UNDERSTANDING REAL ESTATE INVESTMENT TRUSTS (REITs)
By Alan Lok, CFA, Eunice Chu and Guruprasad Jambunathan

- Identify significant factors that matter to REITs as well as gauge effective execution of business model
- Easy-to-use framework for fundamental analysis customised for the retail investor

INTRODUCTION TO SECTOR ANALYSIS: A FRAMEWORK FOR INVESTORS

The key to a company’s success depends on how well it executes its business model. This calls for optimising the allocation of limited resources to generate sustainable cash flows, for investing in new products, technologies and services in responding to the wider competitive landscape or societal changes and mega-trends, as well as for devising appropriate responses in the face of an evolving macroeconomic, regulatory and political environment.

Different industries often require very different business models; and even within the same industry, the model that does add value to the business may vary somewhat from company to company.

To help investors undertake proper due diligence on a company, we have generated a framework of analysis designed to tease out the following: (1) whether the pertinent factors favour the firm in question; and (2) whether management is effective in executing its business model or value-generating strategies, while responding appropriately to its external environment.

This framework is customised to specific sectors and incorporates interviews with professionals within those sectors.

REAL ESTATE INVESTMENT TRUST (REIT) SECTOR

REITs are vehicles that own and typically operate a portfolio of income-yielding real estate assets. Modelled along the lines of unit trusts, REITs allow for funds to be pooled from a group of investors. Such a structure provides retail investors with several advantages: a low-hurdle entry and exposure to a diversified pool of real estate assets with a high level of liquidity, which would not otherwise be possible with direct investing.

Most REITs are publicly listed, and declare above 90% of their earnings as dividends to fulfil certain benefits accorded to REITs by the local securities regulator. As such, REITs provide a stable source of recurrent income, which serves as a yield play rather than an investment avenue for reaping capital gains. We believe an effective and accurate fundamental analysis can help the retail investor determine if the recurrent income is stable and/or trending upwards over the long term.

A REIT generally focuses on a specific category of property for investments. Some common classifications of REITs include: Office and Commercial REITs, Retail REITs and Industrial REITs.

THE FUNDAMENTALS OF REITs

Within each of these dimensions, certain elements are common across all REITs, while certain elements are specific to the type of REIT (e.g. industrial, commercial or retail, etc.).

Demand drivers: Portfolio profile and tenant profile are the key drivers that determine how revenue could pan out for a REIT.

The former covers attributes such as the location attractiveness of properties within the portfolio (after all, property is all about “location, location, location”), the target segment and the quality of the property supply pipeline vis-à-vis market requirements.

As for the latter (tenant profile), investors should examine factors such as overall occupancy levels, average lease tenure and turnover rates. In addition, the business prospects and credit worthiness of tenants especially anchor tenants will give clues to the potential change in future demand (and as a result, potential impact on recurrent income), and ultimately to the Distribution Per Unit (DPU) growth which is a key metric for dividend declaration.
Other pertinent metrics associated with particular REITs, such as physical proximity of properties to target customers, are worth noting. For instance, the distance between residential areas and suburban malls for Retail REITs — and similarly the distance between the residence of skilled labour and grade-A central business district offices for Office and Commercial REITs — plays a crucial role in driving revenue for a REIT.

**Market position:** The number of competitors within the same property category and their relative market share influence the pricing power of a REIT. For instance, an operator of hospitals with a monopoly or high concentration ratio in the private hospitals industry would fare well, all else being equal.

Availability of gazetted land could be a key limiting factor in the supply of real estate; hence, maintaining the pricing power of incumbents.

**Structural influencers:** The ability of a REIT to innovate and adapt to structural changes in the market is critical for sustainability. For instance, increased automation might impact demand for Industrial REITs, while a shift in customer preference for online shopping may directly impact the revenue potential of Retail REITs.

**Performance metrics:** In evaluating the financial health of a REIT, it is important to focus on its operating margins, yield and leverage.

Net Operating Income (NOI) as a proportion of revenues and as a fraction of property value (also called capitalisation rate) captures the income-generating potential of a REIT. Funds from Operations (FFO) and Funds Available for Distribution (FAD), evaluated as a proportion of total rental income and portfolio value, capture the dividend-yielding capacity of a REIT. Gearing ratio, interest and fixed-charge coverage ratios are among the primary leverage-based metrics that investors should adopt to track a REIT.

