

SECTOR UPDATE

REITs – Singapore

2Q24 Round-up: The Sun Has Started To Shine On S-REITs

For the 20 S-REITs under our coverage, three beat our expectations (CICT, FLT and KDCREIT), while two underperformed (LREIT and MLT). CICT saw an improvement in NPI margin. FLT locked in strong positive rental reversion in Australia. KDCREIT achieved strong rental reversion of +40% for a major renewal contract in Singapore. Maintain OVERWEIGHT. BUY CLAS (Target: S\$1.30), FLT (Target: S\$1.40), KREIT (Target: S\$1.15), MINT (Target: S\$2.78) and MPACT (Target: S\$1.68).

WHAT'S NEW

• **Retail: Resilient recovery from downtown malls.** Downtown malls achieved double-digit positive rental reversion, such as Suntec City Mall (2Q24: +20.2%), MPACT's VivoCity (1QFY25: +19.9%) and LREIT's 313@Somerset (FY24: +20%) due to a recovery in tourism and back-to-office momentum. Confidence among retailers remains buoyant despite higher outbound travel exacerbated by the strong Singapore dollar in 2Q24.

CICT's retail and office portfolios achieved positive rental reversions of 9.3% and 15.0% respectively in 2Q24. NPI margin expanded 2.2ppt yoy to 73.5% in 1H24 due to lower utility expenses and new property management agreement. Its AEs at IMM Building in Singapore and Gallileo in Frankfurt, Germany are on track for completion in 2H25.

• **Office: Stable and resilient.** CICT outperformed with positive double-digit rental reversions of 15.0% for its office properties in 2Q24 (1Q24: 14.1%), ahead of 9.3% for KREIT and 7.9% for SUN. KREIT grew from strength to strength with growth in overseas markets from Australia and North Asia. It maintained full occupancy for 8 Chifley Square in Sydney, Victoria Police Centre in Melbourne and David Malcolm Justice Centre in Perth. NPI from North Asia increased 13.8% yoy in 1H24 as KR Ginza in Tokyo and T Tower in Seoul hit 100% occupancy in 2Q24. The acquisition of 255 George Street in Sydney provides a yield of above 6% and DPU accretion of 1.4%.

• Leasing enquiries from the technology, media & telecommunications sector have picked up, especially from smaller technology companies. Phase 1 (80%) and the ultra-high zone (20%) of IOI Central Boulevard Towers with 1,258,000sf of office space were completed in 2Q24 and 3Q24 respectively. The project is about 50% pre-committed. According to CBRE, vacancy rate for Grade A core CBD office has eased 1.5ppt qoq to 5.1% in 2Q24. CBRE expects modest rent growth for Grade A Core CBD office during 2H24 and 2025 due to a pick-up in leasing momentum and limited new supply pipeline.

