

CLIMATE RESILIENCE IN ACTION

HOW MALAYSIAN REITS ARE RESPONDING
TO A CHANGING RISK LANDSCAPE

OCTOBER 2026



EXECUTIVE HIGHLIGHTS

ESG is Becoming Business as Usual

ESG is increasingly embedded in investment and asset management, with climate resilience becoming part of mainstream portfolio strategy.

100%

have incorporated ESG objectives into their asset management strategies.

94%

have identified ESG as a priority at the board and organisational level.

Decarbonisation is Moving from Strategy to Action

Operational decarbonisation is gaining momentum as M-REITs invest in lower-carbon, more resilient and higher-performing portfolios.

The Next Challenge is Delivering Commercial Outcomes

The next phase of ESG will depend on turning sustainability ambitions into measurable business value through stronger collaboration, investment recognition and commercial incentives.

50%

have established net-zero or carbon neutrality targets.

94%

have implemented energy efficiency improvements.

72%

have installed on-site renewable energy.

28%

have more than 40% of their portfolio GFA covered by green building certifications.

61%

have undertaken climate scenario analysis covering physical and/or transition risks.

78%

identified balancing long-term decarbonisation investment with short-term DPU expectations as the biggest challenge.

83%

expect ESG considerations to influence future property valuations.

50%

identified tenant engagement as a key implementation challenge.

56%

believe current sustainable finance incentives are insufficient to accelerate ESG investment.

CONTENTS

1 Foreword

Climate Resilience is Reshaping Real Estate

2 ESG is the Operational Baseline for M-REITs

- ESG as a Board-Level Priority
- ESG Objectives into Asset Management Strategies
- Regulation Accelerates ESG Integration in Asset Management
- Climate Risk is Becoming Central to Due Diligence

6 Portfolios for Climate Risk

- Physical Climate Risks
- Climate Transition Risks

11 The Next Challenge: Turning ESG Ambition into Commercial Reality

- Key Challenge 1 - Balancing Decarbonisation with Short-Term DPU Expectations
- Key Challenge 2 - Tenant Resistance to Sustainability Initiatives
- Key Challenge 3 - Limited Financial Incentives for Green Financing

17 The Road Ahead: Future-Proofing Portfolios Together

18 Appendix – Survey Respondent Demographics

19 Acknowledgement

21 Abbreviations

Climate Resilience is Reshaping Real Estate

The role of ESG across the real estate sector is gaining momentum. What was once regarded primarily as a voluntary corporate responsibility initiative is now becoming an integral part of investment, asset management and portfolio strategy. Climate resilience, energy performance and sustainability are increasingly influencing how real estate assets are acquired, operated, financed and valued.

For Malaysian Real Estate Investment Trusts (M-REITs), this shift has important commercial implications. The long-term performance of a REIT is fundamentally driven by the quality, competitiveness and resilience of its underlying assets. Occupancy, rental growth, operating efficiency, capital expenditure requirements and asset competitiveness directly influence net operating income (NOI), distributions per unit (DPU) and ultimately portfolio value. Increasingly, ESG considerations are influencing each of these traditional drivers of investment performance.

WHY NOW?

This transition is being driven by a combination of investor expectations, regulatory developments and evolving market demand.

- Institutional investors are placing greater emphasis on climate resilience, transition planning and sustainability performance, while international reporting frameworks—including the International Financial Reporting Standards (IFRS S1 and S2), the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainable Finance Disclosure Regulation (SFDR)—are raising expectations for transparent, decision-useful climate disclosures and credible decarbonisation pathways in the assets.
- Malaysia’s regulatory landscape is evolving rapidly. Bursa Malaysia’s sustainability reporting requirements are raising expectations for more structured and comparable ESG disclosures among listed companies. At the same time, policy initiatives such as the National Energy Transition Roadmap (NETR), the Energy Efficiency and Conservation Act (EECA) 2024, and the announced National Carbon Tax Policy are reinforcing the transition towards a lower-carbon economy. Together, these developments are encouraging property owners and managers to place greater emphasis on energy performance, climate resilience and long-term portfolio sustainability.
- Reflecting evolving market practice, ESG is becoming increasingly relevant to commercial property valuation. Consistent with the RICS Red Book Global Standards and the RICS ESG and Sustainability in Commercial Property Valuation (4th Edition), ESG factors are expected to be considered where they are financially material and demonstrably influence market assumptions, future cash flows, investment risk or asset liquidity.

To support the Malaysian REIT sector in strengthening climate resilience, enhancing transparency and responding to evolving regional and global ESG expectations, MRMA and Knight Frank jointly conducted the 2026 M-REIT ESG survey to better understand how M-REITs are progressing on their ESG journey, the actions they have already taken, and the challenges that remain.

This year’s findings point to three key insights:

ESG is becoming embedded in asset management
ESG is increasingly influencing acquisition decisions, asset management strategies and long-term portfolio planning across M-REITs.

M-REITs are translating ESG commitments into tangible climate action
The sector has made encouraging progress in areas such as adoption of renewable energy and green building certifications.

The next challenge is turning ESG investment into long-term value
While implementation is gaining momentum, balancing decarbonisation investments with financial returns and tenant engagement remain the sector’s next challenge.

ESG IS THE OPERATIONAL BASELINE FOR **M-REITS**

94% of M-REIT respondents identified ESG as a priority at the board level

ESG considerations have evolved significantly for Malaysian Real Estate Investment Trusts (M-REITs), moving far beyond a mere compliance tick-box exercise to become deeply embedded in high-level strategic decision making. When surveyed about the level of board-level involvement and commitment to sustainability in guiding organisational strategy and asset-level decisions, the sentiment was overwhelmingly proactive:

- 67% of respondents now classify ESG as a major strategic priority for their firms.
- 28% of respondents take it a step further, defining sustainability as a core guiding principle that informs every facet of their operations.

This shift reflects a growing recognition among M-REIT leadership that ESG is increasingly relevant to long-term portfolio performance and resilience. As a result, ESG has transitioned from a back-office reporting duty to a cornerstone of capital allocation and asset management strategy in the Malaysian property sector.

100% of M-REIT respondents confirmed that their asset management strategies explicitly include specific ESG objectives and initiatives

This unanimous “yes” indicates that ESG has achieved deep structural penetration within the Malaysian REIT sector. Rather than treating sustainability as an abstract, top-down philosophy, asset managers are universally tying ESG to tangible, measurable property-level KPIs. This comprehensive adoption marks a critical transition from theoretical commitment to active operational execution across all portfolios.

Survey 1

How would you describe the REIT’s board-level involvement and commitment to sustainability in guiding organisational strategy and asset-level decision-making?



Survey 2

Does the REIT’s asset management strategy include specific ESG objectives or initiatives?



Regulation is accelerating ESG integration in asset management

Survey 3

Rank the ESG drivers that incentivise the REIT’s asset management strategy in the upcoming 5 years



When asked about the key drivers of asset-level ESG adoption over the next five years, M-REITs ranked *regulatory requirements*, *asset-level financial performance* and *occupier demand* as their top three priorities.

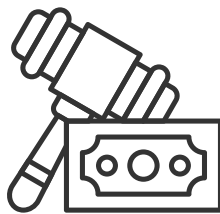
#1 Regulatory Requirements

Behind the Findings

The Energy Efficiency and Conservation Act (EECA) 2024, which came into force on 1 January 2025, introduces mandatory energy management requirements for buildings specified under the Third Schedule of the Act. The current scope covers office buildings, although the Energy Commission may revise the Third Schedule to include additional building categories in the future.

Key requirements include:

- **Appointment of a Registered Energy Manager (REM)** to oversee building energy performance. During the initial implementation period, an outsourced Type 2 REM may be appointed for up to three years, after which the REM is expected to be internalised within the organisation.
- **Implementation of an Energy Management System (EnMS).**
- **Annual submission of Energy Efficiency and Conservation (EE&C) reports.**
- **Mandatory display of an annual Energy Intensity Label (EIL).**
- **Buildings must achieve a minimum 2-star Energy Intensity Performance (EIP) from the fifth year after the first Energy Intensity Label is issued.**
- Buildings that fail to meet the minimum EIP may be required to **undertake an energy audit and implement an improvement plan.**



Penalties for non-compliance

Depending on the offence, non-compliance may result in fines of up to RM50,000, with additional penalties for continuing offences under the Act.

