



# Is India ready for REITs?

By Ms Chong Siak Ching

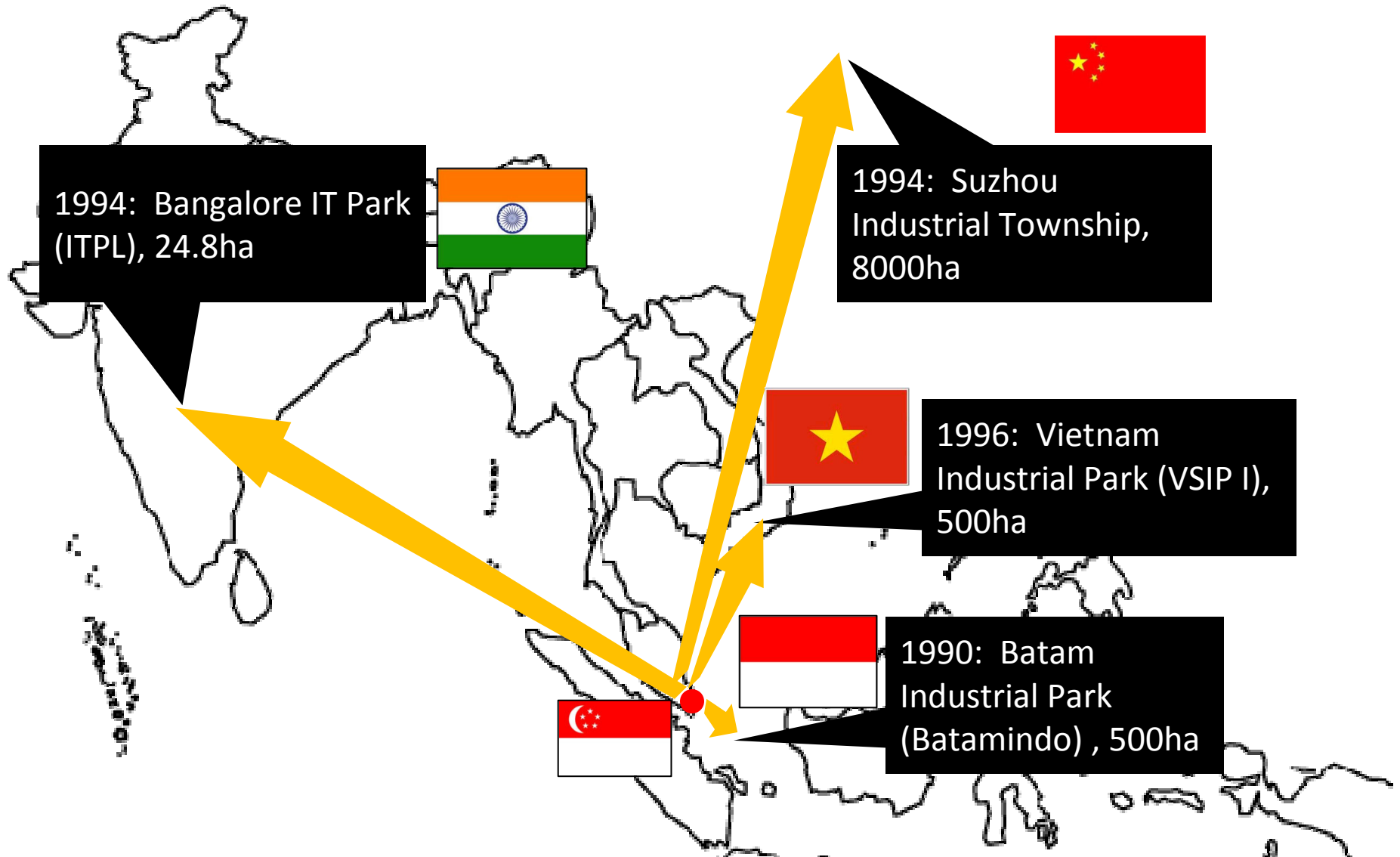
President & Chief Executive Officer, Ascendas Pte Ltd

South Asian Diaspora Convention 2011

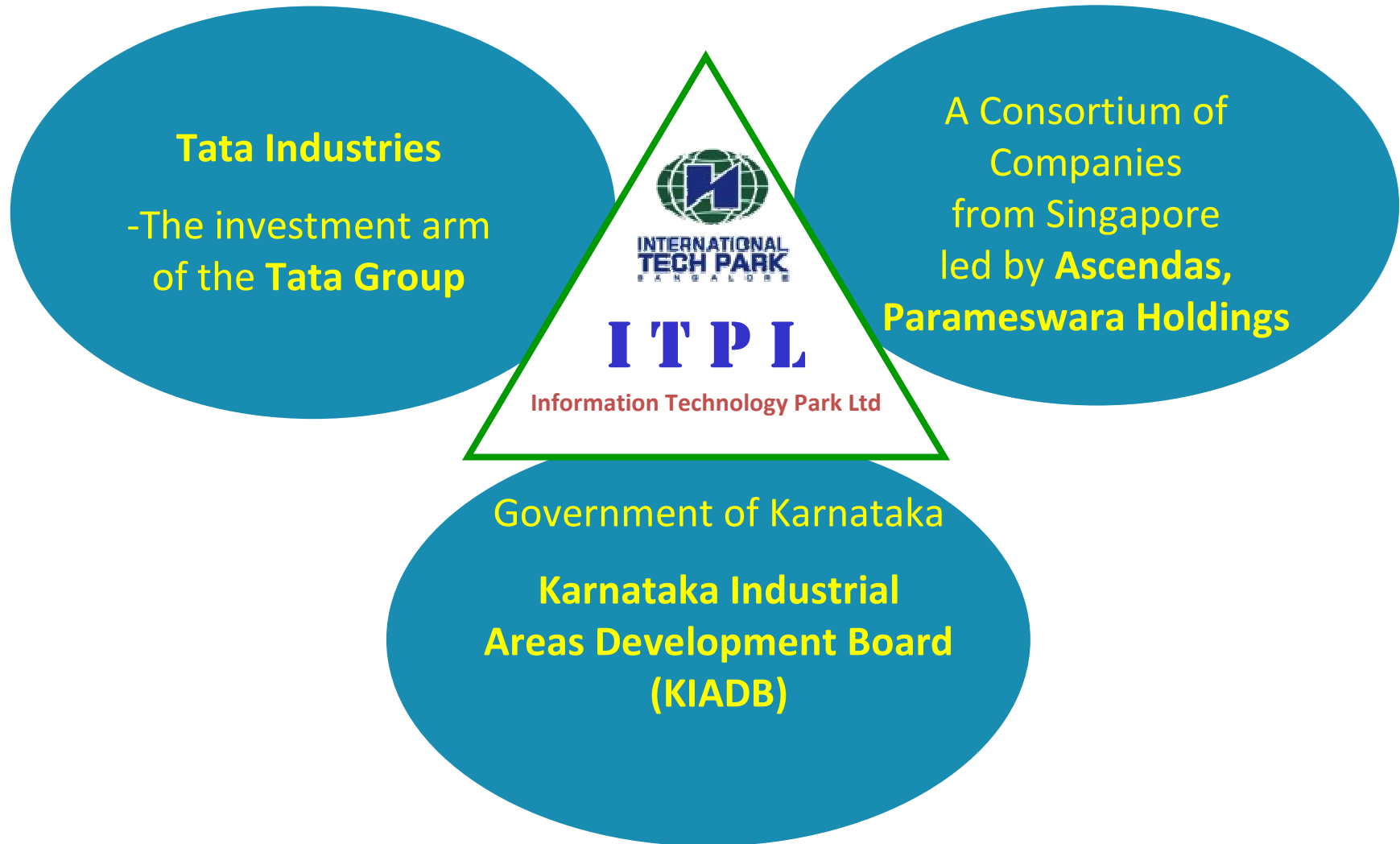
Space to be

# Singapore's Regionalization Initiative

Started in the early 1990s



# Leap of faith by our partners to create a “World in a Park”



# Then



**Once upon a time**



**Construction site of ITPB**  
October 1995



**Marketing launch of ITPB**  
January 1996



**Official Opening Ceremony**  
Phase I (3 Bldgs) - 21 January 2000

# Then



**Official Opening of the Explorer**  
4<sup>th</sup> Bldg - 6 January 2003



**'First Pour' of Concrete for the Inventor**  
5<sup>th</sup> Bldg - 12 January 2004



**Opening Ceremony of Inventor**  
30 October 2004



**Ground breaking of Navigator,**  
6<sup>th</sup> Bldg - September 2005

# Today



- Icon of India's IT industry
- 69 acres of integrated work-live-play environment
- More than 150 customers
- >95% occupancy
- Park Population: 27,000 people
- STPI (43 acres)
  - 2.3 million sq ft of 'plug-and-play' office space
- IT SEZ (26 acres)
  - 450,000 sq ft BTS space for TCS
  - 550,000 sq ft space under construction
- 200 rooms 5 Star business hotel 'Vivanta' by Taj
- 450,000 sq ft of Retail Mall
- Biggest car park in Bangalore

# Bring the *Integrated Community* concept to India



Retail Mall



Vivanta by Taj  
200 rooms 5 Star Hotel



Multi Level Car Park  
1100 cars



Iconic Office Buildings



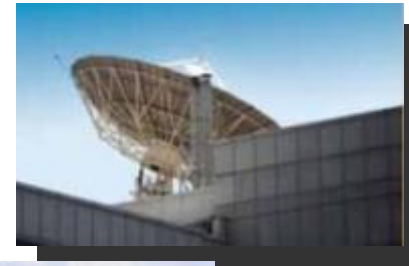
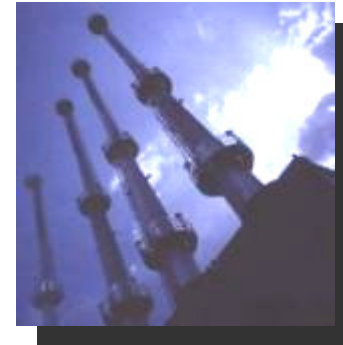
TCS Built-to-Suit

Multi-tenanted Building  
(Under construction)



