



## UNITED HAMPSHIRE US REIT'S DISTRIBUTABLE INCOME RISES 8.1% TO US\$8.3 MILLION FOR 3Q 2022

- **3Q 2022 Gross Revenue and Net Property Income increased 24.7% and 15.2% year-on-year ("y-o-y") to US\$17.0 million and US\$11.9 million respectively**
- **Strong performance boosted by Upland Square, the third DPU accretive acquisition as well as new and renewal leasing activity on the existing portfolio**
- **Resilient portfolio metrics – Grocery & Necessity Properties committed occupancy edged higher to 96.7%<sup>1</sup>**
- **Suburban grocery-anchored shopping centers benefiting from increased Necessity spending and new economy omnichannel retailing**
- **Recent inclusion in three indices, iEdge SG Real Estate Index, iEdge S-REIT Index, and iEdge SG ESG Transparency Index – reflective of steady growth and increasing market visibility**

**SINGAPORE, 9 NOVEMBER 2022** – United Hampshire US REIT Management Pte. Ltd. (the "**Manager**") of United Hampshire US Real Estate Investment Trust ("**UHREIT**"), announced today that its distributable income for the third quarter ended 30 September 2022 ("**3Q 2022**") of US\$8.3 million was 8.1% higher than the third quarter ended 30 September 2021 ("**3Q 2021**"). Contributions from UHREIT's third DPU accretive asset, Upland Square Shopping Center ("**Upland Square**"), completed on 28 July 2022, has boosted 3Q 2022 distributable income.

Supported by a resilient portfolio that generated higher revenue from both existing properties and the three properties acquired since the 4<sup>th</sup> Quarter of 2021, Gross Revenue for 3Q 2022 rose 24.7% y-o-y to US\$17.0 million from US\$13.6 million in 3Q 2021, whilst Net Property Income ("**NPI**") was US\$11.9 million, 15.2% higher than the US\$10.3 million achieved in 3Q 2021. Distributable income for year-to-date ended 30 September 2022 ("**YTD Sep 2022**") of US\$24.6 million was 7.5% higher than a year ago.

Mr. Robert Schmitt, Chief Executive Officer of the Manager, said, "UHREIT continued to deliver steady growth underpinned by our enlarged portfolio. We have seen a positive contribution from our third and largest accretive acquisition, Upland Square, to further enhance income visibility and resilience. At a level of 96.7%<sup>1</sup>, our Grocery & Necessity portfolio committed occupancy rate has also continued to improve as a result of strong leasing momentum to cycle-agnostic tenants providing essential services."

Commenting on the resilience of UHREIT's asset portfolio, Mr. Robert Schmitt added, "Our unique asset class, comprising mainly of Grocery Anchored & Necessity Based Retail Properties, has and will continue to weather well. These suburban open-air strip centers serve a niche segment of the retail market, one that is mainly focused on serving day-to-day necessity goods and services in demand by the U.S. consumers. Despite concerns of a potential recession, consumers will continue to spend on grocery and essential items. It has been observed that non-discretionary spending and grocery sales rose faster and well above the growth for discretionary goods spending in September 2022.

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<sup>1</sup> As at 30 September 2022.

The resiliency of our strip centers can also be observed in the rebound of footfall traffic. The wide range of new economy omnichannel strategies adopted by our tenants supports an emerging retailing trend, whereby consumers embrace a balance of in-store and online shopping post-pandemic. Industry reports indicate that approximately 70% of the consumers who make purchases online ultimately make additional purchases inside the store when picking up their orders<sup>2</sup>.”

“We are heartened that our continual education on the unique value proposition of our asset class has resulted in increased market visibility for UHREIT. Our recent inclusion into iEdge SG Real Estate Index, iEdge S-REIT Index and iEdge SG ESG Transparency Index will further boost the profile and overall awareness of UHREIT with various global real estate equity funds and investors,” added Mr. Robert Schmitt.

### **Portfolio Review**

In 3Q 2022, UHREIT delivered strong leasing progress with 11 new and renewal leases totalling approximately 67,139 sq ft<sup>3</sup>. There is minimal lease rollover of only 0.6% expiring for the balance of 2022<sup>4</sup>. As at 30 September 2022, the committed occupancy of the Grocery & Necessity portfolio reached a new high at 96.7%<sup>1</sup>, with a long WALE of 7.6 years<sup>5</sup>.

A majority of UHREIT’s existing Grocery & Necessity leases have built-in rental escalations, typically with fixed increases every 5 to 10 years for anchor tenants’ leases, and rental escalation of between 1% to 3% yearly for smaller, non-anchor tenants. Most of the leases for Grocery & Necessity Properties are triple net, which mitigate the risks associated with higher operating expenses for UHREIT, as tenants are responsible to reimburse their pro-rata share of property taxes, insurance, and common area maintenance expenses.

