KPMG

REITAS

Singapore - A Global Hub for REIT Listings

Exploring Real Estate Investment Trusts in Singapore

Foreword

In less than two decades, Singapore has evolved from being a predominantly local REIT market to a global REIT listing hub. Singapore's REIT industry (S-REITs) now has a diverse profile of international sponsors with property portfolios spanning across Asia Pacific, North America and Europe. In fact, the last 10 REIT IPOs have all their assets outside of Singapore, a clear indication of Singapore's transformation into an international hub for REIT listings.

Singapore is the only international REIT market in Asia with 80% of S-REITs having some or all their properties outside Singapore. This is complemented by a diverse investor base, both retail and institutional. The rapid growth of Singapore's private wealth management sector has added significantly to the investor mix. The industry is supported by a favourable tax regime and a regulatory framework that has a strong focus on corporate governance.

As S-REITs continue to mature and become more international in their make-up, we felt it would be worthwhile to hear from the CEOs of select S-REITs about their views on what makes Singapore their destination of choice, and what can the city state provide further to make itself more attractive to potential REIT sponsors. We also asked them to spell out some of the benefits that REITs offer over private funds, and how the model of external management of REITs adopted by Singapore compares with the internal management in some other jurisdictions. We have compiled their inputs in this publication, along with input from Singapore Exchange (SGX).

We would like to thank all the CEOs, and SGX for giving their time and input for this publication. We hope sponsors who may be considering Singapore as a potential REIT destination would find the candid views presented in this publication informative and thought provoking, and we look forward to welcoming REITs from all over the world to our little red dot.

Tay Hong Beng
Head, Real Estate,
KPMG in Singapore

Mr Andrew Lim
President,
REIT Association of Singapore
(REITAS)

Contents

What makes S-REITs tick?

The city-state's REIT sector is among the fastest-growing in Asia with 80% of Singapore-REITs (S-REITs) and property trusts holding offshore assets across the Asia Pacific, South Asia, North America and Europe.

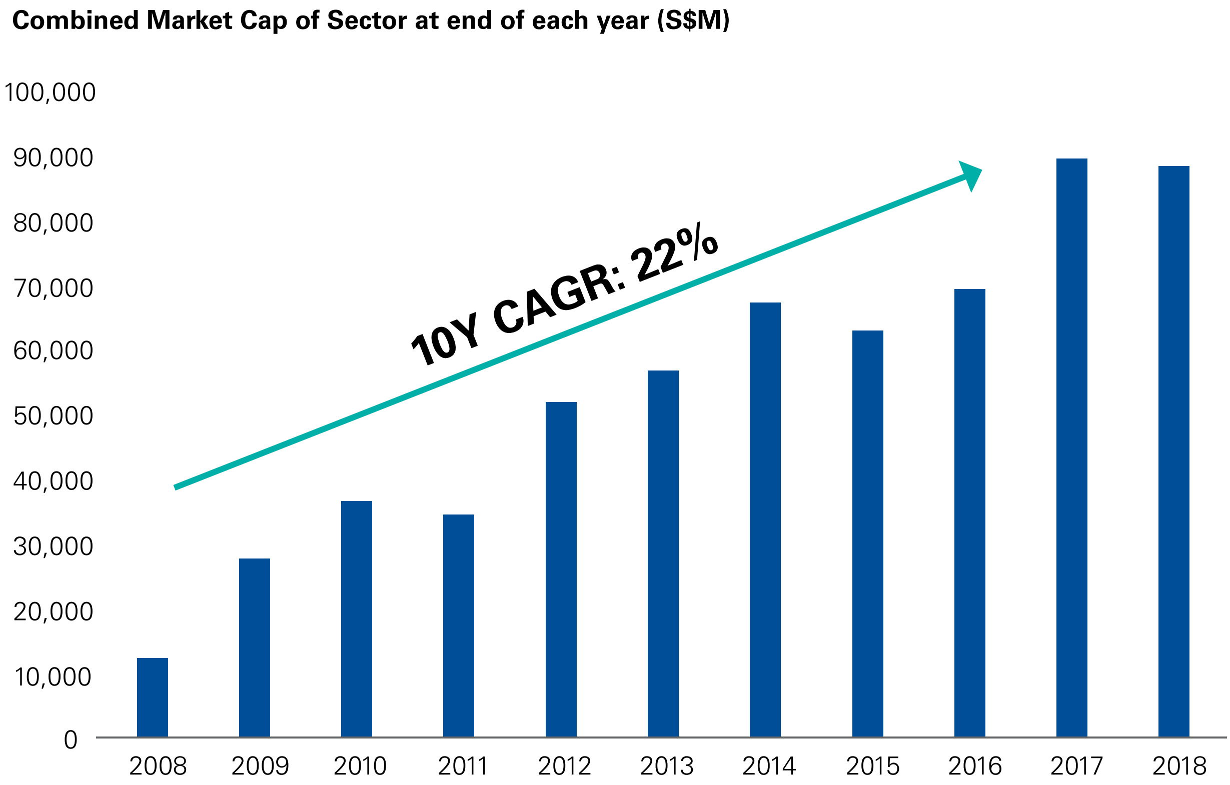
What makes S-REITs tick?

- REIT market with global assets
- Growing retail and institutional investor base
- Clear rules and incentives
- Consultative approach of regulators

Singapore's first REIT CapitaLand Mall Trust was listed in 2002 following the establishment of the sector's regulatory regime in 1999. As of 31 May 2019, the city-state has 44 REITs and property trusts with a total market capitalisation of over US$73 billion (S$100 billion), generating an average dividend yield of 6.5%, among the highest in the region.

The industry's market value has grown at a 22% compounded annual growth rate over the last 10 years as REITs' investment mandates have expanded far beyond Singapore's shores. To date, 80% of S-REITs and property trusts own offshore assets across the Asia Pacific, South Asia, North America and Europe, and the city-state has earned itself the reputation of being Asia's most extensive global REIT hub.

SGX's S-REITs & Property Trust cluster has grown at a CAGR of 22% over 10 years



Source: Bloomberg, SGX data

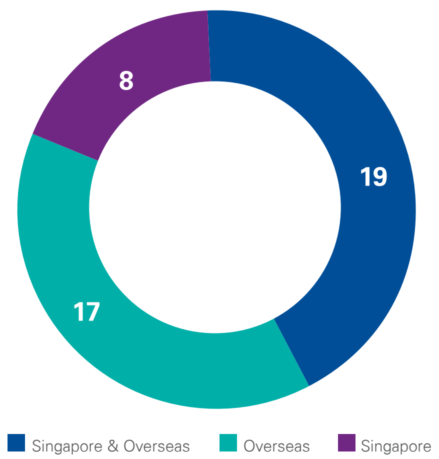
To a large degree, the sector's growth encapsulates the Singapore government's ambition to be a leading global financial centre in Asia – "one that connects global markets, supports Asia's development and serves Singapore's economy."

But what makes REITs, notably those with offshore assets, choose Singapore as a listing destination?

