

KLCCP Stapled 4Q net profit up 33%

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: KLCCP Stapled Group, comprising KLCC Property Holdings Bhd and KLCC Real Estate Investment Trust (KLCC REIT), recorded a 33% rise in fourth quarter (4Q) net profit to RM244.41 million, from RM183.66 million a year ago, mainly driven by the hotel and management services segment.

Revenue for the quarter ended Dec 31, 2019 fell marginally by 0.38% to RM364.96 million, from RM366.35 million previously.

In a statement, KLCCP said higher demand for rooms and the food and beverage segment resulted in a

pre-tax profit for the hotel segment of RM2.3 million, a jump of more than seven times from RM295,000 a year ago.

The group's facilities management and car parking management services saw an increase in pre-tax profit of 3.1% to RM19.94 million.

The office segment, which is its largest contributor, together with the retail segment (comprising the Suria KLCC mall and Menara 3 Petronas) also continued to drive stability in the group's performance for the quarter, it said.

KLCCP declared a distribution per stapled security of 11.6 sen, representing an increase of 6.4% from last year. This brings the total dis-

tribution for the full year to 38 sen.

For the full year, net profit rose 9% year to RM790.15 million versus RM724.91 million for the previous year, while revenue inched up 1.2% to RM1.42 billion from RM1.41 billion.

Looking ahead, the group said it expects to remain resilient amid the continued challenging market landscape.

The full opening of the reconfigured space in Suria KLCC by mid 2020 is also expected to further boost the retail performance while the hotel segment is expected to benefit from higher tourist arrivals in conjunction with the Visit Malaysia 2020 campaign, it said.

Pavilion REIT 4Q NPI declines on lower rental income, higher property expenses

BY ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Pavilion Real Estate Investment Trust (REIT) said its fourth quarter net property income (NPI) fell 9.64% to RM91.25 million, from RM100.98 million a year earlier, on the back of lower rental income and higher property operating expenses.

Rental income for the quarter ended Dec 31, 2019 declined 1.45% to RM123.96 million from RM125.79 million, while property operating expenses rose 18.75% to RM54.71 million from RM46.08 million.

Gross revenue for the quarter dipped 0.75% to RM145.96 million, from RM147.06 million in the same quarter of 2019.

The REIT is declaring a final income distribution per unit (DPU) of 4.10 sen, payable on Feb 28. Of this sum, 3.93 sen is taxable and the balance 0.17 sen non-taxable.

Pavillion REIT attributed the lower gross revenue to lower occupancy and rental rates at its Da Men Mall in Subang.

Meanwhile, the increase in property expenses was attributed to cost incurred for enhancement initiatives conducted at tenant lots in Pavilion Kuala Lumpur Mall and Da Men Mall.

Also contributing to the higher property expenses were preventative maintenance of lift doors and upgrades of common areas at Pavilion Tower, marketing expenses for Deepavali and Christmas events and advertising media as well as the writing off of non-recoverable debts.

The REIT recognised a fair value gain of RM15.01 million from the valuation of investment properties as of Dec 31, 2019, compared with RM33.62 million a year earlier. The gain was mainly contributed by Pavilion Kuala Lumpur.

For the full year, Pavillion REIT's net property income rose 0.11% to RM375.18 million from RM374.79 million in 2018, as gross revenue increased 5.47% to RM585.35 million from RM554.98 million.

Full-year rental income increased 3.38% to RM502.65 million from RM486.24 million in 2018, while property expenses rose 16.63% to RM210.17 million from RM180.19 million.

The DPU for the year stood at 8.50 sen, as against 8.78 sen in 2018.

The REIT attributed the increase in gross and rental income from its Elite Pavilion Mall that was acquired in April 2018, as well as higher revenue rent and electricity income from Pavilion Kuala Lumpur Mall for the supply of Pavilion Hotel and Pavilion Suites.

