Market fundamentals remain resilient

2Q 2026 AT A GLANCE

Sectors	Key Indicators	(% Change) QoQ	(% Change) YoY
INVESTMENT	Total Sales: **RM1,282.3 million**	365%	-80%
	Top 3 Major Deals: **RM894.0 million**	439%	-80%
OFFICE	Average Prime Rents in KL city: **RM7.95 psf**	0%	5.2%
	Supply Pipeline: **1.46 million sq ft** (2026-2028)	0%	-11%
RETAIL	Occupancy in Klang Valley (KV): **82.6%**	-0.1%	-0.7%
	Supply Pipeline in KV: **3.5 million sq ft** (2026-2029)	12%	-40%
RESIDENTIAL	Average Price in KLCC (Completed): **RM1,488 psf**	-4.0%	3.2%
	Incoming Supply in KLCC: **8,128 units**	28.8%	4%

KEY HIGHLIGHTS

Investment

Investment activity rebounded strongly during the quarter, with total transaction value rising 364% QoQ to RM1.28 billion, driven by several major REIT-related deals. The strong performance reflects resilient investor sentiment despite geopolitical uncertainties and recent changes to REIT tax incentives. However, rising political risks may tamper investment activity in the near term.

Office

Klang Valley's office market recorded a modest improvement in occupancy during 2Q 2026, driven primarily by occupiers relocating to higher-quality buildings rather than broad-based business expansion. Demand remained concentrated in Grade A offices offering modern specifications, ESG features and strong accessibility, while rental rates stayed relatively stable amid continued competition for tenants. This trend reinforces the growing divide between well-positioned, future-ready office assets and older buildings that increasingly require refurbishment or repositioning to remain competitive.

Retail

Klang Valley's retail market remained resilient in 2Q 2026 amid more selective consumer spending. While leasing activity continued to favour food and beverage and experience-led concepts, the upcoming openings of Merdeka 118 Mall, Ombak KLCC, Destina Putrajaya, and Coalfields Retail Park will introduce additional retail supply, intensifying competition among shopping centres across the Klang Valley. Nevertheless, the continued pipeline of quality retail developments reflects developers' confidence in the long-term growth of the Klang Valley and is expected to further enhance the region's retail diversity, consumer experience and overall market attractiveness.

Residential

High-end condominium market in KLCC saw mild price consolidation as new launches added activity and reinforced its premium positioning, supported by steady demand for compact investment-focused units. Outside the core, additional launches and planned projects in Mont Kiara and fringe areas signalled continued developer confidence despite a more selective buying environment.

INVESTMENT | Investment activity rebounds despite heightened global and domestic uncertainties

Despite heightened global uncertainties arising from the US-Israel-Iran War and its corresponding spillover effects for the local economy, the domestic investment market recorded a strong rebound in 2Q 2026. Total investment transaction value surged by 364% quarter-on-quarter to RM1.28 billion across 12 completed deals, indicating that investors continue to pursue quality assets despite a cautious macroeconomic environment. REITs remained the dominant market participants during the quarter, accounting for several of the largest transactions and underscoring continued investor confidence in income-producing real estate assets. Notable transactions included:

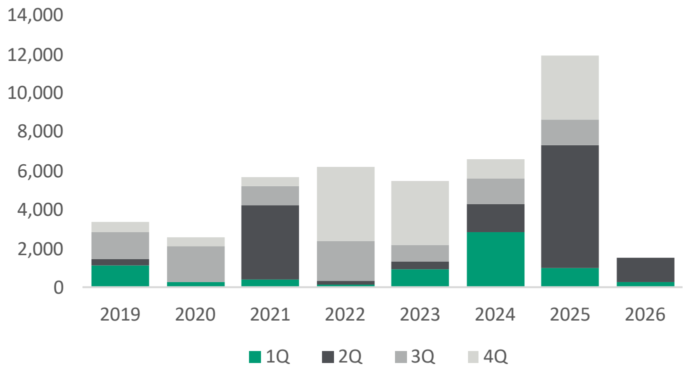
- **Setapak Central Mall** – acquired by KIP REIT from Frasers Property Ltd for RM435 million, reflecting sustained investor interest in well-established suburban retail assets with resilient income streams;
- **Menara AmBank** – acquired by AmBank from AmFIRST REIT for RM331 million. The transaction involved the building's anchor tenant and a related party, demonstrating the continued appeal of strategically located office assets with secure occupancy; and
- **A distribution warehouse in Bandar Saujana Putra** – acquired by AXIS REIT from City-Link Express for RM125 million under a 15-year sale-and-leaseback arrangement, highlighting the continued strength of Malaysia's industrial and logistics sector, particularly assets supported by long-term lease covenants.

