

Future performance of Sunway REIT is anticipated to improve, says KAF Research

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KAF Research continues to be bullish about Sunway Real Estate Investment Trust's performance (Sunway REIT).

Sunway REIT is actively pursuing third-party acquisition opportunities and is confident in its strategy to grow its asset portfolio through acquisition, asset management, and asset enhancement initiatives, it said.

"Sunway REIT has also acquired Sunway Pier (previously known as Kompleks Dato' Shaari Jihin) located in Port Klang. We understand that the project is on cue for redevelopment into a retail-centric tourist attraction," it said in a note.

The research firm is keeping its Hold recommendation for Sunway REIT with an unchanged target price of RM1.51 sen.

The REIT reported a net profit of RM272.74 million on revenue of RM464.71 million for the nine months that ended on September 30, 2022, an increase from a net profit of RM111.4 million and revenue of RM314.55 million in 9M'FY21.

It informed the stock exchange last week that this was made possible by a general improvement in business performance across all segments.

"Despite the stellar quarter and sales performance, management continues to exercise prudence and allows tenants to recover from Covid-19-related losses. Hence, we anticipate a single-digit rental reversion moving forward," it said.

It said that rental assistance has significantly decreased due to the strong recovery and can therefore be regarded as insignificant.

Sunway REIT's hotel segment performed better this year primarily as a result of the Sunway Resort Hotel's gradual reopening beginning in May 2022, in line with the country's transition into the endemic phase.

Hotel occupancy has increased as a result of the improved performance in domestic leisure and business travel as well as Meetings, Incentives, Conventions, and Exhibitions (MICE) activities.

Sunway REIT stated last week that it still has a positive view for the fiscal year 2022 (FY2022), which is supported by robust growth in the retail sector and the hotel sector's slow but steady recovery.

The retail and hotel properties performed well this year, thanks to new income contributions from the new wing of Sunway Carnival Mall which has opened since late June, and the resumption of income contributions from the phased reopening of Sunway Resort Hotel.

Its chief executive officer Datuk Jeffrey Ng said despite a better performance this year, the group is closely monitoring the macroeconomic environment affecting economic growth, inflationary pressure, the pace of interest-rate hikes, and its potential impact on the REIT's financial performance.

"We remain steadfast to continue to create and unlock value for Sunway REIT's assets portfolio in striving towards achieving the strategic goals of Transcend 2027", he said in a stock exchange filing.