UOBKayHian

Sector – Update | Singapore

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REITs

2Q26 Round-Up: Soldiering On With Resilient Yield

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

Highlights

- KDCREIT and SUN surpassed expectations, but hospitality REITs CLAS and FEHT missed expectations. Results of 11 out of the 15 large cap S-REITs met expectations.
- An influx of safe-haven liquidity and low domestic interest rates have led to a record volume of transactions for commercial properties, encompassing office and retail properties. Thus, the S-REIT sector is supported by firm asset valuation and a continued low cost of debt.
- Maintain OVERWEIGHT. S-REITs are laggards and, therefore, more resilient. BUY CICT (Target: S$3.06), FLT (Target: S$1.33), MPACT (Target: S$1.75), NTTDCR (Target: US$1.31) and UIBREIT (Target: S$1.16).

Analysis

- **More S-REITs exceeding expectations.** KDCREIT and SUN surpassed expectations, but hospitality REITs CLAS and FEHT missed expectations. Results of 11 out of the 15 large cap S-REITs met expectations.
- **Retail: Sustained pick-up in tenant sales growth.** FCT's portfolio committed occupancy eased 0.2ppt qoq to 99.6% as of Jun 26. Tampines Mall, Tiong Bahru Plaza and Century Square saw a dip in occupancies averaging 0.6ppt qoq due to transitional downtime as FCT tweaked its tenant mix. On an ytd basis, tenant sales increased 1.8% yoy. Aggregate leverage has been reduced by 3.5ppt to 36.5% after divesting White Sands for S$467m.
- LREIT maintained a healthy rent reversion of 11.7% in FY26 (313@Somerset: mid-single-digit, Jem: high single-digit and PLQ Mall: high teens). Growth in tenant sales was stronger at 4.0% yoy in FY26 (9MFY26: 2.5% yoy). LREIT has further reduced its reliance on perpetual securities after issuing only S$120m of new perpetual securities to partially refinance S$200m due in Jun 26. Interest coverage ratio improved 0.5x yoy to 2.1x.
- **Office: Limited supply supports positive reversions.** KREIT achieved a strong positive rental reversion of 12.8% in 1H26 (Singapore: 10%, Australia: >20%). Rent reversion should improve in 2027 as the average rent of leases expiring is lower at S$11.49 psf pm. KREIT announced the divestment of KR Ginza II in Tokyo for JPY11.5b (S$91.4m). It is also exploring the divestment of T Tower in Seoul, which is valued at KRW305.4b (S$269.7m). Management intends to utilise the divestment proceeds to pare down debt and pursue unit buyback.

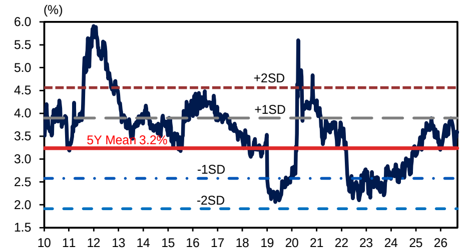
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
CICT	CICT SP	BUY	2.32	3.06
FLT	FLT SP	BUY	0.92	1.33
MPACT	MPACT SP	BUY	1.22	1.75
NTTDCR (USD)	NTTDCR SP	BUY	0.94	1.31
UIBREIT	UIBREIT SP	BUY	0.80	1.16

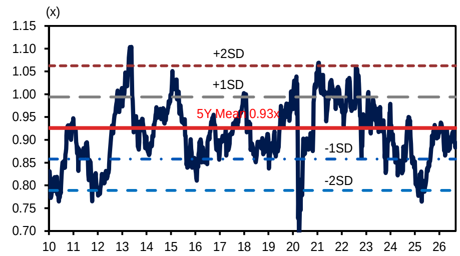
Source: UOB Kay Hian

S-REIT Yield Spread



Source: UOB Kay Hian

S-REIT P/NAV



Source: UOB Kay Hian

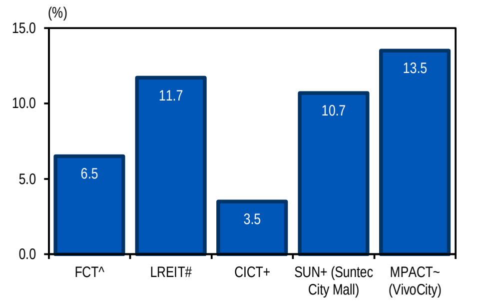
Top-20 S-REITS Ranked By Market Capitalisation – Vital Statistics

