IGB Commercial REIT reports marginal increase in 2Q property income, plans 1.74 sen distribution per unit

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KUALA LUMPUR (July 26): IGB Commercial Real Estate Investment Trust, the country's largest standalone office REIT by net lettable area, reported a marginal 3% increase in its net property income for its second quarter ended June 30, 2023 (2QFY2023) to RM31.11 million from RM30.08 million a year ago, as it recorded higher revenue on higher occupancy rate.

The occupancy rate of the REIT's portfolio of 10 assets — which includes The Gardens' North and South Towers, Menara IGB, G Tower and Menara Tan & Tan — rose to 78.9% from 71.4% in the corresponding quarter in 2022, its bourse filing showed. But distributable income dipped to RM20.25 million from RM22.31 million, as realised profit came in lower at RM16.09 million compared with RM18.09 million previously, amid higher expenses.

The group declared a lower distribution per unit of 1.74 sen that amounts to RM41 million for the Jan 1-June 30 period — down from the 1.93 sen it paid in the previous year's corresponding period — payable on Aug 29.

For the first six months of FY2023, the REIT reported a net property income of RM63.5 million, up 4.96% from the RM60.51 million it reported in the same period a year ago, as revenue grew to RM105.32 million from RM95.51 million.

Meanwhile, for the quarter under review, the group’s net property income was marginally up 3% to RM31.1 million from RM30.1 million in the corresponding quarter last year. Profit after taxation (PAT) also retreated

11% to RM16.1 million against RM18.1 million in 2QFY2022.

"The increase in revenue was due to the higher occupancy rate of 78.9% (2QFY2022: 71.4%). However, profit after tax is lower as a result of the higher property operating expenses of RM41.8 million (2Q2022: RM35.0 million) and higher finance cost of RM23.1 million (2QFY2022: RM16.5 million). The distributable income for the six months to 30 June 2023 amounted to RM41.8 million, consisting of realised profit of RM33.5 million and non-cash adjustments of RM8.3 million," the filing read.

According to the REIT, despite strong competition in the market, the average occupancy rate of its seven buildings in Mid Valley City experienced a slight increase to 87.4% as of June, from 86.5% in March. Its three buildings in the Kuala Lumpur city centre, however, saw a decline in average occupancy rate to 65.1% as of June from 67.9% in March.

Consequently, these fluctuations have had an impact on the overall average occupancy rate of IGB Commercial REIT's 10 buildings, resulting in a slight decrease from 79.4% in March 2023 to 78.9% as of June 30, 2023. Rental reversions are anticipated to remain relatively flat, and rental aid for entitled tenants is expected to be low.

It also expects the recent announcement of a reduced electricity surcharge rate for non-domestic users with medium and high voltage, from 20 sen/kWh to 17 sen/kWh, effective July 1, to have a positive impact on its business.

"This timely incentive will help eliminate significant overhead costs for all buildings. The savings generated from this reduction can be allocated to other areas or invested in energy-efficient solutions," it said, adding the central bank's recent move to keep the overnight policy rate at 3% has also reduced the REIT's concern of increased financial burden.

The REIT's units closed unchanged at 51 sen on Wednesday, valuing the trust at RM1.19 billion.

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