

Pavilion REIT proposes acquisition of Bukit Bintang hotels for RM480mil

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The acquisitions align with Pavilion REIT's strategy which contributes positively to the overall portfolio and future growth. - pic from Banyan Tree Kuala Lumpur

KUALA LUMPUR: [Pavilion Real Estate Investment Trust](#)  (REIT) has proposed to acquire two hospitality assets - the Banyan Tree Kuala Lumpur (BTKL) and Pavilion Hotel Kuala Lumpur (PHKL)- in the Bukit Bintang area, for a combined RM480mil.

In a statement, Pavilion REIT Management Sdn Bhd said the REIT's trustee, MTrustee Bhd, had entered into a conditional sales and purchase agreement with Lumayan Indah Sdn Bhd for the acquisition of BTKL at a purchase consideration of RM140mil, and a

separate conditional agreement with Harmoni Perkasa Sdn Bhd for the acquisition of PHKL for RM340mil.

“The acquisitions align with Pavilion REIT’s strategy which contributes positively to the overall portfolio and future growth, while also generating stable and sustainable income for unitholders.

“Acquiring these iconic hospitality assets reinforces our commitment to delivering premium offerings while capitalising on synergistic opportunities with Pavilion Kuala Lumpur Mall”, said Pavilion REIT Management Sdn Bhd CEO Datuk Philip Ho.

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 RM264mil and RM552mil.

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

It said 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% to 58% via exposure to the hospitality sector.

Upon completion of the purchase, the hotels will represent 5.5% of Pavilion REIT’s enlarged total assets under management.

"The integration enables synergistic marketing and operational strategies, which are anticipated to drive higher revenue per available room for the hotels and further elevate the overall value proposition of the mall.

"Pavilion REIT’s ownership further enhances this synergy, enabling strategic partnerships that will maximise the long-term value," it said.

The hotels have been operated and managed by Banyan Tree Hotels & Resorts Pte Ltd, a part of Singapore-listed Banyan Tree Holdings Ltd, since their openings in 2018.

According to the statement, BTKL and PHKL have consistently achieved average occupancy rates of 83% and 82.2% respectively up to Sept 30, 2024.

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 RM33.5mil for the first five years, generating an approximate annual gross yield of 7%.

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