

Sunway REIT announces acquisition of properties from EPF worth RM520m

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KUALA LUMPUR (March 16): Sunway REIT Management Sdn Bhd has announced the properties that it would acquire for Sunway Real Estate Investment Trust (Sunway REIT) from the Employees Provident Fund (EPF) worth RM520 million in total.

On Thursday, RHB Trustees Bhd, being the trustee of Sunway REIT, entered into a conditional sale and purchase agreement with Kwasa Properties Sdn Bhd, a wholly-owned subsidiary of the EPF, for a total cash consideration of RM520 million.

The properties to be acquired by Sunway REIT are six strategically located hypermarkets/retail complexes in the Klang Valley and Johor. The Klang Valley properties are in Kinrara, Putra Heights, USJ, Klang and Ulu Klang, while the property in Johor is located in Plentong.

According to the announcement on Bursa Malaysia's website, the market value of the six properties based on the valuations done by Knight Frank Malaysia Sdn Bhd is RM593 million in total. This means that Sunway REIT is buying the properties at a discount of 12.3% to the market value.

“The proposed acquisition is in line with the key investment objective of the manager to continuously pursue an acquisition strategy to acquire and invest in properties that can contribute to the long-term growth in Sunway REIT's distribution per unit (DPU) and/or net asset value per unit,” said Sunway REIT Management in the announcement.

The manager of Sunway REIT said that the proposed acquisition allows the REIT to acquire six strategically located hypermarkets/retail complexes in the Klang Valley and Johor below their respective market values.

It said that the purchase consideration for each of the properties represents a discount range of 5.8% to 22.3% to the respective market value of the properties, while the purchase consideration represents a discount of approximately 12.3% to the aggregate market value of the properties.

“Pursuant to this, the proposed acquisition is value-accretive, as there will also be an immediate net unrealised fair value gain on the properties of approximately RM66.2 million to Sunway REIT,” said the REIT's manager.

Sunway REIT Management also said that the properties are income-generating, and have triple-net lease arrangements under the lease agreements. The REIT manager believes that the proposed acquisition will contribute positively to Sunway REIT's earnings and DPU.

“Upon completion of the proposed acquisition, the lease agreements, which are triple-net lease arrangements, will provide Sunway REIT with fixed rental payments from the lessee...the lease agreements provide Sunway REIT with stable income, which is less susceptible to the effects of economic downturns and less influenced by the performance of the retail sector in Malaysia,” said Sunway REIT Management.

The proposed acquisition will also further strengthen Sunway REIT's current position as the second largest listed Malaysian REIT based on property values as at Dec 31, 2022.

Assuming that the proposed acquisition was completed on Dec 31, 2022, Sunway REIT's property portfolio size will increase from approximately RM9.1 billion to approximately RM9.69 billion, said the REIT's manager.

Sunway REIT Management said that the proposed acquisition is expected to contribute positively to the earnings and earnings per unit of Sunway REIT mainly arising from the net unrealised fair value gain of approximately RM66.2 million.

The proposed acquisition is not expected to have any material effect on the DPU of Sunway REIT for the financial year ending Dec 31, 2023, as the income generated from the properties will only be recognised after the completion of the acquisition, which is expected to be in the fourth quarter of 2023.

Sunway REIT closed unchanged on Thursday, at RM1.57 per unit, giving the REIT a market value of RM5.38 billion. Year to date, the REIT had appreciated by 7.53% from the closing price of RM1.46 on Jan 3, 2023.

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