Sasseur REIT

BUY

Share Price:	**S$0.685**
Target Price:	**S$0.91**
Upside:	**+32.8%**

COMPANY DESCRIPTION

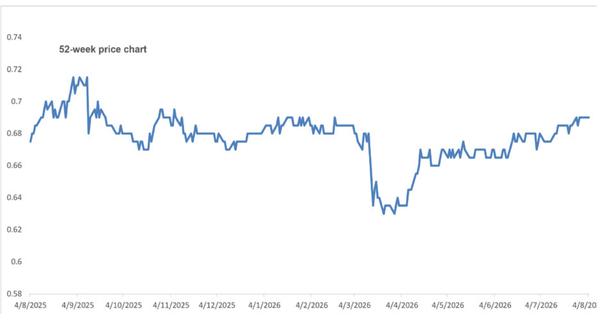
Sasseur Real Estate Investment Trust invests in a diversified portfolio of retail real estate assets, with four outlet malls in China. It is the first outlet mall REIT listed in Asia.

Name	**Sasseur REIT**
Bloomberg Code	**SASSR SP EQUITY**
3M Avg Daily Trading Vol (k)	**1046.0**
3M Avg Daily Trading Val (S$'000)	**706.3**
Major Shareholder / Holdings	**Xu Rongcan (56.8%)**
Shares Outstanding (m)	**1264.7**
Market Capitalisation (S$m)	**866.3**
52 week Share Price High/Low	**0.716/0.630**

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	0.8	3.0	11.2

PRICE CHART



Source: Bloomberg

YIELD PLAY ON CHINA'S OUTLET RECOVERY

- ***Sasseur REIT is a unique, growth-oriented REIT. Unlike traditional REITs that rely on fixed rental income, its earnings are linked to tenant sales through the EMA structure, while retaining a fixed income component that provides stability. Despite macroeconomic headwinds, Sasseur REIT (via its 4 malls) has consistently demonstrated its ability to outperform. As China's macro environment improves, the REIT is well positioned to deliver even stronger growth. As such, we initiate coverage on Sasseur REIT with a BUY recommendation and a target price of S$0.91, pegged to DDM, implying +32.8% upside plus a c.9% distribution yield.***

Best-in-class assets that prevail in soft macro. Sasseur's outperformance comes from its four malls, and Chongqing Liangjiang above all. Slower consumption has not dented outlet retail, where shoppers still come for branded goods at a discount. Portfolio outlet sales hit an all-time high in 1Q26, up 11.4% YoY and a record first quarter since listing, against national retail sales of +2.4%. The VIP base and ongoing asset-enhancement initiatives are what lift Sasseur above general retail.

EMA till 2028, expected to extend. Sasseur benefits from an Entrusted Management Agreement (EMA) structure where Sasseur enjoys a fixed component (c.70%) that escalates 3% every year, and a variable component rides off record outlet sales. Near-term, we regard the renewal of the EMA (ending 2028) to be probable as the sponsor sits on both sides of the agreement: Xu Rongcan controls 56.8% of the REIT and is also the EMA counterparty and mall operator. Furthermore, his own offshore loans to Sasseur, nearly half the debt stack, mature in 2030, capital committed beyond the 2028 expiry.

Sasseur REIT has strong balance sheet, high yield and a strong China sponsor. Gearing of 25.1% is among the lowest in the S-REIT sector, with interest cover of 5.0x. All-in cost of debt has fallen from 5.3% in FY24 to 3.9% in 1Q26, and nothing needs refinancing until FY30. That leaves debt headroom roughly the size of the market cap, enough to grow the asset base by c.50% without dilution. Sasseur has also raised no equity in its eight years since listing, and dilution from unit-settled fees has been marginal.

KEY FINANCIALS

DEC YE	FY23	FY24	FY25	FY26F	FY27F
EMA rental income, fixed (S$m)	84.9	86.4	86.4	89.0	91.7
EMA rental income, variable (S$m)	41.8	37.3	34.5	36.5	35.3
Net property income (S$m)	126.7	123.7	121.0	125.5	127.0
Distributable income (S$m)	77.4	75.9	77.2	78.4	79.1
DPU (S¢)	6.25	6.08	6.14	6.15	6.14
NAV per unit (S$)	0.82	0.83	0.79	0.78	0.77
Aggregate leverage (%)	25.3	24.8	25.1	25.3	25.1
P/B (x)	0.84	0.83	0.87	0.88	0.89
NPI yield (%)	8.0	7.8	7.9	8.2	8.3
Distribution yield (%)	9.1	8.9	9.0	9.0	9.0

