Best Reit In Malaysia. Is It A Good Time To Invest Now?

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If you've done your research on how to invest in Malaysia, there's a good chance that you've come across the usual investment products such as unit trusts, the stock market, investment properties and other well-championed financial tools.

You may also have heard of the term REIT before, but it's definitely not as popular as the other products. There's a good chance you've had a relative or friend recommend hot stocks to you or recommend properties to invest in. But have you had the same people recommending Malaysian REITs to you? So what exactly does REIT stand for and what is this product that isn't very well-known to the general public?

What is a REIT?

REIT stands for real estate investment trust and is a form of financial product that allows investors to get exposure to the real estate market. When it comes to investing in real estate, most people think of purchasing property to rent out to others, but real estate investment trusts offer many of the same benefits with less of the hassle.

You simply purchase shares in the REIT and leave the headaches of rental negotiation and collection, tenant sourcing, and property maintenance to the professionals, while collecting dividends a few times a year!

In fact, the average dividend distribution rate for some REITs even outpaces the rental yield of the average residential property, making it hard to argue against investing in REITs as opposed to purchasing your own property.

Fancy owning property in Kuala Lumpur without the hassle? REITs may be the answer.

For some individuals, they may even prefer investing in REITs as there’s no need to monitor the stock exchange news, revenue growth of companies and other time-consuming research. At most, they’ll just have to read the quarterly or annual reports published by the REITs about the current performance and yields.

There are currently 17 REITs listed on Bursa Malaysia for investors to buy shares in. REITs are considered a good investment for beginner investors as the initial entry price is low and dividends are consistently paid out at regular intervals. This also makes it a good defensive investment to hold in times of uncertainty.

For example, let’s say a REIT is selling at a share price of RM0.53. This means you just need RM53 to start investing. However, a more expensive REIT may cost much more, with some even priced above RM6 per share. This means investors need at least RM600 to start investing in those premium REITs.

So Which is the Best REIT in Malaysia?

If we could tell you, we’d all be rich investors! There’s no hard and fast rule to determine which is the best REIT as it depends on what you’re looking for when investing, just like when doing research on the stock market. If you have a higher risk tolerance, you may want to focus on a REIT that is less diversified (eg. retail only) but if you prefer steady dividends, you may want to invest in a REIT spread across several industries.

Here’s a quick and complete guide to the top 10 REITs in Malaysia to help you learn more about what’s available in the market:

Top 10 Malaysia REITs

1. KLCC REIT

Unlike many other REITs, the KLCC REIT only has three properties in its portfolio but these are enough to make it the largest REIT in Malaysia based on market capitalisation. It includes the PETRONAS Twin Towers, Menara 3 PETRONAS and Menara ExxonMobil, all of which have a 100% office occupancy rate as of the end of 2020. The only exception is the retail section of Menara 3 PETRONAS, which has a still healthy occupancy rate of 93%.

Another point to note is that it's the most expensive REIT to own by far based on the prices on Bursa Malaysia. This can be attributed to its stable dividends and occupancy rates, making it an attractive option for investors on the lookout for REITs to invest in.

2. IGB REIT

- Website: http://www.igbreit.com/
- Stock short name: IGBREIT
- Market capitalisation: RM5.992 billion
- Portfolio: http://www.igbreit.com/index.php/portfolio/
- Notable properties: Mid Valley Megamall, The Gardens Mall

One of the most popular Malaysian REITs around, the IGB REIT is made up of only two shopping malls in its portfolio. However, these two malls are Mid Valley Megamall and The Gardens Mall in Kuala Lumpur, two of the most renowned shopping centres in Malaysia.

According to its latest annual report, the occupancy rate of Mid Valley Megamall stands at 99% while The Gardens Mall is at 92%. To maintain such numbers throughout the Covid-19 pandemic is impressive, but it remains to be seen if it can maintain this with the numerous Movement Control Orders that have been implemented.

3. Sunway REIT

- Website: http://www.sunwayreit.com/
- Stock short name: SUNREIT
- Market capitalisation: RM4.795 billion
- Portfolio: http://www.sunwayreit.com/our-portfolio/
- Notable properties: Sunway Pyramid Mall, Sunway Medical Centre, Sunway Putra Mall, Sunway University

Another of the highly popular Malaysian REITs, it comprises of properties under the Sunway Group in a variety of industries, including retail, hospitality, corporate offices and education. Its retail and office properties currently boast a healthy occupancy rate despite the pandemic, but unsurprisingly the hospitality properties are currently struggling with travel not allowed under the Movement Control Order.

The diversity of the Sunway REIT could prove a crucial factor for potential investors, and could be a key mitigator against restrictions brought about by the pandemic. Whether reduced foot traffic will have a huge impact on the occupancy rates of its retail properties remain to be seen.

4. Pavilion REIT

- Website: http://www.pavilion-reit.com/
- Stock short name: PAVREIT
- Market capitalisation: RM4.206 billion
- Portfolio: http://www.pavilion-reit.com/244_199_199/Web/WebPage/Pavilion-Mall-Central-Location/Pavilion-Mall.html
- Notable properties: Pavilion Mall, The Intermark, Da Men Mall

The Pavilion REIT may only have five properties in its portfolio, but they're some of the most recognised landmarks in the Klang Valley, including Pavilion Mall, Pavilion Tower, Intermark Mall, Da Men Mall and Elite Pavilion Mall.

