Share Prices of These 4 Singapore REITs Are Hitting a Year-Low: Can They Recover?

The tough economic environment has taken a toll on these four REITs. Can investors see a business recovery this year?

By Royston YangApril 3, 20235 Mins Read

Singapore is well-known for being a REIT hub.

Income-seeking investors are spoiled for choice as the local bourse boasts a wide variety of REITs from different property sub-classes such as retail, industrial, commercial, and healthcare.

However, of late, the REIT sector has come under pressure from a combination of high inflation and surging interest rates.

As a result, the unit prices of several REITs have plumbed their 52-week lows.

We comb through the REIT universe to highlight four REITs that recently touched a year low to assess if they can pull off a business and unit price recovery this year.

Elite Commercial REIT (SGX: MXNU)

Elite Commercial REIT is a UK-focused REIT with a portfolio of 155 predominantly freehold commercial properties with a value of around £466.2 million as of 31 December 2022.

The REIT recently touched a 52-week low of £0.40 and is down nearly 37% in the past year.

For 2022, Elite reported a 6.7% year on year rise in revenue to £37.1 million.

However, distributable income fell by 5.8% year on year to £23.1 million while its distribution per unit (DPU) declined 11.4% year on year to £0.0481.

The dip was because of higher interest costs on its borrowings coupled with slightly lower occupancy from vacancies at two properties.

It didn't help that the British Pound has also depreciated by 7.3% against the Singapore Dollar (SGD) in the past year, affecting unitholders who elect to receive the DPU in SGD.

The good news is that the occupancy rate remained high at 97.9% with a long weighted average lease expiry (WALE) of 4.8 years as of 31 December 2022.

Elite's portfolio valuation, however, decreased by 6.8% year on year to £466.2 million.

The REIT's gearing stood at 45.8% with a cost of debt at 4.6%. 69% of its debt was on fixed rates.

Digital Core REIT (SGX: DCRU)

Digital Core REIT, or DCR, is a data centre REIT with a portfolio of 11 data centres worth US$1.58 billion as of 31 December 2022.

The portfolio enjoys a high occupancy rate of 98% and has a WALE of 4.5 years.

In the past year, DCR saw its unit price shrivel by close to 60% after touching its year-low of US$0.40.

The REIT's DPU for 2022 came in at US$0.0398, 4.8% lower than the forecast of US$0.0418 despite a 1.7% year on year rise in revenue to US$107.7 million.

Investors are probably also jittery over the recent troubles involving Silicon Valley Bank and other mid-sized banks in the US.

DCR's manager has confirmed that the REIT has no exposure to these banks.

Elsewhere, **Cyxtera Technologies Inc** (NASDAQ: CYXT), a global colocation and interconnection provider that makes up 22.6% of DCR's annualised rent, saw its corporate credit rating downgraded recently by Moody's.

DCR has clarified that this customer remains current on its rent obligations and has not requested any rent deferments or reductions.

Manulife US REIT (SGX: BTOU)

Manulife US REIT, or MUST, is a US commercial REIT with a portfolio of 12 freehold properties valued at US$1.9 billion as of 31 December 2022.

MUST has seen its units lose two-thirds of their value in the past year while touching an all-time low of US$0.20 recently.

The commercial REIT reported that gross revenue increased by 9.4% year on year to US$202.6 million for 2022.

Net property income (NPI) inched up 3.3% year on year to US$113.2 million but DPU declined by 10.9% year on year to US$0.0475.

In addition, MUST's portfolio valuation also dipped by 10.9% year on year to US$1.9 billion.

The fall in valuation has resulted in the REIT's gearing level rising to 48.8%, prompting its manager to perform a strategy review where it announced that it was in discussion with Mirae Asset Global Investments on a potential transaction.

Keppel Pacific Oak US REIT (SGX: CMOU)

Keppel Pacific Oak US REIT, or KORE, invests in a portfolio of 13 freehold office buildings and business campuses across eight cities in the US.

Its assets under management stood at US$1.42 billion as of 31 December 2022.

KORE's units have lost half their value in the past year and recently touched a 52-week low of US$0.34.

The REIT's gross revenue rose 4.8% year on year to US$148 million in 2022 with NPI inching up 1.9% year on year to US$84.3 million.

However, DPU fell by 8.5% year on year to US$0.058.

There is a worrying trend of higher vacancies in the US, with rates increasing from around 12% pre-pandemic to more than 15% in the third quarter of 2022.

Aggregate leverage for KORE stood at 38.2% as of 31 December 2022 with an all-in cost of debt of 3.2%.

Close to 78% of the commercial REIT's debt is on fixed rates.

Disclosure: Royston Yang owns shares of Digital Core REIT.