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On 10 June 2021, IGB Commercial REIT released its IPO Prospectus and as such, is extending an invitation to subscribe its units at RM 1.00 per unit.

Based on its number of units to be issued of 2.307 billion, IGB Commercial REIT shall have as much as RM 2.307 billion in market capitalisation upon its IPO listing.

As I write, the offer remains open and it will be closed on 6 July 2021.

3.5 INDICATIVE TIMETABLE

An indicative timetable for the Offering is set out below:

Date and time	Event
20 May 2021	: Announcement of Entitlement Date
4 June 2021	: Entitlement Date
10 June 2021, 10.00 a.m.	: Opening of the Restricted Offering
6 July 2021, 5.00 p.m.	: Closing of the Restricted Offering
13 July 2021	: Opening of the Institutional Offering
14 July 2021	: Closing of the Institutional Offering
14 July 2021	: Price Determination Date
29 July 2021	: Allotment/Transfer of Offer Units to successful applicants
30 July 2021	: Listing of IGB Commercial REIT on the Main Market of Bursa Securities

You may study its IPO Prospectus ([Part 1](#) & [Part 2](#)).

Otherwise, you may spend 5 minutes here as I had summarised 15 main points to know about IGB Commercial REIT before investing.

#1: Property Portfolio

IGB Commercial REIT shall be listed with 10 office buildings which are valued at RM 3.16 billion. Thus, it would be the largest standalone office REIT in Malaysia upon its listing. Of which, 7 of its properties are located within MidValley City. 3 of its remaining properties are located at the Golden Triangle of Kuala Lumpur.

The names of its properties are as follow:

Subject Properties	Material Date of Valuation	Appraised Value
<u>MVC Subject Properties</u>		(RM'000)
Menara IGB & IGB Annexe	31 December 2020	188,900
Centrepont South	31 December 2020	190,500
Centrepont North	31 December 2020	196,500
Boulevard Properties	31 December 2020	78,000
Gardens South Tower	31 December 2020	391,500
Gardens North Tower	31 December 2020	382,100
Southpoint Properties	31 December 2020	573,500
<u>Golden Triangle Subject Properties</u>		
Menara Tan & Tan	31 December 2020	239,100
GTower	31 December 2020	739,800
Hampshire Place Office	31 December 2020	180,600

#2: Land Title

The MidValley City properties carry leasehold land titles, with at least 80+ years remaining till their expiry dates. Meanwhile, the Golden Triangle properties are freehold real estates.

#3: Occupancy Rates

In 2020, IGB Commercial REIT recorded 90+% in occupancy rates for 2 buildings namely, Centrepont North and Boulevard Properties. The other 8 buildings had recorded below 90% in occupancy rates in 2020 where theirs are as follow:

Below 80% Occupancy Rate	80+% Occupancy Rate	90+% Occupancy Rate
1. Menara IGB & IGB Annexe 2. Gardens North Tower 3. Southpoint Properties 4. Menara Tan & Tan 5. Hampshire Place Office	1. Centrepont South 2. Gardens South Tower 3. GTower	1. Centrepont North 2. Boulevard Properties

#4: Top 10 Tenants

In 2020, IGB Commercial REIT derived income from a pool of 284 tenants.

From them, its top 10 tenants have occupied 23.0% of its net lettable area (NLA) and contributed 21.9% of its gross rental income.

Tenant	Trade sector	Percentage of Occupied NLA (%)
BHP Shared Services Malaysia Sdn Bhd	Mining & quarrying	3.8
Baker Hughes Services (M) Sdn Bhd	Oil & gas	3.7
Shopee Mobile Malaysia Sdn Bhd	Consultancy / marketing / business services	3.6
Oracle Corporation Malaysia Sdn Bhd	Information technology & communication	1.9
Wspace (M) Sdn Bhd	Flexible space	1.9
Subsea 7 Asia Pacific Sdn Bhd ⁽¹⁾	Oil & gas	1.9
IGB Berhad	Real estate / construction	1.7
Yinson Holdings Berhad	Oil & gas	1.5
Xevera Sdn Bhd	Consultancy / marketing / business services	1.5
Agoda International (Malaysia) Sdn Bhd	Consultancy / marketing / business services	1.5
Sub-total		23.0
Others		77.0
Total		100.0

#5: Lease Expiry

IGB Commercial REIT has a substantial amount of tenancies, whose tenures are 3 years.

