Maybank

REITs

Singapore

# Singapore REITs

# Hiking On Growth

POSITIVE *[Unchanged]*

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## Upping office, staying with industrial

We stay constructive on S-REITs post-FY21, with evidence of broad-based DPU recovery, underpinned by resilient occupancies, and improving leasing momentum. We see the earnings outlook strengthening amid firmer macro fundamentals and re-opening efforts. With absence of rental waivers, rising rents from business normalisation, and contributions from acquisitions, we expect DPUs to accelerate by +12% YoY in FY22. The sector remains under-owned, in our view, as risks of higher interest rates have kept investors on the sidelines. We prefer office REITs and large-cap industrial names with new economy exposure. Our top picks are AREIT, CICT, MINT, and SUN, as they are expected to deliver higher total return potential with 5.5-6.0% dividend yield, and 4.5-5.5% DPU CAGR.

## Office landlords to gain from tight supply

The office sector saw a short-lived downcycle and is recovering on stronger-than-expected demand, led by tech occupier expansion, a 'flight-to-quality and an easing of work-from-home mandates. With supply constrained, pricing power has returned to office landlords. We forecast rents to rise 12% through 2023 and see a more active physical market and increasing inorganic growth opportunities for REITs, especially as cost of capital improves. We lift DPU estimates for KREIT and SUN by 2-3% and increase our TPs by 14-16% on stronger rental growth for Singapore office assets, and lower cost of equity assumptions. We raise SUN to BUY from HOLD based on its leverage to Singapore's reopening.

## Industrial rents bottoming out, entrenching further in new economy

We remain positive on structural growth for industrial REITs, given rising contributions from their overseas properties, and AUM growth underpinned by concentration in new economy segments. Valuations have pulled back as investors rotated towards recovery plays, with the large-cap names now yielding 5.0-6.0%. Having scaled up acquisitions, industrial REITs remain well-placed to capitalise on compressing cap rates and rising asset values. We expect to see acceleration of recycling plans supplementing inorganic growth initiatives. We see catalysts from accretive acquisitions, and strengthening rents, led by logistics, and business park space.

## Interest rate outlook key risk, with mitigation

S-REITs have underperformed and are now 7% below Nov 2021 peaks, but with short-term bond yields rising in anticipation of rate hikes, we see lower risk of further yield curve steepening ahead. With the sector yield spread of 3.7% 1 SD above their 5-year historical average, we think higher rates are largely priced in. The interest rate outlook remains a key risk, but we see DPUs cushioned by strong balance sheets, while our sensitivities suggest limited downside to estimates and TPs.

| Stock | Bloomberg code | Mkt cap (USD'm) | Rating | Price (LC) | TP (LC) | Upside (%) | Price/DPU (x) 22E | Price/DPU (x) 23E | P/B (x) 22E | P/B (x) 23E | Div yld (%) 22E | Div yld (%) 23E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ascendas REIT | AREIT SP | 6,092 | Buy | 2.83 | 3.65 | 35 | 17.2 | 16.6 | 1.1 | 1.1 | 5.8 | 6.0 |
| CapitaLand Int. ( | CICT SP | 5,534 | Buy | 2.12 | 2.55 | 20 | 18.2 | 17.8 | 1.0 | 1.0 | 5.5 | 5.6 |
| Mapletree Ind | MINT SP | 5,051 | Buy | 2.58 | 3.35 | 30 | 19.3 | 18.4 | 1.4 | 1.4 | 5.2 | 5.4 |
| Suntec REIT | SUN SP | 3,431 | Buy | 1.65 | 1.80 | 15 | 18.3 | 17.2 | 0.7 | 0.7 | 5.5 | 5.8 |
| Keppel REIT | KREIT SP | 2,910 | Hold | 1.16 | 1.20 | 8 | 19.5 | 19.4 | 0.8 | 0.8 | 5.1 | 5.2 |

**Fig 1: Key assumptions and forecasts**

| | Unit | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E |
|---|---|---|---|---|---|---|---|
| **Retail** | | | | | | | |
| Stock | m sf | 66.4 | 67.1 | 66.1 | 66.7 | 67.1 | 67.6 |
| *YoY* | *%* | *1.5* | *1.0* | *-1.4* | *1.0* | *0.6* | *0.7* |
| | | | | | | | |
| Downtown occupancy | % | 92.3 | 91.7 | 89.0 | 88.7 | 89.0 | 91.0 |
| Suburban occupancy | % | 89.0 | 92.5 | 92.7 | 95.5 | 96.0 | 96.5 |
| | | | | | | | |
| Prime Orchard Road rent | SGD psfpm | 38.64 | 38.64 | 35.60 | 34.20 | 34.20 | 35.50 |
| *YoY* | *%* | *1.3* | *0.0* | *-7.9* | *-3.9* | *0.0* | *3.8* |
| Suburban rent | SGD psfpm | 29.65 | 29.65 | 29.50 | 30.10 | 30.25 | 30.50 |
| *YoY* | *%* | *1.2* | *0.0* | *-0.5* | *2.0* | *0.5* | *0.8* |
| | | | | | | | |
| **Office** | | | | | | | |
| CBD stock | m sf | 30.4 | 30.2 | 31.2 | 32.0 | 32.0 | 33.3 |
| *YoY* | *%* | *2.2* | *-0.6* | *3.3* | *2.5* | *0.0* | *3.9* |
| Grade A stock | m sf | 14.4 | 13.6 | 14.1 | 14.8 | 14.8 | 16.0 |
| *YoY* | *%* | *4.8* | *-5.4* | *3.8* | *4.5* | *0.0* | *8.5* |
| | | | | | | | |
| Overall occupancy | % | 87.9 | 89.5 | 88.2 | 87.2 | 88.0 | 88.0 |
| | | | | | | | |
| Spot rent - Grade A | SGD psfpm | 10.80 | 11.55 | 10.40 | 10.80 | 11.50 | 12.20 |
| *YoY* | *%* | *14.9* | *6.9* | *-10.0* | *3.8* | *6.5* | *6.1* |
| Spot rent - Grade B (core CBD) | SGD psfpm | 8.30 | 8.70 | 7.90 | 7.80 | 8.00 | 8.20 |
| *YoY* | *%* | *11.4* | *4.8* | *-9.2* | *-1.3* | *2.6* | *2.5* |
| | | | | | | | |
| **Industrial** | | | | | | | |
| Factory stock | m sf | 386.5 | 392.4 | 395.3 | 399.2 | 408.2 | 410.4 |
| *YoY* | *%* | *0.7* | *1.5* | *0.7* | *1.0* | *2.3* | *0.5* |
| | | | | | | | |
| Occupancy | % | 89.5 | 89.8 | 90.2 | 90.5 | 90.8 | 91.5 |
| | | | | | | | |
| Spot rent | SGD psfpm | 1.57 | 1.57 | 1.50 | 1.54 | 1.57 | 1.60 |
| *YoY* | *%* | *-1.3* | *0.0* | *-4.5* | *2.7* | *1.9* | *1.9* |
| | | | | | | | |
| Warehouse stock | m sf | 115.0 | 118.2 | 119.2 | 122.3 | 125.1 | 126.6 |
| *YoY* | *%* | *2.4* | *2.8* | *0.8* | *2.6* | *2.3* | *1.2* |
| | | | | | | | |
| Occupancy | % | 89.5 | 88.0 | 89.9 | 90.0 | 91.0 | 91.5 |
| | | | | | | | |
| Spot rent | SGD psfpm | 1.58 | 1.58 | 1.58 | 1.66 | 1.70 | 1.72 |
| *YoY* | *%* | *-0.6* | *0.0* | *0.0* | *5.1* | *2.4* | *1.2* |
| | | | | | | | |
| Business Park stock | m sf | 23.5 | 23.7 | 23.7 | 24.5 | 26.0 | 26.9 |
| *YoY* | | *2.0* | *0.7* | *-0.1* | *3.7* | *5.9* | *3.6* |
| | | | | | | | |
| Occupancy | % | 84.9 | 86.2 | 85.8 | 84.5 | 86.0 | 87.0 |
| | | | | | | | |
| Spot rent | SGD psfpm | 4.13 | 4.25 | 4.00 | 4.13 | 4.20 | 4.30 |
| *YoY* | *%* | *1.0* | *2.9* | *-5.9* | *3.3* | *1.7* | *2.4* |
| | | | | | | | |
| **Hospitality** | | | | | | | |
| Available rooms | | 66,994 | 68,697 | 68,440 | 69,261 | 71,202 | 73,922 |
| *YoY* | *%* | *-0.1* | *2.5* | *-0.4* | *1.2* | *2.8* | *3.8* |
| | | | | | | | |
| Occupancy | % | 85.5 | 86.3 | 55.0 | 71.0 | 80.0 | 85.0 |
| | | | | | | | |
| Tourist arrivals | m | 18.5 | 19.1 | 2.7 | 0.3 | 4.0 | 12.0 |
| Average length of stay | Days | 3.4 | 3.4 | 10.0 | 12.0 | 3.4 | 3.4 |
| | | | | | | | |
| RevPAR | SGD | 208.3 | 210.4 | 129.5 | 156.0 | 175.8 | 205.4 |
| *YoY* | *%* | *-4.0* | *1.0* | *-38.4* | *20.5* | *12.7* | *16.9* |

