CGS CIMB | CIMB

Sector Note

Property | Singapore | July 5, 2018

Singapore

Overweight *(no change)*

Highlighted companies

CapitaLand Commercial Trust
ADD, TP S$1.90, S$1.66 close

CCT offers investors an almost pure exposure to the Singapore office rental market recovery. The recent divestment of Twenty Anson would enable the group to build more balance sheet capacity for new acquisitions. CCT is trading at 5.3% FY18/19F DPU yield.

City Developments
ADD, TP S$13.41, S$10.93 close

In our view, City Dev's land restocking activities would enable the group to continue to ride on the residential upcycle and underpin its RNAV. Meanwhile, the expansion of its new fee income platform could bolster ROE in the medium term. The stock is trading at a 35% discount to RNAV.

UOL Group
ADD, TP S$9.65, S$7.51 close

UOL has a high recurring income base, underpinned by rentals, hotel operations and investment holdings. It has good office exposure through UIC. UOL is now trading at a 38% discount to RNAV.

Summary valuation metrics

P/E (x)	Dec-18F	Dec-19F	Dec-20F
CapitaLand Commercial Trust	18.59	18.51	18.44
City Developments	18.18	20.60	23.09
UOL Group	14.68	16.59	15.69

P/BV (x)	Dec-18F	Dec-19F	Dec-20F
CapitaLand Commercial Trust	0.96	0.97	0.97
City Developments	1.04	1.01	0.98
UOL Group	0.65	0.63	0.62

Dividend Yield	Dec-18F	Dec-19F	Dec-20F
CapitaLand Commercial Trust	5.35%	5.34%	5.41%
City Developments	1.65%	1.65%	1.65%
UOL Group	2.33%	2.33%	2.33%

Property Devt & Invt

All eyes on take-up rates

- Private home prices surged in 1H18; sales/launch volume off to a slower start so far this year.
- Good sell-through rates and fast asset turn are sector catalysts.
- Office and hospitality sectors continue to look good.
- Developers are trading at attractive valuations. Our top picks are UOL, CIT, CCT and CDREIT. Maintain Overweight.

What has changed in the past six months

As at half-time 2018, residential sales/launch volume reflected a slow start to the year, achieving 30%/28% of our full-year forecasts. However, private home prices surged 7.4% over end-2017, and looks to exceed our 8% growth expectation this year. Accordingly, we raise our price projection to +10% yoy for 2018F but maintain our 11k-12k volume forecast. Meanwhile, in our calculation, potential launch pipeline from enbloc sales is 60% more than at end 2017 due to the additional S$10.3bn of collective sales announced YTD, if all are completed.

Good sell-through rates and fast asset turn are catalysts

Going into 2H, we think price growth trajectory should slow down, but remain positive. Transaction volumes should pick up, aided by additional replacement demand from enbloc sellers as more existing projects are demolished for rebuilding. With mortgage rates on the rise, demand resilience will be tested amid higher selling prices. Take-up rates and faster asset turn would be important to preserving development margins against this backdrop of expected slower rising ASPs and higher cost-to-completion.

Office sector continues to shine

The office sub-sector continues to show the most supportive supply/demand dynamics for a rental recovery, with broadening appetite from the services sector and medium-term supply squeeze of new Grade A space in the CBD. Rising spot rents should result in positive rental reversion from next year. The hospitality sector is also expected to benefit from a continued upturn in REVPAR with limited new supply over the next 2-3 years.

Valuations for developers looks compelling for now

After the recent share price correction, we see trading opportunities for developers. Valuations are inexpensive, at -1SD discount to long term mean and are underpinned by firm RNAVs and positive newsflow on take up rates. We think the potential large launch pipeline situation may be more of a concern for 2019 and could refocus investor interest to SREITs then, especially when pressure from numerous rate hikes and narrowing yield spread dials down.

Our top picks

Our top picks amongst developers are UOL and CIT, which have good exposure to both residential and commercial assets in Singapore. Their valuations are compelling after recent share price corrections. Within the SREITs space, we prefer CCT for exposure to the office rental recovery while its recent sale of Twenty Anson provides balance sheet capacity for new growth opportunities. CDREIT is our preferred large-cap pick to ride the nascent recovery in the Singapore hotel sector.

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Figure 1: Singapore developers' RNAV breakdown

	Residential				Office		Retail		Industrial		Hospitality	Others
Companies	SG High	SG Mid	SG Mass	Overseas	SG	Overseas	SG	Overseas	SG	Overseas		(incl REITs)
Capitaland	0%	4%	0%	18%	0%	11%	11%	18%	0%	0%	8%	30%
City Dev	9%	7%	10%	4%	32%	0%	10%	0%	2%	0%	17%	7%
Frasers Property	0%	6%	3%	28%	8%	4%	7%	0%	0%	10%	9%	26%
Guocoland	4%	22%	0%	23%	39%	2%	3%	0%	0%	0%	2%	4%
HoBee Land	8%	0%	0%	11%	35%	43%	0%	0%	2%	0%	0%	0%
Utd Engineers	0%	0%	0%	15%	24%	0%	8%	0%	7%	0%	9%	36%
UOL	0%	12%	0%	2%	30%	4%	18%	0%	0%	0%	24%	10%
Wing Tai	21%	14%	0%	16%	18%	16%	0%	0%	0%	0%	4%	11%

SOURCES: CGS-CIMB RESEARCH, COMPANY

Figure 2: Singapore developers' peer comparison table

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US$ m)	Core P/E (x) FY17F	Core P/E (x) FY18F	Core P/E (x) FY19F	RNAV FY18F	Prem./(Disc.) to RNAV (%)	P/BV (x) FY17F	P/BV (x) FY18F	Div. Yield (%) FY17F	Div. Yield (%) FY18F
Aspen (Group) Holdings Ltd	ASPEN SP	Add	0.21	0.29	148	5.7	4.3	8.0	0.53	-60%	2.63	1.88	3.2%	4.6%
CapitaLand	CAPL SP	Add	3.13	4.37	9,569	5.2	11.8	9.9	5.47	-43%	0.72	0.70	3.8%	3.8%
City Developments	CIT SP	Add	10.93	13.41	7,283	19.4	18.2	20.6	16.80	-35%	1.09	1.04	1.6%	1.6%
Frasers Property Limited	FPL SP	Add	1.64	2.40	3,501	14.2	11.4	10.4	3.43	-52%	0.54	0.50	5.2%	5.2%
Guocoland	GUOL SP	Add	1.96	2.88	1,700	17.1	6.3	10.7	3.85	-49%	0.62	0.57	3.6%	3.6%
Hatten Land Ltd	HATT SP	Add	0.14	0.38	142	5.7	5.6	4.6	0.69	-80%	2.53	1.75	0.0%	1.8%
Ho Bee Land	HOBEE SP	Add	2.35	3.39	1,146	11.9	10.5	10.3	5.21	-55%	0.52	0.49	3.0%	3.4%
Hongkong Land Holdings Ltd	HKL SP	Add	7.08	9.50	16,658	17.2	15.8	14.6	13.50	-48%	0.45	0.46	2.8%	3.1%
Perennial Real Estate Holdings	PREH SP	Add	0.82	1.18	999	na	2787.2	170.6	1.97	-58%	0.49	0.50	1.2%	1.2%
United Engineers	UEM SP	Add	2.81	2.94	1,313	44.6	76.0	50.8	3.46	-19%	0.94	0.92	1.4%	1.4%
UOL Group	UOL SP	Add	7.51	9.65	4,637	16.3	14.7	16.6	12.09	-38%	0.67	0.65	2.3%	2.3%
Wing Tai Holdings	WINGT SP	Add	1.98	2.32	1,119	32.6	77.8	36.5	3.57	-44%	0.47	0.46	1.5%	3.0%
Singapore average						**12.0**	**14.4**	**14.0**		**-48%**	**0.60**	**0.59**	**2.9%**	**3.0%**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: S-REITs' peer comparison table