At a qualitative level, the expertise of senior management (including the track record of earnings accretive acquisition, as well as the timely and honest communication of financial performance) point to a higher probability of the successful execution of the REIT’s communicated strategy.

**PERFORMANCE DRIVERS FOR DIFFERENT TYPES OF REITs**

**Retail and Mall REITs**

**Level of demand:** In the retail space, significant influences include the health of the economy, which underpins trends in real income, and consumption growth. Increases in real per-capita income, coupled with improving consumer confidence, determine the ability and willingness of households to open their wallets. This is especially so when deciding to purchase big-ticket items, such as electronics and furniture. Such factors, in turn, affect tenant operating performance which translates to the level of property demand and rental rates. The retail investor must also consider the tenant mix across a REIT’s portfolio to determine performance. A diversified mix, with no one anchor tenant forming a substantial portion of the REIT’s revenue, points to lower revenue concentration risks.

Similarly, a retail investor may want to examine the number of properties in the portfolio — the higher the number, the less concentrated the revenue generated from one asset.

**Changes in long-term drivers:** Increasingly, the growth of e-commerce is impacting “bricks-and-mortar” retailers. Online shopping has adversely affected the operating performance of these retailers, some more than others.

Can the managers of retail REITs respond to this trend? The shift from purely retail to a retail-plus-entertainment model is how some managers have decided to position their malls. The proportion of entertainment and food and beverage outlets versus merchandising has tipped in favour of the former.

For specific retail spaces, the proximity of a property to growth catchment areas is vital: consumers may favour a suburban mall closer to their place of residence. Other considerations, such as adequate car parking arrangements, can influence footfall and impact retailers’ revenues.

**A-grade Office and Commercial REITs**

Key considerations in this segment include the outlook for job growth, particularly in the white-collar section of the workforce, which affects demand for A-grade commercial space; and the build rate of new A-grade office developments, which increases supply. Both factors are, in part, a function of economic performance.

Investors should assess trends in office refurbishment and leasing costs in a REIT’s key markets. Portfolio profiles and tenant mix also help us to gauge the outlook for REIT revenue. In addition, proximity to the central business district, airports or suburban areas may be a factor, and some portfolios will enjoy a geographical advantage.

Other trends to be considered include the impact of automation on job growth and workspace demand. This is demonstrated by the shift to remote working and the emergence of shared workspaces.
REITs

Industrial
The sensitivity of both property demand and rental rates to economic investment cycles is a key area of investor focus in the industrial sector.

Manufacturing growth, capital investment and warehouse needs affect revenue potential. These factors can be influenced by external trade performance and globalisation. Tenant mix is also worth noting: the growth prospects and competitiveness of those who rent factories and warehouses can determine a portfolio’s return. Access to arterial roads, railways, ports and airports are further elements that contribute to a property’s appeal.

Investors should note how automation is changing what companies look for in factory space. Meanwhile, the growth of e-commerce is influencing dynamics in the warehouse sector and presents an opportunity to leverage on this growth area.

Lastly, industrial properties with tenants who are vulnerable to changes in the business cycle and have short leases are viewed as riskier investments. On the other hand, properties with tenants on longer leases whose business activities are insulated from economic fluctuations are considered a safer option.

Residential
Various economic, social and demographic elements can affect the rental demand and prices of residential properties. These include income levels, changing employment conditions or patterns, plus household size and formation. Affordability, both in terms of rental and owner-occupied housing, also plays a significant role.

How well a property portfolio matches the demand profile, and of course location, are further considerations. The quality of transport links, and proximity to social infrastructure facilities and places of work, can determine the appeal of a property and, in turn, dictate values and rental prices.

Government policies relating to affordable housing and rent controls, as well as the structure of the tax regime, should also be considered. Demand dynamics can be influenced by the impact of “aggregators” such as Airbnb and providers of shared living spaces.

