CBRE | WTW RESEARCH

2018 ASIA PACIFIC

REAL ESTATE MARKET OUTLOOK

Malaysia

CBRE | WTW

FORMATION

CBRE | WTW entered into an agreement in May 2016 to form a joint venture to provide a deep, broad service offering for the clients of both firms. This combines Malaysia's largest real estate services provider, WTW's local expertise and in-depth relationships in Malaysia with CBRE's global reach and broad array of market leading services.

The union of CBRE and WTW is particularly significant because of our shared history. In the1970s, CBRE acquired businesses from WTW in Singapore and Hong Kong, which remain an integral part of CBRE's Asian operations.

The wider WTW Group comprises a number of subsidiaries and associated offices located in East Malaysia including:

- C H Williams Talhar Wong & Yeo Sdn Bhd (1975)
- C H Williams Talhar & Wong (Sabah) Sdn Bhd (1977)
- C H Williams Talhar & Wong (Brunei) Sdn Bhd

ABOUT WTW

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. C H Williams & Company merged in 1974 with Talhar & Company founded by Mohd Talhar Abdul Rahman and the inclusion of Wong Choon Kee to form C H Williams Talhar & Wong (WTW).

In 1975, C H Williams Talhar Wong & Yeo (WTWY) was established in Sarawak. C H Williams Talhar & Wong (Sabah) (WTWS) was established in 1977.

The current management is headed by Group Chairman, Mohd Talhar Abdul Rahman.

The current Managing Directors of the WTW Group operations are:

- CBRE | WTW: Mr. Foo Gee Jen
- C H Williams Talhar & Wong (Sabah) Sdn Bhd: Mr. Leong Shin Yau
- C H Williams Talhar Wong & Yeo Sdn Bhd: Mr. Robert Ting Kang Sung

ABOUT CBRE

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2014 revenue). The Company has more than 70,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 400 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

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This report was prepared by the CBRE | WTW Malaysia Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate.

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MESSAGE FROM THE MANAGING DIRECTOR

When 2016 wrapped up, many were anticipating worse property market conditions for 2017. The market has indeed remained soft for 2017 nonetheless, performance was better than our expectation. Overall, looking at first half of 2017, there were over 153,000 transactions worth RM67 billion, a decline of 6% in volume but rise of 5% in value compared to 1H 2016. Bearing the pressure of possible worse market conditions in 2017, many developers have undertaken proactive strategies to mitigate the risks. For instance, residential transactions declined by 14.5% y-o-y back in 1H 2016, the number diminished to only single-digit decline of 7% in 1H 2017. This could be attributed to the fact that developers have restrategised their plan by developing products at more affordable price level in an attempt to correct the price-income mismatch which has been prevalent in the residential market. More strategic adjustment on products, pricing and sale strategies may be observable in 2018.

On the commercial front, business activity has slowed down in recent years due to cautious sentiments triggered by economic concerns. In particular, the office sector continues to be shrouded by worries of over-supply in the Klang Valley and the ail in oil and gas industry. Nonetheless, the eye-opening 5.7% GDP growth in 1H 2017 and observed increase in household spending shall inject some boosters. I believe Kuala Lumpur is still cost-competitive and attractive in the South East Asia region as a prime office destinations for MNCs.

In the run-up to the much anticipated 14th General Election, the Rakyat's welfare will dominate the public policy domain such as affordable housing. Residential sector remained as the principal component of property market by constituting 61.8% and 48.4% of volume and value of Malaysia's market respectively. At an annual population growth rate of about 1.3%, I view that the residential supply in the country is adequate or falling slight short. The core of housing issues in Malaysia lies with mismatches. In the open market, mismatch of price can be considered as acute. Bank Negara estimated average Malaysians could afford houses priced around RM250,000 and below. Nonetheless, 78.7% of new launches in 1H 2017 priced beyond that range with 49.8% of them costs more than RM400,000. Turning to affordable housing, mismatch in location dampened the public reception towards the schemes. Lack of amenities and facilities, accessibility and connectivity, and poor building quality are the top deterrents, this needs to be looked into. Acknowledging that land matters fall under the purview of state governments, efforts could still be taken to streamline and centralise affordable housing initiatives at federal level to enhance the delivery efficiency and policy effectiveness.

Of all the property sectors we covered in this report, hotel and industrial are painting the most optimistic outlook for 2018 and beyond. Blessed with geographical and cultural diversity, tourism has always been and will continue to be a prominent economic activity in Malaysia, spearheaded by hotspots such as Melaka, Penang, Borneo and others. A series of airport upgrade projects and incentives were proposed in Budget 2018, all of which are aimed at spurring the country's tourism and tourism-associated industries. With all eyes on '2020 Visit Malaysia Year', coupled with a number of international summits lining up, the tourism industry is poised to gain more momentum.

We are understanding more about the Digital Free Trade Zone from time to time, so as the Industrial Revolution 4.0 which would be one of the main pillars of National Transformation 2050 (TN50). Apart from that, Budget 2018 also shed light on the expected completion time of the East Coast Rail Link (ECRL) and the KL-Singapore High Speed Rail (HSR), both of which are dubbed as elevating Malaysia's connectivity in the ASEAN infrastructure network and the greater One Belt One Road initiative. Jumping onto the bandwagon of technological revolution and digital economy era, Malaysia is diversifying its industrial landscape from traditional manufacturing to logistics and distribution.

Malaysia holds the potential to be a regional distribution hub, facilitated by the country's natural positioning in the world map and conscious efforts by the policy-makers. In Peninsular Malaysia, the above-mentioned cross-border railway projects are complementary to the developments of deep-sea ports in Kuantan and Melaka. Looking to East Malaysia, the existing ports are strategically located to cater for the logistics around Brunei Darussalam-Indonesia-Malaysia-Philippines (BIMP) region. In view of the rise of e-commerce and higher stakes that logistics hold in the country, the industrial sector shall gain more traction, especially in the warehousing and supply chain segments for the coming years

2018 does not come without challenges lying ahead. The international and domestic political landscapes have been shifting. Brexit, the rather detested Presidential Election result in the United States, and tension and military provocations among North East Asian countries, have all pointed to the sense of deglobalisation around the world whereby the political developments often led to some forms of economic retaliation involving economic powerhouses. At home, the upcoming General Election may trigger anxiety and reserved behaviour in the market due to uncertainty.

Ringgit in overall, has weakened against major and regional currencies in the past 5 years. Financial activities and monetary policies in the main capital markets will continue to influence the currencies of emerging markets such as Malaysia. Nonetheless, credit to the central bank, Ringgit recovery is observable in recent period. Active monitoring and regulations conducted by Bank Negara will help to ensure the stability of Malaysia's financial system. Prudent lending by banks and weakening financial profile of Malaysians will however, result in higher barrier for property buyers to secure loans. Economic uncertainty and rising costs of living may deter households from subscribing to long-term financial commitment such as purchase of property.

In recent years, the government and authorities have introduced numerous measures that would impact the property market. Cooling measures were introduced in an attempt to curb speculation which led to disproportionate appreciation, the major measures include Real Property Gains Tax, foreign ownership restrictions and the recently proposed freezing of development approvals of luxury condominiums, offices and shopping complexes. Prudent regulatory moves and timely intervention are necessary to ensure the sustainability of property market as well as to eradicate potential threats posed to the financial system arising from excessive risk-taking by marketers. At the same time, it needs to be recognised that the cooling measures implemented have to be deliberate and well-articulated with comprehensive understanding on the aggregated impacts. This is to avoid unnecessary shocks and adverse responses in the market which would hamper the activity and growth of the market. From investors' viewpoint, erratic changes and flip-flopping would diminish their investment confidence and perception on the openness of the market.

All said, the relentless pursuit of mega projects and high-value economy would continue to catalyse business activities and bring about new growth drivers and opportunities. As far as real estate industry is concerned, robust economic expansion in early 2017 somehow, has not spilled over to the property market as the year came to an end. Nonetheless, optimists are suggesting that the property market shall see the light at the end of the tunnel in the second half of 2018. That would be desirable but buckle up as uncertainties would still linger on in 2018.

Sr FOO GEE JEN
MANAGING DIRECTOR, CBRE | WTW

2017 KICKED-OFF WITH MOMENTUM

Malaysia's economy kicked-off 2017 with great momentum to the surprise of many, it then prompted Bank Negara to revise annual GDP growth forecast upwards to 4.8% and above. The traditional drivers of the economy continued to make their contributions, namely the manufacturing and construction sectors. Households were seen to be prudent but confident with their spending. Businesses shall stay optimistic with opportunities arising from domestic consumption and foreign demand for exporters.

Remarkable economic performance prevailed in 2Q 2017 as real GDP grew by 5.8% y-o-y (1Q 2017: 5.6%). In the labour market, labour participation rate and unemployment rate have remained relatively unchanged in recent period. Looking at 2Q 2017 figures, labour participation rate in the second quarter edged slightly higher than 2016's average of 67.7% to be 67.8%. Similarly, unemployment rate for 2Q 2017 was 3.4%, this also fared better than 2016's average of 3.5%.

Standing at RM34,727 in 2016. GDP per capita for Malaysians has been trending upwards consistently. The fact that the growth in GDP per capita stayed above inflation rate from 2012 onwards implies that inflation in the economy can be considered as under control. On one hand, stability in the employment rate will help to boost Malaysians' financial confidence. On the other hand, robust economic growth will lift Malaysians' income level. Combining both situation, it can be expected households spending shall be prudent but steady in near future at the least.

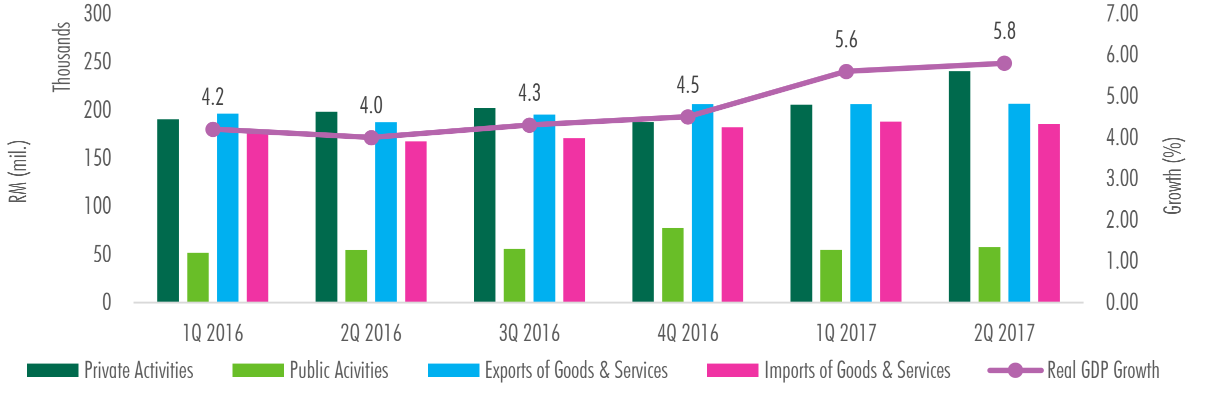
Consumption continued to be the driver of growth in domestic demand (2Q 2017: 5.7%, 1Q 2017: 7.7%). Improvement in private sector wages as well as consumers' spending sentiment boosted private consumption by 7.1% (1Q 2017: 6.6%). Private investment activities prevailed at 7.4% (1Q 2017: 12.9%) expansion rate – manufacturing and services sectors were the main contributors. Public consumption growth moderated to 3.3% (1Q 2017: 7.5%) while public investment declined by 5% (1Q 2017: 3.2%) as reduced spending by public corporations offset the spending increment by the federal government.

Construction sector recorded most significant annual growth of 8.3% in 2Q 2017 (1Q 2017: 6.5%). Following in second spot, services sector experienced higher growth at 6.3% (1Q 2017: 5.8%), underpinned by improvement in wholesale and retail trade sub-sectors which benefited from increased household spending. Manufacturing sector expanded by 6% (1Q 2017: 5.6%) to reach a new high since 2Q 2014. Electronics and electrical continued to be the dominant component of manufacturing sector amidst strong support from exports and domestic demand. The manufacturing sector also gained from the performance of construction sector through increased production of construction materials. After successfully rebounding from contraction for the whole of 2016 in 1Q 2017, agriculture sector moderated to 5.9% growth in 2Q 2017 (1Q 2017: 8.3%). On the mining sector, the global initiative to cut down oil production played a part for its lowest growth among all sectors at 0.2% (1Q 2017: 1.6%).

ROBUST ON THE EXTERNAL FRONT

Continuing on the momentum in the first quarter, gross exports in 2Q 2017 rose by 20.6% (1Q 2017: 21.3%). Demand from Malaysia's major trading partners such as the United States and China remained strong. On one hand, manufacturing of electronics and electrical – semiconductors in particular – recorded higher trade volume. Commodities such as petroleum and chemical products on the other hand, gained from better prices.

Real GDP Growth



Source: Bank Negara Malaysia, CBRE | WTW Research

Double-digit growth of 19.1% was also registered by gross imports (1Q 2017: 27.7%). Imports for re-exports as well as intermediate imports increased which in turn, supported the expansion of manufacturing sector in this quarter. Imports of high-value capital moderated in second quarter, this pulled down gross imports compared to 1Q 2017.

Overall, trade balance experienced widened surplus from RM18.9 billion in the previous quarter to RM24.1 billion in 2Q 2017.

Foreign direct investment (FDI) in 2Q 2017 moderated to RM8.3 billion (1Q 2017: RM17 billion), on account of lower reinvestment of earnings and injection of equity capital into the economy. Nonetheless, consistent with the pattern observed in the previous quarter, the top 3 primary beneficiaries of FDI in second quarter were real estate, information and communication, and mining sectors.

FEEL GOOD FACTORS IN THE MARKET

Based on surveys undertaken by Malaysian Institute of Economic Research (MIER), Consumer Sentiments Index (CSI) for 2Q 2017 improved q-o-q and y-o-y to 80.7 points – highest since 4Q 2014. The main boosters of optimism are stable employment and wage increase which spurred consumers' financial confidence. Meanwhile, encouraging sales performance coupled with potential for expansion in export sales and production steered Business Conditions Index (BCI) to 11-quarter high at 114.1 points. Turning to Retail Trade Index (RTI), it rebounded strongly from 2 consecutive q-o-q declines to break through the 100-point threshold at 105 points, underpinned by rise in tourist arrivals, disposable income and government spending on infrastructures. Albeit slight drop q-o-q, the Residential Property Index (RPI) in overall displayed optimism as it continued to approach the 100 points threshold since 2H 2016, being at 97 points in 2Q 2017.

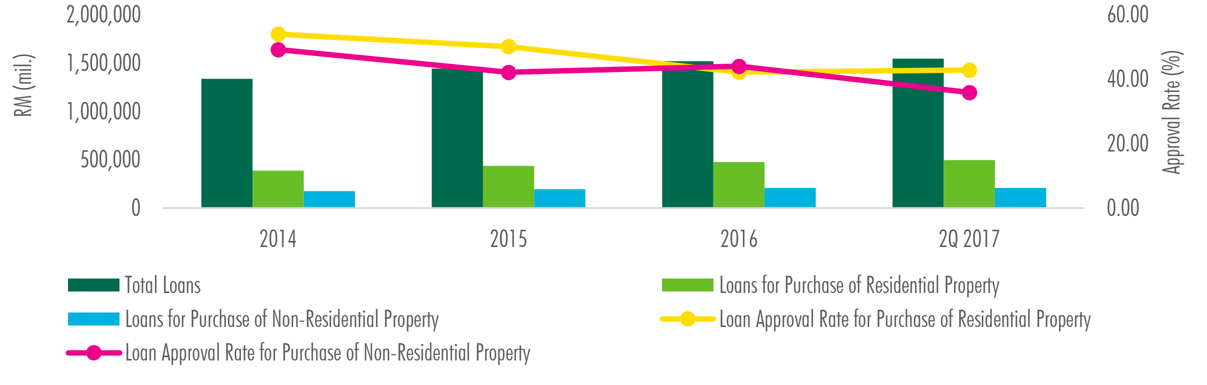
SLIGHT DECLINE BUT CONSISTENT LOAN APPROVAL

As of 2Q 2017, the size of loans in the financial market valued at RM1.55 trillion – of which 32.2% was intended for purchase of real estate properties. Rate for loans ranged from 3.61% to 3.79% for 2016 quarters whilst the recent rate in 2Q 2017 was 3.61%. The total amount of loans applied for this quarter rose compared to previous quarter, registering at RM204.6 billion (1Q 2017: RM197.4 billion).

Purchase of residential property constituted 29.9% (or RM61 billion) of the total loan applications while purchase of non-residential property took up 10.8% (or RM22.1 billion). Both represented a q-o-q growth. Loan approval rate for purchase of residential property exhibited minimal variation since 1Q 2016. The approval rate for such purpose in 2Q 2017 exceeded 2016's average of 42.3% to register at 42.9%. Interestingly, the annual increase in loan value approved for purchase of residential property was approximately 14.2% despite marginal increase in approval rate of 1.08%. This disproportionate uptrend may be a reflection of either appreciation of residential property or a boost in demand for higher-end residential property.

Mixed changes were observed on loan for purchase of non-residential property whereby the approval rate increased by 4.4% q-o-q but declined by 2.6% y-o-y for second quarter of 2017.

Loan Approvals



Source: Bank Negara Malaysia, CBRE | WTW Research

MACRO OVERVIEW - INFRASTRUCTURE

Projects	Locations	Completion	Status (as at Oct 2017)
Rail			
East Coast Rail Link (ECRL)	Port Klang, Selangor - Kuantan Port, Pahang - Terengganu – Tumpat, Kelantan	2024	Ground breaking ceremony held in August 2017
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas - Johor Bahru	2020	Infrastructure and civil work sub-contractor appointed
High Speed Rail (HSR)	Bandar Malaysia - Bangi-Putrajaya - Seremban - Melaka - Muar - Batu Pahat - Iskandar Puteri - Jurong East, Singapore	2026	Design stage (Open tender for consultant). Land acquisition in progress
LRT Line 3	Bandar Utama - Johan Setia – Klang	2020	Main contract awarded. Construction is scheduled to start in November 2017
MRT 2 (SSP Line)	Sungai Buloh - Serdang - Putrajaya	2022	Sub-contractor tender stage
MRT 3 (Circle Line)	-		In-planning
Highway/Expressway			
Damansara-Shah Alam Highway (DASH)	Sungai Penchala - Shah Alam	2019	Sub-contracts awarded
East Klang Valley Expressway (EKVE)	Sungai Long - Ukay Perdana)	2019	Under-construction
Lebuhraya Putrajaya-KLIA (MEX II)	MEX – KLIA – KLIA 2	2021	Reported to commence construction in 2018. Site clearance is noted in Putrajaya toll plaza
Pan-Borneo Highway	Tawau - Kuching	2022/2023	Under-construction
Serdang-Kinrara-Putrajaya Expressway (SKIP)	Serdang - Kinrara - Putrajaya	2021	Design stage
Sungai Besi-Ulu Kelang Expressway (SUKE)	Sungai Besi - Cheras - Ampang - Ulu Kelang	2019	Contract and sub-contracts awarded
West Coast Expressway (WCE)	Banting - Taiping - Sabak Bernam	2019	Sub-contractors appointed for certain phases. Design stage for toll plaza.
Port			
Kuantan Port New Deepwater Terminal	Kuantan Port	2018	Under-construction

MACRO OVERVIEW – POLICY

Title	Authority/Agency	Effective Date
Tourism Tax	Ministry of Tourism and Cultural	1 September 2017
The implementation of tourism tax of RM10 per room per night applicable to all foreign tourists in all hotels (including budget hotels).		
Charge to property-related legal fees	The Malaysia Bar	15 March 2017
The Solicitor's Remuneration (Amendment) Order 2017 SRAO made several important changes which set out the fees payable to lawyers in property transactions as follow: 1. Lawyers are allowed to give discounts on certain property agreements up to 25% on fees except for transactions governed by the Housing Development (Control and Licensing) Act 1966 (Act 118) for residential property. 2. Increase in fees for sales and transfers by replacing the previous First schedule, the reduced fee percentages for residential property maintained. 3. Increase in the fee for security or financing documents by replacing Third Schedule, reduced fee percentages for residential property maintained.		
Special financing scheme for PR1MA	PR1MA	14 February 2017
Special PR1MA End Financing Scheme (SPEF) would offer larger amount to home-buyers where banks will take loan applicant's EPF Account 2 monthly contribution into consideration in calculation of final eligible loan amount. Furthermore, successful loan applicant will only pay for the interest for the first 5 years.		

PROPERTY OVERVIEW

MALAYSIA

The property market continued to soften in 3Q 2017 although the decline was much milder than our anticipations at the end of 2016. There were over 229,543 transactions worth RM102.29 billion, a decline of 5% in volume but rise of 7% in value, compared to 3Q 2016.

The residential sector continued to dominate the overall market with 62.1% of market share in volume and 48.7% in value. Slower absorption rates have caused an increase in unsold residential units (completed and under construction), estimated at 146,497 units as at 2Q 2017, compared to the historical average of 72,000 units per year between 2004 and 2016.

Nevertheless, housing starts was up by 16% from 1H 2016, totalling 67,662 units in 1H 2017. Consequently, the government has recommended a general freeze on residential developments of homes priced over RM1 million each.

In the Klang Valley, office vacancy rate reported by NAPIC to be 23.6% as at 1Q 2017 and with incoming supply of 38 million square feet, vacancy rate could climb to 32% by 2021. In other words, a vacancy of 1 in 3 offices.

The government has also voiced equal concern over the 140 new shopping complexes targeted for completion by 2021. They will increase existing supply in the Klang Valley, Penang and Iskandar Malaysia by 70%, 40% and 150% respectively, amidst vacancy rates of 13.4%, 30.6% and 24.2% as at 1Q 2017.

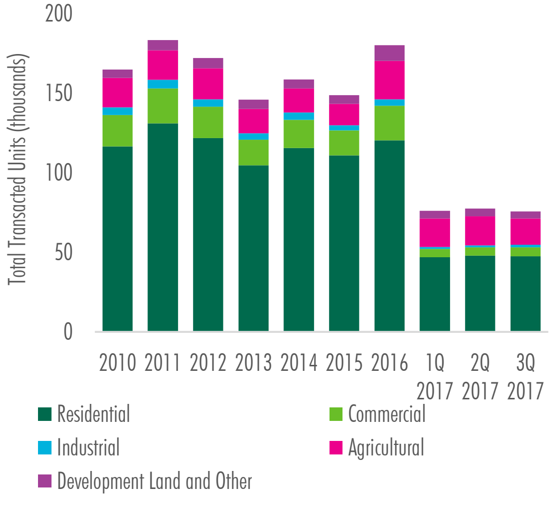
A freeze on office and retail developments has also been recommended by the government.

FURTHER MARKET TURBULENCE

The 2 sectors that appear to be less affected by an impending glut are the hotel/tourism and industrial sectors. However, this is not a signal for players to rush into these 2 sectors, thereby spreading a potential market epidemic to all property sectors.

With General Elections around the corner, none dare to predict whether a win by the incumbent government or an upset by the Opposition, will boost the market or cause a downward tailspin. What seems evident is that we can anticipate further market turbulence in 2018.

Transaction Volume



Source: NAPIC, CBRE | WTW Research

Transaction Value

Source: NAPIC, CBRE | WTW Research

PROPERTY MARKET INDICATORS

	All Sector		Landed Residential		High Rise Residential		Purpose-built Office		Shopoffice		Retail		Hotel		Industrial	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
MAIN MARKET																
Klang Valley	▶	▶	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▲
Penang	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Johor Bahru	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶
Kota Kinabalu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▲	▶	▼	▶
Kuching	▶	▶	▶	▶	▼	▼	▶	▶	▼	▶	▼	▶	▶	▶	▶	▶
REGIONS																
NORTHERN REGION																
Alor Setar	▶	▼	▶	▶	▼	▼	▼	▼	▶	▶	▶	▼	▶	▶	▶	▼
Ipoh	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SOUTHERN REGION																
Seremban	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▲	▲
Melaka	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶
EAST COAST																
Kota Bharu	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuantan	▶	▶	▼	▶	▼	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶
SABAH																
Tawau	▶	▼	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Lahad Datu	▼	▼	▼	▼	-	-	-	-	▼	▼	▶	▶	▼	▶	▼	▶
Sandakan	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	-	-	▶	▶	▶	▶
Labuan	▼	▼	▶	▶	▼	▼	-	-	▼	▼	-	-	▼	▼	▼	▼
SARAWAK																
Bintulu	▶	▶	▶	▶	▲	▶	-	-	▼	▼	▼	▼	▶	▶	▶	▶
Miri	▶	▶	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Sibu	▶	▶	▶	▶	▲	▶	-	-	▼	▶	▶	▶	▶	▶	▶	▶

KLANG VALLEY

The overall Klang Valley residential market moderated in 2017 with more completions but slowdown in transaction activity and new launches. The slowdown continued into first quarter of 2017 with increases in overhang and lower sales performance, it is anticipated a moderating growth throughout 2017.

RESIDENTIAL OVERHANG

As at 3Q 2017, 129,841 transactions with total value of RM137.33 billion were recorded. More than 21% of the transactions involved residential properties priced between RM250,000 and RM500,000, this reflected a decline of 9% q-o-q in volume (3Q 2016: 13,600, RM5.01 billion).

Prices of residential property continued to grow moderately despite the current market glut, evidenced by a slower growth of 6.6% and 5.8% in both Kuala Lumpur and Selangor House Price Index (2016: 8.4%; 8.5%). Government's implementation in curbing speculations and lending measures by Bank Negara showed a positive outcome in ensuring sustainable price growth.

In 3Q 2017, Klang Valley recorded 6,022 transactions of shops/commercial lots worth RM10.55 billion, indicating a decline of 23% of total transactions compared to the previous year (3Q 2016: 6,365 transactions). Of the total, about 23% or 1,376 transactions were 2- to 3-storey shop-offices worth RM1.94 billion.

OFFICE DEMAND FROM FOREIGN SOURCES

Kuala Lumpur is poised to continue attracting foreign investments and become a choice of location for multinational companies (MNCs), lending support to demand for office space.

With the new technologies advancing digital mobility and high adoption rates on technological application globally, the changes in the workplace/office space have come fast in recent years, including Global Business Services (GBS) and Tech Start-ups.

Demand drivers for GBS growth are mainly from banking, financial services and insurance (BFSI), government, retail and hospitality/tourism industries. Demand for BFSI is expected from banks with the pressure to reduce operational cost, offer seamless customer service and replacing legacy systems. The government sector will drive the GBS growth due to increase in information technology application and adoption across government-based services, whilst GBS in telecommunication sector is in demand due to rise in demand for application service delivery, service provisioning, activation services and billing services.

Major GBS customers are from developed economies, such as the United States, United Kingdom, Japan and Asia Pacific countries. The local MNCs in Malaysia are also starting to turn to single sign-on (SSO) with major distributions in Cyberjaya, numerous MSC commercial zones, Technology Park Malaysia (TPM) and others.

Demand for another niche, that is, data centres within technology clusters are trending high in Malaysia, with its high utilisation rate of 70% is on par with other global data centre locations such as India, Australia etc. The data centre industry has been competitive with growing global demand in outsourcing their data centre activities in Asia Pacific countries at lower operational cost, where it recorded revenues of RM831 million, up 4.5% in 2015.

CHALLENGING FOR RETAIL

The retail market in Klang Valley was challenging in 2017 and it is expected to persist throughout the year 2018. As reported by the Malaysian Retail Association (MRA) for 3Q 2017, the growth rate for retail sales was recorded at 1.1%. As compared to 3Q 2016, retail sales growth dropped by 1.1%.

The lower sales performance for 3Q 2017 was due to consumers being cautious with their spending, mainly influenced by the rise of cost of living, the hiking price of RON 95 and weak Malaysian currency.

STABLE TOURISM AND INDUSTRIAL

In 3Q 2017, Klang Valley recorded a total of 54,149 rooms by 187 hotels, an increase of 4% or 2,222 rooms y-o-y. In terms of new completions, a total of 1,614 rooms were recorded in first 3 quarters of 2017 through the opening of 7 hotels, examples are Stripes Hotel KL, Sunway Velocity, Sofitel Hotel Damansara and Element Kuala Lumpur.

Tourist arrivals rose by 4% from 25.72 million in 2015 to 26.75 million in 2016 and is expected to further improve in 2017 in conjunction with Visit ASEAN @ 50 Campaign and hosting of 29th SEA Games and ASEAN Para Games 2017. Meanwhile, the average room rate (ARR) for upscale hotels in Kuala Lumpur is notably lower in comparison to other Asian cities. All in all, these factors may potentially boost AOR considerably.

As at 3Q 2017, 44,277 existing industrial units were recorded in the Klang Valley of which 69% (or 30,569 units) are terraced industrial property, followed by semi-detached and detached units with a share of 14% (or 6,178 units) and 12% (or 5,490 units) respectively. Flatted factory (1,933 units) and industrial complex (107 units) made up the remaining 4% (or 2,040 units).

PENANG

As the overall market activity continued to trend downwards in 2017, the bottoming of the Penang property market is expected on the horizon. It is anticipated to remain subdued but resilient in 2018. The aftermath impact of the storm and flood incident to the property market would be short term. Following the nationwide freeze directed by the cabinet, developers having land banks at the eastern portion of Penang Island are expected to be more impacted.

A SUBDUED MARKET ANTICIPATED IN 2018, BUT WOULD BE RESILIENT

Since 2015, the overall activity in the Penang property market had continued on a downtrend. According to the recently released statistics of NAPIC, a total of 12,174 properties were transacted in Penang State up to 3Q2017, representing contractions of 10.1% and 25.1% as compared to Jan – Sept 2016 and Jan – Sept 2015, respectively. Compared with Jan – Sept 2014 (before the downturn), the total number of overall property transactions in Jan – Sept 2017 had reduced 34.8%.

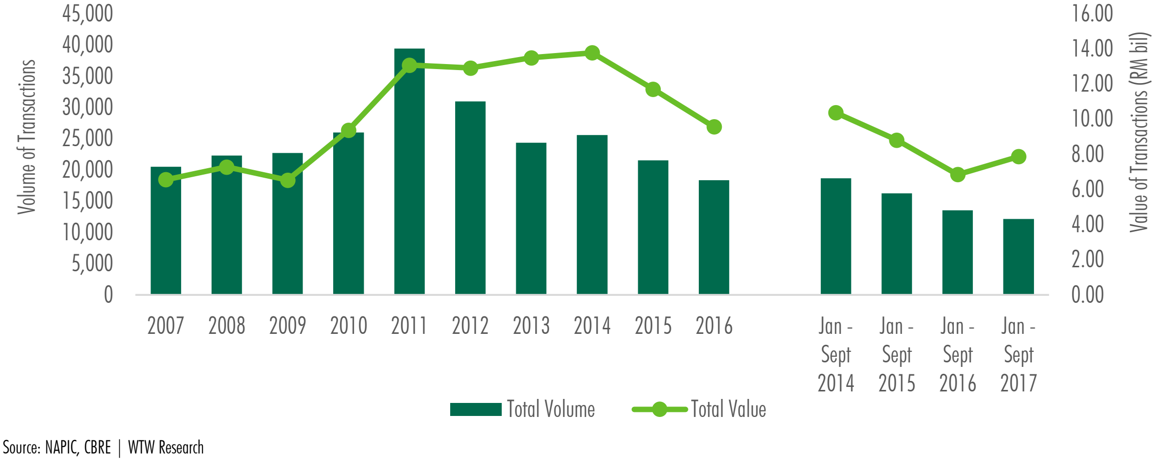
The total value of properties transacted in Penang State was approximately RM7.87 billion in Jan – Sept 2017, higher 14.8% as compared to Jan – Sept 2016. Compared with Jan – Sept 2015 and Jan – Sept 2014, the total value of overall property transactions in Jan – Sept 2017 had dropped 10.7% and 24.1%, respectively.

The downtrend in number and value of property transactions was prevalent almost across the board of various property sectors.

The property market is anticipated to remain generally subdued in 2018. This is in consideration of the imbalances of supply and demand in certain property sectors and the prevailing rising cost of living that erode purchasing power.

However, it is expected to be resilient, to be supported by the trickle-down effect of the gradual recovery in the national economy. Bank Negara Malaysia recently announced the country's latest economic growth at a commendable 6.2% in the third quarter of 2017, the fastest since June 2014. In addition, as reported by the Malaysian Rating Corporation Berhad, the household income has grown, albeit at a slower pace. There are also various initiatives proposed in Budget 2018 that address the cost of living and affordable housing issues, and boost other major economic sectors.

Total Volume and Value of Property Transactions in Penang (2007 – Jan to Sept 2017)



Source: NAPIC, CBRE | WTW Research

Property Sector	Jan - Sept 2017 vs Jan - Sept 2016		Jan - Sept 2017 vs Jan - Sept 2015		Jan - Sept 2017 vs Jan - Sept 2014	
Number of Transactions						
Residential	▼	-10.8%	▼	-23.6%	▼	-33.2%
Commercial	▼	-9.9%	▼	-39.2%	▼	-41.2%
Industrial	▲	+5.0%	▼	-38.8%	▼	-8.6%
Value of Transactions						
Residential	▼	-1.1%	▼	-13.6%	▼	-28.4%
Commercial	▼	-0.7%	▼	-54.4%	▼	-42.2%
Industrial	▼	-32.5%	▼	-19.9%	▼	-8.2%

Source: NAPIC, CBRE | WTW Research

THE AFTERMATH IMPACT OF THE STORM AND FLOOD INCIDENT TO THE PROPERTY MARKET WOULD BE SHORT TERM

In early November 2017, Penang and certain parts of Kedah and Perak states, were affected by one of the worst storms and floods in recent history. A major portions of residential areas in low lying areas and the inner city of Georgetown were inundated. There were also landslides at certain hill slopes. Fortunately, major industrial parks and commercial centres were generally not affected.

Following the incident, prospective purchasers and tenants would refrain from considering properties affected by the recent flood and landslide. Banks would also be more cautious on flood-prone and landslide areas, and may restrain extending loans which are to be secured by properties in such areas.

However, the aftermath impact to the property market is anticipated to be short term. The recent weather havoc was caused by the usual inter-monsoon season exacerbated by the isolated incident of the tail-end effect of Doksuri Typhoon, which impacted mostly the Philippines and Vietnam. Furthermore, the impact would also not be long lasting with remedial actions taken by the governments and relevant authorities.

DEVELOPERS HAVING LAND BANKS AT THE EASTERN PORTION OF PENANG ISLAND WOULD BE MORE IMPACTED BY THE NATIONWIDE FREEZE DIRECTED BY THE CABINET

The Federal Government Cabinet has directed a nationwide freeze of new applications to develop shopping malls, offices, serviced apartments and condominiums priced at RM1 million and above, effective 1 November 2017.

