Real Estate Highlights

Knight Frank



A comprehensive analysis of Malaysia's industrial, data centre, office, retail, hospitality and residential markets.

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MALAYSIAN ECONOMIC OVERVIEW

GENERAL ECONOMIC INDICATORS

Gross Domestic Product (GDP)

1Q2026(P)
5.4% (y-o-y ↑)

4Q2025(p)	1Q2025(p)	2026(f)
6.2%	4.4%	4.0% ~ 5.0%

Headline Inflation

1Q2026
1.6% (y-o-y ↑)

4Q2025	1.3%
1Q2025	1.5%
2026(f)	1.3% ~ 2.0%

Unemployment Rate

1Q2025
2.9% (y-o-y ↑)

4Q2025	3.0%
1Q2025	3.1%
2026(f)	3.0%

Malaysia's economy expanded by 5.4% year-on-year (y-o-y) in 1Q2026, supported by continued household spending, resilient labour market and steady private investment. Investment remained supported by continued expansion in technology, digital infrastructure and data centres, while export growth continued to be driven by electrical and electronics (E&E) products, as well as travel and ICT services. Bank Negara Malaysia maintained the Overnight Policy Rate (OPR) at 2.75%, providing a stable monetary environment despite an increasingly uncertain external landscape.

Escalating geopolitical tensions arising from the US-Israel war on Iran heightened concerns over global energy supply disruptions, resulting in higher crude oil prices and renewed inflationary pressures. The conflict also affected regional aviation, with the suspension of several Middle Eastern flight routes reducing aircraft movements and adding uncertainty to the tourism and hospitality sectors. Global crude oil prices retreated to near pre-war levels in June 2026 amid a fragile truce between the US and Iran, and renewed diplomatic efforts to de-escalate the conflict. While tensions have eased, uncertainty surrounding the ceasefire and the evolving geopolitical landscape continues to pose downside risks to global trade, business confidence and investment activity.

Domestically, the Government continued its subsidy rationalisation agenda by reducing the BUDI95 monthly fuel quota to 200 litres in March 2026. Further strengthening these efforts, the Government announced the Budi Madani Diesel (Budi Diesel) programme, to be implemented from July 2026, replacing monthly cash assistance with a MyKad-based fuel subsidy mechanism providing eligible recipients with up to 200 litres of subsidised fuel per month. The initiative is expected to improve subsidy targeting while supporting the Government's broader fiscal consolidation efforts.

Although the Malaysian ringgit appreciated against the currencies of most major trading partners in 1Q2026, it experienced heightened volatility against the US dollar amid evolving expectations over US interest rates, global trade uncertainty and geopolitical risks. Nevertheless, the ringgit's movement broadly mirrored trends across other regional Asian currencies and remained largely driven by external developments rather than weakening domestic fundamentals. Looking ahead, resilient domestic demand, sustained investment activity and continued demand for technology-related exports are expected to support Malaysia's economic growth, although local political developments, geopolitical tensions and global trade uncertainties are likely to continue weighing on business and investment sentiment.



TOTAL EXTERNAL TRADE

Exports

1Q2026
RM 426.5 billion
12.7% (y-o-y ↑)

4Q2025
RM 436.0 billion
(y-o-y: 11% ↑)

1Q2025
RM 384.2 billion

Imports

1Q2026
RM 363.3 billion
7.7% (y-o-y ↑)

4Q2025
RM 387.5 billion
(y-o-y: 11.7% ↑)

1Q2025
RM 337.3 billion

KEY TRADING PARTNERS, 1Q2025

China
Exports:
RM 47.6 billion
Imports:
RM 93.2 billion

Taiwan
Exports:
RM 28.4 billion
Imports:
RM 37.9 billion

United States
Exports:
RM 74.8 billion
Imports:
RM 26.1 billion

Hong Kong
Exports:
RM 31.7 billion
Imports:
RM 6.0 billion

Singapore
Exports:
RM 55.1 billion
Imports:
RM 42.0 billion

TOTAL APPROVED PRIVATE INVESTMENTS

Domestic Investment

1Q2026
RM 36.7 billion
(y-o-y: 13.0%) ↑

1Q2025
RM 32.4 billion

2025(f)
RM 222.4 billion

Foreign Investment

1Q2026
RM 56.2 billion
(y-o-y: -7.3%) ↓

1Q2025
RM 60.6 billion

2025(f)
RM 208.7 billion

TOP 5 SOURCES OF FOREIGN INVESTMENT, 1Q2025

Japan
RM 21.3 billion

China
RM 3.9 billion

Singapore
RM 9.0 billion

British Virgin Islands
RM 2.6 billion

Netherlands
RM 8.0 billion

INDUSTRIAL

Industrial Production Index (IPI) • 1Q 2026

4.0% y-o-y
1Q 2026: 138.7 pts
1Q 2025: 133.3 pts

Stronger industrial output supports continued demand for industrial and logistics space.

Purchasing Managers' Index (PMI)
• Jan – Jun 2026

Above 50-pts

PMI readings show in expansionary territory in 4 months out of the last 6 months.

Improving manufacturing sentiment supports a favourable outlook for industrial and logistics sector.

OFFICE

Services Producer Price Index (SPPI) • 1Q2026

119.0
▲ 1.4% q-o-q
▲ 2.1% y-o-y

Growth remained broad-based, with real estate activities and professional services recording increases of 0.4% and 0.8% q-o-q, respectively.

RETAIL

Malaysia Retail Sales Growth • 1Q2026

3.7%

Driven festive spending and government cash assistance programmes, with resilient domestic consumption and VM2026 expected to sustain growth going forward.

HOSPITALITY

Malaysia Tourist Arrivals • 1Q2026

6.5 mil
▲ 2.5% y-o-y

International arrivals reached 97% of pre-pandemic levels, with Visit Malaysia 2026 targeting 47 million arrivals and RM147.1 billion in tourism receipts.

RESIDENTIAL

Malaysia House Price Index (MHPI) • 1Q2026

235.3
▲ 1.7% y-o-y

Supported by a 1.3% rise in the high-rise residential sub-index, reflecting resilient residential property values despite softer market conditions.

Sources: Budget 2025 / Bank Negara Malaysia / Department of Statistic Malaysia (DOSM) / Malaysian Investment Development Authority (MIDA)

Note: y-o-y = year-on-year; (p) = preliminary; (f) = Forecast

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MARKET HIGHLIGHTS



HIGHLIGHT **INDUSTRIAL**

Klang Valley

- Klang Valley recorded RM 4.8 billion in approved manufacturing investments across 134 projects in 1Q2026, representing around 20% of Malaysia's approved manufacturing investment value and 27% of approved projects, while Port Klang handled 3.7 million TEUs in 1Q2026, up 5.2% y-o-y, highlighting continued resilience in the region's manufacturing and trade activity.
- Approximately 3.6 million sq ft of warehouse space was completed in 1H2026, led by the completion of Shah Alam International Logistics Hub (SAILH), while developers continued delivering new logistics and industrial facilities across Klang Valley.
- The acquisition of 136 acres in Banting by Bridge Data Centres for RM 741 million, together with WG Malaysia VIII Sdn Bhd industrial land transactions in Kapar, highlighted continued demand for large industrial sites suitable for digital infrastructure development.
- The expanding supply of modern warehouses and industrial facilities has led occupiers to place greater emphasis on operational efficiency, scalability and specialised facilities such as cold chain, data centres and ready-built factories.
- Industrial transaction activity and rental performance softened in 1Q2026 as occupiers and investors adopted a more cautious approach amid global trade tensions, tariff-related uncertainties and an expanding supply pipeline, although demand for well-located, modern industrial assets remained resilient.
- While manufacturing activity and logistics demand continue to underpin the Klang Valley industrial market, global trade tensions, tariff developments and supply chain uncertainties are expected to moderate expansion plans, with occupiers prioritising high-specification facilities that enhance operational efficiency and supply chain resilience.

Johor

- Johor's industrial market remained resilient in 1Q2026, with transaction volume increasing 0.8% y-o-y and transaction value rising 33.1% to RM2.5 billion, reflecting continued demand for larger-scale and higher-value industrial assets.
- The Johor-Singapore Special Economic Zone (JS-SEZ), together with strategic infrastructure investments such as the Gerbang Nusajaya Interchange and the proposed East Coast Expressway Phase 4, continues to strengthen Johor's long-term competitiveness by improving connectivity and supporting industrial expansion.
- Industrial investment continued to be driven by manufacturing expansion and strategic land acquisitions, with Johor Bahru and Kulai emerging as key growth corridors amid increasing demand for larger industrial developments.
- A robust industrial development pipeline, particularly in Kulai, is expected to support future growth in advanced manufacturing, logistics and emerging industries, further strengthening the district's role as Johor's next major industrial growth corridor.

Penang

- Penang's industrial market strengthened in 1Q2026, with transaction volume and value increasing by 19% and 67.8% y-o-y respectively, reflecting continued demand for higher-value industrial assets across the state.
- Manufacturing investment remained resilient, with Penang securing RM 4.9 billion in approved investments in 1Q2026, including RM 3.4 billion in FDI, reinforcing its position as one of Malaysia's leading manufacturing destinations.
- Strategic industrial developments, including Penang Technology Park @ Bertam, the Penang International Logistics Aeropark (PILA) and the proposed Automation, Test and Equipment (ATE) Campus, continue to strengthen the state's semiconductor, logistics and advanced manufacturing ecosystem.

Sabah

- Sabah's industrial market moderated in 1Q2026, recording 81 transactions worth RM 138 million, as activity shifted towards smaller-value deals despite industrial property prices remaining broadly stable across most price segments.
- Backed by a historic RM 12 billion allocation under the 13MP, Sabah is strengthening its industrial competitiveness through strategic investments in power and digital infrastructure, including the RM 2 billion SALAM submarine cable project and the RM 1.2 billion Southern Link transmission project.
- The development of specialised industrial parks in Kudat, Kota Belud and Beaufort reflects Sabah's strategy to diversify industrial activity beyond Kota Kinabalu while supporting emerging sectors such as the blue economy, green energy and biomass processing.

Sarawak

- Sarawak's industrial market recorded more selective investment activity in 1Q2026, with transaction volume declining 15.8% y-o-y but transaction value increasing 44.8%, reflecting sustained demand for larger and higher-value industrial assets.
- Public sector investments, including RM 154.5 million under the Sarawak Budget 2026 and major infrastructure projects such as the Pan Borneo Highway and Sarawak-Sabah Link Road under the 12MP, continue to strengthen industrial connectivity, supply chain efficiency and Sarawak's long-term investment competitiveness.
- Sarawak continues to advance its industrial transformation through technology and innovation, supported by semiconductor investments, artificial intelligence initiatives and digital economy programmes that reinforce the state's position as a higher-value manufacturing hub.
- Strategic investments in logistics infrastructure and emerging industries, including the Miri Deep Sea Port, Samalaju Industrial Port and Sustainable Aviation Fuel (SAF), are expected to diversify Sarawak's industrial base and strengthen its long-term growth prospects.

HIGHLIGHT
DATA CENTRE

- Malaysia's data centre market remains on a growth trajectory, although increasing emphasis on project execution, infrastructure readiness and sustainability is shaping a more disciplined development environment.
- Power, water and connectivity are becoming increasingly critical considerations as operators seek scalable locations capable of supporting future hyperscale and AI-related developments.
- IPO, REIT and merger activity suggests data centres are increasingly attracting institutional capital as the sector matures into an investable asset class.



HIGHLIGHT **OFFICE**

Klang Valley

- Klang Valley office stock remained stable at ~120.6 million sq ft, with no new completions recorded during the half. This temporary pause follows several years of active deliveries, with ~2.7 million sq ft scheduled for completion in 2H2026, largely within integrated and transit-connected developments.
- Market performance improved modestly, with occupancy averaging 77% and rents at RM 5.94 per sq ft across the Klang Valley, supported by workplace optimisation and selective expansion activity. Demand continues to be led by technology, business services and financial institutions, alongside sustained participation from flexible workspace operators and growing GBS-related occupiers.
- Occupier preferences remain firmly skewed towards well-connected, higher-specification assets, reinforcing a widening performance gap between prime and secondary stock. Decision-making timelines are also becoming more measured, as occupiers place greater emphasis on location quality, specifications and long-term operational fit.
- Capital recycling activity and a continued focus on income-stable assets defined capital market activity in 1H2026. Notable transactions included Menara AmBank (RM 331m), Menara Liberty (RM 45m) and Wisma HELP (RM 60m). Additionally, IOI Properties also proposed the injection of Puchong Financial Corporate Centre and IOI City Towers into its new REIT listing.

Johor

- Johor Bahru's office market remained in an absorption-driven phase, with cumulative supply holding at approximately 7.2 million sq ft, supported by limited new supply and continued demand for Grade A office space.
- Occupancy continued to improve to 54.6% in 1H2026, driven by sustained demand for premium Grade A office space, while rental performance remained resilient despite limited overall growth, with Iskandar Puteri recording upward adjustment as Grade A availability tightened.
- Demand continued to shift towards premium office assets, driven by the flight-to-quality trend, growing flexible workspace operators and increasingly diverse occupier profiles, including professional services firms and appointment-based retailers.

Penang

- Penang's office market continued to expand, with cumulative office supply increasing to ~8.2 million sq ft following the completion of The Light Exchange, while the upcoming GBS@Technoplex is expected to further reinforce the state's position as a leading business and technology hub.
- Occupancy continued to strengthen across Penang Island and Sebrang Perai. Newly completed office developments recorded encouraging committed occupancy, reflecting sustained demand from GBS, technology and corporate occupiers.
- Office rental performance remained broadly stable, although premium developments such as The Light Exchange achieved higher asking rentals, highlighting occupiers' continued preference for modern, well-connected and higher-specification office buildings.

Sabah

- Kota Kinabalu's office market remained resilient in 1H2026, with office supply increasing to approximately 5.2 million sq ft, occupancy improving to 83.9% and rental performance remaining broadly stable.
- Demand for premium and plug-and-play office space continued to strengthen, supported by Sabah's target of achieving 60% local contract ownership in the OGSE sector by end-2026, alongside sustained growth in the banking industry.

Sarawak

- Office supply continued to expand across Sarawak in 1Q2026, with new developments concentrated in Kuching and Miri, reinforcing their roles as the state's key commercial and business centres.
- Office market performance reflects varying stages of market maturity, with Kuching maintaining high occupancy as the state's primary office market, while Miri continues to absorb new supply, supported by improving occupancy and a positive long-term growth outlook.
- Strategic economic and infrastructure initiatives, including the proposed Batang Baram Delta development and ongoing investments under the 12MP, are expected to strengthen Sarawak's long-term business ecosystem and support future office demand.

HIGHLIGHT **RETAIL**

Klang Valley

- Retail supply remained stable at 74 million sq ft in 1H2026, with four new shopping centres totalling 2.2 million sq ft expected in 2H2026. These new developments are increasingly incorporating experiential concepts and mixed-use integration to strengthen their long-term competitiveness.
- Retailers continue to expand selectively, supported by resilient demand for necessity and value-based offerings, while immersive IP-driven concepts and digital innovation reinforce the evolving role of physical stores.
- Prime shopping centres continue to outperform, supported by strong retailer demand, resilient occupancy and sustained rental growth driven by accessibility, established catchments and quality tenant mixes.
- KIP REIT's acquisition of Setapak Central Mall and the proposed IOIPG REIT underscore continued investor confidence in quality retail assets and the increasing use of REITs to unlock asset value.
- A growing pipeline of retail-related IPOs including KK Super Mart, EMPG Group and Panda Eyes, reflects retailers' confidence in long-term growth and the increasing maturity of Malaysia's consumer sector.

Johor

- Johor's retail sector remained broadly stable in 1Q2026, with cumulative retail supply standing at ~25.7 million sq ft. Johor Bahru continued to dominate the market, accounting for 78.1% of supply and recording an occupancy rate of 73.1%.
- Demand remained concentrated within well-positioned destination malls, supported by active tenant mix optimisation, new brand entries and sustained cross-border spending from Singapore. With limited new supply, landlords increasingly focused on asset enhancement and repositioning strategies, while older and less competitive retail assets may face greater leasing pressures, resulting in an increasingly polarised retail landscape.
- Retail developments are increasingly evolving into integrated lifestyle destinations. The successful opening of SKS City Mall JBCC, achieving approximately 90% occupancy at launch, underscores healthy demand for well-located, integrated retail developments.

Penang

- Penang's retail market remained resilient, with cumulative retail supply standing at ~21.1 million sq ft and an overall occupancy rate of 70.5%. The marginal decline in occupancy reflected normal leasing activities rather than weakening demand, highlighting continued resilience.
- The upcoming 1 million sq ft The Waterfront Shoppes will introduce a new retail destination. As part of an integrated mixed-use development comprising hospitality and convention components, it is expected to benefit from enhanced MICE- and tourism-driven visitor demand.
- Retailer expansions underscore continued confidence in Penang's key retail destinations, although the influx of new supply is expected to heighten competition, reinforcing the importance of experiential retail, tenant mix optimisation and asset enhancement.

Sabah

- Kota Kinabalu's retail market remained resilient, with cumulative shopping mall supply and occupancy standing at ~6.1 million sq ft and 78.3%, respectively.
- The launch of Marché Kota Kinabalu and The Hill @ Damai highlight a shift towards experiential and integrated retail destinations that prioritises lifestyle-centric and convenience-driven ecosystems.
- Tenant activity remained concentrated in the F&B segment, with growing momentum in family and children edutainment reflecting shopping centres' increasing focus on lifestyle and experiential offerings.



HIGHLIGHT
HOSPITALITY

Malaysia

- International tourist arrivals reached 6.5 million in 1Q2026 (+2.5% y-o-y), supported by strong regional demand, enhanced connectivity and ongoing preparations for Visit Malaysia 2026 (VM2026).

Klang Valley

- Klang Valley's hotel pipeline remains heavily concentrated in Kuala Lumpur, which accounts for approximately 88% of incoming rooms, with upcoming supply predominantly positioned within the upper-upscale and luxury segments.
- Hotel performance remained resilient in 1Q2026, with selected 5-star hotels outperforming the broader market, supported by sustained demand from higher-spending leisure, corporate and MICE travelers.
- Hotel operators are increasingly differentiating through experience-led offerings, ecosystem integration and asset repositioning, reflecting a growing emphasis on enhancing guest experience, operational efficiency and long-term competitiveness.
- Industry confidence remains evident through continued expansion plans by hospitality operators, including Wyndham Hotels & Resorts and Richmond Asia Group, reflecting optimism towards Malaysia's long-term tourism and accommodation demand.

Johor

- Johor's hospitality sector remained resilient in 1H2026, as visitor arrivals increased by 1.9% y-o-y to approximately 6.1 million in 1Q2026, driven by sustained demand from Singapore and rising arrivals from China.
- Johor's hotel supply continued to expand at a measured pace, while operating performance remained mixed across segments, with selected 5-star hotels recording the strongest occupancy gains as demand for higher-end accommodation strengthened.
- Recent openings including Mandarin Oriental Desaru Coast, Four Points by Sheraton Johor Bahru in Bandar Seri Alam and Novotel Johor Bahru City Centre reflect continued confidence among international hotel operators in the state's long-term tourism potential.

Penang

- Penang's hospitality market continued to strengthen during 1H2026, supported by robust tourism activity, expanding air connectivity, a growing MICE sector and active pipeline of 18 hotels, which reflect sustained confidence in the state's long-term tourism and hospitality market.
- Recent openings, including Iconic Marjorie Hotel by Marriott International, Soori Penang, 1926 Heritage Hotel, The Unlimited Collection by Ascott and Capri by Fraser Penang, continue to diversify Penang's hospitality offering across luxury, heritage and lifestyle segments.
- Hotel operating performance remained mixed in 1Q2026, with selected 3-star and 5-star hotels recording higher occupancy, while the 4-star segment faced greater competitive pressures amid a more challenging operating environment and increasing hotel supply.

Sabah

- Sabah's hospitality sector remained supported by strengthening tourism activity, with visitor arrivals reaching approximately 90% of its 2019 peak and continuing to record double-digit growth during the first four months of 2026.
- The hospitality market continues to evolve with the opening of Hilton Garden Inn in Tuaran District and the launch of two integrated lifestyle-oriented developments; The Playground and Arus Nova, which reflects the growing demand for lifestyle mixed-use developments in Sabah.
- Hotel operating performance moderated in 1Q2026 despite continued tourism recovery, reflecting increasingly competitive market conditions and evolving visitor preferences across accommodation segments.

Sarawak

- Sarawak's hospitality sector continued to strengthen, with visitor arrivals increasing 4.5% y-o-y to approximately 1.2 million in 1Q2026, supported by improving international connectivity and the continued expansion of the state's MICE industry.
- Hotel operating performance improved in 1Q2026, with selected 3- to 5-star hotels recording higher occupancy and room rates, while growing short-term rental activity in Miri suggests tourism demand is increasingly extending beyond Kuching to secondary destinations.
- Strategic investments in tourism infrastructure, including the proposed New Kuching International Airport, Damai cruise terminal and Brooke Dockyard Industrial Heritage Museum, continue to strengthen Sarawak's tourism ecosystem and long-term hospitality growth.

HIGHLIGHT **RESIDENTIAL**

Klang Valley

- The Klang Valley high-rise segment outperformed the broader Malaysia market, recording a 5.1% increase in transaction volume and a 18.9% rise in transaction value, supported by sustained demand for well-connected urban developments.
- High-rise residential launches moderated in 1Q2026, while overhang inventory remained broadly stable, with unsold units continuing to be concentrated within the RM 500,000 to RM 600,000 and above RM 1 million price segments.
- Premium residential launches in Klang Valley are largely concentrated within key urban locations such as KLCC, Damansara Heights and Bukit Kiara, reflecting continued developer confidence in prime urban locations.
- Supportive government policies, favourable financing conditions, and ongoing infrastructure-led growth continued to underpin market confidence and long-term residential demand.
- Innovation is emerging as a new differentiator in the residential sector, with developers increasingly adopting AI-enabled technologies, smart-home ecosystems, and digital infrastructure to create future-ready communities and enhance project appeal.

Johor

- Johor's high-rise residential market continued to moderate in 1Q2026, with transaction volume and value declining by 28.9% and 31.5%, respectively amid a modest increase in housing stock. Buyer demand became increasingly selective, with overhang concentrated in serviced apartments above the RM 800,000 pricing level.
- Despite weaker market activity, pricing remained resilient with the Johor High-Rise Residential Price Index increasing 3.5% y-o-y, indicating sustained demand for residential properties in established locations.
- Development momentum remained strong, with over 11,000 high-rise units launched or previewed in 1H2026, although the growing pipeline is expected to intensify competition and place greater emphasis on product differentiation and market absorption.
- Johor's high-rise residential market is transitioning into a more fundamentals-driven phase, with buyers placing greater emphasis on affordability, product quality and long-term value preservation as the RTS Link approaches completion.

Penang

- Penang's residential market remained relatively subdued in 1Q2026, with transaction volume and value declining by 16.6% and 13.2%, respectively, reflecting more measured activity with demand increasingly concentrated within the affordable and mid-priced segments.
- Residential pricing remained resilient despite moderating market activity, with the High-Rise Residential Price Index increasing 3.4% y-o-y and asking prices across prime residential locations remaining broadly stable, reflecting sustained demand for well-located quality developments.
- Development momentum remained active, with approximately 1,998 residential units launched in 1H2026, while developers continued to differentiate products through a mix of premium low-density condominiums and higher-density lifestyle-oriented serviced apartments.

Sabah

- Sabah's residential market continued to strengthen in 1Q2026, with transaction volume and value increasing 2.4% and 9.2% y-o-y, respectively, reflecting resilient demand across both landed and high-rise residential segments.
- Unsold completed high-rise residential units showed signs of improving absorption in 1Q2026, with condominium overhang value declining by 37.2%, particularly within the RM 500,000 to RM 600,000 and above RM 1 million price segments.
- Residential development activity remained concentrated in landed housing, reflecting sustained demand for this property type.



INDUSTRIAL MARKET

Industrial assets are becoming increasingly specialised as occupiers prioritise operational efficiency, automation and supply chain resilience.

MARKET PERFORMANCE

Malaysia's industrial sector expanded steadily in early 1H2026, while a more cautious business outlook emerges for the periods ahead

Malaysia's industrial sector continued to perform steadily through the early of 1H2026, supported by expanding manufacturing output, higher electricity consumption and sustained cross-border trade activity. Total approved private investment remained broadly stable y-o-y, with domestic capital commitments recording a notable increase even as foreign investment moderated from an elevated prior-year base. Within manufacturing, investment was spread across a wider range of projects and industries compared to 1Q2025, reflecting broader participation rather than concentration in a small number of high-value commitments. The Purchasing Managers' Index returned above the expansion threshold of 50 in June 2026, indicating a modest improvement in manufacturing activity, although manufacturers remained cautious as global trade policies, geopolitical developments and external market conditions continue to evolve.

INDUSTRIAL OUTPUT PERFORMANCE · 1Q 2026

INDUSTRIAL PRODUCTION INDEX (IPI)

138.7 +4.0% y-o-y

Broad-based expansion with manufacturing and electricity both accelerating through the quarter.

MANUFACTURING
154.8
+5.7% y-o-y

ELECTRICITY
135.0
+5.2% y-o-y

MINING
96.2
-2.9% y-o-y

INDUSTRIAL & BUSINESS SENTIMENT · JUNE 2026

PURCHASING MANAGER INDEX (PMI)

50.7 Above 50

+2.8% y-o-y | +1.6% m-o-m

A return above the expansion threshold signals a modest improvement in manufacturing activity, although firms remain cautious as demand recovery continues amid ongoing geopolitical and trade uncertainties.



APPROVED MANUFACTURING INVESTMENT · 1Q 2026

RM 24.1 bil

-20.8% y-o-y 1Q2025: RM 30.5 bil

Moderated from high base recorded in 1Q2025, which included a RM 6.6 billion basic metal project. Despite the lower capital value, approved manufacturing projects increased significantly, reflecting a broader and more diversified pipeline of technology-driven investments across multiple industries.

Manufacturing FDI

RM 16.1 bil

-37.0% y-o-y 1Q2025: RM 25.5 bil

Moderated from the elevated level recorded in 1Q2025.

Manufacturing DDI

RM 8.0 bil

+63.0% y-o-y 1Q2025: RM 4.9 bil

Domestic capital into manufacturing show increase more than doubled.

Malaysia: Notable Investment, 1H2026

Developer / Partners	Investment Value (RM million)	Location	Project Sector
Nexperia	1,600.0	Penang	Semiconductors
WaferWise Semiconductor	700.0	Penang	Semiconductors
Halo Laser Technologies	329.8	Penang	Semiconductors
Greatech Integration	322.0	Penang	Automation Engineering
Boston Scientific Medical Devices	308.0	Batu Kawan, Penang	Life Sciences & Medical Technology
Biocon	226.1	Johor	Life Sciences & Medical Technology
Aixtron	200.0	Penang	Semiconductors
JPG Fuji (JV between Johor Plantation Group & Fuji Oil)	200.0	Johor	Oil & Gas
Hanan Medicare	194.9	Rawang, Selangor	Pharmaceutical
Jemaluang Dairy Valley	119.0	Mersing, Johor	Food Manufacturing
Sheng Long Aqua Technology (subsidiary of Haid Group)	N/A	Larut & Matang, Perak	Food Manufacturing

Source: Malaysian Investment Development Authority (MIDA)

MANUFACTURING INVESTMENT BY STATE · 1Q 2026

Johor led all states in manufacturing investment, reflecting continued large scale industrial commitments linked to the JS-SEZ. Penang recorded RM 4.9 billion, underpinned by its established position in the E&E supply chain. Klang Valley attracted RM 4.8 billion, broadly on par with Penang, reinforcing its role as a diversified manufacturing base.



Johor
RM 7.2 bil



Pulau Pinang
RM 4.9 bil



Klang Valley
RM 4.8 bil



Negeri Sembilan
RM 3.3 bil



Others
RM 3.9 bil

MANUFACTURING INVESTMENT BY INDUSTRY · TOP 5 · 1Q 2026

E&E is predominantly foreign driven, with RM5.7 billion in foreign capital versus RM0.3 billion domestic. Food Manufacturing was primarily supported by domestic capital, contributing RM2.3 billion of approved investments. This coincides with continued expansion activity across FMCG-related logistics, distribution and cold chain infrastructure observed during the review period.

Electrical & Electronics (E&E)
RM 6.0 bil

Chemicals and Chemical Products
RM 3.9 bil

Machinery & Equipment
RM 3.5 bil

Food Manufacturing
RM 3.3 bil

Transport Equipment
RM 2.2 bil

KLANG VALLEY

Manufacturing activity and cargo throughput remained supportive in early 1H2026 despite growing external uncertainties

Klang Valley's industrial market remained supported by steady manufacturing activity and trade flows during the early part of 2026. In 1Q2026, the region recorded approximately RM 4.8 billion in approved manufacturing investments across 134 projects, accounting for around 20% of national manufacturing investment value and 27% of all approved manufacturing projects nationwide. While investment value remained below the levels achieved in some competing states, the high number of project approvals suggests continued participation from a broad range of manufacturers across multiple industries.

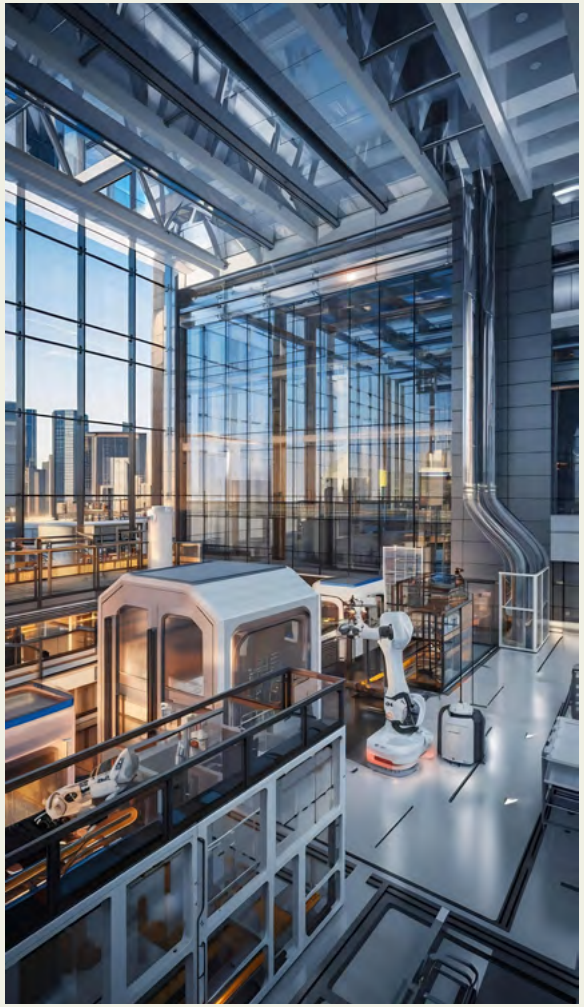
Trade-related indicators also remained positive. Port Klang handled approximately 15.1 million TEUs in 2025 and continued to record throughput growth in 1Q2026, reflecting sustained cargo movement through Malaysia's largest gateway port. The continued expansion in container volumes indicates that manufacturing, distribution and consumption activities remained supportive despite ongoing uncertainty surrounding global trade policies and shipping networks.

Nevertheless, business sentiment became more cautious towards the end of the review period as manufacturers and logistics operators assessed the implications of evolving tariff measures, geopolitical developments and supply chain disruptions. While these factors have yet to materially affect underlying industrial demand, they are expected to influence expansion decisions and capital deployment going into the 2H2026.

Klang Valley remains underpinned by a broad manufacturing and logistics base, providing resilience against sector-specific slowdowns. Nevertheless, rising global uncertainties are expected to temper expansion plans, shifting occupier focus towards efficiency, cost management and higher-quality industrial facilities.