Source: Sasseur, Lim & Tan Research

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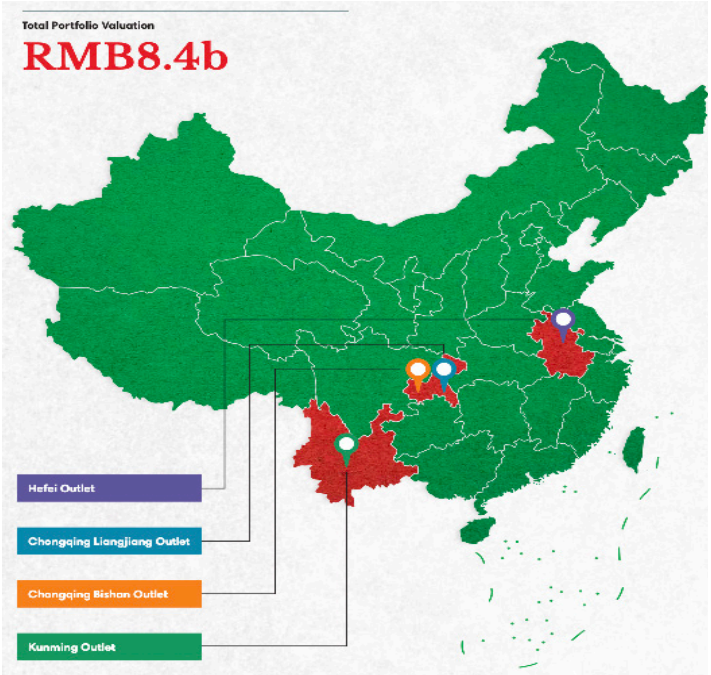
About Sasseur REIT

- Sasseur REIT (SGX: CRPU) is Asia's first listed outlet-mall REIT, listed on the SGX Mainboard on 28 March 2018. It owns four value-retail outlet malls in China, valued at RMB8.363bln at end-FY25 (c.S$1.6bln), and earns its rental income through an Entrusted Management Agreement (EMA) with its sponsor-operator. All borrowings are RMB-denominated, a natural hedge on the RMB rental base; distributions are paid in SGD.

Exhibit 1: Mall Map



Source: Sasseur, Lim & Tan Research

The malls sit inland, away from the saturated coastal cities: two in Chongqing, one in Hefei (Anhui), one in Kunming (Yunnan). More than 70% of the c.S$1.6bln portfolio sits in just two of them, Chongqing Liangjiang and Hefei, which together delivered c.76% of 1Q26 outlet sales.

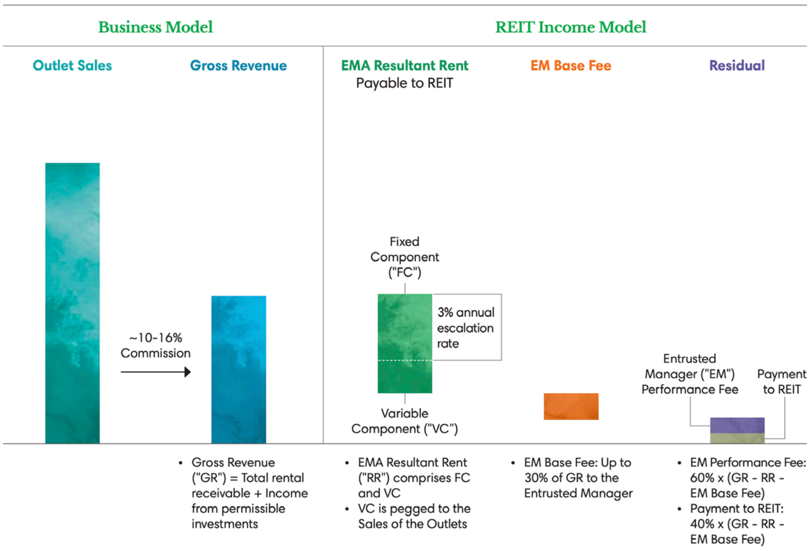
1. Chongqing Liangjiang (46% of NPI, 39% of portfolio): the flagship, and by far the best performer. Beyond being the most valuable asset, it has run at full occupancy for years with the portfolio's strongest international anchors (Nike, Adidas, FILA). It is also the most productive, generating over half of group sales on 16% of total floor area.

2. Hefei (28% of NPI, 33% of value): the growth engine. At 144,583 sqm it is the largest mall, almost 3x Liangjiang, and gives up the largest share of outlet sales as variable rent (5.5%). Sales growth has been fast but off a smaller base, and recent AEI work aims to lift productivity.

