

# Singapore Industry Focus

## Singapore REITs

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Aug 2025

### Spring has arrived

- Undemanding valuations still (0.9x P/B, 4.0% yield spread) drive investors back to S-REITs; 2H25 alpha picks: [CICT](#), [FCT](#), [MPACT](#), [MLT](#), [KREIT](#), and [PREIT](#)
- Retail S-REIT offer brightest organic growth prospects in 2H25, followed by logistics & datacentre names; office S-REITs' rental reversions continue to surprise
- Distributable income growth to outpace net property income, signalling interest rates tailwinds
- 'Value-up' opportunities in mid-caps like [LREIT](#), [EREIT](#), and [ELITE](#) with high yields of 6.5%-9.0%

**Investors are allocating more to S-REITs.** We are growing increasingly constructive on S-REITs. Declining SORA rates in Singapore, now around 1.5% (with funding costs at c.2.3%-2.8%), have reignited acquisition activity, further aided by a pick-up in equity fundraising (SGD2.4bn raised). Despite S-REIT index's c.5% rise since early Aug 25, **valuations remain undemanding at 0.9x P/B and a FY26F yield of 5.8% (a 4.0% yield spread against 10-year bond yields, -1SD).** We believe investors should continue to allocate more capital into the sector.

**Tailwinds gradually seeping into the sector.** We remain optimistic for stronger DPU growth in 2H25, fuelled by continued positive rental reversions and lower interest rates. **Retail S-REITs** remain buoyant, boosted by consumption vouchers (SG60, CDC). While 1H25 supply spikes drove a moderation, **industrial S-REITs** still saw positive rental uplifts (positive on logistics, datacentres). A **key surprise came from office S-REITs**, where overall reversions held strong, in the +10% region, above expectations due to dwindling Grade A supply. After a weak 1H25, hotel S-REITs should see an improving outlook, although booking visibility remains weak. Overall, we are observing **increasing positive tailwinds from lower interest rates**: about half of all S-REITs are now reporting h/h distributable income growth outpacing net property income (NPI) growth, indicating a growing boost from falling interest rates. We note that sector's average interest cost has dipped 10bps q/q, now c.25bps off the peak in 3Q24, with further reductions anticipated.

**How are we positioned in 2H25; our top picks and "potential EQDP proxies".** We predict increasing momentum for the sector heading into 2H25, aided by an improving interest cost outlook, driving DPUs higher (+1.1% y/y in FY25/+3.5% y/y in FY26). We maintain our preference: **retail > industrial > office > hotels**. Considering overall valuations and growth potential, our 2H25 picks are: [CICT](#), [FCT](#), [MPACT](#), [MLT](#), [KREIT](#), and [PREIT](#). On the back of Equity Development Programme (EQDP)-related inflows, we also note heightened interest in mid-cap S-REITs, where we see alpha opportunities in [LREIT](#), [ELITE](#), and [EREIT](#), which offer yields ranging between 6.5%-9.0%.

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#### STOCKS

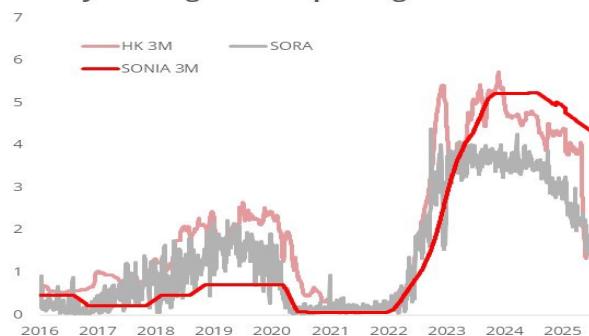
	Price SGD	Mkt Cap USDmn	12-mth Target Price SGD	Performance (%)		Rating
				3 mth	12 mth	
<a href="#">CapitaLand Integrated Commercial Trust</a>	2.26	12,809	2.50	9.7	8.1	BUY
<a href="#">Elite UK REIT (GBP)</a>	0.34	279	0.40	4.6	33.3	BUY
<a href="#">ESR REIT</a>	2.74	1,713	3.20	24.0	3.4	BUY
<a href="#">Keppel REIT</a>	0.98	2,915	1.10	14.0	9.6	BUY
<a href="#">LendLease Global Commercial REIT</a>	0.60	1,121	0.75	24.0	3.5	BUY
<a href="#">Mapletree Logistics Trust</a>	1.22	4,796	1.55	10.9	(7.6)	BUY
<a href="#">Mapletree Pan Asia Commercial Trust</a>	1.38	5,643	1.50	17.0	4.6	BUY
<a href="#">Parkway Life REIT</a>	4.15	2,106	4.75	1.5	11.9	BUY
<a href="#">Fraser's Centrepoint Trust</a>	2.29	3,237	2.75	5.5	(2.8)	BUY

