

Singapore REITs Monthly

Valuations are cheap



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SINGAPORE | REAL ESTATE (REIT) | UPDATE

24 March 2025

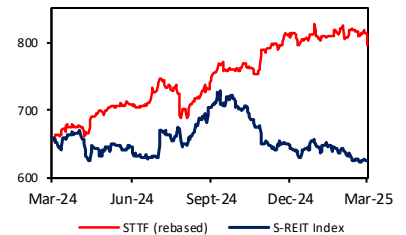
OVERWEIGHT (Maintained)

INDEX RETURN (%)

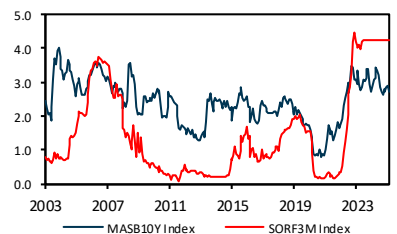
	1MTH	3MTH	YTD	1YR
S-REIT Index	(2.9)	(4.0)	(2.8)	(5.2)
STTF RETURN	(1.0)	1.8	1.0	23.5

- The S-REITs Index fell 2.9% in February 2025, after gaining 0.2% in the previous month. The top performer for the month was Paragon REIT (PGNREIT SP, non-rated), gaining 9% after the proposed privatisation offer of S\$0.98 in cash. The worst performer was Manulife US REIT (MUST SP, non-rated), falling 23.2%, as financial metrics remain stretched. The overseas retail sub-sector was the top performer in February, gaining 1.4%, while the worst-performing sub-sector was overseas commercial, falling 10.3%.
- S-REITs are now trading at a forward dividend yield spread of c.3.8% (10-year average) and a P/NAV of 0.83x (-2x s.d.), which we consider an attractive entry point. We expect DPU to grow c.1% in 2025, with c.50% of S-REITs benefitting from interest savings in 2025 and the majority in 2026.
- We remain OVERWEIGHT on S-REITs, preferring those with a healthy balance sheet, strong sponsors, and improving operating metrics, particularly those with the potential to deliver sustainable DPU growth in a higher interest rate environment. We prefer the retail sub-sector as rental reversions remain strong. Catalysts for growth include asset recycling and accelerated interest rate cuts. Our top picks are Stoneweg European REIT (SERT SP, BUY, TP €1.86) and Capitaland Ascott Trust (CLAS SP, BUY, TP S\$1.05).

S-REIT Index VS. STTF



10-year SGS (%) & 3-month SOR (%)



Source: Bloomberg, PSR

SECTOR ROUND-UP

The Fed held its benchmark rate unchanged at 4.25%-4.50% in March, with the dot plot projecting two more rate cuts in 2025. The market, however, is now pricing in three more rate cuts in 2025, up from only one last month. In February 2025, the Reserve Bank of Australia (RBA) cut the cash rate by 25bps to 4.1%, marking the first reduction since November 2020. S-REITs with Australian exposure, as listed in Figure 7, are poised to benefit from the RBA's rate reduction. The Bank of England (BOE) also cut rates by 25bps to 4.5% in February 2025. Expectations of more rate cuts will be a tailwind for S-REITs share prices, which have been underperforming the STI year-to-date.

Lendlease Global Commercial REIT (LREIT SP, BUY, S\$0.74) will redeem its S\$200mn 5.25% perpetual security on 11 April 2025, partially financing it with a new S\$120mn 4.75% perpetual security issued on 28 February 2025, resulting in interest savings. AIMS APAC REIT (AAREIT SP, non-rated) also issued a S\$125mn 4.70% subordinated perpetual bond on 18 March 2025. With this, we expect AAREIT to redeem the 5.65% S\$125mn perpetual with a 14 August 2025 call date, yielding 95bps in interest savings.

