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## Pavilion REIT climbs over one-month high, analysts say earnings growth on track

By Justin Lim / [theedgemaalaysia.com](https://theedgemaalaysia.com)

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'We expect Pavilion REIT's earnings to remain resilient, largely backed by Pavilion Kuala Lumpur, due to its prime location,' said Maybank Investment Bank.

KUALA LUMPUR (April 26): Pavilion Real Estate Investment Trust rose to its highest in more than a month after the release of its first-quarter results, while analysts expect the REIT, which mainly manages shopping malls, to benefit further from higher tourist arrivals.

Shares in Pavilion REIT edged up 1.5% to RM1.32, their highest since March 18, valuing the trust at RM4.83 billion at Friday's noon trading break. Net profit for the quarter ended March 31, 2024 (1QFY2024) announced on Thursday was largely within expectations, accounting for 25% of consensus full-year estimates.

"We expect Pavilion REIT's earnings to remain resilient, largely backed by Pavilion Kuala Lumpur, due to its prime location, and with additional growth contribution from Pavilion Bukit Jalil," said Maybank Investment Bank.

Pavilion REIT has gained over 9% so far this year, slightly ahead of its peers, buoyed by broader resurgence in tourism that is expected to lead to higher shopper footfall and tenant sales for its prime malls. The Bursa Malaysia REIT Index, which tracks 19 REITs, has gained more than 6% year-to-date.

Analysts broadly remained bullish, with a majority of six out of eight maintaining their 'buy' calls on Pavilion REIT, while two have 'hold' ratings, with the consensus 12-month target price at RM1.54. This year, the REIT is expected to make a net profit of RM337.68 million, according to analysts surveyed by *Bloomberg*.

The trust's premium retail assets are less vulnerable to pressure on occupancy and rental rates, amid rising headwinds in the retail sector, on the back of sustained high inflation that hurts consumer spending, Kenanga Investment Bank Bhd said.

In addition to Pavilion KL and the adjacent Elite Pavilion Mall in the Golden Triangle of Kuala Lumpur frequented by foreign tourists, the REIT also owns the Intermark Mall, Pavilion Bukit Jalil and Da Men Mall. The trust also has an office building, Pavilion Tower, in its portfolio.

AmInvestment Bank, meanwhile, noted that the REIT offers a compelling FY2025 distribution yield of 7.5%, versus 10-year Malaysian Government Securities' yield of 3.99%. Pavilion REIT would be "appealing to yield-seeking investors, with its wide distribution spread", the house said.

Rental reversion in FY2024 is expected to come in between 5% and 6% for the REIT's prime malls in Bukit Bintang, with expectations of improving tenant sales brought on by the return of foreign tourists, AmInvestment added.

On Thursday, the REIT reported a 33.2% year-on-year increase in net property income in 1QFY2024 at RM136.02 million.

Gross revenue surged 39.7% from a year earlier to RM218.52 million, thanks largely to newly acquired Pavilion Bukit Jalil, as well as higher occupancy rates and higher rent from other malls.

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