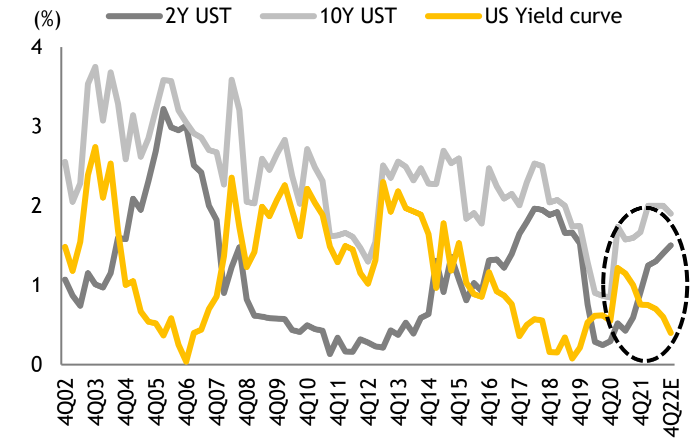
*Source: URA, JTC, CBRE, Maybank IBG Research*

# 1. Interest rate outlook, sensitivities

Our fixed income research team expects US 10-year bond yields to reach 1.90% by end-2022, from 1.67% in 4Q21 and to peak at 2.00-2.25% in this cycle, as the Fed hikes rates at a measured pace of 4 times p.a. in 2022-23 or a steeper path of 8 hikes in 12-18 months. See ASEAN+ Rate Views 28 Jan 2022 - Hawkish Fed Doesn't Affect Our Views On 10Y UST. The US yield curve had steepened in 2021, but with 2-year bond yields at 0.73% and forecast to reach 1.50% by end-2022, could flatten out to 0.40% by end-2022 on the back of higher shorter term rates.

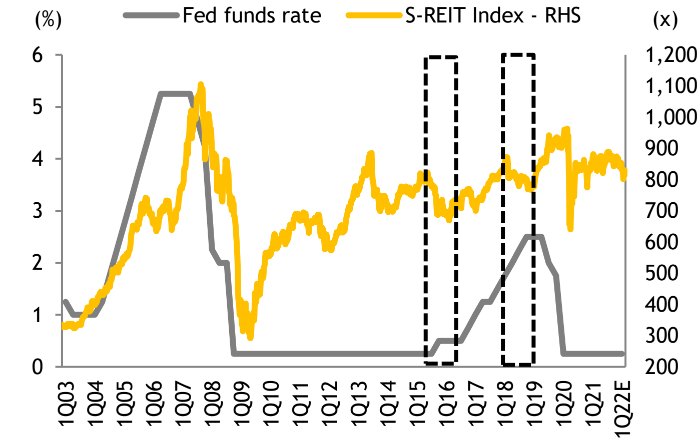
The S-REITs corrected sharply by c.20% in 2015's rate hike cycle, and pulled back by a lesser c.11% when the Fed hiked rates three times in 2017-18 against more benign shifts in the yield curve. Fluctuations in interest rate expectations remain a key risk, but balance sheets are strong, and the REITs have amplified their fixed rate borrowings. We highlight that every 50bps change in our interest cost assumptions would result in 1-4 lower DPUs, while every 50bp increase in our discount rate would result in an average 9% cut in our DDM valuation for REITs.

**Fig 2: US yield curve steepening risk lower as short-term bond yields rise**



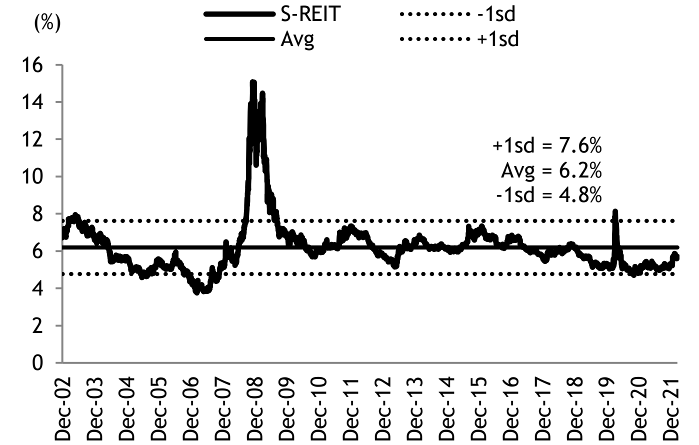

*Source: Maybank IBG Research*

**Fig 3: S-REITs have pulled back by 7%, versus -20% in 2015-16 and -11% from 2017-19**



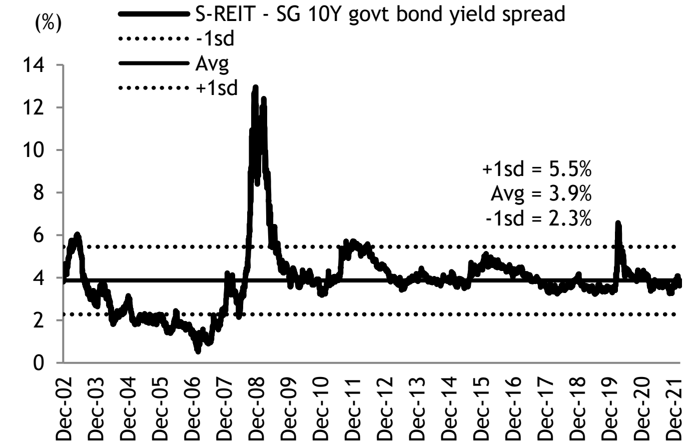

*Source: Bloomberg, Maybank IBG Research*

**Fig 4: S-REIT forward dividend yield**



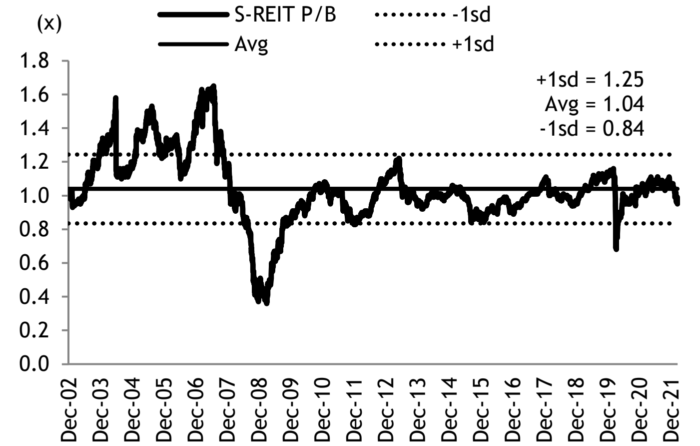

*Source: Bloomberg, Maybank IBG Research*

**Fig 5: S-REIT yield spread**



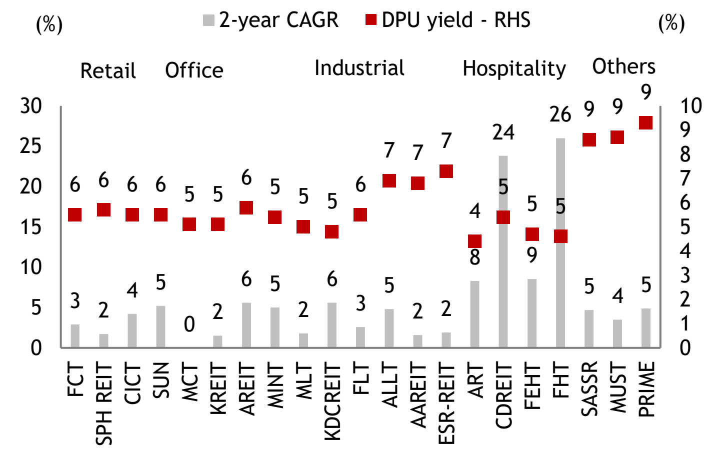

*Source: Bloomberg, Maybank IBG Research*

### Fig 6: S-REIT price-to-book




*Source: Bloomberg, Maybank IBG Research*

### Fig 7: S-REIT DPU growth and yield




*Source: Bloomberg, Maybank IBG Research*

### Fig 8: Forecast changes

| | DPU Old (SGD) | | DPU (SGD) | | % Change | | TP Old | TP | % Change |
|---|---|---|---|---|---|---|---|---|---|
| | FY22E | FY23E | FY22E | FY23E | FY22E | FY23E | (SGD) | (SGD) | |
| KREIT | 5.93 | 5.94 | 5.94 | 6.00 | 0.2 | 1.5 | 1.05 | 1.20 | 14.3 |
| SUN | 8.99 | 9.50 | 9.00 | 9.60 | 0.1 | 1.6 | 1.55 | 1.80 | 16.1 |

