Headline	Sunway REIT to expand industrial asset investment		
MediaTitle	The Edge Financial Daily		
Date	03 Oct 2019	Language	English
Circulation	4,562	Readership	13,686
Section	Home Business	Color	Full Color
Page No	6	ArticleSize	363 cm²
Journalist	JUSTIN LIM	PR Value	RM 11,937

Sunway REIT to expand industrial asset investment

BY JUSTIN LIM

SUNWAY: Sunway Real Estate Investment Trust (REIT) is planning to expand investment in the industrial asset class, which it says is an emerging growth sub-sector, in a bid to diversify its portfolio from being a retail-focused REIT.

The plan is in line with its initiatives under TRANSCEND 2025 (TC25), a programme that formulates the strategic roadmap to capitalise on the diversification of Sunway REIT.

With rising e-commerce, Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng Tiong Lip said the REIT is also working on industrial class assets such as warehouse logistics to have exposure.

"The retail segment represents more than 70% in terms of our revenue and net property income (NPI), and slightly below 70% in terms of asset value. As we move towards the end of TRANSCEND 2025, the retail segment will very likely come down to the fifties.

"While the growth in the emerging industry class will move towards 25% [of the total asset value].

"Having said that, as we move along, we have to be agile enough to know if the opportunity allows us to enjoy a greater growth story. The 25% is not cast in stone, it will be adjusted relative to our other portfolios. This is how, at the moment, we see where the trend will be moving about six years from today," Ng told reporters after Sunway REIT's annual general meeting (AGM).

The retail segment contributed the bulk or 74% of its total revenue in FY19, with hotel contributing 14%, office 6%, services 5%, and industrial and others 1%.

And to address the "very obvious" oversupply issue in the domestic properties market, which Ng said is very challenging as the issue is impacting "various asset classes", the REIT will be exploring overseas opportunities.

However, he said it is still too early to be specific on the countries the REIT will be going into, as investing overseas is not easy, with risks involving currency conversion, taxation and other legalities that need to be studied carefully.

"It is a journey when we grow our assets, [so] it is important that when we invest, we look into the long-term growth of the assets," he added.

Ng (left) and Sunway REIT Management chief financial officer Irene Sin May Lin after the AGM yesterday. Ng says the REIT will be exploring overseas opportunities.

The REIT is also aiming to increase its property value to up to RM15 billion under TC25 by financial year 2025 (FY25), a target it announced last November. The REIT's total asset value stood at RM8.16 billion as at FY19 ended June 30, 2019, up 8.51% from RM7.52 billion in FY18.

On prospects, Ng expects the REIT's income distribution per unit (DPU) to "enjoy modest growth", as he sees growth in the REIT's financial performance, supported by the full-year income recognition from its acquisition of the Sunway University and College campus, and modest growth in its retail segment.

For FY19, Sunway REIT delivered a DPU of 9.59 sen versus 9.57 sen in FY18, up 0.21%. The REIT's NPI grew 4.7% to RM439.7 million for FY19, compared with RM419.93 million a year ago, as revenue rose 3.5% to RM580.3 million from RM560.41 million.

As for the upcoming Budget 2020, Ng said local REITs want to be as competitive as Singapore REITs, where individual unitholders enjoy withholding tax exemption on dividends they receive from REITs.

"What the Malaysian REIT Managers Association has written [in its budget wishlist] relates to the withholding tax for individual investors. Today, whatever yield that the investor gets is subject to a deduction of 10%.

"What we are telling the Securities Commission, as well as the ministry of finance is, if we are to be as competitive as REITs in Singapore [we have to reduce the individual withholding tax for REIT]," he said.

The reduction, he added, will help attract more investors to Malaysian REITs.

Sunway REIT units closed three sen or 1.56% higher at RM1.95 yesterday, giving it a market capitalisation RM5.74 billion. The counter has gained near 22% in the past one year.