

IGB REIT 2Q net profit down 75%

by **NUR HANANI AZMAN**

IGB Real Estate Investment Trust's (REIT) net profit shrunk 75% to RM19.5 million for the second quarter ended June 30, 2020 (2Q20), from RM77.9 million recorded in the same quarter last year due to rental support provided to tenants and lower car park income arising from the Covid-19 pandemic and Movement Control Order (MCO).

Gross revenue of the owner of the Mid Valley Megamall and The Gardens Mall fell 54% to RM62 million compared to RM135 million a year ago.

IGB REIT recorded net property income at RM37.4 million, decreased 62.1% compared to the corresponding quarter in 2019 of RM98.5 million.

"The current sluggish economic and business conditions are expected to result in a material adverse impact on the performance for the financial year ending Dec 31, 2020," it said in an exchange filing to Bursa Malaysia yesterday.

The distributable income for the current quarter amounted to RM24 million, consisting of realised profit of RM19.5 million.

The non-cash adjustments arising mainly from manager fee payable in units of RM3.7 million.

Retail Group Malaysia's (RGM) April report on Malaysia's full-year retail sales growth forecast has been revised downwards to -5.5% (or RM10.9 billion lower) against the performance in 2019 due to Covid-19 pandemic.

Total retail sales for 2020 are now expected at RM101.6 billion, compared to RM112.5 billion in 2019. This is the first time the retail industry has contracted since the 1998 Asian financial crisis.

The MCOs have resulted in the closure of 209,000 retail stores (including 90% of stalls and markets), accounting for 61% of total retail outlets and 63.3% of total retail sales in the country.

Closures in particular of non-essential retailers have put a strain on retailers who need to continue to pay rent and wages even though no sales are registered.

Those who remain open are 126,000 retailers (including 10% of stalls and markets); they accounted for 37% of total retail outlets in Malaysia and 35.4% of

total retail turnover in the country.

They include grocery stores such as supermarkets, hypermarkets, mini markets, convenience stores and pharmacies.

The closures are expected to have a profound impact on the financial performance of shopping centres.

Rising unemployment, lower disposable income and the disruption of supply chains will add to the already deteriorating consumer and business sentiment, further accentuating falling domestic demand.

The economic stimulus packages and lower interest rates will help promote the recovery of economic and business activities.

RGM expects retail sales to improve and register growth rates of 2.5% and 3.3% in 3Q and 4Q20 respectively.

Despite the grim outlook and many challenges ahead, IGB REIT is determined to stay resilient throughout the Covid-19 pandemic. "We remain committed to bringing about long-term value for our stakeholders," it said.

At 5pm yesterday, IGB REIT's share price closed up two sen or 1.12% at RM1.80 for a market capitalisation of RM6.4 billion.