PROPERTY

Investors look to steady REITs in uncertain times

Industrial assets have gained popularity in recent years

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

PETALING JAYA: As investors seek stability amid global economic uncertainties, property experts believe real estate investment trusts (REITs) have the capability to withstand the volatility.

Rahim & Co International Sdn Bhd chief executive officer Siva Shanker firmly believes that REITs, in the next five years, will be "the darlings of the property sector".

"Times are changing. Gone are the days when we used to see the property sector rising or falling by 20% to 30%.

"Instead, it's going to be slow, steady and consistent. This is good for the market and that's where REITs come in," he told *StarBiz*.

Siva emphasised that REIT players are "in it for the long haul."

"REITs are the kings of the long-haul play. They go into investments that provide slow and steady growth with long-term prospects."

This, Siva said, offers investment stability.

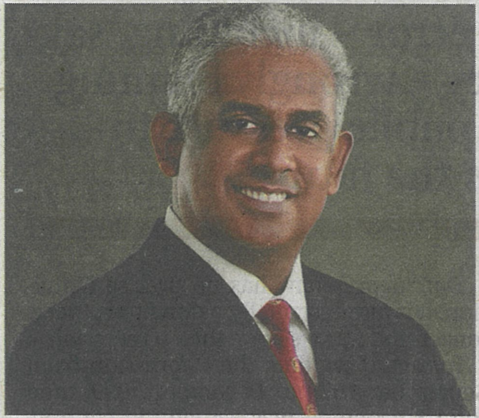
"Forget about short-term gains – this is what causes the market to crash and burn again and again.

"We don't want people to lose their life savings if the market crashes right after they have bought a property."

With REITs, Siva explained that even during a downturn, investors will not see a "drastic drop."

"When times are good, you see a gradual uptick and even when things are bad, the drop will be slow."

In terms of individual sub-sectors, Siva said industrial REITs have grown in favour over the past few years.



Siva: REITs, in the next five years, will be the darlings of the property sector.

He added that up to a decade ago, industrial REITs were considered an afterthought by investors, compared with other sub-sectors of the property market such as the residential or commercial segments.

"Back then, industrial REITs were considered boring and unsexy. Today, everyone is looking to get into it."

The industrial property market received a significant demand jolt primarily during the Covid-19 pandemic.

Global supply chain disruptions and physical restrictions led to a spike in online shopping and eCommerce activity, fuelling demand for logistics and warehouse space.

While the "industrial property fever" has tapered since the pandemic, with some commentators actually seeing a slight oversupply of space in the market, interest in the segment has remained steady, driven by the influx of data centre demand in the region.

Meanwhile, RHB Investment Bank, in a recent report, said it sees stability in industrial REITs.

"At this juncture, we think industrial REITs would still be shielded from the potential tariffs, as they are backed by weighted average lease expiries of four to five years.

"While the China+1 strategy has taken a hit (as the alternatives to China would also face tariffs), Malaysia could still stand to benefit as its 24% total tariff is relatively lower than neighbouring nations such as Vietnam (46%), Thailand (36%), and Indonesia (32%)," it said.

The research house also noted that domestically, major initiatives such as the Johor-Singapore Special Economic Zone and the New Industrial Master Plan 2030 would continue to drive investments into industrial assets.

On retail REITs, RHB Investment Bank said the sector remains healthy after Malaysia's retail trade grew by 5.4% in 2024.

"We think retail spending will be supported in 2025 by government measures to raise the minimum wage, as well as targeted aid and broad pay hikes for civil servants.

"Another driver would be an increase in tourist arrivals, following the government's aim to promote tourism ahead of the Visit Malaysia Year 2026 campaign, which has an ambitious goal of attracting 35.6 million tourists, versus 2024 and 2023's 25 million and 20 million arrivals, respectively, while generating RM147bil in tourism receipts."

Separately, the research house said it continues to be cautious on the office sector, noting that the occupancy rates in Kuala Lumpur remains low at around 70%, compounded by an increasing supply of new office space.

"According to Knight Frank, one-third of the current office space is green-certified and demand was largely supported by a flight-to-quality trend with tenants relocating to newly completed Grade A offices."