Retail

Retail sales (ex. Motor vehicles) rebounded strongly in Jan 25, rising 4.8% YoY after a 4% decline in Dec 24, partly due to the earlier timing of Chinese New Year. If this momentum continues, retailers may be more willing to pay higher rents. Tenant sales remain resilient at c.20% above pre-COVID levels, while occupancy costs are still below pre-pandemic averages. However, demand for higher-ticket items, including luxury goods and fine dining, remains subdued. The recovery of international visitor arrivals to pre-COVID levels could spur spending, though some down-trading persists. We expect tenant sales to improve marginally in 2025, supported by rising international visitor arrivals, population growth, and government payouts. Consequently, we expect high-single-digit positive rent reversions for retail in FY25. Singapore's status as a global tourist and business hub continues to attract strong interest from retailers.

Hospitality

RevPAR in Singapore grew 6.5% YoY in Jan 25, supported by a 4.3ppts increase in occupancy to 82.5% (Figure 8). International visitor arrivals increased 15% YoY to 1.6 million, reaching 97% of pre-COVID levels. The YoY increase in RevPAR and international visitor arrivals were a

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pleasant surprise, considering that Jan 24 had the Coldplay concert. Visitor arrivals from China surged 78% YoY in Jan 24, surpassing pre-covid levels by 14%. These trends suggest that international visitor arrivals could reach 95%-100% of pre-COVID levels in FY25. We expect a low-single-digit RevPAR increase for FY25, even with a projected 1.7% CAGR in hotel room supply over the next three years. The Singapore-exclusive Lady Gaga concert in May 25 might support 2Q25 RevPAR growth, though not to the extent seen with Taylor Swift's March 24 concerts.

INVESTMENT RECOMMENDATION

OVERWEIGHT on SREITs (Maintained)

S-REITs are now trading a forward dividend yield of c.6.6%, 1x s.d. above the mean (Figure 5), and a P/NAV of 0.83x, 2x s.d. below the mean of 1.03x (Figure 4). S-REITs are expected to start benefitting from interest savings in 2025 and 2026. We believe this is an opportune time for investors to reposition into SREITs, capturing future growth in DPU through lower interest expenses and stable operating performance.

The dividend yield spread is now at 3.8%, matching the 10-year mean (Figure 2), due to the recent share price performance. We expect the dividend yield spread to widen as the SG10Y yield declines due to further rate cuts and as DPU increases, making SREITs an increasingly attractive investment proposition.

Sub-sector preference: Retail

We expect robust rent reversions for retail, given the below-average occupancy cost and the return of international visitor arrivals, which could boost tenant sales and sentiment. We expect high single-digit positive rent reversion for both suburban and downtown malls, supported by the limited supply of new retail space.

