Look beyond Singapore’s property market

Long-term prospects of global property securities promising

IN LAND-scarce Singapore, property is an asset class which has captivated the hearts and pockets of Singaporeans for many years. Most Singaporeans own their homes and some even own second and third properties, not to mention property stocks listed on the local bourse.

Singapore properties have attracted a disproproportionate amount of investments from local investors, because Singaporeans are familiar with the domestic property scene.

But it would be wise to overinvest in the local property sector simply because of familiarity. After all, there could be attractive opportunities elsewhere which you may be missing. So it makes sense to look beyond the property market by investing in a portfolio of property securities listed worldwide.

In fact, global property securities have outperformed equities and bonds in the last ten years. What’s more, you stand to enjoy the benefits of diversification across countries, economic cycles and property sectors, not to mention access to greater returns as securitisation becomes more widespread.

The long-term potential for global property securities is promising.

Given the ageing population in developed countries, investors are likely to allocate more money to property securities, as they seek income-yielding assets whose prices vary less than the broader stock market.

A global property fund that’s worth a second look

If you are looking to invest in global property securities, First State Global Property Investments is worth considering.

It has a four-star rating from Mercer, a reputable global investment consultant.

The fund is managed by First State Investments (Singapore) and sub-managed by Colonial First State Investments, Australia’s largest fund manager and the largest Australian-listed property trust manager.

It aims to make regular annual distributions and is targeting an initial rate of 4 per cent of net asset value per year — with the first distribution in November next year. This is attractive relative to the low deposit rates in Singapore.

One distinct feature about the fund is the exclusion alliance that Colonial First State has with Colliers International, a leading commercial real estate organisation with 247 offices worldwide.

“This alliance gives us access to real-time proprietary information on every major property market globally, allowing us to identify pricing anomalies in listed markets quickly and efficiently,” said Mr Lindsay Mann, CEO of First State Investments (Singapore).

Opportunity to tap into global Reits

The fund also aims to invest a large part of its assets into real estate investment trusts (Reits), especially those listed in the United States and Europe.

Reits have grown in popularity with local investors as they have yielded good returns.

However, Mr Mann thinks that Singapore-listed Reits are fully valued at current levels and better opportunities can be found elsewhere.

“Take Europe, for example. The region’s property market is still fragmented and under-securitised, which offers plenty of opportunities for a re-rating with the potential introduction of Reits,” said Mr Mann. “Reits will improve liquidity, market pricing efficiency and capital allocation in the European property sector.”

Real estate continues to offer attractive value

Mr Mann does not think that these property markets are overvalued as some news headlines may suggest.

He said: “Headlines have a tendency to generalise. Although we do agree that some residential markets in selected developed markets have had a good run in recent years, we are of the view that good opportunities can still be found in other segments of the property market.

“For example, we like the US retail property sector given the continued strength in retail sales, low vacancies, low occupancy cost and strong tenant demand.

“In Asia, we also like the Hong Kong property market, which we think will offer healthy returns for at least another 12 months given the current supply shortages in all property sectors.”

Through First State Global Property Investments, investors will be able to access global opportunities not available here and can tap into the expertise of an investment team with a combined experience of 26 years.

Wee raises stake in UOL to 11%

BANKING tycoon Wee Cho Yaw has raised his stake in United Overseas Land (UOL).

Through his investment vehicle Wee Investments, Mr Wee, who is chairman of both United Overseas Bank (UOB) and its property arm, UOL, bought more than 25 million shares in the open market at about $2.20 each.

This raises his stake in UOL to 11 per cent from 7.7 per cent.

His sons, Mr Wee Ee Cheong and Mr Wee Ee Lim, also saw their stakes increased as a result of the purchase.

Last week, UOB announced its plans to sell an almost 35-per-cent stake in UOL through a share distribution exercise and a bond issue.

— Channel NewsAsia

Israel’s Sarin sees SGX listing as gateway into Asia

DIAMONDS may be Sarin (pronounced “serene”) Technologies best friend, and the Israel-based company looks set to bedazzle Singapore investors with its listing here.

The company — which produces software for manufacturers to cut diamonds — is raising about $22 million in an initial public offering (IPO) of 62.2 million shares.

The firm started business only in 1988, but its cutting-edge technology had a big part to play — its software can help manufacturers cut a stone within reading above 50 signals general expansion, with the Purchasing Managers’ Index (PMI) registering a reading of 50.8 per cent last month, the Singapore Institute of Purchasing & Materials Management reported yesterday.

The PMI is a key barometer of the manufacturing sector. A reading above 50 signals general expansion, while one below 50 indicates a contraction.

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