

CGS-CIMB retains 'neutral' call on IGB REIT and Axis REIT

KUALA LUMPUR: CGS-CIMB Research is positive on IGB REIT and Axis REIT as they face the lowest threat from the Covid-19 pandemic and Movement Control Order (MCO).

Its real estate investment trust (REIT) sector analysts said despite the tougher outlook facing malls due to the pandemic, they favoured IGB REIT for its prime assets, high occupancy rates and zero exposure to hotels, which should mitigate weak tenant sales.

“We prefer Axis REIT’s purer exposure to the industrial/warehouse segment, which faces the lowest threat from the Covid-19 pandemic and MCO.”

It reiterates its “neutral” call on both REITs due to their near-term earnings risks but are supported by financial year 2020-

2022 forecast dividend yields of 4.8 to 5.0 per cent.

It said the upside risk would be consumer sentiment recovery post-MCO, while downside risk would be weaker earnings.

For Sunway REIT, its hotel assets make up 18.3 per cent of net property income (NPI), the second-largest NPI contributor for the group, while its retail assets constituted the largest share with about 63.4 per cent of NPI for the group.

Combined, 82 per cent of Sunway REIT’s NPI is exposed to Covid-19 and MCO risks.

The 14-day rental-free period for non-essential retail tenants worked out to RM14 million revenue loss and could rise to RM42 million now that the MCO period was extended by another 14 days from April 14, said CGS-CIMB.