# Complete with comprehensive hardware

- Power Stability
  - 20 MW Dedicated Power Plant (DPP) operating in synchronization with Karnataka Power Transmission network
- Access to Communication
  - 6 service providers
- Water Sufficiency
  - 5 days' storage capacity
- Sewage Treatment Plant
  - 2.0 MLD (upgradable to 6.0 MLD) capacity







parkites

softwares integrating hardware

rock concerts



chess competitions

# Heartwares



# Taking care of the needs of our customers' employees

Tech Park Mall – An extensive range of lifestyle amenities & services



Medical Clinic



Restaurants



Health Club



Cafe



F&B outlet



Handphone Service

- Banking and ATM facilities
- Book store
- Courier Service
- Food & Beverage outlets
- Foreign Exchange service
- Handphone Service
- Insurance Service
- Coffee Bar
- Ice cream parlour
- Laundromat
- Lifestyle Store
- Medical & Dental Clinic
- Music Store
- Optician
- Photo Shop
- Stationery store
- Supermarket
- Travel Agent



Lifestyle Store



Banks & ATMs



Foreign Exchange



Insurance Service



Supermarket



Music Store

# Enhance accessibility and facilitate the ambitions



## Transportation

- More than 200-strong Ferry Service fleet from key destinations across the City for the employees of the Park

## Vehicle Parking Facility

- Dedicated Multi Level Car and Two Wheelers Parking
- Each building with self contained car parking



# Creating a true environment they can call “home”







Talentz Day



Sports Meet



Women's' Day



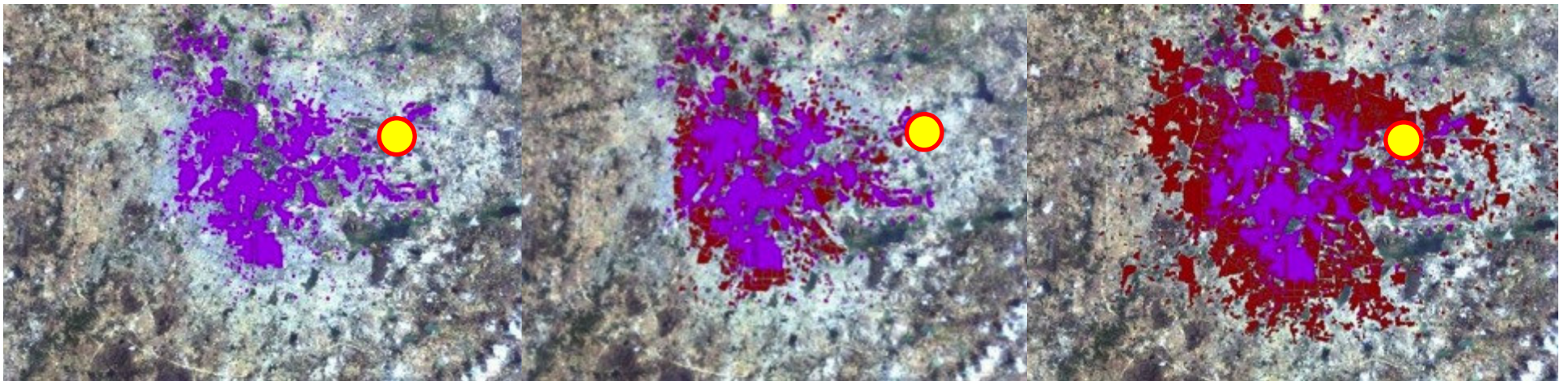
Ethnic Day

# Contribution to the development of Bangalore

1980

1990

2005



**Whitefield has become a major Suburban Business District sought after by major Corporate**

# Replicating Bangalore's success across India



Ascendas OneHub Gurgaon



International Tech Park Pune



International Tech Park Bangalore



CyberPearl, Hyderabad



The V, Hyderabad



International Tech Park Chennai



CyberVale, Chennai



Ascendas OneHub Coimbatore



# Disclaimer

This presentation may contain forward-looking statements that involve risks & uncertainties. Actual future performance, outcomes & results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties & assumptions. Representative examples of these factors include (without limitation) general industry & economic conditions, interest rate trends, cost of capital & capital availability, competition from other developments or companies, shifts in expected levels of property rental income & occupancy rate, changes in operating expenses (including employee wages, benefits & training, property expenses), governmental & public policy changes & the continued availability of financing in the amounts & the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Ascendas' (including its subsidiaries) current view on future events.

# Presentation Outline

What are Real Estate Investment Trusts (REITs)?

An overview of Asian REITs

REITs in Asia – Ingredients for success?

Is India ready for REITs?

Any Alternatives?



# What are REITs?

An overview of Asian REITs

REITs in Asia – Ingredients for success?

Is India ready for REITs?

Any Alternatives?

Space to be

# A short introduction to REITs

## 1 What are REITs?

REITs are collective investment schemes that invest in a portfolio of income generating real estate assets such as shopping malls, offices, hotels or serviced apartments, usually established with a view to generating income for unit holders.

Source: Monetary Authority of Singapore  
Source: Monetary Authority of Singapore

## 2 Key Attributes

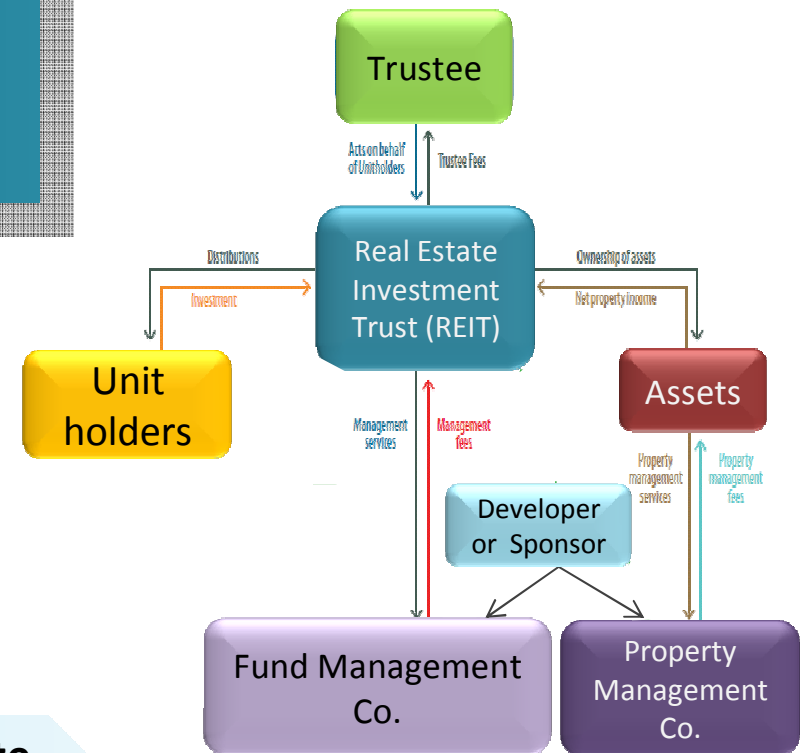
Invest in a portfolio of income producing assets

High Dividend Payouts

Tax Transparency

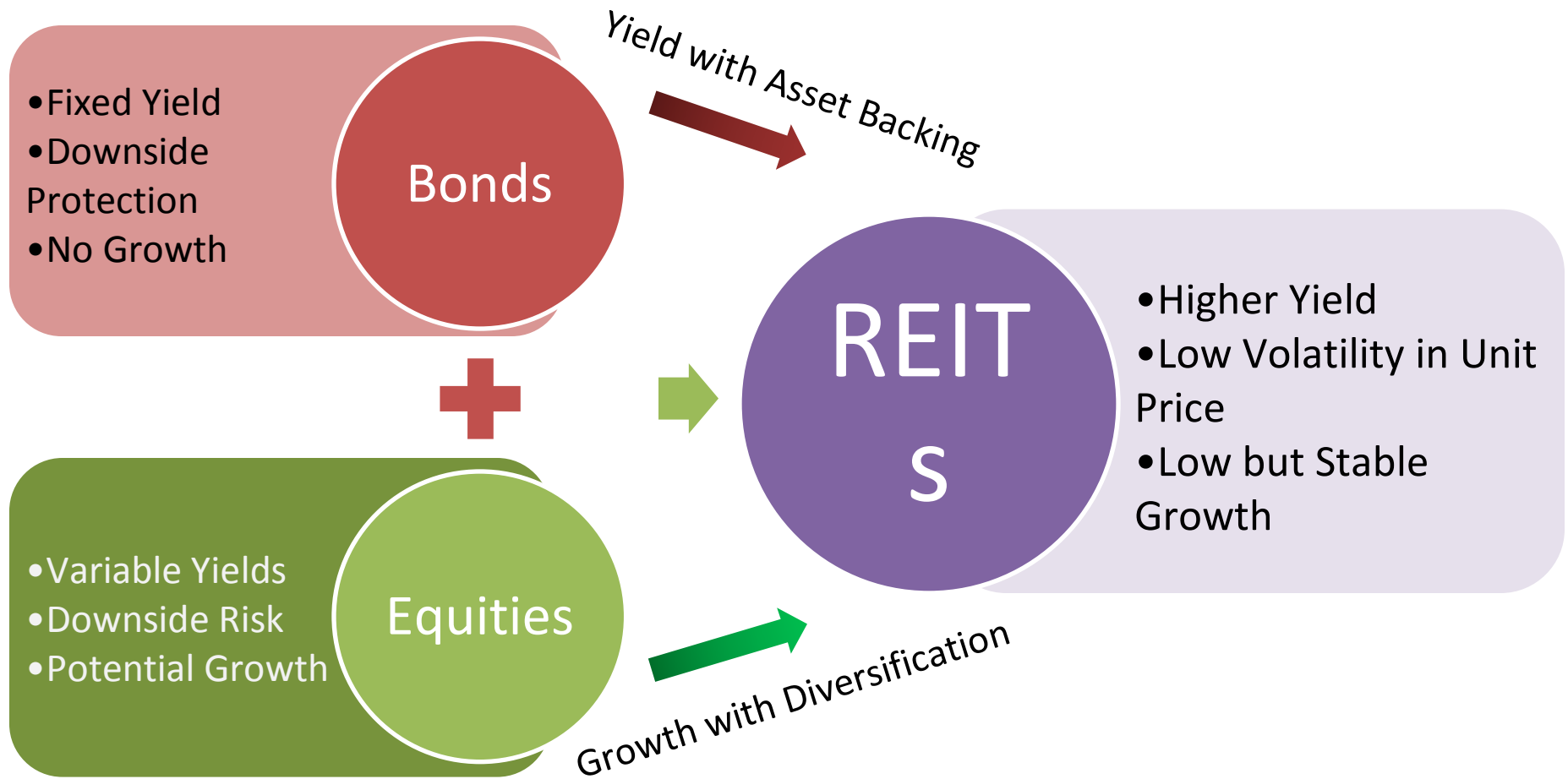
Alternative opportunity for investors to own real estate

