United Hampshire US REIT (UHU SP)

9M26: Resilient Retail Portfolio With Multiple Paths For Growth

Highlights

- UHU's 9M26 distributable income rose 3.6% yoy to US$20.7m, in line with expectations. NPI growth of 5.4% yoy is supported by acquisitions, new leases and rental escalations. Grocery & necessity occupancy remained high at 97.6%, with tenant retention of 89.9% and WALE of 7.9 years.
- Growth prospects remain supported by accretive acquisitions, asset enhancements and resilient strip-centre demand with rising foot traffic.
- UHU trades at a 2027 DPU yield of 10.2% (Kimco Realty: 4.4% and Regency Centers: 4.2%) and P/NAV of 0.62x. Maintain BUY. Target price: US$0.63.

9M26 Results

Year to 31 Dec (US$m)	9M26	yoy % Chg	Remarks
Gross Revenue	57.0	+5.8	New lease commencements, built-in rental escalations and acquired
Net Property Income (NPI)	38.7	+5.4	Dover Marketplace and Wallingford Fair Shopping Center.
Distributable Income	20.7	+3.6	

Source: UHU, UOB Kay Hian

Analysis

- United Hampshire US REIT (UHU) delivered distributable income of US$20.7m for 9M26 (+3.6% yoy), which is in line with our expectation.
- **Acquisitions and rental growth underpin earnings.** Revenue and NPI growth were 5.8% and 5.4% yoy respectively in 9M26, driven by new lease commencements, built-in rental escalations and contributions from newly acquired Dover Marketplace (completion: Aug 25) and Wallingford Fair Shopping Center (completion: Jan 26). Finance costs increased because of additional acquisition borrowings.
- **Resilient leasing with limited near-term expiries.** UHU secured over 311,000sf of new and renewal leases in 9M26. Its strip centres achieved positive rental reversion averaging low single-digit. Grocery & necessity committed occupancy remained stable at 97.6%, and tenant retention at 89.9%. Tokyo Buffet Sushi & Hibachi opened at St Lucie West in Aug 26. Notable renewals include Ulta Beauty and OneMain Financial at Lynncroft Center and Snipes Menwear at Penrose Plaza. Only 0.4% and 4.1% of leases expire in the remainder of 2026 and in 2027 respectively, as of Sep 26.
- **Defensive and resilient.** Essential-service tenants accounted for 56.6% of Grocery & necessity gross rental income. Leases are substantially triple net and include rental escalations. Portfolio WALE is 7.9 years.
- **Capital recycling through BJ's Quincy divestment.** UHU completed the sale of BJ's Quincy in Massachusetts on 16 Sep 26 for US$34.0m, 4.9% above its independent valuation and 1.2% above purchase price. The disposal NPI yield was 5.86%, based on 2025 NPI. Net proceeds may be used to repay borrowings, fund capital expenditure or potential acquisitions.

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)	-	-	4.4	4.5	4.5
UOBKH/Consensus (x)	-	-	1.04	1.09	1.09

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

Analyst(s)

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BUY (Maintained)

Share Price	US$0.45
Target Price	US$0.63
Upside	40.0%

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$0.415
1mth	3mth	6mth	1yr	YTD
5.9	(14.3)	(12.6)	(10.9)	(12.6)

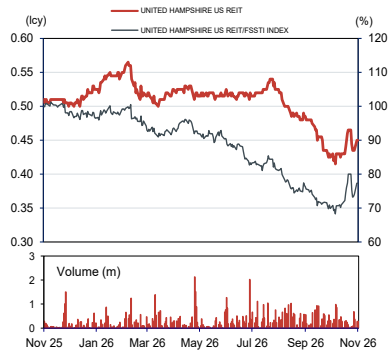
Major Shareholders (%)

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.

