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

Real Estate Highlights

Research, 2nd Half 2020

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KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Highlights

Full stamp duty waiver for first-time homebuyers, applicable for the sale and purchase agreements on purchases that are completed from 1 January 2021 until 31 December 2025 as provided under Budget 2021.

Five notable project completions and two new launches of high-end condominiums / residences during the review period.

More developers are embracing digital platforms to engage and network with their potential buyers and investors amid the pandemic.

Lesser activity in Kuala Lumpur's high-end condominium market generally with buyers and investors waiting on the sidelines.

The OPR was lowered for the fourth time in July this year to 1.75% to accelerate the pace of economic recovery.

Chronology of Movement Control Order (MCO) in Klang Valley

Date	18 March 2020
Event	Movement Control Order (MCO)
Date	4 May 2020
Event	Conditional Movement Control Order (CMCO)
Date	10 June 2020
Event	Recovery Movement Control Order (RMCO)
Date	14 October 2020 - 14 January 2021
Event	Reinforcement of Conditional Movement Control Order (CMCO)

Market Indications

Malaysia has been caught in the third wave of COVID-19 infections since September 2020 and this has led to the re-imposition of the conditional movement control order (CMCO) in selected states and localities in the country including Kuala Lumpur and Selangor since 14 October 2020. Although the government has allowed most business operations to return to normalcy with strict adherence to standard operating procedures (SOPs), this phase of CMCO which sees a sharp resurgence in cases, is slowing economic recovery.

The country's economy improved to post a much slower contraction of -2.7% in 3Q2020 (2Q2020: -17.1%),largely supported by the gradual reopening of economic sectors after the initial phases of MCO in June and better external demand conditions. Moving forward, however, weaker global growth amid the prolonged outbreak is expected to weigh down further on the country's economy. The central bank has revised downwards its 2020 GDP growth forecast at between -3.5% and -5.5%.

Headline inflation recorded a smaller contraction of -1.4% in 3Q2020 (2Q2020: -2.6%), primarily due to higher domestic retail fuel prices in line with the recovery in global oil prices. For the whole year of 2020, the country's average headline inflation rate is expected to range between -1.5% and 0.5%.

Malaysia's unemployment rate showed signs of recovery to record at 4.7% in 3Q2020 (2Q2020: 5.1%) due to gradual improvements in labour market conditions, supported by positive rehiring activity as demand conditions normalised.

On the lending front, Bank Negara Malaysia reduced the Overnight Policy Rate (OPR) by 25-basis points to 1.75% on 7 July 2020, the fourth cut this year to stimulate economic growth due to the severe impact of the COVID-19 pandemic. The current level of OPR is the lowest since the introduction of the policy tool in 2004.

Supply & Demand

As of 2H2020, the cumulative supply of high-end condominiums / residences in Kuala Lumpur stood at 64,272 units following the completion of five projects which are 8 Kia Peng (442 units), Tower 2 @ Star Residences (482 units), Arte Mont' Kiara (1,707 units), TWY Mont' Kiara (484 units) and Agile Mont' Kiara (813 units). Projects scheduled for completion by 1H2021 will collectively contribute some 4,408 units to the existing high-end residential stock. These schemes are 10 Stonor (364 units), The Manor (484 units), Eaton Residence (632 units), Lucentia Residences @ Bukit Bintang City Centre (666 units), Tower A Yoo8 @ 8 Conlay (564 units), The Colony @ Infinitum (423 units), The Luxe @ Infinitum (300 units), The Estate South Bangsar (328 units), Novo Ampang (421 units) and One Kiara (226 units).

The re-imposition of the CMCO continues to derail recovery of the property sector as there is lesser visitation to sales galleries. This has led to more developers embracing digital marketing strategies to boost the sales of their unsold inventories and newly launched products.

KSL Holdings Berhad has recently introduced a full 360° view virtual walkthrough reality tour for its newly completed Maple Residences. The platform features video tours of the actual units, recreational floor, nearby points of interest etc. and allows 100% client-consultant-meetings via life video conferencing.

The review period also saw Lendlease Group together with joint-venture (JV) partner, TRX City Sdn Bhd, holding a digital launch for the second tower of TRX Residences. This follows the successful sale of Tower A which saw all non-bumiputera units fully taken up during its pre-sales period. Tower B offers 453 units sized from 474 sq ft to 3,858 sq ft in one to three-bedroom layouts as well as three and four-bedroom duplex configurations. Both Tower A and Tower B, which are being developed on one of the three freehold plots, have a total of 896 units and are scheduled for completion by 2023.

TRX Residences

Source: trxresidences.my

UEM Sunrise Group has also unveiled its latest residential project – Allevia. Located within the affluent neighbourhood of Mont' Kiara, Allevia features two blocks of 43-storey condominiums on a 2.94-acre freehold site. The carefully curated project is designed to elevate living experience and offers privileged privacy with only four units per floor. Targeted at owner-occupiers, upgraders and investors, Allevia offers a total of 294 units with built-up areas ranging from 1,703 sq ft to 2,634 sq ft in three and four-bedroom configurations. It is slated for completion by 1Q2025.

Amid the sluggish property market conditions further impacted by travel bans and closure of international borders, the majority of developers have pushed back their project launches to 2021.

Bukit Bintang City Centre Development Sdn Bhd (BBCCD) has entered into a JV agreement to form a JV company with Mitsui Fudosan (Asia) Malaysia Sdn Bhd (MFAM) known as MFBBCC Serviced Suites Sdn Bhd (JVCo), to purchase a 44-storey block of serviced residences for RM242 million. The serviced residence block, which has yet to be launched, is part of the BBCC Phase 2 development that will also include another residential tower and two blocks of commercial buildings. It will offer 269 units sized from 532 sq ft to 1,188 sq ft in one to three-bedroom configurations. Upon its completion by end 2023, the JV company will manage and operate the property, including granting of tenancies of units.

Completion of High End Condominiums / Residences, 2H2020

Project	Location	Area	Total Units
8 Kia Peng	Jalan Changkat Kia Peng	KL City	442
Residential Tower 2 @ Star Residence	Jalan Yap Kwan Seng	KL City	482
Arte Mont' Kiara @ KL Metropolis	Jalan Sultan Haji Ahmad Shah	Mont' Kiara / Sri Hartamas	1,707
TWY Mont' Kiara	Jalan Solaris	Mont' Kiara / Sri Hartamas	484
Agile Mont' Kiara	Jalan Duta Kiara	Mont' Kiara / Sri Hartamas	813

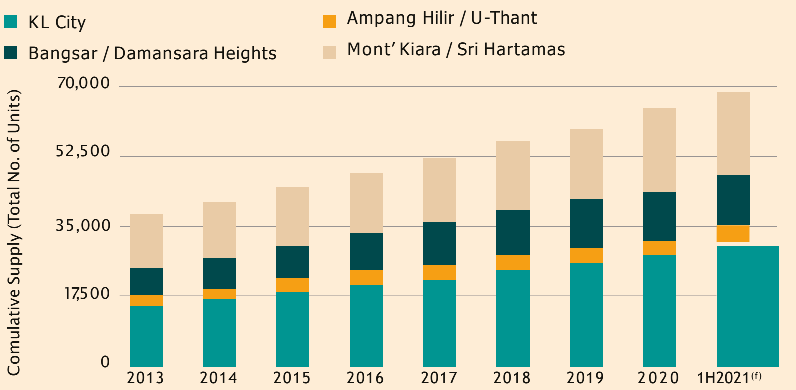
Source: Knight Frank Research

Notable Launches / Previews, 2H2020

Name of Development	Tower B @ TRX Residences	Allevia
Type(1)	SA	C
Developer	LQ Residential 1 Sdn Bhd (a subsidiary of JV Between Lendlease and TRX City Sdn Bhd)	Allevia Sdn Bhd (a subsidiary of UEM Sunrise Bhd)
Area	Tun Razak Exchange	Mont' Kiara
Total Units	453	278
Unit Sizing (Min - Max)	474 – 3,854 sq ft	1,703 – 2,634 sq ft
Gross Selling Price	From circa RM2,046 per sq ft	From circa RM907 per sq ft

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

Projection of Cumulative Supply(R) for High End-Condominiums / Residences, 2013 - 1H2021(f)



Source: Knight Frank Research
Notes: (1) (f) = Forecast
(2) The locality of Bangsar includes Bangsar, Bangsar South, KL Sentral and Mid Valley / KL Eco City.

Prices and Rentals

Located within Tun Razak Exchange (TRX) - the country's upcoming international financial district, units at the newly launched Tower B @ TRX Residences are priced at circa RM2,046 per sq ft (gross). The partially furnished units will be designed to accommodate climate change whilst incorporating high resilience features through design and technology.

In the locality of Mont' Kiara, Allevia at Jalan Kiara 4 was launched at gross selling price from RM1.54 million onwards or circa RM907 per sq ft. The partial furnished units will integrate the living, dining areas and dry kitchen in an open-plan configuration.

During the second half of 2020, the average transacted prices of Kuala Lumpur's high-end residential market have generally softened. By localities, it was observed that the selected schemes monitored in KL City, Ampang Hilir /U-Thant, Bangsar and Mont' Kiara have registered lower average transacted values (on per sq ft basis) when compared to 1H2020. In the localities of Damansara Heights and Kenny Hills, the average values remained relatively stable.

Moving forward, prices of high-end condominiums are likely to weaken further as the country enters the third wave of the COVID-19 pandemic amid resurgence in cases.

Average Transacted Prices of Selected Existing High-End Condominiums / Serviced Apartments, 2H2019 and 2H2020(p)

Locality	1H2020	2H2020(p)	Price Analysis
KL City	1,056 - 1,124	1,005 - 1,056	↘
Ampang Hilir / U-Thant	730 - 760	720 - 760	↘
Bangsar	920 - 1,050	890 - 1,040	↘
Damansara Heights	760 - 900	760 - 900	↔
Kenny Hills	710 - 730	710 - 730	↔
Mont' Kiara	620 - 730	580 - 730	↘
OVERALL	**800 - 870**	**780 - 850**	**↘**

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

Average Asking Rentals of Selected Existing High-End Condominiums / Serviced Apartments, 2H2019 and 2H2020(p)

Locality	1H2020	2H2020(p)	Rental Analysis
KL City	2.30 - 5.00	2.20 - 5.00	↘
Ampang Hilir / U-Thant	2.00 - 3.20	1.80 - 3.00	↘
Bangsar	2.40 - 4.00	2.30 - 4.00	↘
Damansara Heights	2.00 - 4.20	2.00 - 4.20	↔
Mont' Kiara	2.00 - 3.50	2.00 - 3.50	↔

Source: Knight Frank Research
Note:
(1)The analysis is based on asking rentals due to limited concluded rental data.

In the leasing market, there was mixed performance for the selected localities under review.

Travel ban and border closures fuel rental drop in selected schemes monitored in KL City, Ampang Hilir /U-Thant and Bangsar as with few exceptions, foreigners are generally still barred from entering the country.

The asking rentals for the localities of Damansara Heights and Mont' Kiara, however, continued to hold steady.

Overall, the rental market remains under pressure as tenants who are spoilt for choice look more affordable options while landlords are slightly more accommodative by giving rental reduction in order to retain their existing tenants or attract new tenants.

Arte Mont' Kiara

Source: Knight Frank Research

Outlook

The year 2020 has been extremely challenging as the prolonged COVID-19 pandemic continues to disrupt lives, economies and societies globally. The anticipated rollout of the COVID-19 vaccine has boosted hopes for a return to normalcy and will set the path for recovery of the global economy.

Malaysia's economy is expected to rebound in 2021 given the expected commercial rollout of COVID-19 vaccine by 1H2021. The government predicts that the economy will expand between 6.5% and 7.5% in 2021 driven by the anticipated improvement in global growth and international trade.

Post-MCO, selected developers have reportedly recorded improved bookings supported by the low interest rate environment and pent-up demand. The conversion of bookings into sales, however, has been more challenging due to stringent bank requirements. The current worsening of the COVID-19 situation in the country is expected to derail recovery in the property market as more developers push back their launches while potential buyers and investors are likely to postpone property purchases in the short-term as they adopt a wait-and-see approach.

The re-introduction of the Home Ownership Campaign (HOC) in June coupled with several initiatives under the recently tabled Budget 2021 are expected to boost market activity - include a full stamp duty exemption on both instrument of transfer and loan agreement for the first home purchase worth up to RM500,000. The exemption is applicable for the sale and purchase agreement on purchases that are completed from 1 January 2021 until 31 December 2025. Stamp duty exemptions on loan agreements and the transfer instrument for abandoned housing projects will be extended for another five years, also till 31 December 2025. The waiver of stamp duty will lower upfront cash payments and encourage home ownership among the first-timers. As this enhanced exemption is not limited to the primary market, first-time homebuyers will have wider choices to explore listings in the secondary market.

This proposed full stamp duty waiver complements the real property gains tax (RPGT) exemption as unveiled under the country's Short-Term Economic Recovery Plan (PENJANA) in June whereby gains arising from disposing of residential property by Malaysians (limited to three units per individual), between 1 June 2020 and 31 December 2021 are exempted from RPGT. Collectively, these incentives are expected to spur more activities in the primary and secondary residential markets, further supported by the current low interest rate environment.

Dewan Bandaraya Kuala Lumpur (DBKL) is offering up to 50% discount in development charges to developers for applications of projects commencing 1 June 2020 to 31 May 2021 to ease the burden of developers impacted by the pandemic as well as to stimulate economic growth in the city.

The central bank cut the Overnight Policy Rate (OPR) by 25-basis points to 1.75% on 7 July 2020, the fourth revision this year amid challenges in market conditions that is severely impacted by the COVID-19 outbreak and this has led to banks and financial institutions lowering their rates. The reduction in employee's statutory contribution rate from 11% to 9% effective 2021 will boost disposable income and ramp up domestic spending. Moving forward, with lower interest rate and higher disposable income, more potential purchasers who qualify for loans may be encouraged to start buying properties and this may provide some traction to the sluggish housing market.

