

# Singapore Industry Focus

## Singapore REITs

Refer to important disclosures at the end of this report

DBS Group Research . Equity

14 Feb 2022

### Interest rate risk mispriced

- Turning constructive on S-REITs as correction throws up value
- Impact of interest rates (critical factor) is more muted than what markets are pricing in and expect
- A 100-basis point hike will only cut distributions by 3.5%, or lead to a 20bps reduction in yield, keeping yield spreads still above 4.0%
- Maintain preference for re-opening plays but industrial REITs throw up good value at current levels

**Turn constructive on S-REITs.** S-REITs and interest rates are closely intertwined. Priced off 10-year yields, the recent share price weakness in S-REITs has widened the sector's yield spread to c.4.2%, which is close to -1 standard deviation (SD) of its 10-year mean. With markets penciling in five hikes by the Fed through 2022, according to *Bloomberg's* consensus, we believe that the Fed's hawkish stance is substantially priced in at current levels. We turn constructive on the S-REITs' current levels and advocate for investors to start to accumulate on the back of strengthening fundamental datapoints noted in recent results and meetings.

**Analysing interest rates as a critical factor: Are investors over-estimating the impact of fed hikes on S-REITs?** While refinancing rates are likely to be higher going forward, we believe that the impact is manageable and not as large as investors fear. We see ample defences put up by S-REITs and are confident that the impact of interest rate hikes will be more muted than expected. With a diversified weighted average debt expiry profile ("WADE") of 3.1 years and renewing only c.30% of its debt in FY22-23F, there are minimal concentration risks, in our view. In fact, a hike of 100 basis points ("bps") in interest costs will take more than three years for the REIT to feel the full impact on distributions. S-REITs have also hedged in 70% of their interest costs in fixed rates, further minimising the impact of higher rates on distributions. We estimate that a 50bps and 100bps hike will cut FY22F distributions by only 1.8% and 3.5%, respectively, which implies a maximum cut of 20bps in the headline yields of c.6.0%.

**Increasing confidence on robust growth returning.** With stronger economic growth accompanying higher interest rates, we continue to prefer S-REITs with stronger DPU growth profiles. We see strong domestic retail sales driving a c.5-6% rise in DPUs for retail and selected commercial S-REITs (we prefer **FCT, LREIT, SUN, CICT, CLCT**). We like plays like **ART** for its larger domestic exposure and its pivot to the student accommodation sector. Industrial S-REITs have thrown up good value in large caps but we maintain our preference for **FLCT** and **MINT** for its acquisition visibility.

**Key risk.** A 50bps hike in March and unforeseen slowdown in economic activity.

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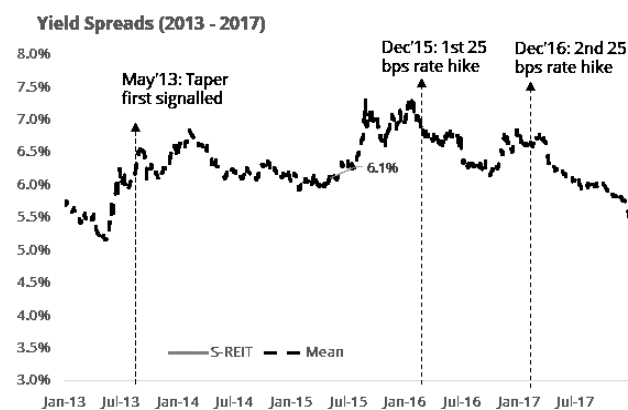
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#### STOCKS

|  | Price<br>S\$ | Mkt Cap<br>US\$m | 12-mth              |                                 | Rating |
|--|--------------|------------------|---------------------|---------------------------------|--------|
|  |              |                  | Target Price<br>S\$ | Performance (%)<br>3 mth 12 mth |        |
| <a href="#">CapitaLand Integrated Commercial Trust</a>   | 2.08         | 9,999            | 2.45                | (4.2) (2.8)                     | BUY    |
| <a href="#">Suntec REIT</a>                              | 1.59         | 3,367            | 1.90                | 3.3 6.7                         | BUY    |
| <a href="#">Frasers Centrepoint Trust</a>                | 2.29         | 2,891            | 2.90                | (3.0) (9.5)                     | BUY    |
| <a href="#">LendLease Global Commercial REIT</a>         | 0.86         | 756              | 1.06                | (5.0) 8.2                       | BUY    |
| <a href="#">CapitaLand China Trust</a>                   | 1.19         | 1,466            | 1.60                | (0.8) (16.2)                    | BUY    |
| <a href="#">Ascott Residence Trust</a>                   | 1.03         | 2,505            | 1.30                | (4.6) 3.0                       | BUY    |
| <a href="#">Frasers Logistics &amp; Commercial Trust</a> | 1.41         | 3,848            | 1.85                | (6.6) 0.0                       | BUY    |
| <a href="#">Mapletree Industrial Trust</a>               | 2.54         | 5,016            | 3.35                | (5.2) (9.3)                     | BUY    |

Source: DBS Bank, Bloomberg Finance L.P.  
Closing price as of 11 Feb 2022

#### Yield spreads compresses after rate hikes



Source: DBS Bank



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## Is the market overly worried about the interest rate impact on REITs?

