Asian Credit Daily

24 April 2024

Market Commentary:

- The SGD SORA curve traded lower yesterday, with short tenors trading 1-3bps lower, belly tenors trading 3-4bps lower and 10Y trading 5bps lower.

- Flows in SGD corporates were heavy, with flows in UBS 5.75%-PERP, HSBC 4.75% '34s, BPCEGP 5% '34s, GESP 3.928% '39s, SINTEC 4.2%-PERP, BNP 4.75% '34s, HSBC 5.3% '33s, CAPLSP 3.65%-PERP.

- Per Bloomberg, borrowing costs for China's local government financing vehicles (LGFV) have fallen to a record low as investors have gained confidence that authorities will bail out operations that run into trouble. The sentiment shift has been so swift that some LGFVs have seen their borrowing costs effectively halve in just over six months.

- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 82bps while Asia USD High Yield spreads widened by 5bps to 615bps. (Bloomberg, OCBC)

Credit Summary:

- **OUE Real Estate Investment Trust ("OUEREIT"):** OUEREIT has successfully obtained an unsecured sustainability-linked loan ("SLL") totalling SGD600mn.

- **First Real Estate Investment Trust ("FIRT"):** FIRT reported its 1Q2024 business update. Overall results remained stable q/q with marginally weaker credit metrics.

- **CapitaLand Ascott Trust ("ART"):** ART announced their 1Q2024 business updates where operational updates and some key financial highlights were provided. Overall disclosure show stronger operating performance.

- **Mapletree Pan Asia Commercial Trust ("MPACT"):** MPACT reported its fourth quarter results for the financial year ended 31 March 2024 ("4QFY2024") which show higher contribution from Singapore but dragged by overseas assets.

- **CapitaLand China Trust ("CLCT"):** CLCT reported 1Q2024 business update, with divergence in performance between retail and new economy assets.

Key Market Movements

	24-Apr	1W chg (bps)	1M chg (bps)		24-Apr	1W chg	1M chg
iTraxx Asiax IG	113	-2	10	**Brent Crude Spot ($/bbl)**	88.3	1.2%	3.4%
				Gold Spot ($/oz)	2,319	-1.8%	6.8%
iTraxx Japan	54	1	8	**CRB Commodity Index**	298	0.2%	4.1%
iTraxx Australia	75	3	9	**S&P Commodity Index - GSCI**	594	1.1%	3.4%
CDX NA IG	53	-5	0	**VIX**	15.7	-14.7%	20.1%
CDX NA HY	106	1	-1	**US10Y Yield**	4.62%	3bp	42bp
iTraxx Eur Main	56	-6	1				
iTraxx Eur XO	313	-28	16	**AUD/USD**	0.652	1.3%	-0.3%
iTraxx Eur Snr Fin	64	-6	-1	**EUR/USD**	1.071	0.3%	-1.2%
iTraxx Eur Sub Fin	112	-15	-4	**USD/SGD**	1.360	0.1%	-1.0%
				AUD/SGD	0.887	-1.3%	-0.7%
USD Swap Spread 10Y	-37	1	-6	**ASX200**	7,703	1.3%	-0.9%
USD Swap Spread 30Y	-76	0	-8	**DJIA**	38,504	1.9%	-2.5%
				SPX	5,071	0.4%	-3.1%
China 5Y CDS	70	-2	-1	**MSCI Asiax**	641	0.9%	-1.8%
Malaysia 5Y CDS	48	0	6	**HSI**	17,057	5.0%	3.4%
Indonesia 5Y CDS	78	-1	6	**STI**	3,294	4.4%	2.4%
Thailand 5Y CDS	46	0	2	**KLCI**	1,567	1.7%	1.6%
Australia 5Y CDS	15	0	-1	**JCI**	7,170	0.5%	-2.5%
				EU Stoxx 50	5,008	1.9%	-0.5%

Source: Bloomberg

Credit Headlines:

OUE Real Estate Investment Trust ("OUEREIT")

- OUEREIT has **successfully obtained an unsecured sustainability-linked loan ("SLL") totalling SGD600mn**. This SLL was well received and 2.0 times oversubscribed to initial size of SLL (before greenshoe: SGD540mn).
- This new SLL (unsecured in rank) will be used to refinance a secured loan due in 2025.
- Post this new SLL:
  - The proportion of unsecured debt will significantly increase to 86.7% (from 69.5%).
  - There will be SGD389mn (16.8% of total debt) and SGD908mn (42.2%) debt maturing in 2025 and 2026.
  - The average term of debt as of 31 December 2023 will lengthen to 3.1 years from 2.4 years.
- This SLL marks OUEREIT's first SSL tied to its recalibrated sustainability performance targets announced on 29 Feb 2024. These new targets replace its previous goal, which was based on energy intensity, with a more ambitious aim of achieving a 40% reduction in absolute greenhouse gas emissions for its commercial properties from the level in FY2023.
- As previously mentioned in our commentary, we are not overly concerned over the high debt maturing in 2025 (16.8% of total debt after this SLL) and 2026 (42.2%) given OUEREIT's strong asset quality (92.5% assets in Singapore) and investment grade credit rating. Moreover, USD bond is now also an additional option given the investment grade rating. Also, OUEREIT mentioned that they may reduce unitholders distribution to retain capital given the expensive debt costs. (Company, OCBC)