Based on tenancies as of 31 December 2021, 31.6%, 32.8%, 23.1%, and 10.8% of them shall expire in 2021, 2022, 2023, and 2024 & beyond.

Overall, its weighted average of lease expiry (WALE) in 2020 is 1.8 years.

#6: Downsizing of a Major Oil & Gas Tenant

In 2020, tenants from the oil & gas sector accounted for 13.0% of its total gross rental income.

Trade sector	Percentage of Occupied NLA	Percentage of gross rental income
	(%)	(%)
Consultancy / marketing / business services	21.8	22.1
Information technology & communication	18.7	20.6
Oil & gas	13.7	13.0
Engineering & manufacturing	6.3	6.3
Retail / FMCG	6.1	6.1
Real estate / construction	5.1	5.7
Financial / insurance	4.8	5.0
Pharmaceutical / medical	4.1	3.8
Government / NGO / association office	4.1	4.0
Mining & quarrying	3.8	3.8
Legal	3.7	4.1
Flexible space	3.4	3.2
Amenities	2.2	0.4
Café / restaurant	1.5	1.4
Education institution	0.7	0.5
Total	100.0	100.0

Subsea 7 Asia Pacific Sdn Bhd (Subsea) was among its top 10 tenants for Subsea occupied 46,900 sq. ft. of its NLA in 2020.

Ever since, it had downsized its space to approximately 32,000 sq. ft., thus, ceasing to be among its top 10 tenants. Instead, B&M Consultancy Services Sdn Bhd (B&M) would replace Subsea to be among the top 10 tenants of IGB Commercial REIT.

#7: Breakdown of Net Property Income (NPI)

Among 10 properties, IGB Commercial REIT has derived as much as 59.4% of its Total Net Property Income (NPI) from 3 key properties namely, GTower (27.4%), Gardens South Tower (17.8%), and Gardens North Tower (18.9%).

The following is a breakdown of its NPI in 2020:

Subject Properties	Total Revenue	Gross rental income	NPI
	(RM'000)	(RM'000)	(RM'000)
MVC Subject Properties			
Menara IGB & IGB Annexe	11,124	6,884	7,252
Centrepont South	14,509	9,246	10,435
Centrepont North	14,823	9,770	11,080
Boulevard Properties	3,923	2,732	3,344
Gardens South Tower	31,084	21,132	23,604
Gardens North Tower	26,202	18,767	18,931
Southpoint Properties	16,189	9,658	6,852
Golden Triangle Subject Properties			
Menara Tan & Tan	16,355	9,266	8,632
GTower	49,694	31,656	36,256
Hampshire Place Office	10,192	6,129	6,162
Total	194,095	125,240	132,548

#8: Financial Results

In 2018-2020, IGB Commercial REIT had maintained around RM 100 million per annum in distributable income.

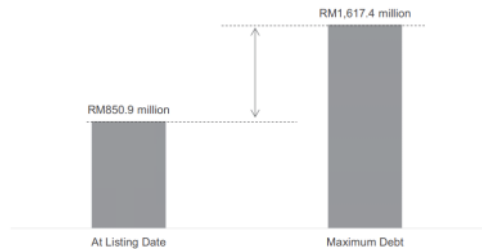
Based on 2.307 billion units, its distribution per unit (DPU) would be 4.80 sen, 4.23 sen, and 4.34 sen in 2018, 2019, and 2020.

	FYE 2018 (RM'000)	FYE 2019 (RM'000)	FYE 2020 (RM'000)
Total Revenue	203,884	200,141	194,095
Property Operating Expenses	(60,868)	(70,157)	(61,547)
NPI	143,016	129,984	132,548
(Net investment loss) / Net investment income	(302,132)	212,991	107,992
(Loss before taxation) / Profit before taxation	(351,503)	163,927	58,888
Distributable Income	110,738	97,676	100,244

#9: Financial Strength

Upon listing, IGB Commercial REIT shall have RM 850.9 million in borrowings. It works out to be a gearing ratio of 26.3% of its total assets of RM 3.23 billion.

