

## SG Property Intelligence

### FHT and FPL in trading halt

- **FHT and FPL have requested trading halts** pending the release of announcements. According to Bloomberg ([link](#)) in April, FHT had received board approval to explore a privatization and had hired a financial advisor. (Source: *Fraser's Hospitality Trust, Fraser's Property Ltd, Bloomberg*)
- **J.P. Morgan has opened its new office at CapitaSpring.** The 155,000 sqf office over seven floors in Raffles Place will house over one-third of J.P. Morgan's 3,500 staff in Singapore. (Source: *The Straits Times*)
- **A-REITs - Retail Traffic & Sales: May 2022 sales +4% on pcp and +12% vs 2019.** Shopping Centre foot traffic and sales have improved materially in the past four months, May-22 retail sales were up 4% on a relatively strong pcp and up a strong 12% relative to pre-pandemic levels (2019). We see this as a strong read-through for the retail REIT June quarterly sales. Foot traffic is improving too, up 11% on pcp yet still 30% below 2019, based on Kepler Analytics Australian Shopping Centres data, but is compensated by elevated average spend per visit (>1.3x 2019 levels). The strong rebound in sales and expiry of the NSW & Vic Codes of Conduct will see rental abatements (a 20% income drag for malls in 2H 2021) fall away quickly from March and quicker than REITs were anticipating in February. Ancillary income will also bounce back but may take longer to get back to pre COVID levels (~18 months). The recovery of Mall net property income from two COVID years will be well ahead of conservative valuer assumptions, cushioning the sector's valuation impact from rising interest rates (and discount rates). We forecast 40bps cap rate expansion for malls vs. +80bps in the office sector (see our [note](#)). Finally, malls offer good inflation protection, our preferred exposure is SCG, which has ~80% of its specialty leases with CPI+2% annual escalators. [Link](#) (J.P. Morgan analyst Richard Jones)
- **REITweek: Key Takeaways from Lamar and Equinix Meetings.** On Tuesday, we met with Lamar's CEO Sean Reilly and CFO Jay Johnson as well as Equinix's VP of Business Development for Global Financial Services John Knuff. For Equinix, the company is seeing solid bookings and has a strong pipeline of deals in part to long-term development of key verticals such as global financial services. [Link](#). (J.P. Morgan analyst Richard Choe)
- **2022 REITweek Day 1.** We met with 16 companies on Tuesday as part of the 2022 NAREIT REITweek conference as well as with the management of Kimco Realty (KIM) during a pre-NAREIT lunch a week earlier. Our meeting notes follow and include five net lease REITs (FCPT, LXP, SRC, VICI, WPC), three self-storage REITs (CUBE, EXR, LSI), two industrial REITs (DRE, PLD), two strip center REITs (KIM, SITC), two office REITs (BDN, OFC), one health care REIT (VTR), one residential REIT (UDR), and one mall REIT (SKT). Highlights include industrial takeaways incorporating impact of recent announcements from Amazon and retailers such as Target. [Link](#). (J.P. Morgan analyst Richard Choe)

#### Conglomerates and Property

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*analysts Anthony Paolone and Michael Mueller)*

- **Hilton Worldwide: Takeaways from Investor Meeting with CEO.** We hosted an investor meeting with HLT's CEO, Chris Nassetta, and IROs Jill Slattery and Jensen Stephenson. Similar to the (upbeat) tone at yesterday's Hyatt meeting (see note [here](#)), HLT discussed strong domestic demand/RevPAR trends, and a recovering international travel picture, with the exception of China, where restrictions remain in place (though are easing), and strong development signings. Our takeaways follow. [Link](#). *(J.P. Morgan analyst Joseph Greff)*

