

Headline	SUNWAY REAL ESTATE INVESTMENT TRUST		
MediaTitle	The Star		
Date	03 Jan 2018	Language	English
Circulation	338,368	Readership	1,032,000
Section	StarBiz	Page No	6
ArticleSize	183 cm ²	Journalist	N/A
PR Value	RM 27,735		



Analyst reports

SUNWAY REAL ESTATE INVESTMENT TRUST

By Affin Hwang Capital
Buy (maintain)
Target price: RM1.90

AFFIN Hwang Capital, which is reiterating a "buy" rating on Sunway Real Estate Investment Trust (Sunway Reit), points out that the company has a good mix of quality assets.

This, it said, included retail assets (70% of net property income) that enjoyed consistent, high occupancy rates; hotels (20%) that are seeing better demand; a medical centre (5%) where rental is covered by a triple net lease agreement; and offices (5%).

"Sunway Reit's diversified, defensive rental stream is a virtue in prevailing property market conditions, where offices are facing a supply glut and retail malls are seeing lower occupancy and weaker rental revisions.

"The retail-centric Malaysian Reits have seen rising equity beta in recent years, partly due to the weak retail mall market. In contrast, diversified Malaysian Reits (KLCC Stapled Securities) and manufacturing/logistic peers (Axis Reit) have seen lower equity beta."

The research house said it has tweaked its 2018, 2019 and 2020 earnings per unit (EPU) forecasts by -3%, 0.3% and 0.5% respectively, imputing 3% annual rental revisions for Sunway Pyramid (from 5%), in view of the weak prevailing retail market condition.

Additionally, Affin Hwang Capital said the tweaked EPU forecast is also due to lower interest costs of 4.1% to 4.2% for 2018 to 2020 (from 4.1% to 4.3%), given Sunway Reit's proactive hedging strategy (82% of current borrowings are at a fixed rate).

"We reiterate our 'buy' rating on Sunway Reit with a lower dividend discount model-derived price target of RM1.90 (from RM2.05) after lowering our retail growth forecasts and raising our cost of equity to 7.9% (from 7.6%).

"Sunway Reit is our preferred pick among Malaysian Reits for its diversified asset portfolio.

"At a 5.4% distribution yield for 2018, its valuation looks attractive, considering its lower earnings risk (vis-a-vis other Malaysian Reits and attractive asset injection pipeline from its sponsor (Sunway Bhd)."

Sunway REIT