#2 Asset-Level Financial Performance

Behind the Findings

The carbon tax measures announced under Budget 2025 and scheduled to take effect in 2026 signal Malaysia’s transition towards a carbon-pricing mechanism as part of its low-carbon economy agenda. While the initial implementation is expected to focus on the iron, steel and energy sectors, the policy is likely to have indirect implications for the real estate sector through higher energy costs, potential increases in construction and refurbishment costs, and stronger incentives to improve building energy performance.

Impact on real estate

- **Potentially higher electricity costs** as electricity generators pass through the costs of carbon pricing and investments in lower-carbon power generation.
- **Higher construction and refurbishment costs** as carbon-intensive materials, particularly steel and potentially cement, become subject to carbon pricing.

- **Greater financial incentives** to improve building energy efficiency, helping to reduce operating costs and mitigate the impact of higher energy prices associated with carbon pricing.

#3 Occupier Demand

Behind the Findings

Many multinational corporations (MNCs) are increasingly translating their global sustainability commitments into corporate real estate requirements. As organisations work towards 2030 interim operational decarbonisation targets (primarily Scope 1 and Scope 2 emissions) and longer-term net-zero commitments by 2040 or 2050, they are increasingly prioritising office space that can support these objectives.

This has led to growing demand for:

- Certified green buildings
- Access to operational ESG data
- Lower-carbon electricity, and
- Green lease provisions that enable collaboration on energy efficiency, emissions reduction and sustainability reporting.

Climate Risk is Becoming Central to Due Diligence

ESG due diligence is expected to become an increasingly important component of prudent real estate investment and portfolio management. When assessing how ESG criteria are prioritised during new property acquisitions and portfolio gap analyses, **climate-related risks** and **environmental performance** emerged as the areas receiving the greatest attention.

The prominence of physical climate risk (89%) reflects a growing recognition that flooding, extreme heat and other hazards can directly affect business continuity, operating costs, capital expenditure and long-term asset value. Consequently, climate resilience is increasingly being incorporated alongside traditional financial, engineering and technical due diligence.

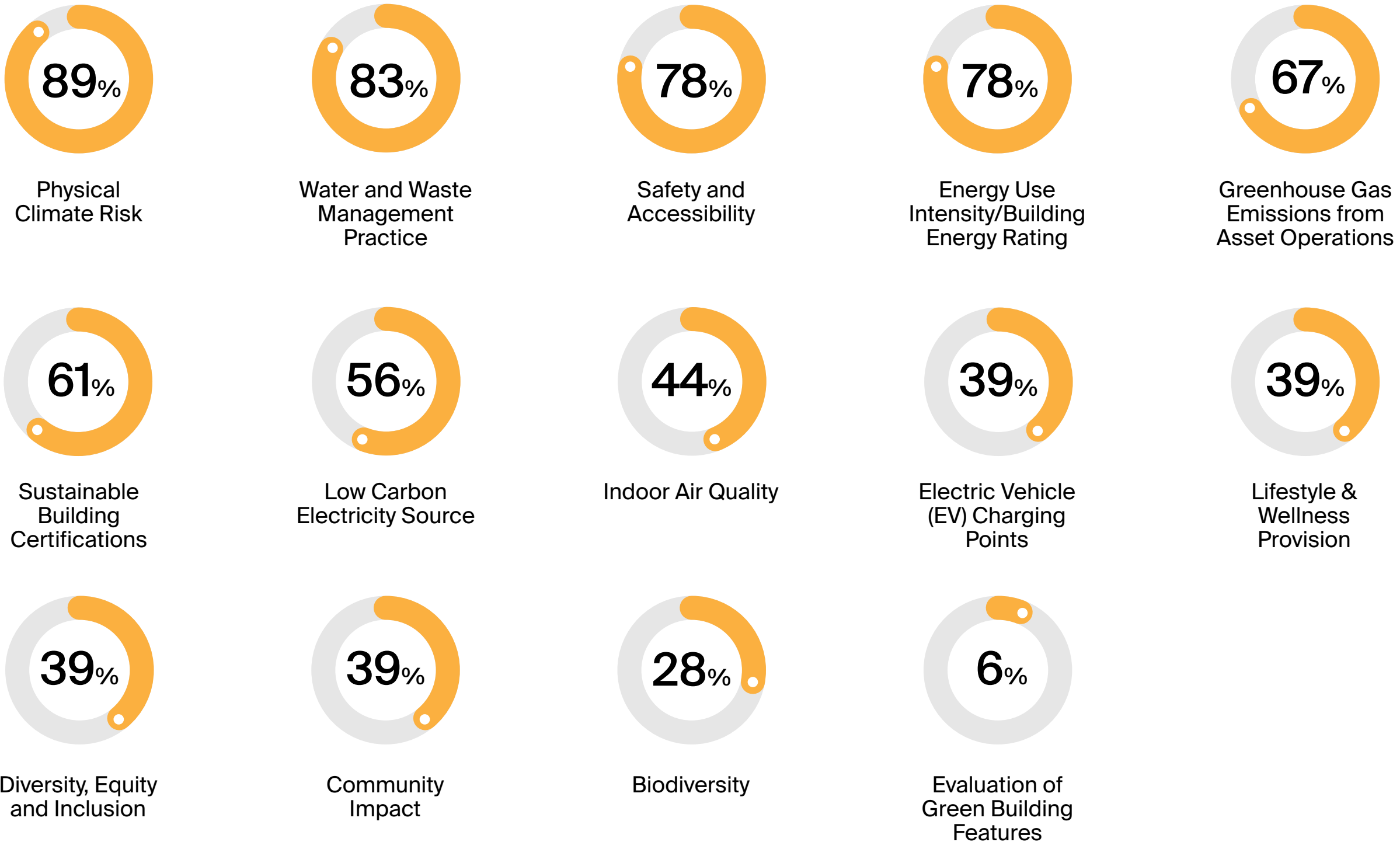
This trend is also supported by Malaysia’s evolving regulatory and reporting landscape. The Securities Commission’s National Sustainability Reporting Framework (NSRF), together with the progressive adoption of ISSB (IFRS S1 and S2) disclosure requirements, is encouraging listed entities to strengthen their assessment and disclosure of climate-related risks and opportunities. As the disclosure becomes more structured and transparent, investors are expected to place greater emphasis on the financial implications of ESG-related risks.

Respondents also placed strong emphasis on other environmental performance indicators, including water and waste management, energy performance, sustainable building certifications, and GHG emissions. These factors can influence operating efficiency, regulatory compliance and the long-term competitiveness of real estate assets.

Safety and accessibility also emerged as one of the top three priorities, reflecting its continued role in acquisition due diligence.

Survey 4

What are the key ESG due diligence criteria you assess when evaluating new property acquisitions or gaps in existing portfolios?



“Respondents were asked to select all that apply.”

PREPARING PORTFOLIO FOR **CLIMATE RISK**

Preparing Portfolio for Climate Risk

The survey findings suggest that M-REITs are taking a more proactive approach to understanding and managing climate-related risks. Increasingly, climate considerations are being integrated into acquisition **due diligence**, **portfolio planning** and **long-term investment decision-making**.

Climate scenario analysis is becoming an increasingly important tool for assessing the potential impacts of both physical and transition risks. The survey found that more than half of surveyed M-REITs have conducted climate scenario analysis, indicating growing recognition of climate risk as a strategic investment consideration.

Survey 5

Has the REIT carried out climate scenario analysis for physical risk or transition risk?

