

### SECTOR UPDATE

### REITs – Singapore

3QFY23: MPACT (In Line) And 1QFY23: FLT (In Line)

**MPACT** benefitted from full quarter contribution from merger with MNACT and NPI from VivoCity increased 23% yoy in 3QFY23. FLT achieved strong positive rental reversion of 2.8% (incoming vs outgoing) and 11.0% (average vs average) and maintained full occupancy of 100% for logistics properties across Australia, Europe and the UK in 1QFY23. **BUY MPACT (Target: S\$2.02) and FLT (Target: S\$1.56). Maintain OVERWEIGHT on S-REITs.**

### RESULTS

- MPACT reported its 3QFY23 results, while FLT provided 1QFY23 business update.

#### Mapletree Pan Asia Trust (MPACT SP/BUY/Target: S\$2.02)

#### 3QFY23 RESULTS

Year to 31 Mar (S\$m)	3Q FY23	yoy % chg	Remarks
Gross Revenue	239.8	+84.0	Full quarter contribution from merger with MNACT.
Net Property Income (NPI)	179.4	+76.8	NPI from VivoCity increased 23% yoy.
Distributable Income to Unitholders	127.0	+58.1	
DPU (S cents)	2.42	0.0	

Source: MPACT, UOB Kay Hian

- Mapletree Pan Asia Commercial Trust (MPACT) reported 3QFY23 DPU of 2.42 S cents, which was flat yoy. The results were in line with expectations.
- Full quarter contribution from merger with MNACT.** Gross revenue and NPI grew 84.0% and 76.8% yoy respectively in 3QFY23 due to full quarter contribution from the properties acquired through the merger with Mapletree North Asia Commercial Trust (MNACT) and growth from its Singapore portfolio.
- Continuing to enhance VivoCity.** VivoCity recorded rental uplift of 7.9% in 9MFY23 and occupancy was maintained at 98.3%. 3QFY23 tenant sales rebounded 24.7% yoy to S\$300m and have surpassed pre-pandemic levels. MPACT will invest S\$13m to reconfigure 80,000sf of space at Level 1, including converting part of TANGS' space into a 56,000sf new retail zone with exciting F&B and lifestyle options. The asset enhancement is on track for progressive opening from mid-23 and is expected to deliver ROI of more than 10% on a stabilised basis.
- Festival Walk on the cusp of recovery.** Festival Walk in Hong Kong suffered negative reversion of 12.7% but maintained high occupancy of 99.8%. 3QFY23 tenant sales eased 5.3% yoy to HK\$1,049m. Hong Kong's borders with mainland China will fully reopen from 6 Feb 23 with all COVID-19 restrictions and quotas to be removed. The reopening of borders would catalyse further recovery.
- Office/business park saw positive reversions in Singapore and South Korea.** Mapletree Business City (MBC) and The Pinnacle Gangnam achieved positive rental reversions of 4.1% and 14.2% respectively but China properties suffered negative rental reversions of 3.7%. Occupancy for MBC eased 3.4ppt qoq to 95.0%, while occupancy for its China properties eased 3.9ppt qoq to 88.6%. BMW, MPACT's second largest tenant, has renewed its lease at Gateway Plaza in Beijing for five years till 2028.
- Capital management.** Aggregate leverage ratio was 40.2% post-merger. 78.3% of MPACT's borrowings are hedged to fixed rates. All-in cost of debt has increased 0.18ppt yoy to 2.57% in 3QFY23. The average term to maturity was 2.8 years.
- Maintain BUY** and target price of S\$2.02 based on DDM (cost of equity: 7.0%, terminal growth: 2.2%).