Company	Ticker	Rec	Curncy	Price 3 Sep 26	Target Price	Mkt Cap (US$m)	--- DPU ( ) --- Curr	Fwd	--- Yield (%) --- Curr	Fwd	-- Yield Spread* (%) -- Curr	Fwd	Interest Coverage (%)	Aggregate Leverage (%)	WALE (years)
CapLand Int Comm Trust	CICT SP	BUY	S$	2.32	3.06	14,546	11.7	12.6	5.0	5.4	2.6	3.0	3.9	37.4	3.0
CapLand Ascendas	CLAR SP	BUY	S$	2.37	3.78	9,331	14.9	16.3	6.3	6.9	3.9	4.5	3.5	39.7	4.0
Mapletree Pan Asia	MPACT SP	BUY	S$	1.22	1.75	5,085	8.0	8.1	6.5	6.6	4.1	4.2	3.3	37.7	2.3
Mapletree Log Trust	MLT SP	HOLD	S$	1.14	1.29	4,618	6.9	6.9	6.0	6.1	3.6	3.6	2.9	40.5	2.5
Mapletree Ind Trust	MINT SP	HOLD	S$	1.92	2.07	4,322	11.5	11.7	6.0	6.1	3.5	3.7	4.0	37.5	4.5
Keppel DC REIT	KDCREIT SP	BUY	S$	2.19	2.99	4,225	11.3	11.5	5.2	5.3	2.7	2.8	6.9	34.0	6.7
Frasers Centrepoint	FCT SP	BUY	S$	2.13	2.99	3,424	12.7	13.2	6.0	6.2	3.5	3.7	3.7	40.4	1.7
Suntec REIT	SUN SP	BUY	S$	1.46	1.75	3,408	7.6	7.9	5.2	5.4	2.8	3.0	2.2	43.0	2.4
Keppel REIT	KREIT SP	BUY	S$	0.86	1.13	3,376	5.4	5.3	6.3	6.2	3.9	3.8	2.7	40.0	4.5
Frasers L&C Trust	FLT SP	BUY	S$	0.92	1.33	2,762	6.0	5.9	6.5	6.4	4.1	4.0	4.6	35.4	4.9
CapLand Ascott	CLAS SP	BUY	S$	0.85	1.42	2,584	6.2	6.3	7.2	7.4	4.8	5.0	2.9	37.7	n.a.
PLife REIT	PREIT SP	BUY	S$	4.09	5.45	2,104	17.9	18.3	4.4	4.5	1.9	2.0	8.2	33.8	14.6
OUE REIT	OUEREIT SP	NR	S$	0.36	n.a.	1,571	2.4	2.5	6.7	6.9	4.3	4.5	2.8	41.5	2.2
Centurion Acc REIT	CAREIT SP	BUY	S$	1.13	1.55	1,539	6.7	7.8	5.9	6.9	3.5	4.5	5.9	29.9	n.a.
ESR-REIT	EREIT SP	NR	S$	2.25	n.a.	1,436	22.0	22.3	9.8	9.9	7.3	7.5	2.6	41.4	4.8
Lendlease REIT	LREIT SP	BUY	S$	0.55	0.79	1,355	3.7	3.7	6.7	6.7	4.2	4.3	2.1	38.9	4.7
Stoneweg EU Trust EUR	SERT SP	NR	€	1.53	n.a.	986	13.3	13.6	8.7	8.9	5.3	5.5	2.5	41.9	4.9
NTT DC REIT USD	NTTDCR SP	BUY	US$	0.94	1.31	972	7.9	8.2	8.4	8.7	3.6	3.9	4.7	31.0	4.3
Starhill Global	SGREIT SP	NR	S$	0.525	n.a.	961	3.7	3.8	7.1	7.2	4.7	4.8	3.1	35.8	7.2
AIMS APAC REIT	AAREIT SP	NR	S$	1.44	n.a.	935	10.0	11.0	6.9	7.6	4.5	5.2	2.7	24.9	3.6

