

Centurion Accommodation REIT (SGX: CAREIT)

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Rating: BUY

Last Price: S\$0.880 (IPO)

Target Price: S\$1.050

Upside: 19%

Centurion Accommodation REIT – Sheltering Growth: Unlocking Value in Essential Lodgings



1. Investment Summary

Centurion Accommodation REIT (“CA-REIT”) is a newly listed Singapore REIT focused on **essential accommodation assets** – purpose-built dormitories for workers and student housing – offering investors a rare pure-play exposure to these resilient, cash-generative properties. The initial portfolio comprises 14 properties (five worker accommodation assets in Singapore and nine student accommodation assets across the UK and Australia) with ~24,000 beds, boasting occupancy near 97%. We initiate coverage with a **BUY** rating and S\$1.05 target price, as CA-REIT provides an attractive combination of **high yield (7.5–8.1% forecast DPU yield) and visible growth** underpinned by strong demand fundamentals and a conservative balance sheet.

The IPO valued CA-REIT at ~S\$1.51 billion market cap, making it one of Singapore’s largest listings this year. At the IPO price of S\$0.88, the REIT offers **FY2026F–2027F yields of 7.5–8.1%**, well above the sector average, supported by **100% payout** of distributable income through 2027. The initial leverage is only ~20.9%, providing ample debt headroom to pursue acquisitions (e.g. a pipeline Australian student asset post-listing) and deliver growth. We see **at least 15–20% total return potential** over the next year from a combination of yield and capital appreciation as the market re-rates this unique REIT. Key catalysts include accretive asset injections from the sponsor’s pipeline and continued high occupancy driving earnings, while key risks (regulatory changes, sector cyclicality, FX and interest rates) appear manageable. Overall, **CA-REIT is well-positioned to “shelter growth” for investors with its defensive cash flows and expansion runway**, justifying our BUY call and S\$1.05 TP.

2. Key Metrics & Valuation Snapshot

Metric	Value
Last Price (IPO)	S\$0.88
Target Price	S\$1.05 (RNAV & yield-blend valuation)
Implied Upside	+19%
Rating	BUY
Market Cap (Post-IPO)	~S\$1.51 billion
FY2026F DPU Yield	~7.47%
FY2027F DPU Yield	~8.11%
FY2026F P/E	~13.4x (based on distributable EPS, not TP)
FY2026F P/B	~1.05x (NAV/unit ~S\$0.84)
FY2026F EV/EBITDA	~12.5x (est.)
FY2026F ROE (distributable)	~8% (100% payout)
Occupancy (PBWA/PBSA)	~96.9% / 96.8%
Aggregate Leverage (IPO)	~20.9% (post-Acquisition: ~31%)

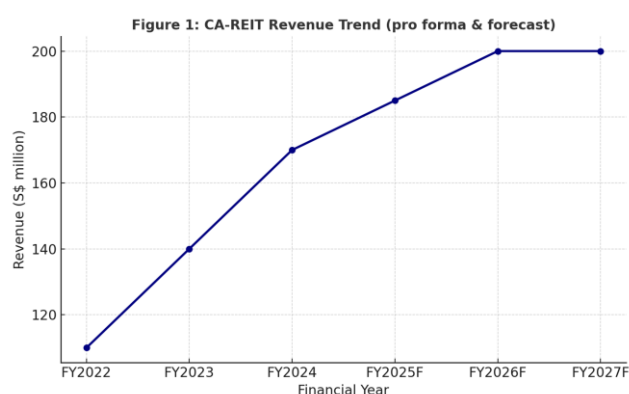


Figure 1: CA-REIT Revenue Trend (pro forma & forecast). The initial portfolio's revenue rebounded strongly by ~23.7% CAGR over FY2022–2024 as post-pandemic demand recovery and new capacity drove top-line growth. Going forward, we project revenue to continue rising steadily, reaching an estimated ~S\$200 million by FY2026–2027 (with the inclusion of a new Australian PBSA asset in 2026). High occupancies and periodic bed rental rate adjustments underpin the sustained growth trajectory.

Thematic Thesis: CA-REIT is unlocking value from Centurion Corp's lodging portfolio, converting a previously undervalued, illiquid asset base into a high-yielding, growth-ready REIT platform. Robust rental demand for quality worker dormitories and student housing provides stable 90+% occupancies

and organic rental uplifts, while a low-g geared balance sheet and sponsor support supply ample fuel for acquisitions. In our view, CA-REIT offers “shelter” in the form of defensive cashflows (essential housing is non-discretionary) and “growth” via asset enhancement and pipeline injections, all at an attractive entry yield.

3. Results Highlights – Stable Cashflows & Ramp-Up Potential

Resilient Earnings Base: The IPO portfolio assets generated robust cashflows through the cycle. In FY2024 (pro forma), we estimate revenue of ~S\$170–180 million and net property income (NPI) margins ~70%, reflecting the high operating efficiency of the dormitory and PBSA assets. Portfolio occupancy stands at ~97%, indicating essentially full utilization of available beds. Even during 1H2025, as properties were being prepared for injection, core accommodation operations saw healthy growth – **Centurion’s underlying net profit (ex-fair value gains) rose ~22% y-o-y in 1H2025** – highlighting resilient demand and improved operating metrics. While reported earnings for 1H2025 fell 38% due to a smaller revaluation gain vs 1H2024, the **valuation uplift in 2025 confirms a surge in property values** post-pandemic. The **initial portfolio was independently appraised at ~S\$1.84 billion** (as of April 2025) and transacted into the REIT at a modest ~6.6% premium to book value, reflecting confidence in the assets’ cashflow durability.

