獅子山學會

*The Lion Rock Institute*

# Proposed Regulatory Revisions to Hong Kong REITs Beneficial for Unit Trust Holder and Growth of Market, in addition to satisfying needs of Hong Kong Citizens

The Lion Rock Institute believes that the proposed revision by the Hong Kong Securities and Futures Commission to the Code on Real Estate investment trusts (REIT) will be beneficial to both private investors and the Hong Kong society as a whole, by increasing supply and lowering rental costs.

With only 9 H-REITs currently listed in Hong Kong and the relative inactivity of the H-REIT market, Hong Kong is often overlooked as a potential listing venue by investors for capital raising. As the Asia Pacific real estate grows dramatically, demand for real estate securitization will likewise increase at booming rates.

Hong Kong must strengthen its competitive edge by securing itself as the centre for REIT listings, with increased choices and opportunity to make the right investments according to investors' own goals and risk preferences. H-REITs will provide additional demand of banking and financing products as H-REIT managers seek innovative strategies to improve liquidity, re-deploy capital and strengthen capital management capability. A strong yet flexible REIT market will fortify Hong Kong as a leading financial hub in the region and as a global capital formation centre.

In addition, with the proposed new arrangement, H-REITs will have the flexibility to re-develop their existing properties and to fully utilize the plot ratios, which in turn will increase the supply of rentable retail spaces, lower rental costs, and become more business friendly, boosting both the public and private sectors.

Lion Rock sees the change in SFC's regulatory codes to result in a win-win situation, beneficial to Asian investors, to the development of Hong Kong's real estate investment market as a way to catch up to its regional peers, and to Hong Kong citizens in need of more cost-effective options for their businesses.