(Y)OUR SPACE Digest

Summer 2024

A seasonal review of key news stories, developments and issues relating to the future of work and workplace.

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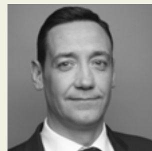
EDITORIAL

Portfolio Progression

The Covid blinkers are off. Business transformation and emerging opportunities are bringing a new progressive dynamic to corporate real estate decision making. While sentiment remains guarded and fragile, recent announcements suggest a growing focus on portfolio structure with offshoring under greater consideration.



By Dr Lee Elliott
Head of Global Occupier Research

A year after the launch of the third edition of (Y)OUR SPACE, the scale and pace of engagement around its themes continues to amaze and gratify in equal measure. The subtitle of the report – Managing Complexity – certainly resonates with readers and audiences worldwide, as they adjust to the post-pandemic world and transition beyond the survival posture of the Covid years.

Naturally, the upheaval in the world of work and workplace caused by the Covid-19 pandemic has been unsettling. It sparked an extensive debate about the future, marked by much noise but few clear signals. As the genie of flexible working was forcibly released from the bottle, the workstyle pendulum swung violently towards a remote future. Since then, the pendulum has swung back at a more sedate pace as businesses balance employee flexibility and corporate evolution. It continues to be a difficult and emotive balancing act.

One consequence of the post-pandemic period was that the mythical beast of global property markets – 'the occupier' - has been put to bed. Historically, real estate commentators have often spoken in generic terms about what occupiers want, assuming that all occupiers have the same real estate preferences. The stark reality of the post-pandemic world is that there is no one size fits all when it comes to the needs and requirements of occupiers. There never has been, but in responding to greater complexity we are now witnessing a wide variation in occupier needs influenced by their pandemic experience, legacy real estate, future working styles, and real estate strategy at both the portfolio and workplace level. Managing complexity brings great variation of response. There are no right answers. Our selection of news stories found within this first (Y)OUR SPACE digest are testament to the sheer range of responses from occupiers concerning business transformation, HQ relocations and initiatives to influence return to office rates.

A central aim of the 3rd edition of (Y)OUR SPACE was to provide some sensibility about how real occupiers are thinking about real estate in the post-pandemic world. It focused on medium-term ambitions. However, we also recognised that short-term operating and market conditions can constrain the ability to meet those medium-term aspirations. That is why we launched our innovative Global Corporate Real Estate Sentiment Index back in Q1 2022. The Q1 2024 edition of the index shows that sentiment continues to be fragile. It shows that capital expenditure constraints are preventing many occupiers from making large-scale interventions at either a workplace or portfolio level. It also indicates that occupiers – whilst anticipating increasing revenues – are moderating expectations around headcount growth. That suggests a growing focus on financial and operational efficiency, which, in turn, brings greater consideration to the offshoring of activity. In fact, sentiment around the issue has improved for three consecutive quarters to its highest level since the sentiment index began.

We explore the offshoring dynamic in this month's digest, drawing on recent research issued by our teams in Asia Pacific. We also delve into one of the markets experiencing a notable increase in offshored activity – Malaysia – by speaking with Teh Young Khean to gain insight into the current and future dynamics of the market. Having recently returned from the CoreNet Global Summit in Kuala Lumpur there is no doubt that the market is flourishing as offshoring moves up the value chain and supports digital transformation – which of course was also a theme foremost in (Y)OUR SPACE.

I hope you enjoy this first (Y)OUR SPACE digest. As always, we welcome your feedback on the report and its themes.

News Stories

A selection of recent news stories that caught our eye and are illustrative of the trends and tone of occupier decision making across global real estate markets.

Return to Office

Each story is summarised here from its original source and any factual inaccuracies are a reflection of this initial source reporting.

Dell Tracks Hybrid Workers' Office Attendance

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The US IT giant launched its latest return-to-office mandate in February. Having made employees declare whether they are hybrid or remote workers, with the latter option limiting career progression and putting these people first in line for redundancies, Dell now requires its all of its employees that have chosen hybrid status to attend the office at least 39 days each quarter, which translates to more than twice a week. This built on an initial three-day mandate for those based within an hour's commute of a major Dell office. Three months later, news has broken that the group is now monitoring attendance by tracking employees' badge swipes and VPN usage.

