

KUALA LUMPUR

Office Q1 2024

YoY Chg 12-Mo. Forecast

RM 6.21
Average Asking Rent (MYR/sf/mo)



4.54%
Rental Growth (YoY)



28.24%
Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

3%
GDP Growth



1.5%
CPI Growth
November 2023



3.4%
Unemployment Rate



Source: Department of Statistics Malaysia

Malaysia Economy is Expected To Sustain Moderate Growth

Malaysia's GDP shows a slightly drop outlook at 3% in the Q4 2023, compared to 3.3% in Q3 2023. The Services sector largely contributed to this economic performance, maintaining positive growth across all sector. With the overall performance of production sector, it showed positive growth in production of natural rubber, industrial production index, sales value of wholesale & retail trade sector, which grew 9.3%, 0.6%, 6.2% respectively. However, there is a decrease of 4.2% and 2.6% in production of fresh fruit bunches (oil palm) and sales value of manufacturing sector accordingly. In December 2023, Malaysia experienced a 1.5% rise in inflation, with the index points reaching 131.2 compared to 129.2 in the previous year's corresponding month. Conversely, the Producer Price Index witnessed a decline to 1.5% in December 2023. Total trade decreased by 2.4% compared to the previous year, with exports decreasing by 10% and imports increasing by 2.9%. Additionally, Malaysia's labor market reported a 2% yearly increment in the count of employed individuals. Despite facing international market uncertainty, Malaysia's economy is expected to sustain moderate growth, supported by the resilient performance of domestic-oriented industries.

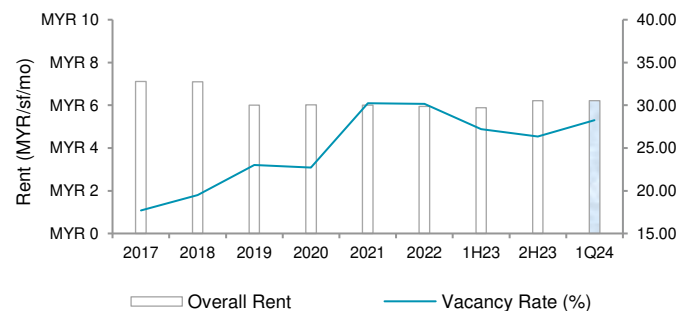
Kuala Lumpur Office Sector: Steadily Increment In Demand

Overall, the office market in Malaysia is showing a higher demand compared to the last few quarters. The leasing of office space is becoming more active, possibly due to fewer constraints in cost for expansion and relocation. Despite many companies adopting hybrid working models, an increasing number are requiring employees to return to the office, driving up the demand for office space. This increase in leasing office space has directly contributed to a positive market outlook. Simultaneously, aging buildings are losing appeal in attracting tenants due to evolving preferences and amenities. Tenants now prefer moving to modern or newly constructed buildings with better amenities, often at similar or lower prices compared to aging buildings without proper maintenance. There is also a trend among tenants looking for smaller or flexible office spaces to move into co-working spaces. These trends indicate that the market is on the path to recovery.

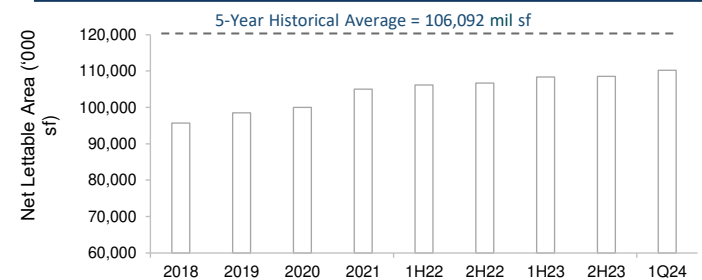
Slightly Decrease Rental With Rocket Rise Vacancy Rate

The data indicates a slight decrease of RM0.01 in the average asking rent from Q3 2023 to Q4 2023. Despite this decrease, the data shows that rental growth is slowly increasing year-over-year, reaching 4.54% in the latest quarter. However, the vacancy rate in Q4 2023 surged to 28.24% due to the increase in completed office spaces in Kuala Lumpur, including KL City Center and the suburban area. Currently, the asking rental rate for office buildings, especially newly completed ones, is higher due to the increased of the construction cost. Additionally, the specification and facilities provided in the building also contribute to the increase in the rental rate.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE





Office Q1 2024

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	60.74 million	27.5%	13.57 million	MYR 6.88	US\$ 1.46	€ 1.34
KL Fringe	49.45 million	37.3%	2.34 million	MYR 6.90	US\$ 1.46	€ 1.34
Decentralised Area	35.34 million	19.9%	0.65 million	MYR 4.85	US\$ 1.03	€ 0.94
TOTAL	145.53 million	28.24%	16.56 million	MYR 6.21	US\$ 1.32	€ 1.21

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

US\$/MYR\$ = 4.71; €/MYR\$ = 5.15 as at 21 March 2024

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
Menara Sentral RAC	KL Fringe	162,094	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
Duo Tower (Tower B)	KL Fringe	432,212	2027

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Emspaced has launched their new co-working space at Level 5 of Mercu 3 KL Eco City.
- Oxley Towers KLCC in Jalan Ampang has been sold to Alliance Bank Malaysia Bhd with RM405.84 million.
- Macroiosk has relocated their office to Menara 1 at Plaza Conlay.
- DBS Labuan and Representative Office has been moved to Integra Tower in Jalan Tun Razak, KL.
- Titijsaya Land Bhd's bought a 5-storey medium cost flat building in SS15, Subang Jaya from BNM with cash of RM44.5 million and is in intension to redevelop into mixed commercial properties.
- USO expanded to their space to Level 3, Tower 7 Avenue 7 @ Bangsar South.
- ANTA Malaysia has moved into new office at Menara Affin, TRX by March 2024

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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 52,000 employees in 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 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

47.95%

Transactions from Terraced Factory / Warehouse



37.42%

Sales Growth (Value y.o.y)



-5.47%

Sales Growth (Volume y.o.y)



Source: Cushman & Wakefield / IVPS Research

MALAYSIA ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
3% GDP Growth	▼	▼
1.5% CPI Growth November 2023	▼	▼
3.4% Unemployment Rate	▼	▼

Source: Department of Statistics Malaysia

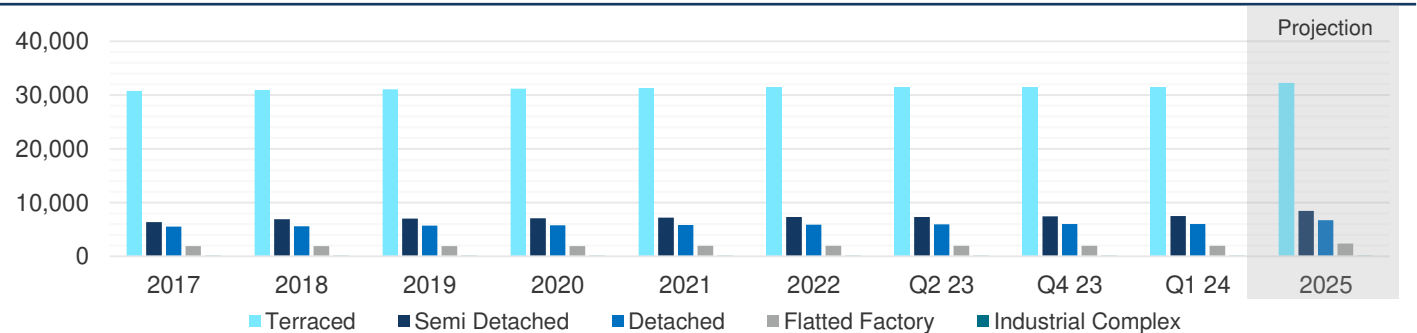
Sustainable Upward Trend in Malaysia Industrial Production Index (IPI)

In January 2024, the Industrial Production Index (IPI) recovered to 4.3%, reaching its highest level since May 2023, with only a slight decrease of 0.03% in December 2023. The increase in the manufacturing sector was particularly notable, rising to 3.7% from a negative 1.4% in the previous month. This growth was driven by the performance of domestic-oriented industries, which saw an 8% increase, as well as a positive growth of 1.6% in export-oriented industries. Additionally, the data indicated a continuous upward trend for the mining sector, which recorded a growth rate of 5%. This growth was induced by increased production of natural gas and crude oil & condensate, with growth rates of 6.6% and 2.6%, respectively. The electricity sector also continued its upward trend, reaching a record growth rate of 8.3%, with the electricity index increasing from 1.4% to 2%. Overall, the Industrial Production Index (IPI) improved by 2.0% compared to the preceding IPI record, indicating a positive trend in industrial production.