Source: DBS, Bloomberg

Closing price as of 25 Aug 2025

#### Drop in funding costs a boon for REITs

##### Key funding costs impacting S-REITs



Source: DBS

**A more conducive environment for S-REITs to shine**

**Growth is returning.** S-REITs are entering a more conducive operating environment, as lower benchmark interest rates have restored their appeal. Amid the overall lower interest rate environment expected, we project this could lift FSTREI index by c.5% in the second half of 2025, assuming all else constant. S-REITs are now trading at an average P/B of 0.9x, FY25F yields of 5.8%, which represents a c.4.0% spread against the 10-year Singapore bond yield.

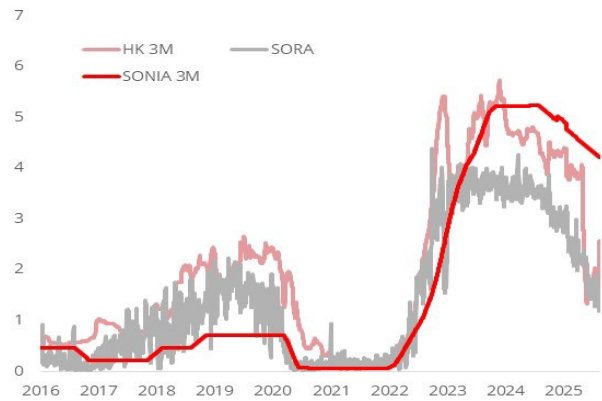
The recent strength in share prices, coupled with receding benchmark interest rates, has presented an opportunity for selected S-REITs to reignite acquisition and fundraising activity. This pivotal shift is propelling S-REITs back into a growth phase, evidenced by SGD3.4bn in new equity raised year-to-date (YTD) through placements and new initial public offerings (IPOs). S-REITs have announced close to SGD2.0bn in acquisitions year-to-date. Asset recycling also remains a key strategy, with selected S-REITs now trading well above net asset values (NAVs), signalling the return of the virtuous cycle of growth to the sector.

**FED opens the door to a possible rate cut in Sept 25.** FED Chair Jerome Powell's latest remarks at Jackson Hole are music to the ears of S-REIT investors, signalling a likely Sept

25 rate cut that will maintain an overall more conducive interest rate environment for S-REITs. With more activity and a gradual turn interest rates trends in store for the S-REITs, we believe that overall valuations, which are still below historical averages, have room to compress.

**Key benchmark rates have dipped and stayed low since Apr 25**

Key funding costs impacting S-REITs



Source: Bloomberg, DBS

**Key benchmark rates have dipped and stayed low since Apr 25**

REIT yields and yield spreads



Source: Bloomberg, DBS

### Steady fundamentals to continue

**Increasing optimism noted.** We continue to see overall strength in underlying rental reversions across most real estate subsectors in 1H25. Within the **retail sector**, we anticipate **continued resilience throughout 2025, driven by the significant consumption boost** from government-issued consumption vouchers (SG60 vouchers and CDC vouchers) through 2025. These are benefitting close to 1.33mn Singaporean households, or close to 3mn Singaporeans (SG60 vouchers range from SGD600 to SGD800 each). While these monies are likely to be spent at the heartland shops, supermarkets will also see increased activity, ultimately benefiting suburban landlords.

