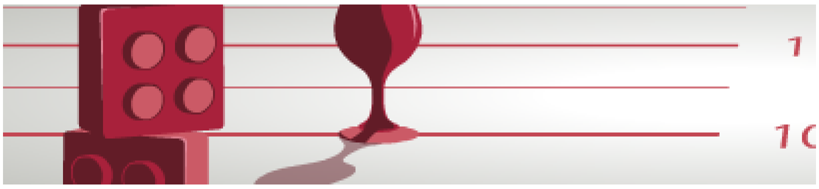

Business News

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IGB to seal RM6bil Southkey Megamall deal soon

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KUALA LUMPUR: IGB Corp Bhd expects to ink its joint-venture agreement with Selia Pantai Sdn Bhd for the RM6bil Southkey Megamall in Johor's Iskandar Malaysia within the next 30 days.

The deal to develop the 14.57ha in Plentong, Johor Baru, into a mix of offices, retail outlets and residences was announced in March last year, but was delayed due to general election-related uncertainties, company officials said.

The project, which is still at the design stage, had received its development order, they added.

The plan was to replicate IGB's successful Mid Valley City township down south, with a mall measuring 1.5 million sq ft, hotels, upmarket homes and commercial components. Southkey, IGB's first major project in Johor, could commence construction works by the middle of this year and be completed by 2018 or 2019, the company said in its 2012 annual report.

Group managing director Robert Tan Chung Meng told reporters after the company's AGM yesterday that the venture could prove more challenging, given the need to attract discerning Singaporean shoppers.

"But it is a good site. I don't think you can find a better site than that, being five minutes from the customs, immigration and quarantine complex via the highway. Design-wise, Southkey would be an improvement over Mid Valley City because we will learn from the first one," he said.

In the meantime, the property firm may wrap up some transactions this year involving smaller plots of land, which could be used for niche developments and long-term income.

"IGB's strategy is to build and keep, not build to sell. Our focus is recurring income. This is why the gestation period tends to be longer. But if we come by a good piece of land, which we are evaluating, our gross development value might improve," Tan said.

On the IGB Real Estate Investment Trust (IGB REIT), of which IGB is the parent with a 51% stake, Tan said the REIT managers would "try our best" to negotiate a double-digit increase in rentals when leases for half of the high-end Gardens Mall's rentable area expires later this year.

Tan is also managing director of IGB REIT Management Sdn Bhd.

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The newer of IGB REIT's two malls will see a major rental reversion of 54% of its net lettable area come November.

The four-year-old shopping complex has only undergone one rental reversion cycle so far in 2010, during which rentals were raised by 10% to 12%. Such lease renewals take place every three years.

Rentals for Mid Valley Megamall average between RM11 and RM12 per sq ft and The Gardens Mall between RM9 and RM10 per sq ft.

"We will try our best. It isn't always easy. If the environment is difficult, we will assist our tenants. The retail environment is challenging.

"The second quarter looks quite promising in terms of mall traffic, even though the first quarter was subdued due to the elections. Hopefully, this (better performance) can continue into 2013," Tan said.

IGB REIT Management chief executive officer Antony Barragry said the property trust's two malls, which include Mid Valley Megamall, continued to see double-digit increases in tenant sales in 2012.

"The challenge is to maintain that for this year. Now that the polls are over, we have seen higher visitations to the mall," he said.

In results released yesterday, IGB said its net profit slipped 16.3% in the first quarter ended March 31, to RM48.06mil against RM57.44mil in the same period a year ago on higher operating expenses.

Revenue, however, improved 9% to RM243.01mil compared with RM222.89mil due to better contributions from its hotel and property investment segments.

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