**Fed's rate hikes lift off in March 22.** Rate hike expectations have moved ahead at a fast and furious pace since our last update in Dec 21, with the market now pricing in at least five rate hikes through 2022, according to *Bloomberg's* consensus forecasts. DBS Bank's economists are forecasting three rate hikes in 2022 with another three rate hikes in 2023. There is an upside bias to the rate hike forecasts if inflation rates remain stickier than anticipated. Rates are expected to lift off come March 22; with rate hikes on the horizon, we are incrementally more constructive on the sector, as we believe that the overhang that we have seen for the S-REITs will gradually lift over time.

**Shorter end rates to rise faster.** The rate normalisation in 2022 will result in the flattening of the yield curve, with the shorter dated yields (2Y) increasing by c.40 basis points

("bps") and c.25bps for US and SG, respectively, till the end of 2022.

The 10-year yields for the US and SG are expected to rise in tandem but at a slower pace, to land around c.2.1% (end-2023) and c.1.95% (end-2023), respectively, marginally higher than the current levels.

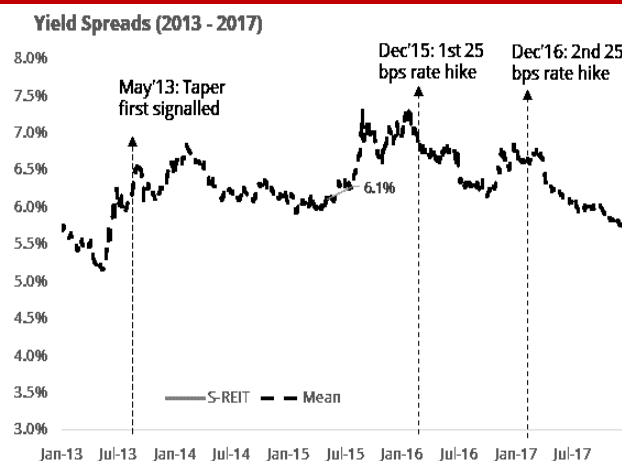
**REITs bottoming out as we approach hikes in rates.** Priced off 10-year yields, we do not see a significant compression in the yield spread, given our estimated growth of 8.0% over the coming two years, bringing FY22F yields to c.6.0%. Even if 10-year yields rise to c.1.95% going forward, yield spreads remain at an attractive c.4.0%. This would be similar to levels during the peak of the rate hike cycle back in 2013-2015.

### S-REITs have been seen to bottom out when rates lift off



Source: DBS Bank, Bloomberg Finance LLP

### Yield spreads in 2013-17 widened and peaked before start of rate hike



Source: DBS Bank, Bloomberg Finance LLP

### DBS interest rate forecasts (as of Feb 22)

| Interest rate forecasts | US Rates      |        |         |              | SG Rates        |        |         |              |
|-------------------------|---------------|--------|---------|--------------|-----------------|--------|---------|--------------|
|                         | Fed Funds (%) | 2Y (%) | 10Y (%) | 10Y-2Y (bps) | 3m SORA OIS (%) | 2Y (%) | 10Y (%) | 10Y-2Y (bps) |
| 8 Feb 2022              | 0.25          | 1.31   | 1.92    | 61           | 0.30            | 1.05   | 1.82    | 77           |
| End-Mar 22 (1Q22)       | 0.50          | 0.90   | 1.80    | 90           | 0.67            | 1.00   | 1.75    | 75           |
| End-Jun 22 (2Q22)       | 0.75          | 1.00   | 1.90    | 90           | 0.89            | 1.05   | 1.80    | 75           |
| End-Sept 22 (3Q22)      | 1.00          | 1.15   | 2.00    | 85           | 1.09            | 1.15   | 1.85    | 70           |
| End-Dec 22 (4Q22)       | 1.00          | 1.30   | 2.10    | 80           | 1.13            | 1.25   | 1.95    | 70           |

Source: MAS, DBS Bank

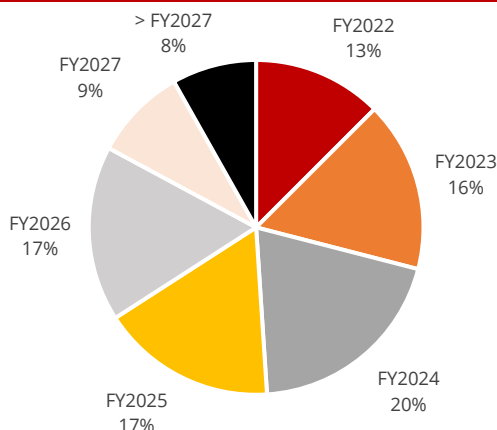
**Analysing critical factor: Impact of interest rates on prices**

**Well positioned against interest rate hikes.** The shorter end interest rates are expected to rise in the coming years, and this will have an impact on S-REITs’ refinancing activities when loans are due in the coming years. According to our economists, we are projecting the shorter end rates (3m SORA) to rise by close to 1% over the next two years, which means that refinancing costs are likely to be on an uptrend.

