

Growth continues amid persistent uncertainties

1Q 2025 AT A GLANCE

Sectors	Key Indicators	(% Change) QoQ	(% Change) YoY
INVESTMENT	Total Sales: RM1,286.3 million	▼ -14%	▲ 49%
	Top 3 Major Deals: RM998.0 million	▼ -25%	▲ 35%
OFFICE	Average Prime Rents in KLGT: RM6.86 psf	▲ 2%	▲ 3%
	Supply Pipeline: 1.8 million sq ft (2025-2027)	▲ 106%	▲ 57%
RETAIL	Occupancy in KV: 83.3%	▲ 1.2%	▲ 2.0%
	Supply Pipeline in KV: 5.8 million sq ft (2025-2029)	▲ 49%	▲ 82%
RESIDENTIAL	Average Price in KLCC (Completed): RM1,373 psf	▼ -2.5%	▲ 6.1%
	Incoming Supply in KLCC: 7,042 units	▼ -8%	▲ -22%

KEY HIGHLIGHTS

Investment

The investment market remained stable in 1Q 2025, driven by strong interest in industrial and healthcare assets. However, growing global uncertainties are prompting investors to turn more cautious, with a focus on selective and resilient opportunities.

Office

Kuala Lumpur's office market saw a modest uptick in average occupancy to 77.2% in 1Q 2025, supported by ongoing flight-to-quality trends and demand for strategic relocations. Prime rents in the Golden Triangle climbed to RM6.86 per sq ft, underscoring stronger interest in premium office spaces.

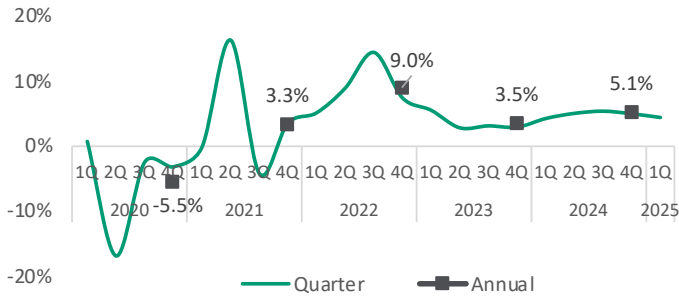
Retail

Retail activity in 1Q 2025 was buoyed by festive spending and the school reopening season. Greater Kuala Lumpur continued to witness brand expansions and the rise of lifestyle-focused community spaces.

Residential

Limited residential completions in Kuala Lumpur city center during 1Q 2025 reflected cautious developer sentiment amid lingering oversupply concerns, rising construction costs, and tighter financing conditions.

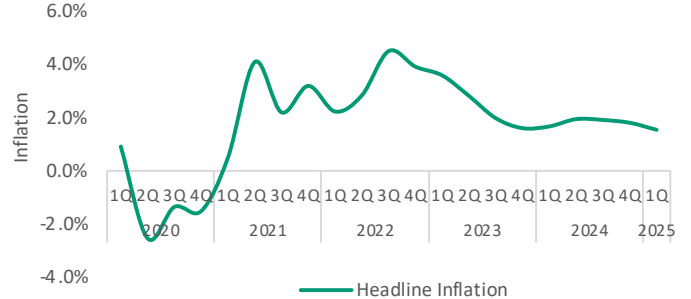
GDP Growth



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Malaysia’s economy grew by 4.4% YoY in 1Q 2025, reflecting a slight moderation from the 5.1% YoY growth recorded in 4Q 2024. On a QoQ basis, the GDP dropped by 3.6%. Construction was the only sector that witnessed positive QoQ growth with a 2.5% increment, rebounding from -0.9% QoQ contraction in the previous quarter. Meanwhile, agriculture, mining & quarrying, manufacturing, and services sectors, witnessed a QoQ decline of 8.5%, 2.6%, 3.7%, and 3.4% respectively.

