More REITs seen with easing of guidelines

By ANGIE NG
angie@thestar.com.my

MALAYSIA can expect to see more institutional property funds and real estate investment trusts (REITs) coming into the market in the next few quarters following the liberalisation of Foreign Investment Committee (FIC) guidelines for property purchases by foreigners and removal of the bumiputra equity condition in public-listed companies.

According to Axis REIT Managers Bhd chief executive officer-cum-executive director Stewart LaBrooy, the removal of the 30% bumiputra condition on listed companies, which hopefully would also apply to REIT management companies, would spur a more level playing field for industry players.

"The bumiputra equity condition was an impediment to existing REIT managers in forming alliances with strong overseas operators through the sale of equity without diluting the major shareholders' interest. It (the removal) will attract more players through the new alliances which will result in more capital inflows," LaBrooy told *StarBiz*.

He said the deregulation of the FIC would provide the catalyst for renewed interest in foreign investment in Malaysia's real estate.

Prior to this, any foreign buyer of Malaysian real estate had to go through complicated structures to own and list their Malaysian assets.

"With Malaysia's REITs market becoming more well established and the Securities Commission introducing very business-friendly guidelines for both conventional and Islamic REITs, foreign investors will have good reasons to re-enter the market.

"The move will encourage private equity funds to relook at our market. They primarily look to purchase our real estate directly with a view to securitise them later through REITs once the buildings are fully tenanted," LaBrooy added.

He said it would be timely for these funds to enhance their property portfolio, as the next two to three quarters would be a good window for new REITs to be launched.

"With 11 listed REITs and two property trusts in the country now, there is room for more of these trust funds," he said.

The two new REITs that are expected to seek listing on Bursa Malaysia in the next few quarters are the Sunway City Bhd's (SunCity) REIT and CapitaLand Ltd of Singapore's REIT.

> TURN TO B2

Stewart LaBrooy ... 'There is room for more trust funds.'

Much easier now for foreign real estate ownership

> FROM B1

Backed by RM3.7bil worth of assets, the proposed SunCity REIT will possibly be the largest REIT in the country.

CapitaLand's REIT, with an initial asset size of RM2bil, was targeted to be the country's first foreign-sponsored REIT on Bursa. The company had intended to inject its three shopping malls in Malaysia - Gurney Plaza in Penang, the Mines Shopping Fair in Seri Kembangan, Selangor, and Sungei Wang Plaza in Kuala Lumpur - into the REIT.

The proposed listing of the two REITs was initially planned for this year but had to be deferred due to the weak stock market conditions following the global financial crisis.

It is understood from management that the timing for its proposed listings would be subject to market conditions going forward.

A CapitaLand spokesman said the company was encouraged by the liberalised measures and would be studying the details from the relevant authorities.

"The lifting of the bumiputra equity rule in stocks as well as allowing 100% foreign ownership in fund managers seeking to operate in Malaysia are positive moves that would place Malaysia in a favourable position to attract foreign investors," he added.

LaBrooy said as it was now much easier for foreign real estate ownership by either individuals or property funds, investment grade properties should be able to perform well.

"A lot of new ventures, be they commercial or residential, should be able to take off as there will be a need for more quality and REIT-able property projects going forward. At the end of the day, these investors will need an exit plan and REIT will be a good option for them," he said.

To provide a lift to the market, he said there was a need to promote greater retail interest in REIT investment.

"There is a need to raise greater awareness of REIT investment among the local investment community. We will be holding some roadshows in the various states starting with Penang over the weekend.

"By investing in REITs, investors will have direct interest in a wide portfolio of property and they provide regular dividend payout that only attract a withholding tax of 10% for individual unitholders. Annual yields paid out by the various REITs in the country so far are between 8% and 13%," he said.

LaBrooy said as the global financial crisis had yet to bottom out and foreign players would not be coming in immediately, the more liberalised environment was a good groundwork to attract them when the economy turned for the better.

Overseas property companies and funds that are looking for good value investment in the region may be lured to invest in Malaysia for capital appreciation.

CapitaLand, which is eyeing a bigger stake in Malaysia's real estate market, is one of the potential big players.

Through its US$30.5mil real estate private equity fund, Mezzo Capital, CapitaLand has invested in a number of high-end residential projects in the country.

CapitaLand also owns a 30% stake in the 50-storey Menara Citibank in Kuala Lumpur's Golden Triangle.