

Singapore REITs Monthly

Monthly Tracker: November 2019



StocksBnB.com

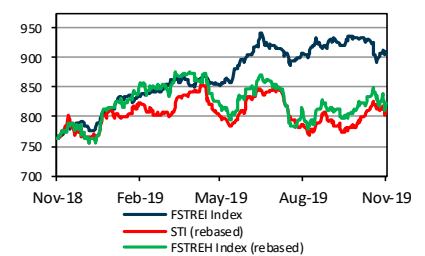
22 November 2019

NEUTRAL (Maintained)

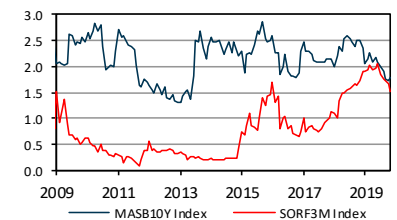
INDEX RETURN (%)

	1MTH	3MTH	YTD	1YR
FSTREI RETURN	(2.2)	1.0	23.0	25.3
FSTREH RETURN	(0.2)	0.8	9.6	9.4
STI RETURN	2.0	2.7	8.1	9.4

FSTREI VS. STI



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



Source: Bloomberg, PSR

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SINGAPORE | REAL ESTATE (REIT) | UPDATE

- FTSE S-REIT index return declined 2.2% MTD and gained 23.0% YTD. Strongest gains were from the Healthcare sector (1.46% MTD) and weakest showing from the Hospitality sector (-3.14% MTD).
- Performance in September: Best – Lippo Malls Indonesia Retail Trust (+6.7%), Worst – Eagle Hospitality Trust (-19.7%)
- Sector yield spread widened 4bps MoM to 282bps, -0.96 standard deviation (s.d.) over the benchmark 10-year SGS (10YSGS) yield.
- 3-month SOR fell 6bps to 1.51% at 15 November 2019 versus 1.57% last month. Elevated P/NAVs expected to persist in the lower interest rate environment.
- Remain NEUTRAL on S-REITs sector. Sub-sector preferences: Commercial and Hospitality.

SECTOR SNAPSHOT

S-REIT yield spread narrowed 10bps YTD and widened 37bps MoM to 282bps as at mid-November, at the -0.96s.d level. Currently, the spread is marginally above the -1s.d level, this is a recovery from the 226bps (-56bps) low in May 2019. The S-REIT dividend yield was 4.58% as of 15 November 2019.

3-month SOR has fallen 46bps YTD to 1.51% while the 10YRSGS yield fell 37bps YTD to 1.76%. The lower interest rate environment is conducive for REITs in terms of the lower cost of borrowings that enable for more accretive acquisitions. The huge investor appetite for yield has resulted in the oversubscription of private placements ranging 1.2x to 13x, despite high P/NAVs valuations. Since the start of 2019, REITs have raised S\$4,737mn (Figure 1) through equity fundraising (2018: S\$4.3bn), predominantly to finance asset acquisition. Including the S\$2,869mn (Figure 2) raised through the fixed income markets, a total of S\$7,606mn has been raised by REITs in 2019.

CapitaLand Limited, City Developments Limited (CDL) and Ascott Residence Trust (Ascott Reit) said they will together redevelop the Liang Court site. The site comprises Liang Court mall, midscale hotel Novotel Singapore Clarke Quay and serviced residence Somerset Liang Court Singapore. CDL Hospitality Trusts (CDLHT) has proposed to sell its entire stake in Novotel Singapore Clarke Quay to the 50:50 CDL-CapitaLand joint venture (JV) entities and CDL. Simultaneously, Ascott Reit will sell part of its interest in Somerset Liang Court to CDL. The proposed project will comprise of two residential towers offering some 700 residential units, a commercial component, an "upper midscale" hotel with 460 to 475 rooms, and a 192-unit serviced residence with a hotel licence. The residential and commercial components will be owned by the 50:50 CDL-CapitaLand JV entities, while the serviced residence will be owned by Ascott Reit, which is a wholly-owned subsidiary of CapitaLand.

Ascendas REIT (AREIT) announced its proposed acquisition of 30 business park properties in the United States and Singapore from Capitaland for S\$1.66 bn. The acquisitions will boost AREIT's investment in the business and science park segment by 46% to \$5.4 bn. The segment will constitute 42% of its total asset value of \$12.8 bn. The proposed acquisitions are expected to generate a first-year net property income yield of about 6.3% post-transaction costs.

