MORNINGSTAR

Singapore REITs

REITs offer investors steady income through regular dividend distributions.

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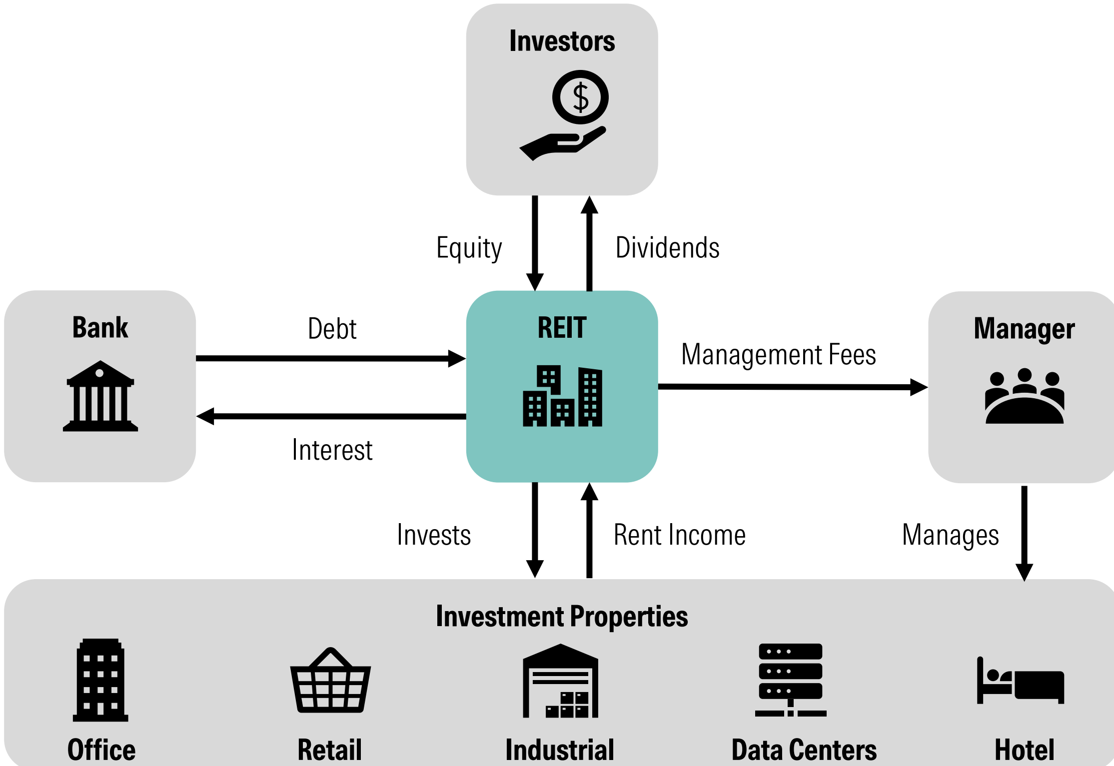
Executive Summary

REITs are tax-efficient assets that generate recurring income from property investments.

Industry Map

Real estate investment trusts are tax-advantaged investment vehicles that invest in a portfolio of income-producing assets such as offices, retail malls, industrial properties, data centers, and hotels. REITs are generally highly leveraged, taking on debt to finance the investment in their real estate assets. In Singapore, REITs are externally managed by a REIT manager, which runs the portfolio of investment properties for a fee.

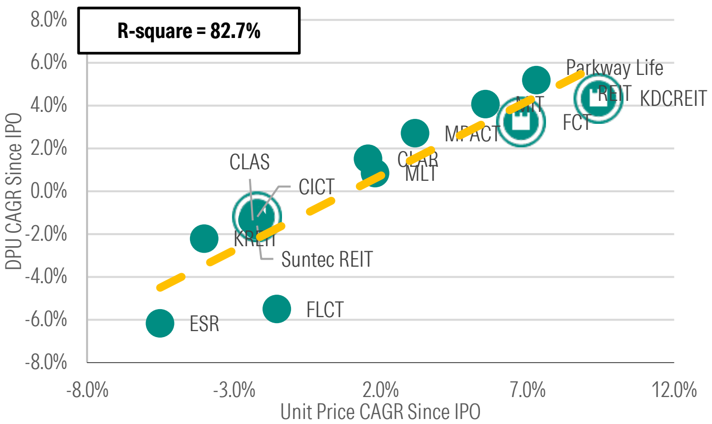
Singapore REIT Industry Map



Source: Morningstar.

Key Industry Themes

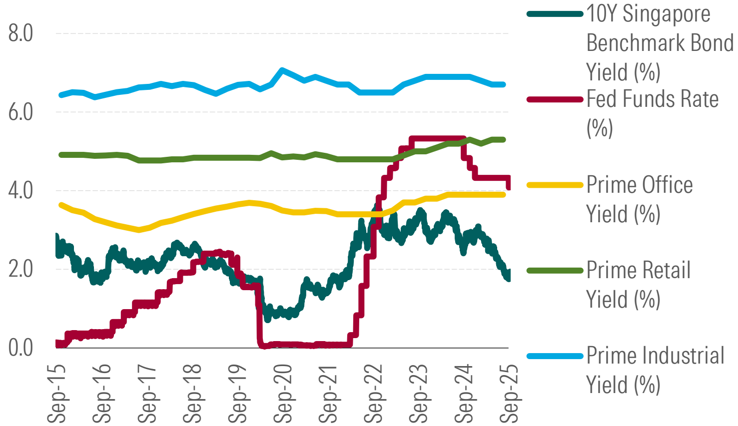
REIT Performance Highly Correlated to DPU Growth



REITs can either grow inorganically via acquisitions or organically via improving asset performance through higher occupancy rates, raising rents, investing in asset-enhancement initiatives, or redevelopment projects. This, combined with prudent capital management, will deliver consistent growth in distributions per unit over time.

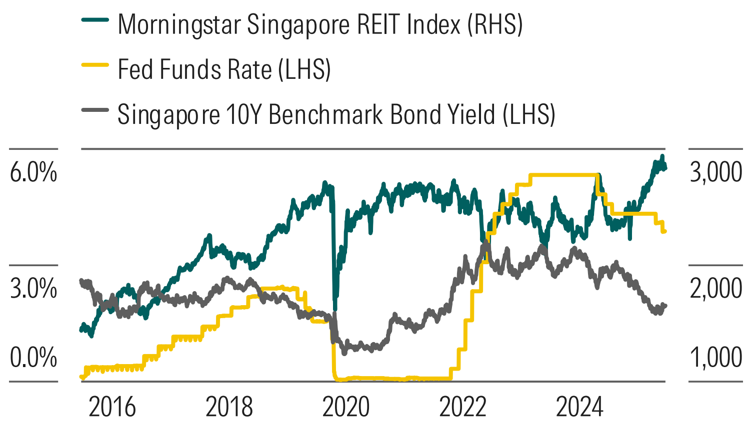
Based on our observations, REITs that could navigate different economic, real estate, and interest rate cycles to deliver consistent growth in DPU will enjoy better unit price performance.

Pressure on Cap Rates to Ease With Interest Rate Pivot



Real estate yields do not always move in tandem with interest rates, as other factors are also at play. With the interest rate pivot underway, we expect upward pressure on prime yields to ease. As borrowing costs decline, transaction activity should recover, driving yield compression.

Interest Rate Pivot Not Fully Priced In



Although changes in the interest rate environment will affect finance costs and have a direct effect on a REIT's earnings and distribution, the impact on its unit price performance is not as clear-cut. In the previous interest rate cycle, REITs were sold off early to price in rate hikes but later rallied despite the actual increases, supported by strong economic performance that underpinned real estate demand. In contrast, during the current rate cut cycle, REITs have rallied after two years of range-bound trading amid uncertainty over rate cuts.

Source: Morningstar, CBRE, company reports, US Federal Reserve. Data as of Nov. 17, 2025.

Industry Value Drivers

Simplified Financial Statement: Mapletree Pan Asia Commercial Trust (Fiscal 2025)
Ended March 31, 2025.

SGD Millions		2025
Rent Income	A	820
Other Property Income	B	89
Total Revenue		**909**
Property Expenses	C	(225)
Net Property Income		**684**
Management Fees	D	(45)
Other Income / (Expenses)		(2)
Net Movement in the Fair Value of Investment Properties	E	154
Share of Profit of a Joint Venture		9
EBIT		**800**
Net Interest Expense	F	(218)
Net Profit Before Income Tax		**581**
Income Tax Credit / (Expense)	G	6
Noncontrolling Interests		2
Perpetual Securities Holders		(5)
Net Profit Attributable to Unitholders		**584**
KPIs		
Net Property Income Margin (%)		*75.2*
Portfolio Occupancy Rate (%)		*89.6*

A — **Rent income:** Recurring income collected from tenants. Key drivers to watch are occupancy rates and rent rates.

B — **Other property income:** Such as carpark income and service charge income.

C — **Property expenses:** Comprises direct property expenses such as property taxes and utilities.

D — **Management fees:** Asset management and performance fees paid to the external REIT manager.

E — **Net movement in the fair value of investment properties:** Reflects the fair value gain or loss of the REIT's portfolio of investment properties during the fiscal year.

F — **Net interest expense:** REITs are highly leveraged businesses. Any changes in the interest rate environment and the trust's financial leverage have a direct impact on net interest expense.

G — **Income tax expense:** Generally, there is no corporate income tax for Singapore REITs investing in Singapore properties. However, Singapore REITs that invest in overseas properties may still pay corporate income tax on the foreign property holding company structure used to hold those assets.

Source: Company reports, Morningstar.

Industry Value Drivers

Simplified Financial Statement: Mapletree Pan Asia Commercial Trust (Fiscal 2025)
Ended March 31, 2025.

SGD Millions		2025
Net Profit Attributable to Unitholders		584
Manager's Fees Paid and Payable in Units	A	18
Net Movement in the Fair Value of Investment Properties		(156)
Other Adjustments	B	(23)
Amount Available for Distribution	C	**423**

A

Manager's fees paid and payable in units: It is quite common for a Singapore REIT to pay its management fees in new units. While this can improve distributions per unit in the near term, it dilutes the unitholder base and may be a drag on future DPU growth.

B

Net movement in the fair value of investment properties: Noncash adjustment related to the fair value change in the REIT's investment properties.

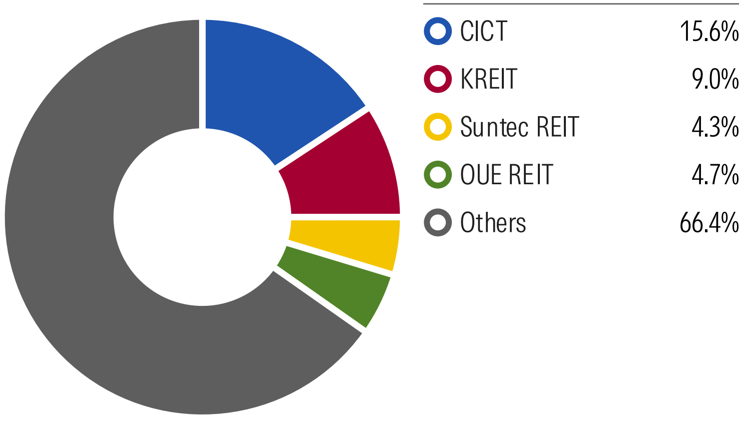
C

Other adjustments: Other adjustments generally relate to noncash adjustments such as unrealized exchange differences. Some REITs may also top up distribution with divestment gains.

Source: Company reports, Morningstar.

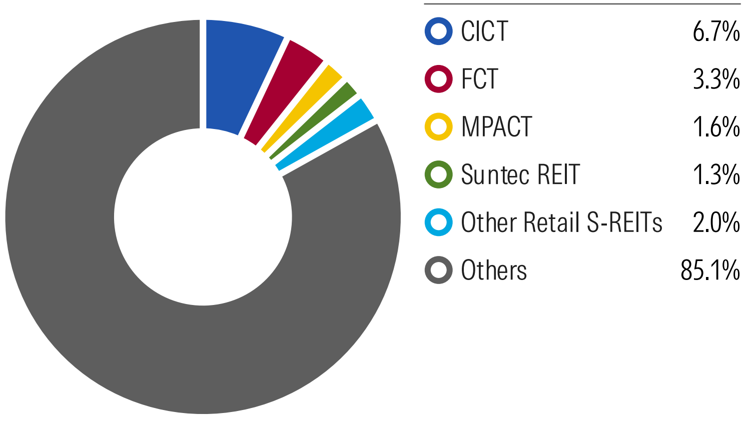
Market Share and Concentration by Net Lettable Area

CBD Grade A Office Market Share of S-REITs by NLA



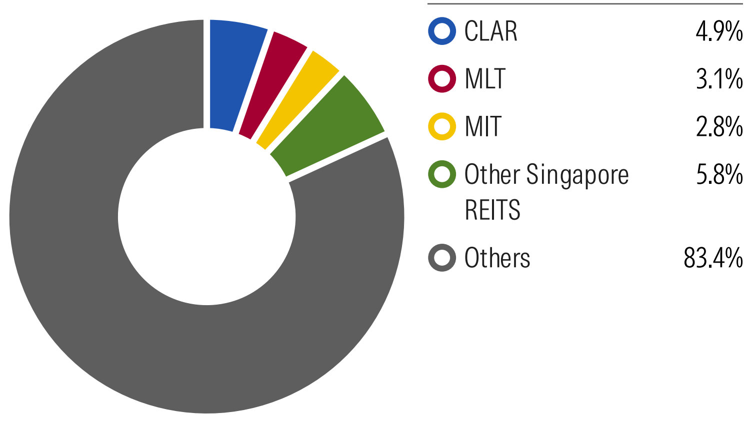
Singapore REITs own and manage about 34% of Singapore's central business district Grade A office space. CapitaLand Integrated Commercial Trust is the leading landlord in the CBD with a 16% market share. Aside from REITs, the other major office landlords are M+S, Hongkong Land, Qatar Investment Authority, City Developments, and Singapore Land Group.

Retail Market Share of S-REITs by NLA



Singapore's retail real estate market can be divided into Orchard Road, suburban, and other city areas. CICT is also the leading retail landlord in Singapore, with malls in all three categories. That said, Frasers Centrepoint Trust edges out CICT as the top suburban retail landlord. Mapletree Pan Asia Commercial Trust and Suntec REIT own the largest mall (VivoCity) and second-largest mall (Suntec City) in Singapore, respectively.

Industrial Market Share of S-REITs by NLA



Singapore's industrial real estate market can be divided into logistics, business parks, and other industrial properties. Ownership of Singapore's industrial real estate market is highly fragmented. CapitaLand Ascendas REIT is the leading industrial real estate landlord with a 5% market share. Out of the three categories, CLAR's market share in business parks is the highest at 30%, while Mapletree Logistics Trust's share of logistics warehouses is the highest at 14%.

Source: Morningstar, company reports, Cushman & Wakefield, JTC, Urban Redevelopment Authority. Data as of Nov. 17, 2025.

Geographical Overview of Singapore's Key CBD and Retail Market

Singapore's Prime CBD Is Located at Raffles Place and Marina Bay While the Prime Retail Strip Is Along Orchard Road

Source: Morningstar, OneMap.

Coverage List and Ratings

Morningstar covers 10 Singapore REITs that mainly invest in four asset classes: office, retail, industrial, and data centers. CapitaLand Integrated Commercial Trust and Frasers Centrepoint Trust are assigned narrow moat ratings derived from efficient scale. In contrast, Keppel DC REIT is assigned a narrow moat rating derived from switching costs. We have also assigned CICT, MLT, and MIT Exemplary Capital Allocation Ratings for their prudent use of capital to create value for unitholders.

