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Challenging target for IGB REIT

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KUALA LUMPUR (May 31, 2013): IGB REIT Management Sdn Bhd, the manager of IGB Real Estate Investment Trust (REIT), is targeting double-digit rise in rental rates for half of its net lettable area in The Gardens mall which is due for renewal this year.

IGB REIT Management and IGB Corp Bhd group managing director Robert Tan, however, acknowledged it will be difficult to achieve this target in the current challenging retail environment.

"The first quarter of this year (Q1) was challenging times because everyone was unsure of the outcome of the general election. I think this quarter (Q2) looks slightly promising in terms of traffic for the mall. Hopefully it will continue for the next two quarters," he told a joint press conference of IGB REIT and IGB Corp after the latter's AGM yesterday.

Currently, the average rental rates at The Gardens and Mid Valley Megamall are RM9-RM10 per sq ft and RM11-RM12 per sq ft respectively.

The group invests about RM5 million per year to upgrade both malls.

IGB REIT Management CEO Antony P. Barragry said tenants' sales have continued to increase year-on-year for both malls.

"Last year saw double-digit increases in revenue. So, the challenge is to maintain the same this year. Given the fact that the general election is now over, we see increased visitation to

the mall now," he said.

On the outlook for IGB REIT this year, Tan said: "If the interest rate remains at this level then the REIT should be more or less maintained at this level... unless at the end of the year there's a surge in our income, then our REIT price will go up because we are distributing 100% of our profit to unitholders. It's a yield play.

"Barring unforeseen circumstances, hopefully by the end of this year we will perform the same or better."

He said there are also a few asset enhancement initiatives in the pipeline this year but declined to reveal further details.

On property development, Tan said IGB Corp will be launching 328 Tun Razak and Park Manor in Sierramas this year, with a gross development value of RM96 million and RM97 million respectively.

"IGB Corp's strategy is moving towards more real estate yields, recurring income... but it doesn't mean we will not increase the volume. If we come by a good piece of land... the figure will go up," he said.

He added that it is currently in negotiations for a few land deals and hopes to conclude some deals this year.

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