



## 2Q 2014 Results Presentation

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5 August 2014

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## Results Highlights



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# Executive Summary - Performance

	2Q 2014*	2Q 2013	Variance	1H 2014*	1H 2013	Variance
	\$	\$	%	\$	\$	%
Gross Revenue (\$'000)	29,623	29,333	1.0	60,292	57,443	5.0
Net Property Income (\$'000)	26,591	26,935	(1.3)	54,185	52,897	2.4
Income Available for Distribution (\$'000)	22,063	23,190	(4.9)	45,184	45,326	(0.3)
Distribution per Stapled Security (cents)	1.24	1.43	(13.3)	2.54	2.81	(9.6)

- **Gross revenue of \$29.6 million in 2Q 2014 despite challenging operating environment.**
- **Taking into account the enlarged stapled security base<sup>1</sup>, distribution per stapled security (“DPS”) for 2Q 2014 was 1.24 cents.**

\*The results of Rendezvous Hotel Singapore (“RHS”) and Rendezvous Gallery (collectively “Rendezvous Property”) for the period of 1 April to 30 June 2014 and 1 January to 30 June 2014 have been included in the 2Q 2014 and 1H 2014 results respectively.

<sup>1</sup>148,304,059 new stapled securities were issued to STC International Holdings Pte. Ltd. (a wholly-owned subsidiary of The Straits Trading Company Limited) and Golden Development Private Limited (a member of Far East Organization group of companies) as part of the acquisition cost of Rendezvous Hotel Singapore and Rendezvous Gallery on 1 August 2013.



# Financial Results From 1 April to 30 June 2014

	2Q 2014*	2Q 2013	Variance	Change +/-
	S\$'000	S\$'000	S\$'000	%
Master lease rental	23,765	24,719	(954)	(3.8)
Retail and office revenue	5,858	4,614	1,244	27.0
<b>Gross revenue</b>	<b>29,623</b>	<b>29,333</b>	<b>290</b>	<b>1.0</b>
Property tax	(2,106)	(1,783)	(323)	(18.1)
Property insurance	(46)	(18)	(28)	(155.6)
MCST contribution	(13)	(11)	(2)	(18.2)
Retail and office expenses	(663)	(471)	(192)	(40.8)
Property manager fees	(140)	(113)	(27)	(23.9)
Other property expenses	(64)	(2)	(62)	(3,150.0)
<b>Property expenses</b>	<b>(3,032)</b>	<b>(2,398)</b>	<b>(634)</b>	<b>(26.4)</b>
<b>Net property income</b>	<b>26,591</b>	<b>26,935</b>	<b>(344)</b>	<b>(1.3)</b>
REIT Manager's fees	(2,959)	(2,733)	(226)	(8.3)
Trustee's fees	(79)	(70)	(9)	(12.9)
Other trust expenses	(318)	(66)	(252)	(381.8)
<b>Trust level expenses</b>	<b>(3,356)</b>	<b>(2,869)</b>	<b>(487)</b>	<b>(17.0)</b>
<b>Total finance costs</b>	<b>(4,248)</b>	<b>(2,910)</b>	<b>(1,338)</b>	<b>(46.0)</b>
<b>Net income before tax and fair value changes</b>	<b>18,987</b>	<b>21,156</b>	<b>(2,169)</b>	<b>(10.3)</b>
Fair value change in interest rate swap	(3,859)	9,736	N.M.	N.M.
<b>Total return for the period before income tax</b>	<b>15,128</b>	<b>30,892</b>	<b>(15,764)</b>	<b>(51.0)</b>

\*The results of Rendezvous Property for the period of 1 April to 30 June 2014 have been included in the 2Q 2014 results.



# Statement of Distribution to Stapled Securityholders

	2Q 2014*	2Q 2013	Variance	Change +/-
	S\$'000	S\$'000	S\$'000	%
<b>Total return for the period before income tax</b>	<b>15,128</b>	<b>30,892</b>	<b>(15,764)</b>	<b>(51.0)</b>
Income tax expense	-	-	-	-
<b>Total return for the period after income tax</b>	<b>15,128</b>	<b>30,892</b>	<b>(15,764)</b>	<b>(51.0)</b>
Add/(less) non tax deductible/(chargeable) items :				
REIT Manager's fees paid/payable in stapled securities	2,662	2,186	476	21.8
Amortisation of debt upfront cost	204	170	34	20.0
Trustee's fees	79	70	9	12.9
Other Adjustment	131	17	114	670.6
Amortisation of realised interest rate swap cost	-	(409)	N.M.	N.M.
Fair value change in interest rate swap	3,859	(9,736)	N.M.	N.M.
Net tax adjustment	6,935	(7,702)	N.M.	N.M.
<b>Income available for distribution</b>	<b>22,063</b>	<b>23,190</b>	<b>(1,127)</b>	<b>(4.9)</b>

\*The results of Rendezvous Property for the period of 1 April to 30 June 2014 have been included in the 2Q 2014 results.



# Financial Results From 1 January to 30 June 2014

	1H 2014*	1H 2013	Variance	Change +/-
	S\$'000	S\$'000	S\$'000	%
Master lease rental	48,700	48,190	510	1.1
Retail and office revenue	11,592	9,253	2,339	25.3
<b>Gross revenue</b>	<b>60,292</b>	<b>57,443</b>	<b>2,849</b>	<b>5.0</b>
Property tax	(4,213)	(3,476)	(737)	(21.2)
Property insurance	(91)	(35)	(56)	(160.0)
MCST contribution	(27)	(23)	(4)	(17.4)
Retail and office expenses	(1,430)	(768)	(662)	(86.2)
Property manager fees	(274)	(233)	(41)	(17.6)
Other property expenses	(72)	(11)	(61)	(544.5)
<b>Property expenses</b>	<b>(6,107)</b>	<b>(4,546)</b>	<b>(1,561)</b>	<b>(34.3)</b>
<b>Net property income</b>	<b>54,185</b>	<b>52,897</b>	<b>1,288</b>	<b>2.4</b>
REIT Manager's fees	(5,938)	(5,413)	(525)	(9.7)
Trustee's fees	(157)	(139)	(18)	(12.9)
Other trust expenses	(498)	(226)	(272)	(119.9)
<b>Trust level expenses</b>	<b>(6,593)</b>	<b>(5,778)</b>	<b>(815)</b>	<b>(14.1)</b>
<b>Total finance costs</b>	<b>(8,440)</b>	<b>(6,642)</b>	<b>(1,798)</b>	<b>(27.1)</b>
<b>Net income before tax and fair value changes</b>	<b>39,152</b>	<b>40,477</b>	<b>(1,325)</b>	<b>(3.3)</b>
Fair value change in interest rate swap	(3,682)	9,597	N.M.	N.M.
<b>Total return for the period before income tax</b>	<b>35,470</b>	<b>50,074</b>	<b>(14,604)</b>	<b>(29.2)</b>