The higher yearly property expenses followed Pavilion REIT's acquisition of Elite Pavilion Mall, as well as higher electricity costs for the provision of electricity to Pavilion Hotel and Pavilion Suites, on top of asset enhancement initiatives, maintenance, repairs and promotional activities.

IGB REIT FY19 core net income within expectations

IGB Real Estate Investment Trust (Jan 23, RM1.93)

Maintain neutral with an unchanged target price (TP) of RM1.90: IGB Real Estate Investment Trust's (IGB REIT) financial year 2019 (FY19) core net income of RM315.9 million came in within expectations, making up 96% and 98% of our and consensus full-year estimates respectively. A distribution per unit (DPU) of 2.16 sen was announced, bringing cumulative DPU to 9.16 sen in FY19, translating into a gross distribution yield of 4.7%.

On sequential basis, revenue for the fourth quarter of FY19 was higher at RM139.6 million (+2.4% quarter-on-quarter [q-o-q]) due to seasonally higher shopper traffic during the quarter. Nevertheless, core net income was lower at RM75.3 million (-5.7% q-o-q) mainly due to higher expenses, bringing cumulative core net income to RM315.9 million (+4% year-on-year) in FY19. Earnings were resilient in FY19, driven by higher rental income from Mid Valley Megamall and The Gardens Mall. Rental reversions of

Earnings were resilient in FY19, driven by higher rental income from Mid Valley Megamall and The Gardens Mall.

both malls remain supported by high shopper traffic.

We make no changes to our earnings forecast for FY20. We also introduce our earnings forecast for FY21.

Earnings are expected to be resilient going forward as we believe the positive rental reversion is sustainable due to high shopper traffic at both malls.

Our valuation based on dividend discount model valuation (required rate of return: 7.5%, perpetual growth rate: 1.5%) remains unchanged. We maintain "neutral" on IGB REIT due to limited upside. Meanwhile, dividend yield is estimated at 4.6%. — *MIDF Research, Jan 23*

IGB Real Estate Investment Trust

FYE DEC (RM MIL)	2017A	2018A	2019A	2020F	2021F
Gross revenue	525	536	552	609	634
Net rental income	374	386	399	448	469
Net investment income	422	423	406	461	488
Net income	343	334	316	347	366
Core net income	303	304	316	347	365
Realised EPU (sen)	9.77	9.44	8.91	9.78	10.32
Core EPU (sen)	8.63	8.59	8.91	9.78	10.29
Gross DPU (sen)	9.28	9.19	9.16	9.96	10.46
Net DPU (sen)	8.35	8.27	8.24	8.96	9.41
Net distribution yield (%)	4.3	4.2	4.2	4.6	4.8
Core PER (x)	22.6	22.7	21.9	19.9	19.0
NAV per unit (RM)	1.06	1.07	1.07	1.08	1.09
P/NAV (x)	1.84	1.83	1.83	1.81	1.79
Core ROE (%)	8.2	8.1	8.4	9.1	9.5
Core ROA (%)	5.8	5.8	6.1	6.5	6.6

Sources: Company, MIDF Research

CMMT FY19 net profit within expectations

CapitaLand Malaysia Mall Trust (Jan 23, RM1.02)

Maintain hold with an unchanged target price (TP) of RM1.03: CapitaLand Malaysia Mall Trust's (CMMT) financial year 2019 (FY19) core net profit was in line at 98% of our full-year forecast but came in 4% above consensus estimates. FY19 revenue slipped 2.2% year-on-year (y-o-y), dragged by weaker rental revenue and low occupancy rates for Tropicana Mall and Sungei Wang Plaza (SWP), partially offset by higher rental income following the completion of the asset enhancement initiatives (AEI) at East Coast Mall (ECM) and SWP. Overall FY19 core net profit (excluding RM31 million fair value loss) fell by 9% y-o-y largely due to a deferred tax liability charge relating to the 10% Real Property Gains Tax and a 39% y-o-y fall in interest income. FY19 distribution per unit of 6.3 sen (down 21% y-o-y) was a slight 2% above our forecast.

