

## Market holds steady amid cautious start to 2026

### 1Q 2026 AT A GLANCE

Sectors	Key Indicators	(% Change) QoQ	(% Change) YoY
<b>INVESTMENT</b>	Total Sales: <b>RM275.9 million</b>	▼ -92%	▼ -72%
	Top 3 Major Deals: <b>RM166.0 million</b>	▼ -93%	▼ -73%
<b>OFFICE</b>	Average Prime Rents in KL city: <b>RM7.95 psf</b>	▲ 1.4%	▲ 6.5%
	Supply Pipeline: <b>1.46 million sq ft</b> (2026-2028)	▲ 33%	▼ -21%
<b>RETAIL</b>	Occupancy in Klang Valley (KV): <b>82.7%</b>	▼ -0.1%	▼ -0.7%
	Supply Pipeline in KV: <b>3.1 million sq ft</b> (2026-2029)	▬ 0%	▼ -46%
<b>RESIDENTIAL</b>	Average Price in KLCC (Completed): <b>RM1,550 psf</b>	▬ 0%	▲ 10.7%
	Incoming Supply in KLCC: <b>6,310 units</b>	▼ -4.5%	▼ -10.4%

### KEY HIGHLIGHTS

#### Investment

Market activity started cautiously with a focus on smaller industrial and commercial transactions, though sentiment was quickly impacted by global geopolitical tensions, dampening momentum. Despite resilient domestic fundamentals supported by policy responses and a stronger Ringgit, heightened external uncertainties are expected to weigh on investor confidence and moderate transaction volumes for the remainder of the year.

#### Office

Office demand in Kuala Lumpur continues to favour modern, well-connected, and flexible spaces, with tenant activity led by expansions in premium buildings and growing interest in co-working concepts. While older and non-prime offices face ongoing challenges, prime buildings remain resilient, attracting occupiers seeking quality environments and operational efficiency.

#### Retail

Retail performance in 1Q 2026 was supported by back-to-back festive spending, sustaining footfall across key malls. The sector continues to undergo tenant reshuffling and repositioning, with store downsizing and cinema operator changes. Moving forward, performance is expected to remain stable but cautious amid evolving consumer behaviour and external uncertainties.

#### Residential

Kuala Lumpur's high-end residential market remains resilient, supported by strong prices in prime areas and new inventory. Global trade tensions are raising costs and keeping demand selective, with buyers favouring completed trophy assets.

The year started off relatively quiet, with 10 smallish and medium sized deals totalling about RM276 million, and the calm was disrupted with the war in Iran that creates additional shock wave across global markets. Market activities were focused on industrial and smaller commercial assets, including two hotels in Lumut and Kota Kinabalu, respectively. The biggest deal noted was the sale of the BWYS factory, a sheet metal and scaffolding manufacturer at RM67 million to its existing tenant at an approximate yield of 6.7%.

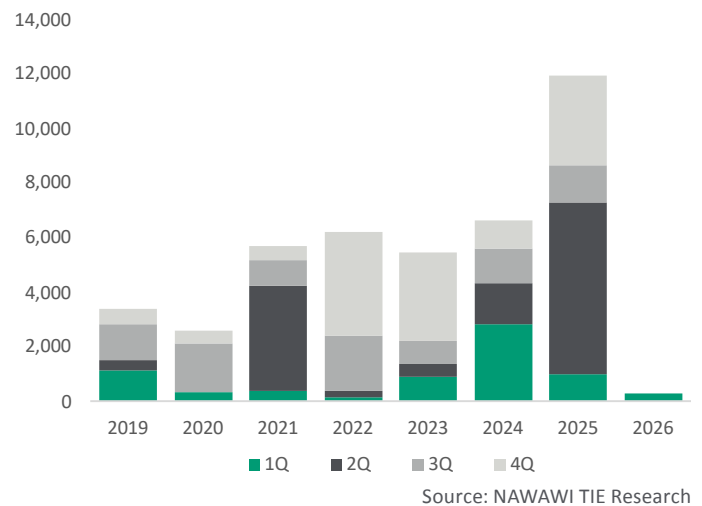
A major RM800 million sale and lease back deal, the Ann Joo factory sold to AXIS REIT was aborted due to unsatisfactory due diligence. Chin Hin Property, in a related party transaction, is buying over the Signature Kitchen Factory for redevelopment at RM66 million.

