

Hektar REIT a buy because of high dividend yield: S&P

INVESTORS should buy Hektar Real Estate Investment Trust because of its high dividend yield and the share is now trading at a low price to net tangible asset of 0.7 times, Standard & Poor's said.

The 58 per cent fall in its share price from a high of RM1.74 to the recent low of 73 sen is overdone, S&P said, given that it is not facing any re-financing or sharp asset devaluation issues.

"At the current level, Hektar REIT offers a more attractive dividend yield of 13.4 per cent compared with the average yield of 9.5 per cent for its peers," analyst Tam Ching Wah wrote in a report.

Suburban neighbourhood retail properties also enjoy more stable occupancy and rental income than other types of commercial prop-

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erties such as offices and urban retail properties, the report said.

S&P has initiated coverage on Hektar REIT with a "buy" recommendation and a 12-month target price of 95 sen. Its shares closed 3.5 per cent up at 88 sen on Bursa Malaysia yesterday.

The prospects for Hektar REIT are positive. S&P said, given that there are 34 cities in Malaysia with sufficient population to support one regional or neighbourhood

Hektar REIT: Per share data

	2008	2009
Book Value (RM)	1.17	1.18
Cash Flow (sen)	11.5	11.9
Reported Earnings (sen)	25.2	11.9
Dividend (sen)	10.7	10.7
Payout Ratio (%)	93.4	90.0
PER (x)	3.2	6.7
P/Cash Flow (x)	7.0	6.7
P/Book Value (x)	0.7	0.7
Dividend Yield (%)	13.4	13.4
ROE (%)	NA	10.1
Net Gearing (%)	44.0	75.5

mall such as Subang Parade and Mahkota Parade, both owned by the fund.

Hektar REIT plans to either develop greenfield shopping malls or take over existing ones and refurbish and revive them into modern malls.

S&P said the entry of Fraser and Neave Ltd as one of its major shareholders augurs well for Hektar REIT since F&N will bring along its reputation and expertise to help it build a chain of neighbourhood malls throughout Malaysia.

"Hektar REIT does not have any re-financing issues in the near term. Its total borrowings of RM301.5 million will only be due in 2011 and 2013. Furthermore, interest rates are expected to decline further over 2009," S&P said.