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REITAS

Towards greater heights
Singapore remains competitive against emerging Asian REIT markets

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November 2021

Foreword

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Dear readers,

For close to two years, the world has had an extremely trying time. The effects of the Covid-19 pandemic have been devastating in many spheres, from the macroeconomy and global health to disrupting business operations and supply chains, and changing the way we work, live, and interact. The global real estate investment trusts (REITs) market has not been spared either. Overall, the FTSE EPRA Nareit Global Index dropped close to 21.1% in total return in the first half of 2020[1].

Despite the challenges faced, it is comforting and exciting to see that global REITs have been resilient and are returning stronger from the effects of the pandemic. Following its fall in the first half of 2020, the FTSE EPRA Nareit Global Index recovered 15.1% in the second half of 2020[1], and grew 12.7% in 2021 year-to-date (as at September 30, 2021)[1]. This brings the Index's total return values to be beyond the pre-pandemic levels seen in 2019.

Closer to home in Asia, there has been noteworthy activity in REIT regimes resulting in an increasing interest in this asset class. In Singapore, the Singapore Exchange (SGX) reported that year-to-date as at September 30, 2021, the 40 actively-traded Singapore REITs and property trusts (S-REITs) listed in Singapore generated average total returns of 8.5%[2]; these positive returns were spread across almost all sub-segments of S-REITs.

Singapore has often been dubbed Asia's largest global REIT platform, but with 11 other REIT markets within Asia-Pacific, such as Hong Kong - whose capital market is most commonly pit head-to-head with Singapore's, and emerging markets with recent first REIT listings, such as India (from 2019), the Philippines (from 2020), and China (from June 2021), how does Singapore measure up against their rise? Can Singapore remain competitive, and what are some factors that sponsors may consider when evaluating the best stock exchanges to list their assets? We share our thoughts within these pages.

When putting together this publication, we sought the views of experts in the industry to provide you with sentiments from those most closely involved. We would like to give credit and express our appreciation to all the CEOs of listed S-REITs, bankers, and SGX, for their valuable contribution and insight. This publication would not have been possible without their support.

To sponsors who may be considering packaging real estate assets into a REIT for listing in Singapore, we hope that this publication provides you with the information and analyses you require to start weighing the pros and cons of your options. We look forward to having open and candid conversations about your potential listing journey in Singapore and welcoming you to our S-REITs family.

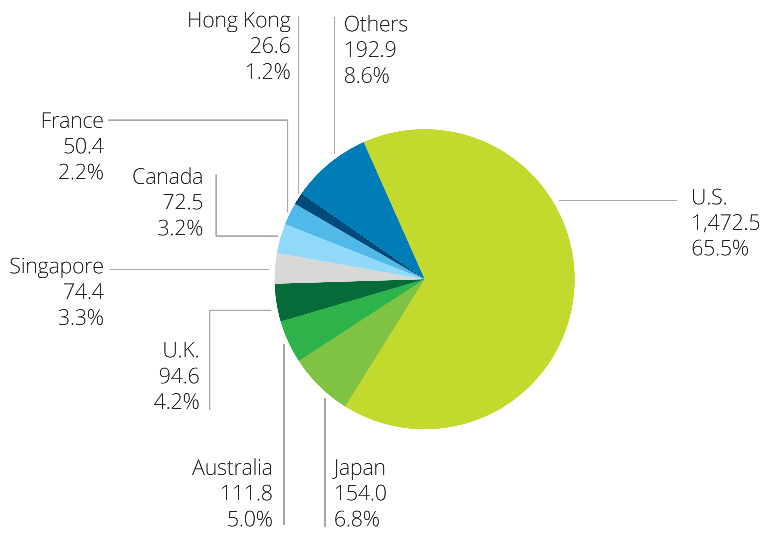
As we strive to live endemically with Covid-19 in our midst, we sincerely hope for a new sense of normalcy in the economy and in our lives. Let us all remain optimistic that brighter skies are on the horizon, and unite as we turn this corner.

The Rapid Rise of Asia's REIT Markets

In the last decade, Asia has been a significant contributor to the growth of the global REIT sector, with India, China, and the Philippines among the latest newcomers.

As of the end of September 2021, the global market capitalisation of listed real estate investment trusts (REITs) reached US$2.2 trillion, with 974 listed REITs in 39 countries[3]. The U.S. is the world's largest REIT market, taking up 65.5% of the global value[3].

Figure 1: Global market capitalisation of REITs as at September 2021[3] (US$ Billion)



Source: European Public Real Estate Association (EPRA)

Although the U.S. dominates the global REIT market and continues to grow strongly, there has been significant growth in non-U.S. REIT markets as well, particularly in Asia. In the last eight years, between September 2013 and September 2021, non-U.S. REITs posted a 42.9% growth in market capitalisation[4]. In the preceding eight years, the growth rate was 6.6%[5]. A significant contributor to this rapid expansion trend outside the U.S. is the growth in Asian REIT markets (excluding Australia), with its three largest markets (i.e. Japan, Singapore and Hong Kong) seeing a combined increase of 79.0% in market capitalisation in the last eight years.

Figure 2: Growth in Global REITs from September 2013 to September 2021

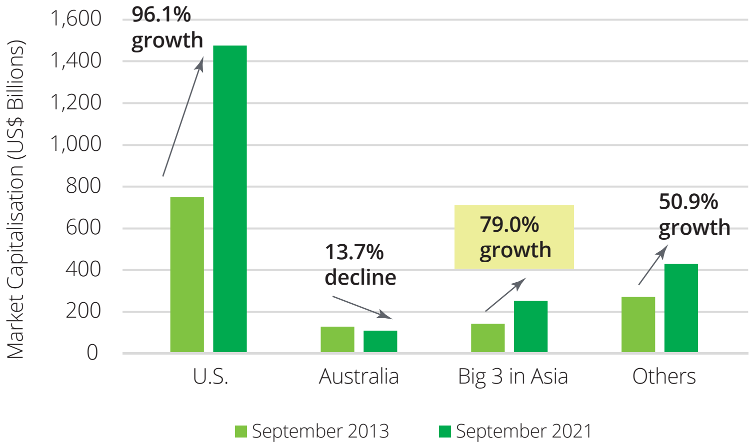
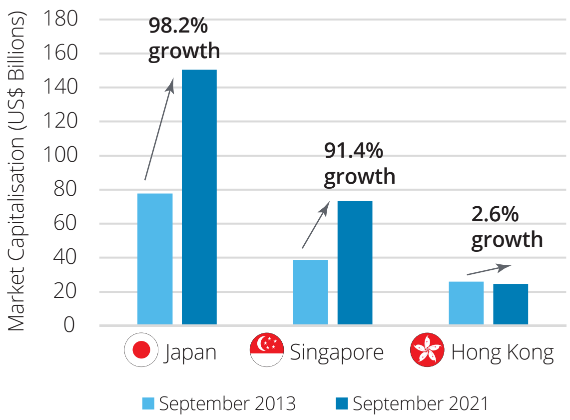


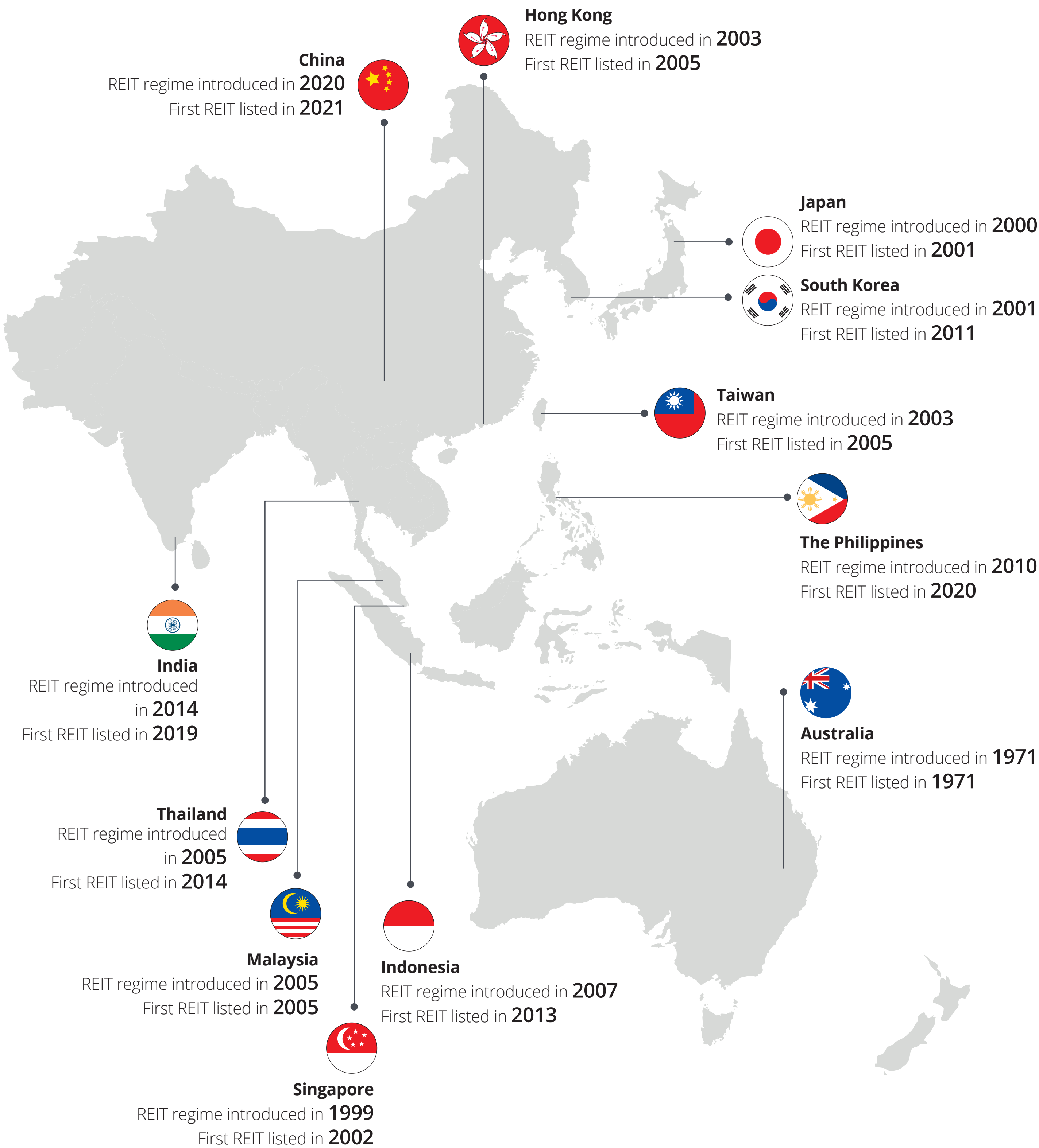
Figure 3: Asia REITs' key growth markets



Source: EPRA, Hong Kong Financial Services Development Council (FSDC), Deloitte

As at end-September 2021, there were 266 REITs in the Asia-Pacific market with a total market value of US$416.0 billion, and 88.1% of this value came from the mature REIT markets of Japan, Australia, Singapore and Hong Kong[3]. In the last few years, other countries in Asia also welcomed their first REIT listings. Among the most recent are India, the Philippines and China.

