

Sunway REIT Q2 net profit lower at RM66mil

PETALING JAYA: Sunway Real Estate Investment Trust's (REIT) net profit for the second quarter ended Dec 31 fell 6.4% to RM66.4mil.

Revenue dropped 1.4% to RM139.5mil, largely due to softer market conditions within the hospitality market, where revenue was 22.8% lower with an overall hotel portfolio occupancy of 69%.

The new contribution from Sunway Clio in the second quarter was largely offset by lower rental from Sunway Resort Hotel and Spa due to disruption in income from the closure of the grand ballroom, meeting and function rooms for refurbishment, and higher room preventive maintenance expenses incurred in the current quarter.

Net property income from the hotel segment was RM15.9mil for the quarter, 27% lower than the preceding quarter.

The office segment recorded a gross revenue of RM9.4mil for the quarter, a 19% increase compared to the previous corresponding quarter, with an increase in net profit of 45.7%.

This is mainly due to the improved performance of Sunway Putra Tower and Wisma Sunway.

The retail segment recorded a gross revenue increase of 1.5% to RM105.3mil, which is mainly contributed by Sunway Pyramid Shopping Mall and Sunway Carnival Shopping Mall, but partially offset by Sunway Putra Mall due to lower attributable gross rent.

Operating expenses for this segment reduced by 10.6% to RM29.3mil as a result of lower maintenance and advertising and promotion expenses. The net profit was 7.1% higher.

Sunway Medical Centre contributed RM5.8mil to gross revenue and net property income, while Sunway REIT Industrial - Shah Alam 1 contributed RM1.4mil.

Meanwhile, interest income was RM100,000 lower due to lower investment in money market instruments, while other income was RM1mil lower than the preceding year's corresponding quarter mainly due to lower fair value gain from interest rate swaps.

The finance cost for the quarter was RM29.3mil, which was 16.8% higher compared to before due to a higher principal loan amount mainly to fund investing activities and a higher average cost of debt due to the increase in the overnight policy rate by 25 basis points on Jan 25 last year.

Sunway REIT Management Sdn Bhd CEO Datuk Jeffrey Ng said the company is maintaining a cautious outlook for the rest of financial year 2019, taking guidance from the financial performance of the first six months on the back of a softening domestic economic climate.