

YoY
Chg

12-Mo.
Forecast

RM 5.99

Average Asking Rent (MYR/sf/mo)

**-1.48%**

Rental Growth (YOY)

**29.07%**

Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q2 2021

YoY
Chg

12-Mo.
Forecast

16.1%

GDP Growth

**2.2%**

CPI Growth

**4.8%**

Unemployment Rate



Source: Department of Statistics Malaysia

Economic Recovery upon the Vaccination Programme Acceleration

After the “total lockdown” imposed in June, the daily cases in Greater KL have increased tremendously and all the economic sectors are closed except the essentials. In July, the government has started National Recovery Plan and as the COVID-19 Immunisation Programme expedites, more sectors are allowed to re-open by phase. As such, Malaysia’s economy grew by 7.1% in the first half of 2021 compared to the first half of 2020 at -8.4%. The economic performance in the second quarter of 2021 was supported by the continuous growth in Manufacturing sector and the rebound of Services sector on the supply side. This is in line with the 12th Malaysia Plan (12MP) unveiled by the Prime Minister at the end of September that targets the growth of GDP by 4.5% to 5.5% yearly and a gradual reduction in the fiscal deficit to 3.0% to 3.5% by 2025. The 12MP also outlines initiatives to reduce income disparities, improve employability, increase productivity via training and technology adoption, moving up supply value chains, and expansion of export markets, as well as encouraging clean and sustainable investments.

KL CBD Landlords Adjusting Rents Due to Rising Vacancy and Supply

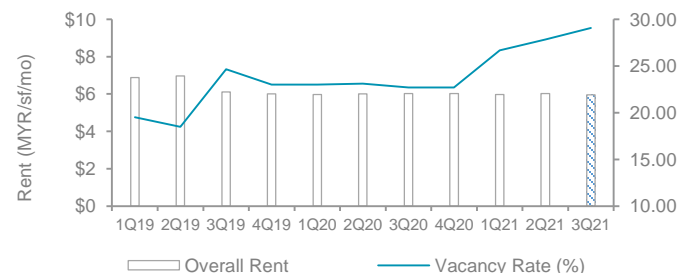
With Greater KL total office supply standing at approximately 137.80 million sf, the overall average vacancy level rose to 29.07% in Q32021 when comparing with 27.83% recorded in the previous quarter. The office market is expected to remain challenging despite more businesses are expected to returning back to office in the fourth quarter of 2021. Looking ahead, with the expected high vacancy rate and the large new supply of new office space completed in the next one or two years within KL CBD, downward adjustment on the rental is expected.

By comparison, demand for out of KL CBD office space are higher in view of the requirement from the e-commerce, logistic and life-science occupiers. Thus, the occupancy and rental for this area remained stable in view of the limited new supply of enbloc office completion.

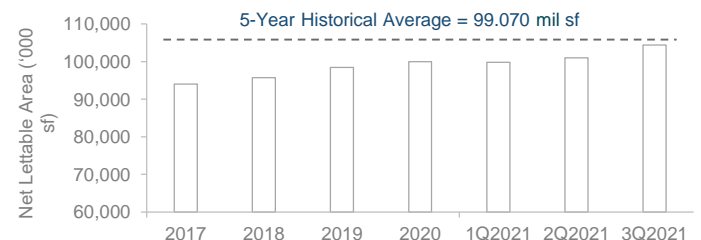
Rents in KL CBD Sets to Continue Dropping

The average asking rental dropped lower in Q3 2021 at RM 5.99 per sf per month, representing a softening of 1.48% compared to same quarter in the preceding year as the rents in CBD and Fringe area are experiencing downward pressure despite the increase in rent for decentralized area. Most landlords have lowered rent expectations as a result of sustained rightsizing and downsizing of business operations by tenants. Some tenants are now deciding to accept a lower graded office building while maintaining their size requirement as part of a cost savings strategy.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE





Office Q3 2021

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)	GRADE A AVERAGE FACE RENT		
				MYR/SF/MO	US/SF/MO	EUR/SF/MO
KL CBD	57.20 million	27.10%	11.79 million	MYR 6.70	US\$1.59	€ 1.36
KL Fringe	47.29 million	30.60%	1.81 million	MYR 6.39	US\$1.51	€ 1.29
Decentralized Area	33.31 million	29.52%	4.55 million	MYR 4.88	US\$1.16	€ 0.99
TOTAL	137.80 million	29.07%	18.15 million	MYR 5.99	US\$1.42	€ 1.30

- a) Cumulative space for all sub-markets are based on total supply of office space (all grades)
- b) Office Space within KL Sentral/Pantai/Bangsar and those within Damansara Heights are taken into consideration as KL Fringe
- c) Office Space within Petaling Jaya territory, Damansara, Kelana Jaya, Sunway/Subang Jaya/USJ and Shah Alam are taken into consideration as Decentralised Area

Source: National Property Information Centre & IVPS / Cushman & Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
HSBC Tower @ TRX	KL CBD	569,000	2021
Permata Sapura	KL CBD	671,269	2021
TS Law Tower	KL CBD	232,517	2021
Plaza One @ Conlay Station	KL CBD	606,000	2021
Affin Bank Tower @ TRX	KL CBD	823,439	2021
Menara Great Eastern 2	KL CBD	221,000	2021
Imazium @ Damansara Utama	Decentralised	450,000	2021
KL Eco City Aspire Tower	KL Fringe	650,000	2022
Sunway V2 Tower	KL Fringe	362,400	2022
Merdeka 118	KL CBD	1,700,000	2022
Pavilion Damansara	KL Fringe	1,500,000	2023
Sunway CP2 Office Tower	Decentralised	553,629	2023

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Guocoland (Malaysia) Bhd's subsidiary, DC Offices Sdn Bhd is disposing Guoco Tower in Damansara Heights to Tower Real Estate Investment Trust (Tower REIT) for RM242.1 million.
- IGB Bhd shareholders have approved the sale of 10 commercial properties to IGB Commercial REIT for RM3.16 billion which includes Menara IGB and IGB Annexe, Centrepont South, Centrepont North, Boulevard Properties, Gardens South Tower, Gardens North Tower, Southpoint properties, Menara Tan and Tan, GTower and Hampshire Place Office.

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