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**Singapore  
Property****4Q16 wrap****Revaluation losses an emerging trend**

The key focus for 4Q16 Reits results is the emerging trend of revaluation losses, especially among smaller-cap industrial and hospitality Reits. Looking forward, we expect more reval losses for office Reits given growing negative reversions (SELL Suntec and KREIT). YTD, S-Reits have lagged the STI marginally but top picks such as AREIT and MCT have outperformed (up 7-8% YTD). We continue to expect Reits with higher-than-peers' growth to outperform, such as AREIT, MCT, MAGIC and MINT. Industrial remains our favourite and office the least preferred.

**Quality names outperformed**

- ❑ S-Reits have underperformed YTD, up only 4%, while the Straits Times Index is up +6% YoY. Among sub-sectors, retail was the outperformer as hospitality lagged.
- ❑ Top picks for 12-month horizon remain quality names such as AREIT, MCT, MINT and MAGIC. MCT (+8%) and AREIT (+7%) have already outperformed the market; we expect MINT and MAGIC to follow suit.
- ❑ Valuations appear more attractive, with yield gap of 392bp being 62bp above the historical average, sufficiently pricing in the risk of a rate hike in our view.

**Revaluation losses to be an emerging theme**

- ❑ Revaluation loss is an emerging theme, predominantly for the hospitality and smaller industrial Reits this quarter.
- ❑ ART recorded revaluation losses on its foreign properties on higher taxes and Singapore on weaker underlying performance (unchanged cap rates). OUEHT recorded revaluation losses on weaker operating performances with unchanged cap rates. CDLHT's Singapore valuation dropped despite having a 100bp cap rate compression from the change in valuers.
- ❑ Cambridge/Cache/Soilbuild/Sabana also saw revaluation losses at their Singapore properties, driven by weaker operating metrics such as negative rental reversions, higher vacancies or lower margins from conversions. KDCREIT also recorded revaluation losses on FX and weaker operational performances.
- ❑ CMT/CCT/KREIT/SUN's cap rates were largely unchanged, but saw marginal revaluation gains on higher passing rents. Looking ahead, we see downside risks to office capital values, as office S-Reits have increasingly seen negative reversions and yet to record revaluation losses. We have SELLS on both KREIT and SUN. Retail and larger-cap industrial Reits that are still recording positive reversions should be relatively safer.

**Rental reversion calculation?**

- ❑ The focus this quarter also centered on rental reversion calculation methodology, post KREIT's revision to this methodology ([Link here](#)).
- ❑ Checks with S-Reits under our coverage reveal that there is no uniform way of calculating/disclosure on rental reversions (refer to Figure 1).
- ❑ Retail appears to be the best sub-sector, with all Reits disclosing quarterly rental reversions despite difference in calculation methods. Office and industrial lagged, with some not disclosing reversions at all.

## 4Q16 results wrap

- In terms of sub-sector preference, we shift office to the least preferred. Industrial remains our favourite, followed by retail, hospitality and office.

### Industrials – business parks continued to outperform

- Business parks continued to outperform in 4Q16, within expectations, with rents flat QoQ and up 1.9% YoY to S\$5.50 psf/mth. Factory rents declined 1.8% QoQ and 6.3% YoY to S\$1.65 psf/mth and warehouse rents declined 0.6% QoQ and 6.3% YoY to S\$1.64 psf/mth.
- Occupancy was healthy across industrial Reits. AREIT's Singapore occupancy improved to 90.2% from 89.1%. MINT's occupancy fell to 92.1% from 92.5% due to lower occupancies at hi-tech and business parks. MLT's Singapore occupancy inched up to 93.5% from 93.2%.
- Singapore rental reversions remained positive for AREIT (+3%), MLT (+1%) and MINT. Smaller industrial Reits generally registered negative rental reversions.
- Stacked against other sub sectors, we remain more positive on industrial Reits, which should be structural beneficiaries of the government's shift towards higher-value-added businesses and have higher pre-commitment along with scope for government to ease previous measures.

### Retail – rental reversions moderated further

- Retail rents continue to moderate in 4Q16, with suburban down 0.2% QoQ and 1.8% YoY to S\$29.35psf/mth and prime down 0.6% QoQ and 2.7% YoY to S\$32.15psf/mth.
- Rental reversions of retail S-Reits remained positive in 4Q16, above our expectations. MCT outperformed with 13.5% reversion, followed by FCT at 6.9%, SPH Reit at 4.6% and CMT at 1.0%.
- Occupancy rates for retail Reits were broadly flat or up, except CMT which saw 10bp decline.
- Despite better-than-expected rental reversions, we continue to believe the retail sector is undergoing a structural downturn and will continue to see slower rental reversions and store closures. We expect retail rents to drop by 2-3% in 2017.

### Office – operating metrics worsening

- Spot grade-A office rents continued to fall in 4Q16, now down 12.5% YoY to S\$9.10psf/mth. Grade B is down 9.0% YoY to S\$6.95psf/mth.
- Weaker spot rents are translating into negative reversions for the office Reits. KREIT registered -9% rental reversion for FY16, and saw its average signing rent falling to S\$9.60psf/mth (-10.3% YoY). CCT's passing rent declined 0.2% YoY to S\$9.20psf/mth, with management citing more negative reversions this quarter. Suntec's office signing rent dropped 3.8% to S\$8.52psf/mth.
- Occupancies of office Reits were weaker across the board, with KREIT's Singapore portfolio declining 30bp to 99.2%, CCT declining 30bp to 97.1% and Suntec flat.
- Office demand trend remains weak, with pockets of growth but no clear sectors driving demand. The market continues to see a dearth of demand for large office space and we expect office landlords to focus on tenant retention. We expect Grade A rent to fall to S\$8.00psf/mth by end 2017.

### Hospitality – weakness persists

- Despite visitor arrivals improving 7.8% YoY for Jan-Nov 2016, hotel RevPAR fell 4.8% YoY. High supply and shift in the tourist profile were the key drivers.

- Most hospitality Reits underperformed overall hotel metrics, reporting a 4Q16 RevPAR decline across the board, ranging from 4-11%.
- Looking ahead, Hotel supply of +5.9% in 2017 will continue to weigh on RevPARs, as new hotels opened in the last 12 months are still discounting room rates to garner market share and corporate demand remains weak.
- This set of results confirmed our view that while tourist arrivals have rebounded YTD, this is driven by a group of more budget-conscious travellers. Coupled with a soft corporate demand environment amid adequate supply, RevPAR growth could remain muted before we see a firm recovery. We remain cautious on the hospitality sector and expect RevPAR to contract by 4% in 2017.

Figure 1

**Rental reversion calculations**

S-Reits	Announce rental reversion?	How are they calculated?				What is included?			
		Old lease - average	Old lease - last year	New lease - average	New lease - first year	Renewal	New	Forward renewal	Review
<b>Hospitality</b>									
ART	NA								
<b>Industrial</b>									
AREIT	Yes	Yes		Yes		Yes		Yes	
MINT	No								
MLT	Yes		Yes		Yes	Yes	Yes	Yes	Yes
CREIT	Yes		Yes	Yes for STB/MTB to MTB	Yes for STB to STB	Yes	Yes	Yes	
<b>Office</b>									
SUN	No								
CCT	No								
KREIT	Yes	Yes		Yes		Yes	Yes	Yes	Yes
<b>Retail</b>									
CT	Yes		Yes		Yes	Yes	Yes	Yes	
MCT	Yes		Yes	Yes		Yes	Yes		
MAGIC	Yes	Yes		Yes		Yes	Yes		
SPHREIT	Yes	Yes		Yes		Yes	Yes		
FCT	Yes	Yes		Yes		Yes	Yes	Yes	
<b>Others</b>									
KDCREIT	Sometimes		Yes	Yes					

Source: CLSA, Companies

**Summary of changes****Ascott Reit (ART SP) – retain Outperform**

We factor in equity fund raising required to acquire Ascott Orchard. Recall, ART entered into a sale and purchase agreement for a consideration of S\$405m. Excluding the deposit of S\$20.3m, the balance of S\$384.7m is expected to be paid in 2017 upon completion of the acquisition. We have assumed 40:60 debt to equity funding ratio, which reduces our DDM-based target price to S\$1.19 from S\$1.25.

**CapitaLand Commercial Trust (CCT SP) – retain Outperform**

We update the latest financial figures and tweak FY17-18 DPUs up marginally by ~1% but adjust for marginally higher interest costs. This results in a 4% decline in our FY17-18 DPU forecasts. Retain our O-PF rating with lower DDM-based target price of S\$1.56 (S\$1.55 previously).

**Keppel Reit (KREIT SP) – retain SELL**

We update the latest financial figures and tweak FY17-18 DPUs down by 2.6-2.8% for lower capital distributions (S\$11m pa for 2017-18). Retain our SELL rating with marginally lower DDM-based target price of S\$0.93 (previously S\$0.95).

**Suntec Reit (SUN SP) – retain SELL**

We update the latest financial figures and tweak FY17-18 DPUs marginally by down by 0.2-0.4%. Retain our SELL rating with unchanged DDM-based target price of S\$1.51.

