RESEARCH

1ST HALF 2013

REAL ESTATE HIGHLIGHTS

Kuala Lumpur | Penang | Johor Bahru

Knight Frank

HIGHLIGHTS

Kuala Lumpur:

- Launches near high-level infrastructure projects continue to be well received. With rising trend towards smaller/‘shoebox’ units, pricing on per sq ft basis narrows between city and suburban condominiums.
- The office market displayed resilience despite supply - demand mismatch. Rental rates remained competitive with mixed performance in occupancy levels.
- The retail industry sees exciting times ahead as it continues to attract new foreign players and international brands.
- The hotel sector is in for steady growth with the impending entry of more upscale and boutique brands.

Penang:

- Boutique heritage hotels in George Town are set for higher occupancy rates this year. These heritage buildings restored for adaptive reuse attract many foreign tourists who comprise 70% of their guests.
- The impending completion of the Penang Second Bridge has heightened interest in industrial properties in Batu Kawan, Valdor and Bukit Minyak on the mainland.

Johor:

- Iskandar Malaysia continues its growth momentum attracting over RM5 billion investments in Q1.
- Residential launches focusing on high-rise stratified products are concentrated in JB City as well as Danga Bay and Nusajaya areas.
- Impending supply of retail and office space from under-construction and proposed projects expected in near term.

KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Market Indications

Malaysia's economy grew by 5.6% last year following a strong expansion in the last quarter (4Q2012: 6.4%). The latest GDP figure released by Bank Negara Malaysia (1Q2013: 4.1%), however, shows that growth has moderated on weaker exports in line with slower growth pace across Asia. Nonetheless, Bank Negara maintains its full year forecast for the country of between 5% and 6%. The economy is expected to pick up in the second half supported by strong domestic demand.

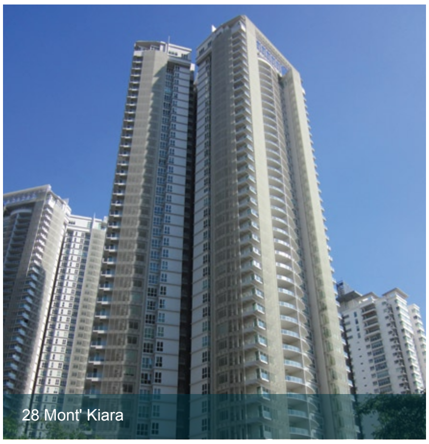
Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was up 1.6% for the period January to May 2013 compared with the same period last year due to higher costs in the food and non-alcoholic beverages and also non-food categories. Malaysia's inflation is expected to range between 2% and 3% this year (2012: 1.6%).

Bank Negara Malaysia, at its recent Monetary Policy Committee meeting, has maintained the Overnight Policy Rate (OPR) at 3%.

Supply & Demand

The cumulative supply in Kuala Lumpur stands at 32,454 units following the completion of six notable high end condominium projects offering a total of 1,584 units [includes projects that are physically completed but pending issuance of Certificate of Completion and Compliance (CCC)]. The projects are Setia Sky Residences Towers 1A & 1B (Alia and Boheme), Verticas Residensi Towers A & B and Casa Residency in KL City; Seri Ampang Hilir in Ampang / U-Thant and; 28 Mont' Kiara and Kiaramas Danai Block B in Mont' Kiara.

SP Setia's first luxury high-rise development in the heart of Kuala Lumpur, Setia Sky Residences, features four 40-storey towers.


28 Mont' Kiara

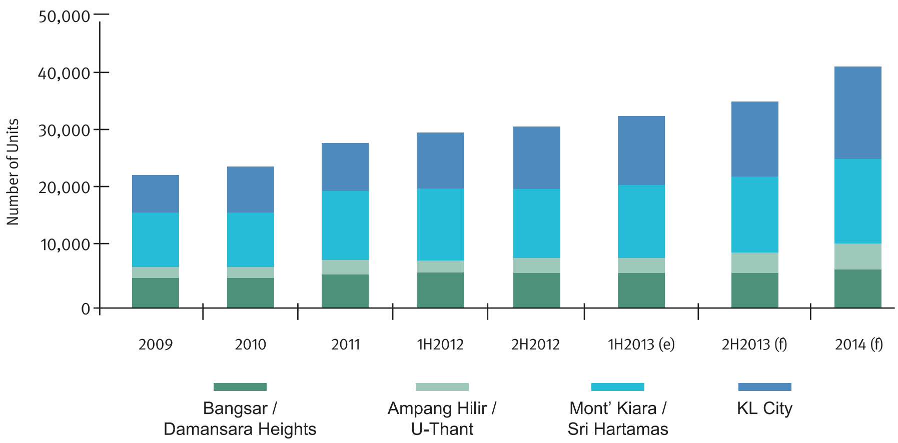
The first two towers (Alia and Boheme) are fully sold out while the third tower, Celeste, has seen encouraging level of sales with 80% of its units sold. The developer expects to launch the last tower, Divina, by 2H2013.

Towers A and B of Wing Tai Asia's Verticas Residensi project in Jalan Ceylon have been completed: units at Tower A have been handed over to residents early this year while Tower B is awaiting issuance of its CCC, expected soon. Tower A has seen a 100% take up whereas Tower B has recorded a promising sales rate of more than 85%. Meanwhile, Tower C of the development, featuring 115 units of serviced apartments will be managed by Lanson Place, the hospitality arm of Wing Tai Asia.

By year-end, a further supply of some 2,520 units is expected to come on-stream from projects such as 6 Capsquare, Quadro Residences, Vipod Residences and Suasana Bukit Ceylon in KL City; 9 Madge, Dedaun, Sastra U-Thant, M Suites Residence and The Elements @ Ampang Tower 1 in Ampang / U-Thant and; Verve Suites Vox Tower (Block D) in Mont' Kiara.

Notable previews and launches during the review period include Avante in Ampang / U-Thant; Vida SoHo @ Ceylon Hill, Four Seasons Place Kuala Lumpur, The Manhattan Residence 61 Raja Chulan, The Horizon Residence, The RuMa Hotel and Residences and The Mews Serviced Residences in KL City and; Pavilion Hilltop Mont' Kiara, One Kiara Tower B and Arcoris Mont' Kiara in Mont' Kiara.

Figure 1
Projection of Cumulative Supply for High End Condominiums 2009 – 2014 (f)



Source: Knight Frank Research
Note: [e] = estimate; [f] = forecast

Developer, Permata Cermat Sdn Bhd of Pavilion Group, previewed Pavilion Hilltop Mont' Kiara in April 2013. The 31-storey freehold project features 621 condominium units with typical sizing from 1,200 sq ft to 1,830 sq ft, priced from RM900 per sq ft. About 70% of the units have reportedly been taken up.

The popularity of global branded residences continues to be on the rise, setting a new definition to luxury living complete with hotel supported services. The Residences at St Regis Kuala Lumpur will be the first to complete by the end of 2014. Launched in May 2012, about 65% of the residences (total: 160 units) have been reported sold. Current prices average at about RM2,500 per sq ft.

Meanwhile, the first Four Seasons Place in South-East Asia was launched with much fanfare in late January. The 65-storey tower, the second tallest building after Malaysia's iconic landmark, Petronas Twin Towers, will house the 231-room Four Seasons Hotel and 242 units of private residences atop 300,000 sq ft of upscale retail space. The average selling price for the residences with unit sizing from 1,098 sq ft to 3,843 sq ft is in the region of RM2,500 per sq ft. About 50% of the residences have reportedly been booked. The two penthouses, with typical floor area of 11,900 sq ft, have been reserved at RM37 million each, translating to a record sales price of RM3,026 per sq ft surpassing the RM2,900 per sq ft record for a 4,000 sq ft unit at The Binjai On the Park. Buyers comprise mainly Malaysians and foreigners from Japan, Hong Kong and Taiwan. The project is targeted to complete by 2017.

There are other notable upcoming serviced residences attached to hotels. The RuMa Residences @ Jalan Kia Peng, KLCC was launched in March. Its hotel component comprising 253 suites will be managed by Urban Resort Concept, a 5-star international bespoke hotel chain. The 200 units of residences with typical sizing from 915 sq ft to 1,830 sq ft, are priced from RM1,900 per sq ft.

