

Singapore Industry Focus

Singapore REITs

Refer to important disclosures at the end of this report

DBS Group Research . Equity

4 Feb 2016

Calm amid rough seas

- **Continues to show resilience in the midst of volatility**
- **Attractive valuations are opportunities to lock in yields**
- **Picks : A-REIT, FCT, MCT, MAGIC and CRCT**

Heightened demand for yields in the midst of increased volatility.

With heightened economic uncertainty from low oil prices and slowing growth in China, S-REITs once again shine in the midst of current market volatility as "safe havens". The S-REITs have outperformed the STI and developers YTD, falling by a smaller c.3% compared to the 11% drop in the overall market.

Looking ahead, we believe that near term performance will be firm and largely macro driven, with increasing expectations of a delay in further FED hikes to be positive for share prices in the near term (DBS economists currently assume above-consensus 4 hikes over 2016).

Attractive valuations to lock in some yields. The S-REIT sector trades at 0.9x P/Bk, and offers investors a yield of 7.1%. This implies a yield spread of 4.9% against the 10-year government bond of 2.2%. We believe current spreads to be attractive, at more than 1% than the sector's 10-year and 5-year trading averages of 3.8% and 4.1% respectively. While higher interest rates are a potential risk in the medium term, we remain comforted by S-REITs' conservative capital strategies (average gearing remains manageable at 34%; fixed-rate hedge profiles are high at 80%), which will mitigate the impact of higher refinancing costs when it occurs.

Comfortable levels to add. We believe current valuations are attractive re-entry levels and believe that large caps are likely to benefit as investors turn yield hungry in a tepid growth environment. Amongst S-REITs, our preferences are those with the opportunity to surprise on the upside through acquisitions or portfolio-specific catalysts. Top picks are **A-REIT, MAGIC, MCT, FCT, and CRCT.**

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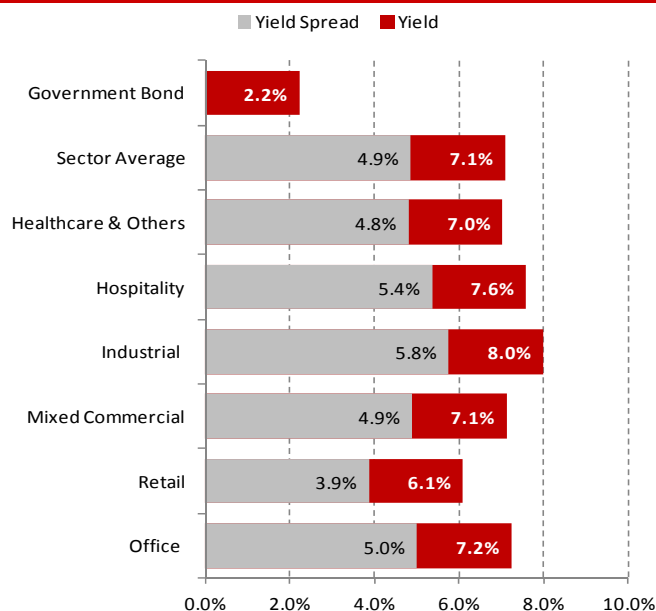
Singapore Research Team

STOCKS

| | Price | Mkt Cap | Target Price | Performance (%) | | Rating |
|--|-------|---------|--------------|-----------------|--------|--------|
| | S\$ | US\$m | S\$ | 3 mth | 12 mth | |
| Ascendas REIT | 2.33 | 4,191 | 2.52 | (0.8) | (6.0) | BUY |
| Frasers Centrepoint | 1.89 | 1,210 | 2.04 | (1.6) | (8.0) | BUY |
| Mapletree Greater China Commercial Trust | 0.85 | 1,626 | 1.11 | (11.9) | (16.7) | BUY |
| Mapletree Commercial Trust | 1.32 | 1,960 | 1.40 | (2.9) | (12.9) | BUY |
| CapitaLand Retail China Trust | 1.46 | 862 | 1.69 | 0.3 | (11.7) | BUY |

