Thailand Industry Focus

Thailand Property and REIT

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 Jul 2021

Logistics still most brilliant spot

- Hospitality – most affected by the pandemic and will take years to recover
- Retail – hit hard but will recover faster than others
- Logistics – fared the best, still buoyant outlook amid robust e-commerce trend
- Office – cloudy outlook with huge supply until 2026
- Residential – Landed properties still take the lead

Positive feedback from DBS Thai Property & REIT Conference 2021. We invited Jones Lang Lasalle to present its view on Thai Property Outlook, and 15 property companies and property funds/REITs to present their strategies and outlook in our event this year. Feedback from investors was positive.

Hospitality and retail both hit hard by the pandemic, but recovery pace will differ. Retail property should be able to recover faster, particularly those in non-tourist destinations. The hospitality sector will take quite some time to recover to pre-COVID-19 levels.

Office sees bleak outlook. While less affected by the pandemic, the office sector sees a bleak outlook ahead. A huge supply of 2.6m sqm will enter the market during 2021-26, most of which in Bangkok's CBD. These will undeniably continue to exert pressure on rents and occupancy going forward.

Buoyant prospects for logistics warehouses. Among the industrial subsector, logistics warehouses see the brightest prospects. JLL anticipates that there is still room for 1.7m sqm of logistics facilities in Thailand over the next four years to support the robust e-commerce trend.

Residential: Landed properties still take the lead. Condominium oversupply remains a key concern. Landed properties will continue to do well relative to condominiums.

Still prefer industrial and residential. On the industrial front, our preferred picks are AIMIRT, FTREIT, HREIT, and WHART. For residential, we prefer those with large exposure to landed properties, which are still doing well amid the COVID-19 pandemic. Our preferred picks are AP, ORI, LH and SPALI.

SET : 1,570.99

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STOCKS

	Price Bt	Mkt Cap US$m	12-mth Target Bt	Performance (%) 3 mth	12 mth	Rating
AP Thailand PCL	8.20	790	10.00	0.6	35.5	BUY
Central Pattana	51.25	7,020	58.00	(2.8)	3.5	BUY
Land & Houses	8.00	2,929	9.00	(4.2)	3.9	BUY
Origin Property PCL	8.45	635	10.30	(1.2)	38.5	BUY
Supalai	20.60	1,230	24.70	(4.2)	26.4	BUY
ALLY Leasehold REIT	6.70	179	8.20	6.4	7.2	BUY
AIM Industrial Growth Freehold and Leasehold Real Estate	12.20	159	15.20	(1.6)	(10.3)	BUY
CPN Retail Growth Leasehold REIT	20.70	1,629	16.80	5.6	(22.6)	FULLY VALUED
Digital Telecommunications Infrastructure Fund	12.50	4,072	15.90	5.9	(16.7)	BUY
Jasmine Broadband Internet Infrastructure Fund	9.80	2,402	9.70	2.1	1.6	HOLD
Golden Ventures Leasehold Real Estate Investment Trust	10.30	257	15.00	(1.9)	(25.9)	BUY
Frasers Property Thailand Industrial Freehold and Leasehold REIT	13.70	1,286	14.50	7.0	(6.8)	BUY
Lotus's Retail Growth Freehold And Leasehold Property Fund	15.90	1,139	17.10	3.3	(15.0)	BUY
Hemaraj Leasehold Real Estate Investment Trust	8.80	227	9.40	11.4	6.7	BUY
WHA Premium Growth Freehold And Leasehold Real Estate Investment Trust	13.50	1,149	13.90	2.3	(15.6)	BUY

Source: DBSVTH, Bloomberg Finance L.P.
Closing price as of 13 Jul 2021

ed: CK/ sa: PY, CS

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Peer Comparison

Bloomberg Code	Mkt Cap (US$m)	Price 13-Jul (Bt)	Target Price (Bt)	% Upside	PE (x) 21F	PE (x) 22F	PBV (x) 21F	PBV (x) 22F	Div Yield (%) 21F	Div Yield (%) 22F	ROE (x) 21F	Rcmd
Residential												
ANAN TB	206	2.02	1.15	-43%	19.2	16.8	0.4	0.4	1.6	2.1	3.6	FV
AP TB	790	8.20	10.00	22%	6.4	5.8	0.8	0.7	5.3	5.8	13.2	BUY
FPT TB	846	11.90	13.40	13%	15.2	15.1	0.8	0.8	2.6	2.6	5.6	HOLD
LH TB	2,929	8.00	9.00	13%	13.2	11.9	1.9	1.8	6.2	6.9	14.1	BUY
LPN TB	221	4.96	3.60	-27%	10.4	9.5	0.6	0.6	6.7	7.4	5.9	FV
ORI TB	635	8.45	10.30	22%	6.5	6.0	1.6	1.4	6.9	7.5	25.8	BUY
PSH TB	885	13.20	10.30	-22%	10.2	8.4	0.7	0.6	5.9	7.1	6.5	FV
QH TB	735	2.24	2.50	12%	9.7	8.5	0.9	0.8	6.3	7.1	9.2	HOLD
SIRI TB	542	1.19	1.03	-13%	9.3	8.2	0.4	0.4	4.9	5.5	4.8	FV
SPALI TB	1,230	20.60	24.70	20%	6.8	6.6	1.1	1.0	5.8	6.1	15.3	BUY
Simple average					10.7	9.7	0.9	0.9	5.2	5.8	10.4	
Commercial												
CPN TB	7,020	51.25	58.00	13%	22.2	18.7	3.1	2.8	1.8	2.1	14.3	BUY
Simple average					22.2	18.7	3.1	2.8	1.8	2.1	14.3	
Industrial												
AMATA TB	631	17.90	23.00	28%	18.7	12.1	1.3	1.2	2.1	3.3	6.9	BUY
ROJNA TB	427	6.90	7.24	5%	9.4	9.1	0.9	0.8	3.2	3.3	7.0	BUY
WHA TB	88	3.12	3.74	20%	16.7	15.4	1.5	1.5	3.9	4.2	9.5	BUY
Simple average					14.9	12.2	1.2	1.2	3.1	3.6	7.8	
Hotel												
CENTEL TB	1,386	33.50	29.00	-13%	nm	66.2	4.8	4.5	0.0	0.6	-5.1	FV
ERW TB	397	2.86	3.20	12%	nm	95.1	2.7	2.6	0.0	0.4	-26.0	HOLD
MINT TB	4,696	29.50	36.00	22%	nm	32.5	2.6	2.4	0.0	0.9	-11.4	BUY
Simple average					nm	64.6	3.4	3.2	0.0	0.7	-14.2	

Source: SET, Companies, DBSVTH

Peer Comparison : Property Fund/REITs/IFF

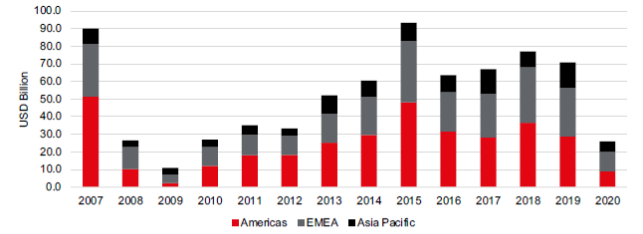
Ticker	Price (Bt) 09-Jul	Units (m)	Mkt Cap (Btm)	TP (Bt)	Upside	IRR (%)	DPU (Bt) 2019A	DPU (Bt) 2020A	DPU (Bt) 2021F	DPU (Bt) 2022F	Dividend Yield (%) 2019A	Dividend Yield (%) 2020A	Dividend Yield (%) 2021F	Dividend Yield (%) 2022F	NAV (Bt) 2021	P/NAV (x)	Discount rate (%)	Avg 3-mth Val (Btm)
Retail																		
CPNREIT	20.20	2,568	51,874	16.80	-17%	4.5%	1.62	0.74	0.98	1.38	8.0%	3.7%	4.9%	6.8%	13.55	1.49	5.9%	5.80
LPF	15.70	2,337	36,695	17.10	9%	7.2%	0.93	0.70	0.74	0.94	6.0%	4.5%	4.7%	6.0%	12.74	1.23	6.8%	0.11
MJLF	7.10	330	2,343	7.60	7%	8.2%	0.87	0.32	0.50	0.84	12.2%	4.5%	7.0%	11.9%	12.25	0.58	7.4%	1.69
FUTUREPF	13.20	530	6,990	11.53	-13%	3.3%	1.44	0.77	0.80	1.32	10.9%	5.8%	6.1%	10.0%	12.23	1.08	7.8%	1.15
ALLY	6.65	874	5,813	8.20	23%	8.9%	0.06	0.44	0.47	0.60	0.9%	6.5%	7.0%	9.0%	9.24	0.72	6.1%	8.91
Average		**6,639**	**103,716**			**6.4%**					**5.1%**	**4.5%**	**5.1%**	**7.0%**		**1.25**		
Industrial																		
AIMIRT	12.10	426	5,158	15.20	26%	7.8%	0.77	0.83	0.90	0.92	6.3%	6.9%	7.5%	7.6%	12.00	1.01	5.8%	12.26
AMATAR	9.15	358	3,275	11.10	21%	9.3%	0.75	0.68	0.66	0.66	8.1%	7.4%	7.2%	7.3%	10.12	0.90	6.0%	9.36
HREIT	8.60	840	7,225	9.40	9%	7.1%	0.79	0.69	0.60	0.59	9.2%	8.0%	7.0%	6.8%	8.83	0.97	6.5%	4.50
FTREIT	13.50	3,063	41,356	14.50	7%	6.1%	0.67	0.67	0.67	0.68	4.9%	5.0%	5.0%	5.0%	10.79	1.25	5.9%	3.55
WHART	12.00	2,777	33,324	13.90	16%	6.9%	0.76	0.76	0.77	0.76	6.3%	6.3%	6.4%	6.4%	10.95	1.10	5.6%	0.01
Average		**7,038**	**85,180**			**7.3%**					**5.6%**	**6.5%**	**5.7%**	**5.7%**		**1.16**		
Office																		
BOFFICE	9.10	738	6,715	10.10	11%	7.2%	0.71	0.71	0.68	0.71	7.8%	7.8%	7.5%	7.8%	11.46	0.79	6.0%	55.21
CPNCG	10.90	427	4,650	9.60	-12%	7.7%	1.01	1.02	1.04	1.21	9.2%	9.4%	9.6%	11.1%	11.52	0.95	7.6%	2.15
CPTGF	9.05	967	8,751	11.80	30%	7.9%	0.85	0.75	0.76	0.83	9.4%	8.3%	8.4%	9.2%	10.43	0.87	7.9%	1.49
GVREIT	10.40	815	8,474	11.50	11%	6.4%	0.86	0.80	0.82	0.85	8.2%	7.7%	7.9%	8.1%	11.04	0.94	6.4%	8.57
POPF	11.00	482	5,298	9.90	-10%	9.7%	1.15	1.17	1.18	1.20	10.4%	10.7%	10.7%	10.9%	11.44	0.96	7.7%	0.02
QHPF	9.35	797	7,452	9.10	-3%	6.6%	0.99	0.85	0.89	0.95	10.6%	9.1%	9.6%	10.2%	11.92	0.78	7.1%	0.07
TPRIME	9.75	548	5,338	10.40	7%	7.0%	0.79	0.78	0.60	0.58	8.1%	8.0%	6.2%	5.9%	12.18	0.80	5.8%	0.06
Average			**39,964**			**7.5%**					**6.5%**	**7.7%**	**8.7%**	**9.2%**		**0.88**		
Hotel/Serviced Apartment																		
LHPF	5.45	330	1,799	6.60	21%	9.7%	0.53	0.18	0.29	0.51	9.7%	3.2%	5.4%	9.3%	10.54	0.52	8.3%	0.01
LHHOTEL	9.40	538	5,056	10.00	6%	8.2%	1.11	0.10	0.00	0.51	11.8%	1.1%	0.0%	5.4%	11.27	0.83	6.2%	3.22
DREIT	4.90	712	3,486	6.00	22%	9.1%	0.44	0.39	0.37	0.41	8.9%	7.9%	7.5%	8.3%	9.02	0.54	6.8%	0.99
Average			**10,341**			**9.0%**					**6.0%**	**3.8%**	**3.5%**	**7.1%**		**0.65**		
Others																		
IMPACT	19.40	1,483	28,761	17.90	-8%	5.0%	0.85	0.75	0.32	0.82	4.4%	3.9%	1.6%	4.2%	10.80	1.80	7.0%	0.11
SPF	17.30	950	16,435	11.70	-32%	3.8%	1.37	0.72	0.53	0.79	7.9%	4.2%	3.1%	4.6%	11.72	1.48	9.0%	0.49
Average			**45,196**			**4.4%**					**4.4%**	**4.4%**	**2.2%**	**4.4%**		**1.67**		
Infrastructure funds																		
BTSGIF	4.74	5,788	27,435	5.50	16%	8.6%	0.78	0.33	0.36	0.79	16.4%	7.0%	7.7%	16.7%	8.07	0.59	7.0%	22.20
DIF	12.40	10,632	131,833	15.90	28%	8.6%	0.95	1.04	1.02	1.00	7.7%	8.4%	8.2%	8.1%	16.47	0.75	6.8%	120.28
JASIF	9.80	8,000	78,400	9.70	-1%	7.6%	0.94	0.99	0.95	0.95	9.6%	10.1%	9.7%	9.7%	11.20	0.87	7.5%	115.92
TFFIF	8.05	4,570	36,789	9.60	19%	6.1%	0.44	0.40	0.38	0.40	5.4%	4.9%	4.7%	4.9%	11.69	0.69	5.0%	37.53
Average			**274,456**			**7.7%**					**6.6%**	**7.9%**	**8.1%**	**9.0%**		**0.75**		

Source: SET, Companies, DBSVTH

Hospitality outlook by JLL

Subdued hospitality investment due to COVID-19 pandemic. According to JLL, global investments have plunged 63% (in tandem with a 59% drop in APAC investments) due to effects from the COVID-19 pandemic. The APAC investment volume stood c. Bt6bn in 2020 which was in line with the crisis year in 2019 which recorded an investment volume of c. Bt4bn. Within APAC, the investment activity was mainly in Japan (mostly foreign investors) followed by Greater China (mostly domestic investors due to regulatory restrictions). In term of the buyers, the picture in 2020 was quite different. Private equity groups invested substantially in hospitality in 2019 but in 2020 it adopted a wait-and-see strategy.

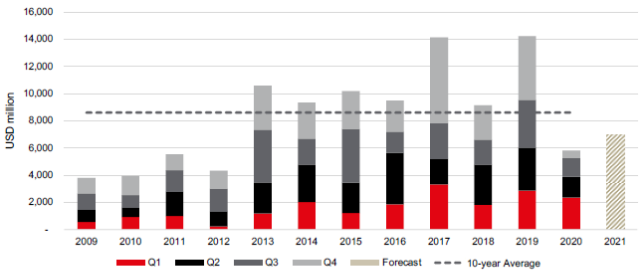
Global Hotel Investment Volumes (2009 to 2020)



	2018	2019	2020	2018-2019 Var %	2019-2020 Var%
Americas	36.5	28.9	9.0	-21%	-69%
EMEA	31.5	27.7	11.1	-12%	-60%
Asia Pacific	9.1	14.2	5.8	56%	-59%
Global	**77.1**	**70.8**	**26.0**	**-8%**	**-63%**

Source: JLL

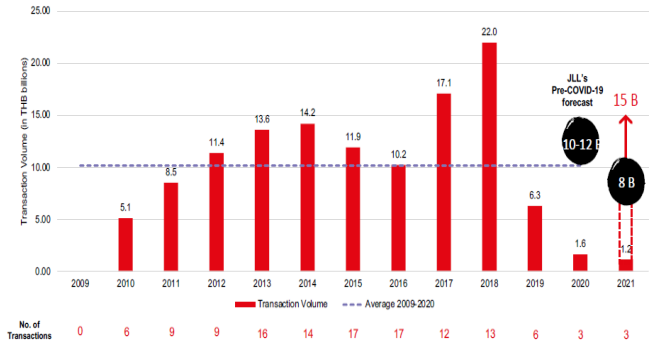
APAC Hotel Investment Volumes (2009 to 2020)



Source: JLL

Thailand's transaction volume to be driven by activity in 2H21. For Thailand, the investment volume was c. Bt1.6bn in 2020 (three transactions) which was much lower compared to JLL's previous forecast of Bt10-12bn and 10-year average of c. Bt10-11bn (c. 10 transactions p.a.) YTD, three transactions have been completed with a total transaction volume of Bt1.2bn and from the current pipeline, JLL expects an additional transaction volume of Bt8bn in 2H21 (and in the best-case scenario, the total transaction volume in 2021 could be as high as Bt15bn).

