

Far East Hospitality Trust

Resilient balance sheet and ready to acquire

SINGAPORE | REIT | INITIATION

8 January 2024

- Forward booking for 2H23 and 1H24 was healthy on the back of the recovery of flight capacity and a series of upcoming events. Hotel RevPAR is anticipated to reach 97% of pre-pandemic levels and serviced residence is already at 122% of the pre-COVID level.
- Downside risk is protected by the master lease structure and the fixed component alone is expected to generate c.4% of the dividend yield. Due to low gearing of 32%, FEHT also alluded to potential mid-size acquisition in Japan, we expect a positive carry of c.2%.
- S\$18.0mn incentive fee generated from Central Square's divestment was set to cushion the erosion of DPU due to the high interest rate, aiming for a FY23e target dividend yield of c.6%. We initiate coverage with a BUY recommendation on Far East Hospitality Trust, a DDM-based target price of S\$0.79, and a dividend yield of 5.9%.

Company Background

Far East Hospitality Trust (FEHT) has its full presence in Singapore with an asset value of S\$2.5bn as of Dec 22 and listed on Aug12. This portfolio encompasses 12 properties, including 9 hotels and 3 serviced residence, collectively 3,015 hotel rooms. It also has a total of 177 units of retail and office spaces in 8 of its properties. All properties operate under a Master Lease Agreement, with rental based on a fixed component and a variable component which linked to the property's operational revenue. FEO Hospitality Asset Management Pte Ltd serves as the manager for FEHT. The Sponsor, Far East Organization is the largest private property developer in Singapore.

Key Investment Merits

- **Riding on the leisure recovery.** SIA aims to reach around 90% of pre-pandemic capacity by Mar24, up from 83% in Sep23. In 3Q23, the Average Daily Rate (ADR) surpassed pre-COVID levels by 5.5%, excluding the hotel under government contract (+26% YoY). Revenue per Available Room (RevPAR) for serviced residence (SR) is notably 22% higher than pre-COVID levels. As flight capacities normalize and Chinese travelers return, hotel RevPAR is expected to achieve 97% of pre-pandemic levels over the entire year (3Q23: 99%). Anticipating a packed MICE schedule, we project strengthened Net Property Income (NPI) for SR, driving DPU growth in FY24.
- **Master Lease Structure to protect the downside.** FEHT has master leases that combine fixed-rent protection with variable rents to capture the upside. The variable component is tied to underlying revenue and profits, which is more favorable in response to rising RevPAR. Fixed component alone generated 77% of total revenue and translated into a 4% dividend yield in FY22. This minimizes potential income risk caused by uncertainty and volatility of global economic conditions. FEHT also has a larger proportion of commercial rentals compared to other hospitality REITs (17.7% of total revenue), and it enjoys a relatively higher level of downside protection due to the longer lease terms.
- **Possible overseas expansion.** The divestment of Central Square, yielding 1.8% on exit, supported an upward trend in DPU for FEHT. To counter the impact of high-interest rates, FEHT plans to cushion distributions with the S\$18.0mn incentive fee, targeting a FY23 dividend yield of c.6%. Post-divestment, FEHT stands as one of the least leveraged S-REITs, with a 32% leverage ratio and a 3.2% cost of debt. With a debt headroom of c.S\$900mn (Gearing at 50%), FEHT is exploring potential acquisitions in Japan, currently deferring equity fund-raising. Their focus is on smaller assets, roughly S\$70-80mn each, we expect to generate a positive carry of c.2%.

We initiate coverage with a BUY rating and a target price of S\$0.79 based on DDM valuation, COE of 6.5%, and terminal growth of 1.5%. We expect a DPU of 3.79 cents for FY23e and 3.95 cents for FY24e, translating into yields of 5.6% and 5.8%, respectively.

BUY (INITIATION)

LAST CLOSE PRICE	SGD 0.67
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.79
TOTAL RETURN	22.8%

COMPANY DATA

BLOOMBERG CODE:	FEHT SP Equity
O/S SHARES (MN):	2,003
MARKET CAP (USD mn / SGD mn):	1015 / 1342
52 - WK HI/LO (SGD):	0.68 / 0.56
3M Average Daily T/O (mn):	1.54

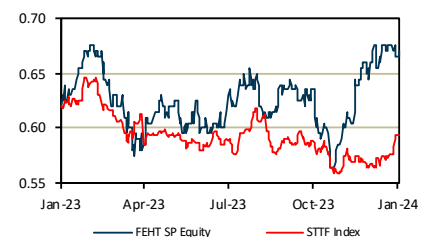
MAJOR SHAREHOLDERS

Golden Development Ptd Ltd	22.5%
Far East Organization Centre Ptd Ltd	9.8%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	3.1	4.7	13.6
STTF RETURN	5.2	1.0	4.0

PRICE VS. STTF



KEY FINANCIALS

Y/E Dec	FY21	FY22	FY23e	FY24e
Gross Rev (\$mn)	83.2	83.6	111.4	117.5
Dist. Inc. (\$mn)	52.0	65.0	76.2	80.0
P/NAV (x)	0.71	0.69	0.74	0.75
DPU (cents)	2.63	3.27	3.79	3.95
Dist. Yield (%)	4.46	5.27	5.75	5.99

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 6.5%; Terminal g: 1.5%)

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As of 8th Jan 2024, the analyst who prepared this report has an interest in the securities in the company covered in this report.

Revenue

Gross revenue

Gross revenue consists of Master lease rental, Retail, and office revenue. In 3Q23, the Hotel segment contributed 56.3% to the total gross revenue, while Serviced Residence accounted for 14.4%, and commercial premises comprised 6.5%. Revenue for the hotel and serviced residence segment is calculated based on the operating period multiplied by the average daily rate and average occupancy rate. Commercial rental income is generated by leasing the Excluded Commercial Premises in the Properties directly to individual tenants.