## 3 A typical REIT business model & structure

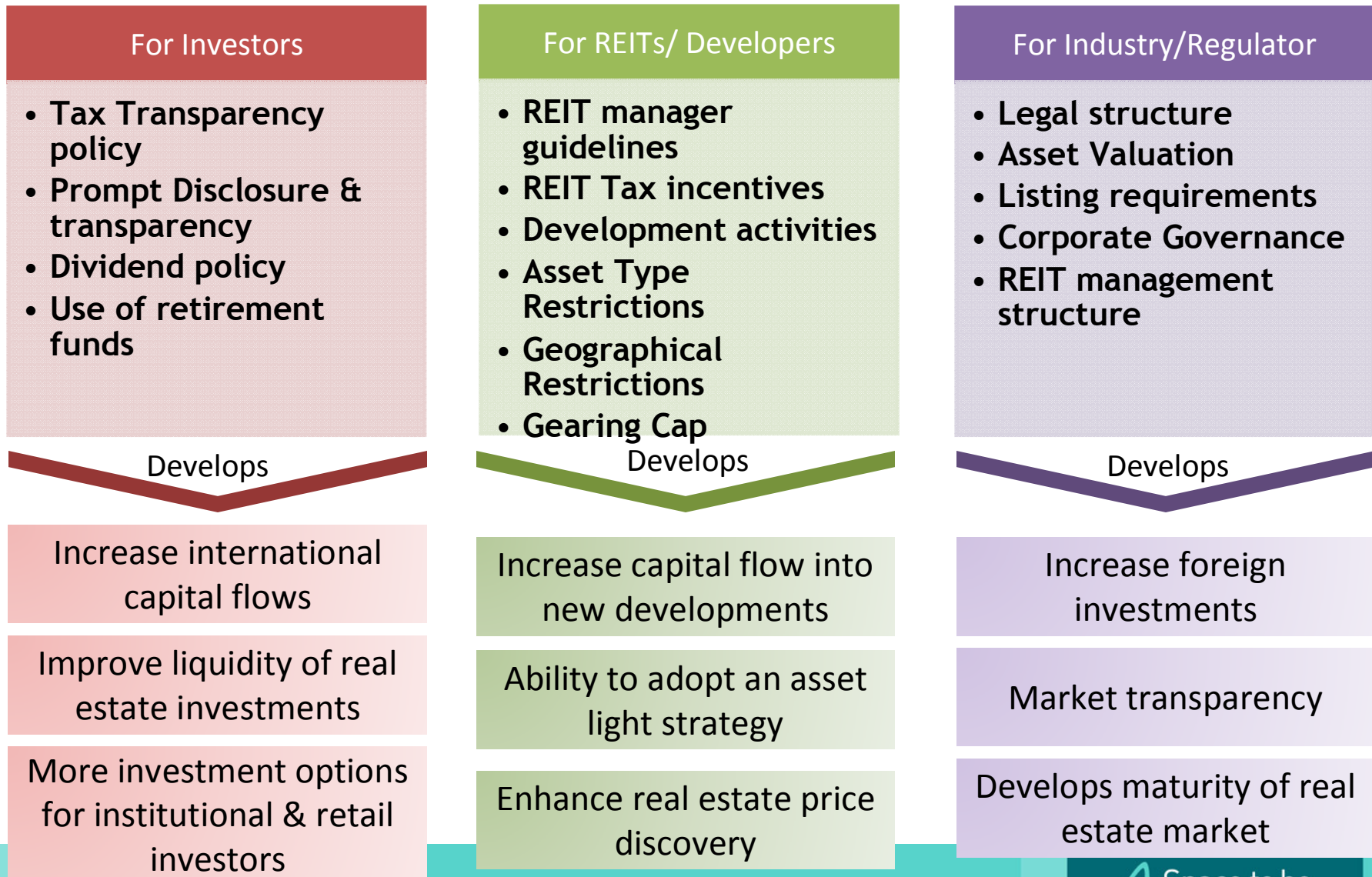


# A hybrid of Bonds & Equities features

REITs offer many of the positive aspects of both bonds and equities



# A set of clear and favorable REIT regulations & policies driving positive outcomes





What are REITs?

# **An overview of Asian REITs**

REITs in Asia – Ingredients for success?

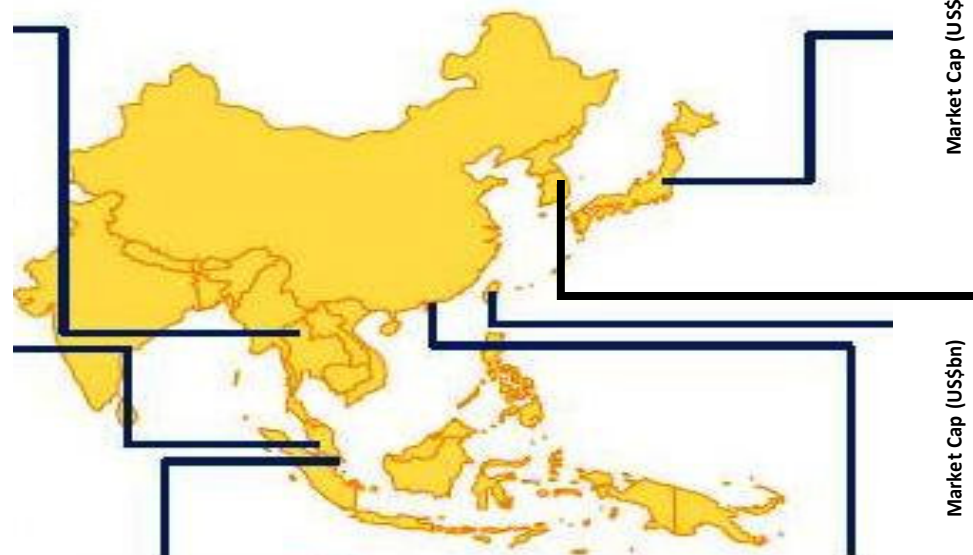
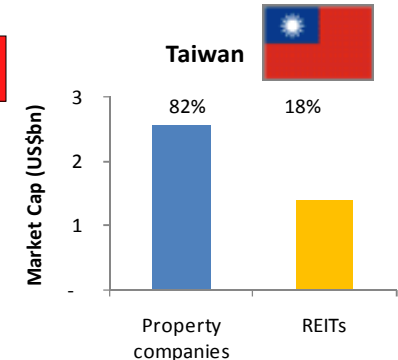
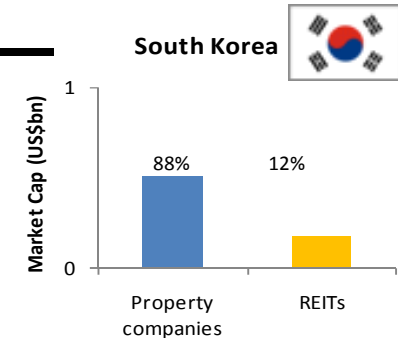
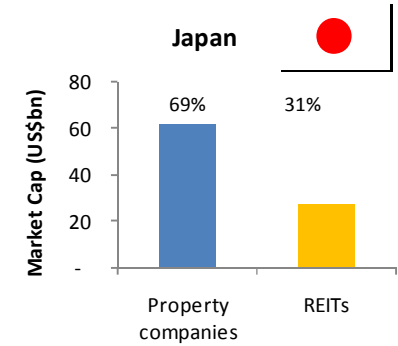
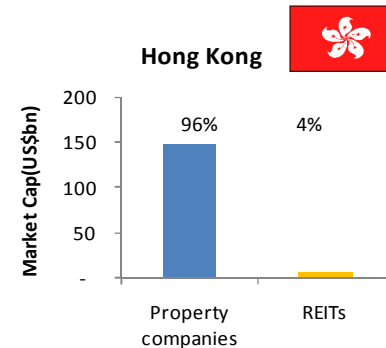
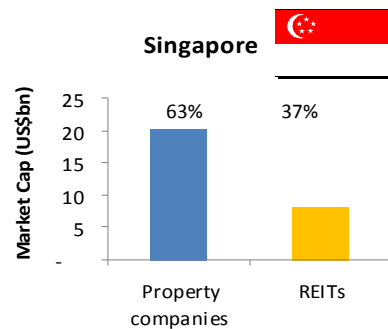
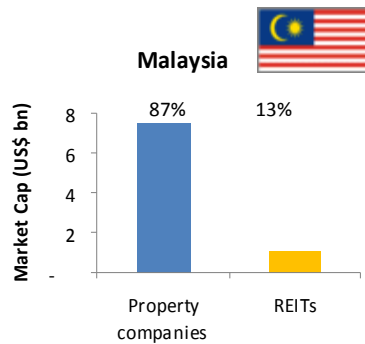
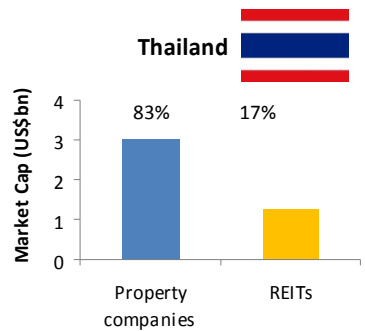
Is India ready for REITs?

Any Alternatives?

