

## Investment rebound underscores market resilience

### 2Q 2025 AT A GLANCE

Sectors	Key Indicators	(% Change) QoQ	(% Change) YoY
<b>INVESTMENT</b>	Total Sales: <b>RM6,323.3 million</b>	▲ 644%	▲ 322%
	Top 3 Major Deals: <b>RM4,487.0 million</b>	▲ 625%	▲ 237%
<b>OFFICE</b>	Average Prime Rents in KLGT: <b>RM6.98 psf</b>	▲ 1.7%	▲ 4.5%
	Supply Pipeline: <b>1.6 million sq ft</b> (2025-2027)	▼ -12%	▲ 39%
<b>RETAIL</b>	Occupancy in KV: <b>83.3%</b>	▬ 0.0%	▲ 1.8%
	Supply Pipeline in KV: <b>5.8 million sq ft</b> (2025-2029)	▬ 0.0%	▲ 61%
<b>RESIDENTIAL</b>	Average Price in KLCC (Completed): <b>RM1,330 psf</b>	▼ -3%	▼ -2%
	Incoming Supply in KLCC: <b>7,817 units</b>	▲ 11%	▼ -31%

### KEY HIGHLIGHTS

#### Investment

Transactions surged 644% QoQ to RM6.32 billion, underpinned by 18 major deals, notably the Paradigm REIT IPO and the injection of Mid Valley Southkey Mall into IGB REIT. The retail sector dominated activity, led by transactions involving KIP REIT, CIMB Bank, and high-value sales at Berjaya Times Square.

#### Office

Kuala Lumpur's office market strengthened in 2Q 2025, with new completions and upcoming projects supported by steady demand for both traditional and flexible workspaces, underscoring a clear shift towards higher-grade, sustainable office buildings.

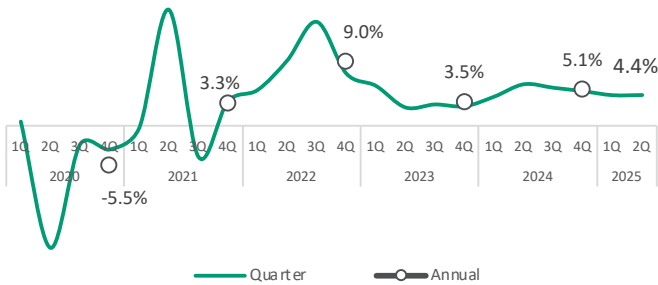
#### Retail

Festive spending and school holidays supported stable occupancy rate of 83.3% in Klang Valley. Lifestyle, leisure and experiential concepts continued to gain traction, reflecting evolving consumer preferences and longer mall visits.

#### Residential

Prime residential market in key areas of Kuala Lumpur in 2Q 2025 remained attractive to foreign buyers and investors, despite global economic challenges. New launches across both city centre and suburbs reflected developers' confidence in sustained demand.

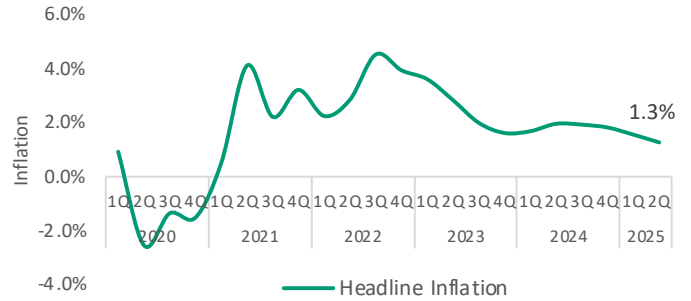
GDP Growth



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Malaysia’s economy sustained a stable 4.4% growth in 2Q 2025 (unchanged from 1Q 2025), underpinned by the continued strength of the services sector, which expanded 5.3% YoY. The manufacturing sector also registered strong growth at 3.8%. Most sectors recorded GDP gains during the quarter, offsetting the decline in mining & quarrying (-7.4% YoY).

