

Hektar REIT buys Wetex Parade for RM117.5m

KUALA LUMPUR: Hektar Real Estate Investment Trust (Hektar REIT) is acquiring a shopping complex and hotel tower together with a basement car park in Muar, Johor, from Wetex Realty Sdn Bhd for RM117.5 million cash to improve its income and asset diversification while allowing for new exposure to the Johor market.

The deal includes a leaseback of the hotel on a 10-year basis and will account for 2.7% of revenue for the financial year ending Dec 31, 2008.

In an announcement yesterday, Hektar Asset Management Sdn Bhd (Hektar AM), the manager of Hektar REIT, said AmTrustee, the trustee for the REIT, had entered into a sale and purchase, and leaseback agreements with the vendor and lessee Wetex Realty Sdn Bhd.

Henry Butcher had on Aug 14 last year indicated that the acquisition of the property was valued at RM118 million.

It said Hektar AM aimed to provide Hektar REIT unitholders with stable distribution and to enhance



The Wetex Parade with 178,742 sq ft of NLA

the value of its property portfolio over time through inter-alia, selectively acquiring properties meeting its investment criteria.

Besides providing an increase in income for the current financial

year and the leaseback scheme, the manager said the property was a stabilised asset with potential for growth in the interim, and improved income or asset diversification for Hektar REIT with new exposure to the Johor market. The acquisition to be funded by borrowings is expected to be completed by May.

Prior to the sale and purchase agreement, Hektar REIT had paid a deposit of RM2.35 million and would pay another RM9.4 million upon execution. The balance of RM105.75 million would be paid within the completion period.

The company expects its net asset value to improve after the acquisition and see a growth in earnings from 9.01 sen per unit as forecast in its prospectus to 9.85 sen.

The proposed debt financing in the acquisition increased Hektar REIT's gearing from 31.3% to 41.8% of unaudited total assets as of Dec 31, 2007, which is still below the gearing limit of 50% as prescribed by the Securities Commission.