



CHINA  
DEVELOPMENT  
FINANCIAL

**OUE REIT**  
(OUERIT SP/TSOU.SI)

**Steady core, cheaper debt**

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- **CBD office strength holds.** OUE REIT’s office portfolio remained robust with committed occupancy at 95.3% as of 30 September 2025. Average passing rent rose 0.5% QoQ to S\$10.91 psf/month, while rental reversion for 3Q25 rose 9.3%, continuing to outpace Core CBD Grade A rent growth of 0.8% QoQ according to CBRE. Positive tenant retention and flight-to-quality demand remain key contributors to stability.
- **Retail resilience intact.** Mandarin Gallery sustained 97.4% occupancy and achieved a 5.6% rental reversion in 3Q25. Average passing rents rose to S\$22.52 psf/month, supported by curated brand activations and experiential retail strategies along Orchard Road.
- **Hospitality normalising from high base.** 3Q25 hospitality revenue and NPI declined 3.4% and 0.4% YoY respectively, on the F1 calendar shift to October. Portfolio RevPAR moderated to S\$279; Hilton Singapore Orchard at S\$293 and Crowne Plaza Changi Airport at S\$251.
- **Divestment-driven base effect.** The absence of Lippo Plaza contributions weighed on headline YoY comps. Same-store revenue grew 1.2% and NPI grew 2.0% YoY, underscoring core resilience.
- **Event-led tourism tailwinds.** STB projects 17mn-18.5mn visitors and S\$29bn-S\$30.5bn receipts in 2025, with a dense 4Q25 events calendar, such as F1, Token2049 and the upcoming BLACKPINK concert, should support RevPAR into FY26.
- **Strong financial footing.** Aggregate leverage stood at 40.9%, slightly up from 40.3% in 2Q25, while the weighted average cost of debt fell 10bps QoQ to 4.1%. Finance costs declined 19.7% YoY on the back of proactive refinancing and lower SORA. Interest coverage improved to 2.3x, and 66.7% of debt remains hedged. Following the issuance of S\$150mn 7-year Green Notes at 2.75%, debt maturity has been extended to 3.3 years on a pro forma basis.
- **Maintain Outperform.** We reiterate our **OUTPERFORM** rating and lift TP to **S\$0.36**, reflecting lower costs amidst easing rates and better funding visibility.

Financials & Key Operating Statistics					
YE Dec (\$'000)	2022	2023	2024	2025F	2026F
Net Property Income	196,915	234,967	234,035	216,743	229,053
PATMI	287,683	205,779	(32,481)	115,423	136,440
Distributable Income	111,626	115,307	113,660	108,497	122,796
DPU (S Cents)	2.12	2.09	2.06	1.96	2.21
DPU growth (%)	(18.5%)	(1.4%)	(1.4%)	(6.1%)	12.9%
Div Yield (Y%)	6.3%	7.3%	7.2%	5.8%	6.5%
Operating Margin (%)	74.4%	75.9%	73.4%	74.8%	75.0%
Net Gearing (%)	34.2%	33.9%	35.3%	38.2%	37.1%
Price P/B (x)	0.57	0.47	0.49	0.58	0.58
ROE (%)	4.0%	3.1%	2.6%	3.1%	3.7%

Source: Company data, KGI Research

**3Q25 financial update.** OUE REIT delivered a resilient 3Q25 performance, with like-for-like revenue of S\$70.5mn and NPI

