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# Bright spots

Are we seeing the light at the end of the tunnel for Kuala Lumpur's soft office property market?
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# NEWS HIGHLIGHTS from www.EdgeProp.my

## Genting theme park on track for completion despite lawsuit

Despite being locked in a legal battle worth over US$1 billion (RM4.17 billion) with Walt Disney Co and 21st Century Fox Inc, Genting Malaysia Bhd is confident that its theme park in Genting Highlands will be completed early next year.

Genting Malaysia's chairman and CEO Tan Sri Lim Kok Thay said the theme park "remains very much part of our plans", reported Singapore publication *The Business Times*.

He said the theme park is "only a small part" of its expansion plans for the Resorts World Genting complex in Genting Highlands, adding that revenue and visitor numbers have grown in tandem with the rollout of its plans.

Genting Malaysia had sued Disney and Fox for terminating an agreement for a Fox World theme park. Disney is in the midst of acquiring Fox for US$71.3 billion.

## RM3.8b worth of unsold properties in Johor

The southern state of Johor has 5,988 units of unsold properties worth RM3.8 billion, reported an English daily on Tuesday.

"Based on statistics, there is a mismatch between demand and supply, especially with developers trying to make the most profits by building more high-end properties," said State Housing and Rural Development Committee chairman Dzulkefly Ahmad.

The type of properties not sold include serviced apartments and properties valued between RM500,000 and RM1 million.

Dzulkefly added that the housing market in Johor "has to be reformed" to enable up to 100,000 affordable homes to be built by 2023.

"We need to reform in terms of building, distribution, financing and reducing building costs. So far, some 134,195 affordable homes have yet to be built by developers".

## Fireman Muhammad Adib dies

Muhammad Adib Mohd Kassim, the fireman who was seriously injured in the Seafield Sri Maha Mariamman Temple fracas last month, has passed away at the National Heart Institute on Monday night.

He breathed his last at 9.41pm with his family by his side, Housing and Local Government Minister Zuraida Kamaruddin told reporters.

Muhammad Adib's remains were taken to the Hang Tuah Fire and Rescue Station on Monday for his last alarm ceremony before being dispatched to his hometown in Kedah for burial.

Muhammad Adib, 24, was allegedly beaten up by several people on Nov 27 during the riots near the temple in Subang Jaya caused by a dispute over the proposed relocation of the temple.

## PNB and EPF buys Battersea Power Station phase 2

Battersea Phase 2 Holding Co Ltd (Battersea Phase 2 Holdco) and PNB-Kwasa International 2 Ltd has inked a sale and purchase agreement to acquire Phase 2 of the Battersea Power Station commercial assets last Friday for a base consideration of £1.58 billion (about RM8.35 billion).

Battersea Phase 2 Holding is a wholly-owned subsidiary of Battersea Project Holding Co Ltd, which is owned by Sime Darby Property Bhd and S P Setia Bhd which each holds a 40% stake while the Employees Provident Fund (EPF) holds the remaining 20%.

Meanwhile, PNB-Kwasa International 2 is a joint venture company set up by Permodalan Nasional Bhd and EPF.

In a press statement issued by Sime Darby Property and S P Setia today, the developers said Battersea Phase 2 Holdco will dispose of the commercial elements of the Battersea Power Station building in the transaction.

## TTDI residents urge MACC to speed up investigations


**The Taman Tun Dr Ismail (TTDI) Residents Association (RA) wants the Malaysian Anti-Corruption Commission (MACC) to speed up its investigations into reports lodged by various parties on the contentious development at Taman Rimba Kiara (TRK) in TTDI, Kuala Lumpur.**

**The reports include those lodged by TTDI residents on May 2017, a report lodged by the previous Segambut MP Lim Lip Eng in November 2017 and two reports lodged by current Segambut MP Hannah Yeoh in May 2018 and November 2018.**

**The RA spokesperson Khairuddin Rahim said these reports focus on the conflict of interest and possible abuse of power that may have occurred in relation to the TRK development, on which they have yet to receive any update.**

**"We hope that MACC will provide updates to the public on the status of its investigation and to take all effort to expedite its investigation. We also hope that MACC will ensure that no effort is spared in pursuing enforcement action where wrongdoing is found," Khairuddin told the media at a press briefing on Monday.**

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trending now

# LAUNCHES + EVENTS

If you have any real estate-related events, email us at editor@edgeprop.my. Events listed here will also appear on **www.EdgeProp.my**.

### Christmas Pajamas Movie Night

**Date:** Dec 23 (Sun)
**Time:** 6pm to 9.30pm
**Venue:** Sapphire Hall, Club 360, 1, Persiaran Ecohill Barat, Semenyih, Selangor
**Contact:** (03) 8723 5525

Ho! Ho! Ho! Lighten up, it's Christmas season and Santa is in the mood to party at Club 360! Organised by Setia Ecohill, this is a movie night you don't want to miss! Just come with your best pajamas, relax, enjoy the movie and stand a chance to win the Best Family Pajamas Award! Light refreshments will be served. RSVP is needed as seats are limited.

