

NEWS PROPERTY

July OPR Cut Offers Reprieve For IGB Commercial REIT

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Hong Leong Investment Bank Bhd (HLIB) has maintained its **BUY** rating on IGB Commercial REIT while raising its target price to RM0.64 from RM0.62, citing steady earnings growth following the July overnight policy rate (OPR) cut and sustained strength across its premium office portfolio.

HLIB said the REIT remains well-positioned in the recovering office market, backed by its solid presence in Mid Valley City and GTower in Kuala Lumpur City. The research house projected earnings to grow by 1.2%, 2.3% and 2.2% for FY25 to FY27 respectively, supported by expected interest savings after the OPR reduction to 2.75%.

Mid Valley City, which contributes nearly 70% of IGB Commercial REIT's total revenue, continues to perform well with average rental rates of RM6.85 per sq ft and occupancy at 96%. HLIB noted that the integrated ecosystem connecting the office towers with the Mid Valley Megamall and nearby residential areas has allowed the development to command higher rental rates than the broader Kuala Lumpur market.

GTower, contributing about 20% of the REIT's revenue, also maintains a healthy occupancy rate of over 90%. HLIB said its multi-tenant layout and facilities such as a gym, swimming pool and event spaces make it an attractive choice for city-centre tenants. Its proximity to the Ampang Park LRT and MRT interchange further enhances its leasing appeal.

The research house added that the REIT's entire debt portfolio is exposed to floating interest rates, making it a direct beneficiary of lower borrowing costs after the OPR cut. HLIB also observed early savings in electricity costs following Tenaga Nasional Bhd's latest tariff adjustments, though it remains cautious pending confirmation of the AFA component in future bills.

While management has not identified specific targets, HLIB said the REIT remains open to portfolio expansion through potential acquisitions beyond its sponsor IGB Bhd.

Reiterating its positive stance, HLIB believes IGB Commercial REIT's well-located and established assets are well placed to capture the ongoing recovery in office demand, driven by sustained high occupancy and stable rental growth. The stock's current price of RM0.61 implies a total return of 12%, including a 7.1% dividend yield.

At 10.54 am, the stock price increased 0.82% to RM0.615.