Outperform - Company Update			
Price as of 13 Nov 25 (SGD)	0.34	<b>Performance (Absolute)</b>	
12M TP (\$)	0.36	1 Month (%)	-1.4
Previous TP (\$)	0.32	3 Month (%)	9.5
Upside, incl div (%)	8.8	12 Month (%)	28.3
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	1,877		
Issued Shares (mn)	5,519		
Vol - 3M Daily avg (mn)	3.0		
Val - 3M Daily avg (\$mn)	1.0		
Free Float (%)	42.0%		
Major Shareholders		Previous Recommendations	
OUE Realty Pte Ltd	22.4%	21-Aug-24	OP S\$0.309
Tang Gordon	9.0%	2-May-25	OP S\$0.318
Vanguard Group Inc/The	1.7%		

of S\$57.0mn, up 1.2% and 2.0% YoY respectively, reflecting the continued strength of its office and retail segments. Reported revenue and NPI declined 5.8% and 5.6% YoY due to the absence of contributions from Lippo Plaza. The office segment drove growth, with commercial revenue rising 4.2% and NPI rising 3.8% YoY respectively. In 1H25, DPU rose 5.4% YoY to 0.98 Sents, supported by lower finance costs and disciplined fee structures.

Figure 1: 3Q25 financial performance

	3Q25 (\$'mn)	3Q24 (\$'mn)	YoY Change (%)
Revenue*	70.5	69.7	1.2%
Net property income*	57.0	55.9	2.0%
Share of joint venture results	3.3	2.1	53.8%

\* : excluding Lippo Plaza Shanghai

Source: Company, KGI Research

**Management fee structure.** OUE REIT continues to pay 50% of base management fees in cash and 50% in units, aligning management interests with unitholders while conserving cash for reinvestment and capital flexibility.

**Valuation & Action:** We maintain **OUTPERFORM** with a target price of **S\$0.36**, based on a Dividend Discount Model (DDM) assuming an 8.1% cost of equity and 2.0% terminal growth. OUE REIT’s fully Singapore-centric, prime-weighted portfolio with improving funding costs and optionality from capital recycling supports stable yield and total return upside.

**Risks:** Macroeconomic uncertainties, asset concentration, interest rate reversal and slower-than-expected recovery in discretionary travel demand.

**Resilient leasing momentum underpinned by CBD exposure.** OUE REIT's office portfolio continued to outperform the broader market, achieving a 9.3% positive rental reversion in 3Q25 and maintaining 95.3% committed occupancy. Average passing rents rose 0.5% QoQ to S\$10.91 psf/month, supported by flight-to-quality and sustainability-focused demand. According to CBRE, Core CBD (Grade A) rents climbed 0.8% QoQ to S\$12.20 psf/month. OUE REIT's office WALE remains at 1.9 years, with expiring rents in 2026 still below market averages, indicating continued uplift potential. The limited Grade A supply pipeline and rising pre-commitment rates in new developments further underpin rental resilience into FY26.

**Retail stability supported by strategic positioning and tenant remixing.** Mandarin Gallery remained a bright spot, maintaining 97.4% occupancy and achieving 5.6% rental reversion in 3Q25. Average passing rent increased to S\$22.52 psf/month, reflecting sustained Orchard Road strength. Curated events and collaborations—such as POP MART's LABUBU display, Rosé and Ed Sheeran tie-ins, and brand activations—boosted shopper engagement, sustained foot traffic and rent growth against a backdrop of higher operating costs and selective new supply. The retail outlook remains stable, with CBRE projecting overall prime retail rents to rise 2.3% for the full year amid steady demand and moderate new supply.

**Hospitality moderates ahead of event-driven recovery.** The hospitality segment saw a 3.4% YoY revenue decline in 3Q25, largely due to the shift of the F1 Grand Prix to October. Nonetheless, portfolio RevPAR of S\$279 reflects strong baseline trading, supported by business travel and transit demand. Hilton Singapore Orchard's premium positioning and Crowne Plaza's connectivity to Changi Airport continue to provide balanced exposure across leisure and corporate segments. Visitor arrivals grew 3.0% YoY in 3Q25 and the STB forecasts 17.0-18.5 million visitors for 2025, with receipts of S\$29bn-S\$30.5bn. The hospitality outlook remains positive into 4Q25, supported by large-scale events such as F1, concerts by G-Dragon, Elton John, MICE events and major K-pop acts.