Tax Imposed on Logistic 2024

The announcement of Budget 2024 has gazetted that service tax will be imposed on logistic services. However, in order to avoid double taxation, a Media has recently been issued by the Ministry of Finance ("MOF") which stated the tax will be exempted from logistic services for directly exported goods, for transshipment activities, for transit activities, door-to-door logistic services, and F&B delivery services. Additionally, to mitigate the adverse effects on the daily operations of logistic activities, business-to-business (B2B) transactions are also exempted, eliminating the need to pay service tax on the acquisition of the same logistic service components. Furthermore, goods arriving in Malaysia for the purpose of transfer and unloading will also be exempted from the service tax.

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	24,402	709	MYR 2.50 - MYR 4.20	\$0.53 - \$0.90	€0.50 - €0.82
Northern Region	Kuala Selangor, Hulu Selangor, Sabak Bernam	4,941	612	MYR 0.90 - MYR 2.40	\$0.19 - \$0.51	€0.17 - €0.47
Southern Region	Kuala Langat, Sepang	1,605	545	MYR 1.50 - MYR 4.00	\$0.32 - \$0.85	€0.29 - €0.78
Western Region	Klang	8,822	1,708	MYR 1.60 - MYR 2.80	\$0.34 - \$0.60	€0.31 - €0.54
Eastern Region	Hulu Langat	7,376	69	MYR 0.90 - MYR 2.00	\$0.19 - \$0.42	€0.17 - €0.39
TOTAL		47,146	3,643	MYR 0.90 - MYR 4.20	\$0.19 - \$0.90	€0.17 - €0.82

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

US\$/MYR\$ = 4.71; €/MYR\$ = 5.15 as at 21 March 2024

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KEY SALES TRANSACTIONS AS AT Q4 2023

- Goodyear Tire & Rubber is going to close down the manufacturing plant in Shah Alam, effective by 30th June 2024.
- FM Global Logistics bought two plots of freehold land with a total size of 5.6 acres and amount of RM37.72 million in Setia Alaman Industrial Park, Klang.
- Peikko Group launched a new factory in Johor Bahru
- AME Reit accomplished the acquisition of Plot 16 at i-Park @ Indahpura in Iskandar, Malaysia with an amount of RM26.5 million.
- ABB Malaysia relocated to Sunway Reit Industrial @ PJ 1 by 1st January 2024.
- Corridor Venture and Sunway Reit entered into sale and purchase agreement to acquire an industrial property in Prai, Penang.

INVESTMENT TREND / INDUSTRIAL DEVELOPMENT ACTIVITIES

- Venturing into the industrial segment, CapitaLand Malaysia Trust acquires three factories in Iskandar Malaysia for RM27 million.
- Enovix has made a total investment of RM5.8 billion over 15 years in Malaysia in order to establish high-volume manufacturing.
- Equalbase invested RM300 million in Valdor, Penang for its first carbon-neutral logistic complex.

KUALA LUMPUR

Retail Q1 2024

CUSHMAN & WAKEFIELD

YoY Chg 12-Mo. Forecast

46.23%
CBD Prime Rental Growth

19.66%
Vacancy Rate

2.6%
Retail Trade Sales Growth

Source: IPVS / Cushman & Wakefield Research

Retail Sales Rebound in Q1 2024

In January 2024, the sales value of wholesale and retail trade in Malaysia reached a record of RM142.4 billion, marking a commendable 5.4% year-on-year growth. The upward trend was fueled by every subsector which consisted of motor vehicles, retail trade and wholesale trade with 16%, 2.6% and 5.5% accordingly. Besides, registering at 152.3 points, the wholesale and retail trade sectors exhibited a year-on-year growth of 3.5% in terms of volume index. This uptick was bolstered by significant increases in motor vehicles, which soared by 12.1%, as well as wholesale trade, which saw a 4% rise, and retail trade, which experienced a modest 1.4% uptick. However, in monthly comparison, the data showed that the sale value has been decreased to -1.1% where the volume index experienced a marginal decline of -1.3%, primarily influenced by a decrease of -4.6% in motor vehicles and a -2.3% decrease in retail trade.

