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Overseas property foray

Tabung Haji and PNB are following in EPF footsteps to invest in London market

By **THEAN LEE CHENG**

leecheng@thestar.com.my

PETALING JAYA: Following the Employees Provident Fund's foray into overseas property markets, Lembaga Tabung Haji and Permodalan Nasional Bhd (PNB) are looking to do the same and have sent out feelers about this, industry players said.

Like the EPF, both funds are looking to buy into existing premium properties for their yield. And also the EPF, both had targeted London as their first choice, followed by Australian cities, the insiders said.

"A few proposals were given to Tabung Haji and PNB in the last six to eight weeks," said one property consultant.

However, it still isn't clear how much both funds are aiming to spend on overseas properties.

Last year, PNB bought an upmarket office block in Brisbane, Australia, called Santos Place, reportedly for more than A\$290mil (RM928mil).

The 37-storey building has 373,508 sq ft of lettable space with about two-thirds of that leased to Australian oil and gas giant, Santos.

Its previous owner was Nilson Properties. Santos Place was PNB's first acquisition in Australia.

To date, the EPF has been the most aggressive among the Malaysian-based funds, with most, if not all, its overseas investments in Britain.

The pension fund has so far confirmed the purchase of four British properties costing a total of £634mil (RM3.1bil). It issued a statement last year that it was putting aside £1bil (RM4.85bil) for its British property investments.

Most of Tabung Haji's overseas investments to date have been in Mecca and Madina in the Middle East. It also has property investments locally.

PNB manages a fund size totalling RM150bil while Tabung Haji manages funds totalling RM28bil. Sources said both funds were looking to invest in properties primarily in London, Sydney, Melbourne and Perth, although they were open to other locations.

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Said a source: "They are keen to invest in well-tenanted properties in Australia and Britain ranging from £50mil to £100mil, or A\$50mil to A\$100mil, with annual yields of between 5% and 7%."

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Funds prefer to invest in syariah-compliant properties

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This confirms what Tabung Haji group managing director and chief executive officer Datuk Ismee Ismail said in June. Ismee said the pilgrimage fund was planning to increase its investments up to a quarter, from 15% currently. He did not say which cities he was considering then.

Unlike the EPF, which was putting aside £1bil for overseas property investments, both PNB and Tabung Haji did not disclose any figures. The only criteria was that, their property investment must be *syariah*-compliant.

"Tabung Haji has so far been very firm about this. The properties they invest in must be *syariah*-compliant," a source said.

It has been reported that due to the troubles facing Western economies, funds owning prime properties there could be looking to hive off some of those assets, not only in London, but across the Atlantic and in Australia.

According to *Reuters*, Australia's property investment market is expected to be among the most active for the rest of this year as off-

shore investors seek quality assets in a mature market with growth prospects, property services firm CBRE Richard Ellis said. Foreign investors accounted for more than 30% of property investments in the first half of this year, double the long-term average, CBRE said.

Sales activity could also pick up after some listed Australian property trusts including Stockland and GPT unveiled plans to sell their assets to fund share buy backs or seek other opportunities.

There are more than A\$10bil of commercial property assets currently on the market, according to the *Australian Financial Review*.

With low unemployment and a relatively healthy economy,

Australian commercial properties offer a total annualised return of 10% and industry experts see rises in rents, particularly in the office sector.

In Britain, while the rest of the country is suffering from a soft property market, the city is bucking the weak trend, with 30% more surveyors reporting prices on the rise than falling, with the capital also seeing the strongest level of new buyer enquiries. Nevertheless, latest July figures show that commercial real-estate values rose at the slowest pace since the market started recovering from a slump two years ago.

A few proposals were given to Tabung Haji and PNB in the last six to eight weeks.

— PROPERTY CONSULTANT