

SECTOR UPDATE

REITs – Singapore

S-REITs Monthly Update (Jun 24)

S-REITs have weathered the sell-down caused by interest rates staying higher for longer. The easing of core PCE inflation in May 24 gave reassurance that rate cuts should commence as anticipated in 4Q24. Maintain OVERWEIGHT. Many blue-chip S-REITs are trading at attractive distribution yields of 6-7%. We have picked blue-chip S-REITs from a bottom-up basis: BUY FEHT (Target: S\$0.77), KREIT (Target: S\$1.15), LREIT (Target: S\$0.85), MINT (Target: S\$2.78) and MPACT (Target: S\$1.73).

WHAT HAPPENED IN JUNE

- **FSTREI corrected 1.8% in June, underperforming the STI's mild dip of 0.1%. US core PCE inflation eased 0.2ppt mom to 2.6% yoy in May 24, indicating a gradual deceleration of inflation. Yield for 10-year Singapore government bonds eased 15bp to 3.21% in June.**
- **Redevelopment of Peace Centre.** The joint redevelopment of Peace Centre by CEL and SingHaiyi to build strata-titled offices and retail space and 367 residential units has received planning approval. The 76,617sf site will be redeveloped into a 13-storey commercial tower called One Sophia and two residential blocks named The Collective at One Sophia. One Sophia will have 11 levels of strata offices and two floors and a basement for retail use. Commercial office and retail space with GFA of 362,747sf accounted for up 60% of the total GFA. The redevelopment is expected to complete by 2028.
- **Redevelopment of Orchard Rendezvous Hotel and Tanglin Shopping Centre.** According to *The Business Times*, the Ng family behind Far East Organisation and Far East Hospitality Trust (FEHT) could be exploring the possibility of teaming up with the family of tycoon Sukanto Tanoto for the joint redevelopment of Orchard Rendezvous Hotel and the adjacent Tanglin Shopping Centre. The two partners could tap on URA's Strategic Development Incentive Scheme as the innovative joint redevelopment could comprehensively and positively transform the surrounding urban environment. The combined land area is sizeable at 156,165sf. The potential mixed-use integrated development could include hotel, retail and office spaces with some residential units for sale.
- **Paragon REIT selling The Rail Mall.** Paragon REIT (PGREIT) has entered into a sale and purchase agreement for the divestment of The Rail Mall for a cash consideration of S\$78.5m. The property was valued at S\$62m as of Dec 23. The net proceeds from the divestment will be deployed to pare down outstanding borrowings, finance potential acquisitions and asset enhancement initiatives or make distributions to unitholders. The divestment is scheduled for completion in 2HFY24.

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

Name	Ticker	Rec	Currency	Price 1 Jul 24	Target Price	Mkt Cap (US\$m)	--- DPU (z) ---	--- Yield (%) ---	--- Yield Spread* (%) ---	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)			
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.96	2.22	9,743	10.7	10.9	5.4	5.5	2.2	2.3	3.1	40.0	3.6
CapLand Ascendas	CLAR SP	BUY	S\$	2.54	3.42	8,243	15.2	15.7	6.0	6.2	2.8	3.0	3.7	38.3	3.9
Mapletree Log	MLT SP	BUY	S\$	1.30	1.59	4,813	8.4	8.4	6.5	6.5	3.3	3.3	3.7	38.9	3.0
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.24	1.73	4,811	8.6	8.9	7.0	7.2	3.7	4.0	2.9	40.5	2.4
Mapletree Ind	MINT SP	BUY	S\$	2.11	2.78	4,416	13.5	13.5	6.4	6.4	3.2	3.2	4.5	38.7	4.4
Frasers Centrepoint	FCT SP	BUY	S\$	2.14	2.56	2,859	11.8	12.0	5.5	5.6	2.3	2.4	3.3	38.5	2.0
Frasers L&C Trust	FLT SP	BUY	S\$	0.95	1.38	2,621	6.9	6.8	7.3	7.2	4.1	4.0	5.9	32.7	4.3
CapLand Ascott	CLAS SP	BUY	S\$	0.880	1.32	2,459	6.1	6.0	6.9	6.8	3.7	3.6	3.7	37.7	n.a.
Keppel REIT	KREIT SP	BUY	S\$	0.840	1.15	2,367	6.0	5.9	7.2	7.1	4.0	3.9	3.3	39.4	5.4
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.81	1.96	2,302	9.0	9.2	5.0	5.1	1.8	1.9	4.6	37.6	7.4
Suntec REIT	SUN SP	HOLD	S\$	1.07	1.22	2,301	6.6	6.9	6.2	6.4	3.0	3.2	2.0	42.3	2.7
PARAGON REIT	PGNREIT SP	NR	S\$	0.855	n.a.	1,793	4.6	4.4	5.4	5.1	2.2	1.9	3.4	29.9	2.9
PLife REIT	PREIT SP	BUY	S\$	3.51	4.70	1,567	14.3	14.6	4.1	4.2	0.9	1.0	11.1	36.4	16.2
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.27	n.a.	1,532	2.4	2.5	8.9	9.3	5.7	6.1	2.6	36.3	3.5
OUE REIT	OUEREIT SP	NR	S\$	0.27	n.a.	1,074	2.1	2.2	7.9	8.3	4.7	5.1	2.4	38.8	3.0
Lendlease REIT	LREIT SP	BUY	S\$	0.56	0.85	986	4.3	4.5	7.7	8.1	4.4	4.9	3.4	41.0	4.8
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.77	935	4.1	3.8	6.5	6.1	3.3	2.9	3.5	31.5	n.a.
CDL HTrust	CDREIT SP	BUY	S\$	0.95	1.39	879	6.4	6.5	6.8	6.9	3.6	3.7	2.7	37.8	n.a.
Cromwell REIT EUR	CERT SP	NR	€	1.40	n.a.	847	14.2	14.4	10.1	10.3	7.6	7.7	3.6	41.3	4.8
CapLand China Trust	CLCT SP	NR	S\$	0.67	n.a.	843	6.7	6.9	10.0	10.3	6.8	7.1	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