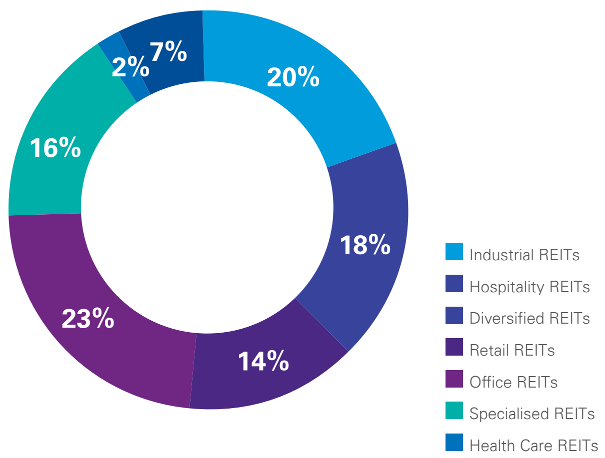
Rising number of REITs with global assets

Ms Jill Smith, the Chief Executive Officer of Manulife US REIT, says the swing factor for its parent group Canada-based Manulife to decide on Singapore was the city-state's position as the "only REIT market in Asia that has international REITs." "The market here was evolving quite rapidly with local REITs expanding out of Singapore to Australia, China and Europe," says Ms Smith.

80% (36) of trusts have exposure to overseas properties



Trusts have diversified property sub-segments (% by trust count)



Source: Bloomberg, SGX data as of 31 May 2019

The Australian Stock Exchange was a possible choice for Frasers Logistics & Industrial Trust, which presently has more than 65% of its assets in Australia. However, the trust's aspirations were not centred solely on Australia, says Chief Executive Officer Mr Robert Wallace. "With a global mandate, we were better suited to have a Singapore listing," he says. The trust has A$3 billion (US$2.2 billion) in assets as of March 2019, with properties in Australia, Germany and the Netherlands.

Another consideration for the trust was Singaporean investors' familiarity with the Frasers Property brand, which has four listed trusts that include Frasers Logistics & Industrial Trust, Frasers Centrepoint Trust, Frasers Commercial Trust and Frasers Hospitality Trust, all of which are listed in Singapore.

Growing investor base

According to Mr Wallace, the city's reputation as a well-known REIT market with a knowledgeable and sophisticated investor base was also an important factor. Frasers Logistics & Industrial Trust has seen steady growth in the number of investors since its listing in 2016. Its investors have risen from approximately 10,000 to nearly 15,000 in that period.

The growth of the private wealth industry in the region was also an important factor for Cromwell European REIT for a Singapore listing, along with high levels of corporate governance and regulatory support in terms of a favourable tax regime.

"The Swiss private client assets are expanding at about 3% per annum, whereas the High-Net-Worth assets in private banks here are rising at over 15%. Clearly, the number of potential investors here is growing materially," says Chief Executive Officer Mr Simon Garing. Cromwell European REIT was listed in November 2017, and about half of its investors were from Singapore and the remaining from offshore markets. A year on, Cromwell's institutional investor base is expanding, with a number of tier 1 institutional investors entering the register over the last few months.

Clear rules and tax incentives

The regulatory and financial environment is critical to ensure a successful REIT listing. As far as tax rules, corporate governance and the ability to raise funds are concerned, Singapore – an established wealth and financial centre with a well-tested judicial system – ticked all the boxes.

"It is a well-regulated environment; Singapore tax rules are very clear," says Frasers Logistics & Industrial Trust's Mr Wallace.

"Tax transparency is a great plus point," says Ms Beh Siew Kim, the Chief Executive Officer of the Manager of Ascott Residence Trust.

REITs listed on Singapore Exchange (SGX) are granted tax transparency treatment generally on rental and related income from Singapore properties. For those investing in foreign properties, they (including the REITs' wholly-owned Singapore-resident subsidiaries) are currently exempt from taxation on certain foreign income derived in respect of those properties acquired. This was part of a package of tax incentives introduced by the Singapore government to develop Singapore as the preferred Asian listing destination for REITs.

"The market here (in Singapore) was evolving quite rapidly with local REITs expanding out of Singapore to Australia, China and Europe."

Jill Smith,
Chief Executive Officer,
Manulife US REIT

To promote REIT Exchange Traded Funds (ETFs), the Singapore government announced during its 2018 Budget that S-REIT ETFs would no longer be subject to a withholding tax of 17% and would also be granted tax transparency treatment; thereby, maintaining parity in tax treatments between investing in individual S-REITs and REIT ETFs. Also, a 10% concessionary tax rate was introduced on REIT ETF's distributions received by qualifying foreign corporate individuals. These tax incentives and treatments were due to expire in March 2020, but in the 2019 Budget, the government extended the time frame to December 31, 2025.

The Monetary Authority of Singapore (MAS) has also made continuous efforts to strengthen corporate governance, including requiring REIT managers and directors to prioritise investors' interests over those of the manager and the sponsor in the event of conflicts of interest, among others.

You wouldn't get the same sort of regulatory support in other markets where they may have tax incentives for financial sponsors and not much else.

Simon Garing,
Chief Executive Officer,
Cromwell European REIT

Consultative approach of regulators

Many REITs say that a critical differentiator of the city's ecosystem compared to some other jurisdictions is the consultative approach taken by the regulators, particularly MAS and SGX. The authorities are constantly seeking views to improve its regulatory regime for REITs. For instance, following a consultation period in 2015, certain changes were made to the REIT rules including lowering the gearing limit to 45% from 60% and increasing the development limit to 25% from 10%. The sector's gearing averages about 34% as at 31 May 2019.

"When we first put our structure together, it was a very consultative experience. If you are talking about the ecosystem, MAS and SGX have made it conducive and attractive, and they were open to ideas," says Ms Smith of Manulife US REIT.

"You wouldn't get the same sort of regulatory support in other markets where they may have tax incentives for financial sponsors and not much else," says Cromwell European REIT's Mr Garing.

According to Ms Cindy Chow, the Chief Executive Officer of Mapletree North Asia Commercial Trust, the Singapore ecosystem protects investors, given its tight compliance requirements, regulations and governance.

"For the REIT manager, the dialogue with the regulators has also allowed us to voice our feedback on what might make it more efficient for the REITs listed in Singapore. This is a positive, because at the end of the day, if you make compliances and regulations too onerous, the sponsors might decide to take the listing elsewhere," she says.

Listed REITs or private funds?

Some key considerations for a REIT listing include the entity's risk profile, capital raising requirements and expansion goals.

Listed REITs or private funds?

- REITs can better access financing and talent
- Private funds have lower setup and compliance costs
- Risk profile of asset drives choice of vehicle
- Expansion into multiple jurisdictions allows diversification and growth

REITs have become a popular vehicle for real estate ownership with India being the latest market to embrace the REIT structure. Other Asian jurisdictions that have recently been in the news about introducing the REIT format include Mainland China and the Philippines.

According to Bloomberg data, Asian REITs, including Japan, raised US$10.6 billion of equity capital in 2018, with both the capital raised and the number of deals exceeding 2017 levels. Over 86.5% of the proceeds came from secondary share offerings, comprising 72.5% from private placements and 14% from rights issues, with the rest from Initial Public Offerings.

The advantages of a publicly listed vehicle such as a REIT, compared with private financing, are wide-ranging. They include the ability to tap a broader investor base and attract and retain talent, cheaper access to capital and increased exposure, prestige and branding. However, setting up as a private real estate fund too has its benefits. For a start, these privately held entities save on administration as well as legal and compliance cost, which has risen substantially since the 2008 Global Financial Crisis.

