

IGB-REIT to benefit from higher foot traffic

PETALING JAYA: IGB Real Estate Investment Trust (IGB-REIT) will continue to benefit from the post-pandemic tourism recovery, which is expected to drive higher foot traffic at its properties, boosting tenant sales and turnover rent, say analysts.

The group also has 8.91% of net lettable area (NLA) up for renewal in the financial year 2024 (FY24).

“We believe IGB is able to renew or replace tenants given its prime location with high occupancy rates at 100% as of third quarter of financial year 2024 (3Q24) and the strong demand from retail brands seeking established spaces with steady foot traffic,” Hong Leong Investment Bank (HLIB) Research said in a report.

Furthermore, with Malaysia assuming the chairmanship of Asean in 2025 along with tourism activities ramping up ahead of Visit Malaysia Year 2026, the research house expects a further boost in visitor numbers next year.

“Nonetheless, with the recent rise in

share price, we think that its risk to reward profile seems fair at current juncture,” said HLIB Research, which has a “hold” call on the stock with a target price (TP) of RM1.83.

For the latest 3Q24 results, IGB-REIT posted a core net profit of RM92.7mil (up 5.1% quarter-on-quarter and 4.2% year-on-year) that lifted 9M24’s number to RM283.2mil.

“The results met both ours and street expectations at 75% of full year forecasts,” it added.

The group’s Mid Valley Megamall and The Gardens Mall remained fully occupied in 3Q24. Its gearing decreased slightly to 22% from 24% in 2Q24.

Kenanga Research, in a note to clients, described IGB-REIT’s latest 3Q24 results as within expectations.

Following the recent reconfiguration of Mid Valley from Metrojaya’s downsizing, the research house said the affected floor space (about 10% of total NLA) is now fully occupied by around 20 new higher

yielding tenants.

“This could boost earnings for the group in 2H24 as the new tenants are likely paying higher rental rates than Metrojaya’s previous anchor rates, which we have reflected in our assumptions,” it added.

Meanwhile, Kenanga Research is positive on consumer spendings and the impending RON95 subsidy rationalisation would likely be cushioned by IGB-REIT’s diverse portfolio offerings across all income segments.

The research house has maintained a “market perform” on the stock with a TP of RM2.

“We continue to like IGB-REIT for its resilient portfolio, evident in its high occupancy rates and ability to cater to a wide range of income groups,” said Kenanga Research.

However, the risks to its call include higher-than-expected rental reversions and potential injection of earnings accretive assets.