

## **Opening Remarks by Mr Lim Tuang Lee, Assistant Managing Director (Capital Markets), Monetary Authority of Singapore, at the REITAS Annual Conference 2023 on 24 August 2023**

Mr Low Chee Wah, REITAS President,

Members of REITAS,

Ladies and gentlemen,

1 A very good afternoon to all of you. I am delighted to join you at this year's REITAS Conference.

2 This year marks the 10th anniversary of REITAS, and I would like to congratulate all of you as we celebrate this occasion.

### **REITAS: A vital part of the S-REIT ecosystem**

3 REITAS started off in 2012 as an informal working group to advance the competitiveness of the Singapore REIT (S-REIT) industry. A year later, REITAS was officially established. I am heartened to see founding members of REITAS, Mr. Chua Tiow Chye and Mr. Jerry Koh, among us as we mark the achievement of a very significant milestone.

4 Over the past two decades, the Singapore REIT market has done very well. Today, it is the largest REIT market in Asia ex-Japan and a preferred destination for both local and international investors seeking investment opportunities in REITs. REITAS has also grown in tandem with the industry over the last 10 years. It now has over 50 members comprising S-REIT players and other professionals in the S-REIT ecosystem.

5 S-REITs have proven the ability to generate attractive and stable returns across market cycles. The FTSE ST REIT Index recorded a 10-year total return of 68.2% as of July 2023 <sup>[1]</sup>. S-REITs have thus been established as integral components of any well-diversified investment portfolio. This has facilitated steady growth of the S-REIT industry — attracting a diverse range of assets across commercial, retail, industrial and hospitality sectors.

6 As a key champion of the S-REIT market, REITAS has played an instrumental role in the growth of the industry. Let me quote a few examples.

- First, REITAS has fostered collaboration and advanced best practices for its members. More recently, by establishing a taskforce dedicated to encouraging S-REITs to achieve greater sustainability standards, REITAS is helping to ready the industry for future opportunities;
- Second, by offering industry perspectives and feedback to policy frameworks, REITAS has helped to keep S-REITs agile. In particular, your feedback contributed to the calibration of the leverage limit in 2020, which provided more flexibility for S-REITs to adjust capital structures in response to the challenges brought about by the pandemic; and
- Third, in supporting the development needs of the sector and by providing thought leadership, you have continued to help the sector renew itself and refresh its capabilities. I understand that over the past year, courses by REITAS saw strong participation of over 800 attendees and the REITs Symposium for retail investors attracts up to 3,000 participants annually.

### **Strengthening resilience amidst uncertainties**

7 The achievements of the Singapore REIT industry today are a testament to the strong collaborative and collective effort of all stakeholders where REITAS has played a key role. As we look ahead into the horizon and in line with the title for this year's event, I would like to highlight two major themes in today's operating environment. First, challenging macroeconomic conditions and second, the need for climate action. I will first touch upon what the S-REIT industry must do to strengthen resilience, and then move to talk about climate action.

8 First, on resilience. S-REITs have done remarkably well across major market downturns over the past two decades. As an asset class, S-REITs were able to ride through the global financial turmoil in 2009 and the recent Covid-19 pandemic relatively unscathed. During the pandemic, S-REITs also played an important role in supporting the government's relief measures by allowing tenants to defer rental payments and passing on property tax rebates.

9 Today, we face new challenges in the macroeconomic environment in the form of elevated interest rates and slowing global growth. The ongoing Ukraine war and geopolitical tensions among major global powers have added to the complexity, as they could lead to renewed supply disruptions and dampen consumer and business sentiment. Instances of industrial policy and the imposition of export and import controls are rising, as is the trend of onshoring or friend-shoring of manufacturing. Added together, these will dampen global trade flows.

10 More specifically, S-REITs have over the past year, had to contend with downward pressure on asset valuations and increased financing costs. To continue to stand out as a beacon of light against this stormy environment like before, S-REITs will have to be agile and creative, while continuing to be anchored by strong corporate governance.