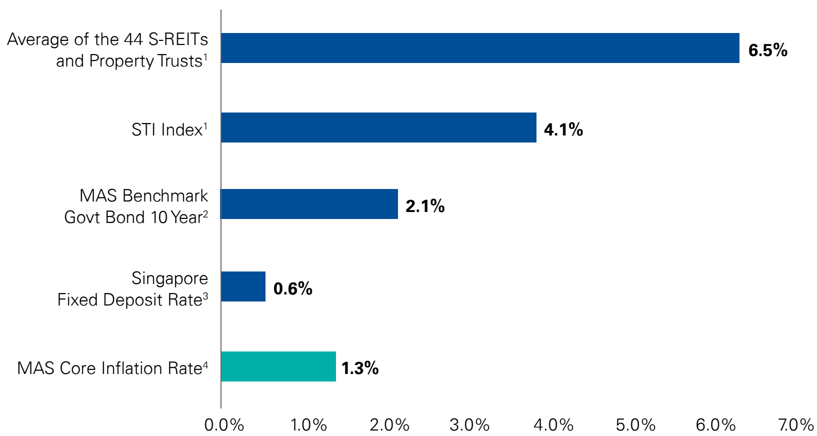
So what are the motivations behind a private real estate entity's decision to become a REIT?

Ms Beh Siew Kim, the Chief Executive Officer of the Manager of Ascott Residence Trust, says the different levels of risk associated with the various stages of real estate development are a major determinant in the decision to become a publicly listed vehicle or to stay private.

"During the greenfield stage, risks are much higher, and returns are also expected to be higher," says Ms Beh, who managed several private equity funds at CapitaLand China, a wholly-owned subsidiary of CapitaLand Limited, prior to her role at Ascott Residence Trust.

"Private equity investors are comfortable with the variability in the risks and returns of private equity investments. When an asset is generating stable cash flow, the REIT structure is better suited and it allows you to reach out to a wider range of investors," says Ms Beh.

S-REITs & Property Trusts have highest yield vs other asset classes



[1]Based on 12M Average Dividend Yield
[2]Based on 10 Year Yield
[3]Bank fixed deposit rates from MAS
[4]MAS Core Inflation based on April 2019 Figures

Source: Bloomberg, SGX Research – sgx.com/research as of 31 May 2019

"Private equity investors are comfortable with the variability in the risks and returns of private equity investments. When an asset is generating stable cash flow, the REIT structure is better suited and it allows you to reach out to a wider range of investors."

Beh Siew Kim
Chief Executive Officer of the Manager of Ascott Residence Trust

According to Ms Cindy Chow, the Chief Executive Officer of Mapletree North Asia Commercial Trust, it is also a way to "recycle capital".

"Once the private real estate entity has stabilised the assets which it has acquired, other than a private sale, they could set up a REIT platform as a sponsor to inject these assets into the listed vehicle," says Ms Chow. "This way, the private entity would be able to grow its REIT management platform and at the same time, recycle or re-deploy the funds generated from the listing to its other real estate platforms."

Ms Chow adds that it is also a way of diversifying and scaling up the fund management business of the sponsor.

Another positive feature of a REIT is that its life cycle is perpetual, compared to that of a private equity or venture capital fund, which may last just five to seven years, says Ms Beh.

Multi-countries or single country?

Many REITs in Singapore started as single-country platforms with a strong focus on locally managed assets. Soon after the Global Financial Crisis, REITs have sought diversification and growth by expanding into multiple jurisdictions. At present, 17 out of 44 S-REITs have real estate portfolios entirely composed of overseas assets.

Both categories of REITs cater to different investors. "There are purists who feel that a single market or a single country REIT is easier for investors who are adept at portfolio allocations, and who may want limited or controlled exposure to multi-market political and currency risks," says Ms Chow. "On the other hand, there are also investors who find exposure to a few markets and the geographical diversification in a REIT attractive."

From a REIT perspective, expanding into multiple countries provides growth opportunities, economies of scale and diversification. "The reason why we wanted to go into Japan was in part to accelerate our growth and in part to diversify beyond Greater China. We were very upfront about why we wanted to expand into a broader North Asian region that covers several markets," says Ms Chow.

Mapletree North Asia Commercial Trust formerly known as Mapletree Greater China Trust announced the broadening of its investment mandate to include Japan in January last year. Shortly after that, the trust acquired six freehold office properties located in Tokyo, Chiba, and Yokohama for a total acquisition cost of approximately JPY63,304 million (US$572 million). One of the key considerations was that the freehold tenure of real estate in Japan provides diversification in land tenure compared with leasehold assets in China and Hong Kong SAR. In mainland China, land leases for commercial developments are typically 40 or 50 years. Many existing land leases in Hong Kong have terms expiring in 2047, except for land sold since 1997, which has been subject to a fresh lease of 50 years.

Ascott Residence Trust's Ms Beh says focusing just on Singapore hospitality assets would limit growth tremendously. "Having geographical diversification helps us in maintaining and improving the distributions to our unitholders, as economic cycles do not always move in tandem. A diversified portfolio enables us to capture growth at different phases of the cycle."says Ms Beh.

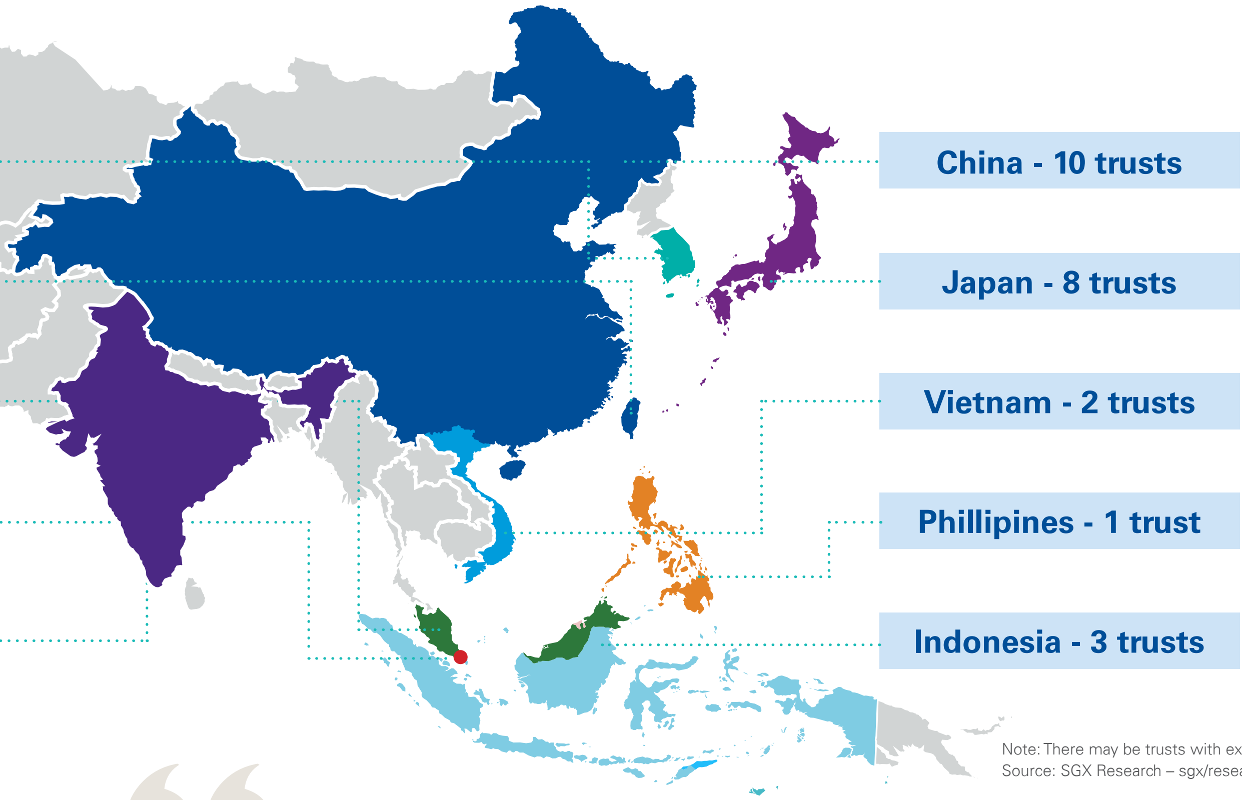
Scale has an advantage too. A recent spate of mergers within the S-REIT sector is evidence that REITs are seeking to scale up as they seek a greater pool of investors.

