

'IGB-REIT RESULTS MEET EXPECTATIONS'

RHB Research has 'buy' call on the stock with higher target price of RM2.03

AZANIS SHAHILA AMAN
KUALA LUMPUR
bt@nst.com.my

IGB Real Estate Investment Trust's (IGB-REIT) first quarter ended March 31 results were in line with expectations, according to RHB Investment Bank (RHB Research).

The research firm said the company's first quarter net profit of RM102.3 million was in line with expectations at 27 per cent of its and the street's estimates.

The company's revenue and net property income (NPI) improved 5.1 per cent and 4.8 per cent year-on-year, respectively, from higher rental income, and NPI yield rose eight per cent quarter-on-quarter due to higher upgrading costs in the fourth quarter of 2023, it said.

Meanwhile, RHB Research expects the REIT to record mid-single-digit rental reversion growth, backed by its fully occupied malls.

However, it said Mid Valley

Megamall's (MVM) occupancy rate dropped to 89 per cent temporarily as it undergoes reconfiguration works to refresh its offerings.

"Despite the potential impact on rental, we think the long-term upside to rental rates — as less space will be occupied by an anchor tenant — outweighs the relatively small, short-term cost, especially as MVM's occupancy rates are typically full.

"We expect IGB-REIT to record mid-single-digit rental reversion

growth in financial year 2024.

"While the inflationary environment remains the biggest risk to retail sales, we think the delay in the implementation of the high-value goods tax provides temporary relief."

RHB Research has lowered its financial year 2024 earnings estimates by two per cent to account for the reconfiguration work.

It has a "buy" call on the stock and has raised the target price to RM2.03 from RM1.98 previously.

INFO BOX

5.1pc

IGB Real Estate Investment Trust's (IGB-REIT) year-on-year revenue increase

4.8pc

IGB-REIT's year-on-year net property income increase