Singapore-owned Keystone Land Developments Sdn Bhd will launch its maiden project, a 41-storey mixed use development dubbed "The Establishment" by mid-year. Located opposite Menara UOA Bangsar, the residential portion, called The Establishment, will feature 646 serviced suites compressed into 26 floors while the hotel, Alila Bangsar@The Establishment, will have 124 rooms over four floors with its own lobby and facilities. The hotel will be managed by Singapore-based Alila Hotels & Resorts.

Prices & Rentals

The luxury residential leasing market in selected prime locations in Kuala Lumpur continues to face stiff competition due to limited target catchment comprising mainly expatriates as well as a high supply pipeline from existing and new completions. Tenants continue to have greater choice in terms of product (old versus new) amid competitive rental rates. Sales of projects offering majority large unit sizing remain challenging due to higher quantum pricing and weak leasing prospects.

Overall, the primary market for high end condominiums appears to be performing better than the secondary market, attributed to the various incentives and attractive payment schemes available as well as the product offerings that are in line with current market trend – smaller unit sizing with good layout and quality furnishing at affordable pricing that appeals to the wider market comprising first time buyers and investors.

In the prime areas of KLCC and Mont' Kiara, prices and rentals remain generally flat due to the high supply and a weak leasing market.

The on-going MRT / LRT extension works augur well for KL City fringe and suburban projects, particularly those located along the designated routes. Notable launches that have received encouraging take-up rates include TTDI Ascencia serviced apartment, Bayberry Serviced Residence (Tropicana Gardens Phase 2) and Nova Saujana in Subang. The secondary market in the fringe and suburban areas also continue to perform well supported by sustained local demand. Prices of well-located high-rise properties that are managed well continue to appreciate, closing the gap between primary and secondary prices.

Table 1

Completion of High End Condominiums in 1H2013

Project	Location	Area	Total Units
Casa Residency	Jalan Galloway, Off Jalan Pudu	KL City	188
Setia Sky Residences (Tower 1A & Tower 1B)	Jalan Raja Muda Abdul Aziz, Off Jalan Tun Razak	KL City	422
Verticas Residensi (Tower A & Tower B)	Jalan Ceylon	KL City	308
Seri Ampang Hilir*	Jalan Ampang Hilir	Ampang/U-Thant	40
28 Mont' Kiara	Jalan Kiara	Mont' Kiara	460
Kiaramas Danai Block B*	Jalan Desa Kiara	Mont' Kiara	166

* Pending Certificate of Completion and Compliance (CCC)

During the review period, yields continue to be compressed as price increments / high selling prices do not correspond with the lagging rental market.

Outlook

While prices have flattened over the past 12 months as a result of Government cooling measures (include the 70% loan-to-value [LTV] ratio on third mortgages, guidelines on responsible financing and the upward revision in Real Property Gains Tax [RPGT]), more activities are expected post-election as additional cooling measures implemented in competing Asian markets such as neighbouring Singapore, Hong Kong and China, may lead to further interest in Kuala Lumpur, Penang and Iskandar Malaysia property markets.

Malaysia is an attractive alternative investment destination due to its stable property market and relative housing affordability that offers reasonable returns in terms of capital appreciation/rental income.

New launches featuring a good mix of unit sizing, particularly those located near high-level infrastructure projects, are expected to attract strong take up as they appeal to a wider market of buyers and investors. In addition, attractive incentives and freebies offered by developers continue to push sales in the primary market – these may include low down payment, early bird discounts, Developer Interest Bearing Scheme (DIBS), free legal fees and stamp duty, and furnishing package (built-in kitchen cabinet with hob and hood, island and built-in wardrobe).

The availability of infrastructure and transportation is one of the key elements that will drive any increase in value of the residential sector.

In the near future, we expect to see more integration between public transport and urban developments. To date, Prasarana has signed agreements with various developers to jointly develop the Dang Wangi LRT station, Ara Damansara LRT station, a 26-storey condominium tower in Taman Tun Dr Ismail, and a mixed development in Brickfields. There are 11 more parcels of land earmarked for property development along its future and existing LRT stations - Jelatek, Kelana Jaya, Putra Heights, Pandan Jaya, Pandan Indah, Cempaka, Titiwangsa, Glenmarie, Kinrara, Bandar Puteri and Sentul.

With the prices of high end condominiums expected to remain flat for the remaining of 2013, investors and purchasers may wish to be on the trail for bargain condominiums in KL City and its immediate neighbourhood of Ampang Hilir / U-Thant as the price per sq ft narrows between city and suburban living.

Table 2
Average Asking Prices and Rentals of Existing High End Condominiums

Locality	Asking Gross Rental (RM psf / month)	Average Asking Price (RM psf)
KL City*	3.00 – 5.50	700 – 1,650
Ampang Hilir / U-Thant	2.00 – 4.00	500 – 1,100
Damansara Heights**	2.50 – 4.00	650 – 950
Kenny Hills	2.00 – 3.50	500 – 900
Bangsar	2.50 – 4.50	500 – 1,100
Mont' Kiara***	2.50 – 3.50	450 – 750

* Excludes Binjai On The Park
** Includes Twins at Damansara Heights
*** Excludes Verve Suites which comprise mainly fully furnished small units

KUALA LUMPUR OFFICE MARKET

Market Indications

The Kuala Lumpur office market continues to display resilience with marginal movements in average rental and occupancy rates. In terms of new supply, while there is mixed performance in occupancy, achieved rental rates remained competitive.

Despite the subdued performance and cautious outlook, developers continue to announce new projects with office space as an integral component. The investment market was fairly active during the review period with several notable dealings of decentralised office space.

Supply & Demand

For the first half of 2013, the cumulative supply of purpose built office space in KL City remained unchanged at 48.3 million sq ft while KL City Fringe (includes areas such as KL Sentral, Mid Valley City, Bangsar and Pantai) recorded a 2.1 million sq ft increase to 19.6 million sq ft following five new completions, four at KL Sentral and one along Jalan Damansara.

Menara Shell, the newly completed 33-storey office tower in 348 Sentral, is anchored by Shell Malaysia on a long-term lease. Several green features have been incorporated into the integrated commercial development comprising the office tower and 21-storey serviced residence tower atop a five-storey podium and a four-storey basement that will be certified US LEED Platinum Standards.

In KL City Fringe, a further 2.1 million sq ft of purpose built office space is scheduled for completion later this year. The modern and dual-compliant (green and MSC status) buildings are Menara LGB (386,000 sq ft NLA), Menara Kembar Bank Rakyat [Bank Rakyat Headquarters] (1,300,000 sq ft NLA) and Menara 1 Sentrum (440,000 sq ft NLA). Meanwhile, in KL City, the scheduled completions of Menara Hap Seng 2 and Crest Sultan Ismail, which were both initially planned for 2013, have been delayed to 2014.

In today's challenging office market environment, pre-leasing is key to minimise downside risk. Menara Kembar Bank Rakyat will serve as the new headquarters for Bank Rakyat while more than 50% of Menara LGB have reportedly been taken up with about 25% of space to be occupied by its group with the balance committed by local and multi-national companies.

With no change in supply, average occupancy in KL City inched up marginally to record at 81.6% in 1H2013, about 3.0% higher when compared to 2H2012. This is mainly attributed to the improved take up in several office buildings that include Wisma Budiman, Menara Felda and Sunway Tower.