About the Authors

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1. How is the company placed in relation to the overall demand-supply situation of its key markets?
   a. Which of the different segments, such as Residential and Student, Retail, Commercial and Office, and Industrial, does the company cater to?
   b. How many new rental properties are expected to be added in the major markets in the next 3–5 years? Is there sufficient demand to absorb the expected supply of new properties?
   c. How frequently does supply-demand mismatch occur in key segments and what typically is the extent of such a mismatch? How has the trend been in the last 5 years and how is it expected to evolve in the next 3–5 years?
   d. How much do rental rates typically fall for a given unit of additional supply? What are such instances in the past when this was observed?
   e. Do the rental rates increase by the same degree during phases of undersupply as they decrease during phases of oversupply?

2. How is the company placed in terms of its tenant profile?
   a. What are the typical turnover rates of tenants across locations, market segments, size and quality of properties?
   b. What is the company's strategy to optimise tenant turnover?
   c. What is the typical waiting period before vacated properties can be rented out again?
   d. What is the extent of trade-off between the waiting period and rental yields? Are there any specific factors that influence pricing power?
   e. How much concessions/discounts on rental rates are being given across segments and markets?
   f. What is the typical tenure of rental/lease agreements?
   g. Are agreements typically signed on fixed or floating rental basis? In case of the latter, how are the frequency and rate of revision determined?
   h. What is the general split of rental income between fixed- and floating-rent-based tenancies?

3. How evenly spread are the revision schedules of the rental agreements?
   a. Are the revisions staggered uniformly over a period of time or do they happen collectively together?
   b. How quickly can the rates be revised for existing agreements?
   c. What is the typical notice period for premature termination? Are there any associated penalties?
   d. For long-duration agreements, are there provisions for periodic mid-term reviews?
   e. Is there a waiting list of tenants seeking occupancy? If so, on average, how many tenants are seeking occupancy at any given time? How long is the typical waiting time?
   f. What are the standard selection criteria adopted to choose tenants? Does this vary across different segments, locations and property sizes? If so, what are the details?

4. What is the profile of your portfolio by location, market segment, size and quality of properties?
   a. What is the mix of property portfolio by number, size, value of properties and rental income, across geographies and locations?
   b. How does the locational profile of existing and under-development properties of the company compare with that of competitors?
   c. What is the average age of properties in the company's portfolio?
   d. How do the rental rates and yields compare with those of the company's peers?
   e. How does the comparison feature across locations, market segments and age of properties?

5. What is the split of the property portfolio between land held on freehold basis and on leasehold basis?
   a. What proportion of the land holdings are held as freehold properties?
   b. What proportion of rental income is derived from freehold-owned versus leased properties?
   c. What are the type of entities, such as government agencies, private individuals, institutions or corporates, from whom non-freehold lands are leased?
   d. What is the expiry profile of these leasehold properties?
   e. What are the extension/renewal provisions available under the agreements governing these leases?
   f. What is the risk that the leases will not get renewed or extended? What is the strategy to manage the risk of non-renewal?
6. How is the company positioned in terms of size and profile of its land bank?
   a. What are the specific areas where the land parcels are located?
   b. What are the specific target market segments for the various land parcels, after they are developed?
   c. How does the profile of the company's land bank compare with that of competitors?

7. What are the key attributes of the company's growth strategy?
   a. What is the preferred approach to growth between developing and acquiring properties?
   b. How does the company decide on the approach to a particular segment and market?
   c. What are the potential risks involved in both approaches? How are the risks managed?
   d. How long does it typically take to develop properties? How does the development time vary by segment, size and location? How does this compare with the time taken by peers?
   e. What is the company's strategy to optimise returns from its property portfolio? How are the decisions on when to sell and buy different properties made?
   f. What has been the track record of premium/capital gains generated on property disposals so far?

8. What is the strategy of the company to add value to tenants and improve yields thereupon?
   a. How much money is spent on repairs and maintenance, as a proportion of rental income? How does the company prioritise between different requirements?
   b. How much is spent on improvements to properties? How much incremental yields are derived as a result of the capex on these improvements?

9. What is the typical service life of properties across segments?
   a. How does the company manage property obsolescence arising from factors like completion of service life, location falling out of favour with customers and tenants etc.?

10. What are the macroeconomic and demographic drivers at play? How are these expected to evolve?
    a. What are the expected long-term economic growth rates in key markets of the company?
    b. What are the trends in per capita income growth and consumption in these markets?
    c. What is the average age, life expectancy and dependency ratio of the population in key markets?

