

SECTOR UPDATE

REITs – Singapore

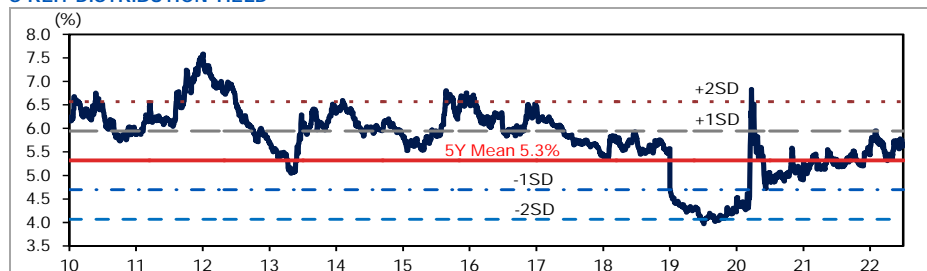
S-REITs Bi-Weekly Updates (16-30 Jun 22)

S-REITs outperformed the STI by 3.3% in June despite fears of elevated inflation and a slowdown in economic growth. The sector was able to outperform the broader market due to its defensive characteristics and stable cash flows. The underlying real estate also serves as a hedge against inflation. Focus on recovery from reopening plays. BUY ART (Target: S\$1.31), FCT (Target: S\$2.74), FEHT (Target: S\$0.77) and LREIT (Target: S\$0.95). Maintain OVERWEIGHT.

WHAT HAPPENED IN THE LAST TWO WEEKS

- Hotels benefitting from reopening of international borders in April.** Visitor arrivals increased 42% mom to 418,155 in May 22, reaching 28% of pre-pandemic levels. Average occupancy rate for hotels in Singapore has improved 5ppt mom to 71% in May 22. Average room rates increased 7.8% mom to S\$223. Thus, RevPAR climbed 17.1% mom to S\$159, reaching 84% of pre-pandemic levels. Hotel operators generated room revenue of S\$231.7m in May 22, an increase of 27% mom.
- No changes to safe management system.** The Ministry of Health is monitoring the spread of sub-variants BA.4 and BA.5. Based on international and local data, the two sub-variants do not result in more severe outcomes compared to earlier Omicron strains. 92% of Singapore's population is fully vaccinated and 78% has received booster shots. The healthcare system is also ready to cope with the potential surge in new cases. Thus, the government is not making any changes to its safe management system.
- The FSTREI recovered 1.6% in the past two weeks,** outperforming the STI that lost 0.1%. Yield for 10-year Singapore government bonds receded 32bp to 2.92% during the last two weeks of June. US core PCE inflation eased 0.2ppt mom to 4.7% in May 22.
- Top outperformer:** S-REITs in New Economy sectors recovered over the past two weeks. Data centre REITs MINT and KDCREIT gained 6.6% and 2.6% respectively. Logistics REITs FLT and MLT gained 3.9% and 3.1% respectively. AREIT, which provides a diversified exposure to various New Economy sub-sectors, gained 2.9%. UHU gained 1.7% due to its yield-accretive acquisition of Upland Square.
- Top underperformer:** DCREIT and SUN corrected 7.2% and 2.4% respectively as they have hedged only about 50% of their borrowings to fixed rates. CERT continued to fall by 3.9% due to its perceived proximity to the Russia-Ukraine War. US REITs MUST and PRIME corrected 3.4% and 1.5% respectively.