\*The results of Rendezvous Property for the period of 1 January to 30 June 2014 have been included in the 1H 2014 results.

# Statement of Distribution to Stapled Securityholders

	1H 2014*	1H 2013	Variance	Change +/-
	S\$'000	S\$'000	S\$'000	%
<b>Total return for the period before income tax</b>	<b>35,470</b>	<b>50,074</b>	<b>(14,604)</b>	<b>(29.2)</b>
Income tax expense	-	-	-	-
<b>Total return for the period after income tax</b>	<b>35,470</b>	<b>50,074</b>	<b>(14,604)</b>	<b>(29.2)</b>
Add/(less) non tax deductible/(chargeable) items :				
REIT Manager's fees paid/payable in stapled securities	5,344	4,330	1,014	23.4
Amortisation of debt upfront cost	404	338	66	19.5
Trustee's fees	157	139	18	12.9
Other Adjustment	127	42	85	202.4
Amortisation of realised interest rate swap cost	-	-	-	-
Fair value change in interest rate swap	3,682	(9,597)	N.M.	N.M.
Net tax adjustment	9,714	(4,748)	N.M.	N.M.
<b>Income available for distribution</b>	<b>45,184</b>	<b>45,326</b>	<b>(141)</b>	<b>(0.3)</b>

\*The results of Rendezvous Property for the period of 1 January to 30 June 2014 have been included in the 1H 2014 results.





# Details of Distribution

For Period From 1 Apr to 30 Jun 2014

<b>Distribution per Stapled Security</b>	1.24 cents
<b>Ex-Date</b>	11 August 2014
<b>Books Closure Date</b>	13 August 2014
<b>Distribution Payment Date</b>	12 September 2014



## Portfolio Performance



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# Portfolio Performance – Key Highlights for 2Q 2014

## Hotels

- **The average occupancy of the hotel portfolio was 80.1%, 7.6pp lower than 2Q 2013**, as companies restrained their travel spending as a result of macroeconomic uncertainties. Leisure travel demand was also affected. In particular, arrivals from China, which formed the second largest visitor market, slowed since the Chinese government-imposed restriction on shopping trips and a decline in demand for Singapore-Malaysia-Thailand tour packages.
- **The average daily rate (“ADR”) of \$188 was a 2.0% decrease from the previous year** as the market continued to experience the effects of price competition, which arose from the enlarged hotel room inventory as well as the slower demand for travel.
- **RevPAR for 2Q 2014 was \$150, a decrease of 10.5% year-on-year.**



# Portfolio Performance – Key Highlights for 2Q 2014

## Serviced Residences

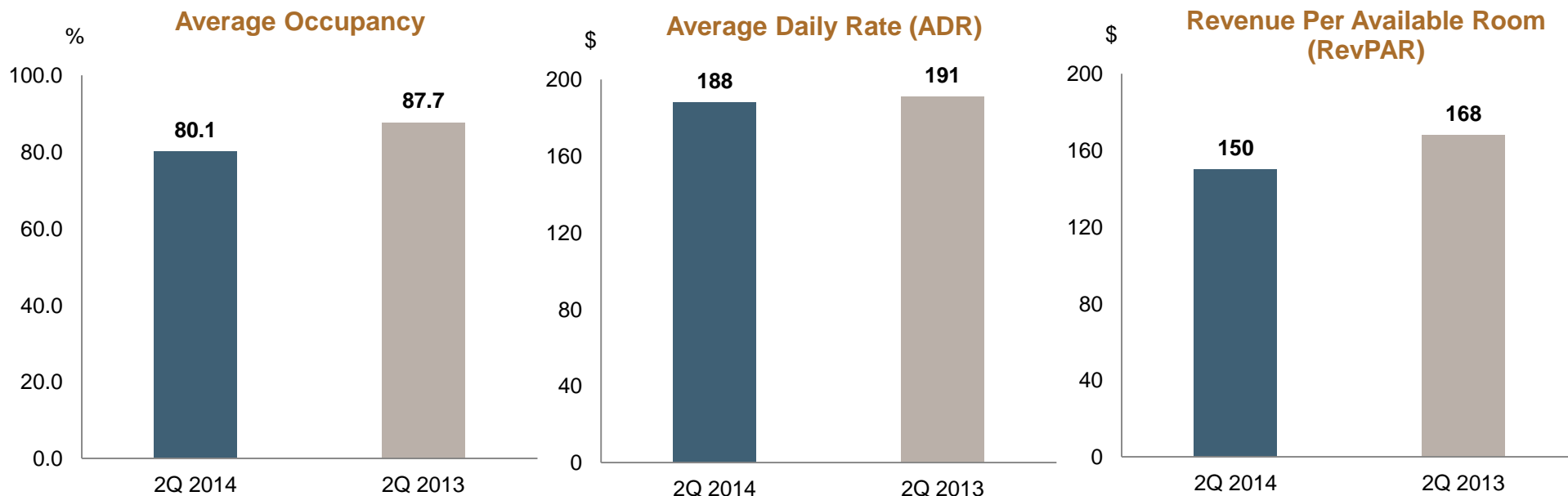
- Similar to the hotel portfolio, there was slower demand for Serviced Residences (“SR”) in 2Q 2014. The lower occupancy was mainly due to a weaker flow of project groups during the quarter. As a result, the **average revenue per available unit (“RevPAU”) of the SR portfolio was \$218 in 2Q 2014, a decrease of 5.5% year-on-year.**

## Excluded Commercial Premises

- The excluded commercial premises (i.e. retail and office spaces) continued to provide a steady income stream to the portfolio. **The rental revenue for 2Q 2014 was \$5.9 million, or a 27.0% increase from the preceding year**, largely attributable to the contribution from Rendezvous Gallery, acquired on 1 August 2013.