Source: DBS Bank

Yield and Yield Spreads by sector



Source: Bloomberg Finance L.P., DBS Bank

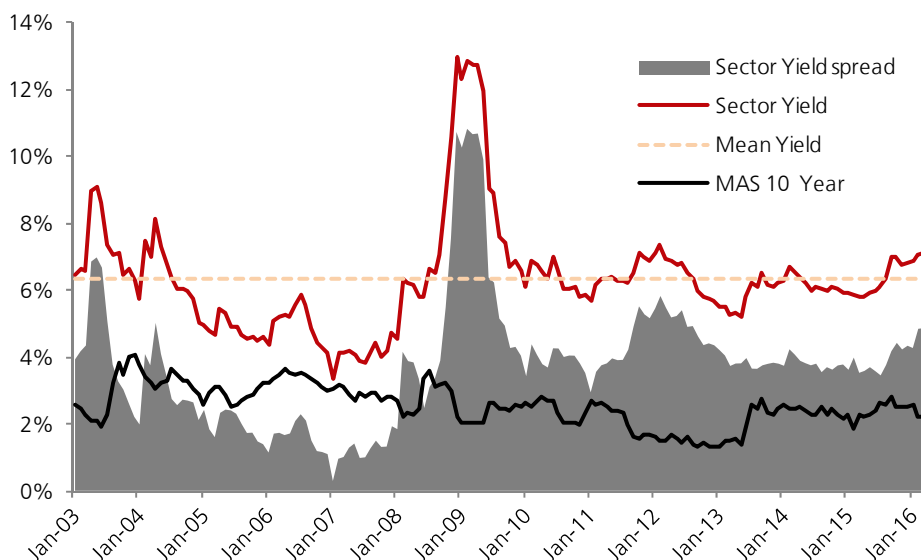
Singapore REITs Peer Comparisons

| REIT | FYE | Price (\$) | Rec | Target Price (\$) | Mkt Cap S\$m | Total Return (%) | Yield | | | P/NAV |
|-----------------------|-----|---------------|------|-------------------------|-----------------|------------------------|-------------|-------------|-------------|-------------|
| | | | | | | | FY15/16F | FY16/17F | FY17/18F | FY15/16F |
| Office | | | | | | | | | | |
| CCT | Dec | 1.31 | BUY | 1.45 | 3,868 | 17% | 6.6% | 6.7% | 6.9% | 0.7 |
| FCOT | Sep | 1.17 | BUY | 1.53 | 917 | 40% | 8.3% | 8.5% | 8.7% | 0.8 |
| KREIT | Dec | 0.91 | BUY | 1.03 | 2,939 | 21% | 7.4% | 7.3% | 7.3% | 0.6 |
| OUECT | Dec | 0.62 | HOLD | 0.67 | 799 | 16% | 8.2% | 7.7% | 8.0% | 0.7 |
| Suntec | Dec | 1.51 | HOLD | 1.58 | 3,803 | 12% | 6.6% | 6.7% | 7.0% | 0.7 |
| Retail | | | | | | | | | | |
| CRCT | Dec | 1.46 | BUY | 1.69 | 1,231 | 23% | 7.2% | 7.5% | 7.6% | 0.9 |
| CMT | Dec | 2.00 | BUY | 2.05 | 7,082 | 8% | 5.6% | 5.8% | 5.9% | 1.1 |
| CRT | Jun | 0.81 | HOLD | 0.86 | 515 | 15% | 8.8% | 9.1% | 8.6% | 0.9 |
| FCT | Sep | 1.89 | BUY | 2.04 | 1,734 | 14% | 6.1% | 6.3% | 6.5% | 1.0 |
| SPH REIT | Aug | 0.92 | HOLD | 0.99 | 2,335 | 14% | 5.9% | 6.0% | 6.2% | 1.0 |
| MCT | Mar | 1.32 | BUY | 1.40 | 2,800 | 12% | 6.2% | 6.4% | 6.7% | 1.1 |
| MAGIC | Mar | 0.85 | BUY | 1.11 | 2,336 | 40% | 8.5% | 9.1% | 9.2% | 0.7 |
| SGREIT | Dec | 0.73 | BUY | 0.84 | 1,592 | 22% | 6.9% | 7.3% | 7.5% | 0.8 |
| Industrial | | | | | | | | | | |
| a-itrust | Mar | 0.85 | Buy | 0.90 | 787 | 13% | 6.6% | 6.8% | 7.8% | 1.3 |
| A-REIT | Mar | 2.33 | Buy | 2.52 | 5,987 | 15% | 6.4% | 6.6% | 6.6% | 1.1 |
| Cache | Dec | 0.84 | Buy | 1.05 | 746 | 35% | 10.0% | 10.1% | 10.4% | 0.9 |
| CREIT | Dec | 0.50 | Hold | 0.61 | 649 | 32% | 9.6% | 9.6% | 9.7% | 0.7 |
| MINT | Mar | 1.53 | Buy | 1.62 | 2,731 | 13% | 7.2% | 7.2% | 7.6% | 1.2 |
| MLT | Mar | 0.95 | Buy | 1.15 | 2,359 | 29% | 7.9% | 8.2% | 8.4% | 0.9 |
| SBREIT | Dec | 0.73 | Buy | 0.88 | 677 | 31% | 8.7% | 8.8% | 9.1% | 0.9 |
| Hospitality | | | | | | | | | | |
| ASCHT | Mar | 0.77 | Buy | 0.77 | 862 | 7% | 7.3% | 7.4% | 7.4% | 1.1 |
| ART | Dec | 1.11 | Buy | 1.33 | 1,719 | 28% | 7.4% | 7.5% | 7.5% | 0.8 |
| CDREIT | Dec | 1.27 | Buy | 1.54 | 1,249 | 29% | 7.8% | 7.6% | 7.7% | 0.8 |
| FEHT | Dec | 0.65 | HOLD | 0.63 | 1,157 | 5% | 7.2% | 6.6% | 6.3% | 0.7 |
| FHT | Sep | 0.73 | HOLD | 0.83 | 992 | 23% | 8.6% | 8.1% | 8.1% | 0.8 |
| OUEHT | Dec | 0.73 | Buy | 0.91 | 978 | 34% | 8.9% | 8.7% | 8.7% | 0.8 |
| Healthcare | | | | | | | | | | |
| P-Life | Dec | 2.20 | Buy | 2.56 | 1,331 | 22% | 5.9% | 5.5% | 5.6% | 1.3 |
| RHT | Mar | 0.94 | Hold | 1.04 | 750 | 19% | 7.8% | 8.5% | 9.3% | 1.0 |
| Others | | | | | | | | | | |
| IREIT | Dec | 0.67 | Buy | 0.9 | 411 | 44% | 7.6% | 9.4% | 9.4% | 1.1 |
| KDCREIT | Dec | 1.01 | Buy | 1.12 | 892 | 18% | 6.8% | 6.9% | 7.4% | 1.1 |
| Sector Average | | | | | 62,226 | | 7.0% | 7.1% | 7.2% | 0.80 |