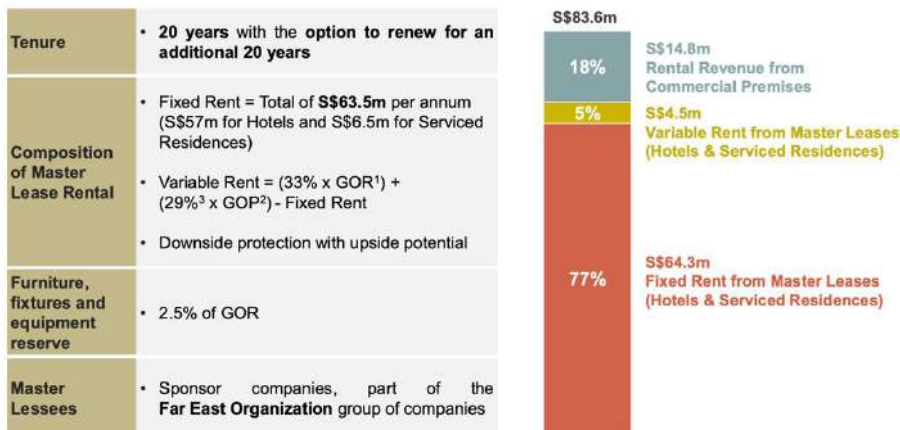
Master Lease Structure

The initial term of the Master Lease Agreements for each of the Properties will be 20 years from the Listing Date (Aug2012) with another 20 years' optional extension.

The Master Lease Agreements consist of both a Fixed Rent component and a Variable Rent component. Variable rent is calculated by combining 33% of the Property's Gross Operating Revenue and a specified percentage of Gross Operating Profit (which varies across properties), minus the Fixed Rent. In cases where the calculation of the Variable Rent results in a negative value, the Variable Rent will be considered as zero.

As visitor arrivals began picking up from the 2Q22, operational performance has gradually improved to levels above the minimum fixed rent from the master leases. By the end of 2022, half of the REIT's properties comprising 3 hotels and all 3 serviced residence exceeded the minimum fixed rent.

Figure 3: Breakdown of master lease structure



Source: Company, PSR

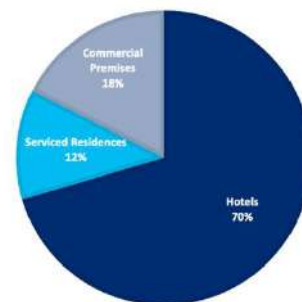
Joint venture

FEHT holds 30% interest in Fontaine Investment Pte Ltd ("FIPL"), a joint venture company established to develop a hotel site in Sentosa. Therefore, FEHT directly has a 30.0% stake in a joint venture for the development of Village Hotel Sentosa, The Outpost, and The Barracks. Joint ventures are equity accounted for, and are therefore included in the Share of profit of joint ventures under the income statement.

Revenue Growth

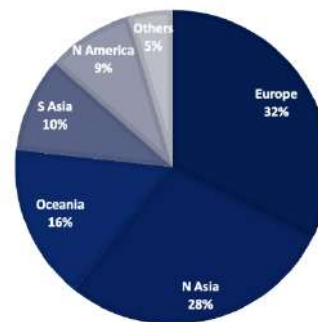
We expect a 33% YoY revenue growth, reaching \$111.4mn for FY23e, primarily driven by the normalization of international flight capacity and numerous events scheduled for FY23. Although the current hotel RevPAR remains at 98% of pre-COVID levels (3Q23: S\$150, 3Q19: S\$152), potential upside risk may primarily be reliant on a robust Chinese economy stimulating increased overseas travel. We expect a gradual recovery with improved occupancy rates due to increased corporate and leisure tourism, facilitated by 30-day visa-free arrangements between China and Singapore.

Figure 1: Income Contribution by Segment



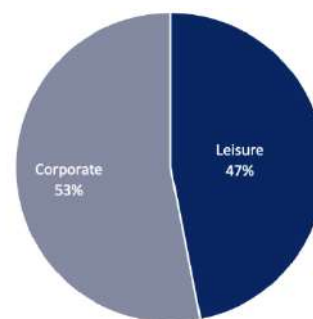
Source: Company, PSR

Figure 2: Income contribution by country



Source: Company, PSR

Figure 4: Income contribution by Market segment

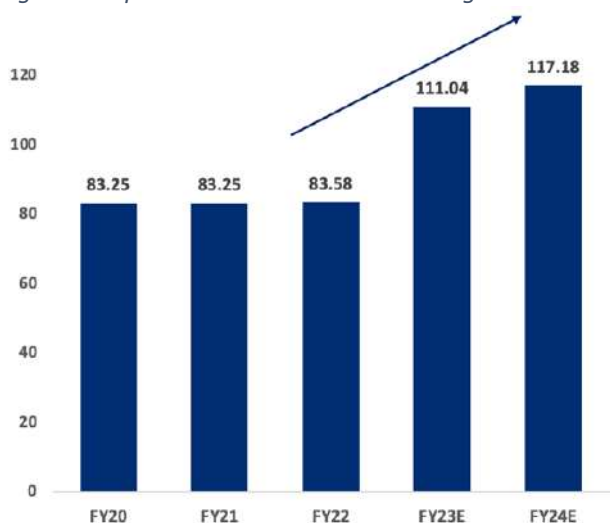


Source: Company, PSR

The current hotel occupancy rate remains at 94% of the pre-pandemic level (3Q19: 92.3%), while the Average Daily Rate (ADR) has exceeded 3Q19 figures by 5.5%. This increase is supported by limited room supply and is anticipated to further improve in FY24.

The RevPAR for the serviced apartment segment as of 3Q23 had already reached 122% of the pre-COVID level, driven by the rebound in corporate travellers. Additionally, we have observed some revenue generated from citizens due to home refurbishments.

Figure 5: Expected acceleration in revenue growth until FY24e (S\$mn)



Source: Company, PSR

Expense

The expenses have mainly been arising from property expenses, which include property tax, property insurance, MCST contribution, retail and office expenses, property manager fees, and Reversal of impairment losses on trade. The net property income margin has historically ranged around 74-80%. We anticipate inflationary pressures to ease in the upcoming year, particularly with the expected decrease in electricity costs accounting for c.40% of the operating expenses and 4% of the revenue. This adjustment is forecasted to elevate the NPI margin to 82%.

