

SECTOR UPDATE

REITs – Singapore

3Q23 Round-up: Gaining A Stronger Footing

Results from the 20 S-REITs under our coverage were mostly in line with forecasts. The hospitality sub-sector registered the strongest NPI growth averaging 26% yoy. We saw resiliency from Singapore with positive rental reversions across retail, office and industrial properties despite external uncertainties. We focus on S-REITs with resilient balance sheets that could weather a protracted period of elevated interest rates. Maintain OVERWEIGHT. BUY CDREIT, FCT, FEHT, KREIT, LREIT and MINT.

WHAT'S NEW

- The hospitality sub-sector saw the strongest recovery**, benefitting from recovery and reopening in a seasonally stronger 3Q23. In Singapore, the average length of stay increased 0.28 days to 3.55 days, which is 9% above pre-pandemic levels. CLAS reported 17% yoy growth in RevPAR globally, while CDREIT and FEHT registered growth in RevPAR of 20% and 44% yoy respectively for assets in Singapore in 3Q23. CLAS' gross profit grew 13% yoy, while CDREIT and FEHT saw NPI growth of 23% and 42% yoy respectively. FEHT has committed to utilising additional incentive fee of S\$18m from the divestment of Central Square to cushion the negative impact from higher interest rates.
- Recovery from downtown malls; resiliency from suburban malls.** Retail rents are rising supported by retailers' optimism on consumer sentiment. Most downtown malls achieved positive double-digit rental reversion, such as Suntec City Mall (2Q23: +18.2%, 3Q23: +25.3%) and MPACT's VivoCity (1HFY24: +14.2%), due to recovery in tourism. FCT saw steady positive rental reversion of +4.7% for its suburban malls in FY23, driven by Causeway Point (+5.4%), Waterway Point (+5.1%) and Northpoint City North Wing (+6.9%). CICT's retail leases registered positive rental reversions of 8.8% in 3Q23 (suburban: 7.4%, downtown: 8.4%). LREIT also experienced strong positive rental reversion of 16.3% (313@Somerset: >20%, Jem: high single-digit) in 1QFY24. FCT is scheduled to complete AEI for Tampines 1 in Nov 23 and additional prime retail space of 8,000sf will open in Dec 23, ahead of the festive season.
- Resiliency for office confounding sceptics.** According to CBRE, vacancy rate within core CBD has tightened significantly by 0.8ppt qoq to 3.2% in 3Q23. The amount of shadow space was estimated to have reduced by half to 0.33m sf compared to a record high of 0.7m sf in 1Q23. KREIT achieved positive rental reversion of 10.7% in 3Q23 (1H23: 8.1%). In Sydney, its new government tenant took up two additional floors at 8 Chifley Square, which increased occupancy by 9.7ppt qoq to 97.1%. CICT achieved positive rent reversions of 8.8% for its office properties in 9M23. SUN's Singapore office portfolio achieved positive rental reversion of 14% in 3Q23 (2Q23: +10.5%).

