

Office Q3 2020

YoY Chg 12-Mo. Forecast

RM6.03

Average Asking Rent (MYR/sf/mo)



-1.31%

Rental Growth (YOY)



22.7%

Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

Record Economic Contraction in Q2

Malaysia's economy shrank by 17.1% y-o-y in Q2 2020, a worse than expected outcome. This was the first contraction since the third quarter of 2009, and the steepest fall since the fourth quarter of 1998 Asian Financial Crisis. The sharp downturn reflects the dire impact of domestic and global measures taken in Q2 to contain the spread of the COVID-19 pandemic, with the closure of non-essential businesses and social distancing implemented. Tourism, manufacturing and investment were among the primary sectors hit by the lockdown imposed in the middle of March. Some sectors are still struggling to cope in the aftermath of the suspension of economic activity during the Movement Control Order (MCO) period. The Government has also announced the extension of the Recovery Movement Control Order (RMCO) from August 31 to December 31 in response to a resurgence in new daily cases.

Leasing Activity Remains Stagnant

Office leasing demand in Kuala Lumpur remained sluggish at the end of Q2. The situation is expected to persist, with most firms adapting to a new normal of staff working from home or rotating between remote and in-office working. With office spaces under-utilized, more firms are anticipated to reduce their leased space to match their office needs, or to relocate to reduce their occupier costs where possible. New lease transactions were extremely rare in the quarter, although enquiries grew for smaller spaces, and co-working and flexible space from prospects looking for shorter-term leases. The overall office occupancy rate (all grades) for KL CBD slipped further to 77.3%. Overall occupancy for KL Fringe (all grades) dropped to 70.1%, with many firms downsizing or relocating, or closing branch offices to leave empty or fitted office space vacant in the market, adding to pressure on landlords.

Downwards Pressure on Rental Levels to Continue

With prospects for office market activity appearing dim since the pandemic outbreak, citywide average asking rents have surprisingly remained stable over the last two quarters. However, average asking rental levels in KL's submarkets slipped 1.31% y-o-y and are expected to drop further with rising overall vacancy. New office building projects are also seen trimming asking rents in response to low pre-commitment levels and high vacancy.

MALAYSIA ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

-17.1%

GDP Growth



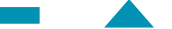
-1.4%

CPI Growth



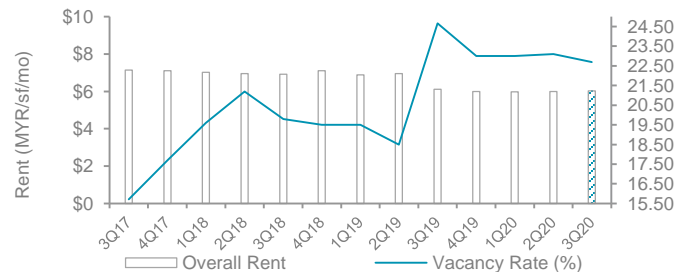
4.7%

Unemployment Rate

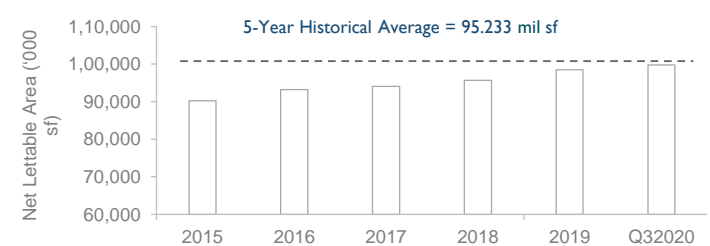


Source: Department of Statistics Malaysia

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



KUALA LUMPUR

Office Q3 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	54.91 million	22.70%	16.23 million	MYR 6.83	US\$1.675	€ 1.41
KL Fringe	44.64 million	29.90%	1.87 million	MYR 6.35	US\$1.53	€ 1.31
Decentralised Area	31.35 million	27.90%	6.16 million	MYR 4.89	US\$1.18	€ 1.01
TOTAL	130.80 million	26.83%	24.26 million	MYR 6.03	US\$1.45	€ 1.24

- 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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Exchange 106	KL CBD	Agoda	Approx. 30,000	New Lease
The Exchange 106	KL CBD	Union Pay	Approx. 2,000	New Lease
The Exchange 106	KL CBD	Sellbytel	Approx. 34,000	New Lease
Mercu 2	KL Fringe	Hannover Re	Approx. 30,000	New Lease
Menara One Sentrum	KL Fringe	Google	Approx. 16,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
-	-	-	-	-

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