

# Retail slows but growth story intact for Pavilion REIT

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PAVILION REAL Estate Investment Trust (Pavilion REIT) is showing strong growth momentum in early 2026, driven by a recovering tourism sector and recent asset acquisitions.

Where Pavilion Mall Kuala Lumpur is concerned, retail spending activities were observed to be slightly softer in quarter one calendar year 2026 on a year-on-year (YoY) basis.

“We believe this could be due to the anxiety over the geopolitical tension in the Middle East and potentially more outbound travels following the strengthening of MYR by about 8% since Oct 2025,” said Kenanga.

Towards Pavilion Mall Bukit Jalil, occupancy level as of Mar 2026 remained at 90%, unchanged from Dec 2025 with some movements in tenants.

## Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	3.0	2.2	3.8	3.4	2.6
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Other Fixed Assets	8,390.0	8,490.0	9,095.0	9,095.0	9,095.0
Inventories	3.9	5.7	6.5	5.8	6.2
Receivables	55.2	61.7	57.7	68.2	69.0
Other Current Assets	90.9	97.4	100.3	100.3	100.3
Cash	455.5	473.9	565.3	607.2	672.6
<b>Total Assets</b>	<b>8,998.5</b>	<b>9,130.9</b>	<b>9,828.6</b>	<b>9,879.8</b>	<b>9,945.5</b>
Payables	100.0	80.0	1,073.1	1,134.9	1,201.2
ST Borrowings	591.6	634.4	305.4	331.4	359.4
Other ST Liability	0.0	0.0	0.0	0.0	0.0
LT Borrowings	3,290.9	3,312.7	2,863.5	2,863.5	2,863.5
Other LT Liability	84.4	85.3	85.3	85.3	85.3
<b>Net Assets</b>	<b>4,931.5</b>	<b>5,018.5</b>	<b>5,501.3</b>	<b>5,464.7</b>	<b>5,436.1</b>
S.holders' Equity	4,931.5	5,018.5	5,491.4	5,464.7	5,436.1
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>4,931.5</b>	<b>5,018.5</b>	<b>5,491.4</b>	<b>5,464.7</b>	<b>5,436.1</b>

Occupancy level of its Pavilion KL hotel and Banyan Tree hotel remains steady at 80% on average.

The group has yet to see a notable increase in forward bookings likely due to some pullback in travelling sentiment upon the surge in air ticket fees arising from the middle east war.

“We expect the group’s crown jewel, Pavilion KL’s performance to remain stable this year with the typical mid-single digit growth in NPI,” said Kenanga.

While the group’s acquisition of two 5-star hotels will help diversify its income streams, Kenanga hold a neutral stance on the segment as the potential increase in tourist arrivals on Visit Malaysia Year 2026 may be dampened by the Middle East geopolitical conflict that is hurting travelling sentiment.

#### **Income Statement**

<b>FY Dec (RM m)</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>	<b>2026F</b>	<b>2027F</b>
Revenue	723.8	845.9	901.5	940.6	965.8
Operating Profit	459.1	522.8	567.9	609.4	628.3
Depreciation	-0.6	-0.8	-0.7	-0.8	-0.8
Interest Inc/(Exp)	589.7	524.7	589.6	410.1	426.4
Associate Earnings	0.0	0.0	0.0	0.0	0.0
Profit Before Tax	431.8	409.9	466.9	393.7	409.1
Taxation	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	431.8	409.9	466.9	393.7	409.1
Core PATAMI	285.3	310.0	359.5	393.7	409.1

On Pavilion Bukit Jalil, Kenanga is confident for the mall to progressively achieve 95% tenant occupancy in the next 12 months, underpinned by strong footfalls and vibrant tenant mix.

“We remain optimistic on its Pavilion Bukit Jalil mall’s growth prospects as it continues to curate and optimize tenant mix, underpinned by increasing footfalls from the bustling city at the heart of Bukit Jalil,” said Kenanga.

#### **Malaysian Culture Experience**

Its strategic move to diversify into hotel assets in 2025 could also solidify the earnings resiliency of its portfolio.

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)
<b>Stocks Under Coverage</b>					
ALAQAR REIT	MP	1.21	1.25	3.3%	1,016.0
AME REIT	MP	1.62	1.58	-2.5%	860.4
AXIS REIT	MP	1.99	1.93	-3.0%	4,029.5
CAPITALAND MALAYSIA TRUST	MP	0.605	0.630	4.1%	2,035.9
IGB REIT	MP	2.79	2.50	-10.4%	12,068.3
KLCCP STAPLED GROUP	MP	9.05	9.22	1.9%	16,338.3
PAVILION REIT	MP	1.79	1.71	-4.5%	7,031.0
SUNWAY REIT	UP	2.32	2.17	-6.5%	7,945.6
<b>SECTOR AGGREGATE</b>					<b>51,324.9</b>

*Source: Kenanga Research*

Kenanga maintains MARKET PERFORM on Pavilion REIT on near term cautious discretionary spendings and potential pullbacks in international travel.

Risks to their call include rising risk-free rate, and lower-than-expected tenant occupancy. —Apr 14, 2026

**Main image:** The Exchange Asia