11. What are the various market and regulatory factors affecting the availability of new properties in key markets of the company?
    a. What is the estimated size of land available for development? Are sufficient land parcels in desired sizes available in preferred locations?
    b. How prevalent and restrictive are zoning regulations? What is the resultant impact on costs and development time?
    c. How concentrated or fragmented are land holdings across locations chosen for development?
    d. How clear, reliable, transparent and accessible is the information on land titles?
    e. How easy is it to obtain necessary approvals and permits? What is the typical time period needed to achieve them?
    f. What is the typical transaction cost (comprising of items like registration charges, stamp duty, professional fees and statutory levies) as a percentage of property value?

12. To what extent are the company's key markets concentrated or fragmented by scale of ownership of properties?
    a. How many REITs typically operate in a given segment, market and sub-market?
    b. What is the share of Top 3/Top 5 players in each segment, market and sub-market?
    c. How is the company placed in terms of market share in different segments and markets?
    d. How much pricing/negotiating power does the company derive from its size and market share?

13. What are the regulations that limit the company from engaging in non-REIT activities?
    a. What is the minimum proportion of income that should be derived from real-estate-related sources and activities to qualify as REITs?
    b. What is the cap on income share permitted to be earned from non-real estate businesses?
    c. Is there a minimum limit on the proportion of assets that is required to be invested/held in real estate?

14. Have there been instances of properties originally intended for a certain segment being used by other type of tenants?

15. Is foreign ownership of land and property permitted in geographies where the company operates?
    a. What are the regulations and restrictions on foreign ownership and investment in land and property?
    b. To what extent is foreign ownership of, and investment in, REITs permitted?
16. How successful has the company been in attracting and retaining a top-tier management team?
   a. What is the experience profile and track record of the management team?
   b. How does the size of the management team compare with the size of the company's property portfolio? How does this compare with industry standards?
   g. What are the staff costs and management expenses as a percentage of total expenses? How does the number compare with that of peers?

17. How does the quality of properties of the company compare with those of its peers?
   a. How do the yields from the company's properties compare with the market yields across segments and locations?
   b. What is the Net Operating Income/Net Property Income (NOI) per square metre across segments and locations?

18. What is the company's track record on operational performance? How does the performance compare with that of peers?
   a. What are the type, velocity (number of leases and volume of space leased out) and structure of leases that are typically used?
   b. What is the weighted average lease tenure of the company's portfolio?
   c. What are the same-store occupancy rates for the overall portfolio and across segments and markets?
   d. What is the growth in renewal rental rates per unit for existing tenants and new tenants, across locations, market segments and quality of properties? How does this vary for renewal and new leases?
   e. What has been the existing property rental NOI growth rate of the portfolio?
   f. How do the rental yields and NOI margins of new properties compare with that of comparable existing properties? If there is a divergence, when does the company expect them to converge?
   g. How much concessions/discounts does the company typically provide for anchor tenants? What is the potential impact of this on the pricing power, overall yields and margins?

19. What are the details of the company's financial performance? How does that compare with the performance of peers?
   a. What is the ratio of Funds From Operations (FFO) as a proportion of total rental income and portfolio value?
   b. What is the ratio of Adjusted Funds From Operations (AFFO) and Funds Available for Distribution (FAD) as a proportion of total rental income and as a proportion of portfolio value?
   c. What are the FFO and FAD margins and yields?
   d. What are the NOI margins and yields (capitalisation rate)?
   e. What is the methodology used to calculate FFO, AFFO and FAD?

20. What is the extent of the company's financial leverage and payment capacity?
   a. What are the target ranges used for monitoring different measures of leverage including EBITDA/interest cost, gearing and fixed charge coverage ratio?

21. Does the company have a formally stated policy on dividends?
   a. What are the details of the dividend policy? Is there a target payout ratio?
   b. How does the policy compare with that of prevailing practices in the industry?

22. What are the implications of the volatility of interest rates to company performance and distribution?
   a. What is the preferred debt/financing structure?
   b. How much of the debt is on fixed rate payment versus floating rate payment?
   c. What is the policy on hedging interest rate exposure? Does the company use instruments such as interest rate swaps to manage risk?
   d. What has been the weighted average cost of debt and of total capital over the last 3–5 years? How does this compare with that of peers?
   e. How is the interest cost likely to change for a per basis point change in interest rates?

