Sun Communities (SUI)

Updated August 26th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$126	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$16 B
Fair Value Price:	$125	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**[1]	9/29/2025
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.1%	**Dividend Payment Date:**	10/14/2025
Dividend Yield:	3.3%	**5 Year Price Target**	$160	**Years Of Dividend Growth:**	9
Dividend Risk Score:	F	**Sector:** REITs		**Rating:**	Hold

Overview & Current Events

Sun Communities (SUI) is a real estate investment trust (REIT) that was founded in 1975 and became public in 1993. It is a leading owner and operator of manufactured housing (63% of total rental revenue) and recreational vehicle communities (37% of rental revenue), with a market capitalization of $16 billion. Sun Communities is the largest publicly traded owner of manufactured housing in the U.S. and the second-largest owner in the U.K., with a total of nearly 175,000 manufacturing housing and recreational vehicle sites.

In late July, Sun Communities reported (7/30/25) financial results for the second quarter of fiscal 2025. Occupancy at manufactured houses and recreational vehicle sites improved from 97.5% in the prior year's quarter to 98.1%. Same-property net operating income grew 4.9% thanks to rent hikes but core funds from operations (FFO) per share decreased -5%, from $1.86 to $1.76, primarily due to higher interest expense. High interest rates increase the interest expense of the REIT while high mortgage rates reduce the demand for housing.

On the bright side, Sun Communities raised its guidance for this year thanks to positive business momentum. It raised its guidance for growth of same-property net operating income from 3.5%-5.2% to 3.9%-5.6% and FFO per share from $6.43-$6.63 to $6.51-$6.67. Accordingly, we have raised our forecast for annual FFO per share from $6.53 to $6.59. Notably the REIT raised its dividend by just 1% last year, marking the lowest raise in the last 8 years, but it just raised its dividend by 11% thanks to the proceeds from the sale of the marinas business.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	$3.31	$3.22	$3.95	$4.48	$4.75	$5.09	$6.51	$7.35	$7.10	$6.81	***$6.59***	***$8.41***
DPS	$2.60	$2.60	$2.68	$2.84	$3.00	$3.16	$3.32	$3.52	$3.72	$3.76	***$4.16***	***$4.68***
Shares[2]	53.7	66.3	76.7	82.0	88.9	97.5	115.1	122.9	123.5	129.7	***126.0***	***180.0***

Sun Communities benefits from highly favorable fundamentals, as there is steadily increasing demand for manufactured houses and recreational vehicle sites while there is very low supply of new units. The REIT has taken advantage of the strong supply-demand characteristics. It has raised the rental rates of manufactured houses and recreational vehicle sites by 4% and 5% per year on average, respectively, over the last decade. Thanks to its strong pricing power, the trust raised rental rates by 5% at manufactured houses and 6% at recreational vehicle sites last year.

Sun Communities has grown its core FFO per share by 8.3% per year on average over the last decade and by 7.5% per year on average over the last five years. The REIT has stagnated in the last three years due to high interest rates, which have caused interest expense to more than double since 2021. However, we view this headwind as temporary, as we expect interest rates to moderate in the upcoming years. We thus expect Sun Communities to grow its FFO per share by 5.0% per year on average beyond this year. If interest rates decrease materially from current levels, the REIT may exceed our growth assumptions but we prefer to be on the safe side given the uncertainty over the time of interest rate reductions.

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[1] Estimated date.

[2] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg P/FFO	20.0	22.6	21.9	21.5	28.1	28.1	27.1	22.0	18.6	18.6	***19.1***	***19.0***
Avg. Yld.	3.9%	3.6%	3.1%	3.0%	2.2%	2.2%	1.9%	2.2%	2.8%	3.0%	***3.3%***	***2.9%***

Thanks to its reliable growth trajectory, Sun Communities has traded at price-to-FFO ratios above 20 for most of the past decade. The REIT is currently trading at a FFO multiple of 19.1, which is lower than the historical 10-year average of 22.8. As interest rates were almost zero for most of the past decade, the historical valuation is probably higher than the fair valuation of the REIT. We assume a fair price-to-FFO ratio of 19.0 for Sun Communities. If the stock trades at its fair valuation level in five years, it will incur a marginal -0.1% annualized valuation drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

