

IGB REIT uptrend still has legs



IGB Real Estate Investment Trust (REIT) has garnered much investors' interest, pushing the counter to reach a year high of RM1.98 on Aug 1. Over the past year, the counter rose 19.4% to close at RM1.97 on Aug 1. It was trading at a low of RM1.62 in September last year.

The REIT managed to record healthy income growth year-on-year from its positive rental reversions. Moving forward, it should also see higher rental rates 2H24 from the completed reconfiguration works at Mid Valley Megamall (MVM).

MVM's occupancy rate returned to 100% from 89% in 1Q24 as it completed the reconfiguration of a space previously occupied by an anchor tenant. Its gross monthly rental income (including turnover rent) rose 18% to RM19.13 psf.

The Gardens Mall remains fully occupied, and recorded a more moderate 2% increase in rental income YoY to RM15.55 psf. Overall, the management is guiding for mid-single digit rental reversions for FY24 to its base rent.

Earnings are expected to pick up sequentially following this slower quarter, especially as IGB REIT has a higher percentage of turnover rent compared to other REITs. IGB REIT should also see a boost in rental rates in 2H24 as the reconfigured space will now host smaller specialty tenants.

As it is, it saw an 8.9% year-on-year increase in 2Q24 core profit of RM88.2mil bringing 1H24 earnings to RM190.9mil, up 7.6% YoY. Net property income margins remained stable in 1H24 at 74.8% versus 74.7% a year ago following the sharp increase in utility costs last year. The REIT declared a dividend per unit of 2.56 sen, bringing it to 5.52 sen in 1H24 versus 5.17 sen a year ago.

Meanwhile, utility rates have also eased slightly, and all of the REIT's borrowings are on a fixed rate basis. One would think that after a strong share price performance over the past year, the upside is limited but it appears there are still legs in the uptrend.