

IGB REIT to enhance yields




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Meeting the media: (from left) Barragry, Tan and executive assistant to group MD, Chua Seng Yong at the press conference.

KUALA LUMPUR: [IGB Real Estate Investment Trust](#)  (REIT) will enhance yields on its existing Mid Valley Megamall and The Gardens Mall by carrying out a reconfiguration exercise in both the malls.

“This will increase the net lettable area in the mall by a further 15,000 sq ft to 20,000 sq ft. The entire exercise will be completed by 2018. This is all prime space which can increase our yields,” managing director Datuk Seri Robert Tan said following [IGB Corp Bhd](#) ’s AGM.

“What we will do is to take areas which are lower in rental and basically by reconfiguring them, we can increase a little bit more space that hasn’t been used and also put in higher-value rental space, particularly in the lower ground and ground floor areas,” IGB REIT CEO Antony Barragry added.

The capital expenditure that will be spent for this reconfiguration is up to RM20mil, Tan said.

Commenting on the outlook of its malls, IGB REIT said it was cautious on the second quarter, given Tan’s observation on mall traffic so far.

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“In the first quarter, we were still up from last year. We expected the first quarter to be flat or slightly below last year, but we ended up higher than last year and this is quite encouraging. But the second quarter, we are still a bit hazy. I think it will be a bit slower than the first quarter, but we hope to at least maintain last year’s performance,” Tan said.

“So far, I see that the mall traffic is not as vibrant as the first quarter. Historically the second quarter has been slow anyway. I don’t know how much slower than last year’s second quarter. So far, there is no Hari Raya vibe yet. People are a bit careful and there are still uncertainties in the market,” he added.

Meanwhile, the construction of Mid Valley Megamall Southkey in Johor Baru continues with 60% of the retail space being booked.

“The expected completion and opening date will be on Aug 18, 2018. We are excited about this new mall because of the good location, and it is only six minutes from the Johor Baru customs, immigration, and quarantine complex,” Tan said.

“We hope to attract a lot of Singaporean shoppers to Southkey,” he added.

On possible corporate exercises for IGB Corp in the future, Tan said the company had the option of establishing either an office REIT or a hotel REIT, but this was not on the cards now.

“We can borrow at a cheaper rate from the banks than what our assets are yielding, and so, it is not necessary for now. Only when we need the (extra) money,” Tan said.

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