

Sentral-REIT forecast to generate better earnings

New asset, acquisitions to drive results for this year

PROPERTY

PETALING JAYA: Analysts expect improved earnings this year for Sentral Real Estate Investment Trust (Sentral-REIT), against its recent results performance for last year.

The REIT posted core net profit of RM18.8mil for the fourth quarter of last year (4Q25), down 4.7% quarter-on-quarter and 1.3% lower year-on-year (y-o-y), taking its earnings for last year down 2.2% y-o-y to RM78.2mil.

The miss was mainly due to the later-than-expected injection of the Arcoris Plaza development in Mont Kiara, Kuala Lumpur, into the REIT and weaker rental revisions.

Hong Leong Investment Bank Research (HLIB Research) said, moving forward, the REIT's earnings for this year are expected to be supported by positive rental revisions and contributions from the newly injected Arcoris Plaza, completed last Dec 30.

The RM70mil retail asset delivers a net profit income (NPI) yield of 7.4%, which is accretive to the research house's forecast NPI yield of 6% for this year.

"These positives are partly offset by recent vacancies, following DHL's renewal in Sentral Building 1 (SB1) but not in SB2.

"Looking ahead, management is guiding for flat to high-single-digit rental revisions across its office portfolio, while we remain more conservative, assuming flat to low-single-digit revisions in our forecasts," HLIB Research said.

After the REIT's results for last year, the research house cut its earnings estimates for this year and next year by 7.5% and 6%, respectively, with the larger reduction reflecting assumption that SB2 will remain vacant for one quarter.

HLIB Research also downgraded the REIT to a "hold" from a "buy" at a lower target price of 78 sen per share.

"Following the earnings miss and the

"Together with a full-year earnings contribution from its newly acquired retail asset Arcoris Plaza, this should make for an earnings rise this year."

RHB Research

recent unit price increase, we see limited upside at current levels, as the valuation now fairly reflects near-term earnings and leasing risks," it added.

Meanwhile, an analyst from a bank-backed research house said the recent appointment of Tay Hui Ling as Sentral-REIT's chief executive officer is expected to lead to more active portfolio management, including the pursuit of yield-accretive acquisitions across diversified asset classes and selective divestments.

Having said that, the office leasing environment remains a key concern, with tenant-driven conditions persisting amid ample supply.

In a note to clients, CIMB Research said it has revised downward its earnings forecasts on Sentral-REIT for this year and next year by between 2% and 4.6% to reflect the asset portfolio changes.

Sentral-REIT completed the acquisition of part of Arcoris Plaza for RM70mil, thus increasing its retail portfolio exposure to 10%.

"The acquisition is expected to be earnings-accretive to distributions per unit upon completion. We believe that the disposal of Wisma Sentral Inai in Kuala Lumpur will free up capital to fund further yield-accretive investments," it added.

The research house maintained a "hold" rating on the REIT with an unchanged target price of 80 sen.

RHB Research said it expects an improvement performance by the REIT

this year, as the occupancy rate in Menara Shell should recover to about 88% from 82% in mid-2024, following a key tenant's exit, supported by the onboarding of two new multi-national corporation tenants last year.

Together with a full-year earnings contribution from its newly acquired retail asset Arcoris Plaza, this should make for an earnings rise this year.

That said, RHB Research remains watchful of the vacancy at SB2, as replacement leasing may take time, given the current market conditions.

A recovery may be likely only after 3Q26, the research house said adding that rental revisions are expected to still be at low to mid-single-digit, reflecting already-high base rental rates.

With disposal proceeds from Wisma Sentral Inai now available, RHB Research said it sees improved headroom for Sentral-REIT to continue pursuing asset acquisitions this year in the non-office segments costing RM80mil to RM100mil, thereby supporting its diversification strategy.

After the REIT's results announcement, RHB Research trimmed its earnings forecast for this year by 3% and cut its target price to 91 sen to reflect slower-than-expected tenant replacements at SB2.

"Our new target price implies a dividend yield of about 8% this year, or a spread of around 450 basis points over the 10-year Malaysian Government Securities yield," it added.