### Sanctuary Fitness

**Date:** Dec 23 (Sun)
**Time:** 7.30am to 8.30am
**Venue:** Eco World Gallery @ Eco Sanctuary, Lot 41296, Persiaran Eco Sanctuary, Telok Panglima Garang, Selangor
**Contact:** (03) 8688 2255

Come work out with EcoWorld at Eco Sanctuary and be rewarded with an exclusive Sanctuary Fitness T-shirt.

### Showcase of 18 East Andaman

**Date:** Dec 22 & 23 (Sat & Sun)
**Time:** 11am to 5pm
**Venue:** Seri Tanjung Pinang Sales Gallery, Tanjung Tokong, Penang
**Contact:** (013) 408 8999

Eastern & Oriental Bhd is having an exclusive showcase of 18 East Andaman at Seri Tanjung Pinang this weekend. Set within a 4.5-acre waterpark, there are one, two and three bedroom condo units with exceptional views.

### Christmas Celebration at Austin Duta

**Date:** Dec 22 (Sat)
**Time:** 10am to 4pm
**Venue:** Austin Duta sales office, Jalan Austin Duta, Johor Bahru
**Contact:** (07) 364 5205

IJM Land Bhd is hosting a Christmas celebration at Austin Duta in Johor. There will be activities such as a doll claw challenge, gingerbread decorating and other fun activities. Guests can also check out the double-storey cluster houses starting from RM673,200.

### Penguin X'mas Celebration

**Date:** Dec 22 & 23 (Sat & Sun)
**Time:** 10am to 5pm
**Venue:** Iringan Bayu Seremban, Persiaran Iringan Bayu 3, Taman Iringan Bayu, Seremban, Negeri Sembilan
**Contact:** (06) 630 4656

OSK Property will be organising a Christmas party at its Iringan Bayu showroom this weekend. Come and join them for some fun Christmas tree decorating and take part in the Penguins Snow Globe workshop as well as Penguins Games Stall-Bowling.

### Hari Terbuka PR1MA

**Date:** Dec 21 to 23 (Fri to Sun)
**Time:** 9am to 5pm
**Venue:** Perbadanan PR1MA Malaysia, Oasis Square, Block F, 2, Jalan PJU1A/7A, Ara Damansara, Petaling Jaya, Selangor
**Contact:** (03) 7628 9898

The PR1MA homes @ Jalan Jubilee, PR1MA @ Alam Damai (ready to be occupied), PR1MA @ Bandar Bukit Mahkota and PR1MA @ Kajang Utama are now open for sale. Drop by at the PR1MA sales office this weekend where staff will be available to help you with any queries.

### Enchanted Christmas

**Date:** Dec 22 & 23 (Sat & Sun)
**Time:** 3pm to 10pm
**Venue:** d'Tempat Country Club, Bandar Sri Sendayan, Seremban, Negeri Sembilan
**Contact:** 1-800-88-2688

Pororo & Friends will be making their appearance at d'Tempat Country Club this weekend for an Enchanted Christmas celebration with Matrix Concepts Holdings Bhd. A host of workshops and activities have been lined up over the two days including face-painting and fridge magnet workshops, live deer feeding, Acapella Christmas carols and a Quick Change performance.

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Bandar Sri Sendayan
Seremban
The self-sustaining city
ENCHANTED CHRISTMAS
8th Dec - 31st Dec 2018
3 pm - 10 pm
d'Tempat Country Club, Bandar Sri Sendayan
Weekend Activities
• Floating Pixies • Claw Machine • Snow & Ladder
• Winter Wonderland Inflatable Globe • 9D VR Experience
• Face Painting & Fridge Magnet Workshop • Santa Hat Decoration Workshop
• Decorate Cookie Workshop • Jingle Bell & Ring Toss Game Stalls
22nd & 23rd Dec
Performances
• PinkFong & Baby Shark - Mini Concert
(4pm, 7pm, 9pm)
• Horse Carriage Rides
• Live Deer Feeding
(10am, 3pm, 6pm)
• Santa, Santarina & Elf Walkabout
29th & 30th Dec
Performances
• PinkFong & Baby Shark - Mini Concert
(4pm, 7pm, 9pm)
• Winter Mirror Dance
(29th Dec, 8pm)
• Santarina Fairy Show
(30th Dec, 8pm)
• Live Deer Feeding
(10am, 3pm, 6pm)
• Santa, Santarina & Elf Walkabout
New Year's Eve Countdown Fireworks
New Year Countdown Buffet Dinner
( Call 011 2162 9166 to purchase tickets )
*Organizer reserves the rights to make changes to the event programs without any prior notice.
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Pinkfong® Baby Shark™

# Melaka developer to launch TOD in Cheras

BY **SHAWN NG**

PETALING JAYA: Melaka-based developer Parkland Group is making its first venture into the Klang Valley with an upcoming transit-oriented development (TOD) in Cheras, Selangor.

