

IGB Commercial-REIT sees office market evolve

By EUGENE MAHALINGAM
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IGB Commercial REIT deputy chief executive officer Irene Sin May Lin.

PETALING JAYA: IGB Commercial Real Estate Investment Trust  (IGB Commercial-REIT) expects the Malaysian office market to remain dynamic as occupiers adopt a more discerning approach to leasing decisions.

In light of this outlook and coming off a solid second-quarter (2Q26) performance, deputy chief executive officer Irene Sin May Lin said she remains "cautiously optimistic" about the REIT's outlook for the rest of 2026.

"The office market continues to evolve, with occupiers becoming increasingly selective in their real estate decisions.

"Demand is shifting towards well-located, integrated developments that offer strong environmental, social and governance (ESG) credentials, modern workplace specifications, digital connectivity and amenities that support employee wellbeing," she told StarBiz.

Sin expects this "flight-to-quality" trend will continue to shape leasing activity for the remainder of the year.

"Leasing demand is expected to remain healthy, supported by corporate relocations and expansion from sectors such as banking and finance, technology, logistics and flexible workspace operators."

IGB Commercial-REIT's portfolio comprises 10 commercial buildings strategically located in the Klang Valley, split between Mid Valley City and Kuala Lumpur Golden Triangle.

Its Mid Valley City assets comprise Menara IGB (including the IGB Annexe), Centrepont South, Centrepont North, The Gardens South Tower, The Gardens North Tower, Southpoint offices and retail, and The Boulevard offices and retail. Its Golden Triangle assets comprise Hampshire Place Office, GTower and Menara Tan & Tan.

A major milestone for the REIT in 2025 was achieving green certification across all 10 assets.

“With all 10 of our properties strategically located, green building-certified and continuously enhanced through phased asset enhancement initiatives (AEIs), we are confident that our portfolio is well positioned to remain resilient, sustain healthy occupancy levels and capture quality demand in an increasingly competitive market,” said Sin.

For its 2Q26 ended June 30, IGB Commercial-REIT’s net profit rose to RM35.01mil from RM29.65mil in the previous corresponding period, while revenue grew to RM71.24mil from RM64.59mil a year earlier.

Sin said IGB Commercial-REIT’s quarterly performance came in at the “upper end” of internal expectations.

“Core net profit rose 34% year-on-year to RM31.8mil, lifting our first-half (1H26) earnings to RM63mil.

“This was underpinned by stronger rental income across our Mid Valley City and Kuala Lumpur City portfolios, healthy leasing momentum and a 17.1% reduction in finance costs following our proactive refinancing strategy.”

Beyond the strong financial results, Sin said IGB Commercial-REIT was equally encouraged by the market’s positive response.

“While the Bursa REIT Index experienced temporary downward pressure in March 2026 following the removal of the withholding tax concession, IGB Commercial-REIT’s strong fundamentals enabled us to recover swiftly.

“Our unit price rebounded from RM0.58 to RM0.63, approaching our recent high of RM0.65 per unit, and bringing our market capitalisation to approximately RM1.5bil.”

Sin believes this reflected investors’ confidence in the resilience of the REIT’s portfolio, disciplined asset management and long-term growth strategy.

“Our portfolio continues to outperform the market, achieving an occupancy rate of 94% as at mid-2026, significantly ahead of the Klang Valley’s market average of approximately 77%.

“This performance reflects the strength of our portfolio and our proactive leasing strategy. We continue to optimise workplace layouts, introduce fully fitted office solutions, and selectively expand quality space within our integrated developments, particularly in Mid Valley City,” she said.

From a leasing perspective, Sin said demand remains healthy across technology, financial services, global business services and flexible workspace operators.

“More importantly, we are seeing a clear and sustained flight-to-quality.”

“As an owner of a 100% green building certified portfolio, supported by continuous AEs, we are well positioned to capture this structural shift in demand and continue delivering superior occupancy and rental performance.”

Going forward, Sin said the REIT remains positive about its 2H26 outlook.

“A key differentiator for IGB Commercial-REIT is that we are the first REIT in Malaysia to achieve a 100% green building certified portfolio across all 10 of our properties.

“As sustainability becomes an increasingly important criterion for multinational occupiers, this positions us favourably to attract high-quality tenants while supporting premium rental rates and strong occupancy,” she says.

Sin believes that growth will continue to be driven by a balanced strategy of revenue optimisation and disciplined cost management.

“On the revenue front, we are focused on maintaining high tenant retention, achieving positive rental reversions and expanding our fully fitted office offerings with enhanced amenities to maximise yields from both existing and reconfigured spaces.”

Equally important is the REIT’s disciplined financial management, Sin added.

“The successful refinancing of our borrowings into a fixed-rate facility at 3.95% per annum has reduced financing costs and provides greater earnings visibility by insulating us from interest rate volatility.

“At the same time, our targeted green AEs – including chiller plant upgrades, building automation system enhancements and rooftop solar photovoltaic installations – continue to improve operational efficiency while lowering utility costs.”

In spite of the positive outlook, Sin remains cognisant of potential headwinds ahead. “While our operational fundamentals remain strong, we continue to monitor several external factors that could influence market conditions.

“Globally, geopolitical tensions, evolving trade policies and tariff uncertainties may cause multinational corporations to adopt a more cautious approach towards investment and regional expansion, potentially lengthening leasing decision cycles.”

Domestically, Sin said IGB Commercial-REIT will continue to manage rising operating costs, including inflationary pressures and energy tariff adjustments.

“We are mitigating these challenges through disciplined cost management, operational efficiencies and ongoing sustainability initiatives that improve energy performance across our portfolio.”

Sin said the REIT is also closely monitoring the approximately 2.7 million sq ft of new office supply that is expected to enter the Klang Valley in the 2H26.

“While this may intensify competition in selected sub-markets, we remain focused on strengthening tenant relationships, maintaining superior building quality and preserving our premium positioning.

“These remain the key differentiators that have consistently enabled our portfolio to outperform the broader market.”