

Office Q2 2023

YoY
Chg 12-Mo.
Forecast**RM 5.89**

Average Asking Rent (MYR/sf/mo)

-2.5%

Rental Growth (YoY)

27.2%

Vacancy Rate

Source: IVPS / Cushman & Wakefield Research

**MALAYSIA ECONOMIC INDICATORS
Q1 2023**YoY
Chg 12-Mo.
Forecast**5.6%**

GDP Growth

2.8%CPI Growth
May 2023**3.5%**

Unemployment Rate

Source: Department of Statistics Malaysia

Malaysia Economy Grow Steadily

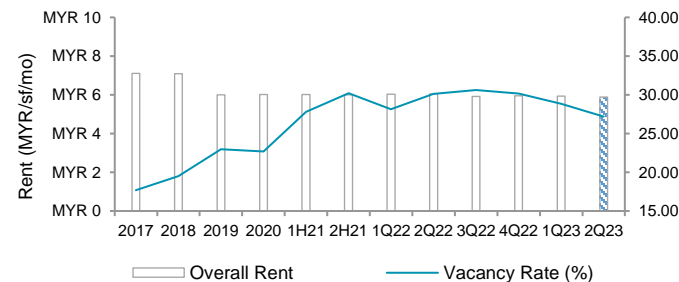
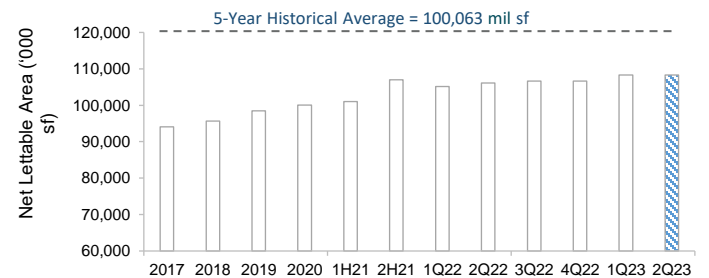
Malaysia's economy further grow at decent rate, recorded 5.6% (Q1 2023) compared to 7.1% in the previous quarter. The growth was attributed by broad based growth across all sectors especially Services and Manufacturing, which grew 7.3% and 3.2% respectively. It is also supported by further expansion of household spending, continued investment activity, improving labor market and higher tourism activities. Malaysia's opportunities for growth are generally balanced in terms of risks. The vast majority of the downside risks arise from domestic factors, include higher-than-expected tourism activity and project implementation, as well as those from the re-tabled Budget 2023. Meanwhile, downside risks could stem from lower exports as a result of slower-than-expected global growth and more turbulent global financial market conditions.

Office Supply Has Outpaced Demand

Although demand improved after Covid-19 pandemic, new supply entered the market hastily than demand can absorb. There is approximately 4.92 million sf notable incoming supply to be injected within next 3 years, adding experts' concern on the over-supply situation. Furthermore, the new vs old office building competition is making it more difficult for landlords to raise rent especially those buildings with low occupancy rate. Leasing activity in high-value locations with access to public transportation and shopping malls remain competitive such as Bangsar South, Mid Valley and KL Sentral. Over the time, new TRX project attracts high-value tenant that seeks for luxury office spaces, focusing financial occupiers as efforts in becoming Malaysia's Global Financial Hub. Last but not least, it is anticipated that TRX and Merdeka 118 will become high-profile office buildings with excellent amenities considering economy activity maintain on good terms and demand continue to improve.

Rental Rates in All Submarket Remain Stable

The average asking rent as at Q2 2023 slightly decrease to RM5.89 per sf per month and representing a negative 2.5% y-o-y despite rising in operation cost, on a par to average asking rent before Covid-19 pandemic. Vacancy rate in both KL CBD and Decentralised Area showing signs of decreasing despite fluctuation in average asking rent, with movement mainly involving financial and technology firms. Leasing demand remain driven by on-going flight-to-quality, right-sizing and ESG compliance. Although there is over-supply issue of office space in KL CBD, it is actually on selective basis based on location, accessibility and age of the building. Tackling the issue, few old building landlords are planning to refurbish on top of offering rental incentives in order to retain and attract tenants.

ALL GRADE CBD OVERALL RENT & VACANCY RATE**ALL GRADE CBD SUPPLY PIPELINE**



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	25.7%	14.99 million	MYR 6.63	US\$ 1.42	€ 1.31
KL Fringe	47.42 million	32.7%	2.15 million	MYR 6.33	US\$ 1.36	€ 1.25
Decentralised Area	35.75 million	23.3%	0.76 million	MYR 4.71	US\$ 1.01	€ 0.93
TOTAL	142.24 million	27.2%	17.9 million	MYR 5.89	US\$ 1.26	€ 1.16

- 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 Corporate Tower	KL Fringe	110,362	2023
Menara Sentral RAC	KL Fringe	162,094	2023
Sunway V2 Tower	KL Fringe	362,400	2023
Pavilion Corporate Tower 3A	KL Fringe	94,594	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
Pavilion Corporate Tower 10	KL Fringe	215,152	2025

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- TM launched its new HQ and campus in Cyberjaya with open space concept and advanced technology infrastructure.
- Paramount intends to sell its Tower A office tower in PJ for over RM320 million with NLA of 169,301 sf while Tower B with NLA of 197,548 sf is open for lease purpose.
- UOB Malaysia officially relocate its KL main branch to their new HQ, UOB Plaza 1 KL in June 2023.
- myWorld Group opened its new regional office in Menara Maxis, KLCC to serve as operation hub.
- ARC group expanded its operation into Malaysia, setting up new office in Equatorial Plaza.

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