Figure 6: FEHT's Fee Structure

FEHT's Fee Structure	
Base fee	0.3% per annum of the value of the Far East H-REIT Deposited Property
Performance fee	4.0% of Net Property Income
Trustee's fees	0.02% per annum of the Deposited Property, subject to a minimum of S\$20,000 per month
Acquisition fee	0.75% for acquisitions from Related Parties and 1.0% for all other cases
Divestment fee	0.5% of each of the following as is applicable
Development management fee	3.0% of the Total Project Costs incurred
Property management fee	3.0% per annum of the Net Property Income
Property tax	10.0% of the total annual value (25.0% of the preceding year's gross room receipts)

Source: Company, PSR

Sponsor: The Sponsor is part of the Far East Organization which is the largest private property developer in Singapore. The Sponsor's hospitality assets, Far East Hospitality possesses over 10 hospitality assets and manages a collective portfolio of more than 16,500 rooms, spread across nearly 100 hotels and serviced residences in 10 different countries.

Tax: FEHT received a Tax Ruling from IRAS, granting tax transparency for its property income in Singapore, subject to specific terms. Since listing, tax as a percentage of total return before tax ranges from 0.05% to 0.16%. In 1H23, the tax rate was 0.3%.

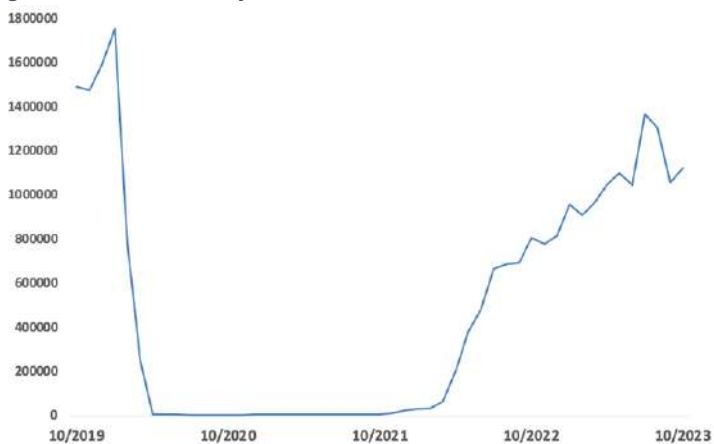
Dividend distribution: FEHT follows a distribution policy of at least 90% of its taxable income. Since its listing in 2012, it has consistently distributed 100% of its taxable income to Stapled Securityholders biannually.

Industry

Tourism

Tourism recovery in Singapore surged ahead in 2023, recording 12.37mn arrivals in the first 11 months, nearly doubling the full-year 2022 figure of 6.31mn. There's still potential for recovery in the coming year as 2023 remains below the pre-pandemic 2019 figure of 19.12mn visitors, with China as the crucial element yet to be realized. Singapore and China are in discussions to promptly restore flights to pre-pandemic capacities, a move that aligns with the expected bilateral 30-day visa-exemption agreement set for early 2024, aimed at bolstering visitor numbers. We expect Singapore's tourism figures to be rebound to 2019 levels in 2025.

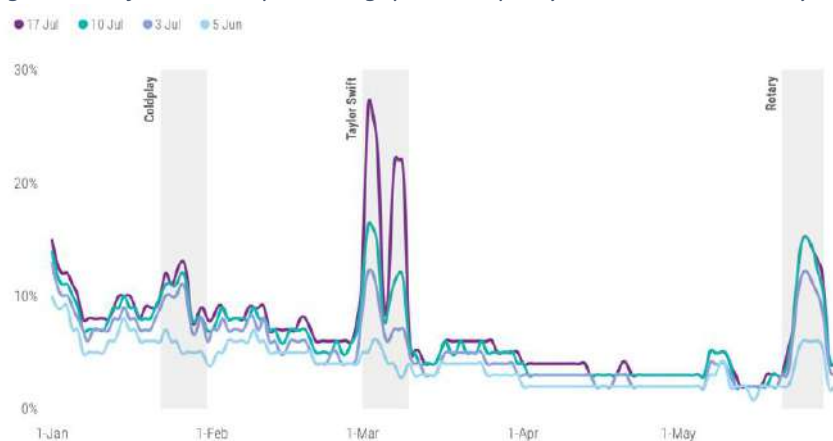
Figure 7: Tourism data from Oct19 to Oct23



Source: CEIC, PSR

A line-up of events in 2024 aims to attract international tourists, including Taylor Swift's "The Eras Tour," Coldplay concerts, and the global Rotary Convention. Taylor Swift's shows are scheduled for March 2-4 and 7-9, 2024, at the Singapore National Stadium. By July23, Swift's tour dates had already contributed to a 10% increase in Mar24 occupancy. Although not as impactful, Coldplay's concerts set for January (23-24, 26-27, and 30-31) at the Singapore National Stadium also saw a rise in booked occupancy. As anticipated, the Rotary International Convention scheduled for May 24-29, 2024, is drawing significant groups from across the globe. STR projection shows group bookings reaching a peak of 13% by the end of May (as of July23).

Figure 8: Swift on a Hot Spike – Singapore occupancy on the books, Jan-May 2024



Source: STR, PSR

Hotel Occupancy rate and room supply

In Nov23, hotel occupancy rates dropped to 79%, a decrease from September's 82.7%. This represents a 6.7% yoy decline, largely influenced by the significant number of new hotel openings this year. Despite this dip, we anticipate an improvement in the occupancy rate for

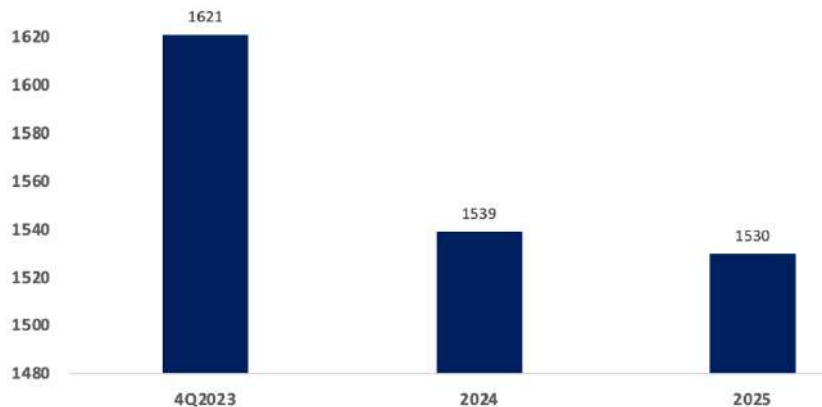
2024, driven by a surge in international tourism and limited new supply. Over the next few years, c.4,900 new hotel rooms are projected to be added to Singapore's inventory, constituting a 0.24% increase from the current 1.9mn available rooms. The majority of this forthcoming supply will be concentrated in the Luxury segment, particularly in the Orchard area. While the hotel pipeline is expected to decrease for the remainder of 2023, the growth in ADR and occupancy rate is anticipated to continue, albeit at more moderate levels compared to the current record highs, owing to increased competitive pressures. However, a further recovery in visits might help offset this trend.