Morningstar Singapore REITs Coverage

Name	Ticker	Economic Moat	Capital Allocation	Uncertainty Rating	Morningstar Rating	Asset Class	Last Close (SGD)	Fair Value Estimate (SGD)	P/FVE	2025F Dividend Yield	2025 P/BV
CapitaLand Integrated Commercial Trust	C38U	Narrow	Exemplary	Low	★★★	Office, Retail	2.33	2.32	1.00	4.8%	1.08
CapitaLand Ascendas REIT	A17U	None	Standard	Medium	★★★	Industrial/ Logistics	2.80	2.90	0.97	5.4%	1.19
Mapletree Pan Asia Commercial Trust	N2IU	None	Standard	Medium	★★★	Office, Retail	1.45	1.52	0.95	5.5%	0.80
Mapletree Logistics Trust Management	M44U	None	Exemplary	Medium	★★★	Industrial/ Logistics	1.29	1.40	0.92	5.6%	0.91
Mapletree Industrial Trust Management	ME8U	None	Exemplary	Low	★★★	Industrial/ Logistics, Data centers	2.03	2.20	0.92	6.6%	1.12
Keppel DC REIT	AJBU	Narrow	Standard	Medium	★★★	Data centers	2.36	2.42	0.98	4.4%	1.68
Frasers Centrepoint Trust	J69U	Narrow	Standard	Low	★★★	Retail	2.26	2.42	0.93	5.4%	0.97
Keppel REIT	K71U	None	Standard	Low	★★★★	Office	1.05	1.16	0.91	5.3%	0.86
Suntec Real Estate	T82U	None	Standard	Medium	★★★	Office, Retail	1.37	1.38	0.99	4.6%	0.62
Frasers Logistics and Commercial Trust	BUOU	None	Standard	Low	★★★★	Industrial/ Logistics, Office	0.97	1.08	0.89	6.5%	0.86

Legend

Office **Industrial/ Logistics**
Retail **Data centers**

Source: Morningstar, PitchBook. Data as of Nov. 17, 2025.

Economic Moat

Efficient scale and switching costs are the key moat sources for Singapore REITs.

Summary of Moat Ratings and Sources

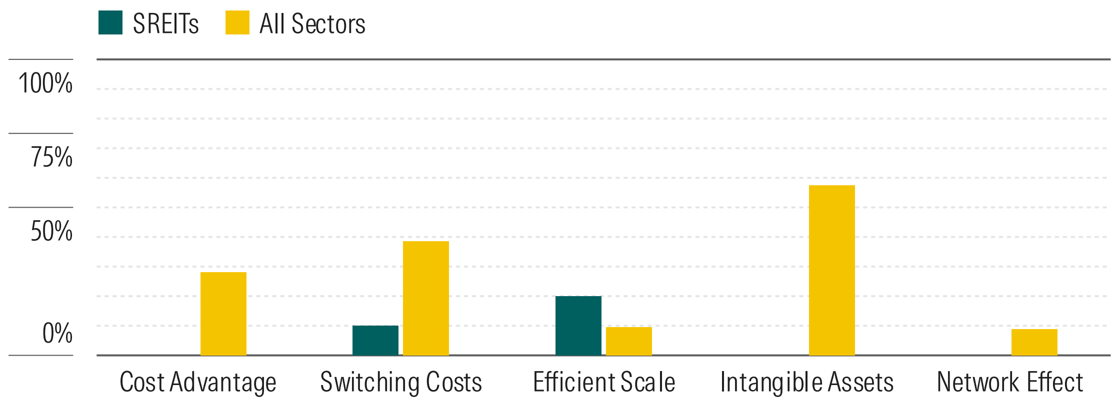
Moats for REITs Generally Stem From Efficient Scale and Switching Costs

For REITs that possess an efficient scale moat, portfolio assets generally serve their own submarkets efficiently and effectively and benefit from significant barriers to entry, such as town planning restrictions, lack of suitable sites, and prohibitively expensive development costs. This helps to prevent the establishment of competing assets nearby. REITs with a switching cost moat typically cater to tenants that outfit their facilities with capital-intensive equipment and engage in mission-critical operations. These tenants are generally reluctant to relocate, as potential rent savings may not be sufficient to justify the inconvenience, expense, and risk of moving large, costly equipment.

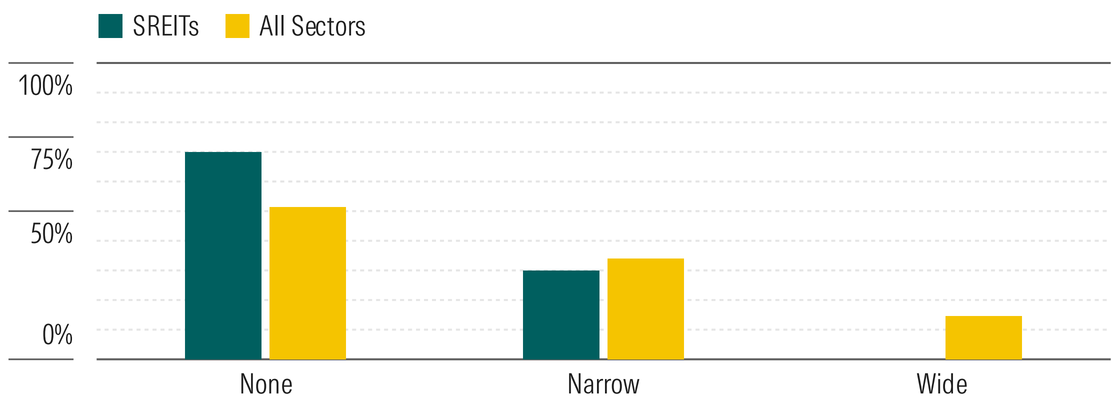
We Believe Narrow Moat Is Possible but Wide Moat Is Unlikely

Although a property's competitive advantage can persist over a long period, a REIT's portfolio is rarely static, as REIT managers may acquire and divest properties over time. Changes may dilute the quality of a REIT's portfolio and erode any positive economic profits. In addition, real estate use evolves across time, and trends that didn't exist previously may appear and affect the REIT's portfolio. An example would be the rise of hybrid and work-from-home trends that did not exist before covid-19, affecting office demand. At the same time, demand/supply imbalances may eventually be eliminated by competitors bringing new supply to market. For these reasons, while we can be reasonably comfortable that a narrow-moat REIT's spread between adjusted return on invested capital and weighted average cost of capital will remain positive for 10 years, we are generally not confident that it will remain positive for 20 years.

Distribution of Moat Sources Compared With Cross-Sector Average



Our Moat Distribution Shows REITs Have Narrow Moats at Best



Source: Morningstar.

Efficient Scale: Suburban Malls Effectively and Efficiently Serve Their Own Neighborhoods

Retail malls in densely populated suburban residential areas benefit from an efficient scale moat as they serve localized and mature retail demand. Competitors are deterred from adding supply in the same neighborhood as it may depress returns for all landlords. In land-constrained cities like Singapore, suburban retail landlords benefit from significant barriers to entry, such as town planning restrictions, a lack of suitable sites, and prohibitively expensive land, which help to prevent the establishment of competing malls nearby.

One Retail Mall Is Enough to Serve Limited Local Resident Demand

Adding Supply Depresses Returns for All Landlords

Source: Morningstar.

Efficient Scale: Significant Barriers to Entry Exist to Prevent Oversupply of Offices in CBD

Significant Barriers to Entry Help to Prevent the Establishment of Competing Office Buildings

Source: Morningstar.

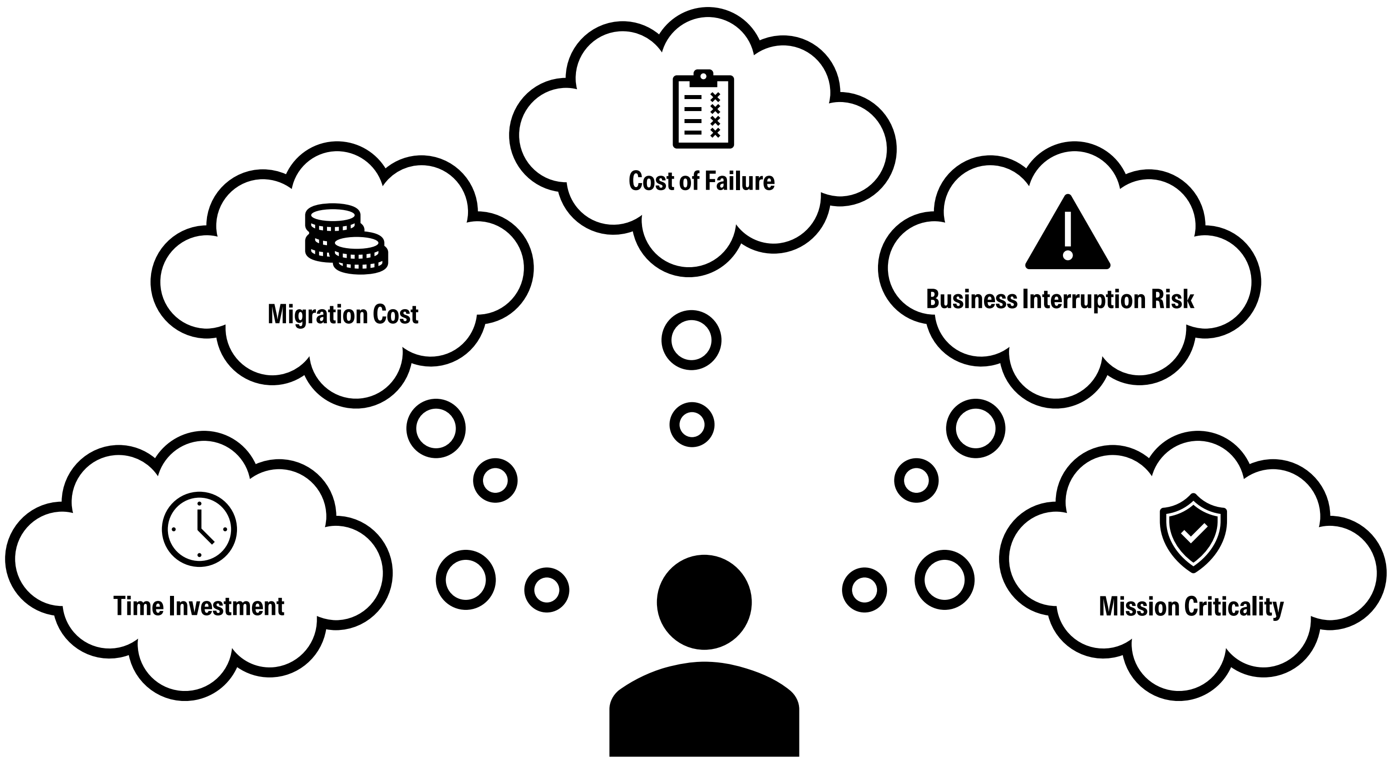
Singapore's central business district is the primary choice for most companies to set up an office due to its accessibility and proximity to other businesses. As Singapore is a small city-state, regulators are very careful in developing and drafting its Concept Plan and Master Plan to maximize the use of land and avoid oversupply that would destabilize the real estate market. Building density in the CBD is exceptionally high; most of the prime plots adjacent to or above the key subway stations have been developed into major office buildings.

Developing a new, multistory office building is capital-intensive and requires debt financing. If the market is oversupplied, lenders may not be willing to finance new projects or may charge a higher interest rate on loans, making projects uneconomic. As such, companies face significant risk in developing competitive assets even if they can overcome the regulatory hurdle, secure a suitable site, and afford the prohibitively expensive development costs.

Switching Cost: Tenants Avoid Relocating Due to Significant Business Interruption Risks and High Migration Costs

A data center is mission-critical infrastructure that supports the daily business operations of its tenants. Any data center downtime may paralyze a business and result in reputational and monetary damages. Significant financial cost is involved in purchasing data center equipment and running similar equipment in parallel during relocation to minimize downtime. As a result, data center tenants do not take the decision to move lightly and are unlikely to move once they have chosen a provider.

Switching Costs Boost Data Center REITs' Competitive Advantage Due to High Customer Stickiness

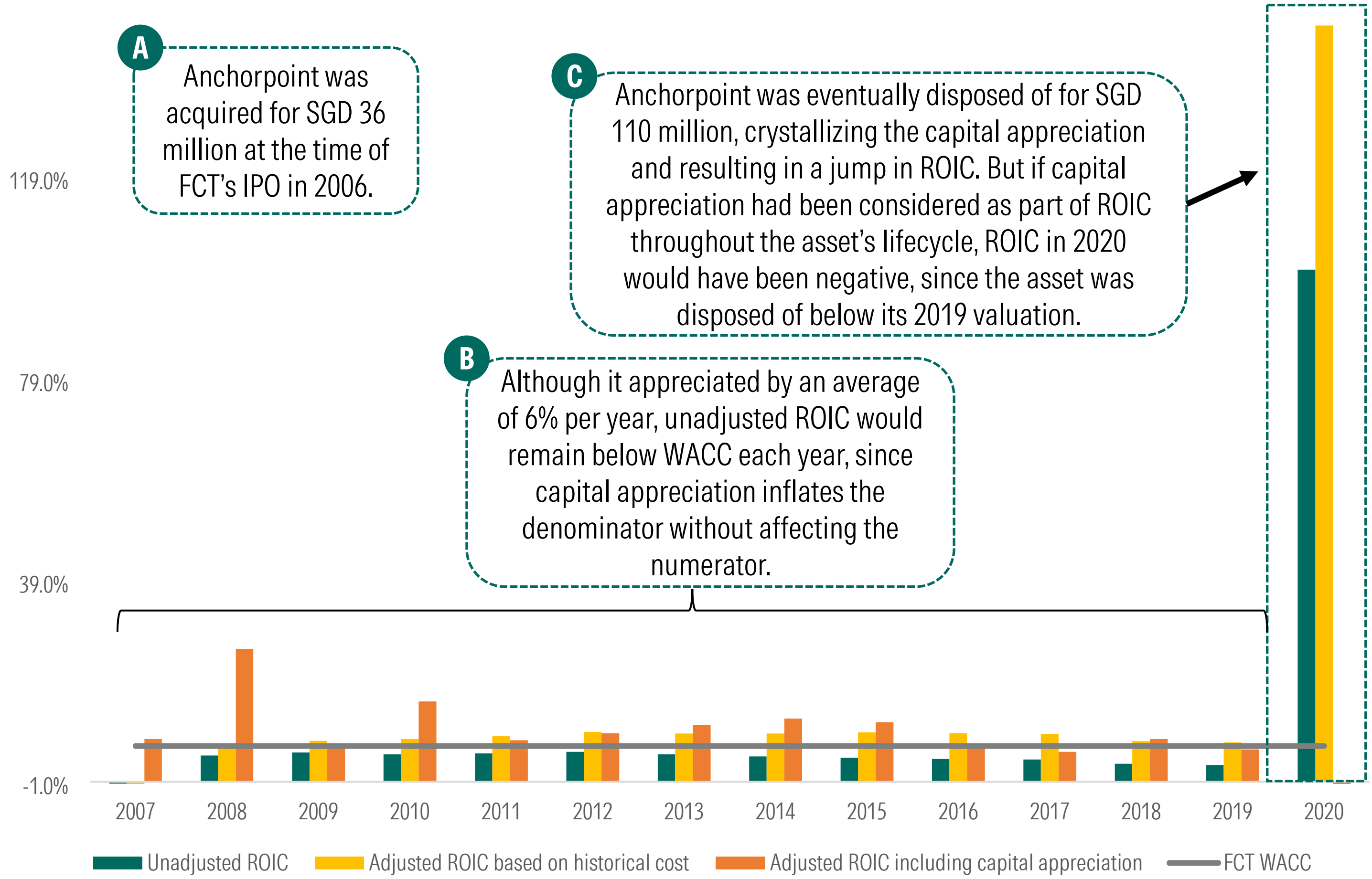


Source: Morningstar.

