

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2025

SECTOR	AVERAGE OCCUPANCY RATE			AVERAGE ASKING RENTAL		
	3Q 2025	4Q 2025	1Q 2026f	3Q 2025	4Q 2025	1Q 2026f
Purpose-Built Office	▲	▲	▲	▲	▲	▲
Purpose-Built Retail	▲	▼	▼	▶	▶	▶

Arrow indicates year-on-year changes

Abbreviation: f – forecast

Source: CBRE | WTW Research & Consulting

ECONOMY/ KEY INFRASTRUCTURE UPDATES

- Malaysia's economy grew strongly by 6.3% in 4Q 2025 (4Q 2024: 4.9%), supported by robust domestic demand, sustained investment activity, continued demand for E&E exports, and a rebound in tourism. This lifted full-year GDP growth in 2025 to 5.2%, exceeding the Bank Negara Malaysia forecast of 4.0% to 4.8%.
- The GDP growth in 2026 is expected to remain resilient at 4.0% to 4.5%, supported by strong domestic demand, steady E&E exports, and higher inbound tourism despite global trade and tariff pressures.
- The headline inflation rate moderated to 1.3% in 4Q 2025 (4Q 2024: 1.8%), supported by easing global cost pressures and targeted domestic price stabilisation measures, bringing the full-year 2025 inflation rate to 1.4%.
- In 2026, the headline inflation is projected at 1.3% to 2.0%, remaining contained amid easing cost pressures and stable domestic conditions, despite external uncertainties.
- The labour market continues to improve in 4Q 2025, with the unemployment rate dropping to 2.9% (4Q 2024: 3.2%), the lowest post-pandemic level.
- The Overnight Policy Rate (OPR) is expected to remain unchanged at 2.75% in 2026, supported by steady GDP growth prospects, manageable inflation, and an improving labour market.
- The upcoming carbon tax in 2026 may increase construction and operating costs, while boosting demand for green buildings.
- Global trade volatility and geopolitical uncertainties remain potential downside risks to the economic outlook.

PURPOSE-BUILT OFFICE

- No new office completions were recorded this quarter, keeping the market supply stable.
- Total office stock stands at 127.85 million sq. ft., with Kuala Lumpur (KL) accounting for 72% and Outside Kuala Lumpur (OKL) making up 28%.
- In 2025, the market welcomed 2.40 million sq. ft. of new completions, comprising 1.44 million sq. ft. in KL and 0.96 million sq. ft. in OKL.
- Overall market occupancy remained steady at 79.7% in 2025 (2024: 79.6%), indicating resilient leasing support despite additional supply.
- KL occupancy improved to 79.9% in 2025 (2024: 79.2%), reflecting firmer take-up and better space absorption in the city.
- OKL occupancy eased to 79.4% in 2025 (2024: 80.7%), largely due to the introduction of Sunway Square Corporate Towers (approx. 0.96 million sq. ft.), which expanded the supply base and temporarily diluted occupancy levels.
- In KL, Premium A offices commanded the highest rents, averaging RM11.00 per sq. ft. per month, supported by superior specifications, amenities, and prestige positioning.
- Grade A offices in KL averaged RM7.50 per sq. ft. per month, indicating a clear price gap versus Premium A as occupiers differentiate between top-tier offerings and mainstream prime stock.
- In contrast, OKL Grade A offices averaged RM5.40 per sq. ft., highlighting their competitive pricing advantage and reinforcing their role as viable alternatives for occupiers seeking cost efficiency without significant compromise on quality.
- Vacancy remains high and is concentrated in older assets, continuing to cap near-term occupancy recovery and limit rental upside.