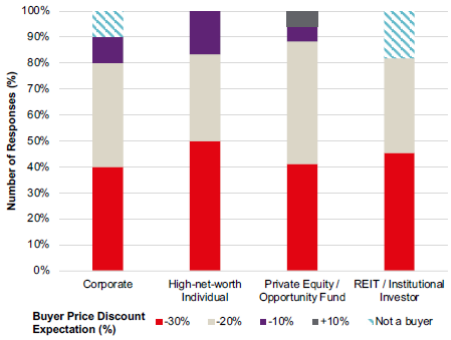
Thailand Hotel Transaction Volume



Source: JLL

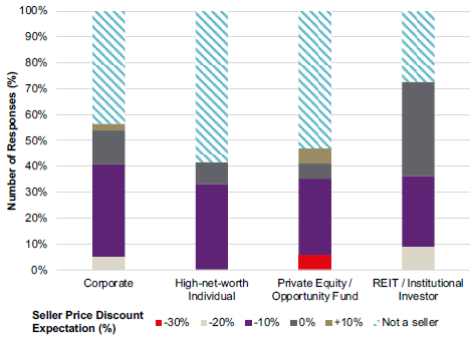
Price gap between buyers and sellers persists. Based on JLL's survey of potential buyers, most of them are still interested to invest in this segment, especially the private equity groups and corporates. Currently, the majority of buyers are still looking for a 20-30% discount on the assets they are interested in while the majority of sellers are willing to offer only a 10% discount. Thus, the misalignment has persisted and caused a slowdown in new investment.

Buyers seeking discounts of...



Source: JLL

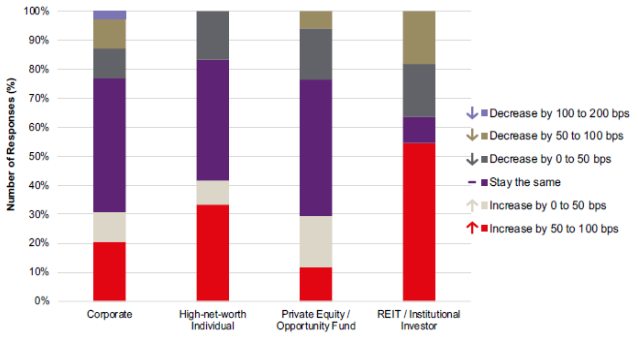
But sellers looking to sell at...



Source: JLL

Mild change in cap rate expectation. Most investors expect to stay at the same level but the REIT/Institutional investors expect cap rate to be 50-100bps higher to make an investment decision. The cap rate for city assets (in Bangkok) is expected to increase less than that for assets in leisure destinations like Samui and Phuket. Assuming a constant cap rate, amid the COVID-19 pandemic, the value of city hotels has declined by 10-15% vs that of leisure hotels (resorts) which has declined by a greater at 15-20%.

Cap Rate Expectation

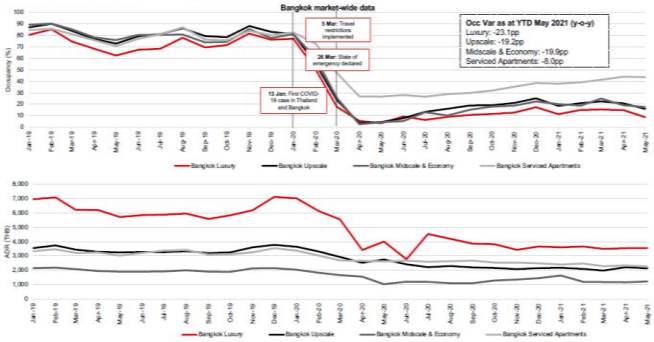


Source: JLL

Hotel market is not yet depressed in 2021. JLL believes that the hotel market is now stressed but not yet depressed. For investment transactions, the key buyers are still private equity funds, corporates and HNW individuals (who are less affected by the pandemic). The key sellers are large hotel owners who are divesting non-core and non-strategic assets and the owners whose core business is not related to hotels. In 2021, gap between buyers' and sellers' expectations is narrowing relative to 2020 but is expected to remain. Compared to Bangkok, JLL expects to see more owners facing pressure in Phuket and Samui.

Bangkok hotels outperformed Phuket and Samui counterparts. Looking back at 2019, the occupancy rate (OR) in Bangkok stood at c. 75-85%. During the pandemic, the best-performing segment is serviced apartments due to its longer-term contacts. For other segments, the OR has stood at c. 10-20% YTD. Currently, the total number of keys in Bangkok is c. 130k and we expect another 15k keys to come on stream until 2023.

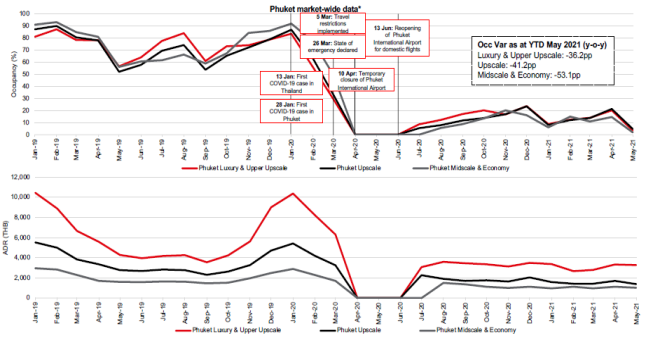
Bangkok – Occupancy and ADR



Source: JLL

For Phuket, the OR has been very seasonal for both occupancy and room rates. The YTD OR has stayed below 10%. The room rate has also dropped c. 50% compared to the 2019 level. Currently, the total number of keys in Phuket is c. 50k and another 5k keys (mostly 3-star and 4-star hotels located in the west coast of the island) are expected to come in until 2023.

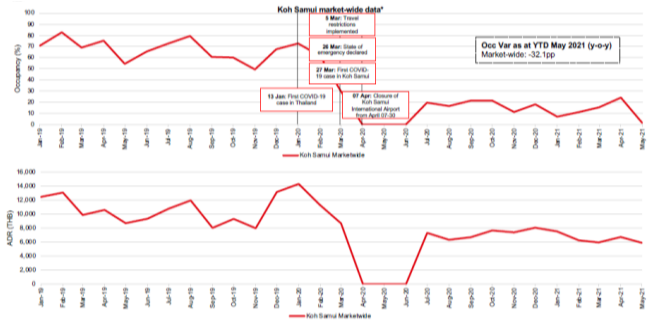
Phuket – Occupancy and ADR



Source: JLL

For Samui, the OR has also been affected and YTD OR has stood below 20%. However, the room rate is less affected as compared to Bangkok and Phuket. On the supply side, the total number of keys in Samui is c. 13k and we expect a c. 9% supply increase until 2023 (mostly upscale segment and mostly located at the east side).

Samui – Occupancy and ADR



Source: JLL

Tourism recovery has been mainly driven by local activity so far. Since 2020, Thailand's tourism has been boosted by domestic tourism where the government has launched some stimulus measures to spur local demand. One of the most well-known and effective measures is Roaw Theaw Duay Gun (Let's Travel) programme. Elsewhere, inbound tourism will be boosted later, starting from the Phuket Sandbox model which commenced on 1 July 2021. Samui Plus model is scheduled to start on 15 July 2021 following Phuket Sandbox to welcome international tourists.

Q&A

Q: Under what scenario would the hospitality price gap narrow between buyers and sellers?

A: The vaccine roll-out and opening of Phuket Sandbox (Samui Plus later on 15 July 2021) have generated positive sentiment thus closing the price gap between buyers and sellers. Buyers who see a recovery starting soon might not seek such a big discount.

Q: What is the current cap rate for the hotel sector and how does it differ among key locations like Bangkok, Phuket, and Samui? How has it changed from –pre-COVID levels (in 2019) and will this persist?

A: Bangkok's pre-COVID cap rate was c. 5.5-6% while that for Phuket and Samui were at 6.5-7%. This also depends on the type of hotels and location. Currently, the cap rates have expanded by 50-150bps depending on the market. Bangkok assets have seen a smaller expansion in the cap rate as more investors consider the city to be a more strategic location. COVID-19 has unlocked opportunities which would not have otherwise been present in the market. For Phuket/Samui, we see more expansion but less so for trophy/irreplaceable assets. As we recover from COVID-19, we opine that the cap rate will compress again.

Q: Which hotel segment has the highest demand in the market and what is the rationale behind this?

A: At the moment, we see a lot of interest in Bangkok assets which is the same scenario even before COVID-19 hit. For institutional buyers like private equity groups, the price is very important and they will look for favourable prices which offer better potential returns when they resell the assets. In contrast, family/HNW investors are more likely to make emotional purchases and tend to look for more luxury features for long-term holding.

Q: How do you see the hospitality sector's recovery over the next three years? When do you expect to see full recovery for RevPAR to pre-COVID levels?

A: The recovery will vary among assets and we will need to look deeper into their key business/customer target characteristics (i.e. MICE customers, long/short-haul guests, etc.) and not only the destination. For Thailand, we believe that occupancy has never been problem and this can be ramped up quicker than room rates. The timeline of recovery depends pretty much on the COVID-19 situation and vaccination rate globally.

Q: Why are you negative on hotels? Are you not expecting a post-COVID recovery?

A: We believe that the hotel sector will definitely recover post COVID. Thailand's tourism sector should remain competitive with a high number of tourist arrivals (c. 40m in 2019 vs second-highest number of tourist arrivals of c. 25m in Malaysia). However, as certain groups have been badly affected by the pandemic, the luxury segment is expected to recover first while the mass tourism segment is likely to take a longer time to recover.

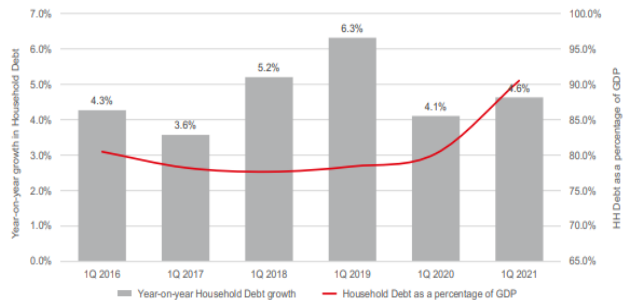
Our take. With the slow pact of vaccination rate, we expect the sector will continue to suffer from the effect from the third COVID-19 wave. the Also, according to discussion with listed hotel operators under our coverage, the advanced booking rate is still low even in Phuket where the government target to launch the Sandbox Model from 1 July 2021. Thus, the market might continue to be disappointed with the sector performance in 2H21. On the other hand, the sector share price has railed following the reopening theme and providing limited upside to our TPs. Hence, we now have the neutral rating for the sector.

Retail outlook by JLL

Hit hard but to recover fast post COVID-19

Household (HH) debt to GDP hit all-time high while HH debt growth grew moderately y-o-y: Thailand's household debt to GDP ratio hit an all-time high of c.90% as at end-1Q21 (vs. 80% as at end-1Q20). Nonetheless, the growth of cumulative household debt over the past 12 months only rose moderately at 4.6% y-o-y (roughly equal to the mean of the HH debt growth rate over the past decade). Thus, JLL believes the retail sector is still upholding.

HH debt to GDP (%) vs HH debt growth (%) y-o-y

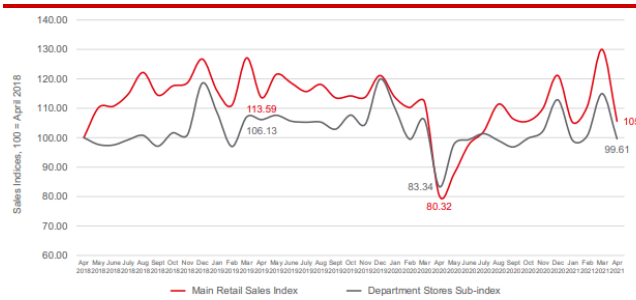


Source: JLL

Backed by resilient retail sale indices; we are now where we were three years ago. According to the rebased retail sales indices over the past three years, there seems to be no difference between where we are now and three years ago despite the COVID-19 situation.

Thus, it could be said that even with the lack of tourists (which has a significant impact on not only hotels but also the retail sector nationwide) and all other indicators being considered, we could deduce that the retail sector has been holding up relatively well.

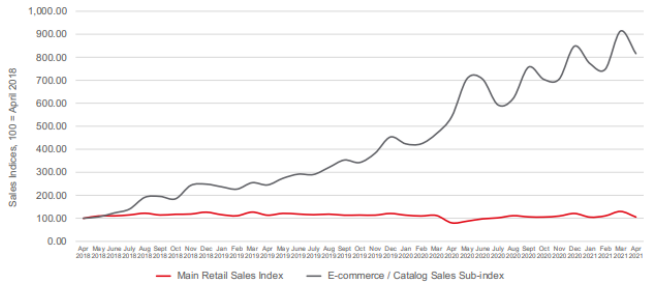
Rebased retail sales indices (Apr 2020 – Apr 2021)



Note: The department store sub-index is a proxy for hypermarket stores, i.e. Big C and other shopping centres
Source: JLL

E-commerce grew by 8-fold over the last three years, while other indices have remained relatively stagnant. E-commerce has had a significant impact on the overall retail market, including department stores, fast fashion brands, electronic gadget stores, and even bank/financial services providers that have a large nationwide retail footprint. However, the booming e-commerce sector bodes well for demand for logistics warehouses.

Re-based retail and e-commerce indices (Apr 2020 – Apr 2021)



Source: JLL

Our take. We anticipate the retail sector to make a swift recovery post semi-lockdown and COVID-19 situation. This is signalled by the resilient retail sales indices amid the pandemic and the sector's apparent recovery trend even upon the slightest improvement in market conditions. We also expect the retail sector to benefit from tourism once the country is reopened.

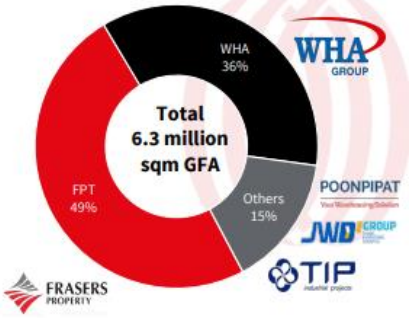
Thus, we expect to see a significantly better performance next year given vaccine rollouts and reopening theme. We believe the sector to have limited impacts from the new incoming supply. Most of them will be mixed-use projects which are catered to different group of customers.

Logistics warehouses outlook by JLL

Fueled by robust E-commerce trend

Market dominated by two major players. The market is now dominated by two key players including WHA Corporation (WHA) and Frasers Property Thailand (FPT). These two players cover about 85% of total prime-grade logistics properties in Thailand.

