

## FAR EAST HOSPITALITY TRUST POSTS 25.2% GROWTH IN DISTRIBUTION FOR FY 2022

### Highlights:

- Distribution per Stapled Security (“DPS”) boosted by higher net property income, lower finance expenses, and sharing of divestment gains.
- Portfolio achieved a fair valuation increase of S\$102.2 million on the back of improving operational performance and a positive recovery outlook for the hospitality sector.

**Singapore, 14 February 2023** – Far East Hospitality Trust (“Far East H-Trust”) recorded a 2.2% year-on-year (“YoY”) growth in gross revenue to S\$42.6 million for the half-year ended 31 December 2022 (“2H 2022”). On a same-store basis of Far East H-Trust’s 12 properties excluding Central Square which was divested in March 2022, gross revenue would have grown 10.7% as compared to 2H 2021. Net property income (“NPI”) grew 2.3% from the prior period. On a same-store basis, NPI would have increased by 10.5% YoY to S\$39.9 million.

The REIT Manager declared a distribution of S\$34.4 million to Stapled Securityholders, translating to a DPS of 1.73 cents for 2H 2022, a growth of 13.1% compared to the same period last year.

For the financial year ended 31 December 2022 (“FY 2022”), gross revenue grew 0.4% YoY to S\$83.6 million. Excluding the effects arising from the divestment of Central Square, gross revenue would have grown 7.0% as compared to FY 2021. NPI grew 2.9% from the prior year and on a same-store basis, NPI grew 9.0% YoY to S\$76.2 million.

Distribution to Stapled Securityholders grew 25.2% to S\$65.0 million on the back of higher net property income, lower finance expenses, and sharing of gains from the Central Square divestment<sup>1</sup>. The higher contribution translates to a DPS of 3.27 cents, a 24.3% increase compared to the previous year.

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<sup>1</sup> Initiative announced on 29 July 2022 where the REIT Manager intended to distribute a portion of the divestment gains, expected to be approximately S\$8 million per year over 3 years, based on the highest historical annual NPI of Central Square achieved since IPO. For FY 2022, distribution from divestment gains was S\$6.2 million to cover the nine months after the disposal of Central Square.

## Summary of Results

	2H 2022 (S\$'000)	2H 2021 (S\$'000)	Variance (%)	FY 2022 (S\$'000)	FY 2021 (S\$'000)	Variance (%)
Gross revenue	42,581	41,679	2.2	83,579	83,248	0.4
Net property income	39,874	38,979	2.3	77,329	75,172	2.9
Income available for distribution						
- Before release of retention sum	30,200	29,529	2.3	N/A	N/A	N/A
- After release of retention sum	30,200	32,994	(8.5)	58,986	54,847	7.5
Distribution to Stapled Securityholders	34,443	30,258	13.8	65,024	51,952	25.2
DPS (cents)	1.73	1.53	13.1	3.27	2.63	24.3

**Mr Gerald Lee, Chief Executive Officer of the REIT Manager** said, “2022 has been a year of recovery for the hospitality sector, with the lifting of COVID-19 restrictions across many countries leading to the resumption of international travel and MICE events. Far East H-Trust’s portfolio of hotels and serviced residences benefited from the increased flow of business and tourist traffic into Singapore, resulting in a significant improvement in operational performance. We remain optimistic about the continued recovery of the hospitality industry to pre-pandemic levels and will continue to seek yield accretive acquisitions to further enhance Far East H-Trust’s existing portfolio.”

## Portfolio Valuation

Far East H-Trust’s investment properties portfolio value increased S\$102.2 million or 4.4% to S\$2,446.8 million as compared to the year before, primarily from improving operational performance and a positive recovery outlook for the hospitality sector.

## Review of Performance

	2H 2022		2H 2021		Better / (Worse)	
	Hotels	SRs <sup>2</sup>	Hotels	SRs <sup>2</sup>	Hotels	SRs
Average Occupancy (%)	79.1	86.5	81.1	78.8	(2.0pp)	7.7pp
Average Daily Rate (“ADR”) (S\$)	147	244	74	181	98.6%	34.8%
Revenue per Available Room (“RevPAR”) / Revenue per Available Unit (“RevPAU”) (S\$)	116	211	60	143	93.3%	47.6%

<sup>2</sup> On a same-store basis, excluding VRCQ from 2H 2021, average occupancy would have increased 4.3pp YoY from 82.2% to 86.5% and ADR would have grown 27.1% from S\$192 to S\$244. RevPAU would have been 33.5% higher YoY from S\$158 to S\$211.

## Review of Performance (Cont'd)

	FY 2022		FY 2021		Better / (Worse)	
	Hotels	SRs <sup>3</sup>	Hotels	SRs <sup>3</sup>	Hotels	SRs
Average Occupancy (%)	73.7	87.5	79.4	77.5	(5.7pp)	10.0pp
Average Daily Rate (S\$)	125	223	70	181	78.6%	23.2%
RevPAR / RevPAU (S\$)	92	195	56	140	64.3%	39.3%

### Hotels

During the year, the hotel portfolio saw healthy demand from corporate groups and improved pick-up from leisure travellers following Singapore's relaxation and streamlining of border measures in April 2022. As a result, ADR grew 78.6% to S\$125. Contracts with the Government for isolation purposes were also renewed at higher rates. Average occupancy declined 5.7pp to 73.7% as some hotels in the portfolio exited the government contracts at the end of 2021. The Elizabeth Hotel was also closed for renovation for part of the year, officially reopening as Vibe Hotel Singapore Orchard in November 2022. Correspondingly, RevPAR grew 64.3% to S\$92.

