

Biz

Malaysians love to buy properties for their children

AXIS REIT MANAGERS BHD CEO
STEWART LABROOY >7



MARKET MOVEMENTS

FBM KLCI	1,578.10	-10.48
Nikkei-225	9,925.92	-143.61
Hang Seng	21,663.16	-684.07
Dow Jones (11/07)	12,505.76	-151.44
FTSE 100 (11/07)	5,929.16	-61.42

DAILY TOP ACTIVE

BURSA MALAYSIA		
Counter	Close	Vol('00)
Time-OS	0.115	593552
Kencana	2.94	319697
XDL	0.365	182555
Axiata	5.03	175802
DVM	0.105	169459
PChem	7.07	149126

Asian REITs in the lead

They outperform global property trusts by 3 times in the past 5 years

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KUALA LUMPUR: Asian Real Estate Investment Trusts (REITs) have outperformed global REITs by three times in the past five years. As for Malaysian REITs, they provided an average return of 7%-8%, higher than the average 6.3% returns from Asia-Pacific property trusts, said AmlInvestment Bank's director of retail funds (fund management) Ng Chze How.

"Malaysia indices give out 3.5% in dividends," Ng said, adding that each business cycle averaged between seven and eight years, and that Malaysia was in the third year of recovery.

Axis REIT Managers Bhd chief executive officer Stewart Labrooy said that property values in Malaysia were relatively low compared with its regional peers.

"We're seeing a lot of foreign interest in our

REITs recently. This is mainly due to a fear of inflation and the huge amounts of liquidity out there. In Malaysia, our problem is size and liquidity. Size is a huge consideration for foreign funds. It would be good to see more REITs in our market. We are seeing people moving into physical assets to protect their wealth," said Labrooy.

He added that it was an Asian thing for people to use property as a measure of wealth. Most Malaysians love to buy properties for their children.

"More importantly, it's a great way to fight inflation," said Labrooy.

He said that to date, there were some RM280bil in fixed deposits (FD) in Malaysia while there were some RM80bil in savings account. This huge amount of money sitting idle was being eaten up by inflation.

"Let's say you have RM1mil in fixed depos-

its. This will yield you RM27,000 per year. With inflation going at 3.5%, your RM1mil will be worth RM965,000. So theoretically, by leaving your money in the FD, you have a net loss of RM8,000," said Labrooy.

"Whereas, putting that RM1mil in a REIT stock will yield about RM80,000 a year (RM72,000 after tax). With inflation at 3.5%, your portfolio could be worth RM1.035mil upon revaluation. Thus, the total gain is effectively RM72,000 plus RM35,000, which is RM107,000," he said.

Axis presently has 27 properties which include commercial and industrial properties, with a value of some RM1.35bil. These properties are located in Penang, Kuala Lumpur and Johor. Every year, Axis targets to buy five to six properties in the industrial segment.

Labrooy said industrial properties had better yields, averaging between 8% to 10%.