

Office Q3 2022

YoY
Chg12-Mo.
Forecast**RM 5.92**

Average Asking Rent (MYR/sf/mo)

**-1%**

Rental Growth (YoY)

**30.61%**

Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

**MALAYSIA ECONOMIC INDICATORS
Q2 2022**YoY
Chg12-Mo.
Forecast**8.9%**

GDP Growth

**3.1%**

CPI Growth

**3.7%**

Unemployment Rate



Source: Department of Statistics Malaysia

Malaysia Manifest a Strong Economic Performance

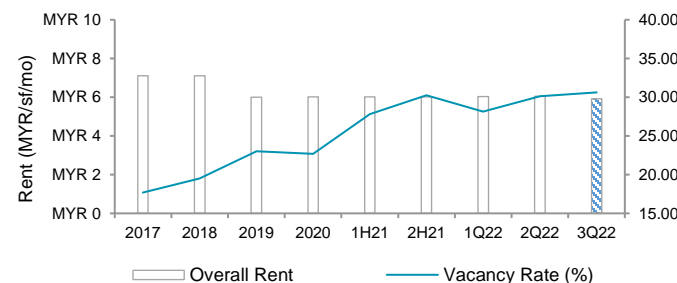
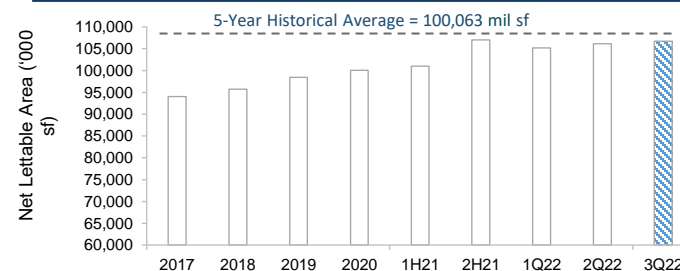
Domestic demand strengthened further, supported by a steady improvement in labour market conditions and ongoing policy support. As Malaysia has transitioned to endemicity and reopened its international borders, the economy began to operate normally, which was evidenced in the higher growth. Malaysia's economic performance expanded further stronger-than-expected to 8.9% as compared to 5.0% in the previous quarter. Overall, the economy posted a growth of 6.9% in this first half year (H1 2021: 7.0%). Services sector being the main impetus (Q2 2022: 12%) and Manufacturing sector (Q2 2022: 9.2%). Meanwhile, the increase in Malaysia's inflation of 3.1% is mainly contributed by increasing of Food index at 6.9%. While initiatives like the Employees Provident Fund withdrawals and Bantuan Keluarga Malaysia cash giveaways contributed to an increase in spending in 2Q22, we might observe a more normalized growth in domestic spending towards the end of the year. The labour market's improvement and higher income prospects will indeed stimulate domestic expenditure, nevertheless.

New Vs Old Office Building

The recent completion of a few office buildings has pushed the overall vacancy rate in KL CBD and fringe to increase in a range of 2 to 3%, and is expected to continue increase by next year with more developments scheduled for completion, mainly impacted old building. The situation will worsen as ageing buildings are unable to provide the latest office requirements such as availability of high-speed internet, environment-friendly features, poor ventilation and lighting. The demand driver mainly from the rising awareness of environment, sustainability and governance (ESG) has created and there has been an overwhelming interest in office buildings that have been certified by Malaysian Green Technology Corporation to be utilizing green technology. These office buildings not only support the Sustainable Development Goals (SDGs) 2030 agenda, but also qualify for tax incentives. To stay relevant in the market, building specification and looks must be reviewed from time to time where all-important areas of security, safety and live-ability, crisis preparedness must be the priority on the list.

Rental Rates in All Submarket Slightly Declined

Most new building landlords in Greater KL decided to maintain and some slightly increase asking rents due to the rising demand of newer buildings with the latest infrastructure and green elements, forcing the ageing building landlords to maintain and slightly decrease asking rents. Moreover, few landlords provided competitive offerings in order to retain tenants and attract new occupiers such as attractive rental packages, rent free period, hotel or entertainment vouchers etc.

