Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

REIT: Sabana Industrial Real Estate Investment Trust
(Manager: Sabana Real Estate Investment Management Pte. Ltd.)

Stock code: M1GU

Meeting details:
Date: 22 Apr 2025
Time: 10.30 a.m.
Venue: Hope@New Tech Park, 151 Lorong Chuan, #02-06 (Lobby F) Singapore 556741

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Q1. For the financial year ended 31 December 2024, the REIT achieved a record-high gross revenue of $113.3 million, the highest since its listing in November 2010. Distribution per unit (DPU) rose 3.6% to 2.86 cents in FY2024, up from 2.76 cents the previous year.

This was achieved despite operational disruptions at two master-leased properties: 33, 33A & 35 Penjuru Lane and 30 & 32 Tuas Avenue 8 in March and June 2024, respectively. Nevertheless, the financial distress of two master lessees within a short period raises concerns about tenant credit evaluation. The master lease for 30 & 32 Tuas Avenue 8 was a 10-year agreement that only just commenced in 2022.

(i) **Following the financial troubles of Kleio One-Solution Pte. Ltd. and GDMC Pte. Ltd., has the REIT manager reassessed its credit risk framework and the REIT's compliance with the framework? With the benefit of hindsight, were there any red flags, such as late rental payments, or deviations from the risk assessment framework, given that the default occurred within two years of lease signing?**

(ii) **Has the REIT conducted a stress test on its top tenants to identify potential vulnerabilities?**

As at 31 December 2024, New Tech Park (151 Lorong Chuan) had an occupancy rate of 82.3%, a modest increase from previous years (81.2% in 2021, 78.3% in 2022).

(iii) **Are there structural barriers preventing occupancy from exceeding 90% and, what plans are in place to further increase the occupancy at New Tech Park? What differentiation strategy is being pursued to enhance its attractiveness?**

The REIT has committed to achieving carbon neutrality by 2040. Currently, solar panels at nine properties generate up to 7.6 megawatt-peak power, positioning the REIT among the leaders in solar power generation relative to gross floor area.

(iv) **Can the REIT manager provide insight into the extent to which sustainability initiatives provide the REIT with a competitive advantage in leasing discussions? How much do tenants value sustainability features, and do rental rates reflect the demand for green-certified spaces?**

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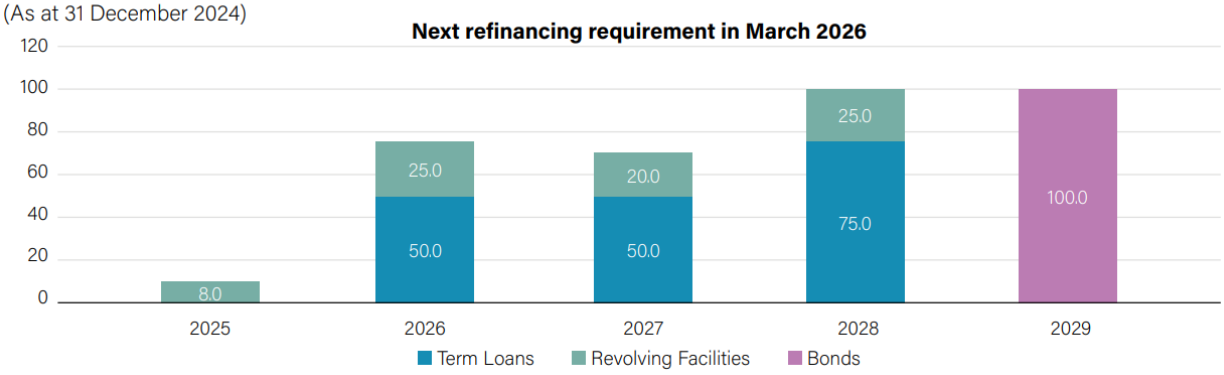
Q2. Certain financial metrics and the debt maturity profile are presented on page 15 of the annual report and reproduced below:

KEY DEBT FUNDING INDICATORS

	As at 31 December 2024 ($ '000)	As at 31 December 2023 ($ '000)
Aggregate leverage[1](%)	37.4	34.3
Total borrowings	353,000	318,000
Proportion of total borrowings on fixed rates (%)	73.7	76.3
Average all-in financing cost (%)	4.42	3.89
Weighted average tenor of borrowings (years)	2.9	2.9
Interest coverage ratio[2] ("**ICR**") (times)	3.0	3.5
Unencumbered assets[3]	915,900	903,900
Undrawn committed facilities available	22,000	95,000

DEBT MATURITY PROFILE (S$ MILLIONS)

(As at 31 December 2024)



(Source: annual report)

(i) **Does this mean that the REIT is funding capital expenditure using borrowings which led to the increase in borrowings from $318 million to $353 million since there has been no new acquisitions? Is this sustainable?**

(ii) **Can the manager provide a breakdown of the $30.5 million of capital expenditure over the past two years?**

In June 2024, the REIT issued $100 million in five-year 4.15% senior unsecured sustainability-linked bonds, backed by a Credit Guarantee and Investment Facility ("CGIF") guarantee. This was the first CGIF-guaranteed bond issuance by an industrial REIT in Asia.