Figure 9: Average Singapore hotel occupancy in 2023 remains resilient



Source: STBC, PSR

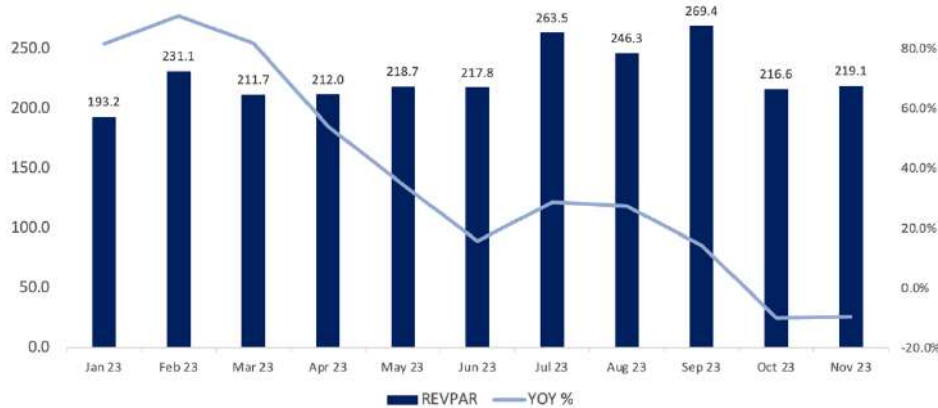
Figure 10: Singapore hotel supply, under construction 4Q23-2025



Source: URA, PSR

Hotel RevPAR

Hotel rates are anticipated to climb in numerous global locations, including Singapore, throughout 2024, as highlighted in the Hotel Monitor 2024 by American Express Global Business Travel (Amex GBT). ADR has exceeded pre-pandemic levels by more than 20%, largely propelled by leisure travelers. A survey conducted by JLL highlights that 77% of APAC hotels among the over 360 selected hotels foresee increased occupancy levels in 2024, especially in upper upscale and luxury segments. Additionally, 73% of regional hotels anticipate ADR growth. Up to Sept23, luxury hotels reported an occupancy rate of 76.1%, slightly below the pre-pandemic 2019 level of 77.4%. However, the ADR soared by 25.5% compared to 2019, reaching an impressive S\$501. This surge in ADR propelled the RevPAR in Singapore’s luxury hotels to surpass 2019 levels by over 23%. BCD Travel anticipates a 4.8% increase in Singapore's hotel ADR for 2024. The most substantial rate hikes in the APAC region are foreseen in Japan (10%) and India (10%).

Figure 11: Average Singapore hotel RevPAR in 2023 and YoY change


Source: URA, PSR

Balance Sheet

As of Sep 23, FEHT's aggregate leverage stood at 32.2%, with an average funding cost increased to 3.2% (+1.2% pt?), maintaining one of the lowest geared among S-REITs. Although the adjusted ICR fell slightly to 3.7x (from 4.0x in 3Q22), it remains healthy.

In 3Q23, FEHT hedged c.40.6% of its funding cost into fixed rates, one of the lowest among S-REITs, which positions it well to benefit from a potential rate cut in FY24. Having completed a refinancing of S\$125mn in Mar23, FEHT is left with S\$125mn to be refinanced in FY24 at a cost of c.3.3%.

We believe borrowing costs have peaked and expect FEHT to use the additional incentive fee of S\$18.0mn from the divestment of Central Square to mitigate the impact of higher interest rates. With a strengthened balance sheet post-divestment, the debt headroom has expanded to around S\$900mn (gearing at 50%), supporting potential acquisitions in FY24.

Risks

Valuation risk: We do not expect any material change in end-year asset valuation in the face of resilient demand and elevated RevPAR despite increasing terminal cap rate. Even assuming a 5% decline in valuation, gearing would rise by c.150bps to 33.7%.

Income risk: We approach the 2H24 outlook with caution due to potential budget constraints in both corporate and leisure sectors given the muted macroeconomic outlook. Elevated room rates and a strong Singapore Dollar might divert travellers to other holiday destinations in ASEAN such as Thailand.

Concentration risk: FEHT, being a pure-play Singapore hospitality REIT, faces heightened exposure to geographical concentration risk in the event of an economic downturn, disease outbreak like COVID, or shifts in travel patterns.

Acquisition risk: On the back of the optimistic forecasts for Asia's hospitality sector and tightened interest rate environment, valuation for hospitality sectors remains high. Potential risks may arise from overpaying, prolonged acquisition timeline, and compressed yield spread.

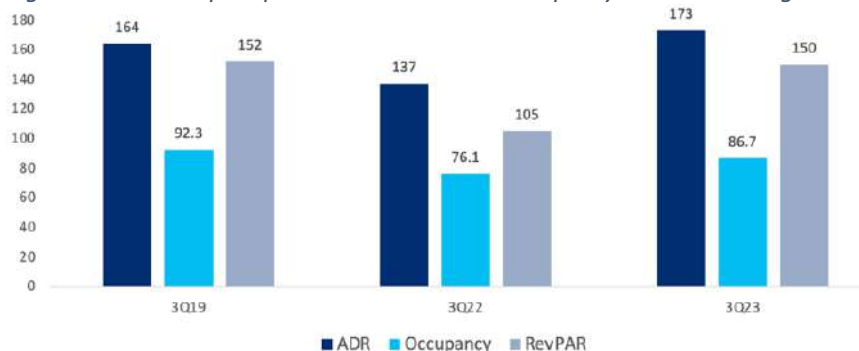
Financial Analysis

3Q23 result highlights

In 3Q23, FEHT experienced a 42.5% YoY revenue increase to S\$30.2mn, attributed to a surge in international tourism, consistent demand from corporate travelers, and local home upgraders. The hotel segment saw a 56.3% revenue surge, maintaining a healthy NPI margin at 93% (NPI +42.4% YoY), despite escalating utility costs. For 9M23, distributable income soared by 36.7% YoY to S\$69.3mn across all properties, benefiting from variable rental income.

