Pavilion-REIT seeking to optimise efficiency

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Pavilion-REIT's net profit for its fourth quarter rose by 5.5% year-on-year to RM228.27mil.

PETALING JAYA: Pavilion Real Estate Investment Trust (REIT), whose property operating expense surged 41% in 2023, seeks to optimise efficiency via continuous cost management this year.

With a total asset value of RM9bil in hand, Pavilion-REIT however said it will spend "as required" to ensure the needs, comfort and safety of its stakeholders are balanced and not compromised.

“Pavilion-REIT malls intend to have more dynamic and engaging experiences for its visitors with more regional tourism efforts to be introduced to boost tourism arrivals and spending,” it said in a filing with Bursa Malaysia.

The trust foresees an increase in foreign tourist arrivals this year.

However, private consumption is expected to moderate as compared to 2023 amid ongoing cost inflationary pressures, driven by new taxes and targeted subsidy rationalisation.

“Despite these challenges, domestic demand is expected to remain resilient with a turnaround in external demand,” it added.

Pavilion-REIT reported yesterday that its net profit for the fourth quarter ended Dec 30, 2023 (4Q23) rose by 5.5% year-on-year (y-o-y) to RM228.27mil.

This translated to an earnings per unit of 6.55 sen.

Meanwhile, revenue in the three-month period jumped by 47.5% y-o-y to RM208.22mil.

The increase in revenue was contributed by Pavilion Bukit Jalil that was acquired on June 1, 2023, higher property occupancies that led to increase in rental income as well as higher revenue rent from existing retail malls and advertising income.

This was partially offset by total property operating expenses that increased by 66% y-o-y as due to operating expenses from Pavilion Bukit Jalil and a hike in electricity tariff surcharge from 3.7 sen to 17 sen per kilowatt hour from July 1, 2023.

“These factors resulted in net property income increasing by RM37.8mil or 39% (to RM134.64mil) in 4Q23 as compared to the same quarter in 2022,” it said.

Pavilion-REIT’s bottomline was further boosted by the fair value gain of RM146.5mil it made, following the re-valuation of its investment properties in 4Q23.

This was mainly due to the increase in Pavilion Kuala Lumpur mall’s market value from RM5bil to RM5.15bil.

Pavilion-REIT announced a distribution per unit (DPU) of 4.60 sen for the July to December 2023 period, bringing the total DPU for 2023 to 9.01 sen.

This translates to a distribution yield of 7.2% against market price of RM1.25.

For the full financial year of 2023 (FY23), Pavilion-REIT reported a net profit of RM431.8mil, which increased by 8.5% y-o-y.

Revenue also increased by 31.3% y-o-y to RM723.81mil.

The stronger revenue was contributed by the newly acquired property, Pavilion Bukit Jalil, higher occupancy rates and higher revenue rent from existing retail malls. Income from advertising and marketing events also increased as compared to the preceding year ended Dec 31, 2022.

Total property operating expenses incurred was higher by RM77.6mil or 41% y-o-y. This was mainly due to the operating expenses incurred for the new property and the increase in electricity tariff surcharge by the government.

Despite the higher expenses, Pavilion-REIT witnessed a higher net property income that rose by RM94.9mil or 26% y-o-y in FY23.

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