

## MARKETVIEW SNAPSHOT

# Klang Valley, Property Market, 1Q 2026

SECTOR	AVERAGE OCCUPANCY RATE			AVERAGE ASKING RENTAL		
	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>
Purpose-Built Office						
Purpose-Built Retail						

Arrow indicates year-on-year changes

Abbreviation: e – estimate

Source: CBRE | WTW Research & Consulting

## ECONOMY/KEY INFRASTRUCTURE UPDATES

- Malaysia's economy is estimated to grow by 5.3% in 1Q 2026 (1Q 2025: 4.4%), driven by a better performance in the Services and Manufacturing sectors.
- The GDP growth in 2026 is expected to remain resilient at 4.0% to 5.0%, by resilient household spending, continued investment, export growth, and steady tourism, despite ongoing geopolitical tensions.
- The headline inflation rate remains well-contained at 1.5% in 1Q 2026, only slightly higher than 1.5% a year ago, indicating that price pressures are stable and broadly manageable.
- For 2026, the headline inflation forecast has been revised upwards to a range of 1.5% to 2.5%, reflecting potential risks from global energy supply disruptions and geopolitical developments.
- The Overnight Policy Rate (OPR) is expected to remain broadly unchanged in 2026, supported by steady growth prospects and contained inflation levels, but may face upward pressure toward the end of the year in the event of prolonged energy supply disruptions.
- Global trade volatility and ongoing geopolitical uncertainties continue to pose challenges to the external outlook.

## PURPOSE-BUILT OFFICE

- No new office buildings were completed during the quarter. Total supply remained unchanged at 128.23 million sq. ft. (KL: 72%, Outside KL: 28%).
- Klang Valley's occupancy rate improved during the quarter, supported by continued leasing activity in selected landmark developments and the absence of new supply. Overall occupancy rose to 81.3%, up by 1.8 percentage points y-o-y.
- In KL, occupancy improved to 81.8%, representing an increase of 2.7 percentage points y-o-y, while OKL's occupancy stood at 80.0%, reflecting a slight decline of 0.4 percentage points y-o-y.
- On the cost side, the average service charge for prime offices increased by 5.4% y-o-y, from RM1.85 per sq. ft. to RM1.95 per sq. ft., mainly due to higher operating expenses such as maintenance, utilities, security, cleaning, and general upkeep.
- Klang Valley Grade A average office rents increased by 1.5% y-o-y to RM6.75 per sq. ft. led by stronger rental growth in KL, where rents rose by 4.1% y-o-y to RM7.70 per sq. ft. in response to higher operating costs and sustained leasing performance. Meanwhile, OKL rents remained flat at RM5.40 per sq. ft. amid softer leasing conditions and stronger competition.
- In KL, Grade Premium A office rents increased modestly by 1.4% y-o-y to RM11.15 per sq. ft., supported by continued demand for high-quality office buildings with superior specifications, strong amenities, and prestigious positioning.
- The near-term outlook for office market remains cautiously stable, although leasing momentum may soften in the coming quarters amid anticipated cost pressures stemming from disruptions in global oil supply.
- Supply-side pressure is expected to intensify in 2H 2026, when a larger pipeline of completions enters the KL market. This is likely to heighten competition for tenants, particularly among older or non-prime buildings, which may face greater challenges in maintaining occupancy and rental levels against newer, better-specified developments.

