REITs

Value Emerges With Expanded Yield Spread

Highlights

- Social unrest and street protests have erupted across many cities in France and Italy. Ironically, 10-year government bond yields across the Eurozone have eased 19bp to 3.40% in October due to tightening of monetary policies by central banks and the pullback in AI funding.
- Yield spreads for S-REITs have expanded by 29bp to 4.06%, which is 2SD above long-term mean, as unit prices and 10Y Singapore bond yield pulled back concurrently in Oct 26. We cut DPU forecast for FLT by 1.5%, CLAS by 0.7%, KDCREIT by 0.3% and LREIT by 0.3% due to weakness in the euro.
- **Maintain OVERWEIGHT.** S-REITs remain defensive and resilient. BUY CICT (Target: S$3.11), LREIT (Target: S$0.80), MPACT (Target: S$1.67), NTTDCR (Target: US$1.29) and UIBREIT (Target: S$1.16).

Analysis

- **France trapped in a vicious cycle.** France has been trapped in a political gridlock since the parliamentary election in mid-24 led to a split parliament. Prime Minister Sébastien Lecornu has struggled to secure parliamentary support for a 2027 budget seeking €54b in savings. France has the highest budget deficit at 5.5% of GDP in the Eurozone. Opposition to spending cuts has cast doubts on the government's ability to deliver fiscal reforms. Thus, France's 10-year government bond yield rose 139bp ytd to 4.95% in Oct 26, its highest level since 2002. The premium over German bonds has also widened sharply to 153bp. Student protests have erupted over underfunded schools. These pressures create a vicious cycle in which delays in deficit reduction and higher financing costs result in additional austerity, which fuels further social unrest.
- **The UK has highest bond yield among G7 countries.** The UK's borrowing in the first five months of the financial year was £7b above the Office for Budget Responsibility's forecast, including £2b in higher-than-expected debt interest. The rising government bond yields and increased debt-servicing costs have reduced room for additional spending in the budget to be unveiled in Oct 26. The government wants to help low-income households defray higher energy bills. To fund the higher expenditure, the Exchequer intends to raise the surcharge on banks' profits, which affects the competitiveness of the financial services industry. The 10-year gilt yield rose 93bp ytd to 5.41% in Oct 26 due to higher energy prices and stretched public finances. Higher yields lead to higher mortgage and corporate borrowing costs, which weakens demand.
- **The euro has weakened against the US dollar and Singapore dollar** amid rising energy costs, concerns over France's public finances and stronger demand for dollar assets. It depreciated 4.3% against the US dollar and 5.3% against the Singapore dollar on a ytd basis in Oct 26. Sentiment remains fragile due to fears of financial stress in France spreading across the Eurozone. Europe's energy shock threatens growth and adds to inflation worries, outweighing support from the European Central Bank's rate hikes. The weaker euro raises the cost of US dollar-denominated energy imports, complicating the ECB's task of containing inflation and safeguarding financial stability.

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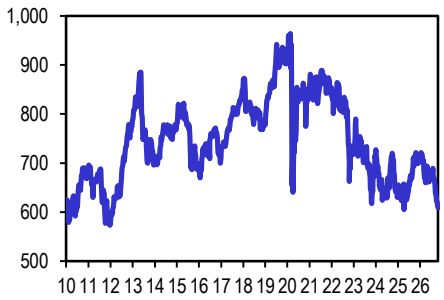
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
CICT	CICT SP	BUY	2.23	3.11
LREIT	LREIT SP	BUY	0.525	0.80
MPACT	MPACT SP	BUY	1.14	1.67
NTTDCR USD	NTTDCR SP	BUY	0.885	1.29
UIBREIT	UIBREIT SP	BUY	0.78	1.16

Source: UOB Kay Hian

FTSE ST All-Share REITS Index (FSTREI)



