

Malaysia's largest REIT jumps on relisting

KUALA LUMPUR - KLCC Property Real Estate Investment Trust, Malaysia's biggest REIT, rose as much as 6.3 per cent in its relisting today, benefiting from strong demand for property-related stocks amid growth in Southeast Asia's third-biggest economy.

The trust, a stapled REIT that bundles existing shares of KLCC Property - owner of the Petronas Twin Towers - and units of KLCC REIT, was trading at RM7.71 per unit as of 11.32 am.

That compared with the initial reference price of RM7.25.

The relisting came as liquidity pours into the local market after Malaysia's general elections were concluded on Monday, with investors seeking stable investments with healthy yields.

The Kuala Lumpur stock exchange is up 4.7 per cent so far this week, although it was down 0.4 per cent early on Thursday.

Developer stocks and REITs have performed particularly well this year, even ahead of the elections. An index of Malaysian property shares has risen 25 percent in the year to date through Wednesday, outperforming a 5 percent rise in the main index.

The Malaysian economy is expected to remain on a steady growth path and expand 5 to 6 per cent in 2013, buoyed by robust domestic demand, the central bank has said. The construction sector has experienced strong growth.

The KLCC REIT, which was initially a property company, has restructured itself into a stapled REIT in a bid to lure yield-hungry investors and relisted as the new entity on Thursday. Its REIT status is expected to help increase profits because of its income tax exemption. It is raising no new money.

The company has previously said its dividend yield was 2.92 per cent for the financial year 2012, and would increase to 5.47 per cent in fiscal 2013, as a result of the stapling.

The returns compare with the 5.22 per cent paid on average by REITs in Malaysia in the year to March 2013, according to Asia Pacific Real Estate Association (APREA) data. Mapletree Greater China Commercial Trust priced Singapore's biggest ever REIT IPO in February to yield 5.6 per cent for the financial year ending in March 2014.

The trust houses assets in excess of RM15 billion, making it three times bigger than the Sunway REIT. The KLCC REIT will include in its portfolio more office properties located in the capital such as Kompleks Dayabumi. It will also issue at least 90 percent of its distributable income as dividends.

The KLCC REIT's assets have the strong backing of state-owned oil firm Petronas and enjoy full occupancy.

KLCC Property's Petronas Twin Towers, which loom over the Malaysian capital, were ranked as the tallest buildings in the world until the Taipei 101 was completed in 2004. -- REUTERS