

Suntec REIT (SUN SP)

3Q26: Expression Of Interest Exercise To Divest Australia Assets

Highlights

- Suntec City Mall maintained its stellar performance with NPI growth of 11.6% yoy in 3Q26. Its occupancy was stable at 98.6%, and rental reversion strengthened to 11.2%. Tenant sales psf grew an impressive 10% yoy.
- SUN has launched expression of interest for 177 Pacific Highway and 21 Harris Street in Sydney and 477 Collins Street in Melbourne, which are valued at S\$1,037m in aggregate. The exercise should conclude in Nov 26.
- SUN trades at steep 32% discount to NAV. Maintain BUY. Target price: S\$1.67.

3Q26 Results

Year to 31 Dec (S\$m)	3Q26	yoy % Chg	Remarks
Gross Revenue	123.6	+5.2	Growth from Suntec City Mall and Australia portfolio.
Net Property Income (NPI)	83.4	+6.2	
JV Income	27.9	+5.3	Higher occupancy and rent at MBFC Properties.
Distributable Income	59.9	+14.3	Financing cost reduced by S\$1.8m. DPU growth higher at 18% yoy,
DPU (S cents)	2.017	+13.4	excluding reversal of Australia withholding tax provision in 3Q25.

Source: SUN, UOB Kay Hian

Analysis

- Suntec REIT (SUN) reported DPU of 2.017 S cents for 3Q26 (+13.4% yoy), which is in line with our expectation. Excluding the S\$2m reversal of Australian withholding tax provisions last year in 3Q25, DPU growth would be higher at 18% yoy on an operating basis.
- Singapore office benefits from limited CBD supply.** Committed occupancy was 99.6% as of Sep 26, with Suntec City Office fully occupied and One Raffles Quay (ORQ) and Marina Bay Financial Centre (MBFC) Towers 1 & 2 at 99.3% and 99.1% respectively. Suntec City Office rental reversion moderated to 4.4% in 3Q26 from 11.0% in 2Q26. ORQ and MBFC achieved 11.0% reversion in 3Q26. Singapore office NPI edged up 0.7% yoy to S\$29.5m as higher operating expenses tempered rental income growth. JV income rose 6.0% to S\$19.5m, led by MBFC. Management expects high occupancy and full-year rental reversion of 5-10%.
- Suntec City Mall sustains strong rent and sales growth.** Committed occupancy was 98.6% as of Sep 26. Rental reversion increased to 11.2% in 3Q26 from 8.5% in 2Q26. Singapore retail NPI increased 11.6% yoy to S\$27.8m, supported by higher occupancy and rents at Suntec City Mall. Tenant sales psf grew 10% yoy in 3Q26, outpacing shopper traffic growth of 5%. August sales were boosted by Sincere Fine Watches' vault sales. Management expects full-year rental reversion of around 10%, with major events, MICE activity and festive spending supporting 4Q26.

Key Financials

Year to 31 Dec (S\$m)	2024	2025	2026F	2027F	2028F
Net turnover	464	472	489	506	512
EBITDA	242	248	256	265	269
Operating profit	242	248	256	265	269
Net profit (rep./act.)	113	159	201	206	207
Net profit (adj.)	140	214	196	206	207
EPU (S\$ cent)	4.8	7.3	6.6	6.9	6.9
DPU (S\$ cent)	6.2	7.0	8.0	8.1	8.1
PE (x)	29.0	19.2	21.2	20.3	20.4
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU yld (%)	4.4	5.0	5.7	5.8	5.8
Net margin (%)	24.3	33.8	41.0	40.6	40.4
Net debt/(cash) to equity (%)	62.7	60.3	64.8	65.9	67.1
Interest cover (x)	1.5	1.8	1.9	2.0	1.9
ROE (%)	1.8	2.5	3.2	3.3	3.3
Consensus DPU (S\$ cent)	-	-	7.7	7.9	8.2
UOBKH/Consensus (x)	-	-	1.03	1.03	0.99

Source: Suntec REIT, Bloomberg, UOB Kay Hian

Analyst(s)

Jonathan Koh, CFA, MSc Econ

jonathankoh@uobkh.com

+65 6590 6620

BUY (Maintained)

Share Price	S\$1.40
Target Price	S\$1.67
Upside	19.3%

Stock Data

Sector	Real Estate
Bloomberg ticker	SUN SP
Shares issued (m)	2,961.8
Market cap (S\$m)	4,146.5
Market cap (US\$m)	3,243.7
3-mth avg daily t'over (US\$m)	10.4

Price Performance (%)

