

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

**Security:** Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

**Meeting details:**

Date: 28 April 2017

Time: 09:00H

Venue: Suntec Singapore Convention & Exhibition Centre, Hall 404, Level 4 at 1 Raffles Boulevard, Suntec City, Singapore 039593

**Company Description**

Sabana Shari'ah Compliant Industrial Real Estate Investment Trust is a Shariah compliant equity real estate investment trust externally managed by Sabana Real Estate Investment Management Pte Ltd. The firm invests in the real estate markets of Asia. It seeks to invest in income-producing real estate properties operating in the industrial sector. Sabana Shari'ah Compliant Industrial Real Estate Investment Trust was founded on October 29, 2010 and is domiciled in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=M1GU](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M1GU))

**Q1.** The REIT has five master leases (namely 33 & 35 Penjuru Lane, 18 Gul Drive, 51 Penjuru Road, 21 Joo Koon Crescent and 6 Woodlands Loop) that are expected to expire in 2017. When the eight-storey industrial building with ancillary offices at 39 Ubi Road 1 was converted from a master lease to a multi-tenanted building, the occupancy fell to 63.1% as at 31 December 2016. The five master leases would account for 45.7% of gross rental income from master leases (page 57 of the annual report – Operational Review).

- a) Can the REIT manager provide more clarity into the underlying occupancy rate at these five assets?
- b) Can the manager provide further updates on the renewal negotiations?
- c) Does the manager have any back-up plans should the master leasee(s) decide not to renew their master leases?

**Q2.** Based on the Borrowings profile (page 15), the REIT has a weighted average all-in cost of borrowings below 4.2% as at 31 December 2016. Total borrowings were S\$441.1 million and the proportion of total borrowings that have been fixed was 90.2%. The weighted average tenor of borrowings was 1.9 years. A comparison of the borrowing costs with similar REITs is shown in the table below.

| Competitor | Aggregate leverage | Total borrowings (S\$ million) | Fixed as % of total borrowings | Weighted average all-in financing cost | Weighted average tenor of borrowings |
|------------|--------------------|--------------------------------|--------------------------------|--|--------------------------------------|
| REIT A     | 34.6%              | 518.6                          | 84.0%                          | 3.7%                                   | 2.1 years                            |
| REIT B     | 43.1%              | 542.6                          | 63.4%                          | 3.52%                                  | 2.8 years                            |
| REIT C     | 37.5%              | 512.5                          | 90.7%                          | 3.71%                                  | 3.1 years                            |
|            |                    |                                |                                |  |                                      |
| Sabana     | 43.2%              | 441.1                          | 90.2%                          | 4.2%                                   | 1.9 years                            |

- a) Can the REIT manager explain why its cost of debt is relatively high compared to its listed competitors?

In the “Commonly Asked Questions” section (page 10), the manager has explained that “being Shari’ah compliant allows Sabana REIT to access the Islamic equity markets which has enabled Sabana REIT to access more diverse sources of equity funding and a larger investor base”.

- b) Can the REIT clarify if the Commodity Murabaha Facilities, Revolving Murabahah Facility and the Convertible Sukuk are more attractive than the non-Shari’ah Compliant sources of funding?

**Q3.** With effect from 1 January 2016, under the Property Funds Appendix, the trust is allowed to have an aggregate leverage of up to 45% of its deposited property. The trust has complied with the aggregate leverage limit throughout the year.

As at 31 December 2016, the trust had an aggregate leverage of 43.2% which was brought down to 40.0% following the rights issue that raised gross proceeds of approximately S\$80.2 million.

- a) Should the proposed acquisitions of 72 Eunos Avenue 7, 107 Eunos Avenue 3 and 47 Changi South Ave 2 proceed, would the REIT’s aggregate leverage increase again? If so, what is the manager’s estimate for the REIT’s aggregate leverage?

Due to the uncertainty in the market, it is possible that the REIT’s properties may suffer further revaluation losses. Should that happen and the REIT’s aggregate leverage will increase.

- b) Can the board tell unitholders what would happen should the REIT’s aggregate leverage exceed 45%, the maximum level allowed under the Property Funds Appendix?