**Yield spread above 10-year government bond yield*
Source: Bloomberg, UOB Kay Hian

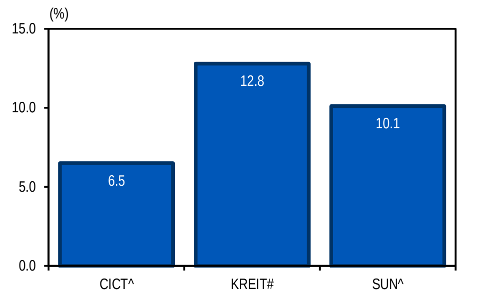
- NPI from Suntec City Mall increased 13.6% yoy in 1H26, supported by higher occupancy and the completion of AEI. Tenant sales psf rose 5% yoy. Finance costs declined 11.6% yoy in 1H26 as all-in financing cost decreased 27bp yoy to 3.56%. SUN's aggregate leverage rose 1.4ppt qoq to 43.0% following the redemption of S$150m perpetual securities. SUN's one-third stake of One Raffles Quay (ORQ) has been cited as a potential candidate for divestment.
- **Diversified commercial: MPACT saw green shoots in Hong Kong and Japan.** Rental reversion for CICT's office portfolio was +6.5% in 1H26 and is expected to stay positive as its average rent of S$11.03psf/month is below prevailing Core CBD Grade A rent at S$12.50psf/month. CICT benefits from various earnings drivers, including a full year's contribution from an additional 55% stake in CapitaSpring, income ramp-up from Galileo in Frankfurt, and contribution from Paragon commencing in Jul 26. CICT is undertaking AEIs for Tampines Mall (3Q26), Capital Tower (3Q26-4Q27) and Plaza Singapura (3Q26-4Q28) with a phased approach to minimise income disruptions.
- MPACT saw NPI from VivoCity grew 8.9% yoy in 1QFY27, supported by a positive rental reversion of 13.5% and high occupancy of 99.7%. Several leases for new IT tenants are progressively commencing at Mapletree Business City (MBC) in 2QFY27 and 3QFY27. Festival Walk recorded the second consecutive quarter of healthy tenant sales growth at 4% yoy with sustained spending on luxury goods. Strong demand within central Tokyo has spilled over to the Makuhari sub-market. MPACT has initiated discussions with several potential new tenants.
- **Logistics: Australia thrived but China languished.** FLT's logistics portfolio remained near-full occupancy at 99.7% as of Jun 26 (Australia: 99.8%, Europe: 100.0%). It generated a positive rental reversion of 11.9% on an incoming-versus-outgoing basis (Sydney: 8.8%, Melbourne: 29% and Germany: 3%). Occupancy at Alexandra Technopark (ATP) improved 11ppt yoy to 85.3% as of Jun 26, with most of the new leases commencing by Jan 27. Positive rental reversion at MLT has eased to just 2.3% in 1QFY27 (4QFY26: 4.2%), excluding China. Negative rental reversion in China moderated to 1.8%. Sponsor Mapletree Investments has partnered China Life to launch Mapletree China Logistics Renminbi Fund, which acquired two logistics properties in Wuxi from MLT for Rmb724m (S$138m). Tenants in China are still predominantly renewing leases on a short-term basis.
- **Data centre: NTTDCR has sufficient debt headroom to pursue acquisitions.** KDCREIT's NPI grew 15% yoy in 1H26 due to: a) full six-month contribution from the newly acquired Tokyo Data Centre 3 (completion: 19 Nov 25), and b) contract renewals and rental escalation. Portfolio occupancy eased 3.1ppt qoq to 92.5% as of Jun 26 due to a contract expiry at Cardiff Data Centre (a small asset accounting for 0.1% of portfolio valuation). Based on power capacity, 95% of the portfolio capacity remains contracted. Revenue contribution from Gore Hill Data Centre is expected to more than double when new tenants move in by end-26, helping KDCREIT clock positive reversion in the low teens in 3Q26.
- NTTDCR's portfolio occupancy by IT load improved 0.8ppt qoq to 95.9% as of Jun 26, driven by expansion leases secured at CA1, CA3 and SG1. Portfolio occupancy would have increased another 3.3ppt to 99.2% if we include committed leases that have yet to commence. Majority of these new leases are expected to contribute to revenue starting 3QFY27. NTTDCR has debt headroom of US$261m based on gearing of 40%, which could be utilised to acquire a hyperscale 24MW DC in Frankfurt, Germany.
- **Diversified industrial: UIBREIT successfully backfills vacant space.** CLAR's portfolio occupancy softened 1.4ppt qoq to 89.1% as of Jun 26, largely due to the completion of redevelopment projects at 27 IBP in Singapore and Summerville Logistics Center in the US. Excluding these newly completed assets, portfolio occupancy would be 90.3%. Management has raised the guidance for rental reversions from mid-single digit to high

