MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2024

SECTOR	VACANCY			RENTAL		
	3Q 2024	4Q 2024	1Q 2025f	3Q 2024	4Q 2024	1Q 2025f
Purpose-Built Office	▲	▼	△	▲	▲	△
Purpose-Built Retail	▼	▼	▽	▶	▶	▷
Industrial	▲	▲	▷	▶	▲	△

Arrow indicates year-on-year changes
Abbreviation: f – forecast
Source: CBRE I WTW Research and Consulting

ECONOMY/ KEY INFRASTRUCTURE UPDATES

- Malaysia's economy grew by 5.1% in 2024, driven by strong domestic demand and a rebound in exports (cf. 2023: 3.6%).
- The GDP is projected to expand between 4.5% and 5.5% in 2025, driven by robust domestic demand and improved external conditions.
- The headline inflation rate for 2024 has eased to 1.8% (cf. 2023: 2.5%). The stabilisation of price growth in the Food and Beverage, Transport, Household Equipment, and Restaurant & Accommodation Services sectors mainly drove this decline.
- The labour market improved in 4Q 2024, with the unemployment rate dropping to 3.2% (4Q 2023: 3.3%), the lowest post-pandemic level. This was driven by higher employment growth, boosting economic growth and consumer confidence.
- Bank Negara Malaysia has remained OPR at 3.0% unchanged, due to a balanced outlook on growth and inflation risks.

PURPOSE-BUILT OFFICE

- This quarter observed no new completion, marking the cumulative supply at 125.5 million sq. ft.
- Klang Valley's occupancy rate saw a y-o-y increase of 0.4 percentage points, reaching 78.4%.
- KL's occupancy increased by 0.1 percentage points to 77.8%, while outside KL, occupancy rose by 1.3 percentage points to 79.9%.
- These steady improvements reflect sustained demand for office spaces across the region, particularly in well-located and high-quality buildings.
- The market is expected to welcome an additional 2.0 million sq. ft. of prime PBO space by 1H 2025 with the completion of six major buildings — The Exchange Office Campus, PNB 1194, Oxley Tower, TNB Gold Bangsar, Finas Tower PJ Sentral, and Sunway Square Corporate Towers.
- This influx of supply may result in slight upward pressure on vacancy rates as the market absorbs the new inventory.
- Demand is anticipated to remain stable, driven by businesses consolidating or upgrading to higher-quality spaces.
- Rental rates are likely to hold steady, with potential growth in well-located, modern buildings offering amenities with healthy occupancy rates that align with tenant priorities such as operational efficiency and staff retention.

PURPOSE-BUILT RETAIL

- Retail sales grew by 3.8% in 3Q 2024, matching the growth for 9M 2024. Sales are expected to reach 3.9% growth for the year, with a slight increase in the final quarter due to the Malaysia Year-End Sale (MYES 2024) starting on 15 November. The early Chinese New Year in 2025 will also boost sales as Malaysian Chinese consumers begin shopping in late December.
- 168 Park Mall Selayang of the formerly abandoned mixed-use development "Selayang Star City" was revived, rebranded, and began operations again with a 65% occupancy rate on 235,500 sq. ft. NLA, anchored by Village Grocer and Harvey Norman.
- The Oasis, featuring approximately 300,000 square feet of net lettable area, has reopened its doors to the public with an occupancy rate of 99%, anchored by Jaya Grocer flagship store.
- Rental rates for the overall retail malls in Klang Valley are expected to remain steady, as the competition to attract and retain tenants remains competitive.
- Incoming supply will pressure occupancy rates and widen the gap between well-performing and underperforming malls.
- Rising living costs are impacting consumer sentiment and shopping behavior, this trend is expected to persist into 2025. Contributing factors include the removal of the fuel subsidy scheme, higher excise duties on sugar-sweetened beverages, and the expanded coverage of the sales and service tax that will be implemented in 2025.
- The Visit Malaysia 2026 campaign is expected to boost tourism and attract more visitors, supporting the retail sector amid ongoing challenges.

