

## DROP IN 1H 2020 GROSS REVENUE OF FAR EAST HOSPITALITY TRUST CUSHIONED BY MASTER LEASES

### Highlights:

- Performance affected by COVID-19 pandemic, but mitigated by master leases for all properties in the Trust
- Fixed rent component of master leases provides downside protection for stapled securityholders
- Part of distribution income retained to provide for further assistance to tenants of commercial premises

**Singapore, 30 July 2020** – Far East Hospitality Trust (“Far East H-Trust”) recorded gross revenue of S\$44.3 million for the first half of 2020 (“1H 2020”). Net property income was S\$38.6 million and income available for distribution was S\$25.7 million.

Given the uncertainty of the COVID-19 pandemic which continues to affect the tenants in the commercial premises of Far East H-Trust, the Manager retained part of the distributable income to provide for further rental rebates and deferment in rental payments by tenants in the months ahead to help them tide over this challenging period. After setting aside the retention, S\$20.2 million of the income would be distributed, translating to a Distribution per Stapled Security of 1.03 cents for 1H 2020. The eventual distribution of the retained amount will depend on the financial results for the full year ending 31 December 2020. Far East H-Trust intends to maintain its policy of distributing at least 90% of the REIT’s taxable income.

### Summary of Results

(\$'000)	1H 2020	1H 2019	Variance (%)
Gross Revenue	44,270	55,725	(20.6)
Net Property Income	38,604	50,186	(23.1)
Income Available for Distribution	25,689	34,966	(26.5)
Income Available for Distribution after retention	20,171	34,966	(42.3)
Distribution amount available per Stapled Security (cents)	1.29	1.82	(29.1)
Distribution per Stapled Security (“DPS”) after retention (cents)	1.03	1.82	(43.4)

**Mr. Gerald Lee, Chief Executive Officer of the REIT Manager** said, “The COVID-19 pandemic has dealt a severe blow to the hospitality industry. The impact on our hotels deepened as international travel restrictions tightened, although it was cushioned in recent months by contracts from government agencies for isolation purposes and from companies for their workers. Our serviced residences were affected to a lesser extent as they had longer leases from corporate accounts.

The full impact of the adverse operating conditions is mitigated by the master leases for our hotels and serviced residences, signed with companies of the Sponsor. The fixed rent component, which formed about 72% of the master lease rental in FY2019, provides a minimum payment and a downside protection for stapled securityholders. In addition, the review of the management fee structure by the REIT Manager undertaken in end 2019 has resulted in lower management fees for the Trust with effect from this year.”

## Review of Performance

	1H 2020		1H 2019		Better / (Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	77.6	82.7	88.7	81.0	(11.1pp)	1.7pp
Average Daily Rate (S\$)	102	200	156	214	(34.7%)	(6.6%)
RevPAR / RevPAU (S\$)	79	166	138	174	(42.9%)	(4.7%)

### Hotels

Average occupancy of the hotels suffered in the initial phase of the COVID-19 pandemic with the progressive closure of international borders. It picked up in subsequent months as the hotels secured business from companies that required their Malaysian workers to be housed in Singapore and from government agencies for isolation purposes. Average occupancy of 77.6% for 1H 2020 was 11.1pp below same time last year.

The Average Daily Rate (“ADR”) decreased 34.7% to S\$102 as travel restrictions curtailed traditional sources of business, leading to the need to secure lower-rated opportunities available during this period. As a result, the revenue per available room (“RevPAR”) for the hotel portfolio declined by 42.9% to S\$79.

### Serviced Residences

While the serviced residences (“SRs”) registered a decline in performance in 1H 2020 due to the challenging market circumstances and lack of inbound travel, the long leases from corporate sources helped to maintain the occupancy and minimize the negative impact.

Average occupancy was higher year-on-year by 1.7pp at 82.7% for 1H 2020, although the ADR was 6.6% lower at S\$200. As a result, the revenue per available unit (“RevPAU”) of the SR portfolio fell 4.7% to S\$166 in 1H 2020.

### Commercial Premises

Revenue from the retail and office spaces decreased by 12.5% year-on-year to S\$9.6 million in 1H 2020, due largely to rental rebates provided to tenants.

### Capital Management

As at 30 June 2020, total debt stood at S\$990.8 million, of which 60.3% was secured at fixed interest rates. The aggregate leverage was 39.2%, and the weighted average debt to maturity was 2.8 years. The average cost of debt was 2.5% per annum.

In October 2019, a 2-year S\$100 million term loan due to mature in April 2020 was extended to a 2.5-year S\$60 million term loan and 5-year S\$40 million term loan ahead of its maturity. There are no other term loans maturing in 2020.

### **Outlook**

The Singapore hospitality industry will continue to be impacted by travel restrictions and concerns over the spread of the COVID-19 virus. The serviced residences, with a higher proportion of long leases, are expected to be more resilient than the hotels. Tenants in the commercial premises of the Trust are affected by the economic slowdown and regulatory restrictions, and will require further support and rental rebates.

A mitigating factor for Far East H-Trust is the fixed rent component in the master leases covering all the properties in the portfolio, providing a downside protection for stapled securityholders in adverse and volatile conditions such as the current crisis.

With vaccine development making progress in various countries, the REIT Manager is hopeful that the hospitality sector can recover from this setback in 2021.

Meanwhile, the REIT Manager will focus on optimising the performance of its portfolio, carrying out cost containment measures, and expediting asset enhancements to prepare for the eventual upturn. The REIT Manager will also continue to explore suitable redevelopment opportunities for the properties in the Trust so as to extract greater value 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 61.3% owned by Far East Organization Pte. Ltd. as at 16 March 2020.

## **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.

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