Figure 4: 12 REIT markets in Asia-Pacific



Source: Deloitte research

Leaders of the Pack

The biggest REIT market in Asia-Pacific is **Japan**. The country's first REIT was listed in 2001. As of the end of September 2021, there were 64 listed REITs in Japan with a market value of US$154.0 billion[3]. Globally, it is the second-largest REIT market behind the U.S.

Australia is the region's second-largest REIT market. As of September 30, 2021, there were 40 REITs with a market value of US$111.8 billion[3]. It is a mature market, with assets predominantly based in Australia and New Zealand. Aside from the traditional real estate assets of offices and retail malls, other asset types include vineyards, pubs, gas stations, retirement living, childcare centres, etc.[6]

Singapore ranks third. Since the country's maiden REIT listing in 2002, Singapore has had 54 REIT and Property Trust initial public offerings (IPOs). Following de-listings and consolidations, the industry now has 42 listed REITs and Property Trusts with a combined market capitalisation of S$110.3 billion (US$81.1 billion*) as of September 30, 2021.

A unique aspect of the Singapore REIT and Property Trust (S-REIT) market is the dominance of cross-border REIT listings compared to other REIT jurisdictions. Over 85% of S-REITs (37 out of 42) have at least some overseas properties, and a significant 44.7% of S-REITs' combined portfolio value consists of assets outside Singapore.

The city-state's move to attract cross-border REITs was almost born out of necessity. Given Singapore's small landmass, most real estate are already securitised or owned by listed property groups or deep-pocketed families.

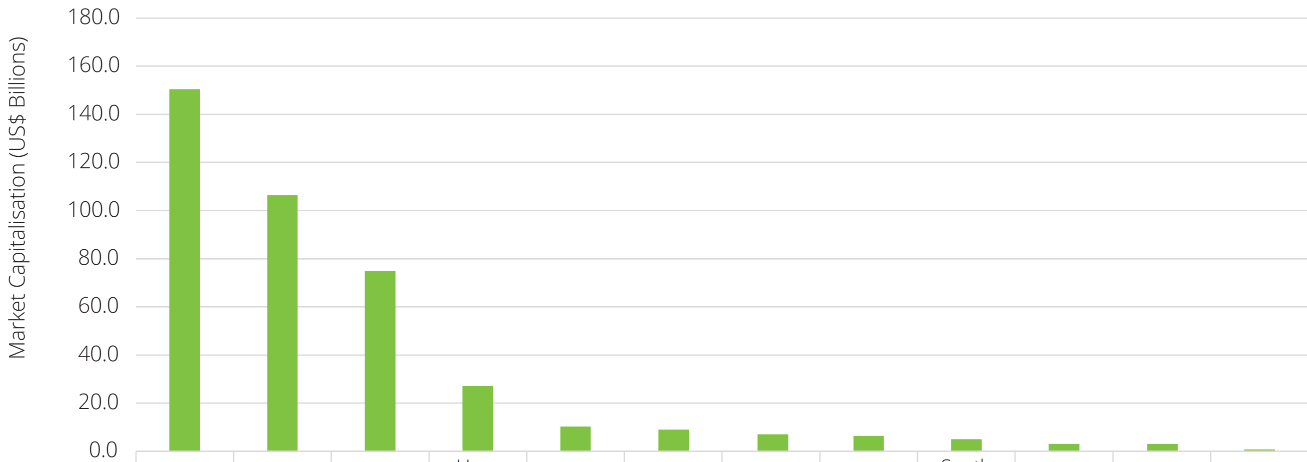
Of the 42 REITs in Singapore, only five (based on latest available annual reports) have pure local assets, while the rest have assets in at least one overseas country. These cross-border REITs' assets are located in areas including China, Australia, U.S., Europe, Hong Kong, Japan, U.K., Indonesia, and India, amongst others.

In most other regions, REIT assets are predominantly based locally. For instance, in Japan, there is only one REIT with foreign assets.

*Difference with EPRA's data in Figure 5 below is due to nine Property Trusts also included. Property Trusts are Business Trusts that have property assets.

The fourth-largest REIT regime in Asia-Pacific is **Hong Kong**. It started its REIT regime in 2003 and saw its first listing in 2005. Hong Kong has 11 listed REITs (excluding one that de-listed in October 2021) with a market capitalisation of US$26.6 billion[3] as at September 30, 2021. The market is largely dominated by Link REIT, which has a 60.8% market share, with the second-largest REIT significantly smaller at 10.6% market share.

Figure 5: Market capitalisations of 12 REIT markets in Asia-Pacific as at September 2021[3]



	Japan	Australia	Singapore	Hong Kong	Thailand	Malaysia	China	India	South Korea	Taiwan	Philippines	Indonesia
Market Cap (US$ Billions)	154.0	111.8	74.4	26.6	10.1	9.2	8.2	7.9	6.3	3.5	3.5	0.6

Source: EPRA

Emerging REIT Markets

Aside from the REIT pioneers in the region, relatively younger REIT markets have also shown growth potential.

India introduced its REIT regime in 2014 and listed its first REIT five years later, in 2019. It has since seen one REIT listing per year, bringing its total REITs to three in 2021. With a market capitalisation of US$7.9 billion as at September 30, 2021, the young REIT market is poised for growth over the next five years.

China is the newest country to introduce a REIT regime in 2020. It rolled out its first nine listings in June 2021, and the total market capitalisation of REITs is US$8.2 billion[3] as at September 30, 2021. Based on conservative estimates from local experts cited by Xinhuanet, the scale of China's public REIT market could reach 5 to 14 trillion yuan[7] (US$770 billion to US$2.2 trillion). However, no specific time frame was indicated.

Other REIT jurisdictions in the region that are also expected to see growth in the coming years include **Thailand, South Korea,** and the **Philippines**.

As at September 30, 2021	**Thailand**	**South Korea**	**The Philippines**
Number of REITs	60	17	5
Market capitalisation	US$10.1 billion	US$6.3 billion	US$3.5 billion
Key market features	• Expecting to attract foreign listings from neighbouring countries like Laos, Myanmar and Cambodia	• Saw six listings in 2020 despite the Covid-19 pandemic, when other countries had few or none • Two more IPOs in 2021 thus far • Recent surge can be attributed to the government's efforts to promote REIT listings	• Saw its REIT listing debut only in 2020, followed by four REIT IPOs in 2021 to date, all larger in market capitalisation than the first

Source: EPRA, Respective stock exchanges' websites

Smaller REIT Regimes

Malaysia, since forming its REIT regime and listing its first REIT in 2005, now has 18 listed REITs with a market value of US$9.2 billion as at September 30, 2021. The market is significantly less active than Singapore, with only two listings in the last five years and nine months, including one listing in September 2021.

Taiwan, on the other hand, introduced its REIT regime in 2003. Its first listing came two years later, in 2005. While Taiwan REITs have been around for a while, the market remains relatively underdeveloped because of strict regulations and rigid investment criteria.

Meanwhile, **Indonesia**'s REIT regime has had very few listings in its 14-year history, partly due to its unfavourable tax structure.

Implications for the Singapore Market

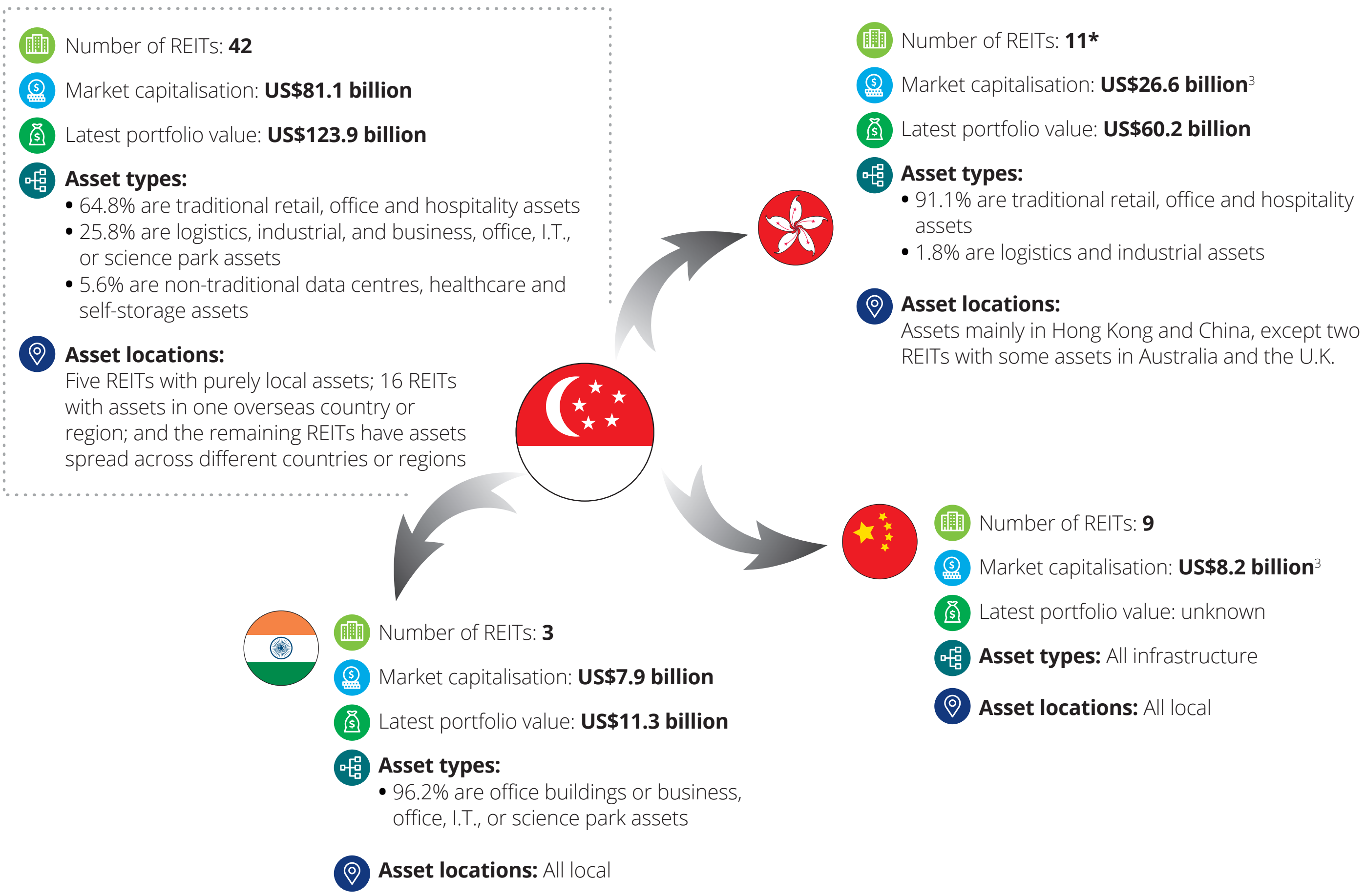
The rapid development of selected REIT regimes in Asia has raised questions about the potential impact on the Singapore market, where over 85% of REITs (37 out of 42) have overseas properties.

With the emergence of new REIT regimes, future sponsors with assets in these local markets could consider listing domestically rather than opt for a cross-border structure in Singapore. While the ultimate choice of the listing destination will depend on the REIT manager's mandate, these new REIT markets are nevertheless creating competition for the city-state as a future sponsor will now have more listing options.

Of the 12 REIT markets in Asia-Pacific, Hong Kong, China, and India stood out as potential rivals due to their rapid growth potential.

