

Suntec REIT

MIT status to hold



StocksBnB.com

Singapore | REIT | 1Q25 UPDATE

28 April 2025

- 1Q25 DPU reversed its downward trend, rising 3.4% YoY to 1.56 Singapore cents, in line with our forecast and forming 25% of FY25e estimates. The YoY growth was driven by S\$2.5mn in finance cost savings, a 176.9% surge in Suntec Convention NPI, and resilient rental reversions in Singapore (Office: 8.0%, Retail: 10.3%).
- SUN remains committed to its S\$100mn divestment target for FY25e, with pricing expected to be 20–25% above book value. We anticipate valuations for overseas assets, particularly in the UK, to remain stable in FY25e, except for the Melbourne office market, which may face downward pressure due to negative net absorption.
- SUN is likely to retain its Managed Investment Trust (MIT) status, following the reduction of Gordon Tang (9.9%) and Celine Tang's (9.1%) ownership to below 10% each. This enables Australia's effective tax rate to revert from 45% to 10–15%, pending regulatory confirmation. Following the recent share price performance, we maintain our FY25e forecasts and upgrade our recommendation to BUY from ACCUMULATE. Our DDM-TP remains unchanged at S\$1.33, with FY25e/26e DPU estimates of 6.09/6.45 cents. Given the cautious sentiment among retailers, we expect high single-digit rental reversions for the retail segment and mid-single-digit reversions for the office segment in FY25e. SUN is trading at an FY25e dividend yield of 5.3% and P/NAV of 0.55x.

Result at a glance

(\$ Mn)	1Q25	1Q24	YoY	Comments
Gross Revenue	113.5	109.8	3.4%	Stronger operating performance across all properties
Net Property Income	77.1	73.4	5.0%	
JV Income	25.5	24.9	2.4%	Stronger performance at ORQ and Nova
Cost of debt	3.96%	4.03%	0.07ppt	
ICR	1.9x	1.9x	-	
DPU	1.56	1.51	3.4%	Lower financing cost (\$2.5m)
NAV	2.01	2.09	-3.8%	

Source: Company, PSR

The Positives

+ Healthy operating metrics from Singapore. Rental reversion in Singapore remained resilient in 1Q25, with office and retail segments achieving 8.0% and 10.3% respectively. Renewals drove most leasing activity, as occupiers remained cautious with limited expansion plans. SUN has not observed any downsizing or early lease terminations, with tenants adopting a wait-and-see approach. Demand in the CBD continues to be healthy, supported by financial sector players such as hedge funds and asset management firms looking to capitalise on Southeast Asia's growing investment needs.

+ Suntec Convention back in the spotlight. Revenue for Suntec Convention Centre rose 19.8% YoY to S\$13.9mn in 1Q25, with operating margins expanding by over 14ppts, driven by a higher proportion of high-yield events and lower utility costs. While there are no signs of event organisers delaying or scaling down their events, we expect the strong momentum to moderate over the remainder of FY25e. Nonetheless, we still forecast a c.10% YoY revenue increase for the year.

The Negative

- Australia market remains under pressure. NPI declined by 4.9% in SGD terms due to the weaker Australian dollar, despite a 2.4% YoY increase in revenue in local currency. Incentives in Melbourne and Adelaide are expected to remain at 40%–45%, as negative net absorption in the office market persists into FY25. We expect occupancy rates to remain relatively flat for Southgate Complex (1Q25: 90.1%) and 55 Currie Street (1Q25: 61.4%) in FY25e.