Segment Performance: Singapore purpose-built worker accommodation (PBWA) assets contribute roughly 70% of the portfolio value and income, while the UK/Australia purpose-built student accommodation (PBSA) assets contribute ~30%. The PBWA segment enjoys long-term leases with corporates in industries like construction, marine and manufacturing, providing stable bed rentals and ~100% occupancy in most dorms (often with waiting lists). The PBSA segment, comprising 8 student residences in UK cities (e.g. Manchester, Liverpool, Nottingham, Bristol) and 1 in Australia (Adelaide), also boasts ~97% occupancy, supported by chronic student housing undersupply in those locales. Notably, the **UK PBSA assets were 99.9% owned by Centurion** and are now fully injected into CA-REIT, unifying global operations under the REIT. Overall, the initial portfolio’s **FY2022–2024 NPI CAGR was ~29%**, reflecting post-Covid recovery and operational optimizations, and we expect a more moderate growth pace hereafter as the assets operate at steady-state high occupancy.

Embedded Growth Drivers: Despite the mature occupancy, CA-REIT has organic growth levers. Several Singapore dormitories recently underwent asset enhancement and capacity upgrades – e.g. *Westlite Toh Guan* and *Westlite Mandai* are completing redevelopment works to increase bed capacity – which will incrementally boost revenue once fully online by end-2025. The IPO prospectus assumes these “Relevant Westlite Works” are completed by listing, adding ~1,800 beds to the portfolio capacity. In addition, the *Westlite Juniper* dorm is a brand-new 1,912-bed asset with a fresh 50-year lease commencing at listing, contributing a full year of income in 2025/26 versus partial contribution earlier. These organic ramps, combined with contractual rent escalations in some assets, should drive low-to-mid single digit **same-property NOI growth** in the near term.

4. Investment Thesis – Five Reasons to Own CA-REIT

- **Essential Assets with Structural Demand:** CA-REIT's properties cater to fundamental housing needs that are backed by **long-term structural demand drivers**. In Singapore, demand for purpose-built worker accommodation is underpinned by a sustained pipeline of construction, infrastructure and shipyard projects, plus regulatory pushes to house foreign workers in approved dormitories. The government's tightening of dormitory standards post-Covid means older, ad-hoc dorms are phased out, benefiting modern operators like Centurion. As a result, **bed uptake remains robust and largely insensitive to economic swings in the short term** – contractors must house workers regardless of project cycles, and during upcycles the dorms often face excess demand. Likewise, in the student housing segment, universities in the UK and Australia face chronic accommodation shortages for students, a trend exacerbated by growing international student enrolment. CA-REIT's PBSA assets in key university cities consistently run ~97% occupied with waitlists, giving management **pricing power to raise rents** annually in line with or above inflation. The essential-service nature of these assets makes the REIT's cashflows defensive and relatively uncorrelated with retail/office real estate cycles.
- **Attractive 7.5%–8% Yield, with Growth Visibility:** CA-REIT offers a **best-in-class yield** among S-REITs at the IPO price – **7.47% for FY2026F and 8.11% for FY2027F**, based on projected DPUs of 6.57 and 7.14 Singapore cents. This high yield comes **without excessive leverage** (initial gearing ~21%) and is supported by stable operating income rather than financial engineering. Importantly, distributions are expected to grow ~9% from 2026 to 2027 as the REIT completes the acquisition of a new Sydney PBSA property and benefits from full-year contributions (see valuation section). We note that **CA-REIT's yield is significantly higher than the 5–6.5% yields** of large-cap hospitality and retail S-REITs, reflecting both the novelty of its asset class and an IPO discount to ensure a successful listing. Given the REIT's high occupancy and the sponsor's commitment to 100% distribution payout through 2027, we see the DPU forecast as credible. As the market gains confidence in CA-REIT's execution and longevity of income, there is room for **yield compression** (i.e. price upside). Even a modest re-rating to a 7.0% forward yield would imply ~S\$1.00+ unit price (>13% upside). In addition, growth from acquisitions (see below) provides a pathway for medium-term DPU accretion beyond the current forecast horizon.
- **Strong Sponsor Alignment & Pipeline of Assets:** CA-REIT is sponsored by **Centurion Corporation Limited (SGX: OU8)**, a specialist owner-operator of dormitory and accommodation assets across Asia-Pacific and Europe. The sponsor has demonstrated a clear commitment to CA-REIT's success: Centurion Corp is reinvesting a substantial portion of its proceeds from the asset divestment back into the REIT, resulting in a **~45.8% sponsor stake post-IPO**. This sizable holding (subject to a 6-month lock-up, with partial lock for another 6 months) aligns the sponsor's interests firmly with minority unitholders – the sponsor stands to gain mainly via the REIT's unit price appreciation and stable distributions. We view this alignment positively, as it incentivizes prudent management and accretive growth strategies. Moreover, Centurion Corp retains a pipeline of accommodation assets that could be offered to CA-REIT in the future. These include **six PBWA properties in Malaysia** (recently augmented

by a Johor dorm operator acquisition), as well as a few student housing assets in the U.S. and Asia (which are currently not in the REIT due to jurisdictional tax considerations). While CA-REIT's mandate excludes Malaysia at present (likely for tax transparency reasons), this could be revisited in the future or assets could be injected if structures allow. The sponsor's active expansion – e.g. launching a new premium student housing brand “Epiisod” and developing a flagship Sydney property – means **CA-REIT will have Right-of-First-Refusal (ROFR) opportunities** to acquire these new assets once stabilised. In short, the sponsor provides both a **growth pipeline** and seasoned operational expertise (as it continues to manage the properties), bolstering the REIT's growth prospects and governance.