Source: UOB Kay Hian

Peer Comparison

Name	BBG Ticker	Trading Code	Rec	Curr	Price 21 Oct 26	Target Price	Mkt Cap (US$m)	Yield (%) Hist	Yield (%) Curr	Yield (%) Fwd 1Y	Yield (%) Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
CapLand Int Comm Trust	CICT SP	C38U	BUY	S$	2.23	3.11	13,913	5.2	5.3	5.7	5.8	57.8	37.4	1.04
Lendlease REIT	LREIT SP	JYEU	BUY	S$	0.525	0.80	1,300	7.0	7.0	7.1	7.1	73.0	38.9	0.75
Mapletree Pan Asia	MPACT SP	N2IU	BUY	S$	1.14	1.67	4,716	7.0	7.0	7.1	7.2	63.8	37.7	0.66
NTT DC REIT USD	NTTDCR SP	NTDU	BUY	US$	0.885	1.29	922	8.8	9.2	9.4	9.6	45.5	31.0	0.78
UIBREIT	UIBREIT SP	UIBU	BUY	S$	0.78	1.16	835	n.a.	9.0	8.9	9.2	65.9	36.4	0.91

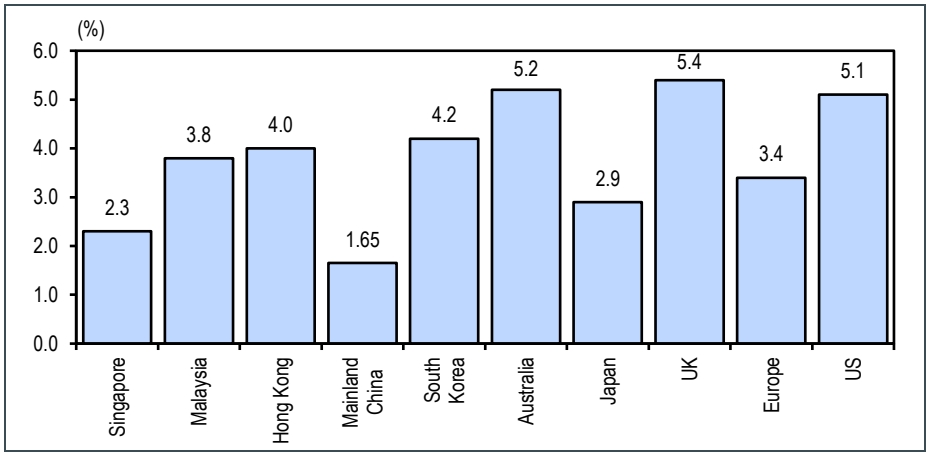
Source: Bloomberg, UOB Kay Hian

Geographical Breakdown of AUM

(%)	Singapore	Malaysia	Hong Kong	Mainland China	South Korea	Australia	Japan	UK	Europe	US	Others	Total
Healthcare												
PREIT	68.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	7.0	0.0	0.0	100.0
Hospitality												
CLAS	19.1	5.3	0.0	1.8	2.0	10.5	16.9	11.5	14.5	18.4	0.0	100.0
CAREIT	64.0	0.0	0.0	0.0	0.0	16.5	0.0	19.5	0.0	0.0	0.0	100.0
FEHT	97.5	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0	100.0
Industrial												
CLAR	65.0	0.0	0.0	0.0	0.0	12.0	3.0	6.4	2.6	11.0	0.0	100.0
EREIT	71.7	0.0	0.0	0.0	0.0	18.4	9.9	0.0	0.0	0.0	0.0	100.0
KDCREIT	62.8	0.3	0.0	3.7	0.0	4.4	13.4	2.2	13.2	0.0	0.0	100.0
MINT	46.3	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0	46.5	0.0	100.0
MLT	20.9	8.7	22.2	18.7	7.4	7.7	13.3	0.0	0.0	0.0	1.1	100.0
NTTDCR	18.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.5	63.9	0.0	100.0
UIBREIT	71.2	0.0	0.0	0.0	0.0	0.0	28.8	0.0	0.0	0.0	0.0	100.0
Office												
KREIT	78.7	0.0	0.0	0.0	2.2	18.4	0.7	0.0	0.0	0.0	0.0	100.0
Retail												
FCT	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
LREIT	91.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0	100.0
SGREIT	70.0	16.2	0.0	0.3	0.0	12.3	1.2	0.0	0.0	0.0	0.0	100.0
Diversified												
CICT	92.8	0.0	0.0	0.0	0.0	3.4	0.0	0.0	3.7	0.0	0.0	100.0
FLT	12.3	0.0	0.0	0.0	0.0	46.8	0.0	9.8	31.1	0.0	0.0	100.0
MPACT	62.0	0.0	22.0	9.0	1.0	0.0	6.0	0.0	0.0	0.0	0.0	100.0
SUN	78.9	0.0	0.0	0.0	0.0	15.2	0.0	5.9	0.0	0.0	0.0	100.0