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

Name	Ticker	Rec	Curncy	Price 17 Oct 23	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\$	1.86	2.02	9,196	10.6	10.6	5.7	5.7	2.7	2.7	3.1	40.8	3.5
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	9,134	15.4	15.5	5.5	5.5	2.5	2.5	4.0	37.2	3.9
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	5,831	8.7	8.0	5.5	5.1	2.5	2.1	3.8	38.9	3.0
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	5,383	9.2	9.4	6.6	6.8	3.7	3.8	3.0	40.7	2.5
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	4,779	13.2	13.7	5.8	6.0	2.8	3.1	4.6	37.9	4.2
Frasers L&C Trust	FLT SP	BUY	S\$	1.08	1.47	3,005	7.2	7.3	6.7	6.8	3.7	3.8	7.1	30.2	4.3
Frasers Centrepoint	FCT SP	BUY	S\$	2.19	2.42	2,786	11.7	12.0	5.3	5.5	2.4	2.5	3.5	39.3	2.0
CapLand Ascott	CLAS SP	BUY	S\$	0.915	1.25	2,558	5.6	6.1	6.1	6.7	3.2	3.7	4.2	35.2	n.a.
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	2,411	7.3	6.4	6.5	5.7	3.5	2.7	2.0	42.7	2.8
Keppel DC REIT	KDCREIT SP	NR	S\$	1.87	n.a.	2,392	10.0	10.0	5.3	5.3	2.4	2.4	5.4	37.2	7.8
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	2,389	5.8	5.7	6.8	6.8	3.8	3.8	3.3	39.5	5.6
PARAGON REIT	PGNREIT SP	NR	S\$	0.84	n.a.	1,769	4.6	5.1	5.5	6.1	2.5	3.1	3.8	30.1	3.1
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.30	n.a.	1,715	2.7	2.5	9.0	8.3	6.0	5.4	2.4	37.7	3.4
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	1,600	14.0	14.0	3.9	3.9	0.9	1.0	12.8	36.0	16.5
CapLand China Trust	CLCT SP	NR	S\$	0.815	n.a.	1,023	7.5	7.8	9.2	9.6	6.2	6.6	3.2	42.4	1.8
OUE Comm REIT	OUECT SP	NR	S\$	0.25	n.a.	1,019	2.0	2.0	8.0	8.0	5.0	5.0	2.4	39.4	3.3
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.80	991	4.4	4.3	7.7	7.5	4.7	4.6	3.9	40.6	5.3
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	952	4.1	4.3	6.4	6.8	3.5	3.8	3.7	32.2	n.a.
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	935	6.1	7.0	6.1	6.9	3.1	3.9	2.9	38.4	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.49	n.a.	822	3.9	3.9	8.0	8.0	5.0	5.0	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

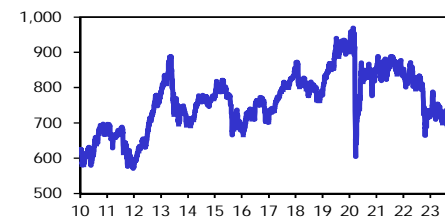
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CDREIT	BUY	1.01	1.41
FCT	BUY	2.19	2.42
FEHT	BUY	0.64	0.76
KREIT	BUY	0.85	1.06
LREIT	BUY	0.575	0.80
MINT	BUY	2.27	2.69

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

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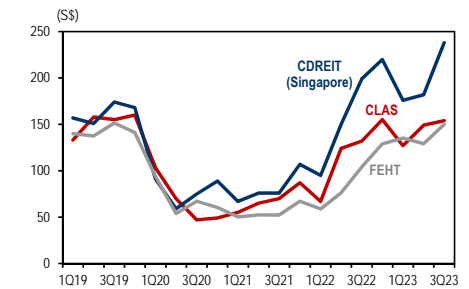
ESSENTIALS