### Serviced Residences ("SRs")

The SRs continued to do well in FY 2022, exceeding the performance achieved in FY 2019. Buoyed by the tight supply and continued inflow of professionals and project groups, average occupancy for the full year grew 10.0pp to 87.5%, while ADR increased 23.2% to S\$223. RevPAU registered a 39.3% YoY increase to S\$195.

### REIT Commercial Premises

Revenue from the retail and office spaces declined 1.9% YoY to S\$14.8 million due to the divestment of Central Square which contained 21.3% of the commercial spaces in the portfolio. Excluding Central Square and rental rebates provided to tenants in FY2021, revenue would have grown 4.8% YoY on the back of improving rental rates and occupancy rates.

## Capital Management

As at 31 December 2022, total debt stood at S\$739.3 million, of which 54.1% was secured at fixed interest rates. The aggregate leverage was lowered from 38.3% in December 2021 to 32.0% in December 2022 primarily due to the repayment of loans and revolving credit facilities with proceeds from the divestment of Central Square.

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<sup>3</sup> On a same-store basis, excluding VRCQ from FY 2021 and FY 2022, average occupancy would have increased 6.2pp YoY from 82.1% to 88.3% and ADR would have grown 16.5% from S\$194 to S\$226. RevPAU would have been 25.2% higher YoY from S\$159 to S\$199.

Term loans of S\$132.2 million were refinanced by the end of 2022, ahead of their maturity in April 2023. The weighted average debt to maturity improved from 2.7 years in December 2021 to 3.1 years in December 2022. The average cost of debt remained relatively low at 2.2% per annum due to lower fixed rates from interest rate swap contracts.

## **Corporate Governance Achievements**

For the year, Far East H-Trust continued to be recognised for its good corporate governance practices, ranking 3<sup>rd</sup> in the Singapore Governance and Transparency Index<sup>4</sup> (“SGTI”) for REITs and Business Trusts, as well as a joint 7<sup>th</sup> position in the Governance Index for Trusts<sup>5</sup> (“GIFT”) assessment.

For the first time, Far East H-Trust has also been included in the ASEAN Asset Class category under the 2021 ASEAN Corporate Governances Scorecard (“ACGS”) Awards held biennially and was ranked 8<sup>th</sup> out of the top 100 publicly listed entities by market capitalisation, and 2<sup>nd</sup> amongst S-REITs in Singapore.

In October 2022, Far East H-Trust was also the runner-up for the Shareholder Communications Excellence Award for a second consecutive year and Singapore Corporate Governance Award (REITs & Business Trusts Category) in the 2022 SIAS Investors' Choice Awards. These awards recognise Far East H-Trust’s outstanding efforts in upholding strong corporate governance standards, transparent disclosure and excellent communication with shareholders.

## **Outlook**

As the world transitioned to living with COVID-19 as an endemic, international tourism recovered to 63%<sup>6</sup> of the pre-pandemic level by the end of 2022, supported by pent-up demand for travel. In Singapore, visitor arrivals reached 6.3 million visitor arrivals or 33% of the pre-pandemic level.

For the year 2023, the Singapore Tourism Board expects visitor arrivals to reach around 12 to 14 million before a full recovery to the pre-pandemic level of about 19 million visitors by the year 2024. The World Tourism Organization (“UNTWO”) expects international tourism to reach 80% to 95% of the pre-pandemic level with strong demand from the Asia Pacific and in particular, China with its reopening of borders in January 2023. The International Air Transport Association has also projected global airline passenger demand to reach 85.5% of 2019 levels in 2023.

While geopolitical risks alongside an elevated inflation and interest rate environment remain in the next 12 months, the REIT Manager remains optimistic over the prospects of the hospitality industry given renewed efforts by the Government and the industry to build Singapore into an attractive destination for investments and tourism. The expected increase in visitor arrivals into Singapore arising from the reopening of more major markets and increased flight capacity in 2023 will enable more properties in Far East H-Trust’s portfolio to perform above their fixed rents.

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<sup>4</sup> Based on 44 REITs and Business Trusts assessed under the SGTI framework in 2022.

<sup>5</sup> Based on 43 REITs and Business Trusts assessed under the GIFT framework in 2022.

<sup>6</sup> UNWTO World Tourism Barometer and Statistical Annex, January 2023.

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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 12 properties totaling 3,015 hotel rooms and serviced residence units valued at approximately S\$2.45 billion as at 31 December 2022. In addition, Far East H-REIT holds a 30.0% stake in Fontaine Investment Pte Ltd (a joint venture with Far East Organization Centre Pte. Ltd., a member company of Far East Organization), which has developed three hotels in Sentosa. 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 63.3% owned by Far East Organization Pte. Ltd. as at 31 December 2022.

**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.