

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
30.16% Vacancy Rate	▲	▲
-386.25M QTQ Net Absorption, SF	▼	▼
RM 6.11 Avg. Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.4% GDP Growth	▼	▲
1.3% CPI Growth <i>August 2025</i>	▼	▲
3.0% Unemployment Rate <i>June 2025</i>	▼	▼

Source: BNM, DOSM (Q2 2025)

ECONOMY: MALAYSIA MAINTAINS 4.4% GROWTH IN Q2 2025 AMID DIVERGING SECTOR TRENDS

Malaysia's economy expanded by 4.4% in Q2 2025, maintaining the same pace as the previous quarter (Q1 2025). Growth was mainly supported by the Services sector, which strengthened slightly to 5.3%, compared to 5.0% in Q1. The Construction sector continued to record double-digit growth of 11.0%, though at a slower rate than the 14.2% achieved in the previous quarter. Meanwhile, the Manufacturing sector rebounded, registering a growth of 3.8% after contracting in Q1. In contrast, the Mining and Quarrying sector weakened further, declining by 7.4%, while the Agriculture sector improved to 2.0% growth from 0.6% in Q1.

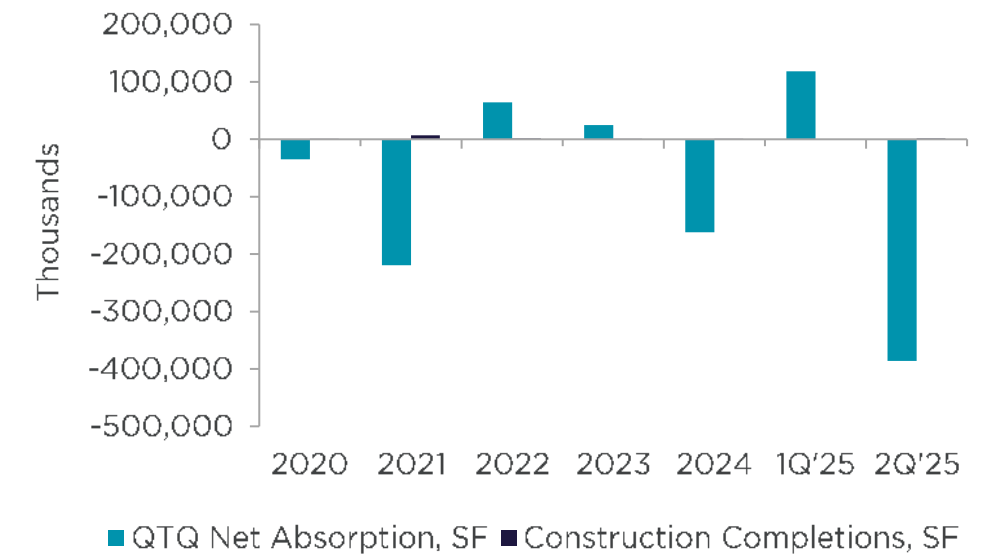
DEMAND: SST-DRIVEN COST PRESSURES WEIGH ON OFFICE TAKE-UP

The introduction of an 8% SST (effective July 1, 2025) is expected to influence tenants' space requirements, with many likely to resist rental increases, especially upon renewal, and consider relocating to lower-cost areas, resizing, or delaying expansion plans. During negotiations, tenants may exert additional pressure on landlords to align rental rates with their expectations. For landlords, rising operating costs, coupled with potential tenant resistance and reduced absorption rates, are likely to compress profit margins, dampen rental growth, or lead to the withdrawal of incentives altogether, potentially slowing leasing momentum and market recovery.

