A comprehensive analysis of Malaysia's residential, office, retail and industrial markets

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Real Estate Highlights

1st Half 2022

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KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Highlights

Malaysia's economy expanded 5.0% in 1Q2022, supported by improving domestic demand and normalisation of economic activities.

The Central Bank raised the Overnight Policy Rate (OPR) to 2.0% on 11 May 2022 due to escalating global inflationary pressures amid disruptions in supply chains.

In Kuala Lumpur, three notable launches / previews of high-end condominiums / serviced apartments and seven project completions were noted during the review period.

High impending supply scheduled to come on-stream by end of 2022.

There is a pick-up in the rental market following reopening of international borders.

Market Indications

Malaysia's economy expanded 5.0% in 1Q2022 (4Q2021: 3.6%), supported by improving domestic and external demand as well as continued policy support. Following the country's transition to the endemic phase of COVID-19 on 1 April 2022 coupled with normalisation of economic activities, Malaysia's economic recovery is expected to accelerate further with full year 2022 GDP growth forecast to range from 5.3% to 6.3%.

Headline inflation moderated to 2.2% in 1Q2022 (4Q2021: 3.2%), mainly due to the dissipating base effect of lower fuel retail prices last year and the absence of the base effect from electricity tariff rebates implemented in 2020. For 2022, headline inflation is projected to range between 2.2% and 3.2% (2021: 2.5%), driven by improving demand conditions amid lingering cost pressures.

On the lending front, Bank Negara Malaysia raised the Overnight Policy Rate (OPR) by 25 basis points to 2.00% on 11 May 2022. The increase in policy rate, from a record low of 1.75% since 7 July 2020, is in line with monetary measures taken by central banks in major markets due to growing global inflationary pressures amid the rise in commodity prices and disruption to supply chains amongst other reasons.

There was improved property market activity in 2021, supported by the Home Ownership Campaign (HOC) which ended in December 2021, RPGT exemption and incentives provided under Budget 2022, and other economic stimuli introduced during the year. A total of 198,812 residential units worth RM76.90 billion changed hands during the year, reflecting a significant increase (21.7%) in transacted value albeit a marginal rise of 1.5% in transacted volume. The recovery in the residential property market continues into this year – in 1Q2022, there were 57,750 transacted units worth RM22.98 billion, the transacted volume and value were higher year-on-year by 10.5% and 17.0% respectively (1Q2021: 52,275 transactions valued at RM19.64 billion).

The Federal Territory of Kuala Lumpur recorded a total of 7,324 transactions with collective value of RM5.60 billion in the condominium and serviced apartment categories in 2021. The transacted volume and value were marginally higher on the year by 2.2% and 3.7% respectively. In 1Q2022, the federal territory registered 2,174 transactions valued at RM2.26 billion in the condominium and serviced apartment categories, reflecting year-on-year increments of 9.2% and 50.7% respectively (1Q2021: 1,990 transactions valued at RM1.50 billion).

Supply & Demand

As of 1H2022, the cumulative supply of high-end condominiums / residences in Kuala Lumpur stood at 67,995 units following the completion of seven projects which contributed an additional 2,786 units to the existing stock.

During the review period, the number of project completions was notably higher likely attributed to earlier construction delays impacted by the various phases of containment measures. Several projects are scheduled for completion by 2H2022 and will add circa 5,303 units to the existing high-end residential stock.

There were three notable project launches / previews, namely SWNK Houze, Skylon Residences and One Eleven Menerung.

SWNK Houze is a component within Phase 2 of the on-going Bukit Bintang City Centre project by BBCC Development Sdn Bhd. The 31-storey serviced apartment block is being developed atop the Entertainment Hub and is adjacent to the Mitsui Shopping Park Lalaport. It offers 441 units with built-up areas ranging from 463 sq ft to 1,238 sq ft in loft studio to three-bedroom configurations. The units are targeted at young urbanites and investors seeking to own a residential property within the city. SWNK Houze is slated for completion by 2025.

Skylon Residences is a freehold 38-storey ecologically designed residence block in Bukit Ceylon. The project by GBD Land Sdn Bhd offers only 178 units in nine layouts of one and two-bedroom configurations. The units sized from 518 sq ft to 1,250 sq ft are targeted at young professionals, investors as well as small and growing families. The project is scheduled for completion by 2025.

BRDB Developments Sdn Bhd has unveiled, One Eleven Menerung. Sited on a 0.83-acre freehold land parcel next to the Pusat Bandar Damansara MRT station in Bangsar, the single serviced apartment tower of 23-storey will house a total of 111 units. The simplex and duplex units, with built-up areas ranging from 1,001 sq ft to 3,714 sq ft, are targeted mainly at young professionals, residents of Bangsar, families, upgraders and investors. The project completion is expected by 2026.

Completions of High-End Condominiums / Residences, 1H2022

Project	Location	Area	Total Units
Lucentia Residences	Jalan Hang Tuah	KL City	668
10 Stonor	Persiaran Stonor	KL City	364
The Colony & The Luxe	Jalan Dewan Sultan Sulaiman	KL City	723
R8 Residence	Jalan Ampang Hilir	Ampang Hilir / U-Thant	28
Ampang Tengah 6	Jalan Ampang Tengah	Ampang Hilir / U-Thant	35
Avara Seputeh	Jalan Seputeh	Seputeh	328
Inspirasi Mont' Kiara	Jalan Kiara 3	Mont' Kiara / Sri Hartamas	640

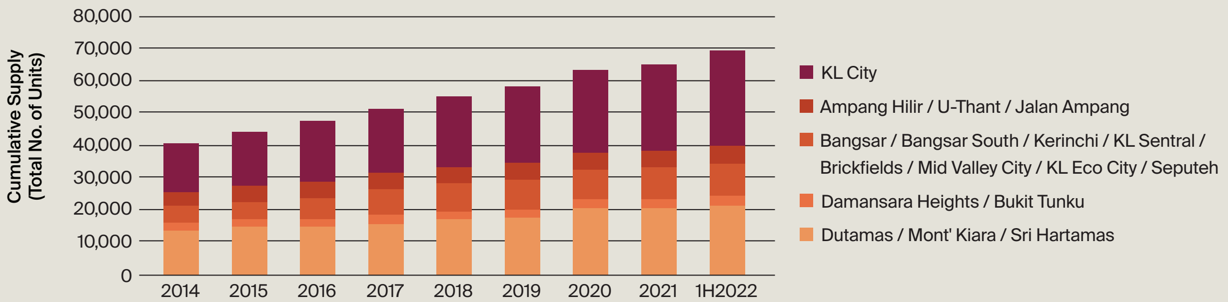
Source: Knight Frank Research

Notable Launches / Previews, 1H2022

Name of Development	Type	Developer	Area	No. of Units	Unit Sizing (Min - Max) (sq ft)	Selling Price (RM per sq ft)
SWNK Houze	SA	BBCC Development Sdn Bhd	Bukit Bintang	441	463 - 1,238	From 1,400
Skylon Residences	SA	GBD Land Sdn Bhd	Bukit Ceylon	178	518 - 1,250	From 1,300
One Eleven Menerung	C	BRDB Developments Sdn Bhd	Bangsar	111	986 - 3,594	From 1,800

Source: Knight Frank Research
Note: SA = Serviced Apartment; C = Condominium

Projection of Cumulative Supply for High End-Condominiums / Residences, 2014 to 1H2022



Source: Knight Frank Research

One Eleven Menerung

Source: BRDB

Prices and Rentals

During the review period, there was improved transactional activity in the secondary market across the localities under review. The overall (average) transacted price of high-end condominiums / serviced apartments in Kuala Lumpur was marginally higher (circa 1.2%).

The average asking rentals of high-end condominiums and serviced apartments in the localities of KL City, Ampang Hilir / U-Thant, Damansara Heights and Mont' Kiara were marginally higher during the review period while in Bangsar, the rentals remained relatively flat. Moving forward, the overall rental market is expected to improve gradually following the country's reopening of international borders to foreign travels – normalisation of economic activities and anticipated return of expatriate population to the country.

Average Transacted Prices of Selected Existing High-End Condominiums / Serviced Apartments, 2H2021 and 1H2022(p)

Locality	2H2021 (RM per sq ft)	1H2022(p) (RM per sq ft)	Analysis
KL City	1,000 – 1,030	1,000 – 1,045	
Ampang Hilir / U-Thant	720 – 740	720 – 750	
Bangsar	800 – 970	810 – 990	
Damansara Heights	830 – 950	850 – 970	
Kenny Hills	690 – 730	680 – 740	
Mont' Kiara	580 – 730	620 – 720	
Overall	**770 – 860**	**780 – 870**	

Source: JPPH / Knight Frank Research
Notes:
(1) (p) = Preliminary – Analysis based on preliminary data
(2) The price analysis is calculated by weighted average approach based on recorded transactions of selected schemes

Average Asking Rentals of Selected Existing High-End Condominiums / Serviced Apartments, 2H2021 and 1H2022(p)

Locality	2H2021 (RM per sq ft / month)	1H2022(p) (RM per sq ft / month)	Analysis
KL City	2.00 – 4.70	2.00 – 5.20	
Ampang Hilir / U-Thant	2.00 – 2.70	2.10 – 2.90	
Bangsar	2.20 – 3.80	2.10 – 3.90	
Damansara Heights	2.20 – 4.20	2.20 – 4.30	
Mont' Kiara	2.00 – 3.80	2.00 – 4.00	

Source: Knight Frank Research
Note:
(1) (p) = Preliminary – Analysis based on preliminary data
(2) The analysis is based on asking rentals due to limited concluded rental data.

Outlook

Malaysia's transition to the endemic phase since 1 April 2022 is positive for the economy and the real estate market. The country's full year GDP forecast of 5.3% to 6.3% remains on track although downside risks such as the on-going Russia-Ukraine conflict, rising global inflationary pressures and high commodity prices, continue to weigh on economic recovery.

With the steep increase in prices of building materials translating to higher construction costs, prices for residential properties are set to increase moving forward. This coupled with the recent increase in overnight policy rate (OPR) from 1.75% to 2.0% (with another potential hike in the second half of 2022), will somehow dampen interest in the property market due to higher borrowing cost.

On the positive note, Phase 1 of the MRT Putrajaya Line commenced operations on 16 June 2022. The scheduled completion of Phase 2 of the Putrajaya Line in 2023 and the revived MRT Circle Line with completion slated by 2030, will further improve connectivity within Greater Klang Valley. These improving rail infrastructure are expected to lift property values along the routes.

More developers are expected to unveil attractive campaigns to boost sales of unsold inventories and new property products following the end of the popular Home Ownership Campaign (HOC). Boustead Properties, Land & General Bhd (L&G), Sunsuria Bhd and Tropicana Corporation Bhd are collaborating with Affin Bank Bhd for an easy homeownership campaign under the Home Step Fast/-i mortgage product while Sunway Property has launched its Signature Series 2022 campaign, offering sale promotion deals, including free MOT, an interest-free period until year-end and 100% financing from the Maybank Islamic HouzKey programme.

Environmentally friendly homes are becoming more important for sustainability and climate change mitigation. As more purchasers move towards sustainable developments that incorporate eco-friendly features, property developers are gradually weaving the environmental, social, and governance (ESG) aspects into the conceptualisation, design and construction stages of their projects.

SP Setia Bhd has signed a memorandum of understanding (MoU) with Tenaga Nasional Bhd (TNB) to provide smart energy and renewable energy (RE) solutions for the future primary source of electricity to potential buyers. The MoU was signed to ensure the properties are future-ready to support the installation of battery solutions in SP Setia's upcoming residential and commercial developments. TNB will equip Setia properties and developments with solar, battery and electric vehicle (EV) infrastructure.

CUCKOO International, a maker of healthy home products, intends to work with property developers to promote a healthy lifestyle and living amid the COVID-19 pandemic. The company has partnered with EXSIM Group to install 1,000 water purifiers throughout the building of Scarletz Suites, a serviced apartment project located at Jalan Yap Kwan Seng.

The short-term outlook for the high-end condominium segment remains challenging albeit a slow and uneven recovery due to headwinds in the global and domestic markets - rising inflationary pressure, sharp spike in commodity prices and adverse impact of the on-going Russia-Ukraine war.

KLANG VALLEY OFFICE MARKET

Highlights

The reopening of the country's borders since 1 April 2022 as the nation transitions to the endemic phase allows the entire spectrum of economic activities to rejuvenate in its entirety and this is positive for the lacklustre office market.

With more employees gradually returning to the workplace, landlords are prioritising health and safety with initiatives to improve indoor environment quality (IEQ) by modernizing facilities with UV system and incorporating technologies to promote "touchless" access.

Endemic trends, however, indicate that more organisations are opting for hybrid work models to provide employees with better work-life balance.

The Klang Valley office sector remains tenant favourable with landlords focusing on retaining tenants through cost-cutting, asset upgrading, and leasing tactics.

Limited transactional activities during the review period as strict containment measures disrupt and delay the acquisition / disposal process.

