

IGB REIT Q3 net profit halved amid pandemic

PETALING JAYA: IGB Real Estate Investment Trust's (IGB REIT) net profit halved to RM38.54mil in the third quarter (Q3) ended Sept 30, 2021 from RM76.84mil a year earlier.

Revenue for the quarter declined by 27% to RM95.80mil compared with RM130.75mil previously.

Its net property income for the quarter fell by 42.8% to RM55.9mil compared with RM97.8mil in the previous corresponding quarter.

In a filing with Bursa Malaysia yesterday, IGB REIT attributed the lower topline and bottom line to higher rental support provided to tenants arising from the full lockdown, as well as higher allowance for impairment of trade receivables in the current quarter arising from the Covid-19 pandemic.

"The distributable income for the current quarter amounted to RM43.1mil, consisting of realised profit of RM38.5mil and the non-cash adjustments arising mainly from manager fee payable in units of RM4.2mil," it said.

It declared an interim income distribution per unit (DPU) of 1.18 sen, of which 1.16 sen is taxable and 0.02 sen is non-taxable, for Q3.

Cumulatively, for the nine-month period ended Sept 30, IGB REIT posted a 23% decline in net profit to RM126.56mil from RM164.70mil, on the back of lower revenue

by 12% to RM280.16mil.

Its net property income for the period was RM181.4mil, an 18.8% decrease from RM223.6mil a year ago.

Despite the current reopening of retail trades and some initial signs of recovery in business and economic conditions, IGB REIT said "prospects remain cautiously optimistic".

"IGB REIT is determined to stay resilient throughout the Covid-19 pandemic and the subsequent endemic phase. It remains committed to bringing about long-term value for its stakeholders," it said.

IGB REIT pointed out that the Retail Group Malaysia (RGM) has revised downward Malaysia's 2021 retail industry growth forecast to 0.8% from 4% projected in June 2021, after taking into consideration the lower growth in the second quarter of this year.

"The enhanced movement control order was enforced in large parts of Selangor and selected locations in Kuala Lumpur in July 2021.

"Physical stores of the majority of retail trades were shut. Businesses in the largest retail market of Malaysia were badly hit during this critical period," it said.

Nonetheless, IGB REIT expects the retail industry to "possibly recover" by the end of this year with the gradual opening of the

overall economy starting this month.

For the fourth quarter of 2021, RGM maintained its retail sales growth estimate of 12.7%, compared with the same period in 2020.

In a separate filing, IGB Commercial REIT said it posted a net profit of RM2.83mil for the third quarter ended Sept 30 on the back of RM7.11mil revenue.

It said the distributable income for the current quarter amounted to RM3.5mil, consisting of realised profit of RM2.8mil and the non-cash adjustments arising mainly from manager fee payable in units of RM600,000.

IGB Commercial REIT said its office occupancy remained relatively stable, with the average rate of its 10 buildings standing at 71.4% as at Sept 30.

"Rental support for eligible tenants remains minimal and rental reversion is envisaged to be flat for the fourth quarter of 2021.

"Rental rates are expected to remain compressed amid the incoming office supply, uneven economic recovery and the evolving commercial space landscape.

"Business strategies, workforce and workplace solutions of the tenants would be key drivers to sustain the demand for commercial space in the fourth quarter of 2021 and 2022," it said.