Fair Value Accounting Distorts ROIC; Adjustments Needed to Reveal the True Moat

Illustrative Example: FCT's Anchorpoint ROIC Across the Investment Lifecycle

Without adjustments, Anchorpoint's ROIC would have fallen below WACC each year until its disposal in 2020.



To analyze an S-REIT's ROIC, we believe it is important to consider the full lifecycle of investing in a real estate asset, from acquisition to disposal. As S-REITs adopt fair value accounting, the capital appreciation of investment properties inflates the invested capital over time.

Using FCT's investment in Anchorpoint as a case study, we observe that the ROIC for this asset would have fallen below its WACC in every year until disposal, when all capital appreciation was crystallized. If we adjust the invested capital base to reflect its historical purchase price and asset-enhancement investment (adjusted ROIC based on historical cost), the asset would have generated ROIC above WACC in all years except fiscal 2007 (ended September), when it was undergoing asset enhancement.

However, adjusting the invested capital back to historical cost for every single asset is impractical. Instead, we incorporate capital appreciation to reflect the total return created for unitholders (adjusted ROIC including capital appreciation). In the Anchorpoint example, this method would have resulted in ROIC above WACC in all but three years between 2007 and 2020.

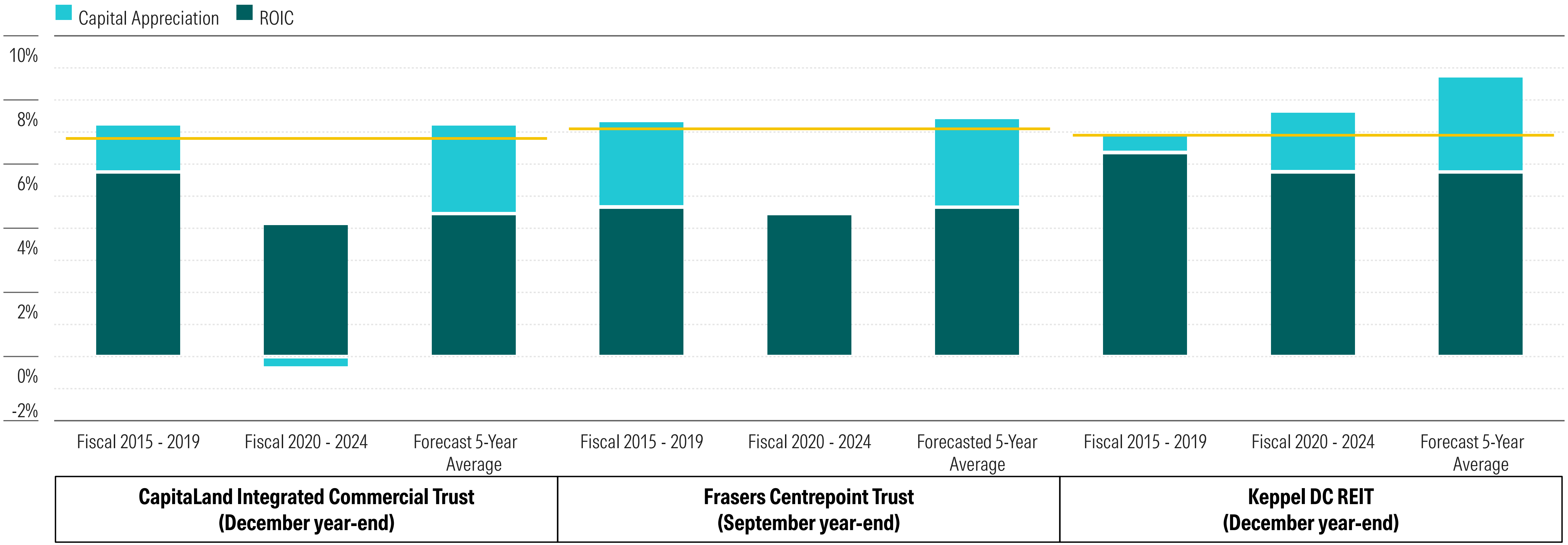
Source: Frasers Centrepoint Trust. Data as of Nov. 17, 2025. In simplified terms, the invested capital of a REIT closely approximates the value of all the properties in its portfolio.

Moaty REITs' Cash Flows Are Stable and Recurring, Even Though ROIC Spread Above WACC Is Thin

Adding capital appreciation to ROIC, we note that only three REITs—CICT, FCT, and Keppel DC REIT—have adjusted ROIC above their WACC. The spread between adjusted ROIC and WACC for these REITs is generally narrow, but the cash flows generated by moaty REITs are underpinned by contracted leases, high retention rates, and relatively quick lease-up periods.

Moaty REITs Generally Have Narrow Spreads Between Adjusted ROIC and WACC

CICT's and FCT's five-year average ROIC and capital appreciation between fiscal 2020 and 2024 were weighed down by covid-19 disruption.



Source: Morningstar, company reports. Data as of Nov. 17, 2025. Projected capital appreciation is expected to approximate the annualized net property income growth of the REIT during our forecast period, assuming no changes in the capitalization rate. This equates to about 2%–3% per year, consistent with our expected portfolio rent growth.

Industry Basics

Active portfolio and balance sheet management fuels DPU and unit price growth.

Guide to REITs' Earnings and Key Drivers

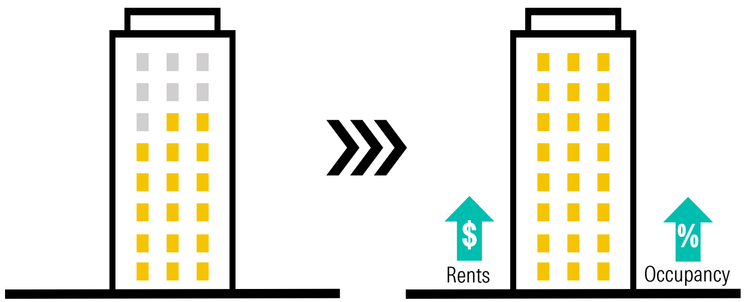
Walkthrough of REITs' Key Drivers and Relevant Financial Statement Line Items

Mapletree Logistics Trust (fiscal 2025, figures in SGD).

	Financial Statement	Net Profit Bridge		Key Drivers and Operating Metrics
	Revenue		727M	Occupancy X Rent Rate X Lettable Area
-	Property Expenses		-102M	Property Management Fees; Utilities; Property Tax
=	Net Property Income	Net Property Income Margin = 86%	625M	Net Property Income Margin
-	Other Operating Expenses		-129M	Asset Management Fees; Trust Expenses
+/-	Fair Value Gain/Loss On Investment Properties		-68M	Discounted Cash Flow; Valuation Cap Rate; Replacement Cost
-	Net Interest Expense		-154M	Cost of Debt; Gearing; Interest Coverage Ratio
-	Income Tax		-65M	Corporate Income Tax
=	Net Profit After Tax	Net Income Margin = 29%	209M	Net Income Margin

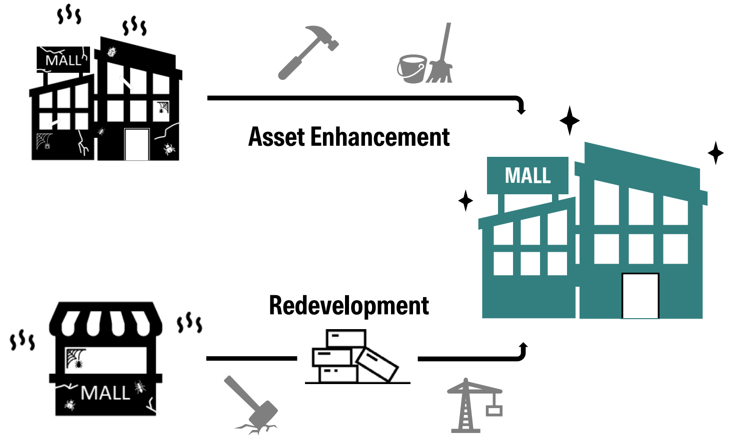
REITs Pursue Growth by Improving Performance of Existing Assets or Acquiring New Assets

Improving Occupancy and Raising Rents



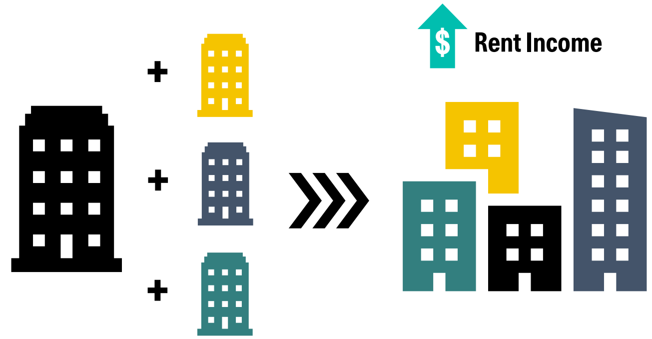
REITs primarily grow by improving occupancy and rents of their existing assets. In this regard, market demand and supply dynamics are highly important, as they affect leasing downtime and rent reversions. Some REITs may enjoy organic rent growth from leases with built-in rent increases, while others, such as retail REITs, may enjoy some form of profit-sharing via a variable rent component that depends on tenant turnover.

Asset-Enhancement Initiative and/or Redevelopment



REITs can invest in upgrading existing properties through redevelopment or asset-enhancement initiatives. AEIs require lower capital outlay and involve minor renovation work to improve a property's competitiveness, such as reconfiguring a mall and upgrading the lift lobbies and toilets. Redevelopment consumes more time and capital, as it involves tearing down and rebuilding a new property. While such projects may result in a near-term loss in earnings, they add value to investors through medium-term income growth and capital appreciation.

Growth Through Acquisitions



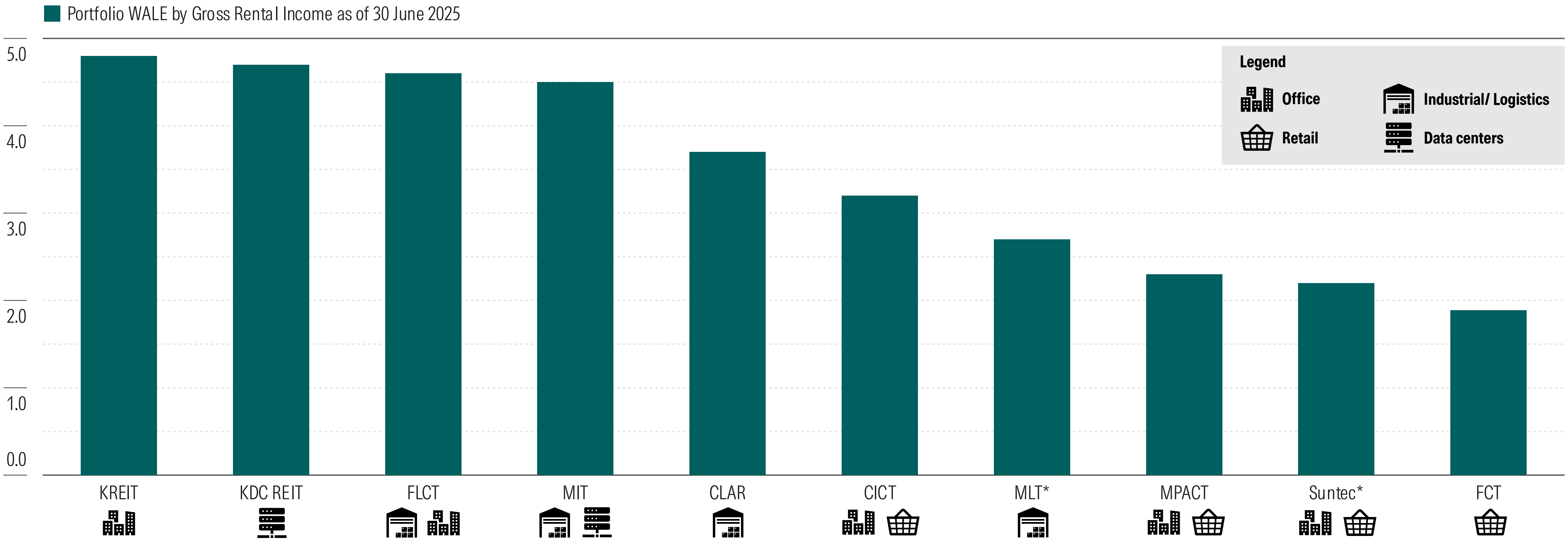
A REIT can also grow its portfolio through acquisitions. These can be funded by divesting noncore assets and recycling the proceeds, taking out a loan, or raising equity. We think a REIT manager's ability to allocate capital efficiently is critical to ensure satisfactory returns. In our view, REIT managers that allocate capital well should deliver long-term DPU growth for unitholders while maintaining an optimal portfolio. REIT managers that are weak in capital allocation may end up with an overleveraged balance sheet and weak DPU growth.

Source: Morningstar.

Long WALE Underpins Stable Recurring Income, While Short WALE May Open Door to Higher Rents

Weighted average lease expiry measures the average time it takes for a REIT's existing leases to expire. Although a long WALE secures cash flow through different market cycles, a short WALE can be useful in periods of strong demand and low supply, as REITs can take the opportunity to renew leases at higher rents. In general, retail WALEs tend to be shortest, as retailers typically sign leases that are three years or shorter, while industrial WALEs tend to be longest, as tenants sign leases that are five years or longer.

Morningstar Singapore REIT Coverage WALE Summary

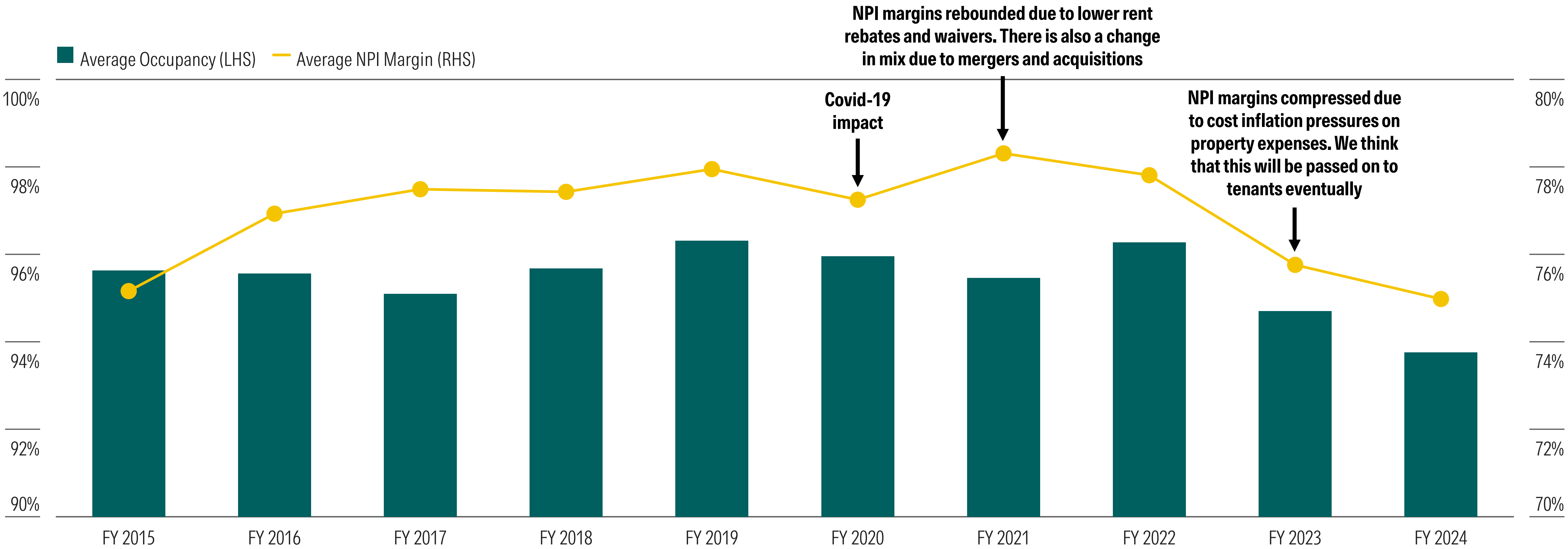


Source: Morningstar, company reports. Data as of Nov. 17, 2025. *MLT and Suntec REIT WALE based on NLA.

