



SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST

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

SABANA INDUSTRIAL REIT'S 1H 2023 DISTRIBUTABLE INCOME ROSE BY 3.9% TO \$17.8 MILLION, RESILIENT PERFORMANCE BACKED BY STRONG OPERATIONAL PERFORMANCE

- Overall portfolio occupancy of 93.9%¹ at a multi-year high, above JTC's 1Q 2023 industrial average²
- Executed 40 new and renewed leases in 1H 2023 totalling approximately 533,656 sq ft
- Achieved record rental reversions of 27.1% and 20.1% for 2Q 2023 and 1H 2023, respectively
 - Consistently among the highest within the Singapore industrial REIT sector
- Second major asset enhancement initiative ("AEI") at 1 Tuas Avenue 4 on track to be completed in 1H 2024
- Portfolio valuation improved to \$887.5 million¹, supported by higher rentals

Summary of Results

(\$'m)	1H 2023	1H 2022	Variance (%)
Gross Revenue ^(a)	55.3	44.9	23.2
Net Property Income ("NPI") ^(a)	27.2	27.0	0.5
Total Distributable Amount Declared ^(b)	17.8	17.1	3.9
Distribution Per Unit ("DPU") (cents)	1.61	1.59	1.3

(a) Please refer to the other information section of the interim financial information for explanation of the variances.

(b) The REIT's distribution policy is to distribute at least 90.0% of its distributable income to Unitholders. For FY2022 and FY2023, the Manager has resolved to distribute 100.0% of the total amount available for distribution to Unitholders.

Singapore, 19 July 2023 – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Industrial Real Estate Investment Trust ("**Sabana Industrial REIT**" or "**The REIT**"), today reported sterling financial results for the first half financial year ended 30 June 2023 ("**1H 2023**").

Delivering on Strategy with Solid Performance

Gross revenue for 1H 2023 rose by 23.2% year-on-year ("**y-o-y**") to \$55.3 million, mainly driven by higher portfolio occupancy rate. The growth in revenue was largely offset by higher property expense including higher utility costs and consequently NPI increased by 0.5% y-o-y to \$27.2 million.

Total distributable amount to Unitholders for 1H 2023 was \$17.8 million, 3.9% higher compared to the previous corresponding period ("**1H 2022**"). DPU rose by 1.3% to 1.61 cents for 1H 2023, as compared to 1.59 cents in 1H 2022.

Mr Donald Han, Chief Executive Officer of the Manager of Sabana Industrial REIT said, "Despite operational challenges and intensified upheaval in recent months, we have stayed focused and delivered another set of impeccable financial results, with improved gross revenue of \$55.3 million, a new high in portfolio occupancy rate of 93.9% and a record rental reversion of 27.1%, all of which translated into a larger total distributable amount of \$17.8 million and a higher DPU of 1.61 cents.

¹ As at 30 June 2023

² Source: JTC Quarterly Market Report – Industrial Properties 1Q 2023; <https://stats.jtc.gov.sg/content/static/Documents/Quarterly%20Market%20Report%202023Q1.pdf>.

“Equally important, our proactive tenant management and leasing strategy, including our focus on rentals, has enabled us to protect our valuation and NAV, despite the challenge of declining land tenure.

“As we intensify the GROW VALUE phase, we are firmly focused on extracting value from our existing portfolio. We are pleased with the smooth progress of our asset enhancement initiative at 1 Tuas Avenue 4, with major works well on track for targeted completion by 1H 2024.

“Sustainability-wise, we have taken tangible steps to integrate green initiatives across selected portfolio assets. The recent unsecured sustainability-linked term and revolving facility of \$100 million ties in well with our strategy to convert all financing to either sustainability-linked loans or green loans by 2025. This also underscores our commitment to integrate sustainability in our operations and grow our business in a responsible manner.”

Mr Tan Cheong Hin, Chairman of the Board of Directors commented, *“As the REIT progresses on its AEI and sustainability journey, the board, management and staff have all worked diligently to enhance the value of all unitholders, delivering strong results for 1H 2023. This sterling performance is largely attributable to the commitment and dedication of our team to execute on our GROW VALUE phase. We look forward to the continuing support of our unitholders and other stakeholders.”*

Proactive Leasing Management and Portfolio Rejuvenation

Overall occupancy rate has further improved to 93.9% as at 30 June 2023, 2.6 percentage points higher than the occupancy rate of 91.3% a year ago. The improvement in occupancy rate is underpinned by the strong leasing momentum backed by robust demand from third-party logistics providers in the first half of 2023.

For 1H 2023, the Manager has successfully executed a total of 40 new and renewed leases totalling 533,656 square feet (“**sq ft**”) and achieved a tenant retention rate of 84.8%.