SREIT	Bloomberg Ticker	Price as at 04 Jul 18	Mkt Cap (US $m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Target Price (DDM-based)	Rec.	FY18F Yield	FY19F Yield	FY20F Yield
Hospitality											
Ascott Residence Trust	ART SP	$1.06	$1,678	36.1%	1.22	0.87	$1.16	H	6.5%	6.8%	6.9%
Ascendas Hospitality Trust	ASCHT SP	$0.77	$651	32.2%	0.92	0.84	NA	NR	7.6%	7.5%	7.7%
CDL Hospitality Trust	CDREIT SP	$1.55	$1,367	33.2%	1.51	1.03	$1.92	A	6.3%	7.0%	7.4%
Far East Hospitality Trust	FEHT SP	$0.62	$848	35.1%	0.87	0.71	$0.79	A	6.9%	7.4%	7.8%
Frasers Hospitality Trust	FHT SP	$0.69	$963	33.4%	0.77	0.90	NA	NR	7.2%	7.5%	7.7%
OUE Hospitality Trust	OUEHT SP	$0.79	$1,046	38.7%	0.76	1.03	$0.92	A	6.5%	6.9%	7.2%
	Simple Average			**34.8%**		**0.90**			**6.8%**	**7.2%**	**7.4%**
Industrial											
AIMS AMP	AAREIT SP	$1.39	$709	33.1%	1.53	0.91	NA	NR	7.4%	7.9%	7.9%
Ascendas REIT	AREIT SP	$2.64	$5,669	34.4%	2.12	1.25	$2.85	A	6.1%	6.2%	6.4%
Cache Logistics Trust	CACHE SP	$0.76	$597	38.5%	0.71	1.08	$0.80	H	7.8%	7.8%	7.9%
ESR-REIT	EREIT SP	$0.51	$586	30.0%	0.58	0.86	$0.62	A	7.1%	8.0%	8.2%
Frasers Logistics & Industrial Trust	FLT SP	$1.04	$1,530	30.5%	0.91	1.14	$1.24	A	6.8%	7.1%	7.2%
Keppel DC REIT	KDCREIT SP	$1.35	$1,337	37.4%	0.96	1.41	$1.49	A	5.8%	6.1%	6.2%
Mapletree Industrial Trust	MINT SP	$1.96	$2,708	33.1%	1.47	1.33	$2.12	A	6.0%	6.2%	6.6%
Mapletree Logistics Trust	MLT SP	$1.23	$2,924	37.7%	1.10	1.12	$1.39	A	6.2%	6.4%	6.5%
Sabana Shariah	SSREIT SP	$0.43	$338	37.0%	0.57	0.75	NA	NR	na	na	na
Soilbuild Business Space REIT	SBREIT SP	$0.66	$520	40.6%	0.64	1.03	NA	NR	7.7%	7.7%	7.7%
Viva Industrial Trust	VIT SP	$0.88	$636	39.8%	0.77	1.14	NA	NR	7.9%	7.7%	8.6%
	Simple Average			**35.6%**		**1.23**			**6.9%**	**7.1%**	**7.3%**
Office											
CapitaLand Commercial Trust	CCT SP	$1.66	$4,553	37.9%	1.74	0.95	$1.90	A	5.3%	5.3%	5.4%
Frasers Commercial Trust	FCOT SP	$1.37	$887	35.3%	1.51	0.91	$1.50	H	7.0%	7.1%	7.1%
Keppel REIT	KREIT SP	$1.10	$2,747	38.6%	1.40	0.79	$1.34	A	5.2%	5.4%	5.9%
OUE Commercial REIT	OUECT SP	$0.69	$776	40.5%	0.90	0.76	$0.75	H	6.5%	6.5%	6.4%
Suntec REIT	SUN SP	$1.74	$3,397	36.6%	2.08	0.84	$2.12	A	5.8%	5.9%	6.1%
	Simple Average			**37.8%**		**0.85**			**6.0%**	**6.0%**	**6.2%**
Retail											
CapitaLand Mall Trust	CT SP	$2.03	$5,279	33.5%	1.93	1.05	$2.25	A	5.5%	5.5%	6.2%
Frasers Centrepoint Trust	FCT SP	$2.19	$1,486	29.2%	2.03	1.08	$2.41	A	5.7%	5.8%	6.0%
Mapletree Commercial Trust	MCT SP	$1.57	$2,472	34.5%	1.49	1.05	$1.75	A	5.8%	5.8%	5.8%
SPH REIT	SPHREIT SP	$1.00	$1,874	25.4%	0.94	1.06	$1.07	H	5.6%	5.8%	5.9%
Starhill Global REIT	SGREIT SP	$0.66	$1,047	35.3%	0.92	0.71	$0.83	H	7.7%	7.8%	8.0%
	Simple Average			**31.6%**		**0.99**			**6.1%**	**6.1%**	**6.4%**
Retail Ex-Sin											
CapitaLand Retail China Trust	CRCT SP	$1.59	$1,151	36.7%	1.58	1.01	NA	NR	6.5%	6.7%	6.9%
Lippo Malls Indonesia Retail Trust	LMRT SP	$0.32	$669	35.0%	0.30	1.06	$0.33	RD	8.2%	8.3%	8.5%
Mapletree North Asia Commercial Trust	MAGIC SP	$1.15	$2,651	36.2%	1.38	0.84	$1.30	A	6.5%	6.6%	6.9%
	Simple Average			**36.0%**		**0.97**			**7.1%**	**7.2%**	**7.4%**
Healthcare											
First REIT	FIRT SP	$1.32	$759	34.1%	1.01	1.30	$1.44	H	6.8%	6.8%	7.0%
Parkway Life REIT	PREIT SP	$2.70	$1,197	38.0%	1.72	1.57	$3.07	H	4.5%	4.6%	4.7%
RHT Health Trust	RHT SP	$0.77	$454	25.4%	0.82	0.93	$0.81	H	5.9%	6.7%	7.7%
	Simple Average			**32.5%**		**1.27**			**5.7%**	**6.0%**	**6.4%**

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

All eyes on take-up rates

Singapore developers

Property stocks ended 2017 on a high note with most indicators looking up. But at half-time 2018, both sales and launch volume have delivered a slow start, respectively accounting for only 30% and 28% of our full-year forecasts. However, private home prices surged 7.4% over end-2017 prices, i.e. in the past six months, and likely to exceed our expectation of an 8% yoy increase this year. Meanwhile, even as the government has kept land supply constant in 2H vs. 1H, potential launch pipeline from enbloc sales jumped 60% from end 2017, in our estimate, due to the additional S$10.3bn of collective sales announced YTD, assuming all deals are completed.

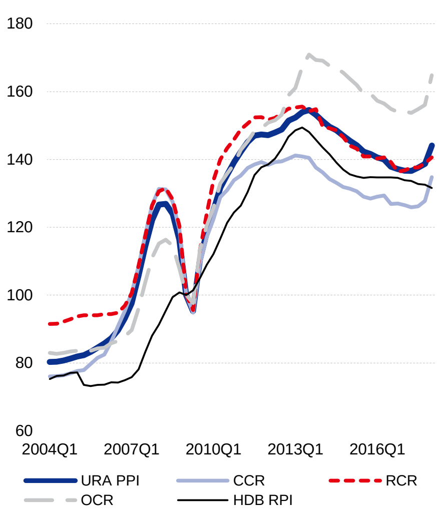
Going into 2H, we think the price growth trajectory should slow down, but remain positive. Transaction volumes should pick up, aided by additional replacement demand from enbloc sellers as more older existing developments are demolished and new projects launched. With mortgage rates on the rise, in tandem with higher interest rates, demand resilience will be tested amid higher selling prices. We think take-up rates would be a key indicator. For developers, we believe faster asset turn would be important to preserving development margins against this backdrop of expected slower rising ASPs and higher cost-to-completion.

Private home prices continue to surge, raising our 2018 price growth forecast

The Urban Redevelopment Authority (URA) private property index flash estimate for 2Q18 showed a 3.4% qoq rise in private home prices, on top of the 3.9% qoq hike in 1Q while the Housing and Development Board (HDB) resale price index notched a 0.1% qoq improvement in 2Q, its first uptick since 3Q16. This translates to a 7.4% increment since the end of 2017 and up 9.1% from the trough in 2Q17, led by Outside Central Region (OCR) and Rest of Central Region (RCR) regions.

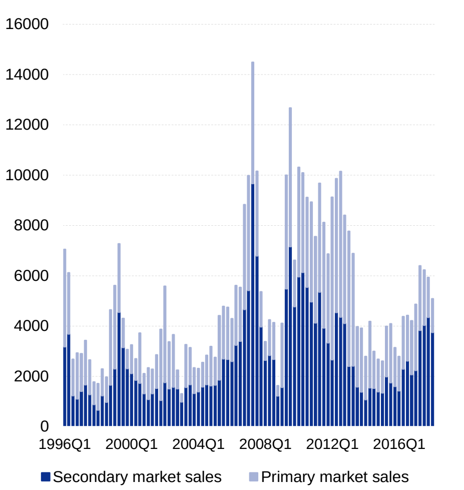
The appreciation came on the back of 4.6% yoy growth in total private and secondary market transactions in 1Q18. So far, primary volume quantum was 40% lower yoy in the first five months of this year, at 3,480 units, due to slow pace of launches and sale approvals for new projects. Unsold inventory stood at 23,514 units at end-1Q18.

Figure 4: URA property price indices



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Primary and secondary private home transactions



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Unsold inventory

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

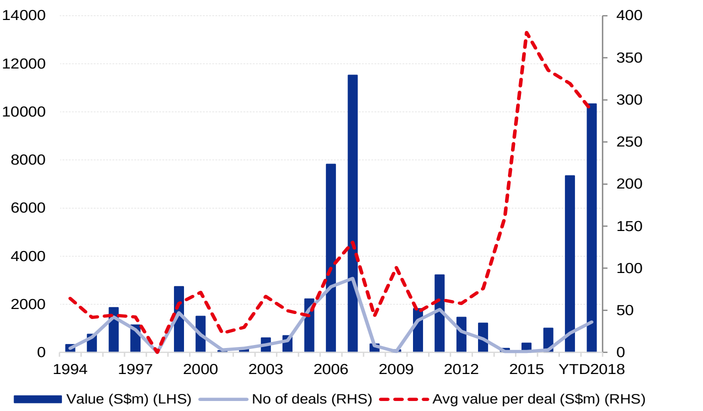
The sharp price improvement looks set to exceed our expectation for an 8% yoy rise in 2018F. Accordingly, we raise our 2018 price growth forecast to 10% while keeping our projection for new sales volume at 11,000-12,000 units for this year.

Net pipeline supply surged 60% in 1H18

The land markets remained very buoyant in 1H18, with a record S$10.3bn of enbloc deals and another S$4.1bn of residential/mixed-use government land sites changing hands. These land parcels can supply an estimated 9,583 and 3,880 additional residential homes from the enbloc and public markets respectively, on top of inventory still outstanding from the previous year. Essentially, the net potential launch pipeline from enbloc sites has expanded 60% over the end-2017 estimate, in our calculation, while potential launch pipeline from government land sale (GLS) sites has grown 84% over the end-2017 estimate. In all, approximately a total of 24,200 and 9,758 private homes can come into the market from the two respective pipelines over the next 2-3 years, in our view or equivalent to 11,300-17,000 units a year. Of these, only a fraction has been launched in 1H18.

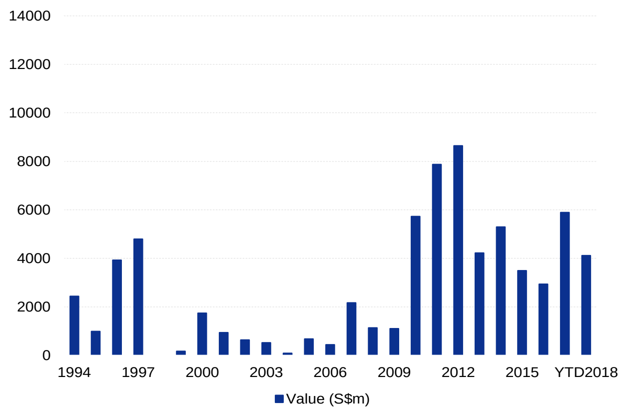
With this well-flagged incoming supply, we believe developers will likely adopt a faster inventory turn and a realistic pricing strategy going forward, to capture buyers' wallet share.

Figure 7: Value of enbloc transactions



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Government residential/mixed-use land sales by value



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

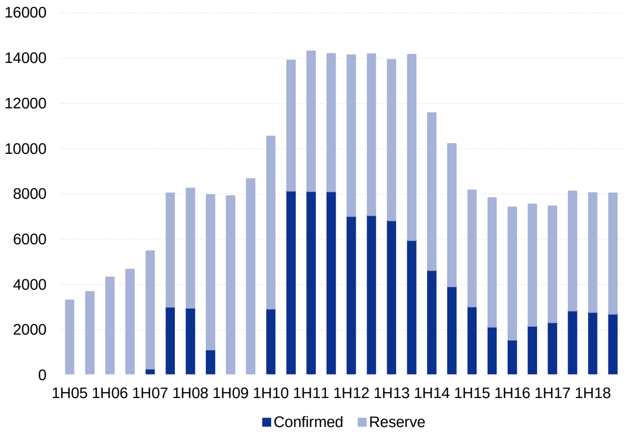
Government land sale kept relatively constant, lowering HBD supply

On the flipside, we are heartened to see the 2H18 government residential land supply being kept relatively constant vs. 1H18, at 8,040 units (2,775 confirmed, 5,335 reserve). This paced introduction of new land inventory should signal a stable recovery in the private residential market, in our view. In addition, HBD has also indicated that it would reduce the build-to-order (BTO) supply of public housing for 2018 to 16,000 units from 17,000.