Deterioration of Occupancy Has Greater Impact on Net Property Income Margins Than Expense Inflation

Investing in properties for rent income is a high-margin business, with property expenses making up 20%-30% of revenue. Net property income margins remain relatively stable for individual REITs across time, as any increase in property expenses can be passed on to tenants through higher rents or service charges. That said, net property income margins may compress when there is a significant decline in portfolio occupancy, a change in portfolio mix, or when a major business-disrupting event like covid-19 takes place.

Net Property Income Margins Remain Relatively Stable Across Time



Source: Morningstar, company reports. Data as of Nov. 17, 2025. Average occupancy and NPI margins are computed using simple averages of all the S-REITs in our coverage. Mapletree REITs end their fiscal year in March of the following year, so we have adjusted it backward for a more appropriate period comparison. We have adjusted KDC REIT's occupancy in fiscal 2023 to reflect the uncollected rents from the tenant in Guangdong.

Singapore REITs Appoint External REIT Managers to Manage Their Assets on Behalf of Unitholders

Summary of REIT Management Fees

REIT Manager Fees	Nature	Common Fee Structure
Property Management Fees	Property manager handles the daily operating needs of the underlying properties.	• % of revenue • % of net property income
Asset Management Base Fees	Asset manager manages the assets' overall strategy and value creation.	• % of the value of the deposited property • % of distributable income
Performance Fees	Fees paid to the asset manager for the performance of the assets.	• % of net property income • % of the increase in distribution per unit • % of distributable income
Acquisition Fees	Fees paid to the asset manager for the work put in to acquire assets.	• 0.5%-1.0% of acquisition price
Divestment Fees	Fees paid to the asset manager for the work put in to dispose of assets.	• 0.5% of sale price

Source: Morningstar, company reports.

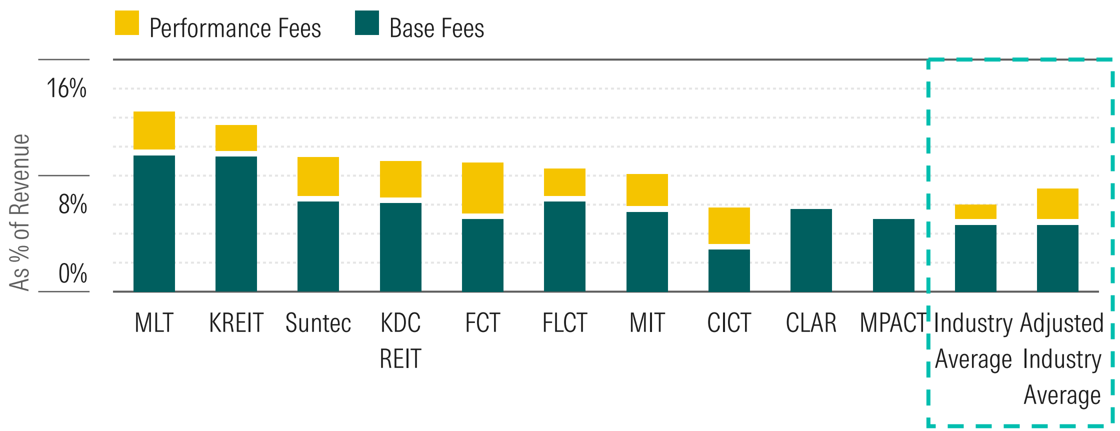
Singapore REITs pay external REIT managers fees to manage their portfolio on behalf of unitholders. These REIT managers are usually owned by the REITs' sponsors, which are normally major unitholders of the REITs.

REIT managers generally charge base fees to manage the existing portfolio of assets and performance fees tied to the overall performance of the REITs. In addition, REIT managers are paid for investment management work, such as acquisitions and divestments. Some REIT managers outsource property management to a third party, while others may manage on behalf of the REITs for fees.

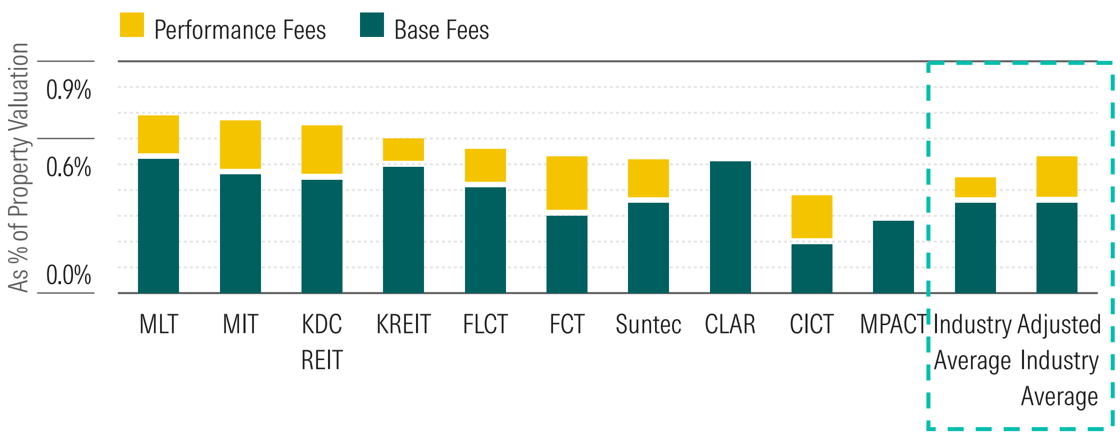
While we understand concerns regarding potential conflicts of interest and misalignments of interest, some REIT managers have exhibited a high standard of corporate governance that is occasionally beyond the best practice set out by the Monetary Authority of Singapore. In this regard, we think it is more important to understand the motivations of the REIT's sponsor for setting up a REIT and whether it is committed to the success of the REIT.

Strong REIT Sponsors Can Offset Cost Disadvantages of External REIT Model

Average S-REIT Management Fees as % of Revenue



Average S-REIT Management Fees as % of Investment Property Valuation



Elevated Base Fee Rate Is Key Driver of High REIT Management Fees

Based on our observations, Singapore REITs that incur the highest management fees tend to be charged the highest base fees as a percentage of their deposited properties. The industry average base fees as a percentage of investment property valuation and revenue are 0.35% and 4.6%, respectively. While REITs such as KDC REIT and FCT appear to charge fees above the industry average, they have also delivered strong returns since their IPOs (see Slide 31 for more details).

Large Variation in Performance Fee Structures

Performance fee structures vary significantly across REITs, resulting in a wide range of outcomes. About 44% of S-REITs did not earn performance fees in the last fiscal year, primarily due to a unitholder-friendly performance fee structure that requires DPU growth in order to earn a performance fee. In our coverage, CLAR and MPACT stand out for having a hurdle for the REIT managers to clear to earn performance fees.

Benefits From Sponsor Offset Cost Disadvantages of External REIT Manager

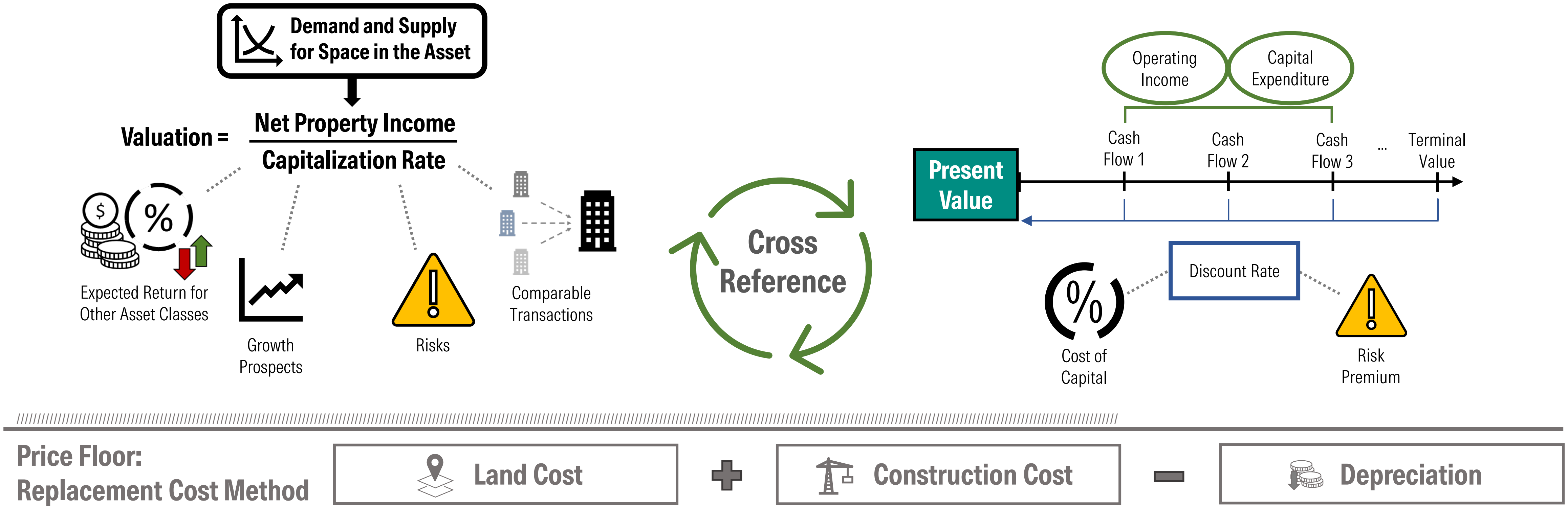
Although an internally managed model has certain cost advantages, including the absence of acquisition and divestment fees, having a strong sponsor may help counter some of the cons of an external REIT management model. Aside from providing the REIT with a pipeline of assets to acquire, a strong sponsor has the financial resources to support the REIT. These could range from entering joint ventures to acquiring high-quality assets that might be too big to digest by the REIT alone to backing the REIT during fundraising exercises.

Source: Morningstar, company reports. Data as of Nov. 17, 2025. Industry average is the simple average of all Singapore REITs based on their last fiscal year. Adjusted industry average excludes Singapore REITs that did not earn performance fees from the performance fees computation.

Capital Appreciation of REIT Portfolio Forms Important Part of Delivering Long-Term Value for Investors

Capital appreciation improves a REIT's financial position by organically lowering gearing and allowing more debt headroom for acquisitions. The fair value gains can also be crystallized in a sale, with the profits used for distributing back to unitholders, paying down debt, or acquiring more assets. Given that REITs have some influence on valuations, as they contribute some of the inputs and assumptions used by valuers, we think investors should watch out for REITs with a record of pushing up valuations aggressively.

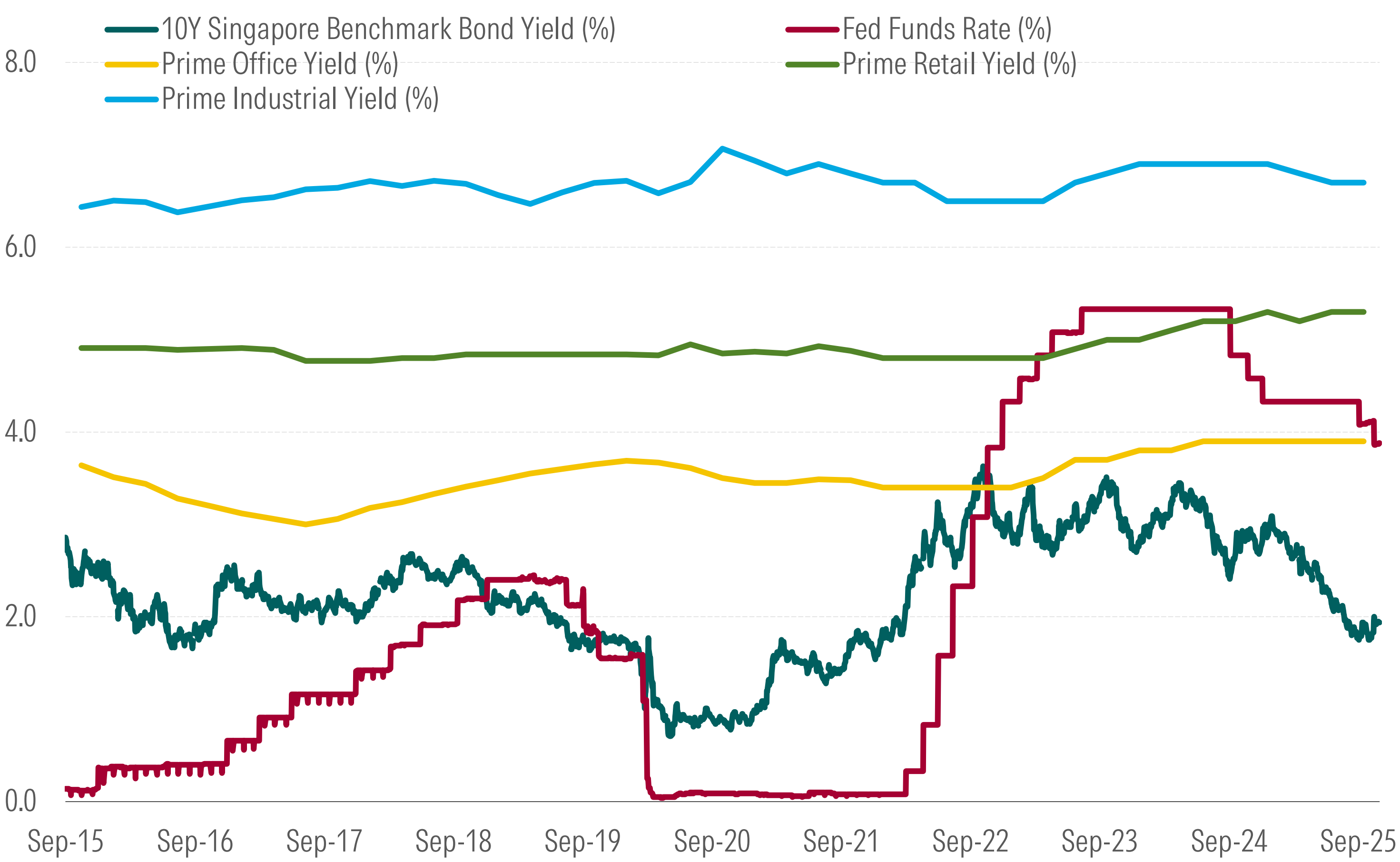
Discounted Cash Flow, Capitalization Rate, and Replacement Cost Are Some Common Approaches to Real Estate Valuation



Source: Morningstar.