*Source: Maybank IBG Research*

### Fig 9: Balance sheet profile, sensitivity of FY22 DPUs and TPs to increase in interest rates

| REIT | Total debt (SGD m) | Fixed debt (%) | Debt maturity (Years) | Cost of debt (%) | Gearing (%) | Interest cover (x) | DPU chg @ +50bps (%) | TP (SGD) | TP @ +50bps (SGD) | TP chg (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| FEHT | 949 | 52.7 | 2.7 | 1.90 | 38.3 | 3.4 | -3.8 | 0.70 | 0.62 | -11.4 |
| SUN | 4,944 | 53.0 | 2.3 | 2.35 | 43.7 | 2.6 | -3.2 | 1.80 | 1.64 | -8.9 |
| FCT | 1894 | 54.0 | 2.3 | 2.20 | 34.5 | 5.8 | -2.1 | 2.90 | 2.58 | -11.0 |
| AAREIT | 837 | 57.0 | 3.2 | 2.80 | 37.3 | 5.3 | -3.7 | 1.65 | 1.51 | -8.5 |
| CDLHT | 1,102 | 61.3 | 2.1 | 2.00 | 39.1 | 3.3 | -3.7 | 1.20 | 1.10 | -8.3 |
| KREIT | 3,485 | 63.0 | 3.1 | 1.98 | 38.4 | 3.9 | -1.9 | 1.20 | 1.16 | -3.3 |
| ALLT | 746 | 66.7 | 2.9 | 2.77 | 39.5 | 4.7 | -2.5 | 0.95 | 0.88 | -7.4 |
| SASSR | 519 | 73.0 | 1.2 | 4.40 | 26.1 | 5.1 | -2.0 | 1.10 | 1.03 | -6.4 |
| ART | 2,738 | 74.0 | 2.7 | 1.60 | 37.1 | 3.7 | -3.3 | 1.30 | 1.13 | -13.1 |
| MCT | 3,014 | 75.3 | 3.5 | 2.39 | 34.1 | 4.8 | -2.0 | 2.35 | 2.09 | -11.1 |
| SPH REIT | 1,300 | 76.0 | 2.7 | 1.68 | 30.3 | 7.3 | -1.3 | 0.95 | 0.87 | -8.4 |
| FHT | 976 | 77.3 | 2.3 | 2.10 | 42.5 | 2.4 | -4.1 | 0.50 | 0.44 | -12.0 |
| MLT | 4,093 | 79.0 | 3.5 | 2.20 | 34.7 | 5.1 | -1.6 | 2.35 | 2.07 | -11.9 |
| AREIT | 6,143 | 79.4 | 3.5 | 2.20 | 35.9 | 5.7 | -1.2 | 3.65 | 3.26 | -10.7 |
| MINT | 2,976 | 79.7 | 3.5 | 2.30 | 39.9 | 6.5 | -1.3 | 3.35 | 2.96 | -11.6 |
| CICT | 8,632 | 83.0 | 3.9 | 2.30 | 37.2 | 4.1 | -2.2 | 2.55 | 2.29 | -10.2 |
| MUST | 971 | 86.5 | 2.4 | 2.82 | 42.8 | 0.4 | -1.0 | 0.95 | 0.88 | -7.4 |
| PRIME | 629 | 87.0 | 3.0 | 2.50 | 37.9 | 5.4 | -1.2 | 1.10 | 1.02 | -7.3 |
| ESR-REIT | 1,200 | 92.1 | 2.4 | 3.31 | 40.0 | 3.1 | -3.8 | 0.55 | 0.50 | -9.1 |
| **Average** | | **72.1** | **2.8** | **2.41** | **37.3** | **4.3** | **-2.4** | | | **-9.4** |

*Source: Maybank IBG Research*

# 2. REITs

**Fig 10: Valuations and risks**

| REIT | Investment thesis | Valuation | Risks |
|---|---|---|---|
| AAREIT | AAREIT's 3Q22 DPU at +14.6% YoY was underpinned by higher portfolio occupancy. Fundamentals are improving on the back of demand recovery, which suggests a stronger rental reversion outlook for FY23E. Its income visibility has been strengthened by the Woolworths acquisition, with a longer WALE at 4.85 years (from 3.98 years) and weighted average land lease expiry at c.57 years (from c.45 years). Management targets to complete its 315 Alexandra Road acquisition, which at an initial 6.2% NPI yield is expected to lift DPU by c.5%, assuming it is fully debt-funded, with gearing increasing from c.37% to c.41%. | Our TP is based on DDM valuation with a COE of 7.4% and long-term growth assumption of 1.5% (unchanged). | (a) Slower-than-expected demand for logistics space could result in lower occupancy and rental rates, (b) Termination of long-term leases contributing to weaker portfolio tenant retention rate, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| AREIT | AREIT's diversified SGD16.3b portfolio and resilient operating metrics stand out as key strengths. Management has guided for a low single-digit positive reversion for 2022, and we maintain an optimistic outlook for rental growth, underpinned by its new economy assets of business parks, suburban office and logistics properties, now contributing 80% to its AUM. Fundamentals are strong, backed by its scale, rising DPU visibility, and upside growth levers from a strong balance sheet, which will be deployed to deepen AUM in its core markets. | Our TP is based on DDM valuation with a COE of 6.2% and long-term growth assumption of 2.0%. | (a) Weaker-than-expected occupancy and rental reversion due to prolonged macroeconomic uncertainties, (b) Higher-than-expected volatility from the overseas portfolio, now a larger proportion of AUM, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| ART | ART's RevPAR growth picked up pace in 4Q21, and we see recovery gaining traction in FY22. We continue to its diversified portfolio, concentrated long-stay assets, strong balance sheet, and c.SGD300m in residual divestment gains to back capital distributions amid slow DPU growth. Having scaled up on US student housing assets, it has raised target allocation in longer-stay accommodation to 25-30% of AUM from 15-20%, with acquisitions expected to provide upside to DPUs and valuation. | Our TP is based on DDM valuation with a COE of 5.9% and long-term growth assumption of 2.0%. | (a) Slower-than-expected recovery in global demand resulting in weak RevPAR growth, (b) Weaker-than-anticipated domestic demand to support occupancies, (c) Decrease in property values resulting in higher leverage. |
| CDLHT | CDLHT's Singapore hotel RevPAR increased 20% YoY in 4Q21, underpinned by staycation demand and inbound travel from vaccinated travel lanes (VTLs) in late 2021. While rising vaccination rates and gradual border reopening suggest better fundamentals in FY22E, demand visibility remains low, especially as pandemic-driven demand eases off, and international tourism at 60-70% below 2019. Sponsor CDL announced a distribution in-specie of CDLHT units, as it reduces its stake from c.38% to c.27%, which could cause a share price overhang. | Our TP is based on DDM valuation with a COE of 7.1% and long-term growth assumption of 2.0%. | (a) Slower-than-expected reopening of Singapore's borders delaying RevPAR recovery, (b) Weaker-than-expected recovery in global demand curtailing RevPAR growth, (c) Faster-than-expected decline in isolation business in Singapore and weak domestic demand reducing RevPARs, (d) Decrease in property values resulting in higher leverage. |
| CICT | CICT should see c.12% YoY DPU growth in the absence of rental waivers and as it benefits from the completion of various Singapore office AEIs, and contribution from three new Australian properties. Easing negative retail reversions, tailwinds from office sector recovery, and traction from improving NPI, suggest stronger fundamentals in FY22E. Its balance sheet remains strong, and we expect deal momentum to intensify with the deployment of its JCube divestment proceeds towards its sponsor's Singapore commercial AUM. | Our TP is based on DDM valuation with a COE of 5.9% and long-term growth assumption of 1.5%. | (a) Slower-than-expected sales recovery resulting in weaker retail occupancies and rental reversions, (b) Headwinds from greater flexible work arrangements eroding demand for office space resulting in higher vacancies and larger-than-expected decline in rents, (c) Potential pre-termination or renegotiation of long-term leases contributing to weaker portfolio tenant retention rate. |

*Source: Maybank IBG Research*

Fig 10: Valuations and risks (Cont'd)