In the 2H18 land sale programme, the government raised available supply of commercial space to 124,200 sq m. The bulk of this new supply comes from a mixed retail/residential with community space and a bus interchange land parcel in the Eastern part of Singapore.

It also re-introduced hotel land supply into the programme after a four-year hiatus. Should the hotel land parcels be snapped up when tendered, the budgeted pipeline of 930 hotel rooms, largely in the CBD, or equivalent to c.1.5% of existing stock, could come on-stream from 2023F at the earliest, in our view. In the meantime, the dwindling hotel inventory under development currently and increasing tourist arrivals should continue to underpin the nascent hotel revenue per available room (RevPAR) recovery in Singapore.

Figure 9: Residential supply under government land sale programme



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: 2H18 government land sale programme

Location	Site Area (ha)	Proposed GPR	Est No. of DUs *(1)*	Est No. of Hotel Rooms	Est Commercial Space *(m2)*	Est Launch Date	Sales Agent
Confirmed List							
Residential Sites							
Kampong Java Road *(2)*	1.16	2.8	435	0	0	Oct-18	URA
Tampines Avenue 10 (EC) *(3)*	2.49	2.8	695	0	0	Oct-18	HDB
Sims Drive	1.62	3	650	0	0	Nov-18	URA
Middle Road *(2)(4)*	0.78	4.2	390	0	1,500	Nov-18	URA
White Sites							
Pasir Ris Central *(2)(5)*	3.82	2.5	535	0	35,900	Aug-18	HDB
Hotel Sites							
Club Street *(2)(6)*	0.51	4.2	0	390	4,800	Sep-18	URA
Total (Confirmed List)			**2,705**	**390**	**42,200**		

Location	Site Area (ha)	Proposed GPR	Est No. of DUs *(1)*	Est No. of Hotel Rooms	Est Commercial Space *(m2)*	Est Available Date *(7)*	Sales Agent
Reserve List							
Residential Sites							
Bartley Road / Jalan Bunga Rampai *(8)*	0.47	2.1	115	0	0	Available	URA
Yishun Avenue 9	2.15	2.8	805	0	0	Available	URA
Canberra Drive	4.09	1.4	765	0	0	Available	URA
Clementi Avenue 1 *(9)*	1.65	3.5	640	0	0	Jun-18	URA
Anchorvale Crescent (EC)*(10)*	1.71	3	515	0	0	Jun-18	HDB
Dairy Farm Walk *(2)*	1.5	2.1	420	0	0	Nov-18	URA
Tan Quee Lan Street *(2)(11)*	1.16	4.2	585	0	2,000	Nov-18	URA
White Sites *(4)*							
Marina View*(2)(12)*	0.78	13	905	540	2,000	Oct-18	URA
Woodlands Square / Woodlands Avenue 2 *(2)(13)*	2.9	4.2	585	0	78,000	Dec-18	URA
Total (Reserve List)			**5,335**	**540**	**82,000**		
Total (Confirmed List and Reserve List)			**8,040**	**930**	**124,200**		

NB: GPR = gross plot ratio, DUs = dwelling units, URA = Urban Redevelopment Authority, HDB = Housing Development Board

Note: 1 The estimated number of dwelling units for some sites carried forward from 1H2018 Reserve List have been updated to take into account the revisions to site areas.
2 New sites introduced in 2H2018.
3 Site is imposed with a DU cap of 700 units.
4 Site is imposed with a retail cap of 1,500 sqm GFA.
5 A mixed-use devt with integrated community and bus interchange facilities (est 19,400 sqm GFA). Retail cap is 35,900 sqm GFA. Site is imposed with a DU cap of 600 units.
6 Estimated commercial space includes 2,800 sqm GFA for the pedestrian underpass underneath Cross Street.
7 Refers to estimated date the detailed conditions of sale will be available and applications can be submitted.
8 Site is imposed with a DU cap of 116 units.
9 Site is imposed with a DU cap of 640 units.
10 Site is imposed with a DU cap of 550 units.
11 Site is imposed with a retail cap of 2,000 sqm GFA.
12 Site is imposed with a retail cap of 2,000 sqm GFA.
13 Site is imposed with a retail cap of 28,000 sqm GFA.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Going into the 2H, we expect the pace of new launches to pick up significantly. Three large projects – Affinity @ Serangoon, The Gardens Residences and Margaret Ville – were launched in early Jun and a further 6-7 new projects with a total of up to 5,404 units are slated to be rolled out in 3Q. So far, Riverfront Residences is asking for S$1,200psf while Park Colonial and Stirling Residences are going for c.S$1,700psf. Marina One Residences P2 is being marketed at S$2,300-2,400psf. Meanwhile, The Tre Ver has started engaging potential buyers as well. With increasingly more buying options, we think buyers could take more time to evaluate choices and developers would have to price their projects realistically to capture more buyers' share.

Figure 11: Potential supply from enbloc sites

En-bloc projects	Location	Est no of new units	Est launch date
Jadescape (fka Shunfu Ville)	Marymount	1204	2H18
Harbour View Gardens	Pasir Panjang	57	Launched
The Tre Ver (fka Raintree Gardens)	Pasir Panjang	729	3Q18
120 Grange Rd	Orchard	37	Launched
One Tree Hill Gardens	Orchard Blvd	46	na
Riverfront Residences (fka Rio Casa)	Hougang	1472	Launched
Eunosville	Eunos	1253	2H18
The Albracca	Meyer Rd	58	na
Affinity @ Serangoon (fka Serangoon Ville)	Serangoon North	1052	Launched
Toho Green	Yio Chu Kang	24	na
Tampines Court HUDC	Tampines	2200	na
Seraya Crescent townhouse	Upper Thomson	26	na
Sun Rosier	Bartley	243	na
Jervois Gardens	River Valley	57	na
Nanak Mansion	Meyer Rd	182	na
The Opus (fka Amber Park)	East Coast	616	2H18
Normanton Park	Buona Vista	1648	na
Changi Garden	Changi	333	na
Florence Regency	Hougang	1381	na
Dunearn Court	Bukit Timah	32	na
Casa Contendre	Newton	63	na
Mayfair Gardens	Bukit Timah	347	2H18
How Sun Park Townhouse	How Sun Rd	128	na
Lodge 77	Upper East Coast	22	na
Crystal Tower	Ewe Boon Rd	104	4Q18
Royalville	Sixth Ave	257	4Q18
Vista Park	Sth Buona Vista	209	na
Park West	Clementi	432	na
Kismis View & Lrg Kismis	Upp Bukit Timah	184	na
The Wilshire	Farrer Rd	74	na
City Towers	Bukit Timah	261	na
Pearl Bank Apartments	Outram	800	na
Cairnhill Mansion	Orchard	205	na
Riviera Point	River Valley	59	na
Brookvale Park	Clementi	780	na
Hollandia	Holland	128	na
Toho Mansion	Holland	87	na
Eunos Mansion	Eunos	234	na
Goodluck Gardens	Bukit Timah	659	na
Katong Park Towers	Katong	351	na
Lotus at Jervois	Jervois	33	na
Pacific Mansion	River Valley	644	na
Fairhaven	Orchard	42	na
Makeway View	Newton	138	na
Ampas Apartment	Balestier	111	2H18
Asia Gardens	Tanjong Pagar	240	na
Cairnhill Heights	Orchard	51	na
The Estoril	Holland	177	na
Katong Omega Apts	East Coast	51	na
Tulip Garden	Holland	602	na
Dunearn Garden	Newton	384	na
Olina Lodge	Holland	160	na
Landmark Tower	Outram	290	na
Villa D'Este	Bukit Timah	58	na
Peak Court	Novena	106	na
Balmoral Gardens	Orchard	59	na
Chancery Court	Newton	481	na
Park House	Orchard	60	na
21 Anderson Royal Oak Residences	Orchard	83	na
Pomex Court	Joo Chiat	34	na
Kemaman Point	Novena	160	na
Teck Guan Ville	Upper East Coast	70	na

SOURCES: CGS-CIMB RESEARCH, VARIOUS MEDIA SOURCES

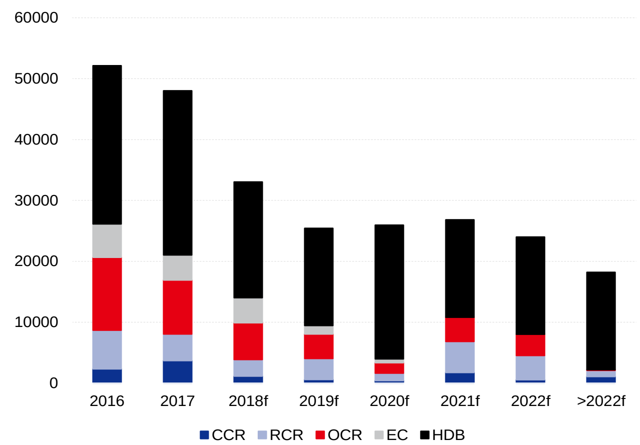
Figure 12: Potential supply from GLS sites

Site	Location	Est no of units	Est launch date
Perumal Rd	Kallang	170	na
Twin View	Clementi	520	Launched
Daintree Residences	Bukit Timah	327	na
The Tapestry	Tampines	861	Launched
Stirling Residences	Queenstown	1110	Launched
Woodleigh Residences	Woodleigh	680	3Q18
Park Colonial	Woodleigh	735	Launched
The Garden Residences	Serangoon	505	Launched
Jiak Kim St	City fringe	525	na
Fourth Ave	Bukit Timah	445	na
West Coast Vale	West Coast	730	na
Handy Rd/Mt Sophia	Orchard	130	na
Chong Kuo Rd	Sembawang	90	na
Sumang Walk (EC)	Punggol	815	na
Holland Rd	Holland	570	na
Cuscaden Rd	Ochard	170	na
Mattar Rd	Macpherson	250	na
Silat Avenue	Bukit Merah	1125	na
Hillview Rise	Hill View	535	na

SOURCES: CGS-CIMB RESEARCH, VARIOUS MEDIA SURCES

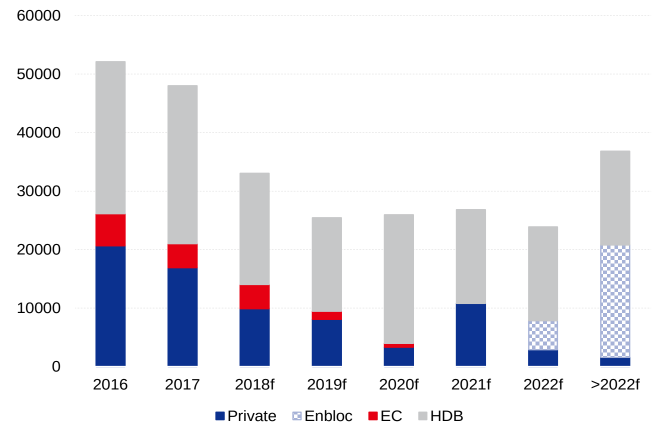
Low near term completions should be supportive of near term residential price growth, in our view. The bumper supply of residential units is projected to be completed and come on-stream from 2022F onwards. According to URA, there are 9,897 private homes scheduled to be completed between 2Q-4Q18, with another 8,060 units coming on-stream in 2019. This is on top of an estimated 4,130 new executive condo and up to 19,000 new HDB inventory for the remaining nine months of this year. This is still lower than the peak supply seen in 2016.