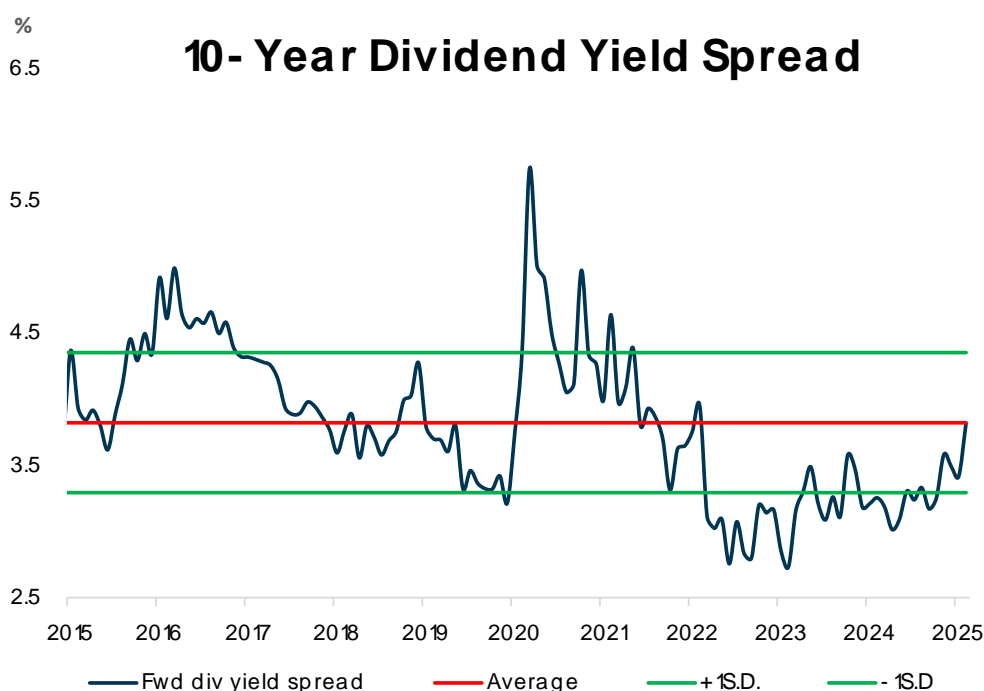
Figure 1: Our stock recommendations

	3M Daily Average Volume (mn)	Share Price S\$	P/NAV (x)	PSR Rating	Target Price S\$	FY22 DPU cents	FY23 DPU cents	FY24 DPU cents	FY25e DPU cents	FY26e DPU cents	FY25e DPU Yield	Total return
CapitaLand Ascott Trust	7.8	0.88	0.77	BUY	1.05	5.67	6.57	6.10	6.20	6.72	7.0%	26.4%
Elite UK REIT	0.2	0.31	0.75	BUY	£0.35	4.74	3.07	2.87	2.90	3.05	9.5%	24.3%
Far East Hospitality Trust	1.0	0.60	0.65	BUY	0.73	2.63	4.09	4.04	3.99	3.94	6.7%	28.3%
First REIT	1.0	0.28	0.97	BUY	0.32	2.48	2.36	2.36	2.52	2.61	9.2%	25.5%
Frasers Centrepoint Trust	3.0	2.11	0.92	BUY	2.44	12.23	12.15	12.04	12.25	12.74	5.8%	21.4%
Keppel DC REIT	9.1	2.16	1.42	NEUTRAL	2.25	10.11	9.28	9.45	10.15	11.03	4.7%	8.9%
Lendlease Global Commercial	3.0	0.52	0.57	BUY	0.74	4.85	4.70	3.87	3.70	4.05	7.2%	50.9%
OUE REIT	2.2	0.28	0.47	BUY	0.40	2.12	2.09	2.06	1.88	1.95	6.8%	52.3%
Prime US REIT	3.5	0.17	0.31	BUY	USD 0.20	6.55	2.71	0.33	0.26	2.92	1.5%	19.2%
Sasseur REIT	0.5	0.68	0.80	BUY	0.81	6.55	6.25	6.08	6.07	6.36	8.9%	28.0%
Stoneweg European REIT	0.2	1.56	0.75	BUY	€1.86	17.19	15.69	14.11	13.43	13.63	8.6%	27.8%
Suntec REIT	8.7	1.13	0.55	ACCUMULATE	1.33	8.88	7.14	6.19	6.10	6.48	5.4%	23.1%

Note: 3M Daily Average Volume is calculated based on the total volume over the last three trading months divided by the number of trading days within the period

Source: Bloomberg (Updated: 23 March 2025), Company Results/Prospectuses, PSR

Figure 2: Dividend Yield Spread of 3.8% is at the 10-year average



Source: Bloomberg, Phillip Securities Research

The dividend yield spread improved from 3.4% to 3.8% MoM in Feb-25, driven by the recent share price performance, and is now trading at the 10-year mean.

