



## 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 TO CONTINUE DRIVING REFRESHED STRATEGY TO DELIVER SUSTAINABLE VALUE FOR UNITHOLDERS; REPORTS 2H 2020 DPU OF 2.29 CENTS

- Ensuring resilience as standalone REIT amid challenging operating environment
  - Releasing \$6.1 million in distributable income withheld in 1H 2020, 100% pay-out for FY 2020
  - Progressing on Asset Enhancement Initiative (“AEI”) at New Tech Park (“NTP”) and rejuvenation of 23 Serangoon North Avenue 5 (“23SNA5”)

**Singapore, 22 January 2021** – Sabana Real Estate Investment Management Pte. Ltd., the Manager of Sabana Shari’ah Compliant Industrial Real Estate Investment Trust (“**Sabana REIT**”), today provided an update on its strategic plan following the cessation of the proposed merger with ESR-REIT. In a challenging operating environment, the Manager will continue driving its Refreshed Strategy<sup>1</sup>.

**Donald Han, Chief Executive Officer of the Manager**, said: “We understand Unitholders continue to be concerned about Sabana REIT’s growth, especially in these uncertain times but we would like to reassure Unitholders that we will continue our Refreshed Strategy.

“We have recorded an improved set of results over 1H 2020. The outlook remains uncertain in 2021, but we are excited about the opening of our new NTP+ mall, which has seen strong interest from tenants. At the same time, the Board and Manager will continue to explore and consider all viable options for the REIT.”

#### **Ensuring sustainable value and driving operational resilience as standalone REIT**

Post cessation of the proposed merger, the Manager has taken proactive action, including:

##### **1. Board additions**

- Mr Willy Shee and Mr Yeo Wee Kiong were appointed as new Independent Non-Executive Directors in January 2021<sup>2</sup>

##### **2. Driving returns for Unitholders**

- Releasing distribution income of \$6.1 million (withheld in 1H 2020) to DPU for 2H 2020
- Maintaining 100% pay-out for FY 2020

##### **3. Progress on AEI at NTP and rejuvenation of 23SNA5**

- Increased retail mall take-up at new NTP+ mall (~77.3% of Phase 1 as at 31 December 2020); in final round of negotiations for the lease of 100.0% of food court space (Phase 2) on level 2
  - Completion on track for 1Q 2021
- Ongoing rejuvenation works of 23NSA5 i.e., upgrading of building amenities, selected common toilets and ground floor lobby area
  - Secured new anchor tenant, a U.S. based electronics company
  - Achieved 17.4% increase in valuation of \$36.4 million in 31 December 2020, compared to a valuation of \$31.0 million in 30 June 2020

<sup>1</sup> Sabana REIT announced its Refreshed Strategy in 2017

<sup>2</sup> Subject to Unitholders’ endorsement at upcoming Annual General Meeting

#### 4. Portfolio updates during challenging outlook

- 43 new or renewed leases secured in 2H 2020 totalling ~1 million sq ft
  - Expiry of master-lease at 51 Penjurong Road replaced by tenancy of 73.1%
  - Renewed 100.0% of 33 and 35 Penjurong Lane
  - Expiry of master-lease of 30 and 32 Tuas Avenue 8 (“**30/32TA8**”), in negotiations with potential tenant(s)