Source: Bloomberg Finance L.P., DBS Bank

S-REITs continue to outperform in the face of market volatility

Singapore REITs currently offer yield of 7.1% ; spreads of 4.9%

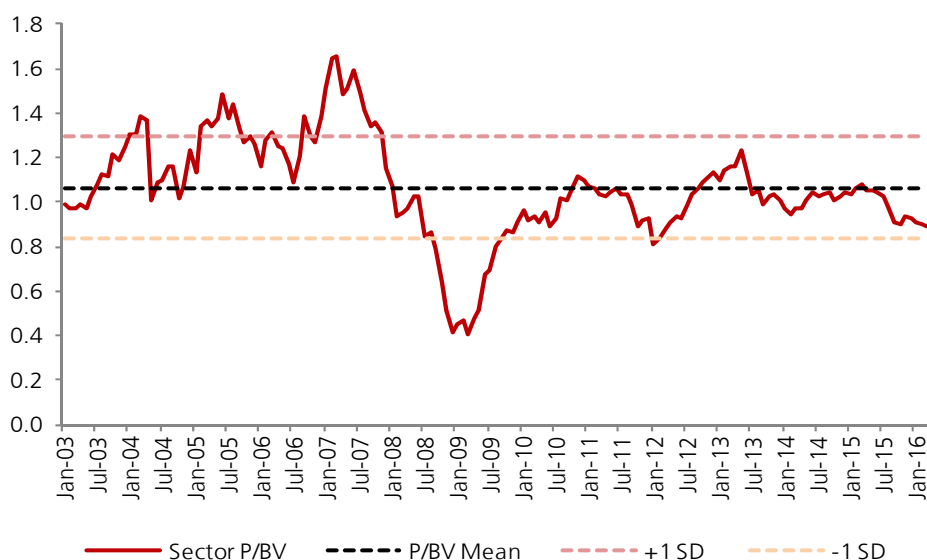


Source: Bloomberg Finance LLP, DBS Bank

Remarks

- Benchmark 10-year rates have declined to 2.2% as market expectations of FED hikes dissipates.
- S-REITs currently trade at an attractive yield of 7.1%; spread of 4.9% which is more than 100bps higher than historical average

Singapore REITs are now trading at a P/Bk of 0.9x



Source: Bloomberg Finance L.P, DBS Bank

Remarks

- Sector average P/Bk of 0.9x which is close to its historical – 1 SD level.
- This range between 0.70x for the office REITs, 0.8x for the hospitality REITs, 1.0x for retail REITs and 1.05x for industrial REITs.

