



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 2020YoY
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

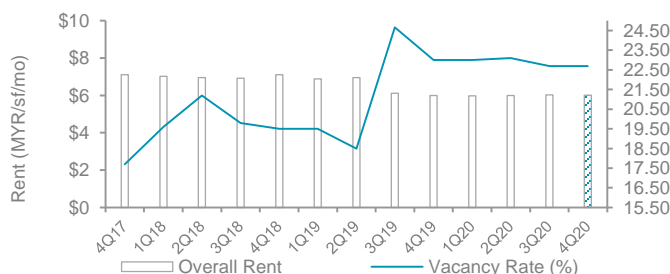
Office leasing activity in Kuala Lumpur remained sluggish at the end of the quarter as businesses remained cautious and continued their wait-and-see approach. Occupiers with immediate lease expiries were keen on short-term renewals, as businesses faced uncertainty with daily rising COVID-19 cases and 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 Jaya 33 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%.

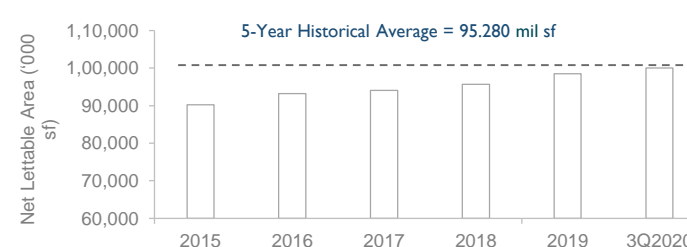
Rents Remain Stable Despite Pandemic

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



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
Jaya 33	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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