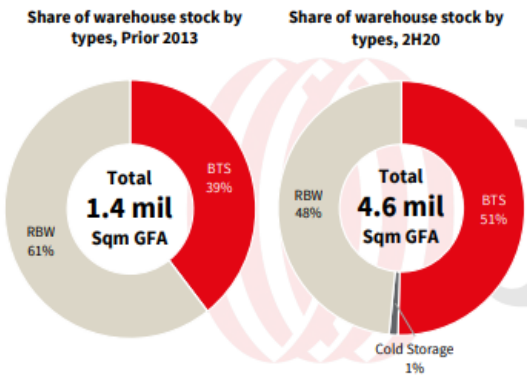
A dominant duopoly market as end-2020



Note: based on market share as end-2020 including related vehicles alludes to REITs and property funds sponsored by each party currently trading on the Stock Exchange of Thailand.
Source: JLL

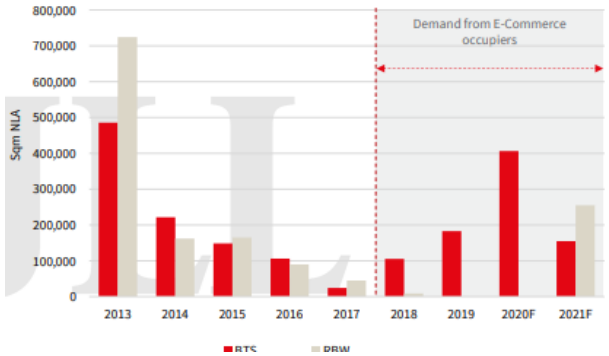
Large incoming supply of built-to-suit warehouses in the next two years (about 650k sqm to be added by end-2021), mostly located in eastern Bangkok (prime logistics location) and the rest in northern Bangkok. Most of the new supply from 2015-2020 are built-to-suit units which are likely to help strengthen and improve the overall market occupancy rate given the full occupancy and long-term lease agreement.

Supply: Rising proportion of built-to-suit facilities



Source: JLL

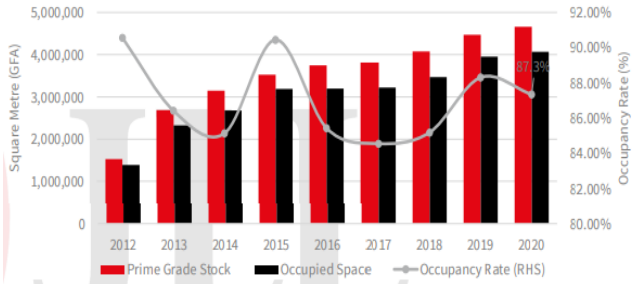
Supply: new additional supply from 2013-2021F



Source: JLL

Still resilient despite COVID-19 pandemic: This is evident in the market occupancy of 87% at end-2020 (from 88% at end-2019) vs. a sharp drop in occupancy rate of other property subsectors in Thailand.

Occupancy rate (%) and GFA (sqm) from 2012-2020



Source: JLL

Fast-growing e-commerce to continue driving market demand: The E-commerce players are the key drivers of demand for logistics facilities. The COVID-19 pandemic has actually accelerated the growth of E-Commerce trend in Thailand, as operators have to resort to online channel to stay afloat. It is expected that the E-Commerce sector should continue to grow by double digits in the next few years. According to JLL, every US$1bn growth in E-Commerce gross merchandise value (GMV) will result in 120,000 sqm of additional logistic facilities. JLL therefore forecasts that the growth in E-commerce will result in 1.7m sqm of additional demand for logistic facilities until 2025.

Q&A

Q: What is the yield on cost for new investment-grade logistics assets and the valuation cap rate on stabilised assets?

A: Logistics yield: Local developers are looking at something between 8% and 10%, while industrial and logistics REITs (WHART/FTREIT) achieved a slightly lower rate of around 6-7%.

Q: Could you share your view on industrial properties post-COVID-19? Do you expect OR to rise swiftly due to pent-up demand? Going forward, what would be the key business theme for Thai industrial properties (which used to be the automotive business)?

A: We expect to see demand from e-commerce (especially for logistics warehouses) as well as fast-moving consumer goods (FMCG). The automotive sector could still generate substantial demand as it is a traditional industry that covers both production and distribution, but the manufacturers may have to switch to produce electronic rather than combustion-type vehicles in the near future. This would require a huge amount of capital investment as the supply chain needs to be revamped. JLL believes the automotive industry is set to be disrupted but the extent will depend on future market trends.

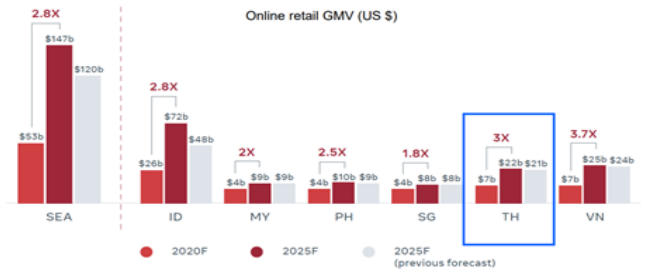
Our take

We maintain our positive view on the industrial property sector. For industrial estate developers, near-term outlook could still be pressured by the resurgence of the COVID-19 and travel restrictions, nonetheless, we see better prospects on a medium- to long-term, supported by the trade diversion theme.

For recurring-income assets e.g. factories and logistic warehouses providers, we anticipate demand to remain resilient and continue to benefit from the robust e-commerce trend.

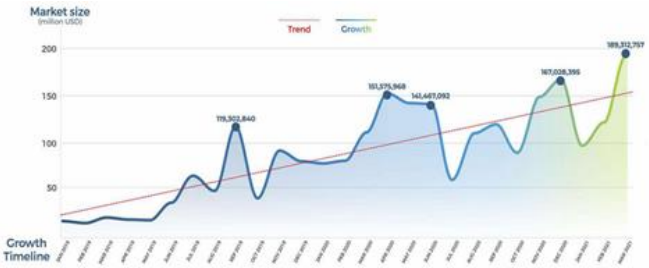
Our top picks are Amata Corporation (AMATA), AIM Industrial Freehold and Leasehold REIT (AIMIRT), Frasers Property Thailand Industrial Freehold & Leasehold REIT (FTREIT) and WHA Premium Growth Freehold and Leasehold REIT (FTREIT).

Online retail GMV consistently revised upwards



Source: aCommerce

Thailand's monthly retail GMV



Source: aCommerce

Thailand's e-commerce market share

Source: aCommerce

Additional warehouse space needed during 2020-2025 to support booming e-Commerce trend

Gross merchandise value		
	2020	2025
Btm	256,000	717,000
US$m	8,000	22,406
Additional demand for logistic warehouses		
	GMV (US$m)	Space needed (m sqm)
Space needed for every US$1bn GMV	1,000	0.12
Space needed until 2025	14,406	1.73

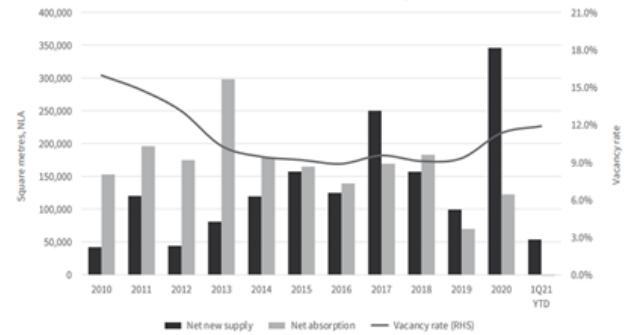
Source: Euromonitor, aCommerce, JLL, DBSVTH

Office outlook by JLL

Bleak outlook ahead

Vacancy on the rise
According to JLL, the vacancy of all grades of office space in Bangkok rose further to 11.9% at the end of 1Q21. This was amid negative absorption in 1Q21 and new supply of 55k sqm coming onto the market.

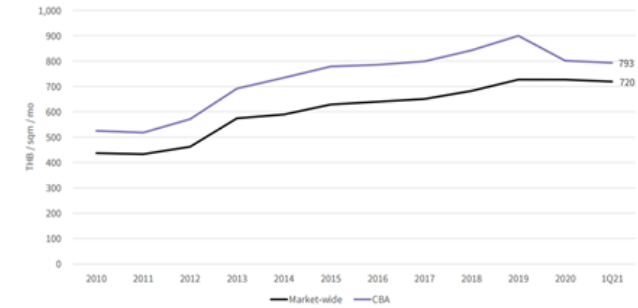
Vacancy rising, regardless of COVID-19 pandemic



Source: JLL

Rental rate is dropping
The average rental rate of all office grades in Bangkok dropped further to Bt720/sqm/month in 1Q21. The average rental rate for Grade A office in the Central Business Area (CBA) dropped sharply to Bt793/sqm/month in 1Q21. This was mainly as a result of tenants' downsizing, relocation, and surrenders since the onset of COVID-19 pandemic.

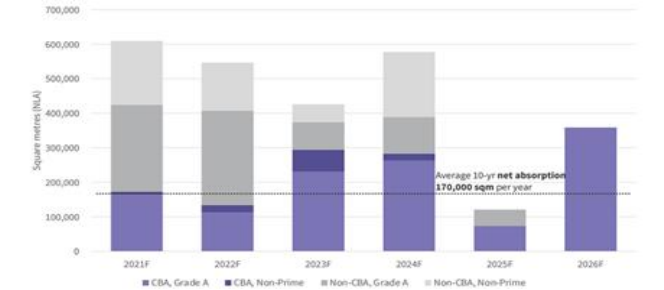
CBA saw the sharpest decline in the past 12 months



Source: JLL

Huge future supply of 2.6m sqm mostly in CBA. There will be a huge office supply of 2.6m sqm which will come on to the market during 2021-2026. The majority of these are in CBA. This implies an average new supply of 400k+ sqm per annum, which is significantly way above the 10-year average net absorption of 170k sqm per annum. Such new supply should undeniably continue to exert pressure on office occupancy and rents.

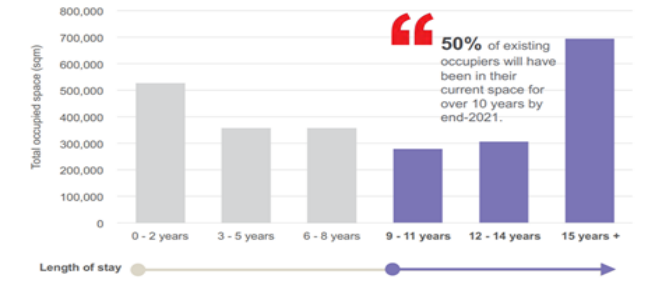
2.6m sqm of office space in the pipeline across Bangkok



Source: JLL

50% of space occupied by the same tenants for over 10 years. According to JLL, nearly 1.3m sqm of office space in the CBA have been occupied by the same tenants for over 10 years. Some offices are becoming dated and need investment. Occupiers are now evaluating their long-term strategy post COVID-19 pandemic.

50% of space occupied by the same tenants for over 10 yrs



Source: JLL

Our take. We believe while other subsectors will start to see an improved outlook next year with a higher vaccination rate, lower infections, and the country's reopening, the office sector will see its occupancy and rents trend downwards. Given the huge supply to come online until 2026, the sector will certainly get worse before it gets better.

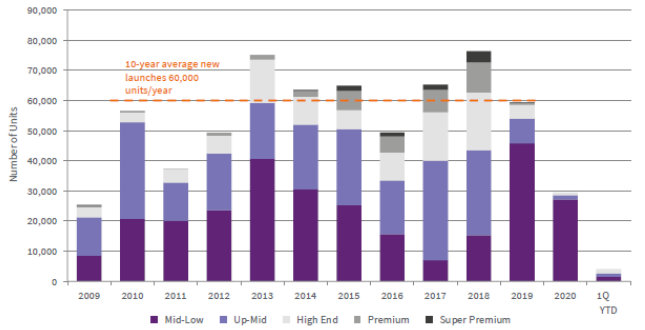
Residential outlook by JLL

Low-rise still take the lead

Concerns on oversupply issue remains: Concerns over the oversupply issue situation for residential market remain. Even after the COVID-19 pandemic subsides, it will still take around 3-4 years for the units to be fully absorbed, for both first-hand units and those that were bought but not occupied.

Delay new launches and putting underperforming projects on hold: Developers are delaying new launches while trying to sell the remaining units with high sales potential. They are also continuing to offer promotions and discounts. Around 12,700 units have been cancelled, withdrawn, postponed or put on hold after they were officially launched due to COVID-19 and oversupply issues.

Historical new launches (number of units)



Source: JLL

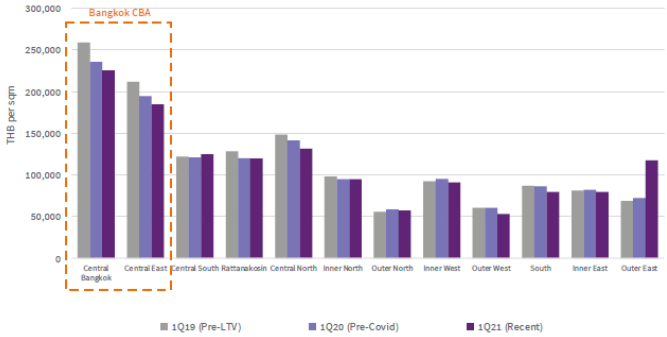
Lower level of speculation: In today's situation, we no longer have the same volume of investment and speculative buyers. We now see more real end-demand with liveable spaces and affordable prices being the buyers' main criteria.

Absorption rate will not be the same: The absorption rate that we saw in the past five years will no longer be here even post COVID-19.

Luxury end products had a hard time: New products that were launched in the past 12 months were mostly under the mass-market segment. Meanwhile, luxury projects that target investors and speculators are having a hard time.

Price reduction across the board was seen: Price reductions have occurred across the market for condominium due to oversupply and COVID-19-related issues. Central Bangkok and Central East have also seen a sharp price drop.

Average condominium first-hand selling price by submarket (Thb per sqm.)



Source: JLL

Q&A

Q: What is the impact of ICOs on the overall property market? Do you think ICOs will replace PFs/REITs in the future?

A: I don't think we have a genuine house view on ICOs either locally or outside of Thailand. Personally, based on what has been announced so far in Thailand, it appears to be more of a brand-building exercise, particularly aimed at younger generations as the adoption/penetration of major cryptocurrencies is still very low.

Q: Do you believe there's pent-up demand for condominiums from international homebuyers? Will sales from foreign homebuyers improve significantly once the market reopens?
A: There is undoubtedly some offshore demand for condo units, but nowhere near enough at the moment to trigger the kind of pre-COVID market performance

Our take

We believe that the new wave of COVID-19 will still weigh down consumers' purchasing power and Thailand's GDP growth. Recovery for the residential sector is expected to be gradual. Nonetheless, developers with a strong low-rise portfolio and focus on the mid-to-higher-end market should still outperform peers on the back of (i) continuous real demand from own-occupation homebuyers, (ii) new normal preference for homes with bigger spaces, (iii) market share gain of larger developers at the expense of smaller ones.

AP (BUY, TP Bt10.00), LH (BUY, TP Bt9.00), ORI (BUY, TP Bt10.30), and SPALI (BUY, Bt24.70) are our top picks.

Key takeaways

AIM Industrial Growth Freehold and Leasehold Real Estate (AIMIRT TB, BUY, TP: Bt15.20)

No. of participants: 56

Key speakers:

- Khun Charasrit A.Voravudhi, Managing Director
- Khun Tanadech Opasayanont, Co-Managing Director
- Khun Yanichsa Chartvutkorbkul, Finance and Investor Relations Director

Business description: An industrial REIT founded in 2017 with the first independent REIT manager. AIMIRT has invested in 61 chemical tanks with net leasable area (NLA) of 85,580 kL, 15 warehouses, 10 factories and four cold storage buildings (NLA of 151,026 sqm). It has 55% freehold and 44% leasehold asset investments based on appraised value. Its total asset investment value was Bt7.5bn as at end-June 2021 and its occupancy rate has remained full since IPO. AIMIRT's assets are located in prime logistics areas of Bangkok and nearby provinces with proximity to deep sea ports and international airports.

