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

Real Estate Highlights

2nd Half 2022

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KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Highlights

Malaysia's economy has strengthened further, expanding 14.2% in 3Q2022 (2Q2022: 8.9%). The economic rebound was mainly contributed by strong pick-up in domestic demand, underpinned by improving labour market conditions as well as continued policy support.

During the review period, the Central Bank increased the Overnight Policy Rate (OPR) thrice by 25 basis points each (3 November 2022: 2.75%) in response to growing inflationary pressures.

Three notable launches / previews of high-end condominiums and six project completions were noted in 2H2022, with more completions anticipated in 1H2023.

Improving rental market following reopening of the country's international borders and normalisation of all economic activities.

Market Indications

The Malaysian economy continued to strengthen, recording 14.2% growth in the third quarter of 2022 (2Q2022: 8.9%). The strong expansion was driven by robust domestic demand amid improving labour market conditions following reopening of all economic sectors as well as on-going policy support. Based on the improved performance, Bank Negara Malaysia (BNM) expects full-year growth to exceed the forecast of 7%.

Headline inflation increased to 4.5% in 3Q2022 (2Q2022: 2.8%), primarily due to the base effect of electricity tariff rebates introduced in 2021. Nonetheless, it is seen to be moderating from 4.5% in September to 4.0% in October 2022 and is expected to average at 3.3% in 2022.

On the lending front, due to the positive growth prospect of the Malaysian economy, BNM raised the overnight policy rate (OPR) again by 25-basis points to 2.75% on 3 November 2022. This rate hike, the fourth in the year, will likely influence purchasing decisions due to higher borrowing costs.

Notwithstanding this and the end of the home ownership campaign (HOC) in December 2021, the residential property market has improved in the first nine months of 2022, recording 181,167 transactions worth RM70.65 billion nationwide, representing a 34.6% increase in volume and 35.0% increase in value year-on-year (9M2021: 134,624 transactions valued at RM52.33 billion).

However, while the number of new residential units put on the market increased by 11.2% during the review period (9M2021: 7.3%), it was lower on a quarterly comparison - 10.0% in 3Q2022 and -1.8% in 2Q2022. The delay in new launches may be attributed to market uncertainty that warrants review of projects which are still in planning stage. In 3Q2022, the Malaysian House Price Index (MHPI) was moderately higher by 0.7% year-on-year (y-o-y) although on a quarterly comparison with 2Q2022, it retreated 2.1%.

The Federal Territory of Kuala Lumpur (WPKL) saw a total of 9,821 residential units worth RM8.93 billion changing hands in the first nine months of 2022, up 27.7% and 30.1% respectively. In the condominium and serviced apartment categories, a total of 7,052 units worth RM6.06 billion were transacted, representing annual increments of 36.1% and 53.0%, respectively (9M2021: 5,182 transactions valued at RM3.96 billion). During this review period, the analysed average value per transaction was higher by 12.4%.

Supply & Demand

As of 2H2022, the cumulative supply of high-end condominiums / residences in Kuala Lumpur stood at 71,704 units following the completion of six projects, contributing an additional 3,059 units to the existing stock.

The uptick in construction activities in line with economic recovery has led to more new completions during the review period. Moving forward, several projects, scheduled for completion by 1H2023, will add circa 6,989 units to the existing high-end residential stock.

During the review period, there were three notable project launches / previews, namely The Peak Damansara Heights, The Ria @ Riveria City and BON Kiara.

The Peak Damansara Heights is the latest project by Eastern & Oriental Bhd (E&O) which will be jointly developed with Japan-based Mitsui Fudosan Group. The low-density condominium development with only 13 units per acre will offer a total of 54 units. It comes with generous built-up areas ranging from 3,455 sq ft to 4,500 sq ft in 4+1-bedroom configuration. Embracing exemplify luxury and meticulous design with exclusive fittings and features, The Peak Damansara Heights is targeted at downsizers from expansive homes as well as buyers and investors who are seeking for high-value specifications and standards. It is slated for completion by end of 2025.

The Ria forms part of the Riveria City integrated development by Titijaya Land Bhd. Located in KL Sentral, The Ria is a 63-storey leasehold residence block featuring 752 units of serviced apartments. The units, sized from 650 sq ft to 800 sq ft in 2- and 3-bedroom configurations, are targeted at young professionals, investors, and small families. The project is scheduled for completion by 2027.

BON Kiara, at Jalan Kiara 3, was pre-launched by BON Estates during the review period. The freehold development sits on a 4.15-acre land and will house 410 units of condominiums in two residential blocks. Targeted to be completed by end of 2026, BON Kiara offers large built-up sizes ranging from 2,081 sq ft to 3,075 sq ft, in 3+1, 4+1 and 5+1-bedroom configurations.