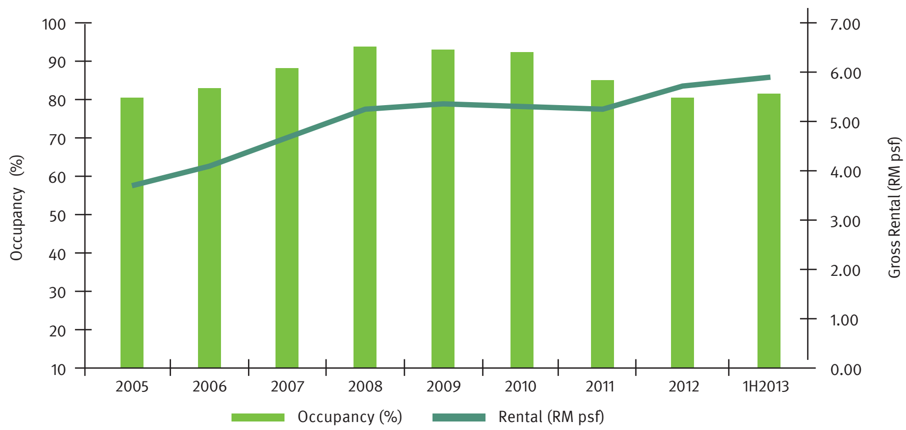
In KL City Fringe, however, the average occupancy rate slipped to 82.2%, about 4.8% lower against 2H2012. KL Sentral registered a sharp decline in its occupancy following the recent completion of some 1.9 million sq ft of space (about 34.1% of its existing stock). With the exception of Menara CIMB and Menara Shell (348 Sentral) which are anchored by CIMB and Shell, Nu Tower 1 and Nu Tower 2 have yet to achieve significant occupancy rates.

During the review period, there were several notable announcements of large scale integrated developments with office as a key component.

Cititower Sdn Bhd, a joint-venture (JV) between KLCC (Holdings) Sdn Bhd and Qatari Diar Asia Pacific Ltd, will develop a mixed commercial project featuring a luxury hotel, a 64-storey office tower, a six-storey retail podium, and basement car park on a four-acre site in KLCC (fourth phase of the KLCC Master Plan). Designed as another iconic landmark for the Kuala Lumpur skyline, the project is targeted for completion by end of 2017. Cititower does not view the oversupply of offices in Klang Valley as a threat due to the project's prime location with good accessibility and connectivity.

The Tun Razak Exchange (TRX) project, launched last July, has gained traction with the recent contract award to WCT Bhd, the first in a series of earthworks and civil engineering jobs. Identified as an Early Entry Point in the Government's comprehensive Economic Transformation Programme (ETP), the 70-acre development with an indicative gross development value (GDV) of RM26 billion, is planned to house a total of 26 buildings (with approximately 9.7 million sq ft

Figure 2
Occupancy and Rental Trends 2005 – 1H2013



Source: Knight Frank Research

of office space). The first phase is expected to complete in 2017, which will coincide with the opening of the new onsite mass rapid transit (MRT) line.

Within the Golden Triangle, Magna Prima will be developing a RM1.8 billion twin tower project on the existing site of Lai Meng Primary School and Lai Meng Kindergarten in Jalan Ampang. The first will be a Grade A green office building while the second tower will accommodate a mix of luxury serviced apartments, a five-star hotel on the upper floors and offices on the lower levels. The company is in talks with local fund management companies on the proposed sale of the office tower. The proposed development on a 1.05-hectare site is slated for launch in 2014.

Meanwhile, in the Central Business District, UDA Holdings Bhd is in the process of submitting the master plan for the Bukit Bintang City Centre (the former Pudu Jail) project to City Hall. The redevelopment project on a 7.6-hectare plot will include condominiums, a hotel, office and commercial lots.

Rentals & Capital Values

During the review period, average achieved rental rates in both KL City and KL City Fringe remained firm with marginal increments registering at RM5.97 per sq ft (2H2012: RM5.85 per sq ft) and RM5.50 per sq ft (2H2012:RM5.40 per sq ft) respectively. The average achieved rental rates in GT and CBD are RM6.28 per sq ft and RM4.76 per sq ft respectively while in KL City Fringe, the localities of Damansara Heights, KL Sentral and Mid Valley City / Bangsar / Pantai recorded average achieved rental rates of RM4.44 per sq ft, RM7.07 per sq ft and RM5.54 per sq ft respectively. Prime A and A+ grade offices continued to command higher monthly rental rates ranging from RM6.50 per sq ft to RM12.00 per sq ft.

There were a few notable openings / expansion of offices during the review period. Blancco, the global leader in data erasure and computer reuse solutions, opened its first office in South-East Asia in Kuala Lumpur (The Weld) while Bloomberg, the world's business and financial news leader, opened its new office at KLCC with state-of-the-art training facilities and a broadcast studio.

The Society for Worldwide Interbank Financial Telecommunications (SWIFT), a global financial messaging provider and British Telecoms (BT) have both opened their new corporate services centre and Asia-Pacific Headquarters in Bangsar South.

In February, Pelaburan Hartanah Bhd (PHB) announced its intention to acquire a 20-storey office building, known as Tower 3, Avenue 7 in Bangsar South, from Paramount Properties Sdn Bhd, a unit of UOA Development Bhd. The building is predominantly occupied by international companies. With the acquisition of PHB's ninth completed property, the group's total value of completed assets is RM1.8 billion.

Top Glove Corporation Bhd's 27% associate company, Value Add Sdn Bhd, had in March entered into a Sale and Purchase Agreement with T.S. Law Realty Sdn Bhd to acquire the East Wing of The Icon @ Tun Razak for RM226 million (about RM844 per sq ft on 267,907 sq ft NLA). The freehold commercial building is about 98% occupied. The sale includes the roof top of both East and West Wings together with 301 car park bays.

In April, Nextnation Communication Bhd inked an agreement with Bidang Lagenda Sdn Bhd, owned by Al Batha group, to acquire the latter's office building in Bangsar South for RM64 million (or about RM894 per sq ft on lettable space). The 11-storey boutique office, identified as Block 1, Tower 7, Avenue 3, The Horizon Phase 1, has a floor area and lettable space of approximately 79,347 sq ft and 71,552 sq ft respectively.

Pan Malaysian Industries Bhd's wholly-owned subsidiary, Fairway Properties Sdn Bhd, is selling a 20-year building, Menara PMI to Gateway Sdn Bhd for RM60 million (about RM577 per sq ft on 104,011 sq ft lettable space). The 15-storey office building with two levels of basement car park (87 bays) is located at Jalan Changkat Ceylon.

During the review, there were a few notable transactions in Selangor. In a related-party transaction, Sime Darby Bhd is selling a 12-storey office tower to Brunsfield Oasis Tower Sdn Bhd for RM124.5 million (or about RM650 per sq ft). The property is known as Block H, Oasis Square in Ara Damansara and has a net saleable area of 191,399 sq ft.

Khuan Choo Property Management Sdn Bhd, a subsidiary of Malton Berhad, has proposed to dispose a 20-storey commercial office building known V Square (VSQ) located in Petaling Jaya to Bukit Damansara Development Sdn Bhd in exchange for a Subject Entitlement for a consideration of RM140 million. The VSQ building has about 163,504 sq ft NLA and 964 car park bays.

In May, Excel Force MSC Bhd has proposed to acquire the entire floor measuring about 18,445 sq ft at Level 13, Tower A, Plaza 33 in Petaling Jaya from Plaza 33 Sdn Bhd for RM14.5 million (about RM786 per sq ft) while Hiap Huat Holdings Bhd had entered into seven separate Sale and Purchase Agreements with Sunway Damansara Sdn Bhd and Perbadanan Kemajuan Negeri Selangor for the acquisition of seven units of office suites with a total net floor area of 11,668 sq ft within the on-going development project of Sunway Nexis Soho for RM11,145,750 (or about RM955 per sq ft).

The much anticipated KLCC Real Estate Investment Trust (KLCC REIT), the first syariah-compliant stapled REIT in Malaysia, was listed on May 9 with an initial portfolio of three assets, namely the Petronas Twin Towers, Menara 3 Petronas and Menara ExxonMobil. The assets are fully occupied with 15-year tenancies and three yearly upward rental revisions by three per cent.

More assets are expected to be injected into the REIT, and this is slated to include Kompleks Dayabumi which is undergoing refurbishment with works to include demolition of City Point podium and an additional one million sq ft of space, as well as enhancing corporate lobby and other facilities to improve rental yields. Costing between RM50 million and RM70 million, the refurbishment is expected to be completed in

2015/2016.