61%

YES

NO
39%

Responding to Physical Climate Risks

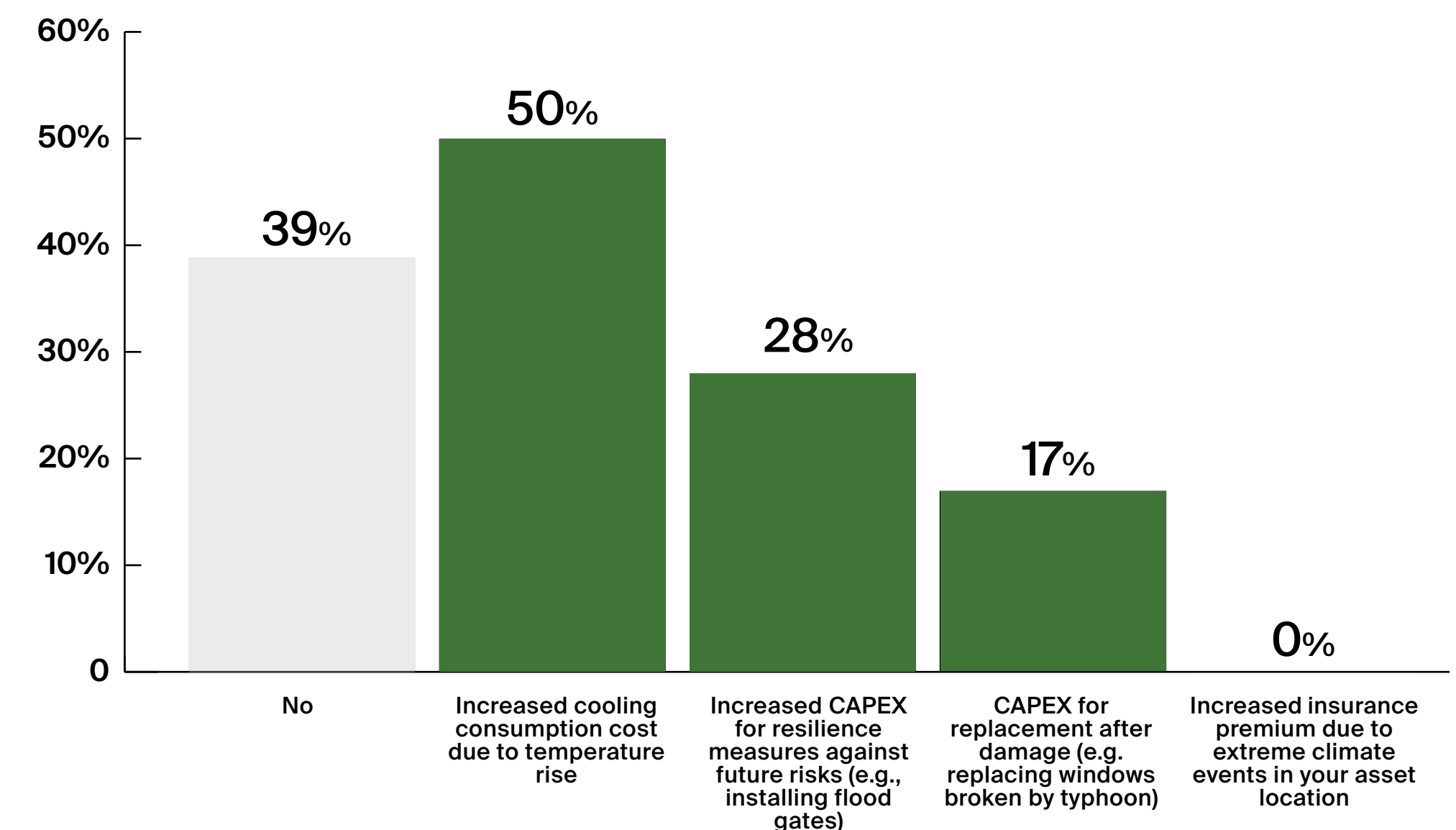
While 39% of respondents reported that their assets had not been affected by extreme climate conditions over the past five years, 61% experienced climate-related impacts that resulted in additional operational and capital costs. The most common consequences were increased cooling consumption and increased CAPEX for resilience measures respectively.

Notably, none of the respondents have experienced higher insurance premiums due to climate-related risks yet. This differs from trends observed in several climate-vulnerable APAC markets, where insurers have begun to reflect increasing physical climate risks through higher premiums and tighter underwriting conditions. Over time, this position may evolve as climate-related risk assessment practices become more sophisticated and as insurers continue to evaluate the long-term implications of physical climate risks.

Furthermore, under Bank Negara Malaysia's (BNM) Climate Risk Management and Scenario Analysis (CRMSA) framework, insurers and financial institutions face increasing regulatory expectations to strengthen climate-risk data collection, conduct climate stress testing, enhance sustainability-related disclosures, and comply with mandatory sustainability reporting requirements under the National Sustainability Reporting Framework (NSRF). As climate-risk assessment methodologies mature, insurers may increasingly differentiate pricing and underwriting terms based on asset-specific exposure profiles, with stricter underwriting criteria applied to commercial fire and property assets.

Survey 6

In the past 5 years, have any of your assets been affected by extreme climate conditions (e.g., floods, heatwaves, storms) in a way that resulted in any of the following challenges?



"Respondents were asked to select all that apply."

Among the risks identified, rising temperatures emerged as the most significant concern for Malaysian REITs, followed by heavy rainfall and flash flooding, and extreme heat/heatwaves, as identified by survey respondents who have carried out scenario analysis.

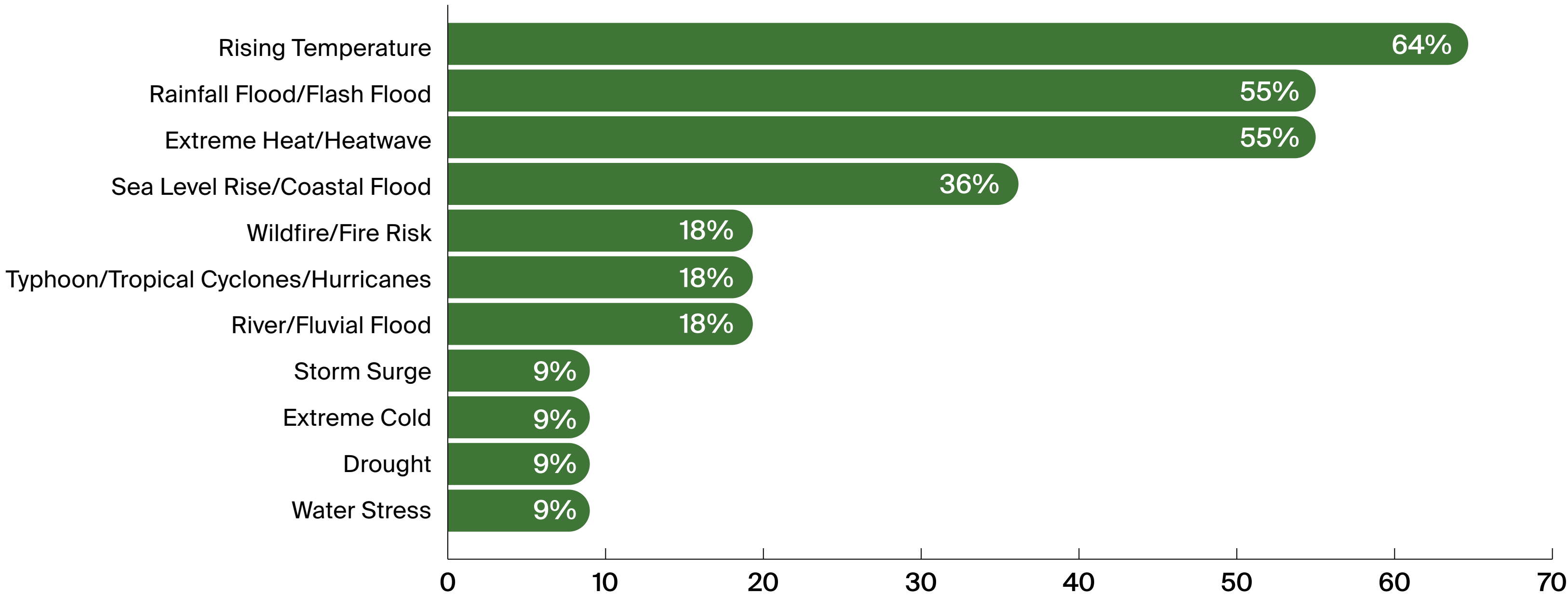
The prominence of rising temperatures and extreme heat highlights an acute awareness of the chronic financial strain that escalating heat patterns place on building cooling systems and baseline utility overheads. Over time, this may necessitate investments in energy efficiency improvements, building optimisation measures, or HVAC upgrades to maintain operational performance.

Flood-related risks also remain a major concern, with heavy rainfall and flash flooding ranking as the second-highest risk. In regions like the Klang Valley, Penang, and Johor, a marked increase in high-intensity monsoon anomalies and localised drainage overcapacity has transformed flash flooding from a remote tail-risk into an active operational hazard.

These incidents pose immediate threats to high-value assets, particularly subterranean car parks, ground-floor retail plazas, and underground mechanical, electrical, and plumbing (MEP) plants. To protect asset yields against these high-ranking threats, asset managers are increasingly considering the allocation of capital expenditure towards climate resilience solutions.

Survey 7

From the physical risk assessment results, what are the key risk (moderate- to high-risk) items?