That said, the impact on distributions is likely to be mitigated by the fact that (i) S-REITs have staggered maturities over the coming few years, with c.12% and 18% of overall debt expiring in FY22 and 23F; and (ii) fixed rate debt is high, at c.70% of overall interest costs. If we assume a 1% rise in interest cost, we estimate that the impact on distributions is marginal, at <2% (assuming no hedges).

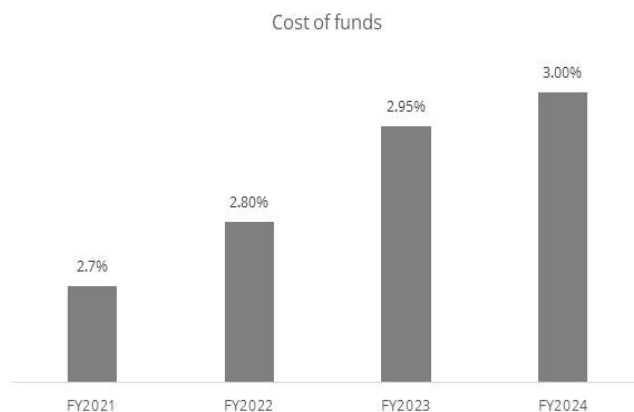
**Ample gearing capacity.** Average sector gearing is at 37.7%. While this is an increase compared to a year ago, it is projected to remain fairly stable going forward. Across the various subsectors, we found that the retail-focused S-REITs have the lowest gearing levels, at c.34.6%, while office and industrials are higher, at c.37%-39%, which, we believe, is mainly due to their more diversified portfolios. The gearing of hospitality S-REITs is higher, at >40%, mainly due to higher write-offs in NAVs throughout the COVID-19 pandemic, but it is likely to head lower once valuations recover towards pre-COVID-levels.

**Debt expiry profile (as of 4Q21)**

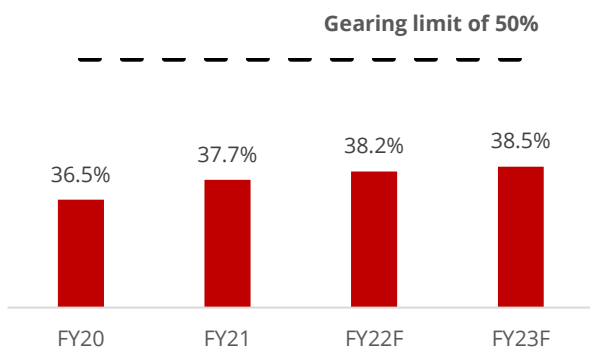


Source: Companies, DBS Bank

**Cost of funds projected to head higher**

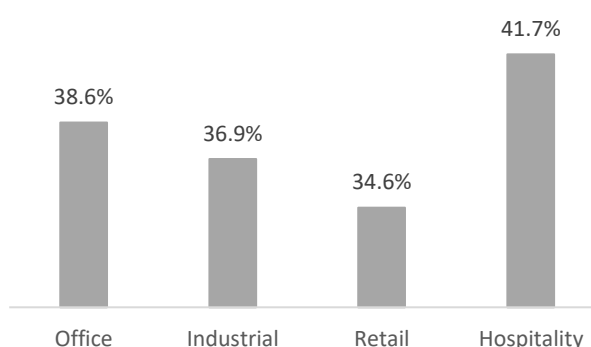


**Gearing levels inch higher but still below limit**



Source: Companies, DBS Bank

**Gearing levels by sectors**



### Refinancing profile – well spread out expiry profile

**Weighted average debt expiry (“WADE”) of 3.1 years.** The S-REITs proactively manage their debt expiry profile and typically engage financial institutions ahead of expiry to refinance their debt. Sometimes, refinancing will be paired alongside any equity fundraising exercises when the REIT executes on any potential new acquisitions. Sources of funding are well diversified with the S-REITs tapping a variety of financial institutions, even through debt capital markets through the medium-term notes (“MTN”) programme to diversify their earnings base.

Based on our analysis, most of the S-REITs will renew about c.30% (ranging from 0% to 100%) of their debt over the coming two years. We believe that, given the current market conditions, refinancing is not likely to be a major concern for most, with a spread out WADE profile implying lower concentration risks. That said, renewal rates are expected to be on the rise.

At the higher end of the spectrum are Sasseur REIT and ECW World, which will be renewing 100% of its debt within the coming two years, which will be closely watched, given the current tight liquidity situation in China.