Figure 13: Breakdown of projected new completions (with approvals) by region



SOURCES: CGS-CIMB RESEARCH, URA

Figure 14: Breakdown of projected completions by source, if all enbloc transactions are completed



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, URA

Demand outlook

Demand for private homes over the next two years should remain robust, aided by the strong liquidity from enbloc sellers and replacement demand from these owners. We estimate a total of 6,800 homes could be displaced when all the collective sales announced to-date, are redeveloped. In addition, these potential buyers would likely have strong cash holdings from the enbloc proceeds.

Figure 15: Estimated average cash proceeds from enbloc sales

En-bloc projects	Location	Acquisition price (S$m)	Existing no of units	Avg proceeds /unit (S$m)
Jadescape (fka Shunfu Ville)	Marymount	638	358	1.78
Harbour View Gardens	Pasir Panjang	33	14	2.38
The Tre Ver (fka Raintree Gardens)	Pasir Panjang	334	175	1.91
120 Grange Rd	Orchard	49	18	2.69
One Tree Hill Gardens	Orchard Blvd	65	13	5.00
Riverfront Residences (fka Rio Casa)	Hougang	575	286	2.01
Eunosville	Eunos	766	330	2.32
The Albracca	Meyer Rd	69	11	6.28
Affinity @ Serangoon (fka Serangoon Ville)	Serangoon North	499	244	2.05
Toho Green	Yio Chu Kang	8	6	1.40
Tampines Court HUDC	Tampines	970	560	1.73
Seraya Crescent townhouse	Upper Thomson	26	6	4.29
Sun Rosier	Bartley	271	78	3.47
Jervois Gardens	River Valley	72	17	4.24
Nanak Mansion	Meyer Rd	201	36	5.59
The Opus (fka Amber Park)	East Coast	907	200	4.53
Normanton Park	Buona Vista	830	488	1.70
Changi Garden	Changi	249	84	2.96
Florence Regency	Hougang	629	336	1.87
Dunearn Court	Bukit Timah	36	12	3.03
Casa Contendre	Newton	72	11	6.55
Mayfair Gardens	Bukit Timah	311	124	2.51
How Sun Park Townhouse	How Sun Rd	81	20	4.05
Lodge 77	Upper East Coast	29	12	2.42
Crystal Tower	Ewe Boon Rd	181	28	6.45
Royalville	Sixth Ave	478	104	4.60
Vista Park	Sth Buona Vista	418	209	2.00
Park West	Clementi	841	436	1.93
Kismis View & Lrg Kismis	Upp Bukit Timah	108	44	2.45
The Wilshire	Farrer Rd	99	20	4.95
City Towers	Bukit Timah	402	79	5.09
Pearl Bank Apartments	Outram	728	288	2.53
Cairnhill Mansion	Orchard	362	61	5.93
Riviera Point	River Valley	72	33	2.18
Brookvale Park	Clementi	530	160	3.31
Hollandia	Holland	183	48	3.82
Toho Mansion	Holland	120	32	3.76
Eunos Mansion	Eunos	220	107	2.06
Goodluck Gardens	Bukit Timah	610	210	2.90
Katong Park Towers	Katong	345	117	2.95
Lotus at Jervois	Jervois	46	20	2.32
Pacific Mansion	River Valley	980	290	3.38
Fairhaven	Orchard	57	15	3.80
Makeway View	Newton	168	32	5.25
Ampas Apartment	Balestier	95	43	2.21
Asia Gardens	Tanjong Pagar	343	84	4.08
Cairnhill Heights	Orchard	73	19	3.82
The Estoril	Holland	224	44	5.09
Katong Omega Apts	East Coast	46	24	1.93
Tulip Garden	Holland	907	162	5.60
Dunearn Garden	Newton	468	114	4.11
Olina Lodge	Holland	231	67	3.45
Landmark Tower	Outram	286	139	2.06
Villa D'Este	Bukit Timah	93	12	7.75
Peak Court	Novena	119	20	5.94
Balmoral Gardens	Orchard	83	8	10.38
Chancery Court	Newton	402	144	2.79
Park House	Orchard	376	60	6.26
21 Anderson Royal Oak Residences	Orchard	196	34	5.76
Pomex Court	Joo Chiat	38	19	1.98
Kemaman Point	Novena	144	89	1.62
Teck Guan Ville	Upper East Coast	60	14	4.29

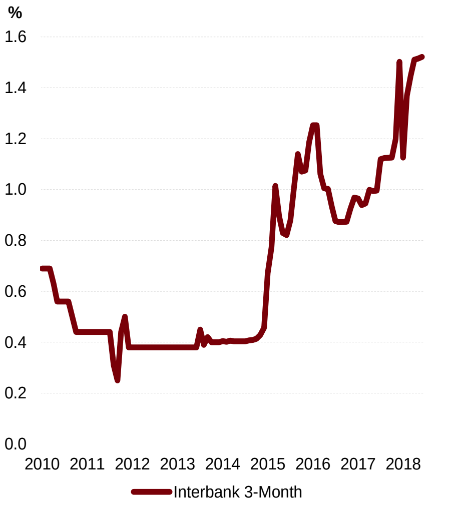
SOURCES: CGS-CIMB RESEARCH, VARIOUS MEDIA REPORTS

To be sure, affordability has been slightly eroded by the rising property prices. With the increase in SIBOR rates, we understand that most banks would have raised their mortgage rates c.30-50bp over the past six months, in line with spot rates. At this point, although mortgage repayments have risen, private homes generally remain largely affordable at this stage.

Based on URA statistics, average unit transaction value for private homes in the RCR and OCR rose an average 15.5% and 4.3%, respectively, in 1H18 from the average in 2017. This is accompanied by a 3.9% increase in unit sizes for RCR units and a shrinkage of 4.2% in average size of an OCR home. Effectively, this meant that property prices have risen c.8% on a psf basis.

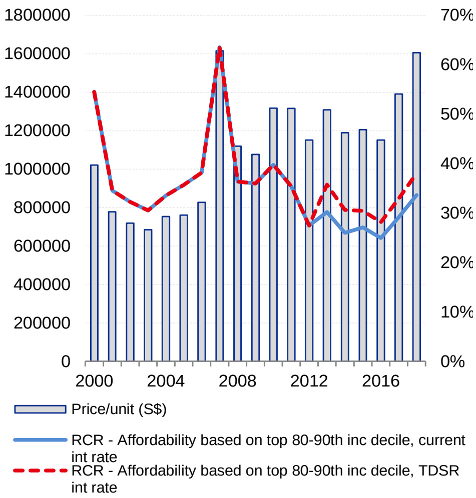
Using these anecdotal evidences, we estimate that affordability ratio (ratio of monthly mortgage over average 2017 household income - the higher the ratio, the lower the affordability) would have declined 1-5% pts, to 34-38% using total debt servicing ratio (TDSR) rate of 3.5% (or 30-34% assuming current mortgage rates). As such, private homes still remain largely affordable to those in the 80th household income decile and upwards.

Figure 16: 3-month SIBOR trend



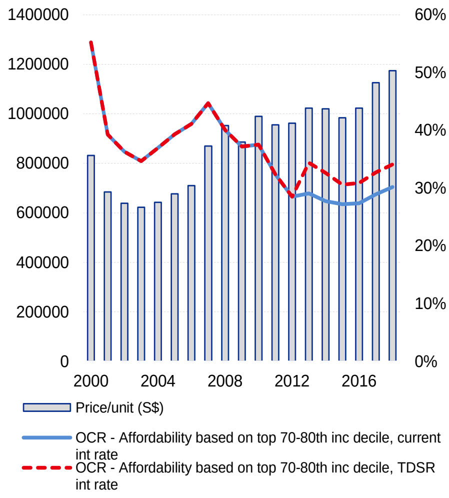
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Affordability of RCR units



SOURCES: CGS-CIMB RESEARCH, URA

Figure 18: Affordability of OCR units



SOURCES: CGS-CIMB RESEARCH, URA

Will there be policy headwinds?

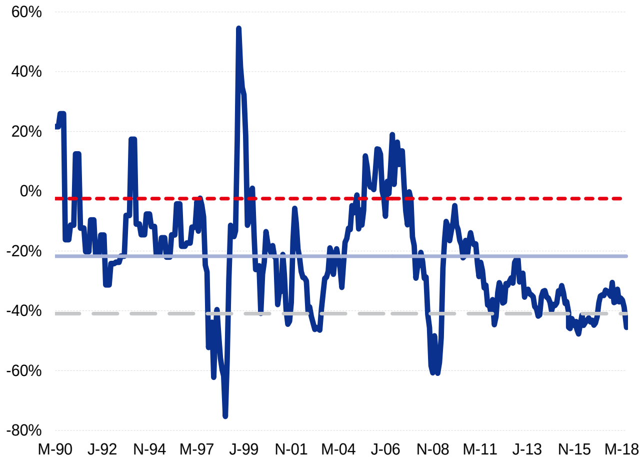
In his 2017/18 annual report speech, Monetary Authority of Singapore (MAS) Managing Director, Mr Ravi Menon, commented on the rapid rise of property prices and transaction volumes and highlighted that the MAS, Ministry of National Development (MND) and Ministry of Finance are closely monitoring the rapid rise in private home prices and remain committed to ensuring a sustainable market.

We view the risk of new policy as being a lower probability event at present. Robust household sector balance sheet and rising household incomes would be counterbalanced by in-place tightening measures such as Total Debt Service Ratio (TDSR) framework, rising interest rates (erosion in affordability) as well as the need for developers' to manage working capital and potential ABSD penalty deadlines for both GLS and private land projects ahead of the large incoming completed supply.

