

Celebrating 20 years of S-REITs

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Tue, Sep 13, 2022 • 04:01 PM GMT+08 • 5 days ago • 5 min read



This year marks the 20th anniversary of the first REIT listing on the Singapore Exchange (SGX), and REITAS is happy to be partnering SGX and The Edge Singapore in its 20 Years of S-REITs supplement commemorating the anniversary.

We have had two decades of growth for S-REITs, from two REITs in 2002, to more than 40 traded REITs and property trusts with a market capitalisation of some \$117 billion as at end August.

REITAS — the acronym for REIT Association of Singapore — was formed in late 2013 as the representative voice of Singapore-listed REITs (S-REITs) to provide our views to policymakers on common issues. Since formation, our membership has grown to represent 98% of S-REITs by market capitalisation. Our membership also comprises other active players in the S-REIT ecosystem, such as bankers, lawyers, trustees and consulting firms.

Through our various courses, we train over 500 people annually from REIT managers to independent directors. We also co-organise institutional investor conferences with various financial institutions and reach 3,000 retail investors annually in investor outreach programmes.

An active role

REITAS plays an active role as the bridge between regulators/government and REIT managers. Our role was particularly helpful to the industry during the Covid-19 pandemic. In April 2020, the Monetary Authority of Singapore (MAS) increased the aggregate leverage limit of S-REITs from 45% to 50%. REITAS had been in discussion with MAS on this well before Covid began.

MAS also announced delaying the application of the Adjusted Interest Coverage Ratio of 2.5 times as a secondary metric, to determine if REITs can raise aggregate leverage to 50%, until January 1, 2022. This allowed REITs time to stabilise their cash flows that had been impacted by Covid.

In April 2020, as the pandemic raged on, MAS announced an extension of time for REITs to distribute taxable income from three months to 12 months. This measure helped REITs at a time when their cash flow was impacted on account of providing rental relief to tenants as required by The Covid 19 (Temporary Measures) Act.

Over the last 20 years, the S-REIT industry has learnt valuable lessons from previous challenges and crises such as the Global Financial Crisis (GFC) and Covid-19. For instance, after the GFC, REIT managers increased their attention to capital management, such as ensuring that their REIT is conservatively leveraged with a well-spread-out debt maturity profile and a sensible balance of fixed and floating rate debt. We believe that learnings from previous crises will stand the industry in good stead in future.

Sustainability targets

Sustainability has been a particular focus area for REITAS in the last couple of years. Buildings represent 39% of global greenhouse gas emissions, comprising 28% of operational emissions and 11% of building materials and construction. As countries push for net-zero carbon goals (e.g. Singapore is aiming to have emissions reach net zero by 2050), REITs are building their own sustainability roadmaps and goals.

Multinational companies increasingly prefer to lease property that has achieved a recognised green certification and REIT managers need to meet this demand. Investors are also keen to invest in REITs which are actively working towards their sustainability goals. Further, as Singapore REITs own properties in Singapore and overseas, REIT managers will need to keep abreast and abide by new and evolving regulations in all the countries where their properties are located.

A global REIT hub

Although Singapore's REIT market is one of the world's youngest, it is Asia Pacific's fastest-growing REIT platform and a truly global REIT hub. Singapore now hosts more foreign S-REITs than anywhere else in the world. Over 90% of S-REITs hold overseas assets (37 out of 41 traded REITs) and are very diversified across geographies and sub-sectors.

As the REIT market continues to grow in size and liquidity, more S-REITs have been included in local and global indices. With the deepening of the ecosystem, Singapore now offers a comprehensive product suite including REIT ETFs and REIT futures.

The initial growth of the REIT market was driven primarily by local sponsors. Subsequently, S-REITs successfully expanded overseas into new markets in a value-enhancing way — not many other REIT markets have achieved this.

In recent times, we have seen high-quality global sponsors like **Manulife** (Canadian), **Lendlease** (Australia), **Daiwa House** (Japanese) and **Digital Realty** (United States) list their own S-REIT vehicles.

We continue to see a healthy pipeline of good quality foreign sponsors that are keen to list their REIT in Singapore.

In the next 20 years we want to attract best-in-class sponsors from around the world to list here; introduce REITs in new asset classes such as student accommodation and senior living; cement Singapore's position as a global REIT hub and continue to attract even more global investors and sponsors; continue to deliver stable, attractive returns with relatively lower volatility compared to other asset classes; further deepen and diversify the REIT ecosystem; and continue to engage with regulators in a collaborative and proactive way.

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