The group is also in talks to secure an anchor tenant for Lot D1 in KLCC. The proposed building on the 0.5-hectare site may be a replica of Menara Petronas 3, comprising a mix of office and retail components with 1.4 million sq ft of gross floor area (GFA).

Amanah Harta Tanah PNB (AHP), the only listed REIT controlled by Permodalan Nasional Berhad (PNB), is refurbishing Plaza VADS in Taman Tun Dr Ismail at an estimated cost of RM59 million. The 24-storey Plaza VADS with a NLA of 194,275 sq ft is anchored by Telekom Malaysia Bhd. It has a 97.4% occupancy level and commands an average monthly rent of RM3.54 per sq ft.

MGPA, an independently-managed private equity real estate investment advisory which manages approximately RM34 billion in assets throughout Europe and Asia Pacific, officially launched the 40-storey Integra Tower on March 20. Integra Tower, with 777,000 sq ft NLA, is Malaysia's first ever building with Platinum LEED pre-certification. Its current tenants include J.P. Morgan, Michael Page and Petronas Lubricants. MGPA is targeting 50% occupancy by end of 2013.

Outlook

Going forward, the office market is expected to remain challenging as supply continues to outstrip demand.

In KL City, demand for good grade dual-compliant office space is expected to remain resilient in the short term. Owners of old and dated office buildings are proactively seeking to upgrade and enhance their assets in a bid to remain competitive and retain tenants (and to attract new ones) amid a challenging leasing market.

The decentralised office location of KL Sentral, however, is expected to face further pressure on its occupancy and rental rates due to the recent completion of some 1.9 million sq ft and impending completion of some 1.7 million sq ft by end of 2013. The short term threat from these completions may, however, be mitigated as several buildings have secured anchor tenants. Furthermore, the impending opening of Nu Sentral later this year is expected to improve integration between the various completed components within KL Sentral and add further appeal to the transportation hub as a popular alternative office location, thus leading to improved demand and absorption rates in the medium to longer term.

With rapid developments of public transportation links (LRT extension and MRT lines), accessibility and connectivity between KL City and its fringe locations will be greatly enhanced. Coupled with the availability of good grade office space at competitive rental rates, this will accelerate the decentralisation process.

Table 3
Office New Completion in 1H2013

Building Name	Location	Approx. Lettable Area (sq ft)
Menara CIMB, Lot A KL Sentral	KL Sentral	608,000
Nu Tower 1, Lot G KL Sentral	KL Sentral	259,600
Nu Tower 2, Lot G KL Sentral	KL Sentral	498,300
Menara Shell	KL Sentral	528,400
Menara D' Damansara	Jalan Damansara	253,000

Table 4
Office Investment Sales 1H2013

Building Name	Location	Approx. Lettable Area (sq ft)	Consideration (RM) / (RM psf)
East Wing of The Icon @ Tun Razak	Jalan Tun Razak	267,907	226,000,000* (844)
Menara PMI	Jalan Changkat Ceylon	104,011	60,000,000 (577)
Tower 3, Avenue 7, The Horizon	Bangsar South	169,040	Not Available**
Block 1, Tower 7, Avenue 3, The Horizon Phase 1	Bangsar South	71,552	64,000,000 (894)

Note:
* The transaction includes the Roof Top of both East and West Wings together with 301 car park bays.
** No information available.

Table 5
Selected Grade A Office Asking Rentals

Building Name	Asking Gross Rental (RM psf / month)
Menara Maxis	10.50
Menara Darussalam	8.50
Integra Tower	11.00
Vista Tower	8.00 - 9.00
G Tower	8.50
Menara Felda	9.00
Menara Standard Chartered	6.50
Menara Citibank	6.50
Menara Binjai	7.50
Kenanga International	7.00
Quill 7	7.50
Menara Prestige	7.50 - 8.50
Menara HLA	7.50
Menara Shell	8.00 - 8.50
Nu Tower 1 & Nu Tower 2	6.50 - 7.50
Menara CIMB	6.50
Bangsar South, The Horizon, Phase 2	6.00

KLANG VALLEY RETAIL MARKET

Market Indications

Malaysia's economy grew 4.1% in 1Q2013, its slowest pace in more than three years on weaker exports against a 6.4% expansion achieved in the preceding quarter. Despite the slowdown, Bank Negara Malaysia maintains the country's full-year growth forecast at between 5% and 6%, underpinned by resilient domestic demand, the key driver of growth with support from the public sector.

For the fifth quarter in a row, the Malaysian Consumer Sentiments Index (CSI) trended upwards to record a six-year high of 122.9 points in 1Q2013, gaining 4.2 points over the preceding quarter. This positive consumer sentiment continues to bode well for the local retail market, supported by a buoyant employment situation, rising levels of disposable income, strong inbound tourism and a growing population base.

Supply & Demand

Cumulative supply of retail space remained unchanged as at 2H2012's level of circa 44 million sq ft. The scheduled openings of several retail centres that include the refurbished Cheras Sentral (the former Plaza Phoenix) and Nu Sentral have been deferred to later this year.

Sungei Wang Plaza, Bukit Bintang's oldest mall which opened 36 years ago, commenced its second refurbishment exercise in November 2012 to reinvent itself. The refurbishment costing some RM40 million involves the facade, ceilings, floorings, stage, lift lobbies, toilets and other new additions and is expected to be completed by year end. It also involves a covered walkway that will be built along the fiesta street in front of the mall, offering the public seamless connectivity. The walkway will be linked to Kuala Lumpur City Hall's walkway, which starts from Imbi Plaza to the Bukit Bintang monorail station, and will include the Bukit Bintang MRT station that is under construction.

Avenue K, upgraded and repositioned to reflect its new concept of "Make friends, create trends", is scheduled to re-open in October with key tenants that include H&M, Cotton On and Popular Bookstore.

Jaya Section Fourteen Sdn Bhd is investing RM400 million to redevelop the former Jaya Shopping Centre in Section 14, Petaling Jaya, into an iconic lifestyle mall. The new seven-storey building, double its previous size, will offer 270,000 sq ft of retail space for some 150 retailers. Targeted to be completed by fourth quarter this year, some 60% of its space have been reportedly pre-let. At least 30% of its original tenants that include retailers like Heng's Watch, DE Touch Jewellery, Guardian Pharmacy and Benchmark Alliance are expected return to the new premises. The company has also inked agreements with 12 new anchor and key tenants that include TGV, CIMB Bank, Chili's Grill & Bar, Bata, Kenny Rogers, Chapter One Bookstore, Caring Pharmacy, Mac Studio and Original Classics. The new rates are between RM7.00 per sq ft and RM20.00 per sq ft. The mall will be managed by real-estate fund management company, CIMB Mapletree Management Sdn Bhd, a 60:40 joint-venture between CIMB Group and Singapore's Mapletree Investments Pte Ltd.

The Klang Valley retail market continues to remain attractive, drawing interests of international retailers and driving the expansion of existing brands. During the review period, there were two notable announcements involving foreign retailers.

Central Pattana Public Co Ltd (CPN) of Thailand-based retail conglomerate, Central Group, has signed a 60:40 shareholders' agreement with I-Bhd to develop a shopping centre at i-City in Shah Alam. CentralPlaza@ i-City, with a total leasable area of one million sq ft, will feature a high element of Thai retailers. It is slated for completion by end 2016.

Mainstay Properties Sdn Bhd, the developer of Space U8 in Bukit Jelutong, has entered into a JV with US-based Horizon Group Properties to develop The Outlet Shoppes in Sepang, within a 5km radius to Kuala Lumpur International Airport (KLIA). Construction of the first phase, comprising the 300,000 sq ft premier outlet destination, will commence in 2014 with its opening scheduled for 2015.

The local retail industry sees exciting times ahead as it herald the arrival of new retailers and brands.

Three of the most iconic names in adventure and travel luxury merchandise, namely Lonely Planet, Billabong and Longchamp have opened outlets at KLIA. It is the third international airport to feature a Lonely Planet concept store, following the success of LS Travel Retail's Lonely Planet stores in Sydney and Manchester.