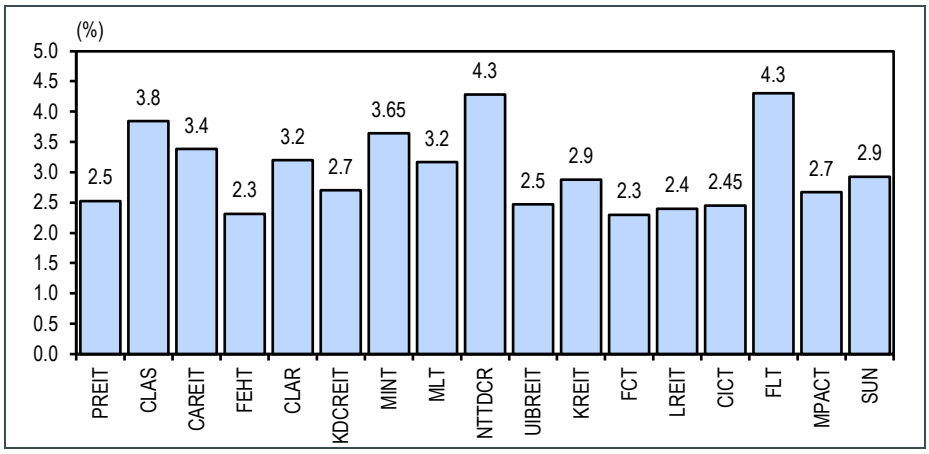
Source: Respectively S-REIT, UOB Kay Hian