#### KEY OPERATING METRICS – MPACT

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	yoy Chg	qoq Chg
DPU (S cents)	n.a.	5.14	n.a.	4.94	2.42	n.a.	n.a.
Occupancy	92.5%	97.0%	97.2%	96.9%	95.5%	3ppt	-1.4ppt
Aggregate Leverage	34.1%	33.5%	33.8%	40.1%	40.2%	6.1ppt	0.1ppt
All-in-Financing Cost	2.39%	2.40%	2.53%	2.44%	2.57%	0.18ppt	0.13ppt
% Borrowing in Fixed Rates	75.3%	80.3%	78.6%	72.5%	78.3%	3ppt	5.8ppt
WALE by NLA (years)	2.7	2.6	2.8	2.4	2.6	-0.1yrs	0.2yrs
Debt Maturity (years)	3.5	3.3	3.0	3.0	2.8	-0.7yrs	-0.2yrs
Rental Reversions	n.a.	1.9%	n.a.	1.1%	-0.3%	n.a.	n.a.

Source: MPACT \* hoh % chg for DPU & rental reversions

### OVERWEIGHT

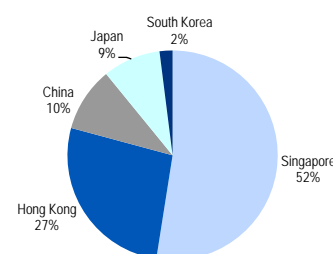
(Maintained)

#### KEY PICKS

Company	Rec	Share Price (S\$)	Target Price (S\$)
CLAS	BUY	1.13	1.39
CLAR	BUY	3.00	3.30
FLT	BUY	1.36	1.56
MINT	BUY	2.41	3.30
MLT	BUY	1.76	1.99

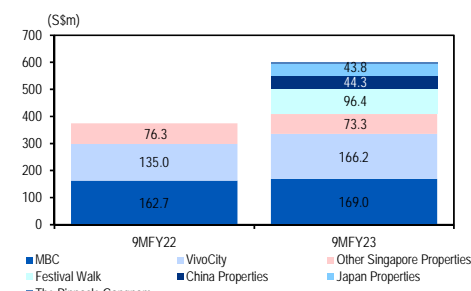
Source: UOB Kay Hian

#### AUM BY PROPERTY (DEC 22)



Source: MPACT

#### NET PROPERTY INCOME BY PROPERTY



Source: MPACT

#### PORTFOLIO OCCUPANCY

	Dec 22	Sep 22	Jun 22
MBC	95.0%	98.4%	98.2%
VivoCity	98.3%	98.9%	98.5%
Other Singapore Properties	95.0%	93.9%	93.5%
Festival Walk	99.8%	99.8%	99.4%
China Properties	88.6%	92.5%	95.1%
Japan Properties	97.7%	97.6%	97.8%
The Pinnacle Gangnam	99.3%	97.9%	97.9%
MPACT's Portfolio	95.5%	96.9%	97.2%

Source: MPACT

#### ANALYST(S)

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

### Frasers Logistics & Commercial Trust (FLT SP/BUY/Target: S\$1.56)

- Frasers Logistics & Commercial Trust (FLT) provided 1QFY23 business highlights.
- **Logistics properties provided strong positive reversions.** FLT saw active leasing momentum with leases for 239,500sqm signed, thus reducing expiries in FY23 from 10.0% to 4.7% of total NLA. It achieved positive rental reversion of 2.8% (incoming vs outgoing) and 11.0% (average vs average) in 1QFY23 (4QFY22: +0.4% and +9.8%). On an average vs average basis, logistics properties in Melbourne, Australia and Germany recorded strong positive reversion of 20.5% and 9.8% respectively. Commercial properties in Perth, Australia, Singapore and the UK posted stellar positive reversions of 6.8%, 20.9% and 12.2% respectively.
- **Logistics properties maintained full occupancies.** FLT maintained full occupancy of 100% for logistics properties across Australia, Europe and the UK. Occupancy for commercial properties eased 1.4ppt qoq to 89.8% as of Dec 22. In Singapore, occupancy of Alexandra Technopark improved 0.7ppt to 94.1%. In the UK (9.6% of portfolio valuation), occupancy at Farnborough Business Park improved 2.8ppt qoq to 78.4% (Lenovo took up 2,000sqm), but occupancy at Maxis Business Park dropped 34ppt to 66% (three technology-related tenants downsized).
- **Resilient balance sheet.** Aggregate leverage is low at 27.9% as of Dec 22 after repaying borrowings of S\$505m with proceeds from the divestment of Cross Street Exchange. Cost of debts was stable at 1.7%. 78.7% of its borrowings are hedged to fixed rates. FLT has to refinance borrowings of only S\$63m in FY23, which could be repaid utilising existing loan facilities. Management expects cost of debts to increase to 2.0-2.5% in FY23. Its average weighted debt maturity is at 2.7 years.
- **Maintain BUY** and target price of S\$1.56 based on DDM (cost of equity: 7.25%, terminal growth: 2.8%).