Key points from management's presentation:

- At present, AIMIRT has about Bt7.5bn of assets under management with a target to reach Bt10bn by end-3Q21 (post acquisition of three new projects worth up to Bt2.35bn, and is currently undergoing a capital-raising process).
- AIMIRT has continued to explore and diversify its asset investments in terms of asset type (i.e. cold storage and chemical tanks), locations, and developers (five different asset sponsors).
- Maintaining OR of 100% since IPO for each asset type due to the prime logistics locations, benefits from food and e-commerce trend, and constant demand for solvent (liquid chemical) in manufacturing sector.
- To stay competitive vs. peers: AIMIRT has discrete asset investment criteria, i.e. asset location, physical condition, proven track record of operating performance, and growth potential, together with its independent asset acquisition at fair value and capital structure optimisation.
- Remaining resilient amid COVID-19 impact: This is due to its diversified asset portfolio and robust performance (full OR with rental growth vs. peers with affected OR and flat rental growth). It has also achieved consistent DPU growth since IPO (at a 3-year CAGR of 5.3%) and is growing its asset size.
- View Thai REITs as still being laggards vs. global REITs due to fund outflows to high-beta assets with higher returns: Thai REITs Index has dropped 29.2% since the COVID-19 outbreak first started (in January 2020) till present (vs. -1% of S&P Global REIT index). The company believes that the lag is caused by fund outflows towards high-beta assets given their higher returns.
- AIMIRT's management expects Thai REITs to recover in late 4Q21 to early 1Q22. The management opines that the average yield of Thai REITs remains attractive given its current yield spread of c.3.3% vs. 10-year government bond yield's historical rate of 3%.
- Industrial REITs are the most attractive subsector given the highest yield (pre and post COVID-19), and the highest implied IRR given high freehold asset concentration vs. other subsectors.
- AIMIRT's Growth Strategy:
- Aiming for Bt20bn asset size in the next three years: AIMIRT's management has been actively and selectively acquiring quality assets (well-maintained, proven track-record of financial performance, with potential growth to generate long-term sustainable income).
- Provides not only asset monetisation but also financial solutions via REIT for various sponsors: AIMIRT has positioned itself as a REIT solution provider, not only to help real estate owners with assets monetisation but also other financial solutions (tax planning and accounting) via REIT. This enables it to acquire quality assets from various sponsors.

- **Established robust growth platform with existing partners:** AIMIRT has established a robust platform that allows potential asset owners to leverage on REIT as capital recycling to grow their portfolios with capital support from its strategic investors.

Q&A

What is the NPI yield of your new assets to be acquired in July 2021?

About 8.5% for the three new projects (with 80% freehold assets based on value). The net yield is c.7.5%, after deducting capex, interest expenses, and REIT expenses).

What is your rental reversion per 3-year contract? Is your ARR considered to be above/in line/or below the industry's?

Currently, we are able to achieve about 3-6% per 3-year contract vs. the industry's average of 0-3%.

Do you see any impact from the COVID-19 situation? Any rebates or rental discounts offered to tenants?

AIMIRT has remained resilient amidst the COVID-19 pandemic. We have not given any rebates or rental discounts to our tenants but have helped a few of them via lease payment extensions.

How have you managed to maintain a 100% OR despite the pandemic?

We believe the reasons are our asset quality and location with consistent demand, together with our portfolio diversification. These key factors have also helped us to achieve a 100% retention rate, maintain positive rental reversions (with some built-in escalations) and stabilise our revenue streams.

Do you require your new assets to have a 100% OR before acquiring them and what is your expected portfolio OR going forward?

We prefer to acquire assets with a 100% OR at the acquisition date. It would be challenging for OR to remain full going forward or throughout the asset life. However, with our asset quality/locations/tenants in resilient businesses, we expect our portfolio's OR to remain high at about 90% in the long term.

It is a major challenge to grow your AUM to Bt20bn in the next three years as per your projection?

We have grown our asset size by about four times since our IPO in 2017, from Bt2bn to about Bt10bn by end-July 2021. Furthermore, AIMIRT has established a robust financial platform for both asset sponsors and investors. Thus, we believe our target of Bt20bn AUM in the next three years is in an achievable range.

Are there any annual escalation rates, fixed reviews/CPI index rates in the lease agreements? What is your comfortable leverage level?

We have a built-in annual escalation rate of about 1-1.25% p.a. for long-term lease contracts which account for c.20% of our total revenue. We would like to keep our gearing ratio below 30%.

Does AIMIRT plan to expand its investing mandate beyond industrial assets to invest in other assets such as offices?

It is not in our plan/pipeline to diversify into other types of assets other than industrial.

ALLY Leasehold REIT (ALLY TB, BUY, TP: Bt8.20)

No. of participants: 44

Key speakers:

- Khun Kavin Eiamsakulrat, Managing Director

Key points from management's presentation:

- Resilient amid COVID-19: ALLY has remained resilient vs. other retail properties during the COVID-19 pandemic. This is proven by its high traffic rate of 79% amid multiple semi-lockdown situations, as well as its portfolio's high OR of 94.4%, and 94% revenue recovery in 1Q21 over pre-COVID-19 level
- Balanced tenant mix with key focus on customers' necessity and experience: Its tenant mix is balanced across various business sectors. The focus is on tenants selling necessities such as supermarkets, and lifestyle i.e. restaurants, cinemas, and education centers.

Business Outlook and growth drivers:

- In a recovery phase, undertaking assets enhancement activity: The management anticipates operations to recover in the next 2-3 quarters given the vaccine rollout. ALLY also has initiated asset enhancement activities in two of its projects namely Plenary mall and I'M PARK. It is adding NLA, to draw more traffic and enhance OR.
- Focused on key strategy to retain existing tenants: ALLY will maintain its key strategy to retain existing tenants and expects retention rate of c. 90%+ and OR to be c.93%-94% in FY21F. Moreover, it would also focus on optimizing its tenants mix by replacing low-rent tenants with those that can command higher rents.
- Key growth drivers from reopening theme and new asset investments: ALLY has been securing new tenants that will potentially benefit from the reopening theme i.e. F&B and entertainment tenants.
- ALLY is actively looking for quality assets in prime locations with potential to diversify and uplift its core assets portfolio and enhance DPUs.
- In the next three years, it plans to inject about Bt2bn of assets p.a. into its portfolio (retail assets at c.78% and non-retail at c.22%). It currently has about 18 projects in the pipeline including lifestyle malls, enclosed malls, and office building to be injected in 2022-2024.

Q&As

What is the trend and an average rental discount given to tenants in 2Q21 and 2H21F? Do you expect rental discounts to continue in 2022?

The discount rate has been falling since its peak in 2Q20. However, it increased during the semi lockdown in 1H21. They expect rental discounts to be c.15-25% in 2Q21 and 2H21F (vs.10-15% in 1Q21). Also, they expect the discount rate to fall to 10% in 2022F amid vaccine rollout, recovering businesses and reopening theme.

Can you give some colour on capital structure over the next three years as LTV of 0.22 leaves a lot of debt headroom? Any plans to issue bonds?

We plan to obtain a credit rating during 2H21-1H22F, which would give us with a debt ceiling of up to 60%. However, we intend to maintain our gearing ratio at c.35% going forward. We would consider a bond issuance after we obtain our credit rating and we also would have to consider the bond market at that time.

What is the rental reversion that can be achieved in 2Q21 for lease renewals? And expectations on rental reversion rates in FY21-22F?

The rental reversion in 2Q21 should be c.1-2%, compared to c.4.9% in 1Q21 but remains positive. We expect rental reversion to slowly recover in 2H21F by c.5% per renewal contract. We anticipate rental reversion to gradually recover to c.5-10% per contract in FY22F and onwards.

What is your expected OR in FY21-22F? What types of tenants would benefit from the reopening theme?

We anticipate OR of c.93-95% in FY21-22F, however, our portfolio's OR might slip in 2H21F due to our strategy to churn low-rent tenants and replace them with potential high-rent ones. We believe tenants in F&B, nightlife, and entertainment business as well as the education center will benefit from the reopening theme.

Please give us an update on the acquisition of The Crystal Chaiyapruek?

We are awaiting board approval from PTT (main partner). We expect the acquisition to take place around Sep-Oct 2021.

Given that ALLY's non-retail component is expected to rise over the next three years, can you give some colour on your strategy/asset preference for non-retail assets?

For non-retail assets, we would focus on the theme of LIVE-WORK-PLAY assets which includes workplace and logistics areas. We are more interested in newly renovated office buildings (non-CBD) in prime commercial areas (with potential growth). Also, we are interested in logistic assets given that we see synergies with our retail assets in the aspect of online/ e-commerce business.

Is there a lot of supply for new community malls? What is the current competitive landscape for community malls? Who is the major player and what is the market share?

We are one of the major players in the community mall market in Thailand with about 15% market share. Another major player is Siam Future with a similar market share. The rest are smaller and independent developers that dominate the market with c.60% market share.

We believe the current competitive landscape is in our favour as we expect to see limited new supply coming in given the high barriers to entry i.e. high cost of land. Also, we believe we have an advantage from our position as a well- established retail assets manager/developer.

Going forward, do you think traffic will shift more towards department stores or community malls and what are the reasons?

We believe there is certain level of demand for both asset types. The traffic in community malls would continue to grow along with the community, providing a constant flow of traffic and demand. Our job is to ensure that the tenant mix in each project serves the demand in different locations. On the other hand, we believe it is tougher for department stores to maintain traffic given their higher exposure to online business and the growing e-commerce trend.

Could you please comment on the new normal of online shopping/take-away/delivery? how will this affect your tenants/rents/OR? Any strategy or changes to implement?

We believe this is an important trend and we have been supporting and encouraging our tenants to adapt to the new normal e.g. to collaborate with online delivery platforms/applications, and optimizing our property to be delivery friendly.

AP Thailand PCL (AP TB, BUY TP Bt10.00)

No. of participants: 28

Key speakers:

- Khun Tritecha Tangmatitham, Managing Director
- Khun Kultipa Tinnakornsrisupap, Deputy Chief Financial Officer
- Khun Thirata Thirati, Investor relation Supervisor

Salient points from management's presentation:

- New launches in Bangkok and vicinity (in number of units) declined in 5M21 for both low-rise (-42% y-o-y) and high-rise (-13% y-o-y) projects. The overall market is still not positive for low-rise and high-rise developments.
- Despite COVID-19, the company's average number of visits per week from potential customers remained high at 1,020 visits in 2Q21, rising from 1Q21 but might not be as good as in 2Q20. Similarly, gross bookings in 2Q21 stood at Bt1.4bn per week, lower y-o-y but improving q-o-q.
- AP launched five low-rise projects totalling Bt4.1bn in 1H21, with decent take-up rates.
- Presales momentum continued at Bt9.8bn in 2Q21, jumping 9% y-o-y and 24% q-o-q, with another record-high presales of Bt9.1bn for housing projects in 2Q21, jumping 18% y-o-y and 25% q-o-q. This brought 1H21 presales to Bt17.8bn, surging 18% y-o-y, supported by low-rise projects.
- Low-rise sales stood at c.Bt632m per week, ahead of the company's target of Bt528m per week.
- Backlog level (including 2Q21 transfers) stood at Bt40bn, with condominium backlog spread out evenly through 2023.
- The company still has 26 more projects totalling Bt33.4bn lined up to be launched in 2H21F, comprising 22 low-rise projects and four condominium projects worth Bt13bn. The company has reduced its 2021 new launch target to Bt37.5bn (-17% y-o-y) from Bt43bn previously planned while still aiming for revenue of Bt31.1bn and presales of Bt35.5bn.

Q&A

What factors do you believe pushed low-rise presales to another new high?

The company believes that this was due to the AP brand that continues to be at the top of mind of homebuyers. This also on the back of good products, at good locations and the right pricing. The company ensures that its prices are competitive.

Can you comment on the cancellation and rejection rate?

The picture is not much different, as 1H21 rejection and cancellation together stood at c.30%, relatively stable compared to 28-29% in 2020.

How concerned are you with the resurgence of COVID-19 situation in Thailand and its possible impact on the company in 3Q21?

Demand depends on the economic situation and consumer confidence, both of which are not doing well. Giving the COVID situation, it is very hard to predict. If the GDP is not doing well, this might not be good for the company. Nonetheless, the company continuously improves and adjusts itself to make sure that its products can sell, and at the same time keeping a healthy financial position.

Can you comment on the potential impact of the government's shutdown of construction sites on both the company's condominium and housing projects?

All in all, the company sees limited impact from the government's one-month construction shutdown.

For low-rise projects, AP has completed inventory covering 2-3 months. Therefore, the construction shutdown does not have much impact if our customers pick and choose from our completed units. The company can hence maintain its revenue and presales in this respect.

For condominiums, the impact is also limited for new project transfers in 2021 as construction work has been completed. The company has already started transferring Life Asoke Hype. Meanwhile, Life Ladpao Valley is also ready for the transfer process. For condominium transfers in 2022, the company should be able to catch up in terms of construction.

However, there is a small impact on minor construction and room adjustment which may only take slightly longer than expected.

Can you also comment on the EIA, which we believe has raised its requirements which may lead to a longer processing period. Do you believe that this may slow new condominium projects significantly in the longer term?

Some of the wind and the sun requirements are not new to the industry. Nonetheless, if an additional requirement for wind and sun is implemented, it will inevitably take a longer time to obtain EIA approval. Nonetheless, this is not a new thing as most high-rise condos are already facing these issues.

As many other developers are offering payments using cryptocurrency, will AP also consider this type of payment method as well and why?

The company sees this as a gimmick and another medium to purchase. AP's products can still sell and therefore, the company does not need to consider this mode of payment.

Do you see rising competition again amid the new wave of COVID-19, as compared to the beginning of the year?

Pricing competition was more intense last year. However, the company does not currently see price cutting like what happened in 2020. However, more people are jumping into low-rise projects rather than cutting prices of condominiums. Nonetheless, this depends on the location but do not see severe price cuts like in 2020.

Can you please comment on the banks' risk appetite? Have they become more conservative due to the new wave of COVID-19?

Banks want to lend but have not lowered their guard. Nonetheless, the management does not see banks becoming stricter because of the new wave of COVID-19.

Have land prices come down a bit now and how is the land acquisition situation?

Land prices have not come down. For low-rise, the company sees price appreciation in some areas. Meanwhile, for condominiums, land prices have not fallen, and it is hard is to find a good location at a price that the company can afford. It is getting more difficult to acquire new land plots in some areas such as Bangna and Ladprao.

Can you share the percentage breakdown for SDH and TH YTD? And how much has SDH's contribution increase from last year?

YTD presales are at 50%/50% for SDH/TH. SDH's portion has increased in the past two years. The company is strong in townhouses but SDH got bigger.

At which price segments did SDH and TH perform relatively well this year and has this changed from last year?

The >Bt10m segments did well, such as Plazzo (>Bt30m) and City brand (c.Bt10-12m). These segments performed very well and almost doubled compared to last year. The lower Bt6-10m segment still saw 30-40% growth. Meanwhile, the >Bt3m segment also fared well but it is the higher segments that enjoyed higher growth as the company has more such projects to offer.

What is the company's inventory policy?

The company only has Bt3bn worth of stock for condominiums. From time to time, the company does marketing and promotions but will not make a deep price cut.

What is your take-up rate target for new condominium projects and those that are EIA approved?

We have a 25% take-up target for new launches as the company has already taken into account the prolonged COVID situation including the absence of foreign buyers. Of all the new projects, there is only one project that is in progress for EIA approval, but that is a low-rise condominium and should not face any big issues.

Can you share the 3- to 5-year plans for the upcountry projects?

Currently, the proportion of upcountry projects is very small. The plan for the next few years is to try to expand this with 3-5 upcountry projects each year in different provinces. This is part of our learning curve as each province has different consumer behaviour, including that of suppliers and contractors. The contribution should still be less than 3-5% of the company's total portfolio.

What is the current percentage contribution from foreigners to the company's total backlog?

