MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 1Q 2025

	VACANCY			RENTAL		
SECTOR	**4Q 2024**	**1Q 2025**	**2Q 2025f**	**4Q 2024**	**1Q 2025**	**2Q 2025f**
Purpose-Built Office	▼	▼	▽	▲	▲	△
Purpose-Built Retail	▼	▼	▽	▶	▶	▷

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 4.4% in 1Q 2025, driven by sustained household spending, expansion in investment activities, and growth in external demand (1Q 2024: 4.2%).
- Malaysia's 2025 Gross Domestic Product (GDP) growth is now expected to be lower due to new U.S. tariffs, with the International Monetary Fund (IMF) cutting its forecast from 4.7% to 4.1%, and Bank Negara's earlier 4.5%–5.5% target is now unlikely.
- The headline inflation rate for 1Q 2025 has eased to 1.5% (1Q 2024: 1.7%). The stabilisation of price growth in the Housing, Water, Electricity, Gas & Other Fuels, Transport & Health sectors mainly drove this decline.
- Inflation is expected to grow from 2.0% to 3.5% in 2025, driven by the following factors that will be implemented throughout the year:
  - Targeted subsidies for RON95 petrol (June 2025);
  - An expansion of the Sales and Services Tax (SST) (June 2025);
  - Increase in electricity tariff (July 2025);
  - Implementation of a minimum wage of RM1,700 per month (February 2025*) and mandatory EPF contribution for foreign workers (4Q 2025);
  - Newly imposed tariff on certain Malaysian goods exports to the U.S.
- The labour market continues to improve in 1Q 2025, with the unemployment rate dropping to 3.1% (1Q 2024: 3.3%), the lowest post-pandemic level. This was driven by higher employment growth, boosting economic growth and consumer confidence.
- The Overnight Policy Rate (OPR) and base rate are expected to stay at 3.00% and 3.71% in 2025 to support growth, but a 25-basis-point cut is possible depending on the economic growth from 2Q 2025 onwards, the trajectory of inflation, and developments in U.S. - Malaysia trade talks.
- Malaysia is diversifying its export markets to reduce reliance on the U.S. and minimise the impact of the newly imposed tariff.
- Despite these challenges, Malaysia's economy is expected to remain resilient, with ongoing policy adjustments aimed at sustaining growth, managing inflation, and strengthening its global trade position.

PURPOSE-BUILT OFFICE

- A total of 0.73 million sq. ft. of new office space was completed in this quarter, contributed by Oxley Tower, PNB 1194, and The Exchange Office Campus.
- The cumulative supply in the Klang Valley reached 126.19 million sq. ft., with 72% located in KL and the remaining 28% in Outside KL.
- The overall occupancy rate rose by 1.2 percentage points year-on-year to 79.1%, supported by new market entrants and the continued return of businesses to physical office spaces.
- Average gross monthly rental rate for Grade A PBO in the Klang Valley stood at RM6.65 per sq. ft., while Kuala Lumpur averaged RM7.40 per sq. ft.
- Premium Grade A PBO commanded higher rents, averaging RM11.00 per sq. ft.
- Higher asking rentals were observed in the Central KL, with rates reaching up to RM15.00 per sq. ft. in the Golden Triangle and up to RM18.00 per sq. ft. in the Secondary submarket.
- Net yields for PBO assets remained stable, ranging between 5.75% and 6.25%, reflecting investor confidence in prime commercial assets.
- The increasing demand for green-certified office spaces presents an opportunity for landlords to secure premium rents and attract long-term tenants committed to sustainability and ESG objectives.

PURPOSE-BUILT RETAIL

- Retail sales grew by 3.8%, driven by better performance across all the retail subsectors.
- However, the 2025 growth forecast of 4.3% in retail sales may be revised downward due to external economic pressures, which could lead to higher inflation and slower consumer spending.
- The overall occupancy rates have improved by 1.4 percentage points to 82.8% across the region, reflecting a continued recovery in the retail sector.
- Alamanda Shopping Centre, Putrajaya has completed its revamp, expanding net lettable area by 27% to 921,000 sq. ft. with 88% occupancy. New additions include Escape Putrajaya (151,548 sq. ft.), TGV Cinemas, and U-Bowl X.
- BBCC introduces two new retail concepts: Tuah 1895 (45,000 sq. ft.) for dining and lifestyle experiences, and The Labs (250,000 sq. ft.), a creative hub with GSC, Zepp KL, Immersify, and Andaman Grand Ballroom.
- Rising living costs are impacting consumer sentiment and shopping behavior, and this trend is expected to persist throughout 2025.
- The expected incoming supply of 2.5 million sq. ft. of retail space by the end of 2025 will pressure occupancy rates and widen the gap between well-performing and underperforming malls.
- Overall rental rates across Klang Valley malls are expected to remain steady amid a rising operating cost environment, as landlords compete to attract and retain tenants.
- The Visit Malaysia 2026 campaign and extended visa-free travel with China are expected to boost tourist arrivals and support retail sales, especially in popular shopping areas for international visitors.