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

Name	Ticker	Rec	Currency	Price 21 Aug 24	Target Price	Mkt Cap (US\$m)	--- DPU (¢) ---	--- Yield (%) ---	--- Yield Spread* (%) ---	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
							Curr Fwd	Curr Fwd	Curr Fwd			
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.08	2.29	10,712	10.2 10.6	4.9 5.1	2.1 2.3	3.0	39.8	3.6
CapLand Ascendas	CLAR SP	BUY	S\$	2.79	3.44	9,381	15.2 15.9	5.5 5.7	2.7 2.9	3.7	37.8	3.8
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.30	1.68	5,226	8.4 8.6	6.4 6.6	3.7 3.9	2.8	40.5	2.5
Mapletree Ind Trust	MINT SP	BUY	S\$	2.38	2.78	5,160	13.5 13.5	5.7 5.7	2.9 2.9	4.7	39.1	4.6
Mapletree Log Trust	MLT SP	HOLD	S\$	1.32	1.37	5,063	8.4 8.3	6.3 6.3	3.6 3.6	3.6	39.6	2.9
Frasers Centrepoint	FCT SP	BUY	S\$	2.34	2.56	3,239	11.8 12.0	5.1 5.1	2.3 2.4	3.3	39.1	2.0
Frasers L&C Trust	FLT SP	BUY	S\$	1.03	1.40	2,960	6.9 6.9	6.7 6.7	3.9 3.9	5.7	33.2	4.2
Keppel DC REIT	KDCREIT SP	BUY	S\$	2.08	2.09	2,741	9.4 9.4	4.5 4.5	1.8 1.7	5.1	35.8	6.4
Suntec REIT	SUN SP	HOLD	S\$	1.20	1.13	2,674	6.2 6.4	5.2 5.3	2.4 2.5	1.9	42.3	4.0
CapLand Ascott	CLAS SP	BUY	S\$	0.885	1.30	2,563	5.6 5.8	6.4 6.6	3.6 3.8	3.7	37.2	n.a.
Keppel REIT	KREIT SP	BUY	S\$	0.855	1.15	2,497	6.0 5.9	7.0 6.9	4.3 4.2	3.1	41.3	5.3
PARAGON REIT	PGNREIT SP	NR	S\$	0.895	n.a.	1,945	4.6 4.4	5.1 4.9	2.4 2.1	3.4	29.0	2.9
PLife REIT	PREIT SP	BUY	S\$	3.66	4.70	1,693	14.3 14.6	3.9 4.0	1.1 1.2	10.6	35.3	16.1
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.27	n.a.	1,587	2.3 2.3	8.5 8.5	5.7 5.7	2.5	36.5	3.3
OUE REIT	OUREIT SP	NR	S\$	0.285	n.a.	1,197	2.0 2.2	7.0 7.7	4.2 5.0	2.3	38.7	2.8
Lendlease REIT	LREIT SP	BUY	S\$	0.56	0.73	986	3.9 3.9	6.9 7.0	4.2 4.2	3.2	40.9	4.7
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.73	969	4.0 3.9	6.4 6.2	3.7 3.4	3.2	30.8	n.a.
CapLand China Trust	CLCT SP	NR	S\$	0.675	n.a.	880	6.1 6.2	9.0 9.2	6.3 6.4	3.2	40.8	1.8
Cromwell REIT EUR	CERT SP	NR	€	1.39	n.a.	869	14.0 13.8	10.1 9.9	7.9 7.7	3.5	40.5	4.8
CDL HTrust	CDREIT SP	BUY	S\$	0.88	1.40	843	6.5 6.5	7.3 7.4	4.6 4.7	2.7	37.7	n.a.

\* 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

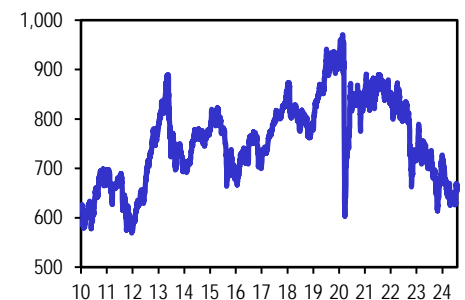
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CLAS	BUY	0.885	1.30
FLT	BUY	1.03	1.40
KREIT	BUY	0.855	1.15
MINT	BUY	2.38	2.78
MPACT	BUY	1.30	1.68

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

ANALYST(S)

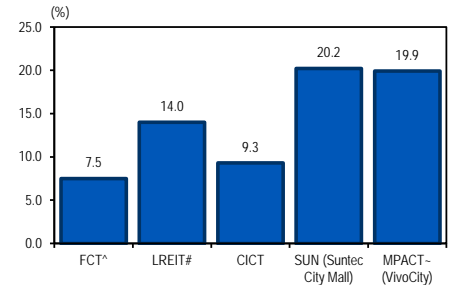
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- Hospitality: Riding on healthy growth in visitor arrivals.** Visitor arrivals grew 15% yoy to 3.9m in 2Q24 (83% of pre-pandemic levels) although 2Q is seasonally softer. CLAS reported RevPAR growth of 4% yoy, driven by higher room rates, especially from Japan and the US. Its portfolio occupancy improved 4ppt qoq to 77%. CLAS' gross profit grew 12% yoy (same store: 3%, acquisitions: 9%) but distributable income was flat yoy as 1H23 was boosted by realised forex gain of S\$11.8m. FEHT's RevPAR growth from its hotels in Singapore was healthy at 6% yoy.
- We are encouraged by the 13% yoy and 28% mom growth in visitor arrivals to 1.9m in Jul 24 (89% of pre-pandemic levels). The outlook is positive due to the 30-day mutual visa exemption arrangement between Singapore and China, an active MICE events calendar and seasonal strength in 2H24.
- Logistics: FCT benefitting from strong rental reversion in Australia.** FLT achieved exceptionally strong positive rental reversion of 54.6% and 51.7% respectively for logistics properties in New South Wales and Victoria in 3QFY24. It also backfilled vacant space at Alexandra Technopark in Singapore and Farnborough Business Park in the UK. MLT saw a positive rental reversion of +4.6% excluding China in 1QFY25 (including China: +2.6%). Unfortunately, it incurred negative rental reversion of -11.3% and the weakness is expected to persist over the next few quarters.
- Data centre: MINT and DCREIT made progress in backfilling vacant space.** KDCREIT provided a positive surprise with a positive rental reversion of more than 40% for a major renewal contract in Singapore. Its revenue from Singapore grew 6.6% yoy in 1H24. MINT achieved broad-based positive rental revision of 9.2% across all property segments in Singapore during 1QFY25 (flatted factories: 12.3%, business parks: 11.5% and stack-up/ramp-up buildings: 7.9%). It secured an established healthcare operator as replacement tenant for its data centre at Brentwood, Tennessee. DCREIT was able to backfill some vacant space with occupancy for its Frankfurt data centre improving 6.3ppt qoq to 98.5% in 2Q24 after signing several new leases.