Space to be

# Composition of Asia's Listed Real Estate Market

Asian REITs comprise 24% total listed real estate in Asia

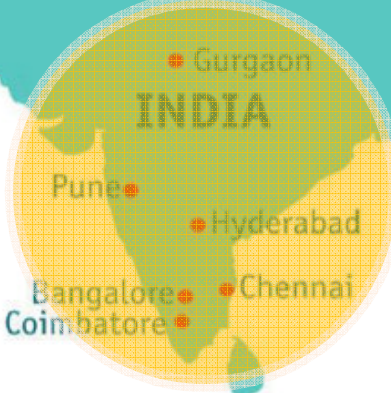


Source: Bloomberg as of 23Sep 10



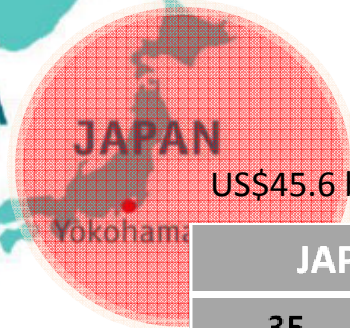
# Asia REIT Overview

India's commercial real estate stock is estimated to be over \$200B



US\$0.14 billion (0.01%)

KOREA (2001)	
5	8.13%



US\$45.6 billion (1.2%)

JAPAN (2001)	
35	4.98%



US\$2.1 billion (0.2%)

TAIWAN (2005)	
8	3.58%



US\$12.2 billion (0.5%)

HONG KONG (2005)	
8	4.96%



US\$3.4 billion (1.1%)

MALAYSIA (2005)	
14	6.81%



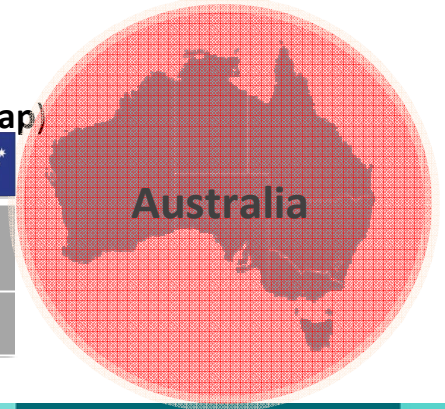
US\$29.3 billion (4.7%)

SINGAPORE (2002)	
24	5.88%

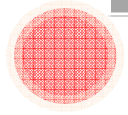


US\$68.4 billion (4.7% of listed market cap)

AUSTRALIA (1971)	
No of Listed REITs	Average Dividend Yield
60	6%



Relative Size of Asset under Management (AUM)



- Source: various including CBRE

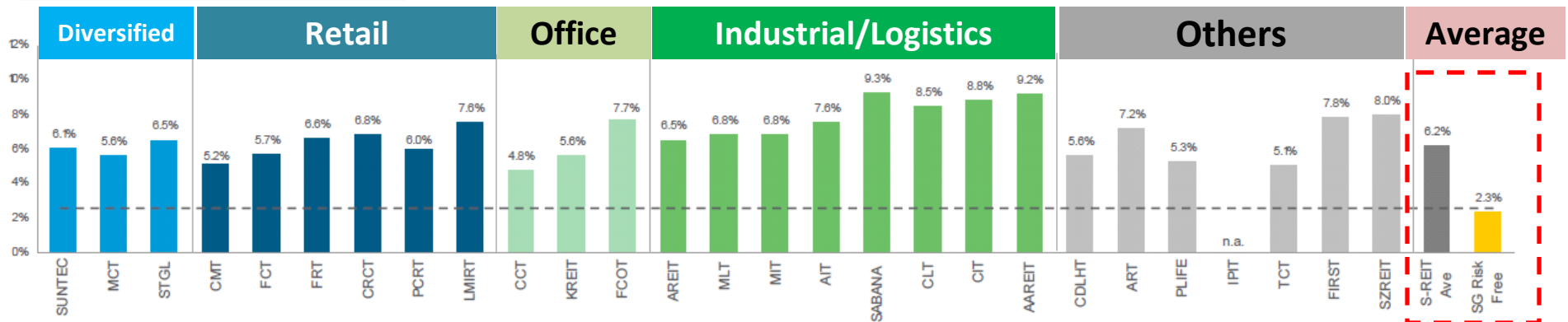
- Figures in brackets – size of REIT in respect to total stock market cap

- Year (in parentheses): Year of 1<sup>st</sup> REIT traded in the country or REIT regulation introduced

\* No REIT is listed in India. Size of REIT markets are estimates.

# Asian REITs' 2011 performance

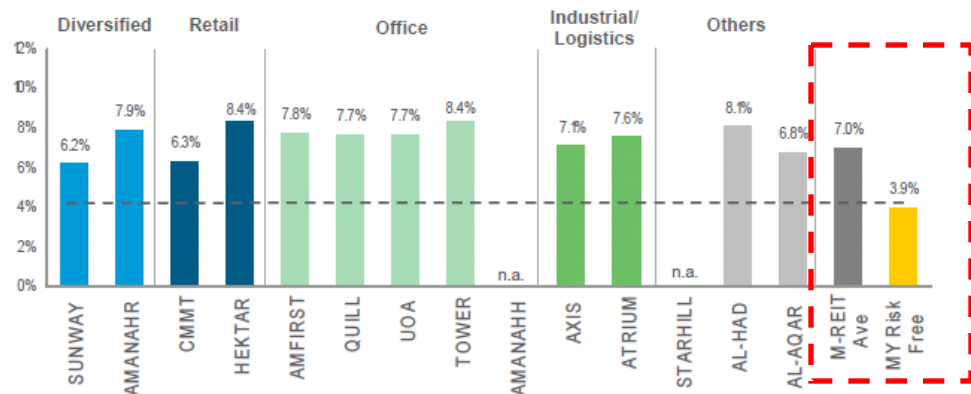
## S-REIT FY11E DPU Yield



Source: Factset/Bloomberg consensus estimates, company filings as at 1 July 2011  
Note: Calendarised based on FYE Dec 2011

6.2% v. 2.3%

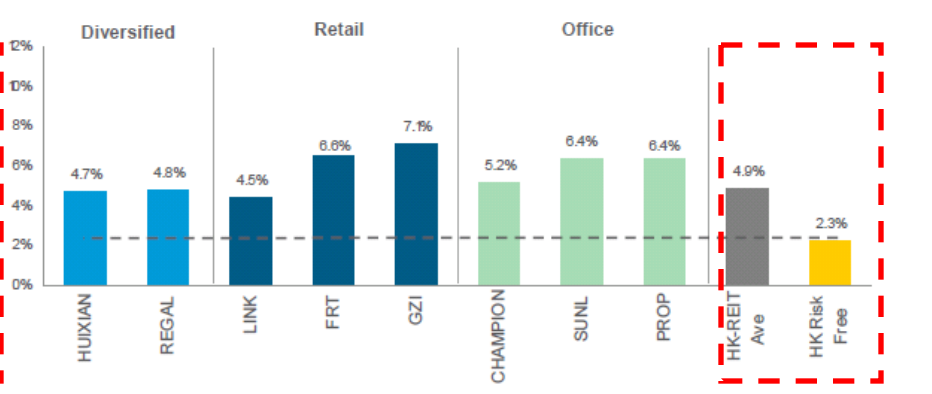
## M-REIT FY11E DPU Yield



Source: Factset/Bloomberg consensus estimates, company filings as at 1 July 2011  
Note: Calendarised for FYE Dec 2011

7.0% v. 3.9%

## HK-REIT FY11E DPU Yield

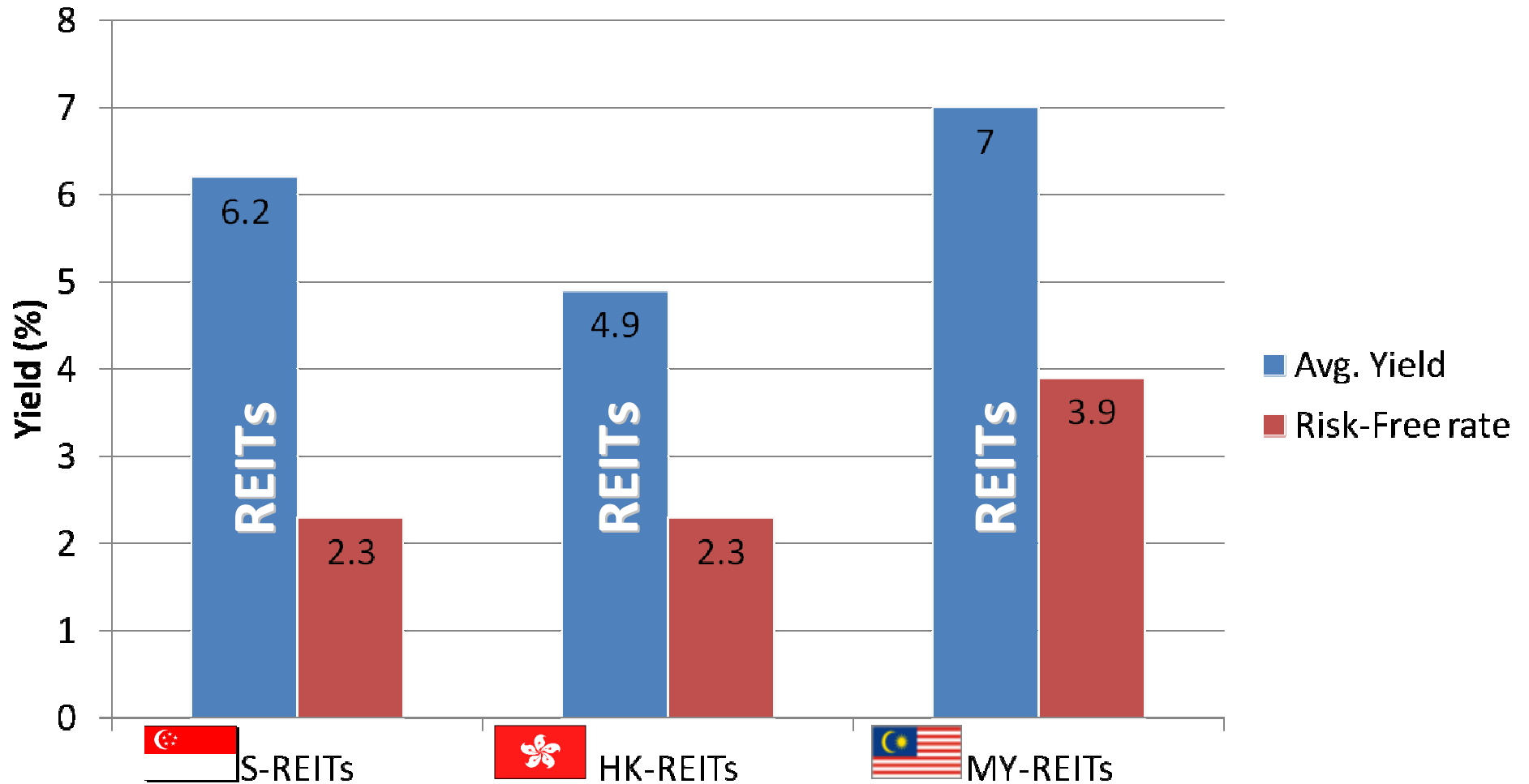


Source: Factset/Bloomberg consensus estimates, company filings as at 1 July 2011  
Note: Calendarised for FYE Dec 2011