Upward Pressure on Prime Yields Set to Ease Amid Interest Rate Pivot

10-Year Singapore Government Bond Yield vs. Fed Funds Rate and Real Estate Prime Yields



Interest Rates and Their Impact on Real Estate Returns

The most direct impact of interest rates on real estate is their influence on borrowing costs, which affect investors' returns. However, real estate yields do not always move in tandem with changes in interest rates, as other factors are also at play. These include demand and supply dynamics for leasing, macroeconomic outlook, and availability of capital. At the asset level, properties that are well located, of good quality, and have a strong tenant register will trade at lower yields as investors perceive a lower risk on such investments.

Impact of Interest Rate Cycles on Prime Yields

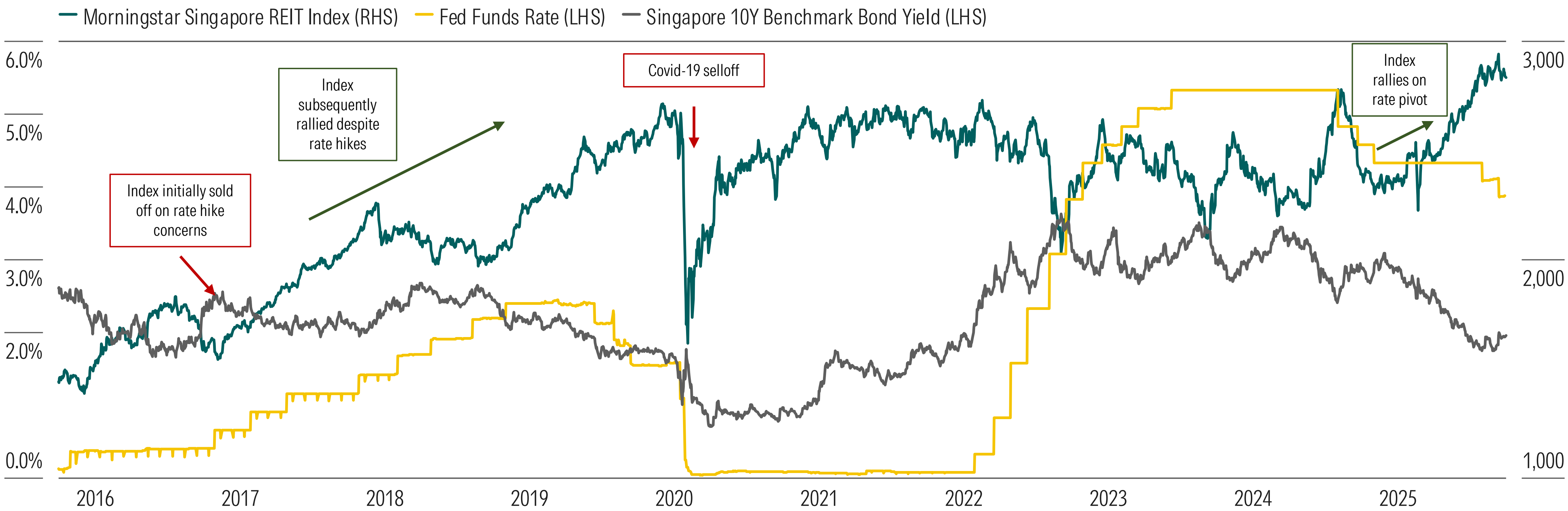
Similar to the previous rate hike cycle, prime yields have remained relatively stable, rising by 10-40 basis points as interest rates increased from 2022 to 2023. With the interest rate pivot underway, we expect upward pressure on prime yields to ease. As borrowing costs decline, transaction activity should recover, driving yield compression.

Source: Morningstar, CBRE, Monetary Authority of Singapore, US Federal Reserve. Data as of Nov. 17, 2025. Prime yield refers to the yield of a prime asset.

Current Valuations Represent Good Entry Points for Investors

Conventional wisdom suggests that REITs' performance negatively correlates with interest rates, but the relationship is not that simple. In the previous interest rate cycle, REITs were sold off early to price in rate hikes but later rallied despite the actual increases, supported by strong economic performance that underpinned real estate demand. In contrast, during the current rate-cut cycle, REITs have rallied after two years of range-bound trading amid uncertainty about rate cuts.

Morningstar Singapore REIT Index vs. Singapore 10-Year Government Bond Yield and Fed Funds Rate



Source: Morningstar, US Federal Reserve. Data as of Nov. 17, 2025.

Prudent Debt Management Is Key to Maximizing Returns for Investors

In our view, debt is a double-edge sword for REITs. On one hand, it can improve a REIT's performance when used properly to acquire accretive investments. On the other hand, an overleveraged REIT may have trouble servicing its interest payments and debt obligations, resulting in potential bankruptcy or rights issues that dilute unitholders' interests. Given that REITs are highly leveraged investment vehicles, we think that investors need to understand and pay close attention to a REIT's balance sheet health and credit quality.

Illustrative Example of REIT Debt Metrics Using Morningstar S-REIT Coverage Mean

38.3%

Gearing

Gearing, also known as aggregate leverage, is the ratio of total debt to total assets. While lower gearing may suggest debt headroom for acquisitions, gearing that is too low may also imply an inefficient capital structure. Regulations require REITs to maintain a minimum gearing level of 50%.

3.6 times

Adjusted Interest Coverage Ratio

The adjusted interest coverage ratio is calculated by dividing trailing 12-month EBITDA by trailing 12-month interest expense and borrowing fees. Regulations mandate that REITs maintain a minimum interest coverage ratio of 1.5 times.

3.2 years

Weighted Average Debt Expiry

Weighted average debt expiry measures how long it takes for the REIT's debt to mature on a weighted average basis. We generally like a well-staggered debt maturity profile, as it lowers the risk of refinancing in a single given year.

76.5%

Proportion of Fixed-Rate Debt

A higher proportion of fixed-rate debt may help a REIT mitigate the short-term impact of volatile interest rate movements.

Source: Morningstar, company reports. Data as of Sept. 30, 2025.

Majority of S-REITs' Debt Metrics Look Healthy; All REITs Stand to Benefit From Interest Rate Pivot

In our coverage, Keppel DC REIT holds the lowest aggregate leverage while Keppel REIT has the highest as of Sept. 30. With the interest rate pivot underway, we expect highly leveraged REITs to gain some breathing room, while those with lower leverage will be well positioned to capitalize on reduced borrowing costs and pursue growth through acquisitions.

Morningstar Singapore REIT Coverage Debt Metrics Summary

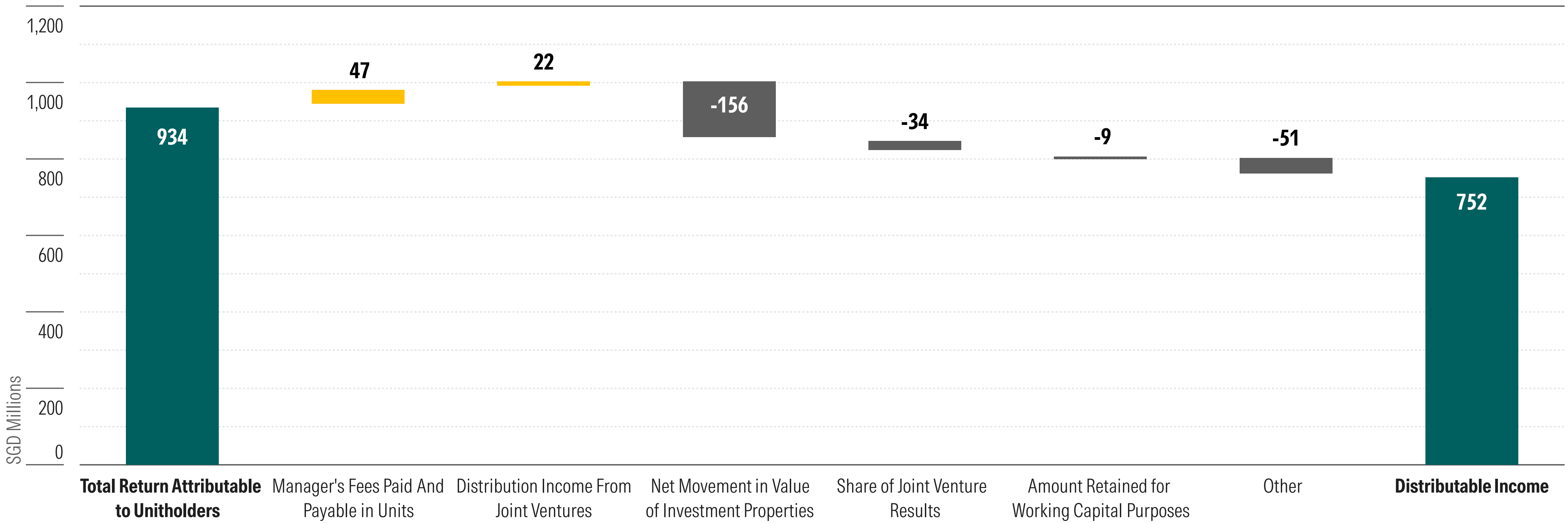
REIT	Ticker	Moat	Capital Allocation	Uncertainty	Star Rating	Aggregate Leverage	% of borrowings on fixed rates	Interest Coverage	WADE	Maximum asset valuation decline to breach 50% gearing limit
Keppel DC REIT	AJBU	Narrow	Standard	Medium	★★★	29.8%	74.0%	6.6x	2.8 years	-40%
Frasers Logistics and Commercial Trust	BUOU	None	Standard	Low	★★★★	35.7%	70.4%	4.3x	2.8 years	-29%
Mapletree Industrial Trust Management	ME8U	None	Exemplary	Low	★★★	37.3%	92.9%	3.9x	3.0 years	-25%
Mapletree Pan Asia Commercial Trust	N2IU	None	Standard	Medium	★★★	37.6%	77.5%	3.0x	3.5 years	-25%
CapitaLand Integrated Commercial Trust	C38U	Narrow	Exemplary	Low	★★★	39.2%	74.0%	3.5x	3.9 years	-22%
Frasers Centrepoint Trust	J69U	Narrow	Standard	Low	★★★	39.6%	83.4%	3.5x	3.2 years	-21%
CapitaLand Ascendas REIT	A17U	None	Standard	Medium	★★★	39.8%	77.6%	3.6x	3.3 years	-20%
Suntec Real Estate	T82U	None	Standard	Medium	★★★	41.0%	66.0%	2.0x	3.0 years	-18%
Mapletree Logistics Trust Management	M44U	None	Exemplary	Medium	★★★	41.1%	84.0%	2.9x	3.6 years	-18%
Keppel REIT	K71U	None	Standard	Low	★★★★	42.2%	65.0%	2.6x	2.7 years	-16%
					Mean	**38.3%**	**76.5%**	**3.6x**	**3.2 years**	**-23%**

Source: Morningstar, company reports. Data as of Nov. 17, 2025.

Singapore REITs Are Tax-Efficient Investment Vehicles

Singapore REITs must distribute at least 90% of their taxable income to enjoy tax benefits (no tax levied on their income). Common adjustments made to net income to derive distributable income include deducting noncash items such as fair value changes to investment properties, unrealized exchange gains or losses, and results of shares of joint ventures and associates, and adding management fees that are paid in units, distributions from joint ventures and associates, and distribution top-ups as decided by the REIT manager.

Illustrative Walk From Net Income to Distributable Income: CapitaLand Integrated Commercial Trust, 2024 Results



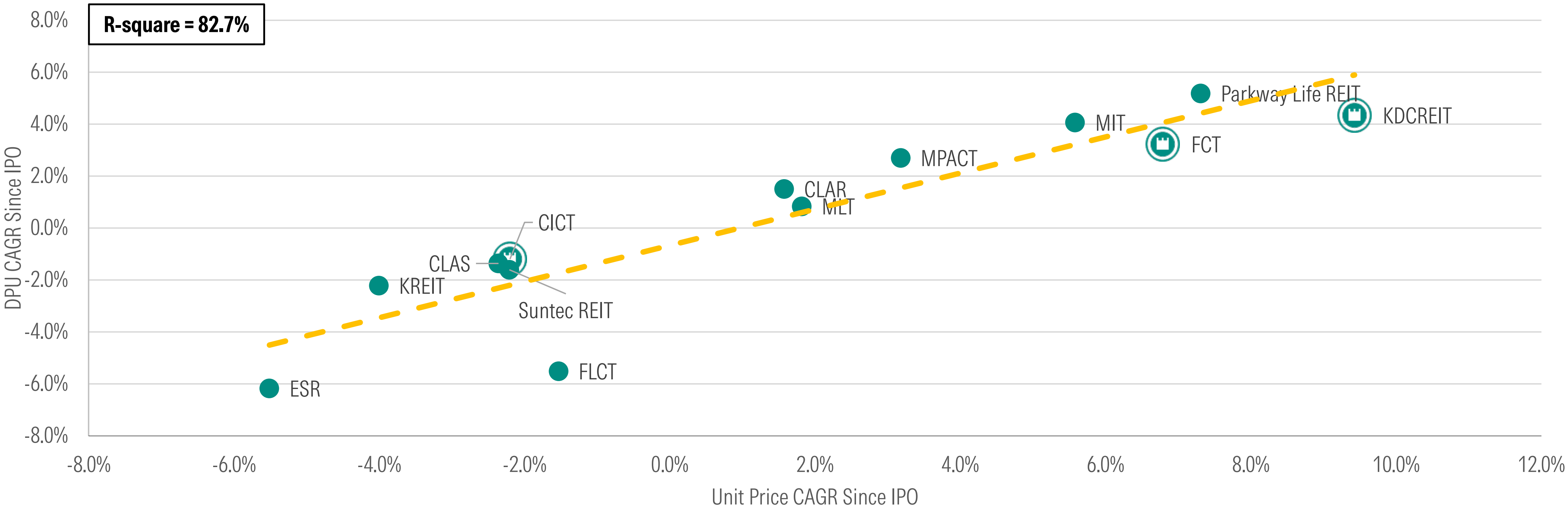
Source: Morningstar, company report. Total return attributable to unitholders is the REIT's net income, less noncontrolling interests.

High Positive Correlation Between REIT's Unit Price and Its Ability to Grow Distributions per Unit

In our view, investors should seek out REITs that can steadily grow distributions per unit, because while unit prices may be volatile in the short run, they tend to track DPU growth over the long term. In our coverage, Keppel DC REIT has historically achieved the strongest DPU growth by pursuing inorganic growth through acquisitions, resulting in assets under management growing at a compound annual growth rate of 9.4% and DPU growing at a CAGR of 4.3%.

REITs That Are Able to Grow Distributions per Unit Over Time Tend to Be Rewarded With Better Unit Price Performance

Analysis was done for REITs with a market capitalization above USD 1.5 billion.