In April, OUE Commercial REIT and OUE Hospitality Trust announced a tie-up to form a REIT that will have about S$6.8 billion (US$5.02 billion) in properties, making it the eighth largest in Singapore by assets. The merger comes some six months after ESR-REIT completed the acquisition of Viva Industrial Trust to become Singapore's fourth-largest industrial REIT. "We are probably going to see a lot more consolidation in the sector, as there are many advantages in being a larger REIT," says Ms Beh.

Overseas acquisitions tend to be large. As such, larger Asian REIT managers, particularly those with the financial support of strong sponsors, will have a head start over smaller ones.

"You have to merge and grow bigger to do more," says Ms Beh. "If you are small, you can only tap funding from retail investors."

Trusts that have Pan Asian exposure (based on asset portfolio)
SGX also lists trusts with exposure to non-Asian markets



Note: There may be trusts with exposure to more than one market
Source: SGX Research – sgx/research as at 31 May 2019.

There are purists who feel that a single market or a single country REIT is easier for investors who are adept at portfolio allocations, and who may want limited or controlled exposure to multi-market political and currency risks. On the other hand, there are also investors who find exposure to a few markets and the geographical diversification in a REIT attractive.

Cindy Chow,
Chief Executive Officer,
Mapletree North Asia Commercial Trust

S-REITs' wish list

REITs have pointed to a gap in the area of analyst research and investor education, which are seen as necessary because a marketplace that has a deep understanding of the asset classes in different jurisdictions offered by each REIT would help broaden the investor base, enhance liquidity and facilitate fundraising.

Wish list

- Expanding analyst research expertise to cover diversified asset classes and geographies
- Creating more opportunities for investor education and enhancing the depth to cover new asset classes and jurisdictions
- Higher gearing ratio

As the REIT sector expands, there are also growing pains. With more than 70% of Singapore CBD Grade A-office stock already owned by S-REITs and developers, the trend of REITs acquiring assets outside of Singapore has intensified. REIT managers are looking beyond the small city-state in search of yield-accretive acquisitions to improve distributions to investors. S-REITs, already with overseas exposure, have also widened their investment mandates to expand their geographical reach further. Meanwhile, offshore companies are pursuing listings locally to tap growing wealth in the region and an increasingly international investor base.

These rapid developments mean that some pockets of the industry have to play catch up. REITs have pointed to a gap in the area of analyst research and investor education, which are seen as necessary because a marketplace that has a deep understanding of the asset classes in different jurisdictions offered by each REIT would help broaden the investor base, enhance liquidity and facilitate fundraising.

"Education is working, but there's still some way to go," says Manulife US REIT's Chief Executive Officer Ms Jill Smith.

The research challenge

"The investor outreach efforts would also need to broaden at the same time, because a Greater China specialist may not be a Japan specialist. For the investor, he or she may need to pull in multi-disciplinary team members when assessing a REIT comprising different markets," says Ms Cindy Chow, the Chief Executive Officer of Mapletree North Asia Commercial Trust, which has investments in China and Hong Kong SAR, as well as in Japan. However, she believes that investor education, and the research and analysis skillset should improve over time as the sector matures and expands.

To help mitigate this knowledge gap, Cromwell European REIT shares its in-house research, which is produced by its European team, with local analysts who cover the REIT.

"The skill set is there, but it just needs to be exported out of the existing established industries and modified to serve the REIT industry better. Currently, the talent pool is a subset of the financial or private wealth industry," says Mr. Simon Garing, Cromwell European REIT's CEO.

While research analysts need to widen their knowledge to include new geographies in which the S-REITs hold properties, Frasers Logistics & Industrial Trust says it faces less of a challenge in finding people for the REIT manager with relevant country knowledge as they can tap on their sponsor who has established offices in locations where the REIT's properties are located. The REIT manager and its sponsor, being Frasers Property Limited, employ professionals in the jurisdictions in which they operate, says Chief Executive Officer Mr Robert Wallace.

Manulife US REIT, on the other hand, has been organising conferences and seminars to engage and inform investors, analysts and the media about the US and the REIT's business performance.

Key initiatives

To help address the talent gap, the Singapore government provided a S$75 million (US$55 million) Grant for Equity Market Singapore (GEMS) earlier this year.

GEMS has three components—a listing grant, a research talent development grant and a research initiatives grant—all aimed at propelling the development of Singapore's equity research ecosystem. To further address the issue of investor education, REIT Association of Singapore (REITAS) is also conducting courses to advance the knowledge of the sector.

In response to the growing number of REITs with a global presence, the Monetary Authority of Singapore (MAS) changed its ruling in 2016 to allow the CEO of a REIT manager to reside in a foreign country in which the REIT's properties are primarily invested. This ruling has also helped to mitigate the talent concern.

Among the wish list items from REITs in Singapore is the preference for a higher gearing ratio. Under current rules, local REITs are only allowed to have a gearing ratio of up to 45%, which could restrict growth because borrowings are capped. REITs often find it hard to compete with private equity funds when it comes to acquiring assets. REITs in Japan, for instance, have no gearing limit, although Japanese REITs are not allowed to undertake development activities.

(Holding an EGM) is a process that we had to learn over the years for myself and some of our operatives. It exposes us to external investors who may try to influence the price movements in the lead up to the approval process. The EGM does extend the process compared to what we have seen in Australia.

Robert Wallace,
Chief Executive Officer,
Frasers Logistics & Industrial Trust

Governance versus flexibility

Mr Ronald Tan, Director of Equity Capital Market at the Singapore Exchange (SGX), says the conservative gearing ratio is to help protect investors. While considerations have been given to increase the gearing to about 50%, the proposal still requires the approval of MAS.

In the battleground between flexibility and governance, another issue raised by REITs relates to the time taken to approve Related Party Transactions (RPTs). In line with Singapore's corporate governance push, REITs are required to hold an Extraordinary General Meeting (EGM) to gain unitholders' approval for any RPTs that involve the shareholders of the REIT manager or their subsidiaries. The transaction will also need to be reviewed by the Audit Committee of the REIT manager. The process, which can take up to six weeks, creates an overhang in the stock market as investors anticipate an upcoming capital raise and will either sell or not buy the units.

