RESEARCH

REAL ESTATE HIGHLIGHTS
1ST HALF 2018

KUALA LUMPUR | PENANG | JOHOR BAHRU | KOTA KINABALU

HIGHLIGHTS

Property market regained momentum with more launches during the review period.

Mismatch in supply and demand continues to put pressure on secondary pricing in KL City.

Rentals in most localities continued to hold steady with the exception of Bangsar, where they are noted to be slightly lower.

To improve sales target, developers are going on property roadshows around the country to boost sales of new products and to clear existing stock.

The historic conclusion of GE14 will see plausible return of property buyers and investors as they shift from the 'wait-and-see approach' to 'actively looking to buy' due to improved market sentiment.

The three-month tax holiday following the zero rating of the Goods and Services Tax (GST) effective 1st June and the re-introduction of the Sales and Services Tax (SST) only on 1st September is positive and provides a further boost to the property market.

Moving forward, a gentle recovery in the high-end residential market is expected with more launches next year.

KUALA LUMPUR HIGH END CONDOMINIUM MARKET

ECONOMIC AND MARKET INDICATORS

The Malaysian economy, as measured by gross domestic product (GDP), continued with its strong expansion of 5.9% in 2017 (2016: 4.2%). During 1Q2018, the economy registered a commendable growth of 5.4% (4Q2017: 5.9%), supported by the services and manufacturing sectors. For the whole year of 2018, GDP is expected to range from 5.5% to 6.0%.

Headline inflation increased to 3.7% in 2017 (2016: 2.1%) mainly driven by higher domestic fuel prices. In 1Q2018, it slowed to record at 1.8% (4Q2017: 3.5%) due to smaller contribution of domestic fuel prices and a stronger ringgit exchange rate. The headline inflation for 2018 is estimated at 2.0% to 3.0%.

Meanwhile, the labour market conditions remained stable in 2017 with unemployment rate unchanged at the previous year level of 3.4%. During 1Q2018, the unemployment rate improved to 3.3% (4Q2017: 3.4%) following expansion in the labour force.

On the lending front, Bank Negara Malaysia raised the Overnight Policy Rate (OPR) by 25 basis points to 3.25% on 25th January 2018 supported by the strong growth momentum of the local economy.

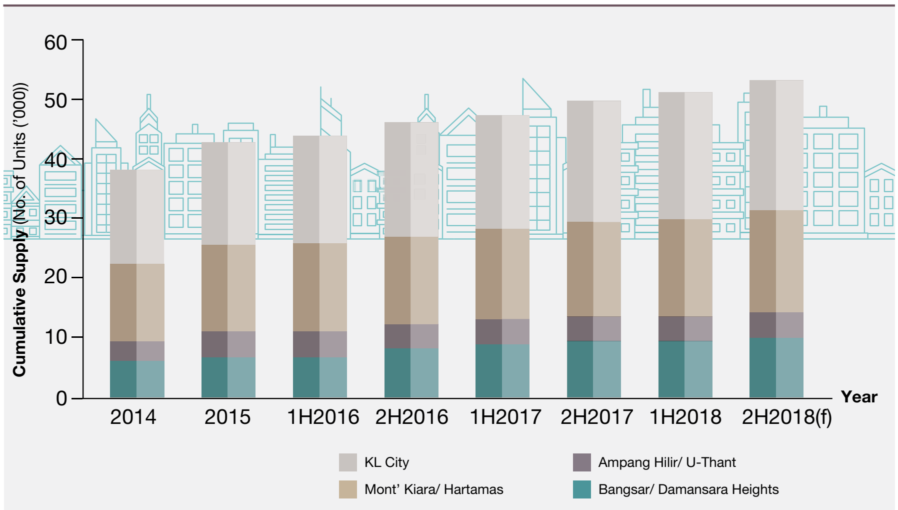
SUPPLY & DEMAND

The cumulative supply of high-end condominiums / residences stood at 51,278 units following the completion of four projects during the review period. They are Four Seasons Private Residences Kuala Lumpur (242 units), The Residences by Tropicana (353 units), Anggun Residences (384 units) and Pavilion Hilltop (621 units).

More projects are scheduled for completion by the second half of 2018 and collectively they are expected to contribute some 2,084 units to the existing supply. These schemes are The Ruma Residences (199 units), Pavilion Suites (383 units), Premium Residences @ KL Gateway (466 units), Dorsett Residences Sri Hartamas (707 units), One

FIGURE 1

Projection of Cumulative Supply for High End Condominiums / Residences 2014 – 2H2018 (f)



Note:
(1) (f) = Forecast
(2) The locality of Bangsar includes Bangsar, Bangsar South, KL Sentral, KL Eco City and Pantai Sentral Park

Source: Knight Frank Research


The Residences by Tropicana


Anggun Residences


Pavilion Hilltop

Kiara - Tower A (118 units) and Inwood Residences (211 units).

The freeze on approvals for condominium / serviced apartment projects offering products priced above RM1 million effective 1st November 2017 may provide a breather to the oversupplied market although it seems to have a lesser impact on earlier approved projects.

During the review period, a few notable projects were launched and they include Impression U-Thant in the locality of Ampang Hilir / U-Thant; Inspirasi Mont' Kiara and KaMi Mont' Kiara in Mont' Kiara and Damansara Fifty6 in Damansara Heights.

Impression U-Thant is a project jointly being developed by Yong Tai Bhd, KOF Holdings Sdn Bhd and RISDA. It features a 10-storey block of serviced apartments offering a total of 108 semi-furnished units. The units which come in six different layouts with built-up areas ranging from 782 sq ft to 1,632 sq ft are priced from RM1.3 million each. Scheduled for completion by 2021, the selling points of Impression U-Thant are its low density and dual-key design.

Inspirasi Mont' Kiara by MKH Bhd is a mixed development comprising two blocks of 46-storey serviced apartments complemented by shoplots on the ground floor. The project spanning 2.56 acres will house 640 units of serviced apartments sized from 940 sq ft to 1,015 sq ft. It was launched in February 2018 with selling prices starting from RM729,600 per unit or RM776 per sq ft.

KaMi Mont' Kiara by a subsidiary of Ireka Corporation Bhd was officially launched on 9th June. The project consists of 168 units of fully-furnished serviced apartments with a supporting F&B outlet & convenience store within the building. The serviced apartments have built-up areas of 840 sq ft to 1,604 sq ft and selling prices starting from RM1 million per unit. The project comes with a five-year guaranteed rental return of five percent for first two years and six percent for the remaining three years. Slated for completion by 2021, the project is a Japanese inspired development with Japanese designed features and facilities.

Damansara Fifty6 Sdn Bhd, a wholly-owned subsidiary of Allstones Group Asia Sdn Bhd, launched a 1.1-acre low

TABLE 1
Notable Launches in 1H2018

Name of Development	Impression U-Thant	Damansara Fifty6	Inspirasi Mont' Kiara	KaMi Mont' Kiara
Type	Condominium	Condominium	Serviced Apartment	Serviced Apartment
Developer	JV between Yong Tai Bhd, KOF Holdings Sdn Bhd and RISDA	Damansara Fifty6 Sdn Bhd (Subsidiary of Allstone Group Asia Sdn Bhd)	Alif Mesra Sdn Bhd (Subsidiary of MKH Bhd)	United Time Development Sdn Bhd (Subsidiary of Ireka Corporation Bhd)
Locality	Ampang Hilir / U-Thant	Damansara Heights	Mont' Kiara	Mont' Kiara
No. of Units	108	56	640	168
Unit Sizing (Min - Max)	782 - 1,632 sq ft	1,356 - 3,510 sq ft	940 - 1,015 sq ft	840 - 1,604 sq ft
Selling Price	From RM1,700 per sq ft	RM830 per sq ft on average	From RM776 per sq ft	From RM1,200 per sq ft

Source: Knight Frank Research

density project – Damansara Fifty6 on 2nd March. Located in Bukit Ledang, neighbouring the Damansara Heights enclave, the leasehold project consists of two blocks of condominiums (4 and 11-storey). It offers a total of 56 units with built-ups ranging from 1,356 sq ft to 3,510 sq ft and average selling prices of RM830 per sq ft.

Selected projects launched during 1H2018 have reportedly achieved sales rate ranging from 20 percent to 30 percent.

PRICES AND RENTALS

During the first half of 2018, rentals of most high-end condominium / serviced apartment schemes in the various localities under review, continued to hold steady. Asking rentals in Bangsar, however, were noted to be generally lower. Meanwhile, in KL City, amid the tight leasing market, owners with weaker holding power are turning to online marketplace and hospitality service operator such as Airbnb, to offer their accommodation for short-term stay at higher yields.

In KL City, mismatch in supply and demand continues to put pressure on secondary pricing. Meanwhile, asking prices in other localities under review remained stable.

In the locality of Ampang Hilir / U-Thant, the launched price of Impression U-Thant starts from RM1.3 million (or circa RM1,700 per sq ft). The pricing on per sq ft basis is higher compared to other existing projects in the vicinity as the units offered are smaller in size and semi-furnished. Inspirasi Mont' Kiara was launched at RM776 per sq ft onwards while units at Damansara Fifty6 command average pricing of RM830 per sq ft.

In the secondary market, the transacted prices of mid to larger sized condominiums / serviced apartments (1,300 sq ft to 3,400 sq ft) in the selected schemes such as The Troika and Pavilion Residence remained resilient, averaging at RM1,200 per sq ft and RM1,700 per sq ft respectively.

OUTLOOK

In 1Q2018, a total of 216 condominium / apartment units changed hands in Wilayah Persekutuan Kuala Lumpur, marginally lower when compared to 4Q2017 which registered 238 transacted units. Post-election, there appears to be an uptick in enquiries from potential buyers due to renewed confidence in the newly elected Government.

In the mass housing market, there is a plausible return of buyers and investors as they actively look for good deals ahead of the anticipated recovery in the property market.

The three-month tax holiday period effective 1st June is also positive for the property market. The zero rating of the Good and Services Tax (GST) is expected to boost the commercial sub-sector as buyers purchasing commercial properties during the tax holiday period pay 0% GST. Thus, we expect to see more activities in this market segment. As for the housing sector which is already GST exempted, there will not be significant price movement in the short term.

In the primary market, with more developers going on countrywide roadshows to promote recently launched products and to clear existing property stock by offering rebates and better promotional packages, we expect sales to pick up albeit slowly.

The rental market which is believed to have bottomed out is also receiving more enquiries generally.

The recent echo of improving sentiments coupled with strong growth momentum of the economy and rebound of oil price among others, show that there is a window of opportunities for recovery in the property market, including the high-end segment. Malaysia is expected to return to the radar of investors after the market stabilises with more clarity in the policies of the newly elected Government.

TABLE 2

Average Asking Prices and Rentals of Existing High End Condominiums 1H2018

	KL City*	Ampang Hilir / U-Thant**	Damansara Heights***	Kenny Hills	Bangsar	Mont' Kiara****
Asking Gross Rental	2.20 - 5.20 ↔	2.00 - 3.50 ↔	2.20 - 4.30 ↔	2.00 - 3.00 ↔	2.20 - 4.00 ↓	1.80 - 3.50 ↔
Average Asking Price (RM per sq ft)	660 - 1,700 ↓	550 - 1,200 ↔	550 - 1,000 ↔	550 - 900 ↔	650 - 1,300 ↔	500 - 850 ↔

* Excludes Binjai on the Park and Pavilion Banyan Tree Signatures but includes Pavilion Residences
** Excludes Seri Hening
*** Excludes DC Residency but includes Twins @ Damansara Heights
**** Excludes Verve Suites which comprise mainly fully furnished small units

Source: Knight Frank Research

HIGHLIGHTS

The serviced office and co-working sector remains active with many operators exploring new set-up or expansion amid rising demand from a multitude of occupiers.

Flight to quality continues to impact the office market, particularly the older and lower grade buildings. Existing tenants, particularly big space occupiers, look to relocate to newer, better quality office space with landlords offering competitive rental packages to entice them.

The cancellation of the Mass Rapid Transit Circle Line (also known as MRT 3) will impact upcoming mega developments in Kuala Lumpur such as KL Metropolis, Bandar Malaysia, Bukit Bintang City Centre and Merdeka PNB 118 in the short term.

KUALA LUMPUR & SELANGOR OFFICE MARKETS

INTRODUCTION

Knight Frank Malaysia has recently revised and improved the methodology to track rental movements for both Kuala Lumpur and Selangor office markets.

The base year for computation of the rental indices have been revised from 2010 to 2015 for Kuala Lumpur.

Knight Frank Malaysia has renamed two localities in KL City: Golden Triangle to New CBD and CBD to Old CBD. And for Beyond Kuala Lumpur (Selangor), it has been renamed Selangor.

Knight Frank Malaysia has further segregated established office locations in KL Fringe from three previously to six, namely Damansara Heights, KL Sentral, Taman Tun Dr Ismail, Mid Valley City / KL Eco City, Bangsar South / Kerinchi and Pantai / Bangsar.

MARKET INDICATIONS

The Kuala Lumpur and Selangor office markets remained flat during the review period.

Despite having no catalyst to boost demand, net absorptions for KL City and KL Fringe turned positive while for Selangor, it was negative.

SUPPLY

As of 1H2018, the cumulative supply of purpose-built office space for both Kuala Lumpur and Selangor was recorded at circa 101.3 million sq ft following the completion of three buildings with combined NLA of approximately 1.21 million sq ft.