- **Conservative Balance Sheet – Acquisition and AEI Upside:** Unlike many REIT IPOs that start life highly leveraged, CA-REIT has a **conservative gearing of ~20.9% at listing** (one of the lowest among S-REITs). Even after the planned debt-funded purchase of the Sydney *Epiisod Macquarie Park* PBSA (~S\$135 million agreed value) in 2026, pro forma leverage only rises to ~31% – comfortably below the regulatory cap of 50%. This balance sheet strength gives CA-REIT significant **debt headroom of over S\$500 million** for future acquisitions or asset enhancement initiatives (AEIs) before even considering any equity raising. Every 10% of gearing (~S\$180 million in debt capacity) could potentially fund the addition of 1–2 quality assets, offering meaningful DPU accretion given the yield spread. We expect management to focus on yield-accretive acquisitions (likely from the sponsor or third parties in the same sector) that leverage this capacity. Near-term, aside from Macquarie Park (732 beds in Sydney, slated to be completed by Feb 2026), we flag *Westlite Juniper's* unique structure: it sits on a 50-year lease granted at listing by a third-party landowner (Lien Properties), and the REIT has arrangements in place (via letter agreements) to potentially acquire further interests or land stakes if economic. **AEIs** are another avenue – management has highlighted opportunities to increase yield via asset enhancements (adding amenities that raise bed rates, reconfiguring layouts to slightly increase bed count where regulations allow, installing solar panels to cut expenses, etc.). With a low leverage and strong interest coverage (>4.5x), CA-REIT can comfortably debt-fund minor AEIs and still maintain a healthy balance sheet. This financial flexibility is a key advantage, giving the REIT optionality to capitalize on growth opportunities or buffer against interest rate rises.
- **Favorable Market Backdrop & Supportive Policy Tailwinds:** CA-REIT's debut comes at a time when Singapore's equity market is seeking quality new listings, particularly in the REIT space. The REIT is **the second-largest IPO in Singapore in 2025** and follows a set of market development measures introduced by regulators to rejuvenate the local bourse. This has attracted strong investor interest – the IPO was backed by 16 cornerstone investors (including names like BlackRock, FIL, Eastspring, UBS and DBS) subscribing to ~614 million units. The broad base of institutional support (cornerstones will hold ~35.7% of units) should aid trading liquidity and price stability. We note that **recent S-REIT IPOs have performed well**, reflecting pent-up demand for new yield plays; for instance, NTT's data centre REIT (listed Jul 2025) saw its units trade up on debut and offered a similar 7.5% yield. We see CA-REIT's high yield and unique sector exposure as timely – it taps into secular themes of infrastructure and education spending. In addition, on a **policy front**, both Singapore and overseas governments have emphasized the importance of proper worker housing (for public health and social integration)

and student accommodation (to attract foreign students and research talent). Any **government incentives, grants or regulatory support** for upgrading dormitories could directly benefit CA-REIT's assets (e.g. green financing for energy-efficient retrofits). Finally, if CA-REIT's market cap grows above certain thresholds, it could be considered for index inclusion (e.g. FTSE ST REIT Index), which would further boost institutional ownership. These factors create a supportive backdrop that could catalyze a positive re-rating for CA-REIT over time.

5. Valuation & Peer Comparison

We adopt a blended RNAV and yield-based approach. Based on the independent appraised values of the 14 initial properties (plus the pending Epius Macquarie Park acquisition at cost), our forward RNAV is ~S\$0.90/unit, versus book NAV of ~S\$0.837 at IPO. At the offer price, CA-REIT was listed at ~1.05x P/NAV, broadly in line with book but below our forward-looking RNAV. Applying a target P/NAV of 1.1x yields ~S\$0.99.

On the Enlarged Portfolio, the Prospectus projects DPU of 6.57¢ (2026) and 7.14¢ (2027). At a 6.8% forward yield, FY2027F DPU implies ~S\$1.05 — consistent with our Target Price. As a cross-check, our RNAV view (NAV/unit ~S\$0.84; applying 1.05–1.1x forward P/NAV) suggests ~S\$0.92–0.99 depending on peer banding. Anchoring on the yield-implied S\$1.05 is, in our view, justified given scope for modest yield compression as the REIT seasons.

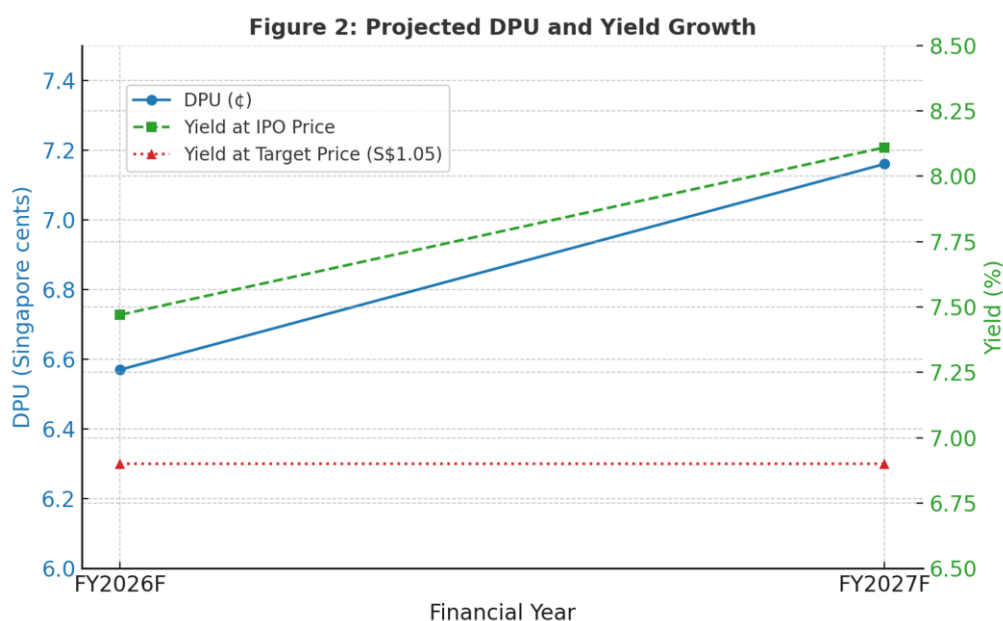
Accordingly, we set our Target Price at **S\$1.05**, implying ~19% upside from the IPO price, in addition to a projected ~7.5% cash yield — a compelling total return profile.

