



Office Q3 2023

YoY  
Chg

12-Mo.  
Forecast

**RM 6.14**

Average Asking Rent (MYR/sf/mo)

**3.6%**

Rental Growth (YoY)

**26.53%**

Vacancy Rate



Source: IVPS / Cushman &amp; Wakefield Research

### MALAYSIA ECONOMIC INDICATORS Q2 2023

YoY  
Chg

12-Mo.  
Forecast

**2.9%**

GDP Growth

**1.9%**CPI Growth  
September 2023**3.4%**

Unemployment Rate



Source: Department of Statistics Malaysia – August 2023

### Malaysia Economy Moderated While Estimates a Growth

Malaysia's GDP moderated to 2.9% (Q2 2023) against 5.6% in the previous quarter. On the supply side, the performance was supported by the growth in Services, Construction and Manufacturing sectors, which grew 4.7%, 6.2% and 0.1% respectively. On the demand side, the growth was attributed by Private final consumption expenditure and Gross fixed capital formation, which grew 4.3% and 5.5% respectively. Overall, Malaysia's economy grew at 4.2% for the H1 2023 as compared to 6.8% in the same period of 2022. On the other hand, for the first-time, Malaysia is announcing advance estimates of GDP as part of its efforts to meet the demand for timely macroeconomic statistics and are in line with best practices in developed countries. Malaysia's GDP in Q3 2023 estimated a further growth of 3.3% with Services sector continued to steer the overall performance while Construction remained modest. International tourism is a positive factor for services exports because it is strengthening, with tourist arrivals from major markets in ASEAN, the Middle East, and Europe recovering and Chinese tourist arrivals gradually improving.

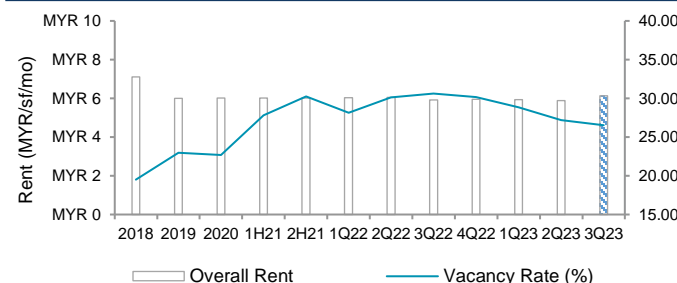
### Demand for Lease Flexibility

Office spaces that offer flexible lease terms, adaptable designs, and advanced sustainability features are more likely to be successful because they are more appealing to tenants. Tenants with business uncertainties are likely to lease office space that is flexible enough to meet their changing needs, that can be easily adapted to different uses, and that is environmentally friendly. The lease flexibility now is not limited to flex office or serviced office where we observed that few landlords in the market have started to accommodating it into conventional office lease structure e.g., early termination or surrender parts of Demised Premises in order to attract new tenants while retain existing ones. Since demand is recovering, we also observed that the trends of flight-to-quality, decentralization and ESG requirements remained open-ended. There is a robust take-up of office space especially office buildings with good transport connections and variety of amenities that offers tempting leasing bargains within KL Fringe and Decentralised area.

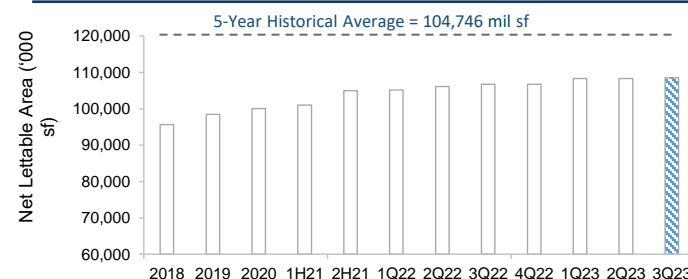
### Rental Rates Increased in All Submarket

It is notable that the average asking rents as at Q3 2023 are increasing in all submarket to RM6.14 per sqft per month and representing 3.6% y-o-y, much higher than average asking rent before Covid-19 pandemic. The increment is due to rising in operation cost and increase in electricity tariff where landlord feels that it is unavoidable but fair for tenant to bear the partial of the increment. Meanwhile, vacancy rate continue decreasing in overall especially Decentralised area with approximately 14.9% q-o-q movement involving financial and technology firms. With over 3 million sqft office supply expected to enter Greater KL's inventory by end 2023, it is likely to keep rents suppressed and vacancy rate high.

