

KUALA LUMPUR

Office Q4 2020

YoY Chg 12-Mo. Forecast

RM6.02
Average Asking Rent (MYR/sf/mo)



0.33%
Rental Growth (YOY)



24.1%
Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

-2.7%
GDP Growth



1.7%
CPI Growth



4.7%
Unemployment Rate



Source: Department of Statistics Malaysia

Services Persist as Weak Spot in Economy as CMCO Takes Effect in Q4 2020

Unlike the manufacturing sector, services continued to contract in the last two quarters following the COVID-19 precautionary social distancing measures and border closures impacting the hotel, transportation, F&B, real estate, entertainment, arts and recreation sectors. Auto sales and finance were bright spots, in contrast to retail and wholesale trade, which experienced sharp contractions. Construction sector resumed projects which experienced delay in completion, following the relaxation of project restrictions under SOPs.

Leasing Remained Slow-Moving but Witnessed Some Take-Up

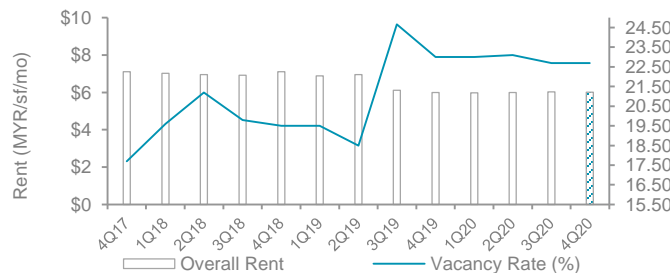
Office leasing activity in Kuala Lumpur remained sluggish at the end of the quarter as businesses remained cautious and continued their wait-and-see approach. Occupiers with immediate lease expiries were keen on short-term renewals, as businesses faced uncertainty with daily rising COVID-19 cases and changing movement restrictions. The situation is expected to persist, with office space under-utilized as work from home remains the default. Businesses are expected to reduce their leased space to better match their needs, or to relocate to reduce occupier costs where possible.

Nonetheless, the market witnessed a few leasing transactions, with occupiers taken vacated spaces at more attractive rental rates. Office expansion activities included the lease by Shopee of approximately 75,000 sf of space in Mercu 2, whereas Oppo relocated to 1 Powerhouse with a lease of 70,000 sf of space. The overall all-grade office occupancy rate for KL CBD remained at 77.3%, while KL Fringe grew to 70.4%.

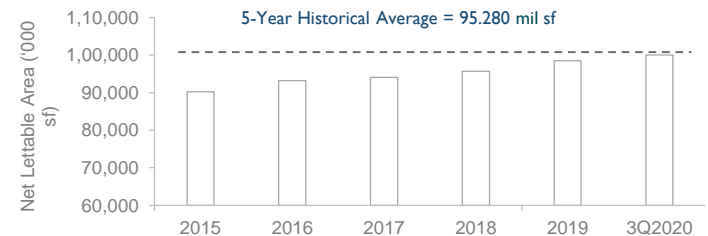
Rents Remain Stable Despite Pandemic

Despite the weaker economic outlook, average asking rental rates stabilized in Q4 at RM6.02 per sf per month, with only a few landlords seen to adjust their asking rates. Office landlords are generally remaining confident, with market activity slowly recovering due to the easing of CMCO restrictions towards the end of Q4 2020. However, the market remains challenging, with the likelihood of staff working from home now anticipated to prolong into Q1 2021 in response to rising COVID-19 cases in Greater KL.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q4 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	55.19 million	22.70%	15.92 million	MYR 6.82	US\$1.68	€ 1.38
KL Fringe	44.64 million	29.60%	1.87 million	MYR 6.36	US\$1.57	€ 1.28
Decentralised Area	31.84 million	28.54%	5.66 million	MYR 4.89	US\$1.21	€ 0.99
TOTAL	131.67 million	22.07%	22.85 million	MYR 6.02	US\$1.49	€ 1.22