Stock strategy

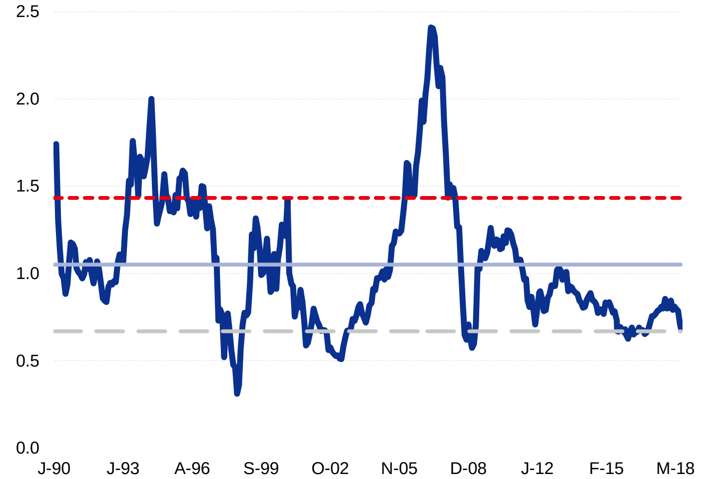
Property stocks has fallen 7.3% YTD, underperforming the broader market. Valuations are inexpensive, at 46% discount to RNAV, back to the -1SD level and trading at 0.7x 2018F P/BV.

Figure 19: Developers' historical discount to RNAV trend



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Developers' P/BV



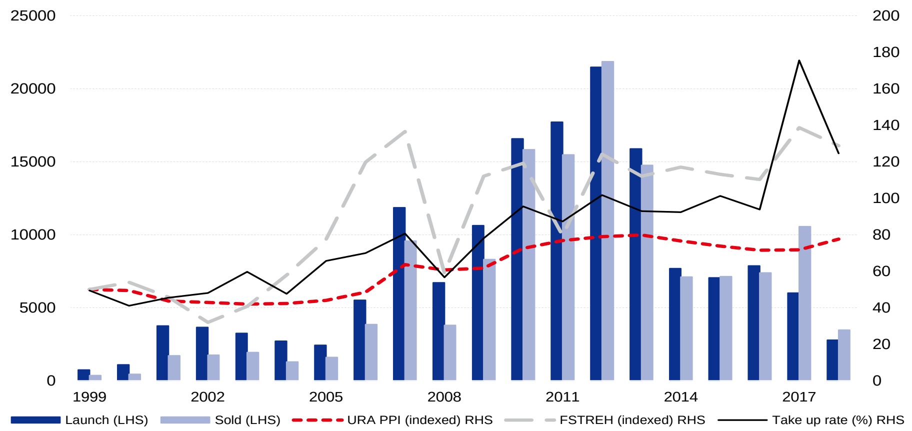
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

At this juncture, we see value in developers. However, in view of the volatile global macro newsflow and rising medium term supply outlook, we think developers could trade range bound in the near term. We think metrics for outperformance in this part of the property cycle are ability to adopt a quick asset turn i.e. developers with strong take-up rates, operating margin expansion, and a diversified model and strong recurrent income should outperform peers.

Take-up rates a key indicator

As we had articulated in our Dec 2017 report, property stocks' performance shows a high degree of correlation to take-up or sales rates of new projects. 5M18 take-up rate of private homes was c.124% vs. 168% last year, still showing that demand outpaced supply. With more new launches coming up, we think take-up rates should likely be closely watched as an indicator to provide impetus to drive share price performance.

Figure 21: FSTREH vs. new launches, sales and take-up rates



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Development margins under scrutiny

Given the large incoming supply pipeline and a rising interest rate environment, we believe developers with a quick asset turn strategy and ability to sustain development margins should outperform their peers. With the exception of developers which had land banked early in the enbloc cycle, we expect other developers to generate high single-digit returns. Further price increase should bolster this spread but we believe this would have to be weighed against a quick asset turn strategy, in view of the increased competition from a large number of new launches.

Figure 22: Projected residential margins

Company	Site	Location	Land cost (S$psf ppr)	Est breakeven cost (S$psf)	Est ASP (S$psf)	Est PBT margin (%)
City Dev	The Opus	East Coast	1515	2000	2300	15%
	The Tapestry	Tampines	565	1000	1310	31%
	West Coast Vale	West Coast	800	1300	1400	8%
	Handy Rd/Mt Sophia	Orchard	1722	2300	2500	9%
	Sumang Walk EC	Punggol	583	950	1000	5%
	Chung Kuo Rd	Sembawang	681	1150	1250	9%
	Hillview Rise	Hillview	1067	1700	1850	9%
UOL	The Tre Ver	Potong Pasir	797	1200	1650	38%
	Nanak Mansion	East Coast	1429	2000	2300	15%
	Silat Avenue	Bukit Merah	1138	1700	1850	9%
Wing Tai/Keppel Land	The Gardens Residences	Serangoon	965	1500	1660	11%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Financial position of developers

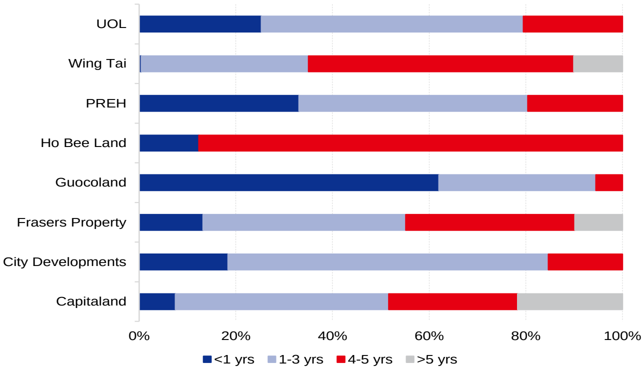
We take a look at the balance sheet of developers to ascertain their balance sheet health in this rising rate environment. With S$10.3bn of enbloc deals and S$4.3bn of government land sales announced so far this year, we assess their land capex commitments and the resulting impact on the gearing positions of listed developers once they are paid. Listed developers under our coverage generally had a very robust balance sheet and net debt to equity ratio of below 0.5x (with the exception of Frasers Property and Guocoland) at end-1QCY18. Assuming only the remaining Singapore land capex commitments were paid as at 1QCY18, we note that developers' balance sheet will continue to remain healthy.

In our view, Bukit Sembawang could move into a net debt position after paying the balance of Makeway Mansion and Katong Park Towers acquisitions, announced in Mar 2018.

We project Ho Bee Land's net debt to equity ratio, at 0.41x as at end-1Q18, to increase to 0.78x after the recent acquisition of the Ropemaker Place in London for S$1.16bn while Guocoland's gearing ratio could exceed 1x after paying for the remainder of its 60% share of Pacific Mansion enbloc site.

Near-term refinancing needs for developers are not high, with debt due in the short term making up c.17% of total debt of developers under our coverage. We estimate the proportion of debt due within 1-3 years at about 44% of their existing bank loans. Thus, we believe that the developers' liquidity position and balance sheet metrics should remain very healthy in the near term.

Figure 23: Debt maturity table



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 24: Gearing metrics as at 1QCY18

Company	Net cash/(debt) (S$m)	Net debt/equity (x)	Est remaining Spore land capex to be paid (S$m)	Adj net debt/equity (x)
Bukit Sembawang	146	(0.12)	487	0.27
Capitaland	(16,154)	0.49	893	0.52
City Developments	(1,416)	0.12	1,580	0.24
Frasers Property	(12,784)	0.91	0	0.91
Guocoland	(4,150)	0.92	588	1.05
Ho Bee Land	(1,327)	0.41	0	0.41
PREH	(2,298)	0.58	244	0.64
Wing Tai	51	(0.02)	0	(0.02)
Wheelock Properties	917	(0.29)	0	(0.29)
UOL	(3,004)	0.21	933	0.27

NB: Data as at 1QCY18 (est), FPL: includes divestment of Europe assets to FLT

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

RNAV breakdown

Much has been asked about developers' RNAV exposure to the various asset classes. In the table below, we break down the RNAVs by segmental exposure to Singapore and overseas markets. Our RNAV assumes that all the residential enbloc transactions that have been announced will be completed. We have separated ownership of listed S-REITs into "the others" segment.

Wing Tai, Guocoland, City Dev and UOL offer the greatest leverage to the Singapore residential sector, at between 12% and 35% of RNAV. Amongst these, Wing Tai has the greatest exposure to the high-end residential sector (21% of total RNAV), followed by City Dev (9% of total RNAV). Wing Tai's exposure is via the Nouvel Ardmore development. While HoBee also has a sizeable high-end residential exposure, its developments are located in Sentosa which has not experienced much price nor demand recovery at this point in time. The bulk of Frasers Property's overseas residential market is in Australia while Guocoland's would be in China and Malaysia.

For exposure to the rising Singapore office sector, Guocoland has a sizeable exposure due to its Tanjong Pagar Centre property while HoBee's exposure is via the Metropolis. City Dev also has a decent 32% of RNAV to this sector. As for UOL, our estimate of 30% exposure to this sector is conservative as we have based our assessment on its current 50% ownership of UIC. Should UIC be fully consolidated, then UOL's exposure to the Singapore office sector would rise to 40% of RNAV.

United Engineers's high proportion of RNAV in others is due to its non-core assets in the manufacturing, distribution and engineering businesses, which we anticipate will be divested in the longer run.

Figure 25: Breakdown of developers' RNAV by segment

	Residential				Office		Retail		Industrial		Hospitality	Others
Companies	SG High	SG Mid	SG Mass	Overseas	SG	Overseas	SG	Overseas	SG	Overseas		(incl REITs)
Capitaland	0%	4%	0%	18%	0%	11%	11%	18%	0%	0%	8%	30%
City Dev	9%	7%	10%	4%	32%	0%	10%	0%	2%	0%	17%	7%
Frasers Property	0%	6%	3%	28%	8%	4%	7%	0%	0%	10%	9%	26%
Guocoland	4%	22%	0%	23%	39%	2%	3%	0%	0%	0%	2%	4%
HoBee Land	8%	0%	0%	11%	35%	43%	0%	0%	2%	0%	0%	0%
Utd Engineers	0%	0%	0%	15%	24%	0%	8%	0%	7%	0%	9%	36%
UOL	0%	12%	0%	2%	30%	4%	18%	0%	0%	0%	24%	10%
Wing Tai	21%	14%	0%	16%	18%	16%	0%	0%	0%	0%	4%	11%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Stock picks

UOL (Add, TP: S$9.62)

UOL is our top pick amongst developer stocks. Its residential and commercial property portfolio is predominantly focused in Singapore. UOL has become a major office landlord post consolidation of UIC's earnings. Together, they own a total of c.5.7m sq ft of office and retail space in Singapore, located in both the CBD and city fringe areas. This puts UOL in a good position to benefit from the office sector recovery. On the residential front, plans to market The Tre Ver, where land cost is competitively priced, is likely to enable the group to preserve development margins. Recent win of the Silat Avenue has also replenished the group's development land bank. Our TP of S$9.62 is premised on a 20% discount to RNAV.

