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# IGB REIT gains 11.2% over IPO price on maiden day

The Editor / TheEdge

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PETALING JAYA (Sept 21): IGB Real Estate Investment Trust (IGB REIT), listed on Bursa Malaysia Friday morning, posted strong gains in active trade due to optimism over its property rental income and outlook.

At market close Friday, the most actively-traded counter rallied to RM1.39 per unit registering a premium of 14 sen or 11.2% over its retail initial public offering (IPO) price of RM1.25, on volume of 236.16 million shares. In intra-day trades, it hit a high of RM1.41.

The counter opened at RM1.37 on volume of 19.2 million on Bursa Malaysia at 9am.

The closing price surpassed the fair value of RM1.37 estimated by OSK, but lower than RHB Research's RM1.43.

IGB REIT is a real estate investment trust, which manages two megamalls: The MidValley Megamall and The Gardens. Both assets offer a combined net lettable area of 2.5 million sq ft, serving about six million people residing in Klang Valley.

At its listing debut ceremony on Bursa Malaysia, IGB REIT Management Sdn Bhd CEO Antony Barragry said: "It is very heartening to see the (price) movements upward, and we are proudly confident that we will build the sustainable pricing for the IGB REIT units."

IGB REIT has raised RM837.5 million from the IPO, which is the third largest IPO in Malaysia this year, after the IPOs of Felda Global Venture Holdings Bhd and IHH Healthcare Holdings Bhd.

With an asset base of RM4.6 billion, IGB REIT has surpassed Pavilion REIT as the largest pure retail REIT listed on the Kuala Lumpur market.

Barragry said another additional asset the coming is the Southkey Megamall project, which will be developed by IGB REIT sponsor IGB Corporation Bhd in Johor Bahru.

The project, which is a joint venture with a Johor state-link entity, is still on the planning stage and waiting for approval from the Johor Bahru City Council, according to Barragry.

"The development is currently at the planning stage, and we are still waiting for approval from the local council in Johor Bahru. IGB as the sponsor for IGB REIT is confident that the project will take off by the end of the first half of next year," said Barragry at the ceremony.

He said as the sponsor of IGB REIT, IGB has granted a right of first refusal for IGB REIT to acquire its future retail properties and mixed use development with retail component. "This right of first refusal will provide IGB REIT a platform to leverage on to further propel its growth in the foreseeable future," he added.

According to OSK Research, IGB REIT offers investors with a defensive, dividend yield play because the retail business is expected to stay

buoyant, compared with the more pressured office building sector due to supply from the upcoming projects such as the Tun Razak Exchange, Warisan Merdeka and KL Metropolis.

In terms of revenue, the management has projected a 5.0% increase per annum in rent for its megamalls. For base rent, tenancies are to be renewed at a 5.0% increase for Mid Valley Megamall and 15.0% for The Gardens. Occupancy rates are expected to remain at more than 99%, OSK Research said.

According to RHB Research, The Gardens will be driving the growth of IGB REIT's earnings per unit and dividend per unit in the coming years, given that it is a high end mall and it is still in the early stages of its rental cycle compared to the more mature MidValley Megamall.

"About 54% of The Garden's net lettable area is due to expire next year, and we expect a 10% to 15% growth from here... Renewal rates have been at a healthy level of about 89% for The Gardens during 2010 to 2011, and this trend is expected to continue," RHB noted.

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