Sunway REIT looking to acquire foreign assets for sustainable new sources of income

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From left: Ng Bee Lien, Jeffrey Ng and deputy CEO Clement Chen Kok Peng.

PETALING JAYA: Sunway Real Estate Investment Trust (Sunway REIT) plans to acquire overseas assets in order to expand its portfolio in a bid to generate sustainable new sources of income.

CEO Datuk Jeffrey Ng Tiong Lip said the move to continue exploring yield-accretive acquisitions comes as the company sees 2023 as a year of opportunity and that it is committed to exploring new avenues for growth and capitalising on market trends to stay ahead.

"At the moment we still do not own foreign assets. We have looked at the UK, Japan, Australia, the developed market. But we can't afford to make a mistake, so we are very cautious with this plan," he told a press conference after its AGM today.

Last month, Sunway REIT announced that it would acquire RM520 million worth of properties from the Employees Provident Fund (EPF).

RHB Trustees Bhd, the trustee of Sunway REIT, has entered into a conditional sale and purchase agreement with Kwasa Properties Sdn Bhd, a wholly owned subsidiary of the EPF.

The properties to be acquired by Sunway REIT are six hypermarkets and retail complexes located 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.

Overall, he said Sunway REIT remains cautiously optimistic for FY23, underpinned by the continued growth momentum for its retail and hotel segments on the back of full reopening of all economic sectors, reopening of international borders, and the new income contribution from the proposed acquisition.

"We have actually recovered well from the black swan Covid pandemic that occurred in 2020 and 2021. By analogy, we basically fell to the ground in 2020 and 2021. In 2022, we picked ourselves up and we started to run, the way that we should have been and I'm glad to say that we are now on a very firm standing," Ng said.

Additionally, CFO Ng Bee Lien said, "We actually believe that the interest rates will peak in 2023. Because of that, we also feel that once it has peaked, it has a tendency to go down once inflation is under control. So at that point in time when it's inverse, we will take the opportunity to have a more balanced fix and floating borrowing."

It has also released its performance outlook at the segmental level, detailing the outlook for each of its segments.

The outlook for the retail segment remains positive, supported by healthy economic growth, sustained domestic consumption, and a gradual pickup in international traveling. The segment is also expected to receive a new income contribution from Sunway Carnival Mall (New wing or SC 2). This is a significant addition to the portfolio of retail properties that Sunway REIT has, which is expected to boost the segment's revenue further.

The outlook for its hotel segment is cautiously optimistic. With the lifting of Covid-19 restrictions, pent-up demand is expected to provide a boost to the Meetings, Incentives, Conventions, and Exhibitions business. The company will continue to focus on value-added offerings for domestic and international travelers, as well as growing markets.

Despite the expectation of experiencing surplus with incoming office supply, the outlook for the Office segment remains stable. The company will continue to identify and implement sustainability initiatives for the office properties to achieve operational efficiency.