Sunway REIT kicks off FY19 on a softer ground, proposes 2.48 sen DPU

BY JUSTIN LIM

KUALA LUMPUR: Sunway Real Estate Investment Trust's (Sunway REIT) net property income slipped 0.4% to RM110.51 million in its first financial quarter ended Sept 30, 2018 (1QFY19) from RM110.99 million a year ago, on higher property operating expenses.

Net profit for 1QFY19 was also lower at RM73.01 million, down 7.9% from RM79.23 million a year ago, mainly due to higher finance costs.

This resulted in a lower earnings per share of 2.48 sen for 1QFY19 compared with 2.69 sen for 1QFY18.

In a statement yesterday, Sunway REIT said, the higher finance cost was due to higher principal loan drawn to finance investing activities and marginally higher average cost of debt in the current quarter under review.

Quarterly revenue, however, was up 1.8% at RM143.74 million from RM141.17 million in 1QFY18, on higher revenue contributions across all segments except the hotel segment.

Sunway REIT is proposing a first interim income distribution of 2.48 sen per unit, amounting to RM73.038 million for 1QFY19, payable on Dec 4.

On prospects, Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng said it is maintaining a cautious outlook for the remaining financial year ending June 30, 2019 (FY19) in view of the general market uncertainties.

As such, it warned that distribution per unit (DPU) is expected to dip in FY19 on the back of flattish growth in the retail segment, contributed by higher income from Sunway Pyramid Shopping Mall but partially offset by Sunway Putra Mall, which remains challenging.

"Income contribution from the hotel segment will also be affected primarily due to soft market environment impacting the hospitality industry with the expectation of lower tourist arrivals and including income disruption in the meetings, incentives, conferences and exhibitions and corporate segments due to the refurbishment activities at Sunway Resort Hotel & Spa," it added.

"In our recent board strategic review, Sunway REIT sets a target to double its property value to RM15 billion by FY25.

"In today's challenging property market environment, active acquisition strategy is the way to drive growth going forward. As a proactive REIT manager, we will continuously explore non-conventional growth drivers such as venturing into greenfield developments and redevelopment opportunities," he said.

Ng said Sunway REIT will reposition itself from a retail-focused REIT to a diversified REIT to capitalise on investment opportunities on the broader emerging growth sub-sectors riding on global mega trends.