### Summary of S-REITs’ debt expiry profile

| REIT  | Sector                | Debt (S\$'bn) | WADE (yrs) | FY2022 | FY2023 | FY2024 | >FY2024 |
|---|-----------------------|---------------|------------|--------|--------|--------|---------|
| CICT  | Office                | 8.6           | 3.9        | 13%    | 17%    | 17%    | 53%     |
| KREIT                                       | Office                | 3.5           | 3.1        | 5%     | 18%    | 30%    | 47%     |
| OUE CT                                      | Office                | 2.3           | 2.7        | 7%     | 24%    | 22%    | 47%     |
| Suntec REIT                                 | Office                | 4.9           | 2.3        | 10%    | 21%    | 18%    | 51%     |
| FCT   | Retail                | 1.9           | 2.3        | 11%    | 21%    | 28%    | 40%     |
| LREIT                                       | Retail                | 0.7           | 2.3        | 0%     | 15%    | 66%    | 19%     |
| SPH REIT                                    | Retail                | 1.3           | 2.7        | 12%    | 25%    | 9%     | 54%     |
| SGREIT                                      | Retail                | 1.1           | 3.7        | 22%    | 6%     | 23%    | 49%     |
| CLCT  | Commercial (overseas) | 2.0           | 3.4        | 11%    | 20%    | 20%    | 49%     |
| Sasseur REIT                                | Commercial (overseas) | 0.5           | 1.5        | 0%     | 100%   | 0%     | 0%      |
| Plife REIT                                  | Healthcare            | 0.8           | 3.9        | 0%     | 7%     | 22%    | 71%     |
| KORE  | Office (USA)          | 0.6           | 2.8        | 22%    | 14%    | 22%    | 42%     |
| MUST  | Office (USA)          | 0.9           | 2.9        | 0%     | 21%    | 12%    | 67%     |
| Prime                                       | Office (USA)          | 0.6           | 4.1        | 4%     | 31%    | 49%    | 16%     |
| Cromwell REIT                               | Commercial (Europe)   | 0.9           | 3.5        | 19%    | 0%     | 18%    | 63%     |
| Elite REIT                                  | Commercial (Europe)   | 0.2           | 2.3        | 3%     | 42%    | 55%    | 0%      |
| IREIT Global                                | Commercial (Europe)   | 0.3           | 4.8        | 0%     | 0%     | 0%     | 100%    |
| Denotes >35% of debt in total to be renewed |                       |               |            |        |        |        |         |

Source: Companies, DBS Bank

**Summary of S-REITs' debt expiry profile (continued)**

| REIT                      | Sector      | Debt (S\$'bn) | WADE (yrs) | FY2022     | FY2023     | FY2024     | >FY2024    |
|---------------------------|-------------|---------------|------------|------------|------------|------------|------------|
| Ascott REIT               | Hospitality | 2.6           | 2.7        | 29%        | 26%        | 19%        | 26%        |
| CDL HT                    | Hospitality | 1.1           | 2.1        | 38%        | 11%        | 30%        | 21%        |
| Far East HT               | Hospitality | 1.0           | 2.2        | 21%        | 16%        | 22%        | 41%        |
| Frasers HT                | Hospitality | 1.0           | 2.3        | 15%        | 24%        | 23%        | 38%        |
| ARA US HT                 | Hospitality | 0.3           | 2.2        | 0%         | 27%        | 73%        | 0%         |
| AIMS APAC REIT            | Industrial  | 0.8           | 3.2        | 6%         | 4%         | 17%        | 73%        |
| ALLT                      | Industrial  | 0.7           | 2.9        | 0%         | 15%        | 32%        | 53%        |
| AIT                       | Industrial  | 1.1           | 2.4        | 42%        | 19%        | 15%        | 24%        |
| A-REITthi                 | Industrial  | 6.3           | 3.5        | 10%        | 14%        | 14%        | 62%        |
| EC REIT                   | Industrial  | 0.8           | 0.9        | 100%       | 0%         | 0%         | 0%         |
| FLCT                      | Industrial  | 2.5           | 3.4        | 9%         | 8%         | 24%        | 59%        |
| KDC REIT                  | Industrial  | 1.3           | 3.9        | 12%        | 14%        | 5%         | 69%        |
| MINT                      | Industrial  | 3.0           | 3.5        | 9%         | 13%        | 10%        | 68%        |
| Mapletree Logistics Trust | Industrial  | 4.1           | 3.5        | 7%         | 13%        | 15%        | 65%        |
| Sabana REIT               | Industrial  | 0.3           | 2.9        | 0%         | 0%         | 71%        | 29%        |
| Daiwa Hse LT              | Industrial  | 0.4           | 3.5        | 16%        | 0%         | 28%        | 56%        |
| Digital Core REIT         | Industrial  | 0.3           | 5.0        | 0%         | 0%         | 0%         | 100%       |
| <b>Average</b>            |             |               |            | <b>13%</b> | <b>16%</b> | <b>20%</b> | <b>51%</b> |

Source: Companies, DBS Bank

### A shield against higher interest cost

With refinancing costs expected to rise going forward, any higher than projected increase will likely eat into distributions. However, the actual impact to distributions is limited in our view, given (i) high fixed cost of debt and (ii) a spread out refinancing profile, as we have seen how a spread out refinancing profile will delay the impact of higher interest costs on distributions. With strong growth in revenues as operational conditions improve, we believe this would compensate for any potential downside risk to distributions from higher refinancing costs.