Among S-REITs, there are currently ten that have properties in China, while there are two REITs each with properties in Hong Kong and India. While the factors driving each REIT's listing destination are varied, when these REITs first started, the REIT structures in India and China were yet to be developed. Meanwhile, a key feature of the Hong Kong REIT market remains the dominance of Link REIT.

Figure 6: Key features of Singapore's REIT market and its three main potential rivals



*Excluding one that de-listed in October 2021

Source: Respective stock exchanges' websites and REITs' latest annual reports, EPRA, Deloitte; Data compiled in September 2021

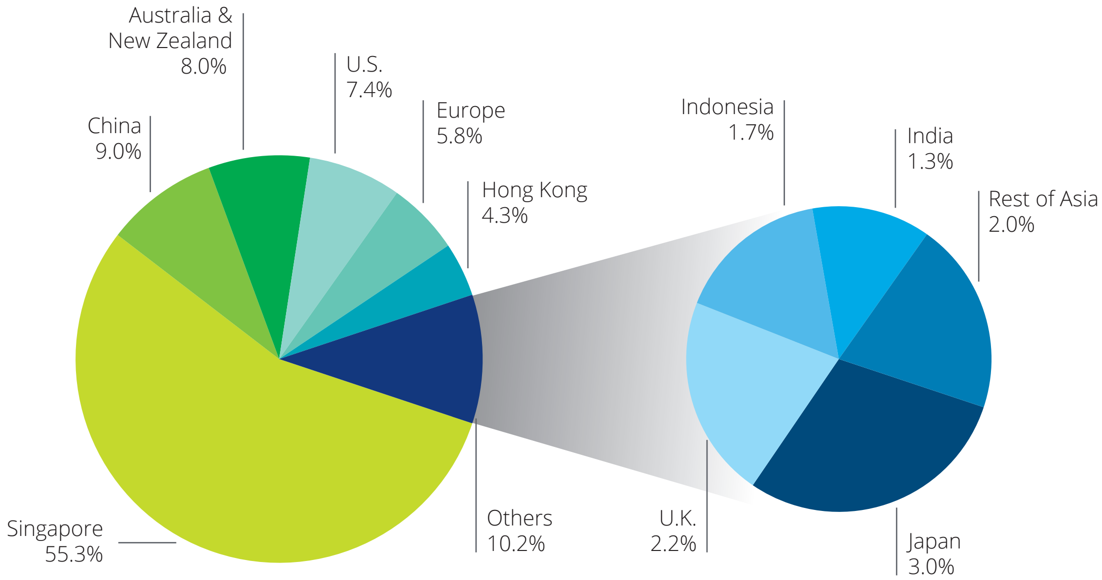
The Growth Potential of Hong Kong, China and India

Hong Kong recently introduced changes to its REIT rules to revive the sector. Meanwhile, the REIT regimes of China and India are developing rapidly. How does Singapore stack up against these markets?

Despite challenging business conditions during the Covid-19 pandemic, India saw the successful launch of its third REIT sponsored by an affiliate of Brookfield Asset Management in February 2021. Meanwhile, in June 2021, China debuted nine REITs. Separately in Hong Kong, regulators are moving swiftly with market consultation and incentives to entice REIT listings.

While the Singapore REIT market has grown rapidly in the last decade, the city-state faces competition from these expanding REIT markets. China assets make up 9.0% of S-REITs' combined portfolios, the highest proportion of assets held outside of Singapore, making the further development of China REITs a direct and imminent threat to the S-REIT market. While Hong Kong assets make up only 4.3% of S-REITs' combined portfolios, the threat of Hong Kong's REIT market is derived more from its potential for growth with continuing support from China.

Figure 7: Asset location of S-REITs' portfolios by valuation



Total S-REITs' latest portfolio value: S$167.4 billion (US$123.9 billion)

Source: Respective S-REITs' latest annual reports / announcements, Deloitte; Data compiled in September 2021

In the following pages, we look at these three markets in greater detail.

Hong Kong's Dynamic Capital Markets

Investors and businesses have often compared Hong Kong's capital markets with that of Singapore's as both are vibrant and established financial centres. The territory, which has held the top global IPO market for seven of the last 12 years[8], is stepping up its game in the REIT sector.

Hong Kong REIT market's capitalisation, at US$26.6 billion[3], is less than half that of Singapore's. However, the territory has the potential to attract both mainland and international REIT sponsors, assets and investors, given its sophisticated capital market. While Hong Kong REITs have typically consisted of Hong Kong and China assets, there has been a hint of internationalisation in recent years. Three of its REITs, including the two largest REITs by market capitalisation, Link REIT and Champion REIT, have acquired some assets in the U.K. and/or Australia.

The Hong Kong Stock Exchange (HKEx) has 2,559 listed companies on both its primary and secondary (Growth Enterprise Market - GEM) boards as at end-September 2021, with a total market capitalisation above US$5.7 trillion, up 6.1% from a year ago. In comparison, the Singapore Exchange (SGX) has 682 companies listed on both its main and Catalist boards, with a total market value of US$0.7 trillion.

As part of its efforts to boost its REIT market share, Hong Kong's Securities and Futures Commission (SFC) announced in May 2021 a grant scheme to subsidise up to HK$8 million (US$1 million) in set-up fees for each REIT that chooses to list in the city. The Hong Kong Financial Services Development Council (FSDC) also published policy recommendations[4] to revitalise the Hong Kong REIT market in May 2021. This includes competitive structures for listing a diverse range of real estate assets and exploring tax and financial incentives.

The Vast Markets of China and India

Asia's two biggest economies, namely China and India, launched their REIT regime and listed its first REIT respectively in the last two years. Both are seen as fast-growth markets because their vast population and landmass will potentially help create a deep and sizeable REIT sector if investment conditions are conducive to foreign participation.

China

Asia's most prominent economic giant is China. The mainland introduced its infrastructure REIT regime in May 2020, initiating a pilot scheme to provide a funding tool for domestic infrastructure projects. This scheme was aimed at reducing the debt burden on local governments and boosting China's capital markets.

The initial five targeted asset sectors were mainly modern infrastructure assets such as data centres, 5G and cable T.V. systems. A year into the regime's launch, nine infrastructure REITs commenced trading on June 21, 2021 – five on Shanghai Stock Exchange and four on Shenzhen Stock Exchange. In total, these nine REITs raised US$4.8 billion (31.4 billion yuan) and successfully closed higher on their first trading day, with total turnover exceeding 1.8 billion yuan (US$279 million)[9]. In addition, the retail tranches of the nine REITs, worth about 2 billion yuan (US$310 million), attracted retail subscriptions of over ten times the amount available on its first day of sale[10], based on a Reuters report citing China's Securities Times and local fund managers. These numbers showed strong investor interest.

Given the vast properties that could be injected as assets, China-REITs (C-REITs) have tremendous growth potential.

According to Cai Jianchun, the general manager of the Shanghai Stock Exchange, China has more than 130 trillion yuan (US$20 billion) worth of infrastructure assets, of which 30 trillion yuan (US$4.7 billion or 23% of the total) qualify as C-REIT assets.

This growth potential is enhanced by China's regulators constantly reviewing the country's REIT policies. In July 2021, other assets including affordable housing and certain tourism assets were added to the list of allowable underlying asets of C-REITs. Regulators may also consider including traditional real estate assets such as offices and retail outlets in the future.

Goldman Sachs estimates China's REIT market, in value terms, could reach US$3 trillion if the authorities widen the programme to include traditional real estate assets[11]. This projection means that the mainland's REIT sector could rival the U.S. REIT market in years to come. As at September 2021, U.S. REITs have a combined market capitalisation of US$1.5 trillion, according to the European Public Real Estate Association (EPRA).

Unlike Singapore, China has a substantial untapped domestic market, and its priority within the near future will likely still be focusing on its onshore assets and investors. As a result, the Singapore REIT market may lose its attractiveness to sponsors with Chinese assets because they may prefer to list their REIT on mainland exchanges.

Still, for China's nascent REIT market to progress to a full-fledged regime may take a number more years. This is because China's REIT rules are more stringent relative to those in other Asian regions. These include tighter leverage requirements and criteria for sectors and the geographic location of the underlying assets.

India

India's real estate market is forecasted to reach US$650 billion and will account for 13% of India's GDP by 2025[12]. According to JLL Research, India's office markets across seven major cities have potential space of 284 million square feet that could be securitised with an estimated value of US$36 billion (INR 262,800 crores)[13]. The real estate consultancy said that given the success of the REIT sector so far, the government could bring in significant reforms to make it more accessible and attractive for foreign investors.

While ownership of foreign assets for India-REITs is currently restricted, India poses a threat because REITs with domestic assets need not consider listing in Singapore as the Indian market develops. In addition, changes made to tax laws may make listing REITs in India more competitive or conducive compared to listing in offshore jurisdictions like Singapore. Among S-REITs, Ascendas India Trust has all its assets based in India. The trust was listed in 2007, when India's REIT regime had not yet been established.

(See page 16 for the key differences in REIT structure for Singapore, Hong Kong, China and India)

Where Does Singapore Stand?

Given the likelihood of emerging competition from Hong Kong, China and India, how will the S-REITs market fare in the future? We spoke to the managers of cross-border REITs to ask about the factors that had drawn them to list in Singapore and their views on the city-state's strengths in coping with the competition.

Factors Driving REITs' Decision to List in Singapore

Singapore's cross-border REITs say the city-state remains their preferred destination because of six main factors.

Across the Asia-Pacific, REIT regimes and structures have subtle differences. For instance, in Hong Kong, there are no capital requirements, while in Singapore, REITs must have a minimum of S$300 million (US$221 million) in capital value. All other aspects, including the debt ratio and dividend distribution requirements, are similar in both markets.

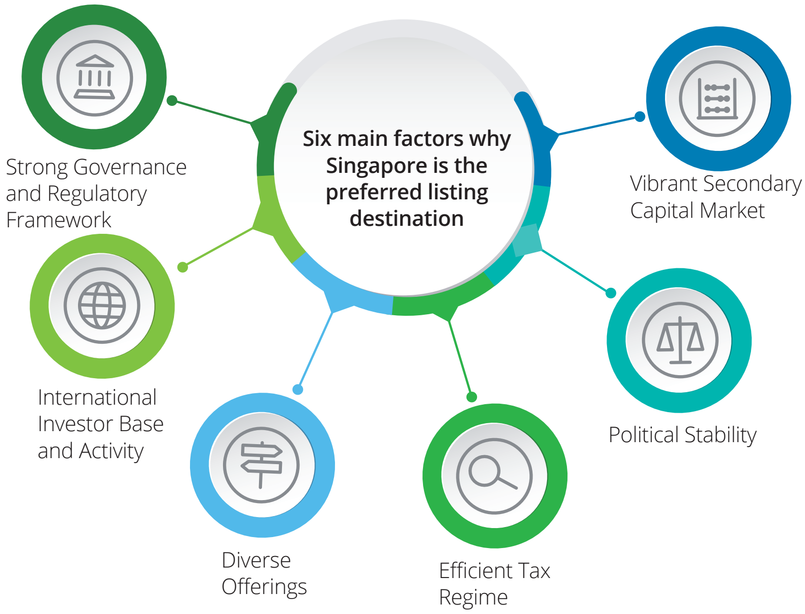
Figure 8: Key features of REIT regimes and structures for Singapore and its three potential rivals

	Singapore	Hong Kong	China	India
Legal structure	Unit Trust	Unit Trust	Closed-end infrastructure fund + ABS	Unit Trust
Listing requirements	Public offering	Public offering	Public offering	Public offering
Capital requirements	A minimum of S$300 million (US$221 million)	No specific requirements	A minimum of 200 million yuan (US$31 million) or 1,000 investors	A minimum asset value of INR 5 billion (US$67 million) at initial offer, but post-issue, a minimum public float of INR 2.5 billion (US$34 million)
Management	Externally managed by sponsor (default)	Externally managed by sponsor (default)	Either. Externally managed by mutual fund manager outside the sponsor, though sponsor may be entrusted to manage assets due to experience and expertise. The sponsor must hold at least 20% stake for at least 5 years.	Externally managed (required)
Geographical restrictions	None	None	Must be in China	Must be in India
Maximum debt ratio	50% of deposited property value	50% of gross asset value	20% of gross asset value of the fund, and only incurred for project maintenance and reconstruction purposes	49% of the value of the REIT's assets, subject to certain conditions
Distribution requirements	No mandatory distribution, but distribute no less than 90% of specified taxable income in order to enjoy tax transparency treatment	Mandatory to distribute no less than 90% of audited annual after-tax net income	Mandatory to distribute no less than 90% of core earnings	Mandatory to distribute no less than 90% of distributable cash flows

Source: Regulatory websites, JLL, FSDC

Aside from capital and tax considerations, the sponsor of a REIT will also need to think about the political, regulatory and economic environment and investors' appetite for the REIT's units.