## PURPOSE-BUILT RETAIL

- Retail sales in Malaysia expanded by 2.5% in 4Q 2025, bringing full-year growth to 2.4% y-o-y. This fell short of the earlier 3.6% projection, as cautious consumer spending weighed on performance despite the boost from year-end festive spending and increased tourist arrivals.
- Looking ahead, the retail outlook remains moderate, with Retail Group Malaysia projecting growth of 4.0% in 2026, although this forecast has yet to account for the potential impact of rising living costs arising from ongoing geopolitical uncertainties. The projection remains subject to downside risk should these uncertainties persist and continue to weigh on consumer spending.
- On the supply side, 2025 saw several major mall completions, contributing to a 5.2% y-o-y increase in retail space across the Klang Valley as at 1Q 2026.
- The pipeline remains active, with notable upcoming developments including Coalfields Retail Park, AEON Mall KL Midtown, Ombak KLCC, and 118 Mall @ Merdeka 118. In total, approximately 2.0 million sq. ft. of new retail space is expected to enter the market by end of 2026.
- In 1Q 2026, overall occupancy in Klang Valley remained largely stable at 83.4%, with slight decrease of 0.3 percentage points from the previous year. KL areas grew by 0.5 percentage points to 83.7% while areas Outside KL easing 1.1 percentage points to 83.0%.
- Rental rates across Klang Valley malls are expected to remain broadly stable amid geopolitical uncertainties and rising operating costs, as landlords continue to adopt competitive pricing strategies to attract and retain tenants.
- The proposed extension of the Visit Malaysia 2026 (VM2026) campaign to end-2027, alongside relaxed entry requirements and RM1,000 domestic tourism tax relief, is expected to support footfall at tourist-oriented malls. Meanwhile, the Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) programmes are expected to support value-based retail spending. Looking ahead, malls with stronger experiential offerings, differentiated tenant mixes and better digital integration are likely to remain more resilient amid an increasingly competitive retail landscape.

## MARKETVIEW SNAPSHOT

# Klang Valley, Property Market, 1Q 2026

SECTOR	AVERAGE OCCUPANCY RATE			AVERAGE ASKING RENTAL INDUSTRIAL / AVERAGE DAILY ROOM RATE HOTEL		
	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>
Industrial	▲	▼	▶	▲	▲	▶
Hotel	▲	▲	▶	▲	▶	▶

Arrow indicates year-on-year changes

Abbreviation: e – estimate

Source: CBRE | WTW Research & Consulting

## INDUSTRIAL & LOGISTIC







- In 1Q 2026, approximately 2.8 million sq. ft. of warehouse space was completed, leading to a slight decline in the overall occupancy rate to 96.1%.
- Occupancy levels are projected to come under pressure in 2026 amid the anticipated addition of 7.2 million sq. ft. of new supply by end of 2026.
- Big Caring Group has introduced its new Bukit Raja Distribution Centre with a built-up area of approximately 242,000 sq. ft. in Bandar Bukit Raja, featuring advanced automation solutions and expected to be completed in 2Q 2026.
- AME Elite Consortium Bhd has secured the construction contract by KLIA Aeropolis Sdn Bhd for the first phase of a specialized aircraft engine test cell facility at KLIA Aeropolis, Sepang.
- Key transactions include Jin Ye Ye Sdn Bhd's acquisition of 66 acres of industrial lands in Semenyih for RM57.0 million and WG Malaysia VIII Sdn Bhd's purchase of 157 acres of industrial lands in Klang. Another notable transaction is Book Koon Capital Sdn Bhd's deal of a 167,294 sq. ft. GFA single-storey detached factory, a three-storey office, and a double-storey detached factory in Taman Sains Selangor 1 for RM65.0 million.
- Prolonged high energy costs and global trade volatility have increased fuel and construction costs, potentially affecting profit margins and moderating expansion and leasing decisions.
- Increasing pipeline supply of logistics space may intensify competition and pressure rental growth.
- Government initiatives under the New Industrial Master Plan 2030 (NIMP 2030) and New Investment Incentive Framework (NIF) continue to support higher-value and sustainable industrial developments.
- Demand remains focused on modern, high-specification and automated logistics facilities amid the elevated cost environment.

