

SECTOR UPDATE

REITs – Singapore

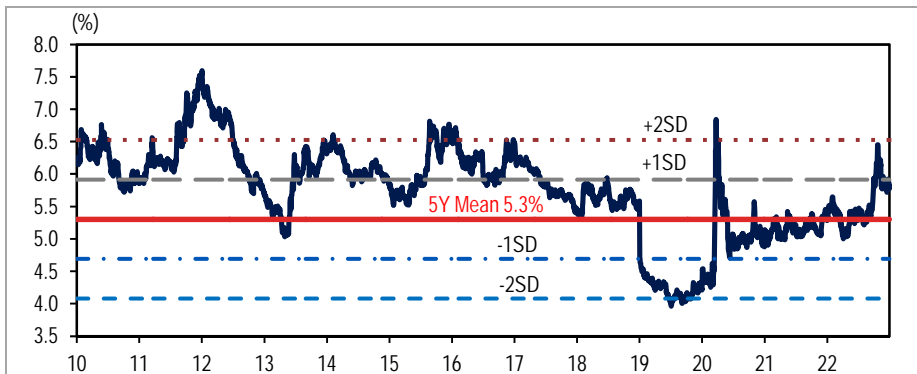
S-REITs Monthly Update (Dec 22)

Sentiment has improved with the favourable readings for US CPI in Oct and Nov 22 suggesting that inflation has peaked. The sector bottomed in Oct 22. We focus on S-REITs with resilient balance sheets to weather the protracted period of elevated interest rates. **BUY CLAS (Target: S\$1.27), CLAR (Target: S\$3.21), FLT (Target: S\$1.48), MINT (Target: S\$3.12) and MLT (Target: S\$1.87). Maintain OVERWEIGHT.**

WHAT HAPPENED IN NOVEMBER

- Inflation has eased for two consecutive months.** US CPI has eased for two consecutive months by 0.5ppt in Oct 22 and 0.6ppt in Nov 22. The latest reading for CPI of 7.1% is much lower compared with the peak of 9.1% in Jun 22. The sequential mom momentum has also moderated to 0.1% in Nov 22 compared with 0.4% in Oct 22. The biggest contributor to the slowdown was energy, which declined 1.6% mom (gasoline: -2.0% mom, electricity: -0.2% mom and piped gas: -3.5% mom). Used cars and medical care also dropped 2.9% and 0.7% mom respectively.
- China reopens its borders.** According to the National Health Commission, China will remove quarantine requirement for inbound arrivals starting 8 Jan 23. It has scrapped its previous requirement of five-day quarantine at a designated quarantine hotel followed by a three-day home quarantine. Travellers need to present negative results for COVID-19 tests taken within 48 hours of departure to be allowed into China. The easing of restrictions facilitates travel to China for business, education and family reunions.
- FSTREI pulled back by 1.1% in December,** in line with the fall of 1.2% for the STI. Markets are relieved that US CPI moderated 0.6ppt mom to 7.1% for Nov 22. Yield for 10-year Singapore government bonds was stable at 3.08% in Dec 22, having already eased substantially by 36bp in Nov 22.
- Top outperformer:** Reopening plays fared well. Hospitality REITs CLAS (+11.1%) and CDREIT (+5.9%) benefitted from the reopening of China. Retail REITs FCT and SGREIT gained 3.4% and 1.9% respectively. Selective industrial/logistics REITs also clocked gains: EREIT (+7.2%), AAREIT (+3.3%) and FLT (+1.8%).
- Top underperformer:** MUST dropped 23.1% due to a 10.9% or US\$237.4m decline in portfolio valuation to US\$1,947.0m in FY22. Other US REITs, such as KORE (-17.9%), PRIME (-16.5%), DCREIT (-9.8%) and UHU (-5.1%), also fell in tandem.