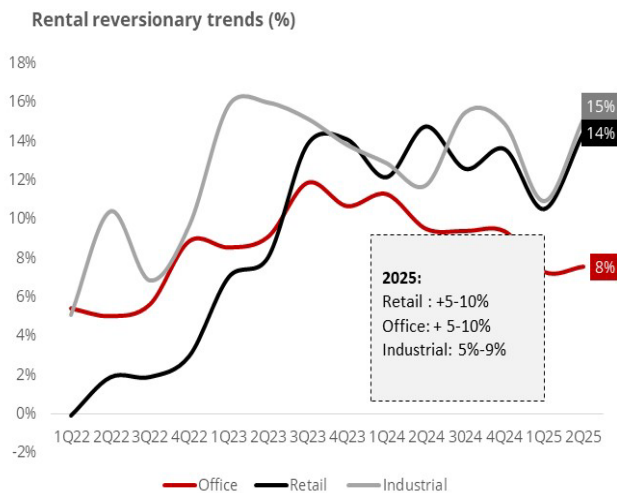
**Tightening vacancy rates are providing support for office landlords.** Office-focused S-REITs delivered a strong positive surprise, reporting rental reversions that held strong in the 7%-8% range. This positive momentum is expected to continue broadly through 2H25 and even into 2026. We understand that the gradual absorption of Grade A CBD

office space and shadow space is driving down vacancies, currently at 5.2%, and expected to trend lower, thereby supporting further rental growth.

**Industrial S-REITs continue to report high rental reversions,** generally in the mid-teens, due to still-wide leasing spreads. While we expect these numbers to gradually moderate, they are expected to remain generally positive. Notably, logistics S-REITs are experiencing some moderation as new supply slowly ramps up.

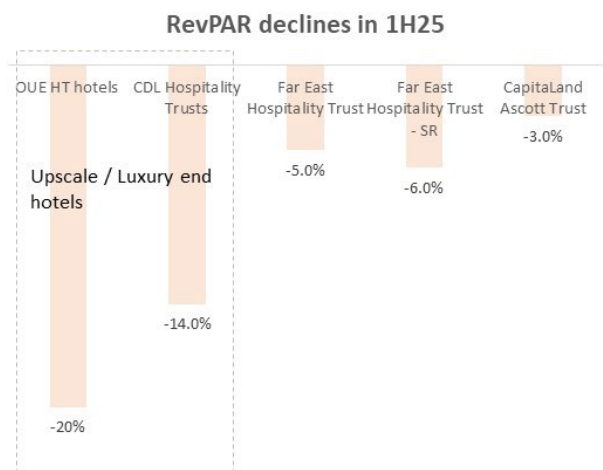
Within **hospitality S-REITs**, we noted general dips in performance in 1H25, due to a higher base effect, supply competition, and a downtrading effect from tourists, evidenced by a higher y/y drop in upscale/luxury hotels and a lower y/y dip in mid-scale hotels. Nevertheless, most hoteliers are expecting a gradual improvement in 2H25, owing to a seasonally strong half, which could mean the weakness seen in 1H25 is unlikely to be recur.

### Retail, office, and industrial reversions remain positive and are expected to remain strong



Source: Bloomberg, DBS

### Higher end hospitality saw weakness



Source: Bloomberg, DBS

## Interest rates turning into tailwinds

**Increasing optimism noted.** 1H25 results have shown a gradual improvement in net property income (NPI). Our interest rate playbook is clearly playing out, with overall S-REITs demonstrating a further 10bps q/q drop in interest costs in their 2Q25 results.

Over the past three years, **industrial REITs have consistently reported positive rental reversions**, particularly over the past six to eight quarters. During this period, many industrial REITs recorded double-digit rental reversions, largely driven by high-specification, logistics, and data centre properties, where demand has continued to outpace supply.

