

Singapore

Neutral (no change)

Highlighted Companies

CDL Hospitality Trust
HOLD, TP S\$1.50, S\$1.49 close

We cut our FY20-22 DPU forecasts by 9-10% to factor in a ~15% yoy decline in its Singapore RevPAR for 2020F. We also reduce our FY20-22 forecasts on its overseas occupancy and average room rates by 2-5% pts. Our TP declines from S\$1.83 to S\$1.50 (~1x P/BV).

Far East Hospitality Trust
HOLD, TP S\$0.64, S\$0.66 close

We cut FEHT's FY20-22F DPU by 8-17% to factor in a 15% decline in the FY20F RevPAR of its hotels and 3% decline in its serviced residence RevPAU. We maintain Hold on the stock, with a lower DDM-based TP of S\$0.64 (from S\$0.70).

OUE Commercial REIT
HOLD, TP S\$0.53, S\$0.53 close

We bake in a 15% yoy RevPAR decline for its hospitality division in FY20F. Our FY20-22F revenues are cut by 2-4.4% while our DPU decline by 3.6-7.8%. In tandem with our earnings revisions, our DDM-based TP is lowered to S\$0.53.

Summary Valuation Metrics

P/E (x)	Dec-19F	Dec-20F	Dec-21F
CDL Hospitality Trust	13.94	25.98	22.68
Far East Hospitality Trust	20.40	23.94	19.22
OUE Commercial REIT	16.39	22.67	20.94
P/BV (x)	Dec-19F	Dec-20F	Dec-21F
CDL Hospitality Trust	0.97	0.98	0.99
Far East Hospitality Trust	0.78	0.79	0.79
OUE Commercial REIT	0.85	0.89	0.89
Dividend Yield	Dec-19F	Dec-20F	Dec-21F
CDL Hospitality Trust	6.05%	5.71%	5.77%
Far East Hospitality Trust	5.90%	4.94%	5.56%
OUE Commercial REIT	6.30%	5.66%	6.10%

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REIT

Hospitality: Tourist arrivals to drop in 2020F

- STB projects a 25-30% drop in visitor arrivals this year, steeper than the 19% drop during the SARS outbreak.
- We project a 15-20% decline in industry RevPAR in 2020F.
- Hospitality REITs' FY20-22F DPU cut by 2-17%. Downgrade CDLHT from Hold to Add; maintain Hold on FEHT and OUECT.

STB projects 25-30% decline in visitor arrivals in 2020F

The Singapore Tourism Board (STB) announced that it is projecting a 25% to 30% drop in visitor arrivals this year due to the novel 2019-nCoV coronavirus outbreak. It also sees an average decline of 18,000 to 20,000 tourists daily. Prior to this, on 2 Feb 2020, Singapore has banned the arrival of Chinese nationals as well as tourists who have been in China in the preceding 14 days. On Friday, it moved its Disease Outbreak Response System Condition (DORSCON) level to orange as the coronavirus spreads further within the country with new cases of unknown origin.

Forecasting substantial decline in RevPAR in 2020F

The projection of a 25-30% drop in visitor arrivals was steeper than the 19% drop in 2003 during the Severe Acute Respiratory Syndrome (SARS) outbreak. While this looks severe, we believe it is not unlikely given that Chinese arrivals now account for ~20% of total visitor arrivals in Singapore vs. 9% back in 2003. Based on our model, a yoy drop of 25% in tourist arrivals would have factored in half a year of zero Chinese arrivals and an average of 15% full-year decline for the rest of the arrivals. A 25% decline in visitor arrivals would reset Singapore's tourist arrivals back to 2012's level when Singapore has only ~51k hotel rooms vs. current room stock of ~69k rooms. Hence, we foresee a sharp drop in occupancy and probably room rates to attract demand. We project 2020F industry revenue per average room (RevPAR) to decline 15-20% before rebounding strongly in 2021F. During the SARS outbreak, RevPAR declined 17% yoy.