ALL GRADE CBD OVERALL RENT & VACANCY RATE**ALL GRADE CBD SUPPLY PIPELINE**



Office Q3 2022

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	58.83 million	29.00%	15.24 million	MYR 6.68	US\$1.44	€ 1.46
KL Fringe	47.87 million	33.90%	3.37 million	MYR 6.28	US\$1.36	€ 1.37
Decentralized Area	34.10 million	28.93%	1.09 million	MYR 4.79	US\$1.03	€ 1.04
TOTAL	140.8 million	30.61%	19.7 million	MYR 5.92	US\$1.28	€ 1.29

- 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 (NAPIC) & IVPS / Cushman & Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
Affin Bank Tower @ TRX	KL CBD	823,439	2022
Menara 1194	KL CBD	169,250	2022
Mercu Aspire @ KL Eco City	KL Fringe	650,000	2022
Sunway V2 Tower	KL Fringe	362,400	2022
Merdeka 118	KL CBD	1,700,000	2023
Pavilion Damansara Corporate Tower	KL Fringe	1,500,000	2023
Sunway CP2 Office Tower	Decentralised	553,629	2023
Sunsuria Forum Corporate Office	Decentralised	317,720	2023

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Malaysia is the world's third most competitive Global Business Services (GBS) location, trailing only India and China.
- With a pool of highly skilled workforce, KL has been chosen by Arnott's Group (TAG) for its expansion plan with the government after making Malaysian capital its regional hub.
- Maybank sets to move its corporate head office from Menara Maybank to Menara Merdeka 118 on staggered basis starting Q1 2025.
- Though it has been operating since 2020, Sony Entertainment finally unveiled their stunning office in PJ with futuristic vibe.

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Industrial Property
(All Types)

47.43%

Transactions from Terraced Factory / Warehouse

12-Mo.
Forecast

80.72%

Sales Growth (Value y.o.y)

61.29%

Sales Growth (Volume y.o.y)

Source: Cushman & Wakefield / IVPS Research

MALAYSIA ECONOMIC INDICATORS
Q2 2022

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GDP Growth

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CPI Growth

3.7%

Unemployment Rate

Source: Department of Statistics Malaysia

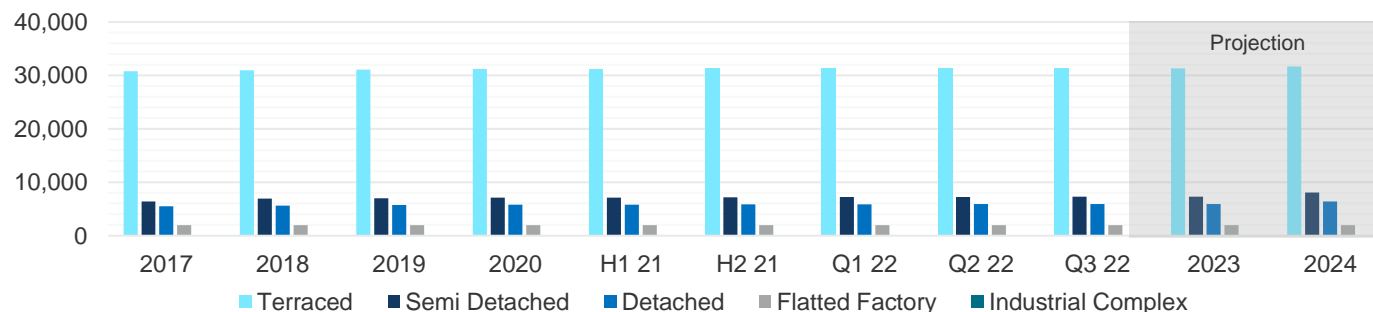
Industrial Property Market Continue to Flourish

In contrast to other sectors that are currently in recovery mode, the industrial real estate sector continues to thrive despite mounting inflation concerns. The industrial sector has demonstrated consistent growth over the course of the past few years due to the increased penetration rates of e-commerce. As a consequence of this, there is still an increasing demand for warehouse space to accommodate the increase in long-distance shipping, and there has also been a structural movement toward omnichannel shopping as a result of this. Since more international corporations establish new enterprises and facilities within the Asean region, it is anticipated that the industrial sector will reap the benefits of the aforementioned diversification and restructuring of global supply chain tactics.

Rose of Manufacturing

The industrial production index (IPI) increased slightly at 12.5% compared to previous quarter driven by the manufacturing sector the Manufacturing (14.9%), Electricity (13.2%) and Mining sectors (3.2%). The growth of the manufacturing sector is still anticipated to be underpinned by solid international commerce and robust domestic demand, recovering labour market conditions and ongoing policy support. Though manufacturing sector remained under pressure from raw material and labour shortages, rising prices and weak demand, notably from overseas, there were also signs that supply constraints were starting to ease and price pressures were abating. Nevertheless, the demand conditions will continue to improve.