Figure 3: List of S-REITs with perpetual bonds and their respective call dates

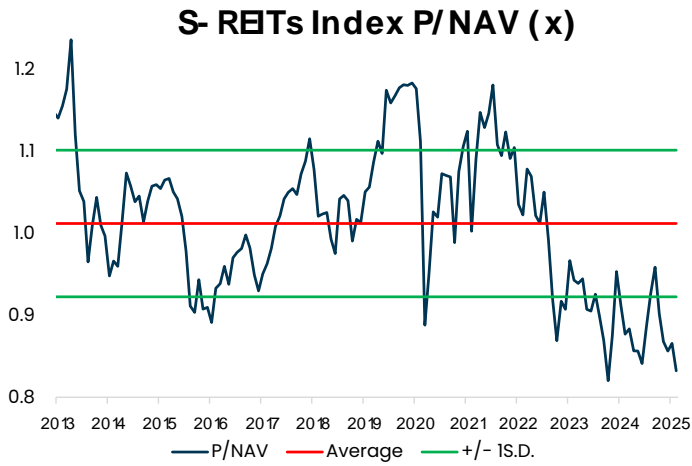
Issuer Name	Coupon	Currency	Next Call Date	Amt Issued	Issue Date	Mty Type	Amt Out
Lendlease Global Commercial REIT	5.25	SGD	11/4/2025	200,000,000	11/4/2022	PERP/CALL	200,000,000
AIMS APAC REIT	5.65	SGD	14/8/2025	125,000,000	14/8/2020	PERP/CALL	125,000,000
Keppel REIT	3.15	SGD	11/9/2025	300,000,000	11/9/2020	PERP/CALL	300,000,000
CapitaLand Ascendas REIT	3	SGD	17/9/2025	300,000,000	17/9/2020	PERP/CALL	300,000,000
Suntec Real Estate Investment Trust	3.8	SGD	27/10/2025	200,000,000	27/10/2020	PERP/CALL	200,000,000
CapitaLand China Trust	3.375	SGD	27/10/2025	100,000,000	27/10/2020	PERP/CALL	100,000,000
Starhill Global REIT	3.85	SGD	15/12/2025	100,000,000	15/12/2020	PERP/CALL	100,000,000
Mapletree Industrial Trust	3.15	SGD	11/5/2026	300,000,000	11/5/2021	PERP/CALL	300,000,000
Lendlease Global Commercial REIT	4.2	SGD	4/6/2026	200,000,000	4/6/2021	PERP/CALL	200,000,000
Mapletree North Asia Commercial Trust	3.5	SGD	8/6/2026	250,000,000	8/6/2021	PERP/CALL	250,000,000
Suntec Real Estate Investment Trust	4.25	SGD	15/6/2026	150,000,000	15/6/2021	PERP/CALL	150,000,000
AIMS APAC REIT	5.375	SGD	1/9/2026	250,000,000	1/9/2021	PERP/CALL	250,000,000
Mapletree Logistics Trust	3.725	SGD	2/11/2026	400,000,000	2/11/2021	PERP/CALL	400,000,000
Cromwell European Real Estate Investment Trust	5	SGD	24/11/2026	100,000,000	24/11/2021	PERP/CALL	100,000,000
ESR-LOGOS REIT	5.5	SGD	9/6/2027	150,000,000	9/6/2022	PERP/CALL	150,000,000

Source: Bloomberg, Phillip Securities Research

Lendlease Global Commercial REIT will redeem its S\$200mn 5.25% perpetual security on 11 April 2025.

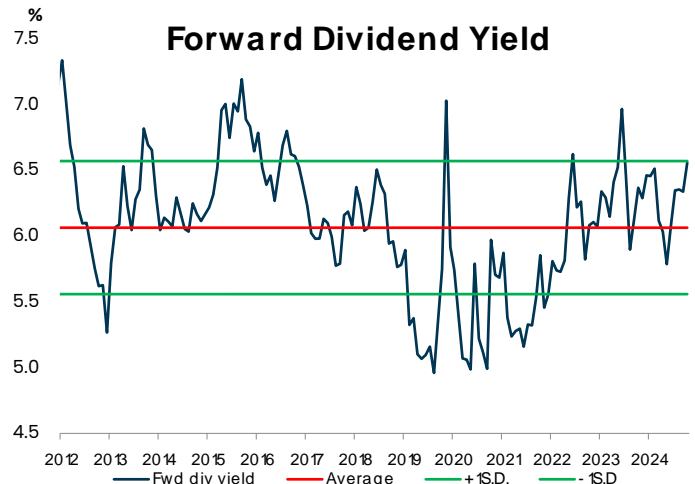
MACROECONOMIC ENVIRONMENT

Figure 4: P/NAV of 0.83x is at -2x s.d.



