

# Pavilion-REIT Q1 earnings increase


[thestar.com.my/business/business-news/2023/04/21/pavilion-reit-q1-earnings-increase](https://thestar.com.my/business/business-news/2023/04/21/pavilion-reit-q1-earnings-increase)

The Star Online

21 April 2023



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.

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

Citing data by Retail Group Malaysia (RGM), Pavilion-REIT told Bursa Malaysia that the country's retail industry had 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 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 the electricity tariff surcharge increased from 3.7 sen to 20 sen per kilowatt hour from Jan 1, 2023.”

Additionally, Pavilion-REIT said increases in other operating expenses were due to recovery of doubtful debts, as well as higher spending for marketing campaigns and celebrations post-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 of 2019, despite an increase in the units issued to date.”

Going forward, Pavilion-REIT said its malls will continue to enhance its retail mix, and 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 the needs, comfort and safety of its stakeholders are balanced and not compromised,” it said.

In a recent report, Maybank Investment Bank (Maybank IB) Research said Pavilion-REIT was set to benefit from the reopening of China’s borders.

“Traffic footfall has recovered to pre-Covid levels in 2022 even before China’s reopening. China’s reopening should benefit Pavilion-REIT further with higher footfall in its malls alongside ‘revenge spending’ by Chinese tourists from the second quarter of 2023 onwards,” the research house said.

Pre-Covid, Maybank IB Research noted that around 30% of Pavilion KL’s footfall were foreign tourists, of which 11% to 20% were from China.