Appendix

Singapore REITS List

| Bloomberg Code | Acronyms | Company | Description |
|-----------------|----------|-------------------------------|---|
| AIT SP Equity | a-iTrust | Ascendas India Trust | Ascendas India Trust ("a-iTrust") was listed in August 2007 as the first Indian property trust in Asia. Its principal objective is to own income-producing real estate used primarily as business space in India. a-iTrust may also develop and acquire land or uncompleted developments to be used primarily as business space, with the objective of holding the properties upon completion. a-iTrust is managed by Ascendas Property Fund Trustee Pte Ltd, a subsidiary of the Ascendas Group. |
| AREIT SP Equity | A-REIT | Ascendas REIT | Ascendas Real Estate Investment Trust (A-REIT) is a property trust constituted by a trust deed. A-REIT owns and invests in a diverse, income-producing portfolio of business park (including science park), light industrial, hi-tech industrial and logistic properties in Singapore. |
| ASCHT SP Equity | ASCHT | Ascendas Hospitality Trust | A-HTRUST is a stapled group comprising Ascendas Hospitality Business Trust (A-HBT) and Ascendas Hospitality REIT (A-HREIT), established to invest in a diversified portfolio of hotel assets in Asia, Australia and New Zealand. |
| ART SP Equity | ART | Ascott Residence Trust | Ascott REIT's Investment portfolio primarily comprises real estate used mainly as serviced residences or rental housing properties (including investments in real estate-related assets and/or other related value-enhancing assets or instruments). |
| CACHE SP Equity | Cache | Cache Logistics Trust | Cache is a REIT which invests primarily in logistics properties located in the Pan Pacific region. It currently owns 13 assets in Singapore and China. |
| CREIT SP Equity | CREIT | Cambridge Industrial Trust | Cambridge Industrial Trust is a real estate investment trust which invests primarily in income-producing industrial assets located in Singapore. |
| CCT SP Equity | CCT | CapitaLand Commercial Trust | CapitaCommercial Trust (CCT) is a real investment trust investing exclusively in commercial properties in Singapore. |
| CT SP Equity | CMT | CapitaLand Mall Trust | CapitaMall Trust is a real estate investment trust which owns and invests in retail properties in the suburban areas and downtown core of Singapore. |
| CRCT SP Equity | CRCT | CapitaLand Retail China Trust | CapitaChina Retail Trust is a real estate investment trust which invests in income-producing retail properties located mainly in China, Hong Kong and Macau. |

Source: DBS Bank

Singapore REITS List (cont'd)

| Bloomberg Code | Acronyms | Company | Description |
|-------------------|----------------|----------------------------|--|
| CDREIT SP Equity | CDREIT | CDL Hospitality Trusts | CDL Hospitality Trusts is a stapled group comprising H-REIT and HBT. H-REIT is a real estate investment trust that invests in a portfolio of income-producing hospitality related properties and HBT is a business trust. |
| CRT SP Equity | CRT | Croesus Retail Trust | Croesus Retail Trust is a business trust that focuses on income-generating retail assets in Japan. Its portfolio comprises seven assets which are close to fully occupied and backed by a long lease expiry profile. |
| FEHT SP Equity | FEHT | Far East Hospitality Trust | Far East Hospitality Trust is a hospitality stapled group comprising Far East H-REIT and Far East H-Business Trust. Far East H-REIT is a Singapore-based real estate investment trust, which invests in hospitality assets. It owns 8 hotels and 4 serviced residences. |
| FCT SP Equity | FCT | Frasers Centrepoint Trust | Frasers Centrepoint Trust is a retail real estate investment trust with a portfolio of shopping malls located in suburban areas in Singapore. Its two largest assets are Causeway Point and Northpoint. |
| FCOT SP Equity | FCOT | Frasers Commercial Trust | Frasers Commercial Trust is a real estate investment trust that invests in income-producing commercial office properties in Singapore and Australia. As of 30th Sept 2014, FCOT's portfolio is worth an aggregate S\$1.8bn. 66% of its assets are derived from its properties in Singapore and the remainder 34% from Australia. |
| FHT SP Equity | FHT | Frasers Hospitality Trust | FHT is a hospitality stapled group comprising FH-REIT and FH-BT. FH-REIT is a S'pore based REIT which invests in hospitality assets. FH-BT is a S'pore based business trust which will be dormant as of the Listing Date. FHT operates 13 mid and upper scale hotels and serviced residences in key gateway cities located in Singapore, Japan, UK, Australia, Malaysia and Japan. |
| IREIT SP Equity | IREIT | IREIT Global | IREIT is a Singapore REIT established with the investment strategy of principally investing, directly or indirectly, in a portfolio of income-producing real estate in Europe which is used primarily for office purposes. |
| KDCREIT SP Equity | Keppel DC REIT | Keppel DC Reit | Keppel DC REIT is a Singapore-based real estate investment trust ("REIT"), established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing real estate assets which are used primarily for data centre purposes, with an initial focus on Asia Pacific and Europe. |