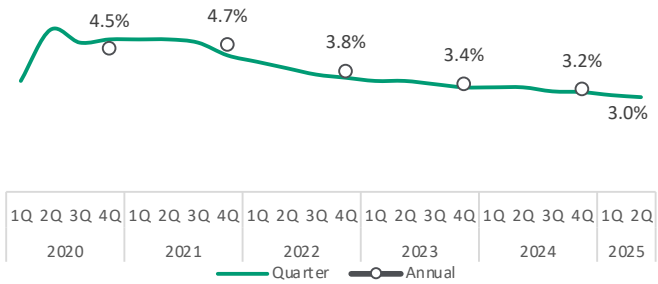
Inflation Rate



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Headline inflation eased to 1.3% in 2Q 2025 (1Q 2025: 1.5%), while core inflation held steady at 1.8% (1Q 2025: 1.9%). Key drivers included a 4.0% rise in Personal Care, Social Protection & Miscellaneous Goods and a 2.9% increase in Restaurant & Accommodation Services (1Q 2025: 3.6% and 3.3%, respectively).

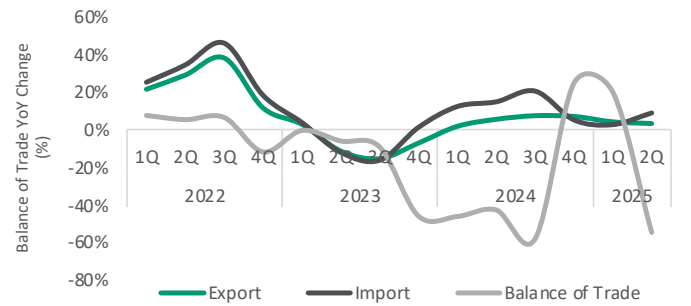
Unemployment Rate



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Malaysia’s labour market continued to strengthen in 2Q 2025, with the unemployment rate easing to 3.0% (1Q 2025: 3.1%). The labour force expanded 2.7% YoY to 17.4 million, while the participation rate inched up to a new high of 70.8%. These indicators highlight a resilient workforce and reinforce confidence in the country’s economic outlook.

Balance of Trade



Source: Department of Statistics Malaysia; NAWAWI TIE Research

Malaysia’s trade balance in 2Q 2025 recorded a surplus of RM14.5 billion, down 54.7% YoY. Exports rose 3.5% to RM381.8 billion, while imports saw greater growth of 9.1% to RM367.3 billion. Strong demand for electrical and electronic products, palm oil, and natural gas continued to drive export growth.

Overview

Bank Negara Malaysia reduced the SRR from 2% to 1% and the OPR to 2.75% from 3.00% to boost liquidity and provide cushion for the economy against external risks. While Malaysia’s economy remains resilient with moderate inflation, global uncertainties persist. The revised 19% U.S. tariff poses risks to Malaysia’s external sector, particularly in E&E trade valued at RM83.9 billion in 2Q 2025.

Although semiconductors are exempted, other exports remain vulnerable, potentially weighing on the trade surplus, investor confidence, and foreign investment.

Malaysia’s property investment market defied global uncertainties, posting a sharp rebound in 2Q 2025. Transaction volume surged 644% QoQ to RM6.32 billion, supported by 18 major deals. The retail sector led activity, underscoring investor confidence despite cautious consumer sentiment. Key highlights included the RM2.4 billion IPO of Paradigm REIT, comprising three malls, and the RM2.65 billion injection of Mid Valley Southkey Mall in Johor Bahru into IGB REIT.

KIP REIT remained an active player in the quarter, completing four transactions. Meanwhile, CIMB Bank repurchased a portfolio of 16 commercial shop offices from EPF, which had previously been sold to the pension fund under a sale-and-leaseback arrangement.

