

Office Q1 2023

YoY Chg 12-Mo. Forecast

RM 5.94
Average Asking Rent (MYR/sf/mo)



-1.5%
Rental Growth (YoY)



28.86%
Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

7%
GDP Growth



3.7%
CPI Growth
February 2023



3.6%
Unemployment Rate



Source: Department of Statistics Malaysia

Malaysia's GDP to Further Grow at Moderate Pace

Following a strong recovery in 2022, Malaysia's economy is anticipated to grow at moderate pace this year as economies around the world continue to struggle to sustain growth. Continuous global inflation has eroded purchasing power, and consumers are being cautious about spending, affecting economic performance. Malaysia's GDP expanded 7% after recorded double digit growth in the previous quarter (14.2%), mainly attributed by Services sector (rose by 8.9%) and Manufacturing sector (grew by 3.9%). Looking into 2023, the fading of base effects and pent-up demand, tighter credit conditions, and a weakening global growth outlook are all expected to pose significant growth headwinds which then forecasted to slowing down Malaysia's GDP growth to 4%.

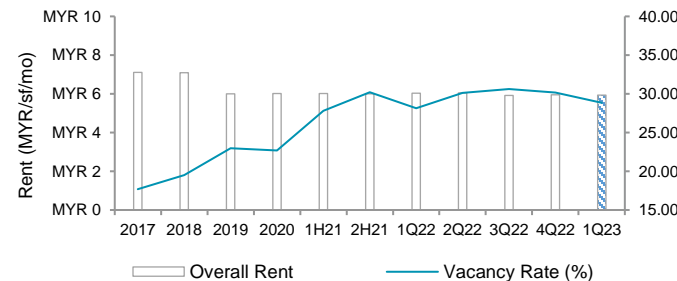
Leasing Activity Recovers with Optimistic Vibes

Office market likely remain tenant-driven with landlords emphasizing tenant retention through cost-cutting, asset improvement projects, and lease incentives. With more corporate occupiers are now either back to office or adapted flexible working arrangement, supply-demand gap is expected to narrower considering the competitive situation by MNCs that is looking for Grade A buildings despite potential recession and incoming huge supply. While the economic uncertainties remain subsist, we noted that flight-to-quality relocation still on-going as well as right-sizing approach being taken by MNCs for traditional office set-up. Compared to serviced office or co-working space, the demand is mostly coming from start-up companies as well as MSMEs with a preference for flexibility office leasing and cost-effectiveness.

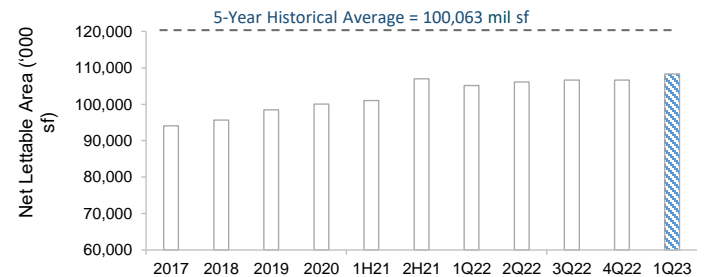
Rental Rates in All Submarket Sets to Remain Stable

The average asking rent as at Q1 2023 remain stable with at RM5.94 per sf per month but still representing a negative 1.5% y-o-y due to steady rising in operation cost. While most of excellent office buildings' landlords slightly increase the asking rental, we observed that asking rental for office buildings situated within Decentralized area are being adjusted to tackle the rise in vacancy rate. With the injection of huge incoming supply, we foresee the vacancy rate will likely to increase, influencing the rental to remain stable with positive growth towards end of 2023. Leasing demand will be driven by on-going flight-to-quality and decentralization trend for outside CBD especially office buildings with great accessibility.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q1 2023

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	59.07 million	27.1%	15.19 million	MYR 6.72	US\$1.49	€ 1.41
KL Fringe	49.29 million	31.1%	3.86 million	MYR 6.32	US\$1.41	€ 1.32
Decentralized Area	34.67 million	28.38%	0.76 million	MYR 4.77	US\$1.06	€ 1.00
TOTAL	140.03 million	28.86%	19.81 million	MYR 5.94	US\$1.32	€ 1.24

- 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
Mercu Aspire @ KL Eco City	KL Fringe	650,000	2023
Pavilion Damansara Corporate Tower 9	KL Fringe	110,362	2023
Menara Sentral RAC	KL Fringe	162,094	2023
Sunway V2 Tower	KL Fringe	362,400	2023
Pavilion Damansara Corporate Tower 10	KL Fringe	215,152	2023
Sunsuria Forum Corporate Office	Decentralised	317,720	2023
Merdeka 118	KL CBD	1,700,000	2024
Sunway CP2 Office Tower	Decentralised	553,629	2024
Felcra Tower	KL CBD	760,000	2024

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Labuan's largest serviced office operator, Universal Serviced Offices (USO) will officially opened its KL branch in Bangsar South in May which offering private offices with Parisian-styled vibes and facilities.
- WORQ has officially opened its 5th branch in Menara One Sentrum, spanning 34,000 sf where each floors can accommodate up to 300 pax at a time.
- YNH Property (YPB) received approval for its amended development order for its flagship Menara YNH project from Kuala Lumpur City Hall (KLCH), which conceptualized as a hallmark mixed development consisting of serviced apartments, hotels, SOHO (shop-office home-office), offices, and retail space.
- Hoffman Agency has expand its footprint in Malaysia, setting up a new office in Equatorial Plaza at Level 17.
- Tesla will open an operating office in Malaysia and establish its Experience Centre as well as aftersales support centres.

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