Subsequently in December 2017, it was announced that the government will allow housing projects worth more than RM1 million in big cities, with condition that developers meet the requirements set by the Urban Well-being, Housing and Local Government Ministry. Developers must submit official application to the ministry if they wish to undertake luxury projects and the approval will be on a 'case to case' basis.

This measure is expected to impact more for developers that are having land banks at the eastern portion of Penang Island. The land banks are usually planned with luxury high-rise residential projects and other major commercial developments.

Description
POLICIES/REGULATIONS
The Strata Titles (Amendment) 2016 came into force on 1 January 2017 (except Section 29) in Johor, Penang, Selangor and Kuala Lumpur. The Act introduced a new Section 4C on the concept of rent for parcels and provisional blocks. Parcel owners are obliged to pay rent for parcels or provisional blocks. The land office will issue individual quit rent bills known as parcel rent to individual parcel owner. The quit rent in respect of the entire building/lot will no longer be applicable.
Effective April 2017, the minimum purchase price of landed properties (including landed strata) in Penang Island for foreigners has increased from RM2 million to RM3 million per unit. The minimum purchase price for stratified properties in Penang Island remained at RM1 million per unit. For properties in Seberang Perai, the minimum purchase price of landed properties (including landed strata) for foreigners, remained at RM1 million per unit. The minimum purchase price of stratified properties has reduced to RM500,000 per unit.
The Approval Fee for foreigners purchasing stratified properties priced between RM1 million and RM1.5 million in Penang Island reduced from the previous 3% to 1.5%.
PROJECTS
Officially launched by the Prime Minister on 24 August 2017, the Northern Corridor Economic Region (NCER) Blueprint 2.0 unveiled the 7 catalytic growth node projects. They are Chuping Valley Industrial Park (CVIA), Perlis Inland Port (PIP), Kedah Science and Technology Park (KSTP), Kedah Rubber City (KRC), Batu Kawan Development, Greater Kamunting Conurbation (GKC), and Majung - Aman Jaya Maritime City in Perak.
INFRASTRUCTURE
The preliminary works involving the budgeting of the overall compulsory land acquisition for the proposed RM4.6 billion Jelapang - Selama-Batu Kawan Expressway (JELAS) have commenced. The 116-kilometre expressway will connect Jelapang in Ipoh to Batu Kawan in Penang. It will serve as an alternative link to the North-South Expressway.
A total of RM33.4 million has been allocated for the proposed bridge and road project along Jalan Batu Kawan, including road widening from existing 2 lanes to 6 lanes. The project is scheduled for completion by May 2019.
TRANSACTIONS
Ewein Bhd's subsidiary of Ewein Zenith II Sdn Bhd and Consortium Zenith Construction Sdn Bhd (CZ) had mutually terminated their Sale and Purchase Agreement (SPA) for the 4.4252-acre (1.79-hectare) of land in Section 1, Town of Tanjung Pinang, Penang Island. The termination was due to the eventual land alienated was approximately 2-acre, it was a substantial reduction in size of the subject land referred to in the SPA. It was reported that 44.5-hectare of freehold reclaimed land in Tanjung Pinang would be granted to CZ by the Penang government as payment for CZ's work on the Penang undersea tunnel and 3 related road projects.
Kumpulan Wang Persaraan (KWAP) proposed to acquire 20% stake of the ongoing reclamation project, Seri Tanjung Pinang Phase 2A (STP 2A) from Eastern & Oriental Bhd. The acquisition estimated to be approximately 33.18-acre, consists of 4 plots residential land and 4 plots of commercial land. The purchase consideration is approximately RM766 million in cash.
Mah Sing Group Bhd, through its subsidiary, Enchanting View Development Sdn Bhd, entered into a Sale and Purchase Agreement to purchase a parcel of freehold vacant development land in Bukit Mertajam for a consideration of approximately RM43.8 million. The land measuring approximately 10.89 acres is ready for immediate development. The Group is planning to submit a revised development plan for the development of an industrial business park.

ISKANDAR MALAYSIA

Johor's Gross Domestic Product (GDP) growth was 5.7% in 2016. In Johor State, the services and manufacturing sectors outperformed other sectors, due to encouraging investments.

INVESTMENTS DRIVING DEVELOPMENT

Johor recorded the highest domestic direct investment (DDI) approved in the manufacturing sector, amounting to RM15.22 billion, while foreign direct investment (FDI) approved was RM11.20 billion. Johor also recorded the highest investment in the manufacturing sector in 2016 (DDI and FDI), totaling RM26.41 billion or 45.15% of total investments in Malaysia.

The Investment trend in Johor for expansion of projects also remained healthy. The sources of investments in Iskandar Malaysia (IM) comprise a balance mix of foreign and local investors. Outside Iskandar Malaysia, the bulk of investments are in the Pengerang Integrated Petroleum Complex.

IM NETS RM244 BILLION IN CUMULATIVE INVESTMENT

IM has recorded RM244.46 billion in total cumulative committed investments from 2006 until September 2017. 54% or RM103.55 billion have been realised. Local investors contributed 61% or RM149 billion of the total cumulative committed investments while the balance of RM95 billion (39%) came from foreign investors. More than 717,000 jobs have been created in various economic sectors, including logistics, creative, tourism and education, since the inception of IM.

With Johor's proximity to Singapore, it shall continue to benefit from FDI, tourists arrival and industrial activities originating from the island nation. More residential developments targeted at foreign buyers are expected to emerge in Johor.

Summary of Gross Domestic Product, 2012 – 2016

Year	2012	2013	2014	2015	2016
Johor					
GDP at Current Prices (RM mil.)	88,029	91,289	99,997	106,709	116,679
GDP at Constant 2010 Prices (RM mil.)	84,050	87,974	93,665	98,880	104,480
GDP Growth (%)	6.5	4.7	6.5	5.6	5.7
Population (mil.)	3.46	3.47	3.56	3.61	3.65
Average Annual Population Growth rate (%)	1.4	0.7	2.4	1.4	1.1
Unemployment Rate (%)	3.1	2.8	2.6	3.1	3.6

Source: DOSM, CBRE | WTW Research

RESIDENTIAL - THE MAIN CONTRIBUTOR

Johor's property market decreased in transaction volume by 16% from 47,725 in 2015 to 40,066 for 2016. In 3Q 2017 the transaction volume was 28,570 units.

The Residential sub-sector continued to be the main contributor with market share of 65% to 65.4% followed by the Agriculture sub-sector of 18.9% to 20.7%. The other sub-sectors are Commercial of 9.4% to 8.4%, Development Land of 4.2% to 3.7% and Industrial of 2.4% to 1.8%. In 3Q2017, the trend was same as previous years with the Residential sub-sector at 64%, followed by the Agriculture sub-sector of 21.9%. The Commercial, Development Land and Industrial sub-sectors were 7.7%, 4.3% and 2.1% respectively.

COMMERCIAL SECTORS REMAINED ACTIVE

According to NAPIC, the existing stock of purpose-built office (PBO) was 96 buildings with the total space of 9,760,638 square feet as of 1H 2017. The supply of PBO remained on an uptrend with numerous completions in Iskandar Puteri.

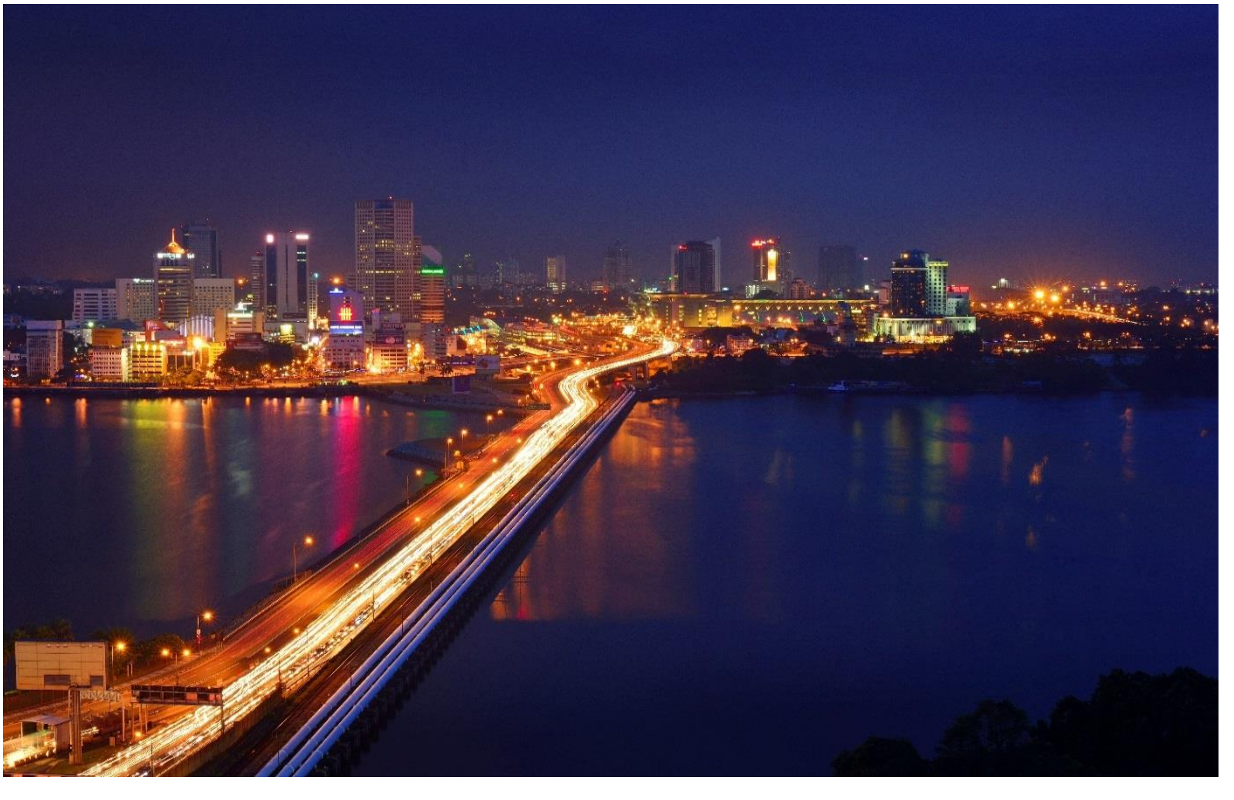
The supply of retail malls has fluctuated from year to year between 2011 and 2015. Nevertheless, in recent years, construction remained active with the introductions of AEON Bandar Dato Onn, IKEA Tebrau and Paradigm Mall Johor Bahru in 2017.

These 3 malls injected to 2,402,812 square feet of floor areas to the total retail space of 16,644,329 square feet.

MORE NEW ENTRANTS

There were 1 new hotel which added 200 rooms to existing supply of 8,451 rooms in 2017. Another 1,509 rooms and 800 rooms are targeted for completion by 2018 and 2019 respectively. In 2020, there will be another 318 rooms entering the hotel market. By then, total rooms in IM will be approximately 11,078 rooms.

Local and foreign investors are venturing into IM's industrial property market. Most occupier's are now looking at green modern industrial parks with gated and guarded facilities and sizeable built-to-suit units.



KOTA KINABALU

The economy of Sabah has been encouraging with the primary sectors exhibiting stable performance while new opportunities abound in the secondary sectors. Tourism is gaining attention with state financial allocations and initiatives aimed at elevating the tourism industry.

PROMISING TRACK RECORD

Sabah is an open and resource-based economy, predominantly supported by the agriculture, mining and quarrying, forestry and fisheries sectors. The secondary sectors include manufacturing, wholesale, retail trade, government and business services, amongst others.

In the primary sectors, palm oil and oil and gas combined, made up about 70% (RM28.78 billion) of Sabah's export revenue in 2015. Tourism has also emerged as a significant economic component over the last 2 decades, raking in some RM7.25 billion in tourist receipts from 3.43 million visitor arrivals in 2016 - the highest recorded to date. Its international airport in Kota Kinabalu is the second busiest in Malaysia, after Kuala Lumpur International Airport. Visitor arrivals in 2017 is expected to surpass 2016 going by the trend of arrivals between January to October 2017 at over 3 million arrivals.

Sabah's Gross Domestic Product recorded an increase of 16.7% from RM63.23 billion to RM73.80 billion between 2013 and 2016. With stronger global trade, more favourable external factors, improved global commodity prices, a vibrant tourism sector and positive momentum in the primary-based sectors, the state government expects growth to range between 5% and 5.5% for 2018.

A surplus in State Budget of RM64.89 million with estimated revenue of RM4.17 billion and RM4.10 billion expenditure has been proposed for 2018. RM1.34 billion of the state budget has been allocated for enhancement of infrastructure and public amenities. Of this, some RM597.8 million is allocated to the State Water Department and RM287.8 million to Public Works Department. This includes addressing traffic congestion in critical areas around Kota Kinabalu, initiatives include improvement of port facilities, drainage and flood mitigation programmes in Kota Kinabalu, and drainages for Beaufort, Taman Jumbo and Putatan.

RM134 million has been set aside for the manufacturing sector and RM228 million for tourism programmes. Historical buildings aged over 50 years, will be gazzetted as cultural heritage and promoted as new tourism attractions. These include:

- Turnbull Hall (completed 1959) at Sabah College
- The original Kent College, Tuaran (completed 1952), the oldest teachers training college in the State
- The old Wisma Radio Sabah, at 2.4-km Jalan Tuaran, Kota Kinabalu, which was used as Cobbold Commission Secretariat in 1962; and
- Wisma Kewangan, formerly known as the Secretariat Building built (completed 1955) - the venue for the First State Legislative Assembly.

KUCHING

Sarawak maintained a positive economic growth of 3.2% last year despite facing global uncertainties and low crude oil prices and is expected to further improve to between 3.5% and 4.0% for 2017.

DEVELOPMENT-DRIVEN ECONOMY

Sarawak will continue with a development-oriented budget in 2018 to stimulate economic activities and sustain economic growth. About 70% of the State Budget of RM5.8 billion, is proposed for development of which 53 per cent or RM3 billion will be allocated for rural development to open up greater economic opportunities in the rural and remote areas for the rural community.

The state government will intensify research and development activities with a view of sourcing new revenue streams as well as royalties from patents. The Digital economy will become a key thrust in the state's future economy and RM1 billion has been committed for digital infrastructure under the Sarawak Digital Economy Initiatives.

The State Budget will be complemented by the Federal Budget 2018 with allocations for schools, water supplies, village roads and broadband and telecommunication services. The state would continue to emphasise Technical and Vocational Educational Training TVET education to cater to the needs of industries by setting up technical and vocational training centres to complement those provided by the federal government.

Among the key federal projects in the state are RM2 billion Pan-Borneo Highway, and RM1 billion for upgrading, refurbishing and repair works of dilapidated schools.

The Federal Budget 2018 has placed special emphasis on the rural and regional development of the East Malaysian States of Sarawak and Sabah. Of the total allocation approved for rural and regional development of RM9.48 billion, Sarawak will receive RM1.10 billion (28.52%) of the total allocation.

This would pave the way for Sarawak to improve its infrastructural development as well as overall economic growth.

IMPROVING LAND CONNECTIVITY & WELFARE

The state has undergone and is still undergoing numerous infrastructure developments, the most monumental being the ongoing Pan Borneo Highway which will span a total distance of 1,060-kilometre from Telok Melano in Sematan to Miri and from Limbang to Lawas, slated for completion by 2022.

Most of the major infrastructure developments are connectivity bridges and road projects.

2017 saw the continuation and implementation of changes in housing densities from 8 to 10 units for landed housing and 24 to 30 units for high-rise residential while all residential land owners continued to enjoy zero quit rent.

An exciting development in Kuching was the opening of the iconic Golden Anniversary Bridge named "Darul Hana", a 336-metre S-shaped pedestrian bridge, meandering across the Sarawak River, connecting Kuching City South to Kuching City North.

SPEKTRA (Skim Perumahan Khas Rakyat) was also implemented with eligible developers offering different categories of affordable houses ranging from RM100,000 to RM198,000 to meet the housing gap for lower medium and medium income groups especially young executives and first time home owners.

Name of Project	Connectivity	Est Project Cost (RM billion)	Status Remarks (as at Oct 2017)
BRIDGE			
Darul Hana Iconic Bridge	Kuching City South to Kuching City North	35 million	Officially opened on 11 November 2017
Batang Samarahan Bridge	Kampung Baru in Samarahan to Kampung Tambey in Simunjan	93.8 million	66% completed
Katibas Bridge	Song Road/Sungai Yong	78 million	Officially opened on 10 September 2017
ROAD			
Kuala Tatau Infrastructure Project	Kuala Serupai and Kuala Tatau	215 million	Completed in October 2017
Matang Batu Kawa new link road	Emart Matang to Stapok	220 million	90% completed

Source: WTWY Research

RESIDENTIAL SECTOR

KLANG VALLEY

Central Kuala Lumpur and Mont Kiara/Sri Hartamas will continue to be the areas in demand. Upscale developments shall lead the trend as buyers are more selective.

CKL LOOKS TO BE DOING WELL

Kuala Lumpur's condominium market in brief, is focused on established and matured areas near to Kuala Lumpur city centre. The properties usually feature ample facilities and amenities with prices from RM700 per square foot. The localities are Central Kuala Lumpur (CKL) which covers Golden Triangle (CKL-GT) and fringe of Golden Triangle (CKL-Secondary), and Metropolitan Kuala Lumpur which includes Ampang Hilir/U-thant (AH/UT), Bangsar (BGSR), Damansara Heights (DH), Kenny Hills (KH) and Mont Kiara/Sri Hartamas (MK/SH).

Kuala Lumpur was expecting approximately 8,300 units of condominiums, which would accumulate to 46,400 units (from approximately 220 developments) by end of 2017.

CKL and MK/SH are leading the overall supply with 40% and 32% of the market share in 2017 and the numbers should grow by 14% and 8% in 2018 respectively. In general, CKL is positioned as a commercial hub targeted for investment purposes whilst MK/SH is preferred and suited for living.

32% of the high-rise residential is in the range between RM1,001 and RM1,500 per square foot and the segment is expected to increase in 2018.

2,000 units from 5 developments are pending completion, these developments are Aira Residences, 10 Stonor, Aria Luxury Residence, Royce Residence and Ascott Star KLCC.

SHINES OF LIGHT IN THE MARKET

Although the present market situation is soft, the overall performance can be considered as stable. In terms of absorption rate, it demonstrated improvement of 9% y-o-y to reach 66% in 3Q 2017.

As for occupancy rate, it has been hovering around 60% since 2016.

New launches in 2017 declined from 3,900 units in 2016 to 2,500 units and managed to attain an average sales rate of 58%.

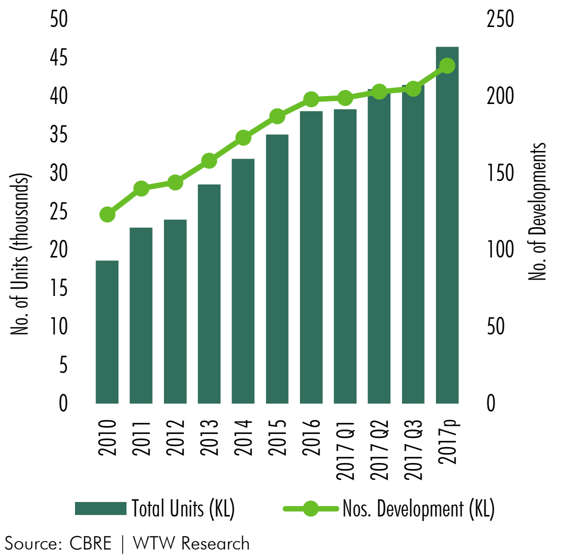
Demand may be sourced from buyers who wish to take advantage of the newly completed MRT Sungai Buloh-Kajang Line and ongoing construction of MRT2 and MRT 3 Lines.

Ongoing developments of flagship projects including Tun Razak Exchange, Bukit Bintang City Centre and Bandar Malaysia are expected to sustain Kuala Lumpur's condominium market.

ROOMS FOR IMPROVEMENTS

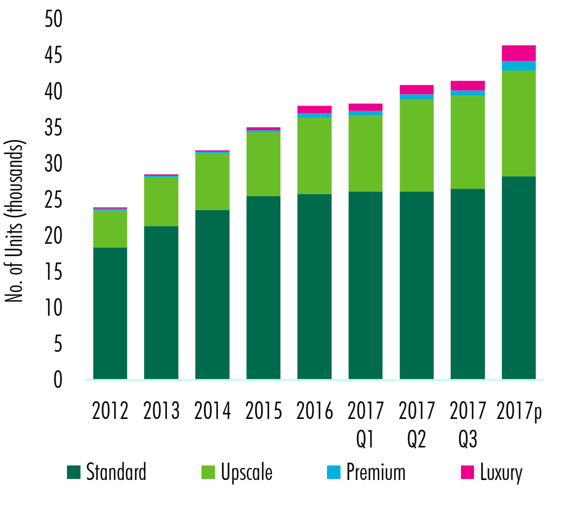
Against the backdrop of a soft market, condominium sales in Kuala Lumpur can still be considered as steady, as evidenced by slightly better sales rate, relatively unchanged occupancy rates in recent years, and continuous new launches. With new launches persisting in 2017 and near future, the occupancy rate and performance of existing condominiums are likely to improve.

Cumulative Supply of KL (Condominium Market)



Source: CBRE | WTW Research

Supply in KL by Price Segments



Note: Standard (from RM700 per sq. ft), Upscale (from RM700 per sq. ft), Upscale (from RM1,001 per sq. ft) , Premium (from RM1,501 per sq. ft) and (Luxury from RM2,001 per sq. ft)
Source: CBRE | WTW Research

PENANG

The buyers' and tenants' market of the Penang high-rise residential sector is anticipated to linger on through the short term. Although prices would generally be sustainable, some price correction for certain types and price range may occur. More affordable units will be completed in the short term. A more robust residential rental market is also to be created under the Budget 2018. Under the prevailing buyers' market, developers may consider Rent-To-Own (RTO) concept.

THE BUYERS' AND TENANTS' MARKET TO LINGER ON

According to the Bank Negara Malaysia 3Q2017 Bulletin, Penang is ranked fourth in having the largest share of unsold residential units due to the abundant apartment and condominium units being launched, constructed and completed in the past 3 to 5 years.

With more choices in the market, a buyers' and tenants' market is prevalent. This situation is anticipated to linger on in short-term as the overhang units are gradually being taken up. There may also be opportunities of good buy arising from isolated cases of desperate sales.

SOME PRICE CORRECTION IN CERTAIN TYPES AND PRICE RANGE MAY OCCUR

In 2017, new launches have further reduced from the previous year. A rather flattish market was also observed in the secondary sale market. The prices generally sustained due to strong holding power of Penang property owners.

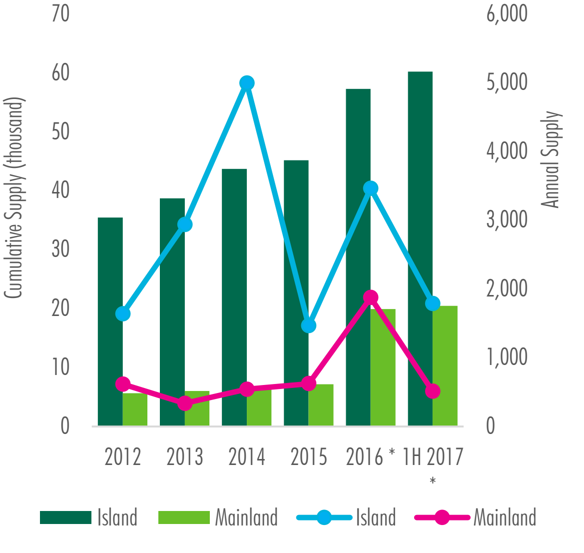
However, some price correction may occur for certain types and price range, which reflect a significant mismatch of supply and demand.

MORE AFFORDABLE UNITS WILL BE COMPLETED IN THE SHORT TERM

Due to the property market downturn in the past 2 years, more developers have shifted their focus to developing affordable units. These units are mostly high-rise residential units, specifically in Penang Island where development lands are scarce. Moreover, the State Government has also formulated the requirement for developers to build affordable units in their new projects, in addition to the existing requirement for low-medium-cost units. There are also development incentives for those who intend to develop solely affordable units for sale.

Hence, more affordable units will be completed in Penang in the short term.

Total Supply of High-Rise Residential Units in Penang



*Note: Adjustments were made by NAPIC on the stock data, consists of:
- Delayed data from previous review periods
- Change in category of use
- Destroyed/rebuilt (and not in the new planned supply)

Source: NAPIC, CBRE | WTW Research

A MORE ROBUST RESIDENTIAL RENTAL MARKET IS TO BE CREATED

Budget 2018 proposed a 50% tax exemption on residential rental income of not exceeding RM2,000 per month by individuals. This exemption is effective from the assessment year of 2018 to 2020. In addition, the government will also formulate the Residential Rental Act to protect the landlord and tenant.

Such moves will help to create a more robust residential rental market. Those with the financial resources, would be induced to invest in lower to mid priced residential properties for rental purposes.

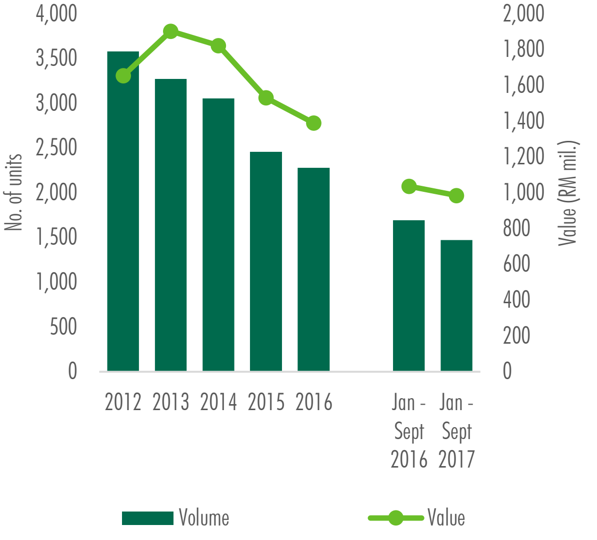
DEVELOPERS MAY CONSIDER RENT-TO-OWN (RTO) CONCEPT

Developers would favour arrangements that facilitate home ownership and raise take up rate of unsold units. Thus, developers may consider the Rent-To-Own Concept, especially under the prevailing buyers' market. An individual can rent the property for a specific tenure and then has the option to purchase the property at a pre-determined agreed sale price at the end of the rental period.

This option will enable purchasers to plan their finances and facilitate their borrowings. It appeals to those who are unable to pay the initial down payment or not qualified for a mortgage. It will also help to mitigate developments from being empty and untenanted.

On the other hand, there are also challenges to be faced by developers in implementing the RTO. Developers will incur higher cost for the upkeep of the property as well as administrative work. There are also possible issues of timely rental collection, and tenants defaulting on rents. Tenants may also not exercise their right to buy and developers have to refurbish the property before it can be sold. Usually a portion of the rent will be credited to the selling price. Hence, the rental may be higher than the market rate, rendering it less competitive.

Transaction Volume and Value of High-Rise Residential Units in Penang



Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

Numerous big developments are the major suppliers of new high-rise residential units in Johor Bahru. Immediate supply still remained on the rise but new launches slowed down, this would ease the pressure of over-supply.

LOOMING SUPPLY FROM BIG DEVELOPMENTS

The high-rise residential market shall see additional 18,000 units by end of 2017 whereby 55% is located within Danga Bay and Tanjung Puteri, underpinned by activities among Chinese developers and mainland Chinese buyers.

Less new high-rise developments were introduced to the market in 2017 as compared to 2016. Some newly launched projects in 2017 included Central Park (1,138 units), Midas Seri Alam (1,609 units), GRID Apartment (510 units) and Phase 2 of The Covil (588 units). These projects will come on stream in the next 3 years barring any delay.

The supply of high-rise residential in 1H 2017 was estimated at 60,351 units, still up by approximately 43% from 2016. Another 30,000 units which are under construction are expected to complete in the next two years.

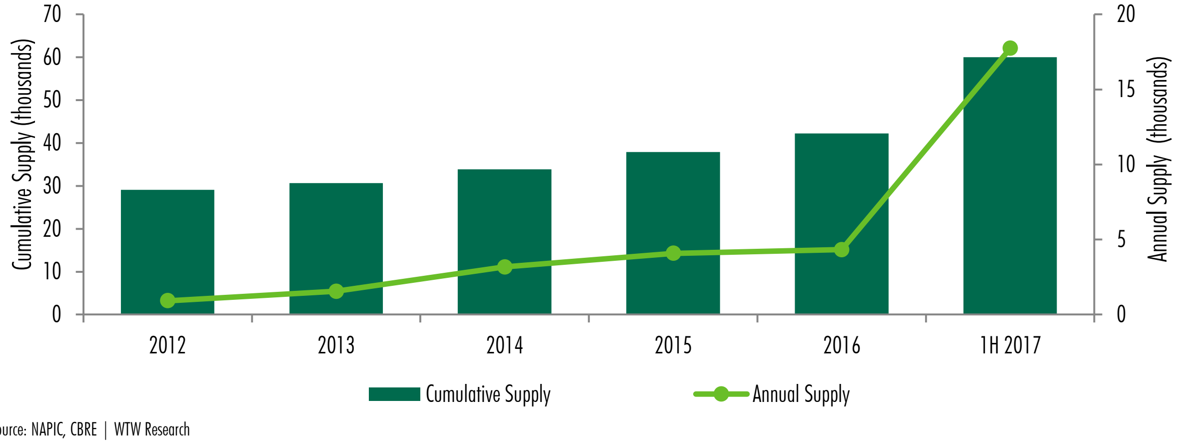
Some of the major contributors to the new supply are:

- Country Garden Danga Bay (8,500 units)
- Princess Cove (1,300 units)
- D'Secret Garden (1,300 units)
- Teega Suite (1,300 units)
- Epic (approximately 500 units)
- M Condominium (approximately 500 units)
- Medini Signature (approximately 500 units)
- Paragon Suites @ CIQ (approximately 500 units)
- The Covil (approximately 500 units)

SUB-SALE MARKET RATHER STABLE

The average transaction value in the sub-sale market was about RM380 per square foot in 2017, approximately 5% lower compared to 2016. In terms of transaction volume, 35% more units changed hands. Occupancy rates of high-rise residential generally trended downwards due to completion of more projects throughout 2017.

Supply of High-Rise Residential Units

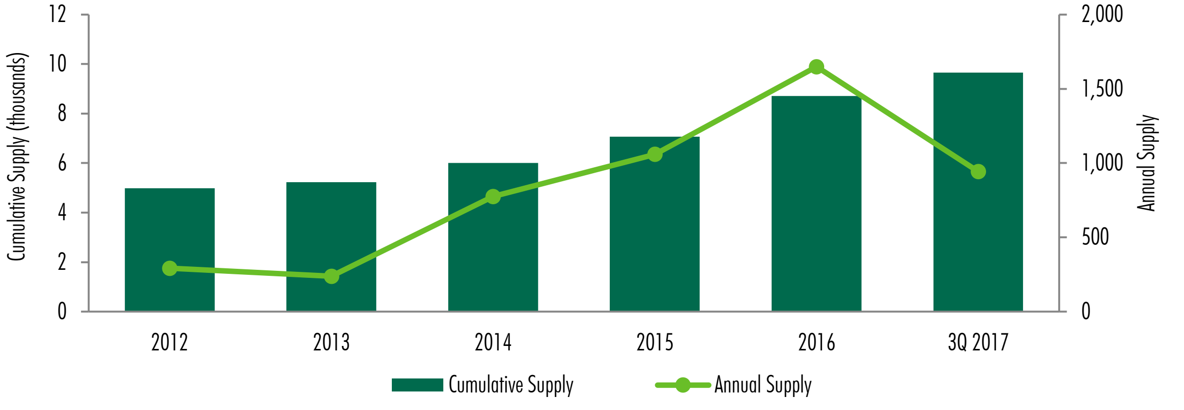


Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

Despite the general slowdown, the high-rise residential sector in Kota Kinabalu saw a more active secondary market, with increased activities in the mid- and upper-range segments.

Supply of High-Rise Residential



Source: WTWS Research

OPTIMISM TO FEED ON

As at 4Q 2017, there were 3 new condominium launches. totaling 694 units (excluding pre-launches such as Kingfisher Putatan, Idaman Residences and others opened for registration). In 2016, some 3,051 units from 8 condominiums and 877 commercial suites from 2 developments were up for sale. Similar to the preceding year, the new condominiums launched were upper-middle range developments.

The condominium sub-sale market was noticeably more active in 2017 with increased activities in the mid- and upper-range segment. From January to October 2017, sub-sale transactions data for condominiums showed a rise in transactional activities for recently completed condominiums and those in well-sought locations such as Luyang, Likas and city centre.

Activity increased and sentiments preserved in the high-rise residential market. The high-rise residential sector is expected to remain competitive in view of more supply and participation from developers.

All said, values of well-located and well-managed condominiums with good design and panoramic views should preserve their capital values and market interest.

Kingfisher Inanam
Source: WTWS Research

KUCHING

Kuching enjoyed a height of new launches back in 2015 which saw on influx in supply for 2017. As a trade-off, abundance of supply could potentially strain the occupancy rate and rental of high-rise residential in Kuching in the near future.

SUPPLY OUTSTRIPS DEMAND

Launches in the last 2 years have dropped after peaking in 2015 when more than 3,000 units were launched. Despite less launches than 2016, there were still considerable projects launched in 2017, totalling about 1,500 units. Of these, about 75% are located in the sub-urban areas of Kuching such as the Grandstand and Podium along Jalan Tun Ahmad Zaidi Adruce, Lot 16 Residency at Stampin, Princeton at Stutong Baru and the TOORAK at Seladah.

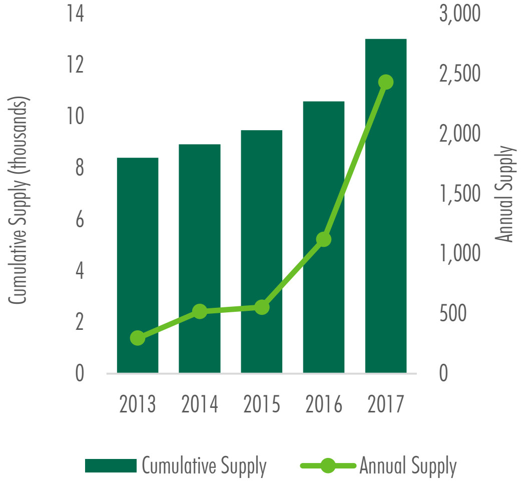
On the other hand, the number of completions for 2017 of close to 1,800 units, doubled that of the previous year – the result of the large number of projects launched in 2014 and 2015. Significant projects include Jazz Suites, Ryegates III, Park Residence, de Lofts and P'Residence. The biggest is Jazz Suites with 672 apartment units occupying the residential podium of Vivacity.

