

Pavilion Reit buying KL hotels for RM480mil

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Pavilion Real Estate Investment Trust (Pavilion Reit) is buying two hospitality assets.

KUALA LUMPUR: Pavilion Real Estate Investment Trust (Pavilion Reit) is buying two hospitality assets namely the Banyan Tree Kuala Lumpur and Pavilion Hotel Kuala Lumpur, in a landmark deal worth RM480 million.

MTrustee Bhd, acting for and on behalf of Pavilion Reit, entered into conditional sale and purchase agreements with Lumayan Indah Sdn Bhd for the acquisition of Banyan Tree at RM140 million.

It signed a similar agreement with Harmoni Perkasa Sdn Bhd to acquire Paviliom Hotel for RM340 million.

Pavilion Reit Management Sdn Bhd chief executive officer Datuk Philip Ho said both acquisitions aligned with Pavilion Reit's strategy which contributes positively to the overall portfolio and future growth.

"Acquiring these iconic hospitality assets reinforces our commitment to delivering premium offerings while capitalising on synergistic opportunities with Pavilion Kuala Lumpur Mall", he added.

The acquisitions will be funded via a combination of debt and/or equity, with Pavilion Reit proposing a private placement of new units to raise gross proceeds between RM264 million and RM552 million.

Alternatively, it may issue up to RM246.5 million worth of units to settle part of the purchase consideration.

The transaction is expected to enhance portfolio diversification by reducing Pavilion Kuala Lumpur Mall's contribution to Pavilion Reit's total asset value from 61.4 per cent to 58.0 per cent via exposure to the hospitality sector.

The hotels are operated and managed by Banyan Tree Hotels & Resorts Pte Ltd since their openings in 2018.

Banyan Tree Hotels & Resorts Pte Ltd is part of Singapore-listed Banyan Tree Holdings Lyd, a global hospitality group renowned for its luxury offerings and award-winning services.

As part of the deal, the hotels will be leased back to the current operator for an initial 10-year term, with the option to renew for up to 20 additional years.

The fixed annual rental income will commence at RM33.5 million for the first five years, generating an annual gross yield of 7.0 per cent.

This rental income will be subject to incremental adjustments every five years.

"Within Kuala Lumpur's Golden Triangle lies what we consider the 'golden mile,' Jalan Bukit Bintang.

"The area's proximity to world-class attractions, premier retail, and excellent connectivity ensures the hotels and Pavilion Kuala Lumpur Mall are well-positioned to benefit from Malaysia's ongoing promotion of the tourism sector," added Ho.