Source: DBS Bank

Singapore REITS List (cont'd)

| Bloomberg Code | Acronyms | Company | Description |
|-----------------|------------|--|--|
| KREIT SP Equity | K-REIT | Keppel REIT | K-REIT is a real estate investment trust investing in predominantly commercial properties in Singapore and key gateway cities in Australia. It currently owns 10 commercial Grade A office assets. |
| MCT SP Equity | MCT | Mapletree Commercial Trust | Mapletree Commercial Trust is a real estate investment trust that invests in income-producing office and retail properties in Singapore. A majority of its earnings is derived from Vivocity, which is the largest retail mall in Singapore, and is located at the gateway of Sentosa. |
| MAGIC SP Equity | MAGIC | Mapletree Greater China Commercial Trust | MGCCT is a Singapore real estate investment trust (REIT) established with the investment strategy of principally investing, directly or indirectly, in a diversified portfolio of income-producing commercial real estate in the Greater China region. |
| MINT SP Equity | MINT | Mapletree Industrial Trust | Mapletree Industrial Trust is a real estate investment trust which invests primarily in income producing industrial assets located in Singapore. Its portfolio includes a diverse mix of business parks, science parks, ramp-up warehouses and flatted factories. |
| MLT SP Equity | MLT | Mapletree Logistics Trust | MapleTree Logistics is a real estate investment trust which invests in logistics warehouses in the Asia Pacific region. It currently owns warehouses in Singapore, Japan, China, South Korea, Vietnam and Hong Kong. |
| OUECT SP Equity | OUE CT | OUE Commercial REIT | OUE Commercial REIT (OUE CT) is an office REIT with a portfolio of office assets in located in prime CBD locations in Singapore and China. |
| OUEHT SP equity | OUEHT | OUE Hospitality Trust | OUE H-Trust is a Singapore-based REIT established with the principal investment strategy of investing, directly or indirectly, in a portfolio of income-producing hospitality assets. |
| PREIT SP Equity | Plife REIT | Parkway Life Reit | Parkway Life REIT is one of Asia's largest listed healthcare REITs. It invests in income-producing real estate and real estate-related assets used primarily for healthcare and healthcare-related purposes. As at 30th Sept 2014, PLife REIT's total portfolio size stood at 47 properties totalling in excess of S\$1.5 billion. |

Source: DBS Bank

Singapore REITS List (cont'd)

| Bloomberg Code | Acronyms | Company | Description |
|-------------------|-------------|-------------------------------|--|
| RHT SP Equity | RHT | Religare Health Trust | Religare Health Trust (RHT) is structured as a business trust, comprising healthcare assets in India. Its investment mandate is to principally invest in medical and healthcare assets in India, Australasia and emerging markets. It is backed by Fortis Healthcare, a leading healthcare services provider in India and with more than 10 years of operating experience. Its portfolio valued at S\$857m is comprised of 12 clinical establishments, 4 greenfiled clinical establishments and 2 operating hospitals managed by RHT. RHT's properties are located across 10 Indian states with total build-up area of c.3.6m sq ft. |
| SBREIT SP Equity | SBREIT | Soilbuild Business Space REIT | Soilbuild Business Space REIT is a real estate investment trust that invests in income-producing real estate used primarily for business space purposes in Singapore. Its flagship asset is Solaris, located in the one-north business park. The REIT is backed by Soilbuild Group, a household name in the construction and real estate business in Singapore. |
| SPHREIT SP Equity | SPH REIT | SPH REIT | SPH REIT is a real estate investment trust that invests in income-producing retail malls in Singapore. It currently owns the Paragon Mall within the Orchard Road district, as well as Clementi Mall, located in the west of Singapore. |
| SGREIT SP Equity | SGREIT | YTL Starhill Global REIT | Starhill Global REIT is a real estate investment trust that invests in income-producing upscale retail and/or office assets in the Asia Pacific region. In Singapore, it owns portions of Ngee Ann City and Wisma Atria. It also owns assets in China, Japan, Malaysia and Australia. |
| SUN SP Equity | Suntec REIT | Suntec REIT | Suntec REIT is has a portfolio of office and retail properties in Singapore and Australia. Its most prominent asset is Suntec City, which comprises of 5 office towers and a retail mall located close to the city area of Singapore. |

Source: DBS Bank

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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