LS Travel Retail will be opening two more stores at the upcoming KLIA2 terminal. Discover Malaysia offers local souvenirs and gifts whilst My Lifestyle Gallery offers the essentials of fashion, travel and luxury accessories, as well as a cafe within the store. Elle Cafe, named after Elle - a leading beauty and fashion magazine, is the first in-travel food concept to be offered to travellers.

De Beers store @ Suria KLCC

The world's most famous diamond purveyor, De Beers, has opened its first boutique at Suria KLCC, its second store in South-East Asia after Singapore. This is also De Beers' 48th outlet since the opening of its flagship store back in 2002 at London's Bond Street. Tomei Jewellery, which operates 52 stores in Malaysia and also has branches in Vietnam (seven kiosks) and China (11 kiosks), is the Malaysian partner of De Beers.

Swiss luxury wristwatch manufacturer, Oris, has opened its first concept store in 1Utama Shopping Centre with plans to open six more at Pavilion KL, Suria KLCC, Kota Kinabalu and Kuching within two years.

Victoria's Secret recently opened its sixth beauty & accessories concept store in Malaysia at The Curve. The other Victoria's Secret Beauty & Accessories stores are located at KLIA, Penang International Airport, Pavilion KL, 1Utama Shopping Centre and Johor Premium Outlets. There are plans to open more stores this year at Gurney Paragon and Nu Sentral.

Following the acquisition of Jollibean Foods Pte Ltd (JFPL) of Singapore, Berjaya Food Bhd (BFood), operator of the Kenny Rogers Roasters restaurant chain and Starbucks Coffee, have identified sites to expand the outlets, stalls and kiosks under the brand names of "Jollibean", "Sushi Deli", "Kopi Alley", "DanGo" and "JFreeze by Jollibean". Currently, JFPL has 35 Jollibean outlets, four Kopi Alley outlets, 14 Sushi Deli outlets and two DanGo outlets in Singapore.

Going forward, there will be a total of seven new completions / openings anticipated by year end, contributing a significant retail space of some 2.65 million sq ft to the current stock. These include Nu Sentral, The Place and Sky Park @ One City, The Main Place, Setia Walk, Encorp Strand Mall and Bangi Gateway Shopping Complex. The redeveloped / refurbished Jaya Shopping Centre and Cheras Sentral are also slated to open by the end of 2013.

Table 6
Shopping Centres Scheduled for Completion / Opening in 2H2013

New Projects	Location	Estimated Net Lettable Area (sq ft)
Nu Sentral	KL Sentral	650,000
Encorp Strand Mall	Kota Damansara	308,800
Setia Walk	Puchong	300,000
Sky Park @ One City (Phase 2)	USJ	460,000
The Place @ One City (Phase 2A)	USJ	220,000
The Main Place	USJ	237,000
Bangi Gateway Shopping Complex	Bandar Baru Bangi	475,000
Projects Under Redevelopment / Refurbishment		
Jaya Shopping Centre	Petaling Jaya	270,000
Cheras Sentral	Cheras	500,000

Prices and Rentals

During the review period, average rental rates of prime and popular shopping centres such as Suria KLCC, Pavilion KL, and Sunway Pyramid generally remained stable while ground floor rentals at Mid Valley Megamall reportedly recorded slight increase. Suria KLCC continued to live up to its reputation as the premier landmark centre in Klang Valley, commanding high rentals.

IGB REIT's management will continue to grow its assets organically by focusing on asset enhancement initiatives (AEIs). The most recent AEI on a section of the third floor of Mid Valley Megamall (formerly a food court) has created an additional 30,000 sq ft of NLA by utilising the space from a previous low-yielding storage area and carving out an additional mezzanine floor. The revamped area (renamed On3.) was opened in December 2012 and is now 100% tenanted. Meanwhile, The Gardens Mall has potential for a significant upside as its next round of major rental revision is due in November. The management has reportedly guided for a rental revision rate of about 15%. Its current average rental of RM8 per sq ft to RM9 per sq ft) is lower than that of Mid Valley Megamall (RM10 per sq ft to RM11 per sq ft).

Existing REIT players such as Pavilion REIT, CMMT and Hektar REIT are continuously looking to expand their portfolio.

During the review period, Glomac Bhd announced its intention to put up its retail mall in Glomac Damansara for a potential en bloc sale at RM350 million, higher than market estimates. The retail mall is the final phase of the on-going development.

Outlook

Malaysia's retail industry recorded sales growth of 5.5% for the full year in 2012. With strong first quarter growth recorded at 7.5%, higher than the initial forecast of 5.9%, Retail Group Malaysia has revised upwards the full year target to 6.4%, to be supported by major festive seasons, year-end school holidays and sales.

Going forward, shoppers will be spoilt for choice with the anticipated arrival of more international retailers and brands in all trade segments of the industry, from fashion to food & beverage.

The impending high supply of retail space, however, is expected to heighten competition between existing and new shopping centres and lead to further market dilution. To remain relevant in a challenging retail environment, shopping centres undertake proactive measures such as AEIs, as well as promote activities and events to attract high level of shoppers' traffic to stimulate spending.

KUALA LUMPUR HOTEL MARKET

Market Indications

Malaysia's hospitality industry continues to attract the interest of international hotel operators although growth in tourist arrivals has tapered off in recent years to record modest levels. In 2012, the country registered 25.03 million arrivals with corresponding tourist receipts of RM60.6 billion, reflecting year-on-year (y-o-y) growth of 1.3% and 3.9% respectively (2011: 24.71 million arrivals with tourist receipts of RM58.3 million).

Neighbouring ASEAN countries have consistently been the feeder markets of Malaysia, contributing some 75.1% to the total tourist arrivals in 2012 (2011: 76.5%). Tourist arrivals from the Philippines, Laos, Vietnam and Indonesia increased significantly last year, posting double-digit growth ranging from 11.6% to 40.5%. Although, arrivals from Singapore and Thailand contracted 2.7% and 12.4% respectively, these two countries remained Malaysia's top five countries for tourist arrivals. China, which ranked third in terms of tourist arrivals by country, after Singapore and Indonesia, posted a notable growth of 24.6%.

The campaign for Visit Malaysia Year 2014, launched on January 19, is timely to further promote Malaysia as a tourist destination and to achieve its 2014 target of 28.8 million arrivals. The theme of VMY 2014, "Celebrating 1Malaysia... Truly Asia", highlights the country's multi-ethnic society and diverse cultures. The Ministry of Tourism and Tourism Malaysia, together will local industry players, continue their concerted efforts to organise national and international level events to boost foreign arrivals.

Meanwhile, the country's MICE (meetings, incentives, conventions and exhibitions) business appear to be on track to achieve its 2020 target of 8% business tourists. Malaysia Convention and Exhibition Bureau (MyCEB) has secured a total of 135 international MICE events to be held within the next five years. Last year, business tourists made up about 5.3% of total arrivals.

Malaysia, with its advantage of Islamic credentials and protocols to attract medical travellers from the Middle East, has also seen its medical tourism market grown more than 14 times, from RM33 million in 2000 to RM511 million in 2011. For the first five months of 2012, the country registered some 236,836 foreign patients with corresponding spend of RM200.4 million. The country has been listed as a medical tourism destination on MyMEDholiday.com, a portal that provides tips and information for foreign patients seeking broad healthcare services, evident of its thriving tourism industry as well as successful medical infrastructure.

Malaysia Airlines (MAS) now offers seamless one-stop connectivity between Kuala Lumpur and several American cities, part of its strategy to develop commercial cooperation with oneworld alliance members and to enhance air connectivity with key priority markets overseas for increased tourist arrivals. The review period also saw Turkish Airlines and Air France expanding their network to Kuala Lumpur. In the low cost segment, there is also positive development with the recent entries of Malindo Air, Malaysia's first hybrid airline company with its concept of low fares and value-added services and Zest Airways, providing more choice to air travellers.

Supply & Demand

The cumulative supply of 5-star hotel rooms currently stands at 11,017 following the opening of Majestic Hotel Kuala Lumpur (300 rooms) and the closure of Crowne Plaza Mutiara Kuala Lumpur (559 rooms) early this year.