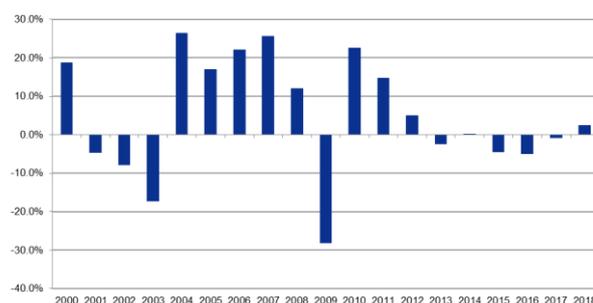
Cutting hospitality REITs' RevPAR assumptions for 2020F

Following STB's revision in tourist arrivals projections, we baked in lower RevPAR forecasts for CDLHT, FEHT and OUECT for 2020F by factoring in yoy declines of 8% in average room rate (ARR), 7% pts in average occupancy rate (AOR), and 2% pts in gross operating profit (GOP) margin. This revision mirrors the adverse impact on the industry during the 2003 SARS outbreak. With this, we downgrade CDLHT from Add to Hold, and maintain FEHT and OUECT at Hold. We see limited catalysts for the stocks for now.

Maintain hospitality as our least preferred subsector

During the SARS period, the government provided assistance to hoteliers with a SARS relief package which included (i) property tax rebates, (ii) 50% reduction in foreign worker levy, (iii) 100% rebate of TV licence fee, and (iv) cess rebate and waiver of cess security deposit. If such a package is provided this time round, it will help to relief some pressure on the hoteliers. We maintain hospitality as our least preferred subsector.

Figure 1: Singapore hospitality industry's RevPAR (yoy % chg)



SOURCES: CGS-CIMB RESEARCH, COMPANY

Downgrade CDLHT from Add to Hold, with a lower TP of S\$1.50 ➤

We had expected CDLHT's FY20F DPU to be boosted by (i) the full-year contribution from the completion of Orchard Hotel to drive its Singapore RevPAR, and (ii) narrower losses from the Raffles Maldives Resort as it progressively takes in guests to lift burden on its income. With the coronavirus outbreak, the weaker tourist arrivals will impact the performance of CDLHT's hotels, particularly in Singapore. Its Maldives Resorts and New Zealand hotel will also be more severely impacted than its assets in other overseas markets due to the large proportion of Chinese arrivals in the two countries. The REIT has ~33% of its income derived from fixed income.

Following STB's revision in tourist arrival projections, we cut our FY20-22 DPU forecasts by 9-10% to factor in a ~15% yoy decline in its Singapore FY20F RevPAR (-7% pts in AOR and 8% yoy decline in ARR). We reduce our FY20-22 forecasts on its overseas occupancy and average room rates by 2-5% pts, depending on the market. We also reduced its Singapore hotels' gross operating profit margin by 2% pts. Accordingly, our TP is reduced from S\$1.83 to S\$1.50, which implies ~1x P/BV. As we see limited catalysts for now, we downgrade the stock from Add to Hold. Upside/downside risks include stronger/lower-than-expected impact from the coronavirus outbreak.

Figure 2: Forecast revision

FYE Dec (S\$m)	FY20F	Previous			New		
		FY21F	FY22F	FY20F	FY21F	FY22F	
Gross revenue	231.5	241.3	246.9	213.5	232.8	239.2	
Distribution income	115.3	119.8	122.4	103.7	105.4	106.7	
DPU (Scts)	9.45	9.77	9.93	8.50	8.60	8.65	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Reiterate Hold on FEHT, with a lower TP of S\$0.64 ➤

FEHT has 100% exposure to Singapore, with ~70% of its income generated from hotels, 12% from serviced residences, and the remaining from commercial spaces. We reduce our FY20-22 DPU forecasts by 8-17%, factoring in a 15% decline in FY20F RevPAR (-7% pts in AOR and -8% yoy in ARR) for its hotels and 3% decline in RevPAU (-3% pts in AOR and -2% yoy in ARR) for its serviced residence. We believe the serviced residence segment would be more resilient than the hotel segment given the longer average length of stay and higher proportion of corporate guests. In 3Q2019, FEHT generated ~72% of its total revenue from corporates while 66% of its hotel segment was from leisure customers. During the SARS period, its Singapore serviced residence occupancy rate ranged 70-80% vs. hotels' average occupancy rate of 67%. We maintain our Hold call on the stock with a lower DDM-based TP of S\$0.64 (from S\$0.70). Downside/upside risks include stronger/lower-than-expected impact from coronavirus outbreak

