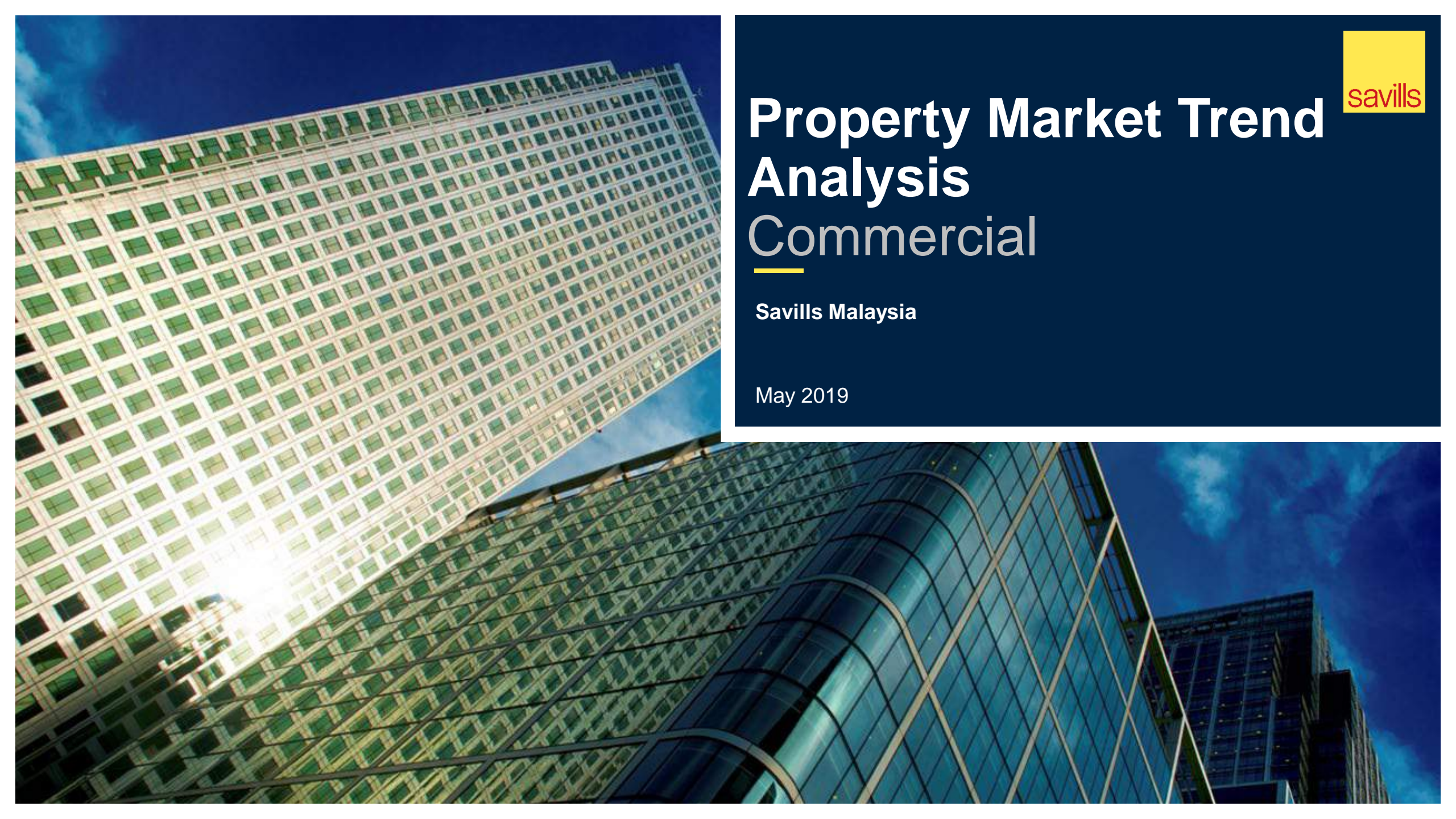




Property Market Trend Analysis Commercial

Savills Malaysia

May 2019



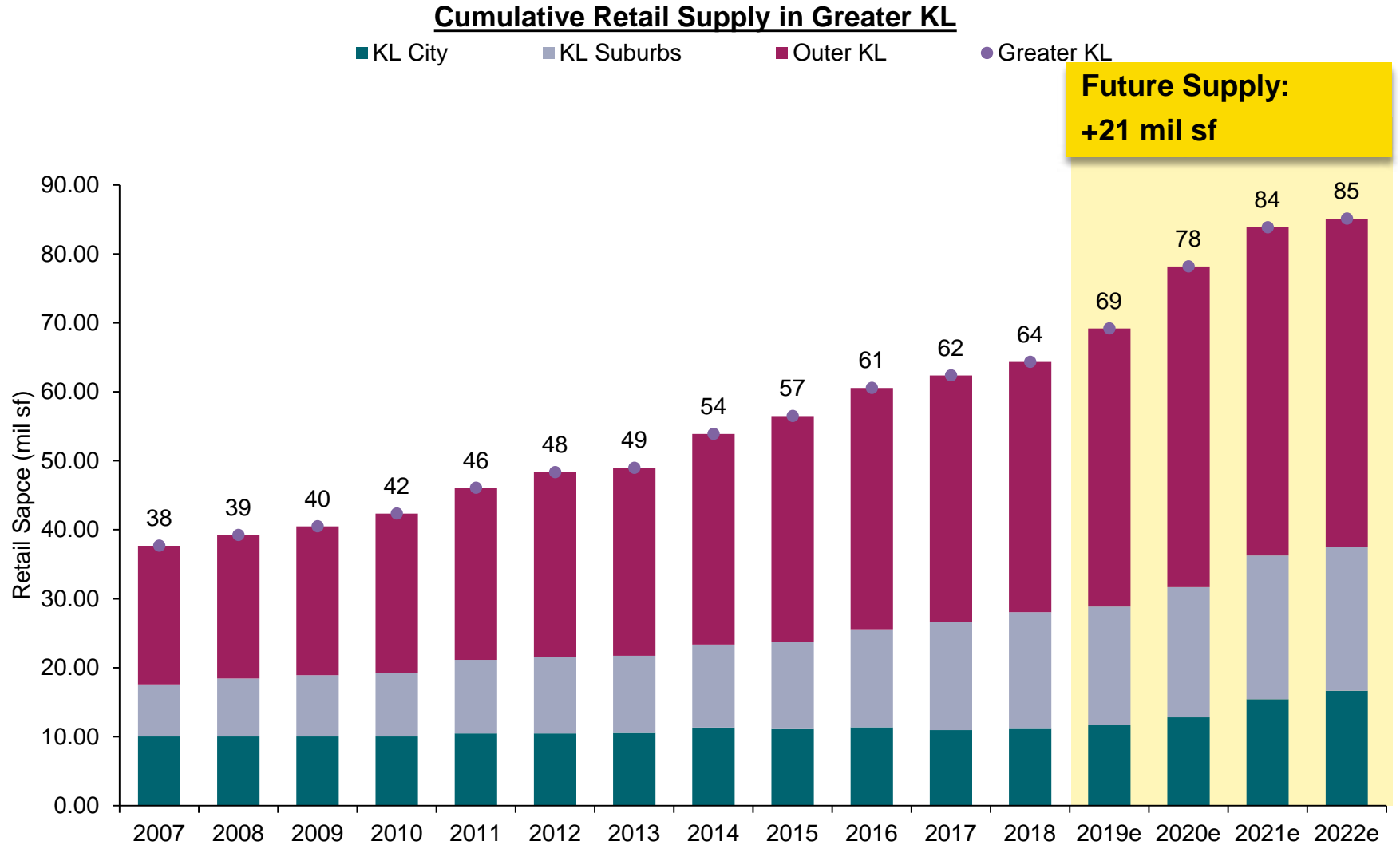
GREATER KL

Retail Market Overview



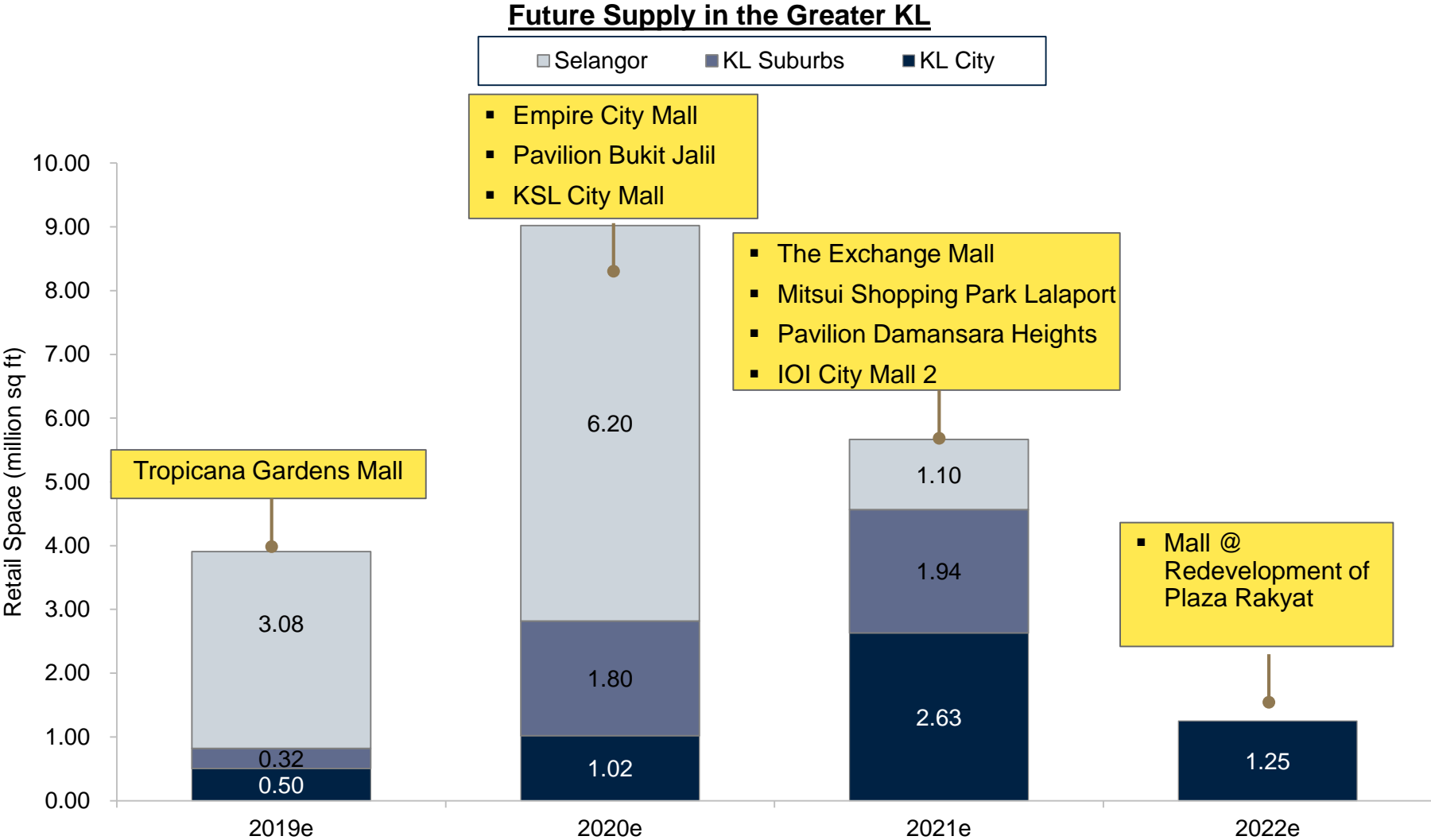
Retail Supply in Greater KL

- Well-supplied market, with 64 mil sq ft of shopping mall & hypermarket in the region.
- Basically, both the office and retail markets are bracing for an additional 20 million sft of supply by 2022 (each), but for retail, the current supply base is half that of office; hence, the % growth will be twice as high.
- Of the total retail supply in Greater KL: -
 - Selangor: 57%
 - KL Suburb: 25%
 - KL City: 18%