### ALL GRADE CBD OVERALL RENT & VACANCY RATE



### ALL GRADE CBD SUPPLY PIPELINE





Office Q3 2023

## 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	59.12 million	26.8%	14.88 million	MYR 6.84	US\$ 1.43	€ 1.35
KL Fringe	47.73 million	33.0%	3.86 million	MYR 6.86	US\$ 1.44	€ 1.36
Decentralised Area	35.34 million	19.8%	0.76 million	MYR 4.73	US\$ 0.99	€ 0.93
<b>TOTAL</b>	<b>142.19 million</b>	<b>26.53%</b>	<b>19.5 million</b>	<b>MYR 6.14</b>	<b>US\$ 1.29</b>	<b>€ 1.21</b>

a) Cumulative space for all sub-markets are based on total supply of office space (all grades)

US\$/MYR\$ = 4.78; €/MYR\$ = 5.06 as at 23 October 2023

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) &amp; IVPS / Cushman &amp; Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
MET Corporate Tower	KL Fringe	636,174	2023
Pavilion Corporate Tower 3A, 7 & 1	KL Fringe	94,594   74,777   231,435	2023
Menara Sentral RAC	KL Fringe	162,094	2023
Mercu Aspire @ KL Eco City	KL Fringe	650,000	2023
Sunway V2 Tower	KL Fringe	362,400	2023
Merdeka 118	KL CBD	1,700,000	2024
Atwater Corporate Tower A	Decentralised	169,301	2024
Sunway South Quay Corporate Tower 2 & 1	Decentralised	553,629   432,500	2024   2025
Sunsuria Forum Corporate Office	Decentralised	317,720	2025
Pavilion Corporate Tower 10 (Phase 2)	KL Fringe	215,152	2025
Bangsar 61 Tower 1	KL Fringe	548,000	2026

## INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Tesla set up its Malaysian HQ in Cyberjaya within Global Solution Centre compound.
- Titijaya is acquiring Menara TM Semarak measuring 324,158 sf to generate additional income from leasing activity, deal to be completed third quarter next year.
- CLMT intends to sell 3 Damansara Office Tower to Lagenda Properties Bhd for RM52 mil, expected to complete by first quarter next year.
- Alliance is acquiring 24 floors of office suites in Jalan Ampang, KL from Oxley measuring 315,711 sf to be stratified.

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## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

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Industrial Property  
(All Types)**47.92%**

Transactions from Terraced Factory / Warehouse

12-Mo.  
Forecast**-1.90%**

Sales Growth (Value y.o.y)

**-7.29%**

Sales Growth (Volume y.o.y)

Source: Cushman &amp; Wakefield / IVPS Research

MALAYSIA ECONOMIC INDICATORS  
Q2 2023**2.9%**

GDP Growth

YoY  
Chg12-Mo.  
Forecast**1.9%**CPI Growth  
September 2023**3.4%**

Unemployment Rate

Source: Department of Statistics Malaysia – August 2023

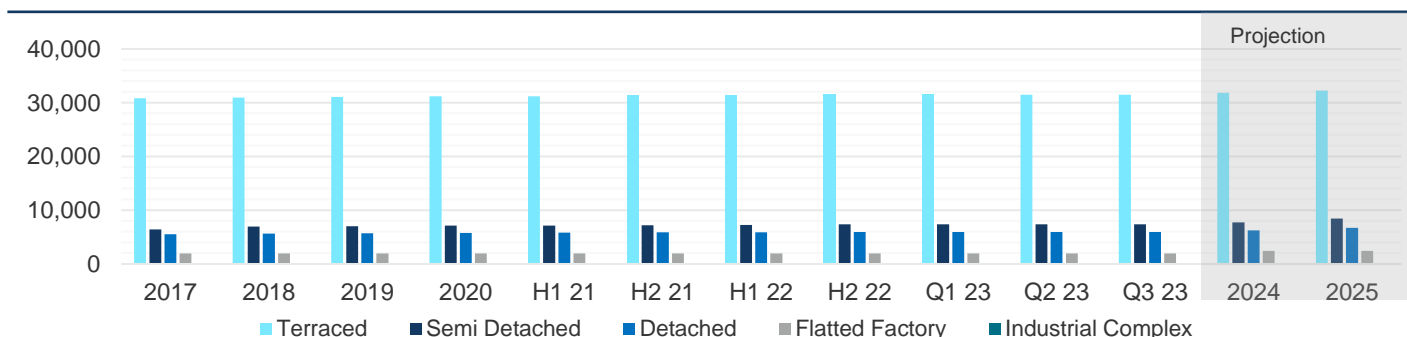
## Malaysia's Industrial Production Dipped by Manufacturing

