

Company Update

First REIT

Singapore | Real Estate

Rating HOLD (as at 3 November 2025)
Last Close SGD 0.280
Fair Value SGD 0.265

Ada Lim, CESGA

Interest cost savings outpaced by SGD appreciation

- **3Q25 distribution per unit (DPU) fell 5.5% quarter-on-quarter (QoQ) and 10.3% year-on-year (YoY) to 0.52 Singapore cents, missing our expectations**
- **Strategic review remains underway; divestment of Imperial Aryaduta Hotel & Country Club (IAHCC) to unlock net proceeds of SGD25.5m**
- **Reduce fair value (FV) estimate to SGD0.265 and reiterate HOLD rating**

Investment thesis

First REIT is a Singapore-listed healthcare real estate investment trust (REIT) with a portfolio of 32 nursing homes and hospitals located in Singapore, Japan, and Indonesia. Its relatively long weighted average lease expiry (WALE) of 9.8 years as at 30 Sep 2025 provides strong cash flow visibility, while built-in rental escalation clauses in its well-structured master leases provide potential for rental growth and upside sharing with tenants. Structural megatrends such as an ageing population and increasing demand for quality healthcare continue to support demand for First REIT's assets. Under its 2.0 Growth Strategy, First REIT seeks to diversify across tenants and geographies, which would improve its risk profile. At the start of 2025, First REIT announced that it had received a preliminary non-binding letter of intent (LOI) from PT Siloam International Hospitals Tbk (Siloam) to acquire its portfolio of hospital assets in Indonesia, and is currently in the midst of a strategic review to assess the LOI and explore its strategic options.

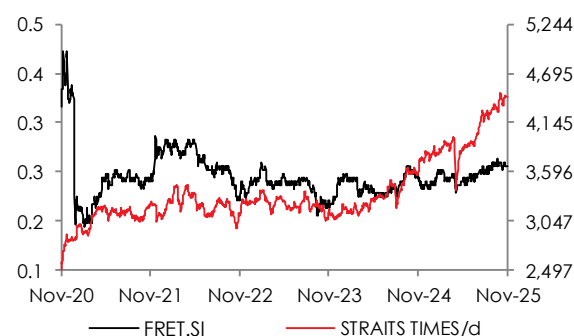
Investment summary

- **First REIT's 9M25 rental income and net property income (NPI) slipped 2% and 1.4% YoY to SGD75.5m and SGD73.3m, respectively** – FX continues to be a recurring detractor, as underlying rental income from Indonesia and Japan was up 5.5% and flat at IDR567.3b and JPY1.1b, respectively, in local currency terms. Distributable income fell 6.1% YoY to SGD34.8m and, together with a larger unit base, translated to a

Security information

Ticker	FRET.SI
Market Cap (SGD b)	0.6
Daily turnover (SGD m)	1.9
Free Float	63%
Shares Outstanding (m)	2,103
Top Shareholder	OUE Healthcare Ltd. 32.2%

Price performance chart



Financial summary

SGD m	FY24	FY25E	FY26E
Rental income	102.2	100.2	103.0
Net property income	98.5	96.6	99.4
Total return for the year	36.8	46.7	49.3
Distribution to unitholders	50.1	44.8	46.0
DPU (\$ cents)	2.36	2.13	2.17

Key ratios

	FY24	FY25E	FY26E
Distribution yield (%)	8.4	7.6	7.8
P/NAV (x)	0.98	1.00	1.02
NPI margin (%)	96.3	96.4	96.5
Aggregate leverage (%)	39.6	39.6	39.8

Source: Refinitiv, REIT Manager, Internal estimates

7.3% YoY decline in DPU to 1.65 Singapore cents. This constituted 74% of our initial full year forecast and marked a second consecutive quarter of DPU decline, missing our expectations. 3Q25 DPU of 0.52 Singapore cents is due to be paid out on 18 Dec 2025.