**Outlook**

On the negative side, the end of the preference tax for M-REITS, previously at 10% withholding tax rate on 31st Dec 2025 will dampen investor sentiments affecting both domestic and foreign equity investors. Commencing 2026, investors will be paying higher rate depending on their residential and their corporate or individual status. This will make capital raising more challenging for REITs for new acquisitions.

Despite the headwinds, the economic prospect for Malaysia remains relatively positive, partially cushioned by being a major oil producer without the current shortage of fuel experienced in some Asian countries. The Madani Government is also responding rapidly to address the existing petrol subsidy scheme, cutting out Raya open

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



**Table 1: Top Three Major Deals in 1Q 2026 (RM million)**

Property	Purchaser	Vendor	Price (RM million)
BWYS Factory	Yusin Machinery (Malaysia)	BWYS Group Berhad	67.0
Signature Kitchen Factory	Chin Hin Property	Signature International Bhd	66.0
Orient Star Lumut Hotel	Golden Peak Hospitality/ Bujang Holding	Johan Holdings Bhd	33.0

Source: NAWAWI TIE Research

house events by GLCs as well as exploring possible introduction of WFH for the public sector. The continued strength of the Ringgit is also positive to moderate imported inflation.

Whilst the year opens with optimism, global events are muddying economic prospect and are likely to adversely affect the rest of the year. This will dampen the market going forward.

# KL office market records stable occupancy with active leasing in prime buildings

In the first quarter of 2026, the average occupancy rate in Kuala Lumpur remained unchanged at 79.3%.

Notable leasing activity included a financial institution’s expansion of 40,000 sq ft at Vista Tower. Additionally, a serviced office operator expanded by 162,000 sq ft at Plaza Conlay, while a construction equipment supplier took 80,000 sq ft at Sunway Square Corporate Tower 1.

In March, it was announced that Menara Merdeka 118 had attained Platinum-level WELL Core Certification, making it the tallest building in the world to receive this recognition.

In February, WORQ introduced WORQ Well, its new people-focused co-working sub-brand, at Aspire Tower in KL Eco City. The 34,300 sq ft space, which can host up to 500 members, reached full occupancy on its first day of operations. The facility offers premium amenities, including a full-size swimming pool and seamless access to nearby LRT and KTM stations. Following this launch, WORQ’s total space under management has increased to 340,000 sq ft.

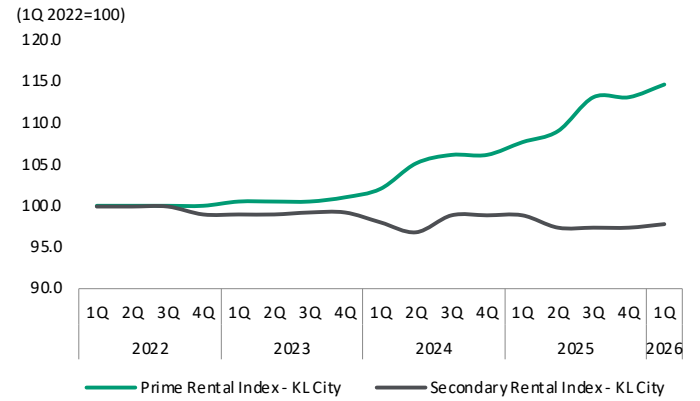
Rental rates for prime office buildings in KL city increased marginally from RM7.84 to RM7.95 per sq ft per month during the quarter. Meanwhile, prime office rents in the KL Fringe stood at RM6.86 per sq ft per month, while office buildings in decentralised areas recorded rents of RM5.85 per sq ft per month.

## Outlook

NTL expects office occupancy rates to strengthen further over the year, driven by sustained flight-to-quality trends and continued tenant migration and expansion within premium-grade office assets.

