

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2023

SECTOR	VACANCY			RENTAL		
	3Q'23	4Q'23	1Q'24f	3Q'23	4Q'23	1Q'24f
Purpose-Built Office	▲	▲	▲	▶	▶	▶
Purpose-Built Retail	▲	▲	▲	▶	▶	▶
Industrial	▼	▼	▶	▲	▲	▲

Source: CBRE | WTW Research, 4Q 2023

ECONOMY / KEY INFRASTRUCTURE UPDATES

- Following a 3.0% growth posted in 4Q 2023, Malaysia's full-year GDP normalised to 3.7% (cf. 2022: 8.7%).
- Resilient domestic expenditure, improved inbound tourism and higher investment drove growth in 4Q 2023.
- The Overnight Policy Rate (OPR) stayed at 3.0%, subsequent to the only hike of 25 basis points in May 2023. It is projected to stay status quo throughout 2024, given the steady domestic inflation and growth outlook.
- The Ringgit appreciated 2.1% against the US dollar in 4Q 2023, alongside other regional currencies.
- Inflation averaged 1.6% in 4Q 2023 (cf. 3Q 2023: 2.0%), in line with moderating costs conditions. The inflation outlook is expected to remain modest, and highly subject to changes in domestic policy on subsidies and price controls.
- Foreign Direct Investment (FDI) rose to RM926.3 billion in 4Q 2023 (cf. 3Q 2023: RM914.9 billion).
- The services sector attracted over 50% of the total FDI, followed by manufacturing (42.2%) and mining and quarrying (4.5%), primarily from Singapore, Hong Kong, and the United States.

PURPOSE-BUILT OFFICE

- This quarter observed the completion of Aspire Tower @ KL EcoCity, adding circa 670,000 sq. ft. of new supply to the total PBO stock.
- The overall occupancy rate declined 0.4% q-o-q to 78.2%, attributed to the recent new completions.
- KL's occupancy rate fell 0.6% q-o-q to 78.1%, while Outside KL's occupancy rate rose 0.5% q-o-q to 78.3%.
- A total of six PBO transactions were recorded in this quarter, totaling RM1.3 billion: Wisma Rapid (RM32 million), Oxley Tower (RM 406 million), Menara CelcomDigi (RM450 million), Menara Serba Dinamik (RM38 million), Menara Apex (RM55 million), and Tower 2 PJ Sentral Development (RM270 million).
- Co-working operators continue to expand their footprint, with the new opening of Co-Labs Coworking Tropicana Gardens (24,000 sq. ft.) and Colony @ Star Boulevard KLCC (35,000 sq. ft.).

PURPOSE-BUILT RETAIL










- Retail sales grew 2.7% y-o-y in 3Q 2023 and the strongest improvement was observed for sub-sectors mini market, convenience store & cooperative, pharmacy, personal care, and children & baby products.
- Completions this quarter were Pavilion Damansara Heights Phase 1 (0.5 million sq. ft.) with about 50% occupancy, and The Exchange TRX (1.3 million sq. ft.) with about 70% occupancy upon opening.
- Several international debuts were observed made up of Fashion & Accessories (eg. Gentle Monster, Alo Yoga), F&B (eg. Maison Kitsune, Reborn Coffee) and Department Store (ie. Seibu). Significant entries were observed in KL and outside KL such as The Food Merchant (grocer) and TGV Cinema (entertainment), overall positioning positive retailers' sentiments and an increased international interest.
- Plaza Alam Sentral Mall with the adjoining land was acquired by PKNS with a consideration of RM178 million.
- Pressure on occupancy and rental performance may widen between underperforming and well-performing retail malls, pushing for retail mall revamping such as taken by Alamanda Mall, Putrajaya.

INDUSTRIAL & LOGISTIC

- The Industrial Production Index increased 0.6% y-o-y in November (October 2023: +2.7%, November 2022: +4.8%), backed by modest expansion in the mining and electricity sectors.
- From January to September 2023, MIDA reported RM225 billion of approved investments (+6% y-o-y), led by Services (52%) and Manufacturing (44%). FDI contributed 56% while DDI contributed 44% of investments.
- Several industrial lands were transacted such as UMW HVM Park Serendah, PKNS Setapak Industrial Area and Pulau Indah Industrial Park. Atrium REIT also acquired industrial properties in Shah Alam for RM41 million.
- On logistics, Pharmaniaga Logistic Sdn Bhd (PLSB), has entered into a 7-year concession agreement with the Ministry of Health (MOH) for the medical supply logistics services and FM Global Logistics Holdings Bhd acquired Singapore-based CAC Logistics Services Pte Ltd for RM18.86 million.
- Regional logistics and warehousing will remain the primary drivers for the industrial property market.

