

Sabana Reit to sell Geo-Tele Centre for S\$99.6m, well above book value

By Annabeth Leow, The Business Times THU, SEP 27, 2018

SABANA Shari'ah Compliant Industrial Real Estate Investment Trust (Sabana Reit) is letting go of a data centre in Tai Seng, with the manager citing its strategy of divesting under-performing and mature assets.

The manager inked a conditional sale and purchase agreement on Wednesday to sell Geo-Tele Centre for S\$99.6 million to ADC Singapore Trust, it said later that day.

That sum, to be paid in cash, is S\$60 million higher than the book value of the six-storey property at 9, Tai Seng Drive, based on an independent property valuation report commissioned by the manager.

Proceeds from the sale will go to the repayment of outstanding borrowings, and could also be redeployed for projects such as redevelopments or acquisitions, said the manager in its announcement.

The deal is in line with a strategy to recycle Sabana Reit's capital and optimise portfolio returns for unit holders, the manager added, noting that the property's plot ratio of 2.5 has been fully utilised. Geo-Tele Centre has a gross floor area of 218,905 square feet, with 37 years left on the tenure of the land.

For illustrative purposes, the pro forma financial effects of the divestment would have lifted fiscal 2017 distribution per unit to 3.49 Singapore cents, from the actual payout of 3.31 Singapore cents, had the divestment been done on Jan 1, 2017, said the manager.

Net tangible assets would have stood at S\$0.60 a unit, instead of S\$0.54, while the Reit's aggregate leverage ratio could have been brought down from 38.2 per cent to 29.3 per cent.

Conditions for the transaction include the green light from government landlord JTC Corp and any other relevant authorities, and JTC's confirmation that terms under the state lease have been complied with.

A deposit of 10 per cent of the sale amount will be paid into an escrow account, and the rest will come once the divestment is completed - a deadline expected to be by early first quarter of 2019.

Sabana Reit closed up on Wednesday by S\$0.01, or 2.44 per cent, to S\$0.42, before the news.