

KUALA LUMPUR

Retail Q2 2021

CUSHMAN & WAKEFIELD



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q1 2021



Source: Department of Statistics Malaysia

Entering Recovery Phase Despite Re-Implementation of MCO 3.0

Despite re-entering the “full lockdown” phase in June after the re-implementation of MCO and CMCO, Malaysia’s economy is now seen to be in recovery as GDP growth improved to -0.5% in Q1 2021, compared to -3.4% in the preceding quarter. The performance was supported by expansion in manufacturing and a rebound in the agriculture sector. The Government released a list of potential COVID-19 hot spots under the HIDE list in May, primarily shopping malls. This dented public confidence in retail malls, with consequent declining footfall in May and June. However, the Retail Trade Sales index is now projected to grow, registering positive growth of 56.4% y-o-y in April, due to improved sales for other goods in specialized stores (133.5%), automotive fuels (120.0%), cultural & recreation goods (107.8%), and other household equipment (103.4%).

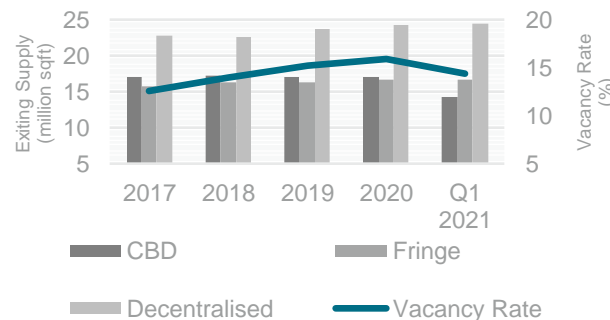
Landlords Take Initiative to Maintain Occupancy

Visitor footfall at retail malls surged following a relaxation of restrictions under the CMCO level measures in March, but further away again in May following the Government’s release of the HIDE list. Many business owners have struggled to maintain monthly rental payment with the slump in sales. Consequently, landlords have taken the initiative to continue extending rental rebates on a case-by-case basis. These rebates are mostly offered to non-essential retailers and based on a percentage reduction on either the base rent or gross rent according to retailers’ monthly sales performance. Landlords’ actions are also being driven by rising vacancy at shopping malls, where tenants have been forced to surrender leases in the face of the sales decline, with rental rebates aimed at maintaining occupancy and to attract new tenants.

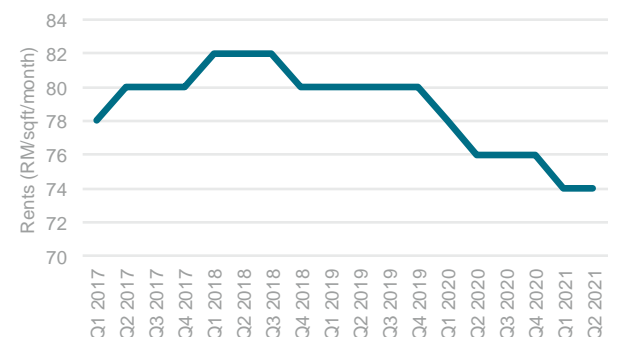
Asking Rents Remain Stagnant

The overall average vacancy level rose to 19.17% in Q1 2021, compared to 17.93% in the preceding year. The CBD submarket prime rent remained stable in the quarter at RM74.00 per sf per month, representing a softening of 2.63% y-o-y. Looking ahead, with the challenging economic outlook expected to persist for the first half of the year, we can expect to see landlords slowly adjust asking rentals in order to attract potential tenants and improve occupancy.

Greater KL Existing Supply and Vacancy Rate



CBD Prime Rent



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	14.24 million	14.4%	4.45 million
KL Fringe	2.72 million	21.2%	3.61 million
Decentralized Area	24.48 million	21.9%	3.20 million
TOTAL	41.44 million	19.17%	21.66 million

SIGNIFICANT OPENINGS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
SuperValue Minimart	KL Fringe	-	-	Hypermarket
E-Mart24	KL CBD	-	2,800	Hypermarket

KEY CONSTRUCTION COMPLETION Q2 2021

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

SIGNIFICANT RETAIL PROJECTS – PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SF	OWNER / DEVELOPER
Pacific Star Retail Component	KL Fringe	240,000	Island Circle Development
Lot 91 @ KLCC Retail Component	KL CBD	73,000	Sapura Resources / KLCC (Holdings) Sdn Bhd
Exchange 106, TRX, KL City Retail Component	KL CBD	240,000	TRX City Sdn Bhd
8 Conlay Retail Component	KL CBD	120,000	KSK Land Sdn Bhd
Mitsui Shopping Mall Lalaport	KL CBD	1,400,000	Mitsui Fudosan (Asia) Malaysia Sdn Bhd / BBCC Development Sdn Bhd
Pavillion Damansara Heights	KL Fringe	1,170,000	Impian Ekspresi Sdn Bhd / Malton Berhad
Warisan Merdeka Mall (PNB 118 Retail Component)	KL CBD	1,560,767	PNB Merdeka Ventures Sdn Bhd
IOI City Mall Putrajaya Phase 2	Decentralised	1,000,000	IOI Properties Group Bhd
Setia City Mall Phase 2	Decentralised	400,000	S P Setia / Asian Retail Investment Fund

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