

Singapore REITs Monthly

Monthly Tracker: June 2019

SINGAPORE | REAL ESTATE (REIT) | UPDATE

- FTSE S-REIT index return gained 4.4% MTD and 14.8% YTD. Strongest gains were from the Healthcare sector (+3.9% YTD) and weakest showing at the Hospitality sector (-2.3% YTD).
- Sector yield spread still below the -1 standard deviation (s.d.) level as at end-May, at 272bps, over the benchmark 10-year SGS (10YSGS) yield.
- 3-month SOR rose to 2.05% as at end-May.
- Remain NEUTRAL on S-REITs sector. Sub-sector preferences: Office and Hospitality.

SECTOR SNAPSHOT

S-REIT yield spread declined 39bps YTD as at end-May. The S-REIT yield spread eased to 272bps as at end-May, still below the -1 standard deviation (SD) level. The S-REIT dividend yield was 4.81% as at end-May. The 10YRSGS yield eased 8bps MoM, to end at 2.09% as at end-May.

3-month SOR eased to 2.05% as at end-May.

Eagle Hospitality Trust, a pure-play US upscale select-service hospitality trust, debuted on the SGX on 24 May 2019. It has forecasted an indicative yield of 8.2% for FY2019. Share price is now trading at a 10.3% discount to IPO issuance price.

Retail: Retail sales (excluding motor vehicle sales) declined -2.0% YoY in April, on a seasonally adjusted basis, dragged down largely by the furniture & household equipment (-6.4%) and the computer & telecom equipment (-6.2%) sectors. The F&B index was up +3.82% YoY (seasonally adjusted) in April. Funan Mall, under CapitaLand Mall Trust, has achieved 92% and 98% commitment for its retail and office components, respectively, ahead of its scheduled opening on June 28, 2019. The serviced residence component, lyf Funan, is slated to open in by 4Q19. In transactions, CapitaLand and City Developments Ltd had successfully acquired Liang Court Mall for S\$400mn.

Office: Co-working operators continue to mushroom Singapore office space, with SPACES — owned by flexible workspace provider IWG, opening two new locations at TripleOne Somerset and Clarke Quay, with plans to open two more locations at One Raffles Place and Paya Lebar Quarter. Singapore CBD space is still retaining its shine, with the city-state being ranked as Asia's top commercial real estate locations for technology, media and telecommunications (TMT) occupiers, according to a research report by Colliers International.

Industrial: Two new REITs under Mapletree Investments could be in the launch pipeline for the next five years, according to a media interview report. These could include assets ranging from student housing in the UK and the US, corporate housing in the US, data centres in the US, logistics facilities in Europe and offices in Europe. Separately, ESR Cayman, through its subsidiaries, had entered into agreements to raise its effective ownership of Sabana REIT to 21.4%.

Hospitality: Average RevPAR saw a slight decline of -1.60% YoY in April, on both hotel occupancy and average room rate. The luxury segment was the only segment which recorded growth, of +3.4% YoY, in April 2019. Visitor arrivals was flat in April.



18 June 2019

NEUTRAL (Maintained)

INDEX RETURN (%)

	1M TH	3 M T H	YTD	1Y R
FSTREIRETURN	4.4	5.3	14.8	13.7
FSTREH RETURN	0.4	(2.5)	9.0	(6.6)
STIRETURN	(0.3)	0.5	4.7	(4.3)

FSTREI VS. STI



10-year SGS (%) & 3-month SOR (%



Source: Bloomberg, PSR

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Page | 1 | PHILLIP SECURITIES RESEARCH (SINGAPORE)

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INVESTMENT ACTIONS

Remain NEUTRAL on the S-REITs sector

While the S-REIT yield spread is currently below the -1SD level since the global financial crisis, strong rental growth should offset any adverse effects from rising interest rates - with the 3MSOR still rising despite the Federal Reserve's recent dovish stance.

We maintain NEUTRAL on the S-REITs sector, with selective sub-sector preferences.

Top-down view (unchanged)

We like the Commercial and Hospitality sub-sectors due to tapering supply after the surge in supply in the prior two to three years. We are cautious on the Retail sub-sector as retail sales and shopper footfall both leave much to be desired.

