 2019, mainly on lower rental income on a smaller property portfolio – 18 versus 19 in 2Q 2018 – and lower occupancies at some properties. NPI was 4.2% lower y-o-y at S\$12.0 million, as lower property expenses partially offset the lower revenue.

Overall occupancy levels for Sabana REIT improved to 83.2% as at 30 June 2019 (as at 31 March 2019: 82.4%). Rental reversions in 2Q 2019 were positive at 3%, compared to -3% for 1Q 2019<sup>3</sup>. In June 2019, the Manager secured three new leases for a combined 33,055 sf; two of the leases were for New Tech Park and another was for 2 Toh Tuck Link. The Manager also renewed the master lease for 33 & 35 Penjuru Lane for another year.

**Donald Han, Chief Executive Officer of Sabana REIT**, said: “Our headline performance in the quarter was impacted by ongoing industry headwinds and deliberate actions to refine our portfolio for future growth. With Singapore’s GDP at its lowest since the Global Financial Crisis and key indicators pointing to a challenging outlook, we will maintain a ‘market-competitive stance’ to retain existing tenants and bring onboard new ones.”

“However, we are encouraged by the progress on our strategic goals, including the much-anticipated AEI at New Tech Park, and our resilient balance sheet. Even at this early stage, existing and potential tenants alike have expressed interest in the rejuvenation works at New Tech Park, underlining the importance of the AEI in ramping up occupancy over the longer term.”

### **Outlook for the Year**

Based on advance estimates by the Ministry of Trade and Industry (“**MTI**”), Singapore’s Gross Domestic Product (“**GDP**”) growth continued to moderate, growing 0.1% on a y-o-y basis in 2Q 2019 compared to 1.1% growth in 1Q 2019 and the 1.9% growth in 4Q 2018<sup>4</sup>. Further, the MTI and the Monetary Authority of Singapore (“**MAS**”) is reviewing the 1.5–2.5% forecast range for Singapore’s GDP growth this year<sup>5</sup>. Economists predict a technical recession may take place<sup>6</sup>.

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<sup>3</sup> For multi-tenanted properties

<sup>4</sup> “Singapore’s GDP Grew by 0.1 Per Cent in the Second Quarter of 2019”. Ministry of Trade & Industry. 12 July 2019.

<sup>5</sup> “Remarks by Mr Ravi Menon, Managing Director, MAS, at the MAS Annual Report Press Conference 2018/2019, on 27 June 2019”. Monetary Authority of Singapore. 27 June 2019.

<sup>6</sup> “As Singapore relooks 2019 projections, economists warn of possible technical recession”. Channel NewsAsia. 27 June 2019.

Overall rent reversion for 2019 is likely to remain negative, with JTC Corporation data showing continued oversupply and island-wide vacancy, and industrial rents staying flat y-o-y as at 2Q 2019<sup>7</sup>. Analysts continued to have a muted outlook on the market. Knight Frank envisages industrial rents to decline up to 2.0% y-o-y by end 2019 on the uncertain trade outlook, which continues to be weighed down by trade tensions between the US and China<sup>8</sup>.

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

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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 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](http://www.sabana-reit.com).

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<sup>7</sup> "JTC Quarterly Market Report – Industrial Properties". JTC. 25 July 2019

<sup>8</sup> "Q2 2019 Industrial Market Snapshot". Knight Frank Singapore. Retrieved 12 July 2019.

## **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.