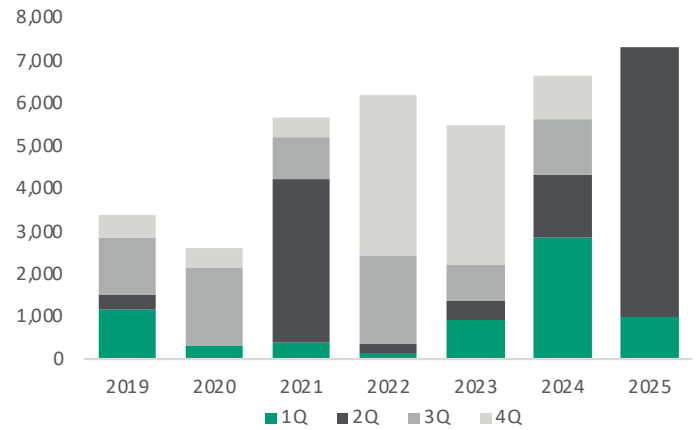
The other major transaction was the reversed sale of Sunway University and College from Sunway REIT back to the education entity and tenant for RM613 million at the net operating yield of 6.2%.

Another highlight was a related-party transaction at Berjaya Times Square, where Sports Toto Bhd acquired three stratified ground-floor retail lots from Berjaya Assets Bhd at a benchmark RM15,211 per sq ft. The deal underscores sustained investor confidence and the premium value of prime retail assets.

**Outlook**

The recent OPR cut is set to lift investor sentiment, especially among local institutions, while Malaysia’s resilient economic growth underpins confidence.

**Figure 1: Investment Sales (RM million)**



Source: NAWAWI TIE Research

**Table 1: Top Three Major Deals in 2Q 2025 (RM million)**

Property	Purchaser	Vendor	Price (RM million)
Mid Valley Southkey Mall	IGB REIT	Southkey Megamall Sdn Bhd	2,650.0
Paradigm Mall Johor Bahru	Paradigm REIT	WCT Hartanah Jaya Sdn Bhd	1,157.0
Bukit Tinggi Shopping Centre	Paradigm REIT	Gemilang Waras Sdn Bhd	680.0

Source: NAWAWI TIE Research

With Malaysia’s credit rating remained stable, market fundamentals remain supportive and deal-making momentum expected to hold firm through year-end., Retail REITs are driving large-cap transactions, industrial and logistics assets continue to attract long-term capital, and office demand is shifting towards sustainable, higher-grade buildings. Barring unforeseen challenges, 2025 is poised to be a standout year for investment sales.

Occupancy gained momentum in the second quarter of 2025. Driven by flight-to-quality relocations and expansions, the average occupancy rate rose to 78.2% from 77.2% recorded in 1Q 2025. A BPO provider took up 48,000 sq ft at Equatorial Plaza. Oxley Tower (215,667 sq ft NLA) received its CCC, adding fresh supply to the market.

Notable upcoming developments include TA Global’s launch of The Arden (April 2025), a 38-storey Grade-A strata office tower with 455 units ranging from 495–3,111 sq ft; and TRX’s 10th tower (June 2025), a 39-storey office development offering 800,000 sq ft NLA, slated for completion in 2Q 2029 with PwC Malaysia confirmed as anchor tenant (250,000 sq ft).

The flexible workspace segment continued to grow. WORQ reported over 70% take-up at its 20,000 sq ft Sunway Velocity TWO outlet, with rates between RM500–RM800 per person monthly. Meanwhile, IWG will debut in 3Q 2025 a new Signature by Regus centre at Menara Merdeka 118, spanning two floors and will comprise of 637 workstations, 3 meeting rooms, 31 co-working desks, a business lounge, and customisable space.

Rental values remained stable overall. Secondary office rents held at RM5.00 per sq ft/month, while prime rents in KL Sentral/Mid Valley stood at RM7.40 per sq ft/month. Notably, Kuala Lumpur Golden Triangle (KLG) saw modest growth, with prime rents rising from RM6.86 to RM6.98 per sq ft/month.