Market Indications

Labour market conditions continue to improve with unemployment rate falling below 4.0% (April 2022: 3.9%), the first time after two years of pandemic as more economic activities resume following the country's transition to the endemic phase on 1 April 2022. Moving forward, the unemployment rate is expected to fall further, backed by continued government assistance and increased business prospects.

In the first quarter of the year, the Business Conditions Index (BCI) dipped slightly to 101 points. Although the index has remained above the 100-point threshold level for two consecutive quarters, increased geopolitical risks and rising inflation continue to weigh on the recovery of the domestic and global economies.

Supply and Demand

The cumulative supply of office space in Klang Valley stood at circa 111.4 million sq ft as of 1H2022 following the completions of Affin Tower @ TRX, The Stride Strata Office and UOB Tower 2 in KL City and Block G of Empire City in Selangor.

Located within the financial district of TRX, Affin Tower is a 43-storey office building offering 613,000 sq ft of net lettable area (NLA). The GBI-certified and MSC Malaysia status office tower has typical floor plates of 16,000 sq ft to 17,000 sq ft.

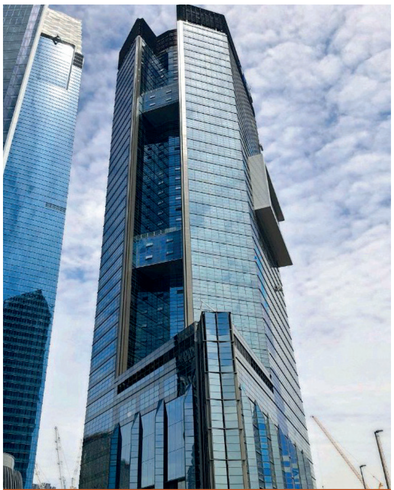
Also located in KL City, The Stride Strata Office with circa 443,000 sq ft of NLA forms part of the mixed-use development of Bukit Bintang City Centre (BBCC) – being the redevelopment of the former Pudu Prison. The single 46-storey block offers 265 units of strata offices with built-up areas ranging from 1,087 sq ft to 11,000 sq ft.

Meanwhile, the newly completed 29-storey UOB Tower 2 at Jalan Raja Laut offers circa 377,000 sq ft of NLA. It incorporates five levels of basement car park and a banking hall spread over two levels of podium.

Block G of Empire City is the only completion in Selangor. Located off Jalan Damansara, it forms part of a mixed-use development on freehold land spanning circa 9.3 hectares. The office building, which is connected to a 2.5 million sq ft retail podium, offers circa 137,950 sq ft of NLA.

By the second half of 2022, another 10 office buildings are scheduled for completion - six located in KL City and two each in KL Fringe and Selangor. Upcoming completions in KL City are Felcra Tower, PNB 1194, Pavilion Embassy Corporate Tower and Corporate Suites, V2 Corporate Office Tower (Velocity 2) and Merdeka 118 Tower while in KL Fringe, they are The MET Corporate Towers and Aspire Tower. The impending completions in Selangor are Empire City Block J and Office Towers @ Atwater. Collectively, these completions will add circa 6.1 million sq ft of space to Klang Valley's existing cumulative office stock.

Despite growing challenges in the office market, the overall occupancy rate of purpose-built office space in KL City improved to record at 67.2% during 1H2022(p) (2H2021: 66.0%). Similarly, the occupational demand in KL Fringe was also slightly higher at 86.8% (2H2021: 86.1%). However, the overall occupancy rate in Selangor declined marginally during the review period to record at 74.1% (2H2021: 74.6%).



Affin Tower @ TRX

Source: Knight Frank Research

There were several notable office-related announcements during the review period.

TIME dotCom Bhd recently purchased Bangunan KWSP in central Kuala Lumpur for RM62 million and is expected to repurpose the office building into a data centre as the acquired building is located just a block away from Menara AIMS (TIME's flagship and fully-occupied data centre) and would thus, enjoy the same location appeal. The capital expenditure (CAPEX) for repurposing is significant, and a few years of gestation is expected.

Menara ABS Bhd (MABS), a trust-owned special-purpose entity sponsored by Telekom Malaysia Bhd, intends to sell three of the four office buildings that it owns. The three office buildings are Menara Telekom

Malaysia (TM), Menara TM Semarak and Wisma TM Taman Desa. They are offered for sale via an Expression of Interest and Tender exercise. The properties form part of the portfolio of Islamic Sale and Leaseback transactions involved in the issuance of Islamic Asset-Backed Sukuk Ijarah (known as "ABS Fund").

HSBC Malaysia, in line with its relocation to the new headquarters in Menara IQ at Tun Razak Exchange (TRX) and its commitment to the Future of Work (FOW) model, has moved to a hybrid work model. The hybrid work model is part of the group's global initiative to improve wellbeing, provide more flexibility and also to reduce the global office footprint. In Malaysia alone, HSBC has invested more than RM1 billion into Menara IQ as part of its commitment to enhance focus on work flexibility, providing a fit for purpose modern working environment, and integrating the highest standards of environmental sustainability.

The shift of Malayan Banking Bhd (Maybank) to Finance Avenue at i-City in Shah Alam, Selangor, will act as a catalyst for Fintech and Chinese enterprises to operate there. Maybank is relocating roughly 1,500 employees to Mercu Maybank, a Grade-A Green Building Index (GBI) smart office tower located at Finance Avenue at i-City, as part of the group's efforts to improve its business continuity management and resilience planning. It will occupy 14 floors totalling 162,000 sq ft. Mercu Maybank's luxury corporate office design, security features, and GBI certification aligned with the banking group's sustainability commitments.

Colony Space Asia Sdn Bhd has signed a six-year co-working space deal with integrated car e-commerce platform Carsome, involving 41,860 sq ft of office space across four floors of KYM Tower in Mutiara Damansara. Colony labelled the deal as the biggest in Malaysia's co-working space industry. The office space to house Carsome's expanded headquarters will be built and managed by Colony. Carsome has been one of its anchor tenants in Colony@ Mutiara Damansara since 2019. In addition to this deal, Colony has also provided Carsome with an option to further increase its workspace by 33% during the six-year period of the deal.

Air Liquide has launched its new head office for its Malaysia operations at 1Power House in Bandar Utama, Petaling Jaya, Selangor. The new head office will host a total of 450 employees from Air Liquide Malaysia and Cryogenic Tank Services, which support the local operations in the country, and APAC Global Services (AGS) head office which provides shared services for Air Liquide entities across over 14 countries in the Asia-Pacific. Air Liquide's long-term presence reflected great confidence and reinforced Malaysia as the regional services hub location of choice in Asia.

Sunway Bhd has unveiled Corporate Suite@19 workspace, which is part of the US$60 million (RM251.2 million) transformation of the group's flagship five-star hotel, Sunway Resort. The open-plan Grade A office is located on the highest level of Sunway Resort. It will showcase almost 3,000 sq m of open-plan working space — the largest in Sunway City. The high-performance office space, which has MSC Cybercentre status, comes equipped with a raised floor system and dual feed power supply.

Selected Notable Tenant Movements, 1H2022

Building Name	Approx. Space (sq ft)	Remarks	
KL City			
26 Jalan Sultan Ismail (FKA Kenanga International)	~ 150,000	Moving In • Finance & Banking	
Menara Felda	~ 66,000	Moving In • Government Body • Healthcare • Construction Industry	• Business Consultancy • Energy Service
KL Fringe			
Mercu 3	~ 77,000	Moving In • Food Industry • Retailer • IT Service	Relocation[1] • Finance & Banking
Bangsar South (Menara BT)	~ 40,000	Moving In • Medical Equipment	
Menara IGB	~ 20,000	Relocation[2] • Coupon Company	
Plazz Zurich	~ 20,000	Moving In • Business Consultancy • Energy Service	• Food Industry • Healthcare
Mercu 2	~ 19,000	Moving In • Business Consultancy	
Selangor			
Mercu Maybank (FKA Sumurwang Tower @ i-City)	~ 160,000	Moving In • Finance & Banking	
Imazium @ Uptown	~ 188,000	Moving In • Pharmaceutical • Healthcare • Logistics	
Wisma LYL	~ 32,000	Moving In • Education	

Source: Knight Frank Research
Notes:
(1) The company relocated from KL City to KL Fringe.
(2) The company relocated within KL Fringe.

Prices and Rentals

The average rental rate of office space in KL City experienced downward pressure to record at RM6.43 per sq ft per month in 1H2022(p) (2H2021: RM6.46 per sq ft per month). The lack of catalyst to boost office demand coupled with the fundamental shift in the way people work post COVID-19 sees supply outstripping demand.

In KL Fringe, however, the average office rent remained relatively stable, driven by a wider pool of tenants / occupiers and high-quality decentralised offices, particularly in areas with ease of accessibility and adequate transportation links. It was recorded at RM5.62 per sq ft per month (2H2021: RM5.60 per sq ft per month) while in Selangor, it held steady at RM4.09 per sq ft per month.

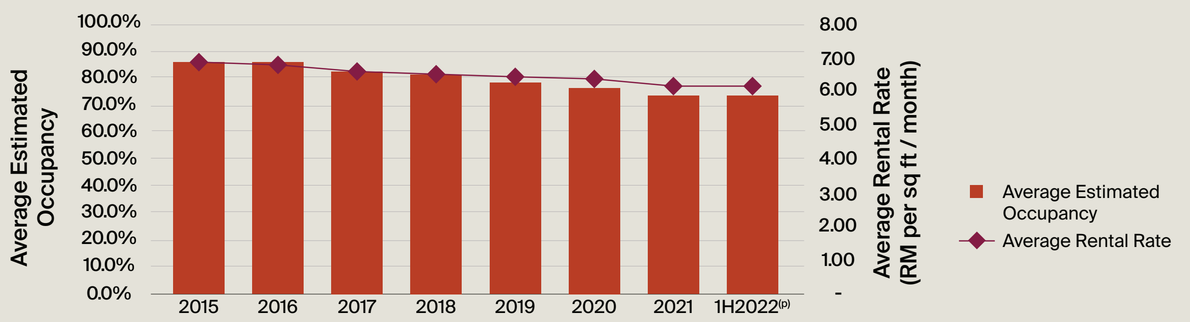
During the review period, asking rentals of Prime A+ and Grade A office space in KL City range from RM5.00 per sq ft to RM12.50 per sq ft per month depending on location (New CBD: from RM6.00 per sq ft to RM12.50 per sq ft per month; Old CBD: RM6.50 per sq ft while in KL Fringe, it range from RM6.20 per sq ft to RM9.00 per sq ft per month. In Selangor, similar grade office space command competitive monthly rentals ranging from RM4.50 per sq ft to RM6.00 per sq ft.

Asking Rentals of Selected Grade A Offices, 1H2022(p)

Building Name	Asking Gross Rental (RM per sq ft / month)
KL City	
Permata Sapura	12.50
Integra Tower	10.50
The Exchange 106	10.00 – 12.00
Menara Maxis	8.00 – 10.00
Menara Prudential @ TRX	8.50
Menara Binjai	8.80
Menara Hap Seng 3	7.50
Vista Tower	7.50 – 9.50
Menara TCM	7.50
NAZA Tower	7.00 – 7.50
JKG Tower	6.50
G Tower	6.00
KL Fringe	
Menara Shell	9.00
Menara Southpoint	8.50
Menara Etiqa	7.00 – 8.00
The Gardens North & South Towers	7.80
NU Tower 2	7.50
Mercu 2	7.50
Menara Ken @ TTDI	6.50
UOA Corporate Tower A	6.20
Selangor	
The Pinnacle	6.00
1 First Avenue	6.00
1 Powerhouse	6.00
Surian Tower	5.80
Nucleus Tower	5.00 – 5.70
Plaza 33	5.50
The Ascent @ Paradigm	5.50
Quill 18 (Blocks A & B)	5.50
Puchong Financial Corporate Centre (Towers 4 & 5)	4.50

Source: Knight Frank Research
Note: (p) = Preliminary Data

Occupancy and Rental Trends in Kuala Lumpur, 2015 to 1H2022(p)



Source: Knight Frank Research
(p) = Preliminary data

During the review period, there was only a notable office transaction between AIMS Data Centre Sdn Bhd and Lembaga Kumpulan Wang Simpanan Pekerja (KWSP), namely of Bangunan KWSP at Changkat Raja Chulan.

Notable Investment Sales & Transactions, 1H2022

Building Name	Location	Approx. NLA (sq ft)	Consideration (RM per sq ft)
Bangunan KWSP[1]	Changkat Raja Chulan	114,000	62,000,000 / 543

Source: Knight Frank Research
Note:
(1) AIMS Data Centre Sdn Bhd, a wholly-owned subsidiary of TIME, had on 11 January 2022 entered into a conditional sale and purchase agreement (SPA) with Lembaga Kumpulan Wang Simpanan Pekerja (KWSP), for the proposed acquisition of a 13-storey purpose-built office building together with 95 car park bays known as Bangunan KWSP Changkat Raja Chulan for a total cash consideration of RM62 million.

