

## SECTOR UPDATE

### REITs – Singapore

S-REITs Monthly Update (May 24)

**S-REITs weathered selling pressure as interest rates are expected to stay higher for longer. Many blue-chip S-REITs are trading at attractive distribution yields of 6-7% after the recent correction. Maintain OVERWEIGHT. Our top picks are hospitality and retail plays, which benefit from continued recovery in visitor arrivals and resilient consumer spending. BUY CDREIT (Target: S\$1.48), FCT (Target: S\$2.71), FEHT (Target: S\$0.82), FLT (Target: S\$1.55), KREIT (Target: S\$1.20) and LREIT (Target: S\$0.96).**

#### WHAT HAPPENED IN MAY

- **Stoneweg Group to acquire CEREIT.** Stoneweg Global Platform (SGP) has entered an agreement to acquire 27.8% stake in Cromwell European REIT (CEREIT) and its European fund management platform, including the REIT manager and property manager, for €280m (S\$409m). SGP is a Luxemburg-based alternative investment fund. The transactions are expected to be completed by 3Q24, subject to approvals by relevant authorities in Singapore and Luxemburg. Stoneweg Group will become the new sponsor. There are no changes to the management team. CEREIT will remain listed on the Mainboard of the SGX.
- **Tang family to acquire ARAUS.** Acrophyte Asset Management (AAM), an entity owned by property tycoon Gordon Tang and his wife Celine Tang, has entered into an agreement to acquire REIT Manager and trustee manager of ARA US Hospitality Trust (ARAUS). AAM will become the new sponsor. Acrophyte Limited, an entity wholly-owned by Gordon and Celine Tang's children Tang Jialei and Tang Jialin, will acquire 110.2m stapled securities representing a 19.0% stake in ARAUS. The Tang family's ownership of ARAUS has increased to 28.3%. The transactions are expected to be completed by 3Q24.
- **Paragon REIT selling The Rail Mall.** According to The Business Times, Paragon REIT is in advanced negotiations to sell The Rail Mall at Upper Bukit Timah for slightly higher than S\$80m. The single-storey strip mall is a F&B-dining destination with 43 retail units and NLA of 49,886sf. It is in close proximity to Hillview MRT Station. It provides one of the key access points to the Rail Corridor, a popular nature trail. The Rail Mall is currently fully occupied. Its key tenants include Cold Storage. It generated net property income of S\$5.2m in 2023.
- **FSTREI eased 0.4% in May, underperforming the STI's 1.3% gain.** US core PCE inflation was unchanged at 2.8% in Apr 24, indicating sticky inflation. Yield for 10-year Singapore government bonds eased 9bp to 3.36% in May.

