Singapore Sector Update

28 September 2020

Property | REITS

REITS

Overweight (Maintained)

Stay Defensive Amid Anticipated Volatility; O/W

Stocks Covered	12
Rating (Buy / Neutral / Sell):	7 / 5 / 0
Last 12m Earnings Revision Trend:	Negative

- **Keep OVERWEIGHT; REITS to continue outperforming amidst increasing market volatility.** Amidst heightening US-China trade tensions and the US elections in November, we expect higher near-term market volatility. This, coupled with abundant liquidity and low interest rates, should keep yield instruments like REITS in favour. While sector valuations are not cheap, we see choice value in small-mid cap REITS with good quality assets and sponsor backing. Our Top Picks: Suntec REIT, Manulife US REIT, and CDL Hospitality Trust.
- **Post the gradual opening up of Singapore's economy since early June,** real estate market conditions have gradually improved – with economic indicators, such as manufacturing output, non-oil domestic exports (NODX), and retail sales showing good rebounds. Hence, market fears of REITS required to provide additional rental rebates and/or tenant defaults/deferments have largely abated. Barring a second COVID-19 wave, we expect REITS to also distribute most of the additional retained income (on top of rent rebates) in 2H20. Overall we expect most REITS to report better 2H DPU vis-à-vis 1H.
- **Interest rates to stay low till 2023; retail investor resurgence.** In its September briefing, the US Federal Reserve signalled that the US interest rates were expected to stay near zero through at least 2023, to allow a post-pandemic economic recovery. Conversely, governments elsewhere have pumped in >USD10trn in stimulus packages (McKinsey & Co), which ensured liquidity and prompted investors to hunt for relatively safe yield instruments like REITS and other real estate investments. The low interest rate (lack of attractive bank deposits) and COVID-19 lockdowns also led to a resurgence of retail investors here and globally. In 2020, such investors were net buyers of REITS with YTD net purchases of SGD452m, while institutional investors were net sellers at SGD34m (see chart on right).
- **Acquisitions picking up pace as anticipated; funding environment remains favourable.** Based on our estimates, S-REITS have announced SGD4.0bn in acquisition YTD (Figure 20), with an overall acquisition value in 2H20 of SGD2.7bn double that of 1H20. This does not come as a surprise. We expect this trend to continue as market conditions stabilise post COVID-19 while borrowing costs have fallen considerably (50-100bps), resulting in a more-favourable acquisition environment. Among sub-sectors, industrial and office sector REITS are likely to form the bulk of such acquisitions due to favourable trading yields and bank financing.
- **Industrial REITS remains our preferred subsector,** as we see it as the most resilient in a post COVID-19 world. This is followed by office, hospitality, and retail REITS. Hospitality REITS remain the wild card in our view, as we expect the sector to bounce back strongly once a vaccine is found. Retail REITS remain our least preferred sector, as we believe the current crisis has accelerated structural headwinds.
- **Key risks:** A deep and prolonged economic recession and increasing global trade tensions that derail the economic recovery.

Company Name	Rating	Target Price	% Upside (Downside)	P/E (x) Dec-20F	P/B (x) Dec-20F	Yield (%) Dec-20F
ARA Logos Logistics Trust	BUY	SGD0.72	15.2	27.2	1.1	7.7
CDL Hospitality Trusts	BUY	SGD1.25	20.2	20.6	0.7	4.0
EC World REIT	BUY	SGD0.76	13.2	15.8	0.8	7.9
Keppel Pacific Oak US REIT	BUY	USD0.80	9.8	12.4	0.9	8.2
Manulife US REIT	BUY	USD0.90	20.2	13.8	1.0	8.2
Starhill Global REIT	BUY	SGD0.60	34.8	na	0.6	7.7
Suntec Real Estate Investment Trust	BUY	SGD1.78	21.1	24.8	0.7	5.3
Ascendas REIT	NEUTRAL	SGD3.00	(7.7)	20.3	1.5	5.1
CapitaLand Commercial Trust	NEUTRAL	SGD1.70	(0.6)	22.2	0.9	4.6
CapitaLand Mall Trust	NEUTRAL	SGD2.03	2.0	na	1.0	4.8
Frasers Centrepoint Trust	NEUTRAL	SGD2.40	(4.7)	33.7	1.2	4.3
Keppel REIT	NEUTRAL	SGD1.14	3.6	13.8	0.8	5.1

Source: Company data, RHB

Top Picks

Top Picks	Target Price
Suntec REIT (SUN SP) – BUY	SGD1.78
Manulife US REIT (MUST SP) – BUY	USD0.90
CDL Hospitality Trust (CDREIT SP) – BUY	SGD1.25

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SREIT monthly fund flows (SGDm)*

*Note: *Based on the SGX's weekly fund flow data rounded to nearest month up until 14 Sep*
Source: SGX, RHB

Perpetual securities back in favour; green and sustainable financing gaining prominence. Ascendas REIT and Keppel REIT are expected to redeem their perpetual securities which are due for their first call in October/November with REITs recently issuing new perpetual securities on the back of a renewed market appetite. The funding cost of new perpetual securities has fallen by c.150bps indicating a return in market appetite for good quality names.

AIMS APAC REIT has also issued new SGD125m 5-year perpetual securities in August at reasonably attractive rates of 5.65% pa. Recall that earlier Ascott REIT has announced non-call of its perpetual securities in May. Another key emerging trend in REITS/real estate financing is green and sustainable financing loans secured on the back of REITS' sustainable initiatives which typically result in a 20-30bps additional savings in interest costs.

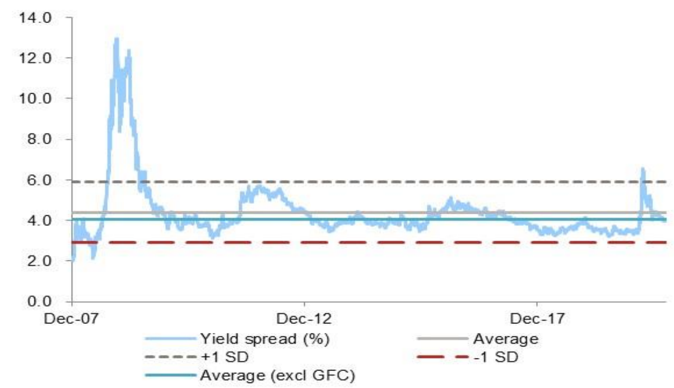
Figure 1: SREITS perpetual securities issuance

No.	Company Name	Annual Coupon (%)	First Reset Date	Reference Rate	Issue Size (SGD m)	Additional Remarks
1	Ascendas REIT	4.75	Oct 14,2020	5yr SOR+ 2.43%	300	Likely to be redeemed and replaced by recently issued SGD 300m of first Green perpetual securities
2	Ascott Residence REIT	3.88	Sep 4, 2024	5yr SOR+ 2.353%	150	
3	Ascott Residence REIT	4.68	June 30, 2020	SOR+ 2.5%	250	
4	ARA Logos Logistics Trust	5.50	Feb 1, 2023	5yr SOR+ 3.58%	100	
5	AIMS APAC REIT	5.65	Aug 14,2025	5 yr SOR+ 5.207%	125	
6	Frasers Hospitality Trust	4.45	May 12, 2021	5yr SOR+ 2.45%	100	
7	Keppel REIT	4.98	Nov 2, 2020	5yr SOR+ 2.71%	150	To be refinanced with recently issued 5-year perpetual securities at 3.15% pa
8	SPH REIT	4.10	Aug 30, 2024	5yr SOR+ 2.517%	300	
9	Mapletree Logistics Trust	3.65	Mar 28, 2023	5yr SOR+ 1.815%	180	
10	Mapletree Logistics Trust	4.18	Nov 25, 2021	5yr SOR+ 2.3%	250	

Source: Companies data, Bondsupermart.com, RHB

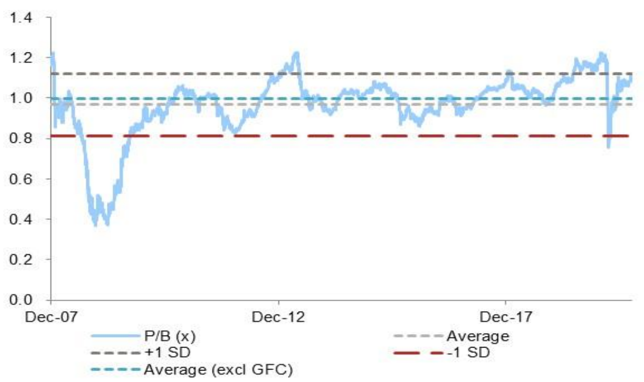
REITS trading near mean levels; mid-cap space offers more upside potential. SREITS currently trade at a P/BV of 1.1x and offer average yields of 5.1% (410bps higher than the 10-year government bond) – this is closer to long-term mean levels. While the headline valuations do not look cheap, we see selective opportunities in the REITS space, as there is a huge disparity in valuation among larger and small- and mid-cap REITS (see peer comparisons in Figure 18).

Figure 2: SREITS Index (yield spreads)



Note: Price close as at 21 Sep 2020
Source: RHB, Bloomberg

Figure 3: SREITS Index (P/BV)



Note: Price close as at 21 Sep 2020
Source: RHB, Bloomberg

Asset valuations are unlikely to see double-digit declines. Based on REITS that recently revalued their assets, as well as discussions with various REIT managers, we note that cap rates across asset classes have remained largely stable. This was on ultra-low interest rates, lack of comparable transactions, and limited fire sales.

Appraisers have, instead, factored in lower market rent and rental growth in light of COVID-19, which has resulted in an overall asset value decline of about 0-4%. With market conditions improving since June, we do not expect any significant declines (more than 5%) in asset values during the year-end valuation.

Sector Outlook

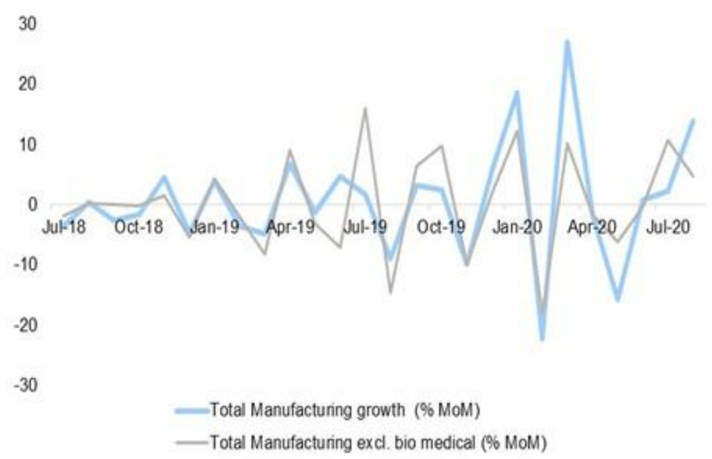
Industrial – on a recovery path

Strong rebound in Industrial data points. The country's Purchasing Manager's Index (PMI) for August remained in the expansion territory for the second month in a row at 50.1, on an improvement in new orders and stronger factory output growth. The manufacturing sector was boosted by a rebound in the electronics sector, which reversed six months of contraction to touch a two-year high of 50.6 points.

Seasonally adjusted manufacturing output (August) also showed a strong growth 4.8% MoM and 13.9% MoM excluding the volatile biomedical sector. On a YoY basis, Singapore's manufacturing output rose 13.7% in August (excluding biomedical manufacturing, output fell 15.3%). July manufacturing sector output was boosted by a strong growth in electronics of +44.2% and precision engineering of +9.3% YoY.

