



REIThinking your strategy

Corporate action and results update; Pockets of opportunities remain in our preferred sectors

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- We highlight REITs that drew our attention over the most recent results reporting season, including those that posted positive rental reversions above our expectations and those with significant corporate actions recently.
- With significant price movements YTD, we have re-ranked a total of 40 REITs according to the following criteria:
 - (1) Highest dividend yield
 - (2) Lowest current P/B ratio compared to 5 year historical
 - (3) Largest market capitalization
 - (4) Highest annualized total returns since listing
 - (5) YTD price performance
- Those highlighted in blue are within our in-house watch list, prioritized for their stable and growing yearly DPUs, strong sponsors and quality assets.

Positive Rental Reversions:

Manulife US REIT (MUST SP), Buy TP \$0.95. Fears of DPU cuts originating from the 2017 U.S Tax reform had sent the unit prices of Manulife US REIT (MUST SP) and Keppel KBS US REIT (KORE SP) falling in October last year. The new reforms could mean a withholding tax on NPI of up to 30%, and MUST and KORE transited to the Barbados tax structure to mitigate the effects of this.

During the latest results briefing, MUST clarified that the impact of the new tax rule was not of material interest, and will potentially seek a reversion back to the previous tax structure. Subsequently, MUST and KORE’s share price rallied this year, gaining 9.1% and 7.4% YTD, respectively, and significantly outperforming the other office peers (average +8.3% YTD).

We maintained our buy call for MUST with a target price of US\$0.95 on the grounds of resilient occupancy rates, positive rental reversions and incremental growth in DPU cushioned by yield accretive acquisitions made last year. Currently, the entry into MUST looks attractive with an estimated upside of 16.2%, inclusive of a 7% dividend yield.

Figure 1: MUST historical share price against our issued target price (USD)



Source: Bloomberg, KGI Research

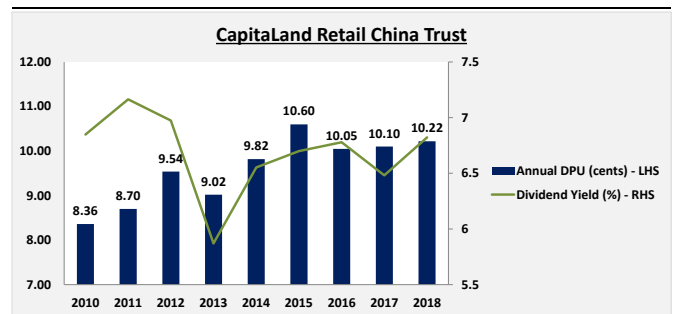
CapitaLand Retail China Trust (CRCT SP). CRCT owns 11 shopping malls across 8 regions in China. At the current price of S\$1.44, dividend yield looks attractive at 7.1%.

We expect CRCT’s unit price performance to follow suit with other REITs holding largely foreign assets, which have led the share price rally YTD.

Overall occupancy stood at 97.5% in spite of three underperforming malls. Rental yields of these malls are coming in below market rate now, and we expect this to revert with continued stabilisation efforts. CRCT’s rental reversion was a positive 10.9% YoY, with an occupancy rate of 97.5% and weighted lease expiry of 2.9 years.

Asset recycling efforts in Hohhot (Inner Mongolia, China) and government policies emphasizing domestic consumption should provide positive tailwinds in the short to mid-term period.

Figure 2: CRCT historical DPU (cents) and historical dividend yield (%)



Source: KGI Research

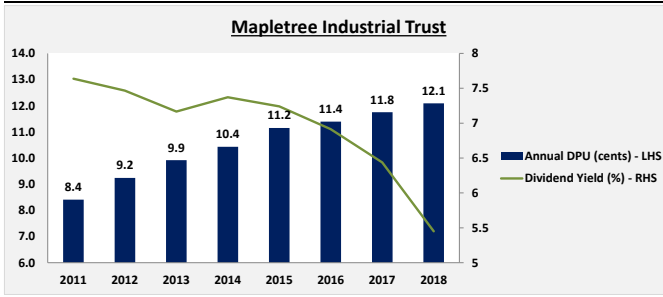
Significant Corporate Actions:

Mapletree Industrial Trust (MINT SP). MINT proposed a private placement of 90.44mn units at a price between S\$1.935 to S\$1.99 to raise in excess of S\$175mn. Funding raised will be used to mainly refinance the acquisition of 18 Tai Seng Street. We note that placement was done at a 30% premium to its book value.