SPH REIT announced the acquisition of a 50% stake in Australian shopping mall Westfield Marion Shopping Centre for A\$670mn. The acquisition will be funded through a combination of perpetual securities, equity fund-raising and debt.

Outlook for the quarter ended 30 September 2019

Office: According to CBRE, office demand was pressured amidst fears of weaker global growth. Coupled with a mismatch in rental expectations between occupiers and landlords, leasing activity was more measured. While majority of the new leasing volumes in Q3 was contributed by large agile space players, growth in the sector is slowing. Outlook for the office market is likely to remain challenging, but the tapered supply pipeline over the next 3 years should provide some level of support.

Hospitality: Coming from a weaker 2Q, a cyclical uplift can be seen in 3Q as visitor arrivals grew 3.3% YoY, driven by a better performance from the F1 Grand Prix this year. RevPAR grew 5.6% YoY, as average room rate and average occupancy rate rose 3.2% and 2.0% YoY respectively. For 3Q, demand slowed in terms of discretionary corporate travels, and hotels were impacted by weaker transient volumes. However, the SG hospitality segment is still expected to benefit from the tapering room supply coming onto the market (2019-2021 CAGR: 1.5% vs 3-year historical CAGR: 4.4%).

Retail: Retail Sales Index Ex. Motor Vehicle (RSI Ex. MV), SG retail sales continued to face pressures in September as it fell for the 10th straight month by 0.2% YoY, driven mainly by a decline in the sale furniture and household equipment (-8.9%), recreational goods (-6.1%) and watches and jewellery (-4.4%). In contrast, the F&B index was up +4.9% YoY (seasonally adjusted) in September.

Industrial: Business parks remain resilient as vacancies across the submarkets compressed, strengthened by the lack of speculative new stock and limited supply. While some of the newer developments saw improving rental rates, the general performance of business parks was offset by rental weakness in the older buildings. Amidst global trade tensions and slowing economic growth, leasing activity of industrial buildings were subdued, mainly contributed by relocations and renewals. Overall industrial rental values may continue to be muted moving forward.

INVESTMENT ACTIONS

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

The strong rally in share prices due to the dovish pivot the Fed has resulted in the FTSE S-REIT index return gains of 23.0% YTD. Most of the upside from the lower interest rate has been priced in, with many REITs trading at rich valuations (+2 std. dev. P/NAV). The P/NAV is supported by investor's appetite for yield instruments. The current interest rate environment is conducive for REITs, which have been busy with acquisitions and equity fundraising, as well as terming out loan maturities to lock in the lower interest rates.

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 due to the softer retail outlook as seen by the weaker retail sales index.

Tactical bottom-up view (unchanged)

We continue to favour REITs with the following attributes:

- 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 3: S-REITs under our coverage

	PSR RATING	PSR TARGET PRICE (S\$)
ASCOTT RESIDENCE TRUST	ACCUMULATE	1.36
CAPITALAND MALL TRUST	NETURAL	2.68
FRASERS CENTREPOINT TRUST	ACCUMULATE	3.11
CAPITALAND RETAIL CHINA TRUST	ACCUMULATE	1.66
DASIN RETAIL TRUST ¹	ACCUMULATE	0.94
CAPITALAND COMMERCIAL TR	NEUTRAL	2.181
ASCENDAS REAL ESTATE INV TR	ACCUMULATE	3.31
MAPLETREE INDUSTRIAL TRUST	NEUTRAL	2.03
KEPPEL DC REIT	ACCUMULATE	2.06
CACHE LOGISTICS TRUST	NEUTRAL	0.75
EC WORLD REIT ¹	BUY	0.837

