

**Market Commentary:**

- The SGD SORA curve traded lower yesterday, with short tenors trading 4-6bps lower, belly tenors trading 6-7bps lower and 10Y trading 6bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, HSBC 4.75% '34s, KITSP 4.3%-PERP, UBS 5.6%-PERP, VRTVEN 3.3% '28s, ARTSP 3.88%-PERP, MAPLSP 3.95%-PERP.
- China has reached RMB10.1bn (USD1.39bn) this year, involving 12 public offerings. Additionally, offshore delinquencies amount to USD11.4bn, which includes 25 USD bonds and 2 HKD notes. Looking ahead, there are two upcoming events to watch: the RMB500mn bond of Guangzhou Times Holding Group Co Ltd due on August 4, and the RMB1bn bond of Shanghai Powerlong Industrial Development Group Co Ltd, which will also mature in August.
- Yesterday, a Hong Kong court adjourned Country Garden Holdings Co.'s ("COGARD") winding up hearing until 20 January 2025. Per a report on Bloomberg quoting legal representatives, COGARD expects key creditors to agree on its restructuring terms by the end of September. The hearing relates to a winding-up petition by creditor Ever Credit Ltd in February 2024 to liquidate COGARD due to non-payments on a term loan facility.
- Bloomberg Asia USD Investment Grade spreads remained flat at 84bps while Bloomberg Asia USD High Yield spreads tightened by 2bps to 484bps. (Bloomberg, OCBC)

**Credit Summary:**

- **Industry Outlook - Industrial Real Estate Investment Trusts:** In 2Q2024, JTC's q/q price index increased by +1.2% for all industrial properties while on a y/y basis, this was up by 3.0%, superseding pre-pandemic levels.
- **CapitaLand China Trust ("CLCT"):** CLCT announced 1H2024 results. While the retail portfolio is performing better, business parks and logistics parks continue to drag down the overall portfolio with net property income falling 4.9% y/y to RMB631.3mn.
- **Keppel Real Estate Investment Trust ("KREIT"):** KREIT reported its first half results for the financial year ending 31 December 2024 ("1H2024").
- **Lippo Malls Indonesia Retail Trust ("LMRT"):** LMRT's 2Q2024 operating metrics remained lukewarm. Though there are little liquidity risks until 2028, we believe LMRT will not resume distribution to perpetual holders in the foreseeable future given that the current cash flow is still insufficient to support the payout.
- **Starhill Global REIT ("SGREIT"):** SGREIT reported 2HFY2024 results for the period ended 30 June 2024. Overall results are stable though with concerns over the potential lease termination of Myer Centre Adelaide.

## Credit Headlines:

### Industry Outlook – Industrial Real Estate Investment Trusts

- In 2Q2024, JTC's q/q price index increased by +1.2% for all industrial properties while on a y/y basis, this was up by 3.0%, superseding pre-pandemic levels.
- The JTC rental index for all industrial properties increased by +1.0% q/q (+6.6% y/y) in 2Q2024. This represents a fifteenth consecutive quarter where industrial rents have increased, albeit at a more moderated growth pace versus the past eight quarters. On a y/y basis, the multiple-user factory and warehouse segments were outperformers, increasing by 7.3% and 6.6% respectively.
- All-industrial vacancy rates were relatively stable q/q at 11.0% in 2Q2024, slightly lower than the 11.3% in 1Q2024.
- In 1H2024, the market only saw 0.2mn sqm of new supply added. As at 30 June 2024, the estimated new supply for the rest of 2024 was 0.8mn sqm. This is significantly lower than the earlier estimate of 2.0 million sqm in new supply for 2024. The lower supply expectations for 2024 points towards continued resiliency in the industrial space market for 2024.
- However, the lack of completions in 2024 suggests that some supply is being pushed into 2025 instead. As at 30 June 2024, the new estimate for 2025 supply is 1.7 million sqm, increasing from earlier estimates of 0.9 million sqm as of end-2023. (JTC, OCBC)