3. Chongqing Bishan and Kunming (combined 26% of NPI, 28% of portfolio): the satellites. Both are far smaller in value than Liangjiang and Hefei. Shopper traffic has risen at both recently, with Bishan logging the fastest growth rate in 1Q26 (+16.4% YoY).

About EMA

Exhibit 2: EMA Visual



Source: Sasseur, Lim & Tan Research

- Sasseur's unique structure acts as a floor with two upside legs. This EMA structure is a commercial arrangement that was negotiated so that investors have greater income visibility, helping support the stable and predictable distributions that a REIT is meant to provide. The fixed component of rental income grows at a contractual 3%/ year, protecting downside. The variable component, as well as the performance sharing component, both rise with outlet sales, giving unitholders direct exposure to mall performance on top of the protected base. Aside from sales upside, operating expenses such as utilities and staffing get passed on to the Entrusted Manager (EM), keeping Sasseur free from opex inflationary costs, a rarity among S-REITs. Although the EM eats the operating costs, they get to keep >60% of the residual, meaning that the EM is motivated to both grow sales as well as control costs, aligning incentives between Sasseur and the EM. From Sasseur's FY25 filing: absent of the EMA, FY25 DPU would have been just 5.842 cents even on a full-payout basis, versus the 6.138 cents actually paid, which itself came after retaining c.S$8.5mln of income.

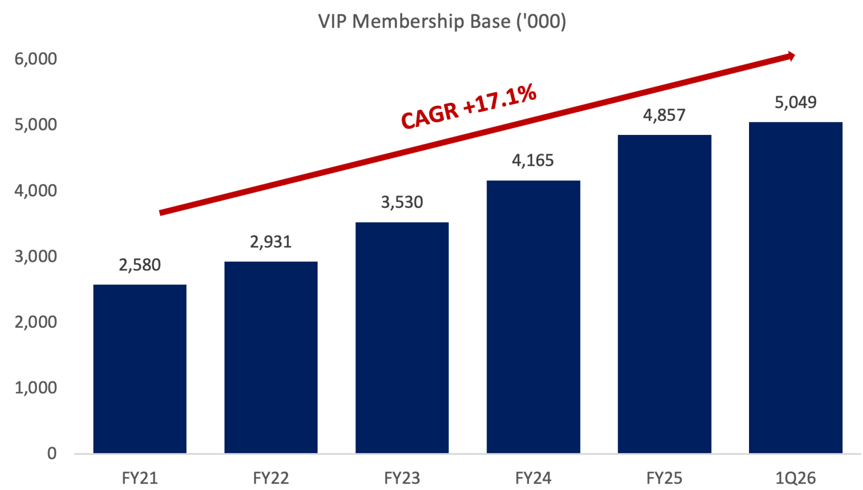
Investment Thesis

Macro. Looking ahead, China's macro environment is expected to improve only gradually, and near-term headwinds are likely to persist. But this is precisely what makes Sasseur's track record notable: it has continued to grow even through the soft patch. A REIT that can grow during the bad times is one that should outperform when conditions eventually turn good, giving Sasseur a favourable asymmetry as the macro backdrop normalises.

Total retail sales of consumer goods grew just +2.4% YoY in 1Q26 (PRC State Council), then decelerated into 1H26. China's Consumer Confidence Index, the key barometer of the general economic environment, sits at 89-90, below the neutral 100 mark. The outlet format, though, looks insulated from that softness: total China outlet-mall sales nearly doubled from c.RMB126bn in 2021 to c.RMB248bln in 2025 (China Commerce Association for General Merchandise).

Sasseur shares the same insulation characteristics, but also outpaces its peers with portfolio outlet sales rising +11.4% YoY in 1Q26, roughly 5× the national retail rate, and ahead of even the outlet sector's structural pace. With the headline consumer flat and confidence stuck below 100, the value-outlet format keeps compounding, and Sasseur compounds faster still. The EMA layers downside protection and upside exposure on top, a defensive stance in a difficult market.