Rental Reversion* – Singapore Retail



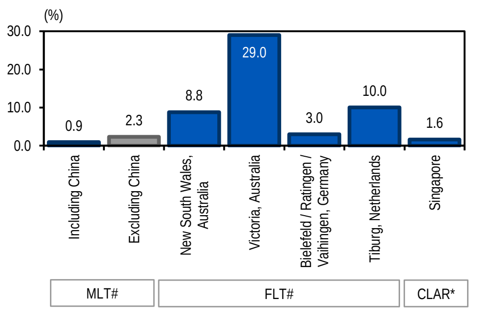
*Average of new lease versus average of preceding lease.
^1HFY26. #FY26. +2Q26. ~1QFY27.
Source: Respective companies

Rental Reversion* – Singapore Office



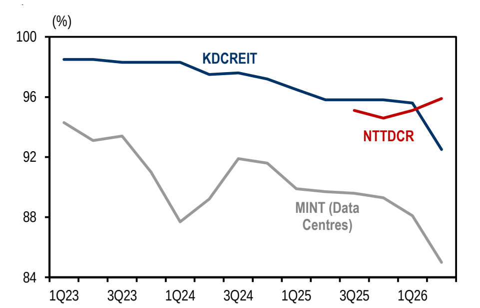
*Average of new lease versus average of preceding lease for 2025.
^Singapore. #Portfolio-wide basis.
Source: Respective companies

Rental Reversion – Logistics



#First year of new lease versus last year of preceding lease
*Average of new lease versus average of preceding lease.
Source: Respective companies

Occupancy – Data Centre



Source: Respective companies

single digit for FY26. It is optimistic of achieving strong rental reversion for Geneo in 2H26 as signing rents have surpassed S$6psf/month.

- Occupancy for UIBREIT's Singapore portfolio improved 0.7ppt to 97.0%. It secured a new lease with a global fast-food chain for its Singapore headquarters at 27 Tai Seng Street. Occupancy for its Japan portfolio rose from 76.7% to 100.0%. At UIB Konan Phase 2 in Greater Osaka, Nippon Express expanded by 100,000sf, while the lease for a global e-commerce player occupying 125,000sf (7.3% of total NLA) commenced in Jun 26. UIBREIT also secured a new lease with a major Japanese insurance corporation at Toyo MK Fuso Building in Tokyo. Both UIB Konan Phase 2 and Toyo MK Fuso Building have reached full occupancy.

Valuation/Recommendation

- **BUY defensive S-REITs in times of heightened uncertainties.** S-REITs have stable cash flows due to the long tenure of their leases, which range from three to 10 years. They provide income stability despite heightened geopolitical uncertainties. S-REITs have largely lagged the recovery in the broader market. They provide resilient DPU yields but are unlikely to lead the decline during the current market correction.
- **Maintain OVERWEIGHT.** S-REITs are laggards and, therefore, more resilient. BUY CICT (Target: S$3.06), FLT (Target: S$1.33), MPACT (Target: S$1.75), NTTDCR (Target: US$1.31) and UIBREIT (Target: S$1.16).

Sector Catalyst/Risk

- Catalysts: a) A resilient Singapore economy attracting safe-haven inflows and providing low domestic interest rates; and b) limited new supply for the retail, office and DC segments in Singapore.