**Ascendas Reit (AREIT SP) – retain Outperform**

We adjust our NPI margin assumptions marginally, resulting in -0.5% to +2.7% change in FY17-19 DPUs. Retain our O-PF rating with a slight change in DDM-based target price to S\$2.58 (S\$2.59 previously).

**Cambridge Industrial Trust (CREIT SP) – retain Outperform**

We update the latest financial figures and tweak FY17-18 DPUs down by 2.4-2.5% on lower NPI margin assumptions. Retain our O-PF rating with unchanged DDM-based target price of S\$0.56.

**Keppel Data Centre Reit (KDCREIT SP) – retain Outperform**

We update the latest financial figures and tweak FY17-18 DPUs down by 0.3-1.4% as we factor in S\$15m capex at Dublin asset and assume it will be funded by debt. Retain our O-PF rating with lower DDM-based target price of S\$1.30 (S\$1.34 previously).

**Mapletree Logistics Trust (MLT SP) – retain Outperform**

We factored in the latest acquisition of the four logistics facilities in Victoria, Australia. As a result, our FY17-19 DPUs are adjusted up by 0.1-2.8%. Retain our O-PF rating with higher DDM-based target price of S\$1.17 (S\$1.13 previously).

**CapitaLand Mall Trust (CT SP) – retain Outperform**

We update the latest financial figures and tweak FY17-18 DPUs up by ~4% on the back of higher passing rents against our earlier assumptions. We have also raised NPI margins to reflect the better-than-expected cost control. This resulted in a 9-10% uplift in our FY17-18 DPU forecasts. Retain our O-PF rating with lower DDM-based target price of S\$2.20 (S\$2.18 previously).

Figure 2

**Target price changes**

		Share price (\$)	Mkt Cap US\$b	ADTO US\$m	P/B (x)	Fwd Yield (%)	Old TP	New TP	Old Rec	New Rec
ART SP	Ascott Residence Trust	1.15	1.3	1.2	0.9	7.3	1.25	1.19	O-PF	O-PF
AREIT SP	Ascendas Reit	2.42	5.0	27.9	1.0	6.4	2.59	2.58	O-PF	O-PF
MLT SP	Mapletree Logistics Trust	1.06	1.9	4.2	1.0	7.2	1.13	1.17	O-PF	O-PF
CCT SP	CapitaCommercial Trust	1.54	3.2	14.7	0.9	5.8	1.55	1.56	O-PF	O-PF
KREIT SP	Keppel Reit	1.02	2.4	5.0	0.7	5.9	0.95	0.93	SELL	SELL
CT SP	CapitaMall Trust	1.97	4.9	18.5	1.0	5.8	2.18	2.20	O-PF	O-PF
KDCREIT SP	Keppel DC REIT	1.18	0.9	2.5	1.2	6.2	1.34	1.30	O-PF	O-PF

Source: CLSA, Bloomberg

Figure 3

**DPU changes**

	DPU S¢ - previous forecasts			DPU S¢ - new forecasts			% Change		
	FY	FY+1	FY+2	FY	FY+1	FY+2	FY	FY+1	FY+2
ART SP	8.81	9.10	9.46	8.39	8.67	9.00	-4.9%	-4.7%	-4.9%
AREIT SP	15.52	15.53	15.97	15.94	15.45	15.89	2.7%	-0.5%	-0.5%
MLT SP	7.14	7.37	7.76	7.15	7.57	7.92	0.1%	2.8%	2.1%
CREIT SP	4.20	4.27	4.91	4.10	4.17	4.74	-2.5%	-2.4%	-3.5%
SUN SP	10.03	10.05	10.08	10.01	10.01	10.01	-0.2%	-0.4%	-0.7%
CCT SP	9.21	9.18	9.27	8.90	8.80	8.90	-3.4%	-4.0%	-4.1%
KREIT SP	6.23	6.18	6.11	6.07	6.01	5.95	-2.6%	-2.8%	-2.8%
CT SP	10.43	10.26	10.30	11.41	11.31	11.51	9.4%	10.3%	11.7%
KDCREIT SP	7.34	7.35	7.74	7.32	7.25	7.56	-0.3%	-1.4%	-2.3%

Source: CLSA

Figure 4

**S-Reit price performance by sector**

	1M PERF	3M PERF	6M PERF	12M PERF	YTD PERF	From recent PEAK
<b>Indices</b>						
<b>FSSTI Index</b>	3%	8%	7%	17%	6%	-14%
<b>FSTREI Index</b>	1%	0%	-3%	6%	4%	-10%
<b>Healthcare</b>						
PREIT SP Equity	3%	-2%	0%	13%	4%	-7%
FIRT SP Equity	1%	-3%	-1%	11%	2%	-12%
RHT SP Equity	-3%	0%	-13%	-7%	-3%	-20%
<b>Hospitality</b>						
ART SP Equity	-1%	0%	0%	0%	1%	-14%
CDREIT SP Equity	0%	4%	0%	9%	4%	-23%
FEHT SP Equity	-1%	-1%	-2%	-8%	-1%	-31%
OUeht SP Equity	-1%	2%	0%	-1%	2%	-27%
FHT SP Equity	-1%	-1%	-10%	-7%	2%	-24%
ASCHT SP Equity	7%	1%	2%	-6%	7%	-7%
<b>Industrial</b>						
AREIT SP Equity	2%	6%	0%	2%	7%	-9%
MINT SP Equity	0%	-2%	-6%	7%	0%	-9%
MLT SP Equity	2%	3%	-1%	10%	3%	-16%
AAREIT SP Equity	1%	1%	-6%	5%	4%	-11%
AIT SP Equity	4%	-2%	0%	25%	5%	-3%
CACHE SP Equity	-3%	-4%	-10%	-6%	-2%	-34%
SBREIT SP Equity	-5%	-5%	-4%	-10%	-1%	-26%
CREIT SP Equity	1%	1%	2%	9%	2%	-24%
SSREIT SP Equity	23%	-6%	-6%	-26%	12%	-53%
VIT SP Equity	3%	3%	5%	12%	3%	-8%
<b>Office</b>						
SUN SP Equity	3%	3%	-1%	10%	5%	-14%
CCT SP Equity	0%	0%	-2%	14%	4%	-20%
KREIT SP Equity	-4%	-6%	-4%	9%	-1%	-19%
FCOT SP Equity	0%	-4%	-4%	8%	1%	-20%
OUECT SP Equity	0%	-1%	5%	11%	0%	-7%
<b>Retail</b>						
CT SP Equity	0%	-2%	-9%	-6%	4%	-14%
MCT SP Equity	4%	2%	0%	13%	9%	-7%
MAGIC SP Equity	1%	-3%	-10%	14%	2%	-15%
SPHREIT SP Equity	1%	-1%	1%	5%	3%	-10%
FCT SP Equity	3%	1%	-6%	4%	6%	-9%
SGREIT SP Equity	-3%	-4%	-8%	-1%	1%	-16%
CRCT SP Equity	3%	2%	-8%	1%	6%	-18%
LMRT SP Equity	5%	-3%	5%	28%	5%	-6%
<b>Others</b>						
KDCREIT SP Equity	-3%	-3%	0%	17%	-1%	-8%

Source: CLSA, Bloomberg; as of 7 Feb 2017 close

Healthcare Reits generally lagged YTD

Hospitality Reits generally lagged YTD

AREIT outperformer on a YTD basis

Office Reits mixed, with SUN outperforming, CCT in-line, while the rest lagged

Retail generally outperformed, especially for MCT and FCT

KDCREIT has lagged YTD

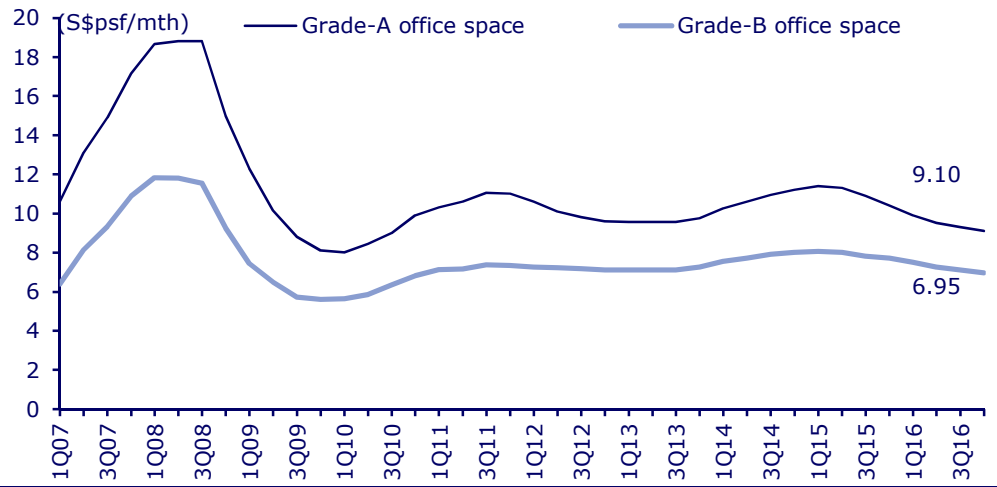
**4Q16 marked the seventh consecutive QoQ decline in office rents and fifth YoY decline**