¹Covered by PSR on the SGX Stockfacts Scheme

Source: PSR

¹ Covered by PSR under the 'SGX Stockfacts' scheme

Figure 1: Equity Fund Raising and acquisitions by REITs in 2019

Date	Company	Total Proceeds (\$\$mm)	Private Placement (\$\$mm)	Preferential Offering (\$\$mm)	Times subscribed (x)	Proportion financed by equity (%)	Increase in unit base (%)	DPU Accretion (%)	Increase in AUM (%)	Disc. to Private Placement	Disc. to VWAP: Pref. Offering	Acquisition Value (\$\$mm)	Asset Acquired
21 Nov 19	SPH REIT	162.4	162.4	-	NA	26.2	6.0	1.6	16.7	5.5	-	620.7	50% interest in Westfield Marion Shopping Centre
19 Nov 19	Ascendas India Trust	1500	1500	-	4.1	NA	9.5	NA	NA	2.0	-	-	The V redevelopment - Phase 1
22 Oct 19	Mapletree Logistics Trust	2500	2500	-	13.0	59.5	4.2	1.4	5.2	3.1	-	406.3	Acquisition of properties in Malaysia, Vietnam and PRC
17 Oct 19	Keppel Pacific Oak US REIT	100.8	100.8	-	4.0	69.4	12.6	1.0	9.3	4.8	-	139.9	One Twenty Five (Dallas, USA)
16 Oct 19	MapleTree Commercial Trust	902.3	450.0	452.3	7.0	56.2	14.0	4.0	20.0	2.9	4.6	1,575.8	MBC Phase II
18 Sep 19	Manulife US Trust	196.7	110.3	86.4	7.0	49.0	8.1	2.3	10.6	3.6	5.4	276.4	400 Capitol (Scaremonte, USA)
17 Sep 19	Maple Tree Industrial Trust	400.0	400.0	-	6.3	20.7	8.7	3.5	44.4	1.5	-	1,900.3	13 DC assets in US & SG
16 Sep 19	Keppel DC REIT	478.2	235.4	242.8	9.3	73.2	20.5	12.4	30.7	2.5	4.4	599.0	KDC4 & 1NN
11 Sep 19	Dasin Retail Trust	68.8	68.8	-	1.2	19.3	14.7	12.1	21.8	2.4	-	317.1	Doumen Metro Mall
1 Aug 19	Capitaland Retail China Trust	279.4	154.3	125.1	3.0	54.3	19.2	1.7	20.8	5.2	7.1	505.4	3 Malls in China
30 Jul 19	Fraser's Logistics & Industrial Trust	258.1	258.1	-	3.2	39.6	10.8	1.1	22.1	3.2	-	612.5	12 Logistic assets in Australia and Germany
18 Jul 19	Capitaland Commercial Trust	2200	2200	-	5.0	55.6	2.8	1 - 2.5	5.1	3.7	-	390.0	Main Airport Center
21 Jun 19	Cromwell REIT	152.0	152.0	-	NA	24.4	14.8	6.5	13.8	5.9	-	375.3	6 Properties in France and Poland
17 Jun 19	ESR REIT	1500	1000	500	2.5	89.0	6.1	0.4	3.9	8.3	-	101.3	45% of 48 Pandan Road/AE/Debt Repayment
17 May 19	Fraser's Centrepoint Trust	437.4	369.6	67.7	2.3	54.4	20.4	0.7	13.8	1.5	3.6	775.4	33.3% Waterway Point/PGIM
30 Apr 19	Manulife US Trust	129.6	129.6	-	NA	77.0	8.9	3.3	11.8	5.8	-	168.3	Centerpointe in Fairfax, Virginia
24 Apr 19	Suntec REIT	200.0	200.0	-	NA	100.0	4.1	0.8	2.2	4.8	-	140.9	55 Currie Street, Adelaide, Australia
11 Feb 19	MapleTree Industrial Trust	201.0	201.0	-	2.2	65.6	5.5	0.7-3.1	6.8	2.3	-	262.2	18 Tai Seng
	Total	4,736.6	3,712.3	1,024.3									