The acquisition is expected to be DPU accretive given MINT’s current NPI of 6.4% and 18 Tai Seng’s 6.8% NPI yield.

MINT continues to be in our REITs Watchlist even as it trades at a 20% premium to Industrial REIT sector’s 1.1x P/B average. The REIT has a good track record of DPU growth every year and currently offers a 6.0% dividend yield.

Figure 3: MINT historical DPU (cents) and historical dividend yield (%)



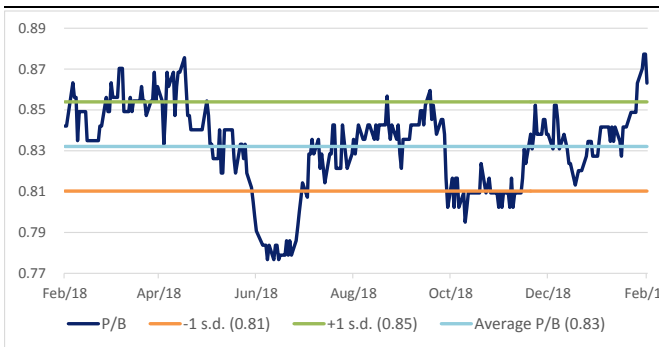
Source: KGI Research

Keppel REIT (KREIT SP). KREIT's unit price has gained 8.8% YTD, outperforming other office REITs peers like CapitaLand Commercial Trust (+7.4% YTD), Suntec REIT (+7.9% YTD) and Frasers Commercial Trust (+7.3% YTD).

KREIT currently trades at 0.88x P/B, a slight discount to peers. Currently, the 4.5% dividend yield KREIT offers may not be as attractive a spread over the risk-free rate. We would prefer to wait for a better entry point to start accumulating.

The management announced plans to buy back up to 1.5% of issued units over a period of six months from last July after P/B ratio dropped to a one year low of 0.78x. Additional headroom for unit buyback stood at 0.5% of issued units (S\$22mn) since their last announcement made on 18 February.

Figure 4: Current entry point looks to be relatively expensive – Last P/B ratio above +1 S.D. P/B Ratio (1 year historical)



Source: Bloomberg, KGI Research

REITs ranking:

Figure 5: Largest listed REITs by market capitalization

Company Name	Last Price (local \$)	Currency Adj. Market Cap (\$\$ m)	YTD Price Performance (%)	1 YR Price Performance (%)
CAPITALAND MALL TRUST	SGD 2.43	8,959	7.5	23.1
ASCENDAS REAL ESTATE INV TRT	SGD 2.79	8,678	8.6	7.8
CAPITALAND COMMERCIAL TRUST	SGD 1.88	7,040	7.4	8.0
SUNTEC REIT	SGD 1.91	5,120	7.3	-1.5
MAPLETREE COMMERCIAL TRUST	SGD 1.77	5,115	7.3	16.3
MAPLETREE LOGISTICS TRUST	SGD 1.37	4,922	8.7	10.3
KEPPEL REIT	SGD 1.23	4,222	7.9	4.2
MAPLETREE INDUSTRIAL TRUST	SGD 1.97	3,945	3.1	1.5
MAPLETREE NORTH ASIA COMMERC	SGD 1.24	3,926	8.8	5.9
FORTUNE REIT	HKD 9.78	3,249	9.8	2.6
SPH REIT	SGD 1.02	2,636	2.0	3.0
ASCOTT RESIDENCE TRUST	SGD 1.13	2,455	4.6	-0.9
FRASERS LOGISTICS & INDUSTRI	SGD 1.11	2,247	7.8	3.6
FRASERS CENTREPOINT TRUST	SGD 2.30	2,134	6.0	7.5
KEPPEL DC REIT	SGD 1.46	1,974	8.1	4.3
CDL HOSPITALITY TRUSTS	SGD 1.58	1,906	8.2	-6.0
PARKWAYLIFE REAL ESTATE	SGD 2.82	1,706	7.2	-1.1
ESR-REIT	SGD 0.53	1,680	3.9	-4.1
CROMWELL EUROPEAN REIT	EUR 0.50	1,673	13.6	-3.6
STARHILL GLOBAL REIT	SGD 0.70	1,527	2.9	-5.1

