

Pavilion REIT Expected To Deliver Single Digit NPI Growth Despite Headwinds

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Pavilion Real Estate Investment Trust (Pavilion REIT) is expected to deliver a stable performance this year, although early 2026 trends to softer retail spending and cautious travel sentiment amid global uncertainties.

Following recent engagements with management, analysts noted that retail activity at Pavilion Kuala Lumpur was slightly weaker in the first quarter of 2026 compared to a year earlier. This was attributed partly to geopolitical tensions in the Middle East, which have weighed on consumer sentiment, as well as increased outbound travel driven by a stronger ringgit, which has appreciated about 8% since October 2025.

Meanwhile, Pavilion Bukit Jalil maintained an occupancy rate of 90% as of March 2026, unchanged from December last year, despite some tenant

reshuffling. The mall is expected to gradually improve occupancy to around 95% over the next 12 months, supported by steady footfall and a strong tenant mix.

On the hospitality front, the group's hotels, including the Pavilion Hotel Kuala Lumpur and Banyan Tree Kuala Lumpur, recorded stable occupancy levels of around 80%. However, forward bookings have yet to show significant improvement, reflecting subdued travel demand amid rising airfares linked to ongoing geopolitical tensions.

Despite these near-term headwinds, Pavilion REIT's flagship Pavilion KL mall is projected to continue delivering mid-single-digit net property income (NPI) growth in 2026. The group's recent acquisition of two five-star hotels is also expected to diversify its income base, although analysts remain neutral on the hospitality segment due to uncertain tourism recovery prospects.

Looking ahead, first-quarter results are expected to account for approximately 24% to 26% of full-year earnings forecasts, supported by festive spending during Chinese New Year and Ramadan.

Analysts have maintained their earnings projections for 2026, while introducing a modest 4% net profit growth forecast for 2027, reflecting a cautiously optimistic outlook for the retail REIT.