Similarly, **office REITs have reported high single-digit positive rental reversions** over the past three years. This growth has been primarily supported by the limited availability of Grade-A office space in the core CBD. Even with the recent addition of IOI Central Boulevard in Marina Bay, office rents and occupancy rates have remained resilient, exceeding expectations by showing continued rental growth.

The **retail and hospitality sectors have reported mixed NPI growth** figures, largely influenced by seasonality and fluctuations in tourist arrivals (driven by major concerts and events). Despite these short-term variations, both sectors are showing a general uptrend in revenue and NPI.

As illustrated in the table below, both office and industrial REITs have delivered at least three consecutive half-year periods of NPI growth. While some of this top-line growth can be attributed to acquisitions, the majority of the increase in NPI has been driven by organic rental growth.

**Top-line growth has also translated into higher distributable income.** As revenues improve and most operating costs remain stable, many REITs have been able to deliver steady growth in distributable income (DI). However, it's worth noting that DI growth for some REITs continues to lag, primarily due to timing differences and one-off factors.

In addition, declining borrowing costs have emerged as a key driver of DI growth in recent quarters. REITs across the board have benefited from improvements in the floating portions of their borrowings. Several REITs have also undertaken refinancing efforts, resulting in lower overall borrowing costs, thanks to a combination of falling base rates and tighter credit spreads.

Looking ahead, with benchmark borrowing rates continuing to trend downward, **lower financing costs are expected to play an even greater role in supporting further improvements in DI for REITs.**