**Robust capital management supporting financial resilience.** OUE REIT's weighted average cost of debt declined further to 4.1%, with 66.7% fixed-rate debt providing interest rate protection. The new S\$150mn 7-year Green Notes at 2.75% coupon lowered blended funding cost and extended maturity. Interest coverage improved to 2.3x, with aggregate leverage at a manageable 40.9%. The REIT's cash position and available debt headroom support potential yield-accretive acquisitions, particularly in key gateway cities like Sydney and Tokyo, as management seeks diversification and scale through selective opportunities.

## Outlook

**Navigating a mixed office market with resilient central exposure.** While broader demand is cautious, CBD fundamentals are supported by tight vacancies and steady pre-commitments at new towers. In 3Q25, core CBD vacancy fell to 5.1% and rents rose 0.8% QoQ. Leasing activity remains steady amid cautious expansion by professional services and tech tenants. While overall office demand is moderating due to global uncertainties, limited new supply and strong occupancy in Grade A buildings provide downside protection. OUE REIT's centrally located office assets are well-positioned to capture stable renewals and incremental mark-to-market as below-market leases reprice.

**Resilient Orchard demand amid structural adaptation.** The retail landscape continues to recover, supported by tourism recovery and domestic consumption. Despite operational challenges such as cost inflation and manpower shortages, prime retail rents rose 0.7% QoQ, with fashion, wellness, and F&B players driving demand. OUE REIT's continued activation of Mandarin Gallery through high-engagement experiential events should sustain its strong occupancy and maintain premium positioning relative to peers.

**Gradual hospitality recovery with a stronger 4Q skew.** With the F1 Grand Prix and concert-heavy October–December calendar (BLACKPINK, G-Dragon, TWICE, Jacky Cheung), hotel performance is set to rebound in 4Q25. Combined with steady inbound travel growth and higher international flight capacity, RevPAR is expected to improve sequentially into FY26. OUE REIT's dual exposure to Orchard and Changi offers a balanced mix of leisure and corporate segments, mitigating concentration risk and capturing both event-led and transit demand.

**Strategic capital flexibility for future growth.** Post-Lippo Plaza divestment, OUE REIT retains ample balance sheet capacity to pursue accretive acquisitions and asset enhancement initiatives. Management continues to evaluate opportunities across Asia-Pacific's major gateway cities, such as Sydney and Tokyo, targeting prime CBD office and hospitality assets that enhance DPU sustainability and portfolio diversification.

## Valuation

We maintain our **OUTPERFORM** rating on OUE REIT, with a raised target price of **S\$0.36**, derived using a Dividend Discount Model (DDM) with an 8.1% cost of equity and 2.0% terminal growth. Reflecting greater stability following the REIT's portfolio reshaping and enhanced financial flexibility post-divestment of Lippo Plaza.

Key valuation drivers:

1. Lower finance costs, longer tenor: 3Q25 saw a 19.7% YoY decline in finance expenses. Progressive refinancing and swaps rolling off over the next two years should lock in cheaper coupons, improving DPU visibility
2. Tourism-led growth potential: Singapore's hospitality sector is poised for a gradual rebound, supported by government-led initiatives, steady air travel and a dense event pipeline, is expected to drive demand for the REIT's hospitality and retail assets.
3. Prime office resilience: Continued positive reversions, limited new Grade A supply and a continued flight-to-quality by occupiers support sustained rental rates.

With a 100% Singapore-based portfolio, enhanced debt maturity profile and growing operational efficiency, OUE REIT offers investors a compelling balance of defensive yield (expected 6.5% dividend yield in FY26) and medium-term upside from easing rates and stable asset performance.