We interviewed five S-REITs with foreign assets to ask them about the factors that influenced their decisions to list in Singapore.



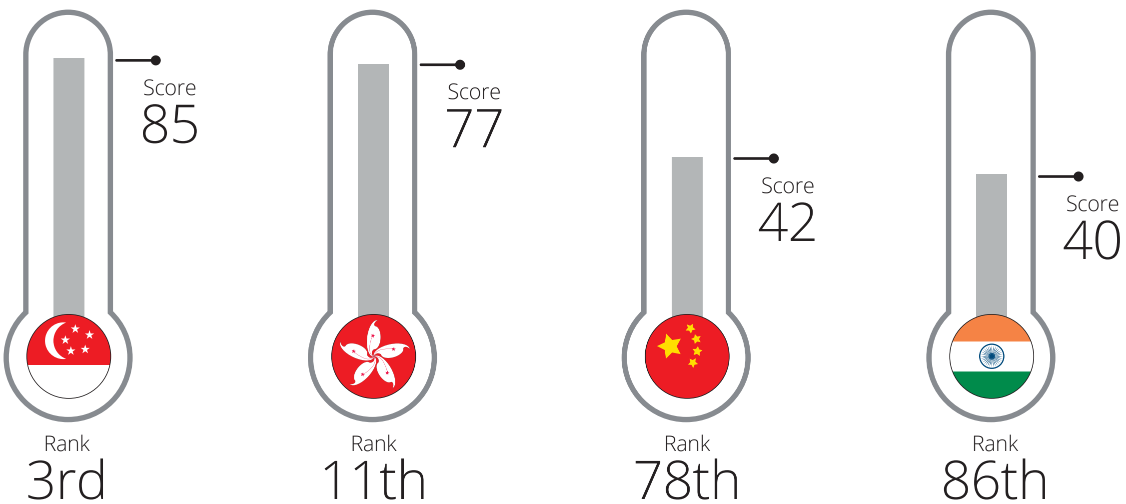
Factor 1: Strong Governance and Regulatory Framework

Jill Smith, the Chief Executive Officer (CEO) of the Manager of Manulife US REIT, said Singapore's strong governance was a deciding factor that led to the REIT's 2016 listing in Singapore. Manulife US REIT was the first S-REIT that holds U.S. assets to be listed in the city.

"For us, there was no doubt that the enduring selling points were the high level of governance, regulation, stable and transparent environment. Those were really critical to us, compared to some of the other areas," said Ms Smith. "We worked very much hand in glove with the MAS (Monetary Authority of Singapore) and the SGX because our REIT was the very first pure-play U.S. office REIT to be listed in Singapore, or indeed anywhere in Asia," she stressed.

According to Transparency International's annual Corruptions Perceptions Index (CPI), Singapore ranked third alongside Switzerland and Sweden as the world's least corrupt countries. Hong Kong ranked 11th, China 78th and India 86th. The CPI aggregates data from different sources that provide perceptions by business executives and country experts of the level of corruption in the public sector.

Figure 9: Ranking of Transparency International's annual Corruptions Perception Index for 2020



Source: Transparency International

Even during the pandemic, SGX's management of the economic and financial repercussions of the global crisis had gained the trust of investors and firms.

"The SGX has certainly been supportive during this trying period for the global economy. We think it has very good governance," said Frasers Logistics & Commercial Trust CEO Robert Wallace.

Cecilia Tan, the CEO of Sasseur REIT, also found the MAS's commercial and consultative approach particularly helpful during the pandemic.

"The MAS has, over the years, kept a close watch on the marketplace, and they have done a lot of consultations with practitioners. During Covid-19, they have increased leverage. This is very important because otherwise, many REITs will be in breach when asset valuations fall and certain revenue streams can't be unlocked. There is an alignment of interest to enable the REITs to survive in the worst of times."

Cecilia Tan, CEO, Sasseur REIT

In April 2020, the MAS increased S-REITs' leverage limit to 50% from 45% to provide local REITs with greater flexibility to manage their capital structure amid the challenging environment due to the Covid-19 pandemic.

More recently in September 2021, the MAS also announced the enhancement of its Grant for Equity Market Singapore (GEMS) scheme, providing additional support for listings (including REITs) in Singapore. It offers funding for up to 70% of eligible expenses with a ceiling of S$1 million for IPOs with market capitalisation of less than S$1 billion, and a ceiling of S$2 million for IPOs with market capitalisation of S$1 billion or more.

Factor 2: International Investor Base and Activity

With over 85% of REITs (37 out of 42) having foreign assets, Singapore has developed itself as an internationally recognised REIT marketplace. This recognition is reflected in the FTSE EPRA/NAREIT Global Real Estate Index, in which 28 Singapore-listed constituents, including many major S-REITs, have a combined 2.9% index weightage (as at September 30, 2021). Comparing the market capitalisation of each country's constituents as a percentage of its stock exchange market capitalisation, Singapore-listed constituents formed the largest proportion.

This index inclusion has also raised the profile of REITs, broadening their reach and visibility among global investors, and increased trading liquidity.

Figure 10: FTSE EPRA Nareit Global Real Estate Index constituents and their weightage

As at September 30, 2021	**Singapore**	**Hong Kong**	**China**	**India**
No. of constituents	28	15	55	7
Index weightage (%)	2.9	4.4	4.0	0.5
Market capitalisation of constituents (US$ Millions)	60,097	89,241	82,564	10,073
% of country exchanges' market capitalisation	9.2% US$652.9 billion	1.6% US$5.7 trillion	0.6% US$7.8 trillion (Shanghai) US$5.7 trillion (Shenzhen)	0.3% US$3.5 trillion

Source: FTSE Russell Factsheet, FTSE EPRA Nareit Global & Global ex U.S. Indices, September 30, 2021, Respective stock exchange websites

"The investor base here is both managing local capital as well as foreign capital. If you look at our register, more than 60% of our investors are based outside of Singapore. They take confidence in the fact that Cromwell European REIT has an international sponsor like Cromwell, with extensive on-the-ground presence in every country where the REIT has operations, in addition to us as the Manager based here in Singapore."

Simon Garing, CEO, Cromwell European REIT

Given Singapore's limited supply of commercial property, "the only REIT IPO that will happen here in the future will be those with foreign assets," he added. "This will be the place to list, and you are not competing with local products," he said.

Singapore's global investor base was also a key consideration for Frasers Logistics & Commercial Trust, whose initial assets were in Australia.

"There was a vigorous debate at the time as to whether we would go the ASX (Australian Stock Exchange) route or to Singapore. Ultimately, we decided to go with Singapore because the Singapore investor base has an appetite for diversified global portfolios whereas Australia's tends to be limited. We had a global mandate, and aspirationally, we wanted to go beyond Australian shores."

Robert Wallace, CEO, Frasers Logistics & Commercial Trust

He added that Singapore's investor base is well represented institutionally and has a knowledgeable retail base. Frasers Logistics & Commercial Trust now has 103 properties spread across five countries[14].

Ms Smith at Manulife US REIT has similar views. "Global investors are much more willing to come to Singapore," she said, adding that Singapore has attracted many institutional and high net worth individuals from other parts of the world.

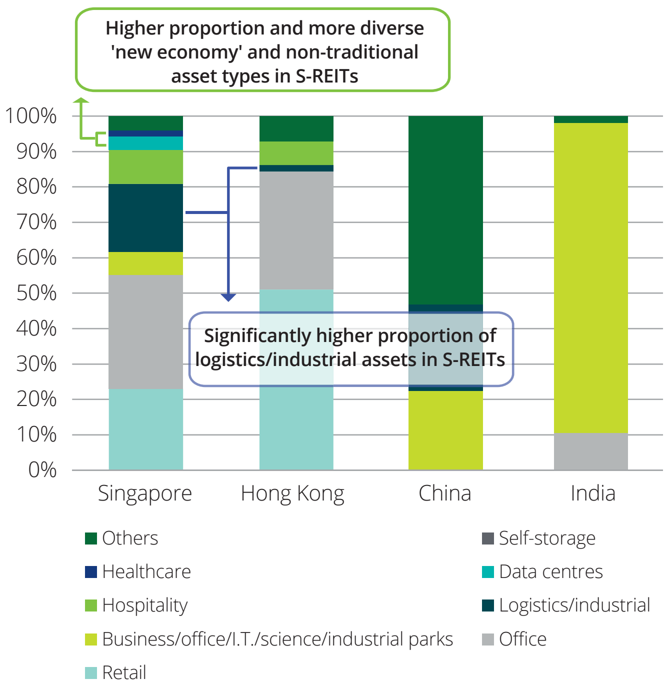
Factor 3: Diverse Offerings

Singapore's international investor base benefits REITs with diverse offerings. Within the region, REITs in Singapore have the most varied asset allocations within their portfolios, not only across geographies but also asset types.

In terms of asset classes, S-REITs own and manage properties across sectors, ranging from self-storage, healthcare and data centres to the more traditional industries of hotels, offices and retail. Over a quarter of S-REIT assets are in the new economy, high-growth and non-traditional sectors such as data centres, healthcare and logistics.

Presently, China REITs are restricted by regulation to infrastructure-type assets, while India's REITs mainly focus on office and I.T., business and industrial parks. In Hong Kong, 84.4% of REIT assets are in retail and office, significantly higher than Singapore's 55.1%.

