Sunway REIT

Sunway Putra Assets Gaining Momentum

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OUTPERFORM ↔

Price: **RM2.03**

Target Price: **RM2.48** ↑

SUNREIT's 9MFY26 results were within expectation. Its retail segment continued to report 2% positive tenant sales growth alongside mid-single digit positive rental reversion while its hotel segment showed recovery QoQ from the low base. We remain optimistic on the group's outlook supported by the abovementioned and the ongoing AEIs in Sunway 163 mall. Notably, all three of the group's Sunway Putra assets have shown double-digit improvements YTD in NPI, owing to the group's ongoing efforts in tenant mix optimization and marketing. We roll-over our valuation base year, lifting our TP to RM2.48 from RM2.27 while keeping an OUTPERFORM call. SUNREIT is one of our sector picks after PAVREIT.

Within expectations. SUNREIT's 9MFY26 net profit of RM331.8m made up 76% of our full-year forecast and 73% of consensus full-year estimate. The group is expected to declare its next biannual dividend after the financial year end.

YoY, SUNREIT's 9MFY26 revenue grew by 1%. The loss of income from the disposal of Sunway University and college campus on Sep 2025 was offset by the full reopening of the old wing of Sunway Carnival Mall in May 2025, mid-single digit rental reversion in its retail segment and additional rental contribution from AEON Mall Seri Manjung following its acquisition in July 2025. On that note, both its retail rental reversion and tenant sales continued to deliver mid-single digit and 2% positive growth respectively. Its net profit rose by a stronger 4%, thanks to lower interest expenses from the 25-bps OPR cut by BNM on Jun 2025. Notably, all three of the group's Sunway Putra assets have shown double-digit improvements in NPI, owing to the group's ongoing efforts in optimizing tenant mix and marketing.

QoQ, its revenue and net profit increased by 5% and 9%, respectively, largely contributed by the sharp rebound in the hotel segment with occupancy rate improving from 60% (6MFY26) to 65% (9MFY26), noting that the middle east war started in late-Feb 2026 had led to elevated fuel cost and flight ticket prices that dampened travelling activities.

Outlook. While SUNREIT scouts for a replacement asset post disposal of Sunway University and college campus, we expect the loss of income contribution to be partially cushioned by its growing retail segment and its recovering hotel segment.

The group had on Oct 2025 announced the disposal of Sunway Hotel Seberang Perai for RM60m with the proceeds earmarked to be used for the planned development of a new hotel atop Sunway Carnival Mall. We have been positive on this deal as the Sunway Hotel Seberang Perai is the lowest income contributor among its six hotels and was sold at low cap rate of 5.3%, reflecting an above-market price. On that note, we believe the new hotel stands to benefit from spillover from Sunway Carnival Mall, which has evolved into a regional hub for its vibrant retail offerings.

Meanwhile, Sunway 163 mall is slated to undergo three phases of asset enhancement initiatives with the first phase scheduled to complete by end-2026. Post-completion of the entire exercise, we expect a brighter rental reversion prospect for the mall. On the other hand, the anticipated future asset injection pipeline from its sponsor (SUNWAY), namely, Sunway Velocity Mall, we believe will likely crystallize from 2HCY27 onwards upon the maturity of the assets. On that note, we have ascribed potential benefits to this asset injection pipeline in our previous report.

Share Price Performance



KLCI	1,604.07
YTD KLCI chg	-4.5%
YTD stock price chg	-12.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	SREIT MK EQUITY
Market Cap (RM m)	6,952.4
Shares Outstanding	3,424.8
52-week range (H)	2.67
52-week range (L)	2.00
3-mth avg. daily vol.	3,631,644
Free Float	52%
Beta	0.7

Major Shareholders

Sunway Bhd	40.9%
Employees Provident Fund	13.1%
Kumpulan Wang Persaraan	5.3%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	894.3	905.0	945.2
EBIT	658.0	668.2	693.7
PBT	547.7	460.1	483.0
Net Profit (NP)	**539.4**	**456.9**	**479.7**
Core Net Profit	**426.6**	**433.9**	**456.7**
Consensus (NP)	-	453.4	475.7
Earnings Revision (%)	-	0.0	0.0
Core EPS (sen)	12.5	12.7	13.3
Core EPS Growth (%)	21.4	1.7	5.3
GDPU (sen)	14.5	12.5	13.6
BVPS (RM)	1.57	1.58	1.58
Core PER (x)	16.3	16.0	15.2
Price/BV (x)	1.3	1.3	1.3
Net Asset Gearing (x)	0.36	0.36	0.35
Net Div. Yield (%)	7.1	6.2	6.7

Forecasts. Unchanged.

Valuations. We roll-over our valuation base year from FY26 to FY27, thus lifting our TP from RM2.27 to RM2.48 based on FY27F GDPU of 13.6 sen. The basis of our TP is on a target yield of 5.50% (derived from a 1.60% yield spread above our 10-year MGS assumption of 3.90%), The relatively lower yield spread against what we had applied to its peers reflects SUNWAY's diversified asset portfolio in key urban regions and a visible asset injection pipeline from its sponsor. We reckon that the group's brand equity also benefits greatly from its affiliation to the Sunway conglomerate. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. **We maintain our OUTPERFORM call while keeping it as one of our sector picks after PAVREIT.**

Risks to our call include: (i) higher/lower-than-expected bond yield, and (ii) lower/higher-than-expected occupancy rates.

