

## SECTOR UPDATE

### REITs – Singapore

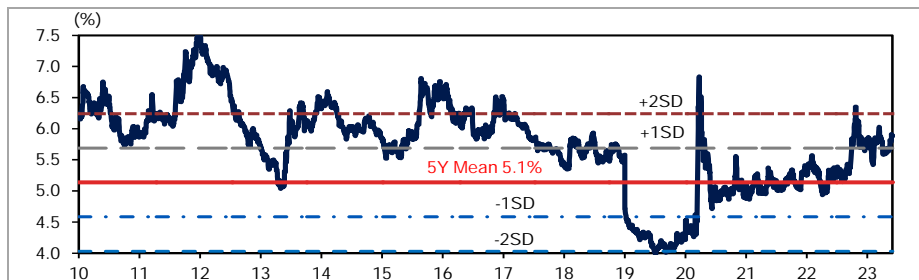
#### S-REITs Monthly Update (May 23)

We are cautiously optimistic that inflation would ease gradually in 2023. The external environment remains uncertain with geopolitical rivalry persisting. We focus on defensive S-REITs with resilient balance sheets. S-REITs would benefit from easing interest rates in 2024 in the event economic growth slows down or falters. **Maintain OVERWEIGHT. BUY CLAR (Target: S\$3.30), CLAS (Target: S\$1.39), FLT (Target: S\$1.56), MINT (Target: S\$2.82) and MLT (Target: S\$1.99).**

#### WHAT HAPPENED IN MAY

- **Series of fundraising from industrial REITs.** CLAR has completed private placement of 183.4m new units (4.4% of units outstanding) with issue price at S\$2.727 to raise S\$500m to finance the acquisition of a R&D and business park property, a redevelopment project in Singapore and a potential acquisition in Europe. MINT has completed private placement of 92.6m new units (3.5% of units outstanding) with issue price at S\$2.212 to raise S\$205m for the acquisition of a newly built data centre in Osaka, Japan. AAREIT has just launched private placement and preferential offering to raise S\$100m to finance asset enhancements for NorthTech and 23 Tai Seng Drive and redevelopment of 3 Tuas Avenue 2 into a high-specification ramp-up industrial facility.
- **Visitor arrivals to Singapore increased 282% yoy and 10% mom to 1.1m in Apr 23,** reaching 71% of pre-pandemic levels. Indonesia continues to be the largest source market, accounting for 19% of all arrivals. Visitor arrivals from China grew by a hefty 49% mom to 90,725 and could potentially reclaim its position as the top source market by end-23. Singapore Tourism Board (STB) expects visitor arrivals to reach 12-14m in 2023.
- **FSTREI corrected 3.9% in May,** underperforming compared to the STI's 3.4% fall. Some Fed officials have voiced the need for another 25bp hike on 14 Jun 23 as core inflation remains elevated. Yield for 10Y Singapore government bonds rose 13bp to 2.89% in May. The debt ceiling standoff also created uncertainties.
- **Top outperformer:** CERT rebounded technically by 5.8%. SASSR gained 3.5% due to recovery in consumer spending and domestic tourism in China. UHU gained 3.2% due to growth in distributable income of 7.6% yoy and positive rental reversion in 1Q23.
- **Top underperformer:** ELITE declined 21.1% as DPU dropped 26.6% in 1Q23. US office REITs MUST (-5.6%), PRIME (-17.3%) and KORE (-16.7%) continues to be caught in a downdraught. FLT declined 8.1% as Germany (24.2% of portfolio) slipped into recession.

