

### SECTOR UPDATE

## REITs – Singapore

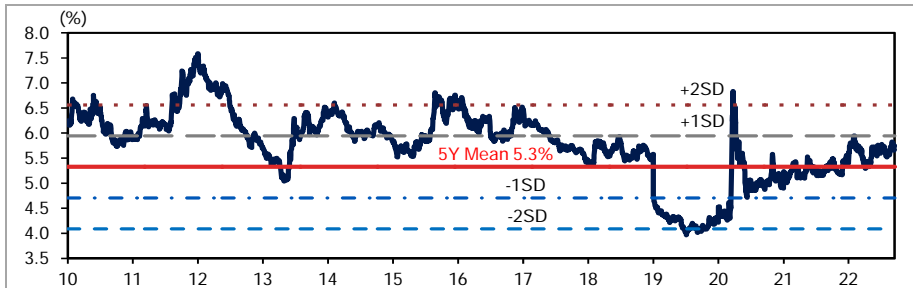
S-REITs Bi-Weekly Updates (1-15 Sep 22)

It is a tumultuous time for S-REITs with elevated inflation dominating headlines. The sector has nevertheless eked out a small gain of 0.5%. S-REITs are resilient due to their stable cash flows. Investors are likely to turn their attention to S-REITs when economic growth and inflation start to moderate more meaningfully. Our bottom-up and diversified BUY picks are FCT (Target: S\$2.74), LREIT (Target: S\$0.99), MINT (Target: S\$3.36) and MLT (Target: S\$2.08). Maintain OVERWEIGHT.

### WHAT HAPPENED IN THE LAST TWO WEEKS

- **Mercatus portfolio becoming smaller and more digestible.** According to the Business Times, Mercatus Co-operative has withdrawn AMK Hub from its portfolio to be divested. AMK Hub sits on state land alienated to statutory board Singapore Labour Foundation (SLF). The lease stipulated that at least 50% of GFA must be used by SLF, National Trades Union Congress and related entities. Thus, Mercatus Co-operative would only be divesting three properties, namely Jurong Point, NEX and Swing By @ Thomson Plaza.
- **FCT increased its stake in Waterway Point.** FCT has entered into an agreement with Japanese developer Sekisui House to acquire an additional 10% stake of Waterway Point, a dominant suburban mall located next to Punggol MRT station, for S\$132.3m. Waterway Point has consistently performed well and Punggol is a vibrant and growing HDB housing estate. FCT will increase its stake in Waterway Point from 40% to 50%.
- **FSTREI gained 0.5% in the past two weeks** but underperformed the STI that gained 1.4%. Markets remained concerned with elevated inflation with US CPI at 8.3% for Aug 22. The yield for 10-year Singapore government bonds rose 16bp to 3.16%, a whisker away from the recent peak of 3.24% set in mid-June.
- **Top outperformer:** MPACT gained 2.7% as Festival Walk will benefit if Hong Kong ends hotel quarantine requirements by Nov 22. New economy plays DCREIT, MLT and MINT gained 3.3%, 1.8% and 1.2% respectively.
- **Top underperformer:** FHT lost 22.9% after the privatisation lapsed without obtaining the required 75% approval. IREIT, ELITE and CERT, with exposure predominantly to real estate in Europe, declined 6.3%, 5.1% and 1.9% respectively. US REITs PRIME and KORE declined 2.4% and 2.3% respectively.

