

Catalysts to lift Sunway-REIT revenue

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PETALING JAYA: The reopening of Sunway Carnival Mall and a rebound in hotel bookings after a slow first quarter (1Q25) will boost Sunway Real Estate Investment Trust's (Sunway-REIT) gross revenue and net property income (NPI).

The REIT has a strong 1Q25 start 1Q25 with earnings up 20.2% year-on-year (y-o-y) to RM98.6mil, supported by stronger NPI from retail assets.

Analysts noted that retail NPI surged about one-third, backed by positive rental reversions and contributions from newly-acquired assets including the Sunway 163 Mall, six hypermarkets and Sunway Kluang Mall.

“Retail occupancy reached a record high of 99%, and the Oasis precinct at Sunway Pyramid Mall achieved full occupancy, with rents doubling,” Maybank Investment Bank (Maybank IB) Research said.

However, hospitality revenue dropped 16%, due to the Ramadan period but this is expected to normalise from 2Q25.

Office NPI also declined 11% y-o-y due to tenant relocations although backfilling efforts are underway, according to the research house.

“We maintain our earnings forecast for now, as we believe finance cost will increase as asset acquisitions materialise in coming quarters.

“The proposed disposal of the Sunway University and College campus (for RM613mil) is targeted for completion in 2H25, subject to state approval, while the acquisition of AEON Mall Seri Manjung is expected to complete by August.

“Post-completion of both transactions, gearing is expected to stabilise at around 40% from 1Q25’s 42%,” added Maybank IB Research, which kept its “buy” call with a RM2.13 target price.

However, it said 39% of Sunway Pyramid Mall’s net lettable area is due for lease renewal in the financial year 2025, while 52% of Sunway-REIT’s borrowings are on floating rates.

Other reports released also had a positive outlook on the REIT.

AmResearch expects Sunway Carnival mall rental income to rise and hotel occupancy to recover in 2Q25.

The mall’s phase two refurbishment was completed on May 8, with full reopening expected next month, boosting the group’s rental revenue through higher post-refurbishment rates.

It noted that hotel bookings strengthened in April and May, supporting 2Q25 occupancy recovery.

New tenant interest in Sunway Putra Tower may also push occupancy above 80% by 2Q26, according to AmResearch.

The research house said the stock’s 6.1% distribution yield, offering a 250 basis points spread over the 10-year Malaysian Government Securities yield of 3.60%, remains attractive for investors.

The stock’s fair value is seen at RM2.09.