Friday, 29 May 2020

Occupancy For Office, Retail Space To Be Sustained In The Long Term

Demand and value of office and retail spaces deteriorated amid the Covid-19 pandemic as people adapt to the new norm of working from home and online shopping.

The KLCC Stapled Group, comprising units in KLCC REIT stapled together with KLCC Property Holdings Bhd (KLCCP) ordinary shares, expects its office segment's performance to remain stable, buoyed by triple net lease agreements as well as long term leases.

However, the group took a cautious stance on its retail segment since Suria KLCC continue to operate in a challenging environment.

For its hotel segment, the pandemic has severely impacted Mandarin Hotel Kuala Lumpur, with revenue for Q1 2020 dropping 33% year-on-year despite a good performance in January, reported Bernama.

The largest self-managed stapled security in Malaysia, the group expects its hotel segment to be adversely affected for the rest of 2020.

Meanwhile, IGB REIT – which posted over 3% share price drop in a year – has gradually recovered as recent selldown provided investors opportunity to accumulate the REIT, said analysts.

The REIT has two malls in its portfolio, both of which are in Kuala Lumpur – The Gardens Mall and Mid Valley Mall.

These two giant REITs believe existing occupancy of retail and office space would be sustained in the long term.

In concurring with the assessment, Francis SP Loh, President of Malaysian Institute of Professional Estate Agents and Consultants (MIPEAC), said comprehensive shopping malls that are centrally located and well-managed will continue to be successful as they retain their patrons.

National Property Information Centre (NAPIC) data showed that Malaysia has 1,037 shopping complexes as at Q1 2020, with a total space of 16.54 million sq m.

Retail Group Malaysia (RGM) expects the retail industry to register an 18.8% year-on-year contraction in Q1 2020. It had previously projected a 4.6% growth for the retail industry for this year.

But given the prolonged Covid-19 pandemic and weak domestic demand, the retail industry is projected to post a 5.5% contraction for the rest of 2020.

Meanwhile, Loh sees less demand for office space in the short term compared to before the pandemic.

Office rents could also be affected, leading to a corresponding decline in office space market values.

Based on NAPIC data, office space occupancy rate in Malaysia stood at 74.9% in Q1 2020.

Preliminary Q1 2020 data revealed that the value of transactions for commercial sub-sectors stood at RM5.112 billion, down from Q1 2019’s RM6.758 billion and Q4 2019’s RM8.383 billion.

(Source : https://www.propertyguru.com.my/property-news/2020/5/188695/occupancy-for-office-retail-space-to-be-sustained-in-the-long-term)