

Klang Valley, Property Market, 4Q2019

SECTOR	VACANCY			RENTAL		
	3Q19	4Q19	1Q19f	3Q19	4Q19	1Q19f
Purpose Built Office	▲	▲	▼	▶	▶	▶
Purpose Built Retail	▲	▼	▶	▶	▶	▶
Industrial	▶	▶	▶	▶	▶	▶

Source: CBRE | WTW Research, 4Q2019

ECONOMY / KEY INFRASTRUCTURE UPDATES

- Malaysia’s GDP moderated to 4.4% in 3Q2019 (2Q2019: 4.9%), attributed to lower growth in services (5.9%), manufacturing (3.6%), construction (-0.5%) and mining (-4.3%).
- Private and Public consumption stepped-up by 7.0% and 1.0%, y-o-y, respectively. Export and import volumes contracted y-o-y.
- West Coast Expressway (WCE) was 71% completed with latest Section 5, (New North Klang Straits Bypass (NNKSB) to Bandar Bukit Raja Elevated Intersection) opened to road-users.

PURPOSE-BUILT OFFICE

- Cumulative supply has reached to 119.7 million square feet of PBO supply with four (4) new completions. Vacancy rate increased by 0.2% to 19.6%, y-o-y.
- Exchange 106 @ TRX, has obtained the Certificate of Completion and Compliance (CCC) for the lower zone, pending for the upper zone which is expected in early 2020.
- Due to the oversupply situation, some of the old buildings are being repositioned; whilst few under construction buildings, may defer the completion to 2020 and beyond.

PURPOSE-BUILT RETAIL

- With no new completion this quarter, vacancy rate improved by 0.7% on y-o-y, to 14.7%.
- E-Tunai Rakyat initiated by the government to accelerate on the use of e-wallet worth RM30 for each qualified Malaysian through one of the three selected e-wallet providers.
- Physical stores remain relevant as more online retailers extend their presence into stores, showcasing products, consumer insights and technology usage.

INDUSTRIAL

- Approved investments in Klang Valley (KV) from January to September 2019 totaled at RM16.59 billion, foreign investment constituted 67.3% or RM11.17 billion.
- Upcoming Bandar Bukit Raja Industrial Gateway secured two tenants; Leschaco and Senheng Electric (KL), with a built-up area of 385,000 square feet.
- AXIS REIT has entered into a buy and lease back agreement with Lion Steelworks Sdn Bhd on the RM37 million industrial property in Bukit Raja Industrial Area.
- AREA Logistics @ Ampang will contribute 1.2 million square feet upon completion, making it the first 3 storey-ramp up inner-city mega distribution hub.

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SECTOR	OVERALL PERFORMANCE		
	3Q19	4Q19	1Q19f
Hotel			
Overall Residential			
High Rise Upmarket Residential			

Source: CBRE | WTW Research, 4Q2019

HOTEL

- The average occupancy rate (AOR) in KV improved to 75%, y-o-y, as room rates turned competitive among the hotels; similarly for Kuala Lumpur (KL) increased to 77% (4Q2018: 70%)
- Tourist arrivals for Jan – September 2019 increased by 3.6%, y-o-y at 20.1 million, with double-digit growth from Indonesia, India and Saudi Arabia.
- Enhancement of tourism facilities and promotional activities such as Visit Malaysia 2020 invigorated hotel demand.

OVERALL RESIDENTIAL

- Existing supply grew 4.4% to 1.7 million units, future supply decreased by 2.3%. SOHO and Service Apartments continued entering the market with 15.1% increase (169,000 units), outpaced condominiums (615,000 units).
- Overhang increased 19% (2,000 units) as at 3Q2019, q-o-q, dominated by serviced apartments priced between RM500,000 / RM700,000 and RM900,000 / RM1mil.
- Developers such as Mah Sing and MK Land are eyeing ‘affordably-priced’ products to match current market trends.
- Positive market response to the recent court decision on issuance of the Extension of Time (EOT); homebuyers to make informed decisions and developer to be more accountable for delivery dates.

HIGH RISE UPMARKET RESIDENTIAL

- 2,000 units of new completions, consist of Aria Luxury Residence, Star Residences, Stonor 3 and Reizz Residence.
- New Launches are mainly focussed in Central Kuala Lumpur area, dominated by “Luxury” and “Premium” segment.
- Occupancy and sales rates improved by 4% and 7%, y-o-y, respectively.
- Attractive discounts for the unsold units by developers continued. Growth in sales were seen in Golden Triangle and Mont Kiara /Sri Hartamas.

DEFINITIONS**Grade A Rents**

Average rental derived from a basket of prime purpose-built office space in prime commercial area in Kuala Lumpur.

Prime Capital Values

Estimation based average price derived from a basket of prime properties located in prime commercial area in Kuala Lumpur. All estimates are quoted on per square foot of net lettable area and strata basis, except for office and retail levels, which are on an en-bloc basis.

Net Absorption

The change in occupied stock (in square feet) over the recorded period for all existing properties.

Net Take-up

The change in sold units over the recorded period for all properties launched.

Vacancy Rate

Vacant space as a percentage of the base inventory or building net lettable area.

Net Yield

Net property income (gross income net service charges and taxes) as a percentage of the asset's capital value / price.

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