10-year Government Bond Yields



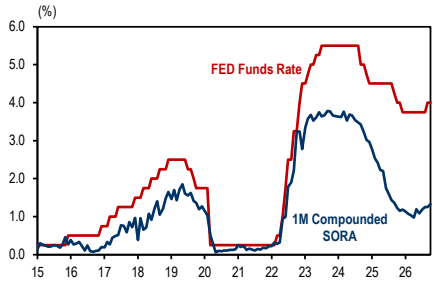
Source: Bloomberg, UOB Kay Hian

Risk-free Rate Weighted By Geographical Disposition



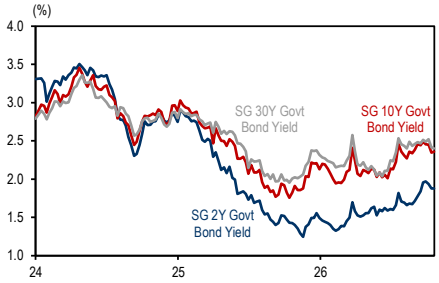
Source: UOB Kay Hian

US Fed Funds Rate vs 1M SORA



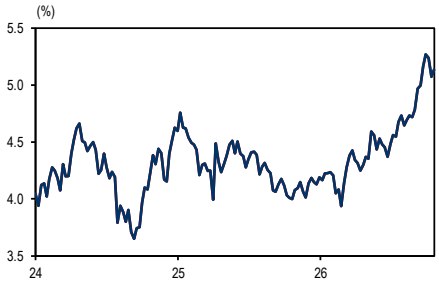
Source: Bloomberg

SG 2Y, 10Y and 30Y Government Bond Yields



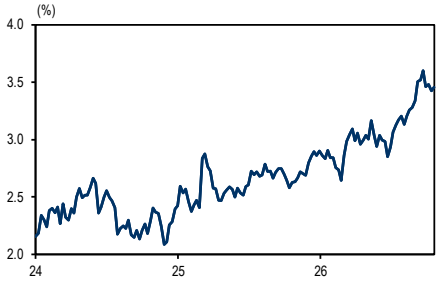
Source: Bloomberg

US 10Y Treasury Yield



Source: Bloomberg

Germany 10Y Bund Yield



Source: Bloomberg

S-REITs Unit Price Performance, % Chg

	1Q26	2Q26	3Q26	Oct 26	YTD
Healthcare					
PREIT	-2.0	1.3	-1.0	0.7	-1.0
Hospitality					
CLAS	-7.9	0.6	-6.8	-2.4	-15.7
CAREIT	-0.9	-3.6	-1.9	0.0	-6.3
FEHT	-8.2	1.8	-9.6	-1.0	-16.4
Industrial					
CLAR	-12.6	0.8	-9.2	-2.2	-21.8
KDCREIT	-3.1	2.8	-5.8	-3.3	-9.3
MINT	-6.7	-1.0	-3.1	-6.5	-16.3
MLT	-12.9	6.1	-10.7	-1.8	-18.9
NTTDCR USD	-10.3	2.7	-1.6	-4.3	-13.2
UIBREIT	-8.5	-0.6	1.3	-3.7	-11.4
Office					
KREIT	-8.7	-3.4	-1.2	-7.6	-19.5
Retail					
FCT	-6.4	3.7	-7.5	-1.4	-11.6
LREIT	-13.4	6.5	-4.4	-3.7	-15.0
Diversified					
CICT	-4.2	3.5	-5.9	0.0	-6.7
FLT	-10.1	7.8	-8.8	0.0	-11.6
MPACT	-10.2	-2.3	-5.4	-6.6	-22.4
SUN	1.4	-0.7	-8.3	2.3	-5.6

Source: UOB Kay Hian

- **Central banks started to act on elevated inflation.** The ECB raised the main refinancing rate by 25bp to 2.65% on 10 Sep 26. It cautioned that inflation risk is skewed to the upside and monetary policy must remain restrictive. Similarly, the Fed decided unanimously to hike the Fed Funds Rate by 25bp to 3.75% on 16 Sep 26. There was broad discussion on the pace of upcoming rate hikes. Most policymakers assessed another rate hike is appropriate by end-26, likely coming on 9 Dec 26.
- **Financial markets are turning more cautious on the debt financing for AI and data centres.** Investors are more risk-averse now and question whether future revenues can justify enormous upfront spending on digital infrastructure. They are increasingly scrutinising leverage and demanded stronger protections and higher interest rate. CoreWeave is a cautionary tale with its debts having fallen to distressed prices. The planned listings of AirTrunk, Firmus and SB Energy have been paused or withdrawn.
- **Singapore exhibiting divergent trend.** Singapore is recognised for its fiscal austerity and conservatism. Singapore 10-year government bond yield has risen by a smaller 35bp to 2.47% in 9M26 but eased 7bp to 2.40% in Oct 26. Comparatively, the Eurozone saw a steep increase in 10-year government bond yield of 73bp to 3.59% in 9M26, which similarly also eased 19bp to 3.40% in Oct 26. In the US, yields for 10-year treasury bonds rose 111bp to 5.28% in 9M26 but eased 15bp to 5.13% in Oct 26.
- **Refinement of methodology for valuing S-REITs.** The risk-free rate for our Dividend Discount Model (DDM) was based on each country's 10-year government bond yield weighted by the REIT's geographical disposition since 10 Sep 26. 10-year government bond yields are relatively lower at 2.3% in Singapore, 1.65% in China and 2.9% in Japan. Conversely, they are quite elevated at 5.2% in Australia and 5.4% in the UK and 5.1% in the US.
- **Value has emerged with expanded yield spread.** Yield spreads for S-REITs have expanded by 29bp to 4.06% in Oct 26, which is 2SD above long-term mean, as unit prices and 10Y Singapore bond yield pulled back concurrently.
- **Factoring in weakness in the euro.** We cut DPU forecast for FLT by 1.5%, CLAS by 0.7%, KDCREIT by 0.3% and LREIT by 0.3% due to weakness in the euro, which depreciated 4.3% against the US dollar and 5.3% against the Singapore dollar on a ytd basis in Oct 26.