Despite cancellation of the Kuala Lumpur - Singapore High Speed Rail (HSR) project, other proposed and on-going mega projects in the capital city such as Bandar Malaysia, Tun Razak Exchange (TRX), Bukit Bintang City Centre (BBCC), and Merdeka 118 are expected to bring Malaysia into the radar of investors in the mid to longer-term.

The short-term outlook for Kuala Lumpur's high-end condominium market remains weak in light of current economic uncertainties although the expected commercial rollout of the COVID-19 vaccine provides a glimmer of hope towards its recovery.

Allevia Mont' Kiara

Source: UEM Sunrise

KLANG VALLEY OFFICE MARKET

Highlights

The trend of remote working is expected to continue going forward, but primarily in hybrid models, with employees splitting work time between home and office, for occupations with high remote-work potentials.

More hotels are also getting into the communal office space segment while awaiting for recovery in the travel industry by offering attractive work from hotel packages that cater to a wider target market.

Three office deals in KL Fringe and Selangor, with collective value of RM1.195 billion, were announced during the review period.

Market Indications

The Business Conditions Index (BCI) posted a modest gain of 25.3 points to settle at 86.3 points in 3Q2020, indicating a boost in manufacturers' confidence level although it remains below the threshold level for the seventh consecutive quarter. The index expanded 17.2 points on an annual basis, reflecting a slow recovery from the prolonged COVID-19 pandemic.

The destructive impact of the pandemic, which has led to the country being placed under various phases of Movement Control Order (MCO) since 18 March 2020 to contain the spread of the disease, is reflected in the country's poor economic performance for 2Q2020 (-17.1%). Measures such as travel restrictions, enforced business closures and restricted social activities have left many businesses and economic sectors struggling to stay afloat.

However, following the gradual reopening of the economy in June and supported by improved external demand conditions, Malaysia's GDP declined by a slower pace of -2.7% in 3Q2020.

Moving forward, the multitude of initiatives and assistance provided under the RM35 billion National Economic Recovery Plan (PENJANA), the RM10 billion Prihatin Supplementary Initiative Package (Kita Prihatin) and Budget 2021 amongst others will set the economy on the right path of recovery beyond 2020.

Supply and Demand

The cumulative supply of office space in Klang Valley stood at circa 109.5 million sq ft as of 2H2020 following the completion of Menara TCM in KL City and Menara Star 2 @ Pacific Star in Selangor.

Located at the intersection of Jalan Tun Razak and Persiaran Stonor, the 32-storey Menara TCM was completed in November 2020. The GBI and LEED Gold certified office building offers circa 372,000 sq ft net lettable area (NLA) space and 745 car parking bays. Its typical floor plates are sized from 14,200 sq ft to 15,800 sq ft.

Menara Star 2 forms part of the larger mixed-use development of Pacific Star in Seksyen 13 of Petaling Jaya. The latter comprises two office towers, three condominium blocks and a retail podium with a total of 1,875 car parking bays. The 14-storey GBI certified office tower offers circa 251,000 sq ft NLA and comes with typical floor plates of 8,700 sq ft to 14,000 sq ft and slab to ceiling height from 3.8m to 5.5m.

Menara TCM

Source: The Client

By 1H2021, 12 office buildings are scheduled for completion with nine located in KL City and the remaining three in Selangor. Upcoming completions in the city are Affin Tower and HSBC Tower, both in TRX; The Stride Strata Office, TS Law Tower, UOB Tower 2, Permata Sapura, Menara Great Eastern 2, Legasi Kampong Bharu and Plaza Conlay @ Conlay 301 while in Selangor, they are HCK Tower @ Empire City, Quill 9 Annex and Imazium @ Uptown. Collectively, these completions will add circa 4.9 million sq ft of space to the existing cumulative office supply.

Amid growing challenges in the office market, the overall occupancy rate of purpose-built office space in KL City dipped further to record at 69.1% as of

2H2020(p) (1H2020: 69.8%). Similarly, the occupational demand in KL Fringe was also under pressure during the review period and was analysed at 85.8% (1H2020: 86.2%). The overall occupancy rate in Selangor dropped to 77.9% as well during the same period of time (1H2020: 78.4%).

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

Following delays arising from the implementation of various stages of MCO, Phases 1and 2 of the Merdeka 118project are expected to be ready by 2Q2022 instead of end 2021. Phase 1 of the development involves the Merdeka 118 office tower and surrounding infrastructure. As of October 2020, the tower is 60% completed with the concrete core structure at its peak (Level 118) and the tower facade at Level 82. Upon completion, it will be Malaysia's tallest building and the second tallest tower in the world as well as the first building in Malaysia to satisfy the triple green building platinum accreditations locally and internationally, namely the Green Building Index (GBI), the Green Real Estate (GreenRE), and the Leadership in Energy and Environmental Design (LEED).

The construction of Phase 1of Bandar Malaysia is expected to commence by June next year, with the kicking off of infrastructure works. In the first phase spanning across 20.23 hectares, there will be several Grade A office towers, hotels, serviced apartments, and luxury residences, which will be developed over four years. Phase 1of Bandar Malaysia will house more than 12world-class towers with total gross floor area (GFA) exceeding 12 million sq ft. Estimated to generate a GDV of over RM200 billion, the prime national economic project is expected to resuscitate and jump-start the Malaysian economy.

Sunsuria Bhd, via the acquisition of shares in Bumilex Construction Sdn Bhd, plans to develop two plots of land along Lorong Tuanku Abdul Rahman measuring about 0.47 hectare in total into a high-rise mixed commercial project known as Nadi @ TAR. The project has an estimated GDV of RM524.8 million and will feature seven storeys of retail space, 22 storeys of office suites, a 10-level parking lot as well as three storeys of office space with a multi-purpose hall and one storey of retail space. The construction is set to commence in 2H2021 and scheduled for completion by the end of 2025.

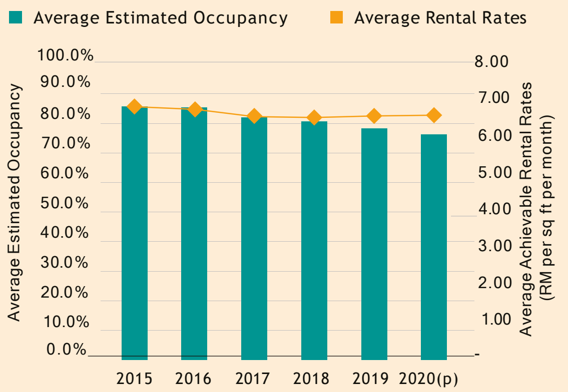
KLCC Real Estate Investment Trust (REIT) had, in November, announced the extension of leases with Petroliam Nasional Bhd (Petronas). The extended leases of the office space within Menara 3 Petronas and Petronas Twin Towers will be for a further term of 15 years upon the expiry of the current term, which is 14 December 2026 for Menara 3 Petronas and 30 September 2027 for Petronas Twin Towers. The rental amounts would be determined prior to the commencement of the extended leases. Currently, Petronas is paying circa RM9.00 per sq ft per month and RM11.00 per sq ft per month for Menara 3 Petronas and Petronas Twin Towers respectively.

KL33 Properties had unveiled the first 'Covid Secure' office space at Menara KL33 in August 2020. A first-of-its-kind in Malaysia, the fully furnished 'Covid Secure' office space are specifically reconfigured and retrofitted according to the one-metre physical distancing rule to prioritise the safety, health and wellbeing of occupants and tenants. Along with the refurbishment, KL33 Properties has also introduced 'Easy Lease Programme' to help companies to bring their workforce back to office safely without the exorbitant initial set-up costs.

Following the disposal to Techvance Properties Management Sdn Bhd in 2015, the 13-storey premises of AmBank Group Leadership Centre at Jalan P Ramlee, is being redeveloped and repositioned into a 180-room hotel. The 26-storey hotel, which will operate as Hotel Indigo Kuala Lumpur on the Park in partnership with InterContinental Hotels Group (IHG), is scheduled to open by 2023.

The Jewel, one of the final components of the i-City development, will house an international 5-star hotel and state-of-the art Grade A office. The 70-storey skyscraper is set to be the tallest building in Shah Alam when completed by 2025. The master development of i-City is a 72-acre freehold ultrapolis located along the Federal Highway. The project, with a gross development value (GDV) of more than RM10 billion, comprises corporate towers, cyber office suites, serviced residences, hotels, data centres, a convention centre, and the Central i-City shopping centre.

Occupancy and Rental Trends in Kuala Lumpur, 2015 - 2020(p)



Source: Knight Frank Research
(p) = preliminary data

Selected Notable Tenant Movements, 2H2020

Building Name	Approx. Space (sq ft)	Remarks
KL City		
Menara Hap Seng 3	~ 70,000	Moving In • Tokio Marine Insurans (Malaysia) Bhd
Menara Prestige	~ 18,000	Expansion • American Express Sdn Bhd
Equatorial Plaza	~ 16,900	Moving In • Arden Estates Sdn Bhd • EVA Airways Corporation • X Infinity
Vista Tower	~ 47,000	Moving Out • Petronas Refinery & Petrochemical Corporation Sdn Bhd
KL Fringe		
Mercu 2 @ KL Eco City	~ 60,000	Moving In • Hengyuan • Malaysian Bulk Carriers • Hannover RE
Mercu 3 (DBKL Tower)	~ 27,500	Moving In • Henkel Relocation • Third Party Platform / Bell Direct[1]
Selangor		
1 Powerhouse	~ 260,000	Moving In • Dimension Data Asia Pacific Shared Services Centre Sdn Bhd • Philip Morris (M) Sdn Bhd • BASF Petronas Chemicals Sdn Bhd • BASF (M) Sdn Bhd • CBRE Project Management • Nestle Malaysia Relocation • Arup Jururunding Sdn Bhd[2] • Air Liquide Business Services Sdn Bhd[3]
Nucleus Tower	~ 31,000	Relocation • Hapag-Lloyd Business Services (M) Sdn Bhd[4]
Menara Summit	~ 33,000	Moving Out • Nol Global Service Center

Source: Knight Frank Research
Notes:
(1) Third Party Platform / Bell Direct relocated from Menara UOA Bangsar.
(2) Arup Jururunding Sdn Bhd relocated from Wisma Fiamma.
(3) Air Liquide Business Services Sdn Bhd relocated from The Ascent @Paradigm.
(4) Hapag-Lloyd Business Services (M) Sdn Bhd relocated from Menara TM.

Prices and Rentals

The average rental rate of office space in KL City retreated to RM7.03 per sq ft per month in 2H2020(p) (1H2020: RM7.23 per sq ft per month) as the prolonged pandemic continues to impact the economy and businesses. In addition to the growing supply-demand mismatch in the office market, the resurgence of COVID-19 cases further weakens leasing activity as more corporations and companies review or postpone their real estate decisions to strike a balance between driving growth while maintaining operational and cost efficiency.

Similar to KL City, the average office rents in KL Fringe and Selangor were also lower at RM5.75 per sq ft per month and RM4.25 per sq ft per month respectively (1H2020: KL Fringe - RM5.80 per sq ft per month; Selangor – RM4.32 per sq ft per month).

During the review period, asking rentals of Prime A+ and Grade A office space in KL City range from RM5.50 per sq ft to RM12.00 per sq ft per month depending on location (New CBD: from RM7.00 per sq ft to RM12.00 per sq ft per month; Old CBD: from RM5.50 per sq ft to RM6.50 per sq ft per month) and in KL Fringe: from RM6.20 per sq ft to RM8.50 per sq ft per month). In Selangor, similar grade office space command competitive monthly rentals ranging from RM4.50 per sq ft to RM6.50 per sq ft.

Boustead Holdings Bhd has put up the 22-year old Menara Affin at Jalan Raja Chulan for sale as the bank mulls the move to its new 50-storey headquarters at

Asking Rentals of Selected Grade A Offices, 2H2020

Building Name	Asking Gross Rental (RM per sq ft / month)
KL City	
Integra Tower	11.00
Menara Maxis	8.50 – 11.50
The Exchange 106	10.00 – 12.00
Menara Prudential @ TRX	9.00
Menara Hap Seng 3	9.00
Menara Binjai	8.80
Vista Tower	7.50 – 9.50
Menara TCM	7.50
G Tower	7.50 – 8.50
NAZA Tower	7.00
JKG Tower	5.50 – 6.50
KL Fringe	
Menara Shell	8.50
Menara Southpoint	8.50
Menara Etiqa	7.00 – 8.00
The Gardens North & South Towers	7.80
NU Tower 2	7.50
Mercu 2	7.50
Menara Ken @ TTDI	6.50
UOA Corporate Tower A	6.20
Selangor	
The Pinnacle	6.50
1 First Avenue	6.00
1 Powerhouse	6.00
Surian Tower	5.80
Nucleus Tower	5.80
Plaza 33	5.50
The Ascent @ Paradigm	5.50 – 6.00
Quill 18 (Blocks A & B)	5.50
Puchong Financial Corporate Centre (Towers 4 & 5)	4.50

Source: Knight Frank Research

Tun Razak Exchange (TRX). The 20-storey Menara Affin, which sits on a 0.84-acre freehold site, has a NLA of 200,746 sq ft and net yield of about 6%.

Plaza Perangsang, located along Persiaran Perbandaran Shah Alam, has been put up for sale by tender. The 27-storey building with three basement levels (690 parking bays) consists of mixed-use components – 50,000 sq ft retail podium, circa 200,000 sq ft office space (levels 3 to 17) and 156-key hotel (levels 18 to 24). The current owner, Kumpulan Perangsang Selangor Bhd, occupies two floors of the office space and will seek to lease back the space from the new owner. The monthly rental of the 28-year old building is reportedly to be circa RM3.50 per sq ft.