Completions of High-End Condominiums / Residences, 2H2022

Project	Location	Area	Total Units
The Face II Victory Suites	Jalan Sultan Ismail	KL City	354
Scarletz Suite	Jalan Yap Kwan Seng	KL City	604
Novo Reserve Ampang	Jalan Ampang	Jalan Ampang	421
Senada Residences	Jalan Bukit Kiara 1	Bukit Kiara	429
Solaris Parq (Phase 1)	Jalan Dutamas 1	Dutamas	573
The Goodwood Residence	Jalan Kerinchi	Bangsar South	678

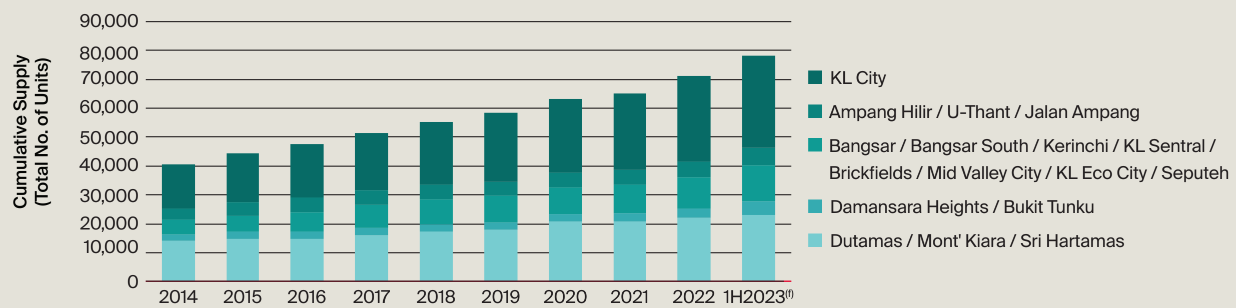
Source: Knight Frank Research

Notable Launches / Previews, 2H2022

Name of Development	Type	Developer	Area	No. of Units	Unit Sizing (Min - Max) (sq ft)	Selling Price (RM per sq ft)
The Peak Damansara Heights	C	Eastern & Oriental Bhd (to be jointly developed with Mitsui Fudosan Group)	Damansara Heights	54	3,455 – 4,500	From RM1,590
The Ria, Riveria City	SA	Titijaya Land Bhd	KL Sentral	752	650 – 800	From RM985
BON Kiara	C	BON Estates	Mont Kiara	410	2,081 – 3,075	From RM660

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

Projection of Cumulative Supply for High End-Condominiums / Residences, 2014 to 1H2023(f)



Source: Knight Frank Research
Note: (f) = Forecast

Prices and Rentals

During the review period, secondary transactions of high-end condominiums were steady across the selected localities. The positive outlook follows the resumption of economic activities, improvements in labour market conditions coupled with the return of expatriates which further support the Kuala Lumpur high-end residential market.

Overall, the average transacted prices of high-end condominiums / serviced apartments in Kuala Lumpur were marginally higher (circa 3.0%) in 2H2022 when compared to the preceding period (1H2022).

The average asking rentals of high-end condominiums and serviced apartments in the localities of KL City, Ampang Hilir / U-Thant and Damansara Heights were marginally higher while in Bangsar, the rentals showed a downward trend. Moving forward, the overall rental market is expected to remain in the positive territory, accompanied by new completions with upgraded features, commanding higher rentals as compared to older schemes.

The Peak Damansara Heights

Source: Knight Frank Research

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

Locality	1H2022(p) (RM per sq ft)	2H2022(p) (RM per sq ft)	Analysis
KL City	1,000 – 1,045	1,030 – 1,080	↗
Ampang Hilir / U-Thant	720 – 750	710 – 830	↗
Bangsar	810 – 990	850 – 970	↗
Damansara Heights	850 – 970	870 – 980	↗
Kenny Hills	680 – 740	670 – 740	↔
Mont' Kiara	620 – 720	690 – 780	↗
Overall	**780 – 870**	**800 – 900**	↗

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

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

Locality	1H2022(p) (RM per sq ft / month)	2H2022(p) (RM per sq ft / month)	Analysis
KL City	2.00 – 5.20	2.00 – 5.50	↗
Ampang Hilir / U-Thant	2.10 – 2.90	2.10 – 3.10	↗
Bangsar	2.10 – 3.90	2.00 – 3.60	↘
Damansara Heights	2.20 – 4.30	2.50 – 4.30	↗
Mont' Kiara	2.00 – 4.00	2.00 – 4.00	↔

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

Outlook

The first half of 2022 ended on a positive note evident from robust sales volume and higher sales value. Looking ahead, Budget 2023 which will be re-tabled early next year, is expected to include new measures and initiatives to boost the overall economy and property market.

In the earlier tabling of Budget 2023 in October, main highlights included a 2% reduction in income tax, which means that people will have more money in their pockets in 2023 to partly offset higher borrowing costs and the increase in stamp duty exemption from 50% to 75% for residential properties priced above RM500,000 to RM1 million which will end on 31 December 2023. The latter will complement the previously announced 100% stamp duty exemption for the memorandum of transfer for homes priced RM500,000 and below until end of 2025.