### CapitaLand China Trust (“CLCT”)

- CLCT announced 1H2024 results. **While the retail portfolio is performing better, business parks and logistics parks continue to drag down the overall portfolio** with net property income falling 4.9% y/y to RMB631.3mn. In SGD terms, NPI fell by 8.7% y/y to SGD117.9mn due to the depreciation of RMB against SGD.
- **Retail performing well on like-for-like:** Retail Malls NPI grew 0.3% y/y to RMB442.1mn. Excluding CapitaMall Qibao (which ceased operations from March 2023) and CapitaMall Shuangjing (divested since January 2024), retail NPI would have been up 6.1% y/y. Operating metrics are decent, including:
  - **Occupancy inched up by 0.1 ppts q/q to 97.8%**, with improvements across all malls except CapitaMall Xinnan.
  - **Higher tenant sales (+6.6% y/y)**, surpassing pre-COVID levels by 1.8%. There was stronger growth in non-Beijing Malls (+8.8%) relative to Beijing Malls (+3.5%). The largest improvements are from malls that underwent AEI, including CapitaMall Yuhuating (+20.3% y/y), CapitaMall Grand Canyon (+17.1% y/y) and Rock Square (+8.5% y/y).
  - **Positive rental reversion of 1.2%** for the retail portfolio, with renewed leases (+2.5%) outperforming new leases (-1.0%). 58.6% of the leases were renewed. CLCT has increased the proportion of tenants from the F&B sector to 26.7% as at 30 June 2024 (30 June 2023: 23.5%), noting that the segment has recorded positive reversion and sales across its malls.
  - **Occupancy cost at high teens**, which excludes supermarket. We think this should indicate that rents are at levels which are sustainable.
- **Business Parks performing somewhat weaker:** NPI fell 8.4% y/y to RMB175.3mn, primarily due to the reduction in property tax incentives received by business parks. Occupancy for the segment was at 90.5%, inching up 0.3 ppts q/q. Rental reversion was -3.7%, which may indicate that rents was reduced to attract tenants and support occupancy. CLCT is prioritizing retaining and bringing in new tenants, in response to rising competitive supply.
- **Significant decline in Logistics Park performance:** NPI for the segment fell 55.9% y/y to RMB13.8mn. Rental reversion of -27.2% was recorded, and occupancy for the portfolio was a mere 70.4%. That said, occupancy has been improving. Excluding Shanghai Fengxian Logistics Park which is undergoing an evaluation for repositioning, occupancy increased 1.4ppts q/q to 90.3%. With the new leases signed in July 2024, occupancy should be further increased to over 91%. While Logistics Park performance has been poor, the contribution to the portfolio GRI has fallen to just 2.9% and we think that further impact, if any, should be limited.

- **Repositioning and prioritizing occupancy going forward:** CLCT intends to reposition weaker malls (CapitaMall Xinnan and CapitaMall Aidemengdun) which are smaller malls in the portfolio. In addition, CLCT intends to prioritise occupancy of new economy assets and engage prospective tenants. As such, we think occupancy should continue to improve in 2H2024.
- **Credit metrics remain manageable:** Aggregate leverage remain unchanged q/q at 40.8%, with reported interest coverage ratio remaining unchanged at 3.2x (reported Adjusted interest coverage ratio: remain unchanged q/q at 3.0x). CLCT has refinanced all loans due FY2024. CLCT intends to continue increasing the proportion of RMB denominated loan to 30% by the end of 2024, capitalizing on favourable onshore interest rates to lower overall cost of debt (average cost of debt as at 30 June 2024: 3.49%). (Company, OCBC)