Malaysia's IPI dipped by 0.3% in August 2023 as Manufacturing export-oriented industries declined while the domestic-oriented industries continued to expand. In comparison with the preceding month, the IPI increased by 2.8%, contrasting the negative growth of 1.8% recorded in July 2023. The decrease was attributed by contraction in the Manufacturing with -0.6% (July 2023: 0.2%), Mining with 0.1% (July 2023: 4.2%), and Electricity with 1.9% (July 2023: 1.5%). The deterioration in Manufacturing was primarily influenced by the continuous decline in export-oriented industries and mirrored the country's export performance which had been trending down since March 2023. On the bright side, domestic-oriented industries continued to expand, spearheaded by the manufacture of fabricated metal products, except machinery and equipment as well as the manufacture of food processing products.

## Sustainability within Industrial Park

Most of developers are now extending the conventional facilities management boundaries in managing and maintaining the entire industrial park that in efforts of ensuring quality standards of the managed industrial park as well as the welfare and safety of the manufacturers within the area. Industrial parks with value-added services e.g., ESG adoption, renewable energy, extended security services, health, safety, security and environment (HSSE) are in high demand for light to medium industrial players which is not limited to local players anymore. We observed that sustainability has been included into key parameters by prospective occupiers for their business investments amid ESG requirements.

## INDUSTRIAL SUPPLY PIPELINE (GREATER KL)





## 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	24,362	789	MYR 2.50 - MYR 4.20	\$0.53 - \$0.89	€0.50 - €0.84
Northern Region	Kuala Selangor, Hulu Selangor, Sabak Bernam	4,692	765	MYR 0.80 – MYR 2.20	\$0.17 - \$0.46	€0.16 - €0.44
Southern Region	Kuala Langat, Sepang	1,569	420	MYR 1.30 – MYR 2.50	\$0.27 - \$0.53	€0.26 - €0.50
Western Region	Klang	8,797	1,525	MYR 1.50 – MYR 2.90	\$0.32 - \$0.61	€0.30 - €0.58
Eastern Region	Hulu Langat	7,391	42	MYR 0.80 - MYR 1.60	\$0.17 - \$0.34	€0.16 - €0.32
<b>TOTAL</b>		<b>46,811</b>	<b>3,541</b>	<b>MYR 0.80 - MYR 4.20</b>	<b>\$0.17 - \$0.89</b>	<b>€0.16 - €0.84</b>

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 2023

- JV partners of IJM and FMM Elmina signed the SPA with Sime Darby for the acquisition of the 22 acres land in City of Elmina.
- Sunway Property entered into SPA with Kauthar Equities to acquire 245 acres freehold land in Kuang, Rawang for RM115 million.
- EcoWorld entered into conditional SPA with IOI to buy 403.78 acres land in Mukim Senai, Johor for RM211.07 million cash to develop Eco Business Park VI catering medium and light industrial businesses.
- Senheng is set to purchase a freehold industrial land in Klang together with a single-storey warehouse facility and three-storey office space for RM75.8 million from SDM Asset.

## INVESTMENT TREND / INDUSTRIAL DEVELOPMENT ACTIVITIES

- IJM Corp inked a JV agreement with FMM Elmina to develop two logistics hubs in City of Elmina spanning over 500,000 sqft, which will be fully leased to their master tenant Storio, an automated warehouse operator.
- Menteri Besar Selangor announced MOUs with leading aviation industry players in support of Selangor Aero Park (SAP).
- Kajima-SunCon JV target to commence construction of Daiso's distribution centre warehouse in Pulau Indah by May 2024 and be completed in the following 2 years, with an area of 130,000 sqft.
- Finland's Peikko Group, a global supplier of concrete connections and composite structures has officially opened its newest factory measuring 32,000 sqft approximately in Johor Bahru marking an exciting chapter for the APAC region.
- EPMB is establishing an automotive manufacturing facility by phases at HICOM Pegoh Industrial Park, Melaka projected to create around 1,000 new job opportunities.

