



Today's Theme



Asia

Asian REIT Market Outlook

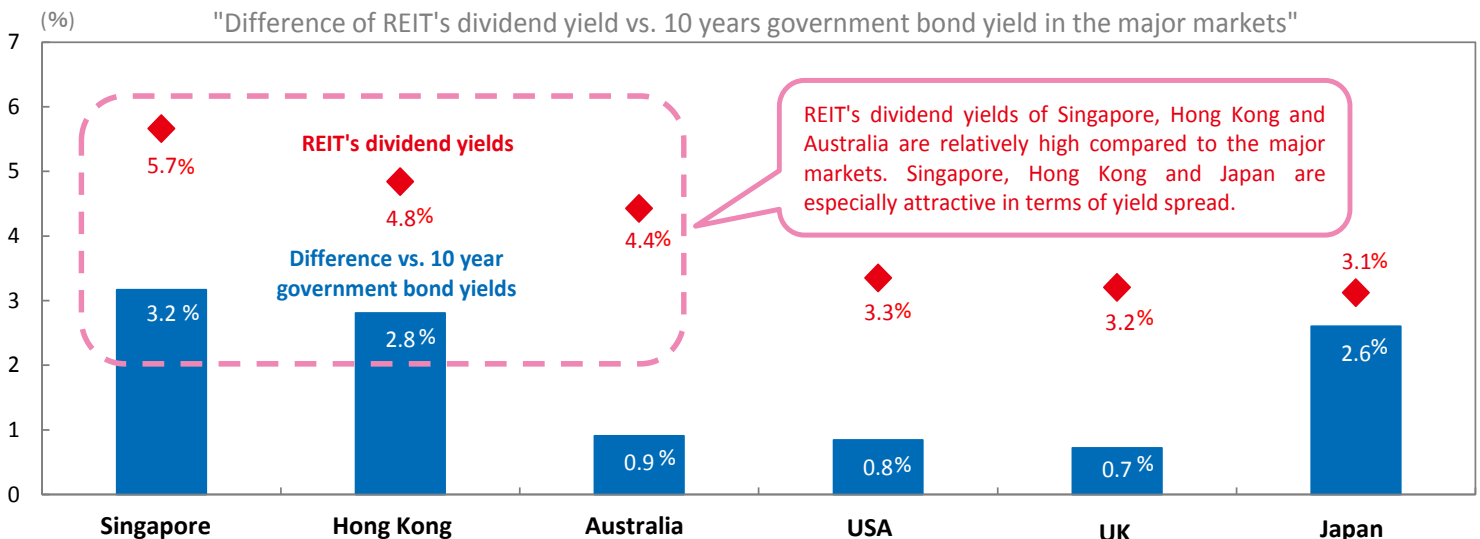
Q Are Asian REITs Expensive?

A **NO.** Their dividend yields are attractive by themselves and also in terms of yield spreads over government bond yields. The Asian REITs' relatively high dividend yields will be sustainable with dividend increase on the growth of Asian property markets.

- The dividend yields of the Asian REITs are relatively high compared to the other major markets. Singapore has 5.7% and Hong Kong has 4.8% yield, respectively, as of September 25. Also, Australian REITs have relatively high yield of 4.4%.
- The difference in yield between REITs and 10 year government bonds is 3.2% in Singapore and

2.8% in Hong Kong, respectively, both of which are larger (=priced undervalued) than other major markets except Japan with 2.6% yield spread.

- We expect the high dividend yield will continue as dividend increase of Asia-Pacific REITs is expected with earnings growth supported by the high economic growth rate in Asia.



(Note) 1. Data is based on the closing price of Sep. 25, 2014.

2. Difference vs. 10 year government bond yield: REIT's dividend yield of each country – 10 year government bond yield of each country.

(Source) SMAM, based on Bloomberg L.P. data.

Outlook High dividend yields are expected to continue with property market growth

- Each market in Asia is unique. Singapore REITs are featured by a diversified sector composition such as office building, industrial and commercial (retail), while in Hong Kong, the commercial (retail) sector accounts for about 85% of HK REITs.
- The Singapore REIT market is expected to grow as the occupancy ratio and rents of office buildings are recovering. And, the Hong Kong REIT market

is expected to keep a firm tone as the commercial (retail) property sector is sound.

- The relative advantage in high dividend yields of Asian REITs are expected to continue supported by the high economic growth rate in Asia due to the increase in the middle income class and working-age population as well as the urbanisation through the population concentration in big cities.

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