52-week high/low				S\$1.58/S\$1.31
1mth	3mth	6mth	1yr	YTD
1.4	(7.3)	(6.0)	2.9	(2.8)

Major Shareholders (%)

Tang Gordon & Family	27.7
Hongkong Land International	10.8

Balance Sheet Metrics

FY26 NAV/Share (S\$)	2.02
FY26 Net Debt/Share (S\$)	1.36

Price Chart



Source: Bloomberg

Company Description

SUN owns Suntec City, comprising Suntec City Office and Suntec City Mall, and a 61% stake in Suntec Convention & Exhibition Centre. It has one-third stakes in Marina Bay Financial Centre Tower 1 & 2, Marina Bay Link Mall and One Raffles Quay. It has expanded overseas to Australia (Sydney, Melbourne and Adelaide) and the UK (London).

- Australia: Occupancy improved despite challenging leasing conditions.** Committed occupancy improved 2ppt yoy to 89.3% as of Sep 26. 177 Pacific Highway and 477 Collins Street remained fully occupied, while 21 Harris Street and Southgate Complex were at 91.5% and 88.4% respectively. NPI increased 5.4% yoy to A\$17.6m. Backfilled leases at 177 Pacific Highway and higher occupancy at 477 Collins Street offset lower occupancy at 21 Harris Street. Melbourne and Adelaide remain tenant-led, with elevated incentives and slower absorption. Management expects stable performance, supported by fitted suites and subdivision of space to meet tenant demand.
- UK: Leasing strengthened at The Minster Building.** As of Sep 26, Nova Properties was fully occupied, and The Minster Building was 85.4% occupied. Management expects The Minster Building to reach full occupancy by end-26 due to two new tenants from the insurance industry, who took up the remaining one and a half floors of vacant office space.
- Leverage remains elevated as financing costs ease.** Aggregate leverage was 43% as of Sep 26, unchanged qoq. Total debt stood at S\$4.3b, with weighted average maturity of 2.1 years. All-in financing cost was 3.6% for 3Q26, excluding JV loans. Management expects 2027 financing cost to be close to 3.7%. Interest coverage was 2.3x. 57% of borrowings were fixed or hedged. S\$200m of refinancing is expected to complete by end-October.
- Portfolio reconstitution to reduce overseas exposure.** Sales campaigns have been launched for 177 Pacific Highway and 21 Harris Street in Sydney and 477 Collins Street in Melbourne, which are valued at S\$477m, S\$195m and S\$365m respectively as of Dec 25 (total: S\$1,037m). Management aims to reduce Australian exposure, and the earnings drag from high interest costs. It has realistic expectation on potential bids as it is still a buyer's market for office buildings in Australia. Potential capital uses include lowering leverage, creating debt headroom for future acquisitions and unit buybacks. The expression of interest exercise will be concluded in Nov 26.

Valuation/Recommendation

- Maintain BUY. Our target price of S\$1.67 is based on DDM (cost of equity: 6.65%, terminal growth: 2.0%). SUN currently trades at P/NAV of 0.68x (discount of 32% to NAV per unit of S\$2.04).

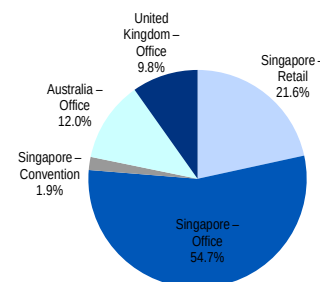
Earnings Revision/Risk

- We maintain our existing DPU forecast.

Share Price Catalyst

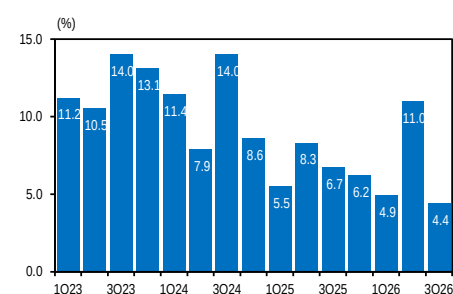
- Positive rental reversion for Suntec City Mall in Singapore. Asset recycling to optimise portfolio performance and to deleverage.

