• From page P9

LaBrooy as its chairman noted that the association had done much to create awareness in Sabah and Sarawak, with encouraging results to date.

'We recently concluded a road show in Kota Kinabalu in the middle of the year, where we presented the REIT experience to investors," he gave as example.

"However, I believe that local investors in Sabah and Sarawak still have a preference of owning local property as they are familiar with the markets. It will take time for the retail investors to come around to the idea of investing in REITs and we are doing all we can to accelerate the process."

On the other end of the spectrum, one also needs to scrutinise the managers of these REITs to determine the investment viability.

RAM Rating's Shahina affirmed that a REIT manager's track record vis-à-vis managing the properties in its portfolio was an important consideration.

"This can be derived from the operational statistics of the properties, such as the historical occupancy and rental rates. The ability for a REIT manager to maintain strong occupancy and rental rates is a reflection of its competence," she noted.

"The REIT manager's ability to continuously perform asset enhancements to the buildings should also be taken into consideration as this will enable the REIT to enjoy better rental rates upon enhancements, either in the form of a 'fresher' look, better utilisation of space or optimisation of vacant space."

On a broader note, one should also assess the REIT manager's strategies in managing the overall portfolio of the REIT from the perspective of diversity in tenant mix, locations and types of leases, she added.

"A more diverse portfolio will reduce the REIT's concentration risks to a particular segment. One should also take into consideration the REIT manager's growth strategy for the REIT by assessing its acquisition criteria as well as funding strategy."

Successful acquisitions of well-tenanted buildings would also give the REIT a boost in its rental income.

From a credit rating perspective, said Shahina, acquisitions should not be at the sole expense of balance sheet; in this context, the debt level and debt-maturity profile of REITs were also assessed.

Future expectations

Bearing all this in mind, it is generally understood that Malaysian REITs still have a long way to go.

"We expect the M-REIT industry to grow going forward as the industry gradually matures. The increasing awareness of REITs as an asset class through time will offer a wider range of investors and funding sources for REITs," affirmed Shahina.

Gan from HwangDBS projected trajectory returns in the next 12 months to be about about 10 per cent upside, consisting of five per cent in capital appreciation and another five per cent for dividend returns.

LaBrooy was similarly optimistic, hoping that foreign investors would be strongly attracted by how inexpensive our properties were when compared with our neighbours.

RHB Research's Loong hoped that the guidelines and policies on Malaysian REITs could be more liberalised to attract greater foreign participation in the future.

"Through this, it will also help to drive the entire property sector, encouraging more transactions and hence greater liquidity," she concluded.

REITS in the region

KUCHING: Real Estate Investment Trusts (REITs) within the region is growing bigger, giving Malaysian properties a run for the money.

According to a report by the Asia-Pacific research team at CB Richard Ellis Global Research and Consulting (CBRE), the total market capitalisation for Asian REITs rose by 52 per cent year-on-year to US$102 billion in the first half of 2011 (1H11). "Malaysian REITs performed in line with the stock market that rose four per cent following a poor second half of 2010," highlighted CBRE. "There were no new REITs listed in the country, but the period saw a steady flow of asset purchases totalling US$317 million."

Industry specialists believed that investors both domestic and foreign were beginning to look at Asia's emerging markets in search of beta-type investments, or in other words, high growth opportunities.

Malaysia, being a growing Emerging Market in Asia, was usually seen as a defensive market. That meant that during down times, the market would fall less than regional peers.

LaBrooy believed that Malaysian REITs were drawing attention from foreign investors as they had been the least volatile amongst regional peers during the global financial crisis as well as during the recent uncertainty.

"All Malaysian REITs have low gearing, provide attractive returns to unit holders and are conservatively managed," he listed as additional boosts to M-REITs. "They also trade at a tighter premium to the risk-free rate, rather than their peers in Singapore."

On new listings in the region, CBRE revealed that 1H11 saw four new REITs list in Thailand, two in Singapore and one each in Hong Kong and South Korea. Malaysia is slated to see the listing of Pavilion REIT on December 7 this year.

Table of listed Malaysian REITs and performance indicators for 2011

Market	No. of listed REITs	Average dividend yield*	10-year government bond yield	REIT market capitalisation (US$ million)
Japan	35	4.99%	1.14%	43,620
Singapore	26	6.00%	2.31%	32,472
Hong Kong	9	4.85%	2.27%	16,562
Malaysia	14	6.76%	3.93%	3,796
Thailand	33	7.56%	3.91%	3,047
Taiwan	8	3.42%	1.51%	2,247
South Korea	5	9.28%	4.52%	158
Total	130	5.40%	N/A	101,904

(Source: Annual reports)