There is a large number of projects currently under construction or earthworks in Kuching of close to 6,400 units. Among the big projects are Sapphire on The Park, Liberty Grove, Riverine Diamond and Rivervale Condominiums. Most units are being developed in the city areas (37%) and Batu Kawa (30%). This large numbers will eventually further affect occupancies and rentals.

Prices of apartment units seem to have stagnated and rentals have even dropped, caused by increased supply in the market for tenants. Recent launches of high-rise residential units in Kuching range between RM300,000 to RM1 million with sales prices ranging between RM370 to RM765 per square foot depending on the size and location.

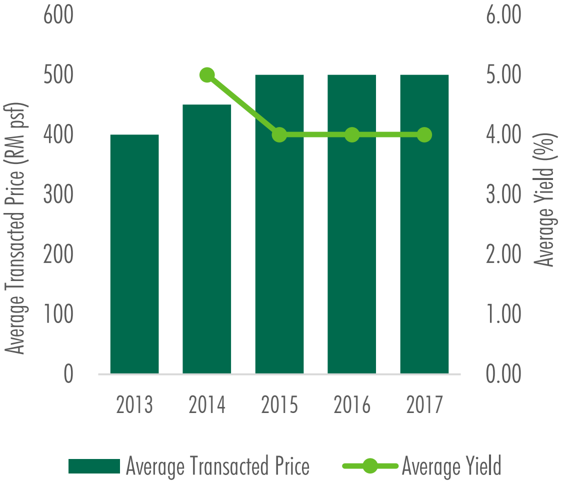
Take-up rates of apartments have slowed down in 2017 due to increase in supply, stringent financing and decreased disposable income. This segment is expected to continue to soften further in 2018.

Supply of High-Rise Residential Units



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, WTWY Research

Performance of High-Rise Residential Units



Note: Data for the full year of 2017 is based on estimation
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION
ALOR SETAR: STILL LESS PREFERRED

In Alor Setar, the high-rise residential market in 2017 has seen limited new supply which will extend to 2018. Market demand has been soft and likely to stay so due to local buyers' higher tendency to purchase landed residential as the selling prices for both in the same location are similar. 2017 data from NAPIC revealed that developer's selling price of a condominium was RM600,000, compared to the average for a terraced house which was RM410,000. The average yield of condominiums was 3% compared to the 4% yield for terraced houses. Given these, landed residential is more attractive and also offers bigger built-up area.

IPOH: PLENTY OF OPTIONS AND OPPORTUNITIES

In Ipoh, the high-rise residential sector continued to stabilise in 2017. Options are abundant within a reasonably active market. 2018 should observe further adjustments in price and absorption rate as demand and supply move towards equilibrium. Buyers face the challenges of securing loans. In view of this, the sales performance of high-rise residential in Ipoh could possibly be slow but resilient.

Properties situated in prime locations with accessibility and convenience should draw the interest of both local and foreign buyers. The idyllic urban/nature lifestyle in Ipoh positions itself as one of the ideal international destinations for retirement living. Ipoh is among the front-running cities in Malaysia for tourists and foreigners who are looking to retire in the country.

SOUTHERN REGION
SEREMBAN: IN THE MAKING

Compared to Seremban, high-rise residential is more abundant in Nilai. Demand for high-rise residential in Seremban and Nilai has not been strong in the past but still steady as of present.

The high-rise residential sector in Seremban and Nilai is enjoying the spill-over effect from Klang Valley as more serviced apartments are being introduced in the market, responding to the interest of cross-state investors. These areas are equally attractive for investment purpose, especially Nilai where a few education institutions are situated. Locational factors are expected to be the primary criteria influencing buyers' choice.

Some of the notable developments in the Seremban market are:

- Senawang - Troika, Bandar PRIMA Senawang
- Seremban 2 - Kalista
- Seremban 3 - UniCity
- Nilai - Mesa Hill, Starzvalley, Green Beverly Hills and Icon City (incoming)

Prices in primary and secondary markets are anticipated to be on an uptrend with a rise in demand. Overall, the high-rise residential sector for Seremban and Nilai looks encouraging but time is needed for the potential to be apparent.

MELAKA: A PREMIUM PRODUCT

New high-rise residential developments in Melaka are increasingly concentrated in the fringe of the town centre. The main selling point of these developments is convenience and access to the city centre. For 2018, the overall high-rise residential market in terms of transaction and take-up rate should remain stable and balanced with location being the primary demand determinant.

BATU PAHAT: AN INACTIVE MARKET

The high-rise residential market in Batu Pahat has been quiet in 2017 and the fact that no new development in the pipeline indicates a similar market environment for 2018. There were a number of proposed condominium projects, however, none was built to date. In 2017, the only notable condominium in Batu Pahat is Hillview Loft Condominium. A handful of units were transacted in 2017, at prices averaging approximately RM320 per square foot, the same as in 2016 and price growth is not expected in 2018.

EAST COAST
KOTA BHARU: PRICE-SPECIFIC GROWTH EXPECTED

High-rise residential properties are gaining steadily in popularity in Kota Bharu. In 2017, transactions of high-rise residential units in the market increased in tandem with rising supply. There are 2 market segments expected to perform well. The first would be larger-sized condominiums (i.e. 3-bedroom units) with provision of a variety of facilities priced between RM300,000 and RM500,000. This price range observed the most transactions in 2017, partly contributed by the completion of City View Condominium and Bayan Residency which were tagged at around that price range. The second segment would be the smaller-sized condominiums (i.e. studio units) for which buyers' emphasis is on location. These units are normally acquired for investment purposes such as leasing.

Nonetheless, tenant-sourcing and retention are challenging in Kota Bharu with low occupancy rates despite active transaction activity. As high-rise residential is considered to be a relatively new product to the local market and more expensive compared to landed residential, the targeted buyers would be from middle-income and upper middle-income households who are seeking to tap into the potential for capital appreciation. Overall, the high-rise residential sector in Kota Bharu is showing encouraging long-term potential as 2018 comes.

KUALA TERENGGANU: UNCHANGED

Kuala Terengganu was quiet and no major change is expected for 2018. High-rise residential developments in Terengganu are generally undertaken in prime locations near the town and administrative centre. This pattern will persist for future developments. Transactions were observed to involve condominium prices between RM350,000 and RM470,000.

KUANTAN: CORRECTION AND RECOVERY PERIOD FOR 2018

Kuantan's high-rise residential sector is likely to recover in 2018. While the transaction volume is expected to regain stability, prices may remain subdued. At present, vendors are seen to be willing to sell at lower prices after experiencing weaker demand in the market in the previous year. The government continues to stay committed in developing the industrial and tourism sectors in Kuantan and coupled with the mega projects in the pipeline, a new wave of demand is likely to come from young working adults who are drawn in by new job opportunities in Kuantan and its surrounding areas.

EAST MALAYSIA

SABAH
TAWAU: RISING BUT HAS TO BE AFFORDABLE

Tawau's high-rise residential market is emerging, as indicated by the increasing number of high-rise residential developments taking place. 'Affordable' is the new norm of the market. There are public-led affordable housing projects such as PR1MA and PPA1M in the sector and there are also increasing participation by private developers

LABUAN: NOT MUCH TO BE SEEN

In Labuan, the high-rise residential transaction activity and prices are less optimistic. Non-landed residential units with prices at RM250,000 and below are considered as affordable.

SARAWAK
BINTULU; MATCH THE RIGHT PRODUCT TO THE RIGHT BUYERS

New high-rise developments in Bintulu such as Peak Condominium in Paragon and SeaView Courts recorded encouraging take-up rates which should carry on into 2018. The key success factors of a high-rise residential project in Bintulu are location (i.e. proximity to town) and facilities and amenities within the development. Nonetheless, the biggest hurdle to both buyers and developers is the relatively better value-for-price of landed residential as the preferred house type. Also, land cost is increasing as lands located within the 5-kilometre radius from Bintulu town are scarce. In 2017, high-rise residential properties valued around or below RM350,000 were the most actively transacted. The high-rise residential sector caters for mainly higher-income earners.

MIRI: REDUCED BUYER SIZE

A review of Miri's market suggests a bleaker outlook for 2018 as the high-rise residential market has been under-performing. Selling at an average of RM650,000, the current market only suits high-income buyers. Purchasing sentiment is also dampened by the weak economic environment which in turn, affects financial confidence. In view of this, home-seekers are more inclined to opt for cheaper landed residential property.

SIBU: IN DISCOVERY MODE

Sibu's market for high-rise residential was robust in 2017 but is expected to moderate in 2018 as demand and supply approach equilibrium. Supply in 2018 is projected to be lower than in 2017, marginal price improvement however, is still possible given the prevailing demand and partly, inflation-pushed. Market reception for high-rise residential is improving as appreciation of landed residential property has raised the price to unaffordable level. This situation presents high-rise residential as a viable alternative to landed residential since types of facilities and amenities within a high-rise development serve as its product differentiation to home-buyers.

SELECTED NEW LAUNCHES IN HIGH-RISE RESIDENTIAL SECTOR

Name	Location	Developer	Unit Sizes (sq ft)	No of Units	Price (RM per sq ft)
KLANG VALLEY					
10 Stonor	Kuala Lumpur	Boon Siew Group and Katana Developments	736 - 1,114	364	1,877 - 2,010
Aira Residences	Bangsar	Selangor Properties	2,679 - 7,730	105	1,717 - 1,746
Aria Luxury Residence	Kuala Lumpur	Hap Seng Land	630 - 1,502	598	1,900 - 2,100
Ascott Star KLCC	Kuala Lumpur	Alpine Return	711 - 2,972	118	2,400 - 2,588
Continew Cheras	Cheras	Ibraco	554 - 1,204	510	904 - 1,002
Reizz Residence	Kuala Lumpur	Boon Siew Group	697 - 896	437	1,128 - 1,148
Royce Residence	Kuala Lumpur	Yuk Tong Development	574 - 876	369	2,269 - 2,541
PENANG					
M Vista @ Southbay	Batu Maung	Vienna	536 - 841	237	645
Meritus Residensi	Perai	Hua Yang	945 - 1,414	480	386
Novus	Sungai Nibong	Prisma Bumiraya	862 - 1,155	273	568
Senzville Residences	Sungai Ara	Corfield Development	1,080 - 2,360	397	466
Utropolis	Batu Kawan	Paramount Property	500 - 729	612	540
Waterside Residence	Gelugor	IJM Perennial Development	1,055 - 1,270	256	710
JOHOR BAHRU					
Central Park	Tampoi	DAC Properties (Country Garden & Damansara Realty)	403 - 1,631	1,138	568 - 707
GRID Apartment	Medini	Sunway Iskandar	584 - 772	510	500 - 600
Midas Seri Alam	Seri Alam	Trident Success	431 - 904	1,609	530
The Covil (Block B1 & B2)	Meridin Bayvue @ Sierra Perdana	Mah Sing Properties	980	588	662 - 862
KOTA KINABALU					
Bukit Bantayan Residences (Phase 1C)	Inanam	Gamuda Land	904 - 1,100	296	464 - 583
Elemen Utara KK (Tower A Level 5 - 15)	Manggatal	Sinaland	1,055 - 1,636	153	372 - 469
Kingfisher Inanam (Block B)	Inanam	Hap Seng Properties Development	865 - 1,160	245	485 - 542

SELECTED NEW LAUNCHES IN HIGH-RISE RESIDENTIAL SECTOR

Name	Location	Developer	Unit Sizes (sq ft)	No of Units	Price (RM per sq ft)
KUCHING					
Forest Hill	Jalan Datuk Temenggong Tan Meng Chong	Tecktonic & Sons Holdings	970 - 1,160	45	370 - 410
LATICUBE	Lorong Dogan 3	Lafrowda	688 - 1,593	100	435 - 460
Lot 16 Residency	Jalan Stampin 10E	Sendayan Group of Companies	797 - 2,085	119	374 - 467
The Grandstand	Jalan Keretapi	Chen Ling Development	1,100 - 1,550	504	440 - 530
Campus Hub Residences	Kuching-Samarahan Expressway	Sinar Mekar Properties	577 - 1,616	320	526 - 600
d'Millenia	Jalan Datuk Mohd Musa	RJ Realty	280 - 1,491	400	714 - 453
Princeton Suites	Jalan Stutong Baru/New Airport Road	Timberland Group of Companies	307 / 740 - 1,005	83	450 - 490
The Podium	Jalan Keretapi	Chen Ling Development	964 – 1,460	290	522 - 609
TOORAK @ Jalan Seladah	Jalan Seladah	Tecktonic & Sons Holdings	550 - 1,250	65	755 - 764
IPOH					
Uni Suites @ Kampar	Kampar	Vistana Jati	135 - 269	2,876	646 - 739
ICC Commercial Suites	Greentown	Sycal ICC Properties	480 - 1,456	257	720 - 945
SEREMBAN					
Residence Lily	Nilai	GD Development	735 - 920	982	440
Troika	Senawang	LTS Properties	846 - 946	>300	330
MELAKA					
Amber Cove, Impression City	Kota Laksamana	Yong Tai	710 - 732	838	>464
Porto de Melaka	Kota Laksamana	Tinta Anggun Engineering	940 - 1,220	160	>700
The Dawn, Impression City	Kota Laksamana	Yong Tai	495 - 990	638	>682
Satori	Melaka Raya	Hatten Group Prolific Properties	376 - 624	336	>670
TAWAU					
South Ville	Bandar Sri Indah	Hap Seng Properties Development	850 - 898	256	233 - 317
BINTULU					
My Residence 2	Jalan Sibiyu	Capbuild Development	1,091 - 1,127	96	>320

KLANG VALLEY

An uneventful year for residential sector is expected in 2018. Improvement in infrastructure and accessibility via development of LRT, MRT and HSR and highways would boost development activities, especially at Sungai Buloh and Kajang.

MINIMAL MOVEMENTS IN THE MARKET

Transaction activity in 3Q 2017 went up by 39.9% y-o-y to RM23,909.13 million involving 43,839 units.

The overall House Price Index (HPI) for Selangor increased by 1.5 points to 188.4 points in 2Q 2017. Similarly to Kuala Lumpur, overall HPI improved by 1.5 points to 194.7 points.

1,080,035 units of landed properties were recorded in the states of Selangor, Kuala Lumpur and Putrajaya. More landed developments are anticipated to enter the market in 2 to 3 years.

774 landed residential units were launched during 2Q 2017, with overall take-up rate of 42.1%. 2- and 3-storey terraced constituted the majority of new launches. 120,094 units of landed properties were reported for incoming supply in 2Q 2017. Similarly, 2- and 3-storey terraced dominated the supply with 31,334 units followed by single-storey terraced.

Recent development of new townships are concentrated in the southern and northern parts of Klang Valley. The examples are Elmina West (Sime Darby), Gamuda Gardens (Gamuda) and Eco-Granduer (Eco World). They are deemed to retain the market interest and demand for landed residential sector in the Klang Valley.

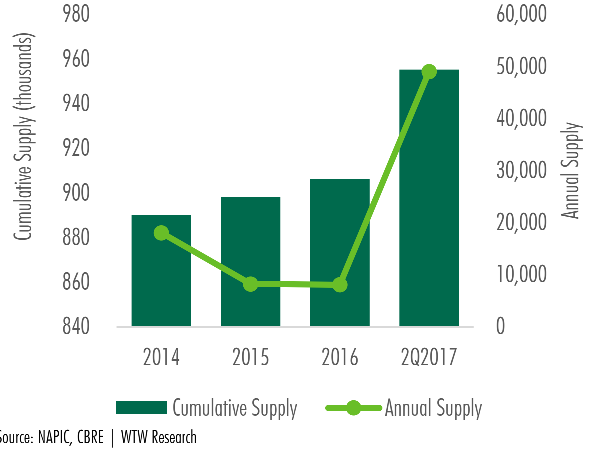
Infrastructure developments are still the pillars of growth for residential sector and the property market in general. More infrastructure developments are expected to be completed in the next 2 to 3 years. The much anticipated MRT Line 2 and Line 3, DASH 2, West Coast Expressway (WCE) and others would enhance the connectivity between city centre and surrounding areas. They are poised to bring more positive impact to the landed residential sectors in the Klang Valley.

Selected New Townships in Klang Valley

Township Name	Location	Land Area (acre)	Development Mix
Serenia City (Sime Darby)	Bangi	2,370	Residential, Commercial & Industrial
Eco-Grandeur (Eco World)	Kuala Selangor	1,400	Residential & Commercial
Gamuda Gardens (Gamuda)	Rawang	810	Residential & Commercial

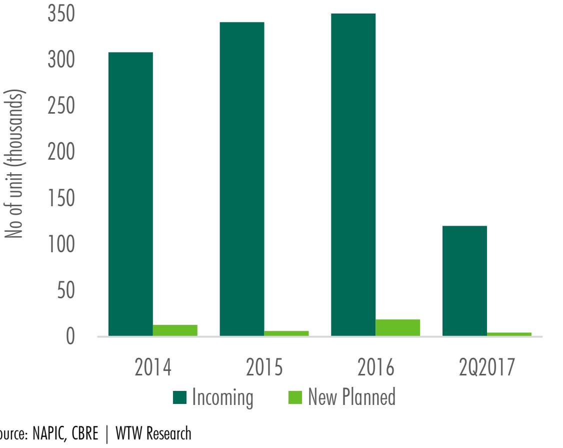
Source: CBRE | WTW Research

Cumulative and Annual Supply in Klang Valley



Source: NAPIC, CBRE | WTW Research

Future Supply in Klang Valley



Source: NAPIC, CBRE | WTW Research

AFFORDABILITY DOES MATTER

Home-ownership becomes an increasingly tall-order especially for households from lower income group. Mismatch in affordability is considered to be more acute in urban cities in the states of Selangor, Kuala Lumpur, Penang and Johor.

Using Selangor as an example, based on the Household Income and Basic Amenities Survey Report 2016 by Department of Statistics Malaysia, estimated 13.34% or 200,000 households In Selangor are from the B40 bracket, earning a monthly household income of below RM3,860.

As estimated 43.3% of the total B40 households in Selangor was renting a house. Viewing from another perspective, this actually suggests existence of demand for residential properties. The percentage translates into a demand of 94,000 houses for the B40 in Selangor whom presumably, would be looking to own a house eventually. The key to capturing this stream of demand lies with pricing, whereby the prices need to be within the prospective buyers' affordability.

The significant improvement in accessibility brought about by the completions of a series of infrastructure projects could to a certain extent, help to boost affordability in and around Klang Valley.

Ease of access incentivises developments further away from the city centre which are presumably cheaper in land cost hence, lower in sales price. Indeed, a number of affordable housing developments are observable to the north and south of Klang Valley. The examples are Putra Heights, Danau Perintis Shah Alam 2 and Cyberjaya.

This may assist the government to achieve the mission of increasing home-ownership among Malaysians especially the B40. As of August 2017, 83,809 houses completed under the umbrella of Rakyat-Centric Programmes and more units are expected to enter the market in near future.

Budget 2018 kept its eyes on affordable housing, RM2.2 billion has been allocated for the construction of more than 200,000 units of affordable houses under various schemes.

Distribution of Households in Klang Valley by Household Income

Household Income Segment	% of Total Household		
	Selangor	Kuala Lumpur	Putrajaya
B40	13.34%	8.90%	6.39%
M40	45.14%	40.60%	50.55%
T20	41.52%	50.50%	43.06%

Note:
B40: Household earning RM3,860 per month and below
M40: Household earning RM3,861 to RM8,319 per month
T20: Household earning RM8,320 and above
Source: Department of Statistics Malaysia, CBRE | WTW Research

PENANG

Landed residential units would still be the preferred residential accommodation, subject to affordability. Due to its relatively lesser supply, the landed residential market is expected to remain resilient. New launches would continue the trend of mostly 3-storey with relatively smaller plot areas. More well planned and larger townships will be developed in Seberang Perai.

THE PREFERRED RESIDENTIAL ACCOMODATION, SUBJECT TO AFFORDABILITY

Landed residential units have been the preferred accommodation for Penangites. Due to the scarcity of development land, more high-rise developments have been developed, particularly in Penang Island. Landed residential developments continued to take place in Seberang Perai, where large tracts of development lands are available.

Moving forward, landed residential would continue to be the preferred choice, subject to affordability.

EXPECTED TO REMAIN RESILIENT

Prices of landed residential units were generally stable in 2017. The landed residential market is expected to remain resilient, due to the relatively lesser supply of residential accommodation

NEW LAUNCHES MOSTLY OF 3-STOREY WITH SMALLER PLOT AREAS

Land prices specifically in Penang Island, have increased considerably for the past 10 years. As such, in order for landed residential developers to yield reasonable profit, newly launched units were mostly developed on smaller plot areas with the same or larger built-up areas at 3-storey height.

This trend would continue in the future.

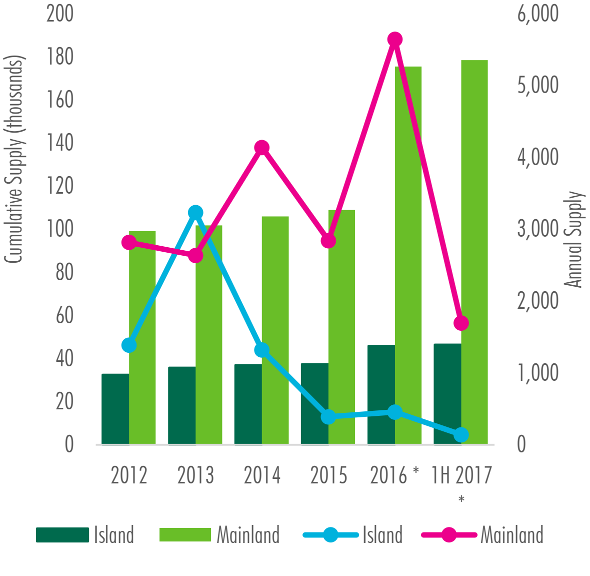
MORE WELL-PLANNED AND LARGER TOWNSHIPS WILL BE DEVELOPED IN SEBERANG PERAI

New landed residential schemes on Penang Island have been of much smaller scale than Seberang Perai, and are sold within the luxurious range of selling prices. One of the notable new launches was the Ariza Seafront Terraces in Seri Tanjung Pinang, at RM2.19 million per unit.

In Seberang Perai, larger development lands as well as estate lands, have been purchased by developers. These lands are being proposed as comprehensive master planned developments.

As such, more well planned and larger townships will be developed in Seberang Perai.

Total Supply of Landed Residential Units in Penang



*Note: Adjustments were made by NAPIC on the stock data, consists of:
- Delayed data from previous review periods
- Change in category of use
- Destroyed / rebuilt (and not in the new planned supply)

Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

Affordable houses in established areas are expected to remain as the most favoured products. Developers are focusing more on landed residential developments instead of high-rise.

TERRACED DOMINATED SUPPLY

The supply of landed residential as of 1H 2017 stood at 297,110 units of which terraced houses constituted 87% of the total. In the next 2 years, the number of houses is projected to increase by another 11,371 units which translates into 87% of terraced, 7% of detached and 6% of semi-detached houses.

Only a handful of landed residential developments were launched in 2017, mostly 2-storey terraced houses and some 2-storey cluster and semi-detached houses.

PRICE INCREASED FAIRLY

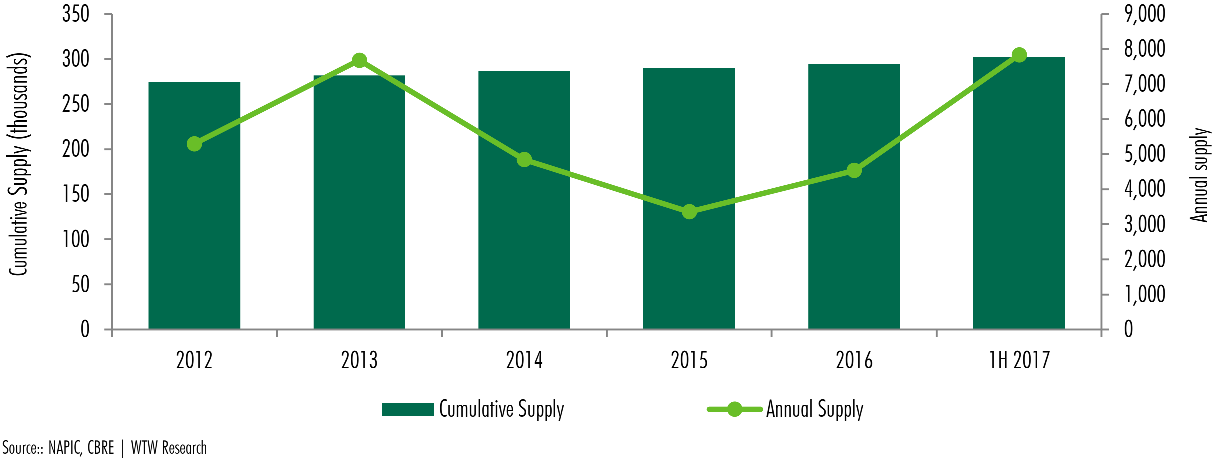
The average transaction value of 2-storey terraced houses in the sub-sale market was RM337 per square foot, about 2.5% higher than last year of RM321 per square foot. Transaction volume was about 10% higher than 2016.

New launches of 2-storey terraced houses were offered to the market at RM250 to RM355 per square foot, while the prices of 2-storey cluster and semi-detached were mostly tagged at approximately RM350 per square foot. Most of the newly launched products are located at sub-urban areas such as Skudai, Pulai and Seri Alam.

In newer housing schemes such as Sutera Utama, Horizon Hills and later phases of Bukit Indah, the transaction prices were in the range of RM365 to RM400 per square foot. Older housing schemes of Taman Pelangi and Taman Molek registered the highest sub-sale value at RM385 and RM395 per square foot respectively. Gated and guarded security features topped the preference by home buyers.

For 2-storey semi-detached houses, sub-sale prices dropped by 5.5% in 2017, to about RM385 and RM408 per square foot in 2017 and 2016 respectively. Transaction volume for both years remained uncharged.

Supply of Landed Residential Units



Source:: NAPIC, CBRE | WTW Research

KOTA KINABALU

The primary and secondary markets were dominated by similar composition of landed residential units. The sector performed well in 2017 with increased sub-sale activities

SIMILAR COMPOSITION FOR NEW LAUNCHES AND COMPLETIONS

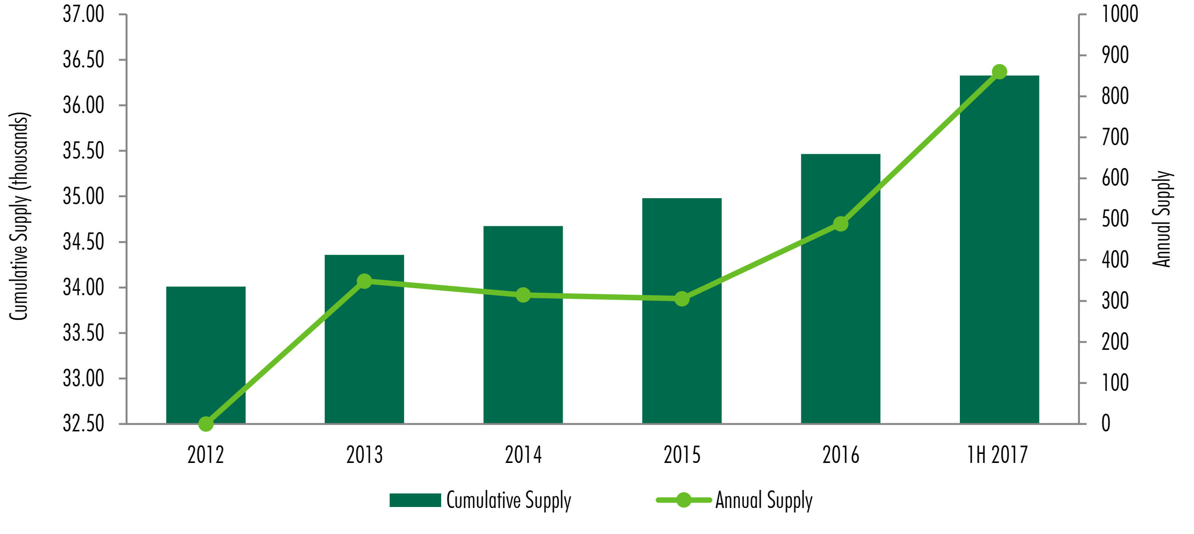
As with the preceding year, new project launches in 2017 for the landed residential sector comprised mainly the double-storey terraced house type in Manggatal and Penampang. Similarly, completed developments consisted of a mix of double-storey terraced and semi-detached houses in these locations.

MORE ACTIVE SUB-SALE MARKET

In the sub-sale market, analysis for the first three quarters of 2017 indicated an increase of 13.4% from 800 to 907 transactions in Kota Kinabalu-Penampang districts, y-o-y. In tandem with this, the transaction value also increased by a slightly higher growth rate of 16.7% from RM401.22 million to RM468.15 million. Transactions were dominated by double-storey terraced house type.

Moving forward, whether the more active sub-sale market will persist into 2018 remains to be seen. However developments within centres of activities and good access should preserve their values given that newer developments are increasingly further away with increasing traffic congestion. Nonetheless, reasonably priced housing developments in the outer localities could still be viable options to the mid-market segment. Units with higher pricing may only experience gradual take-up.

Supply of Landed Residential Units



Source: NAPIC, WTWS Research

KUCHING

Soft market conditions resulted in less new launches in 2017. On a positive note, reduction in price is not evident thus far. Overall, the market is expected to remain stable with potential for rightly priced products to do well.

LESS LAUNCHES, MORE COMPLETIONS

Project launches of landed residential units continued to slide for 2017, with about 350 new units offered compared to about 600 units for 2016. Most of the projects launched are piece-meal of between 30 and 50 units, with more units launched in the secondary areas of Petra Jaya and Jalan Datuk Mohammad Musa.

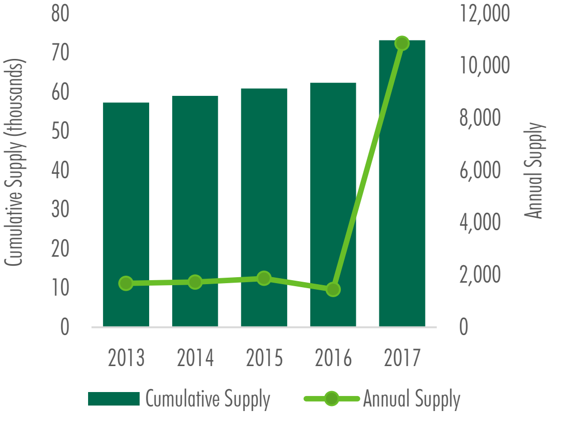
2017 recorded a substantial number of completions of over 1,000 units, spreading over various location groups, notably in the Kuching city areas, Muara Tuang - Samarahan and PJ-Matang areas. Double-storey terraced houses continued to dominate supply, although demand from younger house buyers has been trending towards high-rise residences.

House prices have increased marginally and new launches ranged between RM400,000 for intermediate terraced units and RM700,000 for the corner units whilst semi-detached units were priced from RM700,000 up to RM1.3 million per unit, depending on the location, land and building size and specifications.

Although the market is soft, there is no apparent sign of a price downtrend. Monitoring and controls by the Sarawak Planning Authority have helped to avoid any significant overhangs. As the Kuching or Sarawak market for that matter is less speculative compared to the other states, housing price prospects look positive in the long-run.

With the soft market, comes reflection and review, and there has been a re-emphasis on affordable housing, especially from the local housing ministry, such as the implementation of SPEKTRA (Skim Perumahan Khas Rakyat) scheme and PR1MA to make houses more affordable and accessible to young working professionals and first time home-buyers.

Supply of Residential Units



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, WTWY Research

Rivervale Residences @ Stutong, Kuching
Source: WTWY Research

Windsor Estate at Jalan Hup Kee (Gated & Guarded Scheme)
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION
ALOR SETAR: DEMAND WILL PREVAIL

Despite experiencing slower activity in 2017, the landed residential market in the Northern Region of Peninsular Malaysia is expected to stay stable in 2018 as landed residential is popularly sought after. Transaction prices for landed residential units in Alor Setar would remain unchanged amidst lower transaction activity in 2017.

In terms of purchasing preference, location and facilities are the two dominant determinants. Gated and guarded for instance, is a particularly new and attractive offering to the local buyers. Another attribute that could spur the local residential properties is affordability. Income level and financial strength are major considerations for local buyers. Therefore, pricing by developers will influence the market reception towards their products in the Alor Setar market.

IPOH: HEALTHY GROWTH EXPECTED

For the case of Ipoh, the landed residential market is expected to remain stable in view of the healthy mix of demand and supply. Transaction activity has generally remained stable with marginal variations observed across different segments of the landed residential market/ Semi-detached units enjoyed higher prices while terraced houses constituted majority of the transactions. There are still plenty of options available in the market to interested buyers although incoming supply continues at a slower rate. The under-controlled pace of supply and prevalence of demand will result in a stable and encouraging absorption rate.

The principal driver of the local market will be home-buyers with supplementary support from investors. The fact that developers persist to plan for new developments in Ipoh reflects their optimism in the landed residential market. Taking into consideration of slower incoming supply, the sub-sale market may be more active in 2018.

SOUTHERN REGION
SEREMBAN: KEEPING AN EYE ON IT

The landed residential market in the Southern Region performed better in 2017 with a sense of optimism for 2018. There are market-specific demand drivers which are likely to prevail in near future at the least.

Proximity to the Klang Valley has positioned Seremban with a great advantage in recent times. Developers have been snapping up prime areas in Seremban which led to the birth of Seremban 2 and Nilai. Populace who work and live in Klang Valley is expected to be among the principal buyers of the residential developments in Seremban 2 and Nilai. Already connected to Klang Valley via highways and KTM, the relatively affordable price of properties in Seremban offer more attractive value-for-price than those in the Klang Valley. Young and middle-income working adults in Klang Valley who do not mind travelling are the prospective buyers.

Apart from self-occupation, investment could also drive the demand for residential property in Seremban. Taking Nilai as an example, it contains a number of tertiary education institutions such as the Islamic Science University of Malaysia, INTI International University and Manipal International University. Residential properties in Nilai area are therefore attractive from the investment point of view as they offer promising rental income. From a long-term view, investors could tap onto the capital appreciation potential of strategically located properties in Seremban, triggered by the KL-Singapore High Speed Rail where Seremban is designated to be one of the stations in the project.

MELAKA: NEW AREAS UNLOCKED

Transaction activity and price involving landed residential property in Melaka were seen rising in 2017 due to strong demand and this is expected to continue into 2018. Single-storey terraced houses priced from RM150,000 to RM250,000 recorded the highest transaction volume. Landed residential in Melaka Tengah worth RM150,000 to RM500,000 was the most transacted.