Dell is rating its employees based on their compliance, using a colour-coded system. It is awarding blue flags to those attending the office consistently, green and yellow flags to those visiting the office semi-regularly, and red flags to those with a "limited" onsite presence.

This is a key example of the latest development in the return to the office. Following in the footsteps of early movers such as Tesla and Google, occupiers are following up their mandates with efforts to monitor and enforce compliance. This is particularly prevalent among US tech market leaders.

However, occupiers should take heed of challenges Dell is facing. The Register reports that the group does not have a universal protocol regarding the consequences of employees' office attendance statuses. The news outlet's sources report that while some managers expect employees to consistently achieve blue flags, others allow leeway and tolerate red flags. This inconsistency needs to be addressed if Dell is to achieve its desired office attendance levels and embed an office-first culture across its operations.

Manchester United Bans WFH

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The football club's corporate operations have had a flexible working policy since the pandemic. However, its new minority shareholder Sir Jim Ratcliffe started the structural assessment of the organisation before Omar Berrada arrived as the club's new Chief Executive in July. As part of this, Ratcliffe has called time on hybrid and remote working schedules across the club's 1,000-strong workforce, citing how email traffic dropped 20% when one of his companies trialled working from home on Fridays.

Ratcliffe believes this move will improve productivity, as well as improving collaboration and strengthening organisational unity. As such, his messaging has been robust, telling employees at an all-staff meeting, "if you don't like it, please seek alternative employment."

The Guardian reports that Manchester United's current footprint in Manchester and London is not big enough to provide workspace for all of its current workforce. This mandate may therefore create demand for new, larger corporate premises; a densification of existing occupancy; or instigate a restructuring of activities in line with Ratcliffe's demands for greater efficiency.

Four-Day Office Mandate for JD Sports

Read More

The UK-based sportswear retailer is reining in its flexible working policy. JD has requested its office employees worldwide to return to the office for at least four days a week from July 2024.

The retailer claims that this move will support greater personal development, collaboration and teamwork. This will also ensure its office employees' schedules better align with the in-person work requirements of its store employees, which account for the majority of its workforce, creating a more consistent approach across its operations.

This move will bring employee retention challenges. In the wake of the pandemic, JD had embraced flexible working at its Bury headquarters. While the group described its hybrid working policy as temporary, during this period, JD reportedly employed people living far away from its head office on a fully-remote basis, leveraging working-from-home as a means of gaining access to a larger pool of talent. Without making exceptions, or establishing secondary policies to accommodate these non-local employees, the retailer may struggle to retain critical skills.

New HQ Relocations

Each story is summarised here from its original source and any factual inaccuracies are a reflection of this initial source reporting.

Alibaba Opens New Global HQ in Hangzhou, China

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The Chinese tech and e-commerce giant has opened a sprawling new campus in the city of Hangzhou, a two-hour drive south-west of Shanghai. Its new base is the largest of the group's global campuses, comprising seven buildings, offering nearly one million sq m of floor space and providing capacity for around 30,000 employees. South China Morning Post (SCMP) reports that its owner's new headquarters boasts a range of smart and green features, as well as sports facilities including a soccer field.

This is Alibaba's third campus in the Xixi area. With the opening of its new headquarters, the group reports that its existing Xixi Area A campus will become the headquarters of a number of Alibaba's domestic ecommerce businesses, including Taobao and Tmall. Meanwhile, its presence in Xixi Area B will be transformed into an 'open park' for the group's business partners. SCMP describes how the development of Alibaba's footprint in Hangzhou is a sign of its "commitment to its home city, as it grapples with fierce competition and a business restructuring."

The opening of the group's new HQ campus came in tandem with the opening of a new site in Beijing's Chaoyang district. The new campus in the Chinese capital does not match Alibaba's new Hangzhou HQ in terms of scale, but it is still expected to house nearly 19,000 employees. We must therefore read the opening of Alibaba's new base not as an isolated event, but as part of a wider programme of operational expansion across China.

