16 October 2018

Property | REITS

REITS

Still a Better Place Amidst Uncertainties

Overweight (Maintained)

Stocks Covered:	12
Ratings (Buy/Neutral/Sell):	6 / 6 / 0
Last 12m Earnings Revision Trend:	Neutral

Maintain OVERWEIGHT. We believe selective SREITs still offer value for investors despite lingering concerns over rising interest rates. While we do not expect a broad-based sector outperformance, we believe SREITs with stock-specific catalysts continue to find favour. Key reasons supporting SREITs: a favourable demand-supply outlook, inorganic growth potential from recent acquisitions, and well-equipped balance sheets to mitigate rising borrowing costs. While valuations are closer to mean, we do not think they are stretched. Among the sub-sectors, our preference is for industrial and hospitality REITs (Ascendas, CDL Hospitality Trust) – we believe they are well-poised to tap into demand growth.

Growth outlook balances rate hike threats. SREITs (average) are trading at a 380bps yield spread to the Monetary Authority of Singapore's 10-year bond yield. By comparison, the 10-year average mean spread (excluding the Global Financial Crisis period) stands at 400bps. In terms of P/BV, the sector is now trading at par to the 10-year average mean – 0.98x (Figures 3 & 4). While valuations are closer to mean, we do not think they are stretched, considering that SREITs tend to trade at a premium when the growth outlook is positive (2013-2015). Additionally, we note that SREITs still offer the highest yields among REITs globally (Figure 1) and believe defensive plays like REITs will still find favour with investors due to the volatile macroeconomic environment. While the threat of faster rate hikes remains, we believe SREITs are in a relatively better position on:

i. A demand outlook that remains positive on economic growth;
ii. The oversupply threat, which weighed across SREITs over last few years, is slowly fading away;
iii. Better-equipped balance sheet positions with hedges in place;
iv. Inorganic growth potential – REITs have been active in acquisitions over last two years, taking advantage of low interest rates and liquidity.

REITs: A potential beneficiary of recent cooling measures? The latest en-bloc cycle has resulted in liquidity injections of ~SGD19bn (en-bloc sales in 2017-2018), a lot of which have yet to be disbursed. Post recent cooling measures – based on our anecdotal observations – most en-bloc sellers are either taking a longer time (the wait-and-watch approach) or considering downsizing before buying another property. We believe there is a good chance the excess liquidity from en-bloc sales can flow into relatively defensive REIT stocks, owing to their attractive yields and liquidity.

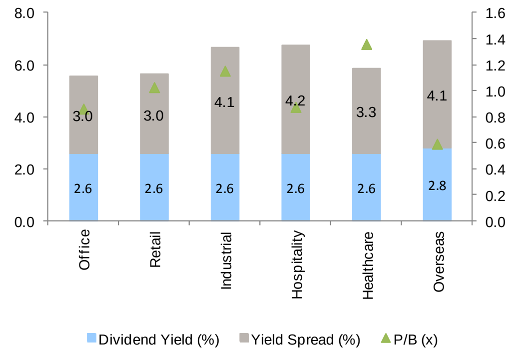
Our analysis of SREITs balance sheets shows they are well-prepared for the current rate hike cycle compared to the past. On average, close to 80% of REIT debts are hedged, with only <20% of total debt due for renewal up until 2020. Consequently, the rising interest rates should not have a significant impact to interest cost expenses. Overall, sector gearing also remains modest at 36%, well below the 45% maximum threshold. Additionally, many REITs have also diversified their funding options to include instruments like perpetual securities, retail bonds and medium-term notes, and preferential offerings.

Company Name	Rating	Price	Target	% Upside (Downside)	P/E (x) Dec-19F	P/B (x) Dec-19F	Yield (%) Dec-19F
Ascendas REIT	BUY	SGD2.49	SGD2.90	16.5	12.5	1.1	6.6
Cache Logistics Trust	BUY	SGD0.705	SGD0.84	19.1	9.9	0.8	8.6
CDL Hospitality Trusts	BUY	SGD1.53	SGD1.80	17.6	11.4	1.0	6.5
Manulife US REIT	BUY	USD0.775	USD0.92	18.7	10.8	0.9	7.6
OUE Hospitality Trust	BUY	SGD0.695	SGD0.80	15.1	13.0	0.9	8.0
Starhill Global REIT	BUY	SGD0.67	SGD0.80	19.4	10.1	0.7	7.2
CapitaLand Commerical Trust	Neutral	SGD1.72	SGD1.80	4.7	20.3	1.0	5.3
CapitaLand Malls Trust	Neutral	SGD2.08	SGD2.14	2.9	14.1	1.0	5.7
Frasers Centrepoint Trust	Neutral	SGD2.21	SGD2.24	1.4	11.3	1.0	5.9
Frasers Commercial Trust	Neutral	SGD1.41	SGD1.50	6.4	10.9	0.9	7.1
Keppel REIT	Neutral	SGD1.12	SGD1.07	(4.5)	17.0	0.7	5.0
Suntec REIT	Neutral	SGD1.78	SGD1.90	6.7	18.8	0.8	5.8

Source: Company data, RHB

Top Picks	Target Price
Ascendas REIT (AREIT SP) – BUY	SGD2.90
CDL Hospitality Trust (CDREIT SP) – BUY	SGD1.80
Starhill Global REIT (SGREIT SP) – BUY	SGD0.80
Manulife US REIT (MUST SP) – BUY	SGD0.92

S-REITs sector yield spreads



Source: Bloomberg, RHB

Sector rent at a glance

2Q18	SGD psf/mth	% YoY	% QoQ
Office (Grade A)	10.10	12.8	4.1
Office (Grade B)	7.25	5.8	2.1
Retail (Orchard)	31.45	0.5	0.0
Retail (Suburban)	29.10	1.0	0.5
Factory (Ground Floor)	1.57	(3.7)	(0.6)
Warehouse (Ground Floor)	1.58	(2.5)	0.0
Business Park (Islandwide)	3.75	1.4	0.9
Hotel - YTD RevPAR (SGD)	189.8	3.5	-

Source: CBRE, Singapore Tourism Board (STB), RHB

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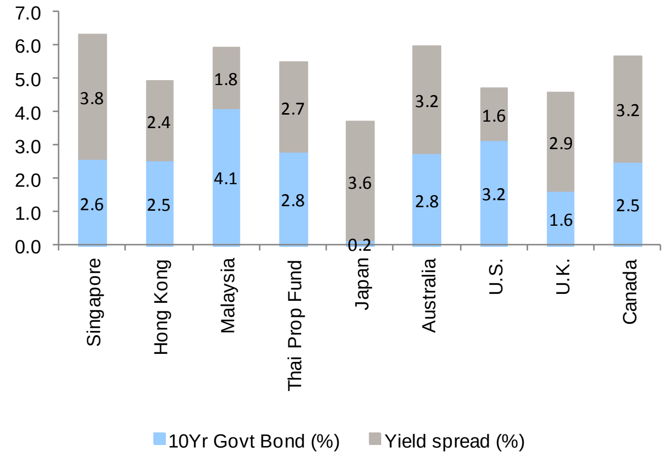
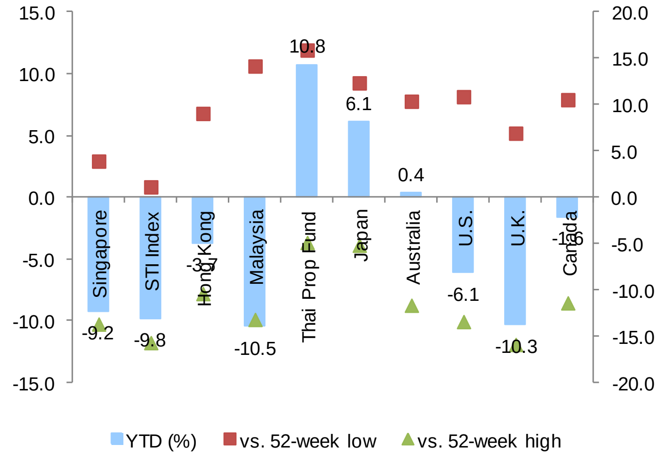
REITs Snapshot

Figure 1: Major global REITs comparison



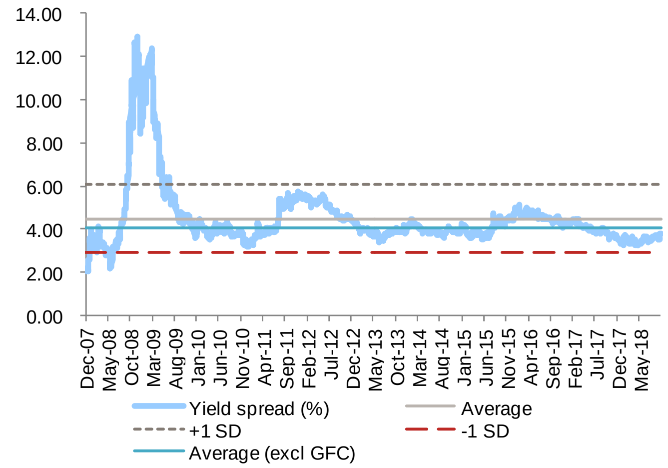
Note: As at 14 Oct
Source: RHB, Bloomberg

Figure 2: Global REITs YTD performance



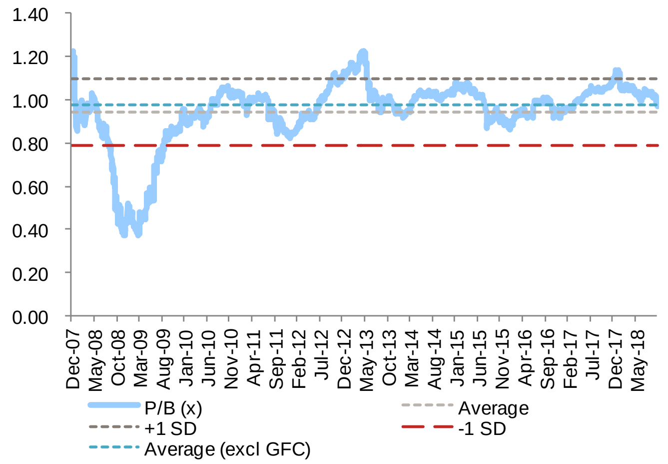
Note: As at 14 Oct
Source: RHB, Bloomberg

Figure 3: SREITs Index (yield spreads)



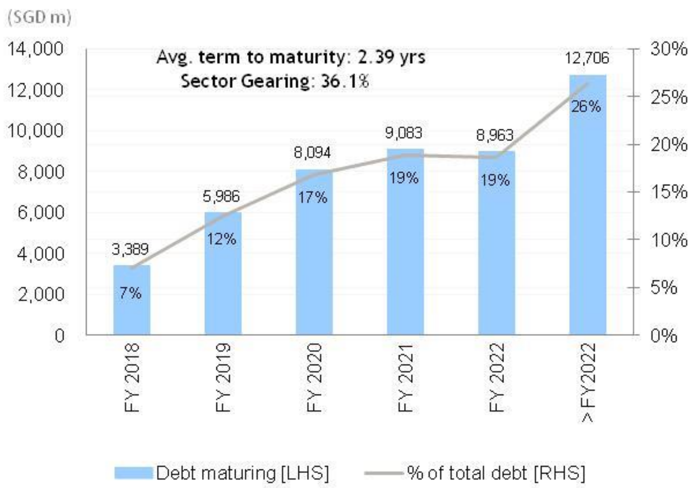
Source: RHB, Bloomberg

Figure 4: SREITs Index (P/BV)



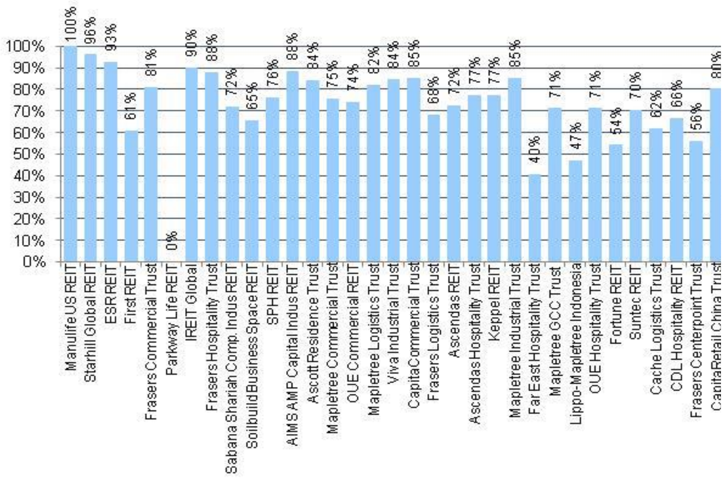
Source: RHB, Bloomberg

Figure 5: Aggregate debt profiles (SREITs)



Source: RHB, Bloomberg

Figure 6: Percentage of debt hedged



Source: RHB, Bloomberg

Sector Outlook

Industrial: Rent stabilising, positive demand outlook amid tapering supply

Singapore's Manufacturing Purchasing Managers Index (PMI) has been on an expansion trend for the 25th straight month in September. The sustained growth momentum in PMI underpins the fact that the domestic manufacturing sector has been holding up fairly well despite the ongoing US-China trade war. Key drivers: growth in the electronics sector, factory output, and employment.

Additionally, based on the Economic Development Board's business sentiment survey in July, the majority of firms in the manufacturing sector (weighted 85%) expect the business outlook to remain favourable till end-2018. Among the sub-segments, the transport engineering sector is the most optimistic. This is followed by the electronics, bio-medical and precision engineering industries.

The positive data points above augur well for growth in industrial demand. Based on JTC Corp data, about 1.6m sqm of industrial space is expected to come on-stream in 2018, with further supply tapering from 2019 onwards. By comparison, average supply stood at 1.8m sqm over the last three years.

Demand-supply dynamics remains the most favourable for the business park segment, followed by high-tech industrial spaces. While the logistics segment is still grappling from high-influx supply, we expect the segment to stabilise in 2H18 and see some pick-up by early 2019. Overall, we expect domestic industrial rent to increase by 1-5% for 2018 and 2019, with the business parks and high-tech segments being the early cycle play – the logistics segment will be the late cycle play.

For stock exposure, Ascendas REIT remains our Top Pick on its:

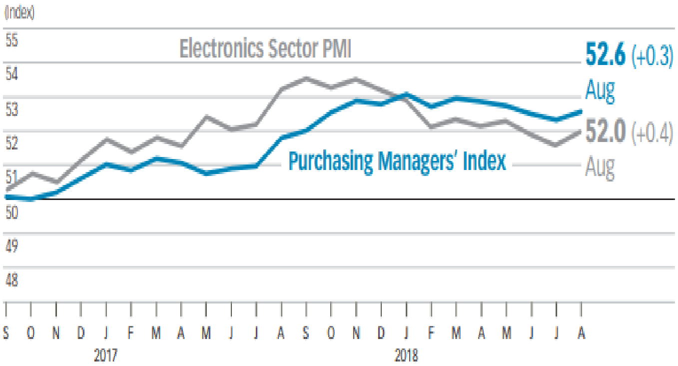
i. Well-diversified industrial property exposure;

ii. Efficient capital recycling strategy;

iii. Inorganic growth potential from recent acquisitions.

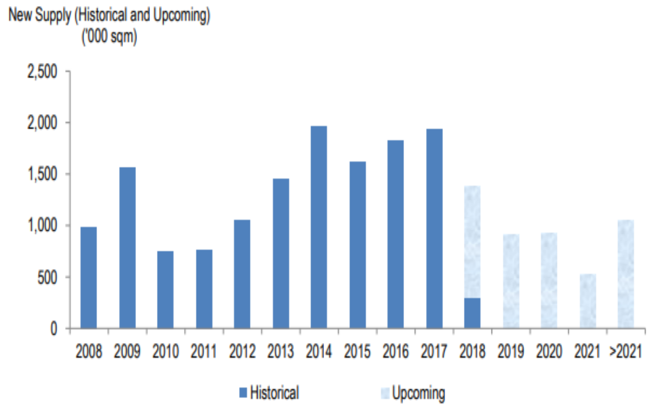
In the logistics space, we expect Cache Logistics Trust to benefit from the logistics sector turnaround in 2019.

Figure 7: Singapore's PMI



Source: Singapore Institute of Purchasing & Materials Management, Business Times

Figure 8: Industrial space supply



Source: JTC

Hospitality: In a sweet spot

According to the Singapore Tourism Board's official data, the island republic's hotels revenue per available room (RevPAR) bottomed out in 2017 and has rebounded 3.52% YTD (till August). This came as visitor arrivals YTD rose a robust 7.5%YoY.

One of the key reasons behind hospitality REITs' underperformance over the last two years has been the steady decline in hotel RevPAR post the 2012 peak. This decline was mainly driven by high hotel supply growth. For the last four years, hotel supply growth in Singapore has been at 4-5% pa, exceeding the 1-3% demand growth. This has resulted in pressure on hotels' average daily rates.

With the supply effects tapering from this year – CAGR supply of 1.3% pa between 2018 and 2020 – and demand drivers remaining robust, we believe this sector is now at the start of a multi-year recovery. Aside from steady increases in leisure travellers, we also expect Singapore to benefit from its growing stature as a prominent global meetings, incentives, conferencing & exhibition (MICE) destination.

Overall, we expect RevPAR to increase 3-7% in 2018-2019, with the following factors as key drivers:

i. **Visitor arrivals to increase** 4-7% in 2018-2019;

ii. **Steady pipeline of new attractions** and Changi Airport's growing prominence as a regional aviation hub;

iii. **Better global economic conditions** resulting in an increase in corporate travel;

iv. **A strong pipeline of MICE activities,** especially with Singapore holding the ASEAN Chairmanship post in 2018.

CDL Hospitality Trust is our Top Pick for hospitality REITs due to its strategic hotel positioning across the island, which will help in tap into leisure and corporate travel growth. OUE Hospitality Trust, which is a pure-play in the domestic hospitality sector, is also expected to benefit from robust tourism growth.

Figure 9: Significant MICE events secured from 2018 onwards

Amway India Annual Leadership Summit
2018
Expected Attendees: 4,000

Hebalife SEA Extravaganza
2018
Estimated Attendees: 15,000

Industrial Transformation Asia Pacific – A Hannover Messe Event
2018
Expected Attendees: 4,800

International Luxury Travel Market (ILTM) Asia Pacific
2018
Estimated Attendees: 1,400

Money20/20 Asia
2018
Estimated Attendees: 2,175

World Conference on Lung Cancer
2020
Expected Attendees: 8,000

Rotary International Convention
2024
Expected Attendees: 24,000

World Congress of Anaesthesiologists
2024
Expected Attendees: 8,000

Source: CDL Hospitality Trusts

Figure 10: Recent and upcoming developments in the hospitality sector

Source: Far East Hospitality Trusts

Office: Favourable dynamics, but positive effects on REITs will likely flow through from 2020

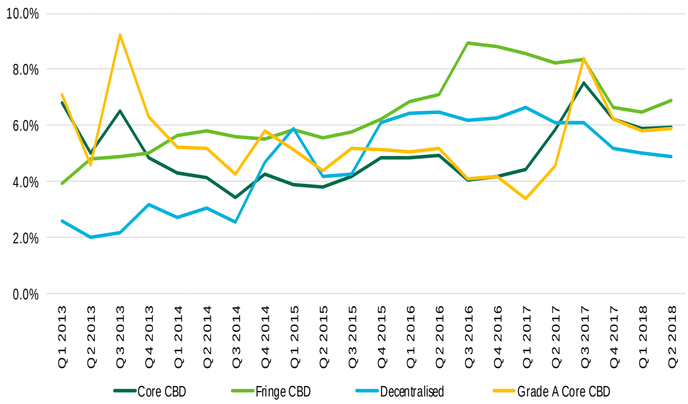
Based on CBRE data, the future supply of office space from 2H18 to 2021 is estimated at 3.8m sqf, or an average of 1.12m sqf pa. This is 38% lower than the 10-year average supply of 1.8m sqf pa and significantly lower than the 3m sqf of supply that hit the market in 2017.

On the demand front – in line with Singapore's improving economy – office demand has remained healthy, albeit driven by a few key main tenant segments: co-working space operators, and technology and insurance companies. Overall, office vacancy rates were flattish at 5.9%, of which Grade-A office rent rose 4.1% QoQ in 2Q18 – this was based on CBRE's estimates. The demand-supply outlook for the sector remains favourable in the near term.

While we expect Grade-A office rent to increase 5-15% in 2018-2019, the rent reversions for landlords are likely to remain muted. This is because many of the leases up for renewal were signed during the office market peak of 2013-2014, during which average rent was 5-15% higher than current market rates.

As a result, we expect the positive impact – DPU growth – to be felt by 2020 only. We remain neutral on this sub-sector and recommend investors buy CapitaLand Commercial Trust on weakness.

Figure 11: Vacancy rates by micro-market



	Raffles Place	Marina Centre	Shenton Way	Marina Bay	Tanjong Pagar	Orchard Road	Beach Rd / City Hall	Decentra-lised
Total Stock Q2 2018 (mil sf)	11.63	3.76	5.99	9.04	5.51	5.16	5.49	13.49
Vacancy Rate Q2 2018 (%)	5.9%	3.0%	8.1%	5.7%	6.5%	8.7%	5.5%	4.9%

Source: CBRE

Figure 12: Office rental performance

Source: CBRE

Retail: Some positives, but outlook remains soft on higher supply

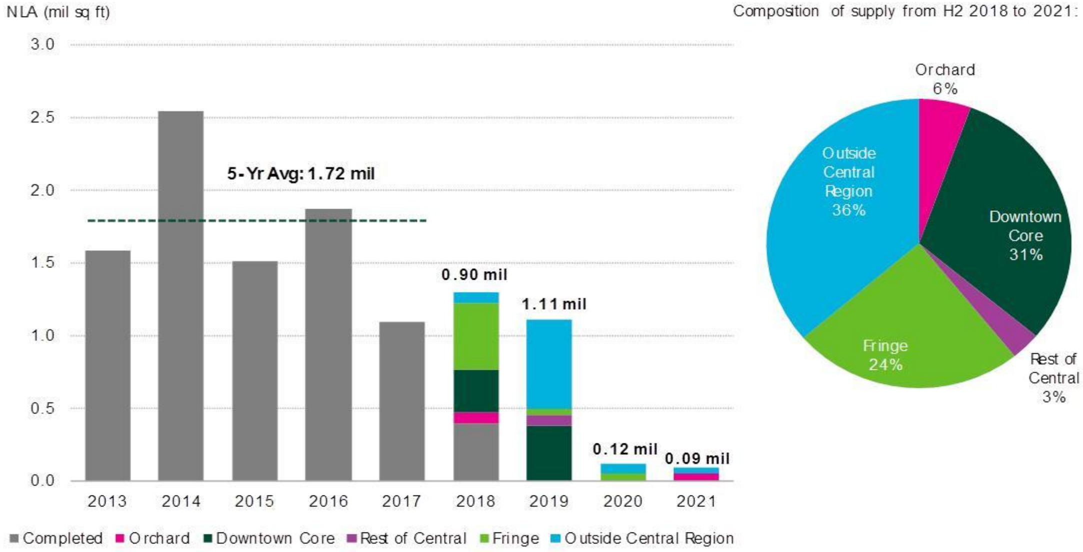
Despite the slight uptick in retail sales in recent months – excluding motor vehicles – sentiment on the ground continues to remain weak. This is amid fast-changing consumer trends and the e-commerce threat.

Based on CBRE data, c.2.5m sqf of retail supply (5% of inventory) is expected to come on-stream over the next three years. This translates into around 0.83m sqf pa of supply, higher than the 10-year average net demand of about 0.68m sqf. The higher supply, amid relatively weak retail demand, should continue to limit retail rent growth. We expect retail rent to stay flattish for 2018.

Amidst the challenging environment, we expect only well-positioned defensive suburban malls to register decent performances. Overall, retail rent is expected to stay flattish for 2H18, while vacancy rates are expected to see a slight increase, as more supply hits the market.

We recommend Frasers Centrepoint Trust to investors looking for retail exposure. This is due to the upside from asset enhancements, as well as its stable suburban mall portfolio, solid balance sheet, and acquisition potential.