The quarter's transactions suggest that investment activity remains selective but resilient, with capital continuing to gravitate towards stabilised retail, office and industrial assets offering secure income, quality tenants and defensive characteristics.

Another major transaction involved the sale of a leasehold land parcel on which an international school sits, KYS KL East International School. The vendor is KYS College Sdn Bhd to Hektar REIT for RM125 million, at a projected yield of 6.7%. Again, this is a related party transaction.

Overall, the quarter's transactions suggest that investor sentiment remains resilient despite the recent cessation of certain withholding tax incentives for the REIT sector.

Figure 1: Investment Sales (RM million)



Source: NAWAWI TIE Research

Table 1: Top Three Major Deals in 2Q 2026 (RM million)

Property	Purchaser	Vendor	Price (RM million)
Setapak Central Mall	KIP REIT	Frasers Property Ltd	435.0
Menara AmBank	AmBank (M) Bhd	AmFIRST REIT	331.0
City-Link Distribution Centre	Axis REIT	City-Link Express (M) Sdn Bhd	128.0

Source: NAWAWI TIE Research

Investment activity continues to be driven by quality assets offering stable income streams, reinforcing confidence in the long-term fundamentals of Malaysia's commercial real estate market.

Outlook

While Malaysia's underlying economic fundamentals remain relatively sound, the investment outlook is expected to be tempered by heightened external and domestic uncertainties. Beyond ongoing geopolitical tensions, investors are increasingly monitoring the domestic political landscape, where uncertainty surrounding future policy direction and the timing of the next general election could weigh on investment sentiment. As a result, transaction activity is likely to remain selective in the near term, with investors placing greater emphasis on asset quality, secure income streams and long-term resilience until both the global and domestic operating environment becomes clearer.

OFFICE

Steady occupancy growth reflects resilient demand for quality office space

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The average occupancy rate in Kuala Lumpur increased from 79.3% to 79.9% in the second quarter of 2026, primarily supported by tenant relocations and flight-to-quality. In May, Bank of America commenced operations at its new office on the 38th floor of Merdeka 118.

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Chin Hin Group Property Bhd (CHGP) recently celebrated the topping-out of Solarvest Suites, a 34-storey premium office and lifestyle development located in Bangsar South. With a reported take-up rate of approximately 90% to date, the project reinforces the continued preference among purchasers and occupiers for modern, well-specified office developments in established business locations.

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Meanwhile, Permodalan Nasional Bhd (PNB) obtained WELL Platinum Certification for its office interiors, representing the largest certified project of its kind in Southeast Asia.

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In May, International Workplace Group (IWG) expanded its premium co-working footprint with the launch of new Spaces centre at Republik TTDI in Taman Tun Dr Ismail. Spanning approximately 24,700 sq ft, the facility offers co-working spaces, private offices, meeting rooms, and collaborative areas designed to cater to wide range of industries, including professional services, creative sectors and technology-related businesses.

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Rental rates for prime office buildings in KL City remained stable at RM7.95 per sq ft per month during the quarter. Similarly, prime office rents in the KL Fringe were maintained at RM6.86 per sq ft per month, while office space in decentralised areas recorded average rental rates of RM5.85 per sq ft per month.

Outlook

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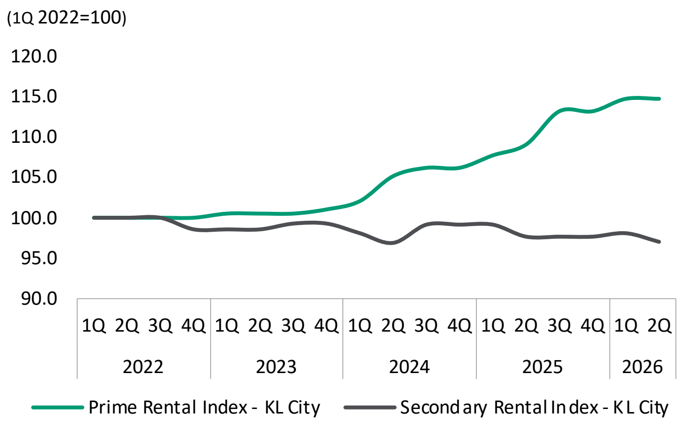
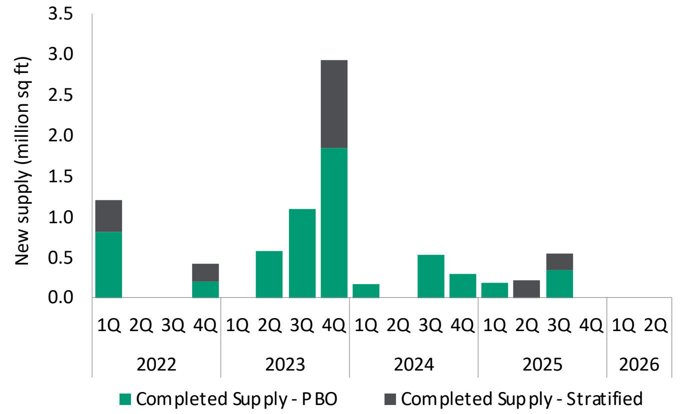
Office demand is expected to remain resilient over the near term, supported primarily by tenant relocations, lease renewals and the continued flight-to-quality trend.

