

ISLAMIC REITS: LEGAL AND LEGISLATIVE ISSUES – GLOBAL COMPARATIVE STUDY

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ISLAMIC REITS: OBJECTIVES

- Shariah aspects – Equity Objective
 - Observing the Purpose of Shariah (*Maqasid Al-Shariah*)
 - Application of Islamic Contracts
 - 20% cap on non-Shariah permissible trades

- Operational (Tabi') aspects – Efficiency Objective
 - Yield
 - Management Fees
 - Tax
 - Business strategies such as investment, operating, acquisition and capital management strategies - to improve yield
 - Marketing
 - Risk

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INDUSTRY UPDATES

ISLAMIC REIT

Boustead aims to sell more plantation assets to Islamic REIT

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BOUSTEAD Holdings Bhd plans to sell more plantation assets to its Islamic real estate investment trust (REIT), the country's first Islamic plantation REIT.

Its managing director Tan Sri Lodin Wok Kamaruddin said this will be confined to oil palm estates, including its plantations in Lapan Kabu, Kelantan.

"As the group's total plantation portfolio is currently in excess of RM1 billion, this will enhance the prospects of the REIT," he told reporters after the launch of the prospectus for Al-Hadharah Boustead REIT by Second Finance Minister Tan Sri Nor Mohamed Yakcop in Kuala Lumpur yesterday.

The actual size of assets to be sold to the REIT will be decided at a later date.



Nor Mohamed (right) being briefed by Lodin at the launch of the prospectus. Looking on is Boustead chairman Jen. (B) Tan Sri Ghazali Che Mat.

Lodin also said that the company's revenue this year would not be affected by the floods that have occurred in some states in the country, particularly in Johor.

"We have estates in Kota Tinggi, but our estates are mostly in high areas.

"But based on our assessment, it (flood) is not going to impact our revenue for this year," he said.

Boustead plans to raise some RM230 million from the initial public offering of Al-Hadharah Boustead REIT.

It is offering 20 million issue units to retail investors at 99 sen per unit. Institutional investors are offered 198 million units at RM1.05 apiece.

"Al-Hadharah Boustead REIT offers investors a unique and affordable opportunity to invest in the highly active and dynamic plantation sector," Lodin said.

Al-Hadharah Boustead REIT




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AL-AQAR KPJ REIT - MALAYSIA




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AXIS REIT - MALAYSIA

	<p>Crystal Plaza No 4 Jalan 51A/223, 46100 Petaling Jaya, Selangor Darul Ehsan</p> <p>Description</p> <ul style="list-style-type: none"> 6-storey office complex and a basement car park with 199 car park bays Strategically located within the established industrial and commercial area of Section 51A, Petaling Jaya Accessible from Kuala Lumpur city centre via the Federal Highway or alternatively, via Lebuhraya Damansara-Puchong and LRT Station. LRT Station located about 100 metres from Crystal Plaza <p>Tenure Leasehold expiring in 2059</p> <p>Core tenants as at 1 June 2005 Tenaga Nasional Berhad group of companies, Scope International (M) Sdn Bhd and U.C.I Education Sdn Bhd</p> <p>Average rental rate* RM2.79 per sqf</p> <p>Occupancy rate as at 1 June 2005 100.0%</p>
	<p>Infinite Centre Lot 1 Jalan 13/6, 46200 Petaling Jaya, Selangor Darul Ehsan</p> <p>Description</p> <ul style="list-style-type: none"> 4-level industrial complex with 223 car park bays Strategically located in the centre of Petaling Jaya's Section 13 industrial hub Accessible from the Kuala Lumpur city centre via Federal Highway or alternatively, via Jalan Damansara. <p>Tenure Leasehold expiring in 2065</p> <p>Core tenants as at 1 June 2005 Konica Minolta Business Solutions (M) Sdn Bhd and Pharmaniaga Marketing Sdn Bhd</p> <p>Average rental rate* RM1.79 per sqf</p> <p>Occupancy rate as at 1 June 2005 100.0%</p>
	<p>Axis Plaza Lot 5 Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor Darul Ehsan</p> <p>Description</p> <ul style="list-style-type: none"> 5-level warehouse cum office building and 2 levels of basement car park with 225 car park bays Strategically located along the Federal Highway within an industrial scheme known as Temasya Industrial Park, which is near the prominent and established industrial development of Glenmarie Industrial Park. <p>Tenure Freehold</p> <p>Core tenants as at 1 June 2005 CSE Cobra AP Sdn Bhd, Electrolux group of companies and Ricoh (Malaysia) Sdn Bhd</p> <p>Average rental rate* RM1.76 per sqf</p> <p>Occupancy rate as at 1 June 2005 93.4%</p>

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REIT PERFORMANCE - MALAYSIA (AS AT NOV-06)

