

My Money

Investing In REITs During COVID-19

在疫情期间投资房地产投资信托

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Important Information

重要信息



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Past performance is no guarantee of future returns. Forecasts may not be attained.

The value of investments and the income from them may go down as well as up and you may not get back the amount invested.

The value of investments may rise or fall due to changes in the rate of exchange in the currency in which the investments are denominated if it is different from the investor's own currency.

There are additional risks associated with international investments, including foreign, political, currency and economic factors to consider.

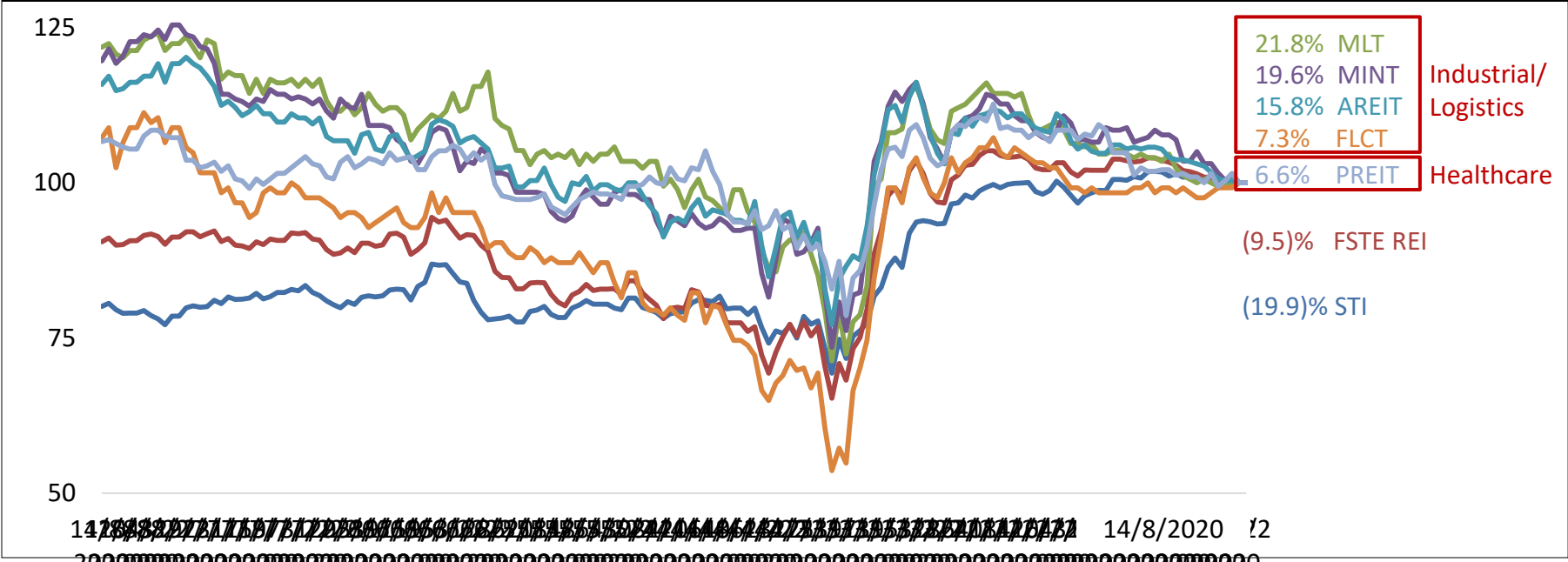
Throughout this document where charts indicate that a third party (parties) is the source, please note that the source references the raw data received from such parties.



Flight to safety – top performing SREITs

性能最佳的房地产投资信托

FSTE Real Estate Index (FSTE REI) outperformed STI, though it has yet to recover to positive territory. Amongst SREITs, there was clear outperformance by SREITs in certain sectors seen as being resilient e.g industrial/logistics and healthcare