For context, CA-REIT's valuation is compelling relative to peers. Despite its unique asset class, we compare it to both **hospitality/lodging trusts** and **specialty REITs** listed in Singapore:

REIT (Ticker)	Asset Focus	Price	P/B (x)	FY25–26F Yield
Centurion Accommodation REIT (CAREIT)	Worker & Student Housing (SG/UK/Aus)	S\$0.88 (IPO)	~1.05	7.5% (FY26F)
CapitaLand Ascott Trust (HMN SP)	Diversified Lodging (Global)	S\$0.885	~0.79	~6.7%
NTT DC REIT (NTTD SP)	Data Centres (Asia-Pacific)	~US\$1.00	~1.0x	~7.5%
Keppel DC REIT (AJBU SP)	Data Centres (Global)	S\$2.00	~1.3x	~4.3%
Far East H-Trust (Q5T SP)	Hotels & Serviced Apts (SG)	S\$0.60	~0.64x	~7.3%

Peer Takeaways: CA-REIT offers one of the **highest yields** among S-REITs, surpassed only by a few niche plays, yet trades around book value whereas many hospitality peers trade at 0.6–0.8x NAV. This likely reflects CA-REIT's stronger DPU outlook (supported by 100% payout and growth pipeline) and

its asset quality. The closest recent comp is NTT’s data centre REIT, also IPO-ed at ~7.5% yield; notably, Keppel DC REIT, a more established data centre trust, trades at a much lower yield (~4–5%) and a hefty premium to NAV, indicating how a proven track record can drive rerating. We do not expect CA-REIT to rerate to such low yields in the near term given its shorter operating history and specialized asset class, but a **moderate compression to ~6.5–7.0% yield** as the REIT gains seasoning is plausible, which underpins our target price. On an absolute basis, our TP of S\$1.05 implies ~14.6× FY2026F P/E and ~1.25× P/NAV – reasonable for a REIT delivering ~8% ROE and 3-4% annual DPU growth.



*Figure 2: Projected DPU and Yield Growth. CA-REIT is forecast to deliver **6.57¢ DPU in FY2026 and 7.14¢ in FY2027**, an increase of ~9% y-o-y as the Episod Macquarie Park asset in Australia contributes and organic rental growth continues. At the IPO price, this translates to attractive yields of 7.5% and 8.1%. Our target price of S\$1.05 assumes a yield compresses toward ~6.8–7.0%, reflecting increased investor familiarity and the REIT’s income growth profile.*

6. Catalysts and Risk Factors

Potential Catalysts:

- Successful Acquisition Integration:** CA-REIT’s first post-listing acquisition – the 732-bed Episod Macquarie Park in Sydney (targeted to be operational by Feb 2026) – is a key milestone. Smooth completion and leasing of this property (pre-leasing demand is reportedly strong) would affirm the REIT’s ability to execute external growth. The deal is **fully debt-funded** and thus accretive to DPU; once investors see the uplift in FY2027 earnings from this asset, it could spur a re-rating. Beyond this, any **early moves to acquire further assets** (e.g. another student accommodation property or a stake in a new dormitory) using debt headroom or via unit swap

with the sponsor, would signal faster growth. The sponsor's recently acquired **Johor dorm portfolio (6 assets)** could eventually be injected if a tax-efficient structure is found, representing upside optionality.

- *Sector-Wide Revaluation or Regulations:* Policy shifts could act as catalysts. In Singapore, if authorities mandate older, inferior worker quarters to close or upgrade, **demand for modern PBWAs (like CA-REIT's) would surge**, potentially allowing higher bed rates and raising asset valuations. Conversely, government tender of new large dorm sites (if any) could be a double-edged sword: while it adds supply, CA-REIT as a strong incumbent might bid for and win new sites to grow (the manager's track record could give it an edge in any public tenders). In the UK/Aus, ongoing high student enrolment and limited on-campus housing means CA-REIT's properties could see outsized rental increases in tight markets (e.g. in some UK cities, private PBSA rent grew in high-single-digits in 2023–24). Any **market rental indexation above forecast** would boost DPU. Additionally, talk of **student visa policy easing** or government support for purpose-built student accommodation (such as planning incentives) would directly benefit CA-REIT's PBSA segment.
- *Interest Rate Easing or Refinancing Gains:* High prevailing interest rates have been a headwind for REIT valuations. Should global interest rates stabilize or decline in 2025–26, yield-sensitive investors may flock back to high-yield REITs like CA-REIT. A drop in the risk-free rate would mechanically increase the fair value of CA-REIT's cashflows and could compress trading yields. Moreover, CA-REIT's **debt is all term loan** (no bonds) and likely hedged to fixed rates in the near term; as it refinances or adds debt, improved credit terms (on the back of its scale and stable cashflow) could lower interest costs, aiding distributable income. The REIT's initial interest cost is estimated ~4% with interest cover ~4.6x; there is room to refinance at potentially tighter spreads once it establishes a track record, providing a minor DPU tailwind.
- *Inclusion in Index or Research Coverage:* As CA-REIT's market float grows (free float ~15–18% initially), it could qualify for indices like the FTSE EPRA Nareit Global Developed Index or local FTSE ST indexes. Inclusion would prompt index-tracking funds to buy the units. Additionally, sponsorship by the SGX research initiative (GEMS program) means the stock will likely see broader analyst coverage, increasing visibility. Positive research reports or ratings from brokerages, as well as future **credit rating attainment**, could all serve as catalysts to narrow the valuation gap relative to peers.