Outlook

The pace of recovery in the office sector will continue to pick up this year in tandem with the uptick in economic activities and improved business sentiments following the country's transition to the endemic phase on 1 April 2022. Demand for space is expected to increase with more employees gradually returning to the physical office and as more organisations firm up their workplace planning and set clearer targets for office re-entry.

However, in the near term, the rental rates and occupancy levels of office buildings in Klang Valley, in particular KL City are expected to experience further pressure – this is amid growing mismatch in supply and demand and as more organisations especially MNCs embrace the hybrid work model.

Post COVID-19, there is renewed interest in co-working space as it presents occupiers with highly flexible options to scale their operations up or down depending on their needs. The co-working model is also attractive in terms of cost effectiveness and networking, and thus, appeals to organisations of all sizes to consider, in particular, businesses that have implemented Business Continuity Plans (BCP).

Meanwhile, buildings embracing green technology that are certified by the Malaysian Green Technology Corporation ("MGTC") are qualified for tax incentives which also support the agenda of Sustainable Development Goals (SDGs) 2030. The existing tax incentives will be extended to include Rainwater Collection and Utilisation System project. More office tenants are also expressing interest in green buildings as a result of growing environmental and social governance (ESG) awareness.

Overall, there is heightened competition in Kuala Lumpur's office market with the impending supply of circa 5.34 million sq ft by 2H2022. To further drive or retain occupancies, landlords are upgrading building specifications with priority on health and safety and are offering more flexible leasing arrangements.

Meanwhile, the Selangor office market is expected to remain resilient with growing leasing activities, especially for Grade A buildings with MSC Malaysia status. The availability of a larger pool of tenants / occupiers coupled with attractive rental and leasing packages as well as the improved rail network continue to drive demand for office space in established and upcoming decentralised locations.

KLANG VALLEY RETAIL MARKET

Highlights

Newfound optimism with annual retail sales growth for 2022 projected at 13.1% following robust quarterly growth of 18.3% (1Q2022).

In 1Q2022, the MIER Consumer Sentiments Index (CSI) breaches optimism threshold to read at 108.9 points as consumers are optimistic about their income earnings and employment opportunities albeit concerns over rising inflation.

The completions of Mitsui Shopping Park Lalaport and Malaysia Grand Bazaar brings Klang Valley's Cumulative retail space supply to 66.09 million sq ft.

Market Indications

The retail industry rebounded in 2021, posting a smaller annual contraction of 2.3% (2020: -16.3%) following gradual easing of strict containment measures in the four-phase National Recovery Plan (NRP).

With higher footfall at shopping malls coupled with the Chinese New Year festival, the retail industry started the new year on a positive note with retail sales recording a promising growth rate of 18.3% in 1Q2022.

For the entire year of 2022, the country's retail sales growth has been revised upwards from 6.3% to 13.1% following the country's transition to the endemic phase on 1 April 2022.

The MIER Consumer Sentiments Index (CSI) improved to record at 108.9 points in 1Q2022, surpassing the 100-point optimism threshold. The positive index was driven by consumers' optimism for better income and employment opportunities despite growing inflationary pressures.

Supply & Demand

Following the completions of Mitsui Shopping Park Lalaport and Malaysia Grand Bazaar in Bukit Bintang with combined NLA of approximately 1.0 million sq ft, the cumulative supply of retail space in Klang Valley stands at circa 66.09 million sq ft as of 1H2022.

Mitsui Shopping Park Lalaport and Malaysia Grand Bazaar forms part of Bukit Bintang City Centre (BBCC) - a 19.4-acre integrated development encompassing serviced residences / residential suites, hotel, office, retail, an entertainment hub and transit hub.

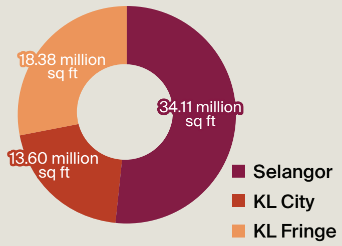
Introducing a myriad of first-to-market brands, including NITORI, Nojima, Coo&RIKU, Shin'Labo, Match Eight, Tamaruya, Lalaport BBCC brings new concepts and authentic Japanese shopping experience. Through its event spaces, namely the Central Rooftop Garden, Wow Plaza, and Grand Steps, and coupled with its integrated mobile app and loyalty reward programme, Lalaport BBCC offers convenience and enhances consumers' shopping experience.

Curated to house local brands, Malaysia Grand Bazaar – the city's first artisanal mall, pays homage to creators and crafters as it seeks to become an incubator of local entrepreneurs to scale up their businesses and reach a wider customer base.

The next half of the year (2H2022) will see the scheduled completion / opening of four shopping centres / supporting retail components with a collective retail space of circa 2.15 million sq ft.

The official opening date of the completed retail component with circa 326,000 sq ft of NLA at Datum Jelatek, initially targeted in 1H2022, has been delayed. During the review period, a subsidiary of Gagasan Nadi Cergas Bhd has entered into a 30-year chilled water supply agreement with the mall to support efficient operations.

Existing Retail Supply, 1H2022



Source: Knight Frank Research

Incoming Retail Supply, 2H2022

Selangor

KSL Esplanade Mall
Klang
650,000 sq ft

IOI City Mall Phase 2
Putrajaya
1,000,000 sq ft

Retail Component of Datum Jelatek
Taman Keramat
326,000 sq ft

EcoHill Walk
Semenyih
170,000 sq ft

Source: Knight Frank Research

The landscape of Taman OUG is set to transform with the impending demolition of Plaza OUG. The redevelopment will make way for a new mixed-use project comprising a 6-storey shopping complex, a hotel and serviced apartments.

Mall operators continue to embark on asset enhancement initiatives (AEIs) to cater to the ever-evolving consumer preferences, and to address the health and safety of shoppers.

WCT Mall Management is taking additional measures to provide a cleaner and hygienic environment by installing air purifying system in all of its retail premises, namely Paradigm Mall Petaling Jaya, Gateway@KLIA2 and SkyPark Terminal.

The refurbishment of family rooms at IPC Shopping Centre encompasses antibacterial flooring and advanced air ventilation system with air purifying properties. Other upgrading works include new escalators and playgrounds, which solidify the mall's position as a family-friendly shopping destination.

Lotus's Malaysia is going green through its latest rooftop solar photovoltaic (PV) project involving 12 stores and one distribution centre. The installation of the solar PV system is equivalent to planting over 300,000 trees, as it offsets over 6,600 tonnes of carbon emission annually.

With the resumption of all economic activities boosted by the nation's high vaccination rates, retail giants including Mr DIY, InNature, AEON, 7-Eleven, Padini and Bfood (operator of Starbucks and Kenny Rogers), reported improved profits compared to the previous year.

Local and foreign brands continue to debut in prime shopping malls while existing retailers continue to strategize for expansions.

Notable New Entrants in Selected Prime Shopping Malls, 1H2022

Suria KLCC
I.T. Store, Boucarad, Victoria's Secret, Bonia, Amaris*, Oakley

Pavilion Kuala Lumpur
Baan Phadthai*, Fresh, Morganfield's, CHAGEE, The Five Guys

Mid Valley Megamall
Starbucks Reserve, MR D.I.Y. Plus, H&M, 2XU, The Eatery, eMART24, Nanyang Café, Bean Jr.

The Gardens Mall
Cartier, Elemis, MST Golf, Nadeje Cake Shop, Fat Daddy*, Padi House, Toy Eight

Sunway Pyramid
Wok Hey*, Lockin, Lenovo Concept Store, Taco Bell, Jollibee*, Sports Direct, Lancome, Yale Smart Shop, Gordon Ramsay Bar & Grill* (at Sunway Resort)

One Utama
Hazukido, Mr Fish Fish & Seafood Noodle, Yakiniku Kuro, Dookki, Junior Lookbook, MiX.com.my, BDARI, TSL Jewellery, Z Botanica by Nicsmann, The Manhattan FISH MARKET, Coco Loca

Source: Knight Frank Research
Note: *Represents the brand's maiden entry into Malaysia

850th store - Mr DIY Plus @ Mid Valley Megamall

Source: Knight Frank Research

Retailers' Expansion Plans

Komugi
Klang Valley
3 / 4 stores in 2022

Focus Point / Whoosh / Optometris Anggun
Nationwide
15 stores in 2022

Lulu
Nationwide
15 stores in 3 years

McDonald's
Nationwide
205 stores by 2026

Mercato
Kuala Lumpur & Johor
2 stores in 2022

Golden Screen Cinemas
Nationwide
8 cinema halls in 2022

PrestoMart Near U
Nationwide
600 stores by 2023

7-Eleven / 7-Café
Nationwide
100 stores

Caring
Nationwide
20 to 25 stores

Subway
Peninsular Malaysia
500 stores in 10 years

Tealive Plus
Kuala Lumpur
10 stores

Boat Noodle
Nationwide
150 stores in 5 years

Source: Knight Frank Research

Shifting consumer behaviour coupled with the acceleration in digital transformation amid the COVID-19 pandemic have led retailers and mall operators to increasingly adopt omnichannel strategies to increase sales and improve engagement.

AEON Co. (M) Bhd is accelerating its digital shift and seamlessly merging its offline with online via multiple platforms including myAEON2go, AEON loyalty programme, iAEON app and AEON Living Zone to improve customer experience.

As for Ikano Centres, in addition to its individual mobile app with integrated reward programme, IPC and MyTOWN

Shopping Centre have ventured into social commerce, offering shoppable live streams and collaborations with GoGet to introduce personal shopping services, as well as run campaigns on GrabFood and FoodPanda. To further drive engagement, Ikano Centres has created Soulmates, an online platform to provide affordable retail spaces for small businesses.

With the changing landscape in consumers attitudes, behaviours and purchasing habits, retailers are placing greater emphasis on convenience and accessibility as well as on creating immersive experiences to drive footfall.

Sushi King, which has long incorporated automation at its restaurants, such as self-order and robotic tray delivery, is focusing its expansion strategy on Sushi King kiosk and Sushi King satellite outlet, which offer takeaway sushi.

Also, following the rising demand for contactless purchasing experience, the adoption of vending machine has also grown significantly. ATLAS Vending – the largest vending machine operator in Malaysia, has introduced Braille-enabled and accessible vending machines, as well as ATLAS TryBot, which leverages on automated sampling.

Cloud kitchen and virtual / online food halls are also redefining today's dining scene. Catering to current consumers' lifestyle and pace of life, Epic Food Hall, which has over 30 brands under its belt, offers delivery, dine-in and pick-up services. Officially launched at Glo Damansara, COOX cloud kitchen alongside its mobile app enable F&B operators and consumers to leverage on the growing platform.

TiffinLabs, a Singaporean food tech company with over 20 brands across different cuisine will debut new virtual restaurants through a partnership with Loob Holdings – the owner of Tealive, and Bask Bear. The partnership will deploy up to 100 kitchens to bring in TiffinLabs' virtual restaurants into Malaysia.

The launch of PrestoMart Near U, which combines a retail mart with an e-commerce fulfilment and courier services, further deepen the penetration of q-commerce in Malaysia. Fulfilling hyper-local and on-demand delivery, q-commerce is set to become the next era of e-commerce.

Grab, Southeast Asia's leading superapp, recent completed acquisition of a majority stake in Jaya Grocer, makes on-demand grocery delivery more accessible to consumers in the country. The deal strengthens GrabMart's footprint across Malaysia, and expands the reach of Grab's e-wallet services such as GrabPay and GrabRewards in all Jaya Grocer physical stores.

Prices & Rentals

There were no notable transactions of shopping centres during the review period. Occupancy rates have generally persevered while revenue of shopping mall owners is gradually improving due to lower rental rebates and discounts to tenants amid growing foot traffic. Footfall in selected shopping malls have recovered to pre-COVID levels following the country's transition to the endemic phase on 1 April 2022.

Shopping icons in Kuala Lumpur City, namely Suria KLCC and Pavilion Kuala Lumpur command average monthly gross rentals of RM29.00 per sq ft and RM25.00 per sq ft (2020: RM33.00 per sq ft and RM26.00 per sq ft) respectively. The malls enjoyed commendable occupancies at 93.0% and 90.2% respectively.

In Kuala Lumpur Fringe, Mid Valley Megamall and The Gardens Mall command average monthly gross rental at about RM13.00 per sq ft and RM12.00 per sq ft (2020: RM15.00 per sq ft and RM14.00 per sq ft) respectively. The occupancies of these mall remain high at circa 97.8% and 90.7% respectively.

Sunway Pyramid and The Mines in Selangor command average monthly gross rentals of RM9.00 per sq ft and RM4.00 per sq ft (2020: RM14.00 per sq ft and RM5.00 per sq ft) respectively. The malls have occupancies of 98.0% and 76.2% respectively.

The estimated rental is derived from the gross revenue as reported in the respective Annual Report (2021).