The recent completion of Mercu 2 @ KL Eco City increased the cumulative supply for KL Fringe to 28.6 million sq ft while in Selangor, the completion of Celcom Tower and Star Central (Phase 1C), brought its cumulative supply to 20.9 million sq ft.

There were no completions of new office buildings in KL City.

Mercu 2 (formerly known as Setia Tower) forms part of the larger integrated development of KL Eco City. The 42-storey corporate office tower with 540,000 sq ft NLA has typical floor plate size in the region of 15,000 sq ft.

Mercu 2 @ KL Eco City

Meanwhile, the 33-storey Celcom Tower is an office component within Phase 1 of PJ Sentral Garden City development that also houses MBSB Tower, MyIPO Tower and a medical facility. The office tower, which offers 450,000 sq ft NLA, has been leased to Celcom Axiata Berhad for 21 years.

Moving into 2H2018, office buildings slated for completion include The Exchange 106 and Equatorial Plaza in KL City; South Point Office @ Mid Valley City and Menara Etiqa in KL Fringe; and Nucleus Tower, Menara Star 2 and Tower 6 of Sky Park in Selangor.

OFFICE ANNOUNCEMENTS

There were several notable office related announcements in 1H2018.

In KL City, the Ministry of Finance (MoF) has taken control of the soon to be completed skyscraper known as The Exchange 106 at Tun Razak Exchange (TRX). The MoF, via MKD Signature Sdn Bhd, has acquired a 51% stake in Mulia Property Development Sdn Bhd which is developing the 3.42-acre TRX land from Indonesia's Mulia International Ltd, a subsidiary of Indonesia's Mulia Group.

Honeywell, a global leader in connected buildings, has been awarded a US$14 million (RM54.7 million) contract to supply smart building technologies that include complete security and building management systems for the iconic PNB 118 Tower. Located within the Warisan Merdeka development, the 118-storey skyscraper is set to become the fifth tallest building in the world upon its completion in 2024.

Malaysia Pacific Corp Bhd (MPCorp) is in the midst of negotiating with The 21st Metallurgical Development (M) Sdn Bhd (T21) for the redevelopment of Wisma MPL at Jalan Raja Chulan. Both parties have agreed to incorporate a joint venture (JV) company to acquire the shop lots and office units in Wisma MPL. Completed in 1973, the building was previously known as Wisma MPI and later as Wisma HLA.

Over in KL Fringe, Pintaras Jaya Bhd has been awarded a RM68.5 million construction contract by Bina Puri Development Sdn Bhd for a mixed development in Brickfields. The contract involves the piling and substructure works for the proposed 54-level office suites and two blocks of 63-level serviced apartments.

OCCUPANCY

During the review period, the overall occupancy rate for KL City remained fairly stable at 79% (2H2017: 79.5%).

Tenant movements out of Menara Weld and Menara HLA were balanced by new take-up in Menara Worldwide, Menara Prestige and Naza Tower.

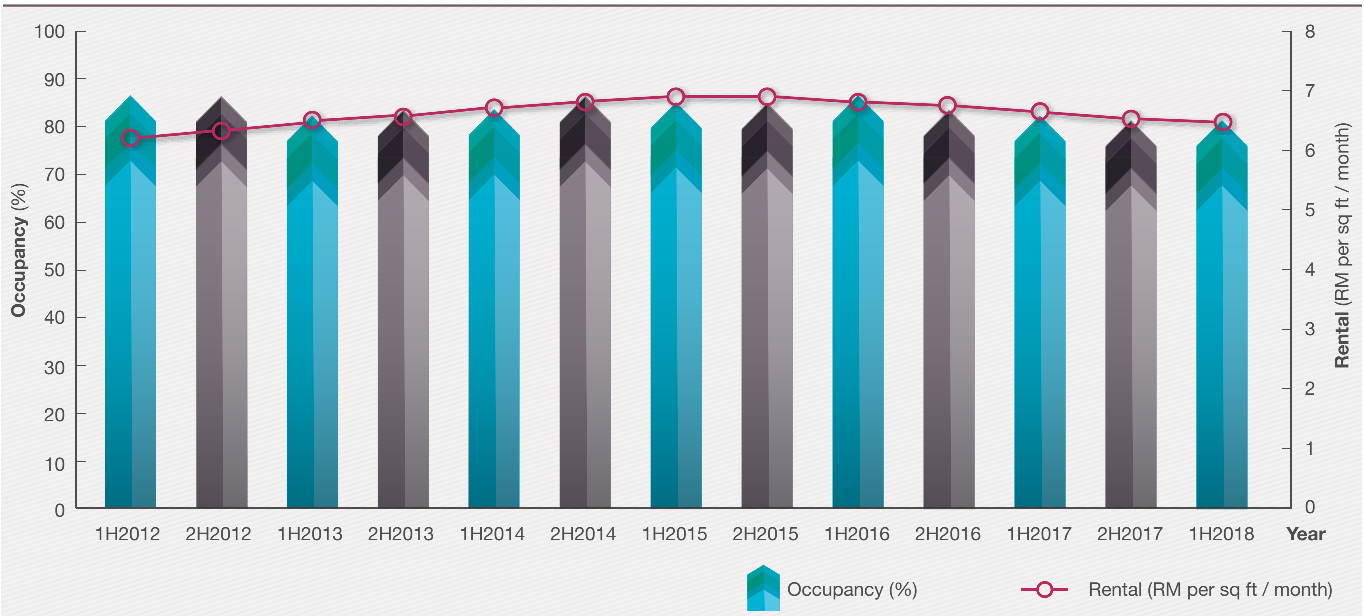
As for the decentralised office locations in KL Fringe, the overall occupancy rate remained resilient at 83.8% in 1H2018 (2H2017: 83.9%). The increase in office space following the completion of Mercu 2 @ KL Eco City was offset by higher take-up in several office buildings, namely Wisma UOA Damansara II, HP Towers and The Gardens South Tower.

The overall occupancy rate for the Selangor office market also remained flat at 79.2% in 1H2018 (2H2017: 79.5%).

Star Central (Phase 1C)

FIGURE 2

Occupancy and Rental Trends in Kuala Lumpur 1H2012 – 1H2018



Source: Knight Frank Research

New take-up in Tropicana City Office Tower, SunGeo Tower and Block 9 of UOA Business Park were balanced by tenants moving out from Crystal Plaza, Menara Axis and CP Tower.

RENTAL

The average achieved rental rates for both KL City and Selangor remained under pressure as the mismatch between supply and demand continues to grow.

During the review period, the average rentals for KL City and Selangor declined to RM7.16 per sq ft (2H2017: RM7.20 per sq ft) and RM4.20 per sq ft (2H2017: RM4.22 per sq ft) respectively.

However, in KL Fringe, the average achieved rental rate remained resilient at RM5.72 per sq ft supported by sustained demand from foreign companies and expansion by co-working operators.

In Kuala Lumpur, well-located Grade A office space continued to command higher asking rents, ranging from RM6.00 per sq ft to RM11.00 per sq ft per month while in Selangor, the asking rents are more competitive, ranging from RM4.50 per sq ft to RM6.00 per sq ft per month.

INVESTMENT ACTIVITY

The review period recorded two sales of office buildings in KL Fringe, namely Wisma Mont' Kiara and Wisma UOA Pantai.

Saudi Arabia's Alrajhi family has acquired the 16-storey Wisma Mont' Kiara office building from Singapore-based ARA Asset Management Ltd for an estimated RM122 million. The building, which offers 241,682 sq ft GFA and 181,992 sq ft NLA, is part of a larger integrated mixed-use development. Wisma Mont' Kiara is believed to be 98% tenanted, with 60% of the NLA secured until 2020. Some 30% of the space is occupied by ServiceSource International (M) Sdn Bhd. Rents are said to be between RM4.50 per sq ft and RM4.80 per sq ft per month, including service charges.

UOA Real Estate Investment Trust (UOA REIT) is disposing Wisma UOA Pantai located off Jalan Pantai Baru to CIMB Bank Bhd for RM120 million cash. The property was operating at a low occupancy rate of 19% as at April 2018.

TABLE 3
Notable Tenant Movements 1H2018

Building Name	Approx. Space (sq ft)	Remarks
KL CITY		
Menara Prestige	~37,000	Moving in • **Petrofac Malaysia Limited**
Menara Worldwide	~21,500	Moving in • **Common Ground**
Naza Tower	~54,000	Moving in • **Wood Group***
KL FRINGE		
Vertical Corporate Tower B	~18,500	Moving in • **IWG Shared Services***
Menara LGB	~13,500	Moving in • **Hibiscus Petroleum**
SELANGOR		
Block H, Empire City	~40,000	Moving in • **Grab Malaysia**
SunGeo Tower	~10,000	Expansion • **British American Tobacco Malaysia**

Source: Knight Frank Research
Note: *Deals closed by Knight Frank Malaysia

TABLE 4
Selected Office Investment Sales 1H2018

Building Name	Location	Approx. Lettable Area (sq ft)	Consideration (RM per sq ft)
Wisma Mont' Kiara[1]	Jalan Kiara, Mon't Kiara	181,992	670
Wisma UOA Pantai[2]	Pantai	157,083	764

[1] Al Rajhi family of Saudi Arabia via R J Seven Sdn Bhd has acquired Wisma Mont' Kiara, a 20-storey office building, from Singapore-based ARA Asset Management Ltd, for a consideration of RM122 million. The office building forms part of large 1 Mont' Kiara integrated development that also comprises 1 Mont' Kiara Mall and Menara 1 Mont' Kiara Office Suites.

[2] UOA Real Estate Investment Trust has disposed Wisma UOA Pantai, a 5-storey office building with 2 mezzanine floors and 3 levels of basement carpark, to CIMB Bank Berhad for a total consideration of RM120 million.

Source: Knight Frank Research

There are a few buildings up for sale in the market.

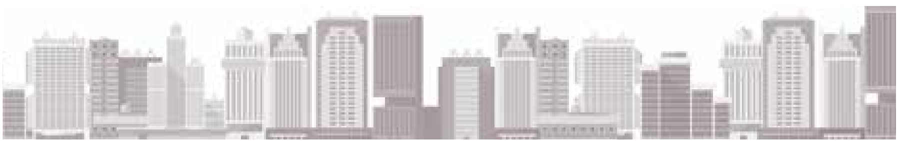
Kuwait Finance House (KFH) is reportedly putting up its Grade A, 36-storey Menara Prestige near KLCC for sale with an asking price of RM700 million to RM750 million (RM1,273 per sq ft to RM1,363 per sq ft). Situated at the corner of Jalan Pinang and Jalan P. Ramlee, the office tower with 550,000 sq ft NLA and over 800 car parking bays, is MSC-ready, though it does not carry MSC status. The building is currently about 80% occupied following the signing of key tenants that include American Express Malaysia and oil and gas service provider Petrofac. Asking rentals for the low and high zones range from RM7.50 per sq ft to RM8.50 per sq ft per month.

The Employees Provident Fund (EPF) is studying the sale of the Axiata Tower (formerly known as Quill 7) in Kuala Lumpur Sentral. The Grade A office tower is expected to fetch as much as RM530 million. The 30-storey building which has circa 355,096 sq ft NLA is 91% occupied.

TABLE 5

Selected Grade A Office Asking Rentals 1H2018

Building Name	Asking Gross Rental (RM per sq ft / month)
KL CITY	
Integra Tower	11.00
Menara Maxis	10.50
Vista Tower	9.00
G Tower	8.00
Menara Darussalam	8.50
Menara Binjai	8.80
Menara Hap Seng 2	7.00
Menara Citibank	7.00
KL FRINGE	
Wisma Guocoland	7.00
Menara CIMB	8.00
Axiata Tower	7.50
1 Sentrum	7.80
Menara LGB	6.50
The Gardens North & South Towers	7.50
Vertical Corporate Tower B	6.00
Menara BRDB	6.50
SELANGOR	
1 First Avenue	6.00
Surian Tower	5.50
The Ascent @ Paradigm	5.50
Puchong Financial Corporate Centre (Towers 4 & 5)	4.50
The Pinnacle	5.50
Wisma Mustapha Kamal	4.80
Quill 18 (Block B)	5.00



Source: Knight Frank Research

The Axiata Group occupies just over 30% of the space, with other major tenants including Perbadanan Insurance Deposit Malaysia, Ceo Suite (M) Sdn Bhd, Navis Management Sdn Bhd, Google Malaysia and Bombardier (M) Sdn Bhd.

OUTLOOK

Moving forward, the Business Conditions Index which dipped marginally to 98.6 points in 1Q2018 (4Q2017: 101.5 points) slightly below the demarcation level of 100-point threshold of optimism (source: MIER) is expected to improve over the next few quarters as and when there is more clarity on the policies of the newly elected Government.

The cancellation of Mass Rapid Transit Circle Line (also known as MRT 3) will impact upcoming mega developments in Kuala Lumpur such as KL Metropolis, Bandar Malaysia, Bukit Bintang City Centre and Merdeka PNB 118 in the short term.

Flight to quality continues to impact the office market. Existing tenants, particularly big space occupiers, look to relocate to newer, better quality office space with landlords offering competitive rental packages to entice them.

The outlook for both Kuala Lumpur and Selangor office markets continues to remain lacklustre as impending supply coupled with tight leasing market continue to increase pressure on occupancy and rental levels.

On a positive note, with the crude oil price looking to stabilise, there appears to be some returning interest from the oil & gas (O&G) and its related sectors. Leasing enquiries for this sector as well as from multinationals in other services industries exploring the KL market, have picked up.