**Figure 2: DDM Model**

DDM (S\$) - Base Case Scenario	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F
DPU Full Year (S\$ cents)	3.310	2.430	2.600	2.120	2.090	2.060	1.962	2.214	2.664	2.900	3.525
YoY Growth (%)		(26.6%)	7.0%	(18.5%)	(1.4%)	(1.4%)	(4.8%)	12.9%	20.4%	8.8%	21.6%
Dividend Yield (%)		7.1%	7.6%	6.2%	6.1%	6.1%	5.8%	6.5%	7.8%	8.5%	10.4%
Dividend Per Share in Terminal Year	2.214										
Cost of Equity (%)	8.1%										
Terminal Growth Rate (%)	2.0%										
DDM Value (S\$ cents)	36.2										
DDM Value (S\$)	\$0.362										
Current Price (S\$)	\$0.340										
Upside/(Downside), incl div (%)	8.8%										

Source: KGI Research

**Financials**

FYE 31 December					
<b>INCOME STATEMENT (SGD '000)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
Revenue	241,507.0	285,055.0	295,521.0	267,584.0	282,781.7
Property operating expenses	(44,592.0)	(50,088.0)	(61,486.0)	(50,841.0)	(53,728.5)
<b>Net property income</b>	<b>196,915.0</b>	<b>234,967.0</b>	<b>234,035.0</b>	<b>216,743.0</b>	<b>229,053.2</b>
Other income, intangible assets and expense:	(4,154.0)	(1,572.0)	(2,398.0)	(2,763.7)	(2,920.7)
Manager's management fees	(15,756.0)	(17,654.0)	(16,084.0)	(15,567.7)	(15,921.3)
Finance income	27,001.0	3,004.0	3,655.0	21,700.2	33,862.0
Finance costs	(81,967.0)	(114,847.0)	(116,711.0)	(112,142.0)	(111,714.0)
<b>Net profit/(loss) before fair value adjustments</b>	<b>122,039.0</b>	<b>103,898.0</b>	<b>102,497.0</b>	<b>107,969.8</b>	<b>132,359.2</b>
Change in fair value - investment ppty	139,727.0	87,474.0	(153,570.0)	-	-
Share of results from joint venture	37,108.0	16,886.0	30,484.0	31,093.7	32,026.5
<b>Total return before tax</b>	<b>298,874.0</b>	<b>208,258.0</b>	<b>(20,589.0)</b>	<b>139,063.4</b>	<b>164,385.7</b>
Income tax	(11,191.0)	(2,479.0)	(11,892.0)	(23,640.8)	(27,945.6)
<b>Total return after tax</b>	<b>287,683.0</b>	<b>205,779.0</b>	<b>(32,481.0)</b>	<b>115,422.6</b>	<b>136,440.1</b>
<b>Distributable income</b>	<b>111,626.0</b>	<b>115,307.0</b>	<b>113,660.0</b>	<b>108,497.3</b>	<b>122,796.1</b>
<b>BALANCE SHEET (SGD '000)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
Cash and cash equivalents	49,482.0	54,225.0	361,670.0	677,240.2	616,585.0
Other current assets	26,982.0	25,412.0	25,614.0	21,986.9	23,235.6
<b>Total current assets</b>	<b>76,464.0</b>	<b>79,637.0</b>	<b>387,284.0</b>	<b>699,227.1</b>	<b>639,820.6</b>
Investment properties	5,539,164.0	5,630,357.0	5,169,536.0	5,169,536.0	5,169,536.0
Intangibles, others	373,477.0	358,717.0	383,081.0	383,073.8	383,300.3
<b>Total assets</b>	<b>5,989,105.0</b>	<b>6,068,711.0</b>	<b>5,939,901.0</b>	<b>6,251,836.9</b>	<b>6,192,656.9</b>
Trade and other payables	76,271.0	90,340.0	71,594.0	75,448.5	79,733.7
Borrowings	327,618.0	-	115,265.0	388,000.0	400,000.0
Other current liabilities	14,875.0	16,251.0	40,317.0	40,317.0	40,317.0
