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IGB REIT's earnings gain momentum, but research houses maintain differing calls

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KUALA LUMPUR: IGB Real Estate Investment Trust (IGB REIT) is expected to sustain its earnings momentum into the final quarter of 2026, supported by resilient tenant sales, higher rental rates and continued contributions from The Mall, Mid Valley Southkey (MVS), according to research houses AmInvestment Bank Research (AmResearch) and CGSI Research.

Both research houses noted that the REIT's three shopping malls continued to record firm retail activity in the third quarter ended Sept 30, 2026 (3Q26), although they differed in their investment recommendations.

AmResearch said the recovery in luxury spending had benefited The Gardens Mall, while MVS was gaining traction and Mid Valley Megamall continued to deliver steady performance.

“All three IGB REIT malls are bustling in 3Q26, with tenant sales rising across the board,” it said.

CGSI Research, meanwhile, attributed the REIT's better-than-expected nine-month earnings performance primarily to stronger rental income from MVS, which continued to outperform the other two malls in tenant sales growth.

IGB REIT's 3Q26 core net profit rose 43% year-on-year (y-o-y) to RM147.1mil, supported by a 51% increase in revenue to RM249.3mil.

This lifted its nine-month core net profit by 48% to RM459mil, representing 80% of CGSI's full-year forecast and 75% of Bloomberg consensus estimates.

The REIT recorded distributable income of RM156mil in 3Q26, up 52% y-o-y, bringing its nine-month total to RM486mil, a 49% increase from the corresponding period last year.

It declared an interim distribution per unit (DPU) of 3.51 sen for the quarter, taking its nine-month DPU to 10.95 sen, up 25% y-o-y.

CGSI Research is anticipating earnings to improve further in the fourth quarter, supported by seasonally stronger turnover rentals during year-end festivities and Christmas spending.

“Looking ahead, we expect earnings to strengthen further in 4Q26, supported by seasonally higher turnover rents amid year-end festivities and Christmas spending,” it said.

On operational performance, portfolio occupancy stood at about 99% at end-3Q26, slightly lower than the near-full occupancy recorded in the preceding quarter.

At The Gardens Mall, average gross monthly rental rates increased 6% y-o-y to RM16.96 per square foot, although occupancy declined two percentage points sequentially to 97%.

Mid Valley Megamall and MVS maintained occupancy of about 99%, while rental rates at the two properties increased between 4% and 8% year-to-date.

Both research houses expect IGB REIT to achieve management's mid-single-digit rental reversion guidance for FY26.

AmResearch also highlighted the REIT's debt position, noting that 91% of its borrowings carried fixed interest rates, while financing costs increased just 1% quarter-on-quarter.

CGSI said gearing remained stable at 0.30 times, providing financial flexibility for potential acquisitions and asset enhancement initiatives, although the lack of visibility on the sponsor's asset injection pipeline could limit acquisition-driven growth over FY26 to FY28.

On valuations, AmResearch maintained its "Buy" recommendation with an unchanged target price of RM3.05, while CGSI reiterated "Hold" but raised its target price to RM2.83 after increasing its FY26 to FY28 DPU estimates by 6% to 8%.

CGSI said IGB REIT's projected FY27 dividend yield of 5.5% was less attractive than the peer average of 7.6%.

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