Manufacturing Investment · 1Q2026	
Approved manufacturing investment	**RM 4.8 billion**
Y-o-Y Change	▲ **29.2%**
Share of national manufacturing investment	**~20%**
Approved projects	**134**
Share of national projects	**~27%**
Port Klang Throughput · 1Q2026	
1Q2026 Container throughput	**3.71 mil TEUs**
Y-o-Y Change	▲ **5.2%**
2025 Container throughput	**15.1 mil TEUs**
Share of national throughput (2025)	**~46%**

Sources: Department of Statistic Malaysia (DOSM) / Malaysian Investment Development Authority (MIDA)



Occupiers are presented with more option as warehouse / logistics supply expands and specialised formats gain traction

Approximately 3.6 million sq ft of warehousing space was completed in 1H2026, with the Shah Alam International Logistics Hub (SAILH) accounting for nearly 80% of new supply. The continued delivery of logistics and industrial developments across Klang Valley is expanding occupier choice and contributing to a more competitive leasing environment.

Rising warehouse/logistics supply, coupled with a more cautious operating environment, is shifting market dynamics in favour of occupiers. As businesses are presented with a wider range of options, leasing and acquisition decisions are becoming increasingly selective, with greater emphasis placed on operational efficiency, scalability and specific user requirements. Similarly, recent launches of ready-built factory developments across Greater Klang Valley recorded strong pre-launch take-up, suggesting that occupiers continue to favour operationally ready facilities that reduce development risk and accelerate business deployment.

At the same time, the industrial market is witnessing the emergence of more specialised formats. The launch of ALP's RM 500 million smart cold chain facility in Shah Alam reflects continued investment in temperature-controlled logistics infrastructure, while logistics occupiers continue to adopt automation and advanced intralogistics systems to improve throughput and labour efficiency. This is evident in developments such as PTT Logistics Hub 2 at Elmina Business Park, which incorporates advanced warehousing and automation features.

Demand for large-scale industrial sites suitable for digital infrastructure development also remains evident, as reflected by the acquisition of industrial land in Banting and Kapar by IT infrastructure operators *(refer to Data Centre section for details)*. Correspondingly, industrial parks such as Elmina Business Park, Eco Business Park V, NCT Smart Industrial Park, Novva Integrated Park and IOI Industrial Park offer sizeable development parcels capable of accommodating data centre-related developments.

Foreign worker accommodation is increasingly transitioning into an institutional real estate asset class within Klang Valley. Supported by tighter Act 446 enforcement and sustained labour demand, four proposed Centralised Labour Quarters (CLQs) representing approximately RM 600 million in investment are expected to deliver nearly 29,000 beds across key industrial hubs. The asset class is attracting growing interest from specialised operators and institutional capital.

Although overall transaction activity has moderated, notable transactions during 1H2026 continued to involve industrial land, logistics facilities and income-producing assets, highlighting sustained occupier and investor interest in assets that support operational requirements, redevelopment opportunities and long-term industrial expansion.

Rising industrial supply, coupled with a more cautious operating environment, is shifting market dynamics in favour of occupiers. This has led to increasingly selective leasing and acquisition decisions, with occupiers prioritising assets that align with specific operational requirements. At the same time, specialised industrial formats such as cold chain facilities, data centres, and worker accommodation are becoming more prevalent across the market.



Source: Global Vision Logistics

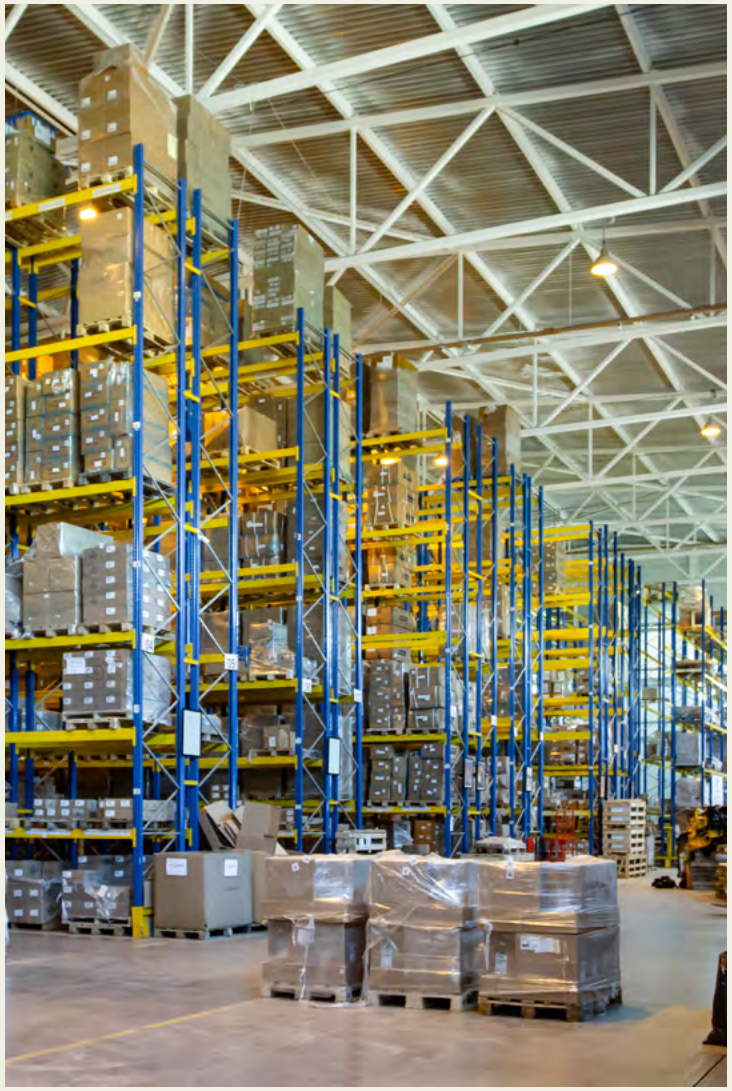
Project Name	**SAILH - Phase 1 (Shah Alam International Logistics Hub)**
Developer/Owner	**Global Vision Logistics Sdn Bhd**
Location	**Jalan Asam Jawa 16/15, Seksyen 16, 40200 Shah Alam, Selangor**
Status	**Newly completed in 1H2026**
Net floor area	**~2.8 million sq ft**

Klang Valley: Notable Transactions, 1H2026

Vendor	Purchaser *Profile*	Location	Property Type	Land Size *Floor Area*	Consideration (RM million)
City-Link Express	**Axis REIT** *REIT*	Jenjarom	Distribution Centre[1]	23.1 ac *355,023 sq ft*	128.0
Compass IP	**BWYS Group** *Metal manufacturer*	Kuala Langat	Industrial Land	28.9 ac	94.5
Simm Ventures	**Chin Hin Group Property** *Developer*	Kota Damansara	Warehouse / Factory[2]	5.3 ac *74,349 sq ft*	92.5
Star Media Group	**Envictus International** *F&B*	Shah Alam	Factory	2.5 ac	68.0
Signature International	**Chin Hin Group Property** *Developer*	Kota Damansara	Factory	4.0 ac *167,294 sq ft*	66.0
Mieco Chipboard	**Jin Ye Ye** *F&B*	Semenyih	Factory	16.9 ac *228,632 sq ft*	57.0
Semanja Murni	**NCT Alliance** *Developer*	Kuala Langat	Industrial Land	176.7 ac	53.0[3]
Rubicon Assets	**Axis REIT** *REIT*	Shah Alam	Factory	3.0 ac *120,177 sq ft*	38.0

Notes:
1. The transaction involves distribution centre(s) developed on commercial leasehold land.
2. Site is planned for redevelopment into an integrated industrial-commercial development with an estimated GDV of RM 449.4 million.
3. The implied land value is based on the equity subscription consideration and may not be representative of the underlying market value of the land.
4. Details of data centre-related land acquisitions are presented in the Data Centre section.

Sources: Bursa Announcement / JPPH / Knight Frank Research



Expansion plans are expected to become more cautious amid a more uncertain operating environment

Klang Valley's industrial market continued its increasing momentum in transaction volume and value during 2025. However, market activity remained relatively subdued in 1Q2026, reflecting a more cautious environment amid global trade uncertainties and an expanding supply pipeline.

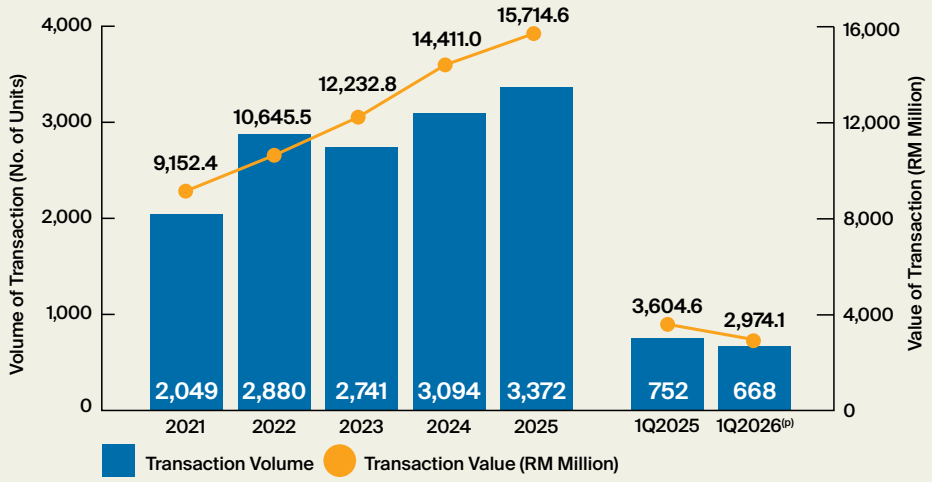
While demand continues to be supported by manufacturing investment, logistics expansion and industrial upgrading initiatives across key industrial corridors, both investors and occupiers are becoming increasingly selective amid increase supply of industrial space, with capital concentrated in assets offering stronger specifications, operational efficiency and long-term relevance.

Overall, rental performance softened amid a growing supply pipeline and increased occupier choice, highlighting a more competitive leasing environment.

Looking ahead, rental growth is expected to remain under pressure with asset offering modern specifications, operational efficiency and access to established logistics ecosystems are likely to remain more resilient, while older facilities may face greater pressure as occupiers gain access to a broader range of alternatives.

The market is transitioning from broad-based growth to increasingly differentiated performance. As occupiers gain access to a wider range of modern facilities, rental growth and leasing demand are expected to become more closely linked to asset quality, functionality and location.

Klang Valley: Industrial Market Activity, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Klang Valley: Average Rental Rate on Selected Warehouse Assets by REITs
(RM psf / month)(p)

Shah Alam
1.97 ▼ 1.9% y-o-y

Port Klang
1.70 ▼ 4.5% y-o-y

Bukit Raja
1.83 ▲ 0.5% y-o-y

Elmina
1.77

Note: The rental rates presented are based solely on selected logistics warehouse assets within the REITs portfolio and do not represent the entire portfolio. Build-to-suit (BTS) facilities are excluded, as they generally command higher rental rates.

Sources: REIT's Annual Report / Knight Frank Malaysia Research

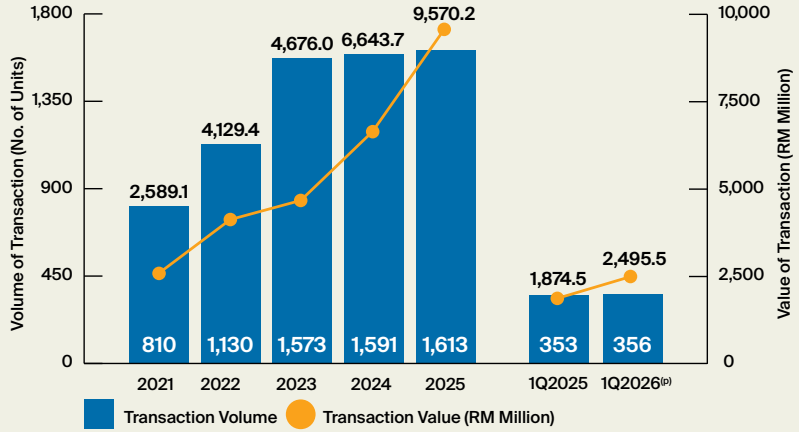
JOHOR

Industrial investment activity remained resilient, with demand continuing to concentrate in Johor's established industrial corridors

Johor's industrial market maintained its positive momentum in 1Q2026, with transaction volumes increasing marginally by 0.8% y-o-y to 356 transactions. However, total transaction values rose significantly by 33.1% y-o-y to RM 2.5 billion. The stronger growth in transaction value relative to volume suggests continued demand for larger-scale and higher-value industrial assets during the quarter.

Johor Bahru continued to dominate the state's industrial market, accounting for the largest share of total transaction volumes (57.6%) and transaction values (79.1%) as of 1Q2026. Kulai remained the second most active district, contributing 16.6% and 11.7% of the state's total transaction volumes and values, respectively. The continued concentration of industrial activity within Johor Bahru and Kulai reflects investors' preference for established industrial corridors with mature infrastructure, proximity to Singapore and strong connectivity to major transportation networks, including highways, ports and airports, as well as the emerging growth opportunities arising from the Johor-Singapore Special Economic Zone (JS-SEZ).

Johor: Industrial Market Activity, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Infrastructure development remains a key enabler of Johor's industrial growth

Ongoing investments are focused on strengthening cross-border connectivity with Singapore while improving access to emerging industrial corridors across the state.

UEM Sunrise officially opened the Gerbang Nusajaya Interchange in mid-December 2025, enhancing direct connectivity between Iskandar Puteri and the Malaysia-Singapore Second Link Expressway. The interchange is expected to improve accessibility to key industrial and logistics hubs while facilitating cross-border trade and business activities.

Meanwhile, the State Government has allocated RM 25 million for preliminary works on the East Coast Expressway Phase 4 (LPT4), a proposed 142-km highway connecting Ulu Tiram and Mersing. The project is expected to enhance accessibility and logistics efficiency along Johor's eastern coastal corridor, supporting the future expansion of industrial and economic activities while complementing the existing East Coast Expressway network.

Collectively, these infrastructure initiatives, together with the JS-SEZ, are expected to further strengthen Johor's position as a regional manufacturing and logistics hub, supporting long-term industrial investment and reinforcing its strategic role within the broader Malaysia-Singapore economic corridor.



Gerbang Nusajaya Interchange

Source: The Edge Malaysia

Johor Bahru: Notable Transactions, 1H2026

Date	Vendor *Purchaser*	Location	Property Type	Land Size	Consideration (RM million)	Purpose / Focus
Dec-25	**PGB Landmark Sdn Bhd (Paragon Globe Bhd)** *GSP Automotive Malaysia Sdn Bhd*	Iskandar Puteri	Industrial Land	13.45 ac	64.4	Partnering with Paragon Globe Bhd to develop an automotive-focused industrial hub (AutoPark)
Jan-26	**Grand Focus Sdn. Bhd** *MTAG Land Sdn Bhd (MTAG Group Bhd)*	Kempas	Residen-tial-zoned land[1][2]	18.63 ac	53.6	To expand its manufacturing and production capacity
Jan-26	**Kempas Green Development Sdn Bhd** *London Bakery Sdn Bhd (SDS Group)*	Kempas	Residen-tial-zoned Land[1][2]	35.37 ac	101.7	To develop a new manufacturing facility
Mar-26	**JLG Technopark Sdn Bhd (JLG Investment Holdings Sdn Bhd)** *Eco Business Park 9 Sdn Bhd (Eco World Development Group Bhd)*	Sedenak, Kulai	Agriculture Land[1]	316.15 ac	137.7	Partnering with JLand Group to develop an industrial park
Mar-26	**Nice Frontier Sdn Bhd (IOI Properties Group Bhd)** *AME Elite Consortium Bhd*	Senai	Industrial Land	31.82 ac	101.2	To develop the parcels into an industrial cluster

Notes:
1. Located within an industrial-zoned area or proposed to be rezoned for industrial use
2. The SPAs for these properties are inter-conditional and shall be completed on an en-bloc and simultaneous basis.

Source: Bursa Announcement / JPPH / Knight Frank Research

Malaysia-Singapore economic integration continues to support industrial investment demand

Johor's industrial market in 1H2026 continued to benefit from strengthening Malaysia-Singapore economic integration, particularly under the JS-SEZ initiative. Coupled with Johor's competitive cost advantages and ample land availability, these factors continue to support demand for larger-scale industrial developments.

The notable industrial transactions recorded during the review period reflect two key sources of demand: expansion by established manufacturing operators and strategic land acquisitions by profound developers for future industrial park developments. This reflects the continued confidence of both industrial occupiers and developers in Johor's long-term growth prospects.

This trend is particularly evident in Kulai, where a growing concentration of notable industrial transactions has been observed, including several large-scale land acquisitions exceeding RM 100 million. As industrial land supply within Johor Bahru becomes increasingly limited, Kulai is emerging as a key industrial destination, supported by its proximity to Singapore, established transport infrastructure, relatively affordable land prices, greater land availability and long-term growth potential.

Industrial expansion remains supported by a healthy development pipeline

Looking ahead, Johor's industrial supply pipeline is expected to expand further, underpinned by several planned integrated industrial developments, particularly within Kulai. Notable examples include Nexus Sedenak, a 2,940-acre innovation district by Southern Catalyst Sdn Bhd (SOCAT) with an estimated GDV of RM 15 billion, which is planned to cater to advanced manufacturing, logistics, agri-tech, food technology, renewable energy, pharmaceuticals and other high-value industries. Another major development is Johor Tech Smart City, a 2,300-acre integrated development by Genting Property in Kulai, with an estimated GDV of RM 80 billion, envisioned as a technology- and agriculture-driven ecosystem. In addition, proposed industrial parks such as MS Industrial Park and Eco Business Park 9 will further strengthen the supply pipeline by offering a mix of ready-built factories and industrial land parcels.

Concurrently, industrial activities within Johor Bahru continue to be supported by the expansion of established manufacturers, including London Bakery Sdn Bhd and MTAG Land Sdn Bhd, reflecting sustained demand for owner-occupied manufacturing facilities. This reinforces Johor Bahru's position as the state's mature industrial base, complementing the emergence of Kulai as a new growth corridor.

PENANG

Stronger demand for industrial properties in Penang, reflected in higher volume and value of industrial property transactions

In 1Q2026, Penang's industrial property market recorded stronger transaction activity, with transaction volume increasing 19% y-o-y from 100 units to 119 units. Growth was broad-based across most districts, led by Barat Daya which recorded a 100% increase in transaction volume. Seberang Perai Utara and Seberang Perai Selatan also registered strong growth of 69.6% and 81.8% respectively, while Timur Laut recorded a modest increase of 14.3%. Seberang Perai Tengah was the only district to record a decline, with transaction volume easing by 20% during the quarter.

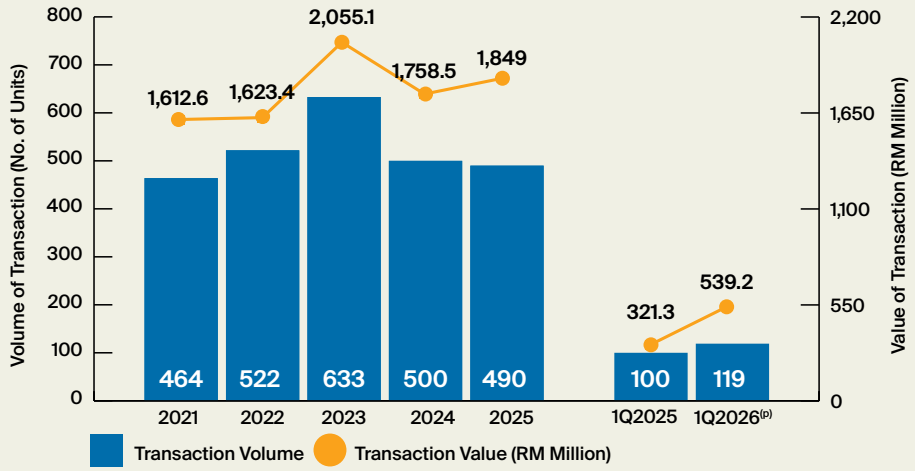
The stronger transaction activity was accompanied by a more pronounced increase in transaction value, which rose by 67.8% y-o-y from RM 321.3 million to RM 539.2 million. The stronger value growth reflects a higher concentration of higher-value industrial assets. Seberang Perai Selatan and Barat Daya recorded sharp increases of 138.7% and 135% respectively, driven by large value deals in vacant plot and others industrial property. Despite lower transaction activity, Seberang Perai Tengah registered a 37.5% increase in transaction value, largely driven by detached industrial property transactions. Meanwhile, Timur Laut and Seberang Perai Utara recorded transaction value growth of 29% and 31.4% respectively.

Penang: Notable Transactions, 1H2026

Date	Vendor *Purchaser*	Location	Property Type	Land Size	Consideration (RM million)
Jun-26	**Trillight Optics (Malaysia) Sdn Bhd** *YLI Holdings*	Prai Industrial Estate	Industrial Land	6.31 ac	28.5
May-26	**Coraza Integrated Technology** *GB Plas Colours Sdn Bhd*	Kawasan Industri Bukit Panchor	Factory	2.14 ac	13.5
Apr-26	**UWC Bhd** *SWS Capital Bhd*	Batu Kawan Industrial Park	Factory / Warehouse	1.70 ac	13.0
Mar-26	**ARK Resources Holdings Bhd** *Boustead Penang Shipyard Sdn Bhd*	Pulau Jerejak	Industrial Land	26.50 ac	28.0
Mar-26	**Agricore CS Holdings Bhd** *Golden Premier Development Sdn Bhd*	Simpang Ampat (Jalan Tasek)	Semi-detached Factory	0.50 ac	6.1

Source: Bursa Announcement / JPPH / Knight Frank Research

Penang: Industrial Market Activity, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research



Valdor Chipbond Technology Corp.
Source: Buletin Mutiara

Investment activity remained robust, reinforcing Penang's position as one of Malaysia's leading manufacturing destinations

In 1Q2026, Penang secured RM 4.9 billion in approved manufacturing investments. FDI remained the primary contributor, accounting for approximately 69.6% of total approved investments with RM 3.4 billion. Although this represented a moderation from the exceptionally strong RM 6.1 billion achieved in 1Q2025, Penang continued to capture 21.4% share of the nation's total FDI.

Meanwhile, DDI spiked by 128.7% y-o-y to RM 1.5 billion, indicating growing confidence among local investors in the state's industrial and manufacturing sectors. Supported by both foreign and domestic capital, Penang ranked as the second-largest contributor to Malaysia's total capital investments, underscoring the continued attractiveness of its established industrial ecosystem.

Penang: Notable Expansions / New Industrial Facilities, 1H2026

The following table shows the summary on the new set up of industrial facilities in Penang during the review period.

Industrial Park	Bayan Lepas Industrial Park	Prai Industrial Park	Bandar Cassia Technology Park	Valdor Industrial Park
Development Type	New Facility	New Facility	New Facility	New Facility
Component	Engineering and Testing Centre - Advanced Semi Conductor Test Labs occupying up to 60,000 sq ft of space	220,000-sq ft facility	Integrated facility (3-storey office building, cleanrooms & logistics areas)	Wafer Bumping & Packaging together with Chip Scale Packaging Capable of Processing 100 million wafer level chips scale packaging (WLCSP) units per month
Status / Expected Completion	Newly Completed	Newly Completed	Target Completion End 2027	Newly Completed
Vendor	Monolithhic Power Systems (MPS)	Syntiant Corp.	Aixtron SE	Chipbond Technology Corp.
Country of Origin	United States	United States	German	Taiwan
Facility Specialty	Engineering and Testing	Manufacturing and R&D	Manufacturing	Packaging & Testing

Sources: News Articles / Knight Frank Research

Strategic developments continued to strengthen the state's industrial ecosystem



Penang Technology Park @ Bertam

Infrastructure works at Penang Technology Park @ Bertam reached a significant milestone in February 2026, with Phase 1 completed and Phase 2 approximately 85% complete. Located in Seberang Perai Utara, the development is emerging as a new node within Penang's semiconductor ecosystem, supporting the state's role in the global supply chain. Phase 2 is expected to be completed by mid-2026, providing investors with ready-to-operate industrial facilities supported by comprehensive infrastructure.



Penang International Logistics Aeropark (PILA)

In April 2026, PILA secured planning approval for its master plan, marking a key step forward in the development of Penang's logistics infrastructure. The project is expected to enhance cargo handling capacity and strengthen the state's position as a regional manufacturing and distribution hub, complementing the expansion of Penang International Airport. The first phase of the air cargo warehouse component is targeted for completion in 2029.

Automation, Test and Equipment (ATE) Campus

To boost industrial transformation, the Penang State Government has committed 10 acres of land worth about RM 40 million to develop an ATE campus in Batu Kawan. Phase 1 will focus on industry collaboration, talent development and localisation efforts, while Phase 2 will explore the development of a dedicated campus inspired by the Brainport Industries Campus in the Netherlands.

Sources: Penang Technology Park Official Website / Invest Penang / Penang Development Corporation

SABAH

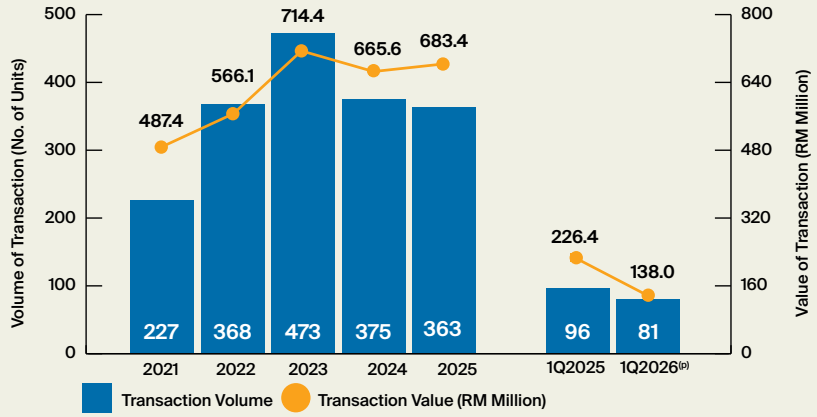
Industrial transaction activity moderated amid a decline in higher-value transactions

In 1Q2026, Sabah's industrial market recorded 81 transactions with a total transacted value of RM 138 million. While transaction activity remained relatively healthy, market performance moderated compared to 1Q2025, largely attributable to a reduction in transactions exceeding RM 1 million. The decline in higher-value deals suggests a shift towards smaller-value transactions during the quarter, although average prices within individual bracket prices generally remained stable, indicating that underlying industrial property values have remained resilient.

Kota Kinabalu continued to dominate the state's industrial market, accounting for the largest share of both transaction volume and value despite contracting 29.2% and 57.5%, respectively. Meanwhile, Sandakan and Lahad Datu grouping registered higher transaction volumes, although the corresponding transaction values did not increase at the same pace. In contrast, Penampang / Putatan was the only locality to record growth in both transaction volume and value, while Tawau registered declines across both indicators.

Note: The Sandakan grouping comprises Sandakan, Labuk-Sugut, Telupid, Paitan, Tongod and Kinabatangan, while the Lahad Datu grouping comprises Lahad Datu, Semporna, Kunak and Pensiangan.

Sabah: Industrial Market Activity, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Large-scale infrastructure investments are laying the foundation for Sabah's next phase of industrial transformation

Sabah's industrial sector is entering a transformative growth phase, supported by a substantial increase in public sector investment under the 13th Malaysia Plan (13MP), which allocated RM 12 billion across 1,173 projects statewide. Aligned with the Sabah Maju Jaya (SMJ) 2.0 blueprint, this capital injection aims to address longstanding logistics, utility and port infrastructure constraints while enhancing the state's long-term competitiveness and operational resilience. Beyond strengthening traditional industries, the 13MP also signals a strategic shift towards higher-value growth sectors, including green energy, biomass processing and the blue economy.

Strategic decentralisation beyond Kota Kinabalu

The state is advancing three specialised industrial hubs — the Kudat Blue Economy Industrial Park, Kota Belud Industrial Park and Beaufort Industrial Park — as part of efforts to promote more inclusive economic growth beyond Kota Kinabalu. Designed to decentralise industrial activity into rural and coastal districts, these greenfield developments are being implemented in phases under the oversight of the Ministry of Industrial Development and Entrepreneurship (MIDE), supporting the state's broader strategy to diversify its industrial base and unlock new growth corridors.

Power infrastructure project enhance industrial resilience

A key component of Sabah's infrastructure investment is the RM 1.2 billion initiative to strengthen the state's power grid, including RM 765 million allocated for the Southern Link Transmission Line Project. Led by Sabah Electricity Sdn Bhd (SESB), the 330-km high-voltage transmission line will connect Sipitang, Tenom, Kalabakan and Tawau. Upon completion, the Southern Link is expected to enhance grid resilience and improve energy security, particularly in the East Coast region, where industrial and economic activities continue to expand.

Digital infrastructure investments strengthen future investment readiness

The RM 2 billion MADANI Submarine Cable Connection Project (SALAM) is expected to strengthen Sabah's digital infrastructure by enhancing network capacity, reliability and coverage across key coastal regions. Scheduled for completion within two to three years, the 3,190-km undersea fibre-optic network will replace the ageing Sistem Kabel Rakyat 1Malaysia (SKR1M) system and support growing demand arising from digitalisation, 5G deployment and AI-driven applications.

SARAWAK

The divergence between transaction volume and value reflect growing preference for larger, higher-quality, and higher-value industrial assets

In 1Q2026, industrial transaction activity across Sarawak's key districts moderated, with overall transaction volume declining by 15.8% y-o-y to 96 transactions. The softer performance was primarily attributable to Miri, where transaction volume fell 38.9% from 54 to 33 transactions. In contrast, transaction activity in Kuching remained relatively stable, while Bintulu recorded an 13.6% increase in transaction volume.

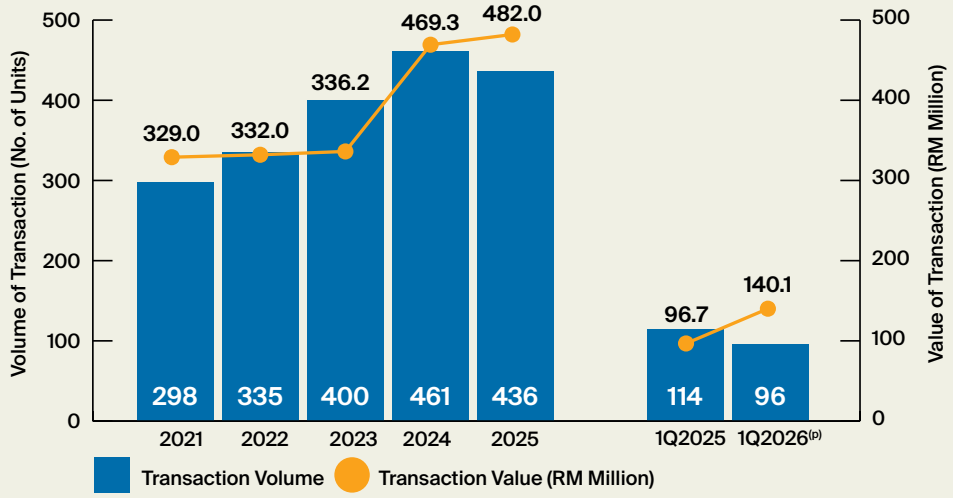
Despite lower transaction activity, total transaction value rose significantly by 44.8% y-o-y, indicating continued demand for larger and higher-value industrial assets. Bintulu recorded the strongest growth in transaction value at 82.7%, followed by Kuching at 55.1%, reflecting sustained investor and occupier interest in these industrial areas. Conversely, Miri recorded an 18.5% decline in transaction value, broadly in line with the moderation in transaction volume.

Public sector investment continues to underpin industrial growth

Government-led investments remain a key driver of Sarawak's industrial development. Under the Sarawak Budget 2026, RM 154.6 million has been allocated to support industrial development, with approximately half earmarked for industrial parks and the remaining will fund trade and investment promotion initiatives, including Invest Sarawak and Sarawak Trade and Tourism Offices.

These initiatives complement broader infrastructure investments under the 12th Malaysia Plan (12MP), including the Pan Borneo Highway and Sarawak-Sabah Link Road, while the 13MP provides a further RM 183.1 million for 17 industrial park projects to support the next phase of industrial growth. Collectively, these investments are expected to support industrial expansion, attract new investments and reinforce Sarawak's competitiveness as a manufacturing, logistics and export-oriented hub.

Sarawak: Industrial Market Activity, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Technology and innovation initiatives drive industrial transformation

Sarawak continues to advance its transition towards a technology-driven economy through initiatives aligned with the Sarawak Digital Economy Blueprint 2030 (SDE 2030) and Post-COVID-19 Development Strategy 2030 (PCDS 2030). Efforts led by the Sarawak AI Centre (SAIC) are strengthening the state's capabilities in artificial intelligence, innovation and digital adoption across key industries.

