

IGB plans to list commercial REIT, 3Q19 earnings fall 2.7% to RM66.5m

The listing will allow the firm to unlock the value of its commercial property portfolio

by FARA AISYAH

IGB Bhd is proposing to establish and list the IGB Commercial Real Estate Investment Trust (REIT) on the Main Market of Bursa Malaysia.

The initial investment portfolio of the IGB Commercial REIT shall comprise commercial properties owned by IGB subsidiaries and located in Kuala Lumpur (KL), the property developer group stated in an exchange filing yesterday.

These include Menara IGB, Centrepont South, Centrepont North, The Gardens South Tower, The Gardens North Tower, Menara Southpoint (excluding the residential units), and Boulevard Offices (Blocks 25 and 27) in Mid Valley City, as well as Menara Tan & Tan and GTower in Jalan Tun Razak, KL.

"The proposed REIT establishment and listing will allow IGB to unlock the value of its commercial property portfolio," the group said.

The proposal entails the suggested disposal by IGB's subsidiaries of their interests in the subject



The Gardens South Tower and The Gardens North Tower in Mid Valley City, KL, are included in the initial investment portfolio of the IGB Commercial REIT

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properties to IGB Commercial REIT, with the sale consideration to be satisfied through a combination of cash and issuance of new units in IGB Commercial REIT.

It also includes a proposed restricted offer for sale and distribution-in-specie by IGB of the units

to the entitled shareholders of IGB following the proposed disposal.

The group is also proposing a placement of units to institutional and selected investors to meet the public unitholding spread requirement of at least 25%, pursuant to the Main Market listing require-

ments of Bursa Securities.

For the third quarter ended Sept 30, 2019 (3Q19), IGB's net profit decreased 2.7% to RM66.46 million from RM68.29 million a year ago due to higher finance costs.

Earnings per share for the three months was lower at 9.77 sen

against 10.30 sen in 3Q18.

Quarterly revenue increased 3.2% to RM364.36 million in 3Q19 from RM353.22 million the year before on higher contribution from the property investment-commercial and property investment-retail divisions.

IGB said its REIT reported a total gross revenue of RM136.3 million compared to RM133.7 million in 3Q18.

The REIT's net property income was also higher at RM100.7 million against RM96.6 million last year.

For the property investment-commercial division, average occupancy rates for the group's commercial buildings was above 80% with average rental rates at RM6 per sq ft.

Revenue for the property development division fell 52% to RM30.8 million from RM64 million last year as the group's only development project currently under construction, Stonor 3, nears completion.

The hotel division's revenue slipped 10% to RM70.6 million from RM78.6 million in 3Q18, mainly as a result of lower average occupancy rates and lower average room rates by a majority of the hotels in the group.