Locational factor is the main determinant for demand of landed residential property in Melaka. Proximity to workplace for instance, catalysed the rise of Ayer Keroh, Krubong and Tanjung Minyak, all of which are close to industrial areas. Meanwhile, developments in Putra Heights and Jalan Gapam which are nearer to the town cater for the higher end of the landed residential market in Melaka.

BATU PAHAT: A LOCALISED MARKET

The landed residential sector in Batu Pahat is expected to remain a buyers' market in 2018 whereby the purpose of purchasing is predominantly self-occupation. Nonetheless, affordability would be a bigger demand constraint to the landed residential market in Batu Pahat, as compared to Melaka and Seremban. This is consistent with Khazanah Research Institute's finding in 2015 which rated Johor housing market as 'seriously unaffordable'.

Responding to this, home-buyers in Batu Pahat especially the younger group, are setting their sights on landed residential properties in areas away from town. Sales price of landed residential property in areas further away from Batu Pahat town is a better match to their purchasing power. Moving forward, units priced around RM300,000 are expected to be best-received in Batu Pahat.

OVERALL, AN APPEALING REGION FOR LANDED RESIDENTIAL SECTOR

Despite self-occupation being the primary motivation of house purchase, the investment prospects of the respective markets is also a driver since rental and capital appreciation are yielding positive returns in this region. Among the markets covered in the Southern Region, Seremban which benefits from its geographical advantage, is anticipated to continue to gain on its investment potential. All in all, conventional factors such as convenience, proximity to schools and availability of public transport will remain as the key selling points of landed residential developments in Melaka, Seremban and Batu Pahat.

The landed residential market in the Southern Region would either improve or at least, remain stable considering the presence of growth opportunities. Emergence of new townships in Seremban is gathering more interest from both local and cross-state buyers.

EAST COAST
KOTA BHARU: STABLE WITH POCKETS OF GROWTH

In Kota Bharu, the performance of the landed residential market should remain stable in 2018 with pockets of growth for certain types of landed residential property. Selective preference was evident in 2017 based on the transaction data. Bandar Baru Kubang Kerian, Panji and Bandar Baru Gua Musang which comprise terraced and semi-detached houses are amongst the highly sought after developments due to their accessibility to facilities and amenities; whilst Sering and Wakaf Delima localities - currently active with developments of double storey terraced houses - are also gaining popularity.

By prices, 2 & 3-storey terraced, 2- and 3-storey semi-detached and detached houses priced between RM400,000 and RM1 million were seen to register increasing transaction volume, particularly for those in prime residential areas. Price discrepancy in 2017 was lesser than in 2016, and price convergence shall continue into 2018. Take-up rates for new developments were moderate but still encouraging enough for developers to be positive on 2018's market.

Interestingly, purchase of vacant plot may be a new norm for local buyers in Kota Bharu in coming years. This is because locals are exhibiting tendency to design and build houses based on their own preference instead of searching for developers' products which are more standardised and conventional. To be precise, vacant plots valued at RM100,000 - RM150,000 per unit enjoyed highest transaction volume.

KUALA TERENGGANU: AN ORTHODOX MARKET

Locational factor will continue to be the demand determinant for Kuala Terengganu. Proximity to commercial activity area, schools and public transport are the key selling points of a landed residential property in the market. In 2017, 2-storey semi-detached houses priced RM400,000 to RM500,000 had the highest transaction volume. Overall, most landed residential properties changed hands at below RM400,000 price tag. While demand in the market is expected to stay as it is for 2018, certain segments of the landed residential such as double-storey semi-detached units in good areas could still gather more interest In view of their rental prospect. The construction of a drawbridge in Kuala Terengganu shall lead to the emergence of a new district known as Kuala Nerus. New source of demand for landed residential may be observable in Kuala Nerus due to its connectivity to city centre.

KUANTAN: FILLED WITH PROSPECTS

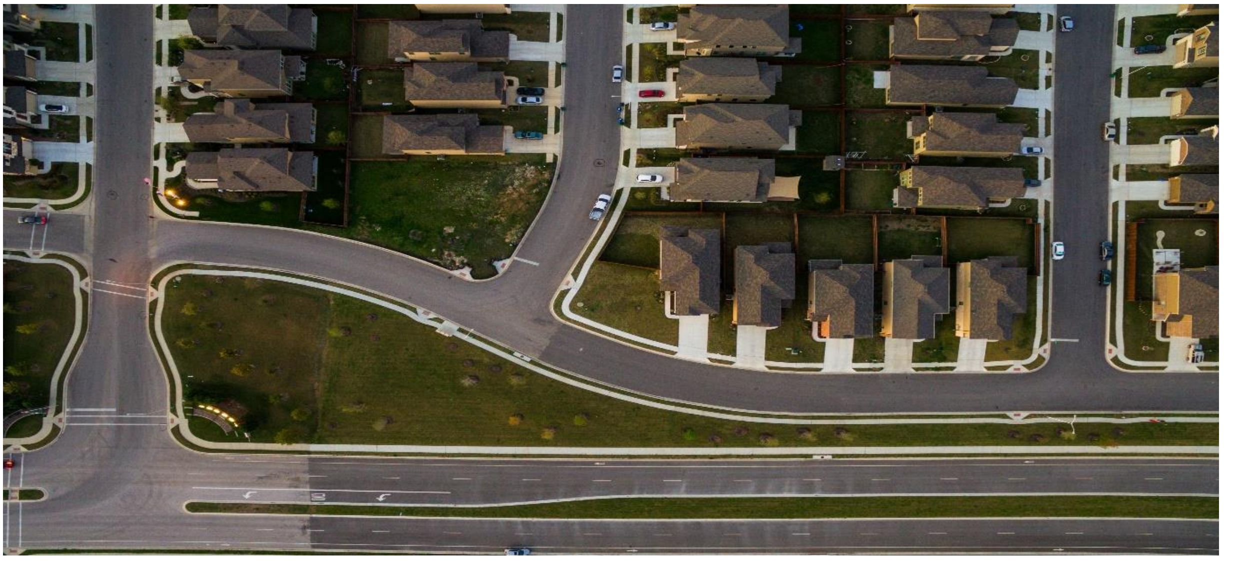
Of all the landed residential markets along the East Coast, Kuantan is painting the most positive outlook for 2018. Expected to rebound from a soft market in 2017, the force comes from mega project developments and price adjustment within the market. Softer demand in 2017 was caused by cautious behavior among consumers who are concerned about the financial and economic challenges. Price adjustment is expected to take place in 2018 as soft market sentiment triggers vendors to be more willing to sell at lower prices. Should the price shift to an attractive level, the landed residential market in Kuantan shall improve.

Turning to mega projects, the East Coast Rail Link (ECRL), the deep water terminal at the Kuantan Port and the Malaysia-China Kuantan Industrial Park (MCKIP) have been hitting the headlines. In line with popular belief that these developments will be the boosters for local and regional economies, the residential sector will benefit from the spill-over effects since economic growth will draw population into Kuantan. Having said that, it has to be noted that some of the mega projects are still at its infancy stage, the positive impacts are still academic and may take time to filter down to the residential market.

Young Malaysians aged between 25 and 29 years old constitutes the largest portion of landed residential buyers in Kuantan especially new family units seeking their first home. Civil servants who could obtain a home loan offered specifically to the public workforce continue to seek for properties that would meet their Budget. Properties in popular locations such as Air Putih, Kubang Buaya, Alor Akar, Pelindong and Tok Sira remained highly sought after whilst KotaSAS township, Bandar Putra, Sungai Soi area and Bukit Goh are the second-preferred locations currently active with newer developments.

In view of the effort by the government to develop the industrial and tourism sectors, this should increase job opportunities in Kuantan, which in turn, should observe rising internal migration from rural to urban areas. Bandar Indera Mahkota and Gebeng could likely be a preferred residential area for those who need to travel extensively for business and work considering their future role as a station for ECRL. The new Kuantan City Mall - opened in October 2017 – is offering a myriad of new retail options. This would attract buyers who place more emphasis on balanced urban and idyllic lifestyle.

The landed residential properties in Kuantan are also worthwhile from investment viewpoint. Investors are acquiring landed residential properties for rental income and as a hedge against inflation. The popular choices are newer areas such as KotaSAS and Kampung SOI area and Bukit Goh which is located near to the Kuantan toll exit. A point to note is that rental yield in Kuantan is generally comparable to the Fixed Deposit (FD) rates offered by financial institutions. However, it is the potential for capital appreciation that edges property investment - especially those in established locations - ahead of FD.



EAST MALAYSIA

SABAH

TAWAU: IN NEED OF MACRO RECOVERY FIRST

The landed residential market in Tawau is at the low point of the cycle at present but general expectation is that the market will slowly bottom out as early as the second half of 2018. Pricing could be an important determinant for developers to navigate around the current market obstacles. The middle-income group shall constitute a significant portion of the buyers and thus, reasonably priced housing tailored to the purchasing power of potential buyers could still sustain the pressure of a slow market.

LAHAD DATU: STRUCTURAL CHALLENGES

In 2017, over-supply due to shrinking demand combined with the soft economic environment squeezed the landed residential market of Lahad Datu. The market however, should recover in 2018 and price may start to correct itself thereafter. Viewing from a long-term perspective, the reliance of Lahad Datu on a single stream of economic activity – that is, palm plantation - is restricting the growth capacity of the local property market. Seasonal palm plantation and production activity affect the sales and purchase cycle in the property market, while fluctuations of palm oil in the international market impact the wealth of the local community over the years.

Besides that, lack of diversity in the local economy is causing the outflow of younger population which would then, reduce the size of the local landed residential market as less people intend to settle down in Lahad Datu. All said, the fact that landed residential properties in Lahad Datu are priced attractively could to an extent, be a buffer to falling demand should buyers intend to tap onto potential capital appreciation in the market.

SANDAKAN AND LABUAN: SUBDUED BUT STABLE

In Sandakan and Labuan, the overall landed residential in both markets were stable in 2017 and likely to remain so in 2018. In Sandakan, the supply of residential property is skewing towards terraced houses and apartments, which are considered affordable in the market with prices ranging from RM300,000 to RM400,000 for terraced houses and RM150,000 to RM250,000 for apartments. In Labuan, limited new supply and shrinking population will trigger selective demand for landed residential properties in the market. Properties launched in reasonable price range with good rental prospect will top the buyers' preference list.

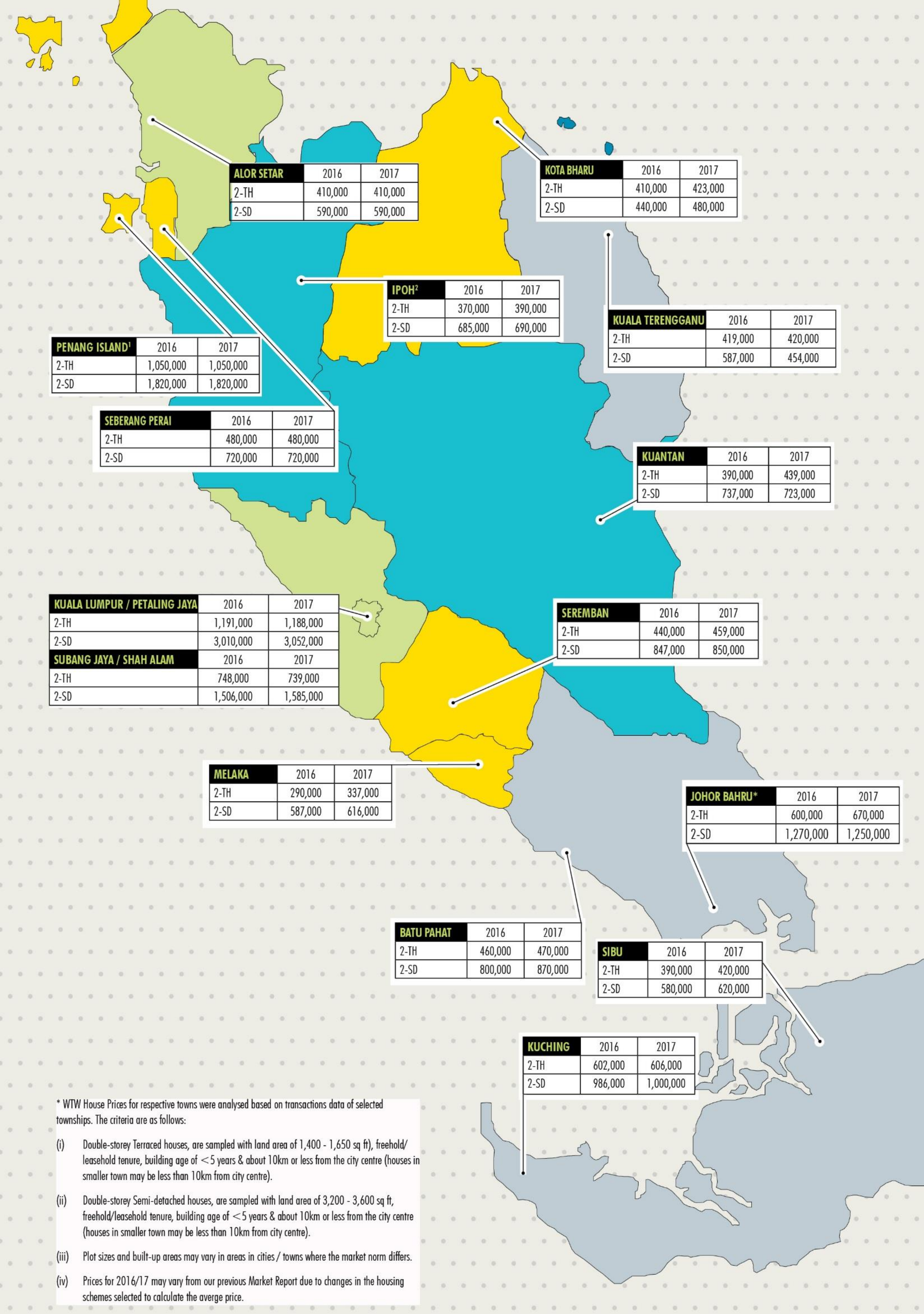
SARAWAK

BINTULU: OPTIMISM EMBEDDED IN LONG-RUN PERSPECTIVE

The landed residential sector in Bintulu is projected to be soft but stable unless the macro environment improves significantly enough to boost market sentiment. Transaction activity and prices are unlikely to fluctuate. The landed residential sector in bintulu has shown a slow down with noticeably less launches and completion. A weak take-up rate in year 2018 is predicted.

Looking at the longer term, population growth paints a more positive outlook on Bintulu's residential sector. Bintulu is an industrial town occupied by a large workforce who are migrants from other parts of Sarawak and Malaysia. Based on the 2010 Census, Bintulu contributed about 7.7% to Sarawak's economy. Lateral projection suggests that this percentage will increase to more than 8% by 2030. The underlying assumption is that when such an industrial-dependent economy grows, its workforce will expand and ultimately, the population as well. Demographically, Bintulu has as much as 43% of its house-buying group who are in the labour force, that is, those aged between 25 and 54 years old.

Buyers in Bintulu tend to take both affordability and locational factors into consideration when purchasing landed residential property. A combination of these supports the preference observed whereby single-storey terraced houses located nearest to town are highly sought after as single-storey terraced units are cheaper than other types of landed residential in Bintulu. Pricing wise, landed property priced below RM350,000 tops the demand list as the supply of landed property in this price range is limited. On rental and capital appreciation, locational factors will continue to dictate their potential return.



ALOR SETAR	2016	2017
2-TH	410,000	410,000
2-SD	590,000	590,000

KOTA BHARU	2016	2017
2-TH	410,000	423,000
2-SD	440,000	480,000

IPOH[2]	2016	2017
2-TH	370,000	390,000
2-SD	685,000	690,000

KUALA TERENGGANU	2016	2017
2-TH	419,000	420,000
2-SD	587,000	454,000

PENANG ISLAND[1]	2016	2017
2-TH	1,050,000	1,050,000
2-SD	1,820,000	1,820,000

SEBERANG PERAI	2016	2017
2-TH	480,000	480,000
2-SD	720,000	720,000

KUANTAN	2016	2017
2-TH	390,000	439,000
2-SD	737,000	723,000

KUALA LUMPUR / PETALING JAYA	2016	2017
2-TH	1,191,000	1,188,000
2-SD	3,010,000	3,052,000
SUBANG JAYA / SHAH ALAM	2016	2017
2-TH	748,000	739,000
2-SD	1,506,000	1,585,000

SEREMBAN	2016	2017
2-TH	440,000	459,000
2-SD	847,000	850,000

MELAKA	2016	2017
2-TH	290,000	337,000
2-SD	587,000	616,000

JOHOR BAHRU*	2016	2017
2-TH	600,000	670,000
2-SD	1,270,000	1,250,000

BATU PAHAT	2016	2017
2-TH	460,000	470,000
2-SD	800,000	870,000

SIBU	2016	2017
2-TH	390,000	420,000
2-SD	580,000	620,000

KUCHING	2016	2017
2-TH	602,000	606,000
2-SD	986,000	1,000,000

* WTW House Prices for respective towns were analysed based on transactions data of selected townships. The criteria are as follows:

(i) Double-storey Terraced houses, are sampled with land area of 1,400 - 1,650 sq ft), freehold/ leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

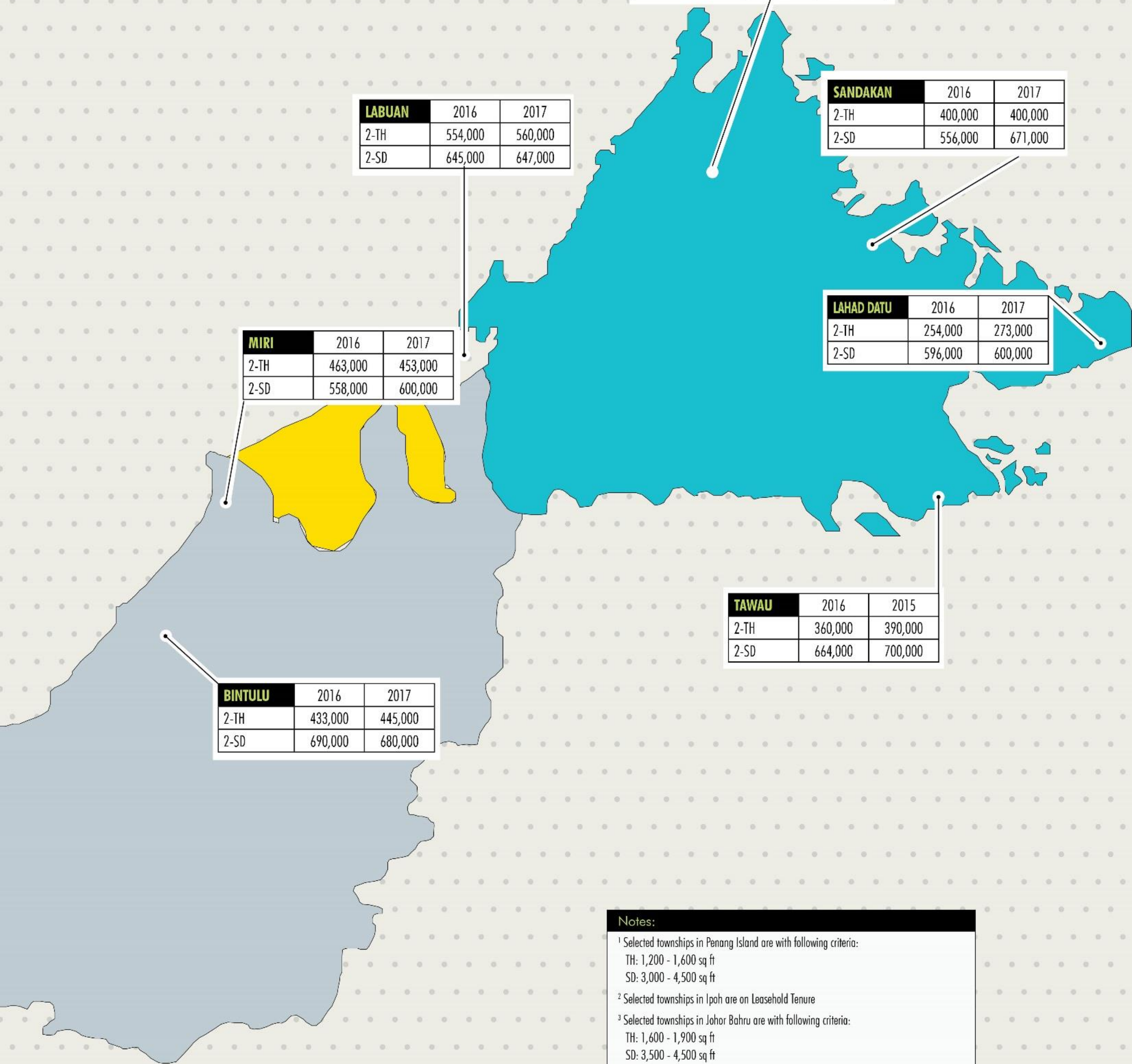
(ii) Double-storey Semi-detached houses, are sampled with land area of 3,200 - 3,600 sq ft, freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

(iii) Plot sizes and built-up areas may vary in areas in cities / towns where the market norm differs.

(iv) Prices for 2016/17 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the averge price.

2016/2017*

CBRE - WTW MALAYSIA HOUSE PRICE INDICATOR



KOTA KINABALU[4]	2016	2017
2-TH	557,000	561,000
2-SD	1,267,000	1,246,000

LABUAN	2016	2017
2-TH	554,000	560,000
2-SD	645,000	647,000

SANDAKAN	2016	2017
2-TH	400,000	400,000
2-SD	556,000	671,000

MIRI	2016	2017
2-TH	463,000	453,000
2-SD	558,000	600,000

LAHAD DATU	2016	2017
2-TH	254,000	273,000
2-SD	596,000	600,000

TAWAU	2016	2015
2-TH	360,000	390,000
2-SD	664,000	700,000

BINTULU	2016	2017
2-TH	433,000	445,000
2-SD	690,000	680,000

Notes:

[1] Selected townships in Penang Island are with following criteria:
TH: 1,200 - 1,600 sq ft
SD: 3,000 - 4,500 sq ft

[2] Selected townships in Ipoh are on Leasehold Tenure

[3] Selected townships in Johor Bahru are with following criteria:
TH: 1,600 - 1,900 sq ft
SD: 3,500 - 4,500 sq ft

[4] Selected townships in Kota Kinabalu are more than five years old & on leasehold tenure
TH:1,500 - 1,900 sq ft

SELECTED NEW LAUNCHES IN LANDED RESIDENTIAL SECTOR

Name	Location	Developer	Type	Unit Sizes (sq ft)	Price (RM per unit)
KLANG VALLEY					
Cempaka Sari @ Saujana Perdana	Sungai Buloh	Glomac	2-T	1,568	403,000 - 568,000
Casira	Bukit Raja	Sime Darby Property	2-T	2,012 – 2,311	>681,000
Livia @ Rimbayu	Kota Kemuning	IJM Corporation	2-T	1,658 - 1,854	>621,800
Monet Residences	Salak Tinggi	Sunsuria City	2-T	1,900	>670,000
			2-T	2,100	770,000
Tiara Hills Cheras	Cheras	Modern Age Development	3-SL	3,253 – 3,725	>2,100,000
			3-SD	6,003	>3,500,000
Viana @ City of Elmina	Shah Alam	Sime Darby Property	2-SL	3,177 – 3,343	1,200,000 – 1,600,000
PENANG					
Ariza Seafront Terraces	Seri Tanjung Pinang	Eastern & Oriental	3-T	3,488 - 3,781	2,900,000
Eco Horizon	Batu Kawan	Eco World Development Group	2-T	2,200 - 2,700	818,000
Hijauan Hills	Tasek	Asas Dunia	2-T	2,599 - 2,679	393,000
Parville	Balik Pulau	Eureka Artisan (Emerald Capital Group)	3-T	2,806 - 3,270	823,000
JOHOR BAHRU					
Elonia @ Bukit Indah	Bukit Indah	Bukit Indah	2-T	1,770	>630,000
Opal 2 (Phase 2 of Opal Residenz)	Seri Alam	Seri Alam Properties	2-C	>2,288	>767,000
			2-SD	>2,443	>882,000
Rini Homes (Phase A)	Mutiara Rini	Mutiara Rini	2-T	1,900	>560,500
Rini Homes (Phase 6H)	Mutiara Rini	Mutiara Rini	2-T	2,240 - 2,504	>564,480
The Alton (Phase 3)	Eco Summer	Eco World	2-T	1,933	>898,000
The Quinton (Phase 3)				2,080	>956,800
The Valley West 2	Horizon Hills	Gamuda Land	2-T	2,139	>800,000
The Green	Horizon Hills	Gamuda Land	2-T	2,349	>890,000
KOTA KINABALU					
Bukit Damaisari (Phase 1)	Menggatal	SCP Menggatal	2-T	1,691	616,000 -722,000
Cerah (Phase 4B & 5B)	Tuaran Bypass	GKS Development	2-T	1,842	703,760 – 1,053,000
Park Residence Sugud (Phase 3)	Penampang	DF Development	2-T	1,670 - 2,300	698,800 - 984,800

Type: C – Cluster D – Detached T – Terraced TH – Townhouse SD – Semi-detached SL - Superlink

SELECTED NEW LAUNCHES IN LANDED RESIDENTIAL SECTOR

Name	Location	Developer	Type	Unit Sizes (sq ft)	Price (RM per unit)
Vila Mutiara (Phase 1A & 1B)	Pulutan	Nadi Properties Development	Strata 2-T	1,262 - 1,399	326,800 - 445,000
Wawasan Mahandoi	Penampang	Sri Moraine	2-T & 3-T	1,691 - 2,419	603,000 - 860,000
ALOR SETAR					
Taman Seri Belida	Jalan Suka Menanti	Jubrincon	2.5-T	1,400	665,000
			2.5-SD	3,175	885,000
IPOH					
Sanctuary Garden Hillside Residences	Off Jalan Tambun	PK Lee	2-T	1,200 - 1,300	338,000 - 369,000
Scientax Meru	Bandar Meru Raya	Scientax Quatari	2-T	1,592	472,560 - 759,360
SEREMBAN					
Rimbun Harmoni	Seremban 2	IJM Land	2-T	1,400 & 1,540	>528,800
MELAKA					
8 Residence	Padang Temu	Starwatt Realty Sdn Bhd	2-SD	3,600 - 4,000	1,455,000 – 2,304,000
Anjung Gapam	Jalan Gapam	GJH Bintang Urusjuta	1-D	4,000	500,000 - 737,375
			1.5-D		580,000 - 720,625
			2-D		610,000 - 872,875
BJB Heights Residences	Jasin Bestari	Handal Group	2-D	7,000 - 12,900	823,000 – 1,151,000
Taman Cheng Bestari	Cheng	PDG Property	2-T	1,400	445,000 - 650,000
Taman Desa Bertam	Bertam	Teladan Setia	2-T	1,540	348,800 - 500,000
Taman Ozana Residence (Phase 3)	Ayer Keroh	PDG Development	2.5-T	1,860	540,952 - 736,024
			2-SD	3,400	663,104 - 1,044,000
SANDAKAN					
Rimbayu Indah (Phase 1B)	Off Jalan Utara	Panorama Jelita	2-T	1,339 - 1,498	447,450 - 737,000
Taman Bersatu	Off Jalan Airport	Sunrise Device	2-T	772	283,943 - 361,948
			3-T	1,097	349,600 - 431,060
Taman Jati (Phase 2)	Off Jalan Airport	Rich Worldwide	2-T	1,088 - 1,152	321,100 - 398,000
BINTULU					
Kidurong Hill (Phase 2)	Jalan Kidurong	Custodev Dua	2-T	1,694	433,000 - 533,000
Kidurong Setia Residences	Jalan Saberkas	Asian Land Realty	2-T	1,658	488,800 - 668,800
Taman Pelita	Jalan Sibiyu	Pelita Raya	2-T	1,874 - 2,596	498,000 - 738,800

Type: C – Cluster D – Detached T – Terraced TH – Townhouse SD – Semi-detached SL - Superlink

OFFICE SECTOR

KLANG VALLEY

Slow recovery in commodity prices might trigger a reversal in office demand from the oil and gas sector which has long been the key driver for Kuala Lumpur's office demand. Malaysia, well-known to offer competitive rental should continue to be one of the highly sought after destinations in the region.

STILL ATTRACTIVE TO THE KEY PLAYERS

The overall purpose-built office (PBO) market remains challenging despite the improving economic performance and commodity prices. Due to the improvement of connectivity, Kuala Lumpur fringe and Selangor office occupancy rates are holding up strongly, at generally cheaper rent compared to Kuala Lumpur CBD, with more options of quality office, such as in Bangsar South, Mid Valley and KL Sentral.

More United State and Chinese companies were seen launching their first South East Asian Headquarter in 2017, as ASEAN region offers growth potential due to its favourable demographic endowment and alignment with the foreign investors' visions.

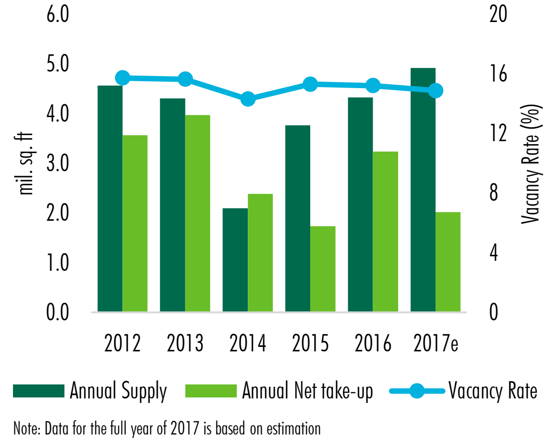
COMPETITION ON THE RISE

Currently standing at a total supply of 105.1 million square feet, completion of some 4.13 million square feet of office space by 2018 is expected to put pressure on occupancy rate and rental market. Public Mutual Office, Menara Suezcap Tower 1, Sunway Geo and UOA Commercial Centre are some of the new additions of office buildings. Large incoming supply of PBO can be found within Kuala Lumpur area since Kuala Lumpur address is still being preferred by many multinational companies (MNCs).

The average occupancy rate for PBO in Klang Valley was 17.7% in 2017, mainly impacted by Outside Kuala Lumpur which had a vacancy rate of 23.1%. As a preferred address for most companies, the average vacancy rate for Kuala Lumpur was lower at 15.4%.

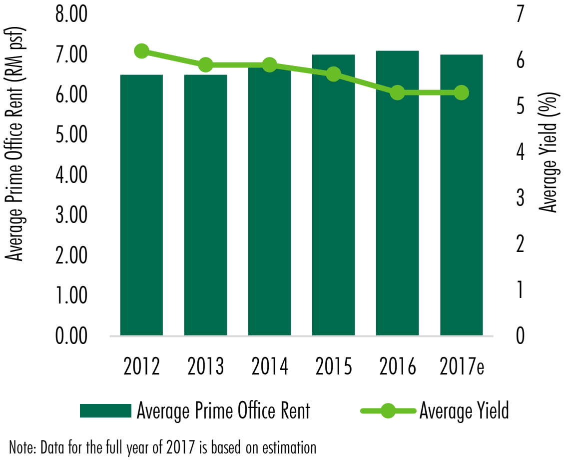
On the investment side, capital value considered as stable. In 2017, average prime rental in Kuala Lumpur was RM7 per square foot. This has remained relatively unchanged since 2015. It is expected to decline further in view of the competition amongst new buildings and ample future supply. Nevertheless, Yield rather stagnated, ranging between 5.5% and 6%.

Annual Supply of Office Space in Klang Valley



Note: Data for the full year of 2017 is based on estimation
Source: CBRE | WTW Research

Average Prime Office Rent and Yield



Note: Data for the full year of 2017 is based on estimation
Source: CBRE | WTW Research

QUALITY BUILDINGS OR ATTRACTIVE OFFERS

Demand for office spaces in prime and well-connected areas remained strong, in particular, buildings in good condition and those accredited with MSC and Green Building status. Landlords of older buildings need to consider refurbishment or introduction of attractive lease terms and conditions in order to keep up with the market.

UNDERSTAND THE TECHNOLOGY TREND

The shift in business and job nature leads to the change in space requirement. Remote working among digital nomads and the increasing use of technologies have created the platforms for co-working and virtual office space, targeting small and medium enterprises (SMEs), young entrepreneurs and millennial employees. Co-working space promotes collaboration, it creates small communities among professionals and talent pools that could stimulate productivity and innovation through knowledge-sharing.

PENANG

Over the short-term, the pent-up demand for newer and prime office would continue. The spill-over demand for office and those with MSC status are expected to increase. While occupancy rates are anticipated to generally remain stable in near future, rentals would increase. The future development trend of purpose-built office (PBO) buildings would be away from the traditional and space-constrained CBD of Georgetown. The concept of co-working office space has also emerged and is set to grow.

PENT-UP DEMAND FOR NEWER AND PRIME OFFICE WOULD CONTINUE

The existing supply of PBO in Penang state stands at approximately 12.09 million square feet (privately-owned: 8.95 million square feet; government-owned: 3.14 million square feet). There was no new PBO building completed in 2017. In comparison with other property sectors, new supply of office in the past 10 years was limited.

Newer and prime PBO buildings such as Hunza Tower and Straits Quay Commercial Suite, which were completed within the past 3 years, are enjoying commendable occupancy rates although charging new benchmark rentals. The tenants comprise a mixture of newly set-up offices as well as relocaters. Office occupiers are seeking for newer office buildings which could serve their contemporary needs and enhance their corporate image.

With most of the major upcoming PBO buildings are scheduled for completion in the medium term (Year 2020 and beyond), pent-up demand for newer and prime office accommodation would continue in the short-term. Older buildings are likely to experience a slide in demand thus lower rentals and capital prices.

SPILLOVER DEMAND FOR OFFICE ACCOMMODATION, AND WITH MSC STATUS, IS EXPECTED TO INCREASE

The Penang State Government and relevant authorities have been pursuing high quality manufacturing investment which are of knowledge intensive, and innovation-led manufacturing and services. As existing industrialists/manufacturers progress upstream to design and research activities, there would be spillover demand for office space to accommodate the highly skilled workforce and the related supporting services.

The state government has also been actively promoting Penang as a centre of Global Business Services (GBS). Multinational companies which have recently set up their offices in Penang include Celestica Inc, Teleperformance, Swarovski and UST Global. These companies seek office accommodation which is of MSC status or quality, that could cater to their business operation, as well as seizing the various incentives and privileges offered.

