

IGB REIT declares 2.46 sen DPU as 4Q NPI climbs amid retail recovery; IGB Commercial REIT pays 1.49 sen as NPI drops | The Edge Markets

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KUALA LUMPUR (Jan 19): IGB Real Estate Investment Trust's (REIT) net property income (NPI) for the fourth quarter ended Dec 31, 2022 (4QFY2022) rose 12.79% to RM105.64 million from RM93.66 million a year ago, as revenue increased 24.59% to RM148.72 million from RM119.37 million.

"The higher total revenue and NPI were mainly due to lower rental support provided to tenants arising from the economic reopening and improving retail sales of tenants," IGB REIT said in a filing on Thursday (Jan 19).

Distributable income for IGB REIT, which owns the Mid Valley Megamall and The Gardens Mall, rose to RM90.6 million from RM79.55 million.

It declared a distribution per unit (DPU) of 2.46 sen for 4QFY2022, versus the 2.17 sen declared for the same period last year. This raised its full FY2022 DPU to 9.86 sen versus 6.03 sen for FY2021.

For FY2022, IGB REIT's NPI jumped 52.76% to RM420.25 million from RM275.1 million in FY2021, while revenue grew 39.27% to RM556.41

million from RM399.53 million.

On its prospects in the financial year ahead, IGB REIT said the Retail Group Malaysia has forecast a 3.5% growth in retail sales in 2023, but noted that rising cost of living and increasing costs of doing retail business pose as the industry's biggest challenges.

So higher retail sales may not translate to better profit margins for tenants in shopping malls, said IGB REIT, as overall costs of doing business are expected to increase due to the impact of the tight labour market, supply chain disruption, increase in electricity tariff and higher interest rates.

Some retailers, however, may be able to pass on the higher operating cost to consumers in the form of further price escalations, it said.

In view of the challenges which may affect retail sales in 2023, IGB REIT Management Sdn Bhd — the manager of IGB REIT — remains cautious on its shopping mall tenant's performance as well as the financial performance of IGB REIT.

"Nonetheless, IGB REIT remains committed to bringing about long-term value to its stakeholders," it added.

Its sister REIT, IGB Commercial REIT, posted a 14.15% drop in NPI for 4QFY2022 to RM27.27 million from RM31.76 million last year, while revenue rose 6.88% to RM49.44 million versus RM46.26 million.

Despite the drop in NPI, IGB Commercial REIT declared a higher DPU of 1.49 sen versus the 1.15 sen a year earlier, raising full-year DPU to 3.42 sen. Distributable income amounted to RM17.31 million.

IGB Commercial REIT counts Menara IGB and IGB Annexe, The Gardens South and North Towers, and Menara Tan & Tan among its portfolio of properties.

For the full year, IGB Commercial REIT's NPI tripled to RM113.62 million from RM36.6 million last year, while revenue surged 256.84% to RM190.43 million versus RM53.37 million.

Looking forward, IGB Commercial REIT said it remains committed to improving the attributes of its property portfolio, with a focus on the environment, social and governance (ESG) initiatives without neglecting building functionality.

The REIT added that it is constantly driving engagements with tenants to create meaningful relationships that go beyond brick-and-mortar elements, which as a result pushed the average occupancy rate of its 10 buildings to 77.5% as at Dec 31, 2022, from 76.31% as at September 2022.

"While it is evident that there is improvement in the overall performance of the office sector and tenant movements are more active, the outlook of the office market in the near term remains volatile as there is an

imbalance in the office supply-demand dynamics coupled with the fierce competition,” it added.

IGB Commercial REIT said that it will continue to demonstrate strong commitment and strengthen its business strategies to further drive occupancies, retain existing tenants and deliver lasting results for all stakeholders.

IGB REIT closed two sen or 1.14% higher at RM1.77, giving the REIT a market capitalisation of RM6.35 billion. Meanwhile, IGB Commercial REIT ended up half a sen or 0.87% up at 58 sen, valuing it at RM1.37 billion.