**ACTION**

- The sun has started to shine on S-REITs.** For the 20 S-REITs under our coverage, three S-REITs performed above our expectations (CICT, FLT and KDCREIT), while 15 were in line and two below expectations (LREIT and MLT).
- Cost of debt has stabilised.** We observed that cost of debt was stable for CICT, CLAS, CLAR, FCT, KDCREIT, MINT and MLT. For DCREIT, average cost of debt eased 0.6ppt yoy 0.2ppt qoq to 4.1% in 2Q24 due to Yen-denominated term loans to fund the acquisition of a data centre in Osaka, Japan. For KDCREIT, average cost of debt is expected to decline 0.2ppt to 3.3% after completing the acquisition of Tokyo Data Centre 1.
- Maintain OVERWEIGHT.** The recent cooling in the US labour market gave reassurance that rate cuts should commence as anticipated in Sep 24. Many blue-chip S-REITs are trading at attractive distribution yields of 6-7%. BUY CLAS (Target: S\$1.30), FLT (Target: S\$1.40), KREIT (Target: S\$1.15), MINT (Target: S\$2.78) and MPACT (Target: S\$1.68).

**RENTAL REVERSION\* – SINGAPORE RETAIL**

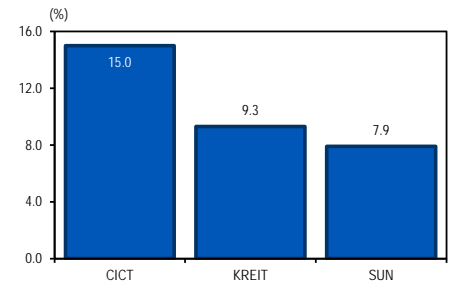


\*Average of new lease versus average of preceding lease.

^1HFY24 #FY24 ~1QFY25

Source: Respective S-REITs

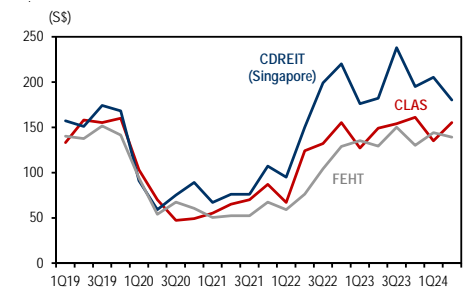
**RENTAL REVERSION\* – SINGAPORE OFFICE**



\*Average of new lease versus average of preceding lease.

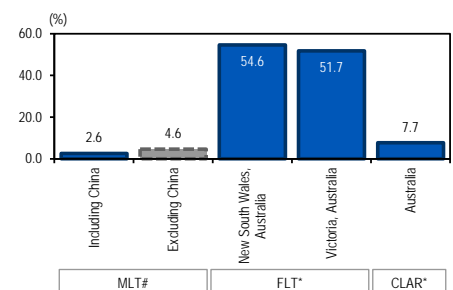
Source: Respective S-REITs

**REVPAR – HOSPITALITY**



Source: Respective S-REITs

**RENTAL REVERSION – LOGISTICS**



#First year of new lease versus last year of preceding lease.

\*Average of new lease versus average of preceding lease.

