Managers of Reits with overseas assets address investors' concerns at symposium

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WHILE real estate investment trusts (Reits) with overseas assets present additional risks, they also provide higher growth opportunities, and managements take several measures to allay investors' concerns, said experts at a panel discussion at the Reits Symposium 2018.

The annual one-day event, held last Saturday at the Suntec Singapore Convention & Exhibition Centre, is in its fourth edition. It was jointly organised by Reit Association of Singapore (Reitas) and ShareInvestor, a subsidiary of Singapore Press Holdings.

Goh Toh Sim, chief executive officer of EC World Reit manager, a Reit focused on e-commerce logistics properties in China, said: "Reits with Singapore assets have reached a point where it is rather hard to grow. With overseas assets, they allow investors to have opportunities to participate in the growth of overseas markets."

He added that this is especially so for China, which has seen a tremendous transformation of the Chinese economy and high growth in the e-commerce sector.

But Mr Goh acknowledged that investors have a degree of uncertainty, in part due to unfamiliarity. They would also rarely have the chance to fly overseas to witness the properties themselves, he said.

To assure investors that the properties are in safe hands, he pointed out that his board – except for the chairman – is made up of Singaporeans, and the manager is also based in Singapore.

"We manage the assets – there's no hanky-panky. We make sure that we do proper due diligence, all by reputable due diligence consultants," he said.

Anthony Ang, chief executive officer of Sasseur Reit manager, which has a portfolio of outlet malls in Chinese second-tier cities, agreed that a management team in Singapore helps with the uncertainty.

He explained that since the Reit is listed in Singapore, which has strict regulations, the team of local veterans ensures compliance to the rules.

Reits in Singapore are required to distribute as dividends at least 90 per cent of their annual rental income to unit holders, and have a gearing cap – ratio of debt to assets – of 45 per cent.

Another concern the panelists said that investors have with overseas assets is foreign exchange risk (FX risk).

Sanjeev Dasgupta, chief executive officer of Ascendas India Trust trustee-manager, which owns tech parks and warehouses in India, admitted that FX risk is a difficult challenge for them, given the volatility of the Indian rupee.

He said that in terms of long term risk mitigation, their earnings are "consistently growing at a much faster pace" than the depreciation of the Indian rupee against the Singapore dollar.

He added that the company tries to freeze the acquisition price when the property is at the development stage. This allows the trust a 15-20 per cent discount to market, which eventually translates to higher returns, he said.

Earlier at the symposium, OUE Hospitality Reit management chairman Lee Yi Shyan, who is also a Member of Parliament for East Coast GRC, said that Reits with overseas assets mirror the growing external economy of Singapore-based businesses.

Panel moderator Nupur Joshi, chief executive officer of Reitas, noted that nine out of the last 10 Reits inital public offerings (IPOs) were Reits with only overseas assets.

Singapore Exchange market strategist Geoff Howie expects more of such listings.

"However, this is really on the back of what we have already. A strong Reit sector is a foundation for these kinds of IPOs," he said.

(From left) Nupur Joshi, CEO of Reitas; Sanjeev Dasgupta, CEO of Ascendas India Trust trustee-manager; Anthony Ang, CEO of Sasseur Reit manager; Geoff Howie, Singapore Exchange market strategist; Goh Toh Sim, CEO of EC World Reit manager. PHOTO: SHARE INVESTOR

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>
> **Goh Toh Sim, chief executive officer of EC World Reit manager**