Tactical bottom-up view (unchanged)

REITs that can better weather through the rising interest rate environment would be those

- 1) Low gearing; 2) High-interest coverage; 3) Long weighted average debt to maturity; and
- 4) A high proportion of debt on fixed interest rates

Figure 1: S-REITs under our coverage

	PSR RATING	PSR TARGET PRICE (S\$)
ASCOTT RESIDENCE TRUST	BUY	1.36
CAPITALAND MALL TRUST	NETURAL	2.21
FRASERS CENTREPOINT TRUST	NEUTRAL	2.36
CAPITALAND RETAIL CHINA TRUST	ACCUMULATE	1.66
DASIN RETAIL TRUST1	ACCUMULATE	0.94
CAPITALAND COMMERCIAL TR	NEUTRAL	1.93
ASCENDAS REAL ESTATE INV TR	NEUTRAL	2.88
MAPLETREE INDUSTRIAL TRUST	NEUTRAL	2.03
KEPPEL DC REIT	ACCUMULATE	1.59
CACHE LOGISTICS TRUST	NEUTRAL	0.75
EC WORLD REIT1	BUY	0.87

Source: PSR

¹ Covered by PSR under the 'SGX Stockfacts' scheme



MACROECONOMIC ENVIRONMENT

Figure 2: FTSE Straits Times REIT Index Yield Spread over 10YSGS



May was at 4.81%, up from 4.58% as at end-April.

S-REIT yield spread declined 38bps YTD as at end-May, to 272bps, still

below the -1SD level. This was a

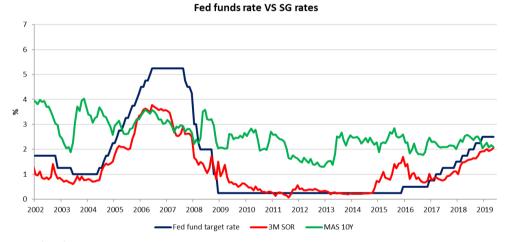
bump up from the 241bps recorded

The S-REIT dividend yield as at end-

as at end-April.

Source: Bloomberg, PSR

Figure 3: Fed Fund Rates vs SG rates



The 3-month SOR increased to 2.05% as at end-May.

Source: Bloomberg, PSR

SUB-SECTOR MONTHLY INDICATORS

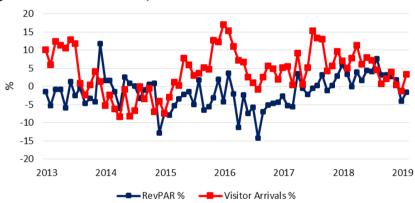
Figure 5: SG Retail Sales YoY% (excl. Motor Vehicle Sales) (seasonally adjusted)



	RSI (excl. motor vehicles)	RSI (Dept stores)	RSI (Supermarkets)	RSI (Fashion)	F&B Index		
Apr-19	-2.0	-1.1	-0.4	3.3	3.8		
Apr-18	1.7	-1.6	-2.2	-2.3	0.2		

Source: CEIC, PSR

Figure 13: SG Tourist Arrivals/Hotel RevPAR YoY%



Source: CEIC, PSR

	Visitor Arrivals	Hotel RevPAR	Hotel Occupancy	Hotel Average	
		(S\$)	(%)	Room Rate (S\$)	
Apr-19	1,562,733	185	85.1	217	
Apr-18	1,384,610	188	85.3	220	

Retail sales (excluding motor vehicle sales) declined -2.0% YoY in April, on a seasonally adjusted basis.

The biggest drags were the furniture & household equipment (-6.4%) and the computer & telecom equipment (-6.2%) sectors.

The F&B index was up +3.82% YoY (seasonally adjusted) in April, with increases across all sub-categories.

Average RevPAR saw a slight decline of -1.60% YoY in April, on both hotel occupancy and average room rate.

The luxury segment was the only segment which recorded growth, of +3.4% YoY, in April 2019.

Visitor arrivals were flat in April.

Figure 15: S-REIT Universe

*Note: Coloured columns below indicate the critical attributes of REITs that should be looked at in a rising interest rates environment. The colour coding represents the scale of the figure for each respective column, green representing better than average and red representing worse than average.