Meanwhile, with the recurring periods of heavy rain that caused flash floods, there has been an increased awareness of environmental issues that have become one of the key considerations when it comes to buying, investing or renting a property. Discerning buyers now seek quality and sustainable features such as solar panels, rainwater harvesting, food waste composting, and electric vehicle charging stations when considering property purchases although buying homes with these criteria may come with a premium.

In promoting and addressing sustainability in projects, Eco World Development Group Bhd and Public Bank Bhd have signed a memorandum of understanding (MOU) to provide green and sustainable development financing. With this MOU, Public Bank will offer its Special Sustainable Financing Package for customers who purchase properties developed by Eco World that have been certified green by Green Building Index, GreenRE and other accreditation bodies.

Similarly, Sunway Integrated Properties Sdn Bhd (Sunway Property) has also signed a MOU with Public Bank Berhad to collaborate on sustainable development projects. With this MOU, customers who purchase green-certified properties developed by Sunway Property are eligible for Public Bank's Special Sustainable Financing Package.

Meanwhile, AmBank has entered into a RM100 million green financing facility with Kerjaya Prospek Property Bhd for the development of Courtyard by Marriott Hotel in Bloomsvale. Located at Old Klang Road, Bloomsvale is a mixed-use project that includes a hotel, serviced apartments, office suites, and a shopping mall. The project will be certified with GreenRE's platinum rating for its residential, and gold rating for the commercial buildings.

Despite improved performance in 2H2022, the short-term outlook for the housing market remains challenging due to elevated inflation and potential (further) hikes in OPR. Given these factors and the expected economic slowdown in 2023 (both domestic and global), potential property buyers and investors may turn cautious and adopt a wait and see approach.

However, the recently concluded general election (GE15), which resulted in the formation of a unity government, is expected to steer the country towards better political stability and this augurs well to cement Malaysia's position as an attractive investment destination. Looking ahead, with better economic prospects, the country's property market is expected to be sustained.

KLANG VALLEY OFFICE MARKET

Highlights

Kuala Lumpur office market remains competitive during the review period as the gap between supply and demand widens further, this follows the recent completions both in KL City and KL Fringe.

The Selangor office market remains resilient with more leasing activities, especially for Grade A buildings in prime locations.

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

Demand for co-working space continues to grow as it provides occupiers the flexibility to remain agile and grow according to their business needs. Co-working operators remain cautiously optimistic as they explore expansions into new locations.

Launch of the Malaysia Digital status (MD) on 4 July 2022 – an enhanced initiative succeeding MSC Malaysia which aims to further accelerate the growth of Malaysia's digital transformation, providing more flexibility and lowering the barrier to entry to encourage a wider range of businesses to become eligible for MD government incentives.

Market Indications

Malaysia's unemployment rate continues to decline to below 4.0%, recording at 3.7% in 3Q2022 as labour demand continuously expands to accommodate the capacity for business operations as more economic activities resume.

The Business Conditions Index (BCI) improved by 3.6 points to record at 99.8 points as of 3Q2022 – supported by robust demand for export of goods and services coupled with higher capital expenditure. Most industries anticipate a rebound and this signals a positive business outlook.

Supply and Demand

The cumulative supply of office space in Klang Valley stood at circa 113.9 million sq ft as of 2H2022 following the completions of four buildings offering a total of 1.8 million sq ft of space.

In KL City, there were two completions, both within the same mixed-use development of Pavilion Embassy Kuala Lumpur - Pavilion Embassy Corporate Tower and Pavilion Embassy Corporate Suites, each offering a net lettable area (NLA) of circa 360,000 sq ft. The freehold integrated office and residential development is located along Jalan Ampang.

Meanwhile, KL Fringe witnessed the completion of the MET Corporate Towers during the review period. Located within the masterplan of KL Metropolis, it is made up of two stratified office towers – a 42-storey Tower A and a 30-storey Tower B which offer NLA of circa 450,000 sq ft and 190,000 sq ft respectively.

Block J of Empire City also known as HCK Tower is the only completion in Selangor. Located off Jalan Damansara, it forms part of a mixed-use development on a masterplan spanning circa 9.3 hectares. The office building, which is connected to a 2.5 million sq ft retail podium, offers circa 460,000 sq ft NLA.

By the first half of 2023, another seven office buildings are scheduled for completion – three in KL City, two in KL Fringe and another two in Selangor. Upcoming completions in KL City are PNB 1194, V2 Corporate Office Tower (Velocity 2) and Merdeka 118 Tower while in KL Fringe, they are Aspire Tower and Pavilion Damansara Heights Corporate Tower (Phase 1). The impending completions in Selangor are Tower 5 of PJ Sentral Garden City and Office Towers @ Atwater. Collectively, these completions will add circa 5.1 million sq ft of space to Klang Valley's existing cumulative office stock.

