

Pavilion-REIT prudent despite earnings growth

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The Star Online

18 July 2024



- [Corporate News](#)
- Thursday, 18 Jul 2024

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PETALING JAYA: [Pavilion Real Estate Investment Trust](#)  (Pavilion-REIT) will focus on continuously refining its tenant mix and elevating marketing efforts, after revising its retail sales growth for the second quarter of the year (2Q24) downwards to 3.6% year-on-year (y-o-y).

The investment manager said moderate retail sales for the second quarter and continued concerns over rising cost of living that has affected consumers across all income brackets had led to the readjustment of its projection, which was at 4% previously.

Despite the cautious tone, Pavilion-REIT posted a net profit of RM67.1mil for its second quarter ended June 30, a 6.7% y-o-y growth, driven by a 25.8% jump in revenue to RM201.3mil.

Year-to-date, Pavilion-REIT also saw a 13% y-o-y rise in net earnings to RM150.3mil, supported by a one-third growth in revenue to RM419.8mil.

It attributed the strong quarterly and y-t-d results to income from new property, Pavilion Bukit Jalil, that was acquired on June 1, 2023, as well as income from Pavilion Kuala Lumpur Mall, although these were offset by loss of advertising turnover from Elite Pavilion Mall due to the upgrading of the latter's light-emitting diode screen.

Meanwhile, the investment manager reported that higher utilities costs due to subscription of green electricity tariff from Tenaga Nasional Bhd  contributed to increased property operating expenses.

This was mitigated by an elevated management fee, which was in line with the increase in total asset value and net property income.

However, compared with the preceding quarter, net profit dropped 19.3% from RM83.2mil, led by a 7.9% decrease in turnover from RM218.5mil.

While it did not reveal the reason for the quarterly decline, the aforementioned "moderate sales" in 2Q24 was probably a factor.

At the same time, Pavilion-REIT declared an interim dividend of 4.53 sen per share during the quarter, almost a six-fold increase compared to the corresponding period last year.

Citing data from the Statistics Department, the investment manager said domestic tourism expenditure for 1Q24 had soared 25.3% y-o-y to RM24.1bil.

"Shopping remained the second-most significant purpose of domestic tourism after visiting relatives and friends, with shopping as the highest spending at 36.3%, followed by food and beverage at 16.3% and automotive fuel at 13.2%," it noted.

For the same quarter, foreign tourist arrivals surged 32.5% to 5.8 million, mainly from Singapore, Indonesia, China, Thailand and Brunei, with more collaborations and strategies being initiated, with Pavilion-REIT saying that these updates augur well for the retail industry.

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