

MEDIA RELEASE

11 January 2017

**SUNWAY REIT PROPOSES TO ACQUIRE AN INDUSTRIAL PROPERTY FOR RM91.5 MILLION IN SHAH ALAM, SELANGOR**

- *Maiden foray into prime industrial property in a strategic location*
- *Long tenure lease structure to enhance stability of income stream*
- *Portfolio value increases by 1.4% to RM6.52 billion*

**Bandar Sunway, 11 January 2017** – Sunway REIT Management Sdn. Bhd., the Manager of Sunway Real Estate Investment Trust (“Sunway REIT”), is pleased to announce that RHB Trustees Berhad, as trustee of Sunway REIT (“Trustee”), has entered into a conditional sale and purchase agreement (“SPA”) with Champion Edge Sdn. Bhd. to acquire an industrial property at Section 23, Shah Alam, Selangor for a total purchase consideration of RM91.5 million.

**Property Description**

Property description	: A two-storey office with an annexed one-storey factory with mezzanine floor a three-storey office with an annex one-storey warehouse and an integral two-storey office with a two-storey factory cum warehouse with an adjoining M&E building and other ancillary buildings (“The Property”)
Title details	: H.S.(D) 132499, Lot No. PT 65, Section 23, Bandar Shah Alam, Daerah Petaling, Negeri Selangor Darul Ehsan
Tenure	: Leasehold – 99 years (expiring 30 May 2098)
Land area	: 62,587.34 square meters
Category of Land Use	: Industrial
Purchase price (RM million)	: 91.5

The Property is strategically located in the prime industrial hub of Shah Alam, Selangor and is predominantly occupied by established multinationals, logistics and manufacturing companies. The Property is easily accessible to the Kuala Lumpur city centre through major roads and expressways such as Federal Highway, ELITE Highway and Shah Alam Expressway (“KESAS”) as well as close proximity to Kuala Lumpur International Airport and Port Klang, the largest sea gateway in the country.

The lease of the Property is structured on a triple-net-lease basis (where all costs and outgoings in relation to the Property are borne by the Lessee) through a novation of an existing lease agreement. The lease has a remaining duration of approximately eighteen (18) years which shall expire on 31 December 2034 (“Initial Term”). The initial term will automatically be extended for one further term of five (5) years (“Renewal Term”) on the same terms and conditions. The Lessee has the option to notify the Lessor in writing, not less than 18 months prior to the end of the Initial Term if they do not wish to renew the lease. The renewal term may also be extended to more than five (5) years to a tenure of not exceeding fifteen (15) years. Based on the initial year’s annual rental of RM5.6 million, this translates into an initial acquisition yield (based on net property income) of 6.12%. Thereafter, the net property yield is expected to increase to 6.73% upon the next rent review in 2019.

Sunway REIT’s property value will increase by 1.4% to RM6.52 billion, from RM6.43 billion as at 30 June 2016, upon the completion of the acquisition of the Property. The Property will be classified alongside with the defensive income portion of Sunway REIT’s asset portfolio as “Others” segment. The asset portfolio composition for the “Others” segment will increase from 5.0% to 6.4% upon completion of the proposed acquisition based on property value as at 30 June 2016. The proposed acquisition will be fully funded by its existing debt programme.

In line with Sunway REIT’s investment strategy, the proposed acquisition is part of the diversification strategy to strengthen income stability. In 2015, Sunway REIT has expanded its investment strategy to invest in long tenure stable income producing assets such as industrial properties, logistics warehouses, data centres amongst others. These assets shall not exceed 15% of total asset value. Sunway REIT will remain retail focused within a diversified asset portfolio spanning across key high growth states in Malaysia.

Dato' Jeffrey Ng, CEO of Sunway REIT Management Sdn. Bhd., said, "We are pleased to announce that Sunway REIT is making its maiden foray into the industrial property sub-sector. Under the prevailing challenging operating environment, investment in this property offers stable income stream regardless of economic and market condition. The proposed acquisition is backed by a long lease and tenanted by a reputable tenant, hence, able to offer Sunway REIT a resilient rental income stream and contribute positively to its earnings and distributable income."

He added, "Sunway REIT's asset will increase to 15 upon the completion of the proposed acquisition and reinforces its position as the second largest REIT in Malaysia with a property value of RM6.52 billion. We are on track to meet our target of RM7 billion by FY2017."

### **About Sunway Real Estate Investment Trust**

Sunway Real Estate Investment Trust ("Sunway REIT" or "Trust") is one of the largest retail-focused<sup>1</sup> real estate investment trusts ("REIT") in Malaysia with a diverse portfolio strategically located across award-winning integrated townships in key locations in Greater Kuala Lumpur, Penang, and Perak.

Sunway REIT was listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia) on 8 July 2010. The market capitalisation of Sunway REIT stood at RM5.0 billion as at 10 January 2017. Sunway REIT is a component of FTSE-Bursa Malaysia Mid 70 Index, FTSE4 Good Index and TR/GPR/APREA Composite REIT Index Malaysia, FTSE EPRA / NAREIT Global REIT Index, FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Asia ex Japan Index, FTSE EPRA / NAREIT Asia Pacific Index and FTSE EPRA / NAREIT Emerging REIT Index. Sunway REIT owns a portfolio of 14 assets comprising 4 retail malls, 5 hotels, 4 offices and a medical centre. Property value stood at RM6.43 billion as at 30 June 2016.

Sunway REIT's assets are primarily located in Sunway City where its flagship asset, Sunway Pyramid Shopping Mall, is located. The other assets located in SRC include Sunway Resort Hotel & Spa, Sunway Pyramid Hotel (formerly known Sunway Pyramid Hotel East), Menara Sunway and Sunway Medical Centre. On the northern Peninsular of Malaysia, Sunway REIT owns SunCity Ipoh Hypermarket in Perak.

On the mainland of Penang, Sunway REITs owns Sunway Hotel Seberang Jaya and Sunway Carnival Shopping Mall. In FY2015, Sunway REIT added two assets into the portfolio, namely Wisma Sunway in Shah Alam, Selangor and Sunway Hotel Georgetown, marking its maiden foray into Penang Island.

Sunway REIT owns four properties in in Kuala Lumpur, namely Sunway Tower and the remaining three assets which constitute part of the 3-in-1 integrated development, Sunway Putra (formerly known as Sunway Putra Place). Sunway Putra consists of Sunway Putra Mall, Sunway Putra Hotel and Sunway Putra Tower.

<sup>1</sup> Retail-focused is defined as at least 60% contribution from the retail assets to property value, revenue or NPI.

### **Important notice**

Kindly read this media release in conjunction with the announcement released to Bursa Malaysia dated 11 January 2017 for a more comprehensive understanding of Sunway REIT's announcement.

This media release may contain certain forward looking statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; cost of capital and capital availability including availability of financing in the amounts and the terms necessary to support future business; availability of real estate properties; competition from other companies; changes in operating expenses including employee wages, benefits and training, property expenses, government and public policy changes. You are cautioned not to place undue reliance on these forward looking statements which are based on Management's current view of future events. Past performance is not necessarily indicative of its future performance.

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