In our analysis, if we have conservatively not accounted for fixed debt, which will further shield the actual impact of higher refinancing rates, assuming that S-REITs renew its

FY22 and FY23F debt upwards by 50bps and 100bps, we found that the overall cost of debt will increase by 20bps and 40bps, respectively, resulting in a cut in distributions by 1.8% to 3.5%, on FY23F forecasts. This implies a risk of 10bps to 20bps to FY23F prospective yields of 6.2%, which we see to be marginal.

Amongst S-REITs, we found that the likes of OUECT, Suntec REIT, Sasseur REIT, AIT, and Ascott REIT are more vulnerable to higher interest costs than their peers. This is due to their larger percentages of refinancing due in the coming two years. Apart from these, the impact on other REITs is more muted.

### Sensitivity of a 50bps to 100bps hike on estimates

| REIT   | Debt (\$'bn) | % debt expiring (FY22-23F) | % debt in fixed rates | Current debt cost (%) | +50bps increase*            |                      | +100bps increase*           |                      |
|--|--------------|----------------------------|-----------------------|-----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|  |              |                            |                       |                       | Effective new debt cost (%) | Cut to FY23F DPU (%) | Effective new debt cost (%) | Cut to FY23F DPU (%) |
| CICT   | 8.6          | 30.0%                      | 83%                   | 2.3%                  | 2.5%                        | -1.6%                | 2.6%                        | -3.2%                |
| KREIT  | 3.5          | 23.6%                      | 63%                   | 2.0%                  | 2.1%                        | -1.7%                | 2.2%                        | -3.4%                |
| OUE CT   | 2.3          | 31.7%                      | 81%                   | 3.2%                  | 3.4%                        | -2.4%                | 3.5%                        | -4.8%                |
| Suntec REIT  | 4.9          | 30.7%                      | -                     | 2.4%                  | 2.5%                        | -2.7%                | 2.7%                        | -5.4%                |
| FCT  | 1.9          | 31.8%                      | 54%                   | 2.2%                  | 2.4%                        | -1.3%                | 2.5%                        | -2.6%                |
| LREIT  | 0.7          | 14.7%                      | 70%                   | 0.9%                  | 1.0%                        | -0.7%                | 1.0%                        | -1.5%                |
| SPH REIT   | 1.3          | 37.3%                      | 76%                   | 1.7%                  | 1.9%                        | -1.6%                | 2.1%                        | -3.2%                |
| SGREIT   | 1.1          | 27.3%                      | 96%                   | 2.2%                  | 2.4%                        | -1.6%                | 2.5%                        | -3.1%                |
| CLCT   | 2.0          | 30.3%                      | 77%                   | 2.6%                  | 2.8%                        | -2.1%                | 2.9%                        | -4.1%                |
| Sasseur REIT   | 0.5          | 100.0%                     | 0%                    | 4.4%                  | 4.9%                        | -2.9%                | 5.4%                        | -5.9%                |
| Plife REIT   | 0.8          | 7.2%                       | 100%                  | 0.5%                  | 0.6%                        | -0.3%                | 0.6%                        | -0.7%                |
| KORE   | 0.6          | 36.1%                      | 83%                   | 2.8%                  | 3.0%                        | -1.5%                | 3.2%                        | -2.9%                |
| MUST   | 0.9          | 21.2%                      | 98%                   | 3.0%                  | 3.1%                        | -0.9%                | 3.2%                        | -1.8%                |
| Prime  | 0.6          | 35.2%                      | 85%                   | 3.2%                  | 3.4%                        | -1.3%                | 3.6%                        | -2.7%                |
| Cromwell REIT  | 0.9          | 19.4%                      | 100%                  | 1.7%                  | 1.8%                        | -0.9%                | 1.9%                        | -1.8%                |
| Elite REIT   | 0.2          | 44.6%                      | 63%                   | 1.9%                  | 2.1%                        | -1.8%                | 2.3%                        | -3.6%                |
| IREIT Global   | 0.3          |                            | n.a.                  | 0.0%                  | 1.8%                        | -                    | 0.0%                        | -                    |
| Denotes c.2.0% impact (50bps) and > 3.5% impact (100bps) |              |                            |                       |                       |                             |                      |                             |                      |

\*We have not applied the % fixed debt ratio in our analysis but assume that expiring debt is renewed 50bps and 100 bps higher  
Source: Companies, DBS Bank

