United Hampshire US REIT (UHU SP)

1H26: Resiliency From Focus On Essential Services

Highlights

- UHU generated DPU growth of 3.4% yoy in 1H26 with contributions from recently acquired Dover Marketplace and Wallingford Fair Shopping Center.
- Portfolio occupancy remains high at 97.6%, and WALE was stable at 7.9 years for Grocery & Necessity properties. Tenants providing essential services accounted for 58.5% of gross rental income.
- Valuation is attractive with a 2026 DPU yield of 9.0% (Kimco Realty: 4.7% and Regency Centers: 4.0%). Maintain BUY. Target price: US$0.69.

1H26 Results

Year to 31 Dec (US$m)	1H26	yoy % Chg	Remarks
Gross Revenue	37.8	+5.8	Contributions from Dover Marketplace and Wallingford Fair.
Net Property Income (NPI)	25.5	+6.4	DICK'S Sporting Goods opened at Hudson Valley Plaza in Mar 26.
Finance Costs	(9.2)	+6.8	Cost of debt eased 32bp yoy and 2bp qoq to 4.89% in 1H26.
Distributable Income	13.7	+5.8	
DPU (US cents)	2.16	+3.4	Retained distributable income of US$0.6m.

Source: UHU, UOB Kay Hian

Analysis

- United Hampshire US REIT (UHU) delivered resilient results with DPU of 2.16 US cents for 1H26 (+3.4% yoy), which is in line with our expectation.
- **Firing on all cylinders.** Gross revenue, NPI and distributable income rose 5.8%, 6.4% and 5.8% yoy, respectively, in 1H26, driven by contributions from recently acquired properties, Dover Marketplace (completion: 2 Aug 25) and Wallingford Fair Shopping Center (completion: 14 Jan 26), new lease commencements and embedded rental escalations. The acquisitions have integrated well and were immediately DPU accretive.
- **Strong leasing momentum.** UHU secured more than 260,000sf of new and renewal leases during 1H26, including lease extensions with major grocery tenants, such as Giant Supermarket and Stop & Shop. Tenants providing essential services accounted for 58.5% of gross rental income. Grocery & Necessity occupancy remains high at 97.6%, and portfolio WALE was stable at 7.9 years. Tenant retention rate was healthy at 90%. There is minimal leasing risk as only 0.6% and 4.6% of leases are expiring in 2H26 and 2027 respectively. Occupancy at the self-storage portfolio improved 4.3ppt yoy to 93.5%, reflecting healthy demand.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	73	72	76	76	77
EBITDA	45	43	45	46	47
Operating profit	45	43	45	46	47
Net profit (rep./act.)	30	21	25	25	26
Net profit (adj.)	20	21	24	25	26
EPU (US$ cent)	3.5	3.5	3.9	4.2	4.3
DPU (US$ cent)	4.1	4.4	4.6	4.9	5.0
PE (x)	14.6	14.6	13.1	12.1	12.0
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU yld (%)	8.0	8.6	9.0	9.7	9.8
Net margin (%)	40.8	28.7	33.5	33.6	33.4
Net debt/(cash) to equity (%)	64.8	64.3	66.1	69.1	72.2
Interest cover (x)	2.4	2.4	2.6	2.8	2.8
ROE (%)	6.9	4.7	5.7	5.8	5.9
Consensus DPU (US$ cent)	-	-	4.8	4.9	5.2
UOBKH/Consensus (x)	-	-	0.96	1.01	0.96

Source: United Hampshire US REIT, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	US$0.51
Target Price	US$0.69
Upside	35.3%
Previous TP	US$0.72

Stock Data

Sector	Real Estate
Bloomberg ticker	UHU SP
Shares issued (m)	608.2
Market cap (US$m)	310.2
Market cap (US$m)	310.2
3-mth avg daily t'over (US$m)	0.2

Price Performance (%)

52-week high/low: US$0.57/US$0.48

1mth	3mth	6mth	1yr	YTD
(1.9)	(1.9)	(8.9)	5.2	(1.0)

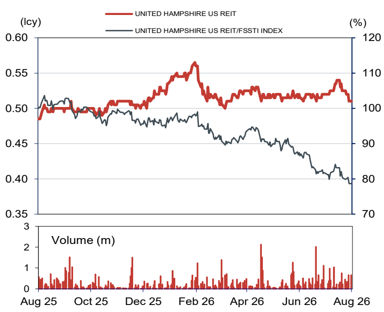
Major Shareholders (%)

U.S. RE Fund II Offshore Feeder 1	8.0
MCB Asia Investor LLC	5.5
Kuang Ming Investment	5.0

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.73
FY26 Net Debt/Share (US$)	0.48

Price Chart



Source: Bloomberg

Company Description

UHU invests in income-producing real estate used primarily for grocery-anchored & necessity-based retail and self-storage purposes in the US.

