

# Year of opportunities

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PETALING JAYA: Sunway Real Estate Investment Trust (Sunway-REIT) expects to see more acquisition and investment opportunities this year to support its growth prospects.

Chief executive officer Datuk Jeffrey Ng Tiong Lip views 2023 as a year of opportunities as the company continues to expand its market capitalisation and asset base, as well as diversifying its portfolio into other segments.

“Sunway-REIT has recovered well from the black swan event, the Covid-19 pandemic. We see investment opportunities continue to emerge in 2023 and it will be fairly vibrant.



“The company is now in a position to sprint quite well and we demonstrated this in terms of the acquisitions that took place in 2022 and 2023,” he said in a media briefing yesterday.

Ng also noted that the pause in interest rate hikes not only augured well for Sunway-REIT but also for other REITs in the country.

“From the risk management perspective, I think it is safe to say that the overall risks will be more subdued when compared to last year. As such, we believe our financial performance will be more stable this year,” he said.

As at Dec 31, 2022, Sunway-REIT has a total of 20 assets worth RM9.1bil, of which retail, hotel, services, office, and industrial and others make up 57%, 20%, 11%, 10% and 2%, respectively.

Chief financial officer Ng Bee Lien said the company recorded RM2.5bil in terms of total acquisitions since its initial public offering (IPO) exercise.

“Our property value at the time of the IPO, which was over 10 years ago, was at RM3.5bil. We have grown by almost three times since then.

“The majority of our assets are in Selangor and Kuala Lumpur and those in Penang and Ipoh make up 10% of our portfolio,” she said.

Sunway-REIT’s revenue for the financial year 2022 (FY22) was at RM651mil, with a net property income of RM500mil.

Its average cost of debt and total return was at 2.98% and 9.8%, respectively. In FY22, Sunway-REIT had a market capitalisation of RM5bil and a distribution yield of 6.3%.

“If you compare the revenue in FY22 to that of FY19 and in calendar year 2021 (CY21), Sunway-REIT grew by 10.2% and 41.2% year-on-year (y-o-y) respectively.

“In terms of net property income, the RM488.3mil achieved in FY22 was a 11% and 61% increase y-o-y from FY19 and in CY21, respectively.

“The portfolio performance of the company has outperformed CY21 and FY19 (pre-pandemic) levels, predominantly supported by the encouraging recovery from the retail and hotel segments, stable income contribution from the office segment, as well as the positive rental reversion in accordance with the master lease agreements from the services and industrial and others segments,” Bee Lien said.

Sunway-REIT is also looking to diversify its portfolio, which is more retail centric at present, in tandem with targets outlined under its growth plan, Transcend 2027.

Ng said more than 65% of the company’s asset valuation and revenue is derived from its retail segment.

“This is so that should another black swan event occur, we would not fall as hard as we did in 2020 and 2021 during the pandemic years and can pick ourselves up more quickly.

“For perspective, we lost slightly over 40% of revenue during the pandemic years compared with the pre-pandemic period.

“We also lost 35% of net property income during the pandemic compared with pre-Covid times. This is huge by any standard,” Ng said.

He added that Sunway-REIT managed to pull through due to its strong balance sheets which entail cash conservation as well as cost preservation.

“Our targets in Transcend 2027 will give us a better balance in terms of portfolio.

“While we recognise that industrial assets are a very hot investment class, we still exercise caution in terms of choosing tenants, the length of lease and location of assets,” Ng said.

Sunway-REIT has 13% in services, industrial and other segments as at Dec 31, 2022. By market capitalisation, the company emerged as the third-largest Malaysian REIT last year.

Going forward, the outlook for Sunway-REIT's retail segment remains positive, supported by healthy economic growth, sustained domestic consumption, a gradual pick-up in international travelling and new income contribution from Sunway Carnival Mall.

“For the hotel segment, we have a cautiously optimistic outlook in view of the lifting of Covid-19 restrictions and pent-up demand. We are seeing an increase in tourists and in foreigners coming in but the full recovery will likely be in 2024.

“The office and service segments are still quite resilient. These areas were providing the company with stable returns, even during the pandemic,” said Bee Lien.

Sunway-REIT changed its distribution policy to 95% in the second quarter of 2022 (2Q22) and subsequently, 100% in 4Q22.

“This means that whatever that we are going to earn in 2023 will be redistributed to all our unit holders,” said Bee Lien.

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