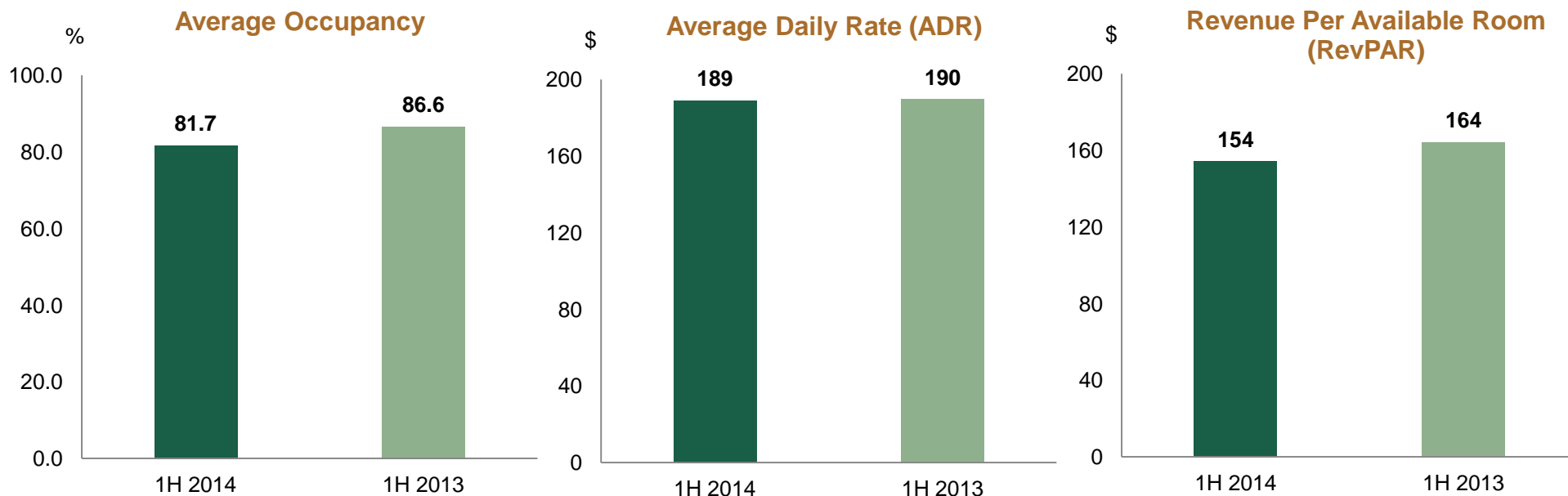
# Portfolio Performance 2Q 2014 - Hotels



	2Q 2014	2Q 2013	Variance
Average Occupancy (%)	80.1	87.7	-7.6pp
ADR (\$)	188	191	-2.0%
RevPAR(\$)	150	168	-10.5%

Note: Charts for 2Q 2014 include RHS

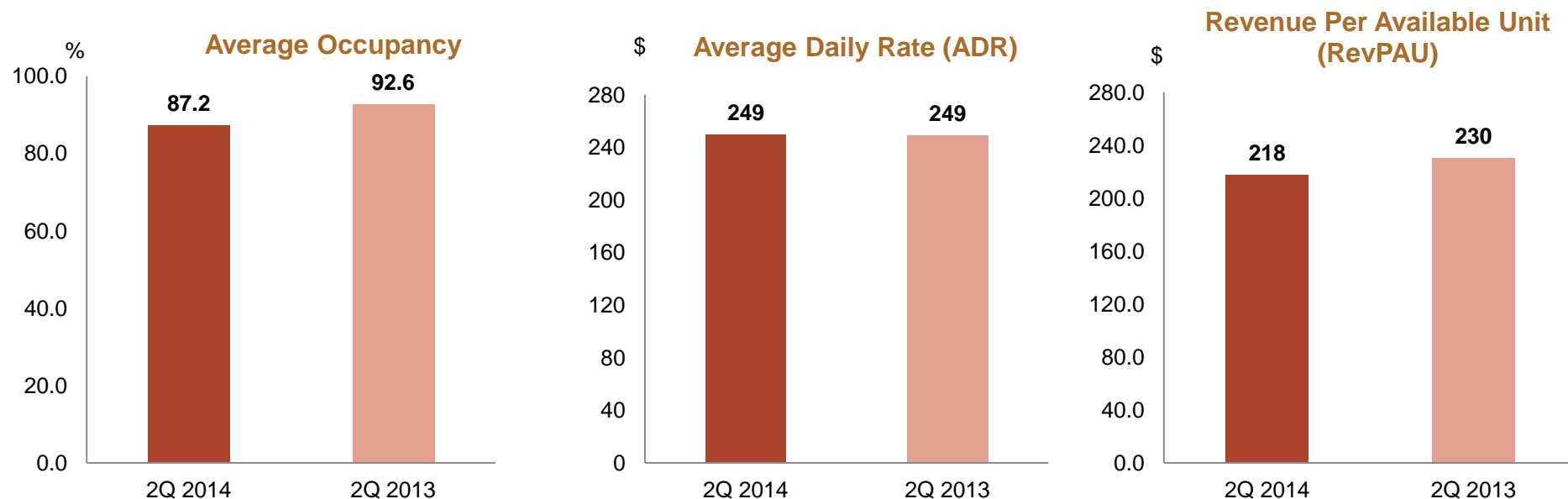
# Portfolio Performance 1H 2014 - Hotels



