



Klang Valley, Property Market, 4Q 2020

SECTOR	VACANCY			RENTAL		
	3Q20	4Q20	1Q21f	3Q20	4Q20	1Q21f
Purpose-Built Office	▲	▲	▲	▶	▶	▼
Purpose-Built Retail	▶	▶	▶	▶	▼	▼
Industrial	▶	▶	▶	▶	▶	▶

Source: CBRE | WTW Research, 4Q 2020

ECONOMY / KEY INFRASTRUCTURE UPDATES

- GDP forecast for 2020 is between -3.5% to -5.5% by Bank Negara Malaysia.
- OPR held at 1.75% in 4Q 2020 with economy on an uneven recovery path.
- CPI increased 0.2% (120.3) compared q-o-q.
- Malaysia's total exports registered a 4.3% growth y-o-y in November. The country's Leading Index posted a 7.1% increase to 109.1 y-o-y. Both increases were mainly driven by E&E, rubber and palm oil-based agriculture products.
- The cancellation of mega infrastructure projects i.e. Kuala Lumpur-Singapore high-speed rail was noteworthy.
- The year-end monsoon flood and return of the MCO will impact the recovery momentum.

PURPOSE-BUILT OFFICE

- Cumulative supply increased to 114.9 million square feet, with three (3) completions. The vacancy rate has reached the highest level recorded, 21.5%.
- Office leasing enquiries are slowly picking up, but have yet to be converted into actual leasing deals.
- Landlords are adopting leasing strategies for tenant retention and to improve their market competitiveness in attracting new occupiers.
- Political and economic uncertainties and the global pandemic situation will continue to drag on the office market.

PURPOSE-BUILT RETAIL

- KL East Mall finally opened to the public with a net lettable area of 360,000 square feet and anchored by tenants MBO Cinema, Harvey Norman, Jaya Grocer and Blue Ice Skating. Another mall with 300,000 square feet in Kota Kemuning, is Quayside Mall anchored by Jaya Grocer, Harvey Norman and MBO Cinema.
- New retail openings were contract-bound before the MCO, mostly expansion of F&B, grocers and fashion and accessories in neighbourhood retail malls. Other observed trends are athleisure and '2-dollars' stores.
- Retailers are conducting store rationalisation, focusing on their online platforms. Some anchor tenants are looking for liquidation, which may cause reduction of their former large spaces.
- E-wallet providers have stepped up their game to insurance offers and installment payments.

INDUSTRIAL & LOGISTICS

- Referring to MIDA, KV received RM8.52 billion, contributed by 245 projects in 3Q 2020, where 44% or RM3.75 billion are foreign investment.
- Demand for industrial premises and land continue to be resilient in 4Q 2020. Pharmaceuticals, medical supplies and equipment, e-commerce and 3PLs shall remain on a strong growth trajectory.
- The merger of 3PL logistics companies such as Tasco and courier company GDEX, may significantly impact e-commerce. The recent transactions for 3-storey factories and a single-storey warehouse in Shah Alam and Petaling Jaya respectively, were for expansion and last mile delivery purposes.



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SECTOR	OVERALL PERFORMANCE		
	3Q20	4Q20	1Q21f
Hotel	▼	▶	▶
General Housing	▶	▶	▶
Upmarket Residential	▶	▶	▶

Source: CBRE | WTW Research, 4Q 2020

HOTEL

- The AOR of Klang Valley improved by 2% to 30% (q-o-q), whilst the AOR for Kuala Lumpur was 31%.
- Tourist arrivals for January–September 2020 decreased by about 78% y-o-y to 4.3 million arrivals.
- The third-wave of Covid-19 may worsen the hotel sector in the next three (3) months, with the tighter MCO.
- No new hotel opened in this quarter as operators deferred openings depending on the market recovery.

GENERAL HOUSING

- Existing landed supply increased marginally by 2% y-o-y to more than 940,000 units – with the majority of new completions in the wider locality of Klang Valley in the districts of Kuala Selangor, Kuala Langat and Sepang.
- While 58,700 units of future supply are expected to complete in the next 2–3 years, planned supply remained unchanged y-o-y at about 45,000 units.
- Some developers have continued to launch projects in selected townships, prompted by good take-up rates of previous phases. Notable launches this quarter include Illaria Hillside Homes @ Gamuda Gardens, Carya @ M Aruna and Starling (Phase 3) @ Bandar Rimbayu.
- Secondary market transactions in 3Q 2020 improved significantly q-o-q as movement restrictions eased between June and August, in addition to lower borrowing costs and other government incentives. Nonetheless, overall transacted volume declined by 15% y-o-y.

UPMARKET RESIDENTIAL

- Existing supply stood at 56,200 units in 4Q 2020, whilst 27,900 units are in the pipeline for completion by 2024. No official new launches nor completions were recorded in this quarter.
- Average asking rental for the six (6) main areas dropped marginally (-4%) in 4Q 2020 q-o-q (c.f. 3Q2020: RM3.15 per square foot) due to weak demand in the market.
- Average transacted price in the secondary market showed a downward trend of -5% in 4Q 2020 y-o-y (c.f. average transacted price in 4Q 2019: RM827 per square foot).
- Notable soft launches were Bangsar Hill Park and Sunway Belfield with selling prices from RM910 per square foot to RM1,080 per square foot and RM750 per square foot to RM850 per square foot respectively, receiving quite a lot of bookings due to their attractive prices.
- Total high-rise upmarket residential participating in HOC 2020/2021 amounts to 12,300 units from 50 developments.

Abbreviation: KV – Klang Valley, KL- Kuala Lumpur, OPR – Overnight Policy Rate, GDP – Gross Domestic Product, SME – Small and Medium-Sized Enterprises, HOC – Home Ownership Campaign, RMCO – Recovery Movement Conditional Order, MCO – Movement Control Order, MIDA – Malaysian Investment Development Authority, F&B – food & beverage, E&E – Electrical & Electronic, 3PL – Third-Party Logistics, AOR – Average Occupancy Rate, MOTAC – Ministry of Tourism, Arts & Culture, NLA – net lettable area, y-o-y – year on year, q-o-q – quarter on quarter



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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