Figure 13: Retail supply pipeline



Source: CBRE

Overseas REITs: Manulife US REIT is a good proxy to US labour growth

Among the Singapore-listed overseas REITs, we like Manulife US REIT for its pure-play office exposure to the rebounding US economy and office market.

The impact of a rate hike should also be mitigated, as this ought to result in continued potential strengthening of the USD. This, in turn, is likely to benefit Asian unit holders in local currency terms. Also, the rate hikes comes on a strong labour market and wage growth, which is likely to benefit US office demand.

Investment Thesis For SREITs

Figure 14: Investment thesis

REITs	BBG ticker	Share price	Target price	Potential upside	FY-1 dividend yield (%)	Rec	Investment thesis
Ascendas REIT	AREIT SP	2.49	2.90	0.16	6.4	BUY	• High exposure to business parks and hi-tech industrial space, which will provide buffer to its overall portfolio. • Geographical diversification from Australia and UK expansion. • Potential organic growth as portfolio is currently under-rented. • Risk: Sharp drop in global manufacturing growth.
Cache Logistic Trust	CACHE SP	0.71	0.84	0.18	8.3	BUY	• Expecting a turnaround in SG logistics sector in 2019 • New REIT manager offers vast experience and growth potential • Tail-end of Single user to multi-tenancy conversion cycle
CapitaLand Commercial Trust	CCT SP	1.72	1.80	0.05	5.1	NEUTRAL	• Outpacing market in-terms of new rents signed and improving Asia Square performance • Recent divestments likely to create near-term earnings vaccum • Tail-end of negative rent reversion cycle • Positive catalysts: Acquisitions at attractive price and Capitaspring redevelopment.
CapitaLand Mall Trust	CT SP	2.08	2.14	0.03	5.2	NEUTRAL	• Relatively high supply in retail space and exit of popular fashion retail brands • Active capital recylcing efforts from divestment of mature assets and accreitive acquisitions • Positive catalysts: Revamp of mall concepts, redevelopment of Funan and strong sponsor.
CDL Hospitality Trust	CDREIT SP	1.53	1.80	0.18	6.0	BUY	• Positive dynamics for Singapore Hospitality sector in 2018/19. • Recent acquisitions to contribute positively. • Most liquid proxy to recovery in visitor arrivals • Risk: Lower-than-expected increase in tourist arrivals.
Frasers Centrepoint Trust	FCT SP	2.21	2.24	0.01	5.4	NEUTRAL	• A stable and defensive suburban retail player. • Potential acquisition from its parent company: Waterway Point. • Increasing competition from new retail malss limits the upside. • Risk: Rising e-commerce and online food delivery services such as Food Panda.
Frasers Commercial Trust	FCOT SP	1.41	1.50	0.06	6.8	NEUTRAL	• Near-term operating weakness from Alexandra Technopark (ATP) vacancies and asset repositioning • Asset enhamncements and China square central redevelopment should contribute positively from 1H19 • Risk: Further weakening of AUD against SGD.
Keppel REIT	KREIT SP	1.12	1.07	(0.04)	5.0	NEUTRAL	• Expiry of rental supports to impact DPU. • One of highest geared office REIT. • Highly-exposed to financial sector tenant mix. Increasing competition from newer developments. • Risk: Cap rate expansion.
Manulife US REIT	MUST SP	0.78	0.92	0.18	7.2	BUY	• Play on rebounding US economy and office market. • Organic DPU growth via inbuilt rent escalation. • Strong sponsor and ability to grow REIT via. quality acquisitions. • Risk: Retaining tenants and changes in tax structure.
OUE Hospitality Trust	OUEHT SP	0.70	0.80	0.14	7.1	BUY	• Key beneficiary of opening of new airport terminal. • RevPAR expected to rebound with hotel supply declining. • Risk: Lower-than-expected increase in tourist arrivals.
Starhill Global REIT	SGREIT SP	0.67	0.80	0.19	6.9	BUY	• Office demand and rents picking up. Retail rents still stabilising. • Tight retail supply within Orchard Shopping belt in the next two years limits downside • Overseas portfolio AEI's nearing completion. • Risk: Weaker than expected pick-up in retail market demand
Suntec REIT	SUN SP	1.78	1.90	0.07	5.4	NEUTRAL	• Near-term DPU to stay flat on the back of ongoing redevelopments and asset enhancements • Suntec City redevelopment will benefit the REIT in the longer term • Risk: Better-than-expected performance from its newly refurbished Suntec City AEI.

Note: Price close as at 14 Oct
Source: RHB, Bloomberg

SREITs: Looking Into The Numbers

Figure 15: SREITs table

	Mkt cap (USDm)	3M-ADVT (USD '000)	Last price (LCY)	1D (%)	5D (%)	1M (%)	3M (%)	6M (%)	12M (%)	YTD (%)	vs 52W-low (%)	vs 52W-high (%)	P/B (x)	Div yield (FY-1)	Div yield (FY-2)	Yield Spread (%)	Gearing/ simple ave	WALE (years)	% FY-1	% FY-2
REITs (41)	**61,474**	**108,652**		**0.5**	**(2.2)**	**(3.1)**	**(4.1)**	**(5.8)**	**(4.9)**	**(8.9)**	**3.8**	**(13.3)**	**0.9**	**6.2**	**6.4**	**3.7**	**35.2%**			
Office (5)	**12,342**	**27,035**		**0.4**	**(3.1)**	**(3.9)**	**(3.3)**	**(7.3)**	**(3.0)**	**(12.9)**	**6.4**	**(17.4)**	**0.86**	**5.6**	**5.6**	**3.0**	**38.0%**			
CapitaLand Commercial Trust	4,672	12,203	1.72	2.4	(1.1)	(2.8)	(1.7)	(6.5)	3.0	(10.9)	6.8	(16.1)	0.94	5.2	5.2	2.6	37.8%	6.6	13%	17%
Suntec REIT	3,445	8,651	1.78	(0.6)	(3.8)	(4.3)	(3.3)	(6.3)	(6.8)	(17.2)	9.2	(20.9)	0.85	5.6	5.6	3.0	37.7%	4.1	9%	21%
Keppel REIT	2,769	4,487	1.12	(1.8)	(4.3)	(5.1)	(2.6)	(8.2)	(5.5)	(11.1)	3.7	(15.8)	0.79	5.3	5.3	2.7	38.5%	6.1	4%	7%
OUE Commercial Trust	547	298	0.48	(2.1)	(12.0)	(10.8)	(21.8)	(24.0)	(24.5)	(25.0)	1.1	(29.0)	0.59	8.0	7.8	5.4	39.8%	2.5	11%	15%
Frasers Commercial Trust	909	1,397	1.41	2.2	(1.4)	0.0	(2.1)	(2.8)	0.7	(5.4)	5.2	(9.0)	0.92	7.0	6.9	4.4	36.0%	3.8	15%	29%
Retail (5)	**13,089**	**25,999**		**0.6**	**(1.1)**	**(2.5)**	**(0.9)**	**(0.5)**	**(0.1)**	**(3.4)**	**5.1**	**(7.9)**	**1.03**	**5.6**	**5.8**	**3.0**	**32.5%**			
CapitaLand Mall Trust	5,356	16,317	2.08	0.0	(1.9)	(2.3)	(1.9)	0.0	1.5	(2.3)	6.7	(7.6)	1.03	5.3	5.5	2.8	34.8%	2	26%	29%
Mapletree Commercial Trust	3,331	6,644	1.59	1.3	0.0	(3.0)	(1.2)	0.6	2.6	(1.9)	4.6	(6.5)	1.07	5.7	5.8	3.1	37.0%	2.8	16%	26%
SPH REIT	1,857	532	1.00	1.0	(0.5)	0.0	(0.5)	1.0	(2.0)	(5.2)	1.5	(8.7)	1.05	5.6	5.7	3.0	25.7%	2.4	10%	30%
Frasers Centrepoint Trust	1,485	1,544	2.21	0.5	(0.5)	(2.6)	0.5	(1.3)	0.9	(1.3)	4.7	(6.4)	1.09	5.5	5.8	2.9	29.7%	1.5	27%	32%
Starhill Global REIT	1,060	961	0.67	0.8	(2.9)	(6.3)	2.3	(7.6)	(14.1)	(13.5)	5.5	(14.6)	0.73	7.2	7.3	4.6	35.2%	4.8	9%	18%
Industrial (11)	**17,380**	**39,200**		**0.8**	**(1.7)**	**(3.0)**	**(5.2)**	**(6.0)**	**(5.4)**	**(7.7)**	**2.9**	**(12.3)**	**1.15**	**6.6**	**6.8**	**4.1**	**35.4%**			
Ascendas REIT	5,616	19,977	2.49	0.4	(2.4)	(3.5)	(8.1)	(7.4)	(8.5)	(8.5)	1.6	(12.9)	1.20	6.6	6.8	4.0	31.8%	3.7	6%	19%
Mapletree Industrial Trust	2,628	4,186	1.92	0.5	(1.0)	(3.5)	(3.0)	(5.4)	1.9	(5.4)	3.8	(9.9)	1.30	6.4	6.7	3.8	29.4%	3.2	3%	31%
Mapletree Logistics Trust	3,128	6,811	1.21	0.8	(0.8)	(3.2)	(4.7)	(4.7)	(1.6)	(8.3)	2.5	(12.3)	1.08	6.5	6.6	3.9	38.7%	4.1	5%	18%
Frasers Logistics Trust	1,514	N.M	1.04	2.0	(1.0)	(4.6)	(1.9)	(2.0)	(6.0)	(9.6)	2.8	(11.9)	1.16	7.1	6.7	4.5	29.7%	6.9	0%	1%
Keppel DC REIT	1,304	3,938	1.33	2.3	(2.2)	(0.7)	(2.2)	(8.9)	(2.2)	(7.0)	3.9	(10.1)	1.32	5.6	5.8	3.1	28.3%	9.6	15%	1%
Aims AMP Capital Industrial REIT	676	1,022	1.36	0.0	(2.2)	(3.5)	(2.2)	(1.4)	(5.2)	0.0	3.0	(7.8)	0.99	7.6	8.1	5.0	34.6%	2.5	7%	30%
Cache Logistic Trust	549	1,299	0.71	0.0	(4.1)	(4.7)	(9.6)	(15.1)	(15.6)	(17.5)	1.4	(20.3)	1.00	8.5	8.7	5.9	43.1%	3.9	5%	22%
ESR REIT	563	571	0.49	2.1	(2.0)	(2.0)	(6.7)	(9.3)	(14.7)	(12.4)	4.3	(16.8)	0.72	8.0	8.4	5.4	37.5%	3.7	22%	24%
Soilbuild Business Space REIT	441	483	0.58	0.0	(3.4)	(1.7)	(12.9)	(12.9)	(18.4)	(14.2)	0.9	(20.1)	0.91	8.9	8.7	6.3	37.6%	3.4	14%	15%
Sabana Industrial REIT	321	240	0.42	1.2	(1.2)	5.0	(3.4)	(1.2)	(9.7)	6.3	10.5	(12.5)	0.78	N.M	N.M	N.M	43.2%	2.7	37%	19%
Viva Industrial Trust	639	673	0.91	0.0	0.0	1.1	1.1	2.8	(4.2)	(3.2)	8.4	(11.3)	1.19	7.7	7.7	5.2	39.4%	3.1	15%	18%
Hospitality (6)	**6,326**	**5,909**		**0.7**	**(2.5)**	**(1.8)**	**(5.3)**	**(8.8)**	**(10.7)**	**(12.8)**	**2.9**	**(18.2)**	**0.88**	**6.8**	**7.0**	**4.2**	**34.1%**			
Ascott Residence Trust	1,663	1,437	1.06	0.0	(1.9)	(0.9)	(5.4)	(6.2)	(12.4)	(13.1)	1.0	(16.5)	0.86	6.6	6.9	4.0	39.8%	N.A	N.A	N.A
CDL Hospitality Trusts	1,337	2,226	1.53	0.7	(3.8)	(1.9)	(5.6)	(11.0)	(6.7)	(9.5)	4.1	(17.3)	1.01	6.2	6.5	3.6	36.8%	N.A	N.A	N.A
Far East Hospitality Trust	820	791	0.61	0.8	(4.0)	(4.7)	(8.3)	(11.0)	(13.6)	(16.0)	0.8	(22.4)	0.70	6.8	7.1	4.2	32.1%	N.A	N.A	N.A
OUE Hospitality Trust	918	731	0.70	2.2	(1.4)	(2.8)	(11.5)	(14.2)	(13.1)	(18.2)	3.0	(24.9)	0.92	7.2	7.2	4.6	38.1%	N.A	N.A	N.A
Frasers Hospitality Trust	943	388	0.70	0.7	(1.4)	0.7	0.7	(7.9)	(9.7)	(11.5)	4.5	(15.8)	0.90	6.9	7.1	4.3	33.7%	N.A	N.A	N.A
Ascendas Hospitality Trust	645	336	0.79	0.0	(3.1)	(1.9)	(1.3)	(1.9)	(9.2)	(8.7)	6.1	(13.3)	0.78	7.4	7.6	4.6	33.3%	N.A	N.A	N.A
Healthcare (2)	**1,805**	**1,944**		**0.3**	**(3.6)**	**(5.3)**	**(7.7)**	**(8.8)**	**(8.5)**	**(14.3)**	**1.4**	**(16.2)**	**1.36**	**5.9**	**6.0**	**3.3**	**36.3%**			
Parkway Life REIT	1,137	1,136	2.59	0.0	(3.4)	(5.5)	(5.5)	(6.5)	(5.5)	(13.4)	1.2	(15.4)	1.48	4.9	5.0	2.3	36.3%	8.44	N.A	N.A
First REIT	668	808	1.17	0.9	(4.1)	(4.9)	(11.4)	(12.7)	(13.7)	(15.8)	1.7	(17.6)	1.16	7.5	7.8	-1.2	31.1%	N.A	N.A	N.A
Overseas - commercial (12)	**10,533**	**8,565**		**(0.1)**	**(2.6)**	**(3.4)**	**(5.7)**	**(8.0)**	**(8.0)**	**(9.7)**	**1.3**	**(13.1)**	**0.59**	**6.9**	**7.1**	**4.09**	**34.3%**			
Dasin Retail Trust	345	511	0.86	0.6	(0.6)	0.6	(2.3)	(3.9)	3.6	(2.8)	6.9	(6.6)	0.56	8.8	9.0	5.2	27.3%	7.4	10%	12%
EC World REIT	396	255	0.69	0.0	(2.8)	1.5	(2.1)	(6.1)	(11.5)	(9.2)	2.2	(12.7)	0.72	8.8	9.4	5.3	27.6%	4	0%	0%
Fortune REIT	2,139	80	8.74	(0.5)	(6.1)	(6.9)	(5.7)	(7.5)	(3.4)	(9.1)	0.5	(11.7)	0.54	6.0	6.1	3.4	29.5%	N.A	44%	30%
Mapletree Greater China Commercial Trust	2,521	5,485	1.10	0.0	(1.8)	(4.3)	(5.2)	(8.3)	(7.2)	(10.6)	0.9	(14.1)	0.83	7.0	7.0	4.5	40.5%	2.5	6%	37%
CapitaLand Retail China Trust	968	1,254	1.36	(0.7)	(4.9)	(3.5)	(8.7)	(11.7)	(18.1)	(16.0)	1.5	(20.0)	0.80	7.9	8.1	4.4	35.3%	5	19%	25%
Lippo Malls Indonesia Retail Trust	508	804	0.25	(2.0)	(3.9)	(7.5)	(23.4)	(26.9)	(43.7)	(38.8)	2.1	(44.9)	0.82	10.6	10.6	1.9	35.1%	4.51	23%	12%
Manulife US REIT	986	831	0.78	0.6	(1.9)	(3.1)	(9.9)	(14.9)	(13.0)	(13.5)	2.6	(20.5)	0.93	7.4	7.7	4.2	33.8%	5.8	5%	2%
BHG Retail REIT	252	37	0.69	0.0	0.0	(2.8)	(4.2)	(10.4)	(8.0)	(6.8)	7.8	(16.9)	0.83	N.M	N.M	N.M	31.0%	5.2	28%	25%
Keppel-KBS US REIT	464	264	0.74	(0.7)	(5.8)	(10.9)	(15.0)	(16.9)	N.M	(18.8)	0.0	(20.1)	0.88	16.3	8.6	13.2	36.0%	3.7	17%	17%
Sasseur REIT	591	188	0.69	0.0	(3.5)	(4.2)	(2.1)	(13.8)	N.M	N.M	3.8	(14.8)	0.82	0.0	7.1	-3.6	30.3%	1.2	52%	16%
Cromwell European REIT	1,021	165	0.56	0.9	(3.4)	(3.4)	(4.3)	(5.9)	N.M	0.9	5.7	(11.8)	1.06	7.7	7.9	7.2	36.8%	4.9	12%	11%
IREIT Global	343	74	0.75	1.4	(0.7)	(0.7)	(4.5)	(3.8)	(2.6)	(3.2)	1.4	(9.1)	1.10	N.M	N.M	N.M	41.6%	5.9	1%	4%

Note: Price close on 14 Oct
Source: RHB, Bloomberg

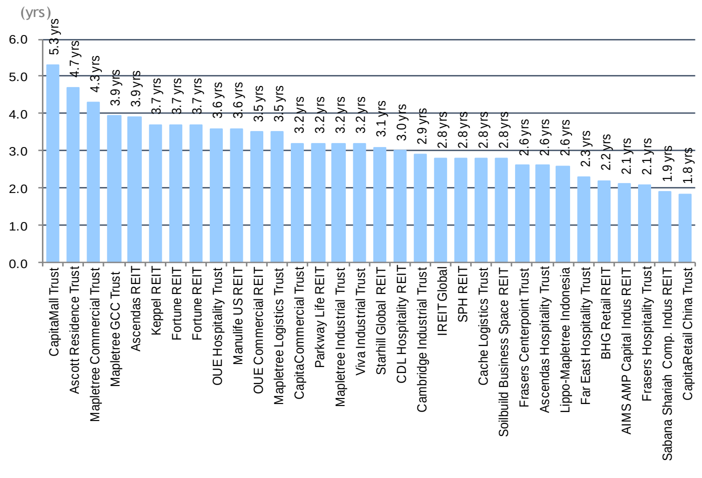
SREITs' Debt Profiles

Figure 16: SREITs' debt profiles*

Company Name	Gearing (%)	Avg Borrowing Rate	Avg Term to Maturity	Interest Cover (X)	Fixed Debt (% of total)	Unencumbered Assets	Credit Rating
AIMS AMP Capital Indus REIT	33.6%	3.8%	1.6	4.8	88%	Not reported	Not reported
Ascendas Hospitality Trust	30.8%	2.6%	2.7	Not reported	77%	Not reported	Nil
Ascendas REIT	35.7%	2.9%	3.4	5.6	72%	90%	A3/Stable
Ascott Residence Trust	35.7%	2.3%	3.9	4.5	84%	Not reported	BBB/Baa3
BHG Retail REIT	33.0%	3.6%	1.4	Not reported	Not reported	Not reported	Not reported
Cache Logistics Trust	35.3%	3.6%	2.4	3.9	62%	Not reported	Not reported
CapitaCommercial Trust	37.9%	2.7%	3.6	5.1	85%	84%	BB+/Stable outlook
CapitaMall Trust	31.5%	3.1%	5.2	5.7	Not reported	100%	A2
CapitaRetail China Trust	32.1%	2.6%	3.4	5.9	80%	100%	Nil
CDL Hospitality REIT	33.2%	2.4%	3.2	7.5	66%	Not reported	BBB-
Dasin Retail Trust	31.5%	4.9%	3.0	1.4	Not reported	Not reported	Not reported
EC World REIT	28.9%	4.5%	Not reported	Not reported	100%	Not reported	Not reported
ESR REIT	30.0%	3.8%	1.8	3.6	93%	100%	Not reported
Far East Hospitality Trust	35.1%	2.5%	3.3	Not reported	40%	100%	Nil
First REIT	34.2%	Not reported	Not reported	4.9	61%	0%	Not reported
Fortune REIT	22.3%	2.7%	3.2	4.4	54%	70%	Not reported
Frasers Centerpoint Trust	29.2%	2.4%	2.5	6.6	56%	85%	Baa1/BBB+
Frasers Commercial Trust	35.4%	3.1%	2.6	3.5	81%	100%	Baa2
Frasers Hospitality Trust	34.0%	2.6%	2.4	5.1	88%	Not reported	Baa2
Frasers Logistics Trust	30.9%	2.8%	2.7	7.8	68%	Not reported	Not reported
IREIT Global	40.5%	2.0%	1.8	8.5	Not reported	Not reported	Not reported
Keppel DC REIT	31.7%	1.9%	3.5	10.7	86%	100%	Not reported
Keppel KBS US REIT	33.1%	3.4%	3.9	5.7	75%	100%	Not reported
Keppel REIT	38.6%	2.8%	3.2	4.3	Not reported	84%	Not reported
Lippo-Mapletree Indonesia	35.0%	Not reported	1.9	5.3	Not reported	Not reported	Nil
Manulife US REIT	34.1%	2.8%	3.2	4.7	100%	Not reported	Not reported
Mapletree Commercial Trust	34.7%	2.9%	3.6	4.6	75%	100%	Baa1
Mapletree North Asia Commercial Trust	38.8%	2.4%	3.9	4.1	Not reported	89%	Baa1
Mapletree Industrial Trust	33.1%	2.9%	3.3	7.1	85%	10000%	BBB+/Stable
Mapletree Logistics Trust	36.4%	2.5%	4.3	5.2	82%	Not reported	3aa1/stable outlook
OUE Commercial REIT	40.5%	3.4%	1.9	3.3	Not reported	Not reported	Not reported
OUE Hospitality Trust	38.7%	2.3%	3.0	4.5	71%	Not reported	Nil
Parkway Life REIT	38.0%	0.9%	3.1	13.5	Not reported	100%	Not reported
Sabana Shariah Comp. Indus REIT	38.2%	4.1%	1.8	3.7	72%	26%	Not reported
Soilbuild Business Space REIT	40.2%	3.3%	2.9	4.6	65%	66%	Not reported
SPH REIT	25.4%	2.8%	2.0	6.1	76%	Not reported	Nil
Starhill Global REIT	35.5%	3.1%	3.5	4.0	96%	73%	BBB+
Suntec REIT	37.9%	2.7%	2.8	3.6	Not reported	Not reported	Not reported
Viva Industrial Trust	39.8%	3.9%	2.5	4.6	84%	Not reported	Not reported
Average (simple)	**34%**	**2.9%**	**2.9**	**5.4**	**77%**	**578%**	

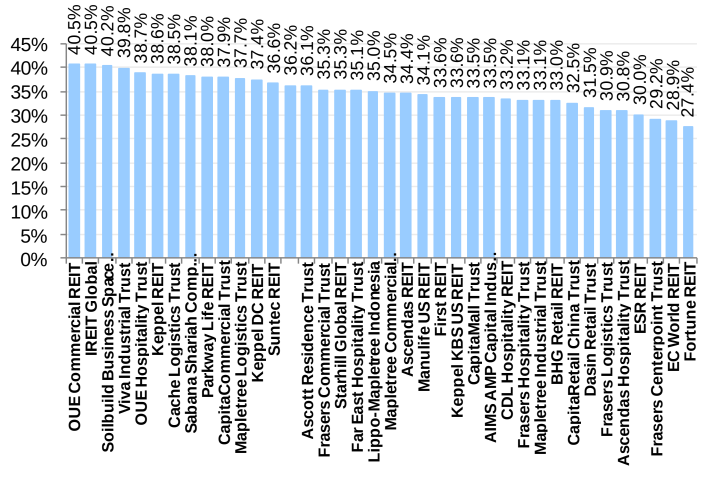
*Note: *Based on latest quarterly results*
Source: RHB, Companies data