### KEY OPERATING METRICS – FLT

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	yoy Chg	qoq Chg*
DPU (S cents)	n.a.	3.85	n.a.	3.77	n.a.	n.a.	n.a.
Occupancy	96.9%	96.1%	96.5%	96.4%	95.9%	-1ppt	-0.5ppt
Aggregate Leverage	34.3%	33.1%	29.2%	27.4%	27.9%	-6.4ppt	0.5ppt
Weighted All-in Financing Cost	1.6%	1.6%	1.6%	1.6%	1.7%	0.1ppt	0.1ppt
% Borrowing in Fixed Rates	71.6%	71.3%	80.6%	81.7%	78.7%	7.1ppt	-3ppt
WALE by GRI (years)	4.8	4.6	4.6	4.5	4.6	-0.2yrs	0.1yrs
Debt Maturity (years)	3.1	2.9	3.0	2.7	2.7	-0.4yrs	0yrs
Rental Reversion	4.3%	2.6%	9.9%	9.8%	11.00%	6.7ppt	1.2ppt

Source: FLT, UOB Kay Hian \* hoh % chg for DPU

### ACTION

- BUY for MPACT (Target: S\$2.02) and FLT (Target: S\$1.56).

### SECTOR CATALYSTS

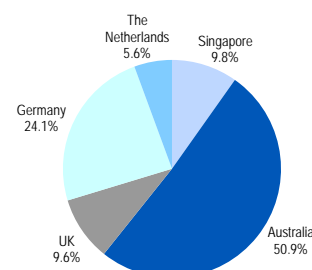
- Hospitality, retail and office REITs benefitting from the reopening and easing of COVID-19 restrictions in Singapore and around the region.
- Limited new supply for logistics, office and retail segments in Singapore.

### PEER COMPARISON

Name	Ticker	Rec	Price 3 Feb 23	Target Price	Mkt Cap (US\$m)	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
						Hist	Curr	Fwd 1Y	Fwd 2Y			
Mapletree Pan Asia	MPACT SP	BUY	1.83	2.02	7,301	5.2	5.6	5.5	5.6	73.5	40.2	1.03
Frasers L&C Trust	FLT SP	BUY	1.36	1.56	3,846	5.6	5.2	5.3	5.4	41.2	27.9	1.04

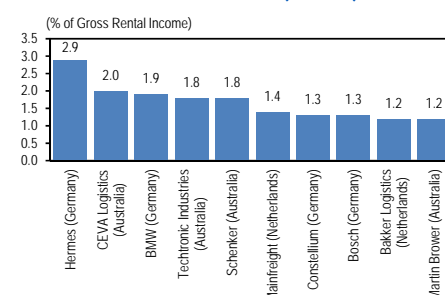
Source: Bloomberg, UOB Kay Hian

### PORTFOLIO VALUATION BY COUNTRY (DEC 22)



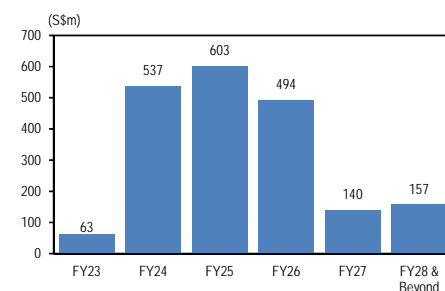
Source: FLT

### TOP 10 LOGISTICS TENANTS (DEC 22)



Source: FLT

### DEBT MATURITY PROFILE (DEC 22)



Source: FLT

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