#### TOP 20 S-REITS RANKED BY MARKET CAPITALISATION – VITAL STATISTICS

Name	Ticker	Rec	Currency	Price 31 May 24	Target Price	Mkt Cap (US\$m)	--- DPU (¢) --- Curr Fwd	--- Yield (%) --- Curr Fwd	--- Yield Spread* (%) --- Curr Fwd	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.96	2.34	9,760	10.7 10.9	5.4 5.5	2.1 2.2	3.1	40.0	3.6
CapLand Ascendas	CLAR SP	BUY	S\$	2.61	3.62	8,479	15.2 15.7	5.8 6.0	2.4 2.7	3.7	38.3	3.9
Mapletree Log	MLT SP	BUY	S\$	1.33	1.89	4,918	8.4 8.4	6.3 6.3	3.0 3.0	3.7	38.9	3.0
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.22	1.90	4,742	8.8 8.9	7.2 7.3	3.8 3.9	2.9	40.5	2.4
Mapletree Ind	MINT SP	BUY	S\$	2.20	3.02	4,612	13.8 13.9	6.3 6.3	2.9 3.0	4.5	38.7	4.4
Frasers Centrepoint	FCT SP	BUY	S\$	2.17	2.71	2,904	11.8 12.0	5.5 5.5	2.1 2.2	3.3	38.5	2.0
Frasers L&C Trust	FLT SP	BUY	S\$	0.99	1.55	2,751	6.9 6.8	6.9 6.9	3.6 3.5	5.9	32.7	4.3
CapLand Ascott	CLAS SP	BUY	S\$	0.895	1.40	2,506	6.1 6.0	6.8 6.7	3.4 3.4	3.7	37.7	n.a.
Keppel REIT	KREIT SP	BUY	S\$	0.855	1.20	2,414	6.0 5.9	7.0 6.9	3.7 3.6	3.3	39.4	5.4
Suntec REIT	SUN SP	HOLD	S\$	1.07	1.28	2,305	6.6 6.9	6.2 6.4	2.8 3.0	2.0	42.3	2.7
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.80	2.13	2,293	9.2 9.5	5.1 5.3	1.7 1.9	4.6	37.6	7.4
PARAGON REIT	PGNREIT SP	NR	S\$	0.855	n.a.	1,797	4.6 4.4	5.4 5.1	2.0 1.8	3.4	29.9	2.9
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.29	n.a.	1,648	2.6 2.6	9.0 9.0	5.6 5.6	2.6	36.3	3.5
PLife REIT	PREIT SP	BUY	S\$	3.58	5.07	1,601	14.3 14.6	4.0 4.1	0.6 0.7	11.1	36.4	16.2
OUE REIT	OUREIT SP	NR	S\$	0.27	n.a.	1,097	2.1 2.2	7.8 8.1	4.4 4.8	2.4	38.8	3.0
Lendlease REIT	LREIT SP	BUY	S\$	0.555	0.96	977	4.4 4.8	7.9 8.6	4.5 5.2	3.4	41.0	4.8
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.82	937	4.1 3.9	6.5 6.2	3.1 2.8	3.5	31.5	n.a.
CDL HTrust	CDREIT SP	BUY	S\$	0.98	1.48	908	6.4 6.5	6.6 6.7	3.2 3.3	2.7	37.8	n.a.
Cromwell REIT EUR	CERT SP	NR	€	1.43	n.a.	872	14.2 14.4	9.9 10.1	7.2 7.4	3.6	41.3	4.8
CapLand China Trust	CLCT SP	NR	S\$	0.67	n.a.	844	6.7 6.9	10.0 10.3	6.6 6.9	3.2	40.8	1.8

\* Yield spread above 10-year government bond yield. Source: Bloomberg, UOB Kay Hian

## OVERWEIGHT

(Maintained)

#### SEGMENTAL RATING

S-REITs	OVERWEIGHT
Healthcare REITs	OVERWEIGHT
Hospitality REITs	OVERWEIGHT
Industrial REITs	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

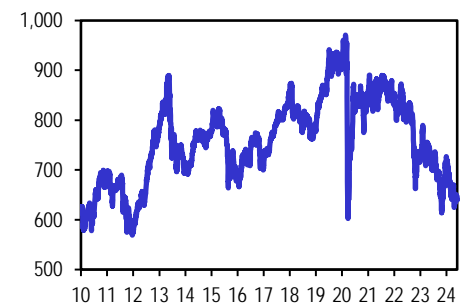
Source: UOB Kay Hian

#### TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CDREIT	BUY	0.98	1.48
FCT	BUY	2.17	2.71
FEHT	BUY	0.63	0.82
FLT	BUY	0.99	1.55
KREIT	BUY	0.855	1.20
LREIT	BUY	0.55	0.96

Source: UOB Kay Hian

#### FTSE ST ALL-SHARE REITS INDEX (FSTREI)

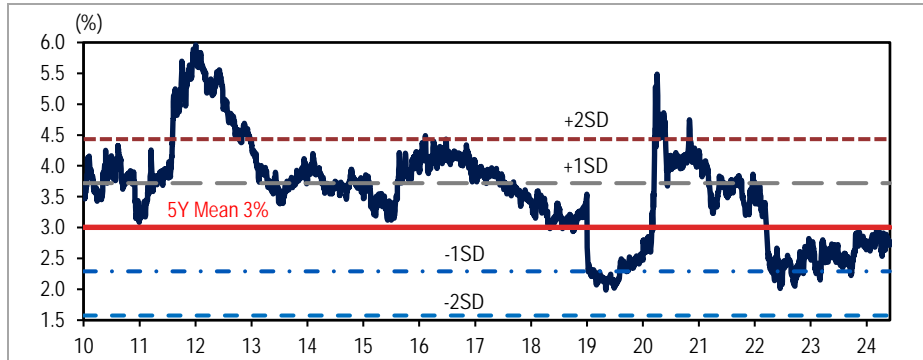


Source: UOB Kay Hian

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S-REIT YIELD SPREAD



Source: UOB Kay Hian

- Top outperformer:** US office REIT PRIME and KORE recovered 5.4% and 2.2% in May after steep correction in April. Hospitality REIT FEHT gained 2.4%. KDCREIT gained 5.3% after divesting Intellicentre Campus in Sydney, Australia for A\$174.0m (S\$152.1m).
- Top underperformer:** US REITs MUST, DCREIT and UHU lost 5.6%, 4.9% and 4.7% respectively. MPACT declined 3.2% after being excluded from MSCI Singapore Index.