## Industrial and office S-REITs have reported consecutive periods of NPI growth

REIT	Net Property Income (h/h change)						Distributable Income (h/h change)					
	2H22	1H23	2H23	1H24	2H24	1H25	2H22	1H23	2H23	1H24	2H24	1H25
CICT	14%	-3%	3%	2%	3%	2%	3%	-1%	3%	0%	5%	7%
KREIT	-10%	9%	1%	5%	6%	6%	0%	-1%	1%	-3%	1%	-2%
MPACT	28%	1%	1%	-5%	-2%	-	22%	-5%	1%	-9%	-3%	-
SUN	3%	-6%	5%	-3%	3%	2%	-15%	-14%	6%	-17%	4%	1%
OUECT	30%	-10%	11%	-8%	17%	-22%	-5%	2%	0%	-11%	22%	-13%
<b>Average (Office)</b>	<b>14%</b>	<b>-2%</b>	<b>3%</b>	<b>0%</b>	<b>3%</b>	<b>1%</b>	<b>4%</b>	<b>-3%</b>	<b>3%</b>	<b>-4%</b>	<b>4%</b>	<b>3%</b>
FCT	5%	17%	-8%	3%	0%	-1%	-8%	5%	-5%	3%	5%	1%
LREIT	78%	1%	23%	-23%	4%	-1%	31%	-7%	-6%	-15%	3%	1%
SGREIT	-1%	-1%	1%	0%	2%	-1%	-10%	9%	-10%	4%	-2%	3%
<b>Average (Retail)</b>	<b>17%</b>	<b>12%</b>	<b>-1%</b>	<b>-2%</b>	<b>1%</b>	<b>-1%</b>	<b>-1%</b>	<b>4%</b>	<b>-6%</b>	<b>0%</b>	<b>4%</b>	<b>1%</b>
CLCT	-18%	13%	-9%	0%	-8%	-2%	-17%	11%	-20%	1%	-11%	-5%
SASS	-9%	6%	0%	-2%	0%	-3%	-4%	1%	-10%	8%	-5%	4%
<b>Average (Retail Overseas)</b>	<b>-13%</b>	<b>9%</b>	<b>-5%</b>	<b>-1%</b>	<b>-4%</b>	<b>-3%</b>	<b>-10%</b>	<b>6%</b>	<b>-15%</b>	<b>5%</b>	<b>-8%</b>	<b>0%</b>
CLAS (ART)	44%	-9%	19%	-6%	15%	-8%	48%	-15%	46%	-31%	40%	-28%
CDREIT	43%	-14%	20%	-12%	3%	-15%	60%	-21%	-3%	28%	-22%	-29%
FEHT	6%	23%	2%	-1%	1%	-8%	4%	24%	7%	-17%	-4%	-5%
<b>Average (Hospitality)</b>	<b>36%</b>	<b>-3%</b>	<b>16%</b>	<b>-6%</b>	<b>10%</b>	<b>-9%</b>	<b>41%</b>	<b>-8%</b>	<b>29%</b>	<b>-18%</b>	<b>19%</b>	<b>-23%</b>
CLINT	0%	3%	10%	10%	-1%	11%	-8%	-3%	-7%	18%	-12%	26%
CLAR	3%	3%	1%	3%	-1%	0%	1%	-2%	0%	1%	2%	-2%
EREIT	36%	-1%	-6%	-3%	4%	25%	41%	-2%	-10%	-5%	-10%	16%
MINT	0%	0%	1%	1%	-1%	-	-3%	5%	3%	2%	0%	-
MLT	-4%	3%	-2%	0%	-2%	-	0%	4%	-1%	-7%	-3%	-
KDCREIT	5%	-2%	-8%	13%	-4%	43%	3%	-3%	-12%	0%	14%	38%
AAREIT	-9%	9%	3%	1%	-2%	-	9%	1%	2%	3%	0%	-
FLT (FLCT)	-10%	-4%	-1%	1%	3%	3%	3%	-6%	1%	-1%	-12%	-1%
DHLT	2%	1%	-4%	-4%	7%	-1%	-15%	2%	1%	-6%	-4%	-4%
DCREIT	-5%	11%	-11%	4%	28%	12%	-7%	0%	-7%	13%	4%	0%
<b>Average (Industrials)</b>	<b>2%</b>	<b>2%</b>	<b>-1%</b>	<b>3%</b>	<b>0%</b>	<b>8%</b>	<b>2%</b>	<b>0%</b>	<b>-2%</b>	<b>0%</b>	<b>0%</b>	<b>6%</b>
PREIT (Healthcare)	17%	6%	-2%	-1%	0%	8%	4%	0%	3%	1%	0%	9%
SERT	3%	-1%	-4%	0%	0%	2%	-3%	-8%	1%	-10%	0%	-7%
IREIT	0%	-10%	27%	-3%	-2%	-32%	-10%	-16%	3%	1%	-2%	-25%
ELITE	-3%	13%	-20%	14%	-1%	-1%	-11%	-23%	-7%	6%	7%	5%
<b>Average (Europe-focused)</b>	<b>2%</b>	<b>-1%</b>	<b>-1%</b>	<b>1%</b>	<b>0%</b>	<b>-4%</b>	<b>-5%</b>	<b>-11%</b>	<b>0%</b>	<b>-7%</b>	<b>0%</b>	<b>-8%</b>

Source: Company, DBS

## Savings in financing costs to drive earnings

**Pace of distributable income ("DI") growth driven by savings in borrowing costs.** In the table below, a "Yes" indicates that DI growth has outpaced NPI growth, while a "No" suggests that DI growth is still lagging NPI growth. Overall, we observed that DI in the retail, office, and healthcare sectors is growing at a faster pace than their respective NPIs. This trend points to improvements in non-operating costs, particularly financing costs, as a key factor driving DI growth ahead of NPI.

**Office S-REITs:** The office sub-sector has emerged as one of the key beneficiaries of falling interest rates, largely because office REITs tend to have some of the highest average gearing ratios. However, the impact of lower rates has been uneven across regions. While domestic borrowing costs are easing, base rates in Europe and Australia have not fallen as quickly. Consequently, refinancing of AUD and EUR-denominated loans has resulted in marginal cost increases.