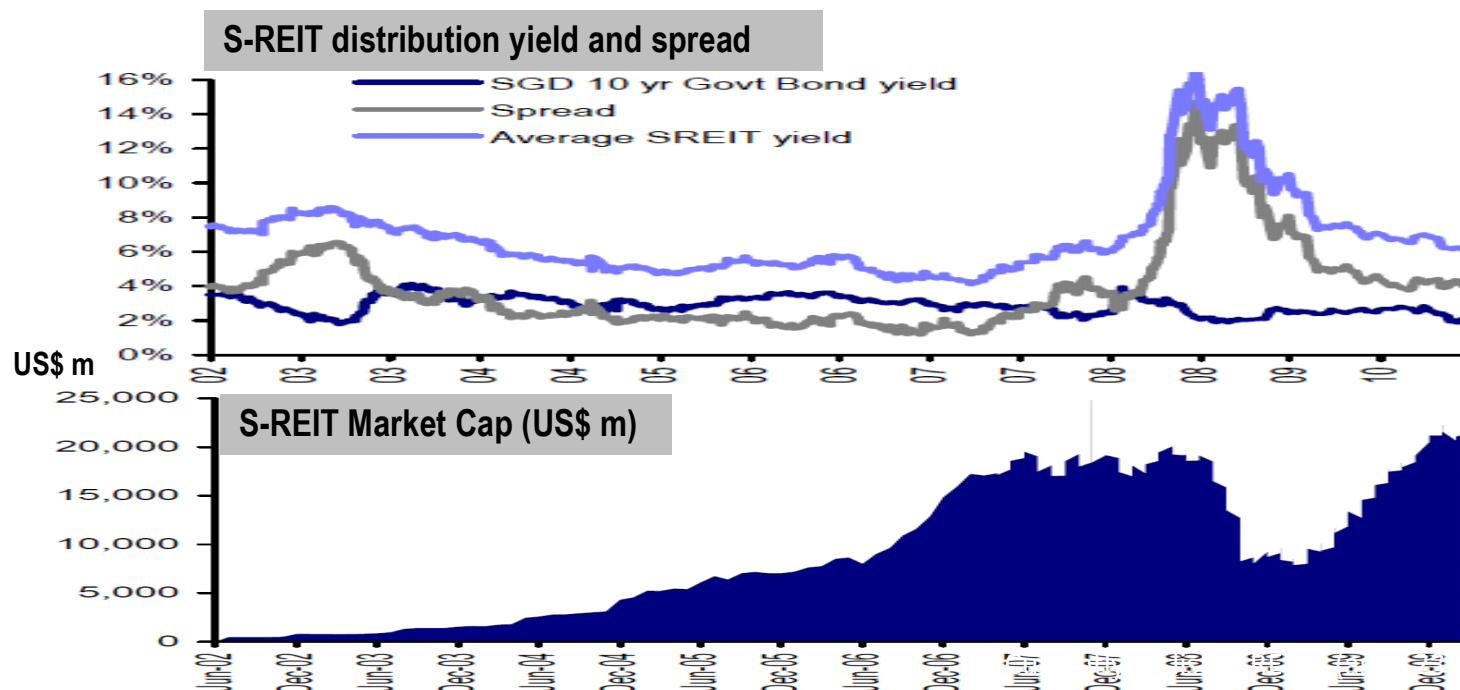
4.9% v. 2.3%

# A comparison of REIT yield & risk-free rate

## REIT yield v. Risk Free Rate



# Singapore REIT Market Overview



## Key milestones in Singapore's REIT-related policy (2000-2011)

<p><b>2000</b> MAS REITs Guidelines introduced</p>	<p><b>Oct 2002</b> Property funds allowed for investing into REITs under the CPFIS-OA</p>	<p><b>Feb 2005</b> - Stamp duty waived for 5 yrs - Foreign co. investing in REITs to enjoy reduced withholding tax rate</p>	<p><b>Jun 2007</b> - REITs included into the Singapore Code on Takeovers &amp; Mergers</p>	<p><b>Nov 2009</b> - MAS mandates REIT managers to hold AGM</p>	<p><b>Feb 2010</b> - Govt. Budget 2010 extends stamp duty remission for another 5 yrs</p>
<p><b>2001</b> Removal of Capital Tax Gains for unit holders who sell within 3 years after acquisition</p>	<p><b>Feb 2004</b> Tax exemption for individuals on dividend from REITs</p>	<p><b>Oct 2005</b> Revised MAS Guidelines, Changes in Regulation - Partial ownership - Gearing increased to 60% from previous 35%</p>	<p><b>Sep 2007</b> - Revised REIT guidelines; Changes to Disclosure, IPT, Listing, Investments</p>	<p><b>Apr 2011</b> - Revised MAS guidelines; Investments, Management Fees and investor protection</p>	

Source: UBS as of 23 Sep 10; Monetary Authority of Singapore (MAS)

An overview of Asian REITs

Space to be

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# Overview of Ascendas Real Estate Investment Trust



- First and largest business space and industrial REIT listed on the Singapore Exchange
- Has a diversified portfolio of 93 properties in Singapore comprising:

1. Business & Science Park

2. Hi-tech industrial properties

3. Light industrial properties

4. Logistics & distribution centres

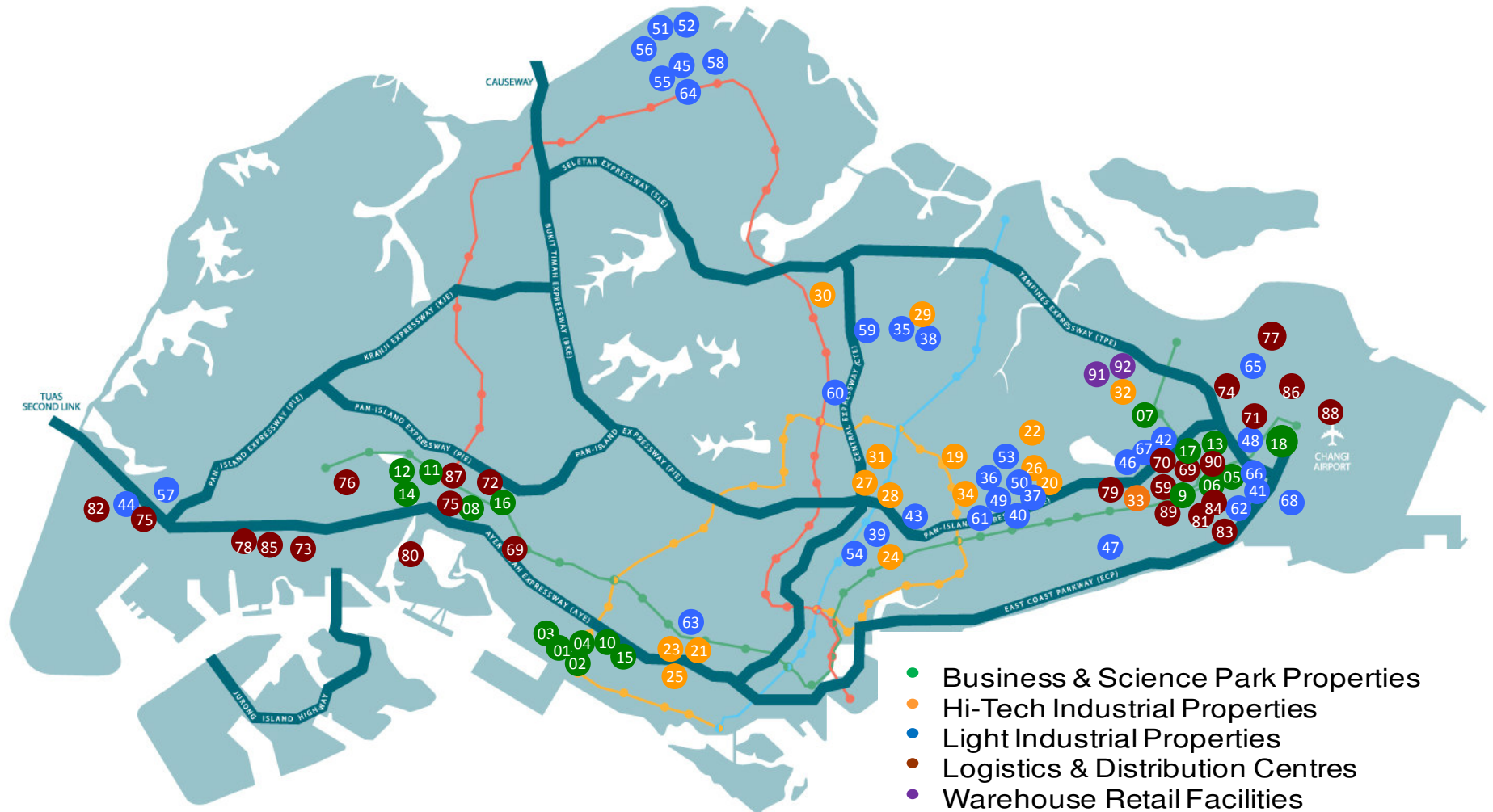
5. Warehouse Retail Facilities



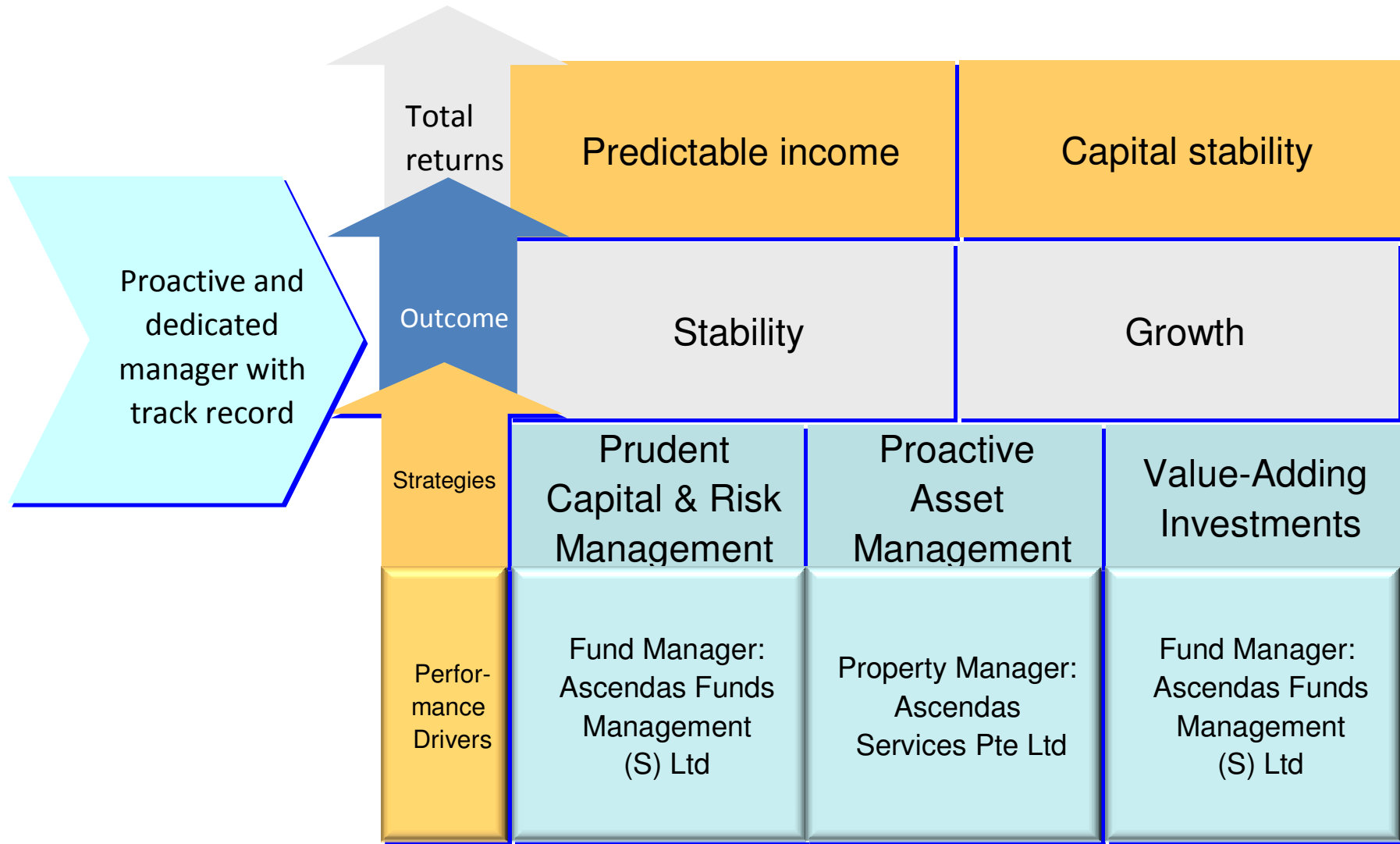
- A3 corporate family rating
- Total Assets of about S\$5.5 bn (US\$4.5 bn) as at 30 June 2011
- Tenant base of about 990 local and international companies

# A-REIT's Property Map

- Strategically located along major expressways
- Business & Science Park properties and some Hi-tech Industrial properties are in close proximity to CBD
- Light Industrial and Hi-tech Industrial properties are primarily centrally located near major housing areas
- Logistics and Distribution Centres are located near airport and seaport