Figure 17: Weighted average term to maturity of SREITs



Source: Companies data

Figure 18: SREITs' gearing



Source: Companies data

Regional REITs Closest To 52-Week Lows

Figure 19: Regional REITs closest to their 52-week lows

REITs	BBG ticker	Market Cap (USDm)	Country	vs 52W-low	Rank
AmanahRaya Real Estate Investment Trust	AARET MK Equity	114	Malaysia	0.0%	1
OUE Commercial Real Estate Investment Trust	OUECT SP Equity	539	Singapore	0.0%	1
Fortune Real Estate Investment Trust	FRT SP Equity	2128	Singapore	0.0%	1
Prosperity REIT	808 HK Equity	541	Hong Kong	0.4%	4
Langham Hospitality Investments and Langham Hospitality Investments Ltd	1270 HK Equity	746	Hong Kong	0.4%	5
Yuexiu Real Estate Investment Trust	405 HK Equity	1842	Hong Kong	0.4%	6
Al-Salam Real Estate Investment Trust	SALAM MK Equity	112	Malaysia	0.6%	7
IREIT Global	IREIT SP Equity	341	Singapore	0.7%	8
Keppel-KBS US REIT	KORE SP Equity	467	Singapore	0.7%	9
Fortune Real Estate Investment Trust	778 HK Equity	2131	Hong Kong	0.7%	10
Far East Hospitality Trust	FEHT SP Equity	821	Singapore	0.8%	11
First Real Estate Investment Trust	FIRT SP Equity	663	Singapore	0.9%	12
Soilbuild Business Space REIT	SBREIT SP Equity	441	Singapore	0.9%	13
Jinmao Hotel and Jinmao China Hotel Investments and Management Ltd	6139 HK Equity	1085	Hong Kong	1.0%	14
Cache Logistics Trust	CACHE SP Equity	549	Singapore	1.4%	15
AIMS AMP Capital Industrial REIT	AAREIT SP Equity	667	Singapore	1.5%	16
Tower Real Estate Investment Trust	TRET MK Equity	62	Malaysia	1.6%	17
Hui Xian Real Estate Investment Trust	87001 HK Equity	2551	Hong Kong	1.7%	18
Mapletree Logistics Trust	MLT SP Equity	3105	Singapore	1.7%	19
New Century Real Estate Investment Trust	1275 HK Equity	212	Hong Kong	1.8%	20
Mapletree North Asia Commercial Trust	MAGIC SP Equity	2546	Singapore	1.8%	21
Sunlight Real Estate Investment Trust	435 HK Equity	1026	Hong Kong	1.9%	22
Ascott Residence Trust	ART SP Equity	1680	Singapore	1.9%	23
Parkway Life Real Estate Investment Trust	PREIT SP Equity	1146	Singapore	2.0%	24
SPH REIT	SPHREIT SP Equity	1867	Singapore	2.0%	25
Ascendas Real Estate Investment Trust	AREIT SP Equity	5642	Singapore	2.0%	25
ESR-REIT	EREIT SP Equity	552	Singapore	2.1%	27
CapitaLand Retail China Trust	CRCT SP Equity	975	Singapore	2.2%	28
Regal Real Estate Investment Trust	1881 HK Equity	914	Hong Kong	2.3%	29
AmFIRST Real Estate Investment Trust	ARET MK Equity	97	Malaysia	2.6%	30
OUE Hospitality Trust	OUEHT SP Equity	919	Singapore	3.0%	31
Sasseur Real Estate Investment Trust	SASSR SP Equity	587	Singapore	3.0%	32
Champion REIT	2778 HK Equity	3909	Hong Kong	3.1%	33
Manulife US Real Estate Investment Trust	MUST SP Equity	993	Singapore	3.3%	34
Hektar Real Estate Investment Trust	HEKT MK Equity	131	Malaysia	3.5%	35
EC World Real Estate Investment Trust Unit	ECWREIT SP Equity	402	Singapore	3.7%	36
UOA Real Estate Investment Trust	UOAR MK Equity	140	Malaysia	3.8%	37
Atrium Real Estate Investment Trust	ATRM MK Equity	32	Malaysia	3.8%	38
Mapletree Commercial Trust	MCT SP Equity	3312	Singapore	3.9%	39
CDL Hospitality Trusts	CDREIT SP Equity	1338	Singapore	4.1%	40
Lippo Malls Indonesia Retail Trust	LMRT SP Equity	518	Singapore	4.2%	41
Mapletree Industrial Trust	MINT SP Equity	2644	Singapore	4.3%	42
Keppel DC REIT	KDCREIT SP Equity	1315	Singapore	4.7%	43
Cromwell European Real Estate Investment Trust	CERT SP Equity	1013	Singapore	4.7%	44
CapitaLand Commercial Trust	CCT SP Equity	4593	Singapore	5.0%	45
Frasers Commercial Trust	FCOT SP Equity	910	Singapore	5.2%	46
Frasers Hospitality Trust	FHT SP Equity	950	Singapore	5.3%	47
Starhill Global REIT	SGREIT SP Equity	1061	Singapore	5.5%	48
Keppel REIT	KREIT SP Equity	2820	Singapore	5.6%	49
Frasers Centrepoint Trust	FCT SP Equity	1500	Singapore	5.7%	50
Ascendas Hospitality Trust	ASCHT SP Equity	646	Singapore	6.1%	51
Amanah Harta Tanah PNB	AHP MK Equity	39	Malaysia	6.4%	52
CapitaLand Mall Trust	CT SP Equity	5385	Singapore	7.2%	53
Dasin Retail Trust	DASIN SP Equity	347	Singapore	7.5%	54
Viva Industrial Trust	VIT SP Equity	639	Singapore	8.4%	55
Suntec Real Estate Investment Trust	SUN SP Equity	3428	Singapore	8.6%	56
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust	SSREIT SP Equity	317	Singapore	9.2%	57
MRCB-QUILL REIT	MQREIT MK Equity	281	Malaysia	9.5%	58
YTL Hospitality REIT	YTLREIT MK Equity	488	Malaysia	11.2%	59
Link REIT	823 HK Equity	19403	Hong Kong	13.7%	60
Sunway Real Estate Investment Trust	SREIT MK Equity	1197	Malaysia	14.2%	61
IGB Real Estate Investment Trust	IGBREIT MK Equity	1418	Malaysia	14.4%	62
Al-'Aqar Healthcare REIT	AQAR MK Equity	217	Malaysia	14.8%	63
Capitaland Malaysia Mall Trust	CMMT MK Equity	561	Malaysia	16.3%	64
Pavilion Real Estate Investment Trust	PREIT MK Equity	1140	Malaysia	18.2%	65
Spring Real Estate Investment Trust	1426 HK Equity	593	Hong Kong	22.4%	66
Axis Real Estate Investment Trust	AXRB MK Equity	445	Malaysia	26.1%	67

Note: As on 14 Oct
Source: RHB, Bloomberg

Highest-Yielding Regional REITs

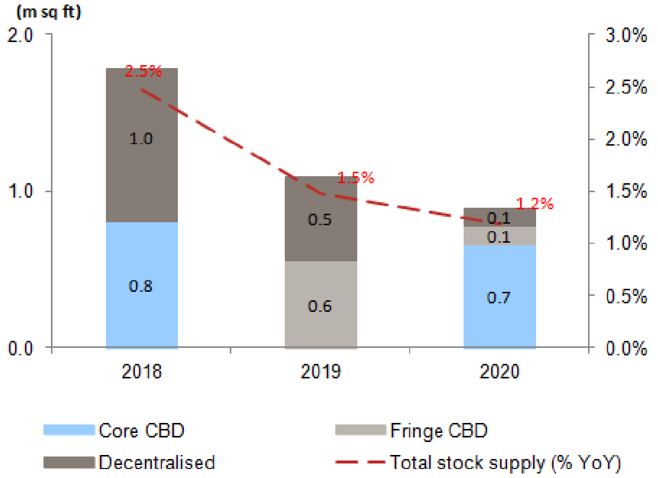
Figure 20: Highest-yielding regional REITs

REITs	BBG ticker	Market Cap (USDm)	Country	Dividend yield	Rank
Lippo Malls Indonesia Retail Trust	LMRT SP Equity	518	Singapore	10.40	1
Soilbuild Business Space REIT	SBREIT SP Equity	441	Singapore	8.87	2
Dasin Retail Trust	DASIN SP Equity	347	Singapore	8.72	3
EC World Real Estate Investment Trust Unit	ECWREIT SP Equity	402	Singapore	8.71	4
Jinmao Hotel and Jinmao China Hotel Investments and Management Ltd	6139 HK Equity	1085	Hong Kong	8.64	5
Hui Xian Real Estate Investment Trust	87001 HK Equity	2551	Hong Kong	8.63	6
Cache Logistics Trust	CACHE SP Equity	549	Singapore	8.51	7
ESR-REIT	EREIT SP Equity	552	Singapore	8.13	8
Keppel-KBS US REIT	KORE SP Equity	467	Singapore	8.11	9
OUE Commercial Real Estate Investment Trust	OUECT SP Equity	539	Singapore	8.09	10
CapitaLand Retail China Trust	CRCT SP Equity	975	Singapore	7.88	11
Viva Industrial Trust	VIT SP Equity	639	Singapore	7.73	12
AIMS AMP Capital Industrial REIT	AAREIT SP Equity	667	Singapore	7.69	13
AmanahRaya Real Estate Investment Trust	AARET MK Equity	114	Malaysia	7.64	14
First Real Estate Investment Trust	FIRT SP Equity	663	Singapore	7.59	15
Ascendas Hospitality Trust	ASCHT SP Equity	646	Singapore	7.39	16
MRCB-QUILL REIT	MQREIT MK Equity	281	Malaysia	7.34	17
Manulife US Real Estate Investment Trust	MUST SP Equity	993	Singapore	7.31	18
Langham Hospitality Investments and Langham Hospitality Investments Ltd	1270 HK Equity	746	Hong Kong	7.22	19
OUE Hospitality Trust	OUEHT SP Equity	919	Singapore	7.19	20
Starhill Global REIT	SGREIT SP Equity	1061	Singapore	7.16	21
Yuexiu Real Estate Investment Trust	405 HK Equity	1842	Hong Kong	7.07	22
YTL Hospitality REIT	YTLREIT MK Equity	488	Malaysia	6.97	23
Frasers Commercial Trust	FCOT SP Equity	910	Singapore	6.95	24
Mapletree North Asia Commercial Trust	MAGIC SP Equity	2546	Singapore	6.94	25
Frasers Hospitality Trust	FHT SP Equity	950	Singapore	6.86	26
Regal Real Estate Investment Trust	1881 HK Equity	914	Hong Kong	6.82	27
Far East Hospitality Trust	FEHT SP Equity	821	Singapore	6.78	28
Capitaland Malaysia Mall Trust	CMMT MK Equity	561	Malaysia	6.67	29
Mapletree Logistics Trust	MLT SP Equity	3105	Singapore	6.58	30
Ascendas Real Estate Investment Trust	AREIT SP Equity	5642	Singapore	6.56	31
Ascott Residence Trust	ART SP Equity	1680	Singapore	6.54	32
Mapletree Industrial Trust	MINT SP Equity	2644	Singapore	6.37	33
Prosperity REIT	808 HK Equity	541	Hong Kong	6.29	34
CDL Hospitality Trusts	CDREIT SP Equity	1338	Singapore	6.21	35
Fortune Real Estate Investment Trust	FRT SP Equity	2128	Singapore	5.99	36
Fortune Real Estate Investment Trust	778 HK Equity	2131	Hong Kong	5.98	37
Al-Salam Real Estate Investment Trust	SALAM MK Equity	112	Malaysia	5.88	38
Sunway Real Estate Investment Trust	SREIT MK Equity	1197	Malaysia	5.74	39
Mapletree Commercial Trust	MCT SP Equity	3312	Singapore	5.70	40
Suntec Real Estate Investment Trust	SUN SP Equity	3428	Singapore	5.65	41
Sunlight Real Estate Investment Trust	435 HK Equity	1026	Hong Kong	5.62	42
SPH REIT	SPHREIT SP Equity	1867	Singapore	5.60	43
Keppel DC REIT	KDCREIT SP Equity	1315	Singapore	5.60	44
Axis Real Estate Investment Trust	AXRB MK Equity	445	Malaysia	5.53	45
Pavilion Real Estate Investment Trust	PREIT MK Equity	1140	Malaysia	5.51	46
IGB Real Estate Investment Trust	IGBREIT MK Equity	1418	Malaysia	5.51	47
Frasers Centrepoint Trust	FCT SP Equity	1500	Singapore	5.43	48
CapitaLand Mall Trust	CT SP Equity	5385	Singapore	5.31	49
CapitaLand Commercial Trust	CCT SP Equity	4593	Singapore	5.27	50
Keppel REIT	KREIT SP Equity	2820	Singapore	5.18	51
Champion REIT	2778 HK Equity	3909	Hong Kong	4.92	52
Parkway Life Real Estate Investment Trust	PREIT SP Equity	1146	Singapore	4.87	53
Link REIT	823 HK Equity	19403	Hong Kong	3.72	54
Spring Real Estate Investment Trust	1426 HK Equity	593	Hong Kong	N.M	N.M
Al-'Aqar Healthcare REIT	AQAR MK Equity	217	Malaysia	N.M	N.M
Hektar Real Estate Investment Trust	HEKT MK Equity	131	Malaysia	N.M	N.M
IREIT Global	IREIT SP Equity	341	Singapore	N.M	N.M
Sabana Shari'ah Compliant Industrial Real Estate	SSREIT SP Equity	317	Singapore	N.M	N.M
Tower Real Estate Investment Trust	TRET MK Equity	62	Malaysia	N.M	N.M
Atrium Real Estate Investment Trust	ATRM MK Equity	32	Malaysia	N.M	N.M
AmFIRST Real Estate Investment Trust	ARET MK Equity	97	Malaysia	N.M	N.M
UOA Real Estate Investment Trust	UOAR MK Equity	140	Malaysia	N.M	N.M
Amanah Harta Tanah PNB	AHP MK Equity	39	Malaysia	N.M	N.M
New Century Real Estate Investment Trust	1275 HK Equity	212	Hong Kong	N.M	N.M
Sasseur Real Estate Investment Trust	SASSR SP Equity	587	Singapore	N.M	N.M
Cromwell European Real Estate Investment Trust	CERT SP Equity	1013	Singapore	N.M	N.M

Note: As on 14 Oct
Source: RHB, Bloomberg

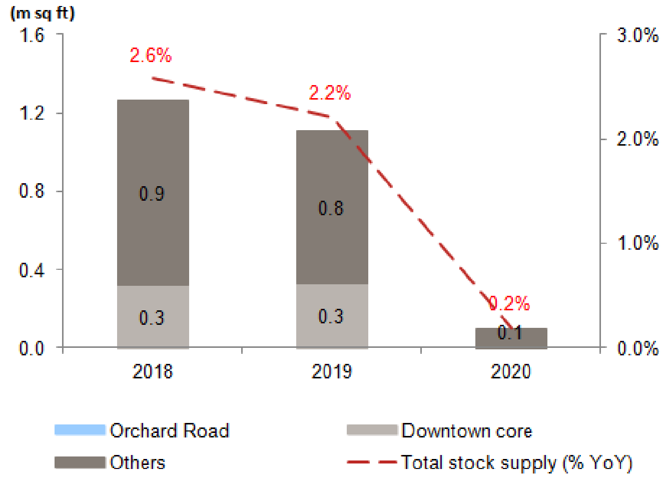
Snapshot Of Supply Pipelines

Figure 21: Office supply pipeline (2018-2020)



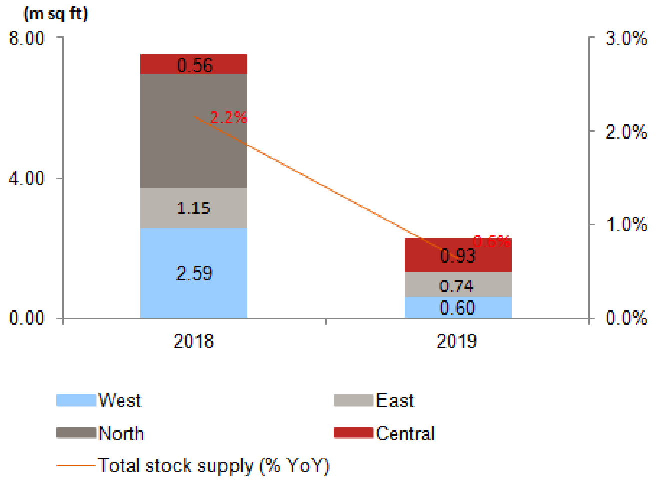
Source: RHB, CBRE

Figure 22: Retail supply pipeline (2018-2020)



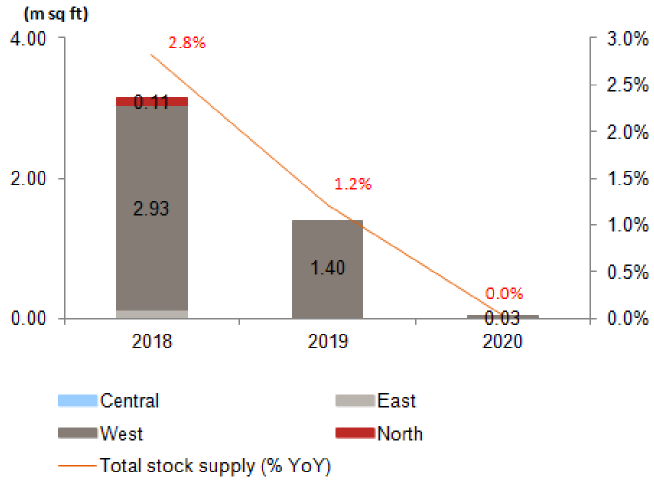
Source: RHB, CBRE

Figure 23: Factory supply pipeline (2018-2019)



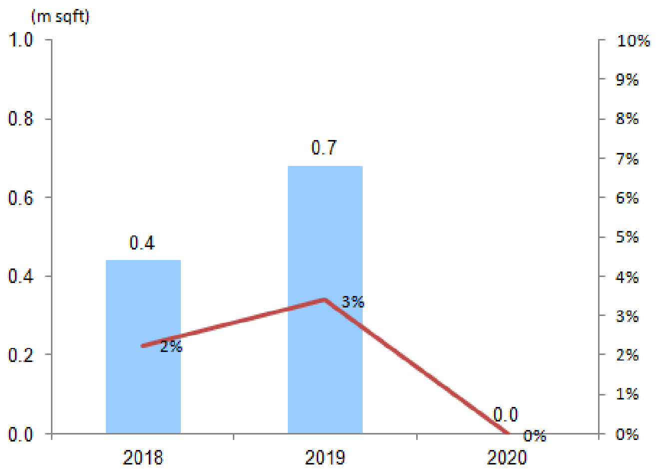
Source: RHB, CBRE

Figure 24: Warehouse supply pipeline (2018-2020)



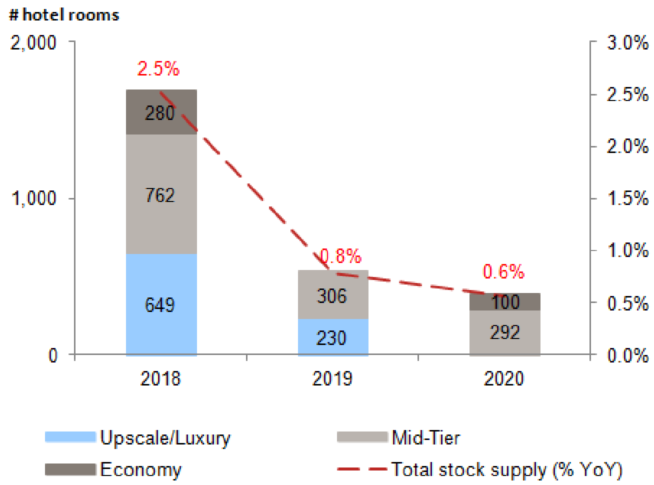
Source: RHB, CBRE

Figure 25: Business & science park pipeline (2018-2020)



Source: CBRE, RHB

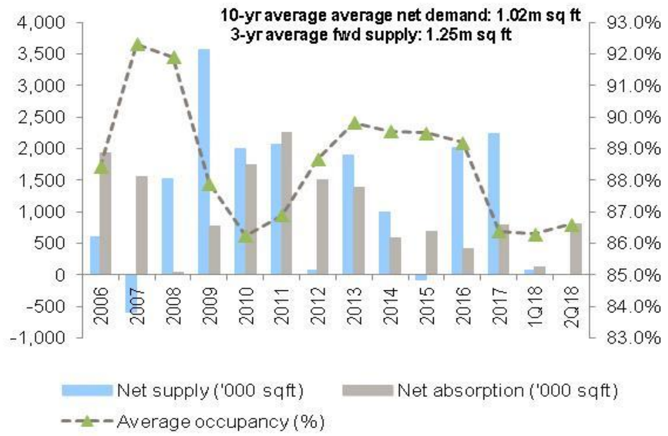
Figure 26: Hotel room supply pipeline (2018-2020)



Source: RHB, CDLHT, Horwath HTL

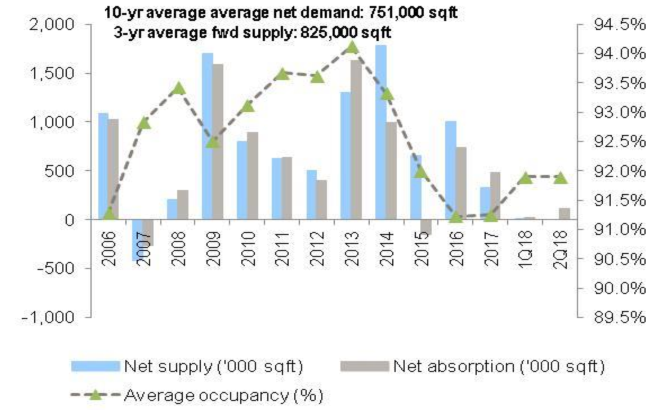
Supply & Demand Dynamics At a Glance

Figure 27: Office net supply vs absorption



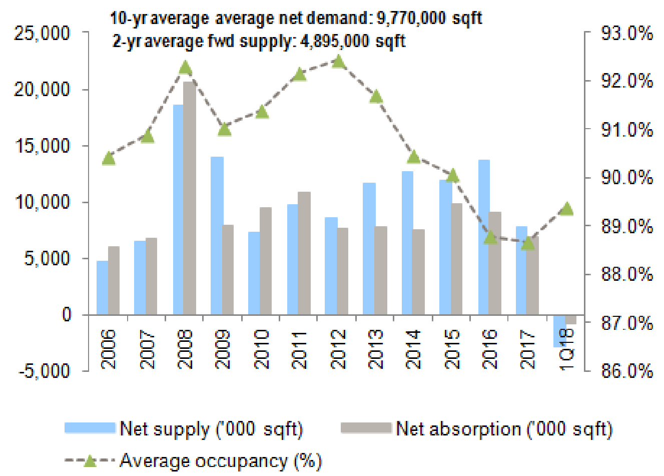
Source: RHB, Urban Redevelopment Authority (URA)