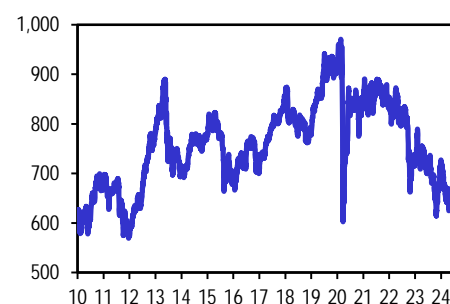
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
FEHT	BUY	0.63	0.77
KREIT	BUY	0.84	1.15
LREIT	BUY	0.56	0.85
MINT	BUY	2.11	2.78
MPACT	BUY	1.24	1.73

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)

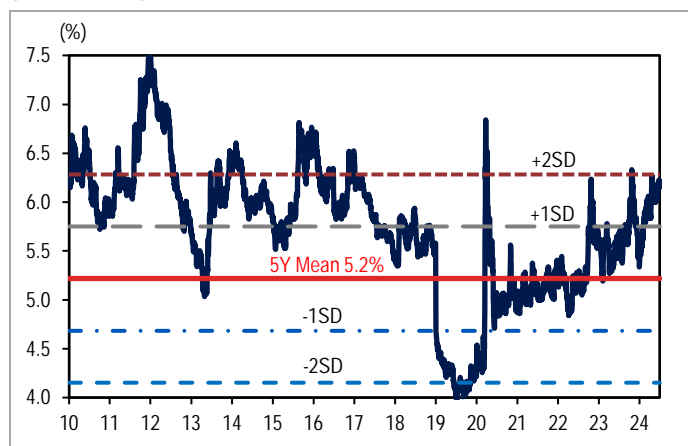


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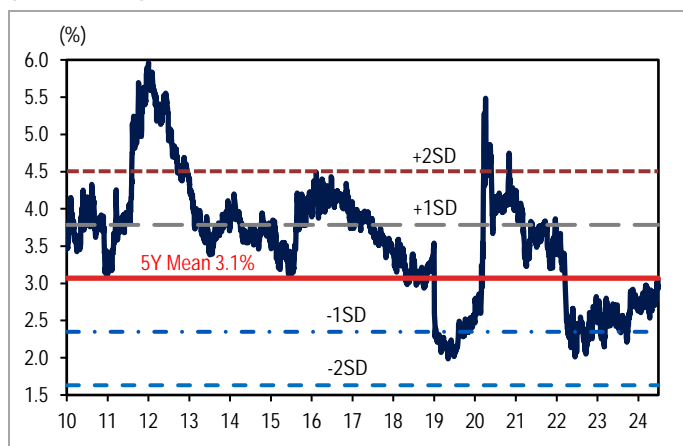
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S-REIT YIELD SPREAD



