



Suntec REIT

MIT status to hold

Singapore | REIT | 1Q25 UPDATE

- 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 Rev 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.

28 April 2025

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%)

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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 (S 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

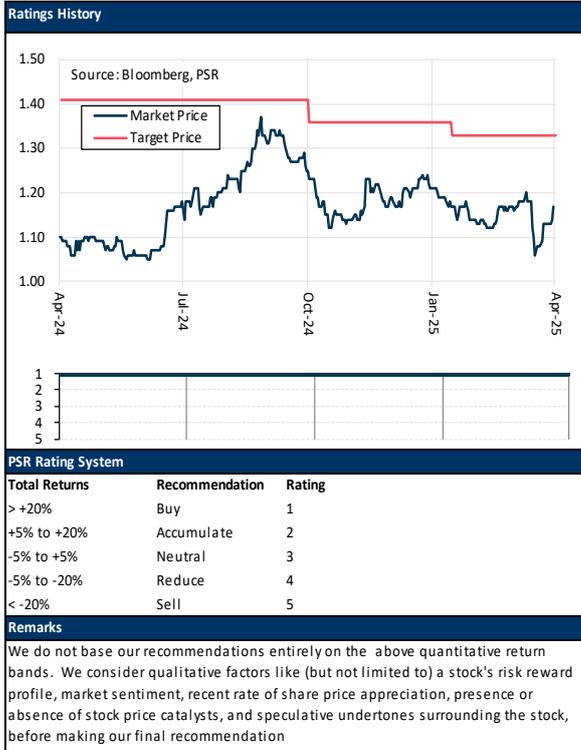
Y/E Dec, (\$Mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
Cash and cash equivalents	269.61	217.93	231.35	239.00	274.89
Trade and other receivables	23.48	39.93	26.89	23.10	23.73
Current assets	296.76	308.86	275.14	279.00	315.53
Investment properties	7,907	7,965	7,840	7,953	8,066
Interest in jointly controlled 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

	FY22	FY23	FY24	FY25e	FY26e
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%



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