Starwood Hotels and Resort, a world renowned luxury hotel group, debut its sixth hotel brand, Aloft, in Malaysia on March 22. The 482-room Aloft Kuala Lumpur Sentral, the largest Aloft property in the world, owned by Aseana Properties Limited and managed by Ireka Development Management Sdn Bhd, is targeted at the Gen-Y segment.

The review period also saw the opening of the 90-room 4-star Premiera Hotel Kuala Lumpur by Impiana Hotels Resorts Management Sdn Bhd, its third city hotel. Located along Jalan Tuanku Abdul Rahman, the hotel augurs well for the Muslim tourism industry as it prioritises on Islamic values in its services.

With the opening of these hotels, cumulative supply of 4-star hotel rooms in Kuala Lumpur stands at 8,248. The total stock figure comprising both categories of hotels is recorded at 19,265 rooms as at May 2013.

Hotel bookings early this year may have been affected by uncertainties over when the general election (GE13) will be held. During the review period, the average occupancy rates for 4-star and 5-star hotels declined to record at 65% (2012: 71%) and 71% (2012: 72%) respectively. Notable 4-star hotels that achieved occupancy rates in excess of 80% were The Dorsett Regency and Novotel KLCC while those in the 5-star category include Parkroyal Kuala Lumpur, Grand Millennium and Shangri-La.

Going forward, Kuala Lumpur will see the launch and re-entry of more established hotel names. Regent Kuala Lumpur, scheduled to open in 2Q2015 will feature 238 appointed guest rooms. Other upscale brands in the pipeline include St Regis at Kuala Lumpur Sentral (opening December 1, 2014), W Kuala Lumpur (opening January 1, 2016) and Four Seasons (2017).

Meanwhile, Cititower Sdn Bhd, a JV between KLCC (Holdings) Sdn Bhd and Qatari Diar Asia Pacific Ltd, will build a mixed commercial development on a four-acre site, marking the fourth phase of the KLCC Master Plan. With an estimated GDV of over RM5 billion, the development spans over 3.8 million sq ft in GFA consisting of a luxury hotel, a 64-storey office tower, a six-storey retail podium, and basement car park. The hotel component, to be ready by the end of 2017, will be operated by Raffles Hotels & Resorts.

Aloft Kuala Lumpur Sentral

The ground breaking ceremony to commemorate the commencement of the Harrods Hotel construction was held on January 29 at the Seri Melayu Restaurant. Tradewinds Corp Bhd and Qatar Holding LLC will jointly develop the 7-star Harrods Hotel Kuala Lumpur, targeted for completion in 2018. The hotel forms part of an integrated development that comprises two blocks of serviced residences, an office block and a 400,000 sq ft retail mall with direct link to the Pavilion KL.

Boutique hotel, Alila Bangsar Kuala Lumpur will open by early 2017 at a mixed development known as "The Establishment". Located opposite Menara UOA Bangsar, the 124-key hotel will be managed by Singapore-based Alila Hotels & Resorts group.

The long awaited opening of the 110-room boutique style Wolo Hotel at Jalan Bukit Bintang and the 513-room Pullman Kuala Lumpur Bangsar have been delayed to the second half of the year.

Early this year, Malaysia Airports Holdings Bhd (MAHB) launched its new airport hotel brand, Sama-Sama, at the KL International Airport Hotel, marking its entry into the hospitality sector with aim to expand the brand to other markets. It will also operate the Sama-Sama Express KLIA at the KLIA2.

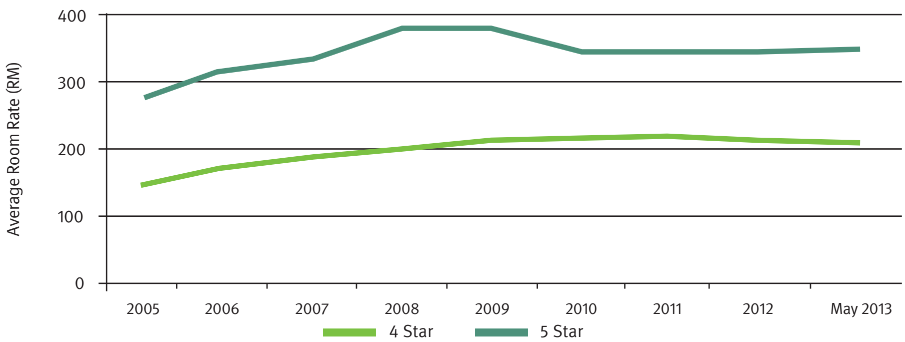
Figure 3

Supply and Occupancy Rate of Selected 4-Star & 5-Star Hotels in KL City 2005 - May 2013

Source: Knight Frank Research / MIHR

Figure 4

Average Room Rate of Selected 4-Star & 5-Star Hotels in KL City 2005 - May 2013



Source: Knight Frank Research / MIHR

Average Room Rates & Capital Values

As at May 2013, average room rates (ARR) for selected 4-star and 5-star hotels were recorded at RM207 (2012: RM211) and RM348 (2012: RM347) respectively.

Boulevard Hotel and Concorde Hotel were among the 4-star hotels that registered ARR above RM250 while 5-star hotels achieving ARR above RM450 include Ritz Carlton, Shangri-La and Westin KL.

Outlook

The recent concluded GE13 augurs well for the country amid renewed confidence by local and foreign investors. The country's hospitality sector is expected to scale greater heights on concerted efforts by both the public sector and private industry players to move from mass tourism and focus on attracting a larger share of the high-end market.

The opening of the new low-cost carrier terminal (LCCT), KLIA2, has now been scheduled for May 2, 2014. With the entry of more airlines, increase in airline routes and flight frequencies as well as the early launch of the promotional campaign for VMY 2014, Malaysia remains at the forefront to welcome the arrivals of more inbound tourists.

PENANG PROPERTY MARKET

Market Indications

The Penang state government has awarded a tender to Consortium Zenith BUCG Sdn Bhd, a Malaysia-China joint venture, to construct 4 road / tunnel projects namely a 4.2km bypass connecting Gurney Drive to Tun Dr Lim Chong Eu Expressway, a 4.6km Tun Dr Lim Chong Eu Expressway-Bandar Baru Air Itam bypass, a 12km road connecting Tanjung Bungah and Teluk Bahang and a 6.5km Penang-Butterworth undersea tunnel.

The construction industry in Penang has received a boost with an expected RM6 billion worth of jobs over the next eight years. Developers, both local and KL-based, have planned to launch some RM9.7 billion worth of properties this year. Approximately RM5 billion will be from commercial projects that include IJM's planned commercial precinct next to the Penang Bridge, SP Setia Bhd's subterranean Penang International Convention and Exhibition (sPICE) Centre (to complete by 2015) and hotel projects in Bayan Baru. The remaining RM4.7 billion will be from various residential developments.

IJM Land will embark on its commercial precinct project on 102 acres located next to the Penang Bridge and off the Tun Dr Lim Chong Eu Expressway in mid-2013. The precinct, which will take seven to eight years to complete, is designed to accommodate four hotels, a shopping centre, an international business district as well as the RM346 million Penang Waterfront Convention Centre which is scheduled for completion in 2017.

E & O's Victory Annexe, a 15-storey new wing with 122 sea-view suites, six banquet halls, a coffee house, a gymnasium and a swimming pool, opened for business in March 2013.

Located fronting Weld Quay and overlooking the Tanjung City Marina, the Royale Bintang Penang, the 6th hotel by Boustead Hotels & Resorts Sdn Bhd, developed at an investment cost of RM60 million, is expected to start operations this November.

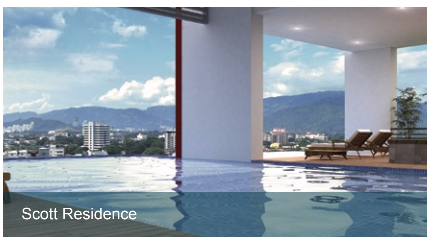

THE LIGHT COLLECTION IV

Solar photovoltaic (PV) cell manufacturer, TS Solartech Sdn Bhd (Solartech), is to invest RM500 million over the next five years to expand its new PV cell manufacturing plant in the Penang Science Park in Bukit Minyak, Penang.