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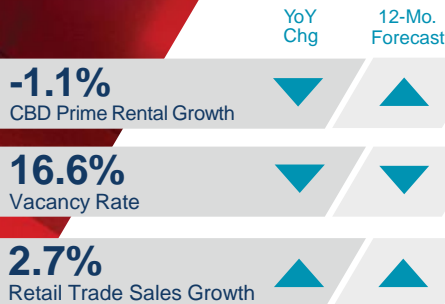
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## KUALA LUMPUR

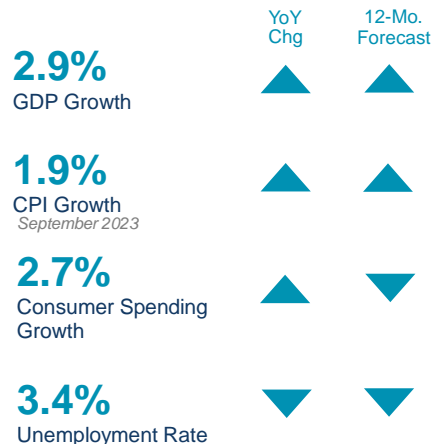
Retail Q3 2023

CUSHMAN &amp; WAKEFIELD



Source: IVPS / Cushman &amp; Wakefield Research

## MALAYSIA ECONOMIC INDICATORS Q2 2023



Source: Department of Statistics Malaysia

## Malaysia's Domestic Demand Maintain a Key Driver Despite Global Slowdown

Malaysia's GDP growth moderated to 2.9% in Q2 2023, where its performance was supported by the growth in Services, Construction and Manufacturing sectors, which grew by 4.7%, 6.2% and 0.1% respectively. The Services sector grew at slower pace 4.7% (Q1 2023: 7.3%) influenced by growth in wholesale trade and retail trade activities, better performance in support activities for transportation, land transport and air transport segments as well as strong performance in professional, scientific and technical activities. Despite global slowdown, Malaysia expects positive growth as inflation shall remain moderate in coming months since Bank Negara Malaysia have decided to maintain the OPR allowing domestic demand continues to thrive.

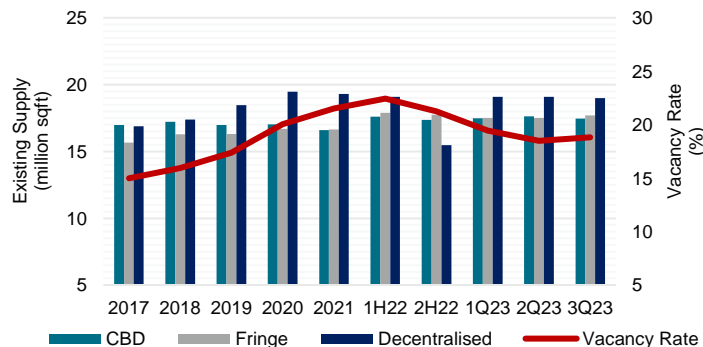
## Malaysia's Consumer Spending Remains Resilient

Consumer spending in Malaysia grew by 2.7% y-o-y but slightly decrease on q-o-q basis (Q3 2022: 5.5%). Despite the global slowdown, consumer spending remains resilient driven by strong growth in the Non-specialized Stores (9%), Other Goods in Specialized Stores (4.6%) and Other Household Equipment in Specialized Stores (0.2%) sector. We observed that consumers are shifting their spending priority towards essential goods especially those households that are categorized as B40 (bottom 40%) and M40 (middle 40%) compared to T20 (top 20%). The Malaysian government's stimulus measures and on-going infrastructure projects are anticipated to provide some support in consumer spending growth as an effort to boost economic activity and alleviate the impact of inflation on households. However, retailers must adapt with the changes in consumer preferences and implement strategies in order to remain competitive.

