Mapletree to launch three new property funds in China, Vietnam, Japan

By Jo-ann Huang | Posted: 25 May 2011 2331 hrs

SINGAPORE: Real estate firm Mapletree Investments said it plans to launch three property funds worth US$2 billion over the next few years.

The funds will invest in commercial and mixed-use properties in China, Vietnam and Japan.

Mapletree, the real estate arm of Temasek Holdings, also announced a 90 per cent increase in its profit after tax to S$747 million for the full year ended March 31, driven by higher rental contributions from its assets.

Mapletree Investments hopes to attract institutional investors into its three new Asian property funds. The firm said that investors are looking at annual internal rate of returns of between 12 and 22 per cent from these funds.

For the Japan Fund, Mapletree will use US$300 million to US$500 million to buy more office properties in the outskirts of Tokyo city centre as well as Osaka and Nagoya.

Three of such properties are already present in the fund as seed assets. The firm is targeting a 18.5 per cent rate of return from the fund and it is expected to launch this year.

A similar amount will be used for the Vietnam Fund, which focuses on mixed retail, office and serviced apartment projects in major Vietnamese cities. It is expected for launch in 2013.

Mapletree Investments counts a serviced apartment property in Hanoi and an upcoming retail and serviced apartment project in Ho Chi Minh City. It is targeting an annual rate of return of 22 per cent.

Mapletree will also use US$500 million to US$1 billion for its new China fund. The fund's assets will be in first and second tier Chinese cities. The fund will acquire mixed developments with residential components in China.

Chua Tiow Chye, Group Chief Investment Officer of Mapletree Investments, said: "The idea of doing mixed development in second tiered cities is because the land prices are less bubbly than those in the first tier coastal cities of Beijing, Guangzhou and Shanghai and we
think that there's more value that we can add in terms of bringing in new ideas, new concepts of development into this second tier cities."

Mapletree is targeting assets under management of S$20 billion to S$25 billion by March 2014, with a higher proportion of managed assets to owned assets. It currently owns and manages S$15.4 billion of assets in total.

Analysts said Mapletree's long-term strategy for China and the rest of Asia is on the right track.

Bernard Lee, visiting Associate Professor (Practice) with Singapore Management University, said: "It is an economy that has a shortage of high grade, especially grade A offices. An entity with a very well known track record in terms of managing these properties are going to make these projects successful over the medium to long-term."

Mapletree's revenues from 2010 grew 30 per cent to S$454 million.

Higher rental income from Vivocity, Mapletree Anson and Mapletree Business City drove revenues higher. Mapletree's newly-acquired overseas properties in Vietnam and Japan also drove revenues, said the firm.

The firm also saw higher fee income from the initial public offering of Mapletree Industrial Trust in October last year.

The firm said it has no plans to tap a public listing for additional funds due to its well-capitalised financial position. Mapletree said the total real estate assets it owned and managed hit S$15.4 billion at March 31, up 19 per cent from S$12.9 billion a year ago.