**4Q16 Prime Grade A: S\$9.10psf**  
**QoQ: -2.2%**  
**YoY: -12.5%**

**4Q16 Grade B: S\$6.95psf**  
**QoQ: -2.1%**  
**YoY: -9.0%**

Figure 5

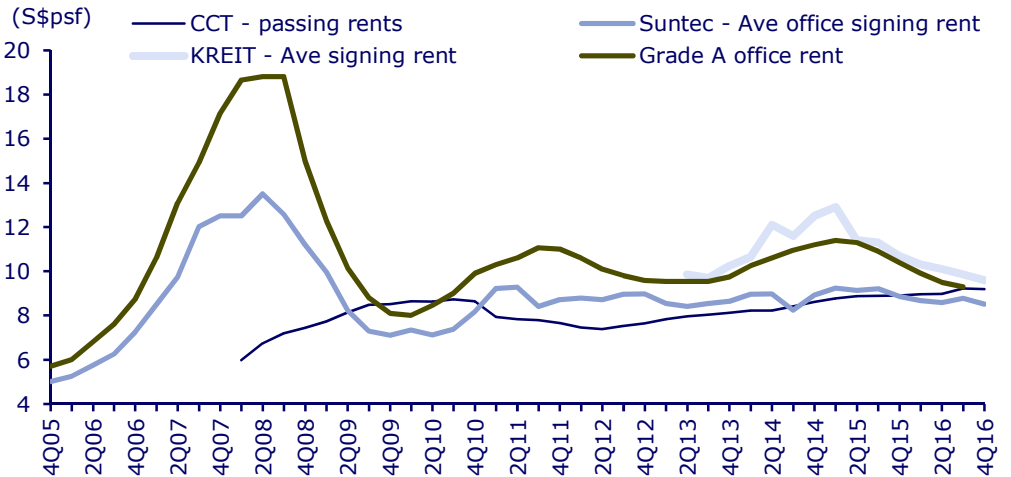
**Office spot rents continued to fall in 4Q16**



Source: CLSA, CBRE

Figure 6

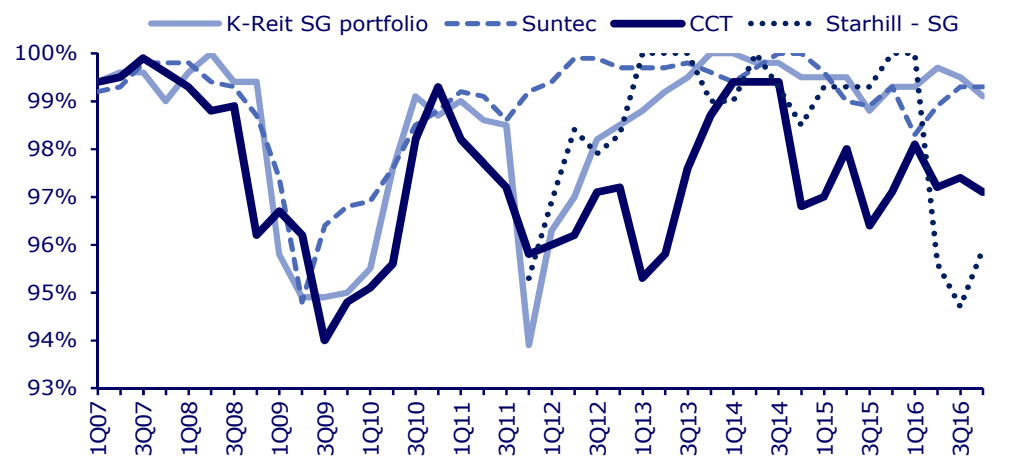
**Office average rents signed in 4Q16**



Source: CLSA, company data

Figure 7

**Occupancy office Reits in 4Q16**



Source: CLSA, Company data

**Office rents deteriorated further in 4Q2016**

**KREIT registered -9% rental reversions for FY16**

**CCT's passing rent declined QoQ, albeit marginally at -0.2%, for the first time since 2012**

**SUN's signing rent declined 3.0% QoQ and 3.8% YoY**

**Occupancies were generally weaker**

**Suntec was flat QoQ at 99.3%**

**KREIT portfolio occupancy declined from 99.5% to 99.2% due to weaker Bugis Junction, OFC and MBFC**

**CCT occupancy declined 30bp to 97.1%, due to weaker Twenty Anson which saw software company SAS relocating to Guoco Tower**

Suburban rents fell 0.2% QoQ and 1.8% YoY to S\$29.35psf/mth

Prime retail rents slipped 0.6% QoQ and 2.7% YoY to S\$32.15/mth

Rental gap contracted to S\$2.80psf/mth vs the historical average of S\$3.65psf/mth

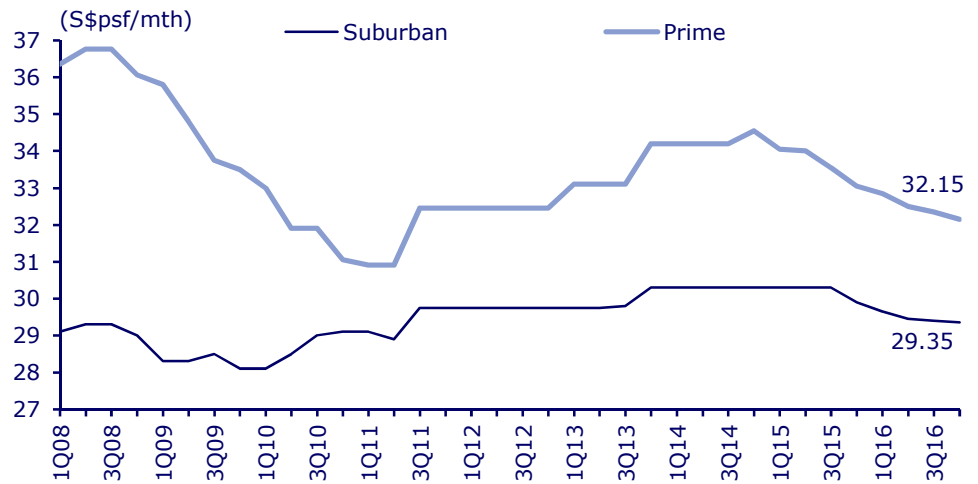
Our negative view on the retail outlook remains unchanged

MCT outperformed, with retail reversion at 13.5%, followed by FCT at 6.9%, SPH Reit at 4.6% and CMT at 1.0%