## HOTEL

- No new hotel completions were recorded during the quarter. Total room supply remained unchanged at 68,975 rooms (KL: 71%; Outside KL: 29%).
- Of the total supply, 33% comprised 5-star hotels, followed by 4-star hotels at 31%, 3-star hotels at 24%, and serviced apartments at 11%.
- All hotel segments in KL and the OKL recorded y-o-y improvement in average occupancy in 1Q 2026, reflecting firmer demand across the market.
- KL 5-star hotel occupancy rose by 4.2 percentage points to 70.2%, while KL 3- and 4-star hotels recorded a combined occupancy increase of 3.6 percentage points to 69.8%.
- Serviced apartments recorded the strongest growth, up 5.9 percentage points to 69.1%.
- Occupancy for Selangor 3- and 4-star hotels combined improved by 4.3 percentage points y-o-y to 59.6% in 1Q 2026, although the segment remained below its pre-pandemic level of 64.7% recorded in 1Q 2019.
- In contrast, all other hotel segments have surpassed their pre-pandemic occupancy levels, indicating a stronger recovery in KL market.
- Average room rates showed mixed trends in 1Q 2026. KL 5-star hotels held steady at RM718 per night, while KL 3- and 4-star hotels rose by 1.8% y-o-y to RM322.
- In contrast, Selangor 3- and 4-star hotels category and Klang Valley serviced apartments recorded slight declines of 0.6% y-o-y to RM303 and RM387, respectively. Nevertheless, all segments remained above their pre-pandemic room rate levels.
- Visit Malaysia Year 2026 (VM2026) was officially launched on 1 January 2026, with a target of attracting 47 million international arrivals and generating RM329 billion in tourism receipts.
- However, geopolitical tensions and elevated travel costs may soften travel sentiment and moderate tourism demand, particularly for discretionary and corporate travel.
- Incoming 5-star hotel supply in KL CBD is expected to intensify competition in the luxury segment, potentially limiting room rate growth and increasing pressure on older properties.
- Government tourism initiatives targeting key source markets, together with the proposed extension of the Visit Malaysia 2026 (VM2026) campaign, are expected to support tourism demand and sustain hotel occupancy levels amid rising supply.
- MICE and business travel demand remain key demand drivers for Kuala Lumpur hotels.

## MARKETVIEW SNAPSHOT

# Klang Valley, Property Market, 1Q 2026

SECTOR	AVERAGE SALES RATE			OVERALL PRICING IN KLANG VALLEY		
	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>	4Q 2025	1Q 2026	2Q 2026 <sup>e</sup>
Residential						

Arrow indicates year-on-year changes

Abbreviation: e – estimate

Source: CBRE | WTW Research & Consulting

## RESIDENTIAL

- In 2025, residential supply in the Klang Valley reached approximately 2.73 million units, supported by continued expansion in both segments, with high-rise properties increasing by 4.8% y-o-y and landed properties by 2.1% y-o-y.
- Market performance diverged across segments. Landed properties experienced a slowdown, in both transaction volume (-7.0%) and value (-1.9%). In contrast, high-rise properties gained traction, recording a robust growth in both transaction volume (+4.2%) and value (+24.6%). This trend suggests a continued shift in consumer preference towards high-rise living, driven by affordability considerations, urban accessibility, and the growing appeal of integrated living.
- Klang Valley's overhang declined by 7.9% y-o-y, primarily driven by a reduction in high-rise overhang units (-16.3%). In contrast, overhang for landed properties increased significantly (+97.6%), reflecting an early signs of rising supply pressure in the landed segment. Overhang units priced above RM1 million have also increased, reflecting more selective demand in the higher-priced segment. The majority of overhang units remain concentrated in the RM500,001 to RM800,000 price range.
- Transaction activity in the Klang Valley's upmarket high-rise market across six main areas\* slowed in 2025. Average prices rose by 7.6% to RM976 per sq. ft. (\*refer to Map 1 in Page 4), reflecting highly selective demand.
- Eroding affordability amid rising living costs and slower take-up of new launches may continue to weigh on purchasing sentiment.
- Supply pressure is emerging in selected landed residential segments, while elevated geopolitical and economic uncertainty may dampen investor sentiment and discretionary demand.
- Nevertheless, well-located, transit-linked and lifestyle-focused developments are expected to remain comparatively more resilient, particularly in the lower- and mid-priced owner-occupier segments.
- Foreign buyer activity may continue providing some support to the luxury and prime residential segments.
- Policy support measures, including stamp duty exemptions for first-time buyers, expanded housing credit guarantees, housing loan tax relief, affordable housing programmes and refinements to MM2H, are expected to provide continued market support.

