



CHINA
DEVELOPMENT
FINANCIAL

KGI REITs Watchlist

KGI Singapore REITs Watchlist – Top Picks

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- The recent crash is unprecedented given how fast REITs have declined within the span of a month. The FTSE ST REITs Index fell 38% from the peak reached on 20 February 2020, and is now at the level it was back in 2012.
- Valuations are now at 10-year historical lows for many REITs and are worth accumulating for investors with a one-year investment horizon.

In our current watchlist, we included both FY20F and FY21F dividend yield forecasts in order to give a better reflection of their normalised yield, which is based on the critical assumption that the impact of the coronavirus outbreak recedes before the end of this year.

Our sector picks are highlighted in blue rows in the table below. Our preference is for the retail and industrial/logistics sectors (see second page for details).

| BB ticker | Company Name | Last Price (local \$) | Currency Adj. Market Cap (\$ m) | Trailing 12M Dividend Yield (%) | FY20F Dividend Yield (%) | FY21F Dividend Yield (%) | Gearing (%) | Current P/B Ratio (x) | 6M Average daily trading volume (\$'000) | YTD Price Performance (%) | |
|--------------------|------------------------------|-----------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|-------------|-----------------------|--|---------------------------|---------------|
| RETAIL | | | | 24,677 | 7.7 | 9.0 | 9.3 | 35.3 | 0.7 | 9,900.6 | (26.7) |
| CT SP | CAPITALAND MALL TRUST | SGD 1.82 | 6,716 | 6.4 | 6.8 | 7.1 | 31.5 | 0.9 | 34,582 | -26.0 | |
| MCT SP | MAPLETREE COMMERCIAL TRUST | SGD 1.84 | 6,086 | 3.8 | 5.1 | 5.4 | 33.7 | 1.0 | 39,005 | -23.0 | |
| MAGIC SP | MAPLETREE NORTH ASIA COMMERC | SGD 0.77 | 2,479 | 9.7 | 9.2 | 9.6 | 38.5 | 0.5 | 14,725 | -33.6 | |
| SPHREIT SP | SPH REIT | SGD 0.78 | 2,151 | 7.2 | 7.3 | 7.6 | 28.2 | 0.7 | 2,996 | -27.1 | |
| FCT SP | FRASERS CENTREPOINT TRUST | SGD 2.16 | 2,418 | 4.2 | 5.9 | 6.2 | 29.6 | 1.0 | 7,295 | -23.1 | |
| SGREIT SP | STARHILL GLOBAL REIT | SGD 0.42 | 908 | 10.7 | 11.1 | 11.1 | 37.0 | 0.5 | 1,703 | -42.8 | |
| CRCT SP | CAPITALAND RETAIL CHINA TRUS | SGD 1.16 | 1,408 | 8.5 | 8.2 | 8.8 | 43.0 | 0.8 | 5,011 | -28.0 | |
| LREIT SP | LENDLEASE GLOBAL COMMERCIAL | SGD 0.56 | 655 | 2.3 | 7.7 | 9.5 | 35.1 | 0.7 | - | -39.8 | |
| SASSR SP | SASSEUR REAL ESTATE INVESTME | SGD 0.63 | 749 | 10.5 | 9.8 | 10.4 | 30.9 | 0.7 | 2,412 | -29.4 | |
| LMRT SP | LIPPO MALLS INDONESIA RETAIL | SGD 0.12 | 351 | 18.6 | 20.0 | 19.2 | 39.7 | 0.4 | 701 | -46.7 | |
| DASIN SP | DASIN RETAIL TRUST | SGD 0.81 | 522 | 2.6 | 7.7 | 7.8 | 44.3 | 0.6 | 225 | -3.6 | |
| BHGREIT SP | BHG RETAIL REIT | SGD 0.46 | 234 | 8.4 | - | - | 32.1 | 0.6 | 252 | -32.8 | |
| INDUSTRIAL | | | | 30,412 | 8.8 | 9.2 | 9.6 | 39.0 | 1.0 | 11,049.7 | (14.5) |
| AREIT SP | ASCENDAS REAL ESTATE INV TRT | SGD 2.67 | 9,661 | 6.0 | 6.0 | 6.3 | 39.2 | 1.2 | 49,423 | -10.1 | |
| MINT SP | MAPLETREE INDUSTRIAL TRUST | SGD 2.34 | 5,150 | 5.2 | 5.4 | 5.6 | 31.4 | 1.5 | 19,625 | -10.0 | |
| MLT SP | MAPLETREE LOGISTICS TRUST | SGD 1.47 | 5,586 | 5.4 | 5.5 | 5.9 | 39.1 | 1.3 | 24,600 | -15.5 | |
