

SECTOR UPDATE

REITs – Singapore

S-REITs Monthly Update (Jan 24)

There are healthy signs that inflationary pressure has abated. Rate cuts are on the horizon but will not come as early as March. Maintain **OVERWEIGHT**. Our top picks are **CDREIT (Target: S\$1.48)**, **CLAS (Target: S\$1.45)**, **KORE (Target: US\$0.59)**, **KREIT (Target: S\$1.24)**, **LREIT (Target: S\$0.87)** and **MINT (Target: S\$2.98)**.

WHAT HAPPENED IN JANUARY

- Continued growth for the hospitality sector.** According to Singapore Tourism Board (STB), Singapore welcomed 13.6m visitors (within forecast of 12-14m) and tourism receipts were estimated at between S\$24.5-26.0b (above forecast of S\$18.0-21.0b) in 2023. Visitor arrivals were buoyed by Indonesia, China and Malaysia, which were the top three source markets. Tourist spending has almost hit the pre-pandemic high of S\$27.7b in 2019. The average length of stay in 2023 was 3.8 days, up from 3.4 days in 2019. STB forecasts visitor arrivals at 15-16m, bringing in S\$26.0-27.5b in tourism receipts in 2024.
- Scotts Square up for sale.** Wharf Estates has put the four-storey freehold retail podium of Scotts Square on the market with a guide price of S\$450m or S\$3,438psf. The luxury mall is located at 6 Scotts Road and sits between Grand Hyatt and Tangs. It is highly visible with a 50m frontage along Scotts Road. According to Business Times, the property has high occupancy of 99% but average rent is low at S\$10psf.
- Wilkie Edge to undergo asset enhancement.** According to The Business Times, Alpha Asia Separate Account, a fund managed by Keppel Group on behalf of Dutch pension fund service provider PGGM, has completed the acquisition of the retail and office component of Wilkie Edge at Selegie Road for S\$348m or S\$2,210psf in Dec 23. The 8-storey retail and office complex with NLA of 157,400sf (excluding 154-unit Citadines Mount Sophia owned by CLAS) is fully occupied. Keppel will undertake an asset enhancement initiative to achieve higher rental income.
- FSTREI corrected 4.4% in January, underperforming the STI's smaller 2.7% drop.** US CPI eased 3.1ppt yoy to 3.4% in Dec 23, indicating continued disinflation. Yield for 10-year Singapore government bonds rose 20bp mom to 2.91% in January.
- Top outperformer:** Defensive retail REITs focusing on necessity spending at suburban locations, FCT and UHU, gained 1.8% and 1.0% respectively.
- Top underperformer:** US office REITs PRIME, KORE and MUST declined 30.4%, 25.3% and 25.0% respectively, partially giving up hefty gains chalked up in Dec 23. KDCREIT fell 13.3% after making provisions of S\$10.5m for arrears from Guangdong data centres. MLT and CLCT corrected 10.9% and 10.2% respectively due to headwinds from China.

