

17 April, 2020

MEDIA RELEASE

On behalf of our members, REITAS would like to record its appreciation to the MAS, IRAS, SGX and the Ministry of Finance for the comprehensive set of measures announced yesterday to help S-REITs with the challenges posed by COVID-19¹. Taken together, we believe these measures will be effective in alleviating many of the issues we highlighted in our press release dated 6 April 2020².

The increase in the aggregate leverage limit from 45% to 50% is timely as it provides S-REITs with additional funding flexibility during this uncertain period. Together with the enhanced share issue limit announced by SGX RegCo last week³, SREITs will be in a better position to sensibly access the debt and equity markets to assist in their capital management.

In the longer term, we believe that this measured increment in the gearing limit is a step towards creating a more level playing field with REITs in other jurisdictions, will help S-REITs compete more effectively for assets globally, as well as sustain Singapore's position as a global REIT listing hub.

The introduction of the Interest Cover Ratio (ICR) as a secondary metric from 1 January 2022 will provide investors with greater transparency and assurance on the ability of an S-REIT to service its debt obligations. We believe this will be another useful reference point that will further build investor confidence in the S-REIT sector.

The extension of the permissible period for the distribution of FY 2020 taxable income from 3 months to 12 months will help many S-REITs by giving them more time to manage their cash flows, and to work with tenants to recover and distribute the deferred rentals granted under the COVID-19 (Temporary Measures) Act 2020⁴, without the impending risk to unitholders of losing tax transparency. However, we note that this measure offers limited relief to REITs whose FY 2020 has already ended on 31 March 2020 and request the regulators to review the FY 2020 timeframe so as to achieve a more balanced extension period for all S-REITs. For unitholders, the extension means that while distributions may be lower in the immediate quarters, these distributions should improve over subsequent quarters as S-REITs receive the deferred rentals owed to them. We underline once again the importance of adopting a spirit of shared responsibility

¹ <https://www.mas.gov.sg/news/media-releases/2020/new-measures-to-help-reits-navigate-operating-challenges-posed-by-covid-19>

² https://www.reitas.sg/wp-content/uploads/2020/04/Media-release_6-Apr-2020_final.pdf

³ <https://www2.sgx.com/media-centre/20200408-sgx-regco-announces-measures-support-issuers-amid-challenging-covid-19>

⁴ <https://sso.agc.gov.sg/Act/COVID19TMA2020>

between landlord and tenant, in agreeing both to a schedule of deferred rental, and its subsequent repayment.

As the duration and severity of the current crisis is uncertain, we will continue to monitor its impact and welcome the foresight and commitment of our regulators to make further refinements on this front as the situation evolves, such that S-REITs are given an opportunity to effectively navigate their way through COVID-19, and unitholders who take a long-term view are re-assured that the S-REIT ecosystem will prevail.

Once again, we thank MAS, MOF, IRAS and SGX for working together quickly during this critical period to provide timely and meaningful support to the S-REIT sector. REITAS would be happy to provide further inputs to the authorities with the details of the changes that will be released by IRAS in early May 2020.

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ABOUT REITAS

REITAS is the representative voice of the Singapore REIT (S-REIT) industry. 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.