

Singapore

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Overweight *(no change)*

Highlighted Companies

CapitaLand Ascott Trust ADD, TP S\$1.27, S\$1.11 close

Our top pick for the sector. CLAS's geographically diversified portfolio of SRs, business hotels and extended stay assets strikes a balance between stable and growth income, with long-stay demand providing stability while shorter-stay accommodations allow it to drive rates.

CDL Hospitality Trust ADD, TP S\$1.55, S\$1.20 close

With 66% of its AUM in Singapore, CDREIT is a proxy for the recovery of the Singapore hospitality sector. AELs at several of its properties and strong demand across its key markets should support further RevPAR growth.

Far East Hospitality Trust ADD, TP S\$0.77, S\$0.64 close

FEHT is a Singapore pure play. Strong corporate demand for SRs has pushed occupancies and RevPAR above 2019 levels while its newly revamped hotel offerings should drive room rates. Including capital gain distributions from the divestment of Central Square, FEHT offers 5.9% FY23F dividend yield.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
CapitaLand Ascott Trust	21.10	18.58	16.87
CDL Hospitality Trust	20.56	18.81	16.96
Far East Hospitality Trust	22.38	19.38	17.34
P/BV (x)	Dec-23F	Dec-24F	Dec-25F
CapitaLand Ascott Trust	0.97	0.98	0.99
CDL Hospitality Trust	0.83	0.84	0.86
Far East Hospitality Trust	0.72	0.73	0.74
Dividend Yield	Dec-23F	Dec-24F	Dec-25F
CapitaLand Ascott Trust	5.46%	6.15%	6.64%
CDL Hospitality Trust	5.49%	6.49%	6.78%
Far East Hospitality Trust	5.93%	6.63%	6.76%

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REIT

Hospitality SREIT did not disappoint in 2Q23

- CLAS, CDREIT and FEHT delivered 1H23 yoy DPU growth of 19.3-23.3% as higher interest cost was offset by stronger operating performance.
- 2Q23 RevPARs in most geographies were 100-127% of 2Q19 levels, except New Zealand, China and Vietnam, which underperformed.
- Reiterate Overweight rating on strong tourism recovery. Downside risks and lacklustre leisure/corporate travel demand which could lower RevPARs.

CapitaLand Ascott Trust 1H23 results highlights

- We deem its 1H23 DPU of 2.78 Scts (+19.3% yoy) in line at 45.9% of our FY23F forecast, with 2H historically stronger. Excluding one-offs, DPU increased 37% yoy.
- 1H23 revenue/NPI rose 30%/31% yoy to S\$346.9m/S\$154.4m, mainly due to improvement in operating performance of its properties and the acquisition of 14 longer-stay assets in FY22 and 2Q23.
- 2Q/1H23 RevPAU climbed 20%/44% yoy to S\$149/S\$138, with 2Q RevPAU reaching 98% of pre-Covid-19 pro forma RevPAU. On a same-store basis, 6 out of CLAS's 8 key markets were at or above pre-Covid-19 levels; Australia was 105%, Japan 109%, Singapore 127%, France c.100%, the US 100% and UK 127%. China and Vietnam's RevPAU inched closer to their respective pre-Covid-19 levels, to 78% and 83%.
- Interest cost and gearing remained stable qoq at 2.3% and 38.6%, respectively, while interest coverage slipped to 4.3x. As of 2Q23, 80% of CLAS's loans were on fixed rates, with 13% of total loans maturing in FY23F, denominated in JPY, A\$ and €.
- CLAS announced that it is divesting 4 properties in France for €44.4m (S\$63.4m) to an unrelated third party; the transaction should conclude in 4Q23F. The sale price is 63% above book value, implying c.4% exit yield and unlocking net gains of €0.2m (S\$0.3m).
- Reiterate Add with an unchanged DDM-based TP of S\$1.27. CLAS's diversified and balanced portfolio provides both stability and upside exposure to the hospitality sector as well as portfolio reconstitution opportunities.

