

Office Q4 2022

	YoY Chg	12-Mo. Forecast
RM 5.96 Average Asking Rent (MYR/sf/mo)	▼	▼
-0.95% Rental Growth (YoY)	▲	▼
30.16% Vacancy Rate	▲	▲

Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
14.2% GDP Growth	▲	▼
4% CPI Growth	▲	▲
3.7% Unemployment Rate	▼	▼

Source: Department of Statistics Malaysia

Malaysia's Strong GDP Growth Forecasted to Lose Steam by 2023

Domestic demand strengthened further evidenced in the higher growth of 14.2% as compared to 8.9% in the previous quarter, supported by a steady improvement in labour market conditions and ongoing policy support. Overall, the economy posted a growth of 9.3% for the first three quarters of 2022. Services sector being the main impetus (Q3 2022: 16.7%) and Manufacturing sector (Q3 2022: 13.2%). However, going into 2023, it is forecasted that economic growth in the Asia Pacific (APAC) region including Malaysia would likely slowing down due to challenging global backdrop e.g., rapid pace of interest rate hikes, inflation etc. resulting in slumping of the imports and exports of goods and services. Being optimistic, Malaysia domestic economy will continue stimulate growth in view that the government act immediately to implement short-term and long-term economy measures.

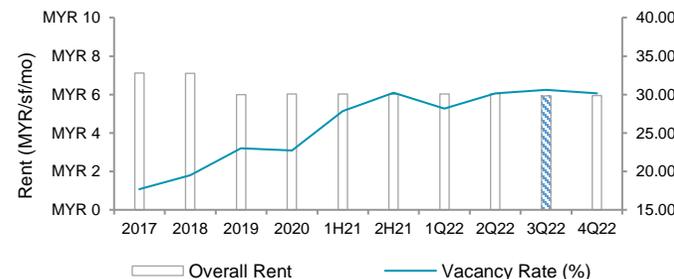
Headwinds in Macroeconomic Raised Concerns

The market witnessed a slightly decrease in overall vacancy rate in Greater KL this quarter to 30.16% from 30.61% in the previous quarter due to delayed in target completion of the upcoming large supply office buildings. However, entering 2023, the upcoming completion will pushed the overall vacancy rate in KL CBD and fringe to increase in a range of 2 to 3%. Thus far this year, technology firms have been among the main drivers of leasing demand. With global technology firms recently laying off large numbers of employees and announcing a hiring freeze, demand from this sector is expected to slow in the coming quarters. While flight-to-quality relocation still most popular strategy, occupiers are set to remain cost cautious as economic worries mount. Concurrently, some landlords are expected to hold their plans of repurposing or refurbishing current building due to concerns on slower economic growth, rising inflation, and concerns about a possible recession in 2023 which could all weigh on leasing demand in the coming months.

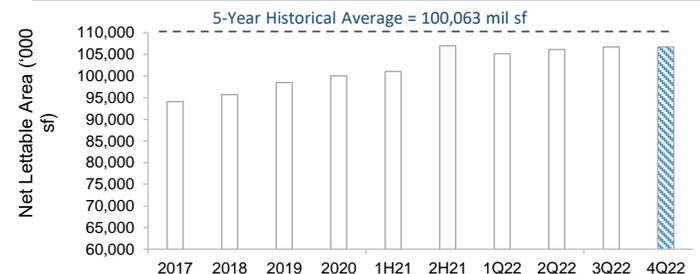
Rental Rates in All Submarket Sets to Recover in Slow Pace

The average asking rent as at Q4 2022 increase slightly to RM5.96 per sf per month but still representing a negative 0.95% y-o-y after a huge decrease in the previous quarter due to rising in operation cost. Most landlords have increased the asking rental as a result of a continued decentralization trend and more office space requirements are coming for office buildings that have been certified by Malaysian Green Technology Corporation to be utilizing green technology. Moreover, the delayed in target completion of the upcoming large supply office buildings within Greater KL from end-2022 to early until mid-2023 also play a part in influencing landlord to increase their asking rent to cater for current continuous demand. It is also notable that the relocation trend from ageing buildings to newer buildings is still on-going but slowing down due to competitive offerings from landlords and companies turn more cautious with either relocation or expansion entering 2023.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q4 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	28.60%	15.24 million	MYR 6.72	US\$1.52	€ 1.44
KL Fringe	47.85 million	34.10%	3.37 million	MYR 6.33	US\$1.43	€ 1.35
Decentralized Area	34.10 million	27.77%	1.39 million	MYR 4.84	US\$1.09	€ 1.03
TOTAL	140.78 million	30.16%	20 million	MYR 5.96	US\$1.35	€ 1.27

- 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	2023
Menara RAC Sentral	KL Fringe	162,094	2023
Sunway V2 Tower	KL Fringe	362,400	2023
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
Felcra Tower	KL CBD	760,000	2023

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Hap Seng poised to emerge as the new owner of Menara Weld office building and The Weld Shopping Centre, reported in the process of finalizing the deal with unclear plans to renovate or repurpose or retain the building.
- BCorp has signed a preliminary non-binding term sheet with Indonesia's MNC Group to explore e-money business in Malaysia to leverage its strength on developing and expanding e-money related services between Indonesia and Malaysia.
- Environmental, Social, and Governance (ESG) adoption has become crucial to public-listed companies in securing capital as more investors are incorporating ESG considerations in investment decisions and adopting sustainability criteria in their investment portfolios.

TIFFANY GOH

Head - Occupier Services
 +6012 299 2778 (M); +603-7728 4117 (O)
tiffanygoh@ivpsmalaysia.com

SABRINA KHALID

Occupier Services
 +6017 233 0661 (M); +603-7728 4117 (O)
sabrina@ivpsmalaysia.com

cushmanwakefield.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 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 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.