S-REIT DISTRIBUTION YIELD



OVERWEIGHT

(Maintained)

SEGMENTAL RATING

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

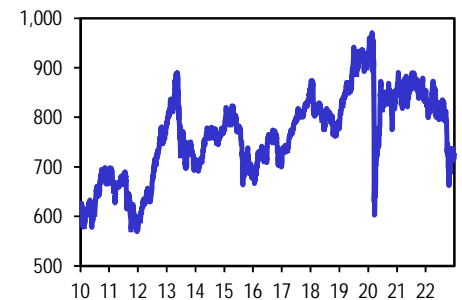
Source: UOB Kay Hian

TOP S-REIT PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CLAS	BUY	1.05	1.27
CLAR	BUY	2.74	3.21
FLT	BUY	1.16	1.48
MINT	BUY	2.22	3.12
MLT	BUY	1.59	1.87

Source: UOB Kay Hian

FTSE ST ALL-SHARE REITS INDEX (FSTREI)



Source: UOB Kay Hian

ANALYST(S)

Jonathan Koh, CFA
 +65 6590 6620
 jonathankoh@uobkayhian.com

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

Name	Ticker	Rec	Currency	Price 30 Dec 22	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\$	2.04	2.14	10,098	10.9	11.6	5.3	5.7	2.3	2.6	3.9	41.2	3.8
CapLand Ascendas	CLAR SP	BUY	S\$	2.74	3.21	8,593	15.9	15.6	5.8	5.7	2.7	2.6	5.9	37.3	3.9
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.67	2.00	6,523	10.3	10.4	6.2	6.3	3.1	3.2	4.4	40.1	2.4
Mapletree Log Trust	MLT SP	BUY	S\$	1.59	1.87	5,705	9.0	8.8	5.6	5.5	2.5	2.4	4.6	37.0	3.3
Mapletree Ind Trust	MINT SP	BUY	S\$	2.22	3.12	4,510	13.3	13.4	6.0	6.0	2.9	3.0	5.2	37.8	4.0
Frasers L&C Trust	FLT SP	BUY	S\$	1.16	1.48	3,199	7.2	7.3	6.2	6.3	3.1	3.2	13.0	27.4	4.5
Suntec REIT	SUN SP	HOLD	S\$	1.38	1.39	2,961	9.0	7.6	6.5	5.5	3.5	2.4	2.5	43.1	2.7
CapLand Ascott	CLAS SP	BUY	S\$	1.05	1.27	2,699	5.4	6.2	5.1	5.9	2.0	2.8	4.3	35.8	n.a.
Frasers Centrepoint	FCT SP	BUY	S\$	2.10	2.46	2,669	12.5	12.0	6.0	5.7	2.9	2.6	5.2	33.0	1.9
Keppel REIT	KREIT SP	BUY	S\$	0.91	1.24	2,540	6.0	5.8	6.6	6.3	3.5	3.2	3.6	38.4	6.1
Keppel DC REIT	KDCREIT SP	NR	S\$	1.77	n.a.	2,269	10.0	10.2	5.6	5.8	2.6	2.7	8.5	37.5	8.7
SPH REIT	SPHREIT SP	NR	S\$	0.90	n.a.	1,889	5.4	5.5	6.0	6.1	2.9	3.0	7.9	30.0	3.0
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.37	n.a.	1,855	3.0	2.9	8.1	7.8	5.0	4.7	3.1	40.6	3.0
PLife REIT	PREIT SP	HOLD	S\$	3.76	4.13	1,697	14.1	14.2	3.7	3.8	0.7	0.7	18.6	34.7	17.2
CapLand China Trust	CLCT SP	NR	S\$	1.12	n.a.	1,399	8.5	9.0	7.6	8.0	4.5	4.9	4.4	39.3	2.0
OUE Comm REIT	OUECT SP	NR	S\$	0.335	n.a.	1,366	2.1	2.3	6.3	6.9	3.2	3.8	2.7	40.3	2.5
Lendlease REIT	LREIT SP	BUY	S\$	0.705	0.82	1,194	4.6	4.4	6.6	6.3	3.5	3.2	6.9	39.4	5.5
CDL HTrust	CDREIT SP	BUY	S\$	1.25	1.37	1,154	5.5	6.9	4.4	5.5	1.3	2.4	3.7	39.4	n.a.
Far East HTrust	FEHT SP	BUY	S\$	0.62	0.71	920	3.2	3.7	5.1	5.9	2.0	2.8	4.0	33.5	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.54	n.a.	906	4.0	4.1	7.4	7.6	4.3	4.5	3.6	36.5	4.6

* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

PEER COMPARISON

Name	Ticker	Rec	Curr	Price 30 Dec 22	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\$	0.26	n.a.	399	10.0	n.a.	n.a.	n.a.	63.8	34.3	0.77
PLife REIT	PREIT SP	HOLD	S\$	3.76	4.13	1,697	3.7	3.7	3.8	3.8	55.7	34.6	1.58
HOSPITALITY													
CapLand Ascott	CLAS SP	BUY	S\$	1.05	1.27	2,699	4.1	5.1	5.9	6.3	71.7	35.8	0.91
CDL HTrust	CDREIT SP	BUY	S\$	1.25	1.37	1,154	3.4	4.4	5.5	5.7	67.6	39.4	0.95
Far East HTrust	FEHT SP	BUY	S\$	0.62	0.71	920	4.2	5.1	5.9	6.2	43.9	33.5	0.73
Frasers HTrust	FHT SP	NR	S\$	0.45	n.a.	639	3.7	4.7	6.7	6.5	60.7	36.4	0.69
INDUSTRIAL													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.24	n.a.	664	7.6	7.1	7.6	7.6	81.0	36.5	0.89
CapLand Ascendas	CLAR SP	BUY	S\$	2.74	3.21	8,593	5.6	5.8	5.7	5.7	63.7	37.3	1.15
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.55	0.9	617	n.a.	7.0	7.1	7.3	35.4	26.2	0.65
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.37	n.a.	1,855	8.1	8.1	7.8	7.8	82.3	40.6	1.01
Keppel DC REIT	KDCREIT SP	NR	S\$	1.77	n.a.	2,269	5.6	5.6	5.8	5.9	57.6	37.5	1.29
Mapletree Ind Trust	MINT SP	BUY	S\$	2.22	3.12	4,510	6.2	6.0	6.0	6.2	56.5	37.8	1.15
Mapletree Log Trust	MLT SP	BUY	S\$	1.59	1.87	5,705	5.5	5.6	5.5	5.5	70.6	37.0	1.09
OFFICE													
Keppel REIT	KREIT SP	BUY	S\$	0.91	1.24	2,540	6.4	6.6	6.3	6.9	68.9	37.9	0.67
RETAIL													
Frasers Centrepoint	FCT SP	BUY	S\$	2.10	2.46	2,669	5.8	6.0	5.7	5.7	45.8	33.0	0.90
Lendlease REIT	LREIT SP	BUY	S\$	0.71	0.82	1,194	6.9	6.6	6.3	6.4	81.7	39.4	0.90
Sasseur REIT	SASSR SP	BUY	S\$	0.755	1.12	693	9.4	10.0	10.2	10.6	42.6	26.4	0.79
SPH REIT	SPHREIT SP	NR	S\$	0.90	n.a.	1,889	6.1	6.0	6.1	5.8	49.8	30.1	0.98
Starhill Global	SGREIT SP	NR	S\$	0.54	n.a.	906	7.0	7.4	7.6	8.0	62.0	36.5	0.69
DIVERSIFIED													
CapLand China Trust	CLCT SP	NR	S\$	1.12	n.a.	1,399	7.8	7.6	8.0	8.4	80.5	39.3	0.74
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.04	2.14	10,098	5.1	5.3	5.7	5.7	68.9	41.2	0.96
Frasers L&C Trust	FLT SP	BUY	S\$	1.16	1.48	3,199	6.6	6.2	6.3	6.3	43.4	27.4	0.89
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.67	2.00	6,523	5.7	6.2	6.3	6.4	73.2	40.1	0.92
OUE Comm REIT	OUECT SP	NR	S\$	0.335	n.a.	1,366	7.8	6.3	6.9	6.9	75.8	40.3	0.58
Suntec REIT	SUN SP	HOLD	S\$	1.38	1.39	2,961	6.3	6.5	5.5	5.6	78.7	43.1	0.66
OFFSHORE													
Cromwell REIT EUR	CERT SP	NR	€	1.50	n.a.	903	11.3	10.9	10.7	10.9	73.8	38.9	0.60
Elite Comm REIT GBP	ELITE SP	BUY	£	0.47	0.65	273	11.6	10.8	8.6	9.3	77.3	41.9	0.77
IREIT Global	IREIT SP	NR	S\$	0.505	n.a.	435	8.3	8.2	8.2	8.8	50.5	30.8	0.62
KepPacOak REIT USD	KORE SP	BUY	US\$	0.46	0.74	480	13.8	12.3	11.5	11.3	65.1	37.2	0.55
Manulife REIT USD	MUST SP	BUY	US\$	0.30	0.63	533	17.8	17.0	17.2	17.6	78.3	42.5	0.43
Prime US REIT USD	PRIME SP	NR	US\$	0.405	n.a.	479	16.7	17.3	17.5	17.3	65.8	38.7	0.47
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.465	0.68	263	13.1	12.2	11.2	11.2	63.6	42.1	0.61