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

Name	Ticker	Rec	Curncy	Price	Target	Mkt Cap	DPU (¢)		Yield (%)		Yield Spread* (%)		Interest	Aggregate	WALE
				31 Jan 24	Price	(US\$m)	Curr	Fwd	Curr	Fwd	Curr	Fwd	Coverage (x)	Leverage (%)	(years)
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.01	2.24	9,987	10.6	10.6	5.3	5.3	2.4	2.4	3.1	40.8	3.5
CapLand Ascendas	CLAR SP	BUY	S\$	2.92	3.50	9,575	15.4	15.5	5.3	5.3	2.4	2.4	4.0	37.2	3.9
Mapletree Log Trust	MLT SP	BUY	S\$	1.55	1.98	5,763	8.9	8.2	5.7	5.3	2.8	2.4	3.7	38.8	2.9
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.46	1.87	5,720	9.1	8.8	6.3	6.0	3.3	3.1	3.0	40.7	2.5
Mapletree Ind Trust	MINT SP	BUY	S\$	2.45	2.98	5,181	13.2	13.7	5.4	5.6	2.5	2.7	4.7	38.6	4.4
Fraser's L&C Trust	FLT SP	BUY	S\$	1.12	1.65	3,130	7.2	7.3	6.5	6.5	3.5	3.6	6.2	30.7	5.1
Fraser's Centrepoint	FCT SP	NR	S\$	2.30	n.a.	2,942	11.7	12.0	5.1	5.2	2.2	2.3	3.4	37.2	2.0
CapLand Ascott	CLAS SP	BUY	S\$	0.96	1.45	2,696	5.6	6.1	5.8	6.4	2.9	3.5	4.0	37.9	n.a.
Keppel REIT	KREIT SP	BUY	S\$	0.925	1.24	2,611	6.2	6.1	6.7	6.6	3.8	3.7	3.4	38.9	5.5
Suntec REIT	SUN SP	HOLD	S\$	1.19	1.28	2,584	6.6	6.9	5.6	5.8	2.7	2.9	2.0	42.3	2.7
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.69	2.10	2,171	8.9	9.4	5.3	5.5	2.4	2.6	4.7	37.4	7.6
PARAGON REIT	PGNREIT SP	NR	S\$	0.88	n.a.	1,852	4.6	5.1	5.3	5.8	2.4	2.9	3.8	30.1	3.1
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.31	n.a.	1,779	2.4	2.6	7.7	8.4	4.8	5.5	2.4	37.7	3.4
PLife REIT	PREIT SP	BUY	S\$	3.52	4.84	1,589	14.0	14.0	4.0	4.0	1.1	1.1	12.8	36.0	16.5
OUE REIT	OUEREIT SP	NR	S\$	0.285	n.a.	1,167	2.0	2.1	7.0	7.4	4.1	4.5	2.4	39.4	3.3
Lendlease REIT	LREIT SP	BUY	S\$	0.63	0.87	1,098	4.4	4.3	7.0	6.8	4.1	3.9	3.9	40.6	5.3
CapLand China Trust	CLCT SP	NR	S\$	0.835	n.a.	1,052	7.2	7.5	8.6	9.0	5.7	6.1	3.2	42.4	1.8
Far East HTrust	FEHT SP	BUY	S\$	0.65	0.85	973	4.1	4.3	6.3	6.7	3.4	3.8	3.7	32.2	n.a.
CDL HTrust	CDREIT SP	BUY	S\$	1.03	1.48	958	6.4	6.5	6.3	6.3	3.3	3.4	2.7	36.7	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.515	n.a.	868	3.9	4.0	7.6	7.8	4.7	4.9	3.3	37.4	4.2

* 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

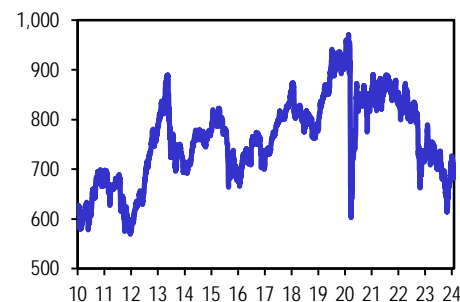
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
CDREIT	BUY	1.03	1.48
CLAS	BUY	0.96	1.45
KREIT	BUY	0.925	1.24
LREIT	BUY	0.63	0.87
MINT	BUY	2.45	2.98

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

ANALYST(S)

