

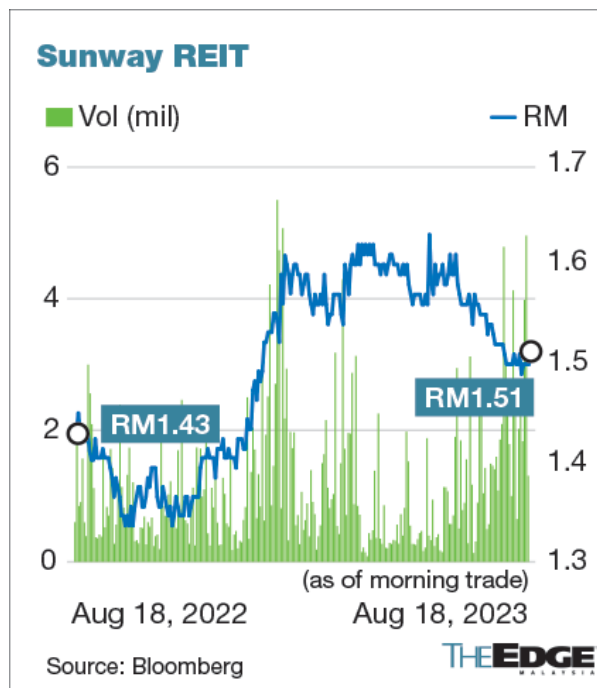
# Analysts rate Sunway REIT a 'buy' on higher rental reversions, hotel occupancy prospects

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KUALA LUMPUR (Aug 18): Analysts have recommended a "buy" rating for Sunway Real Estate Investment Trust (Sunway REIT), as they expect higher rental reversions for its retail segment and improved occupancies for its hotel segment in the second half of 2023 (2H2023).



In their respective research notes on Friday (Aug 18), TA Securities Holdings Bhd and Hong Leong Investment Bank Research (HLIB) said the REIT’s rental reversions are expected to surpass the earlier mid-single-digit guidance to reach a high-single-digit level in 2023.

They noted that the hotel segment should log higher occupancies in 2H2023, due to an encouraging recovery in arrivals of Middle Eastern and Southeast Asian tourists, year-end school holidays, as well as MICE (meeting, incentive, conference and exhibition) events.

HLIB said Sunway REIT’s retail segment is expected to remain stable in 2H2023, as positive high-single-digit rental reversions for its expiring retail leases in 2023 will be offset by the phased refurbishment of Sunway Carnival Mall and a temporary blip in the occupancy rate of the Sunway Pyramid mall, as conversion works take place in 11% of its net lettable area.

TA Securities said the reconfiguration exercise for Sunway Pyramid involving the area previously occupied by the AEON store will start in the fourth quarter of 2023 (4Q2023), and is expected to take a year to complete.

“While AEON’s departure impacts revenue minimally (2% of Sunway Pyramid’s revenue), the space will be revitalised with diverse offerings from unique tenants at a higher rent per square foot,” TA Securities said.

### Analysts' recommendation on Sunway REIT

Firm	Recommendation	Target price (RM)
Maybank Investment Banking Group	Hold	1.54
UOB Kay Hian (Equity)	Hold	1.66
CLSA	Accumulate	1.7
TA Securities Holdings Bhd	Buy	1.75
Hong Leong Investment Bank Bhd	Buy	1.89
Kenanga Investment Bank Bhd	Outperform	1.93

Source: Bloomberg

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Besides that, both research firms also highlighted the finalisation of Sunway REIT's acquisition of six Giant hypermarkets for RM520 million in 4Q2023.

HLIB maintained its "buy" call on Sunway REIT, with a slightly higher target price (TP) of RM1.89, from RM1.87 previously. TA Securities, meanwhile, upgraded its call to "buy" from "hold", with an unchanged TP of RM1.75.

At the time of writing on Friday, Sunway REIT was trading a sen or 0.67% higher at RM1.51, giving it a market capitalisation of RM5.17 billion. The counter had gained 3.42% year-to-date, but down 0.66% in the past one year.

Edited ByLam Jian Wyn