Source: Respective S-REITs

SUMMARY OF FINANCIAL RESULTS – AT A GLANCE

Name	Ticker	Rec	Curr	Price 21 Aug 24	Target Price	Period	NPI (\$m)	yoy % Chg	DI (\$m)	yoy % Chg	DPU (\$)	yoy % Chg	Payout Ratio (%)	Remarks
<b>HEALTHCARE</b>														
PLife REIT	PREIT SP	BUY	S\$	3.66	4.70	1H24	68.4	-2.5	45.6	3.5	7.54	3.5	96.8	In Line
<b>HOSPITALITY</b>														
CapLand Ascott	CLAS SP	BUY	S\$	0.885	1.30	1H24	172.9	12.0	96.5	0.2	2.55	-8.3	100.0	In Line
CDL HTrust	CDREIT SP	BUY	S\$	0.88	1.40	1H24	66.5	5.9	31.4	0.7	2.51	0.0	44.8	In Line
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.73	1H24	49.5	1.0	39.5	2.7	1.96	2.1	118.6	In Line
<b>INDUSTRIAL</b>														
CapLand Ascendas	CLAR SP	BUY	S\$	2.79	3.44	1H24	528.4	3.9	330.8	1.0	7.52	-2.5	100.0	In Line
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.605	0.81	1H24	30.4	-13.4	22.6	5.1	1.80	-6.3	100.0	In Line
Keppel DC REIT	KDCREIT SP	BUY	S\$	2.08	2.09	1H24	132.6	4.2	80.9	-11.4	4.55	-9.9	96.9	Above
Mapletree Ind Trust	MINT SP	BUY	S\$	2.38	2.78	1QFY25	132.5	1.3	97.3	3.7	3.43	1.2	100.0	In Line
Mapletree Log Trust	MLT SP	HOLD	S\$	1.32	1.37	1QFY25	156.7	-0.9	103.7	-7.4	2.07	-8.9	100.0	Below
<b>OFFICE</b>														
Keppel REIT	KREIT SP	BUY	S\$	0.855	1.15	1H24	87.2	8.0	106.9	-1.9	2.80	-3.4	110.3	In Line
<b>RETAIL</b>														
Frasers Centrepoint	FCT SP	BUY	S\$	2.34	2.56	3QFY24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Lendlease REIT	LREIT SP	BUY	S\$	0.56	0.73	2HFY24	71.9	-7.2	42.1	-19.4	1.77	-21.2	100.0	Below
Sasseur REIT	SASSR SP	BUY	S\$	0.685	0.94	1H24	42.7	-2.9	39.3	-4.3	3.15	-5.1	92.0	In Line
<b>DIVERSIFIED</b>														
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.08	2.29	1H24	582.4	5.4	366.5	3.7	5.43	2.5	98.9	Above
Frasers L&C Trust	FLT SP	BUY	S\$	1.03	1.40	3QFY24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Above
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.30	1.68	1QFY25	179.4	0.1	110.8	-3.5	2.09	-4.1	100.0	In Line
Suntec REIT	SUN SP	HOLD	S\$	1.20	1.13	1H24	151.0	-1.5	88.7	-11.7	3.04	-12.5	100.0	In Line
<b>INTERNATIONAL (US)</b>														
KepPacOak REIT USD	KORE SP	BUY	US\$	0.24	0.34	1H24	42.0	-4.2	23.8	-8.8	0.00	n.a.	0.0	In Line
Prime US REIT USD	PRIME SP	BUY	US\$	0.176	0.31	1H24	40.6	-14.0	23.3	-20.2	0.18	-92.7	10.1	In Line
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.425	0.62	1H24	25.4	-1.7	12.7	-24.0	2.01	-24.2	92.1	In Line

\*Gross Profit. #EMA Rental Income.

Source: Bloomberg, UOB Kay Hian NPI = net property income, DI = distributable income and DPU = distribution per unit.