Figure 3: Forecast revision

FYE Dec (S\$m)	FY20F	Previous			New		
		FY21F	FY22F	FY20F	FY21F	FY22F	
Gross revenue	122.1	124.2	126.3	106.8	116.7	119.1	
Distribution income	67.2	74.4	79.9	54.0	67.9	73.7	
DPU (Scts)	3.95	4.00	4.10	3.26	3.67	3.78	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Reiterate Hold on OUECT, with a lower TP of S\$0.53 >

For OUECT, post its merger with OUEHT, hospitality contributions accounted for c.30.7%/32.7% of its enlarged 4Q19 revenue/net property income base. It now owns both the Mandarin Singapore and Crowne Plaza Changi Airport (total of 1,640 rooms). Following STB's revision in tourist arrival projections, we lower our FY20-22F RevPAR assumptions for OUECT's hospitality division. Our revised assumption bakes in a 15% yoy decline in average portfolio RevPAR in FY20F (-8% pts ARR, -7% pts AOR) as well as a 2%-pt reduction in GOP margin. This revision mirrors the adverse impact on the industry during the 2003 SARS. We previously projected 3.8% yoy growth in portfolio RevPAR for FY20F. However, we foresee a strong RevPAR rebound of 15% yoy in FY21F given the low base. Accordingly, our FY20-22F revenue forecasts are cut by 2-4.4% while our DPU forecasts decline by 3.6-7.8%. In tandem with our earnings revisions, our DDM-based TP is lowered to S\$0.53. More importantly, we note that despite the downward revisions, OUECT's hotel contributions remain way above its total minimum rental level of S\$67.5m p.a. Recurring revenue from hotels, offices and retail assets provide the REIT with a large steady income base -- we estimate this accounts for 70-72% of our FY20-22F net property income forecasts.

Our Hold rating is maintained. Better-than-projected hotel sector performance is a key upside risk to our call while downside risks include a prolonged downturn of the hospitality sector.

Figure 4: Forecast revision

FYE Dec (S\$m)	Previous		New		
	FY20F	FY21F	FY20F	FY21F	FY22F
Gross revenue	349.9	358.9	334.5	350.3	358.6
Distribution income	179.9	187.4	165.9	179.6	185.7
DPU (Scts)	3.22	3.34	2.97	3.20	3.29