“Respondents who have carried out scenario analysis were asked to select all that apply.”

Top 3 physical risks identified:



64%

Rising Temperature



55%

Rainfall Flood / Flash Flood



55%

Extreme Heat / Heatwave

Responding to Climate Transition Risks

Carbon neutrality commitments are gaining momentum

M-REITs are becoming more aware of the risks associated with the transition to a lower-carbon economy. Encouragingly, half of the respondents have established net-zero or carbon neutrality targets, predominantly with a target year of 2050. This proactive positioning by half of the sampled trusts signals a critical alignment between corporate real estate strategy and Malaysia’s overarching national climate ambitions.

Survey 8

Does the REIT have a net zero or carbon neutrality target?

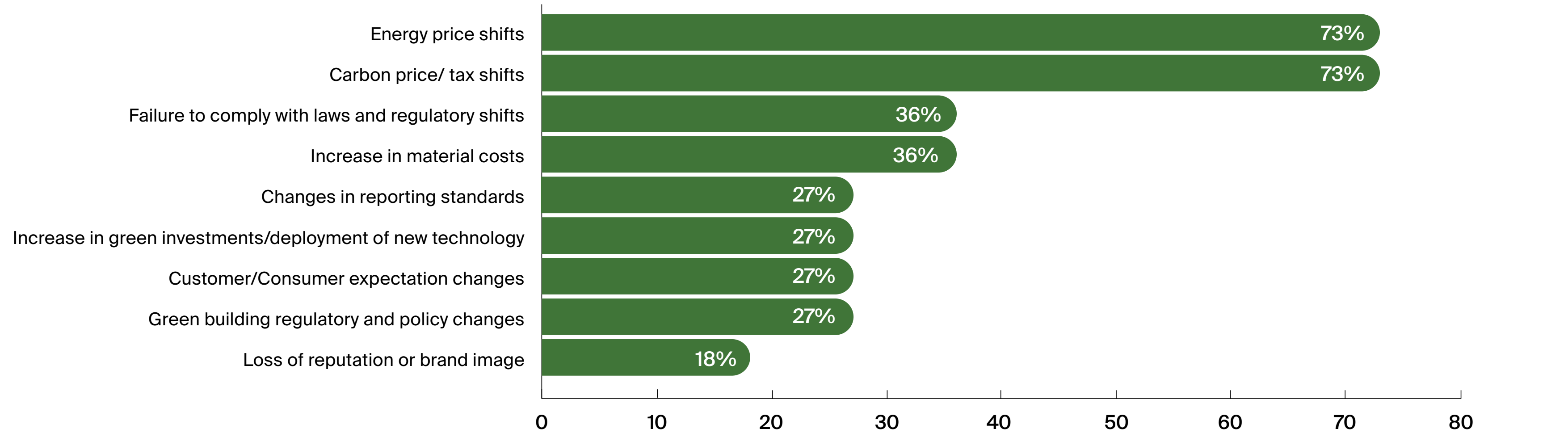


Energy and carbon price top transition risks

When analysing the landscape of climate-related transition risks, Malaysian REITs are demonstrating a heightened awareness of the macro-economic and regulatory shifts accompanying the move toward a lower-carbon economy. Energy price shifts and carbon price/tax shifts emerged as the most significant concerns, each identified by 73% of M-REIT respondents who have carried out scenario analysis as moderate- to high-risk items. The prominence of energy and carbon pricing risks highlights how closely asset management strategies are becoming linked to evolving energy market conditions and national sustainability policy timelines. Concerns over carbon price and tax shifts may reflect growing expectations that Malaysia will progressively expand carbon-pricing mechanisms and climate-related fiscal policies as part of its broader decarbonisation agenda. Simultaneously, the Energy Efficiency and Conservation Act (EECA) 2024 is reinforcing the importance of regulatory compliance, requiring affected asset managers to treat energy efficiency and legal adherence as increasingly important operational priorities.

Survey 9

From the transition risk assessment results, what are the key risk (moderate- to high-risk) items?



“Respondents who have carried out scenario analysis were asked to select all that apply.”

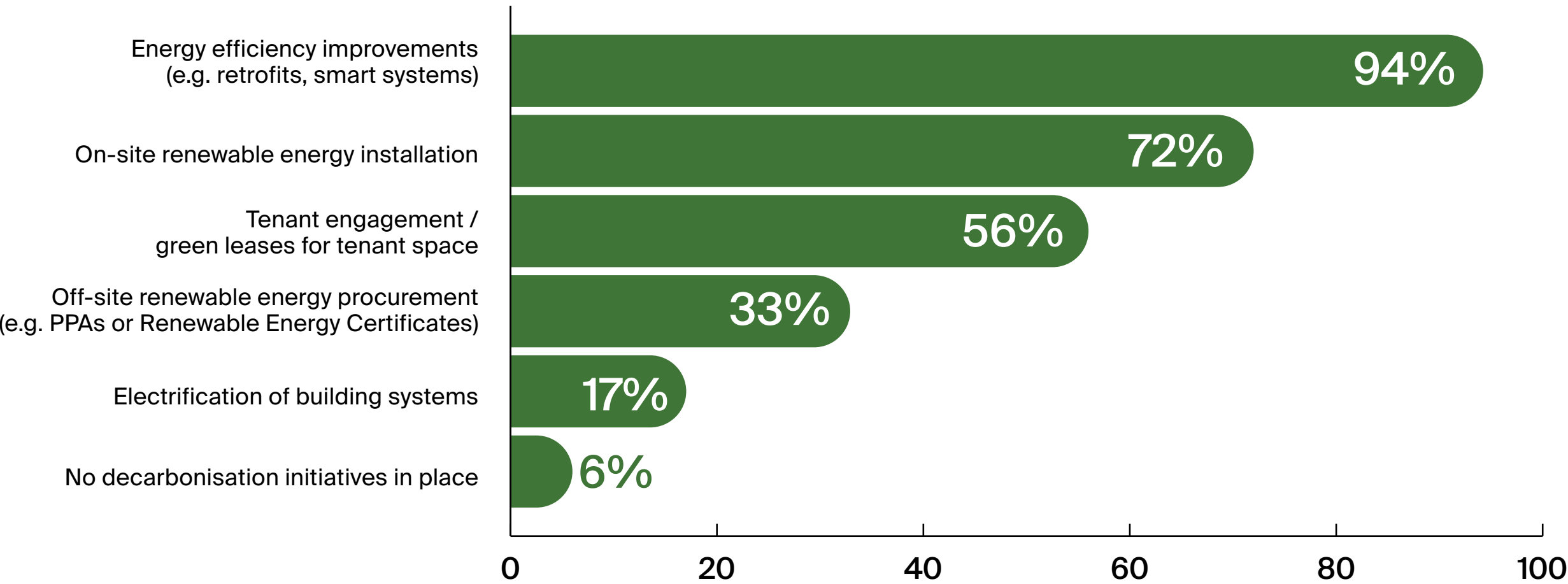
Operational decarbonisation is becoming mainstream

In response to growing transition risks, M-REITs are increasingly prioritising energy-efficiency improvements, including building retrofits and smart building management systems, alongside the deployment of on-site renewable energy across their portfolios. These interventions reduce exposure to transition risks, particularly rising energy costs.

Beyond asset-level improvements, tenant engagement and the adoption of green leases are also gaining traction, reflecting a growing recognition that reducing Scope 3 emissions requires closer collaboration and partnership between landlords and occupiers.

Survey 10

What strategies have the REIT adopted to reduce carbon emissions of your portfolio?



“Respondents were asked to select all that apply.”