Source: UOB Kay Hian

S-REIT YIELD SPREAD



Source: UOB Kay Hian

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 1 Jul 24	Target Price	Mkt Cap (US\$m)	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
							Hist	Curr	Fwd 1Y	Fwd 2Y			
HEALTHCARE													
First REIT	FIRT SP	NR	S\$	0.24	n.a.	369	10.3	10.4	10.8	12.9	72.5	38.8	0.81
PLife REIT	PREIT SP	BUY	S\$	3.51	4.70	1,567	4.2	4.1	4.2	5.0	60.2	36.2	1.52
HOSPITALITY													
CapLand Ascott	CLAS SP	BUY	S\$	0.88	1.32	2,459	7.5	6.9	6.8	7.1	68.0	37.7	0.78
CDL HTrust	CDREIT SP	BUY	S\$	0.95	1.39	879	6.0	6.8	6.9	6.9	63.8	37.8	0.63
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.77	935	6.5	6.5	6.1	6.0	40.2	31.5	0.69
Frasers HTrust	FHT SP	NR	S\$	0.415	n.a.	590	5.9	6.0	6.3	7.0	59.0	35.5	0.63
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.25	n.a.	748	7.5	7.4	7.8	7.8	65.1	32.6	0.96
CapLand Ascendas	CLAR SP	BUY	S\$	2.54	3.42	8,243	6.0	6.0	6.2	6.4	67.2	38.3	1.12
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	0.80	756	6.4	5.9	6.1	6.1	50.3	35.1	0.87
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.27	n.a.	1,532	9.5	8.9	9.3	9.3	63.8	36.3	0.87
Keppel DC REIT	KDCREIT SP	BUY	S\$	1.81	1.96	2,302	5.2	5.0	5.1	5.4	64.0	37.6	1.36
Mapletree Ind Trust	MINT SP	BUY	S\$	2.11	2.78	4,416	6.4	6.4	6.4	6.6	59.9	38.7	1.20
Mapletree Log Trust	MLT SP	BUY	S\$	1.30	1.59	4,813	6.9	6.5	6.5	6.4	77.1	38.9	0.94
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	0.84	1.15	2,367	6.9	7.2	7.1	6.9	73.2	38.9	0.63
RETAIL													
Frasers Centrepoint	FCT SP	BUY	S\$	2.14	2.56	2,859	5.7	5.5	5.6	5.6	49.8	38.5	0.94
Lendlease REIT	LREIT SP	BUY	S\$	0.56	0.85	986	8.4	7.7	8.1	8.0	86.5	41.0	0.73
Sasseur REIT	SASSR SP	BUY	S\$	0.675	0.94	621	9.3	8.9	9.6	10.1	43.7	25.2	0.80
PARAGON REIT	PGNREIT SP	NR	S\$	0.855	n.a.	1,793	5.9	5.4	5.1	5.3	49.3	29.9	0.94
Starhill Global	SGREIT SP	NR	S\$	0.485	n.a.	811	7.8	8.0	8.2	8.2	64.7	37.2	0.67
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	0.67	n.a.	843	10.1	10.0	10.3	10.0	91.4	40.8	0.56
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.96	2.22	9,743	5.5	5.4	5.5	5.7	66.9	40.0	0.92
Frasers L&C Trust	FLT SP	BUY	S\$	0.945	1.38	2,621	7.4	7.3	7.2	7.2	55.3	32.7	0.82
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.24	1.73	4,811	7.2	7.0	7.2	7.3	73.9	40.5	0.71
OUE Comm REIT	OUECT SP	NR	S\$	0.265	n.a.	1,074	7.9	7.9	8.3	7.9	71.2	38.8	0.44
Suntec REIT	SUN SP	HOLD	S\$	1.07	1.22	2,301	6.7	6.2	6.4	6.4	70.0	42.3	0.51
INTERNATIONAL (US/EUROPE)													
Cromwell REIT EUR	CERT SP	NR	€	1.40	n.a.	847	11.2	10.1	10.3	10.4	84.1	41.3	0.66
Elite Comm REIT GBP	ELITE SP	NR	£	0.25	n.a.	186	13.7	10.8	13.2	5.6	82.6	41.5	0.64
IREIT Global	IREIT SP	NR	S\$	0.29	n.a.	288	9.4	10.6	10.1	10.1	65.8	36.2	0.49
KeppelPacOak REIT USD	KORE SP	BUY	US\$	0.131	0.34	137	19.1	0.0	0.0	32.8	84.0	43.6	0.19
Manulife REIT USD	MUST SP	BUY	US\$	0.062	0.164	110	0.0	0.0	0.0	45.0	151.2	56.7	0.19
Prime US REIT USD	PRIME SP	BUY	US\$	0.114	0.34	149	23.8	7.3	19.7	40.4	98.1	48.1	0.19
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.39	0.64	228	12.3	11.2	12.1	12.2	75.1	42.2	0.53