Notable Investment Sales & Transactions, 2H2020

Building Name	Location	Approx. NLA (sq ft)	Consideration (RM) / Analysis (RM per sq ft)
UOA Corporate Tower[(1)]	Bangsar South	732,871	700,000,000 / 955
The Pinnacle Sunway[(2)]	Bandar Sunway	576,864	450,000,000 / 780
Quill Building 5[(3)]	Cyberjaya	81,602	45,000,000 / 551

Source: Knight Frank Research

Note:

(1) RHB Trustees Berhad, the trustee of UOA REIT ("Trustee"), has entered into a conditional sale and purchase agreement with Distinctive Acres Sdn Bhd and Paramount Properties Sdn Bhd for the proposed acquisition of a stratified 38-storey office building with a penthouse level for a cash consideration of RM700 million. The property has gross floor area (GFA) and net lettable area (NLA) of 959,764 sq ft and 732,871 sq ft respectively.

(2) Sunway REIT Management Sdn Bhd (SRSB), the manager of Sunway Real Estate Investment Trust (Sunway REIT), had on 29 June 2020 entered into a conditional sale and purchase agreement for the proposed acquisition of The Pinnacle Sunway for RM450 million. The deal was made via RHB Trustees Bhd, the trustee of Sunway REIT, with Sunway Integrated Properties Sdn Bhd and Sunway Pinnacle Sdn Bhd, both of which are wholly-owned indirect subsidiaries of Sunway Bhd. The 24-storey office building, which is GBI-certified and has MSC-status, was 100% occupied at the point of sale.

(3) MRCB Quill Management Sdn Bhd, the manager of MRCB-Quill REIT (MQREIT), announced that Maybank Trustees Berhad, the trustee for MQREIT, had on 12 November 2020 entered into a sale and purchase agreement with Deriv Services Sdn Bhd for the proposed disposal of Quill Building 5 for a cash consideration of RM45 million. The 5-storey office building with a level of sub-basement and a 1½-level of basement car park (283 bays) has a gross floor area (GFA) of 227,039 sq ft and net lettable area (NLA) of 81,602 sq ft.

Notable office transactions during the review period include UOA Corporate Tower in Bangsar South, The Pinnacle Sunway in Bandar Sunway and Quill Building 5 in Cyberjaya.

Permodalan Nasional Bhd (PNB) is reportedly in the midst of disposing Menara MIDF at Jalan Raja Chulan to Singapore-based JD Hospitality Sdn Bhd for a consideration of RM140 million or circa RM875 per sq ft over 160,000 sq ft NLA. The only tenant in the 21-storey building is PNB's wholly-owned subsidiary, Malaysian Industrial Development Finance Bhd, which will relocate to PNB 118 upon its completion.

Outlook

Amid the unprecedented pandemic, office demand has weakened as more companies and corporations review or postpone their real estate decisions to strike a balance between driving growth while maintaining operational and cost efficiency. The resurgent of cases since September has also caused delays in decision-making for multinational corporations planning to set up or expand their presence in Malaysia.

With greater emphasis placed on health and safety, companies are continuing to implement new workplace strategies to reduce the risk of transmission. Temporary measures in Business Continuity Plans, such as working from home, split-team and flex/co-working space to support physical distancing goals in physical offices are becoming commonplace. The pandemic is also expected to lead to a reversal of the open office trend.

Moving forward, there will be more allocation of collaborative space in a workplace as companies take this opportunity to experiment and seek the right balance between working from office, home and co-working or managed space. Corporations will also focus more on the design and specifications of space to increase the personal space per employee in the office. The changing workplace trend will lead to de-centralised and virtual working models where staff can opt to work from somewhere close to home or at a flex office.

Hotels, which were hard hit by the pandemic following closure of international borders and domestic travel restrictions, are also coming up with attractive work from hotel packages to mitigate plummeting occupancy rates and reduce loss in revenue. Hotels provide a refreshing change to those who are tired of working from home and also cater as an alternative place to work for corporations that have to comply with stringent distancing rules and limit their workforce in the office.

Landlords, both of newer and older office buildings, are reportedly engaging with key strategic tenants on lease renewals well ahead of their expiry dates by offering attractive renewal packages that include longer rent-free periods.

The KL City office market is expected to remain challenging with rental and occupancy levels anticipated to dip further while the KL Fringe and Selangor office markets, which attract a wider profile of tenants, are expected to remain resilient, supported by the improved infrastructure and rail network that continue to drive demand in these decentralised locations.

KLANG VALLEY RETAIL MARKET

Highlights

Malaysia's retail sales recorded at -9.7% in 3Q2020, resulting in a revised rate for the full year of 2020 from -9.3% to -15.8%.

The MIER Consumer Sentiments Index (CSI) remains below the 100-point threshold, recording at 91.5 points in 3Q2020 despite an improvement on the quarter.

New completion of circa 850,000 sq ft brings Klang Valley's cumulative retail space supply to 62.44 million sq ft.

Retailers and shopping malls are expected to keep pace with changes in consumer preferences and market dynamics by adopting innovative measures and omnichannel strategies.

Market Indications

The MIER Consumer Sentiments Index (CSI) was recorded at 91.5 points in 3Q2020 (2Q2020: 90.1 points). Despite recording a slight improvement on the quarter, the index remained below the 100-point threshold for the eighth consecutive quarter since 4Q2018. This reflects subdued consumer spending on concerns of economic recession, rising unemployment and lower disposable income amid the prolonged COVID-19 pandemic.

In the third quarter of the year, retail sales growth remained below market expectation, registering at a negative rate of -9.7%. Although the performance was an improvement on the quarter, it was a stark contrast to the corresponding period in 2019 (3Q2019: +1.8%). The retail growth rate for the whole year has been revised downwards from -9.3% to -15.8%.

Supply & Demand

The completion of KL East Mall in Taman Melati, along with Quayside @ Twentyfive 7 in Shah Alam and KIPMALL Desa Coafields in Sungai Buloh with combined NLA of approximately 850,000 sq ft during the review period, brought the cumulative supply of retail space in Klang Valley to circa 62.44 million sq ft.

With approximately 384,210 sq ft of retail space spread over four levels, KL East Mall is the cultural pulse of KL East; a 153-acre integrated development of residential, commercial and lifestyle components. Anchor and key tenants of the long-awaited shopping mall include Jaya Grocer, Harvey Norman, H&M, Blue Ice Skating Rink, BookXcess and Toys R' Us.

By 1H2021, seven shopping centres / supporting retail components with a collective retail space of circa 1.93 million sq ft are scheduled for completion / opening. Three are located in Kuala Lumpur, namely 8 Conlay and the retail components of The Exchange 106 and Lot 91@KLCC. The remaining four in Selangor are the retail components of Pacific Star and Datum Jelatek as well as KSL Esplanade Mall and Setia City Mall Phase 2.

The COVID-19 pandemic continues to alter the retail landscape, with the review period witnessing several closures and departures of local and international brands. Cinema operator, MBO Cinemas is particularly vulnerable as it faces liquidation resulting from dire cash-flow problems following the movement control order (MCO) while prominent optical brand, Focus Point, is expected to close five outlets by year-end after reporting losses in 2Q2020. Food and Beverage (F&B) players are also not relieved from this harsh reality with The Delicious Group exiting the dining scene after two decades and the prominent BLVD House in Platinum Park which was once featured in the Hollywood film 'Crazy Rich Asian', shutting its doors.

Generally, international brands are anticipated to better withstand the effects of the pandemic due to their financial standing and sustaining power, as well as stronger resources in leveraging their global online platforms; e-commerce and social media to continuously engage with their customers.

Nonetheless, with the combination of existing factors, the review period saw the exit of US-based NYX Cosmetics and departmental store Robinsons. Robinsons, which had been in the retail industry for more than 160 years is closing its remaining stores in Malaysia and Singapore. The pandemic further intensified the challenges faced by retailers in adapting to the changing consumer landscape following a global trend in falling demand for the departmental store concept.

The weight of the COVID-19 pandemic is severely felt by retailers across all sub-sectors, with several historically profitable retailers such as Berjaya Food Bhd, MyNews Holding Bhd and Padini experiencing losses after reports of lower revenue caused by decreasing consumer demand and restricted business operations. The pandemic further exacerbates the challenges faced by previously struggling retailers following the examples of Parkson and Bonia. Both have reported widening losses from the previous quarter following shrinking sales. For Parkson, this represents its eighth consecutive loss-making quarter.

Despite reeling from the onslaught of the pandemic, prime shopping malls have sustained their occupancy levels during the review period, while continuing to welcome new entrants of international and local brands.

The iconic Suria KLCC continues to be the preferred location for foreign brands debuting in Malaysia. The unveiling of BAPE, the pioneer Japanese streetwear brand, alongside BAPE Café is the first of its kind in the world. German-based luxury watchmaker, A.Lange & Sohne, has also opened a boutique and Omotesando Koffee officially marks its entry into Malaysia's coffee scene while David Rocco, an internationally renowned chef, unveiled his first global Dolce Vita restaurant.

Meanwhile, Pavilion Kuala Lumpur has welcomed an array of new tenants, namely France's luxury fashion house Karl Lagerfeld, Italy's menswear Brunello Cucinelli and Australia's restaurant-to-retail brand Calia. These openings marked the brands' maiden entry into Malaysia. Other notable new entrants include the Adidas new flagship store, Bath & Body Works, Dior, Chloe, Steve Madden, Tiny and Kam's Roast.

Brazil's cosmetic giant, Natura has launched its flagship store at Mid Valley Megamall. The mall is observed to be restructuring its tenants mix with several new incoming brands, namely Wish You Good, Kashkha, Adidas Kids, Tudor Watch, Fly Flot, Sunrider, Lamy, The Marathon Shop, Burger King, Dip N Dip and SK Jewellery while The Gardens Mall welcomed Running Lab and homegrown Puras Essential Oil's flagship store during the review period.

Sunway Pyramid welcomed The Entertainer, United Kingdom's largest toy store chain first outlet in Malaysia, while Santan by Air Asia opened its second outlet following its success at Mid Valley Megamall. Other notable new tenants include Sports Direct, TRT, Showcase, Chun Yang Tea, Bakery Café Hachi, and JC Meal Box.

At 1Utama Shopping Centre, Jaya Grocer is making its debut together with Jo Malone, Steve Madden, Sports Direct, Lego, Dunkin Donut, I am Yogost, The Ice Cream Bar and Santai Yan Ch'a Dimsum.

Anta, a household Chinese sportswear brand with growing global footprint, has aggressively expanded during this review period with four openings in prominent shopping malls, namely Pavilion Kuala Lumpur, Sunway Pyramid, Mid Valley and Genting Premium Outlet. Since its first opening in May 2019, Anta has grown to 11 outlets nationwide.

The review period continues to witness brands strategizing for expansion amid the dampened retail market.

JM Bariani House, known for its traditional Johor cuisine is targeting to open five new branches every year for the next five years through company-owned outlets and franchising. Meanwhile, Richiamo Coffee is expecting to open more outlets and is eyeing to expand in several overseas market namely, Singapore, Myanmar and Bangladesh.

KK Mart targets to have 500 outlets in 2020 and 1,000 outlets within the next three years, and expansion plans include extending its footprint in India. Amid the pandemic, the homegrown mini-supermarket chain intends to develop an e-commerce platform to adapt to the changing consumer behaviour.

Focus Dynamic Group Bhd and Oversea Enterprise Bhd is collaborating to embark on an international expansion of the Chinese restaurant under the brand "EMP by Oversea". Eyeing to open in eight global metropolis, such as New York, London and Shanghai, the expansion plans also include to grow the catering and banquet business, as well as to tap into the thriving food delivery market.

Local retailers are under pressure to shift from the traditional brick and mortar business models consequential from changing consumer shopping habits that are further compounded by the COVID-19 pandemic. Retailers are also seen to be reinventing themselves with innovative concepts and digital strategies.

Evolving concepts such as thematic concept stores and new retail formats continue to gain traction as exemplified by A&W Malaysia's latest retro-themed outlet in Seventeen Mall and TwoSpicy Entertaiment Live and MD Events Asia's first Nescafé M-Junction drive-in cinema at the Malaysian Tourism Centre (MaTic) at Jalan Ampang.

On the same note, the cloud kitchen concept is gaining ground following the exponential growth in the food delivery industry. Cloud kitchens are centralised commercial cooking facilities with no physical dining space and cater primarily to online delivery orders. Internet restaurants such as Epic Food and Dahmakan are both building momentum in the cloud kitchen venture by successfully raising funds to invest into the business model.

Similarly, Focus Dynamic is collaborating with Brahim's Holdings Bhd to introduce a digital kitchen project. In efforts to modernise Brahim's catering business and accelerate the establishment of Focus's cloud kitchen, the venture also includes embarking onto shadow kitchen networks, ready-to-eat meals and digital food trucks.

Focus Dynamic Group is also partnering with Saudee Group Bhd to launch the first robotic burger kiosk in Malaysia by early 2021. The technological innovation, which has been applied globally within the F&B industry increases efficiency and reduces pilferage, is also seen as a fitting factor in terms of customer interactions amid the current pandemic.

Meanwhile, MPH Group is consolidating its non-performing outlets while retaining physical presence in profitable key locations in efforts to channel its resources to upscale its digital and e-commerce division. MPH Group is committed to providing its customers with seamless online and offline shopping experiences by further deploying hi-tech vending machines in strategic locations such as transportation hubs, universities and hospitals.

Amid the pandemic, Aeon Retail Group has also introduced a digitised shopping platform where orders are placed online and payments are made via cashless avenues upon self-collection of the purchases at designated drive-through points.