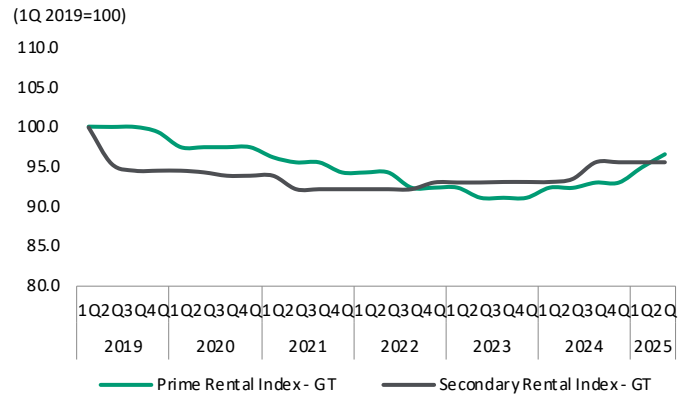
**Outlook**

Kuala Lumpur’s office market is anticipated to benefit from sustained demand throughout 2025. Occupier activity is expected to remain positive, supported by ongoing flight-to-quality preferences, business expansions, and relocations. This trend mirrors what is being observed in other major cities globally.

A prominent global trend intensifying in Kuala Lumpur is the growing preference for newer, better-grade office buildings that offer green certifications and sustainable features. Occupiers are becoming increasingly selective, placing greater emphasis on environmental performance, workplace experience, and operational efficiency, reflecting a global drive towards ESG principles in real estate.

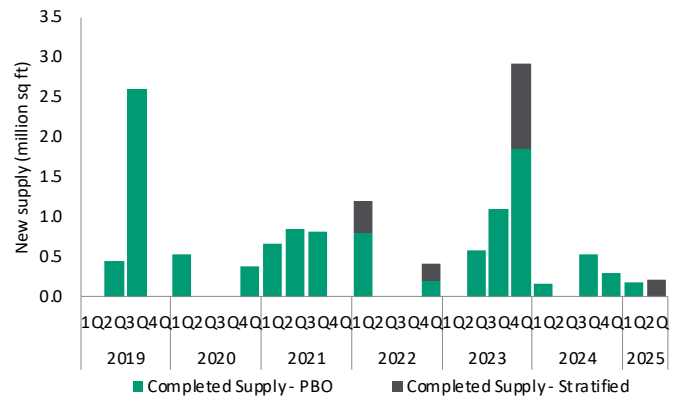
While hybrid work remains an integral part of the modern workplace model, a noticeable return-to-office

**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
Menara Golden Eagle by Multibay	120,000	Golden Triangle

Source: NAWAWI TIE Research

momentum is also taking shape. This dual trend is expected to support steady demand for quality office spaces in the coming quarters.

Moving forward, the performance of Kuala Lumpur’s office market will depend on how effectively it adapts to shifting occupier expectations. The future landscape will be shaped by a strong focus on quality, sustainability, and technological innovation, positioning the city competitively in the evolving global business environment.

Retail activity in 2Q 2025 was sustained by seasonal factors, including the public sector wage increase, school holidays, and festive spending during Hari Raya Aidilfitri and Hari Raya Aidiladha. According to the Department of Statistics Malaysia (DOSM), retail trade sales grew 4.9% YoY in May 2025, supported by continued domestic consumption.

This quarter also saw notable tenant movements across prime malls. Marimekko opened two new outlets in Pavilion KL and The Gardens Mall, with the latter having undergone an active period of repositioning and witnessing recent additions such as Polo Ralph Lauren and the relocation of TWG.

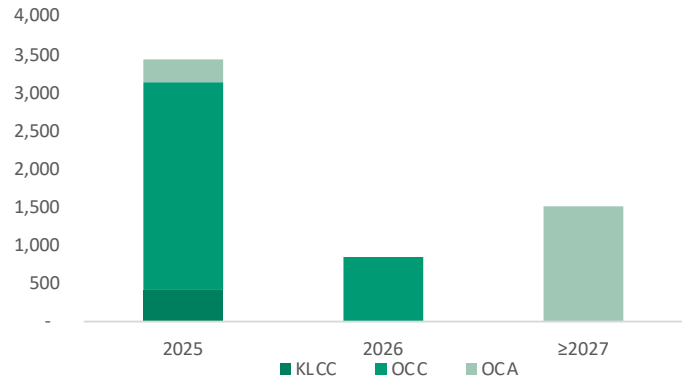
While traditional anchor tenants and large-format stores remain important for footfall, lifestyle and community oriented retail offerings are becoming increasingly relevant in both new and existing malls. Incoming malls such as KLGCC Mall and Sunway Square illustrate this shift, blending retail with wellness, dining, and placemaking features that prioritise liveability over footfall volume alone.