CDL Hospitality Trust 1H23 results highlights

- 1H23 DPU rose 23% yoy to 2.51 Scts, 38.4% of our FY23F, which we deem in line.
- 1H23 revenue rose 20.9% yoy to S\$119.2m while NPI climbed 23.3% yoy to S\$62.9m on better Singapore, Japan, Australia, Europe and UK markets as well as a full 6 months' contribution from Hotel Brooklyn, partly offset by lower New Zealand and Maldives performance.
- Yoy RevPAR growth was strong in Singapore (2Q/1H23 +20.7%/+45.8%), Japan (2Q/1H23 +14.5%/+143%) and Europe (2Q/1H23 – Germany +40.5%/+64.7%, Italy +57.5%/+66.4%, UK +10.1%/+14.5%) but Australia, New Zealand and Maldives lagged.
- Gearing and interest coverage ratio was 37.9% and 3.2x at end-1H23 while cost of debt rose to 4.1%.
- Reiterate Add and DDM-based TP of S\$1.55. CDREIT is poised to benefit from the hospitality recovery in its key geographies of Singapore, Australia, UK and Japan.

Far East Hospitality Trust 1H23 results highlights

- 1H23 DPU of 1.92 Scts (+24.7% yoy) was in line at 50.2% of our FY23F.
- Revenue for the hotel and serviced residence segments grew 35.4% and 2.8% yoy, respectively, surpassing 1H19 levels on a same-store basis.
- Despite the disposal of Central Square, revenue from the retail and office spaces grew 11.0% yoy (+22.8% on same-store basis) on the back of higher occupancies and rents.
- 2Q hotel RevPAR dipped 3.0% qoq but surged 72.4% yoy to 91.8% of 2Q19 levels. This was expected given that three of its hotels were in the gestation stages after exiting government booking in early-Mar 23. Service residences (SRs) continued to hold up well with 2Q23 RevPAR down 0.4% qoq but rising 16.1% yoy to 123.1% of 2Q19 levels.
- On the balance sheet front, gearing, average cost of debt and interest rate coverage were stable qoq at 32.0%, 3.2% and 3.6x.
- Reiterate Add with unchanged DDM-based TP of S\$0.77. We think FEHT is a potential re-rating play with geographical diversification being the key re-rating catalyst.

Figure 1: Summary of hospitality SREITs 2Q/1H23 performance

	1H23 reported DPU (Scts)	yoy change	% of our FY23F	2Q SG RevPAR vs pre-covid
CLAS	2.78	+19.3%	45.9%	127%
CDREIT	2.51	+23.0%	38.4%	117%
FEHT	1.92	+24.7%	50.2%	92%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: SREITs' peer comparison