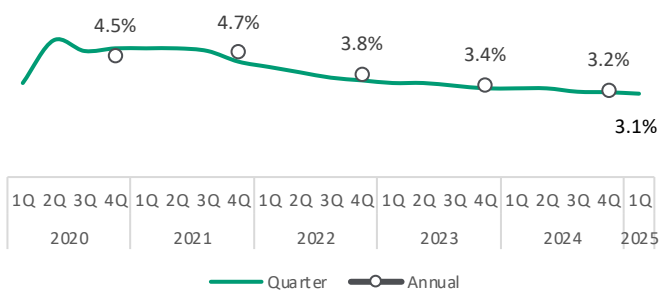
Inflation Rate



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Headline inflation showed a modest dip to 1.5% in 1Q 2025, compared to the 1.7% recorded in 1Q 2024. Core inflation edged up to 1.9%, compared to the 1.8% recorded in 1Q 2024. Key contributors to inflation were the rise in Food & Beverage prices, which increased by 2.5% (1Q 2024: 1.9%), and a notable jump in Personal Care, Social Protection, and Miscellaneous category, which saw a 3.6% increase (1Q 2024: 2.5%). On a positive note, the Information & Communication sector experienced a decrease in the Consumer Price Index, falling by 5.3% (1Q 2024: -2.4%).

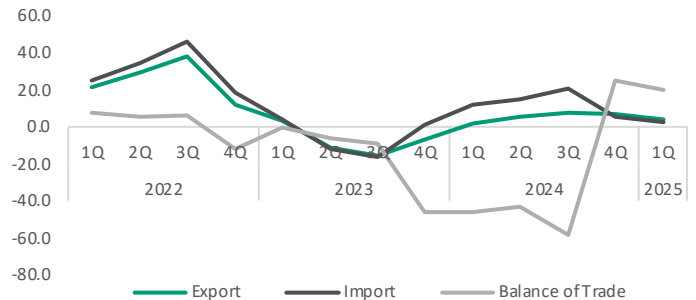
Unemployment Rate



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Malaysia’s unemployment rate remained stable at 3.1% in 1Q 2025, showing a slight improvement from the previous quarter that reflect ongoing positive trends in the labour market. The labour force grew steadily throughout the first quarter, reaching 17.2 million in 1Q 2025, marking a 2.7% YoY growth from 16.8 million in 1Q 2024. This expansion underscores stronger workforce participation, driven by sustained demand for labour.

Balance of Trade



Source: Malaysia Institute of Economic Research; NAWAWI TIE Research

Malaysia’s trade balance in 1Q 2025 recorded a surplus of RM40.99 million, or a 20.1% YoY increase. Exports rose 4.4% to RM378.37 million, while imports grew moderately by 2.8% to RM337.37 million. Strong demand for electrical and electronic products, palm oil, and natural gas continued to drive export growth.

However, the new U.S. tariff imposed in April 2025 may cause supply chain disruption, impacting various sectors including construction. As U.S. firms pivot to lower-tariff suppliers, Malaysian exporters could see reduced orders, potentially leading to local material shortages and higher construction costs for property developers.

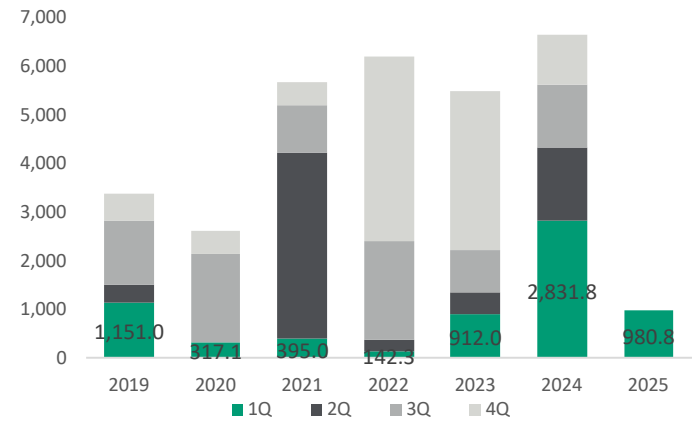
Malaysia’s investment activity kicked off 1Q 2025 on a strong note, sustaining the positive momentum from the previous quarter, with transactions totalling RM981 million. The market was energized by landmark deals in the industrial segment, particularly warehouses and manufacturing facilities. Leading the charge, Sime Darby Property Bhd acquired two prime warehouses in Bukit Raja for RM232 million from its JV partners, Mitsubishi Estate and MBK Real Estate Asia, in a move to strengthen its recurring income stream. Meanwhile, REIT players like AME REIT and CapitaLand Malaysia Trust, are actively expanding and diversifying their industrial portfolios, signaling continued confidence in the sector’s growth potential.