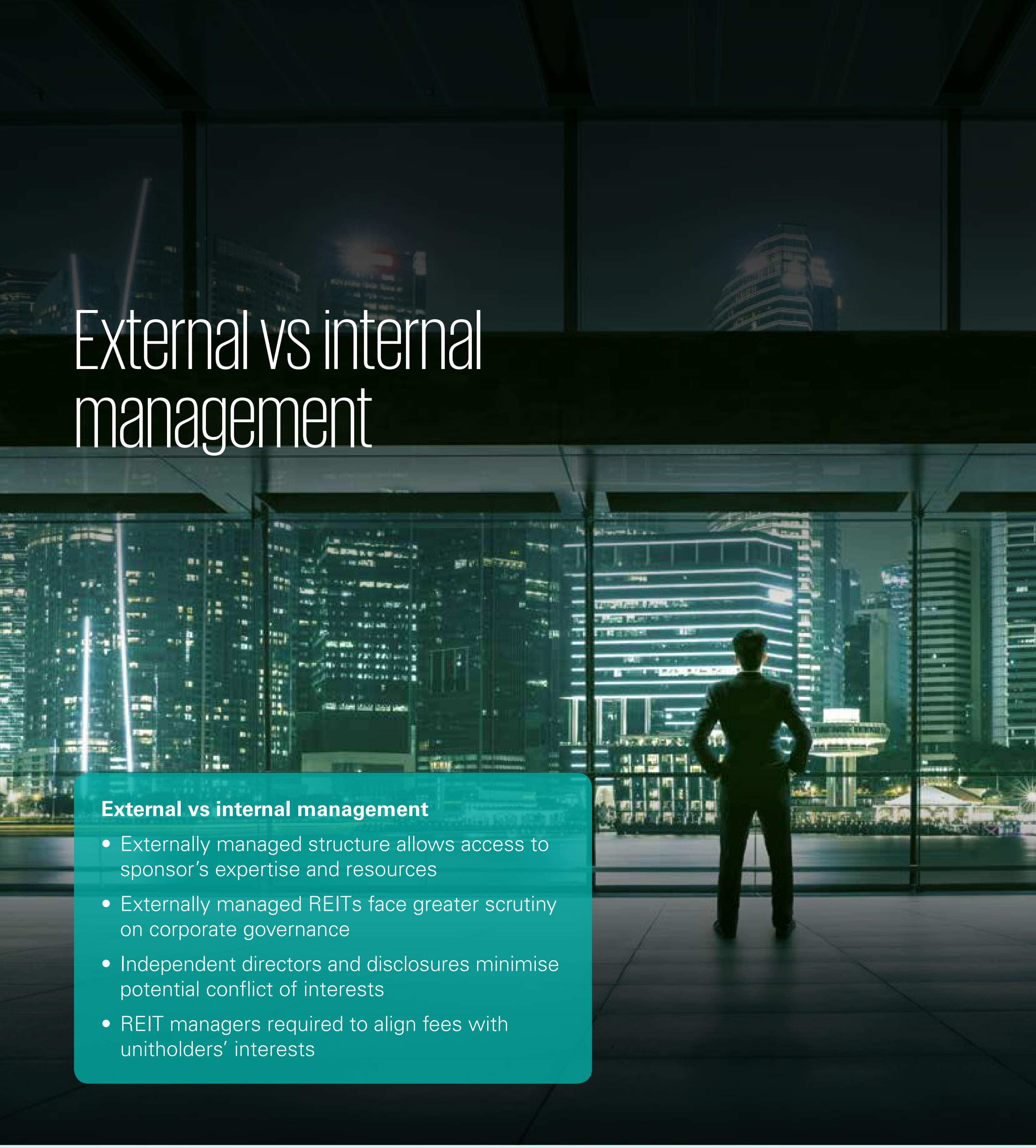
"It is a process that we had to learn over the years for myself and some of our operatives. It exposes us to external investors who may try to influence the price movements in the lead up to the approval process. The EGM does extend the process compared to what we have seen in Australia," says Mr Wallace.

From the perspective of the authorities, while a REIT manager is required to conduct RPTs at arm's length, conflicts of interests are inherent in such relationship-based transactions. Therefore, the requirement for unitholders' approval and due diligence by the Audit Committee is necessary.

Another issue raised by REITs is the regulatory requirement for quarterly reporting. While this promotes governance and transparency, REITs argue that the sector's business is unlikely to change materially over three months, and compliance puts a strain on resources. In Australia, for example, REITs are only required to report every six months.

The issue is being deliberated by SGX, which is looking into the possibility of moving into half-yearly reporting.

External vs internal management



External vs internal management

- Externally managed structure allows access to sponsor's expertise and resources
- Externally managed REITs face greater scrutiny on corporate governance
- Independent directors and disclosures minimise potential conflict of interests
- REIT managers required to align fees with unitholders' interests

In the US, the world's largest and most mature REIT market, the majority of REITs are internally managed, which means that the REIT manages its portfolio, rather than outsourcing the activity to an external party.

In the Asia Pacific, apart from Australia, REITs are mostly externally managed. In an externally managed structure, the REIT pays the manager an asset management fee.

While an external manager, due to the scale of their business, typically offers better expertise and resources than an internal manager, it may be argued that the external manager's interest may not necessarily align with those of the REIT's unitholders.

Since managers are incentivised through fees, they may be encouraged to raise capital and grow the size of the business to receive higher management fees at the expense of performance or unitholder dilution. REIT managers are also often majority-owned by the REIT sponsors, who are frequently the owners of the properties injected into the REIT. The dealings between the trust managers and the sponsors can potentially be disadvantageous to investors.

Having moved from Australia's internally managed environment to an externally managed structure, Frasers Logistics & Industrial Trust's Chief Executive Officer Mr Robert Wallace noticed that a number of Singapore's REITs have "very accomplished sponsors, and they have many REITs."

For instance, Ascott Residence Trust's sponsor is CapitaLand, which has about a 45% stake in the REIT. CapitaLand operates three other S-REITs including CapitaLand Mall Trust and CapitaLand Commercial Trust. Ms Beh Siew Kim, the Chief Executive Officer of the Manager of Ascott Residence Trust, says the externally managed structure of the REIT allows the trust to tap the expertise of its sponsor, which has more resources and a bigger network.

While a strong manager brings expertise, Singapore's strict rules about the relationships between the sponsor, the manager and the REIT help to safeguard the interest of the unitholders, says Mr Wallace.

The external structure is a "big positive" because of access to support in areas such as property management, acquisitions, legal, tax and finance, says Manulife US REIT's Chief Executive Officer Ms Jill Smith, adding that potential conflicts of interest are limited by checks and balances provided by the appointment of independent directors and processes such as disclosures.

As part of an effort to bolster corporate governance, Singapore's regulators require at least half of the REIT manager's board of directors to comprise of independent directors if unitholders are not given the right to appoint the manager's directors. REIT managers are also required to disclose their remuneration policies and procedures in the trust's annual reports. Further, they must justify fees to ensure transparency of their fee structure as well as explain their methodology for computing performance fees and justify how that methodology takes into account unitholders' interest.

"Whether a REIT is internally or externally managed isn't important," says Cromwell European REIT's Chief Executive Officer Mr Simon Garing. More critical is "as whether they demonstrate high levels of transparency and governance, are led by a capable and engaged board, deliver on their strategy and drive excess returns above the cost of capital," he says.

Mr Garing observed, "So long as the protocols are transparent and the fees are disclosed up front, the argument that an externally managed REIT is taking advantage of the other unitholders by growing the AUM (Asset Under Management) to get the fees would begin to fade."

"We face much more regulation and scrutiny on corporate governance as an externally managed REIT than if we were an internally managed property trust listed in the US," he says.

The rising number of externally managed REITs in Asia is evidence that the model works. "Importantly, the REIT must deliver quality, stability and returns," says Mr Tan.