City Developments (CIT, TP: S$13.40)

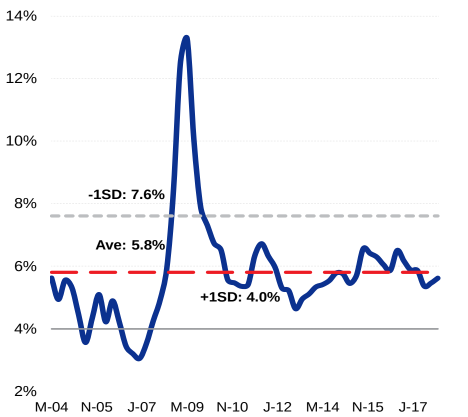
CIT is the bellwether property stock in Singapore. It has extended its residential development earnings with a current land bank with c.3,100 attributable units. With The Tapestry project receiving good sales response, the group is set to roll out The Opus later this year. In addition, it has a good pipeline of high-end projects slated for launch in 2018, including South Beach Residences and the Hotel boulevard site. CIT's balance sheet remains strong even after accounting for its current outstanding land capex commitment. Valuations are attractive as the stock is trading at -1SD discount to revalued asset backing. Our TP of S$13.40 is based on a 20% discount to RNAV.

S-REITs – yield spread still under pressure

After declining c.6.8% YTD, S-REIT valuations have reverted close to 5-year mean. The S-REIT sector is trading at 5.6% 2018F dividend yield, which is just under the long-term (5-year) average yield level while at 1x P/BV, valuations are just under the long-term average of 1.03x. However, on a yield spread basis, the 310bp spread over the 10-year bond yield is just shy of the long-term average of 332bp.

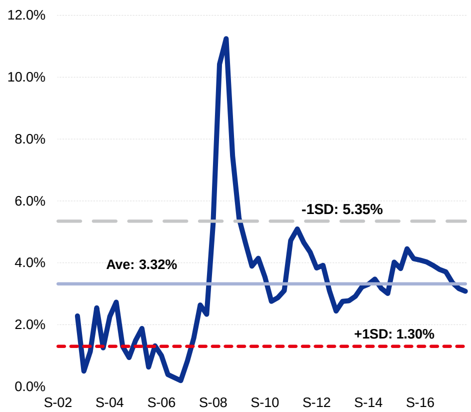
While S-REITs have mean-reverted at present and continue to deliver DPU growth, we believe the rising rate outlook would continue to put yield spread under pressure.

Figure 26: S-REIT forward dividend yield



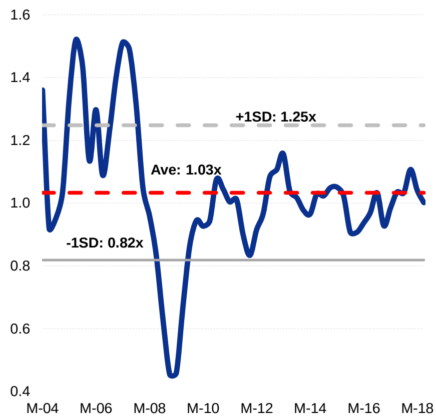
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 27: S-REIT yield spread



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

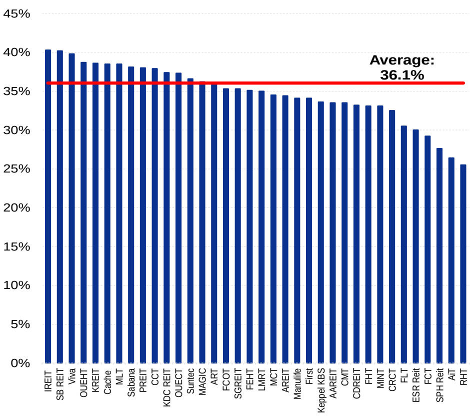
Figure 28: S-REIT P/BV



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

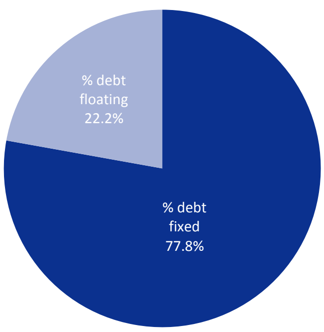
In terms of capital management, SREITs' gearing has risen to 36.1% from 34.6% a quarter ago due to funding for new acquisitions. Nonetheless, overall balance sheet remains robust with c.78% of sector debt on fixed rate terms. There is also little refinancing risk with c.9% and 15% of sector debt to be refinanced in the remainder of 2018F and 2019F, respectively.

Figure 29: SREIT gearing



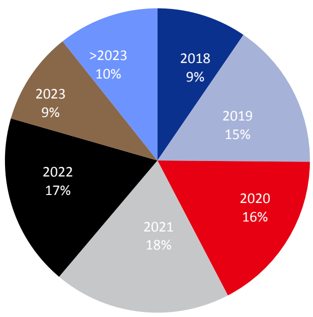
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 30: SREIT debt cost profile



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

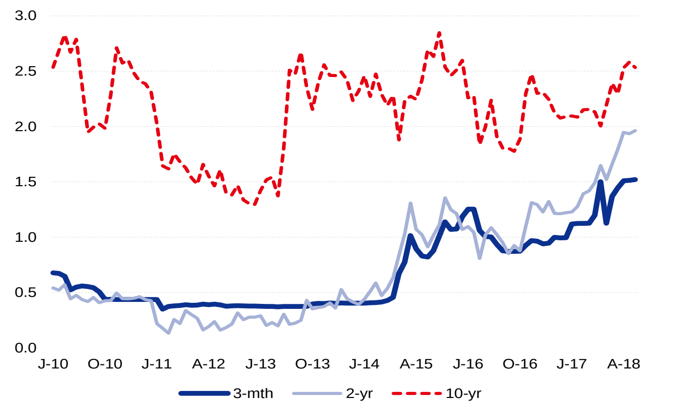
Figure 31: SREIT debt maturity profile



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

The three-month SIBOR, and two- and 10-year rates have increased 50-70bp from a year ago. CIMB Treasury and Fixed Income Research team maintains its stance of expecting four US Fed fund rate hikes this year. Hence, we expect funding rates to remain on the rise in the near term.

Figure 32: 3M SIBOR, 2yr and 10yr bond yield trends



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 33: Forecast rates and yields

	3Q18	4Q18	1Q19	2Q19
US - FFTR (upper bound)	2.25	2.50	2.75	3.00
2y Treasury	2.70	2.75	2.85	2.80
10y Treasury	3.10	3.05	3.10	3.00
MY - BNM OPR	3.25	3.25	3.25	3.25
3y MGS	3.55	3.45	3.50	3.40
10y MGS	4.10	4.00	4.05	3.95
TH - BoT RMR	1.50	1.50	1.75	1.75
3yr Thai Gov	1.90	2.05	2.10	2.15
10y Thai Gov	2.85	2.90	3.00	3.05
ID - BI 7d RRR	4.75	4.75	5.00	5.00
3y IndoGB	6.60	6.45	6.35	6.50
10y IndoGB	7.00	6.85	6.90	6.80
2y SGS	2.02	2.10	2.20	2.15
10y SGS	2.70	2.65	2.70	2.60

SOURCES: CGS-CIMB RESEARCH, CIMB TREASURY and FIXED INCOME

However, SREITs have locked in the bulk of their financing costs, thus mitigating the erosive impact of higher interest cost on earnings. For every 0.5%-pt increase in average funding cost, distribution income could be reduced 0.3-4%, in our estimate.

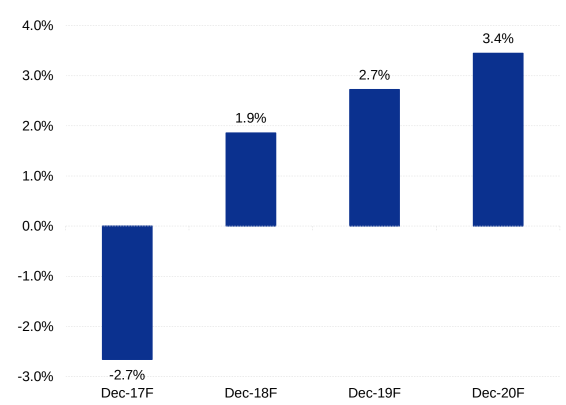
Figure 34: SREITs' earnings sensitivity to interest cost changes

REIT	Cost of debt	Interest cover (x)	% debt fixed	% debt floating	DI sensitivity to a 0.5% chg in int cost
Hospitality					
Ascott Residence Trust	2.3%	4.0	86.0%	14.0%	1.1%
CDL Hospitality Trusts	2.1%	8.3	58.6%	41.4%	1.9%
Far East Hospitality Trust	2.5%	4.6	40.8%	59.2%	3.4%
Frasers Hospitality Trust	2.7%	5.2	87.8%	12.2%	0.6%
OUE Hospitality Trust	2.3%	5.0	71.0%	29.0%	1.4%
Industrial					
Aims Amp Capital Industrial Reit	3.6%	4.7	88.1%	11.9%	0.4%
Ascendas Reit	2.9%	5.9	71.9%	28.1%	1.1%
Ascenda India	6.3%	3.6	86.0%	14.0%	0.5%
Cache Logistics Trust	3.5%	3.5	62.6%	37.4%	1.6%
ESR Reit	3.8%	3.6	92.6%	7.4%	0.3%
Frasers Ind & Log Trust	2.9%	7.8	85.0%	15.0%	0.8%
Keppel DC Reit	2.1%	10.7	80.0%	20.0%	0.8%
Mapletree Industrial	2.9%	6.7	85.1%	14.9%	0.5%
Mapletree Logistics	2.3%	5.6	78.0%	22.0%	1.1%
Sabana Shariah REIT	4.0%	4.2	70.8%	29.2%	1.4%
SoilBuild REIT	3.2%	5.2	70.1%	29.9%	1.3%
Viva Industrial Trust	3.9%	4.55	84.4%	15.6%	0.6%
Office					
Capitaland Commercial Trust	2.7%	5.1	90.0%	10.0%	0.7%
Frasers Commercial Trust	3.0%	4.1	82.2%	17.8%	0.9%
Keppel Reit	2.8%	4.1	77.0%	23.0%	2.0%
OUE Commercial Trust	3.5%	3.2	84.3%	15.7%	1.4%
Suntec REIT	2.7%	3.8	65.0%	35.0%	2.2%
Retail					
Capitaland Mall Trust	3.2%	5.4	82.0%	18.0%	0.8%
Frasers Centrepoint Trust	2.4%	6.6	56.0%	44.0%	1.5%
Mapletree Commercial Trust	2.8%	4.8	78.9%	21.1%	0.9%
SPH Reit	2.8%	7.1	65.2%	34.8%	1.1%
Starhill Global Reit	3.1%	4.1	99.0%	1.0%	0.1%
Overseas					
Capitaland Retail China Trust	2.5%	6.3	80.0%	20.0%	0.9%
Keppel KBS US Reit	3.4%	8.1	75.0%	25.0%	0.8%
LMRT	4.6%	4.65	46.8%	53.2%	2.5%
Mapletree Greater China Commercial	2.7%	3.9	78.0%	22.0%	1.4%
Manulife US Reit	2.8%	4.7	99.8%	0.2%	0.0%
IREIT Global	2.0%	8.5	89.2%	10.8%	0.4%
Healthcare					
First Reit	3.3%	6.0	51.0%	49.0%	1.8%
Parkway Life Reit	1.0%	13.2	90.0%	10.0%	0.4%
RHT Trust	6.4%	5.09	50.8%	49.2%	1.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