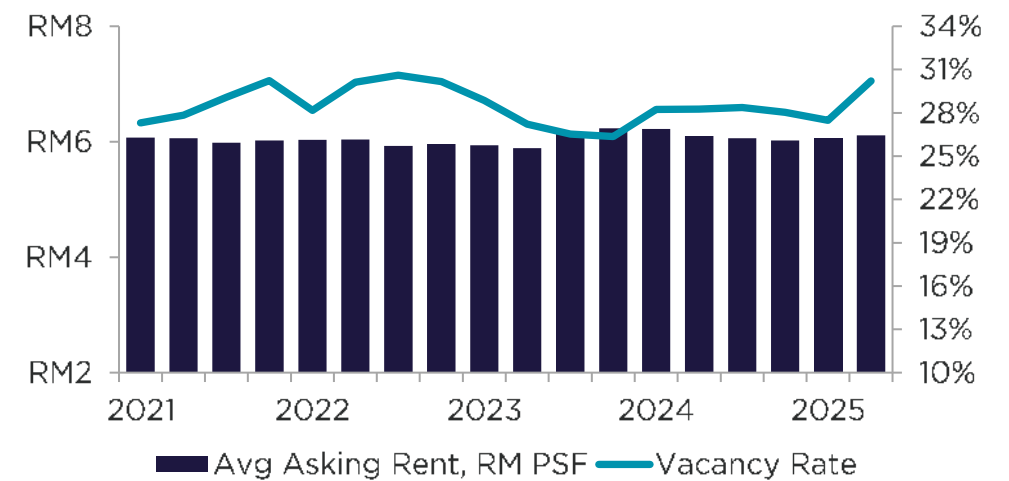
PRICING: AVERAGE RENTS EDGE UP WHILE VACANCY RISES IN GREATER KUALA LUMPUR

In Q2 2025, the average asking rent in Greater Kuala Lumpur edged up slightly to RM 6.11 psf per month, compared to RM 6.07 in Q1 2025. Rental movements across the key submarkets were modest. The KL CBD registered a marginal increase to RM 6.92 psf, up from RM 6.90 in the previous quarter. The KL Fringe also saw a slight uptick, averaging RM 6.54 psf, while the Decentralised submarket rose to RM 4.86 psf. Despite these rental improvements, the overall vacancy rate increased to 30.16% in Q2 2025, reversing the decline observed in the prior quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (MSF)	OVERALL VACANCY RATE	PLANNED & UNDER CONSTRUCTION (MSF)	OVERALL AVG ASKING RENT (ALL CLASSES, RM PSF PM)*	OVERALL AVG ASKING RENT (ALL CLASSES, USD PSF PM)*
KL CBD	58.97	28.5%	11.31	RM 6.92	USD 1.64
KL FRINGE	49.30	32.7%	2.2	RM 6.54	USD 1.55
DECENTRALISED	36.48	29.28%	0.35	RM 4.86	USD 1.14
TOTAL	144.75	30.16%	13.86	RM 6.11	USD 1.44

*Rental rates reflect full service asking; inclusive of service charge.

a) Inventory for all submarket is based on the total supply of office space (all classes).

b) Office space within KL Sentral, Bangsar and those within Damansara Heights vicinity are taken into consideration as KL Fringe submarket.

c) Office space within Petaling Jaya, Damansara, Kelana Jaya, Sunway/Subang/USJ and Shah Alam are taken into consideration as Decentralised submarket.

Source: NAPIC & IVPS/Cushman & Wakefield Research

NOTABLE INCOMING SUPPLY

PROPERTY	SUBMARKET	NLA (SF)	TARGET COMPLETION
TNB Gold	KL Fringe	475,600	2025
Menara Golden Eagle	KL CBD	112,000	Q1 2026
KL Midtown Signature Office	KL Fringe	600,000	Q3 2026
The Capitol	Decentralised	1,200,000	Q3 2026
Bangsar 61 (Tower 1)	KL Fringe	548,000	Q4 2026
Plaza Conlay Tower 2	KL CBD	606,000	2026
Pavilion Square Bukit Bintang	KL CBD	167,407	2026
Duo Tower (Tower B)	KL Fringe	432,212	2027
Solarvest Tower	KL Fringe	348,092	2027
Pavilion Damansara CT10	KL Fringe	215,152	2028
Lot C7-10, TRX	KL CBD	800,000	2029
Iconic Tower, IOI Resort City	Decentralised	1,000,000	2030
IOI Rio City Office Tower	Decentralised	350,000	2030

*Target completion = Building completion with Certificate of Completion and Compliance (CCC)