PURPOSE-BUILT RETAIL

- Retail sales in Malaysia expanded by 4.9% in 3Q 2025, bringing the nine-months growth to 2.7% y-o-y. Growth was mostly recorded in Mini-market, Convenience & Cooperative, Fashion and fashion accessories, and Supermarket and Hypermarket, supported by the expanded SARA initiative (RM100 MyKad credit) and lower OPR.
- The projected retail sales growth for the year has been revised upward to 3.6% from the previous forecast of 2.7%, due to the strong performance in 3Q 2025 as well as the year-end school holiday and holiday season, which is expected to further stimulate growth.
- Overall occupancy in Klang Valley contracted by 0.4 percentage points y-o-y to 82.4%, with KL areas growing by 1.2 percentage points to 83.6% while areas outside the city easing 2.4 percentage points to 80.9%.
- Overall occupancy remained largely stable at 82.4%, despite around 2.80 million sq. ft. of new supply entering the market in 2025.
- The new supply includes KLGCC Mall (240,000 sq. ft., 90% occupancy), Sunway Square Mall (320,000 sq. ft., 95% occupancy), and Hextar World Empire City (1.80 million sq. ft., 40% occupancy). These malls focus on experiences and lifestyle, anchored by F&B, leisure, entertainment, and destination retail, reflecting the broader consumer trend toward experiential spending and social leisure.
- However, occupancy levels are projected to moderate in 2026 amid the anticipated addition of 2.10 million sq. ft. of new supply.
- Overall rental rates across Klang Valley malls are expected to remain largely stable despite a rising operating cost environment, as landlords continue to adopt competitive pricing strategies to attract and retain tenants.
- Visit Malaysia Year 2026, supported by relaxed entry rules and the RM1,000 income tax relief for domestic tourism, is expected to increase footfall at tourist-focused malls. Experience-driven offerings, flexible leasing, and stronger digital integration are likely to become key differentiators in retail. In addition, the expanded Sumbangan Asas Rahmah (SARA) programme and the one-off RM100 payment ahead of Chinese New Year and Ramadan are expected to further support retail spending.

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2025

SECTOR	AVERAGE OCCUPANCY RATE			AVERAGE ASKING RENTAL INDUSTRIAL / AVERAGE DAILY ROOM RATE HOTEL		
	3Q 2025	4Q 2025	1Q 2026f	3Q 2025	4Q 2025	1Q 2026f
Industrial						
Hotel						

Arrow indicates year-on-year changes

Abbreviation: f – forecast

Source: CBRE | WTW Research & Consulting

INDUSTRIAL & LOGISTIC







- In 2025, approximately 3.40 million sq. ft. of warehouse space was completed, leading to a slight decline in the overall occupancy rate to 97.3%.
- Occupancy levels are projected to come under pressure in 2026 amid the anticipated addition of 9.80 million sq. ft. of new supply.
- Key transactions included Compass IP Sdn Bhd's acquisition of 29 acres of industrial land in Tanjong Duabelas, Kuala Langat for RM94.5 million, and CBH Engineering Holding Bhd's purchase of a 23,002 sq. ft. single-storey factory with office space in Kawasan Perindustrian Kota Kemuning, Shah Alam for RM14.4 million.
- Sime Darby Property Bhd collaborated with Mydin Mohamed Holdings Bhd to build approximately 786,000 sq. ft. automated distribution centre in Sungai Buloh, featuring an automated storage and retrieval system (ASRS).
- NCT Land Sdn Bhd (a subsidiary of NCT Group of Companies) signed a memorandum of understanding (MOU) with Speedex Express Logistics (M) Sdn Bhd to provide end-to-end integrated logistics solutions at the NCT Smart Industrial Park in Sepang.
- Malaysia's industrial sector is gaining momentum with RM150 million approved for smart technology and automation investments under Industry4WRD, supporting the country's push towards smart manufacturing as outlined in the National Industrial Master Plan 2030.
- Growth in smart industrial parks, ESG-integrated developments, and warehouse automation (ASRS) is being driven by the expansion of e-commerce and high-value sectors such as aerospace.
- High development costs for automation and smart industrial parks, coupled with skilled talent constraints, remain key challenges.