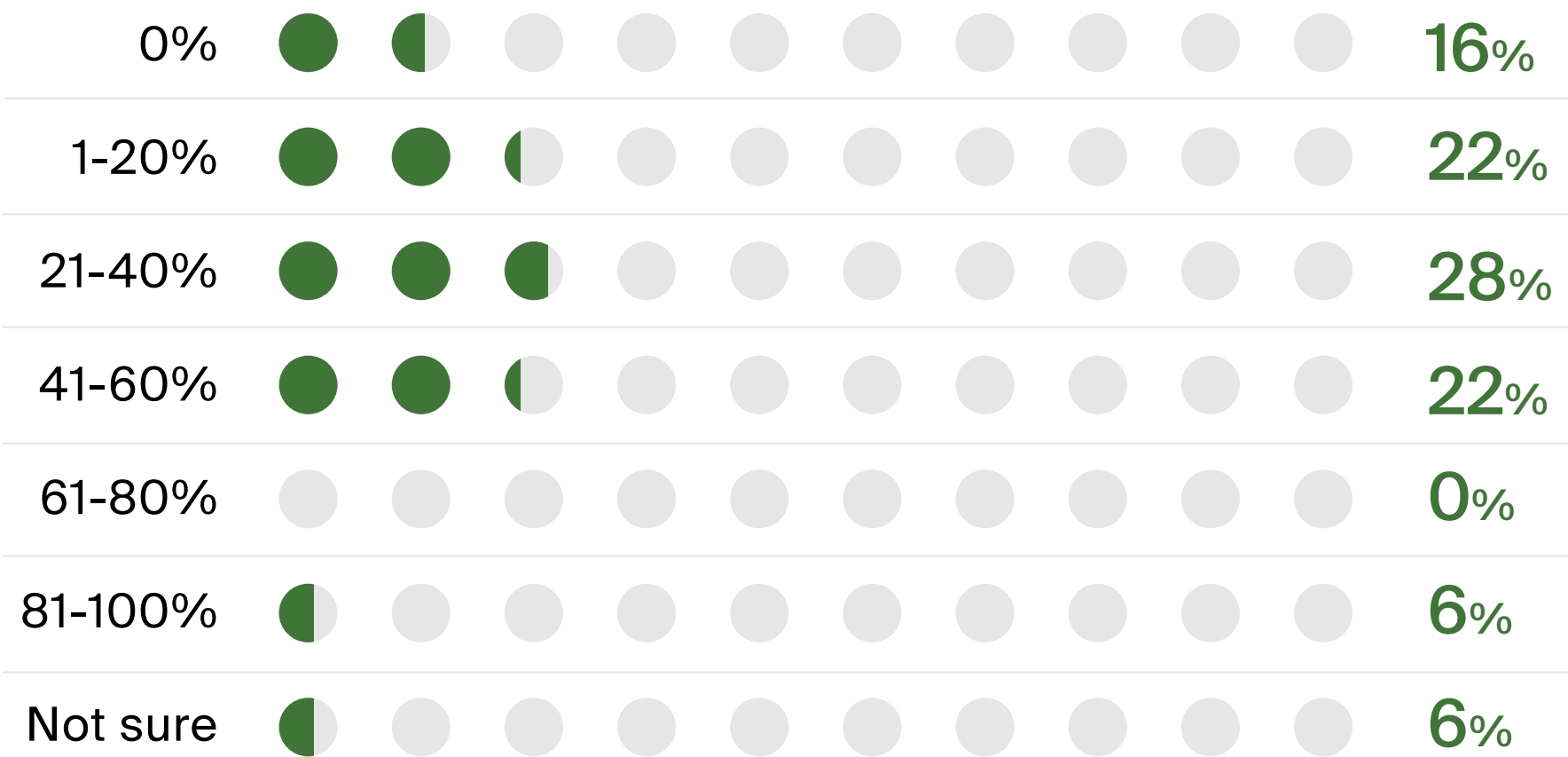
Green certification continues to expand across portfolios

The results indicate encouraging progress in the adoption of sustainable building certifications across M-REIT portfolios. Most respondents reported that between 21% and 60% of their portfolio Gross Floor Area (GFA) is green building certified, with the largest proportion indicating a substantial certification coverage of 21%-40%.

Taken together, these findings suggest that sustainable building practices are becoming increasingly embedded within portfolio management strategies across the Malaysian real estate sector. This widespread push for third-party validation, such as GreenRE, the Green Building Index (GBI), or LEED, reflects a highly calculated asset management strategy.

Survey 11

Percentage of your properties (in terms of GFA) that are green building certified*



* Green building certifications include, but not limited to the Green Building Index (GBI), GreenRE, Leadership in Energy and Environmental Design (LEED), Green Mark, WELL Building Standard and other recognised green building certification systems.



THE NEXT CHALLENGE: **TURNING ESG AMBITION INTO COMMERCIAL REALITY**

The Next Challenge: Turning ESG Ambition into Commercial Reality

While progress is evident, several structural challenges continue to constrain ESG implementation across the sector. The most significant challenges surveyed are found to be:

- 1 **Difficulty balancing long-term decarbonisation investments with short-term DPU expectations**
- 2 **Insufficient financial incentives from green or sustainability-linked financing**
- 3 **Tenant resistance or low engagement in sustainability initiatives**

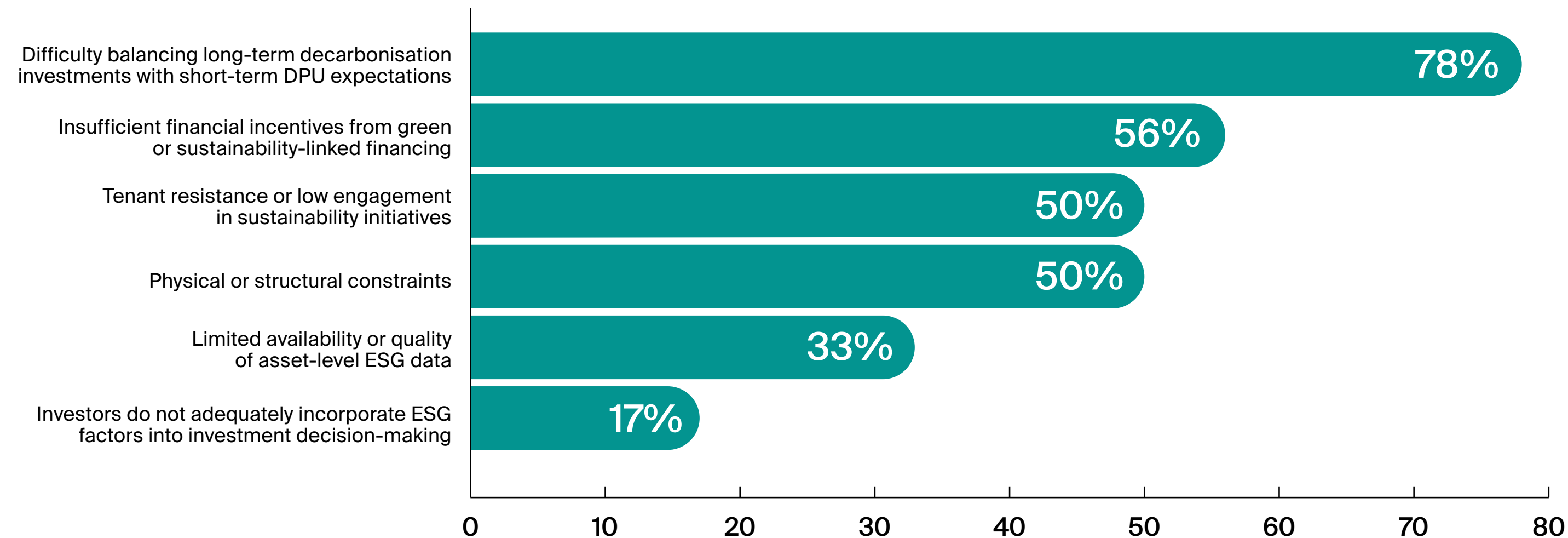
To fully contextualise these findings within the broader real estate ecosystem, these structural challenges can be understood as arising from the interaction between increasingly stringent ESG disclosure expectations and the income-distribution model that characterises the REIT sector. The paramount challenge of balancing long-term decarbonisation investments with short-term DPU expectations (75%) highlights a deep friction point between capital market frameworks and income-focused corporate regulations. Global reporting standards increased investor expectations for credible and transparent climate transition strategies, many of which require significant capital investment in practice. Yet, to qualify for tax transparency under Section 61A of the Malaysian Income Tax Act 1967, M-REITs must distribute at least 90% of their total taxable income annually, meaning heavy upfront green capital expenditure (CapEx) directly threatens the short-term yields demanded by income-sensitive unitholders.

Insufficient financial incentives from sustainable finance emerged as another key barrier to ESG implementation. While Bank Negara Malaysia’s Climate Change and Principle-based Taxonomy (CCPT) has strengthened the framework for climate-related financing, the commercial benefits of sustainable finance may not yet be compelling enough to accelerate ESG investments across the sector.

Similarly, tenant resistance and low engagement remain significant barriers, reflecting a combination of split incentives between landlords and tenants, competing business priorities, and varying levels of awareness of the commercial benefits of sustainability initiatives. This behavioural barrier limits an M-REIT’s ability to accurately quantify and manage Scope 3 (Category 13: Downstream Leased Assets) emissions under the GHG Protocol, as effective emissions monitoring often depends on tenant cooperation and access to operational data.

