

Tourist influx, better occupancy to support Pavilion REIT, analysts say as results missed expectations

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KUALA LUMPUR (Feb 13): Strong footfalls at Pavilion Kuala Lumpur and occupancy improvements at Pavilion Real Estate Investment Trust's (KL:[PAVREIT](#)) other malls will help boost rentals for next year, analysts said.

Investors should continue to accumulate the stock, according to a majority of research houses' recommendations, even as results for the year ended 2024 came in slightly below consensus expectations, amid competitions from new malls such as The Exchange TRX.

Pavilion Bukit Jalil, in particular, is on track to achieve a 95% occupancy target by the end of 2025, backed by strong foot traffic, Kenanga Investment Bank said. Recent acquisition of two hotels — Banyan Tree and Pavilion Hotel Kuala Lumpur — would also boost earnings visibility, the house noted.

Pavilion REIT's net property income grew 14% year-on-year to RM522.77 million in FY2024, lifting core net profit by 9% to RM310 million. However, the results fell short of expectations, accounting for 95% of the street's earnings estimate.

Next year, the consensus calls for a net profit of RM375 million for Pavilion REIT. An influx of international tourists is expected to benefit Pavilion Kuala Lumpur and the adjacent Elite Pavilion Mall in the Golden Triangle of Kuala Lumpur.

The REIT also owns the Intermark Mall, Pavilion Bukit Jalil and Da Men Mall. The trust also has an office building, Pavilion Tower, in its portfolio.

Da Men Mall is expected to turn profitable in 2025 — after posting losses in FY2024 — following the signing of a master lease agreement with Easyhome International to operate a lifestyle home furnishing centre for three years, RHB Investment Bank flagged.

“With the mall’s occupancy rate ranging between low-to-mid 70%, we think that the master lease is a good solution to turn the struggling asset profitable again,” the house said.

Eight out of nine analysts covering the stock have a “buy” call on the REIT, while one recommends a “hold”. Bloomberg data shows a 12-month target price of RM1.73, implying an 11.6% upside from its current share price of RM1.55.

Over the past year, its share price has climbed 26% and the counter is currently trading at a trailing earnings multiple of 16.5 times, lower than IGB Real Estate Investment Trust (KL:[IGBREIT](#)) at 20.2 times, and Sunway Real Estate Investment Trust (KL:[SUNREIT](#)) at 18.9 times.

Pavilion REIT's unit price stayed flat on Thursday at RM1.54, giving the trust a market capitalisation of RM5.64 billion.

Edited By Jason Ng