The serviced apartment project on a 2.36-acre freehold site in Cheras Batu 11 (11th Mile) will be connected to the Batu 11 Cheras MRT (mass rapid transit) Station via a 15m link bridge, which is said to be the shortest connecting bridge along the MRT line.

Dubbed Parkland Residence @ Cheras South, the project has a gross development value (GDV) of RM300 million and will feature a 39-storey, L-shaped building. It will house 714 serviced apartment units and a 9-storey car park podium, said Parkland group managing director Victor Tan.

Carrying an indicative selling price of RM520 psf, the units come in three layouts – the 875 sq ft 3-bedroom and 2-bathroom Type A, the 704 sq ft 2-bedroom and 2-bathroom Type B and the 550 sq ft 1-bedroom and 1-bathroom Type C.

"This is Parkland Group's first project in the Klang Valley and it will be a stepping stone into the Klang Valley market where there are numerous pocket lands suitable for high-rise developments," Tan told EdgeProp.my.

Parkland started as a construction company in 2005 and diversified to the property development segment in 2012, said the developer.

LOW YEN YEING | EdgeProp.my

From left: Parkland general manager Wong Tark Keong, director Ching Ah Lai and Tan posing with a model of Parkland Residence @ Cheras South.

"We have completed many high-rise developments since the inception of Parkland 13 years ago," he added, citing the group's recently completed Parkland Residence @ Sungai Melaka, a serviced apartment project. It was handed over in November.

With a GDV of RM360 million, Parkland Residence @ Sungai Melaka sits on a 6.5-acre freehold site. All its 890 serviced apartment units have been sold at an average price of RM400 psf, said the developer.

It is believed to be the first high-rise stratified development in Melaka to issue strata titles upon vacant possession after the enforcement of the Strata Titles Act 2013.

Tan sees Parkland Residence @ Cheras South as an important project for Parkland to establish itself as a long-term player in the Klang Valley market where demand for homes is expected to be strong as the population is expected to hit 10 million by 2020.

Targeted for launch in January 2019, Tan said Parkland Residence @ Cheras South are affordably priced starter homes for young couples and families living in the surrounding areas, namely Cheras and Kajang. The project is expected to be completed in the second quarter of 2022.

The main selling point of the project is the 15m link bridge, he added. It will link level 5 of the project to Entrance B of the Batu 11 Cheras MRT Station, thus allowing residents to enjoy the convenience of having an MRT station at their doorstep.

"Among the 35 stations, I think this bridge is the shortest one. It only takes about 25 minutes to travel from here to Bukit Bintang in the city centre," he said.

For security reasons, a turnstile gate will be installed at the link bridge, allowing residents to access the building one at a time with their access cards.

Looking ahead, Parkland plans to launch a RM200 million landed residential development comprising linked houses and semi-dees priced below RM500,000 in Kluang, Johor in 2019 while hunting for more land in the Klang Valley.

"We have been actively searching for land such as in Subang and Puchong. Our aim is to go for high-rise developments on pocket lands and there are plenty of such lands in the Klang Valley," he pointed out.

Currently, Parkland owns some 1,067 acres of land of which more than 1,000 acres are in Johor while the balance is in Melaka. With an estimated GDV of about RM3.65 billion, the landbank is expected to keep the group busy for the next decade, said Tan.

To date, Parkland Group has completed 230 landed houses, 809 high-rise homes and 460 commercial properties with a combined GDV of RM742.5 million.

It has an ongoing project dubbed Taman Kluang Perdana which comprises 491 landed homes with a GDV of RM295 million.

# Cost of living rises but Malaysia is still among cheapest locations for expats

BY **RACHEL CHEW**

KUALA LUMPUR: Although Malaysian cities have seen a significant rise in the rankings for cost of living for expatriate workers, they remain the cheapest locations in Asia for expats, according to the latest Cost of Living survey by ECA International.

The international provider of knowledge, information and software for the management and assignment of employees said Kuala Lumpur is the most expensive city in Malaysia.

"Malaysian cities have seen big rises in the cost of living rankings with all three surveyed locations still sitting outside the global top 150.

"Kuala Lumpur is the highest placed Malaysian city in the rankings and has risen 24 places to 188th," said ECA International Asia regional director Lee Quane in a statement released on Monday.