	1H 2014	1H 2013	Variance
Average Occupancy (%)	81.7	86.6	-4.9 pp
ADR (\$)	189	190	-0.4%
RevPAR(\$)	154	164	-6.0%

Note: Charts for 1H 2014 include RHS

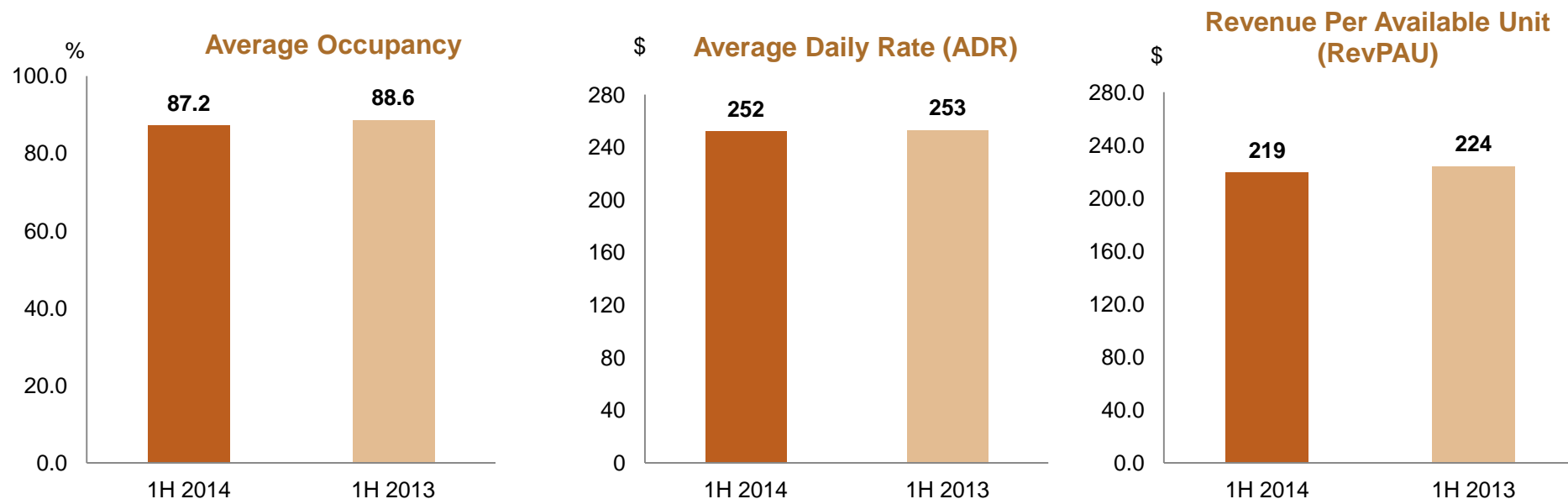
# Portfolio Performance 2Q 2014 – Serviced Residences



	2Q 2014	2Q 2013	Variance
Average Occupancy (%)	87.2	92.6	-5.4pp
ADR (\$)	249	249	0.3%
RevPAU (\$)	218	230	-5.5%



# Portfolio Performance 1H 2014 – Serviced Residences



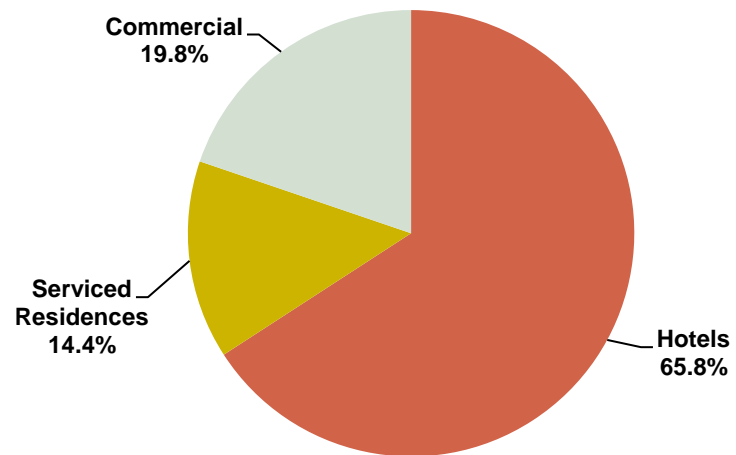
	1H 2014	1H 2013	Variance
Average Occupancy (%)	87.2	88.6	-1.3pp
ADR (\$)	252	253	-0.8%
RevPAU (\$)	219	224	-2.3%