The hotel ADR exceeded pre-COVID levels by 5.4%, while the occupancy rate slightly lagged by 5.6% pt. Though serviced residences displayed positive growth, a 1.3% quarterly decline in occupancy was offset by higher room rates, resulting in a RevPAR reaching 122% of pre-COVID levels. All hotels were out of government contracts by Sep23, with Novena Oasia experiencing a notable increase in occupancy due to medical tourism in Singapore, while Village Changi had a slower pace. Village Hotel Albert Court re-entered a government contract until the end of FY23 at market rates.

Figure 12: ADR surpass pre-COVID level while occupancy and RevPAR lag behind

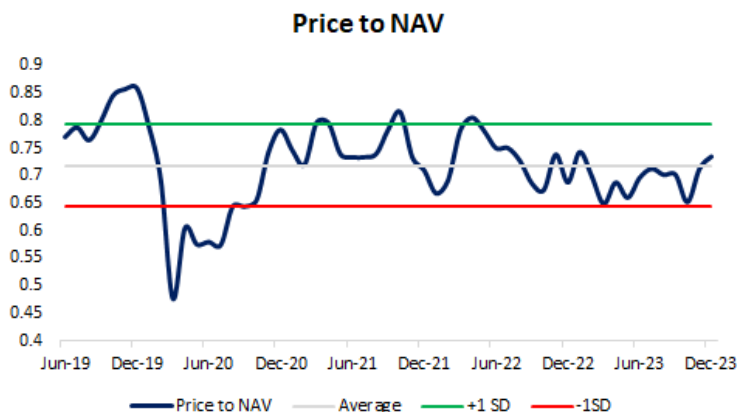


Source: Company, PSR

Valuation

We initiate coverage on Far East Hospitality Trust with a BUY recommendation and a price target of S\$0.79. FEHT is trading at 0.73x P/NAV which is below the average SREIT of 0.84x. Our valuation is based on DDM using the cost of equity of 6.5% and 1.5% terminal growth rate. At our TP of S\$0.79, we value FEHT at 4.8% FY23e DPU yield.

Figure 13: Price below one time book



Source: Company, PSR

APPENDIX 1: Far East Hospitality Trust portfolio of assets overview

Far East H-Trust comprising 2,775 hotel rooms and 240 serviced residence units, presents investors with the chance to invest in one of Singapore's most extensive collections of hospitality assets by asset value. This portfolio offers an appealing investment prospect, catering to both short-term stays, encompassing hotels, and longer-term stays, involving the serviced residences. Additionally, within the portfolio's 12 properties, 8 host a total of 177 commercial spaces.

We visited 5 of them on 22nd Aug23, namely, Orchard Rendezvous Hotel, Vibe Hotel Singapore Orchard, The Quincy Hotel, Oasia Hotel Downtown, Village Hotel Sentosa, The Outpost Hotel, and The Barracks Hotel.

Figure 14: Portfolio snapshot: Singapore Hotels

										Total / Weighted Average
Market Segment	Mid-tier	Mid-tier	Mid-tier	Mid-tier	Mid-tier / Upscale	Mid-tier / Upscale	Upscale	Upscale	Upscale	NA
Address	180 Albert Street, S'pore 180971	1 Netheravon Road, S'pore 508502	24 Mount Elizabeth, S'pore 228518	390 Victoria Street, S'pore 188061	8 Sinaran Drive, S'pore 307470	1 Tanglin Road, S'pore 247905	22 Mount Elizabeth Road, S'pore 228517	8 Bras Basah Road, S'pore 189559	100 Peck Seah St, S'pore 079333	
Date of Completion	3 Oct 1994	30 Jan 1990 ²	3 May 1993	19 Oct 1988	2 June 2011	20 June 1987 ²	27 Nov 2008	5 June 2000 ²	30 Dec 2015	
# of Rooms	210	380	256	393	428	388	108	298	314	2,775
Lease Tenure ¹	69 years	69 years	69 years	60 years	86 years	44 years	69 years	65 years	64 years	NA
GFA/Strata Area (sq m)	11,426	22,826	11,723	21,076	22,457	34,072	4,810	19,720	11,863	
Retail NLA (sq m)	1,003	805	583	1,166	NA	3,778	NA	2,799	NA	10,134
Office NLA (sq m)	NA	NA	NA	NA	NA	2,509	NA	NA	NA	2,509
Master Lessee / Vendor	First Choice Properties Pte Ltd	Far East Organization Centre Pte. Ltd.	Golden Development Private Limited	Golden Landmark Pte. Ltd.	Transurban Properties Pte. Ltd.	Far East Orchard Limited	Golden Development Private Limited	Serene Land Pte Ltd	Far East SOHD Pte Ltd	
Valuation (\$S 'mil) ¹	127.2	209.2	163.7	232.4	350.0	431.1	83.3	282.1	236.4	2,095.4

Source: Company, PSR

Figure 15: Portfolio snapshot: Singapore Service Residence

					Total / Weighted Average
Market Segment	Mid-tier	Mid-tier	Mid-tier	Upscale	NA
Address	20 Havelock Road, S'pore 059765	1 Hougang Street 91, S'pore 538692	30 Robertson Quay, S'pore 238251	121 Penang House, S'pore 238464	
Date of Completion	19 Feb 1998	30 Dec 1999	12 July 1996	24 Oct 2000	
# of Rooms	128	78	72	90	368
Lease Tenure ¹	74 years	75 years	72 years	75 years	NA
GFA/Strata Area (sq m)	17,858	14,257	10,570	10,723	53,408
Retail NLA (sq m)	2,213	NA	1,179	539	3,931
Office NLA (sq m)	Office: 1,474 Serviced Office: 823	NA	NA	2,295	4,592
Master Lessee / Vendor	OPH Riverside Pte Ltd	Serene Land Pte Ltd	Riverland Pte Ltd	Oxley Hill Properties Pte Ltd	
Valuation (\$S 'mil) ¹	204.1	60.2	105.2	166.6	538.1

Source: Company, PSR

APPENDIX 1: Far East Hospitality Trust portfolio of assets
Village Hotel Albert Court

Situated moments away from the vibrant cultural districts of Little India and Bugis, Village Hotel Albert Court seamlessly intertwines heritage with modernity in its pre-war conservation setup. The hotel's serene courtyard invites peaceful moments while presenting a diverse range of dining and shopping choices.