As the limitation of gearing is set to be at 50% of a REIT's total assets, the REIT would have approximately up to RM 766.5 million in debt headroom to capitalise on other opportunities in the future.



#10: Distribution Policy

IGB Commercial REIT had revealed that it plans to distribute at least 90% of the REIT's distributable income on a half-yearly basis, where the intervals are:

- 1 January – 30 June
- 1 July – 31 December

#11: Use of Proceeds

IGB Commercial REIT will not receive any cash from its IPO offering.

Instead, IGB Commercial REIT estimated that it will incur RM 7.7 million in costs for listing units on Bursa Malaysia.

Estimated Listing expenses	(RM'000)
Professional and advisory fees	4,500
Regulatory fees	450
Financing expenses	2,280
Printing, marketing and advertising	300
Other related expenses	200
Total	7,730

#12: Major Unitholder and Sponsor

Upon its listing, IGB, its sponsor would continue to remain its largest unitholder of IGB Commercial REIT with 50% unitholdings in it.

	Minimum Scenario				Maximum Scenario			
	Direct		Indirect		Direct		Indirect	
	No. of Units (^{'000})	%	No. of Units (^{'000})	%	No. of Units (^{'000})	%	No. of Units (^{'000})	%
Substantial shareholders								
IGB Corporation	-	-	-	-	-	-	-	-
IGB	1,216,643	52.7	-	-	1,153,230	50.0	-	-
Tan Chin Nam Sendirian Berhad (^{"TCNSB"})(1)(4)(5)	228,231	9.9	1,254,010 ⁽³⁾	54.3	228,231	9.9	1,190,597 ⁽³⁾	51.6
Tan Kim Yeow Sendirian Berhad (^{"TKYSB"})(1)(5)(6)	90,646	3.9	1,220,632 ⁽³⁾	52.9	90,646	3.9	1,157,219 ⁽³⁾	50.2
Dato' Seri Robert Tan Chung Meng ⁽¹⁾⁽⁷⁾	2,816	0.1	1,311,277 ⁽³⁾	56.8	5,230 ⁽²⁾	0.2	1,247,864 ⁽³⁾	54.1
Pauline Tan Suat Ming ⁽¹⁾⁽⁵⁾⁽⁸⁾	4,227	0.2	1,311,277 ⁽³⁾	56.8	4,227	0.2	1,247,864 ⁽³⁾	54.1
Tony Tan Choon Keat ⁽⁹⁾	-	-	1,311,277 ⁽³⁾	56.8	-	-	1,247,864 ⁽³⁾	54.1

Dato' Seri Robert Tan Chung Meng is designated as the Managing Director of its REIT. He is among the list of its substantial shareholders with his interests in IGB and Tan Kim Yeow Sendirian Berhad.

#13: Impact by COVID-19

In 2020, IGB Commercial REIT offered rental reliefs to about 150 tenants whose businesses were affected by the COVID-19 pandemic, totalling RM 4.4 million.

#14: Office Supply in Kuala Lumpur

Today, IGB Commercial REIT had identified that its real estate would compete in the office rental market with other buildings namely, Kuala Lumpur Sentral, Tun Razak Exchange, KL Eco City, Bangsar South City, Bukit Bintang City Centre, and as well as the Menara Warisan Merdeka 118.

#15: Valuation

IGB Commercial REIT's net asset value per unit is RM 1.00 and hence, its offer is at P/B Ratio of 1.0.

Referring to note 8, its DPU is 4.34 sen. As such, its gross distribution yield is 4.34% per annum.

Please do note that there is a 10% withholding tax on the taxable portion of the DPU declared.

Conclusion

Thus, IGB Commercial REIT offers investors an opportunity to gain exposure in a portfolio of office buildings in Kuala Lumpur.

IGB is an experienced sponsor and has decades of experiences in the Malaysian property market.

It is important to consider the impact of COVID-19, upcoming supplies of office buildings in Kuala Lumpur, and key valuation metrics before investing into it.

<https://www.smallcapasia.com/igb-commercial-reit-15-key-things-investors-should-know/>