

IGB REIT sees major lease renewals in 2026, boosted by Southkey acquisition

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IGB Real Estate Investment Trust (IGB REIT) is expected to see a sizeable portion of its retail space coming up for renewal in 2026, according to CIMB Securities Sdn Bhd.

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KUALA LUMPUR: IGB Real Estate Investment Trust (IGB REIT) is expected to see a sizeable portion of its retail space coming up for renewal in 2026, according to CIMB Securities Sdn Bhd.

In a note, the firm said about 40.5 per cent, 26.0 per cent and 19.1 per cent of net lettable area at Mid Valley Megamall, The Gardens Mall and Mid Valley Southkey Mall, respectively, are due for lease expiry.

CIMB Securities noted that key tenants up for renewal in 2026 include AEON, GSC and Celebrity Fitness at Mid Valley Megamall; Fitness First, Marks and Spencer and Redbox at The Gardens Mall; and Regency Medical and Padini at Mid Valley Southkey Mall.

The firm also noted that IGB REIT is targeting average rental reversions in the mid-single-digit range for financial year 2026.

Foreign shareholding stood at 8.5 per cent as at the end of December 2025.

As of Dec 31, 2025, IGB REIT's gearing ratio rose to 31 per cent from 22 per cent a year earlier but remained well below the regulatory ceiling of 50 per cent, providing headroom for future asset acquisitions.

CIMB Securities has maintained its "Hold" call on IGB REIT but raised its target price to RM3.02 per share from RM2.43, based on a discounted distribution model.

The firm said the higher target price reflects a 20 per cent increase in earnings forecasts for financial years 2026 and 2027 to factor in earnings accretion from the acquisition of Mid Valley Southkey Mall, which was completed in late November 2025.

It expects the first full-year contribution from the asset to be a key earnings driver in financial year 2026, with Mid Valley Southkey Mall projected to account for 34 per cent of financial year 2026 net property income.

The firm also said it sees potential for stronger rental reversions at the mall in the coming years, supported by the Johor Singapore Special Economic Zone (JS-SEZ) development, higher tourist arrivals and relatively lower rental rates compared with Mid Valley Megamall and The Gardens Mall.

However, it said upside to IGB REIT's share price appears limited at current levels, although the stock remains supported by a projected distribution yield of between 5.2 per cent and 5.4 per cent for financial year 2026 to 2027.

Meanwhile, CIMB Securities noted that IGB REIT recorded a 46 per cent year-on-year and 21 per cent quarter-on-quarter increase in the fourth quarter of 2025 core net profit to RM125 million. This is driven by additional income from the newly acquired Mid Valley Southkey Mall, as well as higher rental income from Mid Valley Megamall and The Gardens Mall.

For financial year 2025, core net profit rose 18.4 per cent to RM436 million, exceeding both its and consensus full-year forecasts by four per cent and 11 per cent, respectively, mainly due to maiden contributions from Mid Valley Southkey Mall.

The company's net income rose to RM660 million in financial year 2025, driven by net fair value gains of RM225 million on investment properties, of which Mid Valley Southkey Mall contributed RM150 million.

IGB REIT declared a 4Q25 distribution per unit of 2.97 sen, compared with 2.77 sen in the third quarter and 2.50 sen a year earlier, bringing the financial year 2025 distribution per unit to 11.75 sen, in line with estimates.

The proposed financial year 2025 income distribution of RM446.5 million represents 97.6 per cent of distributable income of RM457.4 million.

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