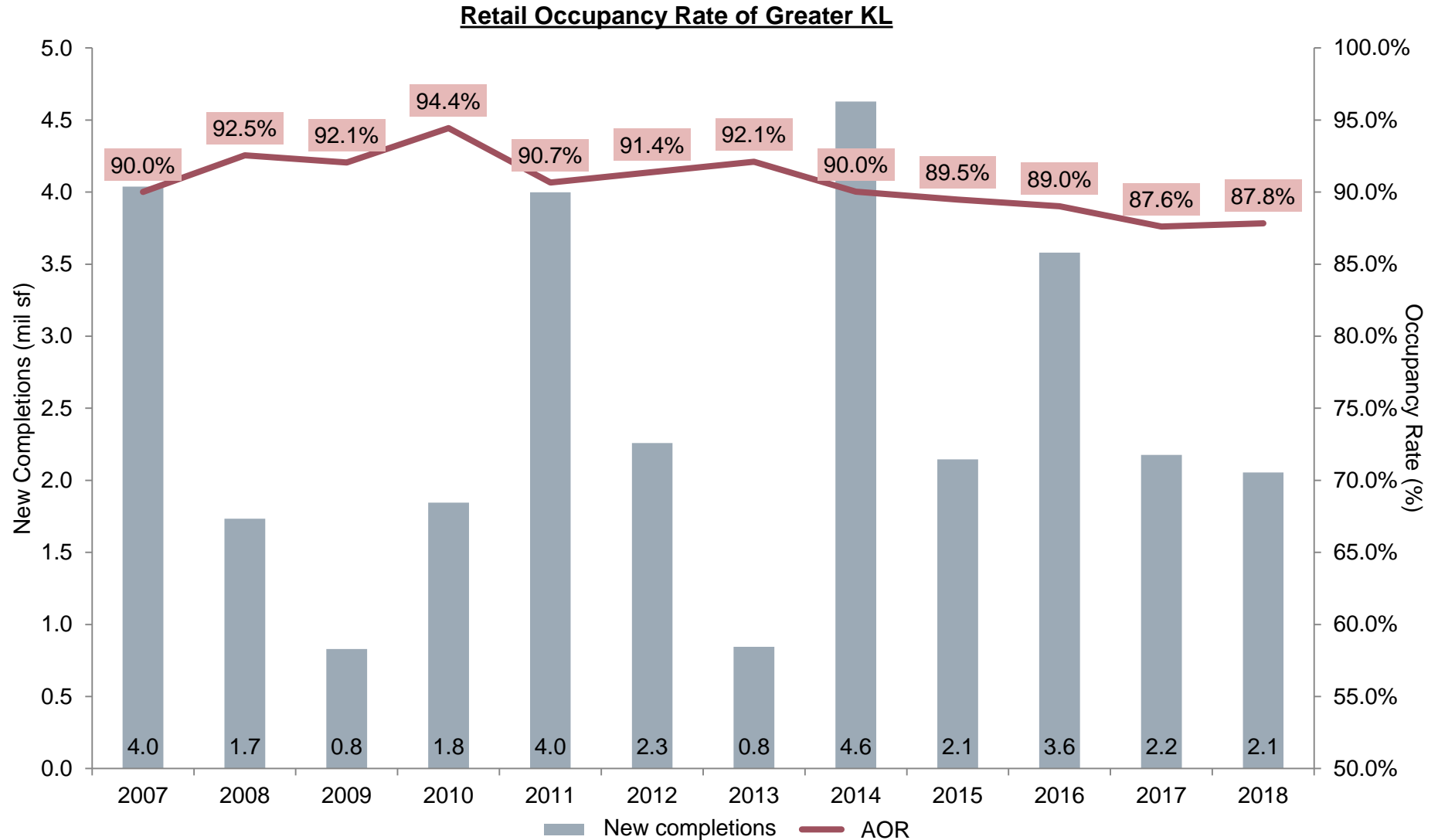
Future Retail Supply in Greater KL

- Strong competition in the coming years with at least 20 mil sq ft retail space in the pipeline.



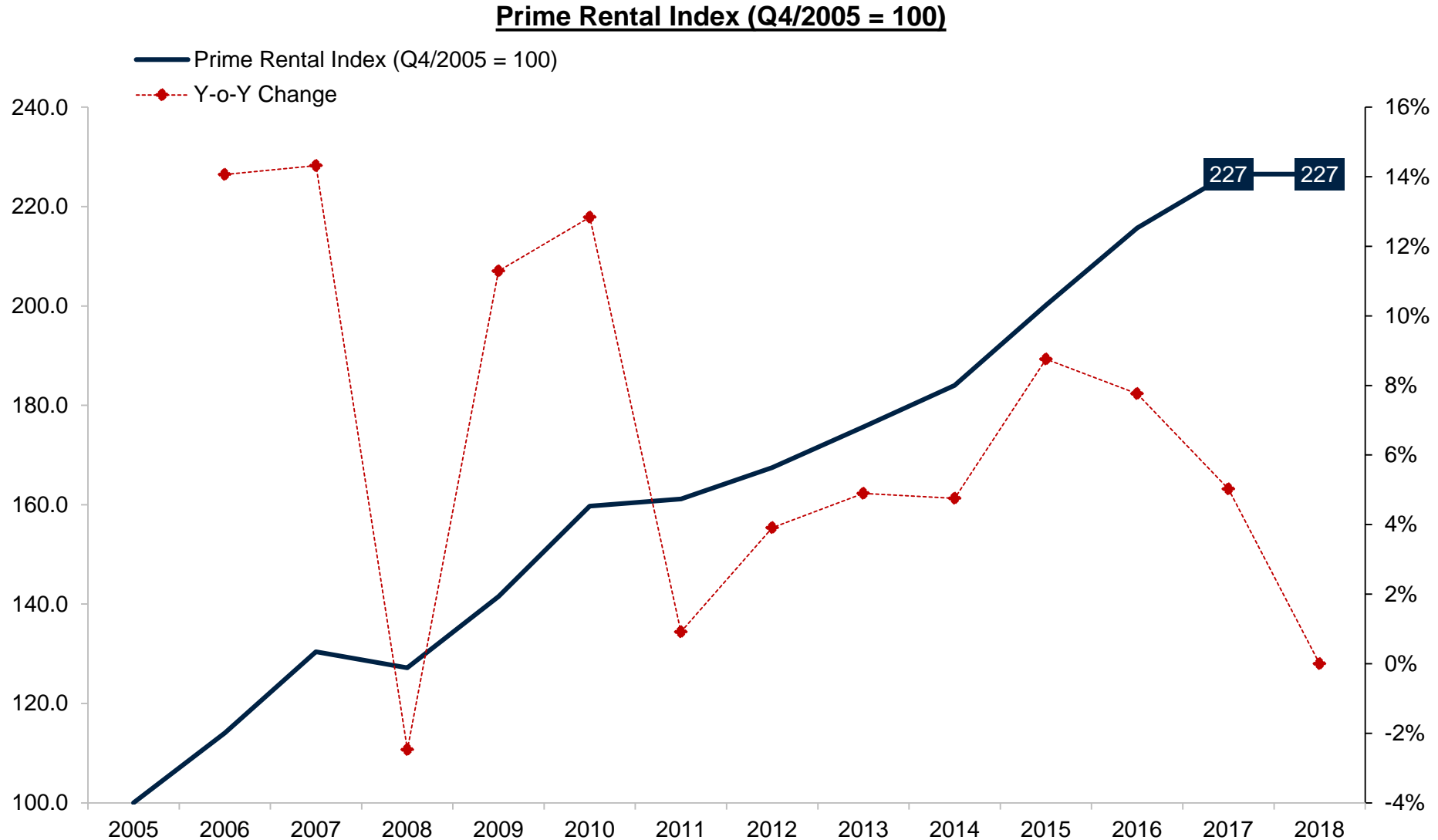
Average Retail Occupancy Rate

- Retail occupancy rate remain healthy, recorded 87% as of 2018.
- However, new malls struggle to reach high occupancy on opening. This is mainly due to the availability of plenty options for retailers to choose, and they are taking this opportunity to assess the suitability to open a new stores.



