

IGB-REIT's valuation deemed attractive

PETALING JAYA: The valuation of IGB Real Estate Investment Trust (REIT) is deemed attractive at its current price.

The trust is also expected to the market value for both its key assets – Mid-Valley Megamall (MVM) and The Gardens Mall (TGM) – remaining unchanged from the financial year 2019 (FY19), despite the Covid-19 pandemic.

This is a testament to its asset quality, said RHB Research.

“IGB-REIT is trading at around 1.47 times price-to-book value which is around its five-year mean, rendering the REIT relatively cheaper compared to its pre-pandemic levels when it traded at plus two standard deviation,” RHB Research said.

“IGB-REIT's recovery prospects are encouraging, backed by its quality assets and strategic rental structure that should allow it to benefit from revenge spending as vaccinations reach critical mass,” it added.

Commenting on its recently released financial results, RHB Research said it had missed expectations since rental assistance was continually given to its tenants throughout the phases of the National Recovery Plan.

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year-to-date core profit to RM126.6mil.

At 59%-60% of our and consensus full-year estimates, the results are deemed to have missed expectations,” it said.

RHB Research also said that reversion rates are likely to remain flat, but it believes that occupancy at both assets will continue to remain robust with MVM 99% and TGM 92%, as at December 2020.

RHB maintained its “buy” call on IGB-REIT, with a new RM1.92 target price from RM1.99 with around 5% FY22 forecast yield.

Meanwhile, Kenanga Research said IGB-REIT's year-to-date realised net income of

RM126.6mil came in broadly within its expectations at 61% and consensus' at 59%.

“The third quarter was a challenging quarter due to the lockdowns and we expect earnings to pick up in the fourth quarter with the reopening of the economy in October 2021 upon the high roll-out of Covid-19 vaccinations,” Kenanga Research said.

Kenanga also noted that IGB-REIT's FY21 and FY22 will see minimal tenancy agreements expiring in both malls, and this is a comforting factor during these testing times.