At the same time, Sarawak is positioning itself as a potential semiconductor manufacturing hub, supported by its strategic location, stable renewable energy supply and investment-friendly environment. The expansion of X-FAB's RM 3 billion semiconductor manufacturing facility and industry collaborations such as the partnership between BLD Group and Curtin University Malaysia further reinforce the state's ambitions to attract higher-value manufacturing and technology investments.

Logistics and maritime infrastructure support industrial expansion

Sarawak continues to strengthen its logistics and maritime ecosystem through strategic infrastructure investments and trade facilitation initiatives. The ongoing development of the Miri Deep Sea Port, planned enhancements at Kuching Port and the Free Commercial Zone (FCZ) designation at Phase 1 of Samalaju Industrial Port are expected to improve cargo handling efficiency, enhance trade connectivity and support export-oriented industries.

Meanwhile, the joint venture between Permodalan Satok Bhd (PSB) and Hub Carrier Sdn Bhd to transport methanol and chemical products further reinforces the state's growing petrochemical and maritime logistics capabilities. Collectively, these initiatives are expected to strengthen Sarawak's position as a regional logistics and industrial hub.

Emerging industries expand Sarawak's growth opportunities

Sarawak is actively developing new growth sectors to diversify its industrial base and strengthen long-term economic resilience. Initiatives led by the Sarawak Biodiversity Centre (SBC) to develop Sustainable Aviation Fuel (SAF) from palm oil support the state's ambitions to become a leader in green technology and alternative energy solutions.

In addition, substantial allocations under the 13MP, including RM 326 million from the Sarawak Government and RM 158 million from the Federal Government for agriculture and food security initiatives, underscores the strategic importance of agriculture and food security to the state's economy. These investments are expected to support downstream processing activities, enhance value-added production and create new opportunities across the agro-industrial value chain.



Kuching Port Authority



Samalaju Industrial Port



X-FAB Cleanroom

MARKET OUTLOOK

Klang Valley

The Klang Valley industrial market enters the second half of 2026 with generally supportive operating fundamentals, underpinned by continued manufacturing activity, cargo throughput growth and ongoing investment in logistics infrastructure. However, the operating environment has become increasingly uncertain as businesses navigate evolving trade policies, geopolitical tensions and disruptions across global supply chains. Recent tariff proposals affecting Malaysian exports, coupled with rising logistics costs, freight rate volatility and longer lead times, have contributed to a more cautious backdrop for investment and expansion decisions.

For occupiers, particularly SMEs and export-oriented manufacturers, the immediate challenge is likely to come from margin compression rather than a sudden decline in demand. Rising transportation costs, supply chain uncertainties and potential trade-related cost pressures may encourage businesses to delay expansion plans, optimise existing operations and prioritise capital expenditure that improves productivity and efficiency. Where expansion proceeds, occupiers are expected to place greater emphasis on ready-built and higher-specification industrial facilities that enable faster operational deployment and lower execution risk. This is consistent with the continued adoption of automation, cold chain infrastructure and modern logistics facilities observed during 1H2026.

As additional Grade A logistics space enters the market, occupiers are expected to become increasingly selective in their leasing decisions. Assets that support operational efficiency, automation and supply chain resilience are likely to remain competitive, while conventional industrial facilities may face greater pressure to attract and retain tenants in a more tenant-led market environment.

Johor

Johor's industrial market is expected to remain cautiously optimistic over the medium term, supported by a balanced demand profile driven by both industrial occupiers expanding their operations and developers undertaking strategic industrial park developments. While global economic uncertainties and geopolitical tensions may lead to more cautious investment decisions and extended deal timelines, rising construction costs and potential supply chain disruptions could also influence the timing and pace of future industrial developments.

Looking ahead, Kulai is well-positioned to emerge as Johor's next major industrial growth corridor as industrial land availability within Johor Bahru becomes increasingly limited. The district's relatively abundant land supply, established infrastructure and strategic proximity to Singapore are expected to continue attracting larger-scale industrial developments. At the same time, the significant volume of planned developments over the coming years is likely to increase market competition, placing greater emphasis on product differentiation and pricing strategies to support sustainable market absorption.

Overall, the progressive implementation of the JS-SEZ, together with ongoing infrastructure improvements, is expected to reinforce Johor's position as one of Malaysia's leading manufacturing and logistics hubs. Nevertheless, the pace of future market growth will continue to depend on sustained occupier demand and the market's ability to absorb the upcoming supply pipeline.

Penang

For the remaining half of 2026, Penang's industrial market is expected to remain resilient, supported by its well-established manufacturing ecosystem and strategic role within the global E&E and semiconductor supply chain. Ongoing upgrades to Penang International Airport and the development of the Penang International Logistics and Aerospace Hub (PILA) are expected to strengthen the state's logistics infrastructure and cargo handling capabilities, supporting the operational requirements of Penang's export-driven manufacturing sector and reinforcing its position within global supply chains.

Nevertheless, global uncertainties, including evolving trade policies and geopolitical tensions, may temper business sentiment and investment decisions in the near term. In particular, the US proposal to impose an additional 10% tariff on Malaysian imports over forced labour concerns could introduce uncertainty for export-oriented manufacturers, especially those with significant exposure to the US market. While the measure remains under review and similar actions have been proposed against several competing economies, Penang's diversified manufacturing base, strong supply chain integration and continued demand from high-value industries are expected to underpin the state's long-term industrial market resilience.

Sabah

Backed by unprecedented funding, Sabah's industrial sector is undergoing a core structural pivot, with capital injections aggressively targeting legacy utility and digital bottlenecks. While the state advances decentralised hubs in Kudat, Kota Belud, and Beaufort to capture high-value green energy, biomass, and maritime niches, near-term market demand remains anchored by local owner-occupiers and SMEs. The rapid completion of key road infrastructure remains the ultimate linchpin for supply chain viability.

Sarawak

Sarawak's industrial market is expected to remain supported by ongoing public sector investment, infrastructure expansion and economic diversification initiatives.

Major projects such as the Pan Borneo Highway, Sarawak-Sabah Link Road and the RM 72.7 billion infrastructure programme under the 12MP are expected to strengthen regional connectivity, improve supply chain efficiency and enhance access to key industrial corridors. Complementing these initiatives are logistics infrastructure upgrades at the Miri Deep Sea Port, Kuching Port and Samalaju Industrial Port, which are expected to improve trade connectivity, enhance cargo handling capacity and reinforce Sarawak's attractiveness to manufacturing, logistics and export-oriented industries.

Beyond traditional industrial activities, Sarawak continues to advance higher-value and technology-driven sectors under the SDE 2030 and PCDS 2030. Initiatives led by the SAIC, together with growing opportunities in semiconductors, renewable energy, sustainable aviation fuel (SAF) and downstream agro-industrial activities, are expected to broaden the state's industrial base and support the transition towards more knowledge-intensive and value-added industries.

While external economic conditions may influence investment activity in the near term, Sarawak's improving infrastructure, expanding trade capabilities and growing presence in higher-value industries are expected to strengthen its long-term investment appeal and support sustained industrial demand over the medium to long term.



DATA CENTRE MARKET

Malaysia's data centre market remains on a growth trajectory, while the next phase becomes increasingly shaped by infrastructure credibility, resource accountability and broader stakeholder confidence.

MARKET PERFORMANCE

MD2030 and AI framework support Malaysia's digital economy ambition

Malaysia Digital 2030 (MD2030), launched by Prime Minister Datuk Seri Anwar Ibrahim in June 2026, sets the national direction for digital economy growth and AI adoption through 2030. The plan targets a 30% digital economy contribution to GDP and 500,000 high-value digital jobs, providing a broader policy backdrop for long-term demand in cloud, AI and data centre infrastructure.

Separately, Malaysia is strengthening its AI governance framework through the proposed AI Governance Bill and the establishment of a Data Commission by 4Q2026. The National AI Office's role is set to be formally empowered in July 2026 in overseeing AI-related matters. The initiatives are expected to improve regulatory clarity, strengthen data governance and support the responsible deployment of AI technologies.

Hyperscalers deepen investments as Malaysia strengthens its role in regional data centre deployment strategies

Recent announcements from hyperscale and cloud operators indicate that Malaysia remains an important location within the regional data centre deployment strategies.

DayOne announced a RM 28 billion investment commitment and identified Malaysia as a core hub within its regional expansion strategy. ByteDance is reportedly expanding its data centre investments in Johor, while Alibaba Cloud launched its third cloud region in Malaysia. Meanwhile, Google's US$2 billion investment announced in 2024 has progressed and exceed initial expectations, positioning the nation as a regional hub for cloud computing and artificial intelligence innovation.

Strengthened approval framework aligns data centre growth with infrastructure capacity

The government has strengthened its approval framework for data centre developments amid rising electricity demand and concerns over "phantom" power reservations that may not translate into actual deployment.

Under the revised framework, investors are required to demonstrate secured demand and financial commitment, while electricity supply is aligned with actual operational requirements rather than maximum capacity requests.

The move comes as policymakers place greater emphasis on ensuring that power and water resources are allocated to projects with credible deployment plans and stronger economic value creation, with the Prime Minister recently indicating that non-AI data centre investments may face stricter evaluation depending on their resource requirements.



Renewable energy increasingly shapes data centre expansion strategies

As AI and data centre developments continue to drive electricity demand, operators are increasingly securing renewable energy sources to support future expansion and sustainability objectives.

Recent initiatives include DayOne securing more than 1GW of renewable energy capacity in Malaysia, while Google entered renewable energy agreements involving a 20MW solar power supply arrangement with TotalEnergies and a 30MW solar project under the Corporate Green Power Programme. Amazon Web Services (AWS) also announced its first renewable energy project in Malaysia through a 23MW solar facility capable of supplying electricity to approximately 50,000 homes.

The increasing focus on renewable energy procurement is complemented by ongoing investments in supporting infrastructure, with TNB recently announcing 4.3GW of installed renewable energy capacity.

Data centre development interest broadens beyond established markets

Beyond Johor and Klang Valley, several states are beginning to attract interest for data centre and AI-related developments. Recent announcements include a proposed US$1.1 billion AI data centre project in Melaka, a RM 9 billion data centre investment proposal in Jasin, Melaka, and a RM 1 billion AI park development in Perak. While most developments remain in the planning or early execution stages, the announcements indicate growing interest in alternative locations.

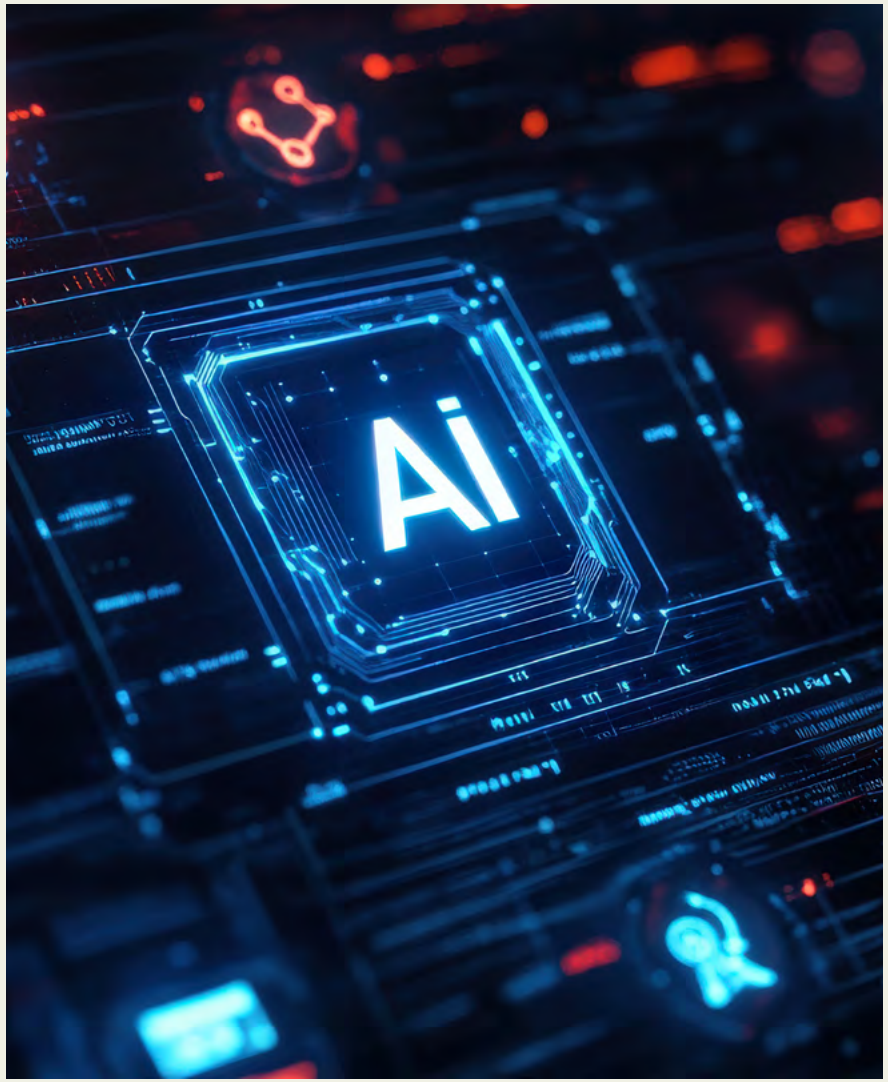
Data centres gain momentum as an institutional investment asset class

Malaysia's expanding data centre sector is beginning to attract greater capital market interest as the industry matures. GDS-backed DayOne is reportedly exploring a US listing at a valuation of up to US$20 billion.

With an increasing number of real estate developers participating in the data centre value chain through build-to-suit developments and strategic partnerships, the emergence of recurring income streams as facilities become operational could potentially support future REIT listings and attract broader institutional investment into the sector.

Sime Darby Property's RM1.25 billion New Economy Venture fund marks a clear local example of this shift. Focused on build-to-suit-to-lease data centres, industrial and logistics developments, the fund has secured full capital commitment from institutional investors including EPF, LTAT and Great Eastern Life Assurance Malaysia. This reflects how developers are beginning to use fund platforms to participate in new economy assets, while creating longer-term income exposure beyond conventional development profits.

Recent regional platform activity also points to deeper institutional interest in the sector. Blue Owl-backed STACK Infrastructure is reportedly exploring a potential sale of its Asia Pacific data centre operations at a valuation of up to US$30 billion, while a KKR-led consortium with Singtel has agreed to fully acquire ST Telemedia Global Data Centres at an enterprise value of approximately US$13.8 billion.



KLANG VALLEY

Selangor adopted a more strategic approach to digital infrastructure development

Selangor has launched the RM 160 million Digital Future Action Plan (DxF) 2026-2030 in October 2025 to strengthen the state's digital infrastructure ecosystem. The plan adopts a more coordinated approach towards digital infrastructure planning and delivery through the establishment of a dedicated Digital Infrastructure Subcommittee to oversee infrastructure readiness, connectivity and network reliability. Key initiatives include the development of an 889-km dark fibre network and a proposed shift from conventional Service Level Agreements (SLAs) towards Service Level Guarantees (SLGs) to enhance service reliability.

Separately, the state announced a local economic development policy in November 2025 requiring new data centre developments to achieve at least 30% local content participation, reflecting a broader effort to strengthen domestic industry involvement and maximise economic spillover from data centre investments.

Data centre growth continues to attract participation from local developers and landowners

Two recent announcements highlight the growing role of local developers and state-linked landowners in Malaysia's data centre landscape. In Bukit Jalil, MRCB is planning a RM2.1 billion, 65MW AI-ready facility, while SIC, a PKNS unit, is partnering DC Union on a RM2.5 billion, 65MW project in Cyberjaya.

Klang Valley continues to attract global data centre operators

Klang Valley continues to attract international data centre operators seeking to expand their presence in Malaysia. Recent announcements include Equinix's fourth Malaysian data centre in Cyberjaya, and Digital Realty launching its three-building data centre campus in Cyberjaya and Lum Chang JV's proposed development in Petaling Jaya.

Earlier pipeline developments are gradually being completed, with NEXTDC's 65MW AI-ready KL1 facility in Petaling Jaya commencing operations, marking one of the notable completions in Klang Valley in 1H2026.

Data centre development activity expands into emerging locations

Data centre-related land transactions regained momentum following a relatively subdued 2H2025, with approximately RM 1.4 billion worth of disclosed transactions involving 293 acres of industrial land recorded in Banting and Kapar. Notable transactions include Bridge Data Centres' acquisition of 136 acres within IOI Industrial Park in Banting. Another transaction is the proposed disposal of industrial land in Kapar to DayOne for data centre development.

Beyond these disclosed transactions, additional site acquisitions and development plans have also emerged in locations such as in Cyberjaya and in NCT Smart Industrial Park in Sepang. The transactions reflect how access to power infrastructure and connectivity is becoming a key determinant of data centre site selection, creating opportunities beyond established data centre hubs.

Klang Valley: Notable Land Transactions, 1H2026

Location	Land Size (Acres)	Consideration (RM million)	Purchaser
IOI Industrial Park, Banting	136.03	740.68	Bridge Data Centres
Kapar	157.07	687.89	WG Malaysia VIII Sdn Bhd (DayOne)
Cyberjaya	10.00	Undisclosed	AIMS Data Centre
NCT Smart Industrial Park, Sepang	100.00	Undisclosed	Undisclosed

Sources: Bursa Malaysia / Knight Frank Malaysia



NEXTDC KL1
Source: NEXTDC



Artist's Impression of Equinix KL2
Source: Equinix

JOHOR

Resource availability emerges as a key consideration for data centre approvals in Johor

Johor has established a Special Technical Committee to evaluate data centre developments based on water requirements, electricity demand, utility infrastructure and site suitability.

In addition to complying with the state's Water Usage Efficiency (WUE) benchmark of 1.8, developers are encouraged to adopt alternative water sources, including treated recycled water and industrial water supplies, to reduce pressure on potable water resources.

Johor continues to attract long-term commitments from global data centre operators

Johor continues to attract long-term commitments from global data centre operators. DayOne recently reaffirmed its commitment to Malaysia with a cumulative investment of more than RM 28 billion by end-2026 and identified the country as its largest global operational footprint.

Johor is also seeking to deepen ByteDance's long-term presence following the company's data centre investments exceeding RM 29.5 billion. Meanwhile, Alibaba Cloud launched a new public cloud region in Johor comprising two data centres, bringing its total footprint in Malaysia to five facilities.

Market focus shifts towards capacity delivery as development announcements moderate

Following the significant volume of data centre announcements recorded in recent years, 1H2026 saw a more measured pace of new project announcements. Notable developments included AirTrunk's additional ~ RM 12.7 billion investment commitment, to build two data centres in Johor which will add additional 280MW capacity as well as JCorp's collaboration with IITM Global to explore an AI-focused data centre.

At the same time, previously announced projects continued to progress towards completion and operational delivery. Recent milestones include the topping out of the first building at the TM Nxera's Johor campus, with the initial 64MW phase forming part of a planned 280MW development, as well as the first phase of Digital Halo's Johor facility, where 20MW has become operational and is fully leased to a single customer by end of 2026.

The moderation in new project announcements reflects a market increasingly focused on executing existing commitments and bringing previously announced capacity online, alongside the implementation of more stringent approval requirements.

Infrastructure readiness continue to underpin data centre site selection

Johor recorded three notable data centre-related land transactions in 1H2026. The transactions involved Crescendo Corporation's disposal of approximately 49.7 acres in Bandar Cemerlang, Ulu Tiram to Digital Edge, EcoWorld's sale of its remaining industrial parcels within QUANTUM Edge, Kulai to a hyperscale operator, and Paragon Globe's proposed disposal of 65.3 acres in Gerbang Nusajaya to DayOne for RM398.1 million.

Johor: Notable Land Transactions, 1H2026

Location	Land Size (Acres)	Consideration (RM million)	Purchaser
Bandar Cemerlang, Ulu Tiram	49.72	346.53	Digital Edge Data Centers
QUANTUM Edge, Kulai	49.59	280.80	KNBDC Malaysia Five Sdn Bhd
Gerbang Nusajaya	65.28	398.11	DayOne Data Centers

Sources: Bursa Malaysia / Knight Frank Malaysia



Artist's Impression of AirTrunk JHB3



Artist's Impression of AirTrunk JHB4

Source: AirTrunk

MARKET OUTLOOK

The Malaysia data centre market is expected to remain on a growth trajectory, although the sector is entering a more disciplined phase of development. The continued expansion of hyperscalers and data centre operators, together with ongoing capacity delivery, indicates that underlying demand remains intact. At the same time, more stringent approval requirements and increasing scrutiny over power and water resources suggest that future developments will be assessed more selectively. This marks a shift from prioritising capacity expansion towards projects supported by committed demand, execution certainty and long-term operational sustainability.

As the market matures, reliable access to power, water and fibre connectivity will become a key differentiator in site selection. The growing scale of hyperscale and AI-driven facilities places greater emphasis on long-term utility availability, infrastructure scalability and responsible resource management. As a result, future development is expected to remain concentrated in powered, infrastructure-ready locations that can support expansion while maintaining broader stakeholder confidence.

Malaysia's position as a regional data centre deployment market could strengthen as geopolitical uncertainty reshapes investment priorities. Recent tensions in the Middle East have placed greater emphasis on policy stability, predictable investment conditions and operational resilience, particularly as operators review regional deployment risk. However, Malaysia's ability to capture this opportunity will depend on infrastructure capacity, delivery readiness, and clarity in policy and approval processes.

As more facilities become operational and generate recurring income streams, the sector is expected to attract broader participation from institutional investors. Growing capital market activity, including IPOs, REITs and merger and acquisition activity, signals the continued maturation of data centres into an institutional investment asset class.



OFFICE MARKET

The office market enters a more selective phase, with location, quality and long-term value driving demand.

MARKET PERFORMANCE

Services Producer Price Index (SPPI)
119.0
▲+1.4 ppt q-o-q
▲+2.1 ppt y-o-y

Real estate activities
128.6
▲+0.4 ppt q-o-q
▲+0.6 ppt y-o-y

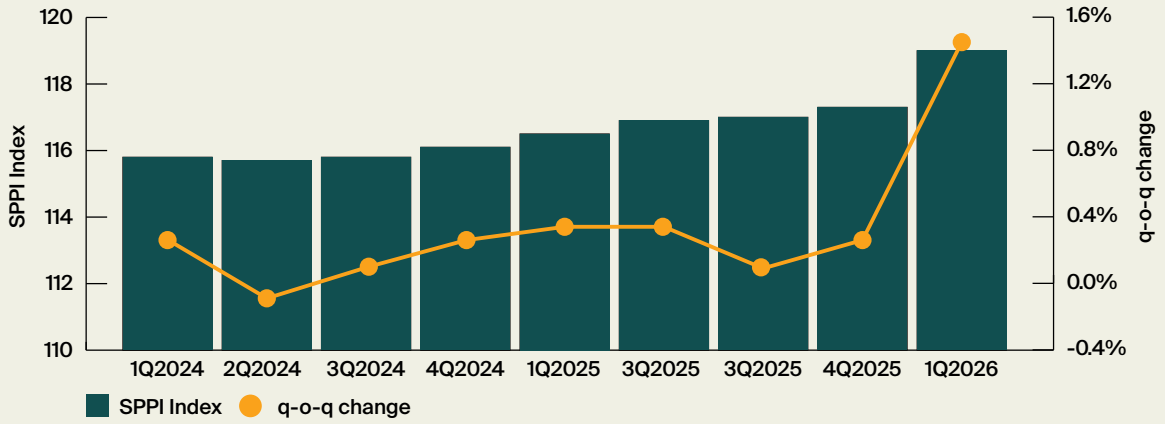
Professional services
106.2
▲+0.8 ppt q-o-q
▲+1.0 ppt y-o-y

Service sector growth continued to support office market fundamentals

The Services Producer Price Index (SPPI) rose 1.4% q-o-q in 1Q2026 (+2.1% y-o-y), reflecting continued expansion across Malaysia's services sector. Growth remained broad-based, with real estate activities and professional services recording increases of 0.4% and 0.8% q-o-q respectively (+0.6% and +1.0% y-o-y).

Growth remains encouraging, with the continued expansion of business-facing service sectors pointing to a supportive operating environment for office occupiers.

Services Producer Price Index (SPPI), Malaysia Total Index (2010 = 100) and Quarterly Growth



Source: DOSM

KLANG VALLEY

Muted office completions in 1H2026 ahead of a stronger delivery pipeline in 2H2026

Klang Valley's cumulative office stock remained unchanged at 120.6 million sq ft in 1H2026, as no new office completions recorded during the period. The absence of new supply provided a temporary pause following several years of active deliveries, allowing recently completed developments to continue leasing up amid an increasingly selective occupier environment.

Completion activity is expected to accelerate in 2H2026, with Menara Golden Eagle in KL City, KL Midtown Signature Office Towers and Duo Tower in the KL Fringe, and The Capitol in Selangor – collectively contributing approximately 2.7 million sq ft of new office space.

The upcoming pipeline remains largely concentrated within integrated, transit-connected developments and backed by experienced developers, reinforcing the growing emphasis on quality, accessibility and ecosystem advantages across the market.

Recent developments continue to reflect a gradual shift towards higher sustainability, wellness and digital readiness standards in new office supply. Merdeka 118 recently attained the MD Nexus status and WELL Core Platinum certification, underscoring the growing emphasis on building quality, operational resilience and future-ready workplace environments.

As competition becomes increasingly quality-driven, newer developments are expected to compete more effectively for tenant demand while older buildings face greater pressure to upgrade and reposition.



Menara Golden Eagle in KL City was completed in 1H2026

Source: Golden Eagle



Menara Merdeka 118 was recently awarded:

- Malaysia's first MD Nexus-certified office tower
- WELL Core Platinum certification
- Recognition for enhanced fire safety standard

Source: EdgeProp

120.6 mil sq ft
Cumulative office stock

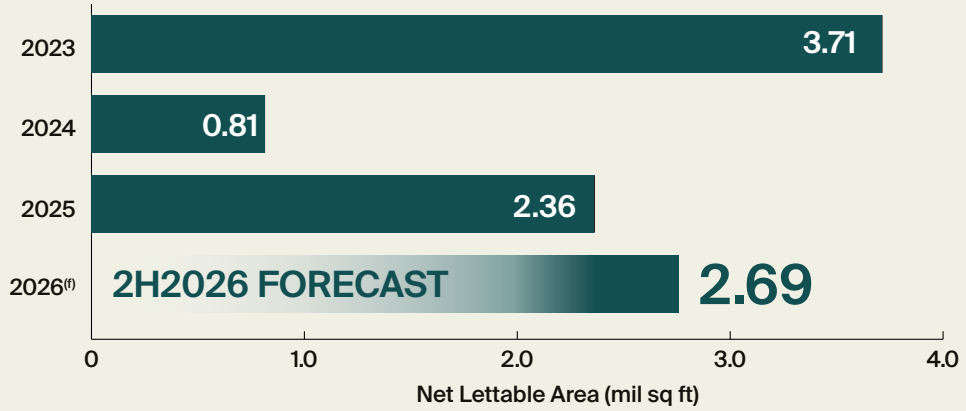
~2.7 mil sq ft
Expected in 2H2026: Menara Golden Eagle, KL Midtown Signature Office Towers, Duo Tower and The Capitol

2H2026 Pipeline Profile

Quality-led and strategically located developments

- Transit-connected locations
- Integrated mixed-use environments
- Increasing ESG / green-certified positioning
- Backed by established developers

Klang Valley: Annual Office Completions, 2023 to 2026(f)



Source: Knight Frank Research

KL City

72.5%

▲ +2.1 ppt vs 2H2025

RM 6.82 psf

▲ +1.4 pptvs 2H2025

KL Fringe

88.6%

▲ +0.4 ppt vs 2H2025

RM 5.90 psf

▲ +1.2 ppt vs 2H2025

Selangor

73.9%

▲ +1.1 ppt vs 2H2025

RM 4.34 psf

▲ +1.3 ppt vs 2H2025

Demand remained selective, with prime and connected assets continuing to capture occupancy and rental resilience

Occupancy levels were largely steady, with KL City at 72.5%, KL Fringe at 88.6%, and Selangor at 73.9%, reflecting a market that continues to absorb recent completions while maintaining selective leasing activity across established locations.

Demand remained primarily driven by a mix of footprint optimisation and relocation activity, as occupiers recalibrate space requirements in response to hybrid work arrangements, cost considerations, and operational efficiency targets. This has supported continued leasing interest in well-located, higher-specification assets, particularly within mature office clusters and integrated developments that offer strong connectivity and amenity access. Activity was most evident among financial services, tech and flex space operators, reflecting ongoing structural demand from knowledge-based and service-oriented industries.

Average rents recorded stable to modest gains across submarkets in 1H2026. KL City stood at RM 6.82 per sq ft per month, KL Fringe at RM 5.90 and Selangor at RM 4.34, in tandem with improving occupancy rates.

Performance dispersion grows increasingly pronounced, with prime and well-connected assets maintaining stronger pricing resilience, while older and less efficiently located buildings continue to experience leasing pressure. This widening gap underscores a more structurally segmented market, where rental performance is increasingly determined by building quality, connectivity and occupier alignment workplace environments.

Klang Valley: Average Occupancy and Rents by Grade, 1H2026(p)

Market	Average Occupancy (%)	% Change vs 2H2025	Average Rents (RM per sq ft)	% Change vs 2H2025
Average	77.0	▲ 1.4%	5.94	▲ 1.3%
Prime A+ & Grade A	78.7	▲ 2.2%	7.18	▲ 1.7%
Grade B	74.7	▲ 0.3%	4.29	▲ 0.4%

Sources: Knight Frank Research

Klang Valley: Selected Notable Tenant Movement, 1H2026

Building Name	Approx. Space (sq ft)	Remarks
KL City		
Merdeka 118	~666,000	**Moving In (Relocation)** • Two companies from banking and finance services
Plaza Conlay	~107,000	**Moving In (New Set Up)** • Co-working and flexi space provider
Vista Tower	~43,000	**Moving In (Expansion)** • Banking and finance services
Equatorial Plaza	~42,000	**Moving In (Expansion)** • Banking and finance services
KL Fringe		
Pavilion Damansara Heights Corporate Tower 1	~65,000	**Moving In (Relocation)** • Investment holding company
Menara TNB Bangsar	~53,000	**Moving In (Relocation)** • Pharmaceutical / life science sector • Insurance company
Plaza Zurich	~25,000	**Moving In (Relocation)** • Logistics sector
Mercu Aspire	~25,000	**Moving In (Expansion)** • Co-working and flexi space provider
Q Sentral	~33,000	**Moving In (Relocation)** • Natural Resources
Selangor		
Sunway Square Corporate Tower 1	~100,000	**Moving In (Relocation & New Set Up)** • Construction company • Co-working and flexi space provider
Prima 10	~72,000	**Moving In (Relocation & New Set Up)** • Two companies from Tech / IT sector
IOI City Tower 2	-32,000	**Moving In (Relocation)** • Industrial sector
Sentral Building 2	-99,000	**Moving Out (Downsize)** • Logistic company

Source: Knight Frank Research

OCCUPIER ACTIVITY & MARKET SIGNALS

Tech, consulting and business services firms continue to deepen their footprint

- Huawei has launched its new Huawei AI Lab and Innovation Centre in The Exhange 106 at TRX, spanning ~13,600 sq ft.
- Sunrate, a Singaporean global payment and treasury management platform, has opened a new, expanded office in Menara Binjai.
- Yamada Consulting & Spire inaugurated its new office space in Mercu Aspire, signaling a shift from manufacturing to 'co-creation' in Japan-Malaysia ties.
- Zoho Corporation, a tech company from India, opens its Subang Jaya office to strengthen its presence in Malaysia's startup and digital ecosystem.
- Argon & Co – a global management consultancy, launches its 8th Asia-Pacific office in Kuala Lumpur as part of its strategic expansion in the region.

Banking occupiers consolidate into prime office developments

- Maybank has moved to Menara Merdeka 118, occupying ~650,000 sq ft across 33 floors, while Bank of America has inaugurated its new office within the same building.
- Alliance Bank Malaysia Bhd has relocated to Menara Alliance Bank from its previous headquarters in Menara Multi-Purpose.