**Sensitivity of a 50bps to 100bps hike on estimates**

| REIT                      | Debt (\$'bn) | % debt expiring (FY22-23F) | % debt in fixed rates | Current debt cost (%) | +50 bps increase            |                      | + 100 bps increase          |                      |
|---------------------------|--------------|----------------------------|-----------------------|-----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                           |              |                            |                       |                       | Effective new debt cost (%) | Cut to FY23F DPU (%) | Effective new debt cost (%) | Cut to FY23F DPU (%) |
| Ascott REIT               | 2.6          | 55.5%                      | 74%                   | 1.6%                  | 1.9%                        | -3.3%                | 2.0%                        | -5.0%                |
| CDL HT                    | 1.1          | 49.1%                      | 61%                   | 2.0%                  | 2.2%                        | -2.9%                | 2.4%                        | -4.3%                |
| Far East HT               | 1.0          | 36.8%                      | 55%                   | 2.0%                  | 2.2%                        | -2.3%                | 2.3%                        | -3.5%                |
| Frasers HT                | 1.0          | 39.5%                      | 77%                   | 2.1%                  | 2.3%                        | -2.4%                | 2.4%                        | -3.7%                |
| ARA US HT                 | 0.3          | 27.4%                      | 77%                   | 3.4%                  | 3.5%                        | -1.3%                | 3.7%                        | -2.6%                |
| AIMS APAC REIT            | 0.8          | 9.7%                       | 57%                   | 2.8%                  | 2.8%                        | -0.5%                | 2.9%                        | -1.1%                |
| ALLT                      | 0.7          | 14.9%                      | 67%                   | 2.8%                  | 2.8%                        | -0.7%                | 2.9%                        | -1.4%                |
| AIT                       | 1.1          | 61.2%                      | 75%                   | 5.5%                  | 5.5%                        | -2.5%                | 5.8%                        | -5.0%                |
| A-REITthi                 | 6.3          | 23.7%                      | 78%                   | 2.5%                  | 2.5%                        | -1.1%                | 2.6%                        | -2.1%                |
| EC REIT                   | 0.8          | 100.0%                     | n.a.%                 | 4.0%                  | 4.5%                        | -6.6%                | 5.0%                        | -13.1%               |
| FLCT                      | 2.5          | 17.1%                      | 73%                   | 1.7%                  | 1.7%                        | -0.7%                | 1.8%                        | -1.4%                |
| KDC REIT                  | 1.3          | 25.9%                      | 74%                   | 1.7%                  | 1.7%                        | -0.8%                | 1.9%                        | -1.6%                |
| MINT                      | 3.0          | 26.3%                      | 80%                   | 2.4%                  | 2.4%                        | -0.9%                | 2.6%                        | -1.7%                |
| Mapletree Logistics Trust | 4.1          | 20.0%                      | 79%                   | 2.3%                  | 2.3%                        | -1.1%                | 2.4%                        | -2.1%                |
| Sabana REIT               | 0.3          | 0.0%                       | 67%                   | 3.1%                  | 3.1%                        | 0.0%                 | 3.1%                        | 0.0%                 |
| Daiwa Hse LT              | 0.4          | 15.7%                      | 50%                   | 1.2%                  | 1.2%                        | -0.9%                | 1.3%                        | -1.9%                |
| Digital Core REIT         | 0.3          | 0.0%                       | 0%                    | 1.0%                  | 1.0%                        | 0.0%                 | 1.0%                        | 0.0%                 |

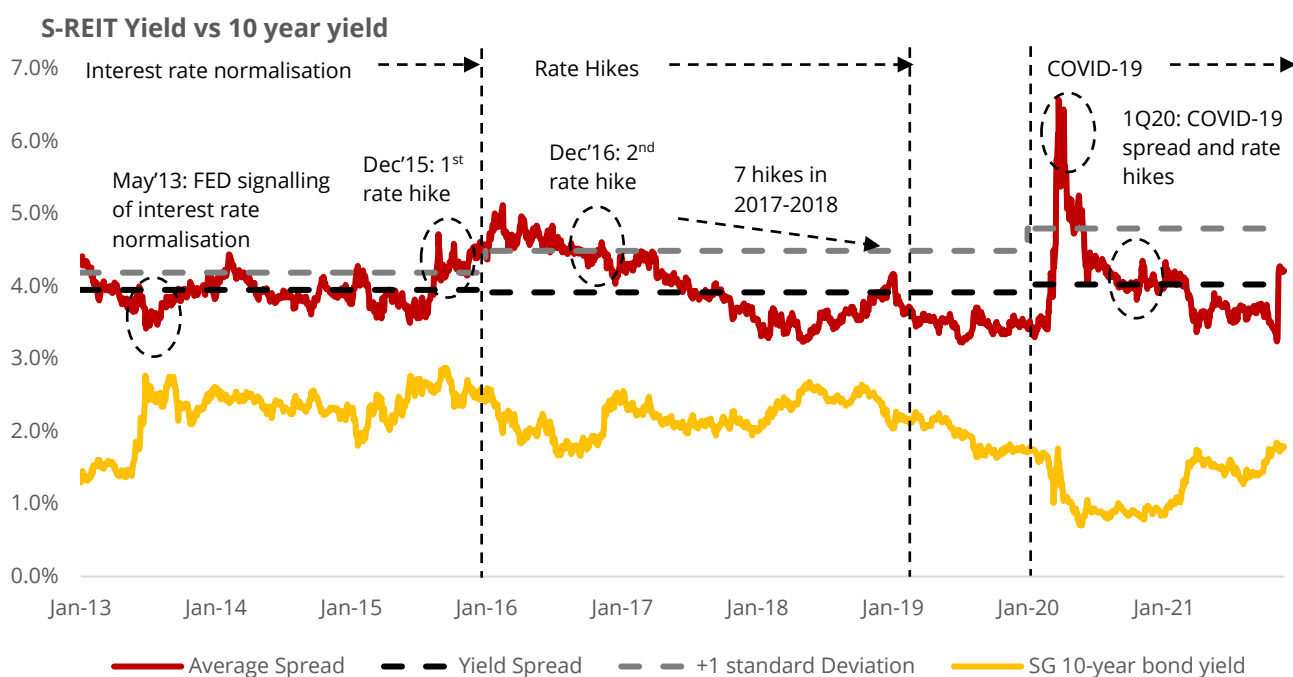
\*We have not applied the % fixed debt ratio in our analysis but assume that expiring debt are renewed 50bps and 100 bps higher  
Source: Companies, DBS Bank