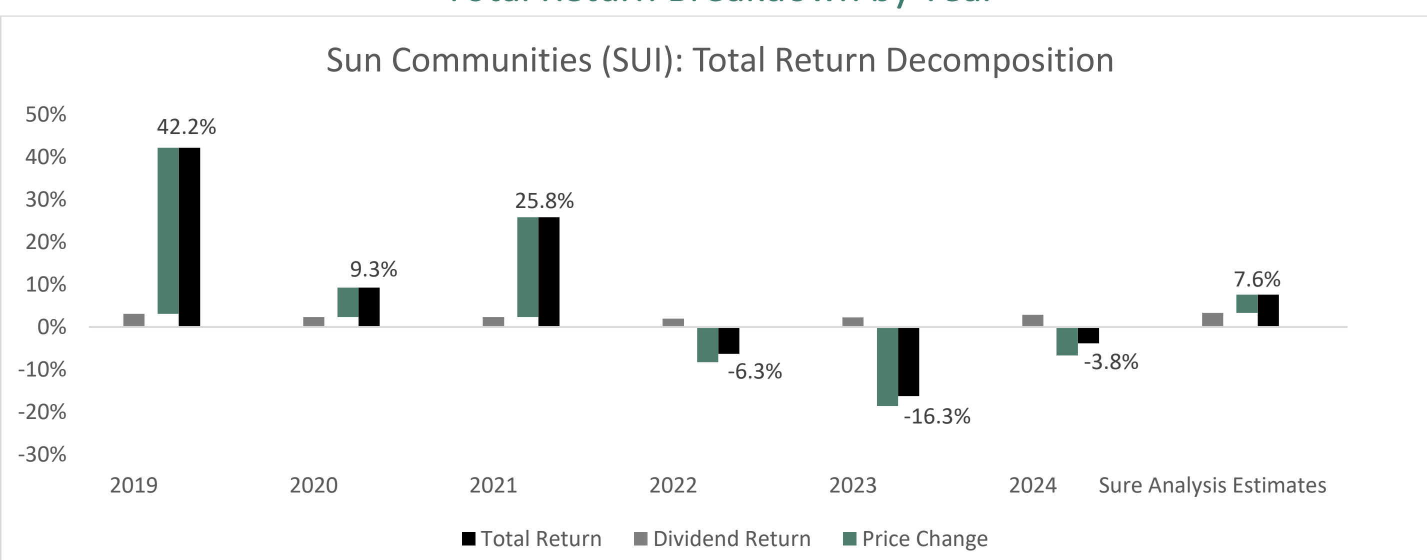
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	79%	81%	68%	63%	63%	62%	51%	48%	52%	55%	***63%***	***56%***

Sun Communities has raised its dividend for only 9 consecutive years and is offering a 3.3% yield, which is much lower than the 4.6% median dividend yield of the REIT sector. In addition, Sun Communities had a material debt load but the sale of the business of marinas drastically improved the leverage ratio (Net Debt to EBITDA), from 5.9 to 2.9, which is healthy for a REIT. Moreover, net debt is standing at $4.2 billion, which is only 28% of the market cap of the stock, while the REIT has investment grade ratings from S&P (BBB) and Moody's (Baa3). In addition, the REIT proved resilient to the pandemic, as it kept growing its FFO per share and its dividend. Given also its reliable long-term growth trajectory, the REIT is not likely to cut its dividend in the absence of a severe downturn. Overall, the reliable growth trajectory of Sun Communities compensates for its low dividend yield.

Final Thoughts & Recommendation

Sun Communities passes under the radar of most investors due to its low yield (for a REIT) but it has more promising growth prospects than most REITs. It is currently facing a downturn due to high interest rates but it is likely to recover strongly in the upcoming years. The stock can offer a 7.6% average annual return over the next five years thanks to 5.0% annual growth of FFO per share and its 3.3% dividend, partly offset by a -0.1% valuation headwind. It thus maintains its hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	659	816	961	1,106	1,246	1,388	2,260	2,935	3,179	3,200
Gross Profit	379	460	542	613	699	774	1,151	1,415	1,491	1,499
Gross Margin	57.6%	56.4%	56.3%	55.4%	56.1%	55.8%	50.9%	48.2%	46.9%	46.8%
SG&A Exp.	47	64	84	81	93	110	181	257	270	295
D&A Exp.	175	219	258	276	315	373	509	576	641	667
Operating Profit	154	174	196	244	278	288	447	557	561	519
Op. Margin	23.4%	21.4%	20.4%	22.1%	22.3%	20.7%	19.8%	19.0%	17.6%	16.2%
Net Profit	155	26	72	107	162	132	380	242	(213)	89
Net Margin	23.6%	3.2%	7.5%	9.7%	13.0%	9.5%	16.8%	8.2%	-6.7%	2.8%
Free Cash Flow	182	241	258	363	477	543	754	735	791	889
Provision For Tax	1	0	(0)	0	1	(1)	1	6	(8)	(35)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,182	5,871	6,112	6,710	7,802	11,207	13,494	17,084	16,941	16,549
Inventories	45	8	10	62	35	77	66	73	29	130
Goodwill	15	22	30	49	62	47	51	203	206	890
Cash & Equivalents	44	100	86	59	67	734	802	1,420	1,103	64
Total Liabilities	2,645	3,509	3,448	3,543	3,899	5,579	6,764	9,196	9,768	9,357
Long-Term Debt	2,290	3,064	3,038	3,052	3,364	4,687	5,602	7,128	7,777	7,353
Shareholder's Equity	1,456	2,296	2,598	3,107	3,820	5,525	6,624	7,810	7,083	7,082
LTD/E Ratio	1.57	1.33	1.17	0.98	0.88	0.85	0.85	0.91	1.10	1.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.4%	0.5%	1.2%	1.7%	2.2%	1.4%	3.1%	1.6%	-1.3%	0.5%
Return on Equity	12.7%	1.3%	2.9%	3.7%	4.6%	2.8%	6.2%	3.3%	-2.8%	1.2%
ROIC	4.8%	0.6%	1.3%	1.8%	2.4%	1.5%	3.4%	1.8%	-1.4%	0.6%
Shares Out.	53.7	66.3	76.7	82.0	88.9	97.5	115.1	122.9	123.5	127.2
Revenue/Share	12.27	12.30	12.53	13.48	14.02	14.24	19.64	23.88	25.68	25.16
FCF/Share	3.39	3.64	3.36	4.43	5.36	5.57	6.55	5.98	6.39	6.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.