Figure 28: Retail net supply vs absorption



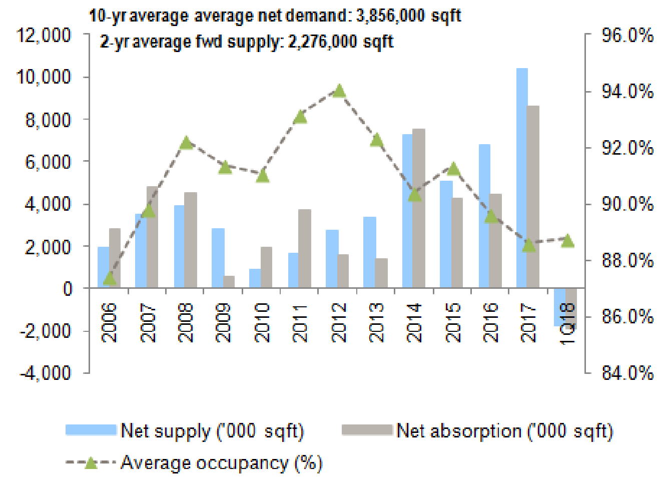
Source: RHB, URA

Figure 29: Factory net supply & absorption



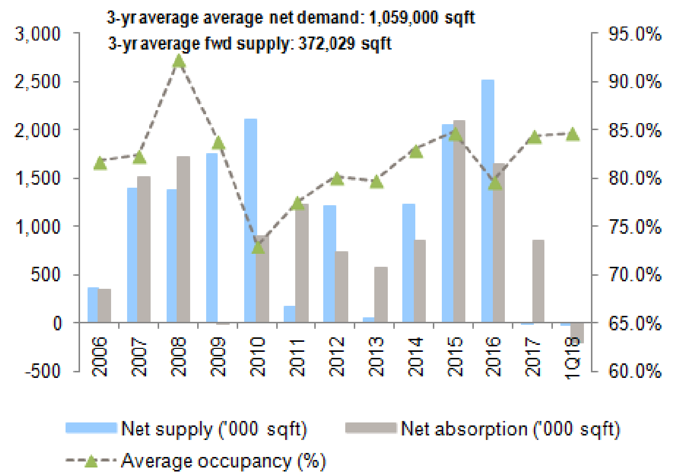
Source: RHB, URA

Figure 30: Warehouse net supply & absorption



Source: RHB, URA

Figure 31: Business park net supply & absorption



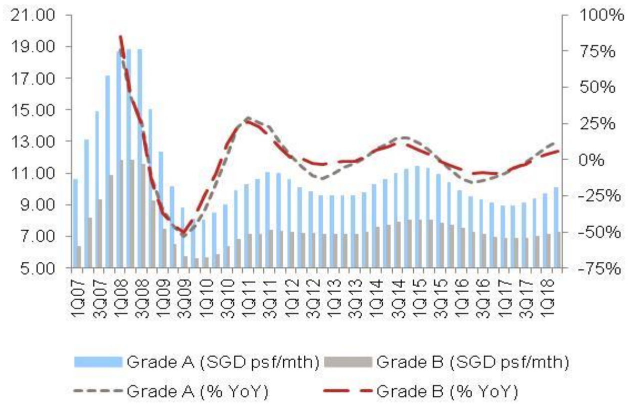
Source: RHB, URA

Figure 32: Monthly visitor arrivals since 2016

Source: RHB, STB

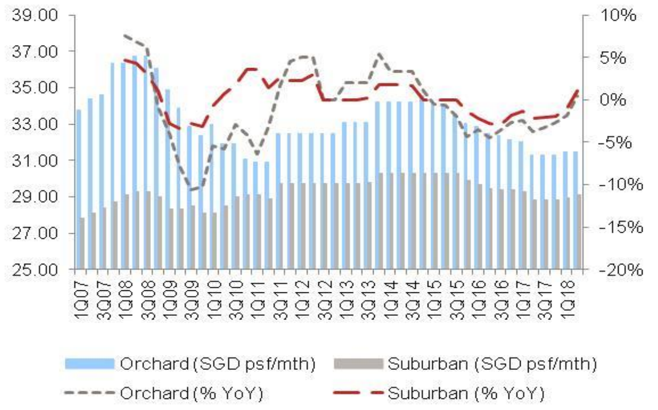
Rental Rates At a Glance

Figure 33: Singapore office rent (Grade A vs B)



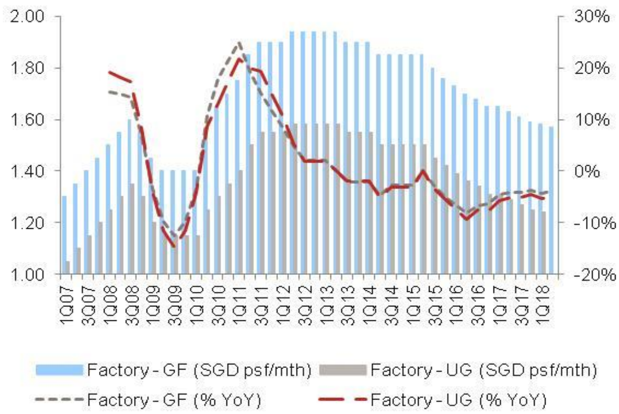
Source: RHB,CBRE

Figure 34: Singapore retail rents (Orchard Rd vs suburban)



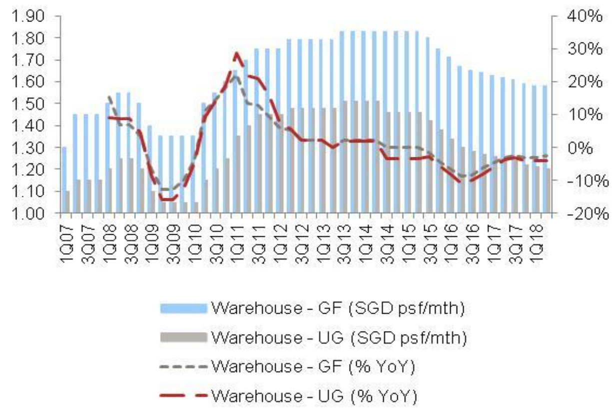
Source: RHB, CBRE

Figure 35: Factory rentals



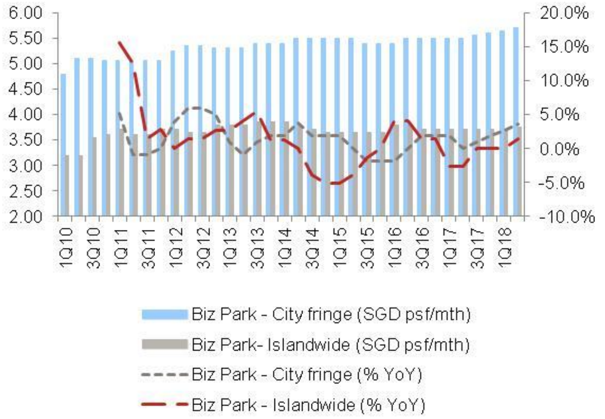
Source: RHB, CBRE

Figure 36: Warehouse rentals



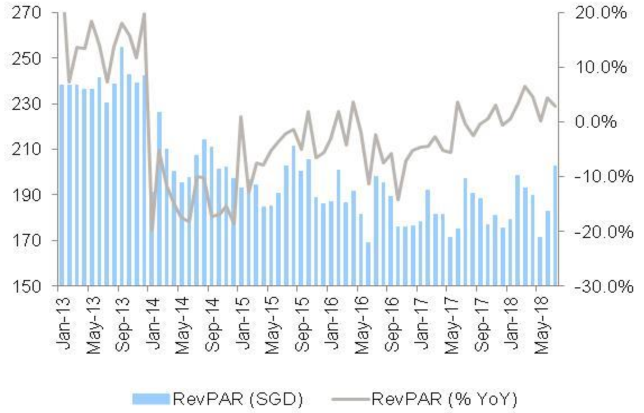
Source: RHB, CBRE

Figure 37: Business park rentals



Source: RHB, CBRE

Figure 38: RevPAR and RevPAR growth rates since 2013



Source: RHB, STB

16 October 2018

Property | REITS

Ascendas REIT

Building A Well-Diversified Portfolio: BUY

Buy

Target Price:	SGD2.90
Price:	SGD2.49
Market Cap:	USD5,614m
Bloomberg Ticker:	AREIT SP

Reiterate BUY, TP SGD2.90 (17% upside); Top industrial sector pick. The recent string of UK acquisitions further diversifies its portfolio across geographies and asset classes and should aid in stable distribution growth ahead. The outlook for the SG industrial sector is turning positive and AREIT looks well-positioned to capitalise on the uptick with a diversified portfolio of 100 industrial properties across the island. Rent reversion is expected to stay positive at 2-5% for FY19, and we expect management to continue its active portfolio rebalancing strategy.

Doubling down on UK market. Ascendas REIT (AREIT) made its maiden foray into the UK market in July 2018 with the acquisition of 12 logistics properties for £207.3 (SGD373.2m). This was soon followed by another 26 logistics properties in Sep 2018 for £257.5m (SGD459.2m). The recent moves come as a part of AREIT's geographical diversification strategy, and in particular to lengthen its portfolio land-lease tenure as the logistic assets are mainly freehold compared with up to 60-year lease tenures for SG industrial properties. The acquisitions are mildly yield accretive and will be funded from a combination of recent placement proceeds and debt. Post recent acquisitions, UK will account for 8% of AREIT's asset value. Despite Brexit concerns we remain positive on the acquisitions as the portfolio comes with a long Weighted Average Lease Expiry (WALE >9 years) and is 100% occupied with built-in rent escalation clauses.

Active capital recycling to continue. AREIT has been active in its portfolio rebalancing efforts i.e., divest mature shorter-lease assets and redeploy the capital into higher yielding longer WALE assets - a strategy which we like. Over the last two years, AREIT has divested eight properties worth ~SGD0.5bn, all at a premium to book value. This, in combination with its asset enhancement initiatives, has been instrumental in AREIT delivering higher unit holder returns over the last few years despite the challenging industrial market in Singapore.

SG – Favourable outlook, positive reversion to continue. The outlook for the industrial segment is turning positive with favourable demand-supply dynamics, especially for business parks and hi-tech industrial space. More than half of AREIT's assets are focussed on the above two segments and should benefit from this trend. Additionally, AREIT has minimal single-tenant buildings (~3% of rental income) due for renewal over the next two years. This minimises conversion risk into multi-tenancy property, resulting in lower income. Overall, we expect rental reversion for FY19 to stay positive in the 2-5% range (1QFY19: 10.5%) and expect portfolio occupancy to increase 1-2ppts.

BUY with TP of SGD2.90). Our DDM-derived TP is based on 7.3% CoE, 3% risk free rate and TG of 1.5%. AREIT is our preferred industrial pick and offers the best exposure to favourable business park and hi-tech industrial segment in Singapore. The stock has attractive FY19F/20F yields of 6.6%/6.8%.

Share Data

Avg Daily Turnover (SGD/USD)	37.1m/26.9m
52-wk Price high/low (SGD)	2.86 - 2.45
Free Float (%)	81.1
Shares outstanding (m)	3,108
Estimated Return	17%

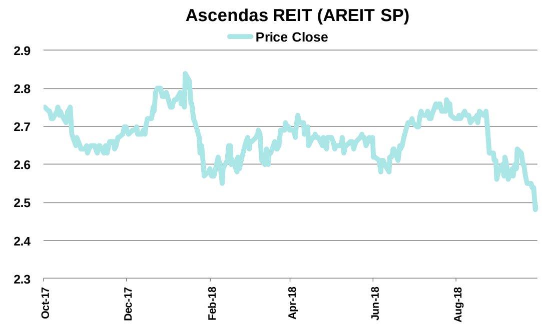
Shareholders (%)

Ascendas Pte Ltd	18.9
Blackrock	7.1
Mondrian Investment Partners	5.5

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(8.5)	(3.5)	(8.1)	(7.4)	(8.5)
Relative	1.4	(0.6)	(2.3)	4.9	(0.9)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Mar-17	Mar-18	Mar 19F	Mar 20F	Mar 21F
Total turnover (SGDm)	830.6	862.1	925.1	983.1	1,001.0
Net property income (SGDm)	611.0	629.4	664.2	711.8	724.4
Reported net profit (SGDm)	427.5	494.1	600.7	644.9	742.8
Total distributable income (SGDm)	420.3	438.4	468.6	500.6	504.8
DPS (SGD)	0.16	0.16	0.17	0.17	0.17
DPS growth (%)	2.5	1.5	3.3	3.2	0.7
Recurring P/E (x)	16.8	14.7	12.5	12.0	10.5
P/B (x)	1.2	1.2	1.1	1.1	1.1
Dividend Yield (%)	6.3	6.4	6.6	6.8	6.9
Return on average equity (%)	7.2	8.0	9.1	9.3	10.4
Return on average assets (%)	4.2	4.8	5.3	5.6	6.3
Interest cover (x)	2.7	3.4	2.9	2.7	2.6
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

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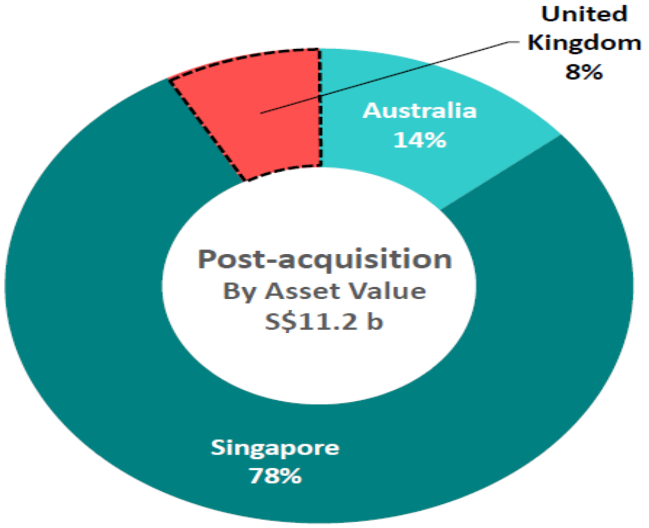
Figure 1: AREIT's Dividend Discount Model (DDM) Valuation

	FY19F	FY20F	FY21F	FY22F	FY23F	Terminal value
DPU (SGD cents)	16.5	17.0	17.2	17.5	17.9	313.0
Fair value (SGD)	**2.90**					
Current price (SGD)	2.49					
Price upside (%)	16.5					
Distribution yield (%)	6.6					
Assumptions:						
Risk-free rate (%)	3.0					
Beta	0.8					
Cost of equity (%)	7.3					
Terminal growth (%)	1.5					

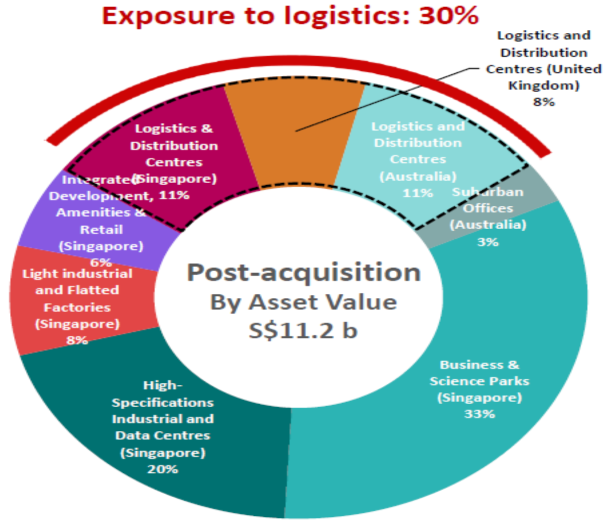
Source: RHB

Figure 2: Acquisitions, AEIs and divestments in FY18



Source: Company data

Figure 3: Portfolio value by Industrial segments



Source: Company data

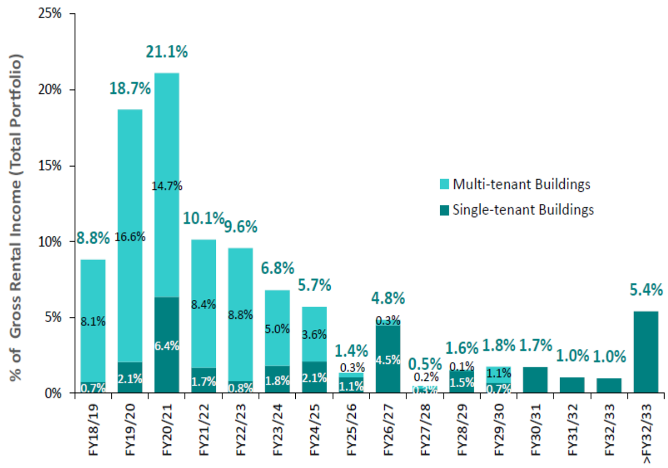
Figure 4: Portfolio Rental Reversions (1QFY19)

Multi-tenant Buildings	Percentage Change in Renewal Rates [1]		
	1Q FY18/19	4Q FY17/18	1Q FY17/18
Singapore	**10.5%**	**-6.8%**	**1.1%**
Business & Science Parks	5.6%	1.7%	3.7%
High-Specifications Industrial and Data Centres	24.8%	-18.8%	-0.7%
Light Industrial and Flatted Factories	4.1%	3.3%	-4.0%
Logistics & Distribution Centres	-6.1%	0.0%	-2.0%
Integrated Development, Amenities & Retail	5.5%	3.3%	13.3%
Australia	- [2]	- [2]	**3.5%** [2]
Suburban Offices	- [2]	- [2]	- [2]
Logistics & Distribution Centres	- [2]	- [2]	3.5%
Total Portfolio:	**10.5%**	**-6.8%**	**1.7%**

(1) Percentage change of the average gross rent over the lease period of the renewed leases against the preceding average gross rent from lease start date. Takes into account renewed leases that were signed in their respective periods and average gross rents are weighted by area renewed.
(2) There were no renewals signed in the period for the respective segments.

Source: Company data

Figure 5: Portfolio Lease Expiry Profile



Source: Company data

16 October 2018

Property | REITS

CDL Hospitality Trusts

Still Most Liquid Proxy To Hospitality Sector: BUY

Buy

Target Price:	SGD1.80
Price:	SGD1.53
Market Cap:	USD1,337m
Bloomberg Ticker:	CDREIT SP

BUY this hospitality sector Top Pick, TP of SG1.80, 18% upside. CDLHT's strategically-located Singapore hotels are well-positioned to tap into the multi-year recovery of the hospitality sector. Although 1H18 RevPAR growth has been flattish, we believe this is due to one-off factors and expect numbers to improve in 2H18/2019. Across its overseas markets, the improved performance from its German hotel and stable showing from Australian assets should offset some of the weakness in Japan. Contributions from Maldives properties should improve post-AEI in 2019.

Expect a stronger performance from CDL Hospitality Trusts' Singapore hotels. We expect its Singapore hotel revenue per available room (RevPAR) to rebound strongly (3-7%) in 2H18/2019, aided by continued growth in visitor demand (corporate and leisure) and tapering supply. The corporate segment, which accounts for nearly half of CDLHT's income, is expected to see a stronger performance, boosted by a strong pipeline of MICE events and a better economic outlook. Singapore hotel supply growth is expected to see a sharp slowdown of 1.3% pa in 2018-2020, post a 5.1% increase in 2017. CDLHT's six Singapore hotels accounted for nearly 59% of NPI in 1H18.

Phased AEI plans for Orchard Hotel and GCW. Orchard Hotel and Grand Copthorne Waterfornt Hotel (GCW) in Singapore will begin AEI works in 2H18. This is to position the REIT's assets better, ahead of what management sees as a multi-year sector recovery. Management noted that asset enhancement works will be done in a phased manner, so there is minimal disruption and minimised income loss.

Overseas markets a mixed bag. Its German hotel is expected to do better on a strong event calendar, while its UK and Australian assets are estimated to book stable numbers. The performance of its hotel in Japan has been impacted by a large supply of economy hotels – although the situation is expected to turn slightly better in 2H18 with stricter rules on Airbnb listings in Tokyo. Its Maldives assets – hit by a slowdown in Chinese visitors, and an increase in room supply – are expected to fare better in 2019, post refurbishments.

More room for acquisition-led growth. In January, CDLHT completed the divestment of Mercure Brisbane and Ibis Brisbane for AUD77m (10% premium to latest valuation). Management noted that the divestments were an opportunistic move to unlock value from mature assets. Post divestment and rights issue, its net gearing remains modest at ~33%, giving >SGD300m headroom for acquisitions (assuming 40% is a comfortable level). Management said the European hotel market remains attractive, due to relatively higher yields and low interest rates. While Singapore remains its preferred market, the recent surge in capital values have made yield-accretive acquisitions difficult.

BUY, DDM-derived TP of SGD1.80. Our DDM is based on CoE of 7.4% (risk-free rate: 3%) and terminal growth rate of 2%. Despite recent overseas acquisitions, CDLHT remains one of the most liquid proxies that offers exposure to the recovery in Singapore's hospitality market. Key risks are an unexpected slowdown in global growth impacting corporate demand, and a sharp spike in interest rates.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	180.9	204.3	216.8	233.5	243.1
Net property income (SGDm)	137.6	151.8	160.4	172.8	180.5
Reported net profit (SGDm)	49.3	129.1	152.3	164.9	173.4
Total distributable income (SGDm)	105.5	116.3	120.8	131.4	137.6
DPS (SGD)	0.10	0.09	0.09	0.10	0.10
DPS growth (%)	(0.6)	(7.8)	0.1	7.3	3.3
Recurring P/E (x)	30.7	14.2	12.2	11.4	10.9
P/B (x)	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	6.5	6.0	6.0	6.5	6.7
Return on average equity (%)	3.2	7.0	8.1	8.5	8.7
Return on average assets (%)	1.9	4.5	5.3	5.6	5.8
Interest cover (x)	3.2	4.2	5.1	5.5	5.6
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	2.1m/1.5m
52-wk Price high/low (SGD)	1.85 - 1.47
Free Float (%)	62.6
Shares outstanding (m)	1,205
Estimated Return	18%

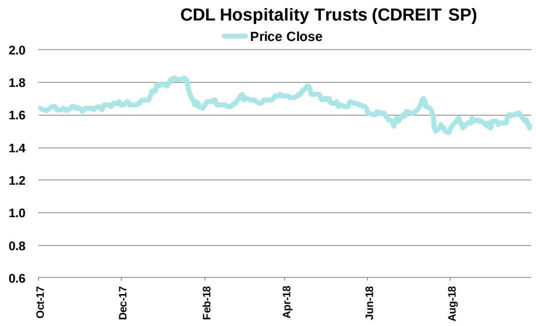
Shareholders (%)

Hospitality Holdings Pte Ltd	26.1
M&C REIT Management	6.1
Republic Hotels & Resorts	5.2

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(9.5)	(1.9)	(5.6)	(11.0)	(6.7)
Relative	0.3	1.0	0.3	1.3	0.8

Source: Bloomberg



Source: Bloomberg

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Figure 1: DDM valuation

	FY18F	FY19F	FY20F	FY21F	FY22F	Terminal Value
DPU (SGD cts)	9.23	9.90	10.22	10.53	10.74	202.81
Fair value (SGD)	**1.80**					
Current price (SGD)	1.53					
Price upside (%)	17.6					
Distribution yield (%)	6.0					
Assumptions						
Risk-free rate (%)	3.0					
Beta	0.8					
Cost of equity (%)	7.4					
Terminal growth (%)	2.0					

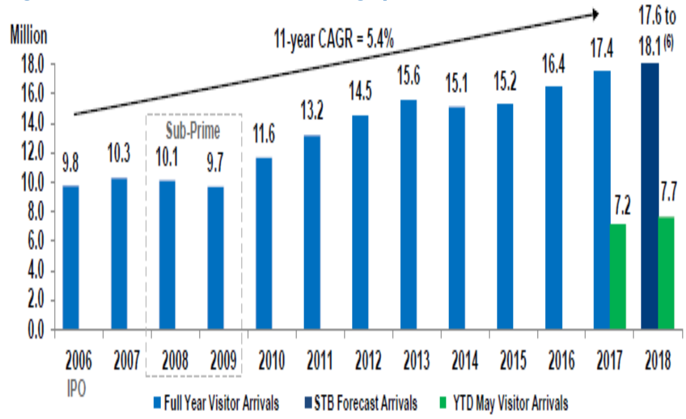
Source: RHB

Figure 2: Key operating metrics

Operating Performance:	2Q17	3Q17	4Q17	1Q18	2Q18
Avg. Occupancy Rate: (%)	86.2	88.7	83.5	87.6	83.5
Avg. Room Rate: (SGD/night):	180.0	187.0	186.0	183.0	184.0
RevPar: (SGD/night)	155.0	166.0	155.0	161.0	153.0
DPU (SG cts)	2.08	2.29	2.83	2.17	2.14
Capital Management:	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**
Interest Cover (x)	6.40	7.20	7.30	8.30	7.50
Aggreg. Leverage: (%)	38.7	33.3	32.6	33.2	33.2
Term of Debt: (yrs)	2.3	1.9	2.6	2.1	3.2

Source: RHB, Company data

Figure 3: Visitor arrivals to Singapore



Source: Singapore Tourism Board, Company data

Figure 4: Breakdown of asset value by country

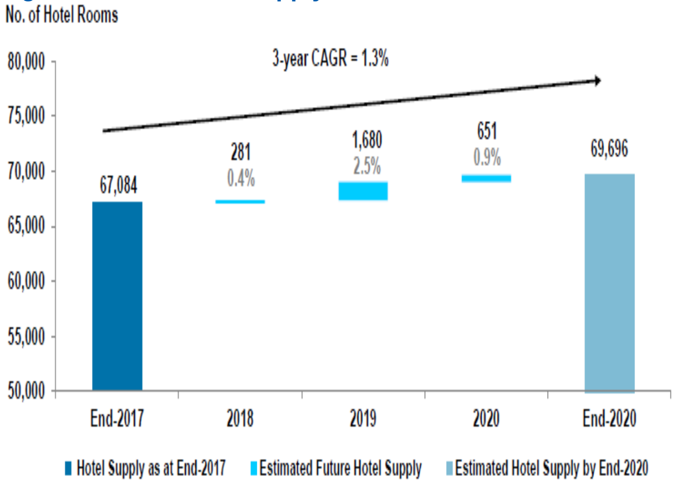
Singapore	**63.9%**
Orchard Hotel	16.1%
Grand Copthorne Waterfront Hotel	13.2%
Novotel Singapore Clarke Quay	12.4%
M Hotel	8.8%
Studio M Hotel	5.7%
Copthorne King's Hotel	4.3%
Claymore Connect	3.4%
New Zealand	**8.2%**
Grand Millennium Auckland	8.2%
United Kingdom	**7.7%**
Hilton Cambridge City Centre	4.2%
The Lowry Hotel (Manchester)	3.5%

Portfolio Valuation
S$2.7 billion

Germany (3)	**6.3%**
Pullman Hotel Munich	6.3%
Australia (4)	**6.0%**
Novotel Brisbane	2.8%
Mercure Perth	1.9%
Ibis Perth	1.3%
Maldives	**5.1%**
Angsana Velavaru	3.0%
Dhevanafushi Maldives Luxury Resort	2.1%
Japan	**2.9%**
MyStays Asakusabashi (Tokyo)	1.7%
MyStays Kamata (Tokyo)	1.2%

Source: Company data

Figure 5: Hotel room supply trend



Source: STB, Howrath HTL, Company data

16 October 2018

Property | REITS

Starhill Global REIT

Turnaround In Sight; BUY; Highest Yield

BUY

Target Price:	SGD0.80
Price:	SGD0.67
Market Cap:	USD1,060m
Bloomberg Ticker:	SGREIT SP

Top Pick in Retail/Office REIT, BUY; TP of SGD 0.80, 19% upside. Valuations are compelling at 0.75x P/BV and offering 6.9% FY19F dividend yield, highest among office/retail S-REITs. Starhill Global REIT has been going through challenging times, hit by tough retail markets in Singapore and overseas. However, we believe a turnaround is on the cards with stabilisation of Orchard Road retail malls, a pick-up in Singapore office rents and asset enhancement completions acting as catalysts. Nearly half its rents are derived from master leases which provides income stability.