Jonathan Koh, CFA, MSc Econ
+65 6590 6620
jonathankoh@uobkayhian.com

S-REIT YIELD SPREAD



Source: UOB Kay Hian

PEER COMPARISON

Name	Ticker	Rec	Curr	Price	Target	Mkt Cap	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
				31 Jan 24	Price		(US\$m)	Hist	Curr	Fwd 1Y			
HEALTHCARE													
First REIT	FIRT SP	NR	S\$	0.26	n.a.	403	10.2	9.6	9.6	10.4	74.3	39.0	0.86
PLife REIT	PREIT SP	BUY	S\$	3.52	4.84	1,589	4.1	4.0	4.0	4.1	59.3	35.9	1.54
HOSPITALITY													
CapLand Ascott	CLAS SP	BUY	S\$	0.96	1.45	2,696	6.8	5.8	6.4	6.5	70.0	37.9	0.83
CDL HTrust	CDREIT SP	BUY	S\$	1.03	1.48	958	5.5	6.3	6.3	6.4	61.6	36.7	0.69
Far East HTrust	FEHT SP	BUY	S\$	0.65	0.85	973	5.0	6.3	6.7	6.1	40.9	32.2	0.72
Frasers HTrust	FHT SP	NR	S\$	0.47	n.a.	668	5.3	5.6	5.8	6.5	54.9	34.0	0.70
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.31	n.a.	792	7.6	7.4	7.5	7.6	63.0	32.2	0.97
CapLand Ascendas	CLAR SP	BUY	S\$	2.92	3.50	9,575	5.4	5.3	5.3	5.3	64.3	37.2	1.26
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.65	0.77	725	6.2	5.7	5.4	5.0	54.2	34.4	0.78
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.31	n.a.	1,779	9.7	7.7	8.4	8.4	68.2	37.7	0.94
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.69	2.10	2,171	5.6	5.3	5.5	5.6	64.0	37.4	1.26
Mapletree Ind Trust	MINT SP	BUY	S\$	2.45	2.98	5,181	5.5	5.4	5.6	5.8	59.7	38.6	1.33
Mapletree Log Trust	MLT SP	BUY	S\$	1.55	1.98	5,763	5.8	5.7	5.3	5.3	76.6	38.8	1.11
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	0.925	1.24	2,611	6.3	6.7	6.6	6.6	73.2	38.9	0.70
RETAIL													
Frasers Centrepoint	FCT SP	NR	S\$	2.30	n.a.	2,942	5.3	5.1	5.2	5.2	48.6	37.2	0.99
Lendlease REIT	LREIT SP	BUY	S\$	0.63	0.87	1,098	7.5	7.0	6.8	6.9	84.4	40.6	0.80
Sasseur REIT	SASSR SP	BUY	S\$	0.67	0.99	621	9.8	9.3	9.7	10.1	42.8	25.4	0.79
PARAGON REIT	PGNREIT SP	NR	S\$	0.88	n.a.	1,852	6.2	5.3	5.8	6.2	49.7	30.1	0.97
Starhill Global	SGREIT SP	NR	S\$	0.515	n.a.	868	7.4	7.6	7.8	8.0	64.6	37.4	0.70
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	0.84	n.a.	1,052	9.0	8.6	9.0	8.7	89.9	42.4	0.63
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.01	2.24	9,987	5.3	5.3	5.3	5.3	68.3	40.8	0.95
Frasers L&C Trust	FLT SP	BUY	S\$	1.12	1.65	3,130	6.3	6.5	6.5	6.4	46.5	30.7	0.96
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.46	1.87	5,720	6.6	6.3	6.0	6.1	74.7	40.7	0.84
OUE Comm REIT	OUECT SP	NR	S\$	0.285	n.a.	1,167	7.4	7.0	7.4	n.a.	72.9	39.4	0.49
Suntec REIT	SUN SP	HOLD	S\$	1.19	1.28	2,584	6.0	5.6	5.8	5.8	70.0	42.3	0.57
INTERNATIONAL (US/EUROPE)													
Cromwell REIT EUR	CERT SP	NR	€	1.40	n.a.	852	12.3	11.3	11.4	11.4	80.3	41.2	0.62
Elite Comm REIT GBP	ELITE SP	NR	£	0.27	n.a.	201	17.8	11.5	12.2	14.8	90.9	45.8	0.53
IREIT Global	IREIT SP	NR	S\$	0.40	n.a.	401	9.7	6.9	7.6	8.7	62.8	36.9	0.54
Keppel REIT USD	KORE SP	BUY	US\$	0.28	0.59	292	20.7	17.9	17.3	17.1	69.2	38.4	0.35
Manulife REIT USD	MUST SP	BUY	US\$	0.06	0.14	107	79.2	0.0	0.0	0.0	139.4	56.0	0.15
Prime US REIT USD	PRIME SP	BUY	US\$	0.167	0.57	199	39.2	29.4	17.5	18.1	79.4	43.7	0.22
Ult Hampshire REIT USD	UHU SP	BUY	US\$	0.51	0.64	297	11.5	9.2	9.0	9.0	74.3	41.7	0.69