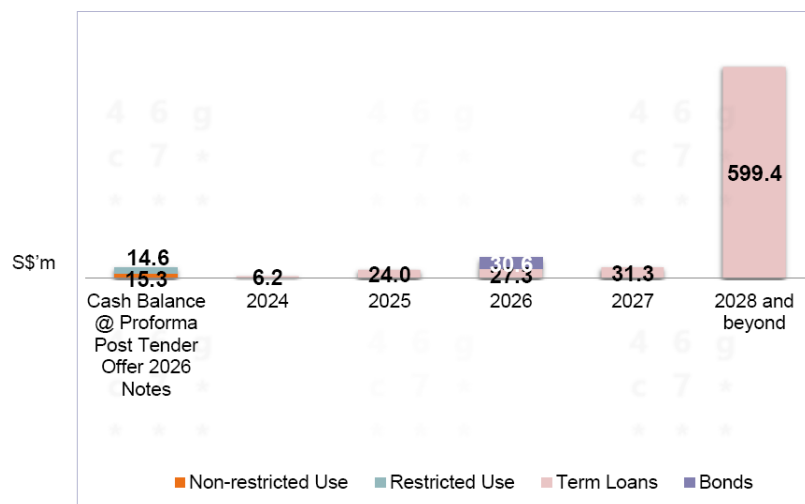
#### Keppel Real Estate Investment Trust (“KREIT”)

- KREIT reported its first half results for the financial year ending 31 December 2024 (“1H2024”). KREIT’s top line improved from higher occupancy of two existing properties as well new properties though its recent acquisition has slightly increased its aggregate leverage.
- **Higher property income y/y:**
  - Property income for 1H2024 was reported at SGD125.1mn, increasing by 8.9% y/y. Property income relates to income from directly held properties including Ocean Financial Centre, Keppel Bay Tower, 50% interest in 8 Exhibition Street office building and 100% interest in the three adjacent retail units, 50% interest in Victoria Police Centre, Pinnacle Office Park, 2 Blue Street, 50% interest in 255 George Street, T Tower and KR Ginza II.
  - The increase in property income was mainly due to higher occupancy of Ocean Financial Centre and KR Ginza II as well as contributions from 2 Blue Street (practical completion in April 2023) and 255 George Street (bought in May 2024).
  - KREIT also owns significant minority stakes in other properties which are equity accounted for. In 1Q2024, share of results of associates and joint ventures was SGD54.9mn (1Q2023: SGD52.2mn) in aggregate. Additionally, KREIT also receives interest income from advances to associates, this was SGD1.6mn in 1Q2024 (1Q2023: SGD2.0mn).
- **Committed occupancy improved:**
  - As at 30 June 2024, overall portfolio committed occupancy was 97.0%, somewhat higher than the 96.4% as at 31 March 2024. Committed occupancy for KREIT’s Singapore portfolio remained high at 98.9% in 2Q2024 while occupancy for both Australia and North Asia improved. The occupancy for Australia improved two percentage points to 93.6% in 2Q2024 versus the previous quarter while the North Asia portfolio saw full occupancy in 2Q2024, rising from 97.9% in 1Q2024.
- **Slight corrosion in credit metrics although within expectations**
  - KREIT’s reported aggregate leverage was 41.3% as at 30 June 2024, increasing from 39.4% as at 31 March 2024. This is within expectations given KREIT’s acquisition of the 50%-interest in 255 George Street which was debt funded. KREIT’s reported adjusted interest coverage ratio (includes perpetual distribution) for the 12 months to 30 June 2024 was 2.8x, somewhat lower than the 2.9x for the 12 months to 31 March 2024. We note that all-in interest rate was 3.31% p.a as at 30 June 2024, increasing from 3.18% p.a as at 31 March 2024.
- **Refinancing done for the year**
  - As at 30 June 2024, KREIT only faces SGD1.0mn of debt due for the rest of 2024. In 2025, KREIT faces SGD902mn of debt due (representing 23% of total debt). Sustainability-focused funding for KREIT (including KREIT’s share of external borrowings accounted for at the level of associates) was 82% of total borrowings. (Company, OCBC)

