

Pavilion Bukit Jalil, higher rent bumps up Pavilion REIT 1Q revenue by 40%

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PAVILION Real Estate Investment Trust (REIT) has started the year with a higher topline thanks to income from new property Pavilion Bukit Jalil acquired in June 2023, higher occupancy rates and higher revenue rent from existing retail malls.

In an exchange filing yesterday, it said its net profit for the first quarter March 31, 2024 (1Q24) was up 19% to RM83.2 million on a turnover of RM218.5 million, up 40% from the same period last year.

“Its core shopping malls in KL city centre have held up relatively up despite competition from the new TRX mall,” said Kenanga Research in a note released today, with a ‘Buy’ call on the counter with a 52-week target price of RM1.59, up from earlier RM1.51.

Pavilion REIT was trading at RM1.32 at 10.30am today. The counter has six ‘Buy’ and two ‘Hold’ calls, with a 52-week target price consensus of RM1.54.

In its report, MIDF Research said it was positive on Pavilion REIT (Buy, RM1.48) as its flagship mall namely Pavilion KL Mall should continue to record earnings growth in the mid-to-long term amid high shopper footfalls.

As at March 31, the properties under Pavilion REIT’s portfolio comprises Pavilion Kuala Lumpur Mall, Pavilion Tower, DA MEN Mall, Intermark Mall, Elite Pavilion Mall and Pavilion Bukit Jalil.

Pavilion Kuala Lumpur Mall and Pavilion Bukit Jalil contributed 62% and 23%, respectively, of the 1Q23 revenue.

In the 1Q24, Pavilion REIT’s total property operating expenses were higher by RM28.2 million or 52% as compared to 1Q23 mainly due to operating expenses incurred for the new property, replacement of obsolete or aging parts/upkeeps in properties, upgrading of landlord provisions for retail lots as well as lift lobby and toilets refurbishment at Pavilion Tower.

Higher utilities cost was also incurred due to additional consumption as a result of the hot weather, it said.

Moving forward, Pavilion REIT said as per Retail Group Malaysia survey had indicated, the biggest challenge for Malaysia’s retail industry in 2024 was the rising cost of living.

In its report, Kenanga Research said Pavilion REIT’s assets in the Kuala Lumpur city centre like Pavilion KL and Elite Pavilion Mall have been able to consistently chalk up higher occupancy despite the entry of the TRX mall.

“On one hand, we are mindful of the sustained elevated inflation (which could be exacerbated by subsidy rationalisation) that eats into consumers’ spending power. On the other hand, the return of tourists could potentially fill the gap,” it said. — **TMR**