

REIT Outlook 2022: Emerging from the COVID-19 pandemic

KUALA LUMPUR (Nov 11, 2021): Data centres and cold storage are the most sought-after asset by real estate investors in Asia Pacific due to the impact of the COVID-19 pandemic.

Another area of opportunity for investors is worker accommodation, due to COVID-19 SOPs to provide a clean and modern living environment for employees, said real estate services and investment firm CBRE|WTW group managing director Foo Gee Jen.

“There is a 47% surge in demand for data centres in 2020. This is due to increased activity in cloud storage, video conferencing, online schooling, gaming, social networking and Work-From-Home platforms,” he said.

Malaysia can capitalise on this increased demand as our data centres have one of the lowest tariffs across South East Asia, he added.

On the flip side, Foo said demand for student residences have declined sharply due to the increase in distance learning enforced by the pandemic.

Foo also shared that investors are bullish about the real estate market in Asia Pacific, with 59% indicating in a CBRE survey that they would buy more properties this year. He said this is the highest level since 2016, with 43% investors expressing their intentions to buy more in 2020 and 39% in 2019. On the other hand, intention levels of real estate investors to sell remain relatively unchanged at 34% in 2021, 30% in 2020 and 33% in 2019.

Foo was speaking at regional REIT webinar titled *“Movers and Shakers in Malaysia, Singapore, Hong Kong and China – What to look out for in 2022?”*, which was hosted by award-winning regional trust company Pacific Trustees.

Pacific Trustees group chairman Tan Sri Datuk Amar Steve Shim Lip Kiong said that industrial REITs – namely those invested in warehouses, logistics centres, factories, data centres and business parks – are expected to be heavily weighted in REIT funds this year. He added that e-commerce flourished during the pandemic and this benefited the warehouse and logistics players, and more data centres are required as technology becomes even more important during lockdowns amid the race to roll out 5G.

The other speakers at the event include CIMB Investment Bank managing director Faez Jumabhoy, REITsWeek founder Ridzwan Rahmat, Colliers Hong Kong Head of Valuation and Advisory Service Hannah Jeong, Wong Partnership China Practice and Equity Capital Market partner Chong Hong Chiang and Vincorn Consulting and Appraisal Limited executive director Kit Cheung.

Jumabhoy highlighted that while REITs in general have not been heavily impacted by the pandemic, the average distribution per unit (DPU) of Malaysian REITs dropped from 6.4% in February 2019 to 5.47% in December 2020.

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In contrast, the average DPU in Singapore only declined by 0.1% over the same period, from 6.41% to 6.4%. He attributed this to Singapore REITs investing in properties from around the world, while Malaysia REITs are dependent on local supply and demand.

“Singapore REITs are very dynamic. They are very opportunistic to capture the upside regionally and globally,” he said.

On data centres, he said Malaysia has an advantage over Singapore due to its available landbank. He said data centres will gravitate towards locations which are secure, earthquake-free, with dual-grid power and aligned with the big data pipes.

However, he added that he does not foresee much interest to set up a data centre-driven REIT in Malaysia

“Data centres in Malaysia are underutilised and there is excess capacity. Besides location, we need to a lot of power and we need to tap into large Internet underground cables. We also don’t have a dual grid here. It is not just about land, but technology as well,” he said.

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About Pacific Trustees

Pacific Trustees is an award-winning regional trust company with presence in Kuala Lumpur, Singapore, Labuan and Hong Kong. As a vibrant regional player, Pacific Trustees have provided trust services to more than 270 bonds and sukuk issuers in the market, with a total fund size of about RM509 billion in nominal value. Real Estate Investment Trust (REIT), Funds Services or Collective Investment Scheme (CIS), Custodian and Escrow Services are among the services provided by Pacific Trustees.

For media enquiries, please contact:

Teh Eng Hock
Associate Director, Corporate Communications
Pacific Trustees
enghock.teh@gmail.com
012-3159928