

# Singapore Industry Focus

# Singapore REITs

Refer to important disclosures at the end of this report

DBS Group Research . Equity

5 Jul 2018

## Keeping our ears on the ground

- **Thai investors return to a “uniquely Singapore” 3-day tour**
- **Positive feedback on the ground; turning into a landlords' market soon**
- **Time to re-enter into selective REITs with growth**

**Thai investors return in force!** On the back of a successful “familiarisation trip” a year ago, we hosted an even bigger group of institutional funds from Thailand to a 3-day tour of Singapore recently. Building on the past insights gained in previous meetings with various S-REIT managers, the investors this time, sought to explore new names and also re-visited a selected group of S-REIT managers for an update on the market outlook. Our site visits included a visit to key properties across the island (currently owned by S-REITs and pipeline assets). We also met with SingPost to gain a deeper understanding of their distribution business (logistics and mail), providing us insights into what happens in a warehouse.

**Positive feedback loop from “the ground”; market turning into a landlords' market soon.** The on-the-ground feel we got in our property visits was generally positive. Through talking to the property and REIT managers, operationally, most are seeing an uptick in tenant demand for most sectors (office, industrial and hotels) and have increased ability to price up. Even for the retail sector, which is widely perceived to be the most “challenged” given the threat of e-commerce, selective malls continue to see good demand for space and tenant sales had been inching higher. This implies that the worst for retail could be over. With property market dynamics pointing towards lower supply risk across most real estate subsectors over 2018-2019, we believe that, with the economic environment remaining stable, we will see a landlords' market over the next few years.

**Timing the re-entry into REITs selectively.** Timing of the visits was apt, especially when the S-REITs' (FSTREI) share prices have fallen of late (9% YTD vs 5% YTD drop in the Straits Times Index), weakened by fund outflows on the back of tightening yield spreads. With rising 10-year bond rates (UST up 45 bps YTD and SG 10-year up 50 bps YTD) which are expected to hit 2.7% by end 2018 and 2.9% by end 2019, according to DBS economists, we believe that share prices will likely remain volatile. Therefore, our strategy will be to pick winners among subsectors, with a preference for S-REITs with an ability to continue tapping a potent mix of organic and inorganic opportunities.

STI : 3,244.89

### Analyst

Derek TAN +65 6682 3716  
derek.tan@dbs.com

Mervin SONG, CFA +65 6682 3715  
mervinsong@dbs.com

Carmen Tay +65 6682 3719  
carmentay@dbs.com

Rachel TAN +65 6682 3713  
rachel.tan@dbs.com

Rui Wen LIM +65 66823720  
ruiwenlim@dbs.com

### Featured companies

	Price S\$	Mkt Cap US\$m	12-mth		Rating
			Target Price S\$	Performance (%) 3 mth 12 mth	
Ascendas REIT	2.64	5,667	3.00	0.0 0.8	BUY
Cache Logistics Trust	0.76	596	0.88	(8.4) (14.7)	HOLD
AIMS AMP Capital Industrial REIT	1.38	691	1.55	0.0 (6.4)	BUY
CapitaLand Mall Trust	2.03	5,277	2.19	(1.0) 3.3	BUY
CDL Hospitality Trusts	1.55	1,367	2.00	(8.3) (4.3)	BUY
Frasers Centrepoint Trust	2.19	1,486	2.45	(0.5) 2.3	BUY
Frasers Property Ltd	1.64	3,499	2.35	(15.9) (12.1)	BUY
Mapletree Industrial Trust	1.96	2,707	2.22	(3.0) 6.0	BUY
SPH REIT	1.00	1,873	1.07	0.0 (0.5)	BUY
SPH	2.59	3,032	2.60	5.3 (18.8)	HOLD
SingPost	1.28	2,122	1.55	(1.5) (4.5)	BUY

Source: DBS Bank, Bloomberg Finance L.P.

Closing price as of 4 Jul 2018

Post-meeting thoughts

Sector	S-REITs Met / Visited			Rental Trends		Meeting / Visit Takeaways
	S-REITs	Mgmt Meeting	Site Visit	FY18F	FY19F	
<b>Industrial</b>	AIMS AMP Capital Industrial REIT Ascendas REIT Keppel DC REIT Mapletree Industrial Trust Cache Logistics Trust	x  x  x	x  x  x			Managers are starting to see an uptick in enquiries for industrial spaces this year, which further affirms our view that market rents are bottoming out and set to recover in FY19F/20F as the supply-demand gap narrows. Meanwhile, business parks – for which rental reversions have been positive given the lack of supply, are set to perform better.
<b>Retail</b>	Frasers Centrepoint Trust Capitaland Mall Trust SPH REIT SPH		x x x			Net absorption for the sector is expected to remain weak in the immediate term, but there are exceptions. During our visits, we observe that suburban (but well-connected) and/or uniquely positioned malls had higher footfall and amid supply-side challenges, should remain more resilient. The introduction of new retail concepts and repositioning of malls into integrated, lifestyle hubs are likely to be the recurrent themes.
<b>Hotels</b>	CDL Hospitality Trusts	x				Despite the influx of new supply in 2H17, Singapore hotels have achieved improved RevPAR and F&B sales performance YTD, which suggest that the sector's anticipated multi-year recovery is well underway. Ahead, the projected growth in visitor arrivals and moderating supply from 2018 onwards should continue to translate into higher rents.
<b>Office</b>	-					No meetings held but DBS Research believes that limited supply of new office space over 2018F-2020F, coupled with robust demand for Grade A facilities, will see a multi-year upturn in office rents in Singapore.