> ***Importantly, the REIT must deliver quality, stability and returns.***
>
> **Ronald Tan,**
> Director of Equity Capital Market,
> Singapore Stock Exchange

Interview with Ronald Tan,
Director of Equity Capital Market,
Singapore Exchange:

Singapore Exchange: The future of S-REITs?

In the last 17 years, Singapore has made a concerted effort to expand and improve the REIT sector. As Singapore-REITs (S-REITs) become more global, what is the impact on yields, and how will the industry transform in the coming years?

As S-REITs expand, Singapore Exchange (SGX)'s mantra for the next decade is to be "global and stay relevant." With Singapore's continued role as a global financial hub serving both Western institutions and Eastern businesses, SGX wants to create a global marketplace that allows sponsors with Western assets to access Asian investors and vice versa. "We would like to see global participation, and for Singapore to become a legitimate global REIT hub," says SGX Director of Equity Capital Market Mr Ronald Tan.

The natural strategic progression for S-REITs is the continued expansion and the acquisition of assets overseas in pursuit of risk-adjusted returns, says Mr Tan, adding the move is "logical", given Singapore's limited land space.

In the last three years, SGX has had nine cross border listings that raised over US$4bn in IPO proceeds. Among the 44 REITs and property trusts, four have exposure to real estate assets in the US, nine have European assets, 14 have Australian assets and 13 have mainland China exposure. "The capital markets in Singapore, particularly SGX, must be able to complement that move and support our listed sponsors in their global ambitions. If we insist on catering to Singapore enterprises with Singapore assets, then we are no longer relevant," says Mr Tan. SGX has been actively working with different investment banks and brokers to support corporate access and fund raising efforts of potential IPO incumbents and listed issuers.

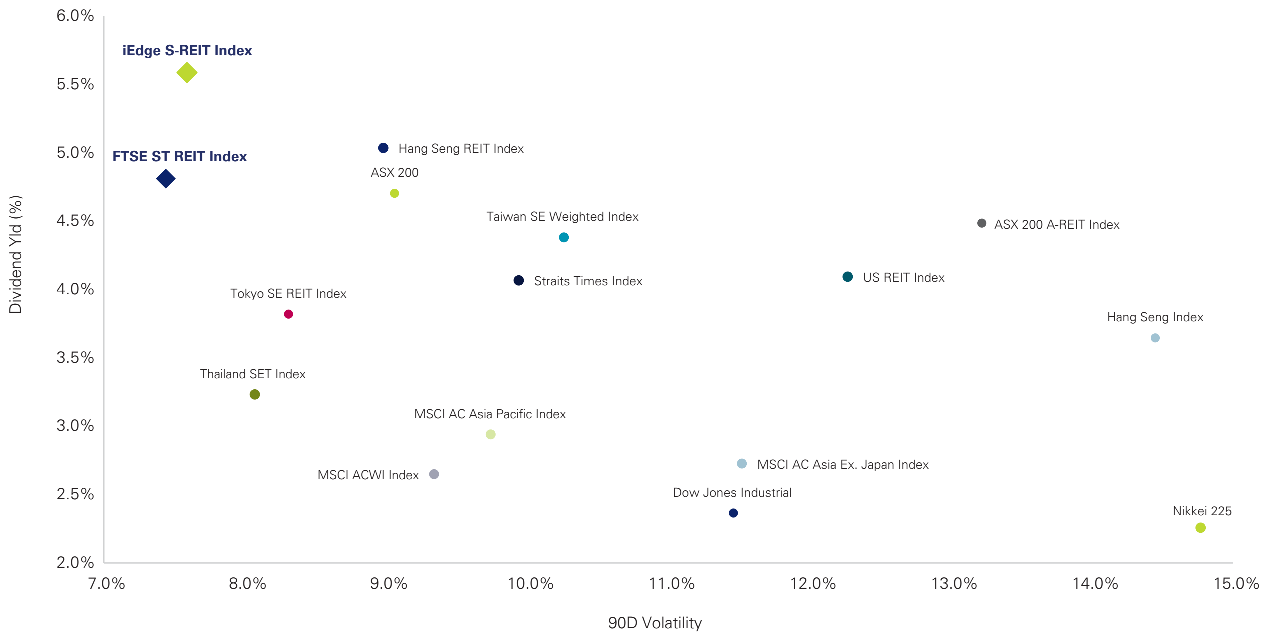
Mr Tan also foresees the emergence of the Asian global equivalents of Blackrock and Brookfield as Singapore strengthens its leadership position as a global REIT hub. "This development will help create jobs and local talent that serve the sector," says Mr Tan.

Global REITs and risk

In the pursuit of yields and diversifications, questions have been raised about some S-REITs' asset quality overseas, and the higher risk associated with these assets.

In response, Mr Tan says S-REITs have the lowest volatility and the highest returns among REITs in the region. "The low volatility signals that the yield, though high, is sustainable. If it were about risky assets that we are chasing to get the high yields, you would not see the lowest of volatility. In fact, you would see the highest volatility," Mr Tan explains.

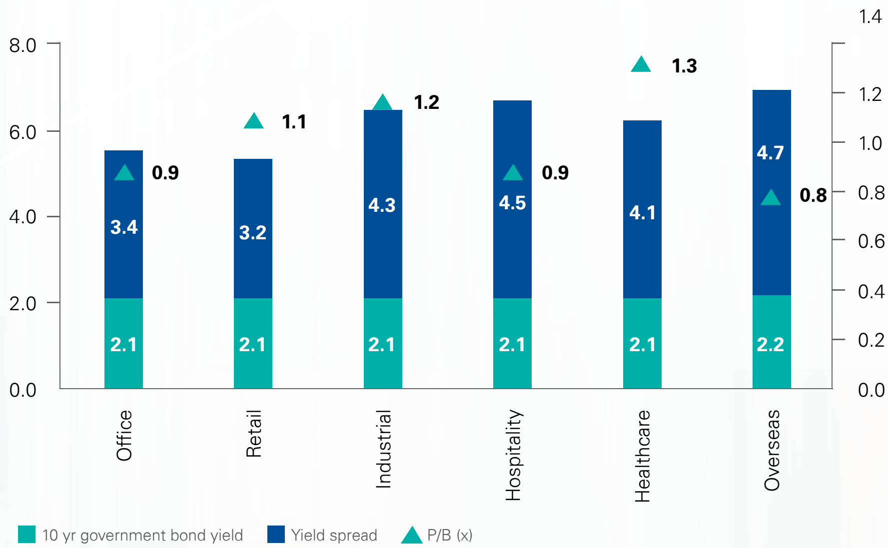
S-REITs offer one of the highest dividend yields and lower volatility



Bloomberg, SGX Research – sgx/research as at 31 May 2019

According to SGX's data, Singapore's top 20 REITs returned 30.2% in 2017, higher than Hong Kong REITs' 28.7%, Australian REITs' 5.9% and US REITs' 3.8%. Meanwhile, REITs in Japan fell by 6.8% in 2017. The average yield for the 44 S-REIT and property trusts is about 6.4%.Mr Tan also reasoned that REITs that have a diversified portfolio of global assets have to take into account the different risks in each jurisdiction. "Some of these REITs have assets in countries where the risk free rate of the currency itself is higher," says Mr Tan. "The deeper the understanding, the tighter the spreads become, because investors are more confident of what they know and what they have learnt."

