

Protecting Real Estate during a global crisis



These are uniquely testing times for us all. As Singapore prepares to embrace the much awaited phased lifting of Circuit Breaker Measures from 2 June 2020 and the government extends further support through provisions in the Fortitude Budget, tenants and real estate owners need to find a new equilibrium for partnering.

We at KPMG in Singapore are deeply committed to supporting clients as they seek to safeguard their business on behalf of their employees, customers and the broader economy.

Cash management & forecasting

As tenants are unable to pay rents and sales stall due to circuit breaker measures, real estate businesses are facing acute cashflow issues. Uncertainty around the length of the hiatus is making it difficult for finance teams to forecast cashflows. Meanwhile, vendors may still need to be paid as their failure will be harmful.

Setting up 13-17 week short-term cash flow (STCF) forecasts at the business unit level will help management get a granular view and identify ways to reduce costs and preserve cash. Putting STCF on the agenda of monthly Board meetings will make cash management core to decision making. Businesses may also consider running data-driven diagnostics to identify short and medium-term cash 'win' opportunities.

Our services

- Implementing robust short-term cash flow forecasts, including dynamic scenarios and consolidation
- Stress testing forecasts and sensitizing forecasts to model cash burn rates, cash reserves and facility headroom
- Facilitating 'brainstorming' sessions on cash preservation and financing options
- Diagnostics and data-driven programs to identify short and medium-term cash 'win' opportunities
- Providing coaching on tactical, strategic and crisis cash management



Alternative financing

The financial effects of the pandemic are such that previously healthy businesses are suddenly coming under acute financial pressure. Businesses are racing to model their liquidity and identify downside risks effectively. For some, the likelihood of breaching financial covenants or experiencing a funding shortfall in the near term is a further source of concern.

Businesses need to explore all potential sources of funding including existing and new sources of equity and debt, participating in Government-backed funding schemes as well as tax incentives, grants and potential refunds. All transactions must be structured to best manage costs such as stamp duty, corporate tax, GST, etc. Management must engage in early discussions with lenders and alternative funders if forecasts predict a funding shortfall.

Our services

- Identifying overpaid tax on sales and non-standard transactions; under-recovered tax expenses; and all available reliefs/incentives
- Deal and transaction structuring to manage transaction costs such as stamp duty, corporate tax, GST, etc
- Helping businesses prepare applications for grants and to new and existing funders and lenders
- Match-making private credit solutions to businesses short term or long term needs.
- Supporting the implementation of solvent strategies with key stakeholder support as a contingency option
- Advising on and modelling broad-ranging contingency scenarios



Work from home - a new operating model?

The global impact of COVID-19, and the remote working it necessitates, is set to change the workplace for good. As organizations start to consider the easing of lockdown and a return to options for working flexibly, not just remotely, there are a number of elements to plan for recovery and the new reality.

Businesses need to assess their business operating model to meet:

- Workforce impact
- Employee engagement
- Effective working
- Policy
- Systems and technology
- Facilities and workplace

Our services

- Supporting organizations with peak resource augmentation/managed service provision
- Preparing a roadmap to upskill employees rapidly to flex with demand
- Supporting development of workforce management capabilities
- Advising on rapid deployment of increased capacity and improved working practices in remote working solutions
- Using workplace analytics to understand the change in user behaviour and productivity and highlight resilience and performance focus areas



Digital maturity

COVID-19 is causing unprecedented operational disruption. Organizations are unable to deploy their people effectively. Supply chains are being tested to an extreme extent, and access to premises and physical assets is severely compromised. This disruption and the consequential reliance on remote ways of working are leading to knock-on impacts on the resilience of an organization's technology framework and use of data analytics.

Businesses need to assess their digital maturity to deal with a rapidly changing operational environment. A medium to long-term view also needs to consider the digital maturity of the value chain. Anticipated changes in technology requirements need to be modelled and costed to focus resources and investment on critical service improvement and digital channels. Workplace analytics can be employed to understand change in user behaviour and productivity.

Our services

- Assessing digital maturity of the business and identifying quick wins and technologies that can be on-boarded in the short term
- Helping develop a medium to long-term digital strategy keeping in view the digital maturity of the value chain
- Advising on use of blockchain in closing transactions digitally and in tokenization
- Digitizing data and establishing protocols
- Working with our own Cloud alliance partners to support rapid deployment of solutions and data analysis capabilities
- Providing third party risk management support for reviewing key IT service providers



Minimizing valuation risks

There is continued uncertainty in the real estate capital markets, which often lag major events due to the relative illiquidity of the assets. Consequently, valuers will likely be relying on Market Uncertainty Clauses as per International Valuation Standards, as transactional evidence dries up, and anecdotal evidence from brokers and market participants becomes more prominent. Stakeholders (investors, shareholders, lenders, board of directors) will be seeking more clarity of asset performance, meaning more regular valuation reviews.

Greater oversight and scrutiny of the valuation process by way of Valuation Management ensures greater independence by putting a barrier between valuer and the instructing party, as well as reviewing the valuation outputs to ensure that the inputs, assumptions and conclusions reached are reasonable, as well as ensuring that the valuation reports are transparent, identifying why the valuer has reached their conclusions despite a lack of transactional data upon which to rely.

Our services

- Developing new or streamlining existing valuation policies
- Providing oversight of third-party valuation processes, including bid solicitation
- Scrutinizing valuation methodologies and inputs to ensure reasonableness
- Liaising with valuers to justify inputs and investigate and correct potential errors in calculations and reporting
- Providing a single consolidated report, identifying reasons for change in values, enabling clear benchmarking, and offering analysis of the portfolio in a digestible format



Monitoring, control & reporting

Businesses were already working hard to maintain resilience in the face of other fast-moving trends, including relentless technology innovation, extended supply chains and changing customer expectations. Facing COVID-19, businesses must now urgently assess all aspects of their resilience to ensure survival and success.

Businesses need to have effective processes in place to be able to interpret the implications of rapidly evolving government legislation, or assess the ability of facilities managers to continue providing services during the current period. It may also be worthwhile reviewing 3rd party contracts to scale back services and reduce costs.

Our services

- Designing a more effective Business Continuity Process
- Understanding and interpreting the implications of rapidly evolving government legislation and communications for the business and individuals
- Helping leadership and internal communications teams to plan and deliver engaging and supportive communications messages through a range of channels/tools

Contact us

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