(iii) **What was the cost of the CGIF guarantee, and what were the key factors in deciding to secure it?**

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Despite the increase in leverage, the REIT manager retained 10% of distributable income, citing "prudent capital management in view of additional costs incurred and to be incurred in connection with the internalisation."

(iv) **What are the specific considerations behind the REIT manager's decision to retain 10% of distributable income? Going forward, will this practice of retaining 10% continue or cease?**

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Q3. In October 2024, unitholders approved the resolutions appointing and/or endorsing six directors for the internalised manager of the REIT. However, three resolutions proposing candidates identified by the trustee were not carried.

Currently, the appointment of these director candidates, along with the application for a capital markets services (CMS) licence for the internalised manager, remains subject to approval by the Monetary Authority of Singapore (MAS).

The latest trustee statement on 21 January 2025 shows the following timeline for the internalisation efforts:

ANNEX A: Indicative Internalisation Timeline

Reference Key:
Completed In Progress Not Started

Activity:	Status:	Workplan				Comments:
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	
1. Appointment of Professional Advisers						
2. Seek ESR's views in relation to Resolution 1 passed at the 8 March 2024 EGM						
3. Establish entity for New Internalised Manager						
4. Establish functionality for New Internalised Manager						
5. Review applicable regulations						
6. Establish Trust Deed amendments						
7. Order 32 application						
8. Establish personnel for New Internalised Manager						The Trustee has been engaging with the ICDE with a view to progressing the management executive workstream. Among others: (i) the Trustee met with the ICDE on 30 October 2024, 17 November 2024 and 23 December 2024 to discuss the process for reviewing candidates for executive management roles in the New Internalised Manager, and (ii) the Trustee also arranged for the ICDE to meet with the Further Management Candidates, and these meetings have now been completed.
9. Establish budget and operating plan for New Internalised Manager						The drafts of the budget and operating plan prepared by the Financial Adviser have been provided to the ICDE to assist them in formulating the business plan of the New Internalised Manager for the CMS licence application.
10. Licensing and applications*						The ICDE is working on formulating the business plan of the New Internalised Manager required to update the CMS licence application, which will be shared with the Trustee prior to submission to the MAS.
11. Capitalisation of new entity						Capitalisation of the entity proposed to be the New Internalised Manager is expected to take place after the approval-in-principle is granted by the MAS pursuant to the CMS licence application.
12. Transition and operationalisation						Operational actions required to set up the New Internalised Manager, including the hiring of staff, and the setting up of systems, premises, and equipment will be progressed with oversight by the Trustee.
13. Unitholder communications						The Trustee will continue to provide updates to Unitholders in respect of material developments. All updates from the Trustee will be in the form of announcements via SGXNet.
14. Extraordinary general meeting(s) to implement and effect Internalisation						Further meeting(s) may be scheduled as necessary.

(https://links.sgx.com/FileOpen/Trustee%20Statement.ashx?App=Announcement&FileID=830988)

(i) **What is the progress made in appointing new management for the internalised manager, and what are the specific regulatory or operational hurdles delaying this process?**

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(ii) **Has the trustee and the internalisation committee and directors elect (ICDE) agreed on a firm deadline to finalise the business plan for the CMS licence application? When is the submission expected, and what are the key outstanding issues?**

(iii) **Regarding the trustee's three proposed director candidates at the EGM, can the trustee provide a transparent breakdown of the professional fees incurred, including those charged by the change management advisor? Given that over 100 candidates were initially identified, how were costs managed to ensure efficiency in the entire process? How was this justified when the candidates received no support from any of the controlling unitholders of the REIT?**

(iv) **As internalisation is unprecedented in Singapore, how does the trustee balance its fiduciary duty with cost discipline? What specific benchmarks, governance frameworks, or industry comparisons are available for unitholders to assess whether the professional fees incurred are justified and not excessive?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Check out the latest questions on the annual reports of listed companies on SIAS website

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