

MITA No. 014/06/2008

29 April 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1808.4	-10.2	-0.6
Catalist	74.1	-0.8	-1.1
Finance	429.1	-2.4	-0.5
Property	359.9	-3.1	-0.8
Electronics	385.3	1.9	0.5
Vol (m)	1395.4	-374.8	-21.2
Val (S\$m)	1029.7	-140.9	-12.0

World Indices			
	Close	Chg	% Chg
Dow Jones	8017.0	-8.1	-0.1
Nasdaq	1673.8	-5.6	-0.3
S&P500	855.2	-2.4	-0.3
FTSE	4096.4	-70.6	-1.7
KLCI	965.7	-14.4	-1.5
Hang Seng	14555.1	-285.3	-1.9
Nikkei	8493.8	-232.6	-2.7
SET	472.7	-2.3	-0.5
KOSPI	1300.2	-39.6	-3.0
TWSE	5596.7	-108.3	-1.9

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		173	
No. of losers		324	
No. of unchanged		170	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	96.5	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	49.2	-0.7

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Key Idea

Suntec REIT: FY09 refinancing clouds clear

Suntec REIT recorded a 2.3% QoQ and 16% YoY increase in 1Q09 revenue to S\$64.9m. Unitholders get 2.918 S cents for the quarter (up 2% QoQ and 15.9% YoY). Results were better than expected. 3.7% of Suntec City office lies vacant, up from 1.8% a quarter ago. We note the margin of safety between achieved rents (down 11% QoQ) and average rents on expiring leases (up 25%) has narrowed quite dramatically - but is still adequate, in our opinion.

Suntec has secured a S\$825m term loan facility to refinance the S\$125m in MTN and S\$700 in CMBS loans maturing this year. The cost of debt is significantly higher, but a fair reflection of the current lending environment, in our view. This announcement takes care of one "elephant in the room" but it does not change our view on Suntec's potential need for an equity issue. Suntec is up 31% since our last report in March. We still see some room on the upside, with current price levels 21% below our fair value, along with a 14% FY09F yield (35% total return). Maintain **BUY** with S\$0.80 fair value.

News Headlines

- Latest figures show that Singapore's bankruptcy petitions and orders in 1Q09 were little changed from 1Q08.
- According to the IATA, international air traffic fell 11.1% YoY in March, extending a slide that began in 2H08, with Asia-Pacific carriers leading the decline.
- IndoAgri reported a 30% YoY fall in revenue to S\$261m, while attributable net profit fell 55% to S\$31m for 1Q09.
- Allgreen properties posted a 67.5% YoY rise in 1Q09 net profit to S\$29.2m despite lower turnover.
- Ascendas India Trust said distributable income for 4Q09 rose 26% YoY to S\$15.6m.
- Raffles Education has confirmed its intention to establish a Raffles University College in Perth, Western Australia.
- Goldtron expects to report a net loss for 2H09, due to reasons such as work stoppages and strike action.
- Sihuan Pharmaceutical Holdings posted a 15% YoY growth in net profit to RMB61m for 1Q09 as sales rose 33% to RMB143.3m.
- China Farm Equipment posted a 52.9% YoY fall in 1Q09 net profit to RMB2.2m while revenue dipped 8.3% to RMB56.6m.
- Jackspeed Corporation reported a net loss of S\$8.7m for 1Q09 compared to a profit of S\$2.7m in 1Q08. Revenue fell 24% YoY to S\$35m.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

Suntec REIT: FY09 refinancing clouds clear

DPU up 2% QoQ. Suntec REIT recorded a 2.3% QoQ and 16% YoY increase in 1Q09 revenue to S\$64.9m. Unitholders get 2.918 S cents for the quarter (up 2% QoQ and 15.9% YoY). Results were better than expected, with Suntec's gross revenue and distributable income outperforming our 1Q estimates by about 4-7%.

Rents down but still incremental. An overhang of supply and uncertainty of demand are key concerns for the office sector. 3.7% of Suntec City office lies vacant, up from 1.8% a quarter ago. We understand that a couple of tenants are only renewing part of previously occupied space. The manager said maintaining occupancy above the 90% level is a key priority. Some 527k sf of office leases are up for renewal in FY09, with an average rent of S\$5.33 psf pm. The manager has already renewed more than half of these, at around S\$9.96 psf pm on average. The remaining 237.6k sf of office space expiring this year is currently earning an average rent of S\$6.64 psf pm - we note the margin of safety between achieved rents (down 11% QoQ) and average rents on expiring leases (up 25%) has narrowed quite dramatically - but is still adequate, in our opinion.

S\$825m facility in place. Suntec has secured a S\$825m term loan facility to refinance the S\$125m in MTN and S\$700 in CMBS loans maturing this year. The deal, a seven-bank club loan facility, is structured as a S\$725m 3-year loan and a S\$100m 7-year fixed rate loan. The manager said the facility costs a blended all-in interest margin of less than 375 bps over the base rate (versus an all-in financing cost of 3.02% in 1Q09). The cost of debt is significantly higher, but a fair reflection of the current lending environment, in our view. This announcement clears one "elephant in the room" but it does not change our view on Suntec's potential need for an equity issue to address falling capital values.

We still see some value. Our SOTP value for Suntec is S\$0.91, down 4% from S\$0.95 due to minor adjustments. Our fair value estimate is unchanged at S\$0.80, a 12% discount to our SOTP value. This incorporates our assumption of a S\$500m equity issue at the S\$0.60 level. Suntec is up 31% since our last report in March. We still see some room on the upside, with current price levels 21% below our fair value, along with a 14% FY09F yield (35% total return). Maintain **BUY**. (*Meenal Kumar*)

Monday	Tuesday	Wednesday	Thursday	Friday
27-Apr	28-Apr	29-Apr	30-Apr	01-May
China XLX 1Q09 Cambridge Ind Trust 1Q09 Starhill Global REIT 1Q09	Suntec REIT 1Q09 Ascendas India Trust 4Q09 Allgreen Properties 1Q09	Indofood 1Q09 MCL Land 1Q09 Elec & Eltek 1Q09	Venture/CCT/Spore Post/CDL Hosp 1Q09 SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Unemployment Rate	
04-May	05-May	06-May	07-May	08-May
	Noble/STE 1Q09 GE 1Q09 RLS 3Q09	OCBC 1Q09 UOB 1Q09 Ausgroup 3Q09 (est)	StarHub 1Q09 Sino Env 1Q09 (est)	Koda 3Q09 (est) DBS 1Q09 SMM 1Q09
11-May	12-May	13-May	14-May	15-May
CDL 1Q09/SATS FY09 SIA EC 4Q09 China Apr PPI/China Apr CPI	Food Empire/NOL/Pan Utd 1Q09 SP Ausnet FY09 China Apr Trade Bal	Midas/Rotary/Wilmar 1Q09 MIIF 1Q09 China Apr Retail Sales China Apr Ind Production	SIA FY09 Olam 3Q09 Foreland 1Q09	SIA 4Q09 SG Mar Retail Sales
18-May	19-May	20-May	21-May	22-May
SG Apr NODX SG Apr Electronic Exports				
25-May	26-May	27-May	28-May	29-May
SG Apr CPI	SG Apr Indust Production	CitySpring 4Q09 (est) Willas Array FY09	Tat Hong 4Q09	SG Apr Money Supply SG Apr Bank Loans & Advances

Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday
 All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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