High End Condominium

IJM Land will be launching its Light Collection IV at the end of this year. It will comprise an exclusive 19 units of 4-storey sea front bungalows and 3 blocks of 5-storey seafront condominiums (79 units).

The Light Collection III, comprising 20 units of sea front duplex townhouses and 170 condominium units with 6 duplex penthouses, was officially launched in 3Q2012. Current prices for the condominium and penthouse units sized from 1,851 sq ft to 3,423 sq ft range from RM1.26 million to RM3.73 million or from RM675 per sq ft to RM1,100 per sq ft, up 6% to 7.5% from soft-launched prices. The achieved sales rate (excluding the "bumiputera" allocation) is 70%.


Scott Residence

More than 90% of the 62 units of the 22-storey Scott Residence located along Jalan Macalister have been sold. Launched in late 4Q2012 at prices starting from RM565 per sq ft for the 2,000 sq ft units and from RM700 per sq ft for the four semi-detached units of 2,700 sq ft, the project is currently under construction with expected delivery by end 2014. The units in this project do not come with fittings and built-ins.

It should be noted that several of the newer launches are fitted out with kitchen cabinets c/w hood, hob, oven, light fittings, air-conditioning units and quality sanitary fittings amongst the main items offered.

Compared to 2012, sales rate in the secondary market is more sluggish for super condominiums sized from 3,500 sq ft to

6,000 sq ft. Sub-sale prices in older completed projects within the prime areas of Tanjung Bungah and Pulau Tikus generally range from RM450 per sq ft to RM650 per sq ft whilst those in newer developments command a higher range of RM500 per sq ft to RM800 per sq ft.

Asking rentals for fully furnished units in newer developments range from RM9,000 to RM12,000 per month whilst unfurnished units are asking RM7,000 to RM8,500 per month. In older condominium schemes, asking rentals range from RM5,000 to RM8,500 per month.

Office

The existing supply of office space (buildings of 10-storey and above) remains unchanged as at 2H2012's level of 5.54 million sq ft.

An additional 100,000 sq ft space is expected to enter the market upon the full completion of Hunza's 10-storey office tower which sits atop the Gurney Paragon shopping mall.

Average occupancy rate of the two most prime office buildings in the city now stands at 97.5%, up from 96% in 2H2012. Rentals remain unchanged in the range of RM2.50 per sq ft to RM2.80 per sq ft per month

The average occupancy rate for the two newer office buildings with better IT facilities located outside the city, namely Suntech and Menara IJM Land, remains at about 95%, the same level as 2H2012. Rental rates range from RM2.50 per sq ft to RM3.40 per sq ft per month with one building recording slightly higher rentals.

Retail

Existing supply of purpose-built shopping complex space within Penang Island remains unchanged at 6.09 million sq ft as per 2H2012.

Immediate future supply comprising 599,000 sq ft will come from the 2nd phase of Gurney Paragon Mall scheduled to open its doors in July 2013.

The average occupancy rate of prime shopping malls on the island remains unchanged at 2H2012's level of 96%. For secondary shopping malls, the occupancy rates generally range from 65% to 90% except for two malls which recorded much lower occupancies.

Rental rates for ground floor retail lots in both categories of shopping malls generally stabilised at RM13 per sq ft to RM38 per sq ft per month, depending on the mall, location and size of the units.

Outlook

Most of the sectors are likely to remain stable with not much price appreciation expected. The up-market condominium sector may slow down as rental returns are not attractive in relation to prices. Despite the elimination of the "general elections uncertainty" and the announcement of impending completion of some major infrastructural projects, the overall outlook is still one of consolidation.

Table 7
Future Supply of Retail Space within Georgetown

Project	Estimated Net Lettable Area (sq ft)	Expected Completion
Gurney Paragon Mall (Phase 2)*	599,000	Mid 2013
Penang Times Square (Phase 3)**	290,000 (subject to change)	2017 (estimated)

* Under construction ** Planned

JOHOR BAHRU PROPERTY MARKET

Market Indications

As at end of March 2013, Iskandar Malaysia has registered cumulative investments of RM111.37 billion, out of which about 64% are from local investors. The development region is expected to draw RM15 billion to RM21 billion in investment this year.

The Port of Puteri Harbour Ferry Terminal has commenced its Ferry Services in May - to / from Harbour Bay (Batam), Tanjung Balai (Karimun), Indonesia & Harbour Front (Singapore).

According to report, US-based theme park operator Six Flags has in January 2013 expressed its interest to invest between RM1.2 billion and RM1.5 billion to set up the third theme park in Iskandar Malaysia. The existing theme parks are Legoland Malaysia and Puteri Harbour Family Theme Park.

Legoland Malaysia Theme Park is adding two new attractions - water theme park and hotel. The opening, slated by year-end, will transform the park into a Legoland Resort.

The first Angry Birds Activity Park in South-East Asia will be located at Komtar JBCC in downtown Johor Baru. Under the 10-year licensing agreement, Damansara Asset has been given the rights to feature Angry Birds characters at the 26,000 sq ft indoor theme park that will also include activity area, retail shop, restaurant and party room.

Johor Premium Outlets (JPO) has been awarded The BrandLaureate BestBrands Award 2012-2013 under Corporate Branding for Best Brands in Retail - Outlet Shopping Destinations. Since its official opening in December 2011, JPO, the first premium outlet centre in South-East Asia, has welcomed millions of shoppers from around the world. Genting Simon, the JV that owns the centre, has announced plans for the second phase, scheduled to open to the public in the fourth quarter of the year.

Artist Impression of TriTower Residence

The Renaissance Johor Baru Hotel in Permas Jaya officially opened in April. The 17-storey 5-star luxury hotel offers 325 guest rooms and 20 suites targeted at both business and leisure travellers.

Shangri-La Hotels and Resorts opened its third Traders Hotel in the country in June. The four-storey hotel with 283 rooms is located in Puteri Harbour.

In January 2013, Salcon Bhd signed a conditional sale and purchase agreement to acquire a 12.7-acre leasehold land at the junction of Jalan Kebun Teh and Jalan Abad, Johor Bahru for RM99.7 million (RM180 per sq ft). The proposed mixed development on the land is expected to generate RM1.16 billion in GDV.

At Puteri Harbour, UEM Land Holdings Bhd (UEM) has continued its effort to bring in more strategic partners into the development. In January 2013, two parcels of land measuring 29 acres and 14.7 acres were sold to Liberty Bridge Sdn Bhd at RM211 million (RM167 per sq ft) and RM190 million (RM297 per sq ft) respectively. In April 2013, UEM has also agreed to dispose about 12.5 acres to a JV company between Kuok Brothers Sdn Bhd and Khazanah Nasional Bhd for a consideration of RM182 million (RM334 per sq ft).

Pacific Star Development Pte Ltd, has acquired a piece of land in Puteri Harbour from UEM for RM93.33 million with plans to develop exclusive waterfront apartments, SoHo units as well as a lifestyle retail centre with a GFA of 1.3 million sq ft.

Besides that, UEM has also expanded its land bank through the acquisition of an 85.4-acre parcel adjacent to Puteri Harbour for RM65.2 million via a JV exercise with Iskandar Coast Sdn Bhd.

In Danga Bay area, transactions of development land are also seen to be active. In December 2012, China-based Country Garden (Holdings) Ltd invested RM900 million to acquire a 55-acre land (RM375 per sq ft) at Danga Bay for a mixed development with an estimated GDV of RM18 billion. Dijaya Corp Bhd has also in February 2013 purchased a 6-acre land adjacent to its existing land bank for RM85.8 million (RM328 per sq ft). Within the same month, Singapore's Temasek Holdings and CapitaLand Malaysia Pte Ltd signed an agreement with Iskandar Waterfront Holdings Sdn Bhd to jointly acquire and develop a 70-acre parcel for a planned RM8.1 billion mixed development at a consideration of RM811 million (RM266 per sq ft).

