

United Hampshire US REIT (UHU SP)

Turning Around From Retail Apocalypse To Retail Renaissance

Highlights

- Recent surveys indicate that young Americans have renewed their interest in spending a substantial amount of their time at retail malls.
- Rents at strip centres are rising due to limited new construction and expansion by grocery, discount and service-oriented retailers. Green Street forecasts annual strip centre supply growth of only 0.3% during 2026-30.
- Valuation is attractive with a 2027 DPU yield of 10.9% (Kimco Realty: 5.1% and Regency Centers: 4.2%). Maintain BUY. Target price: US\$0.63.

Analysis

- Young Americans returning to retail malls.** A survey conducted by Ipsos Consumer Tracker in Jul 26 found a 9ppt increase in adults aged 18-34 who visit malls “often” or “sometimes”. Another research conducted by Stagwell found that Gen Z spend an average of 2.6 hours per visit, longer than any other age group. These findings indicate that young Americans have renewed their interest in spending a substantial amount of time at retail malls.
- Supply of enclosed mall has contracted** as weaker properties close or are redeveloped. Green Street estimated that roughly 900 malls remain nationwide, down from 1,100 in 2008, representing an 18% decline, caused by competition from online shopping, closure of department stores and pandemic disruption. New construction is scarce due to high development costs and lengthy approval processes. The last major opening of an enclosed mall occurred in 2019. The closures and limited new supply have reduced competition for well-located malls that survived the retail Apocalypse, helping them attract more shoppers and tenants.
- Rents at strip centres are rising** due to limited new construction and expansion by grocery, discount and service-oriented retailers, which increased competition for well-located space. Landlords can raise rents when leases expire, particularly at grocery-anchored strip centres serving everyday needs in affluent suburban communities. Green Street forecasts annual strip centre supply growth of just 0.3% between 2026 and 2030, compared with a long-term average of 1.0%. Kimco Realty reported that leases signed for comparable spaces in 2Q26 achieved cash rents averaging 13.1% above previous levels, including increases of 40.4% on new leases and 6.1% on renewals. Rental uplift is substantial when retail space is re-let.

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	25
Net profit (adj.)	20	21	24	25	25
EPU (US\$ cent)	3.5	3.5	3.9	4.1	4.2
DPU (US\$ cent)	4.1	4.4	4.6	4.9	4.9
PE (x)	12.9	12.9	11.6	10.8	10.8
P/B (x)	0.6	0.6	0.6	0.6	0.6
DPU yld (%)	9.0	9.8	10.2	10.9	10.9
Net margin (%)	40.8	28.7	33.4	33.2	32.9
Net debt/(cash) to equity (%)	64.8	64.3	66.1	69.1	72.2
Interest cover (x)	2.4	2.4	2.6	2.7	2.7
ROE (%)	6.9	4.7	5.7	5.7	5.8
Consensus DPU (US\$ cent)	-	-	4.6	4.8	5.0
UOBKH/Consensus (x)	-	-	1.00	1.02	0.99

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

Analyst(s)

Jonathan Koh, CFA, MSc Econ

jonathankoh@uobkh.com

+65 6590 6620

BUY (Maintained)

Share Price	US\$0.45
Target Price	US\$0.63
Upside	40.0%
Previous TP	US\$0.69

Stock Data

Sector	Real Estate
Bloomberg ticker	UHU SP
Shares issued (m)	610.3
Market cap (US\$m)	274.6
Market cap (US\$m)	274.6
3-mth avg daily t'over (US\$m)	0.2

Price Performance (%)

52-week high/low			US\$0.57/US\$0.445	
1mth	3mth	6mth	1yr	YTD
(8.2)	(13.5)	(12.6)	(9.1)	(12.6)

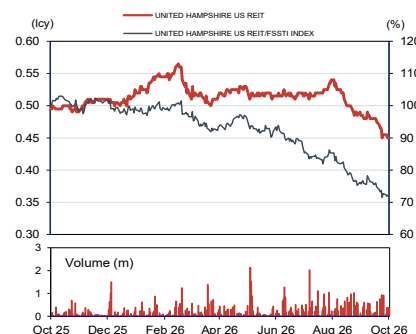
Major Shareholders (%)

US RE Fund II Offshore Feeder 1 Ltd	8.0
MCB Asia Investor LLC	5.5
Kuang Ming Investment Pte Ltd	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.

- **Capital values for strip centres are rising** as limited supply, resilient tenant demand and rental growth strengthen their appeal to investors. Green Street's pricing data showed that values of strip centres have risen 8% ytd as of Aug 26, outperforming the broader commercial property market's 5% gain and bringing values within 0.4% of their 2022 peak. Grocery-anchored and service-oriented strip centres benefit from regular visits for everyday needs, while scarce available space supports occupancy and landlords' ability to raise rents. Valuation gains vary by location and asset quality and could be tempered from further appreciation by higher borrowing costs.