Survey 12

What are the key challenges the REIT faces in advancing decarbonisation/sustainability at the asset level?



“Respondents were asked to select up to 3 that are most applicable.”

Key Challenge 1

Difficulty balancing long-term decarbonisation investments with short-term DPU expectations

The missing link: Pricing resilience into Valuation

One of the most persistent barriers to ESG implementation is the perceived trade-off between sustainability investments and short-term distributable income. While decarbonisation initiatives often require significant upfront capital expenditure, the financial benefits may only materialise over the longer term. As valuation methodologies increasingly incorporate ESG considerations, there is potential for stronger recognition of sustainability-related value creation through enhanced asset resilience, reduced risk exposure, and improved income durability.

The survey indicates strong market expectations for ESG integration into property valuation, with 83% of respondents expecting ESG factors to influence asset values. This expectation reflects the growing recognition that ESG investments can strengthen an asset's long-term financial performance.

This trend will be further reinforced by the publication of the RICS ESG and Sustainability in Commercial Property Valuation (4th Edition) in April 2026, which provides guidance on incorporating financially material ESG and climate-related considerations into commercial property valuations.

Survey 13

Do you expect property valuations to incorporate the potential impact of ESG factors on asset value?



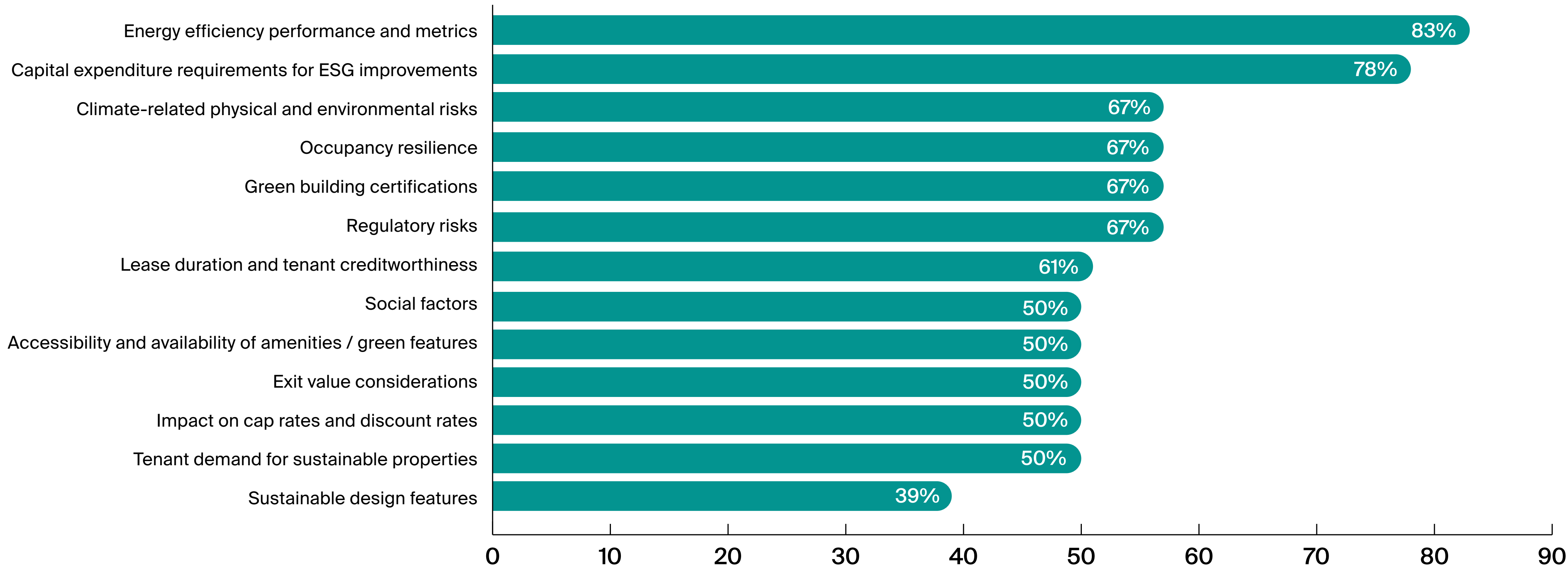
To better understand how ESG considerations may influence future valuation practices, M-REIT respondents were asked to identify the ESG value drivers they believe are most relevant to property valuations. The exercise was designed to capture industry perspectives on the sustainability-related factors that are expected to have the greatest influence on property values as ESG considerations become increasingly integrated into valuation methodologies.

The findings suggest that building performance remains the strongest value driver. Energy efficiency performance metrics and the CapEx required for ESG improvements were the highest-ranked factors, cited by 83% and 78% of respondents, respectively. This was followed by green building certifications, climate-related physical and environmental risks, regulatory risks, and occupancy resilience (67%). Lease duration and tenant creditworthiness were also widely recognised as important considerations in future valuation assessments (61%).

The findings highlight a growing expectation among M-REITs for valuation practices to increasingly recognise the long-term value created through ESG investments. Greater alignment between sustainability performance and property valuation would help strengthen the commercial case for decarbonisation, climate resilience and other ESG initiatives, encouraging continued investment across the sector.

Survey 14

Which key ESG value drivers would you consider when assessing property valuations?



“Respondents were asked to select all that apply.”

Key Challenge 2

Insufficient financial incentives from green or sustainability-linked financing

While sustainable finance instruments are becoming more widely available in Malaysia, their adoption at the M-REITs’ asset remains relatively limited.

With fewer than half of respondents linking asset-level ESG KPIs to sustainability-linked financing, the findings suggest that current financing mechanisms may not yet provide sufficient commercial incentives to accelerate decarbonisation investments across M-REIT portfolios.

Looking ahead, there is an opportunity for financial institutions, investors and the real estate sector to further strengthen the role of sustainable finance. Financing structures that more clearly reward measurable ESG performance could help improve investment returns, support long-term portfolio decarbonisation, and encourage wider adoption of climate resilience initiatives.

A typical sustainability-linked financing process includes:

- 1 Select material ESG Key Performance Indicators (KPIs)
- 2 Set ambitious Sustainability Performance Targets
- 3 Monitor performance and disclose progress through periodic ESG reporting
- 4 Obtain independent verification or third-party assurance of KPI performance
- 5 Receive financial incentives (e.g. interest margin reductions) upon achieving the agreed targets

Leading banks across APAC have already adopted sustainability-linked financing structures that reward borrowers for achieving measurable ESG outcomes. Examples of commonly adopted ESG KPIs include:

- Reduce portfolio Energy Use Intensity (EUI)
- Reduce portfolio greenhouse gas (GHG) emissions intensity
- Increase renewable energy generation or renewable electricity procurement
- Reduce water consumption intensity
- Increase waste diversion and recycling rates
- Increase the proportion of green-certified assets within the portfolio
- Achieve or improve green building certification ratings (e.g. GreenRE, Green Mark, LEED, etc.)
- Improve ESG performance ratings (e.g.GRESB)

Survey 15

Has the REIT linked ESG KPIs at the asset level into financing instruments, such as ESG loans/bonds/sukuk?