Foreign homebuyers account for 25% of the company's total backlog, the majority of whom are Chinese. Half of the foreign backlog is expected to be transferred in 2021. The projects with a big foreign portion include Life Asoke rama 9, Life Asoke Hype and Life Ladprao Valley. Even though there is a travel ban, the company was able to transfer its foreign portion by way of authorising a third party or an agent to transfer on their behalf.

Can you please comment on the additional stimulus packages for the residential sector? Do you think it is possible for the government to announce anything this year?

The management does not expect any more residential stimulus packages as the government might not have enough funds to do so. Nonetheless, if the government helps to boost the economy and GDP is doing okay, demand should pick up anyway.

How is your outlook for 2022 and the post-COVID situation? How do you think the market will turn out? Will low-rise remain the main driver or will condominiums start playing a more important role? And is which segments will we see new launches?

Low-rise will still be the key product for the property market on the back of new normal living as people prefer to have a place with more space and multiple rooms. For condominiums, the recovery may take a few more years.

For low-rise, AP should still see new projects under City and Centro or within the price range of Bt8-12m. Nonetheless, the company's projects cover several segments for low-rise. For condominiums, we should see projects with prices of around Bt100,000/sqm. The target group remain the same, i.e. the mid-to-upper segment, domestic buyers, and salaried workers.

Central Pattana (CPN TB, BUY TP 58.00)

No. of participants: 49

Key speakers:

- Khun Naparat Sriwanvit, SEVP, Finance and Accounting and Risk Management
- Khun Ponpinit Upathamp, Head of Investor Relations

Business description: CPN is Thailand's largest shopping mall developer. The company operates 34 shopping malls, 10 offices, two hotels, and 18 residential products.

Key points from management's presentation:

- Current traffic and rental discount situation: Traffic recovered to 70-80% in Feb-Mar 2021, before falling again to 40-50% of the normal level following the third wave of COVID-19 that started in April. Its rental discounts stood at c.30-40% in April-May 2021.
- On track to open two new malls in 2021 and one in mid-2022: These include new malls in Sri Racha (3Q21), Ayudhya (4Q21) and Chanthaburi (2Q22).
- Maintain flat revenue guidance for 2021: Despite the resurgence of the COVID-19 pandemic, CPN expects 2021 revenue to be similar to or slightly above 2020's revenue of Bt27.8bn.
- In the process to acquire up to 100% stake in Siam Future Development (SF): CPN will acquire a 30% stake in SF from Major Cineplex (MAJOR) at Bt12 per share. Following the transaction, CPN will be required to do a tender offer for the remaining shares at the same price. The total transaction cost is Bt25.5bn, which will be funded entirely by debt financing.

Q&A

Will the acquisition of SF be net profit accretive to CPN?

The immediate impact will be very small in terms of both topline and bottomline contribution in the first couple of years. The focus will be on the new development potential and ability of CPN to achieve efficiency gains and also maximise the performance out of the existing SF's assets – these factors will be key for supporting CPN's investment in SF. CPN sees ample potential to arise from this investment, with the return profile expected to improve over time.

Why invest in SF given its low return on investment vs. greenfield projects?

It is true that investing in a greenfield project would yield higher returns. But in certain markets, competition is quite high especially in Bangkok where a lot of our competitors are looking to expand their footprint. By making this investment, we are acquiring a project that is already very successful. and we see the opportunity to further enhance its value. Thus, the benefits are two-pronged, i.e. we can cement our growth potential and return profile, while at the same time, reduce competition in the region.

Could you update us on your capex plan?

Those projects that have been announced will go on as planned. For those that have not yet been announced, we will be quite nimble and flexible. All in all, the capex for 2021 will be Bt17.1bn, and will be capped at Bt25bn when including the SF investment. Going forward, annual capex will be around Bt20bn+. CPN will make sure that it would not be overextended in terms of its capital structure. As CPN will continue to inject more assets into CPNREIT, this will help bring in fresh funds for expansion and potentially reduce net gearing.

Any concern over a potential rating downgrade by TRIS Rating?

TRIS may announce a Credit Alert for CPN, given its concerns over the negative impact of the COVID-19 pandemic on CPN's operations, and CPN's recent announcement on financing the acquisition of SF using debt. Nonetheless, CPN has a clear plan to deleverage via its asset divestment to CPNREIT. Thus, the long-term view of TRIS vis-à-vis CPN should be relatively benign.

What is the leasing progress on those projects to be launched?

We expect an occupancy of 70-80% at the opening date.

Factors to watch out for:

- COVID-19 situation and the government's order

  Following the surge in new COVID-19 cases, the government has imposed new lockdown measures in 10 provinces including Bangkok and its vicinity to contain the virus. Shopping centres will be mostly closed, except for businesses such as supermarkets, banks, pharmacies, takeout-food outlets, cell-phone shops and repair outlets, and vaccination centres – all of which must close by 8pm. The measures will be in place for 14 days from 12 July to 25 July 2021. It remains to be seen whether the measures will be extended or tougher measures will be imposed, if the infection numbers do not come down.

CPN Retail Growth Leasehold REIT (CPNREIT TB, FULLY VALUED TP 16.80)

No. of participants: 56

Key speaker:

- Khun Pattamika Pongsurayamas, Chief Executive Officer

Business description: CPNREIT is Thailand's largest REIT in terms of market capitalisation (Bt51.9bn). It has invested in 12 assets including seven shopping malls, four office towers, and one hotel.

Key points from management's presentation:

- Current traffic and rental discount situation: Traffic dropped from 60-70% in 1Q21 to about 40-50% in 2Q21, following the third wave of COVID-19 pandemic that started in April 2021. Its rental discount surged from 27% in 1Q21 to c.30-40% in April-May 2021.
- 1Q21 distribution per unit (capital reduction) amounted to Bt0.2006, down 26% y-o-y from Bt0.2707 in 1Q20: This was due to the negative impact of the COVID-19 pandemic.
- Debt/total assets dropped to 28% at end-1Q21, following its capital increase. CPNREIT successfully issued 355.56m new shares at Bt18.50 apiece in 1Q21. Of the total Bt6.58bn proceeds, around Bt5.9bn was used to acquire two assets (Central Marina and Central Lampang) and Bt650m was used to repay loans. Thus, its debt/total assets slid from 32% as at end-2020 to 29% as at end-1Q21. Nonetheless, excluding the Central Rama 2 lease extension from assets, its actual debt/total assets stood at c.38%.

Q&A

What is your target gearing?

It is no more than 35% (actual debt/total assets excluding Central Rama 2 lease extension). Our current net gearing is slightly above that stipulated in our internal policy.

What is your timeline for asset revaluation?

1Q – Hilton Pattaya, Central Rama 2

2Q – Central Rama 2

3Q – Central Marina, Lampang, The Ninth Tower, Unilever House

4Q – The rest of the assets

Regarding Hilton Pattaya, when do you expect to receive fixed rent?

It depends on the situation. YTD CPNREIT has yet to receive any fixed rent.

What are your lease expiry and expected lease renewal profiles?

31% of our NLA will expire in 2Q21-4Q21. CPNREIT is not so concerned about expiring leases, as we expect most tenants to renew their contracts. The rental reversion rate in 1Q21 was 1%.

What is your acquisition pipeline?

The upcoming assets in our pipeline are Central Surat Thani and Ubon Ratchathani, and the timing of the acquisitions will depend on the market situation. The assets need to be revalued, while the acquisition prices also need to be finalised.

This would be followed by Central Pinklao (lease to expire in 2024) and Central Rama 2 (2025).

What is your credit rating now and what is the outlook?

In July 2020, TRIS affirmed CPNREIT's rating at AA, but with a negative outlook on the back of concerns over its high gearing. Nonetheless, following its recent capital increase, CPNREIT's actual gearing dropped to 38% as at end-1Q21. The issue of high gearing should be less of a concern now.

Factors to watch out for:

- COVID-19 situation and government's order

Following the surge in new COVID-19 cases, the government has imposed new lockdown measures in 10 provinces including Bangkok and its vicinity to contain the virus. Shopping centres will be mostly closed, except for businesses such as supermarkets, banks, pharmacies, takeout-food outlets, cell-phone shops and repair outlets, and vaccination centres – all of which must close by 8pm. The measures will be in place for 14 days from 12 July to 25 July 2021. It remains to be seen whether the measures will be extended or tougher measures will be imposed, if the infection numbers do not come down.

Digital Telecommunications Infrastructure Fund (DIF TB, BUY, TP: Bt15.90)

No. of participants: 44

Key speakers:

- Speaker: Khun Tipaphan Puttarawigrom, Executive Director
- Speaker: Khun Siraya Srikasemwong, Manager
- Speaker: Khun Navabool Thongonard, Senior Officer

Business description: DIF is the first closed-end and the largest telecom infrastructure fund listed on the Stock Exchange of Thailand. It raised Bt58bn (100% equity) in December 2013 through an IPO. It invested in four additional assets during 2015-2019. As at end-1Q21, DIF had in total 16k telecom towers and 3m core km FOC with a total asset value of Bt223bn with D/TAV of 12%.

Key points from management's presentation:

- TRUE currently holds about 23.3% in DIF.
- Asset portfolio providing large and comprehensive nationwide coverage: The current asset mix based on revenue contribution is FOC (68%), Tower (29%), and other equipment (3%) with an average leasehold life of 16.5 years.
- Upside revenue potential from unutilised assets: The current utilisation rates are 57.5% for towers and 77% for FOC. Thus, there could be upside to revenue if the unutilised assets are leased out to a third party.
- Conditions for the lease-back agreement extension: In order to trigger the 10-year extension of the lease back agreement expiring in 2033, TRUE has to comply with either 1) TRUE broadband to have FBB market share of >33% (it has a current market share of 37%), or 2) the revenue from broadband internet is above Bt16.5bn by 2033.
- To benefit from lower finance costs after its refinancing in 2019: Its average cost of debt is about 3.3% post-refinance vs. 5.5% pre-refinance. Nonetheless, the loan structure has changed from a bullet to amortised 5-year term loan.
- Rental growth remains solid by contract: The average rental growth rate of DIF asset portfolio is about 0.5% p.a.

Q&A

When is the next refinancing period for the term loan? What are the new loan's terms and conditions? Will it be an amortised loan as per the recent one?

The next refinancing period will be in 2022 and 2023 as all of our loans have 5-year terms (the first loan was refinanced in 2020). We anticipate it to be a 5-year partially amortised loan which is the same as the recent one.

How many percent of cash reserves are allocated for loan repayments p.a.? And how would this refinance impact DIF's DPU going forward? Any plans/strategies to tackle this?

We have to pay c.10% of the total loan amount in the next five years for our current amortised loan. The percentage of cash reserves would vary each year depending on the rental revenues and earnings we expect to receive in the next five years. The loan repayment due in 2021 is c.Bt400m. The plan is to attract new/existing potential tenants to lease our unutilised assets and boost the revenue and earnings. We believe that the company will continue to benefit from the interest rate downtrend.

For the current loan portfolio, what is the proportion of fixed and floating rate loans? What is the average rate for the fixed and floating portion? What is your blended rate?

About 90% of our loan portfolio is floating (at 3.1% interest rate) while 10% is fixed (at 4.8%), and thus our blended rate is c.3.3%.

What are the conditions for TRUE to maintain its unit holding in DIF? Is there any lock-up period? Is there any further risk of sell-off by TRUE?

We have a lock-up agreement with TRUE in terms of unit holding (with a current lock-up of not less than 8% of total DIF units). TRUE's management has assured that there will be no further sell-off in the near term.

Could you please shed some light on your asset pipeline and have you been granted a ROFR?

We expect no additional asset investments in 2021. However, we believe we will benefit from 5G rollout by having a higher utilisation rate from existing/new tenants. We have been granted a ROFR from TRUE in the event that any assets are put up for sale or lease.

Is there any impact from the COVID-19 pandemic on DIF? How will the new normal lifestyle affect DIF's performance?

No operational/financial impacts from COVID-19 pandemic; occupancy rate and rental reversion as well as revenue and expenses are still in accordance with the lease contracts.

Frasers Property Thailand Industrial Freehold and Leasehold REIT (FTREIT TB, BUY, TP: Bt14.50)

No. of participants: 64

Key speakers:

- Khun Pornpimol Supawiratbancha, Chief Financial Officer
- Khun Bhumpharn Arunthammakul, Vice President – Investment and Investor Relations

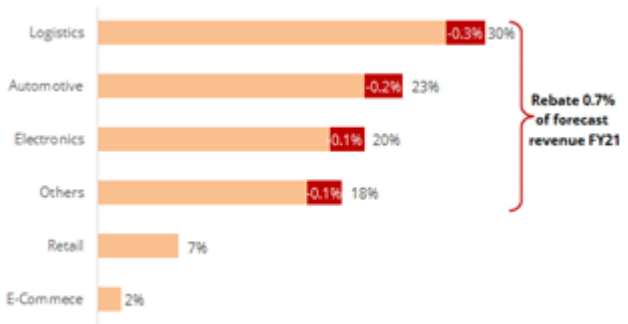
Limited impact from COVID-19 pandemic, estimated at only 0.7% of FY21F revenue. FTREIT has given rental rebates of 3-5% for 3-6 months to selected tenants impacted by the COVID-19 pandemic. These comprise 85 tenants occupying 0.53m sqm or 30.4% of total NLA. The total rental rebate accounts for only 0.7% of 2021F revenue. Of the total 0.7% rental rebate, 0.3% relates to the logistics sector, 0.2% automotive, 0.1% electronics, and 0.1% others.

Occupancy rate remained strong at c. 86% and should remain at 85%+ by end-2021. The average occupancy rate has been on the rise, increasing from 79% in 2QFY18 to 86% in 2QFY21. Management expects the occupancy rate to remain elevated at 85% by end-2021.

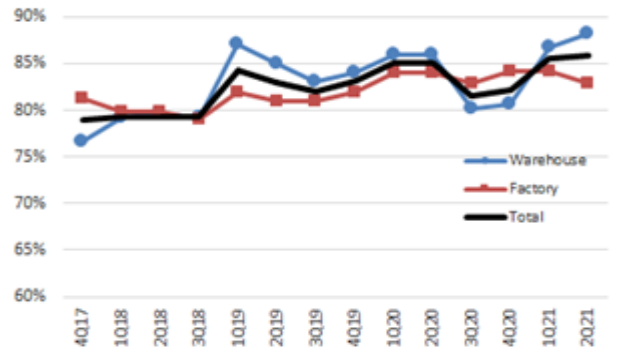
Rental reversion has been quite small at 0.5-1.5% p.a. Its rental renewal rate eased to 75% in 1HFY21. Management is aiming for a renewal rate of c. 75-80% in FY21. Rental reversion is now quite small at 0.5-1.5% p.a. Those in the Northern Bangkok area should see rental reversions of 0.5-1.0%, while that in the Eastern Bangkok area should see higher rental reversions of 1.0-1.5%, and 1.0-1.5% in the Eastern Economic Corridor (EEC).

To grow its portfolio size by 10% p.a. FTREIT has successfully grown its portfolio by leaps and bounds, from Bt4.2bn at the point of its IPO in 2015 to Bt44.1bn currently. This growth is achieved via the consolidation of assets under TICON's various property funds in 2017 and the frequent acquisition of assets from Frasers Property Thailand (FPT). FTREIT is now the largest industrial REIT in Thailand with 2.0m sqm of factories and warehouses in its portfolio, and a portfolio value of Bt44.1bn. Management aims to continue growing its portfolio size by at least 10% p.a. via acquisition of assets from FPT and third parties.