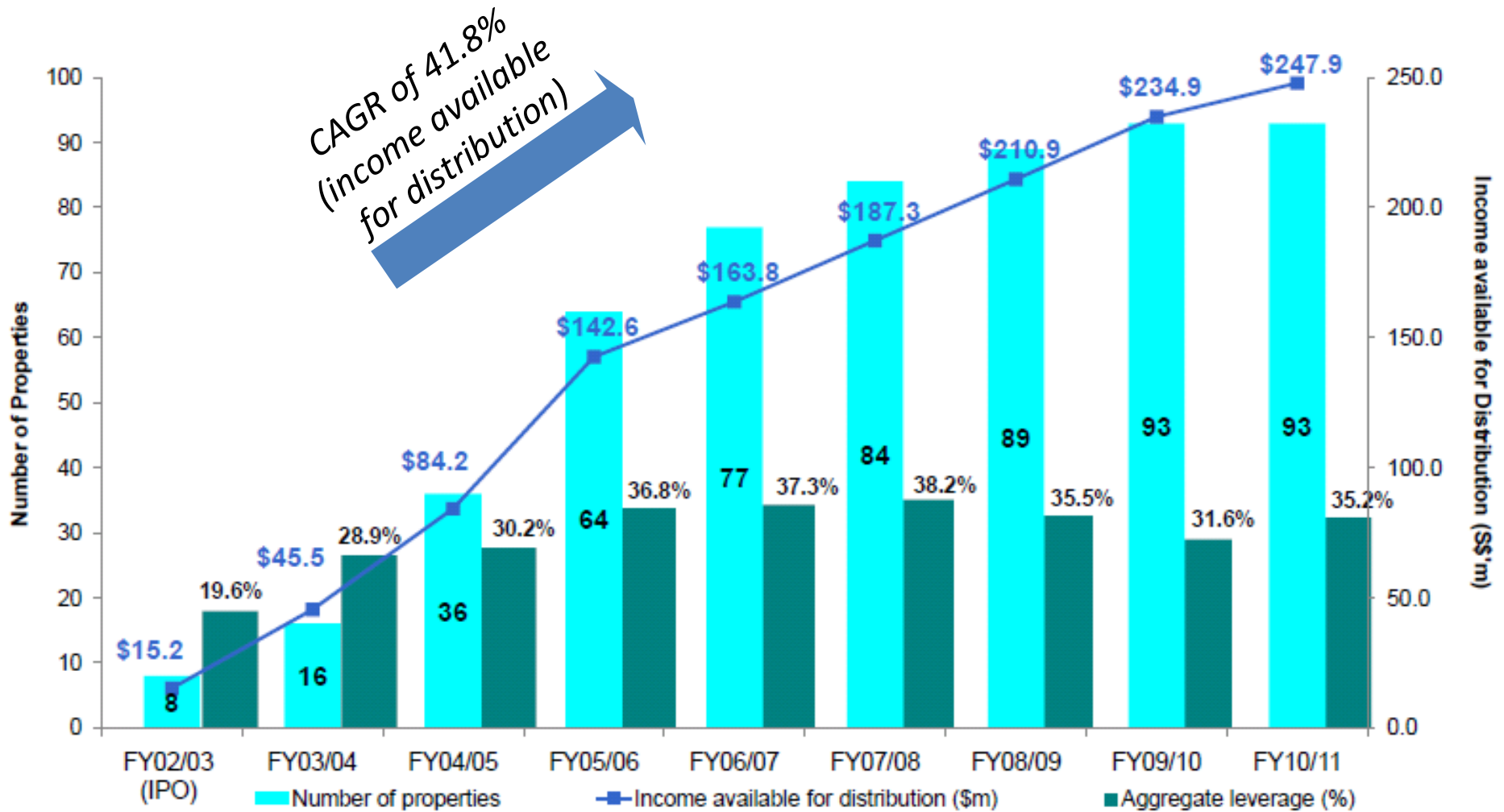


# A-REIT's strategies



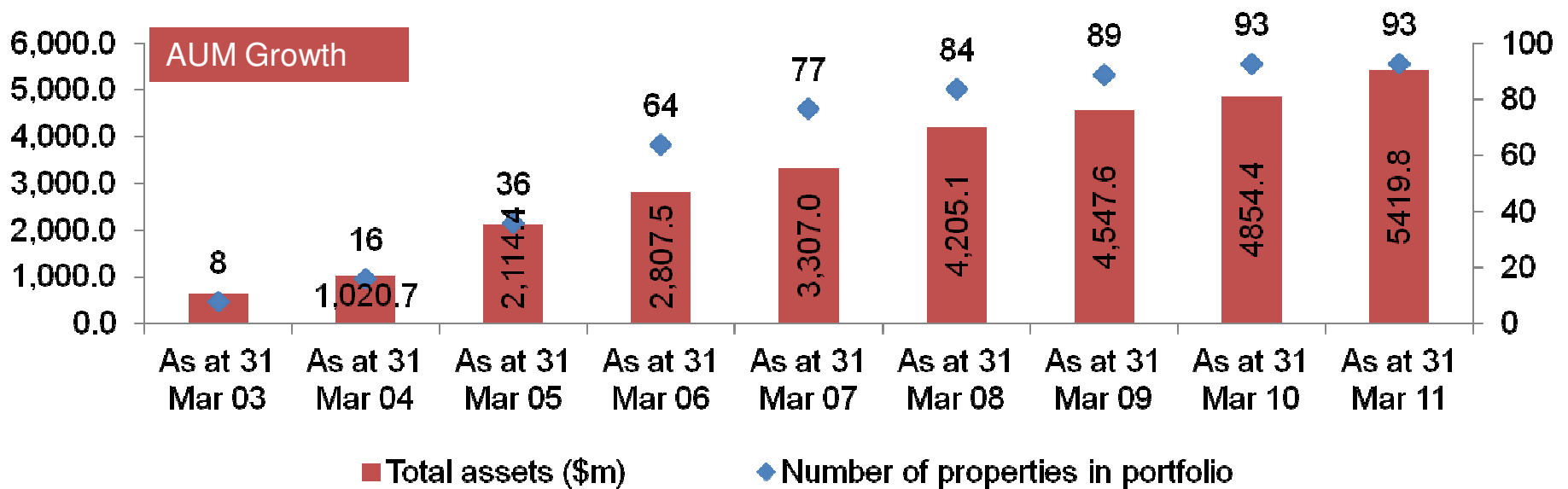
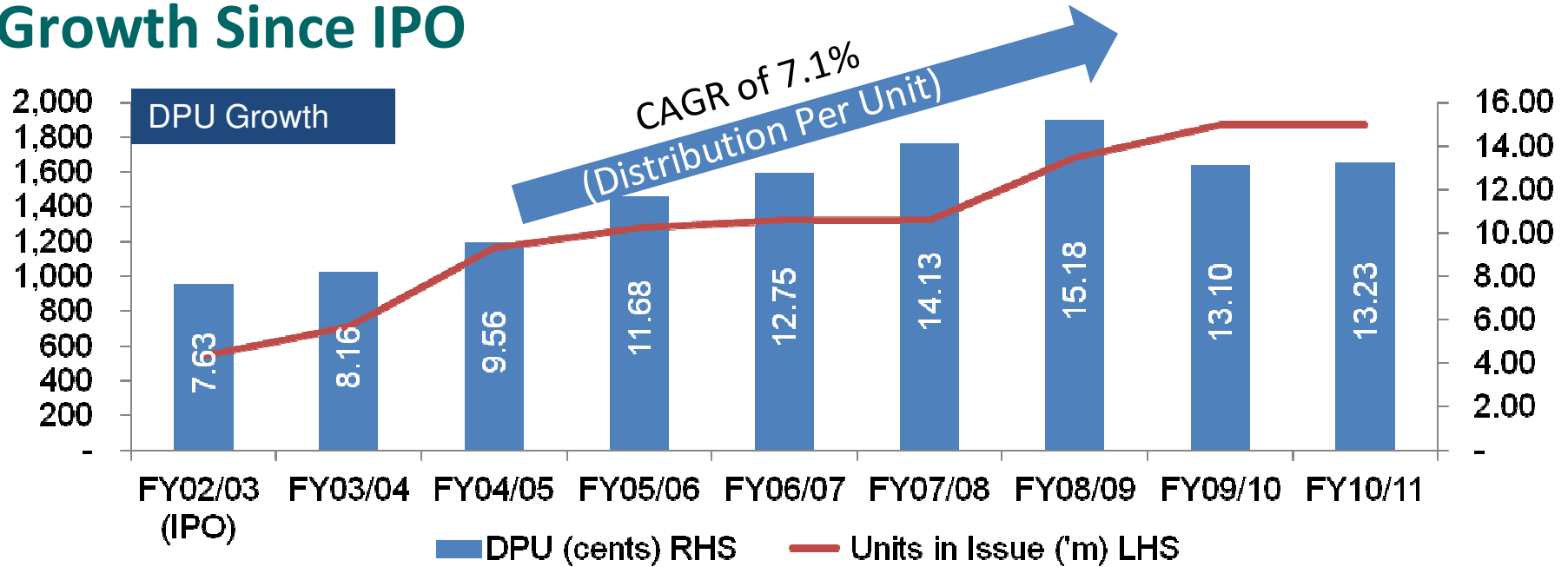
# A-REIT's Steady Growth since Listing

- Portfolio grew from 8 properties at listing to 93 properties
- Steady increase in income available for distribution whilst maintaining aggregate leverage at a healthy level





# Growth Since IPO





What are REITs?

An overview of Asian REITs

# **REITs in Asia – Ingredients for success?**

Is India ready for REITs?

Any Alternatives?

Space to be

# 5 key ingredients to drive the REITs market

## 1 Market Acceptance

Investor interest and acceptance of income producing assets

## 3 Favorable Regulatory Framework

Clear tax policies, REIT regulations and incentives

## 5 Availability of Information

Credible source of information of all types

## Maturity of Real Estate Market 2

Large pipeline of quality investment-grade assets within each property sector

## Availability of Expertise 4

Large pool of practitioners with expertise in REIT management



What are REITs?

An overview of Asian REITs

REITs in Asia – Ingredients for success?

# Is India ready for REITs?

Any Alternatives?

Space to be

# Are the 5 ingredients for REITs present in India?

## ① Market Acceptance

- Stable, income-yielding REITs an attractive investment alternative to investors
- Readiness of commercial real estate owners to sell properties to REITs

## Maturity of Real Estate Market ②

- According to reports<sup>1</sup>, India's 1Q2011 investment sales transaction totaled US\$188M, relatively small compared to Singapore (S\$1.6B)
- India would add approximately 60M sq ft of office space over the next 2 years
- Estimates<sup>2</sup> show that approximately the overall Singapore's non-residential real estate is worth over \$500B; nearly 10% is held in the form of REITs.

<sup>1</sup> various consultancy reports, incl. CBRE, JLL and Cushman & Wakefield

<sup>2</sup> Compiled from URA & CBRE, based on author's assumptions

# Are the 5 ingredients for REITs present in India?

## 3 Favorable Regulatory Framework

- Centralised tax and regulatory regimes required
- Incentives to investors and asset owners and REITs

## Availability of Expertise 4

- Quality real estate education needs to be offered at various academic levels
- Real estate needs to be promoted as an attractive career option

## 5 Availability of Information

- Land titles currently lack visibility (paper to be changed to digital form)
- Transparency and timeliness of information need to be improved

# Comparing India with Singapore and China

## Key Attributes



1 Market Acceptance



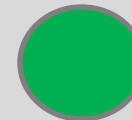
2 Maturity of Real Estate Market



3 Favorable Regulatory Framework



4 Availability of Expertise



5 Availability of Information



Based on Author's opinion



## Any Alternatives? – Overseas listing of Indian Assets

Stock Exchange & Framework	Singapore offers an attractive environment to list Business Trusts (BT) which holds investment-grade Indian real estate
Investor base & networks	Listing in Singapore provides access to a broad base of institutional and retail investors
Bilateral ties & proximity	Parties are able to leverage on close geographical proximity and relations between Singapore and India
Value Proposition	A viable interim platform for Indian developers, asset owners and regulators to enhance foreign investments and liquidity in India's RE market



# aitrust

Ascendas India Trust

➤ **Singapore-listed Indian Property Trust, first in Asia**

➤ **Listed on 1 August 2007 as a REIT-like business trust**

➤ **Originated from Ascendas India IT Parks Trust (private fund)  
launched in June 2005**

➤ **Investment mandate:**

- **Substantially income producing business space in India**
- **Property development of up to 20% of property value**

➤ **Portfolio of 5.9 million sq ft of business space valued at S\$943 million as at 31 March 2011**

➤ **Market capitalisation of about S\$720 million**

## a-iTrust: REIT-Like Characteristics

Permissible Investment

Adherence to safeguarding provisions on allowable investments under Property Fund Guidelines



Distributable income

Minimum 90% to be distributed



Gearing

≤ 35% of deposited property (≤ 60.0% with credit rating)



Tax-free distributions

Distribution exempt from Singapore tax



a-iTrust will possess key safeguarding provisions while retaining upside potential through 20% development limit

