

KUALA LUMPUR

Retail Q4 2022

CUSHMAN & WAKEFIELD

YoY Chg 12-Mo. Forecast



Source: IVPS / Cushman & Wakefield Research

Global Recession May Affect Malaysia's Economy Despite Strong GDP Growth

Malaysia's economy recorded 14.2% GDP growth in Q3 2022, exceeded the majority forecasts by analysts which ranged between 10.0% and 13.6%. The growth was attributed to higher consumer-related activities amid a recovery in tourism, better labour market conditions and policy support. Public consumption rose 4.5% compared to 2.6% (Q2 2022) owed to higher supplies and services spending. On another hand, CPI has slightly increased to 4.0% from 2.9% in the same month of the preceding year while Sales of Retail Trade shrunken to 26.0% y-o-y. Non-Specialized Stores (25.7%), Other Goods in Specialised Stores (40.9%) and Other Household Equipment (19.1%), remarked a slowest expansion in retail activity since April. Meanwhile, wholesale trade rose to 7.3% this quarter. On a monthly basis, retail trade increased by 1.1%. Optimistically, Malaysia's broad and diversified domestic economy will help to prop up and mitigate the impact of weaker exports activity as well as facing a less impact from global recession.

Less Promising of 2023 Retail Outlook

Political and economic uncertainties, continuous rise in the OPR and looming threat of global recession are the leading reasons of the less promising outlook in retail market entering 2023. This is detrimental to our efforts to build a strong retail sector that serves as one of the pillars of our economy, as well as to growth and recovery. Increasing in cost of living and interest rate while decreasing in disposable income may affect the purchasing power to decline especially post-CNY. However, many retailers are now offering buy now, pay later option for Malaysian consumers allowing them to continue generate sales. Looking forward to recession, consumers are expected to shift their focus in buying basic necessities such as food and household items rather than high-value goods. Nevertheless, the super-rich consumers expected to continue to shop luxury goods during a recession because their purchasing power is not as severely impacted.

Decreasing in Vacancy Rate Drives a Steady Increase of Asking Rents

There is few notable large supply opening its door by 2023 i.e., 118 Mall (1.56 million sf), Pavilion Damansara Height Mall Phase 1 (1.1 million sf), 8 Conlay Retail Component (120,000 sf) and The Exchange TRX Mall (1.3 million sf). This large incoming supply is expected to drive the overall average vacancy rate to increase by next quarter in range of 2% to 3%. Meanwhile, the overall average vacancy rate continued to decline to 21.23% in Q4 2022 compared to previous quarter. On a side note, CBD submarket prime rent slightly increased for Q4 2022 in the range of RM45.00 to RM223.00 per sf per month, representing an increase of 5.46% y-o-y. It is forecasted that the large incoming supply will strike a pressure on rental reversion and occupancy rates despite a steady growth in footfall and pent-up demands from consumers.

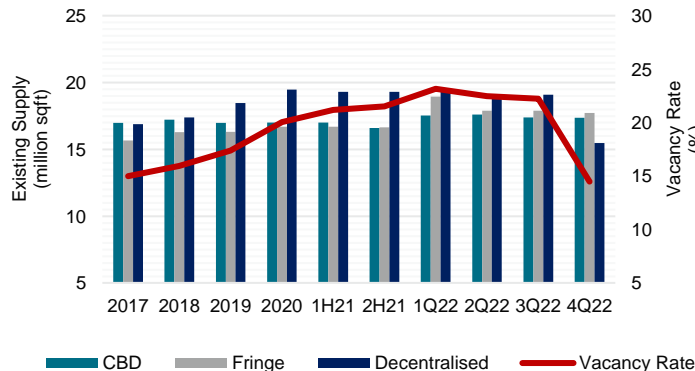
MALAYSIA ECONOMIC INDICATORS Q3 2022

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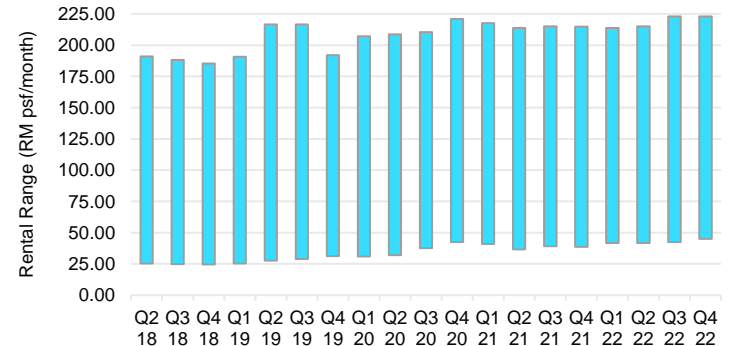


Source: Department of Statistics Malaysia

Greater KL Existing Supply and Vacancy Rate



CBD Prime Rental Range



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	17.36 million	19.0%	3.66 million
KL Fringe	17.74 million	24.6%	1.69 million
Decentralized Area	15.48 million	20.1%	2.50 million
TOTAL	50.58 million	21.23%	7.85 million

SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
KSL Esplanade Mall	Decentralised	650,000	2022
Mitsui Shopping Park Lalaport	KL CBD	845,000	2022
Lot 91 @ KLCC Retail Component	KL CBD	73,000	2022
IOI City Mall Putrajaya Phase 2	Decentralised	1,000,000	2022
Warisan Merdeka Mall @ 118 Mall	KL CBD	1,560,767	2023
Pavillion Lifestyle Mall @ Damansara Heights	KL Fringe	1,100,000	2023
8 Conlay Retail Component	KL CBD	120,000	2023
The Exchange Mall	KL CBD	1,300,000	2023

INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- Eslite Spectrum, a Taiwanese mega bookshop chain, has opened its first South-east Asian store at The Starhill premium shopping mall in Kuala Lumpur spanning over 6,500 sqm offering a diverse selection of books in English, Chinese, Malay, Japanese, and other languages.
- Through its Islamic-based crowdfunding platform, social fintech startup uPledge designed its product with retail investors in mind, aims to use Greater KL as a hub to expand opportunities for impact startups.
- The first BYD showroom will be opened this month in TREC KL along Jalan Tun Razak in Kuala Lumpur, with three more to be opened each in Ara Damansara, Penang and Johor in the first half of 2023.
- Tealive, a Malaysian tea brand, has opened its first store in Ottawa, Canada, and plans to open 50 more across the country in the next 5 years.
- Pavilion Real Estate Investment Trust (Pavilion REIT) has finally inked an agreement to purchase Pavilion Bukit Jalil mall (PBJ mall) from Malton Bhd for RM2.2 billion.
- Burger & Lobster, based in London, launched its second location in Suria KLCC, Kuala Lumpur, 5 years after its initial location in Genting Highlands, Pahang spanning over 4,499 sf as the brand's first location in collaboration with Aquablu Technologies.
- Chic international premium grocer, The Food Merchant, opened its second outlet in Pavilion Embassy taking up the ground floor of the residences and corporate offices and houses 250 international brands.

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