



## IGB Reit likely to stage firm recoveries post-CMCO, says CGS-CIMB

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KUALA LUMPUR,. CGS-CIMB said IGB Real Estate Investment Trust's (IGB REIT) flagship neighbourhood malls, such as the Mid Valley Megamall and The Gardens Mall, are likely to stage firmer recoveries post-conditional movement control order (CMCO) due to their superior occupancy rates and diversified tenants.

In a research note today, it added that the reinstatement of the CMCO in Kuala Lumpur, Selangor and Putrajaya due to the elevated COVID-19 numbers was likely to disrupt the retail malls' recovery in the second half of 2020.

The government had initially enforced the CMCO from Oct 14-27 in the Klang Valley, but has extended it to Nov 9 to curtail the spread of the pandemic.

"To reflect a more prudent outlook due to the CMCO, we have assumed a lower positive average rental reversion of +1.0 per cent from +2.5 per cent previously for financial year ending Dec 31, 2020 and lower average occupancy rates of 94 per cent from 97 per cent previously," said CGS-CIMB.

IGB REIT's revenue for the nine-month period ended Sept 30, 2020, fell 23 per cent year-on-year (y-o-y) to RM317.73 million due to the rental support programme (RSP) throughout the movement control order, exacerbated by the slump in footfall and tenant sales.

Core net profit for the period contracted 32.3 per cent y-o-y to RM164.70 million due to lower interest income and weaker new product introduction margin of 70 per cent against 73 per cent in the same period last year.

"Overall, the nine months of 2020's results were below expectations, as it only made up 60 per cent of our full-year estimates and 72 per cent of consensus.

"Furthermore, any earnings recovery prospects in the fourth quarter are weighed by the reinstatement of the CMCO," said CGS-CIMB.

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