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# IGB REIT's 2Q NPI up 1.6% y-o-y on higher rental income

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KUALA LUMPUR (Aug 2): IGB Real Estate Investment Trust's (IGB REIT) net property income (NPI) for the second quarter ended June 30, 2017 (2QFY17) rose 1.6% to RM88 million from RM86.6 million a year earlier, thanks to higher rental recorded in the quarter under review.

In a filing with Bursa Malaysia, IGB REIT said the distributable income for 2QFY17 amounted to RM76.8 million or 2.19 sen per unit, consisting of realised profit of RM67.7 million and the non-cash adjustment arising

mainly from manager fee payable in units of RM8.2 million.

Revenue for 2QFY17 came in at RM127.32 million, up 2.2% from RM124.6 million a year earlier, mainly due to higher rental income, the group said.

The REIT declared a distribution per unit of 4.38 sen comprising 4.30 sen taxable and 0.08 sen non-taxable for the first half of 2017.

For the cumulative six months of FY17 (1H FY17), IGB REIT posted a 2.1% growth in NPI at RM184.1 million from RM180.3 million in 1H FY16. Distributable income for the period totalled to RM161.7 million or 4.61 sen per unit, consisting of realised profit of RM143.1 million and non-cash adjustment from manager free payable in units of RM16.8 million.

Revenue for 1H FY17 was 2% higher at RM260.98 million versus RM255.8 million a year earlier.

IGB REIT is managed by IGB REIT Management Sdn Bhd.

Moving forward, trading conditions will remain tough for retailers in 1H17, arising from higher cost of goods and rising operation costs, IGB REIT said, adding that the recovery in retail sales is highly dependent on external demand and the ringgit's performance for the remainder of 2017.

IGB REIT noted that based on the Malaysia Retail Industry Report, retail sales shrank 1.2% year-on-year in 1Q17, partly due to poor Chinese New Year sales in January, reflecting cautious consumer spending. This, it said, was worse than the Malaysia Retailers Association's (MRA) and Retail Group Malaysia's (RGM) growth projection of 0.9% and 1.5% respectively.

"RGM expressed the view that consumers have turned cautious as they were burdened by the higher cost of living. Average pump price for RON95 during the first quarter of 2017 was the highest since the implementation of the managed float system in December 2014," IGB REIT said.

"The purchasing power of consumers has been reduced and consumer confidence remains low. Private consumption rose by 6.6% during first quarter of 2017 in the face of unemployment being maintained at 3.5%," it added.

It added that MRA members expected their businesses to have picked up by 2Q17, growing at an average rate of 4.8%. RGM, meanwhile, is maintaining its retail sales growth forecast at 3.9% for 2017, as compared to its earlier estimate of 5%, it said.

"The poorer retail sales during the first quarter would be offset by the higher estimate for the second quarter (4.8%). Retail sales for the third and fourth quarters are estimated to rise by 5% and 5.5% respectively," IGB REIT said.

However, notwithstanding the increasing supply of retail shopping space, lower expected retail sales growth and intense competition, IGB REIT Management would continue to strengthen the REIT's performance by proactively exploring asset enhancement initiatives at both the Mid Valley Megamall and The Gardens Mall in order to maintain a stable flow of distributable income and create long-term value for its shareholders, IGB REIT said.

IGB REIT closed unchanged at RM1.73, with about 291,800 shares traded, giving it a market value of RM6.06 billion.

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