Lendlease Global Commercial REIT (LREIT SP)

1QFY27: Retail Momentum Builds; Planning More AEIs

Highlights

- LREIT delivered a strong retail performance in 1QFY27, with rental reversion of 10.0% and like-for-like tenant sales growth of 8.1% yoy. Occupancy at PLQ Mall temporarily dipped 2.3ppt qoq to 94% due to an ongoing AEI. The operating metrics for LREIT's retail properties were above our expectation.
- PLQ Mall's enhancement is scheduled to complete by end-26 and Grange House's opening by mid-27. PLQ Mall will provide a full 12-month contribution in FY27. Management will evaluate AEIs for 313@Somerset and Jem.
- Management continues to pursue potential acquisitions in Singapore and the divestment of Building 3 in Milan. LREIT provides an attractive FY27 DPU yield of 6.6%. Maintain BUY. Target price: S$0.80.

Analysis

- Lendlease Global Commercial REIT (LREIT) delivered positive retail leasing momentum in its 1QFY27 business update:
- **Positive leasing momentum and impressive tenant sales.** Retail rental reversion was +10.0% (PLQ Mall and 313@Somerset: low teens; Jem: high single-digit). On a like-for-like basis excluding PLQ Mall, tenant sales increased 8.1% yoy due to new tenancies secured in FY26 and strong growth in visitation by 6.7% yoy. By trade sector, food & beverage, beauty & wellness, gold & jewelleries and sports & athleisure performed well. New retail offerings include Gentlewoman (Bangkok-born fashion label) and LSOUL (contemporary fashion brand from Vietnam) at 313@Somerset.
- **Retail occupancy remains high despite temporary PLQ vacancies.** Retail committed occupancy eased 0.3ppt qoq to 98.2%, mainly due to space reconfiguration at PLQ Mall. Jem remained fully occupied, while occupancy at 313@somerset was 99.0%. Occupancy at PLQ Mall eased 2.3ppt qoq to 94% due to an ongoing AEI. Office occupancy unchanged at 89.1%. Tenant retention was 87% by NLA for completed renewals in 1QFY27. Portfolio WALE was 4.4 years by NLA. Only 4.8% of NLA is due for renewal in FY27.
- **Lower financing costs.** Weighted average cost of debt declined 59bp yoy to 2.50% in 1QFY27, mainly from refinancing PLQ Mall loans at lower rates. Gearing eased 0.2ppt qoq to 38.7% as of Sep 26. Fixed-rate borrowings remained at 68%, and average debt maturity was 2.6 years. Interest coverage ratio remained 2.1x, and benefits from the Jun 26 perpetual securities refinancing should accrue progressively.

Key Financials

Year to 30 Jun (S$m)	2025	2026	2027F	2028F	2029F
Net turnover	207	212	247	253	258
EBITDA	127	130	157	160	164
Operating profit	127	130	157	160	164
Net profit (rep./act.)	52	107	91	93	95
Net profit (adj.)	47	82	91	93	95
EPU (S$ cent)	1.9	2.6	2.7	2.7	2.8
DPU (S$ cent)	3.6	3.7	3.7	3.7	3.7
PE (x)	29.0	21.3	20.5	20.3	20.0
P/B (x)	0.7	0.8	0.8	0.8	0.8
DPU yld (%)	6.5	6.7	6.6	6.6	6.7
Net margin (%)	25.4	50.5	36.7	36.7	36.9
Net debt/(cash) to equity (%)	74.5	62.5	65.4	67.7	70.1
Interest cover (x)	2.0	2.7	2.9	2.8	2.8
ROE (%)	2.4	4.5	3.5	3.7	3.8
Consensus DPU (S$ cent)	-	-	3.8	3.9	4.0
UOBKH/Consensus (x)	-	-	0.96	0.95	0.95

Source: Lendlease Global Commercial REIT, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$0.555
Target Price	S$0.800
Upside	44.1%

Stock Data

Sector	Real Estate
Bloomberg ticker	LREIT SP
Shares issued (m)	3,343.2
Market cap (S$m)	1,855.5
Market cap (US$m)	1,452.4
3-mth avg daily t'over (US$m)	6.7

Price Performance (%)

52-week high/low				S$0.66/S$0.52
1mth	3mth	6mth	1yr	YTD
1.8	(5.9)	(2.6)	(13.0)	(10.2)

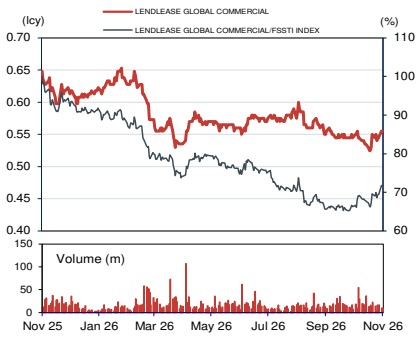
Major Shareholders (%)

Lendlease Corp Ltd	20.3

Balance Sheet Metrics

FY27 NAV/Share (S$)	0.68
FY27 Net Debt/Share (S$)	0.49

Price Chart



Source: Bloomberg

Company Description

LREIT invests in stabilised income-producing properties located globally, which are used for retail and/or office purposes. Its portfolio comprises three retail malls 313@Somerset at Orchard Road, Jem at Jurong East and PLQ Mall at Peya Lebar in Singapore. It also owns Sky Complex with three grade A office buildings in Milan, Italy.

