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Headline: Group calls for HDB units to be injected into REIT

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A real estate investment trust (REIT) comprising HDB residential and commercial units should be set up to address excess housing demand, according to academics from the Singapore Management University (SMU) and a Savills analyst.

"It's just a starting point of a discussion...to stimulate some out-of-the-box thinking," said SMU professor David Lee.

Aside from Lee, other authors of the paper mooting this idea are professors Phoon Kok Fai and Phang Sock Yong from SMU, researcher Karol Wee also from the university, and Alan Cheong, Research Head at Savills Singapore.

The paper noted that strong demand for public housing has boosted HDB rental yields, on the back of a growing population as well as rising number of foreigner tenants.

While ramping up HDB supply is the solution, it has to be balanced since an oversupply could crash the market. The authors believe that a marginal oversupply is optimal and a HDB-focused REIT could address some of the challenges simultaneously.

"A very simple example, everytime you build a new block, 10 percent is for rental, so instead of building nine blocks, now you build 10 blocks," explained Prof Lee.

The REIT can also be co-owner of the units, making home ownership more affordable.

Moreover, the units injected in the REIT could be sold to Singaporean CPF members, with a subsidiary of HDB acting as the REIT's manager and the HDB or banks as financiers. Thereafter, the REIT will return to investors the tax-exempt rental income in the form of distributions.

The REIT may also offer an investment alternative that can capture the market's upside without acquiring a physical home, added Prof Lee. However, he cautioned that the concept is "not totally risk free".

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