

Singapore-centric developers, construction counters, Reits start 2019 strongly

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Singapore

SINGAPORE'S largest capitalised property developers, construction firms and real estate investment trusts (Reits) with a strong Singapore focus have made a solid start to the year.

According to a Singapore Exchange (SGX) Market Update report, the five largest Singapore-focused developers, construction stocks, and Reits saw average returns of 4.7 per cent, 5.2 per cent and 7.3 per cent, respectively in January this year (as at Jan 26).

Since 2017, the three groups of stocks have also outperformed the benchmark Straits Times Index (STI), the report highlighted. However, in 2018 – a year when fresh cooling measures were implemented – the developers and construction counters saw negative returns, while the five Reits chalked up marginal gains.

In January this year, UOL Group led the five largest Singapore-focused developers with a 7.8 per cent gain, while United Industrial Corp was up 7.3 per cent and OUE 5.6 per cent. Guocoland clocked a 2.8 per cent gain, while Bukit Sembawang Estates was flat.

Among the largest Singapore-focused Reits, CapitaLand Commercial Trust led the pack with

gains of 9.1 per cent. A UOB Kay Hian report last week highlighted that Reits are the key beneficiaries as interest rates peak this year and pointed to CapitaLand Commercial Trust as among the most defensive, thanks to its long-weighted average lease expiry (WALE). UOB Kay Hian analysts Loke Peihao and Andrew Chow have a "buy" call on the counter with a target price of S\$2.16 a share.

"Limited upcoming supply of office space within the core CBD augurs well for the continuation of uptrend in office rents," they wrote. "We expect positive rental reversion for Asia Square Tower 2 in H1 19 and CapitaGreen in H2 19."

Meanwhile, Suntec Reit chalked up returns of 8.4 per cent in January while Mapletree Commercial Trust was at 7.9 per cent.

Among the largest Singapore-focused construction stocks, Lian Beng Group racked up gains of 9.6 per cent, while **Boustead Projects** and Chip Eng Seng Corp saw gains of 8.5 per cent and 6.1 per cent, respectively.

In addition, "the five largest Singapore-focused developers and construction stocks are trading at similar discounts to their five-year price-to-book (P/B) ratio, while all five Reits are currently trading at P/B ratios above their five-year P/B average," the SGX report said.

Among the largest developers and construction counters, UOL Group and KSH Holdings are trading at the biggest discount to their books.