

# 'Buy' rating on Sunway REIT stays

By [S. Birruntha](#) - August 17, 2024 @ 8:07am



Sunway Real Estate Investment Trust (Sunway Reit) is expected to sustain its earnings in the near to medium term. Pic credit: Sunway REIT website

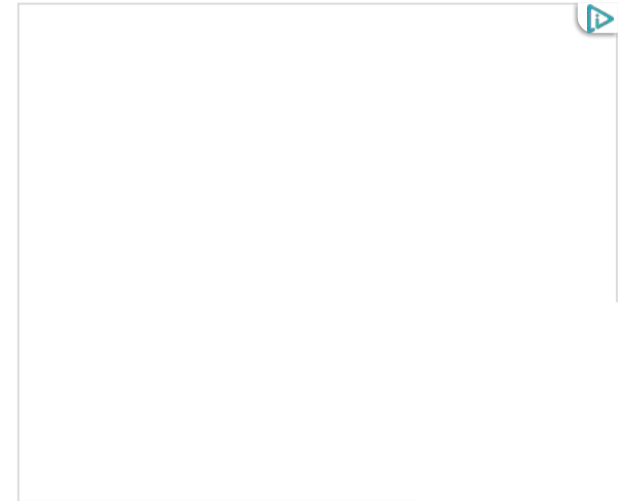
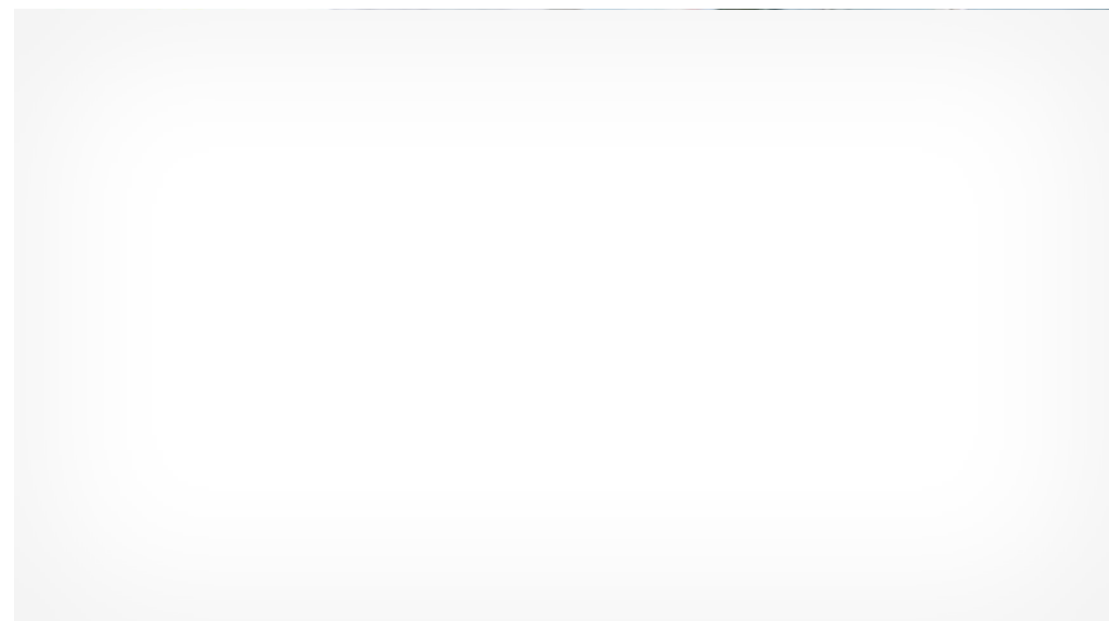
KUALA LUMPUR: Sunway Real Estate Investment Trust (Sunway Reit) is expected to sustain its earnings in the near to medium term.

Hong Leong Investment Bank Bhd (HLIB) said this will be underpinned by positive portfolio rental reversions, stronger retail spending, higher tourist arrivals and the company's three ongoing acquisitions.

Sunway Reit has three ongoing acquisitions, namely an industrial property in Prai, Penang; 163 Retail Park in Mont Kiara; and Kluang Mall in Johor, all of which are expected to be completed between the third and fourth quarters of 2024 (3Q24-4Q24).

"On the retail front, management guided that the asset enhancement initiative (AEI) for Sunway Pyramid at the Oasis section will be completed by November 2024, with over 90 per cent of committed tenants signed up.

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"Besides that, despite Sunway Carnival's AEI expected to be completed by Jun 2025, the mall has already registered strong footfall and retail sales as Sunway Reit has gradually opened up the mall post completion of the different phases of AEI activities.

"Once these AEIs are completed, the contributions from these two malls should see strong improvement supported by positive rental reversions," it said in a note.

HLIB expects local retail spending to continue to be sustained from the government's introductions of Employees Provident Fund's Account 3 and higher civil servant pay in December 2024.

For the hotel segment, it said the group's second half of 2024 (2H24) performance should continue to be sustained as tourist arrivals continue to improve.

HLIB maintained a "Buy" call on Sunway Reit with a lower target price of RM1.81 from RM1.94 previously.

The firm also trimmed its FY24, FY25 and FY26 forecasts by 6.9 per cent, 6.9 per cent and 6.7 per cent respectively, as it impute higher finance costs.

For the second quarter ended June 30, 2024, Sunway Reit registered a core net profit of RM78.1 million, bringing the 1H24 total to RM160.1 million.

HLIB said the results were below its but in line with consensus forecasts at 41 per cent and 45 per cent respectively.

"The negative deviation was due to higher-than-expected finance costs," it noted.



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