- **Enhancements at PLQ Mall are on track for completion by end-26.** The reconfiguration of 16,000sf would strengthen the tenant mix and support rental income growth. Two anchor tenants would be right-sized to accommodate several smaller F&B and specialty fashion tenants. The reconfiguration would provide an uplift to rental rates in FY27.
- **Grange House to be operationally ready by mid-27.** The 3,000-capacity multifunctional event space adjacent to 313@somerset will connect seamlessly to Discovery Walk. Its combined NLA with 313@somerset will be 330,000sf, enlarging LREIT's presence in the Somerset youth precinct. Management envisages an experiential lifestyle destination with communal spaces and themed events. Discovery Walk is being refreshed and integrated with Grange House. The initiative would enhance the tenant mix, including a variety of F&B outlets and kiosks, improve shopper engagement and drive future rental growth.
- **Leasing up Milan Building 3 and potential divestment remain priorities.** Management continues to pursue new tenants for Building 3 while evaluating a potential sale. The Milan portfolio has committed occupancy of 89.1% (Building 1 & 2: 100%, Building 3: 51%) and WALE of 6.3 years. Buildings 1 and 2 benefitted from a 1.5% annual rental uplift effective Apr 26. Weak leasing demand remains a key risk. Fortunately, Building 3 contributes less than 3% of portfolio GRI.
- **Optionality from Parkway Parade.** Parkway Parade, held through a 10% interest in its holding company, achieved 98.8% occupancy as of Sep 26. Its direct connection to Marine Parade MRT and phased asset enhancements are expected to support footfall and strengthens its position as the dominant suburban mall in the eastern part of Singapore.

Valuation/Recommendation

- **Singapore-focused strategy.** Singapore accounts for 91% of LREIT's S$4.2b property portfolio, excluding its 10% stake in Parkway Parade. LREIT continues to explore potential acquisitions in Singapore, while pursuing selective non-core asset disposals in Milan, Italy. Management is also evaluating meaningful AEIs for 313@Somerset and Jem. Positive rental reversions secured in FY26 and a full 12-month contribution from PLQ Mall will support DPU growth in FY27, alongside savings from lower contracted electricity tariffs.
- **Valuation is attractive based on DPU yield.** LREIT provides an attractive FY27 DPU yield of 6.6% (CICT: 5.2%, FCT: 5.9%, SGREIT: 7.6%).
- **Maintain BUY.** Our target price of S$0.80 is based on DDM (cost of equity: 6.65%, terminal growth: 2.2%).

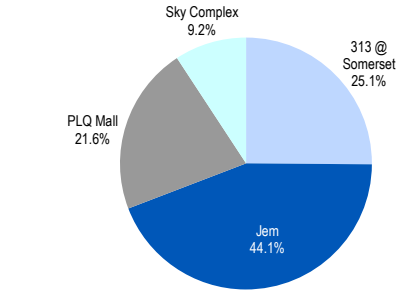
Earnings Revision/Risk

- We maintain our existing DPU forecast.

Share Price Catalyst

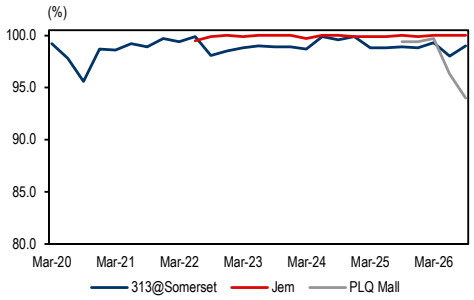
- Jem benefits as Jurong Gateway evolves to become Singapore's second CBD. PLQ Mall benefits from the growth of the Paya Lebar sub-regional centre. 313@Somerset benefits from increased shopper traffic that should come from the opening of Grange House by mid-27.

