

Industrial leading the way

23 July 2019, Malaysia – Knight Frank Malaysia launches its latest research report, Real Estate Highlights 1st Half of 2019 which reviews the property market performance across Klang Valley, Penang, Johor Bahru and Kota Kinabalu. While challenges remain in selected market segments where mismatch between supply and demand continues to widen, the overall property market was sustained with slight uptick in activities.

Malaysia remains open to participate in the Belt and Road Initiative (BRI) and the recent resumption of mega projects, namely the East Coast Rail Link (ECRL) and the Bandar Malaysia master development, is positive and will further boost Chinese investors' confidence in the country. Malaysia is also seen as a potential beneficiary from the on-going US – China trade war with more investment expected in the manufacturing sector. In 2018, the country's FDI surged 169% to RM58 billion vis-à-vis RM21.6 billion recorded in 2017 while capital investment in the manufacturing sector at RM87.4% in 2018 was circa 37% higher than the previous year.

Klang Valley

Allan Sim, Executive Director of Capital Markets at Knight Frank Malaysia, says, "We have witnessed tremendous growth in foreign investments in the 1st half of 2019 driven mainly by robust performance in the manufacturing sector. With semiconductors and E&E players looking to expand within Malaysia, we anticipate more construction activities of factories and warehouses to cater to the relocation and expansion of these foreign manufacturers.

"Another exciting chapter to watch out for is the e-commerce logistics warehousing sector. Recall the joint venture between MAHB and Cainiao in relation to the 1.2 million sq ft air logistics hub within the Digital Free Trade Zone (DFTZ). The facility is slated for completion by end of this year and we expect to see further activities in the e-commerce warehousing and logistics market."

Penang

Penang continues to be a favourable investment destination. Latest data released by MIDA shows that in 1Q2019, Penang recorded RM8.85 billion in approved manufacturing investments surpassing the RM5.78 billion achieved in 2018. The 41 approved projects, which include investments from US based Micron Technology and Jabil Circuit which are expanding their operations in the state, have potential to create about 10,000 new job opportunities. Foreign direct investments (FDI) in manufacturing at RM8.47million represents 42% of Malaysia's total FDI.

Tay Tam, Executive Director at Knight Frank Penang, says, “The attraction of Penang can be attributed to the state’s robust supply chain, with several players home-grown, as well as its strong talent pool, well-established infrastructure and good support services to investors.

“Industrial properties within the matured Bayan Lepas Industrial Park continues to be in demand whilst several multinational companies (MNCs) have set up operations in the newer Batu Kawan Industrial Park which includes several existing manufacturers from the island. The industrial sector outlook for Penang looks good over the medium to longer term.”

Johor Bahru

Iskandar Malaysia’s boundaries will be expanded to include parts of Kota Tinggi, Kluang and Pontian districts from 2,217 km sq to 4,729 km sq for land development and modern agriculture. IRDA is also committed to develop the Senai-Kulai region with plans to transform the northern part of the region into a data and digital hub.

Debbie Choy, Branch Head at Knight Frank Johor, says, “The expansion of the Iskandar’s boundaries is expected to generate more job opportunities and enhance export volume. The industrial sector continues to show positive sentiments as we continuously receive active enquiries for warehouse/ manufacturing space.”

As of 1Q2019, Iskandar Malaysia recorded total cumulative investment of RM293 billion, made up of 62% local investment with the remaining 38% from foreign investors, predominantly from China and Singapore. There was a total of 34 approved manufacturing projects in the state during the period, with Johor ranked third after Selangor (75 projects) and Penang (41 projects).

Debbie Choy, adds, “Johor is well connected for both imports and exports via three sea ports and an international airport. This is one of the reasons that Johor will house the world’s biggest ship-to-ship (STS) hub.”

The coming up STS hub near the Tanjung Pelepas Port is a collaboration between KA Petra Sdn Bhd and Hong Kong-based port operator Hutchison Port Holdings Ltd. The proposed development to be completed by 2021, spans across 2,800 acres of waters and is expected to cost between RM612 million and RM735 million.

Outlook

All in all, Malaysia’s industrial property sector will continue to remain active supported by FDI inflows. The launch of Industry4WRD late last year in response to the digital transformation of the

manufacturing sector and its related services will pave the way for the country, particularly in Klang Valley, Penang and Johor to be the primary destinations for investment.

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To download the report, please visit: <https://bit.ly/2LCpUdk>

For further information, please contact:

Ms Judy Ong, Executive Director, Research and Consultancy, Knight Frank Malaysia
judy.ong@my.knightfrank.com +603 2289 9663

Ms Seline Soo, Marketing & Communications Manager, Knight Frank Malaysia
seline.soo@my.knightfrank.com +603 2289 9669 @KnightFrank_my

Ms Penny Hoo, Marketing Executive, Knight Frank Malaysia
penny.hoo@my.knightfrank.com +603 2289 9667 @KnightFrank_my

Notes to Editors

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