

Media Release:

Fubon No.1 REIT Ratings Affirmed At 'twA+/twA-1'; Outlook Stable

August 21, 2025

Rating Action Overview

- We believe **Fubon Number One Real Estate Investment Trust** (Fubon No.1 REIT) will maintain its asset portfolio over the next one to two years.
- We raised our liquidity assessment to exceptional from adequate to reflect the low likelihood of a debt-fueled property acquisition over the next one to two years. This has no impact on the ratings.
- We affirmed our 'twA+' long-term and 'twA-1' short-term issuer credit ratings on Fubon No.1 REIT.
- The stable rating outlook reflects our view that the trust's satisfactory asset quality, stable cash flow generation, and disciplined financial policy which should help maintain the ratio of debt to EBITDA below 11x over the next one to two years.

Rating Action Rationale

We assess the REIT's liquidity has strengthened with a low likelihood of debt-funded property acquisitions in 2025-2027. We revised our assessment of the trust's liquidity to exceptional from adequate. That's because we believe the trust is unlikely to acquire new properties through debt funding over the next one to two years. The prior adequate liquidity assessment reflected our assumption that the trust manager would pursue debt-funded asset acquisitions, which have been completed. We believe there are no further concrete investment plans for the next 12-24 months and we now expect the ratio of liquidity sources to liquidity uses to increase to 3.4x-3.6x over the same period. This compares with our previous estimate of 1.2x-1.5x. The revision removes the one-off impact of the trust's latest property acquisition and is neutral to our rating assessment.

Outlook

The stable rating outlook reflects our view that Fubon No.1 REIT's satisfactory asset quality and association with the Fubon Financial Holding Co. Ltd. group will support Fubon No.1 REIT's credit quality over the next one to two years. The outlook also reflects our view that the trust's ratio of debt to EBITDA will remain below 11x over the same period.

Downward scenario

We could lower the rating on Fubon No.1 REIT if:

- The REIT's debt-to-EBITDA ratio increases to more than 11x for an extended period. Such an increase could result from aggressive debt-financed asset acquisitions, or from high tenant turnover or a sharp reduction in rental rates; or

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- The trust's asset quality or profitability deteriorates materially, possibly due to much weaker performance by certain key tenants than we assume in our base case, leading to lower rental collection or even early terminations.

Upward scenario

We could upgrade Fubon No.1 REIT if the trust expands its asset base significantly and enhances diversification while maintaining good asset quality, stable profitability, and the debt-to-EBITDA ratio below 9.5x.

Our Base-Case Scenario

- Taiwan's real GDP growth at 3.3% in 2025 and 1.7% in 2026.
- We see a manageable impact on the trust's properties from numerous new office spaces likely to enter the market in 2026–2027, given favorable location, satisfactory asset quality, and good maintenance of the trust's properties.
- Rental income from Fubon Dunbei Building will remain largely flat over the next two years, underpinned by the building's stable and full occupancy. Revenue from the building's conference center will likely remain relatively stable after a post-pandemic recovery of approximately 11% in 2023.
- Rental income from Fubon Chungshan Building to increase by 1% in 2025 and 2026, primarily driven by moderate upward revisions in lease contract renewals.
- Rental income from Ruentex City Link Building is likely to increase by 1% in 2025 due to an upward rent adjustment for a key tenant, but will remain stable in 2026, supported by long-term fixed base rents and a stable tenant mix.
- Rental income from Changyi Technology Industrial Park Office & Factory Building, acquired in late 2024, will likely remain flat over the next two years. The property is leased to a single tenant who is likely to renew the contract for another three years upon its expiration in September 2026, with the rental rate remaining stable as constrained by the lease agreement.
- Rental income from the Luzhu Industrial Plant will begin in mid-2025 and will likely remain flat in the following few years, because the property is leased to a single tenant under a fixed-rate rental contract.
- The property investment on Changyi Technology Industrial Park Office & Factory Building and Luzhu Industrial Plant will involve total debt of approximately new Taiwan dollar (NT\$) 2.6 billion.
- Operating expenses will increase by about 10% in 2026 and another 3% in 2027 for the expanded asset portfolio, while maintaining the EBITDA margin at 68%-70% over the same period.

Note: GDP growth forecasts are from the latest Credit Conditions Committee. S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty, magnified by ongoing regional geopolitical conflicts. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly.

