

Spurring interest in REIT Index

Bursa Malaysia may offer exchange-traded funds in bid to boost trading

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

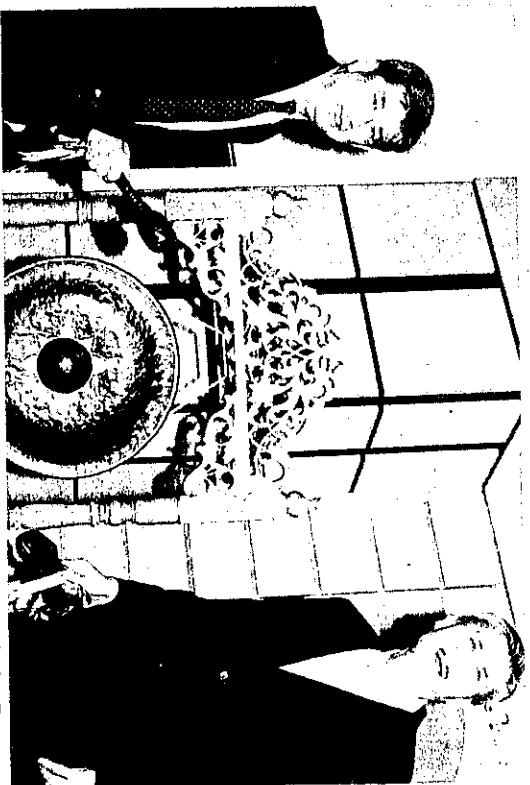
KUALA LUMPUR: Bursa Malaysia hopes to spur investor interest in its newly launched Real Estate Investment Trust (REIT) Index by offering attractive and diverse products.

Its chief executive officer Datuk Seri Tajuddin Alan said the local bourse might offer exchange-traded funds (ETFs) in the future.

"One of the key things we can do is to derive products from the index, such as ETFs. When you have ETF REITs under it, you will see higher liquidity where people will trade," he told reporters at the launch of the index yesterday.

"Generally, I believe that higher liquidity will come in ... and with higher liquidity, we can attract more asset owners to get listed in REITs on Bursa Malaysia."

Despite the sluggish property market currently, Malaysian REIT



Index launch: Tajuddin (left) and Ng striking the gong to launch the Bursa Malaysia REIT Index.

Managers Association chairman Datuk Jeffrey Ng said the Malaysian REITs segment is still attractive to foreign investors.

"I think a lot of the foreign funds came in five to seven years ago in a very big way.

"There were funds from the US,

UK and Europe.

"This is because in 2010, the Malaysian REITs industry had some very big players that actually got listed, such as Sunway REIT, Pavilion REIT, IGB REIT and CMMT.

"These were REITs with very large assets under their management and it attracted a lot of investors.

"Today, a lot of funds have sold down because they would've made very handsome profits over this period of time."

According to Tajuddin, the dividend yield for REITs was 5% in September compared with the FBM KLCI's 3%.

"REITs also present lower risk and hence, adding them to a diversified investment portfolio increases returns and reduces risks."

Ng said the near-term outlook for local REITs is expected to remain challenging.

"There is much oversupply in the overall property market cur-

rently.

This is impacting revenues and distribution of dividends.

Most REITs will experience modest to flat growth in the near term."

The REIT Index, which will track all listed REITs on Bursa Malaysia, is aimed at increasing the profile of these REITs and serves as a benchmark to gauge their overall performance.

The index is a market cap-weighted index with constituents' weighting capped at 10% to prevent any single constituent from exerting a disproportionate influence on the index.

Newly listed REITs will be eligible for inclusion into the index three months after the initial public offering date.

The index designed is formulated upon consultation with the industry and is supported by the Malaysian REIT Managers Association.