Prime Retail Rent Index

- Stable rent level across all prime retail segments is anticipated amidst the challenging retail environment.
- The top centres have long enjoyed rental growth that was the envy of the rest of the market, underpinned by stable economic growth and favorable demographics. This is no longer the case.
- The significant supply growth over the past decade has led to increasing competition, causing malls to compete for the same, limited catchments.



Major mall transactions in Greater KL

Year Transacted	Property	NLA (sq ft)	Transaction Price (RM mil)	Capital Value (RM psf)	Purchaser	Yield (%)
2008	Part of Sg Wang Plaza	510,418	595	1,166	CapitaLand Ltd	-
	Citta Mall	424,000	280	670	SEB Asset Management	-
2009	Starhill Centre	297,354	629	2,115	Starhill Global REIT	-
	Lot 10	256,811	401	1,561	Starhill Global REIT	-
2010	1 Mont'Kiara	410,000	333.0	812	ARA Asia Dragon Limited	-
	Sungei Wang Plaza	450,470	724.0	1,607	CapitaLand Malaysia Mall Trust (CMMT)	7.3%
	The Mines	719,563	530.0	737	CMMT	6.4%
	Sunway Pyramid Shopping Mall	1,685,568	2,300.0	1,365	Sunway REIT	6.4%
2011	Pavilion KL Mall	1,335,119	3,190.3	2,390	Pavilion REIT	6.7%
	CITTA Mall	424,467	245.0	577	ARA Asia Dragon Limited	-
2012	Mid Valley Megamall	1,718,951	3,440.0	2,001	IGB REIT	5.3%
	The Gardens Mall	817,053	1,160.0	1,420	IGB REIT	5.9%
2014	KL Festival City	450,000	349.0	776	Festival Mall Sdn Bhd & AsiaMalls Sdn Bhd	-
2015	Tropicana City Mall and Office Tower	549,494	540.0	983	CMMT	4.0%
	Da Men Mall	420,290	488.0	1,161	Pavilion REIT	6.0%
	The Intermark Mall	225,014	160.0	711	Pavilion REIT	6.1%
2017	Empire Shopping Gallery	350,000	570.0	1,629	Pelaburan Hartanah Bhd (PHB)	-
	AEON Mahkota Cheras	211,405	87.8	415	Foremost Wealth Management Sdn Bhd	-
	Elite Pavilion Mall	229,609	580.0	2,397	Pavilion REIT	-
2018	SS2 Mall	460,000	180.0	391	DK-MY Properties Sdn Bhd	-

Supply

- **Diluted market shares**, with 20 mil sq ft of retail space scheduled for completion by 2022.
- **Occupancy rate of major malls remains healthy**. Having said that, new malls are struggling to reach high occupancy on opening.
- **Retailers are consolidating and reviewing current stores' performance and be more prudent** in terms of store expansion. Anecdotal evidence shows that retailers are keen to expand and are looking out for other store format options.

Demand

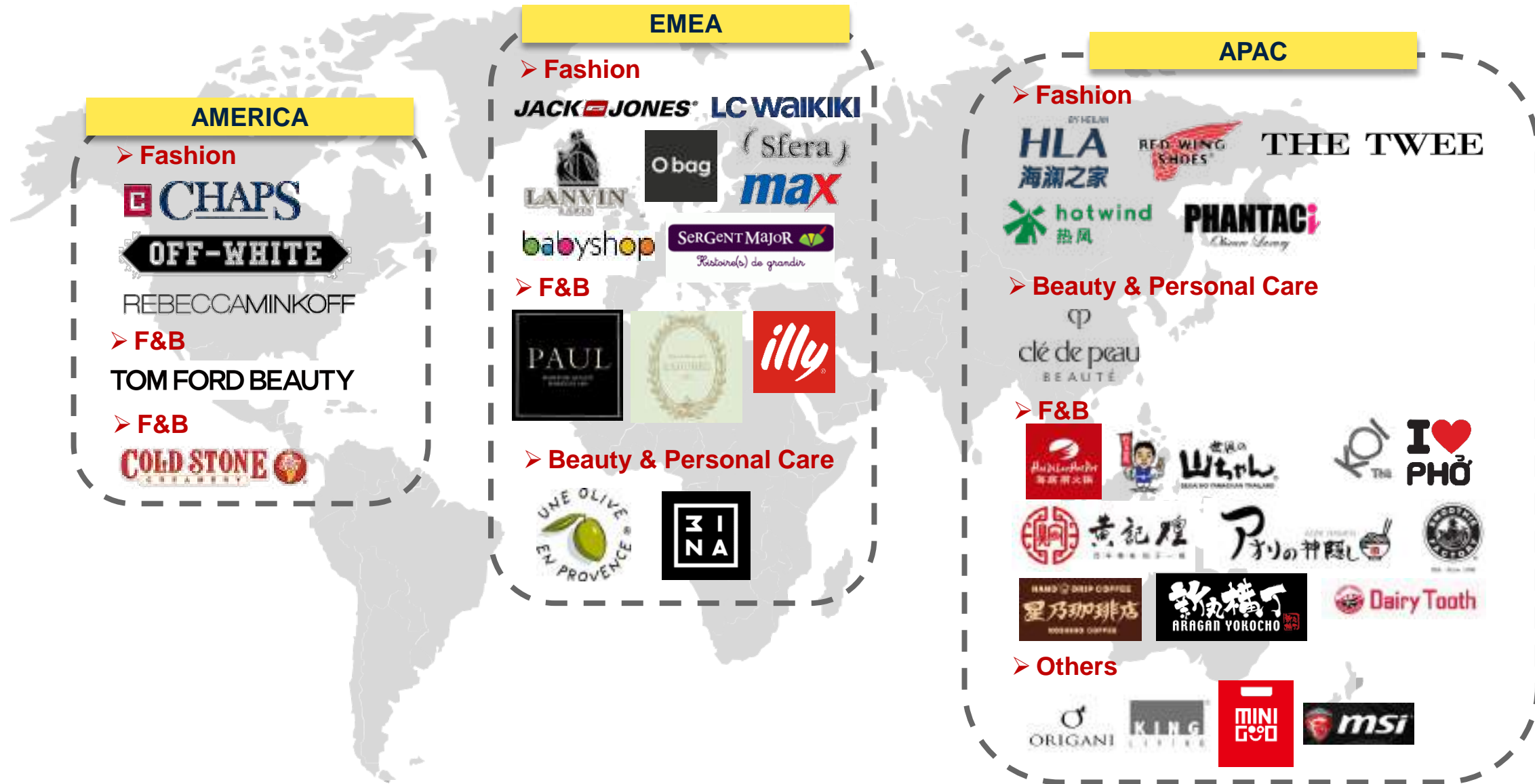
- Retail supply growth far outpaced population growth.
- **More international brands** open stores in Malaysia especially F&B, fast fashion, athleisure and beauty segments.