Another active segment is the healthcare real estate sector, where players like Al-Aqar REIT and TDM Bhd are expanding their portfolios through the organic injection of assets from related parties. For Al-Aqar REIT, this includes the addition of KPJ Ampang Puteri Hospital in Kuala Lumpur and KPJ Penang Specialist Hospital, further strengthening its position in the growing medical asset class.

The REIT sector is poised for further growth with the potential listing of WCT Holdings’ retail portfolio under the newly proposed Paradigm Real Estate Investment Trust (Paradigm REIT). The portfolio, valued at RM2.4 billion, includes Paradigm Mall Petaling Jaya, Paradigm Mall Johor Bahru, and Bukit Tinggi Shopping Centre, marking a significant addition to Malaysia’s retail REIT landscape.

Notably, Mapletree Investment divested Jaya Shopping Centre in Petaling Jaya, which has struggled since its re-opening amid undergoing major redevelopment in 2014. Despite extensive repositioning efforts, the project has been unable to replicate the success of its heydays in a rapidly evolving local retail scene. A subsidiary of Asia-Pac Bhd acquired the property for RM100 million, translating to a per-square-foot price of RM373.

Figure 1: Investment Sales (RM million)



Source: NAWAWI TIE Research

Table 1: Top Three Major Deals in 1Q 2025 (RM million)

Property	Purchaser	Vendor	Price (RM million)
KPJ Ampang Puteri Specialist Hospital & KPJ Penang Specialist Hospital	Al-Aqar REIT	KPJ	241.0
Bandar Bukit Raja Warehouse	Sime Darby Property	Sime Darby MIT Development Sdn Bhd	232.0
Bertam Specialist Hospital	Bertam Specialist HospitalT	KMI Healthcare	146.0

Source: NAWAWI TIE Research

Outlook

With external headwinds and geopolitical issues clouding local prospect, the market is entering into an uncharted territory, while stakeholders remain cautious. As such, investment flows may taper off for the rest of the year amid the uncertainties.

In 1Q 2025, more companies relocated to higher-quality office buildings or spaces that better aligned with their operational needs. This sustained demand for improved office environments led to an increase in the average occupancy rate, rising from 76.9% to 77.2% compared to the previous quarter. The growth was primarily driven by the ongoing flight-to-quality trend, as tenants sought better-quality office spaces.

A notable occupier movement in the quarter was a financial institution that relocated to Integra Tower, occupying approximately 80,000 sq ft of NLA.

In the first quarter of 2025, The Exchange TRX Office with a NLA of approximately 190,000 sq ft received their Certificate of Completion and Compliance (CCC).

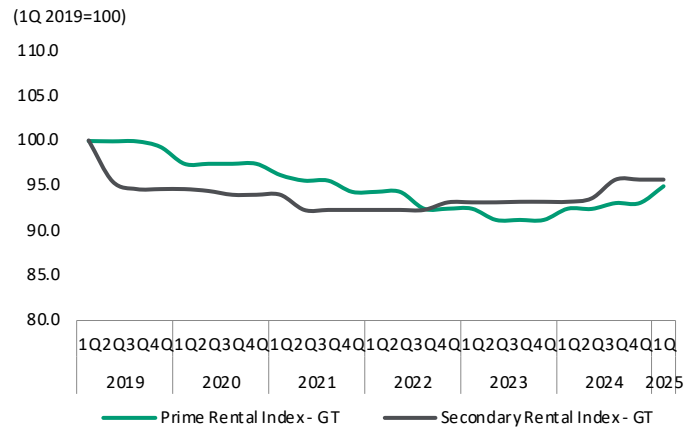
Meanwhile, demand for flexible and co-working spaces continued to gain momentum in the quarter. This was on the back of WORQ opening a new outlet at Sunway Velocity 2 in February. Earlier in January, WORQ announced the company’s ambitious expansion plans — aiming to grow its total co-working footprint to 450,000 sq ft by 2025 and 1 million sq ft by 2030. Adding to the sector’s vibrancy, INFINITY8 introduced its premium reserve series at Menara Southpoint in Mid Valley. It is set to debut its flagship location at Tun Razak Exchange (TRX) in the second quarter of 2025 too.

