

REIT players call for easing of capital raising rules

By Adeline Paul Raj

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PROPERTY trust players in Malaysia hope the Securities Commission (SC) will relax restrictions to allow them to raise funds in the equity capital market more quickly and efficiently, says the chief of one of the larger players.

"We hope the regulator will basically give real estate investment trusts (REITs) a bit of a clear run to raise capital, as the market comes back, to get their capital base up. At the moment, it (the rules governing capital raising) is quite restrictive," said Stewart LaBrooy, chief executive officer of Axis REIT Managers Bhd.

Axis REIT Managers is the manager of Axis REIT, the country's fourth largest listed property trust in terms of asset value, and third largest by market capitalisation.

LaBrooy explained that REIT players need to be able to raise funds whenever there's a good oppor-



LaBrooy says that REIT players need to be able to raise funds whenever there is opportunity to do so

tunity to buy property.

Private placements, rather than rights issues, are the preferred method to raise cash as these are less risky, less expensive and quicker to do provided they are

done in a non-dilutive manner, he said.

But under existing SC rules, REITs can place out new units of only up to 20 per cent of their unit base. Furthermore, this can be done only once every 12 months.

Such restrictions hold back REITs' portfolio growth, LaBrooy said.

"As a result, Malaysian REITs are largely ignored by many institutions due to their illiquidity and small market capitalisation, which leads to unexciting share price performance," noted a REIT analyst at Kenanga Research.

Malaysian REITs need to be able to quickly build up their portfolios to US\$500 million (RM1.72 billion) if they are to interest foreign funds at all, LaBrooy said.

The newly formed Malaysian REIT Managers Association, led by LaBrooy, is now pushing for changes in these rulings to expedite capital raising activities.

"For example, keep the 20 per

cent cap in place but remove the 12-month time limit until we get to a certain size, and then reimpose it if necessary," he suggested.

Easing the rules may also encourage more REITs to list, he remarked.

Axis REIT is currently seeking an SC waiver on the 12-month time-limit for its proposed placement of 61.4 million new units to raise RM113 million for new acquisitions.

It last did a placement less than a year ago. Analysts said the timing is good for such an exercise as its unit price is now trading at a premium to its net asset value of RM1.79. It closed at RM1.96 yesterday.

It needs the funds to buy five properties this year, aiming for its total portfolio value to breach the RM1 billion mark soon.

Axis REIT currently manages 21 properties in Malaysia with total value of RM907.7 million. These range from offices and warehouses to logistic centres.