KIP REIT expected to spend RM200m on acquisitions

Monday, September 18th, 2017 at , News | Property | Real Estate

This is forecast to include assets for a KiP Mall in Kota Warisan and several KiP Marts

by RAHIMI YUNUS / Pic By kip.com.my

KIP Real Estate Investment Trust (REIT) is expected to spend RM200 million for future acquisitions with a string of assets under right of first refusal, based on research by Kenanga Investment Bank Bhd (Kenanga IB).

Those acquisitions would include assets for a KiP Mall in Kota Warisan and several KiP Marts located in Sungai Buloh, Kuantan, Sendayan and Sungai Petani.

“Assuming KIP REIT utilises RM200 million for acquisitions, we estimate earnings could be increased by 9% per annum,” the company said in a statement.

Overall, Kenanga IB holds a positive view on the company amid the challenging market conditions.

“We expect stable earnings for KIP REIT, despite unexciting reversions. We believe that it offers good value proposition with a 7.4% yield, or 19% total returns.”

According to the research firm, KIP REIT is expected to collect 0%-2% reversions in the financial years 2018-2019 (FY18-FY19) with occupancy rate remains high at 90%-94% for all KIP REIT’s assets.

Currently, KIP REIT has six retail premises under its portfolio — five KiP Marts in Tampoi, Kota Tinggi, Masai, Lavender Senawang and Melaka, and one KiP Mall in Bangi.

According to its latest financial report dated June 30, 2017, those assets recorded occupancy rates of 97.77%, 94.36%, 95.67%, 80.32%, 67.32% and 82.32% respectively.

Although tenancy revenue decreased by 3.4%, or RM900,000, lower from its initial forecast, its net property income increased slightly by RM200,000 due to prudent cost management.

The company has declared a total income distribution of 2.9 sen for FY17.

Moving forward, Kenanga IB also noted that KIP REIT poses a minimal downside risk attributed to its business model that focuses on supplying staple foods to the suburban market (lower-to-middle income group), close to major residential catchments.

“Shopper traffic is expected to be resilient and tenants less susceptible to economic fluctuations, as there is a constant demand for daily necessities,” it said.

KIP REIT was listed on Bursa Malaysia in February this year.

Kenanga IB believes that currently it is a good entry point, as the share price is below initial public offerring levels, with a 7.4% yield.

KIP REIT’s share price remained unchanged at RM0.94 last Friday and a market capitalisation of RM477.5 million.