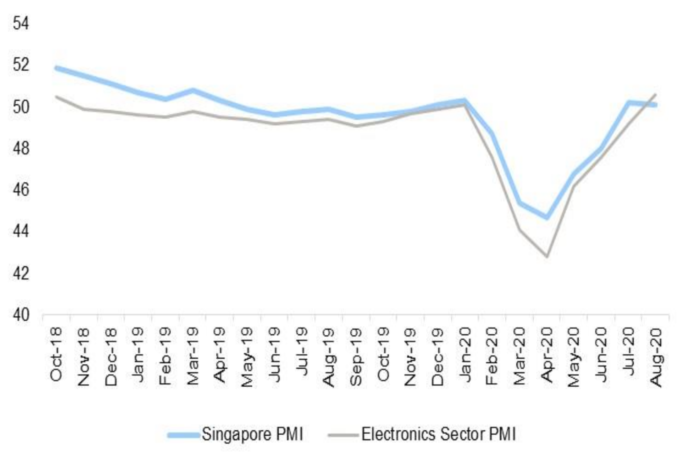
Similarly, NODX expanded at a faster than expected pace of 7.7% YoY in August, with both electronics and non-electronics shipments showing YoY growth.

Figure 4: Seasonally adjusted manufacturing output



Source: Economic Development Board

Figure 5: Singapore's PMI data



Source: Singapore Institute of Purchasing & Materials Management

Slight uptick in 2Q Industrial occupancy while rent declined 0.8% YoY. Overall industrial occupancy (2Q) rose to 89.4% (+0.1ppts YoY, +0.2ppts QoQ) based on Jurong Town Corp's (JTC) official data. The slight uptick came on the back of occupancy increases for single-user factory and warehouse spaces as a result of pre-commitments, as well as stockpiling and storage.

On the rental front, business park rents were flattish YoY, while single-user factory (-0.6% YoY), multiple-user factory (-1% YoY), and warehouse (-0.6% YoY) spaces declined slightly. Looking ahead, we expect occupancy to remain flattish for the rest of the year, while overall industrial rent declines by up to 2% in 2020.

Supply remains high, mainly comprising factory space. As at end 2Q20, c.1.3m sqm of new industrial space is expected to come on stream in 2H20. The bulk of this supply is in the factory space segment, with 39% and 38% of the total comprising single-user factory – which are typically developed by industrialists for their own use – and multiple-user factory spaces (including replacement spaces intended for lessees affected by the JTC's industrial redevelopment programme). The remainder are in business parks and the warehouse sector.

However, JTC noted that delays in the construction of industrial spaces are expected in light of COVID-19. Between 2021 and 2024 another c.3.7m of industrial space is expected to be completed. This amounts to c.1.1m sqm of supply pa vs the last three average annual demand of 0.9m sqm pa.

Brighter 2H DPU outlook. With the industrial sector remaining resilient and manufacturing activity rebounding, we expect industrial REITS – with major exposure to business parks and logistics – to post better 2H numbers vs 1H. No further rental rebates (except special cases) are likely to be given to tenants, and industrial REITS are likely to distribute some of the anticipated provisions made in 1H, given signs of market improvement.

Business parks, logistics, and high-tech remain our preferred sub-segments, which are less impacted by COVID-19 and benefit from the Government's longer term push to transform Singapore into a smart nation. Ascendas REIT (AREIT SP, NEUTRAL, TP: SGD3.00) – a leader in the business parks space – is our preferred large-cap pick.

The logistics and data centre sector has emerged as the key beneficiary of COVID-19, with a strong spike in demand. ARA Logos Logistics Trust (ALLT SP, BUY, TP: SGD0.72) – a pure-play logistics REIT with assets in Singapore and Australia – is a key beneficiary of REITS in our coverage.

Office – strong demand growth expected from tech sector

Tech sector demand is a key to watch out for. While COVID-19 has taken the wind out of the sails for office demand for most of the sub-sectors, the tech, media, and telecommunications industries have been one of the key demand growth drivers since the start of 2020. In particular, increasing US-China trade tensions and Hong Kong protests have resulted in many of Chinese tech and financial firms setting up shop in Singapore. These companies have also announced major hiring plans.

Some of the prominent Chinese tech firms that have announced investment and hiring plans include Alibaba, ByteDance, Tencent, and Zall Group, among others (see Figure 6 for the timeline of announcements). We believe the growing tech demand is positive for central business district (CBD) office demand, and expect Suntec REIT, Keppel REIT, CapitaLand Commercial Trust, and OUE Commercial Trust to emerge as likely beneficiaries of this trend.

Figure 6: Key tech sector moves in Singapore in 2020

Jan 2020
- Known suitors for Singapore digital banking licenses include ByteDance, Ant Financial, a consortium involving fintechs Yillion Group and Hande Group, another consortium featuring Xiaomi Finance, and a separate consortium led by Chinese e-commerce group Zall

Feb 2020
- Twitter announced that it will set up its first Asia Pacific engineering centre in Singapore and create 65 technical jobs in the next few years in the areas of product engineering, software engineering, data engineering, and data science

May 2020
- Alibaba's Singapore subsidiary inks deal for half-stake in Grade A office building AXA Tower

Jun 2020
- Huawei is picked as key vendor for TPG Telecom's 5G millimetre-wave networks in Singapore

Jul 2020
- Google supports 3,000 locals through a new jobs and skills initiative to boost employment and employability outcomes under the SGUnited Jobs and Skills Package
- South Korea's Naver relocates its data centre to Singapore from Hong Kong

Aug 2020
- Video-streaming platform Bigo confirms plans to move its servers from Hong Kong to Singapore
- Zoom to open new data centre in Singapore

Sep 2020
- WeChat owner Tencent confirms plans for a new Singapore office for its South-East Asia expansion
- Alibaba reportedly in talks to invest USD3bn in Grab

Sep 2020
- ByteDance ramps up Singapore hiring with plans to invest several billion dollars
- Bloomberg reports sugest Tesla plans to set up in Singapore
- Chinese e-commerce group Zall plans to recruit hundreds of employees over the next few years

Source: The Business Times, Economic Development Board, Bloomberg, Financial Times, The Strait Times

Key risk remains continued rightsizing/ downsizing of office space post COVID-19. Anecdotal evidence suggests banks and financial institutions have taken the lead in rightsizing/downsizing office space. Recent movements of office space include major global banks like Standard Chartered, UBS, HSBC, etc. There has been lots of concerns on decreased office demand from the rising trend of working from home (WFH).

Our view is that companies are more likely to take a core+flex approach, by which companies are likely to maintain a core long-term working space with rest of demand shifting to flexible leases. While this trend may result in a 5-10% reduction in office demand over the medium to long term, this is likely to be offset by the recent de-densification trends which have resulted in more per sqf space per employee and, as a result, overall increase in office space.

Our discussions with various professionals from REITS also indicate that there has been some spill over of demand seen from companies shifting from Hong Kong, especially family offices and office leases for business continuity plans. However, this has not been significant so far.

Supply remains moderate, buffering some of the impact. Based on CBRE data, total new supply for 2020-2024 is estimated at 3.9m sqf, equivalent to 0.8m sqf pa which is 20% lower than the 10-year historical average net demand of 1.0m sqf. Under current market conditions, we also expect many developers to push back on some of their construction plans, which should help mitigate rental declines.

We expect office rents to come down by 5-10% in 2020 after a steady rise of nearly 28% since bottoming out in 2Q17. Based on CBRE data, Grade-A office market rents declined by 3.0% QoQ in 2Q20 to SGD 11.15 psf pm, and is down 3.5% YTD. Colliers noted that despite rental declines, net absorption for 2Q remained positive and increased from 1Q levels driven mainly by the flexible workspace sector which committed to expansions earlier. Grade-A vacancy in the central business district (CBD) expanded to 4.6% from 3.1% in 1Q, in part due to newly completed buildings which have lower occupancy (such as 30 Raffles Place and 79 Robinson Road having an occupancy of about 47% and 73%, respectively).

Positive rental reversions set to continue while occupancy to come under pressure. While the outlook for the office sector remains negative in the near term, the impact on office REITS is mitigated as expiring rents for office leases on average are 10-20% below market rents as most of the expiring leases were signed before the current office market recovery in 2016-2017. This allows landlords to lower rent and retain tenants. Tenants may also choose to extend their leases in the same premises at lower rent rather than moving location and incurring additional costs unless a much cheaper alternative emerges. This has been reflected in recent result announcements with office REITS still posting healthy positive rental reversions in 2Q despite COVID-19.

Overall, we expect office landlords with minimal near-term lease expiries and assets at prime locations to be in a better position to weather this crisis. Our pick is Suntec REIT (SUN SP, BUY, TP: SGD1.78) on valuation and asset quality basis.

Hospitality – awaiting a vaccine shot but positive green shoots emerging

While the hospitality sector still remains in doldrums with muted global travel, we see some bright spots emerging with various initiatives taken by the Government in Singapore to promote domestic tourism and the gradual opening up of the economy. These include:

i. Fast lane arrangements (for essential travel) with China and Korea and reciprocal green lane travel with Malaysia, Brunei and Japan where travellers are exempted from mandatory 14-day Stay Home Notice (SHN) but must undergo pre-departure and post-arrival COVID-19 PCR (polymerase chain reaction) tests;

ii. Travellers from Brunei and New Zealand (c.1.2% of total visitors in 2019) will be allowed to undergo a COVID-19 test upon arrival without needing to serve mandatory 14-day SHN. Similarly, SHN for visitors from Australia (excluding Victoria State), Macau, mainland China, Taiwan, Vietnam and Malaysia will be shortened to 7 days;

iii. Singapore Government has set aside SGD45m into a campaign to promote domestic tourism. In addition all Singaporeans aged 18 and above will receive SGD100 worth of vouchers for local hotel stays, attractions tickets and tours;

iv. From 1 Oct, bigger exhibitions and conferences with up to 250 participants (from the maximum 50 attendees currently) are set to return to Singapore;

v. Many hotels in Singapore are sed as quarantine facilities for SHN as the Government books the entire hotel rooms on a rolling monthly basis. This, we believe is likely to continue until borders are opened up fully;

vi. Serviced residence players (ex. Oakwood, Ascott) and hoteliers (Hotel Packages for WFH) have also come up with creative ways to open up their facilities as workspaces to tide through these uncertain times.

Visitor arrivals remains a trickle but hotel occupancy is improving. In line with above measures, while visitor arrivals remain a trickle at 6,842 (-99.6% YoY) in Jul 2020, hotel occupancy has bounced back to 70% (Jul 2019 – 92.4%) from April's low of 38%. Overall RevPAR (Jul) remains weak at SGD57 (-72% YoY) as the room rates for SHN and domestic tourism are at much competitive rates compared to normal. While we don't expect any significant boost in the RevPAR until COVID-19 comes under control or a vaccine is found the above measures will help hotels cover their fixed costs and avoid losses.

Hotel cap rates unlikely to expand significantly with limited fire-sales in the market. Despite COVID-19 wrecking the hospitality sector, there have been no noticeable fire-sales of hotel or serviced residence assets in Singapore since the start of the outbreak. This, we attribute to the fact that balance sheets of many big hospitality players have remained largely robust entering into the crisis. Also there were government support measures in-terms of Jobs Support Scheme (JSS) and property tax rebates. Our discussions with industry players also indicate that many remain hopeful of Singapore tourism sector to come roaring back once COVID-19 headwinds dissipate. With limited transactions in the Singapore market, we expect hotel cap rates to remain largely stable and thus do not expect any significant (>7%) decline in hotel/serviced residence capital values for REITS at the end of the year.

2H20 DPU outlook remains weak. For 2H, distributable income (DI) is expected to remain a bare minimum, only supported by hotel master lease rents and various grants by the Government. Hospitality REITS with overseas assets have seen varying degrees of impact. There is also a good possibility of net income losses to persist in some of the overseas assets which do not have master lease rental support.

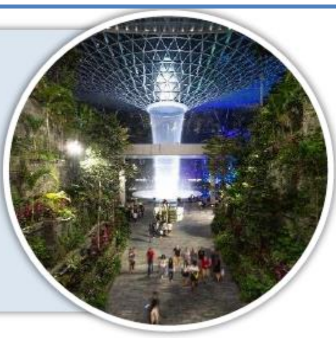
Medium- to longer-term catalysts remain intact. Over the medium term, plans for large-scale tourism redevelopment over the next few years such as Resorts World Sentosa and Marina Bay Sands expansion, Sentosa Brani Master Plan, Mandai makeover, and Greater Southern waterfront, should help make Singapore's hospitality scene more vibrant.