- Further interest cost savings expected post-refinancing of term loan coming due in May 2026** – In terms of capital management, First REIT's gearing inched up another 0.2 percentage points (ppt) from 41.2% as at 30 Jun 2025 to 41.4% as at 30 Sep 2025, reflecting an increase in borrowings and lower asset values on IDR and JPY depreciation. All-in cost of debt, however, improved 20bps over the quarter to 4.6%, with 49.5% of debt on fixed rates or hedged. As interest rates decline, there may be further cost savings when First REIT refinances or extends its SGD246.7m term loan due in May 2026. However, the impact of this on DPU will be heavily dependent on future FX movements and any changes to the REIT's current hedging strategies, which are, in turn, dependent on the outcome of the strategic review, in our view. Separately, management updated that rentals outstanding from Metropolis Propertindo Utama (MPU) stood at SGD6m as at 30 Sep 2025 (30 Jun 2025: SGD7m), indicating some repayment progress during the quarter, even as the REIT continues to engage MPU on this matter.
- Revised FV estimate of SGD0.265** – We update our model to account for persistent FX headwinds, as well as the divestment of IAHCC. The divestment consideration of IDR333.2b (SGD25.9m) translates to an approximate 0.65% premium to the average of two independent valuations of IDR25.7m as at 30 Jun 2025. After accounting for related fees and expenses of ~SGD0.4m, First REIT is expected to record a net loss of SGD0.2m, and net proceeds from the divestment of SGD25.5m may be used to repay debt, redeem perpetual securities, and/or fund general corporate and working requirements. Separately, we also note that First REIT has renewed its master lease agreement at Siloam Hospitals Lippo Cikarang for a term commencing on 31 Dec 2025 and expiring on 30 Jun 2026, for a pro-rated rent of SGD2.3m. The renewed lease provides revenue stability from the asset while allowing the REIT the flexibility to explore asset divestment as part of its ongoing strategic review. Altogether, our FY25 and FY26 DPU forecasts are slashed by 4.5% and 6.3%, respectively. Our new FY25 DPU projection implies a further 8% or 0.04 Singapore cents QoQ decline in 4Q25 DPU, which we think is prudent given continued SGD strength. As a result, our FV estimate nudges down from SGD0.27 to SGD0.265.

Results highlights

SGD m	9M24	9M25	% chg
Rental income	77.0	75.5	-2.0%
Net property income	74.4	73.3	-1.4%
Distributable amount	37.0	34.8	-6.1%
DPU (\$ cents)	1.78	1.65	-7.3%

Source: REIT Manager, Internal estimates

ESG Updates

- **Continued engagement on environmental considerations** – First REIT's reported Scope 3 emissions from its operations in Singapore and Indonesia have improved from FY23 to FY24. While First REIT does not have operational control over its properties, which are leased to related or third parties on master lease arrangements, it seeks to regularly engage its operators to implement environment-friendly initiatives. In FY24, First REIT allocated over SGD1.3m in CAPEX for this purpose. This included improvements like the installation of energy-efficient air conditioner and air handling units, replacement of energy-efficient LED emergency lights, as well as lift modernisation.
- **Fostering social good** – First REIT remains committed to providing a diverse, equitable, and inclusive workplace, and adopts the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP) guidelines. As of Dec 2024, women made up 70% of its workforce. During FY24, there were no incidents of discrimination, and each employee spent 25 hours on training, meeting the REIT's target.
- **Compliance with regulations and ethical business practices** – First REIT has put in place policies covering conflict of interest, whistle blowing, anti-money laundering, anti-bribery and anti-corruption, dealing in securities, and related party transactions. As a healthcare player, First REIT places particular emphasis on the prevention of data breaches; hence, it has put in place its own personal data protection policy to enhance personal data protection.

Potential catalysts

- DPU-accretive acquisitions
- Capital recycling from divestment of non-core assets
- Stronger-than-expected financial performance at Siloam results in faster rental escalation at 8% of hospital's gross operating revenue
- Successful negotiation for more favourable lease terms during lease renewal

Investment risks

- Execution risks of implementing 2.0 Growth Strategy and rejuvenating portfolio
- Significant depreciation of IDR or JPY against SGD
- Tenant default

Valuation analysis

	Price/Earnings		Price/Book		EV/EBITDA		Dividend Yield (%)		ROE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
PARKWAY LIFE REAL ESTATE INVESTMENT TRUST (PWL.R.SI)	24.5	22.3	1.6	1.6	26.9	25.8	3.8	4.3	8.1	8.2
HEALTHCARE & MEDICAL INVESTMENT CORP (3455.T)	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