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Sector comparison

SREIT	Bloomberg Ticker	Price as at 10 Feb 20	Mkt Cap (US \$m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Target Price (DDM-based)	Rec.	FY19F Yield	FY20F Yield	FY21F Yield
Hospitality											
Ascott Residence Trust	ART SP	\$1.25	\$2,778	33.6%	1.25	1.00	\$1.34	H	5.7%	5.7%	5.9%
CDL Hospitality Trust	CDREIT SP	\$1.49	\$1,303	35.4%	1.52	0.98	\$1.50	H	6.1%	5.7%	5.8%
Far East Hospitality Trust	FEHT SP	\$0.66	\$926	39.6%	0.86	0.76	\$0.64	H	5.9%	4.9%	5.6%
Frasers Hospitality Trust	FHT SP	\$0.72	\$2,762	35.0%	0.74	0.97	NA	NR	3.6%	4.1%	4.3%
Simple Average				36.4%		0.94			5.6%	5.5%	5.8%
Industrial											
AIMS AMP	AAREIT SP	\$1.47	\$761	33.5%	1.36	1.08	NA	NR	7.0%	7.0%	7.3%
Ascendas REIT	AREIT SP	\$3.23	\$8,423	35.1%	2.13	1.52	\$3.14	H	3.6%	5.1%	5.3%
Cache Logistics Trust	CACHE SP	\$0.71	\$551	40.1%	0.59	1.19	\$0.73	H	7.8%	8.2%	8.1%
ESR-REIT	EREIT SP	\$0.54	\$1,357	41.5%	0.43	1.25	\$0.60	A	7.0%	7.5%	7.6%
Frasers Logistics & Industrial Trust	FLT SP	\$1.28	\$2,084	35.5%	0.94	1.36	\$1.31	H	5.3%	5.4%	5.4%
Keppel DC REIT	KDCREIT SP	\$2.36	\$2,777	30.7%	1.14	2.07	\$2.03	H	3.4%	4.0%	4.3%
Mapletree Industrial Trust	MINT SP	\$2.81	\$4,458	34.1%	1.58	1.78	\$2.53	H	4.3%	4.6%	4.7%
Mapletree Logistics Trust	MLT SP	\$1.88	\$5,145	37.5%	1.18	1.59	\$1.59	H	4.2%	4.4%	4.4%
Sabana Shariah	SSREIT SP	\$0.46	\$359	30.9%	0.56	0.82	NA	NR	na	na	na
Soilbuild Business Space REIT	SBREIT SP	\$0.53	\$496	39.4%	0.62	0.85	NA	NR	8.9%	8.9%	8.9%
Simple Average				35.8%		1.63			5.7%	6.1%	6.2%
Office											
CapitaLand Commercial Trust	CCT SP	\$2.04	\$5,672	35.1%	1.82	1.12	\$2.25	A	4.4%	4.4%	4.4%
Frasers Commercial Trust	FCOT SP	\$1.68	\$1,108	29.0%	1.61	1.04	\$1.71	A	5.7%	6.0%	6.2%
Keppel REIT	KREIT SP	\$1.26	\$3,071	35.8%	1.35	0.93	\$1.35	A	4.4%	4.7%	4.7%
OUE Commercial REIT	OUECT SP	\$0.53	\$2,040	40.3%	0.62	0.85	\$0.53	H	6.3%	5.7%	6.1%
Suntec REIT	SUN SP	\$1.81	\$3,667	37.7%	2.13	0.85	\$2.12	A	5.3%	5.4%	5.6%
Simple Average				35.6%		0.96			5.2%	5.2%	5.4%
Retail											
CapitaLand Mall Trust	CT SP	\$2.47	\$6,567	32.9%	2.04	1.21	\$2.68	H	4.8%	5.1%	5.2%
Frasers Centrepoint Trust	FCT SP	\$2.90	\$2,340	33.2%	2.11	1.37	\$2.89	A	4.2%	4.4%	4.5%
Mapletree Commercial Trust	MCT SP	\$2.30	\$5,483	33.4%	1.59	1.45	\$2.40	H	4.0%	4.1%	4.3%
SPH REIT	SPHREIT SP	\$1.07	\$2,127	26.8%	0.94	1.14	\$1.16	A	5.2%	5.0%	5.5%
Starhill Global REIT	SGREIT SP	\$0.70	\$1,103	36.3%	0.87	0.80	\$0.75	H	6.4%	6.4%	6.4%
Simple Average				32.5%		1.19			4.9%	5.0%	5.2%
Overseas-centric											
CapitaLand Retail China Trust	CRCT SP	\$1.62	\$1,444	33.8%	1.59	1.02	NA	NR	6.4%	6.3%	6.8%
Lippo Malls Indonesia Retail Trust	LMRT SP	\$0.22	\$459	34.6%	0.29	0.77	\$0.27	H	10.8%	11.1%	na
Mapletree North Asia Commercial Trust	MAGIC SP	\$1.17	\$2,694	37.1%	1.41	0.83	\$1.31	A	6.5%	6.1%	6.0%
Manulife US REIT	MUST SP	\$1.04	\$1,631	37.7%	0.79	1.32	\$1.13	A	5.7%	6.0%	6.3%
Sasseur REIT	SASSR SP	\$0.82	\$707	29.0%	0.85	0.96	\$0.94	A	8.0%	8.7%	9.3%
Simple Average				34.4%		0.98			7.5%	7.6%	7.1%
Healthcare											
First REIT	FIRT SP	\$1.00	\$574	34.5%	1.00	1.00	\$1.15	A	8.6%	8.5%	8.4%
Parkway Life REIT	PREIT SP	\$3.59	\$1,565	38.0%	1.84	1.95	\$3.32	H	3.6%	3.8%	3.8%
Simple Average				36.3%		1.47			6.1%	6.1%	6.1%
Simple average for SIN				35.2%		1.15			5.8%	5.9%	5.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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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	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared,

CPALL – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

[1 CG Score 2019 from Thai Institute of Directors Association \(IOD\)](#)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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.