Sharp rebound in hospitality stocks likely, as vaccine trials reache final stages. With nearly nine vaccines in advanced stages (link here) coupled with gradual easing of travel restrictions, we believe a rebound in stock price is around the corner. Our post-recovery pick in the hospitality sector remains CDL Hospitality Trusts (CDREIT SP, BUY, and TP: SGD1.25). Valuations are attractive at 0.7x PB and offering 7% FY21F yields.

Figure 7: Hospitality sector's medium- to long-term rejuvenation plans

Changi Airport [1] [2]

- Expansion plans which will eventually double current capacity to 150 million passengers per annum include:
    - Extensive makeover of Terminal 2
    - New terminal 5



Jurong Lake District [3]

- Set to be a new growth area with a commercial hub and leisure and recreational activities area
- 7-ha integrated tourism development site that will include attractions, eateries and retail shops

Mandai Nature Precinct [4]

- Rejuvenation of Mandai into an integrated nature and wildlife destination
- Eco-tourism hub will house the new Bird Park and Rainforest Park

Orchard Road [5]

- Revamp of Orchard Road shopping belt via 4 sub-precincts with new retail concepts and attractions

Greater Southern Waterfront [1]

- A new major gateway and vibrant location for waterfront lifestyle attractions, recreational options homes and offices

Sentosa-Brani Masterplan [2]

- Reshaping Sentosa and Pulau Brani into a premier leisure and tourism destination
- Brani will be linked to Sentosa and Singapore mainland and will have large scale attractions similar to USS

Marina Bay Sands [3]

- To add fourth new tower which will have 30%-40% more MICE space and a 15,000-seat arena
- Increase in gaming space

Resorts World Sentosa [3]

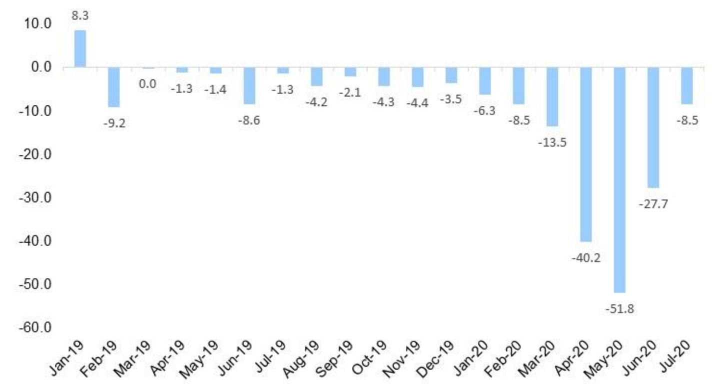
- Expanding with multiple new attractions
- New Minion Park and Super Nintendo World in Universal Studios Singapore
- SEA Aquarium expanding to 3x its current size

Source: CDL Hospitality Trusts

Retail: Recovery from pent-up demand but mid-term outlook remains challenging

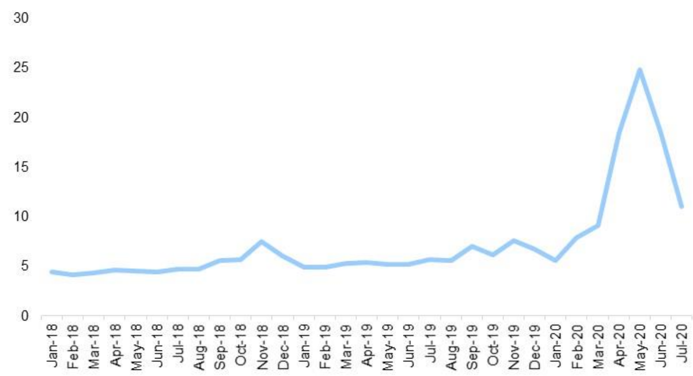
July sales show recovery but growth unlikely to sustain. Based on the latest official data, retail sales (seasonally adjusted) in July rose 27% MoM but were still down 9% YoY. Retail sales have been on a recovery trend from May lows, with gradual easing of restrictions in June. We expect data in August and September to show MoM improvements on the back of pent-up consumer demand. Online sales as percent of total retail sales have also eased to 11% of total, after spiking up to 25% in May, but it still remains at elevated levels compared to 5-7% seen in past years. Overall, we remain negative on the retail sector outlook, with consumer demand expected to remain weak on the back of a recessionary outlook and structural shift towards online (Omni-channel) presence limiting new demand.

Figure 8: Retail sales evolution (%) YoY



Source: Singstat, RHB

Figure 9: Online sales as percentage of total sales



Source: Singstat, RHB

More brands moving online, with food & beverage (F&B) store closures seen island wide. Recently, fashion brands Topshop and Topman announced that it would be closing its last outlet in Singapore and move online instead (Link Here). The move follows similar closure of an H&M outlet in Tampines Mall in August and global store closure from brands like Zara, Gap, H&M, etc. (Article link here). E-commerce players like Lazada, Qoo10 and Shopee have also reported an increasing migration of traditional brick-and-mortar retailers onto their platforms (The Great Retail Migration). We expect the above trend to continue even post COVID-19, with many retail players likely to rationalise their stores and other costs amid challenging market conditions. COVID-19 has also taken an immense toll on cash flows of F&B sectors (F&B sector may see more closures), with increasing number of operators announcing closures across the island. F&B operators are one of the key players in Singapore malls and typically account for 30-40% of a mall's NLA.

Limited supply offers some respite. Based on CBRE data, the supply pipeline is expected to fall sharply to an average of 0.22m sqf pa in 2020-2022. This is significantly lower than the 5-year historical average of 1.66m sqf. By sub-markets, the outside central region (36%) and fringe areas (34.5%) will account for the bulk of future supply, with the Downtown Core, Orchard, and rest of the central submarkets accounting for the remaining 8.2%, 10.3% and 11.0% of future supply.

2H earnings should fare better than in 1H; further rent rebates unlikely. With most of the businesses having resumed activity in shopping malls, shoppers traffic and - more importantly - tenant sales, have seen a good recovery since the start of July though still down on a YoY basis. Thus, we expect no further rental rebates (most of them have already offered four months of rebates) and any support and marketing measures is likely to be calibrated towards targeted retail segments and clients. Thus, overall DPU for retail REITS should fare better in 2H vs 1H and we also expect retail landlords to distribute most of the retained income by end of the year, barring a second COVID-19 wave.

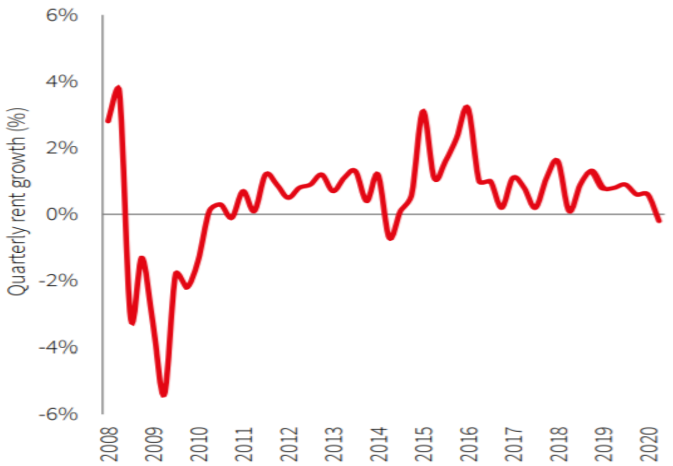
Prefer deep value plays and suburban malls on dips. Overall, we expect retail rents to drop 5-15% in 2020, with suburban malls and malls catering to necessity spending to outshine high-end ones. Our mid-cap pick is Starhill Global REIT (SGREIT SP, BUY, TP: SGD0.60) on valuation grounds, with the stock trading at a deep discount of 0.6x P/BV compared to peers. Frasers Centrepoint Trust (FCT SP, NEUTRAL, TP: SGD2.40) remains our preferred suburban retail mall pick.

Overseas commercial REITS; Marching on despite COVID-19

A good set of numbers so far. Despite the US being badly hit in terms of COVID-19, the impact on Singapore-listed US-office REITS has so far been marginal. Occupancy for all three US office REITS has remained stable, with all still registering healthy positive rental reversions in 1H20. While office demand outlook still remains murky, the overall impact to US office REITS is buffered by long WALE (4-6 years), diversified market presence and tenant base, and a healthy balance sheet.

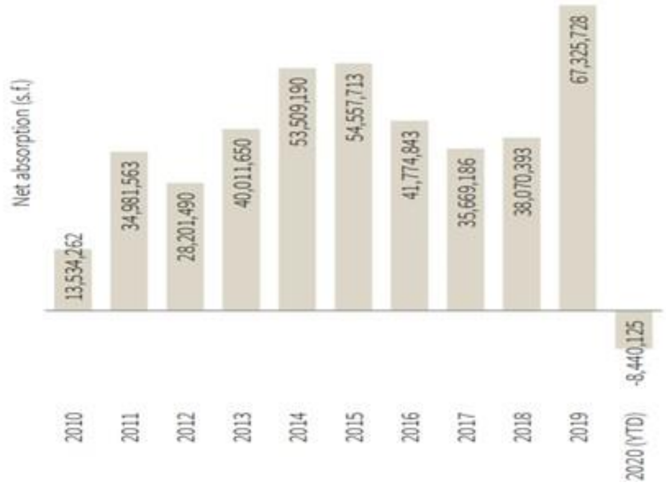
Long-term impact of work from home (WFH) trend still unclear. Manulife US Real Estate Investment Trust (MUST) cited recent studies which shows that WFH trend has been quite prevalent even before COVID-19, with 54% of employees in the US having access to such benefits. Additionally, MUST also shared that, based on latest surveys, only 12% of employees now prefer the WFH option compared to 10% pre COVID. While leasing activities have clearly slowed down, the latest Jones Lang LaSalle (JLL) report indicates that office demand is supported from tech/finance sectors with larger leases mainly stemming from government, health and health insurance. In our view the impact of flexible office space is likely to create some reduction in long-term demand (c.5%) but is partially offset by de densification trends and moderate supply which has been further pushed back.

Figure 10: US office sector quarterly rent growth



Source: JLL

Figure 11: US office net absorption



Source: Singstat, RHB

Expect 2H DPU to remain resilient. For 1H, all three US office REITS posted a higher DPU as rent escalations, stable occupancy, and acquisition contributions more than offset rent deferments and lower car park income. Rent collection also remains healthy (>94%) with minimal rent abatements so far. Our discussion with REIT managers confirms that despite a second wave of COVID-19, requests for additional rent abatement/deferrals were minimal as properties remained operational. Lease expiries for all three REITS also remain low at c.3% and, with healthy rent collections, we expect stable DPU in 2H.

Our stock picks are Manulife US REIT (MUST SP, BUY TP: USD0.90) and Keppel Pacific Oak US REIT (KORE SP, BUY, TP: USD0.80). We currently don't have a coverage on Prime US REIT (PRIME US, NOT RATED).

