

# Sunway REIT profits projected to rise

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PETALING JAYA: Sunway Real Estate Investment Trust  (SunREIT) is expected to have continuous earnings improvement, driven by the group's retail segment amid the reopening of the economy.

It is worth noting that the economy reopening is likely to continue with higher vaccination rates and adherence to standard operating procedures or SOPs.

As such, Kenanga Research expects improved shopper traffic and better hotel occupancy rates.

“That said, we do not discount the possibility of further rental rebates in the coming months. The office and services segments are also expected to remain stable,” said the research house.

Kenanga Research is keeping an estimated realised net income (RNI) of RM271mil for the financial year ending Dec 31, 2022 (FY22) and introducing an estimated RNI of RM297mil for FY23.

“We expect the estimated earnings growth for FY22 RNI to be driven by the absence of rental holidays for retail mainly, as well as improving occupancy rates for hospitality to 60% from 32% currently and offices to 90% from 84% currently,” it said.

For the 18-month financial period from July 1, 2020 to Dec 31, 2021, SunREIT's RNI and dividends came in above Kenanga Research's expectations at 119% and 118%, respectively, due to a strong final quarter.

Meanwhile, CGS-CIMB Research said the key deviation came from a stronger-than-expected performance in the sixth quarter of its financial period ended Dec 31, 2021 (Q6'21), leading to a higher-than-expected net property income (NPI) margin of 68% compared to its forecast of 63%.

It added that the NPI outperformance was led by retail assets.

Besides that, the hotel segment posted a gross revenue of RM9.8mil in Q6'21, an increase of 24% compared to a year ago, attributed to the lifting of inter-state travel and the gradual resumption of the meetings, incentives, conferences and exhibitions segment.

However, CGS-CIMB Research is cautious on the hotel segment, as it expects occupancy rates to remain low, driven by only domestic travel.

As such, the research house is keeping a “hold” call on SunREIT with a lower target price of RM1.43.

“The FY22 to FY24 forecast dividend yields of 4.3% to 5.3% should be supportive of its share price,” it said.