## Companies

- **CLCT shared that all its malls were operational at end May**, with the exception of Qibao, which had been closed from mid-March. CLCT also shared details on mall closures in May including Shuangjing (B&Q closed from 9 May and reopened 30 May), Wangjing and Grand Canyon (closed from 9 May and since reopened from 30 May with the exception of education, leisure and entertainment), and Xizhimen (closed from 26 May, and reopened on 30 May with the exception of education, leisure and entertainment and dine-in). CLCT is assessing necessary financial and marketing support to affected retail tenants and will seek out subsidies and insurance claims to offset impact of retail closures. CLCT's business parks portfolio was not impacted, while logistics parks are expected to be largely resilient. *(Source: CapitaLand China Trust)*  
*JPM View: We have factored in 0.8 months of rental support across CLCT's retail portfolio (1Q22: 0.2 months), and do not anticipate that overall support should exceed the 1.3 months during the peak of COVID in 2020 ([link](#)). With Beijing and Shanghai COVID lockdowns easing, retail should gradually recover while CLCT's diversification into business parks and logistics should mitigate the impact of near-term retail weakness.*
- **SGREIT announced that its new base rent for the Toshin Master Lease will remain unchanged** for the next three years from 8 June 2022. Toshin is the master tenant occupying all the retail areas except level five of Ngee Ann City with the master lease contributing 23% of SGREIT's portfolio gross rent. As the Toshin Master lease is due to expire in June 2025, SGREIT is exploring options, including extension of the master lease, with a focus on balancing optimal returns with income stability. *(Source: Starhill Global REIT)*
- **CLI in buyback of 0.86m shares** at S\$3.85/share, bringing total buybacks to date to 20.8m shares (0.4% of outstanding shares). *(Source: CapitaLand Investment)*

## Sector

- **The collective sale tender for Lakepoint Condo has closed without bids** and will enter private treaty discussions. The 99-year leasehold property in Jurong was launched at a reserve price of S\$640m (S\$959-982 psf ppr inclusive of development charge and lease top-up premium). Another Jurong site, Lakeside Apartments was sold to Wing Tai for S\$273.9m (S\$1,250-1,260 psf ppr) two weeks ago. *(Source: EdgeProp)*
- **Singapore stayed the 13<sup>th</sup> most expensive city for expats** in 2022, according to ECA International, despite rising inflation, while Hong Kong was the world's most costly city for the second year in a row. *(Source: The Straits Times)*

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**Table 1: Upcoming events**

On January 3, 2018, MiFID II came into effect. Therefore, you may only be eligible to participate in this event if you have the appropriate level of access to J.P. Morgan research. Please check your eligibility before participating/accessing.

Date / Time	Event	Speakers	Host	Call/Event description
14-16 Jun-22	J.P. Morgan Asia Pacific Macro Conference	<ul style="list-style-type: none"> <li>• Amrita Sen - Energy Aspects - latest thoughts on energy markets</li> <li>• Michael Pettis - China's sustainable growth - local and global repercussions</li> <li>• BSP (Philippines)</li> <li>• Ex Central Bankers from India (RBI – Mridul Saggar), Japan (BoJ) and Korea (BoK)</li> <li>• Russell Napier - Financial cycles, repression and investment implications - Co-Founder, ERIC (Electronic Research Interchange) – former CLSA Strategist</li> <li>• US China Relationship (Scott Kennedy + Craig Allen)</li> <li>• George Magnus (ex UBS chief econ)</li> <li>• De-coupling - likelihood and implications</li> <li>• RCEP / Trade and Geopolitics of South Asia (Manu Bhaskaran @ Centennial Group)</li> </ul>		<p>We are delighted to invite you to our upcoming Virtual Asia Pacific Macro Conference on June 14-16, 2022. This three-day event themed "As paradigms shift" will focus on the macro forces underlying the shift to a world where inflation has reached decade highs, central banks normalizing and rising commodity prices. These macro forces are also occurring against a back drop of rising geopolitical tensions.</p> <p>The conference will cover these topics at several levels, mapping the implications of these multiple threads on the region and financial markets.</p>

Source: J.P. Morgan.