SREITS Investment Thesis

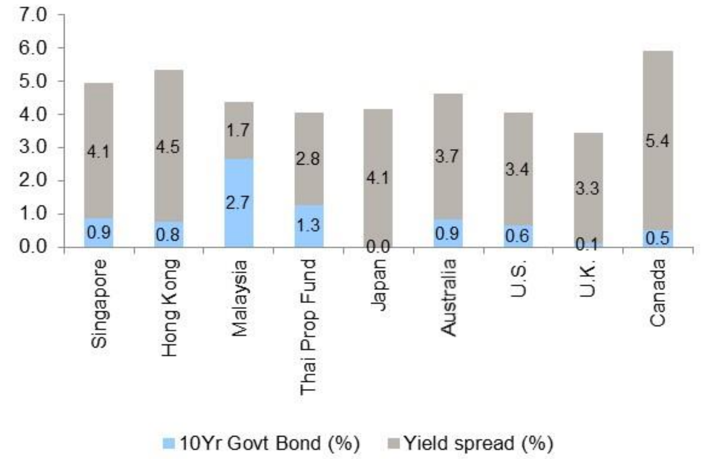
Figure 12: Investment thesis

REITS	BBG ticker	Share price	Target price	Potential upside	FY-1 dividend yield (%)	Rec.	Investment thesis
Ascendas REIT	AREIT SP	3.26	3.00	(8.0)	4.9	NEUTRAL	• High exposure to business parks and hi-tech industrial space, which will provide buffer to its overall portfolio. • Geographical diversification from expansion in Australia and the UK • Potential organic growth from occupancy and rental improvements • Risk: Sharp drop in global manufacturing growth.
ARA Logos Logistics Trust	ALLT SP	0.63	0.72	14.3	7.9	BUY	• Logistics and warehouse sector expected to see increased demand from COVID-19. • The entry of Logos as sponsor provides opportunities and operational expertise • Demand supply imbalance likely to get better by 2021
CapitaLand Commercial Trust	CCT SP	1.73	1.70	(1.7)	4.6	NEUTRAL	• High quality Grade-A assets with diverse blue chip office tenants offers resilience • Pressure on office rents mitigated by low average expiring rents • Proposed merger with CMT offers scale but increases exposure to retail sector which was hard hit by COVID-19 • Risks: Higher exposure to co-working operators and sharp slowdown in office demand
CapitaLand Mall Trust	CT SP	2.02	2.03	0.5	5.0	NEUTRAL	• Retail malls directly hit by COVID-19 are likely to see increased vacancies and rental pressure • Low retail supply is positive but recent exit and right sizing of popular global brands from Singapore remain a concern; • COVID-19 to accelerate e-commerce and delivery adding pressure on retail sector • Proposed merger with CCT helps in diversification and scale
CDL Hospitality Trust	CDREIT SP	1.04	1.25	20.2	3.8	BUY	• Hotel portfolio directly impacted by COVID-19 with near-term outlook remains uncertain • Lease structures with fixed rent floor offers downside protection • Strong sponsor support and modest gearing is positive • Risk: Protracted impact to global travel from COVID-19
EC World REIT	ECWREIT SP	0.66	0.76	15.2	7.6	BUY	• Early signs of recovery in China domestic demand is positive; Proxy to growing China E-commerce sector. • Portfolio offers good proxy to growing China E-commerce sector. • Long WALE and bulk of rental income backed by sponsor master leases; • Risk: Potential deterioration of sponsor financial position and RMB fluctuations;
Frasers Centrepoint Trust	FCT SP	2.57	2.40	(6.6)	3.9	NEUTRAL	• Headwinds from COVID-19 and extended circuit breaker in Singapore. • A stable and defensive suburban retail player. • Recent acquisitions further diversifies its portfolio and mitigates long-term risks. • Risk: Acceleration of e-commerce and online food delivery trend
Keppel REIT	KREIT SP	1.11	1.14	2.7	5.4	NEUTRAL	• Good quality office assets and tenant base offers relative resilience. • Expiry of rental supports and tenant movements to impact DPU. • Recent asset/capital recycling moves to have a positive impact on DPU; Positive rental reversion set to continue with low expiring rents • Highly-exposed to financial sector tenant mix. Increasing competition from newer developments.
Keppel Pacific Oak US REIT	KORE SP	0.74	0.80	8.8	8.2	BUY	• Diverse US office portfolio and exposure to tech markets mitigates impact • Limited leases expiries in FY20/21 and minimal tenant concentration risks • Finalisation of tax regulations to result in tax savings. • Risk: Prolonged recession on US and failure of co-working sector impacting overall office market demand
Manulife US REIT	MUST SP	0.78	0.90	16.1	7.7	BUY	• High quality US office assets and a diversified portfolio to offer resilience. • Minimal leases due for renewal in FY20 • Strong sponsor and ability to grow REIT via quality acquisitions. • Risk: Prolonged and sharp recession in US and any adverse changes in tax structure.
Starhill Global REIT	SGREIT SP	0.45	0.60	34.8	9.0	BUY	• High end Orchard road malls to see direct impact from absence of tourists and similar impact on overseas shopping malls • Master tenancies which accounts for nearly half the rents mitigates impact • Office portfolio to remain relatively resilient • Risk: Prolong impact from COVID-19 outbreak impacting high-end shopping malls
Suntec REIT	SUN SP	1.48	1.78	20.3	5.4	BUY	• Office portfolio to stay relatively resilient while retail and convention segment which account or 1/3rd of income is impacted • Completion of development assets in FY20 provides earnings support • Low expiring rents for office and retail leases in FY20 provides buffer

Price Close as at 21 Sep 2020;
Source: RHB

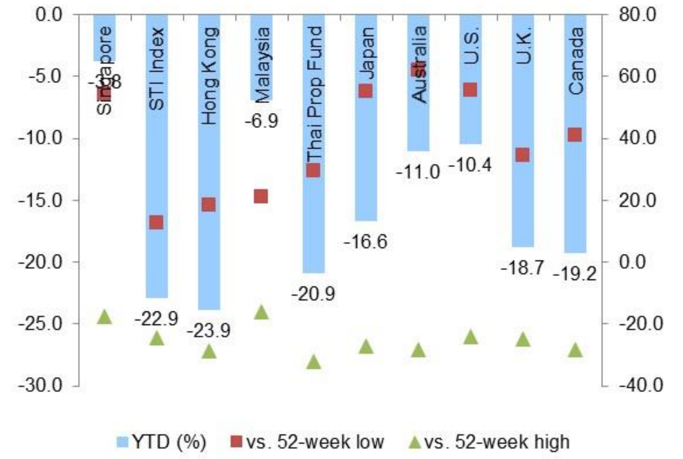
REITS Snapshot

Figure 13: Major global REITS comparison



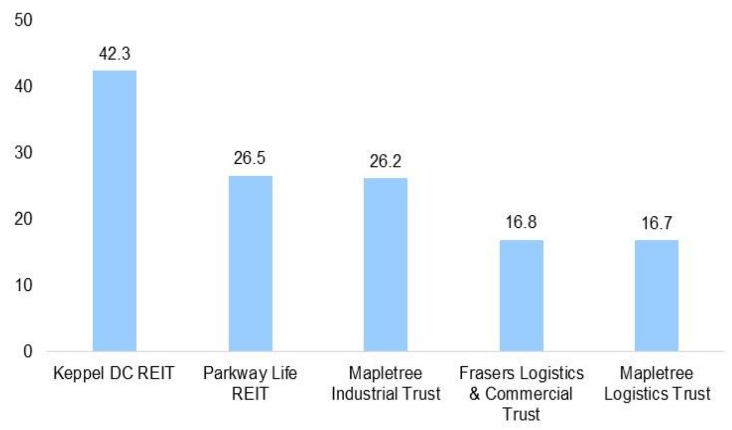
Note: As at 21 Sep 2020
Source: RHB, Bloomberg

Figure 14: Global REITS' YTD performance



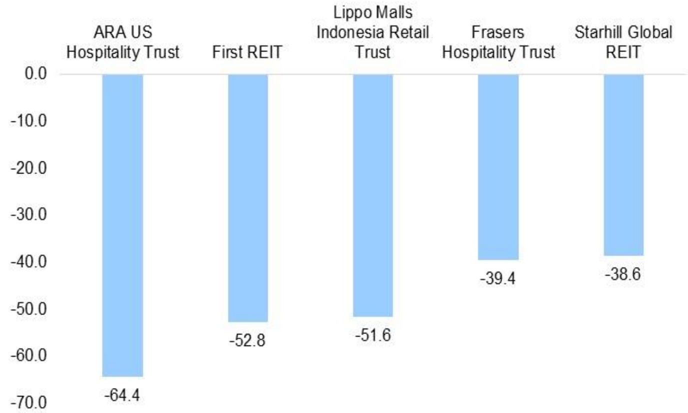
Note: As at 21 Sep 2020
Source: RHB, Bloomberg

Figure 15: SREITS' top 5 YTD performers (%)



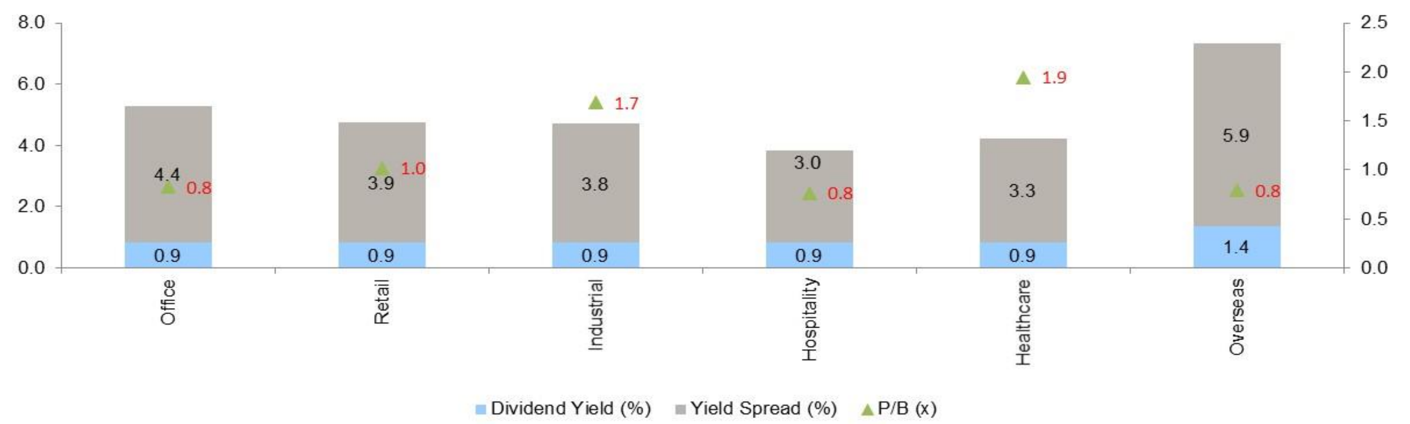
Note: As at 21 Sep 2020
Source: RHB, Bloomberg

Figure 16: SREITS' bottom 5 YTD performers (%)