New policy initiatives to strengthen Malaysia's digital economy and investment ecosystem

- Effective 1 January 2026, MDEC's Malaysia Digital Location Recognition (MDLR) framework replaced the previous MD Cybercity/Cybercentre model, introducing the MD Nexus designation and a clearer certification pathway for office developments targeting digital economy occupiers, with greater emphasis on infrastructure, business environment and operational readiness.
- The New Incentive Framework (NIF), expected to be implemented for the services sector in 2Q2026, introduces a more outcome-driven approach to investment incentives centred on value creation, talent development and sustainability outcomes. Existing Malaysia Digital tax incentives will remain in place until end-2027, ensuring continuity during the transition period.



Flex space expansion reflects rising demand for differentiated, connectivity-driven workspace solutions

Brand	Location	Remarks
WORQ	Mercu Aspire	• 34,000-sq ft WELL-certified coworking facility • Malaysia's first coworking space with WELL Coworking Rating • Wellness-focused amenities and strong rail connectivity • Fully occupied upon opening
	Menara Shell	• New outlet expands KL Sentral footprint to ~60,000 sq ft • Fully occupied upon opening
IWG (Spaces)	Republik TTDI	• 24,700-sq ft premium flexible workspace • Mix of private offices, coworking and collaborative spaces
IWG (Express)	Crowne Plaza	• First Regus Express concept in Malaysia • ~1,600-sq ft hotel-based workspace format • Targets mobile professionals and business travellers
JustCo	Menara Hap Seng 3	• Singapore-listed flex workspace operator • Marks entry into the Malaysian market • Biophilic design with direct MRT/LRT connectivity

Source: Knight Frank Research

Investors remained selective amid evolving office market fundamentals

Office investment activity remained selective, with transactions centred on strategic acquisitions and capital recycling initiatives. Notable deals included Menara AmBank (RM331 million), Menara Liberty (RM45 million) and Wisma HELP (RM60 million). Together, these transactions reflect continued demand for well-located office assets despite a more measured investment environment.

IOI Properties has also proposed injecting Puchong Financial Corporate Centre and IOI City Towers into its proposed REIT listing, reflecting continued interest in monetising stabilised income-producing assets.

Klang Valley: Notable Investment Sales & Transactions, 1H2026(p)

Building Name	Location	Approx. NLA (sq ft)	Consideration (RM million)
Menara Ambank	Jalan Yap Kwan Seng	453,419	331
Menara Liberty	Jalan Sultan Ismail	-	45
Wisma HELP	Bukit Damansara	97,099	60
Puchong Financial Corporate Centre (Towers 1, 2, 4 & 5)	Puchong	854,977	440
IOI City Towers	Putrajaya	982,617	540

Sources: JPPH / Bursa Announcements / Knight Frank Research

JOHOR

7.2 mil sq ft
Cumulative office stock

Grade A
~2.0 mil sq ft
48.4% occupancy
▲+4.9 ppt vs 2H2025

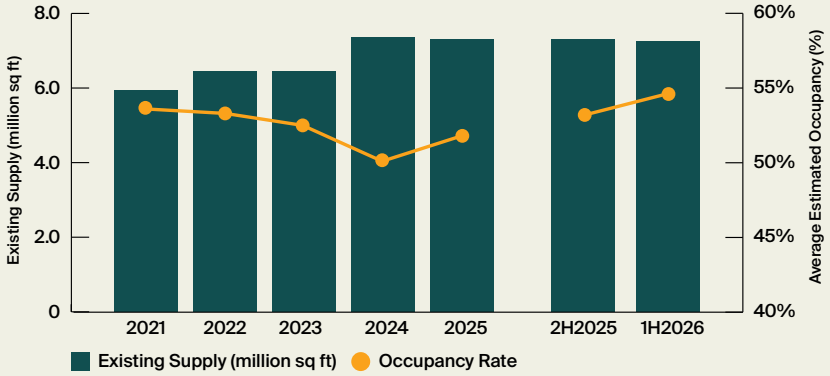
Grade B
~5.2 mil sq ft
57.0% occupancy
▲+0.2 ppt vs 2H2025

Limited new supply continues to support market absorption and occupancy growth

As of 1H2026, the cumulative supply of selected office space in Johor Bahru contracted marginally by 1.4% to circa 7.2 million sq ft. This is attributable to temporary withdrawal of a PBO from the leasing market for asset enhancement initiative. In the absence of significant new office supply in the near term, the Johor Bahru office market is expected to remain in an absorption-driven phase. Nevertheless, a number of mixed-use developments in the planning pipeline continue to include office components as part of their master plans, reflecting developers' continued confidence in the long-term growth potential of the office sector.

The average occupancy rate across Johor Bahru trended upward to 54.6% in 1H2026, underpinned by continued tenant demand for premium Grade A office spaces. In particular, average Grade A office occupancy recorded an increase of 4.9% from 2H2025, significantly outpacing Grade B office spaces which registered a marginal growth of 0.2%.

Johor Bahru: Cumulative Supply and Average Estimated Occupancy, 2021 to 1H2026



Sources: NAPIC / Knight Frank Research

Office buildings are attracting increasingly diverse occupier profiles amid evolving workplace preferences

Grade A office space in Johor Bahru is experiencing a growing influx of appointment-based, high-end retailers such as aesthetic clinics and bridal galleries. This trend represents a mutually beneficial market dynamic: it allows retailers to leverage premium corporate environment at a substantial discount to retail mall rates, while optimising the overall office building occupancy.

Supported by sustained hybrid work trends and growing enterprise demand, the flexible workspace sector continued to scale during the review period. Klang Valley–based Co-labs marked its maiden expansion into southern region by launching a 14,000-sq ft outlet at MVS South Tower, while homegrown operator INFINITY 8 further solidified its dominant local market position by expanding its high-end 'Reserved' portfolio at Menara IIB. Both moves signal sustained operator confidence and rising corporate demand for premium, flexible real estate solutions in the region.



Gelly Wee @ MVS South Tower

Source: Gelly Wee Wedding Gown



Co-labs coworking @ MVS South Tower

Source: Co-labs coworking

Limited new supply continues to support market absorption and occupancy growth

Average asking rental rates across the Johor Bahru office market remained largely stable in 1H2026, with the exception of the Iskandar Puteri submarket which demonstrated an upward adjustment fueled by tightening availability within Grade A inventory.

Despite Grade A offices command higher asking rents ranging from RM 4.00 to RM 6.00 per sq ft, the average rental rates across Johor Bahru held steady between RM 3.10 to RM 3.80 per sq ft. This variance is primarily due to the high composition of Grade B inventory in the market, which continues to moderate overall rental averages.

Johor Bahru: Average Asking Rental for Selected PBOs, 2H2025 and 1H2026

Locality	2H2025 (RM per sq ft)	1H2026 (RM per sq ft)	Rental Trend
Johor Bahru City Centre	3.30 – 3.80	**3.30 – 3.80**	◀ ▶
Johor Bahru Fringe	3.10 – 3.40	**3.10 – 3.40**	◀ ▶
Iskandar Puteri	3.40 – 3.70	**3.60 – 3.80**	▲

Source: Knight Frank Research

The flight-to-quality trend continue to drive demand for premium office assets

During 1H2026, the Johor Bahru office market recorded steady momentum, primarily driven by strategic corporate relocations and new market entries. Active leasing interest within Grade A office space remained evident, highlighted by significant space absorption at MVS North & South Tower (each over 30,000 sq ft) and Menara IIB (over 60,000 sq ft) during the review period.

Notably, the professional services sector continues to anchor demand for prime Grade A office spaces, with occupiers placing high premiums on building amenities, accessibility and corporate prestige. Key institutional movements included Grant Thornton establishing its presence at MVS North Tower, along with PwC securing premier space within MVS South Tower.

This wave of relocations highlights how corporate occupiers are actively adjusting their physical footprints to align with global corporate standards and evolving business requirements, further consolidating demand around well-positioned, premium office assets.

Johor Bahru: Selected Notable Tenant Movement, 1H2026

Building Name	Approx. Space (sq ft)	Remarks
Johor Bahru City Centre		
Menara JLand	~ 14,000	**Moving In** • IT • Advertising • Construction
Menara Landmark	~ 10,000	**Moving In** • Property developer
Johor Bahru Fringe		
MVS North Tower	~ 33,000	**Moving In** • Consultancy • IT • Recruitment • Logistics • Manufacturing
MVS South Tower	~ 34,000	**Moving In** • Consultancy • Retail • Tobacco company • Coworking space
Iskandar Puteri		
Menara IIB	~ 63,000	**Moving In** • Business process outsourcing (BPO) • Building material supplier • Coworking space

Source: Knight Frank Research

PENANG

8.2 mil sq ft
Cumulative office stock

Penang Island
6.7 mil sq ft

Seberang Perai
1.5 mil sq ft

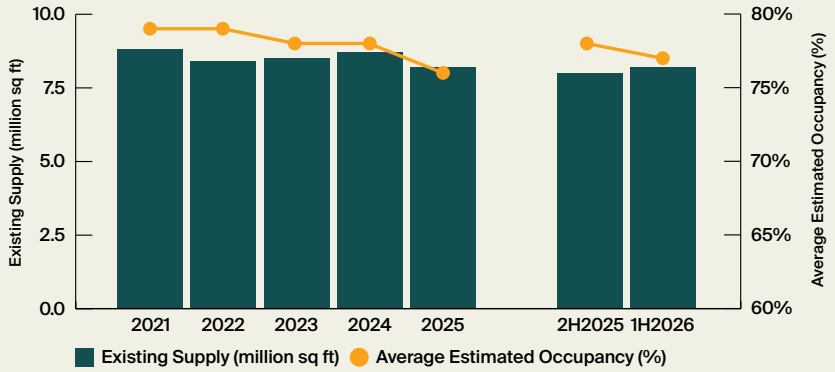
Penang's office market continues to expand, supporting the state's role as a key business and technology hub

During 4Q2025, GBS@Penang Airport in Bayan Lepas, with approximately 428,000 sq ft of NLA was completed and added to Penang's office stock.

During 1H2026, Penang's office market recorded a modest increase in supply following the completion of The Light Exchange in Gelugor, which added approximately 176,000 sq ft of NLA. As a result, the total stock of privately-owned office space rose to approximately 8.2 million sq ft, comprising 6.7 million sq ft on Penang Island and 1.5 million sq ft in Seberang Perai.

Looking ahead, GBS@Technoplex is expected to introduce approximately 450,000 sq ft of office space upon its completion in 2028, supporting future office supply growth and reinforcing Penang's position as a leading global business and technology hub in the northern region.

Penang: Cumulative Supply and Average Estimated Occupancy, 2021 to 1H2026



Sources: NAPIC / Knight Frank Research



Sources: IJM Perennial Development Sdn Bhd

The Light Exchange

- Expanding Penang's premium office offering

- The Light Exchange forms part of a 34-storey mixed-use development within The Light City, comprising premium office space above the hospitality component occupied by JdV by Hyatt and Galaxy Minyoun Penang The Light City Hotel.
- Designed for modern business needs and hybrid work environments, the office tower features nine floors (from Level 4 to Level 12), with full floor sizing of 19,500 sq ft.
- IJM Land Penang will be also relocated its office from Menara IJM to The Light Exchange in June 2026.



Sources: Ideal Property Group

GBS@Penang Airport

- Leveraging on Airport Connectivity

- Situated right in front of Penang International Airport, GBS@Penang Airport is Malaysia Digital (MD)-compliant office building with freehold tenure. The two 21-storey towers offer a total NLA of 428,000 sq ft, with various sizes ranging from 2,645 sq ft to 20,883 sq ft.
- Facilities are provided within the building, such as gym, cafeteria, function rooms and meeting rooms. The office tower can be an alternative option to global business services or logistics service providers who wish to relocate their operation within Bayan Lepas area.

Penang Island

81.4%

▲ +1.3 ppt vs 4Q2025

Sebarang Perai

59.1%

▲ +0.2 ppt vs 4Q2025

Improved occupancy on Penang Island office market

Office buildings on Penang Island recorded a modest improvement in occupancy, rising from 80.1% in 4Q2025 to 81.4% in 1Q2026. Similarly, the average occupancy rate in Seberang Perai increased marginally from 58.9% to 59.1% over the same period. Occupancy levels across most localities remained broadly stable, although George Town and Seberang Jaya registered stronger gains of 1.8% and 1.1% respectively, reflecting continued office space absorption in these areas.

During the review period, selected office buildings in George Town remained stable with average occupancy rates above 80%. Outside the locality of George Town, there are several premium-grade office buildings, including Menara IJM in Jelutong, Suntech @ Penang Cybercity, GBS@Mahsuri and GBS@Mayang in Bayan Baru, recorded relatively higher occupancy levels, ranging between 90% to full occupancy.

Newly completed office developments also recorded encouraging committed occupancy levels, with The Light Exchange reported to be approximately 90% committed while GBS@Penang Airport achieved around 80% committed occupancy. The strong commitment levels reflect continued demand for quality office space, particularly from Global Business Services (GBS), technology-related and corporate occupiers seeking modern office facilities with good accessibility, connectivity and proximity to established commercial hubs.

Stable rentals across office buildings

The asking rentals of selected Grade A and Grade B office buildings in George Town, Gelugor, Bayan Baru and Air Itam remained constant during the review period, ranging between RM 3.00 to RM 6.50 per sq ft per month depending on location, accessibility and building specifications.

Nevertheless, The Light Exchange in Gelugor has achieved higher asking rentals compared to existing office buildings, underpinned by the demand for modern and high-quality office space. Its strategic location and proximity to a future Mutiara LRT station are expected to further enhance its attractiveness by providing improved connectivity and commuting convenience for the workforce.

Penang Island: Asking Rentals of Selected Offices, 1H2026

Building Name	Asking Gross Rentals (RM per sq ft / month)
George Town	
Hunza Tower	5.00[1]
Menara Boustead Penang	3.30
Menara KWSP	3.00
Al-Bukhary Building / WOU	3.60[2]
Menara Livingston	5.00
MWE Plaza	3.00
Wisma Great Eastern	3.00
Gelugor	
Menara IJM Land	4.50
The Light Exchange	6.50
Bayan Baru / Bayan Lepas	
GBS@Mayang	5.20[2]
GBS@Mahsuri	5.00[2]
One Precinct	4.50[2]
SunTech@Penang Cybercity	4.50[3]
GBS@Penang Airport	4.50[4]
Air Itam	
Sunshine Tower	5.00[2]

Notes:
1. Passing Rent
2. MSC Status Tier 1
3. MSC Status Tier 2
4. Malaysia Digital (MD) compliance

Sources: NAPIC / Knight Frank Research

SABAH

Kota Kinabalu

5.2 mil sq ft
Cumulative office stock

83.9%
Occupancy rate
▲ +0.6 ppt vs 4Q2025

Office market records modest growth amid stable rental conditions

In 1Q2026, the total supply of privately-owned purpose-built office space in Kota Kinabalu increased slightly to 5.2 million sq ft. This growth was driven by the completion of Wisma Hap Seng @ Jesselton Hill, located along Jalan Tuaran, Kota Kinabalu, which added approximately 28,000 sq ft of NLA to the market.

The overall occupancy rate registered a marginal increase at 83.9% in comparison to 4Q2025 at 83.3%.

In 1H2026, the asking gross rentals for office spaces within the Kota Kinabalu Central Business District (KK CBD) and its Southern Fringe remained unchanged from RM 2.30 to RM 5.50 per sq ft per month. For Karamunsing locality, the asking gross rentals for similar office spaces also maintained from the previous half, recording between RM 2.00 and RM 2.30 per sq ft per month.

OGSE sector growth supports office demand in Kota Kinabalu

The Kota Kinabalu corporate office market has experienced a profound shift toward premium space absorption, primarily catalysed by the state's aggressive push for 60% local contract ownership in the Oil and Gas Services and Equipment (OGSE) sector by end of 2026, alongside continued growth in the banking industry. This economic momentum has accelerated space demand among energy entities and the supporting supply chain vendors. Aside from premium office spaces, there is also an increasing demand for plug-and-play office spaces to accommodate "project based" needs.

Kota Kinabalu: Asking Rents of Selected Offices, 1H2026

Building Name	Asking Gross Rentals (RM per sq ft / month)
Kota Kinabalu CBD	
Plaza Shell	5.50
Menara MAA	2.30 – 3.50
Wisma Great Eastern	2.40 – 3.00
Wisma Sabah	2.50 – 2.90
Southern Fringe of KK CBD	
Riverson Suites	3.50 – 4.00
Karamunsing	
Wisma BSN	2.00 – 2.30

Note: The asking rental of selected purpose-built offices are based on units sized at 1,000 sq ft and above.

Sources: NAPIC / Knight Frank Research

SARAWAK

6.7 mil sq ft
Cumulative office stock

88.0%
Occupancy rate
▼ -0.1 ppt vs 4Q2025

Office supply growth remains focused in established office markets

Sarawak's office market continued to record supply growth in 1Q2026, with new additions largely concentrated in Kuching and Miri. The concentration of development activity within these locations reflects developers' preference for established business centres supported by stronger occupier demand and economic activity.

As the state's primary commercial and administrative centre, Kuching accounted for the largest share of new completions, further reinforcing its dominance within Sarawak's office market. Meanwhile, Miri remained the only district with incoming office supply, highlighting continued confidence in the city's long-term growth prospects and its expanding role as a regional business hub.

The continued expansion of office stock in these key markets underscores sustained development momentum and suggests that future office growth is likely to remain focused on established commercial centres with deeper occupier pools and stronger business ecosystems.

Sarawak: Cumulative Supply of Office Space in Selected Localities, 1Q2025 and 1Q2026

Locality	1Q2025		1Q2026		Supply Trend
	No. of Offices	Total Space (million sq ft)	No. of Offices	Total Space (million sq ft)	
Kuching	54	4.25	58	4.94	▲
Miri	7	0.61	9	0.74	▲
Bintulu	3	0.11	3	0.11	◀▶
Samarahan	2	0.26	2	0.26	◀▶

Sources: NAPIC / Knight Frank Research

Differing performance across districts highlights the varying stages of market maturity within Sarawak's office sector

Kuching continued to outperform at 90.2%, as the state's principal administrative and commercial centre, while Samarahan maintained the highest occupancy levels at 97.5%, supported by its relatively limited office stock and absence of any significant new supply.

In contrast, Miri experienced a modest moderation in occupancy amid ongoing supply expansion, reflecting the market's adjustment to additional office stock. Nevertheless, the presence of incoming developments suggests continued confidence in the district's longer-term growth trajectory.

Demand remains concentrated in established commercial and administrative centres, while emerging office markets continue to focus on absorbing existing and incoming supply.

Sarawak: Average Occupancy of Office Space by Locality, 1Q2025 and 1Q2026

Locality	Occupancy Rate (%)		Supply Trend
	1Q2025	1Q2026	
Kuching	90.2	90.2	▲
Miri	70.2	70.5	▲
Bintulu	53.0	56.6	▲
Samarahan	99.6	97.5	▼

Sources: NAPIC / Knight Frank Research

Economic and infrastructure initiatives expected to support future office demand

The proposed Batang Baram Delta development represents a significant long-term economic initiative aimed at attracting investment and expanding industrial and maritime-related activities in Miri. The project has the potential to enhance the city's role as a regional business centre and support future demand for office and commercial space.

Complementing this, ongoing infrastructure investments across Sarawak under the 12MP continues to improve accessibility and connectivity throughout the state. These initiatives are expected to strengthen economic competitiveness, encourage business activity and provide a supportive foundation for sustained office market growth.

MARKET OUTLOOK

Klang Valley

The Klang Valley office market is increasingly characterised by structural differentiation, with performance outcomes being shaped by building quality, connectivity and alignment with evolving occupier requirements. This divergence is becoming more pronounced across submarkets and asset classes as market activity shifts towards a more selective, quality-driven environment.

On the supply side, upcoming completions in 2H2026 will add meaningful new space to the market, with much of the pipeline largely concentrated within integrated, transit-connected developments and established office ecosystems that continue to anchor occupier activity. The composition of new supply is reinforcing a clearer distinction between future-ready developments and older, less adaptable stock.

As competition becomes increasingly quality-driven, the performance gap between prime and secondary assets continues to widen. Newer developments with stronger specifications, certifications and ecosystem advantages are gradually capturing a larger share of leasing demand, while older stock faces growing reliance on refurbishment and repositioning strategies to remain competitive.

Against this backdrop, occupancy and rental performance are expected to remain uneven. Resilience is likely to remain concentrated in well-located, future-ready assets, while demand conditions continue to be shaped by workplace optimisation strategies and selective expansion activity, particularly among technology, business services, financial institutions and flexible workspace operators. This is supported by Malaysia's positioning as a regional digital and services hub, although global economic uncertainty and ongoing workforce rationalisation across selected sectors may moderate expansion momentum in the near term. Capital allocation is also expected to remain disciplined, with preference for assets demonstrating income stability and strategic alignment.

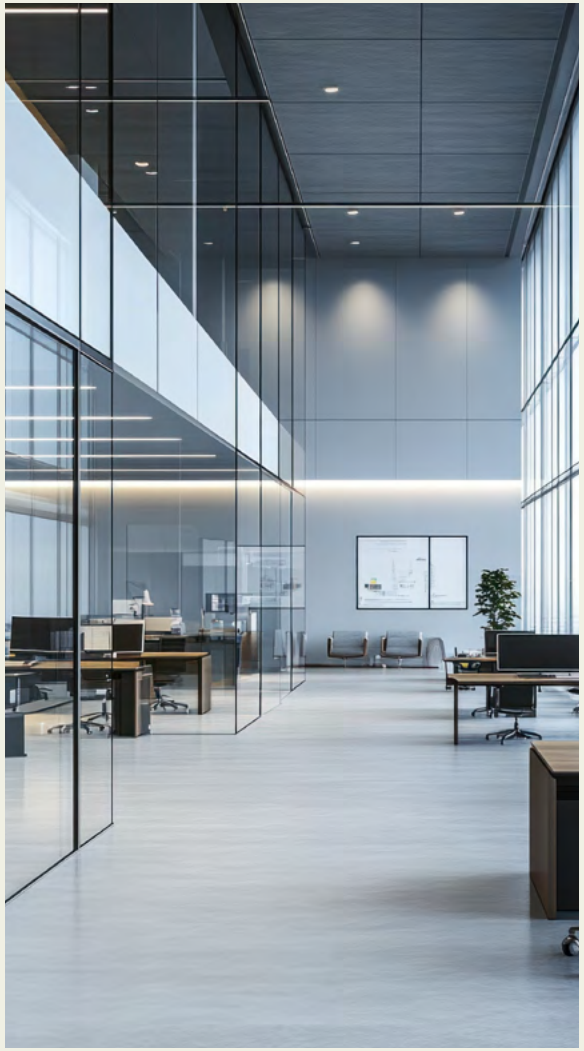
Johor

The Johor Bahru office market recorded a stagnant near-term pipeline which presents an opportunity for market stabilisation. Rather than defending against a wave of new inventory, the market has entered a consolidation phase that accelerates the absorption of existing vacancies. Resilience persists within premium office assets, as modern buildings featuring institutional addresses, superior M&E provisions and integrated lifestyle components continue to dominate occupier demand.

Conversely, secondary office inventory faces intensifying tenant retention challenges unless landlords proactively undertake asset enhancement initiatives to align with evolving market expectations. This market polarisation has moderated overall rental growth across the sector, as Grade B assets – which comprise the larger share of the market inventory – maintain stable asking rents to position themselves as cost-effective alternatives.

Driven by major policy and infrastructure catalysts such as the JS-SEZ framework and the upcoming RTS Link, Johor Bahru is gradually repositioning itself as a cost-effective, well-connected corporate destination within the cross-border growth corridor. Beyond traditional corporate tenants, the office sector is gaining alternative momentum from appointment-based retailers migrating into corporate assets – a trend further supercharged by cross-border spending power as Singaporean consumers cross the border to seek out premium services at a fraction of the cost.

Over the long term, the local office sector is projected to transition from a phase of defensive resilience into an era of strategic relevance, with demand continuing to favor high-quality, well-located office spaces.



Penang

Penang's purpose-built office market is expected to remain stable, supported by sustained demand for modern and high-specification office spaces. Occupiers are anticipated to continue favouring newly completed and well-located developments offering enhanced building specifications, integrated amenities and improved accessibility. This trend is evidenced by the strong market reception towards The Light Exchange in Gelugor, which has established a new benchmark for asking rentals on Penang Island, alongside encouraging commitment levels observed in other newly completed office developments such as GBS@Penang Airport.

Nevertheless, older office buildings may face increasing competitive pressure as occupiers progressively migrate towards newer and better-quality office spaces. The office market is also witnessing a gradual shift away from traditional office precincts towards integrated mixed-use developments, reflecting evolving occupier preferences and changing workplace requirements. Despite the completion of The Light Exchange, the relatively modest pipeline of purpose-built office developments on Penang Island is expected to prevent significant oversupply, contributing to a more balanced office market.

Sabah

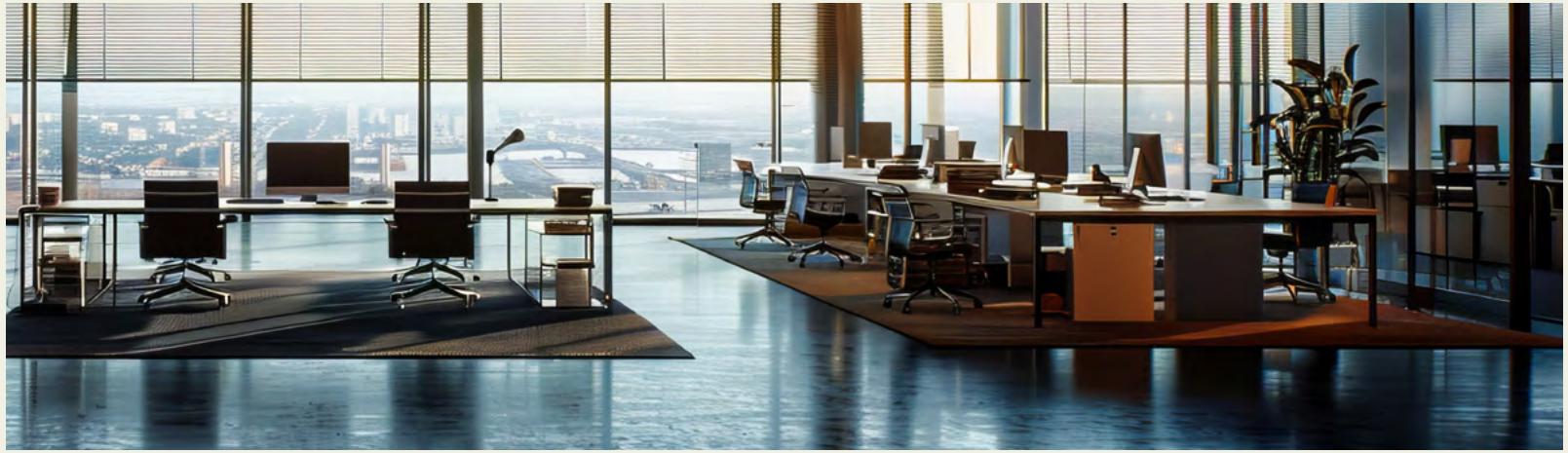
The purpose-built offices in Kota Kinabalu are poised for improved occupancy levels, driven by a confluence of local energy sector mandates and financial upgrades that are heavily consolidating demand around corporate, modern, and tech-enabled spaces. The state's aggressive 60% local OGSE contract ownership target is forcing a substantial scale-up of local operations and workforces, while simultaneously compelling international and national players to form strategic partnerships with domestic vendors to create new corporate entities requiring larger physical footprints.

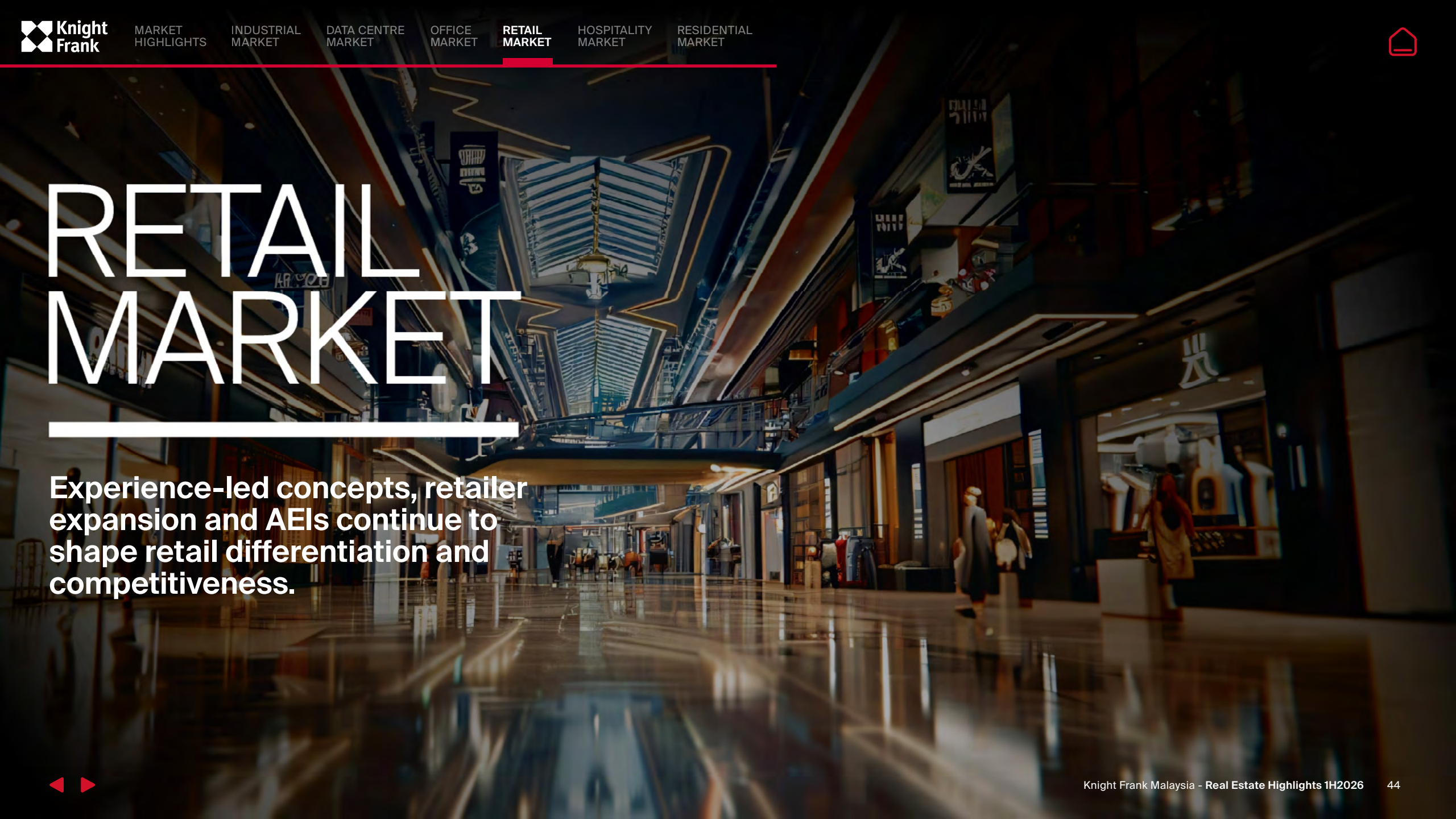
Sarawak

Sarawak's office market is expected to remain supported by ongoing economic and infrastructure development initiatives that strengthen the state's long-term investment appeal. Major projects such as the proposed New Kuching International Airport (NKIA), Batang Baram Delta development and infrastructure investments under the 12MP are expected to enhance connectivity, facilitate business activity and support future office demand.

Beyond traditional growth drivers, initiatives under the Post-COVID-19 Development Strategy 2030 (PCDS 2030) and Sarawak Digital Economy Blueprint 2030 (SDE 2030) are expected to support the expansion of technology, professional services, manufacturing, energy and logistics sectors. The state's growing emphasis on AI, digital transformation and innovation is also expected to strengthen Sarawak's position as an emerging technology and knowledge-based economy, reinforcing demand for quality office space.