- Strong positive reversions from logistics properties except China.** CLAR's logistics properties registered exceptionally strong rental reversion at 25.5% in Singapore and 28.8% in the UK/Europe due to tight supply and adoption of just-in-case supply chain management. FLT saw growth in logistics rents in Australia (New South Wales: +30.6%, Victoria: +46.6% and Queensland: +21.4%) in 4QFY23. MLT achieved positive rental reversion of +9.1% excluding China in 2QFY24 (including China: +0.6%). Management cautioned that weakness for China could persist for the next 12 months.
- Broad-based positive reversion for industrial properties.** CLAR recorded positive rental reversion of +9.8% for multi-tenant buildings in 3Q23 (business space & life science: +6.4%, industrial & data centre: +8.6%). MINT achieved positive rental revision of 8.8% for renewed leases across all property types in Singapore in 2QFY24 (flatted factories: +9.9%, business parks: +8.8%, stack-up/ramp-up buildings: +7.6% and hi-tech buildings: +4.7%). MPACT's MBC achieved positive rental reversion of 7.1% in 1HFY24.
- Early signs of stabilisation in cost of debt.** Three-month SORA edged marginally higher by 7bp to 3.71% in 3Q23. Average cost of debt for CICT, KREIT and MLT were stable at 3.3%, 2.85% and 2.5% respectively. MINT's average cost of debt improved 0.3ppt qoq to 3.2% in 2QFY24 due to drawdown of JPY-denominated loans to fund the acquisition of a data centre in Osaka, Japan.
- Turnaround situations.** DCREIT's second-largest tenant, Cyxtera, is on the cusp of emerging from chapter 11 bankruptcy restructuring. It entered into a series of six agreements, which reduces exposure to Cyxtera/Brookfield from 22% to 5%. MUST is negotiating with lenders on a waiver for the breach of financial covenant and working with its sponsor on formulating a sponsor support scheme. It targets to announce the loan restructuring by end-23 and hold its EGM in 1Q24.

ACTION

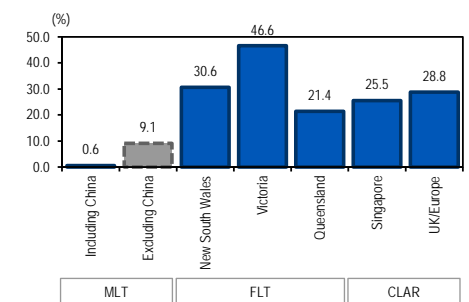
- Gaining a stronger footing.** Results from the 20 S-REITs under our coverage (results: eight, business and operational updates: 12) were mostly in line with our expectations. We saw a strong recovery for the hospitality sub-sector and resiliency from the retail, office and industrial sub-sectors. Interest rates have peaked but could stay higher for longer. Nevertheless, we have observed early signs of stabilisation in S-REITs' average cost of debt.
- Maintain OVERWEIGHT.** S-REITs is a defensive sector that could weather geopolitical uncertainties and potential slowdown in economic growth. We focus on blue chip S-REITs with resilient balance sheets that are better able to withstand a protracted period of elevated interest rates. BUY CDREIT (Target: S\$1.41), FCT (Target: S\$2.42), FEHT (Target: S\$0.76), KREIT (Target: S\$1.06), LREIT (Target: S\$0.80) and MINT (Target: S\$2.69).