INDUSTRIAL SUPPLY PIPELINE (GREATER KL)



Industrial Q3 2022

MARKET STATISTICS

SUBMARKET OF GREATER KL	INDUSTRIAL AREA	INVENTORY (UNIT)	PLANNED & UNDER CONSTRUCTION (UNIT)	FACE RENT PSF (RANGE FOR ALL TYPES)		
				MYR/SF/MO	US/SF/MO	EUR/SF/MO
Central Region	W.P. Kuala Lumpur, Gombak, Petaling	24,315	145	MYR 2.20 - MYR 4.20	\$0.47 - \$0.90	€0.49 - €0.93
Northern Region	Kuala Selangor, Hulu Selangor, Sabak Bernam	4,630	400	MYR 0.80 – MYR2.00	\$0.17 - \$0.43	€0.18 - €0.44
Southern Region	Kuala Langat, Sepang	1,557	314	MYR 1.30 – MYR2.50	\$0.28 - \$0.54	€0.29 - €0.55
Western Region	Klang	8,667	915	MYR 1.20 - MYR 2.40	\$0.26 - \$0.51	€0.26 - €0.53
Eastern Region	Hulu Langat	7,391	18	MYR 0.80 - MYR 1.80	\$0.17 - \$0.39	€0.18 - €0.39
TOTAL		46,560	1,792	MYR 0.80 - MYR 4.20	\$0.17 - \$0.90	€0.18 - €0.93

a) Cumulative supply for all sub-markets are based on total supply of industrial space (all types).

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

KEY SALES TRANSACTIONS AS AT Q3 2022

- Detached Factories 1 and Twin Factories 3 located in the 1,500-acre Elmina Business Park, Sungai Buloh has achieved 100% take-up with combined GDV of RM213 million.
- Axis REIT is acquiring an industrial facility comprises two warehouses and a three-storey annexed office building on a 268,581 sq ft freehold land located in Kapar, Klang for RM41 million cash.
- AME REIT has entered into 34 SPAs to acquire various properties from the industrial space solutions provider's subsidiaries with disposals totalling RM557 million.

INVESTMENT TREND / INDUSTRIAL DEVELOPMENT ACTIVITIES

- NCT has entered into four synergistic collaboration via MOBE with AmBank group and UOB Malaysia Bhd; via MoU with Malaysia-China Chambers of Commerce (MCCC); and via LBE with Samaiden Group Bhd to strengthen its value proposition for the upcoming NCT Smart Industrial Park (NSIP) project.
- LSH Capital and Gamuda Bhd have engaged into a collaboration agreement to support the construction industry's transition towards the IR4.0 via the digitalization of work processes and automation of construction works.
- NCT pens MoU with five parties namely Asia Pacific University of Technology and Innovation (APU), Furniweb Holdings Ltd, KS Industrial Tools Sdn Bhd, Solarvest Holdings Bhd and Universiti Tunku Abdul Rahman (UTAR), aims to develop 1,000 units of solar-ready factories and warehouses in SSIP to minimise industrial and commercial carbon footprints.
- Compass @ KSL officially launched recently offering built-to-suit warehouses and manufacturing lots with sizes ranging from 130,000 sq ft to 500,000 sq ft; as well as ready-built factories and warehouses measuring in sizes of 3,600 sq ft to 50,000 sq ft.
- Zetrix has signed MoU with MIMOS Technology aiming to spearhead the development of Malaysia's national blockchain roadmap.
- TNB Renewables (Tre) has operated a 50MW large-scale solar plant at Sepang, strengthened its commitment to increasing energy security and resilience, as well as creating a low emissions electricity sector through the adoption of renewable energy.

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KUALA LUMPUR

Retail Q3 2022

CUSHMAN & WAKEFIELD

YoY Chg 12-Mo. Forecast

6.06%
CBD Prime Rental Growth

21.83%
Vacancy Rate

37.5%
Retail Trade Sales Growth

Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

8.9%
GDP Growth

3.1%
CPI Growth

5.5%
Consumer Spending Growth

3.7%
Unemployment Rate

Source: Department of Statistics Malaysia

Malaysia Economy Sets for Greater Growth

An increase in domestic demand and robust exports helped Malaysia's economy grow at its strongest annual rate in a year, but a slowdown in global growth is anticipated to threaten the outlook for the rest of 2022 as commodity prices fell back and the benefit of border reopening faded. The CPI for Q2 2022 slightly increased at 3.1% from 2.0% in the same month of the preceding year while Sales of Retail Trade registered a positive growth of 37.5% y-o-y. Among the groups that contributed to this expansion were Retail Sale in Non-specialised Stores (39.1%), Retail Sale of Other Goods in Specialised Stores (47.1%) and Retail Sale of Other Household Equipment in Specialised Stores (28.8%). Overall, Malaysia's GDP appears to be able to meet the annual GDP growth of 7.7% in this year where it is anchored by diversified structure with low dependence on commodities, wide mix of trading partners together with a strong and stable financial system.

