Speech by Mr Lim Cheng Khai, Executive Director, Monetary Authority of Singapore, at the REITAS Annual Conference 2022 on 7 October 2022

Distinguished guests,

Ladies and gentlemen,

1. Good afternoon.

2. I am very pleased to be here with you today at the REITAS annual conference. This year marks the 20th anniversary of the Singapore REIT industry – an important milestone given that it almost did not take off, for those of you who still remember.

Singapore's development into a REIT hub

3. Today, Singapore has a large, diversified REIT market – geographically and by types of properties. It speaks to the appeal of our REIT framework, for local and foreign sponsors alike. This did not happen by chance. It took many years of close collaboration between the industry and MAS, which allowed Singapore's REIT market to become a key segment of our capital markets today.

4. Back in 1999, Singapore was one of the first jurisdictions that introduced rules to allow for the establishment of Singapore REITs, or S-REITs. We wanted to develop an asset class that allow retail participation in the growth of the property sector, with stable income at the same time.

5. When the first S-REIT, SingMall Property Trust, was publicly offered in 2001, investors did not understand the product, and response was underwhelming. Large institutional investors did not have a clear mandate to include REITs in their asset allocation, while equity teams felt that REITs had bond like features and thus, was not part of their mandate.

6. As the lead manager then, DBS put in extensive efforts to educate investors and engage the retail community. These efforts paid off when the REIT – renamed CapitaMall Trust – was finally listed in 2002, with strong support from cornerstone investors subscribing to almost 50% of the IPO.

7. Following the success of CapitaMall Trust, others followed. Today, there are 40 [1] active REITs and property trusts listed on the Singapore Exchange.

a. The types of properties they hold have extended beyond retail malls, to include offices, industrial properties, and hotels; hospitals and nursing homes, and student hostels. More recently, data centre REITs have also grown in popularity.

b. Over 90% of S-REITs today hold properties overseas, including the United States, Europe, China, and Japan [2] .

c. The S-REIT sector has also delivered good investment returns to investors. The market capitalisation of S-REITs has grown at a CAGR of 13% in the past 10 years, to almost S$110 billion [3] today. On average, S-REITs provided a dividend yield of more than 6% per annum [4] .

Partnering REITAS for a Sound and Vibrant REIT Industry

8. Since its formation in 2013, REITAS has played a key role to shape the S-REIT industry of today. REITAS has been a key partner in many of the government's consultation with the S-REIT

industry. Your constructive feedback over the years has helped to shape the policy and regulatory framework for the industry – one that balances sound governance and investor protection, and business-friendliness.

9. I am heartened to see REITAS' founding members here today to celebrate S-REITs' 20th anniversary – Mr Chua Tiow Chye, Founding President of REITAS, and Mr Jerry Koh, who advised on many S-REIT transactions.

10. Over the years, MAS has also worked closely with REITAS and the industry to overcome challenges. It is the mutual trust that we have established that allowed us to adjust our rules quickly – for the S-REIT sector to remain resilient during economic downturns and market stresses, to capitalise on opportunities in upcycles, and to deliver returns to investors.

a. During the global financial crisis in 2009, we introduced measures to alleviate refinancing challenges faced by S-REITs. MAS temporarily allowed distributions to be made in REIT units instead of cash to allow S-REITs to conserve cash.

b. More recently, this trust and partnership supported the S-REIT sector to weather, possibly, its biggest test to date – the COVID-19 pandemic.

i. When COVID-19 restrictions were imposed, the government introduced relief measures to allow tenants to defer their rental payments. Many S-REITs supported the measures and passed on property tax rebates to their tenants, even as these measures and falling occupancy affected S-REITs' cash flows and their ability to distribute rental income to unitholders.

ii. MAS also undertook a series of measures to provide S-REITs with greater flexibility to manage their capital structures, and seize investment opportunities amid the correction. Among others, we extended the permissible period for S-REITs to distribute their income to help S-REITs manage their cashflow, and raised the leverage limit from 45 to 50%.

The way forward and opportunities for S-REITs

11. Today, the sector is facing crosswinds.

12. Macroeconomic headwinds such as geopolitical uncertainty, inflation and rise in interest rates may once again test the resilience of S-REITs. In addition, new technologies could disrupt the real estate sector. For example, distributed ledger technology and tokenisation can allow end-investors to own a fractional share of real or physical assets. This includes buildings and properties. Whether there will be new business models as a result of innovation, and what this portends for intermediaries and REIT managers, remains to be seen.

13. At the same time, there are tailwinds for the REIT sector.

a. The world is gradually recovering from the COVID pandemic. Borders have reopened, people are travelling, offices are reopening, and businesses have returned. The recovery poses opportunities for S-REITs, particularly those in the hospitality and office sectors.

b. Our S-REIT market has become more mainstream. New products are being built on it. Today, we have five Exchange Traded Funds that track S-REITs, providing diversification opportunities for investors and a focus on specific themes, such as sustainability. The development of new products on our REIT platform will further support capital flows into S-REITs, provide access to new markets and segments, and strengthen the proposition of S-REITs as an attractive asset class.

c. Moving forward, sustainability will be a key growth driver for the real estate sector. There will be increased demand for green buildings that integrate property technology, allowing us to live, work and play in a sustainable manner. Already, a number of our S-REITs are leading the way.

i. In GRESB's 2021 annual real estate assessment [5] , 6 of our S-REITs obtained a 5-star GRESB rating, which is awarded to only the top 20% of over 1,500 participants in 2021. This award acknowledges their efforts in 3 components on sustainability – management such as strategies and polices, performance such as energy consumption, and development such as building design.

ii. Some have also involved their properties to be part of Singapore's first brownfield Distributed District Cooling network, which allows for more efficient chiller systems operation, energy savings and lower carbon emissions [6] .

d. On the financing side, various S-REITs have been tapping the capital markets through issuance of green, social, and sustainability-linked bonds.

i. Ascendas REIT developed its Green Finance Framework in 2020, and has issued about S$600 million of green bonds to-date, to fund its climate change mitigation projects. This includes developing green buildings, reducing greenhouse gas emissions, improving energy efficiency, and reducing water consumption.

ii. This year, Ascott Residence Trust became the first hospitality trust globally to issue a 5-year sustainability-linked bond. Through this issuance, Ascott Residence Trust is committed to a sustainability performance target of greening 50% of its total portfolio by the end of 2025.

iii. First REIT also issued the first-ever healthcare social bond in Singapore, further contributing to the diversity of Singapore's sustainable bond market.

14. Notwithstanding the complex operating environment, I am confident that S-REITs stand in good stead to capitalise on the tailwinds, and ride through the challenges. Our S-REITs will remain resilient through down cycles with a sound regulatory framework; grow from strength to strength under the close partnership between the industry and MAS; and remain an attractive asset class through innovation and responsiveness to investor needs.

15. I look forward to a rich discussion in the subsequent panels ahead. Thank you.

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