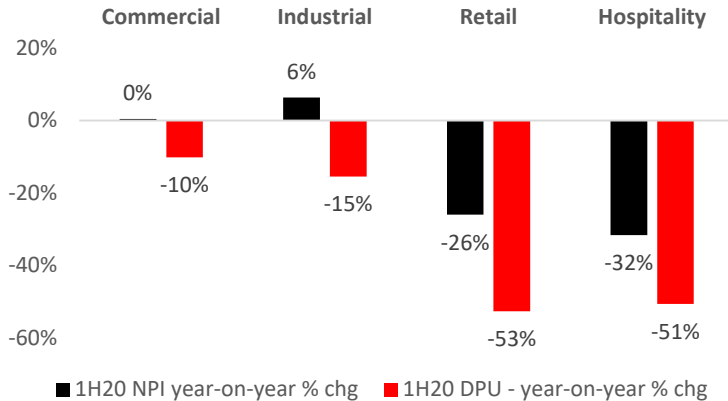


Sources: Bloomberg. Note: Data as at 14 Aug 2020, with chart rebased to last closing price on 31 Dec 2019

COVID-19 impact on SREITs

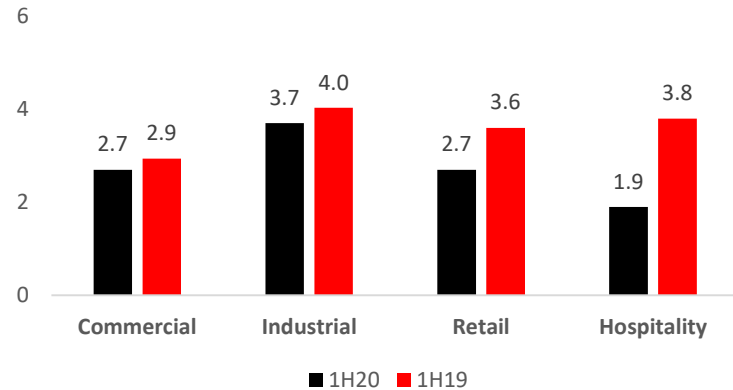
疫情对SREIT的影响

Covid-19 had deep impact on SREITs' business performance



Sources: Bloomberg, company filings, REITAS.

Retail & hospitality sectors' interest coverage ratio under pressure



Sources: Bloomberg, company filings. Note: Interest coverage ratio is calculated as EBIT/net interest expenses for the reporting period. (not trailing 12M). * Retail SREITs exclude SPH & Frasers Centrepoint REIT with quarter end in Feb20, & Mar20 respectively, which are before COVID-19's major impacts in Singapore.

"Initial hopes for a sharp but short-lived crisis have been dashed as infection rates have resurfaced."

- Professor Raghuram Rajan



Measures introduced to help REITs

政府为房地产投资信托基金提供一系列援助措



“The first imperative of the pandemic response was to prevent an extreme collapse in jobs and income, which most countries stepped up to do in varying measures”

Senior Minister Tharman Shanmugaratnam

Item	Benefits
Extension of Permissible Period of >90% distribution (MOF, IRAS)	MOF and IRAS extended the timeline for S-REITs to distribute at least 90% of their taxable income for tax transparency <ul style="list-style-type: none">• Up to 31 December 2021 for FY ending in 2020• Up to 31 December 2021 or 3 months after the end of their FY, whichever is later, for FY ending in 2021
Higher leverage limit (MAS)	Higher leverage limit of 50%, increased from 45% previously
Deferred minimum ICR ¹ (MAS)	Deferred implementation of minimum ICR requirement of 2.5x to 1 Jan 2022.

Sources: government agency websites

(1) Interest Coverage Ratio (“ICR”)

Measures introduced to help Tenants

为房客提供的援助措施

“The first imperative of the pandemic response was to prevent an extreme collapse in jobs and income, which most countries stepped up to do in varying measures”

Senior Minister Tharman Shanmugaratnam

Item	Benefits
30%-100% property tax rebate (IRAS)	30%-100% property tax rebate that is fully passed on to tenants. Part of the three Singapore Budgets
Rental waiver for SMEs	Rental waiver supported by government and property owners <ul style="list-style-type: none"> • 4 months base rent for qualifying commercial properties (e.g. shops) • 2 months base rent for other non-resi properties (e.g. industrial/office properties)
Jobs Support Scheme	Government co-fund between 25% and 75% of the first \$4,600 of gross monthly wages paid to each local employee in a ten-month period through cash subsidies.

Sources: government agency websites



Measures taken by REITS in general

为房地产投资信托基金提供的一般援助措施

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“The first imperative of the pandemic response was to prevent an extreme collapse in jobs and income, which most countries stepped up to do in varying measures”

Senior Minister Tharman Shanmugaratnam

- **Protective measures for Tenants and Users**
- **Managing government incentives and transmission**
- **Evaluating distressed Tenants and assistance**
- **Working with FI for dispensation on covenants and others**
- **Conservative provisioning and reserving of distributable income**

Sources: government agency websites

Considerations for investing in REITs

投资房地产投资信托应注意的事项



Forecasting COVID-19 impact? 预测新冠疫情的影响?

