With regulatory changes over the past few years, Singapore investors are having more avenues to invest their money.

REITs are one asset class that has been attracting strong interest from retail investors.

But industry observers say that most retail investors in Singapore do not appreciate this financial instrument and are not able to reap the full benefits from their investment.

While REITs are not new in developed economies like the US, Australia and Japan, they have only been recently introduced in Singapore.

Riding on good retail growth since the launch of CapitaMall Trust in 2002, the REITs market quickly expanded.

There are now more than 10 REITs listed in Singapore, worth some S$12 billion.

Since the launch of REITs in Singapore, most have performed pretty well, with high yields and high dividend payouts.

But experts advise that investors should look beyond quick returns and view REITs as a long-term investment instrument.

Associate Professor Annie Koh, Dean of Executive Studies at SMU, said: "REITs are an institutional investors' choice - one of the alternatives. If you look at Japan, the people there really understand the meaning of having REITs as an asset class. They have about 30 of them.

"Even though our tax is to our advantage for all the new REITs to be listed, Japan's older population has an understanding of REITs. They see REITs as more like an annuity play which they invest in, with the idea of the yields giving them the income needed for them to retire."

The SGX is looking at working with the Singapore Management University on educating the public on this hybrid asset class.

Industry players say REITs are not simply a retail investment but more like a defensive type of stock.

Danny Mohr, CB Richard Ellis' Executive Director of REITs Asia, said: "You're buying something that's going to give you dividend return and some capital appreciation and it's really up to the managers to say where they're going to take the real estate and show you how they're going to deliver capital and dividend growth for you year-on-year. And if you're going to buy, you're going to buy it for the long-term."

REITs like CapitaMall Trust says that investors should look beyond rental income as revenue stream and consider the trust's ability to grow via asset enhancements and acquisitions.

Pua Seck Guan, CEO, CapitaMall Trust, said: "Since last year, we see a consolidation of the REIT industry, to the extent that people now can differentiate. Certain REIT after the IPO doesn't perform better than IPO price, because they cannot generate or articulate the growth - they cannot have a growth story. So if you're just buying a pure yield, you have to ask yourself whether if it's a worthwhile investment or not."

Experts say that prospects for Asian REITs continue to look relatively strong, as there are many global pension funds looking for investment opportunities in Asia. - CNA/ir