Key Risks:

- *Regulatory and Policy Risk:* A significant risk is **regulatory intervention in the dormitory sector**. For instance, if the Singapore government were to impose rent controls or heavy regulations on worker accommodation tariffs, it could cap CA-REIT's income growth. While current policy has been supportive (focusing on better standards rather than price caps), this risk cannot be entirely dismissed. In the PBSA segment, visa rules or immigration policies affect demand – any policy that materially cuts foreign student inflows (e.g. a sudden change in post-study work rights or pandemic-related border closures) could reduce occupancy or rent growth in the UK/Australia properties. Furthermore, property tax or withholding tax changes in any jurisdiction (Singapore, UK, Australia) could impact net distributable income, although CA-

REIT enjoys tax-exempt status on Singapore-sourced income and has likely structured overseas holdings to be tax-efficient.

- *Sector Cyclicity & Concentration:* While accommodations are generally resilient, they are not entirely immune to economic cycles. A deep recession in Singapore could reduce the migrant workforce if construction projects are deferred, potentially lowering dorm occupancy (as seen during the 2020 Covid outbreak when worker counts temporarily fell). The REIT's **PBWA income is heavily linked to the construction and marine sectors**, so a downturn there would be a risk. Similarly, the PBSA assets, while benefiting from structural student demand, could face softness if, for example, a strong rebound in on-campus university housing supply occurs or if geopolitical factors (like fewer Chinese students going abroad) hit certain cities. Another risk is **client concentration**: a few major employers rent a large block of beds in the Singapore dorms. Loss of a major corporate tenant (due to contract non-renewal or company-specific issues) could temporarily dent occupancy and require time to backfill, although in practice any vacated beds are usually quickly taken up by other employers given overall tight supply.
- *Foreign Exchange Risk:* Approximately 30% of CA-REIT's revenue is derived in GBP and AUD from the UK and Australian assets, while distributions are in SGD. Movements in these currencies affect the SGD-equivalent income. A strong SGD (or weak GBP/AUD) could reduce reported DPU. Management is likely to hedge a portion of the foreign income (many S-REITs hedge 50–100% of one-to-two years of overseas distributions). Nevertheless, longer-term FX trends pose a risk – for example, if GBP were to depreciate significantly due to UK economic issues, the value and cashflow of the UK portfolio in SGD terms would decline. Investors should be aware of this currency exposure, though diversification across two currencies (GBP and AUD) provides some balance, and interest costs for those assets may be in local currency as a natural hedge.
- *Interest Rate and Financing Risk:* As with all REITs, rising interest rates can crimp CA-REIT's distributable income and valuation. While current gearing is low, the REIT's floating-rate debt (if unhedged) is exposed to rate fluctuations. A 100 bps increase in financing costs would have a modest impact at current leverage, but as the REIT takes on more debt for acquisitions, its interest expense will grow. We take comfort that CA-REIT's **interest coverage is strong (~4.6x)** and that it likely fixed a portion of its loans at IPO. Nonetheless, sustained high global interest rates could pressure the REIT's DPU (through higher interest costs on refinancing) and also result in higher discount rates applied by investors (keeping the trading yield elevated). Additionally, if credit markets tighten, the REIT's ability to fund acquisitions cheaply could be affected. Mitigating this, CA-REIT has multiple banking relationships (DBS, UOB, Maybank, etc., were joint bookrunners) and had a **stabilizing fund arranged by UBS** at IPO, indicating strong bank support.
- *Operational and Execution Risk:* As a newly listed entity, CA-REIT must establish its own track record. Integration of operations under the REIT manager and any change in maintenance capital expenditure budgets, etc., need to be managed without service disruption. There is some **development risk** associated with the Macquarie Park asset acquisition – although it is being acquired upon completion, any delay or cost overrun at the developer's end could push

back the income start. The REIT is also dependent on the sponsor's **Centurion Asset Management** team for property management across different countries. Execution missteps (e.g. inability to maintain the high occupancy or tenant satisfaction due to service lapses) could erode the REIT's reputation in the highly specialized accommodation sector. Thus far, Centurion's operational track record is solid, but as a REIT, there will be greater scrutiny on metrics like renewal rates, average bed rental, and any downtime. We will monitor the REIT's quarterly updates for any signs of operational softness (e.g. unexpected dip in occupancy or rise in expenses). Lastly, **ESG considerations** (see next section) such as health and safety incidents in dormitories or community relations issues could pose reputational risks that impact unitholder value, though no such issues have arisen in recent years.