23. What are the details of the company's funding capacity?
   a. What is the ratio of secured debt to total assets?
   b. What is the ratio of unencumbered assets to total unsecured debt?
   c. What is the maturity schedule and currency denomination distribution of the debt?
   d. What is the issuer and security credit rating received from various credit rating agencies?
   e. How have credit ratings evolved over time? How do they compare with the industry's overall credit profile?
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Retail and Mall

24. What are the factors that drive demand for properties?
   a. How far are the company's properties located from
growth catchment areas (places which are
frequented by shoppers and entertainment-seekers)
and population centres?
   b. For parking spaces, how does growth in availability of
space compare with growth in private car registrations?

25. How do different macroeconomic, social and
demographic factors affect demand in key markets?
   a. Are the economies in key markets broadly driven by
   investment or by consumption?
   b. What are the household wealth and disposable income
levels in these markets?
   c. What are the trends in real income growth?
   d. What are the trends in consumer spending growth?
   e. What are the aggregate household debt levels in
these markets? How much of this is attributable to the
consumer mortgage segment?

26. How is the retail channel mix positioned and how is it
   evolving in key markets with the advent of e-commerce?
   a. What is the share of e-commerce transactions in key
markets and how is it expected to evolve?
   b. What are the broad trends in net store openings/space
addition in the retail sector? What is the outlook for the
company's tenants?
   c. How is the retail channel mix (hyper and supermarket/
department stores/convenience stores) evolving in
key markets?
   d. What is the strategy of retailers to manage churn in the
channel mix?
   e. How will these strategies affect demand for retail space?

27. How is the growth of ride-sharing likely to affect
   demand for parking space?

28. What is the profile of the tenants occupying the
   company's properties?
   a. What is the typical level of sales generated by the
   tenants per unit of space?
   b. What proportion of their sales do the tenants spend on
   rental/lease payments?
   c. How diversified is the tenant mix across different types
   of occupants (e.g. apparels, appliance and electronics
   stores, grocery stores)?
   d. How much of the portfolio (in terms of space and rental
   income) is occupied by tenants selling non-discretionary
   products and services (e.g. food, staples, drugs,
education services)?
   e. How much of the tenant base is rated investment grade
   and above? If unrated, how does the company assess
   their creditworthiness?

29. What are the likely outcomes from the potential
   transition from pure retail to retail + entertainment
   model in key markets?
   a. Is there a shift to a hybrid retail + entertainment model
   happening in the company's key markets?
   b. How does the business outlook of the hybrid model
   compare with that of pure retail set-up? How is this
   expected to evolve in the next 3-5 years?
   c. What effect will this shift have on the profile (location,
size) of properties that will be in demand?
   d. How suited is the company's portfolio profile for adoption
   of this evolving model?
   e. How will this shift towards a hybrid model influence the
   occupancy rates and yields?
   f. How does the company plan to leverage this trend to
   grow its business?
30. How close to the Central Business District (CBD), suburban areas and airports are the company's properties located?

31. What is the outlook for job growth in the white-collar segment of the workforce?
   a. Which industries are expected to drive demand for workspace in key markets?
   b. Specifically, what are the geographic locations where demand is expected to increase significantly? How does the locational profile of company's properties compare against this outlook?
   c. Are business closures expected in the markets where the company owns properties? How much impact on occupancy and rental rates is expected on account of such potential closures?
   d. What are the trends in office capex/leasing costs in your key markets? How does this affect demand and rental rates of your properties?

32. What are the implications for job growth and workspace demand from the rise of automation?

33. What is the profile of the tenants occupying the company's properties?
   a. How are the tenants distributed based on their nature of operations (such as offices of industrial companies, financial services firms, professional services, back-office services and government agencies)?
   b. How is the tenant mix split by the size of their businesses: individual professionals, small businesses, mid-size companies or large corporates?

34. How creditworthy are the company's tenants?
   a. How much of the tenant base is rated investment grade and above? If unrated, how does the company assess their creditworthiness?

35. What are the likely implications of a general employment shift to teleworking and the rise of providers of shared working spaces (e.g. WeWork)?