<b>Total current liabilities</b>	<b>418,764.0</b>	<b>106,591.0</b>	<b>227,176.0</b>	<b>503,765.5</b>	<b>520,050.7</b>
LT Borrowings	1,721,841.0	2,055,119.0	1,984,370.0	1,998,000.0	1,898,000.0
Other non-current liabilities	141,133.0	128,971.0	71,101.0	74,987.2	76,878.6
<b>Total liabilities</b>	<b>2,281,738.0</b>	<b>2,290,681.0</b>	<b>2,282,647.0</b>	<b>2,576,752.7</b>	<b>2,494,929.3</b>
Unitholders' funds and reserves	3,707,367.0	3,778,030.0	3,657,254.0	3,675,084.2	3,697,727.6
<b>Total liabilities and equity</b>	<b>5,989,105.0</b>	<b>6,068,711.0</b>	<b>5,939,901.0</b>	<b>6,251,836.9</b>	<b>6,192,656.9</b>
<b>CASH FLOW STATEMENT (SGD '000)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
<b>Total return before tax</b>	<b>287,683.0</b>	<b>205,779.0</b>	<b>(58,908.0)</b>	<b>115,422.6</b>	<b>136,440.1</b>
Changes in working capital & non-cash adj	(92,534.0)	18,861.0	271,277.0	11,396.4	4,714.1
Taxes paid	(11,615.0)	(11,253.0)	(11,750.0)	-	-
<b>Cash flows from operations</b>	<b>183,534.0</b>	<b>213,387.0</b>	<b>200,619.0</b>	<b>126,819.1</b>	<b>141,154.3</b>
Capital expenditure	(47,639.0)	(10,568.0)	(24,075.0)	-	-
<b>Cash flows from investing</b>	<b>(30,848.0)</b>	<b>1,458.0</b>	<b>287,721.0</b>	<b>(21.4)</b>	<b>(12.8)</b>
Borrowings raised / (repaid)	(87,985.0)	2,000.0	(510,000.0)	286,365.0	(388,000.0)
Equity raised / (bought back)	136,976.0	(2,007.0)	538,225.0	-	300,000.0
Dividends paid	(141,822.0)	(122,632.0)	(116,814.0)	(97,592.5)	(113,796.7)
Other financing cashflow	(66,289.0)	(86,305.0)	(91,815.0)	-	-
<b>Cash flows from financing</b>	<b>(159,120.0)</b>	<b>(208,944.0)</b>	<b>(180,404.0)</b>	<b>188,772.5</b>	<b>(201,796.7)</b>
FX Effects, Others	(3,633.0)	(1,158.0)	(491.0)	-	-
<b>Net increase/(decrease) in cash</b>	<b>(6,434.0)</b>	<b>5,901.0</b>	<b>307,936.0</b>	<b>315,570.2</b>	<b>(60,655.2)</b>
Beginning Cash	59,549.0	49,482.0	54,225.0	361,670.0	677,240.2
<b>Ending cash</b>	<b>49,482.0</b>	<b>54,225.0</b>	<b>361,670.0</b>	<b>677,240.2</b>	<b>616,585.0</b>
<b>KEY RATIOS</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
DPU (SGD cents)	2.12	2.09	2.06	1.96	2.21
Dividend yield (%)	6.3	7.3	7.2	5.8	6.5
NAV per share (SGD cents)	0.59	0.60	0.58	0.58	0.59
Price/NAV (x)	0.57	0.47	0.49	0.58	0.58
<b>Profitability</b>					
Operating Margin (%)	0.7	0.8	0.7	0.7	0.8
Net Margin (%)	0.5	0.4	0.3	0.4	0.5
ROE (ex. Property FV gain) (%)	4.0	3.1	2.6	3.1	3.7
ROA (ex. Property FV gain) (%)	2.5	1.9	1.6	1.8	2.2
<b>Financial Structure</b>					
Interest Coverage Ratio (x)	2.5	2.4	2.1	2.2	2.4
Gearing Ratio (%)	34.2	33.9	35.3	38.2	37.1

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Rating	Definition
<b>Outperform (OP)</b>	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
<b>Neutral (N)</b>	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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