11 To stay resilient in today's interest rate environment, S-REITs must continue to plan ahead to actively adjust debt maturity profiles, recalibrate gearing levels and manage interest rate exposures. Apart from funding conditions, S-REITs need to respond to structural shifts in working arrangements. The rise of remote work in a post-pandemic world has impacted REITs in sectors where demand for commercial spaces has moderated. Some REIT managers have responded by considering new experiential offerings and flexible workspaces to diversify their product mixes. Looking ahead, REITs will need to remain agile and responsive to evolving trends, re-evaluate risks and pivot business strategies.

12 In addition, in today's environment of greater shareholder interest, robust corporate governance and stakeholder communication are key. S-REITs and their managers must continue to put in place high standards of governance and act in the best interests of unitholders. Amid the market challenges that I mentioned earlier, investors must be kept apprised on how S-REITs are navigating these uncertainties. To instil market confidence, it is important for S-REITs to communicate in a transparent and timely manner with investors. Constructive engagement between REIT managers and their stakeholders is a key aspect of good corporate governance and underpins healthy market functioning. MAS will continue to engage and work with the industry to further strengthen corporate governance practices.

13 Overall, the REIT industry will be strengthened by our collective responsibility to uphold best practices and promote behaviour that engender trust in our ecosystem.

#### **Accelerating sustainability: Push for greater climate disclosures**

14 Next, let me turn to the second theme of climate action. Globally, the real estate sector contributes about 40 percent of global carbon emissions annually. <sup>[2]</sup> The incorporation of

sustainability considerations in S-REITs' property portfolios and operations will be an important part of the global effort in reducing carbon emissions.

15 As demand for sustainable investments grows, REITs that are able to implement sustainable practices and communicate them clearly can create a competitive advantage for themselves. In fact, demand for sustainability reporting is gaining pace globally and will continue to accelerate, with the recently finalised reporting standards by the International Sustainability Standards Board (ISSB). The ISSB standards provide a global framework to promote consistent, comparable, and reliable disclosure of climate-related information. By reporting against globally-accepted standards, S-REITs can potentially gain greater access to funding opportunities internationally.

16 MAS is studying the formulation of mandatory climate disclosures for financial institutions in line with the ISSB Standards, and is working with the Singapore Exchange to do the same for listed issuers. We aim to distinguish S-REITs and the Singapore market through progressive sustainability practices and disclosure standards. However, we acknowledge that the transition to the ISSB Standards can be a challenge. We are working with the ISSB and the ASEAN Capital Markets Forum (ACMF) to ease the transition through capacity-building efforts. Recently, we held the ACMF-ISSB Joint Conference and Technical Training on the ISSB Standards in June. We will continue to build on this momentum via future training opportunities for the industry.

17 This step towards better sustainability disclosures is a nationwide effort and we are encouraged to hear that REITAS has been at the forefront of this with the setting up of the sustainability taskforce and issuance of the REITAS' guide on TCFD disclosures. This guide provides S-REITs with a head start to prepare themselves to disclose against SGX's TCFD reporting requirements, and eventually transition to the ISSB standards.

## **Conclusion**

18 Let me now close. While there are dark clouds in the macroeconomic and geopolitical environment, S-REITs can navigate this successfully through careful planning and active review of business strategies, while staying anchored by strong corporate governance practices. S-REITs can also ride a potentially new wave of opportunity in sustainability practices and reporting.

19 Once again, let me congratulate REITAS on its outstanding achievements over the last 10 years.

20 I wish you all a fruitful conference.

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<sup>[1]</sup> Source: SGX Chartbook: S-REITs & Property Trusts July 2023

<sup>[2]</sup> Managing Transition Risk in Real Estate: Aligning to the Paris Climate Accord, Institute for Real Estate Economics and United Nations Environment Programme Finance Initiative (UNEP FI), March 2022