Pavilion Reit set for higher rents after Parkson space revamp

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Pavilion Real Estate Investment Trust (Reit) is expected to secure a significant rental uplift at Pavilion KL by November.

KUALA LUMPUR: Pavilion Real Estate Investment Trust (Reit) is expected to secure a significant rental uplift at Pavilion KL by November as new tenants move into space vacated by an anchor tenant, Kenanga Research said.

Anchor tenant Parkson has surrendered 68,000 sq ft of retail space, which will be reconfigured to accommodate 37 new tenants.

The reconfiguration temporarily reduced Pavilion KL's occupancy rate to 91 per cent from 97 per cent.

"We believe Pavilion Reit will likely secure significant rental uplift from the incoming tenants by November, given the low rental base previously enjoyed by the anchor tenant.

"More importantly, this strategic reconfiguration should enhance the mall's appeal by introducing new offerings that cater to current market trends, potentially attracting higher foot traffic," the research house said in a note.

Kenanga Research raised its financial year 2027 (FY27) earnings forecast by four per cent, citing the tenant reconfiguration exercise and lower electricity costs following the group's new tariff structure with Tenaga Nasional Bhd.

It said Pavilion Reit's first-half net profit came in within expectations, accounting for 47 per cent of its full-year forecast and 49 per cent of the consensus estimate.

The group also declared a gross dividend of 5.17 sen, keeping it on track to meet Kenanga Research's FY26 dividend forecast of 11.3 sen.

For the second quarter ended June 30, 2026, Pavilion Reit's net profit rose to RM89.03 million from RM78.66 million a year earlier. Revenue increased four per cent to RM221.01 million from RM213.34 million previously.

Kenanga Research maintained its "Outperform" call on the Reit with a target price of RM1.95.