### Reports DPU of 2.29 Singapore cents for 2H 2020

#### Summary of Sabana REIT’s Results

(\$'000)	2H 2020	2H 2019	Variance (%)	1H 2020	Variance (%)	FY 2020	FY 2019	Variance (%)
Gross revenue <sup>3</sup>	37,438	39,609	(5.5)	34,263	9.2	71,701	76,338	(6.1)
Net property income (“NPI”) <sup>3</sup>	23,781	26,919	(11.7)	20,862	14.0	44,643	51,612	(13.5)
Total amount available for distribution to Unitholders for the period/year	18,033	16,292	10.7	11,077	62.8	29,110	30,743 <sup>4</sup>	(5.3)
Total distribution amount declared to Unitholders for the period/year <sup>5</sup>	24,125 <sup>6</sup>	16,292	48.1	4,985	384.0	29,110	30,743 <sup>4</sup>	(5.3)
Amount available for distribution per Unit to Unitholders for the period/year (cents)	1.71	1.55	10.3	1.05	62.9	2.76	2.92 <sup>4</sup>	(5.5)
Distribution amount declared per Unit (“DPU”) to Unitholders for the period/year (cents)	2.29 <sup>6</sup>	1.55	47.7	0.47	387.2	2.76	2.92 <sup>4</sup>	(5.5)

The Manager also today reported financial results for the half year ended 31 December 2020 (“**2H 2020**”) and the full year ended 31 December 2020 (“**FY 2020**”).

DPU for 2H 2020 was 2.29 cents, representing an increase of 47.7% year-on-year (“**y-o-y**”). Full year DPU was at 2.76 cents.

Gross revenue decreased 5.5% y-o-y, mainly due to lower contribution from 10 Changi South Street 2 (“**10CSS2**”) following the termination of a master lease in 2H 2019. NPI decreased 11.7% to \$23.8 million on lower revenue as well as allowances for impairment losses on trade receivables were made for certain tenants across the portfolio out of prudence.

The Manager remains well-positioned to service its loans, with a healthy profit coverage of 4.2 times and an aggregate leverage of 33.5% as at 31 December 2020.

<sup>3</sup> Please refer to section 8 of the unaudited financial statement for explanation of the variances.

<sup>4</sup> Distribution includes approximately \$1.2 million or 0.12 cents of capital gains arising from the divestment of properties.

<sup>5</sup> The REIT’s distribution policy is to distribute at least 90.0% of its distributable income to Unitholders. For FY 2019 and 2020, the Manager has resolved to distribute 100.0% of the total amount available for distribution to Unitholders.

<sup>6</sup> The Manager resolved to distribute \$24.1 million (DPU: 2.29 cents) for 2H 2020, comprising

- i. operation income of \$14.8 million (DPU: 1.41 cents);
- ii. rollover adjustments from prior years of \$3.2 million (DPU: 0.30 cents); and
- iii. withheld distribution from 1H 2020 amounting to \$6.1 million (DPU: 0.58 cents).

Overall occupancy levels as at 31 December 2020 was 76.5%, down from 80.2% as at 30 September 2020, due to the expiry of the master-lease at 51 Penjuru Road which was replaced by a tenancy of 73.1% and the expiry of master-lease of 30/32TA8. Amid the challenging backdrop, rental reversion was a positive 0.9% for FY 2020 as the Manager continues to proactively engage with prospective tenant partners.

### **Outlook for the Year**

The Ministry of Trade and Industry (“**MTI**”) Singapore’s latest advance estimates showed that Singapore’s economy contracted 3.8% y-o-y and grew by 2.1% on a quarter-on-quarter (“**q-o-q**”) seasonally-adjusted basis in 4Q 2020. The Singapore economy contracted by 5.8% for the whole of 2020.<sup>7</sup> In 2021, Singapore’s GDP growth is expected to be at a positive 4.0% to 6.0%, said MTI.<sup>8</sup>

Rental reversion for industrial properties is likely to remain negative for the year. Industrial rents fell by 1.6% y-o-y, but occupancy rates increased by 0.3% y-o-y as at 3Q 2020 due to higher demand for storage amid delays in new completions.<sup>9</sup> While the sector is expected to brighten gradually as the global manufacturing outlook improves, recovery is expected to be different across various industrial sectors, with those located close to transportation nodes with efficient floor plates having greater advantage in attracting tenants.<sup>10</sup>

According to Savills, activity in the leasing market will come from more businesses seeking to consolidate and reduce space as part of their cost-saving plans. Even though further delays in projected completions are expected, overall occupancy levels are likely to remain depressed in the near term. As such, industrial prices and rents will continue to be negatively impacted by Small & Medium Sized Enterprises as the pandemic has hit them hardest.<sup>11</sup>

While the macroeconomic landscape still remains challenging, the Manager will continue all efforts to remain resilient, with positive catalysts including the launch of NTP+ by 1Q 2021. It will remain focused on executing its Refreshed Strategy through proactive lease and asset management, as well as AEI and rejuvenation of select assets, underpinned by continued fiscal prudence. Overall, Sabana REIT continues to explore all viable options for growth to create sustainable value for Unitholders.