HOTEL

- Total hotel supply in Klang Valley stands at 68,975 rooms, with KL accounting for 71% and OKL making up 29%.
- By category, supply is led by 5-star hotels (33%) and 4-star hotels (32%), followed by 3-star hotels (24%) and serviced apartments (11%), indicating a market skewed towards mid-to-upscale offerings.
- This quarter recorded three new openings, all within the upscale segment, further lifting the quality mix of supply.
- New openings comprised Kimpton Naluria KL at Tun Razak Exchange (5-star, 471 rooms), Wyndham Suites i-City at Shah Alam (5-star, 200 rooms), and Marriott Petaling Jaya (5-star, 393 rooms).
- Marriott Petaling Jaya, formerly the 4-star Eastin Hotel with 388 rooms, has been rebranded, reflecting ongoing repositioning and product upgrades within the competitive set.
- In 2025, a total of 2,619 rooms were introduced, with new supply dominated by 5-star hotels (50%), followed by 4-star hotels (24%), serviced apartments (14%), and 3-star hotels (12%).
- New supply was concentrated in KL (77%), while OKL accounted for 23%, reinforcing KL's role as the primary growth node for new hotel developments and brand-led openings.
- KL 5-star hotels recorded an average occupancy rate (AOR) of 71.4% in 2025 (2024: 71.8%; 2019: 66.1%). Occupancy softened slightly by 0.5 percentage points y-o-y, but remained 5.3 percentage points above 2019, indicating a structurally stronger post-pandemic base.
- The average room rate (ARR) for KL 5-star hotels rose to RM738 per night (2024: RM729; 2019: RM608), up 1% y-o-y and 21% versus 2019, signalling continued pricing power despite stable-to-softer occupancy.
- New supply in the 5-star segment is rising sharply, which may increase rate competition and slow ramp-up performance for new and existing luxury hotels.
- The 5-star segment added 632 rooms in 2024, accelerated to 1,726 rooms in 2025, and is projected to introduce a further 1,252 rooms in 2026, maintaining near-term supply pressure on the luxury competitive set.

MARKETVIEW SNAPSHOT

Klang Valley, Property Market, 4Q 2025

SECTOR	AVERAGE SALES RATE			OVERALL PRICING		
	3Q 2025	4Q 2025	1Q 2026f	3Q 2025	4Q 2025	1Q 2026f
Residential						

Arrow indicates year-on-year changes

Abbreviation: f – forecast

Source: CBRE | WTW Research & Consulting

RESIDENTIAL

- In the first nine months of 2025 (9M 2025), residential supply in the Klang Valley reached approximately 2.18 million units, with high-rise properties increasing by 7.3% y-o-y and landed properties by 2.1% y-o-y.
- In the same period, the market experienced a slowdown, with declining sales volumes for both high-rise (-2.6% y-o-y) and landed (-7.1% y-o-y) properties. However, the average transaction prices of high-rise properties recorded an upward trend (+5.5% y-o-y), suggesting that buyers are more price-sensitive and increasingly selective, prioritising value, quality, and well-located mid- to upper-market developments.
- Klang Valley's overhang declined by 4.4% y-o-y, primarily driven by a reduction in high-rise overhang units (-7.4%). In contrast, overhang for landed properties increased significantly (+28.2%), reflecting weaker absorption in higher absolute price segments. This is reflective in the notable increase in overhang units priced above RM1 million (+27.6% y-o-y), though the majority of unsold units are still concentrated in the RM500,001 to RM800,000 range, highlighting persistent affordability and product-market mismatch within the mid-market segment.
- Transaction activity in the Klang Valley's upmarket high-rise market across six main areas* slowed in 9M 2025. Average prices escalated slightly by 3.6% to RM912 per sq. ft. (*refer to Map 1 in Page 4)
- The secondary market prices are expected to balance, rising in high-demand areas while moderating in oversupplied segments.
- The property market faces ongoing challenges, including rising construction and living costs that affect affordability, a persistent residential overhang, and higher stamp duty for foreign buyers that may dampen investment demand.
- However, lower financing costs are supporting purchases, while demand remains selective for well-located, quality, income-generating assets. Proactive government policies continue to provide support and help sustain market confidence.