Prices & Rentals

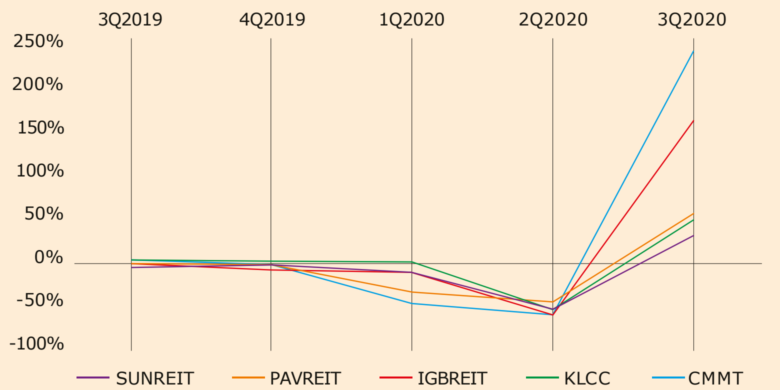
There were no notable transactions of shopping centres in the review period. Investment transactions remain lacklustre as investor confidence and sentiment continue to be undermined by the COVID-19 pandemic.

Operators of prime shopping centres in Klang Valley have been proactively providing rental rebates and marketing support to weather the severe impact of the pandemic as the implementation of the MCO since 18March have left many businesses struggling to stay afloat. These business continuity efforts have, however, dented their revenue with material impact reflected in the 2Q2020 financial results, interposing past resilient performances.

Nevertheless, the subsequent easing of restrictions which allows non-essential sectors to gradually resume their business operations have progressively improved tenant sales and footfall in malls. The pace of recovery has, however, been thwarted by the resurgence of infection cases which led to the re-imposition of CMCO in Klang Valley till 14 January 2021.

Riding on the back of business continuity efforts and strategies expended by mall operators, the occupancy rates of prime shopping malls in Klang Valley are generally expected to persevere through the unprecedented crisis.

Quarterly Growth in Net Property Income of Selected Klang Valley REIT Shopping Centres



Source: Bursa Malaysia / Knight Frank Research

Outlook

The COVID-19 pandemic continues to have unprecedented effects on the retail landscape with retail sales growth performing below market expectation at a negative rate of -9.7% in 3Q2020. The recent wave of COVID-19, which prompted the Government to reinforce CMCO for selected states in the country, has weakened the recovery momentum in the retail industry.

To cushion the severe impact of the novel coronavirus, the government has launched a few economic stimulus packages including; PRIHATIN, aimed at supporting struggling small and medium size enterprises (SMEs); PENJANA, a RM35 billion short-term Economic Recovery Plan to restart the country's economy and; Prihatin Supplementary Initiative Package (Kita Prihatin) which allocates additional cash handouts, wage subsidies and micro-business financial grants.

Prior to the implementation of the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Bill, landlords of selected shopping malls have taken up the mantle in providing relief to their tenants by offering various rental waiver initiatives. Footfall in shopping malls demonstrated encouraging recovery months into the RMCO (enforced on 10 June 2020), although sales has continued to remain weak amid fragile consumer sentiment. Until the commercial rollout of COVID-19 vaccine, expected by 1H2021, there is potential for subsequent waves of infection, further derailing business confidence among retailers which may impact rental collection, tenancy renewals, rental revisions and take-up rates. Hence, there is a need for continued rental, marketing and promotional support measures to rebuild businesses as well as consumer sentiment.

On that notion, shopping mall operators have launched campaigns to spur consumer spending and sentiment, while others have actively embraced technological advancement to improve footfall and retail sales. Using big data and digital shopping insight, 1Utama Shopping Centre injected an additional RM1 million retail stimulus in the form of personalised vouchers for its ONECARD members. Shopping malls operators such as Sunway Pyramid, Aeon and PKNS are launching their own online platforms in efforts to bring their tenants' businesses online.

Amid stringent standard operating procedures (SOPs) such as social distancing, body temperature scans and visitor registrations, personal shoppers and home delivery services are gaining ground due to convenience and safe shopping experience. Grab ventured into instant retail service with the introduction of 'Grabmart', while newly launched smartphone application, 'GoGetters' connects users to personal shoppers to purchase products from various retail stores. With the emphasis on physical distancing, open air street retail concept and drive-thru facilities may be a growing consideration within upcoming retail developments.

The pandemic has undoubtedly accelerated the e-commerce business and the growth is encouraging new players to enter the scene. New homegrown platforms include 'Halal Extra', 'Vettons' and Digistar Corporation upcoming 'Mamma Mia Mall', while 'Halal2Go', 'M Squared' and 'EatLokal' are newly established food delivery services. In times when e-commerce is garnering a larger role in consumers' lives, established online platforms such as Lazada and Shopee have made continuing efforts to improve and expand their services. Lazada has launched #KitaBantuKita and the ringgit-for-ringgit pledge, in line with the government's e-commerce campaign to enable Malaysian SMEs to go digital. As for Shopee, it has made collaborations with Revenue Group to expand ShopeePay's reach, and with Malaysian Franchise Association (MFA) to benefit franchise players to open official online stores.

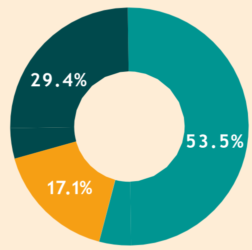
With the rise in e-commerce, last-mile delivery is becoming increasingly paramount. There has been a growing number of e-commerce delivery services and even SOCAR, Malaysia's predominant car-sharing app is collaborating with Lalamove, Mr Speedy, Pickupp and Teleport – Air Asia's logistic company, to provide delivery solutions for transporting goods. There is, however, a need to improve efficiency within delivery companies with rising demand and competition. The focus is on workflow automation, track and trace system, enhancement of mobile-application and cashless payment options.

Amid the changing retail environment which is amplified by the COVID-19 pandemic, connection to consumers through multiple channels is key in maintaining relevance and essentially thrive during these trying times. Retailers and stakeholders are expected to creatively adopt omnichannel strategies to reach consumers. Mydin has embraced the widely popular app, TikTok to connect to a younger audience, while Pizza Hut Malaysia is utilising Whatsapp for delivery orders.

KL East

Source: Knight Frank Research

Klang Valley: Existing Cumulative Suply of Retail Space, 2H2020



Source: Knight Frank Research

Incoming Retail Supply 1H2021

Selangor

Retail Component of Pacific Star
Petaling Jaya
240,000 sq ft

Retail Component of Datum Jelatek
Ampang
317,000 sq ft

Setia City Mall Phase 2
Shah Alam
400,000 sq ft

KSL Esplanade Mall
Klang
650,000 sq ft

Kuala Lumpur

Retail Component @ Exchange 106, TRX
KL City
126,000 sq ft

Retail Component of Lot 91 @ KLCC
KL City
73,000 sq ft

Retail Component of 8 Conlay
KL City
120,000 sq ft

Source: Knight Frank Research

KLANG VALLEY INDUSTRIAL MARKET

Highlights

The Industrial Production Index (IPI), which bottomed at 76.5 points in April, rebounded strongly to 114.8 points in June. On an annual basis, however, the IPI for the first 10 months of 2020 was lower by 5.1% at 108.4 points.

Uptick in Klang Valley industrial property market in 3Q2020 with circa 75.1% and 40.7% increase in volume and value of transactions on the quarter. The volume and value of transactions for the first nine months of 2020 were, however, lower by 33.3% and 2.8% respectively when compared to the corresponding period in 2019.

Klang District received a surge in applications relating to industrial properties in 2H2020 with the majority (circa 39.0%) for new standalone factories on pockets of land. About 30.0% of the applications were for legalisation of unlicensed factories under Program Pemutihan, 26.0% for extension or amendment to existing premises and the remaining (5.2%) for new built-to-sell factories.

Rental rates of industrial space in prime sub-markets, namely Shah Alam, Subang, Petaling Jaya, Kuala Lumpur, and Klang remained resilient supported by positive sentiments in the manufacturing and logistics sectors.

Market Indications

The Industrial Production Index (IPI), which nosedived to 76.5 points in April following the implementation of the nationwide movement control order (MCO) on 18 March, rebounded strongly to 114.8 points in June with the easing of restrictions. For the first 10 months of the year (Jan to Oct), the IPI read at 108.4 points, 5.1% lower y-o-y (Jan to Oct 2019: 114.2 points).

During the same period, the manufacturing index also picked up to record at 115.2 points, supported by recovery in external demand (Jan to Oct 2019: 119.8 points).

Among the manufacturing activities which saw expansions are rubber & plastic products and pharmaceutical products / preparations while tobacco products and leather & related products continue to hit south.

Manufacturing Activities Index Y-o-Y Changes (%), Jan to Oct 2020 vs Jan to Oct 2019

Top Gainers (Production index showed significant growth of more than 10% y-o-y)	
Rubber & plastics products	(▲24%)
Pharmaceutical products / preparations	(▲ 14.3%)
Expanding (Production index showed marginal growth of less than 5% y-o-y)	
Food products	(▲ 2.8%)
Computer, electronics and optical products	(▲1.2%)
Machinery and equipment n.e.c.	(▲0.9%)
Electrical equipment	(▲ 0.3%)
Catching up (Production index showed decline of up to -10% y-o-y)	
Paper products	(▼4.5%)
Motor vehicles, trailers & semi-trailers	(▼5.2%)
Basic metals	(▼6.4%)
Reproduction of recorded media	(▼7.0%)
Chemicals and chemical products	(▼8.2%)
Others	(▼ 9.0%)
Furniture	(▼9.1%)
Repair and installation of machinery and equipment	(▼9.5%)
Top Losers (Production index showed significant decline of more than -10% y-o-y)	
Coke and refined petroleum products	(▼11.3%)
Wearing apparel	(▼13.7%)
Wood and products	(▼14.7%)
Other transport equipment	(▼15.4%)
Textiles	(▼15.6%)
Beverages	(▼16.0%)
Other non-metallic mineral products	(▼17.2%)
Fabricated metal products	(▼17.4%)
Tobacco products	(▼20.1%)
Leather and related products	(▼20.9%)

Source: DOSM / Knight Frank Research

Supply & Demand

The Klang Valley industrial property market saw an uptick in activity in 3Q2020 with 471 units worth RM2,010.27 million changing hands, depicting a significant quarterly increase of 75.1% and 40.7% in volume and value of transactions respectively (2Q2020: 269 units worth RM1,429 million). However, for the first nine months of 2020 (year-to-date), the volume and value of transactions were 33.3% and 2.8% lower when compared to the corresponding period in 2019.

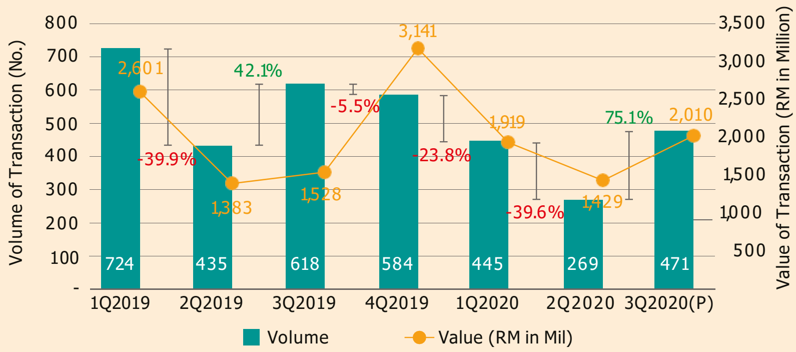
Demand for industrial properties is mainly concentrated in the established districts, namely Petaling and Klang. Each district has its strengths and catalysts in attracting domestic and foreign investments.

As of 3Q2020, the cumulative existing industrial property stock in Klang Valley stood at 46,106 units. There are circa 1,289 units of factories/ warehouses currently under-construction (incoming supply) and another 1,730 units under planned supply.

The majority of the existing stock, totalling 14,378 units or circa 31.2%, are located in Petaling District. Even though the district topped in terms of existing stock, there are limited incoming developments. Klang District, ranked second in terms of current supply with 8,429 units, is noticeably more active with 469 units under construction and 845 units under planning.

During 2H2020, Majlis Perbandaran Klang (MPK) received a surge in applications for development planning of industrial projects. Circa 38.9% of the applications were for new standalone factories on pockets of land, followed by 29.9% of applications for legalisation of unlicensed factories under Program Pemutihan, 26.0% for extension or amendment to existing premises and the remaining (5.2%) for new built-to-sell factories.

Klang Valley: Volume and Value of Industrial Property Transactions, 1Q2019 to 3Q2020(P)



Source: NAPIC / Knight Frank Research
(P) = Preliminary

Profiling of Petaling District and Klang District

	Petaling	Klang
District		
Local Authority	Majlis Bandaraya Shah Alam, Majlis Bandaraya Petaling Jaya & Majlis Bandaraya Subang Jaya	Majlis Perbandaran Klang
A POPULATION AND DENSITY (2019)		
Area (sq km)	487	632
Population Density (per sq km)	4,498.00	1,648.00
Population ('000)	2,190.70	1,040.90
B INDUSTRIAL PROPERTY		
B1 Industrial Property Stock (as of 3Q2020)		
Existing	14,325	8,375
Incoming	56	462
Planned	8	804
B2 Volume and Value of Transactions (2018 to 1Q-3Q2020)		
2018	605 (RM3.85 billion)	487 (RM1.86 billion)
2019	555 (RM3.11 billion)	603 (RM2.52 billion)
1Q - 3Q2019	416 (RM1.52 billion)	487 (RM1.81 billion)
1Q - 3Q2020	295 (RM0.96 billion)	252 (RM1.20 billion)
B3		
Popular Industrial Sub-markets	Shah Alam, Glenmarie, Petaling Jaya, Subang, etc.	Port Klang, Pulau Indah, Telok Gong, Bukit Raja, Kapar, Meru, etc.
C MANUFACTURING INVESTMENT, EXPORT & IMPORT		
C1 Direct Domestic Investment (DDI) (RM'000)		
2016	2,118,046	1,048,291
2017	641,081	1,049,692
2018	1,389,307	1,293,840
C2 Foreign Direct Investment (FDI) (RM'000)		
2016	1,804,375	902,118
2017	803,894	822,520
2018	1,706,535	2,389,454
C3 Exports and Imports (2019) (RM in million)		
Exit / Entry Point	**Subang**	**Port Klang**
Exports	3,752.79	176,124.94
Import	7,022.62	232,856.30

Source: Various / Knight Frank Research

For the past two years, the applications for industrial developments in Klang District were concentrated in Kapar, Telok Gong, Pulau Indah, Port Klang, Meru, and Bukit Raja. The applicants were mainly manufacturers, trading companies, development /investment /holding companies, private owners and logistics companies.