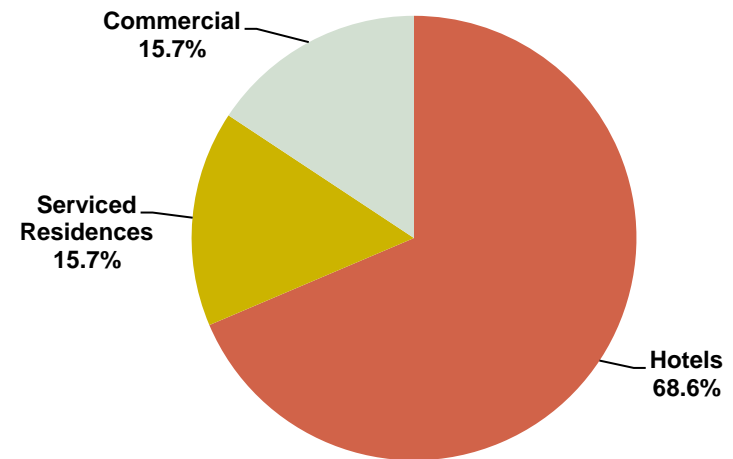


# Breakdown of Gross Revenue – Total Portfolio

2Q 2014



2Q 2013

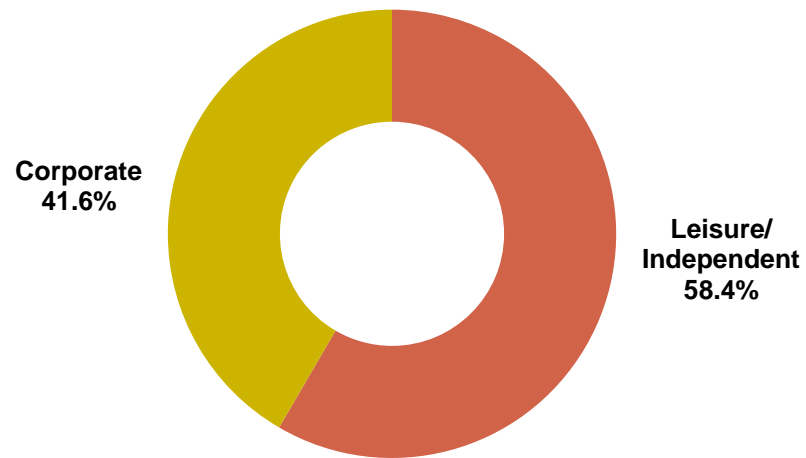


Note: Chart for 2Q 2014 includes RHS

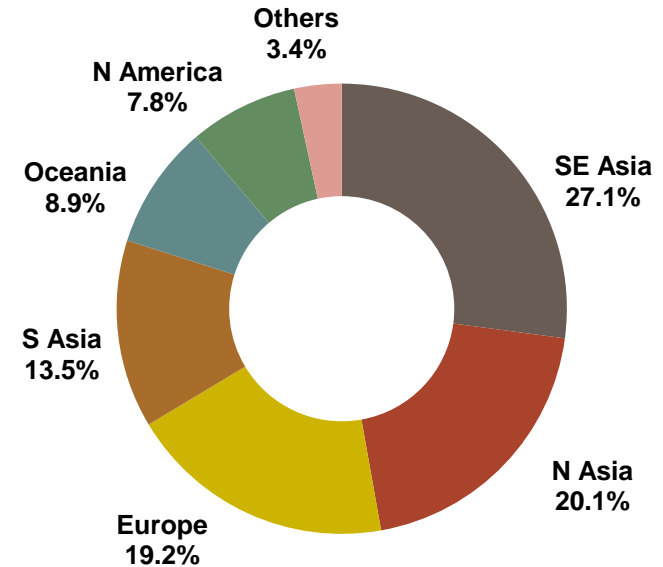


# Market Segmentation 2Q 2014 - Hotels

## Hotels (by Revenue)



## Hotels (by Region)

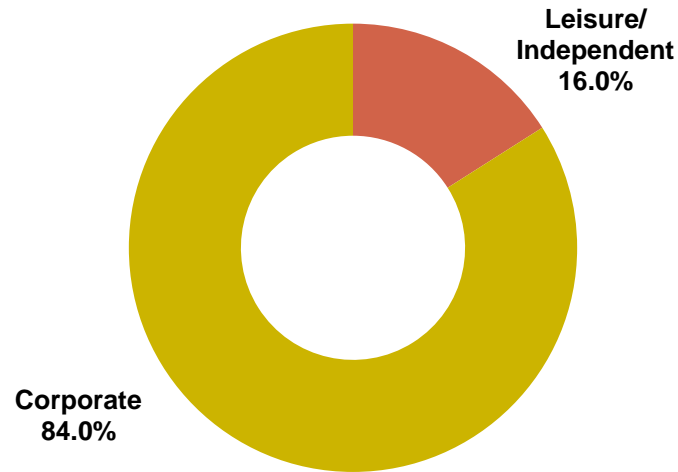


- The Corporate segment contributed 41.6% of 2Q 2014 hotel revenue as businesses remained prudent in travel expenditure due to lingering macroeconomic uncertainties.
- Inbound travel to Singapore was affected by the slowdown in arrivals from China, since the imposition of a new restriction on shopping tours by the Chinese Government and a decline in demand for Singapore-Malaysia-Thailand tour packages. The stronger Singapore Dollar also made travel to Singapore less attractive for some countries.

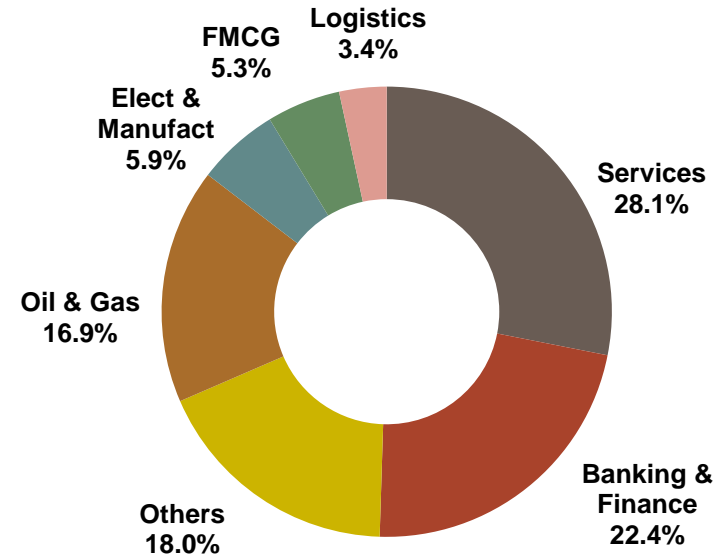


# Market Segmentation 2Q 2014 – Serviced Residences

Serviced Residences (by Revenue)



Serviced Residences (by Industry)



- The Corporate segment contributed 84.0% of revenue for Serviced Residences in 2Q 2014, compared to 76.8% in the previous quarter.
- Guest profile by industry remained relatively unchanged for the Serviced Residences.