7. Dividend & Balance Sheet Commentary

Distribution Policy: CA-REIT has adopted a **100% distributable income payout policy through FY2027** to provide investors with full income return during its initial growth phase. This is higher than the mandatory 90% minimum, underscoring management's confidence in cashflow stability. The first distribution will cover the period from listing (expected 25 Sept 2025) to 31 Dec 2025, and thereafter distributions are expected on a semi-annual basis (typical of S-REITs). We calculate **FY2026F DPU at 6.57 cents** and FY2027F at 7.14 cents, as mentioned. Notably, the distribution policy allows for retention of cash only from 2028 onward – by then the REIT might retain ~10% of income for flexibility, potentially trimming yield slightly but facilitating reinvestment. In the interim, unitholders benefit from an **attractive yield "lock-in"**. We also highlight that CA-REIT's distributions qualify for tax transparency in Singapore (no corporate tax at the REIT level on distributed income). However, about one-third of income comes from overseas; the REIT will utilize intercompany loans and repatriation strategies to minimize any offshore withholding taxes. Overall, we expect a **stable DPU profile** with upside if acquisitions are executed. Any forex hedges in place (likely for GBP/AUD income) will reduce volatility in SGD distribution amounts. Investors such as **non-resident institutions enjoy a reduced 10% withholding tax** on CA-REIT's distributions under Singapore's tax rules, which could enhance post-tax yields for foreign holders.

Balance Sheet & Gearing: CA-REIT's **aggregate leverage of ~20.9% at IPO** equates to approximately S\$380 million of debt against ~S\$1.84 billion of total assets. This debt consists of bank borrowings with a weighted average tenor we estimate around 3–5 years (details to be confirmed in the Offer document). The REIT has secured multi-currency facilities to fund the upcoming Australian acquisition and for general working capital. Post-acquisition, leverage will rise to ~31%, still conservative and well below the 50% regulatory cap (or ~45% internal target often seen in S-REITs). **All-in cost of debt** is estimated ~4% at IPO; with >70% of assets in Singapore, we suspect most borrowings are SGD-denominated, with some AUD/GBP loans serving as natural hedges for the overseas assets. Interest rate risk is partly mitigated via fixed-rate swaps – the **interest coverage ratio (ICR) is healthy at ~4.6x for FY2026F**, implying no short-term stress from financing costs. The debt headroom is significant: CA-REIT could theoretically double its debt and still be under 50% gearing, which at a 4–5% cost of debt would remain accretive if asset yields are ~7–8%. We expect the REIT to maintain a **prudent gearing in the low 30%^s** even after further acquisitions, consistent with its focus on yield stability. The REIT's

credit profile should improve as it establishes financial history; an investment-grade credit rating could be pursued if beneficial. As of listing, the REIT's **NAV per unit is about S\$0.84**, and pro forma net tangible assets (NTA) are the same since goodwill is nil. We anticipate NAV to inch up over time through retained income (after 2027) or occasional revaluation gains if cap rates compress. Importantly, the REIT's assets are on long-tenure leases (e.g. freehold or 30–60 year land leases in Singapore) so there is no imminent depreciation in value from shortening land tenures – hence NAV should be relatively stable. **Financial flexibility** is further enhanced by the sponsor's alignment: if equity funding is needed for a major deal, the sponsor could take part via placement or consider part payment in units for injected assets (as done with the initial portfolio, where the sponsor accepted ~414.4 million units as partial consideration). Overall, we view CA-REIT's balance sheet as low-risk and capable of supporting its growth strategy.

8. ESG and Governance Insights

Governance Structure: CA-REIT's governance framework is in line with best practices for Singapore REITs. The REIT is externally managed by Centurion Asset Management Pte. Ltd., a wholly-owned subsidiary of the sponsor. To ensure alignment, the Board of the REIT Manager has a majority of independent directors – including a Lead Independent Director – overseeing management's decisions. The Chairman of the Manager is non-executive and unrelated to the sponsor's controlling shareholders, which helps mitigate conflicts of interest. Key committees (Audit & Risk, Nominating, Remuneration) are chaired by independents. We note that the REIT has embedded **conflict resolution policies**, and per SGX rules the sponsor cannot vote on transactions involving itself (e.g. future asset injections). The IPO portfolio purchase was conducted at market valuation with a third-party fairness opinion, reinforcing governance standards. The **sponsor's 45.8% stake** provides comfort that the sponsor's and unitholders' interests are aligned towards maximizing unit value and DPU. Sponsor stake sales are restricted by lock-up as noted. We are also encouraged by the high-quality cornerstone investors on the register, which include global institutional names – their presence adds an extra layer of oversight on the Manager's performance.

Environmental & Social Factors: By the nature of its assets, CA-REIT contributes to important social needs – providing safe, regulated accommodation for migrant workers and students. This confers a **social license** to operate and, arguably, resilience: during the COVID-19 pandemic, Centurion's dormitories, despite challenges, were retrofitted and supported by government initiatives to improve living conditions, solidifying their role in the ecosystem. Now, with higher standards (e.g. maximum room occupancy rules, enhanced medical facilities on-site) in place, CA-REIT's properties are **modern and compliant** with new norms. This positions the REIT well as an ESG-conscious choice for investors seeking social impact; the dorms help improve the welfare of lower-income foreign workers (versus informal housing), and the student hostels foster international education by offering quality housing. On environmental metrics, the Manager has indicated intentions to implement green initiatives – some assets may install solar panels or energy-efficient systems as part of AEs. The newly developed properties (e.g. Westlite Juniper, Epiisod Macquarie Park) are built to modern energy standards and could be candidates for green building certification. As sustainability is a growing focus, we wouldn't

be surprised if CA-REIT eventually issues a sustainability report outlining carbon footprint reduction targets or community programs (the sponsor’s CSR efforts could extend to the REIT).