Also, with rising demand for flexible co-working space catering to the growing millennial workforce that comprises a mixture of freelancers, start-ups, small and medium size entrepreneurs (SMEs) and MNCs, 2018 will see active enquiries and leasing activities from co-working operators exploring new set-up or expansion.

Tun Razak Exchange photo taken on the election day
Source: Ho Chin Soon

HIGHLIGHTS

The MIER Consumer Sentiment Index (CSI) improved to register at 91.0 points in 1Q2018 but it remains below the 100-point optimism threshold.

The Malaysia Retailers Association (MRA) has revised upwards its 2018 retail sales forecast from 4.7% to 5.3% following the Government's decision to zero rate the 6% Goods and Services Tax (GST) effective 1st June.

Recent completion of circa 450,000 sq ft NLA of retail space brings Klang Valley's cumulative supply to 57.5 million sq ft in 1H2018. Retail space per capita, analysed at circa 7 sq ft per person, is one of the highest in Malaysia.

Although challenges in the retail industry have led to the closure of some brands due to declining sales, there are others that continue to see opportunities in the market evident from the debut and expansion of international and local brands in the review period.

KLANG VALLEY RETAIL MARKET

MARKET INDICATIONS

The MIER Consumer Sentiment Index (CSI) saw an improvement of 8.4 points in 1Q2018 to register at 91.0 points although it remains weak below the optimism threshold level of 100 points.

Retail sales grew 2.6% in 1Q2018 driven by encouraging sales boosted by the Chinese New Year festive season.

Despite the closure of fashion brands such as Gap and Banana Republic due to declining sales, the review period continues to see the entry and expansion of international and local retailers.

SUPPLY & DEMAND

The review period saw the opening of two shopping centres with a combined NLA of about 450,000 sq ft and the closure of Ampang Park shopping centre (256,319 sq ft NLA) for the construction of the Ampang Park Mass Rapid Transit (MRT) station under Line 2. This brought the cumulative supply of retail space in Klang Valley to circa 57.5 million sq ft.

The recent completions are The Shoppes @ Four Seasons Place Kuala Lumpur and Evo Shopping Mall in Selangor.

The Shoppes @ Four Seasons Place Kuala Lumpur, which officially opened on 15th May 2018, forms part of a larger integrated development comprising a hotel and branded residence components. The five-storey retail mall with NLA of 200,000 sq ft is anchored by Robinsons and it offers a unique retail experience with designer boutiques, speciality stores and premium food & beverage (F&B) outlets such as Atlas Gourmet Market & Bistro and Decadent by Four Seasons.

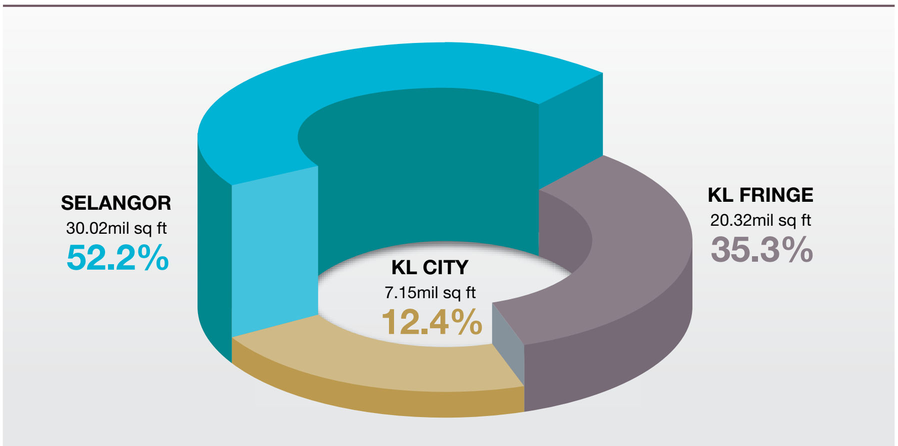
The Shoppes @ Four Seasons Place Kuala Lumpur

Meanwhile, Evo Shopping Mall in Bangi made its debut on 19th January 2018 with four retail levels spanning across 250,000 sq ft. The mall is notably the only one in Bangi to house a number of prominent anchor and key tenants, namely Parkson, MaxValu, Samsung, Focus Point, Manhattan Fish Market, Caring Pharmacy, and Daiso.

The review period continues to see developers and operators of selected shopping centres embarking on asset

TABLE 6

Existing Cumulative Supply of Retail Space (Net Lettable Area) 1H2018



Source: Knight Frank Research

enhancement initiatives (AEIs) to address challenges in the retail landscape and to continue attracting shoppers and tenants alike.

IPC Shopping Centre has fully reopened after its refurbishment to strengthen its market presence, offering fun-filled shopping experience based on new leisure and family concepts. The mall welcomes back popular tenants and new tenants such as Harvey Norman, Brands Outlet, AEON Wellness, Australian furniture retailer King Living, LC Wakiki, Ben's Independent Grocer, Penang Road Famous Teochew Chendul, Dome and Sukiya.

Eleven new shopping centres / supporting retail components with combined retail space of circa 6.6 million sq ft are expected to enter the Klang Valley market by 2H2018. They are The Linc, GM Bukit Bintang, KL Eco City Retail Podium, Kiara 163, Eko Cheras Mall, Pinnacle, Empire City Damansara Mall, Tropicana Gardens, Skypark @ Cyberjaya, Pacific Star and Central i-City Shopping Centre (Central Plaza @ i-City).

During the review period, the retail sector continues to witness the debut and expansion of international and local brands.

In the vibrant Kuala Lumpur City, Pavilion Kuala Lumpur welcomed the first flagship store of the American chain, Cold Stone Creamery.

Aw Lab, the American sneakers specialist has opened its flagship store on the third floor of Suria KLCC whilst the infamous ground floor sees new openings that include Malaysian home-grown brand, the dUCk store and Diane von Furstenberg occupying 3,000 sq ft and 1,000 sq ft respectively. The review period also saw the reopening of the newly refurbished Bally and Versace outlets with 2,100 sq ft and 2,500 sq ft of space respectively.

In Kuala Lumpur Fringe, Mid Valley Megamall continues to refresh its tenant mix. Early this year, Mr. DIY launched its flagship store spanning over 15,000 sq ft on the mezzanine third floor level. New notable tenants in the Specialty and F&B segments include Christy Ng, Happy Button, MGP Label, South China Sea, Hong Kong Sheng Kee Dessert, Fuwari, Macha n Co, Hogan Bakery, Mak's Chee, Alibaba and Nyonya. As for the healthcare & beauty segment, new players include Chanel, Sulwhasoo and YSL Beauty.

Global lifestyle brand, Guess, has relocated its main and kids stores from Mid Valley Megamall to The Gardens Mall. The upscale mall is also home to a SK-II boutique spa on the ground floor and a Nespresso Boutique on the first floor as well as the upcoming standalone Laneige beauty and skincare store, United Nude and COS outlets among others.

Other brands making their debut include Nene Chicken, Forty Hands Café, Sunny Queen, DreamWorks Kung Fu Panda Kitchen and Tai Croissant.

Meanwhile, fashion brands that exited the market during the review period include Gap and Banana Republic. These stores have continued to see declining sales over the years.

The first two months of 2018 also saw the sudden exit of Parkson departmental store in Maju Junction Mall and Sungei Wang Plaza amid continued challenges in the departmental store sub-sector.

PRICES & RENTALS

The average monthly gross rentals of selected prime shopping centres remained resilient during the review period.

In Kuala Lumpur City, Suria KLCC and Pavilion Kuala Lumpur continued to command higher average monthly rentals of RM24.00 per sq ft to RM26.00 per sq ft. These popular malls registered near full occupancy of 97% and 99% respectively.

In the city fringe, Mid Valley Megamall and The Gardens Mall command average monthly rentals of RM17.00 per sq ft and RM16.00 per sq ft respectively. These malls registered 100% and 98% occupancies, with back to back tenant movements and renewals.

The average monthly rentals for Sunway Pyramid Shopping Centre and The Mines in Selangor are RM14.00 per sq ft and RM9.00 per sq ft respectively. These malls are 99% and 94% occupied respectively.

There were no notable transactions of shopping centres in the review period.

OUTLOOK

Moving forward, Malaysia Retail Association has revised upwards its full year forecast from 4.7% to 5.3%. The Government's decision to zero rate the 6% Goods and Services Tax (GST) from 1st June augurs well for the retail industry. The 3-month tax holiday pending the implementation of the Sales and Services Tax (SST) on 1st September is expected to increase demand for goods and services.

The SST, on the other hand, may spur spending with lower prices for necessity goods.

Meanwhile, the proposed move on minimal wage will be a breather for lower-income consumers, and hence, may strengthen purchasing power.

For the remaining of 2018, retail sales growth is expected to be sustained as consumer sentiment improves with higher purchasing power.

We continue to see more consumers turning to online shopping for greater choices, bargains and convenience evident from rapid growth in the e-commerce segment.

Besides hypermarket operators such as Tesco and AEON Big, leading F&B and consumer product players such as Nestle and Unilever continue to embrace e-commerce to improve sales.

Official stores and brands of beauty and health products such as Guardian, Watsons, NYX cosmetics and Silky Girl have also widened their market reach by going online.

A new concept of cashless convenience stores, namely Funmaii Signature and Iris 100 yen have finally made their entry by offering 24-hour cashless self-checkout. The stores carry goods from six countries - Japan, Korea, Hong Kong, Taiwan, China and Malaysia.

To remain competitive due to rising popularity of online shopping, the retail segment has been banking on securing tenants with services and experience factor such as F&B, beauty and dermatology and sports and entertainment.

The review period saw the partial opening

TABLE 7
Incoming Retail Supply 2018

Name of Shopping Mall	Location	Estimated Net Lettable Area
1H2018 - New Completion/ Opening		
Shoppes @ Four Seasons Place	KL City	200,000 sq ft
Evo Shopping Mall	Selangor	250,000 sq ft
2H2018 - Expected Completion/ Opening		
The Linc	KL City	120,000 sq ft
GM Bukit Bintang	KL Fringe	100,000 sq ft
KL Eco City Retail Podium	KL Fringe	250,000 sq ft
EKO Cheras Mall	KL Fringe	625,000 sq ft
Kiara 163	KL Fringe	300,000 sq ft
Pinnacle	Selangor	140,000 sq ft
Empire City Damansara Mall	Selangor	2,300,000 sq ft
Tropicana Gardens	Selangor	1,000,000 sq ft
Skypark @ Cyberjaya	Selangor	565,000 sq ft
Pacific Star	Selangor	240,000 sq ft
Central i-City Shopping Centre (Central Plaza @ i-City)	Selangor	940,000 sq ft

Source: Knight Frank Research

of Phase one of 1 Utama E, the newest extension to the 1 Utama Shopping Centre. Officially launched early this year, it welcomed two sports tourism centres, namely FlowRider and AirRider, the first of their kind in the country. FlowRider is a simulated wave generator featuring sheet wave technology for flowboarding, bodyboarding and surfing, and AirRider is an indoor skydiving wind tunnel for simulated sky diving.


One Utama Extension – AirRider

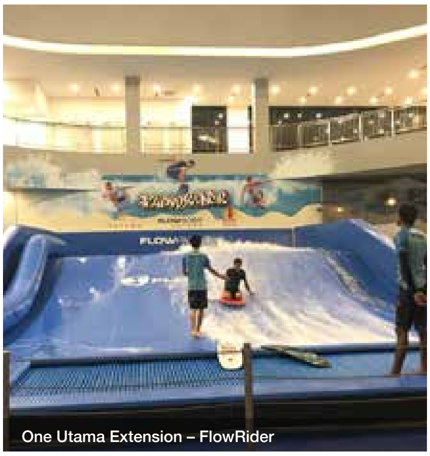
The partially opened Empire City Damansara Mall in Damansara Perdana was the KL SEA Games venue for ice skating and ice hockey. It has currently secured tenants, mostly operating in the F&B segment such as Boat Noodle, Mr Tuk Tuk, Black Canyon, Shinmapoo, Pizza Hut and Breadstory.

Despite the rise in online shopping, brick-and-mortar outlets continue to remain relevant in the local retail industry.

The Klang Valley retail landscape continues to face strong headwinds and the recent completion of some 450,000 sq ft of space further heightens competition in an already crowded market.

The current concern weighs more on the completed retail stock that have yet to be filled and this puts further pressure on occupancy levels going forward.

Thus, to address the growing mismatch in supply and demand of selected property segments including retail, Kuala Lumpur City Hall (DBKL) has recently frozen approvals for all unapproved projects, including those built on hill slopes and public spaces. This measure is expected to provide a breather to the oversupplied retail market as it seeks to find its equilibrium.


One Utama Extension – FlowRider

HIGHLIGHTS

New generation of gated and guarded (G&G) industrial parks that come with workers' accommodation and other amenities bode well with occupiers and investors alike.

Built-to-suit facilities are becoming more prevalent in Malaysia. One-stop solutions are offered to companies which prefer to operate in customized facilities on long term leases, saving the hassle and capital expenditure associated with the construction process.

Multi-storey warehouses, which had been prevalent in countries where land is scarce and expensive such as Hong Kong and Singapore, is gaining popularity in Malaysia due to surging land prices in recent years.

Multinational corporations such as the likes of Nestle S.A. and IKEA, are establishing Regional Distribution Centres (RDC) in Malaysia. This serves as a testament that Malaysia's established infrastructure with its network of well-maintained highways linking major growth centres to seaports and airports will support the growth of the logistics sector.