Source: Bloomberg, KGI Research

Figure 6: Cheapest REITs based on P/B ratio differentials (in number of Standard Deviations) as compared to 5Y historical P/B ratio

Company Name	Forward Dividend Yield (%)	Current P/B (x)	P/B Ratio Standard Dev. (vs 5Y hist. P/B)	YTD Price Performance (%)	1 YR Price Performance (%)
FIRST REAL ESTATE INV TRUST	8.4	1.02	(2.53)	6.6	-2.1
SASSEUR REAL ESTATE INVESTME	8.3	0.98	(2.19)	16.2	-1.1
FORTUNE REIT	5.5	0.59	(1.71)	9.8	2.6
CACHE LOGISTICS TRUST	8.1	0.95	(1.57)	2.9	15.6
IREIT GLOBAL	-	1.12	(1.40)	5.5	-2.6
LIPPO MALLS INDONESIA RETAIL	10.6	0.85	(1.34)	29.1	-40.5
QUE COMMERCIAL REAL ESTATE I	6.8	0.70	(1.33)	8.7	20.0
STARHILL GLOBAL REIT	6.7	0.78	(1.14)	2.9	-5.1
ASCENDAS HOSPITALITY TRUST	6.7	0.89	(1.12)	12.3	-1.2
MANULIFE US REAL ESTATE INV	7.3	1.01	(0.99)	9.1	-7.2
SABANA SHARIAH COMP IND REIT	-	0.74	(0.66)	9.0	9.0
FAR EAST HOSPITALITY TRUST	6.6	0.73	(0.51)	5.8	-8.4
CAPITALAND RETAIL CHINA TRUS	7.1	0.91	(0.48)	5.9	-9.4
QUE HOSPITALITY TRUST	7.0	0.97	(0.42)	8.2	-1.1
PARKWAYLIFE REAL ESTATE	4.6	1.50	(0.34)	7.2	-1.1
SOILBUILD BUSINESS SPACE REI	8.4	0.96	(0.28)	4.3	-6.2
KEPPEL-KBS US REIT	7.7	0.82	(0.12)	8.2	-20.6
EC WORLD REIT	8.2	0.86	(0.04)	8.0	-1.3
KEPPEL DC REIT	5.4	1.37	(0.01)	8.1	4.3
MAPLETREE COMMERCIAL TRUST	5.1	1.19	0.07	7.3	16.3

Source: Bloomberg, KGI Research

Figure 7: Highest dividend paying REITs based on forward dividend yield

Company Name	Currency Adj. Market Cap (\$\$ m)	Forward Dividend Yield (%)	Current P/B (x)	YTD Price Performance (%)	1 YR Price Performance (%)
LIPPO MALLS INDONESIA RETAIL	672	10.6	0.85	29.1	-40.5
DASIN RETAIL TRUST	491	8.5	0.57	1.7	3.5
SOILBUILD BUSINESS SPACE REI	642	8.4	0.96	4.3	-6.2
FIRST REAL ESTATE INV TRUST	830	8.4	1.02	6.6	-2.1
SASSEUR REAL ESTATE INVESTME	891	8.3	0.98	16.2	-1.1
EC WORLD REIT	590	8.2	0.86	8.0	-1.3
CACHE LOGISTICS TRUST	769	8.1	0.95	2.9	15.6
ESR-REIT	1,680	7.7	1.14	3.9	-4.1
KEPPEL-KBS US REIT	732	7.7	0.82	8.2	-20.6
AIMS AMP CAPITAL INDUSTRIAL	957	7.4	1.02	4.5	4.5
MANULIFE US REAL ESTATE INV	1,451	7.3	1.01	9.1	-7.2
CAPITALAND RETAIL CHINA TRUS	1,412	7.1	0.91	5.9	-9.4
QUE HOSPITALITY TRUST	1,329	7.0	0.97	8.2	-1.1
QUE COMMERCIAL REAL ESTATE I	1,429	6.8	0.70	8.7	20.0
STARHILL GLOBAL REIT	1,527	6.7	0.78	2.9	-5.1
ASCENDAS HOSPITALITY TRUST	982	6.7	0.89	12.3	-1.2
FRASERS COMMERCIAL TRUST	1,338	6.6	0.94	8.8	7.2
FAR EAST HOSPITALITY TRUST	1,200	6.6	0.73	5.8	-8.4
FRASERS HOSPITALITY TRUST	1,386	6.5	0.97	5.0	-7.0
ASCOTT RESIDENCE TRUST	2,455	6.3	0.93	4.6	-0.9

