

home business

Axis REIT hopes to have three buildings MSC-certified

Move to improve rental traction while offering more options to tenants

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KUALA LUMPUR: Axis Real Estate Investment Trust (Axis REIT) plans to apply for MSC status for its core assets, namely Crystal Plaza, Menara Axis and Quattro West, in order to improve rental traction while offering more options to new tenants, said its CEO and executive director Stewart LaBrooy.

"We are currently investigating what needs to be looked at in order to make them MSC-compliant," he told *The Edge Financial Daily* in an interview.

He said some of Axis' tenants were already MSC-compliant companies that had "spilled over" from Cyberjaya.

According to LaBrooy, Axis hopes to move the project this year although much depended on the authorities, as well as the availability of investments to perform the necessary retrofits.

"This would give us the opportunity to attract another type of tenant with probably a better rental profile," he said, adding that another area of focus for Axis was expanding its as-

set management division.

"We have the system in place, but we are growing staff levels," he said, adding there were 34 staff at present.

"It's an area which I think will take a lot of pre-eminence in the long term, there's a big industry out there waiting to be developed. It also offers huge potential for professionals to come in to manage buildings; there is a very restricted pool of specialists at the moment."

LaBrooy also said Axis was well-positioned to enjoy the re-injection of commercial activity into sectors of Petaling Jaya as new developments came up in the area, thereby raising property prices.

"As PJ grows and becomes a more important sector, people are bringing in new ideas and developments, which we will benefit from. PJ has tremendous upside," he said.

Furthermore, he added Axis' investments in the industrial and warehousing sector in the area had contributed greatly to the success of the trust.

"The returns on value are much better (for these properties). People don't realise that when we invest in these strategic industrial areas, it is actually a land banking exercise," he said.

"We are very close to commercial areas, which in the long term

have tremendous upside in valuation and capital values. It provides good yields and strong potential capital returns."

With regard to refurbishing its current assets to be greener, LaBrooy said it was looking at retrofitting and regular maintenance to make its buildings more energy-efficient and that all its buildings had elements of green.

"By being energy-efficient, it helps us lower our operating cost, so in a way it is self-motivated," he said, adding the move to make "grey" buildings greener should be incentivised with lower assessment rates or tax breaks.

He said green buildings also needed certification and annual energy audits in order to ascertain that they were compliant to qualify for tax breaks.

"However, the move towards green buildings is driven more by demand rather than people feeling that they want to adopt a green agenda," LaBrooy said, adding that not many tenants were willing to pay more for the privilege of being in a green building unless it was a corporate policy.

According to Axis' annual report, the fund had obtained an extension from the Securities Commission of Malaysia to issue 68.82 million new units in the first half of 2010 in the form of a private placement, which would enable the fund to raise an estimated RM133 million for its future acquisitions.

Axis is also in the process of winding up the acquisition of two logistics warehouses in Seberang Prai, which are valued at RM106.68 million collectively and have an estimated completion date of March 1, 2010.

LaBrooy said Axis REIT would have 23 properties and RM931 million assets under management (AUM) by next month, with four more properties measuring a total of 58.49 acres, valued at RM200 million, in the pipeline.

Axis is also presently assessing three potential acquisition targets valued in the region of RM180 million, namely two new units of logistics warehouses in Johor, a factory/warehouse in Puchong and an office building in Cyberjaya.

According to data from the Asian Public Real Estate Association (APREA) and *Bloomberg*, Malaysia has a REIT market capitalisation of US\$1.54 billion (RM5.22 billion) as at Feb 19, 2010, whereas neighbours Singapore and Thailand have market caps of US\$19.7 billion and US\$2.07 billion, respectively.

Among 118 Asian REITs featured in the APREA report, Axis features at No 69, with a market cap of US\$0.175 billion.

On the potential listing of Sunway City Bhd's REIT this year, LaBrooy said it would mean heightened competition for capital, although this was good for the market.