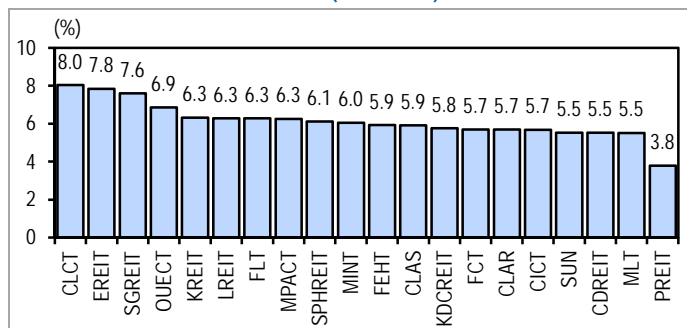
Source: Bloomberg, UOB Kay Hian

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
CapLand Ascott	11.1	7.1	-7.9	1.9	1.9	Manulife REIT USD	-23.1	-29.4	-47.4	-55.2	-55.2
First REIT	8.3	-1.9	-5.5	-14.8	-14.8	KepPacOak REIT USD	-17.9	-16.4	-34.3	-42.5	-42.5
ESR-LOGOS REIT	7.2	4.2	-8.6	-22.9	-22.9	Prime US REIT USD	-16.5	-25.0	-40.0	-51.5	-51.5
CDL HTrust	5.9	6.8	-1.6	6.8	6.8	Digi Core REIT USD	-9.8	-21.4	-28.6	-52.6	-52.6
Frasers Centrepoint	3.4	-3.2	-8.3	-9.1	-9.1	OUE Comm REIT	-8.2	-1.5	-13.0	-23.9	-23.9
AIMS APAC REIT	3.3	-3.1	-8.1	-14.5	-14.5	Utd Hampshire REIT USD	-5.1	-13.1	-24.4	-30.1	-30.1
Starhill Global	1.9	0.0	-6.9	-17.6	-17.6	Keppel DC REIT	-4.3	4.1	-10.2	-28.3	-28.3
Frasers L&C Trust	1.8	-5.7	-12.8	-23.7	-23.7	PLife REIT	-3.3	-11.3	-22.8	-26.7	-26.7
Keppel REIT	1.1	-8.1	-16.5	-19.5	-19.5	Sasseur REIT	-3.2	7.1	-3.2	-10.7	-10.7
Frasers HTrust	0.0	-7.3	-36.4	-4.3	-4.3	Elite Comm REIT GBP	-3.1	0.0	-24.8	-29.3	-29.3

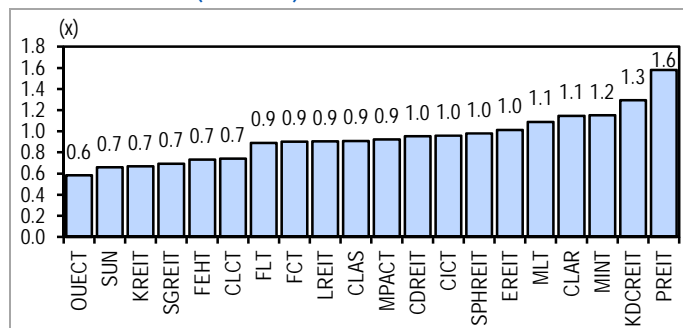
Source: Bloomberg, UOB Kay Hian

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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