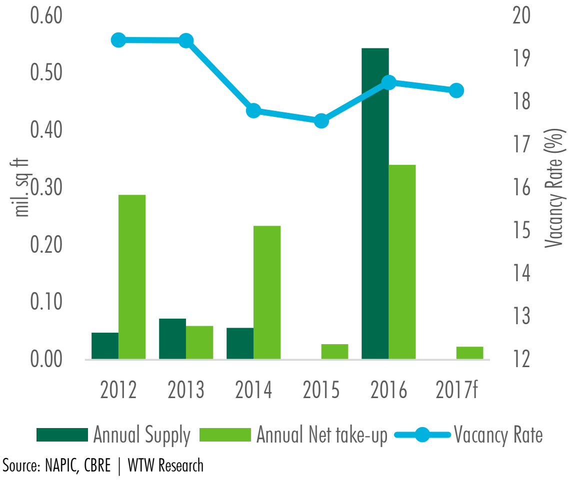
The abovementioned demand is expected to increase as Penang continues to attract high values manufacturing and services. Several upcoming buildings which are scheduled to be in the market in the near future, to cater to such demand, include Livingston Tower (Georgetown), extension of the Centre for Creative Animation Triggers (CAT) (Georgetown), and GBS @ Mayang (Bayan Baru).

WHILE OCCUPANCY RATES ARE ANTICIPATED TO GENERALLY REMAIN STABLE IN THE NEAR FUTURE, RENTALS WOULD INCREASE

The overall occupancy rate of PBO in Penang state remained stable at 82%. The occupancy rates are also anticipated to generally remain stable in the near future.

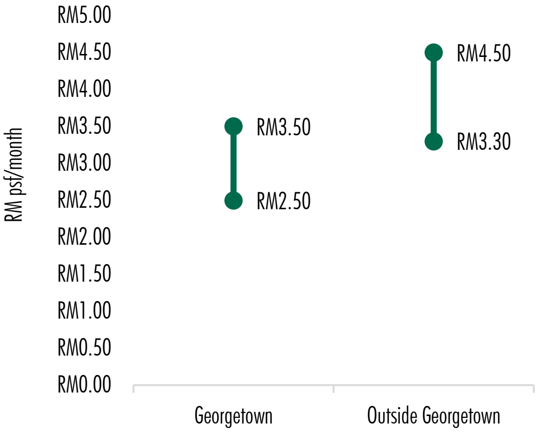
Rentals of prime office space in Georgetown were between RM2.50 and RM3.50 per square foot per month. Higher rentals of RM3.30 to RM4.50 per square foot per month were registered for prime office accommodation outside Georgetown, particularly newer buildings in Bayan Lepas/Bayan Baru area, and at Seri Tanjung Pinang (Tanjung Tokong).

Supply and Demand of Purpose-Built Office Space



Source: NAPIC, CBRE | WTW Research

Performance of Purpose-Built Office Space



Source: NAPIC, CBRE | WTW Research

Rentals of office space in most buildings are expected to increase in the short term, due to increasing outgoings / maintenance cost. With newer and prime office buildings entering the market with higher asking rentals, the overall average rental of prime accommodation would also increase.

FUTURE DEVELOPMENTS AWAY FROM CBD

Major PBO buildings are being developed and planned away from the traditional and space-constrained CBD of Georgetown to the south-eastern portion of Penang Island and Seberang Perai.

Situated within the Penang Cybercity area are GBS @ Mayang in Bayan Baru and GBS By The Sea in Bayan Lepas, both office projects with MSC status are being developed by the Penang Development Corporation (PDC). GBS @ Mayang is a refurbishment of Mayang Shopping Mall, scheduled for completion in January 2018. The building will offer approximately 110,000 square feet of office to the market. Apart from that, GBS by The Sea, which is slated for completion in 2020, will feature a 9-storey seafront building offering approximately 411,000 square feet of office accommodation. Another PBO building is also proposed in Bayan Baru, within the Penang International Commercial City by Hunza Group.

In Gelugor, a 28-storey PBO building with net lettable area of approximately 370,000 square feet is planned within Phase 2 of The Light Waterfront Development by IJM Perennial Development Sdn Bhd (a joint-venture company between IJM Corp Bhd and Perennial Real Estate Holdings Ltd).

In Seberang Perai, Aspen Group has soft launched Vittoria Financial Centre in Batu Kawan, 5 blocks of 8-storey corporate office suites and a 9-storey executive office tower. There will be 231 office units with built-up areas ranging from 610 to 1,415 square feet, to be sold on stratified basis.

In Seberang Jaya, Sunway Real Estate Investment Trust (SunREIT) is planning to develop a 10-storey office tower as part of the expansion plan for the existing Sunway Carnival Mall. A 22-storey PBO tower is also proposed within Penang Sentral Intermodal Transit-Oriented Development in Butterworth by the MRCB Group.

EMERGING TREND OF CO-WORKING OFFICE SPACE IS SET TO GROW

There is an emerging trend of co-working office space. Operators of co-working office space in Penang include Snooze50 (Gurney Tower), Scoopoint (Pengkalan Weld), MSOGO (Jalan Dr Lim Chwee Leong), Regus (Hunza Tower, Menara Boustead, Ideal @ The One, and Spice Arena), @FlexiSpace (Raja Uda), CoHere (Icon City), Hubbiz (Autocity) and Settlements (Livingston Tower).

Initially co-working space has been for start-up entrepreneurs. In the near future, demand for co-working space is expected to grow across a diverse mix of industries and professions. Larger companies may opt for co-working space, in seeking flexibility and practicality in their workspace solution.

The surplus of office accommodation at competitive rental rates would also facilitate this market. Operators of co-working office space are able to secure attractive rates due to their large requirement.

ISKANDAR MALAYSIA

With new office buildings being completed in Iskandar Malaysia (IM), rent of purpose-built office (PBO) space is hitting a new high. However, competition will intensify with the incoming 2.36 million square feet in near future.

MANAGEABLE SUPPLY FOR 2017

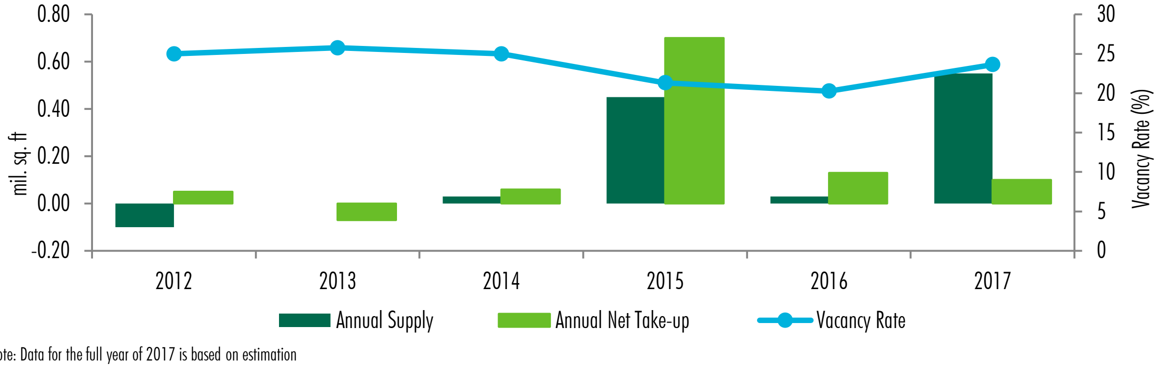
In 2017, existing supply PBO space was 9.21 million square feet in 111 buildings. About 71% is privately owned while the remaining is owned by the government. In 1Q 2017, BSN Tower in Johor Bahru city centre opened its doors with a net lettable area of 69,966 square feet. Menara JLand - a Grade A green office building with MSC status in IM - is targeted to complete by end of 2017. It will offer another 262,592 square feet of net lettable space to the market.

There are another 6 under construction buildings with total net lettable area of 2.36 million square feet are expected to enter the market in the next 3 years.

RENTALS REMAIN STABLE IN SHORT-TERM

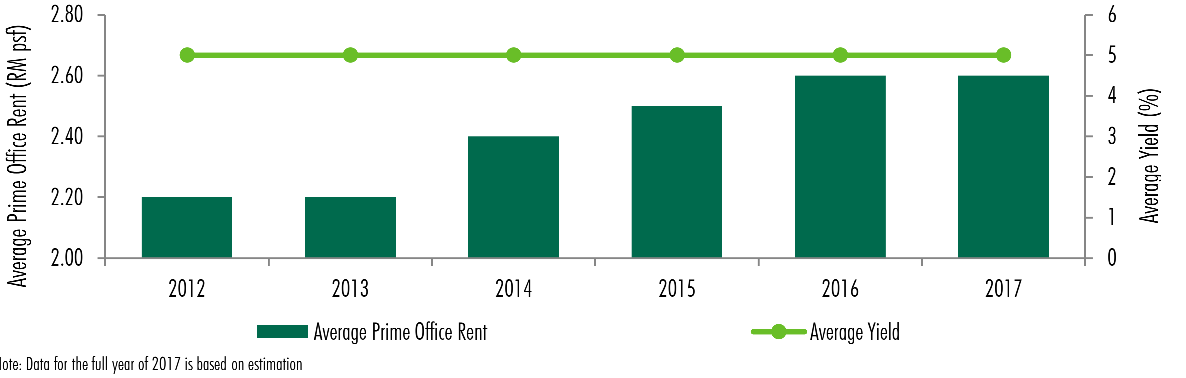
Demand for office space has been stable in Johor Bahru and vacancy rate was about 20%. The average office rent for prime office space in Johor Bahru city centre remained stable at RM3.20 to RM3.50 per square foot, while it was RM2.80 to RM3.20 per square foot for office buildings located in the city fringe. However, new office buildings in Medini and Puteri Harbour commanded higher rental rates in the range of RM4.00 to RM5.00 per square foot. The high rents are being driven by the influx of multinational companies (MNCs) seeking brand new quality prestige office accommodation currently only available in ample supply of Iskandar Puteri. The proximity to catalytic projects within Iskandar Puteri is an added advantage.

Supply and Demand of Purpose-Built Office



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

Average Prime Office Rent and Yield



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

The purpose-built office (PBO) market is still very much locally backed with movements mainly driven by relocation of offices.

NO SIGNIFICANT VARIATIONS

Sub-sale activity in the PBO sector remained muted in 2017 as in the year before. One notable transaction was a 4-storey corner shop-office along Jalan Pantai within Kota Kinabalu city centre for RM9 million.

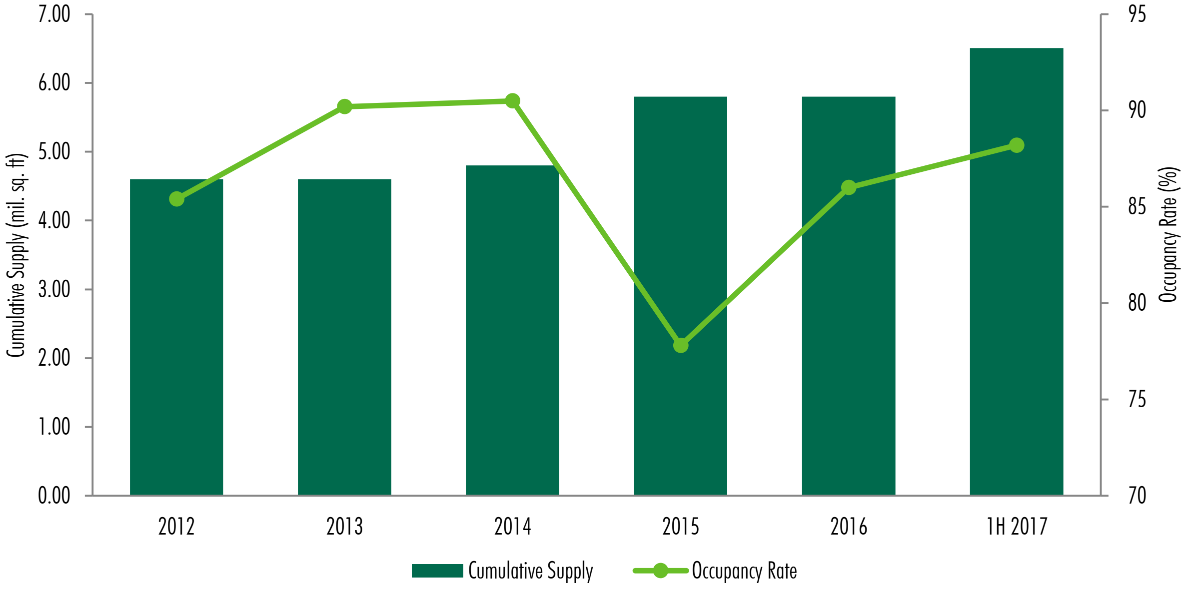
2017 saw the completion of several major office buildings - the State Administrative Complex in Likas and Sutera Avenue and Aeropod Phase 2A and 2B (Blocks C, D and H) located in Sembulan and Tanjung Aru respectively.

The 33-storey State Administrative Complex is now the tallest building in Kota Kinabalu and houses the Chief Minister's office and state agencies, amongst others.

The combined office space in Sutera Avenue and Aeropod amounts to approximately 354,000 square feet with asking rents for these office spaces ranging from RM1.80 to RM2.80 per square foot on the 4^{th} to 10^{th} floors.

The sector is expected to remain stable overall, though downward pressure on take-up/occupancy rates and competitive rents are foreseeable with the incoming supply of office space and competition from conventional shop-offices in this market.

Supply and Demand of Purpose-Built Office



Source: NAPIC, WTWS Research

KUCHING

Supply of purpose-built office (PBO) in Kuching has been climbing slowly and steadily with rental rates remaining stagnant but stable. Market demand for PBO in Kuching continue to lack the hype and excitement. For shop-office sector, there was a glut in supply.

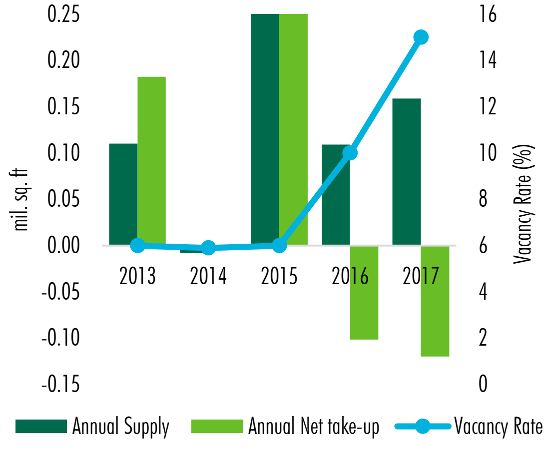
SLOWER TAKE-UP RATES FOR PBO

The cumulative supply of PBO space in Kuching stood at around 6.9 million square feet. Current supply has been categorised into public and private sector with the former contributing more than 50% of supply. 2017 saw the addition of 236,800 square feet of office space with the completion of the Gateway Towers, namely, SEDC Tower and LCDA Tower at the Kuching Isthmus, a fairly new development area which will house the government agencies of Sarawak Economic Development Corporation and Land and Custody Development Authority.

In terms of future supply, some planned office buildings include D'Public Square, Baitul Makmur@Bukit Siol, PJ, Canaan Square, Lian Dak (10-storey building) and City Square West-wing tower which will supply about 950,000 square feet of net lettable area.

Supply of PBO has been climbing slowly and steadily with rental rates remaining stagnant but stable, with a monthly rental ranging from RM1.85 to RM6 per square foot inclusive of maintenance charges, depending on the floor level, location and building amenities.

Performance of Purpose Built Office



Note: Data for the full year of 2017 is based on estimation
Source: WTWY Research

Market demand for PBO in Kuching continue to lack the hype and excitement. Most are built to house growing government agencies and on a pre-let basis to certain corporate entities, which had helped to avoid any serious overhang situation. Based on the Kuching experience, PBO buildings could potentially be rewarding on recommendation that developers/investors ensure the spaces are either for their own occupation or combination of own use and pre-let to external parties.

Public sector office buildings yielded higher average occupancy rate of 92.1% as compared to 78.5% for the private sector office buildings. The addition of numerous office towers in mixed developments since 2015 which added 650,000 square feet of office space into the market has pulled down average occupancy rate of private offices from 90% to around 85% in 2017. Recent economic downturn attributed for slowdown in take-up rates.

With the increasing number of small and medium enterprises (SMEs), there may be an increased need for PBO spaces but on a smaller scale. There may also be room for green office buildings which adopt green building technology and green building materials. These features provide long-term savings in energy bills and maintenance cost. With enhanced mobility and ever improving information communication and technology, strategic locations outside of the CBD may be more logistically viable.

GLUT IN SHOP-OFFICE

More than 40% of the current supply of shop-offices in Sarawak is found in Kuching. 2016 saw a marked increase in completions for Sarawak with more than 50% built in Kuching. Incoming supply of commercial shop-offices as at 2Q 2017 in Kuching is estimated at 1,248 units of which more than 90% are currently under construction based on NAPIC's data. This substantial number coming into the market have resulted in a glut in the commercial shop-office sector and has affected sales and occupancies of new shop-offices.

In the midst of increasingly stiff competition from new shop-offices, the rentals have not only generally remained unchanged from a year ago, they even registered a drop for some asking rentals and tenancy renewals. Kuching recorded rental rates in the range of RM1 per square foot and RM3.50 per square foot, depending on location, size and floor levels.

Significant commercial developments completed in 2017 include 132 units of shop offices at SARADISE (formerly known as Moneta de Borneo) along Jalan Stutong, covering more than 200 acres and possibly, the lowest density project in Kuching. Once fully completed, the project will include a retail street arcade named SARADISE EDGE.

Another commercial shop-office project completed in 2017 was Canaan Square along Jalan Stutong Baru/New Airport Road, with 116 strata-titled commercial units housed in 3 blocks.

SOHOs are some newer offerings in the commercial market, examples of such developments are TT3 Plaza, Trinity Hub and LD Lagenda.

Newly completed LCDA and SEDC Office Towers at the Gateway, Kuching Isthmus
Source: WTWY Research

SARADISE @ Stutong
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION
ALOR SETAR: RISK OF INACTIVITY

Purpose-built office (PBO) in Alor Setar are predominantly occupied by government agencies. Moving into 2018, the market is on a potential downtrend due to transaction inactivity and less new supply. A handful of the existing PBOs are unoccupied as some government agency occupiers moved out. Due to the narrow demand source and the long lock-in lease to government agencies, rent for PBO is expected to stay stagnant. Stagnating rent combined with rising property expenses will squeeze the yield of PBO in Alor Setar. Owners of PBO will need to be more innovative and flexible when offering tenancy contracts to retain tenants. Tenant retention and sourcing for new tenant are challenges to this market, as local or smaller businesses prefer shop-offices. Since the existing office buildings in Alor Setar are old and poorly maintained, demand, if any, will be on newer buildings in prime locations that are equipped with good facilities and well-maintained.

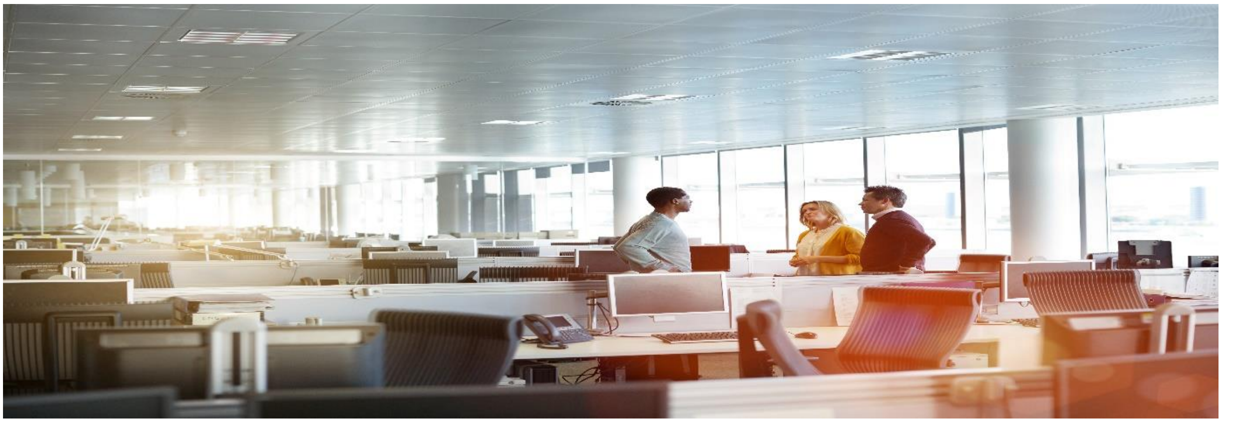
Prices of shop-offices in Alor Setar will stay unchanged despite marginally less transactions in 2017 compared to 2016. Rental likewise, will continue to be stagnant due to soft demand. No new launches noticed in 2017.

Occurrence of over-supply is unlikely. This should ease the downward pressure on price and rent of shop-offices in the market. All said, fragments of growth is possible as observed in 2017. Firstly, in terms of location, shop-offices located in major towns such as Alor Setar and Sungai Petani still yield encouraging capital appreciation. Secondly, 2- to 3-storey shop-offices recorded higher transacted prices, implying good market reception for this type of shop-office. Generally, the market preference for Alor Setar points towards shop-office over PBO – both average rent and average yield of the former have surpassed the latter.

IPOH: SELECTIVE PREFERENCE

The PBO market in Ipoh is in a quiet but stable mode with plenty of options still available amidst weaker preference for PBO. From a broad view, the performance of PBO sector in Ipoh shall be stable across different measurements such as transaction volume, transaction price, rent and yield. Factors that would distinguish the reception towards a PBO property however, are location, accessibility and availability of parking spaces. These criteria are in the considerations of both occupiers and owners of PBO.

Ipoh's shop-office sector will retain its stability in 2018 despite the incidence of location-specific supply imbalances. Fragments of growth is foreseeable in this market due to under-supply in specific niches, a major demand driver is tourism activity in Ipoh. Local businesses, financial institutions and small and medium enterprises (SMEs) are the ones who are usually seeking shop-offices in Ipoh. Similar to PBO, location, accessibility and availability of parking spaces are the primary determinants of the attractiveness of a shop-office property to occupiers and owners. The average rents and average yields for both PBO and shop-offices are actually on par with each other currently.



SOUTHERN REGION
SEREMBAN: UNDER-PERFORMING OFFICE SECTOR IN OVERALL

Seremban's PBO market displayed the same performance and outlook as Melaka's PBO market. While the existing units remain unimpressive, better performance may only be realised by new PBO buildings within Seremban town centre. An example would be the Seremban's landmark Menara MAINS which had received Certificate of Completion and Compliance (CCC) and was ready for occupation since March 2017. The hardship that the local PBO market currently encounters is not expected to fade in 2018. On one hand, the PBO market in Seremban holds narrow demand since government agencies are the only likely PBO occupiers. On the other hand, corporate occupiers are deploying cost-saving strategy by optimising their office space.

All said, the shop-offices sector in Seremban has not gained despite the sluggish PBO's performance. The shop-office market could be stagnant in 2018 caused by 'wait and see' behaviour among market players. Seremban is undergoing vigorous developments of new townships and there are also major infrastructure projects in the pipeline, both of which are in their early stages and still need time to take shape. Therefore, market players may still be in the process of assessing the market prospects in Seremban.

MELAKA: MORE FAVOURABLE FOR SHOP-OFFICES

There is limited supply of PBO in Melaka as the market is relatively small. Moving forward, the PBO sector will face increasing competition from the shop-office sector, as more shop-offices are emerging in new commercial areas in Melaka. Furthermore, office occupiers are seen to be downsizing their office space. Since average rent of PBO is about 80% higher than the average rent of shop-office, PBO in Melaka may soon experience hardship in attracting and retaining tenants.

The shop-office market in Melaka is likely to gain strength in tandem with economic growth as the shop-office sector in Melaka is retail-driven. Tourism activity is anticipated to boost shop-office properties situated in tourist hotspots or crowd gathering points around Melaka because these areas promise more business opportunities. More precisely, double-storey terraced shop-offices in Melaka Tengah worth between RM500,000 and RM700,000 were highly transacted in 2017 – this variant of shop-office unit shall continue to be well-received in the market.

BATU PAHAT: TENANTS' AND BUYERS' MARKET

The PBO market in Batu Pahat continues to be a rental market with only two existing PBO buildings, namely Wisma Sin Long and Wisma Chin Yong. The overall occupation rate was at an encouraging level of 70%, no compelling fluctuation expected in 2018. No new PBO developments observed in near future, existing PBOs located in the commercial hub should preserve its current performance.

Shop-offices in Baru Pahat is currently a buyers' market. Rent has decreased in 2017 compared to 2016 and 2015. The fact that new shop-offices are upcoming in Taman Desa Botani and River City Business Park – scheduled to be completed in late 2017 or early 2018 – will exert more downward pressure on rent. Shop-office units situated in housing estates are enjoying good take-up rates. On the flip side, newer units are experiencing slower take-up but improving gradually. Generally, one could expect shop-offices located in prime locations such as Taman Flora Utama, Taman Maju, Taman Setia Jaya and Taman Bukit Pasir will continue to have a good time.

EAST COAST
KOTA BHARU: MORE VIBRANT FOR SHOP-OFFICES

Financial institutions, corporate companies, insurance providers and government-linked entities will continue to dominate the PBO market in Kota Bharu. PBOs meet their requirements for image, standards and facilities and maintenance such as cleaning, air-conditioning, security and lift services.

Transacted prices in the shop-office market depicted an optimistic outlook on the value of shop-office properties albeit lower transaction volume. Most shop-offices were traded at the range of RM400,000 – RM1 million which can be considered as attractive for this property type. Occupancy and take-up rates may feel some pressure as new supply enters the market.

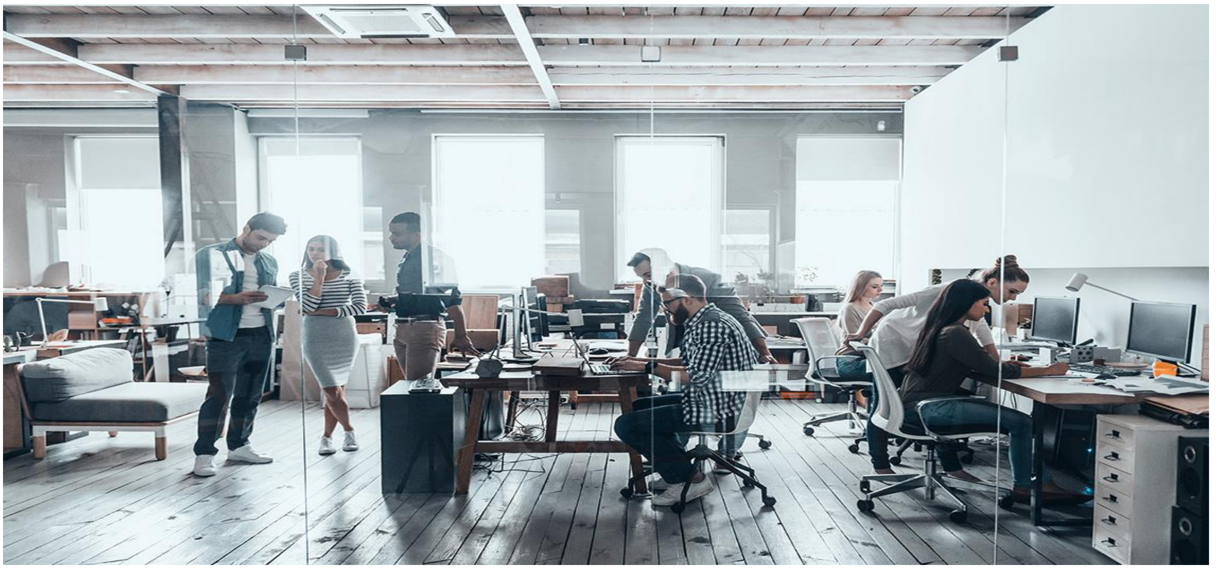
Nonetheless, shop-offices located in strategic locations such as Kota Bharu Water Front, Kota Bharu town centre and Bandar Baru Gua Musang Development will harvest the best of market demand. Transaction data reveals that 2- to 4.5-storey shop-offices valued between RM400,000 and RM1 million in these locations had impressive performance in 2017. These locations offer better business opportunities which could translate into longer tenancy and higher capital appreciation for owners. Occupancy and take-up rates were healthy for the ground floor and first to second floor units of shop-offices located in prime areas.

KUALA TERENGGANU: NEW CATALYST FOR SHOP-OFFICES

The growth of the PBO sector in Kuala Terengganu is restrained by a single source of demand - government agencies. There is ample supply of office space which limits the potential for rent hike. PBOs with less attractive offerings are frail as they risk being driven out of the market by those located in town centre with good facilities.

KUANTAN: PROSPECT IS ON SHOP-OFFICES

Only shop-offices in prime locations around Kuantan are expected to do well in 2018 as overall demand is lacking while over-supply is seen in the secondary market. Owners were more willing to offer discount on their selling price or rent of shop-office properties to counter the effects of market slowdown. Prices and rents are likely to continue on the downtrend or at best, stagnant in 2018 which would then pull down yield. Chain stores which rely on economies of scale, businesses that serve the needs of professional services companies, logistics companies, small and medium enterprises (SMEs) and eateries shall continue to be the primary sources of demand for shop-offices. From a long-term perspective, opportunities for the shop-office sector could revive after the completion of the East Coast Rail Link, the Malaysia-China Kuantan Industrial Park and once the activities in Gebeng Industrial Estate picked up momentum.



EAST MALAYSIA

SABAH
A SHOP-OFFICE MARKET

In Tawau, Lahad Datu, Sandakan and Labuan, the purpose-built office (PBO) sectors are insignificant. In most instances, there are only a handful of PBO buildings in these markets. Shop-offices are more popular as business activities in these cities have rich local-content and supported by local businesses. The shop-office markets for the above-mentioned cities displayed mixed results. The shop-office markets for Tawau and Sandakan are expected to remain moderately challenging as a result of soft economic environment. On the up-side, demand in these markets is still resilient, backed by a mixture of local small and medium enterprises (SMEs) and some larger corporations including off-shore businesses. Strategically located shop-offices would still command a premium amongst all available units in the market.

Slightly different from other markets, the outlook for the shop-office markets in Lahad Datu and Labuan are less optimistic. Labuan is on the receiving end of economic slowdown while over-supply of shop-offices in Lahad Datu amplified the damage to the market. As a result, occupancy rates and rents are under greater pressure for both markets as 2018 approaches.

SARAWAK
BINTULU: LACK OF NEW SOURCE OF DEMAND

PBOs in Bintulu are principally occupied by owners and no transaction was recorded in 2017. Therefore, the market should stay quiet in 2018. Over-supply situation coupled with weak market sentiments cast a challenge on the shop-office sector. Some clients are more prudent by staying out of this shop-office market for the time being. The current environment will probably suppress price and rent. Apart from that, tenant retention could be a difficulty since abundance of shop-offices gives the existing tenants the power to choose and bargain for lower rent. Interestingly, shop-offices located within matured or established commercial areas are preferred by buyers over new projects. Hence, the take-up rates of new projects from developers are relatively low as compared to sub-sales of shop-offices within a matured or established commercial area.

MIRI: PENDING MACRO RECOVERY

Since its local economy is heavily influenced by the oil and gas industry, Miri's commercial activity has been affected by the downturn in the oil and gas industry and in turn, its PBO and shop-office markets. Both markets are projected to be flattish in 2018, limited supply will not help to boost market activity while downsizing strategy and closing down by businesses will continue to scale-off demand.

SIBU: ADJUSTMENT ON OVER-SUPPLY

The experience of Sibu and Miri are alike. Inactivity and weak market sentiment cast shadows over its PBO and shop-office sectors. Nonetheless, 2018 should be a more optimistic year compared to 2017, over-supply in 2017 should ease, rent is likely to adjust upwards. Still, tenant retention may be an inevitable battle for owners. The shop-office sector may come out slightly ahead of the PBO sector as PBO tenants may opt for shop-offices which offer cheaper rent.

RETAIL SECTOR

KLANG VALLEY

Improved market sentiment in 1H 2017 gave hope to the Klang Valley retail sector despite the weak currency and increasing living cost. However, festive seasons and tourist arrivals helped to boost the retail sector.

SUSTAINED PROSPECTS

Retail sales grew 4.9% q-o-q in 2Q 2017, slowly picking up after implementation of Goods and Services Tax (GST) in 2015. The Consumer Sentiments Index by Malaysian Institute of Economic Research rose to 80.7 points in second quarter despite pressure from rising cost of living. Ranked twice at 3rd place in AT Kearny Global Retail Index, retail in Malaysia is proven to have sustained prospects, supported by tourist arrivals, higher disposable income and government investments.

In 2017, Cheras welcomed a new retail centre which is MyTown Shopping Centre annexed to IKEA, followed by openings of KL Gateway Retail Centre and Melawati Mall in Bangsar South and KL North neighbourhoods while Shaw Parade underwent an expansion. These added to the 57.70 million square feet of retail space in the Klang Valley and attained up to 80% occupancy upon opening through pre-leasing.

Kuala Lumpur remained stable at occupancy rate of 88.8%, whilst Outside Kuala Lumpur showed resilience in occupancy at 83.3%. The completion of MRT Sungai Buloh–Kajang Line has enhanced accessibility and is expected to attract footfalls to the malls located near MRT stations. Pre-leasing activity stayed active with most newly opened retail malls achieving 70% - 80% tenancy upon opening.

PROACTIVE TRANSFORMATION

While there have been downsizing and closing down by a few major retailers, other retailers such as Village Grocer, BEN Grocer and Uniqlo, are expanding. Moreover, some retailers have facelifted by setting up concept stores, like OPPO Premium Concept Store, Crocs Concept Store and Marks & Spencer Boutique Store.

Shop-house retailers are now opting to bring their brand into retail malls, examples are hardware stores like Mr DIY; restaurants such as Banquet Halls and Dynasty Dragon; and local sports departmental stores like Al-Ikhsan.

With the increased health awareness amongst Malaysians, gyms and sporting goods retailers including JD Sports and Sports Direct were seen aggressively opening stores around Klang Valley.

Up to 2018, there are 5 retail developments in the pipeline, amounting to 2.67 million square feet. Majority of the incoming retail centres are neighbourhood malls, whilst malls such as Tun Razak Exchange Lifestyle Quarter, Pavilion Bukit Jalil and the planned Bukit Bintang City Centre are regional malls.

MALLS AS SOCIAL PLACES

Rising operating costs and cautious consumer spending will bring about a challenging trading environment. However, retailers will strive for business sustainability and increased sales volume via various innovative marketing strategies such as Omni channel, click and collect, concept stores, tech-savvy advertisement and promotional campaigns. Physical stores remain important to provide experiential and real life interactions with customers.

Mall operators are innovating on tenants mix strategy, asset enhancement initiatives and place-making. One of those is the concept of retail-tainment whereby conventional outdoor leisure and entertainment activities are being incorporated into retail centres. Notable examples are Rocky Base Camp in AEON Shah Alam, District 21 in IOI City Mall and the upcoming Blastacars in Sungei Wang. Catering to strong demand, coffee shops and cafés are increasingly noticeable particularly in new malls, which facilitates place-making further. Aging malls in prime locations are also seen striving for a new modern look through refurbishments and mall repositioning, i.e. Lot 10 and Sungai Wang with refreshing tagline.