The exponential growth of the e-commerce market took centre stage during the pandemic outbreak and became a boon for the logistics industry. A few logistics providers in Klang such as AS Transit Warehouse Sdn Bhd, Bersatu Integrated Logistics Sdn Bhd, Eminent JV Group Sdn Bhd, GD Fit International (M) Sdn Bhd and Reefer Logistics Sdn Bhd are leveraging on the opportunities for business expansion.

Meanwhile, there are some 148 units of detached and semi-detached factories being proposed within Klang District.

Klang: New Proposed Industrial Developments, 2019 and 2020

Developer	Location	Proposed Development
Sime Darby Property (Klang) Sdn Bhd	Bukit Raja (Stage II)	49 units of Detached Factories
Klang Group Holdings Sdn Bhd	Taman Perindustrian Kapar Bestari	6 units of Semi-Detached Factories 4 units of Detached Factories
Wisdom Infinity Sdn Bhd	Kawasan Perindustrian Meru Timur	10 units of Semi-Detached Factories
KlangRealty Development Sdn Bhd	Kawasan Perindustrian Meru	32 units of Semi-Detached Factories
Kunlun Sdn Bhd	Kampung Air Hitam	24 units of Semi-Detached Factories on two separate plots of land (each 12 units)
Kemas Properties Sdn Bhd	Kawasan Perindustrian Meru Barat	6 units of Semi-Detached Factories 1 unit of Detached Factory
Dream Development Sdn Bhd	Taman Perindustrian Kapar Bestari	6 units of Semi-Detached Factories / Warehouses
Sentinel Properties Sdn Bhd	Kawasan Perindustrian Meru Barat	4 units of Semi-Detached Factories
Alpha Rise Sdn Bhd	Pelabuhan Klang (KU16)	6 units of Detached Factories

Source: OSC / Knight Frank Research

Prices & Rentals

The average rental rates of selected notable manufacturing facilities and logistics/ distribution centres in Klang are analysed at around RM1.20 per sq ft to RM1.50 per sq ft per month.

In general, the selling prices of industrial properties in Klang Valley remain resilient. The selling prices vary depending on location / accessibility, tenure, land area, type of property / facility and building specification / condition, built-up area, and other factors.

Klang: Estimated Average Rental Rates of Selected Notable Manufacturing Facilities and Logistics / Distribution Centres, 2019 and 2020

	Average Monthly Rental Rates (RM per sq ft)
2019(e)	1.20 to 1.50
2020(f)	1.20 to 1.50
2021(f)	Stable

Source: Various / Knight Frank Research
Note: (e) = estimates; (f) = forecast

Klang Valley: Asking Prices of Industrial Land in Selected Localities

Locality	Asking Price (RM per sq ft)
Shah Alam / Hicom-Glenmarie	160-240
Bukit Raja	120-160
Port Klang (North Port & West Port)	60-80
Subang Jaya / Puchong	150-200
Sungai Buloh	100-140
Rawang / Bukit Beruntung	70-100

Source: Real Capital Analytics / Knight Frank Research
Note: *Knight Frank Malaysia is the exclusive agent handling the marketing and sale of the site

Bandar Bukit Raja Industrial Gateway

First two tenants, Leschaco (Malaysia) and Senheng Electrical(KL)

Klang: Average Transacted Prices of Industrial Premises in Selected Schemes, 2019 and 2020

Selected Scheme	Tenure	Land Area (sq ft)	Built-up Area (sq ft)	Average Transacted Price (RM over BUA)
Detached Factory				
Bukit Raja Prime Industrial Park	FH	20,000	6,688	673 – 867
Kawasan Perusahaan Selat Klang Utara	LH	87,123 – 88,264	47,306 – 51,552	209 – 243
Semi-Detached Factory				
Bukit Raja Prime Industrial Park	FH	7,922 – 8,224	3,622	718 – 767
Kawasan Perusahaan Selat Klang Utara	LH	14,400	5,521	502
Welloyd Industrial Park, Meru	FH	19,082 – 21,684	9,513 to 10,419	556 – 618
Terraced Factory				
Kawasan Perusahaan Selat Klang Utara	LH	2,605 – 3,197	2,854	88 – 109
Welloyd Industrial Park, Meru	FH	4,420	3,536	749 – 764
Vacant Plot				(RM over Land Area)
Telok Gong	LH	15,877 – 68,172	N/A	45 – 70
Pulau Indah Industrial Park	LH	21,775 – 67,565	N/A	49 – 68
Kawasan Perusahaan Selat Klang Utara	LH	87,059 – 214,998	N/A	54 – 67
Worldwide IZone, Kapar	FH	63,873 – 72,581	N/A	90 – 98

Source: JPPH / Knight Frank Research
Note: (FH) = Freehold; (LH) = Leasehold; N/A = Not Applicable

The COVID-19 pandemic continues to disrupt supply chain in the manufacturing sector and there are opportunities amid the gloom and doom with industrial players leveraging on various government incentives. In 2020, Klang Valley witnessed a few significant transactions and below are Knight Frank's top-five pick.

Klang Valley: Significant Industrial Property Transactions in 2020

Date	Status	Property	Consideration (RM in Million) Analysis over BUA (RM per sq ft)	Buyer Vendor
Oct-20	Sold	Western Digital Portfolio, Petaling Jaya*	120 mil 80	Wistron Western Digital
Nov-20	Transfer	177 Jalan Utas 15/7, Shah Alam	95 mil 333	Axis REIT (MY) Axis Development Sdn Bhd
Jul-20	Pending	Lot 6074, Jalan Haji Abdul Manan, Klang	40 mil 275	Kossan Rubber Ind CB Industrial Product
Mar-20	Sold	Lion Steelworks Warehouse, Klang	37 mil 247	Axis REIT (MY) Lion Corporation
Aug-20	Sold	Hai San Factories, Klang	22.7 mil 60	Tasco Berhad Haisan Resources Berhad

Source: Real Capital Analytics / Knight Frank Research
Note: *Knight Frank Malaysia is the exclusive agent handling the marketing and sale of the site

Outlook

Port Klang, the second biggest port in the South-East Asia region is also one or the world's busiest ports. To improve its competitiveness, the government had allocated RM50 million in the National Budget 2020 for the repair and maintenance of roads leading to the port while in Budget 2021, there was another provision for Phase 2 of the Third Klang Bridge and the continuation of Phase 3 of the upgrading of the Pulau Indah ring road.

Budget 2021 also broadens the Authorised Economic Operator (AEO) facility to include logistics service providers and warehouse operators. The Royal Malaysian Customs Department (RMCD) will integrate 43 permit issuing agencies and trading licenses into the AEO platform.

Traditionally, the AEO status has been given to eligible manufacturers, operators and traders to enjoy benefits in the AEO programme including the customs release via the green lane, deferred duty payments via electronic fund transfer (EFT), benefits offered by international customs administrations under Mutual Recognition Arrangements (MRA) with the RMCD, etc. To date, circa 56 AEOs have been approved mainly to manufacturers and traders (Source: RMCD).

The increase of value-added and additional activities in the Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW) up to 40% of the total annual sales value, from the original 10% threshold is highly anticipated for FIZ and industrial players.

These collective incentives unfold Port Klang's full potential in fulfilling the dynamics of global trade and supply chain. Against this backdrop, the outlook for Klang Valley's industrial property market remains optimistic supported by positive sentiments in the manufacturing and logistics sectors.

Rental rates of industrial space in prime sub-markets, namely Shah Alam, Subang, Petaling Jaya, Kuala Lumpur, and Klang, are anticipated to remain resilient while transactional activities, which were delayed in 2020, are expected to pick up in the later part of 2021 following the anticipated commercial rollout of the COVID-19 vaccine by 1H2021.

PENANG PROPERTY MARKET

Highlights

The residential sub-sector continues to dominate the property market in Penang with about 73.6% share of all transactions in the state in 1H2020.

Purpose-built office space in George Town and Bayan Baru continue to enjoy stable rents and high occupancy rates in 2H2020.

Despite challenges in the retail industry, occupancy rates for prime shopping malls in the Island remained resilient. More shopping malls / retailers are embracing the omni-channel experience to stay afloat.

For the January to September 2020 period, Penang attracted 108 manufacturing projects with total investment value of RM10.61 billion, made up of RM8.82 billion in FDI and RM1.78 billion in DDI.

Market Indications

The signing of the Project Delivery Partner (PDP) master agreement for the Penang Transport Master Plan (PTMP) by the Penang State Government and SRS Consortium Sdn Bhd finally materialised on 1 July 2020. Denmark-based Bjarke Ingles Group (BIG) and their Malaysian associate, Hijjas Architect & Planner, have been selected as the lead masterplan designer for the three man-made islands under the Penang South Reclamation (PSR) scheme while Penang Infrastructure Corporation Sdn Bhd, a special purpose vehicle set up by the state government, will lead the implementation of the PTMP projects.

The masterplan for the Penang South Island @ PSR, called 'BiodiverCity', involves the reclamation of three man-made islands totalling circa 4,500 acres: Island A (2,300 acres), Island B (1,400 acres) and Island C (800 acres). It will also generate 4.6km public beaches, 600 acres of parks and 25km waterfront. Works on the project are expected to progress in stages beginning 1Q2021. The reclamation of 1,200 acres of Island A under the first phase is expected to take 4 to 9 years to complete with the sale of land on Island A expected to start by the fourth year.

The Penang State Government targets to award the contract for PSR on 1 February 2021, Bayan Lepas LRT on 1 October 2021 and, Pan Island Link 1 and Pan Island Link 2A on 1 March 2021 and 1 August 2021 respectively.

Other notable projects in the pipeline include reclamation of the Linear Waterfront Bayan Baru coastline and Penang Gurney Wharf, revitalisation of Georgetown's Penang Bay and Penang Hill Cable Car project.

Residential / Mixed-Use

The completion of Angsana Teluk Bahang in 2H2020 increased the existing supply of branded residences in Penang by another 83 units. The integrated development also comes with a 250-room 5-star hotel that is managed by Banyan Tree Hotels & Resorts. The branded residences, which are located at the Kerongsang wing of the development, are sized from circa 1,152 sq ft to 3,046 sq ft and priced from RM2.4 million onwards.

Notable upcoming project launches in 2021 include Prins Bay in Batu Ferringhi. The mixed development by Ageson Bhd (formerly known as Prinsiptek Corporation Berhad) will embrace the Internet of Things (IoT) concept and comprise 138 luxury hotel rooms, 80 units of managed serviced apartments and retails shops. The development which has an estimated gross development value (GDV) of RM178 million will take 2 to 3 years to complete.

Penang: Average Transacted Prices of High-End Condominiums in Selected Schemes

Town	Average Transacted Prices (RM per sq ft)
Tanjung Tokong / Tanjung Bunga	550 - 900
George Town	500 - 900 [1] 1,150 - 1,300 [2]
Jelutong / Gelugor	600 - 800

Source: JPPH / Knight Frank Research
Notes:
(1) Refers to units with built-up areas of more than 3,000 sq ft
(2) Refers to units with built-up areas of less than 3,000 sq ft

Penang: Average Asking Rentals of High-End Condominiums in Selected Schemes

Town	Average Asking Rentals (RM per sq ft / month)
Tanjung Tokong / Tanjung Bunga	1.30 - 2.40
George Town	1.40 - 2.00 (1) 2.90 - 3.80 (2)
Jelutong / Gelugor	1.70 - 2.50

Source: Knight Frank Research
Notes:
(1) Refers to units with built-up areas of more than 3,000 sq ft
(2) Refers to units with built-up areas of less than 3,000 sq ft

Office

The completion of GBS@Mahsuri in Bayan Lepas in 2H2020 added circa 80,000 sq ft of space to the state's cumulative office stock.

Penang's first Urban Transformation Centre (UTC), occupying Levels 2 and 3 of Kompleks Tun Abdul Razak (Komtar), was officially opened on 17 August 2020. Costing circa RM20 million, the 42,000 sq ft UTC which houses 15 government agencies will add value to the iconic Komtar building and hopefully will be the catalyst to revitalize businesses operating therein.

The average occupancy rate for four prime buildings monitored in George Town remained at 89.0% and according to the latest NAPIC report, the average occupancy rate in Penang State continued to hold steady at 78.2% as of 3Q2020.

Beyond George Town, the selected better-grade office buildings, namely Menara IJM Land, Suntech @ Penang Cybercity and One Precinct recorded impressive average occupancies in the region of 90.0%.

In George Town, asking rents of selected office buildings under review range from RM2.80 per sq ft to RM4.00 per sq ft per month.