- **Florida Blue development is progressing.** Construction of the new 5,000sf store at St. Lucie West is underway, with completion now targeted for 1H27. The development is fully pre-leased to Florida Blue under a 10-year lease and is adjacent to Academy Sports + Outdoors, which opened in Nov 23. This is UHU's third development project at St. Lucie West since its IPO.
- **Lower borrowing costs, with no refinancing until Feb 28.** Aggregate leverage stood at 41.2% as of Sep 26, while net aggregate leverage was 37.8%, calculated after deducting cash from both borrowings and deposited property. Weighted average debt maturity was 2.7 years, assuming extension options are fully exercised. The trailing 12-month average interest rate, excluding upfront debt transaction costs, declined 2bp qoq to 4.87%, its sixth consecutive period of decline. Fixed-rate or hedged borrowings accounted for 69.4% of debt and interest coverage was 2.4x.

Valuation/Recommendation

- **Pulling multiple levers to generate sustainable growth.** UHU focuses on accretive acquisitions, asset recycling and asset enhancement initiatives (AEI) to drive sustainable growth. Management will leverage on its knowledge and network in the Northeast region, including the state of New Jersey, to identify accretive acquisitions of strip centres. UHU will benefit from full-year contributions from the acquisitions of Dover Marketplace and Wallingford Fair in 2026.
- **AI-powered shopping assistants are driving larger shopping baskets** and higher sales at Walmart and Kroger by simplifying meal planning and product discovery. Walmart reported that customers using its AI assistant, Sparky, spend 40% more per order than non-users, while its user base grew 70% yoy. Kroger similarly found that personalised recommendations and easier grocery-list creation encouraged shoppers to explore additional products, resulting in larger baskets and incremental sales.
- **Open-air strip centres are attracting more shoppers,** with foot traffic in 2025 approximately 4% above 2019 levels, outperforming other retail formats, according to Green Street. In comparison, foot traffic at enclosed A-grade malls remained nearly 3% below pre-pandemic levels. Strip centres benefit from their convenient locations and concentration of grocery stores, restaurants and essential services, while flexible working arrangements support demand for shopping and dining closer to home.
- **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 a 2027 DPU yield of 10.2% (Kimco Realty: 4.4% and Regency Centers: 4.2%). It trades at P/NAV of 0.62x.
- Our target price of US$0.63 is based on the dividend discount model (cost of equity: 9.45%, terminal growth: 2.0%).

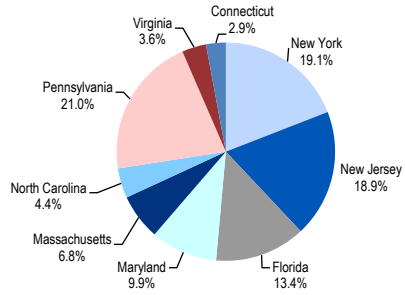
Earnings Revision/Risk

- We kept our DPU forecast unchanged.

Share Price Catalyst

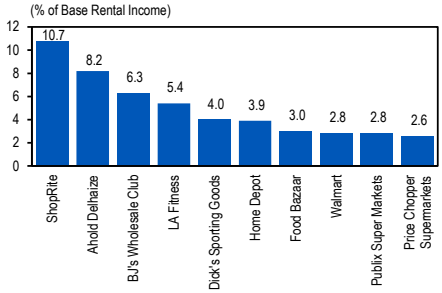
- Resiliency of spending on necessity products and essential services; yield-accretive acquisitions of grocery and necessity retail properties.

Portfolio Valuation By State



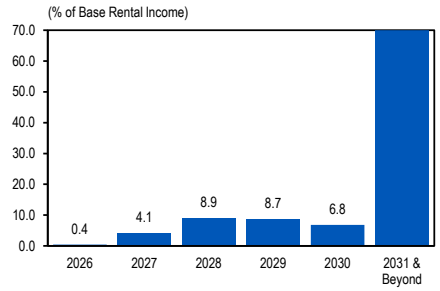
Source: UHU

Top 10 Tenants – Grocery & Necessity Retail



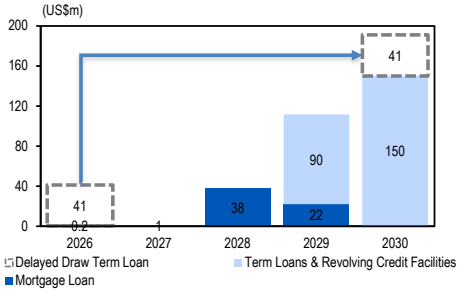
Source: UHU

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	46.4	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

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**	**43.2**
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**

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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