S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

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

Name	Ticker	Rec	Currency	Price 30 Jun 22	Target Price	Mkt Cap (US\$m)	DPU (¢) Curr	DPU (¢) Fwd	Yield (%) Curr	Yield (%) Fwd	Yield Spread* (%) Curr	Yield Spread* (%) Fwd	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
CapLand Int Comm Trust	CICL SP	HOLD	S\$	2.17	2.34	10,345	11.4	11.9	5.2	5.5	2.2	2.5	4.2	39.1	3.7
Ascendas REIT	AREIT SP	BUY	S\$	2.85	3.69	8,610	17.0	17.0	6.0	6.0	3.0	2.9	5.7	36.8	3.8
Mapletree Log	MLT SP	BUY	S\$	1.68	2.08	5,785	9.2	9.2	5.5	5.5	2.5	2.5	5.0	36.8	3.5
Mapletree Ind	MINT SP	BUY	S\$	2.60	3.36	5,026	13.4	13.6	5.1	5.2	2.1	2.2	5.7	38.4	4.1
Mapletree Comm	MCT SP	BUY	S\$	1.83	2.34	4,380	10.2	10.1	5.6	5.5	2.6	2.5	4.8	33.5	2.6
Fraser's L&C Trust	FLT SP	BUY	S\$	1.33	1.65	3,530	7.7	7.6	5.8	5.7	2.8	2.7	12.5	33.1	4.6
Suntec REIT	SUN SP	HOLD	S\$	1.62	1.73	3,344	10.1	9.6	6.3	5.9	3.3	2.9	2.6	43.3	2.2
Mapletree NAC Trust	MAGIC SP	NR	S\$	1.20	n.a.	3,054	7.0	7.1	5.8	5.9	2.8	2.9	4.3	41.5	2.4
Keppel REIT	KREIT SP	BUY	S\$	1.09	1.41	2,917	5.9	5.6	5.4	5.2	2.4	2.2	3.8	38.7	6.1
Fraser's CT	FCT SP	BUY	S\$	2.29	2.74	2,802	12.9	13.0	5.6	5.7	2.6	2.7	5.7	33.3	1.9
Ascott Trust	ART SP	BUY	S\$	1.14	1.31	2,694	5.3	6.4	4.6	5.6	1.6	2.6	3.5	37.8	n.a.
Keppel DC REIT	KDCREIT SP	NR	S\$	1.97	n.a.	2,433	10.1	10.5	5.1	5.3	2.1	2.3	10.0	36.1	7.7
PLife REIT	PREIT SP	HOLD	S\$	4.87	4.65	2,119	14.7	15.1	3.0	3.1	0.0	0.1	20.2	34.5	17.2
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.405	n.a.	1,943	3.0	3.1	7.4	7.7	4.4	4.6	3.5	39.5	2.5
SPH REIT	SPHREIT SP	NR	S\$	0.935	n.a.	1,886	5.5	5.6	5.9	6.0	2.9	3.0	7.7	30.1	2.8
OUE Comm REIT	OUECT SP	NR	S\$	0.385	n.a.	1,510	2.6	2.5	6.8	6.5	3.7	3.5	2.9	39.4	2.4
CapLand China Trust	CLCT SP	NR	S\$	1.15	n.a.	1,382	8.9	9.6	7.7	8.3	4.7	5.3	4.8	38.1	2.1
Lendlease REIT	LREIT SP	BUY	S\$	0.795	0.95	1,341	4.6	5.2	5.7	6.5	2.7	3.5	10.3	27.7	4.3
Cromwell REIT EUR	CERT SP	NR	€	1.95	n.a.	1,145	17.0	17.5	8.7	9.0	7.3	7.5	6.8	38.6	4.6
CDL HTrust	CDREIT SP	BUY	S\$	1.27	1.42	1,128	5.1	6.3	4.0	5.0	1.0	2.0	3.4	39.8	n.a.

* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

OVERWEIGHT

(Maintained)

SEGMENTAL RATING

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

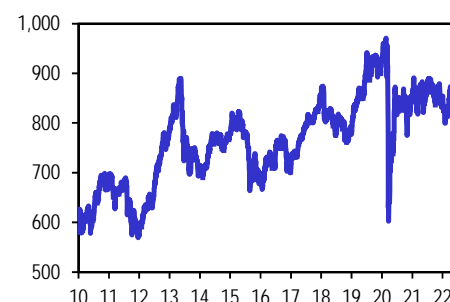
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
ART	BUY	1.14	1.31
FCT	BUY	2.29	2.74
FEHT	BUY	0.64	0.77
LREIT	BUY	0.795	0.95