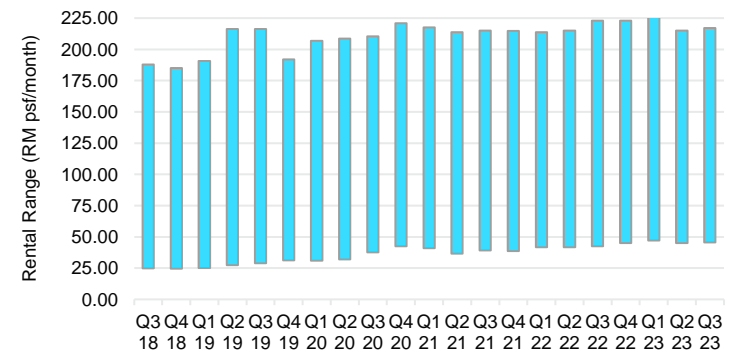
## Prime Malls at Bright Spot Though Vacancy Rate Rises

The overall vacancy rate for Kuala Lumpur shopping mall rose to 18.83% in Q3 2023 from 18.49% in the previous quarter. This increase influenced by few factors mainly due to the rising cost of living resulting from inflation and slower wage growth that affect consumer footprint. However, prime shopping mall's rental remain stable with slight decrease within the range of RM45.40 to RM217.15 per square foot per month, representing a decrease of 1.1% y-o-y. Despite that, prime shopping malls continue to perform well as they have a strong tenant mix and well-maintained. In contrast, we observed that shopping malls in less desirable locations or with aging infrastructure facing a challenge to attract new tenant and retain existing ones, resulting in declining rents. On a bright side, the upcoming year-end festive season may increase retail sales, which could contribute to the demand for retail space and stabilizing rental rate.

## Greater KL Existing Supply and Vacancy Rate



## CBD Prime Rental Range



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	17.45 million	16.6%	2.31 million
KL Fringe	17.69 million	22.0%	2.67 million
Decentralised Area	19.00 million	17.9%	2.50 million
<b>TOTAL</b>	<b>54.14 million</b>	<b>18.5%</b>	<b>7.47 million</b>

## SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
Pavilion Damansara Heights Mall (Phase 1)	KL Fringe	533,361	2023
8 Conlay Retail Component	KL CBD	120,000	2023
The Exchange Mall @ TRX	KL CBD	1,300,000	2023
KSL Esplanade Mall	Decentralised	650,000	2023
Sunsuria Forum @ 7 <sup>th</sup> Avenue	Decentralised	150,000	2023
Warisan Merdeka Mall @ 118	KL CBD	1,560,767	2024
Pavilion Damansara Heights Mall (Phase 2)	KL Fringe	529,353	2024
Mall @ The Loft Maju KL	KL CBD	1,000,000	2026
Q Mall @ Queensville	KL CBD	412,000	2026

## INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- KIP REIT acquires KIPMall Kota Warisan, a 1.5-storey retail center with 186,215 sf of lettable space in Dengkil, Selangor for RM80 million.
- 168 Park Selayang, a 2-storey retail mall with 118 commercial units and 235,500 sf of lettable space in Selayang, Kuala Lumpur, have secured Village Grocer as its community mall anchor tenant.
- IOI Properties Group launched Sierra Fresco at 16 Sierra, Puchong South which a 10-acre commercial area with a handpicked assortment of popular businesses to offer community conveniences and lifestyle opportunities fully managed by IOI Properties.
- LEGO Group unveils its first-ever 'Retail-tainment' Concept LEGO Certified Store in Malaysia at Sunway Velocity Mall, Kuala Lumpur that provide shoppers an extension of play with a series of interactive features while shopping.
- BIG Pharmacy Healthcare has clinched a deal to buy its competitor Caring Pharmacy Group from convenience store operator 7-Eleven Malaysia for a RM900 million worth deal.
- Healthcare retail chain Gintell officially launched its 117<sup>th</sup> retail outlet and Signature Showroom, located at Lot 6.16, Level 6 Pavilion Kuala Lumpur.
- Suria KLCC Group has released plans for the redevelopment of the Alamanda Shopping Centre in Putrajaya which commenced on 20 June 2023, is expected to complete in 4Q 2024.

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