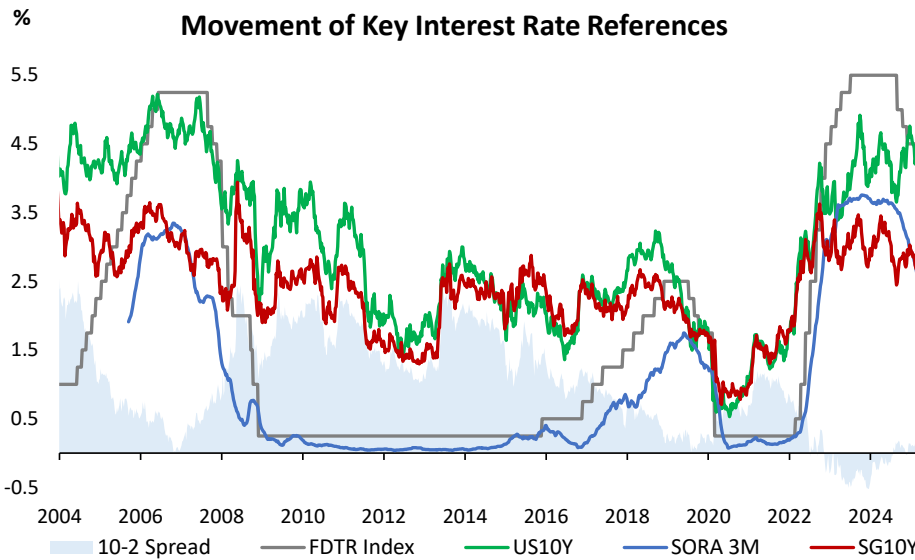
Source: Bloomberg, Phillip Securities, Research

Figure 5: Forward dividend yield of 6.6% is at +1x s.d.



Source: Bloomberg, Phillip Securities Research

Figure 6: Fed Funds rates vs Singapore interest rates



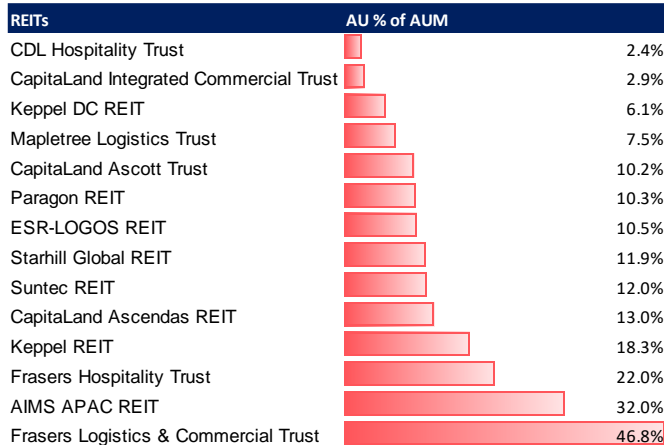
Source: Bloomberg, PSR

SG10Y yield fell 18bps MoM and 37bps YoY in Feb-25, while 3MSORA fell 17bps MoM and 90bps YoY.

(in %)	SG10Y	3MSORA
28 Feb 2025	2.74	2.75
4Q24 Average	2.83	3.30
3Q24 Average	2.80	3.59
10Y Ave. (2014-2024)	2.24	1.13