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

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PEER COMPARISON

Name	Ticker	Rec	Curr	Price 30 Jun 22	Target Price	Mkt Cap (US\$m)	Hist	Curr	Yield (%) Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
HEALTHCARE													
First REIT	FIRT SP	NR	S\$	0.275	n.a.	406	9.5	n.a.	n.a.	n.a.	66.3	35.5	0.80
PLife REIT	PREIT SP	HOLD	S\$	4.87	4.65	2,119	2.9	3.0	3.1	3.1	55.2	34.4	2.05
HOSPITALITY													
Ascott Trust	ART SP	BUY	S\$	1.14	1.31	2,694	3.8	4.6	5.6	5.7	70.4	37.8	0.98
CDL HTrust	CDREIT SP	BUY	S\$	1.27	1.42	1,128	3.4	4.0	5.0	5.6	68.6	39.8	0.96
Far East HTrust	FEHT SP	BUY	S\$	0.64	0.77	913	4.1	4.6	6.0	6.3	44.8	33.4	0.76
Frasers HTrust	FHT SP	NR	S\$	0.70	n.a.	970	1.4	2.7	2.9	4.7	78.7	42.3	1.07
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.35	n.a.	696	7.0	7.3	7.4	7.4	85.9	37.5	0.97
Ascendas REIT	AREIT SP	BUY	S\$	2.85	3.69	8,610	5.4	6.0	6.0	6.0	61.6	36.8	1.20
DigiCore REIT USD	DCREIT SP	BUY	US\$	0.77	0.98	868	n.a.	5.2	5.2	5.3	35.4	26.0	0.88
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.41	n.a.	1,943	7.4	7.4	7.7	7.9	74.5	39.5	1.10
Keppel DC REIT	KDCREIT SP	NR	S\$	1.97	n.a.	2,433	5.0	5.1	5.3	5.5	56.3	36.1	1.48
Mapletree Ind Trust	MINT SP	BUY	S\$	2.60	3.36	5,026	5.3	5.1	5.2	5.4	58.3	38.4	1.40
Mapletree Log Trust	MLT SP	BUY	S\$	1.68	2.08	5,785	5.2	5.5	5.5	5.5	70.1	36.8	1.14
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	1.09	1.41	2,917	5.3	5.4	5.2	5.7	71.6	38.4	0.84
RETAIL													
Frasers CT	FCT SP	BUY	S\$	2.29	2.74	2,802	5.3	5.6	5.7	5.5	46.1	33.3	0.99
Lendlease REIT	LREIT SP	BUY	S\$	0.80	0.95	1,341	5.9	5.7	6.5	6.5	68.3	27.7	0.99
Mapletree NAC Trust	MAGIC SP	NR	S\$	1.20	n.a.	3,054	5.7	5.8	5.9	6.3	82.3	41.5	0.97
Sasseur REIT	SASSR SP	BUY	S\$	0.78	1.12	687	9.1	9.7	9.8	10.2	42.5	26.2	0.79
SPH REIT	SPHREIT SP	NR	S\$	0.935	n.a.	1,886	5.8	5.9	6.0	6.5	50.2	30.2	1.02
Starhill Global	SGREIT SP	NR	S\$	0.58	n.a.	934	6.8	6.9	7.2	7.4	61.8	36.1	0.72
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	1.15	n.a.	1,382	7.6	7.7	8.3	8.8	78.6	38.1	0.74
CapLand Int Comm Trust	CICT SP	HOLD	S\$	2.17	2.34	10,345	4.8	5.2	5.5	5.6	63.2	39.1	1.05
Frasers L&C Trust	FLT SP	BUY	S\$	1.33	1.65	3,530	5.8	5.8	5.7	5.8	55.7	33.1	1.01
Mapletree Comm Trust	MCT SP	BUY	S\$	1.83	2.34	4,380	5.2	5.6	5.5	5.6	52.0	33.5	1.05
OUE Comm REIT	OUECT SP	NR	S\$	0.385	n.a.	1,510	6.8	6.8	6.5	3.1	73.8	39.4	0.67
Suntec REIT	SUN SP	HOLD	S\$	1.62	1.73	3,344	5.3	6.3	5.9	5.7	81.8	43.3	0.76
OFFSHORE													
Cromwell REIT EUR	CERT SP	NR	€	1.95	n.a.	1,145	8.7	8.7	9.0	9.2	72.1	38.6	0.79
Elite Comm REIT GBP	ELITE SP	BUY	£	0.625	0.81	363	8.7	8.1	7.8	8.3	79.6	42.8	1.06
IREIT Global	IREIT SP	NR	S\$	0.61	n.a.	507	7.0	7.1	7.1	8.1	53.7	32.1	0.78
KepPacOak REIT USD	KORE SP	BUY	US\$	0.70	0.99	731	9.1	8.8	8.5	8.4	66.4	37.5	0.85
Manulife REIT USD	MUST SP	BUY	US\$	0.57	0.795	1,006	9.4	9.9	10.1	10.5	81.8	42.8	0.85
Prime US REIT USD	PRIME SP	NR	US\$	0.675	n.a.	794	10.0	10.4	10.5	10.7	66.9	39.1	0.80
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.615	0.90	344	9.9	10.5	10.0	10.0	65.1	38.9	0.82