SELANGOR INDUSTRIAL MARKET

MARKET INDICATIONS

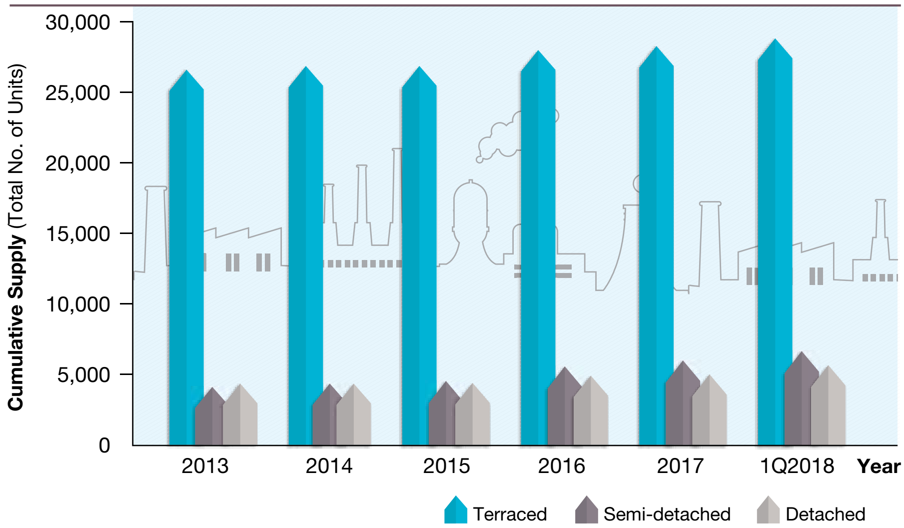
Selangor, the industrial stronghold of Malaysia, continues to play a significant role in the Malaysian economy. The state, which is particularly dominant in the manufacturing of electrical and electronic products, contributed 22.7% to the country's gross domestic product (GDP) and 28.9% to the country's manufacturing sector in 2016.

In 2017, Malaysia's Industrial Production Index (IPI) recorded an overall growth of 4.4%, largely supported by resilience in manufacturing activities which grew 6.1% year-on-year (y-o-y).

It is expected that the strong growth trajectory of Malaysia's industrial sector moving into 2018 will continue to be supportive of the nation's industrial property market.

FIGURE 3

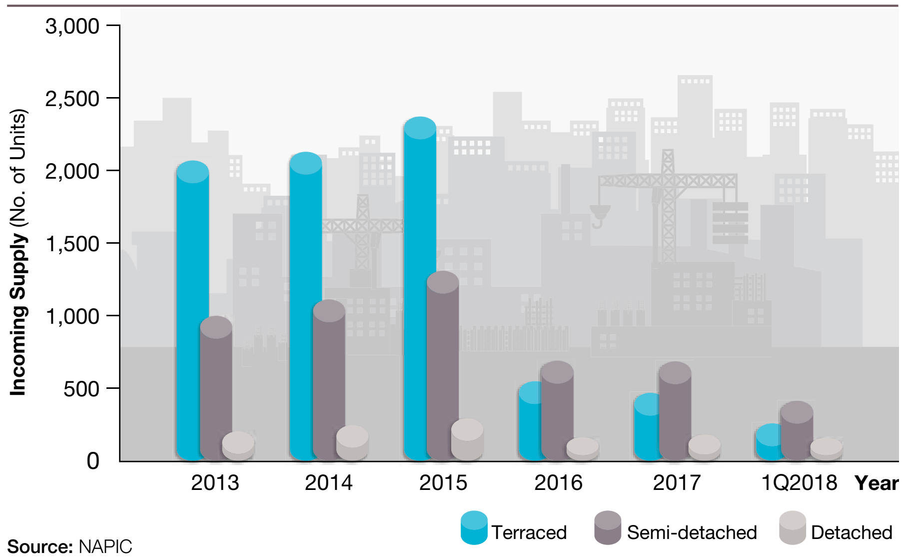
Cumulative Supply of Terraced, Semi-Detached and Detached Factories 2013 - 1Q2018



Source: NAPIC

FIGURE 4

Incoming Supply of Terraced, Semi-Detached and Detached Factories 2013 - 1Q2018



Source: NAPIC

SUPPLY & DEMAND

The cumulative supply of industrial properties in Selangor stood at 40,071 units as of 1Q2018 following the completion of 112 units.

As of 1Q2018, Klang district has the highest number of incoming industrial property supply with 482 units, representing circa 44.3% of the state's total impending supply of 1,088 units. A total of 109 units in the said district are scheduled for completion in 1Q2018.

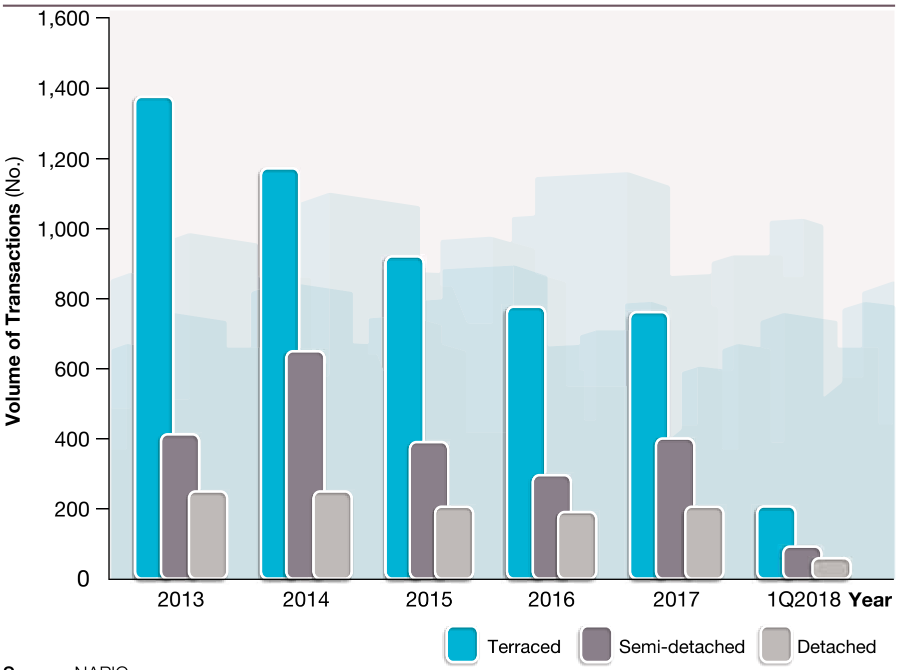
The incoming supply of industrial properties in Selangor has slowed significantly in 2016 and 2017. Correspondingly, the number of overhang industrial properties in the state stood at only six and 27 units in 2016 and 2017 respectively.

The industrial property market in Selangor continued to outperform the general market with volume of industrial property transactions growing 19.5% y-o-y in 2017. This feat, achieved despite most states recording a slowdown in market activity, is testament that both businesses and investors alike continue to view Selangor as a strategic industrial hub and will continue to plough capital into the most urbanised and developed state in the country.

Terraced factories remain the most transacted industrial property type in 1Q2018, with 207 units valued at RM181.09 million changing hands. As compared to 1Q2017, both volume and value of transactions recorded y-o-y growth of 13.7% and 12.5% respectively.

FIGURE 5

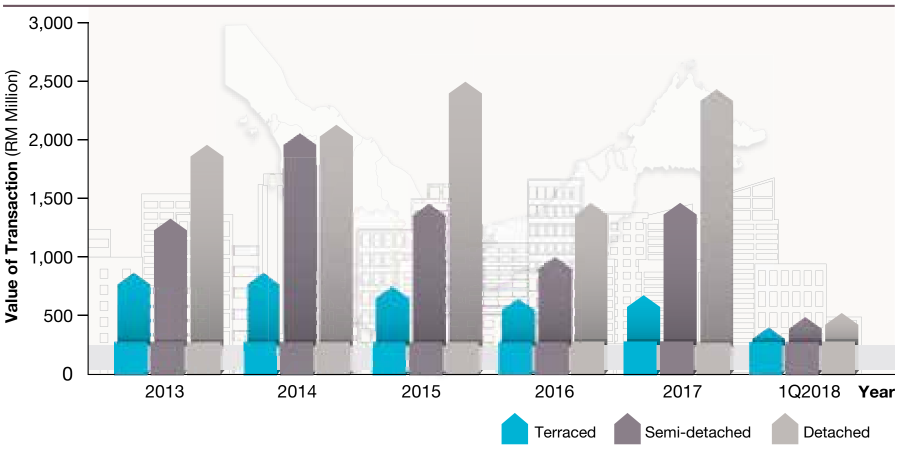
Number of Transactions for Terraced, Semi-Detached and Detached Factories 2013 - 1Q2018



Source: NAPIC

FIGURE 6

Value of Transactions for Terraced, Semi-Detached and Detached Factories 2013 - 1Q2018



Source: NAPIC

PRICES & RENTALS

Land price has always played a prominent role in determining the feasibility of running an industrial facility. Hence, it is worth noting how the price factor has affected the landscape of some established industrial areas in Selangor.

As a result of increasing land prices and rapid urbanization, industrial areas in Petaling Jaya such as Sections 13, 19, 51 and 51A, are undergoing transformation with former industrial sites being redeveloped into mixed-use schemes. An increasing number of industrial units in these areas are also being utilized as showrooms or for other semi-commercial purposes. Thus, we observed gradual relocation of manufacturing firms in these areas to other industrial hubs such as Shah Alam and Klang.

Shah Alam which is home to some of the most prominent industrial precincts in Malaysia, such as the likes of Sections 15, 16, 23, Bukit Jelutong Industrial Park and Hicom Glenmarie Industrial Park, will continue to retain its dominance in the industrial property market as manufacturers continue to set up facilities in the area. This explains why developers such as Exsim Group and Aspen Group are still actively acquiring land banks to develop logistics and industrial properties in the area.

Meanwhile, proximity to Port Klang coupled with cheaper land prices and lower rental costs augur well for the industrial property market in Klang. This is in line with the incoming supply trend, which shows that industrial activities in Klang is poised for growth in the years ahead.

The average asking rentals for detached factories in Klang range from RM0.80 to RM1.30 per sq ft per month as opposed to RM1.50 to RM2.00 per sq ft per month in Shah Alam.

Excellent Technology Park 2

Eco Business Park V Artist Impression

OUTLOOK

Moving forward, initiatives such as the Digital Free Trade Zone (DFTZ) in KLIA Aeropolis will continue to be an extension of support for Malaysia's industrial property market. It is reported that DFTZ strives to facilitate US$65 billion of traded goods and create 60,000 jobs for Malaysians by 2025. Moreover, DFTZ also aims to optimize border clearance and handling, and improve cargo terminal operations. This platform will serve as a catalyst for the growth of e-commerce that will put Malaysia on the global logistics map.

It is noted that new trends are emerging in the country's industrial landscape. The new generation of gated and guarded (G&G) business parks that come with workers' accommodation and other supporting amenities bode well with occupiers and investors alike.

Notable industrial developments that have adopted the G&G concept include Nouvelle Industrial Park @ Glenmarie, Shah Alam Business Park in Section 22, Shah Alam and Eco Business Park V in Puncak Alam. The latter also strives to provide its occupiers with a one-stop industrial solution by offering business facilitation and property management services.

Built-to-suit facilities are also becoming more prevalent in the local industrial scene. One-stop solutions are offered to companies which prefer to operate in customized facilities on long-term leases, saving the hassle and capital expenditure associated with the construction process. Major players in the built-to-suit arena in Malaysia includes Mitsui, Axis REIT and Kumpulan Hamodal.

Logistics hubs and parks are emerging amongst newer industrial developments in Malaysia. Typically developed / owned by REITs or property investment funds to generate sustainable recurring income, these multi-tenanted logistics and warehousing facilities tend to be large in scale, typically with at least 500,000 sq ft in lettable area. Notable companies which are active in the development of logistics hubs / parks include the likes of Mapletree Malaysia Management Sdn Bhd and Kumpulan Hamodal Sdn Bhd.

Another growing trend is multi-storey warehouses, where the higher floors are generally accessible via ramps and cargo lifts. This trend, which had been prevalent in countries where land is scarce and expensive such as Hong Kong and Singapore, is gaining popularity in Malaysia due to surging land prices in recent years. In fact, industrial private equity firms such as Area Management Sdn Bhd and logistic firms such as Tiong Nam Logistics Holdings Bhd and Century Logistics Holdings Bhd in Malaysia have started to place a high emphasis towards the development of multi-storey warehouses located not too far from the city centre with the intention to overcome the escalation of land prices, provide accessibility to serve city centre population and to generate higher yields.

Last but not least, new industrial parks shall differentiate themselves by obtaining special licences or position themselves as designated hubs for carefully selected industries. Moreover, the specification of factories shall also be carefully evaluated to ensure that they are practical and versatile enough to cater a wider target market of end-users.