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	VACANCY			RENTAL		
SECTOR	**4Q 2024**	**1Q 2025**	**2Q 2025f**	**4Q 2024**	**1Q 2025**	**2Q 2025f**
Industrial	▲	▲	△	▲	▲	▷

	OVERALL PERFORMANCE Note 1		
SECTOR	**4Q 2024**	**1Q 2025**	**2Q 2025f**
Hotel	▲	▲	△
Residential	▲	▶	▷

Arrow indicates year-on-year changes
Abbreviation: f – forecast
Note 1: Overall performance refers to the sectoral aspects of occupancy, daily room rate and sales rate
Source: CBRE I WTW Research and Consulting

INDUSTRIAL & LOGISTIC

- Approximately 1.2 million sq. ft. of warehouse space will be completed in 1H 2025.
- The overall occupancy rate slightly dips to 97.8% due to the increase of 6.7 million sq. ft. of warehouse space in 2024.
- Nestle Malaysia Sdn Bhd is partnering with Malconrep Depot (M) Sdn Bhd to build a RM250 million integrated logistics hub in Port Klang, expected in 1Q 2026, featuring ASRS, advanced technology, sustainable innovations, a Zero Carbon Certified building with solar power, and electric trucks.
- Pearl Computing has acquired 58 acres of leasehold land in Eco Business Park V, Puncak Alam, from Paragon Pinnacle (a subsidiary of Eco World), for RM266.1 million (RM105 per sq. ft.), with plans to develop a data centre.
- Geopolitical shifts and new U.S. tariffs pose short-term challenges for export-oriented sectors, potentially softening warehousing demand, but also present trade diversion opportunities for Malaysia, which remains among the least affected ASEAN countries.
- Occupancy and Grade A warehouse rents in the industrial sector are expected to remain stable in the short term, as market players adopt a cautious approach amid uncertainty surrounding new US tariffs and ongoing US-Malaysia trade negotiations.

HOTEL

- In 2024, Malaysia recorded 25.02 million tourist arrivals, with total tourist expenditures reaching RM102.23 billion. This represents a y-o-y increase of 24% in arrivals and 43% in expenditures (2023: 20.14 million tourist arrivals, RM71.31 billion tourist expenditures).
- Arrivals from China surged by 123 % y-o-y to 3.29 million visitors, while tourist entries from Brunei and Indonesia grew by 41% and 17%, respectively.
- As of 1Q 2025, Klang Valley's existing hotel supply comprised 33% 5-star hotels, 32% 4-star hotels, 24% three-star hotels and 11% serviced apartments.
- This quarter saw the debut of Moxy Chinatown (a 3-star hotel, 320 rooms) and Holiday Inn Kuala Lumpur Bangsar (a 4-star hotel, 220 rooms).
- A total of 2,549 rooms remain in the KL 2025 pipeline, with 69% of them being 5-star hotels.
- The average occupancy rate (AOR) of KL luxury hotels was 67%, a 5-percentage point decrease y-o-y. This decline is likely attributable to the two major festive celebrations during the quarter, which dampened weekday corporate demand. Nevertheless, the average daily rate (ADR) increased by 1% y-o-y to RM718, indicating continued rate resilience despite softer occupancy.
- KL's upscale and midscale hotels saw a modest improvement in occupancy to 66%, with ADR increasing by 2% y-o-y to RM317.
- The rapid expansion of 5-star hotels in KL may intensify competition, potentially placing downward pressure on occupancy rates in the short term.
- However, the overall AOR for hotels in Klang Valley is expected to increase, given the anticipated boost in tourist arrivals from the upcoming Visit Malaysia 2026 campaign and extended visa-free travel with China.
- Rising operating costs, driven by anticipated inflation, wage growth, and electricity tariff hikes, are expected to push ADR higher in 2025.

RESIDENTIAL

- The overall supply of residential units increased by 5% 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 8% and 18% y-o-y increase in volume and value respectively in 4Q 2024. Similarly, landed properties also showed similar trends with an increase in the volume and value at 2% and 5% y-o-y, respectively.
- The residential overhang units in Klang Valley decreased by 3% y-o-y. High-rise residential contributed 93% of the total overhang units in Klang Valley.
- In 2024, the average sub-sale price for luxury high-rises in the Golden Triangle rose 2.4% to RM1,090 per sq. ft., showing renewed confidence towards the luxury high-rise residential market. However, transactions dropped 22% as buyers shifted to developer deals with better incentives. Rents ranged from RM3.20 to RM4.20 per sq. ft.
- Across the 6 main areas*, the average sub-sale price for the luxury high-rises dipped slightly by 0.6% to RM877 per sq. ft., indicating market stabilisation after strong growth in 2023. Transaction volume fell by 16.5%, also reflecting a shift toward developer sales. Rental rates ranged from RM2.80 to RM3.60 per sq. ft. (*refer to Map 1 in Page 4)
- The overall sales rates may soften temporarily in 2H 2025 due to global and local economic pressures, which could increase inflation and reduce purchasing power.
- The overall property pricing will balance between price increases in high-demand areas and price adjustments in other parts of the market.

