

Pavilion REIT proposes to buy chairman's KL hotels for RM480m

theedgemaalaysia.com/node/736750

December 5, 2024

By [Izzul Ikram](#) / theedgemaalaysia.com

05 Dec 2024, 08:31 pm



Photo by Low Yen Yeing/The Edge

KUALA LUMPUR (Dec 5): Pavilion Real Estate Investment Trust (KL:[PAVREIT](#)) has proposed to buy two hotels in Kuala Lumpur for an aggregate RM480 million, and undertake a private placement to raise up to RM552 million to fund the acquisitions.

It said its trustee, MTrustee Bhd, has entered into agreements to acquire Banyan Tree KL for RM140 million from Lumayan Indah Sdn Bhd, and buy Pavilion Hotel KL for RM340 million from Harmoni Perkasa Sdn Bhd.

The deals are deemed related-party as both Lumayan and Harmoni Perkasa are indirectly wholly owned by Pavilion REIT major unitholder Tan Sri Lim Siew Choon. Lim is also an ultimate shareholder and chairman of Pavilion REIT's manager Pavilion REIT Management Sdn Bhd.

Pavilion REIT, in a bourse filing on Thursday, said the acquisitions align with its commitment to deliver premium offerings while capitalising on synergistic opportunities with Pavilion KL mall. The two hospitality assets are also expected to enhance the REIT's portfolio diversification, reducing Pavilion KL mall's contribution to total asset value from 61.4% to 58%.

Pavilion REIT said its trustee has also inked 10-year lease agreements with Harmoni Perkasa to lease the hotels to the hotel operator. "The fixed annual rental income will commence at RM33.5 million for the first five years, generating an approximate annual gross yield of 7.0%. This rental income will be subject to incremental adjustments every five years."

Appointed valuer CBRE WTW Valuation & Advisory Sdn Bhd ascribed a value of RM140 million for Banyan Tree KL and RM350 million for Pavilion Hotel KL.

The RM480 million acquisitions will be funded via a combination of debt or equity — with Pavilion REIT proposing a private placement of new units to raise proceeds of between RM264 million and RM552 million.

The private placement entails the issuance of up to 386.01 million units to raise proceeds of up to RM552 million by way of bookbuilding, based on an illustrative price of RM1.43 apiece.

Of the proceeds, up to RM446.5 million will be utilised to fund the hotel acquisitions, RM80 million to repay bank borrowings, and RM25.5 million to defray the proposals' estimated expenses.

The actual placement size and issue price will be determined later. The difference in purchase consideration not covered by the private placement's proceeds will be funded via borrowings.

Pavilion REIT said that in the event it elects not to implement the private placement, it will instead issue consideration units to the vendors to part settle RM246.5 million of the purchase consideration.

The exercises are expected to be completed by the first half of 2025. Inter-Pacific Securities Sdn Bhd has been appointed as independent adviser to advise non-interested unitholders.

Pavilion REIT units closed two sen or 1.34% higher at RM1.51, giving the REIT a market capitalisation of RM5.53 billion.

Edited ByS Kanagaraju