REITSWEEK

Sasseur REIT unfazed by proliferation of China outlet malls

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The number of outlet malls across China may have swelled over the last few years, but Sasseur REIT is confident that it will be able to withstand the competition.

This was the assurance given by the CEO of the REIT's manager, Cecilia Tan, on 10 May in response to questions from REITsWeek during a call to discuss its latest financial results.

Sasseur REIT reported on the same day that its outlets sales for 1Q 2023 increased by 17.9% year-on-year to RMB1,292.6 million.

As a result, its distribution per unit (DPU) increased by 1.5% to 1.849 Singapore cents over the same period.

While its gearing has dipped to 25.7%, which is the lowest among Singapore REITs, its average cost of debt has grown to 5.9% as at 31 March 2023.

During its results presentation, Sasseur REIT also disclosed that the number of outlet malls has increased from 52 in 2012 to 266 in 2022, representing an annual growth rate of 18%.

In line with this, the total floor area occupied by these outlet malls has increased from 3.52 million in 2012 to 23.5 million in 2022.

“I think this is usually what happens when people see [that there is]a lot of profit to be made and everybody wants to jump in trying to enter the industry”, said Tan.

In addition to that, Tan posits that this proliferation suggests that consumers are increasingly looking for greater and differentiated value propositions when it comes to retail spending.

Moreover, the data presented [above]is for outlet malls across China, including in Tier 1 cities where Sasseur REIT does not operate, Tan explained.

“We have started in Tier 2 and Tier 3 cities because we saw a long term growth in the rising incomes of the middle class”, said Tan, adding that the REIT’s sponsor knows these markets very well.

Sasseur REIT’s sponsor presently has 16 outlet malls across, with two more upcoming assets in Urumqi and Shijiazhuang.

Of these, Sasseur REIT has been granted right-of-first-refusal over the Xi’an and Guiyang outlet malls.

Tan assured that retail sales penetration in China is still growing, given the country’s massive population, especially in the Tier 1 and Tier 2 cities.

Given these factors, Tan posits that long-term fundamentals still indicate that Sasseur REIT’s business will continue to do well despite the proliferation of outlet malls.

Sasseur REIT was last done on the Singapore Exchange at SGD0.76, which presently implies a distribution yield of 8.62% according to data on the Singapore REITs table.