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RM15b GDV
projects

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Looking at hiving off some 'underperforming' assets valued over RM100m

by **Yen Ne Foo**

KUALA LUMPUR: IGB Corp Bhd is well-stocked with domestic and international property development plans worth a total of RM15 billion in gross development value (GDV) for the next three to five years.

The property group, which is among the big landlords of retail and office space in the Klang Valley, is also looking at hiving off some of its "underperforming" assets that have a total value in excess of RM100 million, said its group managing director Datuk Seri Robert Tan.

The ongoing developments in Malaysia are the mixed projects known as Southkey Project and 18@Medini in Iskandar, Johor, Cititel Express Penang, the four-star The Wembley-St Giles Premier Hotel Penang and a 55-storey office block in the last parcel of land in its Mid Valley development in the Klang Valley.

On the global front, IGB is developing the Tank Stream-St Giles Premier Hotel Sydney and a mixed-project in Blackfriars, London.

After a successful year in 2013 for its hotel division, which registered a gross operating profit of RM277 million, IGB now wants to expand its international footprint of the St Giles hotel brand to major cities in Europe and Africa.

Tan said that the group already has "one foot into" the African continent. Negotiations with potential joint-venture partners have started to either acquire existing properties or to purchase land to build new ones.

Plans for "central locations" in Europe, however, are still at early stages and Tan has declined to specify the cities that IGB is eyeing on.

He said IGB will be injecting an initial RM500 million into plans to expand in Africa and Europe but this could later be increased to RM2 billion through bank borrowings and other financing methods once the plans are more concrete.

On the disposal of non-performing assets, Tan said, "We try and rationalise these assets ... Some of the hotels are not performing [and] some of the offices in town are not performing ... It is better for us to sell."

While he did not identify the properties IGB wants to dispose of, Tan confirmed that some of the non-core assets are already put on sale in the market.

Additionally, Tan reveals that the group has no plans to inject any of its new properties into the IGB Real Estate Investment Trust (REIT). It is also not planning to establish separate REITs for its hotels and offices as the market environment is not suitable for new REITs.

"It's not the right time to do REITs because the US is looking at tapering. So, interest rates for the next six to nine months, [as] I can see, will go up by a few [basis] points. The minute [they] go up, bonds go down and REIT value goes down," Tan explained.

He added that IGB is able to raise funds, if needed, through bank borrowings and pay a lower interest rate of approximately 4% as opposed to establishing a REIT where IGB has to pay a yield of at least 6%.

IGB's retail division, through Mid Valley Megamall and The Gardens, is still the company's largest earnings contributor (50%), said Tan.

IGB has also diversified into the education business and established the IGB International School in Sierramas, Sungai Buloh in Selangor. The RM200 million school will open in two weeks' time.