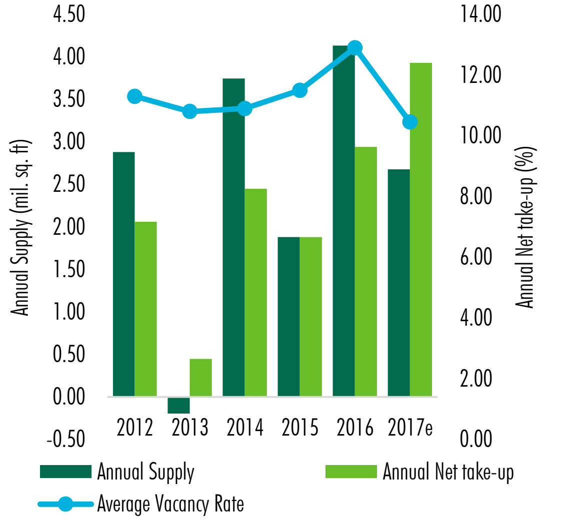
POSITIVE VIBE IN THE RETAIL MARKET

The retail market is expected to continue its modest recovery in 2018. Existing retail spaces in the Klang Valley will stay resilient in terms of occupancy and rental rates amidst the evolving retail landscape and challenging market conditions. The incoming supply of 5.8 million square feet will be more prudently managed by new developers/mall owners in order to be competitive with established malls.

Prime malls located at strategic locations are preferred by retailers as they attract crowds and are easily accessible. Rental and occupancy rates are expected to remain stable, led by prime malls and neighbourhood malls in close proximity to crowd gathering points and public transportation.

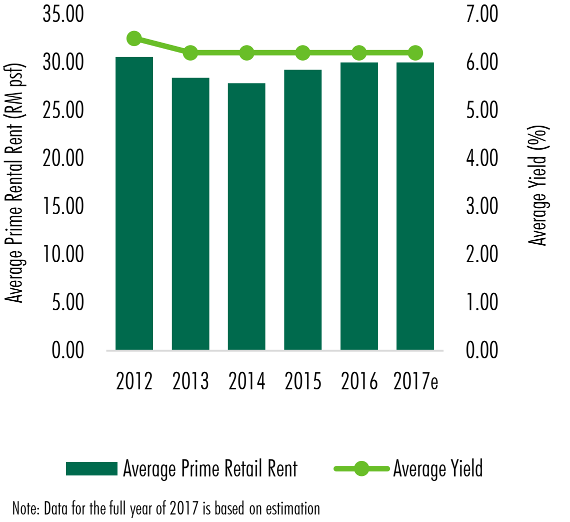
Against the backdrop of improving consumer and market sentiments, retail activities are expected to have good prospects arising from the growing tourism sector in light of recent relaxation of visa requirements and local currency depreciation. Persistent rankings in Global Retail Development serve as testament to Malaysia's retail scene that it will remain a bright spot internationally.

Annual Supply and Demand of Purpose Retail Space in Klang Valley



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

Average Prime Retail Rent and Yield



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

Selected Future Supply in 2017 - 2018

Development	Location	Est. NLA
Selayang Star City Mall	Outside Kuala Lumpur	156,000 sf
Eko Cheras Mall	Outside Kuala Lumpur	200,000 sf
Datum Jelatek	Kuala Lumpur	148,000 sf
Central Plaza @ i-City	Outside Kuala Lumpur	85,000 sf
Four Seasons Place	Kuala Lumpur	81,000 sf

Source: NAPIC, CBRE | WTW Research

PENANG

Eroded purchasing power will pose certain impact to the retail property sector. The mixed performance among complexes is expected to be more obvious in the future. Overall occupancy rate and average rentals are more likely to drop, drag down by older and underperforming complexes. Shoppers can look forward to an exciting shopping experience but competition among retailers and landlords would be keener. The growth of e-commerce have reshaped the shopping behavior of consumers, which will slowly but certainly become a norm in the next few years.

ERODED PURCHASING POWER WILL POSE CERTAIN IMPACT TO THE RETAIL PROPERTY SECTOR

The national inflation rate rose to a six-month high of 4.3% in September 2017, factored by the rise in transportation costs and prices of food and non-alcoholic beverages. Cost of living of Malaysians has been on the rise since the subsidies rationalization a few years back, together with the implementation of Goods and Services Tax (GST), weakening of the Ringgit and elevated fuel prices.

These have eroded the purchasing power of consumers. Household income has grown but at a slower pace. With cautious spending particularly on big ticket items, the revenue of retailers are affected. Subsequently, it may affect the ability of retailers to pay rentals, and pose certain impact to the retail property sector.

MIXED PERFORMANCE AMONG RETAIL COMPLEXES TO BE MORE OBVIOUS IN THE FUTURE

Mixed performance was observed for retail complexes in Penang. In general, single owner retail complexes have registered good occupancy rates and high rentals. These complexes include Gurney Plaza, Gurney Paragon and Queensbay Mall on Penang Island, and Sunway Carnival and Aeon Mall in Seberang Perai. New local as well as international brands continue to venture into these popular complexes. New entrants into the Penang retail market include Red Army Watches, Les Nereides, Aurora Italia, Doutor Coffee Japan and Original Cake.

On the other hand, occupancy rates and rentals have reduced for most of the stratified shopping complexes with multiple ownerships with poorer tenant mix. These complexes have been affected by the exit of tenants due to unsustainable business as shopper traffic dwindled.

The incoming retails complexes are better planned in terms of design and concept, for offering a pleasant and refreshing experience for shoppers. Hence, the mixed performance among retail complexes is expected to be more obvious in the future.

OVERALL OCCUPANCY RATE AND AVERAGE RENTAL LIKELY TO DROP

The overall occupancy rate for retail complexes in Penang state stood at 71% as at 1H 2017, 76% in Penang Island and 63% in Seberang Perai. Gross rentals of retail lots for the ground floor of selected prime retail complexes in Penang Island commanded higher rental rates than Seberang Perai, of up to RM45 per square foot per month.

The overall occupancy rate and average rental are likely to drop, dragged down by older and underperforming complexes.

EXCITING SHOPPING EXPERIENCE AWAITING SHOPPERS BUT KEENER COMPETITION AMONG RETAILERS AND LANDLORDS

Existing supply of retail as at 1H 2017 was 18.8 million square feet, with 59% located in Penang Island and the balance in Seberang Perai.

In 2017, Tesco Kepala Batas opened. City Mall at Tanjung Tokong and some retail space in Penang Sentral Terminal Hub Phase 1 are expected to be opened by early 2018.

A substantial increase of supply will be seen in the medium-term, following the announcements and constructions of a number of retail projects in Penang. The future supply of retail of approximately 8 million square feet of net lettable area comprises mostly retail complexes within integrated developments instead of stand-alone retail complexes.

Therefore, shoppers can look forward to an exciting shopping experience but competition among retailers and landlords will be keener.

CONSUMERS' SHOPPING PATTERN WILL CONTINUE TO EVOLVE WITH THE GROWTH OF E-COMMERCE

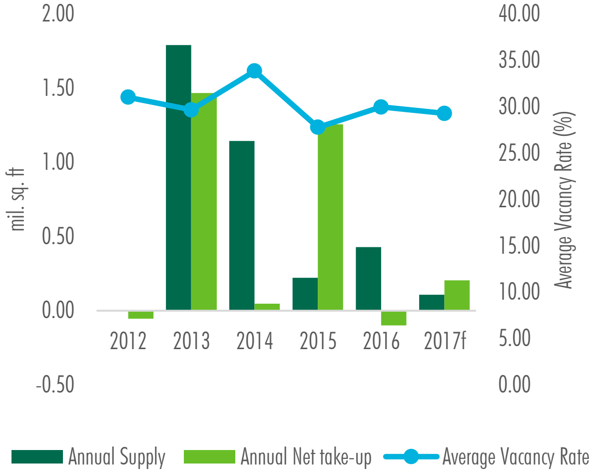
According to the Department of Statistics Malaysia, the contribution of e-commerce to the national economy has recorded growth from 4.6% (RM37.7 billion) in 2010 to 6.1% (RM74.6 billion) in 2016. The growth is expected to accelerate further with the widening of internet penetration to rural areas. A.T. Kearney 2017 Global Retail Development Index projected that the country's online retail market will grow 23% through 2021. Factors driving e-commerce growth, generally in the South-East Asia Region and particularly Malaysia, include high smart phone ownership, active use of social media, a relatively young population and slow growth of retail developments in rural areas.

Consumers' shopping pattern is also expected to evolve with the growth of e-commerce, which will become the norm in the next few years. The search and purchase of a product will not be confined solely to the physical store / retail unit.

To stay ahead of the fast-changing retail landscape, retailers and landlords need to adapt, whereby the boundaries between the physical and digital become increasingly blurred.

Providing value to shoppers will be essential for customers retention, as online marketplace enables convenient and almost instantaneous comparison of products and of products and services.

Supply and Demand of Retail Space



Source: NAPIC, CBRE | WTW Research

Notable Upcoming Purpose-Built Retail Centres in Penang

Project Name	Estimated Net Lettable Area (sq. ft)	Expected Year of Completion
Penang Island		
The Light Retail Mall	1,000,000	2025
Sunway Paya Terubong	1,000,000	2025
Retail Mall @ Penang World City	1,000,000	2024
Mall @ Southbay City	750,000	2020
City Mall @ Tanjong Tokong	300,000	2018
Penang Time Square Phase 3	230,000	2019
Retail Mall @ Sunshine Tower	N.A.	2020
Seberang Perai		
GEMS Megamall	1,200,000	2020
Ikano Shopping Centre @ Batu Kawan	1,000,000	2019
IKEA @ Batu Kawan	430,000	2018
Sunway Carnival Extension	500,000	2020
Retail Mall @ Penang Sentral	392,000	2020
Tesco @ Bagan Ajam	N.A.	2020

Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

Despite the weakening currency and uncertain economy, consumer sentiment in Iskandar Malaysia (IM) is anticipated to be relatively positive, supported by locals and foreigners, especially Singaporean patrons.

WELCOMING NEW MALLS

IM welcomed another 3 retail malls at the end of 2017. The grand opening of AEON Bandar Dato Onn (600,000 square feet) in September 2017 marked the group's sixth outlet in IM. Following that, the 503,000 square feet IKEA Tebrau, which is the largest in South-East Asia opened its doors to the public on 16 November 2017. Together with Paradigm Mall Johor Bahru (1.3 million square feet) opened for business on 28 November 2017, these 3 retail malls will contributed more than 2.4 million square feet of new retail space.

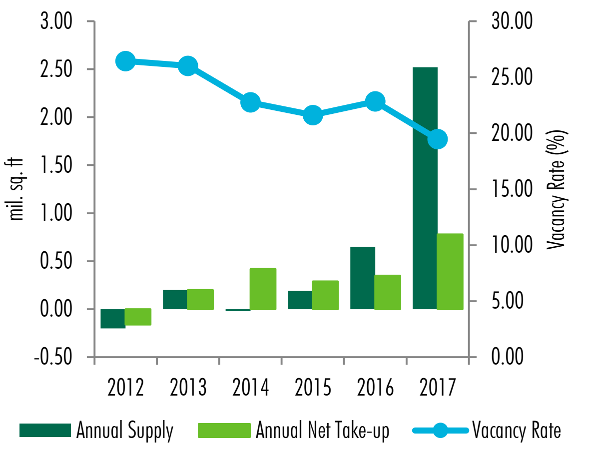
The total supply of retail space in IM stood at 14.72 million square feet in 2017 with the newly completed developments.

Another 6 retail developments with more than 5 million square feet of retail space will come on stream in the next 4 years.

STABLE RENTAL AND VACANCY RATE

The vacancy rate of retail space stayed stable at approximately 23% while the average rent dropped slightly to RM25 per square foot from RM27 per square foot in 2016 for malls in prime locations.

Supply and Demand of Purpose Retail Space



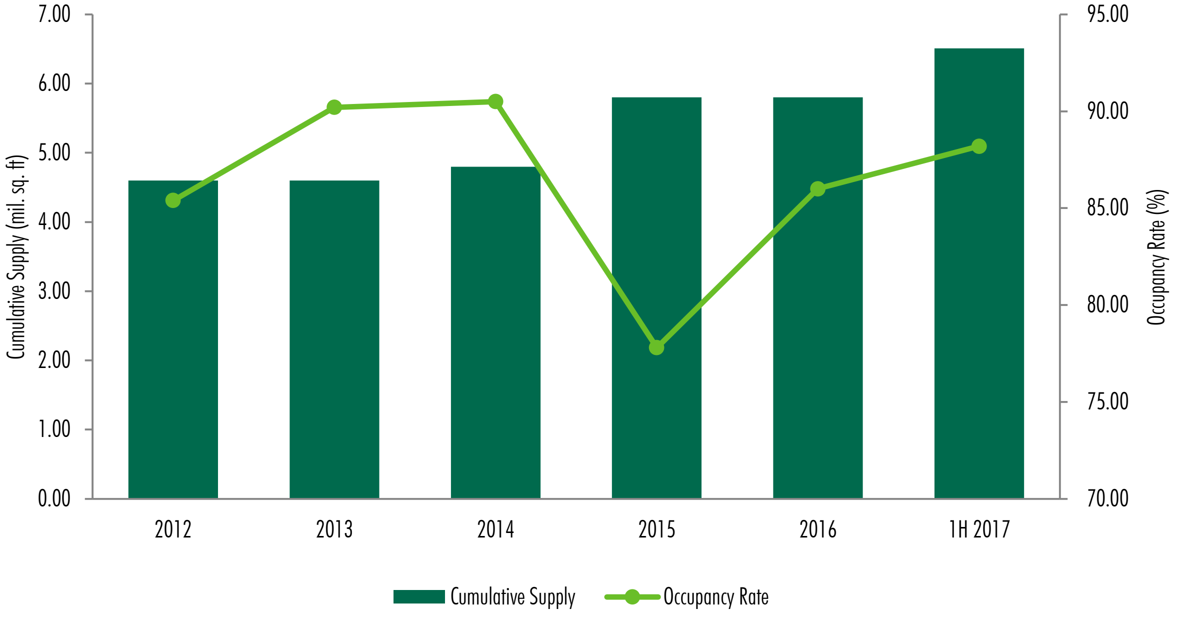
Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

Newly completed The Paradigm Mall, Johor Bahru
Source: www.theiskandarian.com

KOTA KINABALU

The market welcomed new mall entrants in 2017. Take-up of new retail space appeared to lag behind supply. Well-managed and strategically located retail malls continue to attract and retain shopper volume and occupancy rate.

Supply and Demand of Retail Space



Source: NAPIC, WTWS Research

MODERATE ACTIVITY

Secondary market transaction volume for the retail sector continued on a flattish trend from 2016. Total value of transactions in 2017 was however, boosted by RM10.83 million with the transfer of a 3,938 square feet prime retail lot in Centre Point Sabah at RM2,750 per square foot.

2017 saw the completion of 3 new malls, namely Grand Merdeka Mall in Manggatal, ITCC Mall in Donggongon and the boutique Jesselton Mall in Kota Kinabalu city centre, adding 709,000 square feet of retail space into the market, an increase of 12% from 2016. However, take-up of new retail space appeared to lag behind supply.

Well-managed and strategically located retail malls continue to attract good footfall and sustain their occupancy and rental rates as progressive mall management strive to modernise and sustain shopper interest with activities, promotions and festival celebrations.

Occupancy rates for some of the newer malls with single owners are seeing a pick-up from 2016, albeit at a gradual pace at the expense of larger malls unable to maintain steady shopper traffic proportionate to their size. Competitive rental rates and / or rent-free periods are also being offered to attract tenancies for some of these newer malls

KUCHING

After the rapid growth experienced by the retail sector during the last 5 years whereby retail space more than doubled in Kuching, 2017 was a quiet year in terms of retail expansion with no new completions.

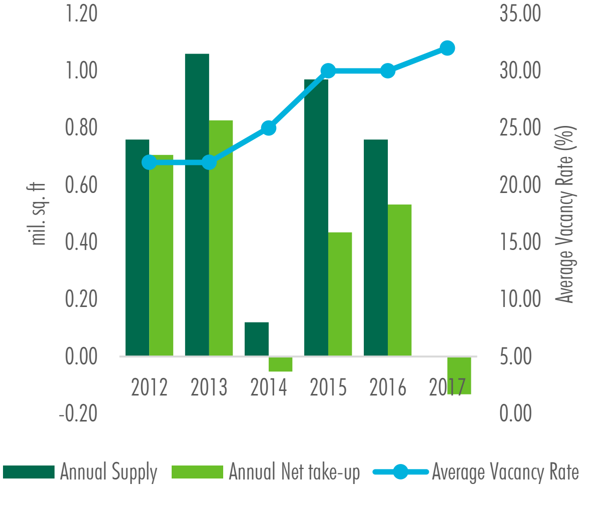
FALLING OCCUPANCIES

Retail supply which has reached a new high of 6.6 million square feet by end of 2016, is currently facing an oversupply situation with shopping complexes vying for tenants. 2017 witnessed more shops moving out, changing location or downsizing. The next year will see another significant increase of retail space upon the completion of AEON Mall at Central Park which will add another 1 million square feet of retail space into Kuching's market.

The retail sector is bearish with the anticipation of increasing vacant retail units, the average retail rent is expected to reduce further whilst retail property prices are also expected to decrease or stagnate, at best.

The average occupancy rate is forecasted to drop further to around 65%. The prospect of retail spaces recovering in the next few years remains to be seen.

Supply and Demand of Retail Space



Note: Data for the full year of 2017 is based on estimation
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION

ALOR SETAR: LED BY HYPERMARKETS

The hypermarket is seen to be the emerging concept in Alor Setar, the current major source of demand of retail space in the local market. Hypermarkets have been receiving good response and acceptance by the locals as it enhances the shopping experience and is able to sell products at consistent pricing compared to the traditional wet market or grocery store. Such a shift also creates more business opportunities to retailers to benefit from increased shopper traffic and concentration made possible by opening of hypermarkets. In view of this, the rent for retail space close to hypermarkets is expected to rise. However, overall rent and occupancy rates could still fall in 2018 due to weaker demand, which will in turn discourage investment activities on retail space.

IPOH: WAITING TO BENEFIT FROM RETAIL ACTIVITY EXPANSION

Ipoh's retail sector is expecting an expansion in future while short-term forecast of the retail property market points towards 'stable'. The tell-tale signs are the influx of new supply of retail space and big brands into Ipoh, partly catalysed by the rising popularity of Ipoh as a tourism destination. All said, it will take time before retail properties can enjoy the fruits of retail business expansion. The challenge for owners from now to then would be tenant retention. Availability of retail options at the moment and new supply would create competition for owners. Responding to this, owners in Ipoh market are will to compromise on rentals to secure tenancy. Hence, rent and subsequently, yield and capital appreciation are more likely to remain at their current levels for 2018 and beyond.

SOUTHERN REGION

SEREMBAN: IN OBSERVATORY MODE

Not much activity is taking place in Seremban, the retail market softened in 2017 but improvement shall take its course in 2018 on the account of better economic prospects. The headline projects around Seremban are AEON shopping complex with a total lettable area of 1.2 million square feet to be completed by 2018 and MasaMall in Nilai.

MELAKA: BUFFER FROM TOURISM

Gradual recovery and persistent tourism activity could possibly be catapults for Melaka's retail market to regain traction in 2018 from a slowdown in 2017. Transaction and rents are expected to improve as new malls enter the retail market. Despite the glut in the retail property market in 2016, consumption in the retail sector actually remained steady and healthy in 2017. This could be attributed to the significant share that tourism activity holds in Melaka's economy which helped to cushion the decline in domestic consumer demand. In line with general consensus, retail space set up in prime locations, tourist hotspots and crowd gathering points shall continue to be the front-runner in coming years.

BATU PAHAT: NO VARIATION EXPECTED

Currently, there remains only three commercial complexes in operation in Batu Pahat, namely The Summit, Square One Shopping Mall and Batu Pahat Mall. No new retail complex is expected to be built in the near future. Therefore, transaction activity and price changes are insignificant to negligible in this market. Rent is expected to remain unchanged since occupancy rates in these complexes have always been satisfactory. The potential drawback could be that consumption by local shoppers has declined since the implementation of Goods and Services Tax (GST), consumption is slowly picking up again but still stays below pre-GST level.

EAST COAST
KOTA BHARU: DIVERSITY IS KEY

In 2018, Kota Bharu anticipates a slight growth in the retail market as 2017 witnessed new additions of shopping malls:

- Giant Hypermarket - a 2-storey retail mall in Bandar Baru Tunjong which offers 200,000 square feet of net lettable area
- Platinum Wholesale City Mall in Lembah Sireh - an 8-storey wholesale retail mall comprising 442 units of retail lots with a combined net lettable area of 369,444 square feet, expected launch at the end of 2017
- AEON Mall

Since the local retail sector is dominated by a handful of malls, the market can be considered as oligopolistic-competitive whereby shopping experience is the utmost differentiation factor. Ability to host a diversity of retailers, popular brands and comprehensive product and service offerings will remain as the main criteria to capture shoppers.

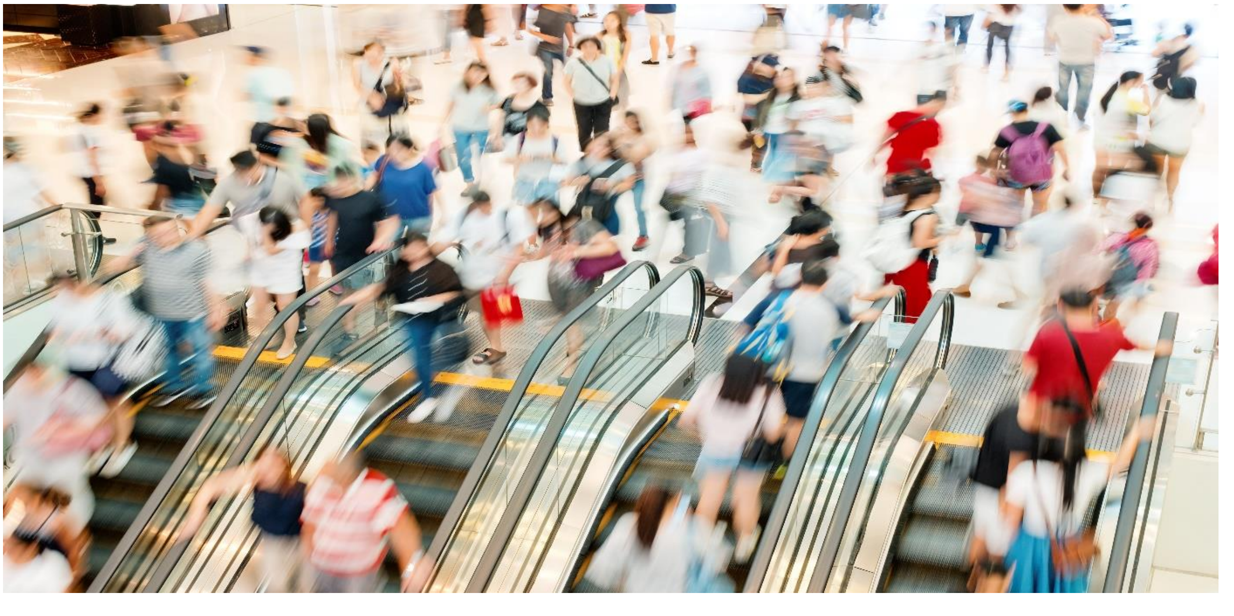
KUALA TERENGGANU: STABLE AND STEADY

For the case of Kuala Terengganu, no new supply is foreseeable in the near future. The existing retail spaces are predominantly taken up by hypermarkets such as Mydin Hypermarket and Giant Hypermarket. Looking further ahead, the local retail market may witness more significant expansion led by the completion Mayang Mall in 2020 and other mall developments in the town centre. From now till then, investment portfolio of retail properties in Kuala Terengganu may not be tremendously alluring nonetheless, remain stable.

KUANTAN: ATTRACTIVE TO NEWCOMERS

The retail market in Kuantan should observe increasing tenant movements in 2018. On one hand, more brands which previously do not have their presence in Kuantan are entering the local retail market. The retail activity in Kuantan which has been traditionally locally-supported is also extending its reach to rural and cross-state shoppers. On the other hand, a pattern is appearing whereby businesses in Kuantan now have a higher tendency to relocate/expand from shop-houses to malls.

Recognising the opportunity to capture a new source of tenants and more active movement in the market, rent is likely to be adjusted and be more responsive in 2018 as owners strategise to increase the attractiveness of their leases. While competition for tenancy may rise, it is unlikely that rent will go down greatly as supply and demand in the market remains balanced. The aggregated vacancy rate of between 15% and 30% in Kuantan's retail space suggests that supply is still adequate and not excessive. The current balanced market situation portrays a positive outlook on the retail sector in Kuantan for 2018, long-term prospect is equally promising.



EAST MALAYSIA

SABAH
UNIMPRESSIVE YET

The retail market in Tawau is likely to stay subdued in 2018. Occupancy rates and rents are anticipated to moderate by virtue of dampened demand and excess mall capacity. That said, retail lots on the ground floor of retail malls and commercial centres should edge ahead of others.

If the palm oil price persists on its recovery as it has been in the last 1.5 years, positive movements may start to be seen in Lahad Datu's retail market. Recently, businesses are opting for cost-saving which in turn, reduced the activity. As of present, there was only 1 shopping complex in Labuan, therefore, market activity on its retail market is limited.

SARAWAK
ACTIVITY ONGOING IN SOFT MARKET

In Sarawak, the retail markets for Bintulu, Miri and Sibu have been quiet but stable in 2017 with little to no transactions recorded in the respective markets. Competition in Bintulu's retail market is expected to intensify in 2018 due to new entrants such as Paragon Street Mall, Crown Pacific Mall and The Spring Mall. For the case of Miri, downturn in the oil and gas industry has also weakened market sentiment and dragged down retail business activities and subsequently, retail properties.

Meanwhile, the retail market in Sibu currently stays balanced whereby supply matches demand. Location will continue to play a decisive role for both tenants and investors when choosing their setup. As exemplified by Tanjung Batu in Bintulu which is advantaged by its accessibility to all parts of Bintulu, retail spaces established in prime locations should enjoy the warmest welcome from businesses and shoppers. Tenants mix is another factor that could dictate a mall's performance.

HOTEL SECTOR

KLANG VALLEY

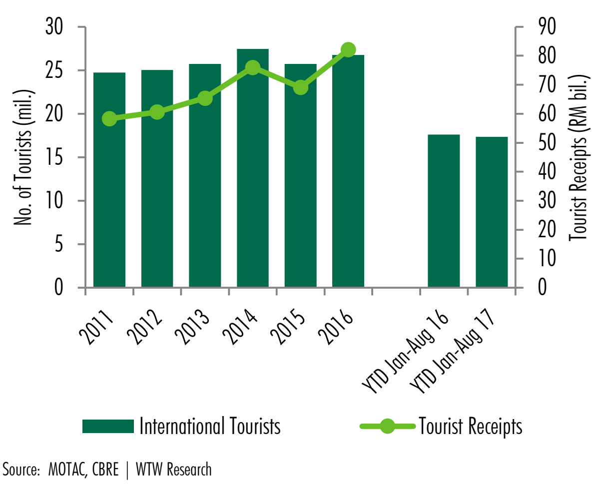
Shadowed by peak performance in 2016, tourism activity slowed down in 2017. All said, hotels were rather resilient. New hotels are still entering the market. Meanwhile, the Budget 2018 unveiled numerous incentives and projects that would support tourism for the country. Overall, there are still plenty to look forward to in tourism and hotel sector.

HOTEL PERFORMANCE STRENGTHENED AMIDST LESSER ARRIVALS

Tourist arrivals between January and August 2017 declined by 1.5% as compared to the same period in 2016. The Ministry of Tourism and Culture (MOTAC) has targeted 31 million tourist arrivals and RM114 billion tourist expenditure for 2017. While 2016 marked significant improvement of both arrivals and expenditure, attributed to favourable exchange rate and improved flight coverage, 2017 likely to fall short of the MOTAC's target.

As of August 2017, although tourist arrivals has dropped by 6.7% y-o-y, hotel performance improved immensely. The main sources of tourists are Singapore, Indonesia, China, Thailand and Brunei. Meanwhile, countries recording significant growth in tourist arrivals are Brunei (34.1%), Vietnam (17.7%), China (8.3%). E-visa extension to 10 countries including China, Myanmar, India, Sri Lanka, Nepal, Bangladesh, Pakistan, Bhutan, Serbia and Montenegro produced mixed responses thus far.

International Tourist Arrival (mil)



Source: MOTAC, CBRE | WTW Research

Domestic tourism in 2016 fared well with large increase of excursionists as total domestic expenditure rose by RM6.93 billion to RM74.7 billion in 2016. Domestic tourism shall remain strong for the whole of 2017 in view of cheaper Ringgit and improved infrastructure.

DEMONSTRATING RESILIENCE

The average occupancy rate (AOR) in Klang Valley for January to September 2017 period increased by 5% y-o-y. Average room rate (ARR) was lower with more hotels offering competitive rates. In Kuala Lumpur, AOR-ADR between January and August 2017 improved annually by 5% and 2% respectively. Whilst in Outside Kuala Lumpur, ARR dropped albeit 5% growth in AOR.

The impact of Airbnb on hotel performance can be considered as minimal thus far, the challenge is more directed towards 3-star hotels. Hotels still have the upper hand with better location/accessibility, amenities and links with tour groups/agencies. In terms of location, Airbnb tends to be more scattered in residential areas dominated by serviced residence.

As at 3Q 2017, the cumulative supply in Klang Valley stood at 54,150 rooms from 187 hotels (70% from Kuala Lumpur; 30% located Outside Kuala Lumpur). With 7 completions in first 3 quarters and expected completion of another 396 rooms by 2 hotels, it brings to a total 9 hotels, 2,010 rooms in 2017. Despite the annual room supply is is 30% lesser as compared to 2016, it is estimated that the annual room supply for 2018 will be four times of 2017's.

BETTER DAYS AHEAD

While 2017 has shown considerably large improvement in hotel demand, room rates shall remain at competitive level. It is expected that hotel performance in 2018 will remain resilient, following an event-packed 2017 which created much publicity and various international promotional activities led by the government agencies.

Also, Tourism Tax charged on foreign visitors at a flat rate of RM10 per room per night for all hotels (including budget hotels) took effect from 1st September 2017. This may discourage long stay by foreign tourists. The aggregated outcomes remain to be observed.

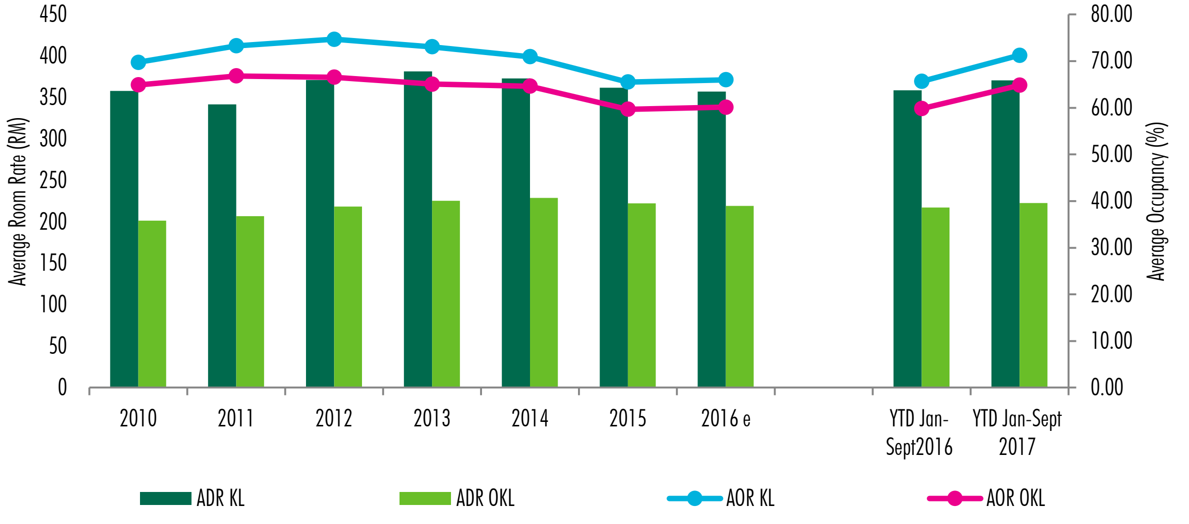
Budget 2018 allocated RM2 billion to provide loan for operators, tourism infrastructure development fund, medical tourism expansion, as well as extending the e-visa. In addition, a series of airport-associated projects was proposed. Therefore, in 2018, the country shall look forward to receiving more tourist arrivals and further establishing its position as one of the most preferred travel destinations in Southeast Asia.

Notable Future Supply

Year of Completion	Name of Hotel	No. of Rooms
2018	Alila Bangsar @ The Establishment	2,136
	Autograph Collection @ Empire City	
	Banyan Tree Signature Pavilion KL	
	Four Seasons Place KL	
	Hotel Equatorial (Redevelopment)	
	Marriot @ Empire City	
	Ritz Carlton @ Empire City	
	Royale Pavilion by Banyan Tree	
2020	PNB Hotel	1,082
	Warisan 118	
	VIIA Hotel	

Source: CBRE | WTW Research

Average Occupancy Rate (AOR) and Average Room Rate (ARR) in KL and Outside KL



Source: CBRE | WTW Research

PENANG

The healthy tourism industry and the growing medical tourism sector in Penang would continue to support the hotel sector. Nevertheless, occupancy rates and room rates are projected to moderate due to the significant number of hotel rooms being developed and planned. There will be more international hotel brands entering into the market. Competition is also anticipated from 'shop-house boutique hotels' and Online Marketplace and Hospitality Services Providers.

SUPPORT FROM A HEALTHY TOURISM INDUSTRY

Penang continued to receive numerous accolades in 2017. CNN listed Penang as the 2nd 'Best Place to Visit in The World' in 2017, ensued by TIME Magazine's nomination of Penang as one of 'The Most Budget-friendly Asian Destinations'. Moreover, Traveller (an Australian website) ranked the popular promenade of Gurney Drive in Georgetown at 13th out of the '25 Best Streets to be Visited By Tourists Before One Dies'. The culinary cuisine in Penang has also earned international recognition with two of its local food earning spots in World Street Food Congress 2017. Such accolades will further strengthen the reputation of Penang as an international tourist destination.

More cruises such as Diamond Princess, Majestic Princess, Mariner of the Seas, and AIDABella, have berthed at Penang Swettenham Pier, bringing in a higher number of international tourists. Additional international tourists, particularly from the Middle East, could be expected from the new Penang-Doha direct flights by Qatar Airways. With the first flight scheduled in February 2018, and its frequency of three times a week. International tourist arrivals to Penang is anticipated to grow further, also boosted by a number of announcements under the Budget 2018. Year 2020 will be declared as 'Visit Malaysia Year' while Penang International Airport will be upgraded to cater for more passengers. Domestic and international tourists can also enjoy an added attraction - Escape Waterplay, a newly opened water theme park in Teluk Bahang.