CMMT wrapped up FY19 with a -5.7% portfolio rental reversion (FY18: -2.9%), weighed by its retail assets in the Klang Valley: SWP: -12.5% (FY18: -13.3%), The Mines: -17.2% (FY18: -16.9%), 3 Damansara: -4.5% (FY18: -7.5%). Meanwhile, Gurney Plaza recorded a positive rental reversion of 1% (FY18: +4.2%), while ECM booked in a 0.9% rental reversion (FY18: +4.2%). Tropicana City Office Tower, achieved a -2.4% rental reversion in FY19 (FY18: -5.1%).

New rental income from Jumpa's 112,000 sq ft of net lettable area will contribute to earn-

CapitaLand Malaysia Mall Trust

FYE DEC (RM MIL)	2018A	2019A	2020F	2021F	2022F
Gross property revenue	350.1	342.3	337.3	351.9	356.4
Net property income	215.0	202.1	208.7	216.4	217.9
Net profit	135.6	72.6	128.7	136.9	139.1
Distributable profit	161.3	128.0	157.6	165.8	167.9
Core EPS (RM)	0.066	0.047	0.062	0.066	0.067
Core EPS growth (%)	(15.1)	(28.3)	32.4	5.9	1.2
FD core PER (x)	17.21	23.99	16.14	15.24	15.06
DPS (RM)	0.079	0.062	0.067	0.070	0.070
Dividend yield (%)	7.81	6.19	6.59	6.90	6.96
Asset leverage (%)	31.8	31.9	31.9	31.7	31.5
BVPS (RM)	1.05	1.2	9 1.29	1.28	1.27
P/BV (x)	0.96	0.78	0.79	0.79	0.80
Recurring ROE (%)	5.03	3.64	4.85	5.17	5.27
% change in DPS estimates (%)			5.79	3.95	
CGS-CIMB/consensus DPS (x)			1.01	1.02	

Sources: CGS-CIMB Research, company reports

ings in stages in FY20 forecasts (FY20F), with a targeted about 90% occupancy rate once all new tenants come on stream in the second half of 2020. In terms of timeline, new revenue contribution from food and beverage tenants had begun to flow through for the fourth quarter of FY19 including the inclusion of two mini-anchor tenants in December. In FY20F, rental contribution from the final mini-anchor tenant is expected by mid-2020. On a guided RM4-RM5 per sq ft average rental rate, we estimate that Jumpa will contribute RM5.3 million-RM6.7 million rental revenue per annum and RM3.8 million to 4.8 million net property

income (NPI) per annum (80% NPI margin and 90% occupancy rates), or equivalent to 2%-3% of FY20F earnings per share.

We maintain "hold" and our RM1.03 dividend discount model-based TP in view of the sustained negative rental reversion and low occupancy rates for underperforming malls but well supported by FY20-22F dividend yields of 6.6-6.9%. An upside risk to our call is a turnaround in rental reversions. Downside risks are prolonged negative reversions, rental downtime at The Mines and delays in SWP's turnaround post AEI completion. — CGS-CIMB Research, Jan 23

Hua Yang seen to derive sales from Penang, Johor and Klang Valley

Hua Yang Bhd (Jan 23, 37 sen)

Not rated with an unchanged target price (TP) of 33 sen: Cumulative nine months of the financial year 2020 (9MFY20) core net profit (CNP) of RM6.1 million came in within our and consensus' full-year estimates at 74% and 77%. Property sales of RM182.5 million are on track to meet our full-year target of RM251.7 million. No dividends declared as expected.