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 21 Aug 24	Target Price	Mkt Cap (US\$m)	Hist	Curr	Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
<b>HEALTHCARE</b>													
First REIT	FIRT SP	NR	S\$	0.255	n.a.	407	9.7	9.8	10.2	12.2	76.5	39.5	0.90
PLife REIT	PREIT SP	BUY	S\$	3.66	4.70	1,693	4.0	3.9	4.0	4.8	57.4	35.3	1.55
<b>HOSPITALITY</b>													
CapLand Ascott	CLAS SP	BUY	S\$	0.885	1.30	2,563	7.4	6.4	6.6	6.9	68.1	37.2	0.77
CDL HTrust	CDREIT SP	BUY	S\$	0.88	1.40	843	6.5	7.3	7.4	7.5	64.6	37.7	0.59
Far East HTrust	FEHT SP	BUY	S\$	0.63	0.73	969	6.5	6.4	6.2	5.7	38.7	30.8	0.68
Frasers HTrust	FHT SP	NR	S\$	0.425	n.a.	626	5.7	5.9	6.1	6.6	59.0	35.3	0.64
<b>INDUSTRIAL</b>													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.28	n.a.	794	7.3	7.2	5.2	7.6	66.3	33.1	0.98
CapLand Ascendas	CLAR SP	BUY	S\$	2.79	3.44	9,381	5.4	5.5	5.7	5.8	67.5	37.8	1.23
Daiwa Hse Log Trust	DHLT SP	NR	S\$	0.56	n.a.	298	9.3	9.1	9.1	8.9	66.6	36.8	0.85
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.605	0.81	787	6.1	5.9	5.9	6.0	52.6	34.4	0.89
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.27	n.a.	1,587	9.5	8.5	8.5	8.1	66.2	36.5	0.88
Keppel DC REIT	KDCREIT SP	NR	S\$	2.08	2.09	2,741	4.5	4.5	4.5	5.1	59.4	35.8	1.51
Mapletree Ind Trust	MINT SP	BUY	S\$	2.38	2.78	5,160	5.6	5.7	5.7	5.8	61.5	39.1	1.36
Mapletree Log Trust	MLT SP	HOLD	S\$	1.32	1.37	5,063	6.8	6.3	6.3	6.3	79.6	39.6	0.96
<b>OFFICE</b>													
Keppel REIT	KREIT SP	BUY	S\$	0.855	1.15	2,497	6.8	7.0	6.9	6.8	81.1	41.3	0.66
<b>RETAIL</b>													
Frasers Centrepoint	FCT SP	BUY	S\$	2.34	2.56	3,239	5.2	5.1	5.1	5.2	50.8	39.1	1.03
Lendlease REIT	LREIT SP	BUY	S\$	0.56	0.73	986	6.9	6.9	7.0	6.8	86.4	40.9	0.73
Sasseur REIT	SASSR SP	BUY	S\$	0.685	0.94	653	9.1	8.8	9.5	9.9	41.8	25.3	0.80
PARAGON REIT	PGNREIT SP	NR	S\$	0.895	n.a.	1,945	5.6	5.1	4.9	5.0	47.5	29.0	0.96
Starhill Global	SGREIT SP	NR	S\$	0.485	n.a.	840	7.5	7.8	8.0	8.0	64.5	36.8	0.68
<b>DIVERSIFIED</b>													
CapLand China Trust	CLCT SP	NR	S\$	0.675	n.a.	880	10.0	9.0	9.2	9.6	90.9	40.8	0.57
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.08	2.29	10,712	5.2	4.9	5.1	5.2	66.2	39.8	0.98
Frasers L&C Trust	FLT SP	BUY	S\$	1.03	1.40	2,960	6.8	6.7	6.7	6.8	55.3	33.2	0.89
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.30	1.68	5,226	6.9	6.4	6.6	6.7	73.9	40.5	0.74
OUE Comm REIT	OUECT SP	NR	S\$	0.285	n.a.	1,197	7.3	7.0	7.7	7.4	71.3	38.7	0.47
Suntec REIT	SUN SP	HOLD	S\$	1.20	1.13	2,674	5.9	5.2	5.3	5.3	69.5	42.3	0.57
<b>INTERNATIONAL (US/EUROPE)</b>													
Cromwell REIT EUR	CERT SP	NR	€	1.39	n.a.	869	11.3	10.1	9.9	9.4	81.0	40.5	0.66
Elite Comm REIT GBP	ELITE SP	NR	£	0.25	n.a.	191	13.7	11.2	12.4	7.6	81.3	41.4	0.62
IREIT Global	IREIT SP	NR	S\$	0.29	n.a.	298	9.4	10.5	10.0	10.0	67.4	36.9	0.50
KepPacOak REIT USD	KORE SP	BUY	US\$	0.24	0.34	251	10.4	0.0	0.0	17.9	81.7	42.7	0.34
Prime US REIT USD	PRIME SP	BUY	US\$	0.176	0.31	230	15.4	2.2	2.5	25.4	100.0	48.9	0.32
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.425	0.62	248	11.3	9.7	10.4	10.9	76.6	41.9	0.58

Source: Bloomberg, UOB Kay Hian

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