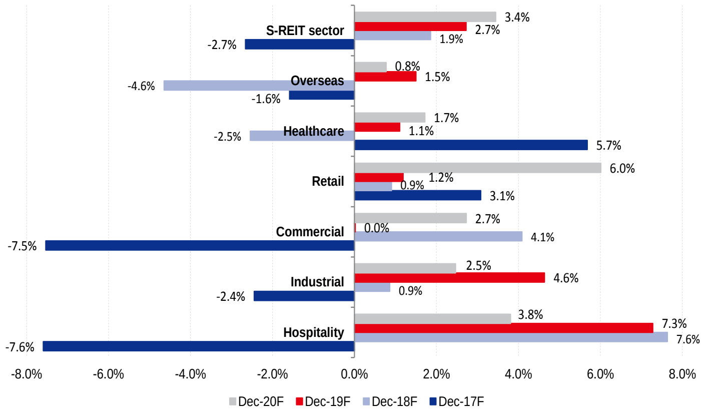
SREITs results in 1QCY18 were largely in line with expectations. Post completion of asset acquisitions YTD, we estimate the SREIT sector to deliver 1.9% and 2.7% DPU growth over FY18F and FY19F.

Figure 35: SREITs projected DPU growth



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 36: SREITs projected DPU growth by sector

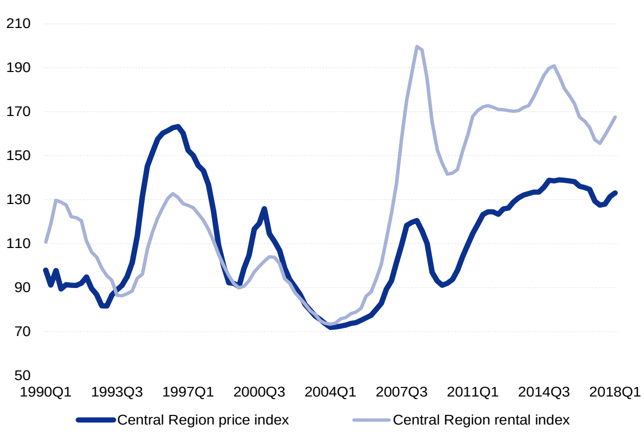


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Office sector still our preferred top sub-sector

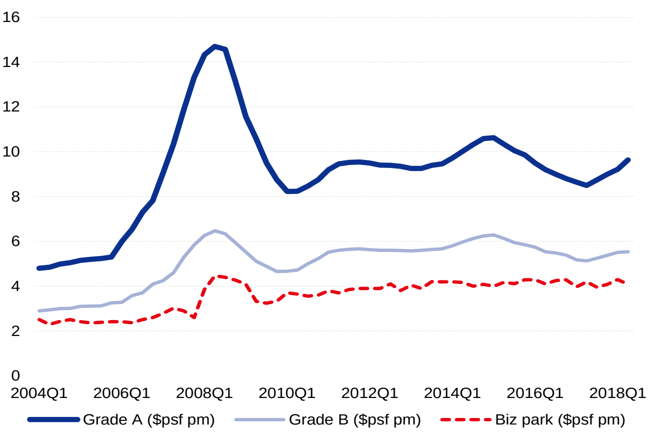
The office market continued to remain buoyant with the 1Q18 URA Central Region office price and rental index up 4.4% and 7.7%, respectively, from the low of mid last year. We anticipate this trend to continue into 2Q as well. Grade A rents continue to power ahead of the anticipated near term supply squeeze compared to the Grade B and quasi-office (business parks) properties.

Figure 37: Central Region office price vs. rental index



SOURCES: CGS-CIMB RESEARCH, URA

Figure 38: Rental differential between different office segments



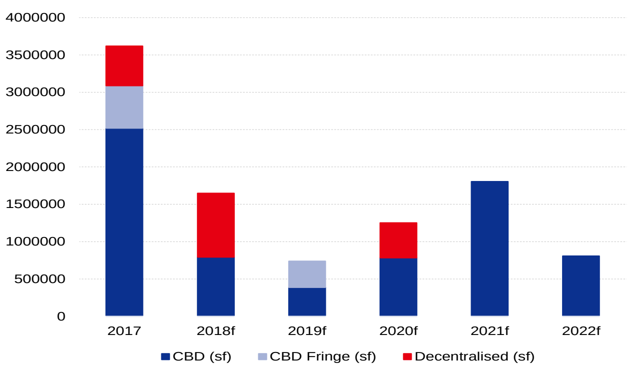
SOURCES: CGS-CIMB RESEARCH, URA

This market is likely to remain favourable to landlords, particularly in the CBD, in view of the limited upcoming supply. We estimate completions in 2018F to total 1.65m sq ft, and include Frasers Tower (85% pre-leased) and Paya Lebar Quarters (PLQ) (50% pre-leased). Some of the major leasing transactions announced include SMRT's 100,000 sq ft lease at PLQ, legal firm Rajah & Tan taking up 85,000 sq ft at Marina One, and Chevron Petroleum relocating with a 73,000 sq ft lease at DUO.

As such, we project that the overall Singapore office occupancy, which stood at 87.5% at end-1Q18, to improve to close to 89% over the next 2-3 years. We estimate net office absorption to be around 1.2m-1.5m sq ft annually over the next 1-3 years.

According to Ministry of Trade and Industry, Singapore's GDP is forecast to grow at 2.5-3.5%. The increased economic activity which has broadened to the services sector as well should bode well for office space consumption. Key risk is a prolonged uncertainty over the trade tension between US/China/Europe which could dampen growth.

Figure 39: Schedule of office completions



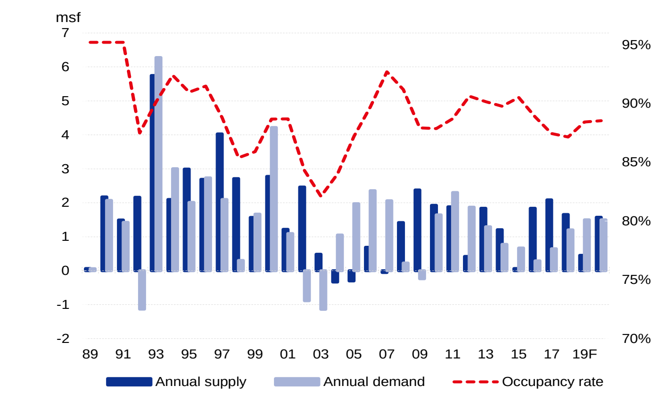
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 40: Asking office rents by location

Asking rents (S$psf/mth)	1Q18	3Q17	1Q17	3Q16
Raffles Place/New Downtown	6.50-14.00	6.80-12.00	7.00-14.00	6.50-14.00
Robinson Rd/Shenton Way	5.50-10.00	5.50-9.50	5.20-10.50	5.50-9.50
Tanjong Pagar	4.50-8.80	4.50-11.00	5.50-11.00	5.30-11.00
City Hall/Marina Centre/Beach Rd	4.50-13.80	4.50-12.00	6.00-11.00	5.50-12.50
Orchard Rd/Dhoby Ghaut	5.00-10.50	3.80-11.00	4.30-10.50	4.80-12.00
Chinatown/River Valley	5.80-9.20	5.50-9.20	5.50-8.00	5.50-8.00
Edge of CBD	5.50-8.00	4.20-9.00	4.40-7.50	5.00-9.00
West/others	3.55-7.50	5.20-8.00	4.50-8.00	5.90-7.50
East	3.70-7.50	4.80-6.50	5.20-6.50	4.90-6.50

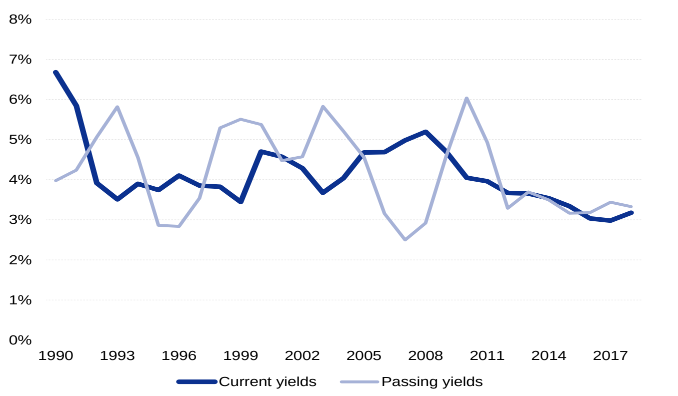
SOURCES: CGS-CIMB RESEARCH, CORPORATE LOCATIONS

Figure 41: Office demand, supply and occupancy



SOURCES: CGS-CIMB RESEARCH, URA

Figure 42: Current vs. passing office yields

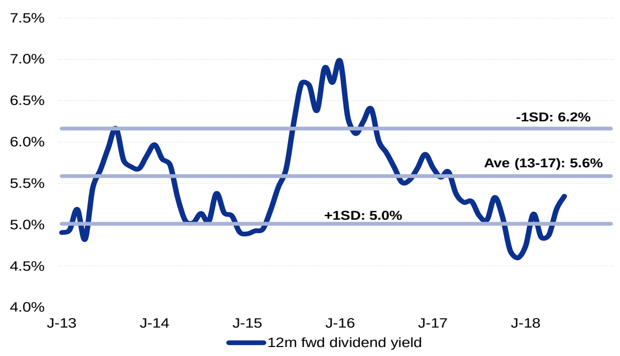


SOURCES: CGS-CIMB RESEARCH, CBRE

The office transactions market continue to be upbeat. The latest office deal in 2Q18 is CCT's divestment of Twenty Anson to a third party for S$516m (S$2,503psf) which equates to a 2.7% net property yield. We think this will continue to underpin capital values in the near term. In addition, with narrow yield spread for domestic assets, we believe property investors could continue to look overseas for acquisition targets.