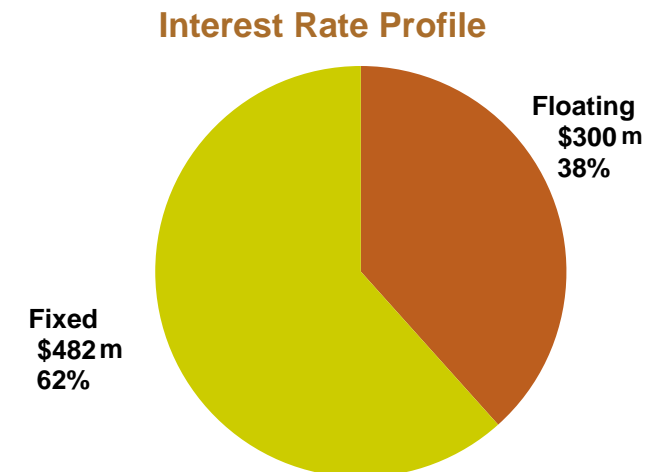
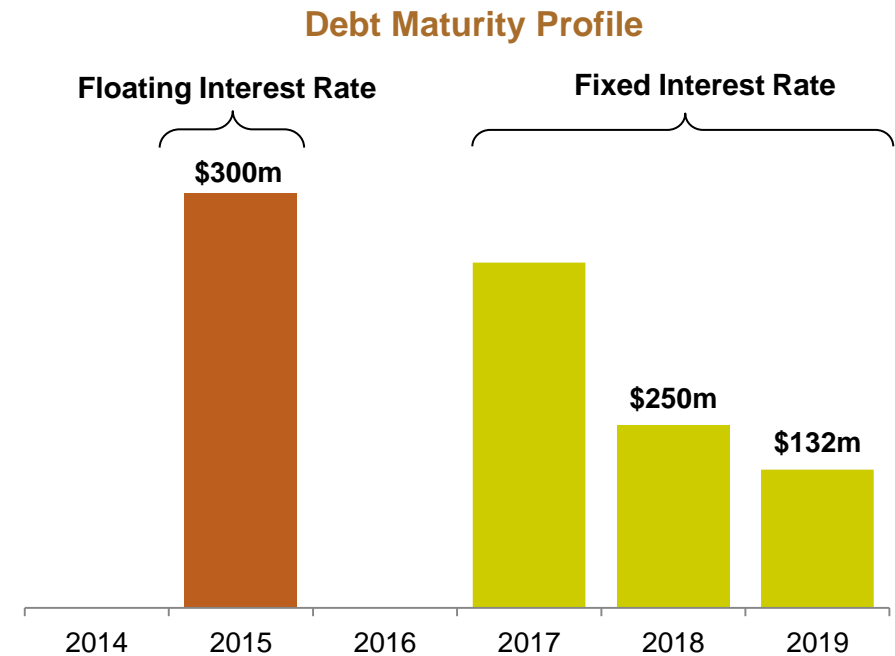
## Capital Management



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# Capital Management

Total debt	\$782m
Available revolving facility	\$75 m
Gearing ratio	30.9%
Unencumbered asset as % total asset	100%
Proportion of fixed rate	62%
Weighted average debt maturity	2.8 years
Average cost of debt	2.2%



## Asset Enhancement Initiatives



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# Asset Enhancement Initiatives – Completed in Jun 2014

## Village Hotel Albert Court

before



after



**Upgrade of 136 Superior and Deluxe Rooms and all corridors.**





# Asset Enhancement Initiatives – Ongoing Refurbishments

## Regency House

before



**Planned upgrade of 41 Studio Apartments and breakfast lounge.  
Expected completion in 3Q 2014.**

after

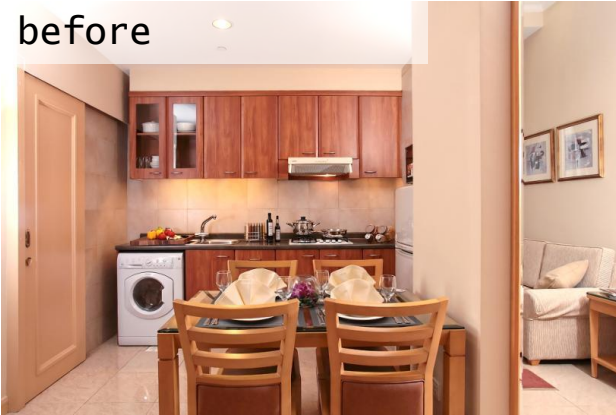




# Asset Enhancement Initiatives – Ongoing Refurbishments

## Regency House

before



**Planned upgrade of 41 Studio Apartments and breakfast lounge.**  
**Expected completion in 3Q 2014.**

after



# Asset Enhancement Initiatives – Ongoing Refurbishments

## Village Hotel Changi

before



after



The hotel is undergoing refurbishment of 303 rooms (Painting of walls, change of flooring and drapes, refurbish couch and desk).

Expected completion in 4Q 2014.



## Market Comparison and Portfolio Outlook



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# Market Environment

- **Singapore Economy**

- 2Q 2014

- Singapore economy grew by 2.1% year-on-year and -0.8% quarter-on-quarter in 2Q 2014
  - 2014
  - Economy on track to grow 2 - 4% despite first-half slowdown
  - Modest pick-up in second-half expected, helped by improving global demand

- **Singapore Hospitality Market**

- Apr –Jun 2014

- According to STB, RevPAR across all hotel segments decreased by 2.4% year-on-year
  - RevPAR of Upscale and Mid-tier hotels decreased by 1.1% and 8.5% year-on-year respectively

Sources :

Ministry of Trade and Industry, "Singapore's GDP Growth Moderated in the Second Quarter of 2014", 14 Jul 2014

Asiaone Business, "MAS says economy on track for 2-4 pct growth", 24 Jul 2014

Ministry of Trade and Industry, "MTI Maintains 2014 GDP Growth at 2.0 to 4.0 Per Cent", 20 Feb 2014

