

Earnings uplift for IGB-REIT from MVS

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PETALING JAYA: Analysts expect earnings and distribution uplift for [IGB Real Estate Investment Trust](#) (IGB-REIT) in FY26, chiefly propelled by the full-year impact of the Mid Valley Southkey (MVS) acquisition.

CGS International (CGSI) Research and Maybank Investment Bank (Maybank IB) Research said there was growing visibility in cash flows but cautioned that much of the improvement appeared priced into the current share valuation.

CGSI Research said: “We expect portfolio occupancy and rental rates to remain resilient in the near term, with MVS driving the majority of FY26 distribution per unit (DPU) growth.”

The research house noted that FY25 core net profit of RM435.5mil came in line with expectations, underpinned by stronger rental income at the flagship Mid Valley Megamall and The Gardens Mall, and a first contribution from MVS post-acquisition.

Portfolio occupancy remained near 100% across IGB-REIT's retail assets, with like-for-like rent increases recorded at 2% for Mid Valley Megamall, 7% at The Gardens Mall and 8% at MVS.

The REIT's DPU climbed nearly 10% year-on-year to 11.75 sen in FY25, driven by operational resilience and steady tenant sales.

Management's guidance pointed to mid-single-digit rental reversions for FY26, supported by underlying demand even as Malaysia broadens its sales and services tax base.

Despite the earnings momentum, CGSI Research kept a "hold" recommendation, raising its target price to RM2.80.

Its analysis emphasised that despite the noteworthy FY26 DPU growth, driven by MVS acquisition, its FY26 dividend yield of 4.8% lagged behind the sector average of 5.7%, which could temper income-oriented investor interest.

Similarly, Maybank IB Research coverage described FY25 results as largely in line with both its own and market expectations.

It highlighted a strong 4Q25 performance, with revenue up 32% and net property income jumping 44% year-on-year on the back of incremental MVS contributions and firmer rents at the Klang Valley assets.

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Nonetheless, the research house also downgraded its view to "hold", arguing that recent share price gains had effectively narrowed valuation upside relative to its unchanged dividend discount model target price of RM2.96.

Maybank IB Research expected FY26 to benefit from MVS's first full contribution and a gradual shift in the Johor asset's lease mix towards higher base rent, aiding income stability.

Planned asset enhancement initiatives of RM30mil to RM35mil and a moderate increase in gearing to about 26% are seen as manageable and supportive of longer-term growth.

Looking forward, analysts agreed that IGB-REIT's earnings profile is set to strengthen, with the MVS acquisition acting as a key driver of distribution growth and operational resilience across the portfolio.

However, the near-term total return potential could remain constrained unless further valuation catalysts emerge.

On the broader sector outlook, an analyst told StarBiz that the sector remained attractive to investors, even in a soft bond yield environment.

“We expect investors seeking defensive investments to consider REITs amid heightened geopolitical tensions and uncertain US trade policies,” he said.

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