INVESTMENT TREND/OFFICE DEVELOPMENT ACTIVITIES

- Sentral REIT disposes Wisma Sentral Inai to Turiya Bhd for RM135M
- Infinity8 achieves near-100% occupancy at its Reserve TRX workspace on level 23, Exchange 106, marking a roaring debut in Kuala Lumpur's premium co-working landscape.
- Kuala Lumpur's prime office demand surges, especially for ESG-ready grade A buildings.
- Common Ground launches its flagship 15,000 sq ft coworking space at Menara Darussalam KLCC, marking its 16th location with exclusive Grand Hyatt amenities.
- UOA REIT's 2Q net rental income up 8.9%, distribution per unit raised to 3.03 sen
- AMD unveils 209,000 sq ft R&D & office hub in Penang
- Maxim Global purchases Southbank Block 6 office tower in Klang Lama for RM29.5M

TIFFANY GOH

Head - Occupier Services

Tel: +6012-299 2778 (M); +603-7728 4117 (O)

tiffanygoh@ivpsmalaysia.com

IZATUL HAFIZAH

Occupier Services

Tel: +6012-550 3881 (M); +603-7728 4117 (O)

izatul@ivpsmalaysia.com

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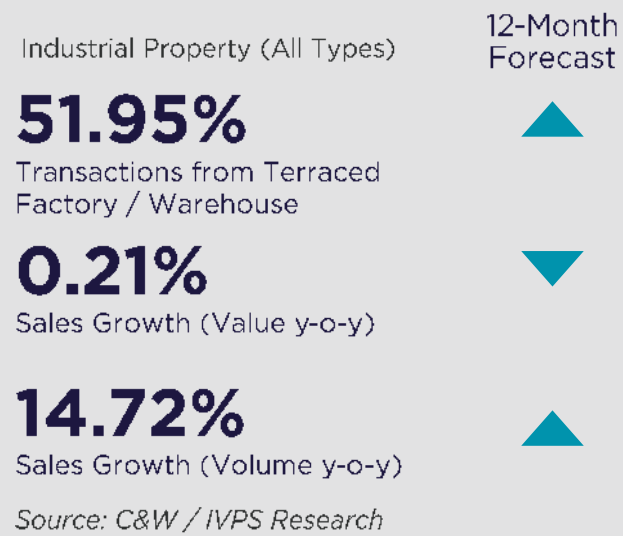
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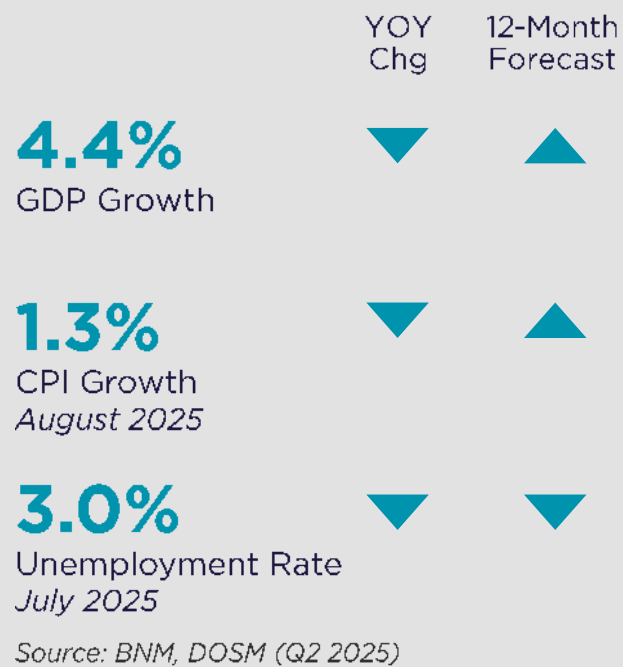
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MARKET FUNDAMENTALS