### S-REIT DISTRIBUTION YIELD



Source: UOB Kay Hian

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

Name	Ticker	Rec	Currency	Price 15 Sep 22	Target Price	Mkt Cap (US\$m)	DPU (¢)		Yield (%)		Yield Spread* (%)		Interest Coverage (x)	Aggregate Leverage (%)	WALE (years)
							Curr	Fwd	Curr	Fwd	Curr	Fwd			
CapLand Int Comm Trust	CICT SP	HOLD	S\$	2.08	2.34	9,812	11.4	11.9	5.5	5.7	2.3	2.6	4.1	40.6	3.8
Ascendas REIT	AREIT SP	BUY	S\$	2.84	3.45	8,486	15.9	15.8	5.6	5.6	2.5	2.4	6.1	36.7	3.8
Mapletree Pan Asia	MPACT SP	BUY	S\$	1.89	2.22	7,036	10.6	11.0	5.6	5.8	2.5	2.7	4.9	33.8	2.8
Mapletree Log	MLT SP	BUY	S\$	1.70	2.08	5,808	9.2	9.2	5.4	5.4	2.2	2.2	4.8	37.2	3.4
Mapletree Ind	MINT SP	BUY	S\$	2.56	3.36	4,924	13.4	13.6	5.2	5.3	2.1	2.2	6.0	38.4	4.1
Frasers L&C Trust	FLT SP	BUY	S\$	1.37	1.60	3,602	7.2	7.8	5.2	5.7	2.1	2.6	12.4	29.2	4.6
Suntec REIT	SUN SP	HOLD	S\$	1.59	1.73	3,249	10.1	10.0	6.3	6.3	3.2	3.1	2.7	43.1	2.6
Keppel REIT	KREIT SP	BUY	S\$	1.09	1.41	2,893	5.9	5.6	5.4	5.2	2.3	2.0	3.8	37.9	6.0
Frasers CT	FCT SP	BUY	S\$	2.28	2.74	2,760	12.9	13.0	5.6	5.7	2.5	2.5	5.2	33.9	1.9
Ascott Trust	ART SP	NR	S\$	1.09	n.a.	2,669	5.6	6.6	5.1	6.1	2.0	2.9	3.9	37.5	n.a.
Keppel DC REIT	KDCREIT SP	NR	S\$	1.95	n.a.	2,383	10.0	10.5	5.1	5.4	2.0	2.2	9.2	35.3	7.6
PLife REIT	PREIT SP	HOLD	S\$	4.67	4.65	2,010	14.7	15.1	3.1	3.2	0.0	0.1	19.8	32.5	11.5
SPH REIT	SPHREIT SP	NR	S\$	0.94	n.a.	1,877	5.4	5.6	5.7	6.0	2.6	2.8	7.7	30.1	2.9
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.395	n.a.	1,877	3.0	3.0	7.6	7.6	4.4	4.4	3.1	40.6	3.0
OUE Comm REIT	OUECT SP	NR	S\$	0.375	n.a.	1,456	2.2	2.3	5.9	6.1	2.7	3.0	3.0	39.1	2.6
Lendlease REIT	LREIT SP	BUY	S\$	0.80	0.99	1,349	5.0	5.1	6.3	6.4	3.1	3.3	9.2	40.0	5.5
CapLand China Trust	CLCT SP	NR	S\$	1.08	n.a.	1,284	8.7	9.5	8.1	8.8	4.9	5.6	4.7	38.6	2.1
Cromwell REIT EUR	CERT SP	NR	€	2.02	n.a.	1,135	17.0	17.5	8.4	8.7	6.7	6.9	6.7	38.6	4.6
CDL HTrust	CDREIT SP	BUY	S\$	1.27	1.54	1,116	5.9	7.5	4.7	5.9	1.5	2.7	3.5	39.5	n.a.
Starhill Global	SGREIT SP	NR	S\$	0.585	n.a.	932	4.1	4.2	7.0	7.2	3.9	4.0	3.4	36.2	4.7

\* Yield spread above 10-year government bond yield

Source: Bloomberg, UOB Kay Hian

## OVERWEIGHT

(Maintained)

### SEGMENTAL RATING

S-REITs	OVERWEIGHT
Healthcare REITs	MARKET WEIGHT
Hospitality REITs	OVERWEIGHT
Industrial REITs	OVERWEIGHT
Office REITs	OVERWEIGHT
Retail REITs	OVERWEIGHT

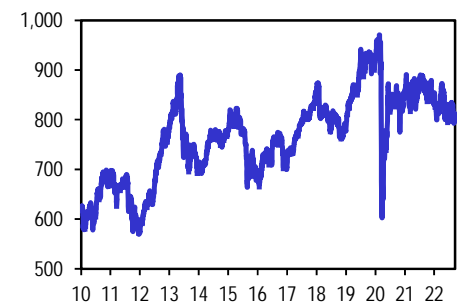
Source: UOB Kay Hian

### TOP S-REIT PICKS

Company	Rec	Share Price (\$)	Target Price (\$)
FCT	BUY	2.28	2.74
LREIT	BUY	0.80	0.99
MINT	BUY	2.56	3.36
MLT	BUY	1.70	2.08

