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IGB Commercial-REIT eyes resilient year ahead

Flight-to-quality and ESG to shape office demand

PETALING JAYA: IGB Commercial real estate investment trust (IGB Commercial-REIT) expects the outlook for 2026 to be stable but demanding – requiring both resilience and adaptability from landlords.

IGB Commercial-REIT joint deputy chief executive officer (CEO) (commercial) Irene Sin May Lin said demand is likely to remain supported by occupiers' continued emphasis on cost discipline, efficiency and workplace effectiveness, amid moderate economic growth and ongoing geopolitical uncertainty.

"The flight-to-quality trend is expected to remain a key catalyst," she told *StarBiz*.

"Tenants are increasingly prioritising high-quality environmental, social and governance (ESG)-compliant buildings in prime locations, with strong digital infrastructure and operational reliability.

"Rightsizing, centralisation of operations and higher space utilisation targets are expected to drive leasing activity, particularly as occupiers upgrade into better-quality premises."

Sin noted that at the same time, occupiers are expected to continue adopting agile workplace strategies.

"The 'flex and right-size' approach enabled by hybrid work models will remain a defining feature, with tenants seeking flexibility without compromising on building quality, location or sustainability credentials."

At the same time, Sin said challenges will persist.

"Occupiers face rising pressure to transform their businesses through digitalisation, artificial intelligence (AI) adoption and stricter sustainability commitments.

"These factors will continue to influence how tenants reassess space requirements, potentially leading to higher churn in certain segments of the market."

She added that occupiers are increasingly focused on operational efficiency, with greater reliance on data, automation and AI-enabled solutions to optimise space utilisation, energy consumption and overall workplace performance.

Going into 2026, Sin said IGB Commercial-REIT is well positioned to handle the current operating landscape.

"Our focus on quality assets, asset enhancement initiatives, ESG leadership, operational excellence and flexible leasing strategies allow us to respond proactively to structural shifts in the office market, turning change into opportunity rather than risk."

IGB Commercial-REIT's assets, which are located within Mid Valley City and the Kuala Lumpur City Centre, include Southpoint offices and retail, The Gardens North Tower, The Gardens South Tower, Centrepoint North, Centrepoint South,



"IGB Commercial-REIT's goal is, ultimately, to grow prudently, strengthening income diversification while delivering sustainable returns to unitholders."

Irene Sin May Lin

Menara IGB and IGB Annexe, Boulevard offices and retail, G Tower, Menara Tan and Tan and Hampshire Place Office.

Sin, who is also the CEO of IGB Property Management, said the REIT will continue to actively explore growth opportunities through acquisitions and portfolio diversification as part of its long-term strategy.

"Our approach remains disciplined and selective, with a clear focus on assets that are income-accretive, resilient and aligned with our ESG objectives.

"While we continue to evaluate adjacent sectors such as industrial, education, hospitality and healthcare, any acquisition or diversification efforts will be guided by strong fundamentals, stable cash flows and clear visibility on long-term demand."

Sin said IGB Commercial-REIT's goal is, ultimately, to grow prudently, strengthening income diversification while delivering sustainable returns to unitholders.

In its third quarter ended Sept 30, 2025 (3Q25), IGB Commercial-REIT's revenue rose 11.6% to RM64.2mil, compared with RM57.6mil in the previous corresponding quarter of 2024.

Net property income (NPI) increased by 11.8% to RM37.6mil compared with RM33.7mil in 3Q24. Year-to-date revenue rose 11.9% to RM191.1mil, compared with RM170.8mil in the same period of 2024.

Likewise, NPI recorded a corresponding 12% increase to RM114.6mil from RM102.3mil.

Sin said she was pleased with the REIT's performance this year.

"It reflects the strength and resilience of

our portfolio. The performance reflects the effectiveness of our leasing strategies, asset quality and disciplined cost management."

From a capital management perspective, Sin said IGB Commercial-REIT successfully executed the early refinancing of an RM850mil debt tranche in November 2025.

"The new debt was issued with a fixed coupon rate of 3.95% per annum for the next five years, representing a reduction compared to the previous debt tranche and thereby generating higher interest cost savings going forward.

"While the full-year results for 2025 are yet to be finalised, overall performance to date has been encouraging and consistent within expectations, positioning IGB Commercial-REIT well heading into 2026."

Overall, Sin said the commercial real estate market in 2025 remained selective and "highly value-driven".

"Tenants were increasingly discerning, with leasing decisions shaped by cost efficiency, workplace quality and sustainability considerations.

"Market commentary, including from Knight Frank Malaysia, continues to highlight ongoing supply pressures and the impact of evolving workplace strategies on demand."

Sin said demand remained resilient for well-located, Grade A and green-certified assets, while older or less competitive buildings faced greater leasing pressure.

"This widening performance gap reinforced the ongoing flight-to-quality trend.

"The flight-to-quality is led by multinational tenants upgrading into prime, sus-

tainable Grade A offices while right-sizing through hybrid work, reinforcing demand resilience at the top end of the market and pressure on secondary assets."

Sin said tenant cost-consciousness remained a key consideration throughout the year. This was particularly during lease renewals, as occupiers balanced quality requirements with operating cost pressures, including the impact of the sales and service tax and higher fit-out and energy costs.

In addition to building quality and sustainability, Sin said tenants are increasingly prioritising facilities and amenities that enhance convenience and workplace experience.

"At our Mid Valley office buildings, tenants benefit from an integrated ecosystem with direct access to retail, dining and hospitality offerings.

"Meanwhile, our Kuala Lumpur city centre assets provide in-building amenities such as diverse food and beverage (F&B) options, convenience stores and well-equipped function rooms.

"These features support tenant engagement and reinforce the attractiveness of integrated and amenity-rich workplaces."

Sin said these market trends are well aligned with IGB Commercial-REIT's strategy.

"Our portfolio benefits from strong fundamentals, prime locations and a clear sustainability focus.

"In 2025, we continued to enhance asset quality through proactive asset management, pursued green certifications, and implemented new green initiatives, automation, digitalisation of our processes and tenant-centric initiatives."

Sin said IGB Commercial-REIT's complementary F&B offerings and placemaking efforts across assets have helped strengthen tenant engagement, support retention and maintain occupancy resilience.

"Overall, while the operating environment remained competitive, the quality and positioning of our portfolio allowed us to navigate challenges effectively and capture demand from occupiers seeking future-ready, well-managed buildings.

"In this environment, ESG considerations have moved firmly from a differentiator to a necessity, particularly for tenants of multinational companies with group-wide sustainability and reporting mandates."