

Shopping mall acquisition

Hektar finalising deal for REIT's third complex

■ By Adeline Paul Raj
bt@nstp.com.my

HEKTAR Asset Management plans to inject a third shopping mall into the Hektar real estate investment trust (REIT) that it manages, by the first quarter of the year.

It is in the midst of finalising a deal to acquire a neighbourhood shopping mall, located outside of the Klang Valley, from a third party, its director and chief financial officer Zailila Mohd Toon said.

“We are hoping to close a deal soon; by this quarter. It's already a stable mall, which we can inject directly into the REIT,” she told Business Times in an interview.

She declined to give further details about the mall, but said it will be the first of other acquisitions the company will make to grow the REIT.

The company is eyeing several malls and is already doing due

ligence on a few, she added.

Hektar plans to focus only on malls in the country for now as there is still huge potential, especially in areas outside the Klang Valley.

“We intend to utilise gearing to buy (the third mall). But for other acquisitions, we may look at a secondary placement to finance the purchase if it is to be acquired by the REIT,” Zailila said.

The retail REIT, currently comprising Subang Parade and Mahkota Parade, has an asset size of RM523 million. The company targets to expand this to RM2 billion by 2010.

The latest mall to be acquired is small and will not boost the REIT size to RM1 billion. However, it will be yield-accretive, said Zailila.

On another front, she said the REIT was on track to distributing a dividend of 9.6 sen a unit for the 13-month period ended 2007, as forecast in its listing prospectus.

It has been paying out dividend of

2.4 sen a quarter, giving unitholders total dividend of 7.2 sen for the three quarters so far.

Dividend aside, the REIT, listed in December 2006, had appreciated 43.8 per cent as at the end of last year, outperforming the Kuala Lumpur Composite Index's 34.1 per cent gain in the same period.

Hektar is due to announce its full-year results next month.

The REIT is also set to welcome to its five-man board three new members from new shareholder, Fraser Centrepoint Ltd (FCL).

FCL, a leading property developer in Singapore which is also a sponsor of the republic's Fraser Centrepoint Trust, holds 27 per cent of Hektar REIT.

FCL and Hektar Asset Management are also finalising an agreement for FCL to take up a 40 per cent stake in the latter.

“We think it can be finalised by this quarter,” Zailila said.



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