### Wider yield spreads in 2022 are attractive

Yield spreads have ample buffers against rate hikes. A look back at the 2013-2017 period showed that the S-REITs' yield spreads against the SG 10-year bond yields averaged c.4.0% prior to the actual rate hikes, but peaked when the Fed first hiked the rates in Dec 15; although yield spreads expanded to more than +1SD levels due to the volatility in prices. Thereafter, yield spreads generally trended lower, as confidence in economic growth picked up.

Looking to 2022, the projected strong rebound in DPU growth is expected to drive headline yields towards c.6.0%, widening yield spreads to c.4.2% when compared to the current spot SG 10-year yields of c.1.8%. Even if we are to assume that the spot 10-year yields rise to c.2.0% in 2022, spreads remain at an attractive c.4.0%, which is in line with the 10-year historical average.

### Historical yield spread



Source: Bloomberg Finance LLP, DBS Bank



## Peer Comparison table (dated 10/2/2022)

|                        | CUR  | Price | Rec  | Target Price | Mkt Cap | Total Return | Yield<br>(FY20/21) | Yield<br>(FY21/22) | Yield<br>(FY22/23) | P/NAV       |
|------------------------|------|-------|------|--------------|---------|--------------|--------------------|--------------------|--------------------|-------------|
| <b>Office</b>          |      |       |      |              |         |              |                    |                    |                    |             |
| CICT                   | S\$  | 2.08  | BUY  | 2.50         | 13,746  | 26%          | 4.9%               | 5.5%               | 5.8%               | 1.02        |
| KREIT                  | S\$  | 1.15  | BUY  | 1.45         | 4,250   | 31%          | 5.0%               | 5.2%               | 5.5%               | 0.85        |
| Suntec                 | S\$  | 1.59  | BUY  | 1.85         | 4,560   | 22%          | 4.8%               | 5.8%               | 6.1%               | 0.75        |
| OUECT                  | S\$  | 0.43  | BUY  | 0.50         | 2,334   | 22%          | 5.7%               | 6.2%               | 6.2%               | 0.69        |
|                        |      |       |      |              |         |              | <b>5.0%</b>        | <b>5.5%</b>        | <b>5.8%</b>        | <b>0.94</b> |
| <b>Retail</b>          |      |       |      |              |         |              |                    |                    |                    |             |
| FCT                    | S\$  | 2.29  | BUY  | 2.90         | 3,891   | 27%          | 5.3%               | 5.6%               | 5.9%               | 1.03        |
| LREIT                  | S\$  | 0.85  | BUY  | 1.10         | 1,004   | 29%          | 5.5%               | 6.3%               | 6.5%               | 1.01        |
| SPH REIT               | S\$  | 0.97  | HOLD | 0.92         | 2,702   | -5%          | 5.2%               | 5.4%               | 5.5%               | 1.05        |
| SGREIT                 | S\$  | 0.61  | BUY  | 0.70         | 1,340   | 16%          | 6.5%               | 6.5%               | 6.6%               | 0.69        |
|                        |      |       |      |              |         |              | <b>5.5%</b>        | <b>5.7%</b>        | <b>5.9%</b>        | <b>0.98</b> |
| <b>Retail Overseas</b> |      |       |      |              |         |              |                    |                    |                    |             |
| CRCT                   | S\$  | 1.20  | BUY  | 1.60         | 1,572   | 41%          | 7.2%               | 7.9%               | 8.0%               | 0.87        |
| SASSEUR                | S\$  | 0.84  | BUY  | 1.10         | 719     | 40%          | 7.7%               | 8.4%               | 9.0%               | 1.07        |
|                        |      |       |      |              |         |              | 6.7%               | 7.2%               | 7.4%               | 0.87        |
| <b>Hotels</b>          |      |       |      |              |         |              |                    |                    |                    |             |
| ART                    | S\$  | 1.06  | BUY  | 1.30         | 3,268   | 28%          | 3.7%               | 5.4%               | 6.5%               | 0.85        |
| CDREIT                 | S\$  | 1.19  | BUY  | 1.40         | 1,443   | 23%          | 4.2%               | 5.0%               | 6.8%               | 0.78        |
| FEHT                   | S\$  | 0.57  | BUY  | 0.78         | 1,098   | 44%          | 4.9%               | 6.2%               | 7.1%               | 0.66        |
| FHT                    | S\$  | 0.46  | BUY  | 0.65         | 878     | 48%          | 3.3%               | 6.4%               | 9.1%               | 0.64        |
|                        |      |       |      |              |         |              | <b>3.9%</b>        | <b>5.6%</b>        | <b>7.0%</b>        | <b>0.77</b> |
| <b>Industrials</b>     |      |       |      |              |         |              |                    |                    |                    |             |
| a-itrust               | S\$  | 1.30  | BUY  | 1.85         | 1,486   | 50%          | 7.3%               | 7.9%               | 8.0%               | 1.19        |
| A-REIT                 | S\$  | 2.89  | BUY  | 3.65         | 10,441  | 32%          | 5.6%               | 5.8%               | 5.9%               | 1.34        |
| MINT                   | S\$  | 2.57  | BUY  | 3.25         | 5,194   | 32%          | 5.3%               | 5.6%               | 5.6%               | 1.44        |
| MLT                    | S\$  | 1.78  | BUY  | 2.20         | 6,448   | 28%          | 4.8%               | 4.8%               | 4.9%               | 1.35        |
| KDCREIT                | S\$  | 2.22  | BUY  | 3.00         | 3,624   | 40%          | 4.5%               | 4.9%               | 5.1%               | 1.95        |
| AIMS                   | S\$  | 1.40  | BUY  | 1.60         | 967     | 21%          | 6.2%               | 6.7%               | 7.0%               | 1.12        |
| FLT                    | S\$  | 1.43  | BUY  | 1.85         | 3,230   | 35%          | 5.4%               | 5.5%               | 5.6%               | 1.52        |
|                        |      |       |      |              |         |              | <b>5.4%</b>        | <b>5.6%</b>        | <b>5.7%</b>        | <b>1.41</b> |
| <b>Healthcare</b>      |      |       |      |              |         |              |                    |                    |                    |             |
| P-Life                 | S\$  | 4.62  | BUY  | 5.75         | 2,795   | 28%          | 3.0%               | 3.1%               | 2.9%               | 2.54        |
| <b>US Office</b>       |      |       |      |              |         |              |                    |                    |                    |             |
| KORE                   | US\$ | 0.74  | BUY  | 0.95         | 687     | 38%          | 8.5%               | 8.9%               | 9.3%               | 0.93        |
| MUST                   | US\$ | 0.65  | BUY  | 0.88         | 1,020   | 44%          | 8.2%               | 8.8%               | 9.3%               | 0.81        |
| Prime                  | US\$ | 0.83  | BUY  | 1.00         | 768     | 29%          | 8.2%               | 8.6%               | 8.7%               | 0.93        |
|                        |      |       |      |              |         |              | <b>8.3%</b>        | <b>8.7%</b>        | <b>9.1%</b>        | <b>0.88</b> |
| <b>S-REIT</b>          |      |       |      |              |         |              | <b>5.4%</b>        | <b>6.0%</b>        | <b>6.3%</b>        | <b>1.00</b> |

