

# Kuala Lumpur Industrial



# Demand for high specification warehouses continues

## MALAYSIA'S GDP REBOUNDED IN THE FIRST QUARTER AS THE ECONOMY REOPENED

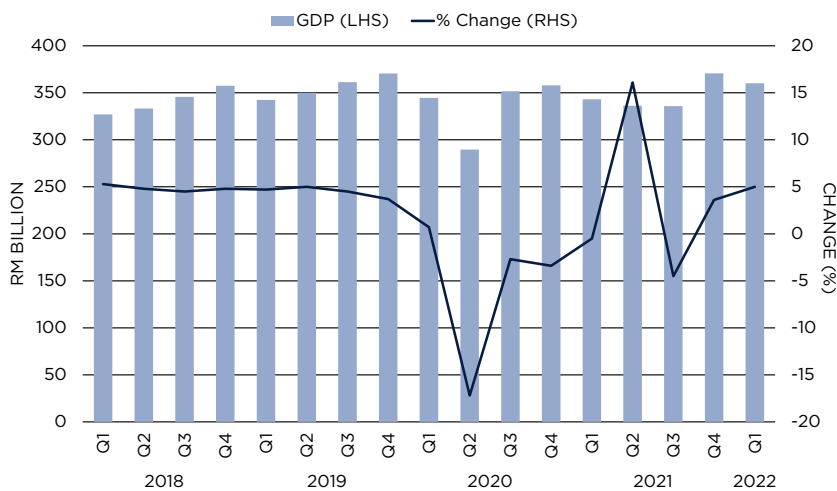
Malaysia's first quarter GDP grew by 5.0% to hit RM360.2 billion (Q4/2021: 3.6%). This was mainly supported by robust growth in the services sector and higher household consumption due to an improvement in consumer confidence. The strong recovery in the labour market and continued expansion on the external front

has also contributed to economic growth. Furthermore, a relaxation of restrictions and the reopening of borders in April 2022 further benefited overall economic conditions.

Similarly, the Manufacturing Industrial Production Index (IPI) grew by 6.3% in Q1/2022. The index has remained relatively consistent since its recovery from the -18% drop YoY registered in Q2/2020 due to the nationwide lockdown in March 2020.

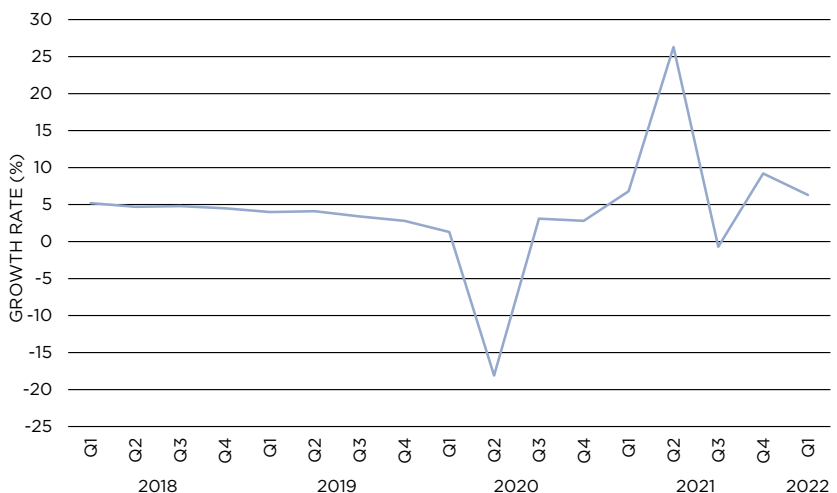
However, a marginal -0.7% drop in IPI in Q3/2021 was due to the reimplementation of the nationwide lockdown in June 2021. The main subsectors which contributed to growth of the manufacturing sector in the quarter included Electrical & Electronics Products, Non-metallic Mineral Products, Basic Metals & Fabricated Metal Products and Food, Beverages & Tobacco Products. The demand for manufactured goods and the re-opening of more businesses have improved the demand outlook for the nation's manufacturers even if the IPI slipped in some areas.