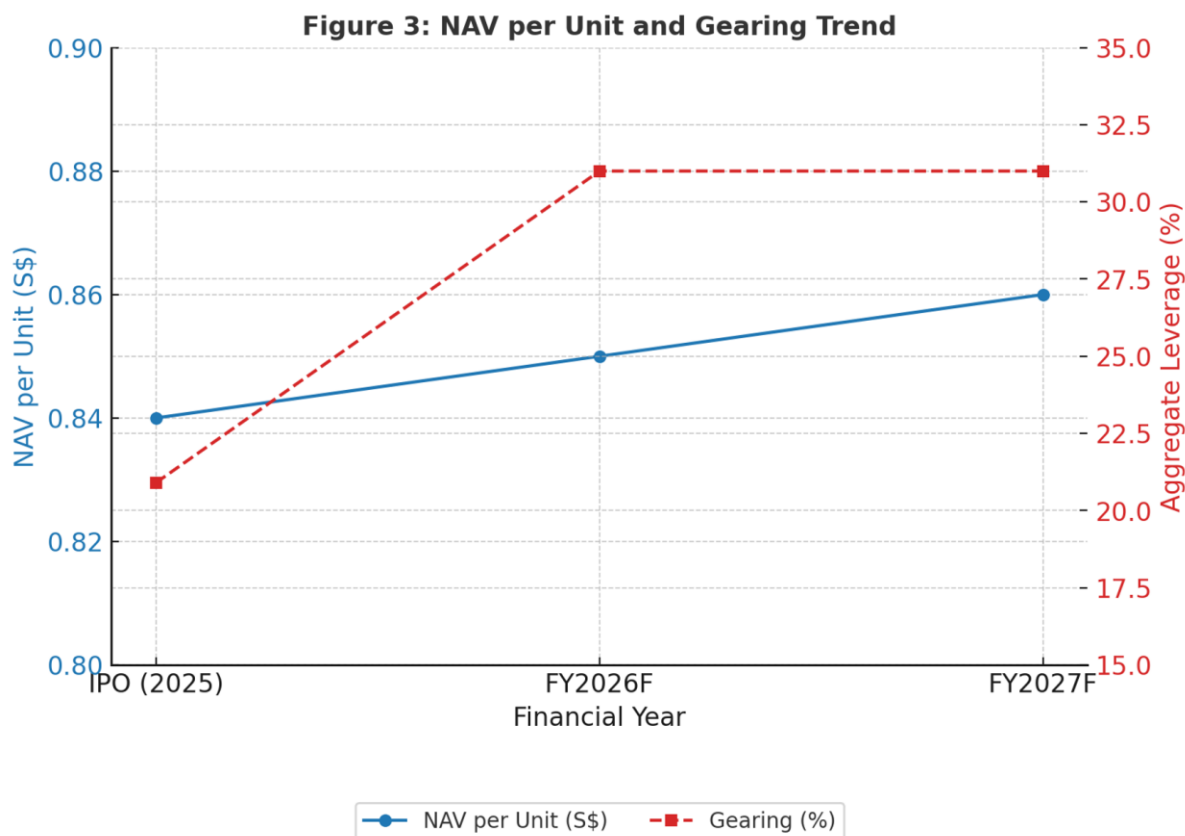


Figure 3: NAV per Unit and Gearing Trend. CA-REIT’s pro forma NAV per unit at IPO is ~S\$0.84, and we project this to remain stable or rise modestly over the next two years (towards ~S\$0.85–0.86) as retained earnings (after 2027) and valuation uplifts offset payout. The REIT’s aggregate leverage is set to increase from ~21% to ~31% post-acquisition in 2026, still a comfortable level. The balance sheet strength provides flexibility for future growth without materially diluting NAV.

Risk Management & Transparency: The REIT’s spread across three countries necessitates strong risk management. We take note that the Manager has local teams or partners in each region and a central risk oversight. Asset-level risks (health & safety, regulatory compliance, etc.) are mitigated by rigorous operating procedures – for example, dormitory estates have on-site management offices and 24/7 security, with periodic audits by authorities. During COVID, Centurion’s dorms had to institute virus containment measures; those lessons have likely improved the overall emergency preparedness for any future outbreaks or crises. In terms of financial transparency, CA-REIT will report semi-annual results (with quarterly business updates), and we expect high disclosure standards given the sponsor’s existing SGX listing experience. One specific metric to watch is **bed occupancy and rental rate disclosures** – we will look for the REIT to provide these operational metrics regularly, which is crucial for investor trust in a sector where data is not as widely available as, say, office rents. Encouragingly,

sector indices (like iEdge S-REIT index) have started acknowledging new asset classes, and the REIT's inclusion in research coverage via the SGX's Equity Research Funding scheme (part of MAS's EQDP) means more transparency and scrutiny. Overall, we see CA-REIT as adequately managing ESG and governance aspects, with room to further articulate its strategy on carbon reduction and community engagement as it matures.

9. Conclusion

CA-REIT offers a compelling investment case as a **specialized REIT platform in essential community infrastructure**. Its portfolio of worker accommodation and student housing assets combines defensive occupancy (near full capacity through market cycles) with levers for growth (rate adjustments, expansions, acquisitions). We expect the REIT to deliver a **steady ~8% yield** at our coverage horizon, alongside mid-single-digit DPU growth – a rare find in the current REIT landscape. Our **BUY** rating and S\$1.05 target price underscore the conviction that CA-REIT is undervalued relative to its cashflow quality and growth potential. At S\$1.05, the stock would trade around 7.0% forward yield and ~1.25× P/NAV, which we view as fair for its profile, and still at a discount to broader specialty REIT peers when adjusted for growth. The title of our report, “Sheltering Growth,” encapsulates the thesis: CA-REIT provides shelter – stable income – through its critical housing assets, while also offering growth via active asset management and sponsor-driven expansion. In our view, **investors can sleep soundly with CA-REIT in their portfolio, collecting an attractive yield while the REIT's assets appreciate in value**. We initiate coverage with **BUY**, and look forward to CA-REIT's maiden results as it embarks on this new chapter as a listed trust.