ECONOMIC INDICATORS



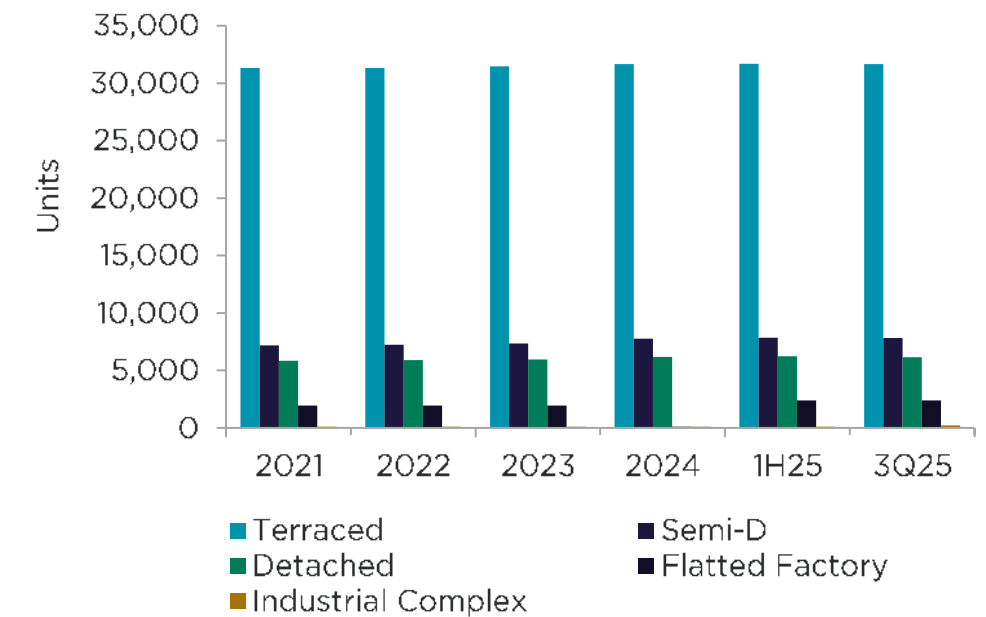
ECONOMY: STRONGER INDUSTRIAL OUTPUT DRIVEN BY MANUFACTURING AND ELECTRICITY GROWTH

Malaysia's Industrial Production Index (IPI) recorded a stronger growth of 3.0% in June 2025, accelerating from 0.3% in May, underpinned by higher output in the manufacturing and electricity sectors, while mining continued to contract though at a much smaller pace. Manufacturing activity grew 3.6% compared to 2.8% in May, supported mainly by domestic-oriented industries which expanded 5.1%, driven by a sharp rise in food products (+11.3%), along with increases in basic metals (+6.7%) and motor vehicles (+3.4%). The electricity sector also rebounded strongly, posting 4.1% growth after a slight decline in the previous month. Meanwhile, the mining sector stayed in negative territory at -0.01%, but this was a notable improvement from May's steep -10.2% drop. Export-oriented industries sustained a steady 2.9% growth, with most segments showing improvement despite continued weakness in electronics (-5.9%), reflecting solid domestic demand and a gradual recovery in external markets.

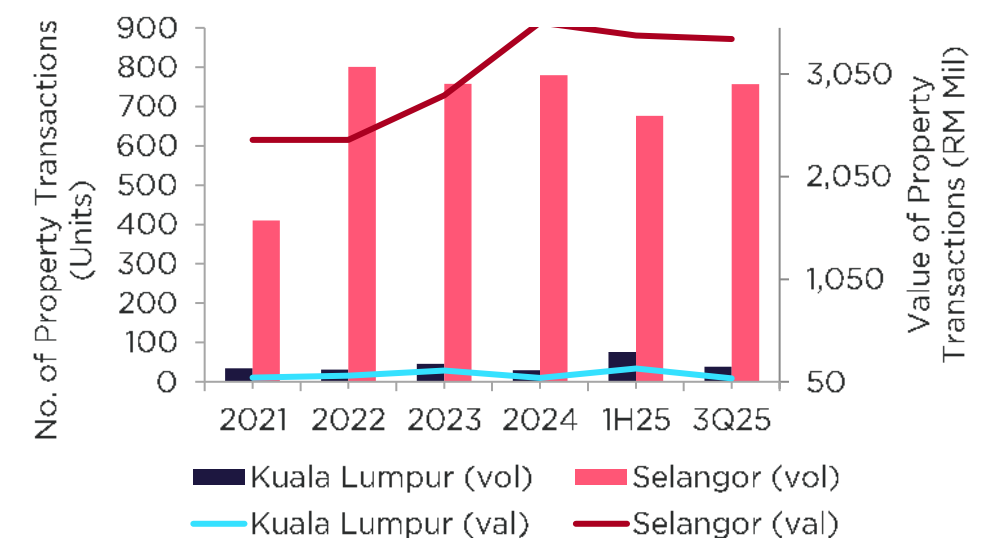
SUPPLY: POST-SST COST PRESSURES ON MANUFACTURERS

