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Prof Francis Koh suggests better and extended tax concessions and relaxing impediments to listing

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THERE are a number of ways more real-estate investment trusts (Reits) can be attracted to list in Singapore, which would enhance the vibrancy of the Singapore Exchange, guests at the inaugural Mapletree annual lecture were told on Monday.

Francis Koh, a professor of finance at the Singapore Management University (SMU) and a Mapletree Professor of Real Estate, said: "We have a good environment with the tax pass-through (of income received by S-Reits), and waiver of stamp duties in the purchase of properties by S-Reits.

"Maybe we need a clearer statement to provide certainty that these concessions are permanent, or that they will be available for a long period of time."

He noted that in the Cayman Islands, such concessions are granted for a period of 20 years or more.

In 2015, tax concessions for Singapore Reits (S-Reits) were extended for five years.

Prof Koh also suggested relaxing the leverage ceiling of 45 per cent for Reits with robust credit standing, as well as reviewing factors for listing in Singapore; high compliance costs, for example, may be viewed by overseas real estate owners as impediments.

In his address, the professor also touched on the ways S-Reits can attract more investors, such as by diversifying to overcome portfolio volatility.

"Reits should be more diversified and invest in more assets, more cities, more locations," he said.

"Perhaps smaller Reits should also merge to attain scale to go international, to go regional."

To attract a different base of investors, S-Reits could also incorporate environmental, social and governance (ESG) factors into their portfolios, and work with private banks to gain greater access to high-net-worth individuals.

In addition, funds operating in Singapore can take advantage of the Asean Collective Investment Scheme (CIS) Fund Passport to attract more investors; presently, Singapore, Malaysia and Thailand are the three participating countries.

In his opening remarks at the lecture, group chief financial officer of Mapletree Investments Wong Mun Hoong noted that the real estate industry has been buffeted by disruption and technological trends.

"Rather than oppose disruption, there are certain real-estate asset classes that can participate in this technological advancement, such as data centres and modern logistics facilities catering to e-commerce," he said.

Tech behemoths such as Facebook and Google are already building data centres in Singapore, which they see as an ideal spot, due to the speed of data transmission offered, minimal earthquake risks and its strategic location.

However, Singapore's limited land supply here could pose a challenge. Singapore's urban planners should take an urgent look at the provision of suitable land for more data centres, Prof Koh emphasised.

With data centres requiring certain specifications relating to power supply, security, accessibility and connectivity, a multi-agency approach is needed, he suggested.

He called for a high-level task force to be set up to make Singapore a choice location for data centres, and for more incentives to be offered to woo data centre providers to set up shop here.