In view of these, the hotel sector will continue to be supported by a healthy tourism industry.

GROWING MEDICAL TOURISM SECTOR AUGERS WELL FOR THE HOSPITALITY INDUSTRY

Medical tourism in Penang recorded a growth of nearly 15% in medical tourists, from 302,000 in 2015 to 347,000 in 2016. The corresponding increase in revenue was approximately 17%. The state government has been actively promoting medical tourism in recent years, with the setting up of the Penang Centre of Medical Tourism (PMED) in 2015. Penang is also listed as a top destination for medical tourism in 2017 by International Living magazine. Hence, Penang is increasingly being well-recognised as a medical tourism destination.

Furthermore, under Budget 2018, the health tourism industry will be strengthened as one of the country's sources of income. Incentives proposed include promoting Malaysia as the Asian Hub for fertility treatment and cardiology, incentives to private hospitals through the Flagship Medical Tourism Hospital Programme, as well as other tax incentives.

Responding to the heightened demand from increasing medical tourists, developers have planned for hospital/ medical centres integrated with hotels. Currently, such integrated developments planned in Georgetown include Island Medical City (Peel Avenue), Kuala Lumpur International Dental Centre (KLIDC) Mixed Development (Jalan Zainal Abidin/Lorong Selamat) and Capri by Fraser (Jalan Magazine).

Therefore, the growing medical tourism sector should auger well for the Penang hospitality industry.

OCCUPANCY RATES AND ROOM RATES ARE PROJECTED TO BE MODERATED BY THE SIGNIFICANT NUMBER OF HOTEL ROOMS BEING DEVELOPED AND PLANNED

Average occupancy rate for hotels in Penang remained stable in 2017, ranging between 60% and 70%. Looking at 2018 and beyond, the performance of hotels in Penang is projected to moderate due to the significant number of hotel rooms being developed and planned.

MORE INTERNATIONAL HOTEL BRANDS WILL BE ENTERING INTO THE MARKET

The years ahead will see more international hotel brands established in Penang. These international hotel brands include DoubleTree (Hilton), Courtyard by Marriot, J.W. Marriot, Angsana (Banyan Tree), Capri by Fraser and Holiday Inn & Suites.

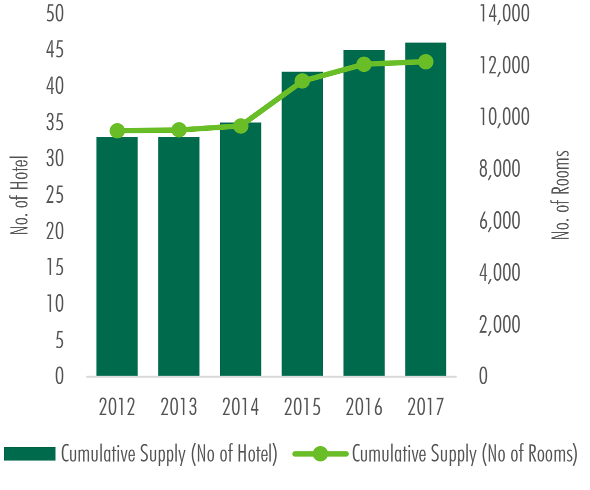
COMPETITION FROM "SHOPHOUSE BOUTIQUE HOTELS" AND ONLINE MARKETPLACE AND HOSPITALITY SERVICES PROVIDERS

In the inner city of Georgetown, the prevailing development trend is 'shop-house boutique hotels', operating mostly in refurbished pre-war shop-houses. There is also Online Marketplace and Hospitality Services Providers such as Airbnb which offers accommodations predominantly in serviced residences, SOHOs, etc.

Such offerings would appeal to the younger millennial travelers who are no longer contented with the conventional cookie-cutter travel experiences. They are more inclined to seek for custom-tailored experiences within a relatively affordable budget. Traveling families who prefer larger accommodation to fit all members would also be considering rental of serviced apartments.

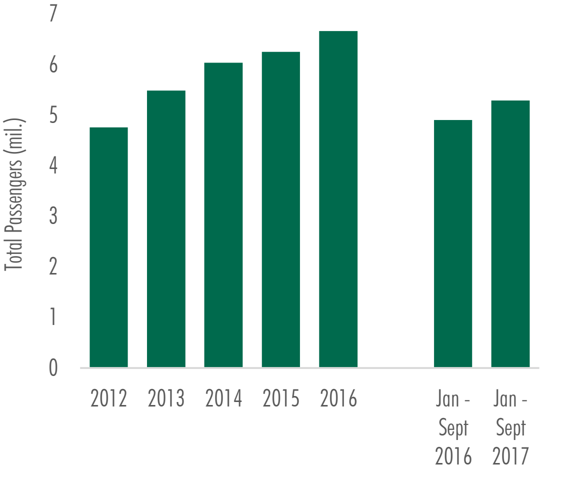
As such offerings are increasingly popular in the market, purpose-built hotels will face further competition for room guests.

Total Supply of Hotels in Penang



Source: CBRE | WTW Research

Total Passengers Handled by Penang International Airport (2012 – Jan to Sept 2017)



Source: MAHB, CBRE | WTW Research

HOTEL-RELATED TRANSACTIONS IN 2017

In April 2017, Meda Inc has proposed to sell the 15-year old, 168-room Summit Hotel Bukit Mertajam to Teraju Menang Sdn Bhd, for a consideration of RM20 million (inclusive of GST).

In June 2017, Eastern & Oriental Bhd (E&O) proposed to dispose its 100% stake in E&O Express Sdn Bhd, which owns and operates the 90-room Lone Pine Hotel in Batu Ferringhi, to Langkawi Saga Shopping Centre Sdn Bhd at a consideration of RM85 million.

Upcoming Major Hotel Developments in Penang

Projects Name	Total Rooms	Expected Opening
Penang Island		
Jazz Hotel	259	2018
The Quay along Church Street Ghaut	162	2018
Courtyard by Marriott @ Tropicana 218 Macalister	211	2018
DoubleTree Resort Penang	318	2018
The Rice Miller & Godown	46	2018 / 2019
Proposed Hotel @ Setia SPICE	453	2019
OZO Hotel along Jalan Agryll	132	2019
Angsana Teluk Bahang	102	2019
Capri by Fraser Penang @ Jalan Magazine	255	2019 / 2020
The Grace at Jalan Sultan Ahmad Shah	373	2020
KLIDC	210	2020 / 2021
Proposed Hotel along Jalan Sultan Ahmad Shah	251	2021 / 2022
JW Marriott at Persiaran Gurney	313	2021 / 2022
Proposed Hotel @ Sunshine Tower	320	2021 / 2022
Island Medical City	440	2021 / 2022
Seberang Perai		
Holiday Inn & Suites	288	2020
GEM Hotel	336	2020
Proposed 4 to 5 star hotel along Jalan Bagan Luar, Butterworth	364	2021
Proposed Hotel @ Penang Sentral	372	2021

Source: CBRE | WTW Research

ISKANDAR MALAYSIA

The hotel market in Iskandar Malaysia (IM) is expected to be healthy. In view of the bright tourism prospects, several mega integrated property and infrastructure developments which are being marketed and promoted internationally has drawn global interest to IM.

INTEGRATED PROPERTY AND INFRASTRUCTURE DEVELOPMENTS BOOSTERS FOR TOURISM

The hotel market in IM is expected to be healthy, supported by local as well as foreign tourists, encouraged by the depreciating Ringgit. Johor is now ranked as 1st destination for domestic tourists with 7.4 million local tourists visiting Johor in 2016, compared to 6 million reported in 2015.

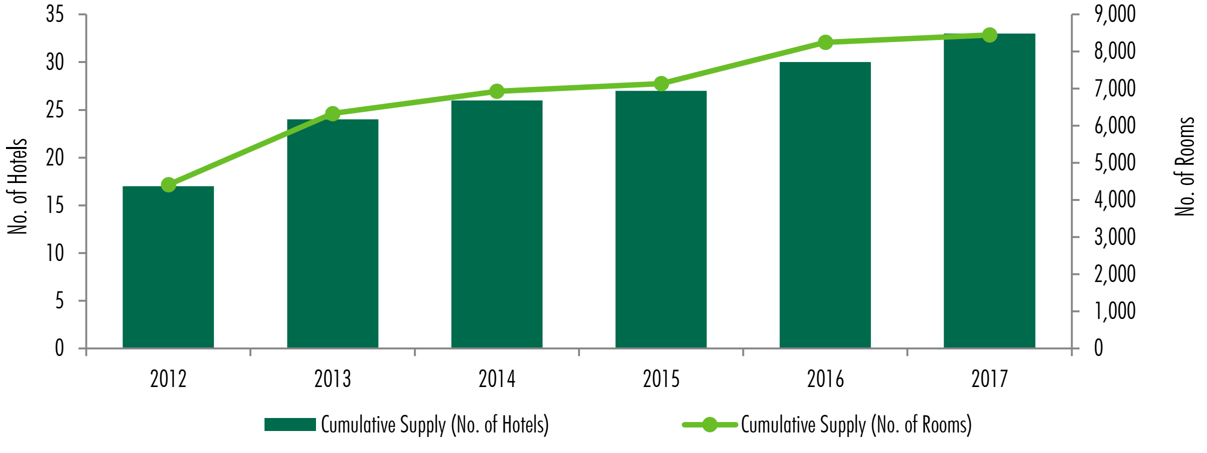
2 new hotels opened in IM in December 2016 and early 2017 respectively, pushing up the total 3- to 5-star hotels to 33. The two new hotels, namely Phoenix Hotel in Forest City and Amari Hotel in Johor Bahru city centre, added 200 and 283 rooms to the market respectively to a total of 8,451 hotel rooms.

Upcoming hotel developments in IM include Forest City Golf Hotel in Forest City, Capri by Fraser Hotel in Johor Bahru city centre and Meridin Hotel Suites in Medini with a total of 1,309 rooms to be ready by 2018. Another two hotels, Melia Iskandar Malaysia and Innside Iskandar Malaysia with 450 and 350 rooms respectively are targeted to come on stream in the next 2 years.

InterContinental Group (IHG) has signed a management agreement with SKS Hotel Residences and Resorts Sdn Bhd to debut a 318-room Holiday Inn Johor Bahru City Centre which is targeted to welcome its doors in 2020.

Tourism growth is spurred by mega projects and proposed catalytic developments such as the Rail Transit System (RTS) linking Johor Bahru with Singapore and the High Speed Rail (HSR) from Bandar Malaysia to Singapore. There will be ample tourism-related business opportunities brought about by the HSR and RTS projects which could potentially increase the demand for hotels and subsequently, boost the occupancy rates.

Total Supply of Hotel



Note: Data for the full year of 2017 is based on estimation
Source: CBRE | WTW Research

KOTA KINABALU

Overall, the more vibrant tourism sector and increased visitor arrivals have benefitted tourism-related sectors and the hotel sector with improved occupancy.

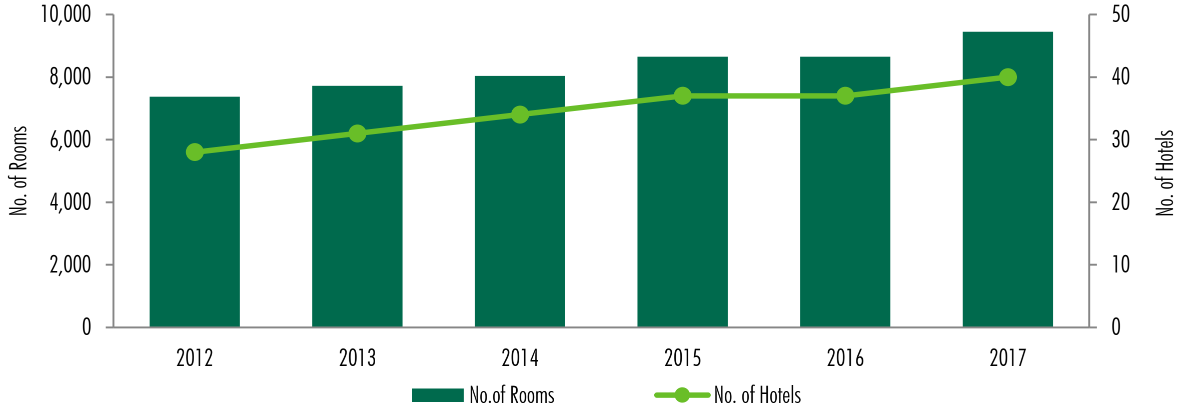
INCREASED VISITOR ARRIVALS

The period between January and October 2017 saw the arrival of some 3.016 million visitors to Sabah, an increase of about 9.50% y-o-y. Arrivals from China totaled to 363,977, forming the biggest segment of international arrivals at 36%, followed by South Korea with 249,101 arrivals at 25%. Arrivals from China and South Korea recorded increases of 16% and 56.3% y-o-y, respectively, accelerated by the increased frequency of direct international flights. Overall, the more vibrant tourism sector and increased visitor arrivals have benefitted tourism-associated sectors and the accommodation sector with reportedly improved occupancy. On the flip side, this has also seen the emergence of Airbnb which tends to offer competitive alternative accommodation.

The 2 hotels completed in 2017 include Hilton Kota Kinabalu (305 rooms) and Mercure Kota Kinabalu (310 rooms) in Kota Kinabalu city centre. These new additions brought total supply of 3- to 5-star hotels in Kota Kinabalu (and major 5-star resorts in Tuaran) to 39. This translates into 9,269 rooms.

Several other branded 3- to 5-star hotels are in various stages of planning and construction. Ibis Styles (184 rooms) in Inanam is expected to be opened in January 2018 whilst Marriott @ Kota Kinabalu City Waterfront (365 rooms) is slated for completion in 2018. Other hotels anticipated to operate within the next few years include Hotel Crowne Plaza Kota Kinabalu Waterfront (367 rooms), Hotel Holiday Inn (250 rooms), Citadines Waterfront Kota Kinabalu (222 serviced apartments). Outside of Kota Kinabalu city centre, Hotel Jen (440 rooms) within the ongoing Pacificity mixed development in Likas Bay has been proposed.

Total Supply of Hotel



Note: Data for the full year of 2017 is based on estimation
Source: WTWS Research

KUCHING

Kuching continued to see a moderate growth in the hotel sector in 2017. Compared to 2016, tourist arrivals for Sarawak in 2017 have increased and are expected to hit 5 million by the end of 2017.

MUCH TO LOOK FORWARD TO

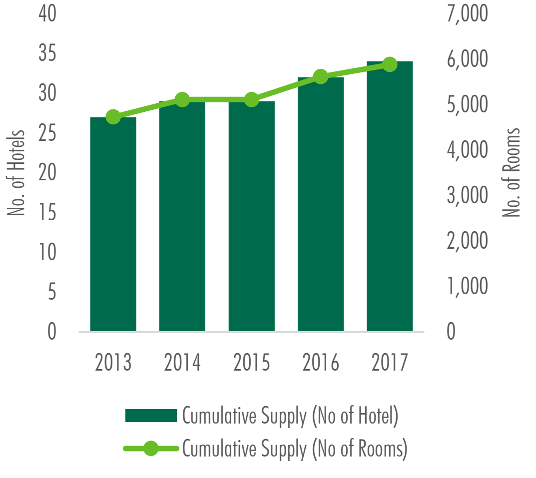
Kuching continued to see moderate growth in the hotel sector in 2017, with 2 hotels completed for the year, namely the UCSI Hotel and Meritin Hotel.

The UCSI Hotel at the Kuching Isthmus which also serves as the training facility for UCSI's Sarawak Campus Hotel and Management faculty, commenced its operation in mid-2017. Located near the Borneo Convention Centre Kuching and standing at 16 storeys high, the 4-star hotel offers 209 rooms with room rates starting from RM200.00 per night.

The 3-star Meritin Hotel is a reconstruction of old shop-houses in Kuching's China Town area along Jalan Padungan, with 56 rooms.

Another 2 hotels will come on board by 2018, namely the 9-storey Tabung Haji Hotel located opposite the Kuching International Airport, a halal certified hotel with conference and office facilities; and the Riverside Majestic Premier Wing which has yet to be fully completed.

Supply of Hotels



Note: Data for the full year of 2017 is based on estimation
Source: WTWY Research

The addition of new hotels coupled with travellers being more budget conscious have affected the occupancy rates, especially 4- and 5-star hotels in the city, with some resorting to lower room rates to boost occupancy.

However, compared to 2016, tourist arrivals for Sarawak in 2017 have increased and are expected to hit 5 million by the end of 2017. As tourism is a big revenue earner for the state, there is increased effort to create more tourism buzz and tourist offerings in Sarawak. Kuching as the state's capital has benefitted greatly from the State's tourism growth.

Tourism in Kuching shows tremendous potential with various events held throughout the year and these have been gaining popularity amongst locals and tourists alike. Events spotlighted include the world renowned Rainforest World Music Festival (RWMF), Kuching Food Festival, Mooncake Festival that promotes intercultural unity and diversity, and most recently, the What About Kuching (WAK) festival.

UCSI Hotel at the Kuching Isthmus
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION
ALOR SETAR: TO REMAIN AS IT IS

Tourism in Kedah – both domestic and international - has long concentrated on Langkawi Island. A unique advantage that Langkawi possesses is its international airport, enabling direct access. Apart from that, Langkawi is a shopping paradise as a duty-free zone. Tourism events such as the Royal Langkawi International Regatta, Ironman Langkawi and Langkawi International Maritime & Aerospace Exhibition (LIMA) shall keep Langkawi on the tourist calendar. Data from Langkawi Development Authority (LADA) revealed that tourist arrivals has shown slight increase over the years.

In Alor Setar, no hotel transaction took place in 2017 and looking forward, there was only 1 new 4-star hotel known as The Royal Signature Hotel - a 250-room hotel - entered the market. The supply will remain subdued considering the soft economic condition. Room occupancy rates are likely to be preserved at best whilst inflation is expected to push average room rate up slightly.

IPOH: PROGRESSING FURTHER IN TOURISM

The hotel market in Ipoh depicts an optimistic outlook as the tourism sector in Ipoh has been booming, it is increasingly renowned as a world-class tourism destination with rich heritage and cultural elements. Among the accolades Ipoh received was 'Top 10 Best Places to Visit in Asia' by Lonely Planet in 2016.

Apart from tourism, Ipoh has also made its step towards meetings, incentives, conferences and exhibitions (MICE) industry, with the grand opening of Ipoh Convention Centre which will boost new growth in the hotel market, especially those situated within the Ipoh town centre. While there is emergence of competition for the Ipoh's hotel sector from Airbnb, the conventional hotel market has not been significantly affected. Overall, the performance of hotel market in Ipoh is certain to retain its stability with potential of growth in near future. The average occupancy rate for Ipoh may still fluctuate seasonally but it is foreseen to be encouragng in 2018.

SOUTHERN REGION
SEREMBAN: CONCENTRATED IN KEY TOURISM HOTSPOTS

In Negeri Sembilan, Port Dickson dominates the tourism activity in the state whereby about 71% of the state's tourists head to Port Dickson while the state's capital of Seremban hosts approximately one-fifth of the total tourists in Negeri Sembilan.

Tourist Arrivals by Localities

	2015				2016			
District	Domestic	International	Total	%	Domestic	International	Total	%
Port Dickson	3,043,100	954,810	3,997,910	70.10	3,108,000	1,036,000	4,144,000	71.10
Seremban	852,318	289,942	1,142,260	20.00	888,000	296,000	1,184,000	20.30
Jempol	152,748	1,457	154,205	2.70	119,880	39,960	159,840	2.70
Tampin	116,574	26,209	142,783	2.50	111,000	37,000	148,000	2.50
Jelebu	118,973	964	119,937	2.10	26,640	8,880	35,520	0.60
Kuala Pilah	108,510	5,716	114,226	2.00	88,800	29,600	118,400	2.00
Rembau	33,436	832	34,268	0.60	26,640	8,880	35,520	0.60
Total	4,425,660	1,279,929	5,705,589	100.00	4,368,960	1,456,320	5,825,280	100.00

Source: NAPIC, CBRE | WTW Research

Port Dickson offers long stretches of beaches and sea views. The up and rising points of interest along Port Dickson and in Negeri Sembilan are:

- Splash Park which is still under-development is the largest water theme park in Port Dickson. It is also a pioneer project under the Palm Spring master plan with 400 acres of land including the beach.
- The Lexis – Hibiscus, Port Dickson comprises 13-storey serviced apartments and 534 units of water chalets built on stilts above the sea.
- Awan Mulan within the district of Jelebu offers nature experience with a collection of small houses on the hills,

Aided by the prospect of its tourism sector in the state, the supply of hotels in Seremban rose steadily in recent years. The occupancy rate has also consistently grown amidst increasing availability of rooms. No apparent adversity is foreseeable in the hotel market as it maintains its expansionary momentum.

MELAKA: TOURISM PRESERVED

Melaka as a tourism state, is poised to be a competitive market for hotels. Owing to the constant increase in tourist arrivals, the demand and supply situation remains in equilibrium. As part of the state government's initiative to spur its tourism sector, new highlights are being introduced. A successful example would be the Melaka River Festival Month. In tandem with the increase in tourist arrivals, tourist receipts have also been growing.

Well-established as one of the most preferred tourism destinations in Asia, this reputation should buffer Melaka's hotel market against adversity, if any.

Tourist Arrivals

YEAR	MELAKA		
	Average length of stay (Days)	Tourist Arrivals (Million)	Tourist Receipts (RM'000)
2013	2.28	14.31	10,997.32
2014	2.01	15.03	12,013.24
2015	2.18	15.74	16,759,75
2016	2.16	16.28	18,289.49

Source: MOTAC, CBRE | WTW Research

BATU PAHAT: COMPETITION ITENSIFIES

In Batu Pahat, the emergence of budget hotels is impacting significantly on the hotel market. Budget hotels which offer lower room rates are much preferred in this market over hotels with 3-star rating and above. Responding to the diminishing prospect of hotel sector in Batu Pahat, no new hotels are expected in coming years.

EAST COAST
KOTA BHARU: COMPETE WITH NEW ACCOMMODATION TYPE

The hotel market along the East Coast shared a similar trend in 2017 and thus, the same outlook for 2018. All the markets were quiet but stable.

In Kota Bharu, serviced apartments are turning into competitors for the hotel sector. Occupancy rates of hotels are strained, as newer and widely distributed serviced apartments are able to offer more diverse facilities and spaces as viable alternatives to hotels.

KUALA TERENGGANU: ASSISTANCE FROM NEW INTIATIVES

In Kuala Terengganu, the state government is proactively executing a variety of tourism initiatives such as the Tasik Kenyir duty-free zone, Kenyir Bird and Nature Quest as well as the hosting of Terengganu International Eco and Marine Tourism Conference (TEMCO) – all of which would draw in more tourists and visitors.

KUANTAN: CATER TO DOMESTIC

Transaction activity involving hotel properties in Kuantan has been subdued for the past 3 years, with prices relatively unchanged. Due to its ease of access to and from the Klang Valley, Kuantan tends to benefit from cross-state local tourists who utilise long weekends. Overall, the occupancy rates of hotels were resilient with the average room rate projected to increase marginally in 2018.

EAST MALAYSIA

SABAH

TAWAU: RISK OF LOSING OUT

Performance in 2017 remained soft for Tawau's hotel sector. On the contrary, resorts in the nearby town of Semporna is experiencing exponential growth in its tourist arrivals, predominantly from China and other Asian countries. For 2017, the hotel and resort occupancy rates in Semporna managed to attain over 95%.

SANDAKAN: ADVANTAGED BY LOCATION

Sandakan is reckoned as Sabah's gateway to the nature and wildlife heaven of Kinabatangan floodplains in the heart of Borneo's Wildlife Conservation Area - some 2.5 hours drive away. The lower river basin stretching over 560-kilometre long is one of the richest ecosystems on earth and home to diverse wildlife species in Borneo. Apart from that, other key attractions in Sandakan include:

- Sepilok Orang Utan Rehabilitation Centre
- Sandakan Crocodile Farm
- Labuk Bay Proboscis Monkey Sanctuary
- Turtle Island National Park
- Berhala Island
- Agnes Keith's House
- Chinese temples
- Australian World War II Memorial

The business and government sectors are also significant visitors to Sandakan, their activities are mainly related to the agriculture activities, private enterprises and government projects. Hotels in Sandakan cater to both the leisure or nature travelers and business or government visitors. Up to end of 2016, budget accommodations dominated the market by supplying half of the total rooms available in Sandakan. Boutique and 2- and 3-star hotels combined, constituted one-third of the market, followed by 4-star hotels which amounted to 15.7% of total rooms in the market. Overall, the tourism sector in Sandakan will remain resilient on account of its long-standing reputation as a favourite tourism destination.

SARAWAK

BINTULU: MORE ENTERING THE MARKET

Bintulu's hotel market will remain stable in near future with the average occupancy rate hovering at about 60%. There were a few newly completed hotels in Bintulu in 2017, namely Nu Hotel (210 rooms) and Green Hotel (160 rooms). Under-construction hotels in Bintulu will contribute another 160 rooms within 1 to 2 years. Looking further ahead, 9 hotel projects in the pipeline are estimated to inject an additional 1,100 rooms into the market. By then, the anticipation is that occupancy rate and possibly the room rate would be affected by competition.

MIRI: GAIN FROM PROXIMITY TO BORDER

Bruneians continued to lead tourist arrivals to Sarawak in 2016 and 2017. Miri being the most vibrant city closest to Brunei, is enjoying its geographical advantage as a preferred destination for tourists from Brunei. Concentration of commercial activities will continue to influence the location preference of hotel operators and tourists. In fact, approximately 70% of the hotels in Miri is located within the urban-city area. Accounting for 52.67% of total hotel rooms in Miri, 4-star hotels dominates the market as the most preferred hotel category.

SIBU: SLIGHT IMPROVEMENT EXPECTED

The tourism sector in Sibu has always been regarded as moderately active. Having said that, transaction activity and prices are expected to improve in 2018, in view that 2 new hotels - one completed and another one under-construction – will soon enter the market.

Origins of Tourists in Sarawak

Citizenship	2010	2011	2012	2013	2014	2015	2016	May-2017
Brunei	1,188,120	1,553,523	1,728,923	1,710,104	1,952,220	1,585,997	1,395,013	783,466
Indonesia	383,710	415,267	417,072	464,661	547,158	483,171	480,581	204,732
Philippines	70,770	77,652	113,174	119,570	135,861	111,616	73,657	29,498
Singapore	38,743	45,986	55,674	54,792	49,059	42,827	40,209	15,420
China	34,388	35,309	43,326	42,183	39,735	32,916	38,345	16,327

Source: MOTAC, WTWY Research

INDUSTRIAL SECTOR

KLANG VALLEY

Business activity evolution spanning the manufacturing and services sectors is slowly transforming the demand for industrial production and inventory spaces. The development of e-commerce and the launch of the Digital Free Trade Zone (DFTZ) continues to attract attention as the market waits to see their impact on industrial sector.

BEYOND CONVENTIONAL USE

The industrial sector in the Klang Valley remained stable during the review period. 626 industrial properties worth RM1.3 billion were transacted in 3Q 2017, an increase of 63.4% q-o-q and 36.8% y-o-y. Detached factory and vacant land remained the most transacted industrial properties in the Klang Valley, contributed to 76% (or RM994 million) of the total transaction value,

There is a twist in market preference for industrial property in the Klang Valley. Modern industrial properties, i.e. boutique detached factory, corporate factory, etc. are increasingly being introduced in most of new supply. This may due to the shift from conventional to modern businesses landscape and also the current market preferences on having a combo factory of offices, showroom, warehouse and production site within a single building.

During the review period 35% or 245 units of the new annual supply were semi-detached and detached factories.

BTS IS THE NEW NORM

Built-to-suit (BTS) products are among the leading demand in the industrial market in Klang Valley. The flexibility in the building design adjustable to the purpose of use alleviates the attractiveness and feasibility of BTS concept.

Selected Transactions in Klang Valley as at 1H 2017

Development	Location	Transaction Price (RM)	Seller / Buyer
IDS Mfg Factory	Section 23, Shah Alam	91,500,000	Champion Edge / Sunway REITs
Pulau Indah Industrial Park	Pulau Indah	113,827,400	Swift Integrated / Tasco Bhd
Wisma Amsteel Mill	Bukit Raja	45,000,000	Amsteel Mills / Yinson Corp

Source: Bursa Malaysia

Existing Supply in Klang Valley as at 1H 2017

Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

Industrial occupiers are facing challenges to set themselves up in areas like Shah Alam, Subang and Petaling Jaya due to the high rents, especially for mass producer and logistics operators who require bigger spaces.

High land cost is also encouraging developers to build integrated multi-storey factories which are able to serve the needs of modernised industrial activities.

Temasya Industrial Park which is tailored for services-oriented businesses is one of the examples of a modern industrial park in Klang Valley. It has attained an occupancy rate of approximately 87%, 3S companies recorded the highest share by occupying approximately 50% of the total space occupied.

Other examples of a modern industrial park in the Klang Valley are Sekitar 26, TiongNam Industrial Park Section 15 and OMN1@Kota Damansara.

Some of the developers have recently introduced BTS products to fulfil the needs and requirements of various industrial activities with respect to production duration, storage method and any other customisation needs.

Industrial developments for large scale operations can be seen in outskirt areas such as Klang, Rawang, Puchong and Sepang due to their lower land prices. The existing industrial schemes in these areas comprise mainly standard industrial properties, i.e. terraced, semi-detached or detached, with conventional infrastructures.

These areas which have good access to highways, ports and airports may target businesses like 3PLs and warehousing who prefer large spaces for their operations.

The introduction of the latest infrastructure projects by the government look certain to attract more industrial operators into these areas. The first notable project is the East Cost Rail Line (ECRL) that will connect Port Klang and Kuantan Port. ECRL shall enhance freight transportation in and out to these two main ports in Malaysia. Secondly, the West Coast Expressway (WCE) between Taiping and Banting will connect the established industrial parks in Perak and the Klang Valley.

THE RISE OF E-COMMERCE

Emergence of e-commerce in the country shall spur industrial properties related to logistics and warehousing. Last mile delivery shall expand. With the adoption of technology in supply chain management which enhances delivery and inventory efficiencies, large size warehouses in industrial parks or ports may have to cater for different segment of the industrial sector. In view of the rising commonality of e-commerce among urban population, warehouses may slowly shift to be closer to urban areas to cut down delivery time.

Industrial Price Range in Selected Areas in the Klang Valley

Location	Industrial Land Price Range RM per sq. ft
Shah Alam	RM100 – RM150
Subang Jaya	RM80 – RM120
Petaling Jaya	RM150 – RM180
Port Klang	RM50 – RM100
Puchong	RM35 – RM80
Rawang	RM23 – RM60

Source: NAPIC, CBRE | WTW Research

PENANG

New Manufacturing Investment and Reinvestments are expected to sustain the growth of the Penang industrial property sector. As multinational companies (MNCs) rationalise further their operations, there maybe more 'Sale and Leaseback' arrangements. Private developers developing purpose-built standard factories will increasingly rely on the growth of small and medium enterprises (SMEs). As the take up and development of Batu Kawan Industrial Park has gained momentum, extension to the locality of Byram Estate is expected soon. Prices and rentals are anticipated to be stable in the near future.

NEW MANUFACTURING INVESTMENT AND REINVESTMENT ARE EXPECTED TO PERSIST

Penang state recorded RM9.91 billion or 28% of approved investments in the manufacturing sector up to 3Q 2017, which is the second highest among the states in the country. In terms of Foreign Direct Investment (FDI), Penang received RM8 billion, which is the highest amount achieved by a state.

Announcements of significant new manufacturing investments into Penang in 2017 include:

- Aemulus Corporation Sdn Bhd proposed to acquire 1.63-acres of land in Bayan Lepas Industrial Park at RM9.93 million to construct its corporate office building of approximately 50,000 square feet; to be ready by December 2018.
- Federal Oats Mills Sdn Bhd, a producer of homegrown Captain Oats, is investing RM120 million to build a new facility on a 2.7-hectare land in Penang Science Park.
- The Penang Automation Cluster (PAC) will be jointly developed by Vitrox Holdings Bhd, Pentamaster Corp Bhd and Walta Engineering Sdn Bhd on a 2.04 hectare parcel of land within Batu Kawan Industrial Park.
- Scandinavian IBS Sdn Bhd, a Sweden-based Industrialised Building System (IBS) company is investing RM100 million to build a 150,000-square feet facility on 7.2 acres of land in Penang Science Park.
- Five companies of the Penang Goldsmith Association, namely G2 Gold (M) Sdn Bhd, Jin Huo Gold & Jewellery Industries (M) Sdn Bhd, TC Success Jewellery Sdn Bhd, TC Jewellery Sdn Bhd and LKT Luck Sdn Bhd will be establishing a Gold & Jewellery Cluster in Batu Kawan Industrial Park.
- Taiwanese electronics firm, Hotayi Electronics (M) Sdn Bhd is reinvesting RM1 billion into a new facility in Batu Kawan Industrial Park. Phase 1 of the new facility of 250,000 square feet is slated for operation in 1Q 2018.

Major industrial complexes opened for operations in 2017 include:

- Broadcom opened its new RM59 million global distribution warehouse in Batu Kawan Industrial Park and will turn it into their Global Distribution Warehouse.
- Boston Scientific Corporation has commenced operations at its new manufacturing plant in Batu Kawan Industrial Park. The facility spanning 375,000 square feet over a 20-acre land is its first manufacturing facility in Asia.
- Osram officiated its new Solid State Lighting (SSL) Division, and Research & Development (R&D) Centre in a building of 58,000 square feet of floor area in Bayan Lepas Industrial Park.
- Paramit opened its new 162,000-square feet facility in Penang Science Park, the company's largest manufacturing facility in the region for the production of complex medical devices and life sciences instruments.

Penang, being the Silicon Valley of Malaysia, could capitalise on the emerging trend involving the Internet of Things (IoT). The state is also expected to ride on the promising performance of the global semiconductor supply chain, which is projected to expand further in 2018.

CONSOLIDATION AND RESTRUCTURING EXERCISES IN THE FORM OF "SALE AND LEASEBACK" ARRANGEMENT

The global consolidation of operations and restructuring exercises of MNCs in Penang, extended to 2017 on a relatively smaller scale. A few companies were implementing 'Sale and Leaseback' arrangements.

There may be more of such arrangement in the near future, as MNCs further rationalise their operations.