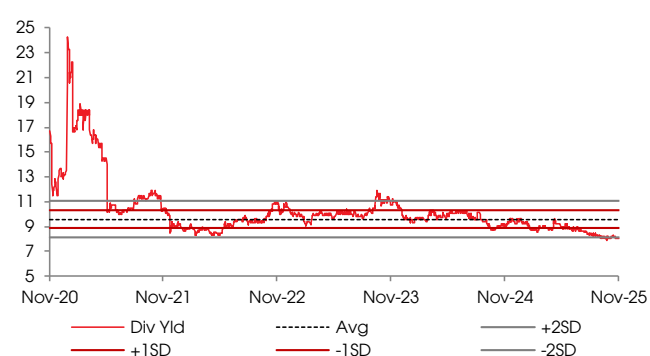
Source: Refinitiv

Historical Price/Book



Source: Refinitiv

Historical Distribution Yield



Source: Refinitiv

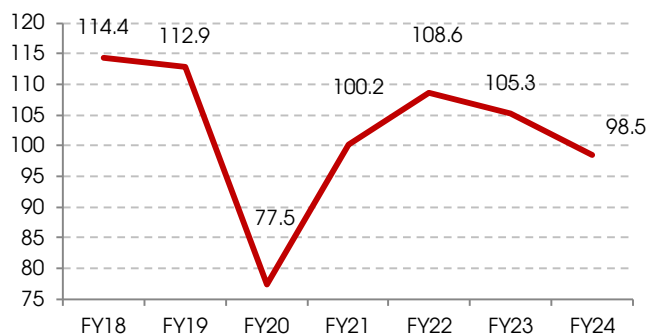
Company overview (as of 21 February 2025)

Company description

First Real Estate Investment Trust (First REIT) was the first healthcare real estate investment trust to list on the Singapore Exchange in Dec 2006. Its vision is to become Asia's premier healthcare trust, by investing in diverse, yield-accretive healthcare and healthcare-related real estate assets within and outside of Asia. As at 31 Dec 2024, First REIT has a portfolio of 32 properties across Asia, with a total asset value of SGD1.12b. These include three nursing homes in Singapore; 14 nursing homes in Japan; and 15 properties in Indonesia comprising 11 hospitals, two integrated hospitals and malls, an integrated hospital and hotel, and a hotel and country club. The REIT's healthcare properties in Indonesia are operated by PT Siloam International Hospitals Tbk, while its healthcare properties in Singapore and Japan are operated by well-established third-party operators.

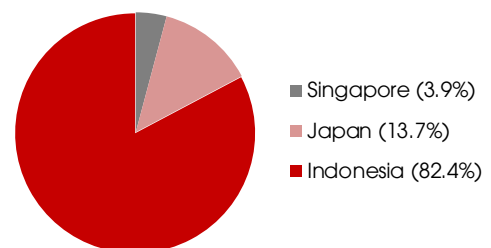
First REIT is managed by First REIT Management Limited, which is headquartered in Singapore. Its sponsors are OUE Limited and OUE Lippo Healthcare Limited, which hold a combined stake in First REIT of 45.2% as at 31 Dec 2024.

Net Property Income (SGD m)



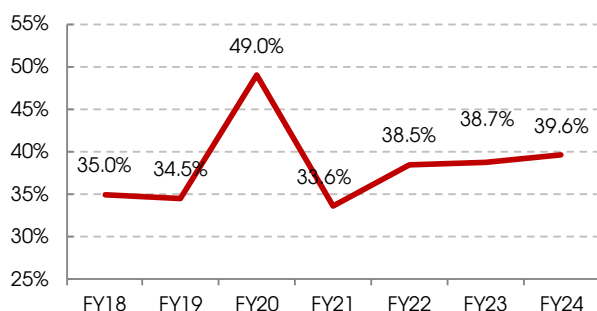
Source: REIT Manager

FY24 Rental Breakdown (by geography)



