

IGB-REIT likely to maintain organic growth

Mid Valley Megamall occupancy rate remains high

PROPERTY

PETALING JAYA: IGB Real Estate Investment Trust (IGB-REIT) is expected to maintain decent organic growth, underpinned by high occupancy rates and positive rental reversions at both its shopping malls in Kuala Lumpur – Mid Valley Megamall and The Gardens Mall.

Despite the ongoing Metrojaya's reconfiguration works at Mid Valley Megamall, affecting about 200,000 sq ft, or 11% of net lettable area, IGB-REIT expected impact from rental income to be limited.

It is optimistic that the mall would return to full occupancy rates once the reconfiguration works are completed by the third quarter (3Q) of 2024.

Maybank Investment Bank (Maybank IB) Research, in its note yesterday, said it remained confident of IGB-REIT's ability to sustain organic growth, noting the impact from reconfiguration works were estimated at only 1% to 2% of total revenue.

"At the moment there is no timeline for IGB-REIT to exercise its right for first refusal to acquire Mid Valley Southkey in Johor Baru from its sponsor. We expect it to wait after another rental cycle in 2025," the brokerage said.

Maintaining its earnings estimates for IGB-REIT for the financial years ending Dec 31, 2024 (FY24) to FY26, Maybank IB Research said IGB-REIT's dividend per unit (DPU) growth would be in the range of 3% to 5% year-on-year based on 98% to 100% occupancy rates, single-digit positive rental reversions and 98% dividend payout ratio.

Maybank IB Research maintained its

"We continue to like IGB-REIT due to the prime location of its malls supporting its robust occupancy rate as well as strong and consistent positive rental reversions."

Hong Leong Investment Bank Research

"hold" call on IGB-REIT, with an unchanged target price of RM1.75.

It posted a net profit of RM99.61mil for 1Q24, up 11.1% year-on-year (y-o-y) on the back of revenue rising by 2.6% y-o-y to RM162.56mil. Its first interim gross DPU amounted to RM106.8mil or 2.96 sen per unit.

Hong Leong Investment Bank (HLIB) Research reiterated "buy" on IGB-REIT, with a higher target price of RM1.93 from RM1.88 previously, after rolling over its valuation base year. The brokerage said the target price was based on FY25 DPU on targeted yield of 6.1%.

"We continue to like IGB-REIT due to the prime location of its malls supporting its robust occupancy rate, strong and consistent positive rental reversions and monthly rental income exceeding pre-pandemic levels.

"Despite possible short-term earnings impact from Metrojaya's reconfiguration works at Mid Valley, management is confident that occupancy should return to full once it is completed by 3Q24. With The Gardens maintaining full occupancy, man-

agement has guided positive rental reversions of mid-single digit for both malls in FY24.

"Combined with improving tourist arrivals and steady domestic consumption, we believe that IGB-REIT will continue to do well for the remainder of FY24," it added.

Meanwhile, RHB Research kept its "buy" call on IGB-REIT, with a higher target price of RM2.03 from RM1.98.

"We expect IGB-REIT to record mid-single-digit rental reversion growth in FY24. While the inflationary environment remains the biggest risk to retail sales, we think the delay of the implementation of the high-value goods tax will provide a temporary relief," the brokerage explained.

Also recommending "buy" on IGB-REIT, MIDF Research pegged its target price for the counter at RM1.86.

"We remain positive on IGB-REIT as we see that it will stay defensive going forward due to the good quality of its retail assets.

"The stable outlook for its assets will drive rental and DPU growth," it said, adding that it estimated a distribution yield of 5.4% for the trust.