

## SECTOR UPDATE

### REITs – Singapore

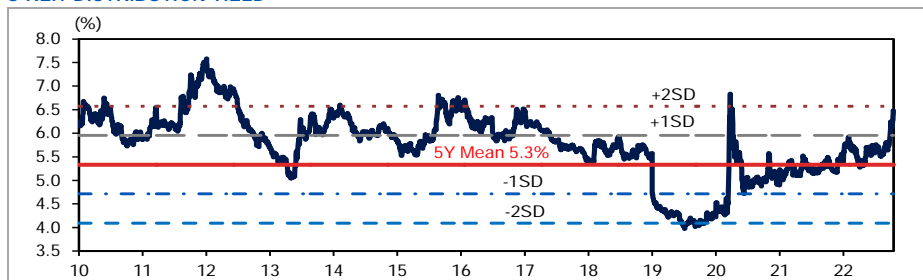
S-REITs Bi-Weekly Updates (1-14 Oct 22)

S-REITs are under pressure due to elevated inflation and rising government bond yields. The latest US CPI reading of 8.2% for Sep 22 adds to the pessimism. The nasty correction has brought valuations to attractive levels, and bargains have emerged. Our bottom-up and diversified BUY picks for blue chips are CLAS (Target: S\$1.27), FCT (Target: S\$2.56), LREIT (Target: S\$0.91), MINT (Target: S\$3.12) and MLT (Target: S\$1.94). Maintain OVERWEIGHT.

#### WHAT HAPPENED IN THE LAST TWO WEEKS

- **New wave of COVID-19 infections.** Singapore is experiencing a spike in new COVID-19 cases due to the new XBB variant, which is a sub-variant of the Omicron variant. According to the Ministry of Health, the number of severe cases remains relatively low and a large majority of patients reported mild symptoms. The government expects the current wave to peak at 15,000 daily cases around mid-November. It is expected to be a short and sharp wave caused by reinfections. Singapore has sufficient healthcare capacity to cope with the rise in COVID-19 infections. 92% of Singapore's total population has completed the full regime of COVID-19 vaccination, of which 79% have received booster shots.
- **Another record set for Suntec City Office.** A Thai national Phucherin Klongkitjakon has acquired the top floor of the 44-story Suntec Tower One with NLA of 10,312sf for a record of S\$39.7m or S\$3,850psf. The office has unobstructed view of the Marina Bay and Kallang Basin. It is leased to the Qatar Embassy.
- **The FSTREI corrected 5.2% in the past two weeks and underperformed the STI which lost 2.9%.** Markets remain under pressure due to elevated US CPI at 8.2% for Sep 22 and the UK's fiscal policy mishap. Yield for 10-year Singapore government bonds edged marginally higher by 2bp to 3.50%, surpassing the last peak of 3.24% set in mid-June.
- **Top outperformer:** ELITE rebounded 12% after the UK government made a U-turn on its mini budget. KORE outperformed other US office REITs with unit price holding unchanged at US\$0.53. FEHT and FCT suffered mild declines of 2.6% and 2.8% respectively as they are pure plays on Singapore.
- **Top underperformer:** US office REITs PRIME (-10.5%) and MUST (-9.6%) continued to incur heavy losses. FLT and CERT corrected 8.3% and 7.8% respectively due to their exposure to Europe. Hospitality REITs CDREIT and CLAS succumbed to selling pressure and declined 6.3% and 6.2% respectively.

