

Office Q3 2022

YoY Chg      12-Mo. Forecast

**RM 5.92**  
Average Asking Rent (MYR/sf/mo)



**-1%**  
Rental Growth (YoY)



**30.61%**  
Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

## MALAYSIA ECONOMIC INDICATORS Q2 2022

YoY Chg      12-Mo. Forecast

**8.9%**  
GDP Growth



**3.1%**  
CPI Growth



**3.7%**  
Unemployment Rate



Source: Department of Statistics Malaysia

## Malaysia Manifest a Strong Economic Performance

Domestic demand strengthened further, supported by a steady improvement in labour market conditions and ongoing policy support. As Malaysia has transitioned to endemicity and reopened its international borders, the economy began to operate normally, which was evidenced in the higher growth. Malaysia's economic performance expanded further stronger-than-expected to 8.9% as compared to 5.0% in the previous quarter. Overall, the economy posted a growth of 6.9% in this first half year (H1 2021: 7.0%). Services sector being the main impetus (Q2 2022: 12%) and Manufacturing sector (Q2 2022: 9.2%). Meanwhile, the increase in Malaysia's inflation of 3.1% is mainly contributed by increasing of Food index at 6.9%. While initiatives like the Employees Provident Fund withdrawals and Bantuan Keluarga Malaysia cash giveaways contributed to an increase in spending in 2Q22, we might observe a more normalized growth in domestic spending towards the end of the year. The labour market's improvement and higher income prospects will indeed stimulate domestic expenditure, nevertheless.

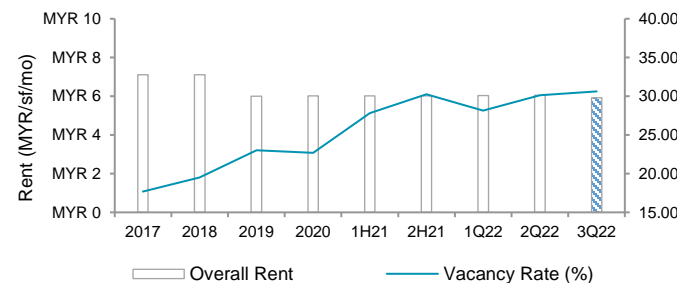
## New Vs Old Office Building

The recent completion of a few office buildings has pushed the overall vacancy rate in KL CBD and fringe to increase in a range of 2 to 3%, and is expected to continue increase by next year with more developments scheduled for completion, mainly impacted old building. The situation will worsen as ageing buildings are unable to provide the latest office requirements such as availability of high-speed internet, environment-friendly features, poor ventilation and lighting. The demand driver mainly from the rising awareness of environment, sustainability and governance (ESG) has created and there has been an overwhelming interest in office buildings that have been certified by Malaysian Green Technology Corporation to be utilizing green technology. These office buildings not only support the Sustainable Development Goals (SDGs) 2030 agenda, but also qualify for tax incentives. To stay relevant in the market, building specification and looks must be reviewed from time to time where all-important areas of security, safety and live-ability, crisis preparedness must be the priority on the list.

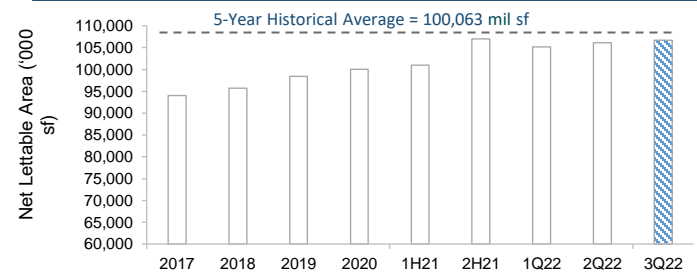
## Rental Rates in All Submarket Slightly Declined

Most new building landlords in Greater KL decided to maintain and some slightly increase asking rents due to the rising demand of newer buildings with the latest infrastructure and green elements, forcing the ageing building landlords to maintain and slightly decrease asking rents. Moreover, few landlords provided competitive offerings in order to retain tenants and attract new occupiers such as attractive rental packages, rent free period, hotel or entertainment vouchers etc.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q3 2022

## 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	58.83 million	29.00%	15.24 million	MYR 6.68	US\$1.44	€ 1.46
KL Fringe	47.87 million	33.90%	3.37 million	MYR 6.28	US\$1.36	€ 1.37
Decentralized Area	34.10 million	28.93%	1.09 million	MYR 4.79	US\$1.03	€ 1.04
<b>TOTAL</b>	<b>140.8 million</b>	<b>30.61%</b>	<b>19.7 million</b>	<b>MYR 5.92</b>	<b>US\$1.28</b>	<b>€ 1.29</b>

- 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 (NAPIC) & IVPS / Cushman & Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
Affin Bank Tower @ TRX	KL CBD	823,439	2022
Menara 1194	KL CBD	169,250	2022
Mercu Aspire @ KL Eco City	KL Fringe	650,000	2022
Sunway V2 Tower	KL Fringe	362,400	2022
Merdeka 118	KL CBD	1,700,000	2023
Pavilion Damansara Corporate Tower	KL Fringe	1,500,000	2023
Sunway CP2 Office Tower	Decentralised	553,629	2023
Sunsuria Forum Corporate Office	Decentralised	317,720	2023

## INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Malaysia is the world's third most competitive Global Business Services (GBS) location, trailing only India and China.
- With a pool of highly skilled workforce, KL has been chosen by Arnott's Group (TAG) for its expansion plan with the government after making Malaysian capital its regional hub.
- Maybank sets to move its corporate head office from Menara Maybank to Menara Merdeka 118 on staggered basis starting Q1 2025.
- Though it has been operating since 2020, Sony Entertainment finally unveiled their stunning office in PJ with futuristic vibe.

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