Sabana Industrial REIT has achieved record rental reversions of 27.1% and 20.1% for 2Q 2023 and 1H 2023 respectively, following two consecutive years of positive double digit rental reversions in FY 2021 and FY 2022. The Manager continues to proactively engage existing tenants ahead of lease expiries and has successfully renewed and replaced 52.5% of its leases expiring in FY 2023. Another 23.6% is under negotiation/lease documentation.

Sabana Industrial REIT’s tenant base remains well-diversified, with 166 tenants across 14 sectors. Majority of its tenants are from expansionary and defensive sectors such as electronics, logistics and healthcare, thereby ensuring cash flow resilience.

In line with the Manager’s proactive asset enhancement strategy to enhance value at existing properties, the second AEI project at 1 Tuas Avenue 4 (“**1TA4**”) was 14% completed as at 30 June 2023 and remains on track to obtain its Temporary Occupation Permit (“**TOP**”) by 1H 2024. 1TA4 will offer approximately 156,000 sq ft of warehouse, production and ancillary office space which remains sought after by companies in the logistics and manufacturing trade sectors. As for New Tech Park, the provisional planning application for its Phase 3 AEI involving gross floor area intensification was submitted to URA in June 2023.

Proactive Capital Management

As at 30 June 2023, aggregate leverage stood at 32.5%, amongst the lowest for Singapore-listed REITs. Sabana Industrial REIT signed an unsecured sustainability-linked term loan and revolving credit facilities of up to \$100 million in June 2023 and remains on track to convert all financing to sustainability-linked loans and green loans by 2025. The REIT’s weighted average all-in cost of borrowing was 3.89% with 82.2% of total borrowings hedged to fixed rates.

Sabana Industrial REIT’s debt maturity profile remains well-spread out with weighted average debt maturity at 3.3 years with no refinancing requirements until 4Q 2025 and a healthy interest coverage of 3.5 times as at 30 June 2023.

Portfolio Valuation

Sabana Industrial REIT has achieved overall higher portfolio valuation of \$887.5 million as at 30 June 2023 from \$885.7 million as at 31 December 2022, backed by the Manager's commitment to strategic focus on improving rentals.

Sustainability Highlights

The Manager had earlier announced the installation of solar panels at four properties comprising 34 Penjuru Lane, 10 Changi South Street 2, 3A Joo Koon Circle and 1 Tuas Avenue 4. Except for 1 Tuas Avenue 4, the installation of panels is expected to be completed for the remaining properties by 4Q 2023.

Sabana Industrial REIT remains committed to its ESG goals and ensuring resource efficiency in its portfolio properties. The installation of four EV charging stations at New Tech Park has been completed and operations have commenced in May 2023. Other various initiatives including the replacement of the chiller systems at 508 Chai Chee Lane is on track for completion in 2H 2023 and the REIT Manager will progressively install water-efficient fittings and LED lightings at targeted properties.

Outlook

Singapore's Ministry of Trade and Industry³ ("MTI") reported that based on advance estimates, Singapore's economy grew by 0.7% y-o-y in 2Q 2023, faster than the 0.4% growth in the previous quarter. Based on sectoral performance, the manufacturing sector contracted by 7.5 per cent year-on-year in the second quarter of 2023, a deterioration from the 5.3 per cent contraction in the previous quarter. MTI has also maintained Singapore's 2023 Gross Domestic Product ("GDP") forecast at "0.5 to 2.5 per cent", with growth likely to come in at around the mid-point of the range⁴.

In a statement released by the Monetary Authority of Singapore ("MAS") on 14 April 2023⁵, monetary policy remained unchanged, following a series of tightening moves it began since October 2021 to slow the momentum of inflation. For 2023, overall inflation and core inflation are expected to average 5.5% to 6.5% and 3.5% to 4.5% respectively⁶.

According to JTC, overall occupancy rate for the industrial property market fell to 88.8% in 1Q 2023 a decline of 0.6 percentage points compared to the previous quarter, due to new completions in 1Q 2023 and as new supply continues to exceed new demand. Notwithstanding the drop in occupancy, the all-industrial price and rental index rose by 1.5% and 2.8% respectively as compared to the previous quarter⁷. MTI has also launched its Industrial Government Land Sales programme for the second half of 2023. There will be five sites in the Confirmed List and three sites in the Reserve List, providing a total site area of 9.81 hectares of industrial land for tender⁸.

Given increased macroeconomic uncertainties and decline in global semiconductor market revenue forecast and demand, local manufacturers are bracing for a contraction of activities. According to Knight Frank⁹, outlook for industrial and logistics will remain stable with cautious price and rental growth of 1% to 3% for most industrial property types in 2023, despite the deteriorating business sentiment. The record volume of a total of \$22.5 billion in fixed asset investment in 2022, particularly for the manufacturing sector should provide an uplift in Singapore's industrial ecosystem.

