

IGB REIT remains cautious on retail sector - Malaysian Daily News

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PETALING JAYA: [IGB Real Estate Investment Trust](#)



(IGB REIT) is remaining cautious on the outlook of the retail sector for 2023, in light of the anticipated challenges ahead.

In a filing with Bursa Malaysia yesterday, the company said its tenants' performance in shopping malls and financial performance may be affected.

"Nonetheless, IGB REIT remains committed to bringing about long-term value to its stakeholders," it said.

For its fourth quarter ended Dec 31, 2022, IGB REIT's net profit rose to RM143.93mil from RM73.59mil in the previous corresponding period,

Revenue in the fourth quarter grew to RM148.72mil from RM119.37mil a year earlier.

Basic earnings per share stood at 4.02 sen, compared with 2.06 sen a year earlier.

IGB REIT said the higher total revenue and net property income were mainly due to the lower rental support provided to tenants in the current quarter, arising from the economic reopening and improving retail sales of tenants.

"The higher profit after taxation was mainly due to the lower rental support provided to tenants and the fair value gain of RM60mil in relation to the investment properties in the current quarter.

"The distributable income for the current quarter amounted to RM90.6mil, consisting of realised profit of RM83.9mil and the non-cash adjustments arising mainly from fair value gain of RM60mil and manager fee payable in units of RM6.2mil."

For its financial year ended Dec 31, 2022, IGB REIT's net profit improved to RM396.16mil from RM200.15mil a year earlier, while revenue grew to RM556.41mil from RM399.53mil previously.

After a record growth in retail sales in 2022, IGB REIT noted that Retail Group Malaysia has forecast growth of 3.5% for 2023.

"The biggest challenges for the industry in 2023 could be the rising cost of living and the increasing costs of doing retail business. Raising the price of retail goods has affected the purchasing power of the majority of consumers.

“Several monetary incentives in National Budget 2023 were intended to help subsidise the higher prices of basic necessities, particularly for the B40 and M40 households.”

IGB REIT said a reduction in personal income tax contribution by two percentage points may encourage consumers to channel the extra money to retail spending.

“In addition, the RM55bil allocation for subsidies, aid and incentives to alleviate the rising cost of living may assist in curbing inflation and sustaining retail spending in 2023.

“Higher retail sales may not translate to better profit margins for the tenants in shopping malls, as overall costs of doing business are expected to increase in 2023 due to the impact of the revision of the Employment Act, tight labour market, supply chain disruption, as well as the drastic increase of electricity tariff.

IGB REIT said some retailers may be able to pass on the higher operating cost to consumers in the form of further price escalations.