

KUALA LUMPUR

Office Q1 2020

RM5.97

Average Rent (MYR/sf/mo)

YoY
Chg



12-Mo.
Forecast



-1.44%

Rental Growth (YOY)



23.0%

Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q4 2019

3.6%

GDP Growth

YoY
Chg



12-Mo.
Forecast



1.3%

CPI Growth



3.2%

Unemployment Rate



Source: Department of Statistics Malaysia

Greater Pressure on Economic Growth

Malaysia's economic grew at 3.6 per cent in Q4 2019 in contrast with 4.4 per cent in the previous quarter. Malaysia Central Bank stated that the country's domestic economy will be impacted by the necessary actions taken globally and domestically to contain Covid-19 outbreak. Inevitably, the pandemic outbreak has placed a great pressure and uncertainty on the current markets which created pause to investment activities and weaken the economic growth.

Rental Growth to be Impacted by Pandemic

The outbreak of Covid-19 and the directives from the government with Movement Control Order (MCO) have forced companies to limit their physical business activities and pushing tenants to encourage their staff to work from home. The current situation will lead to slower office demand as businesses and occupiers will likely put on hold their real estate decisions for either expansion or relocation, resulting in lower demands for office space.

Additionally, the pandemic outbreak has created pressure for landlords and co-working space providers. Landlords have been urged to provide rental rebates to their tenants whereas co-working office spaces are shut down to significantly limit operations during the MCO period. With people fearing that the pandemic may last months, tenants will opt for short term tenancy due to the uncertainty and more isolated office environments which almost resets the co-working trend.

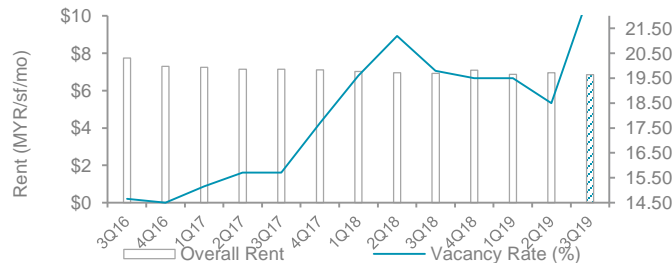
With the continuous impacts caused by Covid-19, tenants who are being affected will endeavor to either surrender, not renew or to terminate their contracts with the landlords which result the landlords to reduce their rental rate aside from offering an elevated concession packages to attract new tenants and retain the existing ones.

Supply of Commercial Market

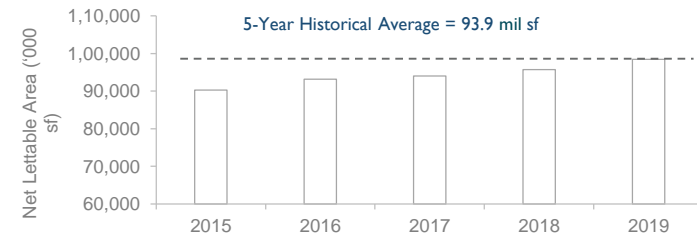
As of the end of 2019, supply of office space in KL CBD recorded a total stock of approximately 54.17 million sq. ft., KL Fringe had a total of 44.29 million sq. ft. whilst Decentralized areas registered a total of 30.34 million sq. ft. Existing supply of office buildings in the KL CBD is expected to face a strong competition from recently completed office buildings in terms of retaining and attracting occupiers.

New supply of office buildings which is scheduled to complete by 2020 is expected to be postponed to 2021, adding a combined total of approximately 7.2 million sq.ft. new stock to the market in the next two years.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



KUALA LUMPUR

Office Q1 2020

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	54.17 million	21.10%	13.18 million	MYR 6.86	US\$1.58	€ 1.45
KL Fringe	44.29 million	29.80%	1.87 million	MYR 6.35	US\$1.46	€ 1.34
Decentralised Area	30.34 million	27.89%	2.45 million	MYR 4.70	US\$1.08	€ 0.99
TOTAL	128.80 million	26.26%	17.50 million	MYR 5.97	US\$1.37	€ 1.26

- 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
YTL HQ	KL CBD	324,000	2020
Menara Hap Seng 3	KL CBD	202,000	2020
Plaza One @ Conlay Station	KL CBD	606,000	2020
Permata Sapura	KL CBD	671,269	2020
TS Law Tower	KL CBD	232,517	2020
Menara TCM	KL CBD	370,000	2020
HSBC Tower @ TRX	KL CBD	569,000	2020
Affin Bank Tower @ TRX	KL CBD	823,439	2021
Menara Felcra	KL CBD	1,121,234	2021
Merdeka 118	KL CBD	1,700,000	2021
KL Eco City Aspire Tower	KL Fringe	650,000	2021
Pavillion Damansara	KL Fringe	1,500,000	2023
Imazium @ Damansara Utama	Decentralised Area	450,000	2021

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Menara UAC	KL Fringe	Spaces	16,000	New Lease
Mercu 2	KL Fringe	Kuok Group	15,000	New Lease
Mercu 2	KL Fringe	Klook	15,000	New Lease
Mercu 3	KL Fringe	Funding Societies Malaysia	14,500	New Lease
Symphony Square	Decentralised	Eppendorf	16,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
Life Care Diagnostics Medical Centre	KL Fringe	DK Group of Companies	460,000	RM180 million

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