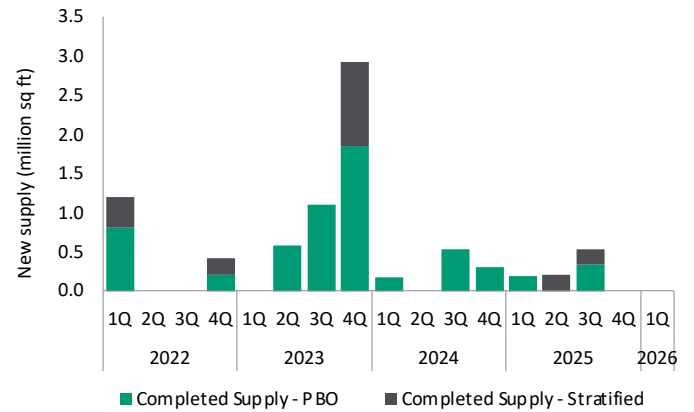
Older and non-prime office buildings are expected to face continued pressure on demand, as tenants increasingly

Figure 2: Prime & Secondary Rental Indices – KL City



Source: NAWAWI TIE Research

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



Source: NAWAWI TIE Research

Table 2: Upcoming Office Developments in Kuala Lumpur

Upcoming Development	Net Lettable Area (sq ft)	Location	Expected Completion
Menara Golden Eagle by Multibay	120,000	Golden Triangle	4Q 2026
Duo Tower (Tower A)	432,212	KL Fringe	4Q 2027
Duo Tower (Tower B)	700,000	KL Fringe	4Q 2027

Source: NAWAWI TIE Research

favour modern, energy-efficient spaces in well-connected locations within newer prime office buildings.

Meanwhile, demand for co-working spaces is expected to strengthen, supported a significant shift toward flexible leases and the need to optimise cost due to economic pressure.

Retail performance in Kuala Lumpur during 1Q 2026 was supported by back-to-back festive periods, which sustained strong consumer spending and footfall across major retail centres. Promotional campaigns, festive bazaars, and extended mall operating hours further contributed to a vibrant retail environment, particularly within prime shopping destinations and suburban neighbourhood malls.

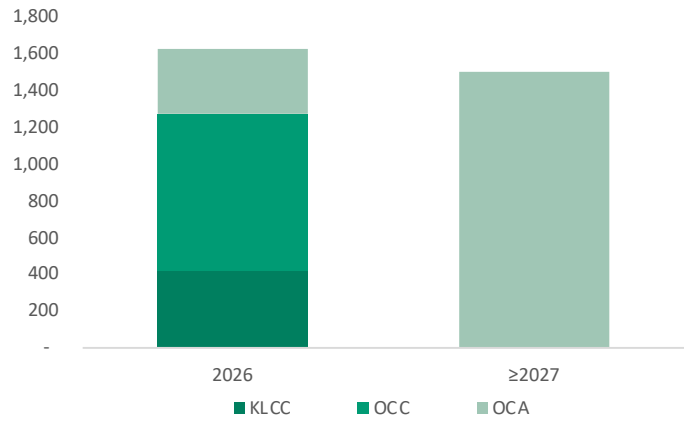
The quarter also saw continued recalibration within the retail landscape, particularly among department stores and cinema operators. At Pavilion Kuala Lumpur, Dadi Cinema ceased operations, with TGV Cinemas set to take over the space, with reopening targeted for May 2026. This reflects ongoing consolidation within the cinema segment following the earlier exit of MBO Cinemas, which had closed all branches after liquidation.

Similarly, department store operators are undergoing optimisation strategies. Parkson at Pavilion Kuala Lumpur will downsize its presence, with the closure of its entire Level 3 space to make way for new retail concepts.

At IPC Shopping Centre, Level G has been vacated to facilitate the development of a 43,000 sq ft Gourmet Hall, expected to house over 30 curated food and beverage concepts. Construction is scheduled to commence in April 2026, reinforcing the growing emphasis on experiential, food-led retail as a key footfall driver.

Puncakdana Sdn Bhd recently announced the upcoming Arra Shopping Centre (ASC), which will be part of an integrated development comprising of residential towers and a Grade-A office building. The project will feature approximately 130,000 sq ft of retail space, and is envisioned to serve as a community-focused hub catering to residents, office workers, and visitors. The broader integrated development is slated for completion by 2029.

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



KLCC – KL City Centre | OCC – Outer City Centre | OCA – Other City Area

Source: NAWAWI TIE Research

Table 3: Upcoming Retail Developments in Klang Valley (2026)

Upcoming Retail Developments	Net Lettable Area (sq ft)	Location
118 Mall	850,000	OCC
Ombak KLCC	420,000	CC
Coalfieds Retail Park	259,000	OCA
Destina Putrajaya	97,000	OCA

Source: NAWAWI TIE Research

Outlook

The retail sector is expected to remain stable, supported by steady domestic spending and sustained footfall across key retail centres, although consumer sentiment may turn more cautious amid ongoing geopolitical uncertainties and cost pressures. Asset enhancement and tenant remixing efforts will continue to drive a stronger focus on experiential and F&B-led offerings, while new neighbourhood retail developments are set to support catchment-driven demand.

