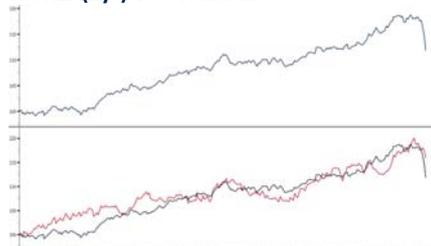


# Singapore REITs

FSTREI (1yr) VS STI Index



Source: Bloomberg

## REITs looking attractive after knee-jerk reaction to spike in 10 year US Treasury yields

### Event

The recent spike in 10 year US Treasury yields has caused a panic sell-off in the S-REIT sector. The S-REIT index (FSTREI) has fallen 4.8% from yesterday's closing price, at the time of writing.

### Impact

**10 year US Treasury yields spike on positive US employment data.** The 10 year Treasury yield jumped to a four year high of 2.85% after the release of better-than-expected job report last Friday, reflecting rising wage growth. The spike in yields were also exacerbated by higher-than-expected consumer confidence numbers as investors began to bet on accelerating inflation. This has caused a corresponding spike in the 10 year benchmark Singapore Government Bond Yield to 2.30%.

**S-REIT index P/B valuation has fallen below +1 s.d. of its 5 year average.** On a P/B basis, S-REITs are beginning to look more attractive than a month ago where the S-REIT index was trading at valuations last seen in 2013.

Figure 1: S-REIT index trading above +1 s.d. of the 5-year P/B average prior to the sell-off



Source: Bloomberg, KGI Research

### Valuation & Action

**Yield spread widening on the spike, yields looking attractive.** The forward dividend yields of some of the REITs are starting to look attractive. Forward dividend yields: SPH REIT (5.6%), Frasers Centrepoint Trust (5.7%), Capitaland Mall Trust (5.4%), Ascendas REIT (6.0%).

### Risk

Interest rates continue to rise at a faster-than-expected pace.

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See the last page for important disclosures.

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<b>BUY</b>	>10% total return over the next 12 months
<b>HOLD</b>	-10% to +10% total return over the next 12 months
<b>SELL</b>	<-10% total return over the next 12 months

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