Investment

- **Prime retail rental index holding up**, with Suria KLCC & Pavilion KL leading the market. The completion of TRX The Lifestyle Mall and Mitsui Shopping Park Lalaport @ BBCC in the end 2021 will have an impact to the retail market.
- **Market sentiment remains soft** and likely to prolong.

New Retail Entrants

Origins of New-to-market International Retailers in 2017/18





GREATER KL

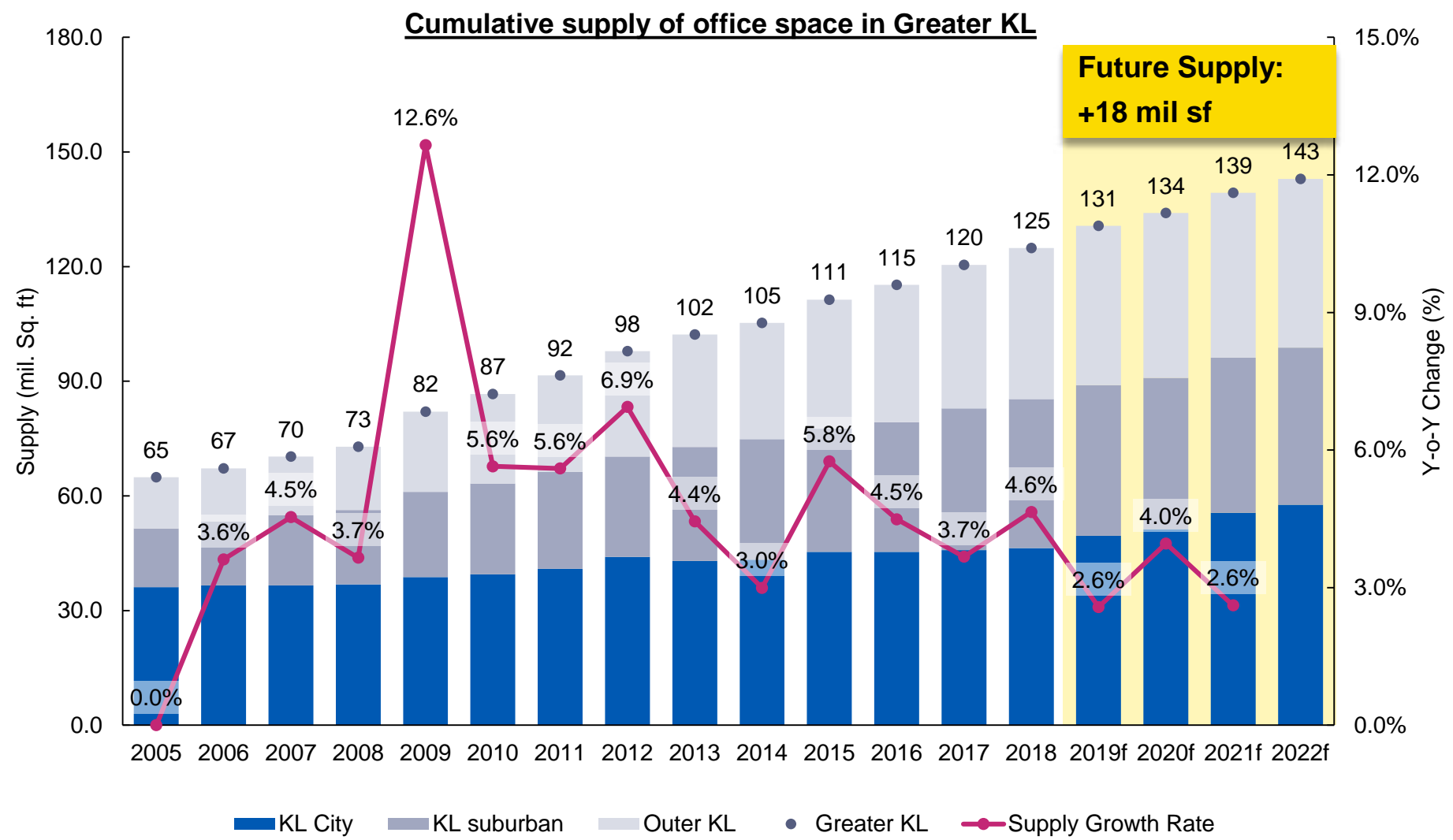
Office Market Overview

Total Office Stock in Greater KL is 125 mn sft, making it ASEAN's largest



- GKL is largest office market in ASEAN.
- 3.8 million sq. ft of new office space (13 office buildings) completed in 2018, of which
 - 48% in Selangor
 - 38% in KL Suburb, and
 - 14% in KL City

- FUN FACTS**
- ✓ Singapore 80 million sq ft
 - ✓ Hong Kong 127 million sq ft
 - ✓ Bangkok 97 million sq ft
 - ✓ Manila 73 million sq ft
 - ✓ Jakarta 67 million sq ft



Note: Office space in Cyberjaya is included in Savills Basket since 3Q 2018.

Recent Office Completions in Greater KL

- Majority of the new offices are located in the suburbs, with only two office buildings in the KL City namely Equatorial Plaza (460k sq ft) and Menara Khuan Choo (85k sq ft).

