Further recovery for SunREIT as borders reopen

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KUALA LUMPUR: The reopening of international borders and relaxation of SOPs will further facilitate a normalisation in Sunway Real Estate Investment Trust 's (SunREIT) income over the coming quarters, says AmInvestment Bank Research.

The broker said in a note that rental income in the retail, hotel and office segments will normalise as it expects a discontinuation of Covid-19-related rental rebates offered to tenants as businesses resume full operations.

In the hotel segment, it expects a gradual recovery in the average occupancy rate of properties to 48% in FY22 and 58% in FY23, as compared with 27.2% in FY21 and 71.5% in pre-pandemic FY19.

"This was largely due to business and leisure travel restrictions in the last two years amid multiple lockdowns for Covid-19," said the research firm.

However, it said it does not expect a significant recovery in the vacancy rate as rising interest rates and inflationary pressure could weaken consumer spending for leisure travel.

SunREIT recently reported a distributable income of RM83mil in 1QFY22, which included the reversal of impairment loss of trade receivables of RM2mil.

AmInvest said it was above its and consensus expectations at 42% and 32% of full-year estimates respectively.

"The key variance to our estimate was mainly due to higher-than expected rental income and lower-than-projected rental support given to tenants amid a strong pick-up in the retail sector after the relaxation of movement restrictions," it added.

Subsequently, the research firm raised its distributable income estimates by 33% for FY22 and 8% for FY23.

It maintained its "buy" call in SunREIT and raised its fair value to RM1.76 from RM1.66 previously.