Results Highlights

FYE Dec (RM m)	3Q FY26	2Q FY26	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YoY Chg
Rental and lease income	225.3	213.8	5.4%	233.0	-3.3%	654.8	651.1	0.6%
Other operating income	7.0	6.6	6.9%	3.5	103.1%	20.9	15.6	34.3%
Gross Revenue	**232.3**	**220.3**	**5.4%**	**236.4**	**-1.7%**	**675.7**	**666.7**	**1.3%**
Property Operating Expenses	-58.5	-57.4	2.0%	-55.5	5.4%	-174.5	-173.7	0.5%
Net Property Income	**173.8**	**163.0**	**6.6%**	**180.9**	**-3.9%**	**501.2**	**493.0**	**1.7%**
Investment Income	5.6	2.4	136.8%	8.5	-33.9%	11.5	43.8	-73.8%
Other Non-operating Expenses	-15.9	-15.2	5.0%	-14.9	7.0%	-45.9	-42.3	8.6%
Finance Cost	-41.5	-37.9	9.5%	-42.3	-1.9%	-117.6	-128.6	-8.5%
Profit Before Tax	**122.0**	**112.3**	**8.6%**	**132.3**	**-7.7%**	**349.1**	**365.9**	**-4.6%**
Taxation	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Minority Interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	**122.0**	**112.3**	**8.6%**	**132.3**	**-7.7%**	**349.1**	**365.9**	**-4.6%**
Distributable Income	**136.6**	**235.5**	**-42.0%**	**143.6**	**-4.9%**	**501.2**	**526.5**	**-4.8%**
Core Net Profit	**116.2**	**106.5**	**9.0%**	**122.6**	**-5.2%**	**331.8**	**317.8**	**4.4%**
Core Earnings Per Unit (sen)	3.39	3.11	9.1%	3.56	-4.7%	10.79	9.26	16.5%
Gross Distribution Per Unit (sen)	0.00	6.28		0.00		6.28	5.68	
Key Operating Metrics:								
Net property income margin	74.8%	74.0%		76.5%		74.2%	73.9%	
Pretax margin	52.5%	51.0%		55.9%		51.7%	54.9%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	3Q FY26	2Q FY26	QoQ Chg	3Q FY25	YoY Chg	9M FY26	9M FY25	YoY Chg
Retail	176.6	177.1	-0.3%	167.2	5.6%	538.7	495.6	8.7%
Hotel	30.2	18.1	67.1%	35.0	-13.7%	61.3	67.9	-9.7%
Office	20.7	20.4	1.5%	20.1	3.1%	61.4	60.9	0.8%
Services	0.0	0.0	N.M	9.7	-100.0%	0.0	29.3	-100.0%
Industrial & Others	4.8	4.7	1.8%	4.4	9.5%	14.3	13.0	9.6%
Total Revenue	**232.3**	**220.3**	**5.4%**	**236.4**	**-1.7%**	**675.7**	**666.7**	1.3%
Retail	128.3	130.4	-1.6%	121.9	5.3%	395.0	352.8	12.0%
Hotel	29.0	17.0	71.1%	33.9	-14.4%	57.8	64.4	-10.2%
Office	12.5	12.1	3.8%	11.8	5.9%	37.0	36.4	1.5%
Services	0.0	0.0	N.M	9.7	-100.0%	0.0	29.3	-100.0%
Industrial & Others	3.9	3.6	10.0%	3.6	9.3%	11.4	10.0	13.7%
Net property income	**173.8**	**163.0**	**6.6%**	**180.9**	**-3.9%**	**501.2**	**493.0**	**1.7%**

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AL-AQAR REIT	MP	1.19	1.25	5.0%	999.1	Y	12/2026	8.1	8.3	5.8%	2.4%	14.7	14.4	0.9	6.4%	8.0	6.7%
AME REIT	MP	1.48	1.48	0.0%	790.4	Y	03/2027	8.1	8.5	8.3%	5.5%	18.2	17.4	1.2	6.5%	9.0	6.1%
AXIS REIT	OP	1.77	2.01	13.6%	3,584.1	Y	12/2026	10.6	11.1	6.2%	5.1%	16.7	15.9	1.1	6.3%	10.1	5.7%
IGB REIT	MP	2.76	2.62	-5.1%	11,964.4	N	12/2026	14.4	15.4	42.6%	7.0%	19.2	18.0	2.6	9.9%	15.4	5.6%
KLCCP STAPLED GROUP	MP	8.25	8.60	4.2%	14,894.0	Y	12/2026	47.8	49.2	5.8%	2.9%	17.2	16.8	1.1	6.1%	46.9	5.7%
PAVILION REIT	OP	1.56	1.83	17.3%	6,133.1	N	12/2026	10.5	11.0	15.1%	4.1%	14.8	14.2	1.2	7.6%	11.3	7.2%
SUNWAY REIT	OP	2.03	2.48	22.2%	6,952.4	N	12/2026	12.7	13.3	1.7%	5.3%	16.0	15.2	1.3	7.8%	12.5	6.2%
SECTOR AGGREGATE					**45,317.4**					**13.6%**	**4.7%**	**17.5**	**16.7**	**1.4**	**7.2%**		**6.2%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Effluent/Waste Management	★	★	★		
	Water Management	★	★	★		
	Energy Efficiency	★	★	★		
	Green Buildings	★	★	★		
	Tenant Management	★	★	★		
	Supply Chain Management	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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