First Real Estate Investment Trust ("FIRT")

- FIRT reported its 1Q2024 business update. **Overall results remained stable q/q with marginally weaker credit metrics.**
- **Stable NPI, impacted by weak IDR:** 1Q2024 net property income ("NPI") without rental straight-lining (more reflective of actual results particularly for FIRT with long WALE of 11.3Y and annual rent escalation) fell 0.1% y/y to SGD22.1mn, affected by stronger SGD against IDR (1Q2024 average IDR depreciated 2.4% y/y against SGD) while offset by high rental income from assets in Indonesia and Singapore.
- **Revenue benefited from annual rent escalation:** On a local currency basis, revenue contributed from:
  - Indonesia grew 4.5% y/y (4.5% annual base rent escalation clause).
  - Singapore grew 2.0% y/y (2.0% annual base rent escalation clause).
  - Japan remained unchanged y/y.
- **Credit metrics weakened slightly q/q:**
  - Reported adjusted interest coverage ratio weakened slightly q/q to 3.7x in 1Q2024 (2023: 3.9x).
  - Interest costs remained unchanged q/q at 5.0%.
  - Aggregate leverage increased slightly q/q to 38.8% (38.7%).
- 1Q2024 revenue contribution from:
  - PT Siloam International Hospitals Tbk ("SILOAM") increased q/q to 39.9% (from 38.7%).
  - PT Lippo Karawaci Tbk and subsidiaries ("LPKR") decreased q/q to 34.4% (from 34.9%).
  - PT Metropolis Propertindo Utama and subsidiaries ("MPU") increased q/q to 6.1% (from 5.8%).
- Our concerns on FIRT remain on the **high revenue concentration risks particularly from LPKR and MPU:** SILOAM (39.9%), LPKR (34.4%) and MPU (6.1%) collectively contributed 80.4% of FIRT's total rental income in 1Q2024. We believe the risks are somewhat concerning particularly from LPKR and MPU given that (1) LPKR has high refinancing needs amidst looming debt maturity risks despite somewhat improved financial performance in 2023 with marginal underlying net profit after tax (turnaround from losses during 2018 – 2022), (2) MPU is owing SGD5.2mn as at 31 March 2024 though MPU is divesting assets in order to pay back the outstanding rents. That said, SILOAM has been performing strongly as evidenced from the substantially improved earnings and revenue. (Company, OCBC)

CapitaLand Ascott Trust ("ART")

- **Stronger operating performance:** ART announced their 1Q2024 business updates where operational updates and some key financial highlights were provided. 1Q2024 reported gross profit had increased by 15% y/y. While the exact reported gross profit number was not provided, per ART the increase was driven by stronger operating performance and contributions from new properties. On a same-store basis, excluding acquisitions and divestments between 1Q2023 and 1Q2024, reported gross profit was 7% higher y/y, driven by stronger operating performance. In 1Q2024, ART bought one rental housing property in Fukuoka, Japan and divested five properties (one in Sydney, Australia, three in Osaka, Japan and one in Singapore). ART expects Revenue per Available Unit ("RevPAU") growth to moderate after a strong rebound in 2023, primarily driven by occupancy as average daily rates stabilises.
- **Higher contribution from stable income:** In 1Q2024, 64% of reported gross profit was from stable income (aggregate of longer-stay properties and master leases as well as management contracts with minimum guaranteed income) while 36% of reported gross profit was in growth income (management contracts of serviced residences and hotels). In 2H2023, 54% of reported gross profit was from stable income while 46% was from growth income. ART continues to aim for longer-stay accommodation to 25-30% in the medium term. As at 31 December 2023, 17% of ART's portfolio value comprise of longer-stay accommodation.
- **Reported interest coverage ratio crimped:** As at 31 March 2024, reported aggregate leverage (not including perpetual as debt) was 37.7%, slightly lower than the 37.9% as at 31 December 2023. Per ART, it expects its reported aggregate leverage to remain below 40%. Reported interest coverage ratio (does not take into account of perpetual distribution) for the 12 months to 31 March 2024 was 3.7x, lower than the 4.0x for the 12 months to 31 December 2023. ART's average cost of debt was higher at 3.0% p.a as at 31 March 2024 (31 December 2023: 2.4%) which per ART was due to higher proportion of GBP and EUR debt in relation to new acquisitions. ART has two perpetual outstanding. Assuming ART pays out its perpetual distributions, this is ~SGD13.5mn per year, which means that ART's Adjusted Interest Coverage ratio that takes into account perpetual distribution will be lower (undisclosed in the 1Q2024 business update)
- **Highly manageable short term refinancing risk:** As at 31 March 2024, ART only faces SGD350mn of debt due in 2024 (representing 12% of total debt). 2025 is also a low maturity year with only SGD299mn of total debt coming due. ART's cash balance was SGD474mn while it has committed credit facilities of ~SGD351mn. We see short term refinancing risk as highly manageable. Debt has been fixed at a high proportion of 82% as at 31 March 2024, at similar levels to end-2023. (Company, OCBC)