Selected New Grade A Offices



Petaling Jaya

**Menara Celcom
(CANCO)**
NLA: 450k sq ft



Putrajaya

**Menara Perdana
MRCB**
NLA: 270k sq ft



KL City

Equatorial Plaza
NLA: 460k sq ft



KL Eco City

Mercu 2
NLA: 540k sq ft



**Mutiara
Damansara**

Nucleus Tower
NLA: 238k sq ft



Bangsar

Menara Etiqa
NLA: 380k sq ft

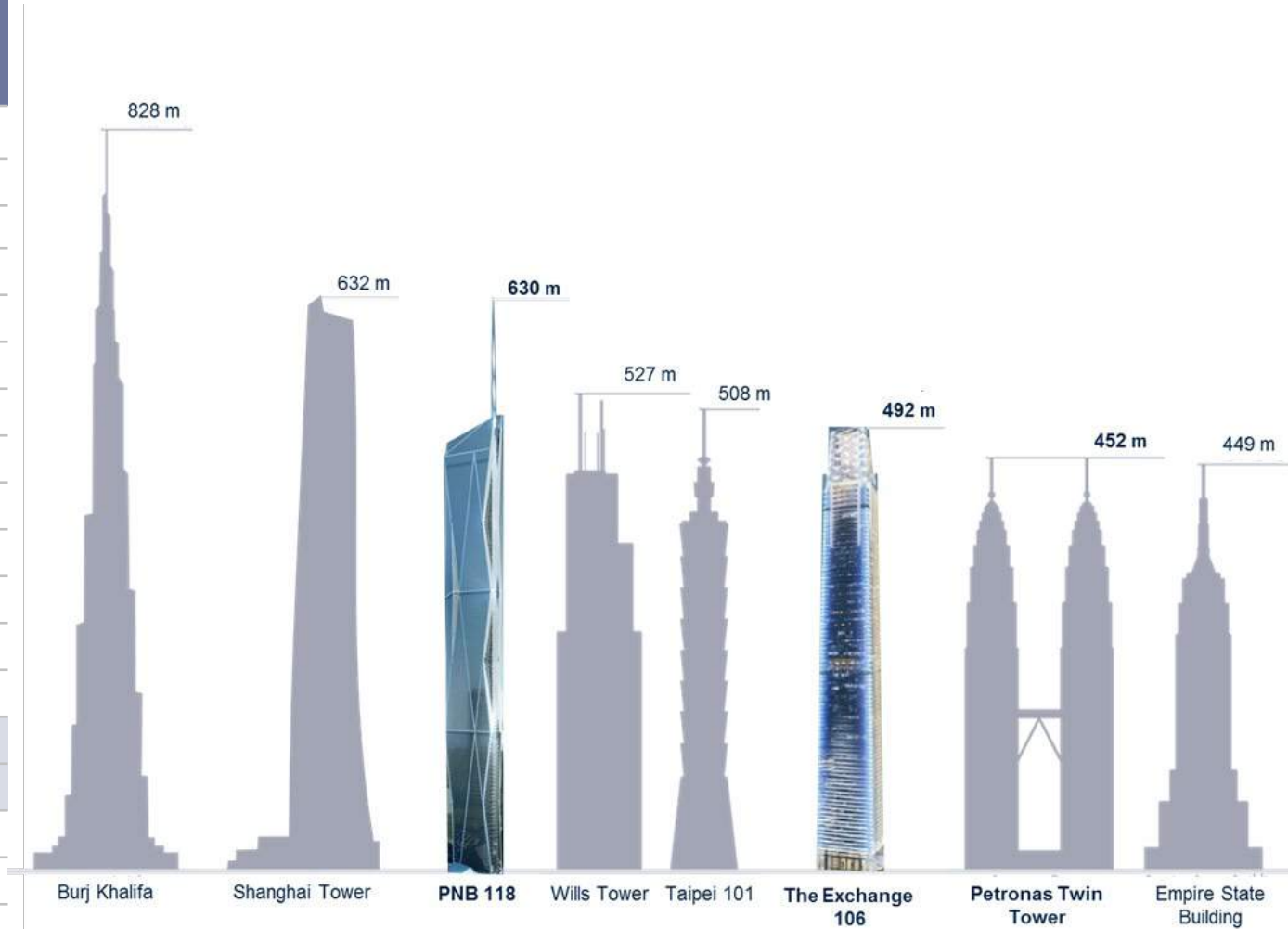


Mid Valley

Southpoint
NLA: 540k sq ft

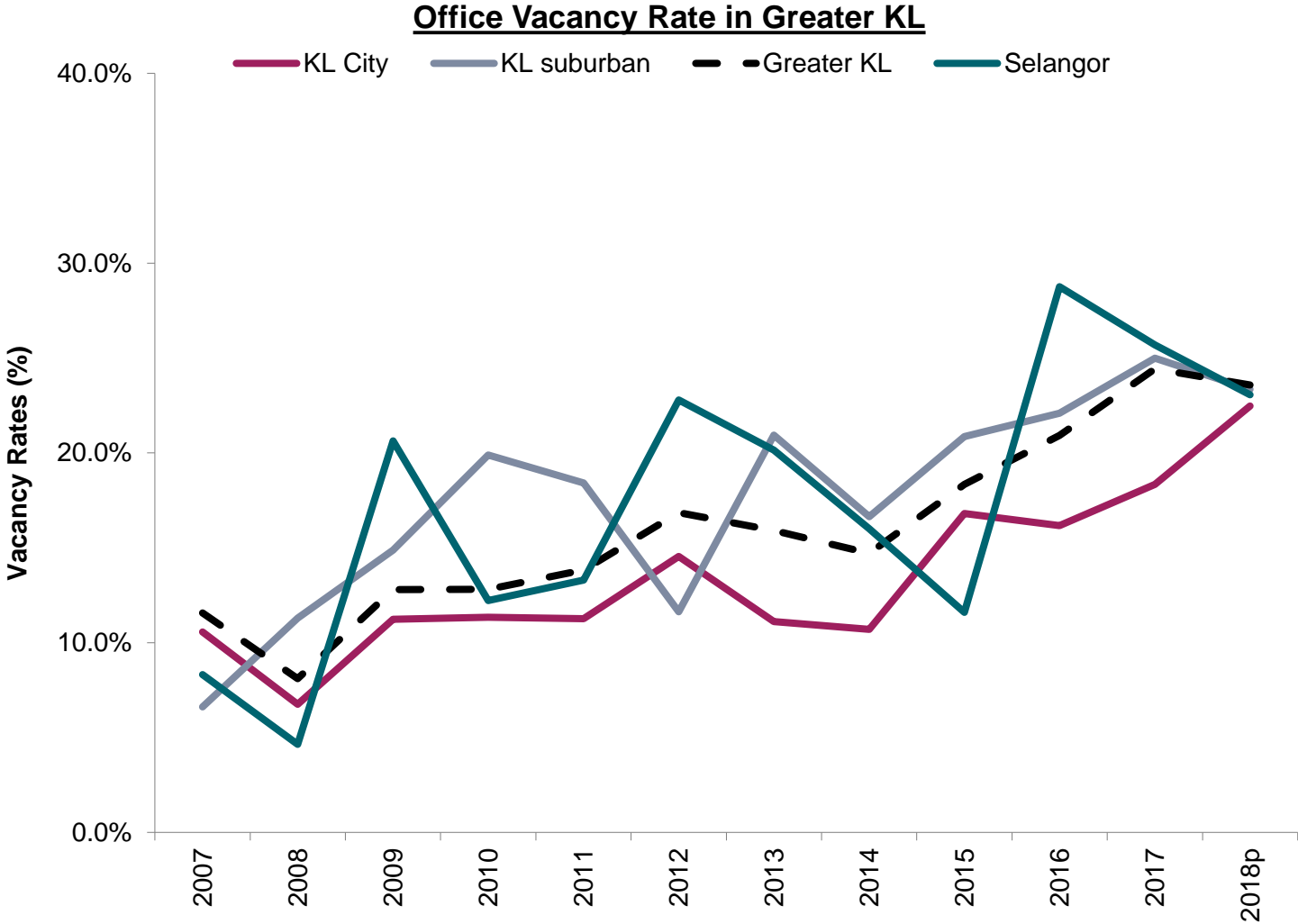
Future Office Supply in Greater KL

Zone	Total Office Space 2019-2022	Major Office Buildings (>300k sq ft)	Expected completion year
KL City	11 mil sq ft	The Exchange 106 @ TRX	2019
		Menara Prudential @ TRX	2019
		YTL HQ	2019
		TCM Tower	2020
		Lot 91 KLCC (Sapura)	2020
		Merdeka PNB118	2021
		Affin Bank HQ @ TRX	2021
		HSBC HQ @ TRX	2021
		UOB Tower 2	2021
		Office @ Oxley Tower	2021
		The Stride Strata Office @ BBCC	2021
		Pavilion Embassy Corporate Suites	2022
		Lot 185, 167, 176 KLCC	2022