With the properties covering the retail and corporate office sectors – two of Malaysia's most dependable industries – it's no surprise that its market capitalisation currently hovers over RM4 billion, demonstrating the trust that investors have in these evergreen industries. According to its latest annual report, the occupancy rate of most malls is above 80%, with only Da Men Mall lagging behind at 68.9%.

5. Axis REIT

- Website: https://www.axis-reit.com.my/
- Stock short name: AXREIT
- Market capitalisation: RM2.833 billion
- Portfolio: https://www.axis-reit.com.my/type.php

- Notable properties: Menara Axis, Axis Business Park, Bukit Raja Distribution Centre, Tesco Bukit Indah

The Axis REIT is one of the largest in Malaysia based on market capitalisation, with the current figure standing at over RM2.8 billion! Its property portfolio current consists of buildings in various industries spread out across Peninsular Malaysia, including corporate offices, logistics warehousing, manufacturing, and retail.

Thanks to its diversity, it's well-placed to mitigate the effects of the Covid-19 pandemic, with its dividend distribution consistently above 5% in the years prior, only dropping to 4.31% in 2020. These encouraging numbers are a key reason why this is one of the most popular REITs in Malaysia.

6. YTL Hospitality REIT

- Website: https://www.ytlhospitalityreit.com/
- Stock short name: YTLREIT
- Market capitalisation: RM1.525 billion
- Portfolio: https://www.ytlhospitalityreit.com/portfolio.asp
- Notable properties: JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, The Majestic Hotel Kuala Lumpur

As the name suggests, the YTL Hospitality REIT is in the hospitality industry with a slew of hotels and resorts across Malaysia in its portfolio. An interesting note for investors is that the YTL Hospitality REIT offers international exposure as it owns multiple properties in Niseko, Japan and three branches of the Marriott Hotel in Australia (Sydney, Brisbane, and Melbourne).

It first acquired its Australian hospitality properties in 2012, while The Majestic Hotel Kuala Lumpur was taken over in 2017, making it the tenth property managed by the YTL Hospitality REIT in Malaysia. In 2018, it ventured to Japan with the acquisition of The Green Leaf Niseko Village. While the pandemic means that REITs focused on hospitality and tourism will take a hit in the short-term, it could potentially prove to be a shrewd investment in the long-term when borders are allowed to reopen and travellers can move around.

7. Capitaland Malaysia Mall Trust REIT

- Website: https://www.cmmt.com.my/
- Stock short name: CMMT
- Market capitalisation: RM1.319 billion
- Portfolio: https://www.cmmt.com.my/portfolio_overview.html
- Notable properties: The Mines, Sungei Wang, Gurney Plaza

One of the foremost Malaysian REITs, there are only five properties in the Capitaland Malaysia Mall Trust REIT, all of which are shopping malls. However, there are currently 1,146 leases within those five malls, meaning the properties have an occupancy rate of 85.1% at the time of writing.

It also boasted healthy foot traffic of 32.4 million throughout 2020, making it a good option for those that are keen on healthy rental cash flow in their REIT portfolio. Whether it can maintain these numbers in the wake of the pandemic is another matter altogether. This could also bounce back in the long-term when lockdowns are eased and retail returns to normal, so investors with a higher risk appetite may consider purchasing shares while prices are lower.

8. Sentral REIT

- Website: https://sentralreit.com/
- Stock short name: SENTRAL
- Market capitalisation: RM959 million
- Portfolio: https://sentralreit.com/portfolio-highlights/
- Notable properties: Platinum Sentral, Menara Shell, Plaza Mont Kiara (partial), TESCO Building Jelutong

The majority of SENTRAL REIT's properties in its portfolio is in the corporate office sector, with the remainder in retail assets and car parks. In total, it manages over 2.1 million square feet of lettable areas across its properties, with an average occupancy rate of 93% as of December 2020.

It remains to be seen if the Covid-19 pandemic and various MCOs imposed in Malaysia will affect its revenue in 2021, but its healthy office tenancy rate should help to maintain a sense of stability.

9. Al-'Aqar Healthcare REIT

- Website: http://www.alaqar.com.my/
- Stock short name: ALAQAR
- Market capitalisation: RM920 million
- Portfolio: http://www.alaqar.com.my/our-portfolio.php
- Notable properties: KPJ Damansara Specialist Hospital, KPJ Healthcare University College, Nilai, Jeta Gardens, Aged Care and Retirement Village (Australia)

The Al-`Aqar Healthcare REIT is mostly made up of properties in the healthcare sector, with a total of 20 hospitals and care centres spread across Peninsular Malaysia. However, it also diversifies into the education sector, with KPJ Healthcare University College, Nilai, and KPJ International College, Penang being the two higher education properties in its portfolio.

Investors that want some exposure to foreign markets will be pleased to note that the Al-`Aqar Healthcare REIT also manages a single retirement village property located in Australia. This offers investors potential foreign exposure, which could be key to mitigating risk.

10. UOA REIT

- Website: https://www.uoareit.com.my/
- Stock short name: UOAREIT
- Market capitalisation: RM770 million
- Portfolio: https://www.uoareit.com.my/property.php
- Notable properties: UOA Corporate Tower, UOA Centre Parcels, UOA Damansara II

With the six properties in its portfolio all comprised of corporate offices, it's clear which sector the UOA REIT focuses on. According to its latest publicly available annual report, the average occupancy rate is over 90% as of December 2019, and it is probably safe to assume that this number has dropped since the pandemic began.

However, its Q1 2021 report highlights the acquisition of the UOA Corporate Tower as a reason for the increase in gross rental income, which could be attractive for potential investors once the pandemic is over.

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