There has also been a noticeable uptick in recreation- and activity-based tenants across Klang Valley malls. Pop-up activations like the pickleball court at Starhill and niche concepts such as bouldering, ballet academies, and children’s activity centres reflect growing consumer demand for participatory, family-friendly environments. This experiential trend extends to F&B as well — dining formats like Korean BBQ and hotpot, exemplified by new openings such as Pal Gae Ook in Suria KLCC and Shabu-Yo in 1 Utama, offer a hands-on, social dining experience that resonates with consumers seeking more than just a meal. These concepts blur the line between eating and engaging, contributing to longer dwell times and more memorable mall visits.

**Outlook**

Looking ahead, Retail Group Malaysia (RGM) has revised its full-year retail sales growth forecast to 3.1% from 4.3%,

**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
KLGCC Mall	390,000	OCC
Hextar World at Empire City	1,800,000	OCC

Source: NAWAWI TIE Research

citing a high base and cautious consumer sentiment. Both consumers and retailers are expected to recalibrate in response to a series of policy changes taking effect in the second half of the year. These include the implementation of the 8% SST on commercial rentals, e-invoicing, targeted fuel subsidies, revised electricity tariffs, heightened export duties to the US, and a surprise reduction in the Overnight Policy Rate (OPR). While some measures may exert cost pressure or weigh on sentiment, others, such as lower interest rates, could help support disposable income and spending, resulting in a mixed outlook for near-term retail performance.

In 2Q 2025, secondary market prices for luxury condominiums across five key Kuala Lumpur locations ranged between RM697 and RM1,330 psf. KLCC continued to command the highest price average at RM1,330 psf, despite a 2.1% YoY decline. In contrast, other prime locations demonstrated resilience, with prices remaining moderate and largely stable over the past three years, showing only minor fluctuations.

Marriott Executive Apartments, located at the intersection of Jalan Kia Peng and Jalan Stonor in KLCC, was completed and opened in August this year. The 41-storey tower featured 352 exclusive units, ranging from studio apartments to spacious three-bedroom layouts. The luxury executive apartment with a full-service hotel operation, is understood to target extended-stay guests.

Armani Group has recently pre-launched Armani Hallson, a luxury mixed-use development located in the city centre on a 2.61-acre freehold site, formerly housing SJKC Lai Meng at Jalan Ampang. It comprises 775 SoHo and 1,440 SoVo units, sized between 538 – 558 sq ft and 406 – 1,182 sq ft, respectively. Since the pre-launch, the take-up rate for both SoHo and SoVo units is approximately 70% of the total 2,215 units.

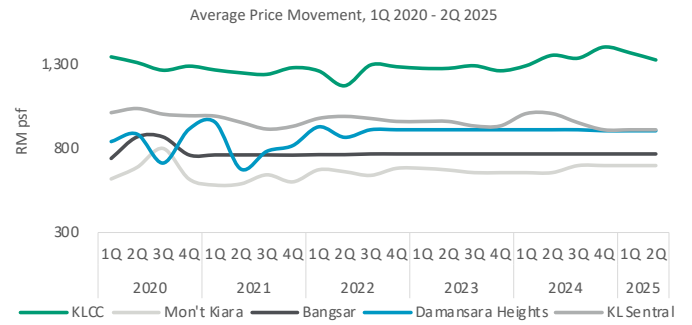
Furthermore, Chin Hin Group Property is set to launch KLCC 2 Residence, a mixed-use development in the city centre comprising 924 serviced apartment units. This will add substantial new high-end inventory to the residential mix in KLCC, thus intensifying competition in the premium market. The project is expected to commence by end of this year.

Beyond the city centre, SkyAman1 Residences was launched in 2Q 2025 with 510 units, while WCT OUG Development Sdn Bhd is set to introduce Aras Residences in Taman OUG, comprising 1,272 units next to its earlier Maple Residences project. These new launches underscore developers' confidence in sustained suburban housing demand.