# a-iTrust Portfolio



**aVance Business Hub, Hyderabad**  
*(Conditional acquisition)*



**The V, Hyderabad**



**CyberPearl, Hyderabad**



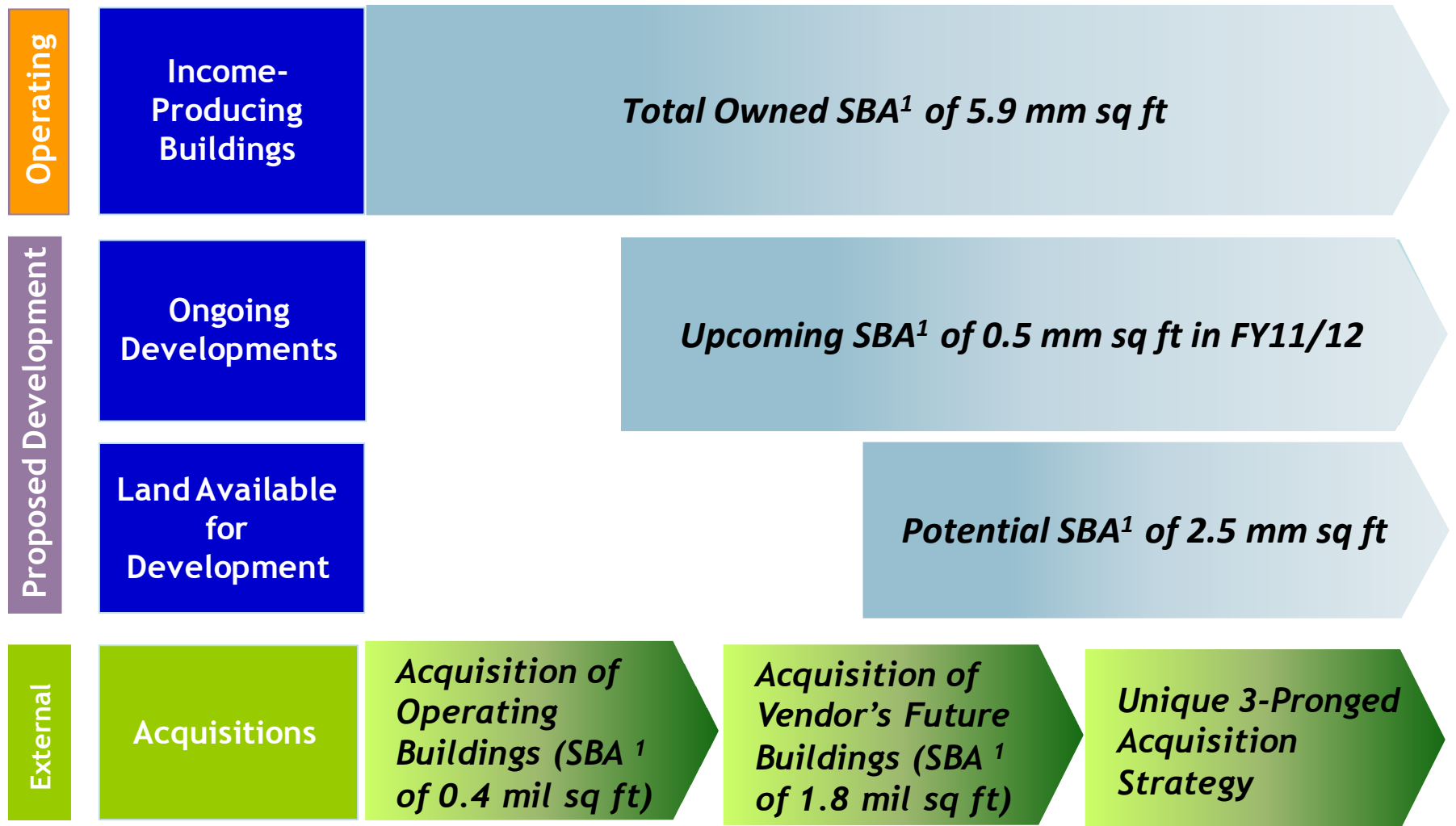
**International Tech Park  
Bangalore**



**International Tech Park Chennai**

Any alternatives?

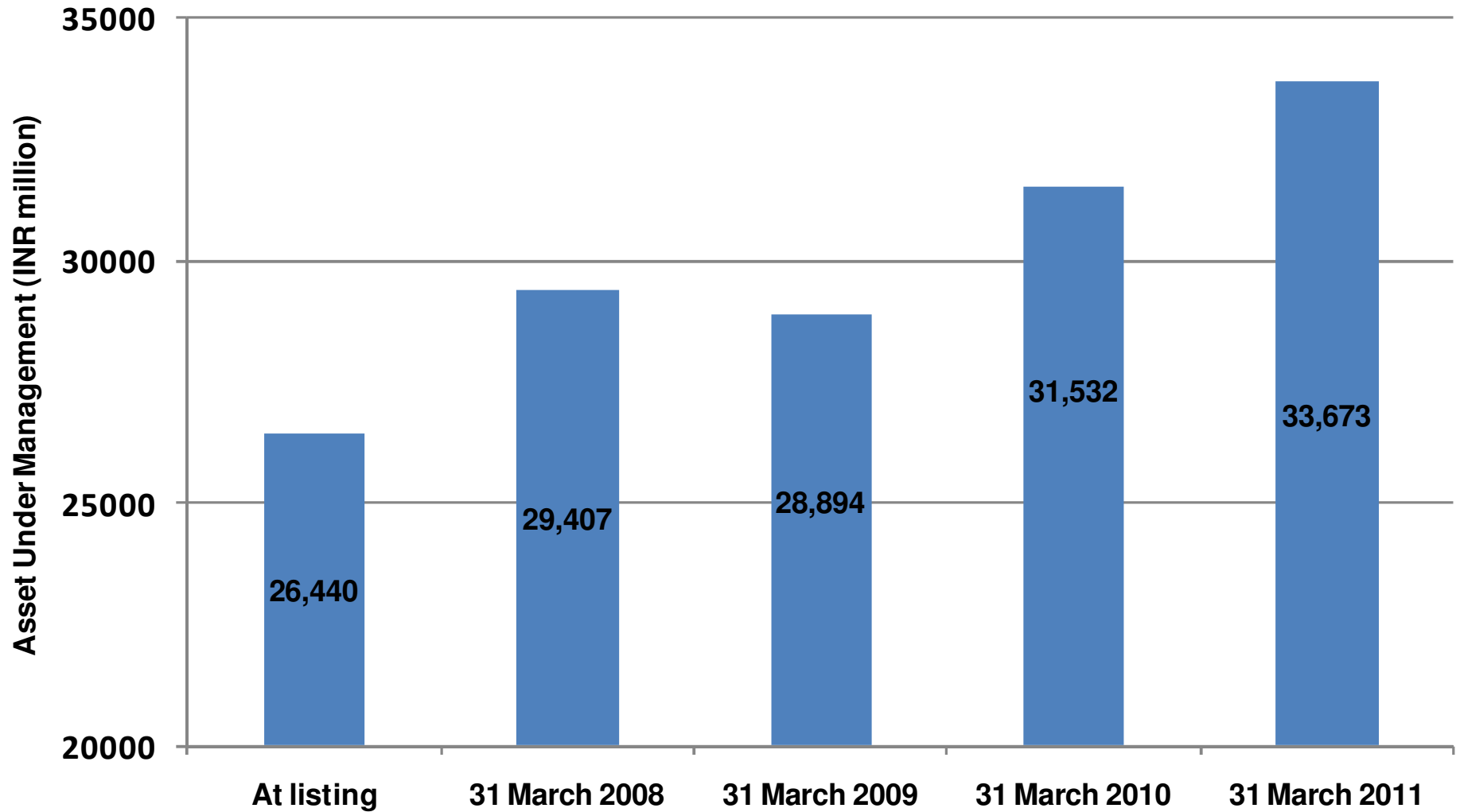
# a-iTrust Growth Strategy



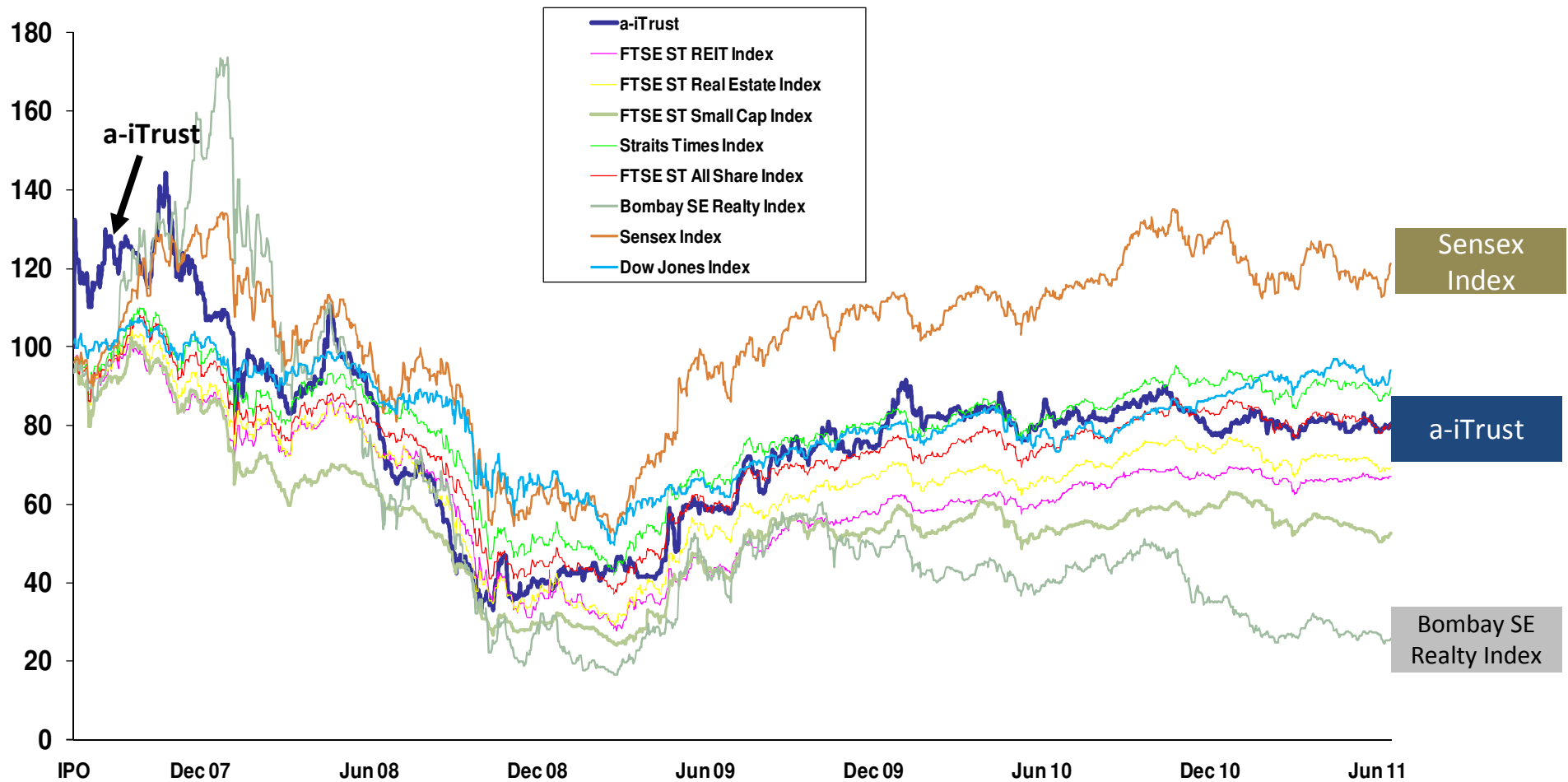
<sup>1</sup> Super Built-up Area (SBA) is the basis for leasing transactions.

# a-iTrust Statistics

## Asset Under Management Growth



# a-iTrust Trading Price Performance (Indexed)



Data Source: Bloomberg

Any alternatives?

Space to be

## Conclusion

- An attractive REIT regime will support development of the India RE market, which in turn, supports India's economic growth.
- Ingredients such as favorable tax policies and reliable information are required to sustain a thriving REIT market
- In the short term, there are different alternatives to address the need for asset securitization. Overseas listing, trusts and fund models are currently available in countries such as Singapore, London and New York
- Slow but surely, India will progress towards a REIT model



शुक्रिया



Thank you!

நன்றி

آپ کا شکریہ

ధన్యవాదాలు

Any Thoughts, Questions?

Space to be