BUY (Upgraded)

LAST CLOSE PRICE	SGD 1.14
FORECAST DIV	SGD 0.06
TARGET PRICE	SGD 1.33
TOTAL RETURN	22.2%

COMPANY DATA

BLOOMBERG CODE:	SUN SP Equity
O/S SHARES (MN) :	2,934
MARKET CAP (USD mn / SGD mn) :	2591 / 7867
52 - WK HI/LO (SGD) :	1.38 / 1.03
3M Average Daily T/O (mn) :	7.36

MAJOR SHAREHOLDERS

ARA Asset Management Ltd	10%
Tang Jia Lin	9%
Celine Tang	8%
Gordon Tang	8%

TOTAL RETURN

	1MTH	3MTH	YTD
COMPANY	0.00	(2.02)	1.33
STTF RETURN	(2.14)	1.25	2.12

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY23	FY24	FY25e	FY26e
Gross Rev (\$mn)	462.7	463.6	462.0	474.6
Dist. Inc. (\$mn)	206.8	180.9	179.9	192.1
P/NAV (x)	0.54	0.56	0.55	0.54
DPU (cents)	7.14	6.19	6.09	6.45
Dist. Yield (%)	6.26	5.43	5.34	5.66

Source: Company, PSR

VALUATION METHOD

DDM (Cost of Equity: 7.6%; Terminal g: 1%)

LIU MIAOMIAO (+65 6212 1849)

Research Analyst

liumm@phillip.com.sg

Outlook

SUN is scheduled to refinance its S\$200mn perpetual security maturing in Oct25. Management is evaluating the trade-off between a higher cost of capital via a new perpetual issuance (estimated at c.4.5%) and increasing gearing through conventional debt, which offers a lower cost of c.3.5%. We expect the overall cost of borrowing to edge up slightly to c.4.0% in FY25e (1Q25: 3.96%), given that the S\$300mn debt due for refinancing this year was priced below current market rates.

Upgrade to BUY with an unchanged TP of S\$1.33

Following the recent share price performance, we maintain our FY25e forecasts and upgrade our recommendation to BUY from ACCUMULATE. Our DDM-based target price remains unchanged at S\$1.33, with FY25e/26e DPU estimates of 6.09/6.45 cents. Given the cautious sentiment among retailers, we expect high single-digit rental reversions for the retail segment and mid-single-digit reversions for the office segment in FY25e. SUN is trading at FY25e dividend yield of 5.3% and P/NAV of 0.55x.

Financials

Income Statement

Y/E Dec, (\$Mn)	FY22	FY23	FY24	FY25e	FY26e
Gross Revenue	427.27	462.74	463.56	461.99	474.60
Expenses	(111.52)	(149.59)	(152.80)	(157.08)	(161.36)
Net property income	315.75	313.15	310.76	304.91	313.24
Share of profit of jointly controlled entities	144.86	36.00	80.50	85.00	85.59
Asset Management fees	(61.17)	(61.43)	(61.34)	(58.30)	(59.28)
EBIT	401.58	284.43	323.31	323.76	331.59
Net financing costs	(112.24)	(153.58)	(157.95)	(154.59)	(150.38)
NPAT	497.63	196.32	136.15	167.17	179.07
PATMI	462.84	171.41	112.77	143.00	154.91
Distributable income	255.51	206.79	180.92	179.87	192.12

Per unit data

Y/E Dec, (\$Mn)	FY22	FY23	FY24	FY25e	FY26e
NAV (\$)	2.12	2.10	2.05	2.06	2.09
DPU (\$ cents)	8.88	7.14	6.19	6.09	6.45

Cash Flow

Y/E Dec, (\$Mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Total Return	289.34	130.85	137.78	169.17	181.21
Adjustments	79.59	(13.74)	(3.74)	0.62	43.40
Operating income before working capital Δ	285.60	277.82	272.06	169.78	181.82
Cash generated from operations	279.21	273.13	267.28	208.37	184.97
Cash flow from operating activities	272.97	252.02	254.58	206.37	182.84

CFI

CAPEX	80.59	66.67	65.05	65.85	162.63
Interest received	24.69	48.55	21.12	-	39.20
Dividend received	80.59	66.67	65.05	65.85	162.63
Cash flows from investing activities	(82.68)	125.99	698.15	174.73	138.83