Alvarez & Marsal Incorporates RHQ in Riyadh

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The global professional services firm announced the official launch of its regional headquarters in the Saudi capital of Riyadh. This represents a commitment to its operations in the Kingdom, where the consultancy has achieved a sixfold expansion of its local team in the past year alone.

This move aligns with Saudi Arabia's Vision 2030. As of the beginning of 2024, the nation's RHQ Programme took effect. This means the Kingdom will only award deals to overseas companies that have established and incorporated Middle East region headquarters in Saudi Arabia. As such, Alvarez & Marsal is the latest in series of international firms that have aligned their regional strategies with the Kingdom's RHQ Programme to ensure access to this high-value national market.

The firm's managing director for the Middle East, James Dervin, described Alvarez & Marsal's local strategic vision as being "to bring A&M's differentiated, and non-conflicted, execution-focused proposition to a market which is at an inflection point in terms of demand for translation of strategy into action and results." The firm aims to "leverage local insights in the Kingdom to drive sustainable growth and innovation." As part of this approach, Alvarez & Marsal has launched a local graduate programme, taking on entry-level employees that "represent the bright future of the Kingdom and the potential that A&M sees in the local talent." As such, we should view the consultancy's new outpost not as a one-off move reflecting an operational necessity, but as a long-term investment that will see its footprint in the Kingdom become a platform for the development of its market share in the region.

Goldman Sachs Establishes Regional HQ in Riyadh

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The financial services giant has become the first Wall Street bank to receive a licence to set up a regional headquarters (RHQ) in Saudi Arabia.

The inauguration of its new regional base will see Goldman Sachs' office at Kingdom Tower in Riyadh take on increased operational importance, as the administrative hub of its Middle Eastern activities. Its current regional footprint includes sites in Dubai, in the United Arab Emirates, in Doha, the capital of Qatar, and the Israeli commercial centre of Tel Aviv.

Bauer Opens New London HQ

Read More

The German multimedia conglomerate has opened a new headquarters near London's Euston station. Its base at The Lantern brings together the group's local publishing, digital and audio teams under one room, as well as providing a home for its broadcasting activities.

Bauer's offices and studios extend across the second and third levels of the seven-floor building. The studios are located to the right of a reception area, each providing large, agile work areas with extensive integrated tech, including large touchscreens that studio teams can use to display their logos and customise their spaces in line with their branding. The studios are contained by a large wrap-around open plan office, where teams across sales and programming functions have access to dozens of workstations. Bauer's primary footprint at The Lantern extends around the building's perimeter, with a central open lobby filling its spaces with natural light.

Together with various lobbies, amenities, breakout areas, outside terraces and performance area, as well as its equipment rooms in the basement, the group occupies more than 4,400 sq m.

Helen Morris, Co-CEO of Bauer Media Publishing UK, describe how the group's new home will "enhance creativity, boosting collaboration and nurture," in turn helping Bauer to elevate its output.

HSBC Opens New US HQ

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The global bank completed its largest US relocation to date, with the opening of its new national head office at The Spiral in New York City's Hudson Yards. Group Chairman Mark Tucker described how the move is symbolic of HSBC's commitment to US clients and its ambitions for connecting them "to opportunities overseas, and those around the world to the US."

The Spiral at Hudson Boulevard is a 66-storey office tower, boasting nearly 270,000 sq m of rentable space. HSBC occupies around 25,000 sq m across five floors, providing workspace capacity for up to 1,800 employees. The group has agreed a 20-year lease, which is not set to expire until January 2044.

Completed in 2019, Hudson Yards is the largest privately-built real estate project in US history. Developed in the former manufacturing neighbourhood of Midtown West, Hudson Yards comprises a 27-acre, $28bn ultra-prime mini-city, boasting award-winning, LEED-certified architecture, a wealth of amenities and an elite residential offering. As well as adding significant value to employees' working day experience, supporting the attraction and retention of top talent, this location has attracted a growing number of market-leading multinationals, creating an ecosystem that enables occupiers to develop valuable relationships with a range of industry peers, prospective collaboration partners and corporate clients.