36. How close to arterial roads, railways, ports and airports are the company's properties located?

37. What are the macroeconomic factors affecting structural demand for industrial properties?
   a. How sensitive is demand for industrial properties to the broader economic investment cycle?
   b. How long is the average investment cycle in key markets? How is this evolving?
   c. Are there any indicators adopted by the company to assess the outlook for capital investment in key markets?

38. What is the state of manufacturing activity in key markets? What are the future prospects?
   a. What is the share of manufacturing in the economy of the company's key markets? What are the key industries that constitute the segment?
   b. How globally competitive is the local manufacturing ecosystem in these markets?
   c. How is the increasing adoption of industrial robotics and automation likely to influence demand for factory space?

39. How does the rise of e-commerce influence demand for warehouse space?
   a. What is the share of e-commerce-based transactions in the company's key markets? How is this expected to evolve?
   b. How much warehouse space is currently being used by the e-commerce industry? Do the key players typically own or rent warehouse space?
   c. How does the company see the demand from e-commerce industry evolving in the coming years? How much of this is likely to be fulfilled by rental or lease-based engagements?
   d. How does the company intend to leverage this opportunity?

40. What is the profile of the tenants occupying the company's properties?
   a. How are the tenants distributed by the nature of their operations (such as food processing, electronic device makers, pharma manufacturing, and automobile and components)?
   b. How much of the demand for warehouse space is driven by external trade?
   c. How much of the tenant base is rated investment grade and above? If unrated, how does the company assess their creditworthiness?
41. What are the various factors that drive demand for the company's properties?
   a. How closely located are the properties to the CBD, transit points and other social infrastructure facilities?
   b. What is the profile of tenants by different socio-economic categories (SEC) and in terms of the nature of their occupation/profession/employment (such as factory workers, office-goers and professionals)?

42. How do employment conditions influence rental demand and prices in key markets?
   a. In the company's experience, how much does the demand for properties typically vary per percentage point of change in the unemployment rate?
   b. What is the mix of number of units and rental income of properties that have been let out to corporate versus individual tenants? How do the yields and stability of rental income from these two categories compare?
   c. Typically, how much time lag is observed before demand is affected by change in employment conditions?
   d. How long does it usually take for demand to normalise after employment conditions improve?
   e. Is the degree of impact on demand the same in both directions — deterioration and improvement in employment conditions?
   f. What is the impact on rental rates of new lettings?
   g. What is the typical tenure of rental/lease agreements?
   h. How quickly can the rates be revised for existing agreements?

43. How do the structural changes in employment influence demand for housing?
   a. What are the trends in the nature of employment? Is there a shift towards temporary and contractual hiring?
   b. How frequently does the typical worker switch jobs/ relocate? Is the workforce being increasingly mobile with more frequent relocations?
   c. What is the effect of these trends on the preference for owning versus renting houses?
   d. How prevalent are education loans? To what extent do these influence the ownership versus rental choices of new entrants to workforce?

44. How do macroeconomic, social and demographic factors affect demand in key markets?
   a. What is the typical household size in the company's key markets?
   b. What is the rate of household formation? How is this evolving?
   c. What is the ratio of rental rates to household income levels?
   d. How are the income levels expected to evolve in the next 3–5 years and beyond?
   e. How are these trends expected to influence demand and rentals?
   f. How is the demand for affordable housing versus high-end accommodation evolving?
   g. If income levels are expected to increase over time, how is that likely to influence demand for larger dwelling units with better facilities?

45. What are the trends in home ownership in key markets and its effect on rental housing?
   a. What are the home ownership rates in key markets?
   b. What is the preference of residents between owning and renting houses? Are there cultural factors that favour home ownership over rental?
   c. How affordable is home ownership as compared to renting a house? How does house purchase value compare with income levels in key markets?
   d. What is the observed relationship between income levels and home ownership? Is there a certain income level above which people typically prefer ownership over rental?
   e. What are the overall household debt levels in key markets? What proportion of this is attributable to residential mortgages?
   f. How prevalent is housing finance in key markets and how easy is it to obtain home loans?
   g. How favourable is the regulatory environment for growth of the housing finance market?
   h. How stringent are the down payment requirements and credit assessment norms?
   i. How does the tax structure in key markets influence the dynamics between home ownership versus rental? How is this likely to evolve?
   j. How will the home ownership rates influence demand for housing rental in the long term?