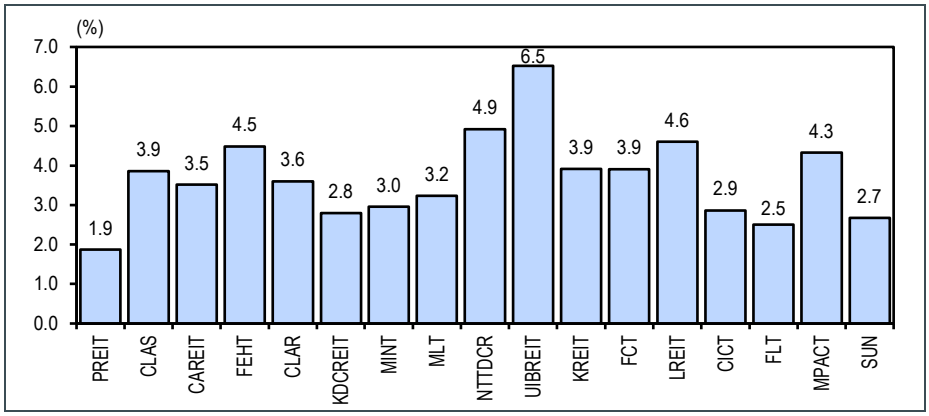
- **Maintain OVERWEIGHT.** The influx of safe-haven liquidity has kept domestic interest rates low. Thus, the S-REIT sector is supported by firm asset valuation and continued low cost of debt. The S-REIT sector is a major laggard and, thus, more defensive and resilient. BUY CICT (Target: S$3.11), LREIT (Target: S$0.80), MPACT (Target: S$1.67), NTTDCR (Target: US$1.29) and UIBREIT (Target: S$1.16).

Changes To Target Prices

	Share	----- Target Price (S$) -----				Cost of Equity (%)		Risk-free Rate (%)		Terminal Growth (%)	
	Price (S$)	Old	New	% Chg	% Upside	Old	New	Old	New	Old	New
Healthcare											
PREIT	4.04	4.88	5.02	2.9	24.3	6.1	6.0	2.6	2.5	2.5	2.5
Hospitality											
CLAS	0.805	0.99	1.00	1.0	24.2	8.15	8.05	3.9	3.8	2.2	2.2
CAREIT	1.04	1.39	1.39	0.0	33.7	8.15	8.15	3.4	3.4	2.8	2.8
FEHT	0.51	0.79	0.80	1.3	56.9	6.9	6.8	2.4	2.3	2.0	2.0
Industrial											
CLAR	2.21	3.25	3.25	0.0	47.1	7.2	7.2	3.2	3.2	2.2	2.2
KDCREIT	2.04	2.77	2.83	2.2	38.7	6.8	6.7	2.8	2.7	2.8	2.8
MINT	1.74	1.74	1.72	-1.1	-1.1	8.35	8.4	3.6	3.65	1.5	1.5
MLT	1.07	1.15	1.13	-1.7	5.6	7.35	7.45	3.1	3.2	1.5	1.5
NTTDCR USD	0.885	1.31	1.29	-1.5	45.8	8.7	8.8	4.2	4.3	2.5	2.5
UIBREIT	0.78	1.16	1.16	0.0	48.7	7.45	7.45	2.5	2.5	1.2	1.2
Office											
KREIT	0.785	1.06	1.06	0.0	35.0	6.65	6.65	2.9	2.9	1.8	1.8
Retail											
FCT	2.06	2.93	3.00	2.4	45.6	6.4	6.3	2.4	2.3	2.0	2.0
LREIT	0.525	0.79	0.80	1.3	52.4	6.75	6.65	2.5	2.4	2.2	2.2
Diversified											
CICT	2.23	3.06	3.11	1.6	39.5	6.25	6.2	2.5	2.45	2.2	2.2
FLT	0.88	0.96	0.96	0.0	9.1	8.4	8.3	4.4	4.3	2.5	2.5
MPACT	1.14	1.71	1.67	-2.3	46.5	6.6	6.7	2.6	2.7	2.0	2.0
SUN	1.36	1.64	1.67	1.8	22.8	6.75	6.65	3.0	2.9	2.0	2.0

