

HLIB cuts Pavilion REIT to 'hold' as price surpasses target amid lower yield outlook

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KUALA LUMPUR (Oct 9): Pavilion Real Estate Investment Trust (KL:[PAVREIT](#)) may have enjoyed a unanimous 'buy' rating among research houses but the counter is starting to lose steam.

Hong Leong Investment Bank (HLIB) has gone against the broader market consensus by downgrading Pavilion REIT to 'hold' as its recent share price rally leaves limited upside potential.

HLIB said its newly revised target price (TP) of RM1.85 for Pavilion REIT was premised on a lower target yield of 5.2%, from 5.4%, in line with the five-year historical average spread between Pavilion REIT and the 10-year Malaysian Government Securities.

"Despite a higher TP of RM1.85, we downgrade to 'hold' as the recent share price rally has rendered its risk-reward to be less compelling," the research house added in a note.

At the time of writing on Thursday, Pavilion REIT's share price of RM1.93 had already surpassed HLIB's new target and was approaching the general consensus among analysts.

Bloomberg data showed that seven analysts, including HLIB, had 'buy' calls on the stock since their latest updates in September, with TPs ranging from RM1.77 to RM2.04.

While Pavilion REIT continues to benefit from a rebound in tourism with expected drive spending and traffic at key assets such as Pavilion Kuala Lumpur and Pavilion Elite, the research house said the recent share price rally had already priced in much of this optimism and “tilted its risk-reward to be less compelling”.

Despite the downgrade, HLIB raised its financial year ending Dec 31, 2025 (FY2025) to FY2027 earnings forecasts by 1%, 2.6%, and 2.5% respectively to account for lower financing and electricity costs as well as operational improvements from the rebranding of Da Men Mall into Easyhome Mall.

The mall, which has been loss-making since 2020, is expected to break even by October under a master lease agreement with China-based Easyhome International, according to the research house.

Overall, HLIB is still cautiously optimistic and added that Pavilion REIT’s portfolio remains resilient, underpinned by sustained footfall despite the 8% sales and service tax and rising occupancy at Pavilion Bukit Jalil, which is on track to achieve 95% occupancy by year end.
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