Note: As at 21 Sep 2020
Source: RHB, Bloomberg

Figure 17: SREITS – segmental yield spreads



Source: RHB, Bloomberg

SREITS: Looking Into The Numbers

Figure 18: Peers comparison

	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 (%)	DPU Freq	Gearing/simple ave	WALE (years)	% FY-1	% FY-2
REITs (41)	**74,677**	**179,462**		**(1.0)**	**0.9**	**3.5**	**3.2**	**33.3**	**(2.8)**	**(3.8)**	**54.3**	**(17.6)**	**1.2**	**5.1**	**5.8**	**4.2**		**36.8%**	**5.5**		
Office (4)	**12,226**	**29,999**		**(0.4)**	**1.4**	**7.8**	**(0.1)**	**20.7**	**(19.2)**	**(16.6)**	**37.2**	**(21.9)**	**0.83**	**5.3**	**5.7**	**4.4**		**38.5%**			
CapitaLand Commercial Trust	4,903	14,066	1.73	(0.6)	0.6	8.8	0.0	16.1	(18.4)	(13.1)	33.1	(21.4)	0.97	4.6	5.2	3.8	S	36.4%	5.7	7%	20%
Suntec REIT	3,064	10,726	1.48	(1.3)	0.7	9.6	2.8	24.4	(23.3)	(19.6)	42.3	(23.7)	0.71	5.4	6.1	4.5	Q	41.3%	3.14	7%	27%
Keppel REIT	2,769	4,779	1.11	0.9	2.8	6.7	0.0	27.6	(11.2)	(10.5)	40.5	(14.0)	0.83	5.4	5.4	4.5	Q	36.2%	4.6	2%	18%
OUE Commercial Trust	1,490	428	0.38	0.0	2.7	2.7	(6.3)	15.4	(28.6)	(33.6)	33.9	(34.8)	0.62	6.9	7.5	6.1	S	40.1%	2.2	11%	29%
Retail (6)	**15,553**	**41,238**		**(0.8)**	**(0.0)**	**6.9**	**(1.1)**	**15.2**	**(16.8)**	**(17.3)**	**39.8**	**(22.5)**	**1.02**	**4.7**	**5.6**	**3.9**		**34.5%**			
CapitaLand Mall Trust	5,471	21,055	2.02	(0.5)	0.5	9.2	(0.5)	13.5	(22.6)	(17.9)	35.6	(24.3)	1.00	5.0	5.9	4.1	Q	34.4%	2	8%	29%
Mapletree Commercial Trust	4,864	11,743	2.00	(1.0)	1.0	5.3	(1.0)	13.0	(12.4)	(16.3)	37.0	(19.4)	1.14	4.2	4.8	3.3	S	33.7%	2.6	14%	26%
SPH REIT	1,784	1,245	0.88	(0.6)	0.0	3.5	(1.7)	17.3	(19.3)	(17.8)	31.3	(24.1)	0.79	4.3	6.0	3.5	Q	29.3%	2.7	25%	17%
Frasers Centrepoint Trust	2,115	4,558	2.57	(1.2)	(4.1)	8.0	4.9	25.4	(6.5)	(8.5)	65.8	(16.3)	1.16	3.9	5.1	3.0	Q	35.0%	1.6	8%	30%
Starhill Global REIT	717	859	0.45	(2.2)	(1.1)	0.0	(19.1)	3.5	(40.7)	(38.6)	18.7	(41.1)	0.55	9.0	9.0	8.1	S	39.7%	5.6	16%	14%
Lendlease Global Commercial REIT	602	1,779	0.70	(0.7)	2.9	14.8	(4.8)	19.7	N.M	(24.7)	59.1	(27.1)	0.85	6.9	7.1	6.0	S	35.1%	4.9	17%	19%
Industrial (10)	**29,903**	**82,914**		**(1.3)**	**1.3**	**(0.2)**	**9.9**	**51.7**	**18.1**	**16.2**	**72.0**	**(8.4)**	**1.69**	**4.7**	**4.9**	**3.8**		**37.5%**			
Ascendas REIT	8,661	29,574	3.26	(0.6)	0.9	(4.1)	4.5	29.9	6.1	9.8	46.8	(10.7)	1.52	4.9	5.2	4.0	S	36.1%	3.9	8%	16%
Mapletree Industrial Trust	5,658	18,482	3.28	(2.1)	4.1	5.8	15.5	56.2	31.7	26.2	76.3	(2.4)	2.03	3.8	4.1	2.9	Q	38.8%	4.2	11%	16%
Mapletree Logistics Trust	5,678	18,803	2.03	(1.0)	0.0	(2.9)	4.6	47.1	24.5	16.7	69.2	(8.1)	1.68	4.0	4.1	3.2	Q	39.6%	4.3	23%	21%
Frasers Logistics & Commercial Trust	3,482	N.M	1.39	(2.1)	2.2	0.7	18.8	104.0	20.7	16.8	131.7	(6.7)	1.35	5.3	5.5	4.5	S	37.4%	5.2	1%	8%
Keppel DC REIT	3,547	11,489	2.96	(2.3)	0.3	0.0	19.8	55.0	42.8	42.3	70.1	(4.2)	2.53	3.0	3.4	2.2	S	34.5%	7.4	3%	6%
Aims AMP Capital Industrial REIT	617	996	1.19	0.0	0.0	0.0	(4.8)	20.2	(17.4)	(16.8)	32.2	(19.6)	0.88	7.3	8.1	6.4	Q	35.4%	4.4	16%	26%
ARA Logos Logistic Trust	504	1,084	0.63	0.0	(0.8)	(0.8)	10.5	59.5	(14.9)	(11.9)	96.9	(15.4)	1.08	7.9	7.9	7.1	Q	40.4%	2.8	5%	33%
Hospitality (4)	**4,472**	**6,680**		**(1.3)**	**0.2**	**6.3**	**(8.9)**	**29.8**	**(29.9)**	**(31.3)**	**47.9**	**(35.0)**	**0.77**	**3.8**	**6.0**	**3.0**		**37.1%**			
Ascott Residence Trust	2,130	4,495	0.94	(1.6)	1.6	7.5	(13.4)	25.5	(29.2)	(29.7)	39.6	(34.2)	0.89	3.5	5.7	2.7	S	36.1%	N.A	N.A	N.A
CDL Hospitality Trusts	931	1,495	1.04	(1.0)	(2.8)	3.0	(7.1)	44.4	(36.2)	(35.8)	63.8	(37.7)	0.68	3.8	6.7	3.0	S	37.1%	N.A	N.A	N.A
Far East Hospitality Trust	805	509	0.56	(0.9)	1.8	10.9	4.7	36.6	(17.0)	(24.3)	60.0	(28.7)	0.65	4.5	5.5	3.6	Q	39.2%	N.A	N.A	N.A
Frasers Hospitality Trust	606	181	0.43	(1.1)	(2.3)	1.2	(14.0)	13.2	(39.9)	(39.4)	36.5	(41.9)	0.61	4.0	6.7	3.1	S	36.0%	N.A	N.A	N.A
Healthcare (2)	**2,142**	**3,756**		**(1.4)**	**5.2**	**10.7**	**15.4**	**36.0**	**25.2**	**16.2**	**58.0**	**(13.4)**	**1.95**	**4.2**	**5.2**	**3.3**		**36.6%**			
Parkway Life REIT	1,865	2,940	4.20	(2.1)	5.0	15.1	22.8	44.8	37.3	26.5	64.1	(7.1)	2.16	3.3	3.3	2.4	Q	38.3%	6.12	N.A	N.A
Overseas (15)	**10,380**	**14,875**		**(0.6)**	**(0.3)**	**1.2**	**(3.0)**	**22.9**	**(16.6)**	**(18.1)**	**47.4**	**(24.9)**	**0.79**	**7.3**	**8.3**	**5.9**		**36.8%**			
ARA US Hospitality Trust	176	87	0.31	0.0	(8.8)	(6.1)	(26.2)	(10.1)	(63.5)	(64.4)	10.7	(65.2)	0.36	5.2	8.4	4.4	Q	42.5%	N.A	N.A	N.A
Dasin Retail Trust	453	470	0.80	(0.6)	(1.8)	(1.8)	(3.6)	(1.2)	(6.4)	(4.2)	6.7	(7.5)	0.59	6.3	7.0	3.2	S	36.2%	4	14%	24%
EC World REIT	389	395	0.66	0.0	0.0	(1.5)	(6.4)	40.4	(10.2)	(11.4)	61.0	(14.3)	0.69	7.6	9.1	4.5	Q	39.1%	3.6	13%	12%
Prime US REIT	887	138	0.84	1.8	3.1	6.3	5.0	29.2	(8.7)	(13.0)	68.0	(21.5)	0.94	8.2	8.3	7.4	S	33.0%	4.8	3%	7%
Mapletree NorthAsia Comm Trust	2,178	4,166	0.92	1.7	(2.1)	1.1	(3.7)	24.5	(31.7)	(21.1)	45.2	(31.7)	0.65	6.8	7.7	6.0	S	39.3%	2.6	17%	18%
CapitaLand Retail China Trust	1,005	3,017	1.12	(0.9)	(1.8)	(1.8)	(14.5)	7.7	(26.8)	(30.4)	21.7	(34.1)	0.69	6.9	8.5	3.8	S	39.6%	2.3	30%	25%
Manulife US REIT	1,227	1,735	0.78	(1.3)	0.6	4.0	2.0	21.1	(14.5)	(22.5)	42.2	(28.2)	1.02	7.7	8.0	7.1	S	39.1%	5.7	3%	6%
BHG Retail REIT	206	1,064	0.55	(0.9)	(2.7)	(6.0)	(14.1)	34.1	(19.1)	(19.7)	41.0	(22.5)	0.66	N.M	N.M	N.M	S	35.9%	3.7	27%	30%
Keppel Pacific Oak US REIT	692	989	0.74	0.0	0.7	2.1	0.7	53.1	(2.6)	(5.8)	88.5	(8.1)	0.92	8.2	8.2	7.5	S	37.4%	4.1	3%	15%
Sasseur REIT	680	651	0.77	(1.3)	2.7	(1.3)	1.3	29.4	(2.5)	(13.0)	46.7	(16.3)	0.85	7.9	8.4	4.8	Q	28.1%	0.8	62%	25%
Elite Commercial REIT	265	157	0.62	0.8	(3.9)	(7.5)	(12.1)	11.7	N.M	N.M	27.8	(18.4)	1.07	8.1	7.9	8.1	S	32.6%	7.8	0%	0%
United Hampshire REIT	289	68	0.59	0.9	5.4	7.3	(0.8)	14.7	N.M	N.M	33.0	(18.8)	0.77	7.3	8.5	7.3	S	36.2%	8.4	2%	3%

Note: As at 21 Sep 2020
Note 2: DPU frequency – Q: quarterly, S: semi-annual
Source: Bloomberg, RHB

REITS – Balance Sheet And Debt

Figure 19: SREITS' debt profiles*

Company	Gearing (%)	Average borrowing rate (%)	Average term to maturity (years)	Interest cover (X)	Fixed debt (% of total)	Unencumbered assets (% of total)
CapitaLand Commercial Trust	36.4%	2.2%	3.4	5.3	88%	91%
Keppel REIT	36.3%	2.5%	3.6	3.5	79%	72%
OUE Commercial REIT	40.1%	3.1%	1.8	2.8	81%	42%
Suntec REIT	41.3%	2.6%	3.4	2.7	68%	Not reported
CapitaLand Mall Trust	34.4%	3.1%	4.5	4.3	Not reported	100%
Frasers Centerpoint Trust	35.0%	2.5%	2.3	6.4	50%	100%
Mapletree Commercial Trust	33.7%	2.6%	3.9	4.1	74%	100%
SPH REIT	29.3%	2.8%	2.2	Not reported	64%	Not reported
Lendlease Global Commercial REIT	35.1%	0.9%	3.1	9.0	100%	Not reported
Starhill Global REIT	39.7%	3.2%	2.7	2.9	91%	75%
Parkway Life REIT	38.3%	0.6%	2.3	15.8	88%	100%
Ascott Residence Trust	36.1%	1.8%	3.1	3.6	77%	69%
Far East Hospitality Trust	39.2%	2.5%	2.8	2.7	60%	100%
CDL Hospitality REIT	37.1%	1.9%	2.4	3.4	62%	Not reported
Frasers Hospitality Trust	36.0%	2.4%	4.1	4.1	73%	96%
AIMS AMP Capital Indus REIT	35.4%	3.3%	3.1	3.8	81%	Not reported
Ascendas REIT	36.1%	2.9%	3.3	4.2	81%	92%
ARA Logos Logistics Trust	40.4%	3.5%	3.5	3.6	69%	87%
Mapletree Industrial Trust	38.8%	2.6%	3.9	7.2	86%	100%
Mapletree Logistics Trust	39.6%	2.3%	4.0	4.8	80%	Not reported
Frasers Logistics & Commercial Trust	37.4%	2.1%	3.2	6.7	55%	Not reported
Keppel DC REIT	34.5%	1.7%	3.7	12.8	69%	100%
Manulife US REIT	39.1%	3.2%	2.8	3.8	96%	42%
BHG Retail REIT	35.9%	3.9%	Not reported	2.6	Not reported	Not reported
EC World REIT	39.1%	4.3%	2.1	2.3	72%	Not reported
Keppel Pacific Oak US REIT	37.4%	3.2%	3.4	4.4	84%	100%
CapitaLand Retail China Trust	33.6%	2.8%	2.8	4.0	83%	90%
Mapletree North Asia Commercial Trust	39.6%	2.2%	3.1	3.6	76%	81%
Sasseur REIT	28.1%	4.2%	2.2	5.0	37%	Not reported
ARA US Hospitality Trust	42.5%	3.5%	3.6	1.5	83%	Not reported
Eagle Hospitality Trust	37.2%	4.0%	3.7	3.8	93%	Not reported
Elite Commercial REIT	32.6%	2.0%	4.0	7.4	50%	100%
United Hampshire REIT	36.2%	2.8%	4.0	Not reported	Not reported	Not reported
Prime US REIT	33.0%	2.6%	5.1	5.4	90%	Not reported
Dasin Retail Trust	37.9%	Not reported	Not reported	Not reported	Not reported	Not reported
Average (simple)	**36.7%**	**2.8%**	**3.1**	**4.8**	**77%**	**83%**