Source: UOB Kay Hian

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



Source: UOB Kay Hian

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### PEER COMPARISON

Name	Ticker	Rec	Curr	Price	Target	Mkt Cap (US\$m)	Yield (%)				Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
				15 Sep 22	Price		Hist	Curr	Fwd 1Y	Fwd 2Y			
<b>HEALTHCARE</b>													
First REIT	FIRT SP	NR	S\$	0.28	n.a.	409	9.3	n.a.	n.a.	n.a.	66.6	35.6	0.83
PLife REIT	PREIT SP	HOLD	S\$	4.67	4.65	2,010	3.0	3.1	3.2	3.3	50.4	32.5	1.94
<b>HOSPITALITY</b>													
Ascott Trust	ART SP	NR	S\$	1.09	n.a.	2,669	4.0	5.1	6.1	6.6	71.7	37.5	0.94
CDL HTrust	CDREIT SP	BUY	S\$	1.27	1.54	1,116	3.4	4.7	5.9	6.0	68.5	39.5	0.97
Far East HTrust	FEHT SP	BUY	S\$	0.625	0.83	883	4.2	5.0	6.5	6.9	43.6	33.3	0.73
Frasers HTrust	FHT SP	NR	S\$	0.54	n.a.	740	1.8	3.5	3.7	6.1	78.7	39.3	0.83
<b>INDUSTRIAL</b>													
AIMS APAC REIT	AAREIT SP	NR	S\$	1.36	n.a.	694	7.0	7.2	7.3	7.4	60.5	37.0	0.98
Ascendas REIT	AREIT SP	BUY	S\$	2.84	3.45	8,486	5.4	5.6	5.6	5.6	63.7	36.7	1.19
DigiCore REIT USD	DCREIT SP	BUY	US\$	0.78	0.98	881	n.a.	5.2	5.1	5.2	35.4	25.7	0.89
ESR-LOGOS REIT	EREIT SP	NR	S\$	0.40	n.a.	1,877	7.6	7.6	7.6	7.8	82.3	40.6	1.08
Keppel DC REIT	KDCREIT SP	NR	S\$	1.95	n.a.	2,383	5.1	5.1	5.4	5.6	57.6	35.3	1.43
Mapletree Ind Trust	MINT SP	BUY	S\$	2.56	3.36	4,924	5.4	5.2	5.3	5.5	58.2	38.4	1.36
Mapletree Log Trust	MLT SP	BUY	S\$	1.70	2.08	5,808	5.2	5.4	5.4	5.4	71.4	37.2	1.16
<b>OFFICE</b>													
Keppel REIT	KREIT SP	BUY	S\$	1.09	1.41	2,893	5.3	5.4	5.2	5.7	68.9	37.9	0.80
<b>RETAIL</b>													
Frasers CT	FCT SP	BUY	S\$	2.28	2.74	2,760	5.3	5.6	5.7	5.5	47.2	33.9	0.98
Lendlease REIT	LREIT SP	BUY	S\$	0.80	0.99	1,349	6.1	6.3	6.4	6.5	83.4	40.0	1.03
Sasseur REIT	SASSR SP	BUY	S\$	0.75	1.12	655	9.5	10.1	10.2	10.6	43.5	26.5	0.78
SPH REIT	SPHREIT SP	NR	S\$	0.94	n.a.	1,877	5.7	5.7	6.0	6.3	50.2	30.2	1.02
Starhill Global	SGREIT SP	NR	S\$	0.585	n.a.	932	6.5	7.0	7.2	7.4	62.1	36.2	0.75
<b>DIVERSIFIED</b>													
CapLand China Trust	CLCT SP	NR	S\$	1.08	n.a.	1,284	8.1	8.1	8.8	9.1	79.3	38.6	0.71
CapLand Int Comm Trust	CICT SP	HOLD	S\$	2.08	2.34	9,812	5.0	5.5	5.7	5.9	68.9	40.6	0.98
Frasers L&C Trust	FLT SP	BUY	S\$	1.37	1.60	3,602	5.6	5.2	5.7	5.8	41.6	29.2	1.04
Mapletree Pan Asia Comm	MPACT SP	BUY	S\$	1.89	2.22	7,036	5.0	5.6	5.8	5.9	52.0	33.8	1.08
OUE Comm REIT	OUECT SP	NR	S\$	0.375	n.a.	1,456	6.9	5.9	6.1	6.1	73.1	39.1	0.65
Suntec REIT	SUN SP	HOLD	S\$	1.59	1.73	3,249	5.5	6.3	6.3	5.8	79.8	43.1	0.75
<b>OFFSHORE</b>													
Cromwell REIT EUR	CERT SP	NR	€	2.02	n.a.	1,135	8.4	8.4	8.7	8.7	71.9	38.6	0.80
Elite Comm REIT GBP	ELITE SP	BUY	£	0.56	0.79	309	9.7	9.2	8.4	8.9	75.9	41.9	0.90
IREIT Global	IREIT SP	NR	S\$	0.525	n.a.	432	7.8	7.8	7.8	8.0	50.5	30.8	0.66
KepPacOak REIT USD	KORE SP	BUY	US\$	0.65	0.99	679	9.8	9.5	9.1	9.1	65.1	37.2	0.78
Manulife REIT USD	MUST SP	BUY	US\$	0.50	0.74	888	10.7	10.6	10.8	11.2	78.3	42.4	0.71
Prime US REIT USD	PRIME SP	NR	US\$	0.61	n.a.	719	11.1	11.5	11.5	11.6	63.3	37.8	0.71
Utd Hampshire REIT USD	UHU SP	BUY	US\$	0.615	0.83	345	9.9	10.1	9.4	9.2	63.6	38.0	0.80