Figure 17: Properties details

No of guest rooms	210
Gross floor area (sq m)	11426
Retail NLA (sq m)	1003
Gross revenue for FY 2022 (S\$mn)	4.2
Remaining lease tenure (years)	65
Valuation as at 31 Dec 2022 (S\$ mn)	125.9
Purchase price (S\$ mn)	120.7
Master lessee	First Choice Properties Pte Ltd

Source: Company, PSR

Village Hotel Bugis

Situated in Singapore's Arab and Malay heritage hubs, Village Hotel Bugis offers visitors a window into the city's diverse cultures. Surrounded by lively dining spots, art galleries, and boutique shops within preserved structures nearby, the hotel is a short distance from Bugis MRT station, providing easy access to the Central Business District and Orchard areas.

Figure 19: Properties details

No of guest rooms	393
Gross floor area (sq m)	21676
Retail NLA (sq m)	1164
Gross revenue for FY 2022 (S\$ mn)	7.9
Remaining lease tenure (years)	56
Valuation as at 31 Dec 2022 (S\$ mn)	236.3
Purchase price (S\$ mn)	218.4
Master lessee	Golden Landmark Pte Ltd

Source: Company, PSR

Village Hotel Changi

Village Hotel Changi stands out as an ideal escape, distinct from urban Singapore's other hotels. Embraced by tranquil surroundings and boasting 17 function spaces in varying sizes, the hotel stands as the premier choice for corporate retreats and weddings. Located merely a 10-minute drive from Changi Airport and a brief boat journey away from Pulau Ubin and the Chek Jawa Wetlands, Village Hotel Changi holds a special appeal for nature enthusiasts and transit passengers seeking a stopover.

Figure 21: Properties details

No of guest rooms	380
Gross floor area (sq m)	22826
Retail NLA (sq m)	805
Gross revenue for FY 2022 (S\$ mn)	7.5
Remaining lease tenure (years)	55
Valuation as at 31 Dec 2022 (S\$ mn)	200.9
Purchase price (S\$ mn)	238.5
Master lessee	Far East Organization Centre

Source: Company, PSR

Figure 16: Village Hotel Albert Court


Source: Company

Figure 18: Village Hotel Bugis


Source: Company, PSR

Figure 20: Village Hotel Changi


Source: Company, PSR

Vibe Hotel Singapore Orchard

The reopening of Vibe Hotel Singapore Orchard took place in November 2022 following a comprehensive six-month renovation. Situated in the residential district along Orchard Road, the hotel offers convenient access to Singapore’s extensive and bustling shopping district, presenting guests with an array of dining and leisure choices.

Figure 22: Properties details

No of guest rooms	256
Gross floor area (sq m)	11723
Retail NLA (sq m)	583
Gross revenue for FY 2022 (\$\$mn)	5.5
Remaining lease tenure (years)	65
Valuation as at 31 Dec 2022 (\$\$mn)	176.7
Purchase price (\$\$mn)	186.7
Master lessee	Golden Development

Source: Company, PSR

Figure 23: Vibe Hotel Singapore Orchard



Source: Company, PSR

Figure 24: Front desk



Source: Company, PSR

Figure 25: Dining Room



Source: Company, PSR

Figure 26: Snacking area



Figure 27: Suits Room



Source: Company, PSR

Figure 28: Swimming pool



Oasia Hotel Downtown

Positioned within Marina Bay, One Raffles Quay stands as a prominent and strategically located commercial development of the highest calibre. This iconic development boasts a below-ground pedestrian network, seamlessly linking it to the Downtown and Raffles Place Mass Rapid Transit (MRT) stations, as well as the significant structures within Marina Bay and Raffles Place. Embracing functionality, the development includes a sheltered plaza designed for drop-offs, along with a hub car park equipped with 713 parking spaces.

Figure 29: Properties details

No of guest rooms	314
Strata floor area (sq m)	17793
Gross revenue for FY2022 (\$\$ mn)	8
Remaining lease tenure (years)	60
Valuation as at 31 Dec 2022 (\$\$ mn)	258
Purchase price (\$\$ mn)	210.01
Master lessee	Far East SOHO Pte. Ltd.

Source: Company, PSR

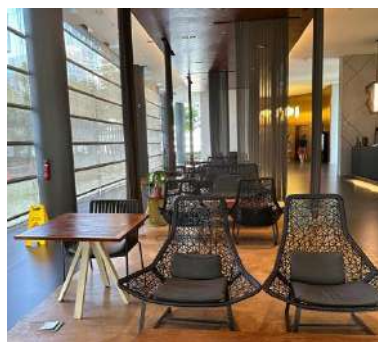
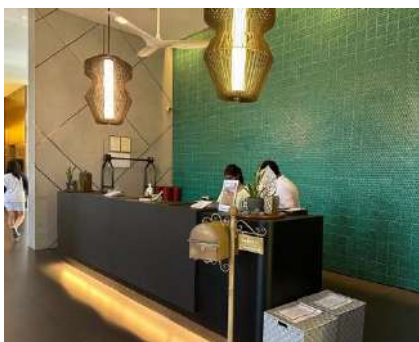
Figure 30: Oasia Hotel Downtown Figure 31: Lobby



Source: Company, PSR

Figure 32: Reception

Figure 33: Reception



Source: Company, PSR

Figure 34: Deluxe Room

Figure 35: Bathroom of Deluxe Room



Source: Company, PSR

Oasia Hotel Novena

Escape the urban clamor at Oasia Hotel Novena, providing a haven for both business and leisure travelers to rejuvenate and revitalize. With quick access to both the Central Business District and Orchard Road, and nestled within Singapore's esteemed medical hub, the hotel caters to medical tourists and their families.

Figure 37: Properties details

No of guest rooms	428
Gross floor area (sq m)	22457
Gross revenue for FY 2022 (\$\$ mn)	8
Remaining lease tenure (years)	82
Valuation as at 31 Dec 2022 (\$\$ mn)	328
Purchase price (\$\$ mn)	318.2
Master lessee	Transurban Properties Pte. Ltd

Source: Company, PSR

Figure 36: Oasia Hotel Novena



Source: Company, PSR

Orchard Rendezvous Hotel

Orchard Rendezvous Hotel stands at the gateway to prominent malls and boutiques along Orchard Road, presenting an extensive array of retail and dining choices for both business and leisure travelers. Families seeking a getaway will appreciate the spacious 50-60 sqm family rooms available at Orchard Rendezvous Hotel. Beginning in 2017, the hotel embarked on a refurbishment of guest rooms, finalized in March 2018, and rejuvenation of outdoor refreshment areas and the building facade, culminating in 2022.