REVPAR – HOSPITALITY



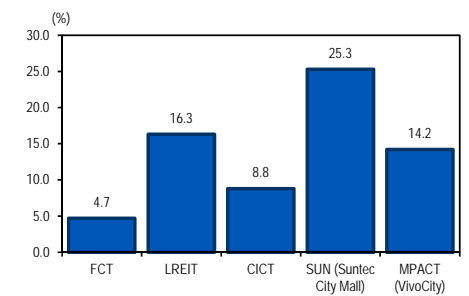
Source: Respective S-REITs

RENTAL REVERSION – LOGISTICS



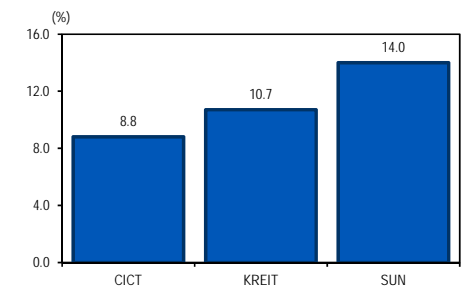
Source: Respective S-REITs

RENTAL REVERSION – SINGAPORE RETAIL



Source: Respective S-REITs

RENTAL REVERSION – SINGAPORE OFFICE



Source: Respective S-REITs

SUMMARY OF FINANCIAL RESULTS – AT A GLANCE

Name	Ticker	Rec	Curr	Price 17 Oct 23	Target Price	Period	NPI (\$m)	yoy % Chg	DI (\$m)	yoy % Chg	DPU (¢)	yoy % Chg	Payout Ratio (%)	Remarks
HEALTHCARE														
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	3Q23	34.5	+28.6	22.4	+1.8	3.70	+1.6	96.6	In Line
HOSPITALITY														
CapLand Ascott	CLAS SP	BUY	S\$	0.915	1.25	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	3Q23	39.0	+23.3	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	3Q23	28.1	+42.4	22.9	+51.0	n.a.	n.a.	n.a.	In Line
INDUSTRIAL														
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.57	0.69	3Q23	15.8	-9.9	10.0	-10.5	n.a.	n.a.	n.a.	In Line
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	2QFY24	128.6	-1.4	94.1	+3.5	3.32	-1.2	99.7	In Line
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	2QFY24	162.0	+1.2	112.5	+4.2	2.27	+0.9	108.5	In Line
OFFICE														
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
RETAIL														
Frasers Centrepoint	FCT SP	BUY	S\$	2.19	2.42	2HFY23	129.6	+1.1	103.1	-0.7	6.02	-1.2	101.9	In Line
Lendlease REIT	LREIT SP	BUY	S\$	0.575	0.80	1QFY24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Sasseur REIT	SASSR SP	BUY	S\$	0.695	0.93	3Q23	30.3	-1.5	18.7	-20.3	1.51	-17.7	100.0	In Line
DIVERSIFIED														
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.86	2.02	3Q23	275.0	+0.6	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Frasers L&C Trust	FLT SP	BUY	S\$	1.08	1.47	2HFY23	157.1	-4.9	131.6	-5.8	3.52	-6.6	109.8	In Line
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	2QFY24	183.2	8.7	118.0	+0.3	2.24	-8.2	100.0	In Line
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	3Q23	84.6	+9.7	52.0	-13.3	1.79	-14.0	112.4	In Line
INTERNATIONAL (US)														
Keppel REIT USD	KORE SP	BUY	US\$	0.28	0.56	3Q23	22.1	+3.7	13.1	-10.7	n.a.	n.a.	n.a.	In Line
Manulife REIT USD	MUST SP	BUY	US\$	0.095	0.18	3Q23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Prime US REIT USD	PRIME SP	BUY	US\$	0.161	0.53	3Q23	23.4	-3.3	14.7	-23.4	n.a.	n.a.	n.a.	In Line
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.40	0.60	3Q23	12.9	+8.4	7.1	-14.5	n.a.	n.a.	n.a.	In Line

Source: Bloomberg, UOB Kay Hian

NPI = net property income, DI = distributable income and DPU = distribution per unit.

