

Far East Hospitality Trust

DPU upside from lower finance cost

Singapore | REIT | 1H25 RESULT

- 1H25 DPU declined 9.2% YoY to 1.78 cents, in line with our expectations and forming 47% of FY25e estimates. The drop was mainly due to lower contributions from the hospitality segment, in the absence of large-scale events.
- Revenue from the commercial segment rose 6.4% YoY to S\$9.2mn in 1H25, while the new Sheraton Nagoya contributed positively with S\$1.6mn, partially offsetting the weakness in the Singapore hospitality segment (-9.8%YoY). Hotel RevPAR declined 5.3% YoY to S\$131 in 2Q25, driven by a 4.6% YoY drop in ADR and a 0.6ppt decline in occupancy rate.
- FEHT will distribute the final S\$2.5mn of proceeds from the Central Square divestment in 2H25, bringing the total distribution for the year to S\$8.0mn. There will be no capital top-ups from FY26e onwards. We lower our FY25e–26e DPU forecasts by 3% to 3.62–3.58 cents, reflecting softer leisure demand and a subdued event calendar. FY25e DPU is expected to be supported by lower finance costs, which declined 15.8% in 1H25, and the cost of borrowing is expected to trend down further in 2H25 (2Q25: 3.4%). We maintain our BUY rating with an unchanged DDM-TP of S\$0.70. The REIT is trading at a FY25e dividend yield of 6.0% and 0.67x P/NAV.

Result at a glance

(\$ Mn)	1H25	1H24	(%)	Comments
Gross Revenue	51.6	53.8	-4.2%	Lower contributions from the Singapore Hotels and SRs
Net Property Income	45.6	49.5	-7.7%	Higher property expenses.
RevPAR	133.0	141.0	-5.7%	Softer demand from both corporate and leisure
ADR	168.0	176.0	-4.5%	
Occupancy rate (%)	79.4	80.4	1ppt	
Average cost of debt	3.40%	4.10%	0.9ppt	
Leverage Ratio	32.8%	30.8%	(1.2ppt)	
Adjusted ICR (x)	3.1	3.2	-3.1%	
DPU	1.78	1.96	-9.2%	
Finance expense	12.801	15.197	-15.8%	Lower cost of borrowing

Source: Company, PSR

The Positive

+ Commercial segment remains resilient. Revenue from the commercial segment rose 6.4% YoY to S\$9.1mn, supported by near-full occupancy for office and retail occupancy in the high-80% range. Rental reversions remained robust, with high single-digit growth for office and mid-single-digit for retail. We expect commercial properties to continue providing stable support to the portfolio, though some drag may persist from fringe-area retail assets.

+Improved performance from the Japan asset. While RevPAR in 2Q25 inched up 0.5% YoY to ¥6,925, gross operating profit (GOP) surged 22.9%, driven by more substantial F&B revenue, and higher contributions from shared services (e.g., sales and marketing). FEHT sees further RevPAR upside from the new asset as passenger traffic at Chubu Centrair International Airport continues its recovery toward pre-pandemic levels.

+ Finance expense is declining. Finance expense declined by 15.8% YoY, with the cost of borrowing decreasing by 0.9ppt YoY due to the incorporation of a JPY loan at a much lower rate. FEHT anticipates further savings from interest expense from 2H25 onwards.

The Negative

- Lower contribution from the hospitality segment. Hotel RevPAR declined by 5.7% YoY in 1H25 to S\$133, with 2Q25 down 5.3% YoY, narrowing from a 6.0% YoY drop in 1Q25. The softer performance was driven by the absence of large-scale events in 1Q25 and easing demand from both leisure and corporate travellers. While ADR remains above pre-COVID levels (1H19:S\$156 vs 1H25: S\$168), 1H25 RevPAR is still 3.6% below (1H19: S\$138), due to a 9.3ppts gap in occupancy. We expect 2H25 performance to improve, supported by a busier event calendar, including the World Aquatics Championships in July, F1 in October, and the Jacky Cheung concert in November.



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31 July 2025

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.61
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.70
TOTAL RETURN	20.6%

COMPANY DATA

BLOOMBERG CODE:	FEHT SP Equity
O/S SHARES (MN) :	2,022
MARKET CAP (USD mn / SGD mn) :	957 / 1233
52 - WK HI/LO (SGD) :	0.66 / 0.5
3M Average Daily T/O (mn) :	1.15

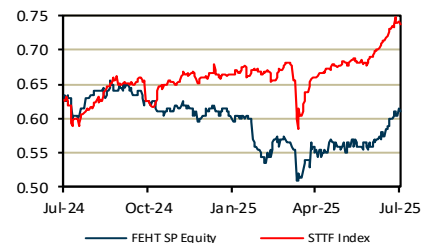
MAJOR SHAREHOLDERS

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

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	9.8	11.8	4.5
STTF	7.4	12.6	15.4

PRICE VS. STTF



KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	106.8	108.7	101.2	105.7
Dist. Inc. (\$mn)	81.9	81.4	74.5	74.0
P/NAV (x)	0.65	0.66	0.67	0.68
DPU (cents)	4.09	4.04	3.62	3.58
Dist. Yield (%)	6.81	6.73	6.04	5.96

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity:7.6%; Terminal g: 1.5%)

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The serviced residence portfolio was not immune to the RevPAU decline. Average occupancy for 1H25 fell to 78.2%, weighed down in 1Q25 by lift replacement works (completed in January) and softer corporate demand. Occupancy rebounded by 9.1ppts QoQ to 82.7% in 2Q25, supported by a shift in guest mix towards leisure travellers. As a result, 1H25 ADR rose 1.8% YoY to S\$270, driven by a higher mix of shorter-stay, higher-rated bookings. FEHT expects further improvement in 2H25, with forward bookings in Aug25 appearing promising.