Portfolio Value By Property



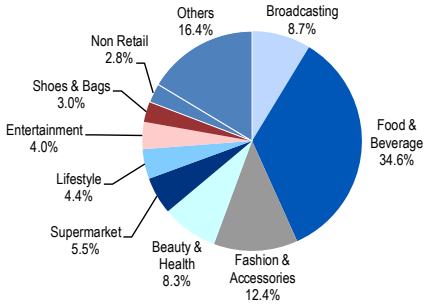
Source: LREIT

Occupancies For Retail Malls



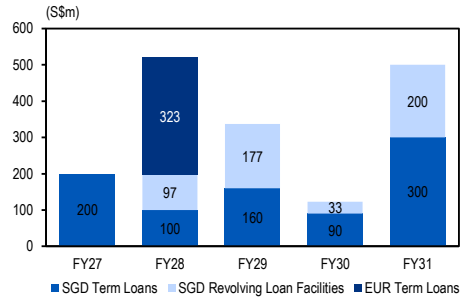
Source: LREIT

Gross Rental Income By Trade Sector



Source: LREIT

Debt Maturity Profile



Source: LREIT

Profit & loss

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Net turnover	**211.9**	**247.2**	**252.5**	**257.8**
EBITDA	129.7	156.5	160.2	163.9
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	129.7	156.5	160.2	163.9
Total other non-operating income	24.8	0.0	0.0	0.0
Associate contributions	16.1	0.0	0.0	0.0
Net interest income/(expense)	(48.5)	(54.9)	(56.6)	(57.8)
Pre-tax profit	**122.2**	**101.6**	**103.6**	**106.0**
Tax	0.0	0.0	0.0	0.0
Minorities	(0.8)	0.0	0.0	0.0
Perpetual Securities	(14.5)	(10.8)	(10.8)	(10.8)
Net profit	**107.0**	**90.8**	**92.8**	**95.2**
Net profit (adj.)	82.1	90.8	92.8	95.2

Balance Sheet

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Fixed assets	4,215.6	4,220.6	4,225.6	4,230.6
Other LT assets	92.5	91.5	91.5	91.5
Cash/ST investment	68.6	66.7	65.7	69.5
Other current assets	10.4	14.2	14.4	14.5
Total assets	**4,387.2**	**4,393.1**	**4,397.3**	**4,406.1**
ST debt	218.0	218.0	218.0	218.0
Other current liabilities	85.6	71.7	73.2	74.6
LT debt	1,463.0	1,515.0	1,550.0	1,590.0
Other LT liabilities	42.4	42.4	42.4	42.4
Shareholders' equity	2,578.2	2,546.0	2,513.7	2,481.1
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**4,387.2**	**4,393.1**	**4,397.3**	**4,406.1**

Cash Flow

Year to 30 Jun (S$m)	2026	2027F	2028F	2029F
Operating	**319.1**	**144.2**	**166.0**	**169.5**
Pre-tax profit	107.0	90.8	92.8	95.2
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0
Working capital changes	17.4	(17.8)	1.4	1.3
Non-cash items	16.2	39.9	40.1	40.3
Other operating cashflows	178.5	31.3	31.7	32.8
Investing	**173.3**	**(5.0)**	**(5.0)**	**(5.0)**
Capex (growth)	(294.5)	0.0	0.0	0.0
Capex (maintenance)	(10.5)	(5.0)	(5.0)	(5.0)
Proceeds from sale of assets	460.7	0.0	0.0	0.0
Others	17.6	0.0	0.0	0.0
Financing	**(288.2)**	**(141.1)**	**(162.0)**	**(160.8)**
Distribution to unitholders	(82.3)	(122.9)	(125.2)	(127.8)
Issue of shares	476.6	0.0	0.0	0.0
Proceeds from borrowings	(598.4)	52.0	35.0	40.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(84.1)	(70.1)	(71.8)	(73.1)
Net cash inflow (outflow)	**204.2**	**(1.9)**	**(1.0)**	**3.7**
Beginning cash & cash equivalent	**41.6**	**68.6**	**66.7**	**65.7**
Changes due to forex impact	(1.9)	0.0	0.0	0.0
Ending cash & cash equivalent	**243.9**	**66.7**	**65.7**	**69.5**

Key Metric

Year to 30 Jun (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	61.2	63.3	63.4	63.6
Pre-tax margin	57.7	41.1	41.0	41.1
Net margin	50.5	36.7	36.7	36.9
ROA	2.6	2.1	2.1	2.2
ROE	4.5	3.5	3.7	3.8
Growth				
Turnover	2.6	16.7	2.1	2.1
EBITDA	1.8	20.6	2.4	2.3
Pre-tax profit	72.7	(16.8)	2.0	2.3
Net profit	104.1	(15.1)	2.2	2.6
Net profit (adj.)	76.1	10.5	2.2	2.6
EPU	36.2	3.6	1.2	1.6
Leverage				
Debt to total capital	39.5	40.5	41.3	42.2
Debt to equity	65.2	68.1	70.3	72.9
Net debt/(cash) to equity	62.5	65.4	67.7	70.1
Interest cover (x)	2.7	2.9	2.8	2.8

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