Figure 38: Properties details

No of guest rooms	388
Gross floor area (sq m)	34072
Retail NLA (sqm)	3778
Office NLA (sqm)	2515
Gross revenue for FY 2022 (\$\$ mn)	15.9
Remaining lease tenure (years)	40
Valuation as at 31 Dec 2022 (\$\$ mn)	414.8
Purchase price (\$\$ mn)	412.5
Master lessee	Far East Orchard Limited

Source: Company, PSR

Figure 39: Orchard Rendezvous Hotel



Source: Company, PSR

Figure 40: Hotel Lobby



Figure 41: Club Room

Figure 42: Bathroom of club room



Source: Company, PSR

Figure 43: Lounge

Figure 44: Swimming pool



Source: Company, PSR

Rendezvous Hotel Singapore

Rendezvous Hotel Singapore embodies the rich history and artistic essence of its vibrant arts and heritage district. Conveniently located near the Dhoby Ghaut and Bras Basah MRT stations, the hotel provides easy access to both Singapore’s bustling business hubs and popular shopping areas. Adjacent to the hotel lies The Rendezvous Gallery, featuring three floors of diverse retail and F&B spaces, presenting an array of culinary experiences and beauty & wellness services.

Figure 46: Properties details

No of guest rooms	298
Gross floor area (sq m)	19720
Retail NLA (sq m)	2799
Gross revenue for FY2022 (\$\$ mn)	8.8
Remaining lease tenure (years)	61
Valuation as at 31 Dec 2022 (\$\$ mn)	280
Purchase price (\$\$ mn)	264.3
Master lessee	Serene Land Pte Ltd

Figure 45: Rendezvous Hotel Singapore



Source: Company, PSR

The Quincy Hotel

In 2017, The Quincy Hotel became the first local boutique hotel to receive the prestigious Best Hotel Experience Award at the Singapore Tourism Awards. It specifically caters to both the busy business executive and the discerning leisure traveler. Situated just a brief stroll from Orchard Road, the hotel is surrounded by a plethora of local and world-class international cuisines, abundant shopping opportunities, and diverse entertainment experiences. Guests of The Quincy Hotel can relish stay inclusions such as daily breakfast with extended hours, 24-hour lounge access featuring light refreshments, and evening cocktails.

Figure 47: Properties details

No of guest rooms	108
Gross floor area (sq m)	4810
Gross revenue for FY2022 (S\$ mn)	2.5
Remaining lease tenure (years)	65
Valuation as at 31 Dec 2022 (S\$ mn)	84.3
Purchase price (S\$ mn)	82.3
Master lessee	Golden Development

Source: Company, PSR

Figure 48: The Quincy Hotel

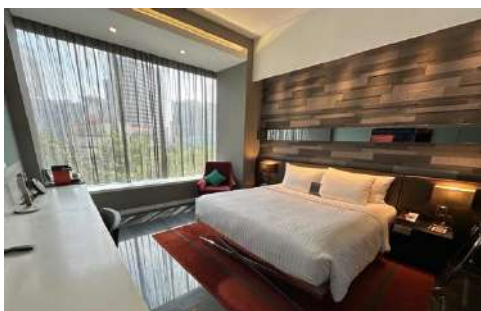

Source: Company, PSR

Figure 49: Pantry

Figure 50: Lounge


Source: Company, PSR

Figure 51: Swimming Pool

Figure 52: Deluxe Room


Source: Company, PSR

Figure 53: Bathroom of Deluxe Room


Village Residence Hougang

Village Residence Hougang, nestled in the residential suburb of Hougang in northeast Singapore, enjoys a prime location adjacent to Hougang One Mall. With easy access to expressways and the MRT, this serviced residence is favored by businesses situated in the nearby industrial estates.

Figure 55: Properties details

No of units	78
Strata floor area (sq m)	14257
Gross revenue for FY2022 (\$\$ mn)	2.7
Remaining lease tenure (years)	71
Valuation as at 31 Dec 2022 (\$\$ mn)	64.4
Purchase price (\$\$ mn)	64.7
Master lessee	Serene Land Pte Ltd

Source: Company, PSR

Village Residence Robertson Quay

Village Residence Robertson Quay boasts a picturesque view of the historic Singapore River and sits amidst the vibrant dining and entertainment scene of Robertson Quay. The nearby Central Business District, Fort Canning, and Clarke Quay MRT stations are within easy walking distance.

Figure 57: Properties details

No of units	72
Strata floor area (sq m)	10570
Retail NLA (sq m)	1179
Gross revenue for FY2022 (\$\$ mn)	4.8
Remaining lease tenure (years)	68
Valuation as at 31 Dec 2022 (\$\$ mn)	108.7
Purchase price (\$\$ mn)	113.2
Master lessee	Riverland Pte Ltd

Source: Company, PSR

Adina Serviced Apartments Singapore Orchard

Adina Serviced Apartments Singapore debuted in July 2022 following renovations within the mixed-use development of Regency House. Offering an upscale experience, it accommodates diverse traveler needs with Studios, 2-bedroom, and 3-bedroom apartments. Positioned within strolling distance of Orchard Road, Singapore's renowned shopping district, it provides convenient access to the city's iconic retail hub.