The group describes how the "innovative" design of its Hudson Yards office "exemplifies HSBC's progressive approach to reshaping the future of work, by fostering an empowering environment for clients and colleagues." HSBC claims that its interior office space incorporates a range of features that align with its sustainability and inclusion goals. The group also describes how the tower's adaptable infrastructure can accommodate its changing needs and technology advancements. The site also boasts 1,200 sq m of outdoor space, thanks to extensive terraces.

AIA Reopens its Redeveloped HQ in Hong Kong

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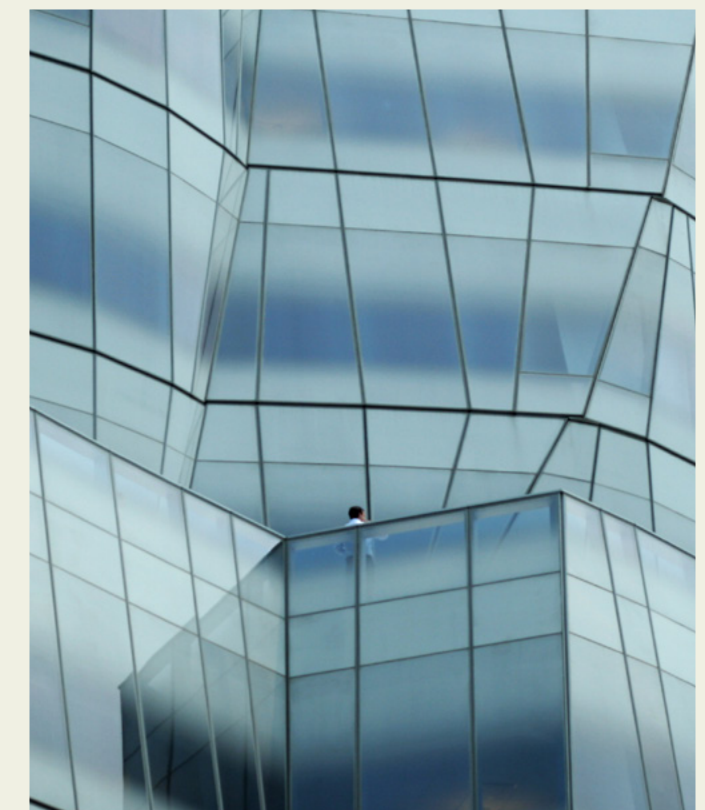
The Hong Kong-based insurance group has reopened its headquarters in Wan Chai. First built in 1969, the AIA Building has undergone a comprehensive renovation, creating a new, 22-floor amenity-rich campus, to house the work of around 1,800 employees. Chief Executive Lee Yuan Siong has described how the site now provides "an engaging workplace environment to nurture the best talent in the industry," and, in turn, "drive AIA's long-term growth."

The campus notably features extensive sports facilities. These include an indoor running track, a fully-equiped gym, and a multi-purpose sports hall. This offering aligns with AIA's organisational purpose, to help people in Asia live "healthier, longer, better lives."

Another key element of the redevelopment has been the upgrade of the AIA Building's green credentials. The site has obtained LEED, WELL and BREEAM+ pre-certifications, thanks to a range of environmental features, including a rooftop solar array and electric vehicle charging facilities.



Business Transformation

Indeed to Simplify Organisation

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The job site announced plans to reduce its workforce by around 1,000 roles. This follows a larger round of redundancies last year, impacting around 2,200 employees.

The latest cuts, affecting around 8% of Indeed's global headcount, are targeting operational inefficiencies. CEO Chris Hyams told employees that the organisation is "too complex" and is not set up to achieve sustainable growth. Despite last year's redundancies, which primarily aimed to cut costs, Hyams has described how Indeed still has "significant duplication of effort and too many organisational layers that slow down decision-making."

Hyams reports that the restructuring will eliminate layers of management. The programme will also reshape Indeed's R&D and go-to-market teams, so that they better align with the group's marketplace strategy, and cut most of the sales and customer service roles based at its Foster City office in California. Indeed's employees in Australia, Ireland and the UK are due to hear whether they will be entering into the consultation process.

