


Sunway-REIT acquisitions, enhancements pay off

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PETALING JAYA: RHB Research has increased its earnings estimates for Sunway Real Estate Investment Trust  (Sunway-REIT) by 3% for financial years 2025 (FY25) and FY26, driven by higher rental rate growth assumptions coupled with the REIT's ambitions outlined in its strategic roadmap.

The research house has also revised its target price for Sunway-REIT to RM2.07 a share from RM1.94, while maintaining its “buy” call with a 4% environmental, social, and governance (ESG) premium.

The upward revision follows Sunway-REIT's Investor Day event, where RHB Research said the REIT highlighted its recalibrated strategic roadmap “Transcend 2027”, which emphasises core strengths in retail, sustainability, and external acquisitions.

RHB Research said Sunway-REIT has secured RM1bil in external acquisitions since mid-2023, surpassing the cumulative amount reached previously.

“Sunway-REIT expects to purchase more third-party assets, to reach its RM14bil asset-value target (currently at RM10bil), as the pipeline from its sponsor could range between RM1bil and RM2bil,” the research house noted.

RHB Research highlighted that Sunway-REIT's purchases have been productive, securing high-yielding assets with strong positioning in their respective subsegments.

"For example, the six giant hypermarkets (for RM520mil) immediately recorded a fair value gain of RM73mil, providing a yield of 8% while also enhancing the REIT's long-term earnings with a weighted average lease expiry (WALE) of nine years against FY23's WALE of four years," the research house said.

RHB Research said Sunway-REIT's asset enhancement initiatives (AEI) were now also bearing fruit.

The research house was told that Sunway Resort Hotel's refurbishment has led to its average room rate doubling, while Sunway Carnival Mall was enjoying 50% higher retail sales per square foot post-renovation.

Looking ahead to FY25, RHB Research said near-term earnings growth should be driven by the AEIs for Sunway Carnival Mall's existing wing to be completed in the third quarter of financial year 2025 and Sunway Pyramid's Oasis segment which opened on Nov 1.

"Sunway Pyramid's Oasis segment now records more than double the average rental rate from over 100 smaller tenants, compared with its lower-yielding anchor tenant previously," the research house said.

On the sustainability front, RHB Research said Sunway-REIT continued to solidify its position as a leader

The research house highlighted Sunway-REIT's long-standing commitment to sustainability, which began with the formation of its sustainability working group in 2015.

As of 2023, seven of its buildings, accounting for 34% of its gross floor area, are green-certified.

RHB Research said Sunway-REIT plans to certify all its assets as green by 2034.

The REIT aims to progressively upgrade equipment as it reaches the end of its lifecycle to meet its certification goals.

RHB Research remains optimistic about Sunway-REIT's diversified portfolio and growth prospects, noting: "We still like the stock – premised on the REIT's solid organic and inorganic growth prospects, driven by its diversified asset portfolio."