- 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
Menara Hap Seng 3	KL CBD	202,000	2020
YTL HQ	KL CBD	324,000	2020
Menara TCM	KL CBD	370,000	2020
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 Felcra	KL CBD	1,121,234	2021
KL Eco City Aspire Tower	KL Fringe	650,000	2021
Imazium @ Damansara Utama	Decentralised Area	450,000	2021
Merdeka 118	KL CBD	1,700,000	2022
Pavillion Damansara	KL Fringe	1,500,000	2023
Menara Great Eastern 2	KL CBD	221,000	2020

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Mercu 2	KL Fringe	Shopee	Approx. 75,000	Expansion
1 Powerhouse	KL Fringe	Oppo	Approx. 70,000	New Lease
Menara Southpoint	KL Fringe	SAP	Approx. 20,000	New Lease
The Stride @ BBCC	KL CBD	Regus	Approx. 19,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
Menara MIDF	KL CBD	Malaysian Industrial Development Finance Bhd / JD Hospitality Sdn Bhd	160,000	RM140 million
Quill Building 5	Cyberjaya	MRCB-Quill REIT / Deriv Services Sdn Bhd	80,000	RM45 million

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Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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Industrial Property
(All Types)

12-Mo.
Forecast

37.79%

Transactions from Terraced Factory / Warehouse



40.67%

Sales Growth (Value)



75.09%

Sales Growth (Volume)



Source: Cushman & Wakefield / IVPS Research

MALAYSIA ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
-2.7% GDP Growth	▼	▲
1.7% CPI Growth	▼	▲
4.7% Unemployment Rate	▲	▼

Source: Department of Statistics Malaysia

Slight Rise in Overall Inventory

Greater Kuala Lumpur's (KL) industrial supply recorded a slight increase in Q3, with most of the new supply coming from terraced and detached properties. As of Q3 2020, total existing industrial supply stood at 46,106 units. Terraced factories and warehouses accounted for the lion's share of supply, at 31,192 units. Semi-detached units totaled 7,102 units, at 15.4% of the total, and detached units totaled 5,772 units, at 12.5%. A further 3,000 factory and warehouse units are currently under construction as incoming supply, and having obtained planning approvals, are expected to come onstream in the next two to three years.

Demand Retains Favorable Outlook Amid Pandemic

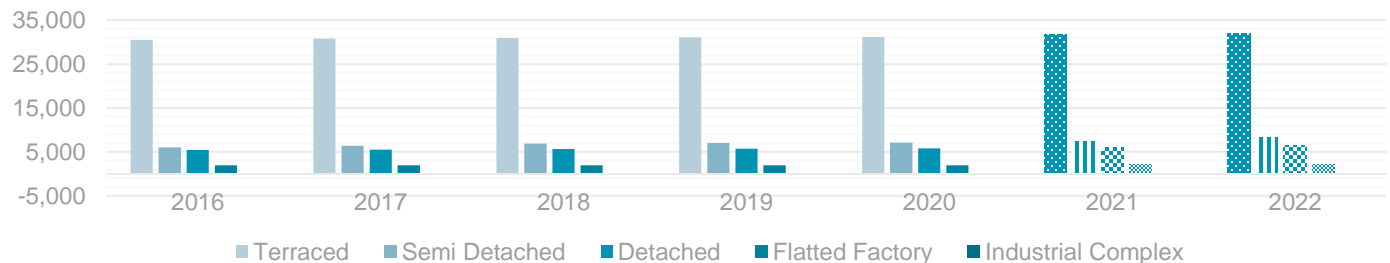
As the property market endures one of the toughest periods amid the COVID-19 outbreak, the outlook for industrial property remained favorable with the market recording a rise in industrial property transactions in the period. A total of 471 industrial units worth RM2.01 billion exchanged hands in Q3 2020, a contraction of 23.78% y-o-y in volume although growing 31.53% in transaction value (Q3 2019 figures: 618 units worth RM1.52 billion).

