MARKETBEAT
KUALA LUMPUR
OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
30.16% Vacancy Rate	▲	▲
-386.25M QTQ Net Absorption, SF	▼	▼
RM 6.11 Avg. Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.4% GDP Growth	▼	▲
1.3% CPI Growth *August 2025*	▼	▲
3.0% Unemployment Rate *June 2025*	▼	▼

Source: BNM, DOSM (Q2 2025)

ECONOMY: MALAYSIA MAINTAINS 4.4% GROWTH IN Q2 2025 AMID DIVERGING SECTOR TRENDS

Malaysia's economy expanded by 4.4% in Q2 2025, maintaining the same pace as the previous quarter (Q1 2025). Growth was mainly supported by the Services sector, which strengthened slightly to 5.3%, compared to 5.0% in Q1. The Construction sector continued to record double-digit growth of 11.0%, though at a slower rate than the 14.2% achieved in the previous quarter. Meanwhile, the Manufacturing sector rebounded, registering a growth of 3.8% after contracting in Q1. In contrast, the Mining and Quarrying sector weakened further, declining by 7.4%, while the Agriculture sector improved to 2.0% growth from 0.6% in Q1.

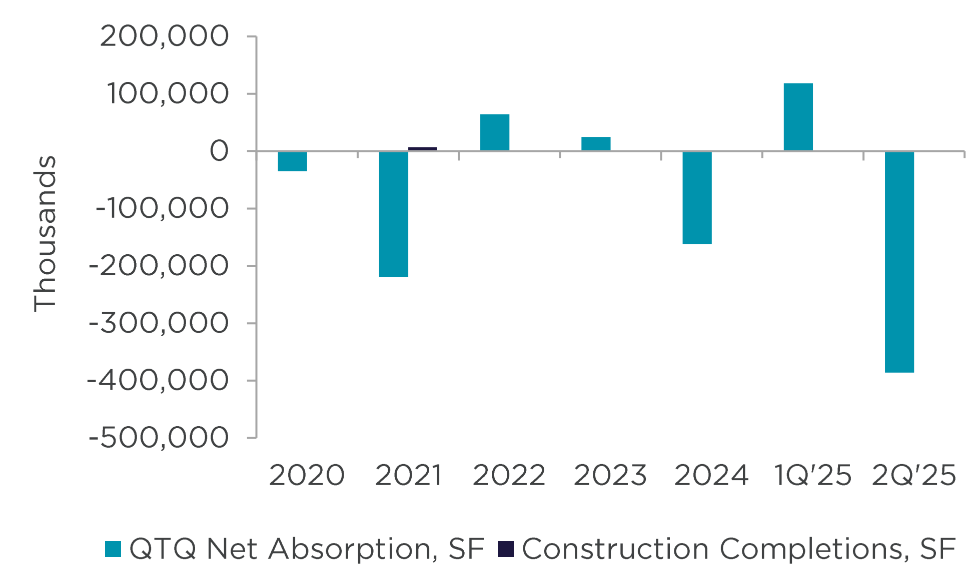
DEMAND: SST-DRIVEN COST PRESSURES WEIGH ON OFFICE TAKE-UP

The introduction of an 8% SST (effective July 1, 2025) is expected to influence tenants' space requirements, with many likely to resist rental increases, especially upon renewal, and consider relocating to lower-cost areas, resizing, or delaying expansion plans. During negotiations, tenants may exert additional pressure on landlords to align rental rates with their expectations. For landlords, rising operating costs, coupled with potential tenant resistance and reduced absorption rates, are likely to compress profit margins, dampen rental growth, or lead to the withdrawal of incentives altogether, potentially slowing leasing momentum and market recovery.

