

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 1Q 2022

SECTOR	VACANCY			RENTAL		
	4Q21	1Q22	2Q22f	4Q21	1Q22	2Q22f
Purpose-Built Office	▲	▲	▲	▶	▼	▼
Purpose-Built Retail	▼	▶	▶	▶	▶	▶
Industrial	▶	▶	▶	▶	▶	▶

Source: CBRE | WTW Research, 1Q 2022

ECONOMY / KEY INFRASTRUCTURE UPDATES

- In 4Q 2021, the Malaysian economy grew at a rate of 3.6% (cf. 3Q 2021: -4.5%). All economic sectors improved, with the services and manufacturing industries leading the way.
- Domestic demand improved as the Governmental continued to support the labour market and external global demand.
- Core inflation increased marginally, averaging 0.8% during the quarter (cf. 3Q 2021: 0.7%).
- The Malaysian economy is expected to continue to improve in 2022. Bank Negara has projected 2022 GDP growth at 5.5% to 6.5%.

PURPOSE-BUILT OFFICE

- Two noteworthy completions this quarter are Menara Affin @ TRX and The Stride @ BBCC.
- The vacancy rate increased to 23.4% (cf. 1Q 2021: 22.4%) however, an increase in rental renewals was observed with more incentives and flexible options offered.
- Bangunan KWSP in Changkat Raja Chulan was acquired by TIME from Employees Provident Fund for RM62 million.
- A continued slow recovery is expected in 2H 2022, upon further economic improvement.

PURPOSE-BUILT RETAIL

- Retail sales hiked 26.5% in 4Q 2021 y-o-y, as travel bans and restrictions eased, including business re-openings.
- Mitsui Shopping Park Lalaport opened in January, adding 1.2 million sq. ft. of retail space to the market. Approximately 50% were pre-leased with major tenants being Nitori, Nojima, Golden Screen Cinema and Jonetz by Don Don Donki.
- About 11,000 sq. ft. of co-working space by Infinity8 opened in MyTown, followed by the debut of a Philippines-based fast-food chain in Malaysia.
- Re-opening of international borders is expected to contribute to better retail sales in 2Q.

INDUSTRIAL & LOGISTIC

- As of 4Q 2021, the Industrial Performance Index (IPI) was 6.9, (cf. 4Q 2020: -0.4).
- Manufacturing output increased by 9.1% (cf. 3Q 2021: -0.8%), contributed by continued strong export demand, especially for Electronics & Electricity, refined petroleum, chemical and plastic products, as well as recovery of domestic demand.
- According to MIDA, total approved investments were RM306.5 billion in 2021, with RM195.1 billion (63.7%) in the Manufacturing sector. Klang Valley accounted for RM7.8 billion only compare with RM19.7 billion in 2020.
- In terms of approved investments, the Malaysian logistics industry attracted RM2.2 billion investment in 2021 contributed by largely Integrated Logistics Services (ILS) while the remaining contributors are International Integrated Logistics (IILS) and Cold Chain Facility/Services. A notable project approved in 2021 was ILM Logistics (M) Sdn. Bhd in Selangor, with an investment value of RM226.8 million in the cold chain subsector.
- In Klang Valley, total warehousing space is approximately 55.1 million sq. ft. as at 2021, with the most upcoming warehousing developments by about 5.43 million sq. ft. including the Phase 2 of LYL Logistics Hub (308,600 sq. ft.).

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Klang Valley, Property Market, 1Q 2022

SECTOR	OVERALL PERFORMANCE		
	4Q21	1Q22	2Q22f
Purpose-Built Office			
Purpose-Built Retail			
Industrial			

Source: CBRE | WTW Research, 1Q 2022

HOTEL

- Tourist arrivals to Malaysia in 2021 declined about -97% y-o-y, with about 135,000 persons and tourism receipts of RM238 million.
- The overall Average Occupancy Rate (AOR) increased to 33% y-o-y in 1Q 2022 (1Q 2021: 22%) while the Average Room Rate (ARR) increased to RM285 in 1Q 2022 (1Q 2021: RM236), due to the ease of movement restriction orders.
- This quarter witnessed the opening of Ascott Star KLCC (353-rooms) in Kuala Lumpur in February.
- Hotels in Kuala Lumpur remain driven by domestic tourism and business travel but will benefit when international borders reopen in April 2022.

GENERAL HOUSING

- Overall supply increased 2.9% (2020: 3.6%) with the completion of 6,800 landed homes and 34,000 high-rise units. Incoming supply stood at 300,000 units (+7.4%) whilst planned supply tapered slightly by 2.2%.
- Fewer launches were observed as developers adopted a cautious approach given rising building material costs and labour shortages.
- Booking rates of new launches remained encouraging between 60% and 80%. These include Balau Homes (Phase 2) @ Mutiara Hills and Delphy @ M Aruna, priced at an average of RM590,000 and RM795,000 per unit, respectively.
- Residential transactions in 1Q 2022 grew 11% and 19% y-o-y in volume and value respectively, while average transacted prices continued to rise by 10.4% for landed houses while high-rise units, by 1.6%.

UPMARKET RESIDENTIAL

- As of 1Q 2022, the existing supply stood at 66,700 units with 22,600 incoming units by 2026, the latter distributed in KL city centre and Mont' Kiara and Seri Hartamas locations. Two projects were launched in the KL fringe areas namely One Eleven Menerung and The Atrium in Bangsar and Ampang, indicating that buyers are regaining confidence.
- Mont' Kiara / Seri Hartamas contributed largely sub-sale transactions albeit at a lower average price of RM668 per sq. ft (cf. 4Q 2021: RM693 per sq. ft) which is in line with the general trend of KL prime residence priced which moved from average RM780 per sq. ft. (4Q 2021) to RM765 per sq. ft (1Q 2022).
- The average monthly asking rental in the prime residential areas increased slightly to RM3.30 per sq. ft., while CKL-Primary maintained at RM3.90 per sq. ft..
- The reopening of international borders soon may help to boost this sector, especially the prime residential area of the KLCC area.

CAPITAL MARKET

- Notable 11 transactions, recorded in 1Q 2022, involved 10 parcels of development land and one grade-B office building. The transactions are mainly industrial-focused, located on the outskirts in the south and north of Klang Valley.
- Overall, prices and yields remained flat.
- Industrial and development land would continue to dominate major transactions, while old commercial buildings in strategic locations would attract buyers looking for future capital appreciation.

Abbreviations:

KL – Kuala Lumpur, CKL – Central Kuala Lumpur, GDP – Gross Domestic Product, HOC – Home Ownership Campaign, E&E – Electrical & Electronic, sq. ft. – square feet, per sq. ft. – per square foot, y-o-y – year-on-year

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DEFINITIONS

- **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.
- **Upmarket Residential**
Excludes landed residential properties with a focus on strata residential units in prime residential areas in Kuala Lumpur, namely Kuala Lumpur city area, Ampang Hilir, Damansara Heights, Bangsar, Kenny Hills, Mont' Kiara and Sri Hartamas areas.

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