Since the July 2025 expansion of Malaysia's Sales and Service Tax (SST), industrial players have faced growing cost pressures that continue to erode profit margins. The broader tax scope has increased expenses on raw materials, logistics, and professional services, while energy and labour costs have also remained elevated. Manufacturers in key sectors such as machinery, automotive, and consumer goods are finding it difficult to pass on these additional costs to customers amid weak demand and tight competition. As a result, many companies are prioritising cost optimisation, production efficiency, and supply chain restructuring to preserve profitability. According to the Federation of Malaysian Manufacturers (FMM), persistent cost pressures are expected to weigh on industrial recovery through the second half of 2025, underscoring the need for stronger policy support and productivity-driven growth to sustain Malaysia's industrial competitiveness.

INDUSTRIAL SUPPLY PIPELINE (GREATER KL)



VOLUME & VALUE OF PROPERTY TRANSACTIONS



MARKET STATISTICS

SUBMARKET	INDUSTRIAL AREA	INVENTORY (UNIT)	PLANNED & UNDER CNSTR (UNIT)	FACE RENT RM PSF PM (ALL TYPES)	FACE RENT USD PSF PM (ALL TYPES)	FACE RENT EUR PSF PM (ALL TYPES)
Central Region	W.P Kuala Lumpur, Gombak, Petaling	25,009	123	RM 1.90 – RM 4.30	\$ 0.45 – \$ 1.02	€ 0.38 – € 0.87
Northern Region	Kuala Selangor, Hulu Selangor, Sabak Bernam	5,350	519	RM 1.20 – RM 2.40	\$ 0.29 – \$ 0.57	€ 0.24 – € 0.48
Southern Region	Kuala Langat, Sepang	1,680	695	RM 1.80 – RM 2.50	\$ 0.43 – \$ 0.59	€ 0.36 – € 0.51
Western Region	Klang	9,381	1,071	RM 1.90 – RM 3.00	\$ 0.45 – \$ 0.71	€ 0.38 – € 0.61
Eastern Region	Hulu Langat	7,376	196	RM 1.40 – RM 2.40	\$ 0.33 – \$ 0.57	€ 0.28 – € 0.48
TOTALS		48,796	2,604	RM 1.20 – RM 4.30	\$ 0.29 – \$ 1.02	€ 0.24 – € 0.87

Cumulative supply for all submarkets are based on total supply of industrial space (all types).

Source: NAPIC & IVPS/Cushman & Wakefield Research

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	LOCATION	SELLER/BUYER	LAND AREA	PRICE RM
Industrial land with buildings	Banting, Selangor	Lucksoon Coatings/ LB Aluminium	6.74 acres	RM 22 Mil
A parcel of land with a warehouse building	Kuching, Sarawak	Forescom Plywood/ Shin Yang Group	4.8 acres	RM 12.5 Mil
A parcel of land	Jalan Putra, Kuala Lumpur	Tan Chong Motor/ Avaland	3.2 acres	RM 148 Mil
A parcel of land	Banting, Selangor	Greenyfield/ Filtermation (MFG)	2.63 acres	RM 8.0 Mil
Industrial land with 2-storey factory, a 3-storey office block, a 2-storey warehouse, and a guardhouse	Petaling Jaya, Selangor	Pixio/ NexG	1.53 acres	RM 28.5 Mil