Source: Bloomberg, KGI Research

Figure 8: Highest quality REITs based on greatest annualized total returns since listing

Company Name	Currency Adj. Market Cap (\$\$ m)	Current P/B (x)	YTD Price Performance (%)	1 YR Price Performance (%)	Total Annualized Returns since listing (%)
KEPPEL DC REIT	1,974	1.37	8.1	4.3	17.8
MAPLETREE INDUSTRIAL TRUST	3,945	1.33	3.1	1.5	17.2
MAPLETREE COMMERCIAL TRUST	5,115	1.19	7.3	16.3	15.8
FIRST REAL ESTATE INV TRUST	830	1.02	6.6	-2.1	14.7
FRASERS LOGISTICS & INDUSTRI	2,247	1.22	7.8	3.6	14.4
ASCENDAS REAL ESTATE INV TRT	8,678	1.33	8.6	7.8	14.4
FORTUNE REIT	3,249	0.59	9.8	2.6	13.0
FRASERS CENTREPOINT TRUST	2,134	1.10	6.0	7.5	13.0
PARKWAYLIFE REAL ESTATE	1,706	1.50	7.2	-1.1	12.9
MAPLETREE LOGISTICS TRUST	4,922	1.22	8.7	10.3	12.9
CAPITALAND MALL TRUST	8,959	1.21	7.5	23.1	12.8
CDL HOSPITALITY TRUSTS	1,906	1.03	8.2	-6.1	12.4
MAPLETREE NORTH ASIA COMMERC	3,926	0.94	8.8	5.9	12.1
SUNTEC REIT	5,120	0.90	7.3	-1.5	11.7
CAPITALAND COMMERCIAL TRUST	7,040	1.02	7.4	8.0	11.5
DASIN RETAIL TRUST	491	0.57	1.7	3.5	11.1
MANULIFE US REAL ESTATE INV	1,451	1.01	9.1	-7.1	10.3
CAPITALAND RETAIL CHINA TRUS	1,412	0.91	5.9	-9.1	8.9
SPH REIT	2,636	1.08	2.0	3.0	7.8
ASCOTT RESIDENCE TRUST	2,455	0.93	4.6	-0.9	7.6

Source: Bloomberg, KGI Research

Figure 9: REITs achieving the highest YTD price performance

Company Name	Trailing 12M Dividend Yield (%)	Current P/B (x)	YTD Price Performance (%)	1 YR Price Performance (%)	2018 Price Performance (%)
LIPPO MALLS INDONESIA RETAIL	10.8	0.85	29.1	-40.5	-54.5
SASSEUR REAL ESTATE INVESTME	2.1	0.98	16.2	-1.3	-18.8
CROMWELL EUROPEAN REIT	4.7	0.97	13.6	-3.4	-14.4
ASCENDAS HOSPITALITY TRUST	6.9	0.89	12.3	-1.2	-10.5
FORTUNE REIT	5.2	0.59	9.8	2.6	-7.3
MANULIFE US REAL ESTATE INV	6.6	1.01	9.1	-7.3	-14.1
SABANA SHARIAH COMP IND REIT	7.5	0.74	9.0	9.0	-1.3
MAPLETREE NORTH ASIA COMMERC	6.1	0.94	8.8	5.9	-7.3
FRASERS COMMERCIAL TRUST	6.4	0.94	8.8	7.2	-8.1
MAPLETREE LOGISTICS TRUST	5.6	1.22	8.7	10.3	-4.5
OUÉ COMMERCIAL REAL ESTATE I	6.4	0.70	8.7	-20.6	-27.4
ASCENDAS REAL ESTATE INV TRT	5.7	1.33	8.6	7.8	-5.5
CDL HOSPITALITY TRUSTS	5.9	1.03	8.2	-6.0	-13.6
OUÉ HOSPITALITY TRUST	6.9	0.97	8.2	-14.1	-21.2
KEPPEL-KBS US REIT	9.1	0.82	8.2	-20.6	-28.7
KEPPEL DC REIT	4.9	1.37	8.1	4.3	-5.6
EC WORLD REIT	8.2	0.86	8.0	-1.3	-9.2
KEPPEL REIT	4.5	0.88	7.9	4.2	-9.5
FRASERS LOGISTICS & INDUSTRI	6.6	1.22	7.8	3.6	-10.5
CAPITALAND MALL TRUST	4.7	1.21	7.5	23.1	6.1

Source: Bloomberg, KGI Research

The FTSE REIT Index was up 7.5% YTD, mainly led by REITs with high foreign exposure which underperformed the broader index in 2018. Sectorial performance was in line with our in-house forecast. Commercial (+8.3% YTD) & Hospitality (+7.4% YTD) sectors outperformed Industrial (+6.8% YTD) & Retail (+7.9% YTD) since the start of 2019. The outperformance of the retail sector was mainly led by Lippo Malls Trust (+29.1% YTD) and Sasseur REIT (+14.6% YTD).