Valuation/Recommendation

- **Pulling multiple levers to generate sustainable growth.** United Hampshire US REIT (UHU) focuses on accretive acquisitions, asset recycling and asset enhancement initiatives (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. Visitation to physical stores generate additional in-store sales and online purchases.
- **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 AEI incurs capex of US\$2m and is expected to generate ROI of 10%. The new store is expected to complete in 1Q27.
- **Proactive capital recycling.** UHU completed the divestment of BJ's Quincy, a freehold single-storey free-standing wholesale club in Massachusetts leased to BJ's Wholesale Club, for US\$34.0m, representing a 4.9% premium to its independent valuation of US\$32.4m, in Sep 26. 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.
- **Maintain BUY.** Unit price has corrected 17% from the recent peak at US\$0.54 in Aug 26. UHU trades at 2027 DPU yield of 10.9% (Kimco Realty: 5.1% and Regency Centers: 4.2%). It trades at P/NAV of 0.63x.
- We have lowered our target price from US\$0.69 to US\$0.63 based on the dividend discount model (cost of equity: 9.45% (previous: 9.15%), terminal growth: 2.0%). We have raised our risk-free rate from 4.8% to 5.2% due to higher US 10-year treasury bond yield.

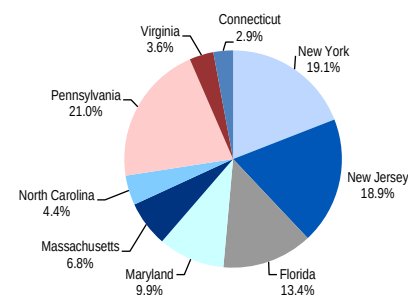
Earnings Revision/Risk

- We trimmed our DPU forecasts by 1.0% for 2027 and 1.4% for 2028 assuming the Fed institutes two interest rates hikes of 25bp in 2H26.

Share Price Catalyst

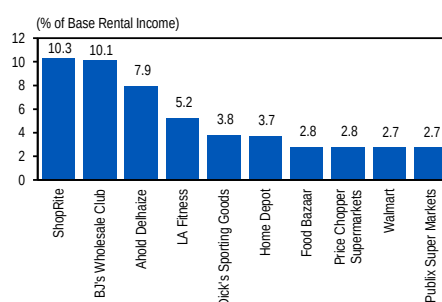
- Resiliency of spending on necessity products and essential services; yield-accretive acquisitions of grocery and necessity retail properties.

Portfolio Valuation By State



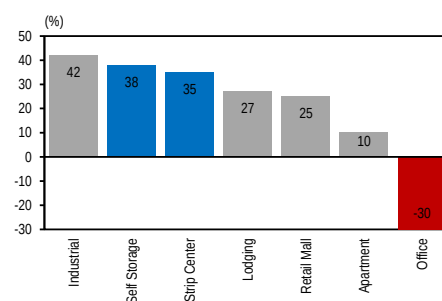
Source: UHU

Top 10 Tenants – Grocery & Necessity Retail



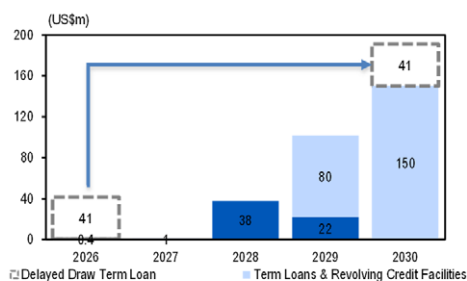
Source: UHU

Green Street Commercial Property Price Index (Jun 20-Jun 26)



Source: Green Street

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	46.4	47.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	43.3	45.5	46.4	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)	(17.6)	(17.0)	(17.6)
Pre-tax profit	25.1	29.6	29.4	29.6
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	25.2	25.4
Net profit (adj.)	20.9	23.5	25.2	25.4

Cash Flow

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Operating	43.4	12.8	42.2	43.2
Pre-tax profit	25.3	27.9	29.4	29.6
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	(5.5)	14.6	15.2
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)	(37.2)	(38.0)
Distribution to unitholders	(17.2)	(28.4)	(30.2)	(30.4)
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)	(17.0)	(17.6)
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

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

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	60.2	60.1	61.1	61.1
Pre-tax margin	34.9	39.1	38.7	38.3
Net margin	28.7	33.4	33.2	32.9
ROA	2.5	3.1	3.0	3.0
ROE	4.7	5.7	5.7	5.8
Growth				
Turnover	(1.7)	5.1	0.3	1.7
EBITDA	(3.0)	5.0	2.0	1.8
Pre-tax profit	(29.0)	17.9	(0.8)	0.7
Net profit	(30.9)	22.4	(0.4)	0.9
Net profit (adj.)	2.2	12.7	6.9	0.9
EPU	(0.0)	11.0	6.9	0.9
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	2.7	2.7

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