Figure 2: Fixed income issuance by REITs in 2019

Issuer Name	Coupon	Issue Date	Maturity Type	Curr	\$ mn	\$ \$ mn
Mapletree Commercial Trust	3.05	22/11/2019	10Y	SGD	250	250
AIMS APAC REIT	3.6	12/11/2019	5Y	SGD	100	100
Cromwell European REIT	Floating	1/10/2019	3Y	EUR	100	152
Cromwell European REIT	Floating	1/10/2019	5Y	EUR	100	152
Cromwell European REIT	Floating	1/10/2019	7Y	EUR	100	152
Ascott Residence Trust	3.88	4/9/2019	PERP/CALL	SGD	150	150
SPH REIT	4.1	30/8/2019	PERP/CALL	SGD	300	300
LMIRT Capital Pte Ltd	7.25	19/6/2019	CALLABLE	USD	250	345
Keppel REIT	1.9	10/4/2019	CONV/PUT	SGD	200	200
CMT MTN Pte Ltd	3.609	4/4/2019	10Y	USD	300	414
Mapletree Industrial Trust	3.58	26/3/2019	10Y	SGD	125	125
Ascendas REIT	3.57	20/3/2019	10Y	HKD	1450	255
Keppel DC Reit Mtn Pte Ltd	0.482	28/2/2019	7Y	EUR	50	76
ζCMT MTN Pte Ltd	3.15	11/2/2019	7Y	SGD	100	100
Suntec REIT MTN Pte Ltd	3.355	7/2/2019	6Y	SGD	100	100
Total						2,869

MACROECONOMIC ENVIRONMENT

Figure 4: FTSE Straits Times REIT Index Yield Spread over 10YSGS

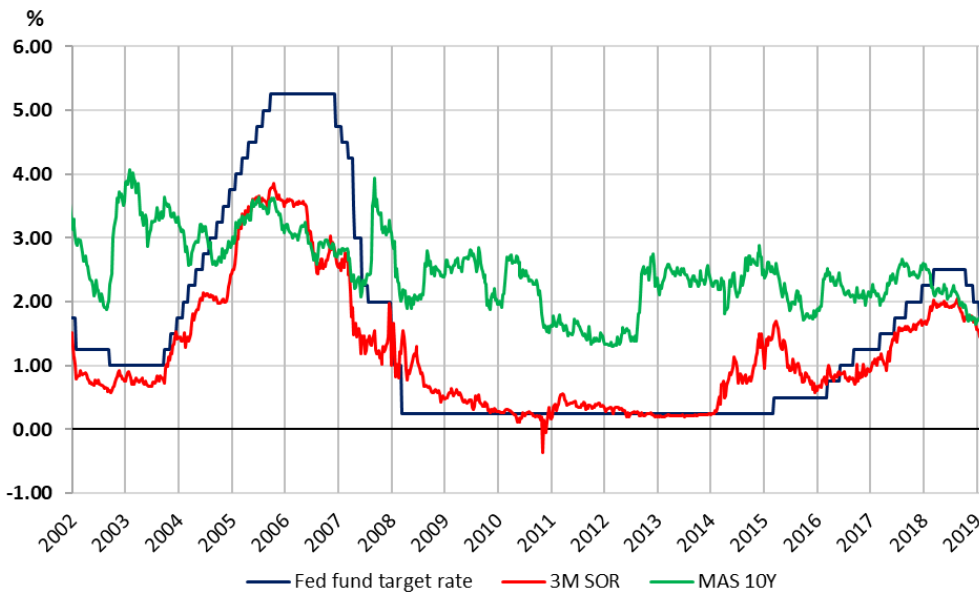


S-REIT yield spread declined 10bps YTD and increased 37bps MoM to 282bps as at mid-November, at the -0.96s.d level.

The S-REIT dividend yield at 4.58% was 45bps higher MoM.

The FTSE REIT Index is currently at decade highs given the falling interest rate environment. P/NAVs are expected to remain as investors scramble for yield.

