

Pavilion-REIT posts higher 1Q26 earnings


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The Star Online

May 7, 2026



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PETALING JAYA: Pavilion Real Estate Investment Trust  (Pavilion-REIT) has posted stronger earnings in the first quarter ended March 31, 2026 (1Q26), supported by its hotel acquisitions and resilient retail performance, though it flags external risks from the ongoing Middle East conflict.

In a filing with Bursa Malaysia, its manager Pavilion REIT Management Sdn Bhd said the conflict, which began at the end of February 2026, has disrupted supply chains and increased energy costs, while also weighing on travel sentiment.

“Pavilion-REIT will continue to monitor its cost management with continuous upkeep of its properties and engaging with its partners to bolster consumer spendings with marketing activities,” it said.

Despite the uncertainty, the REIT manager expects domestic demand to continue supporting moderate growth.

For 1Q26, Pavilion-REIT's revenue rose 7.8% to RM245.9mil from RM228.2mil a year earlier, mainly driven by contributions from Banyan Tree Kuala Lumpur and Pavilion Hotel Kuala Lumpur, which were acquired for RM480mil and completed on June 20, 2025.

Consequently, net income climbed 17% to RM105.8mil from RM90.4mil previously, while earnings per unit increased 8.9% to 2.69 sen. This was supported by contained cost growth, with total property operating expenses increasing marginally by RM1.5mil or 2% thanks to lower electricity expenses following the imposition of the new electricity tariff structure effective July 1, 2025.

However, this was offset by higher maintenance expenses, mainly due to scheduled upgrades to security systems as well as roof and lighting improvements.

Manager's fees also increased by RM1mil in line with higher asset values and net property income, while trust expenses rose due to a broader scope of service tax on financial services.

The REIT manager noted that the start of Visit Malaysia Year 2026 has provided a positive boost, alongside major festivals such as Chinese New Year and Hari Raya during the quarter.

However, it cautioned that the Middle East conflict has already led to tour group cancellations in early March, particularly affecting hotel operations.

While some recovery has been seen, inbound tourism remains below normal levels, it added.

"With Visit Malaysia Year campaigns being extended to Dec 31, 2027, and the Tourism Ministry adjusting its strategies due to the conflict, the hotel operators under Pavilion-REIT properties are also reviewing their plans."

Pavilion-REIT's portfolio comprises five retail malls, two hotels, and one office tower, including Pavilion Kuala Lumpur Mall, Pavilion Bukit Jalil, DAMEN Mall, Intermark Mall, Elite Pavilion Mall, Pavilion Tower, Banyan Tree Kuala Lumpur, and Pavilion Hotel Kuala Lumpur.

It said its key objective remains delivering stable distributions and long-term net asset value growth while maintaining an appropriate capital structure.

"For the financial year ending Dec 31, 2026, Pavilion REIT proposes to distribute 100% of its distributable income."

As per the distribution policy, the manager said it intends to distribute at least 90% of Pavilion-REIT distributable income on a half yearly basis.