CFF

Financing costs paid	(133.06)	(171.23)	(175.24)	(193.80)	(189.59)
Distributions to unitholders	(263.44)	(209.91)	(189.15)	(179.87)	(192.12)
Cash flows from financing activities	(383.59)	(1,000.99)	(414.21)	(373.67)	(381.71)
Net change in cash	(622.98)	538.52	7.43	(60.04)	-
Cash at the start of the period	268.31	269.61	217.93	231.35	239.00
Others	(14.07)	(0.87)	(1.68)	-	-
Ending cash	269.61	217.93	231.35	239.00	274.89

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$Mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and cash equivalents	269.61	217.93	231.35	239.00	274.89
Trade and other receivables	23.48	39.93	26.89	23.10	23.73
Current assets	296.76	308.86	275.14	279.00	315.53
Investment properties	7,907	7,965	7,840	7,953	8,066
Interest in jointly controlled en	3,424	2,829	2,825	2,825	2,825
Non-current assets	11,414	10,820	10,676	10,789	10,902
Total Assets	11,710	11,129	10,951	11,068	11,218
LIABILITIES					
Trade and other payables	128.70	120.00	103.80	138.60	142.38
Interest bearing borrowings	645.58	399.85	490.45	490.45	490.45
Current liabilities	806.72	552.37	627.27	662.07	665.86
Interest bearing borrowings	4,198	3,860	3,723	3,723	3,723
Deferred tax liabilities	61.97	57.45	44.87	44.87	44.87
Non-current liabilities	4,320	3,993	3,838	3,838	3,838
Total Liabilities	5,126	4,545	4,465	4,500	4,504
Net assets	6,584	6,584	6,486	6,568	6,713
Represented by:					
Unitholders' funds	6,116	6,108	6,003	6,085	6,231
NIC	119.73	128.07	134.32	134.32	134.32
Perps	348.04	348.04	348.04	348.01	348.01
Total Equity	6,584	6,584	6,486	6,568	6,713

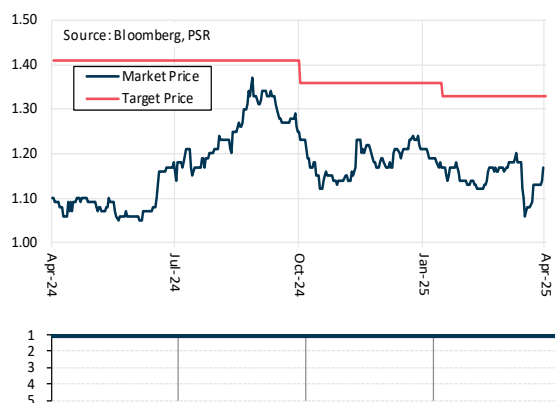
Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/NAV (x)	0.54	0.54	0.56	0.55	0.54
Distribution Yield (%)	7.79	6.26	5.43	5.34	5.66

Growth & Margins

Growth					
Revenue		8.3%	0.2%	-0.3%	2.7%
Distributable income		-19.1%	-12.5%	-0.6%	6.8%
DPU		-19.7%	-13.2%	-1.7%	6.0%
Key Ratios					
Net Debt or (Net Cash)	(6,867)	(6,869)	(6,738)	(6,855)	(7,005)
Gearing	42.4%	39.4%	39.5%	39.0%	38.6%
ROE	3.9%	3.1%	2.8%	2.8%	2.9%

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Contact Information (Singapore Research Team)		
Head of Research Paul Chew – paulchewkl@phillip.com.sg	Property REITs Darren Chan – darrenchanrx@phillip.com.sg	Research Admin Qystina Azli – qystina@phillip.com.sg
Technical Analyst Zane Aw – zaneawyx@phillip.com.sg	US Tech Analyst (Hardware/E-commerce/ETF) Helena Wang – helenawang@phillip.com.sg	Property REITs Liu Miaomiao – liumm@phillip.com.sg
Banking & Finance Glenn Thum – glennthumic@phillip.com.sg		Construction Yik Ban Chong (Ben) – chongyb@phillip.com.sg

Contact Information (Regional Member Companies)**SINGAPORE**

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.