#### S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

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

Name	Ticker	Rec	Currency	Price 31 May 23	Target Price	Mkt Cap (US\$m)	DPU (¢)	Yield (%)	Yield Spread* (%)	Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
CapLand Int Comm	CICT SP	BUY	S\$	2.00	2.29	9,820	11.5	11.4	5.7	2.8	40.9	3.7
CapLand Ascendas	CLAR SP	BUY	S\$	2.70	3.30	8,745	15.4	15.5	5.7	2.8	38.2	3.8
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.65	2.02	6,387	10.1	10.2	6.1	3.2	40.9	2.6
Mapletree Log	MLT SP	BUY	S\$	1.66	1.99	6,058	8.8	8.8	5.3	2.4	36.8	3.1
Mapletree Ind	MINT SP	BUY	S\$	2.27	2.82	4,591	13.6	13.8	6.0	3.1	37.4	3.9
Fraser's L&C Trust	FLT SP	BUY	S\$	1.24	1.56	3,408	7.1	7.2	5.7	2.8	27.8	4.5
Suntec REIT	SUN SP	HOLD	S\$	1.31	1.40	2,795	7.4	7.5	5.6	2.7	42.8	2.6
CapLand Ascott	CLAS SP	BUY	S\$	1.06	1.39	2,710	6.2	6.4	5.9	3.0	38.7	n.a.
Fraser's CT	FCT SP	BUY	S\$	2.13	2.52	2,685	12.5	11.6	5.9	5.5	39.6	1.9
Keppel DC REIT	KDCREIT SP	NR	S\$	2.09	n.a.	2,654	10.2	10.5	4.9	5.0	36.8	8.2
Keppel REIT	KREIT SP	BUY	S\$	0.87	1.12	2,420	5.7	5.8	6.6	3.7	38.7	5.8
PARAGON REIT	PGNREIT SP	NR	S\$	0.96	n.a.	2,008	5.3	5.4	5.5	2.6	29.8	3.0
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.33	n.a.	1,869	2.6	2.7	7.9	8.2	38.0	3.2
PLife REIT	PREIT SP	BUY	S\$	3.59	4.49	1,603	14.0	14.0	3.9	1.0	37.5	16.8
OUE Comm REIT	OUECT SP	NR	S\$	0.335	n.a.	1,354	2.0	2.0	6.0	3.1	39.0	3.2
CapLand China Trust	CLCT SP	NR	S\$	1.00	n.a.	1,247	8.1	8.6	8.1	5.2	40.0	1.8
Lendlease REIT	LREIT SP	BUY	S\$	0.665	0.87	1,145	4.7	4.5	7.0	6.7	39.3	6.0
CDL HTrust	CDREIT SP	BUY	S\$	1.16	1.55	1,064	6.9	7.3	6.0	3.1	37.5	n.a.
Cromwell REIT EUR	CERT SP	NR	€	1.63	n.a.	978	16.3	16.7	10.0	7.7	40.6	4.5
Fair East HTrust	FEHT SP	BUY	S\$	0.595	0.75	877	3.8	4.0	6.4	3.5	32.0	n.a.

\* 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

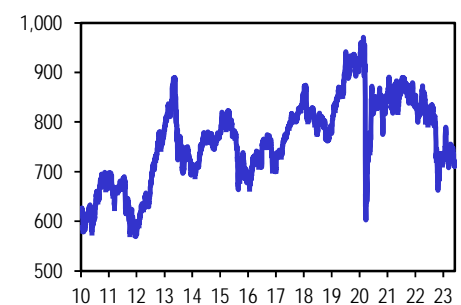
Source: UOB Kay Hian

#### TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
CLAR	BUY	2.70	3.30
CLAS	BUY	1.06	1.39
FLT	BUY	1.24	1.56
MINT	BUY	2.27	2.82
MLT	BUY	1.66	1.99

