

Sunway REIT to acquire 6 hypermarkets from EPF for RM520mil

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Sunway REIT's property value will increase to RM9.69 billion upon completion of the proposed acquisition of the six properties, from RM9.1 billion as at Dec 31, 2022.

PETALING JAYA: Sunway Real Estate Investment Trust (Sunway REIT) is acquiring a portfolio of six freehold hypermarkets located in the Klang Valley and Johor from the Employees Provident Fund (EPF) for a total cash consideration of RM520 million.

In a statement today, Sunway REIT's manager Sunway REIT Management Sdn Bhd announced that RHB Trustees Bhd, as the trustee of Sunway REIT, has entered into a conditional sale and purchase agreement with EPF's wholly-owned subsidiary Kwasa Properties Sdn Bhd to acquire the hypermarkets.

The properties are located in Kinrara, Putra Heights, USJ, Klang, Ulu Kelang in Selangor, and Plentong in Johor. The properties cover a total land area of 56 acres with a total gross floor area of 2.35 million sq ft.

Buying at a discount

The manager of Sunway REIT said the proposed acquisition allows the REIT to acquire the properties below their respective market values.

The REIT is buying the six properties at a discount of 12.3% to the market value of RM593 million, according to valuations done by Knight Frank Malaysia Sdn Bhd.

“The effects of the proposed acquisition will result in an immediate net unrealised fair value gain on the properties of approximately RM66.2 million to Sunway REIT,” it said in a Bursa Malaysia filing.

The filing said that Sunway REIT’s property value will increase to RM9.69 billion upon completion of the proposed acquisition, from RM9.1 billion as at Dec 31, 2022.

The acquisition is also expected to increase income stability of Sunway REIT through fixed rental payments from the lessee, GCH Retail (Malaysia) Sdn Bhd, under the triple-net lease agreements. GCH Retail operates the Giant chain of supermarkets in the country.

“The properties are income-generating and are envisaged to contribute positively to the future earnings and distribution per unit (DPU) of Sunway REIT as well as being yield accretive to the asset portfolio of Sunway REIT,” it said.

The properties are expected to generate an indicative net property income (NPI) yield of approximately 8% based on the purchase consideration, in comparison to Sunway REIT’s portfolio NPI yield of 5.4% for the financial year ended Dec 31, 2022.

The proposed acquisition will be fully funded by Sunway REIT’s existing debt facilities and is targeted to be completed in the fourth quarter of 2023.

Real estate proxy

Sunway REIT Management CEO Jeffrey Ng said the proposed acquisition fortifies its efforts towards achieving its Transcend 2027 property value target of RM14-15 billion by 2027 and its plan to be the “real estate proxy for Malaysia”.

“The properties are 100% leased to a reputable hypermarket operator on triple-net master lease arrangements, providing Sunway REIT with stable income stream which is less susceptible to the effects of economic downturns.

“Additionally, we are committed to collaborating closely with the Sunway Malls management team to identify potential asset enhancement opportunities in the medium-term, as well as to explore property development opportunities over the longer term for the properties,” Ng added.

He added the proposed acquisition reinforces its position as the second largest listed REIT in Malaysia, measured by property value.”

