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# Earnings outlook for SunREIT to remain positive

**KUALA LUMPUR:** Sunway Real Estate Investment Trust's (SunREIT) earnings outlook is expected to remain positive, driven mainly by services and industrial divisions.

In a report, the research team at MIDF Amanah Investment Bank Bhd (MIDF Research) said: "We expect earnings outlook for SunREIT to remain positive, driven mainly by services and industrial divisions.

"We expect rental reversion of Sunway Pyramid to remain positive, however this maybe slightly offset by the negative rental reversion at Sunway Clio retail and Sunway Carnival as the latter is undergoing reconfiguration."

On its first half of the financial year 2020 (1HFY20) results, the research team said its core net income of RM145.9 million came within expectations.

"SunREIT recorded higher core net income of RM72.1 million (up 8.6 per cent year-on-year) in the second quarter of FY20 (2QFY20), bringing cumulative core net income to RM145.9 million (up 4.6 per cent y-o-y) in 1HFY20.

"The higher earnings in 1HFY20 were mainly attributed to higher earnings from hotel division, office division, services as well as industrial and others.

"Higher earnings from hotel division were driven by reopening of ballroom and function rooms at Sunway Resort Hotel and Spa while office division was buoyed by higher occupancy rates.

"Meanwhile, contribution from Sunway University and College and higher rental from Sunway Medical Centre supported earnings growth of services segment.

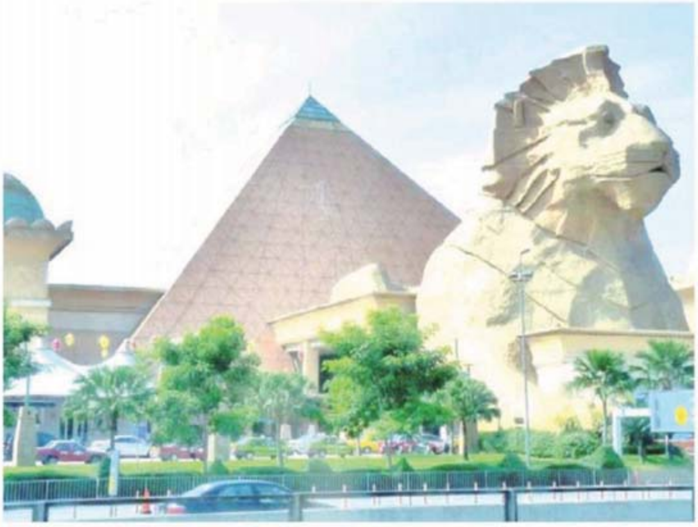
"On the other hand, retail division recorded 2.8 per cent y-o-y decline in net property income due to higher advertising and promotional expenses at Sunway Pyramid," it explained.

Meanwhile, the research team at Kenanga Investment Bank Bhd (Kenanga Research) noted that the group remains cautious on the potential impact of the 2019 Novel Coronavirus (Covid-19) outbreak on the performance of the hotel and retail segments should it be prolonged.

"For now, there is no impact to retail in terms of shopper traffic but the hospitality segment has seen marginal cancellations and deferments of events albeit not significant at this juncture," it added.

For FY20 to FY21, Kenanga Research said it would see 33 to 13 per cent of its net lending assets (NLA) up for renewal on the back of expectations of low-single-digit reversions for retail, and flattish to low-single-digit reversions for office and hospitality assets.

"The group is continuously looking to grow the Others segment more actively over the longer run. We are expecting capital expenditure (capex) of RM150 million to RM200 million in FY20 to FY21 mostly for the construction of Sunway Carnival Extension, which is expected to be completed in 2HFY21 as well as enhancement of other assets," it added.



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