

Parkson exit a temporary hiccup for Pavilion REIT, but rental reversions will support future earnings

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PAVILION REIT first half of financial year 2026 (1HFY26) core net income of RM194.8 mil came in within expectations, making up 52% and 49% of MBSB Research (MBSB) and consensus full year estimates respectively.

Sequentially, quarter two financial year 2026 (2QFY26) core net income normalised from the higher base in 1QFY26 after declining -15.8% quarter-on-quarter to RM89 mil.

Note that earnings in 1QFY26 were lifted by festive boost of Chinese New Year and retail spending surge during Ramadan.

According to MBSB Research, the decline in earnings was led by lower contributions from Pavilion KL Mall and Pavilion Bukit Jalil.

Occupancy rate of Pavilion KL Mall declined to 90.9% in 2QFY26 from 92.6% in 1QFY26 as Parkson has vacated 68,000 sq ft of NLA on Level 3. Management plans to subdivide the space into 37 retail units, with reopening targeted for November 2026.

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Investment Properties	8,490	9,095	9,112	9,130	9,149
Total non-current assets	8,492	9,099	9,114	9,132	9,151
Cash	474	565	511	434	348
Other Assets	165	164	334	415	416
Total Assets	9,131	9,829	9,959	9,981	9,916
LT Borrowings	3,313	2,863	2,929	2,930	2,931
ST Borrowings	80	1,073	1,052	1,026	883
Other Liability	720	401	478	492	511
Total Liability	4,112	4,337	4,459	4,448	4,326
Unitholders' capital	3,673	4,038	4,066	4,074	4,082
Other Equity	1,345	1,453	1,434	1,459	1,508
Total Equity	5,018	5,491	5,500	5,533	5,590
Equity + Liability	9,131	9,829	9,959	9,981	9,916

The new tenant mix is expected to potentially double the [rental](#) rate. Meanwhile, occupancy rate of Pavilion KL Mall is expected to improve to 95% by year end.

On the other hand, Da Men Mall slipped into a marginal loss in 2QFY26 due to higher expenses to upgrade facilities. This is after returning to profitability at NPI level in 1QFY26 following commencement of master lease with Easyhome International.

“We understand that the mall’s occupancy rate is expected to improve to 80%-85% by year-end, with management targeting profit-sharing income by then,” said MBSB.

On a yearly basis, 2QFY26 earnings were higher at RM89 mil, bringing cumulative 1H FY26 earnings higher at RM194.8 mil. The higher earnings were contributed by the improved performance of all malls under its portfolio except for Intermark Mall.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	846	901	928	954	993
Operating Profit	523	568	603	624	657
PBT	637	691	619	640	672
Net Income	410	467	373	394	422
Core Net Income	310	360	373	394	422
Core EPU (sen)	8.5	9.2	9.5	10.1	10.8
Core PER (x)	20.7	19.1	18.4	17.4	16.3

Notably, Pavilion Bukit Jalil recorded decent growth of 9.9% for NPI in 1HFY26 due to higher rental growth. Meanwhile, losses of Da Men Mall narrowed significantly in 1HFY26 following commencement of master lease with Easyhome International.

Besides, contributions from Banyan Tree KL and Pavilion Hotel KL which were acquired in June 2025 lifted earnings.

“We expect earnings growth for Pavilion REIT, driven by healthy rental reversions at Pavilion KL Mall and Pavilion Bukit Jalil which is expected to be at mid-single digit,” said MBSB.—July 24, 2026

Main image: [klsescreeener.com](https://www.klsescreeener.com)