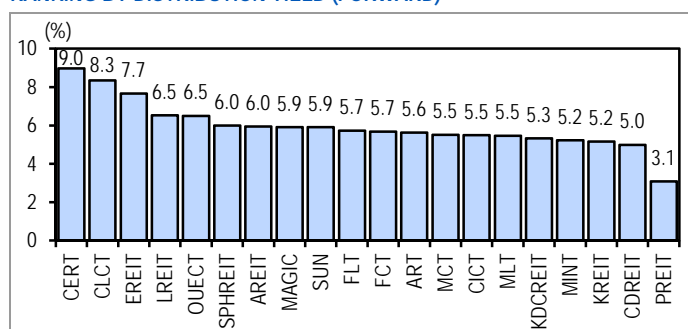
Source: Bloomberg, UOB Kay Hian

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

TOP OUTPERFORMERS (%)							TOP UNDERPERFORMERS (%)						
NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD	NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD
Mapletree Ind	6.6	4.8	-3.3	-4.1	-8.1	-4.1	Digi Core REIT USD	-7.2	-20.2	-30.6	-33.6	-12.5	-33.6
Frasers L&C Trust	3.9	-2.2	-8.9	-12.5	-7.6	-12.5	Cromwell REIT EUR	-3.9	-4.9	-14.5	-22.9	-21.7	-22.9
Mapletree Comm	3.4	2.8	-3.2	-8.5	-15.3	-8.5	Keppel REIT	-3.5	-5.2	-10.7	-3.5	-7.6	-3.5
Mapletree Log	3.1	2.4	-9.2	-11.6	-17.9	-11.6	Manulife REIT USD	-3.4	-5.0	-15.6	-14.9	-27.8	-14.9
Ascendas REIT	2.9	2.2	-2.7	-3.4	-3.4	-3.4	Suntec REIT	-2.4	-3.6	-7.4	7.3	11.0	7.3
Keppel DC REIT	2.6	-4.4	-13.6	-20.2	-20.9	-20.2	Elite Comm REIT GBP	-2.3	-3.1	-3.8	-6.0	-6.7	-6.0
CapLand Int Comm Trust	1.9	-0.9	-3.6	6.4	3.8	6.4	First REIT	-1.8	-3.5	-11.3	-9.8	3.8	-9.8
Starhill Global	1.8	-0.9	-4.9	-11.5	3.6	-11.5	Prime US REIT USD	-1.5	-5.6	-10.6	-19.2	-22.0	-19.2
Utd Hampshire REIT USD	1.7	0.0	-5.4	-7.5	-15.8	-7.5	SPH REIT	-1.1	-1.1	-3.6	-6.5	7.5	-6.5
PLife REIT	1.5	-1.4	3.6	-5.1	6.1	-5.1	Ascott Trust	0.0	-1.7	0.9	10.7	14.0	10.7

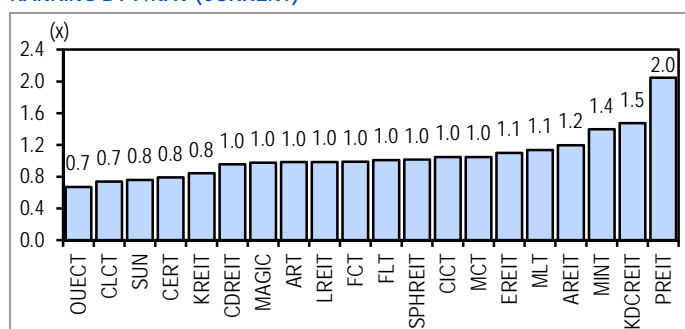
Source: Bloomberg, UOB Kay Hian

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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