25 July 2025

Beansprout

OUE REIT

(SGX: TS0U)

Higher DPU as commercial portfolio remains resilient

- **Distribution per unit (DPU) rose by 5.4% year-on-year to 0.98 cents.** This was driven by lower interest expense and resilient performance of the office and retail assets. Revenue fell by 2.7% year-on-year to S$131.1 million. While the office segment remains resilient, the hospitality segment was impacted by weakness in Hilton Singapore Orchard.

- **Lower net property income (NPI).** OUE Reit reported net property income of S$105.3 million in 1H 2025, 2.0% lower year-on-year. Better than expected performance in the office segment was partly offset by underperformance in Hilton Singapore Orchard. On a positive note, the finance costs declined by 17.3% year-on-year amid the falling interest rate environment. Singapore Overnight Rate Average ("SORA") fell by about 100 basis points during the period.

- **Improvement in performance of Singapore office assets.** OUE REIT's net property income from the commercial segment grew by 5.1% year-on-year to reach S$65.2 million in 1H 2025. Average passing rent climbed 0.8% quarter-on-quarter to reach S$10.86 psf. Rental revision was above expectation, at 9.1% in 2Q25, compared with 9.9% in 1Q25. Despite the uncertain macroeconomic environment, the viewing activity in the office segment remains robust.

- **Potential uplift in office rental in 2026**. There is still demand for expansion from the Banking, Financial Services, and Insurance industry. Management remains focused on tenant retention for upcoming lease expiry. For example, Deloitte's lease at OUE Downtown will expire in end-2026. As average expiring rents in 2025 and 2026 are below market rent rate, OUE REIT expects positive rental revisions in the Singapore office space.

- **Hospitality segment performance weaker.** OUE REIT reported revenue per available room (RevPAR) at S$233, declining by 13.4%. Revenue and NPI fell by 12.9% year-on-year and 11.7% year-on year, to S$45.0 million and S$40.2 million, respectively. Besides the high base effect, the segment also faced cautious tourist sentiment and lower discretionary spending amid the macro uncertainty. With the stronger SGD, management noted that tourists are trading down to lower-tier hotels.

- **Hilton Singapore Orchard continued to underperform.** Hilton Singapore Orchard's RevPAR fell by 21.0% to S$230 in 1H 2025, as an increase in hotel room supply in the Orchard area dampened room rates. On a positive note, Crowne Plaza Changi Airport reported higher RevPAR at S$239 in 1H 2025, compared with S$228 in 1H 2024. In 2H 2025, the management is expecting moderate contribution from major events like Formula One in October. That

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Price Target*	S$0.320
Price (24 July)	S$0.310
Upside/Downside:	+3.2%
52-week range	S$0.250 - 0.335
Market Cap	S$1.71B

*Target price is for 12 months

Research Analyst

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said, they expect performance at Hilton Singapore Orchard to recover gradually.

- **Lower financing costs.** OUE REIT's financing costs declined significantly by 17.3% year-on-year to S$45.3 million in 1H 2025. Proactive capital management and the declining interest rate environment led to lower cost of debt, at 4.2% p.a. as of 30 June 2025 from 4.7% p.a. as of 31 December 2024. As the next debt maturity is in 2026, the cost of debt is expected to remain stable in 2025. OUE REIT is in the advanced stage of refinancing the debt maturing in 2026.

- **Lower net gearing.** OUE REIT's reported net gearing fell to 40.3% as of 30 June 2025 from 40.6% as of 31 March 2025. OUE REIT estimated that the aggregative leverage is expected to decline to 37.2%, as of 30 June 2025, if the divestment proceeds from sale of Lippo Plaza Shanghai are fully utilised to repay loans.

- **Maintain Buy.** Based on 1H 2025 DPU of 0.98 cents, OUE REIT offers an annualized distribution yield of 6.3%. It currently trades at a price-to-book valuation of 0.56x.

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Figure 1: OUE REIT 1H25 results summary

(S$m)	1H 2025	1H 2024	Change (% YoY)
Revenue	131.1	146.7	(10.6)
Like-for-Like Revenue	131.1	134.8	(2.7)
Net Property Income	105.3	117.1	(10.1)
Like-for-Like Net Property Income	105.3	107.5	(2.0)
Share of Joint Venture Results	6.3	4.5	41.0
Financing Costs	(45.3)	(54.7)	(17.3)
DPU (cents)	**0.98**	**0.93**	**5.4**

Source: Company data, Beansprout Research

Figure 2: OUE REIT balance sheet summary

	As of 30 Jun 2025	As of 31 Mar 2025
Aggregate Leverage	40.3%	40.6%
Total Debt	S$2,394 mn	S$2,412 mn
Weighted Average Cost of Debt (%)	4.2% p.a.	4.2% p.a.
Average Term of Debt	2.7 years	2.8 years
% Fixed Rate Debt	71.1%	74.7%
% Unsecured Debt	87.0%	87.1%
Interest Coverage Ratio (ICR)	2.2x	2.1x

Source: Company data, Beansprout Research

Company Background

OUE REIT has a diversified portfolio of three office assets, two hotels with a complementary retail mall. All the assets are located in Singapore.

Figure 7: The portfolio assets are predominantly located in Singapore

Assets	Stake (%)	Type	Valuation (S$mn)
OUE Bayfront	50	Office	1,388
One Raffles Place	67.95	Office	1,926
OUE Downtown Office	100	Office	930
Mandarin Gallery	100	Office	451
Hilton Singapore Orchard	100	Hospitality	1,318
Crowne Plaza Changi Airport	100	Hospitality	520

Source: Company data

Office

OUE REIT's three Singapore office assets are located in prime central business district and enjoy occupancy rates of above 90%. The value of OUE Bayfront represents OUE REIT's 50% share. It divested a 50% stake in this property in FY21 for S$1,267.5mn, or S$3,170 psf.

Hotel & Retail

OUE REIT owns two hotels in Singapore, with an adjacent retail mall, Mandarin Gallery, which complements the hospitality business. Asset enhancements were carried out at the hotels following the Covid-19 pandemic to add income-generating spaces and guest rooms.

Figure 13: The hotel assets

Property	Hilton Singapore Orchard	Crowne Plaza Changi Airport
No of rooms	1080	575
Master lease rental	Sum of (1) 33% of gross operating revenue, and (2) 27.5% of gross perating profit	Sum of (1) 4% of Hotel F&B Revenues (2) 33% of hotel rooms and other revenue (3) 30% of hotel gross operating profit; and (4) 80% of gross rental income from leased space
Minimum rental	S$45mn	S$22.5mn
Master Leasee	OUE Limited	OUE Airport Hotel Pte Ltd
Tenure	15 years expiring July 2028	Expiring May 2028
	Option to renew for another 15 years	Option to renew for 2 consecutive 5-year
Capex reserve	3% of gross operating revenue	3% of gross operating revenue
AEI spend	S$150mn	S$22mn (OUER's share = S$14mn)
AEI completed	Jan-23	Jan-24

Source: Company data

Disclosure Appendix

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