

# THE BUSINESS TIMES



S\$1.00



A SINGAPORE PRESS HOLDINGS PUBLICATION

www.business-times.com.sg



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CO REG NO 19840286E

MICA (P) 051/08/2014

Thursday, November 6, 2014

## Reits band together to form new industry body

Reits will help to grow the S-Reit sector internationally and engage regulators, educate investors

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Singapore

SEVERAL real estate investment trusts (Reits) have banded together to form an association – the Reit Association of Singapore (Reitas) – to promote the growth of Singapore's Reit sector. It will be headed by a nine-member executive committee, comprising representatives from some of the major Reits and sponsors such as Mapletree, Capitaland, Frasers and Keppel.

Mapletree Investments group chief investment officer Chua Tiow Chye is president of the association, while Sonny Tan, a former general manager at Fraser & Neave, is CEO.

There are three vice-presidents, each of whom will head a separate sub-committee. ARA Asset Management (Fortune) CEO Anthony Ang will be responsible for engaging the authorities with the aim of improving the regulatory environment; Capitaland group chief financial officer Arthur Lang will head education and research; while Keppel Reit CEO Ng Hsueh Ling will oversee promotion of Reits initiatives.

The others in the committee include Ascendas Reit CEO Tan Ser Ping (treasurer) and Frasers Centrepoint Asset Management CEO Christopher Tang (member). Legal, trustee and

banking representatives fill the other three spots.

Reitas has its first task cut out already – amassing feedback from Reits on the latest Monetary Authority of Singapore (MAS) consultation paper.

Mr Chua said that he understood the good intentions behind the proposal, but cautioned against the "slippery slope" of over-regulation. Blanket regulations should not be thrown onto the whole industry just because of "some black sheep", he said. "Some of the proposals requiring independent directors (IDs) to do beyond what is required of a listed company are quite excessive."

For instance, for interested party transactions, MAS proposes having the Reit manager's audit committee (comprising non-executive directors, mostly independent) certify that it is not aware of any other offer with better terms for any property divestments to a Reit.

"This is one part which I think is quite uncomfortable for IDs. While we agree with the principle that we should get the best price, we don't want to pass the onus to IDs," he said.

He is also against a prescriptive one-size-fits-all fee formula across all the Reits, as well as the doing away with acquisition fees for Reit managers, which would remove incentives for them to scout for deals, he said.



(From left) Reitas president Mr Chua, CEO Mr Tan, vice-president Mr Ang and vice-president Mr Lang. The association is to be officially launched on Nov 17. PHOTO: YEN MENG JIN

There has also been debate about whether Singapore Reits (S-Reits) should consider internal management – that is, absorbing the management team into the Reit, instead of having Reits externally managed by a sponsor-owned team.

The belief is that internal managers' interests are more aligned with investors', given that they are not motivated to earn huge fees from the Reit for the sponsor.

On this, Mr Chua, Mr Lang and Mr Ang say that they prefer to just let the market evolve naturally. Singapore's Reit market started from an externally managed model because its first Reits were all backed by strong developer-based sponsors. Interestingly, recently listed independent Reits such as IReit Global still choose an externally managed structure. Of course, this may change in future. What is important is that Reits should be allowed that flexibility to choose, Mr Chua said.

Singapore is at a crucial point now in its race to boost its standing as an international Reit market. It is currently the third-largest market in the Asia-Pacific, after Australia and Japan, but can be considered more international than both, which are more domestic-oriented.

At the same time, Malaysia, Hong Kong, Thailand and India are implementing aggressive policies to try to overtake Singapore's Reit market. And capital is now borderless. "If S-Reits do not keep at the forefront of things, we will disappear from the map," Mr Lang said.

Reitas has also been engaging MAS, and through it, the Inland Revenue Authority of Singapore and the finance ministry, on issues such as tax exemptions for foreign-sourced income as well as stamp duty remission for properties sold to S-Reits. Both benefits have so far been renewed every five years and will next end on

March 31, 2015. The association hopes these will be made permanent or renewed, as it will give more certainty to Reits aspiring to list here.

Reitas also does not plan to be dominated just by the big boys, but welcomes the membership of small Reits, as well as trustees, trustee-managers, investment banks, lawyers, accountants, tax advisers, property consultants, private property fund managers and academia.

Already, the Singapore Exchange has agreed to be its corporate patron and will support it in its research and education work, which incidentally ties in with the exchange's own efforts on investor education.

Reitas is to be officially launched on Nov 17. Soon after, mom and pop investors can expect courses and seminars that help to "de-mystify" Reits. Separate courses will be made available to industry practitioners to help upgrade their skillsets in tandem with the advancement of the Reit industry.