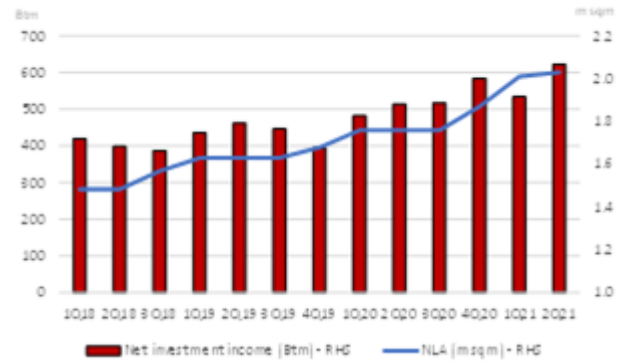
Rental rebates due to COVID-19 situation



Occupancy rate is on the rise



Net investment income growing in line with rising NLA



Source: Company, DBSVTH

Looking to acquire Bt2bn of assets from FPT and third parties by end-September 2021. These acquisitions will be funded by debt financing. FPT's net gearing stands at 23.8%, with still plenty of room to gear up. The company's internal policy is to have a gearing of not higher than 30%. As the new assets would be fully occupied, the addition of such assets should help enhance its overall portfolio occupancy. The details of the new assets to be acquired are yet to be announced. Thus, we have not factored this into our forecast.

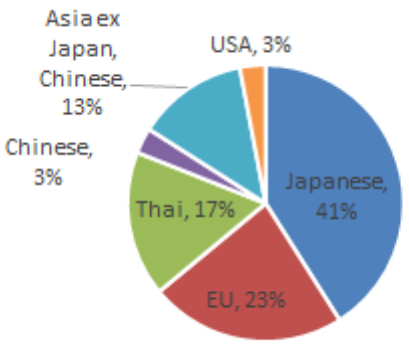
FPT still has pipeline of assets to be injected into FTREIT. As at end-March 2021, FPT still had 0.95m sqm of industrial assets in its portfolio. The company is also building an additional 200,000 sqm of factories and warehouses every year, thanks to continued strong demand. These assets can be injected into FTREIT in the future.

Overseas expansion also a possibility in the longer term. FPT is now expanding into neighbouring countries like Indonesia and Vietnam. Once matured, these assets can also be injected into FTREIT. Nonetheless, FTREIT will need to study thoroughly the tax policies of these countries it will expand into, before making any decision to foray into these markets.

Recent successful debenture issuance. On 24 June 2021, FTREIT successfully issued four series of debentures amounting to Bt2.5bn. The 3-year, 5-year, 7-year and 10-year debentures carry a coupon rate of 1.69%, 2.54%, 3.30%, and 3.97% p.a. respectively. Proceeds from the debentures were used to pay for the matured debentures (Bt1.8bn) and long-term loan prepayment (Bt0.7m). FTREIT's average cost of debt will come down slightly from 3.27% to 3.26% post the recent debenture issuance. Its weighted average debt maturity, however, will rise from 3.8 years to 4.6 years.

Positive outlook intact. We believe its net investment income should continue to grow on the back of contribution of the new assets acquired in 1QFY21 and 2QFY21, and those to be acquired in 4QFY21. Despite the near-term hiccups arising from the COVID-19 pandemic that have led to an international travel suspension, the industry's outlook remains positive in the medium to long term, supported by robust e-commerce trends and the relocation of factories from China. FTREIT expects contribution from Chinese investors to rise from 3-5% currently to 8-10% in two years.

Tenant breakdown by nationality



Source: Company, DBSVTH

Q&A

Have you seen more customers asking for rental rebates following the third wave of COVID-19 and given the current resurgence?

A: No additional tenants asked for rental rebates since the third wave of COVID-19 till end-June 2021. However, given the current resurgence of the pandemic, there could be more tenants asking for rental rebates. Thus, the total rental rebates could be higher than the 0.7% (impact on FY21F revenue) that was previously forecasted.

What's the impact of COVID-19 on demand for both factories and warehouses?

A: Factory: The demand for factories has been from the electronics sector, i.e. makers of IC boards and chips that are used in EV cars, electronic equipment, and smartphones, etc. They are mostly manufacturers in Taiwan and China that would like to expand their production capacity in Thailand. This helps to boost our asset occupancy in EEC and northern Bangkok.

Warehouse: The demand for warehouses, especially in the EEC area, is boosted by the container shortage as it is now cheaper to rent a warehouse than to bid for a container shipment. We anticipate the REIT to continue to benefit from this situation and thus expect our warehouse occupancy to be maintained at c.85% at end-FY21F.

Q: What is your retention rate? Which business sector tenants, if any, have moved out from your properties?

A: The retention rate was 75% for 1H21 but we aim to maintain this at 80%. We have seen the departure of tenants from the logistics sector. During the COVID-19 pandemic, logistics sector tenants committed to only short-term contracts ranging from three months to one year. Nonetheless, the occupancy rate at end-2Q21 was still at 86%, which was also supported by new tenants. The company will need to also find new tenants to replace those who are leaving to maintain at least an 85% occupancy rate.

Q: You have successfully grown your asset size to 2m sqm, which is now much bigger than FPT's. Have you set any targets for your asset size in terms of NLA and value?

A: We aim to grow our asset portfolio value by c.10% (or about Bt2-4bn) per annum. Our asset sponsor (Frasers Property Thailand) also has a target, which is to build around 200k sqm of assets per annum. Thus, we believe it will remain our major asset sponsor. Nonetheless, we have also been looking to acquire quality assets from third parties, in prime locations including the EEC, and northern and eastern Bangkok areas.

Q: Do you have any plans to venture into new locations and expand overseas?

A: We have a plan to invest overseas and will follow in our sponsor's footsteps. Currently, they have already invested in assets in Indonesia and Vietnam. We see more potential investments in Vietnam as our sponsor is building up an industrial estate there. Nevertheless, we have to study and consider the risks and returns of an investment overseas, especially on FX and taxes (i.e. a unique tax structure in Vietnam).

Q: What is your target property yield for new acquisitions?

A: The expected DPU of industrial and logistics REITs in Thailand is around 6-6.5% based on the trust units. For new assets, FTREIT aims for a yield that is higher than 6.5%; at least 7-8% for freehold properties, and over 10% for leasehold ones. This is to ensure that FTREIT will be able to deliver a DPU of at least 6% to its unitholders.

Q: Could you shed some light on the identity of your automotive tenants? Are they manufacturers or third-party suppliers? What will be the long-term impact when the world moves towards more EVs, which require fewer parts?

A: For tenants in the automotive sector, FTREIT has Autoliv from Europe, German auto part producer DTS and Japanese automotive part producer Yamada. Meanwhile, the trend will change from internal combustion engines to EVs. Thailand aims to be the EV hub by 2035 and therefore, FTREIT has 10-15 years to shift its supply chain from internal combustion engines to EVs. Nonetheless, the management believes that in the long term, suppliers will adapt and move towards EV products as well.

Golden Ventures Leasehold Real Estate Investment Trust (GVREIT TB)

No. of participants: 54

Key speakers:

- Khun Chantraporn Chan, Vice President-Investor Relations
- Khun Putthipat Tonkittirattanakul, Senior Manager - Investment & Business Development Department

Business description: GVREIT is Thailand's leading office REIT. It has invested in two office towers – Park Ventures and Sathorn Square – both of which are leasehold assets with remaining leasehold lives of 20 years and 19 years, respectively.

Key points from management's presentation:

- Quality office space in Bangkok's CBD: GVREIT's two assets are both Grade A offices located in very prime locations in Bangkok.
- High occupancy rate of 94-96%: Occupancy rate has eased a bit during the past few quarters from 98-100%, to 94-96% currently. This is way above the industry's average at 89%. Management expects occupancy rate to stay above 95% by end-2021 and above 90% in the medium to long term.
- Rental reversion of 1-6% YTD : Its rental renewal was 80%+ YTD, with its rental reversion rates coming in at 1-6%. Management expects lease renewal at 80% in 2021 and 90% in 2022. Rental reversion should improve to 3-6% by end-2021 when new tenants come in. These include industries like international financial institutions, and retail and consumer product players.
- Less exposure to retail tenants: As retail tenants account for only 3% of its NLA, GVREIT is less affected by the government's semi-lockdown measures.
- Despite COVID-19, 1HFY21 (ending Mar 2021) slid only 6.5% y-o-y to Bt0.39521: Despite the slight fall in occupancy, GVREIT managed to slightly grow its ARR at both towers in 1H21. Looking forward, efforts will be made to stabilise rents and keep the occupancy rate at above 95% in 2021 and above 90% in the long term.

Q&A

Any plans to acquire new assets?

We are still looking at new assets to acquire, though we have no concrete plans in the near term. Assets being scrutinised include the FYI Center and third-party assets, but we do not expect acquisitions to materialise anytime soon.

Which sectors are leaving and expanding their operations?

Leaving – Consumer product players are moving to their factories/warehouses, international companies are vacating their branch offices, and retail operators that were hit by the COVID-19 pandemic are also moving out.

Expanding – Technology companies, and fashion and jewellery players.

Do you have any major capex in the near term?

We have no major capex plans in the next 1-2 years

Who pays for land & building tax?

Property manager

What is your tenant profile?

Park Ventures – Technology (Google), Property (TCC Assets, Univentures)

Sathorn Square – Financial Institutions (Mizuho Group), Consumer

How is the competitive landscape?

GVREIT is aware of the large new office supply coming online during 2020-25. Nonetheless, management is confident about the strategic location of its assets, and the quality of its services. GVREIT views the following buildings as direct competitors to its assets:

Park Ventures – One City Centre (OCC) is a large Grade A office building with an NLA of 61,000 sqm and located on Ploenchit Road. It is currently under construction and slated to be completed in 4Q22.

Sathorn Square – AIA Sathorn Tower

Hemaraj Leasehold Real Estate Investment Trust (HREIT TB, BUY, TP: Bt9.40)

No. of participants: 53

Key speakers:

- Khun Jarucha Satimanont, Acting Managing Director

Business description: An industrial REIT founded in 2016. HREIT currently invests in 30+30-year leasehold rights of 121 units of ready-built factories and 25 units of warehouses, with a total net leasable area (NLA) of 380,632 sqm. It has been actively investing in new assets with a total of four additional investments since IPO. Most of these assets are strategically located in the Eastern Economic Corridor (EEC) area with proximity to deep sea ports and international airports. The REIT's total investment asset value was Bt11bn with a gearing ratio of 32.5% at end-1Q21.

Key points from management's presentation:

- Continues to benefit from key logistics areas: The REIT continues to receive new inquiries to lease its properties, especially for those in the EEC area where tenants would receive various tax benefits.
- Still resilient despite COVID-19 pandemic: This is proven by its resilient rental growth rate of flat-to-low single digit per contract (vs. a negative rental reversion in other sectors) and its OR of close to 90%.
- Benefitting from global trade tension: This is proven by an increase in the number of Chinese tenants from 11% of total NLA at end-1Q19 to 30% at end-1Q21. The REIT also continues to receive inquiries from China.
- To capture market demand given limited new supply: The REIT should benefit from the existing market demand given limited new incoming supply of ready-built factories and warehouses. Most major sponsors have shifted towards adding new built-to-suit supply to the market.
- Growth drivers from operations and new investments: HREIT expects to achieve rental growth and a higher OR post COVID-19. Moreover, it aims to acquire new additional assets on an annual basis (its total asset value has been growing at a 7% CAGR since 2016). It has a right of first refusal to acquire assets from its sponsor (WHAID group) and other third parties.
- The company believes this organic and inorganic growth will help strengthen its operational and financial performance going forward.

Q&A

Has the company given any rental discounts to tenants since the COVID-19 outbreak?

We have not been offering any discounts to our tenants but have helped/supported them by extending their lease payments. This results in less than 1% impact on our revenue. Note that we have not received any discount inquiries in 2021 YTD.

What is the rental growth rate you are able to achieve for new and renewed contracts?

For renewed contracts, we are able to achieve around 8% growth rate per contract. For new tenants, we normally achieve some growths vs. the pre-COVID market rate. However, we have been able to achieve the market rate since the COVID-19 outbreak first started.

Do you have any plans to expand/acquire new assets this year?

We plan to inject new assets into our REIT annually. However, we believe there will be no new asset injection this year given the current market situation, but we anticipate the additional investment to take place in the following years.

How does HREIT plan to tackle the EV trend that may disrupt the traditional auto & parts manufacturers? Do you plan to change the industry mix for HREIT's portfolio?

So far, we have not seen any impact from the EV trend on our auto & parts tenants. Moreover, we continue to see incoming inquiries from this type of tenants as they still strongly benefit from the well-established auto supply chain in Thailand. Thus, we believe our tenants in the auto & parts industry will remain the majority of our tenant mix.

Do you still see plenty of inquiries coming from China? Are they relocating or expanding?

We still see strong demand from China amid the unleashing of previous pent-up demand due to the travelling restrictions. We could finally secure five new tenants (from both expansion and relocation) in 1Q21, all of them from China. We expect this trend to continue in FY21F.

From which industry are most of the new inquiries?

The new inquiries are mainly from the electronics and consumer industry (increasing trend since COVID-19 outbreak).

Please provide an update on lease expiries in FY21F and FY22F. How many percent are expected to be renewed and not renewed?

We believe our retention rate will range at around c.70-80% in FY21-22F.

What are your competitive advantages over peers' assets?

All of our assets are located in the industrial estates of WHAID (our sponsor) in various prime logistics locations. We believe that to be the key advantage of our assets vs. peers as our tenants will receive full-fledged facilities and services within each location.

Jasmine Broadband Internet Infrastructure Fund (JASIF TB, HOLD, TP: Bt9.70)

No. of participants: 42

Key speakers:

- Khun Pornchalit Ploykrachang, Deputy Managing Director
- Khun Noppawan Swaengkij, Vice President
- Khun Wasu Hannanta-anan, Senior Manager
- Khun Sivanut Kungvolzub, Manager

Business description: JASIF was founded in February 2015 as a closed-end infrastructure fund. It raised Bt55bn (100% equity) from its initial public offering (IPO) to invest in 980k core km of optical fibre cable (FOC) network. In November 2019, JASIF acquired an additional 700k core km of FOC for Bt38bn with a combination of equity (60%) and debt (40%). As at end-June 2021, JASIF had a total OFC investment of 1.68m core km with a total asset value of Bt100bn (85% equity and 15% debt). All the assets are leased back to Triple T BB PCL (TTTBB), an anchor tenant.

Key points from management's presentation:

- JASIF's lease agreements are divided into the following:

  Main lease agreement (80% of OFC): The current rental rate is Bt438/core km/month.

  Rental assurance agreement (20% of OFC): The current rental rate is Bt769/core km/month
- The rental growth rate for in 2021-2022: The management sees no rental growth in 2021 due to negative CPI in 2020. However, as the CPI has picked up to c.1-1.3% YTD, the management expects to see a slight growth in 2022.
- No risk of JASIF sell-off: JAS has to hold not less than 19% of units in JASIF from 2019-2025, and not less than 15% from 2026-2030.
- To remain resilient during COVID-19 pandemic: As the rental growth rate is capped by the contract at 0-3%, thus JASIF has limited downside risk. Furthermore, JASIF has continued to benefit from a declining interest rate with an average of 5.25% vs 6% pre-COVID-19 level (100% of its debt are at floating rates).
- To benefit from a fair headroom of FBB penetration rate: Management sees opportunity for TTTBB to grow given a fixed broadband penetration rate of 49.8% in Thailand based on number of subscribers.
- Slight drop in market share y-o-y as at end-2020: JASIF's market share dropped marginally to 30% at end-2020 from 31% at end-2019, while its peers' market share inched up slightly (except for TRUE's which remained flat).
- The highest ARPU among peers as at end-2020: This is due to TTTBB's wider coverage vs peers, especially in rural areas where it sees a higher growth opportunity than in the metropolitan area. This is coupled with its attractive up-speed package/marketing strategy while its competitors are trying to gain market share by lowering their ARPUs.
- JASIF's subscriber numbers grew at a 5-year CAGR of 11.1%: This is significantly boosted by the Thai people's higher daily time spent on the internet, especially for social media and entertainment activities.