Figure 5: Fed Fund Rates vs SG rates

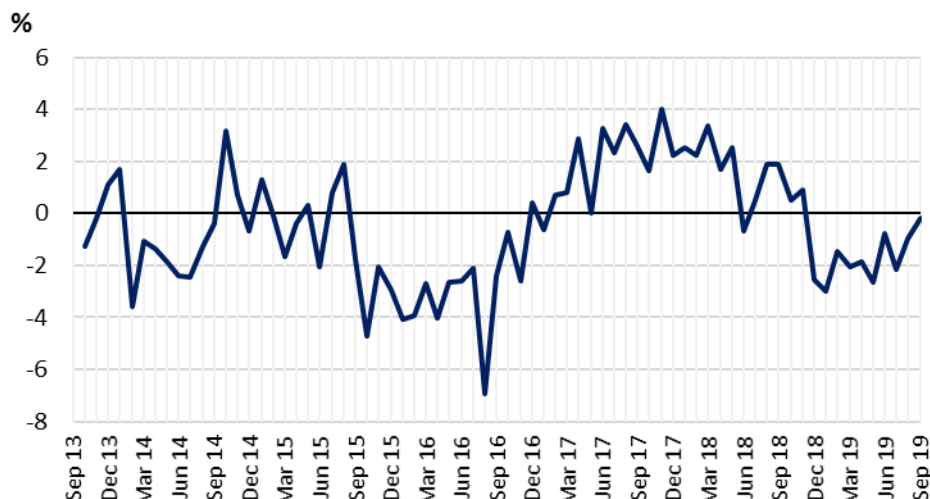


3-month SOR has fallen 46bps YTD to 1.51% while the 10YRSGS yield fell 37bps YTD to 1.76%.

Source: Bloomberg, PSR

SUB-SECTOR MONTHLY INDICATORS

Figure 6: SG Retail Sales YoY% (excl. Motor Vehicle Sales) (seasonally adjusted)



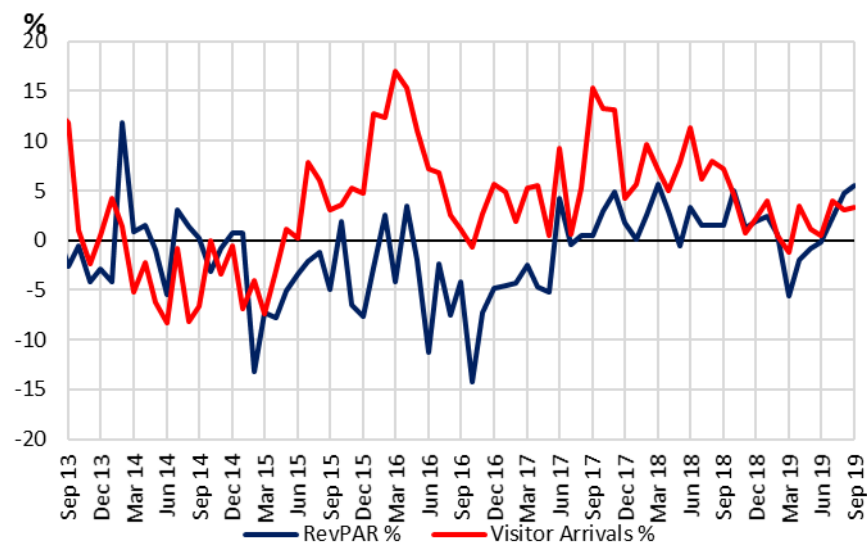
Source: CEIC, PSR

	RSI (excl. motor vehicles)	RSI (Dept stores)	RSI (Supermarkets)	RSI (Fashion)	F&B Index
Sep-19	-0.2	-0.7	1.5	4.0	4.9
Sep-18	1.9	-0.1	-1.5	2.4	1.1

Retail sales (excluding motor vehicle sales) declined -0.2% YoY in September, on a seasonally adjusted basis. The RSI (excl. MV) growth has been in the red since the start of 2019. September's figures were dragged down largely by the furniture and household equipment (-8.9%) and recreational goods (-6.1%) segments.

The F&B index was up +4.9% YoY (seasonally adjusted) in September.

Figure 7: SG Tourist Arrivals/Hotel RevPAR YoY%



Source: CEIC, PSR

	Visitor Arrivals	Hotel RevPAR (S\$)	Hotel Occupancy (%)	Hotel Average Room Rate (S\$)
Sep-19	1,461,527	207	87.7	236
Sep-18	1,415,149	196	85.7	229
YoY%	3.28%	5.57%		3.18%

Average RevPAR saw improved 5.57% YoY in September on the back of higher average room rate (ARR) and occupancy.

All segments recorded RevPAR growth, with the economy segment coming in highest at +10.7% and upscale bringing up the rear at +0.04%.

Visitor arrivals increased by 3.3% YoY in September and 2.1% YTD.

