

## FAR EAST HOSPITALITY TRUST REPORTS 2Q 2019 INCOME AVAILABLE FOR DISTRIBUTION OF S\$17.6 MILLION

### Highlights:

- Gross revenue decreases 2.1% in 2Q 2019 and increases 2.7% in 1H 2019
- Net property income decreases 2.4% in 2Q 2019 and increases 3.0% in 1H 2019
- The Village Hotel and The Outpost Hotel in Sentosa open on schedule

**Singapore, 30 July 2019** – Far East Hospitality Trust (“Far East H-Trust”) posted gross revenue of S\$27.9 million and net property income of S\$25.1 million for the quarter ended 30 June 2019 (“2Q 2019”). Income available for distribution was S\$17.6 million translating to a Distribution per Stapled Security of 0.91 cents, with an enlarged base.

For the first half of 2019 (“1H 2019”), gross revenue was 2.7% higher at S\$55.7 million and net property income was 3.0% higher at S\$50.2 million. Income available for distribution was S\$35.0 million or 1.82 cents per Stapled Security.

### Summary of Results

(\$'000)	2Q 2019	2Q 2018	Variance (%)	1H 2019	1H 2018	Variance (%)
Gross Revenue	27,935	28,526	(2.1)	55,725	54,250	2.7
Net Property Income	25,115	25,738	(2.4)	50,186	48,745	3.0
Income Available for Distribution	17,554	18,960	(7.4)	34,966	36,605	(4.5)
Distribution per Stapled Security (“DPS”) (cents)	0.91	1.01	(9.9)	1.82	1.95	(6.7)

**Mr Gerald Lee, Chief Executive Officer of the REIT Manager** said, “The Village Hotel and The Outpost Hotel in Sentosa officially opened in April 2019. The two hotels, together with The Barracks Hotel Sentosa opening later this year as well as the commercial spaces, form the joint venture development project in which Far East H-Trust has a 30% stake.

The hospitality operating environment in Singapore experienced softness in corporate demand as ongoing macroeconomic uncertainties weighed on business travel. Additionally, there was an absence of large-scale events in 2Q 2019 as compared to the same period last year, a factor which had led to a relatively weaker performance of the hotel portfolio.

Despite the short-term volatility, we remain positive about the prospects of the industry. The more moderate pace of hotel room supply in the coming years will provide opportunities for us to implement strategies to improve the performance of our properties and strengthen the portfolio.”

## Review of Performance

	2Q 2019		2Q 2018		Better / (Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	88.1	81.9	89.8	83.5	(1.7pp)	(1.6pp)
Average Daily Rate (\$)	156	212	160	202	(2.6%)	5.0%
RevPAR / RevPAU (\$)	137	174	143	168	(4.5%)	3.0%

	1H 2019		1H 2018		Better / (Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	88.7	81.0	89.7	82.4	(1.0pp)	(1.4pp)
Average Daily Rate (\$)	156	214	157	208	(0.9%)	3.1%
RevPAR / RevPAU (\$)	138	174	141	171	(2.1%)	1.4%

## Hotels

The average occupancy of the hotels remained healthy at 88.1% in 2Q 2019, although registering a decrease of 1.7pp year-on-year. The average daily rate (“ADR”) was 2.6% lower year-on-year at S\$156. As a result, revenue per available room (“RevPAR”) declined by 4.5% to S\$137. Revenue contribution from the hotels was lower due to the absence of major events in the quarter as compared to the previous year, and softness in corporate demand amidst the economic slowdown.

Unlike last year, where some hotels in Singapore benefitted from major events such as the Singapore Airshow, Food & Hotel Asia, and the North Korea–United States Singapore Summit, there were no major city-wide events in 1H 2019. In addition, economic uncertainties had led to lower volume of business travel. Occupancy for the hotel portfolio remained healthy in 1H 2019 at 88.7%, 1.0pp lower year-on-year. ADR was also marginally lower by 0.9% at S\$156. As a result, RevPAR was down by 2.1% at S\$138.

## Serviced Residences

The serviced residences (“SRs”) continued to show overall improvement and a more stabilised performance this quarter. There was a growth in shorter-stay bookings at higher room rates. Although the average occupancy of the SRs decreased 1.6pp to 81.9%, the ADR was higher by 5.0%. Correspondingly, revenue per available unit (“RevPAU”) of the SR portfolio grew 3.0% year-on-year to S\$174.

There was an overall year-on-year improvement in performance for the SRs in 1H 2019, and firmer footing was sustained since the last quarter of 2018. While average occupancy was 1.4pp lower at 81.0%, the growth in shorter-stay bookings had helped to shore up the ADR, which was 3.1% higher at S\$214. Correspondingly, revenue per available unit (“RevPAU”) of the SR portfolio grew 1.4% to S\$174 in 1H 2019.

## REIT Commercial Premises

Revenue from the retail and office spaces declined 1.2% year-on-year to S\$5.5 million in 2Q 2019.

## Capital Management

As at 30 June 2019, total debt stood at S\$1,009.8 million, of which 75.0% was secured at fixed interest rates, up from 46.9% in the same period last year. The aggregate leverage was 39.8%, and the weighted average debt to maturity was 3.4 years. The average cost of debt was 2.9%. In March 2019, a term loan of S\$100 million due to mature in August 2019 was refinanced. There are no other term loans maturing this year.

## **Outlook**

Arrivals are forecasted to grow by 1% to 4% in 2019<sup>1</sup>, against an increase of 1.9% (1,275 new rooms<sup>2</sup>) in hotel room supply this year. The expected slower pace of increase in hotel room supply over the next few years will help support the recovery in the Singapore hotel sector. Looking ahead, the serviced residence market also shows signs of turning around.

Enhanced connectivity to Singapore would likely be a driver of demand, with the addition of new airlines and increased flight connections to and from new cities. Ongoing developments and initiatives in cruise tourism and MICE, as well as the rejuvenation of key tourist attractions, will benefit the hospitality sector in the years ahead.

The REIT Manager remains positive about the prospects of the industry, amidst near-term volatility and softness in corporate demand due to global macroeconomic concerns.

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<sup>1</sup> Singapore Tourism Board, Forecasted Visitor Arrivals, as at 13 February 2019

<sup>2</sup> Savills report issued as at February 2019 and Far East H-Trust’s Compilation; does not account for closures of rooms for renovations and re-openings (e.g. re-opening of Swissotel The Stamford or Raffles Hotel rooms which had undergone refurbishment).

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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\$2.63 billion as at 31 December 2018. 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 31 December 2018.

## **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.