

# Sunway REIT plans to diversify acquisitions

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Sunway REIT's acquisition of six Giant hypermarkets will help it deal with the rental income loss from its disposal of Sunway Medical Centre buildings for RM430 million. (Wikipedia pic)

**PETALING JAYA:** Sunway Real Estate Investment Trust (Sunway REIT) is seeking to diversify its acquisitions after snapping up six Giant hypermarkets for RM520 million.

The trust now sees the value of such “essential malls” following lessons learnt in the aftermath of the Covid-19 pandemic lockdowns.

Sunway REIT Management Sdn Bhd CEO Jeffrey Ng said that unlike shopping malls that were forced to shut down during the movement control order (MCO), hypermarkets – which are essential services – were allowed to remain open.

He pointed out that Sunway REIT, which currently depends on its retail malls for 67% of its revenue, was severely impacted during MCO. Therefore, he said, the company looks to better its chances in case of another black swan event.

“In the short term, we will continue to work with (current operators) to make sure rents continue to be paid. We hope to see 7.5% to 8% property yields here.

“In the medium term, we know there are asset enhancement opportunities to effectively give the customer a more meaningful experience,” Ng said.

In the long term, Sunway REIT sees development opportunities to expand the offerings by the hypermarket, adding that the acquisitions came with some land which the group looks to monetise.

He said the Giant hypermarkets are aged, leaving room for revamps.

Ng emphasised that all of this will be done while working closely with Giant, to ensure that the hypermarket can compete with other players in the market.

The acquisition of Giant will also help the group deal with the rental income loss from Sunway REIT's disposal of its Sunway Medical Centre buildings to Sunway's healthcare arm for RM430 million. The transaction is expected to be completed by the first half of 2023.

### **Expectations for 2023**

Going into 2023, the group looks to continue expanding its acquisitions, with its current portfolio of 26 assets standing at a valuation of RM9.69 billion.

The group believes that interest rates will be more stable in 2023, expecting it to fall after peaking this year, noted Ng.

It will take this opportunity to have a more balanced fix and floating interest rate, adding it has shifted more towards fixed interest loans in Q1 FY2023.

He added that despite the overnight policy rate (OPR) now at 2.75%, Sunway REIT's average cost of debt was only 2.98%, which is lower than other REITs in the market.

The trust is set to unveil its Q1 FY2023 results next week.

Group deputy CEO Clement Chen, who is set to carry the mantle after Ng retires on June 1, told FMT Business that "we think our performance this year will be good".

He added that the higher interest rates may affect the group's Q1 results this year as opposed to last year.

In 2022, the trust's financial results showed robust performance, with revenue and net property income (NPI) climbing 38% y-o-y and 55% y-o-y to RM 651.4 million and RM500.2 million respectively, owing to higher revenue from all segments, but notably retail and hotels.

The trust aims to grow its asset value to between RM14 billion and RM15 billion by 2027, from RM9.1 billion as at Dec 31, 2022.

On foreign assets, Sunway REIT said it is in the process of drafting its policies to enter other markets.

Among the countries it is eyeing are the UK, Japan and Australia. However, Ng did mention Sunway REIT is not in a rush as it wants to be prudent on its first foreign assets acquisition.

At the market's close, its shares were down 0.63% or one sen to RM1.58, valuing the trust at RM5.41 billion.