Penang: Average Asking Rentals of Selected Office Buildings

Building Name	Location	Asking Gross Rent (RM per sq ft / month)
Hunza Tower	George Town	5.00
Menara Boustead Penang	George Town	2.90 - 3.20
Menara KWSP	George Town	3.00
Al-Bukhary Building / WOU	George Town	3.60 (MSC Status Tier 1)
Menara Livingston	George Town	3.30 - 4.30 (MSC Status Tier 1)
MWE Plaza	George Town	2.80 (fixed rent)
Wisma Great Eastern	George Town	3.00
Menara IJM Land	Gelugor	3.70
SunTech@Penang Cybercity	Bayan Baru	4.00 - 4.50 (MSC Status tier 2)
One Precinct	Bayan Baru	4.00 (MSC Status tier 1)

Source: Knight Frank Research

Retail

According to data from NAPIC, the overall occupancy rate for existing shopping complexes in Penang was marginally higher year-on-year at 73.3% in 1H2020 (1H2019: 72.3%) despite disruptions arising from the COVID-19 pandemic. Occupancy rates for prime shopping malls on the Island have generally remained stable within the range of 90.0% to 99.0%. As for secondary shopping malls, the occupancy rate which ranges from 70.0% to 90.0% is anticipated to see a drop.

The monthly rental rates for ground floor retail lots in prime shopping malls have generally remained stable and range from RM7.20 per sq ft to as high as RM49.00 per sq ft, depending on the mall, location and size of the units amongst other factors.

1st Avenue Mall, which was acquired by Ideal United Bintang International Bhd (IUBIB) for RM153 million in 2019, has been repositioned to offer a combination of digital and brick-and-mortar shopping. In collaboration with Shopee, shoppers are now able to shop virtually via the online platform. Additionally, the mall's mobile app will be made available next year.

Gurney Plaza has officially launched its new food hall. Occupying circa 33,000 sq ft at the fourth floor, the food hall has six restaurants and 25 physical stalls together with three pre-built container and food caravan concept stalls to cater to 600 persons. Its interior is designed with four concepts: The Pier, The Port, The Palm and The Patio, to represent certain landmarks in Penang.

IJM Construction Sdn Bhd, a wholly-owned subsidiary of IJM Corporation Bhd, has secured a contract worth RM864.7 million from Tumpuan Azam Sdn Bhd, a subsidiary company of IJM Perennial Development Sdn Bhd to build an 11-storey retail mall and a convention centre at the 19.5-acre The Light City. The components with collective space measuring circa 3.55 million sq ft are expected to be completed by 2024.

Plenitude Berhad is expected to launch its 3-storey Gurney Walk in 3Q2021. Situated in the heart of Gurney Drive, it will be connected to the Ascott Gurney Penang, which is currently undergoing renovation and refurbishment with opening also slated by third quarter of next year. To date, the three-storey retail component has secured more than 30% occupancy of its 60,000 sq ft NLA.

On 30 June 2020, Malayan United Industries Bhd (MUI) through MJ Properties Sdn Bhd proposed to dispose of a freehold retail space known as Lot 3A-B, G-M01, basement and ground floor of Kompleks Bukit Jambul in Bayan Lepas with a lettable floor area of approximately 145,843 sq ft for RM25.5 million to Iman Ikhlas (M) Sdn Bhd.

Gurney Walk

Source: Gurney Walk by Plenitude Bhd from The Edge Market

Industrial

Notable new facilities /expansion of existing facilities in 2020 show that Penang remains on track in attracting investment from both local and foreign companies. The setting up of US-based Dexcom Inc and Ultra Clean Holdings Inc (UCT)'s first facilities Penang are proof that the state has a strong industrial eco-system to support both medical and semi-conductor industries.

Notable announcements relating to expansion / new set-up of industrial facilities in Penang during the review period are summarised in the following table.

Penang: Notable Expansions / New Industrial Facilities, 2H2020

Location	Batu Kawan Industrial Park	Batu Kawan Industrial Park	Not Disclosed	Bayan Lepas Industrial Zone
Status	New Facility	New Facility	New Facility	Expansion
Component	340,000 sq ft facility	28 acres of land	Not Disclosed	Expansion of 160,000 sq ft
Expected Completion	2H 2021	-	-	1H 2022
Vendor	Ultra Clean Holdings Inc (UCT) (Top 10 leading supplier of critical subsystems)	Dexcom Inc (A global leader in Glucose Monitoring System (GMS))	Inari Amertron Bhd a joint venture with MIT Semiconductor Pte Ltd (MSPL)	National Instruments
Country of Origin	United States	United States	Malaysia	United States (Texas)
Facility Specialty	Semiconductor industry	GMS manufacturing sensors and applicators, as well as manufacturing related research and development (R&D)	Customized semiconductor process tools	Establishment of a research and development centre that focuses on leveraging 5G technology

Source: News articles / Knight Frank Research

To meet the increasing demand for industrial land from local and foreign investors, the Penang Development Corporation (PDC) will reclaim 1,156acres in Byram Estate, Nibong Tebal for the proposed Batu Kawan Industrial Park - 2 (BKIP2). BKIP2 will be divided into seven phases with Phase 1comprising 145 acres slated to be completed by 2023.

Penang: Notable Industrial Transactions, 2H2020

Development	Valdor Industrial Park	Batu Kawan Industrial Park	Bayan Lepas Industrial Park
Location	Sungai Jawi, Seberang Perai Selatan	Batu Kawan	Kampung Jawa Highway within Bayan Lepas
Tenure	Freehold	Leasehold	Leasehold
Component	7.8 acres land together with factory and ancillary buildings of circa 108,855.43 sq ft	5.53 acres land for manufacturing of personal protective equipment (PPE)	A 46,479 sq ft parcel of land together with an industrial premise measuring circa 21,229 sq ft
Selling Price	RM22 million	RM12.53 million	RM10.33 million
Vendor / Seller	Magni-Tech Industries Bhd, a wholly owned subsidiary of South Island Garment Sdn Bhd	Penang Development Corporation (PDC)	Daya CMT Sdn Bhd a wholly owned subsidiary of Daya Materials Berhad
Purchaser	Hallmark Equity Sdn Bhd	Iconic Medicare Sdn Bhd, a wholly owned subsidiary of Iconic Worldwide Berhad	Wanjun Engineering Sdn Bhd

Source: News articles / Knight Frank Research

Outlook

Residential Sector: The second wave of the COVID-19 pandemic continues to weaken an already sluggish property market in Penang. As expected, some projects will be delayed due to the severe disruption caused by the various phases of movement control order (MCO) to contain the disease and as foreign investors stay on the sideline as many international borders remain closed. With the current market situation, it is hoped that the various Federal and State incentives will help spur the residential sector and increase market activity. The Penang State Authority also plans to develop more affordable housing to boost homeownership among the B40 and M40 segments of the population. Moving forward, we expect a shift in buyers' preference towards homes offering larger space with flexible layouts that come with natural lighting and good ventilation as well as high speed internet connectivity.

Office Sector: The tight office supply will keep rental and occupancy levels relatively steady. With many companies adapting to the new normal by reviewing their workspace strategy to safeguard the well-being of their employees and adhere to strict standard operating procedures (SOPs), there is a shift in market demand for co-working space that offer agile and practical workspace with flexible tenancy arrangements to maintain operational and cost efficiency.

Retail Sector: The retail sector continues to face challenges amid the resurgence of COVID-19 cases. With stringent SOPs and lower footfall from both locals and tourists, the profitability of malls continues to fall due to lower occupancies and retail sales coupled with the provision of rental rebates for struggling retailers. The pandemic has also shifted more consumers towards online shopping. This has led malls and retailers to be more aggressive with their marketing strategies and promotional activities towards digitalization. Many are also reviewing their business concepts in terms of diversification and positioning of tenant mix to improve footfall and increase sales.

Industrial Sector: Despite the current pandemic, the industrial sector in Penang remains resilient. The state, which is also known as the Silicon Valley of the East, continues attract the highest manufacturing foreign direct investments (FDI). In the 1H2020, Penang topped the list of FDI inflows with RM8.42 billion which is about 47% of the total national FDI of RM17.8 billion. Its industrial sector will continue to flourish, supported by various Federal and State incentives.

JOHOR PROPERTY MARKET

Highlights

Fewer launches of landed residential developments in Iskandar Puteri, Seri Austin and Bandar Seri Alam during the review period. In the high-rise residential segment, no launches or completions were observed.

In the office sub-sector, there were several notable tenant movements at Menara JLand and Medini 9. Asking rentals were relatively stable in the city and its fringe areas while in Medini, there was rental compression.

Mixed performance in the retail segment with expansions by Sports Direct, TGV Cinemas and Maslee Express and closure of outlets by McDonalds and Parkson, both at Holiday Plaza.

Amid the pandemic, the industrial sub-sector remained resilient. There were several notable announcements in relation to investment and transactional activity at Kawasan Perindustrian Tebrau IV, I-Park@ Indahpura and Southern Industrial and Logistic Cluster (SiLC).

Microsoft's data centre, the first in Johor, which is under construction at Kulai, was about 40% completed as reported in August 2020.

Market Indications

On 6 December 2020, the Prime Minister launched the Johor Sustainable Development Plan (PPMJ) 2030 with the aim to spur economic growth and social development in the state. The sustainable development plan comprises eight thrusts which include economy, investment and digital economy, provision of transport network system and mega infrastructure and environment.

Meanwhile, during announcement of the Johor Budget 2021 on 6 November 2020, the state government introduced a few incentives and allocation to provide relief for sectors that are severely affected by the pandemic. The tourism sector is expected to benefit from the establishment of Johor Economic, Tourism and Cultural Office (JETCO) in Singapore and Johor Tourism Interchange (Johor Tourism Interchange).

The long-awaited Rapid Transit System (RTS) project, connecting Bukit Chagar in Johor Baru to Woodlands in Singapore, was virtually launched on 22 November 2020. The project was meant to be completed in 2024, but work had been suspended several times at Malaysia's request.

One of the highlights under Budget 2021 is the allocation of RM15 billion specifically for mega infrastructure projects that include the Johor Bahru-Singapore RTS and Gemas-Johor double tracking.

The recent budget also provided for the extension of existing incentives for Iskandar Malaysia till 2022 and an allocation of RM780 million for the Bus Rapid Transit (BRT) project to improve connectivity across the region amongst others.

Johor recorded total proposed capital investment of RM5,714.7 million in the first nine months of the year; the state is ranked in fifth position after Sarawak, Sabah, Penang and Selangor (source: Malaysia Investment Development Authority (MIDA).

Meanwhile, the total cumulative investment for Iskandar Malaysia for the 2006 to June 2020 period stood at RM332.11 billion. Despite severe disruptions caused by the pandemic, the region attracted circa RM16 billion worth of investment in 1H2020 (1H2019: RM16.75 billion). Iskandar Regional Development Authority (IRDA) is optimistic that the target cumulative investment of RM383 billion by 2025 will be achievable supported by seven incentives that include the establishment of Ibrahim Johor Economic Council; Johor Digital Masterplan; Johor Economic Trade and Cultural Office in Singapore, etc.

Residential

As of 1H2020, the cumulative supply of serviced apartments in Johor Bahru stood at 80,352 units, reflecting a year-on-year increment of 11.0%. Amid an oversupply situation and challenges in the residential property segment, there was lesser market activity during the review period whereby the volume of transactions for service apartments was lower by 8.6%. Correspondingly, the value of transactions declined by 11.8% on the year.

In Johor Bahru City Centre, the average asking prices of selected high-rise residential properties in the secondary market hover around RM700 per sq ft to RM800 per sq ft depending on location, scheme, unit sizing, floor level and other factors. Meanwhile, in the fringe areas, the asking prices are at about RM350 per sq ft to RM500 per sq ft on average. As for schemes in Iskandar Puteri, the average asking prices range from RM600 per sq ft to RM700 per sq ft.

During the review period, UMLand launched two landed residential projects. Officially launched on 7 November 2020, Dahlia at Seri Austin offers 222 units of 2-storey terraced houses with typical built-up area of 1,750 sq ft priced from RM610,000 per unit onwards. The project is expected to be completed by 2022. Meanwhile, Topaz Residenz Section 2 at Bandar Seri Alam consists of 150 units of 2-storey terraced houses with starting prices from RM744,800 (Type A – typical built-up of 2,152 sq ft) and RM752,800 (Type B – typical builtup of 2,177 sq ft). The project is slated for completion by May 2022.

UEM Sunrise launched its second phase (Phase 1B) of Senadi Hills in Iskandar Puteri. The 2-storey terraced homes with typical built-up area of about 2,185 sq ft are priced from RM674,000 per unit onwards. The 68-acre mixed-use development consists of 398 units of terraced houses and comes with facilities such as a 2.5km jogging track, children's playground, mini gymnasium and recreation plaza.

Average Asking Prices for Selected High Rise Residential in Johor Bahru (Secondary Market)

Locality	1H2020 (RM per sq ft)	2H2020 (RM per sq ft)	Price Change
Johor Bahru City Centre	700 - 840	700 - 800	↘
Johor Bahru City Fringe	350 - 500	350 - 500	⇆
Iskandar Puteri	550 - 700	600 - 700	↗

Source: Knight Frank Research

Office

The cumulative supply of purpose-built office space (privately owned) in Johor Bahru stood at 10.9 million sq ft as of 1H2020, reflecting a year-on-year increment of 7.9% (1H2019: 10.1 million sq ft) whilst the overall occupancy rate was lower at 71.5% (1H2019: 73.2%). There was no new completion of office building during the review period. The under construction Mid Valley Southkey Office, located at the city fringe, is scheduled to complete by 1Q2021. Other notable incoming supplies are Sunway Big Box Office, Menara UMLand and Mid Valley Southkey Office with estimated NLA of 0.7 million sq ft. These office towers are already in the pipeline but they may experience potential delays due to the COVID-19 pandemic. However, no formal announcements have been made.

In Johor Bahru City Centre and Johor Bahru City Fringe, asking rental rates continue to remain relatively stable, averaging at about RM3.00 per sq ft to RM3.50 per sq ft per month. However, at Iskandar Puteri (Medini), the monthly asking rentals, which previously ranged from RM4.00 per sq ft to RM4.50 per sq ft as of 1H2020, have declined and currently range from RM3.00 per sq ft to RM3.50 per sq ft.

