

Prime US REIT

Laying the groundwork for future growth



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SINGAPORE | REAL ESTATE | 1Q25 UPDATE

15 May 2025

- 1Q25 NPI/DI were within expectations at 23%/25% of our FY25e forecast. DI declined 30% YoY due to lower portfolio occupancy (1Q25: 78.9% vs 1Q24: 80.9%), the divestment of One Town Center in July 24, and higher finance expenses.
- Leases signed in 1Q25 achieved a positive rental reversion of 2.6% (FY24: +1.8%). Two large leases (>100k sqft each) are expected to be signed in FY25, with cash rental collection commencing in FY26. These leases are expected to lift portfolio occupancy towards c.85% by end-2025. Prime has no refinancing requirements in FY25.
- Maintain BUY with an unchanged DDM-derived TP of US\$0.20. Our estimates remain unchanged. We assume the 10% payout ratio continues through FY25e and a return to 100% distributions in FY26e, as new leases signed in FY24/1Q25 (6.4% of occupancy) begin contributing cash rentals after the rent-free periods. The current share price implies an FY25e/26e DPU yield of 1.8%/20.4%. Prime is currently trading at a steep discount at 0.25x P/NAV.

Results at a glance

(US\$ mn)	1Q25	1Q24	YoY	Comments
Gross revenue	33.6	37.1	-9.4%	Occupancy decline and divestment of One Town Center in July 24.
Net property income	17.7	20.8	-14.9%	
Distributable Income	8.4	12.0	-30.0%	DI grew 33% QoQ following the commencement of rent from leases signed in FY24, after the rent-free period ended.

Source: Company, PSR

The Positive

+ Leasing momentum continues. Prime signed 132k sqft of leases in 1Q25 (FY24: 592k sqft) at a 2.6% positive rent reversion. Two large leases (>100k sqft each) are expected to be signed in the coming months, one at Waterfront at Washingtonian and the other at Park Tower, which should increase portfolio occupancy to c.85% by end-2025, with cash rental contribution starting FY26. Prime is targeting long-term leases, and portfolio WALE is expected to rise from 4.3 years as these large leases are signed on 10-year terms.

+ Strong balance sheet supports leasing efforts. Prime's leverage stands at 46.8%, with US\$91mn in debt headroom backed by committed undrawn facilities. This enables the REIT to pursue larger tenants, which typically require higher CAPEX or tenant improvements. The all-in cost of debt rose to 5.4% (FY24: 5.1%) in 1Q25 following the completion of the new US\$550mn credit facility in FY24. With 66% of debt hedged to fixed rates, we expect the FY25e all-in cost of debt to remain in the low-5% range. The interest coverage ratio stands at 1.8x.

The Negative

-nil

Outlook

Prime's strong balance sheet and high-quality assets are supporting leasing momentum amid the ongoing flight-to-quality trend. Retained distributions are being deployed for CAPEX and tenant incentives to attract and secure new tenants across the portfolio. While broader market uncertainty has kept many investors risk-off from an investment perspective, Prime is not directly impacted by tariffs. With physical occupancy improving to over 70%, this should further support leasing momentum.

Maintain BUY with an unchanged TP of US\$0.20. Assuming a 10% payout ratio, the current share price implies an FY25e DPU yield of 1.8%.

BUY (Maintained)

LAST CLOSE PRICE	USD 0.143
FORECAST DIV	USD 0.003
TARGET PRICE	USD 0.20
TOTAL RETURN	40.6%

COMPANY DATA

BLOOMBERG CODE:	PRIME SP
O/S SHARES (MN) :	1,308
MARKET CAP (USD mn) :	187
52 - WK HI/LO (USD) :	0.21 / 0.11
3M Average Daily T/O (mn) :	3.63

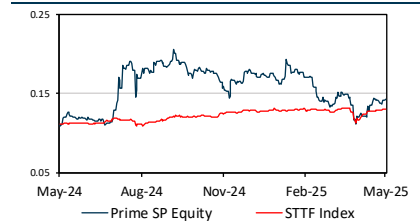
MAJOR SHAREHOLDERS (%)