Mapletree Pan Asia Commercial Trust ("MPACT")

- MPACT reported its fourth quarter results for the financial year ended 31 March 2024 ("4QFY2024") which show higher contribution from Singapore but dragged by overseas assets.
- **Stable y/y overall top line despite overseas assets being a drag**
    - MPACT's gross revenue and net property income ("NPI") increased by 2.6% y/y and 3.2% y/y to SGD239.2mn and SGD183.1mn respectively in 4QFY2024. The increase was driven by higher contribution from properties in Singapore, partly offset by decline in contribution in MPACT's overseas portfolio. In July 2022, MPACT completed the combination with Mapletree North Asia Commercial Trust ("MNACT") and the y/y comparison is against the full quarter contribution of the MNACT portfolio in the previous year.
    - Aggregating NPI with the contribution from MPACT's 50%-owned The Pinnacle Gangnam ("TPG") ("Adjusted NPI"), MPACT saw 4QFY2024's Adjusted NPI at SGD185.4mn, increasing by 3.2% y/y. Notably, Adjusted NPI for the China Properties fell by 6.0% y/y while Japan Properties fell 4.3% y/y. VivoCity and Other Singapore Properties grew by 6.2% y/y and 5.5% y/y respectively.
    - Overall, MPACT's portfolio reported a rental reversion of +2.9%, with properties in the Singapore market uplifting the negative rental reversion in the overseas portfolio (-8.7% at Festival Walk in

    - HKSAR, -2.7% for China Properties and -1.9% for Japan Properties). That said, TPG in Seoul, South Korea saw a +39.0% in rental reversion.
    - Overall committed portfolio occupancy was 96.1% as at 31 March 2023, slightly lower versus the 96.7% as at 31 December 2023.
- **Reported aggregate leverage on the higher side for a high-grade REIT:**
    - As at 31 March 2024, MPACT's reported aggregate leverage (excluding perpetuals) was 40.5% (31 December 2023: 40.8%). Additionally, there is SGD250mn of perpetual outstanding, issued at the MNACT-level.
    - Reported adjusted interest coverage ratio (including perpetual distribution was 2.9x for the 12 months to 31 March 2024, lower than the 3.0x for the 12 months to 31 December 2023. Weighted average all-in cost of debt as at 31 March 2024 was 3.35% against 3.33% as at 31 December 2023 and 2.68% a year before.
    - MPACT's proportion of fixed rate debt has fallen to 77.1% as at 31 March 2024 from a very high 85.0% as at 31 December 2023.
- **Short term refinancing risk has fallen**
    - As at 31 March 2024, MPACT faces ~SGD1.0bn of debt due in FY2025 (representing 15% of total debt). As at 31 December 2023, MPACT faced ~SGD1.5bn of debt due in FY2025 (representing 21% of total debt). MPACT has cash and bank balances of SGD157.2mn as at 31 March 2024 and a higher undrawn committed facilities of ~SGD1.3bn that can be used towards refinancing. MPACT has been swapping swap more of its HKD debt into CNH to capitalise on interest rate differentials. As at 31 March 2024, MPACT's CNH-debt was 7% of total debt versus 0.3% a year ago. (Company, OCBC)

CapitaLand China Trust ("CLCT")