- **Accretive acquisitions and tenant openings.** UHU benefitted from the first full-period contribution from Dover Marketplace (anchor tenant: Giant Supermarket, subsidiary of Ahold Delhaize) and the acquisition of Wallingford Fair completed in Jan 26 (anchor tenant: ShopRite). DICK'S Sporting Goods opened a new 53,000sf store at Hudson Valley Plaza in Mar 26. In May 26, Cava Mezze Grill opened a new store at St Lucie West, while Bath & Body Works opened at Upland Square.
- **Value creation through AEI.** At St Lucie West in Florida, UHU is developing a new 5,000sf store on excess land next to the existing Academy Sports store, which opened in Nov 23. The new store was fully pre-leased to Florida Blue, a health insurance company, under a 10-year lease agreement. The asset enhancement initiative (AEI) incurs capex of US$2m and is expected to generate ROI of 10%. The new store is expected to complete in 1Q27.
- **Prudent capital management.** Aggregate leverage eased 0.7ppt qoq to 40.4% as of Jun 26 due to repayment of revolving credit facility. UHU has no refinancing requirements until Feb 28 and maintains financial flexibility with US$120.5m of undrawn facilities. Weighted average borrowing cost declined 32bp yoy and 2bp qoq to 4.89%, marking the fifth consecutive quarters of reduction. 71.5% of borrowings are fixed rate or hedged. Interest coverage ratio is healthy at 2.4x.
- **Proactive capital recycling.** UHU is divesting BJ's Quincy, a freehold single-storey free-standing wholesale club in Massachusetts leased to BJ's Wholesale Club, for US$34.0m, representing 4.9% premium to its independent valuation of US$32.4m. The capital recycling allows UHU to unlock value and redeploy capital into higher-growth opportunities. The estimated net proceeds of US$33.3m could be used to repay debt, fund capex or support acquisitions. It reduces pro forma aggregate leverage from 38.6% to 35.9% and improves interest coverage ratio from 2.4x to 2.5x. There is no material impact on DPU or NAV. Completion is expected on 15 Sep 26.

Valuation/Recommendation

- **Pulling multiple levers to generate sustainable growth.** UHU focuses on accretive acquisitions, asset recycling and AEI to drive sustainable growth. With continued demand for physical storefronts, UHU is well positioned to capitalise on growth opportunities. It will benefit from full-year contributions from the acquisitions of Dover Marketplace and Wallingford Fair in 2026. It could also consider recycling assets by divesting self-storage properties (yield: 5%) and reinvesting in strip centres (yield: 6-7%).
- **Strip centres play vital role in omni-channel retailing.** Physical stores have become fulfilment hubs to facilitate pick-ups, and process returns for merchandise purchased online. Using physical stores as pick-up and drop-off points helps lower labour, packaging and delivery costs. Curbside pick-ups have become popular at grocery stalls and supermarkets. Visitations to physical stores generate additional in-store sales and online purchases.
- **Maintain BUY.** UHU trades at 2026 DPU yield of 9.0% (Kimco Realty: 4.7% and Regency Centers: 4.0%). It trades at P/NAV of 0.70x. Our target price of US$0.69 is based on the dividend discount model (cost of equity: 8.95% (previous: 8.5%), terminal growth: 2.0% (previous: 1.5%)).

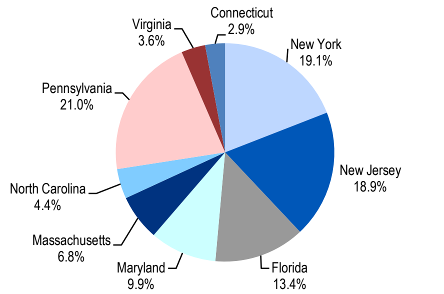
Earnings Revision/Risk

- We trimmed our DPU forecast by 5% for 2026 and 3% for 2027 due to: a) our assumption that UHU retains S$0.5m in 1H27 and 1H28, and b) divestment of BJ's Quincy completed in Sep 26.

Share Price Catalyst

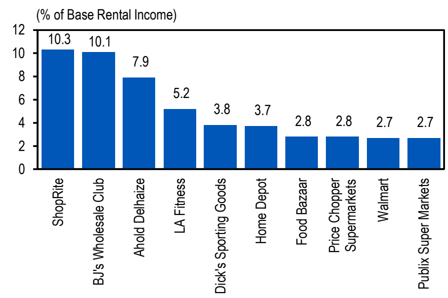
- Resiliency of spending on necessity products and essential services; yield-accretive acquisitions of grocery and necessity retail properties.