Singapore retail operations nearing bottom. Wisma Atria Property has been going through a rough, challenging period amidst the general retail slowdown in Orchard Road malls. However, with a slight pick-up in retail sentiment and limited supply of malls along Orchard Road, we believe downside risks from here are minimal. About 36% of mall leases are due for renewal in FY19F and we expect slight negative rent reversions (2-5%). But occupancy is expected to remain in the high 90%. For Ngee Ann City, Toshin master leases that expire in 2025 (which accounted for 21.6% of gross rent in FY18) are due for rent review in June 2019. The rent review has downside protection (i.e. rents cannot be adjusted lower than current rents) with scope for upward revision based on current market rentals.

Expect better performance from office portfolio. Starhill's SG office portfolio, which has been hit mainly by oil & gas tenants downsizing, is starting to show good improvement with committed occupancy rates improving 4.3% QoQ to 95% as at end June 2018. With an improving outlook for office rents island wide, we expect a better performance from the office portfolio in FY19/20. About 37% of office leases are due for renewal in FY19 for which we expect positive reversions of 2-5%. For FY18, office portfolio accounted for 11.7%/10.7% of Starhill's total revenue and NPI.

Overseas portfolio turnaround on completion of asset enhancements. In Australia, with the completion of Plaza Arcade redevelopment, anchor tenant Uniqlo commenced operations in Aug 2018. In China, the sole and long-term tenant Markor International began operations in Chengdu Mall in Mar 2018 and should contribute positively for FY19. In Malaysia, Lot 10 rejuvenation has been completed with the mall set to benefit from the improved connectivity to the newly opened MRT station. The master leases for Malaysian properties are due for renewal in June 2019 and we understand the tenant is keen on extending its master leases with negotiations ongoing.

BUY with TP of SGD0.80. Our TP is based on DDM (CoE: 7.5%, TG: 1.0%). Key catalysts are a pick-up in the Singapore office portfolio and better performance from overseas assets post revamp. Valuations look attractive trading at 0.7x P/BV and offering yields of >7%. Key risks are prolonged weakness

Forecasts and Valuations	Jun-17	Jun-18	Jun 19F	Jun 20F	Jun 21F
Total turnover (SGDm)	216.4	208.8	215.2	221.6	232.5
Net property income (SGDm)	166.9	162.2	167.4	172.7	181.3
Reported net profit (SGDm)	100.3	84.2	145.1	156.7	179.7
Total distributable income (SGDm)	110.4	103.1	108.4	112.5	119.2
DPS (SGD)	0.05	0.05	0.05	0.05	0.05
DPS growth (%)	(5.0)	(7.5)	6.2	3.9	6.1
Recurring P/E (x)	14.6	17.3	10.1	9.3	8.1
P/B (x)	0.7	0.7	0.7	0.7	0.7
Dividend Yield (%)	7.3	6.8	7.2	7.5	7.9
Return on average equity (%)	5.0	4.2	7.1	7.5	8.4
Return on average assets (%)	3.1	2.6	4.5	4.8	5.4
Interest cover (x)	3.8	3.7	3.7	3.8	3.9
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	1.4m/1m
52-wk Price high/low (SGD)	0.79 - 0.64
Free Float (%)	65.3
Shares outstanding (m)	2,181
Estimated Return	19%

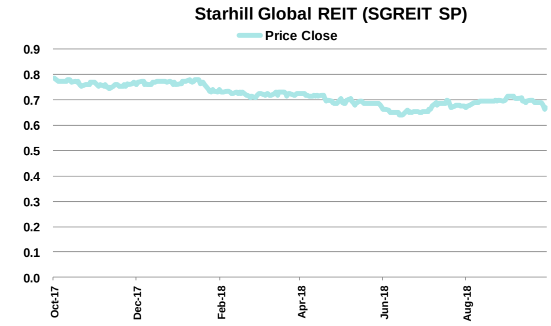
Shareholders (%)

Ytl Corp Bhd	33.4
Aia Group Ltd	7.6
Vanguard Group	1.9

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(13.5)	(6.3)	2.3	(7.6)	(14.1)
Relative	(3.7)	(3.4)	8.2	4.8	(6.6)

Source: Bloomberg



Source: Bloomberg

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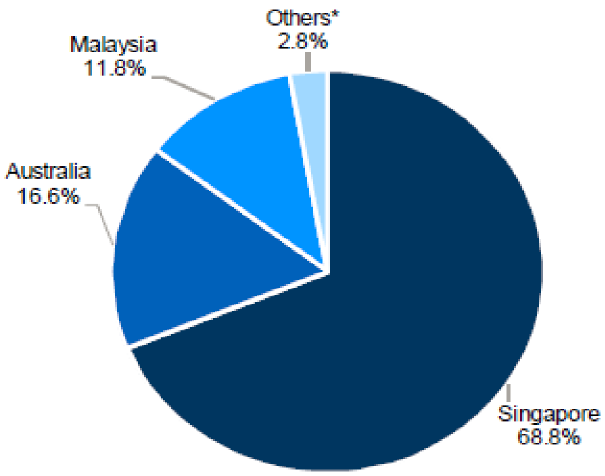
Figure 1: SGREIT's Dividend Discount Model (DDM)-Derived TP

	FY19F	FY20F	FY21F	FY22F	Terminal value
DPU (SGD cts)	4.83	5.02	5.33	5.49	84.35
Fair value (SGD)	**0.80**				
Current price (SGD)	0.67				
Price upside (%)	19.4				
Distribution yield (%)	7.2				
Assumptions					
Risk-free rate (%)	3.0				
Beta	0.7				
Cost of equity (%)	7.5				
Terminal growth (%)	1.0				

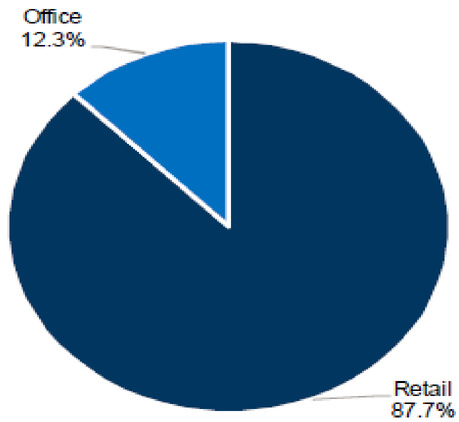
Source: RHB

Figure 2: Asset Value by Geography as at FY18



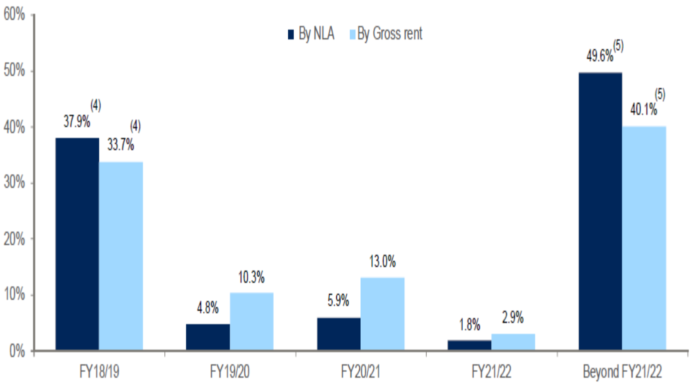
**Includes China and Japan properties;*
Source: Company Data

Figure 3: Gross Revenue Mix (4QFY18)



Source: Company Data

Figure 4: Portfolio Lease Expiry Profile



Notes:
1. Excludes tenants' option to renew or pre-terminate.
2. Lease expiry schedule based on commenced leases as at 30 June 2018.
3. Portfolio lease expiry schedule includes all of SGREIT's properties.
4. Includes the master tenant leases in Malaysia that expire in 2019.
5. Includes the Toshin master lease, the long-term leases in Australia and China.

Source: Company Data

Figure 5: Top 10 Tenants By Gross Rents

Tenant Name	Property	% of Portfolio Gross Rent (1) (2)
Toshin Development Singapore Pte Ltd	Ngee Ann City, Singapore	21.6%
YTL Group (3)	Ngee Ann City & Wisma Atria, Singapore Starhill Gallery & Lot 10, Malaysia	15.1%
Myer Pty Ltd	Myer Centre Adelaide, Australia	7.0%
David Jones Limited	David Jones Building, Australia	4.8%
Cotton On Group	Wisma Atria, Singapore, Myer Centre Adelaide, Australia	2.3%
BreadTalk Group	Wisma Atria, Singapore	1.9%
Coach Singapore Pte Ltd	Wisma Atria, Singapore	1.5%
Charles & Keith Group	Wisma Atria, Singapore	1.3%
Tory Burch Singapore Pte Ltd	Wisma Atria, Singapore	1.2%
LVMH Group	Wisma Atria, Singapore	1.2%

Notes:
1. As at 30 June 2018.
2. The total portfolio gross rent is based on the gross rent of all the properties.
3. Consists of Katagreen Development Sdn Bhd, YTL Singapore Pte Ltd, YTL Hotel (Singapore) Pte. Ltd., YTL Starhill Global REIT Management Limited and YTL Starhill Global Property Management Pte Ltd.

Source: Company Data

16 October 2018

Property | REITS

Manulife US REIT

US Office Fundamentals Still Strong: BUY

Buy

Target Price:	USD0.92
Price:	USD0.775
Market Cap:	USD986m
Bloomberg Ticker:	MUST SP

Maintain BUY with TP of SGD0.92 (19% upside); Prospective yields of >7% look highly attractive. MUST, through its high-quality portfolio of seven class A and trophy office assets across the US, provides excellent exposure to a rebounding US economy where office fundamentals remain strong. Key catalysts ahead are inorganic growth from recent acquisitions, organic growth from built-in rent escalation and reversions, and potential asset enhancements. We also note that 100% of its debt is hedged until 2019, mitigating the risk of rising borrowing costs.

US office outlook still strong. The outlook for office demand in key gateway cities remains positive with the continued improvement in the labour market and unemployment at record low levels of 3.9%. This is reflected in continued positive rent reversions (+7.2% in 1H18) for Manulife US REIT (MUST), stable portfolio occupancy (96%) and higher property valuations. Office supply (2018 - 20) across the micro-markets in which its properties are located also remains minimal. While we don't discount the possibility of prolonged trade tensions impacting US office demand, the effect on its portfolio is unclear at this juncture.

Acquisition contributions to fully kick-in from 2H18. Full contribution from 1750 Pennsylvania Avenue, Washington, D.C. and Phipps Tower, Atlanta will take effect in 2H18 post acquisition completion in Jun 2018. The acquisitions are mildly yield accretive, but more importantly diversify its tenant base and geographical profile and will lengthen its weighted average lease expiry (WALE). Looking ahead, management noted it will be selective in its acquisitions and will look at assets only if they are highly yield accretive with strong portfolio attributes.

Organic DPU growth from built-in rent escalations. About 94% of MUST's portfolio rents have built-in annual rent escalations and mid-term or periodic rental increases which on average will result in 2.1% p.a increase in overall portfolio rents. The portfolio also has a long WALE of 6.3 years with <18% of leases as percentage of gross rental income due for renewal over the next three years.

Fully hedged debt. USD borrowing costs have been inching up on the back of rising rates. Note that 100% of its portfolio debt is fixed (interest cost: 3.3%) with no debt maturing until mid-2019. While expectations of more US Federal Reserve rate hikes generally have a negative impact on yield instruments like REITs, we would point out that the rate hikes are coming on the back of a strong labour market which should continue to benefit office demand. The strengthening USD should also benefit Asian-currency investors.

BUY TP of USD0.92. Our DDM derived TP is based: cost of equity: 8.5%; risk free rate of 3.5%; and TG 2%. Key catalysts are continued momentum in US economic growth resulting in higher office demand. Key risks are a major slowdown in the U.S. economy, ability to retain key tenants, changes to its efficient underlying tax structure.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (USDm)	48	92	147	165	168
Net property income (USDm)	30	58	91	103	105
Reported net profit (USDm)	52	58	58	30	68
Total distributable income (USDm)	22	47	47	37	62
DPS (USD)	0.06	0.06	0.06	0.06	0.06
DPS growth (%)		(4.0)	7.0	5.1	2.4
Recurring P/E (x)	9.4	11.2	11.9	10.8	10.7
P/B (x)	0.9	0.9	0.9	0.9	0.9
Dividend Yield (%)	7.4	7.1	7.1	7.6	7.6
Return on average equity (%)	9.4	6.8	7.9	8.6	8.5
Return on average assets (%)	5.9	4.2	3.8	4.2	4.2
Interest cover (x)	11.1	7.1	3.9	3.4	3.4
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (USD/USD)	1.8m/1.3m
52-wk Price high/low (USD)	0.98 - 0.76
Free Float (%)	92.6
Shares outstanding (m)	1,273
Estimated Return	19%

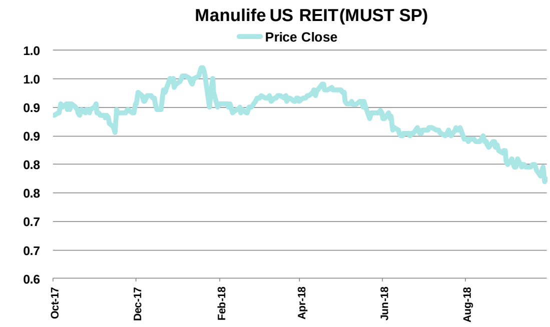
Shareholders (%)

Manulife Financial C	7.3
Prudential Plc	5.3
DBS Group Holdings	3.2

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(13.5)	(3.1)	(9.9)	(14.9)	(13.0)
Relative	(3.7)	(0.2)	(4.0)	(2.6)	(5.5)

Source: Bloomberg



Source: Bloomberg

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Figure 1: DDM Valuation Table

	FY18F	FY19F	FY20F	FY21F	Terminal Value
DPU (USD Cts)	5.91	6.22	6.36	6.42	101.28
Target price (USD)	0.92				
Current Price (USD)	0.78				
Price Upside (%)	18.5%				
Distribution Yield FY18F (%)	7.6%				
Assumptions					
Risk-free rate (%)	3.5%				
Beta	0.95				
Cost of equity (%)	8.5%				
Terminal growth (%)	2.0%				

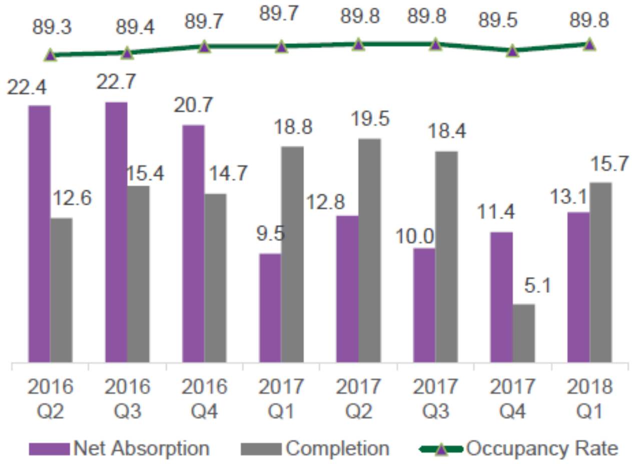
Source: RHB

Figure 2: MUST Portfolio Properties

	Figueroa	Michelson	Peachtree	Plaza	Exchange	Penn	Phipps
Location	Los Angeles	Irvine	Atlanta	Secaucus	Jersey City	Washington, D.C.	Atlanta
Property Type	Class A	Trophy	Class A	Class A	Class A	Class A	Trophy
Completion Date	1991	2007	1991	1985	1988	1964	2010
Last Refurbishment	2015	-	2015	2016	-	2018	-
Property Value (US$ mil)	328.0	342.0	203.0	119.6	336.9	187.0	207.2
Occupancy (%)	93.0	94.4	92.7	98.9	98.3	100.0	97.4
NLA (sq ft)	701,977	532,663	557,589	461,525	730,823	277,315	475,091
No. of Tenants	29	14	25	7	25	10	10
Avg Gross Rent (US$ psf p.a.)	39.60	50.59	32.28	30.10	39.47	51.85	35.39
WALE (by NLA)	4.8 years	4.1 years	5.8 years	7.9 years	6.3 years	6.4 years	9.5 years
Lease Expiry (by NLA): 2018	3.2%	0.0%	0.0%	0.0%	5.0%	0.5%	0.0%
2019	2.2%	30.4%	4.1%	0.0%	2.0%	0.0%	0.5%
2020	3.1%	10.2%	9.7%	22.1%	6.1%	7.0%	2.1%
2021	13.0%	0.9%	4.6%	0.0%	12.5%	2.1%	3.8%
2022	30.4%	25.7%	11.3%	2.7%	15.3%	46.3%	0.0%
2023 and beyond	48.1%	32.8%	70.3%	75.2%	59.1%	44.1%	93.6%

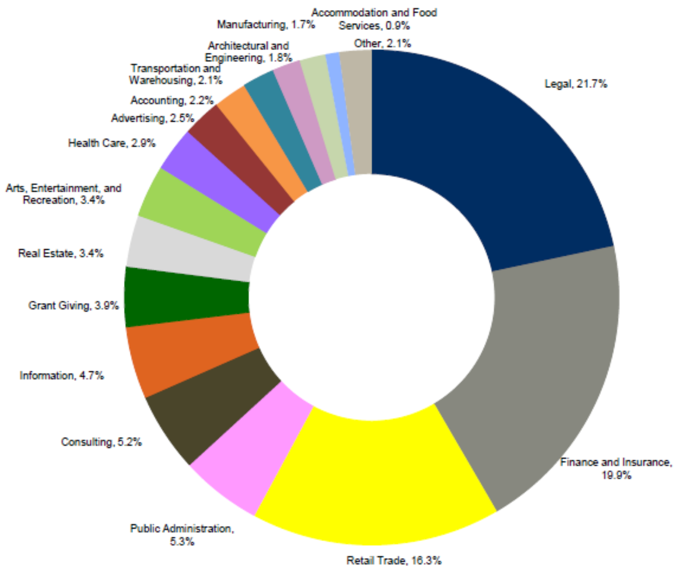
Source: Company

Figure 3: US Office Net Absorption and Occupancy Rate



Source: Company

Figure 4: Rental Income Breakdown By Trade Sector



Source: Company

Figure 5: Portfolio Top 10 Tenants

Tenant	Sector	NLA (sq ft)	% of GRI
The William Carter Co.	Retail Trade	304,013	7.5%
The TCW Group	Finance and Insurance	188,835	4.9%
Kilpatrick Townsend	Legal	206,226	4.8%
Hyundai Capital America	Finance and Insurance	96,921	4.5%
The Children's Place	Retail Trade	197,949	4.2%
US Treasury	Public Administration	120,324	4.1%
United Nations Foundation	Grant Giving	94,988	3.8%
Amazon	Retail Trade	129,259	3.5%
Quinn Emanuel	Legal	126,505	3.5%
Quest Diagnostics	Health Care	131,612	2.7%
Total Top 10 Tenants		1,596,632	43.5%

Source: Company

16 October 2018

Property | REITS

Cache Logistics Trust

Nearing Inflection Point; BUY

Buy

Target Price:	SGD0.84
Price:	SGD0.705
Market Cap:	USD549m
Bloomberg Ticker:	CACHE SP

BUY, SGD0.84 TP, 19% upside. With the expected bottoming of Singapore's logistics sector by end-2018, we believe Cache is nearing the tail end of the DPU downcycle caused by a huge supply influx. Contributions from Australian assets should fully kick in from 2H, mitigating some of the weakness in its SG portfolio. Its B/S is now stronger, with a modest gearing of 35%, which allows some debt headroom for acquisitions. Potential upside could come from favourable tax treatment of the 51AA rental top-up sum, which may lead to a one-off boost in DPU.

Singapore (SG) logistics seeing some stabilisation. While rental rates are still under pressure due to a huge influx of warehouse space (~9m sqf) last year, supply pressures should taper in 2H18. QoQ, rental reversions are seeing a slower fall, indicating stabilising logistics rental rates. Based on CBRE data, SG warehouse supply for the next two years is expected to average ~1.9m sqf pa, considerably below the past 5-year average of ~5m sqf pa. The incoming supply also compares favourably with the past 5-year average demand of ~3.9m sqf. With supply declining and demand showing signs of picking up, pressure on rental rates should slow and start improving by end-2018.

Diversification and rebalancing into Australian assets to slowly pay off. Amidst a competitive home market, Cache Logistics Trust has been actively diversifying its exposure to Australia over last the few years. Key merits of such diversification are longer Weighted Average Lease Expiry (WALE), freehold land tenure, inbuilt rent rate escalations and a similar country risk profile. Australia now accounts for 30% of its portfolio (nil until 2015). In February, it completed the acquisition of nine Australian assets which will contribute positively to numbers in 2H. Separately, over the weekend (12th Oct), Cache announced divestment of its only China asset, Jinshan Chemical Warehouse, at a 12.5% premium to its latest valuation as a part of its portfolio rebalancing.

CWT Commodity Hub (CCH) conversion of master leases largely priced in. One of Cache's key assets, CCH (26% of total asset value) has been converted from a master lease to a multi-tenancy lease structure, post-expiry of its lease term on 12 Apr. CWT will still be the key tenant of the building, occupying 61% of the space. Cache has secured leases for another 32% of the remaining space, bringing the occupancy rate to ~93%. Management noted that rental rates secured so far are similar to expiring master lease gross rental rates.