| REIT | Investment thesis | Valuation | Risks |
|---|---|---|---|
| FCT | FCT's portfolio occupancy has been resilient at c.97%, while rental reversion improved in 1Q22, and looks set to strengthen further as tenant sales gain traction into the coming quarters. Strong leasing momentum has helped to de-risk near-term expiries while tenant remixing efforts against high mall occupancies, should support rental upside. We continue to see suburban malls leading the retail sector recovery in Singapore's long reopening phase, with stable operating metrics for FCT's more sizeable suburban malls portfolio underpinning its DPU visibility. | Our TP is based on DDM valuation with a COE of 6.2% and long-term growth assumption of 2.0%. | (a) Slower-than-expected sales recovery resulting in weaker occupancies and rental reversions, (b) Weaker demand for retail space due to e-commerce competition translating into lower rentals for its properties, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| FEHT | FEHT saw occupancies improve for its Singapore hotels and serviced residences in 4Q21, as staycations and long-stay corporate demand offset lower worker accommodation volumes. We see stronger revenue and NPI, underpinned by higher occupancy and RevPARs in FY22, in line with Singapore's gradual re-opening. Near-term RevPAR visibility is low against easing pandemic-driven demand, but should strengthen in 2H22. Its Central Square divestment at an exit yield of 1.8% is on track to complete in 1Q22, with gearing to improve further as it reduces borrowings. | Our TP is based on DDM valuation with a COE of 5.9% and long-term growth assumption of 2.0%. | (a) Slower-than-expected reopening of Singapore's borders delaying RevPAR recovery, (b) Faster-than-expected decline in isolation business in Singapore and weak domestic demand reducing RevPARs, (c) Decrease in property values resulting in higher leverage. |
| FHT | FHT's RevPAR's visibility is weak, despite improvement expected across its Australia, Singapore and UK assets. We think it was late in proposing to divest its Sofitel Sydney Wentworth property. It recently announced the sale for AUD315m at 4.1%/3.3% FY19/FY21 NPI yield, priced at 12.1% above the Sep 2021 valuation, and 34.3% above its 2015 purchase price, versus a potentially higher valuation in 2019, based on market reports. Its gearing is high at c.43% or c.38% post-deal, but deal catalysts are low. | Our TP is based on DDM valuation with a COE of 6.9% and long-term growth assumption of 2.0% (unchanged). | (a) Slower-than-expected reopening of Singapore's borders delaying RevPAR recovery, (b) Weaker-than-expected recovery in global demand curtailing RevPAR growth, (c) Decrease in property values resulting in higher leverage. |
| KREIT | KREIT remains the only pure play office S-REIT after the CCT-CMT merger in late 2020, with significant exposure to Singapore Grade A offices at c.78% of AUM. Office demand tailwinds have strengthened its fundamentals, but DPU growth remains unexciting versus peers, with upside from rental recovery dulled by rising interest costs. | Our TP is based on DDM valuation with a COE of 6.6% (from 7.0%) and long-term growth assumption of 2.0% (from 1.5%). | (a) Slower-than-expected pick-up in leasing demand for office space resulting in lower occupancy, (b) Weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| MCT | MCT's occupancy was lower in 3Q22 across its assets but should improve with recovery gaining traction in the coming quarters. VivoCity's tenant sales growth outpaced footfall and rose to nearly 90% of pre-Covid levels. Its performance trailed FCT and SUN due to limitations on large-scale sales events, but upside is seen from further relaxation of capacity restrictions in FY23. Its shares have pulled back following the announcement of its proposed merger with MNACT on 31 Dec 2021 due to investor concerns on its diluted pure-play AUM. Beyond the strong financial accretion, we see strategic merits from increased AUM diversification, stronger DPU growth, and potentially lower cost of capital. | Our TP is based on DDM valuation with a COE of 5.9% and long-term growth assumption of 2.0%. | (a) Slower-than-expected sales recovery resulting in weaker retail occupancies and rental reversions, (b) Headwinds from greater flexible work arrangements eroding demand for office space resulting in higher vacancies and larger-than-expected decline in rents (c) Potential pre-termination or renegotiation of long-term leases contributing to weaker portfolio tenant retention rate. |
| MINT | MINT boasts stronger fundamentals with improved DPU visibility from its rising data centre tenancies. Its balance sheet is strong and we see further DPU-accretive deals, as management advances diversification efforts to deepen data centre concentration to 50-67% of AUM. Recovery in occupancies and rents for its Singapore portfolio remain in sight, and should gain traction in FY23, against the stronger macro backdrop. | Our TP is based on DDM valuation with a COE of 5.9% and long-term growth assumption of 2.0%. | (a) Weaker-than-expected occupancy and rental reversion due to prolonged macroeconomic uncertainties, (b) Higher-than-expected volatility from the overseas portfolio, now a larger proportion of AUM, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |

*Source: Maybank IBG Research*

**Fig 10: Valuations and risks (Cont'd)**

| REIT | Investment thesis | Valuation | Risks |
|---|---|---|---|
| MLT | MLT's occupancies are expected to remain resilient due to steady demand growt, with its growing APAC-focused AUM well-positioned to capture the sector's multiple structural growth themes, ie, rising e-commerce demand and supply chain diversification, which have been accelerated by the pandemic. Acquisitions have been DPU-accretive, and remain a key catalyst. MLT's DPU base has expanded from more sizeable deals, and we expect it to eye higher yielding new developments and/or emerging market assets, which could lift its risk profile, and potentially deliver stronger DPU growth. | Our TP is based on DDM valuation with a COE of 5.7% and long-term growth assumption of 2.0%. | (a) Stronger-than-expected supply growth in its core markets resulting in weaker-than-anticipated rental reversions, (b) ability to acquire third- party assets given competitive environment, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| MUST | MUST's DPU profile has been weak due to higher rental abatements, lower carpark income and higher vacancies. This was despite operational improvements, underpinned by strong leasing momentum and a positive rental reversion guidance into FY22. We see tailwinds from strengthening US fundamentals, while DPU visibility remains high, and well-cushioned by its low FY22-23E lease expiries and quality tenancies. Valuation is undemanding at c.8.7% FY22E DPU yield, with upside from acquisitions, as management deepens its 'high-growth' sector AUM. | Our TP is based on DDM valuation with a COE of 7.8% and long-term growth assumption of 2.0%. | (a) Slower-than-expected pick-up in leasing demand for office space lowering occupancy, (b) Weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| PRIME | PRIME's 2H21 DPU growth was bolstered by contributions from Sorrento Towers and One Town Center, which were acquired in Jul 2021. Occupancy was lower in 4Q21, but should increase with stronger leasing momentum in FY22. DPU visibility is high, and underpinned by a 4.2-year WALE, and 2.0% p.a. growth from its AUM, currently under-rented by 7.3%. We see better fundamentals as physical occupancy recovers, with catalysts from improving leasing activity, and upside from acquisitions. Valuation is compelling at 8+% FY22 DPU yield. | Our TP is based on DDM valuation with a COE of 8.4% and long-term growth assumption of 2.0%. | (a) Slower-than-expected pick-up in leasing demand for office space lowering occupancy, (b) Weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| SASSR | SASSR has continued to deliver stronger-than-expected results as sales recovery gained traction after its 45-day outlet malls closure in 1Q20. FY21 DPU at +8.7% YoY was strong, even with c.8% of distributions retained. Occupancies should improve further in FY22E, after AEIs and tenant remixing efforts. We see catalysts from better-than-expected sales growth, and DPU upside from potential acquisitions, backed by a strong balance sheet and visible sponsor pipeline. | Our TP is based on DDM valuation with a COE of 9.8% and long-term growth assumption of 3.0%. | (a) Slower-than-expected sales growth at its malls resulting in lower occupancies (b) Stronger-than-expected new supply in core markets resulting in weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| SPHREIT | SPHREIT's portfolio occupancy has improved, due to its Singapore assets and recovering tenant sales, while its WALE remains healthy at 5.5/2.9 years by NLA/gross rental income. The REIT is bound by a chain offer, resulting from its sponsor's ongoing M&A exercise. We see improving performance into FY22, with risks on the upside given acquisition catalyst. A successful privatization of SPH, could potentially trigger a chain offer by Cuscaden for SPHREIT, and hasten its capital recycling activities. | Our TP is based on DDM valuation with a COE of 7.2% and long-term growth assumption of 1.5%. | (a) Slower-than-expected pick-up in leasing demand for retail space lowering occupancy, (b) Weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |
| SUN | SUN should achieve a 6+% 2-year DPU CAGR, given rising contributions from its UK acquisitions, Nova Properties and The Minister Building, improving performance at Suntec Mall from stronger tenant sales and return to office from further easing, and our expectations of a 12% growth in Singapore office rents through FY23E, underpinned by stronger demand and tight supply. We see the more active physical market and improving outlook increasing inorganic growth opportunities, especially as its cost of capital improves. | Our TP is based on DDM valuation with a COE of 7.1% (from 7.8%) and long-term growth assumption of 2.0% (from 1.5%). | (a) Slower-than-expected pick-up in leasing demand for office or retail space driving improvement in occupancy, (b) Weaker-than-anticipated rental reversions, (c) Overpaying for acquisitions resulting in lower DPU-accretion. |

