

## FAR EAST HOSPITALITY TRUST REPORTS FY 2019 INCOME AVAILABLE FOR DISTRIBUTION OF S\$73.9 MILLION

### Highlights:

- Improved hotel performance in 2H 2019 after a slow 1H 2019
- Outbreak of COVID-19 virus will impact outlook of hospitality sector

**Singapore, 14 February 2020** – Far East Hospitality Trust (“Far East H-Trust”) recorded gross revenue of S\$28.9 million for the quarter ended 31 December 2019 (“4Q 2019”). Net property income was S\$26.1 million and income available for distribution was S\$18.8 million. Distribution per Stapled Security for the quarter was 0.95 cents, with an enlarged base largely as a result of the implementation of the Distribution Reinvestment Plan in the last four quarters.

For the full year ended 31 December 2019 (“FY 2019”), gross revenue was S\$115.5 million. Net property income was S\$104.3 million and income available for distribution was S\$73.9 million. On a per Stapled Security basis, the distribution was 3.81 cents.

### Summary of Results

(S\$'000)	4Q 2019	4Q 2018	Variance (%)	FY 2019	FY 2018	Variance (%)
Gross Revenue	28,946	28,919	0.1	115,546	113,678	1.6
Net Property Income	26,070	26,324	(1.0)	104,314	102,755	1.5
Income Available for Distribution	18,781	19,097	(1.7)	73,893	75,363	(2.0)
Distribution per Stapled Security (“DPS”) (cents)	0.95	1.00	(5.0)	3.81	4.00	(4.8)

**Mr Gerald Lee, Chief Executive Officer of the REIT Manager** said, “Our hotels and serviced residences achieved an improved performance in the second half of 2019, after experiencing some softness in the first half.

The momentum continued into FY2020 with strong forward bookings, before being disrupted by cancellations brought about by the outbreak of the COVID-19 virus. The decline in demand is felt more acutely by our hotels compared to our serviced residences and commercial spaces, which have so far not been significantly affected.

More essentially, the gross revenue for our Trust is protected by the fixed rent component of the master leases for our hotels and serviced residences, which formed about 72% of the master lease rental in FY2019. The fixed component, with its minimum rental payment, provides a downside protection for unitholders and mitigates the impact of the volatility experienced during adverse economic or environmental circumstances.”

## Review of Performance

	4Q 2019		4Q 2018		Better / (Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	86.6	83.7	86.2	84.3	0.4pp	(0.6pp)
Average Daily Rate (S\$)	163	217	165	212	(1.0%)	2.6%
RevPAR / RevPAU (S\$)	141	182	142	179	(0.6%)	1.9%

	FY 2019		FY 2018		Better / (Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	89.1	83.5	89.1	84.1	0.0pp	(0.6pp)
Average Daily Rate (S\$)	160	217	162	210	(1.3%)	3.4%
RevPAR / RevPAU (S\$)	142	182	144	177	(1.3%)	2.7%

## Hotels

The average occupancy of the hotels remained healthy at 86.6% in 4Q 2019, 0.4pp higher year-on-year. The average daily rate (“ADR”) was 1.0% lower year-on-year at S\$163, mainly attributed to lower contribution from the corporate segment and a greater composition of leisure business. As a result, revenue per available room (“RevPAR”) was marginally lower year-on-year by 0.6% at S\$141.

The Singapore hospitality market saw a generally robust demand for room nights in FY 2019. However, the first half of the year was weaker than the second half, as the hotel portfolio did not have the benefit of demand brought about by major biennial and one-off city-wide events in Singapore as compared to 1H 2018. This softness had resulted in fewer opportunities to yield room rates, compared to the same period in the previous year. Nonetheless, stronger leisure demand had contributed to an improved performance for the hotels in 2H 2019, with continued growth of bookings from key regional inbound markets. Corporate travel remained relatively subdued, amidst lingering global economic uncertainties and concerns.

Average occupancy of the hotels remained healthy at 89.1% in FY 2019, coming in at the same level year-on-year. ADR decreased 1.3% to S\$160, due mainly to higher contribution from the leisure segment at lower room rates as compared to the corporate segment. As a result, RevPAR for the hotel portfolio declined by 1.3% to S\$142.