**Table 2: REIM/Developer peer valuation comparison**

Developer	JPM Rating	Mkt Cap (US\$ m)	Sh price 8-Jun-22 (\$)	Price Target (\$)	Upside (%)	RNAV (\$)	RNAV Disc/Prem (%)	P/B (x)	Dividend Yield FY22E (%)	Dividend Yield FY23E (%)	20 Day ADTV (US\$m)	ROE FY22E (%)	EV/ EBITDA FY22E	EV/ EBITDA FY23E	YTD Sh Perf (%)
CapitaLand Investment	OW	14,352	3.85	4.40	14.3%	4.40	-13%	1.23	3.9%	4.2%	27.0	7.4%	18.3	17.0	12.9%
City Developments	OW	5,471	8.30	8.50	2.4%	11.35	-27%	0.93	1.7%	1.7%	11.9	4.2%	21.5	15.6	25.0%
Frasers Property	OW	3,139	1.10	1.25	13.6%	2.35	-53%	0.44	1.8%	1.8%	0.1	2.7%	23.5	19.7	-3.5%
UOL Group	OW	4,499	7.33	8.40	14.6%	12.00	-39%	0.61	2.4%	2.4%	8.5	4.2%	13.8	11.8	3.4%
<b>Total/Wtd Avg</b>		<b>27,460</b>			<b>11.9%</b>		<b>-24%</b>	<b>0.98</b>	<b>3.0%</b>	<b>3.1%</b>			<b>18.8</b>	<b>16.2</b>	<b>11.9%</b>

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

**Table 3: S-REIT peer valuation comparison**

SREITs	JPM Rating	Mkt Cap (US\$ m)	Sh Price 8-Jun-22 (\$)	Price Target (\$)	Upside (%)	P/B (x)	Dividend Yield 1FY (%)	Dividend Yield 2FY (%)	20 Day ADTV (US\$m)	Gearing (%)	YTD Sh Perf (%)
Ascendas India Trust	OW	977	1.16	1.50	29.3%	0.98	7.4%	8.6%	2.0	30%	-18.3%
Ascendas REIT	OW	8,665	2.84	3.00	5.6%	1.19	5.6%	5.9%	28.6	36%	-3.7%
Ascott Residence Trust	N	2,795	1.17	1.15	-1.7%	0.99	4.4%	5.1%	6.4	37%	13.6%
CAPL Integrated Comm Trust	OW	10,841	2.25	2.45	8.9%	1.07	5.1%	5.6%	45.8	37%	10.3%
CAPL China Trust	OW	1,470	1.21	1.35	11.6%	0.78	7.3%	7.7%	4.6	38%	1.7%
CDL Hospitality Trust	N	1,149	1.28	1.30	1.6%	0.97	4.6%	5.3%	3.6	39%	9.4%
Far East Hospitality Trust	N	951	0.66	0.65	-1.5%	0.79	4.6%	5.1%	1.0	38%	11.9%
Frasers Centrepoint Trust	N	2,882	2.33	2.25	-3.4%	1.01	5.4%	5.4%	4.6	35%	0.9%

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Frasers Logistics & Commercial Trust	OW	3,622	1.35	1.55	14.8%	1.03	5.7%	5.9%	10.7	34%	-11.2%
Keppel DC REIT	N	2,522	2.02	2.00	-1.0%	1.51	5.0%	5.1%	6.7	35%	-18.2%
Keppel REIT	N	3,165	1.17	1.10	-6.0%	0.89	5.0%	5.1%	7.7	38%	3.5%
Mapletree Commercial Trust	N	4,426	1.83	1.85	1.1%	1.05	5.4%	5.5%	21.9	34%	-8.5%
Mapletree Industrial Trust	OW	4,923	2.53	2.70	6.7%	1.28	5.6%	5.7%	11.0	40%	-6.6%
Mapletree Logistics Trust	N	5,881	1.69	1.70	0.6%	1.14	5.4%	5.4%	19.5	35%	-11.1%
Suntec REIT	UW	3,505	1.68	1.55	-7.7%	0.80	5.4%	5.3%	15.5	44%	11.3%
<b>Total/Wtd Avg</b>		<b>57,773</b>			<b>3.9%</b>	<b>1.08</b>	<b>5.4%</b>	<b>5.6%</b>			<b>-0.8%</b>

Source: Bloomberg Finance L.P., J.P. Morgan estimates.