Occupancy rates for retail Reits generally steady

Figure 8

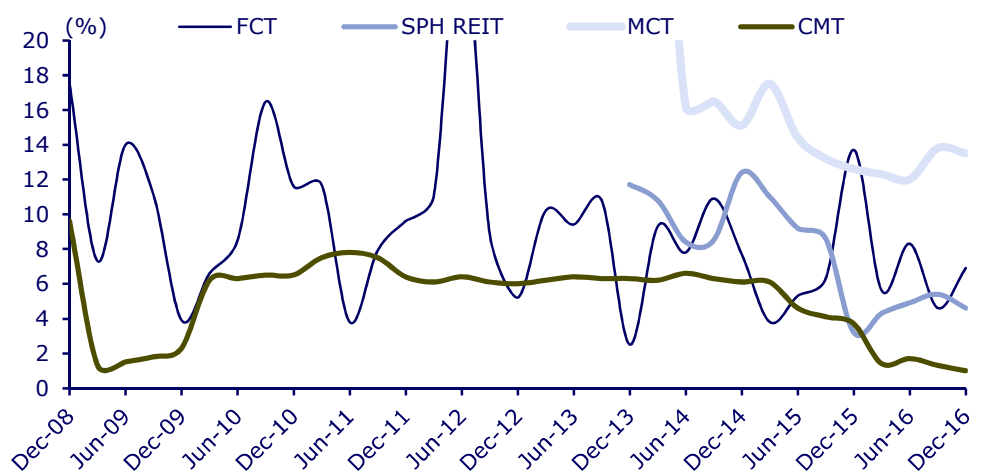
Retail spot rents



Source: CLSA, CBRE

Figure 9

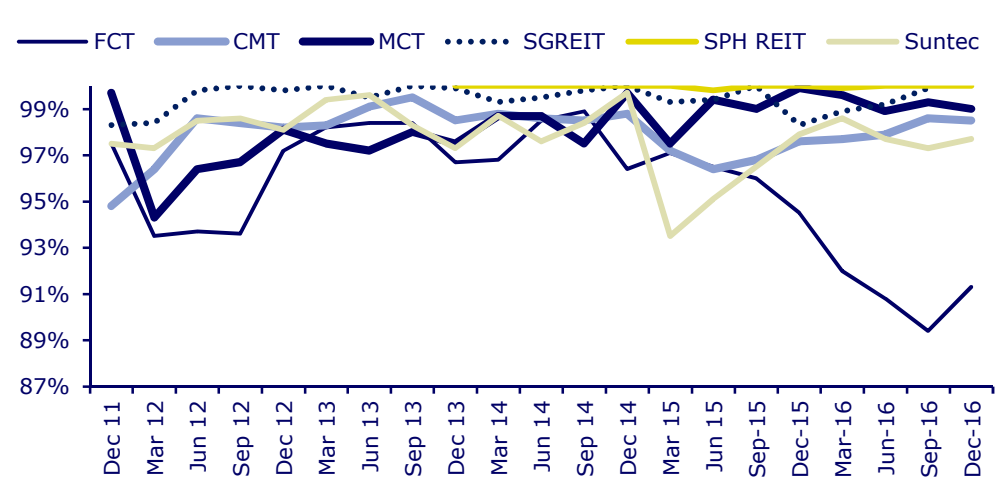
Retail rental reversions



Source: CLSA, Companies

Figure 10

Retail Reits occupancy rates



Source: CLSA, Companies



**In 4Q16, business park and hi-tech held steady QoQ, while factory and warehouse rents continued to decline**

**Business park (off central) rents were flat QoQ at S\$5.50 psf/mth**

**Business park (rest of island) rents were flat QoQ at S\$3.70 psf/mth**

**Factory rents declined 1.8% QoQ to S\$1.65 psf/mth**

**Warehouse rents declined 0.6% QoQ to S\$1.64 psf/mth**

**Biz parks (off central): 0.0% QoQ, +1.9% YoY**

**Biz parks (rest of island): 0.0% QoQ and +1.4% YoY**

**Factory: -1.8% QoQ and -6.3% YoY**

**Warehouse: -0.6% QoQ and -6.3% YoY**

**AREIT: Occupancy improved to 90.2% from 89.1%**

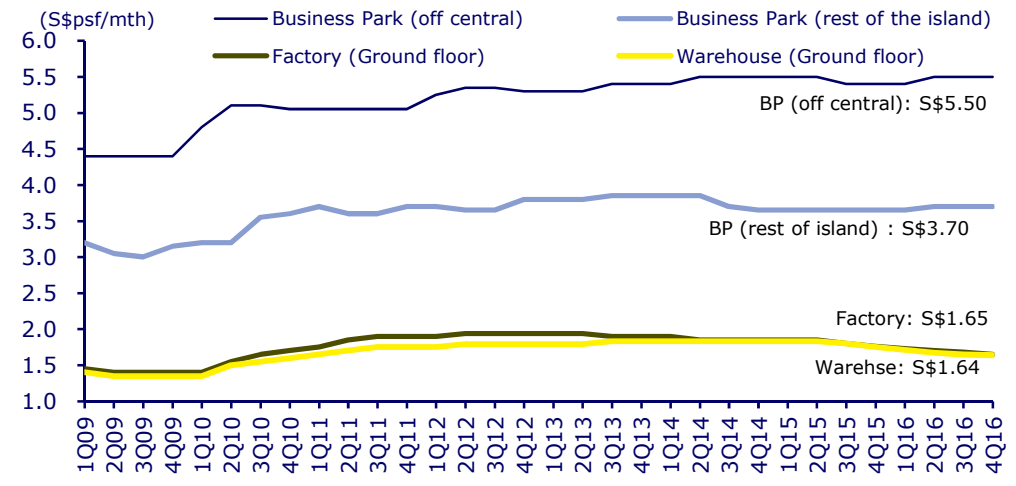
**MLT: Singapore inched up to 93.5% from 93.2%**

**MINT: Occupancy fell to 92.1% from 92.5% due to lower occupancies at hi-tech and business parks**

**Reversions remain marginally positive for the three Reits**

Figure 11

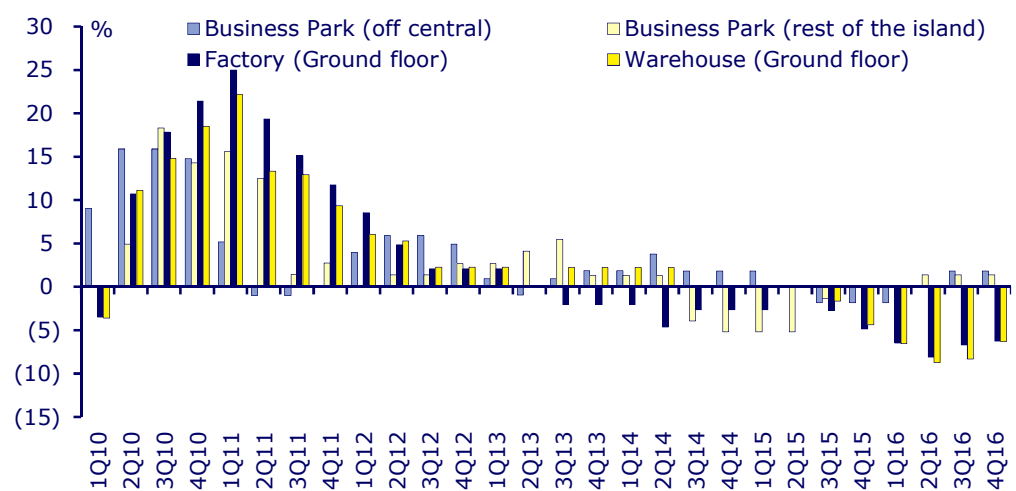
**Industrial spot rents**



Source: CLSA, CBRE

Figure 12

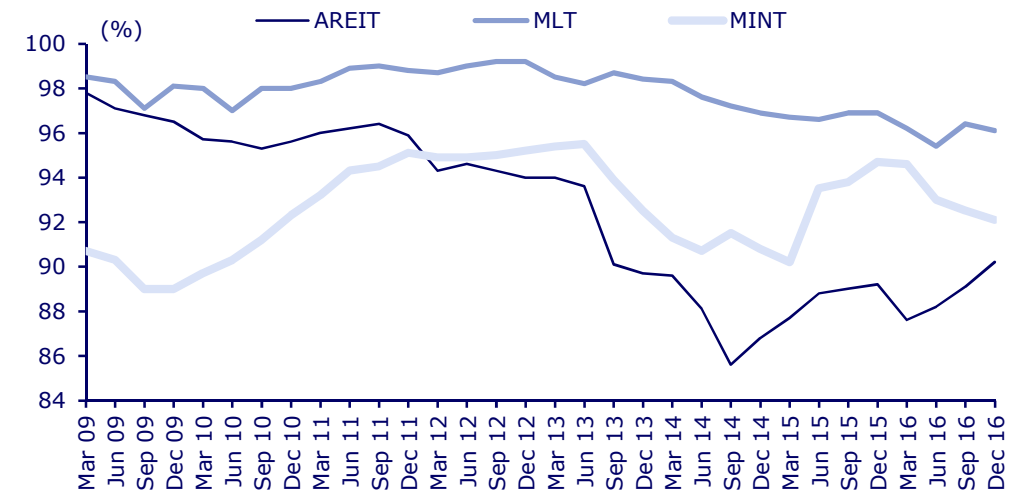
**YoY industrial spot rents**



Source: CLSA, CBRE

Figure 13

**Occupancy for industrial Reits**



Source: CLSA, Company data

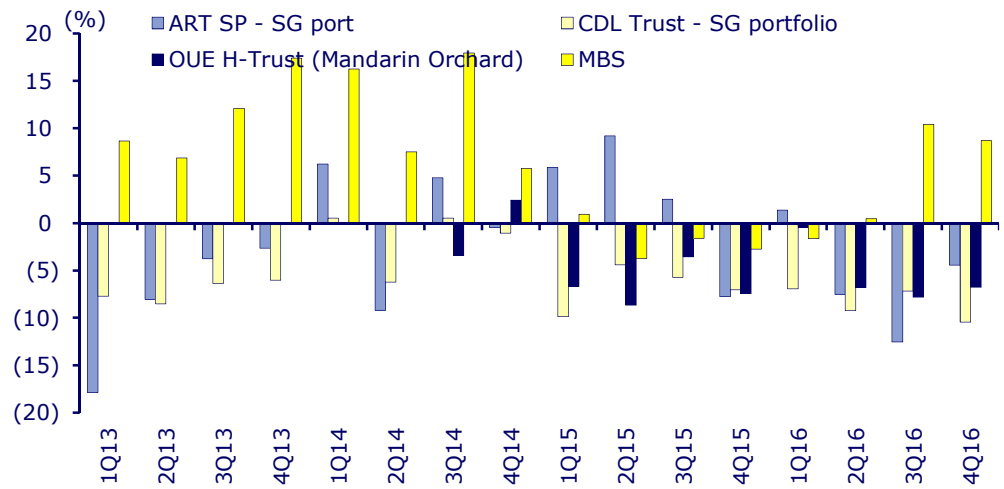
**Despite recovery in tourist arrivals, high supply of hotel rooms, declining average length of stay and weak corporate demand continue to weigh on hospitality Reits**