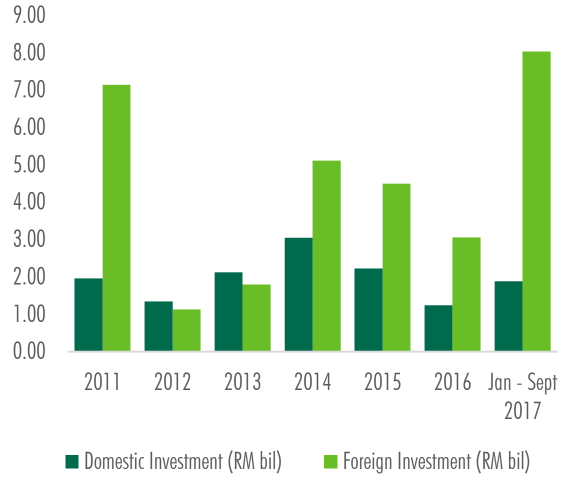
PRIVATE DEVELOPERS OF INDUSTRIAL PARKS WOULD RELY ON THE GROWTH OF SMES

Private developers involved in industrial developments in Penang, generally develop standard factories targeting SMEs. These industrial developments are of much smaller scale than the major industrial parks developed by the Penang Development Corporation (PDC).

Such projects newly launched in 2017 include Nafiri @ Valdor by GUH Bhd which consists of 58 units of 3-storey office-cum-warehouse. Another project is Golden Gateway by Golden Gateway Bhd, comprising a mix of light and medium industrial units. Projects completed in 2017 are Phase 1 of Vortex Business Park, and Phase 1 of SME Village Batu Kawan in Batu Kawan. Another project, Tangkas Infinity at Juru, is awaiting its Certificate of Completion and Compliance (CCC).

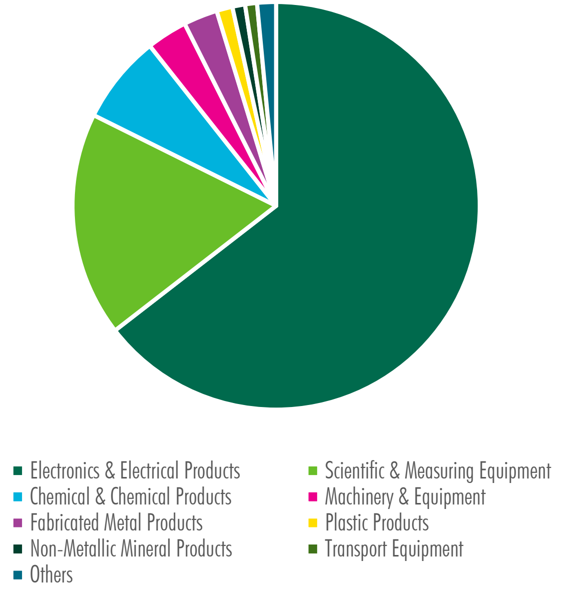
Private developers of standard factories in Penang, are relying on the growth of SMEs. Under the Budget 2018, the federal government has proposed allocations comprising various financing packages, grants, and training programmes. Such allocations would facilitate the growth of SMEs, apart from the growth spillover from the major factories.

Approved Manufacturing Investments in Penang (2011 – Jan to Sept 2017)



Source: MIDA, CBRE | WTW Research

Approved Manufacturing by Industry in Penang for Jan to Sept 2017



Source: MIDA, CBRE | WTW Research

FUTURE DEVELOPMENT WILL EXTEND TO THE LOCALITY OF BYRAM ESTATE SOON

Due to the limited land for the expansion of Bayan Lepas Industrial Park on Penang Island, industrial developments have mainly shifted to Seberang Perai. Batu Kawan Industrial Park is the latest major industrial park developed by PDC. In recent years, the take up and development in this industrial park has gained momentum with industrial sites being acquired and manufacturing facilities being constructed and completed.

Therefore, the expansion of Batu Kawan Industrial Park is expected to be extending south to the locality of Byram Estate.

PRICES AND RENTALS ARE ANTICIPATED TO BE STABLE

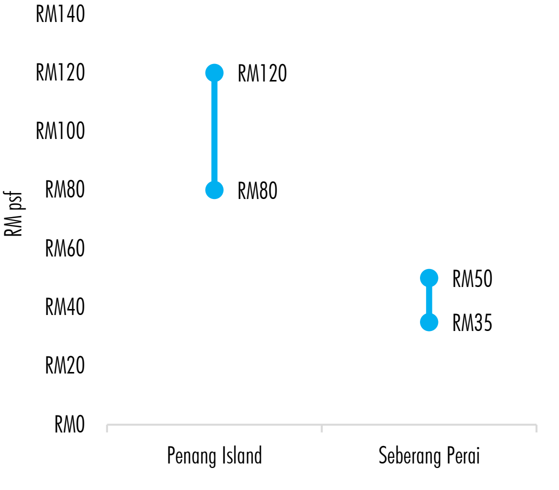
In recent years, the costs for developing vacant industrial sites and industrial buildings have increased significantly. As such, prices and rentals of industrial properties have also somewhat increased. In the near future, prices and rentals are anticipated to be stable.

Total Supply of Industrial Units

*Note: Adjustments were made by NAPIC on the stock data, consists of:
- Delayed data from previous review periods
- Change in category of use
- Destroyed / rebuilt (and not in the new planned supply)

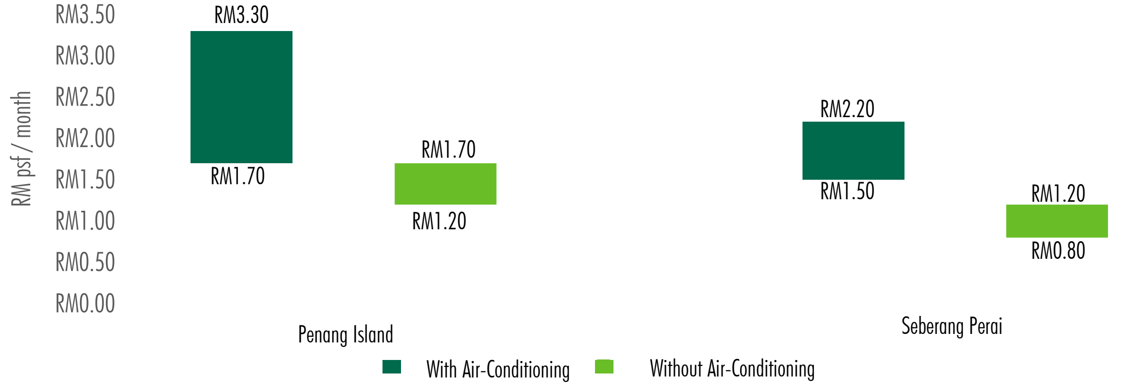
Source: NAPIC, CBRE | WTW Research

Indicative Land Prices in PDC Industrial Parks



Source: NAPIC, CBRE | WTW Research

Indicative Rentals in PDC Industrial Park



Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

The industrial market in Iskandar Malaysia (IM) is still expanding, fuelled by local and multinational companies (MNCs) appetite for larger modern factories, albeit generally slower growth. Nevertheless, the occupancy rate of factories is expected to be marginally lower due to the completion of new projects, particularly for cluster factories which are predominantly owned by investors

LEADER IN APPROVED INVESTMENTS

IM continues to garner the interest of genuine investors led by government investments in oil and gas at Tanjung Pengerang. For 2Q 2017, logistics continued to lead growth with a total investment of RM6.70 billion.

Johor's approved investments of RM26.4 billion in 2016 made up 45% of total investments approved in Malaysia. The headline projects approved in 2016 included Lotte Chemical Titan (M) Sdn Bhd of RM2,07 billion and Biocon Sdn Bhd of RM405.8 million. Other investment highlights in IM are the RM2.6 billion Integrated Building System (IBS) plant in Gelang Patah, touted to be the largest in the world, and a 700-acre Sedenak Iskandar Data Centre Hub (SIDH) in Sedenak, Kulai. All these will embrace and accelerate the adoption of Internet of Things (IoT) by connecting devices and infrastructures that promote smart living and smart community.

SUPPLY GROWING STEADILY

Total supply of industrial units in 2017 stood at 12,084 units of which 6,002 units (50%) are terraced factories, 3,535 units (29%) are semi-detached factories and the remaining 2,547 units (21%) are detached factories. The supply is expected to increase by approximately 1,239 units in the 2018 - an increase of 10.3%.

Several newly completed projects in 2017 include i-Park @ Indahpura (Phase 3B) with 24 units of detached factories, Harvest Green @ Sime Darby Business Park with 72 units of cluster factories, 14 units of semi-detached and 1 detached factory, Eco Business Park with 206 units of cluster and semi-detached factories, and Impian Biz Avenue @ Impian Emas with 24 units of terraced and semi-detached factories.

LOWER OCCUPANCY FOR CLUSTER

In the sub-sale market, the average transaction value for terraced factories in 2017 increased by about 5% to approximately RM300 per square feet as compared to the previous year. For semi-detached factories, the sub-sale prices range between RM350 and RM380 per square foot, this is similar to 2016. The occupancy rate of standard factories in the market is expected to be marginally lower in comparison to the previous years due to substantial completions of cluster and semi-detached factories in the last 2 years.

Industrial market in IM is still being explored by local companies and MNCs albeit slowdown in the general market momentum. Nevertheless, occupancy rate of factories is expected to be marginally lower due to completion of new projects which are predominantly owned by investors, particularly for cluster factories.

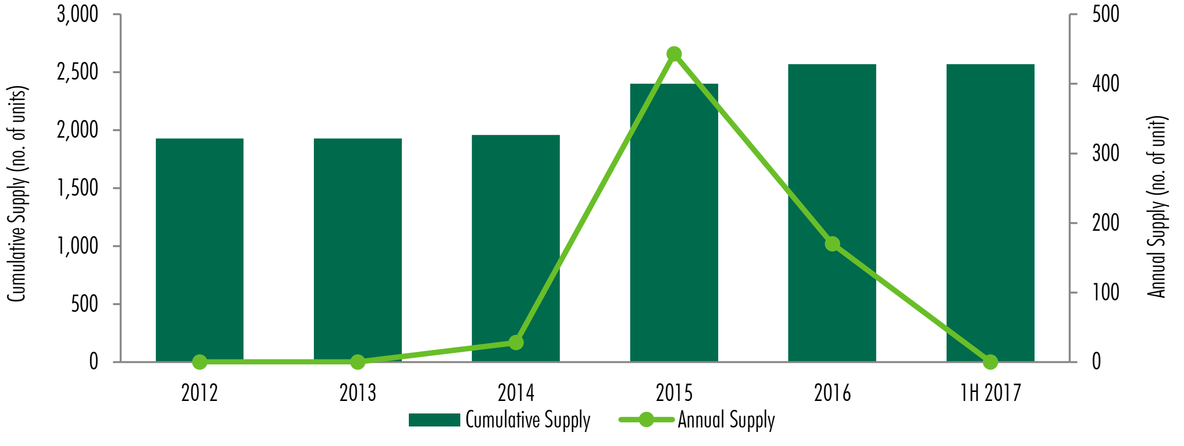
Supply of Industrial Units

Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

Overall, a quiet industrial sector in 2017. Kota Kinabalu still plays a significant role as the main distribution hub for Sabah.

Supply of Industrial Units



Source: NAPIC

LITTLE TO OBSERVE

New launches were limited, the only one noticeable was BDC Industrial Centre in Putatan with 27 units of semi-detached and terraced industrial units sized between 2,365 and 3,174 square feet. There are, however, several light industrial developments are slated to be launched / opened for sale in 2018.

Including BDC Industrial Centre, there are 5 developments totalling 139 units launched and in various stages of construction. The majority (114 units or 82%) are located to the north of Kota Kinabalu in Inanam and Sepangar-Telipok areas. Semi-detached light industrial buildings make up the largest proportion of the ongoing units.

In the sub-sale market, the volume and value of transactions declined y-o-y for the first 3 quarters of 2017. Notwithstanding that, Kota Kinabalu is the main distribution hub for Sabah, hence industrial lands and buildings with good accessibility and close to centres of activities will continue to be in demand.

KUCHING

In the long-run, there is promising potential for the industrial sector in Kuching with the increasing presence of small and medium enterprises (SMEs) who will demand space for workshops, showrooms and storage/warehousing.

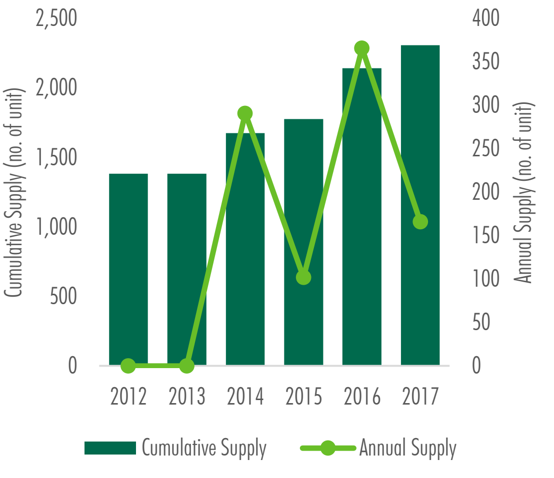
STABLE AND POSITIVE

There were a few projects completed in 2017, namely the Sarawak Factory Wholesale Centre which was launched more than 5 years ago with 366 terraced industrial units, RH Park's mix of 60 semi-detached and detached units and Central Light by Chen Ling Development with 20 semi-detached industrial units. New launches in 2017 were M/s Hock Seng Lee's 84 semi-detached industrial units at Vista Industrial Park in Muara Tabuan and Landeh Biz Park with 18 industrial units.

Semi-detached light industrial units and warehouses remain popular with prices starting from RM600,000 for a sub-sale and above RM1 million for new units, depending on land size. Occupancies and take-up rates for 2017 were stable and expected to remain unchanged for 2018. Rentals were sealed at between RM1.20 and RM1.50 per square foot for privately developed semi-detached units.

In the long-run, there is promising potential for the industrial sector in Kuching with the increasing presence of SMEs who will demand space for workshops, showrooms and storage/warehousing.

Supply of Industrial Units



Note: Data for the full year of 2017 is based on estimation
Source: NAPIC, WTWY Research

Chen Ling light Industrial project along Jalan Bako
Source: WTWY Research

Commercial Showrooms at the Kuching Isthmus Industrial Estate
Source: WTWY Research

WEST MALAYSIA

NORTHERN REGION
ALOR SETAR: CONCERN OVER VACANCY

The industrial market in Alor Setar will remain subdued in 2018 as in 2017. Occupancy rate has been weak as a number of existing properties in the market are still vacant.

IPOH: CURRENT FORM SHALL PERSIST

In Ipoh, the market is well-balanced and therefore, should retain its current stability into 2018. Transaction activity is expected to stay active but prices may not trend upwards with no new market leads. On the supply side, significant increase in new industrial developments is not expected in 2018, as current supply is sufficient. On the demand side, buyers continue to seek for industrial properties in central locations.

SOUTHERN REGION
SEREMBAN: NARROW DEMAND

In Seremban, interest in industrial properties will depend on location, where those accessible via major highways or nearer to Kuala Lumpur International Airport (KLIA) would top the demand list.

MELAKA: STEERED BY STRATEGIC INITIATIVES AND PLANNING

Melaka hosts a stable industrial market with industrial activity generally calm and stable. Various types of industrial units are available along the main highways like Sungai Udang-Paya Rumput–Ayer Keroh Highway (SPA) and Alor Gajah–Melaka–Jasin Highway (AMJ). Among the notable under-construction industrial developments are:

- SPA stretch: Tanjung Minyak, Krubong and Melaka International Trade Centre
- AMJ stretch: Telok Mas, Jasin and Merlimau

The state government plays a planner role in the industrial sector through clustering of the industrial areas by specialisation. Light industrial parks are found in Alor Gajah, Tanjung Minyak, Jasin and Merlimau; Bukit Rambai is heavy-industry-centric; Krubong hosts mostly warehousing industry; and Autocity MITC caters for automobile industry. This reflects the intention of and commitment by the state government in strategic positioning of the industrial sector in Melaka.

BATU PAHAT: STABL DUE TO INACTIVITY

The industrial market in Batu Pahat would remain relatively unchanged for the whole of 2018. Given that no new industrial scheme in the pipeline in near future, the market will be quiet but healthy as the overall occupancy rate of industrial properties in Batu Pahat is still reasonably high.

EAST COAST
KOTA BHARU: THINGS STAY THE SAME

Following the trend from previous years, the industrial markets in Kota Bharu and Kuala Terengganu have remained stagnant in 2017 and such trend looks certain to extend into 2018. In Kota Bharu, no significant movement was detected in the review period. Prices and occupancy rates are steady in the absence of further expansion of industrial areas.

KUALA TERENGGANU: MAJOR DEVELOPMENTS IN THE PIPELINE

The Terengganu government is believed to be in the process of planning for developments of new industrial areas. Among those identified are Lembah Perasing, Kemaman and Hulu Terengganu, which will add to the existing gazette industrial areas of Kawasan Perindustrian Gong Badak, Kawasan Perindustrian Petronas and Kawasan Perindustrian Al Muktafi Billal Shah.

KUANTAN: AWAITING CATALYSTS TO TAKE SHAPE

Kuantan's industrial sector holds biggest prospects of growth as it will be the primary beneficiary of a series of government initiatives and infrastructure projects. The outlook for Kuantan's industrial market in 2018 would be stable or better. In spite of strong confidence and optimism, there may be an impact lag on the market, since the sources of growth are long-term oriented, and benefits to the market may only be evident once the government initiatives and infrastructure projects are in full swing. Small- and medium-sized industrial properties are being sought after in areas such as Padang Lalang, Batu 3, Bandar Indera Mahkota and Semambu while Gebeng Industrial Estate is gathering interest of buyers who are looking for larger parcels of industrial land.

EAST MALAYSIA

SABAH
TAWAU: EVERYTHING IN ORDER

In Tawau, no new supply of industrial development took place in 2017 and none is expected for 2018 as well. The demand for industrial properties is backed by activities such as light engineering works, storage and small to medium scale light manufacturing industries for domestic consumption. The outlook for Tawau's industrial market is stable.

LAHAD DATU: POTENTIAL BUILDING UP

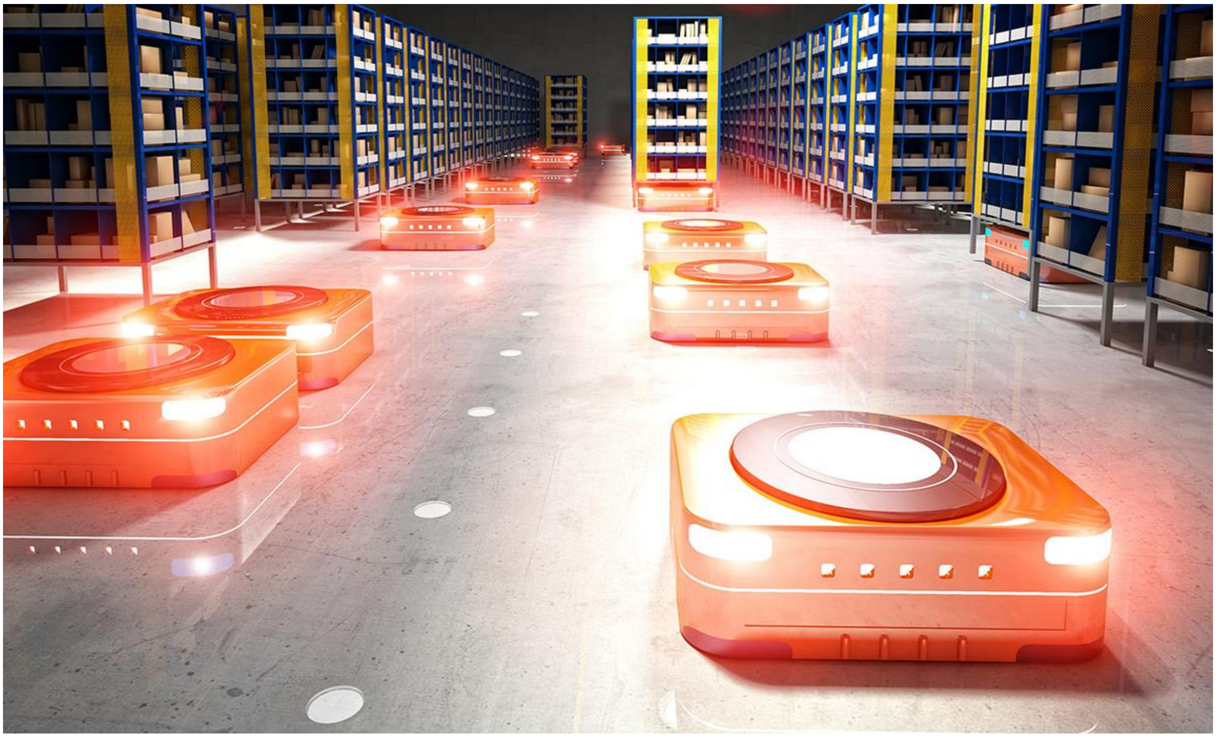
Warehousing is the principal segment of Lahad Datu's industrial sector and is poised to be the future driving force once the Palm Oil Industrial Cluster (POIC) container port commences operation in early 2018. This container port will cater for the import of goods on the East coast of Sabah and Brunei Darussalam-Indonesia-Malaysia-Philippines (BIMP) region which spans over Southern Philippines, East Kalimantan and Sulawesi. As a result, the industrial yield and rent in Lahad Datu could improve in 2018.

SARAWAK
MIXED RESPONSES TO MACRO DOWNTURN

In Sarawak, the industrial markets in Bintulu, Miri and Sibu wobbled in 2017, due to weak business and economic environment surrounding these markets. As such, these industrial markets would remain stagnant at best in 2018, until the macro condition improves.

For the case of Miri, the slowdown in oil and gas industry has affected its industrial sector as the local economy is dependent on oil and gas activity.

The supplies in Bintulu, Miri and Sibu exhibited different patterns. In Miri, reduced business activity cut down demand for industrial properties, hence, no new supply. However, supply was still ongoing in Bintulu albeit at a slower pace in 2017, among the notable industrial developments were Bizhub 33 (33 units) by Berkat Dimaju Sdn Bhd and Kidurong Central (41 units) by BBC Construction Sdn Bhd. Likewise for Sibu, its industrial market is undergoing a slower rate of new supply but a faster pace of industrial development was noticeable in certain locations such as Jalan Tun Ahmad Zaidi Adruce area.



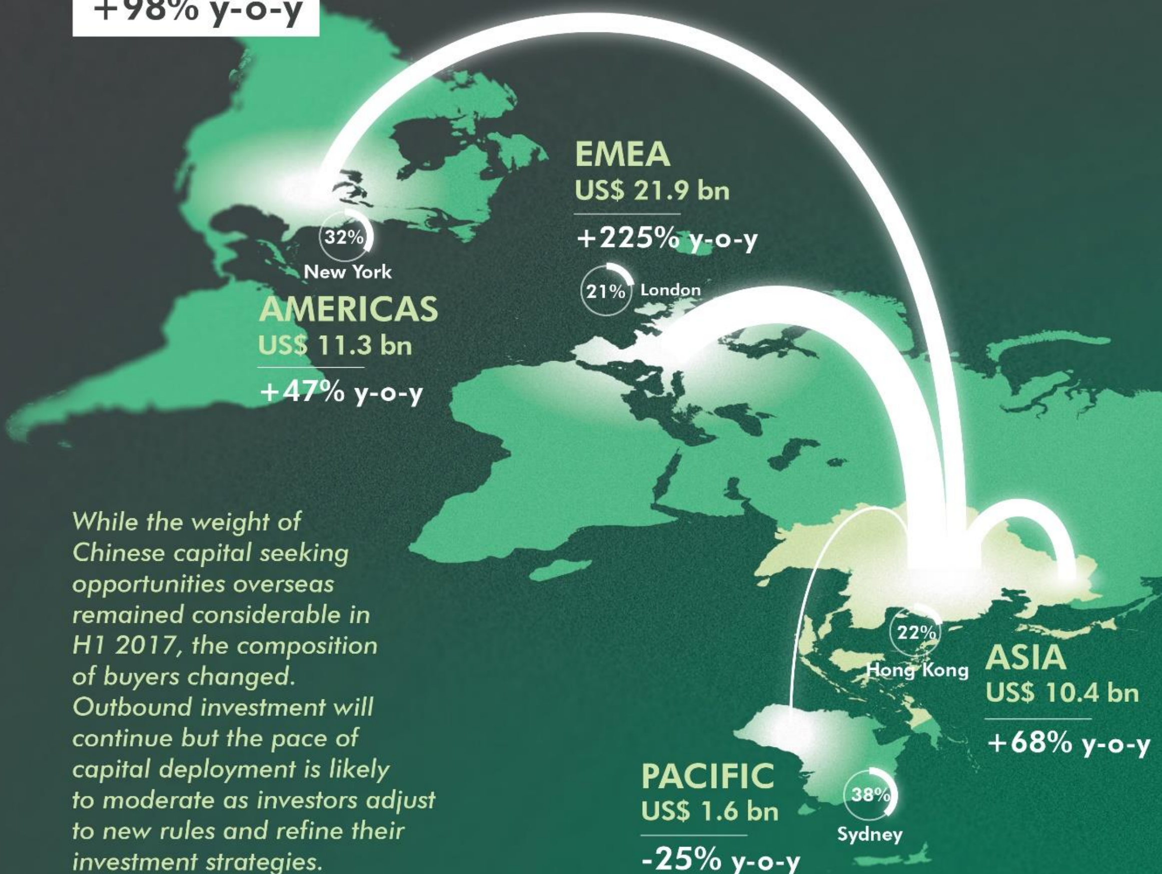
FEATURE ARTICLES

ASIAN OUTBOUND INVESTMENT H1 2017

Chinese investors still most active but buyer mix changes

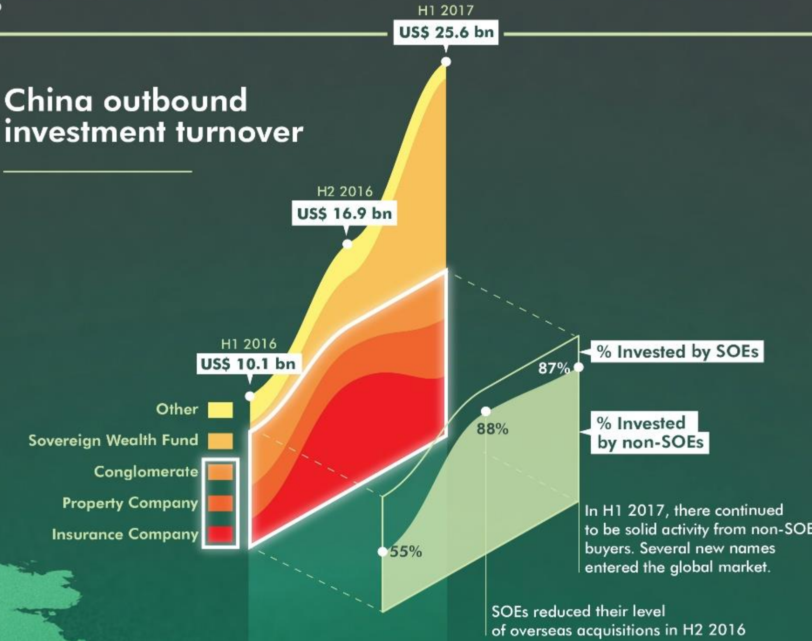
TOTAL US$ 45.2 bn

+98% y-o-y

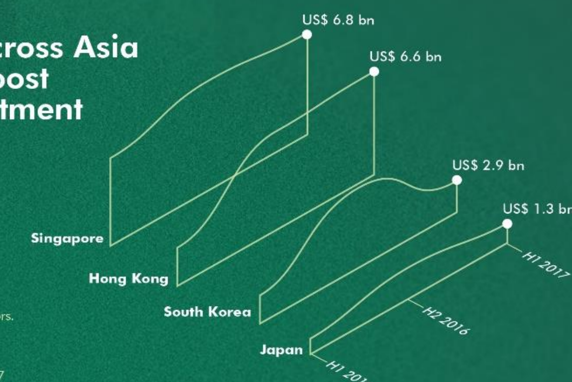


While the weight of Chinese capital seeking opportunities overseas remained considerable in H1 2017, the composition of buyers changed. Outbound investment will continue but the pace of capital deployment is likely to moderate as investors adjust to new rules and refine their investment strategies.

China outbound investment turnover



Capital from across Asia continued to boost outbound investment



Transactions include deals in the Office, Retail, Mixed, Industrial, Hotel, Residential and Other commercial sectors. Development sites are excluded.

Source: RCA, CBRE Research, Aug 2017

CBRE

CBRE RESEARCH

This report was prepared by the CBRE APAC Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate.

CBRE RESEARCH

ASIA PACIFIC INVESTOR INTENTIONS SURVEY 2017

Fewer investors intend to deploy more capital this year

2016: 42%
2017: 37%

% of investors intending to buy more

More investors are motivated by the yield spread

2016: 10%
2017: 28%

Investor motivation diverges

40% Yield spread (Real estate funds)

26% Capital appreciation (SWIPe*)

*SWIPe include sovereign wealth funds, insurance firms and pension funds.

Economic worries are still the main concern but there is more apprehension around the rate cycle

	2016	2017
Global economic shock	46%	▼ 25%
Faster than expected interest rate hikes	6%	▲ 14%

Major markets remain the primary focus but interest in Vietnam rises significantly*

	AUSTRALIA	JAPAN	CHINA	VIETNAM
	29%	14%	14%	10%
Key investment driver	Attractive risk/ Return profile		Stronger economic fundamentals driving rental growth	

*Results are based on cross border investors. Cross border refers to respondents domiciled in a different country to the most attractive destination selected.

Source: CBRE Asia Pacific Investor Intentions Survey 2016 and 2017.

CBRE RESEARCH
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CBRE

SIGNIFICANT TRANSACTIONS

SIGNIFICANT TRANSACTIONS IN 2017

Development	Description	Vendor	Purchaser	Transaction Price (RM)
KLANG VALLEY				
Tun Razak Exchange	Commercial development land with proposed development of office tower	TRX City Sdn Bhd	HSBC (M) Sdn Bhd	1,060,000,000
Development Land, Jalan Raja Chulan	Proposed development of 6 towers with 4,000 units of serviced apartment	Deloitte Corporate Solution Sdn Bhd	Malola Garden City Sdn Bhd	500,000,000
An-Nur Hasanah Specialist Hospital. Bangi	200-bed hospital	Lembaga Tabung Haji	Bangi Gateway Medical Sdn Bhd	135,000,000
PENANG				
Seri Tanjung Pinang 2A Development Land	20% (approx. 33.18 acres) of STP2A Reclamation Land together with agreed infrastructure	Tanjung Pinang Development Sdn Bhd	Kumpulan Wang Persaraan (Diperbadankan) (KWAP)	766,022,310
Lone Pine Hotel, Batu Feringghi	90-room hotel	Eastern & Oriental Bhd	Langkawi Saga Shopping Centre Sdn Bhd & Lubritrade Trading Pte Ltd	85,000,000
Development Land, Bukit Mertajam	Approx. 10.89 acres for immediate development	Waz Lian Properties Sdn Bhd	Enchanting View Development Sdn Bhd	43,800,321
The Summit Hotel, Bukit Mertajam	168-room hotel	Meda Inc Bhd	Teraju Menang Sdn Bhd	20,000,000
Mutiara Mesiniaga, Jalan Larut	5-storey commercial building	Mesiniaga Bhd	Sparkle Gateway Sdn Bhd	15,900,000
JOHOR BAHRU				
Development Land, Iskandar Puteri	163.92 acres	Bandar Nusajaya Development Sdn Bhd	Country View Resources Sdn Bhd	310,000,000
Bandar Seri Alam	36.4 acres of vacant land zoned for commercial building	Christine Resort Sdn Bhd	Plato Assets (M) Sdn Bhd	100,537,740
City Plaza, Johor Bahru	107 lots in commercial and office complex, and adjoining vacant lands	Hock Der Realty Sdn Bhd & Ascent Asia Sdn Bhd	Fengchi Real Estate Sdn Bhd	52,000,000
Vacant Land, Pulai	335.57 acres	DKTMG Land Sdn Bhd	Scientex Bhd	284,189,256
ALOR SETAR/KULIM				
Development Land, Jitra	2,017 acres for Darulaman Saujana township development	Perbadanan Kemajuan Negeri Kedah (PKNK)	Bina Darulaman Bhd	56,030,000

SIGNIFICANT TRANSACTIONS IN 2017

Development	Description	Vendor	Purchaser	Transaction Price (RM)
Development Lands, Kulim	1 parcel in Pekan Sungai Karangan and 138 parcels in Mukim of Padang Meha, approx. 429 acres combined	Country View Land Sdn Bhd	ECK Property Sdn Bhd	119,950,000
IPOH				
Pusat Perdagangan Manjung Point 3	5-storey hospital	Kar Sin Bhd	Pantai Medical Centre Sdn Bhd	63,000,000
Industrial Land, Batu Undan	20,000 acres	Perbadanan Kemajuan Negeri Perak	Lumut Maritime Terminal Sdn Bhd	57,000,000
Commercial Land, Jalan Bercham	7,990 acres	Muda Inpira Sdn Bhd	Gergasi Baru Sdn Bhd	17,045,000
Commercial Land, Ampang/Gunung Rapat	0.48 acres	Kampung Kenayat Sdn Bhd	Rima Properties Holding Sdn Bhd	14,038,855
SEREMBAN				
Industrial Land, Tuanku Jaafar Industrial Park	7.73 acres	Yee Kong Yin	Heveapac Sdn Bhd	13,463,350
Industrial Land, Sendayan Techvalley	6.04 acres	Menteri Besar Negeri Sembilan	Alpro Alliance Sdn Bhd	11,304,614
BATU PAHAT				
Agriculture Land, Jalan Tanjong Laboh	46.73 acres proposed for residential development	Shenton Tan Seng Khoon	BCB Bhd	34,600,000
KUANTAN				
Gebeng Industrial Park	126.5 acres	Wah Seong	AXIS REITS	156,000,000
Vacant Land, Cameron Highlands	5.13 acres	Syarikat Tanah dan Harta Sdn Bhd	Casa Inspirasi Sdn Bhd	45,200,000
TAWAU				
Commercial Land, Jalan Kuhara	10.06 acres	Hap Seng Commercial Development Sdn Bhd	Zillion Sunrise Sdn Bhd	175,276,000
LAHAD DATU				
Pintasan 8, Kinabatangan	3,791 acres of oil palm plantation	Kwantas Plantations Sdn Bhd	KUB Malua Plantation Sdn Bhd	100,450,000
SANDAKAN				
Agriculture Land, Sandakan-Kota Kinabalu Highway	11,579 hectares of oil palm estate, valued by WTWS Sandakan	Pertama Land & Development Sdn Bhd	Boustead Plantations Bhd	750,000,000
BINTULU				
Vacant Land, Jalan Tanjung Kidurong, Kidurong	10.14 hectares	Charming Well Sdn Bhd	Fortune Wizard Sdn Bhd	15,800,000

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OUR NETWORK

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