

# Exciting times ahead for M-REITs

**ROBUST:** Combined market capitalisation set to exceed RM35 billion with entry of KLCCP Stapled Group

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**T**HE Malaysian real estate investment trust (M-REITs) industry may see exciting times ahead as visibility and investability improves among international funds, says industry players.

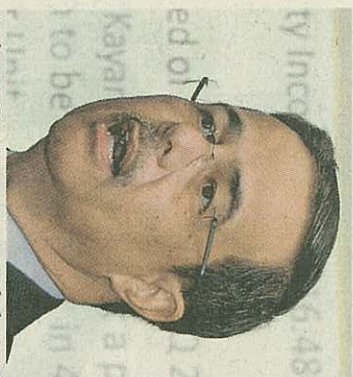
The most promising factors for growth, however, will be the successful conclusion of the general election, said Axis REIT Managers Bhd executive director and chief executive officer, Datuk Stewart Labrooy.

He said other positives for 2013 include the introduction of the Goods and Services Tax, which will improve government revenue, and Economic Transformation Programme projects, which will continue to boost the construction sector.

"The challenges include the global economy remaining in its current limbo, the ability to attract talent back to Malaysia, a chaotic general election and managing deficit. The economy will be back to growth once the uncertainty of the general election ceases to bear down on sentiment," LeBrooy told Business Times.

According to Labrooy, 2012 was a banner year for M-REITs, as well as the region.

"M-REITs posted solid double digit returns in 2012 with yields being compressed to levels never seen before as investors fled the traditional equity market in favour of REITs.



Axis REIT Managers Bhd CEO **Datuk Stewart Labrooy** says M-REITs posted solid double digit returns in 2012



Sunway REIT Management Sdn Bhd CEO **Datuk Jeffrey Ng** says he expects the M-REITs to continue to grow

"The recent initial public offerings (Pavilion-December 2011, IGB REIT-2012) were well received with multiple oversubscriptions for the stocks. They have done well post listing. The removal of the 10 per cent withholding tax for individuals would have improved the overall

market," Labrooy said.

Malaysian REITs are ranked fourth in the Asia Pacific region by the Asia Pacific Real Estate Association.

There are 16 REITs in Malaysia, with a combined market capitalisation of RM24.1 billion as at Novem-

ber 30 2012 (RM356 million in 2005).

This is projected to exceed RM3 billion with the proposed formation of KLCCP Stapled Group, by KLCC Property Holdings Bhd.

Sunway REIT Management Sdn Bhd chief executive officer Datuk



Menara Axis Menara is a commercial office tower with showrooms located in the central business district of Petaling Jaya and is managed by Axis REIT Managers Bhd.



Sunway Pyramid Shopping Mall, which is managed by Sunway REIT Management Sdn Bhd, is one of the premier shopping centres in the country.

Jeffrey Ng said the M-REITs market has extended its strong performance (total return) in 2011.

"While we expected the M-REITs to continue to grow with the inclusion of new REITs into the market, we are surprised with the strong performance in the unit prices of the REITs, compressing the distribution yields," Ng said.

The average distribution yields for M-REITs have been compressed from 7.1 per cent in 2011 to 6.2 per cent in 2012. Similarly, the top four retail M-REITs (by market cap) were trading at distribution yields of 5.7 per cent in 2011 and have been compressed to the five per cent mark in 2012, he said.

Sunway REIT is one of the largest retail-focused REITs in Malaysia. It has RM4.95 billion in assets under its management, including Sunway Medical Centre.

Ng expects the retail market to remain buoyant with major malls registering average occupancy rates of 95 per cent and above, underpinned by strong consumerism, young population and growing affluence of the nation.

He said the growth in retail sales will be further supported by higher levels of personal disposable income, stable employment, salary increments and bonuses and positive employment prospects.

"The tourism business is expected to remain buoyant, benefiting from ongoing promotional activities to attract tourists ahead of Visit Malaysia Year in 2014," he said.