Indeed is not alone on its journey. While the post-pandemic tech layoff trend peaked in the first quarter of 2023, the beginning of 2024 saw a resurgence of restructuring activity across the industry. The German software giant SAP announced plans to eliminate 8,000 roles in January, with the likes of Cisco and Dell also announcing job cuts impacting thousands of employees this year. This underlines how many market-leading tech companies that indulged in hiring sprees during the pandemic are still in the process of right-sizing their operations in its aftermath.

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Glassdoor Takes Next Step in Transition to Fully-Remote

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In February 2024, the employee review platform announced plans to shutter its office footprint. With its organisation-wide adoption of a fully-remote workplace strategy, Glassdoor is aiming to transition its real estate portfolio from a network of offices to what its CEO, Christian Sutherland-Wong, has described as a collection of "bigger event spaces where we can bring people together for shorter periods of time."

While initially vague regarding timescales, this month, Glassdoor listed its San Francisco headquarters for sublease. With the company's lease at 300 Mission Street reportedly running through to November 2030, offering up this grey space is an alternative to a potentially costly termination of its rent obligations that gives Glassdoor agility in the event of a strategic pivot back in favour of an office-centric working model.

The company leased four floors at 300 Mission Street (pictured above) back in 2019, with a view to occupying this space in March 2020. After the pandemic put these plans on hold, Glassdoor listed half of this space for sublease, and moved into the two remaining floors comprising nearly 11,000 square metres in spring 2022. As a result, the 16th to 19th floors at this location are currently occupied by tech firms eBay and Rakuten, as well as Glassdoor's head office workforce.

Takeda Becomes Latest Life Sciences Giant to Explore Restructuring

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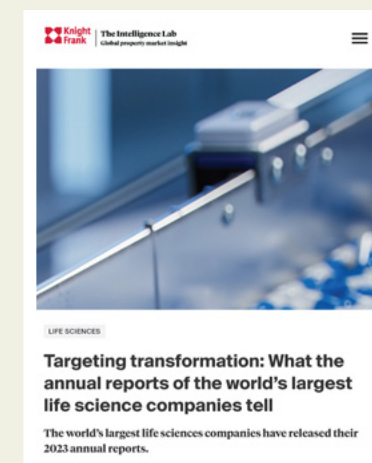
The Tokyo-based pharmaceuticals group has announced new restructuring plans. In June, its board approved a multi-year programme, "focused on organisational agility, spending efficiencies and leveraging the company's capabilities in data, digital in technology (DD&T)." Takeda aims to improve its growth prospects with an enhanced focus on its development pipeline, targeting a 30% improvement in its core operating profit margin. Workforce optimisation initiatives, paired investments in DD&T, will be central to its programme, as the group looks to increase its operations' efficiency and productivity.

This announcement comes at a pivotal time for Takeda. Its year end results (for the 12 months ended 31st March 2024) revealed a 56% year-on-year decline in operating profit. This, together with the recent expiry of patents for top-selling and high-margin drugs, including its ADHD medication Vyvanse, puts Takeda under pressure to make systemic changes that will reverse its fortunes.

Takeda is not alone in its restructuring efforts. Knight Frank's analysis of major pharmaceutical companies annual reports identifies five transformative themes at work in the sector: strategic acquisitions and collaborations, investments in AI and other technologies, organisational restructuring, and targeted ESG actions. At the same time early signs of a recovery in venture capital funding are evident, though still below pandemic highs. As of Q2 2024, global VC funding for pharma and biotech companies reached £9.32bn - a 7% increase from the same period last year.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Global property market insight

LIFE SCIENCES

Targeting transformation: What the annual reports of the world's largest life science companies tell

The world's largest life sciences companies have released their 2023 annual reports.