In the rental market, prime office rents in KL Sentral/Mid Valley remained steady at RM7.40 per sq ft per month in 1Q 2025. In contrast, prime office rents in the KL Golden Triangle (KLGT) increased from RM6.73 to RM6.86 per sq ft per month. Meanwhile, rents for secondary office buildings remained stable at RM5.00 per sq ft per month.

Outlook

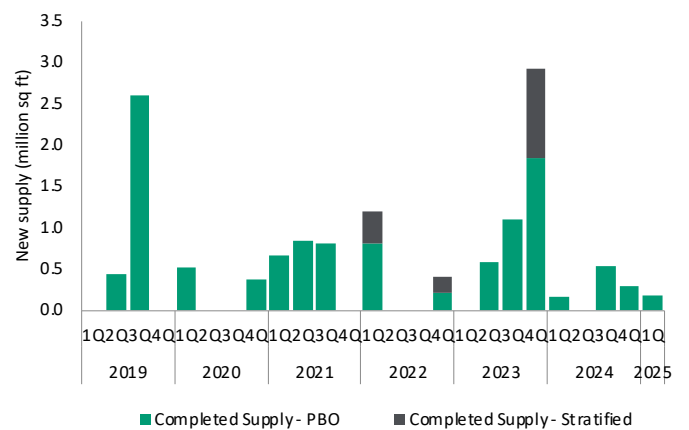
Kuala Lumpur’s office market is poised for a strong rebound in 2025, with momentum driven by the flight-to-quality

Figure 2: Prime & Secondary Rental Indices - KL Golden Triangle



Source: NAWAWI TIE Research

Figure 3: Completed Office Supply in KL (sq ft, million)



Source: NAWAWI TIE Research

Table 2: Upcoming Office Developments in Kuala Lumpur

Upcoming Development	Net Lettable Area (sq ft)	Location
TNB Gold Bangsar	475,600	KL Fringe

Source: NAWAWI TIE Research

trend, the arrival of new premium-grade developments, and the dynamic growth of co-working spaces.

This positive outlook is underpinned by rising demand for high-quality, ESG-compliant office spaces, as companies place greater emphasis on modern amenities, energy efficiency, and sustainability.

Retail sales in 1Q 2025 were buoyed by the festive season and the reopening of schools, sparking vibrant footfall and robust tenant activity across major malls. Throughout the quarter, shopping centres came alive with thematic decorations and promotional events. For instance, at 1 Utama, the central atrium was transformed from a grand three-tiered Chinese pavilion complete with a realistic koi pond flooring in January to the striking Astana Pavilion in March, inspired by Uzbekistan’s iconic Registan Square.

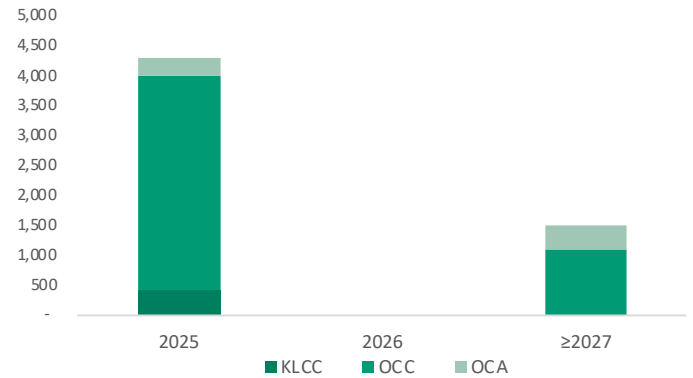
In the city centre, Coach unveiled its newly refurbished 4,058 sqft double-storey boutique in Suria KLCC, featuring a contemporary light-palette interior. The brand also opened its second Coach Coffee Shop at Sunway Pyramid, further blending retail with lifestyle experiences.

Beyond Kuala Lumpur, IOI City Mall Putrajaya commenced earthworks for Phase 3 of its expansion in February, that is targeted for completion by 2029. Once completed, the mall’s net lettable area (NLA) will increase from 2.4 million to 3.5 million sq ft, reinforcing its position as one of the largest malls in the region.