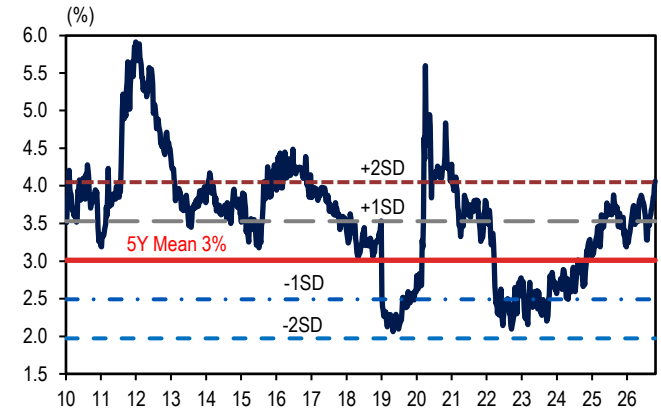
Source: UOB Kay Hian

Yield Spread Above Reformulated Risk-free Rate



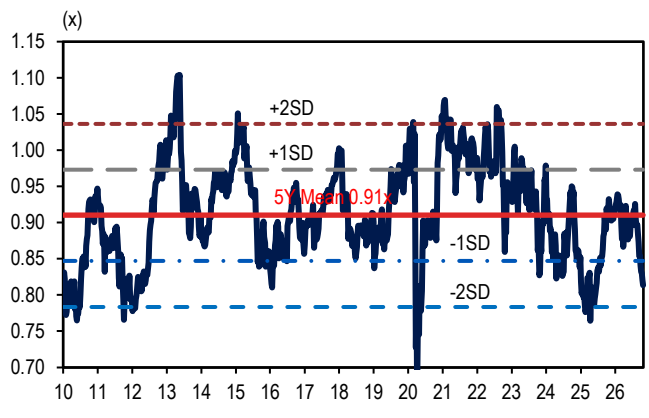
Source: UOB Kay Hian

S-REIT Yield Spread



Source: UOB Kay Hian

S-REIT P/NAV



Source: UOB Kay Hian

Peer Comparison

Name	BBG Ticker	Trading Code	Rec	Curr	Price 21 Oct 26	Target Price	Mkt Cap (US$m)	Yield (%) Hist	Yield (%) Curr	Yield (%) Fwd 1Y	Yield (%) Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
HEALTHCARE														
First REIT	FIRT SP	AW9U	NR	S$	0.18	n.a.	299	12.1	10.8	10.0	n.a.	96.3	45.7	0.78
PLife REIT	PREIT SP	C2PU	BUY	S$	4.04	5.02	2,063	3.8	4.4	4.5	4.6	53.4	33.7	1.57
HOSPITALITY														
CapLand Ascott	CLAS SP	HMN	BUY	S$	0.805	1.00	2,429	7.6	7.7	7.8	7.9	71.4	37.7	0.70
CDL HTrust	CDREIT SP	J85	BUY	S$	0.705	1.11	708	6.8	7.8	7.8	7.7	66.4	35.3	0.51
Cent Accom REIT	CAREIT SP	8C8U	BUY	S$	1.04	1.39	1,406	6.2	6.9	7.9	7.9	43.8	29.9	1.19
Far East HTrust	FEHT SP	Q5T	BUY	S$	0.51	0.80	822	7.3	6.8	7.3	7.5	42.6	32.8	0.58
INDUSTRIAL														
AIMS APAC REIT	AAREIT SP	O5RU	NR	S$	1.37	n.a.	884	7.2	7.3	7.8	8.3	78.0	37.4	1.07
CapLand Ascendas	CLAR SP	A17U	BUY	S$	2.21	3.25	8,637	6.8	6.8	7.4	7.8	72.8	39.7	0.97
Daiwa Hse Log Trust	DHLT SP	DHLU	NR	S$	0.395	n.a.	217	11.0	n.a.	n.a.	n.a.	78.9	40.1	0.63
Digi Core REIT USD	DCREIT SP	DCRU	BUY	US$	0.44	0.93	562	8.2	7.8	9.3	9.3	67.9	39.2	0.56
ESR-REIT	EREIT SP	9A4U	NR	S$	1.97	n.a.	1,248	11.1	11.2	11.0	11.3	99.2	41.4	0.79
Keppel DC REIT	KDCREIT SP	AJBU	BUY	S$	2.04	2.83	4,382	5.1	5.5	5.6	5.7	54.3	34.0	1.18
Mapletree Ind Trust	MINT SP	ME8U	SELL	S$	1.74	1.72	3,888	7.3	6.6	6.7	7.1	66.3	37.5	1.07
Mapletree Log Trust	MLT SP	M44U	HOLD	S$	1.07	1.13	4,302	6.8	6.4	6.5	6.5	85.2	40.5	0.85