To find out more:
https://www.knightfrank.com/research/article/2024-04-12-targeting-transformation-what-the-annual-reports-of-the-worlds-largest-life-science-companies-tell

Walmart Cuts and Relocates Roles

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The world's largest retailer announced plans to reduce its workforce at its corporate headquarters in Arkansas, impacting "several hundred" roles. Additionally, Walmart is relocating the majority of its remote roles across the US and Canada, as well as the majority of its workforces based at offices in Atlanta, Dallas and Toronto that have been slated for closure, to sites in Hoboken and San Francisco. The employees affected were given until 1st July 2024 to decide whether they want to relocate or quit with severance pay.

This announcement represents a departure from the retailer's previous stance on remote working. Walmart has previously endorsed working-from-home in the wake of the pandemic, with CTO Suresh Kumar describing virtual work as "the future in tech" and "the new normal" back in 2021. This development, as seen across a variety of leading US occupiers in recent months, signals a continued shift in sentiment, increasingly favouring office-first workplace strategies.

Walmart has since announced a further 568 job cuts across its operations in the San Francisco Bay Area. The majority of the redundancies will impact employees assigned to the retailer's corporate office in San Bruno, while a further 180 are planned for the tech teams assigned to the Walmart Labs office in Sunnyvale. The retailer has confirmed that this round of job cuts will primarily impact employees that work from home, underlining Walmart strategic shift away from remote work.

Growth in M&A Activity by Value in Q1 2024

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Business information provider GlobalData reported that the global mergers and acquisitions market experienced growth during the first quarter of the year. Deals during this period were worth an aggregated total of $613bn – up 38% year-on-year. Additionally, the market witnessed a significant increase in the volume of deals worth more than $1bn: 121 transactions in Q1 2024, versus 79 in Q1 2023, represents a 53% increase.

While most sectors reportedly witnessed year-on-year growth in M&A activity in Q1, the Technology, Media and Telecoms (TMT) industry led in the way, with a total of 2,163 transactions worth a combined total of $186bn completing during Q1 2024. Business intelligence provider MEED suggests that this performance "underscores the continued importance of digital transformation and technological innovation in driving business growth and consolidation."

These findings set the stage for a recovery of deal activity over the course of 2024, following two years of decline. With the way acquisitions shape real estate strategies, this trend could be a welcome catalyst for a universal uptick in office relocations and lease activity, as well as augmenting occupiers' spatial needs.

Tech Titans Invest in Malaysian AI and Cloud Capabilities

Read About Google Read About Microsoft

The Southeast Asian nation is in the crosshairs for targeted investment from Google and Microsoft.

Google is committing to investments worth $2bn in Malaysia. This will include the construction of the country's first Google data centre, allowing it to establish a Cloud Region in this market. Additionally, Google will invest in local community programmes, aiming to develop the Malaysian population's AI literacy: these initiatives are expected to generate more than $3.2bn in GDP and 26,500 jobs by 2030. As such, Google's investment not only represents an expansion of its market presence and extending its capabilities into Malaysia, but it is a commitment to enabling the country's talent pool to access the myriad opportunities AI and cloud capabilities have to offer for developing and scaling local enterprises.

Similarly, this month, Microsoft announced plans to invest $2.2bn in Malaysia over the next four years, targeting the expansion of local AI and cloud services. The focus of the group's investment will be on building AI and cloud infrastructure, supporting local developers in the adoption of new capabilities, and creating AI-skilling opportunities for 200,000 nationwide. Additionally, Microsoft reports that it will be working with the Malaysian government to establish a national AI Centre of Excellence, as well as enhancing the nation's cybersecurity capabilities. Microsoft Chief Executive Satya Nadella said that the group will "make sure we have world-class infrastructure so that every organisation and start-up can benefit."

This highlights the wider impact of these developments. Of course, increased local investment and the opening of new facilities in Malaysia will provide a platform for future organisational growth, which will likely translate into new real estate requirements down the line. However, with the nature of these investments, they are sure to catalyse innovation, digitalisation and the accelerated development of industries across Malaysia, all in all upgrading the market's credentials and its ability to attract organisations exploring global expansion and offshoring possibilities.