Potential one-off item from favourable tax ruling. Pending clarification on tax treatment, Cache has retained SGD2.4m of the rental top-up sum (SGD8.2m) received from the resolution of 51 Alps Avenue leases last year. A favourable ruling in tax transparency treatment (highly likely, in our view) could result in a one-off DPU boost of ~SGD 0.0027, or 4% of FY17 DPU.

BUY, TP of SGD 0.84. Our DDM model is based on CoE of 8.6% (risk-free rate: 3%) and a terminal growth assumption of 1%. The key risk to our call is an unexpected slowdown in the SG manufacturing sector. Cache offers a FY18/19F yield of >8%, which is significantly higher than S-REIT's ~6.4%.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	111.3	112.0	116.4	121.0	127.2
Net property income (SGDm)	88.0	87.3	86.1	90.8	95.4
Reported net profit (SGDm)	(24.0)	23.9	77.6	77.8	76.7
Total distributable income (SGDm)	66.9	64.4	67.2	71.8	77.0
DPS (SGD)	0.07	0.07	0.06	0.06	0.07
DPS growth (%)	4.7	(10.9)	(12.3)	5.7	7.0
Recurring P/E (x)	(26.3)	28.9	9.8	9.9	10.1
P/B (x)	0.9	1.0	0.9	0.8	0.7
Dividend Yield (%)	10.4	9.3	8.2	8.6	9.2
Return on average equity (%)	(3.4)	3.1	8.8	7.8	6.9
Return on average assets (%)	(1.9)	1.9	5.7	5.4	5.2
Interest cover (x)	4.0	4.1	4.2	4.3	4.9
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	1.3m/0.9m
52-wk Price high/low (SGD)	0.89 - 0.7
Free Float (%)	90.3
Shares outstanding (m)	1,073
Estimated Return	19%

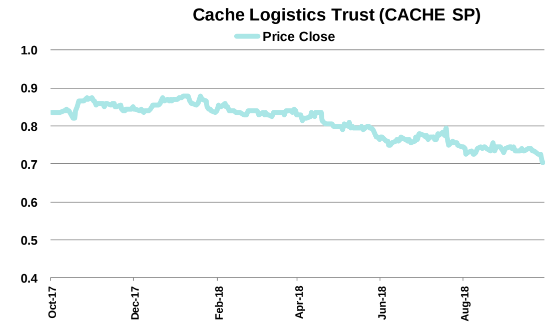
Shareholders (%)

Ara Re Investment Group	9.2
Prudential Plc	5.3
Vanguard Group	2.8

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(17.5)	(4.7)	(9.6)	(15.1)	(15.6)
Relative	(7.7)	(1.8)	(3.8)	(2.7)	(8.0)

Source: Bloomberg



Source: Bloomberg

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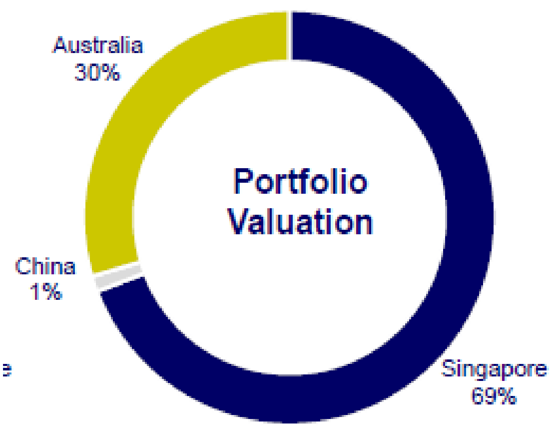
Figure 1: DDM-based derivation of TP

	FY18F	FY19F	FY20F	FY21F	Terminal value
DPU (SGD cts)	5.8	6.1	6.5	6.7	88.8
Fair value (SGD)	**0.84**				
Current price (SGD)	0.71				
Price upside (%)	19.1				
Distribution yield (%)	8.2				
<u>Assumptions</u>					
Risk-free rate: (%)	3.0				
Beta	1.0				
Cost of equity (%)	8.6				
Terminal growth: (%)	1.0				

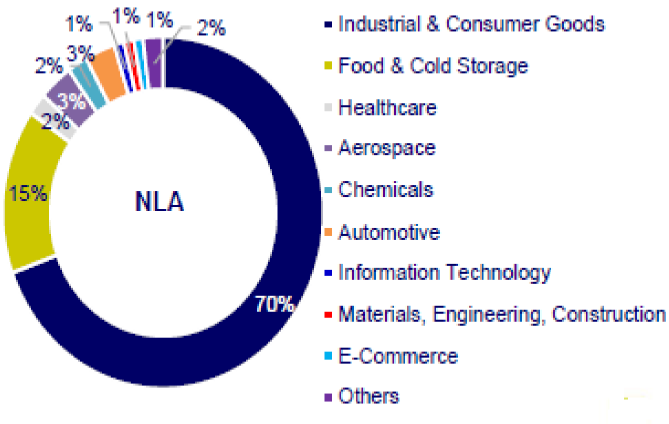
Source: RHB

Figure 2: Portfolio breakdown by geography*



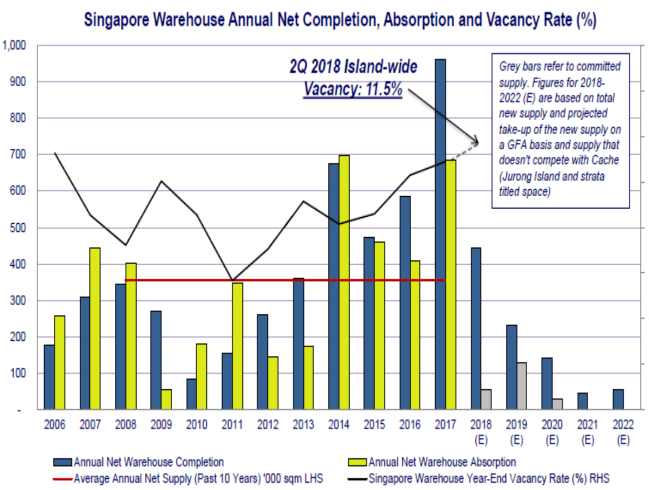
Source: Company data

Figure 3: Cache's tenant mix



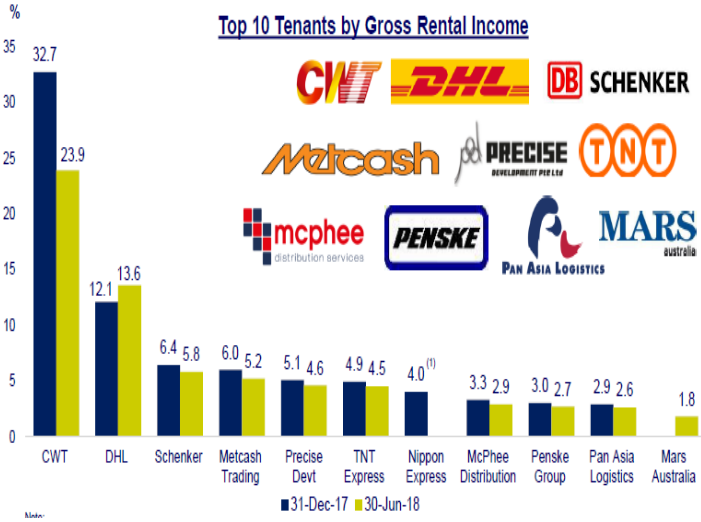
Source: Company data

Figure 4: SG warehouse space – demand and supply



Source: Company data

Figure 5: Top 10 tenants by gross income



Source: Company data

16 October 2018

Property | REITS

OUE Hospitality Trust

Pure Play on Singapore Hospitality; BUY

Buy

Target Price:	SGD0.80
Price:	SGD0.695
Market Cap:	USD918m
Bloomberg Ticker:	OUEHT SP

Maintain BUY with TP of SGD 0.80 (15% upside). OUEHT's strategically located Singapore hospitality portfolio offers investors a good proxy to ride the hospitality sector recovery. Performance metrics at both its hotels have been showing good improvement since 2H17 with steady RevPAR growth. Mandarin Gallery's performance has also remained resilient despite tough retail market conditions. However, there is a slight concern on the possibility of a near-term dilutive acquisition of sponsor assets should the sponsor chose to divest into the REIT. Despite concerns, OUEHT's dividend yield of >7% looks attractive.

Hospitality portfolio – key beneficiary of rebounding RevPAR. OUE Hospitality's (OUEHT) hotel assets Mandarin Orchard Singapore and Crowne Plaza Changi Airport (CPCA) registered healthy 1H18 performances with overall RevPAR increasing 5.7% YoY. The improvement came mainly from higher room rates as hoteliers have started gaining pricing power amidst a reduction in hotel supply. We expect RevPAR to continue its upward trajectory with a 3-7% increase for FY18/19/20F on limited supply and a positive visitor arrival outlook. While CPCA's master lease income is expected to remain below the minimum rent for FY18, we expect the master lease income to exceed the minimum rent threshold 2019. Based on our estimates, CPCA's 1H18 RevPAR is currently ~8% below the breakeven minimum rent threshold.

MG – Showing good resilience. Mandarin Gallery (MG) committed occupancy as at end 2Q18 improved to 96.7% ((+1.7ppt QoQ) with positive rent reversions of 5.1%. Considering the challenging retail climate in Singapore, and in particular the Orchard area, we think management has done commendable work in improving the mall's occupancy and revamping the tenant mix.

New management team taking shape. Mr. Chen Yi-Chung Isaac was appointed as the acting CEO of the REIT in Jul 2018 with the departure of Mr. Chong Kee Hiong. He has been with the company since July 2013 and was the Deputy CEO of the REIT prior to his appointment. OUEHT is also on the lookout for a new CFO post the departure of Mr Gan Chee Teik in Sep 2018.

Possible dilutive acquisitions? We note there are market concerns on a possible dilutive acquisition of the sponsor's Oakwood Premier Singapore. While we cannot fully discount the possibility of near-term DPU dilution considering the recent yield compression and limited debt headroom, we do note that OUEHT has been emphasizing that yield accretion will be a key consideration for any new acquisitions. Thus the timing and funding structure will play a key role in our view.

Buy with TP of SGD 0.80. Our TP is based on DDM (CoE: 8.1%, TG: 2.0%). The stock offers an attractive FY18-20F dividend yield of >7%. Positive surprise could come from stronger-than-expected visitor arrival growth (base case: 4-7%). Key risk is continued strengthening in SGD and a weaker-than-expected pick-up in corporate demand.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	122.5	131.1	135.7	144.1	149.7
Net property income (SGDm)	107.4	112.7	117.9	125.4	130.6
Reported net profit (SGDm)	17.42	75.94	147.28	98.58	103.09
Total distributable income (SGDm)	82.50	92.94	94.98	102.58	107.28
DPS (SGD)	4.59	5.13	5.19	5.55	5.75
DPS growth (%)	(29.6)	11.8	1.2	6.9	3.6
Recurring P/E (x)	67.5	16.5	8.6	13.0	12.5
P/B (x)	0.9	0.9	0.9	0.9	0.9
Dividend Yield (%)	6.6	7.4	7.5	8.0	8.3
Return on average equity (%)	1.3	5.5	10.2	6.8	7.1
Return on average assets (%)	0.8	3.4	6.3	4.2	4.3
Interest cover (x)	1.7	3.3	7.3	5.2	5.3
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	1m/0.7m
52-wk Price high/low (SGD)	0.93 - 0.68
Free Float (%)	51.6
Shares outstanding (m)	1,821
Estimated Return	15%

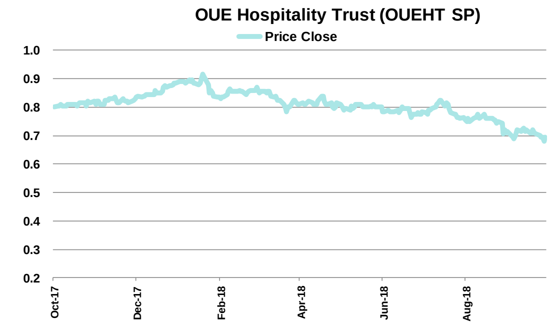
Shareholders (%)

Oue Realty Pte Ltd	37.5
Gordon Tang	9.6
Vanguard Group	1.7

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(18.2)	(2.8)	(11.5)	(14.2)	(13.1)
Relative	(8.4)	0.1	(5.6)	(1.9)	(5.6)

Source: Bloomberg



Source: Bloomberg

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Figure 1: OUEHT's TP Based on Dividend Discount Model

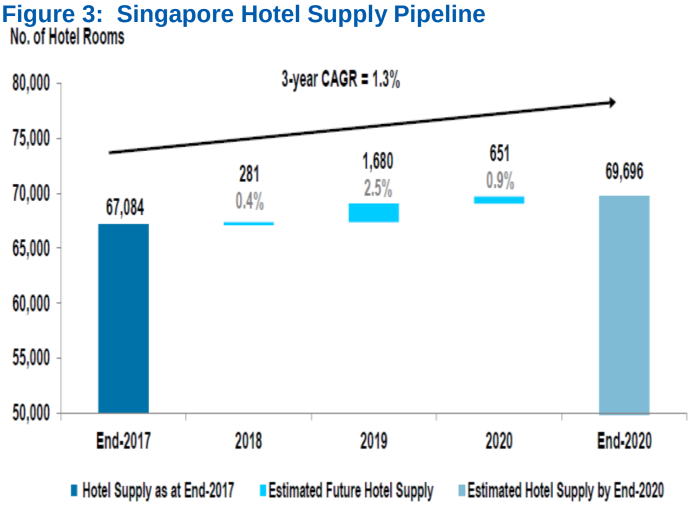
	FY18F	FY19F	FY20F	FY21F	FY22F	Terminal value
DPU (SGD cts)	5.19	5.55	5.75	5.77	5.82	84.87
Fair value (SGD)	**0.80**					
Current price (SGD)	0.70					
Price upside (%)	15.1					
Distribution yield (%)	7.5					
Assumptions						
Risk-free rate (%)	3.0					
Beta	0.9					
Cost of equity (%)	8.1					
Terminal growth (%)	2.0					

Source: RHB

Figure 2: Singapore Visitor Arrival Trend

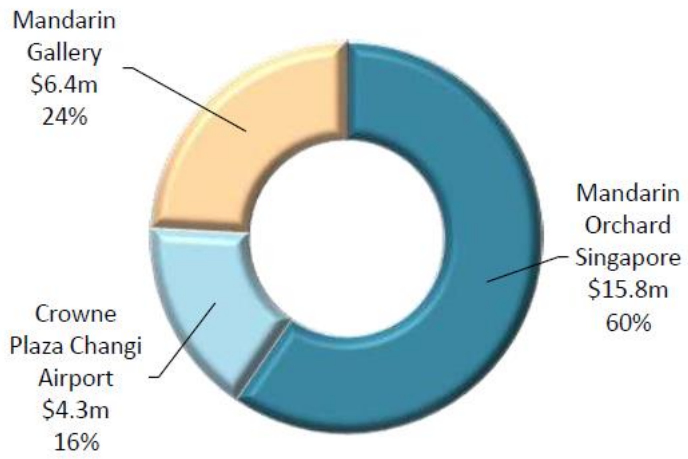
Source: STB, RHB

Figure 3: Singapore Hotel Supply Pipeline



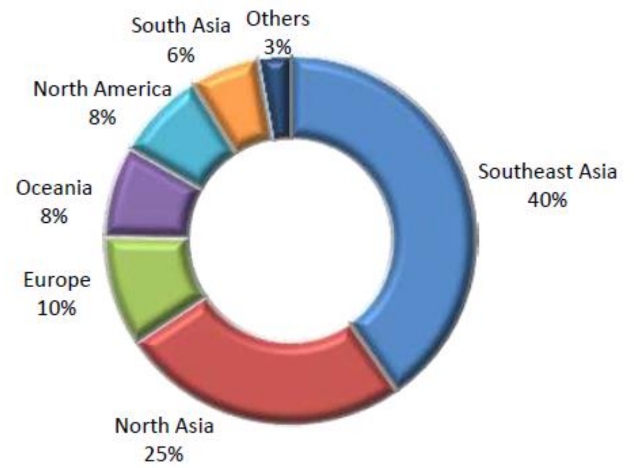
Source: CDL Hospitality Trusts, Howrath HTL, STB, RHB

Figure 4: OUEHT's NPI Breakdown by Assets (2Q18)



Source: OUEHT

Figure 5: OUEHT's Customer Profile By Geography (2Q18)



Source: OUEHT

16 October 2018

Property | REITS

Frasers Centrepoint Trust

Stable Performer But Challenges Ahead

Neutral

Target Price:	SGD2.24
Price:	SGD2.21
Market Cap:	USD1,485m
Bloomberg Ticker:	FCT SP

Maintain NEUTRAL, TP of SGD2.24, 1% upside. While FCT's key suburban malls still deliver a healthy performance despite the tough retail climate, we believe most of the positives are factored in. A key near-term challenge should be the positioning of CCP, with the expected opening of a much bigger Jewel in 2019. On the positive side, the performance of NCNW has steadily improved post-AEI. However, smaller malls (Bedok Point, Anchor Point) still see pressure in rental and occupancy rates. Potential catalysts are yield-accretive acquisitions and divestments of smaller assets. Investors can consider buying on weakness.

AEI to strengthen Causeway Point positioning. Frasers Centrepoint Trust's (FCT) plan to build an Underground Pedestrian Link (UPL) connecting Basement 1 of Causeway Point and Woods Square is a positive and necessary move to cement the mall's dominant position in north Singapore. FCT will incur a capex of SGD15m, and returns will likely be in the form of higher shopper traffic – which should translate to better rental rates. Causeway Point is currently FCT's biggest mall, accounting nearly half of NPI contributions in 3QFY18.

Positive rental reversions a reflection of suburban malls' defensive nature. Despite a soft retail environment, FCT's mall portfolio continues to register positive rental reversions, which we believe are driven by its strong management team and the dominant positioning of its key suburban malls. For its latest quarter, its malls registered positive (+5%) rental reversions, mainly driven by Northpoint City North Wing (NCNW) and Changi City Point (CCP).

Jewel opening could impact shopper traffic in CCP. Jewel Changi Airport (Jewel), which is nearly five times the size of FCT's CCP, will open its doors in 2019. The mall is located just one MRT stop away from CCP and we expect it to become stiff competition for CCP in terms of shopper traffic, particularly during weekends. Although Jewel has already secured leases for 90% of the mall, we believe securing higher rental rates and maintaining high occupancies upon lease expiries ahead for CCP will be a challenge.

Revamped NCNW performing strongly. Occupancy at NCNW has ramped up to 95% post-AEI, with strong rental reversions of the new leases secured. We believe there is room for the occupancy rate to grow in coming quarters, as the mall has been seeing a steady increase in shopper traffic post-revamp.

Acquisitions could be the next catalyst. FCT's gearing remains relatively low at 29%, providing ~SGD 500m in debt headroom (assuming a comfortable level of 40%). We believe Waterway Point (1/3rd stake owned by sponsor, Frasers Centrepoint Ltd) and Northpoint City South Wing are the likely target assets for acquisition in the next 1-2 years. It is also looking at third-party assets in Singapore, and could potentially expand into Australia at an opportune time.

NEUTRAL. Our DDM derived TP of SGD2.24 is based on CoE of 7.5% (risk-free rate: 3%) and TG of 1.75%. Key risks: prolonged weakness in retail demand and rising e-commerce trends disrupting traditional retail demand. Key re-rating catalysts are yield-accretive acquisitions and a pick-up in retail sales.

Forecasts and Valuations	Sep-16	Sep-17	Sep 18F	Sep 19F	Sep 20F
Total turnover (SGDm)	183.8	181.6	198.5	203.1	209.0
Net property income (SGDm)	129.9	129.6	139.2	142.6	146.8
Reported net profit (SGDm)	122.9	193.3	176.7	181.4	187.0
Total distributable income (SGDm)	108.1	110.6	117.4	120.2	123.9
DPS (SGD)	0.12	0.12	0.13	0.13	0.13
DPS growth (%)	1.3	1.2	6.8	2.2	2.8
Recurring P/E (x)	16.5	10.5	11.5	11.3	11.0
P/B (x)	1.1	1.1	1.1	1.0	1.0
Dividend Yield (%)	5.3	5.4	5.8	5.9	6.0
Return on average equity (%)	6.9	10.3	9.3	9.2	9.2
Return on average assets (%)	4.7	7.0	6.5	6.5	6.5
Interest cover (x)	7.2	11.0	11.2	11.4	11.6
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	1.6m/1.2m
52-wk Price high/low (SGD)	2.36 - 2.11
Free Float (%)	57.9
Shares outstanding (m)	926
Estimated Return	1%

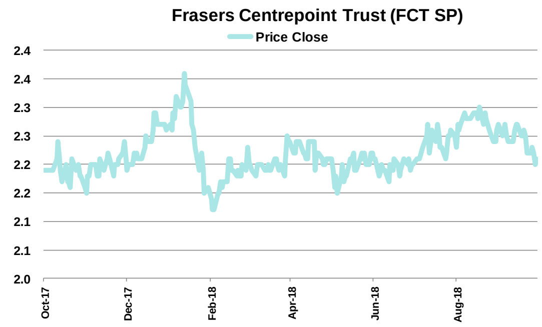
Shareholders (%)

Tcc Assets	41.9
Schroders	4.9
Vanguard Group	1.8

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(1.3)	(2.6)	0.5	(1.3)	0.9
Relative	8.5	0.3	6.3	11.0	8.4

Source: Bloomberg



Source: Bloomberg

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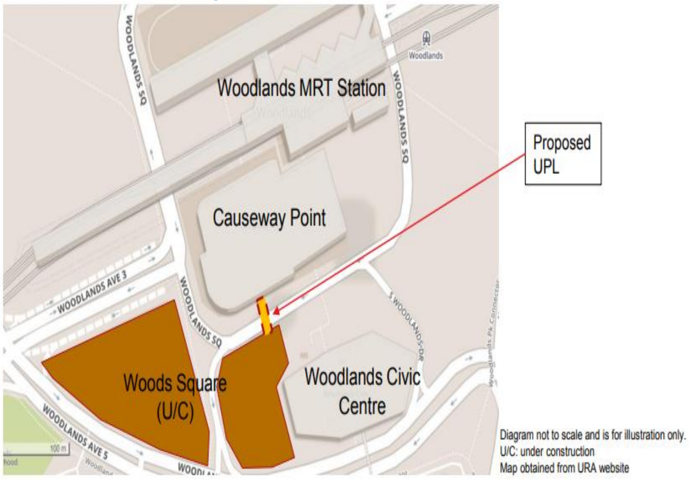
Figure 1: Derivation of TP (DDM valuation)

DDM	FY18F	FY19F	FY20F	FY21F	Terminal Value
DPU (SGD cts)	12.71	12.99	13.36	13.61	240.36
Fair value (SGD)	**2.24**				
Current price (SGD)	2.21				
Price upside (%)	1.3%				
Distribution yield (%)	5.8%				
Assumptions					
Risk-free rate (%)	3.00%				
Beta	0.8				
Cost of equity (%)	7.5%				
Terminal growth (%)	1.75%				

Source: RHB

Figure 2: Causeway Point's proposed UPL



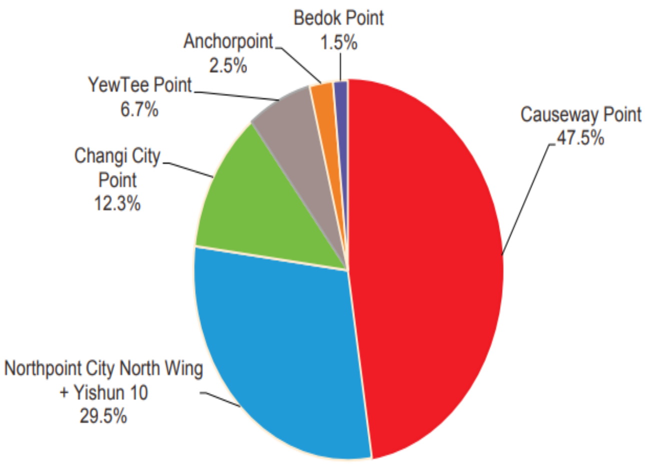
Source: Company data

Figure 3: Rental reversions remain positive

3Q18 (1 Apr – 30 Jun 2018)	No. of renewals	Leased area renewed (sq ft)	As % Mall's NLA	Change compared to preceding rental rates[1]
Causeway Point	19	8,093	1.9%	+3.5%
Northpoint City North Wing (Includes Yishun 10 Retail Podium)	4	2,330	1.1%	+25.8%
Changi City Point	11	8,601	4.2%	+7.5%
YewTee Point	9	21,873	29.7%	+2.5%
Bedok Point	2	1,874	2.3%	+6.2%
Anchorpoint	2	901	1.3%	-32.8%
FCT Portfolio	47	43,672	4.0%	+5.0%

Source: Company data

Figure 4: NPI by property (3QFY2018)



Source: Company data

Figure 5: Portfolio malls occupancy rates (Jun 2017-Jun 2018)

Mall Occupancy	30 June 17	30 Sep 17	31 Dec 17	31 Mar 18	30 Jun 18
Causeway Point	99.1%	99.5%	99.9%	99.3%	99.9%
Northpoint City North Wing (Includes Yishun 10 Retail Podium)	65.9%	81.6%	86.8%	94.0%	92.5%*
Changi City Point	84.0%	88.5%	86.0%	90.6%	92.6%
Bedok Point	81.7%	85.2%	85.3%	77.8%	78.1%
YewTee Point	98.5%	95.7%	94.4%	93.0%	92.9%
Anchorpoint	94.3%	96.2%	94.4%	93.3%	87.8%
FCT Portfolio	87.1%	92.0%	92.6%	94.0%	94.0%

Source: Company data

16 October 2018

Property | REITS

CapitaLand Commercial Trust

Rebalancing, Recycling Its Portfolio

Neutral

Target Price:	SGD1.80
Price:	SGD1.72
Market Cap:	USD4,670m
Bloomberg Ticker:	CCT SP

Stay NEUTRAL, TP of SGD 1.80 (5% upside). CCT has been actively rebalancing its portfolio with divestment of its non-core mature assets and adding exposure to core Singapore CBD and overseas. While CBD office market rents have picked up sharply since 2H17, the positive effects are only likely to filter through into CCT's DPU from 2H19 onwards. This is due to the high expiring rents of the current portfolio. We believe prospective dividend yields of 5% are fair and would recommend investors seeking income to buy on dips.