“We believe that short-term forecasts of stock or bond prices are useless. The forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.”

– Warren Buffett

“Nobody can predict interest rates, the future direction of the economy, or the stock market. Dismiss all such forecasts and concentrate on what’s actually happening to the companies in which you have invested.”

– Peter Lynch



Invest for the long-term, not trade

投资要看长远

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- *Calling someone who trades actively in the market an investor is like calling someone who repeatedly engages in one-night stands a romantic.*
- *The stock market is designed to transfer money from the active to the patient.*

Warren Buffett



Invest in what you know and understand 投资于您所了解的领域

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Commercial



Logistics



Shipping



Hospitality



"Never invest in a business you cannot understand."

- Warren Buffett



Invest in quality of properties, portfolio and management 投资质量好的物业，投资组合和管理

Assessing REITs as investments

- Franchise, moat
- Quality of management
- Price < Value

Assessing properties

- Leasibility
- Proactive management of portfolio
- Price < Value

Leasibility comes from good location, quality of asset and strong geographical economics



How to consider and evaluate the quality of management? 如何考虑和评估管理质量？

Asset management

How well they lease (occupancy) and the rent they charge?

Investment management

How does the acquisitions change the portfolio risk profile and does it create value?

Capital management

How well do they raise capital (cost of capital and borrowing costs)?

Investors management

How candid is the management and do they have an easily understandable plan or strategy?

Per unit growth

Is there a consistency in DPU⁽¹⁾ and portfolio value/unit growth?



After selecting stocks based on the above, look at the Price - Value equation.

(1) Distribution Per Unit ("DPU")

Possible long term financial metrics to consider

可能需要考虑的长期财务指标

1

5-year rolling ROE⁽¹⁾

2

Interest coverage ratio (ICR)

