

# REITs set to recover as mall footfalls, spending improve

**PETALING JAYA:** The worst is believed to be over for real estate investment trusts (REITs), according to AmResearch, pointing out that for the next 12–18 months, REITs will be broadly on its recovery path as consumers spending and footfalls recover.

“While we are aware that any further outbreaks of Covid-19 might still cause bumps to the recovery, earnings visibility has been improving following the encouraging development of vaccines with vaccinations already beginning in some countries,” the research house said as it upgraded the REIT sector to overweight from neutral.

“We believe the REITs under our coverage will stage a firm recovery post-pandemic, especially once international travel is allowed. This is mainly due to their strong market position and brand name, as well as the strategic location in the heart of the city, which give them the advantage of being the ‘chosen malls’ over the neighbourhood malls.”

It said retailers are also consolidating their physical footprint, with some focusing more on online expansion while others embark on costs rationalisation after a falloff from oversupply of retail spaces. This can be seen from the REITs’ strong occupancy rates of over 90% in their anchoring malls even during the movement control order period. The wide tenants mix also provided a better shopping experience to consumers, making the malls the primary go-to shopping places within the adjacent community, especially when the entertainments are allowed to resume operations.

Among the four REITs under its coverage, it anticipates that IGB REIT and Sunway REIT are primed to lead the recovery, underpinned by its resilient local footfall (supported by the well-connected adjacent community, which are residences, offices, universities) and good customer profile (mass affluent, which are more likely to spend during an economic recovery).

“While we believe Pavilion REIT and YTL REIT will face more challenges in its recovery due to the greater reliance on tourists traffic, we remain positive on their long-term outlook as we believe the rebound in footfall will be strong once the travel ban is lifted.

“Based on our estimates, REITs under our coverage provide distribution yields of more than 4.5% for FY21 and beyond compared to the current low interest environment rate. We like the sector as a recovery play sector, which we believe is poised to benefit from the growth in Malaysia’s economy post-pandemic. Our top picks for the sector are IGB REIT and Sunway REIT.”