

Positive outlook for Malaysia's real estate investment trusts

Sector has huge potential for growth, conference told

By THOMAS HUONG

huong@thestar.com.my

KUALA LUMPUR: The outlook for Malaysia's real estate investment trusts (M-REITs) continues to be positive, with plenty of room for further growth, according to speakers at the two-day REITs conference at Hotel Istana.

[Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng](#) said M-REITs were considered to be at the “infancy stage.”

He pointed out that the market capitalisation of M-REITs was expected to rise 30% to around RM20bil this year, from RM15bil in 2011.



“This is because of the expected listing of the IGB REIT this year, which may have a market capitalisation of between RM3.5bil and RM4.5bil.”

A recent AmResearch report had said [IGB Corp Bhd](#) would benefit handsomely from the listing of its two malls - MidValley Megamall and Gardens Mall via a REIT.

According to AmResearch, the malls are valued at RM4.6bil or at RM1,815 per sq ft.

Ng says M-REITs still at ‘infancy stage.’

Ng also said due to the soft office rental market, M-REITs that had higher exposure to the retail sector would do relatively better.

“M-REIT investors should also look at factors such as the quality of asset management and size of the portfolio,” he said.

The conference, themed “REIT Reality,” was organised by the Asian Strategy and Leadership Institute.

In his keynote address at the conference, Housing and Local [Government Minister Datuk Seri Chor Chee Heung](#) also said Malaysia was still far behind in total market capitalisation for REITs when compared with other Asian countries such as Singapore, Hong Kong and Taiwan.

Meanwhile, [Dr Ting Kien Hwa](#), who is the head of Universiti Teknologi Mara's centre for real estate research, also said M-REITs were expected to do well, going forward.

“Upcoming REITs with big market capitalisation like the IGB exercise will attract international interest,” he said.

Ting pointed out that M-REITs could do more in terms of cross-border investments.

“Look at Singapore REITs or S-REITs, which are very active in investing outside their domestic market. They do that because of the

small size of their domestic market, and also to get better yields overseas,” he said.

Ting also said M-REITs had a lot of width because they were well-diversified across sectors such as commercial, retail, hospitality and industrial.

“But in terms of depth, more can be done by M-REITs.”

Meanwhile, Real Estate and Housing Developers' Association Malaysia [president Datuk Seri Michael Yam](#) said the near-term outlook for the domestic property market in general was still positive, although “we are facing some impact from external headwinds such as the eurozone crisis and problems in the US economy.”

Yam said the first half of the year had been robust for the property sector, but “there is a sense that prices have plateaued, as the market waits for feel-good factors.”

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