*Source: Maybank IBG Research*

**Fig 11: S-REITs valuation comparison**

| Company | Rec. | Price | TP | Upside | Yield | Total return | MC | ADTV | Free Float | BVPS | P/BV | Dividend yield (%) | | | | Gearing (D/A) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (SGD) | (SGD) | (%) | (%) | (%) | (SGD b) | (SGD m) | (%) | (SGD) | (x) | 20 | 21 | 22E | 23E | (%) |
| **Retail** | | | | | | | **7.9** | **9.8** | | | **0.88** | **3.9** | **5.8** | **5.9** | **6.1** | **34** |
| Frasers Ctr Trust (FCT) | Buy | 2.30 | 2.90 | 26.1 | 5.5 | 31.6 | 3.9 | 6.6 | 63 | 2.31 | 1.00 | 3.9 | 5.3 | 5.5 | 5.6 | 35 |
| Starhill Global (SGREIT) | NR | 0.60 | | | | | 1.3 | 1.2 | 38 | 0.85 | 0.71 | 5.0 | 6.6 | 6.3 | 6.8 | 36 |
| SPH REIT (SPHREIT) | Hold | 0.96 | 0.95 | (0.5) | 5.7 | 5.2 | 2.7 | 2.0 | 29 | 1.02 | 0.94 | 2.9 | 5.6 | 5.7 | 5.8 | 30 |
| **Retail & Office** | | | | | | | **25.9** | **93.8** | | | **0.93** | **4.5** | **5.4** | **5.5** | **5.8** | **37** |
| Cap. Int. Comm. Trust (CICT) | Buy | 2.12 | 2.55 | 20.3 | 5.5 | 25.8 | 14.0 | 45.3 | 77 | 2.10 | 1.01 | 4.1 | 5.2 | 5.5 | 5.6 | 37 |
| Mapletree Comm. (MCT) | Buy | 1.84 | 2.35 | 27.7 | 5.1 | 32.8 | 6.1 | 34.2 | 61 | 1.72 | 1.07 | 5.0 | 5.3 | 5.1 | 5.3 | 33 |
| Suntec REIT (SUN) | Buy | 1.65 | 1.80 | 9.1 | 5.5 | 14.5 | 4.7 | 14.2 | 59 | 2.11 | 0.78 | 4.3 | 5.3 | 5.5 | 5.8 | 44 |
| Lendlease REIT (LREIT) | NR | 0.84 | | | | | 1.0 | | 73 | 0.98 | 0.86 | 4.5 | 5.9 | 5.8 | 6.4 | 35 |
| **Office** | | | | | | | **6.5** | **8.2** | | | **0.80** | **5.4** | **5.7** | **5.8** | **5.9** | **39** |
| Keppel REIT (KREIT) | Hold | 1.16 | 1.20 | 3.4 | 5.1 | 8.6 | 4.3 | 7.5 | 57 | 1.32 | 0.88 | 5.0 | 5.0 | 5.1 | 5.2 | 38 |
| OUE Comm. (OUECT) | NR | 0.41 | | | | | 2.2 | 0.7 | 27 | 0.57 | 0.71 | 5.9 | 6.3 | 6.5 | 6.6 | 39 |
| **Industrial** | | | | | | | **40.6** | **105.9** | | | **1.18** | **5.5** | **5.8** | **6.1** | **6.3** | **37** |
| Ascendas REIT (AREIT) | Buy | 2.83 | 3.65 | 29.0 | 5.8 | 34.8 | 11.9 | 30.6 | 61 | 2.38 | 1.19 | 5.3 | 5.4 | 5.8 | 6.0 | 36 |
| Mapletree Ind. (MINT) | Buy | 2.58 | 3.35 | 29.8 | 5.4 | 35.3 | 6.9 | 18.0 | 77 | 1.91 | 1.35 | 4.9 | 5.2 | 5.4 | 5.5 | 40 |
| Mapletree Log. (MLT) | Buy | 1.78 | 2.35 | 32.0 | 5.0 | 37.1 | 8.3 | 25.3 | 67 | 1.32 | 1.35 | 4.6 | 4.9 | 5.0 | 5.1 | 35 |
| Keppel DC REIT (KDCREIT) | NR | 2.22 | | | | | 3.8 | 14.3 | 79 | 1.34 | 1.66 | 4.1 | 4.4 | 4.8 | 5.0 | 35 |
| Frasers Log. & Ind. (FLT) | NR | 1.44 | | | | | 5.3 | 10.1 | 71 | 1.24 | 1.16 | 4.8 | 5.3 | 5.5 | 5.6 | 34 |
| ARA Logos Trust (ALLT) | Buy | 0.82 | 0.95 | 15.9 | 6.9 | 22.7 | 1.2 | 1.8 | 90 | 0.67 | 1.22 | 6.5 | 6.6 | 6.9 | 7.2 | 40 |
| AIMS APAC (AAREIT) | Buy | 1.37 | 1.65 | 20.4 | 6.8 | 27.3 | 1.0 | 2.4 | 59 | 1.92 | 0.71 | 6.6 | 6.7 | 6.8 | 7.0 | 37 |
| ESR REIT (ESREIT) | Buy | 0.43 | 0.55 | 29.4 | 7.3 | 36.8 | 1.7 | 2.9 | 69 | 0.40 | 1.07 | 6.7 | 7.3 | 7.3 | 7.6 | 40 |
| Sabana SC REIT (SSREIT) | NR | 0.45 | | | | | 0.5 | 0.4 | 57 | 0.52 | 0.87 | 6.1 | 6.8 | 7.6 | 7.7 | 35 |
| **Hospitality** | | | | | | | **6.9** | **7.4** | | | **0.79** | **3.6** | **3.7** | **4.8** | **5.5** | **39** |
| Ascott Res. Trust (ART) | Buy | 1.04 | 1.30 | 25.0 | 4.4 | 29.4 | 3.4 | 4.8 | 61 | 1.19 | 0.88 | 2.9 | 4.0 | 4.4 | 4.7 | 37 |
| CDL HT (CDLHT) | Hold | 1.16 | 1.20 | 3.4 | 5.4 | 8.9 | 1.4 | 1.5 | 61 | 1.33 | 0.88 | 4.2 | 4.1 | 5.4 | 6.2 | 39 |
| Far East HT (FEHT) | Buy | 0.59 | 0.70 | 19.7 | 4.7 | 24.4 | 1.2 | 0.8 | 47 | 0.83 | 0.70 | 4.1 | 4.5 | 4.7 | 5.3 | 38 |
| Frasers HT (FHT) | Hold | 0.45 | 0.50 | 12.4 | 4.6 | 16.9 | 0.9 | 0.3 | 63 | 0.65 | 0.69 | 3.2 | 2.2 | 4.6 | 5.7 | 43 |
| **Offshore REITs** | | | | | | | **17.2** | **30.0** | | | **0.75** | **7.9** | **8.1** | **8.4** | **8.7** | **37** |
| Mapletree N. Asia (MAGIC) | NR | 1.07 | | | | | 3.8 | 13.5 | 62 | 1.34 | 0.80 | 5.7 | 6.5 | 6.7 | 7.0 | 42 |
| Capita China Trust (CLCT) | NR | 1.16 | | | | | 1.9 | 5.9 | 71 | 1.56 | 0.74 | 5.5 | 7.6 | 8.2 | 8.5 | 38 |
| Ascendas India Trust (AIT) | NR | 1.23 | | | | | 1.4 | 3.2 | 78 | 1.18 | 1.05 | 7.2 | 7.5 | 7.0 | 8.1 | 35 |
| Sasseur REIT (SASSR) | Buy | 0.86 | 1.10 | 27.9 | 8.6 | 36.5 | 1.0 | 1.9 | 43 | 0.99 | 0.87 | 7.6 | 8.3 | 8.6 | 9.1 | 26 |
| Dasin Retail Trust (DASIN) | NR | 0.34 | | | | | 0.3 | 0.1 | 26 | 1.47 | 0.23 | 11.8 | 13.5 | 13.5 | n.a. | 37 |
| BHG Retail REIT (BHGREIT) | NR | 0.55 | | | | | 0.3 | 0.0 | 24 | 0.89 | 0.61 | n.a. | 5.5 | 6.0 | n.a. | 35 |
| Lippo Malls Ind. RT (LMIRT) | NR | 0.05 | | | | | 0.4 | 0.1 | 39 | 0.09 | 0.55 | n.a. | n.a. | n.a. | n.a. | 43 |
| Manulife US REIT (MUST) | Buy | 0.65 | 0.95 | 47.3 | 8.7 | 56.0 | 1.5 | 1.5 | 91 | 0.67 | 0.96 | 9.2 | 8.3 | 8.7 | 8.9 | 43 |
| Prime US REIT (PRIME) | Buy | 0.77 | 1.10 | 42.9 | 9.3 | 52.1 | 1.2 | 1.0 | 58 | 0.85 | 0.91 | 9.0 | 8.8 | 9.3 | 9.7 | 38 |
| Keppel P.O. US REIT (KORE) | NR | 0.73 | | | | | 1.0 | 0.9 | 84 | 0.82 | 0.88 | 8.6 | 8.3 | 8.6 | 9.3 | 37 |
| Cromwell REIT (CEREIT) | NR | 2.31 | | | | | 2.0 | 0.8 | 83 | 6.18 | 0.19 | 7.6 | 7.4 | 7.4 | 7.6 | 38 |
| IREIT Global (IREIT) | NR | 0.65 | | | | | 0.8 | 0.3 | 67 | 0.79 | 0.82 | 7.8 | 6.2 | 6.9 | n.a. | 33 |
| EC World REIT (ECWREIT) | NR | 0.75 | | | | | 0.6 | 0.4 | 45 | 0.93 | 0.80 | 7.0 | 8.1 | 8.1 | 8.3 | 38 |
| United Hampshire US (UHU) | NR | 0.62 | | | | | 0.5 | 0.2 | 92 | 0.75 | 0.82 | 8.3 | 10.2 | 10.4 | 10.6 | 38 |
| Elite Commercial (ELITE) | NR | 0.65 | | | | | 0.6 | 0.3 | 76 | 0.62 | 1.04 | 6.8 | 7.8 | 8.0 | 8.3 | 42 |
| **Healthcare** | | | | | | | **3.5** | **3.4** | | | **1.40** | **3.0** | **2.9** | **3.1** | **-** | **35** |
| Parkway Life REIT (PREIT) | NR | 4.69 | | | | | 2.8 | 2.9 | 64 | 2.37 | 1.98 | 3.0 | 2.9 | 3.1 | n.a. | 35 |
| First REIT (FIRST) | NR | 0.30 | | | | | 0.6 | 0.5 | 50 | 0.37 | 0.82 | n.a. | n.a. | n.a. | n.a. | 35 |
| **Total REITs** | | | | | | | **108** | **258** | | | **0.92** | **5.8** | **6.3** | **6.6** | **6.9** | **37** |
| **S-REIT yield spread** | | | | | | | | | | | | | | **2.2** | | |
| FSTREI Index | | | | | | | | | | | | | | 4.0 | | |
| SGS 10Y bond yield | | | | | | | | | | | | | | 1.8 | | |