INDUSTRIAL & LOGISTIC

- Total warehouse and logistics supply increased by 11% to 66.8 million square feet, driven by the completion of ALP Bukit Raja Omega, Shah Alam Logistics Centre, and FM Global Logistics.
- The occupancy rate saw a slight decline to 97.8%, down from 99.2% in 2023, as the market adjusted to the increased supply.
- DHL Express has opened its 144,473 sq. ft. logistics complex, the 'Kuala Lumpur Gateway Logistics Complex' in Sepang. The facility features a fully automated sorting system, solar panels, advanced sustainability features, and can process up to 10,000 shipments per hour.
- CapitaLand Malaysia Trust (CLMT) has acquired the freehold Elmina Logistics Hub in Elmina Business Park for RM180 million from PTT Logistics Hub 1 Sdn Bhd. The hub, which features an Automated Storage and Retrieval System (ASRS), is expected to be completed in 1H 2025 and will be fully leased to Projek Tetap Teguh Sdn Bhd for a 10-year term.
- Rental rates for Grade A warehouses are expected to rise gradually, driven by robust demand for high-quality logistics and storage spaces, as well as increased investments in data centres.
- Rising trend towards eco-friendly industrial parks with GreenRE certification and the integration of advanced technologies like AI and 5G, followed by the demand for automated warehouses with ARSR is increasing, driven by the need for efficiency, cost reduction, and advanced technology, as seen in the development of Elmina Logistics Hub.

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2024

SECTOR	OVERALL PERFORMANCE		
	3Q 2024	4Q 2024	1Q 2025f
Hotel	▲	▲	△
Residential	▶	▲	△

Note: Overall performance refers to the sectoral aspects of occupancy and sales rate
Arrow indicates year-on-year changes
Abbreviation: f – forecast
Source: CBRE I WTW Research and Consulting

HOTEL

- In 9M 2024, Malaysia recorded 18.4 million tourist arrivals, with total tourist expenditures reaching RM73.3 billion. This represents a y-o-y increase of 27% in arrivals and 49% in expenditures (cf. 9M 2023: 14.5 million tourist arrivals, RM49.3 billion tourist expenditures).
- Visitors from China surged by 144% y-o-y, reaching 2.5 million, while arrivals from Brunei and Indonesia increased by 50% and 20% y-o-y, respectively.
- This quarter saw the opening of Hyatt Centric KL City Centre (5-star hotel, 312 rooms), marking the 1st Hyatt Centric-branded hotel in Peninsular Malaysia and the 2nd in the country after Hyatt Centric Kota Kinabalu.
- KL's luxury hotel segment recorded higher occupancy, rising from 68% in 2023 to 72% in 2024, with the average room rate increasing by 11% y-o-y from RM654 to RM729.
- The upscale and midscale hotel segment in KL also saw occupancy improve from 64% to 70%, with room rates rising 7% y-o-y from RM301 to RM322.
- Outside KL, occupancy for the upscale and midscale hotel segment grew from 53% to 58%, while average room rates increased by 4% y-o-y from RM307 to RM320.
- KL is set to add another 800 rooms in 1Q 2025, with notable openings including Moxy Chinatown (3-star hotel), Holiday Inn KL Bangsar (4-star hotel), and Kempinski @ 8 Conlay (5-star hotel).
- This increase in hotel supply is projected to slightly moderate the growth of both the average occupancy rate and average daily rate in the short term.

RESIDENTIAL

- The overall supply of residential units increased by 4% y-o-y to 2.1 million units, driven by an increase in serviced apartments for high-rise properties and 2- to 3-storey terrace houses leading the new landed developments.
- High-rise residential property transactions experienced an 11% and 19% y-o-y increase in volume and value respectively in 9M 2024. Similarly, landed properties also showed similar trends with an increase in the volume and value at 6% and 7% y-o-y, respectively.
- The average transaction price for high-rise increased by approximately 8% y-o-y, indicating that buyers are willing to spend more for modern amenities and city living despite higher costs.
- The residential overhang units in Klang Valley decreased by 7% y-o-y. High-rise residential contributed 92% of the total overhang units in Klang Valley.
- The average subsale transacted price per sq. ft. for high-rise residential properties in the Golden Triangle (GT) increased by 3% year-on-year, reaching RM1,068 per sq. ft. in 9M 2024, compared to RM1,041 per sq. ft. in 9M 2023, and increased by 2% y-o-y, reaching RM872 per sq. ft. in 9M 2024 in the six prime upmarket residential areas (refer to Map 1).
- These increases, coupled with the reduction in the overhang of properties particularly those priced at 1 million and above, indicate a renewed confidence among buyers in the premium residential market. This positive shift is likely driven by the gradual improvement in the overall property sector throughout 2024.
- Few property launches were observed mainly in the southern and western region of Klang Valley. These launches include the 2-storey terrace house development which is Serai @ SBRC (112 units) and the 2-storey semi-detached Keys @ Lakeside Residence (42 units). Other than that, there are high-rise developments which are Oaka Residence (350 units), Amaya Residences (1,268 units) and Sanderling 2 (606 units).
- Sales rates for medium-price projects in good locations are likely to increase in 2025 following the government's introduction of an individual income tax relief on housing loan interest payments for first-time homebuyers in Budget 2025.
- Transaction activity may also pick up in 2025, building on the renewed confidence among buyers in the premium residential market witnessed in 2024.