9MFY20 CNP plunged 30% year-on-year with RM6.1 million compared with RM8.7 million in 9MFY19 mainly due to losses from its associate, Magna Prima Bhd, of RM6.5 million compared to a profit of RM3.7 million a year ago, despite higher revenue of RM222.7 million (+12%) achieved in 9MFY20. Quarter-on-quarter, third quarter of FY20 (3QFY20) recorded higher CNP of RM1.5 million (+53%) compared with RM1 million in the preceding quarter, mainly due to: i) higher revenue (+7%) contributed by smooth construction progress for Meritus Residensi, Penang and Astetica Residences, Seri Kemangan; ii) lower losses from associate company (-39%) compared with 2QFY20; and iii) lower effective

tax rate of 28% compared with 67% in 2QFY20.

Despite the challenging operating landscape in the property sector, we believe Hua Yang Bhd is on the right track as they continue to derive sales from Penang, Johor and the Klang Valley backed by unbilled sales of RM186 million (as at December 2019) with a year's visibility and lower inventory of completed properties of RM29.5 million. Net gearing is down marginally from 0.61 times to 0.57 times and management remains optimistic about further lowering it to the 0.5 times level through sale of completed developments and timely completion of ongoing projects.

Post results, we make no changes to our earnings forecast. Due to a lack of investor interest and the reshuffling of our research resources, we are ceasing active coverage for now. Should its outlook improve, we may seek to resume coverage in the future. The stock is "not rated" (from "underperform"), with our last TP of 33 sen, implying forward FY20 price-to-book-value of 0.2 times. Risks to our call include: i) higher-than-expected sales; ii) lower-than-expected administrative costs; iii) changes in real estate policies; and iv) changes in lending environment. — Kenanga Research, Jan 23

Hua Yang Bhd

FYE MARCH (RM MIL)	2019A	2020E	2021E
Turnover	277.6	247.1	244.1
Ebit	32.3	24.9	22.8
PBT	-12.0	12.0	10.6
Net profit (NP)	-20.5	8.2	7.2
Core net profit	-12.6	8.2	7.2
Consensus (NP)	NA	7.9	10.2
EPS (sen)	-5.8	2.3	2.1
EPS growth (%)	-564	-140	-12
NTA/share (RM)	1.63	1.53	1.55
PER (x)	N.A	15.6	17.7
Price/NTA (x)	0.2	0.2	0.2
Net gearing (x)	0.68	0.66	0.65

Source: Kenanga Research

Lower OPR should lift Malaysian REITs' valuation

Real estate investment trust sector

Maintain overweight: Bank Negara Malaysia (BNM) decided to cut its overnight policy rate (OPR) by 25 basis points (bps) to 2.75%. This is its lowest level since April 2011. The market was expecting the OPR to be unchanged at 3%. BNM guided that its decision to lower the OPR was a "pre-emptive measure to secure the improving growth trajectory amid price stability". Barring unforeseen global events (for example, worsening of the recent coronavirus outbreak), we anticipate BNM to keep the OPR unchanged throughout 2020 as it guided that the current OPR level of 2.75% is appropriate in sustaining economic growth with price stability.

In the long run, the OPR cut should lower Malaysian real estate investment trusts' (REITs) finance cost and lift earnings, but the im-

Real estate investment trust peer comparison

COMPANY	RATING	SHARE PRICE (RM)	TP (RM)	MKT CAP (RM MIL)	YEAR END	CORE PER (X)		CORE EPU CHG (%)		GEARING (%)	P/NAV (X)	DPU (SEN)		DPU YIELD (%)	
						CY19E	CY20E	CY19E	CY20E			CY19E	CY20E	CY19E	CY20E
Axis REIT	Buy	1.86	1.97	2,669.6	Dec	20.3	19.2	5.7	6.1	28.7	1.3	9.3	9.6	5.0	5.2
IGB REIT	Buy	1.95	2.12	6,920.2	Dec	21.9	21.0	3.5	4.1	23.3	1.8	9.1	9.5	4.7	4.9
KLCC	Buy	7.83	8.90	14,135.8	Dec	19.4	18.4	0.4	5.5	13.0	1.1	38.0	40.1	4.9	5.1
Pavilion REIT	Hold	1.72	1.85	5,227.1	Dec	20.3	19.1	0.5	6.4	34.3	1.3	8.7	9.3	5.1	5.4
Sunway REIT	Buy	1.83	2.00	5,389.5	June	18.8	18.0	1.8	4.2	38.6	1.2	9.7	10.1	5.3	5.5
YTL REIT	Buy	1.36	1.46	2,318.0	June	15.7	14.4	(0.3)	8.4	41.3	0.9	8.2	9.0	6.1	6.6
Average						19.4	18.4	1.9	5.8	29.9	1.3			5.2	5.4