The rankings showed that the Malaysian cities surveyed — Kuala Lumpur, Johor Bahru and Penang, have all seen significant rises of over 20 places each.

"Kuala Lumpur is now more expensive for foreign workers than many of the locations that ranked higher in the 2017 rankings, such as New Delhi, Manila, and Mumbai," he explained.

Nevertheless, it remains one of the cheapest locations in Asia for overseas workers, added Quane.

Meanwhile, Singapore returned to the global top 20 most expensive locations for expats as the 18th most expensive city in the world. Within Asia, Singapore is the ninth most expensive location. In 2017, Singapore was the 21st most expensive city in the world for expatriates.

"The Singapore dollar has performed strongly this year, resulting in a slight rise in Singapore's rankings, up three places to become the 18th most expensive location in the world.

"Singapore has long been considered one of the most expensive cities for expats to live and work in and this looks set to continue," Quane noted.

Among the biggest risers in the rankings was Bangkok, which moved 32 places to rank among the top 100 most expensive locations for the first time.

"Over the past five years, Bangkok has climbed more than 80 places. The Thai capital now sits in 90th place in our cost of living rankings. The Thai baht has strengthened in recent years, as the economy has expanded and the political landscape has stabilised," Quane shared.

In mainland China, all 14 of the Chinese cities surveyed by ECA remain in the global top 50, with Shanghai leading the way as the 14th most expensive location globally.

The cost of living for overseas workers in Australia and New Zealand has plummeted since 2017, with every Australasian location included in the survey dropping at least 20 places. Sydney and Canberra both fell out of the top 50 and now sit in 70th and 85th respectively.

## Top 10 most expensive locations – Asia

| LOCATION | 2018 ASIA RANKING | 2018 GLOBAL RANKING | 2017 GLOBAL RANKING |
|---|---|---|---|
| Ashgabat, Turkmenistan | 1 | 1 | 146 |
| Hong Kong | 2 | 6 | 9 |
| Seoul, Korea Republic | 3 | 7 | 11 |
| Tokyo, Japan | 4 | 8 | 8 |
| Busan, Korea Republic | 5 | 13 | 23 |
| Shanghai, China | 6 | 14 | 12 |
| Yokohama, Japan | 7 | 15 | 18 |
| Nagoya, Japan | 8 | 17 | 19 |
| Singapore | 9 | 18 | 21 |
| Osaka, Japan | 10 | 19 | 20 |

SOURCE: ECA INTERNATIONAL

Meanwhile, the world's most expensive city for expats is Ashgabat, capital city of the Central Asian nation of Turkmenistan. The city has rocketed from 146th in 2017 to the top spot amid a deepening economic crisis.

"A plunging black market exchange rate and foreign exchange shortages have stoked levels of inflation in Turkmenistan and have led the prices of goods to increase significantly over the past 12 months. A shortage of goods and hard currency means that it is now much more expensive for expatriate workers in Ashgabat to purchase the items and services that they normally would," he shared.

## Top 10 most expensive locations – Global

| LOCATION | 2018 RANKING | 2017 RANKING |
|---|---|---|
| Ashgabat, Turkmenistan | 1 | 146 |
| Geneva, Switzerland | 2 | 4 |
| Zurich, Switzerland | 3 | 3 |
| Basel, Switzerland | 4 | 5 |
| Bern, Switzerland | 5 | 6 |
| Hong Kong | 6 | 9 |
| Seoul, Korea Republic | 7 | 11 |
| Tokyo, Japan | 8 | 8 |
| Oslo, Norway | 9 | 7 |
| Stavanger, Norway | 10 | 10 |

SOURCE: ECA INTERNATIONAL

The survey compares a basket of like-for-like consumer goods and services commonly purchased by assignees in more than 450 global locations. Certain living costs, such as accommodation rental, utilities, car purchases and school fees are usually covered by separate allowances. Data for these costs are collected separately and are not included in ECA's cost of living basket.

*This story first appeared on www.EdgeProp.my*


# Why rent when there's FundMyHome?

Say you and your spouse are in your late 20's, with two beautiful children. You earn just over RM5,000 a month – barely enough to cover your car loan, groceries, utilities and other expenses. You've delayed buying a house and are renting a 3-bedroom, 900 sqft apartment for RM1,200 a month.

**How can FundMyHome help you buy a home?**

First up, it offers a variety of homes to suit your family's needs. Let's say you choose a newly-built apartment costing RM300,000.

Under FundMyHome, you need to pay just 20% of the purchase price to secure your home. And you can do this by taking a 5-year personal loan of RM60,000 at 7% p.a., which works out to a repayment of just RM1,200 a month.

FundMyHome will help raise the balance of 80% from institutions. And once the buying process, including vacant possession is completed, you and your family can move in.