Source: UOB Kay Hian

#### FTSE ST ALL-SHARE REITs INDEX (FSTREI)



Source: UOB Kay Hian

#### ANALYST(S)

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PEER COMPARISON

Name	Ticker	Rec	Curr	Price 31 Mar 23	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\$	0.255	n.a.	389	10.4	n.a.	n.a.	75.0	39.0	0.85
PLife REIT	PREIT SP	BUY	S\$	3.59	4.49	1,603	4.0	3.9	3.9	63.2	37.4	1.57
<b>HOSPITALITY</b>												
CapLand Ascott	CLAS SP	BUY	S\$	1.06	1.39	2,710	5.3	5.9	6.1	72.8	38.7	0.94
CDL HTrust	CDREIT SP	BUY	S\$	1.16	1.55	1,064	4.9	6.0	6.3	61.7	37.5	0.80
Far East HTrust	FEHT SP	BUY	S\$	0.595	0.75	877	5.5	6.4	6.8	43.9	32.0	0.66
Frasers HTrust	FHT SP	NR	S\$	0.47	n.a.	668	3.5	4.9	5.5	57.2	35.0	0.73
<b>INDUSTRIAL</b>												
AIMS APAC REIT	AAREIT SP	NR	S\$	1.31	n.a.	701	7.6	7.6	7.6	80.1	36.1	0.96
CapLand Ascendas	CLAR SP	BUY	S\$	2.70	3.30	8,745	5.9	5.7	5.7	63.2	38.2	1.14
Digi Core REIT USD	DCREIT SP	BUY	US\$	0.42	0.78	472	9.5	9.1	9.7	53.5	34.4	0.51
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.33	n.a.	1,869	9.1	7.9	8.2	84.4	38.0	0.95
Keppel DC REIT	KDCREIT SP	NR	S\$	2.09	n.a.	2,654	4.9	4.9	5.0	60.7	36.8	1.53
Mapletree Ind Trust	MINT SP	BUY	S\$	2.27	2.82	4,591	6.0	6.0	6.1	56.1	37.4	1.23
Mapletree Log Trust	MLT SP	BUY	S\$	1.66	1.99	6,058	5.4	5.3	5.3	70.4	36.8	1.15
<b>OFFICE</b>												
Keppel REIT	KREIT SP	BUY	S\$	0.87	1.12	2,420	6.8	6.6	6.7	70.4	38.4	0.64
<b>RETAIL</b>												
Frasers Centrepoint	FCT SP	BUY	S\$	2.13	2.52	2,685	5.7	5.9	5.5	55.8	39.6	0.92
Lendlease REIT	LREIT SP	BUY	S\$	0.67	0.87	1,145	7.3	7.0	6.7	80.9	39.3	0.85
Sasseur REIT	SASSR SP	BUY	S\$	0.745	0.96	679	8.8	8.4	8.7	42.3	25.7	0.86
SPH REIT	SPHREIT SP	NR	S\$	0.96	n.a.	2,008	5.7	5.5	5.6	49.6	29.8	1.06
Starhill Global	SGREIT SP	NR	S\$	0.51	n.a.	849	7.5	7.8	8.0	63.9	37.1	0.67
<b>DIVERSIFIED</b>												
CapLand China Trust	CLCT SP	NR	S\$	1.00	n.a.	1,247	7.5	8.1	8.6	85.8	40.0	0.73
CapLand Int Comm Trust	CICT SP	BUY	S\$	2.00	2.29	9,820	5.3	5.7	5.7	68.9	40.9	0.94
Frasers L&C Trust	FLT SP	BUY	S\$	1.24	1.56	3,408	6.1	5.7	5.8	41.7	27.8	0.97
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.65	2.02	6,387	5.8	6.1	6.2	75.3	40.9	0.94
OUE Comm REIT	OUECT SP	NR	S\$	0.335	n.a.	1,354	6.3	6.0	6.0	72.0	39.0	0.57
Suntec REIT	SUN SP	HOLD	S\$	1.31	1.40	2,795	6.8	5.6	5.8	70.2	42.8	0.63
<b>OFFSHORE</b>												
Cromwell REIT EUR	CERT SP	NR	€	1.63	n.a.	978	10.5	10.0	10.2	78.1	40.6	0.70
Elite Comm REIT GBP	ELITE SP	BUY	£	0.30	0.65	179	16.0	13.5	14.6	93.1	46.6	0.60
IREIT Global	IREIT SP	NR	S\$	0.485	n.a.	414	8.0	8.9	9.2	53.3	32.0	0.62
Keppel REIT USD	KORE SP	BUY	US\$	0.30	0.70	313	19.3	16.8	16.6	68.6	38.2	0.37
Manulife REIT USD	MUST SP	UR	US\$	0.17	n.a.	300	28.1	24.3	23.1	100.8	49.5	0.30
Prime US REIT USD	PRIME SP	BUY	US\$	0.215	0.61	255	30.5	25.8	14.4	78.2	43.7	0.29
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.44	0.71	252	13.4	11.3	11.5	74.7	42.6	0.58

