

# REITs set to benefit from country's growth post-pandemic

**PETALING JAYA:** The real estate investment trust (REIT) sector may be on a recovery path over the next 12 to 18 months as consumer spending and footfall increase.

Based on that, AmInvestment Research has upgraded its call from "neutral" to "overweight" for the sector.

It believes the "worst may be over" for the REIT sector.

It is aware that any further outbreaks of Covid-19 might still cause bumps to the recovery but noted that earnings visibility has been improving following the encouraging development of vaccines, with vaccinations already beginning in some countries.

The REITs under its coverage would stage a firm recovery post-pandemic, especially once

international travel is allowed, it said.

This is mainly due to their strong market position and brand name, as well as the strategic location in the heart of the city, which gives them the advantage of being the "chosen malls" over the neighborhood malls.

Retailers are also consolidating their physical footprint, with some focusing on online expansion while others embark on cost rationalisation after a falloff from oversupply of retail spaces.

**This could be seen from the REITs' strong occupancy rates of over 90% in their anchoring malls even during the mandatory control period, it said.**

The wide tenants mix also provided a better shopping experience to consumers,

making the malls the primary go-to shopping places within the adjacent community as compared to some other smaller neighborhood malls, especially when the entertainment outlets are allowed to resume operations.

Despite the bullishness, the research house said it may downgrade the sector back to "neutral" if the footfall recovery is slower than expected.

There is a massive decline in occupancy rate due to increased competition from oversupply of retail spaces, and as consumer spending and sentiment deteriorates.

Among the four REITs – IGB REIT, Sunway REIT, Pavilion REIT and YTL REIT – under its coverage, it expects IGB REIT (with fair value

or FV of RM2.09) and Sunway REIT (FV RM1.94) are primed to lead the recovery.

This is underpinned by their resilient local footfall, supported by the well-connected adjacent community – residences, offices, universities, and good customer profile (mass affluent, which are more likely to spend during an economic recovery).

Based on its estimates, REITs under its coverage provide distribution yields of more than 4.5% for financial year 2021 and beyond compared to the current low interest environment rate.

"We like the sector as a recovery play sector, which we believe is poised to benefit from the growth in Malaysia's economy post-pandemic," the house said.