### Serviced Residences

The serviced residences (“SRs”) showed another quarter of stable year-on-year improvement, partly attributed to the continued growth in shorter-stay bookings at higher room rates. For 4Q 2019, the average occupancy of the SRs was 83.7%, 0.6pp lower year-on-year. ADR grew by 2.6% to S\$217, and correspondingly, revenue per available unit (“RevPAU”) of the SR portfolio grew by 1.9% year-on-year to S\$182.

There was an overall year-on-year improvement in performance of the SR portfolio in FY 2019, bolstered by the growth in shorter-stay bookings at higher room rates. While average occupancy was marginally lower year-on-year by 0.6pp at 83.5%, the ADR was 3.4% higher at S\$217 and as a result, the RevPAU of the SR portfolio grew 2.7% to S\$182 in FY 2019.

### REIT Commercial Premises

Revenue from the retail and office spaces decreased by 1.0% year-on-year to S\$5.4 million in 4Q 2019.

For FY 2019, revenue from the retail and office spaces declined 0.7% year-on-year to S\$21.9 million.

### Capital Management

As at 31 December 2019, total debt stood at S\$994.4 million, of which 66.1% was secured at fixed interest rates. The aggregate leverage was 39.2%, down from 40.1%, and the weighted average debt to maturity was 3.3 years. The average cost of debt was 2.9% per annum.

In October 2019, a 2-year S\$100.0 million term loan due to mature in April 2020 was extended to a 2.5-year S\$60.0 million term loan and 5-year S\$40.0 million term loan ahead of its maturity. There are no other term loans maturing in 2020.

## **Outlook**

In the coming months, the demand for travel by both leisure and corporate segments would be impacted by concerns over the outbreak of the COVID-19 virus. A mitigating factor for Far East H-Trust's hotel portfolio amidst the uncertainty is its diversified geographic mix of source markets, with each constituting less than a tenth of the portfolio's revenue. The serviced residences in the portfolio are not significantly impacted by cancellations of stays, as the bulk of the business is from long-staying corporate guests.

As previous outbreaks of similar coronaviruses like severe acute respiratory syndrome (SARS) had not lasted beyond six months, and findings from epidemiological studies had indicated that the life cycle of this current coronavirus could be of a comparable duration, we are hopeful that the hospitality sector would recover from this setback from mid-2020. The Singapore government and travel industry partners are working on a recovery plan to attract and drive visitor arrivals when the spread of the COVID-19 virus has subsided.

Meanwhile, the REIT Manager will focus on optimising the performance of its portfolio, and expedite asset improvements and refurbishments to prepare for the eventual upturn in the sector. In addition, we will continue to explore suitable redevelopment opportunities for our properties, to extract greater yield and achieve better returns.

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**ABOUT FAR EAST HOSPITALITY TRUST (“Far East H-Trust”)**

Far East H-Trust is a Singapore-Focused Hotel and Serviced Residence Hospitality Trust listed on the Main Board of The Singapore Exchange Securities Trading Limited (“SGX-ST”). Comprising Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and Far East Hospitality Business Trust (“Far East H-BT”), Far East H-Trust was listed on the SGX-ST on 27 August 2012 and has a portfolio of 13 properties totaling 3,143 hotel rooms and serviced residence units valued at approximately S\$2.65 billion as at 31 December 2019. Managed by FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. (collectively, the “Managers”) and sponsored by members of Far East Organization Group (the “Sponsor”), Far East H-Trust seeks to provide Stapled Securityholders with regular, stable and growing distributions on a quarterly basis. Far East H-Trust is listed on the FTSE ST Mid Cap Index.

**ABOUT THE MANAGERS**

FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. are the managers of Far East H-REIT and Far East H-BT respectively. Both are 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd., and 33.0% owned by Far East Orchard Limited (“FEOR”). FEOR is 61.4% owned by Far East Organization Pte. Ltd. as at 11 March 2019.

## **IMPORTANT NOTICE**

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Managers' current view of future events.

The value of the Stapled Securities and the income derived from them, if any, may fall as well as rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers or any of their affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors should note that they will have no right to request the Managers to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on the SGX-ST. It is intended that investors and Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities. The past performance of Far East H-Trust is not necessarily indicative of the future performance of Far East H-Trust.