GRAPH 1: Malaysia GDP and Annual Percentage Change, Q1/2018 to Q1/2022



Source Department of Statistics Malaysia (DOSM)

GRAPH 2: Industrial Production Index (IPI) Growth Rate, Q1/2018 to Q1/2022



Source Department of Statistics Malaysia (DOSM)

## THE LOGISTICS OUTLOOK IS PROMISING, DRIVEN BY E-COMMERCE GROWTH

Malaysia's e-commerce revenue totaled RM1.1 trillion in 2021, increasing by 22% compared to 2020, mainly driven by the wholesale and retail trade sub-sectors. In common with many other global markets, the shift in consumer behaviour due to the pandemic accelerated the growth of e-commerce and online shopping, leaving a positive impact on the nation's logistics sector. The buoyant demand for logistics services has been witnessed by the growing interest in space expansion and active acquisitions by logistics players, Real Estate Investment Trusts (REITs) and 3PLs.

In Q1/2022, there was about 49 million sq ft of warehouse/ logistics space in Greater KL with the bulk of existing stock concentrated in the Klang and Shah Alam districts due to their strategic locations and proximity to Port Klang. The other in-demand warehouse/logistics space was located in prominent suburbs such as Petaling Jaya, Subang Jaya and Puchong Jaya, including the northern and southern parts of Greater KL.

With the increase in e-commerce adoption, more developers have seized the opportunity to venture into logistics real estate. In January 2021, LOGOS SE Asia Pte Ltd proposed a joint-venture with Aspen Group to set up a one-stop logistics, warehousing and e-commerce hub in Shah Alam with a net leasable area of five million sq ft. The project is estimated to have a total investment value of RM1.5 billion and will be one of LOGOS' most significant industrial projects in the Asia Pacific region. The entire project is expected to be fully completed in six to seven years.

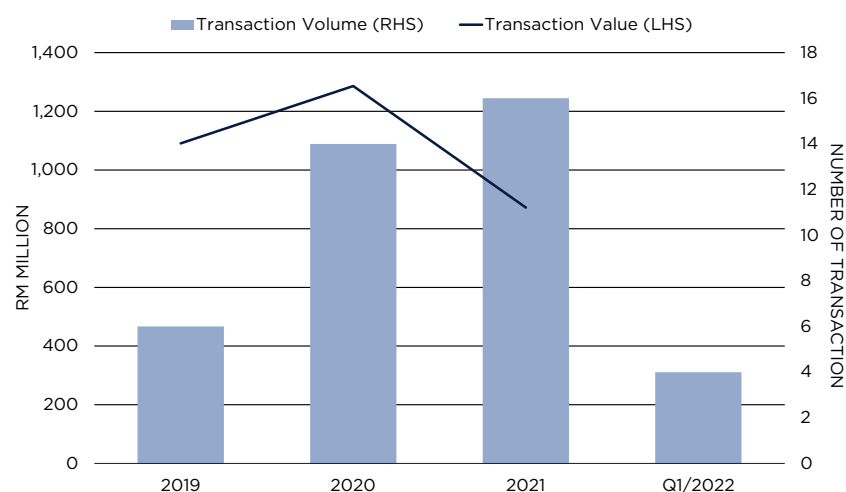
Following this, LOGOS announced a partnership with Sime Darby Property in September 2021 to establish a development fund to develop the 177-acre Bandar Bukit Raja industrial site in Klang, focusing on Built-to-Suit (BTS) development targeted primarily at clients in the logistics sector. The development will span about eight million sq ft of gross leasable area.

## 2020 and 2021 recorded 30 major industrial property transactions in Greater KL, amounting to RM2,158 million, indicating an influx of active investors.

