IGB REIT, IGB Commercial REIT net property income up in 4Q on higher rental income, increased occupancy

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KUALA LUMPUR (Jan 30): Higher rental income lifted IGB Real Estate Investment Trust's (IGB REIT) net property income (NPI) by 9.08% to RM115.24 million for the fourth quarter ended Dec 31, 2023 (4QFY2023), from RM105.64 million recorded in the same period a year earlier.

IGB REIT posted revenue of RM158.47 million for 4QFY2023, a 6.6% increase from RM148.71 million registered in 4QFY2022, it said in a filing on Tuesday.

Meanwhile, its sister company IGB Commercial REIT logged NPI of RM32.86 million for 4QFY2023, 20.51% higher than the RM27.27 million recorded in the corresponding quarter in 2022, as revenue increased by 15.13% to RM56.92 million from RM49.44 million.

The increase in NPI and revenue in 4QFY2023 was due to the higher average occupancy rate of properties, said IGB Commercial REIT when announcing the financial results.

IGB REIT declared an income distribution per unit (DPU) of 2.7 sen, bringing total DPU for the financial year ended Dec 31, 2023 (FY2023) to 10.47 sen. This is higher than the 9.86 sen declared for FY2022.

IGB Commercial REIT, on the other hand, announced an income DPU of 1.75 sen — raising total income distribution for FY2023 to 3.49 sen — slightly higher than the 3.42 sen declared for FY2022.

Both REITs set Feb 15 as the ex-date for their DPUs, with the amount to be disbursed to unitholders on Feb 29.

For the full FY2023, IGB REIT's NPI expanded 6.58% to RM447.88 million from RM420.25 million. Full-year revenue grew 8.6% to RM604.31 million from RM556.41 million.

IGB Commercial REIT's NPI for the full FY2023 increased by 12.48% to RM127.8 million from RM113.62 million. Full-year revenue rose 12.98% to RM215.15 million from RM190.43 million.

Prospects

In announcing the 4QFY2023 results on Tuesday, IGB REIT noted Retail Group Malaysia's 3.5% growth forecast for the retail industry in 2024.

The conservative forecast estimate was primarily attributed to factors such as a rise in service tax, implementation of the High-Value Goods Tax, increased cost of living and geopolitical issues, stated IGB REIT.

Despite a moderation in the average inflation rate, the cost of essential items and consumer goods has not returned to pre-pandemic levels, it said.

"Higher cost of living is expected to have an adverse effect on the purchasing power of Malaysian consumers which could affect the sales performance of the tenants in shopping malls. Rising manpower cost, intense competition from new retail centres and higher utility bills could squeeze the profit margins of the retailers," said IGB REIT.

Apart from that, the weaker local currency, as well as higher import costs and interest rate could affect IGB REIT's current financial results.

"Despite shopping traffic returning to pre-Covid levels, the manager maintains a more cautious outlook for the financial prospects in 2024," said IGB REIT.

As for IGB Commercial REIT, the REIT said it has retained a substantial proportion of existing tenants and attracted new tenants to its portfolio.