Demand is likely to remain concentrated in Kuching and Miri. While Kuching continues to serve as the state's primary administrative, commercial and technology hub, Miri is expected to benefit from growing industrial, maritime and energy-related activities. Collectively, these factors are expected to support stable occupier demand and underpin the long-term growth of Sarawak's office market.





RETAIL MARKET

Experience-led concepts, retailer expansion and AEIs continue to shape retail differentiation and competitiveness.

MARKET PERFORMANCE

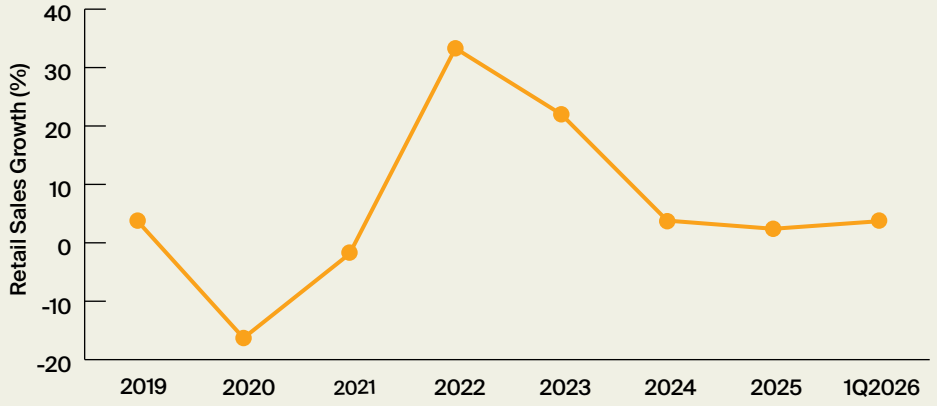
1Q 2026
3.7%
Retail Sales Growth

Malaysia's retail sector sustained its growth momentum in 1Q2026, with retail sales growing 3.7% y-o-y, supported by festive spending during Chinese New Year and Hari Raya Aidilfitri, as well as government cash assistance programmes under STR and SARA. The early distribution of these incentives helped sustain household spending, particularly across grocery, convenience and everyday consumption categories. Tourism also remained supportive, with Malaysia recording 10.7 million foreign visitor arrivals in 1Q2026, benefiting key urban and tourism-oriented retail destinations.

Looking ahead, retail demand is expected to remain supported by continued government assistance, resilient domestic consumption and the Visit Malaysia Year 2026 campaign, which is expected to drive higher tourism spending. The increased allocation of RM 15 billion under the STR and SARA programmes is anticipated to provide continued support for household expenditure, particularly among lower- and middle-income consumers.

Nevertheless, retailers are expected to face a more challenging operating environment in 2H2026. Prolonged geopolitical tensions in the Middle East have contributed to higher fuel, logistics, material and operating costs, while inflationary pressures have become increasingly evident across a broad range of goods and services. Although the impact on retail spending has remained relatively limited thus far, sustained cost increases could gradually erode household purchasing power and moderate discretionary spending. Nonetheless, the sector is expected to remain supported by essential spending and tourism-related demand.

Malaysia: Retail Sales Growth, 2019 to 1Q2026



Sources: Malaysia Retailers Association (MRA) / Knight Frank Research



KLANG VALLEY

74 mil sq ft
Existing Retail Space Supply

2.2 mil sq ft
Expected in 2H2026: Coalfield Retail Park, Ombak KLCC, 118 Mall, AEON KL Midtown

Asset enhancement initiatives reflect ongoing market repositioning

Despite no major shopping centre openings in 1H2026, landlords continued to invest in asset enhancement initiatives (AEIs) to maintain competitiveness and respond to evolving consumer preferences.

At The Mines, plans are underway to upgrade canal-front retail spaces with curated F&B offerings, alongside the replacement of Lotus's with Jaya Grocer by end-2026. The initiative reflects the growing emphasis on refreshing tenant mixes, strengthening experiential offerings and enhancing overall shopper engagement.

Upcoming developments highlight new retail directions

Several notable retail developments are scheduled to enter the Klang Valley market in 2H2026, including Coalfields Retail Park, Ombak KLCC, 118 Mall and AEON Mall KL Midtown.

These upcoming developments are introducing new concepts that place greater emphasis on experience, placemaking and mixed-use integration, reflecting the continued evolution of shopping centres from traditional retail venues into broader lifestyle destinations.

Growing integration of experiential and leisure-driven components designed to encourage longer dwell times and repeat visitation

Coalfields Retail Park incorporates family-oriented attractions such as an ice-skating rink, indoor playground and pickleball facility alongside its retail offering, while 118 Mall and Ombak KLCC are introducing event spaces, cultural attractions, art galleries and curated public experiences.

The increasing allocation of space towards entertainment, recreation and community activities highlights developers' efforts to differentiate physical retail environments from online channels by creating destinations centred on engagement and social interaction rather than purely transactional shopping.

Mixed-use integration continues to shape new retail developments, particularly within city-centre locations

Ombak KLCC, 118 Mall and AEON KL Midtown form part of larger ecosystems comprising offices, hotels, residences and tourism attractions, providing multiple sources of demand.

Direct connectivity to MRT, LRT and monorail networks further enhances accessibility and catchment reach. As retail competition intensifies, developments that successfully combine experiential offerings, strong connectivity and diverse demand drivers are expected to be better positioned to sustain long-term performance.

Incoming Retail Space Supply, 1H2026



Coalfield Retail Park
460,000 sq ft

Source: KLK Land



118 Mall
800,000 sq ft

Source: Merdeka 118



Ombak KLCC
420,000 sq ft

Source: Ombak KLCC



AEON KL Midtown
367,000 sq ft

Source: The Edge

RETAILER ACTIVITIES & MARKET SIGNALS

Retail expansion continues despite market headwinds

Expansion across F&B, lifestyle and specialty retail segments underscore retailers' long-term commitment to physical store networks, while new brand entry suggests confidence in Klang Valley's growth potential.

Retailers are adopting a more measured approach towards expansion. While MBO Cinemas ceased operations entirely, store closures in 1H2026, such as Starbucks, KyoChon and Fuiyoh! It's Uncle Roger, were largely concentrated among underperforming outlets.

Notable New Entrants in Selected Retail Malls, 1H2026

Retail Mall	Expansion	Maiden Entry
Suria KLCC	Undefeated, Gentle Monster, Kamakura	Yves Rocher, Marithé+-François
Pavilion Kuala Lumpur	Cinnabon, Rituals, 108 Matcha Saro, JNBY, HLA, Anta Palace	NaiSnow
Mid Valley Megamall	Jollibee, Marrybrown, DI Studios, Empire Sushi, Kaby Edition, Stanley	TP-Link
The Gardens	Breitling, Alo, Hock Kee Kopitiam	Neverlab
Sunway Pyramid	D'Lap Family Drift, The Perfume Shop, MKB, Oh Cha Matcha, Gatcha, The Rare Select, CaseBang, Fei Fei Crab, Wilson, Love Lukfook Jewellery, AceCards & Collectibles	Gentlewoman, Topten10, Miniso Land
One Utama	Chez Choux, Lucky Cup, Moomoo Trade, Mossery, ShanTea Dessert, Tai Ho Jiak, Verona Hills Bread & Patisserie, Tous Les Jours, La Mer, Bretzel & Co, I'm Bagel, India Gate Restaurant, Biba, Chu Chat, Nak Nak, Dan John, anillO, Glory Crafts	-
The Exchange TRX	Kantik by Goyo, Flying Tiger Copenhagen	HMNS Perfume, Grown Alchemist, Bobby's Burgers

Source: Knight Frank Malaysia

Necessity-based retail segments remain resilient amid evolving consumer behavior

Expansion by Jaya Grocer, Village Grocer, NSK Grocer and Lotus's, alongside Lotus's Malaysia's acquisition of The Food Purveyor for RM 1.7 billion and XL Holdings' acquisition of 34 Giant Mini outlets, reflects ongoing consolidation and growth within the grocery sector.

Meanwhile, the continued earnings growth of 99 Speed Mart, MR D.I.Y. and Eco-Shop highlights sustained demand for affordable everyday essentials and value-driven offerings. As household spending becomes increasingly selective, value-oriented retailers remain well-positioned to capture demand due to their defensive nature and broad consumer appeal.

Experience remains central to retail strategies, although technology is emerging as an increasingly important enabler of future growth

Retailers are increasingly differentiating themselves through immersive concepts, flagship formats and experience-led retailing. Recent openings such as Miniso Land, Miniso Friends, Southeast Asia's first Godzilla Store, Toys "R" Us's IP-focused flagship store and The Gundam Base Malaysia reflect the growing popularity of IP-driven retail experiences that combine shopping with entertainment and brand engagement.

Vivo and Anker's new outlets in IOI City Mall incorporate experiential concepts that enable greater product interaction, while NSK Grocer's technology-enabled concept at Central i-City highlights the increasing role of innovation in enhancing operational efficiency and customer engagement. Beyond physical store concepts, AEON360's collaboration with Google Cloud to develop an AI-driven shopping ecosystem signals the growing adoption of data-driven technologies to deliver more personalised customer experiences and strengthen omnichannel retail capabilities.

Halal continues to shape retail and F&B strategies

Although halal certification has long been established within the Malaysian retail landscape, an increasing number of retailers are expanding their halal-certified offerings to capture broader market opportunities. This include Johnny's Restaurant, Black Canyon, Shake Shack, Jipinhe Scones and Auntea Jenny.

UAE-based Lulu Hypermarket's also plans to source RM 400 million worth of halal products from Malaysian suppliers for global distribution, which is expected to create new opportunities for local retailers, while further reinforcing Malaysia's position as a leading halal hub.

Growing pipeline of retail-related IPOs signals long-term confidence

Following the successful listings of Empire Sushi, Semico Capital, RT Pastry, Rest N Go and Bentley Music Group, proposed listings of KK Super Mart, EMPG Group and Panda Eyes indicate retailers increasingly leveraging on capital markets to fund expansion, enhance operations and strengthen market presence. The trend reflects the growing maturity of local retail brands and underscores the long-term attractiveness of Malaysia's consumer sector despite near-term economic uncertainties.

REIT activity continues to support capital recycling and asset monetisation

Retail investment activity remained selective during the review period, with KIP REIT's acquisition of Setapak Central Mall from Festiva Mall Sdn Bhd, an indirect subsidiary of Frasers Property Ltd, underscoring continued investor confidence in well-performing retail assets. Spanning 514,777 sq ft of NLA and recording a near-full occupancy rate of 99.9%, the mall was acquired for RM 435 million at an attractive yield of 7.2%, reflecting the strength of its underlying income stream.

The proposed establishment of IOIPG REIT, comprising a diversified portfolio of retail, office and hotel assets valued at approximately RM 7.6 billion, including IOI City Mall with a proposed consideration of RM 5.1 billion, represents one of the largest potential REIT exercises in recent years. Separately, S P Setia has reportedly started pre-IPO works for a REIT listing involving a mix of retail, office, educational and convention assets. Setia City Mall is currently a key retail asset within its existing portfolio.

Rental performance was supported by continued retailer expansion and resilient consumer spending

Mega malls continued to command the strongest rental levels, with assets such as Mid Valley Megamall, Sunway Pyramid and Pavilion Bukit Jalil recording notable rental growth, reflecting their ability to attract both international and domestic retailers.

Regional malls displayed a more mixed performance. Suria KLCC and The Gardens Mall maintain high rental rates while secondary assets faced greater rental pressure. Within the neighbourhood mall segment, rental growth was concentrated among better-positioned assets, indicating that tenant demand continues to favour malls with strong accessibility, established catchment and relevant tenant mix.

Klang Valley: Average Gross Revenue for Selected REIT Malls, 2024 and 2025

Retail Malls	Average Gross Revenue (RM per sq ft / month)		Trend
	2024	2025	
Mega Mall			
Pavilion Kuala Lumpur	31.07	**31.07**	◀▶
Mid Valley Megamall	20.17	**21.31**	▲
Sunway Pyramid	18.53	**19.51**	▲
Pavilion Bukit Jalil	9.68	**10.84**	▲
Regional Mall			
Suria KLCC	45.32	**44.72**	▼
The Gardens Mall	18.95	**20.19**	▲
Sunway Putra Mall	7.81	**7.85**	▲
The Mines	4.76	**4.48**	▼
Neighbourhood Mall			
Elite Pavilion Mall	26.88	**31.25**	▲
Intermark Mall	10.72	**11.53**	▲
3 Damansara	4.75	**4.19**	▼
Subang Parade	5.60	**5.00**	▼
Sungei Wang Plaza	4.70	**5.48**	▲
DA MEN Mall	2.61	**1.85**	▼

Source: REITs Annual Report 2024 & 2025

Occupancy performance remained healthy, supported by active leasing momentum and strong tenant retention

Mega and regional malls largely sustained occupancy rates above 90%, reflecting strong tenant retention. Occupancy gains at Pavilion Bukit Jalil, The Gardens Mall and The Mines suggest improving leasing momentum, while neighbourhood malls continued to show more varied performance. Notably, DA MEN Mall achieved full occupancy following the introduction of Easyhome Mall under a master lease arrangement, demonstrating how large-format occupiers can rapidly improve occupancy levels and reposition underperforming assets.

Klang Valley: Occupancy Rates for Selected REIT Malls, 2024 and 2025

Retail Malls	Occupancy Rates (%)		Trend
	2024	2025	
Mega Mall			
Pavilion Kuala Lumpur	97.1	**96.8**	▼
Mid Valley Megamall	98.9	**99.8**	▲
Sunway Pyramid	97.0	**97.0**	◀▶
Pavilion Bukit Jalil	89.7	**92.3**	▲
Regional Mall			
Suria KLCC	99.0	**98.0**	▼
The Gardens Mall	96.1	**99.1**	▲
Sunway Putra Mall	93.0	**94.0**	▲
The Mines	79.4	**85.0**	▲
Neighbourhood Mall			
Elite Pavilion Mall	97.8	**97.4**	▼
Intermark Mall	92.9	**95.7**	▲
3 Damansara	80.0	**82.1**	▲
Subang Parade	84.1	**84.7**	▲
Sungei Wang Plaza	86.4	**88.9**	▲
DA MEN Mall	72.9	**100* Masterlease**	▲

Source: REITs Annual Report 2024 & 2025



JOHOR

Johor
25.7 mil sq ft
Existing Retail Space Supply

Johor Bahru
20.1 mil sq ft
78.1% of total retail space

~150,000 sq ft
Expected in 2H2026: Horizon Mall @ Horizon Hills.

Retail supply remains broadly stable, with market activity increasingly centred on the repositioning of existing retail assets, to better align with evolving consumer preferences

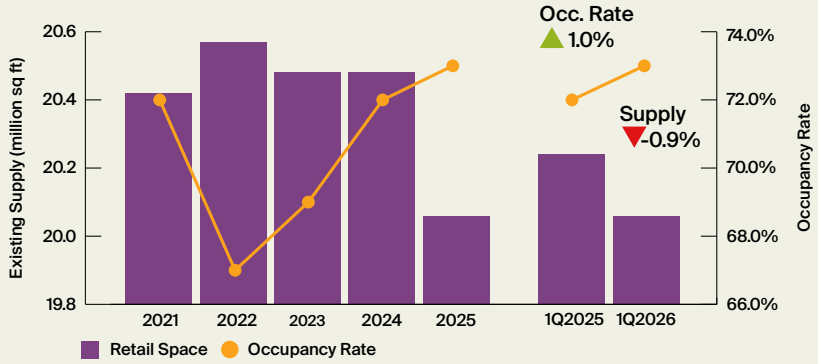
As of 1Q2026, the cumulative supply of retail space in Johor stood at approximately 25.7 million sq ft (1Q2025: 26 million sq ft), with the overall occupancy rate recorded at 73.6%. Johor Bahru remained the dominant submarket, accounting for about 78.1% of total retail space (20.1 million sq ft) with an occupancy rate of 73.1%, close to the state's average.

The slight improvement in occupancy as of 1Q2026 suggests that leasing demand is gradually strengthening as the market continues to absorb existing retail space amid a slow pace of new supply additions.

The recent groundbreaking of Coronation Square Mall in May 2026 further reflects developer confidence in Johor Bahru's long-term retail prospects, underpinned by the upcoming RTS Link and the JS-SEZ.

Demand remains concentrated within well-positioned destination malls, supported by active tenant mix optimisation and sustained cross-border spending from Singapore. Meanwhile, older and less competitive retail assets are likely to face greater leasing pressures, resulting in an increasingly polarised retail landscape.

Johor Bahru: Cumulative Existing Supply and Occupancy Rates of Retail Space, 2021 to 1Q2026



Sources: NAPIC / Knight Frank Research

Average monthly gross rentals of selected shopping malls within Johor Bahru remained broadly stable in 2025

Ground floor rental performance varied depending on unit attributes such as size, frontage and visibility, as well as the mall's positioning and tenant mix.

Among the selected malls, Mid Valley Southkey and Aeon Mall Tebrau City continue to command the highest ground floor rental rates (RM 39.50 and RM 36.80 psf respectively), reflecting their strong market positioning, established shopper catchment and sustained retailer demand.

Johor Bahru: Average Gross Rental Rate, 2025

Retail Lot Size	Ground Floor Rental Range
< 1,000 sq ft	RM 6.50 to RM 39.50 per sq ft
> 1,000 sq ft	RM 2.50 to RM 27.50 per sq ft

Sources: NAPIC / Knight Frank Research

Asset enhancement and repositioning have emerged as key themes within Johor Bahru's retail market

With limited new supply, the retail sector is shifting its focus towards revitalising existing malls, optimising tenant mix and adapting to evolving retail trends in order to stay competitive.

Key retail destinations such as Paradigm Mall, The Mall Mid Valley Southkey and AEON Mall Tebrau City continue to attract a mix of established and emerging brands. Notably, OcDaka Malaysia made its first mall-based venture at AEON Mall Tebrau City.

The F&B segment continues to account for the majority of notable retailer movements, indicating a growing market trend towards lifestyle-oriented offerings.

Notable New Entrants in Selected Retail Malls, 1H2026

Retail Mall	Expansion	New Entry [1]
SKS Mall JBCC	BIG Pharmacy, KKV, AEON Wellness, Daiso, Sports Direct, Chagee, MiX Store	Qi Odyssey, Stanzo
KOMTAR JBCC	BingXue, Sipzz	-
Johor Bahru City Square	Krispy Kreme Doughnuts	Ticco
KSL City Mall	-	Aurora Games Arcade & Amusement
Paradigm Mall	B.O.D Bao Zhan, 3 Little Chef	Shantea Dessert, Thong Cha Plus, Lukfook Jewellery
The Mall, Mid Valley Southkey	Yonnny, The Founders Café, CelcomDigi Express[2]	XTEP, Sumido[3]
Aeon Mall Tebrau City	Braun Buffel, Tim Hortons, OcDaka Malaysia	Rituals
Toppen Shopping Centre	San Francisco Coffee, Box Hunt	Bouncetopia by Kiztopia
Sutera Mall	J.Co Donuts, Siblings Gelato, Dragon-i, Sipzz	-

Notes:
1. First outlet within the state
2. Expansion within existing mall / location
3. First outlet in Malaysia

Source: Knight Frank Malaysia

Retail assets evolve beyond traditional shopping destinations

Retail developments are increasingly being positioned as integrated lifestyle destinations, supported by complementary uses such as hospitality, residential and office components, alongside destination anchors that enhance visitor appeal and strengthen market positioning.



Source: SKS Group

SKS City Mall JBCC

- Grand Opening

- Officially opened on 1 May 2026, with an occupancy rate of approximately 90% across its 280,000 sq ft NLA, reflecting healthy initial leasing demand for well-located retail developments benefiting from its proximity to the CIQ Complex.
- The mall forms part of an integrated mixed-use development comprising the Sheraton Hotel and office spaces.



Source: The Business Times

Capital City Mall

- Repositioning through introduction of Mustafa Centre

- Capital World Limited commenced fit-out and renovation works in April 2026 for Mustafa Centre's first outlet in Johor Bahru at Capital City Mall (formerly known as Capital 21).
- As the mall's first anchor tenant, Singapore-based Mustafa Centre will occupy approximately 240,000 sq ft, supporting the repositioning of the existing retail asset with a targeted opening before 1Q2027.



Source: EdgeProp

Toppen Shopping Centre

- Expansion into an integrated mixed-use destination

- Ikano Centres partners with Welton Group to develop two residential towers with circa 1,230 units, which will be directly integrated with Toppen Shopping Centre and IKEA Tebrau.
- The project is expected to strengthen the existing retail ecosystem by creating a larger captive residential catchment, supporting recurring footfall and reinforcing Toppen and IKEA Tebrau as an integrated lifestyle destination.

PENANG

Penang

21.1 mil sq ft

Existing retail space supply

- **Penang Island: 12 million sq ft**
- **Seberang Perai: 9.1 million sq ft**

~1 mil sq ft

Expected in 2H2026: The Waterfront Shoppes at The Light Waterfront

Supply conditions remained stable, with the next major retail addition expected to introduce a differentiated waterfront retail concept by end-2026

As of 1Q2026, the total existing supply of shopping malls in Penang remained stable at 21.1 million sq ft, comprising 12.0 million sq ft on Penang Island and 9.1 million sq ft in Seberang Perai. Compared to 4Q2025, no new retail supply was introduced to the market, with both the number of shopping malls and NLA remaining unchanged across the state.

Looking ahead, The Waterfront Shoppes at The Light Waterfront in Gelugor is scheduled to open in 2H2026, adding approximately 1.0 million sq ft of retail space to Penang's retail market. As part of the 152-acre The Light Waterfront development, it will benefit from an integrated ecosystem comprising the Penang Waterfront Convention Centre (PWCC), hotels, offices, residences and recreational facilities, supporting sustained visitor demand and positioning it as a major waterfront lifestyle destination.



Source: The Light City

Occupancy levels remain broadly stable amid ongoing tenant movements

In 1Q2026, Penang's overall occupancy rate eased marginally to 70.5%, compared to 70.9% in 4Q2025, reflecting slight softening across both Penang Island and Seberang Perai. Occupancy on Penang Island declined to 75.9% from 76.4%, while Seberang Perai recorded a modest decrease to 63.4% from 63.7%.

The modest changes in occupancy levels is largely attributable to normal leasing activities, including lease expiries, tenant reshuffling and ongoing asset repositioning initiatives, rather than any significant weakening in underlying retail demand.

Despite the slight decline at the state level, selected localities such as Greenlane, Tanjong Tokong and Kepala Batas recorded occupancy improvements during the quarter, while most other areas remained stable. This suggests that retail market fundamentals continue to be supported by steady leasing demand, although performance remains increasingly differentiated across locations and assets.

Penang: Occupancy Rate of Retail Space in Selected Localities, 1Q2026

Locality	Occupancy Rate (%)		
	2024	2025	Quarterly Change
Penang State	70.5	**70.9**	▼ -0.4
Penang Island			
Greenlane	92.6	**87.0**	▲ 5.6
Tanjong Tokong	80.3	**73.8**	▲ 6.5
Air Itam / Relau	50.8	**58.2**	▼ -7.4
Seberang Perai			
Kepala Batas	81.1	**80.7**	▲ 0.4

Sources: NAPIC / Knight Frank Research

Store expansions reflect continued retailer confidence

Retailers continue to invest in larger and enhanced store formats within established shopping centres, reflecting confidence in consumer demand and the long-term attractiveness of Penang's key retail destinations.

In January, Harvey Norman opened its brand-new store at Gurney Plaza Penang. This was Harvey Norman's 39th store in Malaysia and fifth in Penang. The store located on Level 3, boasts 25,000 sq ft of space and it will be expanding it by another 6,000 sq ft. At the new sprawling store, shoppers can explore leading home appliance brands, cutting-edge technology, energy efficient solutions and wellness focused products.

Notable New Entrants in Selected Retail Malls, 1H2026

Retail Malls	Expansion	New Entry [1]
Gurney Plaza	Pop Mart[2], Harvey Norman, Tai Ho Jiak, XTEP Malaysia, Chagee Flagship Store, Seri Bako by Kwan Kee Store, B.O.D, Flying Tiger, Rituals, Cinnabon, Baked by Kenny Hills Bakers, Running Lab, Tiny Button	Shan Xin, Leekor Leekor, Yonny, Fila, The Planet Traveller, XiYu, Kidster, LongJing
Queensbay Mall	LongJing[2], Lucky Cup, Rituals, MR DIY, Megan Jewellery, B.O.D, Echolac, Impulse Gaming, MUJI Malaysia, XTEP Malaysia, JD Sports, Hype	Flying Tiger, Wilson Tennis, TopToy, Cinnabon, Chapanda, Boarding Gate, So Do Fun, Germ Brand Store, Balabala Malaysia, Zok Noodle House
Gurney Paragon Mall	Banh Mi 77	Hedgren, Iseigur, Perfume Factory, Kitsch
Sunshine Mall	BebeButterfly[2], Lucky Cup, Cotti Coffee, Poh Sang Jewellery, Xing Lin Herbs Drinks	CJBA, Cincau King, Mustafa Centre
Sunway Carnival Mall	Decathlon, Fei.s Rice Noodles	Pop Mart, Pomelo, Xing Lin Herbs Drinks, Hype

Notes:
1. First outlet within the state
2. Coming soon

Source: Knight Frank Malaysia







Source: Gurney Plaza Facebook

Rental rates remain stable across prime retail assets

In 2025, the monthly average rental rates for ground floor retail spaces in selected prime shopping malls within George Town maintained its steady pace, ranging from RM 2.98 to RM 36.98 per sq ft per month. The substantial price differential reflects the variation in the mall profile and location as well as the size and positioning of individual retail units.

SABAH

Kota Kinbalu

6.1 mil sq ft

Existing retail space supply

Retail supply and occupancy in shopping malls remained steady

As of 1Q2026, the total existing retail space supply in shopping malls in Kota Kinabalu remained steady at approximately 6.1 million sq ft, whilst the overall occupancy rate registered at 78.3%.

Retail development shift towards differentiated formats designed to create broader destination appeal beyond traditional shopping

During the review period, Arena Borneo Sdn Bhd, a member of the TBMC Group of Companies, introduced Marché Kota Kinabalu. Situated in the locality of Kolombong, along Jalan Tuaran, the project is positioned as a premium open-air lifestyle concept mall which integrates lifestyle and retail experiences. Inspired by a modern tropical design approach, the project features a variety of retail components including a three-storey boutique retail and fitness hub, flagship standalone premises, standalone retail units, as well as dedicated retail and F&B spaces.

Similarly, The Hill @ Damai by Bina Indah Development Sdn Bhd reflects the growing emphasis on lifestyle-led mixed-use commercial precincts. Located along Jalan Bersatu within the mature Damai / Luyang residential enclave, the development is positioned as a placemaking and lifestyle-commercial destination with healthcare-supportive locational attributes, supported by its proximity to established neighbouring hospitals. The proposed development features integrated and specialised retail units in various formats, complemented by commercial suites, with a purpose-built cardiac centre proposed under a future phase.

These concepts reflect developers' efforts to create differentiated destinations that cater to evolving lifestyle, wellness and community needs beyond traditional retail offerings.



Marché Kota Kinabalu

Source: Marche KK Facebook



The Hill @ Damai

Source: Bina Indah Development Official Website

The F&B category continued to dominate tenant activity in 1H2026, alongside growing momentum in the family and children edutainment segment

During the review period, Oriental Kopi made its debut in the local dining scene with the opening of its first outlet at Suria Sabah Shopping Mall. Besides that, Fatty Lai Crab Pot, a renowned China-born brand with more than 500 outlets worldwide, launched its first Malaysian outlet at Imago Shopping Mall. The arrival of these notable brands further elevate the malls' F&B offerings, reinforcing their appeal as a lifestyle and dining destination.

The F&B category continued to dominate tenant activity during the review period, particularly within Imago Shopping Mall, which welcomed new entrants including McDonald's, A&W, Enso Teppanyaki, Osote and Gohson Coffee; providing diverse dining options within the mall.

Notably, the review period witnessed growing momentum within the Family & Children Edutainment category across both Imago Shopping Mall and Suria Sabah Shopping Mall. The Parenthood, recognised as Malaysia's first London-themed indoor playground, made its debut at Imago Shopping Mall, whilst the newly upgraded Kidzooona reopened its doors at Suria Sabah Shopping Mall, further strengthening the family-oriented offerings within the respective malls.

Notable New Entrants in Selected Retail Malls, 1H2026

Retail Malls	Expansion	New Entry [1]
Suria Sabah Shopping Mall	Akemi	Oriental Kopi
Imago Shopping Mall	McDonald's, A&W, Enso Teppan-yaki, Gohson Coffee, La Gourmet, Sports Direct, Converse	The Parenthood, Osote, Underwater, Kaiteki Clinic, Fatty Lai Crab Pot[2]

Notes:
1. First outlet within the state
2. First outlet in Malaysia

Source: Knight Frank Malaysia



Fatty Lai Crab Pot @ Imago Shopping Mall

Source: Fatty Lai Crab Malaysia



Oriental Kopi @ Suria Sabah Shopping Mall

Source: Knight Frank Research



The Parenthood @ Imago Shopping Mall

Source: Imago Shopping Mall

Average monthly gross rentals in selected shopping malls across Kota Kinabalu City Centre remained stable

Ground floor retail rents in the area vary notably, influenced by factors such as unit size, frontage and visibility, with smaller retail units generally achieving higher rental rates on a per sq ft basis compared to larger spaces.

Kota Kinabalu: Average Gross Rental Rate, 2025

Retail Lot Size	Ground Floor Rental Range
< 1,000 sq ft	RM 7.26 to RM 28.50 per sq ft
> 1,000 sq ft	RM 1.01 to RM 8.42 per sq ft

Sources: NAPIC / Knight Frank Research

MARKET OUTLOOK

Klang Valley

Klang Valley retail market is expected to remain broadly resilient, supported by stable domestic consumption, continued retailer expansion and active leasing.

Grocery, convenience and value-oriented retailers are likely to remain key demand drivers, supported by consumers' continued focus on affordability and everyday essentials. F&B, lifestyle and experiential concepts are also expected to sustain leasing momentum as shopping centres increasingly position themselves as lifestyle and social destinations rather than purely transactional retail environments.

The upcoming retail supply pipeline are expected to intensify competition. As consumers become more selective and retailers place greater emphasis on portfolio optimisation, experience-led concepts, destination placemaking and mixed-use integration are expected to remain key themes in shaping future retail developments and leasing demand. Investment activity is anticipated to remain selective, with investors continuing to favour stabilised assets offering resilient income streams and strong occupancy.

However, prolonged geopolitical tensions in the Middle East remain a key external risk. While the immediate impact on retail performance has been limited, potential disruptions to global supply chains and higher energy costs could gradually filter through to operating expenses and consumer prices in the coming months. Should these pressures persist, retailers may adopt a more cautious approach towards expansion and spending.

Against this backdrop, assets that successfully combine essential retail offerings, experiential elements and strong accessibility are expected to be best positioned to sustain occupancy, rental growth and long-term competitiveness.

Johor

Johor Bahru's retail sector is expected to continue gaining traction despite a relatively slow pace of new supply additions, supported by strengthening leasing demand, continued new brand entries and sustained cross-border spending, with future improvements in Johor-Singapore connectivity expected to provide additional support.

Looking ahead, malls are expected to place greater emphasis on lifestyle-centric and experiential concepts that enhance shopper engagement and encourage longer dwell times, as reflected by the growing presence of F&B, entertainment and lifestyle-oriented brands across the market.

Overall, the long-term performance of Johor Bahru's retail market is likely to depend on the ability of individual malls to adapt to evolving consumer preferences and maintain a strong differentiated market positioning within an increasingly competitive retail landscape.

Penang

In 2H2026, Penang's retail market is expected to remain relatively stable, supported by continued tourism activity, MICE-related events and positive spillover effects from Visit Malaysia 2026.

The upcoming opening of The Waterfront Shoppes at The Light Waterfront in 4Q2026 is anticipated to further enhance the state's retail offerings and strengthen its position as a retail destination in the Northern Region.

However, the introduction of new retail supply may intensify competition among established shopping malls on Penang Island, potentially placing short-term pressure on occupancy levels and rental performance as the market adjusts to the additional space.

In addition, rising operating costs and inflationary pressures, partly driven by higher energy prices, may contribute to more cautious consumer spending patterns. Shopping mall operators may therefore continue to focus on experiential retail concepts, tenant mix optimisation and asset enhancement initiatives to maintain competitiveness amid evolving consumer preferences.