The expansion of e-commerce, pharmaceutical, fast-moving consumer goods, and other third-party logistics firms has created growing demand in the industrial property market. Developers and investors are shifting their focus to the industrial market to support the surge in demand, as they stay committed to their long-term investment strategies into the sector. The industrial sector is now viewed as the most resilient sector to weather the uncertainties ahead amid the COVID-19 pandemic.

Asking Rents Remain Stable

Asking rents for conventional industrial space premises, i.e, terraced and semi-detached properties, remained stable across most locations through the year, while detached properties and larger warehouses in prime areas experienced higher demand. Even though the local property market is enduring one of its toughest periods in recent history, the nationwide rise in e-commerce and usage of delivery systems has directly impacted the logistics sector and warehouse as a whole. The growth of e-commerce and related technologies catering to online consumer activity will see expanding needs for a wider range of available warehousing volume in the market.

INDUSTRIAL SUPPLY PIPELINE (GREATER KL)



MARKET STATISTICS

SUBMARKET	INVENTORY (UNIT)	PLANNED & UNDER CONSTRUCTION (UNIT)	FACE RENT PSF (RANGE FOR ALL TYPES)		
			MYR/SF/MO	US/SF/MO	EUR/SF/MO
Central Region	24,204	470	MYR 1.20 – MYR 2.80	US\$0.30 – US\$0.69	€ 0.24 - € 0.57
Northern Region	4,619	733	MYR 0.70 – MYR 1.80	US\$0.17 – US\$0.44	€ 0.14 - € 0.36
Southern Region	1,497	347	MYR 0.70 – MYR 3.30	US\$0.17 - US\$0.81	€ 0.14 - € 0.67
Eastern Region	7,357	136	MYR 0.70 – MYR 1.60	US\$0.17 - US\$0.39	€ 0.14 - € 0.32
Western Region	8,429	1,314	MYR 1.00 – MYR 1.80	US\$0.25 – US\$0.44	€ 0.20 - € 0.36
TOTAL	46,106	3,000	MYR 0.70 – MYR 3.30	US\$0.17 – 0.81	€ 0.14 - € 0.67

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

b) Industrial Space within W.P. Kuala Lumpur, Gombak district and Petaling district are taken into consideration as Central Region.

c) Industrial Space within districts of Kuala Selangor, Hulu Selangor and Sabak Bernam are taken into consideration as Northern Region whereas districts of Kuala Langat and Sepang are taken into consideration as Southern Region.

d) Industrial Space within district of Klang are taken into consideration as Western Region whilst district of Hulu Langat are taken into consideration as Eastern Region.

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

SIGNIFICANT INDUSTRIAL DEVELOPMENTS – PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	DEVELOPER	(GFA) SF	COMPLETION DATE
Hap Seng Industrial Hub	Central Region	Hap Seng Land	Approx. 1,300,000	2021
IKEA Regional Log	Western Region	IKEA Supply (Malaysia)	Approx. 1,022,000	2021
D Project Malaysia 1	Central Region	Daiwa House Malaysia Logistics	Approx. 178,000	2021
Eco Business Park V	Northern Region	Eco World Development Group	Approx. 500,000	2021
The COMPASS	Eastern Region	Area Management Sdn Bhd	200,000 – 1,000,000 size per plot	2023

*Completion date might differ due to the delays during Covid-19 pandemic period.

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
Industrial land with factory, Seri Kembangan	Central Region	Positive Frontier / LKL International	21,600	MYR 12.0 million
HS(D) 168513, Shah Alam	Central Region	Nationwide Express / Rubicon Lexington	67,553	MYR 19.4 million
Western Digital PJ Factory	Central Region	Western Digital / Wistron Technology	500,000	MYR 120.0 million

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