

Why REITs should be the choice of investment

By **EDY-SARIF**
edy@thestar.com.my

KUALA LUMPUR: Real estate investment trusts (REITs) offer many advantages to investors who are keen to invest in the property market.

Axis REIT Managers Bhd chief executive officer Stewart LaBrooy said what was important now to REIT players was to educate them on the benefits on investing in REITs.

"We need to educate them as most of them are not really aware of the advantages, such as having a higher yield compared with some other investments," he said yesterday at the Investor Insights into

Malaysian REITs in 2010.

As a result of the lack of awareness on REITs, he said, the participation from Malaysians in REITs was still small compared with other countries.

"We have 13 REITs now listed on Bursa Malaysia that cover all types of industries. With a high dividend yield of about 7% annually, low entry cost and support with higher corporate governance, REITs should be the choice of investment," he said, adding that the size of assets of Malaysian REITs was now about RM16bil.

In REITs, a pool of money from investors is invested in properties such as office buildings or shopping

malls and the investment is managed by REIT managers.

LaBrooy said another advantage of investing in REITs was the tax efficiency where investors were taxed only once.

"Apart from that, it is easy to invest in REITs as you can buy it today and sell the unit tomorrow, similar to equity stocks. Plus, REITs are a hedge against inflation," he said, adding that they were low risks and a passive type of investment.

He said the way REITs did its business was to make sure about 90% to 100% of its retained earnings before tax were given back to investors.

"Last year, despite facing a global economic crisis, Malaysian REITs

were still giving back about 70% to 80% of its retain earnings to investors," he said.

Meanwhile, touching on the outlook of residential and office market in Malaysia, CB Richard Ellis (M) Sdn Bhd executive chairman Christopher Boyd said overall, both markets were still stable.

"For the residential market, we are still in the safe net as in Malaysia, developers are still using the method of sell-first-before-build. If you build first then sell like what is done by some other countries, then you will risk yourself of not getting buyers if suddenly problems arise, such as the economic downturn," he said.