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## REITs – Tenant Support

In the Fortitude Budget, the government will provide more support to SMEs on rent costs post-Circuit Breaker. The Ministry of Law is also introducing a new Bill mandating that landlords grant rental waivers to qualifying SME tenants.

### Government to give cash grants to all SME tenants at private properties

SME tenants refer to those with no more than SGD100mn in annual turnover (based on Financial Year 2019 figures). The government will be giving a cash grant (by end July 2020) of ~0.8 months of rent to those in private commercial properties (including retail REITs) and ~0.64 months of rent to those in private industrial and office properties (including Office and Industrial REITs).

### Mandated rent waiver by landlords at private properties

The new Bill which has yet to be passed will require landlords to grant rent waivers to SME tenants who have suffered a significant revenue drop. We expect the new Bill will quantify a significant drop in revenue. For SME tenants in retail REITs who have suffered a significant drop in revenue, landlords will have to grant two months of rent waiver. We expect this to include any rent waivers the retail REITs have already extended to these tenants. As such, the retail REITs will top up additional rent waivers to make the total rent waivers two months (i.e. matching the support the government is providing). For industrial and office REITs, the new Bill will require that some rent waiver be given to the SME tenants who have suffered a significant drop in revenue though no specific months of rent has been mentioned as yet. We do not expect it to be more than what the government has provided (i.e. one month).

### Break down of rent support for tenants (including non SME tenants) at retail REITs

REIT	Government Tax Rebate (A)		Rent Waiver from REIT (B)		(A)+(B)	Security deposit released to offset rent	
	SGD'mn	# of months	SGD'mn	# of months	# of months	Yes/No	# of months
CMT	~67.5	~1.1	~46.5	~0.8	~2.0	Yes	1.0
FCT	~16.9	~1.2	~17.0	NA <sup>1</sup>	NA <sup>1</sup>	Yes	1.0
MCT	~18.3	~1.1	~50.0	~2.4	~3.5	No	0.0
SGREIT	~10.8	NA <sup>1</sup>	~7.3	NA <sup>1</sup>	NA <sup>1</sup>	No	0.0
SUN	~12.2	~1.1	~9.2	~0.9	~2.0	Yes	1.0

Source: Company, OCBC Estimates

<sup>1</sup>Support is extended to eligible tenants only

### Details on rent support for tenants (including non SME tenants) at retail REITs

REIT	Details
CMT	April & May – 100% rent offset using property tax rebate and rent waiver Rent waiver of ~SGD17mn will be provided to tenants in targeted manner, prioritized by their needs and circumstances over an undisclosed period.
FCT	Rent was waived for April 2020 for entertainment, education and tuition centre tenants. March – 0 to 70% rent offset using property tax rebate, 50% on average April – 100% rent waiver May – 100% rent offset using balance amount of property tax rebate
MCT	June & July – 50% rent waiver
SGREIT	Rent waiver is disbursed in phases to eligible retail and office tenants in Singapore March – Undisclosed rent offset using property tax rebate April – 100% rent waiver
SUN	May – ~100% rent offset using balance amount of property tax rebate

Source: Company, OCBC

### Conclusion

Although a new Bill will mandate landlords (including REITs) to grant rent waivers, we expect the cash grants from the government to benefit the REITs apart from the SME tenants in enduring this difficult time. We view this move by the government as sharing some of the potential pain REITs can expect to experience. Overall, industrial REITs have the most SME tenants while tenants of retail REITs have the most significant revenue drop comparatively.

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**Positive (“Pos”)** – The issuer’s credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

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