Portfolio Valuation By State



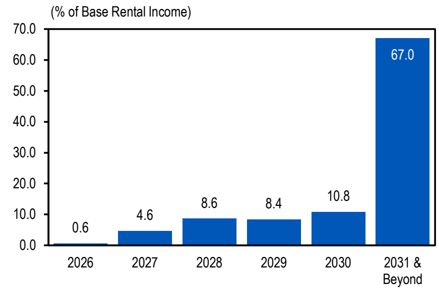
Source: UHU

Top 10 Tenants – Grocery & Necessity Retail



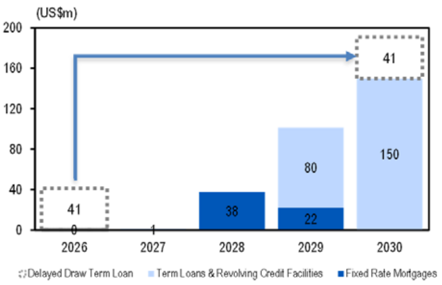
Source: UHU

Lease Expiry Profile



Source: UHU

Debt Maturity Profile



Source: UHU

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	72.0	75.7	75.9	77.2
EBITDA	43.3	45.5	46.3	47.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	43.3	45.5	46.3	47.2
Total other non-operating income	(0.2)	1.7	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(18.0)	(17.5)	(16.6)	(17.1)
Pre-tax profit	25.1	29.7	29.7	30.0
Tax	(4.3)	(4.1)	(4.0)	(4.0)
Minorities	(0.2)	(0.2)	(0.2)	(0.2)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	20.7	25.3	25.5	25.8
Net profit (adj.)	20.9	23.6	25.5	25.8

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	794.1	788.9	793.9	798.9
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	20.5	24.6	24.7	24.9
Other current assets	12.2	13.5	13.5	13.7
Total assets	826.8	827.0	832.1	837.4
ST debt	41.8	41.8	41.8	41.8
Other current liabilities	28.4	20.0	20.1	20.5
LT debt	264.7	275.0	285.0	295.0
Other LT liabilities	44.6	45.9	45.9	45.9
Shareholders' equity	444.7	442.2	437.2	432.2
Minority interest	2.7	2.0	2.0	2.0
Total liabilities & equity	826.8	826.9	832.0	837.4

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	43.4	12.8	42.2	43.1
Pre-tax profit	25.3	27.9	29.7	30.0
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	(0.3)	(1.8)	(1.8)	(1.8)
Associates	0.0	0.0	0.0	0.0
Working capital changes	11.6	(7.8)	0.1	0.2
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	6.8	(5.6)	14.2	14.7
Investing	(6.8)	27.0	(5.0)	(5.0)
Capex (growth)	(17.0)	0.0	0.0	0.0
Capex (maintenance)	(13.4)	(7.0)	(5.0)	(5.0)
Proceeds from sale of assets	23.1	34.0	0.0	0.0
Others	0.6	0.0	0.0	0.0
Financing	(30.4)	(35.7)	(37.1)	(38.0)
Distribution to unitholders	(17.2)	(28.5)	(30.5)	(30.8)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	8.4	10.3	10.0	10.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(21.5)	(17.6)	(16.6)	(17.1)
Net cash inflow (outflow)	6.3	4.1	0.1	0.2
Beginning cash & cash equivalent	14.3	20.5	24.6	24.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	20.5	24.6	24.7	24.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	60.2	60.1	61.0	61.0
Pre-tax margin	34.9	39.2	39.1	38.9
Net margin	28.7	33.5	33.6	33.4
ROA	2.5	3.1	3.1	3.1
ROE	4.7	5.7	5.8	5.9
Growth				
Turnover	(1.7)	5.1	0.3	1.7
EBITDA	(3.0)	4.9	1.9	1.9
Pre-tax profit	(29.0)	18.1	0.1	1.1
Net profit	(30.9)	22.6	0.7	1.3
Net profit (adj.)	2.2	13.0	8.0	1.3
EPU	(0.0)	11.3	8.0	1.3
Leverage				
Debt to total capital	40.7	41.6	42.7	43.7
Debt to equity	68.9	71.6	74.7	77.9
Net debt/(cash) to equity	64.3	66.1	69.1	72.2
Interest cover (x)	2.4	2.6	2.8	2.8