The Met Corporate Tower @ KL Metropolis

Source: The Client

Despite growing challenges in the office market, the overall occupancy rate of purpose-built office space in KL City improved slightly to record at 67.5% during 2H2022[p] (1H2022: 67.2%). However, the occupational demand in KL Fringe was lower but remained resilient at 86.1% (1H2022: 86.8%). The overall occupancy rate in Selangor also declined during the review period to record at 73.2% (1H2022: 74.1%).

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

Tower Real Estate Investment Trust (Tower-REIT) is offering customisable office layouts to prospective tenants at Menara HLX in Jalan Kia Peng, Kuala Lumpur, through its collaboration with EzyOffice, an innovative renovation provider that serves clients through digitised office concepts and ideas. “Office Made Ezy” is the first pilot project in Malaysia that offers future / potential tenants of Menara HLX a comprehensive one-stop, build-to-fit workspace – available in several templates and dozens of variations for workspace units ranging from 2,000 sq ft to 13,000 sq ft.

Hap Seng is poised to emerge as the new owner of Menara Weld office building and The Weld Shopping Centre, located at the corner of Jalan Raja Chulan and Jalan P Ramlee in Kuala Lumpur. It is learnt that Hap Seng and the vendor, Great Eastern Life Assurance (M) Bhd, are in the process of finalising a deal at between RM240 million and RM300 million.

Under the tenancy and lease agreement with Permodalan Nasional Bhd (PNB), which owns Merdeka 118, Maybank will occupy 33 floors of Merdeka 118, taking up 650,000 sq ft at an initial gross monthly rent of RM10.60 per sq ft for the first six years with subsequent adjustments for inflationary costs. This would translate into an effective monthly rental rate of RM8.92 per sq ft for Maybank’s new headquarters at Merdeka 118, or about RM69.58 million a year based on 650,000 sq ft of space. With Maybank on board, Merdeka 118 will have circa 70% occupancy once it is completed by the end of this year. The lease agreement will commence in the last quarter of 2025.

Total waste management solutions provider, JAG Bhd, is acquiring a 12½-storey building in Taman Desa, Kuala Lumpur for RM35.29 million, as part of the group’s effort to expand its property investment business. The proposed acquisition will create a new stream of recurring income which will positively contribute to the group. JAG said Telekom Malaysia Bhd (TM) has expressed its intention to continue renting the property after the sale is concluded, and upon execution of the Sale and Purchase Agreement (SPA), JAG will negotiate a fresh lease with TM.

Riding on a solid Malaysia economic recovery this year with GDP expected to range between 6.5% and 7.0%, InvestKL has attracted global multinational companies such as Tupperware, British public-listed software development company Endava Plc, Baxter Southeast Asia and Arnott’s in setting up a regional hub in Greater Kuala Lumpur to serve the Asia Pacific market. The sign up of the four major companies amongst others facilitated this year has bolstered InvestKL’s 10-year strategic plan to attract RM35 billion in investments. This is anchored by the National Investment Aspirations for leading global companies to set up regional services and technology hubs in Malaysia through 2030.

InvestKL, the agency under the Ministry of International Trade and Industry (MITI), has already completed a similar mission after securing over RM15 billion by 103 multinational corporation (MNCs) to invest in Greater KL over the last decade. In the first half of 2022, InvestKL has attracted RM1.68 billion worth of investments, creating 1,919 high-skilled executive job opportunities.

Selected Notable Tenant Movements, 2H2022

Building Name	Approx. Space (sq ft)	Remarks
KL City		
Platinum Sentral	~80,000	Expansion • Internet Technology Company
TS Law Tower	~60,000	Relocation[1] • Engineering & Construction Industry
Menara Hap Seng 3	~20,000	Moving In • Steel Manufacturing Industry
NU Tower 2	~14,000	Moving In • Service Management Industry
Naza Tower	~14,000	Moving Out • Maritime Industry
Selangor		
Plaza 33	~34,000	Moving In • Manufacturing Industry
Puchong Financial Corporate Centre (PFCC) - Tower 4	~15,000	Moving In • Co-working Space Operator
Imazium @ Uptown	~11,000	Moving In • Game Development Industry

Source: Knight Frank Research
Note: (1) The company relocated within KL City

Prices and Rentals

The average rental rate of office space in KL City experienced downward pressure to record at RM6.41 per sq ft per month in 2H2022(p) (1H2022: RM6.43 per sq ft per month). The lack of catalyst to boost office demand coupled with the fundamental shift in the way people work post COVID-19 sees supply outpacing demand.

In KL Fringe, however, the average office rent remained relatively stable, driven by a wider pool of tenants / occupiers and high-quality decentralised offices, particularly in areas with ease of accessibility and adequate transportation links. It was recorded at RM5.63 per sq ft per month (1H2022: RM5.62 per sq ft per month). Similarly in Selangor, it remained resilient at RM4.10 per sq ft per month (1H2022: RM4.09 per sq ft per month).