Table 4: S-REITs' 1-year forward dividend yields vs. historical average

	Price		Forward dividend yield										
	(\$\$)												
	8-Jun	Current	vs S.D.		Mean								
			vs S.D	post GFC	Trough	Peak	Mean	post GFC	Stdev	+1 s.d.	+2 s.d.	-1 s.d.	-2 s.d.
Ascendas India Trust	1.16	7.4%	0.3	1.5	18.6%	4.3%	6.8%	18.6%	2.1%	8.9%	11.0%	4.7%	2.6%
Ascendas REIT	2.84	5.6%	-0.8	-0.8	12.3%	4.2%	6.6%	12.3%	1.3%	7.9%	9.2%	5.3%	4.0%
Ascott Residence Trust	1.17	4.4%	-1.0	-1.3	22.2%	2.3%	6.9%	22.2%	2.5%	9.4%	12.0%	4.3%	1.8%
CAPL Integrated Comm Trust	2.25	5.1%	-0.2	-0.1	8.8%	3.2%	5.3%	8.8%	1.0%	6.3%	7.3%	4.4%	3.4%
CapitaLand China Trust	1.21	7.3%	0.3	0.7	17.9%	2.1%	6.6%	17.9%	1.9%	8.5%	10.5%	4.7%	2.8%
CDL Hospitality Trusts	1.28	4.6%	-0.8	-1.0	20.2%	3.0%	6.2%	20.2%	2.1%	8.3%	10.5%	4.1%	1.9%
Far East Hospitality Trust	0.66	4.6%	-1.1	-1.1	7.4%	3.1%	5.6%	7.4%	0.8%	6.4%	7.2%	4.7%	3.9%
Frasers Centrepoint Trust	2.33	5.4%	-0.3	-0.2	13.6%	3.3%	5.9%	13.6%	1.5%	7.4%	9.0%	4.4%	2.8%
Keppel DC REIT	2.02	5.0%	-0.6	-0.2	7.0%	3.1%	5.4%	7.0%	1.0%	6.1%	7.4%	4.4%	3.4%
Keppel REIT	1.17	5.1%	-0.5	-0.6	19.2%	3.5%	6.2%	19.2%	2.1%	8.3%	10.4%	4.1%	2.0%
Mapletree Commercial Trust	1.83	5.4%	-0.3	-0.3	7.6%	3.7%	5.6%	7.6%	0.9%	6.5%	7.4%	4.7%	3.8%
Mapletree Industrial Trust	2.53	5.6%	-0.8	-0.8	8.7%	3.9%	6.6%	8.7%	1.1%	7.7%	8.8%	5.4%	4.3%
Mapletree Logistics Trust	1.69	5.4%	-0.7	-0.8	19.2%	4.0%	6.8%	19.2%	2.1%	8.9%	11.0%	4.6%	2.5%
Suntec REIT	1.68	5.4%	-0.4	-0.6	22.3%	4.0%	6.5%	22.3%	2.4%	8.9%	11.3%	4.1%	1.6%