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Student Accommodation

46. How does the profile of the company's properties compare with what prospective tenants seek?
   a. What are the types and sizes of dwelling units preferred by tenants across different SECs?
   b. How does the profile of properties owned by the company match against this demand profile?
   c. Does the company focus on serving specific SECs?
   d. How does the demand-supply situation look across different SECs?
   e. Is there a structural undersupply in housing for specific SECs? If so, does the company have any strategy to exploit such gaps?

47. What is the government's policy stance on housing and its implications for the company's business?
   a. Are there any regulatory mandates classifying certain areas for lower rental rates?
   b. Do any rent control regulations exist in key markets?
   c. To what extent is the company's portfolio vulnerable to these mandates and regulations?
   d. What is the potential impact of these mandates and regulations on the rental rates and yields?

48. What are the implications of the rise of aggregators (e.g. Airbnb) and providers of shared living spaces (e.g. WeLive) for your business?
   a. What are the types of institutions that the properties cater to? Specifically, are they targeted at undergraduate colleges, post-graduate and research universities, vocational schools, speciality institutions like medical/law schools or multidisciplinary universities?
   b. What is the social and economic profile of the students belonging to these institutions? Is the company's property profile aligned with this?
   c. When is the enrolment season of these institutions? Are the new property development plans of the company broadly in sync with the enrolment season of these institutions?
   d. What is the typical duration of courses that students undertake in these institutions?

49. What are the factors that drive rental demand for properties?
   a. How far are the student housing properties located from the campuses they intend to serve?
   b. How sensitive is demand for student housing with enrolment numbers and new student starts?
   c. What are the enrolment numbers and new student starts for the universities/institutions that the properties cater to?

50. How do macroeconomic, social and demographic factors affect demand in key markets?
   a. How prevalent is higher education in the company's key markets? How is the gross enrolment rate for higher education expected to evolve?
   b. How affordable is higher education as compared to income levels?
   c. What is the size of student age population in key markets? How is it expected to evolve?

51. How does the profile of the company's properties compare with what prospective tenants seek?
   a. What are the types of institutions that the properties cater to? Specifically, are they targeted at undergraduate colleges, post-graduate and research universities, vocational schools, speciality institutions like medical/law schools or multidisciplinary universities?
   b. What is the social and economic profile of the students belonging to these institutions? Is the company's property profile aligned with this?
   c. When is the enrolment season of these institutions? Are the new property development plans of the company broadly in sync with the enrolment season of these institutions?
   d. What is the typical duration of courses that students undertake in these institutions?

52. What are the implications of the rise of aggregators (e.g. Airbnb) and providers of shared living spaces (e.g. WeLive) for your business?
53. What are the company’s ESG principles, practices and track record? In case property development and construction activity is outsourced to third parties, what are the company’s expectations from them in terms of their ESG approach and disclosure?

a. What are the company’s strategy, practices and track record in reducing the energy intensity, water intensity, emissions intensity, waste generation and overall environmental and ecological footprint of the buildings and construction projects?

b. Has the company received, or has plans to receive, certifications such as the Leadership in Energy and Environmental Design (LEED) rating devised by the United States Green Building Council (USGBC)?

c. What proportion of the company’s tenants are equipped with smart metering applications for energy and other utilities?

d. How much recycled, eco-friendly and locally sourced material are used in constructing buildings?

e. When the projects entail demolition of built structures, how much of the material is typically recovered? What is the procedure for handling recoveries and debris arising from the demolition?

f. Have there been any instances when the company was accused of, investigated or penalised for violating zoning norms, appropriating ecologically sensitive land or diverting land meant for other use?

g. Has the company ever been accused of, investigated or penalised for aggressive, coercive or fraudulent land acquisition practices?

h. How has the company’s track record been with regard to the safety and fair treatment of labourers involved in construction and maintenance of the properties?

i. Has the company ever been accused of, investigated or penalised for not obtaining prior approvals or violating approved plans?

j. What is the company’s policy and track record relating to political donations?

k. Has the company faced accusations of corruption, bribery or offering inappropriate inducements to obtain land use permissions, development permits or construction approvals?

l. Does the company have a documented policy on ESG and sustainability principles that govern the property development agenda?