**RevPAR of most hospitality Reits was down 4-11% YoY in 4Q16**

**Jan-Nov 2016 saw tourist arrivals +7.8% YoY, and RevPAR down 4.8% YoY**

Figure 14

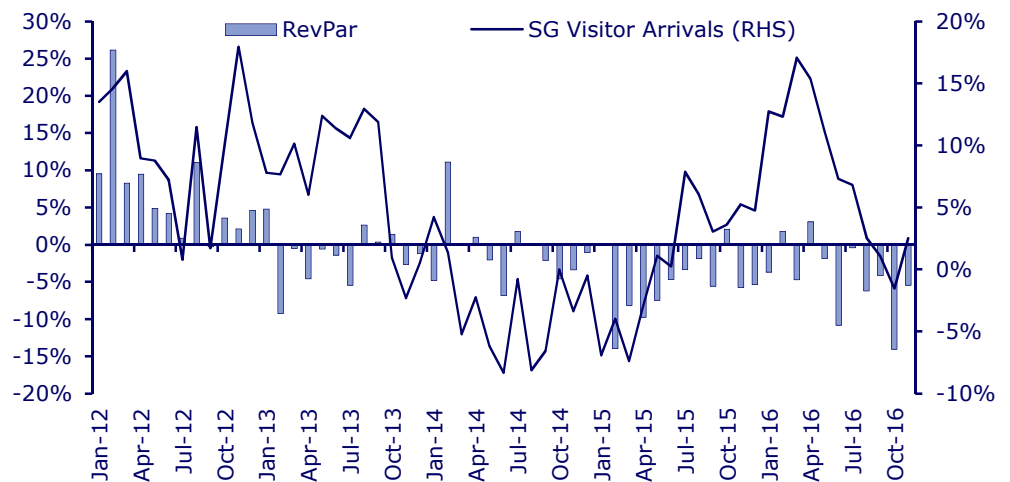
**RevPAR trend for hospitality Reits (Singapore portfolio only)**



