Sunway REIT set for stronger Q3 on new acquisition, mall reopening

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KUALA LUMPUR: Sunway real estate investment trusts (Sunway Reit) is set to post stronger earnings in the third quarter of 2025, driven by a new asset acquisition and the early reopening of Sunway Carnival Mall, according to CIMB Securities Sdn Bhd.

The firm said the full reopening of Sunway Carnival Mall on May 7, earlier than the initial plan for end-June, had supported the trust's net property income (NPI) in the second quarter.

It added that the Reit's earnings could improve further following the RM138 million acquisition of Aeon Mall Seri Manjung in Perak, which offers an average NPI yield of 7.0 per cent under a 12-year master lease.

This is higher than the yield achieved by Sunway Reit's retail portfolio in the financial year 2024 (FY24) of 5.7 per cent.

"As the acquisition is fully funded via borrowings, it is estimated to raise the Reit's gearing to about 43 per cent from 41.2 per cent as at end-Jun," the firm said.

Therefore, CIMB Securities expects Sunway Reit's earnings to improve, underpinned by contributions from Aeon Seri Manjung and the reopening of Sunway Carnival Mall.

It is also set to gain from the 25 basis point reduction in the overnight policy rate, which could yield annual cost savings of about RM6 million.

"July also recorded a recovery in hotel room bookings, supported by the return of foreign tourists.

"Nonetheless, Sunway Reit is cautious about tenancy sales amid weak consumer sentiment and near-term rental reversions, citing potential pressure from the implementation of the 8.0 per cent sales and service tax on leasing services," it added.

CIMB Securities raised its FY25–27F earnings estimates by 1.3–2.2 per cent to reflect recent changes in the Reit's portfolio.

The firm kept its "Hold" call on Sunway Reit with a slightly higher target price of RM2.14.

Meanwhile, RHB Research has initiated coverage on IGB Commercial Reit with a 'Buy' rating and a target price of 72 sen, implying a 20 per cent upside and an estimated 8 per cent yield.

"With improving occupancy rates, comfortable gearing level and a high yield, we think IGB Commercial Reit – the largest standalone office Reit – offers a defensive investment opportunity with an attractive yield spread, especially following the recent interest rate cut," the firm added.

RHB Research said that despite challenges in the broader office market, the Reit's prime assets in Mid Valley City are expected to continue attracting strong tenant demand, supported by its quality asset profile.

"IGB Commercial Reit's portfolio is anchored by its assets in Mid Valley City, a self-sustaining ecosystem that enhances the district's appeal through high levels of convenience and value-added services," it added.

The firm said this positioning helped the Reit achieve a strong occupancy rate of 93.5 per cent as at end-2024, well above the 72 per cent average for purpose-built offices in Kuala Lumpur.

While its assets in KL City recorded a more modest occupancy rate of 78 per cent, the firm sees room for improvement as refurbishment works enhance their quality and appeal.

Backed by an experienced team that also manages IGB Reit, RHB Research said the group's proven track record since 2012 has driven organic growth in flagship assets.

"The Reit also benefits from a right of first refusal from its sponsor for commercial property acquisitions, supporting future inorganic growth potential," it added.

The firm forecasted a FY24–27 earnings compound annual growth rate of 14.5 per cent, driven by improving occupancy, operating leverage and lower interest costs.

"We believe the current yield of 7.8 per cent is attractive, especially considering IGB Commercial Reit has consistently maintained higher occupancy rates despite headwinds in the broader office market," it added.

The yield is also higher than the 5–6 per cent typically offered by retail and industrial Reits.