INVESTMENT TREND/INDUSTRIAL DEVELOPMENT ACTIVITIES

- A total of 42 data centre projects were approved for construction in Johor during Q2 2025.
- Aneka Jaringan has accepted a letter of award issued by Quantum Alpha for the execution of piling works at a data centre project in Eco Business Park V, Selangor.
- Pantech Global to acquire 4.84 acres Klang Land for RM29 Million, drops original initial public offering site plan.
- S P Setia and Taiwan's ALP will jointly develop a 42-acre smart warehouse campus in Klang with a GDV of up to RM4 billion. The project includes two build-to-lease warehouses, one for cold chain and one for ambient storage, offering 1.5 million sq ft of space and 150,000 pallet locations, featuring automated storage and retrieval systems (AS/RS).
- Silver Ridge's Cyberjaya data centre project has been scrapped following the withdrawal of PKNS's subsidiary from the joint venture. The project was planned for an eight-acre site owned by PKNS in Cyberjaya.
- Fraser & Neave Holdings (F&N) has proposed selling its 50% stake in a non-core property asset in Petaling Jaya for approximately RM180 million, as part of its strategy to focus on expanding its dairy farming business.

TIFFANY GOH

Head - Occupier Services

Tel: +6012-299 2778 (M); +603-7728 4117 (O)

tiffanygoh@ivpsmalaysia.com

FARINA BASAR

Occupier Services

Tel: +6012-480 2831 (M) ; +603-7728 4117 (O)

norfarina@ivpsmalaysia.com

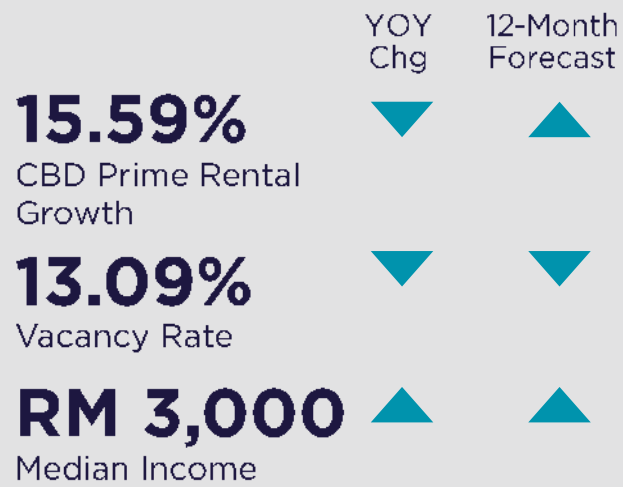
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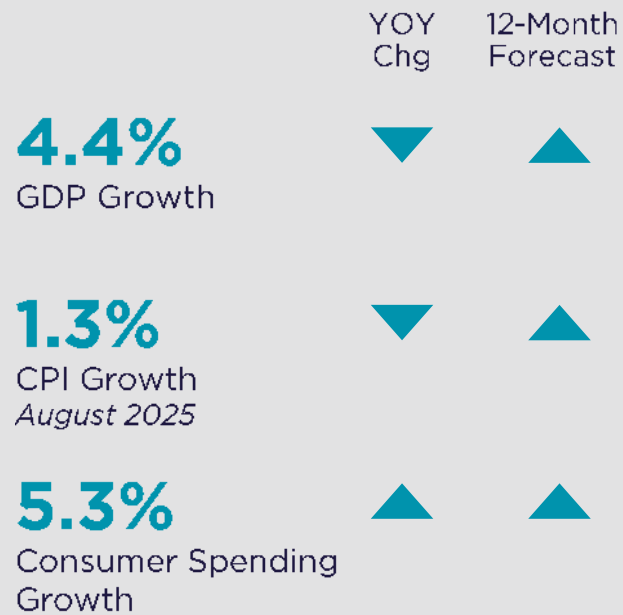
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MARKET FUNDAMENTALS



Source: C&W / IVPS Research

ECONOMIC INDICATORS



Source: BNM, DOSM (Q2 2025)

ECONOMY: WHOLESALE AND RETAIL TRADE GROWS, DRIVEN BY STRONG RETAIL AND HOUSEHOLD GOODS SALES

In June, wholesale and retail trade, including vehicle sales, grew 4.8% year-on-year to RM153 billion, slightly up from May's 4.4% gain. Retail trade rose 5.4% to RM67.5 billion, driven by non-specialised stores like supermarkets and strong sales in specialised outlets such as cosmetics, clothing and jewelry. Wholesale trade increased 5.2% to RM68.3 billion, with household goods showing solid growth. The motor vehicle sub-sector rose 0.7% to RM17.1 billion, supported by higher sales of parts and motorcycle services. However, on a month-on-month basis, overall sales dipped 0.9%, and the volume index, adjusted for price changes, slipped 0.6%.

