SunREIT growth trajectory intact

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PETALING JAYA: Sunway Real Estate Investment Trust's (SunREIT) growth prospects remain intact, underpinned by its active acquisition strategy and continuous asset-enhancement initiatives, analysts say.

This is in line with the REIT's latest first half of financial year 2025 (1H25) results, which generally met with most analysts and consensus expectations.

According to Kenanga Research, SunREIT will fully recognise income from multiple new assets in the financial year 2025 (FY25), namely, the six new hypermarkets as well as Sunway 163 Mall and Sunway Kluang Mall completed in April, October and December 2024, respectively.

"We gather that Sunway Pyramid's new wing, the OASIS, which accounts for 11% of its net lettable area, has transformed into a lively and vibrant shopping space that is now attracting 40% higher footfalls," it said in a note to clients yesterday.

In addition, progressive refurbishment work in Sunway Carnival, Seberang Jaya has been completed and will further support SunREIT's earnings growth.

Separately, the group remains cautious on potential challenges stemming from the newly implemented 8% sales and service tax (SST) on its rental reversion in the near term, Kenanga Research noted.

The brokerage firm also remained confident that the REIT's hotel segment will see a gradual recovery and revenue growth amid the government's higher allocation in promoting tourism.

That said, the hotel segment is expected to make up only over 15% of the group's net property income with the lion's share still being retail operations of about 70%.

Kenanga Research, which has kept a "market perform" call on SunREIT, has maintained the stock's target price unchanged at RM2.11 per share.

Post-1H25 results, RHB Research has maintained its forecasts on SunREIT, but raised the target price to RM2.42 after updating its cost of equity assumption from 7.6% to 6.8% to reflect a revised beta and a lower risk-free rate following the recent rate cut.

On the REIT's outlook, the research house in a report said it expects its third-quarter (3Q25) retail sales (turnover rent: 10% to 15% of rental income) to remain seasonally subdued in the absence of major festive periods.

However, this should be partly offset by the recently declared additional September public holiday and continued government measures to spur consumer spending.

"Despite the SST expansion, we forecast high single-digit retail rental reversions in FY25, supported by full occupancy and strong landlord bargaining power following asset enhancement efforts," it noted.

In addition, the full-year contribution from 2024 acquisitions is set to drive a robust FY25 (up 13.1%) profit growth, which should offset the soft hotel and office segments from rising competition.

The research house noted active property development activities of SunREIT's sponsor Sunway Bhd should also provide a healthy pipeline of potential acquisition opportunities to drive inorganic growth.

Meanwhile, TA Research has raised SunREIT's FY25 to FY27 earnings by 1.4% to 4.7%.

This is to account for the contributions from the newly acquired AEON Mall Seri Manjung in Perak and higher rental income following the completion of Sunway Carnival Mall's refurbishment.

"Following our earnings upgrade, we revise our target price to RM2.28 from RM2.19, premised on a target yield of 5.5% for 2026 and incorporating a 3% environmental, social and governance premium," it said.

However, TA Research has maintained a "sell" recommendation despite the earnings upgrade, as "we view the risk–reward profile as unfavourable".