

Mid Valley Megamall occupancy rate at 99.94%, a boon for IGB REIT

Wednesday, October 18, 2023

Clipped from: <https://themalaysianreserve.com/2023/10/18/mid-valley-megamall-occupancy-rate-at-99-94-a-boon-for-igb-reit/>



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Mid Valley Megamall (MVM) and The Gardens Mall (TGM) are doing roaring business. And this is good news for IGB Real Investment Trust (REIT).

The occupancy rate of MVM, one of the largest malls in Malaysia with a net lettable area (NLA) of 1.80m sq ft, was 99.94% in 3QFY23, higher than its pre-pandemic level of 99.9% in 2019, according to a report by CGS-CIMB Research.

Its average gross monthly rental income recovered to RM16.26/sq ft, surpassing the pre-pandemic monthly rental of RM15.03/sq ft in 2019.

Similar trends are seen in TGM, which saw its occupancy rate recovering to 99.9% in 3QFY23 and surpassing 2019's level of 98.9%, while its gross monthly rental rose to RM15.43/sq ft, surpassing 2019's level of RM12.93/sq ft.

These occupancy rate levels are ahead of the retail mall sector's 2022 average of 70-75%, the research house added in a report released yesterday (Oct 17).

It said Retail Group Malaysia (RGM) has revised the Malaysian annual retail industry growth rate down to 2.7% for 2023F, from 4.8% previously, due to the high base effect in 2022 from post-pandemic lockdown spending.

For the third quarter ended Sept 30, 2023 (3Q23), IGB REIT's revenue was up 6.8% to RM149.68 million compared to the same quarter a year earlier,

For the current quarter, IGB REIT's total revenue was RM149.7 million, an increase of 6.8% against the corresponding quarter in 2022 of RM140.1 million. Its net property income was up 10% to RM111.29.

The higher total revenue and net property income were mainly due to the higher rental income in the current quarter, it said in an exchange filing.

The fair value of MVM and TGM as at Sept 30, 2023 were RM3.790 billion and RM1.396 billion respectively, from RM3.70 billion and RM1.32 billion as at 30 June 2023, indicating fair value changes of RM90 million and RM76 million respectively, the filing said.

IGB REIT declared income distribution per unit (DPU) of 2.6 sen in 3Q23 (97.5% of its quarterly distributable income), taking nine-month DPU to 7.8 sen, which was within its expectation of 10.31 sen for FY23F, said CGS-CIMB Research.

CGS-CIMB Research has an 'Add' call on the IGB REIT, with a 52-week target price of RM2.02. The counter closed 1 sen up at RM1.72 yesterday. **-TMR**