Figure 8: 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. (\$\$mn)	Price (\$\$)	PSR RATING	PSR TARGET PRICE (\$\$)	P/NAV	Trailing yield (%)	Total Returns 1M (%)	Total Returns YTD (%)	Gearing (%)	Approximate % of debt on fixed rate	ROE (%)	Interest Coverage Ratio (x)	Effective interest Rate (%)	% debt expiring in current FY	% debt expiring in next FY
Healthcare															
PARKWAYLIFE REAL ESTATE	1,966	3.25			1.7	4.0	(0.2)	28.3	37.2	88.0	14.1	14.3	0.81	1.8	10.5
FIRST REAL ESTATE INV TRUST	806	1.01			1.0	8.5	3.1	12.7	34.5	60.2	9.0	5.0	4.10	0.0	0.0
<i>Average</i>					1.36	6.28	1.46	20.51	35.85	74.10	11.53	9.65	2.46		
Hospitality															
ASCOTT RESIDENCE TRUST	2,854	1.31	ACCUMULATE	1.36	1.0	5.6	(4.4)	28.9	33.0	88.0	6.1	5.4	2.10	1.0	16.0
CDL HOSPITALITY TRUSTS	1,928	1.59			1.1	5.7	(2.5)	15.2	36.3	64.0	5.2	5.9	2.30	8.5	7.7
FRASERS HOSPITALITY TRUST	1,346	0.71			1.0	6.3	0.9	7.0	35.1	68.9	3.7	4.7	2.50	0.0	0.0
FAR EAST HOSPITALITY TRUST	1,396	0.73			0.8	5.3	4.3	26.0	39.6	65.5	4.8	3.3	2.90	2.3	9.1
ASCENDAS HOSPITALITY TRUST	1,230	1.08			1.1	5.4	(1.3)	50.0	33.8	83.3	7.7	11.9	1.80	0.0	11.6
EAGLE HOSPITALITY TRUST	447	0.52			0.6	NA	(19.7)	NA	37.3	93.0	NA	4.1	4.00	0.0	0.0
ARA US HOSPITALITY TRUST	488	0.86			NA	NA	0.6	NA	31.8	83.0	NA	5.3	3.94	NA	NA
<i>Average</i>					0.93	5.68	-3.14	25.43	35.27	77.96	5.49	5.80	2.79		
Retail															
CAPITALAND MALL TRUST	9,074	2.46	NETURAL	2.68	1.2	4.8	(4.6)	14.8	34.4	90.0	7.8	4.7	3.20	8.6	7.8
MAPLETREE NORTH ASIA COMM	3,698	1.16			0.8	6.5	(4.2)	8.9	37.1	89.0	14.6	4.2	2.49	7.0	7.0
SPH REIT	2,884	1.11			1.0	5.1	(3.5)	16.9	27.5	65.9	5.8	NA	2.91	25.5	19.5
FRASERS CENTREPOINT TRUST	3,051	2.73	ACCUMULATE	3.11	1.1	3.3	0.7	32.7	32.9	50.0	9.4	4.5	2.60	0.0	28.3
STARHILL GLOBAL REIT	1,572	0.72			0.8	6.2	(1.9)	12.5	36.2	90.0	3.8	3.7	3.31	2.0	8.8
CAPITALAND RETAIL CHINA TRUST	1,862	1.54	ACCUMULATE	1.66	1.0	7.2	1.3	22.1	37.2	82.6	9.4	4.9	3.00	2.8	11.3
SASSEUR REIT	1,009	0.85			0.8	7.7	5.6	42.0	29.0	12.6	NA	4.8	4.43	0.0	1.6
LIPPO MALLS INDONESIA RETAIL	709	0.25			0.8	8.2	6.7	47.0	34.7	100.0	7.9	4.7	6.32	0.0	10.3
DASIN RETAIL TRUST ¹	537	0.84	ACCUMULATE	0.94	0.6	4.1	(0.6)	4.6	36.4	29.8	(5.4)	1.3	4.13	0.0	26.5
BHG REIT	350	0.69			0.8	6.5	0.7	2.8	37.5	48.0	12.8	2.9	4.88	NA	NA
LENDLEASE GLOBAL COMMERCIAL	1,075	0.92			NA	NA	(2.6)	NA	36.4	50.0	NA	NA	NA	NA	NA
<i>Average</i>					0.90	5.95	-0.21	20.43	34.48	64.35	7.35	3.97	3.73		