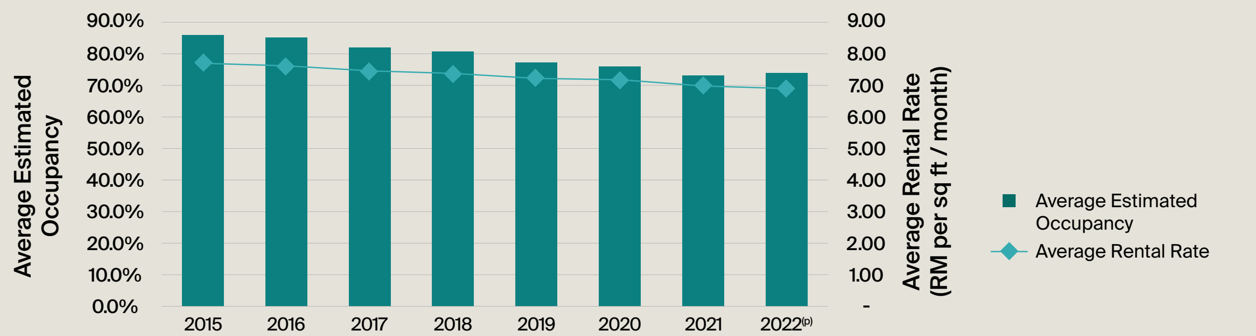
During the review period, asking rentals of Prime A+ and Grade A office space in KL City range from RM5.00 per sq ft to RM12.50 per sq ft per month depending on location (New CBD: from RM6.00 per sq ft to RM12.50 per sq ft per month; Old CBD: from RM5.00 per sq ft to RM7.00 per sq ft per month) while in KL Fringe, it range 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 RM5.50 per sq ft to RM7.50 per sq ft.

Average Asking Gross Rentals of Selected Grade A Offices, 2H2022(p)

Building Name	Average Asking Gross Rentals (RM per sq ft / month)
KL City	
Permata Sapura	12.50
The Exchange 106	9.50 – 12.50
Integra Tower	9.50 – 10.00
Menara Maxis	8.00 – 10.00
Menara Prudential @ TRX	8.50
Menara Binjai	8.80
Menara Hap Seng 3	7.50
Vista Tower	7.50 – 9.50
Menara TCM	7.50
NAZA Tower	7.00 – 7.50
G Tower	6.00
Menara Cap Square	6.00 – 7.00
JKG Tower	5.00
Menara Great Eastern 2	5.00
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	6.00 – 7.50
1 First Avenue	6.00
1 Powerhouse	6.00
Surian Tower	5.80
Nucleus Tower	5.00 – 5.70
Plaza 33	5.50
The Ascent @ Paradigm	5.50 – 6.00

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

Occupancy and Rental Trends in Kuala Lumpur, 2015 to 2022(p)



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

Notable Investment Sales & Transactions, 2H2022

Building Name	Location	Approx. NLA (sq ft)	Consideration (RM per sq ft)
Wisma TM[(1)]	Taman Desa, Kuala Lumpur	86,000	35,288,000 / 410
Menara AmFirst[(2)]	Petaling Jaya, Selangor	156,000	62,000,000 / 397
The Heritage Tower @ Mines Wellness City[(3)]	Seri Kembangan, Selangor	153,000	44,100,000 / 288

Source: Bursa Malaysia / Knight Frank Research
Notes:
(1) Menara ABS Bhd sold Wisma TM to JAG Land Sdn Bhd for a consideration of RM35,288,000. Located at Taman Desa in Kuala Lumpur, Wisma TM is a 12½-storey office building on a site measuring circa 45,531 sq ft.
(2) AmFIRST REIT entered into a sale and purchase agreement ("SPA") with Forever Backup Sdn Bhd for the proposed disposal of Menara AmFirst on 1 July 2022, for a total cash consideration of RM62.0 million. Menara AmFIRST is a 22-storey office building with 3 levels of basement car parks. The freehold property is located at Seksyen 19 of Petaling Jaya in Selangor.
(3) Country Heights Holdings Bhd was successful in its bid at a public auction to acquire a 10-storey office tower at the Mines Resort City for RM44.1 million. Its wholly-owned subsidiary, Country Heights Sea Resort Sdn Bhd signed a Memorandum of Contract with auctioneer Ng Chan Mau & Co Sdn Bhd for the acquisition of the property from Mines Resort Sdn Bhd and Work@H Sdn Bhd. The property, known as The Heritage Tower @ Mines Wellness City, has a gross floor area and net lettable area of circa 322,000 sq ft and 153,000 sq ft respectively.

Outlook

The office market in Klang Valley remains challenging in the medium term amid looming supply and limited demand pool. With no immediate catalyst to boost office demand amid rising new supply, there is growing pressure on the office market. In the near term, the rental rates and occupancy levels of office buildings in Klang Valley, in particular KL City are expected to experience further pressure – this is amid growing mismatch in supply and demand and as more organisations especially MNCs embrace the hybrid work model.