Exhibit 3: VIP statistics



Source: Sasseur, Lim & Tan Research

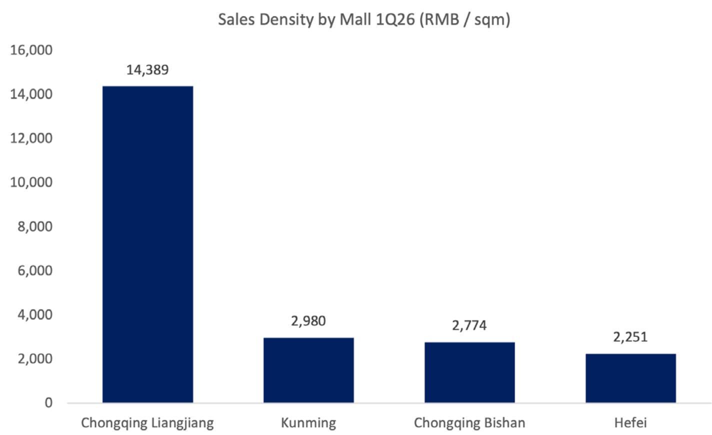
Sasseur's VIPs. Sasseur draws spending through a four-tier VIP system: a free Basic tier, a Gold tier earned on spending and visit thresholds, a Platinum tier at higher spending, and a by-invitation Black Gold tier. The membership base has grown at a 17.1% CAGR and has doubled since 2021. Filings give no breakdown by tier, but VIPs as a whole account for more than 60% of outlet sales. That much recurring spend makes outlet sales far more durable than one-off traffic, another reason the portfolio holds up in a soft macro.

The "Super Outlet" format. Sasseur presents its malls as destinations rather than rows of discount stores, pairing outlet retail with F&B, sports, entertainment and culture across all four assets. That differentiation supports both traffic and retention. Regular Asset Enhancement Initiatives (AEIs) keep the malls current in a shifting retail market.

At the tenant level, Sasseur is structurally different from a traditional REIT. Instead of locking tenants into long fixed leases, it runs something closer to rank-and-yank: tenants are assessed continuously on sales, and the bottom c.10% are rotated out for new brands. Thousands of prospective tenants are queuing for space, which keeps the replacement pipeline deep and gives Sasseur constant leverage over the mix. Every tenant is therefore under pressure to perform, feeding the sales flywheel behind the EMA's variable and performance-sharing legs.

That flips how two metrics should be read. Occupancy matters less than it would at a conventional REIT, because a queue of tenants is always ready to backfill. WALE matters less as a shorter WALE is actually better here. While a long WALE signals stability at a traditional REIT, a short one at Sasseur means more chances to rotate out weak tenants and bring in stronger ones.

Exhibit 4:Sales density statistics



Source: Sasseur, Lim & Tan Research

Sasseur REIT

Two flagship stores. Sasseur Chongqing Liangjiang, Sasseur's flagship, remains at 100% occupancy and contributed significantly to their record quarter. We view Liangjiang as the model that Sasseur's other malls are aspiring to become, and we treat Liangjiang as the ceiling of what's possible in an outlet mall's mature phase. Hefei is the closest to Liangjiang in value of the four (1Q26 sales RMB325.4mln, +14.5%). AEI work converted c.6,000 sqm of children's space into a sports-concept zone in 3Q25, and a c.2,000 sqm cinema into F&B and experiential space is in progress. The upside sits in the productivity gap: Hefei has far more floor space than Liangjiang at far lower density, which makes it the single largest growth lever in the portfolio.

Two satellite stores. Kunming and Chongqing Bishan together make up roughly 28% of Sasseur's total portfolio value. Kunming experienced softer growth among the four, moderated by ongoing tenant repositioning. While a drag now, it could convert to AEI uplift. Bishan showed strong growth (+16.4% sales) but from a small base. We view these two as satellite properties in the broader picture. Aspirations for both these assets should be toward Liangjiang's direction.

Valuation

Exhibit 5: Valuation

CAPM	
Risk-free rate	2.3%
Equity risk premium	6.0%
Beta (levered)	0.90
Cost of equity	**7.7%**
Terminal growth	1.0%