Summary Of Financial Results – At A Glance

Name	Ticker	Rec	Curr	Price 3 Sep 26	Target Price	Period	NPI ($m)	yoy % Chg	DI ($m)	yoy % Chg	DPU (□)	yoy % Chg	Remarks
HEALTHCARE													
PLife REIT	PREIT SP	BUY	S$	4.09	5.45	1H26	72.4	-2.0	57.2	14.6	8.77	14.6	In Line
HOSPITALITY													
CapLand Ascott	CLAS SP	BUY	S$	0.85	1.42	1H26	161.6*	-11.5	97.5	1.0	2.53	0.0	Below
Centurion Acc REIT	CAREIT SP	BUY	S$	1.13	1.55	1H26	78.4	4.3^	60.5	9.6^	3.50	9.6^	In Line
Far East HTrust	FEHT SP	BUY	S$	0.545	0.81	1H26	45.4	-0.6	33.6	-6.8	1.63	-8.4	Below
INDUSTRIAL													
CapLand Ascendas	CLAR SP	BUY	S$	2.37	3.78	1H26	556.1	6.2	359.4	8.6	7.48	0.1	In Line
Digi Core REIT USD	DCREIT SP	BUY	US$	0.48	0.93	1H26	43.7	52.2	23.3	-0.2	1.80	0.0	In Line
Keppel DC REIT	KDCREIT SP	BUY	S$	2.19	2.99	1H26	210.4	15.1	150.7	18.5	5.71	11.3	Above
Mapletree Ind Trust	MINT SP	HOLD	S$	1.92	2.07	1QFY27	122.3	-8.5	88.8	-4.8	3.11	-4.9	In Line
Mapletree Log Trust	MLT SP	HOLD	S$	1.14	1.29	1QFY27	156.4	2.0	93.0	1.1	1.82	0.2	In Line
NTT DC REIT	NTTDCR SP	BUY	US$	0.94	1.31	1QFY27	27.9	5.0^	22.6	10.6^	n.a.	n.a.	In Line
UI Boustead REIT	UIBREIT SP	BUY	S$	0.785	1.16	1QFY27	29.2	-4.3^	n.a.	n.a.	n.a.	n.a.	In Line
OFFICE													
Keppel REIT	KREIT SP	BUY	S$	0.86	1.13	1H26	122.5	13.1	129.6	22.8	2.61	-4.0	In Line
RETAIL													
Frasers Centrepoint	FCT SP	BUY	S$	2.13	2.99	3QFY26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Lendlease REIT	LREIT SP	BUY	S$	0.55	0.79	2HFY26	78.7	6.6	61.7	40.0	1.85	3.0	In Line
DIVERSIFIED													
CapLand Int Comm Trust	CICT SP	BUY	S$	2.32	3.06	1H26	630.5	8.7	466.7	13.3	6.02	7.1	In Line
Frasers L&C Trust	FLT SP	BUY	S$	0.92	1.33	3QFY26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	In Line
Mapletree Pan Asia	MPACT SP	BUY	S$	1.22	1.75	1QFY27	154.8	-6.8	104.2	-2.4	1.96	-2.5	In Line
Suntec REIT	SUN SP	BUY	S$	1.46	1.75	1H26	159.0	-0.3	116.5	25.5	3.94	24.8	Above

**Gross Profit. ^Compared to forecast in IPO prospectus. NPI = net property income, DI = distributable income and DPU = distribution per unit.*
Source: Bloomberg, UOB Kay Hian

