

Retail REIT to continue recovery momentum

PETALING JAYA: Shopping mall-based real estate investment trusts (REITs) will continue to benefit as shoppers return to malls following the reopening of the economy and borders.

Earnings of these type of REITs will continue to recover moving forward. They experienced a recovery in the first-half of 2022 on higher shopper footfall and with significantly lower rental assistance to tenants, MIDF Research said.

"We gather that shopper footfall at established malls such as Sunway Pyramid and Mid Valley Megamall had recovered close to pre-pandemic levels," the research house said in a report.

Thus, it is expecting earnings of retail REITs to remain strong in the fourth quarter of this year, on positive rental reversion outlook.

Further support for the retail REITs could come from the year-end shopping period and holiday season that could lead to higher turnover of rents.

The research house believes, Budget 2023 that will be tabled on Friday, would dish out cash goodies to the B40 group, which will likely have a positive spillover effect to retail REITs as people allocate a portion of the money received towards retail spending.

The budget could also offer incentives to

promote the tourism sector, which would be a positive for the REITs as higher tourist arrivals would help improve footfall at shopping malls and for tenant sales.

MIDF Research added demand for office space was weak in the past two years due to the Covid-19 pandemic induced structural shift towards work from home.

"Nevertheless, with the reopening of economic activities and more employees encouraged to work from office, we expect demand for office space to recover gradually.

"In this context, we expect occupancy rates of office buildings to improve," it said.