### INDUSTRIAL ACQUISITIONS REMAIN STRONG

Opportunistic industrial transactions continued to take place during the pandemic. The years 2020 and 2021 saw

**GRAPH 3: Greater KL Industrial Transaction Volumes and Value, 2019 to Q1/2022**



Source Savills Research

**TABLE 1: Top 5 Industrial Transactions in Greater KL, 2021 to Q1/2022**

YEAR	PROPERTY	LOCATION	LAND AREA (ACRES)	CONSIDERATION (RM MILLION)	BUYER
Q1 2021	Leasehold land located in Section 13, Petaling Jaya (Kickapoo Factory)	Petaling Jaya	2.06	RM46 million	GSD Land (M) Sdn Bhd
Q1 2021	Leasehold land located in Section 13, Petaling Jaya (Dutch Lady Facilities)	Petaling Jaya	9.93	RM200 million	UEM Land Berhad
Q1 2021	Axis Facility at Bandar Bukit Raja	Klang	20.75	RM120 million	Axis Real Estate Investment Trust (AXIS-REIT)
Q2 2021	Leasehold land located in Section 13, Petaling Jaya	Petaling Jaya	5.13	RM82 million	Pixel Valley Sdn Bhd (Kerjaya Prospek)
Q1 2022	Leasehold land located in Subang Jaya	Subang Jaya	5.96	RM66 million	Maplerees Logistics Trust

Source Savills Research

30 major industrial property transactions, amounting to RM2,158 million in Greater KL. The momentum has been sustained with four transactions amounting to RM122 million in Q1/2022. Active acquisitions were reported mainly in Klang and Southern Greater KL. Developers and logistics players have also explored alternative parts of Greater KL, such as the northern and southern localities, because of the lower land prices and land scarcity issues in the better-established industrial areas.

One of the spotlight deals concluded in 2021 was the acquisition of industrial land (zoned for limited commercial use) located in Section 13, Petaling Jaya, by GSD Land (M) Sdn Bhd. The site was formerly a Kickapoo Joy Juice bottling factory with an area of 2.06 acres and was sold for RM46 million by a Singapore based company, National Aerated Water Co (KL). Following the sale, the other notable transaction in Section 13, Petaling Jaya, was made by UEM Land Berhad. The site was approximately 9.93 acres in size, was formerly a Dutch Lady's facility and transacted for RM200 million. Another industrial land deal in Section 13, Petaling Jaya, was acquired for RM82 million by a subsidiary of Kerjaya Prospek Property Berhad. However, the land measuring 5.13 acres has potential for rezoning to commercial use.

Significant recorded transactions in Q1/2022 were undertaken by Mapletree Logistics Hub who acquired two industrial sites totaling 5.96 acres for RM65.6 million. The land is adjacent to its existing facilities, Subang 3 and Subang 4. Mapletree aims to construct and complete its first mega modern logistics facilities on the land by 2027 with an estimated development cost of round RM500 million.

TABLE 2: Major Upcoming Developments in Greater KL, 2022 to 2025

DEVELOPMENT NAME	LOCATION	SIZE OF FACILITIES (SQ FT)	ESTIMATED COMPLETION
Bandar Bukit Raja Industrial Gateway	Klang	510,000*	2022
LYL Logistics Park 2	Shah Alam	855,000*	2022
The COMPASS @ Kota Seri Langat	Banting	8,000-50,000	2023
Eco Business Park V	Puncak Alam	7,800-21,750	2023
AXIS Mega Distribution Centre Phase 2	Jenjarom	485,312*	2023
LOGOS Integrated Logistics Warehouse	Shah Alam	5,430,000*	>2025
Omega Bukit Raja	Klang	1,400,000*	>2025

Source Savills Research

\*Note: Estimated net lettable area

\*Note: Estimated built up area

**MARKET OUTLOOK**

The rise of e-commerce has contributed significantly to the logistics industry's growth since the pandemic began in 2020. Today's high vaccination rates supported the reopening of international borders on 1 April 2022 which alongside the easing of movement restrictions, coupled with improved employment and investment data, will see more substantial growth in the industrial sector this year.

We expect demand for higher specification warehouses to remain healthy as more capital is injected, and rents are expected to increase as a result. Furthermore, at a more macro level, in its 12th Malaysia Plan, the Malaysian government has formulated a strategy to transform the logistics ecosystem to improve efficiency, enhancing the logistics industry's prospects over the next five years.



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