

Pavilion REIT set for 2H rebound as renovated Parkson space reopens — CIMB Securities

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KUALA LUMPUR (July 24): Pavilion REIT's (KL: [PAVREIT](#)) earnings in the second half ending Dec 31, 2026 (2HFY2026) are expected to improve as the redeveloped Parkson space reopens in early November, supported by a higher-yielding tenant mix, occupancy recovery and lower electricity costs, said CIMB Securities.

"We expect earnings to improve in 2HFY2026 as the redeveloped Parkson space reopens in early November 2026, supported by a higher-yielding tenant mix, occupancy recovery, and lower electricity costs," the house said in a note on Friday.

The group's recently announced first-half profits were broadly in line with expectations, rising to RM194.8 million, supported by stronger rental contributions from Pavilion Bukit

Jalil and lower property operating expenses thanks to TNB's revised electricity tariff structure.

Throughout the second quarter ended June 30, 2026 (2QFY2026), Pavilion REIT's earnings were partially offset by weaker contributions from the Pavilion Kuala Lumpur mall, whose soft performance was likely driven by the ongoing reconfiguration of retail space on Level 3 following Parkson's exit.



The house noted, however, that the vacated space is being transformed into 37 new lots focused on fashion and food and beverage offerings, which will introduce several international brands new to Malaysia.

"Leasing progress has been encouraging, with committed occupancy exceeding 50%, while negotiations with prospective tenants are ongoing," it said.

Nonetheless, CIMB Securities expects 3QFY2026 earnings to remain broadly flat, as the seasonal uplift in consumer spending and promotional campaigns should support tenant sales, offsetting the impact of lower occupancy at Pavilion Kuala Lumpur.

"Our positive view on PAVREIT is underpinned by continued positive rental reversions, improving occupancy following the completion of ongoing asset enhancement initiatives, and the extension of the Visit Malaysia Year campaign until Dec 31, 2027."

The house said the stock also offers attractive forecast dividend yields of 5.9%-6.3% for FY2026-FY2027 and currently trades at a 12-month forward distribution yield spread of

2.5% over 10-year Malaysian Government Securities, higher than the historical average of 1.7%.

Key downside risks include weaker-than-expected rental reversions and occupancy, higher operating costs, further overnight policy rate hikes, with every 25-basis-point increase estimated to raise annual borrowing costs by some RM2 million and reduce the house dividend discount model-based target price by about five sen due to a higher risk-free rate.

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