

Hektar REIT to offer highest yield so far

P36



Hektar REIT to offer 8.5pc yield

IPO Watch

■ By Adeline Paul Raj
bp@nstp.com.my

THE Hektar real estate investment trust (REIT), which is heading for a main board listing on December 4, will offer investors a yield of 8.47 per cent in 2007, the highest offered in Malaysia so far.

"We are offering a best-in-class yield of 8.47 per cent to retail investors at an indicative price of RM1.05," said Zalila Mohd Toon, chief financial officer and director of the REIT's manager, Hektar Asset Management Sdn Bhd (HAM).

For 2008 and 2009, the company expects to offer a yield of 8.58 per cent and 8.84 per cent respectively.

"In absolute terms, it's considered very good," analyst Chan Ken Yew of OSK Research said of the 2007 yield.

Investors can expect to get sustainable cash dividends because of the way the REIT is structured, Zalila told reporters at the prospectus launch yesterday.

The REIT is expected to make RM74.6 million revenue for the 13 months ending December 31 2007, with a net income after tax of RM30.8 million.

Net income in 2008 and 2009 have been projected at RM28.8 million and RM29.7 million respectively.

The REIT, which currently comprises only two shopping malls — the 19-year-old Subang Parade in Selangor and Mahkota Parade in Malacca, is also looking to acquire a third property to be injected into it.

"We'd like to do it as soon as possible but it's got to be a yield-accretive acquisition," said Datuk Jaafar Abdul Hamid, chairman and chief executive officer of HAM.

To date, the company has received six offers to buy properties located mostly outside the Klang Valley, he added.

"It's a mixed bag of retail and office buildings, but we are (only) interested in pure retail. We think we can churn out better numbers with retail," said Jaafar.

Subang Parade and Mahkota Parade's value rose to RM523 million

this year compared with RM370 million less than three years ago when the properties were first acquired by the Hektar group.

Jaafar said more retail space as well as some apartments will be built on a 0.8ha plot of land next to Subang Parade. The retail area will be injected back to the REIT, possibly next year, he added.

The Hektar group also plans to develop a lifestyle retail centre in Nusajaya, which is part of the Iskandar Development Region.

The Hektar REIT's initial public offering involves 159.5 million units, of which 16 million will be offered to retail investors and the remaining RM143.5 million to local and foreign institutions.

The offer closes on November 22.



The yield is considered very good, Jaafar says