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 31 May 24	Target Price	Mkt Cap (US\$m)	Hist	Yield (%) Curr	Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
<b>HEALTHCARE</b>													
First REIT	FIRT SP	NR	S\$	0.24	n.a.	370	10.3	10.8	11.3	15.4	72.5	38.8	0.81
PLife REIT	PREIT SP	BUY	S\$	3.58	5.07	1,601	4.1	4.0	4.1	4.9	60.2	36.2	1.55
<b>HOSPITALITY</b>													
CapLand Ascott	CLAS SP	BUY	S\$	0.895	1.40	2,506	7.3	6.8	6.7	6.9	68.0	37.7	0.79
CDL HTrust	CDREIT SP	BUY	S\$	0.98	1.48	908	5.8	6.6	6.7	6.7	63.8	37.8	0.65
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.82	937	6.5	6.5	6.2	6.1	40.2	31.5	0.69
Fraser's HTrust	FHT SP	NR	S\$	0.43	n.a.	612	5.7	6.0	6.3	6.7	59.0	35.5	0.65
<b>INDUSTRIAL</b>													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.28	n.a.	768	7.3	7.2	7.6	7.6	65.1	32.6	0.98
CapLand Ascendas	CLAR SP	BUY	S\$	2.61	3.62	8,479	5.8	5.8	6.0	6.2	67.2	38.3	1.16
Daiwa Hse Log Trust	DHLT SP	NR	S\$	0.575	n.a.	296	9.1	8.9	8.9	8.7	67.6	37.3	0.83
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.58	0.79	759	6.4	5.3	5.7	5.7	50.3	35.1	0.87
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.29	n.a.	1,648	8.8	9.0	9.0	9.0	63.8	36.3	0.93
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.80	2.13	2,293	5.2	5.1	5.3	5.3	64.0	37.6	1.35
Mapletree Ind Trust	MINT SP	BUY	S\$	2.20	3.02	4,612	6.1	6.3	6.3	6.5	59.9	38.7	1.25
Mapletree Log Trust	MLT SP	BUY	S\$	1.33	1.89	4,918	6.8	6.3	6.3	6.3	77.1	38.9	0.96
<b>OFFICE</b>													
Keppel REIT	KREIT SP	BUY	S\$	0.855	1.20	2,414	6.8	7.0	6.9	6.8	73.2	38.9	0.65
<b>RETAIL</b>													
Fraser's Centrepoint	FCT SP	BUY	S\$	2.17	2.71	2,904	5.6	5.5	5.5	5.6	49.8	38.5	0.95
Lendlease REIT	LREIT SP	BUY	S\$	0.555	0.96	977	8.5	7.9	8.6	8.7	86.5	41.0	0.72
Sasseur REIT	SASSR SP	BUY	S\$	0.68	0.98	626	9.2	8.8	9.6	10.0	43.7	25.2	0.81
PARAGON REIT	PGNREIT SP	NR	S\$	0.855	n.a.	1,797	5.9	5.4	5.1	5.4	49.3	29.9	0.94
Starhill Global	SGREIT SP	NR	S\$	0.48	n.a.	804	7.9	8.1	8.3	8.3	64.7	37.2	0.66
<b>DIVERSIFIED</b>													
CapLand China Trust	CLCT SP	NR	S\$	0.67	n.a.	844	10.1	10.0	10.3	10.0	91.4	40.8	0.56
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.96	2.34	9,760	5.5	5.4	5.5	5.7	66.9	40.0	0.92
Fraser's L&C Trust	FLT SP	BUY	S\$	0.99	1.55	2,751	7.1	6.9	6.9	6.9	55.3	32.7	0.86
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.22	1.90	4,742	7.3	7.2	7.3	7.3	73.9	40.5	0.70
QUE Comm REIT	QUECT SP	NR	S\$	0.27	n.a.	1,097	7.7	7.8	8.1	7.8	71.2	38.8	0.45
Suntec REIT	SUN SP	HOLD	S\$	1.07	1.28	2,305	6.7	6.2	6.4	6.4	70.0	42.3	0.51
<b>INTERNATIONAL (US/EUROPE)</b>													
Cromwell REIT EUR	CERT SP	NR	€	1.43	n.a.	872	11.0	9.9	10.1	10.1	84.1	41.3	0.68
Elite Comm REIT GBP	ELITE SP	NR	£	0.235	n.a.	175	14.6	11.5	14.0	6.0	82.6	41.5	0.60
IREIT Global	IREIT SP	NR	S\$	0.33	n.a.	328	8.3	9.3	8.9	8.9	65.8	36.2	0.55
KepPacOak REIT USD	KORE SP	BUY	US\$	0.14	0.35	146	17.9	0.0	0.0	30.7	84.0	43.6	0.20
Manulife REIT USD	MUST SP	BUY	US\$	0.068	0.155	121	0.0	0.0	0.0	41.0	151.2	56.7	0.21
Prime US REIT USD	PRIME SP	BUY	US\$	0.118	0.35	154	23.0	7.1	19.0	39.0	98.1	48.1	0.20
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.405	0.66	236	11.8	10.8	11.6	11.8	75.1	42.2	0.55