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

While overall leasing activity is likely to remain measured, well-located Grade A offices with modern specifications, ESG credentials and excellent public transport connectivity are expected to outperform the broader market. The commencement of LRT3 services should further reinforce the competitiveness of office developments located within transit-oriented commercial precincts.

RETAIL

Resilient retail market amid cautious consumer spending

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Klang Valley's retail sector remained resilient during 2Q 2026 despite a more cautious consumer environment, with retail occupancy easing marginally to 82.6% from 82.7% in the previous quarter. Consumer spending continued to be supported by resilient domestic demand, a recovering tourism sector and ongoing investment activity.

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Consumers became increasingly selective in their spending amid rising living costs and economic uncertainty, favouring value-for-money and high-frequency purchases over discretionary spending. This continued to benefit brands positioned within the affordable dining and daily consumption segments, as reflected by Empire Sushi's successful Main Market debut on Bursa Malaysia and Panda Eyes' preparations for an initial public offering (IPO), underscoring continued confidence in resilient, value-driven consumer businesses.

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Store openings during the quarter continued to be driven predominantly by the food and beverage (F&B) sector, as shopping centre operators expanded their dining offerings to enhance footfall and dwell time. Shopping centres also leveraged experiential brand activations to drive visitor engagement, exemplified by The Exchange TRX's Fauré Le Page Bistrot Pop-Up, which combined a luxury retail showcase with an immersive café concept.

Outlook

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Looking ahead, the Klang Valley retail market is expected to remain resilient, supported by sustained domestic consumption, tourism recovery and continued retailer expansion. The upcoming openings of Merdeka 118 Mall, Ombak KLCC, Destina Putrajaya and Coalfields Retail Park will introduce a significant wave of new retail supply, further reshaping the competitive landscape.

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While these new developments are expected to intensify competition for both tenants and shoppers, they also reflect continued developer and retailer confidence in the long-term fundamentals of the Klang Valley retail market. Merdeka 118 Mall has reportedly secured commitments for over 70% of its retail space ahead of opening, while Coalfields Retail Park has achieved approximately 85% pre-leasing, demonstrating healthy retailer demand for well-positioned retail assets. Ombak KLCC is expected to strengthen the experiential retail segment through curated lifestyle concepts and internationally recognised attractions, including Malaysia's first Pokémon Center and Nintendo Pop-Up Store, whereas Destina Putrajaya will reinforce the growing trend towards transit-oriented and convenience-driven retail destinations.

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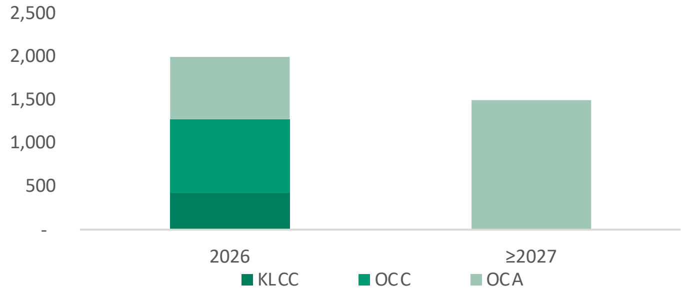
Going forward, successful shopping centres are expected to differentiate themselves through experiential offerings, curated tenant mixes and strong destination appeal rather than traditional retail alone. Well-positioned assets that can effectively combine shopping, dining, entertainment and lifestyle experiences are likely to remain best placed to attract both retailers and consumers in an increasingly competitive market.