Outlook

FEHT indicated that recovery from Chinese and Indonesian travellers has been slower than expected, with demand dampened by the ongoing trade war and adverse FX impact. However, last-minute bookings from other neighbouring countries have helped support 2H25 demand, particularly in July and August, which are typically peak travel months. Orchard Road properties remain more challenging due to increased supply and softer leisure demand amid a muted event calendar. We expect RevPAR to stay below pre-COVID levels (1H19: S\$138) as FEHT continues to trade off between ADR and occupancy. Forward bookings are currently healthy, with ADR during the F1 period comparable to FY24.

FEHT does not expect to pay any earn-out from the Sheraton Nagoya asset yet, as the property is still in the process of stabilising. Japan remains a key acquisition market, with a preference for assets below S\$100mn that can be funded via debt. FEHT does not foresee any equity fundraising at this stage.

Maintain BUY with an unchanged TP of S\$0.70

FEHT will distribute the final S\$2.5mn of proceeds from the Central Square divestment in 2H, bringing total distributions for the year to S\$8.0mn. No capital top-ups are expected from FY26 onwards. We revise our FY25e–26e DPU forecasts down by 3% to 3.62–3.58 cents, factoring in softer leisure demand and a muted event pipeline. FY25e DPU is expected to be supported by lower finance costs, which declined 15.8% in 1H25, with borrowing costs projected to trend further down in 2H25 (2Q25: 3.4%). We maintain our BUY rating with an unchanged DDM-TP of S\$0.70. The REIT is trading at a FY25e dividend yield of 6.0% and 0.67x P/NAV.

Financials

Income Statement

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	83.58	106.81	108.71	101.22	105.65
Master Lease Rental	68.78	90.65	91.36	83.76	87.42
Retail & Office Revenue	14.80	16.16	17.34	17.46	18.24
Property Expense	-6.25	-8.06	-9.37	-9.39	-9.80
Net Property Income	77.33	98.74	99.34	91.83	95.85
Net financing cost	-16.79	-21.28	-27.43	-23.70	-21.70
Total return before tax	203.90	130.59	46.97	55.02	60.95
Tax Expense	-0.15	-0.28	-0.27	-0.04	-0.04
Net income after Tax	203.76	130.31	46.70	54.98	60.90
Distribution to unitholders	65.02	81.91	81.40	74.47	73.97

Per unit data

Y/E Dec, (\$)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$)	0.90	0.93	0.91	0.89	0.89
DPU (\$ cents)	3.27	4.09	4.04	3.62	3.58

Cash Flow

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total return before tax	203.90	130.59	46.97	55.02	60.95
Adjustments	-128.89	-34.11	47.10	30.87	28.92
WC changes	-3.07	0.78	-0.43	3.17	-1.84
Tax paid and interest received	-0.07	0.00	0.00	0.00	0.00
Cash generated from ops	71.87	97.26	93.63	89.07	88.03
CFI					
CAPEX	-3.62	0.00	-3.45	0.00	0.00
Cashflow from investments	261.54	15.58	-0.35	1.24	1.24
investing					
CFF					
Proceeds from borrowing	149.97	225.00	159.43	0.00	0.00
Repayments of bank loans	-359.97	-225.00	-183.03	0.00	0.00
Interest Paid	-18.46	-26.68	-30.15	-24.94	-22.94
Cashflow from financing	-289.30	-99.52	-136.71	-99.42	-96.91
Net change in cash	44.12	13.32	-43.43	-9.11	-7.63
Cash at the start of the period	11.69	49.77	63.09	19.66	10.55
Ending cash	55.81	63.09	19.66	10.55	2.92

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and short term deposit	49.77	63.09	19.66	10.55	2.92
Prepayments, deposits etc	45.49	47.50	47.94	44.54	46.49
Total current assets	48.60	54.46	99.36	111.95	67.85
Investment properties	2446.75	2509.55	2515.50	2515.50	2515.50
Total non-current assets	2455.73	2510.50	2518.67	2518.67	2518.67
Total Assets	2555.09	2622.46	2586.52	2574.01	2568.33
LIABILITIES					
Other payables and accruals	2.70	3.35	3.73	3.54	3.70
Loans and borrowings	0.00	0.00	0.00	0.00	0.00
Others	5.98	4.10	3.99	3.99	3.99
Total current liabilities	10.61	9.35	10.00	9.81	9.97
Loans and borrowings	737.82	736.75	716.49	716.49	716.49
Non-Current Security Depo	6.09	0.00	0.00	0.00	0.00
Total non-current liabilities	744.69	746.39	724.72	724.72	724.72
Total Liabilities	755.30	755.75	734.72	734.53	734.68
Net assets	1681.25	1557.68	1648.39	1799.80	1866.71

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.66	0.65	0.66	0.67	0.68
Distribution Yield (%)	5.45	6.81	6.73	6.04	5.96
Growth & Margins					
Growth					
Revenue		27.8%	1.8%	-6.9%	4.4%
Distributable income		81.5%	-4.9%	-41.4%	-4.5%
DPU		24.9%	-1.2%	-10.3%	-1.2%
Key Ratios					
ROE	12.6%	8.1%	2.7%	3.0%	6.5%
Gearing	30.2%	31.3%	31.3%	31.3%	28.5%

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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