Prices as of Jan 22, 2020

Sources: Company, Affin Hwang estimates, Bloomberg

pact to near-term profit (2020-21 estimates) is likely minimal. Most of the Malaysian REITs under our coverage (Axis REIT, IGB REIT, KLCCP Stapled Group and YTL Hospitality REIT) have the majority (more than 70%) of their borrowings pegged at a fixed rate, while the others (Pavillion REIT, Sunway REIT) have

pegged at 43% of their borrowings at a fixed rate.

On Jan 22, 2020, the OPR cut triggered a 12bps decline in the 10-year Malaysia Government Securities (MGS) yield to 3.17%. We anticipate the compression on MGS yields to drive investor demand for alternative yielding assets such as

Malaysian REITs, thereby re-rating the sector's valuation. We maintain "overweight". For exposure, we like: i) KLCCP Stapled Group ("buy"; target price [TP]: RM8.90) for its highly defensive earnings/sustainable yield; ii) Axis REIT ("buy"; TP: RM1.97) for its industrial/warehouse portfolio and attractive val-

uation; and iii) IGB REIT ("buy"; TP: RM2.12) for its prime assets, robust earnings track record and strong management.

Key risks: Weak retail spending, lower economic growth, lower tourist arrivals and reversal in the global yield trend. — Affin Hwang Capital, Jan 23

Pavilion REIT seen with prime asset profile, resilient profits

Pavilion Real Estate Investment Trust
(Jan 28, RM1.74)

Maintain market perform with a lower target price of RM1.80:

Pavilion Real Estate Investment Trust (Pavilion REIT) realised net income (RNI) of RM247.6 million for financial year 2019 (FY19) was slightly below our and consensus expectations, at 93% and 94% respectively. Pavilion REIT's top line was at 95% but the deviation was mainly due to a higher-than-expected financing cost of 108% as our estimates may have been too conservative.

Year-on-year, the top line was up 5% driven by a higher rental income from Pavilion Kuala Lumpur on positive reversions after a repositioning, and the inclusion of Elite Pavilion Mall in April 2018 (2QFY18). Pavilion REIT's top-line growth was mildly dampened by the Da Men Mall registering a lower rental and occupancy.

However, Pavilion REIT's RNI was down 3% on an operating expenditure up 17% due to higher electricity and repairs for air conditioners, lifts and maintenance, and financing cost up 10% due to Elite Pavilion and working capital. Quarter-on-quarter, the top line was flattish (up 1%), while a

higher operating cost eroded its top-line improvement, resulting in a flat RNI.

For FY20 and FY21, Pavilion REIT will see 22% to 19% of its portfolio net lettable area expiring, on single-digit reversions. We are confident about Pavilion REIT's two main drivers — Pavilion Kuala Lumpur and Pavilion Elite, cumulatively contributing about 95% of net property income — securing positive reversions on the minimal leases up for renewal, but a challenging outlook for Da Men Mall is expected to remain in the near term pending a cinema addition in October 2020. For FY20 and FY21, it will still be driven by single-digit rental reversions, stemming mainly from renewals at Pavilion Kuala Lumpur and Pavilion Elite.