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<sup>7</sup> “Singapore’s GDP Contracted by 3.8 Per Cent in the Fourth Quarter of 2020”. Ministry Trade and Industry Singapore. 4 January 2021.

<sup>8</sup> “MTI Forecasts GDP Growth of “-6.5 to -6.0 Per Cent” in 202 and “+4.00 to +6.0 Per Cent” in 2021. Ministry of Trade and Industry Singapore. 23 November 2020.

<sup>9</sup> Quarterly Market Report Industrial Properties Third Quarter 2020” JTC. 22 October 2020.

<sup>10</sup> “Singapore 3Q 2020,”. Edmund Tie. October 2020.

<sup>11</sup> “Singapore Industrial Briefing Q1 2020” Savills. 11 November 2020.

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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. As at 31 December 2020, Sabana REIT has a diversified portfolio of 18 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 approximately \$0.9 billion as at 31 December 2020.

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).

**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:

Mr Yeo Wee Kiong  
Independent Non-Executive Director



Mr Yeo Wee Kiong was appointed as the Independent Non-Executive Director of the Manager on 1 January 2021. He is also a member of the Audit and Risk Committee as well as Chairman of the Nomination and Remuneration Committee

Mr Yeo currently also serves on the Boards of a number of listed companies such as Bonvests Holdings, AF Global, SUTL Enterprise, Pacific Century Regional Development, Roxy-Pacific Holdings and Asian Healthcare Specialists. Previously, he had held appointments as an independent director with several companies listed on the Singapore Exchange and various government-linked agencies such as National Science & Technology Board, Ascendas Pte Ltd, Keppel Corporation, SMRT Limited and PSB Corporation Pte Ltd.

He has more than 22 years of practice experience as a corporate finance lawyer. Prior to that, he was an investment banker with NM Rothschild & Sons (Singapore) Limited in Singapore. His first work experience was with the Singapore Economic Development Board ("EDB").

Wee Kiong holds a Bachelor of Engineering (First Class Honours) degree from the University of Singapore, a Bachelor of Laws (Honours) degree from the University of London, and a Master of Business Administration degree from the National University of Singapore. He was awarded the Public Service Medal National Day Award in 2011.

Mr Willy Shee  
Independent Non-Executive Director



Mr Willy Shee was appointed as the Independent Non-Executive Director of the Manager on 1 January 2021. He is also a member of the Nomination and Remuneration Committee

He was the Chairman of CBRE, Asia, from 2005 to 2016 and has been with the CBRE Group for more than 40 years. Upon his retirement on 30 June 2016, Mr Shee was appointed non-executive Senior Advisor to CBRE.

Before CBRE, Mr Shee was the Acting Deputy Chief Valuer at the Singapore Inland Revenue Authority. He was the Founder Director for NTUC Choice Homes Co-operative Ltd, a subsidiary of Singapore National Trade Union Congress, set up to develop executive condominiums, private apartments and commercial properties for the public, trade union and co-operative members.

Mr Shee is currently a director of Mercatus Co-operative Ltd, Sinarmas Land Ltd, Keppel Land Ltd, and Bund Center Investment Ltd and had previously served as Director of Ascendas Pte Ltd, Sunway REIT Management Sdn Bhd and SLF Properties Pte Ltd. He is a Committee Member and Honorary Secretary of Singapore Turf Club.

A Colombo Plan Scholar from the University of Auckland, Mr Shee is a Fellow Member of the Singapore Institute of Directors and the Singapore Institute of Surveyors and Valuers.