

Tourism boost to lift Pavilion Reit FY26 earnings

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KUALA LUMPUR: Pavilion Real Estate Investment Trust (Reit) is expected to deliver improved earnings performance in financial year 2026 (FY26), according to Hong Leong Investment Bank Bhd (HLIB).

The firm said earnings will be supported by high footfall at Pavilion Kuala Lumpur and Elite Pavilion, which together accounted for about 66 per cent of the group's FY25 revenue.

It added that Visit Malaysia 2026 initiatives and the mutual visa exemption between Malaysia and China will be the drivers for the growing footfall.

"Earnings visibility will be further strengthened by the full-year contribution from the injection of Banyan Tree Kuala Lumpur and Pavilion Hotel Kuala Lumpur, which are expected to provide a combined fixed RM33.5 million in base rental.

"Coupled with mid-single-digit rental reversions, we expect Pavilion REIT to deliver improving earnings performance in FY26," HLIB said in a note.

The firm said Pavilion Reit's FY25 earnings of RM359.5 million came in within its estimates at 98 per cent.

HLIB kept its "Buy" call on the stock with an unchanged target price of RM2.02 based on an unchanged target yield of 5.2 per cent, anchored to the five year historical average spread between Pavilion Reit and the 10-year Malaysian Government Securities.

"Pavilion Reit's prospects remain favourable, supported by a constructive tourism outlook that is expected to drive higher footfall and spending at its flagship assets including Pavilion KL and Pavilion Elite, reinforcing its growth trajectory," it said.