Prevailing Weak Spending Power Consumption

Throughout 2024, weak consumer sentiment is expected to persist, leading consumers to prioritize essential expenditures over discretionary ones. This trend is likely to dampen consumer spending, with households facing increased expenditure. Staple food prices are also expected to remain high in 2024 due to ongoing operational challenges, including rising labor and utility costs, as well as fluctuations in raw material prices for manufacturers. The introduction of new taxes in 2024, including the rise in the sales and service tax to 8% from the previous 6%, potential water tariff hikes, reductions in petrol/diesel subsidies, and the implementation of a low-value goods tax, is expected to further impact consumption habits. These changes are likely to strain overall consumer disposable income, with the middle-income group expected to bear the brunt compared to the higher and lower-income groups.

In conclusion, retail sales figures in 2024 are expected to be primarily influenced by higher prices rather than increased sales volumes, reflecting the challenging economic conditions and consumer sentiments.

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3%
GDP Growth

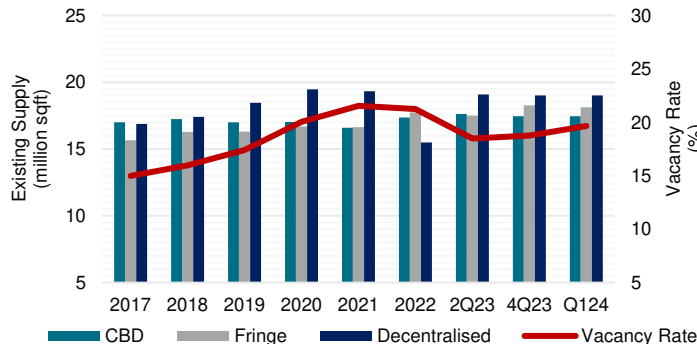
1.8%
CPI Growth

4.2%
Consumer Spending Growth

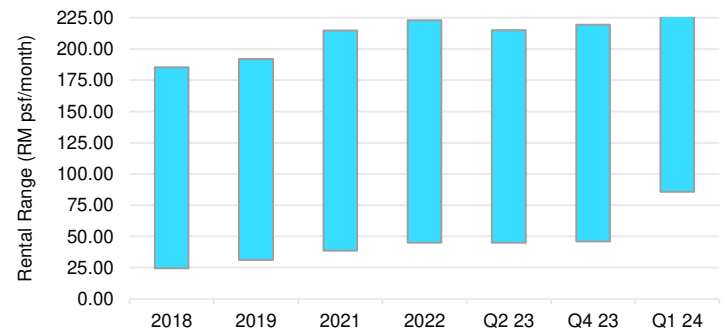
3.4%
Unemployment Rate

Source: Department of Statistics Malaysia

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	15.1%	1.24 million
KL Fringe	18.13 million	18.6%	2.71 million
Decentralised Area	19.00 million	25.2%	2.50 million
TOTAL	54.58 million	19.63%	6.45 million

SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
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 (Phase 1)	KL CBD	1,000,000	2026
Q Mall @ Queensville	KL CBD	412,000	2026

INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- Moxy Hotel debuts in Malaysia and had a soft opening in Putrajaya which located steps away from IOI City Mall in Putrajaya.
- Courtyard by Marriott Penang was sold to IOI PFCC Hotel for an amount of RM165 million.
- Monkeys Canopy Hotel Resort by Unicorn Pavilion had a soft opening in Sungai Long by mid Feb 2024
- After the successful launch of IMAX with Laser and 12-Channel Sound Technology at cinema in Pavilion Bukit Jalil and Sunway Velocity, TGV is extending the IMAX experience to TGV in 1 Utama.
- Due to the ongoing conflict since Q4 2023, certain prominent Western brands, such as Mc Donald's and Starbucks, are facing consumer boycotts.

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