Fubon Number One Real Estate Investment Trust. – Taiwan Ratings Corp. Forecast Summary

Industry sector: Real estate investment trust and company

(Mil. NT\$)	2022a	2023a	2024e	2025f	2026f	2027f
Revenue	402	412	423	494	510	512
EBITDA (reported)	272	280	284	341	352	352
EBITDA	272	280	284	341	352	352
Less: Cash interest paid	(21)	(20)	(26)	(69)	(75)	(78)
Funds from operations (FFO)	251	260	259	271	277	274
Cash flow from operations (CFO)	269	275	275	289	295	291
Capital expenditure.	--	--	1,730	782	--	--
Free operating cash flow (FOCF)	269	275	(1,455)	(492)	295	291
Debt (reported)	1,808	1,770	3,501	4,282	4,242	4,199
Less: Accessible cash and liquid Investments	(1,024)	(995)	(1,011)	(1,023)	(993)	(954)
Debt	784	775	2,489	3,259	3,248	3,245
Cash and short-term investments (reported)	1,204	1,171	1,190	1,204	1,168	1,122
Adjusted ratios						
Debt/EBITDA (x)	2.9	2.8	8.8	9.6	9.2	9.2
FFO/Debt (%)	32.0	33.5	10.4	8.3	8.5	8.4
Annual revenue growth (%)	1.4	2.4	2.7	16.9	3.3	0.3
EBITDA margin (%)	67.6	68.1	67.3	69.0	69.0	68.7

All figures are adjusted by Taiwan Ratings Corp., unless stated as reported. Figures for the forecast period are based on Taiwan Ratings Corp.'s base-case scenario. a--Actual. e--Estimate. f--Forecast. NT\$--new Taiwan dollar.

Liquidity

The short-term rating on Fubon No.1 REIT is 'twA-1', reflecting the long-term issuer credit rating and our assessment of the trust's exceptional liquidity. The exceptional assessment reflects our estimate that the REIT's ratio of liquidity sources to liquidity uses will be 3.4x-3.6x for the 24 months ending June 30, 2027. We base this on our view that Fubon No.1 REIT has sufficient cash on hand and cash flow from operations to distribute its scheduled dividend. The trust's liquidity sources could continue to exceed uses, even if its EBITDA declined by 30%, because the REIT has very low debt repayment compared to its cash on hand. We believe the trust's unpledged properties are an extra liquidity source, if needed. There is no financial covenant on the trust's borrowing.

Principal liquidity sources

- Cash and short-term investments of NT\$873 million at the end of June 2025.
- Funds from operations of approximately NT\$290 million annually over the 24 months ending June 30, 2027.

Principal liquidity uses

- Debt maturities of NT\$41 million-NT\$43 million in both the 12-month period ending June 30, 2026, and the following 12 months ending June 30, 2027.
- Cash dividend of approximately NT\$290 million in both the 12-month period ending June 30, 2026, and the following 12 months ending June 30, 2027.

Ratings Score Snapshot

Fubon Number One Real Estate Investment Trust	To	From
Issuer Credit Rating	twA+/Stable/twA-1	twA+/Stable/twA-1
Business risk	Satisfactory	Satisfactory
Country risk	Intermediate	Intermediate
Industry risk	Low	Low
Competitive position	Satisfactory	Satisfactory
Financial risk	Significant	Significant
Cash flow/Leverage	Significant	Significant
Anchor	twA+	twA+
Modifiers		
Diversification/Portfolio effect	Neutral (no impact)	Neutral (no impact)
Capital structure	Negative (-1 notch)	Negative (-1 notch)
Financial policy	Neutral (no impact)	Neutral (no impact)
Liquidity	Exceptional (no impact)	Adequate (no impact)
Management and governance	Neutral (no impact)	Neutral (no impact)
Comparable ratings analysis	Positive (+1 notch)	Positive (+1 notch)
Stand-alone credit profile (SACP)	twA+	twA+

Note: The above descriptors are in comparison with global obligors.

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology – June 08, 2023
- Criteria | Corporates | Industrials: Key Credit Factors For The Real Estate Industry – February 26, 2018
- Criteria | Corporates | General: Corporate Methodology – January 07, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities – January 07, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings – October 10, 2021
- General Criteria: Group Rating Methodology – July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments – April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers – December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions – November 19, 2013
- General Criteria: Methodology: Industry Risk – November 19, 2013
- General Criteria: Principles Of Credit Ratings – February 16, 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

Fubon Number One Real Estate Investment Trust

Issuer Credit Rating	twA+/Stable/twA-1
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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