Strong foundations for breakout growth

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The Edge Billion Ringgit Club 2025
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HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

REIT

Pavilion REIT

Thanks to a strong tenant mix, resilient footfall and consistent financial performance, Pavilion Real Estate Investment Trust (KL:PAVREIT) has established itself as a bellwether in the domestic real estate investment trust (REIT) sector. Despite operating during a time of elevated and stubborn cost pressures, the trust impresses with its premium rental rates, high occupancy rates and attraction power which continues to draw in the crowds.

Pavilion REIT's spectacular performance has led it to clinch its inaugural win at *The Edge* Billion Ringgit Club (BRC) awards, taking home the accolade for the highest growth in profit after tax (PAT) over three years among REITs with market capitalisation above RM1 billion.

By sweating its assets, the trust's distributable income grew from RM134.7 million in FY2021 to RM255.8 million in FY2022 and further to RM307.4 million in FY2023 and RM341.7 million in 2024, giving it a weighted three-year compound annual growth rate (CAGR) of 36.39%.

As the nation recovered from the adverse effects of the Covid-19 pandemic which spared few, the trust's revenue grew 73% from RM488.6 million in FY2021 to RM845.9 million in FY2024. Pavilion REIT's strong performance enabled the group to reward unitholders with distribution per unit payouts of 4.41 sen in FY2021, 8.37 sen in FY2022, 9.01 sen in FY2023 and 9.34 sen in FY2024.

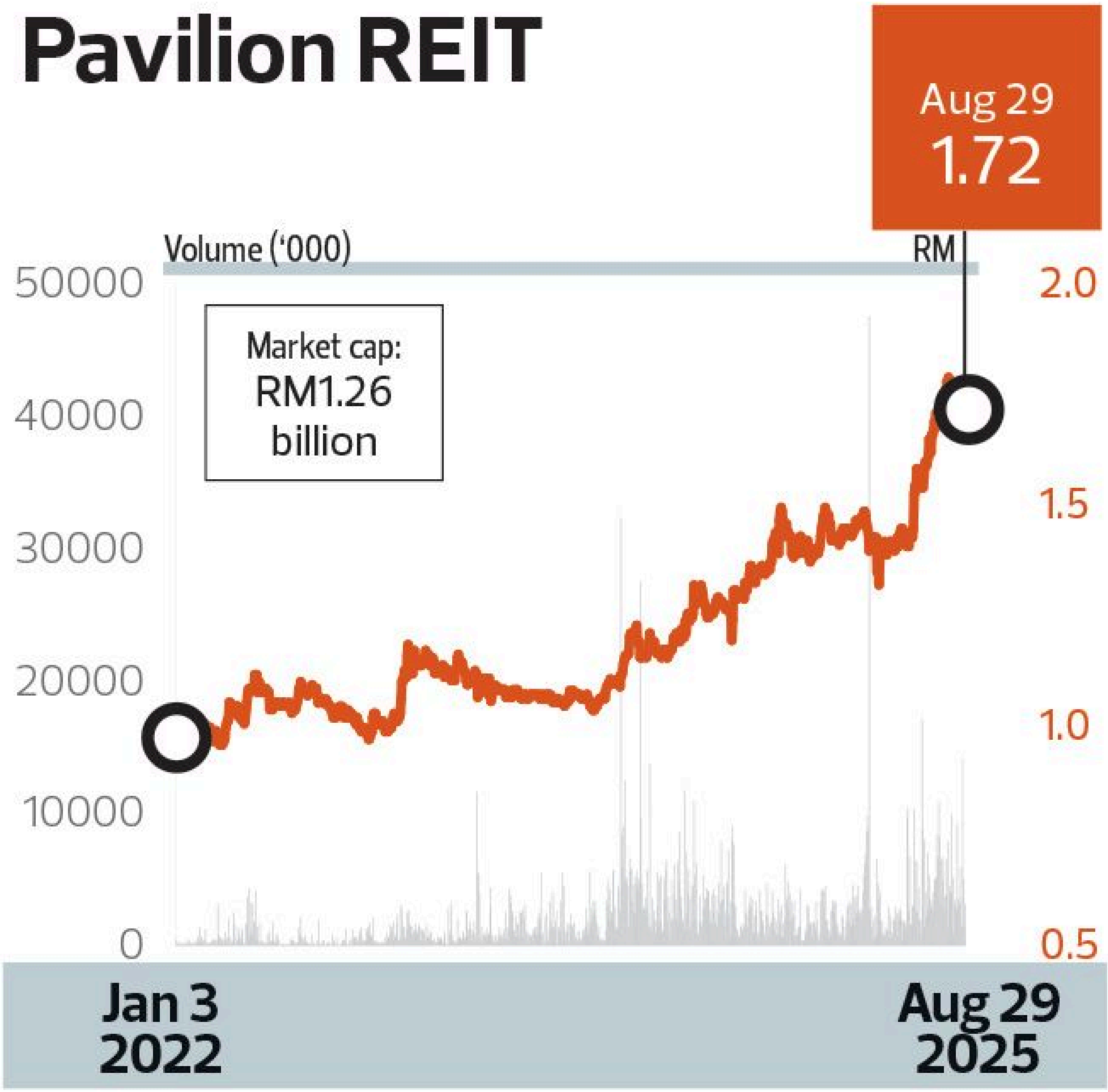
In FY2024, Pavilion REIT registered four consecutive quarters of growth. The group attributed the income growth mainly to its then-new property Pavilion Bukit Jalil, which was acquired on June 1, 2023, as well as higher rental income from Pavilion Kuala Lumpur Mall.