Commercial															
CAPITALAND COMMERCIAL TR	7,638	1.98	NEUTRAL	2.18	1.1	4.3	(3.9)	19.2	35.5	92.0	5.8	5.8	2.50	4.0	7.0
MAPLETREE COMMERCIAL TR	7,194	2.32			1.4	4.2	(1.0)	47.5	31.7	82.6	19.3	4.5	3.00	2.0	19.0
SUNTEC REIT	5,126	1.83	NEUTRAL	2.03	0.9	5.3	(1.4)	8.3	38.2	NA	5.3	3.1	3.01	0.0	8.6
KEPPEL REIT	4,058	1.20			0.9	4.6	(1.3)	11.1	38.9	91.0	2.7	3.8	2.82	0.0	19.0
OUE COMMERCIAL REIT	2,962	0.55			0.9	4.0	0.0	28.0	40.5	73.4	5.4	3.1	3.50	0.5	21.7
FRASERS COMMERCIAL TRUST	1,488	1.63			1.0	5.9	3.4	27.4	28.6	87.8	10.2	5.2	2.97	0.0	28.0
MANULIFE US REIT	1,487	0.95			1.2	7.9	3.3	35.0	36.3	95.5	4.5	3.8	3.43	0.0	8.5
CROMWELL EUROPEAN REIT	1,287	0.51			1.0	8.1	1.0	24.7	37.0	84.7	NA	8.9	1.50	0.0	47.6
PRIME US REIT	905	0.98			NA	NA	4.8	NA	33.9	90.0	NA	5.3	3.34	0.0	0.0
KEPPEL PACIFIC OAK US REIT	704	0.76			0.9	6.6	1.9	35.6	38.5	82.7	NA	4.6	3.74	3.9	0.0
IREIT GLOBAL	506	0.80			1.1	7.3	1.9	18.3	36.5	100.0	17.2	11.2	1.50	0.0	0.0
<i>Average</i>					1.03	5.66	0.67	26.29	35.97	87.97	7.62	5.39	2.85		
Industrial															
ASCENDAS REAL ESTATE INV TR	9,156	2.90	ACCUMULATE	3.31	1.4	5.5	(2.4)	21.8	36.2	76.8	8.0	5.3	3.00	13.2	8.1
MAPLETREE LOGISTICS TRUST	6,265	1.65			1.4	4.8	1.6	40.3	37.0	83.0	10.7	5.0	2.60	2.0	7.0
MAPLETREE INDUSTRIAL TRUST	5,480	2.49	NEUTRAL	2.03	1.6	4.9	(3.1)	38.4	29.2	87.9	9.3	6.6	2.90	0.0	8.0
FRASERS LOGISTICS & INDUSTRIAL	2,801	1.24			1.3	5.6	0.0	28.7	33.4	60.0	10.6	9.3	2.20	0.0	16.6
KEPPEL DC REIT	3,275	2.01	ACCUMULATE	2.06	1.8	3.5	0.5	61.2	28.9	80.0	10.3	12.7	1.70	0.0	1.8
ESR REIT	1,848	0.53			1.1	5.9	(3.7)	11.2	41.6	85.3	(15.1)	3.5	3.91	1.5	12.8
AIMS AMP CAPITAL INDUSTRIAL	983	1.41			1.1	7.3	4.7	14.8	35.4	75.3	5.3	5.4	3.50	0.0	4.5
CACHE LOGISTICS TRUST	762	0.71	NEUTRAL	0.75	1.1	8.0	(0.9)	11.1	38.3	70.1	2.3	3.8	3.87	5.0	9.0
SOILBUILD BUSINESS SPACE REIT	642	0.51			0.8	9.3	(1.1)	(4.6)	36.5	93.0	6.7	3.4	3.54	0.0	0.0
EC WORLD REIT ¹	586	0.74	BUY	0.84	0.8	6.1	6.2	28.7	39.6	42.7	7.0	NA	4.60	NA	NA
SABANA SHARIAH COMP IND REIT	495	0.47			0.8	6.1	6.2	28.7	30.8	36.9	12.0	3.2	4.07	11.1	33.2
<i>Average</i>					1.22	6.31	0.48	24.34	35.17	71.91	6.11	5.82	3.26		

Source: Bloomberg (Updated 21 July 2019), Returns calculated as at end-July 2019, Debt data from latest available Company Results/Prospectuses, PSR

¹ Covered by PSR on the SGX Stockfacts Scheme

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