Peer Comparison

Name	BBG Ticker	Trading Code	Rec	Curr	Price 3 Sep 26	Target Price	Mkt Cap (US$m)	Yield (%) Hist	Yield (%) Curr	Yield (%) Fwd 1Y	Yield (%) Fwd 2Y	Debt to Equity (%)	Debt to Assets (%)	P/NAV (x)
HEALTHCARE														367
First REIT	FIRT SP	AW9U	NR	S$	0.21	n.a.	351	10.3	9.3	8.6	n.a.	96.3	45.7	0.91
PLife REIT	PREIT SP	C2PU	BUY	S$	4.09	5.45	2,104	3.7	4.4	4.5	4.5	53.4	33.7	1.59
HOSPITALITY														
CapLand Ascott	CLAS SP	HMN	BUY	S$	0.85	1.42	2,584	7.2	7.2	7.4	7.5	71.4	37.7	0.74
CDL HTrust	CDREIT SP	J85	BUY	S$	0.755	1.11	764	6.4	7.3	7.2	7.4	66.4	35.3	0.55
Centurion Acc REIT	CAREIT SP	8C8U	BUY	S$	1.13	1.55	1,539	5.7	5.9	6.9	7.5	43.8	29.9	1.29
Far East HTrust	FEHT SP	Q5T	BUY	S$	0.545	0.81	885	6.8	6.4	6.8	7.0	42.6	32.8	0.62
INDUSTRIAL														
AIMS APAC REIT	AAREIT SP	O5RU	NR	S$	1.44	n.a.	935	6.8	6.9	7.6	8.0	54.5	24.9	1.13
CapLand Ascendas	CLAR SP	A17U	BUY	S$	2.37	3.78	9,331	6.3	6.3	6.9	7.3	72.8	39.7	1.04
Daiwa Hse Log Trust	DHLT SP	DHLU	NR	S$	0.395	n.a.	218	11.0	10.6	10.6	10.6	78.9	40.1	0.63
Digi Core REIT USD	DCREIT SP	DCRU	BUY	US$	0.48	0.93	614	7.5	7.2	8.5	8.5	67.9	39.2	0.61
ESR-REIT	EREIT SP	9A4U	NR	S$	2.25	n.a.	1,436	9.7	9.8	9.9	10.2	99.2	41.4	0.90
Keppel DC REIT	KDCREIT SP	AJBU	BUY	S$	2.19	2.99	4,225	4.7	5.2	5.3	5.3	54.3	34.0	1.27
Mapletree Ind Trust	MINT SP	ME8U	HOLD	S$	1.92	2.07	4,322	6.6	6.0	6.1	6.4	66.3	37.5	1.18
Mapletree Log Trust	MLT SP	M44U	HOLD	S$	1.14	1.29	4,618	6.4	6.0	6.1	6.1	85.2	40.5	0.91
NTT DC REIT USD	NTTDCR SP	NTDU	BUY	US$	0.94	1.31	972	8.3	8.4	8.7	8.9	45.5	31.0	0.83
UI Boustead REIT	UIBREIT SP	UIBU	BUY	S$	0.785	1.16	846	n.a.	9.0	8.8	9.2	65.9	36.4	0.92
OFFICE														
Keppel REIT	KREIT SP	K71U	BUY	S$	0.86	1.13	3,376	6.1	6.3	6.2	6.1	78.2	40.0	0.69
RETAIL														
Frasers Centrepoint	FCT SP	J69U	BUY	S$	2.13	2.99	3,424	5.7	6.0	6.2	6.3	58.3	40.4	0.95
Lendlease REIT	LREIT SP	JYEU	BUY	S$	0.55	0.79	1,355	6.7	6.7	6.7	6.8	73.0	38.9	0.78
Starhill Global	SGREIT SP	P40U	NR	S$	0.525	n.a.	961	7.0	7.1	7.2	7.4	61.6	35.8	0.74
DIVERSIFIED														
CapLand China Trust	CLCT SP	AU8U	NR	S$	0.625	n.a.	866	7.7	7.5	7.6	7.7	94.8	40.4	0.60
CapLand Int Comm Trust	CICT SP	C38U	BUY	S$	2.32	3.06	14,546	5.0	5.0	5.4	5.6	57.8	37.4	1.08
Frasers L&C Trust	FLT SP	BUOU	BUY	S$	0.92	1.33	2,762	6.5	6.5	6.4	6.4	58.7	35.4	0.82
Mapletree Pan Asia	MPACT SP	N2IU	BUY	S$	1.22	1.75	5,085	6.5	6.5	6.6	6.7	63.8	37.7	0.70
OUE REIT	OUEREIT SP	TS0U	NR	S$	0.36	n.a.	1,571	6.2	6.7	6.9	7.1	79.1	41.5	0.65
Suntec REIT	SUN SP	T82U	BUY	S$	1.46	1.75	3,408	4.8	5.2	5.4	5.4	70.8	43.0	0.72
INTERNATIONAL (US / EUROPE)														
Stoneweg REIT EUR	SERT SP	SEB	NR	€	1.53	n.a.	986	8.8	8.7	8.9	9.4	93.2	43.6	0.76
Elite UK REIT GBP	ELITE SP	MXNU	BUY	£	0.315	0.39	281	9.6	9.6	9.5	10.0	58.1	34.8	0.72
IREIT Global	IREIT SP	UD1U	NR	S$	0.163	n.a.	173	9.8	9.0	9.0	18.1	94.9	45.5	0.35
KORE REIT USD	KORE SP	CMOU	BUY	US$	0.172	0.25	180	1.5	5.0	8.8	13.3	82.9	43.3	0.25
Prime US REIT USD	PRIME SP	OXMU	BUY	US$	0.146	0.21	210	4.2	11.2	12.6	12.3	87.5	44.9	0.28
Utd Hampshire REIT USD	UHU SP	ODBU	BUY	US$	0.49	0.69	298	9.0	9.4	10.1	10.3	73.8	40.4	0.67

Source: Bloomberg, UOB Kay Hian