Yes, you will still have monthly payments to service your personal loan. But the big difference is, while previously you paid rent, your monthly payments now go to building up your equity. If you service your loan promptly each month, it will also improve your credit rating. Your family enjoys the security of living in your own home, without worrying about rental increases or the landlord asking you to vacate.

At the end of five years, you will have equity worth RM60,000 in a home under your name (Table 1). If you had continued to rent, you would have nothing to show for the 5 years' worth of rental paid.

**Table 1:**
**Renting versus Buying under FundMyHome**

| | Renting | FundMyHome |
|---|---|---|
| Upfront cash required | 0 | 0 |
| Monthly rent (Year 1–5) | 1,200 | - |
| Monthly Loan repayment (Year 1–5) | - | 1,200[1] |
| Ownership at end of Year 5 | 0 | 60,000[2] |

1 Arises from servicing the 7%, 5-yr RM60,000 personal loan (reducing balance) taken out to fund 20% of the purchase price.
2 Value of the homeowner's 20% equity assuming the property price remains unchanged.

Buying through FundMyHome rather than renting during the first five years puts you in a better financial position for a mortgage thereafter.

**Year 6 and beyond**

Continuing your journey as a homebuyer under FundMyHome, by Year 6, you would have accumulated RM60,000 or 20% equity in the home (Table 2).

Should you choose to apply for a 80% mortgage to buy the home, you need no further funds to meet the downpayment, assuming the home price is unchanged at RM300,000. And if it rises, to say RM350,000, you only need to top up RM10,000.

**Table 2:**
**A Better Position for a Mortgage in Year 6**

| | Renting | FundMyHome |
|---|---|---|
| Equity in home at start of Year 6 | 0 | 60,000 |
| Funds needed for 20% downpayment: | | |
| If the home price stays at RM300,000 | 60,000 | 0 |
| If the home price rises to RM350,000 | 70,000 | +10,000 |
| If the home price falls to RM270,000 | 54,000 | +24,000[1] |

1 Due to the fall in home price, your remaining equity of RM30,000 is your original 20% equity of RM60,000 less the loss of RM30,000. The RM24,000 refers to the top up amount required to meet the new 20% equity of RM54,000 based on home price of RM270,000.

**Rental: The more expensive alternative**

On the other hand, if you had stayed in a rented house through the first five years, you would have no equity in the home and would need to raise a further RM60,000 towards the downpayment of 20% to purchase the same home costing RM300,000 (Table 2). If the home price rises to RM350,000, you would need to raise a higher sum of RM70,000.

The reality is, you will NEVER be worse off with FundMyHome, compared to renting. If the house price falls by 10%, you would still have positive equity value of 10% of the original house price. Even if the house price falls by 20%, you are not worse off than renting. The positive equity value created is what will help you to eventually own the home completely.

**"Pay RM1,200 per month in rental for 5 years? Or pay RM1,200 per month towards owning my own home? The choice is obvious!"**

BY RACHEL CHEW

# BRIGHTER DAYS AHEAD for KL City offices?

Kuala Lumpur City Centre (KLCC) has been the heart of the central business district (CBD) of Malaysia's capital since the completion of the Petronas Twin Towers in 1999. Over the last two decades, KLCC and its office buildings have benefitted tremendously from the once booming oil and gas (O&G) sector.

Against the backdrop of a commodity-driven economy, KLCC is a success story of the country's rapid growth and development.

"The CBD will expand further when more commercial developments are completed in the KL city. Among the notable upcoming new developments are Merdeka PNB 118, the Tun Razak Exchange and Bukit Bintang City Centre," says JLL Property Services (Malaysia) Sdn Bhd managing director YY Lau.

According to JLL's data, there is currently about 17.7 million sq ft of grade A purpose-built office space in KLCC alone, which is slightly more than half the total stock of KL.

"Net absorption in KLCC has been soft. The demand weakness correlates with the fall in oil prices in 2015 and 2016. Despite improving oil prices in 2017 and 2018, there was still no significant increase in demand," she notes.

Lau adds that both strata and purpose-built offices are expected to continue being affected by soft demand, which translates to high vacancy rates in the short- to medium-term.

Owing to this, dependency on the O&G sector has been reduced while new sectors such as high-technology industries and co-working spaces have been taking up office space in the city centre, says Lau.

## Light at the end of the tunnel?

However, looking at the performance of the overall KL office leasing market in 2017 and the first half of 2018, Zerin Properties managing director and CEO Previndran Singhe says it has been performing better than expected.

"Surprisingly, the office market has been rather strong. It recorded about 4 million sq ft (of take-up) in 2017 compared with 2.5 million sq ft to 2.6 million sq ft the previous year.

