

# IGB Commercial REIT to see improved occupancy across portfolio in FY22

Yvonne Tuah

**KUCHING:** IGB Commercial Real Estate Investment Trust (IGB Commercial REIT) is expected to see its core net profit to grow by 25 per cent year-on-year (y-o-y) backed by improved occupancy as well as positive rental reversion in its portfolio, analysts observed.

In a report, the research team at Hong Leong Investment Bank Bhd (HLIB Research) said: "We project FY21 core net profit to fall slightly (a decline of six per cent y-o-y) on expectations of higher property operating costs, and Phase 1 restrictions that delayed occupancy ramp up.

"For FY22, we foresee core net profit to grow by 25 per cent (y-o-y) backed by improved occupancy as well as positive rental reversion in its portfolio, aligned with expectations of economic recovery in an 'endemic reopening'."

It noted that IGB Commercial REIT comprises of 10 properties, situated in two strategic locations; KL Suburban (seeing increasing demand arising from the current decentralisation trend) and KL City (preferred by MNCs, O&G and financial services companies).

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benefit from the superior connectivity and excellent accessibility to other key business districts and public transportation.

"IGB Commercial REIT's properties have a balanced geographical mix and house multiple sectors, without relying heavily on a single source, which reduces sectorial and concentration risk in the event of any sector-specific downturn.

"Overall, average portfolio occupancy for the past three years (FY18 to FY20) stood steadily at 79 per cent.

"IGCR possesses high quality tenants inclusive of

multinational companies, public listed companies, embassies, government linked companies as well as IGB itself. Moreover, some anchor tenants have been with them for over 10 years," the research team explained.

Aside from that, it pointed out that IGB Commercial REIT has been granted the right of first refusal (ROFR) from the Sponsor.

"This entitles them the chance to be the first in line to acquire accretive properties if IGB Bhd decides to sell.

"The manager (wholly-owned subsidiary of the sponsor), has vast experience managing IGB

REIT (a pure retail REIT) since 2012.

"Helmed by a team of experienced and long serving commercial property professionals, puts IGB Commercial REIT in a prime position to capture future growth," it said.

All in, HLIB Research initiated its coverage on the stock with a 'buy' recommendation. It said: "While we expect flattish rental reversion for FY21, we are optimistic for a better showing in FY22, driven mainly by positive rental reversions paired with improved occupancy, in line with economic recovery momentum."