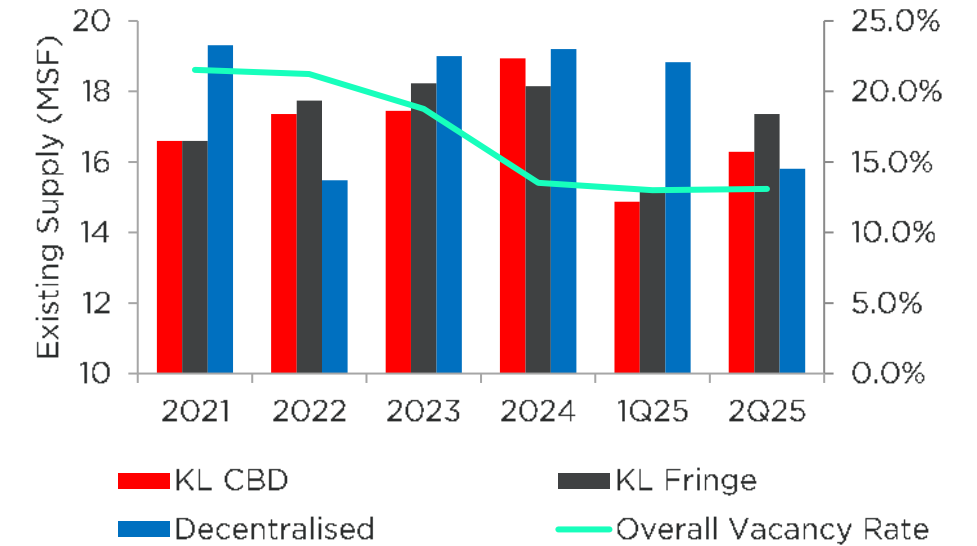
SUPPLY: NEIGHBORHOOD MALLS LEAD IN AN OVERSUPPLIED MARKET

Klang Valley has an oversupply of malls, with many located right across or next to each other, often of similar size, making brand and service differentiation a challenge. In contrast, well-planned, right-sized neighborhood malls tend to perform more consistently by offering an optimal mix of everyday essentials tailored to their immediate catchment, driving higher frequency of repeat visits. Several malls are set to open soon, including both new developments and refurbished or expanded properties. For example, the KLGCC Mall has recently soft opened, positioning itself as a premium lifestyle destination catering to affluent residents and members within the Kuala Lumpur Golf & Country Club vicinity.

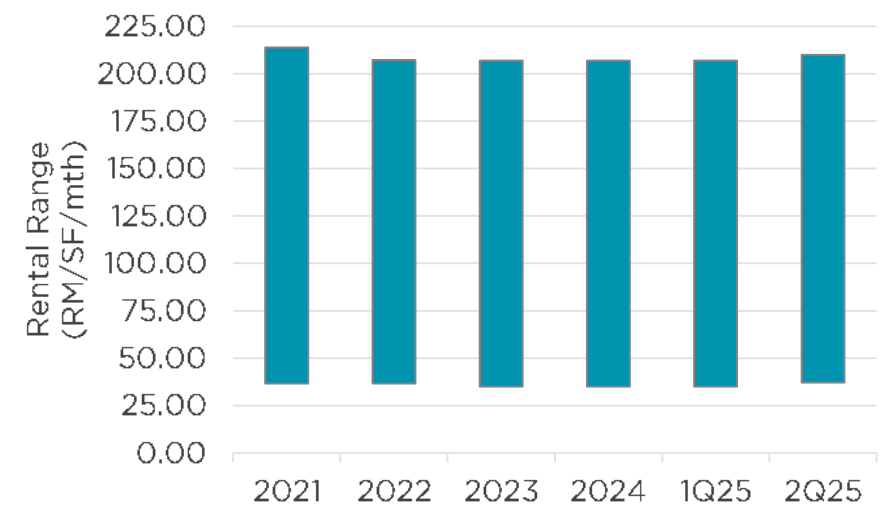
PRICING: IMPACT OF SST EXPANSION ON RETAILER MARGINS