| FLT SP | FRASERS LOGISTICS & INDUSTRI | SGD 0.81 | 1,832 | 8.6 | 8.2 | 8.2 | 34.5 | 0.9 | 10,233 | -34.7 | |
| KDCREIT SP | KEPPEL DC REIT | SGD 2.18 | 3,559 | 3.3 | 4.1 | 4.5 | 32.6 | 1.9 | 14,075 | 4.8 | |
| AIT SP | ASCENDAS INDIA TRUST | SGD 1.14 | 1,306 | 7.5 | 7.1 | 8.2 | 38.9 | 1.0 | 2,766 | -26.5 | |
| EREIT SP | ESR-REIT | SGD 0.31 | 1,069 | 9.8 | 12.8 | 13.1 | 46.1 | 0.7 | 4,343 | -42.5 | |
| AAREIT SP | AIMS APAC REIT | SGD 1.04 | 732 | 9.9 | 9.9 | 10.1 | 34.9 | 0.8 | 4,070 | -27.3 | |
| SBREIT SP | SOILBUILD BUSINESS SPACE REI | SGD 0.30 | 379 | 14.1 | 15.0 | 15.3 | 40.7 | 0.5 | 860 | -42.3 | |
| CACHE SP | CACHE LOGISTICS TRUST | SGD 0.40 | 428 | 14.0 | 14.4 | 14.7 | 44.1 | 0.6 | 1,047 | -44.8 | |
| ECWREIT SP | EC WORLD REIT | SGD 0.51 | 409 | 11.9 | 12.2 | 12.4 | 48.9 | 0.6 | 1,156 | -31.5 | |
| SSREIT SP | SABANA SHARIAH COMP IND REIT | SGD 0.29 | 300 | 10.2 | 10.2 | 10.5 | 37.4 | 0.5 | 399 | -38.0 | |
| OFFICE | | | | 20,202 | 8.7 | 9.6 | 9.8 | 35.8 | 0.7 | 1,876.3 | (29.1) |
| CCT SP | CAPITALAND COMMERCIAL TRUST | SGD 1.55 | 5,986 | 5.4 | 5.7 | 6.0 | 28.0 | 0.8 | 24,815 | -22.1 | |
| SUN SP | SUNTEC REIT | SGD 1.27 | 3,570 | 7.6 | 7.6 | 7.6 | 37.3 | 0.6 | 19,039 | -31.0 | |
| KREIT SP | KEPPEL REIT | SGD 0.94 | 3,177 | 5.9 | 6.1 | 6.3 | 29.1 | 0.7 | 10,439 | -24.2 | |
| QUECT SP | QUE COMMERCIAL REAL ESTATE I | SGD 0.32 | 1,726 | 5.1 | 10.0 | 10.6 | 40.8 | 0.5 | 1,681 | -43.4 | |
| FCOT SP | FRASERS COMMERCIAL TRUST | SGD 1.13 | 1,034 | 8.5 | 8.8 | 8.8 | 30.4 | 0.7 | 4,197 | -31.5 | |
| KORE SP | KEPPEL PACIFIC OAK US REIT | USD 0.50 | 669 | 12.1 | 12.5 | 12.5 | 39.0 | 0.6 | 1,672 | -36.5 | |
| MUST SP | MANULIFE US REAL ESTATE INV | USD 0.67 | 1,522 | 11.3 | 9.1 | 9.6 | 39.2 | 0.8 | 5,431 | -33.0 | |
| PRIME SP | PRIME US REIT | USD 0.63 | 950 | 6.6 | 10.6 | 11.0 | 36.6 | 0.7 | 1,274 | -35.2 | |
| CERT SP | CROMWELL EUROPEAN REIT | EUR 0.32 | 1,259 | 12.9 | 13.0 | 13.0 | 38.5 | 0.6 | 2,345 | -41.7 | |
| IREIT SP | IREIT GLOBAL | SGD 0.49 | 310 | 11.6 | 12.3 | 12.6 | 39.5 | 0.6 | 543 | -40.1 | |
| ELITE SP | ELITE COMMERCIAL REIT | GBP 0.58 | 330 | - | - | - | 68.4 | - | - | - | |
| HOSPITALITY | | | | 5,206 | 13.8 | 16.5 | 18.5 | 37.0 | 0.4 | 4,172.0 | (47.7) |
| ART SP | ASCOTT RESIDENCE TRUST | SGD 0.77 | 2,374 | 9.9 | 9.7 | 10.3 | 37.8 | 0.5 | 9,750 | -42.1 | |
| CDREIT SP | CDL HOSPITALITY TRUSTS | SGD 0.78 | 940 | 11.6 | 11.0 | 11.9 | 37.2 | 0.5 | 6,069 | -52.2 | |
| FHT SP | FRASERS HOSPITALITY TRUST | SGD 0.36 | 678 | 12.4 | 12.1 | 13.0 | 36.5 | 0.5 | 734 | -50.0 | |
| FEHT SP | FAR EAST HOSPITALITY TRUST | SGD 0.40 | 778 | 9.5 | 8.8 | 9.8 | 37.1 | 0.5 | 1,728 | -45.9 | |
| ARAUS SP | ARA US HOSPITALITY TRUST | USD 0.32 | 262 | - | 13.8 | 23.1 | 34.0 | - | - | -63.2 | |
| EAGLEHT SP | EAGLE HOSPITALITY TRUST | USD 0.14 | 173 | 25.4 | 43.8 | 43.1 | 39.3 | 0.2 | 2,579 | -74.9 | |
| HEALTHCARE | | | | 2,359 | 8.4 | 8.4 | 8.4 | 37.4 | 1.1 | 2,135.2 | (14.9) |
| PREIT SP | PARKWAYLIFE REAL ESTATE | SGD 2.98 | 1,803 | 4.4 | 4.6 | 4.7 | 38.6 | 1.5 | 1,988 | -10.2 | |
| FIRT SP | FIRST REAL ESTATE INV TRUST | SGD 0.70 | 556 | 12.4 | 12.2 | 12.1 | 36.2 | 0.7 | 2,282 | -30.1 | |
| S-REIT | | | | 82,856 | 9.5 | 10.5 | 11.1 | 36.9 | 0.8 | 5,826.8 | (23.8) |

