

IGB Commercial REIT special-purpose entity issues first tranche of RM5b bonds | EdgeProp.my

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KUALA LUMPUR (May 19): IGB Commercial REIT Capital Sdn Bhd, a special-purpose entity incorporated by IGB Commercial REIT, has issued the first tranche of RM850 million bonds under its RM5 billion medium-term note (MTN) programme.

According to a press release, RAM Ratings Services Bhd has assigned a Class A rating to RM700 million of the first tranche of MTN, with 43.97% loan-to-value ratio (LTV) and 2.31 times debt service coverage ratio (DSCR).

The credit rating agency rated RM65 million as Class B with 48.06% LTV and 2.11 times DCSR. The remaining RM85 million was rated Class C with 53.4% LTV and 1.9 times DCSR.

RAM added the asset quality of the properties is above average, as reflected by the assigned RAM Property Score of O-3.85 to O-4.55 (out of a maximum of O-5.00).

"Based on RAM's sustainable cashflow assumption of RM137.3 million per annum and the resultant adjusted valuation of RM1.59 billion (52% of the valuer's appraised market value) provide adequate credit support (reflected in the LTV and DCSR) for the respective class of MTN commensurate with the ratings assigned," RAM stated.

The agency added that the performance of the properties had remained resilient despite the supply-demand mismatch compounded by the pandemic. It attributed this to the portfolio's diversity, broad tenant mix, and efforts made in maintaining and enhancing the properties.

"In the past three years, the properties' average occupancy rate (AOR) has ranged between 75% and 80% while the average rental rate (ARR) was between RM5.80 per square feet (psf) and RM6.30 psf.

"The portfolio recorded an AOR of 75% and ARR of RM5.73 psf for the financial year ended Dec 31, 2020 (FY20). This, coupled with lower expenses, resulted in an improved year-on-year (y-o-y) net property income (NPI) of RM129.2 million and a NPI margin of 68% after accounting for leases," the credit rating agency said.

The first tranche MTN incorporates a longer tail period of 3.5 years to allow for disposal of the properties. However, the first tranche can be redeemed early if proceeds from the disposal of all or part of the properties are sufficient to settle all outstanding amounts.

IGB Commercial REIT is part of IGB Group Bhd and is set to be listed on Bursa Malaysia in the second half of 2021.

"With an initial portfolio of 10 assets valued at RM3.16 billion, the REIT will be the largest office real estate investment trust domestically by market capitalisation, substantially owned by IGB (50%)," RAM added.

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