

Office Q1 2024

YoY Chg 12-Mo. Forecast

RM 6.21
Average Asking Rent (MYR/sf/mo)



4.54%
Rental Growth (YoY)



28.24%
Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

3%
GDP Growth



1.5%
CPI Growth
November 2023



3.4%
Unemployment Rate



Source: Department of Statistics Malaysia

Malaysia Economy is Expected To Sustain Moderate Growth

Malaysia's GDP shows a slightly drop outlook at 3% in the Q4 2023, compared to 3.3% in Q3 2023. The Services sector largely contributed to this economic performance, maintaining positive growth across all sector. With the overall performance of production sector, it showed positive growth in production of natural rubber, industrial production index, sales value of wholesale & retail trade sector, which grew 9.3%, 0.6%, 6.2% respectively. However, there is a decrease of 4.2% and 2.6% in production of fresh fruit bunches (oil palm) and sales value of manufacturing sector accordingly. In December 2023, Malaysia experienced a 1.5% rise in inflation, with the index points reaching 131.2 compared to 129.2 in the previous year's corresponding month. Conversely, the Producer Price Index witnessed a decline to 1.5% in December 2023. Total trade decreased by 2.4% compared to the previous year, with exports decreasing by 10% and imports increasing by 2.9%. Additionally, Malaysia's labor market reported a 2% yearly increment in the count of employed individuals. Despite facing international market uncertainty, Malaysia's economy is expected to sustain moderate growth, supported by the resilient performance of domestic-oriented industries.

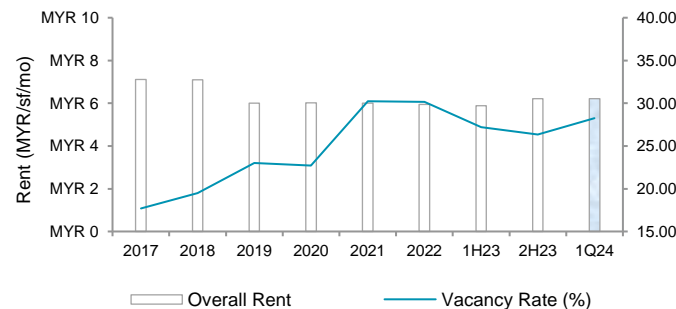
Kuala Lumpur Office Sector: Steadily Increment In Demand

Overall, the office market in Malaysia is showing a higher demand compared to the last few quarters. The leasing of office space is becoming more active, possibly due to fewer constraints in cost for expansion and relocation. Despite many companies adopting hybrid working models, an increasing number are requiring employees to return to the office, driving up the demand for office space. This increase in leasing office space has directly contributed to a positive market outlook. Simultaneously, aging buildings are losing appeal in attracting tenants due to evolving preferences and amenities. Tenants now prefer moving to modern or newly constructed buildings with better amenities, often at similar or lower prices compared to aging buildings without proper maintenance. There is also a trend among tenants looking for smaller or flexible office spaces to move into co-working spaces. These trends indicate that the market is on the path to recovery.

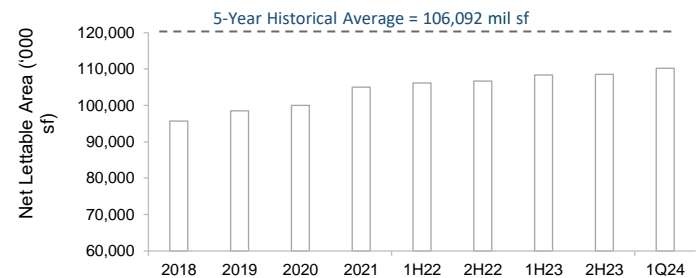
Slightly Decrease Rental With Rocket Rise Vacancy Rate

The data indicates a slight decrease of RM0.01 in the average asking rent from Q3 2023 to Q4 2023. Despite this decrease, the data shows that rental growth is slowly increasing year-over-year, reaching 4.54% in the latest quarter. However, the vacancy rate in Q4 2023 surged to 28.24% due to the increase in completed office spaces in Kuala Lumpur, including KL City Center and the suburban area. Currently, the asking rental rate for office buildings, especially newly completed ones, is higher due to the increased of the construction cost. Additionally, the specification and facilities provided in the building also contribute to the increase in the rental rate.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE



Office Q1 2024

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	60.74 million	27.5%	13.57 million	MYR 6.88	US\$ 1.46	€ 1.34
KL Fringe	49.45 million	37.3%	2.34 million	MYR 6.90	US\$ 1.46	€ 1.34
Decentralised Area	35.34 million	19.9%	0.65 million	MYR 4.85	US\$ 1.03	€ 0.94
TOTAL	145.53 million	28.24%	16.56 million	MYR 6.21	US\$ 1.32	€ 1.21

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

US\$/MYR\$ = 4.71; €/MYR\$ = 5.15 as at 21 March 2024

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
Menara Sentral RAC	KL Fringe	162,094	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

- Emspaced has launched their new co-working space at Level 5 of Mercu 3 KL Eco City.
- Oxley Towers KLCC in Jalan Ampang has been sold to Alliance Bank Malaysia Bhd with RM405.84 million.
- Macroiosk has relocated their office to Menara 1 at Plaza Conlay.
- DBS Labuan and Representative Office has been moved to Integra Tower in Jalan Tun Razak, KL.
- Titijsaya Land Bhd's bought a 5-storey medium cost flat building in SS15, Subang Jaya from BNM with cash of RM44.5 million and is in intension to redevelop into mixed commercial properties.
- USO expanded to their space to Level 3, Tower 7 Avenue 7 @ Bangsar South.
- ANTA Malaysia has moved into new office at Menara Affin, TRX by March 2024

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