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SECTOR	OVERALL PERFORMANCE		
	3Q'23	4Q'23	1Q'24f
Hotel			
General Housing			
Upmarket Residential			

Note: Overall performance refers to the sectoral aspects of occupancy and rental.

Source: CBRE | WTW Research, 4Q 2023

HOTEL

- According to the Immigration Department's latest statistics, from January to November 15, 2023, Malaysia received about 26 million tourist arrivals where Singaporeans topped the list.
- Hotel performance in KV improved with an average occupancy of 65% (cf. 2022: 50%) and an average daily room rate of RM409 (cf. 2022: RM357).
- The hotel industry in KV is undergoing a positive shift due to the influx of hotel guests, which indicates potential prospects for hoteliers.

GENERAL HOUSING

- The overall supply of residential units increased by 4% y-o-y, primarily driven by non-landed properties such as serviced apartments, SOHOs, and condominiums/apartments.
- Few property launches were observed mainly in the western region. These launches included Riva Residences (616 units), Bole Residence (956 units), Loop City Residences (980 units), Hype Residences (961 units), Armani Signature Residence (315 units) and Ferrous 2 (116 units).
- High-rise residential property transactions experienced a significant 11% y-o-y increase in volume and a 22% y-o-y increase in value in 3Q 2023.
- Overall overhang in KV decreased by 14% y-o-y and high-rise residential contributed 95% of the total overhang units in 3Q 2023.

UPMARKET RESIDENTIAL

- The number of transactions of upmarket high-rise residences decreased by 8% q-o-q. The market price remained relatively stable registering an average price of RM808 per sq. ft.
- Mont Kiara/Sri Hartamas witnessed the highest transaction volumes, particularly in sub-sale transactions by 64% of the total number of transactions.

CAPITAL MARKET

- 23 transactions above RM20 million were recorded in 4Q 2023, the majority of which involved the acquisition of industrial lands, development sites and office towers. The total number of transactions this quarter sits highest among all the quarters in 2023.
- A notable transaction includes W Hotel KL (5-Star Hotel) which was acquired by IOI Properties Group Bhd subsidiary for RM270 million (RM1.8 million per hotel room). This transaction marked the highest hotel transaction per room in KV, compared to Hotel Majestic KL (2016: RM1.3 million per room) and The Westin KL Hotel (2006: RM1.0 million per room).
- Developers with strong balance sheets are on an acquisition drive, denoting optimism on market recovery.
- The business confidence indicator increased by 3.2% as of 4Q 2023, from 0.7% in 3Q 2023. Strong corporate performance helps to boost investor confidence and encourage participation in the capital markets.
- Transaction performance is likely to remain strong in the next quarters.

Abbreviations:

PKNS – Selangor State Development Corporation, SAILH – Shah Alam International Logistics Hub, HVM – High-Value Manufacturing, MIDA – Malaysian Investment Development Authority, MRA – Malaysia Retailers Association, FDI – Foreign Direct Investment, DDI – Domestic Direct Investment, E&E – Electrical & Electronic, KV – Klang Valley, KL – Kuala Lumpur, CKL – Central Kuala Lumpur, PBO – purpose-built office, PBR – purpose-built retail, GDP – Gross Domestic Product, OPR – Overnight Policy Rate, sq. ft. – square feet, per sq. ft. – per square foot, y-o-y – year-on-year, q-o-q – quarter-on-quarter, m-o-m – month-on-month

MARKETVIEW SNAPSHOT

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.

CONTACT

SR MARY KURIEN

HEAD, RESEARCH & CONSULTING
+603 2616 8861
mary.kurien@cbre-wtw.com.my

CBRE | WTW RESEARCH

CBRE WTW VALUATION & ADVISORY SERVICES SDN BHD (CO. REG. NO 18149-U)
30-01, 30TH FLOOR,
MENARA MULTI-PURPOSE
8 JALAN MUNSHI ABDULLAH
50100 KUALA LUMPUR
MALAYSIA
+603 2616 8888
researchkl@cbre-wtw.com.my

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