Name of REIT	Date listed	Offer price (RM)	Closing price 30-Nov-06 (RM)	% change since Apr-06	52-Week high (RM)	52-Week low (RM)	Yield (%) Nov-06
AmFirst Property Trust Bhd	28-Sep-89	1.00	1.05	-19.23%	1.410	1.050	8.05%
Amanah Harta Tanah PNB	28-Dec-90	N/A	0.77	4.79%	0.790	0.705	6.54%
Amanah Harta Tanah PNB 2	25-Mar-97	N/A	0.47	10.71%	0.510	0.400	5.05%
Axis-REIT	3-Aug-05	1.25	1.70	0.00%	1.830	1.600	6.41%
Starhill REIT	16-Dec-05	0.96	0.90	-6.77%	1.070	0.880	7.27% *
UOA REIT	30-Dec-05	1.15	1.09	-3.54%	1.190	1.000	7.33% *
Tower REIT	12-Apr-06	1.07	0.93	-7.50%	1.060	0.850	7.46% **
Al-Aqar KPJ REIT 	10-Aug-06	0.95	0.99	4.21% ^	1.020	0.955	7.32% **

^ % price change over offer price; * Annualised yield

** Dividend yield based on company's forecast distribution per unit

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ISLAMIC REAL ESTATE FUNDS

Fund Manager / Distributor	Name of Fund	Country	Size (USDm)	Type	Investor Advisor	Description
Guidance Financial Group	Guidance Fixed Income Fund	USA	200	Residential	Freddie Mac	real estate finance assets. The securities will be issued and guaranteed by the Federal Home Loan Mortgage Corporation ('Freddie Mac'). The fund will hold securities that are backed by Shariah-compliant
Shamil Bank	China Realty Fund	China	150	Commercial	CITIC International Assets Management Co. Ltd. (CITICIAM)	Shamil Bank Bahrain entered into an MoU with prominent Chinese financial institutions, CITICIAM to set up and launch USD150m closed-end China Realty Fund.

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ISLAMIC REAL ESTATE FUNDS

Fund Manager / Distributor	Name of Fund	Country	Size (USDm)	Type	Investor Advisor	Description
Kuwait Finance House	Baitak Asia Real Estate Fund	South Asia	600	Commercial, Residential	Pacific Star Group	A USD600m Islamic real estate fund. The Baitak Asia Real Estate Fund will invest in residential and commercial sites in Asian countries. This will be the first real estate deal in Asia for Kuwait Finance House.
Kuwait Finance House	Islamic European Real Estate Fund	Europe	486	Commercial, Residential	Equity Estates BV	The fund intends to invest Euro 400m in European property concentrating on high yielding office, logistics and light industrial properties in the Benelux, France and Germany.
Dubai Islamic Bank (DIB); Cheung Kong Group	Al Islamic Far Eastern Real Estate Fund	Far East	450	Commercial, Retail, Residential	ARA Asset Management	The new fund will be managed by ARA Asset Management and jointly promoted by DIB and Cheung Kong Group. The Islamic-compliant investment vehicle has set aside USD450m to invest in commercial, retail and residential projects in major Asian cities.

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REITs Market around the World.....Top 15 World Real Estate market

Countries	GDP (\$ Bn)	GDP per capita (\$ Bn)	Real Estate (\$ Bn)	Weight	Cumulative
United States	11,105	37,897	4,997	34.42%	34.42%
Japan	4,370	34,316	1,966	13.54%	47.96%
Germany	2,388	28,977	1,075	7.40%	55.36%
United Kingdom	1,847	30,641	1,039	7.15%	62.52%
France	1,757	29,075	791	5.45%	67.96%
Italy	1,461	25,162	657	4.53%	72.49%
Canada	879	27,046	396	2.72%	75.22%
Spain	840	20,863	378	2.60%	77.82%
Hong Kong/China	1,618	1,239	268	1.96%	79.80%
South Korea	612	12,689	237	1.63%	81.43%
Australia	516	25,937	232	1.60%	83.03%
Netherlands	508	31,122	229	1.57%	84.61%
Mexico	654	6,235	200	1.38%	85.98%
Switzerland	320	42,995	144	0.99%	86.98%
Belgium	304	29,413	137	0.94%	87.92%
Other Countries	5,596	-NA-	1,754	12.08%	100.00%
Global Total	34,776		14,519	100.00%	

Sources: World Bank Organization, FTSE, EPRA

- United States has the largest real estate market in the world. The estimated size of the US market is approximately US\$5 trillion.
- Japan ranks second with around US\$2 trillion, followed by the four major European economies. The German market is approximately US\$1.1 trillion, with the UK just behind at approximately US\$1 trillion.
- France is close to US\$800 billion. Italy is approximately US\$660 billion. Canada comes in at just under the US\$400 billion mark.
- The top 15 countries comprise around 88% of the total global real estate market. Interestingly, the top five countries hold 68% of the total. The next ten countries add 20% and the remaining 34 countries make up the final 12%.

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