Source: DBS Bank

Post Meeting thoughts

Sector	Company	Mgmt Meeting	Site Visit	Earnings Trend		Meeting / Visit Takeaways
				FY18F	FY19F	
Industrials	Singapore Post		x	↑	↑	SingPost continues to benefit from eCommerce-related activities. The Regional eCommerce Logistics Hub continues to see higher utilisation: 96% utilisation for warehousing and 21% for parcel sorting as it continues to drive the scale of eCommerce warehouse and fulfilment. SingPost Centre retail mall's rental income will add to SingPost's core income, with committed occupancy at 95.6% as at 31 March 2018.

The Singapore Tour



Source: DBS Bank, URA

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*

Completed Date: 5 Jul 2018 17:30:09 (SGT)

Dissemination Date: 5 Jul 2018 18:52:18 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

#### GENERAL DISCLOSURE/DISCLAIMER

**This report is prepared by DBS Bank Ltd.** This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

#### ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

#### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates have a proprietary position in Ascendas REIT, Keppel DC REIT, Mapletree Industrial Trust, Cache Logistics Trust, Frasers Centrepoint Trust, CapitaLand Mall Trust, SPH REIT, SPH, CDL Hospitality Trusts, Singapore Post, recommended in this report as of 31 May 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates have a net long position exceeding 0.5% of the total issued share capital in Ascendas REIT, Keppel DC REIT, Mapletree Industrial Trust, Cache Logistics Trust, Frasers Centrepoint Trust, SPH REIT, CDL Hospitality Trusts, recommended in this report as of 31 May 2018.
4. DBS Bank Ltd, DBS HK, DBSVS, DBSVUSA or their subsidiaries and/or other affiliates beneficially own a total of 1% of any class of common equity securities of Keppel DC REIT, Cache Logistics Trust, SPH REIT, CDL Hospitality Trusts, as of 31 May 2018.

#### Compensation for investment banking services:

5. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Ascendas REIT, Keppel DC REIT, Mapletree Industrial Trust, Cache Logistics Trust, Frasers Centrepoint Trust, CapitaLand Mall Trust, CDL Hospitality Trusts, as of 31 May 2018.
6. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Ascendas REIT, Keppel DC REIT, Mapletree Industrial Trust, Cache Logistics Trust, Frasers Centrepoint Trust, CapitaLand Mall Trust, CDL Hospitality Trusts, in the past 12 months, as of 31 May 2018.
7. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

#### Directorship/trustee interests:

8. Olivier Lim Tse Ghow, a member of DBS Group Holdings Board of Directors, is a Advisor of Frasers Property Ltd as of 31 Mar 2018.


#### Disclosure of previous investment recommendation produced:

9. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**RESTRICTIONS ON DISTRIBUTION**

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	<p>This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"). DBS holds Australian Financial Services Licence no. 475946.</p> <p>DBSVS is exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. DBSVS is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
<b>Hong Kong</b>	<p>This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).</p> <p>For any query regarding the materials herein, please contact Carol Wu (Reg No. 8283) at equityresearch@db.com.</p>
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <div style="text-align: right;">   Wong Ming Tek, Executive Director, ADBSR </div>
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
<b>United Kingdom</b>	<p>This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore.</p> <p>This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>
<b>Dubai International Financial Centre</b>	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3rd Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.



<b>United Arab Emirates</b>	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
<b>United States</b>	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
<b>Other jurisdictions</b>	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

## DBS Regional Research Offices

### HONG KONG

#### DBS Bank (Hong Kong) Limited

Contact: Carol Wu  
18th Floor Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
Participant of the Stock Exchange of Hong Kong

### MALAYSIA

#### AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)  
19th Floor, Menara Multi-Purpose,  
Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.  
Tel.: 603 2604 3333  
Fax: 603 2604 3921  
e-mail: general@alliancedbs.com

### SINGAPORE

#### DBS Bank Ltd

Contact: Janice Chua  
12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Tel: 65 6878 8888  
Fax: 65 65353 418  
e-mail: equityresearch@dbs.com  
Company Regn. No. 196800306E

### INDONESIA

#### PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif  
DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia  
Tel: 62 21 3003 4900  
Fax: 6221 3003 4943  
e-mail: research@id.dbsvickers.com

### THAILAND

#### DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul  
989 Siam Piwat Tower Building,  
9th, 14th-15th Floor  
Rama 1 Road, Pathumwan,  
Bangkok Thailand 10330  
Tel. 66 2 857 7831  
Fax: 66 2 658 1269  
e-mail: research@th.dbs.com  
Company Regn. No 0105539127012  
Securities and Exchange Commission, Thailand