Key Challenge 3

Tenant resistance or low engagement in sustainability initiatives

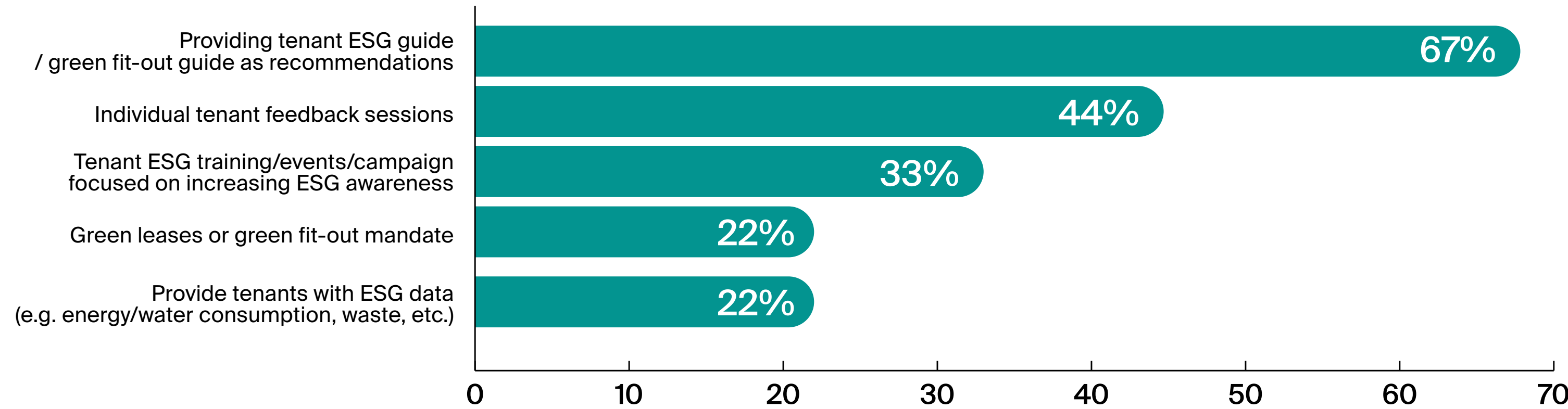
Achieving meaningful ESG outcomes increasingly depends on active collaboration between landlords and occupiers. However, the survey suggests that tenant engagement remains at a relatively early stage across the M-REIT sector, with most respondents focusing on providing tenant ESG guidance and recommendations.

While 67% of respondents have introduced tenant ESG guidance or green fit-out recommendations, 44% have conducted individual tenant engagement sessions, followed by ESG awareness programmes (33%). The adoption of more structured collaboration mechanisms remains limited, with only 22% of respondents introducing green leases or mandatory green fit-out requirements, or engaging in ESG data sharing with tenants. Nevertheless, these initiatives signal early progress towards more structured landlord -tenant collaboration.

Looking ahead, strengthening landlord–tenant collaboration will be essential to accelerating ESG implementation across the sector. As more occupiers embed operational decarbonisation targets and sustainability requirements into their real estate strategies, greater collaboration on green leasing, ESG data sharing and building performance will be needed. At the same time, M-REITs have an opportunity to encourage wider participation by offering clearer incentives, practical guidance and collaborative programmes that help occupiers contribute to shared sustainability objectives.

Survey 16

Please select the way(s) in which you have engaged tenants in ESG or carbon reduction.



“Respondents were asked to select all that apply.”

THE ROAD AHEAD: FUTURE-PROOFING PORTFOLIOS TOGETHER



The 2026 M-REIT ESG Survey highlights encouraging progress in embedding ESG into investment and asset management across the sector. **Climate resilience, operational decarbonisation and ESG integration** are increasingly becoming part of mainstream portfolio management. Looking ahead, the next phase will be defined not by new commitments, but by the industry's ability to translate these ambitions into measurable commercial outcomes.

Achieving this will require stronger collaboration across the real estate value chain. For **M-REITs**, balancing long-term ESG investment with short-term distribution expectations remains a key commercial challenge. For **occupiers**, greater participation through green leasing, operational data sharing and collaborative decarbonisation initiatives will be essential. For **investors, valuers, lenders and policymakers**, continued recognition of financially material ESG factors, together with stronger financing incentives and evolving valuation practices, will help reinforce the long-term business case for sustainability investment.

Ultimately, future-ready portfolios will not be defined solely by their sustainability commitments, but by their ability to deliver stronger operational performance, greater resilience and long-term value creation. By working together to align commercial performance with sustainability outcomes, the Malaysian REIT sector can continue to strengthen its competitiveness while supporting the country's transition towards a more resilient, low-carbon built environment.

APPENDIX

SURVEY RESPONDENT DEMOGRAPHICS

Our survey achieved comprehensive market coverage, with participating listed M-REITs representing over 90% of the sector's total listed market capitalisation, alongside responses from 100% of non-listed M-REITs. This broad market coverage provides valuable insights into how the Malaysian REIT sector is addressing climate-related risks, advancing decarbonisation and integrating ESG considerations into investment and asset management decisions.

Figure 1
Percentage of M-REIT respondents having exposure to that geography

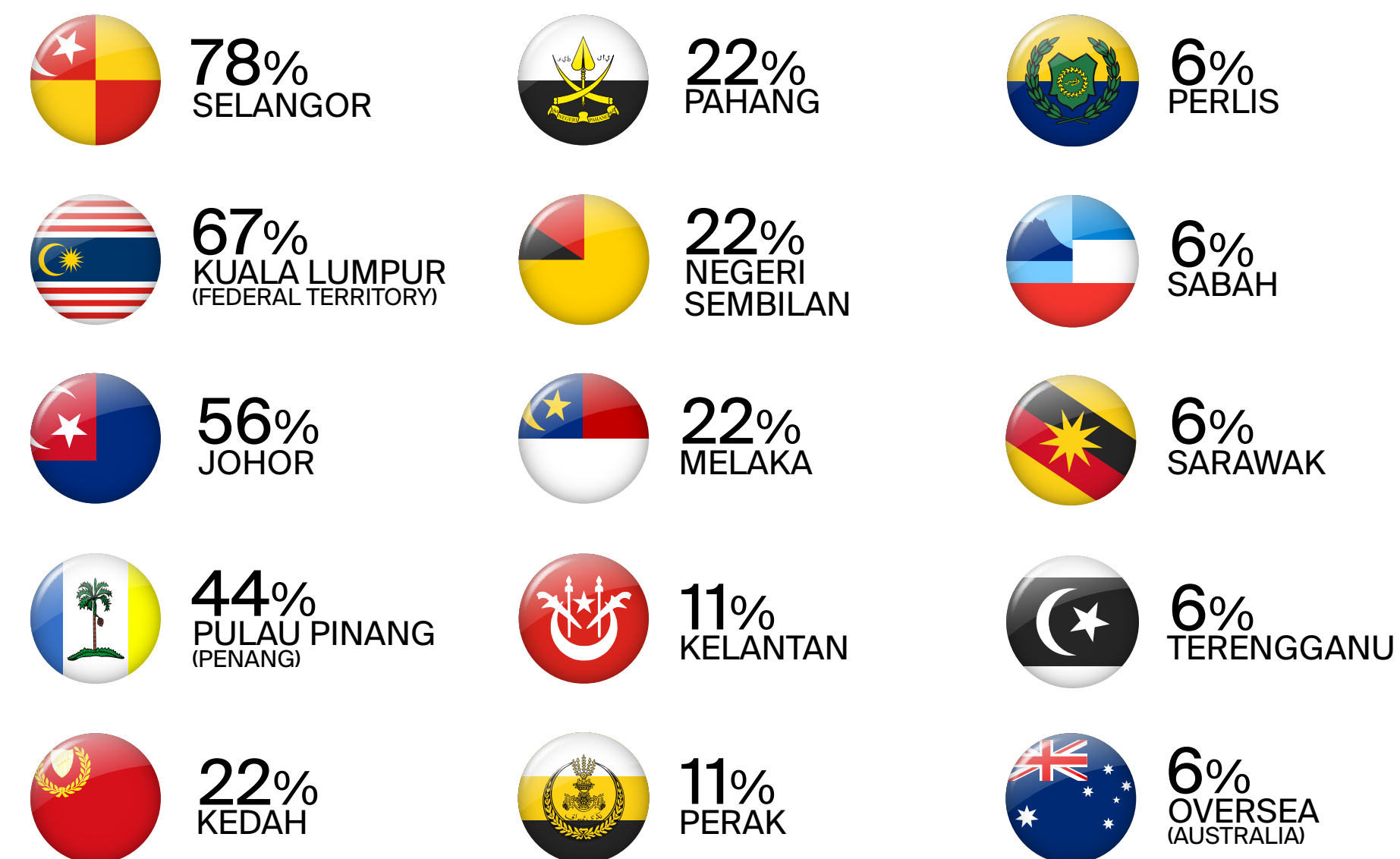
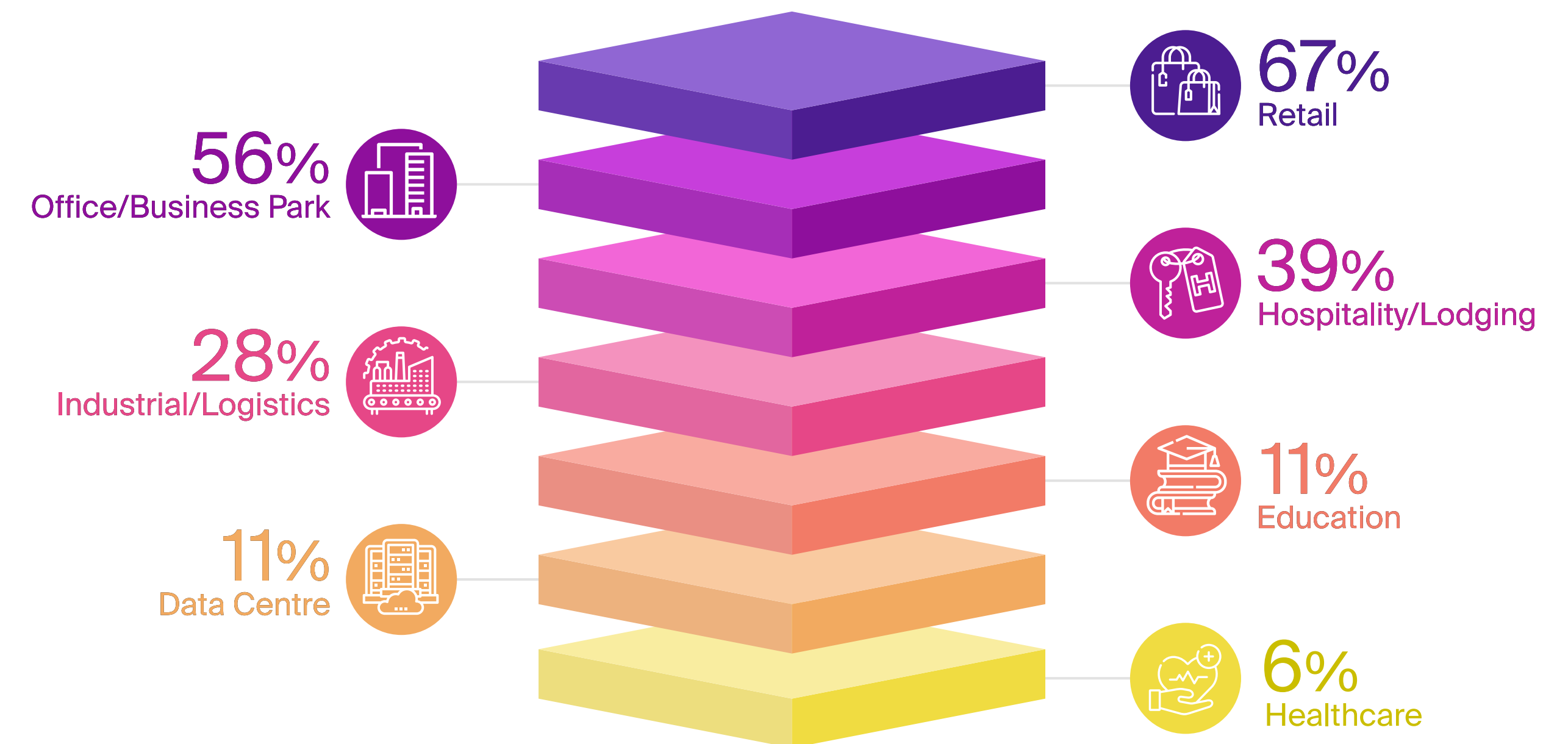