S-REITS yield spread by sector



Source: RHB, Bloomberg

On the potential for a multi-country REIT platform causing confusion for investors, SGX's viewpoint is that, crucially, a REIT has to deliver an optimal return, and the manager's ability will be an important return driver. Mr Tan also says SGX is offering investors choice—with both diversified and single-country REIT listings.

Green REITs remain challenging

As sustainability increasingly becomes a business principle throughout the real estate sector, green buildings are finding their way into funds and investment portfolios. Like many other governments around the globe, Singapore has introduced various schemes to promote energy efficiency, such as the Green Mark Scheme for buildings and the Grant for Energy Efficient Technologies (GREET) for the industry.

Differentiation from other markets

As Singapore continues to develop its capability as a global REIT hub, how do regional exchanges such as the Hong Kong Stock Exchange step up as viable alternatives?

Singapore REITs offer attractive spreads across the region

Data as of 2 January 2019
Source: Bloomberg Finance LP, DBS Bank

The listings on the Hong Kong Exchange in the last four years are predominantly Chinese entities, observed Mr Tan. The banks that bring the IPOs to Hong Kong are Chinese banks, he explains. "Hong Kong will always have its attraction for Chinese companies and funds."

Singapore's differentiating factor is its diversity. "We are a global exchange for global investors," says Mr Tan, adding that SGX is also open to supporting other markets in their goal to expand the REIT ecosystem.

"At some point would we work with the Chinese authorities to help them in China REITs? Yes, certainly if our experience is helpful. Is it going to cannibalise our market? I don't think so. The market is too big." says Mr Tan.

He stressed that Singapore would continue to differentiate itself from other markets and provide a relevant and active platform that supports the global growth ambitions of sponsors. "When companies come here, and the first thing they say to us is we want to list a global REIT, I think then we know we have come of age," says Mr Tan.

Key Statistics for 44 S-REITs & Property Trusts

Name	Type of Property Sub-segment	Market Cap (S$Mil)	Div Yield (%)	1yr Avg Daily Turnover (S$,000)	Debt/ Asset (%)	P/B	Geographical breakdown by portfolio value (Source: Latest company info)
ARA US HOSPITALITY TRUST^#1	Hospitality	673	8.0[1]	1,779	35.9	N/A	100% US
AIMS APAC REIT	Industrial	981	7.3	904	33.7	1	84.7% Singapore, 15.3% Australia
ASCENDAS HOSPITALITY TRUST^#	Hospitality	1,056	6.4	742	33.2	0.9	36.7% AU, 36% JP, 10.3% KR, 17% SG
ASCENDAS INDIA TRUST^	Diversified	1,351	5.8	1,049	31	1.3	100% India
ASCENDAS REIT	Industrial	9,333	5.3	25,948	34	1.4	79% SG, AU 14%, 7% UK
ASCOTT RESIDENCE TRUST	Hospitality	2,607	6	3,107	35.7	1	27.3% EU, 20.3% SG, 12.8% JP, 12.5% US, 10% CN, 5.7% VN, 5.3% AU,3% PH, 2.1% ID, 1% MY
BHG RETAIL REIT	Retail	359	7.3	32	32.5	0.8	100% China
CACHE LOGISTICS TRUST	Industrial	819	7.8	1,711	37.4	1	71% Singapore, 29% Australia
CAPITALAND COMMERCIAL TRUST	Office	7,273	4.5	20,668	35.2	1.1	95% Singapore, 5% Germany
CAPITALAND MALL TRUST	Retail	8,926	4.8	23,663	34.4	1.2	100% Singapore
CAPITALAND RETAIL CHINA TRUST	Retail	1,508	6.8	1,944	35.5	1	100% China
CDL HOSPITALITY TRUSTS^#	Hospitality	1,930	5.8	3,186	35.2	1.1	62.5% SG, 16.2% EU, 13% Oceania, 8.3% others
CROMWELL EUROPEAN REIT	Diversified	1,641	7.9	1,317	32.6	1	100% Europe
DASIN RETAIL TRUST^	Retail	492	8.2	254	31.9	0.6	100% China
EAGLE HOSPITALITY TRUST^#2	Hospitality	836	8.2[2]	6,970	38	0.8	100% US
EC WORLD REIT	Industrial	623	7.9	251	31.3	0.9	100% China
ESR-REIT	Industrial	1,682	7.2	1,109	42	1.2	100% Singapore
FAR EAST HOSPITALITY TRUST^#	Hospitality	1,256	6	1,178	39.9	0.8	100% Singapore
FIRST REIT	Health Care	769	8.8	1,354	34.5	1	96.8% ID, 2.6% SG, 0.6% KR
FORTUNE REIT	Retail	3,408	5	134	20.8	0.6	100% Hong Kong
FRASERS CENTREPOINT TRUST	Retail	2,221	5.1	2,359	28.8	1.1	100% Singapore
FRASERS COMMERCIAL TRUST	Office	1,336	6.5	2,184	29.1	0.9	54% SG, 39% AU, 7% UK
FRASERS HOSPITALITY TRUST^#	Hospitality	1,443	6.3	773	34.1	1	35% SG, 33% AU, 14% UK, 8% JP, 6% MY, 4% GER
FRASERS LOGISTICS & INDUSTRIAL TRUST	Industrial	2,389	6.7	5,309	35.1	1.3	67% Australia, 33% Europe
IREIT GLOBAL	Office	488	7.5	224	38	1	100% Germany
KEPPEL DC REIT	Specialised	2,041	4.7	3,928	32.5	1.4	51% SG, 15% AU, 32.6% EU, 1.4% MY
KEPPEL REIT	Office	4,151	4.5	6,482	35.7	0.9	83% Singapore, 17% Australia
KEPPEL-KBS US REIT	Office	831	8.1	788	38.1	0.9	100% United States
LIPPO MALLS INDONESIA RETAIL TRUST	Retail	622	8.8	1,438	33.9	0.7	100% Indonesia
MANULIFE US REIT	Office	1,516	6.4	1,829	37.6	1	100% United States
MAPLETREE COMMERCIAL TRUST	Diversified	5,577	4.7	9,757	33.1	1.3	100% Singapore
MAPLETREE INDUSTRIAL TRUST	Industrial	4,163	5.9	6,850	33.8	1.4	90.3% SG, 9.7% US
MAPLETREE LOGISTICS TRUST	Industrial	5,361	5.4	10,567	37.7	1.3	32.1% SG, 30% HK, 12.1% JP, 8.1% CN, 8.3% AU, 5.9% KR, 2.8% MY, 0.7% VN
MAPLETREE NORTH ASIA COMMERCIAL TRUST	Diversified	4,316	5.5	6,943	36.6	1	64% HK, 25% CN, 11% JP
OUE COMMERCIAL REIT	Office	1,429	6.4	420	39.4	0.7	86% Singapore, 14% China
OUE HOSPITALITY TRUST^#	Hospitality	1,310	7	1,237	38.4	1	100% Singapore
PARKWAYLIFE REIT	Health Care	1,748	4.5	1,694	36.4	1.6	62.4% SG, 37.2% JP, 0.4% MY
RHT HEALTH TRUST^*	Health Care	15	N.M.	948	29.3	N.M.	N.A.
SABANA SHARIAH COMP IND REIT	Industrial	437	7.3	460	33.9	0.7	100% Singapore
SASSEUR REIT	Retail	945	7.8	670	29.2	0.8	100% China
SOILBUILD BUSINESS SPACE REIT	Diversified	642	8.5	781	39.3	1	91.2% Singapore, 8.8% Australia
SPH REIT[3]	Retail	2,664	5.3	1,245	30.1	1.1	100% Singapore[2]
STARHILL GLOBAL REIT	Retail	1,658	5.9	1,870	35.7	0.8	69.5% SG, 16.2% AU, 11.6% MY, 2.7% CN & JP
SUNTEC REIT	Diversified	4,965	5.4	12,976	38.6	0.9	89% SG, 11% AU