TABLE 8

Average Asking Prices and Rentals of Selected Industrial Areas 1H2018

Locality	Property Type	Average Asking Rental (RM per sq ft / month)
Petaling Jaya *(Sections 51 and 51A)*	Semi-detached Terraced	2.50 – 2.80 1.50 – 2.00
Shah Alam *(Sections 15, 23, 26, 28 and Hicom Glenmarie)*	Detached Semi-detached Terraced	1.50 – 2.00 1.70 – 2.00 1.00 – 1.50
Klang *(Kapar, Bandar Bukit Raja and Port Klang)*	Detached Semi-detached Terraced	0.80 – 1.20 1.10 – 1.40 0.80 – 1.30
Subang *(USJ 1, USJ 19, Taman Perindustrian UEP, Taman Perindustrian Subang)*	Detached Semi-detached Terraced	1.30 – 1.70 2.20 – 2.60 1.35 – 1.70
Puchong *(Bandar Kinrara, Taman Mas, Bandar Bukit Puchong and Puchong Utama)*	Detached Semi-detached Terraced	1.40 – 1.70 1.50 – 2.00 1.40 – 1.70
Balakong *(Cheras Jaya, Balakong Jaya and Taming Jaya)*	Detached Semi-detached Terraced	1.20 – 1.50 1.60 – 2.00 1.30 – 1.40

*Asking prices and rentals for detached units in Petaling Jaya are not provided in view that prices will vary significantly based on each unit's specifications, type of use, land area etc.

Source: Knight Frank Research

TABLE 9
Selected Developments: Existing and Future Supply

Name of Development	Location	Developer	Status	Remarks
Zone Innovation Park	Jalan Haji Abdul Manan, Klang	Titijaya Land Berhad	Completed in 2017	**Notable Occupiers:** Maxsilin Products Sdn Bhd, Sincor Furniture Sdn Bhd and BSEP Global Industries Sdn Bhd
Excellent Technology Park 2	Taman Perindustrian Meru, Klang	Klanggroup Sdn Bhd	Phase 1: Completed 2016 Phase 2: Under construction	**Notable Occupiers:** Shibata Asia Sdn Bhd, Teson Aero Sdn Bhd, UGM Malaysia Sdn Bhd
Welloyd Industrial Park	Taman Perindustrian Meru Selatan, Klang	Welloyd Properties Sdn Bhd	Under construction	**Components:** • 32 units of Semi-Detached Factories • 16 units of Super-Linked Factories
Nouvelle Industrial Park @ Glenmarie	Hicom Glenmarie Industrial Park, Shah Alam	Exsim Group	Upcoming	**Components:** • 14 units of Semi-Detached Factories
Eco Business Park V	Bandar Puncak Alam	Paragon Pinnacle Sdn Bhd	Upcoming	**Components:** Phase 1 • 72 units of Cluster Factories • 28 units of Semi-Detached Factories • Subsequent Phases under Planning
Shah Alam Business Park	Section 22, Shah Alam	Hap Seng Land	Upcoming	**Components:** • 4 units of Detached Factories • 12 units of Semi-Detached Factories • 1 unit of Flatted Warehouse Building

Source: Knight Frank Research

TABLE 10
Notable Announcements 1H2018

Company / REIT	Location	Remarks	Status
Agility Logistics / Atrium REIT	Section 26, Shah Alam Industrial Estate	Logistics provider Agility Logistics Sdn Bhd has been secured as the tenant for an industrial property situated in Section 26, Shah Alam Industrial Estate. The landlord is Atrium REIT	Tenancy expected to commence in 2Q 2018
Prestar	Kampung Baru Subang, Shah Alam	Steel Maker Prestar Resources Bhd acquired a 2.05-acre parcel in Kampung Baru Subang, Shah Alam for RM19.25 million, as it expands its material handling equipment trading and services business	Sale & Purchase Agreement inked on 5th March 2018
Tasco	Port Klang	Tasco Bhd is disposing 7.8 acres of industrial land in Port Klang, Selangor to Onostatic Sdn Bhd for RM17.5 million	Sale & Purchase Agreement inked on 12th January 2018
JT International	Persiaran Raja Muda, Shah Alam	JT International Bhd has reportedly sold its 5-acre manufacturing facility in Persiaran Raja Muda to another Japanese firm	The deal was reportedly sealed sometime in early 2018
Ipmuda	Rawang Integrated Industrial Park	Ipmuda Bhd has sold its idle factory in Rawang Integrated Industrial Park to May Chemical Sdn Bhd for RM12 million	Announcement in April 2018
Mitsui Estate Co Ltd joint venture with Sime Darby Property Bhd	Bandar Bukit Raja	Sime Darby Property Bhd will be partnering Mitsui Estate Co Ltd to jointly develop and lease built-to-suit industrial facilities with a gross development value (GDV) of RM530 million at Bandar Bukit Raja in Klang, Selangor. Spanning 39 acres, the site will feature warehouses and logistics facilities, offering tailored features to suit operational requirements of business tenants.	Announcement in May 2018
Aspen Group	Section 16, Shah Alam	Aspen Group Holdings Ltd has acquired 71 acres of leasehold industrial land in Section 16, Shah Alam from Chemical Company of Malaysia Bhd for RM190 million. The purchase was made via Aspen's 30% owned associate company Global Vision Logistics Sdn Bhd. Aspen plans to develop the area into a logistics, warehousing and e-commerce hub.	Announcement made on 13th June 2018

Source: Knight Frank Research

HIGHLIGHTS

Total proposed capital investments into Penang jumped 151% in 2017, hitting RM10.8 billion from RM4.3 billion in 2016, making it the state with the second highest total investment after Johor. In terms of foreign direct investments (FDI), Penang tops the chart with a total RM8.5 billion or a growth of 209% year-on-year, followed by Johor with RM5.1 billion.

Eastern & Oriental Bhd (E&O) will remain focused on completing the reclamation of Seri Tanjung Pinang Phase 2 (STP2) in Penang by 2H2018. STP2, located in the waters to the east of the first phase, covers an area of 308 hectares and the first tranche of reclamation works commenced in 2016. Seri Tanjung Pinang Phase 1 (STP1) covering an area of 97 hectares is fully reclaimed. The two-phased Seri Tanjung Pinang (STP) is a master-planned seafront development on the northeast coast of Penang island.

PENANG PROPERTY MARKET

MARKET INDICATIONS

As per the latest figures released by the National Property Information Centre (Napic) for 1Q2018, there is an increase of circa 7% for both total volume and total value of transactions compared to 1Q2017. However, when contrasted against 4Q2017, there are decreases of 3.2% and 14.5% for volume and value of transactions respectively. The residential sub-sector shows the highest activity with 69% in terms of total volume of transactions and 58% of total value.

The recently re-elected State Government announced that they will continue to push for approval for the three priority projects under the Penang Transport Master Plan (PTMP), namely the LRT, the Penang Island Link (PIL) and the Penang South Reclamation (PSR). These are in various stages of submission, evaluation and studies. On the undersea tunnel and three paired road projects, works on the 5.7km bypass linking Air Itam to Tun Dr Lim Chong Eu Expressway is expected to start in 2Q2019.

Tourist arrivals are set to increase further with several airlines flying directly into Penang in 2018. Qatar Airways began its thrice-weekly flights from Doha with its inaugural service in February; Garuda Indonesia's low-cost subsidiary Citilink commenced its maiden flight from Jakarta on 25th March; Taiwan's China Airlines is set to launch daily flights from Taipei starting June whilst Malindo Air had launched its thrice-weekly Penang-Banda Aceh direct flights on 15th March and low-cost airline AirAsia will fly 4 times a week Hanoi / Penang and daily Phuket / Penang, starting 1st July 2018.

Passenger traffic (departure and arrival) at the Penang International Airport (PIA) hit 7.2 million passengers last year. The RM700 million PIA upgrading project, expected to begin by year-end, will see the airport separated into international and domestic wings but under one roof.

Penang tourism will also be given a further boost in 2018 as international cruise ships berthing at Swettenham Pier Cruise Terminal are expected to increase to 350 and bring in 1.8 million passengers compared to 270 cruise liners with 1.35 million passengers last year.

Penang Port Sdn Bhd has allocated RM180 million capital expenditure (capex) this year to expand the North Butterworth Container Terminal (NBCT), mainly for operations to increase its handling capacity to 2.8 million - 2.9 million 20-foot equivalent units (TEUs) annually, from the current two million. Works are scheduled to start in 3Q2018 with completion within 18 months to 20 months. The port is also planning to expand its cruise operations at Swettenham Pier Cruise Terminal, under its joint-venture (JV) with American cruise company Royal Caribbean Cruises Ltd, to support the port's future growth. It will invest about RM155 million to expand the berth and increase the size of the cruise terminal to handle up to 12,000 passengers at one time from 8,000 currently.

On the industrial front, Plexus announced its acquisition of a 432,000 sq ft manufacturing facility which is adjacent to its existing Riverside manufacturing facility in Bayan Lepas, Penang, and when combined will result in a 37-acre Riverside campus. The total investment for the facility expansion is approximately USD40 million and is anticipated to be operational by the end of Plexus' fiscal year 2018.

Knight Frank is the exclusive marketing agent which handled the sale of the manufacturing facility.

Over in Batu Kawan Industrial Park in Bandar Cassia, UWC Group of Companies, a sheet metal fabrication manufacturer has opened its 350,000 sq ft new plant on a 5-hectare plot. The new plant with an investment of RM150 million is equipped with state-of-the-art machinery and assembly lines for the production of diffusion pumps, semiconductor test equipment and heavy-duty handler products.

Boustead Plantations Bhd announced

in January this year its disposal of three parcels of agricultural land totaling 138.9 hectares in Seberang Perai Utara for RM136 million via two separate sale and purchase agreements (SPAs) with two private companies. Following the completion of the sale of 677.78 hectares, part of the 1,379-hectare Malakoff Estate in September 2017, Boustead will continue to own and operate its plantation business on the remaining 562.33 hectares of Malakoff Estate.

HIGH-END CONDOMINIUM

There were no new launches of high-end condominiums in 1H2018.

High-end condominiums which are newly completed or nearing completion include Alila 2 in Tanjung Bungah, Setia V Residences along Gurney Drive and the mixed development of Tropicana 218 Macalister.

Of late, a number of residential developments have been planned around the mixed development concept comprising service suites (commercial development), hotel suites and condominiums and these include Marriott Residences - a mixed development which will feature 223 hotel rooms, 90 executive apartments over 15 levels and 312 residential units over 26 levels.

There are few recorded transactions of high-end condominiums in the secondary market in 1H2018. In Tanjung Bungah, two units in Springtide Residences sized circa 5,100 sq ft were sold at RM768 per sq ft and RM828 per sq ft as against RM705 per sq ft for a 4,294 sq ft unit at No. 1 Tanjong and RM757 per sq ft for a 3,369 sq ft unit at The Infinity. At The Cove, an older development, a 5,894 sq ft unit was transacted at RM411 per sq ft. At Quayside Condominium within Seri Tanjung Pinang, larger units sized 2,000 sq ft sold for RM810 per sq ft and RM1,086 per sq ft for smaller units of 1,137 sq ft. Along Gurney Drive, sub-sale transactions vary from RM664 per sq ft to RM800 per sq ft for units sized 3,500 sq ft to 4,200 sq ft in newer developments as against RM582 per sq ft for a unit at Silverton, a much older block.

Asking rents are noted to have dipped slightly. For larger sized units in Tanjong Bungah, asking rents are still generally between RM1.20 per sq ft and RM2.10 per sq ft per month with the upper band asking from RM1.80 per sq ft to RM2.56 per sq ft per month. For similar sized units in Gurney Drive, asking rents vary from RM1.70 per sq ft to RM2.60 per sq ft per month whilst for smaller sized units in Tanjong Tokong and Gurney Drive, it ranges from RM2.38 per sq ft to RM3.00 per sq ft per month. It is noted that some landlords are still asking higher rents of more than RM3.50 per sq ft per month.

OFFICE

The existing supply of office space (buildings of 10-storey and above) on Penang Island remains at 2H2017's level of 5.71 million sq ft. There was no incoming supply for 1H2018.

The occupancy rates for the four prime office buildings monitored in George Town in 1H2018 remained unchanged at 2H2017's level, ranging from 90% to 100% or an average of circa 94.5%. The newer buildings located out of Georgetown, namely, One Precinct, Suntech and Menara IJM Land collectively has an average occupancy rate of about 99.6%, up from the average of 98% monitored in 2H2017.

In George Town, asking rents for three of the four buildings monitored generally range from RM2.80 per sq ft to RM3.00 per sq ft per month while passing rents at the newer Hunza Tower is higher at RM3.80 per sq ft per month. For buildings located out of George Town which are enjoying almost 100% occupancy, asking rents for the respective sole unit of two buildings sized 520 sq ft and 560 sq ft available for rent are higher at RM5.00 per sq ft and RM4.10 per sq ft per month respectively.

Asking rent at Livingston Tower in George Town, newly refurbished and accredited with MSC Status in 1Q2018, is at RM3.90 per sq ft per month.

RETAIL

The existing supply of purpose-built shopping space on Penang Island remained unchanged at 2H2017's level of 6.99 million sq ft. No new purpose-built shopping malls were completed on the island in 1H2018.

Balik Pulau will have its first "shopping mall" by Year 2019. MTT Properties & Development Sdn Bhd is expected to commence construction on "Botanica CT Centre" in 3Q2018. The commercial precinct within the Botanica CT garden township will feature an 80,000 sq ft supermarket (TF Value Mart Sdn Bhd signed up as anchor tenant), two drive-

TABLE 11

Asking Gross Rents of Selected Purpose-Built Office Space in Penang

Building Name	Location	Asking Gross Rent (RM per sq ft / month)
Hunza Tower	Georgetown	3.80 (passing rents)
Menara Boustead Penang	Georgetown	2.80 - 3.00
Menara KWSP	Georgetown	2.80 - 3.00
MWE Plaza	Georgetown	2.80 (fixed rent)
Wisma Great Eastern	Georgetown	3.00
Menara IJM Land	Jelutong	3.15 - 3.60 (passing rents)
SunTech @ Penang Cybercity	Bayan Baru	4.10 (only lot available sized 560 sq ft)
One Precinct	Bayan Baru	5.00 (only lot available sized 520 sq ft)

Source: Napic / Knight Frank Research (as of May 2018) thru restaurants, 18 units of 2-storey shops and the Botanica CT Sales Gallery.