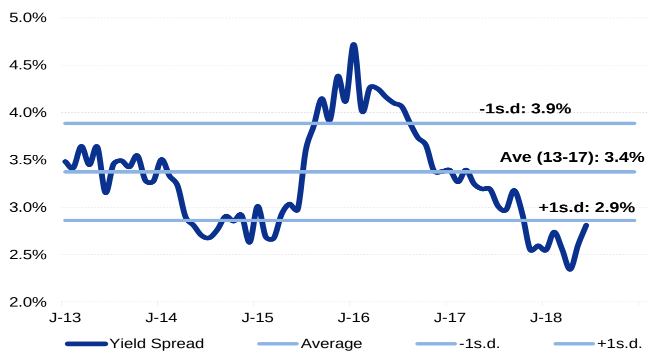
Under this operating environment, we continue to prefer landlords with more prime Grade A office exposure such as CCT and KREIT.

Figure 43: CCT's forward dividend yield



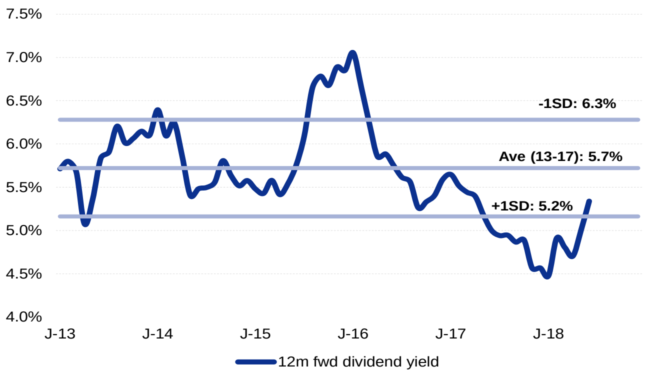
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 44: CCT's dividend yield spread



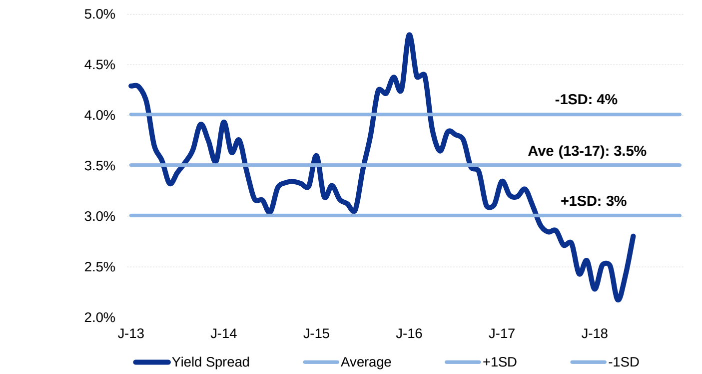
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 45: KREIT's forward dividend yield



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 46: KREIT's dividend yield spread



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

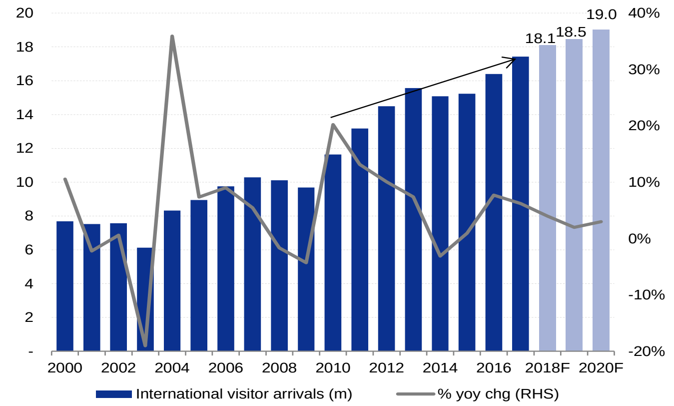
Hospitality sector's rising tide lifts all boats

Visitor arrivals continue to be healthy, growing 6.7% yoy in 4M18 to 6.18m. By volume, China and Indonesia were the top two source of visitors to Singapore, up 10.9% and 1.5% yoy respectively, over the same period.

Going into 2H, we expect the visitor arrival momentum to be sustained given that there will be more biennial events being held in even years. Hence, we forecast 4% yoy growth in tourist arrivals to c.18.1m for 2018F.

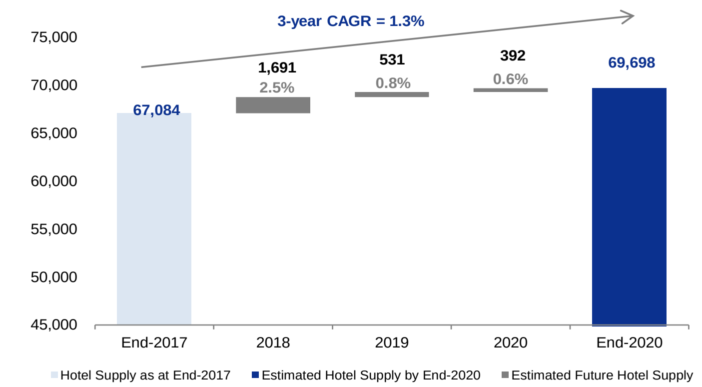
Meanwhile, we expect incoming supply of hotel rooms to taper off from 2018F, after the past five years' CAGR of 5.1%. Horwarth HTL estimates that an additional 2.5% of total room stock would come on-stream in 2018F, followed by a much lesser 0.8% and 0.6% of new inventory scheduled for completion in 2019/20F. Looking at the breakdown in new supply, we note the bulk (52%) of new incoming hotel rooms are in the mid-tier category.

Figure 47: Visitor arrival projections 2018-2020



SOURCES: CGS-CIMB RESEARCH, STB

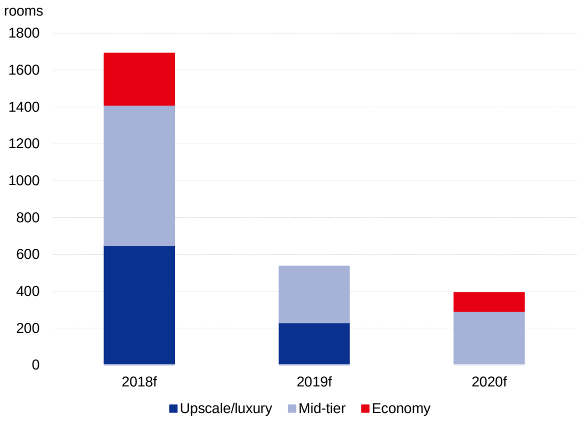
Figure 48: Projected room supply



SOURCES: CGS-CIMB RESEARCH, HORWARTH HLT

Putting together demand and supply, we are forecasting REVPAR growth of c.4% for 2018F. With the anticipated lower incoming supply, we think hotel occupancy should continue to trend up from the 84.6% at end-2017 to the high 80s% by 2020F. With the hotel recovery in sight and better operating metrics, we anticipate hospitality REITs to do well this year.

Figure 49: Breakdown of new hotel room supply by tier



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 50: Hotel REVPAR trend

	1QCY17	2QCY17	3QCY17	4QCY17	1QCY18
CDREIT	-0.8%	-1.4%	-1.4%	1.1%	0.8%
FEHT	-4.6%	-1.3%	0.4%	-2.4%	3.3%
OUEHT	-2.3%*	5.0%*	7.0%*	2.0%*	8.6%

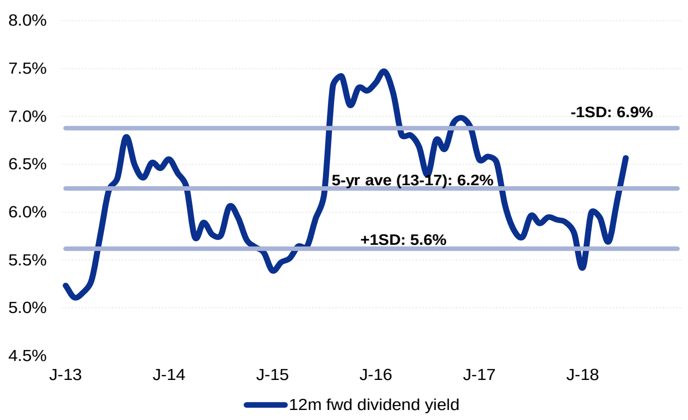
** For Mandarin Orchard Singapore Hotel only*

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Hospitality S-REITs enjoyed positive yoy REVPAR growth in 1QCY18 and the trend for Apr 2018 remained generally upbeat. Given the see-through from tourist arrivals and industry data released so far, we anticipate the positive trend to continue into 2Q.

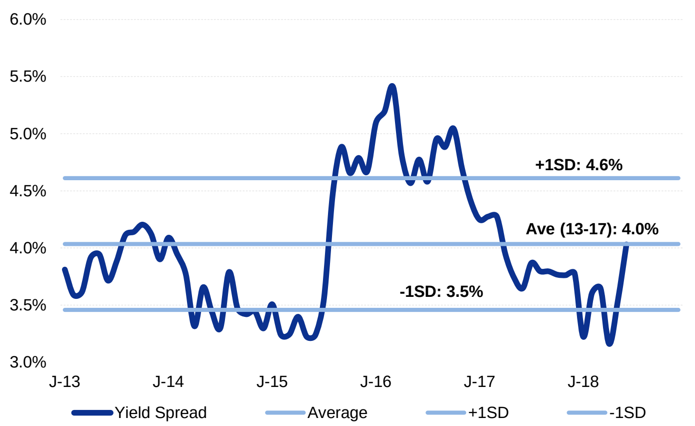
With this recovery in sight, hospitality REITs such as CDREIT and OUEHT have outperformed the broader S-REIT market YTD. As investors remain cautious, we believe the larger cap hospitality REITs such as CDREIT should continue to hold up well. CDREIT remains our preferred pick in the sector.

Figure 51: CDREIT's forward dividend yield



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 52: CDREIT's dividend yield spread



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Stock picks

CapitaLand Commercial Trust (CCT SP, TP: S$1.90)

CCT offers investor exposure an almost pure exposure to the Singapore office rental market recovery. The trust is also able to rejuvenate its portfolio through AEIs and redevelopment activities. Recent divestment of Twenty Anson at an attractive yield of 2.7% would enable the group to build more balance sheet capacity for new acquisitions. CCT is trading at 5.3% FY18/19F DPU yield which has factored in impact from the recent divestment.

CDL Hospitality Trust (CDREIT SP, TP: S$1.92)

CDREIT is the bellwether hospitality stock and is expected to continue to outperform during the cyclical upturn. It has enjoyed a 0.8% yoy improvement in 1Q18 and we have imputed a 5% REVPAR growth for 2018F and another 7% improvement in 2019F. Given the current low gearing of 33.2%, we believe there is also room for acquisition growth. CDREIT is trading at 6.3-7% FY18-19F DPU yield

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.1%	5.5%
Hold	29.7%	2.0%
Reduce	8.9%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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