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In today's The Edge Financial Daily

IGB proposes shopping mall REIT


In The Edge Financial Daily Today 2012

Written by Syarina Hyzah Zakaria

Tuesday, 17 April 2012 15:30

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KUALA LUMPUR: IGB Corp Bhd's unit KrisAssets Holdings Bhd has proposed to set up a real estate investment trust (REIT) comprising two shopping malls, The Gardens Mall and Mid Valley Megamall, which will be listed on Bursa Malaysia.

In an announcement to Bursa, KrisAssets said it had hired CIMB Investment Bank Bhd, Credit Suisse (Singapore) Ltd and Hong Leong Investment Bank (HLIB) as joint global coordinators and joint bookrunners for the proposed IPO and listing of the REIT.

Both CIMB and HLIB will also act as joint principal advisers.

KrisAssets also said it had established a new subsidiary, IGB REIT Management Sdn Bhd, to act as the proposed management company

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for the trust.

It is not clear about the valuation of the two popular shopping malls in the heart of Kuala Lumpur.

In an announcement dated Feb 21, KrisAssets said valuations of both malls were revised upwards following a revaluation on Dec 31, 2011.

The revised market value of Mid Valley Megamall was RM2.36 billion with RM930 million for The Gardens, bringing the combined value to RM3.29 billion.

However, an industry observer said the valuations of both assets may be further revised upwards during the IPO, given that such valuations would emphasise the assets' earnings potential.

Sources told The Edge Financial Daily last month that IGB's retail REIT could fetch valuations of between RM4.3 billion and RM4.6 billion for the two shopping malls. They are said to have exceeded management's expectations of around RM4 billion, a source said.

A close comparison for IGB's retail REIT could be Pavilion REIT — which owns the Pavilion KL mall and the Pavilion Tower office block — listed in December last year.

Based on an earlier calculation by The Edge Financial Daily, Pavilion KL is valued at RM2,390 psf based on the REIT's purchase of RM3.19 billion and the net lettable area (NLA) of 1.335 million sq ft, making it the highest value for a mall injected into a property trust.

However, Pavilion KL mall's appraised value is even higher at RM3.415 billion or RM2,558 psf.

A simple calculation of KrisAssets' malls shows that their combined RM3.29 billion revised market value translates into roughly RM944 psf, which is grossly undervalued compared with Pavilion REIT.

Analysts said if the REIT prices the two malls at up to RM4.6 billion, the valuation would be around RM1,840 psf — still lower

IGB Corp Bhd's unit KrisAssets Holdings Bhd has proposed to set up a real estate investment trust comprising The Gardens Mall and Mid Valley Megamall.

than Pavilion REIT's.

KrisAssets only had Mid Valley Megamall in its portfolio initially. It acquired The Gardens from IGB last July for RM222.67 million cash.

Although both malls are next to each other, they serve different segments of the consumer market. Mid Valley Megamall caters for the mass market and The Gardens focuses on higher income consumers.

Mid Valley Megamall has a NLA of over 1.7 million sq ft spread across five levels of retail space, a 48,300-sq ft exhibition space and 430 tenants. Its anchor tenants include Carrefour hypermarket, Golden Screen Cinemas, AEON and Metrojaya.

The Gardens has a NLA of about 800,000 sq ft with 200 tenants. Its anchor tenants are GSC Signature cinemas, Cold Storage supermarket, Robinsons and Isetan department stores.

This article appeared in The Edge Financial Daily, April 17, 2012.

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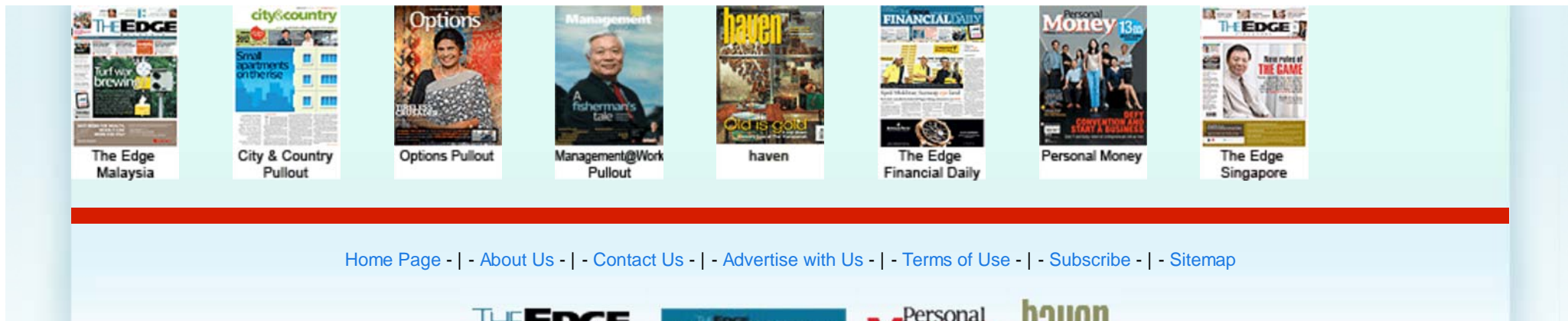
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