

Office Q2 2021

YoY Chg 12-Mo. Forecast

RM 6.02

Average Asking Rent (MYR/sf/mo)



-1.16%

Rental Growth (YOY)



27.83%

Vacancy Rate



Recovery Falters as MCO 3.0 is Imposed

The re-implementation of the Conditional Movement Control Order (CMCO) in Kuala Lumpur in March and April 2021, with the launch of the Malaysia National COVID-19 Immunization Program, weighed on the nascent economic recovery, especially for the services sector. A nationwide "total lockdown" was then imposed on all social and economic sectors from June 1 to June 14. The effects of the MCO and CMCO were particularly evident in the retail, F&B and accommodation, transportation, and business services sectors, as consumers took precautions in response to high daily COVID-19 case numbers in Greater KL. Regardless, Malaysia's GDP growth recovered to post -0.5% in Q1 2021, compared to -3.4% in the preceding quarter, supported by expansion in manufacturing and a rebound in the agriculture sector. The services sector, a major contributor to economic activity, dropped 2.3% from a decline of 4.8% in the previous quarter.

Landlords Remain Flexible on Lease Terms Due to Rising Vacancy

With Greater KL total office supply standing at approximately 134.12 million sf, the overall average vacancy level rose to 27.83% in Q2, compared to 26.69% in the previous quarter. The office market is expected to remain relatively soft as more businesses have adopted flexible working arrangements since last year, at the start of the first MCO. Looking ahead, with the challenging economic outlook expected to persist until the end of the year, we can expect to see landlords, especially those within the KL CBD area, continue to offer flexibility on lease terms in the short- to medium-term, indicating that we are now in an occupier-driven market.

High Vacancy Rates in KL CBD Set to Continue

The average asking rental level remained under pressure in Q2 2021 at RM6.02 per sf per month, representing a softening of 1.16% y-o-y as the implementation of MCO 3.0 disrupted economic recovery. Most landlords have lowered rent expectations as a result of sustained rightsizing and downsizing of business operations by tenants. Some tenants are now deciding to accept a lower graded office building while maintaining their size requirement as part of a cost savings strategy.

Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

-0.5%

GDP Growth



1.6%

CPI Growth



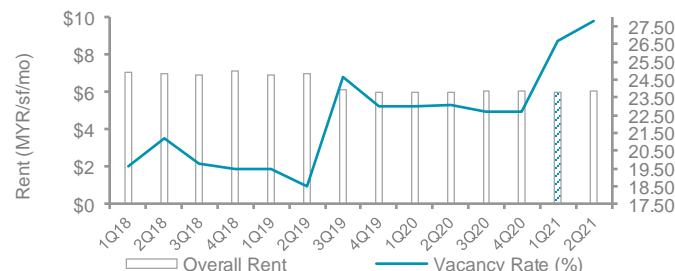
4.6%

Unemployment Rate

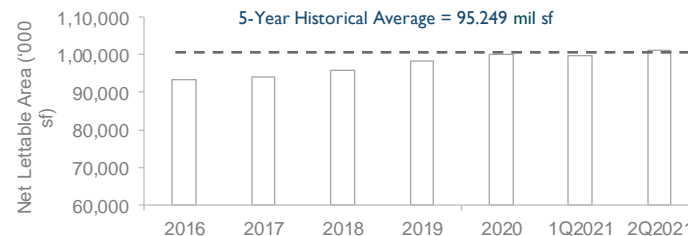


Source: Department of Statistics Malaysia

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q2 2021

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	56.20 million	23.90%	14.74 million	MYR 6.80	US\$1.64	€ 1.38
KL Fringe	45.29 million	30.10%	1.87 million	MYR 6.45	US\$1.56	€ 1.31
Decentralized Area	32.63 million	29.50%	5.05 million	MYR 4.82	US\$1.16	€ 0.98
TOTAL	134.12 million	27.83%	21.66 million	MYR 6.02	US\$1.45	€ 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
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 Great Eastern 2	KL CBD	221,000	2021
Imazium @ Damansara Utama	Decentralised	450,000	2021
KL Eco City Aspire Tower	KL Fringe	650,000	2021
Merdeka 118	KL CBD	1,700,000	2022
Pavilion Damansara	KL Fringe	1,500,000	2023
Menara Great Eastern 2	KL CBD	221,698	2021
The Stride @ BBCC	KL CBD	422,100	2021
PNB1194	KL CBD	679,994	2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Mercu 2	KL Fringe	FedEx	Approx. 15,000	New Lease
Menara BT	KL Fringe	Grass Valley	Approx. 20,000	Relocation
The ICON	KL CBD	DAR Energy	Approx. 30,000	New Lease
1 Powerhouse	Decentralised	L'Oreal	Approx. 26,000	Relocation
1 First Avenue	Decentralised	Sun Life Insurance	Approx. 13,000	New Lease
Menara Binjai	KL CBD	Honor Technology	Approx. 7,000	New Lease
1 Powerhouse	Decentralised	Nestle	Approx. 70,000	Relocation

*Renewals not included in leasing statistics

TIFFANY GOH

Country Manager

+6012 299 2778 /

tiffanygoh@ivpsmalaysia.com

[cushmanwakefield.com](https://www.cushmanwakefield.com)

FARAH HANISSA

Corporate Services and Research

+6017 233 0661 /

farah@ivpsmalaysia.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 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.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.