Outlook

There is newfound optimism with the country's transition to the endemic phase. The resumption of all economic activities holds expectation for better employment opportunities and improvement in consumers' disposable income. Moreover, following the interminable and unprecedented periods of lockdown, pent-up demand is anticipated to drive consumer spending.

Shopping malls have seen encouraging recovery in footfall and retail sales, but rising inflation and slower economic growth following disruptive changes arising from the on-going Russia-Ukraine war and supply chain bottleneck may cloud consumer sentiments and weigh on their purchasing power. Moving forward, rental growth is expected to remain subdued with growing pressure on overall occupancy level due to the incoming supply of retail space as well as the lingering effects of the COVID-19 pandemic.

The omnichannel strategy – integration between online and offline - remains vital for the survival of retailers due to the shift in consumer shopping behaviour. Physical malls are re-configuring their space to offer more memorable experience to maintain their appeal while e-commerce players are expanding to brick-and-mortar, as seen through Grab's acquisition of Jaya Grocer and Country Heights collaboration with JD.com.

E-commerce is also entering a new era, where on-demand services are becoming significantly prominent. Pandemic-induced trends are here to stay, with consumers' need for convenience, speed and safety remaining impelling motivators.

As countries transition to a post-pandemic world, geopolitical tensions, climate-change related disasters, supply chain disruptions and rising inflationary pressure continue to pose unrelenting challenges to the retail sector. Locally, the sector is poised for a better year ahead following reopening of the economy and international borders coupled with the country's high vaccination rate.

KLANG VALLEY INDUSTRIAL MARKET

Highlights

As of 1Q2022 Malaysia's Industrial Production Index (IPI) stood at 122.7 points. Driven by the strong performance in the manufacturing and electricity sectors, the IPI, which read at 126.6 points in March 2022, expanded 5.1% y-o-y (March 2021: 120.4 points) and 8.6% m-o-m (February 2022: 116.6 points) respectively.

In line with the overall property market recovery following gradual easing of restrictions, Klang Valley's industrial sub-sector posted higher transacted volume and value in 1Q2022 - annual increments of 13.0% and 24.6% respectively.

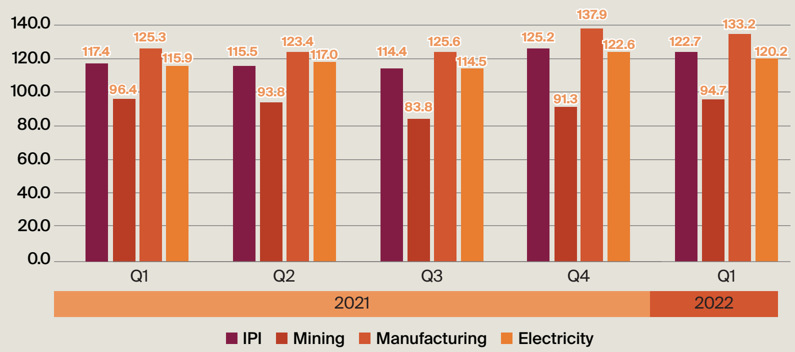
The logistics sector continued to grow during the review period, supported by rising global e-commerce trade and consumer spending, this led to higher demand for logistics and warehousing space with 3PL and e-commerce players expanding their operations.

Market Indications

Malaysia's Industrial Production Index (IPI) expanded 4.5% on the year to record at 122.7 points in 1Q2022 (1Q2021: 117.4 points). Driven by strong performance in the manufacturing and electricity sectors, the IPI continued to remain above the 100-point threshold since June 2020.

Year-on-year (y-o-y), the manufacturing and electricity indices grew 6.3% and 3.7% to record at 133.2 points and 120.2 points respectively. In contrast, the mining index moderated 1.8% y-o-y to read at 94.7 points in 1Q2022.

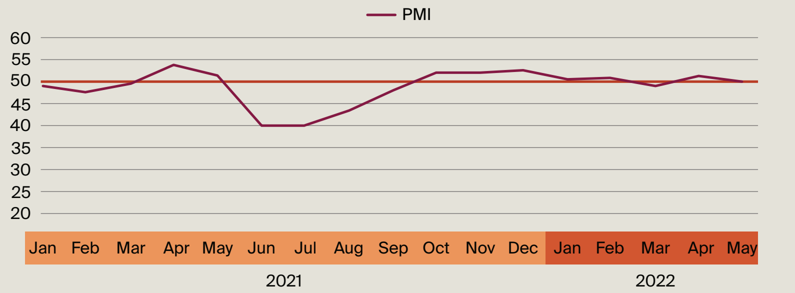
Malaysia Industrial Production Index (IPI), 1Q2021 to 1Q2022



Source: Department of Statistics Malaysia (DOSM)

The S&P Global Malaysia Manufacturing Purchasing Manager's Index (PMI) weakened to 50.1 in May 2022 (April 2022: 51.6). Despite its relatively stagnant performance in May, the PMI, which has hovered around the 50-point threshold since beginning of this year (March 2022: 49.6), is expected to remain in the positive territory following the country's transition to the endemic phase.

Malaysia Manufacturing Purchasing Manager's Index (PMI), 2021 to May 2022



Source: S&P Global

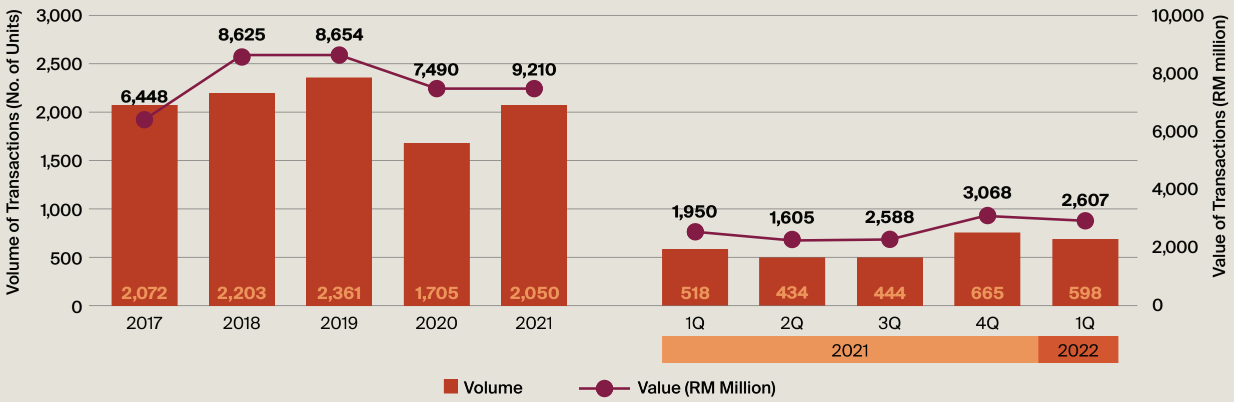
Supply And Demand

The industrial property sector in Klang Valley saw a rebound in market activity with 2,050 industrial properties worth RM9.21 billion changing hands in 2021, reflecting annual increments of 20.2% and 23.0% in transacted volume and value respectively. Similarly, the analysed average price per industrial transaction also uptrend by 2.3% in 2021.

During the first three months of 2022, Klang Valley registered 598 industrial property transactions with collective value of RM2.61 billion (1Q2021: 518 transactions worth RM1.95 billion). Year-on-year, the transacted volume and value were higher by 13.4% and 33.8% although on a quarterly comparison, there was moderation in market activity (4Q2021: 665 transactions worth RM3.07 billion).

Both Districts of Petaling and Klang were equally active in 1Q2022, garnering 22.1% and 21.2% share of total industrial transactions in Klang Valley. In terms of transacted value, District of Klang led with 27.3% share, followed closely by District of Hulu Langat (23.6%).

Klang Valley: Volume and Value of Industrial Property Transactions, 2017 to 1Q2022[(p)]



Sources: National Property Information Centre (NAPIC) / Knight Frank Research
Note: (p) = Preliminary data

As of 1Q2022, the cumulative existing industrial property stock in Klang Valley stood at 46,498 units. There are some 1,522 units of factories / warehouses currently under-construction (incoming supply) with another 3,328 units under planned supply.

The existing industrial stock are mainly concentrated in District of Petaling and District of Klang with 14,413 units (31.0% share) and 8,653 units (18.6% share) respectively. These two districts also topped in terms of incoming supply with 506 units and 442 units respectively. As for planned supply, it is noted that circa 40.0% (1,331 units) will come from District of Klang – a highly sought-after industrial locale due to its proximity to Port Klang, good accessibility and connectivity, availability of development / industrial land at competitive pricing and other factors.

Growth in the logistics sector looks set to continue, riding on the dynamics that have been accelerated and reinforced by the prolonged pandemic.

Notable upcoming logistics hubs / distribution centres within Klang Valley include the redevelopment of Axis REIT's Bukit Raja Distribution Centre 2 (15-year lease to Shopee Express Malaysia) and the redevelopment of two blocks of 4-storey warehouses in Shah Alam belonging to Symphony Warehouse Sdn Bhd (indirectly owned by Mapletree Investment).

Meanwhile, Atrium REIT's on-going major asset enhancement initiative (AEI) on its existing asset in Shah Alam into a 2-storey grade A warehouse facility is targeted to be completed by 4Q2022.

Atrium Shah Alam 4 - converting existing 1-storey factory building with a 1-storey office cum canteen building into a 2-storey warehouse with a mezzanine office and a sub-basement carpark.

Source: www.atriumreit.com.my

Prices and Rentals

Detached industrial buildings / warehouses in Shah Alam command the highest rental rates, ranging from RM1.60 per sq ft to RM2.20 per sq ft per month. In the localities of Kapar and Sepang, the monthly rental rates are from RM1.40 per sq ft to RM1.60 per sq ft and from RM0.90 per sq ft to RM1.40 per sq ft respectively. Moving into the second half of 2022, the rental rates are expected to remain stable.

Meanwhile, the asking prices of vacant industrial land in selected localities of Klang Valley generally range from RM60 per sq ft to RM180 per sq ft depending on the location / scheme, accessibility / frontage, land size and tenure, level of infrastructure, and other factors.

Klang Valley: Asking Rental Rates of Typical Detached Industrial Buildings / Warehouses in Shah Alam, Klang, 1H2022

Locality	Average Asking Rental Rates over Built Up Area (RM per sq ft / month)
Shah Alam	1.60 to 2.20
Kapar	1.40 to 1.60
Sepang	0.90 to 1.40

Sources: Various / Knight Frank Research
Note: Asking rentals (on per sq ft basis) are based on listings on property websites of typical detached industrial buildings / warehouses in selected localities from January 2022 to May 2022

Klang Valley: Asking Prices of Vacant Land (< 5 acres) in Selected Localities, 1H2022

Locality	Asking Price (RM per sq ft)
Shah Alam	140 – 180
Bukit Raja	130 – 160
Kapar	100 – 110
Port Klang	60 – 90

Sources: Various / Knight Frank Research
Note: Asking prices (on per sq ft basis) are based on listings on property websites of vacant industrial land in selected localities from January 2022 to May 2022

Klang Valley: Significant Industrial Property Transactions, 1H2022

Date	Status	**Type of Property** Property Address	Land Area	**Consideration (RM)** Analysis over LA (RM per sq ft)	**Buyer** Vendor
Apr-22	Pending	**Five parcels of vacant industrial land** Lots 371 to 373 (inclusive), Lot 10428 and PT 80, all located within Seksyen 23, Bandar Shah Alam, District of Petaling, Negeri Selangor	Combined: 7.10 acres (309,182 sq ft)	**50.4 million** 163.20	**Kawan Food** RGP Warehouse Solutions & PKNS(1)
Feb-22	Pending	**Two contiguous parcels of industrial land** Adjacent to the existing assets of Mapletree (Subang 3 and 4) in Subang Jaya, Negeri Selangor	Combined: 5.90 acres (257,000 sq ft)	**65.6 million** 255.25	**Mapletree Logistics Trust** N/A(2)
Jan-22	Pending	**Detached industrial premise** Lot 10073, Mukim of Batang Kali, District of Ulu Selangor, Negeri Selangor	47.59 acres (2,073,129 sq ft)	**41.0 million** 19.78	**Ahmad Zaki Resources** Associated Concrete Products & Persys Sdn Bhd(3)
Jan-22	Sold	**Detached industrial premise** PT849, Jalan Subang 7, Pekan Subang Jaya, District of Petaling, Negeri Selangor	2.97 acres (129,328 sq ft)	**31.7 million** 245.27	**Jiwa Baru** Poly Electrical & Electronic

Source: Knight Frank Research
Notes:
(1) Kawan Food Bhd entered into conditional sales and purchase agreement with RGP Warehouse Solution Sdn Bhd in respect of three parcels of vacant leasehold industrial land (Lots 371, 372 and 373) measuring 16,474 sq m in total at a consideration of RM28,939,177.81. Meanwhile, RGP Warehouse Solution Sdn Bhd is in the process of acquiring two other parcels of vacant leasehold industrial land (Lot 10428 and PT 80) with combined area of 12,250 sq m from Perbadanan Kemajuan Negeri Selangor (PKNS) for the subsequent sale and transfer of the same to Kawan Food Bhd at a consideration of RM21,519,056.21.
(2) Mapletree Logistics Trust has proposed to acquire two parcels of leasehold industrial land in Subang Jaya at a total purchase price of RM65.6 million. Subject to receipt of relevant regulatory approvals, the potential amalgamation of the proposed acquired properties together with Mapletree's existing assets (Subang 3 and 4) provides the opportunity to create a large land parcel of about 492,000 sq ft, making it potentially suitable for a redevelopment project that can yield a potential gross floor area of about 1.4 million sq ft.
(3) Ahmad Zaki Resources Bhd entered into a sales and purchase agreement with Associated Concrete Products (Malaysia) Sdn Bhd and Persys Sdn Bhd for the acquisition of a parcel of freehold industrial land measuring 19.26 hectares together with a factory erected thereon for a consideration of RM41 million.