Figure 59: Properties details

No of guest rooms	90
Gross floor area (sq m)	10723
Retail NLA (sq m)	539
Office NLA (sq m)	2291
Gross revenue for FY2022 (\$\$ mn)	6.3
Remaining lease tenure (years)	71
Valuation as at 31 Dec 2022 (\$\$ mn)	168.8
Purchase price (\$\$ mn)	166.4
Master lessee	Oxley Hill Properties Pte Ltd

Source: Company, PSR

Figure 54: Village Residence Hougang



Source: Company, PSR

Figure 56: Village Residence Robertson Quay



Source: Company, PSR

Figure 58: Adina Serviced Apartments Singapore Orchard



Source: Company, PSR

Financials

Income Statement

Y/E Dec, (S\$'mn)	FY20	FY21	FY22	FY23e	FY24e
Revenue	83.25	83.25	83.58	111.36	117.52
Master Lease Rental	66.72	68.17	68.78	94.91	99.58
Retail & Office Revenue	16.54	15.08	14.80	16.45	17.94
Property Expense	-11.08	-8.08	-6.25	-8.86	-9.46
Net Property Income	72.18	75.17	77.33	102.50	108.05
Net financing cost	-23.57	-19.37	-16.79	-33.62	-35.61
Total return before before tax	-93.31	131.08	203.90	58.03	61.71
Tax Expense	-0.09	-0.07	-0.15	-0.04	-0.04
Net income after Tax	-93.40	131.01	203.76	57.99	61.67
Taxable distributable income	47.89	54.85	58.99	67.61	71.16
Distribution to unitholders	47.28	51.95	65.02	76.18	80.00

Per unit data

Y/E Dec, (S\$)	FY20	FY21	FY22	FY23e	FY24e
NAV (S\$)	0.79	0.83	0.90	0.89	0.88
DPU (S cents)	2.41	2.63	3.27	3.79	3.95

Cash Flow

Y/E Dec, (S\$'mn)	FY20	FY21	FY22	FY23e	FY24e
CFO					
Total return for the period before tax	-93.31	131.08	203.90	58.03	61.71
Adjustments	164.54	-57.86	-128.89	42.27	44.12
WC changes	5.31	-3.85	-3.07	14.95	-1.54
Tax paid and interest received	-0.10	-0.09	-0.07	-0.04	-0.04
Cash generated from ops	76.44	69.28	71.87	115.20	104.25
CFI					
CAPEX	-2.27	-0.47	-3.62	-1.00	-1.00
Cashflow from investments	-4.55	42.98	261.54	3.82	4.09
CFF					
Proceeds from borrowing	36.75	280.76	149.97	0.00	0.00
Repayments of bank loans	-40.35	-322.26	-359.97	0.00	0.00
Interest Paid	-24.56	-21.18	-18.46	-34.87	-36.85
Cashflow from financing	-66.81	-111.48	-289.30	-111.05	-116.85
Net change in cash	5.08	0.77	44.12	7.97	-8.51
Cash at the start of the period	5.84	10.92	11.69	55.81	63.78
Ending cash	10.92	11.69	55.81	63.78	55.27

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (S\$'mn)	FY20	FY21	FY22	FY23e	FY24e
ASSETS					
Cash and short term deposit	10.92	11.69	55.81	63.78	55.27
Prepayments, deposits etc	37.59	42.68	45.49	44.54	47.01
Total current assets	51.79	45.82	48.60	54.46	105.40
Investment properties	2528.70	2607.90	2446.75	2451.75	2456.75
Total non-current assets	2532.76	2610.35	2449.69	2447.22	2444.74
Total Assets	2581.36	2664.81	2555.09	2559.64	2551.11
LIABILITIES					
Other payables and accruals	7.86	53.09	2.70	16.70	17.63
Loans and borrowings	237.82	181.30	0.00	0.00	0.00
Others	5.93	4.41	5.98	5.98	5.98
Total current liabilities	257.21	242.40	10.61	24.61	25.53
Loans and borrowings	751.38	766.34	737.82	737.82	737.82
Non-Current Security Deposits	5.79	5.66	6.09	6.09	6.09
Total non-current liabilities	766.46	774.02	744.69	744.69	744.69
Total Liabilities	1023.67	1016.42	755.30	769.30	770.22
Net assets	1618.71	1647.57	1681.25	1557.68	1648.39

Valuation Ratios

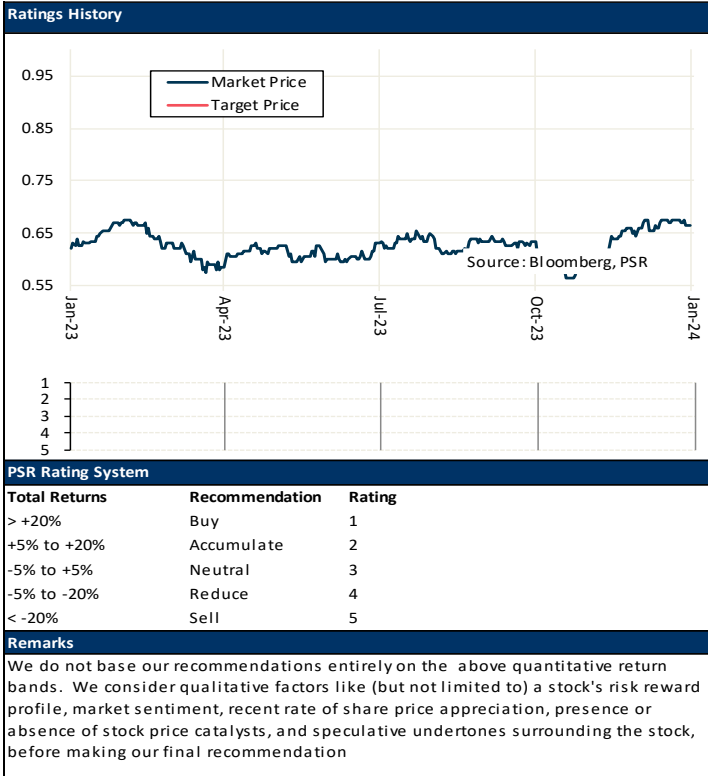
Y/E Dec, (S\$)	FY20	FY21	FY22	FY23e	FY24e
P/NAV (x)	0.78	0.71	0.69	0.74	0.75
Distribution Yield (%)	3.89	4.46	5.27	5.75	5.99

Growth & Margins

Y/E Dec, (S\$)	FY20	FY21	FY22	FY23e	FY24e
Growth					
Revenue		0.00	0.00	0.33	0.06
Distributable income		0.15	0.08	0.15	0.05
DPU		0.09	0.24	0.16	0.04

Key Ratios

Y/E Dec, (S\$)	FY20	FY21	FY22	FY23e	FY24e
Net Debt or (Net Cash)	(1,592.16)	(1,717.17)	(1,817.28)	(1,821.82)	(1,813.30)
Gearing	0.39	0.36	0.30	0.30	0.30



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