NTT DC REIT USD	NTTDCR SP	NTDU	BUY	US$	0.885	1.29	922	8.8	9.2	9.4	9.6	45.5	31.0	0.78
UIBREIT	UIBREIT SP	UIBU	BUY	S$	0.78	1.16	835	n.a.	9.0	8.9	9.2	65.9	36.4	0.91
OFFICE														
Keppel REIT	KREIT SP	K71U	BUY	S$	0.785	1.06	3,059	6.7	6.8	6.9	6.8	78.2	40.0	0.63
RETAIL														
Frasers Centrepoint	FCT SP	J69U	BUY	S$	2.06	2.92	3,287	5.9	6.2	6.4	6.5	58.3	40.4	0.91
Lendlease REIT	LREIT SP	JYEU	BUY	S$	0.525	0.80	1,300	7.0	7.0	7.1	7.1	73.0	38.9	0.75
Starhill Global	SGREIT SP	P40U	NR	S$	0.50	n.a.	910	7.4	7.5	7.7	7.9	61.6	35.8	0.70
DIVERSIFIED														
CapLand China Trust	CLCT SP	AU8U	NR	S$	0.605	n.a.	832	8.0	7.9	8.1	8.4	94.8	40.4	0.58
CapLand Int Comm Trust	CICT SP	C38U	BUY	S$	2.23	3.11	13,913	5.2	5.3	5.7	5.8	57.8	37.4	1.04
Frasers L&C Trust	FLT SP	BUOU	BUY	S$	0.88	0.96	2,622	6.8	6.8	6.7	6.7	58.7	35.4	0.79
Mapletree Pan Asia	MPACT SP	N2IU	BUY	S$	1.14	1.67	4,716	7.0	7.0	7.1	7.2	63.8	37.7	0.66
OUE REIT	OUEREIT SP	TS0U	NR	S$	0.33	n.a.	1,429	6.8	7.3	7.6	7.9	79.1	41.5	0.59
Suntec REIT	SUN SP	T82U	BUY	S$	1.36	1.67	3,151	5.2	5.6	5.8	5.8	70.8	43.0	0.67
INTERNATIONAL (US / EUROPE)														
Stoneweg EU Trust EUR	SERT SP	SEB	NR	€	1.42	n.a.	884	9.4	9.3	9.6	10.3	93.2	43.6	0.70
Elite UK REIT GBP	ELITE SP	MXNU	NR	£	0.31	n.a.	275	9.8	9.8	10.2	10.0	58.1	34.8	0.71
IREIT Global	IREIT SP	UD1U	NR	S$	0.161	n.a.	169	9.7	8.9	8.9	8.9	94.9	45.5	0.36
KORE REIT USD	KORE SP	CMOU	BUY	US$	0.144	0.25	150	1.7	5.9	10.5	15.9	82.9	43.3	0.21
Prime US REIT USD	PRIME SP	OXMU	NR	US$	0.107	n.a.	154	5.7	9.3	12.1	n.a.	87.5	44.9	0.20
Utd Hampshire REIT USD	UHU SP	ODBU	BUY	US$	0.425	0.63	259	10.3	10.8	11.5	11.6	73.8	40.4	0.58

Source: Bloomberg, UOB Kay Hian

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