We like Pavilion REIT for its prime asset profile and resilient earnings and as such have applied thin spreads at the lower-end among retail mortgage REITs under our coverage, between 1.3 percentage points (ppts) to 2.6 ppts. We are comfortable with our call, with a potential return of 9%, as most upsides — positive reversions and a stable portfolio occupancy — have been priced in, while downside risks appear minimal.
— Kenanga Research, Jan 24

Pavilion Real Estate Investment Trust

FYE DEC (RM MIL)	2019A	2020E	2021E
Turnover	585.4	611.9	624.1
Ebit	375.2	357.5	364.7
PBT	262.6	256.5	266.3
Net profit	262.6	256.5	266.3
Core NP (RNI)	247.6	256.5	266.3
Consensus (CNP)	na	280.7	290.4
Earnings revision (%)	na	-6	na
Core EPS (sen)	8.1	8.4	8.7
Core EPS growth (%)	-3	3	4
NDPS (sen)	7.7	7.9	8.2
BV/Share (RM)	1.27	1.30	1.30
Core PER (x)	21.2	20.5	19.8
Gearing (%)	0.34	0.35	0.35
Net dividend yield (%)	4.4	4.6	4.7

*Core net profit refers to RNI

Source: Kenanga Research

REITs stand out against low interest rates

BY ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Real estate investment trusts (REITs) are expected to be sought after, more so after Bank Negara Malaysia's recent cut in the overnight policy rate (OPR) by 25 basis points which resulted in lower bank deposit rates.

The OPR cut, which had an impact on Malaysian Government Securities (MGS) yields could drive investors for alternative yielding assets, said Affin Hwang Capital Research.

"We anticipate the compression in MGS yields to drive investors to demand alternative yielding assets such as REITs, thereby rerating the sector's valuation," it added. Currently, REITs listed on Bursa Malaysia are offering yields at above 4% (see table), compared with banks' fixed deposit rates of below 3%.

Rakuten Trade Research vice-president Vincent Lau believes that REITs would do well in a low-interest rate environment, particularly those who are in the retail space.



"REITs would do well in a low-interest-rate environment. In particular, retail REITs are expected to be resilient as high tenant occupancy alongside food and beverage (F&B) demand in shopping malls will continue to be a driving force for footfall," said Lau, who cited REITs such as Pavilion REIT and IGB REIT will fare well in 2020.

Meanwhile, TA Securities concurred that a rate cut could serve to

restore the attractiveness of REITs vis-à-vis the yields of other fixed income instruments.

TA Securities forecasted an 8.1% year-on-year (y-o-y) growth in the distribution per unit (DPU). This growth is expected to be driven by higher rental post asset enhancement initiatives (AEIs), contributions from newly acquired assets and better operational efficiencies.

Should domestic economic activities continue to gain traction, TA Securities noted that the potential upside to its DPU forecasts is present. Balance sheet-wise, REITs' financial footing remains solid according to TA, with an average gearing ratio of the REITs that it covers standing at 36.1% as at Sept 30, 2019, while the debt maturity is well spread and financing costs are expected to remain stable.

"Over the near term, we believe refinancing risks are low as REIT managers have been proactive, taking advantage of the current accommodative interest environment to lengthen debt tenures,