The acquisition of Upland Square has further increased tenant diversification, and the contribution from the top 10 tenants decreased from 66.1%<sup>6</sup> in 3Q 2021 to 56.2%<sup>4</sup> in 3Q 2022. This improvement will enhance the underlying stability and resiliency of the cash flow generated by the portfolio. At the same time, UHREIT maintained the portfolio focus on cycle-agnostic tenants providing essential services.

In 2Q 2022, UHREIT optimised its Self-Storage portfolio with the divestment of Elizabeth and Perth Amboy Self-Storage Properties. As at 30 September 2022, the occupancy of the two remaining Self-Storage properties, Carteret and Millburn remained at high levels of 93.9%, with quarterly net rental rates trending upwards.

Overall, with the successful completion of the acquisitions of three accretive assets – Colonial Square, Penrose Plaza and Upland Square – UHREIT successfully grew its total property value by 25.8% to US\$735.7 million<sup>7</sup>, up from US\$584.6 million<sup>8</sup> at IPO.

### **Prudent Capital Management**

UHREIT continued to be disciplined and prudent with its capital management strategy. UHREIT assumed an existing mortgage loan during the acquisition of Upland Square which has an attractive fixed rate of 3.62% and a long maturity until November 2026. This has further increased the REIT’s percentage of fixed rate loans to 82.0%<sup>9</sup>, up from 80.5% as at 30 June 2022 which further mitigates its exposure to interest rate fluctuations.

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<sup>2</sup> *Supermarket News – “Grocery Shoppers Take the Omnichannel Route”, 9 September 2022.*

<sup>3</sup> *Leases are typically triple net with no early termination rights and majority of the leases have built-in fixed rental increases.*

<sup>4</sup> *Based on base rental income of Grocery & Necessity Properties for the month of September 2022.*

<sup>5</sup> *Grocery & Necessity Properties only. Computation included forward committed leases. Excluding forward committed leases, the WALE is 7.5 years as at 30 September 2022.*

<sup>6</sup> *Based on base rental income of Grocery & Necessity Properties for the month of September 2021.*

<sup>7</sup> *Based on carrying value of investment properties as at 30 September 2022.*

<sup>8</sup> *As at 12 March 2020.*

<sup>9</sup> *Includes floating-rate loans that have been swapped to fixed rate.*

While it has no debt maturing in 2022, the Manager has been in negotiations with both existing as well as potential new lenders on refinancing options for its loan facilities maturing after 2022. UHREIT's borrowings are all in US dollar and is therefore naturally hedged by its US dollar income.

As at 30 September 2022, UHREIT maintained a strong interest coverage ratio of 5.6 times<sup>10</sup> with a weighted average interest rate of 3.05% per annum. UHREIT's leverage of 42.1% is well below the leverage limit of 50.0% set by the Monetary Authority of Singapore<sup>11</sup>.

## U.S. Market Outlook

Based on advance estimates released by the Bureau of Economic Analysis, U.S. third quarter GDP in 2022 increased at an annualised rate of 2.6%<sup>12</sup>. Meanwhile, according to recent U.S. Bureau of Labor Statistics data, nonfarm payroll employment increased by 263,000 in September 2022, while unemployment rate returned to the July 2022 level at 3.5%<sup>13</sup>.

The Consumer Price Index ("CPI") rose by 8.2% in September 2022<sup>14</sup>. While the high headline inflation figures continue to dominate news headlines, consumers continued to spend, with total grocery sales increasing 6.8%<sup>15</sup> y-o-y in September 2022, as compared to a marginal 1.0%<sup>15</sup> growth for discretionary sales<sup>16</sup>. Recent property analyst reports have pointed to a post-pandemic expansion trend in the retail real estate sector, with more new store openings in the U.S than closures. Of note, retail sales growth in physical brick-and-mortar stores has outpaced e-commerce, as the pandemic forced companies to accelerate the integration of online and in-person services<sup>17</sup>.

Strip center sector occupancy continued to climb higher since its 1Q 2021 trough. Coupled with high tenant retention rates, this has set the stage for additional gains in physical occupancy for the sector. Foot traffic has been trending positively over the summer although still slightly below pre-pandemic levels<sup>18</sup>. UHREIT's properties and tenants continue to demonstrate resiliency and remain largely unaffected given their omnichannel distribution capabilities despite the macroeconomic headwinds.

For the self storage sector, recent reports suggest that demand for self storage remains favourable as existing customer rate increases keep portfolio rent levels elevated. In addition, increased utilisation stemming from moving activity and Covid-related demand drivers had also led to significant pricing power in the sector. As a result, self storage rental rates have grown rapidly over the last several quarters<sup>19</sup>.

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<sup>10</sup> Interest coverage ratio as at 30 September 2022 was 5.6 times in accordance with the requirements under its loan facilities and 4.3 times in accordance with the Property Funds Appendix of the Code on Collective Investment Schemes.

<sup>11</sup> On or after 1 January 2022, the aggregate leverage of a property fund should not exceed 45% of the fund's deposited property but may exceed 45% (up to a maximum of 50%) only if the property fund has a minimum adjusted interest coverage ration of 2.5 times after taking into account the interest payment obligations arising from the new borrowings.