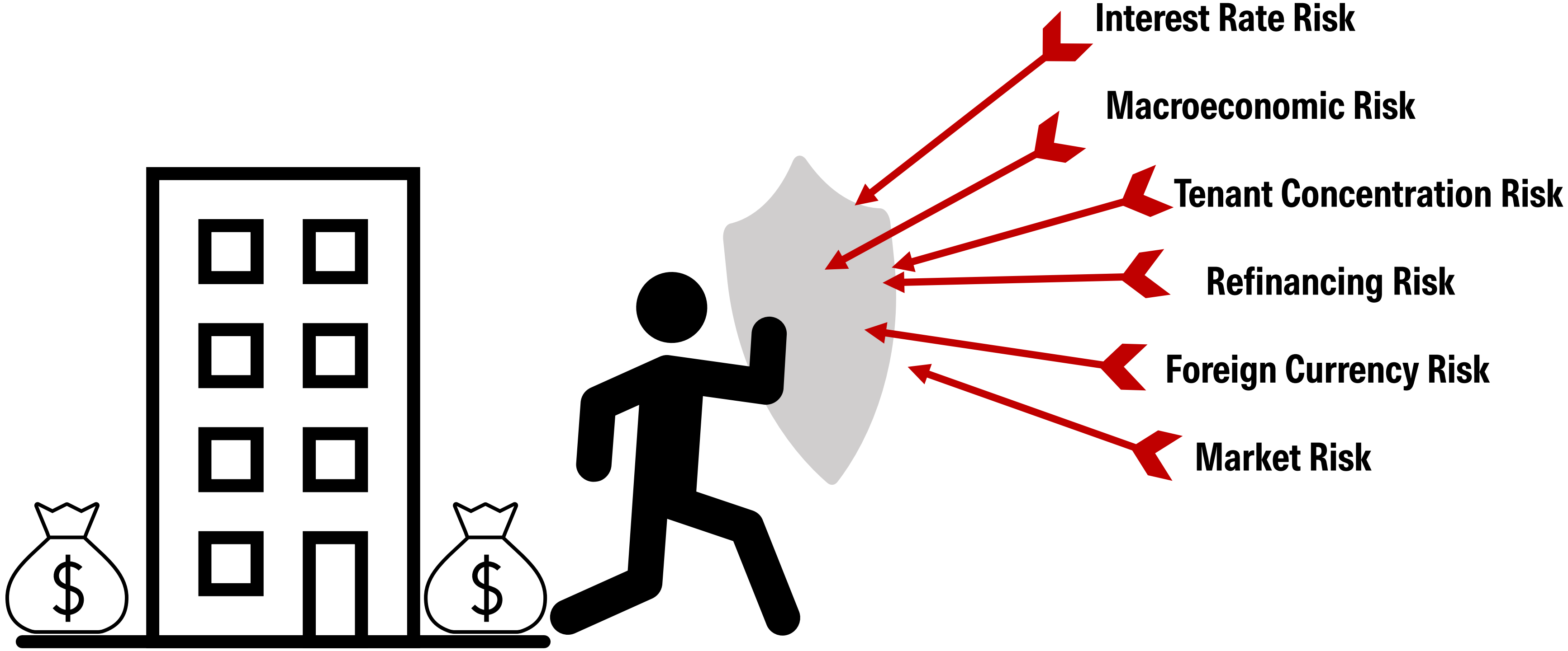


Source: Morningstar, company reports. Data as of Nov. 17, 2025.

REIT Managers Have Various Methods at Their Disposal to Manage Risks

REITs are exposed to the economic conditions of the geographies in which they invest. Any significant decline in economic activity and consumer spending may deter companies from expanding and weigh on commercial and industrial space demand. REITs are also heavily leveraged, exposing them to refinancing risk and interest rate risk. To mitigate these risks, REIT managers aim to secure their income through long-term leases, fixing a portion of their interest rates, diversifying their tenant base, and hedging foreign-currency risk exposure.

Well-Staggered Lease and Debt Expiry Profiles, Tenant and Asset Diversification, and Hedging Are Some Tools Used by REIT Managers to Protect Their Portfolios



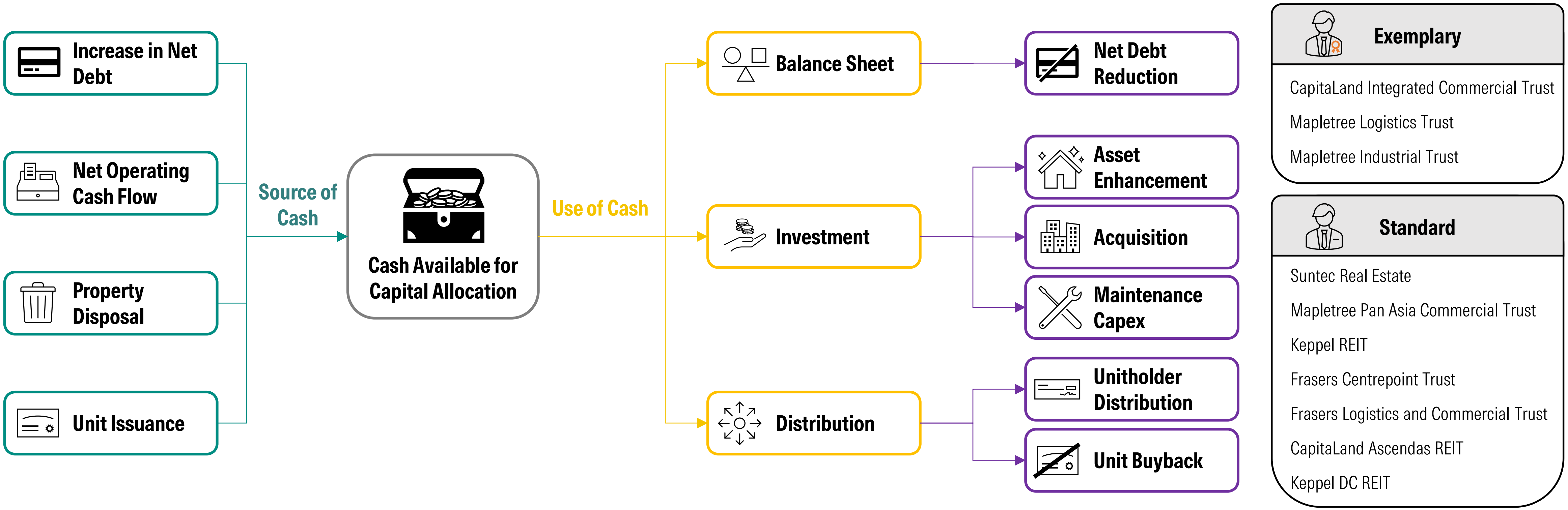
Source: Morningstar.

Exemplary REIT Managers Maximize Unitholder Value Through Prudent Capital Allocation

An Exemplary Capital Allocation Rating is awarded to REIT managers that maximize unitholder value. We like REITs that are not overly leveraged and risk unitholder value destruction via dilutive equity raises or asset fire sales. We also like REITs with a good record of making accretive acquisitions and investing in asset enhancement with positive returns. S-REITs generally distribute more than 90% of their income to enjoy tax exemptions, though some may also buy back units when management thinks they are undervalued.

Simplified Flow Chart of Morningstar's Capital Allocation Methodology

In our coverage, we assign Exemplary ratings to CICT, MLT, and MIT for their sound balance sheets, exceptional investment records, and appropriate distribution policies.



Source: Morningstar.

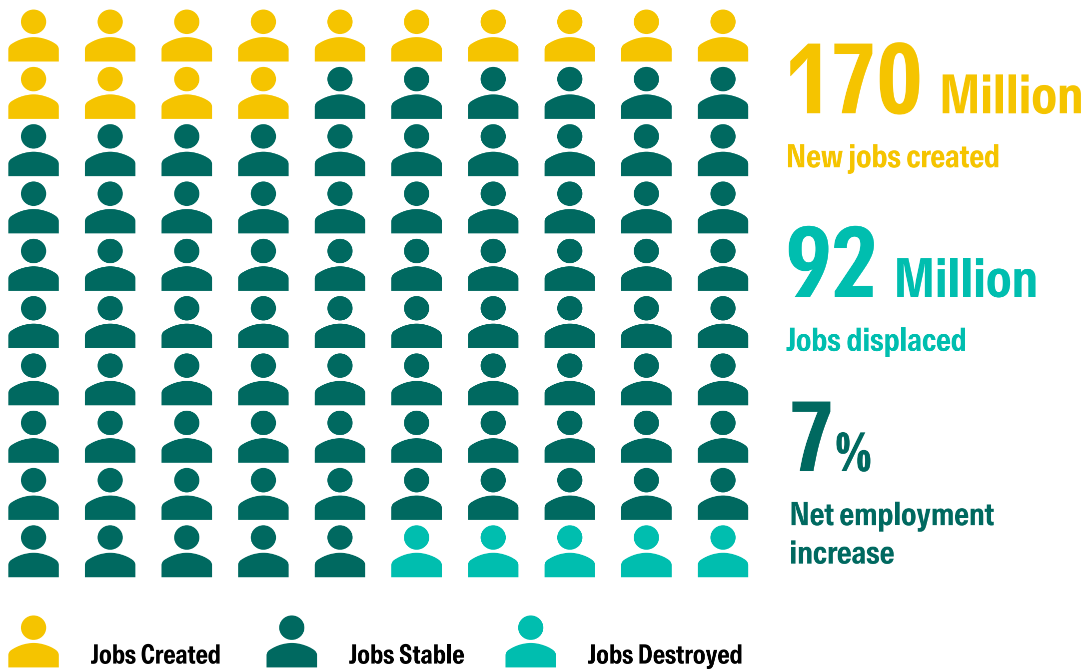
Office Outlook

Leasing weakness is transitory, while AI is a net positive for job creation.

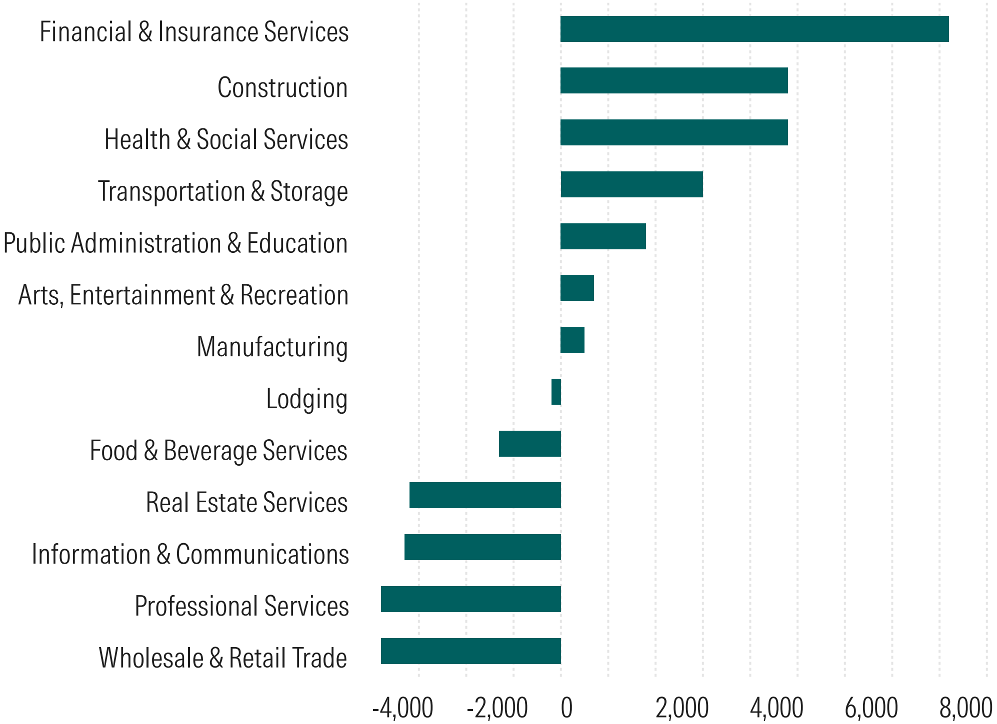
Artificial Intelligence to Support Net Job Gains in the Long Run

We believe the advent of artificial intelligence will ultimately benefit Singapore's labor market. While some functions may be displaced by automation, we anticipate the emergence of new enterprises and job opportunities driven by broader AI adoption and technological advancement. For existing roles that remain relevant, AI is likely to serve as an enabling tool, boosting worker productivity and output. Overall, we expect net job creation to positively affect office demand in the medium term.

Five-Year Job Market Projection by World Economic Forum
While AI is expected to displace some jobs, it will also create new ones.



Employment Changes by Sector in First Half of 2025
Financial sector hiring in Singapore offsets broader job losses.

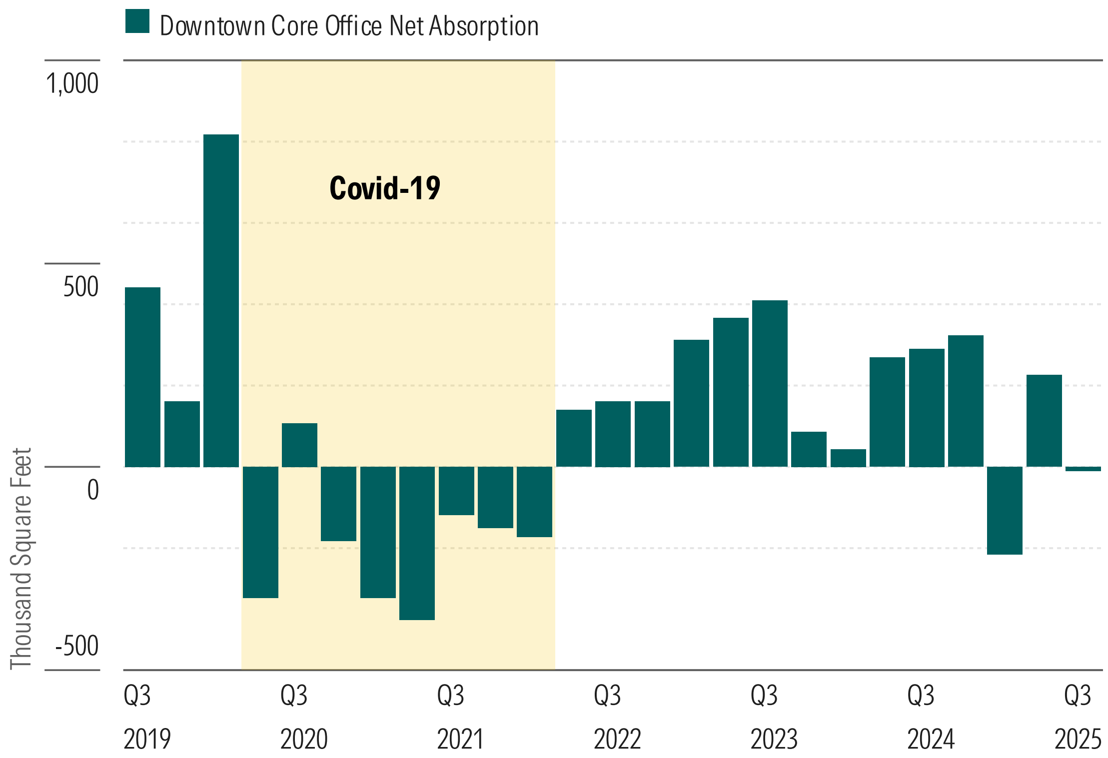


Source: Future of Jobs Report 2025, SingStat. Data as of Sept. 19, 2025.

