

Sunway REIT earnings revised upwards on strong retail performance

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KUALA LUMPUR: Analysts have revised upwards their earnings forecasts for Sunway Real Estate Investment Trust (REIT) following its first quarter results that came in within estimates.

RHB Research said the company's earnings of RM98.6 million for the first quarter of 2025 (Q1 2025), an increase of 13 per cent year-on-year (YoY), were in line with expectations at 25 per cent of the firm's and street's estimates.

The growth was mainly led by the newly acquired properties, namely the six Sunway REIT Hypermarkets, Sunway 163 Mall, and Sunway Kluang Mall, alongside stronger performance from Sunway Pyramid and Sunway Carnival Mall.

This helped to offset slower performance in both the hospitality and office segments.

Excluding the newly acquired properties, the retail segment's revenue grew 13 per cent YoY in Q1 2025 due to the asset enhancement initiatives (AEI) on Sunway Pyramid and Sunway Carnival Mall and higher occupancy rates.

The firm raised its earnings forecasts for the company by two per cent for financial year 2025 (FY25) and three per cent for FY26 and FY27 after adjusting its occupancy rate and rental rate assumptions.

It added that Sunway Carnival Mall's AEI should drive higher rental rates for the mall and there is room for organic growth from Sunway Pyramid with the full-year impact of the Oasis precinct, which was only opened in November 2024.

RHB Research maintained a 'Buy' call on the stock with a target price (TP) of RM2.13.

In a separate note, Hong Leong Investment Bank (HLIB) said Sunway REIT's core net profit exceeded the firm's estimates at 28 per cent of its full-year forecast as well as consensus estimates at 27 per cent.

The firm raised its earnings forecasts for Sunway REIT by 8.4 per cent, 10.8 per cent and 11.4 per cent for FY25, FY26 and FY27, respectively, to account for the higher than expected rental reversion.

"The retail segment performed better-than-expected and management now guides for high single-digit to low-teens reversion, supported by the full reopening of Sunway Carnival Mall in about a month.

"Separately, management attributes the drop in hotel occupancy to softer demand for leisure and MICE activities during the Ramadan period. Nonetheless, we expect a recovery in the coming quarters, supported by the anticipated growth in tourist arrivals under the Visit Malaysia 2026 campaign and the mutual visa exemption between Malaysia and China," it said.

HLIB kept its 'Buy' call on the stock with a higher TP of RM2.17.

Meanwhile, CIMB Securities noted that Sunway REIT's borrowing costs grew 13 per cent YoY in the quarter under review, attributable to a higher average interest rate of 3.92 per cent and increased borrowings.

On May 2, 2025, Sunway REIT announced the disposal of Sunway University and College to Sunway College (KL) Sdn Bhd for RM613 million. As of FY24, the asset accounted for 5.6 per cent of Sunway REIT's portfolio value and contributed 6.8 per cent to its net property income.

"Targeted for completion in 2H25, the disposal is an opportunistic move to unlock asset value and is expected to generate a total gain of RM41 million. Proceeds will be utilised for yield-accretive investments, AEI, or debt repayment, which could lower gearing to 40 per cent," it added.

It maintained 'Buy' on the stock with a TP of RM2.11.