Source: Bloomberg, KGI Research *Forecasted dividend yields are based on Bloomberg consensus forecasts

TOP Picks and Sector dynamics

We recommend Industrial/Logistic sector REITs, as they are more likely poised to benefit from the changes in movement restrictions imposed to help curb the spread of the virus outbreak. Meanwhile, we are selective on the retail REITs, preferring those with catalysts in the short to medium term.

RETAIL

BULL CASE + Will benefit from pent-up demand post Covid-19. REITs will still receive fixed rental payments from tenants despite a drop in shopper traffic, and tenants' revenues and cash flows. However, we would be selective and go for those with quality assets or have short term catalysts.

SHORT TERM HIT - Will see short-term impact to DPU, as most will provide some extent of rental rebates/relief to tenants.

Picks:

- Mapletree Commercial Trust (Southern waterfront play – VivoCity);
- CapitaLand Mall Trust + CapitaLand Commercial Trust (Largest REIT in Singapore post-merger);
- Frasers Centrepoint Trust (resilient heartland malls);
- Lendlease (Good quality assets + 10% normalised div yield)

INDUSTRIAL / LOGISTICS

BULL CASE + Poised to benefit from reduced movements – e-commerce, streaming and telecommuting, cloud-based solutions. [In this article by CNBC](#), demand for online grocery, food delivery, and online shopping have surged and delivery capacities have been overwhelmed in the last two months in Singapore.

SHORT TERM HIT - Could see short-term impact to DPU if tenants aren't operating during this period, as most would provide some extent of rental rebates/relief to tenants in that case. This is especially applicable to those with properties in the highly affected countries – e.g. China, South Korea

Picks:

- Mapletree Logistics Trust (geographically diversified logistics, recent Japan & Korea acquisition);
- Keppel DC & Mapletree Industrial Trust (datacentre plays);
- EC-World (China e-commerce play, 10-12% div yield)
- Ascendas REIT

However, we see a relatively slower recovery for the hospitality and office sectors.

