

FAR EAST HOSPITALITY TRUST REPORTS A 6.8% YEAR-ON-YEAR INCREASE IN DISTRIBUTION PER STAPLED SECURITY FOR 1H 2021

Highlights:

- Distribution per Stapled Security (“DPS”) of 1.10 cents in 1H 2021 compared to 1.03 cents in 1H 2020, an increase of 6.8%
- Despite lower gross revenue (-6.1%) and NPI (-6.2%), Income Available for Distribution was only marginally lower by 1.4% in 1H 2021
- Fixed rent component of the master leases continues to cushion the negative impact of COVID-19

Singapore, 30 July 2021 – Far East Hospitality Trust (“Far East H-Trust”) recorded gross revenue of S\$41.6 million for the half-year ended 30 June 2021 (“1H 2021”) resulting in a net property income (“NPI”) of S\$36.2 million. Despite the lower gross revenue and NPI of 6.1% and 6.2% respectively, Income Available for Distribution was only marginally lower by 1.4% at S\$25.3 million, due primarily to cost savings of 16.9% in finance expenses and 3.9% in REIT Manager’s fees.

Income Available for Distribution after Retention increased 7.6% year-on-year to S\$21.7 million, translating to a Distribution per Stapled Security of 1.10 cents for 1H 2021. Given the uncertainty surrounding COVID-19, part of the distributable amount was retained for potential required assistance to tenants in the months ahead. Far East H-Trust intends to maintain its policy of distributing at least 90% of the REIT’s taxable income for the full financial year.

Mr Gerald Lee, Chief Executive Officer of the REIT Manager said, “Given the constraints caused by the COVID-19 pandemic, we continued to lean on alternative sources of demand and manage our costs, allowing us to deliver an 6.8% increase in distribution for 1H 2021 after retention. Within our portfolio, the serviced residences, which had a larger base of long-term contracts, continued to perform above the fixed rent level.

The gross revenue for our Trust is protected by the fixed rent component of the master leases, which formed about 81% of gross revenue for 1H 2021. The fixed component, with its minimum rental payment, provides downside protection for Stapled Securityholders and mitigates the impact of the volatility experienced during adverse economic or environmental circumstances.”

Summary of Results

(S\$'000)	1H 2021	1H 2020	Variance (%)
Gross Revenue	41,569	44,270	(6.1)
Net Property Income	36,193	38,604	(6.2)
Income Available for Distribution	25,318	25,689	(1.4)
Income Available for Distribution after retention	21,694	20,171	7.6
Distribution amount available per Stapled Security (cents)	1.27	1.29	(1.6)
Distribution per Stapled Security ("DPS") after Retention (cents)	1.10	1.03	6.8

Review of Performance

Hotels

The average occupancy of the hotels remained flat year-on-year at 77.6% in 1H 2021 as the hotels secured business from companies that required accommodation for their workers and from the Government for isolation purposes. ADR decreased 35.3% to S\$66 due to lower rates from government contracts and companies requiring accommodation for their workers. As a result, RevPAR for the hotel portfolio declined by 35.4% to S\$51.

Serviced Residences ("SRs")

For 1H 2021, the SRs maintained a healthy occupancy of 76.2% as support from long-stay corporate sources helped to partially offset the weaker demand from corporates requiring accommodation for their workers. ADR declined by 9.5% to S\$181 due to lower rates from some corporate contracts. Correspondingly, revenue per available unit ("RevPAU") fell by 16.9% year-on-year to S\$138, although the master lease rental of the SR portfolio registered a smaller decline of 7.8%. The SRs continued to perform above the fixed rent level.

	1H 2021		1H 2020		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	77.6	76.2	77.6	82.7	0.0pp	(6.5pp)
Average Daily Rate (S\$)	66	181	102	200	(35.3%)	(9.5%)
RevPAR / RevPAU (S\$)	51	138	79	166	(35.4%)	(16.9%)

REIT Commercial Premises

Revenue from the retail and office spaces decreased by 23.2% year-on-year to S\$7.4 million in 1H 2021 as the pandemic led to a decline in demand for such ancillary spaces located in our properties that are used primarily for hospitality purposes.

Environmental, Social and Governance (“ESG”) Updates

In 1H 2021, Far East H-Trust secured its maiden sustainability-linked loan facility of S\$125.0 million for a term of 5 years. The loan with OCBC was used to refinance Far East H-Trust’s existing bank borrowings, with a possible reduction in the loan’s interest margin upon attainment of pre-set sustainability targets.

Far East H-Trust also entered a 2.5-year, S\$85.0 million sustainability-linked swap with OCBC in 1H 2021. The swap allows Far East H-Trust to partially hedge against interest rate risk and enjoy a lower swap rate upon achieving certain sustainability targets.

Capital Management

As at 30 June 2021, total debt stood at S\$999.6 million, of which 68.2% was secured at fixed interest rates. The aggregate leverage was 41.3%. The weighted average debt to maturity was 2.4 years. The average cost of debt improved to 2.1% in 1H 2021 from 2.5% in 1H 2020, due to lower short-term interest rates and lower fixed rates.

Outlook

The resurgence of new variants of COVID-19 globally, in particular the Delta variant, puts a dampener on the recovery of the Singapore hospitality industry, which is heavily dependent on inbound travel. With international borders remaining largely closed, near-term business will continue to be supported by government and long-stay corporate contracts.

A mitigating factor for Far East H-Trust’s Stapled Securityholders is the high fixed rent component of the master leases, which formed 81% of gross revenue in 1H 2021. The 20-year master leases on all hotels and SRs are well-supported by the Sponsor, Far East Organization.

As vaccination rates continue to rise globally, major economies, including Singapore would transit to an endemic state with the resumption of business activities. We remain sanguine about the prospects of international travel arrangements materialising in the months ahead. This is backed by the Multi-Ministry Task Force’s assurance that Singapore will progressively facilitate international travel with countries that have done well in managing the COVID-19 situation.

The REIT Manager is closely monitoring the progress of Singapore's reopening plans, as well as reviewing its business strategy in light of the evolving COVID-19 situation to optimise the performance of its portfolio.

During this period, asset enhancements will be expedited 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 value and achieve better returns.

In relation to Central Square, the REIT Manager will continue to explore various options for the site to deliver optimal value for Stapled Securityholders and make the relevant announcements when there are material developments.

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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\$2.53 billion as at 31 December 2020. 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 half-yearly basis.

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 62.5% owned by Far East Organization Pte. Ltd. as at 31 December 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.

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.