CAPITAL MARKET

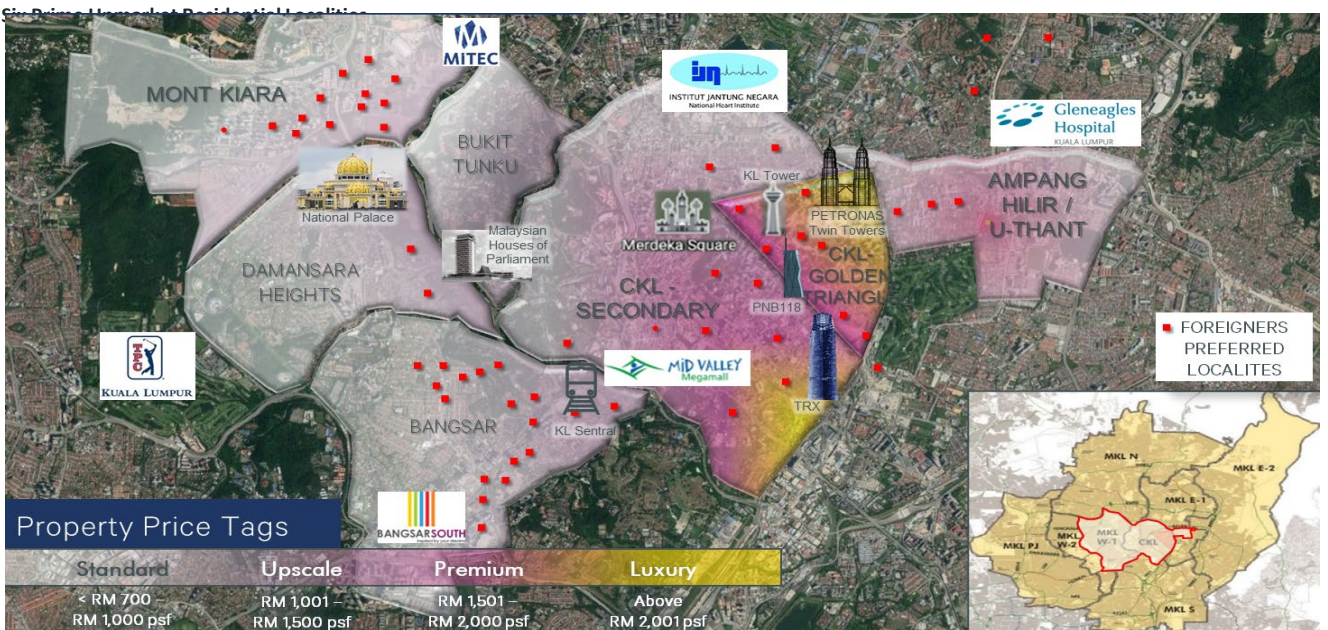
- This quarter, Klang Valley recorded 10 significant property transactions, each above RM20 million.
- Transactions were dominated by development sites, indicating land and future development potential remained the key driver of capital allocation.
- Most deals were in Selangor, supported by greater land availability, scalability for large-scale schemes, and a stronger pipeline-led demand profile.
- MUI Industrial Estates Sdn Bhd acquired eight parcels of freehold land in Ijok, totalling 731 acres, for RM605 million.
- Mont Meridian Development Sdn Bhd and Peninsular Connection Sdn Bhd (Mah Sing Group subsidiaries) acquired a 275-acre freehold land in Semenyih from Petaling Garden Sdn Bhd for RM273.5 million.
- Activity among developers and landbankers remained strong, with site acquisitions likely guided by factors such as connectivity, plot efficiency, and planning upside, rather than short-term yield.
- Development land are expected to continue attracting interest, underpinned by ongoing landbanking, development optionality, and demand for well-connected sites with planning upside.
- Industrial assets are expected to remain comparatively resilient, supported by steady occupier demand from logistics and manufacturing users, which typically supports more predictable rental income and longer lease commitments.
- Investors should stay price-disciplined, as competition for prime, well-located industrial assets is likely to remain intense and may continue to push values higher.

MARKETVIEW SNAPSHOT

DEFINITION

- Outside Kuala Lumpur (OKL)**
 OKL covers Selangor, Petaling Jaya, Cyberjaya, and Putrajaya areas.
- 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 Small Office Home Office (SOHO) units and excludes affordable housing (flats and 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.



CONTACT

Sr MARY KURIEN
 Director, Research & Consulting
 +603 2616 8861
 mary.kurien@cbre-wtw.com.my

CBRE | WTW RESEARCH & CONSULTING
 CBRE WTW VALUATION & ADVISORY SERVICES Sdn Bhd (Co. Reg. No 18149-U)
 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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