#### S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

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

20 REITS RANKED BY MARKET CAPITALIZATION															
Name	Ticker	Rec	Currency	Price 14 Oct 22	Target Price	Mkt Cap (US\$m)	-- DPU (¢) -- Curr	-- Yield (%) -- Curr	-- Yield Spread* (%) -- Fwd	Curr	Fwd	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)	
CapLand Int Comm Trust	CICIT SP	HOLD	S\$	1.83	2.17	8,521	11.3	11.7	6.2	6.4	2.7	2.8	4.1	40.6	3.8
CapLand Ascendas REIT	CAREIT SP	BUY	S\$	2.61	3.21	7,698	15.9	15.6	6.1	6.0	2.6	2.5	6.1	36.7	3.8
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.63	2.07	5,989	10.6	10.8	6.5	6.6	3.0	3.1	4.9	33.8	2.8
Mapletree Log	MLT SP	BUY	S\$	1.47	1.94	4,957	9.1	9.1	6.2	6.2	2.7	2.6	4.8	37.2	3.4
Mapletree Ind	MINT SP	BUY	S\$	2.26	3.12	4,291	13.3	13.4	5.9	5.9	2.4	2.4	6.0	38.4	4.1
Suntec REIT	SUN SP	HOLD	S\$	1.45	1.57	2,925	9.7	8.8	6.7	6.0	3.2	2.5	2.7	43.1	2.6
Fraser's L&C Trust	FLT SP	BUY	S\$	1.11	1.51	2,881	7.2	7.4	6.5	6.6	3.0	3.1	12.4	29.2	4.6
Fraser's CT	FCT SP	BUY	S\$	2.10	2.56	2,510	12.8	12.9	6.1	6.1	2.6	2.6	5.2	33.9	1.9
Keppel REIT	KREIT SP	BUY	S\$	0.92	1.33	2,410	5.9	5.6	6.4	6.1	2.9	2.6	3.8	37.9	6.0
CapLand Ascott Trust	CLAS SP	BUY	S\$	0.91	1.27	2,187	5.4	6.2	6.0	6.9	2.4	3.3	3.9	37.5	n.a.
Keppel DC REIT	KDCREIT SP	NR	S\$	1.70	n.a.	2,051	10.0	10.4	5.9	6.1	2.4	2.6	9.2	35.3	7.6
PLife REIT	PREIT SP	HOLD	S\$	4.02	4.34	1,708	14.7	15.1	3.6	3.7	0.1	0.2	19.8	32.5	11.5
SPH REIT	SPHREIT SP	NR	S\$	0.84	n.a.	1,656	5.5	5.5	6.5	6.5	3.0	3.0	7.9	30.0	3.0
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.35	n.a.	1,623	3.0	3.0	8.7	8.7	5.2	5.2	3.1	40.6	3.0
QUE Comm REIT	QUECT SP	NR	S\$	0.32	n.a.	1,227	2.2	2.3	6.9	7.2	3.4	3.7	3.0	39.1	2.6
Lendlease REIT	LREIT SP	BUY	S\$	0.71	0.91	1,189	4.9	4.9	6.9	7.0	3.4	3.5	9.2	40.0	5.5
CapLand China Trust	CLCT SP	NR	S\$	0.97	n.a.	1,140	8.7	9.5	9.0	9.8	5.5	6.3	4.7	38.6	2.1
Cromwell REIT EUR	CERT SP	NR	€	1.66	n.a.	910	17.0	17.5	10.2	10.5	8.0	8.3	6.7	38.6	4.6
CDL HTrust	CDREIT SP	BUY	S\$	1.04	1.41	902	5.9	7.2	5.7	6.9	2.1	3.4	3.5	39.5	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.505	n.a.	797	4.1	4.2	8.1	8.3	4.6	4.8	3.4	36.2	4.7

\* 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	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

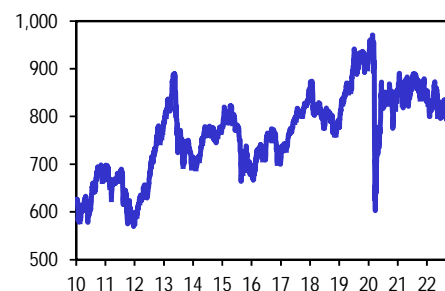
Source: UOB Kay Hian

#### TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
CLAS	BUY	0.91	1.27
FCT	BUY	2.10	2.56
LREIT	BUY	0.71	0.91
MINT	BUY	2.26	3.12
MLT	BUY	1.47	1.94