CONTINUES ON PAGE 8

Performances of REITs listed on Bursa Malaysia

COMPANY NAME	PRICE (RM)	ONE YEAR RETURN (%)	MKT CAP (RM BIL)	DISTRIBUTION YIELD - TRAILING 12 MONTHS (TTM)(%)
KLCCP Stapled Group	7.83	5.18	14.14	NA
IGB Real Estate Investment Trust	1.92	13.28	6.82	4.81
Sunway Real Estate Investment Trust	1.82	9.48	5.36	5.28
Pavilion Real Estate Investment Trust	1.71	3.76	5.20	5.16
Axis Real Estate Investment Trust	1.78	9.22	2.55	5.14
YTL Hospitality REIT	1.33	11.09	2.27	5.95
CapitaLand Malaysia Mall Trust	0.995	-2.54	2.04	7.11
Al-'Aqar Healthcare REIT	1.4	7.07	1.03	5.57
MRCB-QUILL REIT	0.93	-8.01	0.997	11.45
UOA Real Estate Investment Trust	1.25	-0.75	0.53	7.46
Al-Salam Real Estate Investment Trust	0.82	6.76	0.48	6.94
KIP Real Estate Investment Trust	0.895	21.63	0.452	6.88
Hektar Real Estate Investment Trust	0.975	-6.91	0.450	8.29
AmanahRaya Real Estate Investment Trust	0.73	-6.54	0.42	8.15
AmFIRST Real Estate Investment Trust	0.485	0.85	0.33	8.23
Tower Real Estate Investment Trust	0.8	-7.16	0.22	4.91
Atrium Real Estate Investment Trust	1.04	-1.99	0.21	4.34
Amanah Harta Tanah PNB	0.78	11.91	0.17	7.47

As of Jan 31, 2020

Sources: Bloomberg/Asia Analytica

REITS expected to perform better on VMY2020 hopes

FROM PAGE 3

refinance loans ahead of maturities and establish new loan facilities for future drawdown,” said TA Securities.

REITs that own mall and hotel assets are expected to perform better pinning their hopes on the Visit Malaysia 2020 (VMY2020) programme in helping to draw higher tourist arrivals for the year.

Beside the rate cut that has made REITs attractive to yield-seeking investors, lower interest rates also help to reduce financing costs for any asset acquisitions.

PublicInvest Research said in a recent research note dated Jan 23 the low-interest-rate environment could serve to stoke risk appetite for asset acquisitions, as they are generally funded by borrowings.

However, from the earnings perspective, PublicInvest Research opined that the impact of the OPR cut would be mildly positive, as there would be cost savings from lower interest rates on the floating rate debts owed by REITs.

Most of the REITs under our coverage have the majority of their borrowings pegged at a fixed rate.

“That said, the impact on earnings is marginal with the lower finance costs only expected to increase earnings [of those REITs with floating rates] by about 1%,” opined PublicInvest Research.

The research house added that of the REITs it covers, Sunway REIT’s floating-rate loans account for 57% of its loans, while Axis REIT is 21%. Over at IGB REIT, all its borrowings are placed at fixed rates.

Affin Hwang Capital viewed that the OPR cut would reduce REITs’ finance costs and lift earnings, but the impact on near-term profits in 2020 and 2021 is likely minimal.

“Most of the REITs under our coverage (Axis REIT, IGB REIT, KLCC Stapled Group and YTL REIT) have the majority (more than 70%) of their borrowings pegged at a fixed rate, while the others have pegged 43% of their borrowings at a fixed rate,” noted Affin Hwang.

Affin Hwang has maintained its “overweight” call on the REIT sector, and highlighted KLCCP Stapled Group is highly defensive in terms of earnings and its yield is sustainable. It also likes Axis REIT for its industrial and warehouse portfolio and attractive valuation, and IGB REIT for its prime assets, robust earnings track and strong management.

Atrium REIT 4Q rental income jumps 69%; trust declares 2.23 sen dividend

BY ADAM AZIZ

KUALA LUMPUR: Atrium Real Estate Investment Trust's (Atrium REIT) net rental income for the fourth quarter ended Dec 31, 2019 (4QFY19) jumped 69.8% to RM8.13 million from RM4.79 million for 4QFY18.

The better results came on the back of a higher gross revenue of RM7.61 million from RM4.9 million for 4QFY18, as well as lower property operating expenses for the quarter.

Atrium REIT also booked unbilled lease income receivables of RM605.96 million as part of adjustment under the Malaysian Financial Reporting Standard 16 accounting requirement.

Quarterly earnings per unit grew to 2.21 sen from 1.97 sen for the previous corresponding quarter.

The REIT has declared a dividend of 2.23 sen per unit, bringing its full-year total to 6.63 sen — down from 8.1 sen for FY18.