Sabah

Moving into 2H2026, the Sabah retail market is expected to remain broadly stable. Retail performance is likely to remain concentrated within established malls and destination-oriented schemes, particularly those offering strong F&B, lifestyle, family entertainment concepts and daily-needs retailers.

However, the outlook remains subject to external headwinds, particularly prolonged geopolitical tensions and elevated aviation fuel prices, which have contributed to the scaling down or suspension of selected direct flight routes into Kota Kinabalu. This may moderate tourist arrivals and visitor spending to some extent, particularly for retail schemes that are more reliant on tourism-related footfall.

HOSPITALITY MARKET

Tourism growth, expanding connectivity and active institutional interest continue to support stronger hospitality market momentum.

MARKET PERFORMANCE

Tourism demand, policy support and connectivity continue to underpin hospitality demand

Malaysia's tourism sector continued to record positive growth in early 2026, with international tourist arrivals reaching approximately 6.5 million in 1Q2026, up 2.5% y-o-y. This represents the strongest first-quarter performance since 2020 and approximately 97% of 1Q2019 tourist arrivals.

Singapore remained the largest source market, followed by China, Indonesia, Thailand and Brunei.

The sustained increase in visitor arrivals highlights the resilience of regional travel demand and continues to support hospitality fundamentals, particularly in Kuala Lumpur's leisure, corporate and MICE segments.

Higher-value tourism segments support spending growth

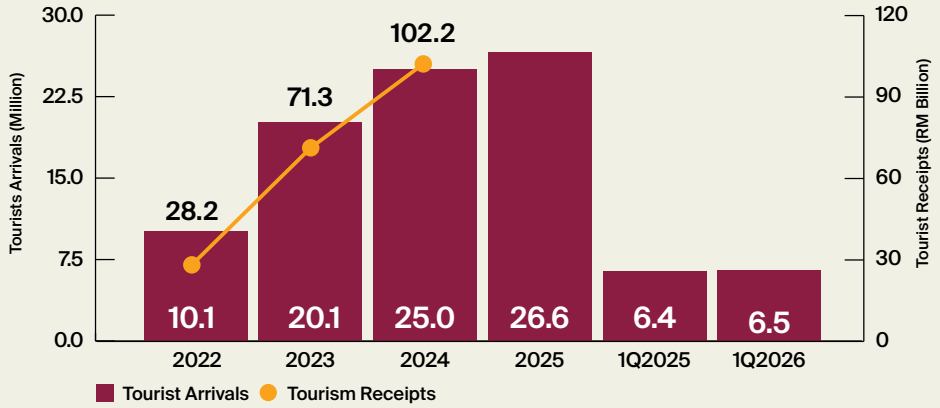
As Malaysia prepares for VM2026, tourism efforts are increasingly focused on attracting higher-value visitors through initiatives such as Malaysia Year of Medical Tourism 2026 (MYMT2026), expanded healthcare travel partnerships and targeted promotions across key source markets.

Tourism Malaysia intensified its international outreach through overseas roadshows, trade engagements and destination marketing campaigns, while the Tourism Plus X framework continued to promote spending opportunities across healthcare, culture, gastronomy and sports.

Visit Selangor Year 2026 has been extended in support of VM2026, with Selangor targeting 9 million tourist arrivals and planning over 90 tourism-driven events spanning food, culture, lifestyle, agro-tourism and community-based experiences throughout the year.

These initiatives are expected to support tourism receipts and reinforce demand for upper-upscale and luxury hospitality assets, particularly in Kuala Lumpur.

Malaysia: Tourist Arrivals & Tourism Receipts, 2022 to 1Q2026



Source: Tourism Malaysia / Knight Frank Research

Expanding connectivity supports future demand growth

Malaysia continued to strengthen its international connectivity through new route launches, increased flight frequencies and airport infrastructure improvements.

Key developments in 1H2026 included:

- The resumption of Malaysia Airlines' Kuala Lumpur–Chengdu service, strengthening connectivity with Western China and supporting inbound tourism from one of Malaysia's key source markets.
- AirAsia X's Kuala Lumpur–Bahrain–London route, marking the airline's return to London and establishing Bahrain as its first strategic hub outside Asia.
- Entry of new international carriers such as AeroDili (Timor-Leste), Air Algerie (Algeria) and Qingdao Airlines (China), further diversifying Malaysia's aviation network.
- Malaysia Airlines' continued fleet expansion through additional Boeing 737-8 deliveries, supporting capacity growth and enhancing operational efficiency.
- The reopening of the KLIA Aerotrain, alongside ongoing airport capacity enhancement initiatives aimed at improving passenger flow and operational efficiency ahead of VM2026. These improvements enhance accessibility and support future visitor growth.

External headwinds have yet to materially impact demand

Rising fuel costs and geopolitical uncertainties have increased cost pressures across the aviation sector, with Malaysia Aviation Group expecting jet fuel prices to remain elevated at between US$120 and US$130 per barrel.

While higher fuel costs may pressure airline margins and fares, demand has remained resilient. AirAsia Group carried 18.9 million passengers in 1Q2026, representing a 9% increase y-o-y, while airlines continue to expand routes and capacity across the region.

The sustained growth in passenger traffic suggests that underlying travel fundamentals remain intact, providing continued support for Malaysia's tourism and hospitality sectors.



KLANG VALLEY

472
EXISTING HOTELS
In Klang Valley

78,698
EXISTING ROOMS
In Klang Valley

13
INCOMING HOTELS
2,415 rooms

~88%
OF INCOMING ROOMS
Located in Kuala Lumpur

1,785
ROOMS IN SELECTED LUXURY PIPELINE
(4 major developments)

Hospitality pipeline signals continued investor confidence

Malaysia's hotel inventory continued to expand in 1Q2026, reaching 3,637 buildings with 298,197 rooms, representing increases of 1.6% and 5.9% respectively compared to 1Q2025. The development pipeline remains active, with 60 incoming hotels providing 10,996 rooms and a further 29 planned hotels contributing 5,064 rooms.

Within Klang Valley, no new hotel openings were recorded during 1H2026. However, the rebranding of the former Glenmarie Hotel & Golf Resort as Hilton Shah Alam Glenmarie reflects the growing importance of international brand affiliations within the hospitality sector.

Future supply remains heavily concentrated in Kuala Lumpur, which accounts for approximately 88% of incoming rooms. Nearly all upcoming supply is concentrated within the luxury and upper-upscale segments, reflecting investor confidence in Kuala Lumpur's ability to capture higher-spending travellers. However, part of the pipeline comprises refurbished, repositioned or rebranded hotel assets, with selected examples including Irama KL and Waldorf Astoria Kuala Lumpur. While this reinforces Kuala Lumpur's premium positioning, the concentration of luxury and upper-upscale hotels may intensify competition for corporate and MICE demand over the medium term.

Klang Valley: Hotel Supply and Development Pipeline, 1Q2026

Location	Existing Hotels (Rooms)	Incoming Hotels (Rooms)	Planned Hotels (Rooms)
Kuala Lumpur	254 (50,148)	12 (2,135)	7 (1,740)
Selangor	218 (28,550)	1 (280)	1 (270)

Sources: NAPIC / Knight Frank Research

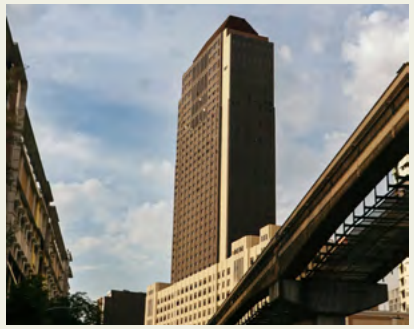
Klang Valley: Notable Upcoming Hotel Supply, 2H2026

Location	Development Name	Expected Star Rating	No. of Rooms
Kuala Lumpur	Irama KL	5	766
	Conrad KL	5	488
	Waldorf Astoria KL	5	272
	The Regent KL	5	259
	YOTEL KL	4	290
Selangor	ASAI Gamuda Cove	4	280
	Courtyard by Marriott Subang	4	280

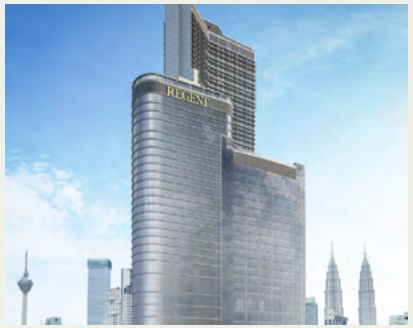
Source: Knight Frank Research

Global hotel loyalty programmes support future luxury demand

Leading hotel brands collectively serve over 700 million loyalty members worldwide, reflecting the scale and reach of global hotel loyalty programmes. Major programmes such as Marriott Bonvoy, Hilton Honors and IHG One Rewards are among the top three globally, collectively serving over 583 million members. Their established international customer base is expected to support long-term occupancy performance and benefit upcoming branded luxury hotels in Kuala Lumpur, particularly Waldorf Astoria Kuala Lumpur and The Regent Kuala Lumpur, which operate under Hilton Worldwide and IHG, respectively.



Irama Kuala Lumpur
Source: Irama Kuala Lumpur Official Website



The Regent Kuala Lumpur
Source: Leisure & Travel



Conrad Kuala Lumpur
Source: Instagram (@lifestyleasiakl)



Waldorf Astoria Kuala Lumpur
Source: Instagram (@lifestyleasiakl

Differentiation increasingly drives competitiveness

As new internationally branded hotels enter the market, competition is increasingly extending beyond room supply alone. Operators are focusing on brand positioning, guest experience, lifestyle offerings and MICE capabilities to differentiate themselves in an increasingly crowded marketplace.



Source: Kimpton Naluria Kuala Lumpur Official Website

Experience-led hospitality concepts

Kimpton Naluria Kuala Lumpur introduced The Connection Hub, a collection of design-led meeting and event spaces featuring curated social experiences, flexible event concepts and destination-inspired programming, reflecting growing demand for personalised and experience-driven stays.

The hotel also places greater emphasis on lifestyle-oriented offerings, including wellness activities, social programming and experiential F&B concepts, catering to evolving leisure and bleisure travel preferences.

Source: Capital A Official Website

Ecosystem-led hospitality models

Capital A announced that it is in discussions with a major hotel chain to extend the AirAsia brand into hospitality, signaling the growing convergence between aviation, travel and accommodation services.

The initiative aligns with AirAsia's broader ecosystem strategy, allowing travelers to increasingly access flights, accommodation, food, mobility and other travel-related services through a single platform.



Source: Hotel Maya Official Website

Asset enhancement and repositioning initiatives

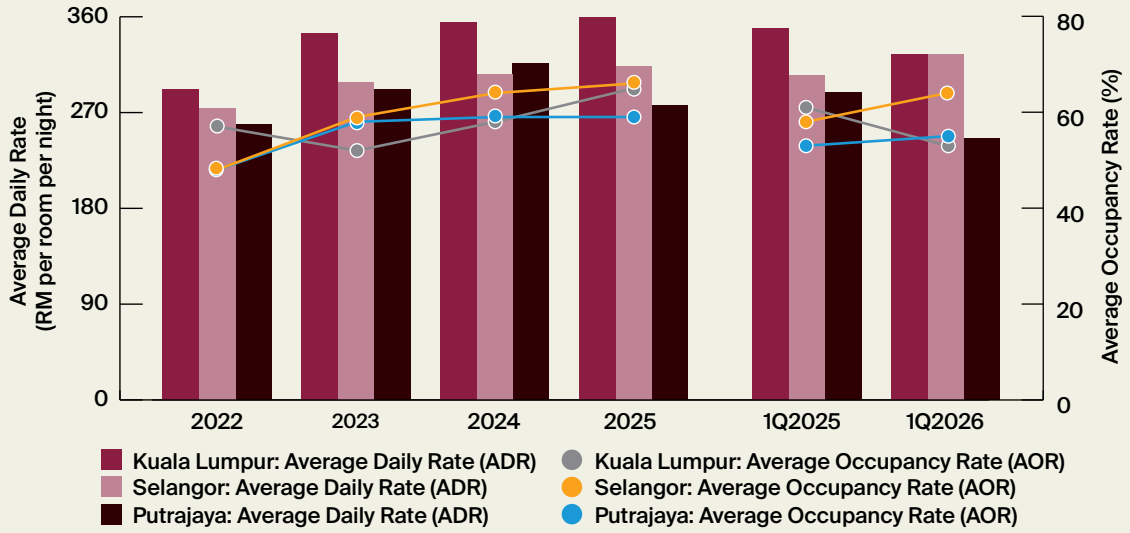
Recent examples include the RM 45 million redevelopment of Summit Hotel USJ and the planned repositioning of Hotel Maya Kuala Lumpur under KiN Hotel Group.

The repositioning will introduce a technology-led "essential luxury" concept alongside wellness and lifestyle enhancements, reflecting the growing emphasis on guest experience, operational efficiency and asset value creation within Malaysia's hospitality sector.

Demand continues to absorb new supply

Hotel performance across Klang Valley remained resilient in 1Q2026, supported by sustained tourism demand, business travel activity and a healthy events calendar. Kuala Lumpur continued to lead among the major markets in both room rates and occupancy, reflecting its role as Malaysia's primary hospitality gateway.

Klang Valley: AOR & ADR for All Star-Rated Hotels, 2022 to 1Q2026

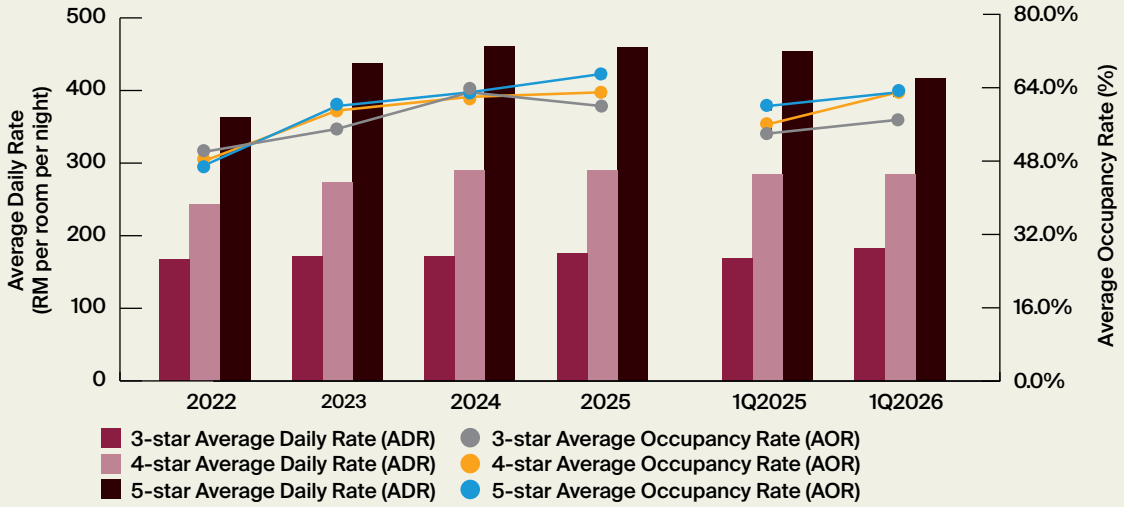


Sources: ADATA / Knight Frank Research

Luxury segment continues to demonstrate stronger resilience

The luxury segment continued to outperform the broader market in 1Q2026. Occupancy among selected 5-star hotels improved to 63%, while ADR reached approximately 416 per night, remaining the highest among all hotel categories. The sustained strength of higher-rated hotels reflects continued demand from higher-spending guests, brand-conscious travellers and event-led demand.

Klang Valley: AOR & ADR for Selected 3-star to 5-star Hotels, 2022 to 1Q2026



Sources: ADATA / Knight Frank Research

Business events reinforce hotel performance

- MyCEB secured 92 business events as at January 2026, generating an estimated RM 1.6 billion in economic impact and attracting over 101,000 international delegates.
- In 2025, MyCEB secured 393 business events, generating approximately RM 4.1 billion in economic impact, providing a strong pipeline heading into 2026.
- Efforts remain focused on attracting higher-value international conferences, exhibitions and incentive programmes, which support hotel demand and visitor spending.
- Participation in IMEX Frankfurt 2026 further strengthened Malaysia's efforts to secure future international business events.



Richmond Asia partners with Barceló for Richmond Estelar KL

Knight Frank Malaysia is pleased to announce that this transaction was facilitated by our Capital Markets team.

Source: The Edge Malaysia

Operator expansion reflects confidence in long term demand

- Wyndham Hotels & Resorts opened five hotels and signed three additional properties in Malaysia in 2025, including Wyndham Garden Kuantan J-City, Wyndham Grand Ipoh and Orion Tower Kuala Lumpur, reflecting confidence in the country's growing tourism demand and long-term hospitality outlook.
- Richmond Asia Group plans to expand its Malaysian portfolio to 20 hotels by 2033 and has partnered with Barceló Hotel Group for its upcoming Richmond Estelar hotel in Kuala Lumpur.
- These expansion plans suggest that operators remain optimistic about Malaysia's long-term tourism outlook and the sector's ability to absorb future hotel supply.

Investment market remains focused on branded and value-add hotel assets

Malaysia's hospitality sector continues to present attractive opportunities for investors seeking exposure to long-term tourism growth. Institutional and private capital are expected to remain focused on well-located, internationally branded hotels with diversified demand from leisure, corporate and MICE segments. At the same time, ageing hotels in established locations offer value-add opportunities through refurbishment, repositioning and rebranding, allowing owners to enhance operating performance and asset values. As competition intensifies, branded hotels with strong distribution networks and clear positioning are expected to outperform independent operators. Looking ahead, hotel conversions, adaptive reuse and mixed-use hospitality components are likely to gain traction as owners seek to maximise land value and improve operational efficiency and respond to evolving guest preferences. These trends support the hospitality sector's long-term investment appeal in Malaysia.

Klang Valley: Notable Hotel Transactions, 1H2026

Date of Transactions	Property	Location	Property Description	Transaction Price (RM million)	Analysis (RM per key)
April 2026	**W Kuala Lumpur**	Jalan Ampang	5-star Luxury 159 rooms	394	2,477,587
	Four Points by Sheraton Puchong	PFCC. Bandar Puteri Puchong	4-star Upscale 249 rooms	128	514,056
	Putrajaya Marriott Hotel	IOI Resort City, Putrajaya	5-star Upper Upscale 488 rooms	256	524,590
	Le Méridien Putrajaya	IOI Resort City, Putrajaya	5-star Upper Upscale 354 rooms	343	958,926
	Moxy Putrajaya	IOI Resort City, Putrajaya	4-star Upper Midscale 480 rooms	207	431,250

Note:
1. The proposed disposal of the hotel assets forms part of the proposed establishment and listing of IOIPG REIT and remains subject to the requisite regulatory and shareholder approvals, as well as the fulfilment of customary conditions precedent.

Sources: Bursa Announcements / Knight Frank Research

JOHOR

497
EXISTING HOTELS
In Johor

34,691
EXISTING ROOMS
In Johor

9
INCOMING HOTELS
1,359 rooms

Johor's hotel supply has remained relatively stable, reflecting a measured pace of new hospitality development

As of 1Q2026, the state recorded 81 hotels across the 3- to 5-star segments, providing approximately 17,469 rooms. The modest increase in hotel inventory over the past year suggests that operators and developers remain selective amid rising operating costs, persistent manpower challenges and continued labour competition from Singapore.

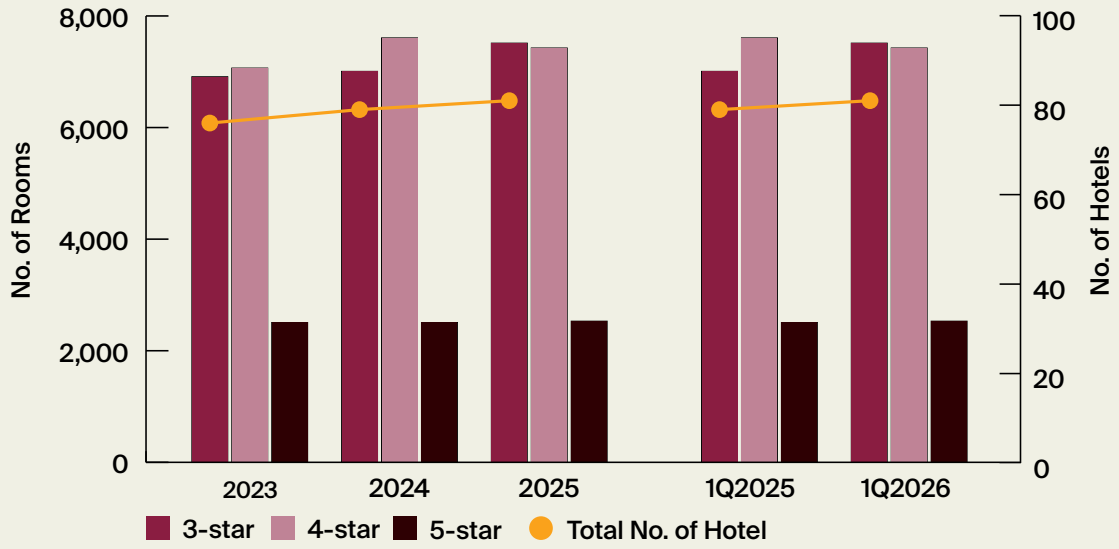
Looking ahead, Johor's hotel sector is expected to expand gradually, with nine hotels currently in the development pipeline contributing an estimated 1,359 additional rooms, supporting the state's steadily growing tourism and business travel market.

The hospitality market remains anchored by mid-scale segment, while the premium segment presents opportunities for future growth

The market continues to be dominated by the 3- and 4-star segments, which accounted for approximately 85.5% of total 3- to 5-star hotel room supply in 1Q2026. This reflects Johor's broad demand base comprising domestic tourists, business travellers and short-stay visitors from Singapore, which generally underpins the mid-scale and upscale segments.

In contrast, Johor's luxury hospitality segment remains relatively underpenetrated, with only nine 5-star hotels currently in operation, accounting for 14.5% of total room supply. As cross-border connectivity and tourism activity continue to strengthen, this may present greater opportunities for future premium and higher-end hotel developments.

Johor: Existing Supply of Hotel Rooms by Star Rating, 2023 to 1Q2026



Sources: NAPIC / Knight Frank Research

Brand expansion and asset repositioning activities continue to elevate Johor's hospitality landscape

Recent hotel openings and upcoming developments indicate the continued expansion of internationally recognised hospitality brands within Johor. Among the notable upcoming developments, the former Thistle Hotel will be relaunched as the 410-key JW Marriott Hotel Johor Bahru, targeted for opening in December 2026, while Frasers Hospitality has been appointed to manage the 275 hotel suites at Richmond Mayor in Mount Austin under the Capri by Fraser brand, with opening slated for 2030.

Notable Hotel Openings, 1H2026



Dao by Dorsett Puteri Cove
4-star (213 rooms)
Opened in May 2026



Mandarin Oriental, Desaru Coast (rebranded from One&Only Resort)
5-star (44 rooms)
Opened in February 2026



Four Points by Sheraton Johor Bahru, Bandar Seri Alam
4-star (150 rooms)
Opened in April 2026



Novotel Johor Bahru City Centre
4-star (304 rooms)
Opened in December 2025

Hotel operating performance remained mixed across segments, reflecting differing demand conditions and competitive dynamics

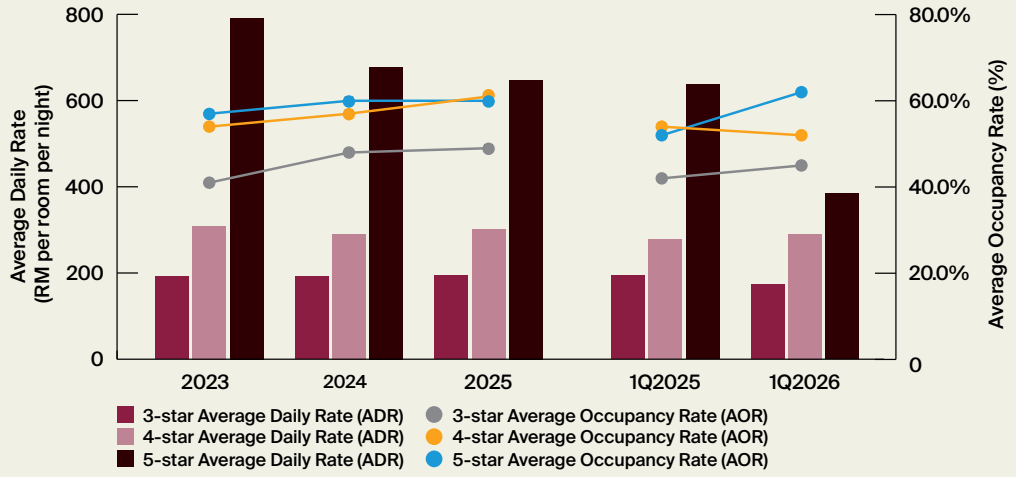
Selected 5-star hotels recorded the strongest improvement in occupancy, with AOR rising to 61.7% in 1Q2026 from 52.0% in 1Q2025, indicating strengthening demand for higher-end accommodation. However, ADR declined to RM 384 per night, largely due to changes in the hotel sample set.

In contrast, the 4-star hotel AOR eased slightly to 51.7%, although ADR increased to RM 290 per night. The ability to achieve higher room rates despite softer occupancy suggests that demand for mid-scale accommodation remained relatively resilient amid new supply additions.

The 3-star segment recorded an improvement in AOR to 45.0%, although ADR declined to RM 174 per night. The softer room rate performance likely reflects increasing competition from expanding mid-tier hotel supply and alternative accommodation options, including Airbnb, homestays and short-term rentals.

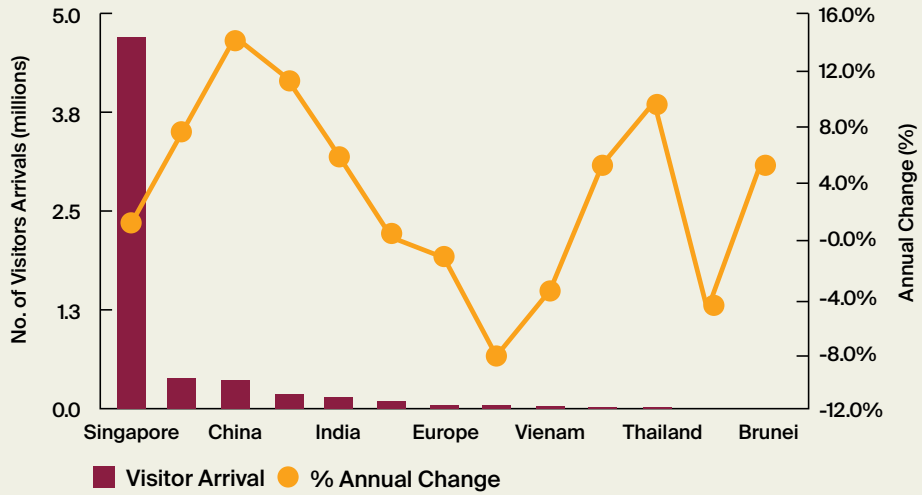
Note: Upon checking with the service provider, the significant y-o-y decline for 5-star ADR in 1Q2026 was due to the exclusion of selected luxury beach resorts in Desaru, including Mandarin Oriental Desaru Coast and Anantara Desaru Coast Resort & Villas.

Johor: AOR & ADR of Selected 3-star to 5-star Hotels, 2023 to 1Q2026



Sources: ADATA / Knight Frank Research

Johor: Visitor Arrival by Country, 1Q2026



Sources: Tourism Johor / Knight Frank Research

Cross-border travel continues to underpin visitor growth

In 1Q2026, Johor recorded approximately 6.1 million visitor arrivals, representing a 1.9% increase from 6 million arrivals in the corresponding period of 2025. Singapore remained the dominant source of international visitors, accounting for approximately 77.4% of total arrivals (4.7 million visitors), reaffirming Johor's position as Malaysia's key southern gateway and a preferred short-haul destination for Singapore travellers.

Notably, arrivals from China recorded the strongest growth, increasing by 14.6% y-o-y from 325,514 visitors in 1Q2025 to 372,972 visitors in 1Q2026, mainly supported by the mutual visa exemption arrangement between Malaysia and China.

The upcoming Johor Bahru–Singapore RTS Link, which is targeted to commence operations in January 2027, is anticipated to further strengthen cross-border mobility and support tourism, retail and business travel activities across Johor Bahru.

PENANG

253
EXISTING HOTELS
In Penang

25,603
EXISTING ROOMS
In Penang

9
INCOMING HOTELS
2,040 rooms

Hotel supply remains stable, with a steady pipeline supporting future market expansion

As of 1Q2026, Penang's hospitality market continues to be anchored by 3-star and above hotels, which account for the majority of existing room inventory. Within this segment, 4-star and 5-star hotels collectively represent 50.3% share of supply, highlighting Penang's mature tourism sector and its ability to cater to a diverse mix of leisure, business and MICE travellers.

Looking ahead, the development pipeline remains active, with nine hotels comprising approximately 2,040 rooms currently under development and a further nine hotels with 1,375 rooms having obtained planning approval. Collectively, these projects are expected to introduce an additional 3,415 rooms over the medium to long term, broadening the state's hospitality offering and reflecting sustained investor confidence in Penang's tourism and destination appeal.

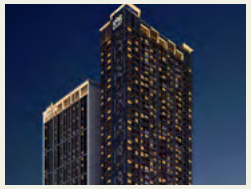
Penang: Existing Supply of Hotel Rooms by Star Rating, 1Q2026

Star Rating	No. of Hotels	No. of Rooms
5-Star	20	5,372
4-Star	28	7,503
3-Star	33	4,282

Sources: NAPIC / Knight Frank Research

New hotel openings reflect the growing diversity and sophistication of Penang's hospitality offering

Several hotels commenced operations during 1H2026, introducing a mix of internationally branded, heritage-led and lifestyle-oriented concepts that cater to evolving visitor preferences. These additions further strengthen Penang's appeal across leisure, business and experiential travel segments while reinforcing the state's position as a leading tourism destination.



5-star
Iconic Marjorie Hotel,
Tribute Portfolio by Marriott International

Opened in Bayan Lepas in January 2026, the 298-room hotel combines Penang's Baba-Nyonya heritage with contemporary hospitality offerings, expanding the state's premium accommodation segment.



5-star
Soori Penang

Located within the historic Khoo Kongsi precinct in George Town, the 15-room boutique hotel occupies a cluster of restored heritage shophouses and offers an immersive cultural experience. The property gained international recognition after being named one of TIME's World's Greatest Places 2026.



5-star
1926 Heritage Hotel Penang,
The Unlimited Collection by Ascott

Reopened in April 2026 following refurbishment works, the 78-room hotel integrates colonial-era architecture with modern hospitality facilities, reflecting the growing appeal of heritage-led accommodation concepts.



4-star
Capri by Fraser Penang

Marking the brand's debut in Penang, the 248-room property combines a conserved heritage frontage with a contemporary tower, illustrating the integration of heritage preservation and modern hospitality development.