Q&A

Can we have the update on the current utilisation rate of tranche 1 and tranche 2 assets? Any positive developments on the utilisation rate from WFH trend amid the COVID-19 outbreak?

The utilisation rate for tranche 1 assets is 65% and for tranche 2 assets is 35%. We see an increase in the utilisation rate to about 20% from last year which we believe was boosted by WFH policy.

What is the expected rental growth in FY21-22F? Do you expect CPI to improve in 2H21F-FY22F?

There will no growth rate in 2021 due to a negative CPI rate in 2020. However, we expect the rental growth rate in 2022 to be c.1-1.3% but the situation needs to be closely monitored. We forecast a 1.1% rental growth rate in the long term.

Given the ARPU divergence between your company and your competitors, what are your expectations? Will your competitors increase their pricing to improve profitability or will you go after market share by offering some discounts given your premium prices over peers.

Given the intense market competition, we do not expect our peers to increase their pricing in order to improve profitability. Instead, we expect to see more launches of new packages or marketing campaigns to boost profits. We might consider lowering our pricing in the future given a decent divergence over our competitors' but in exchange for decent returns in terms of profits/market share.

Any new asset injection plans and timeline?

We do not expect any new asset investments in 2021. However, there could be potential new asset injections in the next 3-5 years as JAS has 100k of OFC on hand.

Will Wi-Fi 6 technology help to drives the utilisation rate for our FOC?

We do not expect to gain benefit from Wi-Fi 6 technology at any time soon as the majority of market devices are unable to support such a high speed of 3Gb/sec vs. 500-700Mb/sec for Wi-Fi 5 technology. Nonetheless, the technology itself would definitely boost data usage which we expect to gain potential benefit in the future.

Do you have any plans/strategies to stabilise the effect of your (declining) DPUs given your scheduled principle repayments?

We do not expect to see any significant impact on our DPUs on principal repayments as it would also be compensated by lower finance costs. However, there might be a c.10-15% impact on DPUs from 2026 onwards (given an expiry of the rental assurance agreement of the initial asset investment (20% of OFC) which we anticipate.

How will 5G rollouts over the longer term, impact household broadband penetration?

We believe the household broadband penetration should grow along with 5G technology given their differences in the nature of usage. Moreover, we believe fixed broadband internet in Thailand would remain attractive given its much lower price vs. 5G technology, at a competitive internet speed.

In the event that TTTBB fails to generate Bt40bn revenue p.a. by 2030 (or 9% CAGR from FY19), is there any chance that the main lease agreement will be amended? Or any potential tenants to replace TTTBB?

We agree that it would be challenging for TTTBB to achieve the revenue of Bt40bn p.a. by 2030 given its 4-year CAGR of 4.62%. Thus, there is a chance that TTTBB might not fulfil this condition to extend the contract. However, this would not eliminate the chance for TTTBB and JASIF to enter into a new lease agreement. However, the terms and conditions might differ, e.g. the rental rates and reversions, etc. Also, at present, we do not see any potential tenants which would be able to replace TTTBB.

Land & Houses (LH TB, BUY, TP Bt9.00)

No. of participants: 32

Key speakers:

- **Khun Siribhorn Laophaetkit,** Vice President
- **Khun Yanisa Dechapahul,** Budget Planning and IR Manager

Key points from management presentation:

- The number of newly completed & registered housing units in Bangkok in 4M21 dropped to 20,180 units (-25% y-o-y). Only its SDH housing units managed to grow – to the tune of 23% – in line with the company's strong presales performance.
- New unit launches in Bangkok and vicinity declined to 17,612 units (-32% y-o-y) for 5M21 as a result of COVID-19. New unit launches for both landed housing and condominiums declined y-o-y in 5M21.
- Despite the COVID-19 crisis in 2020, the take-up of SDH units remained above 10,000 units, declining by only 3% compared to the total take-up for units in 2020 that plunged 35%, as demand for SDH pertains to real rather than speculative demand.
- In 2020, available units for sale increased 3%, boosted by TH units, while available condominium units for sale dropped 3% for the first time in seven years. Meanwhile, SDH inventory has been on a downward trend since 2016, except for 2018.
- Construction prices went up by almost 5% y-o-y in 1Q21 on the back of rising steel prices.
- Land prices also continued to rise. In general, land prices rose at a CAGR of 3-5% prior to 2018, but surged 8% in 2018 and increased further by 14% in 2019 on the back of high competition and demand for land along mass transit lines. For 2020, land prices increased by another 6.5% and we still expect land prices to rise but at a slower rate of 4.7% in 2021.
- Condominium prices peaked in 2019 and subsequently dropped in 2020. On the other hand, SDH and TH prices have been increasing every year at a CAGR of c.4-5% but prices in 2020 remained stable.
- LH's targets for 2021 include:
    - Presales of Bt28bn (+5% y-o-y), supported by TH and condominium projects
    - Revenue recognition of Bt30bn (+9% y-o-y), supported by all project types
    - Rental income of Bt2.8bn (+16% y-o-y), for which we may see downside risk as the company has not factored in the impact of the new wave of COVID-19
    - Share of profit from associates of Bt3.1bn (+20% y-o-y), based on consensus estimate
    - A 2021 GPM that is on par with that of 2020
    - Rollout of 20 projects worth Bt20.7bn (95%/5%, landed/condominium)
- Update on condominium projects – the company has 12 projects available for sale worth Bt12bn with a finished inventory of around Bt10bn
- The company aims to reduce its existing projects to Bt54.8bn in FY21F from Bt62bn in FY20.

Q&A

What is the impact on the company's commercial and residential projects arising from the government's decision to close down construction sites for one month?

There would be some impact on new transfers and new launches in 3Q21F. The impact on transfers, especially in July, will pertain to inspection and project adjustments prior to transfers. Nonetheless, the impact would be limited. As a result, the transfers in July could be deferred to August. However, this will also depend on how fast the company can ramp up its construction activities.

For its new projects, the ones that are scheduled to be launched in July could be postponed to August. Nonetheless, this will again depend on the ability of the company in ramping up its construction activities.

Similarly, there would be limited impact on its rental property as the new projects are scheduled to open next year, including Terminal 21 Rama 3, but this will also depend on the COVID-19 situation then.

Can you enlighten us on the banks' risk appetite? Have they become more conservative as a result of the new wave of COVID-19?

Banks are willing to lend to big developers with good profile. However, the company prefer to issue bonds as the cost of debt is lower compared to bank loans.

On the homebuyer side, banks are willing to lend to buyers with good credit profile. Nonetheless, as banks are still only stringent with regard to the lower-end segment, the company's customers are not impacted to a certain extent.

What is the likelihood of foreigners buying high-end housing units in the future and the 49% condo foreign holding being increased?

It is possible for the threshold of 49% for condominiums to be increased, as this will (i) enhance demand, and (ii) help lower condominium supply that has been increasing over the past seven years. Nonetheless, there is no urgency to ease the purchase restrictions for landed property for foreigners, as presales are still very strong and there is no oversupply situation.

What is your view on the EIA pertaining to wind/sunlight?

The EIA has proposed three points: (i) application of a new model where only four vendors will be available – this may result in longer processing times as well as more expensive, (ii) the need to inform surrounding residents regarding the impact on wind/sunlight for nearby projects, and (iii) the need to obtain 100% feedback from hearings with residents. Meanwhile, the average time spent on EIA is usually six months, and the new requirements will certainly extend this timeframe.

What are your views on the tokenisation of LH assets?

This is a new development for developers and LH does not have any plans to undertake any tokenisation in the foreseeable future.

What is the company's outlook for 1H presales?

Total presales in 1Q21 grew at a strong rate, supported by landed properties. The company still saw strong landed properties presales in 2Q21 that rose a few percentage points q-o-q but may drop y-o-y from a high base. Its strong low-rise presales were also supported by existing projects. For condominiums, 2Q21 presales came in flat q-o-q.

Nonetheless, there should be double-digit growth for total presales in 1H21 on the back of double-digit growth for landed property. However, condominium presales may remain soft. Meanwhile, as there would be more launches in 2H21, the company believes that 2H21F presales will outperform that of 1H21F.

Is there any impact from higher raw material prices?

Raw material costs increased sharply on the back of rising steel prices. Nonetheless, the company has locked in steel prices since December 2020. The company has also adopted the prebuilt model with finished inventory on hand of around 2.5 months with steel cost that locked in at the price of at least six months ago. Therefore, the company should not see much impact from the spike in steel prices in FY21F. The impact on its GPM will be only 1%, based on current market prices.

What is the company's inventory policy for condominiums?

The company does not have plans to carry out aggressive price cuts, as it only has a rather modest condominium inventory of Bt10-12bn. Additionally, when the company implements a price-cutting strategy, it also has to make sure that the projects will get good customer response – as it believes that once prices are cut, they are unlikely to rise again.

Do you expect any potential additional stimulus packages for the residential sector? Do you think that the government will announce anything this year? Is there any chance for the BOT to relax the LTV policy?

The Bank of Thailand (BOT) has already eased the loan-to-value (LTV) policy, as first loan contract homebuyers for properties priced less than Bt10m are able to get an LTV of 100% with a top-up mortgage of up to 10%. Management thinks that this move is already good enough. Nonetheless, property demand pretty much depends on the strength of the economy or GDP growth. 2021 might see a slight improvement in the economy, with many expecting it to be a better year compared to 2020.

Lotus's Retail Growth Freehold And Leasehold Property Fund (LPF TB, BUY, TP Bt17.10)

No. of participants: 55

Key speakers:

- **Khun Vorapon Techa-akrakul,** Head of Property Management, Ek-Chai Distribution System Co., Ltd. (Property Manager)
- **Khun Piraj Migasena,** EVP, Krungthai Asset Management (Fund Manager)
- **Khun Anuchit Katetrakul,** AVP, Krungthai Asset Management (Fund Manager)

Business description: LPF is a property fund. It invests in 23 Lotus's shopping malls which are located in various parts of Thailand. Its total net leasable area is 336,357 sqm, with an appraised value of Bt31.3bn. Around 63% of the appraised value are freehold assets and 37% leasehold.

Key points from management's presentation:

- **A portfolio of 23 quality shopping malls, most of which are freehold:** LPF currently operates 23 Lotus's shopping malls throughout Thailand. The majority of these assets are freehold (63% of appraised value).
- **Lotus's hypermarket, a key anchor tenant, helps provide stable income stream.** Lotus's is a key anchor tenant, occupying 55% of its total NLA and contributing 30% of its revenue This revenue contribution helps ensure a stable revenue stream for the fund.
- **High occupancy rate of 95%:** Occupancy rate has dropped during the past few quarters from about 97-98% amid negative impact from COVID-19 pandemic, but remains elevated at 95% currently.
- **Rental reversion of -9% in the previous quarter:** Given the tough operating environment, LPF had to sacrifice some rental income by lowering rental rates to maintain occupancy.
- **Cost-saving initiatives:** LPF has invested in new equipment, e.g. solar rooftops (at seven of its 23 malls) and security cameras in order to reduce its utility and security guard costs. Such investments kicked off last year, and this should result in annual cost savings of about Bt18m.

Q&A

Can you provide updates on your lease renewal progress with Lotus's?

Lotus's has to submit its lease proposal to LPF by Sep 2021. We expect Lotus's to renew the contracts with the same terms of a 10-year period and a rental rate hike of 10% every three years.

Are there any changes in business direction or operations of the fund following the change in major shareholders from Tesco to CP Group?

No. CP Group is only focusing more on the rebranding of its hypermarkets and supermarkets at the moment.

Any plans to convert into a REIT and acquire additional assets?

Not in the near term. But LPF will look into converting into a REIT and acquiring more assets once the opportunity arises.

What is the impact from the COVID-19 pandemic?

In FY2020/21 (ending Feb 2021), LPF's DPU dropped 25% y-o-y to Bt0.6995. This was due to the 22% drop in rental & service income amid falling occupancy and rental discounts given to selected tenants affected by the COVID-19 lockdown measures.

Looking forward, the situation may remain tough following the government's recent announcement to impose lockdowns in 10 provinces (including Bangkok and its vicinity) for 14 days. Nonetheless, rental discounts should come down and retail operations should bounce back quickly once the COVID-19 pandemic is contained.

Any change in the tenant mix?

Yes, the property manager is looking to adjust its tenant mix to cope with the changing operating environment. We expect more food tenants in the future.

Key factors to watch out for:

- Contract renewal with Lotus's. It is quite likely that Lotus's will renewal the lease contract. But it remains to be seen if the rental adjustment term will remain unchanged at +10% every three years. If the adjustment remains unchanged, this should help remove any overhang on the stock. On the other hand, if the rental hike is lower than the previous contracts, this could pose downside risks to the share price.
- Clearer policy from Lotus's on conversion into a REIT. A clearer stance from CP Group on whether it wants to convert LPF from a property fund into a REIT and inject more assets would define the outlook of the fund. Without new asset injections, LPF will have to rely only on organic growth. On the other hand, if CP Group has plans to convert LPF into a REIT and inject more assets, this would mean better growth prospects for LPF as a REIT can gear up to 35% of total assets (and to 60% if it secures investment-grade rating), vs a maximum 10% of NAV for a property fund.

Origin Property PCL (ORI TB, BUY, TP Bt10.30)

No. of participants: 25

Key speakers:

- Khun Peerapong Jaroon-ek, Chief Executive Officer
- Khun Kanokpailin Wilaikaew, Chief Financial Officer
- Khun Piched Sakulsriprasert, Investor Relations
- Khun Thitima Kuljittiamorn, Investor Relations

Key points from management presentation:

- The company officially launched the Hampton Sriracha condominium, a joint development with DTC, in 2Q21. This project received good feedback and achieved 80% take-up rate.
- ORI also launched two housing projects in 2Q21 under the Grand Britania brand, with accumulated presales hitting a decent amount of Bt500m.
- The company posted new record-high housing transfers in 2Q21 and targets transfers of Bt4bn in FY21F.
- TRIS rating granted ORI a rating of BBB with its outlook being revised to positive from stable
- 2Q21 presales remained at a decent level of Bt8bn (+23% y-o-y, +5% q-o-q), comprising 75% condominiums and 25% landed houses with 71% of presales coming from ready-to-move-in projects
- In 3Q21F, ORI plans to launch five new projects, comprising three condominium projects (Origin Plug & Play, Brixton Pet & Play and Hampton Rayong) and two landed housing projects.
- There will be five new condominium transfers in 3Q, including Park Origin Phayathai
- Its backlog remains high at Bt34.7bn, whose transfers will take place until 2024
- 2021 targets
    - 20 new project launches amounting to Bt20bn, comprising Bt10.4bn landed housing and Bt9.6bn condominium projects
    - All-time high presales of Bt29bn
    - Total revenue of Bt14bn (+26% y-o-y)

Q&A

What are the factors supporting ORI's decent housing presales?

The company makes use of greenfield land to develop products with the flexibility to adapt to designs to meet the rapidly changing preferences and lifestyles of the new generation of Thais. One of the important factors is that ORI offers not only products but also service-oriented solutions, i.e. housekeeping, maintenance services on demand, gardeners – it also collaborates with Thonglor Pet Hospital and Chalachol in providing other services. The company has the ambition to be among the top 5 housing developers in Thailand. The company is expected to be among the top 10 in 2021 on the back of expectations of Bt4bn transfers.

What is the outlook for low-rise projects? Will demand remain strong?

Management still sees strong demand for low-rise projects in 2H21. The company seems to be benefiting from COVID-19 in light of the higher absorption rate for its inventory, compared to the pre-COVID level. As COVID-19 has also led to people spending more time at home, mostly arising from working from home (WFH) practices, they ideally want a bigger living space. Additionally, due to COVID-19, homebuyers also have more time to spend on searching for new houses as most of them are WFH.

Similarly, for condominiums, those who rent small apartments with sizes as small as c.22 sqm and a rental rate range of c.Bt4,000-7,000 per month, may want to own a condominium that come with more facilities and public areas, i.e. gardens, etc. Meanwhile, the lockdown in Thailand has not only failed to impact the company but also benefited the company as buyers have more time to visit sales galleries for buying both houses and condominiums.