In addition, certain strategic initiatives and one-off items have put pressure on earnings for some office REITs, despite benefitting from lower financing costs. For example, KREIT has begun paying 25% of its manager's fees in cash starting from FY25, which will reduce DI. Excluding this, KREIT remains our top pick for their exposure to Grade A office in Singapore's core CBD. Although KREIT's borrowing costs continue to inch upward due to refinancing, we expect savings to kickstart in FY26.

Meanwhile, SUN has been impacted by a c.SGD8mn higher tax bill related to its Australian portfolio, following the temporary loss of its Managed Investment Trust (MIT) status. Excluding these one-offs, office REITs would have already seen consistently improving earnings from a combination of improving operating performance, as well as stabilising and improving non-operating costs.

**Retail S-REITs:** The past three quarters have seen sustained, broad-based declines in interest costs, particularly for REITs with a high proportion of SGD-denominated debt in their portfolios. This trend has been especially beneficial for players whose average cost of debt was marked to market earlier, such as FCT, allowing them to realise interest savings sooner.

The current low market borrowing costs have also created a more conducive environment for acquisition-related funding. This was evident in CICT's recent announcement of its acquisition of CapitaSpring, which was supported by favourable financing conditions.

Retail REITs with exposure to China have also benefited from a steady downtrend in onshore borrowing rates, as the People's Bank of China continued to cut rates, which reached a two-decade low by mid-2025.

Looking ahead, we continue to expect broad-based declines in interest costs across the retail REIT sector, with FCT positioned as one of the top beneficiaries of this trend.

**Hospitality S-REITs:** Hospitality S-REITs continue to maintain a more stable interest rate profile, supported by higher levels of in-place hedging and a diversified mix of loan denominations. This has kept their overall interest costs relatively stable over the past few years, despite broader market volatility.

Among the hospitality REITs, CDLHT and FEHT appear to be more sensitive to the recent decline in interest rates, given their current higher in-place borrowing costs, at around the mid-3% range. As rates trend downward, these REITs could see more pronounced interest savings. In particular, FEHT has seen a reduction in borrowing costs following the introduction of JPY-denominated debt as part of its first overseas acquisition in Japan. This move has helped diversify its funding sources and reduce overall financing costs.

**Industrial S-REITs:** The industrial sub-sector continues to experience a mixed impact on refinancing costs, largely due to its high level of geographical diversification and a broad currency mix in borrowings. While savings have generally been recorded on SGD-denominated loans, borrowings in AUD, EUR, and USD are still seeing marginal increases in costs. As a result, the industrial sub-sector may take slightly longer than its peers to fully benefit from interest expense savings.

In addition, several one-off charges recorded in the first half of 2025 have caused DI growth to lag NPI growth. However, if these one-offs are excluded, the majority of industrial REITs would show DI growth outpacing NPI growth.

Nonetheless, the ongoing decline in interest rates has created a more favourable environment for the resumption of accretive acquisitions. CLAR, for instance, completed c.SGD1.1bn in accretive acquisitions in 1H25. We expect several other industrial REITs to follow suit in the coming quarters, with acquisitions accelerating DI recovery.

Our top pick within the industrial REIT sector is MLT, with EREIT being our alpha pick. MLT offers an attractive value proposition at current trading levels, and we are seeing steady improvements in its underlying fundamentals (especially in China). Our alpha pick in the industrial space is EREIT, which has shown solid improvement in core earnings. In addition to stronger operating performance, we anticipate further savings in financing costs in the upcoming quarters, which should support continued growth in DI.

**Healthcare S-REITs:** Within the healthcare subsector, PREIT is expected to deliver sustainable DPU growth through the execution of several initiatives, such as portfolio recycling given its low gearing of 35% (e.g., potential divestment of 10%-15% of its Japan assets, reinvestment of proceeds into Singapore/Europe, acquisition of Mount Elizabeth Novena) and a potential asset enhancement initiative (AEI) at Gleneagles hospital. Despite the potential uptick in the cost of JPY-denominated loans, we remain positive on PREIT, underpinned by its resilient portfolio and clear growth runway that will offset the marginal increase in financing costs.