CAPITAL MARKET

- In 4Q 2024, 16 major transactions exceeding RM20 million were recorded, mainly involving the acquisition of industrial warehouses, hotels and lands.
- Eco World Development acquired 847 acres of land in Semenyih for RM742 million through its subsidiary, Mutiara Balau Sdn Bhd. The land, purchased from U.K. Realty Sdn Bhd and Boustead Plantations Bhd, will be developed into Eco Forest 2, a RM4.6 billion GDV mixed-use project.
- Radium Development bought 13 acres of leasehold land in Cheras for RM458 million. The site, near MRT Taman Pertama, will be transformed into a RM2.5 billion GDV transit-oriented mixed-use development.
- Pavilion REIT acquired Banyan Tree Hotels & Resorts for RM140 million and Pavilion Hotel KL for RM340 million, totaling RM480 million. These acquisitions align with its portfolio expansion strategy.
- Property developers and REITs continue to expand through land acquisitions and strategic investments. Notable deals include Pavilion REIT's hotel purchases, IGB Commercial REIT's office acquisitions, and CapitaLand REIT's investment in warehouses, reflecting a focus on diversification and long-term growth.

MARKETVIEW SNAPSHOT

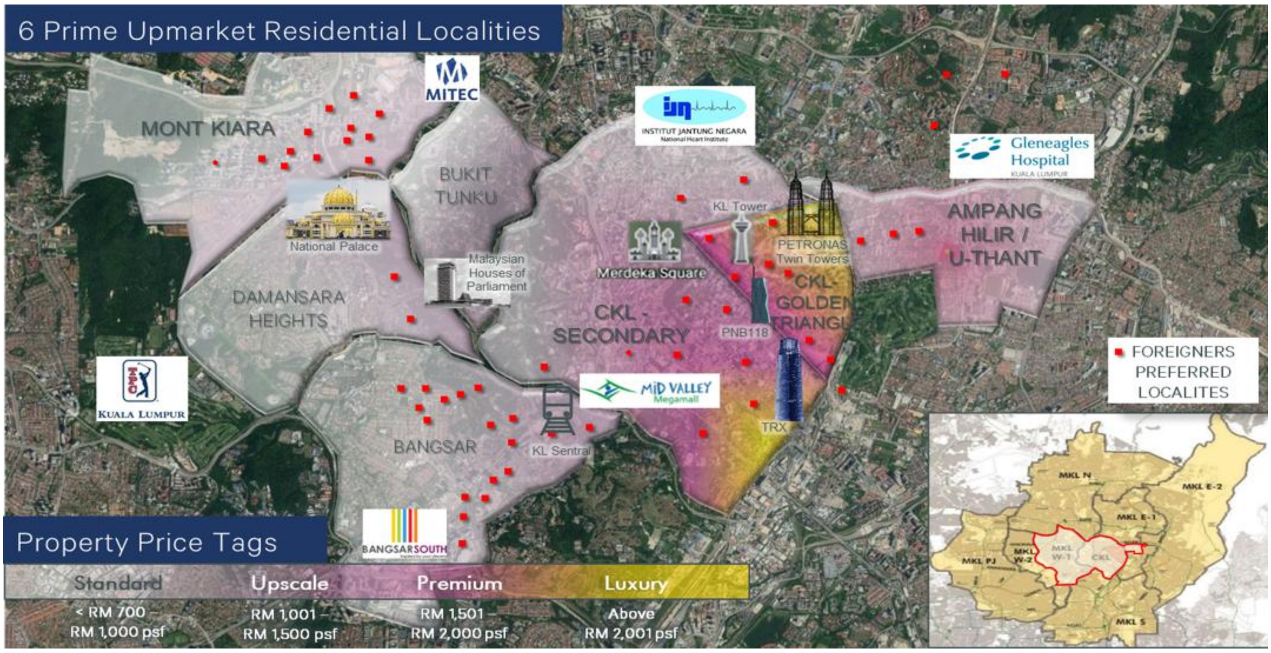
DEFINITION

- **Vacancy Rate**
  Vacant space as a percentage of the base inventory or building net lettable area.

- **Residential**
  Residential supply is inclusive of serviced apartments and SOHO units and excludes affordable housing (flats / low cost)

- **Prime 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.

Map 1: 6 Prime Upmarket Residential Localities



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