

NEWS

IGB’s Robert Tan: Shrinking offices post-Covid-19 unlikely

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(Photo by The Edge)

PETALING JAYA (July 3): There will be a need for bigger — not shrinking — offices, in a post-pandemic environment. This is the view of IGB Bhd group CEO Datuk Seri Robert Tan Chung Meng (pictured).

“Employers still have the same space requirements and even need a bigger space for employees for social distancing. Even if all the people are vaccinated, it doesn’t mean they won’t be infected. We have a lot of companies requesting for more space.

“If the rental rate is right, I think they will still take our properties,” Tan told The Edge Malaysia.

Tan also feels that there will be changes to office density in the new normal. “For instance, occupiers that had compressed their space density to 70 to 80 sq ft/person may be forced to reconsider the norm and increase the density to 100 sq ft/person in the long term.”

“As companies look to redesign the current and future workplace while adhering to physical distancing measures, we foresee the space requirement per headcount to increase and effectively negate the impact of office downsizing,” he explained.

It has been reported that a recent survey by CBRE Research revealed that remote working is unlikely to dampen office demand in Asia-Pacific as over 70% of management prefer having staff work from the office.

Assets in IGB Commercial REIT’s portfolio include Menara IGB and IGB Annexe, Centrepont South, Centrepont North, Boulevard Properties, Gardens South Tower, Gardens North Tower, Southpoint Properties, Menara Tan & Tan, G Tower and Hampshire Place Office. The REIT has 3.4 million sq ft of net lettable area (NLA).

According to the report by The Edge, as at June, IGB Commercial REIT’s average occupancy rate stood at 73.4% against 76.3% in 2020.

The weekly also stated that while “the pandemic has resulted in the scaling down of business operations by some office tenants, this has been mitigated by the expansion of office requirements by other business sectors, from which the REIT has benefited, owing to its diversified portfolio mix of commercial properties”.

“For instance, G Tower, which is located in the Golden Triangle area, raked in the highest gross rental income of RM31.66 million in 2020 among the REIT’s properties, with an occupancy rate of 85.5%,” added the business publication.

Tan said that with IGB Commercial REIT’s competitive rental pricing, he believes the company will be able to ride out the current office supply glut easily.

“We have survived [over the years]. If the buildings in town rent at my rental rate, they will lose money. During the opening of the Tun Razak Exchange, the rent offered was RM16 per sq ft (psf), but it was RM6 psf for G Tower,” he said.

Read the full report in this week’s *The Edge Malaysia*

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