

Pavilion Reit poised for stronger finish to 2026 – CIMB Securities

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October 23, 2026



KUALA LUMPUR: Pavilion Real Estate Investment Trust (Reit) is poised to post stronger earnings in the fourth quarter (Q4), driven by the reopening of redeveloped retail space at Pavilion KL Mall next month and year-end festive spending.

CIMB Securities Sdn Bhd said the outlook is in line with Pavilion Reit's historical earnings trend, with its strongest performances typically recorded in the first and fourth quarters.

The firm trimmed its earnings forecasts for financial years 2026 (FY26) to FY28 by up to one per cent and lowered its target price to RM2.04 following an increase in its cost of equity assumption. It maintained its "Buy" call.

"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 campaign until Dec 31, 2027," it said in a note.

Pavilion Reit's core net profit fell 1.8 per cent year-on-year but rose 2.4 per cent quarter-on-quarter to RM92.9 million in Q3.

For the first nine months of FY26, core net profit grew 9.1 per cent to RM287.7 million, accounting for 73 per cent of CIMB Securities' full-year forecast and 74 per cent of consensus estimates.

Quarterly gross revenue edged down 0.3 per cent to RM227.3 million, mainly due to weaker advertising income at Elite Pavilion Mall and lower contributions from Pavilion KL Mall and Intermark Mall.

CIMB Securities said the weaker contribution from Pavilion KL Mall was largely expected, reflecting temporary occupancy disruptions from the redevelopment of 68,800 sq ft of space on level three previously occupied by Parkson.

The space is being converted into 37 fashion and food and beverage outlets, with reopening scheduled for early November.

Pavilion Reit expects occupancy to recover to between 95 and 96 per cent by the end of 2026, while rental rates for the former Parkson space could potentially double those under the previous anchor tenancy arrangement.