*Prices as of 2 Mar 2022. NR = Not Rated.*

*Source: Bloomberg, FactSet, Companies, Maybank IBG Research*

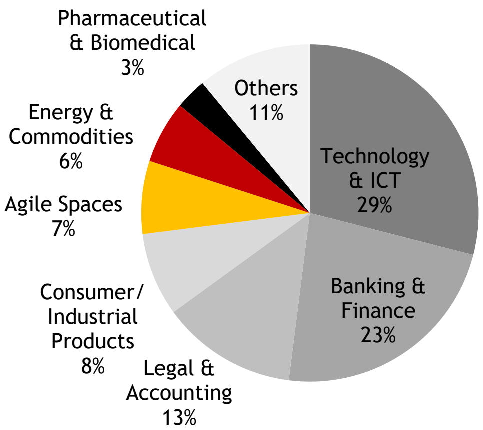
# 3. Sector Outlook

**Office landlords gain pricing power on tight supply**
Leasing activity, underpinned by new and relocation demand, picked up on improving sentiment in 2H21, led by new demand from tech and expansion by asset and wealth management sector occupiers for large-scale availabilities in the core CBD. These generated 52% of 2021's leasing volume, and overshadowed space rationalisation by firms adopting hybrid work arrangements, resulting in positive net absorption. Committed occupancy climbed in 4Q21 at Asia Square Tower 2 (from 82.8% to 95.6%) with rapid backfilling of vacancies, and CapitaSpring (83.1% to 91.5%), while SUN's Singapore office occupancy increased QoQ (96.1% to 97.5%), with better performance at Suntec (95.5% to 97.2%), ORQ (97.2% to 98.5%) and MBFC Towers 1&2 (96.8% to 97.3%).

Total new supply is estimated at 3.7m sf over 2022-24, or 1.2m sf p.a., 13% lower than the 10-year historical average of 1.4m sf in gross completions, with c.35% of the new supply pipeline located within the CBD, and the remaining c.36% and c.30% in the Fringe CBD and decentralised submarket. Supply is further tightened by the redevelopment of older offices and labour scarcity delaying upcoming completion timelines, with Keppel Towers (0.5m sf) estimated to be completed in 2024, and Shaw Tower (0.4m sf), Fuji Xerox Towers (0.3m sf) and AXA Tower (0.9m sf), only adding to supply from 2025 onwards.

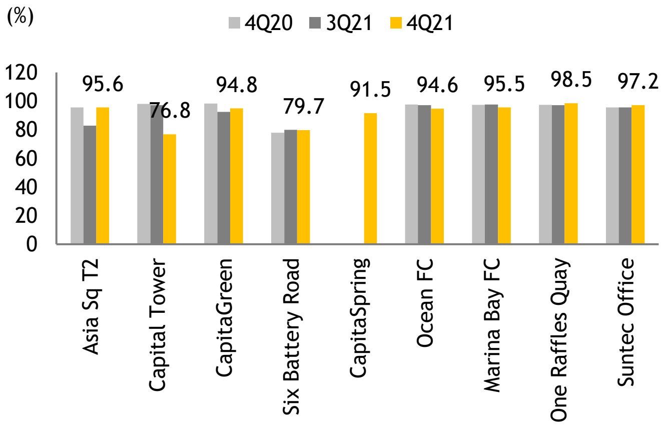
The office rental downcycle was short-lived, with Grade A core CBD rents growing 3.8% YoY to SGD10.80 psfpm in 2021, after declining 10% YoY in 2020, less than the 15% decline in 2011-13, and -21% from 2015-17. We expect vacancies to tighten by 1-1.5ppt YoY, and forecast Grade A rents to accelerate, as they rise 7% YoY to SGD11.50 psf by end 2022, or 12% over the next two years.

**Fig 12: Leasing demand in 2021**



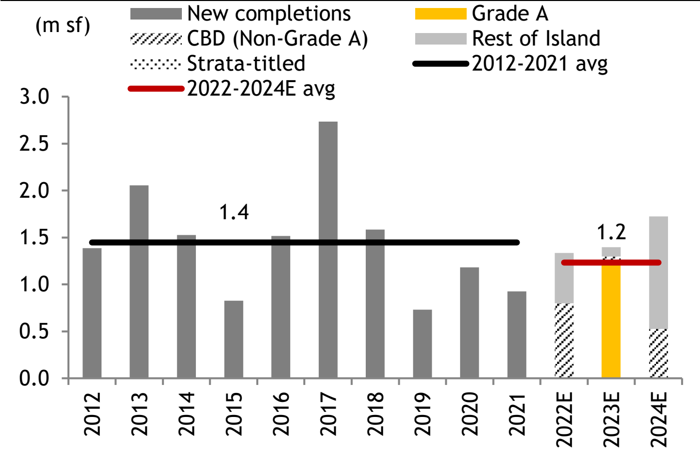

*Source: CBRE*

**Fig 13: Occupancy for select CBD properties**



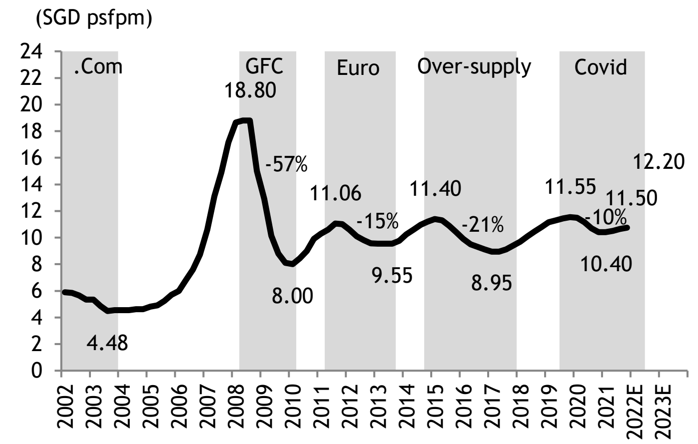

*Source: Company data*

**Fig 14: Singapore office supply tapers off in 2022-24E**




*Source: URA, CBRE*

**Fig 15: Rents fell 10% YoY in 2020 but recovered at c.4% YoY**




*Source: URA, CBRE, Maybank IBG Research*

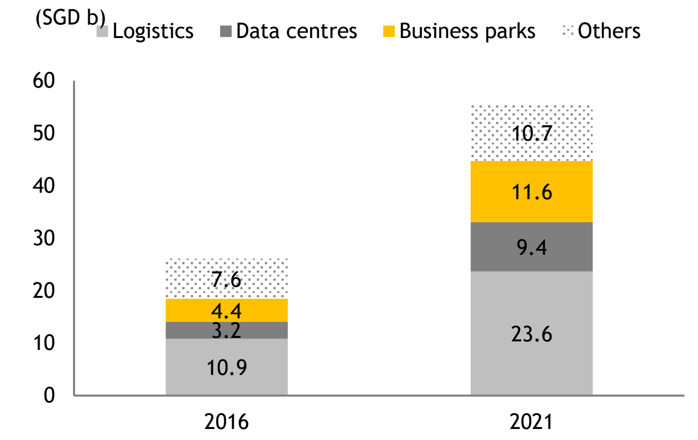
**Structural demand for industrial space, rents bottoming out**

Industrial REITs saw stronger contributions from their overseas properties and AUM growth underpinned by further concentration into new economy segments of warehouses, data centers and business park space. AREIT added SGD2.1b in acquisitions last year and remains the largest owner of new economy AUM among peers. In Singapore, IT/data centers, biomedical, and engineering sector occupiers accounted for over 60% of new demand by gross rental income in FY21. New economy sector tenancies, at 78% of its gross revenue, are growing; they have pushed vacancies to the tightest in five years, and should support leasing efforts into the coming quarters.

Occupancies improved for factory space (from 90.4% to 90.5%) and rental recovery is underway. Rental reversions turned positive on an aggregate basis for MINT for the first time in five years, at 0% to +1.8% (versus +0.5-3.5% in 3Q17). Expansion demand from 3PLs, e-commerce players, and food storage occupiers have contributed to stronger leasing activity, and kept warehouse occupancies stable at 90.0% in 4Q21, amid higher new supply.