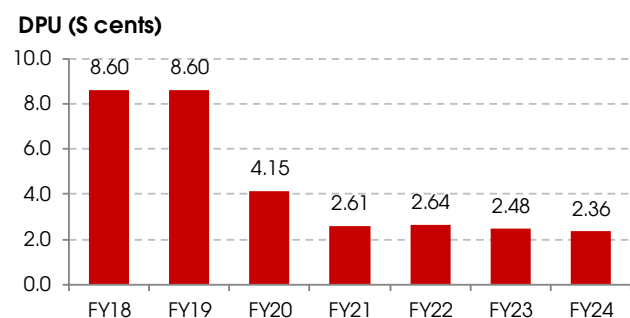
Source: REIT Manager

Gearing Ratio Trend



Source: REIT Manager

Distribution per unit (\$ cents)



Source: REIT Manager

Company financials

Income Statement

In Millions of SGD except Per Share 12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
Revenue	79.6	102.3	111.3	108.6	102.2
- Cost of Revenue	12.0	11.6	13.5	13.7	13.8
Gross Profit	67.6	90.8	97.8	94.9	88.4
+ Other Operating Income	--	--	--	--	--
- Operating Expenses	4.3	1.0	2.2	1.0	1.2
Operating Income or Losses	63.4	89.8	95.7	93.9	87.2
- Interest Expense	17.8	17.0	19.4	22.7	22.8
- Foreign Exchange Losses (Gains)	--	--	--	--	--
- Net Non-Operating Losses (Gains)	403.8	-3.0	24.3	-7.0	13.9
Pretax Income	-358.2	75.8	52.0	78.2	50.6
- Income Tax Expense (Benefit)	-5.8	12.7	18.4	14.9	13.8
Income Before XO Items	-352.4	63.1	33.6	63.3	36.8
- Extraordinary Loss Net of Tax	--	--	--	--	--
- Minority/Non Controlling Interests (Credits)	--	--	--	--	--
Net Income/Net Profit (Losses)	-352.4	63.1	33.6	63.3	36.8
Net Inc Avail to Common Shareholders	-355.8	59.9	31.0	61.7	35.1
Abnormal Losses (Gains)	--	--	--	--	--
Tax Effect on Abnormal Items	--	--	--	--	--
Normalized Income	-352.4	62.2	34.0	63.3	36.8
Basic Earnings per Share	-0.4	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	882.9	1,499.4	1,981.6	2,067.9	2,086.2
Diluted EPS Before Abnormal Items	-0.4	0.0	0.0	0.0	0.0
Diluted EPS Before XO Items	-0.4	0.0	0.0	0.0	0.0
Diluted EPS	-0.4	0.0	0.0	0.0	0.0
Diluted Weighted Avg Shares	882.9	1,499.4	1,981.6	2,067.9	2,086.2

Profitability Ratios

12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
Returns					
Return on Common Equity	-53.93	10.74	4.71	9.31	5.43
Return on Assets	-28.98	6.14	2.99	5.31	3.13
Return on Capital	5.52	3.76	3.47	3.30	3.35
Return on Invested Capital	-	8.85	5.61	6.22	5.64
Margins					
Operating Margin	57.20	71.10	68.49	65.61	63.04
Incremental Operating Margin	0.80	1.24	0.96	0.96	0.96
Pretax Margin	-449.93	74.07	46.69	72.04	49.48
Income before XO Margin	-442.62	61.67	30.18	58.34	35.96
Net Income Margin	-446.91	58.53	27.87	56.82	34.33
Net Income to Common Margin	-446.91	58.53	27.87	56.82	34.33
Additional					
Effective Tax Rate	-	16.75	35.36	19.02	27.33
Dvd Payout Ratio	-9.24	64.59	167.28	82.53	139.12
Sustainable Growth Rate	-53.98	10.67	4.63	9.23	5.35

Credit Ratios

12 Months Ending	FY2020 31/12/2020	FY2021 31/12/2021	FY2022 31/12/2022	FY2023 31/12/2023	FY2024 31/12/2024
Total Debt/EBIT	7.90	3.94	4.69	4.82	5.22
Net Debt/EBIT	7.58	3.37	4.21	4.38	4.82
EBIT to Interest Expense	3.47	5.20	4.94	4.12	3.81
Long-Term Debt/Total Assets	29.22	23.82	37.51	37.81	39.00
Net Debt/Equity	1.01	0.46	0.61	0.62	0.66

Source: Refinitiv

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