Average Asking Rentals of Purpose-built Office Space in Johor Bahru, 2H2020

Locality	Average Asking Rental in 1H2020 (RM per sq ft per month)	Average Asking Rental in 2H 2020 (RM per sq ft per month)	Rental Changes
Johor Bahru City Centre	3.00 - 3.50	3.00 - 3.50	⇆
Johor Bahru City Fringe	2.50 - 3.50	2.50 - 3.50	⇆
Iskandar Puteri (Medini)	4.00 - 4.50	3.00 - 3.50	↘

Source: Knight Frank Research

Selected Notable Tenant Movements in Johor Bahru, 2H2020

Johor Bahru CBD

Building Name **Menara JLand**

Approx. Space (sq ft)	Remarks
~ 11,000	Expansion • Infinity 8 Co-Working Space
~ 4,000	Relocation • Tourism Malaysia Board (Southern Region)
~ 4,000	Relocation • MSIG Insurance (Malaysia) Berhad
~ 9,000	Relocation • Deloitte PLT

Iskandar Puteri

Building Name **Medini 6**

Approx. Space (sq ft)	Remarks
~ 1,000	Relocation • East Coast Economic Region Development Council (ECERDC) Johor
~ 9,000	Relocation • Suruhanjaya Perkhidmatan Air Negara (SPAN)
~ 6,000	Expansion • iCYCLE Malaysia
~ 9,000	Expansion • Jie Business Sdn Bhd (OPPO)

Source: Knight Frank Research

Retail

In the first half of 2020, the cumulative supply of retail space in Johor Bahru was unchanged at about 20.6 million sq ft while the overall occupancy rate was marginally higher on the year at 79.20% (1H2019: 78.50%).

Eco Galleria, a notable incoming mall by Eco World, is located in the locality of Eco Botanic, Iskandar Puteri. The mall has a gross floor area (GFA) of 1.6 million sq ft and is expected to be completed by 2021. This new mall introduces a new high-street concept to the locality with some tenants who have agreed to pre-lease including AEON Max, Starbucks, Lemon Tree and Home Ground, to name a few.

The retail industry is one of the sectors that has been badly affected by the various measures implemented to contain the spread of the COVID-19 pandemic.

McDonalds has closed two of its outlets at Holiday Plaza and City Square Shopping Mall. The Holiday Plaza outlet, the first McDonalds in Johor Bahru, has temporary closed until further notice whilst the outlet at City Square Shopping Mall has been replaced with Burger King.

Parkson, which has been operating for more than 35 years in Holiday Plaza has ceased its operations. Its other outlets in Johor Bahru are located in Paradigm Mall and Plaza Angsana.

Tasek Central's anchor tenant, namely TGV Cinema, commenced its operations in August 2020.

In September 2020, Sport Direct opened its largest outlet spanning about 18,000 sq ft in Sunway Big Box Retail Park. Located in the township of Sunway Iskandar in Medini, Sunway Big Box Retail is part of a mixed-use development that also comprises residential, hotel and office components.

On 17 August 2020, Maslee Express opened its 16th outlet at Taman Molek with notable tenants such as Vburg and Tea Garden KuuVanCha.

Maslee's other upcoming outlet, named The Pasar at TD Central, is expected to commence operations by 1Q2021. TD Central is a new commercial development located within the matured township of Taman Daya by Keck Seng Group. Besides Restaurant Loon Sing which has started its operations, there are other standalone and semi-detached commercial buildings within the said development.

TD Central

Source: The Client

Industrial

On 19 November 2020, Axis REIT entered into a related third party transaction with Axis AME IP Sdn Bhd to acquire three industrial properties located in I-Park@ Indahpura, Kulai with total consideration of RM28.195 million. All the properties are currently leased to Perodua Sales Sdn Bhd, KES International Sdn Bhd and Beyonics Precision (Malaysia) Sdn Bhd with monthly rentals ranging from RM1.40 per sq ft to RM1.50 per sq ft (over the gross floor area).

On 14 October 2020, V.S. Industry Bhd (VSIB) entered into Sale and Purchase and Construction Agreements with I-Park Development Sdn Bhd, one of the subsidiaries under AME Elite Consortium Berhad, to acquire six parcels of land with industrial buildings in Johor Bahru for RM98.77 million. The acquisition of these land with combined area of 413,682 sq ft will increase its production capacity for future expansion purposes, including capturing opportunities arising from the US-China trade tension.

Kulai Iskandar Data Exchange (Kidex) formerly known as the Sedenak Iskandar Data Hub (SIDH) , a 301-hectare data hub project at Sedenak by TPM Technopark Sdn Bhd, is expected to be fully operational in 2023. The project, which is expected to attract some RM17.5 billion worth of investments, will catalyse the growth of the data industry and make Sedenak a regional data hub in the future. Currently under construction is the Keppel Data Centre Johor 1 which is scheduled to commence operations by 1Q2021.

Microsoft, the global technology giant is building a data centre in Kulai district, with circa 40 per cent completion, as reported in August whereby this notable investment is the first data centre in that industrial park. Enquiries have also been received from a Japanese technology company which has shown interest to build a data centre in Johor. Besides

Microsoft, another major operator in the industrial park is D&Y Textile, a manufacturing based company which started its operation in and around 2014.

AME Elite Consortium Bhd is set to build two new dormitory blocks in i-Stay@ Indahpura by investing RM25 million to support the requirements of the customers at AME's i-Park@Indahpura Industrial Park. These two dormitory blocks will be able to cater for about 2,700 persons which will increase the accommodation capacity in i-Stay@ Indahpura by 54% to about 5,900 persons.

AME Elite Consortium Bhd has also been commissioned by the Malaysian branch of the Netherlands-based high-tech packaging company HQ Pack Sdn Bhd to construct its expanded facility in i-Park@ Indahpura. The built-up area of this integrated facility is approximately 60,000 sq ft and it will comprise production factory, cleanroom, warehouse and office block. The new expansion is anticipated to be completed by 2H2021.

Meanwhile, on 9 October 2020, AME Elite Consortium entered into a Heads of Agreement (HOA) with UEM Sunrise to acquire 169.8 acres of freehold industrial land in Southern Industrial & Logistics Clusters (SiLC) for a total purchase consideration of RM434.3 million.

On 23 July 2020, ACO Group Bhd entered into a Sale and Purchase Agreement with Plascable Polymer Sdn Bhd for the purchase of a freehold parcel of industrial land in Kawasan Perindustrian Tebrau IV for RM10.65 million. The proposed acquisition will enable to the company to set up its new corporate head office in Johor Bahru for improved operational efficiency and business expansion plan.

Outlook

The residential sub-sector is expected to remain relatively stable as various incentives announced under the Short-Term Economic Recovery Plan (PENJANA) and Budget 2021 that include stamp duty exemption, real property gains tax exemption, relaxation of the loan to value (LTV) ratio for the third house purchase under the reintroduced Home Ownership Campaign (HOC), etc. are expected to spur activity in the housing market.

The outlook for the industrial sub-sector remains bright supported by generous tax incentives to attract foreign companies to relocate their operations to Malaysia. Johor’s strategic location with ready infrastructure and amenities in place augurs well for the manufacturing and logistic sectors, backbone of the state’s major economic activities.

In the office segment, the impending completion of Sunway Big Box Office, Menara UMLand and Mid Valley Southkey Office with total floor space estimated at 0.7 million sq ft, will heighten competition. Amid the pandemic, more organisations are reviewing their workspace requirements - they may incorporate hybrid working models that include working from home, split-team and flex/co-working space.

The retail market is one of the sub-sectors that is severely affected by the pandemic as various phases of the movement control order (MCO) coupled with travel bans and border closure affected footfall to shopping malls and thus, retail sales. Retail mall operators (and tenants) located closer to the Johor Bahru-Singapore link are experiencing a more severe impact as the state’s retail sub-sector and economic growth are dependent on tourists and foreigners. The recent resurgence of infected cases in the country continues to dampen the retail market as re-opening of international borders may be further delayed.

KOTA KINABALU PROPERTY MARKET

Highlights

The residential market witnessed several launches during the review period, mainly targeted at homebuyers.

Alternatives to conventional office space are co-working space and commercial/business suites during these uncertain times.

Retailers of essential goods, groceries and F&B within shopping malls are faring better than others, with mall trips now being mainly functional instead of for leisure.

The eventual recovery of the tourism and hospitality industries remain largely dependent on the management and mitigation of the COVID-19 pandemic and the expected commercial rollout of the vaccine by 1H2021.

Market Indications

As of 3Q2020(p), Sabah's property market registered a total of 2,334 transactions valued at RM1.13 billion, a rebound of circa 161.4% and 216.9% in terms of overall volume and value of transactions respectively from the previous quarter (2Q2020: 893 transactions valued at RM355.8 million). On a year-on-year (y-o-y) basis, the review period recorded a 5.8% growth in overall transactional volume and a 4.0% decline in overall transactional value (3Q2019: 2,207 transactions valued at RM1.17 billion). The residential sector maintains its dominant position with 65.3% share of the overall property transactions during the review period, followed by the agriculture sector (15.3% share) and the commercial sector (9.6% share). All of the sub-sectors recorded considerable growth in overall transactional activity.

In the secondary property market, transactional activity began to recover in May upon the commencement of the conditional movement control order (CMCO) phase, peaking at 232 transactions in July (similar to pre-MCO levels). The residential sector constituted the bulk of the total transactional volume, followed by the commercial and agriculture sectors.

Residential

The existing supply of residential units in Kota Kinabalu and Penampang (excluding other administrative districts) stood at 102,623 units as at the end of 1H2020, a slight increment of circa 1.1% when compared to the previous year (2019: 101,505 units). During the review period, the supply of condominium /apartment segment continued to surpass its landed counterparts, contributing to 44,409 units of the total existing stock (43.3% share). In terms of incoming supply to Kota Kinabalu and Penampang, condominiums /apartments account for some 7,806 units (79.9% share) of the total of residential stock (9,771 units) in the pipeline.

Under Budget 2021, the Federal Government presented a few measures aimed at stimulating the country's residential property market, including stamp duty waivers on both memorandum of transfer (MOT) and loan agreement (subject to conditions); RM1.2 billion for the housing of low-income earners; and 5,000 PRIMA houses valued at RM1 billion under the Rent-to-Own (RTO) Scheme.

Notable launches observed during the review period include City Residences, SkyMillion Residence, Residensi Fantasi and Eco Peak Residences.

Wecojaya Sdn Bhd unveiled City Residences, a mass affordable housing development located along Jalan UMS in the locality of Alam Mesra. Sited on 21 acres of land, the proposed scheme will feature 4,000 apartment units and 40 commercial shoplots, which will be developed in multiple phases. The apartment units, each with a typical built-up area of 850 sq ft are priced below RM300,000. This development is targeted exclusively at the M40 category and first-time homebuyers.

Rich Millionway Sdn Bhd, a subsidiary of Eng Han Group aims to complete SkyMillion Residence @ Nosoob by 2023, following the completion of SkyVue Residence @ Kobusak in 2019. The 22-storey residential tower sited along Jalan Joungkil Nosoob will comprise 254 condominium units with floor areas ranging from 930 sq ft to 1,860 sq ft, priced from RM503 per sq ft to RM658 per sq ft. Reception counter, fitness centre, function hall, swimming pool, playground and meeting room are amongst the facilities being offered.

Serisar Development Sdn Bhd is developing Residensi Fantasi, a 16-storey low-density condominium comprising 60 units, situated in the Likas area. Each floor accommodates only five (5) units; each unit with built-up areas ranging from 1,195 sq ft to 1,288 sq ft. The development is expected to feature a sky deck pool, fitness centre and barbecue area.

Eco Peak Residences @ Donggongon is the latest brainchild of Pinnacle Legacy Sdn Bhd, a subsidiary of Legacy Group Development Sdn Bhd. The proposed development will feature a 26-storey residential tower comprising 326 condominum units, spread amongst two wings. Unit sizes will range between 934 sq ft and 992 sq ft. Facilities include a clubhouse, gym room, multipurpose room, swimming pool, mini children water park, playground, jogging track and outdoor exercise facilities.


Eco Peak Residences

Source: The Client

The asking rentals of selected condominiums in the Kota Kinabalu city centre and its fringes ranged from RM1.40 to RM4.40 per sq ft per month, whilst other localities generally recorded asking rentals of RM1.00 to RM2.85 per sq ft per month.

Average Asking Rentals of Selected Existing Condominiums, 2H2020(p)

Locality	Average Asking Rentals (RM per sq ft / month) 2H2020(p)
KK City Centre & Fringes	1.40 - 4.40
Bundusan / Kobusak	1.20 - 2.50
Damai / Luyang	1.40 - 2.85
Kepayan	1.25 - 2.50
Kolombong / Inanam	1.00 - 2.30
Likas	1.15 - 2.70

Source: Knight Frank Research
Notes:
(p)= Preliminary - analysis based on preliminary data
The analysis is based on asking rentals due to limited concluded rental data.

Commercial and Purpose-Built Office

As of 1H2020, the existing supply of purpose-built office (privately owned) in Kota Kinabalu stood at 5.04 million sq ft, down circa 2.4% when compared to the end of last year. This drop in supply can be attributed to a few main factors; namely conversion of use, closure due to poor physical condition, amongst other reasons. The average occupancy rate for 1H2020 was recorded at 87.6%.

During the review period, monthly asking gross rentals of well-located Grade A office space ranged between RM3.50 per sq ft and RM6.00 per sq ft whilst non-prime CBD office space ranged between RM2.00 per sq ft and RM4.20 per sq ft.