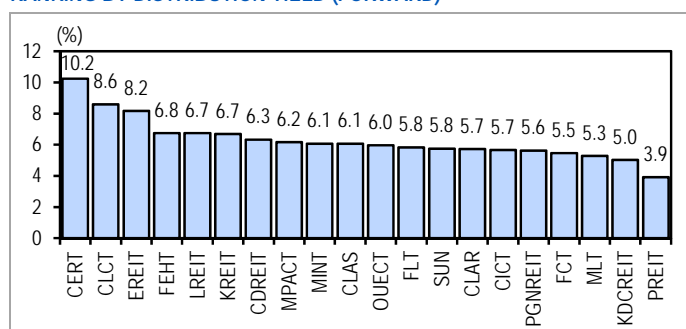
Source: Bloomberg, UOB Kay Hian

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
Cromwell REIT EUR	5.8	-3.6	5.8	-20.5	8.7	Elite Comm REIT GBP	-21.1	-35.5	-38.1	-53.5	-36.2
Sasseur REIT	3.5	-2.0	-4.5	-9.7	-1.3	Prime US REIT USD	-17.3	-46.2	-55.7	-69.9	-46.9
OUE Comm REIT	3.1	-4.3	-8.2	-15.2	0.0	Keppel REIT USD	-16.7	-32.6	-46.4	-56.8	-34.8
PARAGON REIT	2.7	-1.5	6.7	1.6	6.7	CapLand China	-9.9	-13.8	-11.5	-13.8	-10.7
Utd Hampshire REIT USD	2.3	-15.4	-10.2	-28.5	-5.4	Frasers L&C Trust	-8.1	-2.4	8.8	-8.8	6.9
ESR-LOGOS REIT	1.5	-1.3	-4.2	-19.4	-10.7	CDL HTrust	-7.9	-8.7	-1.7	-7.2	-7.2
Keppel REIT	0.0	-5.9	-3.3	-24.3	-4.4	PLife REIT	-7.5	-16.5	-7.7	-27.3	-4.5
CapLand Int Comm	-1.5	3.1	-3.4	-8.7	-2.0	Mapletree Pan Asia	-6.3	-4.1	-3.5	-7.3	-1.2
CapLand Ascott	-1.9	5.0	12.2	-8.6	1.0	CapLand Ascendas	-5.6	-2.5	-3.2	-3.2	-1.5
Frasers HTrust	-2.1	0.0	5.6	-27.7	5.6	Manulife REIT USD	-5.6	-37.4	-56.7	-71.8	-43.7

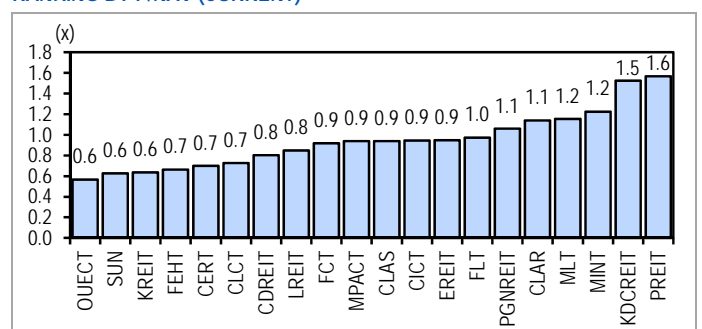
Source: Bloomberg, UOB Kay Hian

RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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