

# Klang Valley, Property Market, 3Q 2019

SECTOR	VACANCY			RENTAL		
	2Q19	3Q19	4Q19f	2Q19	3Q19	4Q19f
Purpose Built Office	▲	▼	▨	▶	▶	▨
Purpose Built Retail	▲	▼	▨	▶	▶	▨
Industrial	▶	▶	▨	▶	▶	▨

Source: CBRE | WTW Research, 3Q2019

## ECONOMY / KEY INFRASTRUCTURE UPDATES

- Malaysia’s GDP improved at 4.9% in Q2 2019 (Q1 2019: 4.5%) contributed by mining and quarrying (2.3%) , manufacturing (4.3%), and construction (0.5%).
- Increased consumption in both private and public sectors as well as private investment, uplifted GNI by 3.5% q-o-q. Similarly, export and import volumes registered higher growth q-o-q.
- The recently tabled Budget 2020 signaled the government’s continued commitment in strategic projects (i.e Bandar Malaysia, Johor-Singapore RTS, Port Klang), digitalisation and education – to boost economic growth.

## PURPOSE BUILT OFFICE

- Vacancy rate improved by 0.3% to 17.8% as no building were completed during this quarter.
- Standard Chartered moved from Menara Standard Chartered to newly completed, Equatorial Plaza, occupying 5 floors, equivalent to 100,000 square feet.
- With new incentives announced in the Budget 2020 to attract companies listed in Fortune 500 and global unicorns are expected to stimulate the growth and may reduce the pressure of the oversupply situation.

## PURPOSE BUILT RETAIL

- Occupancy rates improved by 0.4% (q-o-q), with active pre-leasing activities, specifically on the new brands such as Lululemon and Christian Louboutin.
- Newly refurbished, Jumpa @ Sungei Wang opened in September, transforming the previous anchor space into a Little Asia marketplace bringing a heritage feel into the section.
- Flexible working space would stimulate the footfall and generate vibrant environments within retail centres, inputting the social experience into the traditional shopping centre.
- The growth of online shopping and grocer delivery, has influenced on the downsizing of some supermarkets and hypermarkets.

## INDUSTRIAL

- Total approved investments in KV from January to June 2019 totaled at RM5.99 billion, 63.67% or RM3.81 billion as foreign investment.
- Vinda Group South East Asia (Vinda Sea) is setting up its regional headquarters in Bandar Bukit Raja to expand the business in manufacturing hygiene products.
- Eonmetal entered a joint-venture with Kapar Holding and Kapar Land to acquire 420 acres of land in Klang, with excellent access to Port Klang and city centres.
- The Malaysian aerospace Maintenance, Repair and Operations (MRO) sector grew further, following plans by ExecuJet MRO Services Malaysia to build a larger operation facility within Sultan Abdul Aziz Shah Airport in Subang.
- The Digital Free Trade Zone (DFTZ) which is under development is expected to commence operations in 3Q 2020.

# Klang Valley, Property Market, 3Q 2019

SECTOR	OVERALL PERFORMANCE		
	2Q19	3Q19	4Q19f
Hotel			
Overall Residential			
High Rise Upmarket Residential			

Source: CBRE | WTW Research, 3Q2019

## HOTEL

- Enhancement of tourism facilities and promotional activities in Kuala Lumpur (KL) invigorated hotel demand.
- The average occupancy rate (AOR) Outside Kuala Lumpur (OKL) dropped to 64%, (y-o-y), as rates turned more competitive whilst the AOR for Kuala Lumpur (KL) increased to 81% (3Q2019:76%)
- Free and independent travel (FIT) continued to trend strongly due to increasingly digital-savvy travellers and higher disposable incomes.
- Tourist arrivals for Jan – June 2019 increased by 4.9% y-o-y, with more arrivals from Saudi Arabia, Indonesia, Thailand and Singapore.

## OVERALL RESIDENTIAL

- Existing supply grew less than 1% to 1.7 million units, whilst future supply is decreasing, as developers turned cautious.
- Highest number recorded in loan application for the past 10 years. However, the loan approval rate improved only 1%.
- Condominium overhang decreased by 2% (4,577 units) and landed by 10% (2,184 units). Serviced Apartment and SOHO supply were observed to be growing at the slowest pace (13%). Units priced between RM600,000 to RM800,000 dominated the market.
- Proposed lowering price threshold for foreign buyer from RM1million to RM600,000 for high rise as per Budget 2020 could help to reduce the overhang stock. However actual implementation of price threshold is the prerogative of each state government.
- 2 sections of West Coast Highway (WCE), connecting from Kampung Lekir, Setiawan to Beruas were officially opened to public in September 2019 reduces travelling period up to 30 minutes to Beruas.

## HIGH RISE UPMARKET RESIDENTIAL

- A hiatus of new launches was supplanted by soft launches (i.e. TRX Residences, IBN Bukit Bintang, Lake City @ KL, Axon Suites Bukit Bintang and Agile Embassy Garden).
- Secondary market transaction activities were at the lowest point as compared to the past 5 years.
- Occupancy rate remained at 73% whilst the sales rate increased to 79% as developers offered greater discounts for the unsold units.

**DEFINITIONS****Grade A Rents**

Average rental derived from a basket of prime purpose-built office space in prime commercial area in Kuala Lumpur.

**Prime Capital Values**

Estimation based average price derived from a basket of prime properties located in prime commercial area in Kuala Lumpur. All estimates are quoted on per square foot of net lettable area and strata basis, except for office and retail levels, which are on an en-bloc basis.

**Net Absorption**

The change in occupied stock (in square feet) over the recorded period for all existing properties.

**Net Take-up**

The change in sold units over the recorded period for all properties launched.

**Vacancy Rate**

Vacant space as a percentage of the base inventory or building net lettable area.

**Net Yield**

Net property income (gross income net service charges and taxes) as a percentage of the asset's capital value / price.

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