KL City continues to be the core of the Malaysian office market with most foreign interests choosing to have their initial office set-ups in a central KL location as prime KL City address is more recognizable on a global level. However, with the high impending office supply expected in 2023, the overall demand for office space will continue to be outpaced by existing and incoming supply.

In the New CBD, the completion of grade A office space continues to heighten competition as landlords of existing and new buildings compete for the same pool of tenants / occupiers. The growing number of MNCs companies looking to set up their operations in premium or grade A office space, however, provides cushion to the oversupplied office market.

Meanwhile, the decentralised office market in KL Fringe and Selangor, are expected to hold steady and resilient supported by strong domestic and regional occupier demand. The well-connected office locations enhanced by improved road connectivity and integrated rail infrastructure as well as the availability of a wide array of amenities continue to allure strong demand. Good quality decentralised office space with attractive rental and leasing packages remain favourable and continue to capture the market demand.

Increasing awareness about different aspects of Environmental, Social and Governance (ESG) has led to higher interests towards green buildings. Green-rated buildings are becoming increasingly important as organisations seek to meet their sustainability goals.

Occupiers are seeking facilities that support and complement their sustainability initiatives by improving resource efficiency and lowering carbon footprints. To remain competitive and appealing to potential occupiers, landlords are implementing ESG initiatives and aligning them with industry standards.

KLANG VALLEY RETAIL MARKET

Highlights

High expectations for full year retail sales growth at 41.6% following the impressive 96.0% growth in 3Q2022 (2Q2022: 62.5%).

Amid economic headwinds, consumers remain cautious with the MIER Consumer Sentiments Index (CSI) recording at 98.4 points in 3Q2022, below the optimism threshold.

The completions of IOI City Mall Phase II, Setia Ecohill Mall, Datum Jelatek Shopping Centre and Megah Rise Mall bring Klang Valley's cumulative retail space supply to 67.72 million sq ft.

Market Indications

Malaysia's retail industry rebounded strongly with sales soaring 96.0% in 3Q2022, supported by the full reopening of the economy. For the full year of 2022, the country's retail sales growth has been revised upwards to 41.6% from the earlier projection of 31.7%.

The MIER Consumer Sentiments Index (CSI) was recorded at 98.4 points in 3Q2022, below the 100-point optimism threshold. Despite posting quarterly improvement (2Q2022: 86.0 points), the index signifies cautious consumer sentiment amid weaker economic outlook for 2023.

Supply & Demand

Following the completion / opening of IOI City Mall Phase II in Putrajaya, alongside Setia Ecohill Mall in Semenyih, Datum Jelatek Shopping Centre in Taman Keramat and Megah Rise Mall in Petaling Jaya, with combined NLA of approximately 1.64 million sq ft, the cumulative supply of retail space in Klang Valley stands at circa 67.72 million sq ft as of 2H2022.

With the completion of Phase II, IOI City Mall now spans over 2.5 million sq ft of lettable area, crowning it the largest shopping centre in Malaysia. Welcoming an additional 300 stores that include Kenny Hills Coffee, Bife Charcoal Steakhouse and Din by Din Tai Fung, the retail outlets at IOI City Mall will total over 700 units. Phase II also features IOI City Farm – an 18,000 sq ft indoor farm concept, IOI Grand Exhibition and Convention Centre and IOI Sports Centre – a world-class sports facility with 15 badminton courts and two covered futsal arenas.

Drawing inspiration from Grand Canyon, Setia Ecohill Mall features more than a myriad of shops and lifestyle attractions with man-made stream, water sculptures and lush landscapes, and several Instagram-worthy spots. The mall aspires to be a one-stop centre for the community in the Southern Klang Valley Corridor with its wide offerings of F&B, Lulu Supermarket and Department Store and a Boutique Digital Centre.

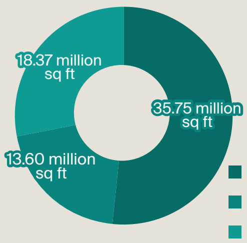
Part of an integrated transit-oriented development (TOD), the long-awaited Datum Jelatek Shopping Centre is connected to the Jelatek LRT Station as well as four residential towers known for its iconic sky ring bridge – the first in Malaysia.

The community-centric mall of Megah Rise is part of a mixed-development comprising luxurious high-rise residential. With a curated mix of F&B offerings, premium grocer and recreational facilities, Megah Rise Mall also features a 115-metre batik inspired mural walkway.

The first half of next year (1H2023) will see the scheduled completions / openings of two shopping centres / supporting retail components in Kuala Lumpur with a collective retail space of circa 1.29 million sq ft.

On the contrary, eCurve shopping centre was permanently closed last March. It is set to be redeveloped into a high-rise residence with focus on multi-generational living. The gross development value (GDV) of the redevelopment is estimated at between RM500 million and RM700 million.