Figure 11: Asset class diversity of REITs (based on latest portfolio values)



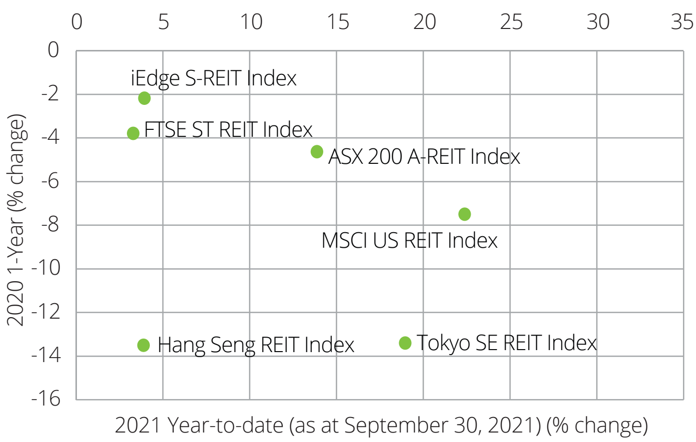
Source: Respective stock exchanges' websites, REITs' annual reports, Deloitte

During the pandemic, logistics assets performed well due to an e-commerce boom while traditional assets like retail and hotels languished. With 19.2% of S-REIT assets in logistics and industrial sectors and 5.6% in data centres, health care and self-storage, S-REITs' share performance was better supported during the pandemic compared to Hong Kong. Hong Kong REITs combined have 1.8% of their assets in logistics and industrial and none in non-traditional industries like data centres, healthcare and self-storage.

Comparing performances of the iEdge S-REIT Index and the Hang Seng REIT Index (HSREIT) over 2020 during the height of the Covid-19 pandemic, the Singapore REIT index saw a much lower decline of 2.2% as compared to Hong Kong's 13.5%. iEdge S-REIT Index and HSREIT track the performance of REITs listed in Singapore and Hong Kong respectively. The iEdge S-REIT Index has 37 S-REIT constituents, while the HSREIT comprises the top-5 listed REITs in Hong Kong, representing approximately 86.6% of total REIT market capitalisation.

In fact, the Singapore REIT index saw the lowest decline among some of the major REIT indices in 2020, although its rebound in 2021 has been less than stellar compared to other regions.

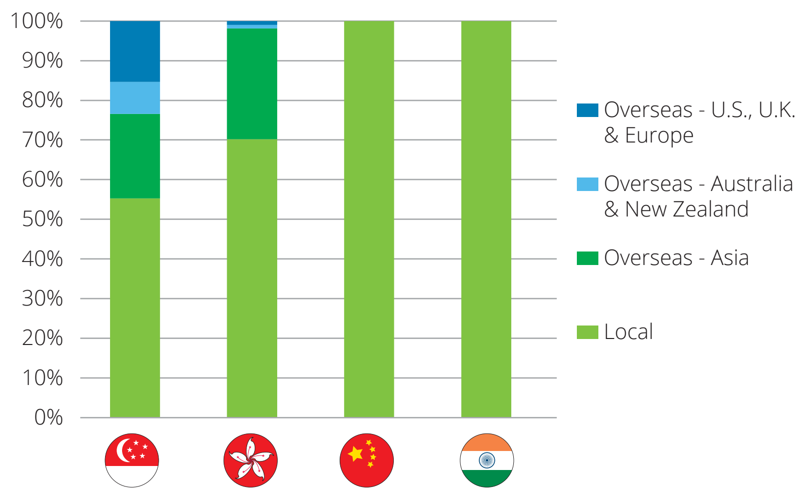
Figure 12: Major REIT indices' total return performance



Source: Bloomberg, SGX

In terms of geography, REITs in other jurisdictions in Asia are primarily focused on domestic assets. In Singapore, based on latest available annual reports, only five out of 42 Singapore REITs have pure local assets. 16 REITs have assets in a single overseas country or region, while 21 REITs have assets that are spread across different countries and regions. Also, 44.7% of Singapore REITs' current combined assets by portfolio value are overseas.

Figure 13: Asset locations of REITs (based on latest portfolio values)



Source: Respective stock exchanges' websites, REITs' annual reports, Deloitte

"Most of the other REIT markets in Asia are purely domestic in nature. Singapore has deliberately developed as an international centre offering multi-geographies, and this is appealing."

Jill Smith, CEO, Manulife US REIT

The variety of assets in different geographies has also resulted in S-REITs having a lower beta than the overall stock market in Singapore. This is an attractive feature for investors seeking portfolio diversification.

"When we talk to generalist equity investors, we will often talk about not just our yield but also our beta compared to the SGX market," said Mr Garing. "Today, our beta is about 0.64, which means that if the SGX goes up 1%, we will typically go up 0.64. If the SGX goes down 1%, we will typically go down only 0.64. Given that Asia is a higher beta play to the U.S. stock market, we can then be the lower beta play within this region," he explained. This lower beta with the stock market is attractive to professional investors, he added.

Factor 4: Efficient Tax Regime

Aside from governance and a diversified investor base, Singapore's tax regime has also been attractive for aspiring Singapore listings.

Singapore provides tax exemption on dividends for both local and foreign individual investors. There is also no capital gains tax for the disposal of units. Separately, up until December 31, 2025, the withholding tax rate for distributions made by Singapore REITs and REIT Exchange Traded Funds (ETFs) to qualifying non-resident non-individual unitholders will be at a concessionary 10%.

"We saw that the tax regime here was also extremely attractive for REITs. It's very well organised, and MAS and SGX were extremely open to discussion and innovation in terms of international REITs," Ms Smith said.

Mr Garing at Cromwell European REIT agreed. "The Singapore tax regime is very transparent. And so the yield that we can deliver to investors is higher," he said.

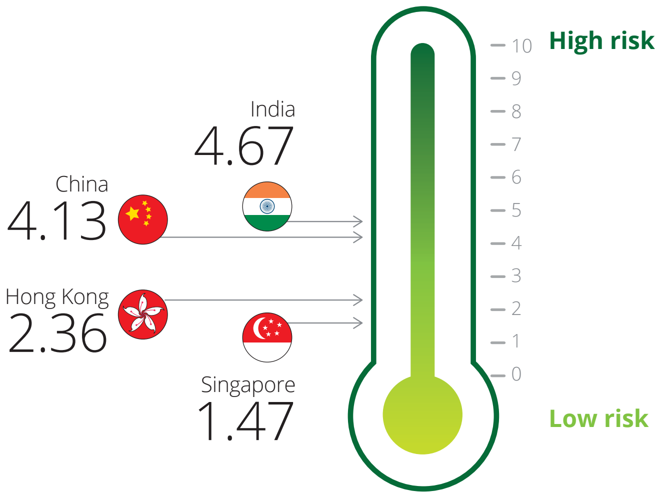
Factor 5: Political Stability

Another strength of the Singapore market is the country's political stability.

According to the Political Risk Map 2021 published by Marsh McLennan, the world's leading insurance broker and risk advisor, Singapore's average score as at January 2021 is 1.47, compared to Hong Kong's 2.36, China's 4.13 and India's 4.67.

The rating measures the risk of countries across nine indicators relating to security, trading and investments. These scores range between a 0.1 to 10 scale, with 10 representing the highest risk and 0.1 the lowest risk.

Figure 14: Marsh McLennan's Political Risk Map 2021



Source: Marsh Specialty's World Risk Review, January 2021

> "For many, the political stability of a country is a deciding factor. Singapore has been very strong in this aspect. That drives many investors into Singapore."

Beh Siew Kim, CEO, Ascott Residence Trust

Factor 6: Vibrant Secondary Capital Market

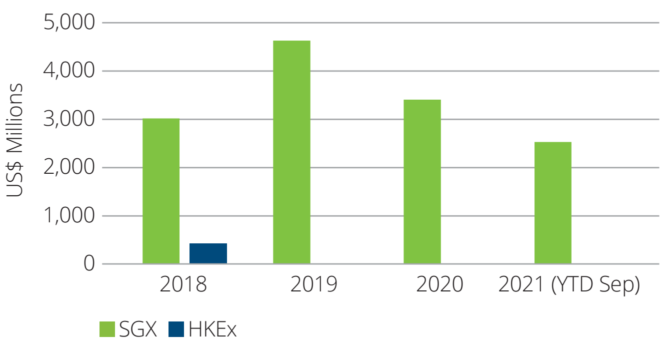
For REITs trading on the SGX, getting listed is not the end game.

Singapore's conducive regulatory and tax environment provides an early-stage set-up platform for sponsors and asset managers, and a listing on the stock exchange is just the beginning of a REIT's growth journey. Being listed allow S-REITs to tap a vibrant secondary market for fundraising and merger and acquisition opportunities. Sponsors can also continue to inject assets into the S-REIT's portfolio.

SGX Vice President for Equity Capital Market, Ronald Tan, said that despite the pandemic, Singapore's secondary market has been thriving, indicative of continued support from investors.

"Despite all the challenges this year [in 2021], secondary fundraising has performed well. Secondary fundraising numbers remain very high, at multiple billions of dollars," Mr Tan said. "These figures on secondary fundraising really demonstrates a supportive investor base."

Figure 15: Secondary fundraising by REITs listed in Singapore and Hong Kong in the last three years



Source: SGX, Bloomberg

Ms Smith at Manulife US REIT said there are many avenues for fundraising in Singapore, with the recent addition of investments in green bonds and sustainability.

"Singapore is a thriving and growing marketplace. There are plenty of funds. It is awash with liquidity, and in that respect, I think that comes back to the secondary funding opportunities. It is good to be able to attract that sort of money," Ms Smith said.

This vibrant secondary fundraising market has also supported merger and acquisition (M&A) activities. The S-REIT sector has seen five successful consolidations since 2018 as illustrated below, with one more merger (between ESR-REIT and ARA LOGOS Logistics Trust) announced in October 2021 currently ongoing.

Effective Date	REIT 1 ("Acquirer")	REIT 2 ("Acquiree")	Resulting Enlarged REIT	Expected Effect of Consolidation on Asset Portfolios[1]
October 15, 2018	ESR-REIT	Viva Industrial Trust	ESR-REIT	Becomes the fourth largest industrial S-REIT, with a 130.8% increase in Viva Industrial Trust's assets to a combined portfolio of S$3 billion.
September 4, 2019	OUE Commercial REIT	OUE Hospitality Trust	OUE Commercial REIT	Becomes one of the largest diversified S-REITs, with an almost three-fold increase in OUE Hospitality Trust's assets to a combined portfolio of S$6.8 billion.
December 31, 2019	Ascott Residence Trust	Ascendas Hospitality Trust	Ascott Residence Trust	Consolidate position as largest hospitality trust in Asia-Pacific, with a four-fold increase in Ascendas Hospitality Trust's assets under management to a combined portfolio of S$7.6 billion.
April 15, 2020	Frasers Logistics & Industrial Trust	Frasers Commercial Trust	Frasers Logistics & Commercial Trust	Enhanced scale to become one of the top ten S-REITs by market capitalisation, and a 159.1% increase in Frasers Commercial Trust's assets to a combined portfolio of S$5.7 billion.
October 21, 2020	CapitaLand Mall Trust	CapitaLand Commercial Trust	CapitaLand Integrated Commercial Trust	Forms third largest REIT in the Asia-Pacific by market capitalisation, and a 106.3% increase in CapitaLand Commercial Trust's assets to a combined portfolio of S$22.9 billion.

[1] Information accurate as of REIT announcements' pro-forma illustrations when proposed mergers were announced.

Source: Respective REIT announcements

Hong Kong Steps Up to Attract REIT Listings

Experts weigh in on Hong Kong's enhanced REIT regime and how it compares with Singapore

Singapore and Hong Kong are Asia's most prominent global financial centres. The two jurisdictions offer a transparent common legal system, low levels of corruption, and favourable tax and business-friendly environments, making them the top investment destinations in Asia, including for REITs.

