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Premium assets to lift IGB Commercial - REIT

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Group's strong presence in the Klang Valley a positive

PROPERTY

PETALING JAYA: IGB Commercial Real Estate Investment Trust's (IGB Commercial-REIT) resilient positioning is being reinforced by its premium assets and stable growth prospects, says Hong Leong Investment Bank (HLIB) Research.

This is also anchored by the group's dominant presence in Mid Valley City and GTower in Kuala Lumpur (KL).

Following a recent site visit to IGB Commercial-REIT, HLIB Research in a note to clients said Mid Valley City remains the most important driver for the REIT's portfolio, contributing close to 70% of total revenue.

The development is positioned as a fully integrated ecosystem, linking high-quality office buildings with the Mid Valley Megamall and surrounding residential areas, it noted.

"This positioning allows Mid Valley City to command stronger rental rates compared with the wider KL market.

"For instance, average office rentals stand at RM6.85 per sq ft, about 20% higher than IGB Commercial-REIT's KL City prop-

erties, based on the second quarter of 2025 disclosures," said HLIB Research.

Furthermore, occupancy within Mid Valley City remains robust at 96%, underscoring the sustained demand profile of the development.

As for GTower, it contributed around 20% of IGB Commercial-REIT's total revenue, the research house noted.

The asset also operates within a very competitive office market.

Nevertheless, the building differentiates itself through its multi-tenant structure, which enables IGB Commercial-REIT to provide extensive shared amenities for a broad tenant base.

On top of this, GTower boasts excellent connectivity, being less than a five-minute walk to the Ampang Park Light Rail Transit and Mass Rapid Transit stations, which further supports its leasing appeal.

GTower's committed occupancy is currently over 90%, and management guided that there are still enquiries for space in the leasing pipeline.

Beside the REIT's portfolio, IGB Commercial-REIT's debt profile is fully exposed to floating rates.

With the overnight policy rate cut in July

to 2.75%, HLIB Research expects interest cost savings to filter through earnings over the next three years.

"Specifically, we project an earnings uplift of 1.2%, 2.3% and 2.2% in the financial year 2025 (FY25), FY26 and FY27, respectively, for interest savings," the research house noted.

In addition, the management highlighted incremental savings on electricity costs, noting single-digit month-on-month reductions following Tenaga Nasional Bhd's latest tariff restructuring.

On the growth side, management reiterated that IGB Commercial-REIT is open to asset acquisitions beyond its sponsor, IGB Bhd.

"While this provides optionality for inorganic expansion, no specific assets have been identified at this juncture," it said.

HLIB Research has kept its "buy" call on IGB Commercial-REIT with a higher target price of 64 sen from 62 sen previously.

"We believe the ongoing office recovery could favour well-located and established assets such as IGB Commercial-REIT's portfolio, which has demonstrated resilience through sustained high occupancy and steady per sq ft rental growth," it added.