The sustained excellence continued this year, with distributable income for the first six months ended June 30, 2025, growing 17.3% to RM78.7 million from RM67.1 million during the same period last year. Revenue grew 6% to RM213.3 million.

Pavilion REIT's unitholder returns saw a compound annual growth rate of 11.05% over three years, as its adjusted unit price went from RM1.07 on March 31, 2022, to RM1.46 on March 31, 2025.

Its unit price, which hit a record high of RM1.787 on Aug 4 this year, has climbed 18.2% year-to-date to RM1.72 as at Aug 28. At the time of writing, all 10 analysts on Bloomberg covering the counter have a "buy" on it with a consensus target price of RM1.89.

Listed on the Main Market of Bursa Malaysia on Dec 7, 2011, Pavilion REIT has eight properties in its portfolio, consisting of five retail malls, an office tower and two hotels. Three of the malls — Pavilion Kuala Lumpur Mall, Elite Pavilion Mall and Intermark Mall — and the office tower Pavilion Tower are located within the commercial centre of Kuala Lumpur. The remaining malls, Pavilion Bukit Jalil and DA MEN Mall, are situated in the Bukit Jalil and Subang Jaya neighbourhoods respectively. The six assets have a total value of RM8.5 billion.



In May, Pavilion REIT proposed to add to its stable hospitality assets the Banyan Tree Kuala Lumpur and Pavilion Hotel Kuala Lumpur, both of which are located in Bukit Bintang, for a total consideration of RM480 million. The group then raised about RM360 million from a private placement of shares priced at RM1.40 per unit, in which proceeds from the share were earmarked to partly finance the hotel acquisitions in a related-party transaction. The acquisition, announced last December, was deemed a related-party transaction as the sellers Lumayan Indah Sdn Bhd and Harmoni Perkasa Sdn Bhd are indirectly wholly-owned by tycoon Tan Sri Desmond Lim.

The balance of the purchase consideration will be funded via bank borrowings. As at June 30, 2025, the trust had total borrowings of RM4.1 billion, comprising RM80 million in short-term debt and RM3.3 billion in long-term debt.

In a note appended with its latest quarterly statement, Pavilion REIT said: "As Malaysian retailers expect sales to grow at a slower pace amid rising cost of living and economic challenges, Retail Group Malaysia had revised 2025 retail growth downwards to 3.1% from

4.3%. MARC Ratings forecasts the Malaysian economy to grow by 4.4% in 2025, down from 5.1% in 2024, as external trade uncertainties dampen export momentum. Nonetheless, resilient domestic demand is expected to anchor growth, driven by labour market improvements, accommodative policy settings and tourism recovery.”