Source: CLSA, Company data

Figure 15

**Singapore tourist arrivals chart**

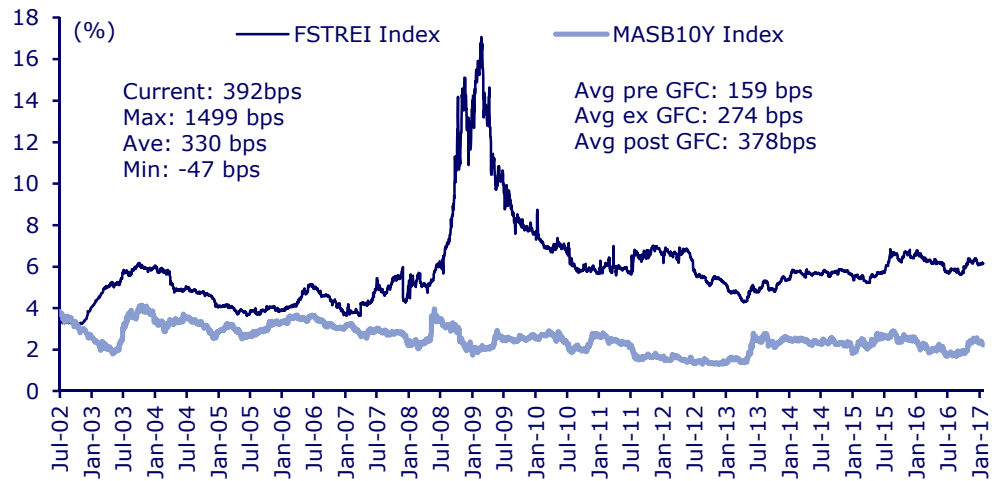


Source: STB

**S-Reits trading at 392bp above 10-year bonds, above the historical average of 330bp**

Figure 16

**S-Reits versus MAS 10-year bond yields**

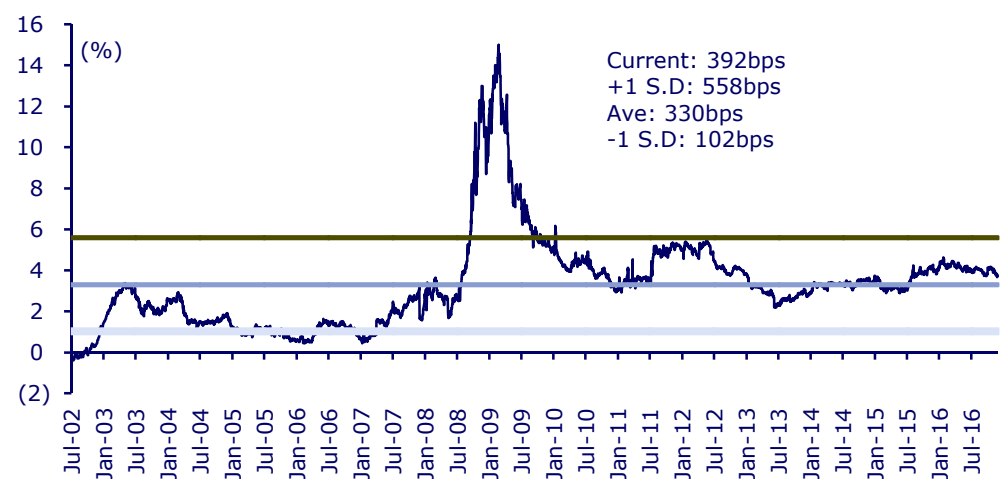


Source: CLSA, Bloomberg

**S-Reits yield gap at 62bp above the historical mean**

Figure 17

**S-Reits yield gap**

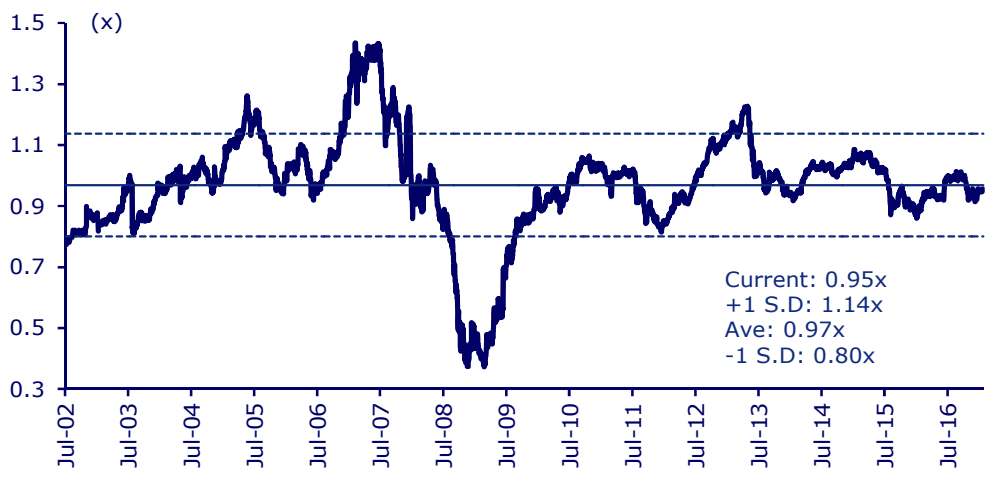


Source: CLSA, Bloomberg

**Price to book at 0.95x, slightly below the historical average**

Figure 18

**S-Reits price to book**



Source: CLSA, Bloomberg

Figure 19

## S-Reits comparison

	Ticker	Price S\$	Market cap US\$m	3mth ADTO US\$m	P/NAV (x)	Prem/Dis c to NAV (%)	DPU 16 (S¢)	DPU 17 (S¢)	Yield 16 %	Yield 17 %	DPU growth YoY	Target	Rec	
<b>Healthcare</b>														
	Parkway Life Reit	PREIT SP	2.46	1,050	1.9	1.41	41.0	12.8	12.4	5.2	5.0	(3.1)	NR	NR
	First Reit	FIRT SP	1.28	695	0.6	1.16	15.9	8.3	8.8	6.5	6.9	6.0	NR	NR
	Religare Healthcare	RHT SP	0.89	506	1.1	1.06	6.0	24.5	5.8	27.5	6.5	(76.3)	NR	NR
	<b>Average</b>		<b>750</b>	<b>1.2</b>	<b>1.25</b>	<b>25.4</b>	<b>14.0</b>	<b>9.8</b>	<b>10.6</b>	<b>5.9</b>	<b>(30.2)</b>			
<b>Hospitality</b>														
	Ascott Residence Trust	ART SP	1.15	1,335	1.2	0.89	(10.6)	8.4	8.7	7.3	7.6	3.4	1.19	O-PF
	CDL Hospitality Trusts	CDREIT SP	1.38	963	1.8	0.87	(12.9)	9.8	9.9	7.1	7.2	1.0	NR	NR
	OUE Hospitality Trust	OUEHT SP	0.68	863	0.6	0.87	(13.5)	5.0	4.9	7.4	7.2	(2.0)	NR	NR
	Far East Hospitality Trust	FHT SP	0.67	861	0.5	0.90	(10.1)	5.2	5.3	7.8	8.0	1.9	NR	NR
	Frasers Hospitality Trust	FEHT SP	0.60	757	0.9	0.64	(36.0)	4.2	4.1	7.1	6.9	(2.4)	NR	NR
	Ascendas Hospitality Trust	ASCHT SP	0.75	591	0.4	na	na	5.5	5.4	7.4	7.2	(1.8)	NR	NR
	<b>Average</b>		<b>895</b>	<b>0.9</b>	<b>0.75</b>	<b>(24.8)</b>	<b>6.7</b>	<b>6.7</b>	<b>7.3</b>	<b>7.4</b>	<b>1.0</b>			
<b>Industrial</b>														
	Ascendas Reit	AREIT SP	2.42	4,919	27.9	1.03	3.0	15.9	15.5	6.6	6.4	(3.1)	2.58	O-PF
	Mapletree Industrial Trust	MINT SP	1.67	2,116	4.5	1.22	22.2	10.8	11.7	6.5	7.0	7.5	1.94	BUY
	Mapletree Logistics Trust	MLT SP	1.06	1,860	4.2	1.04	4.4	7.1	7.6	6.8	7.2	5.9	1.17	O-PF
	Frasers Log & Ind Reit	FLT SP	0.96	966	3.7	1.13	12.8	6.7	6.7	7.0	7.0	0.0	NR	NR
	Ascendas India Trust	AIT SP	1.07	699	0.6	1.54	54.3	5.9	6.3	5.5	5.9	6.8	NR	NR
	AIMS AMP Capital Industrial	AAREIT SP	1.37	617	0.8	0.94	(6.5)	11.0	11.7	8.0	8.5	6.4	NR	NR
	Cache Logistic Trust	VIT SP	0.78	526	0.6	0.99	(1.3)	7.5	7.6	9.7	9.8	1.3	NR	NR
	Cambridge Industrial Trust	CREIT SP	0.57	524	0.6	0.88	(12.4)	4.1	4.2	7.2	7.3	1.8	0.56	O-PF
	Soilbuild Biz Space	CACHE SP	0.80	508	1.4	0.98	(1.8)	7.4	7.4	9.3	9.3	0.0	NR	NR
	Viva Industrial Trust	SBREIT SP	0.64	468	0.9	0.82	(17.5)	5.8	5.6	9.1	8.8	(3.4)	NR	NR
	EC World Reit	ECWREIT SP	0.73	401	0.0	0.76	(24.0)	na	na	na	na	na	NR	NR
	Sabana Shariah Reit	SSREIT SP	0.44	323	1.4	0.68	(32.0)	na	na	na	na	na	NR	NR
	<b>Average</b>		<b>1,161</b>	<b>3.9</b>	<b>1.06</b>	<b>5.7</b>	<b>10.4</b>	<b>10.4</b>	<b>6.6</b>	<b>6.7</b>	<b>0.5</b>			
<b>Office</b>														
	CapitaCommercial Trust	CCT SP	1.54	3,219	14.7	0.86	(13.7)	8.9	8.8	5.8	5.7	(1.1)	1.56	O-PF
	Suntec Reit	SUN SP	1.73	3,104	8.2	0.80	(19.6)	10.0	10.0	5.8	5.8	0.0	1.51	SELL
	Keppel Reit	KREIT SP	1.02	2,382	5.0	0.69	(30.9)	6.1	6.0	5.9	5.9	(1.0)	0.93	SELL
	Frasers Commercial Trust	FCOT SP	1.27	715	1.1	0.84	(16.4)	9.9	9.7	7.8	7.6	(2.0)	NR	NR
	OUE Commercial REIT	OUECT SP	0.70	643	0.3	0.47	(53.0)	5.1	5.1	7.3	7.3	0.0	NR	NR
	Manulife US Reit	MUST SP	0.85	534	1.0	1.06	5.9	5.8	6.1	6.8	7.2	5.2	NR	NR
	<b>Average</b>		<b>1,766</b>	<b>5.8</b>	<b>0.78</b>	<b>(22.3)</b>	<b>8.4</b>	<b>8.3</b>	<b>6.1</b>	<b>6.0</b>	<b>(0.7)</b>			
<b>Retail</b>														
	CapitaMall Trust	CT SP	1.97	4,923	18.6	1.04	4.1	11.4	11.3	5.8	5.7	(0.9)	2.20	O-PF
	Mapletree Commercial Trust	MCT SP	1.52	3,076	7.6	1.16	16.0	8.5	8.8	5.6	5.8	4.0	1.67	O-PF
	Mapletree Greater China	MAGIC SP	0.98	1,926	5.2	0.86	(13.6)	7.2	7.2	7.3	7.3	(0.2)	1.08	O-PF
	SPH Reit	SPHREIT SP	0.98	1,756	0.9	1.06	5.8	5.6	5.7	5.8	5.9	1.4	0.97	U-PF
	Frasers Centrepoint Trust	FCT SP	2.03	1,317	2.1	1.06	6.1	11.8	12.0	5.8	5.9	1.7	2.12	O-PF
	Starhill Global REIT	SGREIT SP	0.75	1,154	1.7	0.81	(19.1)	5.1	5.2	6.8	6.9	2.0	NR	NR
	CapitaRetail China Trust	CRCT SP	1.48	908	1.7	0.86	(13.6)	11.1	11.2	7.5	7.6	0.9	NR	NR
	Lippo-Mall Retail Trust	LMRT SP	0.39	772	1.1	1.00	0.0	3.1	3.2	7.9	8.2	3.2	NR	NR
	Croesus Retail Trust	CRT SP	0.87	462	0.8	0.86	(14.0)	7.8	8.1	9.0	9.4	4.5	NR	NR
	BHG REIT	BHGREIT SP	0.65	227	0.5	0.81	(18.8)	na	na	na	na	na	NR	NR
	<b>Average</b>		<b>1,652</b>	<b>4.0</b>	<b>1.01</b>	<b>1.4</b>	<b>8.7</b>	<b>8.8</b>	<b>6.1</b>	<b>6.2</b>	<b>1.1</b>			
<b>Others</b>														
	Keppel DC Reit	KDCREIT SP	1.18	936	2.5	1.22	22.2	7.3	7.2	6.2	6.1	(1.0)	1.30	O-PF
	Keppel Infrastructure Trust	KIT SP	0.49	1,333	1.7	1.03	12.0	3.3	3.3	6.7	6.7	0.0	NR	NR

Source: CLSA, Bloomberg

### Valuation details - Ascendas Real Estate Investment Trust AREIT SP

Our DDM-based target price uses a long-run risk-free rate assumption of 2.9% (weighted average based on AREIT's country exposure) and a 6.0% equity-risk premium, with a long-run risk-adjusted average beta of 0.9. We assume a terminal growth rate of 1.0%.

**Investment risks - Ascendas Real Estate Investment Trust AREIT SP**

Key risks include a faster-than-expected rise in interest rates negatively impacting earnings and valuation. A sharp slowdown in regional trade for Singapore could result in lower demand for industrial space and hence lower rents. Acquisition of the Australian portfolio now exposes Ascendas to foreign exchange risk. Upside surprise can come from policy relaxation in Singapore or reduction in industrial land supply.

**Valuation details - Ascott Residence Trust ART SP**

Our target price is DCF based using long-run risk-free assumption of 3.8% weighted by its exposure to the respective risk-free rates in countries which ART operates and 6% equity risk premium with long-run risk-adjusted average beta. Terminal growth rate assumed at 1.0%.

**Investment risks - Ascott Residence Trust ART SP**

Key risks include a faster-than-expected rise in interest rates negatively impacting earnings and valuation. A global slowdown in foreign direct investments could negatively impact demand for its serviced apartments in Europe and Asia. Sharp movements in foreign currencies could also result in earnings volatility given its diversified geographical exposure.

**Valuation details - CapitaLand Mall Trust CT SP**

Our target price is DCF based using long-run risk-free assumption of 2.8% and 6% equity risk premium with long-run risk-adjusted average beta. We have also assumed long-term growth rate of 1.0%.

**Investment risks - CapitaLand Mall Trust CT SP**

Key downside risks include a faster-than-expected rise in interest rates negatively impacting earnings and valuation. Declining disposable income could also weigh on retail operations and hence rents for its portfolio. A strengthening of the Singapore dollar against regional currencies could also result in lower tourism receipts which could marginally affect some of its portfolio. Key upside risks are the opposite of the above.

**Valuation details - CapitaLand Commercial Trust Ltd CCT SP**

We base our target on a dividend-discount model, discounting 18-22CL distributable income using a long-run risk-free assumption of 2.8% and a 6% equity-risk premium with a long-run risk-adjusted average beta of 0.80 from Bloomberg, giving us a 7.6% cost of equity. We also assume a long-term growth rate of 1.0%.

**Investment risks - CapitaLand Commercial Trust Ltd CCT SP**

Key risks include a faster-than-expected rise in interest rates hitting earnings and the stock's valuation. An unexpected macro shock could see tenants cutting back demand for office space, particularly for those operating in the banking and financial sector.

**Valuation details - Keppel DC Reit KDCREIT SP**

We use a dividend discount model (DDM) approach to value KDC Reit. Our cost of equity is 8.0%, using risk-free rate of 3.1% and market risk premium of 6.2%, which are weighted average based on its geographical exposure. We used a beta of 0.8 and terminal growth of 2.0%.

**Investment risks - Keppel DC Reit KDCREIT SP**

Key risks of investing in KDC Reit will be higher capital expenditure than other property sub-segments, short land tenure at selected buildings, and foreign exchange risks.

