# Pavilion-REIT to gain from solid economy, tourism recovery

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CGSI Research sees substantial room for growth in Pavilion Bukit Jalil mall's performance in the next three years.

PETALING JAYA: Pavilion Real Estate Investment Trust (Pavilion-REIT) is expected to benefit from the improving economic environment in Malaysia, underpinned by robust domestic spending and a rapid recovery in tourism activity.

The favourable trend would translate to increased footfall and tenant sales for malls, thus elevating the REIT's rental revenue growth.

CGS International Research (CGSI Research) said in a report that the solid outlook would also lend support to the upcoming rental revisions, with the management setting its sights on an uptick in rental rates of 4% to 6% for 2024.

"We also see substantial room for growth in the Pavilion Bukit Jalil mall's performance in the next three years, as it remains in the fast-growth phase. We see the rise in the occupancy rate as low-hanging fruit that could spur the mall's rental income growth," the research house said.

"Management's target for the mall's occupancy rate to achieve 90% in the fourth quarter of 2024 is within reach. We project the mall to subsequently improve its occupancy rate to 95% by end-2026," it added.

This would anchor the majority of Pavilion-REIT's earnings growth in 2024-2026.

CGSI Research upgraded its call on Pavilion-REIT to "add" from "hold" previously, with a higher target price of RM1.78, up from RM1.29.

"We lift our divided discount model-based target price, following the core earnings per unit revisions and model updates," it said.

It added that the revised target price implied 2025 yield of 5.3%, with a yield differential of 200 to 300 basis points compared with 10-year Malaysian Government Securities.