HOSPITALITY

BULL CASE + Singapore is and has been a top tourist destination, especially in Southeast Asia, well-known for our first-class amenities, transport systems, airlines, food/hawker centres, attractions (i.e. MBS, Esplanade, Gardens by the Bay). Once travel restrictions are lifted and people re-gain the confidence to travel, the hospitality sector is bound to benefit from pent-up demand post-lockdowns.

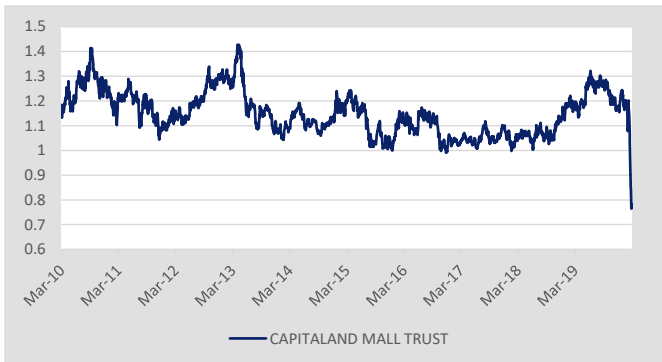
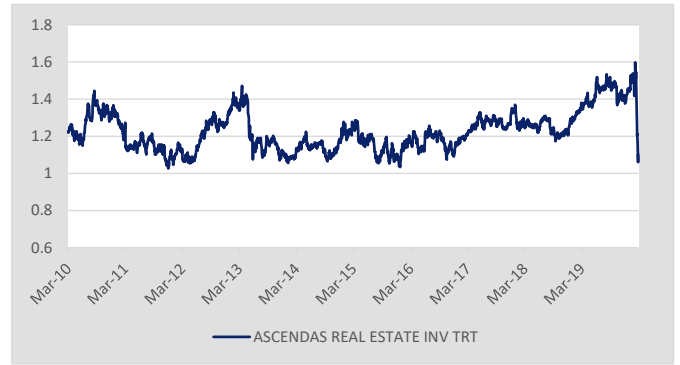
BEAR CASE - Tourism may take much longer to rebound as compared to rebooting domestic demand in the retail sector. The hospitality sector also sees much more variable rental payments based on room rates and occupancies, as compared to the retail sector.

OFFICE

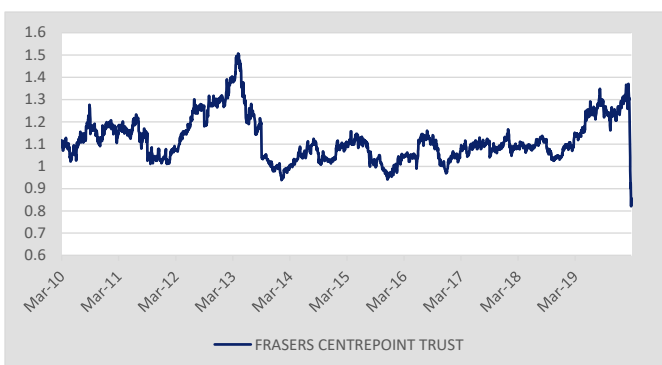
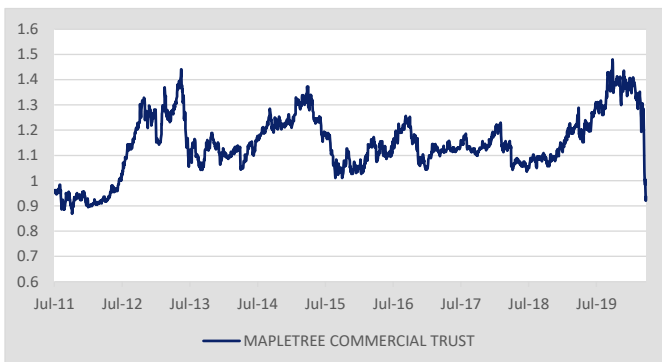
BULL CASE + Most businesses in Singapore are still operating on more traditional business models where offices are needed for most functions. Working from home/flexible working schedules has not been adopted in most workplaces.

BEAR CASE - Post Covid-19, many may realise the benefits of telecommuting and might continue to make use of such practices to reduce office space requirements. The longer this arrangement remains an option for employees, the more likely it could turn into the new norm. Even if not adopted wholly, a team rotation basis could mean halving office space requirements and consequently, rent payments, which could be an efficient cost-cutting measure for many, especially in the city/CBD areas.

Historical Price to Book valuations



Source: Bloomberg, KGI Research



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|-------------------------|---|
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