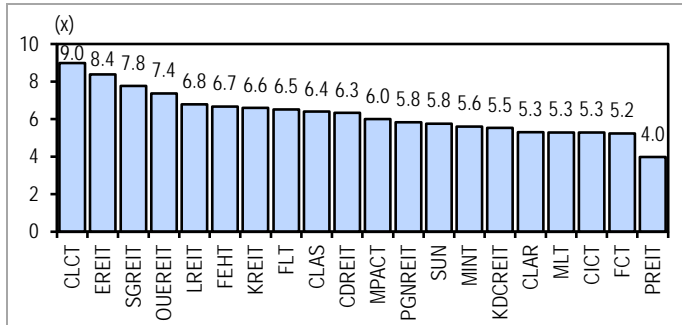
Source: Bloomberg, UOB Kay Hian

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
Frasers Centrepoint	1.8	11.1	6.0	3.6	1.8	Prime US REIT USD	-30.4	79.6	-8.2	-67.9	-30.4
Utd Hampshie REIT USD	1.0	39.7	18.6	-2.9	1.0	KeppacOak REIT USD	-25.3	52.2	-15.2	-47.7	-25.3
AIMS APAC REIT	0.8	9.2	4.8	-4.2	0.8	Manulife REIT USD	-25.0	20.0	-42.9	-81.8	-25.0
DigiCore REIT USD	0.0	27.7	29.0	2.4	0.0	Keppel DC REIT	-13.3	0.0	-22.8	-17.2	-13.3
OUE REIT	0.0	21.3	-8.1	-18.6	0.0	Mapletree Log Trust	-10.9	5.4	-8.3	-8.3	-10.9
Keppel REIT	-0.5	16.4	1.6	-4.1	-0.5	CapLand China Trust	-10.2	5.7	-19.7	-33.2	-10.2
PARAGON REIT	-1.1	10.1	-8.4	-10.3	-1.1	CDL HTrust	-7.2	6.2	-13.4	-23.7	-7.2
IREIT Global	-1.2	21.2	-8.0	-27.1	-1.2	Mapletree Pan Asia	-7.0	9.8	-11.5	-19.8	-7.0
Cromwell REIT EUR	-1.4	21.7	-13.0	-13.0	-1.4	Frasers HTrust	-6.1	-8.8	-3.1	-7.0	-6.1
First REIT	-1.9	10.6	0.0	-7.1	-1.9	PLife REIT	-4.1	4.8	-9.3	-13.3	-4.1

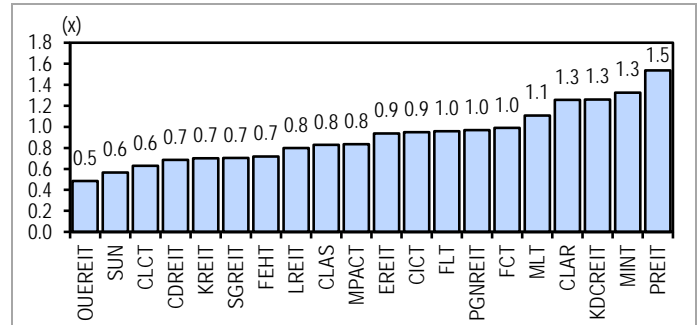
Source: Bloomberg, UOB Kay Hian

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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