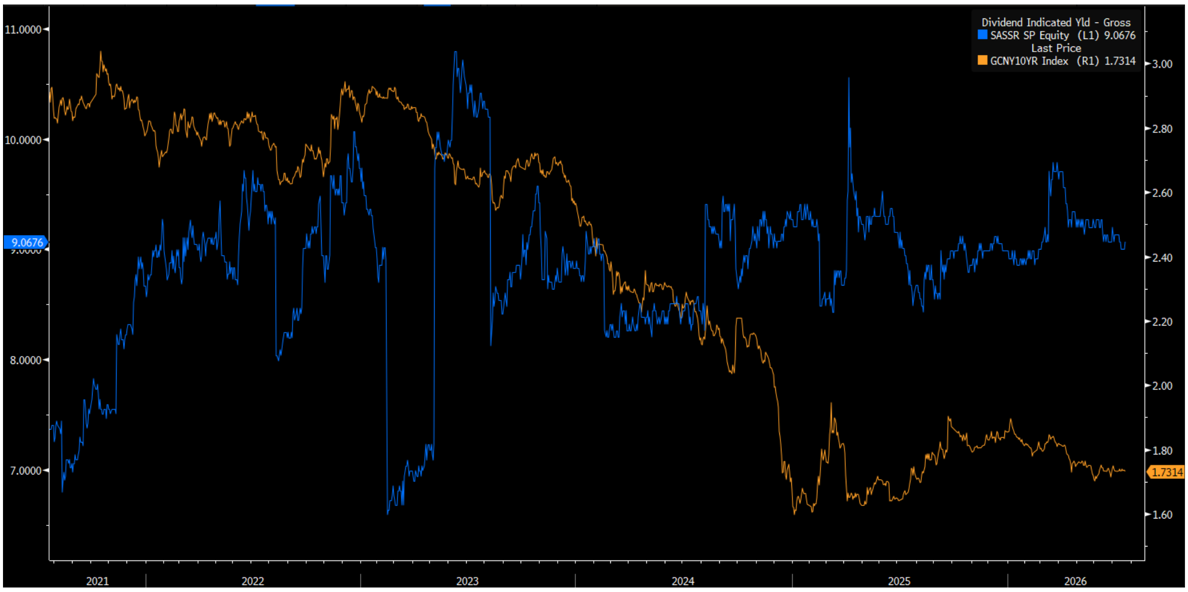
DPU Forecast	FY2026E	FY2027E	FY2028E
Discount period (yrs)	1	2	3
DPU (S¢)	6.15	6.14	6.24
Terminal value (S¢)			94.12
Total cash flow (S¢)	**6.15**	**6.14**	**100.37**
Discount factor	0.93	0.86	0.80
PV of cash flow (S¢)	5.71	5.29	80.34

Valuation	
Intrinsic value per unit (S¢)	**91.34**
Intrinsic value per unit (S$)	**0.91**
Current unit price (S$)	0.685
Upside / (downside)	**32.8%**

Source: Sasseur, Lim & Tan Research

- We value Sasseur using a three-stage DDM, discounting FY26-28 DPU and a Gordon Growth terminal value at a 7.7% cost of equity. Our CAPM build uses a 2.3% risk-free rate, a 6.0% equity risk premium and a levered beta of 0.90, reflecting the defensive cash-flow profile of the underlying portfolio. We assume a conservative 1.0% terminal DPU growth, below long-run Singapore inflation.

Exhibit 6: Yield comparison



Source: Bloomberg, Lim & Tan Research

Sasseur's DPU yield of 9.0% versus the China 10-year yield of 1.73% implies a spread of c.727 bps, up from c.400 bps in 2021, driven mainly by the near-halving of Chinese sovereign yields.

For income-focused investors Sasseur offers a yield roughly 5x the risk-free China 10Y, at a point where further PBOC easing could keep sovereign yields compressed and make REIT-style carry increasingly scarce.

Risks

Risk 1 - Non-renewal of EMA. Sasseur's fixed floor, variable component, and performance share are all anchored to the EMA. We regard renewal as probable, as covered in Thesis 2: the sponsor sits on both sides of the agreement, and his own offshore loans mature in 2030, beyond the 2028 expiry. But renewal is not guaranteed, and if the EMA is not renewed, or renewed on worse terms, we'd expect the share price to dip given how central it is to the entire earnings model.

Risk 2 - Foreign exchange. As all four malls are in China, 100% of gross revenue and EMA rental income is earned in RMB, while unitholder distributions are declared and paid in SGD. A weakening yuan would compress distributable income in SGD terms even when the underlying business continues to grow in local currency. All borrowings are RMB-denominated though, insulating net property income and gearing from the FX risk. RMB/SGD risk could compound the other FY26 headwinds we've already flagged, all of which pull near-term DPU down. A sustained RMB slide would also weigh on the SGD-translated portfolio value (RMB8.363bln FY25), pressuring reported NAV and gearing headroom even without any change in the RMB valuation.

Risk 3 - Ability to attract consumers. Outside the fixed component, Sasseur's income model is effectively a 100% commission on outlet sales, so both the variable EMA leg and the performance share depend on Sasseur and its tenants continuing to draw consumer footfall and spend. If the outlet format loses its appeal to Chinese consumers, whether from shifting shopping preferences, competition from other retail/e-commerce formats, or a deeper macro downturn than we currently anticipate, both legs compress together and the sales-driven resilience the thesis rests on gets tested directly.

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