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
AEON KL Midtown	367,000	OCA

Source: NAWAWI TIE Research

KL high-end condominium market shows steady momentum

In 2Q 2026, high-end condominium market in KLCC softened slightly, with average transacted prices easing to about RM1,488 psf. The moderation followed the strong 1Q level of RM1,550 psf, signalling a brief consolidation amid slower activity. Even with the dip, values remained supported by KLCC's premium positioning and steady demand for compact, investment-focused units.

Within KLCC, two projects launched this quarter: Divine KLCC by Chin Hin Group Property and KL360 by GD Properties.

Divine KLCC, located along Jalan Saloma next to Dawn Residence, features an 84-storey tower with 1,033 units sized 502-1,319 sq ft, and indicative prices from RM968,000. A proposed 360-degree rooftop bar will offer panoramic views of Kuala Lumpur with the Petronas Twin Towers as the focal point.

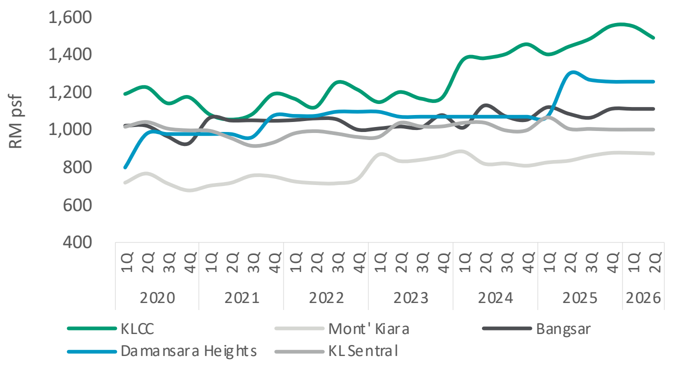
KL360 is a revived 63-storey mixed-use project from the former M101 Skywheel, comprising 785 serviced residences (450-920 sq ft) priced from RM884,400, along with 221 office suites and 20 retail units. The site is next to the Raja Uda MRT station, providing direct access to TRX, KLCC and Bukit Bintang.

Beyond the city centre, Alderwood Residence was launched in 2Q 2026 with 186 units. Meanwhile, in Mont Kiara, there are two planned developments, Maia and Aosis, with 495 and 244 units respectively.

Outlook

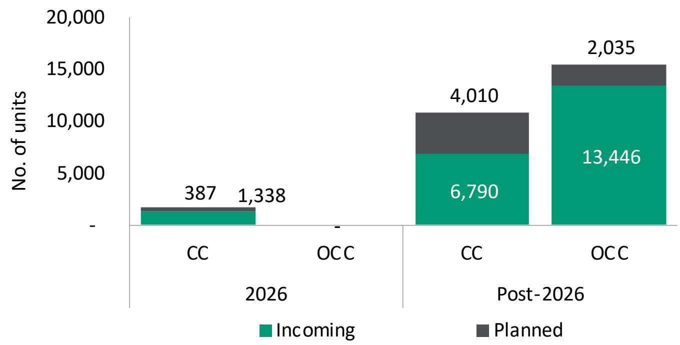
The high-end high-rise segment in Kuala Lumpur is expected to remain steady, with KLCC continuing to anchor demand through strong branding, MRT connectivity and new landmark launches. Price movements may stay moderate as buyers remain selective, yet well-located projects with strong concepts and compact layouts should continue to attract both investors and affluent owner-occupiers.

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
ClouthHaus Residence	1,405
Hanaz Suites	98
Armani Hallson	775
Eden @ Taman Duta	146
Divine KLCC	785

Source: NAWAWI TIE Research

External factors such as cautious sentiment, rising construction costs and global uncertainties including budget pressure and geopolitical tension may keep buyers focused on projects with strong branding, lifestyle appeal and reliable delivery. Even so, ongoing infrastructure improvements and steady foreign interest should help support resilience in the premium condominium market.

DEFINITIONS

Development pipeline/ potential supply:	Comprises two elements: 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:	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. 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).
Prime office rent:	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. (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).
Stock:	Total accommodation in the private sector both occupied and vacant: 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:	Floor space acquired for occupation or investment, including the following: 1. Offices let to an eventual occupier. 2. Developments pre-let or sold. (NB. This includes subleases) Take-up also refers to units transacted in the residential market.
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.
Other City Area (OCA)	An area within Klang Valley, excluding the Federal Territory of Kuala Lumpur.
Klang Valley (KV)	Comprises: 1. Wilayah Persekutuan Kuala Lumpur 2. Wilayah Persekutuan Putrajaya 3. Selected districts in Selangor (Petaling, Klang, Hulu Langat, Gombak, Kuala Selangor and Sepang)

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