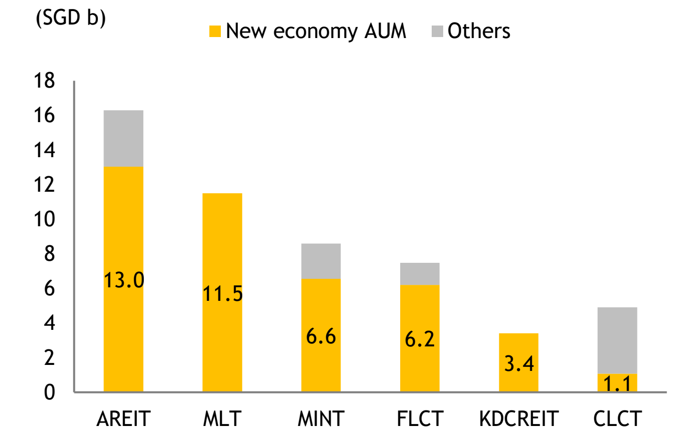
The industrial sector should see a pick-up in supply similar to 2013-17 levels but largely concentrated in multi-user and single-user factory space. Warehouse supply remains manageable (at 4.2m sf in 2022) as it moderates in 2023 (2.4m sf) and 2024 (0.1m sf), when compared to an average of 4.6m sf p.a. in the past decade, or 4.1m sf p.a. from 2016-21. Rents increased at +1.8% QoQ in 4Q21 and +5.6% YoY in 2021, with demand for storage trickling down to second-tier warehouses, from limited availability in prime logistics space, and we expect these to strengthen with easing supply. However, we expect the pace of recovery to moderate at +2.5% YoY in 2022, to remain ahead of a +2.0% YoY in factory rents, and a +1.7% YoY for business parks.

**Fig 16: New economy assets rose from c.71% to c.81% of AUM**



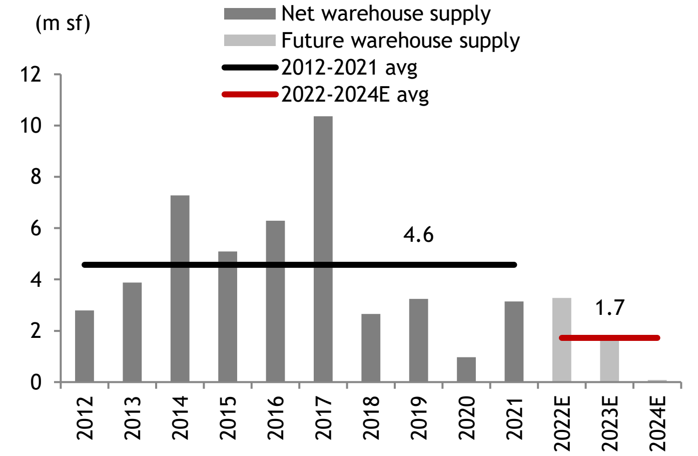

*Source: Company data, Maybank IBG Research*

**Fig 17: AREIT owns the largest new economy AUM**



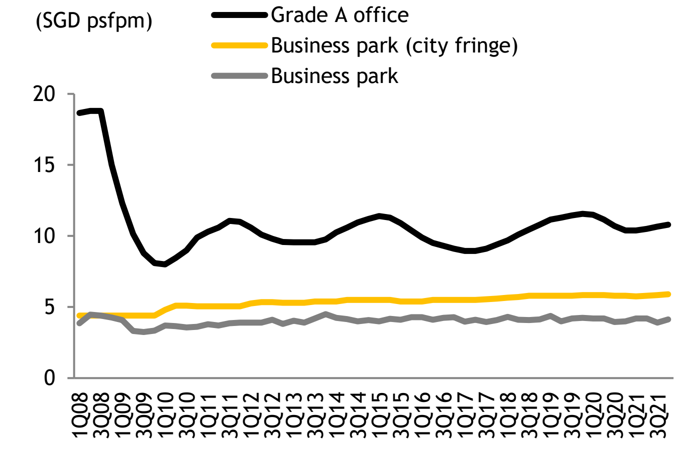

*Source: Company data, Maybank IBG Research*

**Fig 18: Warehouse supply tapering from 2022-24E**




*Source: JTC, CBRE*

**Fig 19: Business park rents supported by rising office rents**




*Source: JTC, CBRE*

**Retail recovery underway, rents to strengthen in 2H22**

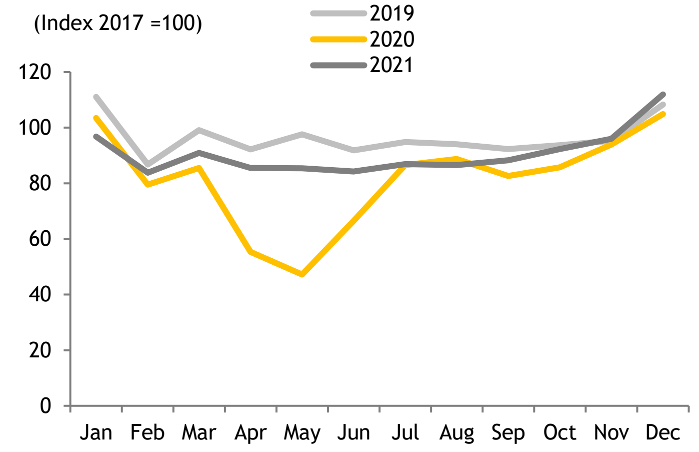
Retail REITs saw resilient occupancies in 4Q21, while tenant sales improved further, ahead of shopper traffic, with the easing of dining-in restrictions and seasonality. Suburban malls continued to outperform downtown peers, with tenant sales for FCT recovering to 100-106% of pre-Covid levels, while shopper traffic rose to 55-65% (from 55-60% in 3Q21). We see both metrics being on a positive trajectory in 2022. VivoCity's recovery was slower, with its tenant sales at nearly 90% of pre-Covid levels, due to limitations on large-scale sales events.

While uncertainties remain with the emergence of the Omicron variant and elevated Covid case numbers have checked further easing YTD, retailer sentiment has improved as the government pushes towards endemic living. We expect 2022 to be a year of two halves, with more measured relaxation of protocols in 1H22, followed by a firmer reopening trajectory in 2H22.

Retail supply remains constrained at 1.2m sf from 2022-24, or 0.4m sf p.a., versus average completions of 0.8m sf completed over 2017-2021. This, together with improving consumer sentiment, and potentially incremental front-loading of expenditure ahead of implementation of the higher 8% GST in 2023, could provide a near-term lift to tenant sales.

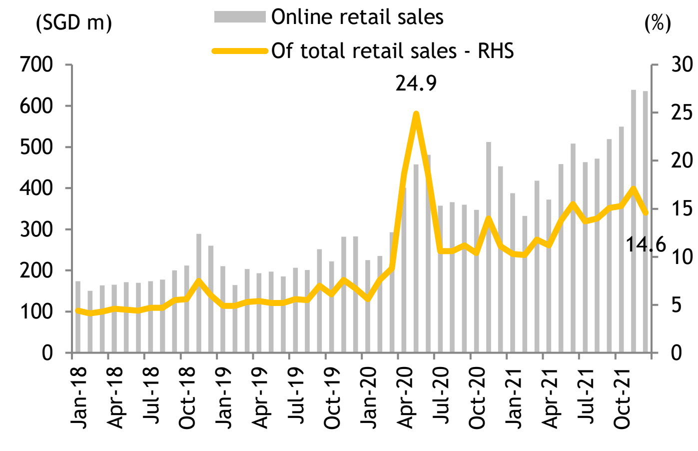
We expect reversions to improve in 2022 as tenant sales gain traction. Prime Orchard Road rents have declined 12% since 2019, to a 13% premium to suburban mall rents, from 30%. We expect suburban malls to remain resilient, but see downtown malls as better leveraged to further easing of capacity restrictions, and lifting of office capacity limits, from 50% since 1 Jan 2022, into the coming quarters. We forecast Orchard Road rents to rise at 3.8% YoY in 2022, ahead of suburban mall rents.