Singapore Tourism Board, Hotel Statistics (Preliminary), 1 Aug 2014



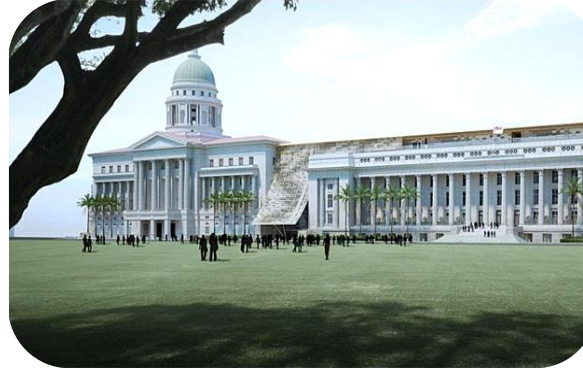


# Transformation of Tourism Landscape – New & Upcoming Developments



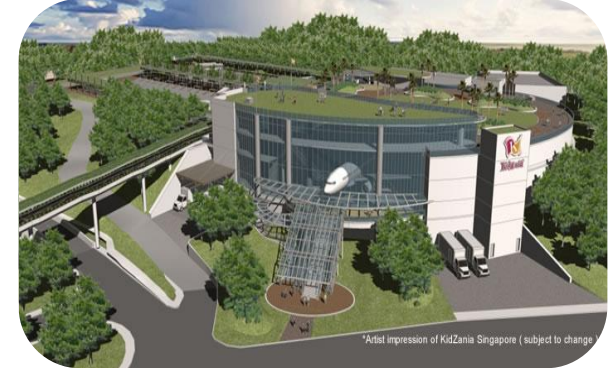
## **Singapore Sports Hub (Open)**

Hosting world-class concerts, entertainment and sports events



## **National Gallery Singapore (2015\*)**

The largest gallery to showcase Singaporean and Southeast Asian arts



## **KidZania (2015\*)**

The world's fastest growing entertainment centre for children, opening at Sentosa Island



## **Changi Terminal 4 (2017\*) & Project Jewel (2018\*)**

Catering for greater air traffic and creating a unique airport hub experience



## **Novena Health City (2018\*)**

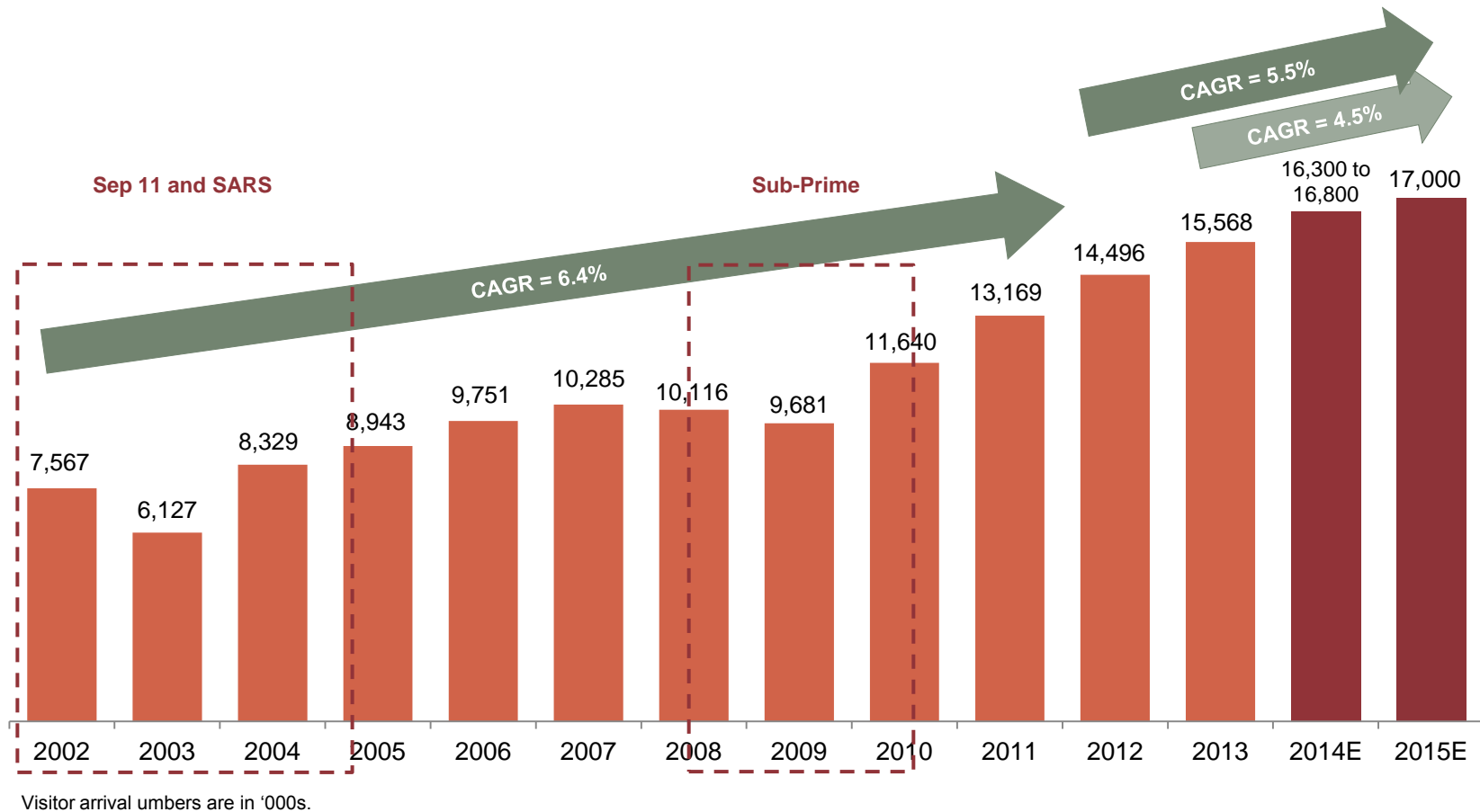
Integrating health services, research and education, commercial and leisure facilities



## **Creating Unique Tourist Experiences & Driving MICE**

\$15 mil Association Development Fund and MICE 2020 Roadmap to develop capabilities and engage visitors

# Historical and Forecast Visitor Arrivals in Singapore



- Visitor arrivals are projected to grow at a CAGR of 5.5% from 2012 to 2015

Sources : IPO Prospectus dated 16 Aug 2012 (2002 to 2011 visitor arrivals)

