

KUALA LUMPUR

Retail Q1 2023

CUSHMAN & WAKEFIELD

YoY Chg 12-Mo. Forecast

9.29%
CBD Prime Rental Growth ▲ ▲

19.5%
Vacancy Rate ▼ ▼

21.7%
Retail Trade Sales Growth ▼ ▼

Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

7%
GDP Growth ▲ ▲

3.7%
CPI Growth February 2023 ▲ ▲

1.2%
Consumer Spending Growth ▼ ▲

3.6%
Unemployment Rate ▼ ▼

Source: Department of Statistics Malaysia

In Spite of the Depreciation of the Ringgit, Malaysia's GDP Has Remained Robust

Malaysia's GDP grew 7% in Q1 2023, the fastest in Southeast Asia and recorded lower inflation rate than some selected countries, namely the Philippines (8.6%), Eurozone (8.5%), United States of America (6%), Indonesia (5.5%), Republic of Korea (4.8%), Vietnam (4.3%) and Thailand (3.8%). Meanwhile, Sales value of Wholesale & Retail Trade recorded RM135.1 billion in January 2023, registered a growth of 12.4% y-o-y. The positive growth was contributed by all sub-sectors, namely Retail Trade (21.7%), Motor Vehicles (20.1%), and Wholesale Trade (3.1%). Ringgit depreciation may influence living costs as consumer basket import rise in price. However, economic growth may benefit from a lower ringgit as currency depreciation and overseas demand benefit glove and plantation industries. Tourism rebound, holiday season, improving labour market circumstances, and policy support are expected to drive consumer spending.

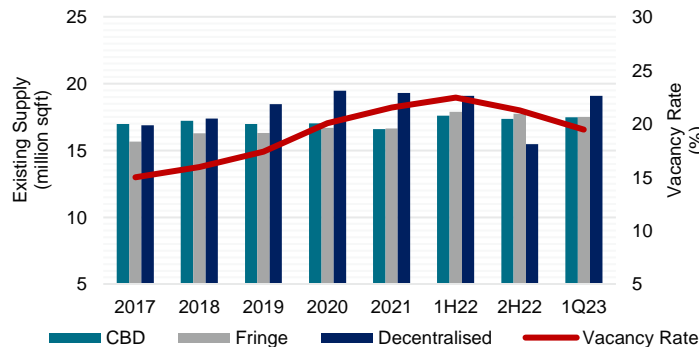
More Disposable Income Due to the Tax Rebate and Festive Seasons

The rise in living cost implies that consumer will have less money to spend on non-essential items. The recently back-to-back festivals and holidays in February and March are anticipated to boost the local retail industry's growth by 8.7% during the first three months of 2023. It is anticipated that the retail industry would expand by 2.8% in the second quarter, mostly due to the upcoming Hari Raya's festive. Nevertheless, the growth rate for Q3 and Q4 is expected to be between 2% and 3% due to the strong base established during the same time a year before. The Malaysian retail industry is optimistic that government efforts, including as cash handouts, vouchers, e-wallet incentives, and the decrease of income taxes in M40, would assist to boost consumers' purchasing power and the extra money channelled to monthly retail expenditure.

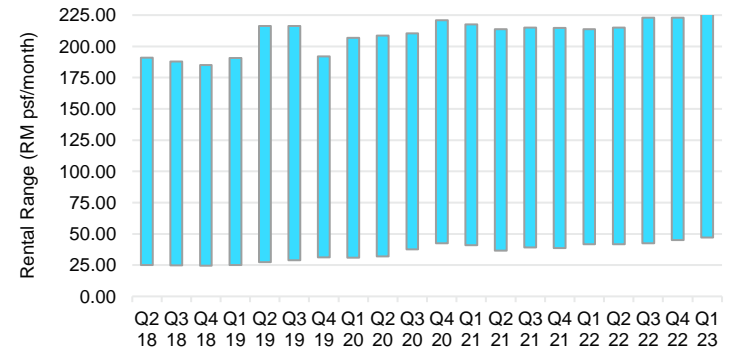
Putting a Levy on High-End Goods Will Reduce Shopping Centre Traffic

In Q1 2023, retail malls reported increased in foot traffic and sales due to the recently celebrated New Year and CNY's festivals, year-end school holidays, and preparation for upcoming Hari Raya's festive in April. In 2018, legislation and tax reduction made Malaysia a tax-free shopping destination also helps in increasing foot traffic. While the average vacancy rate continues to fall to 19.5% in Q1 2023 compared to previous quarter, the rental for prime shopping centre slightly increase within range of RM47.00 to RM230.00 per square foot per month and represents rise of 9.29% y-o-y. Despite the consistent uptick in foot traffic and back-to-back holiday seasons, the large new supply is expected to put pressure on rental reversion and occupancy rates. Therefore, the imposition of luxury tax may affects few major suppliers debuting by 2023, as a luxury tax may influence Malaysia's pricing uncompetitive and deter tourists.

Greater KL Existing Supply and Vacancy Rate



CBD Prime Rental Range



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	17.48 million	17.6%	4.56 million
KL Fringe	17.51 million	22.5%	2.75 million
Decentralized Area	19.09 million	18.3%	2.50 million
TOTAL	54.08 million	19.47%	9.81 million

SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
Pavilion Damansara Heights Mall	KL Fringe	1,100,000	2023
8 Conlay Retail Component	KL CBD	120,000	2023
The Exchange Mall	KL CBD	1,300,000	2023
118 Mall	KL CBD	1,560,767	2023/2024

INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- Budget 2023 has an allocation of RM388.1 billion, which is the biggest in the country's history surpassing Budget 2022 with an allocation of RM332.1 billion, promised to ensure a fairer distribution of wealth, with assistance to all segments who need it.
- Giant operator DFI sells grocery business to Malaysian company, GCH Retail which is expected to be completed in early March 2023. GCH Retail plan to retain all 2,500 staff.
- Al-Ikhsan is looking at a multi-faceted expansion programme where they has added 34 new outlets to its chain in 2022 and targeted 40 outlets this year.
- Convenience chain store operator KK Supermart & Superstore Sdn Bhd aims to invest RM75 million to open an additional 150 outlets by end 2023 and bringing the total to 830 outlets nationwide this year.
- Amazon.com (AWS) will invest RM25.5 billion in Malaysia by 2037, with plan to deploy its first AWS Region in the country.
- Gloria Jean's Coffees recently expanded its network by opening a new branch in Menara Felda, Platinum Park KLCC aims to collaborate with more associations to open 10 new branches within five years.
- Arena Xchange, the first freehold commercial development by IOI Properties Group Berhad in Warisan Puteri, Sepang, will welcome a first-of-its kind concept store by Lotus's Malaysia in 2023.
- Malaysian homegrown apparel brand Hype has opened its largest store in Kuala Lumpur's IOI City Mall, its eighth brick-and-mortar store in Malaysia.
- Philippine's billionaire Frank Lao takes 35% stake in Malaysian tech-driven coffee business ZUS Coffee, aiming to introduce ZUS Coffee to the Philippines.

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