## CAPITAL MARKET

- Klang Valley recorded 12 notable property transactions above RM20 million each in 1Q 2026, with a combined value of RM2.095 billion.
- Activity was led by development site acquisitions, which made up eight transactions worth RM1.874 billion, followed by three industrial deals and one retail transaction.
- Most transactions were concentrated in Selangor, particularly in decentralised locations outside the city core, reflecting continued investor preference for larger land parcels and stronger development potential. These out-of-city areas generally offer greater flexibility for large-scale projects, such as industrial parks, mixed-use developments and master-planned schemes.
- The dominance of development site transactions indicates that market activity was largely driven by longer-term growth strategies rather than acquisitions of income-producing assets. Developers and investors appear to be positioning for future expansion by securing land in strategic suburban locations, supported by ongoing urban growth, improving infrastructure connectivity and population spillover from the city centre.
- The industrial deals also point to sustained demand for logistics, warehousing and manufacturing-related assets in established industrial nodes across Selangor.
- Overall, the transaction pattern in 1Q 2026 reflects an active but selective market, with capital directed towards growth-oriented sectors and suburban locations.
- The strong concentration of deals in Selangor reinforces investor confidence in expansion areas, although overall transaction activity is expected to remain moderate amid geopolitical tensions, cost pressures and broader economic uncertainties.

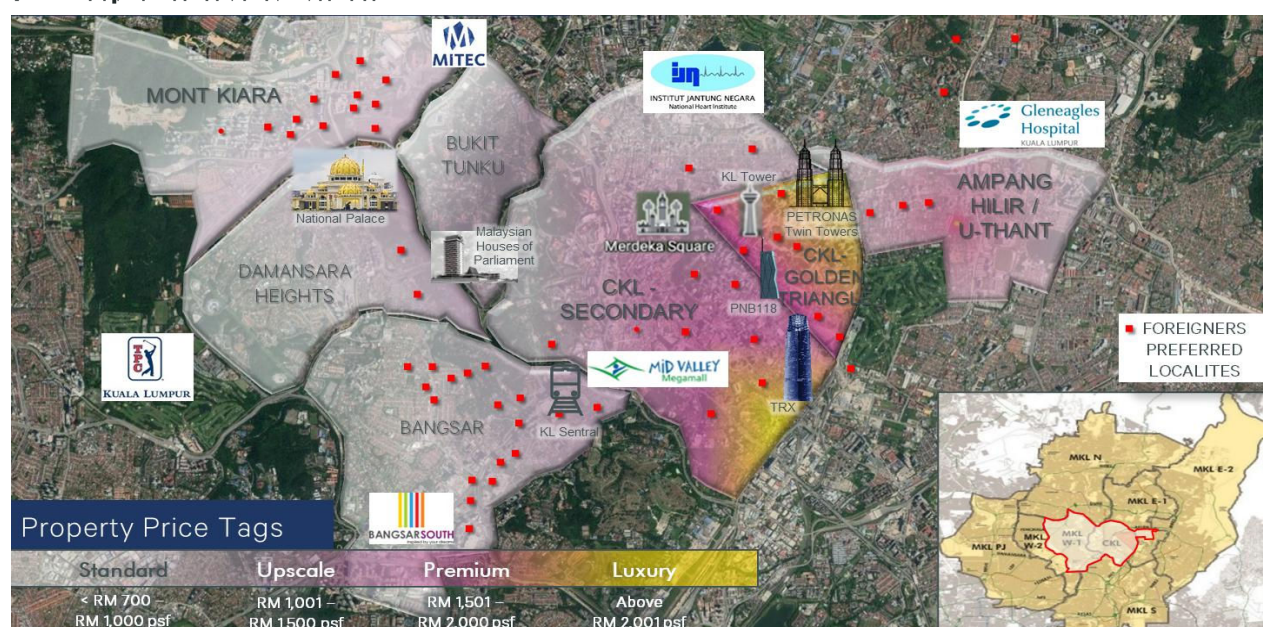
## MARKETVIEW SNAPSHOT

### 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.
- 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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