On mainland Seberang Perai, a RM274 million package has been awarded to Sunway Construction Sdn Bhd to carry out expansion works to the existing Sunway Carnival Shopping Mall in Seberang Jaya with completion scheduled for 4Q2020. The works will include a 3-storey and sub-basement retail space measuring approximately 330,000 sq ft, a 6-storey podium car park and a basement car park with approximately 1,854 bays, sub-structure and superstructure works for future commercial block up to podium levels, integration to the existing mall as well as infrastructure and connectivity improvements in vicinity of the development and to the Butterworth-Kulim Expressway.

Additionally, Sunway Construction Sdn Bhd will also be working on Phase I (180 beds) of the proposed Sunway Medical Centre, a proposed 350-bed tertiary medical centre costing RM500 million in Seberang Jaya, with completion scheduled in the first quarter of 2021.

Also on the mainland, Gem Megamall with a net lettable area (NLA) of 1.2 million sq ft, to be developed by Belleview Group on an 11.32-acre plot, is set to be the largest shopping mall in the northern region. Scheduled for completion in 2021, the proposed mall will comprise 6 levels with about 450 shops and over 3,500 car park bays and will feature an Olympic-sized ice skating rink and a 38-bowling alley amongst others.

Perda City Mall in Bukit Mertajam, with a gross floor area (GFA) of 2.36 million sq ft and NLA of 1.15 million sq ft, has been put up for sale in February 2018. The 4-storey building with one level of basement car park closed down in August 2016 after being opened for a few months following enhancement works.

The several proposed shopping malls coming up over the next 5 years in Penang State are as listed in the table below.

Occupancy rates for the prime shopping malls on the island range from 80% to 99% whilst for the secondary shopping malls, the range is generally from 70% to 90%.

In prime shopping malls, rental rates for ground floor retail lots generally range from RM12.00 per sq ft to above RM37.00 per sq ft per month, depending on the mall, location and size of the units.

OUTLOOK

The encouraging inflow of investments, both foreign and local, into the state and other economic indicators over the past two to three quarters indicate that general sentiments are gradually improving. This is supported by the fact that the decrease in the total volume of transactions (for all sectors of the property market) is progressively diminishing and the total value of transactions has actually registered positive growth.

The other positive indicators include the possibility that the proposed infrastructure works are set to be implemented and also the increasing number of airlines having direct flights to Penang together with a healthy growth in tourism numbers.

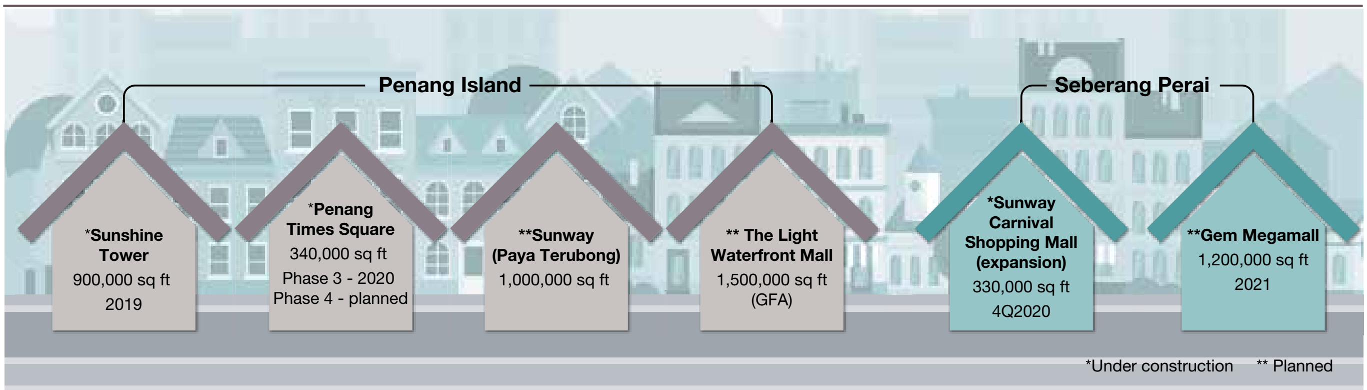
The residential sector of the property market is still the leading sector in overall market activity registering a slight increase in the volume of transactions over the previous year. Nevertheless, the consolidation is still on-going.

The office sector is expected to remain relatively healthy as both occupancies and rentals have registered some slight improvement during 1H2018 and there will be no immediate incoming supply.

The retail sector, on the other hand, is expected to be challenging in view of further incoming supply especially in 2019.

However, much will depend on the policies and actions of the new Government post GE14. With more transparency and accountability being projected and practised, the medium and long term prospects are expected to be favourable.

TABLE 12
Future Supply of Retail Space in Penang State



Source: Knight Frank Research

Reclamation at Seri Tanjung Pinang Phase 2

Purchase by Plexus of Penang Seagate Facility

HIGHLIGHTS

Developers continue to focus on mass housing and landed residential products amid challenges in the high-rise residential segment.

Established shopping mall operators see opportunities in the Johor retail market. Following the opening of the Paradigm Mall late last year, Johor will see more megamalls in excess of 1 million sq ft NLA, namely the upcoming Southkey Mid Valley Megamall (4Q2018) and Toppen Shopping Centre (2019).

Purpose-built office market remained stable in terms of occupancy and rental rates.

German-based DHL has set up its Global Centre of Excellence (GCOE) in Iskandar. The centre, the first in Johor as well as in Malaysia, is expected to grow the logistics sector.

The delay / halt in the Johor Bahru – Singapore Rapid Transit System (RTS) link and the High-Speed Rail (HSR) project is causing uncertainties in the Johor property market with potential buyers and investors adopting the 'wait-and-see' approach for the remaining of the year.

On a positive note, developers continue to seek land banking opportunities amid current challenges in the property market in anticipation of a recovery in the medium term.

JOHOR BAHRU PROPERTY MARKET

MARKET INDICATIONS

The total volume of transactions in Johor increased 11.6% in 1Q2018 compared to the preceding period in 2017. Despite posting higher transacted volume, the value of transactions was, however, 8.3% lower during the review period.

Each sub-sector showed different trends in terms of volume and value of transactions.

On a yearly comparison, the agricultural sub-sector was most active with both volume and value of transactions higher by circa 15.0% and 32.2% in 1Q2018.

The residential sub-sector came in second, also with double-digit gains of 11.9% and 12.6% for both volume and value of transactions respectively.

Despite recording higher number of transactions, the value of transactions for the commercial and development land sub-sectors declined by 19.4% and 54.5% respectively. This may be attributed to lower value properties being transacted during the review period.

In the industrial sub-sector, both volume and value of transactions contracted 13.1% and 37.1% respectively.

In terms of investment, Iskandar Malaysia saw an additional investment of RM25.07 billion in the 1Q2018, bringing the cumulative investment up by 10.6% to RM262.43 billion. Iskandar Malaysia has set to achieve cumulative investment of RM300 billion by 2018.

MARKET HIGHLIGHTS

Despite challenges in the property market, there are developers and companies that continue to seek opportunities in the state.

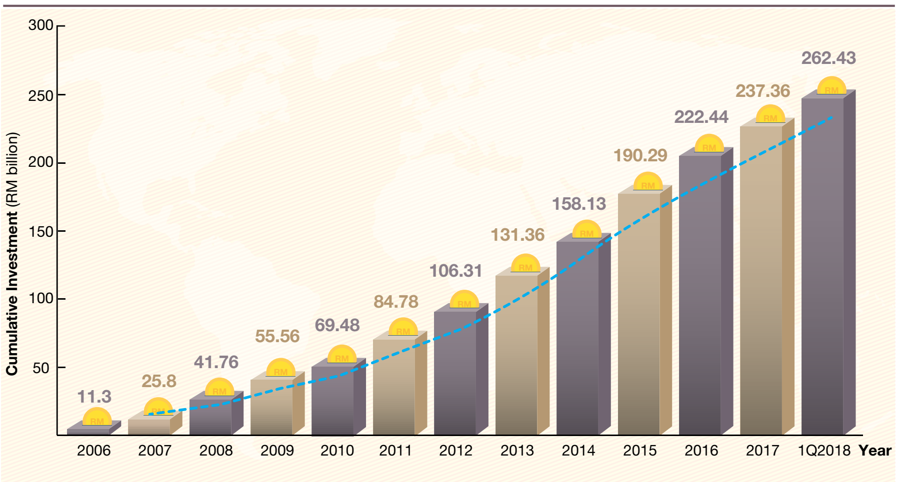
There were a few notable announcements on development collaborations and land sales in the first half of 2018.

MB Group World has signed the development rights agreement (DRA) with PIJ Property Development Sdn Bhd (PPDSB) to develop an integrated waterfront development in Telok Permata, Johor. The 49.62-acre development with an estimated gross development value (GDV) of RM1.46 billion will offer serviced apartments, affordable houses, townhouses, shop offices and a retail mall. Planning permission has been given to the land with a development plot ratio of 1:6:0.

Mah Sing Group Bhd has also announced its collaboration with EduCity Iskandar Malaysia. The group will offer 183 units of student accommodation at Phase 2 of Mah Sing's Meridin @ Medini Executive Suites in Iskandar Puteri, Johor (total: 583 units). The fully furnished units will be available for rent from RM850 per student per month inclusive of shuttle

FIGURE 7

Cumulative Investment in Iskandar Malaysia 2006 - 1Q2018



Source: Knight Frank Research

bus service.

As for land sales, KSL Holdings Bhd's subsidiary, Goodpark Development Sdn Bhd has entered into a conditional sales and purchase agreement (SPA) with Grace Versatile Sdn Bhd to acquire two parcels of land with combined area of 47.74 hectares (about 118 acres) at a total consideration of RM133.59 million (analysed at RM26.00 per sq ft). The land parcels, located in Tebrau, are held under 99-year leasehold tenure expiring on 3rd January 2115.

Separately, KSL Holdings Bhd's subsidiaries, namely Gantang Jaya Sdn Bhd and Bintang-Bintang Development Sdn Bhd purchased nine parcels of freehold land measuring 74.72 hectares in total from Pulai Spring Resort Bhd for RM176.94 million (approximately RM22.00 per sq ft). This property has been earmarked for future landed development.

Knight Frank is the exclusive agent for the land sale.

RESIDENTIAL

There were fewer residential launches in 1H2018. Developers, however, remain cautiously optimistic on the current market situation and are gradually releasing their products albeit in smaller scale.

SP Setia has launched three schemes offering a total of 378 units of double-storey terraced houses in different locations namely Bellina in Bukit Indah, Elata Nova in Setia Tropika and Vallaris in Eco Village 2 of Setia Eco Gardens.

The review period also saw UEM Sunrise launching its double-storey terraced houses known as Serimbun in Bukit Indah 2.

The newly launched double-storey terraced houses generally have built-up areas between 1,801 sq ft and 2,117 sq ft and are priced from RM630,000 onwards per unit depending on scheme, land area and other factors.

RETAIL

Generally the retail market scene in Johor is seen to be more competitive with the recent completions and high supply pipeline.

The total retail space in Johor Bahru stood at 15.85 million sq ft as of 1Q2018 following the completion of circa 1.61 million sq ft of space with overall occupancy rate at 75.6%, a significant drop from 84.6% in 2017.

Paradigm Mall, the largest shopping centre in the state which opened last November with 1.3 million sq ft NLA, is more than than 93% occupied.

Southkey MidValley Megamall in Iskandar, slated to open by 4Q2018 with circa 1.5 million sq ft NLA, has to date , achieved committed occupancy above 70%.

Following the opening of IKEA Tebrau in 2017, IKEA Southeast Asia is planning its 1.1 million sq ft integrated-mall, Toppen Shopping Centre. The mall is targeted to open in the third quarter of 2019.

MYDIN Group continues to strengthen its presence in the country by opening its latest outlet in Taman Mutiara Rini, Skudai. This will be MYDIN's sixth outlet in Johor. At an investment of RM250 million, Mydin Mutiara Rini is the biggest outlet in Johor with a built-up area of 768,482 sq ft. About a third (249,305 sq ft) of the space is allocated to the hypermarket.

