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South-East Asian REITs target Australia

Hong Kong REITs recovering slower than Singapore

Sydney, Australia: A slow recovering Australian Real Estate Investment Trust (AREIT) sector is fuelling unprecedented investment by Asian institutions and REITs in the Australian property sector.

Investors from Singapore, Korea and Hong Kong have purchased iconic Australian properties in the retail, industrial and commercial markets thanks to their faster recovering REIT sectors and discounted assets available from Australia according to the third annual REIT Monitor, released by PKF chartered accountants and business advisers today.

According to Ed Psaltis, Head of Property and REIT Group at PKF and author of the FY10/11 REIT Monitor, while the majority of Asia-Pacific REITs incurred heavy losses in the GFC, by and large, they have recovered far stronger than AREITs.

“The number of Hong Kong REITs has not grown to the same extent as that in Singapore. The population of Hong Kong REITs included in our monitor is eight, compared to 25 for Singapore. The Hong Kong market is also taking longer to shake off the effects of the GFC compared to its neighbour.

“However, Hong Kong REITs stand to gain from the huge growth in the REIT market that is expected to come from mainland China in the next five years. Already REITs are in operation on the Hong Kong market with significant property investment in mainland China and this trend is set to continue,” he said.

AREITs, by contrast, are trading at heavy discounts to their net tangible assets (NTA) and rank last out of all Asia-Pacific countries in this metric. AREITs are trading at an average discount to NTA of 24% (down from 28%).

Mr Psaltis said, “AREIT’s relatively poor recovery stems from their investment strategy compared with those overseas. AREITs traditionally have taken active investment strategies by focusing on property developments and funds management businesses, in the pursuit of higher returns. REITs from competing regional markets took a more passive approach with less exposure to developments, thereby taking on less risk and ensuring an easier road to recovery post GFC,” he said.

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About PKF: The PKF International network of legally independent accounting and business advisory firms. PKF International Limited (PKFI) is the 10th largest global accountancy network with over 245 member firms and correspondents in approximately 125 countries. PKFI member firms have around 2,200 partners and more than 21,000 staff. PKF International is a network member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.