3

Average borrowing cost

4

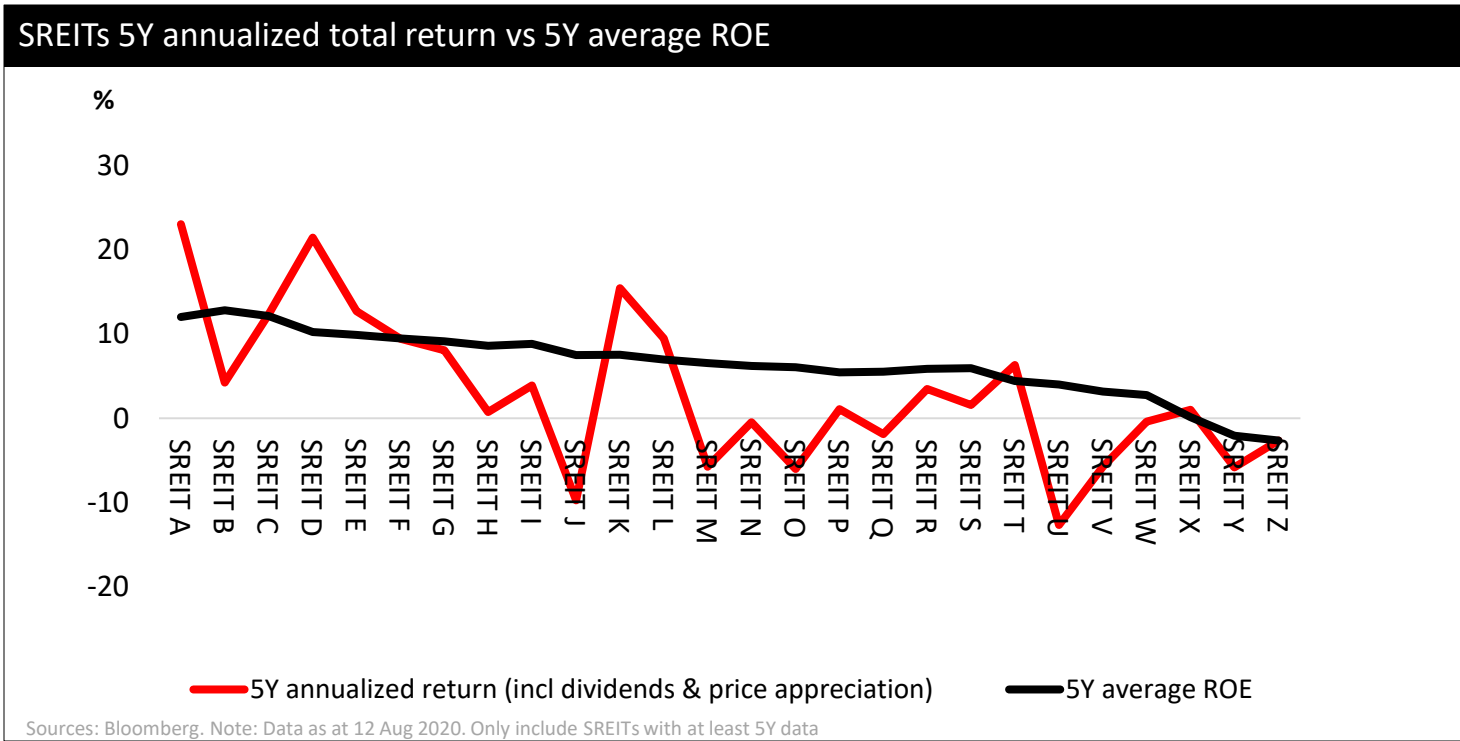
Long term growth in DPU and NAV/unit⁽²⁾

5

Regression of TSR⁽³⁾ with the 5-year rolling ROE

(1) Return on Equity ("ROE"); (2) Net Asset Value ("NAV"); (3) Total Shareholder Return ("TSR")

Return on equity drives total return over the longer term 长期而言，股本回报率可驱动总回报率



Compact portfolio of REITS, shares, or any other investment instruments (8 stock rule)

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房地产投资信托基金，股票或任何其他投资工具的紧凑投资组合（8条股票规则）

- Some of the best investors, like Warren Buffett, George Soros, William J. O'Neil and Bernard Baruch spoke about the virtues of holding concentrated positions.

“Diversification is a protection against ignorance.”

- Warren Buffett



Investing in REITS for different range of investors sophistication

投资房地产投资信托基金（REITS），以适应不同程度的投资者

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1

Invest consistently via REIT Index ETFs

2

Invest between 5 and 8 REITS in favoured sectors

3

(2) Above + value REITS in affected sectors



Low interest environment – should one borrow to invest in REITS? 低息环境-应该借钱投资房地产投资信托基金吗?

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“If you’re smart you don’t need it. If you’re dumb you got no business using it.”

- Warren Buffett

1

Don't rely on debt

2

Sophisticated investors - borrow sensibly

3

Leverage impact on variability of outcome



About REITAS

关于 REITAS

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- REITAS is the industry body representing Singapore listed REITs. Its members comprise 98% of the Singapore REIT industry.
 - Members comprise S-REIT managers and their sponsors along with advisors serving the S-REIT industry (bankers, trustees, lawyers, property consultants, accounting firms etc.)
 - Patron is the Singapore Exchange
- Many events are for members only but we also run regular programs for retail investors where REIT CEOs talk about their REIT and answer audience questions.



Upcoming events for retail investors (all FOC)

为散户投资者举行的活动

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Date	Type	Presenting REIT(s)	Where to register (links below)
4 Sep	SGX-REITAS Webinar	ESR REIT 12.30pm-1.15pm	SGX Academy or REITAS website
8 Sep	SGX-REITAS Webinar	Keppel Pacific Oak US REIT 12.30pm-1.15pm	Same as above
14 Sep	Money FM 89.3 Interview	Cromwell European REIT 7.35am	Just tune in at 7.35am or listen to recording on REITAS website or Money FM website
15 Sep	SGX-REITAS Webinar	Cromwell EREIT 12.30pm-1.15pm	SGX Academy or REITAS website
19 Sep (Sat)	REIT Symposium – Online Edition	Full day event. Expecting many REITs to present. Planning in progress.	Registration for retail investors not yet open. Pls check REITAS website later

For upcoming events:

- SGX Academy: <https://www.sgxacademy.com/retail-investors/>
- REITAS website: <https://www.reitas.sg/events/upcoming-events/>

For recordings of Money FM interviews:

- REITAS website: <https://www.reitas.sg/events/past-events/>
- Money FM 89.3: <https://www.moneyfm893.sg/podcast/the-breakfast-huddle/>

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