Average Gross Rentals of Purpose-built Office Space in Kota Kinabalu, 2H2020

Building Name	Location	Classification	Gross Rental Range (RM per sq ft / month)
Plaza Shell	KK CBD	Grade A	4.00 - 6.00
Riverson Suites	Southern Fringe of KK CBD	Grade A	3.50 - 4.00
Menara MAA	KK CBD	Grade B	2.00 - 4.20
Wisma Great Eastern	KK CBD	Grade B	2.30 - 3.00
Wisma Merdeka Phase 2	KK CBD	Grade B	1.90 - 2.95
Wisma Perindustrian	Likas Bay	Grade B	2.75 - 3.45

It is likely that most tenants are still committed to existing tenancy agreements set in place prior to the COVID-19 outbreak. However, certain landlords have provided some forms of rental incentives following tenants' requests. These may include temporary rental discount, restructured payment schedule, short-term rental holiday; to name a few.

Yet, even with temporary rental incentives, some companies are still struggling to cope with heavy operational costs mainly due to reduced revenue. As a result, consolidation, retrenchment and relocation to more cost-efficient premises are amongst the considerations taken.

Shell, a multinational oil and gas company, is set to reduce its office footprint in Plaza Shell, the Grade A landmark office building sited in the heart of Kota Kinabalu's CBD. However, the company has not specified on the scale, reason, nor destination of the move.

Besides traditional office space, viable options that can be more cost-efficient to a business, depending on its nature, are commercial suites and co-working spaces.

Apart from catering to short-term accommodation (STA), commercial suites have the flexibility of accommodating other commercial uses. A few operators have been observed to offer short-term office leasing packages during the pandemic. Packages generally include free internet as well as free flow coffee and tea, in addition to other individually-offered services. Likewise, some individual owners are offering long-term leases for their commercial suites, providing a more permanent option with added privacy.

Meanwhile, co-working space offer flexibility in terms of leasing duration and size of space. Start-up businesses may also benefit from this arrangement, given that no heavy capital is required for the fit-out of premises; the space may also be easily upgraded upon business growth.

Urban Space is a co-working and event space located at Sutera Avenue, along Jalan Coastal on the southern fringe of the city's CBD. Operational since January 2020, it consists of 36 private offices of different sizes that can accommodate two to five pax, 64 hot desks, a small discussion room and two large event rooms that can be leased for meetings, seminars and training sessions. There are a number of leasing packages offered ranging from four hours up to a year, with additional discount depending on lease duration. Available facilities include high speed internet, cleaning services, mail handling, printing, in-house café, receptionist service, amongst others.

Urban Space

Source: The Client

Retail

The total retail space in Kota Kinabalu stood at 6.03 million sq ft as of 1H2020, with no additional stock added to the supply since year 2018.

During the recovery phase of the MCO in June, most shopping malls witnessed considerable improvement in footfall, with the national average achieving 75% of pre-MCO levels in July. However, this momentum grinded to a near halt following a third wave of new COVID-19 cases in the state; as CMCO in Kota Kinabalu recommenced in early October. In the following month, the state government proceeded to relax several standard operating procedures (SOPs) under the CMCO, effectively permitting malls to prolong business hours and allowing dine-in at eateries.

During the review period, selected mall operators continued to offer assistance to tenants in the form of rental adjustments and incentives to maintain occupancy levels and attract new tenants. Major shopping malls that took the liberty of organising promotional sales and events were able to successfully generate greater footfall and consumption, mitigating losses for its retailers and the mall itself.

On another note, changes in shoppers' behavioural patterns and trends were noted to affect sales performances for retailers. Shoppers were observed to reduce the frequency and duration of trips, which became more functional, instead of for leisure or entertainment. As a result, retailers of groceries, food and beverage (F&B), homeware and the like, have been observed to perform better in comparison to other mall retailers. On the other hand, retailers in other categories such as beauty, apparel and non-essential items are bearing the brunt of the pandemic's economic impact, largely due in part to stringent hygiene guidelines and cautious spending by consumers.

Notwithstanding the existing challenges, there was positive news of a sizeable new tenant at City Mall during the review period.

Grocery retailer CCK Local has officially entered City Mall Kota Kinabalu as its new supermarket operator, following Giant's exit from the mall earlier this year. Spanning across circa 25,000 sq ft of space, the supermarket is expected to generate footfall as the mall's new anchor tenant. CCK Local is operated by CCK Consolidated Holdings Sdn Bhd, and this is the company's first supermarket outlet in Sabah.

CCK Local

Source: The Client

Tourism and Hosptality

Sabah's tourism and hospitality industry witnessed a slight pickup in activity following the commencement of the RMCO in June, in terms of domestic visitor arrivals and overall hotel occupancy rates. The slight recovery then was likely attributed to a combination of factors which included numerous promotional offers by operators, the prohibition of international travel, the less pronounced impact of COVID-19 in the state, amongst others.

However, the resurgence of COVID-19 cases at the end of September which led to the re-imposition of travel restrictions under the CMCO phase in early October, caused these positive figures to fall drastically.

To rejuvenate Sabah's tourism industry, RM22 million was allocated under the Sabah New Deal, which included a RM10 million tourism development grant to repair and upgrade selected local tourism infrastructure at a limit of RM20,000 per project; RM7 million to subsidize half the entrance fees to tourism attractions under the Ministry of Tourism Sabah; RM5 million to fund local promotional travel incentives and provide financial assistance for qualifying MICE (meetings, incentives, conferences and exhibitions) programmes.

The Sabah Tourism Board (STB) has also stepped up its endeavour to stimulate the state's tourism industry, taking the initiative to execute a few campaigns during the review period. The #BahMariLah campaign, commencing 1June, features a dedicated website detailing a comprehensive list of staycations, tours, travel packages and F&B offerings that are under promotion. In September, STB introduced the Sabah New Deal MICE Incentives 2020 – 2021, offering financial support to encourage more business owners to conduct Business Events in Sabah under the branding "BE here for you".

The hospitality industry has not been faring well in the face of the coronavirus pandemic, with many hotels struggling to maintain viable cashflows for the year. This is due to the substantial decrease in revenue in conjunction with heavy operational costs - especially payroll costs. Thus, hotels are actively trying to manage manpower costs through measures such as unpaid leave, reduced employee benefits, direct pay-cuts and reducing headcount.

In a bid to increase revenue, the majority of hotels continue to offer promotional discounts on their rooms and F&B offerings. Some of these packages, in particular those offered by resorts and notable hotels, were well received by domestic travellers.

Local developer, Setara Juara Sdn Bhd, has announced the proposed development of a mega mixed-use project on a 101.17-hectare land along the Kota Kinabalu-Putatan-Lok Kawi Highway in Dumpil Bay, Putatan. The RM10 billion mixed development will feature international home clusters, resort hotels, theme park, premier outlets square, shopping mall, office complex and commercial suites, amongst other components. The various components will be launched and implemented independently in phases soon after all plans have been approved by the relevant authorities and subject to the COVID-19 pandemic situation.

Dumpil Bay

Source: The Client

Outlook

In year 2020, Sabah's property industry, in particular the retail and hospitality sub-sectors, was more obviously impacted by the COVID-19 pandemic. Moving forward, industry performance will depend on a number of factors including the procurement and successful distribution of various COVID-19 vaccines, macro and micro economic considerations, amongst others.

In line with the considerable economic impact of the COVID-19 pandemic, the residential sub-sector as a whole is likely to witness weaker demand with the exception of well-positioned products in terms of location and pricing. The market will remain receptive towards landed properties and affordable housing, whilst more time is needed for the absorption of high-rise schemes in the market due to increasing supply and competition.

Owners of existing commercial properties catering to short-term accommodation (STA) are shifting to seek longer term income, in a bid for income stability until the return of tourists. In response to this increase in market competition, existing landlords are likely to keep rental rates lower to attract new tenants or retain existing ones, especially as tenants have become increasingly sensitive to rates in the current state of the economy. In other words, the rental market will continue to see a growth in supply, along with a downward trend in rental rates. Meanwhile, developers of new projects in the pipeline will bide their time; postponing launches as they restructure their products while awaiting market absorption of previously launched supply.

The purpose-built office sector will face difficulty in maintaining occupancy levels and rental rates upon the end of current tenancy obligations, as more businesses streamline, reduce headcount or become insolvent. With regards to this, landlords may provide rental adjustments to retain tenants. On the other hand, tenants may opt to cut costs by moving into more cost-effective premises or utilise flexible working space. Nevertheless, office space will remain a necessity to most companies, especially if business nature so requires it.

As for the retail sector, mall operators will need to work closer with tenants to enhance business continuity and mitigate losses for both parties. Further digitalization and integration of online and in-store retail is necessary to build a stronger customer base. In particular, grocery retailers have begun to establish online platforms, but there is room for improvement to maintain the consistency and efficiency of operations between both channels.

Looking forward into year 2021, green travel bubbles with other ASEAN member states may be initiated by the Federal Government, before the complete reopening of borders to all international visitors. A domestic travel bubble allowing interstate travel between green zones within the country is already in place. Nevertheless, the full recovery of Sabah's tourism and hospitality industry is also subject to the reopening of international borders. With regards to this, present geopolitical tensions between China and several western nations may result in a redirection of Chinese tourists from these western countries to Southeast Asia. With China being one of the countries that has been able to effectively tackle the COVID-19 pandemic and having a strong and sustained economic recovery, it may become the single largest source of tourist arrivals and tourism related revenue for Sabah once travel restrictions are lifted.

KNIGHT FRANK MALAYSIA 2020 SIGNIFICANT DEALS / APPOINTMENTS

Sungei Way Petaling Jaya Purpose-Built Workers Accommodation

Lease on behalf of Perbadanan Kemajuan Negeri Selangor (PKNS) to Centurion Corporation Ltd for 30 years

Two blocks of dormitory accommodation and two floors of basement car parks comprising 288 accommodation units with approx. 419,000 sq ft GFA

Western Digital Malaysia Sdn Bhd

Sale on behalf of Western Digital (Malaysia) Sdn Bhd to Wistron Technology (Malaysia) Sdn Bhd

High-tech industrial facility with built-up area close to 500,000 sq ft

1PowerHouse, Bandar Utama, Selangor

Tenant representation on behalf of Dimension Data Asia Pacific Shared Services Centre Sdn Bhd and Air Liquide Business Services Sdn Bhd with Bandar Utama City Assets Sdn Bhd

Total of approx. 69,522 sq ft

Air Liquide Business Services Sdn Bhd

Project Management Consultancy on behalf of Air Liquide Business Services Sdn Bhd, workplace fit-out management

Approx. 34,761 sq ft

LOGOS Ampang Distribution Centre, Kuala Lumpur

Property Management appointment

Logistics Hub with GFA 1,095,400 sq ft

Menara 1Sentrum, Kuala Lumpur

Property Management appointment

31-storey prime office tower with NLA of 420,000 sq ft

Sofitel Kuala Lumpur Damansara

Valuation of an operational 5-star rated 312-room international class hotel together with supporting amenities / facilities

Strata floor area 425,261 sq ft

Sheraton Petaling Jaya Hotel

Valuation of 5-star rated 253-room international class hotel together with supporting facilities and amenities

GFA 381,516 sq ft

The West Works & 1 Ashley Road, London

International Residential Project Marketing sale of 7 units on behalf of Argent Related LLP and Redrow Homes LTD to a single Malaysian family

1& 2 Bed Apartments

Please get in touch with us

Malaysia Contacts

Eric Y H Ooi
Executive Chairman
T +603 228 99 668
E eric.ooi@my.knightfrank.com

Sarkunan Subramaniam
Managing Director
T +603 228 99 633
E sarky.s@my.knightfrank.com

Keith H Y Ooi
Deputy Managing Director
T +603 228 99 623
E keith.ooi@my.knightfrank.com

Valuation

Chong Teck Seng
Senior Executive Director
T +603 228 99 628
E teckseng.chong@my.knightfrank.com

Justin Chee
Executive Director
T +603 228 99 672
E justin.chee@my.knightfrank.com

Research & Consultancy

Judy Ong Mei-Chen
Executive Director
T +603 228 99 663
E judy.ong@my.knightfrank.com

Investments / Capital Markets

James Paul Buckley
Executive Director
T +603 228 99 608
E james.buckley@my.knightfrank.com

Industrial / Development Land

Allan Sim Song Len
Executive Director
T +603 228 99 606
E allan.sim@my.knightfrank.com

Corporate Services

Teh Young Khean
Executive Director
T +603 228 99 619
E youngkhean.teh@my.knightfrank.com

Property / Facilities Management

Kuruvilla Abraham
Senior Executive Director
T +603 228 99 718
E kuruvilla.abraham@my.knightfrank.com

Lee Siow Sung
Executive Director
T +603 228 99 615
E siowsung.lee@my.knightfrank.com

Winnie Lim
Executive Director
T +603 228 99 719
E winnie.lim@my.knightfrank.com

Mall Management

Yuen May Chee
Associate Director
T +603 228 99 649
E maychee.yuen@my.knightfrank.com

Residential Sales & Leasing

Kelvin Yip
Associate Director
T +603 228 99 612
E kelvin.yip@my.knightfrank.com

International Project Marketing

Dominic Heaton-Watson
Associate Director
T +603 228 99 741
E dominic.hw@my.knightfrank.com

Penang Branch

Mark Saw
Executive Director
T +604 229 3296
E mark.saw@my.knightfrank.com

Johor Branch

Debbie Choy Wei Yinn
Branch Head
T +607 3382 888
E debbie.choy@my.knightfrank.com

Sabah Branch

Alexel Chen
Executive Director
T +60 88 279 088
E yunngen.chen@my.knightfrank.com

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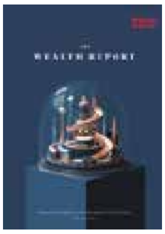

The Wealth Report 2020

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