While the Singapore REIT market has more than triple the number of REITs and more than double the market value relative to Hong Kong, the latter is now stepping up its game in the sector.

The SFC announced on May 10, 2021, the implementation of a grant scheme to subsidise the set-up of open-ended fund companies (OFC) and REITs. Effective from May 10, 2021, to May 9, 2024, subject to a government funding cap for the scheme, the subsidy will offer a rebate of 70% of all professional expenses that are paid to Hong Kong-based service providers with certain restrictions. The subsidy, however, is subject to a cap of HK$1 million (US$129,000) per OFC and HK$8 million (US$1 million) per REIT. This is one of the many recent initiatives that will further enhance Hong Kong's competitiveness as Asia's leading asset management hub.

This announcement followed the release of the findings of a consultation paper "Proposed Amendments to the Code on Real Estate Investment Trusts" in November 2020[15]. The changes include increasing the borrowing limit or gearing ratio from 45% to 50% of gross asset value, allowing REITs to make investments in minority-owned properties (subject to conditions), and allowing REITs to make investments in property development projects in excess of the existing limit of 10% of gross asset value, subject to unitholders' approval and other conditions.

Although the incentives may largely not be seen as significant, they signalled a clear and positive intention by the Hong Kong government to foster the development of the local REIT market, said Raymond Liu, a Hong Kong-based director of real estate research for HSBC.

"The Chief Executive of Hong Kong has set a clear goal. The government would like to develop Hong Kong into a vibrant REIT market in Asia. This could strengthen its positioning as a leading asset and wealth management centre, and broaden the investment options as REITs offer relatively stable returns for investors," said Mr Liu. Already in May 2021, Hong Kong saw the listing of its first logistics-focused REIT, SF REIT.

Hong Kong Seen Benefiting from China

REIT professionals in Singapore say both regimes have their strengths and weaknesses. However, the Hong Kong REIT market will most likely attract more China-based capital and assets than Singapore, which is seen as a global REIT hub.

"One of the benefits that Hong Kong will have over Singapore is its association with China," said Mr Wallace at Frasers Logistics & Commercial Trust.

"Hong Kong's REIT market is dominated by China-based properties," said Ms Tan of Sasseur REIT, which its sponsor had considered a listing in the territory before its 2018 IPO in Singapore. Sasseur REIT's portfolio consists of 4 outlet malls located in China, but it decided to list in Singapore due to its mandate to access capital beyond Greater China.

"Between the two, by and large, Singapore has been a more successful international REIT hub," said Ms Tan. "As an international REIT hub with over the 19 years of history, Singapore has developed a very active ecosystem to support REIT listings," she said.

"China and Hong Kong will continue to be the natural destinations for China assets. It goes back to the purpose and the objective of the listing; where does it want to monetise its assets," she said.

Indeed, Hong Kong boasts a robust, highly liquid stock market with a diversified global and Chinese investor base. It gives international and mainland Chinese investors direct access via the Stock Connect scheme – a collaboration between Hong Kong, Shanghai and Shenzhen Stock Exchanges. Currently, the scheme covers over 2,000 eligible equities. Hong Kong REITs are presently not included. However, in its market report published in May, the FSDC proposed to include REITs as eligible securities in Stock Connect to allow two-way REIT investments. "Such a scheme could offer mainland Chinese investors an opportunity to invest in Hong Kong REITs and may eventually improve the liquidity and attractiveness of the local market," said Mr Liu at HSBC.

China REITs are currently also not offered via the Stock Connect scheme. Still, progress in the mainland REIT regime could help to broaden the Hong Kong REIT investor base. "Investors in mainland China would have a better understanding of this asset class in terms of risks and returns," Mr Liu explained.

Mr Liu added that Hong Kong's REIT market could also see a further benefit if the government offers favourable tax concessions. In Singapore, for instance, dividends from REITs are tax-exempt to avoid double taxation. "Tax incentives and the Stock Connect access could be potential game-changers for the Hong Kong REIT market," Mr Liu stressed.

Despite the growth prospects of the Hong Kong REIT market, concerns remain about the territory's political stability.

"We did compare listing in Hong Kong and other jurisdictions versus Singapore. We landed on Singapore," said Mr Garing of Cromwell European REIT. The stability in the government, enforcement and the rule of law are really important."

Ms Beh at Ascott Residence Trust has the same view. "Singapore has proven to be a lot more stable politically, which is important to investors," she said.

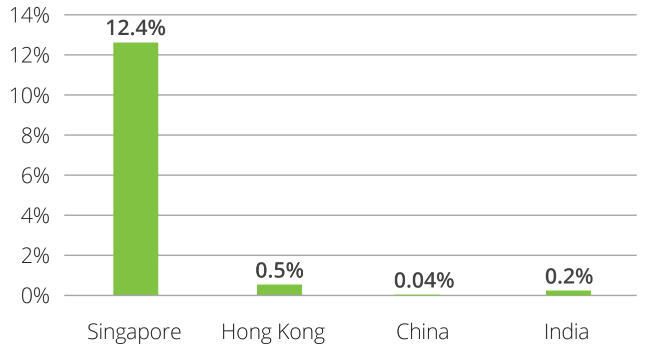
Still, she said Hong Kong remains an attractive market, particularly in recent years, as regulators have given REITs more flexibility in terms of leverage and their development capability.

How Will Singapore Maintain its Success as Asia’s REIT Hub?

S-REITs are optimistic about the city-state's ability to attract cross-border REITs despite rising regional competition. However, there is room for improvement.

Domestically, REITs have become an essential component of Singapore's stock market, accounting for about 12.4% of the SGX's US$652.9 billion market capitalisation as of September 30, 2021. This share of a domestic equity market is the biggest against its three rival REIT markets.

Figure 16: Market capitalisation of REITs as a percentage of the respective stock markets as at September 2021



Source: Respective stock exchanges' websites, Deloitte

Internationally, Singapore has also emerged as a prime destination for REIT listing and investment, evidenced by the rising number of S-REITs that are included in global indexes. In July 2021, S&P Global Intelligence said Singapore – an already attractive REIT listing destination – is also becoming a regional hub for products built around REITs as the market matures and investors seek to diversify their holdings[16]. The report published cited products such as futures contracts and ETFs or services like Robo-advisers.

However, how will the city-state REIT market fare in the long term amid the emerging regional competition?

"They're growing markets, and they're going to get larger. But I anticipate that from a pace of growth viewpoint, Singapore will continue to outgrow those markets. So I don't think that they are going to be a threat, ultimately, to Singapore."

Robert Wallace, CEO, Frasers Logistics & Commercial Trust

Ms Jill Smith at Manulife US REIT agreed. "Singapore is already far ahead in this track of internationalisation and diversification," said Ms Smith. Taking China as an example, she said the country's current regulations are not friendly to foreign participation. The limitations include that a sponsor must hold at least a 20% stake for not less than five years, and only assets in selected sectors and geographical areas can be considered for REITs[17].

However, she also said that Singapore could benefit as the Chinese market develops and expands over time.

"Although the strength of China's domestic demand in the next five or 10 years will be the envy of many as its market develops, there could be spill over effects in terms of greater cross-accessibility," she said. "I think that will be very attractive for us here in Singapore, as well as vice versa. So, I don't see China as a threat, certainly not in the short term."

S-REITs also point to Singapore government's strong support and consultative approach as an important driver of future growth. Mr Wallace said that local regulators' willingness to tap the views of market participants and the high level of confidence that overseas investors have in Singapore's governance are its core strengths. "My view for Singapore is if it can keep going in the same direction, it is going to be one of the markets of choice for investors still," he said.

Ms Tan of Sasseur REIT said the government's support has been crucial in developing the city as a REIT hub. "Singapore has a very strong competitive advantage. The private sector alone will not be able to ramp it up," she said.

Mr Garing at Cromwell too is positive about the local REIT system. "I can't see these regional markets getting to the same regulatory standards any time soon; investors will continue to favour Singapore's REIT regime because of its high levels of corporate governance," he said.

Another advantage of the local REIT market that will help propel future growth is the increasingly sophisticated ecosystem for the listing, management and fundraising for cross-border REITs. Thanks to S-REITs' global nature, which contrasts with the domestic-focused REITs in the region, the city's regulators, analysts, and institutional investors have gained knowledge and expertise in the due diligence process, tax systems and the legal frameworks required for investing in overseas assets. S-REITs say this unique REIT structure and its related experience will continue to be an important driver of future growth.

"You need a very strong ecosystem to support a very vibrant pipeline of listings. You need to have all your lawyers and accountants [who understand REIT listings]. They are important in the whole value chain to provide support for a successful listing, and I think that will continue to be Singapore's competitive advantage," Ms Tan said.

Adjustments to give S-REITs Renewed Competitive Advantage

While REIT professionals said that the city's current strategy of attracting cross-border real estate firms would bring benefits in the long run, adjustments could be made to enable S-REITs to better compete against the emerging REIT regimes.

Gearing Ratio

Among the suggestions is a higher gearing ratio. REITs often find it hard to compete with private equity or real estate funds when it comes to acquiring assets because these funds could borrow at much higher Loan-to-Value (LTV) ratios of more than 50%. The growth of a REIT is dependent on its gearing, said Sasseur REIT's Ms Tan. "With a stringent gearing, it makes it very difficult for acquisitions to take place," she said.

While the MAS had increased the leverage limit from 45% to 50% in April 2020, the average gearing ratio of S-REITs registered about 37.3% based on latest stock exchange quarter filings as of September 2021[2].

Many S-REITs have kept their gearing ratio well below the threshold of 50% to make room for fluctuations of asset values, which have seen some volatility during the pandemic.

"Properties are capital intensive assets; a low gearing doesn't maximise returns, especially for income-producing assets, which are typically good quality stable assets with visible, predictable cash flows," said Ms Tan. "So those assets should be able to have a higher loan-to-equity ratio."

"As the REIT markets in the region develop, most REITs or real estate firms will be finding ways to increase their competitiveness, and having a higher gearing ratio will allow local REITs to compete.“

Cecilia Tan, CEO, Sasseur REIT

Balanced Regulation

Another suggestion to bolster growth is to ensure regulations are reasonable. While Singapore's well-regulated REIT regime has enabled its success, S-REIT managers cautioned that too much regulation could also stifle growth. A speedy, streamlined and efficient process to review IPO applications is needed to keep Singapore relevant amidst global competition to attract quality REIT sponsors.

“Regulation is important, however, there needs to be a balance between enforcing compliance and enabling REITs to grow,” said Ms Beh at Ascott Residence Trust.

Mr Garing also said that while regulation is required to provide investors with confidence, reporting and filing requirements cannot be too onerous to deter newcomers.

"It's great that there's regulation because that gives investors and sponsors confidence. On the other hand, our prospectus is 1,300 pages long.“

Simon Garing, CEO, Cromwell European REIT

Another recommendation raised by S-REITs is to ensure that rules are not subject to sudden changes. At the height of the pandemic, laws were passed in April 2020, mandating landlords to pass their property rebates in full to tenants. This was followed by another rule that required landlords to waive up to two months of rent for tenants.

"Some of our foreign investors started asking questions if we were facing similar mandatory rebates in Europe (which we largely did not). There is a commercial incentive for the landlord to have that discussion because landlords do not want tenants to leave," Mr Garing explained. "To help the growth of the market, regulation needs to remain reasonably even-handed," said Mr Garing.

