

Kenanga maintains market perform, raises target price on SunREIT

ANALYST REPORTS

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KUALA LUMPUR: Kenanga Research maintained market perform on Sunway REIT with a higher target price of RM1.90 from RM1.87.

It said realised net income of RM148.8mil came in within its and consensus expectations with gross rental income up 11% driven by all segments, comprising retail, hotel, office and others.

Net property income margins improved slightly by 1.5 percentage points on lower maintenance cost at Sunway Pyramid, allowing RNI to increase by 14%, it said.

On outlook, the research firm said FY18E capex expenses will mostly be for Sunway Carnival Extension in 2H18.

"As such, we are expecting RM60-100m in FY18-19E. FY18-19E has minimal leases up for expiry at 9.5-11.8% of NLA.

"We expect mid-to-single digit reversions for retail and low-to-mid single-digit reversions for office assets, while we expect flattish growth for the hospitality segment's ARR and occupancy."

It added that it is bullish on most Malaysian REITs, save for KLCC and Axis Reit, due to their attractive gross yield of 5.9% to 7.1% on minimal earnings risk going forward and backed by a stable MGS outlook.

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