

Singapore Retail REITs

Analyst

Carmen Tay +65 6682 3719; carmentay@dbs.com
Derek TAN +65 6682 3716; derektan@dbs.com
Mervin SONG, CFA +65 6682 3715 mervinsong@dbs.com

Jewel of the East reaches new leasing milestone

- Changi Jewel hits 90% pre-commitment rates
- Retail supply not a major risk, contrary to investors' expectations
- 2019 could be a time for retail REITs to shine

What's New

A new milestone. Jewel Changi Airport ("Jewel") is set to open its doors in early 2019. Ahead of its opening, Changi Airport Group announced that it has achieved committed occupancies for almost 90% of its retail space (based on NLA of ~575,900 sqft).

Gem rising in the east. The launch of Jewel, Singapore's first large-scale lifestyle destination with integrated retail, play and nature elements, is set to boost Changi Airport's appeal as a leading air hub and on a standalone basis, is set to enhance the tourism and retail landscape. Poised to be a dominant force in the retail scene, it offers unique attributes that appeal to both tourists and locals:

Differentiated shopper experience

- Jewel will feature over 280 shops and eateries, which will envelop the mall's Forest Valley and Rain Vortex, allowing shoppers to traverse seamlessly between nature and retail
- 60% of brands are new to Changi Airport; F&B operators to represent over 30% of Jewel's retail mix
- Highly anticipated line-up, including new-to-market concepts (i.e. Shake Shack, Pokemon Centre Singapore and A&W) and popular homegrown brands (i.e. Violet Oon's, Tiger Beer and Naiise)

- Other on-site recreational attractions available at the 14,000 sqm Canopy Park further adds to the experience

Premium location

- Ease of access for stopover and layover travellers alike
- Connectivity via public transportation

Our Thoughts

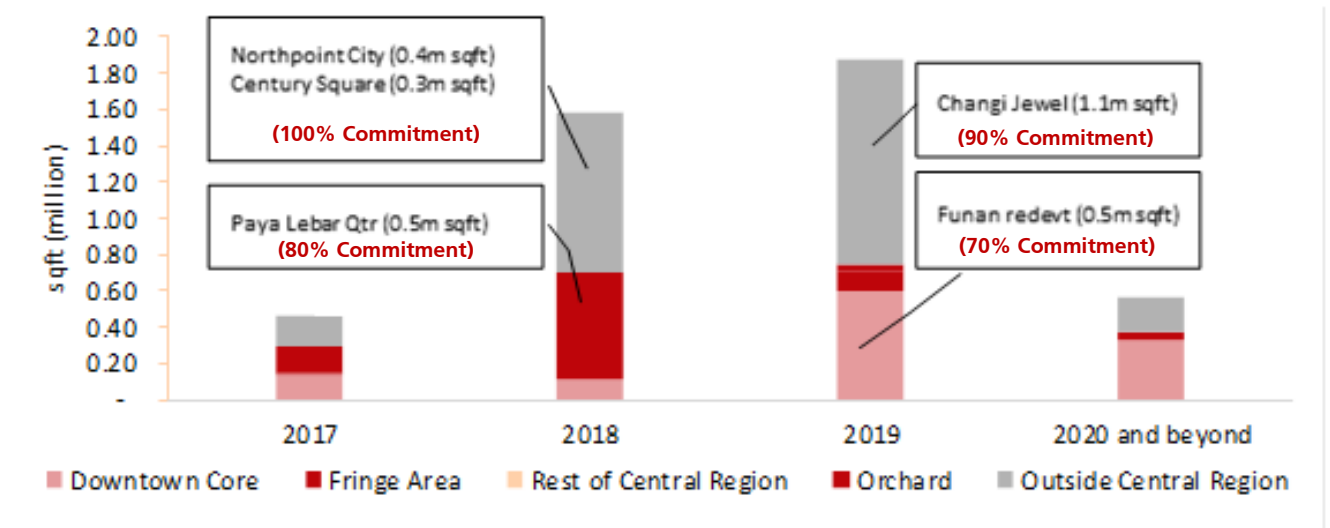
Retail REITs have a chance to shine in 2019. Consistently strong take-up rates for upcoming retail spaces this year are a reflection of healthy demand in the retail arena. With commitment for Jewel now close to 90%, we believe that investor concerns over potential oversupply issues – the main drag on the retail sector's lacklustre performance this year, in our opinion – should start to dissipate.

We are likely to see near-term disruptions to existing malls in the east (Tampines Mall, 11.6% of CMT top line) and Changi City Point (13.5% of FCT top line) and even to as far as VivoCity (55% of Mapletree Commercial Trust revenues) as shopper travel patterns and retail spent might be diverted to the newer malls due to "novelty effect", especially from the opening of Jewel in early 2019. However, we do not expect these disruptions to be structural in nature. Travel patterns should return to normalcy in the medium term as the effect runs out.

Further, with several retail REITs starting to see positive reversions in the recent quarter, we believe the worst for the sector is almost over.

Given limited new supply, and as vacancy risks continue to contract, we believe that 2019 could be the sector's time to shine.

Supply



Source: URA, DBS Bank

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Share price appreciation + dividends

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DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

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