**Lippo Malls Indonesia Retail Trust (“LMRT”)**

- LMRT’s 2Q2024 operating metrics remained lukewarm. Though there are little liquidity risks until 2028, we believe LMRT will not resume distribution to perpetual holders in the foreseeable future given that the current cash flow is still insufficient to support the payout. Besides, most valuable assets are likely to be pledged for the IDR secured loan facilities and near to aggregate leverage limit of 45%, and we don’t think LMRT will be able to refinance the existing two perpetuals with more secured IDR loans.
- LMRT reported 2Q2024 results. Net property income (“NPI”) fell 9.2% y/y to SGD29.4mn (IDR term: -2.7% y/y). The lower NPI was due to weaker IDR against SGD and lower net reversal for impairment loss on trade receivables y/y.
- As at 30 June 2024, occupancy rate improved q/q to 79.9% (1Q2024: 79.5%, 2Q2023: 81.4%) while shopper traffic weakened q/q to 69.6% (1Q2024: 75.4%) of pre-COVID levels in 2019. On a y/y basis, shopper traffic fell 0.8% y/y to 31.8mn.
- With proceeds from IDR8.5 trillion (~SGD701mn) of IDR loan facilities, LMRT fully repaid its SGD bank loans in early June 2024, fully redeemed its LMRTSP 7.25% ‘24s due in June 2024, and significantly reduced its outstanding LMRTSP 7.5% ‘26s due in February 2026 to USD22.6mn (SGD30.4mn). LMRT’s proforma weighted average maturity of debt increased significantly to 6.94 years as of 29 July 2024 (Dec 2023: 2.75 years).

**Proforma Debt Maturity Profile Post Tender Offer 2026 Notes**



- As at 30 June 2024, LMRT’s leverage ratio rose to 44.96% (Mar 2024: 43.7%), almost breaching the aggregate leverage limit of 45%. Meanwhile, reported T12M adjusted interest coverage ratio weakened to 1.65x (Mar 2024: 1.9x). (Company, OCBC)

**Cash flow is insufficient to resume perpetual distributions**

<u>SGD'000</u>	2Q2024	1Q2024	2023	2022	2021	2020	2019
Cash from operation before changes in working capital	27,547	25,216	105,880	116,379	94,453	57,895	164,082
Income Tax Paid	-5,764	-2,875	-28,804	-29,292	-25,202	-23,913	-39,471
Interest Paid	-15,755	-14,170	-67,771	-56,878	-54,837	-44,601	-37,485
<b>Adjusted Operating Cash Flow</b>	<b>6,028</b>	<b>8,171</b>	<b>9,305</b>	<b>30,209</b>	<b>14,414</b>	<b>-10,619</b>	<b>87,126</b>
Capex	-5,394	-4,595	-15,383	-11,391	-17,801	-12,394	-19,012
<b>Adjusted Free Cash Flow</b>	<b>634</b>	<b>3,576</b>	<b>-6,078</b>	<b>18,818</b>	<b>-3,387</b>	<b>-23,013</b>	<b>68,114</b>
Perpetual Distribution (theoretically if resume)	-4,695	-4,695	-18,780	-18,780	-17,526	-17,769	-17,720
<b>Adjusted Free Cash Flow deduct perpetual distribution (if resume)</b>	<b>-4,061</b>	<b>-1,119</b>	<b>-24,858</b>	<b>38</b>	<b>-20,913</b>	<b>-40,782</b>	<b>50,394</b>