		KL Suburbs	3 mil sq ft
Lot 61 Bangsar by PHB	2022		
The rest of Selangor	3 mil sq ft	HCK Tower @ Empire City	2019
		1 Powerhouse Bandar Utama	2020
		Uptown 8	2020
Cyberjaya	0.3 mil sq ft	Kenwingston Business Centre	2020
		Glomac Cyberjaya 2	2021



Greater KL Office Vacancy Rate

- Greater KL office vacancy rate decreased by 0.8% Y-o-Y mainly due to the lower average vacancy rate recorded in KL suburban and Selangor (excluding Cyberjaya).
- Flight-to-quality is amongst the trends pushing demand for new and well-equipped office buildings in the market.
- Corporations are consolidating by shifting branch offices back to the HQs. On a positive note, flexible workspace operators are expanding.



23%

KL City

23%

KL Suburban

23%

Selangor
(including Cyberjaya)

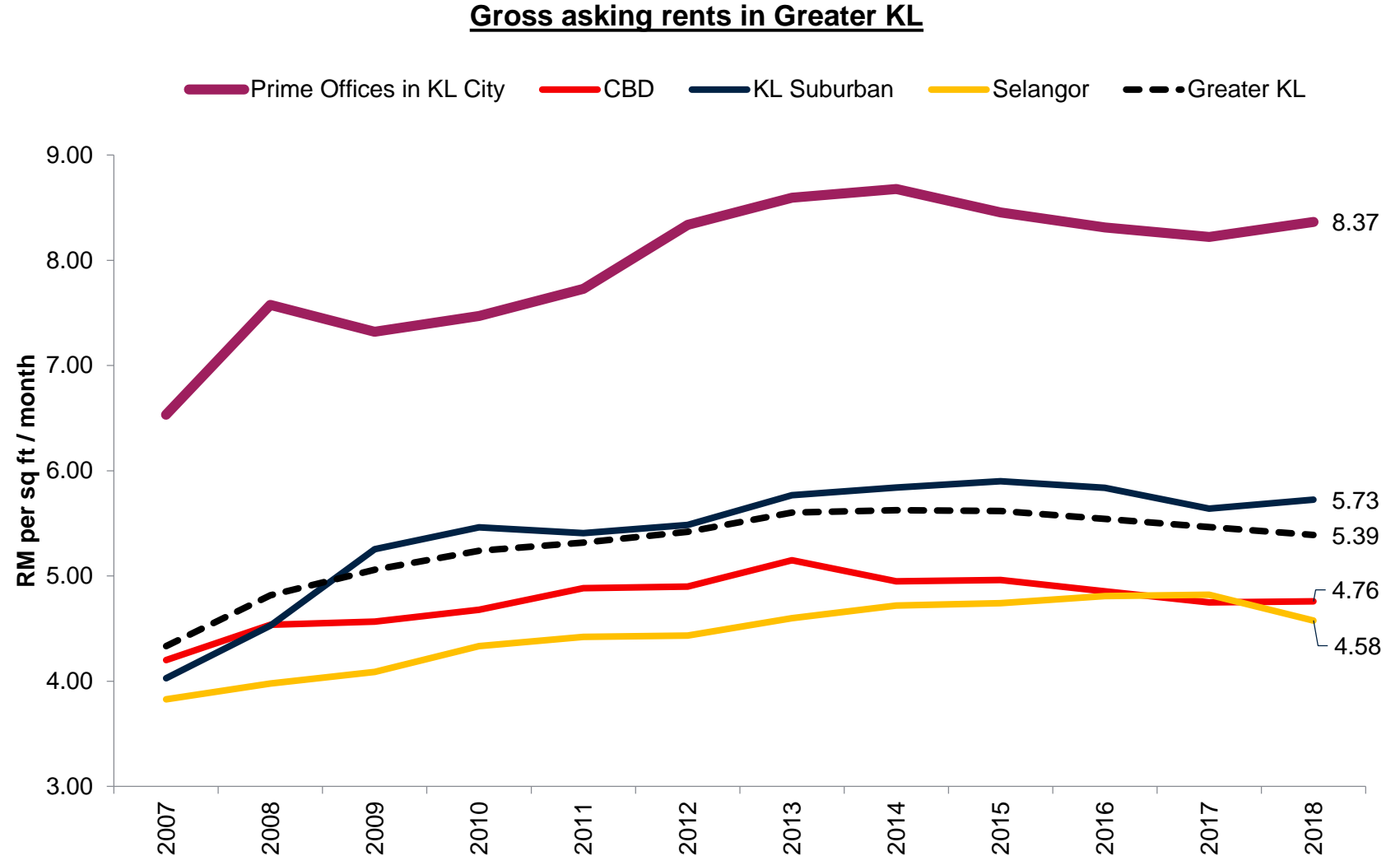
24%

Greater KL

Note: p=preliminary

Office rents in GKL do not show much growth, but can serve as a bulwark against inflation.