International retail expansion into Malaysia remains active. China’s Semir Group continued to grow its presence with the opening of a second SEMIR store at Sunway Pyramid. In January, the group also launched its children’s wear brand, Balabala, at Pavilion Kuala Lumpur, with a second outlet set to open in 2Q 2025.

In January, the heritage redevelopment of the former ISKL campus — now rebranded as The Campus Ampang — celebrated its partial opening. This adaptive reuse project transformed into a lifestyle destination, features popular brands like Qra, Chunky Cookies, Jibby Chow, and NALA. Quickly gaining traction, it is well establishing itself as a vibrant hub for local fashion, homeware, and F&B brands.

Figure 4: Retail Pipeline Supply (NLA) In Klang Valley (sq ft, million)



Source: NAWAWI TIE Research

Table 3: Upcoming Retail Developments in Klang Valley (2025)

Upcoming Retail Developments	Net Lettable Area (sq ft)	Location
Ombak KLCC	420,000	CC
Sunway Square Mall	300,000	OCA
Pavilion Damansara Heights Mall – Phase 2	529,353	OCC
118 Mall	850,000	OCC
KLGCC Mall	390,000	OCC
Hextar World at Empire City	1,800,000	OCC

Source: NAWAWI TIE Research

Outlook

Looking ahead, Malaysia’s role as ASEAN Chair and the undergoing preparations for Visit Malaysia 2026 are set to sustain growth across both the retail and tourism sectors. While the third quarter typically sees the lowest retail activity nationwide, optimism among retailers remains high on the back of the tourism momentum and strengthening consumer sentiment, that are expected to cushion the seasonal dip and support steady growth. We expect 2025 to witness healthy shifts, driving both sectors toward a robust and resilient recovery.

As of 1Q 2025, average transacted prices in the secondary market for high-end condominiums across five key locations in Kuala Lumpur ranged from RM697 to RM1,373 psf. KLCC registered the highest average price at RM1,373 psf; however, most other prime areas have shown minimal or stagnant price movement in recent quarters, largely due to persistent oversupply and subdued demand in the luxury residential segment.

The Conlay, a luxury development by Patsawan Properties Sdn Bhd (a joint venture between E&O and Mitsui Fudosan Co. Ltd), was the only high-end residential project completed within the city centre in the quarter. Construction activity during this period remained subdued amid the festive holidays – Chinese New Year and Hari Raya – where these extended breaks often result in work disruptions.

Only one high-end residential project within the city centre was completed in the first quarter of 2025 — The Conlay, a luxury development by Patsawan Properties Sdn Bhd (a joint venture between E&O and Mitsui Fudosan Co. Ltd). Construction activity during this period was typically subdued, as festive holidays, such as Chinese New Year and Hari Raya often result in work disruptions due to extended breaks.

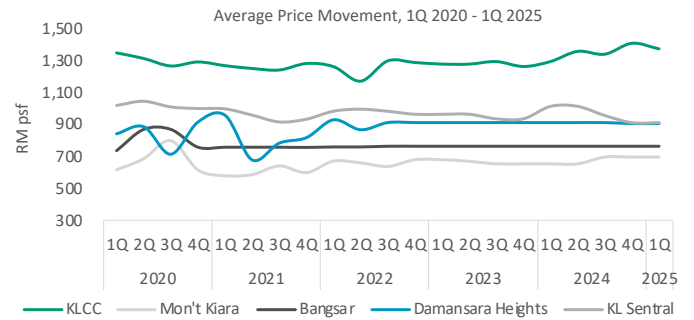
Sunrise Charm Sdn Bhd, a subsidiary of the Exsim Group of Companies, has launched Hanaz Suites — an exclusive serviced residence inspired by traditional Japanese design. Located on Jalan Mayang in the heart of Kuala Lumpur, the upcoming 45-storey development will comprise 98 units, with built-up areas ranging from 323 to 657 sq ft. Prices for the units start from RM1.3 million.

In the quarter, two new projects were launched outside the city centre. Khaya Residence and Stellaris @ Riana Dutamas will contribute 795 and 1,143 units, respectively, to the upcoming residential supply pipeline.