Despite the sectorial outperformance of the commercial and hospitality segments, we still see pockets of opportunities within these sectors from a yield perspective. To name a few, both Manulife US REIT and Ascendas Hospitality Trust are offering dividend yields of 6.8%.

The average P/B ratio across the 40 REITs we monitor increased from 0.96x as of end 2018 to 1.0x today. The climb in overall prices was catalyzed by a flight to safety in the face of trade war pessimism.

We anticipate a potential reversion of this trend following a trade war deal between U.S and China as the deadline of the

trade war truce inches closer. Investors looking to accumulate REITs may want to wait for a more attractive price point that could occur as early as next month.

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (S\$ m)	Trailing 12M Dividend Yield (%)	Forward Dividend Yield (%)	Current P/B Ratio (x)	Forward 2019 P/B Ratio (x)	6M Average daily trading volume (S\$ '000)	1 YR Price Performance	YTD Price Performance (%)
RETAIL			31,442	6.2	6.7	0.9	0.9	3,980.1	(0.5)	8.2
FRT SP	FORTUNE REIT	HKD 9.77	3,246	5.2	5.5	0.6	0.6	588	5.9	9.7
CT SP	CAPITALAND MALL TRUST	SGD 2.44	8,996	4.7	4.9	1.2	1.2	22,821	22.0	8.0
MCT SP	MAPLETREE COMMERCIAL TRUST	SGD 1.78	5,144	5.1	5.1	1.2	1.2	9,569	12.7	7.9
MAGIC SP	MAPLETREE NORTH ASIA COMMERC	SGD 1.24	3,926	6.1	6.0	0.9	0.9	7,048	3.3	8.8
DASIN SP	DASIN RETAIL TRUST	SGD 0.88	491	8.8	8.5	0.6	-	359	4.1	1.7
SPHREIT SP	SPH REIT	SGD 1.02	2,636	5.4	5.6	1.1	1.1	879	2.5	2.0
FCT SP	FRASERS CENTREPOINT TRUST	SGD 2.30	2,134	5.2	5.4	1.1	1.1	1,926	7.0	6.0
SGREIT SP	STARHILL GLOBAL REIT	SGD 0.70	1,527	6.4	6.7	0.8	0.8	1,308	-4.8	2.9
CRCT SP	CAPITALAND RETAIL CHINA TRUS	SGD 1.45	1,422	7.0	7.0	0.9	0.9	1,815	-8.2	6.6
LMRT SP	LIPPO MALLS INDONESIA RETAIL	SGD 0.24	672	10.8	10.6	0.9	0.7	907	-39.7	29.1
SASSR SP	SASSEUR REAL ESTATE INVESTME	SGD 0.76	891	2.1	8.3	1.0	1.0	531	-5.6	16.2
BHGREIT SP	BHG RETAIL REIT	SGD 0.71	358	7.7	-	0.9	-	10	-5.3	-0.7
INDUSTRIAL			26,919	6.9	6.9	1.1	1.1	5,662.8	0.1	6.3
AREIT SP	ASCENDAS REAL ESTATE INV TRT	SGD 2.79	8,678	5.7	5.8	1.3	1.3	30,640	6.9	8.6
MINT SP	MAPLETREE INDUSTRIAL TRUST	SGD 1.97	3,945	5.5	6.1	1.3	1.3	5,810	0.0	3.1
MLT SP	MAPLETREE LOGISTICS TRUST	SGD 1.39	4,994	5.5	5.7	1.2	1.2	11,765	13.9	10.3
FLT SP	FRASERS LOGISTICS & INDUSTRI	SGD 1.11	2,247	6.6	6.1	1.2	1.2	4,402	0.8	7.8
KDCREIT SP	KEPPEL DC REIT	SGD 1.46	1,974	4.9	5.4	1.4	1.4	4,945	5.0	8.1
AAREIT SP	AIMS AMP CAPITAL INDUSTRIAL	SGD 1.38	950	7.5	7.5	1.0	1.0	1,037	0.7	3.8
SBREIT SP	SOILBUILD BUSINESS SPACE REI	SGD 0.61	642	8.7	8.4	1.0	0.9	563	-7.6	4.3
CACHE SP	CACHE LOGISTICS TRUST	SGD 0.72	769	8.3	8.1	0.9	1.1	1,414	-15.9	2.9
EREIT SP	ESR-REIT	SGD 0.53	1,680	7.3	7.7	1.14	1.1	1,303	-9.3	3.9
ECWREIT SP	EC WORLD REIT	SGD 0.75	590	8.2	8.2	0.9	0.8	150	-0.7	8.0
SSREIT SP	SABANA SHARIAH COMP IND REIT	SGD 0.43	448	7.5	-	0.7	-	262	7.6	9.0
OFFICE			23,526	6.1	6.1	0.9	0.9	4,661.8	(5.1)	8.7
CCT SP	CAPITALAND COMMERCIAL TRUST	SGD 1.89	7,077	4.4	4.8	1.0	1.0	19,102	7.4	8.0
SUN SP	SUNTEC REIT	SGD 1.91	5,120	5.2	5.2	0.9	0.9	11,364	-1.0	7.3
KREIT SP	KEPPEL REIT	SGD 1.24	4,222	4.5	4.6	0.9	0.9	6,107	2.5	8.8
OUECT SP	OUE COMMERCIAL REAL ESTATE I	SGD 0.50	1,429	6.4	6.8	0.7	0.7	662	-20.0	8.7
FCOT SP	FRASERS COMMERCIAL TRUST	SGD 1.48	1,329	6.5	6.6	0.9	0.9	1,906	3.5	8.0
IREIT SP	IREIT GLOBAL	SGD 0.77	483	7.6	-	1.1	-	79	-3.2	5.5
KORE SP	KEPPEL-KBS US REIT	USD 0.66	732	9.1	7.7	0.8	0.8	469	-21.1	8.2
MUST SP	MANULIFE US REAL ESTATE INV	USD 0.85	1,460	6.6	7.2	1.0	0.9	930	-6.2	9.7
CERT SP	CROMWELL EUROPEAN REIT	EUR 0.50	1,673	4.7	-	-	-	1,337	-7.7	13.6