**Starhill Global REIT ("SGREIT")**

- SGREIT reported 2HFY2024 results for the period ended 30 June 2024. **Overall results are stable though with concerns over the potential lease termination of Myer Centre Adelaide.**
- **Better NPI y/y, underpinned by Singapore Properties:** 2HFY2024 NPI increased 1.3% y/y to SGD74.5mn, which was attributed to the properties in (1) Singapore (+3.1% y/y to SGD47.5mn), (2) Australia (+0.5% y/y to SGD12.5mn owing to higher contribution from Myer Centre Adelaide Retail and Perth properties) and (3) Malaysia (-4.6% y/y to SGD13.2mn owing to weaker MYR).
- **Slightly weaker occupancy rates q/q:** As at 30 June 2024, committed portfolio occupancy declined 0.3ppts q/q to 97.7% as occupancy of Singapore Properties fell 0.8ppts to 99.2%, offset by better occupancy of Australia Properties, which rose 0.3ppts q/q to 95.1%.
- **Weaker tenant sales while shopper traffic improved y/y:** At Wisma Atria Property, 2HFY2024 tenant sales fell 2.3% y/y while shopper traffic improved by 10.7% y/y, following the completion of basement interior upgrading works and active tenant remixing to strengthen Wisma Atria's offerings and shopper traffic.
- **Stable credit metrics q/q:** T12M reported adjusted interest coverage ratio remained unchanged q/q at 2.9x while average interest costs fell slightly q/q to 3.80% (Mar 2024: 3.86%). Reported aggregate leverage improved slightly to 36.8% (Mar 2024: 37.2%)
- **Potential concerns though offset by improved vacancy of Adelaide:** Myer Pty Ltd ("MPL"), a wholly owned subsidiary of Myer Holdings Ltd ("MYER", stock ticker: MYR AU), is seeking to terminate the lease agreement of Myer Centre Adelaide (the largest CBD shopping mall in Adelaide). The Myer Lease (annual revenue of ~SGD14.0mn) contributed approximately 7.4% to SGREIT's total portfolio revenue in FY2024. Depending on the outcome of court arbitration, in the worst-case scenario MPL may terminate the tenancy agreement earlier than the actual expiry date of 2032. If so, this should affect the interest coverage ratio of SGREIT. Some relief to the situation was seen as Adelaide's CBD retail market improved 3.9ppts y/y to 8.8% as at 30 June 2024.
- As at 30 June 2024, 63% of SGREIT's portfolio based on net lettable area has attained green certifications, up from 50% as at 30 June 2023. (Company, CBRE, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing	Initial Pricing
29 Jul	PT Sorik Marapi Geothermal Power	Fixed	USD	350	7NC3	7.75%	8% area
29 Jul	Industrial & Commercial Bank of China Ltd. of Doha	Fixed	USD	100	3Y	4.4%	NA
29 Jul	Keppel Infrastructure Fund Management Pte Ltd	Fixed	SGD	200	PerpNC 10	4.9%	5.15% area
29 Jul	CapitalLand Ascott Trust	Subordinated, Fixed	SGD	150	PerpNC 5.5	4.6%	4.9% area

**Mandates:**

- There were no new Asiadollar mandates yesterday.

**Key Market Movements**

	30-Jul	1W chg (bps)	1M chg (bps)		30-Jul	1W chg	1M chg
iTraxx Asiax IG	96	0	-2	Brent Crude Spot (\$/bbl)	79.6	-1.7%	-7.9%
				Gold Spot (\$/oz)	2,379	-1.3%	2.0%
iTraxx Japan	53	2	0	CRB Commodity Index	275	-2.9%	-5.3%
iTraxx Australia	66	2	-3	S&P Commodity Index - GSCI	543	-2.5%	-6.1%
CDX NA IG	51	2	-1	VIX	16.6	11.3%	33.4%
CDX NA HY	107	0	0	US10Y Yield	4.18%	-7bp	-22bp
iTraxx Eur Main	54	1	-4				
iTraxx Eur XO	296	4	-14	AUD/USD	0.654	-1.1%	-1.8%
iTraxx Eur Snr Fin	62	2	-5	EUR/USD	1.082	-0.4%	0.7%
iTraxx Eur Sub Fin	110	2	-10	USD/SGD	1.344	0.1%	1.0%
				AUD/SGD	0.879	1.3%	2.9%
USD Swap Spread 10Y	-44	0	-9	ASX200	7,923	-0.6%	2.0%
USD Swap Spread 30Y	-81	-1	-7	DJIA	40,540	0.3%	3.6%
				SPX	5,464	-1.8%	0.1%
China 5Y CDS	64	0	-1	MSCI Asiax	689	-0.8%	-1.1%
Malaysia 5Y CDS	43	-1	-2	HSI	17,194	-1.6%	-3.0%
Indonesia 5Y CDS	74	-1	-4	STI	3,444	-0.5%	3.3%
Thailand 5Y CDS	41	-1	-4	KLCI	1,628	-0.1%	2.4%
Australia 5Y CDS	13	1	0	JCI	7,289	-0.5%	3.2%
				EU Stoxx 50	4,815	-1.7%	-1.6%

Source: Bloomberg

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