	Mkt. Cap. (S\$mn)	Price (S\$)	PSR RATING	PSR TARGET PRICE (S\$)	P/NAV	Trailing yield (%)	Total Returns 1M (%)	Total Returns YTD (%)	Gearing (%)	Approximate % of debt on fixed rate	ROE (%)	All-in borrowing cost (%)	% debt expiring in current FY	% debt expiring in next FY	Year End
Healthcare															
PARKWAYLIFE REAL ESTATE	1,839	3.04			1.6	4.3	4.6	16.3	36.4	88.0	14.1	0.91	1.0	11.0	December
FIRST REAL ESTATE INVT TRUST	809	1.02			1.0	8.4	3.1	5.9	34.5	60.2	9.0	4.00	20.3	0.0	December
Average					1.31	6.35	3.87	11.14	35.45	74.10	11.55	2.46			
Hospitality	2.040	4.24	BUY	4.20	4.0	5.5	2.2	18.7	25.7	80.0		2.40		44.0	D
ASCOTT RESIDENCE TRUST CDL HOSPITALITY TRUSTS	2,849 1,930	1.31 1.60	ВОТ	1.36	1.0 1.1	5.5	3.3 0.6	13.6	35.7 35.2	60.0	5.9 5.5	2.10 2.40	6.0 20.3	14.0 7.6	December
	1,335	0.71			0.9				35.2	73.6			20.3 47.5	0.0	December
FRASERS HOSPITALITY TRUST OUE HOSPITALITY TRUST	1,333	0.71			0.9	6.5 7.0	(4.3) (4.0)	4.6 4.3	38.4	71.0	4.5 5.2	2.60 2.60	0.0	39.8	September December
FAR EAST HOSPITALITY TRUST	1,257	0.66			0.8	6.1	(2.5)	8.1	39.9	69.5	5.3	2.90	7.9	9.8	December
ASCENDAS HOSPITALITY TRUST	1,108	0.98			1.0	6.2	0.2	21.1	33.2	82.3	21.3	2.00	0.8	11.6	March
EAGLE HOSPITALITY TRUST	612	0.71			0.8	NA	(10.3)	NA	38.0	75.0	NA	4.40	NA	NA	December
ARA US HOSPITALITY TRUST	490	0.87			NA	NA NA	(1.7)	NA	33.4	80.0	NA	4.2	NA NA	NA NA	December
Average	430	0.07			0.93	6.16	-2.32	11.73	35.99	73.93	7.95	2.90	NA.	IVA	December
Retail					0.55	0.10	2.52	11.75	33.33	73.55	7.55	2.50			
CAPITALAND MALL TRUST	9,443	2.56	NETURAL	2.21	1.3	4.5	0.8	8.6	34.4	93.0	9.6	3.20	8.9	8.1	December
MAPLETREE NORTH ASIA COMM	4,454	1.40			1.0	5.4	(1.5)	19.3	36.6	86.0	15.0	2.47	7.0	7.0	March
SPH REIT	2,742	1.06			1.1	5.2	1.0	6.8	30.1	71.8	5.2	2.88	19.1	25.5	September
FRASERS CENTREPOINT TRUST	2,766	2.55	NEUTRAL	2.36	1.2	4.3	3.5	15.5	28.8	62.0	8.8	2.80	26.9	28.2	September
STARHILL GLOBAL REIT	1,658	0.76			0.8	5.9	(1.9)	11.4	35.7	91.0	5.1	3.29	1.2	9.7	June
CAPITALAND RETAIL CHINA TRUST	1,518	1.52	ACCUMULATE	1.66	1.0	6.7	(0.7)	14.0	35.5	80.0	8.4	2.96	7.2	9.3	December
SASSEUR REIT	953	0.80			0.8	8.3	(0.5)	27.6	29.2	NA	NA	4.5	0.8	1.6	December
LIPPO MALLS INDONESIA RETAIL	666	0.23			0.8	8.4	(2.3)	20.1	33.9	58.1	7.1	5.59	17.6	37.0	December
DASIN RETAIL TRUST ¹	490	0.88	ACCUMULATE	0.94	0.6	8.3	(0.6)	5.4	31.9	NA	(5.4)	5.40	0.9	37.7	December
BHG REIT	356	0.71			0.8	7.3	0.0	2.7	32.5	NA	7.0	4.20	NA	NA	December
Average					0.94	6.43	-0.22	13.15	32.86	77.41	6.73	3.73			
