



Klang Valley, Property Market, 3Q2020

SECTOR	VACANCY			RENTAL		
	2Q20	3Q20	4Q20f	2Q20	3Q20	4Q20f
Purpose Built Office	▲	▲	▲	▶	▶	▶
Purpose Built Retail	▶	▶	▶	▶	▼	▼
Industrial	▶	▶	▶	▶	▶	▶

Source: CBRE | WTW Research, 3Q 2020

ECONOMY / KEY INFRASTRUCTURE UPDATES

- OPR revised to a record low of 1.75% in 3Q 2020.
- Key indicators in 3Q 2020 showed sharp rise from April, although the recovery momentum has been uneven for different sectors, and particularly slow for the aviation, hotel and tourism sectors.
- Economic growth will continue to recover unevenly, while financing activity and the domestic financial market improve.
- Financial aid packages rolled out by the government as at September 2020 consist of Prihatin, Prihatin SME+, Penjana and Kita Prihatin, mainly focusing on the M40 and B40 group.
- Additional restructuring activities for housing loan are expected as the loan moratorium ends on 30th September 2020.

PURPOSE-BUILT OFFICE

- Observed is the completion of Menara TCM located in the city center, bringing an increase of cumulative supply to 115.3 million sq ft.
- Leasing activities began to pick up slowly as companies re-strategise their office allocations and remain cost cautious.
- Covid-19 has shifted workspace design and usage as more fixed offices converted to flexi space. KL33 has introduced a Covid-19 secure office, providing added health and safety for building occupiers.
- Malaysia may attract more global tech companies for digital services and e-commerce platforms as global supply chains are re-aligned.

PURPOSE-BUILT RETAIL

- Shoppers traffic improved during this quarter including consumers' confidence level (CSI: 90.1 point, 2Q 2020).
- The Buy Malaysia campaign launched by the Government intends to support local enterprises with collaboration with Lazada and Carousell, including the current 1,500 users of MySales Tracker mobile app.
- About 3,000 new SME loan applications were approved under the Penjana SME Financing.
- Malaysia-owned e-commerce platform Vettons was launched to promote local products and smarter shopping.
- E-commerce has become a significant part of retailers' business plans – SOGO Telegram channel, Maybank X Shopee and upcoming AEON online shopping platform and delivery (AEON Rider).
- KL East Mall is scheduled to open early 2021, with an approximate NLA of 360,000 square feet.

INDUSTRIAL & LOGISTICS

- The Malaysian manufacturing sector lost recovery momentum in 3Q 2020 as some businesses still struggled to cope with post-MCO. Total trade dropped to RM14.9 billion or 9.3% as compared to July 2020 (m-o-m), and 4.6% (y-o-y).
- The Federation of Malaysian (FMM) expects low overall business activities in the next six (6) months. In July 2020, exports contracted by 14.5% and imports by -2.2%.
- Some industrial properties were transacted in this quarter as AXIS REIT acquired two (2) sites in Section 15 Shah Alam while three (3) parcels of land in Klang were purchased by rubber and F&B companies.



Klang Valley, Property Market, 3Q2020

SECTOR	OVERALL PERFORMANCE		
	2Q20	3Q20	4Q20f
Hotel			
Overall Residential			
High Rise Upmarket Residential			

Source: CBRE | WTW Research, 3Q 2020

HOTEL

- Performance of the hotel sector improved slightly after June 2020 but remained far from the norm during pre-Covid-19. Luxury-brand hotels started to recover with AOR recorded during RMCO at 18% compared to 4% during the early MCO period. Midscale- and upscale-brand hotels improved in occupancy to a range between 36% and 46% during RMCO, after recording a rate below 20% during MCO, far below the AOR of 84% in the same period last year.
- The opening of state borders during RMCO also helped hotels to improve the AOR.
- However, several hotels only operated 50% to 60% of their total rooms in order to lower operational costs.
- MOTAC does not expect to open borders for international travellers for the rest of this year.

GENERAL HOUSING

- Existing supply recorded a steady growth with 1.9 million units, and upcoming 524,000 units with expected completion in the next two (2) to three (3) years.
- Overhang stocks recorded an increase of 10% (1,332 units) and of value by 3% (RM321.51 million). The ratio of KV overhang to Malaysia remained at 30%.
- Smaller scale project launches have become an alternative marketing plan to entice homebuyers with “exclusivity elements” with flexible installment option.
- Serenia Ariya was fully taken up within a week upon launching, supported by HOC 2020.
- Desira @ Iringan Bayu, also a part of HOC 2020, was fully taken up upon launching in August.
- A stable market in the next quarter is expected through various Government incentives – HOC, stamp duty exemption, RPGT exemption.

UPMARKET STRATA RESIDENTIAL

- The sales rate for standard and upscale developments improved due to HOC incentives; while it was marginal in the premium and luxury segments.
- Developers of premium and luxury priced projects are offering various cashback options custom-tailored to suit the cashflow timing and/or tax implications of potential buyers in order to optimize investment returns.
- The latest phase of TRX Residences was a digital launch, incidentally also the only launch of a luxury development in this quarter.
- A total of 2,000 units were pre-launched in the prime residential localities, consisting of three (3) projects namely TRX Residences (luxury), Allevia @ Mont Kiara (standard) and Bangsar Hill Park (standard). Park Place @ Desa Park City was also a noteworthy project which recorded a sales rate of over 80% upon launch.
- Completion of about 6,500 units under construction were postponed due to stoppages caused by the pandemic and MCO.

Abbreviation: KV – Klang Valley, OPR – Overnight Policy Rate, SME – Small and Medium-Sized Enterprises, HOC – Home Ownership Campaign, RPGT – Real Property Gain Tax, RMCO – Recovery Movement Conditional Order, AOR – Average Occupancy Rate, MOTAC – Ministry of Tourism, Arts & Culture, NLA – net lettable area



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.

CONTACTS

AZIAH MOHD YUSOFF

DIRECTOR, RESEARCH & CONSULTING

 +603 2616 8888

 aziah.myusoff@cbre-wtw.com.my

CBRE | WTW RESEARCH

CH WILLIAMS TALHAR & WONG SDN BHD (Co. Reg. No 18149-U)


30-01, 30TH FLOOR,

MENARA MULTIPURPOSE

8 JALAN MUNSHI ABDULLAH

50100 KUAL LUMPUR

MALAYSIA

 +603 2616 8888

 researchkl@cbre-wtw.com.my

TO LEARN MORE ABOUT CBRE | WTW RESEARCH, OR TO ACCESS ADDITIONAL RESEARCH REPORTS, PLEASE VISIT

www.cbre-wtw.com.my/en/release OR THE GLOBAL RESEARCH GATEWAY AT

www.cbre.com/ResearchGateway