Sources: Penang Hyperlocal / Soori Penang Official Website / Ascott Official Website / The Edge Malaysia

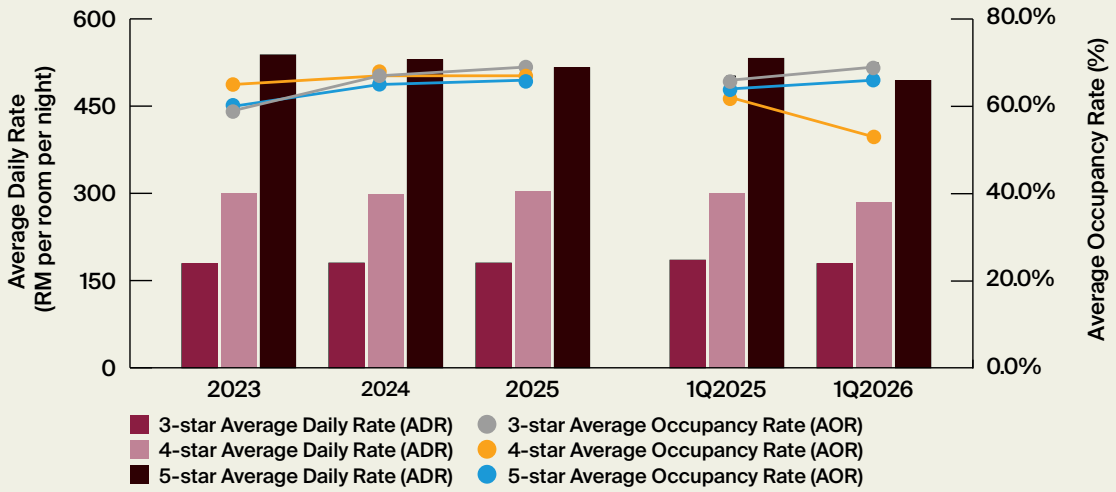
Hotel performance reflected differing demand dynamics across segments amid a more competitive operating environment

Overall hotel performance moderated during 1Q2026, with AOR easing to 59.1% and ADR declining to RM 306 per room night, compared to 63.6% and RM 340 respectively in 1Q2025. The softer performance was largely attributable to the 4-star segment, which recorded the most notable decline in occupancy, accompanied by a reduction in room rates. This suggests that mid-scale hotels faced heightened competition during the quarter amid a growing range of accommodation options.

In contrast, selected 3-star and 5-star hotels recorded improvements in occupancy, with AOR increasing to 69% and 65.9% respectively, indicating that demand remained relatively resilient at both the value-oriented and premium ends of the market. However, ADRs within both segments declined to RM 179 and RM 494 per room night respectively, indicating to a more competitive pricing environment as operators sought to maintain market share.

The divergence in occupancy and room rate performance highlights increasingly varied demand patterns across hotel categories. While underlying tourism activity remained supportive, pricing conditions appear to have become more competitive, particularly within segments facing greater supply and alternative accommodation competition.

Penang: AOR & ADR of Selected 3-star to 5-star Hotels, 2023 to 1Q2026



Sources: ADATA / Knight Frank Research

SABAH

439
EXISTING HOTELS
In Sabah

26,075
EXISTING ROOMS
In Sabah

13
INCOMING HOTELS
3,475 rooms

Kota Kinabalu's hospitality market continues to evolve through a combination of traditional hotel developments and integrated lifestyle-oriented projects

As of 1H2026, the supply of 4- and 5-star hotels and resorts in Greater Kota Kinabalu increased by 2.5% to 6,783 rooms, supported by the 167-room, 4-star Hilton Garden Inn in Tuaran District. The new addition reflects the continued expansion of internationally branded accommodation offerings within the region.

The review period also witnessed two newly launched integrated developments known as The Playground and Arus Nova. Both developments feature commercial suites as its primary component and are supported by retail amenities.

The Playground Kota Kinabalu, developed by Golden Land Bhd, is a 9-storey commercial suite development comprising 364 Lifestyle Suites and 13 retail lots. Inspired by Sabah's Sino-Kadazan-Dusun heritage and Modern Memphis design, the development combines culture, convenience and recreation. Designed for families, leisure travellers, digital nomads and business visitors, it features a range of lifestyle facilities including lounges, a swimming pool, children's play areas, entertainment spaces and a gymnasium.

Arus Nova, developed by Fortress City Sdn Bhd, is an integrated commercial suite development with supporting retail amenities in Tanjung Aru, a locality renowned for its iconic beach and sunsets. The development comprises 183 suites, with selected units offering sea views, complemented by lifestyle facilities including an indoor pool, wading pool, workout room and sunset bar.

Tourism activity continued to strengthen, supported by full recovery of international visitor arrivals

Visitor arrivals maintained its recovery momentum, reaching 3.8 million arrivals in 2025, equivalent to approximately 90% of its 2019 peak. Growth was primarily driven by international arrivals, which exceeded the 2019 level by circa 2%, while domestic arrivals continued to recover gradually with gap to fill.

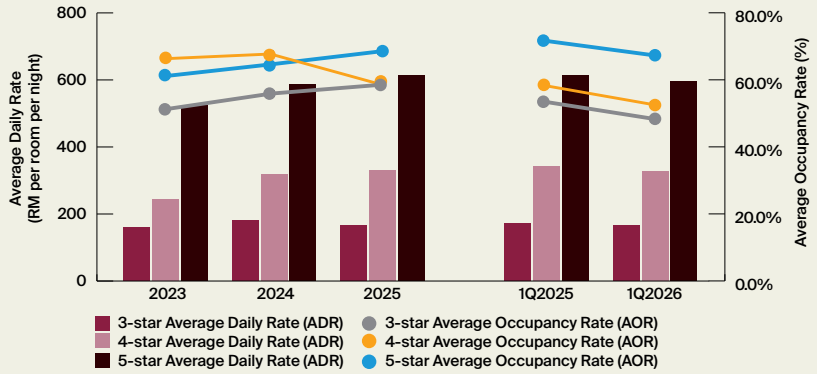
Meanwhile, visitor arrivals as of January to April 2026 recorded y-o-y growth across both international and domestic segments, registering an increase of circa 17.2% in total arrivals compared to the same period in 2025.

Hotel operating performance moderated despite supportive tourism fundamentals

Overall operating performance of selected 3- to 5-star hotels improved from 2023 to 2025. However, the 4-star segment recorded a decline in average occupancy, indicating moderating room demand. Nevertheless, the higher ADR suggests operators were able to maintain or improve room pricing despite lower occupancy, likely supported by better-yielding guests, revised pricing strategies and reduced reliance on discounted room sales.

In 1Q2026, overall hotel performance across selected 3- to 5-star segments moderated despite slight improvement in the total tourist arrivals under the same period. This suggests that the increase in tourist arrivals did not translate proportionately into stronger demand for 3 to 5-star hotels likely attributed by more price-sensitive visitor profile or heightened competition from alternative accommodation.

Sabah: AOR & ADR of Selected 3-star to 5-star Hotels, 2023 to 1Q2026



Sources: ADATA / Knight Frank Research

SARAWAK

391
EXISTING HOTELS
In Sarawak

22,110
EXISTING ROOMS
In Sarawak

1
INCOMING HOTELS
205 rooms

Growing tourism activity and improved connectivity continue to support visitor demand

Sarawak's tourism sector continued to build momentum in 1Q2026, with visitor arrivals increasing 4.5% y-o-y to approximately 1.2 million. International visitors remained the key demand driver, while stronger domestic growth, particularly from Sabah, points to a broadening tourism base, supporting the state's target of attracting five million visitors in 2026.

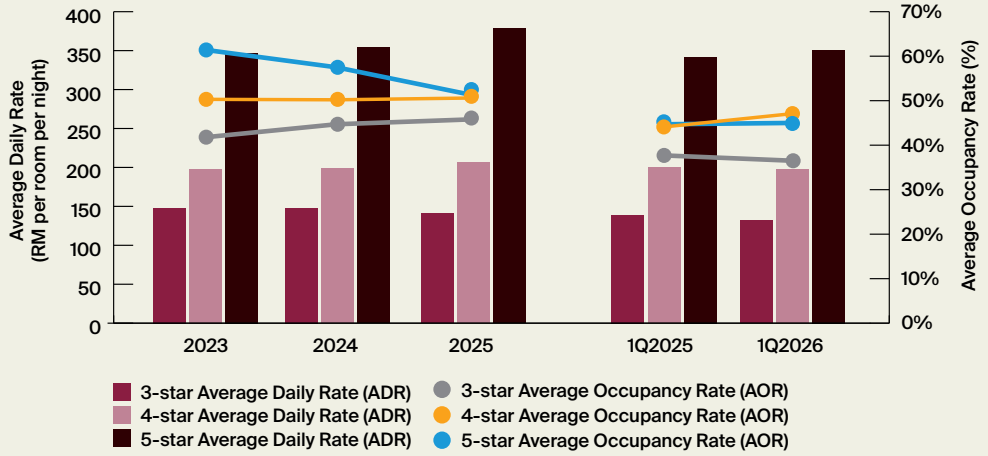
Strengthening international connectivity and the expansion of the business events industry continue to support tourism growth. Batik Air Malaysia's inaugural Guangzhou–Kuching charter flight is expected to strengthen tourism and business linkages with China, while Business Events Sarawak (BESarawak) continues to support the state's position as a key MICE destination, supporting higher visitor spending and year-round hotel demand.

Hospitality performance remains supported by improving tourism fundamentals

Selected 3- to 5-star hotels in Sarawak recorded improved operating performance during 1Q2026, with AOR and ADR rising to 44.3% and RM 225 respectively, compared to 42.7% and RM 219 in 1Q2025. The improvement reflects growing visitor arrivals, enhanced air connectivity and sustained efforts to position Sarawak as a preferred destination for both leisure travel and business events.

Beyond traditional hotels, short-term rental activity remains concentrated in Kuching, which recorded 1,108 active listings annually. However, growing activity in Miri, with 98 active listings, suggests that tourism demand is gradually expanding beyond the state capital, reflecting the increasing appeal of secondary destinations within Sarawak.

Sarawak: AOR & ADR of Selected 3-star to 5-star Hotels, 2023 to 1Q2026



Sources: ADATA / Knight Frank Research

Strategic investments and Visit Malaysia 2026 continue to strengthen Sarawak's tourism ecosystem

Sarawak continues to invest in tourism infrastructure and destination development to support long-term growth. The proposed New Kuching International Airport (NKIA) at Tanjung Embang is expected to accommodate rising visitor arrivals and enhance the state's attractiveness to international airlines, while the proposed Damai cruise terminal will diversify tourism offerings and generate spillover benefits across the hospitality, retail, transportation and F&B sectors.

The recognition of the Sarawak Delta Geopark as a UNESCO Global Geopark and the opening of the Brooke Dockyard Industrial Heritage Museum further strengthen Sarawak's tourism proposition through enhanced eco-tourism, heritage and cultural offerings. Together with more than 300 tourism-related events planned under Visit Malaysia 2026, these initiatives are expected to sustain tourism growth and support long-term demand across Sarawak's hospitality sector.

MARKET OUTLOOK

Klang Valley

Kuala Lumpur's hospitality market is expected to remain on a positive trajectory heading into VM2026, supported by improving visitor arrivals, expanding air connectivity and a growing pipeline of business events. As the market becomes increasingly competitive, operators are likely to place greater emphasis on brand differentiation, guest experience, technology integration and operational efficiency, particularly within the upper-upscale and luxury segments.

While incoming supply is expected to intensify competition, the concentration of future developments within the premium segment reflects growing confidence in Kuala Lumpur's ability to attract higher-spending leisure, corporate and MICE travellers. As the market becomes increasingly competitive, operators are likely to place greater emphasis on brand differentiation, guest experience, technology integration and operational efficiency to maintain market share and pricing power.

In Selangor, hospitality demand is expected to be supported by Visit Selangor Year 2026 and the state's target of attracting 9 million tourists. With over 90 tourism-related events planned and a growing focus on cultural, experiential and community-based tourism, the state is well-positioned to capture a broader mix of leisure and domestic travel demand ahead of VM2026.

The continued expansion plans of operators such as Wyndham Hotels & Resorts and Richmond Asia Group further reinforce confidence in Malaysia's long-term hospitality outlook. Collectively, these developments suggest that demand fundamentals remain supportive and are expected to underpin the sector's ability to absorb future supply ahead of and beyond VM2026.

Johor

Johor's hospitality market is expected to remain supported by sustained cross-border travel, improving tourism activity and the upcoming Rapid Transit System (RTS) Link, which is anticipated to further strengthen connectivity and visitor flows between Johor and Singapore. These factors are expected to underpin both leisure and business travel demand, particularly within Johor Bahru.

While rising operating costs and ongoing labour constraints may continue to place pressure on hotel operators, Johor's proximity to Singapore and its growing role as a regional tourism and business destination, supported by tourism promotion initiatives such as Visit Johor Year 2026, are expected to provide a supportive demand base for the sector.

Looking ahead, the entry of internationally recognised hotel brands and the repositioning of existing assets into premium brand offerings reflect increasing investor and operator confidence in Johor's hospitality market. Collectively, these developments are expected to enhance the quality and diversity of accommodation offerings, supporting Johor's continued evolution as a preferred destination for leisure, business and short-stay travel.

Penang

Looking ahead to 2H2026, Penang's hospitality market is expected to remain supported by sustained tourism activity, expanding regional connectivity and demand from leisure, medical and business travelers. The introduction of new direct flight routes and charter services connecting Penang with key source markets, particularly China and other regional destinations, is expected to enhance accessibility and support visitor arrivals.

In addition, the state's growing MICE sector, underpinned by the operationalisation of the Penang Waterfront Convention Centre and its estimated economic impact of RM 1.9 billion in 2025, is anticipated to continue generating demand for hospitality-related services.

Nevertheless, the growing supply of hotel rooms may create a more competitive operating environment, potentially placing pressure on occupancy levels and room rates in the near term.

However, with the ongoing geopolitical tensions and global economic uncertainties there may begin to be some impact which will affect tourism flows from key source markets, particularly China. As Chinese visitors continue to represent an important segment of Penang's tourism market, any moderation in travel demand from China or reduction in flight connectivity could weigh on visitor arrivals and hospitality market performance in the state. Hotel operators may therefore need to focus on service differentiation and market positioning to sustain performance amid increasing competition.

Despite these challenges, Penang's diversified tourism offerings, strong medical tourism sector, which recorded 26% growth in 2025 and continued international recognition of its tourism and hospitality assets are expected to underpin the sector's long-term resilience and growth prospects.

Sabah

Despite the ongoing momentum in visitor arrival growth as observed up to 1Q2026, surging global aviation fuel costs have caused major airlines to scale back operations. Carriers have recently suspended or announced plans to trim vital routes both internationally and domestically, which will likely affect the recovery trajectory of the state's initial targeted arrivals of 4.0 million in 2026.

Nevertheless, the Visit Sabah 2027 (VS2027), which is built on the increased visibility and growing momentum generated through Visit Malaysia 2026 (VM2026), adopts a whole-of-government and whole-of-industry approach to enhance tourism products, improve destination branding, strengthen air connectivity and promote sustainable tourism development.

The campaign is also aligned with Sabah's broader objective of moving beyond volume-driven tourism towards a higher-value and more diversified tourism model. This includes greater emphasis on nature, culture, community-based tourism, improved visitor experience and higher-yield market segments.

Sarawak

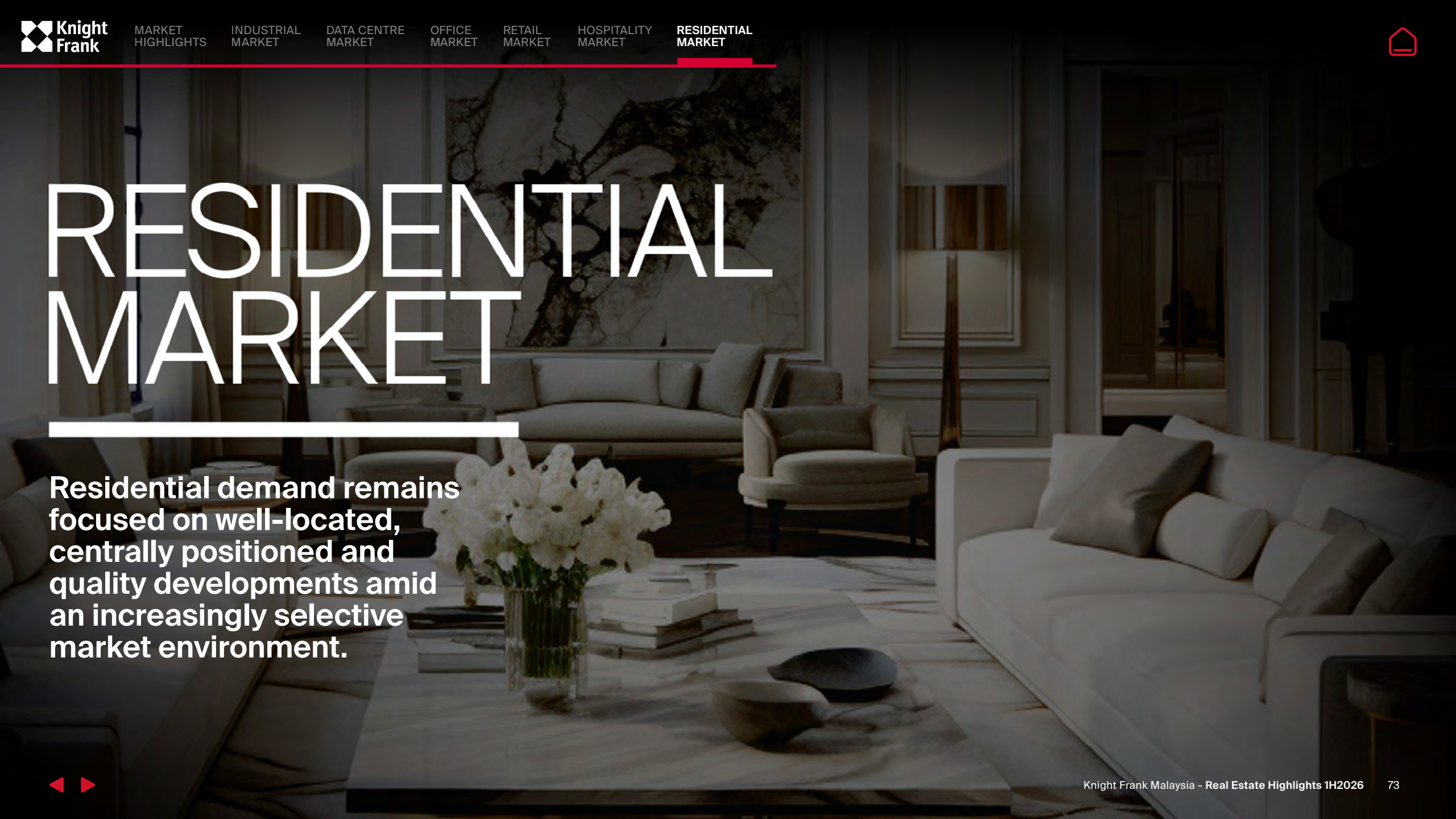
Sarawak's hospitality sector demonstrated strong and steady performance in the first half of 2026, with visitor arrivals and tourism revenue surpassing those recorded in the previous year. The state's preparations for Visit Malaysia 2026, coupled with confidence in achieving its five million visitor target ahead of schedule, indicate a positive outlook for Sarawak's tourism industry.

Furthermore, an increased demand for hotels and short-term rentals, particularly Airbnb, indicates a growing need for accommodation in Sarawak's major cities. This is further supported by rising air connectivity between China and Sarawak, including Batik Air Malaysia's Guangzhou–Kuching charter flight and Loong Air's Shenzhen–Kuching service, which are expected to contribute to stronger inbound tourism demand. The development of the new Tanjung Embang International Airport also reflects Sarawak's confidence in the continued growth of visitor arrivals to the state.

Overall, Sarawak's hospitality sector shows significant potential for growth in the coming years, supported by strategic infrastructure investments, enhanced connectivity, and rich natural and cultural assets.



RESIDENTIAL MARKET



Residential demand remains focused on well-located, centrally positioned and quality developments amid an increasingly selective market environment.

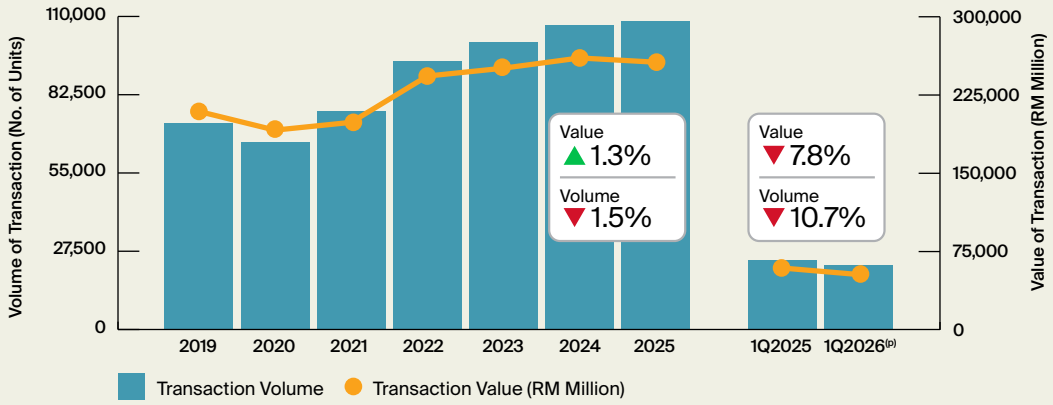
MARKET PERFORMANCE

MALAYSIA: RESIDENTIAL PROPERTY MARKET

The residential sub-sector remains as the primary driver of Malaysia's property market in 1Q2026, accounting for 58.8% of total property transactions nationwide

In 1Q2026, the residential market recorded 52,936 transacted units with collective value of RM 22.6 billion. Year-on-year (y-o-y), the volume and value of residential property transactions declined by 10.7% and 7.8%, respectively. Despite weaker market activity, the average price of residential properties remained relatively stable.

Malaysia: Transaction Volume and Value Residential Properties, 2019 to 1Q2026(p)

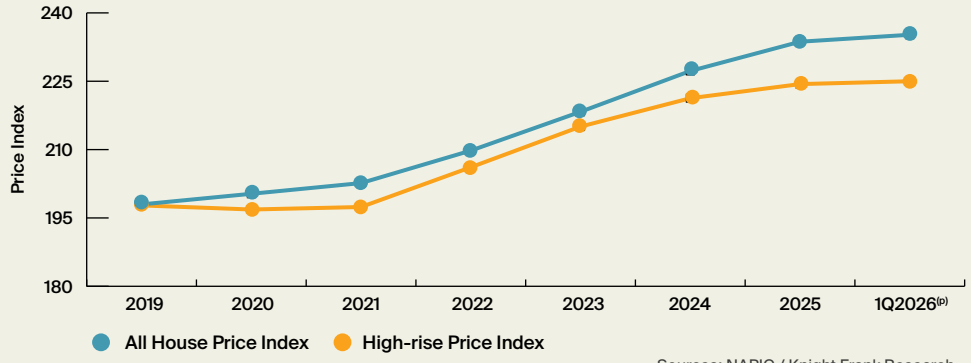


Sources: NAPIC / Knight Frank Research

Malaysia House Price Index (MHPI) reached a record high of 235.3 points

In 1Q2026, the Malaysian House Price Index (MHPI) increased 1.7% y-o-y to 235.3 points, supported by a 1.3% rise in the high-rise residential sub-index to 225 points. Despite softer market conditions, the country's residential property values remained resilient.

Malaysia: Residential Price Index (All House vs High-Rise), 2019 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Residential overhang rose by 24.7% y-o-y, with the increase primarily driven by high-rise properties

Malaysia's residential overhang increased by 24.7% y-o-y to 52,064 unsold completed units in 1Q2026, with the majority comprising high-rise properties. The overhang was mainly concentrated in the RM 200,000 to RM 300,000, RM 500,000 to RM 600,000, and above RM 1 million price brackets.

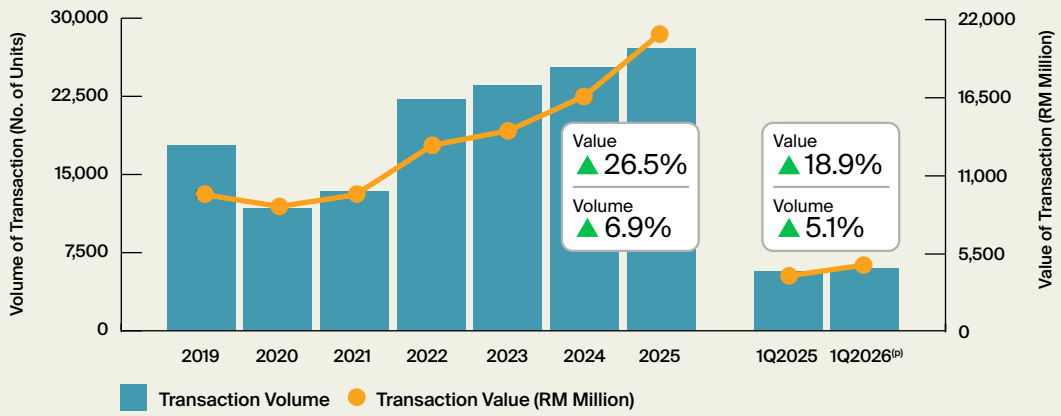
KLANG VALLEY

Residential transactions decline by 11.2%, while high-rise segment records growth

The residential property market in Klang Valley, comprising W.P. Kuala Lumpur, W.P. Putrajaya and Selangor, showed signs of moderation in 1Q2026, recording 13,906 transacted units valued at RM 9.3 billion - an 11.2% decline compared to the previous period. Majority of these transactions are in the RM100,000 to RM300,000 price bracket.

In contrast, the high-rise residential segment remained active, registering 5,986 transactions with collective value of RM4.7 billion. Year-on-year, the transacted volume and value were higher by 5.1% and 18.9%, respectively.

Klang Valley: Transaction Volume and Value of High-Rise Residential Properties, 2019 to 1Q2026(p)

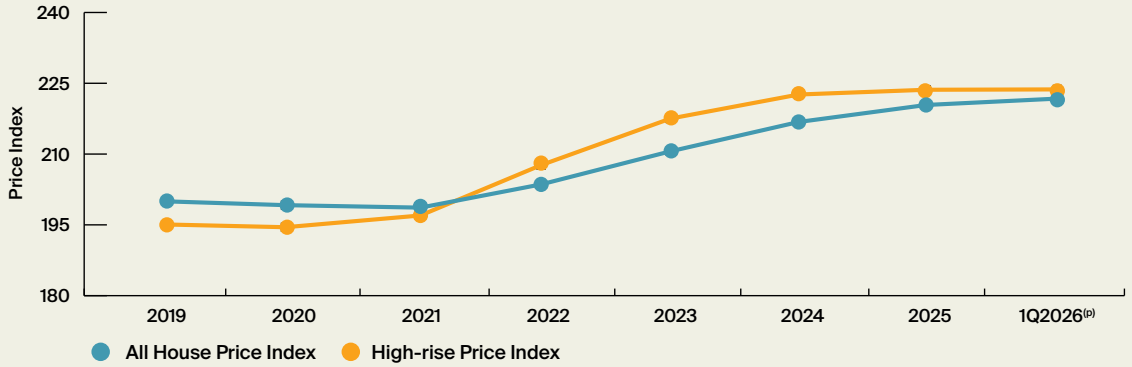


Sources: NAPIC / Knight Frank Research

Prices hold firm across key residential segments

The All House Price Index for Klang Valley stood at 221.8 points (1.3% yearly increase) while the High-Rise Price Index remained stable at 223.7 points.

Klang Valley: Residential Price Index (All House vs High-Rise), 2019 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

High-rise residential overhang remained broadly stable, easing marginally by 0.9%

Mirroring the national trend, residential property overhang in the Klang Valley increased by 10.9% to 14,244 units, with the majority of unsold units concentrated in the luxury segment priced above RM 1 million.

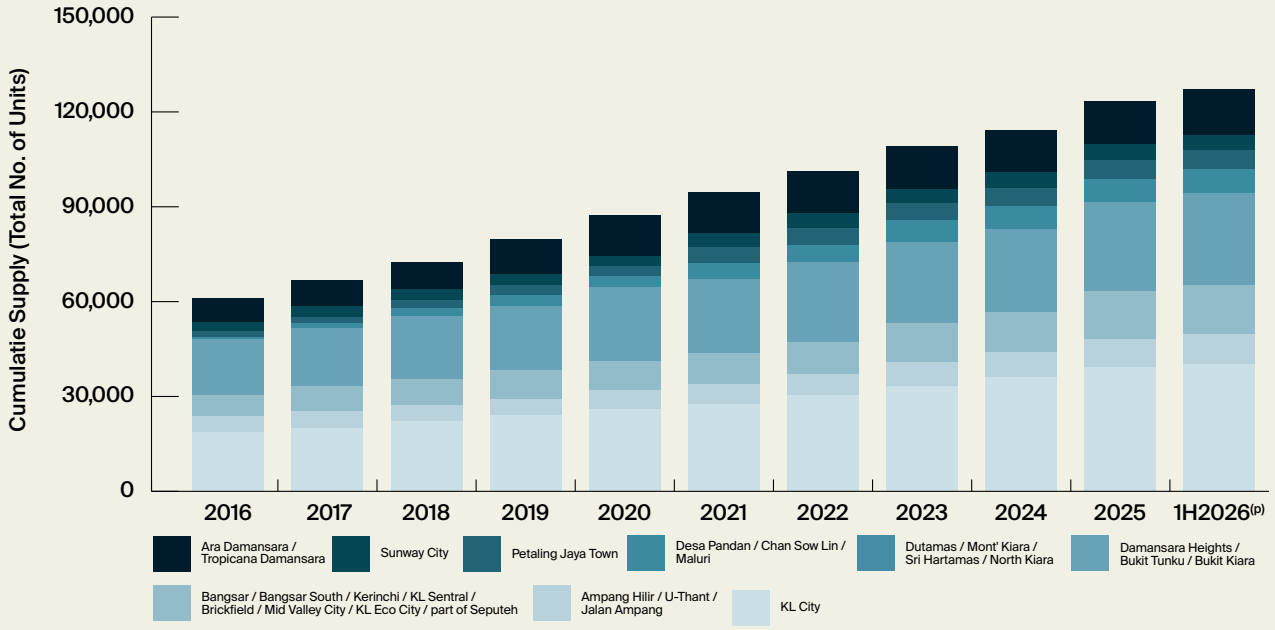
Within the high-rise segment, comprising condominiums, apartments and serviced apartments, the overhang declined marginally by 0.9%, with unsold inventory largely concentrated in the RM 500,000 to RM 600,000 and above RM 1 million price brackets.

High-Rise supply continues to expand, with over 9,000 units due for completion by 2H2026

As of 1H2026, the high-rise residential property stock, primarily condominiums and serviced apartments, in the prime areas of Klang Valley, stood at 126,991 units. The completion of 3,558 units during the review period represents a 2.9% increase in cumulative supply.

The impending completion of some 9,170 units by 2H2026 will increase the existing stock by 7.2%. These projects are mainly located in KL City, Bukit Kiara and Ara Damansara / Tropicana Damansara.

Klang Valley: Projection of Cumulative Supply for High-Rise Residential Schemes, 2016 to 1H2026(p)



Notes:
(p) = Preliminary
The cumulative supply for high rise residential includes condominium, serviced apartment, serviced suite and branded residence.

Source: Knight Frank Research

Klang Valley: Completions of High-Rise Residential Schemes, 1H2026

Development	Prime Area	Developer	No. of Units
Skylon Residences	Bukit Ceylon	GB Land Sdn Bhd	178
SWNK Houze @ BBCC	Imbi	Jv. UDA, EcoWorld & EPF	441
Orion Residence	Bukit Bintang	Welton Development	298
Impression U-Thant	U-Thant	Yong Tai Development	108
Picasso Residence	Jalan Ampang	PRG Holdings Bhd	472
Nestree Residence	Bangsar South	Nestcity Group	639
Windsor Suites @ Pavilion Damansara Heights	Damansara Heights	Pavilion Group	568
The Peak	Damansara Heights	E&O (Eastern & Oriental)	54
Arte Solaris	Mont' Kiara	Arte Corp	170
Edelweiss @ Tropicana Gardens	Tropicana Gardens	Tropicana Corporation	630

Source: Knight Frank Research

Development activity remained active, particularly in KL City, with investor-focused products

The latest wave of high-rise residential launches continues to be concentrated in KL City, TRX, Damansara Heights and Maluri. Despite a more cautious and selective buying environment, there is sustained confidence in well-located projects by reputable developers that offer good connectivity, lifestyle amenities and potential for capital appreciation.

In line with a more cautious and selective buying environment, market performance varies across product offerings. Higher-priced luxury developments generally recorded moderate take-up rates, while projects featuring more accessible entry prices, compact layouts and practical built-ups achieved good sales momentum. Property purchasers continue to prioritise affordability and investment viability, especially in KL City, where rental demand remains relatively resilient. In addition, partially or fully furnished units with good lifestyle facilities such as rooftop bar, infinity pool, larger gymnasium, etc. have become increasingly attractive.

Meanwhile, several developments continue to introduce sales and leaseback and rental programmes as part of the marketing strategies to boost sales. These incentives are designed to attract yield-oriented investors by offering more predictable rental income during the initial years of ownership, particularly amid a competitive high-rise residential market.