Overall, performance is likely to remain polarised, with well-located and repositioned malls outperforming secondary assets.

In the first quarter of 2026, KLCC recorded an average transacted price exceeding RM1,500 psf in the secondary market for high-end condominiums. The uplift is partly supported by the addition of newer developments within the existing stock, consisting of smaller, investment-oriented units and command higher price per sq ft.

Orion Residence is a newly completed luxury residential development by Orion Tower Sdn Bhd, situated within Kuala Lumpur City Centre (KLCC), in the Bukit Bintang vicinity. The project comprises approximately 300 units, with indicative prices starting from around RM1.02 million per unit.

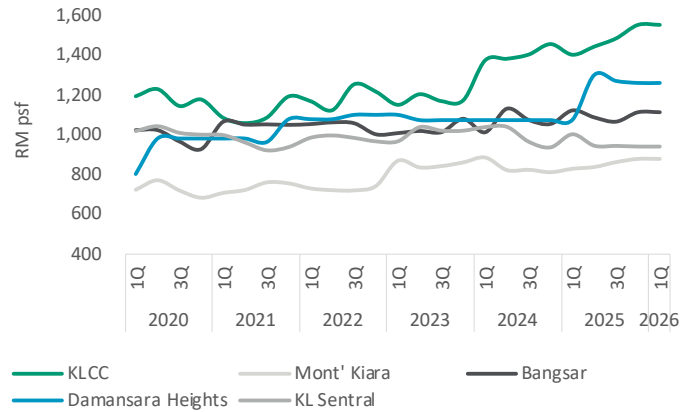
Eden @ Taman Duta by BRDB Development is being marketed with prices starting from RM8.9 million. It consists of 146 units of luxury condominium across eight blocks, with sizes ranging from 5,296 to 19,041 sq ft, of which 22 are double-storey penthouses. Scheduled for completion in 2028, it offers serene resort-style living amidst lush greenery just outside the city centre.

Paramount Corporation Berhad, via its subsidiary Meridian Kuasa Sdn Bhd, has acquired a 3.7-acre freehold land parcel off Jalan Ampang, Kuala Lumpur, from IOI Properties for RM257.9 million. The site will be developed into two blocks of high-end serviced apartments. The project is scheduled for launch by end-2026 with an expected six-year completion timeline.

**Outlook**

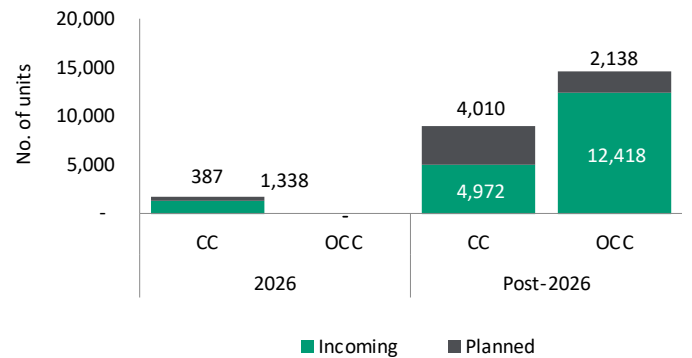
Kuala Lumpur’s high-end residential market is expected to remain resilient in the coming months, underpinned by firm pricing in prime locations and the introduction of new supply. While high-end properties will continue to be perceived as trophy assets, demand is likely to be driven by discerning buyers amid a cautious broader market environment.

**Figure 5: Average Price Movements for Completed High-End Condominiums in KL (1Q 2020 - 1Q 2026)**



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
Dawn Residence	960
Times Square 2	629
CloutHaus Residence	1,405
Hanaz Suites	98
Armani Hallson	775
Eden @ Taman Duta	146

Source: NAWAWI TIE Research

Meanwhile, persistent geopolitical tensions and elevated energy prices are expected to exert upward pressure on construction and material costs, particularly for steel, cement, and logistics. This is likely to translate into higher development costs, more cautious tendering strategies, and potential delays to project timelines.

# DEFINITIONS

<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>Other City Area (OCA)</b>	An area within Klang Valley, excluding the Federal Territory of Kuala Lumpur.
<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, Kuala Selangor and Sepang)</li></ol>

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