Figure 2
Percentage of M-REIT respondents having exposure to that asset class



ACKNOWLEDGEMENT

We extend our sincere appreciation to the following M-REITs for their valuable participation in the survey and their continued leadership in advancing climate resilience and sustainability across Malaysia’s REIT sector.

AUTHORS



Derek Teh Wan Wei
Chairman
Malaysian REIT Managers
Association (MRMA)



Leong Kit May
Immediate Past Chairman
Malaysian REIT Managers
Association (MRMA)



Jackie Cheung
Director - ESG, Asia-Pacific



Sofia Halim
Manager - ESG



James Buckley
Executive Director
Capital Markets - Investments



Justin Chee
Executive Director
Valuation & Advisory



Lee Siow Sung
Executive Director
Property Management



EXECUTIVE OVERSIGHT



Sarkunan Subramaniam
Group Executive Chairman



Keith Ooi
Group Managing Director

ABBREVIATIONS

Abbreviation	Meaning
APAC	Asia-Pacific
BNM	Bank Negara Malaysia
CapEx	Capital Expenditure
CCPT	Climate Change and Principle-based Taxonomy
DPU	Distribution Per Unit
EECA	Energy Efficiency and Conservation Act
EE&C	Energy Efficiency and Conservation
EIL	Energy Intensity Label
EIP	Energy Intensity Performance
EnMS	Energy Management System
ESG	Environmental, Social and Governance
EUI	Energy Use Intensity
EV	Electric Vehicle

GBI	Green Building Index
GFA	Gross Floor Area
GHG	Greenhouse Gas
GRESB	Global Real Estate Sustainability Benchmark
HVAC	Heating, Ventilation and Air Conditioning
IFRS	International Financial Reporting Standards
IFRS S1	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	IFRS S2 Climate-related Disclosures
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
LEED	Leadership in Energy and Environmental Design
MEP	Mechanical, Electrical and Plumbing
MNC	Multinational Corporation
MRMA	Malaysian REIT Managers Association

M-REIT	Malaysian Real Estate Investment Trust
NETR	National Energy Transition Roadmap
NOI	Net Operating Income
NSRF	National Sustainability Reporting Framework
PPA	Power Purchase Agreement
OpEx	Operating Expenses
REC	Renewable Energy Certificate
REM	Registered Energy Manager
RICS	Royal Institution of Chartered Surveyors
SC	Securities Commission Malaysia
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-related Financial Disclosures

Stay Connected

Knight Frank Malaysia Group of Companies

Knight Frank Malaysia Sdn. Bhd.
Co Reg. No. 200201017816 (585479-A)

Knight Frank Property Management Sdn. Bhd.
Co Reg. No. 201601040834 (1211775-H)

Knight Frank Real Estate Sdn. Bhd.
Co Reg. No. 202301050838 (1544752-M)

Knight Frank Project Services Sdn. Bhd.
Co Reg. No. 202301050839 (1544753-H)

Property Hub Sdn. Bhd.
Co. Reg. No. 200801041556 (842909-K)

Kuala Lumpur HQ

Level 10, Menara Southpoint,
Mid Valley City,
Medan Syed Putra Selatan,
59200 Kuala Lumpur.

T (603) 2289 9688
F (603) 2289 9788

Johor Branch

Suite 8.02, Level 8, MVS North Tower
Mid Valley Southkey,
No.1 Persiaran Southkey 1,
80150 Johor Bahru, Johor.

T (607) 338 2888
F (607) 332 6788

Penang Branch

Suite 3.02, Menara Boustead Penang,
39, Jalan Sultan Ahmad Shah,
10050 Penang.

T (604) 229 3296
F (604) 229 3216

Sabah Branch

Suite 5.05, Level 5, Plaza Shell,
29, Jalan Tunku Abdul Rahman,
88000 Kota Kinabalu, Sabah.

T (60) 88 279 088
F (60) 88 279 099

Sarawak Branch

Miri
Unit No. A-1-18, First Floor,
Miri Times Square, Marina Parkcity,
98000 Miri Sarawak.

T (60) 85 326 212
F (60) 85 326 638

Sarawak Branch

Kuching
Sublot 68-2, 2nd Floor (Lot 19840),
Block D2 Saradise, Jalan Stutong,
93350 Kuching, Sarawak.

T (60) 82 614 766
F (60) 82 451 437

knightfrank.com.my

Knight Frank Malaysia
The material contained herein has been prepared by Knight Frank Malaysia Sdn. Bhd. and is published strictly for general information of our intended Client only. Although high standards have been used in the preparation of the information, analysis, views and projections presented herein contained, Knight Frank Malaysia Sdn. Bhd. or Knight Frank Research shall not accept any legal responsibility or liability whatsoever for any loss or damage resulted from the contents of this document. This information may be given in summary form and does not purport to be final, complete or binding document on Knight Frank Malaysia Sdn. Bhd. As a general presentation, this material does not necessarily represent the view of Knight Frank Malaysia Sdn. Bhd. In relation to particular properties or projects and should not be considered as advice or recommendation or final proposal in the absence of any formal agreement agreed by Knight Frank Malaysia Sdn. Bhd. Any reproduction of the document herein in whole or in part is not allowed without the prior written approval of Knight Frank Malaysia Sdn. Bhd. and only with proper reference to Knight Frank Malaysia Sdn. Bhd.

Scan to subscribe to our
weekly newsletter