**Valuation details - Keppel Reit KREIT SP**

We base our target on a dividend-discount model, using a long-run risk-free assumption of 3.0% and a 6.1% equity-risk premium (both weighted averages based on its geographical exposure). With the long-run risk adjusted beta of 0.7 based on Bloomberg, our cost of equity is 7.4%. We assume terminal growth of 1.0%

**Investment risks - Keppel Reit KREIT SP**

Key risks include a faster-than-expected rise in interest rates hitting earnings and valuations. An unexpected macro shock could see tenants cutting back demand for office space, particularly for tenants operating in the banking and financial sector. Further weakening of the Australian dollar could also erode earnings generated from its Australia operations.

**Valuation details - Mapletree Logistics Trust MLT SP**

Our DDM-based target price uses a long-run risk-free-rate assumption of 3% (weighted average based on MLT's country exposure) and a 6% equity-risk premium, with a long-run risk-adjusted average beta of 0.9. We assume a terminal growth rate of 1.0%.

**Investment risks - Mapletree Logistics Trust MLT SP**

Key risks include a faster-than-expected rise in interest rates negatively impacting earnings and valuation. A sharp slowdown in regional trade for Singapore could result in lower demand for industrial space and hence lower rents. In addition, Mapletree Logistics is exposed to foreign-currency risk and thus earnings volatility in its overseas operations. Positive risk can come from relaxation of previous restrictive policies on industrial landlords and higher demand from third-party logistics firms.



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### Companies mentioned

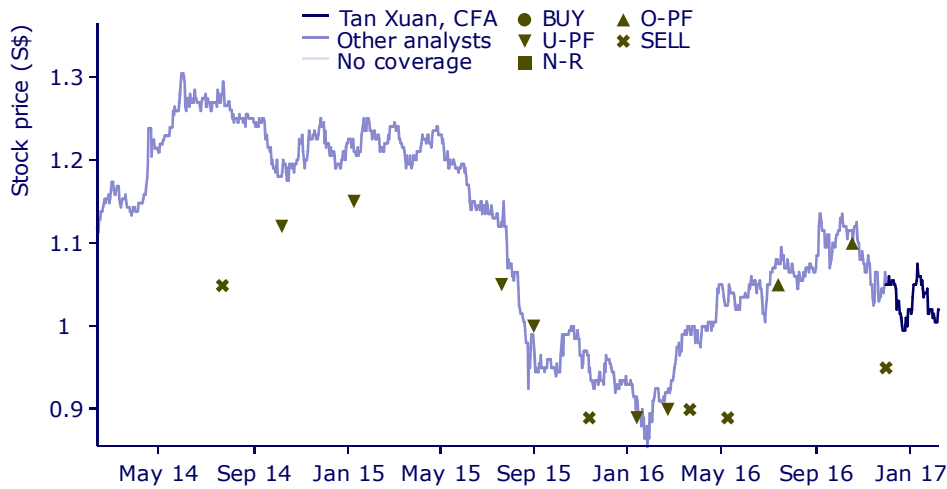
A-H Trust (N-R)  
 AIMS AMP Ind Reit (N-R)  
 AIT (N-R)  
 Ascendas (AREIT SP - S\$2.42 - OUTPERFORM)  
 Ascott RT (ART SP - S\$1.15 - OUTPERFORM)  
 BHG Retail Reit (N-R)  
 Cache Log (N-R)  
 Cambridge Ind (CREIT SP - S\$0.57 - OUTPERFORM)  
 CapitaMall Trust (CT SP - S\$1.97 - OUTPERFORM)  
 CapitaRetail (N-R)  
 CCT (CCT SP - S\$1.54 - OUTPERFORM)  
 CDL Hosp Trust (N-R)  
 CRT (N-R)  
 EC World (N-R)  
 Far East H-Trust (N-R)  
 FC Trust (N-R)  
 FCT (FCT SP - S\$2.03 - OUTPERFORM)  
 FHT (N-R)  
 First Real Estate (N-R)  
 FLT (N-R)  
 Keppel DC (KDCREIT SP - S\$1.18 - OUTPERFORM)  
 Keppel Infra Trust (N-R)  
 Keppel Reit (KREIT SP - S\$1.02 - SELL)  
 LMIR Trust (N-R)  
 Manulife Reit (N-R)  
 Mapletree Ind (MINT SP - S\$1.67 - BUY)  
 MapletreeLog (MLT SP - S\$1.05 - OUTPERFORM)  
 MCT (MCT SP - S\$1.52 - OUTPERFORM)  
 MGCCT (MAGIC SP - S\$0.98 - OUTPERFORM)  
 OUE C-Reit (N-R)  
 OUE H-Trust (N-R)  
 Parkway Life Reit (N-R)  
 RHT Health Trust (N-R)  
 Sabana Reit (N-R)  
 SAS (N-R)  
 Soilbuild Reit (N-R)  
 SPH Reit (SPHREIT SP - S\$0.98 - UNDERPERFORM)  
 Starhill Global Reit (N-R)  
 Suntec Reit (SUN SP - S\$1.73 - SELL)  
 Viva Industrial Trust (N-R)

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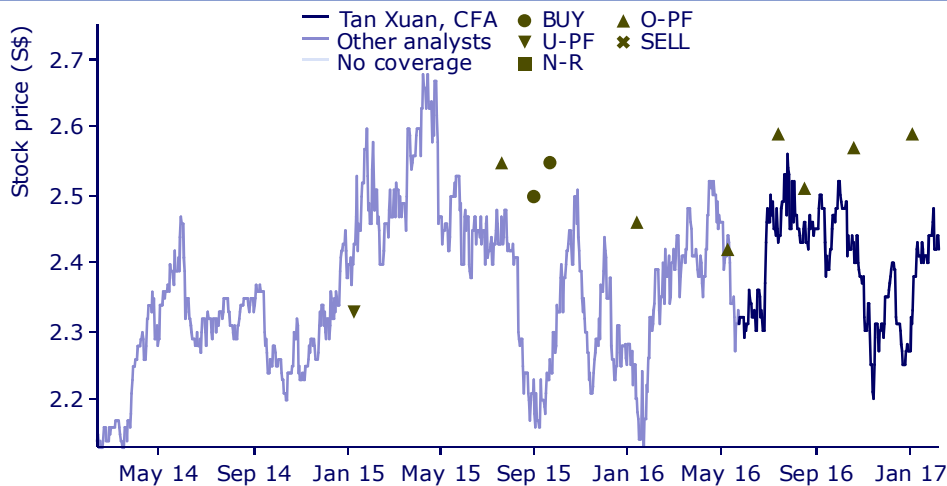
**Recommendation history of Keppel Reit KREIT SP**



Date	Rec	Target	Date	Rec	Target
01 Dec 2016	SELL	0.95	11 Nov 2015	SELL	0.89
18 Oct 2016	O-PF	1.10	31 Aug 2015	U-PF	1.00
14 Jul 2016	O-PF	1.05	20 Jul 2015	U-PF	1.05
09 May 2016	SELL	0.89	09 Jan 2015	U-PF	1.15
21 Mar 2016	SELL	0.90	07 Oct 2014	U-PF	1.12
21 Feb 2016	U-PF	0.90	22 Jul 2014	SELL	1.05
12 Jan 2016	U-PF	0.89			

Source: CLSA

**Recommendation history of Ascendas Real Estate Investment Trust AREIT SP**

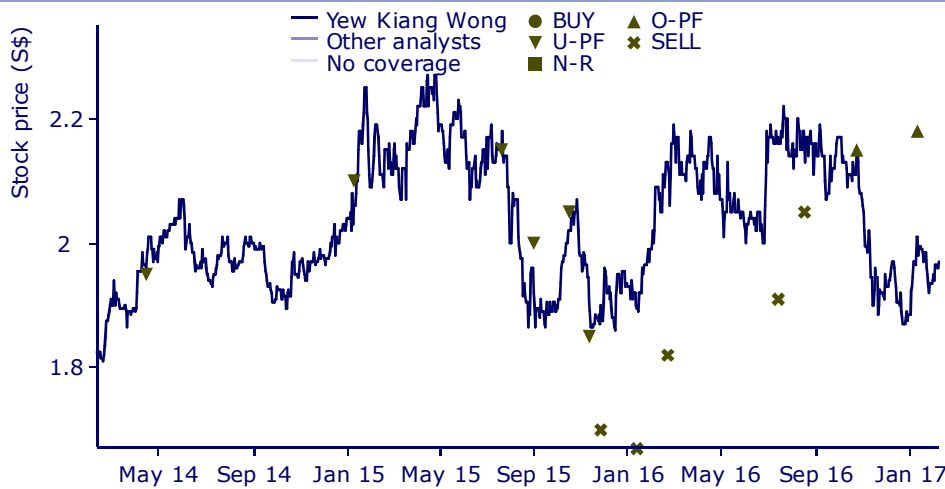


Date	Rec	Target	Date	Rec	Target
04 Jan 2017	O-PF	2.59	12 Jan 2016	O-PF	2.46
20 Oct 2016	O-PF	2.57	21 Sep 2015	BUY	2.55
17 Aug 2016	O-PF	2.51	31 Aug 2015	BUY	2.50
14 Jul 2016	O-PF	2.59	20 Jul 2015	O-PF	2.55
09 May 2016	O-PF	2.42	09 Jan 2015	U-PF	2.33