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (S\$ m)	Trailing 12M Dividend Yield (%)	Forward Dividend Yield (%)	Current P/B Ratio (x)	Forward 2019 P/B Ratio (x)	6M Average daily trading volume (S\$ '000)	1 YR Price Performance	YTD Price Performance (%)
HOSPITALITY			9,270	6.4	6.5	0.9	0.9	1,280.6	(7.3)	7.4
ART SP	ASCOTT RESIDENCE TRUST	SGD 1.14	2,477	6.3	6.2	0.9	0.9	2,240	-3.4	5.6
CDREIT SP	CDL HOSPITALITY TRUSTS	SGD 1.58	1,906	5.9	6.1	1.0	1.0	2,500	-6.5	8.2
ASCHT SP	ASCENDAS HOSPITALITY TRUST	SGD 0.87	982	6.9	6.7	0.9	-	489	0.6	12.3
FHT SP	FRASERS HOSPITALITY TRUST	SGD 0.74	1,386	6.5	6.5	1.0	0.9	681	-7.0	5.0
OUeht SP	OUe HOSPITALITY TRUST	SGD 0.72	1,319	6.9	7.1	1.0	0.9	819	-15.8	7.5
FEHT SP	FAR EAST HOSPITALITY TRUST	SGD 0.64	1,200	6.2	6.6	0.7	0.7	954	-11.7	5.8
HEALTHCARE			2,536	6.4	6.5	1.3	1.3	1,364.2	(11.5)	6.9
PREIT SP	PARKWAYLIFE REAL ESTATE	SGD 2.82	1,706	4.6	4.6	1.5	1.5	1,532	-0.7	7.2
FIRT SP	FIRST REAL ESTATE INVT TRUST	SGD 1.05	830	8.2	8.4	1.0	1.0	1,197	-22.2	6.6
S-REIT			93,693	6.4	6.6	1.0	1.0	3,389.9	(4.8)	7.5

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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