

Retail strength and tourism tailwinds support Pavilion REIT growth

focus focusmalaysia.my/retail-strength-and-tourism-tailwinds-support-pavilion-reit-growth

CS Ming

January 30, 2026

PAVILION REIT reported quarter four 2025 (4Q25) core net profit of RM95.8 mil (+18.7%) year-on-year (YoY), which brought 2025 earnings to RM359.5 mil (+16.0% YoY).

“The results were within ours and consensus expectations at 98% and 100% respectively,” said Hong Leong Investment Bank (HLIB).

Revenue was relatively flattish (+1.8%), while NPI expanded faster at +3.3%.

This was supported by lower operating expenses (-0.2%), mainly from reduced maintenance expenses (-16.0%). However, core profit grew only +1.3%, weighed down by higher manager’s fees (+8.6%) and borrowing costs (+3.7%).

Top line rose +6.1%, driven by stronger contributions from Pavilion Bukit Jalil (PBJ) (+7%) as well as contributions from the newly injected hotels. Meanwhile, core profit expanded +18.7%, supported by lower financing costs (-4.7%).

Figure #2 Quarterly results comparison

FYE Dec (RM m)	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Rental income	195.1	207.5	201.6	-2.9%	3.3%	766.9	811.3	5.8%
Other revenue	23.7	20.4	30.5	49.9%	28.8%	78.9	90.2	14.3%
Gross revenue	218.8	227.9	232.1	1.8%	6.1%	845.9	901.5	6.6%
Utilities	-23.9	-19.5	-21.8	12.1%	-8.7%	-100.6	-90.5	-10.1%
Maintenance	-24.8	-31.5	-26.5	-16.0%	6.7%	-110.2	-116.1	5.4%
Quit rent & assessment	-5.9	-6.4	-6.1	-4.4%	3.7%	-23.5	-24.5	4.4%
Other opex	-29.3	-25.0	-27.8	11.4%	-5.0%	-88.8	-102.5	15.5%
Total operating expenses	-83.9	-82.4	-82.3	-0.2%	-2.0%	-323.1	-333.6	3.2%
Net property income	134.9	145.5	149.8	3.0%	11.1%	522.8	567.9	8.6%
Interest income	3.5	3.7	3.6	-1.7%	1.9%	14.8	15.2	3.0%
Net investment income	138.4	149.1	153.4	2.9%	10.9%	537.6	583.1	8.5%
Manager’s management fee	-11.4	-11.5	-12.5	8.6%	9.9%	-43.1	-45.8	6.4%
Trustee’s fee	-0.1	-0.1	-0.2	N.M	N.M	-0.6	-0.6	2.7%
Other trust expenses	-0.6	-1.1	-1.5	N.M	N.M	-1.8	-3.6	N.M
Borrowings cost	-45.6	-41.9	-43.4	3.7%	-4.7%	-182.1	-173.6	-4.7%
Non-operating expenses	-57.6	-54.6	-57.6	5.5%	-0.1%	-227.6	-223.6	-1.7%
Core profit before tax	80.8	94.6	95.8	1.3%	18.7%	310.0	359.5	16.0%
Taxation	0.0	0.0	0.0	N.M	N.M	0.0	0.0	N.M
Core profit after tax	80.8	94.6	95.8	1.3%	18.7%	310.0	359.5	16.0%
Extraordinary items	99.9	0.0	0.0	N.M	N.M	99.9	0.0	N.M
Reported profit after tax	180.7	94.6	95.8	1.3%	-47.0%	409.9	359.5	-12.3%
Core EPU (sen)	2.21	2.41	2.44	1.3%	10.8%	8.47	9.33	10.1%
DPU (sen)	4.81	0.00	5.03	N.M	4.6%	9.34	10.00	7.1%

HLIB Research

Retail occupancy improved to 97%, whereas Pavilion Tower's office occupancy dipped slightly to 78%. Meanwhile, gearing eased to 40%.

HLIB expects Pavilion Kuala Lumpur (PKL) and Elite Pavilion to continue enjoying robust footfall into 2026, underpinned by (i) Visit Malaysia 2026 initiatives and (ii) the mutual visa exemption between Malaysia and China. Earnings visibility will be further strengthened by the full-year contribution from the injection of Banyan Tree Kuala Lumpur (BTKL) and Pavilion Hotel Kuala Lumpur (PHKL), which are expected to provide a combined fixed RM33.5m in base rental (3.4% of our FY26f revenue).

Malaysian Culture Experience

"Coupled with mid-single-digit rental reversions, we expect Pavilion REIT to deliver improving earnings performance in 2026," said HLIB.

HLIB maintains Buy with unchanged target price of RM2.02, based on an unchanged target yield of 5.2%, anchored to the five year historical average spread between Pavilion REIT and the 10-year MGS. —Jan 30, 2025