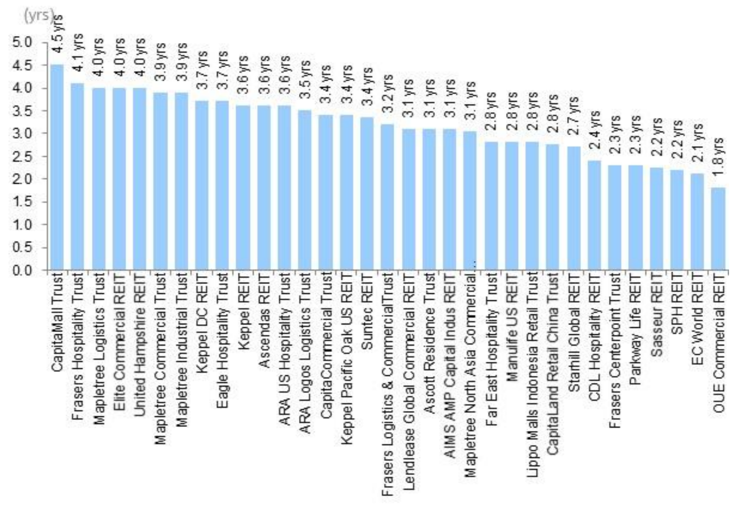
**Based on latest reported data*
Source: RHB, Company data

Figure 20: REITS acquisition YTD 2020 (excludes mergers, redevelopments, asset enhancements and divestment)

No	Announcement Date	REIT	Property Name	Country	Acquisition cost (SGD m)	Funding Method*
1	5-Feb-20	Mapletree Logistics Trust	Mapletree Kobe Logistics Centre	Japan	276.0	Debt
2	12-Feb-20	Prime US REIT	Park Tower, Sacramento	US	230.0	Equity and Debt
3	31-Mar-20	Ascendas REIT	Galaxis (25% stake)	Singapore	102.9	Debt
4	15-Jun-20	Mapletree Logistics Trust	115 Rudd Street	Brisbane, Australia	20.2	Debt
5	23-Jun-20	Mapletree Industrial Trust	Acquisition of remaining 60% stake in 14 Data centers	US	701.5	Equity and Debt
			Total 1H20		**1,357.0**	
6	1-Jul-20	Ascendas REIT	Logistic asset at Kiora Crescent	Sydney, Australia	21.1	Debt
7	3-Aug-20	Frasers Logistics & Commercial Trust	IVE Facility in Australia and Maxis in UK	Australia, UK	89.9	Debt
8	11-Aug-20	AIMS AMP Industrial REIT	7 Bulim Street	Singapore	129.6	Perpetual securities & debt
9	3-Sep-20	Frasers Centrepoint Trust	PGIM ARF Portfolio (63% stake) - Pending Unitholders approvals	Singapore	1,057.4	Equity and Debt
10	13-Sep-20	Keppel REIT	Pinnacle Office Park	Sydney, Australia	303.3	Debt
11	14-Sep-20	Mapletree Industrial Trust*	Proposed Data center in Virginia - Price not finalised yet	US	314.7	Not announced yet
12	18-Sep-20	Ascendas REIT	1 Giffnock Avenue	Sydney, Australia	161.0	Debt
13	25-Sep-20	Mapletree North Asia Commercial Trust	The Pinnacle Gangnam (50% stake)	South Korea	262.4	Debt
			Total 1H20		**2,669.4**	
			Total YTD		**4,026.4**	

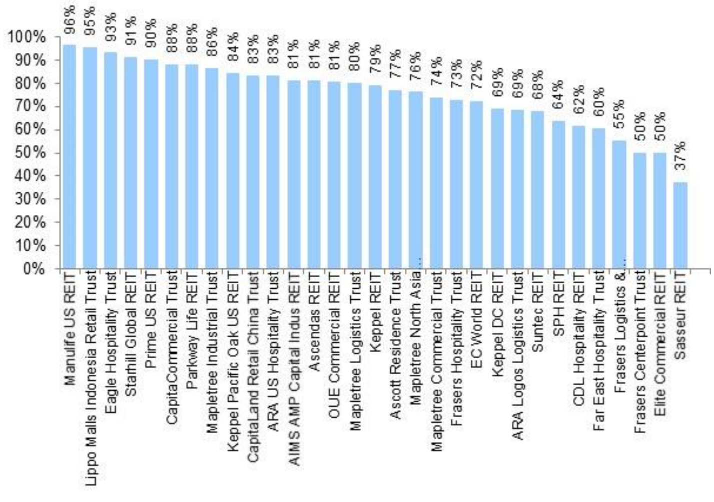
**Based on mid-price of proposed acquisition values*
Source: Respective Companies, RHB

Figure 21: Weighted average term to maturity of SREITS



Note: As at Jun 20
Source: RHB, Company data

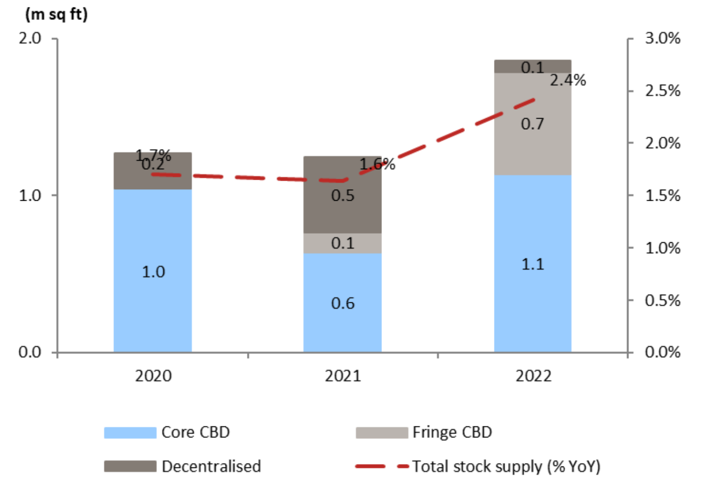
Figure 22: Percentage of debt hedged



Note: Based on latest reported data
*Note 2: *Data excludes those that do not report these figures*
Source: RHB, Company data

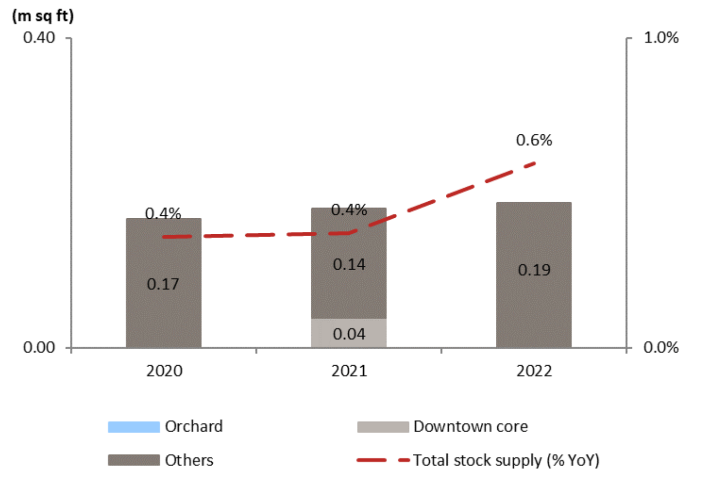
Supply Pipeline Snapshot

Figure 23: Office supply pipeline (2020-2022)



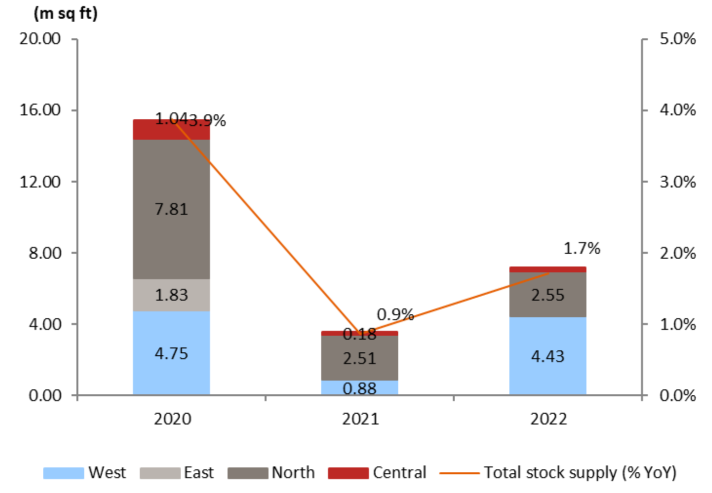
Source: RHB, CBRE

Figure 24: Retail supply pipeline (2020-2022)



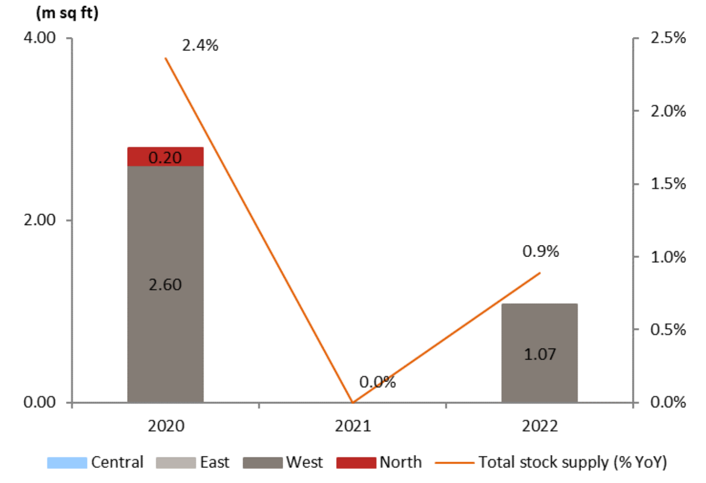
Source: RHB, CBRE

Figure 25: Factory supply pipeline (2020-2022)



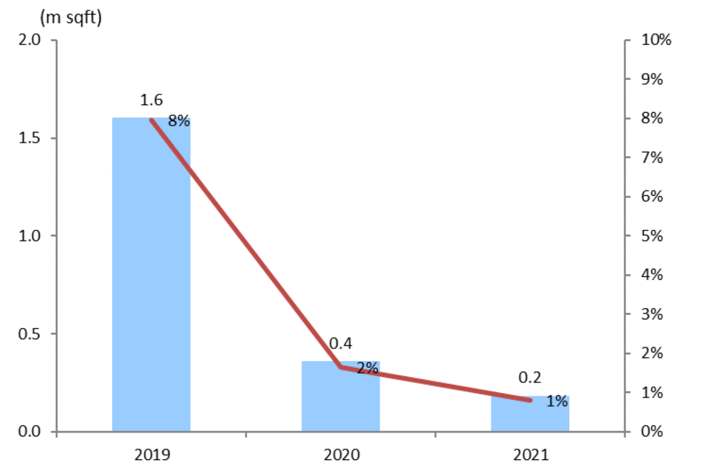
Source: RHB, CBRE

Figure 26: Warehouse supply pipeline (2020-2022)



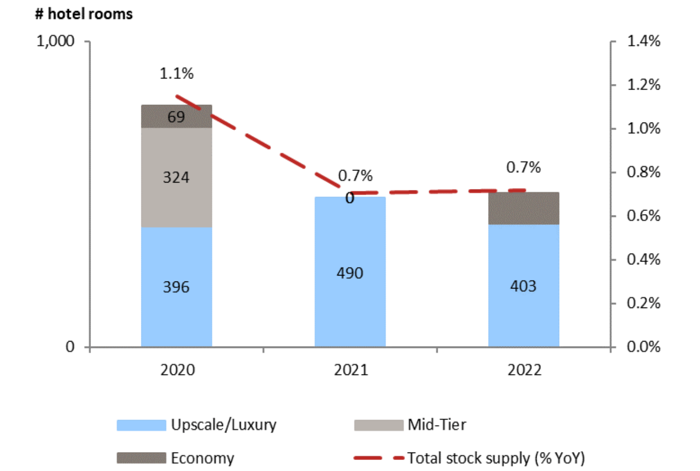
Source: RHB, CBRE

Figure 27: Business and science park pipeline (2020-2022)