**Fig 20: Retail sales snapped three years of decline to increase 11.1% YoY in 2021**



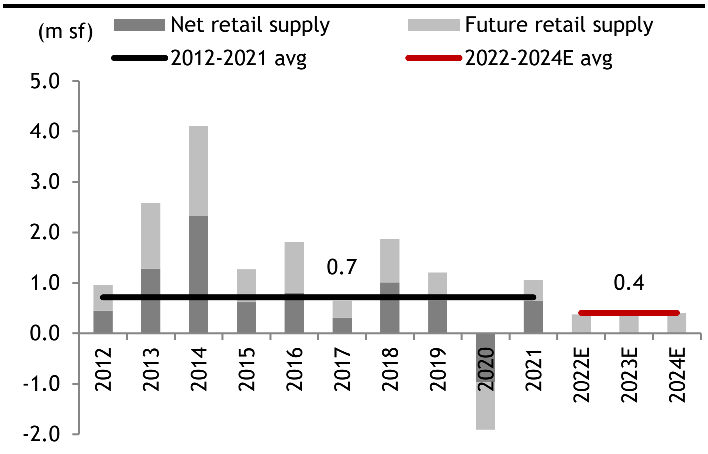

*Source: CEIC*

**Fig 21: Online retail sales surged in 2020, and set for double-digit growth**



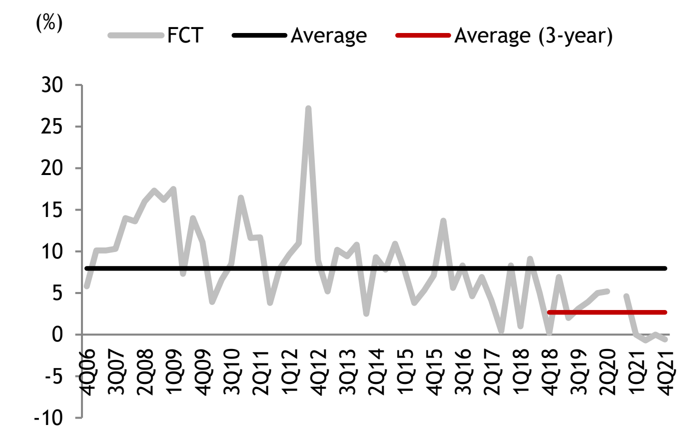

*Source: CEIC*

**Fig 22: Retail supply**




*Source: URA, CBRE*

**Fig 23: FCT rental reversions to improve**




*Source: Company data*

**Optimism with opening borders, RevPAR visibility low**

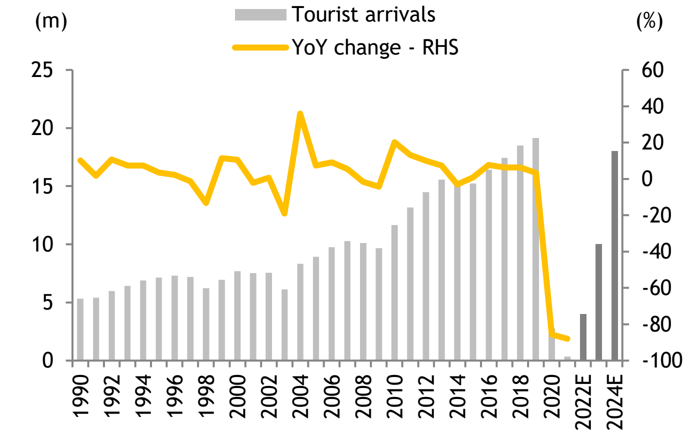
Gross lettings in 2021 remain depressed at 30-40% of pre-pandemic levels, as border closures capped visitor arrivals at 0.3m, versus 19.1m in 2019. Singapore has in recent months progressively reopened its borders, with the establishment of new vaccinated travel lanes (VTLs) facilitating higher visitor arrivals. While room occupancies were primarily supported by demand from government isolation contracts, RevPAR recovery picked up pace in 4Q21, with the opening of VTLs from Nov 2021. Looking ahead, the pace of tourism recovery will depend largely on the arrangements with China, India, Indonesia, Malaysia and Australia, which together accounted for c.55% of arrivals in 2019.

The progressive reopening of borders provides a positive outlook for the sector, which could benefit from pent-up travel demand when cross-border travel eventually returns. Tourist arrivals worldwide could increase by 30-70% YoY in 2022, and are expected to return to pre-pandemic levels at the earliest in 2024, according to the World Tourism Organisation. The respective domestic markets should lead the recovery ahead of the progressive return of large-scale events, which are subject to easing of restrictions. The outlook across markets remains uneven, amid the proliferation of Omicron and heightened security concerns brought about by the ongoing Russia-Ukraine conflict.

We expect RevPARs to recover off a low base, but visibility is low, especially in 1H22, as demand from government business tapers off, and competition for leisure and corporate travel intensifies. Supply is expected to increase by 4,661 rooms, or at an average of 3.3% p.a. through 2023, with the majority (c.80%) concentrated in the luxury/upscale segment.

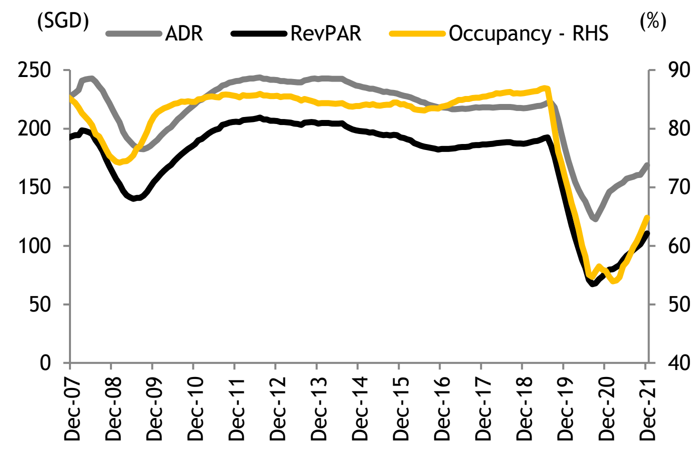
ART and CDLHT have pivoted to more stable income assets of purpose-built student accommodation (PBSA), rental housing, and build-to-rent properties, amid the slow RevPAR recovery. ART has achieved strong growth momentum and raised its target allocation in longer-stay accommodation to 25-30% of AUM from 15-20%; it remains our pick within the space.

**Fig 24: Visitor arrivals returning to pre-Covid levels in 2024**



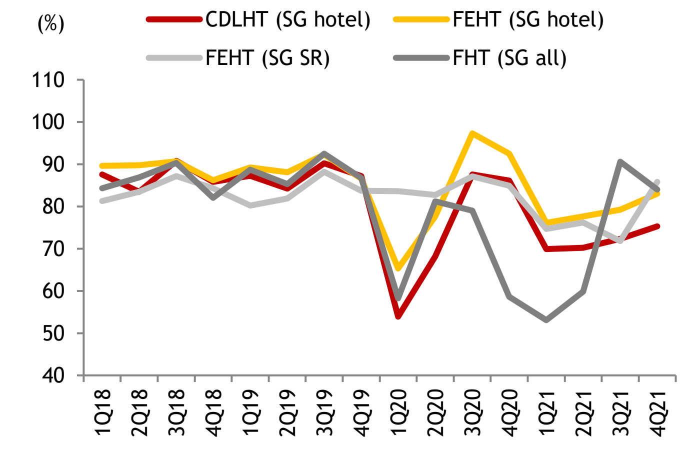

*Source: STB, Maybank IBG Research*

**Fig 25: RevPAR visibility is low**



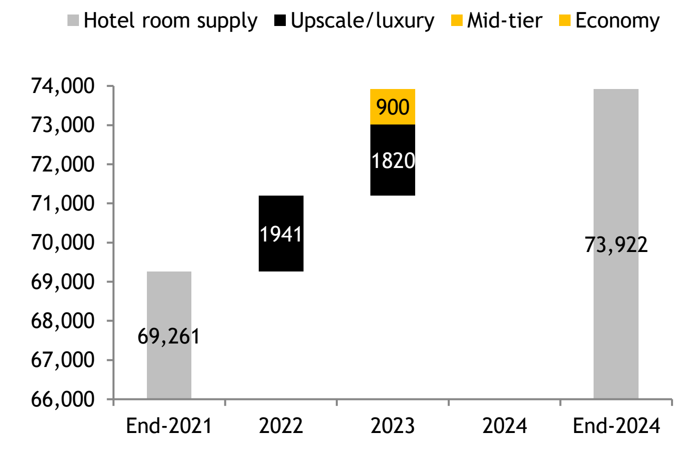

*Source: STB*

**Fig 26: Occupancies backed by government contracts set to taper off**




*Source: Company data*

**Fig 27: Supply growth projected at 2.2% through 2024**




*Source: STB, Horwath HTL, CDLHT*

**Fig 28: Singapore's macroeconomic indicators and forecasts**

| | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E |
|---|---|---|---|---|---|---|
| Real GDP (%) | 3.7 | 1.1 | (4.1) | 7.6 | 3.8 | 2.5 |
| Private Consumption (%) | 4.0 | 3.2 | (12.9) | 4.5 | 4.0 | 2.5 |
| Government Consumption (%) | 3.0 | 3.4 | 13.3 | 4.5 | 3.4 | 3.0 |
| Gross Fixed Capital Formation (%) | (5.1) | 1.7 | (14.2) | 19.6 | 6.0 | 6.0 |
| Exports of Goods & Services (%) | 7.6 | 0.3 | (0.2) | 6.8 | 4.4 | 4.0 |
| Imports of Goods & Services (%) | 7.2 | 0.1 | (2.3) | 7.6 | 4.9 | 4.6 |
| Current Account Balance (% of GDP) | 15.1 | 14.5 | 16.8 | 18.1 | 18.0 | 17.0 |
| Fiscal Balance (% of GDP) | 0.7 | (0.3) | (10.9) | (0.9) | (0.5) | 1.0 |
| Inflation Rate (%) | 0.4 | 0.6 | (0.2) | 2.3 | 3.6 | 1.8 |
| Unemployment Rate (%) | 2.1 | 2.3 | 3.0 | 2.7 | 2.4 | 2.3 |
| Exchange Rate (per USD, end-period) | 1.36 | 1.35 | 1.32 | 1.35 | 1.30 | 1.28 |
| 3M SIBOR (% p.a., end-period) | 1.89 | 1.77 | 0.41 | 0.44 | 0.98 | 1.52 |

*Source: CEIC, Maybank IBG Research*

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