KBS PROPERTIES REIT III	16.5%
AT INVESTMENTS LTD	5.0%
KEPPEL LTD	4.8%

TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	27.9	(19.2)	(16.3)
STTF RETURN	15.4	2.3	4.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US\$m)	FY23	FY24	FY25e	FY26e
Gross Revenue	159.8	141.0	144.6	156.4
NPI	93.6	76.0	77.9	84.3
Dist. Inc.	57.8	38.2	34.2	38.2
P/NAV (x)	0.24	0.26	0.25	0.25
DPU (US cents)	2.71	0.29	0.26	2.92
Dist. Yield (%)	18.95	2.03	1.83	20.43

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 15.95%; Terminal g: 1.75%)

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Financials

Income statement

Y/E Dec, (US\$'000)	FY22	FY23	FY24	FY25e	FY26e
Gross revenue	163,012	159,803	140,963	144,563	156,424
Property expenses	(65,078)	(66,244)	(64,988)	(66,647)	(72,116)
Net property income	97,934	93,559	75,975	77,915	84,308
Net Finance (Expense)/Inc.	(21,599)	(28,013)	(35,365)	(36,384)	(38,079)
Manager's fees	(7,872)	(6,425)	(4,242)	(5,999)	(7,481)
Other items	(2,820)	(2,173)	(2,417)	(2,479)	(2,672)
FV change, derivatives & pptides	(106,450)	(172,740)	(23,154)	-	-
Net income before tax	(40,807)	(115,792)	10,797	33,053	36,077
Taxation	13,890	(45)	(121)	(490)	(534)
Net income after Tax	(26,917)	(115,837)	8,049	32,563	35,543
Distribution adjustments	104,067	173,662	30,126	1,646	2,675
Income available for distribution	77,150	57,825	38,175	34,209	38,217

Per unit data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
NAV (US\$)	0.75	0.60	0.55	0.57	0.57
DPU (US cents)	6.55	2.71	0.29	0.26	2.92

Cash Flow

Y/E Dec, (US\$'000)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Net income before tax	(40,807)	(115,792)	8,170	33,053	36,077
Adjustments	132,808	200,461	62,376	35,974	38,625
WC changes	(2,783)	997	1,778	(2,581)	2,186
Cash generated from ops	89,218	85,666	72,324	66,446	76,888
Others	(39)	(39)	(133)	478	521
Cashflow from ops	89,179	85,627	72,191	66,924	77,409

CFI

Disposals	-	-	75,373	-	-
Acquisitions	(631)	-	-	-	-
Capex, net	(29,489)	(24,429)	(38,197)	(38,197)	(33,366)
Others	15	91	670	693	750
Cashflow from investments	(30,105)	(24,338)	37,846	(37,504)	(32,617)

CFF

Proceeds from issuance of units	-	-	-	-	-
Loans, net of repayments	15,530	3,195	(88,962)	(25,676)	(7,403)
Distributions	(76,852)	(64,301)	(5,328)	(3,421)	(38,217)
Others	(16)	(16)	(16)	(16)	(16)
Cashflow from financing	(61,338)	(61,122)	(94,306)	(29,113)	(45,636)
Net change in cash	(2,264)	167	15,731	307	(844)
Cash at the start of the period	13,873	11,581	11,756	27,485	27,792
FX changes	(28)	8	(2)	-	-
Ending cash	11,581	11,756	27,485	27,792	26,948