Source: RHB, CBRE

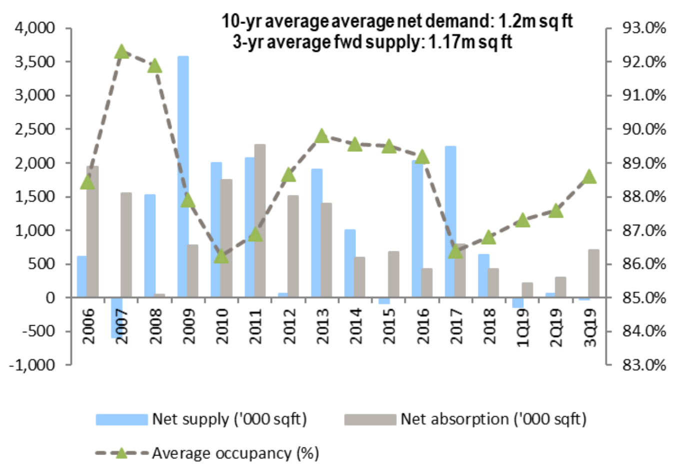
Figure 28: Hotel room supply pipeline (2020-2022)



Source: RHB, CBRE

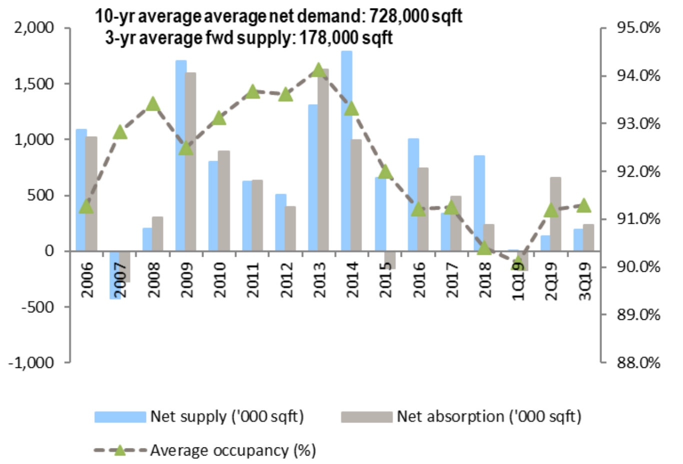
Supply And Demand Dynamics At a Glance

Figure 29: Office net supply and absorption



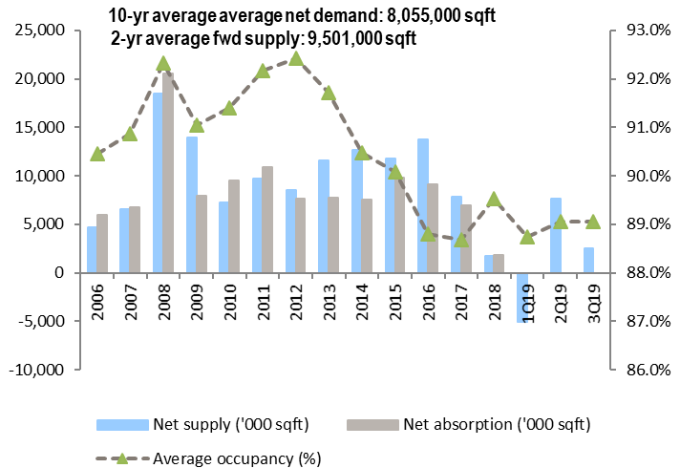
Source: Urban Redevelopment Authority (URA), RHB

Figure 30: Retail net supply and absorption



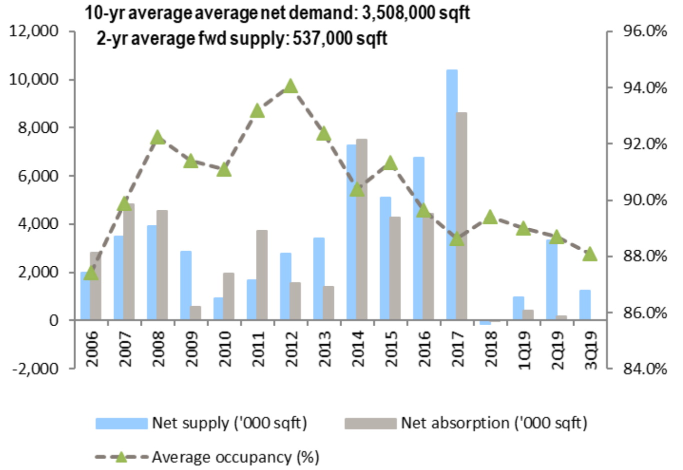
Source: URA, RHB

Figure 31: Factory net supply and absorption



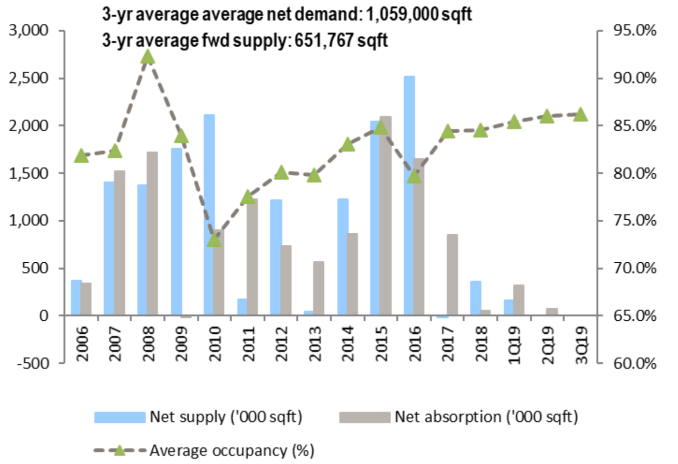
Source: URA, RHB

Figure 32: Warehouse net supply and absorption



Source: URA, RHB

Figure 33: Business park net supply and absorption



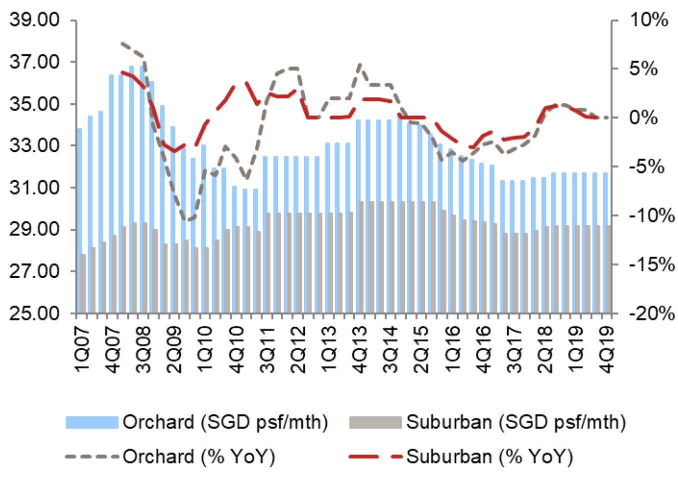
Source: URA, RHB

Figure 34: Monthly visitor arrivals since 2016

Source: Singapore Tourism Board (STB), RHB

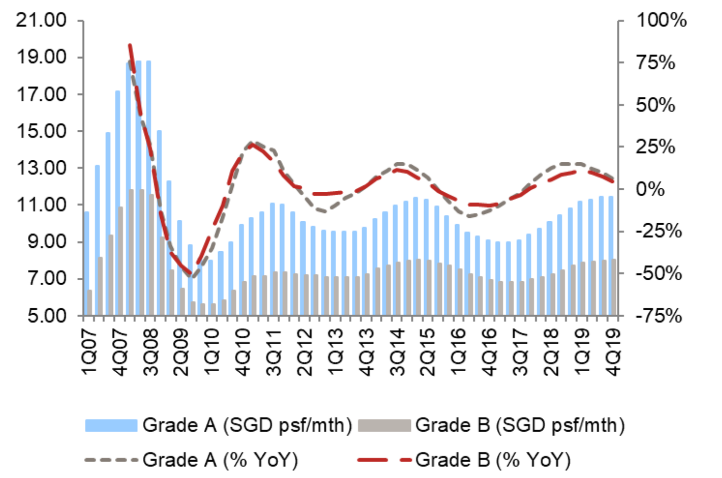
Rental Rates At a Glance

Figure 35: Singapore office rent (Grade A vs B)



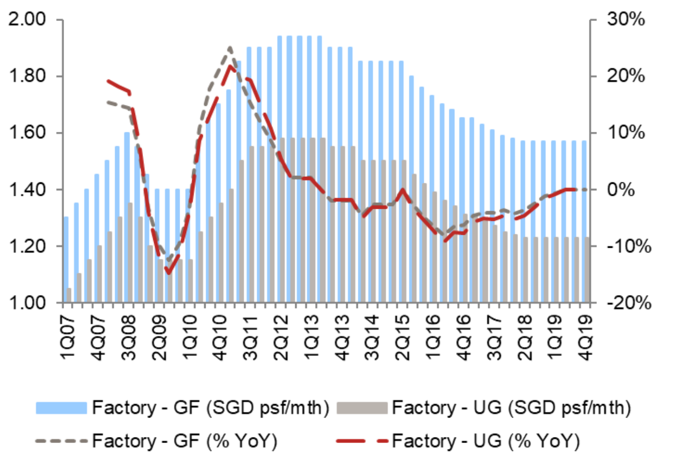
Source: RHB,CBRE

Figure 36: Singapore retail rent (Orchard Road vs suburban)



