Steady FY26 earnings growth for Pavilion-REIT

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PETALING JAYA: Mall operator Pavilion Real Estate Investment Trust (Pavilion-REIT), which released second quarter ended June 30, 2026 (2Q26) results that met expectations, is expecting to regain occupancy rates of at least 95% by year-end following an asset enhancement exercise of space vacated by Parkson Elite department store.

Analysts were positive on the REIT's projected performance for the rest of financial year ending Dec 31, 2026 (FY26), with most either maintaining or raising their target price for the stock.

CGSI Research upgraded the stock to an "add" call from "hold" while also lifting the target price to RM2.06 from RM1.87, underpinned by a more compelling FY27 dividend yield of 6.4% as well as resilient FY26 to FY28 dividend per unit (DPU) growth outlook.

The REIT declared 2.37 sen DPU in addition to announcing its 2Q26 financial results. Analysts also noted that the DPU declared was also broadly in line with market expectations. Total DPU in the first half of FY26 came to 5.17 sen.

CIMB Research shared that the REIT's management expects Pavilion KL's mall occupancy to recover to 95% to 96% from the current 92% by year-end, with the space vacated by Parkson Elite, which has downsized, to be opened by early November.

“Leasing progress has been encouraging, with committed occupancy exceeding 50%, while negotiations with prospective tenants are ongoing,” it said, adding that the vacated space would be transformed into 37 new lots with a fashion and food and beverage focus.

The brokerage has maintained a “buy” call with a target price of RM2.13.

“Our positive view on Pavilion-REIT 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 2026 (VM2026) campaign until Dec 31, 2027,” it said.

RHB Research, which has maintained a “buy” call and a target price (TP) of RM2.18, said two more phases of asset enhancements in Pavilion KL involving a total of 25,000 sq ft would be carried out through 2027 to create space for international flagship brands.

It expects Pavilion Bukit Jalil to continue contributing positively to the second half of FY26 with estimated 26% to 28% of total revenue as occupancy rate would rise to 95% by year-end from 94% in 2Q26.

UOB Kay Hian Research projects the Pavilion KL asset enhancement exercise to contribute to 2% of FY27 earnings. The research house has maintained a “buy” call and target price of RM2.10.

“It currently offers a 12-month forward yield spread of 237 basis points, higher than the 10-year historical mean of 169 basis points,” it added.

“Looking ahead, management expects consumer spending to improve quarter-on-quarter in 3Q26, supported by mid-year sales and VM2026 campaigns targeting nearby regional markets,” it said.