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 14 Oct 22	Target Price	Mkt Cap (US\$m)	Hist	Curr	Yield (%) Fwd 1Y	Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
<b>HEALTHCARE</b>													
First REIT	FIRT SP	NR	S\$	0.25	n.a.	361	10.4	n.a.	n.a.	n.a.	66.6	35.6	0.74
PLife REIT	PREIT SP	HOLD	S\$	4.02	4.34	1,708	3.5	3.6	3.7	3.8	50.4	32.5	1.67
<b>HOSPITALITY</b>													
CapLand Ascott	CLAS SP	BUY	S\$	0.91	1.27	2,187	4.8	6.0	6.9	7.3	71.7	37.5	0.78
CDL HTrust	CDREIT SP	BUY	S\$	1.04	1.41	902	4.1	5.7	6.9	7.0	68.5	39.5	0.79
Far East HTrust	FEHT SP	BUY	S\$	0.56	0.77	774	4.7	5.6	7.2	7.6	43.6	33.3	0.65
Frasers HTrust	FHT SP	NR	S\$	0.46	n.a.	615	2.2	n.a.	n.a.	n.a.	78.7	39.3	0.70
<b>INDUSTRIAL</b>													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.20	n.a.	604	7.9	8.2	8.2	8.3	60.5	37.0	0.86
CapLand Ascendas	CAREIT SP	BUY	S\$	2.61	3.21	7,698	5.8	6.1	6.0	6.0	63.7	36.7	1.09
DigiCore REIT USD	DCREIT SP	BUY	US\$	0.65	0.90	734	n.a.	5.9	6.0	6.2	35.4	25.7	0.74
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.35	n.a.	1,623	8.7	8.7	8.7	9.0	82.3	40.6	0.94
Keppel DC REIT	KDCREIT SP	NR	S\$	1.70	n.a.	2,051	5.8	5.9	6.1	6.4	57.6	35.3	1.24
Mapletree Ind Trust	MINT SP	BUY	S\$	2.26	3.12	4,291	6.1	5.9	5.9	6.1	58.2	38.4	1.20
Mapletree Log Trust	MLT SP	BUY	S\$	1.47	1.94	4,957	6.0	6.2	6.2	6.2	71.4	37.2	1.00
<b>OFFICE</b>													
Keppel REIT	KREIT SP	BUY	S\$	0.92	1.33	2,410	6.3	6.4	6.1	6.7	68.9	37.9	0.68
<b>RETAIL</b>													
Frasers CT	FCT SP	BUY	S\$	2.10	2.56	2,510	5.8	6.1	6.1	5.9	47.2	33.9	0.91
Lendlease REIT	LREIT SP	BUY	S\$	0.71	0.91	1,189	6.9	6.9	7.0	7.1	83.4	40.0	0.90
Sasseur REIT	SASSR SP	BUY	S\$	0.69	1.12	595	10.3	11.0	11.1	11.6	43.5	26.5	0.72
SPH REIT	SPHREIT SP	NR	S\$	0.84	n.a.	1,656	6.6	6.5	6.5	6.1	49.8	30.1	0.91
Starhill Global	SGREIT SP	NR	S\$	0.505	n.a.	797	7.5	8.1	8.3	8.5	62.1	36.2	0.65
<b>DIVERSIFIED</b>													
CapLand China Trust	CLCT SP	NR	S\$	0.97	n.a.	1,140	9.0	9.0	9.8	10.1	79.3	38.6	0.64
CapLand Int Comm Trust	CICT SP	HOLD	S\$	1.83	2.17	8,521	5.7	6.2	6.4	6.5	68.9	40.6	0.86
Frasers L&C Trust	FLT SP	BUY	S\$	1.11	1.51	2,881	6.9	6.5	6.6	6.8	41.6	29.2	0.84
Mapletree Pan Asia Comm	MPACT SP	BUY	S\$	1.63	2.07	5,989	5.8	6.5	6.6	6.8	52.0	33.8	0.94
OUE Comm REIT	OUECT SP	NR	S\$	0.32	n.a.	1,227	8.1	6.9	7.2	7.2	73.1	39.1	0.56
Suntec REIT	SUN SP	HOLD	S\$	1.45	1.57	2,925	6.0	6.7	6.0	6.1	79.8	43.1	0.68
<b>OFFSHORE</b>													
Cromwell REIT EUR	CERT SP	NR	€	1.66	n.a.	910	10.2	10.2	10.5	10.5	71.9	38.6	0.66
Elite Comm REIT GBP	ELITE SP	BUY	£	0.515	0.65	279	10.5	9.8	7.9	8.5	75.9	41.9	0.83
IREIT Global	IREIT SP	NR	S\$	0.49	n.a.	398	8.3	8.2	8.2	8.5	50.5	30.8	0.62
Keppel REIT USD	KORE SP	BUY	US\$	0.53	0.80	554	12.0	11.6	10.7	10.6	65.1	37.2	0.63
Manulife REIT USD	MUST SP	BUY	US\$	0.38	0.63	666	14.2	13.6	13.8	14.1	78.3	42.4	0.53
Prime US REIT USD	PRIME SP	NR	US\$	0.47	n.a.	555	14.4	14.9	15.1	14.9	63.3	37.8	0.55
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.50	0.68	282	12.2	12.3	10.7	10.4	63.6	38.0	0.65