Source: Bloomberg, PSR

Figure 7: S-REITs exposure to Australia as a % of AUM

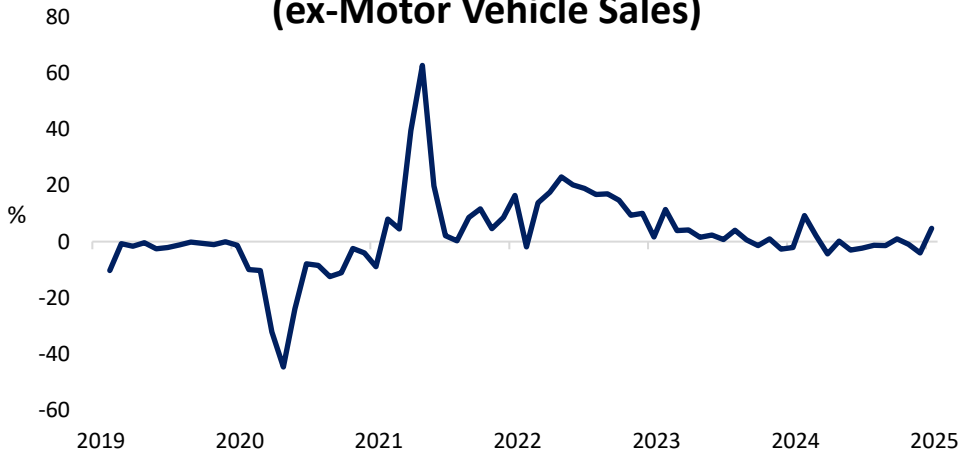


Source: PSR, Company

SUBSECTOR MONTHLY INDICATORS

Figure 8: Jan-25 RSI rose 4.8% YoY

**Retail Sales Index (monthly YoY%)
(ex-Motor Vehicle Sales)**



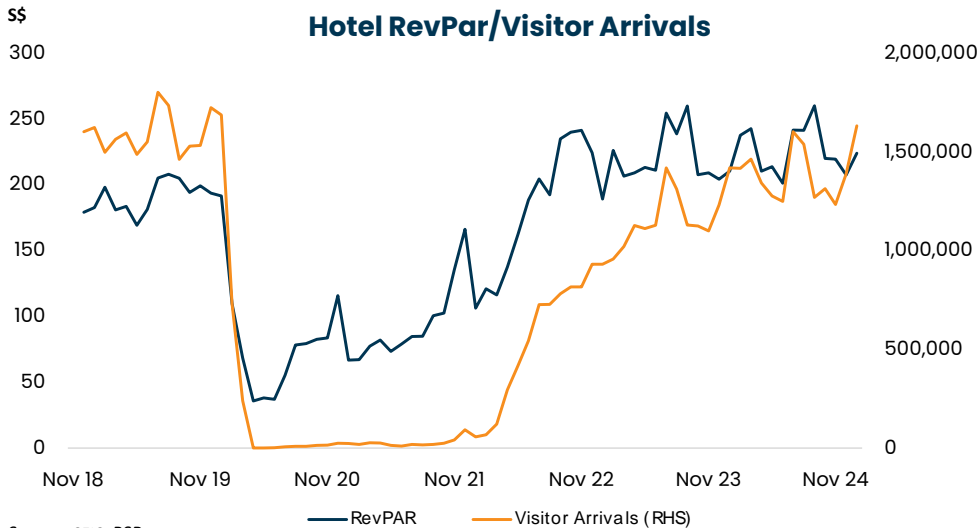
Source: CEIC, PSR

in %	RSI (excl. motor vehicles)	RSI (Dept stores)	RSI (Supermarkets)	RSI (Fashion)	F&B Services Index
Jan-25	4.8	2.0	11.0	7.3	10.4
Jan-24	-2.1	-2.9	-6.1	-11.3	-5.3

Jan-25 RSI (ex. MV) rose 4.8% YoY, reversing the 4% decline YoY in Dec-24. The growth was partly due to Chinese New Year being celebrated in Jan-25, as compared to Feb-24.

Most industries recorded YoY growth in sales in Jan-25. Watches and jewellery, as well as food and alcohol, were the most significant gainers, with increases of +16.3% and +11.6%, respectively. In contrast, computer & telecommunications equipment was the largest decliner at -4.4%.

Figure 9: Tourist arrivals and hotel RevPAR recovery



Source: CEIC, PSR

	Visitor Arrivals		Hotel RevPAR (S\$)	Hotel Occupancy (%)	Hotel Average Room Rate (S\$)
Jan-25	1,633,471	Jan-25	224	82.5	272
Jan-24	1,419,956	Jan-24	210	78.2	269
YoY%	15.0%	YoY%	6.5%	4.3 ppts	1.0%

Jan-25 RevPAR and international visitor arrivals were +17% and -3% of pre-COVID levels, respectively.

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