Can ORI maintain its NPM despite lower GPM and higher contribution from low-rise projects?

The company has already delivered decent NPM even during the COVID-19 pandemic. ORI believes that it can meet its NPM target. Meanwhile, the target for blended GPM in 2021 is c.36%. If the COVID-19 situation improves, the company's GPM could beat its target by 1-2%.

Can you provide updates on the current competitive environment?

There is now less competition compared to 2020 when COVID-19 first emerged – where the onset of the pandemic prompted developers to reduce risks by selling their inventory.

What is the potential impact of the construction site shutdown for one month?

All in all, the shutdown in construction sites for one month is expected to have a limited impact on the company. Even if there are some delays, ORI still has finished inventory of Bt9bn that can be sold and transferred to meet the company's target for this year and the company can also speed up the construction process later. Some impact could be felt for Park Origin Phayathai whose transfer is slated for the end of 3Q, but nonetheless, the company should still be able to transfer the project as planned. For housing projects, as the projects are mostly prebuilt and/or the company would have finished inventory on hand of a couple of months in advance, ORI has products to sell even during the period of construction shutdown.

Can you comment on the potential impact of the EIA wind/sunlight rules if implemented?

The wind and sunlight rules are not something new to the company and we have already evaluated the impact of such rules. Nonetheless, the rules have yet to be incorporated into the requirements for EIA. Management believes that implementing such rules will lead to a fair playing field for all developers. Though if the rules is implemented, it may take a bit more time for the project to be EIA approved, the additional costs will not be that significant for ORI in light of the fact that the company has already compensated the nearby houses that are affected by its new developments.

In light of the new wave of COVID-19, how confident are you in launching new projects, especially condominiums, in 20201?

All projects will still be launched as planned in 2021. Meanwhile, the company has already received good response for its new launches in 3Q21, with The Origin Plug and Play project seeing sales of around 100 units (out of the total units of 400). Meanwhile, Brixton Pet & Play was almost sold out with regard to one out of the three buildings. The Hampton Rayong is also expected to get good customer response, akin to the Hampton Sriracha that was launched in 2Q21.

Could you provide updates on the rejection and cancellation rate?

Prior to COVID-19, the rejection and cancellation rate stood at around 7-8% but this has now risen to 10-12%. However, banks are still willing to lend but the credit standing for some individuals has deteriorated, especially for those who work in the tourism, hotel, and airline industries that might complicate the transfer process. Nonetheless, ORI is still trying to retain these customers and may convert their purchases to other projects whose transfers will take place in the next six months.

What is the outlook for the property market in 2022?

Management believes that demand should pick up again at the beginning for 2022 when the COVID-19 situation is expected to see some improvements. Meanwhile, its JV partners from Korea and Japan will maintain their investments in the company's JVs as they believe that the market has bottomed out and plan to capture any pent-up demand once the COVID-19 pandemic ends and Thailand's borders re-open.

Can you provide updates on foreign homebuyer?

ORI's foreign sales in 2021 remained low at around Bt700-800m YTD, compared to Bt5bn in 2018 that was the best year for the company. Nonetheless, ORI does not focus on foreign homebuyers. Meanwhile, the percentage of foreigner backlog accounts for around 15% of its total backlog, with the bulk coming from the Park Origin Phayathai and Park Origin Thonglor. Management is not too worried about the quality of its foreign homebuyer backlog, as the foreigner cancellation rate is less than 5% while its overall portfolio rejection and cancellation rate stands at 12%. Management expects to see pent-up demand from international homebuyers once borders re-open.

Can you comment on potential stimulus package for foreign homebuyers?

For condominiums, raising the percentage of foreign ownership to 70% may not bring much impact, as the ownership of foreign homebuyers tends to be lower than the current allowance level of 49%. Nonetheless, this depends on the location of the developments.

On the other hand, stimulus packages for housing project will provide more material impact. We expect ample demand from certain markets, especially from China and Hong Kong as the Chinese cannot own land in China and it is almost impossible to buy landed properties with stratospheric prices in Hong Kong.

What are ORI's plans for new business developments?

All new business developments for ORI remain on track.

For the logistics business, ORI has grand plans with JWD. Despite the suspension of the construction of warehouses for a month due to COVID-19, income from this business is still expected to flow in from 3Q22. If capital gains do arise, then the assets should be divested to a REIT by the end of 2022. The company wants to be among the top 5 in the build-to-suit warehouse and cold storage to rent segments. The official plans should be unveiled once the current partial lockdown in Bangkok ends.

For Origin healthcare, presales for senior/elderly condominiums from the Origin Wellness complex Ramintra should flow in from 4Q21. Two of the beauty and smart clinics will open in September and November 2021 each. The company plans to organise a press conference for its healthcare business soon.

For the asset management company (AMC), the company is still in the process of getting a licence from the Bank of Thailand (BOT).

Supalai (SPALI TB, BUY, TP: Bt24.70)

No. of participants: 38

Key speakers:

- Khun Tritecha Tangmatitham, Managing Director

Key points from management presentation:

- Although COVID-19 is hitting Thailand again, landed property sentiment remains positive and did better for a fair bit in 1H21 as compared to 2020. The company is still seeing a healthy walk-in rate, especially for landed property in Bangkok. Similarly, projects in the provincial areas also saw an improvement in walk-in rates for both condominium and landed projects. The management believes that this positive sentiment is on the back of vaccine rollout.
- Similarly, Phuket sales dropped by 50% in 2020, but the company started to see some recovery in 2Q21 as sentiment improved with market reopening and Phuket sandbox.
- As housing prices remain attractive, coupled a low interest rate environment, homebuyers who need a home will return to the market.
- The company's rejection rate has fallen to c.15% so far in 2021, from 20% in 2020. Banks are willing to offer mortgages to ones with good credits, and homebuyers who come out to the market at this point have already screened themselves to ensure that they have the financial ability to buy.
- As for the one-month closure of construction sites, the company does not face much impact. One-third of the company's operations is outside Bangkok and can continue to run normally. Meanwhile, the government has eased its restrictions in Nonthaburi area which account for another one-third of the company's operations in Bangkok and Metropolitan. All in all, about half of the company's operations is affected. There should be some disruption to new condominium transfers where some customers who are due to transfer in July might delay doing so but overall transfers should take place as scheduled this year.
- Ongoing condominium projects are expected to do better in 2021 as compared to 2020 as well and the company sees a return in demand for condominiums, albeit at a slow pace. Condominiums that are scheduled to be launched in 2H21F will go on as planned.
- SPALI maintains its revenue target at Bt28bn. Transfers may slip by a month on the back of the construction site shutdown but is expected to be back on schedule by the end of the year. Meanwhile, 2Q transfers should improve from 1Q's, while that for 3Q should be the best for the year.
- The company's GPM in 2021 should improve from last year, supported by new condominium transfers with good margins.
- SPALI is still confident that it will post record-high top-line numbers.

Q&A

Will low-rise projects still see strong demand?

The management still expects demand momentum for low-rise projects to continue for the time-being, especially for projects in Bangkok.

Can you provide an update on the cancellation rate as well?

The cancellation rate has also come down a lot as compared to 2020 when COVID-19 first hit and caused great uncertainty. The homebuyers who were unsure about their job security already cancelled their bookings in 2020.

Do you believe that we will see pent-up demand from international homebuyers once the market reopens?

There will be just a small uptick in demand but we do not expect a big surge in foreign buying. The majority of buyers in Thailand are Chinese. Once they leave any market, it will take them some time to return.

Please provide an update on asset divestment to REIT?

We cannot disclose anything further at this moment, but the company is still waiting for the right time to divest.

Can you comment on the potential impact of the EIA wind/sunlight rules if implemented?

The company expects just a minimal impact, and this is not something new to the company. Alhough it's not a mandatory or a written requirement at the moment but the company had to conduct a study on this topic over the past four years. At the moment, EIA expects every project to take wind and sunlight into consideration, and will not approve the projects that fail to do so. Nonetheless, the EIA wants to make it a mandatory requirement.

What are the company's initiatives to help homeowners at Supalai projects as a result of the King Kaew explosion (in terms of customer feedback, related expenses, etc.)?

Some of SPALI's houses were partially damaged while some were extensively damaged. The company's workers and staffs are doing their best to help customers in terms of sealing their houses, fixing their roofs, etc. The company will continue to help clients until they can return to their home. In term of expenses, companies will help with expense for those houses that cannot be recovered from insurance and hope that investors would understand the situation.

Can you comment on rising raw material prices especially that for steel? How much will this impact the company's cost?

There will be some impact on condominiums, but the extent of the impact on margins will differ for each project. We see limited impact on the condominium projects that had already been launched, and also for the projects that will be transferred in 2021-2022 as the steel costs for the infrastructure have been factored in. However, this may impact the margins for new transfers in the next 3-4 years.

In the short-term period for landed properties, the impact from rising steel costs will not be that much as the houses are mostly completed or at least the structural parts have been built. However, for projects that are being built under new steel costs will see an impact. We will have to wait and see how much of the cost increase can be passed through to customers. But with the current strong demand, especially in Bangkok, the management expects to be able to pass through the cost increase to customers.

What are the potential additional stimulus packages for homebuyers? Do you think the BOT should further relax its LTV policy to benefit the market?

The management has not heard anything on this matter. The Thai Real Estate Association has been working hard to push for this but there has been minimal response from the government for the past two months.

Can you comment on the potential stimulus package for foreign homebuyers, whether this is likely to happen and how impactful it would be?

There is a possibility, but in general, this will not help the market in a big way. The only way to provide a boost is to offer incentives to buy a home in Thailand, for instance, a savings or business benefit. But if the government relaxes the rules by allowing foreigners to buy landed property, the demand will shift from luxury condominiums to landed property instead. At the same time, less than 2% of condominiums in Thailand have reached the 49% foreign ownership limit.

How concerned is the company about a 14-day lockdown or a possible extension and the impact on walk-in rates?

This will impact the walk-in rate slightly. But people seem to have gotten used to living with COVID-19, while a lockdown might lead to a higher walk-in rate during weekdays if customers are not concerned. Even though the walk-in rate dropped in May, it rose again in June, which was probably the second-best month so far YTD even though the COVID-19 situation is worsening. Nonetheless, the company has to monitor the new wave of COVID-19 and its impact on customers' businesses and job security.

With the GDP forecasts being continuously revised down due to COVID-19 cases, how concerned is the company about customers' purchasing power?

Although customers who are impacted by COVID-19 have not been in the market for over one-and-a-half years already, there will surely be a continued impact on their purchasing power. The company has to monitor the COVID-19 situation and vaccination rate closely.

What are the company's pre- and post-COVID marketing strategies?

The company's product offerings have changed. The company has to study what customers are looking for in condominiums and houses, in terms of functionality, materials or even common areas. But regarding marketing alone, online marketing will be the key sales channel going forward.

How much has the company spent on land and is this for low-rise or high-rise projects?

The company has spent Bt3bn so far, mainly for low-rise but some for high-rise. Land prices have not really come down. The company will only execute if it sees good and reasonable deals.

What are your thoughts on tokenisation?

It is interesting and the company will follow this closely.

Can you comment on the foreign homebuyers' situation?

Foreign homebuyers cannot come to Thailand under the current COVID-19 situation and they are trying to delay their transfers. Although the company can accept their deposits but we still prefer homebuyers to transfer the units. The company has to negotiate with them and accommodate them, where possible, to get the transfers done. Meanwhile, the land authority is allowing the company to use WeChat conversations as a proof of transfer. The company is seeing only a small cancellation rate from foreign homebuyers.

Please provide updates on Supalai Icon Sathorn and Supalai Oriental Sukhumvit 39. What are the plans to boost sales?

As Supalai Icon Sathorn is in the upper-end market, it is progressing very slowly. Meanwhile, the company has yet to start selling this project to foreign homebuyers. We will delay this for now but still have plans for the future, which should help boost sales for this project.

Elsewhere, Supalai Oriental Sukhumvit 39 project is progressing as planned with sales ranging from Bt50-100m per month. The company does not have a long-term concern for this project.

Can you update us on the Supalai Veranda Phasi Charoen Station and the issue faced by the neighbouring project?

To recap, this new project sits next to Supalai Veranda Phasi Charoen Station and may block the view of some parts of Supalai Veranda Phasi Charoen. The new project has already started the EIA process. There are no issues faced by the company in launching the new projects and EIA is expected to grant approval.

Nonetheless, the company is offering its customers at Supalai Veranda Phasi Charoen Station the option to change their units whose views are blocked to other available units at launch price or ask for the refund (not many have asked for this though). The company does not expect a big impact from this issue, and transfers should still take place as planned.

Can you share the take-up rate target for new condominium launches in 2021?

The company aims for a conservative take-up rate of 40-50% due to the new wave of COVID even though the management believes that some of the projects are in interesting locations.

What is your outlook for the market in 2022?

The condominium market will return slowly. Note that many smaller developers and land owners have dropped their plans to launch as can be seen through the all-time low applications to EIA. Big players can somewhat benefit from this situation.

For landed property, there's not much to recover as they did not lose much at all. Meanwhile, condominiums might recover at a steeper degree comparing to low-rise.

For new launches, the company will focus on the Bt4-6m bracket. Nonetheless, the company has projects in all segments to offer. For landed property, the company will start building Bt20m homes in good locations.

WHA Premium Growth Freehold And Leasehold Real Estate Investment Trust (WHART TB, BUY, TP Bt13.90)

No. of participants: 60

Key speaker:

- Khun Anuwat Jarukornsakul, Chief Executive Officer

Business description: WHART is the second largest industrial REIT in Thailand after FTREIT. It has invested in 32 logistics warehouses in Thailand with a total net leasable area of 1.4m sqm, 63% of which are freehold assets and 37% leasehold.

Key points from management's presentation:

- A portfolio of quality logistics warehouses in strategic locations in Thailand: WHART now has logistics warehouses with total space of 1.4m sqm in four strategic locations in Thailand.
- High occupancy rate of 88%: Occupancy rate has eased a bit during the past few quarters, but remains elevated at 87-88% currently. Management expects this to remain close to 90% by end-2021 and at least 90% going forward.
- Expect slight DPU accretion on upcoming acquisitions: The three new assets worth Bt5.5bn will help boost its NLA by 13% by end-2021. WHART expects its 2022F DPU to increase from Bt0.79 to Bt0.80 post acquisition.
- Rising contribution from e-commerce sector, with Thailand's top three e-commerce players among its portfolio: Following the acquisition of new assets in 4Q21, WHART will see contribution from the e-commerce sector jump from 6% of NLA currently to 17% by end-21. It now has Thailand's top three e-commerce players, i.e. Alibaba (Lazada), Shopee Express, and JD Central, under its stable.
- Impressive 36% CAGR in NLA since inception in 2014 and will keep on expanding: WHART has grown its assets by a whopping 36% CAGR since its IPO in 2014. Looking forward, WHART still plans to grow its assets by at least 100,000 sqm p.a. via ongoing acquisition of assets from WHA.

Q&A

What is the cap rate for new investments? What is the rental reversion rate so far?

An estimated IRR of 7-8%. We could achieve about 1-2% p.a. For contracts that are longer than three years, there is a rental escalation clause of 7-10% every three years built into the contracts.

You expect occupancy to recover to 90% by end 2021. Which players will be moving in?

Fast moving consumer goods (FMCG) and e-commerce players.

What are your key criteria for investment?

We look at: (i) the quality of assets, (ii) location, (iii), contract terms, (iv) tenants, and (v) results of due diligence.

What is the impact from COVID-19?

The impact is very limited. Rental renewal has come down to 70% this year from 80-90% but WHART sees additional demand from the FMCG and e-commerce sectors. Thus, it expects the occupancy rate to recover back to 90% by end-2021.

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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