<sup>12</sup> U.S. Bureau of Economic Analysis, *Gross Domestic Product, Third Quarter 2022 (Advance Estimate)*, 27 October 2022.

<sup>13</sup> U.S. Bureau of Labor Statistics, *"The Employment Situation – September 2022"*, 7 October 2022.

<sup>14</sup> U.S. Bureau of Labor Statistics, *"Consumer Price Index – September 2022"*, 13 October 2022.

<sup>15</sup> U.S. Census Bureau.

<sup>16</sup> Discretionary sales include furniture and home furnishing stores, electronics and appliances stores, sporting goods, hobby, musical instrument and bookstores as well as clothing and clothing accessories stores.

<sup>17</sup> *Wall Street Journal*, *"Retail Real Estate Is Enjoying Its Biggest Revival in Years"*, 4 October 2022.

<sup>18</sup> *Green Street Strip Center Sector Update*, 26 August 2022.

<sup>19</sup> *Green Street Self-Storage Sector Update*, 30 August 2022.

## Looking Ahead

With concerns over rising interest rates and a potential recession, UHREIT continues to be focused on optimising its portfolio performance. The Manager will focus on its approach of delivering long-term accretive value to Unitholders through prudent capital management and proactive portfolio optimisation.



***Colonial Square, anchored by Publix, one of the largest U.S. grocery chains***



***Penrose Plaza, anchored by ShopRite and other major tenants including dd's Discount, Dollar Tree and Citi Trends***

**END**

To find out more about UHREIT, please visit <https://www.uhreit.com/>



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## About United Hampshire US REIT

Listed on the Main Board of the Singapore Exchange on 12 March 2020, UHREIT is a Singapore real estate investment trust established with the principal investment strategy of investing in a diversified portfolio of stabilised income-producing (i) grocery-anchored and necessity-based<sup>20</sup> retail properties (“**Grocery & Necessity Properties**”), and (ii) modern, climate-controlled self-storage facilities (“**Self-Storage Properties**”), located in the U.S.

The tenants targeted by UHREIT are tenants resilient to the impact of e-commerce, including but not limited to restaurants, home improvement stores, fitness centers, warehouse clubs and other uses with strong omnichannel platforms<sup>21</sup>.

UHREIT’s portfolio comprises 21 predominantly freehold Grocery & Necessity Properties and 2 Self-Storage Properties, primarily concentrated in the East Coast of the U.S., with property value of approximately US\$735.7 million<sup>22</sup> and an aggregate net lettable area (“**NLA**”) of approximately 3.8 million square feet.

## About the Sponsors

### UOB Global Capital LLC

UOB Global Capital LLC is an originator and distributor of private equity, hedge funds, fixed income and real estate products, and a global asset management subsidiary of United Overseas Bank Limited (“**UOB**”), a leading bank in Asia. UOB Global Capital LLC was founded in 1998 and has US\$2.9 billion in Asset Under Management (“**AUM**”) as of 31 December 2021. It operates from offices in New York and Paris, with representation at UOB’s headquarters in Singapore. In this way, the firm can conduct its activities and meet investors’ needs across the Americas, Europe, the Middle East and Asia.

### The Hampshire Companies, LLC

The Hampshire Companies, LLC is a privately held, fully integrated real estate firm and real estate investment fund manager, which has over 60 years of hands-on experience in acquiring, developing, leasing, repositioning, managing, financing and disposing of real estate. It has a diversified investment platform and derives results from its broad experience in multiple commercial real estate asset classes, including industrial, retail, self-storage, office, industrial and multifamily. The Hampshire Companies, LLC currently owns and operates a diversified portfolio of 150 properties across the U.S. with an AUM in excess of approximately US\$2.0 billion in value and totalling over 11.75 million square feet. The Hampshire Companies, LLC is also the asset manager of UHREIT bringing its total non-regulatory AUM to US\$2.7 billion<sup>23</sup>.

Since 2008, UOB Global Capital LLC and The Hampshire Companies, LLC have jointly formed three funds with combined AUM of approximately US\$1.27 billion (as at 31 December 2021) to focus on investment opportunities in income producing real estate assets in the U.S.

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<sup>20</sup> “**Grocery-anchored and necessity-based**” retail properties are assets which are anchored by non-discretionary spending businesses such as supermarkets and grocers (generally accounting for 50 to 70 per cent of the NLA), complemented by smaller inline tenants (generally each accounting for less than 5 per cent of the NLA) for lifestyle services such as hair salons, laundry and dry cleaning stores.

<sup>21</sup> “**Omnichannel platforms**” means the utilisation of multiple distribution channels, both physical and digital to allow the retailer to be better positioned to engage with the customer. These channels include the physical store, websites, phones, e-mail offers, social media, and traditional advertisement methods (i.e. print media).

<sup>22</sup> Based on carrying value of investment properties as at 30 September 2022.

<sup>23</sup> As at 31 December 2021.

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