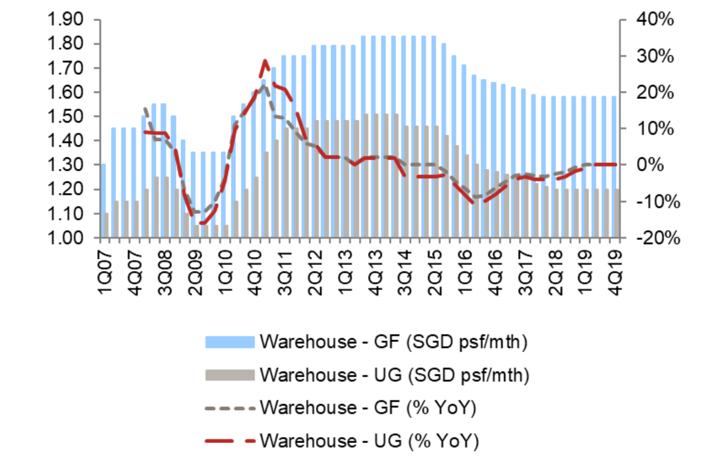
Source: RHB, CBRE

Figure 37: Factory rentals



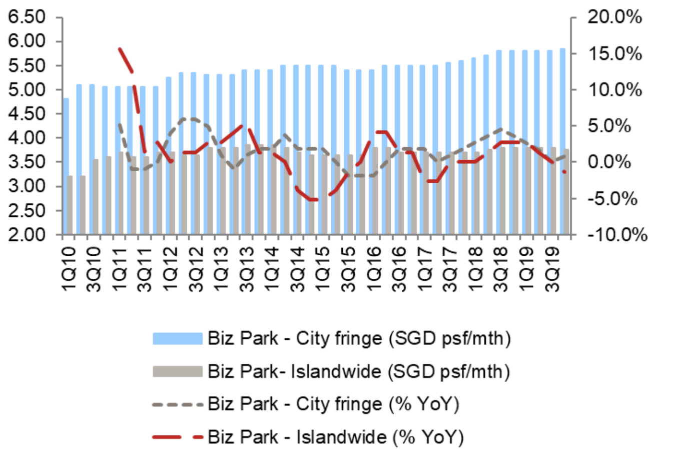
Source: RHB,CBRE

Figure 38: Warehouse rentals



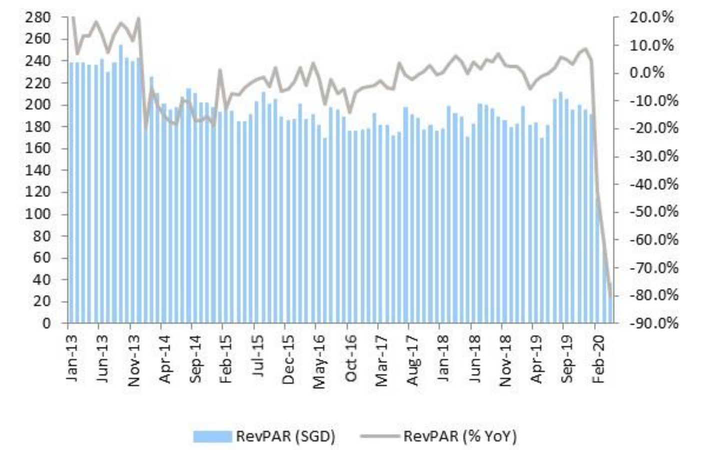
Source: RHB, CBRE

Figure 39: Business park rentals



Source: RHB,CBRE

Figure 40: RevPAR* and RevPAR growth rates since 2013



*Source: STB, RHB; Note: *Revenue per available room*

Regional REITS Closest To 52-Week Lows

Figure 41: Regional REITS closest to their 52-week lows

REITs	BBG ticker	Market cap (USDm)	Country	vs 52 week low	Rank
Capitaland Malaysia Mall Trust	CMMT MK Equity	329	Malaysia	2.3%	1
Hektar Real Estate Investment Trust	HEKT MK Equity	64	Malaysia	3.6%	2
Langham Hospitality Investments and Langham Hospitality Investments Ltd	1270 HK Equity	408	Hong Kong	4.6%	3
YTL Hospitality REIT	YTLREIT MK Equity	310	Malaysia	7.1%	5
Fortune Real Estate Investment Trust	778 HK Equity	1683	Hong Kong	7.9%	6
Prosperity REIT	808 HK Equity	451	Hong Kong	9.0%	8
Al-Salam Real Estate Investment Trust	SALAM MK Equity	91	Malaysia	9.2%	9
Regal Real Estate Investment Trust	1881 HK Equity	483	Hong Kong	9.5%	10
ARA US Hospitality Trust	ARAUS SP Equity	176	Singapore	10.7%	11
Champion REIT	2778 HK Equity	2965	Hong Kong	11.5%	12
Hui Xian Real Estate Investment Trust	87001 HK Equity	1347	Hong Kong	13.2%	13
Link REIT	823 HK Equity	17068	Hong Kong	13.7%	14
Yuexiu Real Estate Investment Trust	405 HK Equity	1527	Hong Kong	14.4%	15
Pavilion Real Estate Investment Trust	PREIT MK Equity	1152	Malaysia	15.6%	16
Al-'Aqar Healthcare REIT	AQAR MK Equity	248	Malaysia	16.8%	17
UOA Real Estate Investment Trust	UOAR MK Equity	127	Malaysia	18.1%	19
Starhill Global REIT	SGREIT SP Equity	717	Singapore	18.7%	20
Sunlight Real Estate Investment Trust	435 HK Equity	832	Hong Kong	21.6%	21
CapitaLand Retail China Trust	CRCT SP Equity	1005	Singapore	21.7%	22
AmanahRaya Real Estate Investment Trust	AARET MK Equity	88	Malaysia	26.0%	23
AmFIRST Real Estate Investment Trust	ARET MK Equity	67	Malaysia	26.6%	24
Elite Commercial REIT	ELITE SP Equity	265	Singapore	27.8%	25
New Century Real Estate Investment Trust	1275 HK Equity	139	Hong Kong	29.4%	26
Axis Real Estate Investment Trust	AXRB MK Equity	752	Malaysia	29.5%	27
SPH REIT	SPHREIT SP Equity	1784	Singapore	31.3%	28
IGB Real Estate Investment Trust	IGBREIT MK Equity	1631	Malaysia	32.2%	29
AIMS APAC REIT	AAREIT SP Equity	617	Singapore	32.2%	30
Spring Real Estate Investment Trust	1426 HK Equity	499	Hong Kong	32.5%	31
Tower Real Estate Investment Trust	TRET MK Equity	44	Malaysia	32.7%	32
Atrium Real Estate Investment Trust	ATRM MK Equity	53	Malaysia	32.9%	33
United Hampshire US REIT	UHU SP Equity	289	Singapore	33.0%	34
CapitaLand Commercial Trust	CCT SP Equity	4903	Singapore	33.1%	35
OUE Commercial Real Estate Investment Trust	OUECT SP Equity	1490	Singapore	33.9%	36
CapitaLand Mall Trust	CT SP Equity	5471	Singapore	35.6%	37
Frasers Hospitality Trust	FHT SP Equity	606	Singapore	36.5%	38
Mapletree Commercial Trust	MCT SP Equity	4864	Singapore	37.0%	39
Ascott Residence Trust	ART SP Equity	2130	Singapore	39.6%	40
Keppel REIT	KREIT SP Equity	2769	Singapore	40.5%	41
Manulife US Real Estate Investment Trust	MUST SP Equity	1227	Singapore	42.2%	42
Suntec Real Estate Investment Trust	SUN SP Equity	3064	Singapore	42.3%	43
Mapletree North Asia Commercial Trust	MAGIC SP Equity	2178	Singapore	45.2%	44
Sasseur Real Estate Investment Trust	SASSR SP Equity	680	Singapore	46.7%	45
Ascendas Real Estate Investment Trust	AREIT SP Equity	8661	Singapore	46.8%	46
MRCB-QUILL REIT	MQREIT MK Equity	201	Malaysia	55.0%	47
Far East Hospitality Trust	FEHT SP Equity	805	Singapore	60.0%	48
EC World Real Estate Investment Trust	ECWREIT SP Equity	389	Singapore	61.0%	49
Amanah Harta Tanah PNB	AHP MK Equity	50	Malaysia	62.1%	50
CDL Hospitality Trusts	CDREIT SP Equity	931	Singapore	63.8%	52
Parkway Life Real Estate Investment Trust	PREIT SP Equity	1865	Singapore	64.1%	53
Frasers Centrepoint Trust	FCT SP Equity	2115	Singapore	65.8%	56
Prime US REIT	Prime SP Equity	887	Singapore	68.0%	58
Mapletree Logistics Trust	MLT SP Equity	5678	Singapore	69.2%	60
Keppel DC REIT	KDCREIT SP Equity	3547	Singapore	70.1%	61
Mapletree Industrial Trust	MINT SP Equity	5658	Singapore	76.3%	62
Keppel Pacific Oak US REIT	KORE SP Equity	692	Singapore	88.5%	63
ARA LOGOS Logistics Trust	ALLT SP Equity	504	Singapore	96.9%	64
Jinmao Hotel and Jinmao China Hotel Investments and Management Ltd	6139 HK Equity	1234	Hong Kong	126.5%	65
Frasers Logistics & Commercial Trust	FLT SP Equity	3482	Singapore	131.7%	66

Note: As at 21 Sep 2020
Source: RHB, Bloomberg

Highest Yielding Regional REITS

Figure 42: Highest-yielding regional REITS

REITs	BBG ticker	Market cap (USD m)	Country	Dividend yield	Rank
Regal Real Estate Investment Trust	1881 HK Equity	483	Hong Kong	9.6	4
Starhill Global REIT	SGREIT SP Equity	717	Singapore	9.2	5
AmanahRaya Real Estate Investment Trust	AARET MK Equity	88	Malaysia	8.7	6
EC World Real Estate Investment Trust	ECWREIT SP Equity	389	Singapore	8.6	7
Prime US REIT	Prime SP Equity	887	Hong Kong	8.2	8
Keppel Pacific Oak US REIT	KORE SP Equity	692	Singapore	8.2	9
Elite Commercial REIT	ELITE SP Equity	265	Singapore	8.1	10
MRCB-QUILL REIT	MQREIT MK Equity	201	Malaysia	8.0	11
Sasseur Real Estate Investment Trust	SASSR SP Equity	680	Singapore	7.9	12
Prosperity REIT	808 HK Equity	451	Hong Kong	7.8	13
ARA LOGOS Logistics Trust	ALLT SP Equity	504	Singapore	7.8	14
Manulife US Real Estate Investment Trust	MUST SP Equity	1227	Singapore	7.7	15
AIMS APAC REIT	AAREIT SP Equity	617	Singapore	7.3	18
OUE Commercial Real Estate Investment Trust	OUECT SP Equity	1490	Singapore	6.9	20
CapitaLand Retail China Trust	CRCT SP Equity	1005	Singapore	6.9	22
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Fortune Real Estate Investment Trust	778 HK Equity	1683	Hong Kong	6.8	24
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Yuexiu Real Estate Investment Trust	405 HK Equity	1527	Hong Kong	6.5	26
Champion REIT	2778 HK Equity	2965	Hong Kong	6.4	27
YTL Hospitality REIT	YTLREIT MK Equity	310	Malaysia	6.1	28
Hui Xian Real Estate Investment Trust	87001 HK Equity	1347	Hong Kong	6.0	29
Langham Hospitality Investments and Langham Hospitality Investments Ltd	1270 HK Equity	408	Hong Kong	5.9	30
Frasers Logistics & Commercial Trust	FLT SP Equity	3482	Singapore	5.2	31
Al-Salam Real Estate Investment Trust	SALAM MK Equity	91	Malaysia	5.2	32
Keppel REIT	KREIT SP Equity	2769	Singapore	5.2	33
ARA US Hospitality Trust	ARAUS SP Equity	176	Singapore	5.2	34
Suntec Real Estate Investment Trust	SUN SP Equity	3064	Singapore	4.9	36
Al-'Aqar Healthcare REIT	AQAR MK Equity	248	Malaysia	4.8	37
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Mapletree Commercial Trust	MCT SP Equity	4864	Singapore	4.2	46
Mapletree Logistics Trust	MLT SP Equity	5678	Singapore	4.0	47
CDL Hospitality Trusts	CDREIT SP Equity	931	Singapore	4.0	48
Axis Real Estate Investment Trust	AXRB MK Equity	752	Malaysia	4.0	49
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Mapletree Industrial Trust	MINT SP Equity	5658	Singapore	3.8	51
Frasers Centrepoint Trust	FCT SP Equity	2115	Singapore	3.7	52
Ascott Residence Trust	ART SP Equity	2130	Singapore	3.5	53
IGB Real Estate Investment Trust	IGBREIT MK Equity	1631	Malaysia	3.5	54
Pavilion Real Estate Investment Trust	PREIT MK Equity	1152	Malaysia	3.4	55
Parkway Life Real Estate Investment Trust	PREIT SP Equity	1865	Singapore	3.3	56
Keppel DC REIT	KDCREIT SP Equity	3547	Singapore	3.0	57
Hektar Real Estate Investment Trust	HEKT MK Equity	64	Malaysia	N.M	N.M
UOA Real Estate Investment Trust	UOAR MK Equity	127	Malaysia	N.M	N.M
Spring Real Estate Investment Trust	1426 HK Equity	499	Hong Kong	N.M	N.M
Tower Real Estate Investment Trust	TRET MK Equity	44	Malaysia	N.M	N.M
Atrium Real Estate Investment Trust	ATRM MK Equity	53	Malaysia	N.M	N.M
AmFIRST Real Estate Investment Trust	ARET MK Equity	67	Malaysia	N.M	N.M
Amanah Harta Tanah PNB	AHP MK Equity	50	Malaysia	N.M	N.M
New Century Real Estate Investment Trust	1275 HK Equity	139	Hong Kong	N.M	N.M
United Hampshire US REIT	UHU SP Equity	289	Singapore	N.M	N.M

Note: As at 21 Sep 2020
Source: RHB, Bloomberg

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