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CAPITAL MARKET

- A total of 15 major transactions were recorded in this quarter, mainly involving acquisitions of development lands and industrial warehouses.
- MRCB via its wholly-owned subsidiary Subang Sentral Sdn Bhd is buying seven parcels of land in Cyberjaya from Cyberjaya City Centre Land Sdn Bhd for RM288 million. The seven parcels of land span 36.6 acres within the Cyberjaya city centre.
- Paragon Pinnacle Sdn Bhd (subsidiary of Eco World Development Group Bhd) disposed of a 23.5-hectare leasehold industrial land in Eco Business Park V to Pearl Computing Malaysia Sdn Bhd for RM266 million. The proposed land sale presents an opportunity for the vendor to realise the value of its matured industrial landbank.
- Sime Darby Property Bhd has acquired two double-storey logistics warehouses in Bandar Bukit Raja, Selangor, for RM232 million. The warehouses, previously owned by Sime Darby Property MIT Development Sdn Bhd (a joint venture between Sime Darby Property and Japanese partners MBK Real Estate Asia Pte. Ltd. and Mitsubishi Estate Co., Ltd.), offer a total net lettable area of about 700,000 sq. ft. The warehouses are designed for various logistics needs, featuring modern specifications such as high ceilings, efficient layouts, and multiple loading docks. This acquisition strengthens Sime Darby Property's ownership of valuable, strategically located assets.
- Development land transactions have been notably active in this quarter, driven by strategic landbanking efforts as investors and developers position themselves for future expansion or own use.
- The industrial sector saw 5 logistics warehouses being transacted, with strong interest from investors capitalising on the increasing need for warehousing space in key logistics hubs across the region.

MARKETVIEW SNAPSHOT

DEFINITION

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

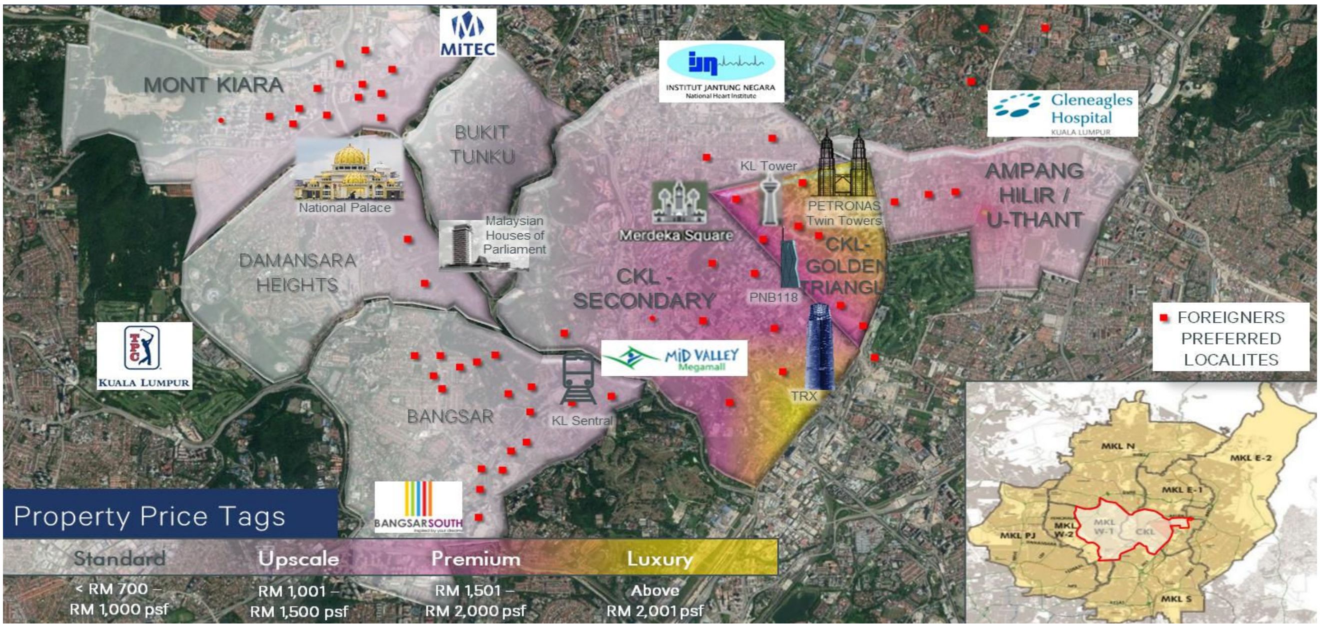
- **Grade A/ Premium A or Prime office buildings**
  Refer to high quality modern space, largely column free and includes recent generation of building services and amenities. These buildings are situated in premier location and possibly in major suburban towns.

  Premium A office is a step above a Grade A Office Building, offering even higher specifications, exclusivity, and prestige. While both are high-quality office spaces, Premium A offices set the benchmark for top-tier corporate environments. Additionally, Premium A office also command higher rental rates due to their superior quality, strategic location, sustainability (top-tier green features), iconic architecture, high-end finishes, and strong demand from high-profile tenants.

- **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.

Six Prime Upmarket Residential Localities



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