Dutch Dairy Giant Opens IT Hub in Malaysia

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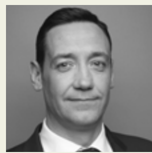
FrieslandCampina has opened a Technology Excellence Centre in Petaling Jaya, a city in the Greater Kuala Lumpur area. This is situated at the base of the group's local subsidiary Dutch Lady, on Jalan Professor Khoo Kay Kim.

The new facility functions as a dedicated hub for the group's global IT initiatives. Leveraging the local talent pool's strong digital skills base, the Technology Excellence Centre houses teams focused on a variety of projects across areas including data and analytics, cloud and platform engineering services, and IT service management.

The centre serves all seven of FrieslandCampina's business groups, aiding operations throughout Europe, Africa and Asia, and addressing the needs of a broad scope of markets. Chief Information Officer, Burce Gultekin, describes how the team of IT professionals based at this site "reflects this diversity, with members from various nationalities, speaking different languages, and bringing valuable perspectives from diverse cultural backgrounds and experiences." Gultekin highlights how the Kuala Lumpur area boasts a rich and varied talent pool, not only in terms of expertise, but also with regard to its cultural demographics, with Malaysia's capital being home to people from a range of ethnic, linguistic and religious communities. This diversity makes this location a good option for global organisations' shared services functions, such as those based at FrieslandCampina's new Technology Excellence Centre.

Offshoring in Sharper Focus



By Dr Lee Elliott
Head of Global Occupier Research

The economic and operating environment for international businesses has become more challenging. Business leaders are trying to navigate a path through weakened consumer purchasing power, higher operating costs due to increased energy and materials prices, employee demands for wage growth and an elevated interest rate environment contributing to an escalating cost of credit.

This challenge is reflected in our most recent Global Corporate Real Estate Sentiment Index , with the growth dynamic sub-index pointing towards reducing confidence in both the global economy and short-term corporate performance. In particular, expectations around revenue and headcount growth over the next six months have turned negative, whilst a greater proportion of respondents anticipate restrictions on capital expenditure.

Cost consciousness is the dominant corporate mindset, and the search for financial and operational efficiencies is becoming an urgent concern. From a corporate real estate perspective, this focus on cost and a reduced willingness to expend capital will apply brakes to capital-intensive real estate activities such as relocations or fit-outs, and this may slow momentum in major office markets within developed economies. However, the dynamic is different in emerging economies' markets. As our sentiment index clearly shows, CRE leaders have a growing appetite to offshore certain functions to lower-cost locations. This indicator has been turning increasingly positive for the past three consecutive quarters.

Invariably, this has brought markets in the Asia Pacific region into sharper focus, presenting, as they do, a circa 70% reduction in operating costs when compared to the United States of America. Furthermore, the highly educated, versatile and multilingual talent residing in developing markets within the region means it is well positioned to provide offshoring solutions of a higher quality and further up the corporate value chain. Gone are the days when offshoring represented simple business process outsourcing. Today, high-value, technology-heavy functions are being relocated into the region. With the introduction of automation and AI, more companies are establishing in-house teams in offshore locations to drive innovation.

Accordingly, Asia's offshoring market is forecast to grow at 10% annually out to 2032. Central to this growth are four markets of global significance - India, The Philippines, Malaysia and Vietnam. Each of these markets has its distinct value proposition - which we explore further in Knight Frank's recent report, Harnessing the Potential of Offshoring, which is part of the Asia Pacific Horizon series.

Our report assesses each market across five main pillars - growth, skills, labour price, business cost and CRE value - to give occupiers initial indications of the relative strengths, limitations and opportunities each presents. As such, it is an essential read for anyone seeking to press the offshoring button to realise cost-savings, operational efficiencies and heightened levels of innovation within their business.

To hear experts from core offshoring markets outline the benefits and opportunities, please take a look at our recent webinar supporting the report launch.

MERDEKA 118, Kuala Lumpur
The 2nd tallest building in the world

Market in Focus: Malaysia

7 Questions with Young Khean

YK, can you tell us a little about the OS&S team in Malaysia and its key achievements to date?

