

Office Q4 2023

**RM 6.22**

Average Asking Rent (MYR/sf/mo)

YoY  
Chg12-Mo.  
Forecast**4.3%**

Rental Growth (YoY)

**26.36%**

Vacancy Rate



Source: IVPS / Cushman &amp; Wakefield Research

**MALAYSIA ECONOMIC INDICATORS**  
**Q3 2023**
YoY  
Chg12-Mo.  
Forecast**3.3%**

GDP Growth

**1.8%**CPI Growth  
October 2023**3.4%**

Unemployment Rate



Source: Department of Statistics Malaysia – October 2023

**Malaysia Economy Shows Positive Growth**

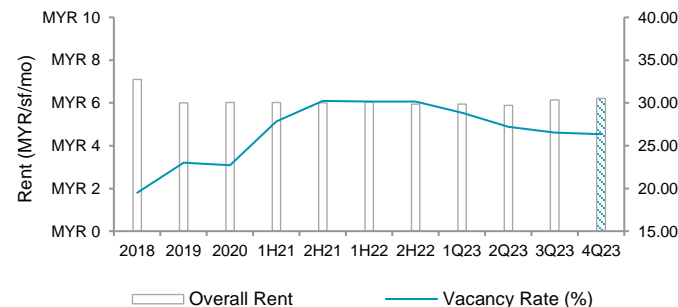
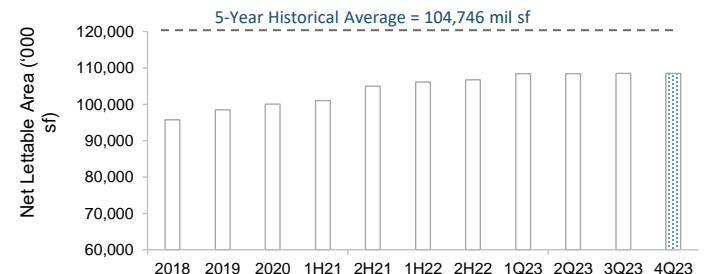
Malaysia's GDP shows a positive outlook as it continues to show improvement at 3.3% in the third quarter of 2023, compared to 2.9% in Q2 2023. The drivers of the growth are mainly attributed by Services, Construction and Agriculture sectors, which grew 5.0%, 7.2% and 0.8% respectively. The domestic demand remains strong, growing by 4.8% compared to 4.2% in the previous quarter, supported by continued employment growth, rising wages, and improving consumer confidence. On the other hand, exports posted a sluggish performance, growing by only 0.6% due to the global slowdown and trade tensions. Other sectors that are facing challenges include the manufacturing sector, which contracted slightly by 0.1%, impacted by the slowdown in global demand and a decrease in Electrical and electronic and optical products (Q3 2023: -2.5%). Overall, Malaysia economy showed encouraging signs of recovery in third quarter of 2023, despite facing global challenges. The strong domestic demand and resilient services sector are expected to continue driving growth in the coming quarters.

**Kuala Lumpur Office Sector: Demonstrating Resilience and Adaptability**

Overall, the office market remains resilient due to its ability to bounce back from economic challenges and adapt to changing market dynamics. Kuala Lumpur office vacancy rates have steadily declined throughout 2023, especially within the prime locations of KL Fringe, showcasing strong demand for quality space. Tenants are prioritizing high-quality, green-certified buildings with modern amenities and good connectivity to align with the company's ESG policy and commitment to prioritizing employee well-being. Companies continue to re-strategize their real estate footprint by relocating to new buildings or retrofitting existing office in line with evolving office design and technology integration to create spaces conducive to increase productivity, collaboration and innovation. Simultaneously, the office market is adapting to evolving business needs as companies continue to adopt hybrid working and smart working. In order to retain and attract tenants, Landlords are offering flexible leases and co-working operators are catering to flexible working solutions, recognizing and adapting to the changing nature of work environment.

**Steady Rental Amid Decreasing Vacancy Rate**

It is notable that the average asking rents as of Q4 2023 are increasing in all submarkets to RM6.22 per square foot per month, representing 4.3% y-o-y growth amid the increase in demand for office space. Aside from rising operating expenses incurred in relation to higher utilities expenses, the rise in office rental is contributed by the increasing demand for quality offices by occupiers amid the tight new supply, especially in the KL Fringe and Decentralised Area. Meanwhile, the overall vacancy rate continued to decrease slightly this quarter with an improved net absorption rate of 177,351 sf as a result of continuous demand from occupiers, and the overall vacancy rate is expected to remain stable at 26% with a positive net absorption rate in the next quarter.

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

**ALL GRADE CBD SUPPLY PIPELINE**




Office Q4 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	59.12 million	26.5%	14.88 million	MYR 6.80	US\$ 1.46	€ 1.35
KL Fringe	47.73 million	32.9%	3.86 million	MYR 7.01	US\$ 1.50	€ 1.39
Decentralised Area	35.34 million	19.6%	0.76 million	MYR 4.85	US\$ 1.05	€ 0.97
<b>TOTAL</b>	<b>142.19 million</b>	<b>26.36%</b>	<b>19.5 million</b>	<b>MYR 6.22</b>	<b>US\$ 1.33</b>	<b>€ 1.23</b>

a) Cumulative space for all sub-markets are based on total supply of office space (all grades)

US\$/MYR\$ = 4.67; €/MYR\$ = 5.05 as at 5 December 2023

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) &amp; IVPS / Cushman &amp; Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
Menara Sentral RAC	KL Fringe	162,094	2024
Merdeka 118	KL CBD	1,700,000	2024
Atwater Corporate Tower A	Decentralised	169,301	2024
Sunway South Quay Corporate Tower 2 & 1	Decentralised	553,629   432,500	2024   2025
Sunsuria Forum Corporate Office	Decentralised	317,720	2025
Pavilion Corporate Tower 10 (Phase 2)	KL Fringe	215,152	2025
Bangsar 61 Tower 1	KL Fringe	548,000	2026
Duo Tower (Tower B)	KL Fringe	432,212	2027

## INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Maersk has started operation in its new headquarters' office in Imazium, Damansara Uptown, Petaling Jaya.
- Co-Labs Coworking launched its new center in Menara Ken TTDI measuring approximately 30,000 sf.
- Corporate Business Solutions (CBS) opened its new office spanning across 1 floor designed for up to 180 people in Menara Allianz Sentral.
- ABB Malaysia announced its new office in Sunway REIT Industrial in Petaling Jaya which targeted to commence operation by December 2023.
- MUFG Bank launched its new office in Plaza Conlay measuring approximately 56,000 sf.

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