Outlook

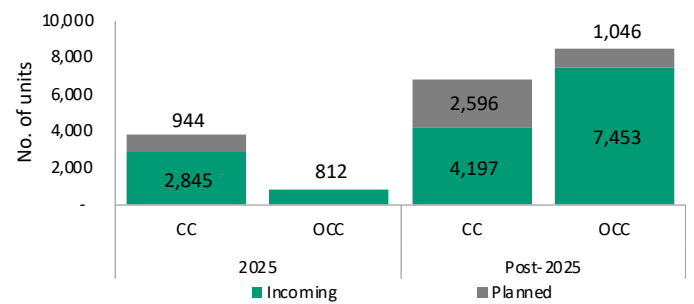
The residential property market has remained stable, underpinned by sustained buyer confidence and steady borrowing costs, following Bank Negara Malaysia’s decision to maintain the Overnight Policy Rate (OPR) at 3.00% since May 2023. However, the recent upward revision of the minimum wage may lead to increased construction costs—particularly from labour cost—which could, in turn, place an upward pressure on property prices.

Figure 5: Average Price Movements for Completed High-End Condominiums in KL



Source: NAWAWI TIE Research

Figure 6: Future Supply of High-End Condominiums in KL



Source: NAWAWI TIE Research

Table 4: Upcoming High-End Condominiums in the City Centre

Upcoming Development	No. of Unit
Oxley Towers – SO/ KL Residences	590
Branniganz Suites	759
Times Square 2	629
CloutHaus Residence	1,405
Hanaz Suites	98

Source: NAWAWI TIE Research

The Minister of Tourism, Arts and Culture’s recent reaffirmation that the Malaysia My Second Home (MM2H) programme remains open to applicants from all countries is a positive sign for the high-end residential market. By encouraging greater foreign participation, particularly from long-term residents and lifestyle-driven investors, the programme has the potential to boost demand, support price stability, and aid in the absorption of existing luxury property inventory in Kuala Lumpur.

DEFINITIONS

Development pipeline/ potential supply:	Comprises two elements: <ol style="list-style-type: none">1. Floor space in the course of development, defined as buildings being constructed or comprehensively refurbished.2. Schemes with the potential to be built in the future, having secured planning permission/development certification.
Net absorption:	The change in the total occupied or let floor space over a specified period of time, either positive or negative.
Net supply:	<p>The change in the total floor space over a specified period of time, either positive or negative. It excludes floor spaces that are not available for occupation due to refurbishment or redevelopment, but includes new supply.</p> <p>New supply refers to total floor space/units that are ready for occupation. Ready for occupation means practical completion, where either the building has been issued with a Temporary Occupation Permit (TOP) or Certificate of Completion and Compliance (CCC).</p>
Prime office rent:	<p>The highest rent that could be achieved for a typical building/unit of the highest quality and specification in the best location to a tenant with a good (i.e. secure) covenant.</p> <p>(NB. This is a gross rent, including service charge or tax, and is based on a standard lease, excluding exceptional deals for that particular market).</p>
Stock:	<p>Total accommodation in the private sector both occupied and vacant:</p> <ol style="list-style-type: none">1. Purpose-built office buildings with Net Lettable area (NLA) of at least 150,000 sq ft.2. Purpose-leased shopping centres, excluding hypermarket and stratified retail.3. Non-landed residential projects with at least 10 strata dwelling units.
Take-up:	<p>Floor space acquired for occupation or investment, including the following:</p> <ol style="list-style-type: none">1. Offices let to an eventual occupier.2. Developments pre-let or sold. <p>(NB. This includes subleases)</p> <p>Take-up also refers to units transacted in the residential market.</p>
Occupancy rate:	Total space currently occupied or not available to let as a percentage of the total stock of floor space (NB. This excludes shadow space which is space made available for sub-leasing).
KL Golden Triangle (KLGT)	An area bordered by Jalan Tun Razak – Jalan Ampang – Jalan Maharajalela.
KL City Centre (KLCC)	An area bordered by Jalan Tun Razak – Lebuhraya Sultan Iskandar – Jalan Damansara – Jalan Istana.
Outer City Centre (OCC)	An area that refers to the Federal Territory of Kuala Lumpur, excluding the area of KL City Centre.
Klang Valley (KV)	<p>Comprises:</p> <ol style="list-style-type: none">1. Wilayah Persekutuan Kuala Lumpur2. Wilayah Persekutuan Putrajaya3. Selected districts in Selangor (Petaling, Klang, Hulu Langat, Gombak and Sepang)

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