

HIGHEST RETURN ON EQUITY OVER THREE YEARS

REIT

# IGB REIT

A sterling performer



BY CHERYL POO

**I**GB Real Estate Investment Trust (KL:IG-BREIT) has become a familiar presence at *The Edge* Billion Ringgit Club (BRC) awards, having been on the winners list for the past nine years. Its inaugural win at BRC was for the highest growth in profit over three years in 2016, an award it continued to win in 2017 and 2018.

For the seventh consecutive year, IGB REIT has clinched the accolade for the highest return on equity (ROE) over three years in the REIT sector. IGB REIT outshone its peers during the awards review period, recording a three-year adjusted weighted ROE of 8.9% per annum. This came as its ROE improved from 5.8% in 2021 to 9.4% in 2022 and 9.8% in 2023.

The trust's total unitholder returns over three years averaged at 6.3% per year, even as its adjusted unit price went from RM1.43 as at March 31, 2021 to RM1.74 as at March 31, 2024.

IGB REIT's portfolio comprises prime retail centres Mid Valley Megamall (MVM) and The Gardens Mall (TGM) in the Klang Valley, both of which had a combined market value of RM5.5 billion as at end-De-

## IGB REIT



cember 2023. MVM and TGM, with high occupancy rates of 99.9% and 94.8% respectively, offer a strong value proposition to its tenants and patrons as its business plans ensure continual streams of crowds flock to its premises.

It is noteworthy that MVM's net property income (NPI), at RM321.7 million in FY2023 on revenue of RM416.9 million, outdid its performance prior to the pandemic in FY2019 (NPI: RM294.9 million, revenue:

RM386.9 million). Similarly, TGM drew a higher NPI of RM126.2 million in FY2023 than RM103.9 million.

According to the awards methodology, IGB REIT's distributable income grew at a risk-weighted three-year compounded average of 11.3% per year from RM259.8 million in FY2020 to RM385.8 million in FY2023.

For the first half ended June 30, 2024 (1H2024), the retail trust's distributable income came in at RM204.05 million, up 7.3% from RM190.19 million in 1H2023.

Based on the REIT's 2023 annual report, MVM and TGM had rental rates ranging from RM15 to RM80 per sq ft (psf) and RM17 to RM40 psf, respectively. These are among the higher rates of retail malls further out from prime locations in the Kuala Lumpur

Golden Triangle such as Suria KLCC, which commands square footage rental rates of RM35 to RM206.

IGB REIT's NPI, which stood at RM259.8 million in FY2020, nearly doubled to RM385.8 in FY2023. Those were tumultuous years as the nation struggled to regain its footing in the aftermath of the Covid-19 pandemic while facing other economic and geopolitical challenges. Notably, the property sector, together with its retail and commercial subsectors, faced its own demons amid tremendous shifts in consumption and working behaviour.

Unitholders who stood by IGB REIT during those difficult years were rewarded with distribution per unit payouts — FY2020: 6.75 sen, FY2021: 6.03 sen, FY2022: 9.86 sen and FY2023: 10.47 sen — with distribution yields ranging



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between 3.65% and 6.09% in those years.

In notes appended to its 1H2024 results, IGB REIT said the escalating cost of living affecting consumers remains the primary challenge for Malaysia's retail sector while acknowledging that the hike in the service tax rate on goods and services from 6% to 8% had affected retail expenditure.

"New policies on the fuel subsidy rationalisation and e-invoicing are also expected to have an inflationary impact on retailers from higher input costs. Targeted subsidies may provide some support to consumer sentiment, but they will most likely have a negative impact on the retail sector. Notwithstanding the above, the combination of wage growth policy, the Employees Provident Fund's flexible account and Rahmah cash assistance could still set a more favourable stage for sustainable growth in retail spending during the latter half of 2024. The manager remains cautious on retail sales growth, which would affect tenants' performances at shopping malls and the financial performance of IGB REIT. Nonetheless, IGB REIT remains committed to bringing about long-term value to its stakeholders," IGB REIT said. **E**