Source: Bloomberg Finance LLP, DBS Bank

**Legend:**

| <b>Office/Commercial</b>   |  | <b>Industrials</b> |                                      |
|----------------------------|--|--------------------|--------------------------------------|
| CICT                       | CapitaLand Integrated Commercial Trust | a-itrust           | Ascendas India Trust                 |
| KREIT                      | Keppel REIT                            | A-REIT             | Ascendas REIT                        |
| Suntec                     | Suntec REIT                            | MLT                | Mapletree Logistics Trust            |
| OUECT                      | OUE Commercial Trust                   | KDCREIT            | Keppel Datacenter REIT               |
|                            |  | AIMS               | AIMS APAC REIT                       |
|                            |  | FLCT               | Frasers Logistics & Commercial Trust |
| <b>Retail</b>              |  | CREIT              | Cromwell European REIT               |
| CLT                        | CapitaLand Investment Ltd              | DHLT               | Daiwa House Logistics Trust          |
| FCT                        | Frasers Centrepoint Trust              | DCR                | Digital Core REIT                    |
| LREIT                      | Lendlease Global Commercial Trust      |                    |                                      |
| SPH REIT                   | SPH REIT                               |                    |                                      |
| SGREIT                     | Starhill Global REIT                   |                    |                                      |
|                            |  |                    |                                      |
| <b>Commercial Overseas</b> |  | <b>Hotels</b>      |                                      |
| CRCT                       | CapitaLand Retail China Trust          | ART                | Ascott Residence Trust               |
| SASSEUR                    | Sasseur REIT                           | CDREIT             | CDL Hospitality Trust                |
| BHGREIT                    | BHG Retail REIT                        | FEHT               | Far East Hospitality Trust           |
|                            |  | FHT                | Frasers Hospitality Trust            |
|                            |  |                    |                                      |
| <b>Healthcare</b>          |  | <b>US Office</b>   |                                      |
| P-Life                     | Parkway Life REIT                      | KORE               | Keppel Pacific Oak US REIT           |
|                            |  | MUST               | Manulife US REIT                     |

Source: DBS Bank

DBS Bank recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

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**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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