On 19th January 2018, Jaya Grocer

TABLE 13

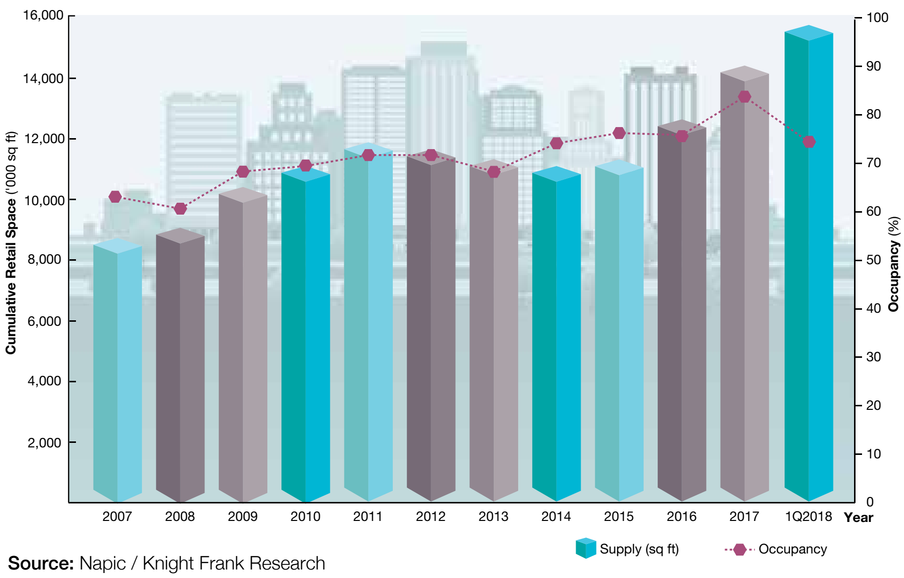
Notable New Landed Project Launches in Iskandar Malaysia 1H2018

Name of Development	Bellina	Elata Nova	Vallaris	Serimbun
Type	Double-Storey Terraced House	Double-Storey Terraced House	Double-Storey Terraced House	Double-Storey Terraced House
Developer	SP Setia	SP Setia	SP Setia	UEM Sunrise
Location	Bukit Indah	Setia Tropika	Eco Village 2, Setia Eco Gardens	Bukit Indah 2
No. of Units	97	93	188	215
Built-Up Area	1,939 sq ft	1,964 sq ft	1,801 sq ft	1,993 - 2,117 sq ft
Selling Price (per unit)	from RM680,680	from RM638,638	from RM649,000	from RM630,000 - RM1.44 million

Source: Knight Frank Research

FIGURE 8

Cumulative Supply and Occupancy Rate of Retail Space in Johor Bahru 2007 - 1Q2018



Source: Napic / Knight Frank Research officially opened in Sunway Citrine Hub, Sunway Iskandar. This is the grocer's first outlet in Johor and its 22nd in Malaysia. The 20,000 sq ft outlet will offer premium produce, organic and imported food items from America, Europe and Australasia.

OFFICE

The occupancy and rental rates of purpose-built office space remained stable during the review period. Monthly asking rentals in the city centre range between RM2.30 per sq ft and RM3.00 per sq ft.

New office buildings with modern design, better specifications, green building features or are MSC compliant in the newer suburb of Iskandar Puteri, command higher rentals of about RM4.00 per sq ft to RM5.00 per sq ft per month.

There are no notable incoming supply of office space. However, there are some notable new launches of shop-offices.

SP Setia has unveiled Pelangi Boulevard in Taman Pelangi, Johor Bahru which comprises three and four-storey shop-offices. Meanwhile, Mah Sing Group Bhd has launched its two and three-storey shop-offices known as IXORA Commercial Centre which is part of the Meridin East township development in Masai, Pasir Gudang.

INDUSTRIAL

The industrial property market in Johor was less active during the first half of the year. However, there were few notable announcements in the market.

MYDIN outlet in Taman Mutiara Rini

German-based DHL has set up its Global Centre of Excellence (GCOE) in Iskandar. The centre, the first in Johor as well as in Malaysia, will provide supply chain consultancy services, and support businesses to design logistics solutions. The GCOE shall benefit various industries namely automotive, healthcare, engineering, manufacturing and information technology. The facility is targeted for completion by the first quarter of 2019.

Lay Hong Liquid Egg Sdn Bhd, a wholly-owned subsidiary of Lay Hong Bhd, is set to open its new facility in Iskandar Halal Park in Pasir Gudang, Johor with a total investment of about RM16.59 million (inclusive of a RM5.20 million semi-detached factory).

OKA Corp has acquired a parcel of freehold land measuring 3.6 hectares (387,501 sq ft) in Senai for RM10.1 million (approximately RM26.00 per sq ft). A new factory will be erected upon the land which is located next to its current premises.

Denko Industrial Corp Bhd, through its wholly subsidiary, ATA Industrial (M) Sdn Bhd has entered into a SPA with Blessplus Sdn Bhd for a land acquisition proposal in Johor Bahru. The proposed acquisition involved a 62,127 sq ft freehold land worth about RM4.26 million (approximately RM68.60 per sq ft). Denko will shift to the new warehouse which is located near to ATA Industrial's main manufacturing base.

TABLE 14

Notable New Shop-Offices in Iskandar Malaysia 1H2018

Name of Development	Pelangi Boulevard	IXORA Commercial Centre
Type	3-storey and 4-storey	2-storey and 3-storey
Developer	SP Setia Bhd	Mah Sing Group Bhd
Location	Taman Pelangi, Johor Bahru	Meridin East, Masai, Pasir Gudang
Built-Up Area	5,300 sq ft and 7,065 sq ft	2,895 sq ft and 4,334 sq ft
Selling Price (per unit)	3-storey: from RM2.91 million 4-storey: from RM3.99 million	from RM650,000

Source: Napic / Knight Frank Research

OUTLOOK

The newly elected Pakatan Harapan Government has halted several mega projects due to concern on the country's debt level. The affected rail infrastructure projects include the Johor Bahru - Singapore Rapid Transit System (RTS) and the Kuala Lumpur - Singapore High-Speed Rail (HSR).

The uncertainties surrounding these high impact projects are expected to place the property market in a "wait-and-see mode" for the remaining of the year.

Moving forward, housing developers are likely to continue focusing on popular mass market products, typically double-storey terraced houses to move sales.

The commercial office and industrial sub-sectors are expected to be stable, while the retail sub-sector remains challenging with circa 4.83 million sq ft of retail space in the supply pipeline.

However, the outlook of the retail market remains positive as evident from high pedestrian footfall at several popular shopping malls namely, JB City Square, Komtar JBCC, Paradigm Mall, AEON Bukit Indah and AEON Tebrau City.

On a positive note, amid challenges in the property market, developers continue to seek land banking opportunities in anticipation of a recovery in the medium term.

HIGHLIGHTS

Sabah tourism sector experienced further breakthrough with more reputable hotels added to Kota Kinabalu's landscape as well as coming on stream.

Fewer new project launches, many comprising of re-launches of balance units or new phases of pre-launched schemes.

Sabah property market looks set to improve into year 2018.

KOTA KINABALU PROPERTY MARKET

MARKET INDICATIONS

According to NAPIC's Property Sales Report 1Q2018, Sabah registered 2,258 property transactions with a corresponding value of RM1.25 billion in the first quarter of 2018. The volume and value of property transactions registered increments of 28.1% and 60.5% respectively when measured against the 1Q2017. The residential segment made up 59.4% share of total transactions and remains the dominant sub-sector in Sabah, followed by the agriculture sub-sector with 22.6% share. The commercial sub-sector ranked third with 12.0% share while the development land and industrial sub-sectors accounted for the remaining 3.7% and 2.3% share respectively.

On a year-on-year (y-o-y) basis, the total volume for year 2017 outperformed the previous two years (2016 and 2015) showing growth of 23.6% and 10.3% respectively. In tandem with the higher transacted volume, the total value for year 2017 was also 28.2% and 15.9% higher than 2016 and 2015 respectively.

MARKET HIGHLIGHTS

The injection of RM3.87 billion under the third rolling plan of the 11th Malaysia Plan is expected to spur Sabah's economy. The allocations include RM1 billion each for the construction of the Pan Borneo Highway for 2018 and for the development, repair and maintenance of basic public infrastructure and dilapidating schools. The remaining sum is allocated to the Eastern Sabah Security Command (Esscom) for the improvement of security facilities in the east coast, for Tawau's district hospital and for native customary matters including a survey of native lands and setting up native courts in Kunak, Ranau and Tambunan among others.

Green Energy Company, a China-based company is set to perform a study to implement the green energy electricity public transport system in Kota Kinabalu city. The study will focus on the bus routes; pick up points, depot for charging the electrical buses as well as a place for maintenance work. At the signing of the memorandum of understanding (MoU) last year, the company had promised to send four free green energy buses to the City Hall as part of the trial run.

Bina Puri Holdings Sdn Bhd and Warisan Harta Sabah Sdn Bhd have signed a MoU in March to collaborate in the development of two mini hydro power sites at Sg Wario, Kota Belud and Sg Tuaran, Tuaran. The hydropower projects will assist in meeting the growing demand for energy in the state and at the same time, reducing the dependency on fossil fuels.

Since the implementation of tourism tax (TTX), Sabah has collected RM4.53 million for the period beginning 1st September 2017 up until the end of December 2017. For each RM10 in tourism tax collected, the respective states will receive RM5 which can be used to develop the state's tourism sector.

Tourism receipts for Sabah increased from RM7.25 billion in 2016 to RM7.82 billion in 2017, showcasing Sabah's ability to achieve outstanding performance despite many challenges in the tourism industry. In the first quarter of 2018, Sabah welcomed 1,256,478 tourist arrivals, circa 5.0% higher when compared to the corresponding period in 2017 with 1,196,938 tourist arrivals.

In line with increasing tourist arrivals and in the support of further tourism development in the state, developers are incentivised by the Government to support the growth of hotel developments. Hilton Kota Kinabalu, Mercure Kota Kinabalu, JW Marriott Kota Kinabalu, ibis Styles Kota Kinabalu Inanam are amongst the few recent completed hotel developments in the state capital while notable incoming hotel brands include Crowne Plaza, Hotel Jen and Holiday Inn Express.

The first phase of Alila Dalit Bay Sabah began construction in March.

The 152-suite beachfront resort development, facing the South China Sea and backed by the lagoon of Mekabong River, is located 28 kilometres north of Kota Kinabalu City Centre, along Sabah's west coast. Upon its scheduled completion by 4Q2019, the resort will be operated by Alila Hotels & Resorts Ltd, an international Two Roads Hospitality luxury boutique hotel brand.

ibis Styles Kota Kinabalu Inanam celebrated its soft launch in conjunction with Chinese New Year earlier this year. The city's latest urban hotel spread over 12-storey features 184 guest rooms, contemporary restaurant, bar, three meeting rooms and a rooftop sky deck.

Universiti Malaysia Sabah (UMS) and Traverse Tours Sdn Bhd have signed a MoU to develop a teaching resort on the university campus. The first of its kind facility in Sabah will serve as a platform to train and expose students to the resort industry, an initiative that is largely welcomed in anticipation of the state's booming tourism market. The teaching resort will comprise 30 chalet units, restaurants and spa facilities.

Bright Eclipse Sdn Bhd has started construction on AruSuites @ Kota Kinabalu, the company's latest brainchild situated in the locality of Tanjung Aru. The development will comprise 127 units with built-up areas of 543 sq ft, 1,013 sq ft and 1,344 sq ft, priced from RM415,789 onwards. As of end June 2018, the take-up rate and construction progress for the development are at 60% and 25% respectively.

CityPads, SBC Corporation Bhd's SoHo styled suites consists of 698 units spread across two towers. As of April 2018, the take-up rate and construction progress for CityPads stand at 60% and 25% respectively.

RESIDENTIAL

The total volume of transactions for the residential segment in Kota Kinabalu stood at 1,341 units with a total value of RM511.37 million as of 1Q2018; accounting for approximately 59.4% and 41.0% share of volume and value

Artist Impression of Alila Dalit Bay Sabah

of transactions respectively. In terms of supply, the existing stock of residential property in Kota Kinabalu stood at 61,820 units, an increment of 1,487 units as compared to 1Q2017. Condominium / apartment units make up the bulk of the supply accounting for 38.9% of the total residential stock.

Updates of selected residential projects and new launches in Kota Kinabalu are as follows: -

Bertam Alliance Bhd through its subsidiary company Wow Land Sdn Bhd has acquired 1.709 hectares of development land in the district of Penampang for a total cash consideration of RM16.3 million. The land is approved for a condominium development with an estimated gross development value (GDV) of RM155 million. The proposed development to be known as Idaman Residence will consist of 228 residential units, ground floor carpark, open spaces and facilities deck with built-up area of circa 280,048 sq ft.

Coral Bay, a 460-unit luxury condominium project situated within the gated precinct of Sutera Harbour Resort was officially launched in May 2018. The development encompasses eight towers with 12 storeys, each with a total gross floor area (GFA) of 1.18 million sq ft, spanning across 527,436 sq ft of exclusive seafront land. The two to four-bedroom units have typical sizes from 1,500 sq ft to 3,500 sq ft; dual-key units from 2,000 sq ft to 5,000 sq ft and penthouse units from 3,500 sq ft to 9,000 sq ft. Priced from RM2.3 million onwards, the selected 100 units that were released for the property launch event, were reportedly well-received.

Gamuda Land recently held a topping out celebration for Ebena Tower, one of three towers of Bukit Bantayan Residences Phase 1. Slated for completion in 2019, all non-bumi units for Ebena Tower are fully sold. Dilenia Tower, the third and last tower of Bukit Bantayan Residences Phase 1, was launched in March offering 302 units in a 27-storey tower. Prices for the units, with built-up areas between 904 sq ft and 1,100 sq ft, available in five different layouts, start from RM493,800 onwards.

Greenfield City Sdn Bhd unveiled Phase 2 of Greenfield Residences at Menggatal earlier this year. The second phase, scheduled for completion by mid-2019, comprises 168 condominium units housed in two 7-storey blocks featuring an elevated landscape deck. The units with built-up areas ranging between 856 sq ft and 1,084 sq ft are priced from RM300,000 to RM450,000 each.

Hap Seng Properties Development Sdn Bhd launched Phase 2 of Kingfisher Putatan Condominium in April 2018, following good response and completion of its Phase 1 development. Located at Jalan Ketiau-Tombovo, the project offers 408 units presented in three tower blocks that are designed to be earthquake resistant and comes with full recreational amenities. Construction has already reached the fifth floor and the project is expected to be completed within the next 36 months.