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

Table 5: S-REITs' 1-year forward yield spreads vs. historical average

	Price		Forward yield spread (bps)										
	(\$)												
	8-Jun	Current	vs S.D.				Mean						
			vs S.D	post GFC	Trough	Peak	Mean	post GFC	Stdev	+1 s.d.	+2 s.d.	-1 s.d.	-2 s.d.
Ascendas India Trust	1.16	450	-0.1	0.4	1,579	144	470	420	202	672	875	268	65
Ascendas REIT	2.84	267	-1.3	-1.4	1,030	176	425	409	124	549	673	302	178
Ascott Residence Trust	1.17	146	-1.3	-1.9	2,024	54	468	418	250	718	969	218	(33)
CAPL Integrated Comm Trust	2.25	223	-0.7	-0.7	673	20	298	291	109	406	515	189	80
CapitaLand China Trust	1.21	439	-0.1	0.1	1,580	(112)	450	421	202	652	854	248	46
CDL Hospitality Trusts	1.28	167	-1.1	-1.8	1,810	97	405	363	206	611	818	198	(8)
Far East Hospitality Trust	0.66	173	-2.6	-2.6	546	137	358	358	70	428	498	288	218
Frasers Centrepoint Trust	2.33	252	-0.8	-1.0	1,152	47	373	341	156	529	685	217	61
Keppel DC REIT	2.02	208	-1.7	-1.7	506	191	321	321	66	387	453	255	190
Keppel REIT	1.83	250	-1.3	-1.3	598	191	370	370	89	459	548	281	192
Mapletree Commercial Trust	2.53	272	-1.9	-1.9	702	268	461	461	98	559	657	363	265
Mapletree Industrial Trust	1.69	245	-1.0	-1.5	1,712	139	454	410	212	665	877	242	30
Mapletree Logistics Trust	1.68	250	-0.7	-1.1	2,021	150	423	369	247	670	916	177	(70)

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Suntec REIT	1.16	450	-0.1	0.4	1,579	144	470	420	202	672	875	268	65
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Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

**Table 6: Developers' current and historical price to book**

	Last px (\$)	BVPS	P/B (x)								
	8-Jun-22	(\$)	Current	S.D.	Peak	Trough	Mean	+1 s.d.	+2 s.d.	-1 s.d.	-2 s.d.
City Developments	8.30	9.28	0.93	-0.9	4.34	0.56	1.72	2.54	3.36	0.90	0.08
Frasers Property	1.10	2.44	0.44	-1.6	0.90	0.41	0.69	0.81	0.94	0.56	0.43
UOL Group	7.33	12.04	0.61	-0.6	1.59	0.35	0.72	0.90	1.08	0.54	0.36

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

**Table 7: Developers' current and historical discounts to RNAV**

	Last px (\$\$)	RNAV	Current and historical discounts to RNAV (%)								
	7-Jun-22	(\$\$)	Current	S.D.	Peak	Trough	Mean	+1 s.d.	+2 s.d.	-1 s.d.	-2 s.d.
City Developments	8.30	11.35	-27%	-0.5	61%	-64%	-13%	14%	41%	-40%	-67%
Frasers Property	1.10	2.45	-55%	-1.4	0%	-64%	-33%	-20%	-6%	-47%	-60%
UOL Group	7.33	12.00	-39%	-0.3	4%	-78%	-35%	-22%	-9%	-48%	-61%

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.

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**Coverage Universe: Khi, Terence M:** CapitaLand China Trust (CAPA.SI), Frasers Centrepoint Trust (FCRT.SI), Frasers Property Ltd (FRPL.SI), Keppel DC REIT (KEPE.SI), Keppel REIT (KASA.SI), Mapletree Commercial Trust (MACT.SI), Suntec REIT (SUNT.SI), UOL Group (UTOS.SI)

**Song, Mervin C:** Ascendas India Trust (AINT.SI), Ascendas REIT (AEMN.SI), Ascott Residence Trust (ASCO.SI), CDL Hospitality Trusts (CDLT.SI), CapitaLand Integrated Commercial Trust (CMLT.SI), CapitaLand Investment Limited (CAPN.SI), City Developments (CTDM.SI), Far East Hospitality Trust (FAEH.SI), Frasers Logistics & Commercial Trust (FRAE.SI), IGB REIT (IGRE.KL), KLCCP Stapled Group (KLCC.KL), Mapletree Industrial Trust (MAPI.SI), Mapletree Logistics Trust (MAPL.SI), Sunway REIT (SUNW.KL)



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### J.P. Morgan Equity Research Ratings Distribution, as of April 02, 2022

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	51%	37%	12%
IB clients**	52%	47%	36%
JPMS Equity Research Coverage*	51%	37%	12%
IB clients**	75%	68%	51%

\*Please note that the percentages might not add to 100% because of rounding.

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