### Savings in financing costs will drive DI growth

REIT	DI growth > NPI growth						Remarks
	2H22	1H23	2H23	1H24	2H24	1H25	
CICT	No	Yes	Yes	No	Yes	Yes	Beneficiary from the lower base rates in Singapore and acquisition of CapitaSpring will fuel further growth
KREIT	Yes	No	No	No	No	No	Switched to paying 25% of manager's fees in cash, higher interest rate due to refinancing
MPACT	No	No	Yes	No	No	-	2H25 could start to see a gradual recovery on the back of SG portfolio
SUN	No	No	Yes	No	Yes	No	Additional taxes due to loss of MIT status (SGD8mn per annum)
OUECT	No	Yes	No	No	Yes	Yes	Drag from China is removed; lower interest rates due to refinancing
<i>Average (Office)</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>	
FCT	No	No	Yes	No	Yes	Yes	Most retail S-REITs have benefited from lower interest rates due to lower hedge ratios, active financial management.
LREIT	No	No	No	Yes	No	Yes	
SGREIT	No	Yes	No	Yes	No	Yes	
<i>Average (Retail)</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	
CLCT	Yes	No	No	Yes	No	No	Higher income retention reflected in 1H25 DI associated with C-REIT asset
SASS	Yes	No	No	Yes	No	Yes	Lower finance cost, benefiting from lower PBOC rates
<i>Average (Retail Overseas)</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	
CLAS (ART)	Yes	No	Yes	No	Yes	No	Capital gains reflected in 2H25 and 2H24 contribute to seasonally higher DI in 2H vs. 1H
CDREIT	Yes	No	No	Yes	No	No	NPI has continued to remain weak due to softer travel demand 2H24-1H25 despite lower interest rates, could benefit in 2H25
FEHT	No	Yes	Yes	No	No	Yes	Lower rate environment starting to filter through the numbers
<i>Average (Hospitality)</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	

## Savings in financing costs will drive DI growth (continued)

REIT	DI growth > NPI growth						Remarks
	2H22	1H23	2H23	1H24	2H24	1H25	
CLINT	No	No	No	Yes	No	Yes	Steady interest rates, lower tax rates to drive higher distributable income growth.
CLAR	No	No	No	No	Yes	No	Mainly due to fees paid for Private Placement in June 2025, and higher tax expenses (reversal of deferred tax expense)
EREIT	Yes	No	No	No	No	No	Mainly due to additional perps issued on 20 March 2025 (SGD125mn at 5.75%)
MINT	No	Yes	Yes	Yes	Yes	-	NPI likely to see some softness due to divestment activities but likely to be compensated by acquisitions.
MLT	Yes	Yes	Yes	No	No	-	Interest rates have remained sticky but due to lower Hibor and SG rates, could potentially start to benefit in the 2H25
KDCREIT	No	No	No	No	Yes	No	Mainly due to an increase in manager's fees due to acquisitions and asset management
AAREIT	Yes	No	No	Yes	Yes	-	-
FLT (FLCT)	Yes	No	Yes	No	No	No	Mainly due to higher financing costs and payment of 57% of manager's fees in cash (0% previously)
DHLT	No	Yes	Yes	No	No	No	Mainly due to higher financing costs
DCREIT	No	No	Yes	Yes	No	No	Mainly due to one-off integration costs and loss allowances (USD1.5mn), and resumption of manager's fee charges for the Frankfurt DC
<i>Average (Industrials)</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	
PREIT (Healthcare)	No	No	Yes	Yes	Yes	Yes	
SERT	No	No	Yes	No	No	No	Mainly due to higher financing costs
IREIT	No	No	No	Yes	No	Yes	
ELITE	No	No	Yes	No	Yes	Yes	
<i>Average (Europe-focused)</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	

Source: Company, DBS



DBS Group Research recommendations are based on an 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 share price catalysts within this time frame)

\*Share price appreciation + dividends

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