- There is stagnancy / decline in rental values owing to the oversupply situation and the availability of various options in the market for tenants.
- Longer-term, the rule of thumb is that office rents tend to rise about 10% every three years, which just about keeps pace with inflation.



Notable En-bloc Office Transactions, 2015-2018

KL SUBURB

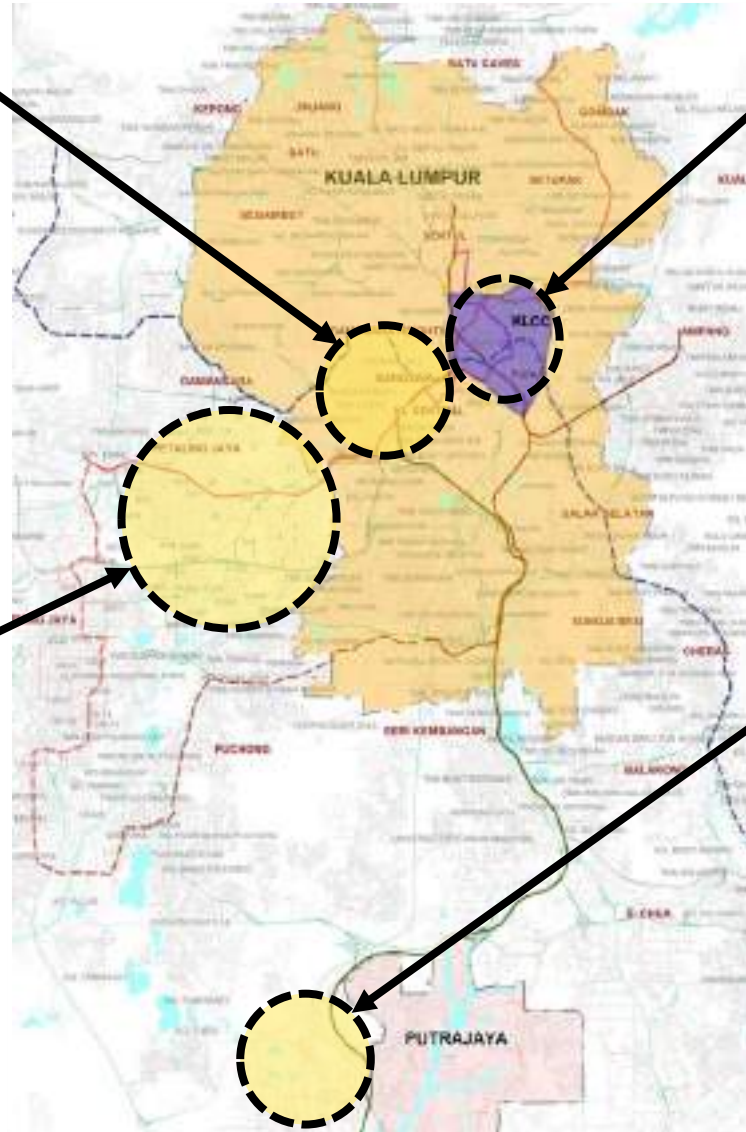
RM670 – 1,150 psf

Year	Name	NLA	Price	Yield
2018	Balai Berita Bangsar	327,310 sf	RM363 psf	-
2018	Wisma UOA Pantai	157,000 sf	RM764 psf	-
2017	Wisma MK	181,992 sf	RM670 psf	-
2016	Menara Hong Leong	506,069 sf	RM1,150 psf	-
2016	Nu Tower 1	259,632 sf	RM1,090 psf	-
2015	Menara Shell	556,468 sf	RM1,118 psf	6.1%

PETALING JAYA

RM602 – 621 psf

Year	Name	NLA	Price	Yield
2017	Block H @ Empire City	184,591 sf	RM650 psf	-
2017	The Ascent @ Paradigm	516,633 sf	RM621 psf	6.0%
2015	Block N @ Empire City	238,932 sf	RM650 psf	-
2015	Tropicana City Office	101,246 sf	RM602 psf	-



KL CITY

RM824 – 1,400 psf

Year	Name	NLA	Price	Yield
2018	Equatorial Plaza	460,000 sf	N/A	-
2017	Vista Tower	551,875 sf	RM824 psf	6.5%
2017	Wisma Selangor Dredging	362,782 sf	RM1,323 psf	5.3%
2016	Menara AIA Cap Square	601,574 sf	RM850 psf	6.4%
2015	Integra Tower	760,715 sf	RM1,400 psf	5.5%

CYBERJAYA

RM426 – 482 psf

Year	Name	NLA	Price	Yield
2018	3505, Jalan Teknokrat 5	52,473 sf	RM533 psf	-
2016	Axis Eureka	116,389 sf	RM482 psf	-
2016	Enterprise Building 2	93,804 sf	RM426 psf	7.2%

Supply

- **Large impending supply**, with 18 million sq ft scheduled for completion by 2022.
- **New supply completions (and launches) are decelerating slightly**, but vacancy rates continue to rise.

Demand

- **Market absorption in Greater KL has lagged** over the past 2-3 years, with the absorption in 2017 being one half of the space in 2013/14. Absorption in KL City alone was a net negative number in 2017.
- Average absorption recorded 2.5 million sq ft per annum from 2013-2018.
- **Heavily dependent on the Oil & Gas industry** and financial services sector, which account for 60% of the demand for Grade A space in the city centre.
- **“A flight to quality”** – several companies relocating from old office buildings to new office buildings, as tenants become savvier about the space they occupy, and the financial and productivity benefits of better-quality space.

Investment

- **Average rents see little or no growth.** Nevertheless, most recent office completions are of higher specification than older buildings, and therefore lease for higher rents.
- **Yields are under pressure** resulting from higher construction costs and weaker rents.

A large, 3D-rendered version of the Savills logo in the background, with the letters 'S', 'A', 'V', 'I', 'L', 'L', 'S' in a light blue color. The letters are slightly out of focus, creating a sense of depth.

Advice that gives advantage

For more information, please contact:-
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