


Pavilion REIT expects consumer spending to stay resilient

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PETALING JAYA: Pavilion Real Estate Investment Trust  (Pavilion REIT) expects consumer spending in retail sales to stay resilient, despite concerns of rising cost of living.

Citing data by Retail Group Malaysia (RGM), Pavilion REIT told Bursa Malaysia that the country's retail industry has recovered to 2019 levels, which recorded a positive growth rate of 33% for 2022.

"RGM projects retail sales to grow by 3.5% in 2023 from a significantly higher base in 2022.

"As per the Malaysian Institute of Economic Research, consumer sentiment continues to cautiously improve with improvements in jobs and income expectation."

For its first quarter ended March 31, 2023, Pavilion REIT's net profit rose to RM70.05mil from RM65.24mil in the previous corresponding period,

Revenue in the first quarter grew to RM156.41mil from RM134.57mil a year earlier.

In a statement, Pavilion REIT said the growth in quarterly revenue was mainly due to higher contribution from rental income, spurred by increased occupancy, revenue rent, advertising and marketing income for retail malls.

"Total property operating expenses were higher by RM13.7mil or 34% as compared to the same quarter of the preceding year.

"The increase is mainly due to a 28% increase in utilities cost from RM11.3mil to RM14.4mil, as electricity tariff surcharge increased from 3.7 sen to 20 sen per kilowatt hour from Jan 1, 2023."

Additionally, Pavilion REIT said the increase in other operating expenses are due to the recovery of doubtful debts, as well as higher spending for marketing campaigns and celebrations post the Covid-19 pandemic.

"These factors resulted in net property income increasing by RM8.1mil or 9% for the first quarter of 2023, as compared to the same quarter in 2022."

Separately, Pavilion REIT said distributable income increased by 7% to RM72.4mil, resulting in a distribution yield of 7.2% based on March 31, 2023's closing market price of RM1.34.

"Distribution per unit of 2.37 sen for the first quarter of 2023 is the same as the first quarter for 2019, despite an increase in units issued to date.

Going forward, Pavilion REIT said its malls will continue to enhance its retail mix, create differential experiences to ignite love and passion for shopping, dining and leisure.

"Operating cost will continue to be monitored to optimise efficiency with spending as required to ensure needs, comfort and safety of its stakeholders are balanced and not compromised," it said.