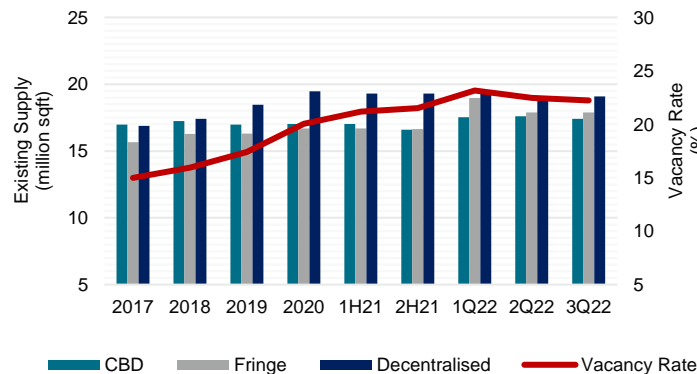
Pent-Up Demand Contributed To Strong Recovery of Retail Sector

Pent-up demand, favourable fiscal incentives, significant rise in consumer spending as well as macroeconomic conditions are expected to drive retail trade performances toward the end of 2022. Most restaurants are packed as well as the increasing in shopping mall foot traffic showcasing that retail sector is on the right path of recovery. Although there is inflationary pressure that could affect consumers' disposable income and spending, the retail sector can maintain the recovery journey underpinned by improving labour market, fiscal incentives and tourism activity. Nevertheless, Malaysia is likely to chart even stronger growth in the upcoming quarter despite facing a weaker global economy as well as the rising US dollar.

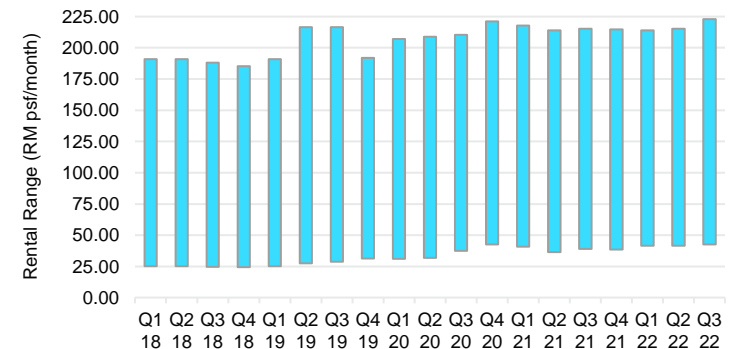
Steadiness of Retail Asking Rents Despite Continuous Declining in Vacancy Rate

Year 2022 has been somewhat of a renaissance for the shopping mall and its regular tenants after the re-opening of national border, entering endemic phase and the latest, masks no longer a compulsory in most indoor areas in Malaysia. People have returned to the malls in droves, producing a dramatic rise in retail activity that has helped the retail growth but is still below pre-Covid levels. The overall average vacancy rate continued to decline to 21.83% in Q3 2022 as compared to last quarter. Meanwhile, the CBD submarket prime rent slightly increased for Q3 2022 in the range of RM42.55 to RM223.00 per sq ft per month, representing an increase of 6.06% y-o-y.

Greater KL Existing Supply and Vacancy Rate



CBD Prime Rental Range



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Retail Q3 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	17.36 million	20.7%	4.56 million
KL Fringe	15.51 million	24.2%	0.48 million
Decentralized Area	19.09 million	20.6%	3.15 million
TOTAL	51.96 million	21.83%	8.19 million

SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
KSL Esplanade Mall	Decentralised	650,000	2022
Mitsui Shopping Park Lalaport	KL CBD	845,000	2022
Lot 91 @ KLCC Retail Component	KL CBD	73,000	2022
IOI City Mall Putrajaya Phase 2	Decentralised	1,000,000	2022
Warisan Merdeka Mall @ 118 Mall	KL CBD	1,560,767	2023
Pavillion Lifestyle Mall @ Damansara Heights	KL Fringe	1,100,000	2023
8 Conlay Retail Component	KL CBD	120,000	2023
The Exchange Mall	KL CBD	1,300,000	2023

INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- With the opening of its 2nd phase, IOI City Mall has become the largest mall in Malaysia with more than 700 retail outlets in total.
- MyTownKL's redevelopment project – dubbed – MyGround recently completed spanning more than 150,000 sqft which will act as a socialising hub. Moreover, more than 15 well-known F&B deals has been added including a flagship outlet of Bangkok Wasabi.
- Poh Kong and Lotus Corporation has entered into SPA of two leasehold three-storey shop lots in PJ New Town with each measuring approximately 174.19 sq. m for RM11.35 million.
- South Korean convenience stores are actively making forays into Malaysia with the latest, GS25 has partnered with Malaysian retail giant KK Group to open its first GS25 store by next year and expand to 500 locations in five years.
- Malaysia's first Ralph Lauren coffee has opened its door in Pavilion KL where visitors can shop for clothes while grab a coffee and cake.
- K Plus Food Market has launched its presents in the Curve Shopping Mall, occupying approximately 30,000 sq. ft which offers South Korean products, ranging from food and cosmetics to homeware essentials.

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