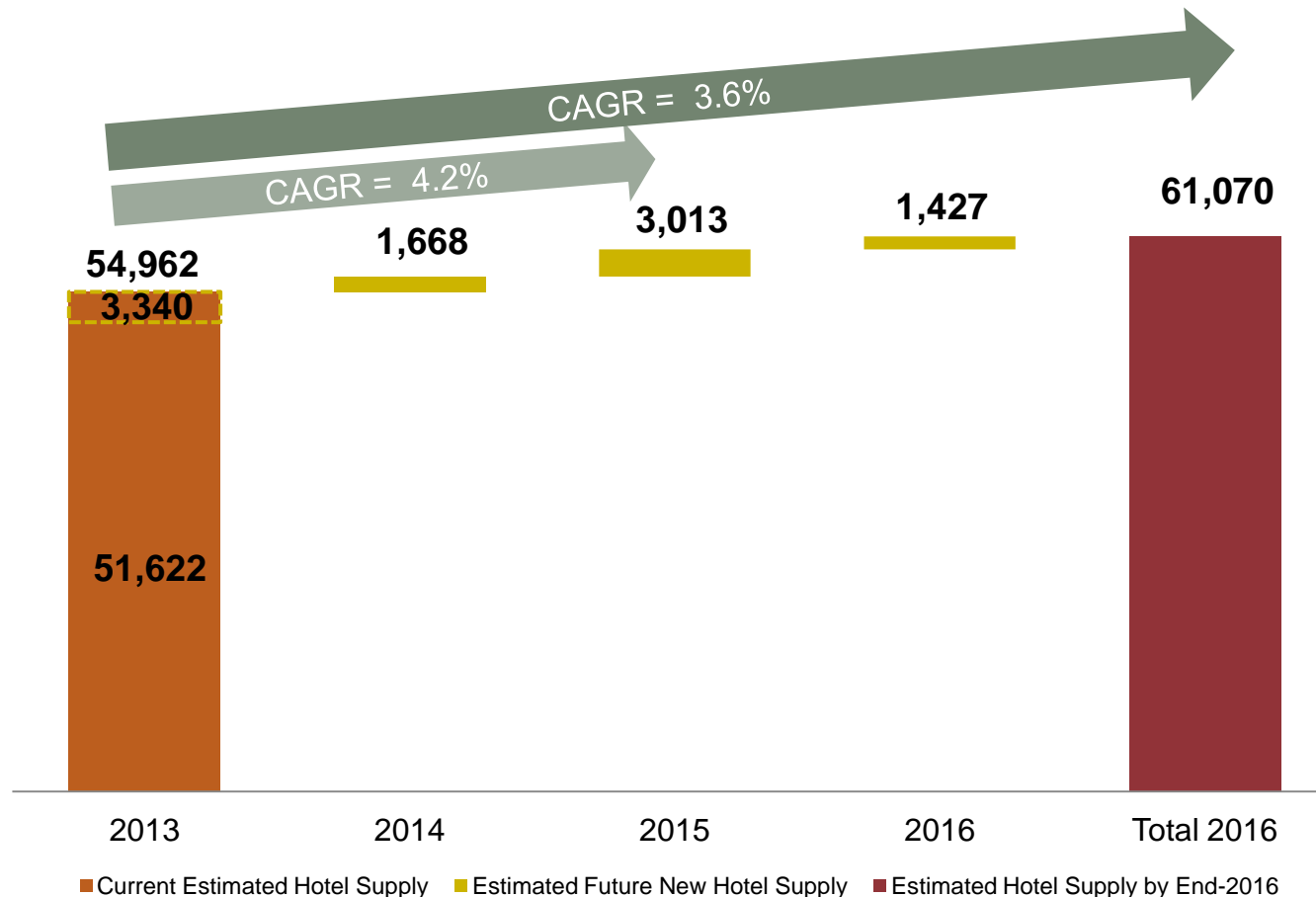
Singapore Tourism Board, International Visitor Arrivals Statistics, 10 Dec 2013 (2012 visitor arrivals) and 3 May 2014 (2013 visitor arrivals)

Business Times, "STB sees up to 16.8m visitor arrivals in 2014", 7 Mar 2014

Singapore Tourism Board, "Singapore sets out to triple tourism receipts to S\$30 billion by 2015, 11 Jan 2005 (2015E visitor arrivals)



# Hotel Room Supply in Singapore



- Hotel supply expected to increase at a CAGR of 3.6% from 2013 to 2016
- No hotel sites introduced at 2H14 Government Land Sales (GLS) programme
- Urban Redevelopment Authority (URA) to tighten approvals for applications for new hotels, backpackers' hostels or boarding houses on sites that are not zoned or permitted for hotel use

Sources : Jones Lang LaSalle as at March 2014 and Far East H-Trust compilation  
Urban Redevelopment Authority, Second Half 2014 Government Land Sales (GLS) Programme, 10 Jun 2014  
Channel News Asia, New hotels cannot be built on non-designated sites: URA, 7 Jul 2014



# Outlook & Prospects

- **Operating environment remains competitive in the near term** due to:
  - Reduced business travel expenditure
  - Strength of Singapore Dollar relative to currencies from other developed and regional economies
  - Fall in tourist arrivals from China
- **STB forecasts visitor arrivals to Singapore to grow 5.2% - 8.4% to 16.3 million - 16.8 million visitors in 2014<sup>1</sup>**, supported by stronger events calendar and opening of Singapore Sports Hub
- **An estimated 1,668 new hotel rooms expected to be added to the Singapore market in 2014, representing a growth rate of 3.0% year-on-year<sup>2</sup>**
- **Completed refurbishment of Village Hotel Albert Court and ongoing asset enhancement initiatives at Regency House and Village Hotel Changi to further increase the competitiveness of these properties**

(1) Business Times, "STB sees up to 16.8m visitor arrivals in 2014", 7 March 2014

(2) Jones Lang LaSalle as at March 2014 and Far East H-Trust compilation





**Thank You**