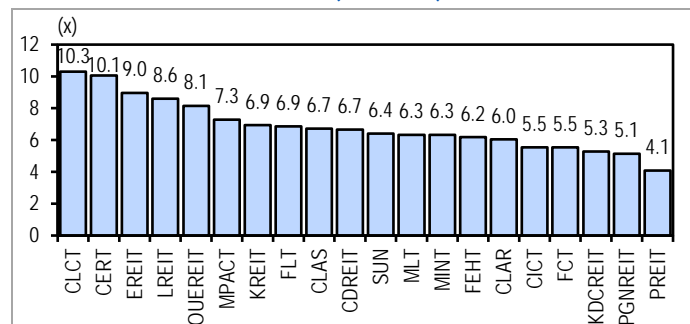
Source: Bloomberg, UOB Kay Hian

### TOP 10 OUTPERFORMERS AND TOP-10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)						TOP UNDERPERFORMERS (%)					
NAME	1MTH	3MTH	6MTH	1Y	YTD	NAME	1MTH	3MTH	6MTH	1Y	YTD
Prime US REIT USD	5.4	5.5	5.5	-39.6	-45.9	Fraser's HTrust	-6.5	-6.5	-14.9	-8.5	-13.1
Keppel DC REIT	5.3	5.9	-2.2	-13.9	-7.7	Manulife REIT USD	-5.6	23.6	30.8	-59.8	-15.0
Far East HTrust	2.4	3.3	-2.3	5.9	-5.3	Digi Core REIT USD	-4.9	0.0	-5.7	38.1	-10.1
KepPacOak REIT USD	2.2	12.0	-45.1	-53.3	-62.7	Utd Hampshire REIT USD	-4.7	-13.8	-3.6	-8.0	-19.8
Lendlease REIT	1.8	-3.5	-8.3	-16.5	-14.0	Cromwell REIT EUR	-4.0	0.0	10.9	-12.3	0.7
AIMS APAC REIT	1.6	1.6	0.8	-2.1	-1.5	Mapletree Pan Asia	-3.2	-9.6	-10.9	-26.1	-22.3
IREIT Global	1.5	-5.7	-8.3	-31.2	-18.5	Mapletree Ind	-3.1	-3.9	-3.5	-3.1	-12.4
PARAGON REIT	1.2	3.6	5.6	-10.9	-3.4	Keppel REIT	-2.8	-1.2	-1.2	-1.7	-8.1
Starhill Global	1.1	0.0	-1.0	-5.9	-8.6	First REIT	-2.0	-4.0	0.0	-5.9	-9.4
CapLand China Trust	0.8	-9.5	-17.3	-33.0	-28.0	CapLand Ascott	-1.6	0.0	-3.2	-15.6	-9.6

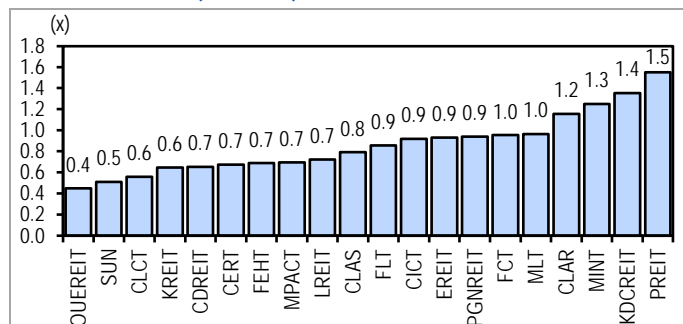
Source: Bloomberg, UOB Kay Hian

### RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

### RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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