IGB-REIT's earnings outlook gets Johor boost

Upcoming RTS Link, JS-SEZ to bolster shopper traffic

PROPERTY

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>
> Hong Leong Investment Bank Research

PETALING JAYA: The medium-term earnings prospects of IGB real estate investment trust's (REIT) earnings are expected to remain on a firm footing supported by resilient retail spending, healthy rental reversions and contributions from its expanded portfolio.

The company, which released its second quarter ended June 30, 2026 results on Wednesday, would benefit from improving economic activity in Johor, with the upcoming Johor Baru-Singapore Rapid Transit System (RTS) Link and the Johor-Singapore Special Economic Zone (JS-SEZ) expected to underpin stronger shopper traffic over the coming years.

MBSB Research upgraded IGB-REIT to "buy" from "neutral", citing stronger-than-expected rental income and improving long-term fundamentals.

"We remain positive on IGB-REIT's long-term outlook, supported by healthy rental reversion prospects at Mid Valley Megamall and The Gardens Mall, underpinned by strong shopper footfall and high occupancy," it said.

Mid Valley Southkey Mall (MVS) is expected to deliver stable performance and positive rental reversions, supported by its strategic location in Johor Baru, according to the research house.

MBSB Research raised its target price to RM2.90 from RM2.84 after increasing its earnings forecasts for IGB-REIT for 2026 to 2028 by between 6.4% and 7.8%.

CIMB Research also upgraded the trust to "buy" from "hold", while maintaining its target price of RM3.06.

"We remain positive on IGB-REIT's earnings outlook, underpinned by the rental reversion potential at MVS, with approximately 60% of its net lettable area due for renewal in 2028," it said.

Additionally, it expects rental growth at MVS to strengthen as footfall improves following the implementation of the JS-SEZ and the commencement of the RTS Link in 2027.

According to Hong Leong Investment Bank (HLIB) Research, IGB-REIT's operating performance is to remain on track to meet expectations through the second half of financial year 2026, underpinned by sustained mid-single-digit rental reversions and a supportive domestic macro backdrop.

The research house believes MVS remains a key earnings catalyst ahead of the RTS Link opening, with management having significant scope to renew leases at higher rental rates as tenancy expiries increase over the next two financial years.

HLIB Research reiterated "hold" on IGB-REIT, with an unchanged target price of RM2.69.

Similarly, RHB Research retained its "neutral" call, with an unchanged target price of RM2.80.

"We expect steady operating momentum, supported by sustained occupancy, resilient tenant demand, and relatively healthy consumer sentiment," it further added.

However, it also added that meaningful organic earnings growth could be constrained by the portfolio's already high occupancy and moderating rental reversions at MVS.

Kenanga Research also reiterated the "market perform" and RM2.81 target price for IGB-REIT, expecting sustained rental reversions at Mid Valley Megamall and The Gardens Mall, while highlighting that the acquisition of MVS broadens the trust's geographical exposure and positions it to benefit from Johor's expanding economy.

CGS International Research also kept its "hold" call and RM2.72 target price, citing lacklustre 2026 dividend yield of 5.1%, coupled with limited visibility on the pipeline of properties it could acquire from its sponsor in 2026 to 2028.

Even so, it noted that a gearing of 0.30 times leaves room for future yield-accretive acquisitions and asset enhancement initiatives.

Meanwhile, BIMB Research expects 2026 distributable income to improve on full-year contributions from MVS, although it believes much of the earnings uplift has already been reflected in the current unit price.

Furthermore, it pointed out that future growth will depend on successful asset enhancement initiatives and stronger rental reversions, with the trust's healthy balance sheet providing capacity for further acquisitions.

One analyst told *StarBiz* that IGB-REIT remains well-positioned to post income resilience.

"This is supported by its high-quality retail assets with strong tenant demand and good location to capture long-term consumer spending and growth opportunities," he explained.