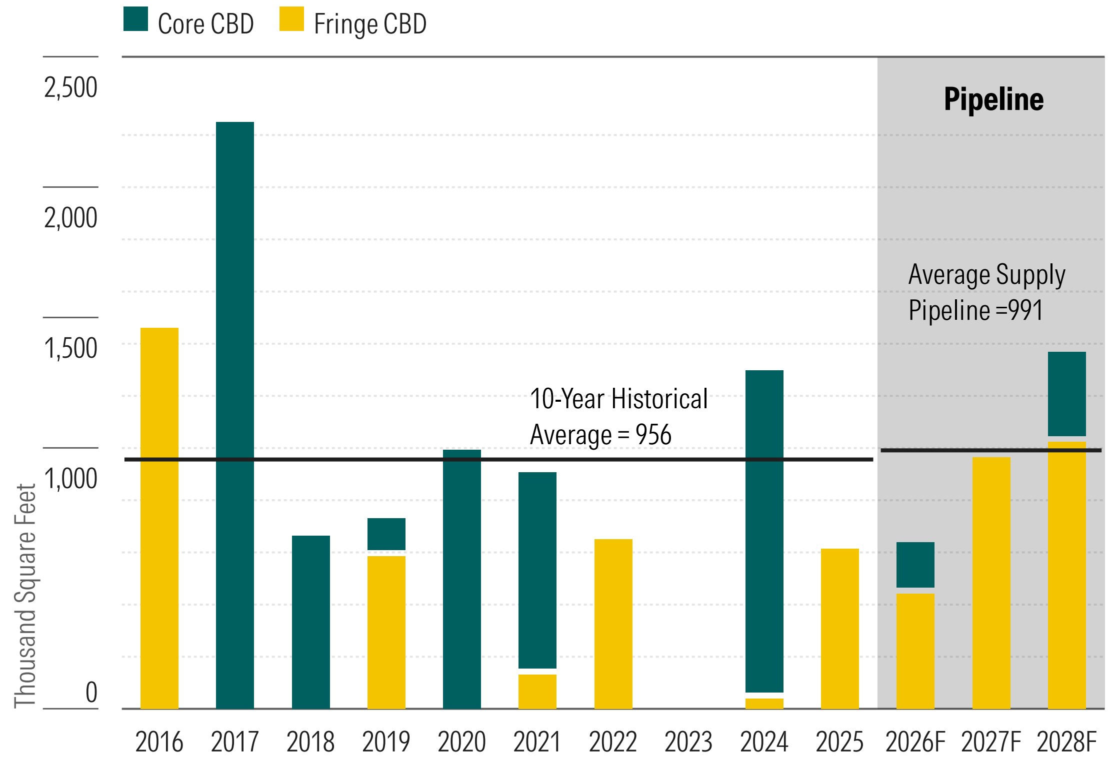
Leasing Weakness Likely Transitory Amid Improving Fundamentals

Office demand slipped slightly in the third quarter of 2025 as occupants prioritize lease renewals over relocation. We view this as a short-term pause rather than a structural shift. With interest rates trending lower and inflation concerns easing, we expect these macro tailwinds to support a recovery in leasing demand over the next 12 months. Given no major office developments in the core CBD over the next three years, we expect vacancy rates to tighten as existing supply is gradually absorbed.

Office Demand Slipped in Third Quarter as Occupants Prioritize Renewals



Majority of Upcoming Office Supply Located Outside the Core CBD

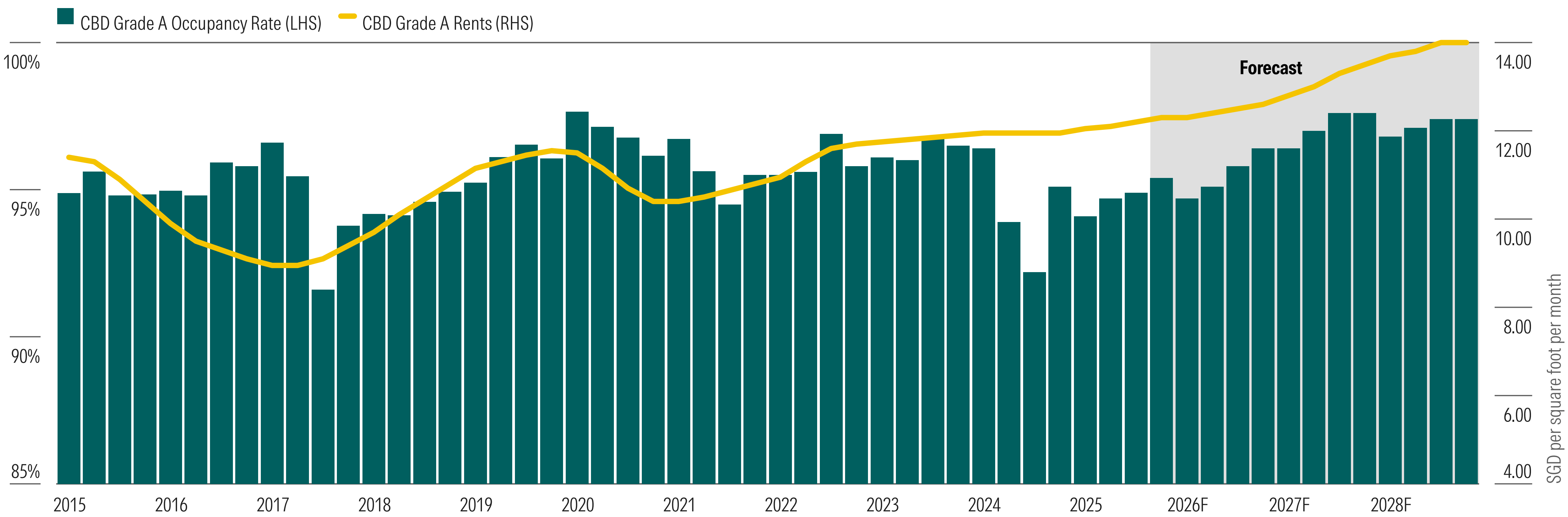


Source: Morningstar, CBRE, URA. Data as of Nov. 17, 2025.

Near-Term CBD Office Rents Steady; Fed Pivot to Reignite Leasing Activity

We expect CBD office rents to remain broadly stable in the near term as occupants absorb new supply from IOI Central Boulevard and Keppel South Central. We forecast vacancy rates to narrow to 2.4% by 2027 from the current 5.1%, setting the stage for a strong acceleration in rent growth. With limited new supply expected over the next three years, any significant uptick in office demand should drive rents higher, benefiting CBD office landlords.

Office Rents Expected to Rise From 2027 Amid Tightening Vacancy and Limited New Supply



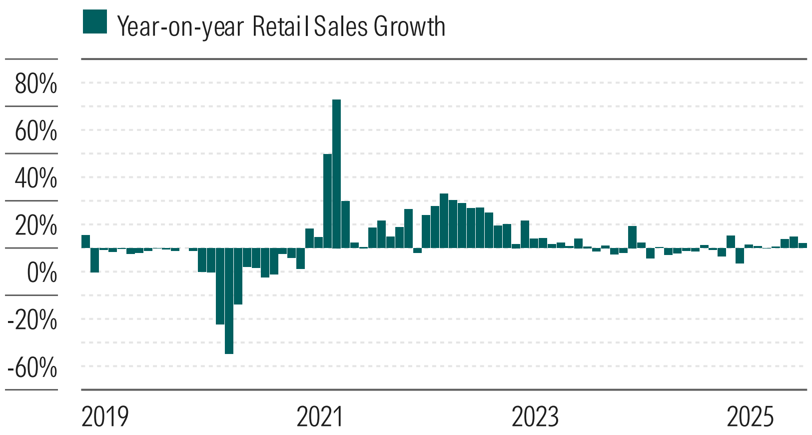
Source: Morningstar, CBRE. Data as of Nov. 17, 2025.

Retail Outlook

Demand/supply dynamics remain healthy, and prime rents are expected to improve as vacancy rates tighten.

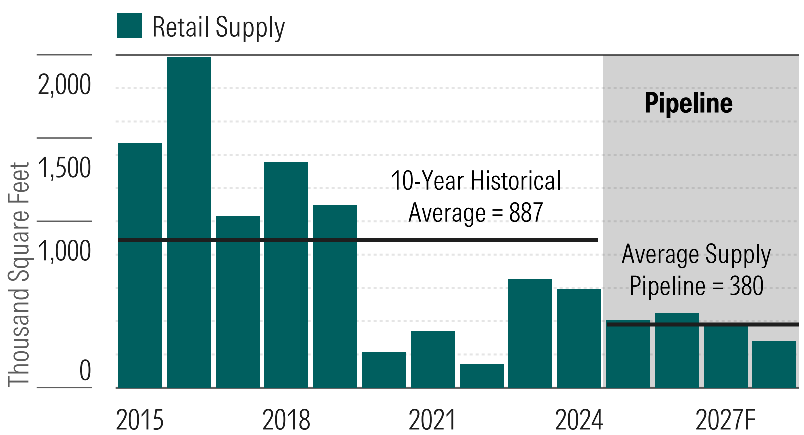
Demand/Supply Dynamics for Retail Space Remain Healthy Despite Slowdown in Retail Sales Growth

Retail Sales Growth Has Slowed After Reopening Boost

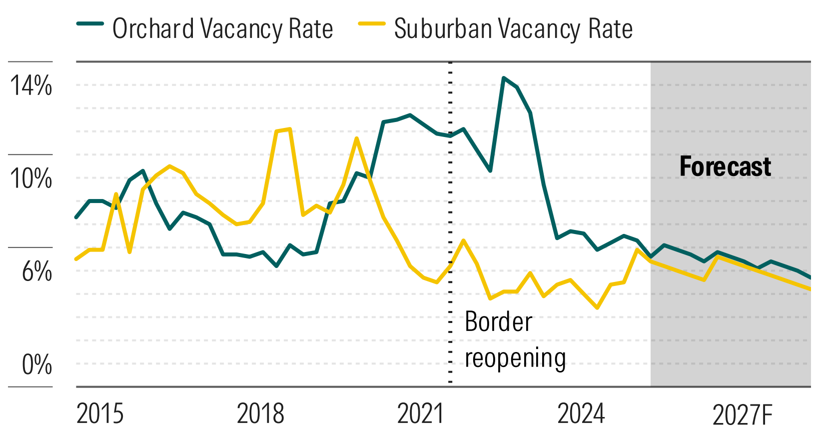


Strong Singapore Dollar Slows Recovery in Visitor Arrivals

Upcoming Retail Supply Below 10-Year Average



Orchard Road Vacancy Rate Fell On Healthy Demand



The strength of the Singapore dollar has weighed on the recovery of inbound tourism, leading to overseas spending leakage and moderating retail sales growth. While overall visitor arrivals have yet to return to pre-covid levels, average tourist spending has already exceeded prepandemic benchmarks, providing some support to retail demand.

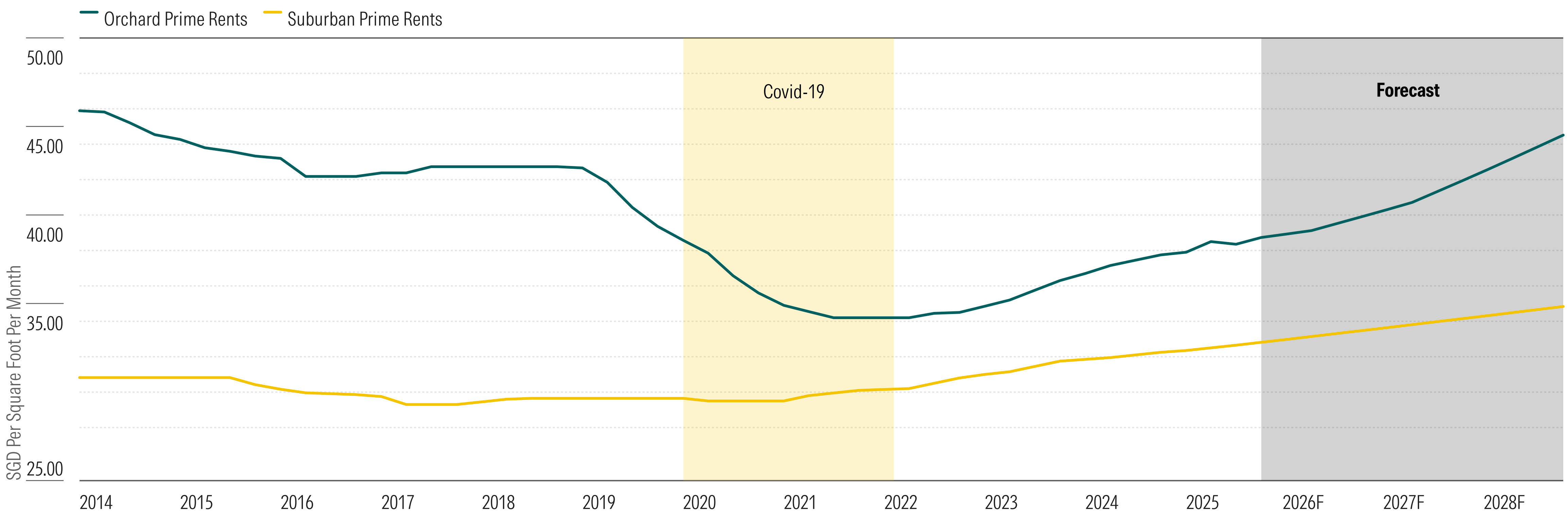
On the supply side, retail space is expected to remain tight over the next three years, with most new completions located outside the Orchard Road shopping belt. We anticipate the vacancy rates of Orchard and suburban malls to gradually converge, although suburban malls may face downside risks from cross-border competition once the Johor Bahru-Singapore Rapid Transit System becomes operational at the end of 2026.

Source: Morningstar, CBRE, URA, SingStat, Singapore Tourism Board. Data as of Nov. 17, 2025.

Retail Prime Rents Improving on Tight Retail Vacancy Rates

Prime retail rents for the Orchard area and suburban malls have improved due to tight vacancy rates and healthy demand for retail space. We expect market rents to continue to grow as retailers remain optimistic about the continued recovery of business and leisure travel, which is supported by a healthy pipeline of international events. While we anticipate outbound travel to result in some domestic spending leakage, we think that overall shopper traffic and spending in suburban malls will remain resilient.

Orchard Area and Suburban Prime Rents Recovering as Vacancy Rates Tighten



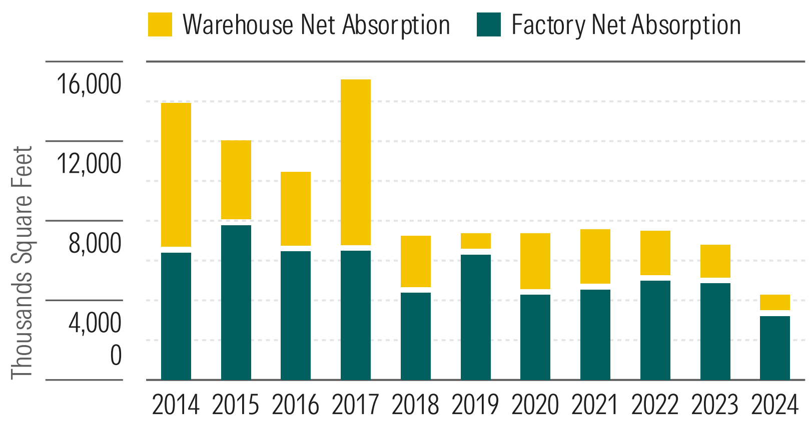
Source: Morningstar, CBRE. Data as of Nov. 17, 2025.