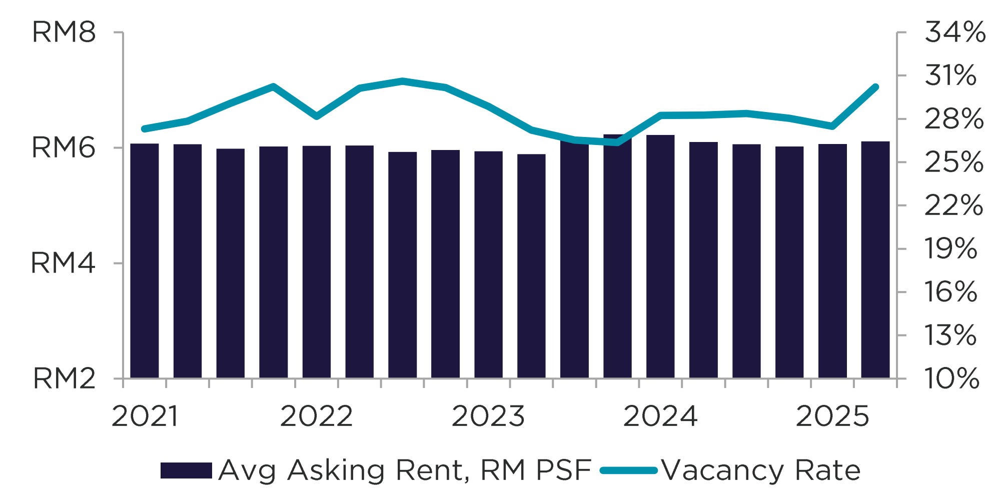
PRICING: AVERAGE RENTS EDGE UP WHILE VACANCY RISES IN GREATER KUALA LUMPUR

In Q2 2025, the average asking rent in Greater Kuala Lumpur edged up slightly to RM 6.11 psf per month, compared to RM 6.07 in Q1 2025. Rental movements across the key submarkets were modest. The KL CBD registered a marginal increase to RM 6.92 psf, up from RM 6.90 in the previous quarter. The KL Fringe also saw a slight uptick, averaging RM 6.54 psf, while the Decentralised submarket rose to RM 4.86 psf. Despite these rental improvements, the overall vacancy rate increased to 30.16% in Q2 2025, reversing the decline observed in the prior quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (MSF)	OVERALL VACANCY RATE	PLANNED & UNDER CONSTRUCTION (MSF)	OVERALL AVG ASKING RENT (ALL CLASSES, RM PSF PM)*	OVERALL AVG ASKING RENT (ALL CLASSES, USD PSF PM)*
KL CBD	58.97	28.5%	11.31	RM 6.92	USD 1.64
KL FRINGE	49.30	32.7%	2.2	RM 6.54	USD 1.55
DECENTRALISED	36.48	29.28%	0.35	RM 4.86	USD 1.14
TOTAL	144.75	30.16%	13.86	RM 6.11	USD 1.44

**Rental rates reflect full service asking; inclusive of service charge.*
a) Inventory for all submarket is based on the total supply of office space (all classes).
b) Office space within KL Sentral, Bangsar and those within Damansara Heights vicinity are taken into consideration as KL Fringe submarket.
c) Office space within Petaling Jaya, Damansara, Kelana Jaya, Sunway/Subang/USJ and Shah Alam are taken into consideration as Decentralised submarket.

Source: NAPIC & IVPS/Cushman & Wakefield Research

NOTABLE INCOMING SUPPLY

PROPERTY	SUBMARKET	NLA (SF)	TARGET COMPLETION
TNB Gold	KL Fringe	475,600	2025
Menara Golden Eagle	KL CBD	112,000	Q1 2026
KL Midtown Signature Office	KL Fringe	600,000	Q3 2026
The Capitol	Decentralised	1,200,000	Q3 2026
Bangsar 61 (Tower 1)	KL Fringe	548,000	Q4 2026
Plaza Conlay Tower 2	KL CBD	606,000	2026
Pavilion Square Bukit Bintang	KL CBD	167,407	2026
Duo Tower (Tower B)	KL Fringe	432,212	2027
Solarvest Tower	KL Fringe	348,092	2027
Pavilion Damansara CT10	KL Fringe	215,152	2028
Lot C7-10, TRX	KL CBD	800,000	2029
Iconic Tower, IOI Resort City	Decentralised	1,000,000	2030
IOI Rio City Office Tower	Decentralised	350,000	2030

**Target completion = Building completion with Certificate of Completion and Compliance (CCC)*

INVESTMENT TREND/OFFICE DEVELOPMENT ACTIVITIES

- *Sentral REIT disposes Wisma Sentral Inai to Turiya Bhd for RM135M*
- *Infinity8 achieves near-100% occupancy at its Reserve TRX workspace on level 23, Exchange 106, marking a roaring debut in Kuala Lumpur's premium co-working landscape.*
- *Kuala Lumpur's prime office demand surges, especially for ESG-ready grade A buildings.*
- *Common Ground launches its flagship 15,000 sq ft coworking space at Menara Darussalam KLCC, marking its 16th location with exclusive Grand Hyatt amenities.*
- *UOA REIT's 2Q net rental income up 8.9%, distribution per unit raised to 3.03 sen*
- *AMD unveils 209,000 sq ft R&D & office hub in Penang*
- *Maxim Global purchases Southbank Block 6 office tower in Klang Lama for RM29.5M*

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