Existing Retail Supply, 2H2022



Source: Knight Frank Research

Incoming Retail Supply, 1H2023

Selangor

KSL Esplanade Mall
Klang
650,000 sq ft

Kuala Lumpur

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

Pavilion Damansara Heights
KL Fringe
1,170,000 sq ft

Source: Knight Frank Research

Catering to the ever-evolving consumer preferences, mall operators are adopting sustainability and ESG (environmental, social, and governance) initiatives in efforts to adapt to the rapidly changing market.

Datum Jelatek Shopping Centre

Source: Knight Frank Research

AEON is partnering Yinson GreenTech as it embarks on the first and largest EV charging network ecosystem in Malaysia. AEON and AEON BiG shopping outlets across Malaysia are set to provide charging infrastructure that promotes sustainable commuting with value-added services such as customer care and loyalty programmes. The initiative is anticipated to enhance efficiency, benefit consumers and bring Malaysia closer to a net zero environment.

Sunway Malls' "Together for Good" campaign, raises awareness for six sustainability initiatives — green leasing, sustainable operations, green procurement, waste management, community building and urban farming. Besides workshops and DIY activities, the campaign also unveiled "The Farm" – an urban farm at Sunway Pyramid, and Sunway READ Library Project – an upcoming initiative to boost reading accessibility for the underprivileged.

With the full reopening of the economy and recovery of consumer-related activities, retail giants including Mr DIY, AEON, 7-Eleven, Padini, Senheng and Bfood (operator of Starbucks and Kenny Rogers), have sustained their earnings momentum with record quarterly profits compared to the previous year.

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

Notable New Entrants in Selected Prime Shopping Malls, 2H2022

Suria KLCC
Kenangan Coffee*, Lavender, Aveda, Bask Bear Supreme, Burger & Lobster, Babyshop, Tealive Plus

Pavilion Kuala Lumpur
Sacoor Blue*, Ralph's Coffee*, Arthur's Storehouse*, llaollao Flagship Store, Roger Dubuis, Kenangan Coffee, Jordan Hong Kong

Mid Valley Megamall
Christine's Bakery, XL Chadon, Supreme Bowl, Empire Sushi, Optometris Anggun, Estée Lauder, Sheldonet.Shop, Instant Pot, Hypergear

The Gardens Mall
Torri Teppanyaki, Liang Yi, Gigi Coffee, The Table by Isetan (Tonkatsu By Ma Maison, Mo-mo Paradise, Jyu Jyu Yakiniku, Takumi Craft Bar, Menya Appare & Tamaruya Honten Teppanyaki), Ambient Living, Issey Miyake, Yew Yew Coffee, Mogu Yakiniku, Molteni & C, Genki Sushi, Chicken Clay Pothouse, Flight 001, HWC Coffee, Honor, Xiaomi Store, Skin Renew

Sunway Pyramid
Beutea*, Liverpool FC*, Prism+*, Auri, DayOne DayOne Noodles, The Parent Company, Kenangan Coffee, Tea Garden, Oriental Sun, DJI Experience Store, The Boring Coco, Gravy Baby, HLA, NIKE by Sunway, Hydro Flask, JONETZ by DON DON DONKI (Sen Sen Sushi & Tomita Seimai)

One Utama
LAX LAX, Xiang by Nicsmann, BEGA, Wok Hey, Tomaz, Zus Coffee, Astons, Apros, Natural Health Farm, Superga, Harvey Norman, NITORI, Bungkus Kaw Kaw, Memorie, Perysmith, Yong Kang TCM, Res-Toe-Run, Bliss Babe, VR Funn, Polo Ralph Lauren, Buttonscarves

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

Retailers' Expansion Plans

Marrybrown	Nationwide	50 stores in 2022
Mr DIY (Mr DIY, Mr DOLLAR & Mr TOY)	Nationwide	180 stores in 2022
Bask Bear Coffee	Nationwide	100 stores in 2023
Coffee Bean and Tea Leaf	Nationwide	40 stores in 2023
Nasi Ahmad Restaurants	Nationwide	8 – 10 stores in 2023
Starbucks	Nationwide	30 – 40 stores in 2023
Taco Bell	Nationwide	22 stores in 2023
Tealive	Nationwide	200 stores by 2024
Farm Fresh Jomcha	Nationwide	300 stores by 2025
A&W	Nationwide	75 stores by 2025
Texas Chicken	Nationwide	115 stores by 2030

Source: Knight Frank Research

Amid shifting shopping patterns and evolving e-commerce landscape in this age of digitalisation, retailers and mall operators are increasingly leveraging on flagship and specialty stores to increase sales and improve engagement.

Retailers across the spectrum have introduced new flagships and concept stores such as Mothercare in Suria KLCC, llaollao in Pavilion Kuala Lumpur, MINISO in Setia City Mall, and Grand SenQ in Cheras Leisure Mall, among others. Aside from enhancing shopping experience, these stores aim to evoke an emotional sensation and create a statement, which ultimately strengthen the brands' image and customer loyalty.