The July 2025 expansion of Malaysia's SST has placed pressure on retailer margins, particularly in discretionary and newly taxable categories. With higher selling prices after the tax, consumers have become more cautious and price-sensitive, reducing overall transaction volumes in non-essential segments. To sustain demand, many retailers are absorbing part of the tax impact or increasing promotional activity through discounts, bundle deals, and loyalty incentives, which further squeeze profit margins. While essentials remain exempt and help stabilize baseline sales, competitive pricing and value-driven strategies have become crucial for retailers to balance between maintaining volume and protecting margins in a more cost-conscious market.

EXISTING SUPPLY AND OVERALL VACANCY RATE



CBD PRIME RENTAL RANGE



MARKET STATISTICS

SUBMARKET	INVENTORY (MSF)	OVERALL VACANCY RATE	PLANNED & UNDER CNSTR (MSF)
KL CBD	16.29	11.0%	2.56
KL Fringe	17.36	16.1%	2.64
Decentralised	15.81	13.0%	2.50
TOTAL	49.46	40.1%	7.70

- a) Inventory for all submarket is based on the total supply of shopping complex (all type).
- b) Shopping complex within KL Sentral, Bangsar and those within Damansara Heights vicinity are taken into consideration as KL Fringe submarket.
- c) Shopping complex within Petaling Jaya, Damansara, Kelana Jaya, Sunway/Subang/USJ and Shah Alam are taken into consideration as Decentralised submarket.

Source: NAPIC & IVPS/Cushman & Wakefield Research

NOTABLE SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	NLA (SF)	TARGET COMPLETION
Hextar World @ Empire City	Decentralised	1,800,000	Q4 2025
Sunway Square Mall	Decentralised	300,000	Q4 2025
Pavilion Damansara Heights Mall (Phase 2)	KL Fringe	529,353	Q4 2025
(Refurbishment) – Plaza Alam Sentral	Decentralised	233,751	Q4 2025
KLGCC Mall	KL Fringe	240,000	Q4 2025
Ombak KLCC	KL CBD	420,000	Q2 2026
Coalfields Retail Park	Decentralised	TBC	2026
Maju Kuala Lumpur Mall	KL CBD	750,000	2026
118 Mall @ Merdeka 118	KL CBD	1,506,947	2026
Queens Mall Kuala Lumpur @ Queensville	KL CBD	412,000	2027
Sunway Pier	Decentralised	400,000	2027
DA Central Mall	Decentralised	420,000	2028
IOI City Mall (Phase 3)	Decentralised	1,000,000	2029
IOI Rio City Mall	Decentralised	1,000,000	2030

*Target completion = Building completion with Certificate of Completion and Compliance (CCC)

INVESTMENT TREND/RETAIL DEVELOPMENT ACTIVITIES

- IGB REIT sets to acquire Johor’s five-storey The Mall, Mid Valley Southkey spanning more than 1.5 million sf from IGB Berhad, its 70%-owned subsidiary for RM2.65 billion.
- Hextar World at Empire City has unveiled eight new anchor tenants, including Village Grocer, Miami Beach, Jungle Gym, Ballet Theatre Malaysia, Sport Planet, Playa Racquet Club, La Boca and 91 Sports Arena.
- Set across four acres, Bali Escape KL (BEKL) will include three-storey retail units with a combined net lettable area of 153,576 sf, with an opening targeted for the Q4 2025.
- KLGCC Mall, developed by Sime Darby Property, reached 85% occupancy as of July.
- Da Men Mall in Subang Jaya will be rebranded as Easyhome Mall.
- South Korea’s Lotteria, in partnership with Serai Group is set to open its first burger restaurant in Malaysia in 2025, with plans to expand to 30 additional locations over the next five years.

TIFFANY GOH

Head - Occupier Services

Tel: +6012-299 2778 (M); +603-7728 4117 (O)
tiffanygoh@ivpsmalaysia.com

FARINA BASAR

Occupier Services

Tel: +6012-480 2831 (M) ; +603-7728 4117 (O)
norfarina@ivpsmalaysia.com

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