

IGB-REIT projects growth post-revamp

Occupancy rates, rental growth to boost FY25 results

PROPERTY

PETALING JAYA: IGB Real Estate Investment Trust (IGB-REIT), which counts Mid Valley Megamall and The Gardens Mall as its key assets, is expected to deliver resilient occupancy rates and continued rental growth.

According to CGS International (CGSI) Research, IGB-REIT maintained a commendable average occupancy rate of nearly 100% in the first quarter ended March 31, 2025 (1Q25), supported by steady growth in footfall and tenants' sales.

"Gross monthly rental rate at Mid Valley Megamall grew from RM18.10 per sq ft in the financial year 2024 (FY24) to RM19.45 per sq ft in 1Q25.

"We believe the higher rental rate was mainly supported by the completion of the South Court reconfiguration in Sept 2024, which saw the reallocation of sizeable net lettable area (NLA) occupied by a former anchor tenant Metrojaya to multiple smaller tenants, offering higher rental rates," CGSI Research said after a 1Q25 results briefing by IGB-REIT management.

Additionally, the research house said its 1Q25 core net profit of RM110.6mil came in within expectations, at 27% to 28% of CGSI Research and *Bloomberg* consensus forecasts.

Meanwhile, it said The Gardens Mall also recorded growth in rental rates, with the gross monthly rental rate improving from RM14.94 per sq ft in FY24 to RM16.63 per sq ft in 1Q25.

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CGS International Research

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"Management also highlighted that it is in advanced discussions with tenants that have leases expiring in FY25 and is confident it will renew those leases with a high retention rate."

Based on the tenancy expiry profile as at March 31, 2025, 17.4% of Mid Valley Megamall's NLA and 51.5% of The Gardens Mall's NLA are due for renewal in FY25.

This includes several key anchor tenants, the research house said.

"Despite concerns over softer 2Q25F results due to seasonally weaker tenant sales, management expects FY25 earnings growth to be driven by full-year contributions from the South Court reconfiguration, steady increase in rental rates, as well as potential growth in gross turnover rental."

CGSI Research maintained its "hold" call on the stock with a RM2.21 target price.

Meanwhile, Kenanga Research said overall tenant sales at the two malls remain stable in 1Q25 despite a dip recorded in

some of its rival malls.

"We were reassured from a recent site visit to Mid Valley Megamall and remain optimistic that the new higher yielding tenants occupying spaces surrendered by Metrojaya will continue to support rental and tenant sales growth for the group in FY25.

"We keep our (earnings) forecasts, target price of RM2.20 and maintain 'Market Perform' call," Kenanga Research said in a report.

The revitalisation follows the opening of approximately 20 new tenants, including brands like Urban Revivo and Love, Bonito in 4Q24.

Given this reconfiguration, the research firm expects the affected floor space (circa 10% of total NLA), that has been fully occupied by the higher yielding tenants in November 2024, to be one of the key earnings drivers in the year ahead for IGB-REIT.

"Meanwhile, we continue to expect the potential injection of Mid Valley Southkey into the REIT in the medium term."

At the time of writing, shares of IGB-REIT traded at RM2.29.