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 17 Oct 23	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\$	0.23	n.a.	354	11.5	10.9	10.9	11.7	74.3	39.0	0.76	
PLife REIT	PREIT SP	BUY	S\$	3.56	4.19	1,600	4.0	3.9	3.9	4.0	59.3	35.9	1.55	
HOSPITALITY														
CapLand Ascott	CLAS SP	BUY	S\$	0.92	1.25	2,558	6.2	6.1	6.7	6.8	74.5	35.2	0.80	
CDL HTrust	CDREIT SP	BUY	S\$	1.01	1.41	935	5.6	6.1	6.9	6.9	65.5	38.4	0.71	
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.76	952	5.1	6.4	6.8	6.2	40.9	32.2	0.71	
Frasers HTrust	FHT SP	NR	S\$	0.51	n.a.	730	4.8	5.1	5.3	5.1	54.9	34.0	0.77	
INDUSTRIAL														
AIMS APAC REIT	AAREIT SP	NR	S\$	1.28	n.a.	770	7.8	7.6	7.7	7.7	63.0	32.1	0.95	
CapLand Ascendas	CLAR SP	BUY	S\$	2.80	3.13	9,134	5.6	5.5	5.5	5.6	64.3	37.2	1.20	
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.57	0.69	641	7.0	6.4	6.1	5.6	54.2	34.4	0.69	
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.30	n.a.	1,715	10.0	9.0	8.3	9.0	68.2	37.7	0.91	
Keppel DC REIT	KDCREIT SP	NR	S\$	1.87	n.a.	2,392	5.5	5.3	5.3	5.7	60.6	37.2	1.34	
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.69	4,779	6.0	5.8	6.0	6.3	57.4	37.9	1.20	
Mapletree Log Trust	MLT SP	BUY	S\$	1.58	1.72	5,831	5.7	5.5	5.1	5.1	76.7	38.9	1.12	
OFFICE														
Keppel REIT	KREIT SP	BUY	S\$	0.85	1.06	2,389	7.0	6.8	6.8	6.7	73.2	39.2	0.64	
RETAIL														
Frasers CT	FCT SP	BUY	S\$	2.19	2.42	2,786	5.5	5.3	5.5	5.5	55.7	39.3	0.94	
Lendlease REIT	LREIT SP	BUY	S\$	0.58	0.80	991	8.2	7.7	7.5	7.7	84.4	40.6	0.73	
Sasseur REIT	SASSR SP	BUY	S\$	0.695	0.93	640	9.4	9.0	9.4	9.8	42.8	25.4	0.82	
PARAGON REIT	PGNREIT SP	NR	S\$	0.84	n.a.	1,769	6.5	5.5	6.1	6.4	49.7	30.1	0.93	
Starhill Global	SGREIT SP	NR	S\$	0.49	n.a.	822	7.8	8.0	8.0	8.4	64.6	37.4	0.67	
DIVERSIFIED														
CapLand China Trust	CLCT SP	NR	S\$	0.815	n.a.	1,023	9.2	9.2	9.6	9.9	89.9	42.4	0.61	
CapLand Int Comm Trust	CICT SP	BUY	S\$	1.86	2.02	9,196	5.7	5.7	5.7	5.7	68.3	40.8	0.88	
Frasers L&C Trust	FLT SP	BUY	S\$	1.08	1.47	3,005	6.5	6.7	6.8	0.0	46.5	30.2	0.92	
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.38	1.80	5,383	7.0	6.6	6.8	6.9	74.7	40.7	0.79	
QUE Comm REIT	QUECT SP	NR	S\$	0.25	n.a.	1,019	8.5	8.0	8.0	8.4	72.9	39.4	0.43	
Suntec REIT	SUN SP	HOLD	S\$	1.12	1.12	2,411	7.9	6.5	5.7	5.9	70.2	42.7	0.54	
INTERNATIONAL (US/EUROPE)														
Cromwell REIT EUR	CERT SP	NR	€	1.32	n.a.	805	13.0	12.1	12.3	12.3	80.3	41.2	0.59	
Elite Comm REIT GBP	ELITE SP	NR	£	0.28	n.a.	168	17.2	12.9	13.6	14.6	90.9	45.8	0.55	
IREIT Global	IREIT SP	NR	S\$	0.36	n.a.	360	10.9	7.7	8.5	9.7	62.8	36.9	0.48	
Keppel REIT USD	KORE SP	BUY	US\$	0.28	0.56	292	20.7	17.9	17.3	17.1	69.2	38.4	0.35	
Manulife REIT USD	MUST SP	BUY	US\$	0.095	0.18	169	50.0	0.0	15.6*	16.5*	139.4	56.0	0.24	
Prime US REIT USD	PRIME SP	BUY	US\$	0.161	0.53	191	40.7	30.5	19.3*	20.0*	79.4	43.7	0.22	
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.40	0.60	233	14.7	11.7	11.5	11.5	74.3	41.7	0.54	

* Based on theoretical ex-rights unit price and fully diluted for 873:1,000 rights issue at US\$0.14 for PRIME and 2,427:1,000 rights issue at US\$0.05 for MUST.

Source: Bloomberg, UOB Kay Hian

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