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

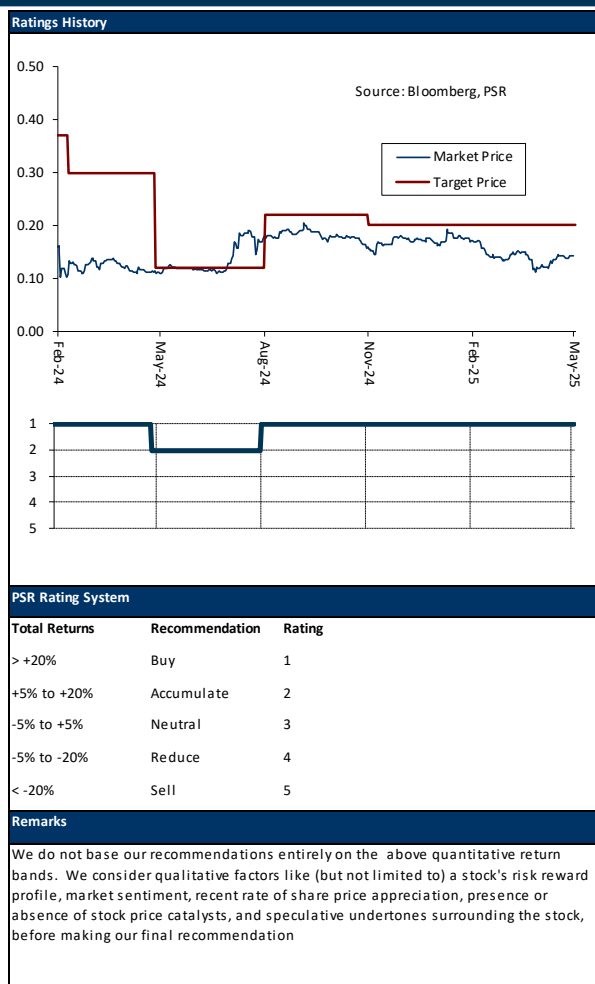
Y/E Dec, (US\$'000)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Investment properties	1,542,200	1,407,950	1,352,070	1,390,267	1,423,633
Others	29,954	15,712	3,038	3,448	3,891
Total non-current assets	1,572,154	1,423,662	1,355,108	1,393,715	1,427,524
Trade receivables	3,859	4,262	3,281	3,907	4,227
Cash	11,581	11,756	27,485	27,792	26,948
Others	1,462	1,723	1,527	1,806	1,800
Total current assets	16,902	17,741	32,293	33,504	32,976
Total Assets	1,589,056	1,441,403	1,387,401	1,427,219	1,460,500
LIABILITIES					
Loans and borrowings	-	478,403	-	70,000	-
Trade payables	18,126	20,904	26,311	24,210	26,197
Rent received in advance	6,777	7,356	8,764	8,764	8,764
Others	843	1,411	1,020	2,112	2,285
Total current liabilities	25,746	508,074	36,095	105,086	37,246
Loans and borrowings	665,572	218,018	637,266	578,650	680,060
Others	3,945	4,363	4,955	4,771	5,641
Total non-current liabilities	669,517	222,381	642,221	583,422	685,700
Total Liabilities	695,263	730,455	678,316	688,508	722,946
Net assets	893,793	710,948	709,085	738,711	737,553
Represented by:					
Unitholders' funds	893,793	710,948	709,085	738,711	737,553

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.19	0.24	0.26	0.25	0.25
Distribution Yield (%)	45.8	19.0	2.0	1.8	20.4
NPI yield (%)	6.1	6.3	5.5	5.7	6.0

Growth & Margins

Growth					
Revenue	4.0%	-2.0%	-11.8%	2.6%	8.2%
Net property income (NPI)	-2.7%	-4.5%	-18.8%	2.6%	8.2%
Distributable income	2.0%	-25.0%	-34.0%	-10.4%	11.7%
DPU	-3.4%	-58.6%	-89.3%	-9.8%	1017.2%
Margins					
NPI margin	60.1%	58.5%	53.9%	53.9%	53.9%
Key Ratios					
Net Debt (US\$'000)	653,991	684,665	609,781	620,859	653,112
Gearing	41.9%	48.3%	45.9%	45.4%	46.6%



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