In an attempt to make lease negotiations between landlords and retail tenants fairer, the Singapore Business Federation (SBF) announced new code of conduct in March 2021 on leasing retail premises in Singapore. The code sets out guidelines on leasing arrangements and dispute resolution in 11 areas. These include rental structure, third-party fees, pre-termination by landlords or tenants, and data sharing.

At least eight major retail landlords, including CapitaLand, Frasers Property Retail, and SPH REIT, have reportedly committed to abiding by the new code of conduct on leasing retail premises in Singapore[18]. A new law ensuring compliance is likely to follow soon.

Tokenisation

A further proposition is asset tokenisation.

"I think that it is a space that we have to watch out for to remain relevant. Effort must be made to ensure that we stay ahead of the technology curve."

Beh Siew Kim, CEO, Ascott Residence Trust

She added that asset tokenisation, which involves dividing a property into small ownership blockchain units that can be exchanged or traded, can "reduce a lot of costs and generate higher yield for investors at a faster pace."

Ms Beh said, "The tokenisation market will be big in a few years, and we should not underestimate its potential."

S-REITs Lead ESG Integration in Asia

The Covid-19 pandemic became a catalyst for sustainable investments, and S-REITs are embracing ESG (Environmental, Social, and Governance) criteria to attract more investors and tenants.

The global pandemic has propelled ESG trends and practices to greater heights due to increased awareness of climate change and health consciousness.

Governments are now integrating ESG criteria into infrastructure and investments to future-proof their economies. Investors around the world are also seeking sustainable assets to ensure more resilient and diversified portfolios. In a 2020 report, S&P Global Market Intelligence said some of the biggest investment funds set up with ESG criteria outperformed the broader market during the coronavirus crisis[19].

Customers and tenants, too, are demanding more green spaces. According to a JLL survey of 550 corporate real estate leaders released in June 2021, seven out of ten Asia-Pacific corporations indicated they were willing to pay a rental premium to lease sustainability-certified buildings[20].

Amid these emerging trends, S-REITs are embracing ESG criteria. With real estate accounting for about 40% of carbon emissions, many are taking initiatives to ensure the sustainability of their assets as they identify material risks and growth opportunities.

"There's obviously push and pull factors when it comes to sustainability. One of the biggest push factors is that it's on the radar screen with investors. Plus, a major pull factor is governments are becoming more insistent on greening your portfolio," Mr Wallace at Frasers Logistics & Commercial Trust.

"I think that there is that expectation now from our customers, being our tenants, that we will meet certain criteria. And if you don't have that offering, for the larger corporates, they won't consider you. It's becoming a must-have," he added.

Ascott Residence Trust has similar views. "Sustainability is important to our stakeholders, especially our investors, as they have integrated ESG into their investment mandates," said Ms Beh.

The increased appetite for ESG and sustainability has also influenced property operations and management.

"For our China outlet malls, we have started to look at our operational requirements and our energy consumption. We look at the simple things that we can do. Then we take the opportunity that, maybe next time, we can renew certain machinery and equipment which are more energy-saving and more environmentally friendly," Sasseur Asset Management's Ms Tan said.

Even though ESG integration will add to cost, S-REITs believe that this leap is necessary ethically and for long-term growth.

"We need to take progressive steps," said Ms Tan. "As long-term asset owners, we want to be responsible also in the way we manage the assets and contribute in our small way to a safer and cleaner environment," she added.

"Anecdotally, it's almost a measure of quality. If we look at a six-star building or one that's three-star, we instantly think the former is better. It's typically going to be newer and be cutting edge," said Mr Wallace, adding that the company had "worked out ways how to be green and make money."

He said, "Once you've found that formula, it becomes self-perpetuating. And that's your competitive advantage."

Ascott Residence Trust too had reaped the benefits of integrating ESG criteria into its asset management. "In recent years, we have stepped up our sustainability efforts and we have been recognised as a leader in our sector," said Ms Beh.

ESG adoption will also go a long way to attract overseas investors into the S-REIT market, said S-REITs.

"An important thing for Singapore, though, from a sustainability viewpoint, is as a society, you want to lead that. I think we need Singaporean REITs to embrace some of those measurement tools. If we do, we'll get even more focus from investors," said Mr Wallace.

"It is really going to be another of the powerful elements attracting people to Singapore going forward. The fact that the MAS and SGX have recognised ESG, Singapore can make itself very attractive from that point of view."

Jill Smith, CEO, Manulife US REIT

Singapore's regulators are stepping up their ESG push.

In December 2020, MAS introduced the Environmental Risk Management Guidelines to enhance financial institutions' (including REIT managers') resilience to and management of environmental risk.

In mid-June 2021, SGX launched what it called the world's first ESG REIT derivatives[21]. These derivatives aim to meet the rising demand for integrating ESG considerations into investment portfolios. In mid-October 2021, SGX launched the iEdge-UOB APAC Yield Focus Green REIT Index that tracks REITs listed across Asia-Pacific with higher dividend yields and positive environmental attributes. The Index will cater to growing demands by market participants who are increasingly environmentally focused.

In August 2021, the Singapore Exchange Regulation (SGX RegCo) released two consultation papers, one on enhanced rules on climate and diversity and the other on a common set of core ESG metrics to be disclosed by companies[22].

With these papers, listed companies in Singapore could be required to make mandatory climate-related disclosures and provide details on their board diversity policy. Issuers may also need to subject their sustainability reports to assurance in the future, and all directors may be required to attend a one-time training on sustainability.

However, as the ESG movement gains pace, there is also a need to ensure a more standardised set of reporting requirements is in place.

"It is a step in the right direction. However, it is important that the regulatory bodies agree on a common regulatory standard, as there are many reporting frameworks in the market," said Ms Beh.

Cromwell's Mr Garing agreed. "Our assets are overseas, but we are based in Singapore. A valid question to ask is who should own the data portal to disseminate the [ESG] information?" he said.

Singapore REIT Industry Needs to Improve and Expand Continually

In an exclusive interview, Mr Ronald Tan, SGX Vice President for Equity Capital Market, highlights that in the short-to-medium term, the SGX is focused on "new economy" sectors and bringing in quality sponsors as economies recover from Covid-19 impacts.

The Singapore REIT sector will likely maintain its competitive edge, even as other REIT regimes emerge. However, the industry needs to constantly upgrade and reinvent itself to keep up with the rapidly changing market conditions, said SGX Vice President for Equity Capital Market, Mr Ronald Tan.

Mr Tan said in an interview that Singapore remains driven in its strategy of attracting cross-border REITs, as opposed to more regional and domestic approaches seen elsewhere in the region.

"We are very clear that we will remain focused, as we look ahead, that the global REIT is here to stay. It is fairly established. But obviously, there's a lot more work that has to be done. There are more things that we can improve on, and not just on regulations; we need to be more adept and quicker to understand the foreign laws and restrictions," he said. He was referring to the integration of foreign assets into the portfolios of local REITs. Currently, over 85% of S-REITs (37 out of 42) have overseas assets.

His comments came as the region saw a recent surge in REIT listings in China, India, and the Philippines. Mr Tan said he is not surprised that these markets will see fast growth initially.

"When we look at these domestic markets, it's going to be no different from when Singapore first started in 2002. There was a lot of pent-up demand for fully-developed, stabilised, securitised assets."

"Given that investors prior to the introduction of the REIT code had no exposure to this form of investment class, obviously, [demand] will come in fast and furious," he said. However, the number of listings will reach a point where growth will likely plateau. "There comes a time when after you've listed that many domestic REITs, it becomes crowded," he said.

He added that each REIT regime will have to define its journey, and Singapore will continue its current strategy of expanding into more diversified overseas assets and attracting both foreign and local sponsors with such global ambitions.

"For Singapore, we never stayed at just Singapore assets. We have grown, not just from being an Asian REIT Hub, we are now a Global REIT Hub."

Emerging Competition May Bring Other Opportunities

The rise of other REIT markets could also benefit Singapore in the long run, according to Mr Tan. For instance, if China REITs were to expand beyond infrastructure to include different asset types, and its rules are friendly for foreign investors, it will create two important opportunities for Singapore, he explained. "Firstly, there will be a certain group of Chinese sponsors who want to be more regional or global in their expansion," said Mr Tan. This group of sponsors will seek to list in a global REIT hub like Singapore to tap offshore investors. A second group may want to pursue a secondary listing outside of their home country, he added.

"We are certainly open to that, as long as we can make the rules uniform," said Mr Tan, adding that currently, it is hard to harmonise China's rules with those of Singapore's, given the mainland's more restrictive regime.

On potential competition from Hong Kong, Mr Tan said that the territory's focus on China assets only will be a factor for any foreign sponsor. "It is not so simple to roll out cross-border assets outside of your domestic market. The question is whether there is investor appetite and appreciation for the REITs' growth overseas," said Mr Tan. "Hong Kong REITs are invested primarily in China and Hong Kong currently. So, there is little growth outside of China and Hong Kong assets. In fact, the C-REIT could even overtake the Hong Kong REIT market for China assets eventually."

In general, Mr Tan said the emerging regional exchanges do not impact the Singapore market directly.

"We are on our own trajectory. The challenge that we face today is how much more effective we can be in a post-Covid-19 world. We have to keep ourselves relevant and be at the forefront of it.“

Navigating Covid-19 Challenges

Indeed, the immediate concern for the SGX is how the new real estate normal will look like following the pandemic.

"The biggest issue is Covid-19 and its impact on our recovery. What is the new normal?" Mr Tan said in the interview. "So long as there is an uncertainty and overhang, it makes future fundraising and IPOs fairly challenging," he added.

The popularity and the lure of technology company listings during Covid-19 have posed another challenge for REITs. "Today, the investor base sees phenomenal returns in tech stocks," Mr Tan said. "You have these new economy companies that are having strong growth in valuation, and [on the other hand you have] the very stable and 'boring' business of REITs [that may be less of a draw]."

"To be fair, our REIT managers are doing a very good job. Unfortunately the current market environment has been challenging for global real estate. The REIT sector, in Asia in general, is competing against the more-aggressive-higher-return stocks in the region," he added.

Focus On New Economy

Given the challenges and with the pandemic hurting a large segment of real estate, notably hospitality, retail and, to a lesser extent, the office sector, Mr Tan said the short-term focus of SGX is to attract "new economy" assets and to continue to woo global-focused sponsors.

"We are very focused on new economy sectors. I would expect that as we look in the near-term, there will be a lot of IPOs and REIT listings in these sectors. Certainly, even the secondary fundraising will be centered around this theme. We need to continue to keep our leadership in this space."

Amid tough market conditions, Mr Tan also expects S-REITs to merge and consolidate as they seek economies of scale and raise their competitiveness.

"I think some of the REITs, given their size, might find it to be more challenging in the current environment or in the new post-pandemic world. Therefore, it makes sense to consolidate and scale-up to be a much larger player or diversify with another REIT," Mr Tan said.

He added that it is essential that Singapore REITs grow in size to be included in global REIT or real estate indexes. In September, 11 of Singapore's smaller REITs made it into the FTSE EPRA Nareit Global Real Estate Index series following the index series' quarterly review changes. "As more and more of our REITs begin to move into these global indexes, it attracts liquidity," he said.

Looking forward, as economies recover from the pandemic slump, Mr Tan expects activity from global players to pick up. "In the next six to 12 months, as the U.S. market comes back to normalcy, we may see established U.S. sponsors potentially listing their REITs in Singapore," Mr Tan said, adding that the exchange has continued to engage with overseas sponsors even during the pandemic.