For FY19, Atrium REIT's net rental income grew 24% to RM21.41 million from RM17.26 million as gross revenue expanded 19.05% to RM22.6 million, from RM18.78 million.

It is noted that the REIT recorded higher trust expenses on higher manager fees, administrative expenses and finance costs — the latter due to the drawdown of a note programme to finance the acquisition of Atrium Bayan Lepas 2 in Penang.

Sun Hung Kai cuts February rent by up to 50% for retail tenants

BY CLARE JIM

HONG KONG: Some shopping mall landlords in Hong Kong, including Sun Hung Kai Properties, the city's largest property developer by value, are offering relief measures such as rental concession to their tenants during the Covid-19 outbreak.

Sun Hung Kai, who owns major malls in some of the local districts that host international fashion brands ranging from Coach to Zara, said yesterday it would reduce February rent by 30%-50% for most of its tenants, in an effort to stabilise economy and protect employment.

MTR Corp, who runs malls on top of some of its subway stations, said it would adjust rent for small and medium companies. For its chain and international brand tenants, it would launch relief measures after collecting their sales data.

Link Real Estate Investment Trust, whose tenants are mostly small to medium businesses, also said it had set up a HK\$80 million (RM42.6 million) relief scheme, which includes allowing rent payment by instalments, waiving late-payment interest and service charges, granting rent-free periods, and reducing rents.

Hong Kong's retail sector, already battered by months of often violent anti-government protests, is likely to get worse in coming months as a new Covid-19 outbreak in mainland China has emptied shopping centres and closed down tourist attractions.

Separately, Sun Hung Kai said home sales and hotel occupancy rates had been affected by the epidemic. — *Reuters*

Sunway REIT 2Q NPI up 12%, declares 2.45 sen DPU

BY WONG EE LIN

KUALA LUMPUR: Sunway Real Estate Investment Trust's (REIT) net property income (NPI) grew almost 12% to RM116.62 million for the second quarter ended Dec 31, 2019 (2QFY20) from RM104.23 million a year ago, thanks to a higher revenue.

Its quarterly revenue expanded 11.7% to RM155.8 million from RM139.5 million, according to a filing with Bursa Malaysia yesterday.

The REIT attributed its higher revenue to new income contribution from the newly acquired Sunway University and College campus and improved performance across all segments.

Netrealised income for 2QFY20 was up 8.6% to RM72.15 million from RM66.43 million last year.

The group also declared an income distribution per unit (DPU) of 2.45 sen for the financial year ending June 30, 2020 (FY20), which is to be paid on March 12.

For the six-month period (1HFY20), Sunway REIT saw its NPI rising 9.8% to RM235.69 million from RM214.74 million last year, while revenue was up nearly 10% to RM311.15 million from RM283.24 million.

Net realised income for the six months grew 4.6% to RM145.87 million from RM139.41 million.

As at Dec 31, 2019, Sunway REIT's property value grew to RM8.08 billion from RM7.35 billion a year ago, while its number of properties rose to 17 from 16.

"We are pleased to announce that Sunway REIT has delivered a healthy growth in DPU to unitholders for 1HFY20. This was achieved on the back of our growth strategy to continuously expand our income stream through acquisitions and active asset management initiatives," said Sunway REIT Management Sdn Bhd chief executive officer Datuk Jeffrey Ng in a separate statement yesterday.

On prospects, he said Sunway REIT expects the DPU for FY20 to be supported by a full-year income contribution from the newly acquired Sunway University and College campus, stable contributions across all sectors and a favourable interest rate environment.

"That said, the manager is cautious and we are closely monitoring the development of [Covid-19] which may have implications on our business if the pandemic persists over a longer period," he said, adding that the manager has activated operational precautionary measures to ensure the cleanliness and hygiene of the premises in the immediate term.

Sunway REIT's unit price went up three sen or 1.62% to RM1.88 yesterday, valuing the trust at RM5.54 billion.