Rebalancing its portfolio. Over the last two years CapitaLand Commercial Trust (CCT) has been active in its portfolio rebalancing strategy, divesting Twenty Anson, Wilkie Edge and One George Street (50% stake). The proceeds have been mainly used to build a stronger core Grade-A CBD portfolio with the acquisition of Asia Square Tower-2 and the ongoing CapitaSpring redevelopment. CCT also made its maiden overseas foray with the acquisition of Galileo, a Grade-A commercial building in the Frankfurt CBD. We see the above moves as long-term positive but short-term negative as they will lower operational DPU in the near term.

Positive momentum in office rents but delayed impact on DPU. While office rents are on an upward trajectory and expected to continue moving up until 2020, the impact of higher rents will only start to filter through to DPU growth from 2H19 onwards. This is because many of the expiring leases in 2018/19 were signed during previous 2013/14 cycle and are still 5-10% above the average Grade-A CBD rents. However, we do note that management has done a commendable job in signing many of the new leases (1H18) above the current CBD Grade-A average rents, and there is a good possibility of rental reversions turning positive in 2H18. But this is not our current base case assumption and we are expecting positive rental reversions only from 2019 onwards.

Renewal of HSBC lease a positive, but what next is the key. CCT recently announced the one-year lease extension (until Apr 2020) of the whole of the 21 Collyer Quay building which is currently leased to HSBC. The new lease extension is ~36% higher than the existing rents and will contribute positively to FY19/20F DPU. However, the key question remains what the manager is likely to do after the lease expiry. While divestment is a likely option, the move will lead to a further dent in operational DPU if CCT is unable to reinvest the proceeds.

NEUTRAL with TP of SGD 1.80. Our DDM derived TP is based on 7.3% CoE and 2.0% TG. Key catalysts are successful redevelopment of CapitaSpring and accretive acquisitions. The stock offers FY18F/19F yields of 5.1%/5.3%, which is fair in our view. Key risk to our call is a stronger-than-expected surge in office demand.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	298.6	337.5	397.5	4012	392.1
Net property income (SGDm)	2313	265.5	297.6	303.0	2919
Reported net profit (SGDm)	246.2	264.9	314.3	316.6	320.4
Total distributable income (SGDm)	269.0	288.1	327.5	338.0	3419
DPS (SGD)	0.09	0.09	0.09	0.09	0.09
DPS growth (%)	5.3	(4.6)	0.9	3.0	0.9
Recurring P/E (x)	20.7	23.4	20.5	20.3	20.1
P/B (x)	0.94	0.97	0.96	0.97	0.97
Dividend Yield (%)	5.3	5.0	5.1	5.3	5.3
Return on average equity (%)	4.7	4.1	4.7	4.8	4.8
Return on average assets (%)	3.1	2.8	3.3	3.3	3.2
Interest cover (x)	4.5	3.7	4.9	4.8	4.3
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	21.1m/15.3m
52-wk Price high/low (SGD)	2.05 - 1.61
Free Float (%)	69.9
Shares outstanding (m)	3,744
Estimated Return	5%

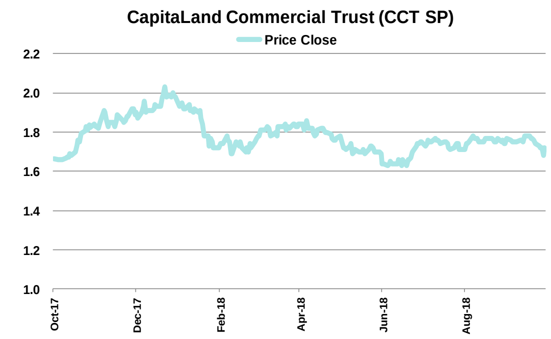
Shareholders (%)

Capitaland Limited	30.1
Blackrock	7.3
Schroders Plc	2.7

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.9)	(2.8)	(1.7)	(6.5)	3.0
Relative	(1.1)	0.1	4.1	5.8	10.5

Source: Bloomberg



Source: Bloomberg

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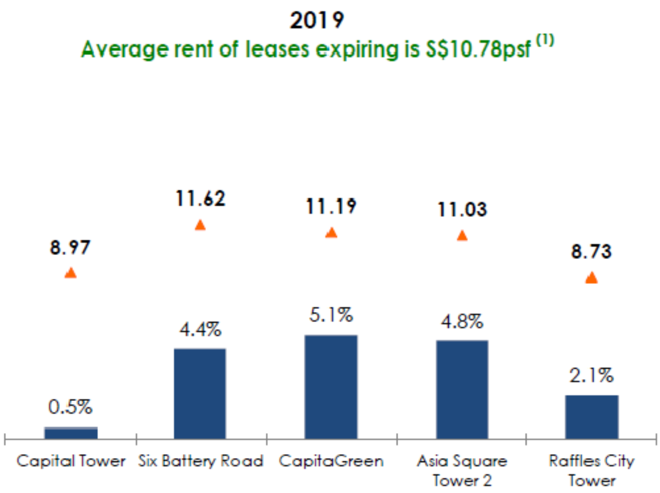
Figure 1: CCT's Discount-Dividend Model derived TP

	FY18F	FY19F	FY20F	FY21F	Terminal Value
DPU (SG cts):	8.74	9.00	9.09	9.16	198.84
Fair Value:	**1.80**				
Current Price:	1.72				
Price Upside (%):	5.3				
Distribution Yield (%):	5.3				
Assumptions:					
Risk-free rate(%)	3.0				
Beta:	0.8				
Cost of Equity (%):	7.3				
Terminal Growth (%):	2.0				

Source: RHB

Figure 2: Average Rent of Leases Expiring in 2019



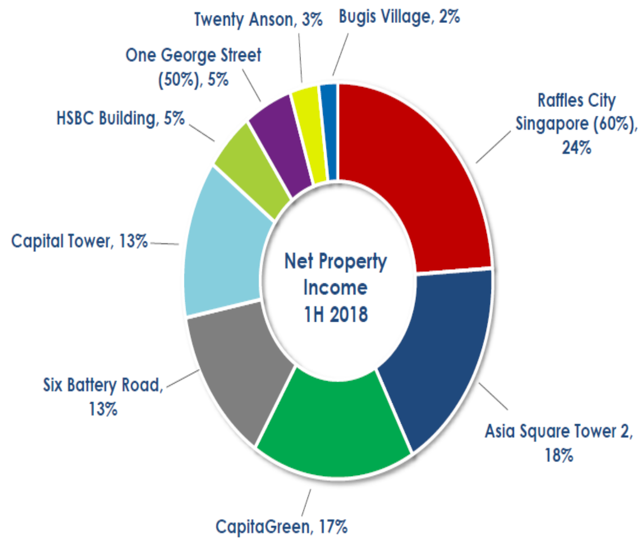
Source: Company

Figure 3: CCT's Portfolio Occupancy Trend

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q 2018	2Q 2018
Capital Tower	100.0	100.0	99.9	99.9	99.9	100.0	100.0	100.0	100.0	94.1	99.0	99.4	99.4	99.3
Six Battery Road	100.0	99.9	98.6	99.2	99.7	85.4	93.0	98.6	99.2	98.9	98.6	99.9	99.8	99.9
Bugis Village	95.3	99.1	96.6	93.8	93.4	98.8	97.1	97.2	94.8	100.0	97.2	100.0	100.0	100.0
HSBC Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Raffles City (60% interest)	99.5	99.3	99.9	99.3	99.1	98.9	100.0	100.0	100.0	99.2	97.8	98.3	98.4	98.3[2]
One George Street (50% interest)			100.0	96.3	100.0	93.3	92.5	95.5	100.0	98.2	96.5	98.0	98.4	98.0
Twenty Anson							100.0	98.1	97.8	97.9	91.7	92.6	94.3	95.8
CapitaGreen									69.3	91.3	95.9	100.0	99.1	99.1
Asia Square Tower 2[3]												90.5	90.8	91.9
Gallileo[4]														100.0
Portfolio Occupancy	**99.6**	**99.6**	**96.2**	**94.8**	**99.3**	**95.8**	**97.2**	**98.7**	**96.8**	**97.1**	**97.1**	**97.3**	**97.3**	**97.8**

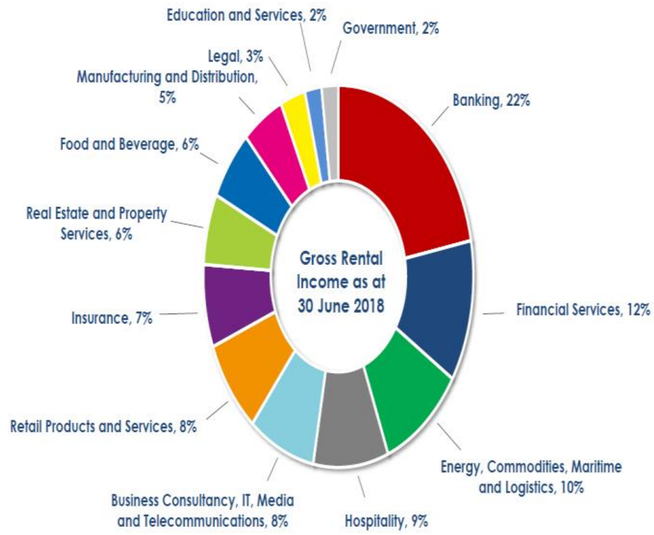
Source: Company

Figure 4: NPI Contribution By Property



Source: Company

Figure 5: Tenant Mix



Source: Company

16 October 2018

Property | REITS

Neutral

Frasers Commercial Trust

Asset Revamp And Rebalance In Progress

Target Price:	SGD1.50
Price:	SGD1.41
Market Cap:	USD909m
Bloomberg Ticker:	FCOT SP

Maintain NEUTRAL, TP of SGD1.50, 6% upside. After divesting 55MSCP, FCOT has a sturdy balance sheet – which we think could be used to acquire the remaining 50% stake in a UK business park. ATP's revamp has been completed, but leasing works are progressing slowly as management aims to achieve an optimal tenant mix and rental rates. Meanwhile, AEI works in CSCP are expected to be completed by 1Q19. With most of the assets in transition, this stock lacks strong near-term catalysts. We prefer FCT over FCOT.

Further UK expansion likely post recent divestment of 55MSCP. Frasers Commercial Trust (FCOT) recently hived off its 55 Market Street car park (55MSCP) for SGD216.8m, ie at a hefty 45% premium to its latest valuation and will result in a net gain of SGD76.5m. While the sale was made at a very attractive price, we note that the latest move will continue to add pressure on its operational DPU, which has been impacted by asset enhancement works in its other portfolio properties. As a result, FCOT will likely use the proceeds to acquire the remaining 50% stake in a UK business park from its sponsor, which we deem as a low-hanging fruit. Management is also upbeat on the business park's outlook despite ongoing Brexit concerns. The attractive yields, long leases and recent GBP weakness present a good opportunity, in our view.

At Alexandra Technopark (ATP), AEI done and leasing in progress. Comprehensive AEI works in ATP, which commenced last year, were completed recently. Management noted that tenants' response post-revamp has been positive so far and is seeing a healthy pick-up in leasing enquiries. However, it will remain selective in choosing tenants to maximise asset yield and optimise the tenant mix. We also note that the slight micro-market supply in the area could dampen rental rate growth for the building. As at end-June, occupancy stands at 64.8%. With Hewlett Packard Singapore expected to vacate another 93,195 sqf in early Jan 2019, we expect the near-term occupancy rate to remain weak, at the ~70% level.

Revamped China Square Central retail podium (CSCP) to be ready by 2Q19. Another key asset, CSCP, is undergoing asset enhancement works worth SGD38m. The repositioning will result in a 17% uplift in the mall's NLA to 75,000 sqf, and is targeted to be completed by 1Q19. The revamped mall will have an improved tenant mix focusing on F&B, wellness and services. Post enhancements, shopper traffic is expected to pick up post-AEI, aided by the completion of neighbouring Capri by Fraser.

Weakness in Australian portfolio. The committed occupancy rate at Central Park is at a low 69.8%, due to the partial relocation of its key tenant, Rio Tinto. Caroline Chisholm Centre in Canberra was also hit by higher repair and maintenance costs, which resulted in lower NPI in 3QFY18.

Still NEUTRAL. Our DDM derived TP is based on a CoE of 8% (risk-free rate: 3%) and terminal growth rate of 1.25%. Key positives are a stable and diversified portfolio and upside potential from AEI. Key risks are weak demand for office space for Grade-B properties and forex risks.

Forecasts and Valuations	Sep-16	Sep-17	Sep 18F	Sep 19F	Sep 20F
Total turnover (SGDm)	156	157	131	143	155
Net property income (SGDm)	116	114	96	105	113
Reported net profit (SGDm)	71	111	69	113	101
Total distributable income (SGDm)	78	79	80	87	96
DPS (SGD)	0.10	0.10	0.10	0.10	0.10
DPS growth (%)	0.0	(1.1)	2.4	5.2	(0.1)
Recurring P/E (x)	15.7	10.2	16.8	10.9	12.8
P/B (x)	0.9	0.9	0.9	0.9	0.9
Dividend Yield (%)	7.0	7.0	6.9	7.1	7.4
Return on average equity (%)	5.8	8.6	5.0	7.9	7.1
Return on average assets (%)	3.4	5.2	3.3	5.6	4.9
Interest cover (x)	3.9	5.6	3.7	6.3	5.8
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	1.9m/1.4m
52-wk Price high/low (SGD)	1.55 - 1.34
Free Float (%)	74.7
Shares outstanding (m)	889
Estimated Return	6%

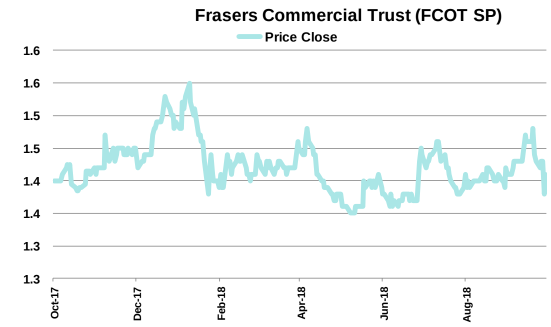
Shareholders (%)

Tcc Assets	25.2
Vanguard Group	2.1
Dimensional Fund Adv	1.8

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.4)	0.0	(2.1)	(2.8)	0.7
Relative	4.4	2.9	3.8	9.6	8.2

Source: Bloomberg



Source: Bloomberg

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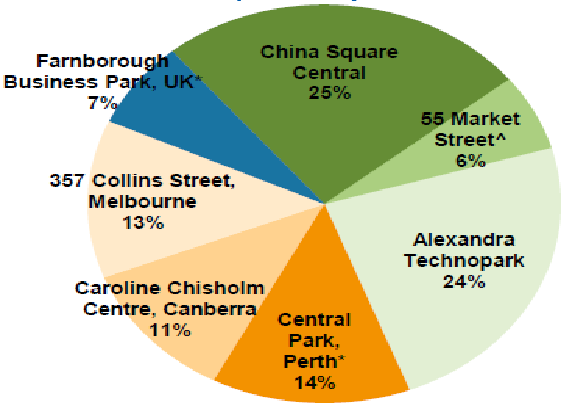
Figure 1: DDM valuation

	FY18F	FY19F	FY20F	FY21F	Terminal value
DPU (SGD cents)	9.71	9.94	10.46	10.45	157.86
Fair Value (SGD)	1.50				
Current price	1.41				
Price upside (%)	6.2%				
Distribution yield (%)	6.9%				
Assumptions					
Risk-free rate (%)	3.0%				
Beta	0.9				
Cost of equity (%)	8.0%				
Terminal growth (%)	1.25%				

Source: RHB

Figure 2: Portfolio composition by asset value



Asset values as at 30 June 2018

Singapore	$	1,239.6 mil	55%
Australia	$	845.8 mil	38%
United Kingdom	$	157.5 mil	7%
Portfolio asset value	$	2,242.9 mil	**100%**

**Based on FCT's 50% stake; ^ Classified as asset held for sale as at end Jun*
Source: Company data

Figure 3: FCOT's top 10 tenants

Top 10 tenants by gross rental income

Tenant	Property	Sector	Lease Expiry	% Gross Rental Income[2]
Commonwealth of Australia	Caroline Chisholm Centre	Government	Jul-25	15.9%
Rio Tinto Limited[3]	Central Park	Mining/ resources	Jun-30[3]	7.1%
Commonwealth Bank of Australia	357 Collins Street	Banking, insurance & financial services	Dec-22	6.4%
Hewlett-Packard Singapore Pte Ltd	Alexandra Technopark	IT Products & Services	Dec-18	3.7%
GroupM Singapore Pte Ltd	China Square Central	Consultancy/ business services	Jul-23	3.4%
Service Stream Ltd	357 Collins Street	Multimedia & Telecommunications	Dec-24	3.3%
Microsoft Operations Pte Ltd	Alexandra Technopark	IT Products & Services	Jan-22	2.9%
Fluor Limited	Farnborough Business Park	Engineering	May-19 to Jun-25	2.9%
Suntory Beverage & Food Asia Pte Ltd	China Square Central	Food & beverage	May-20	2.2%
Nokia Solutions and Networks (S) Pte Ltd	Alexandra Technopark	Multimedia & telecommunications	Feb-21	2.1%
Total				49.9%

Source: Company data

Figure 4: Revamped ATP has a new amenity hub

Source: Company data

Figure 5: CSCP's revamped retail podium

Source: Company data

16 October 2018

Property | REITS

Suntec REIT

Making Steady Progress

Neutral

Target Price:	SGD1.90
Price:	SGD1.78
Market Cap:	USD3,443m
Bloomberg Ticker:	SUN SP

Maintain NEUTRAL and SGD1.90 TP, 7% upside. Suntec has been making steady progress in redeveloping and revamping its key assets amidst the challenging retail market conditions. The positive effects should be visible – in terms of DPU growth – from 2020 onwards, by which time the projects should be completed. However, its near-term DPU outlook remains flattish due to the challenging market and additional capex incurred for redevelopment works. The stock's current valuations are fair, in our view, considering the muted near-term outlook.

Asset redevelopments in progress, catalysts to kick in from 2020. Suntec REIT is embarking on the development of two projects: one each in Singapore and Australia. Works at 9 Penang Road (30% stake – formerly known as Park Mall) are on track for completion by 2019. The 477 Collins Street (477CS) project in Australia is on schedule for completion by mid-2020. Pre-commitment levels for 477CS stand at ~55% (with heads of agreements signed for an additional 5% of NLA), well ahead of its completion. The completion of both projects should start contributing to the bottom line from 2020 onwards.

Suntec City upgrades timely and necessary. Suntec is embarking on the upgrade its flagship asset – Suntec City office towers – which encompass the upgrading of lift lobbies and washrooms at every level. Works are expected to commence in 4Q18 and be completed by end-2021. The total estimated capex: SGD55m. The REIT manager is also working on the reconfiguration of retail spaces at North Wing in Suntec City, which should result in an 11% increase in NLA (~20,000 sqf). We believe the asset enhancement initiatives are timely to fend off increasing competition from newer assets in the central business and Marina Bay districts.

Expanding Australian presence amidst tight Singapore conditions. In May, Suntec completed the 50% acquisition of Southgate Complex, Melbourne. We believe the REIT is also keen to buy the remaining 50% stake should the vendor decide to sell. Suntec's Australian assets account for 13% of net property income (NPI) as at 2Q18, and are set to increase further with the completion of 477CS and purchase of additional stakes in Southgate Complex.

Strong contributions from Suntec Singapore International Convention & Exhibition Centre. The conventions segment – which accounted for 10% of 2Q18's total NPI – registered a healthy performance: revenue and NPI registering 31% and 111% YoY increases on more events being hosted. The outlook remains positive, with a strong events pipeline calendar for meetings, incentives, conferences and exhibitions in Singapore.

