

# We hope REITs will be big players in Taiwan

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**O Bank REIT No. 1 is the first real estate investment trust to get approval from Financial Supervisory Commission for public placement since 2007. The transaction value of commercial real estate in Taiwan fell to a record low in 2017 because the finance and insurance industries were weak. If Taiwan's FSC follows our suggestions, we hope that REITs will become major investors in Taiwan's commercial real estate market.**

## There were eight listed REITs once in Taiwan

At one time there were eight listed REITs on the Taiwan Stock Exchange and Taipei Exchange. Three of them were liquidated by unitholder meetings since the appreciation of net asset value of the REITs did not reflect the soaring prices of their properties.



Table 1: Taiwan listed REITs

Name	Time of listing	Initial properties	Acquired properties	Management fee	Asset size (NTD million)
Fubon No.1	2005.3	Fubon Life Insurance Bldg, Chung Shan Bldg and Tianmu Bldg	Retail portion of City Link (2006)	0.2% of NAV	12,860
Cathay No.1	2005.1	Sheraton Taipei, Ximen Bldg, Chung Hwa Bldg	None	0.2% of NAV (if under 6bn); 0.05% of NAV (others)	26,540
Shinkong No.1	2005.12	Jasper Villa Tianmu, Internat'l Bldg, Taiwan Security Bldg and Mitsukoshi Tainan	Xinyi Bldg (2007), Chung Shan Bldg (2009)	0.15% of NAV	25,270
Fubon No.2	2006.4	Fubon Min Sheng Bldg, Nei Hu Bldg, office of City Link	None	0.3% of NAV	11,340
Cathay No.2	2006.1	Minsheng Commercial Bldg, World Bldg and An Ho Bldg	None	0.21% of NAV (if under 6bn); 0.0525% of NAV (others)	14,560

Source: Market Observation Post System and Colliers

## Singapore REITs market is thriving

Taiwan and Singapore began to develop REITs products at the same time in the early 2000s and there were over 40 listed REITs on the Singapore Exchange in March 2018. CapitaLand Commercial Trust bought Asia Square Tower 2 in 2017, Singapore's largest property deal.

## Singapore REITs have expanded by active acquisition

The CapitaMall Trust, the first Singapore REIT, only had three properties, namely the Tampines Mall, Junction 8 and Funan The IT Mall, when listed in 2002 and its total asset value was SGD895 million at that time. As of end-2017, the total asset value of the CapitaMall Trust increased to SGD10,504 million.

**Table 2: Transaction summary of Asia Square Tower 2**

Item	Introduction
Seller	BlackRock Asia Property Fund III L.P.
Usage	Office units: 6-31 storey; Car Park: 3-5 storey and retail units: 1-2 storey
Net Lettable Area	Office: 69,997 sq m; Retail: 2,348 sq m
Parking lots	Car: 263 lots; Bicycle: 98 lots
Transaction price	SGD2,094 million

Source: CapitaMall Trust Management Limited and Colliers

**Table 3: Acquisition history of CapitaMall Trust**

Year	Acquisition properties	Price (SGD million)	Interested person transaction
2003	IMM Building	247.4	No
2004	Plaza Singapura	710	Yes
2005	Bugis Junction	580.8	Yes
2005	Hougang Plaza	39.2	No
2005	Sembawang Shopping Centre	78	No
2005	Jurong Entertainment Centre (JCube)	68	No
2006	Raffles City Singapore (40%)	2,085.0	Yes
2007	Lot One Shoppers' Mall, Bukit Panjang Plaza, Rivervale Mall	290.3	Yes
2008	The Atrium@Orchard	839.8	No
2010	Clarke Quay	268	Yes
2011	Iluma (Bugis+)	295	No
2011	Jurong Gateway Site (Westgate) (30%)	969	Yes
2015	Bedok Mall	783.1	Yes

Source: CapitaMall Trust Management Limited and Colliers

## Suggestions for Taiwan REITs market

In contrast to the Taiwan market, we summarise the success factors of Singapore REITs as follows:

- > Managers are entitled to collect acquisition or divestment fees from REITs. For example, CapitaLand Commercial Trust Management Limited collected SGD20.9 million from the CapitaLand Commercial Trust for buying Asia Square Tower 2. This kind of service fee provides managers with greater motivation to acquire properties for REITs.
- > Managers and unitholders in meeting are the decision makers. Managers are authorised to acquire properties under a certain amount. A unitholder meeting will be held when the acquisition cost exceeds the authorised amount and a rights issue is proposed.
- > The interested person provides REITs acquisition opportunities with full information disclosure and due procedure.
- > Properties owned by REITs are located worldwide. For example, the Frasers Hospitality Trust comprises fifteen hotels and serviced residences in Singapore, Australia, the United Kingdom, Japan, Malaysia and Germany.
- > Flexible investment vehicles exist to own properties. For example, the CapitaMall Trust, CapitaLand Limited and CapitaMalls Asia Limited jointly formed two special purpose trusts in 2011 to tender for the Jurong Gateway Site.
- > REITs are allowed to acquire land sites to develop. In the Jurong Gateway Site project, a minimum 40% of GFA is for office use and the remainder is for retail, hotel, residential or additional office use.

If Taiwan's Financial Supervisory Commission (FSC) approves changes to REITs regulations to make them closer to the rules in Singapore, we believe that REITs can become major investors in Taiwan's property market.



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