Asked about the exchange's intention to attract global brand names such as Blackrock to list in Singapore, Mr Tan explained that typically big firms with international real estate portfolios would need a compelling reason to consider listing a REIT as a vehicle for fundraising or to monetise their assets. "For global real estate sponsors, what they have in their arsenal is a lot of choices. They have private funds, running in several forms and structures. They even have the ability, given their global strength and presence, to raise blind pool funds," said Mr Tan. "So, the question becomes: do I need to do a REIT in Singapore?"

Still, the exchange is actively engaging these global firms, said Mr Tan, adding that he hopes that as the pandemic stabilises, Singapore will attract more renowned sector specialists. "We focus a lot on who is the best-in-class in that specific field, whether it's logistics or technology real estate," he said.

Sustainability Could Improve S-REIT Quality

Another critical area that the exchange is focusing on for long-term growth is sustainability.

SGX has mandated sustainability reporting on a comply-or-explain basis since 2016. However, the regulator recently issued two consultation papers to propose a roadmap to introduce mandatory climate-related disclosures and provide details on their board diversity policy. Issuers may also need to subject their sustainability reports to assurance in the future, and all directors may be required to attend a one-time training on sustainability.

Mr Tan added that local REITs have been active in issuing green bonds and securing sustainability-linked loans. However, the time has come for the local market to focus on a broader sustainability framework that includes climate change and carbon assessments. He expects such a move to enhance the quality of local REITs.

"We will continue to see Asian, U.S. and European sponsors tapping the Singapore market. But more importantly, the existing pool will move up in standards by becoming larger and more sustainability-focused. I think we have a good formula to keep this going, at least for the foreseeable future.“

Looking Ahead

Undoubtedly, Covid-19 and the emerging REIT regimes have brought about challenges. But they have also created opportunities, according to Mr Tan. "As we recover from Covid-19, and our REITs have become able to navigate that challenge, the question is: are we able to provide the right size and asset class that investors are looking for? Are we able to provide the growth that they would like to see? I think that is the key issue," Mr Tan said.

"There is a unique opportunity for us together in Singapore to introduce new asset classes and launch more global REITs for the first time in Asia and even the world, to global investors. I am very hopeful that as we continue to build upon what we have accomplished together in the last 20 years, our future is bright and the Singapore REIT will scale towards greater heights as a key Global REIT hub."

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Contributors

Deloitte Singapore and REITAS are appreciative for valuable perspectives and insights contributed by these REITs of diverse characteristics and portfolios, SGX, and DBS, which have helped add flavour to this publication.

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Ascott Residence Trust

Ascott Residence Trust (ART) is the largest hospitality trust in Asia Pacific with an asset value of S$7.3 billion as at June 30, 2021. ART's objective is to invest primarily in income-producing real estate and real estate-related assets which are used or predominantly used as serviced residences, rental housing properties, student accommodation and other hospitality assets in any country in the world. ART is a constituent of the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index).

ART's international portfolio comprises 89 properties with about 17,000 units in 39 cities across 15 countries in Asia Pacific, Europe and the United States of America as at September 30, 2021.

ART is a stapled group comprising Ascott Real Estate Investment Trust (Ascott REIT) and Ascott Business Trust (Ascott BT). ART is managed by Ascott Residence Trust Management Limited (as manager of Ascott REIT) and Ascott Business Trust Management Pte. Ltd. (as trustee-manager of Ascott BT), both of which are wholly-owned subsidiaries of Singapore-listed CapitaLand Investment Limited, a leading global real estate investment manager with a strong Asia foothold.

Simon Garing
Chief Executive Officer
Cromwell European REIT

Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**") is a real estate investment trust ("**REIT**") with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are primarily in the office and light industrial / logistics sectors. CEREIT's purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT maintains a long-term target portfolio weighting of at least 75% or more within Western Europe and at least 75% or more in the office and light industrial / logistics sectors.

As at September 15, 2021, CEREIT's portfolio comprises 108 properties with an appraised value of approximately €2,343 million in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, the Czech Republic, Slovakia and the United Kingdom. CEREIT's portfolio has an aggregate lettable area of approximately 1.7 million sqm, 800+ tenant-customers and a WALE profile of approximately 4.7 years as at June 30, 2021.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group, a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

Eng-Kwok Seat Moey
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DBS Bank Ltd.

DBS is a leading financial services group in Asia with a presence in 18 markets. Headquartered and listed in Singapore, DBS is in the three key Asian axes of growth: Greater China, Southeast Asia and South Asia. The bank's "AA-" and "Aa1" credit ratings are among the highest in the world.

Recognised for its global leadership, DBS has been named "World's Best Bank" by Euromoney, "Global Bank of the Year" by The Banker and "Best Bank in the World" by Global Finance. The bank is at the forefront of leveraging digital technology to shape the future of banking, having been named "World's Best Digital Bank" by Euromoney and the world's "Most Innovative in Digital Banking" by The Banker. In addition, DBS has been accorded the "Safest Bank in Asia" award by Global Finance for 13 consecutive years from 2009 to 2021.

DBS provides a full range of services in consumer, SME and corporate banking. As a bank born and bred in Asia, DBS understands the intricacies of doing business in the region's most dynamic markets. DBS is committed to building lasting relationships with customers, and positively impacting communities through supporting social enterprises, as it banks the Asian way. It has also established a S$50 million foundation to strengthen its corporate social responsibility efforts in Singapore and across Asia.

With its extensive network of operations in Asia and emphasis on engaging and empowering its staff, DBS presents exciting career opportunities. For more information, please visit www.dbs.com.

Robert Stuart Claude Wallace
Chief Executive Officer
Frasers Logistics & Commercial Trust

Frasers Logistics & Commercial Trust ("FLCT") is a Singapore-listed real estate investment trust with a portfolio comprising 103 industrial and commercial properties, worth approximately S$6.8 billion and diversified across five major developed markets – Australia, Germany, Singapore, the United Kingdom and the Netherlands. We were listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on June 20, 2016 as Frasers Logistics & Industrial Trust and subsequently renamed Frasers Logistics & Commercial Trust on April 29, 2020 following our merger with Frasers Commercial Trust.

FLCT's investment strategy is to invest globally in a diversified portfolio of income-producing properties used predominantly for logistics or industrial purposes located globally, or commercial purposes (comprising primarily central business district ("CBD") office space) or business park purposes (comprising primarily non-CBD office space and/or research and development space) located in the Asia-Pacific region or in Europe (including the United Kingdom).

FLCT is a constituent of the FTSE EPRA Nareit Global Real Estate Index Series (Global Developed Index), Straits Times Index and Global Property Research (GPR) 250.

Manulife US REIT

Jill Smith
Chief Executive Officer
Manulife US REIT

Manulife US Real Estate Investment Trust (Manulife US REIT) is the first pure-play U.S. office REIT listed in Asia. It is a Singapore listed REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets.

Manulife US REIT's portfolio comprises nine prime, freehold and Trophy or Class A quality office properties strategically located in California, Atlanta, New Jersey and Washington D.C. and Virginia. The current portfolio valued at US$2.0 billion, has an aggregate Net Lettable Area of 4.7 million sq ft and an occupancy rate of 91.7% as at June 30, 2021.

REIT SASSEUR

Cecilia Tan
Chief Executive Officer
Sassuer REIT

Sasseur REIT is the first retail outlet mall REIT listed in Asia. Sasseur REIT offers investors the unique opportunity to invest in the fast-growing retail outlet mall sector in the People's Republic of China (the "PRC") through its initial portfolio of four quality retail outlet mall assets strategically located in fast-growing cities in China such as Chongqing, Kunming and Hefei, with a net lettable area of 312,844 square metres.

Sasseur REIT is established with the investment strategy to investing principally, directly or indirectly, in a diversified portfolio of income-producing real estate which is used primarily for retail outlet mall purposes, as well as real estate related assets in relation to the foregoing, with an initial focus on Asia. For more information on Sasseur REIT, please visit http://www.sasseurreit.com/

Ronald Tan
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Singapore Exchange

Singapore Exchange is Asia's leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. It also operates a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together (sgx.com/first).

SGX is committed to facilitating economic growth in a sustainable manner leveraging its roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key priority, SGX aims to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions.

As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com.

About REITAS

REITAS is the representative voice of the Singapore REIT (S-REIT) sector. It provides its members a representation and engagement in consultation opportunities with policy makers on issues affecting S-REITs. The association also organises talks, courses, investor conferences, retail education events, etc., to promote understanding and investment in Singapore REITs.

REITAS is a non-profit association and the objectives are:

Regulatory

To engage regulators to improve the operating, legal, commercial & regulatory environment of S-REITs

Promotions

To propel the Singapore real estate investment trust industry to greater market prominence in regional and global capital markets

Professional Development

To assist member REITs upgrade/enhance the professional skills and knowledge of their staff through courses, seminars, talks and workshops, including regular updates on regulatory and compliance requirements

Education & Research

To enhance understanding of REITs among retail investors through educational programs and seminars

Website: https://www.reitas.sg/
LinkedIn: REITAS

Mission Statement:

"To promote the growth and development of the S-REIT industry"

About Deloitte

Deloitte demonstrates our mastery in the REITs space, being the market leader in REITs and Business Trusts (BTs) in Singapore from 2017 to 2021 thus far – by number of successful IPO listings, IPO proceeds raised, as well as IPO market capitalisation. Deloitte believes in partnering with our clients on their journey to achieving their long-term visions.

The chart below sets forth some of our capabilities in supporting you on your REIT listing journey.

Audit & Assurance services
- Act as independent statutory auditors of underlying assets in the financial year(s) leading up to the proposed IPO

Advisory services
- Assess readiness to IPO, identify gaps, and recommend solutions
- Advise on S-REIT market and investor sentiments
- Introduction to an extensive network of suitable professional parties
- Provide inputs on assessing suitability of asset portfolio identified by sponsor
- Discuss relevant accounting considerations that may arise from restructuring
- Sharing of the approach and process to building robust REIT and asset financial models

Tax Advisory services
- Advise on achieving an optimal and tax efficient structure suited to needs
- Review tax-related items in financial projections/model prepared by sponsor/financial advisers

Audit & Assurance services
- Act as independent reporting accountants for the IPO

Advisory services
- Assist in preparation of pro forma financial information, for inclusion in Prospectus
- Validate forecast model prepared by financial advisors
- Review financial sections in the Prospectus, including management discussion & analysis

Tax Advisory services
- Take on the role as independent tax advisors for the IPO
- Assist to apply for relevant tax incentives and rulings for the proposed S-REIT
- Review sections in the Prospectus relating to tax matters

Audit & Assurance services
- Act as independent statutory auditors of the listed S-REIT
- Act as independent reporting accountants for continuing M&As, disposals, follow-on equity or debt offerings

Advisory services
- Act as internal auditors
- Advise on implementation of new accounting standards and complex accounting issues
- Provide managed services and sourcing for short and long-term talent needs
- Support on end-to-end finance transformation projects

Tax Advisory services
- Act as tax agents
- Take on the role as independent tax advisors of the S-REIT for continuing M&As, disposals, follow-on equity or debt offerings
- Preparation of tax operating manual

Other services
- Access to an exclusive suite of SEA CFO Program Offerings, including tailored labs, conferences, forums, surveys, newsletters, and leadership programs

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