Maintain NEUTRAL and SGD1.90 TP, 7% upside. Our DDM derived TP is based on cost of equity of 7.5% (risk-free rate: 3%) and TG assumptions of 2%. Key share price catalysts are the successful completion of asset enhancements and yield-accretive acquisitions. Key risk is a prolonged downturn in Singapore's office and retail markets.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	328.6	354.2	363.1	369.6	4017
Net property income (SGDm)	224.6	244.5	248.9	253.4	275.4
Reported net profit (SGDm)	26129	229.01	267.82	273.76	293.17
Total distributable income (SGDm)	253.73	234.02	237.34	243.09	262.35
DPS (SGD)	0.10	0.10	0.10	0.10	0.11
DPS growth (%)	0.0	0.0	1.1	1.3	6.1
Recurring P/E (x)	18.3	21.1	19.1	18.8	17.6
P/B (x)	0.83	0.83	0.82	0.82	0.82
Dividend Yield (%)	5.6	5.6	5.7	5.8	6.1
Return on average equity (%)	4.8	4.1	4.7	4.7	5.0
Return on average assets (%)	2.9	2.5	2.8	2.9	3.0
Interest cover (x)	2.7	2.5	16	15	16
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	13.5m/9.8m
52-wk Price high/low (SGD)	2.25 - 1.63
Free Float (%)	72.3
Shares outstanding (m)	2,667
Estimated Return	7%

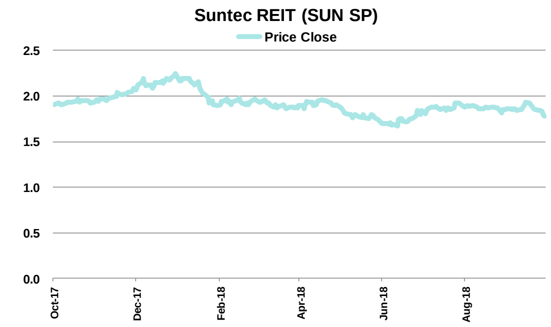
Shareholders (%)

Raffles Investments	10.1
Gordon Tang	9.6
Tang Celine	7.8

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(17.2)	(4.3)	(3.3)	(6.3)	(6.8)
Relative	(7.4)	(1.4)	2.6	6.0	0.7

Source: Bloomberg



Source: Bloomberg

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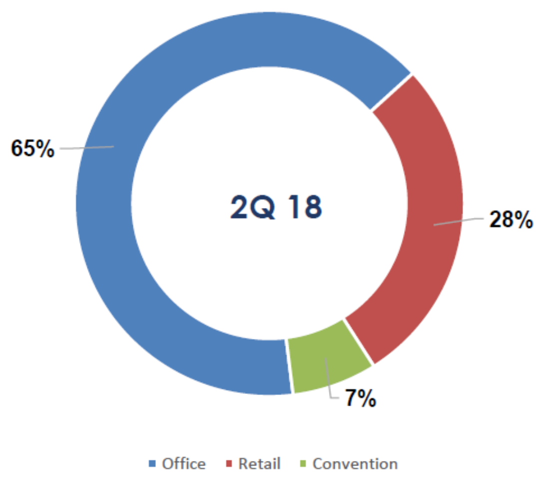
Figure 1: Suntec's DDM Valuation

DDM	FY18F	FY19F	FY20F	FY21F	Terminal Value
DPU (SGD cts)	10.11	10.24	10.87	11.09	206.34
Fair value (SGD)	**1.90**				
Current price (SGD)	1.78				
Price upside (%)	6.7				
Distribution yield (%)	5.2				
Total return (%)	**11.9**				
Assumptions					
Risk-free rate (%)	3.0				
Beta	0.8				
Cost of equity (%)	7.5				
Terminal growth (%)	2.0				

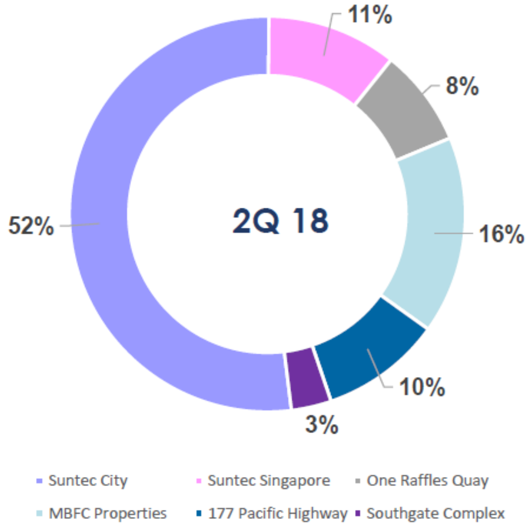
Source: RHB

Figure 2: NPI Contributions by Segment (2Q18)



Source: Company data

Figure 3: NPI Contributions by Asset

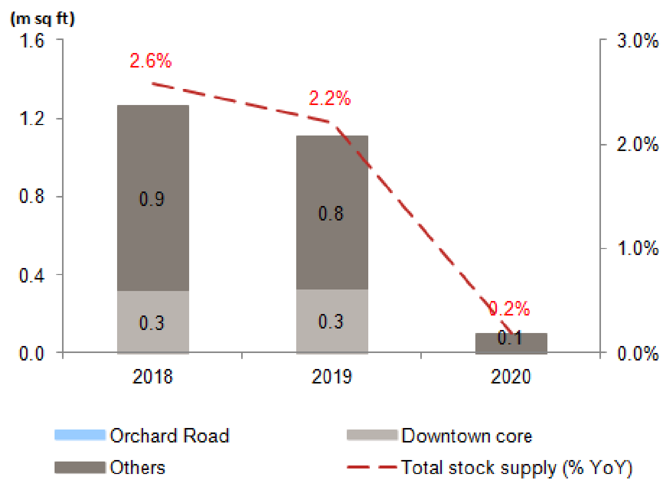


Source: Company data

Figure 4: Suntec City Office Tower Upgrading

Source: Company

Figure 5: Singapore Retail Supply Pipeline



Source: CBRE, RHB

16 October 2018

Property | REITS

CapitaLand Mall Trust

Active Efforts In Challenging Retail Market

Neutral

Target Price:	SGD2.14
Price:	SGD2.08
Market Cap:	USD5,589m
Bloomberg Ticker:	CT SP

Stay at NEUTRAL with TP of SGD2.14 (3% upside). Valuations seem fair with FY18F yield of 5.5% and P/BV of 1.1x. CMT's malls have been holding up well despite the tough retail environment thanks to active management efforts in revamping the tenant and trade mix. But the outlook remains challenging with more supply coming on-stream. Potential equity raising to partly fund the Westgate acquisition also remains an overhang. Key game changer ahead is the successful transformation of Funan – which is positioned as the mall of the future. Prefer FCT for retail exposure.

Positive efforts despite sluggish retail climate. Rents in CapitaLand Malls Trust (CMT) malls have been holding up with 1H18 portfolio rent reversion of +0.8%. We attribute this to management's active efforts in repositioning tenant and trade mix across its malls. CMT has also been able to keep costs in check which has resulted in a slight improvement in NPI margins. However, increasing competition from new malls opening in 2018/19 is likely to cap any rent growth ahead and as such we expect retail rents to remain flattish for the next two years.

Supply pressures remain. CBRE data indicates c.2.5m sqft (5% of inventory) of retail supply is expected to come on-stream in 2018-20. This translates to ~0.83m sqft p.a of supply, higher than the 10-year average net demand of ~0.68m sqft. Nearly 3/4th of the retail supply is in the fringe and suburban areas, posing more direct competition to some of CMT's suburban malls. While recent monthly retail sales data points to a slight uptick in demand, we note that on-the-ground sentiment among retailers and retail landlords remains cautious amidst high incoming supply and a volatile global macro environment.

Potential fund-raising overhang. CMT in Aug 2018 announced the proposed acquisition of the remaining 70% stake in the Westgate mall from its sponsor for SGD789.6m. While CMT's gearing remains low at 33.5% as at 1H18 and it has debt headroom to fully fund it via debt (~36% gearing assuming 100% debt), management has previously stated it would like to keep its gearing levels low to maintain its credit ratings. Thus we don't discount the possibility of partly funding the deal via equity. The deal is subject to unit holders approval at an EGM to be held on 25 Oct.

Funan – the potential re-rating catalyst. Construction work in Funan is progressing well with the mall expected to open ahead of schedule in 2Q19 (initial target 4Q19). About 70%/60% of the leases for retail/office space have been taken up, including ones in advanced negotiations. We understand that average rents for retail leases are in the low teens. With additional funds from the divestment of the serviced residence component, management expects to better its initial yield on cost target of 6.5%. We also see the possibility of divesting the office component near term. This could further enhance yields.

NEUTRAL; TP SGD2.14. Our DDM derived TP is based on CoE: 7.1%, Terminal Growth: 1.5%. Key re-rating catalysts are a better-than-expected pick-up in retail consumption, successful transformation of Funan, and accretive asset acquisitions. Key risk is slower-than-expected economic growth resulting in weak retail demand.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	689.7	682.5	727.1	774.6	800.1
Net property income (SGDm)	479.7	478.2	512.0	544.7	561.3
Reported net profit (SGDm)	469.4	657.6	500.1	522.1	539.8
Total distributable income (SGDm)	394.3	395.8	402.9	418.5	433.5
DPS (SGD)	0.11	0.11	0.11	0.12	0.12
DPS growth (%)	0.5	0.3	1.8	3.9	3.6
Recurring P/E (x)	15.7	11.2	14.8	14.1	13.7
P/B (x)	1.10	1.06	1.05	1.04	1.02
Dividend Yield (%)	5.4	5.4	5.5	5.7	5.9
Return on average equity (%)	7.0	9.5	7.1	7.3	7.5
Return on average assets (%)	4.5	6.3	4.5	4.7	4.8
Interest cover (x)	4.2	4.2	3.8	4.0	4.2
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	24.2m/17.6m
52-wk Price high/low (SGD)	2.25 - 1.95
Free Float (%)	65.5
Shares outstanding (m)	3,549
Estimated Return	3%

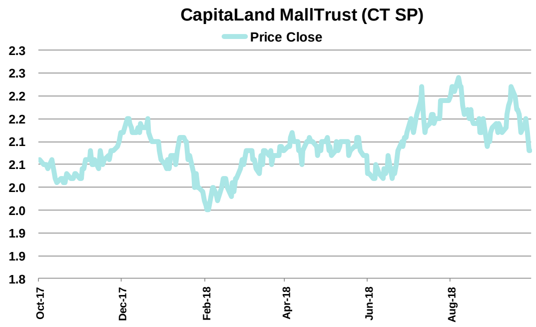
Shareholders (%)

CapitaLand Limited	28.2
Blackrock	7.1
NTUC Enterprise	5.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.3)	(2.3)	(1.9)	0.0	1.5
Relative	7.5	0.6	4.0	12.3	9.0

Source: Bloomberg



Source: Bloomberg

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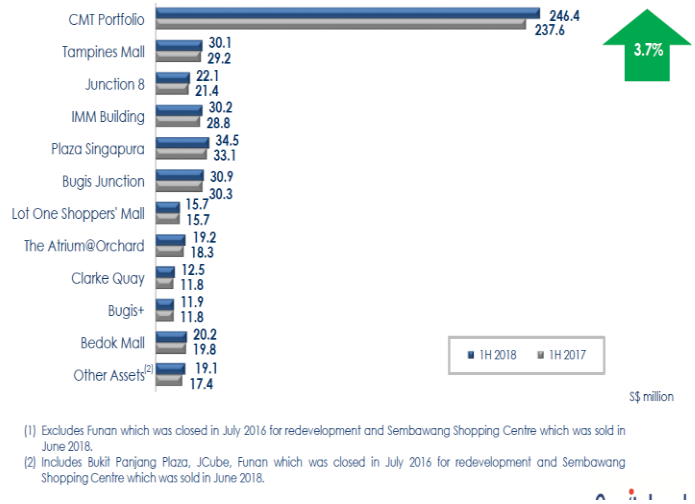
Figure 1: CMT – Fair value based on Dividend Discount Model

	FY18F	FY19F	FY20F	FY21F	Terminal value
DPU (SGD cts)	11.36	11.80	12.22	12.64	228.08
Fair value (SGD)	**2.14**				
Current price (SGD)	2.08				
Price upside (%)	2.9				
Distribution yield (%)	5.5				
Assumptions					
Risk-free rate (%)	3.0				
Beta	0.8				
Cost of equity (%)	7.1				
Terminal growth (%)	1.5				

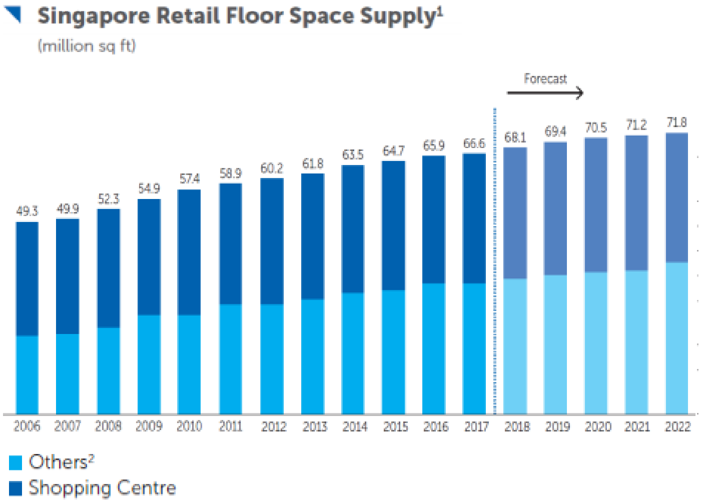
Source: RHB, Company

Figure 2: NPI contribution from malls (1H18)



Source: Company data

Figure 3: Singapore Retail Supply



Source: Company data

Figure 4: Rental reversions (1H18)

From 1 January to 30 June 2018 (Excluding Newly Created and Reconfigured Units)

Property	Number of Renewals / New Leases	Retention Rate (%)	Net Lettable Area		Increase/(decrease) in Current Rental Rates vs Preceding Rental Rates (typically committed three years ago) (%)
			Area (sq ft)	Percentage of Property (%)	
Tampines Mall	48	89.6	65,324	18.3	2.0
Junction 8	30	80.0	24,267	9.6	3.4
IMM Building(1)	28	96.4	23,261	5.5	2.0
Plaza Singapura	37	91.9	45,007	9.3	4.0
Bugis Junction	31	74.2	26,841	6.8	0.3
Raffles City Singapore(1)	34	67.6	44,835	10.5	(0.8)
Lot One Shoppers' Mall	34	88.2	89,339	40.6	(0.2)
The Atrium@Orchard(1)	10	100.0	11,464	8.5	3.2
Clarke Quay	8	75.0	9,462	3.2	3.5
Bugis+	41	90.2	87,167	40.6	1.2
Westgate	26	73.1	34,703	8.4	(2.1)
Bedok Mall	26	84.6	30,644	13.8	(1.5)
Other assets(2)	55	80.0	78,868	21.3	(0.6)
CMT Portfolio(3)	**408**	**83.8**	**571,182**	**13.6**	**0.8**

(1) Based on retail leases only.
(2) Includes JCube and Bukit Panjang Plaza.
(3) Excludes Funan which was closed in July 2016 for redevelopment and Sembawang Shopping Centre which was sold in June 2018.

Source: Company data

Figure 5: Portfolio lease expiry profile

Weighted Average Expiry by Gross Rental Income	1.9 Years

	Number of Leases	Gross Rental Income per Month(2)	
		S$'000	% of Total
2018	403(3)	5,998	10.6
2019	948	17,860	31.6
2020	794	14,806	26.2
2021	566	12,401	22.0
2022	55	4,643	8.2
2023 and beyond	17	807	1.4
Total	**2,783**	**56,515**	**100.0**

Source: Company data

16 October 2018

Property | REITS

Keppel REIT

No Immediate Catalysts Despite Office Momentum

Neutral

Target Price:	SGD1.07
Price:	SGD1.12
Market Cap:	USD2,768m
Bloomberg Ticker:	KREIT SP

Maintain NEUTRAL and SGD1.07 TP, 4% downside. Despite strong leasing momentum in Singapore's office sector, we do not expect the positive impact to be immediately felt on Keppel REITs DPU. This is due to negative rent reversion in prior years and tapering off of rental support. 311SS' contributions will only start kicking in from 2020, while progress payments via debt will slightly increase its interest expenses. With gearing close to 40%, we do not rule out the possibility of an equity fund-raising. Share buybacks will likely limit potential downsides.

Despite healthy increases in Grade-A YTD office rent (CBRE data: +7%), we expect rent reversions for Keppel REIT's portfolio to be in the mid single digits for 2018. This is due to the high rent secured during 2013-2014's peaks for the expiring leases. The REIT noted that rent for the expiring leases are in the SGD8.50-12psf/month range. By comparison, the current average Grade-A office central business district rent currently stands at SGD10.45psf. Keppel REIT's overall portfolio occupancy as at 3Q18 stands at 98.0% (2Q18: 99.7%) – the dip YTD is on tenant movements in Australia and Singapore. Management noted during recent briefing that new replacement tenants have been signed for majority of leases, which should lift occupancy levels in coming quarter.

Rental support tapering off: impacting DPU. Keppel REIT has ~SGD5m in rental support income remaining (end-3Q18) that ends by 2019. For FY17, it distributed SGD12.8m (-23.4% YoY) – we expect it to be 33% lower in 2018.

311 Spencer Street (311SS) to only start contributing by 2020. In Jul 2017, Keppel REIT announced a 50% stake acquisition of a premium office tower to be developed at 311SS, Melbourne. Construction is progressing on schedule and is slated for completion by 4Q19. The aggregate purchase consideration was AUD347.8m (~SGD362.4m). The REIT has paid ~SGD150m so far, with the remainder to be paid progressively. Upon completion, the building will be fully leased by the Assistant Treasurer for the State of Victoria on a 30-year net lease, with average rental yield for the first 15 years at 6.4%.

Potential fund-raising on the cards? The aforementioned acquisition payment will be progressively done via a combination of debt and cash. With Keppel REIT's (3Q18) gearing at 39.1%, the increased borrowings are expected to bring gearing slightly higher than 40% levels, and closer to its max gearing limit of 45%. With Singapore Grade-A office properties being transacted at yields of ~3-4%, the limited debt headroom also reduces the yield-accretive acquisition potential. Consequently, we believe management could potentially look at equity fund-raising options to lower gearing at an opportune time.

Share buybacks limit downside. Management feels the share price is cheap in terms of P/BV and bought back nearly 5.3m shares in August in the SGD1.16-1.19 price range.

NEUTRAL with a SGD1.07 TP. Our TP is based on DDM model (COE: 7.1%, risk free rate: 3%, TG: 2%). Key catalysts are stronger office demand and continue fund flows into the REIT sector. Key risks are dilutive fund-raising and unexpected slowdowns in office sector demand.

Forecasts and Valuations	Dec-16	Dec-17	Dec 18F	Dec 19F	Dec 20F
Total turnover (SGDm)	161	165	165	169	179
Net property income (SGDm)	128	131	133	135	136
Reported net profit (SGDm)	258	180	225	228	203
Total distributable income (SGDm)	208	191	196	193	218
DPS (SGD)	0.06	0.06	0.06	0.06	0.06
DPS growth (%)	(6.3)	(11.2)	1.5	(2.7)	11.8
Recurring P/E (x)	14.3	21.0	17.0	17.0	19.3
P/B (x)	0.7	0.7	0.7	0.7	0.7
Dividend Yield (%)	5.7	5.1	5.1	5.0	5.6
Return on average equity (%)	5.3	3.7	4.4	4.3	3.8
Return on average assets (%)	3.4	2.4	2.9	2.8	2.5
Interest cover (x)	3.2	3.1	3.0	2.9	2.9
Our vs consensus EPS (adjusted) (%)					

Source: Company data, RHB

Share Data

Avg Daily Turnover (SGD/USD)	8.4m/6.1m
52-wk Price low/high (SGD)	1.33 - 1.08
Free Float (%)	53.9
Shares outstanding (m)	3,407
Estimated Return	-4%

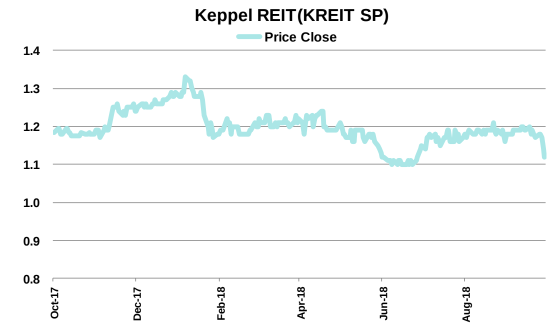
Shareholders (%)

Keppel Corp Ltd	46.0
Vanguard Group	1.8
Dimensional Fund Adv	1.2

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(11.1)	(5.1)	(2.6)	(8.2)	(5.5)
Relative	(1.3)	(2.2)	3.3	4.1	2.0

Source: Bloomberg



Source: Bloomberg

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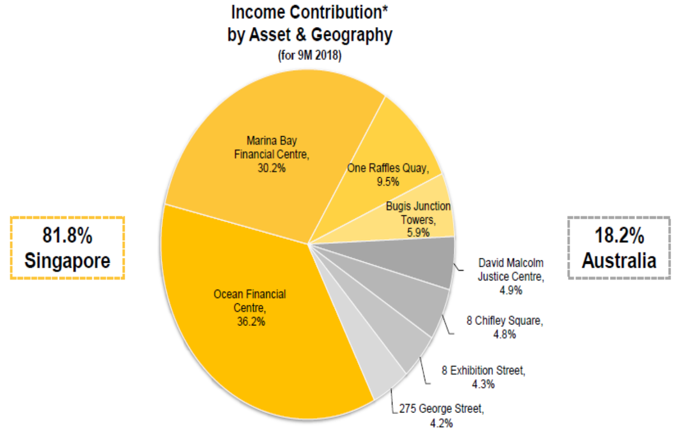
Figure 1: Keppel REIT – fair value based on DDM

DDM	FY18F	FY19F	FY20F	FY21F	FY21F	Terminal Value
DPU (SGD cts)	5.74	5.59	6.24	6.75	7.19	112.00
Fair value (SGD)	**1.07**					
Current price (SGD)	1.12					
Price upside (%)	-4%					
Distribution yield (%)	5.1%					
Assumptions						
Risk-free rate (%)	**3.0**					
Beta	**0.8**					
Cost of equity (%)	**7.1**					
Terminal growth (%)	**2.0**					

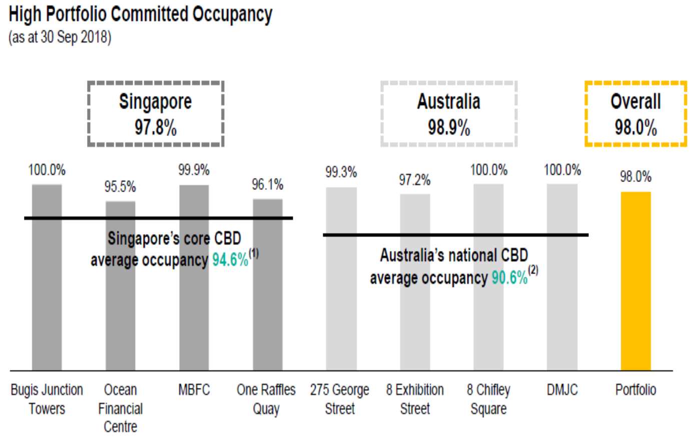
Source: RHB, Bloomberg, Company data

Figure 2: 9M18 income contributions by property



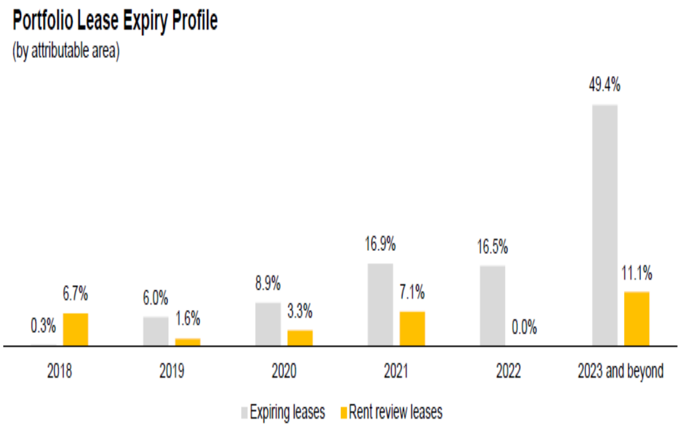
Source: Company data

Figure 3: Portfolio Occupancy



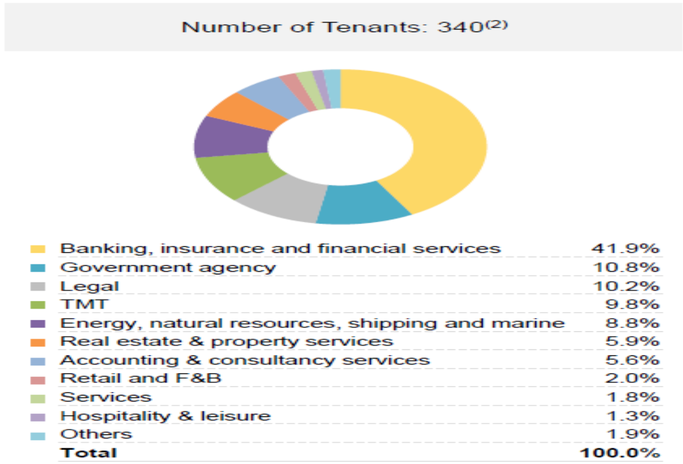
Source: Company Data

Figure 4: Lease Expiry Profile – as at 3Q18



Source: Company data

Figure 5: Tenant Mix by Sector



Source: Company data

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