Outlook

The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement which came into force for Malaysia on 18 March 2022, augurs well for the country's economic growth. Malaysia is an important player in the ASEAN region in the areas of manufacturing, information communication and technology and commodities (oil and palm oil). Aligning the trade and commerce strategy in the new bloc is going to boost Malaysia's growth outlook in the next three to five years.

The COVID-19 pandemic, which has a sudden and significant impact on lives, economies and societies globally, has altered the retail landscape due to changes in consumer shopping behaviours, some permanent and this has led to the flourishing of e-commerce industry in recent years. Many business-to-consumer (B2C) firms were forced to quickly adapt to online retailing services due to lockdowns and movement restrictions in various regions. Malaysia ranks first among the RCEP member states in terms of growth rate for the e-commerce market.

The country's industrial market has seen steady growth in recent years largely due to higher e-commerce penetration rate resulting in additional warehousing space requirements to meet the surge in last-mile delivery as well as the structural shift towards omnichannel retailing. The growth momentum gained in recent years will continue into 2H2022 and beyond with new growth areas to be heavily influenced by factors driven by the RCEP, automation as well as the ESG agenda.

Meanwhile, the on-going Russia-Ukraine conflict heightens geopolitical tensions and this further complicates the import and export of goods and services across international boundaries post-pandemic. The current disruptions to global supply chains lead to a surge in commodity prices and intensify global inflationary pressures.

The main concerns among manufacturers and logistics players are rising transportation costs, shortage of labour and shortcoming in supply chains. More multinational companies, especially those from Europe and the United States, are setting up new factories / expanding their existing manufacturing facilities within the ASEAN region. Malaysia, being one of the hotspots, is expected to benefit from this diversification and reshaping of global supply chains as these MNCs take steps to mitigate rising transportation costs and logistics issues.

With increasing number of institutional investors and real estate investment trusts chasing industrial and logistics real estate, these assets continue to enjoy record demand due to existing undersupply of quality stock. There is uptrend in rental while pricing continues to be attractive evident by buoyant investment activities. We anticipate adjustments in yield expectations with potential compression on the cap rates.

Moving into 2H2022, Malaysia's economy is expected to continue improving following the country's transition to the endemic phase effective 1 April 2022. However, the OPR hike from 1.75% to 2.00% on 11 May 2022 coupled with further potential hikes later in the year amid rising domestic and global inflationary pressures and on-going geopolitical tensions may derail growth momentum.

PENANG PROPERTY MARKET

Highlights

The residential sub-sector has regained recovery momentum, registering higher annual volume and value of property transactions as of 1Q2022 when compared to the corresponding quarter in the previous year.

The occupancy and rental levels of selected better grade privately-owned purpose-built office buildings continued to hold steady. Notable supply in the pipeline include Sunshine Tower which is scheduled for completion by 1Q2023.

Retail supply in Penang continues to expand rapidly with notable under construction and upcoming retail malls such as Sunshine Mall, Klippa Batu Kawan, The Light City Mall and Penang Mitsui Outlet.

In the industrial sub-sector, the state has achieved a record high of RM76.2 billion worth of approved manufacturing investments in 2021 involving 111 projects, topping the nation's contributing list with 39% share.

Market Indications

The Straits Trading Co Ltd and Malaysia Smelting Corp Bhd (MSC) have unveiled the masterplan for Straits City, a flagship development on the seafront central business district in Butterworth. Spanning 40 acres, the proposed integrated development, comprising residential, retail, office, hotel and service apartment components, is expected to be fully completed by 2038. The first phase of the Straits City development has an estimated gross development value (GDV) of RM250 million and will feature a 23-storey 4-star hotel (343 rooms) with a retail podium (41,823 sq ft NLA) as well as meetings, incentives, conferences, and exhibition (MICE) facilities. It is slated to open in 3Q2023.

Titijaya Land Bhd and Penang Development Corp (PDC) have signed a memorandum of understanding (MoU) for the development of Medi-Tech City in Batu Kawan. The 230-acre development with a GDV of RM9.9 billion is expected to complete in 10 years. Medi-Tech City would serve as a medical hub, providing ecotourism and global business services with facilities including a hospital, medical campus, medical supply hub, corporate suites and a rehabilitation centre.

In early January 2022, Rackson Group, the developer of Penang Gateway entered into a hotel management agreement with Marriott International Inc to develop the first phase of the project – 200-room Le Méridien Penang Airport. The transport-oriented development (TOD) of Penang Gateway in Bayan Lepas, near Penang International Airport, will comprise mixed-use components that include a residential tower, a medical centre as well as commercial and retail space. The first phase is expected to be completed by 2026.

In February 2022, Penang launched its first creative digital district – CD Square. Spanning about 114 acres along Pengkalan Weld - Lebuh Light - Jalan Masjid Kapitan Keling - Lebuh Acheh in George Town, CD Square aims to create a digital ecosystem consisting of tech start-ups, entrepreneurs, digital services and software companies. Its first eight ecosystem partners are Angkasa-X, BlueSkies, Censof, CTAPPS, Finexus, Karuna Sarawak, Securemetrics and TriAset. Over the next three years, Digital Penang targets to attract 50 digital investors that will generate 2,000 high-income jobs.

Residential

As of 1Q2022, the cumulative existing supply of high-rise residential property (condominium/ apartment and serviced apartment) in Penang stood at 109,221 units, reflecting an annual increase of 6.0% (1Q2021: 103,064 units). During the review period, the volume and value of transactions for the condominium category were higher by 40.3% and 46.0% respectively (1Q2022: 784 units valued at RM485.13 million versus 1Q2021: 559 units worth RM332.53 million). In contrast, the serviced apartment category registered lower volume (-34.3%) and value (-24.8%) of transactions (1Q2022: 23 units worth RM15.91 million versus 1Q2021: 35 units valued RM21.16 million) (Source: NAPIC).

Phase 2 Queens Residences by Ideal Property Group was completed during the period under review. The 24-storey freehold luxury waterfront condominium project is located near Queensbay Shopping Mall in Bayan Lepas. It offers 450 condominium units sized 950 sq ft to 1,650 sq ft and 2 levels of retail shops. Currently, the available units with typical built-up of 1,650 sq ft are priced from RM1.8 million onwards.

Notable newly launched projects include The Meg by E&O Berhad. Slated for completion by 2026, this first project on a four-acre site in Andaman Island in Seri Tanjung Pinang, will feature two blocks of serviced apartments with a total of 1,020 units. The selling prices for the units sized from 567 sq ft to 879 sq ft start from RM500,000 onwards.

Queens Residences 2

Source: Knight Frank Research

OSK Property launched a serviced apartment project known as Rubica at Harbour Place in Butterworth. The 34-storey building will house 230 units in five layouts sized from 946 sq ft to 1,335 sq ft.

Sunshine Residence by Crimson Omega Sdn Bhd, a wholly-owned subsidiary of Suiwah Corporation Berhad, is under construction. The serviced apartment project forms part of the integrated mixed-use development of Sunshine Central in Air Itam. The 30-storey project, scheduled for completion by 1Q2023, offers a total of 270 units sized from 1,342 sq ft to 1,973 sq ft with starting price of RM833,000 onwards.

Notable announcements related to the high-end residential segment include the acquisition of 20 apartment units within Muze Condominium at the Penang International Commercial City (PICC). UK online real estate investment platform, Shojin Property Partners had proposed to acquire the units from Hunza Properties Group for a total consideration of RM32.4 million (approximately HK$60 million).

Average Asking Prices for Selected High- End Condominiums in Penang Island, 2H2021 and 1H2022(p)

Locality	Average Asking Prices (RM per sq ft)		Price Trend
	2H2021	1H2022	
George Town	550-900(1)	600-900(1)	⇔
	1,000-1,250(2)	1,000-1,250(2)	⇔
Tanjung Tokong/ Tanjung Bungah	500-950(3)	550-950(3)	⇔
Gelugor	600-900(4)	600-900(4)	⇔

Source: Knight Frank Research
Notes:
(p) = Preliminary Data
(1) Refers to units with built-up areas of 4,000 - 4,200 sq ft
(2) Refers to units with built-up areas of 2,200 -2,800 sq ft
(3) Refers to units with built-up areas of less than 2,000 sq ft
(4) Refers to units with mixed built-up areas of less than 2,000 sq ft and the bigger built-up areas more than 4,000 sq ft

Office

During the review period, the existing supply of purpose-built office (privately owned) on the island was recorded at 6.9 million sq ft (4Q2021: 7.2 million sq ft) – the figure was lower by 3.6% due to recategorization by NAPIC while on the mainland, it remained unchanged at 1.6 million sq ft. The average occupancies for Penang Island and the Mainland stood at circa 87% and 57% respectively (Source: NAPIC).

The average occupancy rates for monitored office buildings in George Town range from 76% to 100%. As for selected better-grade office buildings located outside George Town, namely Menara IJM Land, Suntech @ Penang Cybercity, One Precinct, GBS@ Mahsuri and GBS@Mayang, the average occupancy rates are in the region of 95% to 100%.

Meanwhile, the asking rentals of selected office buildings under review in George Town remained stable, ranging from RM2.80 per sq ft to RM5.00 per sq ft per month.

Notable ongoing/proposed office developments include Sunshine Tower and GBS@The Waterfront.

Sunshine Tower forms part of the on-going mixed-use development of Sunshine Central. The 18-storey office block has 227,600 sq ft NLA that may accommodate circa 128 office units. The MSC Status Tier 1 to-be building, to be equipped with an IoT 5G data centre, is expected to be completed by 1Q2023.

The proposed GBS Cybercentre by Penang Development Corporation and waterfront mixed development at Bayan Lepas also known as GBS@The Waterfront will feature three blocks of 12-storey offices with total space of 720,751 sq ft. The development, which was unveiled in January 2022, is currently under conceptual stage.

StarFive Technology, a leader in RISC-V technology and ecosystem development in China, announced in February 2022 that it will invest RM250 million over the next five years to set up its first design centre at GBS@Mayang. In April 2022, Lattice Semiconductor, the low power programmable leader, established its new engineering and operations hub occupying 6,000 sq ft of office space at Elit Avenue in Bayan Baru.

Penang: Asking Rents of Selected Purpose-Built Offices, 1H2022(p)

Building Name	Location	Asking Gross Rent (RM per sq ft / month)
Hunza Tower	George Town	4.50 - 5.00 (Passing Rent)
Menara Boustead Penang	George Town	3.10 - 3.30
Menara KWSP	George Town	3.00
Al-Bukhary Building / WOU	George Town	3.60 (MSC Status Tier 1)
Menara Livingston	George Town	5.00 (Passing Rent) (MSC Status Tier 1)
MWE Plaza	George Town	2.80 (Fixed Rent)
Wisma Great Eastern	George Town	3.00
Menara IJM Land	Gelugor	4.00
SunTech@ Penang Cybercity	Bayan Baru	4.50 (MSC Status Tier 2)
One Precinct	Bayan Baru	4.50 (MSC Status Tier 1)
GBS@ Mayang	Bayan Baru	4.50 (MSC Status Tier 1)
GBS@ Mahsuri	Bayan Baru	4.30 (MSC Status Tier 1)

(p) = Preliminary Data
Source: Knight Frank Research

Retail

As of 1Q2022, there were over 108 existing shopping malls in Penang with a collective retail space of approximately 19.6 million sq ft. The overall occupancy increased 0.4% on the quarter to record at 71.2% (4Q2021: 70.9%). As for the locality of George Town, overall occupancy stood at 74.4% as of 1Q2022. (Source: NAPIC)

The monthly rental rates for ground floor retail lots in selected prime shopping centres in George Town have generally increased a bit to range from RM4.70 per sq ft to as high as RM48.00 per sq ft, depending on the mall, location and size of the units amongst other factors (Source: NAPIC)

Gurney Walk by Plenitude Berhad was officially opened in March 2022. Located along Gurney Drive, the project enjoys direct connection to Ascott Gurney Penang and offers 100,000 sq ft of retail space. It has attracted diverse trade mix with notable tenants such as The Coffee Bean & Tea Leaf, Subway and the likes. The anchor tenant, Areoma Boutique Spa, occupies the entire third floor of the mall.

