

Sunway REIT proposes to acquire six hypermarkets in Klang Valley and Johor for a cash consideration of RM520.0 million

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KUALA LUMPUR: Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (Sunway REIT), announced that RHB Trustees Berhad, as the trustee of Sunway REIT, has entered into a conditional sale and purchase agreement (SPA) with Kwasa Properties Sdn. Bhd., a wholly-owned subsidiary of the Employees Provident Fund, to acquire a portfolio of six freehold hypermarkets (Properties) that are strategically located in Klang Valley and Johor for a total cash consideration of RM520.0 million (Proposed Acquisition).

The Properties are strategically located in densely populated and matured residential areas in Klang Valley and Johor, surrounded by high-population catchments and provide non-discretionary products and services to the local mass-market.

Sunway REIT's property value will increase to RM9.69 billion upon completion of the Proposed Acquisition, from RM9.10 billion as at 31 December 2022. The Proposed Acquisition is expected to increase income stability of Sunway REIT through fixed rental payments from the Lessee under the triple-net lease agreements. The combined weighted average lease expiry (WALE) of the Properties of 5.6 years will improve the WALE of Sunway REIT's enlarged portfolio.

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. 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 31 December 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, subject to fulfilment of the conditions precedent under the SPA.

Datuk Jeffrey Ng, the CEO of Sunway REIT Management Sdn. Bhd., commented, “We are pleased to continue to make progress in growing Sunway REIT’s asset portfolio and further expand its geographical footprint into Johor. This Proposed Acquisition fortifies our efforts towards achieving TRANSCEND 2027 property value target of RM14 – 15 billion by 2027 and our plan to be the real estate proxy for Malaysia. Moving forward, we will continue to look out for investment opportunities across Malaysia.”

He added, “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. These well-located properties, supported by Sunway Group’s brand name, expertise and experience in mall management, will contribute to the long-term growth in Sunway REIT’s net asset value per unit. 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.”

He further commented, “As the Properties provide non-discretionary products and services which have demonstrated high resilience and encountered minimal disruption during the pandemic, we are delighted to announce that we are introducing a new classification of asset segment, namely the ‘Essentials & Services’ segment. The Essentials & Services segment which will comprise amongst others, the Properties, will be characterised by the nature of their tenants which provide essential & non-discretionary products and services.”

He said, “The Proposed Acquisition reinforces our position as the second largest listed REIT in Malaysia, measured by property value.”