

# Sabana REIT's S\$80m Convertible Sukuk Al-Ijara Case Study

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# Sabana REIT



## ➤ The REIT:

- Sabana Shari'ah Compliant Real Estate Investment Trust
- Listed on the SGX-ST on 26 November 2010

## ➤ **Largest:** World's largest listed Shari'ah compliant REIT by total assets

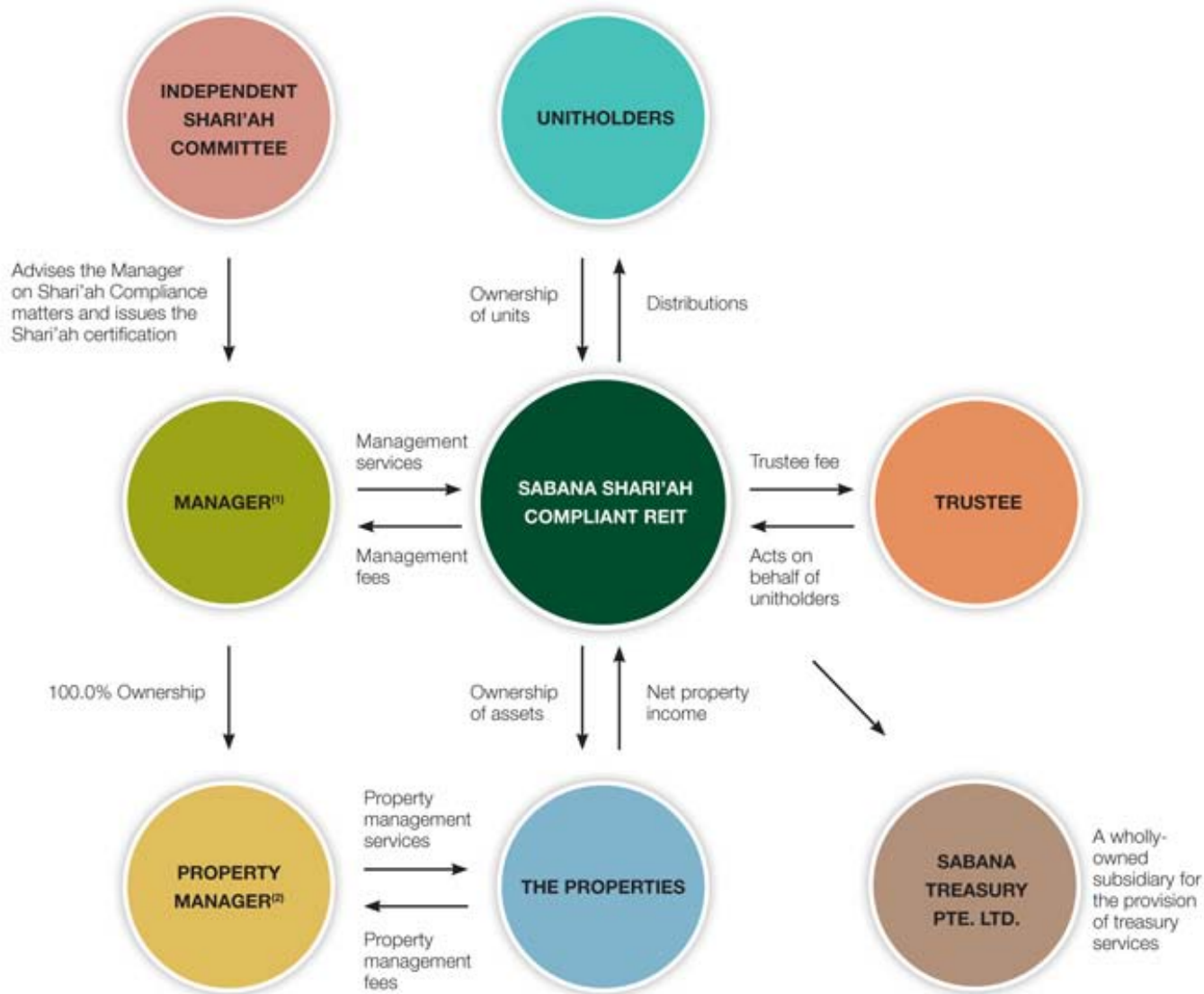
## ➤ **Assets:**

- Singapore-based income-producing industrial real estate
- Portfolio of approximately 21 industrial properties in Singapore, valued at approximately S\$1.1bn (or approximately US\$900 million).

## ➤ **Management:**

- Managed by Sabana Real Estate Investment Management Pte. Ltd.

# Sabana REIT: Trust Structure



# Sabana REIT: Shari'ah Compliance

- **Shari'ah Adviser:** Sabana REIT has appointed Five Pillars Pte. Ltd. to act as Shari'ah Adviser, which serves as a conduit between the independent Shari'ah Committee and Sabana REIT.
- **Scholars:** The independent Shari'ah Committee comprises reknowned scholars including Dr. Mohamed Ali Elgari
- **Shari'ah Guidelines:** Set by the independent Shari'ah Committee and monitored / supervised by the Shari'ah Adviser.
- **Shari'ah Supervision:** Representatives from the Shari'ah Adviser may also inspect and verify the properties and activities of Sabana REIT on behalf of the Independent Shari'ah Committee.

# Sabana REIT Convertible Sukuk Issuance and Acquisition of Property

## ➤ **Issuance:**

- 29 October 2010: Sabana Treasury Pte. Ltd. (a wholly-owned subsidiary of Sabana REIT) (the “**Issuer**”) issued S\$80m in aggregate principal amount of Convertible Sukuk
- Fully placed to institutional investors and accredited investors.

## ➤ **New Property:**

- 76.2% of the gross proceeds of the issuance applied on 1 October towards acquisition of 23 Serangoon North Avenue 5 (“**New Property**”)

## ➤ **Transfer of ownership:**

- Ownership in the New Property transferred by Sabana REIT to the Issuer as prepayment-in-kind

# Sabana REIT Convertible Sukuk

## Sukuk Assets

- **Sukuk Assets:**
  - Remaining murabaha outstandings
  - Ownership of New Property
  - Right to receive rental under Ijara Agreement
- **Achieves objective** of using tangible assets to underlie sukuk, despite not owing the tangible assets at the outset
- **Periodic Distributions** under the Sukuk funded through Rental under the Ijara Agreement in respect of the New Property
- **Business of the REIT not affected** because:
  - It maintains control and physical possession of the New Property
  - Continues to lease (or sub-lease) the New Property to its Master Tenant / Tenants

# Sabana REIT Convertible Sukuk: Necessary Features

## ➤ **Substitutability of Properties**

- To ensure continuing Shari'ah Compliance – temporary lapses
- To replace damaged Properties
- To sell the Properties or undertake asset enhancement

## ➤ **Determinations of Shari'ah compliance of Properties**

- Sabana's internal Shari'ah Advisers are capable and equipped to monitor Shari'ah Compliance

## ➤ **Timing Pressure**

- Subject to completion of sale of Properties by Vendor
- Sequential creation of Ijara Agreement and sub-leases to tenants

## ➤ **Other Structural Challenges**

# Thank You

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