The recent completion of the Sunway Carnival Mall expansion in Seberang Jaya on June 2022 has increased its lettable area to one million sq ft with notable new retailers such as KAISON, Haidilao Hotpot, Jaya Grocer, Inside Scoop and many more.

Several ongoing / upcoming developments (in the pipeline) include Sunshine Mall, Klippa Batu Kawan, The Light City Mall and Penang Mitsui Outlet.

Being part of Sunshine Central, the 9-storey Sunshine Mall will have a total of 142,000 sq ft to accommodate 412 retail stores and 3,500 carpark bays. The mall, which is slated for completion by 1Q2023, has secured anchor tenants such as Sunshine hypermarket and Golden Screen Cinemas (GSC).

Ikano Centres Malaysia has officially unveiled its mixed-use development in Batu Kawan. Klippa Batu Kawan, spanning over 1.6 million sq ft of GLA, will house over 300 brands. Notable committed tenants include TMG Plus Supermarket, Mr DIY, Mr TOY, KFC, Tealive drive-thru, A&W drive-thru, Coffee Bean & Tea Leaf, Kenny Rogers, Zus Coffee, Chicago Chicken City and a petrol station with an integrated Starbucks's drive-thru.

Industrial

As of 1Q2022, Penang's manufacturing investment attracted RM6.3 billion with Foreign Direct Investment (FDI) accounting for 86% share (or about RM 5.5 billion). The state's manufacturing investment achieved a record high of RM76.2 billion (2020: RM14.1 billion) last year. This total investment surpassed the past cumulative investments worth RM73.1 billion (from 2012 until 2020). Foreign direct investment (FDI) contributed RM74.4 billion or 97.6% of the total investment share.

In January 2022, Ideal United Bintang International Bhd (Ideal) announced that two of its subsidiaries namely Lestari Duta Sdn Bhd (LDSB) and Mujur Sinarjaya Sdn Bhd (MSSB) have entered into two conditional sale and purchase agreements with Aspen Bell Avenue Sdn Bhd to acquire 17 parcels of 834.4 acres freehold land in District of Seberang Perai Utara, Penang for a consideration of RM475.4 million. At the current stage, the land is being sub-divided into individual plots of industrial land to be offered for sale.

New DHL facility in Batu Kawan

Source: Knight Frank Research

Penang: Notable Expansions / New Industrial Facilities, 1H2022

Location	Penang Science Park North	Bayan Lepas Industrial Park	Batu Maung Air Cargo Complex	Batu Maung		Batu Kawan Industrial Park					Penang Science Park North	Nibong Tebal	Universiti Sains Malaysia (USM) engineering campus in Nibong Tebal
Status	New Facility	Expansion	New Facility	New Facility			New Facility			Expansion	New Facility	New Facility	New Facility
Component	129,167 sq ft facility	1.5 million sq ft (Land size: 14 acres)	Distribution park (Land size: 30 acres)	Logistics Complex on Mixed Develop-ment Land	37,500 sq ft facility	25,683 sq ft warehouse and office space	20,000 sq ft facility	55,000 sq ft facility and 27,000 sq ft offices on 3 acres of land	60 acres	421,945 sq ft facility of second plant (Factory 1b)	700,000 sq ft facility on 27 acres of land	91,110 sq ft facility	Angkasa-X Earth Station Farm
Expected Completion	2024	2023	N/A	2023		New Completed		2023	2023	2024	2023	2023	End 2022
Vendor	LEM Malaysia Sdn Bhd	TF AMD Micro-electronics	Cainiao Smart Logistics Network Ltd	Titijaya Land and DHL	Indium Corp	DHL Express	Applied Engineering Technology (M) Sdn Bhd (AETM)	Eclipse Automation Inc	ams Osram	VAT Group	TTM Tech-nologies, Inc.	Coraza Integrated Technology Bhd	Angkasa-X Innovation Sdn Bhd, USM and Digital Penang
Country of Origin	Switzerland	China	China	United States	United States	United States	United States	Canada	Austria	Switzerland	United States	Malaysia	Malaysia
Facility Specialty	Integrated Current Sensor (ICS)	Semi-conductor	Logistics Hub	Ultra-Modern Logistics Commercial Complex	Materials Supplier	Logistics Hub	High-Tech Electro-mechanical Contract Manu-facturing Services	Automation	Opto-electronic	Vacuum Valves	Printed Circuit Boards (PCB)	Interior Components for Semi-conductor & Electro-Mechanical	Earth Station And Space Technology Centre

Source: News articles / Knight Frank Research

Penang: Notable Industrial Transactions, 1H2022

Development	Bukit Tengah Industrial Park	Penang Science Park	Bayan Lepas Industrial Park	Simpang Ampat	Nibong Tebal	Prai Industrial Park	Valdor Industrial Park
Location	Perusahaan Maju 8	Penang Science Park	Technoplex, Bayan Lepas Industrial Park Phase 4	Jalan Che Hussain	Jalan Bukit Panchor	Prai Industrial Park	Jalan Nafiri
Tenure	Leasehold	Leasehold	Leasehold	Freehold	Freehold	Leasehold	Freehold
Component	3.1 acres land (112,050 sq ft of office block and 2 blocks of two-storey warehouses, a guard house and ancillary buildings).	1.7 acres land (Two-storey facility with 49,000-sq-ft of space)	2 acres land (23,718 sq ft of two-storey factory-cum-office building).	3.5 acres land	5 acres land	8.7 acres land (a double storey office building).	12.6 acres land (335,000 sq ft - a single-storey warehouse annexed to a double-storey office building, two single-storey detached warehouses and other ancillary buildings)
Consideration	RM15.8 million	RM13.5 million	RM38.0 million	RM 5.6 million	RM 7.5 miilion	RM26.5 million	RM 80.0 million
Purchaser / Buyer	HZ Green Pulp Sdn Bhd	Grand Venture Technology Limited	SRM Integration (Malaysia) Sdn Bhd	Kean Beng Lee Industries (M) Sdn Bhd a wholly owned subsidiary of Baba Eco Group Bhd	Jishan Pack Sdn Bhd a wholly-owned subsidiary of Jishan Bhd,	Purshothams N-Ferrous Sdn. Bhd.	CapitaLand Malaysia Trust
Vendor / Seller	Pensia Electronic Sdn. Bhd. a wholly owned subsidiary of Pensonic Holdings Bhd	N/A	Siangtronics Technology Sdn Bhd a wholly-owned subsidiary of Elsof Elsoft Research Bhd	Jiali Resources Sdn Bhd	Lee Soon Heok, Lee Soon Huat, Loh Joo He and Loh Joo Seong	Petro-Pipe Industries (M) Sdn. Bhd.an indirect wholly-owned subsidiary of Wah Seong Corporation Berhad	Ingenieur EPCM Sdn. Bhd.

Source: News articles / Bursa Malaysia / Knight Frank Research

Outlook

The return of property buyer confidence is bolstered by success of the National COVID-19 Immunisation Programme - leading the country's transition to the endemic phase. Coupled with the reopening of borders to international visitors, this is deemed positive to the recovery of the state's residential property market.

Due to the limited supply of better grade office space in Penang, the state's office segment continues to hold steady with stable rents and occupancy rates. Generally, there is growing demand for new office buildings with better specification as well as those with MSC Malaysia status due to the growing Global Business Services (GBS) sector.

Currently, Penang is home to a number of MNC companies and the State Government through Penang Development Corporation (PDC) is taking a proactive initiative to meet the growing demand of the GBS industry. With the two existing GBS buildings enjoying high occupancy rates, there are plans to set up two more GBS centres in the state - one to be located near the existing GBS@Mayang and the other, at the Bayan Lepas Industrial Area.

The retail segment in the state is slowly back on track with increasing footfall at shopping malls and the debut of new entrants focusing on Food & Beverage (F&B), groceries, home decoration & furnishing and accessories categories. More operators and retailers are embracing e-commerce and cashless platforms.

The industrial segment is the silver-lining in the state's property market. Batu Kawan Industrial Park will continue to be the main hotspot as over the next three years, Penang Development Corp (PDC) plans to develop between 100 acres and 150 acres of industrial land annually in Batu Kawan. Moreover, in order to attract more interests from foreign investors, Penang is also planning a new industrial park in Kepala Batas – it will create a smart and high-tech industrial park with the best infrastructure for 5G internet access. There is also encouraging demand for logistics facilities to serve the expanding of e-commerce and logistics sector.

JOHOR PROPERTY MARKET

Highlights

Sluggish high-rise residential market with only one notable project launch in 1H2022, namely Optimus Medini in Medini. In the secondary market, asking prices of selected high-rise residential projects in Johor Bahru city remained stable while in the fringe areas and Iskandar Puteri, the asking prices were generally higher.

Asking rentals of office space in Johor Bahru City Centre were slightly higher while for city fringe and Iskandar Puteri, the rates were relatively flat.

Johor's retail market is anticipating a brighter outlook, supported by increased footfall following reopening of the country's border.

Stable industrial property sector with notable acquisitions and expansions of logistics warehouses and data centres.

Market Indications

In 2021, Johor ranked fifth with RM6.95 billion in total capital investment for approved manufacturing projects (about 2.5% higher than the RM6.78 billion recorded in 2020) after Pulau Pinang, Kedah, Pahang and Selangor (Source: Malaysia Investment Development Authority, MIDA).

In January 2022, Astaka Holdings Ltd through its subsidiary, Astaka Padu Sdn Bhd entered into two non-binding memorandums of understanding (MoUs) with DMR Holdings Sdn Bhd and Straits Perkasa Services Sdn Bhd. The former indicated a potential collaboration to jointly develop 42 acres of land in Johor with an estimated gross development value (GDV) of RM1 billion across various key cities in Johor, including Iskandar Puteri, Tampoi and Pengerang while the latter is for a potential collaboration on a mixed-use development project with estimated GDV of RM160 million across two acres of freehold land in Taman Setia Indah, Johor.

The country transitioned to the endemic phase of COVID-19 on 1 April 2022 with reopening of its international borders. The long-awaited reopening of the Singapore – Malaysia Causeway and Tuas Second Link adds excitement to the people in both countries – it is the catalyst that sparks retail activities in Johor Bahru evident from improving footfall in retail malls / shops.

Data centre operators continue to expand their footprint in Johor. YTL Power International Berhad is establishing the first data centre park in Malaysia. To be powered by renewable solar energy, YTL Green Data Centre Park will be co-developed with GDS Holdings. During the review period, Yondr Group also announced its entry into Malaysia with the development of a hyperscale campus in Sedenak Tech Park.

Residential

As of 1Q2022, the cumulative supply of high-rise residential properties (condominium and serviced apartment) in Johor Bahru stood at 145,930 units, reflecting a yearly increase of 3.0% (1Q 2021: 141,728 units). The volume of transactions for both condominium and serviced apartment categories increased by 17.1% and 21.4% respectively while the corresponding transacted values also trended higher by about 16.0% and 6.7% respectively.

During the review period, Optimus Medini Sdn Bhd launched its first project in Medini - Optimus Medini is an apartment development with typical sizing ranging from 700 sq ft to 905 sq ft. The selling prices for international units start from RM338,000 onwards.

We observed an increase in the asking prices of selected high-rise residential schemes. This is due to improved market sentiment following reopening of the Singapore – Malaysia border in April.

Average Asking Prices for Selected High-Rise Residential Schemes in Johor, 2H2021 and 1H2022

Locality	2H2021 (RM per sq ft)	1H2022 (RM per sq ft)	Price Change
Johor Bahru City Centre	550 - 800	550 – 1,000	↔
Johor Bahru City Fringe	300 - 500	400 – 650	↗
Iskandar Puteri	350 - 700	450 – 770	↗

Source: Knight Frank Research

Note: The range of asking prices depends on location, scheme, unit sizing, floor level and other factors.

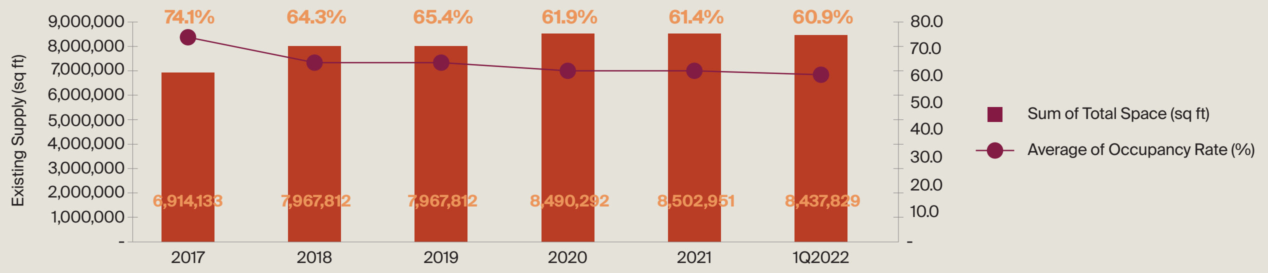
Office

The cumulative supply of privately-owned purpose-built office space in Johor Bahru stood at 8.4 million sq ft as of 1Q2022, reflecting an annual decrease of 0.6% (1Q2021: 8.5 million sq ft). The existing supply in Johor Bahru declined in 1Q2022 due to removal of one property that no longer meets the definition of a PBO due to its dominant use for other purposes. Johor Bahru has an incoming office supply of about 2.5 million sq ft (Source: NAPIC).

