

# Sunway REIT's retail expansion to be earnings accretive

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KUALA LUMPUR: Sunway Real Estate Investment Trust  's (REIT) expansion in the hypermarket segment is a positive development given that the essential service had demonstrated resilience during the Covid-19 pandemic, said MIDF Research.

The research firm said the REIT's proposal to purchase six hypermarkets from the Employees Provident Fund's Kwasa Properties Sdn Bhd for RM520mil is below the market value of RM593mil, which will give it a net unrealised fair value gain of RM66mil upon completion of the acquisition.

"The acquisition is earnings and DPU accretive as total net property income (NPI) of the properties stood at RM42mil in 2022 which translates into attractive NPI yield of 8.1%.

"The acquisition is expected to increase dividend per unit by 0.53 sen," it added.

MIDF maintained its earnings forecast on Sunway REIT pending completion of the acquisition, reiterating its "buy" call with a target price of RM1.73.

The research firm said it expects a better earnings outlook for FY23 driven by higher contribution from the retail and hotel divisions.

It said distribution yield is estimated at 5.8%.

The six hypermarkets Sunway REIT has proposed to acquire are Giant Hypermarket Bandar Kinrara, Giant Hypermarket Putra Heights, Giant Hypermarket USJ, Giant Hypermarket Klang, Giant Superstore Ulu Kelang and Giant Hypermarket Plentong.

According to MIDF, the six properties have an occupancy rate of 100% with total gross floor area of 2.35 million sq ft.

The lessee for the properties is GCH Retail (Malaysia) Sdn Bhd on a triple-net master lease agreement.

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MIDF , Sunway REIT , property , Giant , hypermarket , retail , acquisition