AU: Australia; CN: China; EU: European Union; GER: Germany; HK: Hong Kong; ID: Indonesia; JP: Japan; KR: South Korea; MY: Malaysia; PH: Philippines; SG: Singapore; US: United States; VN: Vietnam

# Denotes Stapled Trusts
^ Denotes Property Trust's
*RHT Health Trust divested its portfolio on 15 January 2019, it is now considered a cash trust
[1]ARA US Hospitality Trust dividend yields are based on the IPO prospectus
[2]Eagle Hospitality Trust dividend yields are based on the IOP prospectus
[3]SPH REIT Revenue breakdown by Geography not including AU Property which was acquired on 21 December 2018
Source: Company Data, Bloomberg, SGX as of 31 May 2019

KPMG in Singapore: A pioneer in REIT listings

KPMG's expertise in REITs dates back to 2002, when we pioneered the first REIT listing in Singapore. Since then, KPMG has continuously assisted many companies in the structuring and listing of REITs and business trusts.

Our range of services, both pre- and post-IPO, also include but are not limited to the areas of corporate finance, valuation, risk consulting, regulatory consulting, and IPO advisory services. The table below details the aspects where KPMG will be able to partner with you on your IPO journey for your property trust.

	Pre-IPO	Post-IPO
AUDIT	• Act as reporting accountants for the IPO	• Act as independent statutory auditors • Act as reporting accountants for on-going acquisitions, disposals and fund raising exercises
TAX	• Act as independent tax advisors for the IPO • Advise on tax efficient structuring • Assist in application for tax incentives and rulings for the REIT	• Act as tax agents for tax compliance purposes • Act as tax advisors for on-going acquisitions, disposals and fund raising exercises
REGULATORY ADVISORY	• Assist in establishing on-going regulatory reporting checklists for the REIT and REIT Manager • Assist in establishing regulatory compliance manuals for REIT and REIT Manager • Provide regulatory related training in the areas of Money Laundering, Cyber-Security, Representative Notification Framework, SGX Listing Rules and other regulatory areas	• Carry out on-going regulatory compliance reviews and present regulatory issues to the board and management • Provide on-going regulatory advisory assistance on a retainer basis • Assist with risk based capital training and review of financial regulatory filings • On-going regulatory training to board of directors and licensed representatitves
RISK CONSULTING	• Assist in conducting Enterprise Risk Assessment and setting up of risk reporting framework for compliance with SGX Listing Rules • Perform internal control gap analysis, review of governance and internal controls to identify control gaps and areas of improvement • Assist in documentation of policies and procedures	• Act as internal auditors • Assist in Enterprise Risk Management, setting up the risk management system for compliance with Code of Corporate Governance
IPO ADVISORY	• Assist in the preparation of pro-forma financial information and management discussion and analysis, for inclusion in the Prospectus • Validate forecast model, prepared by financial advisors • Provide training on financial reporting requirements and processes in an IPO and post IPO	
CFO ASSISTANCE	Assist in establishing financial reporting processes, including: • Shortlisting of accounting systems • Preparation of financial reporting templates such as monthly reporting packages and quarterly reporting and annual report templates	• Secondment of finance personnel • Provide bookkeeping, tax compliance and accounting services • Assist in preparation of results announcement, financial statements and/or board papers

About REITAS

REITAS (REIT Association of Singapore) 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. To learn more about REITAS including a list of all our members, please visit https://www.reitas.sg/

	Description
Regulatory	Engage regulators to improve the operating, legal, commercial & regulatory environment of S-REITs
Promotions	Promote S-REITs to investors both within Singapore and overseas
Professional Development	Enhance professional skills and knowledge of personnel engaged in the S-REIT industry
Education & Research	Enhance understanding of REITs among retail investors through educational programs and seminars

Our Commentators

In developing this publication, KPMG in Singapore and REITAS sought the insights and viewpoints of a diverse collective of REITs.

ASCOTT RESIDENCE TRUST

A Member of CapitaLand

About Ascott Residence Trust

Ascott Residence Trust is a leading global hospitality REIT, established with the objective of investing primarily in real estate and real estate related assets which are income-producing and are used or predominantly used as serviced residences, rental housing properties and other hospitality assets. Ascott REIT is managed by Ascott Residence Trust Management Limited.

Beh Siew Kim,
Chief Executive Officer of the Manager,
Ascott Residence Trust

About Cromwell European Real Estate Investment Trust

Cromwell European REIT (CEREIT) is a 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 used primarily for office, light industrial/logistics, and retail purposes. CEREIT is managed by Cromwell EREIT Management Pte. Ltd.

CROMWELL EUROPEAN REIT

Simon Garing,
Chief Executive Officer,
Cromwell European
Real Estate Investment Trust

About Frasers Logistics & Industrial Trust

Frasers Logistics & Industrial Trust (FLT) is a Singapore-listed REIT with a portfolio that's focused on major logistics and industrial markets in Australia, Germany and the Netherlands. FLT's investment strategy is to invest globally in a diversified portfolio of income-producing industrial properties.

Mr Robert Wallace,
Chief Executive Officer,
Frasers Logistics & Industrial Trust

About Manulife US REIT

Manulife US Real Estate Investment Trust (Manulife US REIT) is a Singapore REIT listed on SGX-ST. Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the US as well as real estate-related assets. Manulife US REIT is managed by Manulife US Real Estate Management Pte. Ltd.

Jill Smith,
Chief Executive Officer,
Manulife US REIT

About Mapletree North Asia Commercial Trust

Mapletree North Asia Commercial Trust (MNACT) is listed on SGX-ST. MNACT aims to invest, directly or indirectly, in a diversified portfolio of income-producing real estate in Greater China and Japan which is used primarily for commercial purposes (including real estate used predominantly for retail an/or offices), as well as real estate-related assets. MNACT is managed by Mapletree North Asia Commercial Trust Management Ltd. Trust Management Limited.

Cindy Chow,
Chief Executive Officer,
Mapletree North Asia Commercial Trust

About Singapore Exchange

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. 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, and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities.

Ronald Tan,
Director of Equity Capital Market,
Singapore Exchange

Contact us

Tay Hong Beng
Partner
Head of Real Estate
T : +65 62132565
E : hongbengtay@kpmg.com.sg

Audit

Lo Mun Wai
Partner
T : +65 62132439
E : mlo1@kpmg.com.sg

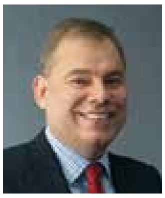
Barry Lee
Partner
T : +65 62132348
E : blee2@kpmg.com.sg

Tax

Leonard Ong
Partner
T : +65 62132038
E : leonardong@kpmg.com.sg

Teo Wee Hwee
Partner
T : +65 62132166
E : weehweeteo@kpmg.com.sg

Advisory



Andrew Thompson
Partner
T : +65 62132929
E : andrewthompson8@kpmg.com.sg

Vishal Sharma
Partner
T : +65 62132845
E : vishalsharma@kpmg.com.sg

kpmg.com.sg