We are grateful to be recognised as The Best Commercial Real Estate Firm in Malaysia for 4 consecutive years since 2021. We have also been awarded the Best Commercial Rental Deal for 2 years running, in 2023 and 2024. Today, we are proud to say that we have grown to become the largest team specializing in commercial office leasing in Malaysia.

What are the primary sources of demand for offices in KL?

Sectors that are actively taking-up spaces in the market include oil & gas, technology, shared services, professional services, banking & financial services as well as FMCG/retail.

It is also noteworthy that Malaysia, especially Klang Valley, has become an attractive location to set up offshore centres. A recent Knight Frank study estimates Malaysia contributes roughly 8% to the Asia Pacific offshoring market, driven by competitive rental rates, a skilled talent pool, and strong government support for the digital economy. These factors are crucial for businesses seeking cost-effective and strategically located spaces to support their regional operations.

How would you describe the dynamic of the KL market over the last six months?

The KL market, specifically within the Klang Valley which includes Kuala Lumpur and Selangor, has shown a gradual and positive take-up over the past six months.

The addition of 3 million sq ft of new office space since last year has expanded the market supply. This gives tenants more options when considering expanding or relocating offices in the Klang Valley. As a result, there has been a slight uptick in average office rental prices this year, reflecting the availability of higher-quality office spaces in the market.

Another notable trend in the market is the rising demand in Tun Razak Exchange (TRX) area, especially after the launch of The Exchange TRX Shopping Mall. The financial district has attracted companies not only from the banking & financial players but also technology and multinational corporations due to its superior connectivity, strategic location and the marquee incentives given to financial corporations.

Why is KL – and Malaysia as a whole – seeing such interest from corporates seeking to offshore business functions?

Malaysia stands out with its multiracial community that fosters proficiency in multiple languages, including English, ranking third in Asia on the 2023 Education First (EF) English Proficiency Index (EPI). Its universities and educational institutions are recognised for high quality, cultivating a skilled talent pool adept in IT, finance, and customer service sectors.

Operational costs in Malaysia are relatively low and competitive compared to other countries, including rental, utilities, and labour costs. Despite competitive costs, Malaysia's robust infrastructure and services are also attractions.

The Malaysian government proactively fosters a conducive environment for foreign businesses, offering incentives and other financial benefits to attract and retain multinational corporations.

What key considerations must those planning to set up an offshore centre in Malaysia keep in mind?

Location:
Choose a prime office location with excellent amenities, close to transportation hubs, dining, and recreational facilities to attract and retain talent and enhance productivity.

Building Features:
Ensure the building has reliable internet, modern communication systems, and advanced security. Opt for green-certified buildings to align with ESG practices and improve corporate image.

Regulatory and Legal Framework:
Work with agencies like MDEC and MIDA for setup guidance, compliance with local laws, and access to incentives such as tax breaks and grants to reduce costs.

What deal over the last twelve months are you proud of and why? What value did it bring to the client?

Over the past twelve months, we are particularly proud of successfully assisting several technology and oil & gas companies in their initial setup in Malaysia. Being their initial touchpoint, we ensured a smooth journey, providing exceptional value and services. We have assisted approximately 700,000 sq ft of new set-up transactions.

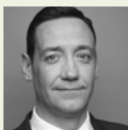
How do you see the trajectory of the KL market over the remainder of 2024, and why?

The market is projected to remain stable with incremental improvements in occupancy rates and rental prices throughout the remainder of 2024. This optimistic trajectory aligns with a positive economic outlook and strategic initiatives by the government.

The Malaysian government is actively pursuing trade and investment opportunities through strengthened diplomatic relations, emphasizing political stability. According to the Economic and Monetary Review 2023 by Bank Negara Malaysia, released in March 2024, Malaysia's economy remains robust. The economic outlook for 2024 appears brighter than in 2023, with projected growth forecasted between 4% to 5%.

The new supply expected in the second half of 2024 consists mainly of mid-sized buildings. As a result, we do not anticipate significant disruptions to the market.

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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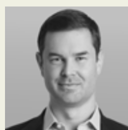

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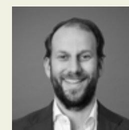

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