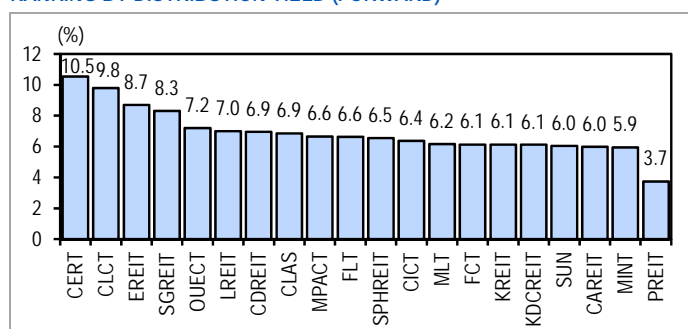
Source: Bloomberg, UOB Kay Hian

### 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
Elite Comm REIT GBP	12.0	-8.0	-16.9	-22.6	-23.7	-22.6	Prime US REIT USD	-10.5	-23.6	-29.9	-36.9	-44.7	-43.7
Keppel DC REIT	1.8	-12.8	-13.3	-23.1	-28.9	-31.2	Manulife REIT USD	-9.6	-25.7	-33.0	-41.4	-47.9	-44.0
Keppel REIT USD	0.0	-18.5	-24.3	-27.9	-32.9	-33.8	Frasers L&C Trust	-8.3	-19.0	-17.8	-24.0	-26.5	-27.0
IREIT Global	-1.0	-9.3	-17.6	-23.4	-24.6	-24.6	Cromwell REIT EUR	-7.8	-17.0	-15.7	-26.9	-36.2	-34.4
CapLand Ascendas REIT	-1.5	-8.7	-8.7	-9.4	-13.9	-11.5	Digi Core REIT USD	-7.1	-14.5	-8.5	-37.5	-26.1	-44.0
Sasseur REIT	-2.1	-8.6	-9.2	-17.9	-19.3	-18.3	Keppel REIT	-7.1	-15.6	-14.0	-23.3	-14.8	-18.6
Far East HTrust	-2.6	-9.8	-10.5	-17.8	-15.9	-5.9	Lendlease REIT	-6.6	-12.4	-10.2	-10.8	-21.7	-21.2
CapLand Int Comm Trust	-2.7	-12.4	-12.0	-19.0	-13.7	-10.3	CDL HTrust	-6.3	-18.8	-14.8	-20.0	-14.8	-11.1
Frasers CT	-2.8	-7.1	-7.9	-12.5	-9.9	-9.1	CapLand Ascott Trust	-6.2	-16.2	-19.9	-18.5	-9.5	-12.1
ESR-LOGOS REIT	-2.8	-12.7	-13.8	-16.9	-25.8	-28.1	OUE Comm REIT	-5.9	-14.7	-17.9	-23.8	-28.1	-27.3

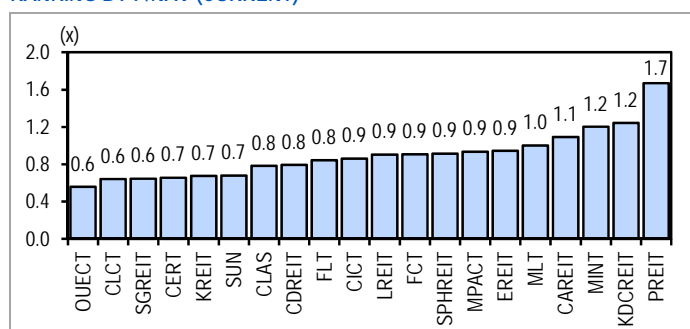
Source: Bloomberg, UOB Kay Hian

### RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

### RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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