**Outlook**

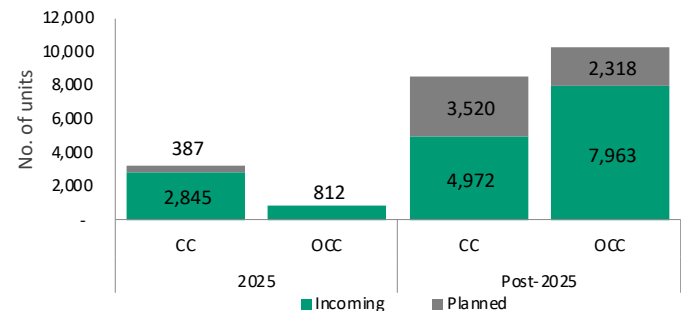
On the back of the Warisan Kuala Lumpur initiative launched in April, the city's historic core looks set to be revitalised into a vibrant cultural and creative hub under the KL Structure Plan 2040. The initiative also opens opportunities for niche luxury developments, particularly in heritage-inspired living, by blending modern residences with enhanced connectivity and well-curated public spaces.

**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
Branniganz Suites	759
Kyliez Suites	346
Dawn Residence	960
Times Square 2	629
CloutHaus Residence	1,405
Hanaz Suites	98

Source: NAWAWI TIE Research

The Kuala Lumpur residential market is set to remain stable with selective growth opportunities, though absorption risks persist in the city centre luxury segment. Suburban launches will continue to anchor overall market confidence. Over the next few quarters, we expect a stable to moderate growth in suburban and non-KLCC prime areas, supported by genuine occupier demand. Cautious sentiment in the KLCC luxury segment, where oversupply and buyer selectivity may keep prices slightly soft. Developers are likely to pivot toward differentiated offerings (e.g., branded residences, mixed-use concepts, suburban townships) to sustain momentum.

# DEFINITIONS

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<b>Development pipeline/ potential supply:</b>	Comprises two elements: <ol style="list-style-type: none"><li>1. Floor space in the course of development, defined as buildings being constructed or comprehensively refurbished.</li><li>2. Schemes with the potential to be built in the future, having secured planning permission/development certification.</li></ol>
<b>Net absorption:</b>	The change in the total occupied or let floor space over a specified period of time, either positive or negative.
<b>Net supply:</b>	<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>
<b>Prime office rent:</b>	<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>
<b>Stock:</b>	<p>Total accommodation in the private sector both occupied and vacant:</p> <ol style="list-style-type: none"><li>1. Purpose-built office buildings with Net Lettable area (NLA) of at least 150,000 sq ft.</li><li>2. Purpose-leased shopping centres, excluding hypermarket and stratified retail.</li><li>3. Non-landed residential projects with at least 10 strata dwelling units.</li></ol>
<b>Take-up:</b>	<p>Floor space acquired for occupation or investment, including the following:</p> <ol style="list-style-type: none"><li>1. Offices let to an eventual occupier.</li><li>2. Developments pre-let or sold.</li></ol> <p>(NB. This includes subleases)</p> <p>Take-up also refers to units transacted in the residential market.</p>
<b>Occupancy rate:</b>	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).
<b>KL Golden Triangle (KLGT)</b>	An area bordered by Jalan Tun Razak – Jalan Ampang – Jalan Maharajalela.
<b>KL City Centre (KLCC)</b>	An area bordered by Jalan Tun Razak – Lebuhraya Sultan Iskandar – Jalan Damansara – Jalan Istana.
<b>Outer City Centre (OCC)</b>	An area that refers to the Federal Territory of Kuala Lumpur, excluding the area of KL City Centre.
<b>Klang Valley (KV)</b>	<p>Comprises:</p> <ol style="list-style-type: none"><li>1. Wilayah Persekutuan Kuala Lumpur</li><li>2. Wilayah Persekutuan Putrajaya</li><li>3. Selected districts in Selangor (Petaling, Klang, Hulu Langat, Gombak and Sepang)</li></ol>

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