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PETALING JAYA: Pavilion Real Estate Investment Trust (Pavilion-REIT) is on course to benefit from lower financing and electricity costs while its Da Men Mall has a new tenant and manager.

Hong Leong Investment Bank Research said the loss-making mall in Subang Jaya, which contributed about 2% of Pavilion-REIT's financial year 2024 (FY24) revenue, will be rebranded as Easyhome Mall following the takeover of operations by China-based Easyhome via a master lease agreement.

Pavilion-REIT expected the move to result in the mall's net property income (NPI) to breakeven by October. The mall's current occupancy stands at 33%.

"We view the arrangement positively as it stemmed NPI erosion from this asset in the near term, with potential for profit sharing should the mall outperform," the research house stated in its latest report on the trust.

The commercial property trust could also benefit from lower electricity costs of about RM100,000 a month and lower interest charges due to the cut in the overnight policy rate by Bank Negara Malaysia in July.

Pavilion-REIT's management stated that 80% of its borrowings are on floating rates and the financing costs for the variable rates could decline effective September.

"We estimate that 20 basis points move-

ment in interest rates will save earnings by RM6mil per annum or about 1.6% of FY26-FY27 earnings," said the research house.

The trust's management added the revised sales and service tax (SST) had little impact on its operations, reflected in the resilient traffic flows and ongoing improvements in tenant mix will sustain its performance. Furthermore tenant sales had shown no real signs of deterioration since the SST came into effect.

The Pavilion Bukit Jalil mall, for instance, is on the road to hit 95% occupancy by the end of the year, up from 90% currently, driven by robust demand, especially queries from many Chinese retailers, according to the report.