Klang Valley: Notable Launches / Previews, 1H2026

Development	Type[1]	Developer	Prime Area	Total Units	Unit Sizing (sq ft)	Average Gross Selling Price (RM per sq ft)
Centrix The Station KLCC	SOHO	Crest Builder Bhd	KLCC	857	571 – 1,039	1,600 – 1,750
Divine KLCC	SA	Chin Hin Group Property	KLCC	1,033	502 – 1,319	2,300 – 2,500
Phoeniz Suites KLCC	SS	Exsim Group	KLCC	394	484 - 678	1,700 – 1,800
Golden Crown Residences	C	Multibay Development Sdn Bhd	TRX City	490	624 – 1,023	1,900 – 2,000
Imperial Residences @ Pavilion Damansara Heights	SA	Pavilion Group	Damansara Heights	154	452 – 1,679	1,700 – 2,300
Royal Suites @ Pavilion Damansara Heights	SA	Pavilion Group	Damansara Heights	490	3,380 – 7,459	1,800 – 2,300
Majestic @ Kiara Reserve	C	Mayland Group	Bukit Kiara	150	From 1,270	950 – 1,050
Alderwood Residence	SA	Armani Group	Maluri	186	604 – 1,596	750 - 950
Peel Lane	SA	Kukuh Dinamik Ekspres	Maluri	406	550 - 1,122	820 - 900
Tower 1 @ Sunway Serene 2	SA	Sunway Properties	Petaling Jaya	483	995 -1,590	880 - 920

Note: 1. SA = Serviced Apartment; SS = Serviced Suite; C = Condominium: SOHO = Small Office Home Office

Source: Knight Frank Research

Notable Launches / Previews, 1H2026



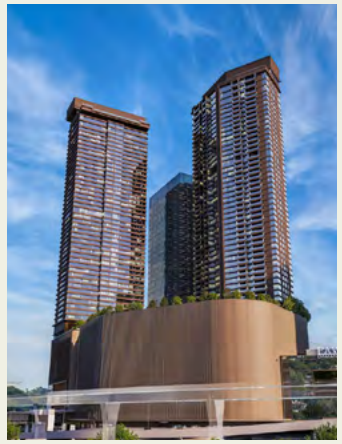
Centrix The Station KLCC



Golden Crown Residences



Phoeniz Suites KLCC



Imperial Residences & Royal Suites Pavilion Damansara Heights

Sources: Centrixklcc.com / Golden Crown Official Website / Exsimphoenizklcc.com / PropertyGuru

Despite a moderation in transaction activity, pricing across Klang Valley's prime residential market remained largely stable, supported by underlying demand fundamentals

Pricing in majority of the prime areas such as KL City, Ampang Hilir/U-Thant, Desa ParkCity, TTDI/KLGCC and Sunway City, continues to hold, underpinned by sustained demand. Buyers continue to favour well-connected and established locations, while emerging growth corridors are gradually gaining traction and showing stronger potential for future value growth.

Klang Valley: Average Transacted Prices of Selected Existing High-Rise Residential, 2H2025 and 1H2026(p)

Prime Area	2H2025 (RM per sq ft)	1H2026(p) (RM per sq ft)	Price Trend
KL City	1,300 - 1,480	1,300 - 1,480	◀ ▶
Ampang Hilir / U-Thant	860 - 920	860 - 920	◀ ▶
Bangsar / Bangsar South / Seputeh	950 - 1,110	960 - 1,100	◀ ▶
Damansara Heights	1,210 - 1,470	1,220 - 1,450	◀ ▶
Mont Kiara	790 - 980	810 - 960	▲
Desa ParkCity	1,030 - 1,280	1,030 - 1,280	◀ ▶
TTDI / KLGCC	1,130 - 1,160	1,130 - 1,160	◀ ▶
Desa Pandan / Chan Sow Lin / Maluri	850 - 1,070	870 - 1,060	▲
Petaling Jaya Town	870 - 990	880 - 980	◀ ▶
Sunway City	830 - 980	830 - 980	◀ ▶
Ara Damansara / Tropicana Damansara	700 - 820	730 - 810	▲

Notes:
1. (p) = Preliminary – Analysis based on preliminary data.
2. TTDI / KLGCC = Taman Tun Dr Ismail / Kuala Lumpur Golf & Country Club.
3. The price analysis is calculated by weighted average approach based on recorded transactions of selected sample size.
4. The transacted prices for the review periods differ slightly from the previous publication due to changes in the sample size and composition of the basket.
5. The sample size includes condominium and serviced apartment only.

Sources: JPPH / Knight Frank Research

Urban professionals and expatriates continue to support rental demand

The rental market for the prime residential areas in Klang Valley remained broadly stable in 1H2026. There is sustained demand in established residential enclaves popular with urban professionals and expatriates, supporting rental stability despite subdued growth across the broader market.

Klang Valley: Average Asking Rental of Selected High-Rise Residential, 2H2025 and 1H2026(p)

Prime Area	2H2025 (RM per sq ft)	1H2026(p) (RM per sq ft)	Price Trend
KL City	3.60 - 6.90	3.50 - 7.00	◀ ▶
Ampang Hilir / U-Thant	2.60 - 4.90	2.60 - 4.80	◀ ▶
Bangsar / Bangsar South / KL Sentral / Seputeh	2.30 - 5.50	2.40 - 5.60	▲
Damansara Heights	3.10 - 6.80	3.00 - 6.50	▼
Mont' Kiara	2.50 - 5.50	2.60 - 5.50	◀ ▶
Desa ParkCity	4.10 - 6.40	4.10 - 6.30	◀ ▶
TTDI / KLGCC	3.70 - 4.30	3.60 - 4.40	◀ ▶
Cochrane / Chan Sow Lin / Maluri	3.60 - 4.30	3.80 - 4.50	▲
Petaling Jaya Town	3.10 - 4.30	3.20 - 4.50	▲
Sunway City	3.40 - 5.70	3.30 - 5.80	◀ ▶
Ara Damansara / Tropicana Damansara	2.20 – 4.90	2.20 – 4.90	◀ ▶

Notes:
1. (p) = Preliminary – Analysis based on preliminary data.
2. TTDI / KLGCC = Taman Tun Dr Ismail / Kuala Lumpur Golf & Country Club.
3. The analysis is based on asking rentals due to limited concluded rental data.
4. The sample size includes condominium and serviced apartment only.

Sources: JPPH / Knight Frank Research

MARKET DRIVERS & TREND

Policy support and favourable financing conditions continue to provide a stable foundation for residential market activity

The residential market remains supported by Bank Negara Malaysia's accommodative monetary stance, with the OPR maintained at 2.75% and the SRR reduced to 1.0%, injecting liquidity into the banking system and supporting lending activity. Together with targeted measures such as full stamp duty exemption for first-home purchases up to RM500,000 under Budget 2025 and Budget 2026, these initiatives are expected to sustain homebuyer confidence, support market activity and preserve housing affordability.

Effective 1 January 2026, Malaysia introduced a flat 8% stamp duty on the transfer of residential properties acquired by foreign buyers, replacing the previous 4% rate. While the measure is intended to enhance housing affordability for local purchasers and curb speculative foreign demand, it is expected to increase acquisition costs for overseas buyers, particularly within the luxury residential market where foreign participation is more pronounced.

Under Budget 2026, the government introduced a commercial-to-residential conversion framework aimed at revitalising underutilised urban assets, supported by a 10% tax deduction capped at RM 10 million on qualifying renovation and conversion costs. These efforts highlight a growing emphasis on regeneration over greenfield expansion, and are expected to improve urban liveability while supporting more efficient land use within established city centres.

Expatriate inflows and foreign talent initiatives continue to underpin the premium residential market

Malaysia's efforts to attract expatriates, skilled professionals and HNWIs—including the new introduction of the Employment Pass+, investment-friendly policies and the restructured MM2H programme—are expected to support demand for higher-end residential properties. Although MM2H-related property purchases remain modest relative to the overall residential market, continued foreign inflows are likely to sustain demand for quality residential developments in prime locations, particularly within Kuala Lumpur.

Technological integration is transforming from an added premium into a baseline developer strategy

I-Bhd's "AI Living" development at i-City, Shah Alam integrates artificial intelligence, robotics and smart infrastructure into its architectural design and operations. This reflects a broader structural shift toward technology-enabled urban communities and is anticipated to set new operational benchmarks for future high-rise strata developments.

Sustainability and wellness continue to shape premium residential developments

Sustainability has become an increasingly important consideration in the prime residential market. Developers are placing greater emphasis on environmentally responsible design through green building certifications such as GBI, GreenRE and LEED, alongside energy-efficient building systems, smart home technologies and wellness-oriented amenities. These features are increasingly viewed as value-enhancing attributes that strengthen long-term asset appeal and support occupier demand, particularly among affluent owner-occupiers and institutional investors.

JOHOR

Transaction activity moderates as buyers adopt a more cautious approach following several years of strong price appreciation

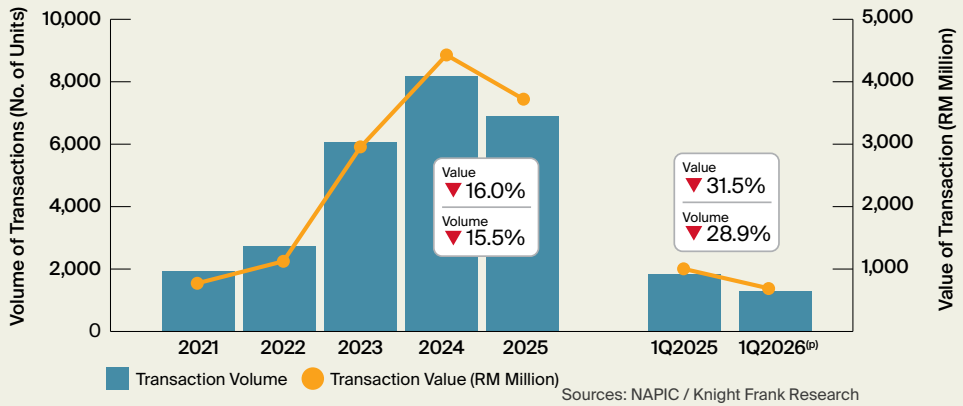
As of 1Q2026, Johor's cumulative high-rise residential stock increased by 0.9% y-o-y to 185,203 units. However, transaction volume and value declined by 28.9% and 31.5% respectively, largely attributable to Johor Bahru, which accounts for approximately 97% of the state's high-rise residential supply. While positive sentiment surrounding the RTS Link continues to support the market's long-term prospects, affordability considerations are increasingly influencing purchasing decisions.

Affordability challenges and increasing buyer selectivity continue to influence absorption within the higher-priced segment

Unsold completed high-rise units in Johor increased marginally by 1.3% y-o-y from 10,994 units in 1Q2025 to 11,137 units in 1Q2026, interrupting the downward trend in overhang observed over the preceding year. Similarly, Johor Bahru recorded a slight increase in overhang units from 10,917 units to 10,924 units during the same period.

More than half of the overhang units were priced above RM 800,000 and concentrated within the serviced apartment category, suggesting relatively slower absorption within the higher-priced segment amid growing supply and increased buyer selectivity.

Johor: Transaction Volume and Value of High-Rise Residential Properties, 2021 to 1Q2026(p)



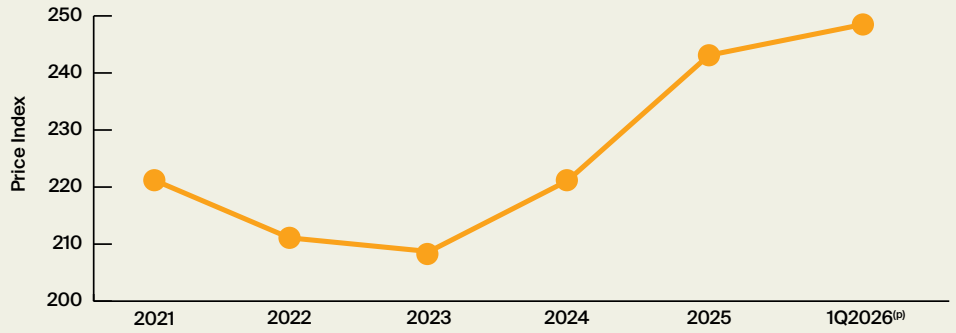
Sources: NAPIC / Knight Frank Research

Residential values remained resilient as the market transitioned into a more fundamentals-driven phase

Despite weaker transaction activity and a slight increase in overhang, the Johor High-Rise Residential Price Index increased by 3.5% y-o-y to 248.5 points in 1Q2026, indicating that underlying demand continues to support pricing in established locations.

As the RTS Link approaches completion, buyers are becoming increasingly selective, with purchasing decisions shifting from expectations of future price appreciation towards affordability, product quality and long-term value preservation. Financing assessments for certain high-rise developments have also become more stringent amid an expanding supply pipeline.

Johor: High-Rise Residential Price Index, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Prices shows signs of stabilisation as market become increasingly supply-driven

Average asking prices for selected existing high-rise residential developments remained broadly stable across Johor Bahru in 1H2026. While the RTS Link continues to support long-term confidence in the market, price growth appears to be moderating as the sector transitions from a period of expectations-driven growth into a more mature phase. Growing competition from newly launched projects, together with a rising overhang and a substantial pipeline of upcoming high-rise developments, has contributed to more measured buyer sentiment. As a result, purchasing decisions are increasingly guided by affordability, product quality and long-term value proposition rather than expectations of future price appreciation.

Johor Bahru: Average Asking Prices of Selected High-Rise Residential, 2H2025 and 1H2026(p)

Prime Area	2H2025 (RM per sq ft)	1H2026(p) (RM per sq ft)	Price Trend
Johor Bahru City Centre	990 – 1,350	970 – 1,350	◀ ▶
Johor Bahru City Fringe	570 – 800	580 – 790	◀ ▶
Iskandar Puteri & Medini	600 – 800	610 – 800	◀ ▶

Notes:
1. The sample size includes condominium and serviced apartments only.
2. (p) = Preliminary – Analysis based on preliminary data.

Source: Knight Frank Research

Development momentum remained strong despite increasingly competitive market conditions

Over 11,000 high-rise residential units were launched / previewed in 1H2026, with most concentrated within the City Fringe submarket. The substantial volume of upcoming development underscores the continued confidence in Johor Bahru's high-rise residential sector. However, as additional projects enter the market, competition is expected to intensify, placing greater emphasis on product differentiation and the timely absorption of new supply. Aethera Residence and Pine Legacy command premium selling prices, largely due to their proximity to the upcoming RTS Link Station.

Johor Bahru: Notable Launches / Previews, 1H2026

Development	Developer	Total Units	Unit Sizing (sq ft)	Average Gross Selling Price (RM per sq ft)
Johor Bahru City Centre				
Aethera Residence	UOA Development Bhd	786	650 – 2,594	From 1,293
Johor Bahru City Fringe				
Pine Legacy	Tiong Nam Group	970	499 -712	From 1,311
Hillview @ Senibong Cove	WM Senibong	1,181	598 - 1,349	From 750
Topaz	WM Senibong	537	495 - 871	From 662
Santai 3 @ Eco Spring	EcoWorld	627	872	From 636
Mandolin Residence (Phase 1)	Plenitute Bhd	712	528 - 1,017	From 785
Monterra Johor Bahru	Teguh Harian Group	1,565	579 - 903	From 735
Nexus	KSL Holdings Bhd	1,630	398 - 850	From 795
Mutiara Kempas Johor Bahru	Malton Bhd	562	801 – 1,277	From 449
Iskandar Puteri & Medini				
Riverhaus	KSL Holdings Bhd	2,160	501 – 1,471	From 576
Bodaiju Residences	Creed Property Malaysia Sdn Bhd (formerly CI Medini Sdn Bhd)	802	463 - 1,012	From 573

Notes:
1. All developments listed are serviced apartments and are in their initial phase, unless otherwise mentioned.

Source: Knight Frank Research

PENANG

Penang's residential market continued to moderate in 1Q2026, extending the softer performance recorded in 2025

The residential market remained softer in 1Q2026, with transaction volume declining by 16.6% y-o-y to 3,443 units, while transaction value decreased by 13.2% y-o-y to RM 1.6 billion. This continued the moderation observed in 2025, when transaction volume and value also recorded declines of 4.9% and 7.0%, respectively. Nevertheless, buyer demand remained resilient in the affordable and mid-priced segments, with transactions continuing to be concentrated in properties priced between RM 200,000 and RM 400,000.

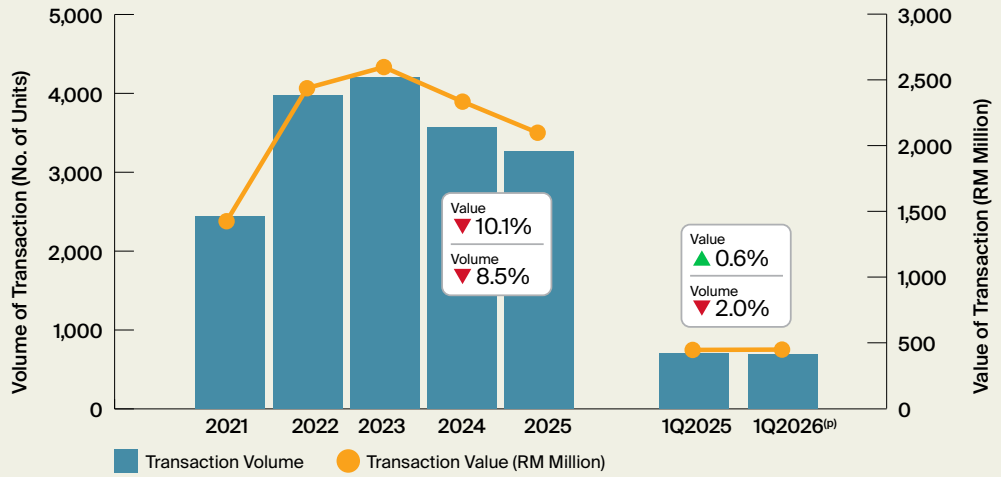
In contrast, the stratified high-rise segment demonstrated relative resilience despite mixed performance across property types. Condominium and apartment segments segments recorded weaker activity, while while serviced apartment segment showed improvement. Overall, transaction volume for high-rise residential properties declined marginally by 2.0% y-o-y to 694 units, although transaction value increased by 0.6% y-o-y to RM 448.3 million. The majority of high-rise transactions remained concentrated in Timur Laut, reflecting sustained demand for stratified residential properties within the district.

High-rise residential prices continue to rise amid expanding supply

As of 1Q2026, Penang's high-rise residential existing supply increased by 6.9% y-o-y to 138,330 units, with condominiums and apartments accounting for approximately 92% of existing supply, while serviced apartments made up the remaining 8%.

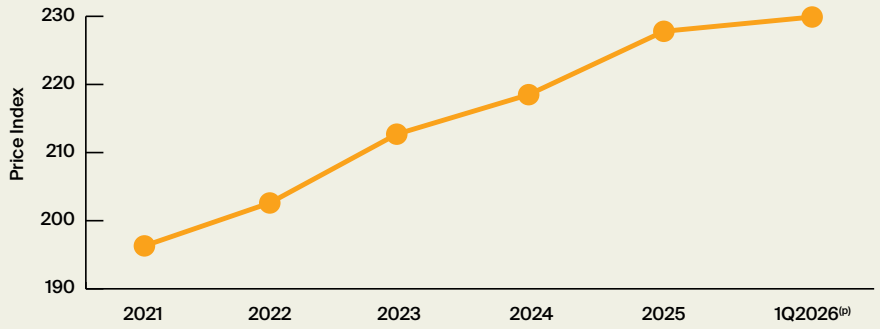
Despite the continued rise in supply and moderation in transaction volume, the Penang High-Rise Residential Price Index rose by 3.4% y-o-y to 229.9 points (1Q2025: 222.4 points). Penang Island continued to underpin the state's high-rise residential market, recording stronger transaction activity and limited price fluctuations.

Penang: Transaction Volume and Value of High-Rise Residential Properties, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Penang: High-Rise Residential Price Index, 2021 to 1Q2026(p)



Sources: NAPIC / Knight Frank Research

Prime residential prices in Penang remained broadly resilient in 1H2026

During 1H2026, the asking prices of high-rise residential properties with smaller built-up sizes in George Town and Gelugor remained consistent compared to 2H2025. However, high-rise properties with larger built-up sizes in George Town showed a lower asking prices, attributed to lower asking prices for residential schemes such as The Palazzo, 11 Gurney and Gurney Palace in the locality. In contrary, Tanjung Tokong and Tanjung Bungah illustrated relatively higher asking prices during the review period, contributed by increased asking prices for Springtide Residences and Infinity.

Penang: Average Asking Prices of Selected Existing High-Rise Residential Developments, 2H2025 and 1H2026(p)

Prime Area	2H2025 (RM per sq ft)	1H2026(p) (RM per sq ft)	Price Trend
George Town	700 – 1,000(1)	750 – 950	▼
	1,100 – 1,350(2)	1,100 – 1,350	◀ ▶
Tanjung Tokong / Tanjung Bungah	650 – 1,000(3)	550 – 1,100	▲
Gelugor	600 – 1,050(4)	700 – 1,050	◀ ▶

Notes:
1. Refers to units with built-up areas of 4,000 - 4,800 sq ft
2. Refers to units with built-up areas of 2,000 - 3,000 sq ft
3. Refers to units with mixed built-up areas of less than 2,000 sq ft and the bigger built-up areas more than 4,000 sq ft
4. Refers to units with built-up areas of less than 2,000 sq ft

Source: Knight Frank Research

The launch of approximately 1,998 residential units in 1H2026 underscores continued development activity within Penang Island's established residential markets

Serviced apartments accounted for the majority of the new launches, reflecting developers' continued preference for higher-density urban living formats and confidence in demand from investors, young professionals and smaller households.

Recent launches highlights the growing emphasis on product differentiation to cater increasingly diverse buyer preferences. While The Fount adopts a low-density, family-oriented luxury condominium concept centred on privacy and exclusivity, AVEA is positioned as a higher-density, lifestyle-driven serviced apartment development targeting a broader urban market. The contrast reflects continued demand for both premium owner-occupier products and integrated urban living concepts within Penang's residential market.

Penang: Notable Launches / Previews, 1H2026

Development	Type	Developer	Area	Total Units	Unit Sizing (sq ft)	Gross Selling Price (RM per sq ft)
AVEA	SA	E&O Bhd	Bandar Tanjung Pinang	1,080	678 – 1,076	906 - 1,537
The Fount	C	Runnymede Group	Gelugor	280	957 – 1,463	840 - 997
Keeperz Suites	SA	EXSIM Group	Gelugor	493	484 - 581	1,696 - 1,857
Merione Residences	C	IJM Land	Gelugor	145	1,055 – 1,206	1,490 - 1,611

Note:
1. SA = Serviced Apartment; C = Condominium

Sources: Various / Knight Frank Research



The Fount

Sources: Official Website



AVEA

Sources: Teduh

SABAH

Sabah's residential market maintained its positive momentum in 1Q2026, building on the growth recorded in 2025

In 1Q2026, residential transaction volume and value increased by 2.4% and 9.2% respectively, reaching 1,364 transactions worth RM 593.3 million. This follows a positive performance in 2025, when residential transaction volume and value increased by 4.6% and 4.5% respectively to 5,678 transactions worth RM 2.4 billion.

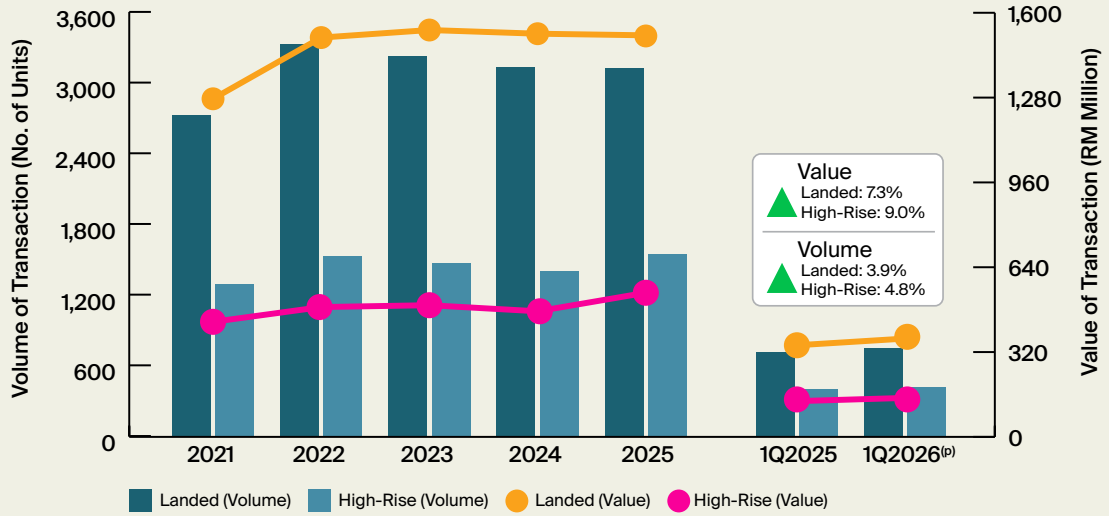
The positive growth in overall transaction volume and value was reflected across both the landed and high-rise residential segments in 1Q2026, with transaction volume increasing by 3.9% and 4.8%, respectively, while transaction value rose by 7.3% and 9.0%, respectively.

In general, landed residential properties continued to record a higher number of transactions than high-rise properties, underscoring the sustained preference for landed housing in Sabah.

Unsold completed condominium shows signs of improving absorption

As of 1Q2026, Sabah recorded 2,089 unsold completed residential units, with an estimated overhang value of RM 1.2 billion. Condominiums and apartments remained the largest contributor to residential overhang, accounting for 75.5% of the total unsold completed units. Despite this, the high-rise residential segment recorded the most significant decline in overhang value, falling by 37.2%. Notably, units priced between RM 500,000 to RM 600,000, and those priced above RM 1,000,000, registered the largest reductions in overhang value.

Sabah: Transaction Volume and Value of Residential Properties, 2021 to 1Q2026(p)



Notes:
1. Landed properties above include terraced, semi-detached and detached houses (exclude vacant plot, townhouses, cluster houses and low-cost houses).
2. High-Rise properties above include condominium / apartment (exclude low-cost flats and flats).

Sources: NAPIC / Knight Frank Research

Residential development activity remained concentrated in landed housing, underpinned by sustained transaction activity

The existing supply of residential units in Greater Kota Kinabalu (districts of Kota Kinabalu, Penampang, Putatan, Tuaran and Papar) increased marginally by 0.2% q-o-q to 146,235 units as of 1Q2026.

Among the notable launches during the review period, the majority comprised landed residential developments found within 2 to 3-storey terraced houses across Penampang, Kota Kinabalu and Papar. Notably, 2-storey terraced houses accounted for the largest share of landed residential launches during the review period, reflecting sustained demand for this property type.



Kinarut Ceria 3, comprising 48 double-storey terraced units, obtained its CCC in February 2026

Source: U Properties Development Sdn Bhd

Sabah: Notable Launches / Previews, 1H2026

Locality / District	Development	Property Type[1]	Typical Unit Size[2] (sq ft)	Approx. Land Area (sq ft)	No. of Units
Off Jalan N.C. Mogunting, Penampang	Vision Garden Phase 5	2 T	1,947 – 2,063	1,330 – 2,805	43
Off Jalan Lintas, Kota Kinabalu	Taman Fabulous	2 T	1,883 – 1,925	1,358 – 4,422	88
Jalan Pengalat Lok Kawi, Papar	Taman Mayang Seri @ Beringgis	2 T	951	1,090	80
		2.5 T	1,300	1,700 – 2,210	20
Jalan Bongoon Kodundungan, Penampang	Residensi Riverton	3 T	2,736 - 3,108	1,453 - 2,913	20
		3 SD	3,108	2,510 – 4,004	6
Jalan Lengkuas Segandai, Papar	Serai Perdana @ Kinarut	A	807 – 1,133	-	165
Jalan Kendara, Penampang	Rise Residences	C	879 – 1,353	-	202

Notes:
1. A = Apartment; C = Condominium; T = Terraced; SD = Semi Detached
2. Typical unit size excluded penthouses

Source: Knight Frank Research

Kota Kinabalu & Penampang: Average Asking Rentals of Selected High-Rise Residential, 2H2025 and 1H2026[p]

Locality	2H2025 (RM per sq ft)	1H2026[p] (RM per sq ft)	Rental Trend
KK City Centre & Fringe Areas	1.67 – 4.02	1.64 - 4.02	◀▶
Bundusan / Kobusak	1.66 – 2.99	1.77 - 2.98	◀▶
Damai / Luyang	1.56 – 4.09	1.52 - 4.09	◀▶
Kepayan	1.30 – 2.63	1.30 - 2.56	▼
Kolombong / Inanam	1.26 – 2.54	1.18 - 2.53	▼
Likas	1.41 – 3.06	1.44 - 2.90	▼

Source: Knight Frank Research

MARKET OUTLOOK

Klang Valley

The Klang Valley residential market is expected to remain broadly stable throughout 2026, supported by favourable financing conditions and sustained demand for well-located residential assets. While overall transaction activity moderated in 1Q2026 amid seasonal factors and cautious market sentiment, established townships and transit-served locations continued to demonstrate relative resilience. The high-rise segment, in particular, remains supported by changing lifestyle preferences and the growing appeal of integrated urban living environments.

Market conditions are expected to become increasingly selective as buyers place greater emphasis on affordability, value proposition and product quality. While residential prices are anticipated to remain broadly stable, developers are adopting a more measured approach to new launches amid elevated unsold inventory in certain segments. Nevertheless, the high-rise market within prime residential enclaves maintains a balanced outlook, supported by a substantial pipeline of upcoming supply in locations such as KLCC, Damansara Heights and Bukit Kiara. These projects are expected to expand premium residential offerings, with greater emphasis on asset quality and locational appeal rather than volume-driven growth.

Infrastructure investment is expected to remain a key catalyst for residential demand and value creation across the region. The newly operational LRT 3 Shah Alam Line and future MRT 3 Circle Line are expected to enhance accessibility and reinforce the attractiveness of transit-oriented developments, particularly within emerging suburban corridors and established urban centres.

Johor

Johor's high-rise residential market is expected to remain supported by the upcoming RTS Link, improving connectivity and the state's broader economic growth prospects. However, the market appears to be entering a phase of price normalisation following recent years of rapid growth. Market participants are also becoming increasingly focused on the ability of future demand to keep pace with the growing volume of incoming supply and sustain long-term market performance.

While the RTS Link is expected to strengthen Johor Bahru's long-term residential appeal, the extent to which it will translate into sustained demand, price growth and supply absorption remains to be seen. As such, market performance is likely to become increasingly dependent on underlying fundamentals rather than expectations alone.

Going forward, developers are expected to face a more competitive operating environment as new projects continue to enter the market. Developments that offer competitive pricing, practical layouts, good accessibility and clear product differentiation are likely to be better positioned to attract buyers and achieve stronger take-up rates.

Penang

Penang's high-rise residential market is expected to remain relatively stable, supported by the state's established economic base, continued urbanisation and demand for housing within well-connected residential locations.

Major infrastructure initiatives, particularly the Mutiara LRT Line and Penang Silicon Island, are expected to enhance connectivity and strengthen the appeal of residential locations along future transit corridors and near proposed LRT stations.

Nevertheless, market activity may remain measured amid a competitive residential market environment and increasingly selective purchasing behaviour. Buyers are expected to place greater emphasis on affordability, practicality, connectivity and locational advantages when making purchasing decisions, resulting in demand being concentrated in selected developments and locations.

Despite these challenges, the underlying demand for quality housing and the state's ongoing infrastructure transformation are expected to support the long-term resilience and growth prospects of the high-rise residential market.

Sabah

The Kota Kinabalu residential property market is expected to see a more measured pace of new launches, particularly within the high-rise segment, as developers focus on absorbing existing and incoming pipeline supply amid rising construction and logistical costs. Nonetheless, the broader market is anticipated to remain resilient, supported by steady demand for products that are either strategically located, competitively priced, or offer a good balance of both, although buyer activity is expected to remain selective.

We like questions.
If you've got one about our research, or would like some property advice, we would love to hear from you.

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