In Medini, Nusajaya, Singapore's developer Link (THM) Holdings Pte Ltd has in February 2013 lease-purchased about 14.6 acres from Medini's concession holder, Global Capital & Development for about RM96.3 million (RM151 per sq ft). In March 2013, Kimlun Corp Bhd has also entered into a conditional lease purchase agreement with Medini Land Sdn Bhd to acquire a 5.3-acre plot for RM31.06 million (RM135 per sq ft).

After acquiring 779 acres of land at Nusajaya from Iskandar Investment Bhd for RM412.7

million (RM12 per sq ft) in December 2012, Sunway Bhd has in January 2013 signed another deal to purchase a 300-acre parcel at RM183.9 million (RM14 per sq ft). These moves will bring Sunway's land bank in Iskandar Malaysia to about 1,858 acres and propel Sunway into one of the largest landowner there.

DRB-Hicom Bhd has in April 2013 proposed to dispose a total of 613.8 acres of land at Tebrau for a consideration of RM534.7 million or RM20 per sq ft.

Mah Sing Group Bhd is acquiring 35.26 acres of freehold of land within the Plentong area for RM365.55 million (RM238 per sq ft) from Kim San Investments Sdn Bhd. The land is proposed for a mixed development comprising serviced residences, hotel and retail portions with an estimated GDV of RM4.35 billion.

Mitsui & Co Ltd of Japan has emerged as a substantial shareholder in Medini Iskandar Malaysia Sdn Bhd (MIM) following its acquisition in May of a 19.99% stake in the latter. MIM owns about 326 acres of land in Medini, Nusajaya and is responsible for the development, sales and leasing, as well as infrastructure building and potential operations on the land.

In January 2013, Doha-based Qatar Holding LLC announced its plan to invest US$10 billion in Pengerang, including the development of a Pengerang Integrated Petroleum Complex (PIPC) on a 20,000-acre site which will house oil refineries, naphtha crackers, petrochemical plants as well as a liquefied natural gas import terminal and a regasification plant.

In collaboration with Taylor's University, Khazanah Nasional Bhd's unit, Destination Resorts and Hotels Sdn Bhd will invest RM60 million to set up a hospitality, tourism and culinary school at Desaru.

In March 2013, the United Arab Emirates (UAE) government reportedly entered into a JV with 1MY Strategic Oil Terminal Sdn Bhd to develop a RM21 billion crude oil and petroleum storage facility on a 998-acre reclaim area at Tanjung Piai. The facility will have a capacity of 60 million barrel for the exclusive use of the UAE.

Figure 5
Office Supply and Occupancy Trend in Johor Bahru 2003 - 1Q2013

Source: Knight Frank Research

Figure 6
Retail Supply and Occupancy Trend in Johor Bahru 2003 - 1Q2013

Source: Knight Frank Research

In March 2013, Malaysia's Bio-XCell Sdn Bhd and India's Agila Biotech sealed a RM107 million build-and-lease agreement for the establishment of a customised biotech R&D and manufacturing facility in Nusajaya that will be built at a cost of RM67.3 million.

Residential

There were a slew of launches in the first half of 2013, comprising mainly high-rise developments.

D'Summit Residences @ Johor Bahru by IOI Properties Bhd. Located within Taman Kempas Utama, the first block of condominiums is offering 850 units with built-up areas from 527 sq ft to 904 sq ft, priced between RM350,000 and RM800,000 per unit.

The Raffles Suites by BMAH Properties Sdn Bhd, located within Taman Sutera Utama. The 311 condominium units for sale with sizing from 700 sq ft to 1,068 sq ft are priced from RM389,400 to RM728,100 per unit.

M Condominium @ Larkin by MB Builders Sdn Bhd. The leasehold development offers 944 units with sizing from 1,068 sq ft to 1,100 sq ft, priced from RM387,000 to RM810,000 per unit.

TriTower Residence @ Johor Bahru Sentral, also by MB Builders Sdn Bhd is offering 360 units of serviced apartments for sale with sizing from 696 sq ft to 3,686 sq ft, priced from RM556,000 onwards.

Paragon Suites @ CIQ by Joland Group offers 461 condominium units for sale, priced from RM486,000 per unit. The units have floor areas ranging from 646 sq ft to 1,695 sq ft.

Pinetree Residences by Tiong Nam Properties Sdn Bhd. Located within Puteri Harbour, Nusajaya, the 264 condominium units with built-up areas from 699 sq ft to 1,798 sq ft are priced from RM839,000 onwards.

The Capri Residences, a sequel to the successful Tropez Residences @ Tropicana Danga Bay was launched recently to overwhelming response. Comprising six luxury residential towers with breathtaking waterfront view and first class facilities and amenities, the condominiums with unit sizing from 694 sq ft to 3,443 sq ft are priced from RM740 per sq ft for the lower floors and increases for the higher floors.

Meridin @ Medini by Mah Sing Group, located within Medini. Some 75% or 446 units in Phase 1A (Tower A and Tower C), valued at RM261 million, were pre-selected during its exclusive preview. There are 595 available units priced from RM387,000 with built-up area of 521 sq ft onwards.

Afiniti Residences @ Medini North by Pulau Indah Ventures. The residential development which forms part of Afiniti Medini offers 147 units priced from less than RM500,000 for a studio unit to RM1 million for a 2+study unit (RM850 per sq ft to RM1,000 per sq ft). Due to overwhelming response, the sales were conducted via a balloting process.

Office

As at 1Q2013, the total net lettable area (NLA) of purpose-built office space in Johor Bahru stands at approximately 8.59 million sq ft with an overall average occupancy rate of about 74.7%.

Prime CBD office space is let at a gross rental range of RM2.50 per sq ft to RM3.30 per sq ft per month. Non-prime CBD office space commands a gross rental range of RM1.60 per sq ft to RM2.50 per sq ft per month whilst offices in secondary locations gross below RM1.50 per sq ft per month.

As Iskandar Malaysia progresses, there are more proposed office buildings to be added to the city centre and Medini/Nusajaya skyline. Several integrated developments, including Vantage Bay, Tropicana Danga Bay, and those within Medini have planned purpose-built office buildings as their components.

Retail

As at 1Q2013, the total NLA of retail space (includes shopping centres, arcades and stand-alone hypermarkets) in Johor Bahru is estimated at 12.08 million sq ft with average occupancy at 73.7%. Prime centres have all recorded occupancy rates in excess of 80% and prime lots generally command gross rentals ranging from RM15 per sq ft to RM40 per sq ft per month.

AEON Malaysia will invest RM240 million to construct its latest mall at Bandar Indahpura, Kulaijaya. The store, with 430,000 sq ft floor space, is slated for completion in December.

The proposed retail mall within Vantage Bay, an integrated 4-in-1 mixed development along the straits frontage road of Jalan Stulang Laut, is expected to complement the adjoining proposed medical centre as well as other residential components within the said integrated development.


Site progress of AEON Kulaijaya

IGB Corp Bhd expects to ink its JV agreement with Selia Pantai Sdn Bhd for the RM6 billion Southkey Megamall in Iskandar Malaysia soon. The deal is to develop the 14.57 hectares in Plentong into a mix of offices, retail outlets and residences, to replicate IGB's successful Mid Valley City. Construction works could commence by the middle of this year and be completed by 2018 or 2019.

Outlook

The residential market, in general, continued to drive the growth of Iskandar Malaysia’s property market. With more developments anticipated to be launched within 2H2013, the residential sector in general and the high-rise condominium/service apartments in particular, is expected to be vibrant and exciting.

The purpose-built office market sustained its steady growth and continued to improve on occupancies and rental rates due to limited existing supply, especially grade A buildings, as new incoming supply will only be available within the next two years or so.

The retail market is expected to be competitive and challenging with new malls in the pipeline over the next two to three years. Existing grade A malls generally enjoy good occupancies and rental rates.

With the general election recently concluded, the property market is expected to continue its momentum into 2H2013, with more launches in the residential segment focusing on high-rise, stratified products. The growth areas generally cover the Danga Bay precinct, Medini @Nusajaya, Puteri Harbour vicinity, the Tebrau basin (from Taman Molek up to coastal Permas Jaya and Kota Putri) and Mount Austin towards Ulu Tiram, as more high profile developments are expected to be launched in Q3/Q4 2013.

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