Source: Bloomberg, UOB Kay Hian

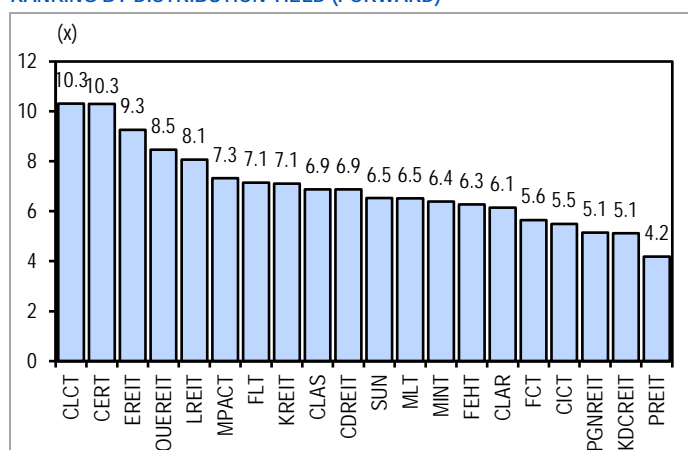
TOP 10 OUTPERFORMERS AND TOP 10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)						TOP UNDERPERFORMERS (%)					
NAME	1MTH	3MTH	6MTH	1Y	YTD	NAME	1MTH	3MTH	6MTH	1Y	YTD
Elite UK REIT GBP	2.1	0.0	-14.3	-20.0	-14.3	IREIT Global	-15.2	-20.0	-30.9	-36.4	-30.9
First REIT	2.1	-5.8	-7.5	-5.8	-7.5	ESR-LOGOS REIT	-6.9	-8.5	-15.6	-19.4	-15.6
Starhill Global	1.0	1.0	-7.6	-5.8	-7.6	Manulife REIT USD	-5.9	-16.9	-20.0	-63.0	-20.0
CapLand Int Comm Trust	1.0	0.0	-3.9	3.7	-3.9	KepPacOak REIT USD	-4.3	-11.8	-64.3	-57.5	-64.3
Lendlease REIT	0.9	-3.4	-13.2	-15.2	-13.2	Mapletree Ind Trust	-4.1	-9.8	-15.9	-4.5	-15.9
Keppel DC REIT	0.0	4.0	-7.7	-16.7	-7.7	Frasers L&C Trust	-4.0	-10.4	-17.4	-24.0	-17.4
PARAGON REIT	0.0	2.4	-3.4	-10.5	-3.4	QUE REIT	-3.7	-7.1	-8.8	-21.2	-8.8
CapLand China Trust	0.0	-8.8	-28.0	-34.3	-28.0	Frasers HTrust	-3.5	-9.8	-16.2	-11.7	-16.2
Mapletree Pan Asia	0.0	-4.7	-22.3	-24.7	-22.3	CDL HTrust	-3.1	-6.9	-14.4	-22.1	-14.4
Sasseur REIT	-0.7	-1.5	-1.5	-4.3	-1.5	Mapletree Log Trust	-3.0	-11.6	-25.9	-20.4	-25.9

Source: Bloomberg, UOB Kay Hian

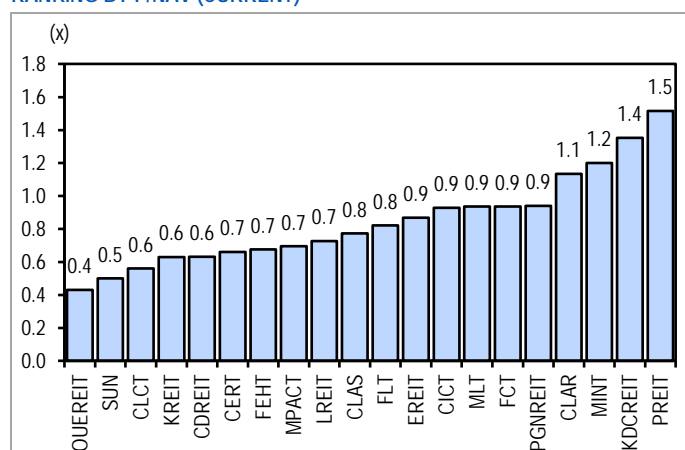
- **Top outperformer:** Healthcare REIT FIRT gained 2.1%. Retail REITs SGREIT, CICT and LREIT gained 1.0%, 1.0% and 0.9% respectively.
- **Top underperformer:** IREIT dropped 15.2% after Deutsche Rentenversicherung Bund, the main tenant of its Berlin Campus, decided not to extend its lease. Industrial REIT EREIT lost 6.9% due to exposure to business park properties in Singapore. US office REITs MUST and KORE lost 5.9% and 4.3% respectively.

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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