A summary of selected high-rise residential developments are tabulated below:-

TABLE 15

Selected High-Rise Residential Developments Recently Completed / Under Construction in Kota Kinabalu

Name of Development	Phase	Location	Construction Progress (%)	Estimated Take-up Rate(%)
Bukit Bantayan (Phase 1)	Ebena Cemera Dilenia	Inanam	40 10 10	85 68 23
Elemen @ Utara KK	Tower A	Jalan Tuaran Bypass	35	33
Greenfield Residence	Phase 2	Menggatal	5	50
Jesselton View	-	Luyang	96	72
Kingfisher Inanam (Phase 1) **Kingfisher Inanam (Phase 2)**	Tower A Tower B Tower C	Inanam	30 25 -	85 40 -
Kingfisher Putatan	Phase 1 Phase 2	Putatan	100 30	90 75
Maya @ Likas	-	Likas	70	70
One Jesselton @ Kepayan Ridge	-	Kepayan Ridge	70	48
Pacific Heights @ PacifiCity	-	Likas Bay	75	85
Sutera Avenue	Towers 1 & 2	off Jalan Coastal	100	88
The Riverside Residence @ Sodomon	-	Kepayan	100	90
Triconic Tower	-	Bundusan	25	50

Source: Knight Frank Research

OFFICE

As of 1Q2018, the cumulative supply of purpose-built (privately-owned) office space in Kota Kinabalu stood at 5.08 million sq ft with no additional stock added to the supply since the end of 2017. The overall occupancy rate for 1Q2018, recorded at 89%, was 2% higher when compared to 1Q2017.

Rentals of prime and non-prime CBD office space improved slightly with asking gross rents for Grade A prime office space ranging from RM5.00 per sq ft to RM6.50 per sq ft per month while non-prime office space command gross rents of between RM1.80 per sq ft and RM4.20 per sq ft per month.

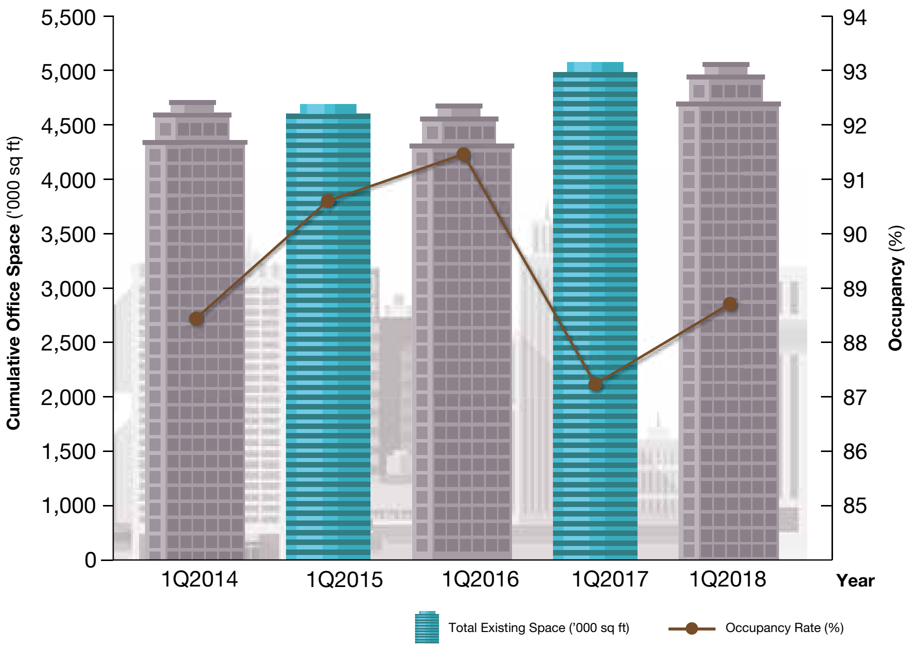
A 1.94-acre development consisting of 12 four-storey blocks of commercial shop offices, 12 units of dual-volume sky F&B outlets, a six-storey boutique hotel and a single-storey basement carpark, known as T1 @ Bundusan obtained its Occupancy Certificate in January 2018. As of the review period, T1 @ Bundusan continues to see improvements in its occupancy rate; currently standing at 70%. The commercial development welcomed well-established retailers from various sectors (fitness, food and beverage [F&B], consultancy, education, finance, sales and insurance) such as Property Hub (Sabah) Sdn Bhd, Perfect Holidays Borneo, Aurum Edge, Bean Café, See World Café, Bottoms Up Bistro; to name a few.

Being the latest brainchild of Sri Moraine Sdn Bhd, the G Building is an under construction eight-storey commercial office building situated along Jalan Bundusan, Penampang. Slated for completion by end of 2018, the development with 40,722 sq ft of space aims to offer a whole new business environment to the local community of Penampang. Highlights of the building include its double volume top floor that comes with a mezzanine level and roof terrace providing a 360-degree skyline view.

Artist Impression of the G Building

FIGURE 9

Cumulative Supply and Occupancy Rate of Purpose-Built (Privately-Owned) Office Space in Kota Kinabalu 1Q2014 - 1Q2018



Source: Napic

TABLE 16

Asking Gross Rentals of Selected Purpose-Built Office Space in Kota Kinabalu 1H2018

Building Name	Location	Asking Gross Rental (RM per sq ft / month)
Plaza Shell*	KK CBD	5.00 – 6.50
Menara MAA	KK CBD	2.00 – 4.20
Wisma Sabah	KK CBD	2.60 – 4.20
Wisma Great Eastern	KK CBD	2.30 – 3.00
Wisma Merdeka	KK CBD	2.00 – 3.20
Bangunan Central	KK CBD	1.80 – 2.40
CPS Tower	KK CBD	2.10 – 2.80
KK Times Square	Southern Fringe of KK CBD	2.70 – 3.00
Wisma Perindustrian	Likas Bay	2.80 – 3.40
Wisma Majilis Agama Islam Sabah (MUIS)	Sembulan	1.80 – 2.20

*Managed by Knight Frank Malaysia Sdn Bhd

Source: Napic / Knight Frank Research

RETAIL

The cumulative supply of retail space in shopping complexes in the district of Kota Kinabalu stood at 5.84 million sq ft in 1Q2018. The average occupancy rate in 1Q2018 was recorded at 88% showcasing the resilience in Kota Kinabalu's retail sector, improving from its low of 78% in 1Q2016 following the surge in retail space from 4.59 million sq ft in 2015 to 5.66 million sq ft in 2016.

As the first non-stratified mall in Kota Kinabalu, Imago shopping mall has continued to improve and strengthen both its brand and services, with its occupancy rate standing at circa 90%. Awarded with two 5-star Property Award recognitions; Gold Award for Best Experiential Marketing from the Malaysia Shopping Malls Associations and Best Shopping Mall by Sabah Tourism Awards 2017, it can be considered to be one of the best shopping malls in East Malaysia. Additionally, the mall is the first in Sabah to achieve the ISO 9001:2015 Quality Management Systems status which was formally accredited in April 2018.

Grand Merdeka which held its grand opening in June 2017 has achieved an occupancy rate of circa 37%. The three-storey shopping mall welcomed new F&B tenants which include Mr & Mrs Cook Café, Sweetie Snack House, Restoran Mei Yuen, Captain Hungry Fried Chicken, Pak Chai Kuching Laksa; to name a few, as well as retail tenants which include 1Grocer Supermarket and 1 Homeware, Taipan Pharmacy, Sabah Physiotherapy & Rehabilitation Centre, Pro Image Saloon, Berjaya 99 Mobile Accessories, Rose Collection; to name a few. In June, a 3,000 sq ft synthetic ice skating rink was opened to public as part of the mall's Espace Entertainment Arena. There are plans in the pipeline to open a thematic cinema (GM Cineplex) with six halls which will be owned and operated by the developer, Grand Merdeka Development Sdn Bhd. With the opening of the Cineplex, the mall will achieve occupancy rate of circa 41%.

The Skybridge, a pedestrian bridge project which connects Oceanus Mall, Warisan Square, Api-api Commercial Centre, Centre Point Mall and Asia City has been put on hold due to financing issues. Sunsea Development Sdn Bhd, the development company overseeing the project, is said to be under liquidation; leaving an outstanding payment of RM20 million with 95% of the construction completed. It is reported that the project's contractor is seeking assistance from the government to facilitate the funds and complete the project in a timely manner.

MARKET OUTLOOK

2017 was a year of resurgence. The improvements in both the domestic economy and property market exceeded earlier expectations, with growth being broad-based and synchronised. Sabah's gross domestic product (GDP) recorded a steady growth of 24% from RM59.30 billion to RM73.80 billion between 2011 and 2016. The overall property market in Sabah also witnessed improvement in terms of volume and value transactions in 2017 as compared to preceeding periods in the years 2016 and 2015.

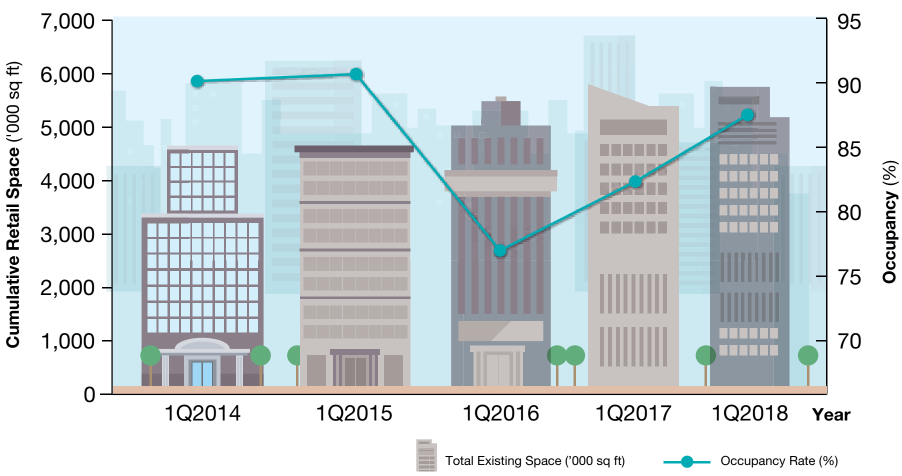
The overall residential market has experienced improvement as well when compared to the previous years. Focusing on the high-rise residential sector, the sub-sale market was noticeably more active in 2017 and continuing into the first quarter of 2018, particularly products that fall within the mid-range segment and those in sought after locations. Despite the pick-up in momentum, some cooling off period is still needed for overhang units in the market to be slowly absorbed due to the large influx of high-rise units in the past few years. It is observed that the market has been slowly self-correcting towards equilibrium. However, we opined that prices of residential properties that are well-located and well-managed are expected to hold and there is still increasing demand for affordable yet high quality products from genuine homebuyers.

During the review period, the office sub-sector remained relatively stable with both occupancy and rental rates maintaining healthy levels. As for older offices, building owners will need to upgrade their properties to manage occupancy and attrition rate in view of upcoming office space in the pipeline.

The impending supply of retail space

FIGURE 10

Cumulative Supply and Occupancy Rate of Shopping Complexes in Kota Kinabalu 1Q2014 - 1Q2018



Source: Napic

will place further pressure on the rental market. Leading malls with strong track record and good tenancy mix are expected to stay resilient due to their captive market while new incoming malls will need to establish their market position.

The new State Government has been in office since May 2018 and has already made its mark in the property market. The Tanjung Aru Eco Development (TAED), a 345-hectare development with a golf retreat, seven hotels totalling 1,800 rooms and about 5,000 apartment and condominium units; has been placed under review. Also in the crosshairs of the new state administration is the Sabah International Convention Centre (SICC), which was slated for completion in October 2018; this has also been put on hold pending a review due to increment in costs from the original estimate of RM500 million to RM1.2 billion. On a more positive note, the Occupation Certificate for The Gardens, which has been delayed since April 2017, is expected to be resolved with the State Government stepping in and acquiring the land required to allow a proper access road to be constructed.

One of the major policy measures carried out since the elections is the zero rating of the Goods and Services Tax (GST) on 1st June 2018. It is observed that price reductions have contributed to a measurable increase in sales for the automotive industry. However, due to the illiquid nature of the property market, the effects of the GST is not yet as pronounced compared to the automotive industry and other consumer goods. The return of the Sales and Services Tax (SST), slated to be reintroduced in the third quarter of 2018, may further impact the trajectory of the current market.

With the conclusion of the general election (GE14) and change of Malaysia's government, the property market is dependent on the political will between the State and Federal Governments to work hand in hand and rectify the fundamental concerns such as reviewing major project and infrastructure developments that are in the pipeline, allocation of project funds, addressing affordability issues and others. Despite all this and barring any major external shocks to the economy, we opined that sentiments in the overall property industry will likely improve, due to the rising confidence among consumers from the potential increase of transparency and accountability of the new government amongst other factors.

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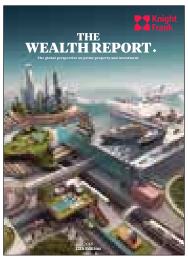
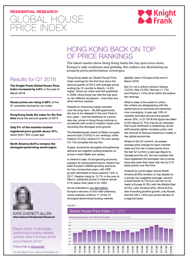


The Wealth Report 2018

New Frontiers: The Report 2018

Asia-Pacific Prime Office Rental Index Q4 2017



Global House Price Index Q1 2018

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