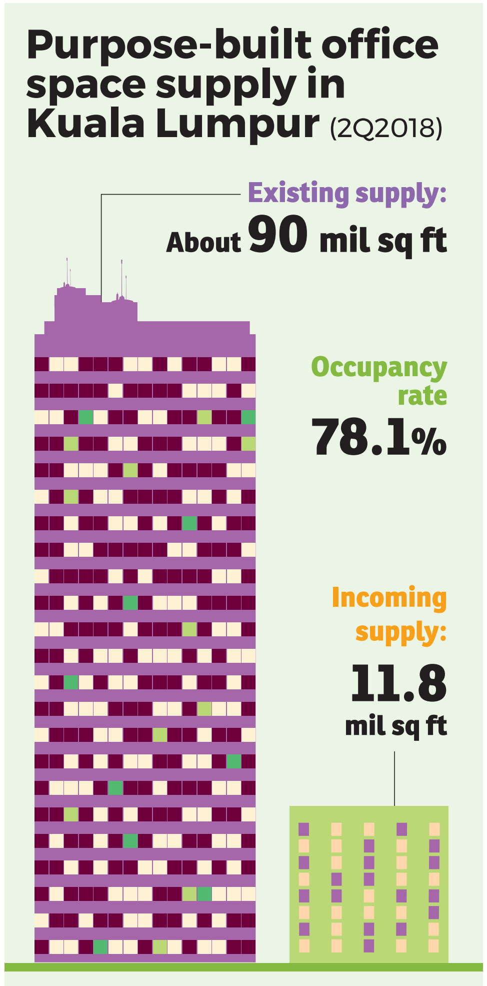
"The market slowed down a bit as we entered 2018, but we saw higher demand from the O&G and services sector, as well as SMEs (small and medium enterprises).

"KLCC will pick up again, supported by the recovering O&G sector and the enhancement of the overall traffic infrastructure in the city centre.

"Those who left the city for KL fringe locations due to complaints of traffic congestion in the city centre are now starting to face similar (traffic) jams there.

"So, they may think of coming back when their tenancy contracts end because KLCC is the corporate and financial hub of the country," Previndran says.

JLL's Lau agrees that the KLCC office market has been showing minute improvement in terms of occupancy rate and asking rents although they may not seem significant.




SOURCE: NAPIC

"Some of the well-managed premium offices have seen an improvement in occupancy rates. With the stronger occupancy, these premium buildings have started to raise their rents," Lau notes.

She says that the current overall average asking rent in KLCC has increased by 1.0% quarter-on-quarter and 2.7% year-on-year in 1Q2018 to RM7.72 psf per month.

While asking rents have remained resilient at the moment, its sustainability depends on further improvements in demand and actual completion of incoming supply, Lau highlights.

"As several new projects are slated for completion in KLCC over the next five years, higher vacancy rates can be expected and this will exert downward pressure on average asking rents. However, we may see some delays in project completions. Should that be the case, the vacancy rate will not be adversely affected," she reckons.

Both Previndran and Lau expect that demand for KL city office space will be better due to improved connectivity after the completion of the Sungai Buloh-Serdang-Putrajaya mass rapid transit line (MRT 2) in 2021. By that time, office rents in the city centre and those in KL fringe locations (such as KL Sentral and Mid Valley City) will be more competitive with each other.

"The increase in average rents in KLCC has been modest compared to other submarkets. As rents in the KL fringe continues to rise, the KLCC office market will become more competitive.

"In addition, the new developments in KLCC are modern integrated projects incorporating retail, F&B, leisure and residential components that promote the "live, work, and play" concept, thus raising their attractiveness," Lau says.

Previndran also believes that KLCC will remain attractive given the fact that it is the financial hub of the country and the KLCC address is one of the key considerations when foreign companies venture into the Malaysian market.

PATRICK GOH | THE EDGE

Lau: Despite improving oil prices in 2017 and 2018, there was no significant increase in demand.

PATRICK GOH | THE EDGE

Singhe: KLCC will pick up again, supported by the recovering O&G sector and the enhancement of the overall traffic infrastructure in the city centre.

"It is about the corporate image. MNCs (multi-national companies) take the address more seriously than you think. Furthermore, almost all the country's top banks and corporations have their headquarters in KLCC. It makes more sense to set up their offices here," Previndran notes.

Nonetheless, in the short term, he expects KLCC office rents to remain flat due to substantial incoming supply.