Commercial															
CAPITALAND COMMERCIAL TR	7,762	2.07	NEUTRAL	1.93	1.1	4.2	(0.5)	12.9	35.2	92.0	8.0	2.50	4.0	7.0	December
MAPLETREE COMMERCIAL TR	5,847	2.02			1.3	4.5	2.8	18.7	33.1	85.0	13.1	2.97	2.0	19.0	March
SUNTEC REIT	5,282	1.89			0.9	5.1	(5.6)	5.5	38.6	77.0	5.1	3.04	10.0	8.6	December
KEPPEL REIT	4,222	1.24			0.9	4.5	(4.3)	7.7	35.7	91.0	3.0	2.88	0.0	21.0	December
OUE COMMERCIAL REIT	1,446	0.51			0.7	6.4	(3.8)	8.2	39.4	71.6	7.3	3.50	0.3	8.9	December
FRASERS COMMERCIAL TRUST	1,440	1.59			1.0	6.0	1.6	13.1	29.1	87.4	10.5	2.98	0.3	25.7	September
MANULIFE US REIT	1,209	0.87			1.1	5.9	0.0	17.8	37.6	98.2	7.1	3.28	16.3	10.0	December
CROMWELL EUROPEAN REIT	1,100	0.50			1.0	7.8	0.0	17.2	37.0	86.0	NA	1.39	2.3	51.4	December
KEPPEL-KBS US REIT	621	0.76			0.9	8.0	5.7	24.8	38.1	76.8	NA	3.76	1.2	0.0	December
IREIT GLOBAL	479	0.76			1.0	7.7	2.7	6.7	38.0	100.0	NA	1.50	0.0	0.0	December
Average Industrial					1.00	6.00	-0.16	13.27	36.18	86.50	7.72	2.78			
	9,239	2.97	NEUTRAL	2.00	1.4	F 4	0.0	16.7	26.2	92.0	7.0	2.00	F 1	0.5	March
ASCENDAS REAL ESTATE INV TR MAPLETREE LOGISTICS TRUST	5,706	1.57	NEUTRAL	2.88	1.4 1.3	5.4 5.1	0.0	16.7 19.2	36.3 37.7	83.0 84.0	7.8 11.2	3.00 2.70	5.1 4.0	9.5 11.0	March March
MAPLETREE LOGISTICS TRUST	4,330	2.14	NEUTRAL	2.03		5.1	2.4	13.9	37.7	78.6	9.3	3.00	5.4	11.4	
FRASERS LOGISTICS & INDUSTRIAL	2,453	1.21	NEUTRAL	2.03	1.4 1.3	6.5		14.1	35.1	78.6 79.0	9.3 11.6	2.40	0.8	11.4 22.4	March
KEPPEL DC REIT	2,453	1.62	ACCUMULATE	1.59	1.5	4.4	(0.4)	18.5	32.5			1.70	18.2	1.8	September
ESR REIT	1,800	0.57	ACCOMODATE	1.39	1.5	7.2	2.9	8.7	42.0	81.0 83.2	11.8 (16.9)	3.99	22.5	1.8 12.5	December December
AIMS AMP CAPITAL INDUSTRIAL	988	1.43			1.1	7.2	(0.2)	8.5	33.5	86.8	5.4	3.60	0.0	16.3	March
CACHE LOGISTICS TRUST	830	0.77	NEUTRAL	0.75	1.1	7.2	(2.7)	8.7	37.4	71.6	4.2	3.87	6.0	9.0	December
SOILBUILD BUSINESS SPACE REIT	649	0.77	NEUTRAL	U./5	1.2	8.5	(1.7)	7.1	37.4	77.6	7.3	3.53	0.0	0.0	December
EC WORLD REIT ¹	616	0.51	BUY	0.87	0.9	8.5	1.2	7.1 17.6	39.3	100.0	7.3 6.5	4.90	NA	NA	December
	010	0.70	DUT	0.67	0.9	0.0	1.2	17.0	31.3	100.0	0.5	4.90	INA	INA	pecember
SABANA SHARIAH COMP IND REIT	463	0.44			0.8	6.9	1.2	11.5	33.9	90.6	10.7	4.20	13.6	40.9	December

Source: Bloomberg (Updated 17 June 2019), Returns calculated as at end-May 2019, Debt data from latest available Company Results/Prospectuses, PSR

¹ Covered by PSR on the SGX Stockfacts Scheme



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