Source: CLSA



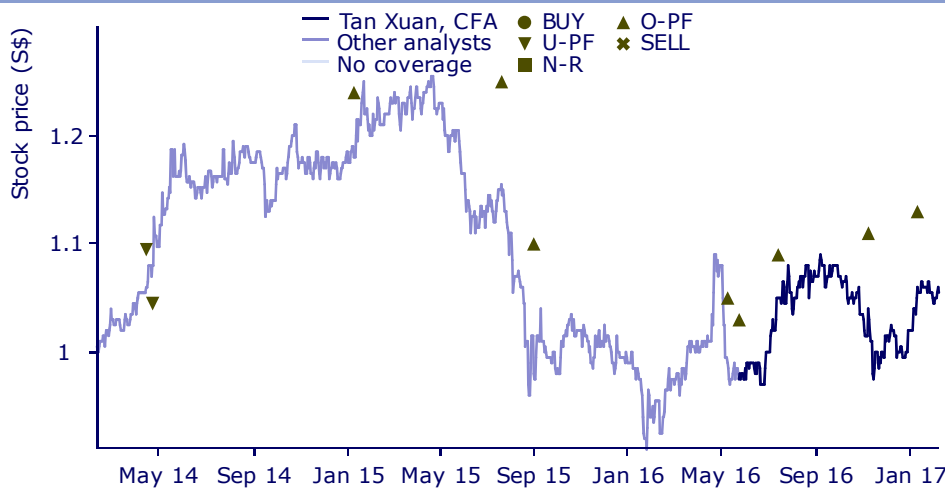
**Recommendation history of CapitaLand Mall Trust CT SP**



Date	Rec	Target	Date	Rec	Target
11 Jan 2017	O-PF	2.18	11 Nov 2015	U-PF	1.85
24 Oct 2016	O-PF	2.15	16 Oct 2015	U-PF	2.05
17 Aug 2016	SELL	2.05	31 Aug 2015	U-PF	2.00
14 Jul 2016	SELL	1.91	20 Jul 2015	U-PF	2.15
21 Feb 2016	SELL	1.82	09 Jan 2015	U-PF	2.10
12 Jan 2016	SELL	1.67	14 Apr 2014	U-PF	1.95
26 Nov 2015	SELL	1.70			

Source: CLSA

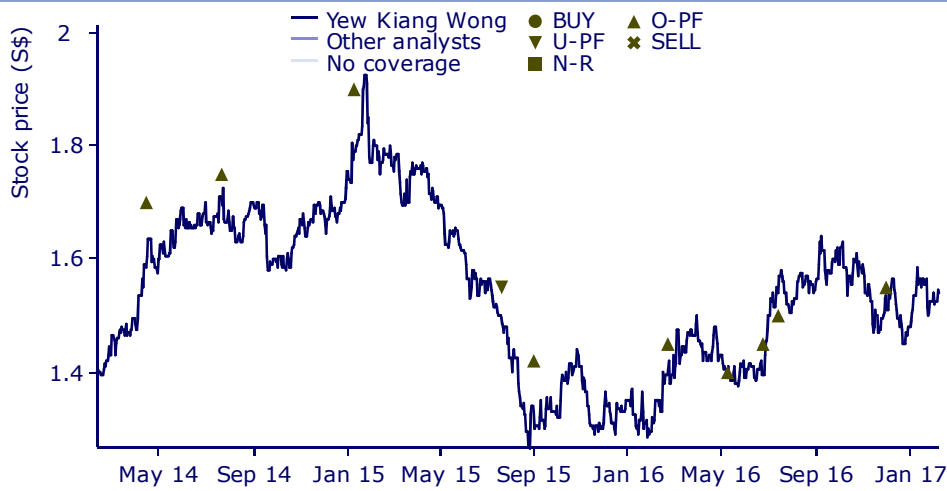
**Recommendation history of Mapletree Logistics Trust MLT SP**



Date	Rec	Target	Date	Rec	Target
11 Jan 2017	O-PF	1.13	31 Aug 2015	O-PF	1.10
08 Nov 2016	O-PF	1.11	20 Jul 2015	O-PF	1.25
14 Jul 2016	O-PF	1.09	09 Jan 2015	O-PF	1.24
24 May 2016	O-PF	1.03	22 Apr 2014	U-PF	1.04
09 May 2016	O-PF	1.05	14 Apr 2014	U-PF	1.09

Source: CLSA

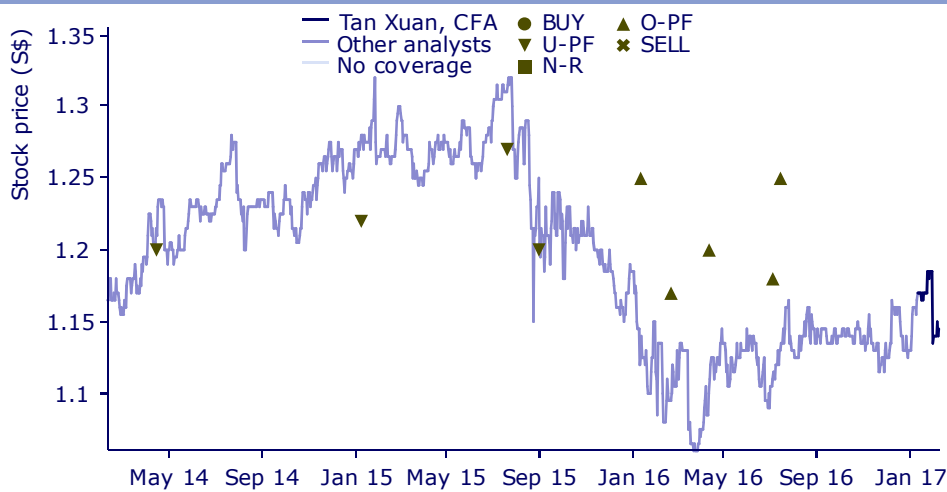
**Recommendation history of CapitaLand Commercial Trust Ltd CCT SP**



Date	Rec	Target	Date	Rec	Target
01 Dec 2016	O-PF	1.55	31 Aug 2015	O-PF	1.42
14 Jul 2016	O-PF	1.50	20 Jul 2015	U-PF	1.55
24 Jun 2016	O-PF	1.45	09 Jan 2015	O-PF	1.90
09 May 2016	O-PF	1.40	21 Jul 2014	O-PF	1.75
21 Feb 2016	O-PF	1.45	14 Apr 2014	O-PF	1.70

Source: CLSA

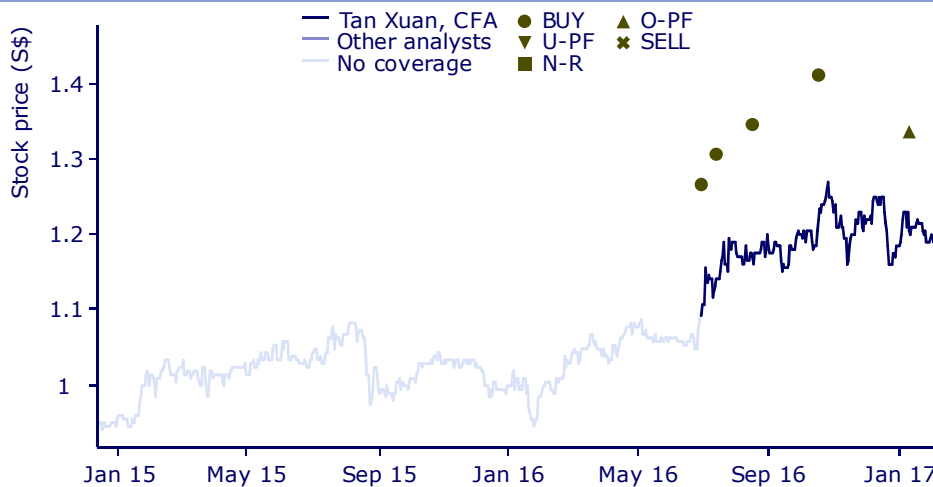
**Recommendation history of Ascott Residence Trust ART SP**



Date	Rec	Target	Date	Rec	Target
14 Jul 2016	O-PF	1.25	31 Aug 2015	U-PF	1.20
04 Jul 2016	O-PF	1.18	20 Jul 2015	U-PF	1.27
11 Apr 2016	O-PF	1.20	09 Jan 2015	U-PF	1.22
21 Feb 2016	O-PF	1.17	14 Apr 2014	U-PF	1.20
12 Jan 2016	O-PF	1.25			

Source: CLSA

Recommendation history of Keppel DC Reit KDCREIT SP



Date	Rec	Target	Date	Rec	Target
11 Jan 2017	O-PF	1.34	14 Jul 2016	BUY	1.31
18 Oct 2016	BUY	1.41	30 Jun 2016	BUY	1.27
17 Aug 2016	BUY	1.35			

Source: CLSA

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0.00%. Data as of 31 December 2016.

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