"The market is recovering. We see more activity going on but I do not think we will see a tremendous improvement in pricing if there is more supply. In terms of occupancy rate, I think it will not go any lower than

### KLCC purpose-built office transactions in the past 5 years

| YEAR | BUILDINGS | LOCATION | NLA (SF) | RM MIL | RM PSF | BUYER | SELLER |
|---|---|---|---|---|---|---|---|
| 2013 | East Wing, Icon Tun Razak | Jalan Tun Razak | 267,907 | 226 | 843 | Top Glove Corporation Bhd | TS Law Realty Sdn Bhd |
| 2013 | Menara PMI | Jalan Changkat Ceylon | 104,011 | 60 | 577 | Admiral Gateway Sdn Bhd | Pan Malaysian Industries Bhd |
| 2013 | Menara PJD | Jalan Tun Razak | 414,000 | 220 | 531 | Able Starship Sdn Bhd | PJ Development Holdings |
| 2013 | Menara 238 | Jalan Tun Razak | 490,000 | 206 | 420 | KPJ Healthcare Bhd | Danaharta Hartanah Sdn Bhd |
| 2014 | Menara ING | Jalan Raja Chulan | 160,413 | 132 | 825 | Goldstone KL Sdn Bhd | Tower REIT |
| 2015 | Plaza Pekeliling | Jalan Tun Razak | 144,376 | 28.28 | 196 | Fitters Diversified Bhd | GCP Tower Sdn Bhd |
| 2015 | Integra Tower | Jalan Tun Razak | 760,715 | 1,065 | 1,400 | KWAP | BlackRock |
| 2015 | Menara Raja Laut | No 288, Jalan Raja Laut | 397,939 | 220 | 553 | Hong Leong Assurance Bhd (HLFG) | Hong Leong Bank Bhd |
| 2015 | Wisma AmanahRaya | Jalan Ampang | 153,908 | 78 | 507 | Annex Sentral Sdn Bhd | CIMB Islamic Trustee Bhd (Trustee for AmanahRaya REIT) |
| 2015 | AmBank Group Leadership Centre | Jalan Puncak, Off Jalan P. Ramlee | 57,801 | 36 | 623 | Techvance Properties Management Sdn Bhd | Maybank Trustees Bhd (Trustee for AmFirst REIT) |
| 2016 | Dijaya Plaza | Jalan Tun Razak | 156,488 | 140 | 895 | Kenanga Investment Bank Bhd | Tropicana Plaza Sdn Bhd (a wholly-owned subsidiary of Tropicana Bhd) |
| 2016 | Menara AIA Cap Square | Jalan Munshi Abdullah | 601,574 | 511 | 850 | KWAP | Union Investment Real Estate GMBH |
| 2017 | Menara Prudential | Jalan Sultan Ismail | 164,706 | 125 | 758 | KL 33 Sdn Bhd (a subsidiary of Plaza 33 Sdn Bhd) | OCBC Properties (M) Sdn Bhd |

SOURCE: SAVILLS

74%, but it may not break through 80% in the near future," he says, adding that the current occupancy rate for KLCC offices is close to 80%, compared with 78% in 2016/2017.

Meanwhile, Savills Malaysia's director of research and consultancy Amy Wong says some 9.4 million sq ft of office space is expected to be completed in KL city over the next three years, or an average of 3.1 million sq ft per year.

"In a very good year, we have seen about 1 million sq ft being absorbed in KL city. However, office net absorption space averaged 330,000 sq ft from 2014 to 2016.

"The continued supply and demand imbalance will inevitably push up the KL office vacancy rate which is currently at 19%. It is worth noting that 45% of incoming office space is pre-committed space, which leaves about 5 million sq ft on the open market," Wong notes.

She also points out that office space demand is largely controlled by economic growth. Such demand is indicated by new international or foreign companies coming into Malaysia and the emergence of new trends such as co-working spaces.

"All of these are evident in Malaysia, but remember that demand normally comes from growth. It is very rare for a company to uproot and relocate wholesale to another country," she notes.

## Flexible workspace

Savills' Wong also notes that the rise of flexible workspace operators and tech companies are taking up large spaces, some as anchor tenants in prime office buildings in the city.

## Strata office transactions in KLCC

| DEVELOPMENT | LOCATION | TYPICAL SIZE RANGE (SQ FT) | TRANSACTED PRICE (RM PSF) | TRANSACTED PRICE (RM PSF) | ANNUAL GROWTH (%) |
|---|---|---|---|---|---|
| Megan Avenue 2 (fka Megan Phileo Avenue) | Jalan Yap Kwan Seng | 1,200 – 6,000 | NA | 2018: 1,165 | NA |
| Megan Avenue 1 (fka Megan Phileo Promenade) | Jalan Tun Razak | 1,518 – 4,900 | 2017: 543 | 2018: 685 | 26% |
| Plaza 138 | Jalan Ampang | 725 – 1,550 | 2017: 622 | 2018: 751 | 21% |
| Wisma UOA Centre | Jalan Pinang | 1,100 – 10,000 | 2017: 880 | 2018: 980 | 11% |
| Menara Bangkok Bank | Jalan Ampang | 775 – 5,000 | 2016: 942 | 2017 1,000 | 6% |

SOURCE: JLL

LOW YEN YEING | EdgeProp.my

Wong: It is worth noting that 45% of incoming office space is pre-committed space, which leaves about 5 million sq ft on the open market.