Portfolio Valuation By Asset Type



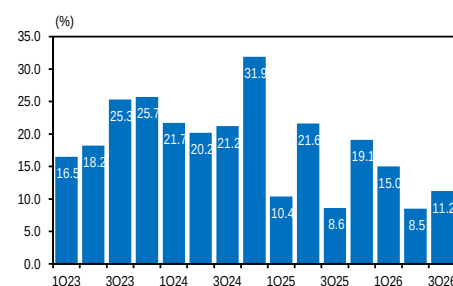
Source: SUN

Rent Reversion – Singapore Office



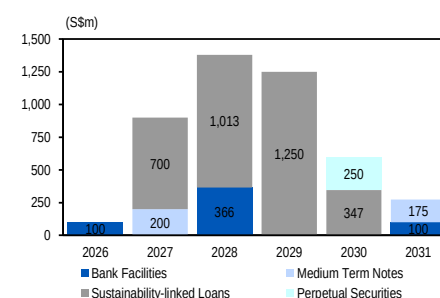
Source: SUN

Rent Reversion – Suntec City Mall



Source: SUN

Debt Maturity Profile



Source: SUN

Profit & loss

Year to 31 Dec (S\$m)	2025	2026F	2027F	2028F
Net turnover	471.6	489.4	506.5	511.6
EBITDA	248.2	256.0	265.4	268.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	248.2	256.0	265.4	268.7
Total other non-operating income	(54.4)	5.0	0.0	0.0
Associate contributions	128.3	99.3	99.9	99.9
Net interest income/(expense)	(137.1)	(132.1)	(136.0)	(138.0)
Pre-tax profit	185.0	228.3	229.3	230.6
Tax	(4.7)	(11.4)	(11.5)	(11.5)
Minorities	(2.3)	(2.3)	(1.0)	(1.0)
Perpetual Securities	(18.7)	(14.0)	(11.2)	(11.2)
Net profit	159.3	200.6	205.6	206.9
Net profit (adj.)	214.1	195.5	205.6	206.9

Cash Flow

Year to 31 Dec (S\$m)	2025	2026F	2027F	2028F
Operating	267.6	87.4	272.4	275.2
Pre-tax profit	214.1	197.3	205.6	206.9
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	0.0	0.0	0.0	0.0
Associates	(128.3)	(99.3)	(99.9)	(99.9)
Working capital changes	(0.9)	0.5	1.0	0.7
Non-cash items	28.2	28.3	28.4	28.5
Other operating cashflows	154.4	(39.4)	137.2	139.0
Investing	179.0	122.3	89.9	89.9
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	(21.0)	(10.0)	(10.0)	(10.0)
Proceeds from sale of assets	88.8	0.0	0.0	0.0
Others	111.2	132.3	99.9	99.9
Financing	(483.5)	(191.9)	(352.6)	(351.0)
Distribution to unitholders	(191.2)	(236.3)	(242.4)	(243.7)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	(169.2)	207.5	55.0	60.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(123.1)	(163.2)	(165.2)	(167.2)
Net cash inflow (outflow)	(36.8)	17.7	9.7	14.1
Beginning cash & cash equivalent	231.3	195.8	213.5	223.1
Changes due to forex impact	1.2	0.0	0.0	0.0
Ending cash & cash equivalent	195.8	213.5	223.1	237.2

Balance Sheet

Year to 31 Dec (S\$m)	2025	2026F	2027F	2028F
Fixed assets	7,850.2	7,889.4	7,899.4	7,909.4
Other LT assets	2,799.7	2,792.8	2,792.8	2,792.8
Cash/ST investment	195.8	213.5	223.1	237.2
Other current assets	33.7	42.0	42.6	43.0
Total assets	10,879.4	10,937.7	10,957.9	10,982.4
ST debt	99.9	809.6	809.6	809.6
Other current liabilities	138.4	147.8	149.8	151.2
LT debt	3,957.2	3,455.0	3,510.0	3,570.0
Other LT liabilities	147.2	144.7	144.7	144.7
Shareholders' equity	6,406.8	6,251.2	6,214.4	6,177.5
Minority interest	130.0	129.4	129.4	129.4
Total liabilities & equity	10,879.4	10,937.7	10,957.9	10,982.4

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	52.6	52.3	52.4	52.5
Pre-tax margin	39.2	46.6	45.3	45.1
Net margin	33.8	41.0	40.6	40.4
ROA	1.5	1.8	1.9	1.9
ROE	2.5	3.2	3.3	3.3
Growth				
Turnover	1.7	3.8	3.5	1.0
EBITDA	2.7	3.2	3.7	1.3
Pre-tax profit	34.2	23.4	0.4	0.6
Net profit	41.2	25.9	2.5	0.6
Net profit (adj.)	52.5	(8.7)	5.2	0.6
EPU	51.2	(9.4)	4.2	(0.3)
Leverage				
Debt to total capital	38.3	40.1	40.5	41.0
Debt to equity	63.3	68.2	69.5	70.9
Net debt/(cash) to equity	60.3	64.8	65.9	67.1
Interest cover (x)	1.8	1.9	2.0	1.9

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