The prevailing geopolitical risks and persistent inflationary pressures provide a challenging backdrop for the Singapore economy. The Manager will remain vigilant to downside risks in view of the contraction of Singapore's overall factory activity during April to June 2023, based on the Purchasing Manager Index. As Fed officials project additional interest rates hike in the second half of 2023, the Manager has further optimised the REIT's capital structure

³ "Singapore's GDP Grew by 0.7 Per Cent in the Second Quarter of 2023". Ministry of Trade and Industry Singapore. 14 July 2023.

⁴ "MTI Maintains 2023 GDP Growth Forecast at "0.5 to 2.5 Per Cent". Ministry of Trade and Industry Singapore. 25 May 2023.

⁵ "MAS Monetary Policy Statement - April 2023". Monetary Authority of Singapore. 14 April 2023.

⁶ "Consumer Price Developments in May 2023". Monetary Authority of Singapore, Ministry of Trade and Industry Singapore. 23 June 2023.

⁷ "JTC Quarterly Market Report for 1Q 2023". JTC. 27 April 2023.

⁸ "Launch of Second Half 2023 Industrial Government Land Sales programme". Ministry of Trade and Industry Singapore. 23 June 2023.

⁹ "A tough year ahead of manufacturing". Knight Frank. 10 April 2023.

to mitigate risks from rising interest rates. The Manager is also focused on its tenant management and leasing strategy to protect valuation and net asset value, amid the challenge of declining land tenure of its portfolio properties.

The Manager continues to take measures to enhance and create value for all unitholders in line with the REIT's GROW VALUE phase. The five strategic priorities and target to achieve upsized portfolio valuation of more than \$1 billion between 2025 and 2027 will continue to guide the Manager in delivering long-term sustainable value for all Unitholders.

Requisition of Extraordinary General Meeting

Sabana Industrial REIT refers to its announcements dated 8 June 2023, 22 June 2023, 26 June 2023, 28 June 2023, 30 June 2023, 4 July 2023, 5 July 2023 and 6 July 2023 in relation to the requisition by Quarz Capital ASIA (Singapore) Pte. Ltd. of an extraordinary general meeting of Sabana Industrial REIT (the "**Requisition**"); and separately to its announcements dated 7 July 2023, 12 July 2023 and 13 July 2023 on the application filed by ESR Group Limited and e-Shang Infinity Cayman Limited (being an indirect wholly-owned subsidiary of ESR Group Limited) in the General Division of the High Court of the Republic of Singapore, in case no. HC/OA 682/2023. The Requisition is proposing, among others, a resolution that Sabana Real Estate Investment Management Pte. Ltd. ("**SREIM**") be removed as the manager of Sabana Industrial REIT as soon as practicable after the resolution is passed.

Announcement pursuant to Rule 704(5) of the Listing Manual

The Manager would like to draw attention to the Rule 704(5) announcement that states that the report of the independent auditors of Sabana Industrial REIT, Ernst & Young LLP, on Sabana Industrial REIT's 1H 2023 financial results included an emphasis of matter in respect of a material uncertainty that may cast significant doubt on the ability of the Sabana Industrial REIT and its subsidiary to continue as a going concern. This has arisen from the inability of the lenders of Sabana Industrial REIT to grant a waiver to Sabana Industrial REIT at this juncture from a review event that could arise under Sabana Industrial REIT's existing financing arrangements of totally unsecured loans, as a result of the removal of the Manager after Resolution 1 is passed pursuant to the Requisition.

Total outstanding loans as of 30 June 2023 stood at \$295.0 million. Please refer to page FS15, Note 7 of the Interim Financial Information for details.

The above-mentioned update shall be read in conjunction with the "Announcement Pursuant to Rule 704(5) of the Listing Manual" which is released on the SGXNet and the REIT's corporate website at <https://sabana.listedcompany.com/newsroom.html>

The Manager will make further announcements on SGXNet regarding any material developments. This press release shall be read in conjunction with previous announcements released on the SGXNet and REIT's corporate website at <https://sabana.listedcompany.com/newsroom.html>.

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For enquiries, please contact:

Sabana Real Estate Investment Management Pte. Ltd.

Ms Low Hooi Hoon

Tel: +65 6580 7857

Email: hooihoon.low@sabana.com.sg

Citigate Dewe Rogerson

Ms Chia Hui Kheng/ Ms Dolores Phua/ Ms Jass Lim

Tel: +65 6534 5122

Email: sabana@citigatedewerogerson.com

Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2022, Sabana Industrial REIT 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. The total assets of the Group amount to more than S\$0.9 billion as at 31 December 2022. Sabana Industrial REIT is a constituent of the SGX S-REIT Index, MSCI Singapore Micro Cap Index, and FTSE ST Singapore Shariah Index.

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