The occupancy of privately-owned office space in both Johor Bahru City Centre and city fringe trended up while office occupancy in Iskandar Puteri remained stable.

During the review period, the asking rentals for office space in Johor Bahru City Centre trended up while the rates at the city fringe and Iskandar Puteri remained flattish.

Total Supply of Privately-owned Office Space and Occupancy Rate in Johor Bahru, 2017 to 1Q2022



Source: NAPIC

Average Asking Rentals of Purpose-built Office Space in Johor Bahru, 2H2021 and 1H2022

Locality	2H2021 (RM per sq ft / month)	1H2022 (RM per sq ft / month)	Rental Trend	Occupancy Trend
Johor Bahru City Centre	2.70 – 3.20	2.90 – 3.50	↗	↗
Johor Bahru City Fringe	2.40 – 2.70	2.40 – 2.70	⇆	⇆
Iskandar Puteri	3.00 – 3.50	3.00 – 3.50	⇆	↗

Source: Knight Frank Research

Companies, which have put their office relocation / expansion on hold during the prolonged COVID-19 pandemic, are now revisiting their plans following normalisation of economic activities. Tenant movements are getting active again with several notable relocations / expansions recorded in 1H2022.

Selected Notable Tenant Movements in Johor Bahru, 1H2022

Company Name	Building Name	Locality	Estimated Space Occupied (sq ft)	Remarks
Viceroy Private Wealth	Menara Jland	Johor Bahru CBD	~ 4,000	Expansion
Jabatan Penerangan Malaysia	Medini 7	Iskandar Puteri	~ 10,000	Relocation
Etiqa Singapore			~ 3,600	New set-up of back office

Source: Knight Frank Research

Retail

As of 1Q2022, the cumulative supply of retail space in Johor Bahru was recorded at about 20.4 million sq ft with overall occupancy rate at 71.6%. Two retail malls with total space of about 0.5 million sq ft are scheduled for completion in the near future, namely SKS City Mall Larkin and Persada Annexe (Source: NAPIC).

The review period saw selected retailers such as A&W, Watson and Maslee Express setting up outlets at TD Central in Taman Daya. TD Central is a new retail project completed in 2021 and is anchored by Maslee Express. It is noteworthy to mention that Watson TD Central is the first stand-alone Watson outlet that provides drive-thru service.

A&W drive-thru at TD Central

Source: Knight Frank Research

Following Golden Screen Cinemas' (GSC) acquisition of majority cinema assets from operators of the former MBO cinema circuit in early 2021, the MBO cinemas in both KSL City Mall and AEON Mall Dato' Onn have been rebranded to GSC.

Chinese chain of fresh ice cream and tea stores, Mixue Bingcheng debut its first outlet in Malaysia at Paradigm Mall Johor Bahru early this year while Châteraisé, a patisserie with 460 outlets in Japan, is opening a new outlet in The Mall, Mid Valley Southkey.

Notable Retailers / Tenant Movements in Johor Bahru, 1H2022

Tenant	Location	Remarks
Grand senQ	Paradigm Mall Johor Bahru	Expansion
MIXUE		New set-up
Golden Screen Cinemas	KSL City Mall & AEON Mall Dato Onn	Rebrand from MBO
A&W	TD Central, Taman Daya	New standalone drive-thru store
Watson		
Maslee Express		Anchor tenant
Châteraisé	The Mall, Mid Valley Southkey	New set-up
TGI Friday		Expansion
Bubble Sports Complex - Tebrau JB	Tebrau Junction, Taman Desa Tebrau	New set-up
Starbucks	Sunway Iskandar	New standalone café
42 Iskandar	Sunway Grid	New set-up
Sushi Plus	Various locations	Expansion

Source: Knight Frank Research

Industrial

The logistics sector is still delivering remarkable results with Port of Tanjung Pelepas (PTP) posting a 14.0% growth in its yearly volume, from 9.8 million twenty-foot equivalent units (TEUs) to 11.2 million at the end of 2021. PTP will invest RM750 million to expand its capacity in 2022. Meanwhile, its current expansion of the Free Zone at an 81-acre site is Tanjung Adang, is scheduled for completion by 2023.

Axis REIT achieved a new milestone with the acquisition of a logistics warehouse facility in PTP for RM390 million cash, its largest acquisition to date. Axis REIT inked a sale and purchase agreement (SPA) with Equalbase PTP Sdn Bhd (EPSB) for the proposed acquisition of the 1.55 million sq ft facility. Upon completion of the purchase, the industrial facility will be leased back to EPSB for a fixed term of 10 years, with a starting monthly rental of RM2.17 million for the first three years.

During the review period, Axis REIT acquired another industrial facility in Kulai, Johor for RM16.3 million. Located in i-park@Indahpura, Bandar Indahpura, the freehold property sits on a 98,393 sq ft land and has 59,956 sq ft of lettable area. The facility is currently leased to Hqpack Sdn Bhd (HQP) for a fixed period of 10 years with an option to renew for a further three years at a monthly rental of RM89,933.87. HQP is involved in the manufacturing of industrial packaging for the high-end semi-conductor industry. Lion Industries Corp Bhd (LICB) has proposed to dispose of its entire stake in Eden Flame Sdn Bhd for RM135.88 million cash. Eden Flame owns the long steel plant in Pasir Gudang, Johor that produces billets which are rolled into steel bars and light sections such as angle bars, flat bars and U-channels.

Integrated industrial space solutions provider, AME Elite Consortium Berhad (AME), secured shareholders' approval for the proposed listing of its real estate investment trust (AME REIT) on Bursa Malaysia's Main Market in May. The listing exercise is targeted to complete by the third quarter of 2022. AME REIT plans

Notable Transactions of Industrial Properties in Districts of Johor Bahru & Kulai, 1H2022

Purchaser	Location	Component	Land Area (acres)	Consideration	Announcement Date
Axis REIT	i-Park Indahpura, Kulai	Detached factory	2.6	RM16.3 million	22 February 2022
	Port of Tanjung Pelepas	Ramp-up warehouse	18.4	RM390.0 million	11 April 2022
SCGM Berhad	Desa Perindustrian Kulai	Land zoned for industrial use	3.0	RM 6.1 million	9 May 2022
		Detached factory	3.1	RM 6.3 million	
			3.2	RM 6.4 million	

Source: Bursa Announcements & Knight Frank Research

Notable Announcements relating to Data Centres in Districts of Johor Bahru & Kulai, 1H2022

Company	Location	Component	Land Area (acres)	Announcement Date	Consideration
Yondr Group	Sedenak Tech Park	Data centre	72.8	28 March 2022	New set-up
YTL Data Center Holdings Pte Ltd	YTL Green Data Centre Park	Data centre park	275	21 April 2022	Launch
GDS Holdings	Nusajaya Tech Park	Data centre	-	24 April 2022	Ground-breaking

Source: Various Sources & Knight Frank Research to utilise some RM145.3 million raised from the initial public offering (IPO) for future industrial property development and investment projects including land acquisitions and joint ventures. Meanwhile, AME shareholders have also approved the proposed disposals of 31 industrial properties and three industrial-related properties from AME to AME REIT for a total consideration of RM557 million.

Hershey announced the opening of its new R&D Centre in Johor. The 10,400 sq ft facility is poised to be one of Hershey's largest R&D facilities outside the United States. It will enable Hershey to quickly develop, test, and launch new products customised to the tastes of consumers across the region.

On 2 June 2022, NASDAQ listed Insulet Corporation's new manufacturing facility in i-Tech Valley, SiLC broke ground. The upcoming facility with approximately 400,000 sq ft of manufacturing space is expected to be operational in 2024. It will produce Insulet's Omnipod Insulin Management System. Insulet plans to invest approximately $200 million over five years and hire more than 500 full-time employees once the facility is operating at full capacity.

South Korea's SPC Group is investing RM130 million to develop its first Paris Baguette halal-certified bakery manufacturing and distribution centre in Nusajaya Tech Park. The construction of the new facility is set to begin in third quarter of 2022 and it is targeted to commence operations by June 2023.

In March 2022, Yondr Group announced its entry into Malaysia with the proposed development of a 200-megawatt (MW) hyperscale campus on 72.8 acres of land acquired from TPM Technopark Sdn Bhd. Located in Sedenak Tech Park (formerly known as Kulai Iskandar Data Exchange, KIDEX), the hyperscale campus will be developed across multiple phases with the first phase scheduled for delivery in 2024.

Local conglomerate, YTL Corp, is also venturing into data centre business. YTL Power International Berhad through its subsidiary, YTL Data Center Holdings Pte Ltd (YTL DC), announced that work has started on the first 72-MW of its 500MW data centre campus in Johor - the first data centre park in Malaysia to be powered by renewable solar energy. The upcoming YTL Green Data Centre Park, with 275 acres dedicated to data centre development, is expected to meet the region's growing demand for sustainable and cost-effective data centre solutions. At the same time, YTL Power International Berhad and GDS Holdings have also signed a partnership to co-develop 168MW of data centre capacity across eight data centre facilities within the park. The first phase of the co-development will enter into service in 2024.

GDS Holdings is venturing into Johor's data centre market aggressively. Its new data centre campus at Nusajaya Tech Park broke ground in April 2022. To recap, GDS Holdings purchased the land in second half of 2021 and will invest about RM1.38 billion in the GDS Hyperscale Data Centre Campus.

Outlook

The high-rise residential segment in Johor Bahru continues to remain lacklustre due to the oversupplied market and lack of demand. In contrast, demand for landed residential properties, especially those located in established areas and upcoming suburbs with good connectivity, remains strong post pandemic.

The recent rise in the overnight policy rate (OPR), with another hike anticipated later in the year may, however, be a dampener to the property market, especially in the residential segment.

Meanwhile, the reopening of the country's border since 1 April 2022 bodes well for the gradual recovery of the tourism and retail related markets – a high number of visitors enter Johor daily through the Singapore – Malaysia Causeway, one the busiest border crossings in the world or via the Tuas Second Link. The improving footfall in shopping malls is positive for the state's retail market.

The office market in Johor Bahru continues to gather pace following normalisation of economic activities with more leasing enquiries anticipated moving into the second half of the year.

The industrial sub-sector remains the bright spot in the state's property market. Workers' housing is emerging as an alternative asset class in the industrial market due to enactment of the Employee's Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446). The market for workers' housing is expected to grow rapidly due to robust demand and scarcity of supply.

Work on the on-going Johor Bahru – Singapore Rapid Transit System (RTS) project is progressing well, circa 17% completion to date. Besides ensuring a smoother entry to Johor by alleviating traffic congestion along highways, the RTS will generate shared economic and social benefits when fully operational by end 2026. It will be a catalyst to spur further development activities in Johor Bahru and its surrounding areas.

DW1 Logistics Warehouse

Source: Logistics Asia

KOTA KINABALU PROPERTY MARKET

Highlights

The Cove, an iconic landmark with an estimated GDV of RM1 billion, will be constructed on 6.28 acres of prime land at Tanjung Lipat.

The performance of the residential sub-sector is gradually improving with the progressive roll-out of project launches.

Better grade privately-owned purpose-built office buildings continue to attract new tenants. There is also sustained interest from SMEs and larger corporations.

In the retail sub-sector, notable malls observed the return of healthy footfall. During the review period, occupancy and rental levels remained relatively stable with tenant entries on a smaller scale.

The reopening of the state's borders to quarantine-free international travel was welcomed by the resumption of flight operations by airlines from Singapore, Brunei and South Korea.

Market Indications

On 1 April 2022, Sabah began its transition to the endemic phase along with the rest of Malaysia, in alignment with the Federal Government's #ReopeningSafely Standard Operating Procedures (MYSOP). In light of continuous improvement in the healthcare situation due to vaccine efficacy, the government announced further COVID-19 SOP relaxations commencing 1 May 2022.

An iconic landmark, to be known as The Cove, will be constructed on 6.28 acres of prime land at Tanjung Lipat. The mixed development project, a joint-venture between LPPS (the landowner) and Deevin Development Sdn Bhd, has an estimated GDV of RM1 billion. To be developed over multiple phases, it will house the new headquarters of Sabah Ports Authority (LPPS), a shopping mall, two blocks of five-star hotels, two blocks of commercial suites and a single block of condominium.