Appendices

Appendix A: Centurion Accommodation REIT (CAREIT) – Financial Summary (S\$ million, unless stated otherwise)

Financials	FY2022A ¹	FY2023A ¹	FY2024A ¹ (Pro Forma)	FY2025F ²	FY2026F ³	FY2027F ³
Revenue	120.9	148.1	184.7	185	200	215
Net Property Income (NPI)	87.4	107.3	133.0	135	150	162
EBITDA	83.0	103.0	128.0	130	145	157
Distributable Income	–	–	–	~50	112	123
DPU (Singapore cents)	–	–	–	~2.0	6.57	7.14
NAV per Unit (S\$)	0.84	0.84	0.84	0.84	0.85	0.86
Aggregate Leverage (%)	21.1%	21.0%	20.9%	21%	~31%	~31%
Interest Coverage (x)	4.9x	4.8x	4.8x	4.7x	4.6x	4.8x
Occupancy (%)	97.0%	97.2%	96.9%	~97%	~97%	~97%

Notes:

Financial Basis

- FY2024 figures are **pro forma estimates** for the initial portfolio, drawn from the IPO prospectus (the REIT was not yet listed at that time).
- FY2025F reflects only a **partial-year contribution** post-listing (from late September 2025). We estimate distributable income of ~S\$50m (~2.0¢ DPU) for Oct–Dec 2025.
- The first **full-year results** will be FY2026.
- Forecasts assume **100% distribution payout through FY2027**, and include the Macquarie Park PBSA acquisition (contributing from 2Q2026). No other acquisitions are assumed.
- Minor rounding differences may occur; figures are based on IPO prospectus data and our analysis.

Valuation Assumptions

- **RNAV method:** Applying a 1.1× multiple to FY2024A pro forma NAV of S\$0.84 gives ~S\$0.93. Using FY2027F NAV of S\$0.86 would imply ~S\$0.95.
- **Yield method:** Applying a 7.0% forward yield to FY2027F DPU of 7.14¢ implies ~S\$1.02.
- **Midpoint:** A strict midpoint between RNAV (~S\$0.93–0.95) and Yield (~S\$1.02) is ~S\$0.98–0.99.
- **Target Price Adjustment:** We set TP at **S\$1.05**, slightly above the midpoint, to reflect the potential for re-rating in line with peer multiples. At this level, CA-REIT trades at ~14.6× FY2026F P/E, ~14× EV/EBITDA, and a forward yield of ~6.8–7.0% — levels we view as appropriate given its income visibility, low leverage, and sponsor-backed growth.

Investor Considerations

- **Peer positioning:** CA-REIT offers yields 100–300 bps above large lodging REITs, justifying some valuation uplift as investor familiarity grows.
- **Liquidity:** The free float is relatively small (~15%), which could drive near-term volatility. However, stabilizing actions at IPO and high insider ownership mitigate this risk.
- **Risk-reward balance:** Our forecasts and valuation balance strong income visibility with the short trading history and unique asset class risk. We recommend investors accumulate units for both income and growth potential.

Appendix B: CA-REIT Properties & Appraised Values (S\$ million)

Region / Asset Class	Property	Valuation (S\$m)
Singapore – PBWA (Worker Accommodation)	Westlite Toh Guan	448.2
	Westlite Mandai	500.0
	Westlite Woodlands	183.1
	Westlite Juniper	109.0
	Westlite Ubi	108.0
	Subtotal – Singapore PBWA	

Region / Asset Class	Property	Valuation (\$m)
United Kingdom – PBSA (Student Accommodation)	dwell MSV (Manchester)	184.8
	dwell MSV South (Manchester)	84.2
	dwell The Grafton (Manchester)	25.4
	dwell Weston Court (Manchester)	15.4
	dwell Princess Street (Manchester)	41.1
	dwell Cathedral Campus (Liverpool)	34.0
	dwell Archer House (Nottingham)	22.3
	dwell Hotwells House (Bristol)	29.8
	Australia – PBSA	dwell East End Adelaide (Adelaide)
	Epiisod Macquarie Park (Sydney)	280.1
Subtotal – UK + Australia PBSA		770.1
Total Enlarged Portfolio		2,118.4

Appendix C:

Valuation Basis and IPO Price

- The IPO portfolio was independently appraised at ~\$2.12 billion (Appendix B).
- After accounting for debt (~\$380m, equating to ~20.9% gearing, the equity value (NAV) of the REIT works out to ~\$1.74 billion.
- This equity base was divided into ~1.98 billion units, resulting in a NAV per unit of ~\$0.84

- The IPO was priced at S\$0.88 per unit, representing:
 - A ~5% premium to book NAV, in line with typical REIT IPO practice.
 - A valuation multiple of ~1.05× P/NAV, justified by strong yield visibility (7.5–8.1% forecast DPU yield) and sponsor alignment.

Thus, the IPO price of S\$0.88/unit reflects both the appraised portfolio value and a modest market premium for growth visibility and institutional support.

Shareholding Structure Post-IPO

- Sponsor (Centurion Corporation Limited): ~45.8%
 - Retains a significant stake (partly via consideration units for injected assets).
 - Subject to lock-up, aligning long-term interests with unitholders.
 - Cornerstone Investors: ~35.7%
 - Backed by 16 institutions including BlackRock, FIL, Eastspring, UBS, DBS, etc.
 - Provides trading liquidity and institutional credibility.
 - Public Float (Retail + Non-cornerstone Institutions): ~18.5%
 - Smaller free float relative to larger S-REITs, but supported by IPO stabilisation mechanisms.
-

Analyst Certification and Disclaimer

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