Logistics and Industrial Outlook

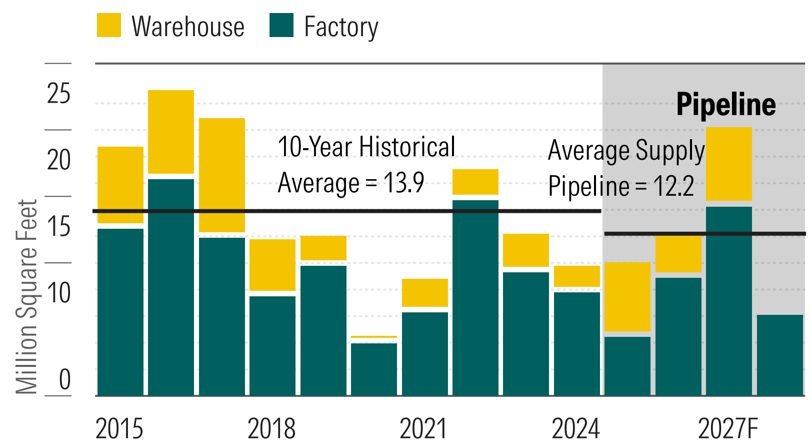
An uncertain outlook could soften industrial rent growth, while business park vacancies have peaked.

Uncertain Outlook Could Temper Near-Term Rent Growth

Singapore Industrial Demand



Singapore Industrial Supply

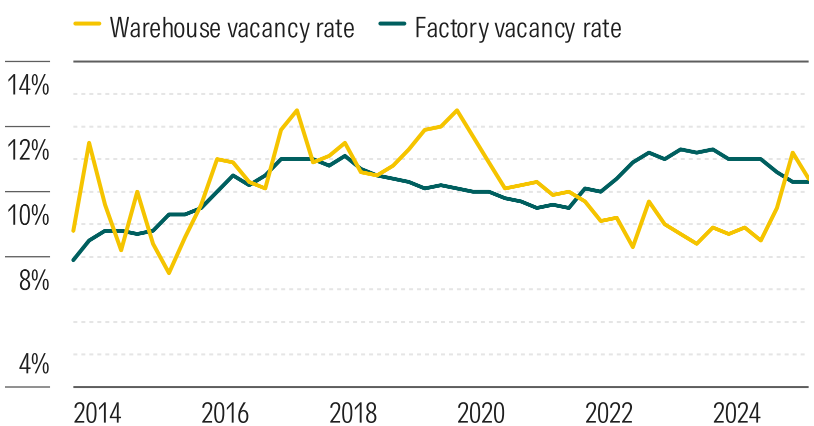


To attract and retain investment, the Singapore government has maintained a steady pipeline of industrial land supply, helping to moderate occupancy costs for businesses. This has kept industrial vacancies elevated and rents relatively subdued over the years.

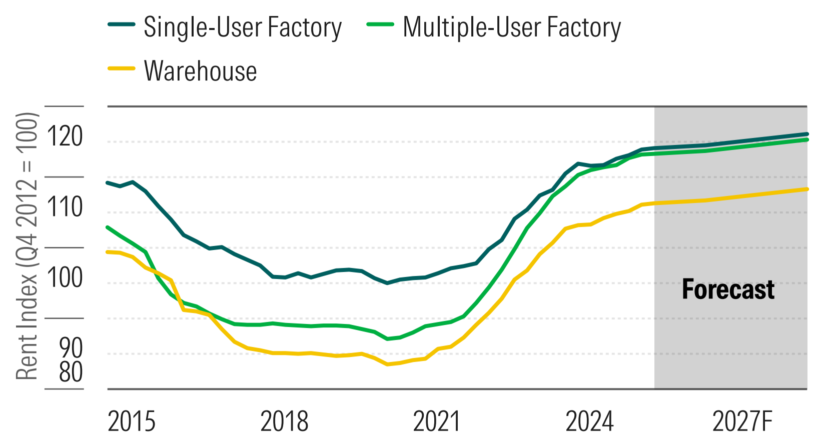
However, rent dynamics shifted during the covid-19 pandemic, as strong demand from e-commerce players, third-party logistics providers, and the biomedical and electronics sectors drove rents higher. More recently, this momentum has eased amid rising trade tensions and US tariffs, which have weighed on the business outlook for industrial occupants.

Over the medium to long term, we expect rents to grow at 2%-4% annually as the government provides ample supply to keep them in check.

Singapore Industrial Vacancy Rates



Singapore Industrial Rent Index

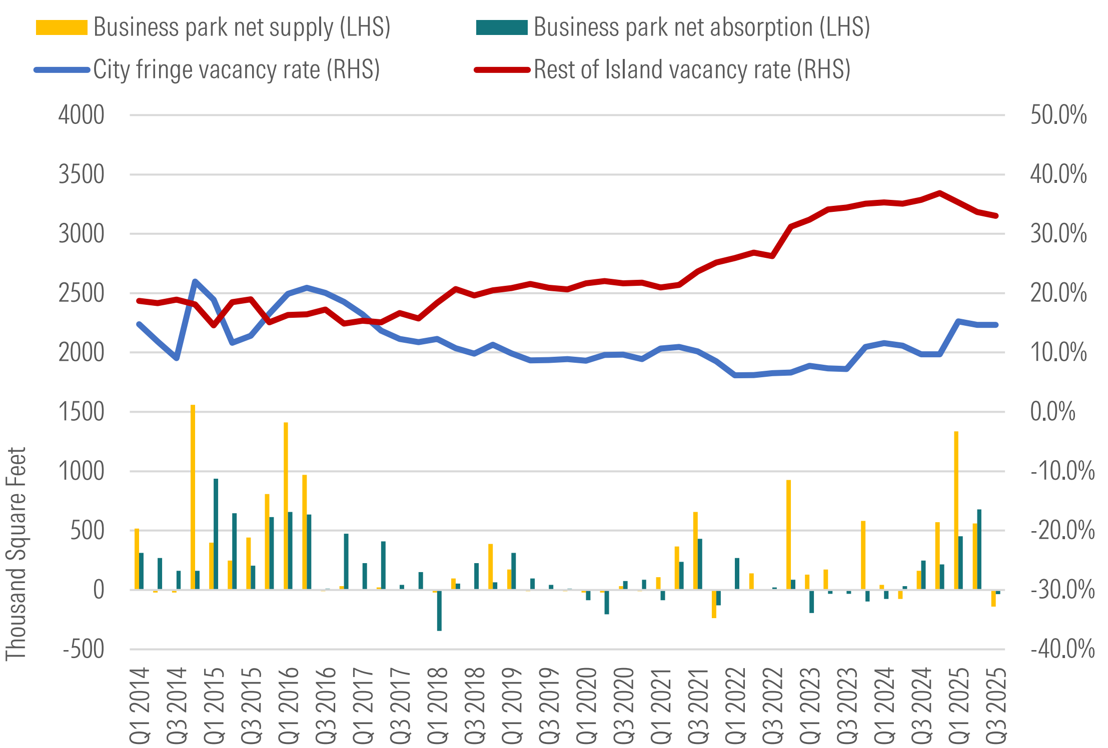


Source: Morningstar, JTC. Data as of Nov. 17, 2025.

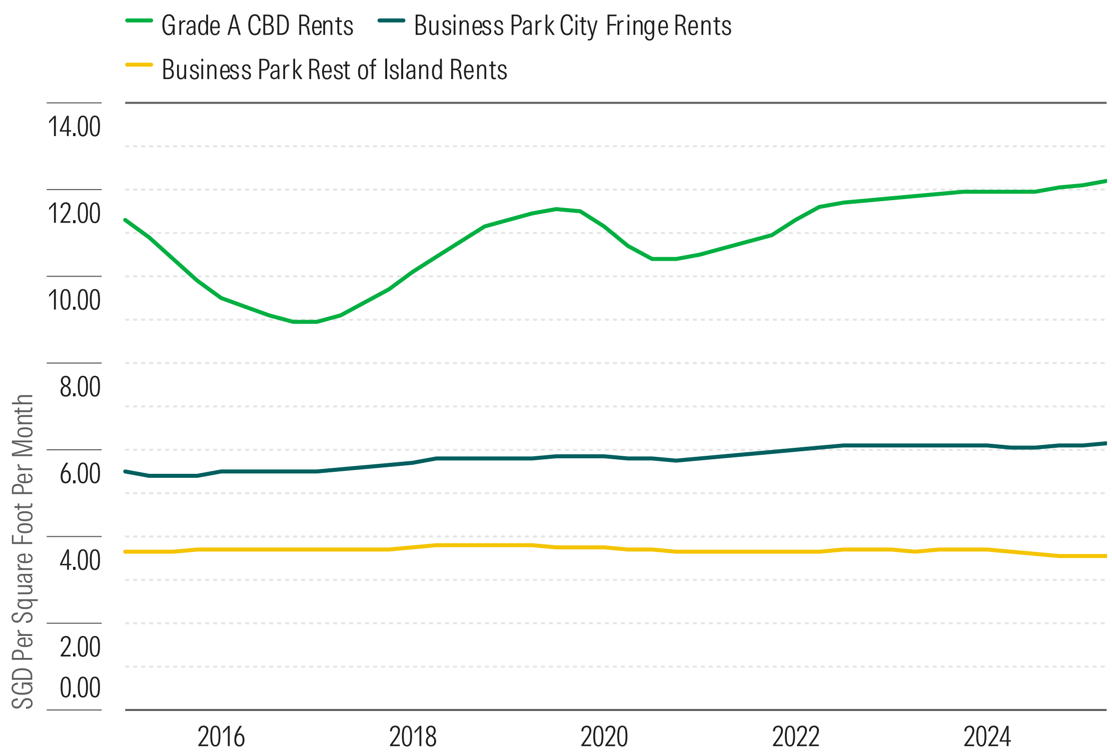
Business Park Vacancies Have Peaked; Location and Quality of Buildings Are Key Differentiators

According to CBRE, leasing momentum decelerated in the third quarter of 2025 as strong takeup at the recently completed Geneo and Punggol Digital District wore off. Although overall vacancy remains elevated, we believe it has peaked. A gradual improvement is expected, underpinned by limited new supply beyond 2025. We anticipate that it will take approximately two years to absorb the excess space.

Business Parks Outside the City Fringe Suffer From Oversupply



Business Park Rents Are More Stable Than CBD Grade A Office Rents



Source: Morningstar, JTC, CBRE. Data as of Nov. 17, 2025.

ESG Snapshot

Singapore REITs have low or negligible ESG Risk Ratings.

Summary of Morningstar Sustainalytics ESG Risk Ratings

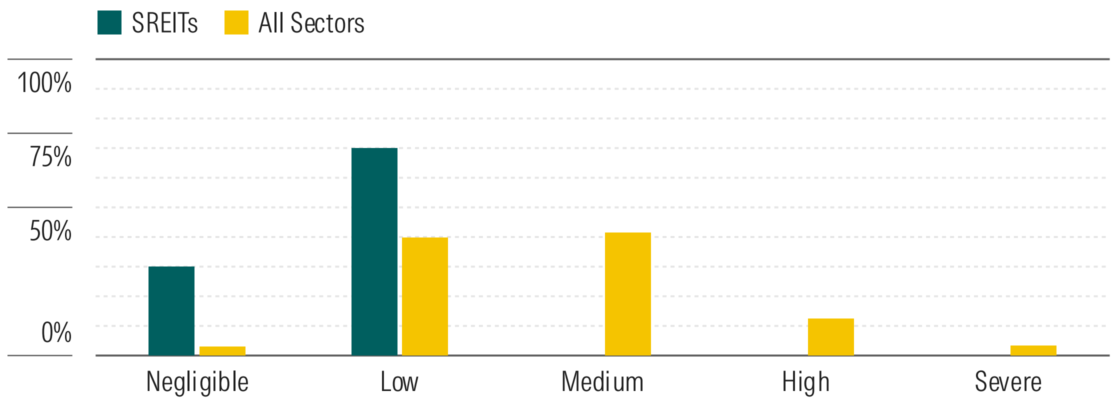
ESG Risk Ratings assigned to Singapore REITs range between Negligible and Low. Of the Singapore REITs we cover, 60% have a Low ESG Risk Rating, while the rest have a Negligible Risk Rating. The key ESG risks for Singapore REITs include ESG integration–financials, business ethics, product governance, and corporate governance.

ESG integration–financials: Given that REITs are highly leveraged investment vehicles, failure to ensure their portfolio of properties is green and sustainable may preclude them from accessing green financing.

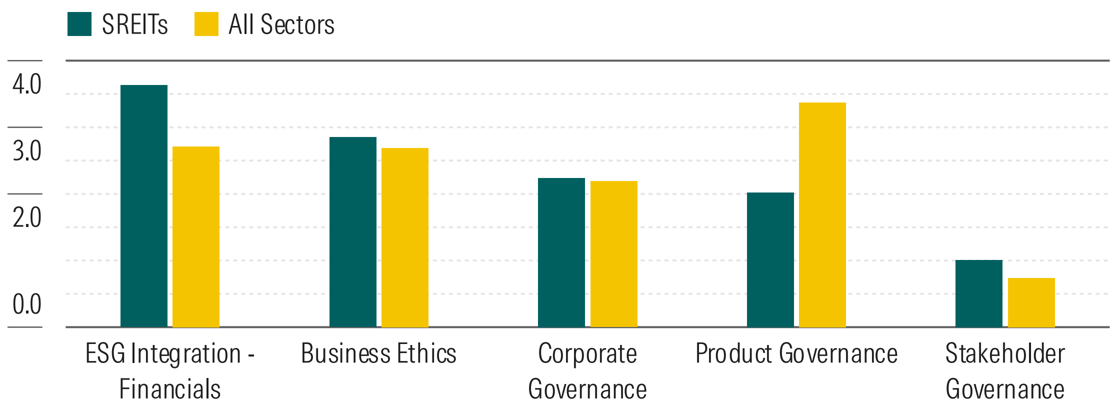
Business ethics: Issues such as conflicts of interest, fee structures, and tax and accounting practices can have dramatic downside impacts on a REIT's financial performance. REITs involved in financial engineering and accounting irregularities are exposed to reputational risk and regulatory scrutiny.

Product governance: REITs primarily generate revenue through rent income received from occupants. Therefore, the quality and safety of the buildings that companies own and manage directly influence the ability to attract and retain tenants. Poor building safety is a danger to tenant well-being, and injuries due to management negligence may expose a company to legal action by tenants. Poor building safety may also hurt a company's reputation in the market, as safety is one of the key factors considered by tenants during decision-making.

Distribution of ESG Risk Ratings for REITs and All Industries



Top ESG Risk Rating Scores by Material ESG Issue*



Source: Morningstar, Sustainalytics. *Higher score denotes higher risk.

Glossary

Key Industry Terms

REITs

CICT	CapitaLand Integrated Commercial Trust
CLAR	CapitaLand Ascendas REIT
FCT	Frasers Centrepoint Trust
FLCT	Frasers Logistics and Commercial Trust
KDC REIT	Keppel DC REIT
KREIT	Keppel REIT
MIT	Mapletree Industrial Trust
MLT	Mapletree Logistics Trust
MPACT	Mapletree Pan Asia Commercial Trust
Suntec	Suntec REIT

Industry Abbreviations

AEI	Asset-enhancement initiatives
CAGR	Compound annual growth rate
Cap rate	Capitalization rate
Capex	Capital expenditure
CBD	Central business district

Industry Abbreviations

DPU	Distribution per unit
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
NLA	Net lettable area
PSF	Per square foot
REIT	Real estate investment trust
ROIC	Return on invested capital
SGS	Singapore government securities
S-REITs	Singapore REITs
WACC	Weighted average cost of capital
WADE	Weighted average debt expiry
WALE	Weighted average lease expiry

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