SREIT	Bloomberg Ticker	Rec.	Price (LC) as at		Target Price (LC) (DDM- based)	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Dividend Yield (%)		
			27 Jul 23							FY23F	FY24F	FY25F
Hospitality												
CapitaLand Ascott Trust	CLAS SP	Add	1.11	1.27	\$2,898	38.6%	1.16	0.96	5.5%	6.2%	6.6%	
CDL Hospitality Trust	CDREIT SP	Add	1.19	1.55	\$1,115	37.9%	1.31	0.91	5.5%	6.5%	6.8%	
Far East Hospitality Trust	FEHT SP	Add	0.65	0.77	\$972	32.0%	0.85	0.76	5.9%	6.6%	6.8%	
Frasers Hospitality Trust	FHT SP	NR	0.47	NA	\$680	39.3%	0.65	0.72	5.1%	5.1%	5.4%	
Simple Average						37.0%	0.84	0.84	5.5%	6.1%	6.4%	
Industrial												
AIMS AMP	AAREIT SP	NR	1.24	NA	\$722	36.4%	1.38	0.90	7.0%	6.9%	7.0%	
CapitaLand Ascendas REIT	CLAR SP	Add	2.84	3.06	\$9,399	38.2%	2.30	1.23	5.7%	5.8%	5.9%	
ESR-LOGOS REIT	EREIT SP	Add	0.35	0.39	\$1,995	41.8%	0.35	0.99	7.7%	7.4%	7.4%	
Frasers Logistics & Commercial Trus	FLT SP	Add	1.29	1.52	\$3,621	27.8%	1.30	0.99	5.5%	5.6%	5.8%	
Keppel DC REIT	KDCREIT SP	Add	2.30	2.53	\$2,983	36.3%	1.37	1.68	4.5%	4.7%	4.9%	
Mapletree Industrial Trust	MINT SP	Add	2.29	2.61	\$4,889	37.4%	1.85	1.24	5.9%	6.0%	6.2%	
Mapletree Logistics Trust	MLT SP	Add	1.72	1.88	\$6,409	36.8%	1.44	1.19	5.2%	5.0%	5.1%	
Sabana Shariah	SSREIT SP	NR	0.42	NA	\$346	32.4%	0.53	0.78	7.3%	6.9%	7.1%	
Simple Average						35.9%	1.22	1.22	6.1%	6.0%	6.2%	
Office												
Keppel REIT	KREIT SP	Add	0.92	1.14	\$2,606	39.2%	1.37	0.67	6.5%	6.5%	6.8%	
OUE Commercial REIT	OUECT SP	Hold	0.32	0.36	\$1,300	39.0%	0.59	0.53	6.7%	6.8%	7.0%	
Suntec REIT	SUN SP	Hold	1.30	1.48	\$2,832	42.8%	2.09	0.62	5.5%	5.5%	5.7%	
Simple Average						40.3%	0.61	0.61	6.2%	6.3%	6.5%	
Retail												
CapitaLand Integrated Commercial	CICT SP	Add	2.05	2.35	\$10,279	40.9%	2.06	1.00	5.3%	5.6%	5.8%	
Frasers Centrepoint Trust	FCT SP	#N/A	2.19	#N/A	\$2,819	40.2%	2.31	0.95	na	na	na	
Lendlease Global Commercial REIT	LREIT SP	Add	0.69	0.90	\$1,200	40.0%	0.78	0.88	6.7%	6.8%	7.4%	
Mapletree Pan Asia Commercial Trus	MPACT SP	Hold	1.69	1.90	\$6,680	40.2%	1.81	0.93	5.7%	5.3%	5.7%	
Paragon REIT	PGNREIT SP	Hold	0.95	1.01	\$2,018	29.8%	0.91	1.04	5.3%	5.6%	5.7%	
Starhill Global REIT	SGREIT SP	Add	0.52	0.62	\$875	36.1%	0.80	0.64	7.7%	8.2%	8.3%	
Simple Average						37.9%	0.91	0.91	6.2%	6.3%	6.6%	
Overseas-centric												
CapitaLand China Trust	CLCT SP	NR	1.17	NA	\$1,455	34.7%	1.55	0.75	6.4%	7.1%	7.6%	
Elite Commercial REIT	ELITE SP	Add	0.29	0.57	\$177	45.8%	0.52	0.55	15.4%	15.4%	15.7%	
Manulife US REIT	MUST SP	Add	0.11	0.41	\$199	48.8%	0.57	0.20	34.7%	34.4%	33.9%	
Sasseur REIT	SASSR SP	Add	0.72	1.00	\$667	27.6%	0.87	0.82	9.1%	9.4%	9.8%	
Simple Average						39.9%	0.58	0.58	16.4%	16.6%	16.7%	
Healthcare												
Parkway Life REIT	PREIT SP	Add	3.89	4.50	\$1,774	37.5%	2.29	1.70	3.8%	3.8%	4.0%	
Simple Average						36.2%	1.70	1.70	3.8%	3.8%	4.0%	
Simple average for SIN						37.7%	0.91	0.91	7.6%	7.7%	7.9%	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS
NR estimates are based on Bloomberg consensus forecasts

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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2023		
632 companies under coverage for quarter ended on 30 June 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.3%	0.9%
Hold	25.8%	0.3%
Reduce	8.9%	0.0%

Recommendation Framework

Stock Ratings

Definition:

Add The stock’s total return is expected to exceed 10% over the next 12 months.

Hold The stock’s total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock’s total return is expected to fall below 0% or more over the next 12 months.

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Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

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Definition:

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Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.