

# Confidence In SunwayREIT Despite Possible Income Loss From Asset Divestment

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Sunway REIT has announced the disposal of its Sunway University & College campus, along with 16.8 acres of land, to Sunway College for RM613 million, according to a report by Kenanga Research.

The sale represents a 6.3% capitalisation rate. Kenanga noted that the divestment is expected to result in a net disposal gain of RM41 million for SUNREIT. SUNREIT plans to use the proceeds from the sale primarily to fund future acquisitions and repay debts. Kenanga Research maintains its “OUTPERFORM” call and target price of RM2.07 for SUNREIT.

However, the research firm has also factored in a 3% core earnings reduction in FY26 to account for the net disposal impact. The disposal includes three parcels of leasehold land and all campus buildings and sports facilities, which will be sold to Sunway College (KL) Sdn Bhd, a wholly-owned subsidiary of Sunway Education Group Sdn Bhd. The 6.3% capitalisation rate is broadly in line with market averages; for comparison, Hektar REIT’s 2023 acquisition of Kolej Yayasan Saad Melaka’s campus was transacted at a cap rate of -5.4%.

The deal is expected to be completed by 2HFY25. Kenanga Research estimates a roughly 3% decline in FY26 net profit, considering the loss of approximately RM40 million in rental income in FY26 and a RM3 million reduction in manager fees. However, the gearing ratio is projected to decrease from 0.41x to 0.38x upon completion of the deal.

Kenanga Research has a neutral stance on the disposal, expressing confidence in SUNREIT's ability to reinvest the capital into other income-generating opportunities and sustain dividend payouts.

SUNREIT is reportedly actively seeking potential acquisition targets, including a possible injection of Sunway Velocity Mall from its sponsor, Sunway Berhad, in the medium term