- CLCT reported 1Q2024 business update, with divergence in performance between retail and new economy assets.
- **Top-line dragged by new economy:** In RMB terms, revenue fell 1.6% y/y to RMB468.1mn, while overall net property income ("NPI") fell 7.7% y/y to RMB313.1mn. This was due to decline in new economy segment which saw revenue and NPI fall by 6.6% and 22.1% to RMB133.6mn and RMB93.0mn respectively, with lower contributions from logistics parks and absence of one-off property tax refund from business parks. With 4.7% y/y depreciation of RMB to SGD, overall NPI fell 11.8% y/y in SGD terms.
- **Retail posting decent results:** Despite the loss of income from the divestment of CapitaMall Shuangjing (completed in 1Q2024) and CapitaMall Qibao which ceased operations since March 2023, in RMB terms retail revenue and NPI were flattish y/y, at RMB334.5mn and RMB220.1mn respectively. Excluding CapitaMall Shuangjing and CapitaMall Qibao, retail gross revenue would have increased 5.7% y/y.
- **Good performance supported by key malls though occupancy fell somewhat:** NPI increased 9.5% y/y for the top five malls, which are CapitaMall Xizhimen, Rock Square, CapitaMall Wangjing, CapitaMall Xuefu and CapitaMall Grand Canyon. However, occupancy for the portfolio fell q/q to 97.7% (31 December 2023: 98.2%)
- **Positive rental reversion, tenant sales still rising, surpassing pre-COVID levels:** Tenant sales rose 12.6% y/y, surpassing pre-COVID levels (+3.2% vs 1Q2019). Tenant sales rose 9.0% y/y at Beijing Malls (non-Beijing Malls: +15.2%). Chinese New Year was a key festive period driving tenant sales, with the week seeing 19.0% increase in tenant sales compared to the previous year's Chinese New Year week. According to CLCT, majority of malls recorded positive rental reversion, though the exact figure was not disclosed.
- **Key segments performed well, shifts in retail mix from Supermarkets to F&B:** Key trade categories performed well, including Food & Beverages (+17.5%) due to active reconstitutions and increase in F&B tenants, Services (+58.6%) due to electric vehicle sales, Leisure and Entertainment (+12.6%) and Supermarket (+14.2%). By gross rental income, the proportion contribution from F&B increased to 26.2% of the total (from 23.1% as at 31 March 2023) with specialty F&B tenants introduced to attract footfall. Services increased to 4.7% (from 4.0%) to capture rising demand from EV tenants, electronics increased to 5.9% (from 5.7%) while

ICT increased to 3.0% (from 2.4%), in-line with technology growth. This is balanced by declines in Supermarket to 2.8% (from 4.1%) to transform anchor spaces into higher yielding areas.

- **Sustainable retail performance:** Occupancy cost was between high teens to low 20%, which looks sustainable, while retention rate was healthy with 60.9% of leases renewed. We think this provides room for rents to increase, especially if tenant sales continue to improve.
- **Small decline in business park:** Occupancy fell 0.8 ppts q/q to 90.2%, impacted by Singapore-Hangzhou Science Technopark properties which faces a decline in occupancy in the local market due to softer leasing demand arising from technology and corporate layoffs and new supply. In the key business park markets of Suzhou and Hangzhou, new supply were added, pressuring market occupancy in the area.
- **Significant decline in Logistics Park:** Logistics Park occupancy fell significantly q/q to 67.6% (4Q2024: 82.0%), with business closures at Fengxian Logistics Park.
- **Mixed outlook ahead:** The retail portfolio is positioned to ride the growth of China's domestic consumption, while CLCT is looking to divest mature and non-core retail assets. For the Business Park segment, while the current business climate remains cautious, CLCT has executed +4.3% rental reversion in 1Q2024 for Ascendas Xinsu portfolio. Logistics Park may continue to struggle, with higher vacancy rates and lower rents expected in the short term.
- **Credit metrics remains stable:** Aggregate leverage declined 0.7 ppts q/q to 40.8% as divestment proceeds from CapitaMall Shuangjing was used to pare down debt. However, reported interest coverage ratio ("ICR") fell 0.1x q/q to 3.2x and adjusted ICR fell 0.1x q/q to 3.0x, despite average cost of debt falling by 0.1 ppts q/q to 3.47%. (Company, OCBC)

New issues:

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
23 Apr	Yi Bright International Limited (Guarantor: Linyi City Construction Investment Group Co Ltd)	Fixed	USD	100	2Y	6.8%	7.2% area
23 Apr	CK Hutchison International (24) Limited (Guarantor: CK Hutchison Holdings Limited)	Green, Fixed	USD	1,000	5Y	T+80bps	T+115bps area
23 Apr	CK Hutchison International (24) Limited (Guarantor: CK Hutchison Holdings Limited)	Fixed	USD	1,000	10Y	T+100bps	T+135bps area
23 Apr	Housing & Development Board (HDB)	Green, Fixed	SGD	800	3Y	3.409%	N.A
23 Apr	Hotel Properties Ltd ("HPL")	Fixed	SGD	190	5Y	5.1%	N.A

Mandates:

- There are no Asiadollar mandates for today.

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