The Cove @ Kota Kinabalu

Sabah registered a total of 7,984 transacted properties with collective value of RM4.22 billion in year 2021. There was positive growth in market activity - annual increments of 28.25% and 42.04% in volume and value of transactions respectively (2020: 6,226 transactions worth RM2.97 billion). The breakdown of the volume and value of transactions by property sub-sector is illustrated below:

Volume and Value of Transactions in Sabah, 2020 and 2021

Property Sub-Sector	Volume (No. of Units)		Annual Change (%)
	2020	2021	2021/2020
Residential	3,984	4,805	+ 21%
Commercial	620	980	+ 58%
Industrial	201	227	+ 13%
Agriculture	1,015	1,410	+ 39%
Development Land	406	562	+ 38%

Property Sub-Sector	Value (RM Million)		Annual Change (%)
	2020	2021	2021/2020
Residential	1,410.07	1,941.79	+ 38%
Commercial	486.08	671.50	+ 38%
Industrial	310.85	487.35	+ 57%
Agriculture	530.09	691.87	+ 31%
Development Land	235.14	427.47	+ 82%

Source: Knight Frank Research / NAPIC

Residential

The existing supply of residential units in Greater Kota Kinabalu (including the districts of Kota Kinabalu, Penampang, Tuaran, Putatan and Papar) stood at 133,242 units as of 1Q 2022, a quarterly increment of circa 0.25% (4Q 2021: 132,911 units). During the review period, the condominium / apartment segment as a singular property type constituted circa 51,155 units (or 38.4% share) of the total existing stock.

The secondary residential market in Greater Kota Kinabalu recorded a total of 1,934 transactions valued at RM1.06 billion in year 2021. The figures depict an annual increase of 12.84% in transacted volume with a corresponding 25.32% increase in overall transacted value (2020: 1,714 transactions valued at RM842.98 million) (Source: NAPIC's Residential Property Stock Report).

Secondary Residential Transactions in Greater Kota Kinabalu, 2020 and 2021

Residential Property Category	Volume of Secondary Transactions (No. of Units)		Annual Change (%)
	2020	2021	2021/2020
High-Rise	985	1,019	+ 3%
Landed	696	859	+ 23%
Vacant Land	33	56	+ 70%

Residential Property Category	Value of Secondary Transactions (RM million)		Annual Change (%)
	2020	2021	2021/2020
High-Rise	306.50	342.75	+ 11.8%
Landed	428.74	646.91	+ 50.9%
Vacant Land	107.73	66.72	- 38.1%

Source: Knight Frank Research / NAPIC

In January, the State Government announced the relaxation of selected conditions surrounding foreign ownership of high-rise residential property in Sabah. Effective 1 April 2022, the minimum price threshold for foreign property ownership was lowered from RM1 million to RM600,000. This entitlement has also been extended beyond completed schemes to include under-construction condominium projects.

The majority of sales activities in the first half of 2022 were focused on the balance units of previously launched schemes. In addition to providing sales packages, selected developers were noted to be in collaboration with banks to provide more accessible home financing solutions to consumers. In terms of new incoming supply, there were a few launches and announcements of projects in the pipeline. These projects remain subject to periodical reviews in consideration of present market trends, post-COVID consumer preferences, heightened construction costs and supply disruptions.

New launches and updates of selected high-rise and landed residential schemes in Greater Kota Kinabalu are detailed in the following table:

Selected Residential Launches and Updates, 1H2022

New Launches				
Development Scheme	Location	Developer	Type of Property	No. of Units
Parkhill Residence @ The Logg	Jalan Lintas, Luyang	K.T.I. Sdn Bhd and LPPB	Condominium (Part of a mixed development)	250
Bay Suites (Residential Units)	Likas Bay	Remajaya Sdn. Bhd.	Condominium (Part of a mixed development)	70
Taman Bukit Hijau Phase 1	Off Jalan Tuaran Bypass, Kota Kinabalu	Top Green Development (Sabah) Sdn. Bhd.	Double-storey Terraced	42
Taman Bukit Alamanda	Kg. Novoung, Papar	Landmark Property Sdn. Bhd.	Double-storey Terraced	107

Selected Residential Launches and Updates, 1H2022

Completions, 1H2022				
Development Scheme	**Location**	**Developer**	**Type of Property**	**No. of Units**
The Palm Condominium Tower B	Kinarut, Papar	WSG Group	17-storey Condominium	136

Proposed Supply				
Development Scheme	**Location**	**Developer**	**Type of Property**	**No. of Units**
Parklane Condominium @ Parklane City	Benoni, Papar	WSG Group	4 Towers of 19-storey Condominium	656
The Eminence	Signal Hill, Likas	MARA Incorporated Sdn. Bhd. and Axventure Sdn. Bhd.	35-storey Condominium	441

Source: Knight Frank Research

During the review period, asking rentals of selected condominiums in Kota Kinabalu city centre and its fringe areas ranged from RM1.35 per sq ft to RM3.60 per sq ft per month, whilst in other localities, asking rentals are generally lower, ranging between RM1.00 per sq ft and RM2.80 per sq ft per month.

Average Asking Rentals of Selected Condominiums in Kota Kinabalu, 1H2022

Location	Average Asking Rentals (RM per sq ft / month)
KK City Centre & Fringes	1.35 – 3.60
Bundusan / Kobusak	1.30 – 2.35
Damai / Luyang	1.25 – 2.80
Kepayan	1.20 – 2.25
Kolombong / Inanam	1.10 – 2.15
Likas	1.00 – 2.45

Source: Knight Frank Research

Office

As at the end of 2021, the existing supply of privately-owned purpose-built office space in Kota Kinabalu stood at 5.21 million sq ft with an average occupancy rate of 82.6% (2020: 5.12 million sq ft at 86.5% occupancy rate).

Despite a drop in the overall occupancy rate, selected purpose-built offices continue to receive enquiries from SMEs and larger corporates seeking to establish office footprint in Kota Kinabalu. Notable tenant movements during the review period include the entry of Taichung Commercial Bank and MST Golf (retail unit) into Plaza Shell, as well as the entry of Kibing Group into Menara MAA.

GOfiz is a local serviced workspace provider that was first established at Wisma Prudential in Luyang in May 2021. Following the success of its first centre which has achieved circa 90% occupancy rate, GOfiz is now set to open its second branch at G Building in Bundusan. The new space at G Building will be targeted at SMEs and international corporations by providing high quality and flexible workspace (25 serviced office suites, 2 meeting rooms, 1 extensive boardroom and a business lounge with 20 hot desks).

During the review period, monthly asking gross rentals of selected privately-owned CBD office space ranged between RM2.00 per sq ft and RM5.50 per sq ft per month.

Average Asking Gross Rentals of Selected Purpose-built Office Space in Kota Kinabalu, 1H2022

Building Name	Location	Gross Asking Rental (RM per sq ft / month)
Plaza Shell	KK CBD	5.00 – 5.50
Riverson Suites	Southern Fringe of KK CBD	3.50 – 4.00
Menara MAA	KK CBD	2.00 – 4.20
Wisma Great Eastern	KK CBD	2.30 – 3.00
Central Building	KK CBD	2.50 – 3.00
Wisma Sabah	KK CBD	2.50 – 2.65

Source: NAPIC / Knight Frank Research

Retail

According to data from NAPIC, total retail space within shopping complexes in Kota Kinabalu stood at 5.78 million sq ft as at the end of 2021, with an average occupancy rate of approximately 76.7% (2020: 5.84 million sq ft at 82.1% occupancy rate). The pandemic has had a pronounced impact on the Kota Kinabalu retail market as evidenced by the decline in overall occupancy rate.

Nevertheless, mature and well-performing retail malls in the city, namely Imago Mall, Suria Sabah Shopping Mall, Centre Point Sabah, Karamunsing and City Mall continue to record healthy occupancies in the region of 80% to 90% with monthly asking rental rates ranging between RM2.00 and RM25.00 per sq ft. Ongoing rental remains subject to the adoption of rental structure such as turnover rent arrangement.

Throughout the course of the pandemic, these malls have been observed to actively engage existing and prospective tenants in line with their respective targeted consumer base and pre-planned tenant mix. Notable tenant entries in 1H2022 were on a smaller scale and include the following:

Notable Tenant Entries, 1H2022

Retail Mall	Retailer	Type of Trade
Imago Mall	Chain: Lenovo, Cuckoo Local: HK Seafood Restaurant	IT, Home Appliances, F&B
Suria Sabah Shopping Mall	Chain: Switch, SK Magic, Kaison, Vanilla Crepe, CHAGEE, LiHo Tea Local: Maxumax, DirectD Kota Kinabalu, One N Optical	IT, Homeware & Appliances, F&B, Sports, Optical
City Mall	Chain: 4Fingers, Vanilla Crepe and Xiaomi	IT, Home Appliances, F&B

Source: Knight Frank Research

In addition to promotional and advertising measures via digital marketing tools, mall operators ramped up efforts to conduct physical events and roadshows during the review period, particularly in conjunction with the Hari Raya Aidilfitri and Kaamatan (Harvest) festivals. Supported by the relaxation of COVID-19 precautionary measures following the country's progression to the endemic phase amid improving consumer sentiment, there was a healthy return of footfall to the malls especially during weekends and public holidays.

Hotel And Resort

Airlines such as Singapore's low-cost carrier Scoot, Royal Brunei Airlines, as well as Jin Air, Jeju Air and Air Busan from South Korea have promptly resumed flight operations to Sabah following the reopening of its borders to quarantine-free international travel (subject to selected SOPs) on 1 April 2022.

Berjaya Land Bhd and Sabapak Eco Sdn Bhd entered into a memorandum of understanding (MoU) to develop and transform Gaya Island, Sapi Island and Bohey Dulang Island into prime ecotourism destinations. Both parties will jointly formulate a comprehensive plan for the development of the islands, including the construction of an eco-luxury hotel and residences, the upgrading of infrastructure and amenities; amongst others.

A Singaporean firm has proposed to construct a five-star resort cum theme park in a protected reserve under Sabah Parks. The proposal is currently in its preliminary stages.

In terms of incoming supply, notable hotels and resorts that are slated for completion within the next five years are detailed in the table below:

Updates of Notable Hotels and Resorts, 1H2022

Development Name	Location	Type	No. of Rooms	Expected Completion
Alila Dalit Bay Sabah	Dalit Bay, Tuaran	Resort with 5-star Boutique Hotel	152	2022
Hyatt Centric Kota Kinabalu	KK CBD	5-star Hotel	226	2022
Crowne Plaza Hotel	KK CBD	5-star Hotel	367	2023
Sheraton Kota Kinabalu Hotel	KK CBD	5-star Hotel	345	2024
Club Med Borneo Kota Kinabalu	Kuala Penyu	4 to 5-star Resort	400	2024
AVANI Kota Kinabalu Hotel	Luyang, KK	3 to 4-star Hotel	378	2025

Source: Knight Frank Research

Outlook

Residential: The residential property market is anticipated to witness stronger recovery in the second half of 2022, with improved buyer sentiment following normalization of business and economic activities. In response to the discontinuation of the Home Ownership Campaign (HOC), rising inflationary environment and construction costs; selected launches have been rescheduled whilst some planned projects are undergoing adjustments to better suit evolving market trends. Selected developers are observed to be innovative in adapting to the headwinds by focusing more on design optimization and value engineering. Moving forward, new project launches will generally be focused on the M40 market, following pent-up demand from limited residential launches in recent years, as well as gradual recovery in the general economy.

Office: Privately-owned purpose-built offices are likely to observe recovery in occupancy levels following the stabilization of business operations in general. Notable office buildings will continue to attract new tenants, as evidenced from growing leasing enquiries from SMEs and corporates alike. Rental rates, however, are predicted to remain relatively constant in the near term.

Retail: Retail malls in Kota Kinabalu are expected to witness stable footfall following general improvement in consumer sentiment. Mall operators will continue to ramp up efforts to engage new tenants especially those related to IT, Homeware / Home appliances and F&B in line with present consumer trends.

Hospitality: With the reopening of the country's borders and the implementation of traveller-friendly protocols in 1H2022, Sabah's tourism, aviation and hospitality industries have been actively preparing for the arrival of international visitors. The effect of these measures on the hospitality industry are anticipated to be more pronounced in the second half of the year as more airlines resume international flights to the state. The scheduled completions of 5-star hotels later this year will further enhance the attractiveness of the state's hospitality offering, catering to the high-end tourism market.

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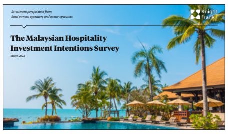

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Printed by: Sky Press Sdn Bhd.
No 15, Jalan PBS 14/3, Taman Perindustrian Bukit Serdang, 43300 Seri Kembangan, Selangor.

Publisher: Knight Frank Malaysia Sdn Bhd Co Reg. No. 200201017816 (585479-A)
Level 10, Menara Southpoint, Mid Valley City,
Medan Syed Putra Selatan, 59200 Kuala Lumpur

KDN PP16104/11/2012(031172)

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