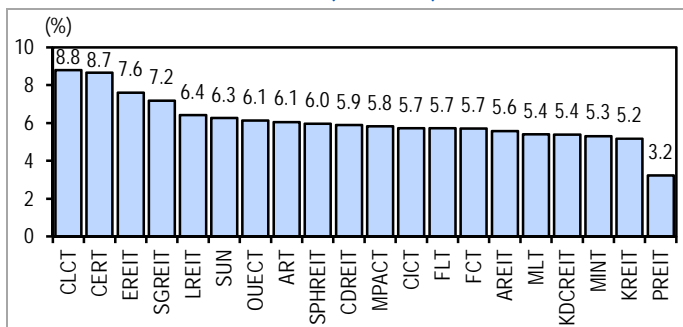
Source: Bloomberg, UOB Kay Hian

### TOP 10 OUTPERFORMERS AND TOP 10 UNDERPERFORMERS RANKED BY WEEKLY SHARE PRICE PERFORMANCE

TOP OUTPERFORMERS (%)							TOP UNDERPERFORMERS (%)						
NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD	NAME	2WK	1MTH	3MTH	6MTH	1Y	YTD
Manulife REIT USD	4.2	-7.4	-15.3	-19.4	-28.6	-25.4	Frasers HTrust	-22.9	-22.9	-22.3	22.7	16.1	16.1
Digi Core REIT USD	3.3	-11.9	-6.0	-27.1	-11.4	-32.8	IREIT Global	-6.3	-12.5	-13.9	-13.2	-17.3	-19.2
Mapletree Pan Asia	2.7	-2.6	6.8	3.8	-9.1	-5.5	Elite Comm REIT GBP	-5.1	-7.4	-12.5	-11.8	-16.4	-15.8
CDL HTrust	2.4	-0.8	0.0	12.4	13.4	8.5	ESR-LOGOS REIT	-3.7	-7.1	-1.2	-6.0	-18.6	-17.7
First REIT	1.8	1.8	0.0	-5.1	7.7	-8.2	Sasseur REIT	-3.2	-5.1	-3.8	-11.2	-15.7	-11.2
Mapletree Log	1.8	-5.6	4.3	-4.0	-17.1	-10.5	Lendlease REIT	-3.0	-5.3	1.3	1.3	-7.0	-10.6
Mapletree Ind	1.2	-4.8	4.9	-0.4	-9.9	-5.5	PLife REIT	-2.7	-4.7	-2.7	0.4	-1.5	-9.0
Keppel REIT	0.9	-1.8	-3.5	-9.9	1.9	-3.5	Prime US REIT USD	-2.4	-8.3	-10.9	-17.0	-28.2	-26.9
Frasers CT	0.9	-2.6	0.9	0.9	0.4	-1.3	KepPacOak REIT USD	-2.3	-3.7	-7.1	-7.1	-15.0	-18.8
Starhill Global	0.9	0.0	2.6	1.7	-8.6	-10.7	Cromwell REIT EUR	-1.9	-4.7	-0.5	-7.3	-23.8	-20.2

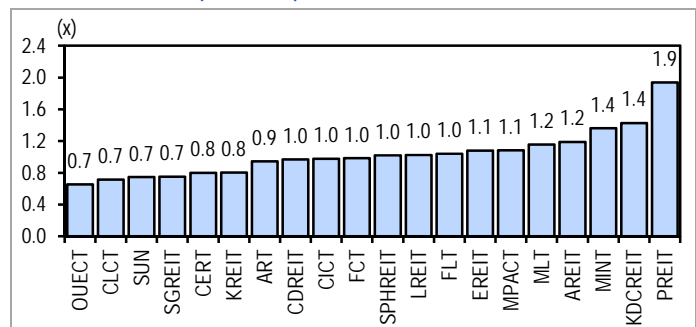
Source: Bloomberg, UOB Kay Hian

### RANKING BY DISTRIBUTION YIELD (FORWARD)



Source: UOB Kay Hian

### RANKING BY P/NAV (CURRENT)



Source: UOB Kay Hian

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