

# The success story of IGB Reit



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PROPERTY

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Barragry: We don

PETALING JAYA: In the retail mall real estate investment trust (Reit) space, IGB Reit stands out for a few reasons.

Its shares trade at the highest price-earnings (PE) multiple among its peers indicating strong investor interest.

It offers a decent dividend yield of 5% and has managed to grow its earnings in its latest quarter against a backdrop of a slight decrease in earnings of its peers.

But will IGB Reit, the owner of the iconic shopping complexes of Mid Valley Megamall and The Gardens Mall continue to report solid earnings in an environment of weakening consumer sentiment, the rise of e-commerce and a growing number of malls?

Speaking to *StarBiz* in conjunction with The Gardens Mall's 10th anniversary, IGB Reit CEO Antony Barragry said the local retail sector in Malaysia was generally challenging from an overall perspective, though there were pockets of opportunity and the group remained optimistic on such sentiments.

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“If you look at the entire (retail) sector, it is easy to read gloom into what you see.

“While you hear stories of brands closing down or leaving the country, they are dwarfed by the number of local and international brands that are keen to expand.

“We are definitely positive about continuing the mission to deliver a good experience to our shoppers for the next 10 years.

“Despite the challenging economy, there are still opportunities for malls that are well-positioned and well managed at good locations,” he said.

Barragry added that there were malls in the Klang Valley that were doing well, citing Mid Valley as an example, having managed to maintain consistent year-on-year growth, in terms of sales.

He said IGB Reit would continue to bring in new brands and labels to its malls.

The group will also be expanding the lower ground floor of The Gardens Mall, by adding an estimated 30,000 sq ft floor space to the mix.

This translates to about 13 new shops to the mix.

As of June this year, there was a total net lettable area (NLA) of 831,265 sq ft in The Gardens Mall, with an occupancy rate of close to 100%.

There were 246 tenants, from which 202 are stores while the remaining 44 are kiosks. Some 83 outlets have remained since the mall's opening back in 2007.

### **What has made IGB Reit so successful?**

The Gardens Mall opened its doors to the public on Sept 26, 2007, built on key aspects that made Mid Valley Megamall flourish.

“We had to think very carefully about how we were going to position the new mall and how to brand it.

“We decided that we would position ourselves at a higher level in terms of price points and shopper experience.

“Mid Valley Megamall gave us the first DNA – genetic signature, to start with, so we needed to grow that DNA to the next generation by bringing in something additional to what we had,” said Barragry.

The Gardens Mall offers more premium offerings.

Its three anchor tenants are Isetan, Robinsons, and GSC Signature.

Interestingly, IGB Reit places a strong emphasis on its malls' restrooms, which make up part of the shopper experience.

"To us, restrooms are very important – everyone needs it.

"You get one bad experience in a mall's restroom, and you might never visit that mall again.

"So, whilst it is one of those things that people don't talk a lot about, we actually spend a lot of time making sure that not only the design, but the environment, cleanliness, and security is there for the restrooms.

Since 2016, IGB Reit has sought to engage more with the customers, through more rewarding interactive activities.

As an example, The Gardens Mall staff surprised fathers walking around the mall, with a little gift, during Father's Day.

A loyalty programme has also established for shoppers, known as The Gardens Club, where members can enjoy benefits such as free parking, exclusive offers and invitations to exclusive events.

Additionally, The Gardens Mall will celebrate its 10th year milestone with a 'Life at 10' celebration day on Sept 30, 2017, which will include shopper rewards, interactive activities and an official giant cake-cutting ceremony with the mall management.

On IGB Reit efforts in improving its tenant mix, Barragry highlighted that it was a symbiotic relationship, as an increasing number of shoppers would in turn attract more tenants with good offerings and brands.

Apart from that, The Gardens Mall's location at the border of several districts and surrounded by major crossroads provides a large catchment area of six to eight million population of shoppers.

The Gardens Mall is also able to tap into the existing traffic stemming from "residents" from the many offices, hotels, and residences; being a part of the larger mixed development of Mid Valley City.

"There are not many multi-developments of this scale that can boast location, infrastructure, and traffic to our key selling point.

"With increasing competition and the current market landscape, malls would have to consolidate to a few key players or offer a distinctive niche that has real benefit to its community," noted Barragry.

The daily number of visitors for both Mid Valley Megamall and The Gardens Mall averages 60,000 to 70,000 people during weekdays, while the weekends and holiday seasons see up to 100,000 visitors per day.

For the second quarter ended June 30, 2017, IGB Reit registered a net profit growth of 2.6% to RM67.72mil compared with the previous corresponding period.

According to a recent report by Hong Leong Investment Bank (HLIB), the group's net profit growth for the quarter was on the back of a positive rental reversion, but was partially offset by higher maintenance and property upgrade expenses.

On a six-month basis, IGB Reit's net profit rose 3.1% to RM143.11mil.

Over in Johor Baru, IGB Reit is targeting to open its Mid Valley Megamall Southkey in 2018.

The mall, which will see a “family resemblance” to the Mid Valley Megamall, will have a retail NLA of 1.5 million sq ft upon completion.

While the population size in Johor Baru is not as large as compared to Klang Valley, as it makes up only 20% of the Klang Valley population, Barragry believes that there are great opportunities to be tapped into, given its location.

The mall is six minutes away from the Johor Baru customs, immigration and quarantine complex.

When asked if IGB Reit would consider acquiring more properties, Barragry said:

“The simple answer to that is if there was something in the market that was very good, the price would be prohibitive.

“We have kept doing what we do best, to improve what we have, and so far, we have managed to continue the growth, not only the financials, but also the brand, products, and tenancy mix.”

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