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IGB REIT net profit to grow 5-8% a year

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KUALA LUMPUR (Aug 27, 2012): IGB REIT Management Sdn Bhd, manager of the soon-to-be-listed IGB Real Estate Investment Trust (REIT), expects 5-8% growth in annual net profit for the two main properties in its REIT namely the Mid Valley Megamall and The Gardens Mall.

"(Mid Valley) Megamall is quite mature now, while The Gardens is close to 100% leased. We have seen some growth in The Gardens, which is growing at a faster pace than Megamall as the (customer) traffic there is different...the (customer) spend is higher," IGB REIT Management managing director Robert Tan told reporters at the launch of IGB REIT's prospectus today.

He said rental rates at Mid Valley Megamall are at a "healthy" level compared with other shopping malls and all its tenants are doing well.

"We've been facing a lot of competition. Everybody is opening a mall. There is one mall opened every year, but we still see an increase in turnover at the malls we are managing," he said.

He added that Mid Valley Megamall saw an 8-10% revenue growth last year and is confident of achieving the same kind of growth this year.

"Most tenants are on three-year lease renewals. We have done it in such a way that one-third of them are due for renewal every year. The turnover from last year till this year is about 8% to 10%, conservatively," he added.

On future injections of other properties into IGB REIT, Tan said IGB Group prefers to construct and manage the mall itself, which it can inject into the REIT once it is fully leased.

Last March, IGB Corp Bhd teamed up with Selia Pantai Sdn Bhd to develop Southkey Megamall, a retail mall and mixed development in Johor with a gross development value of RM6 billion.

"(Southkey Megamall) will be around the same size as (Mid Valley) Megamall. Three or five years from now, we hope to inject the property into IGB REIT," said Tan.

Meanwhile, IGB REIT Management will ensure the current two properties are well managed and show year-on-year growth for investors before looking at acquisitions.

"At the moment, Europe and the US provide good (property) deals. You can acquire some properties at way below the replacement cost. That will be an area we can pursue for acquisitions," Tan added.

While IGB REIT will remain a retail REIT, he indicated the possibility of setting up an office or hospitality REIT as IGB Group has a substantial portfolio of offices and hotels.

"We have over three million sq ft of offices in Kuala Lumpur alone. It is quite a substantial portfolio of offices and (we have) hospitality as well, with hotels all over the world including in the UK and the US," he added.

IGB REIT Management CFO Chai Lai Sim said it expects to raise RM865 million in proceeds from the initial public offering of 670 million units in IGB REIT at RM1.25 apiece.

"The cash will be distributed back to the shareholders. The biggest shareholders are IGB Corp. We'll leave it to IGB on how they want to spend the money," she added.

IGB REIT, which will be listed on the Main Market of Bursa Malaysia on Sept 21, will be the largest retail REIT in Malaysia by asset value of RM4.6 billion.

The retail offering opened today (Monday) and the institutional offering will open tomorrow. The closing dates for the retail and institutional offerings are Sept 4 and 6, respectively.

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- Broken clouds, rain
- Temperature: 25 °C
- Wind: Variable from West-Southwest to North, 7.4 km/h

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