These include Colony located at Vipod Residences, Jalan Kia Peng and Common Ground located at KL33, Jalan Sultan Ismail.

In December, New York-based WeWork also announced its first branch in KL which will officially open in 1Q2019.

It will be taking up five storeys at Equatorial Plaza, KL, for a total space of 100,000 sq ft.

Currently, WeWork operates across 83 cities in 24 countries with more than 320,000 members around the world ranging from start-ups to household names.

According to Previndran, there are about 62 co-working centres in the Klang Valley and most of them are independent companies. In comparison, there are more than 330 co-working centres both in Hong Kong and Singapore.

"The rapid growth of co-working spaces will benefit the tenant. They don't have to be locked into a long-term contract, especially if they are start-up companies or they are here just for a few months to study the market before setting up a branch in Malaysia.

"I believe the growth of co-working space will impact the overall office market, but in a positive way, as it will encourage more market activity in the office segment," Previndran concludes.

The completion of new high-specification premium office buildings that offer good connectivity and integrated concepts may attract more technology and co-working space providers, says JLL's Lau.

## Strata offices

Despite the current subdued KL office market overall, Previndran has observed a relatively healthy demand for strata offices.

"There are many purpose-built offices around that are not really suitable for small users or new companies because it may be too much to commit to, especially in the current uncertain market environment. So, smaller strata office units could be a good option.

"Strata office unit owners are targeting SMEs as they offer the strongest demand (for offices) at all times," Previndran shares.

According to Previndran, there are only a few existing strata office buildings in KL's Golden Triangle such as Menara Bangkok Bank and Megan Avenue. As such, he believes there is good investment potential in strata offices going forward, due to their limited supply.

Savills' data shows that there are 3.03 million sq ft of stratified office space in the KLCC area which makes up about 6.5% of the total market share.

"Average vacancy rate recorded is about 37.6%," says Savills' Wong.

However, larger companies like MNCs would still prefer to rent office spaces in purpose-built office buildings.

"Not many companies are willing to buy office suites, especially MNCs. Generally speaking, MNCs would rather lease space in purpose-built offices as they offer the flexibility to expand or downsize," says Lau.

FEATURE

# Get into the HOLIDAY SPIRIT at the malls

The year-end festive holiday season is one of the best times to visit the malls and get into the holiday spirit. Christmas is a time for joy and cheer and shopping malls all over Malaysia have been decked out to the nines all vying for that "wow" factor. From traditional green and red décor to a futuristic winter wonderland, they offer a visual feast that lifts the spirit. So go treat yourself to some festive cheer!

Here's a preview of the décor at a few major shopping malls in the Klang Valley.

## 1 Berjaya Times Square, Jalan Imbi Kuala Lumpur

Themed "Magnificent Luminaire – Sculpture of Lights", Berjaya Times Square is celebrating the festive season with a magnificent display of light sculptures including Christmas trees. The main feature of the display is the massive halo curtains or chandeliers of gold highlighted by sparkling giant red and gold baubles. The twinkling wonderland is the perfect setting for a festive selfie.

PICTURES BY LOW YEN YEING | EdgeProp.my

## 2 1 Utama Shopping Centre, Bandar Utama, Petaling Jaya

1 Utama's "A Glistening Christmas" décor looks like a sci-fi movie set with its striking giant holographic crystal globes. It is quite a futuristic take on Christmas mall décor. On the ground floor of the centre court are five pop-up PlayRooms where one can experience art mediums and installations that will ignite your senses and imagination.

## 3 The Gardens Mall, Mid Valley, Kuala Lumpur

Relive your childhood and be captivated by the delightful décor of The Gardens, Mid Valley. Themed "Let Your Heart be Light" and inspired by imagery found in children's fables and fairy tales, the ground floor of the mall has been transformed into an enchanted garden of festive green and red hanging laurels.

## 4 Mid Valley Megamall, Kuala Lumpur

Mid Valley Megamall has turned its Centre Court into a Christmas Circus carnival! The main stage with its red and white circus tent top is flanked by Christmas trees and candy-cane coloured stalls while Nutcracker soldiers and "circus performers" in the form of sculptured figures put on their "acts" at random spots.


## 5 Sunway Pyramid, Bandar Sunway, Selangor

Stop by at Sunway Pyramid for a "Jolly Rainbow Christmas Fun Factory" and be dazzled by the cute and chubby unicorns with rainbows flowing out of them; yes, we are in fantasy land. Kids can try the Rainbow Slide where Christmas characters such as Santa Claus come to life at the Unicorns Alive dome. There is also the Rainbow Memory Lane photo booth where you can show off your best pose.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