Meanwhile, the opening of K Plus Food Market at The Curve, which offers an expansive range of Korean consumer goods shows the growing popularity of ethnic grocery such as Jaya Grocer's Korean Grocer and Don Don Donki. The rise of niche grocery with smaller store format is also concurrent with the growth of ready-to-eat convenience stores, which include FamilyMart, CU, emart24, and 7-café.

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

Adapting to consumers' on-the-go lifestyle, several retailers including Texas Chicken, Subway, The Coffee Bean and Tea Leaf, Starbucks and Taco Bell, are expanding on their drive-thru outlets. The rise of these outlets seeks to provide better reach and greater service to consumers, while increasing the retailers' profitability.

To further enhance consumer experience, retailers including Starbucks and Tealive are actively accelerating their digitalisation process for ordering and payment methods. Tealive is implementing various cashless and contactless ordering channels such as scan-to-order, order ahead and drive-in or pick-up models.

Retailers such as Senheng are expanding their payment methods by offering Buy Now Pay Later (BNPL) options which enables consumers to benefit from flexible deferred payments. Supporting affordability and making products more attainable for those without access to card scheme instalments, the recent partnership between Razer Merchant Services and Atome, is expected to further accelerate the adoption of BNPL, online and offline.

Leveraging on its ecosystem, airasia Super App has launched an intercity food delivery service. Utilising its low-cost carrier services to fly delicacies from Penang to Klang Valley, this unique service enables airasia's retailers to reach a vast audience. Although only available on Wednesday, the delivery service is expected to increase frequency and involve other states.

Prices & Rentals

Since the transaction of Empire City Mall in 2021, there are a few notable transactions of shopping centres on the horizon, signifying the return of investors' confidence.

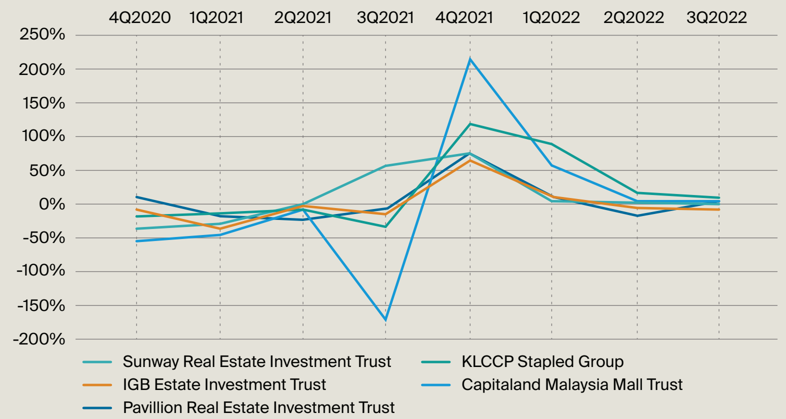
During the review period, MTrustee Bhd, the trustee of Pavilion REIT, signed a sale and purchase agreement to acquire Pavilion Bukit Jalil Mall from Malton's subsidiary, Regal Path Sdn Bhd, for RM2.2 billion. Concurrently, YNH Property Bhd also announced the sale of 163 Retail Park shopping centre to ALX Asset Bhd for RM270.5 million.

The proactive and decisive implementation of business continuity efforts such as rental rebates and marketing assistance by mall operators in 2020 and 2021, helped to sustain occupancy levels during the prolonged pandemic period.

With all economic sectors and businesses now allowed to operate fully, mall operators have continued to strengthen business relations by resuming marketing / promotional activities and events – digitally and on-ground campaigns.

During the review period, owners and operators of prime shopping centres in Klang Valley have observed higher total revenue, net property income and profit after taxation supported by growing retail sales amid rising footfall and the absence of rental relief.

QoQ Change in Net Profit Income of Selected Klang Valley REIT Shopping Centres



Sources: Bursa Malaysia / REITs Official Website / Knight Frank Research

Outlook

Following the broader reopening of the economy with full resumption of commercial and social activities, Malaysia's retail industry has rebounded strongly. In the first nine months of 2022, retail sales grew 45.9%, backed by rising domestic demand.

Moving forward, despite the increasing supply of retail space, higher footfall supporting retail sales growth coupled with sustained occupancy levels are expected to drive positive rental reversions. The growth momentum is, however, threatened by concerns on weaker economic outlook.

Growing inflationary pressure and rising interest rate environment pose unrelenting challenges to the industry, clouding consumer sentiments and waning on their purchasing power. With core inflation peaking at 4.1% in October 2022, Bank Negara is anticipated to further tighten its monetary policy.

Similar to the global issue, local businesses are also grappling with labour shortages experienced across all sectors including retail. Jolting the economic recovery, the labour shortage is amplified by low wages, poor working conditions and lack of foreign workers. With continuing labour shortages, retailers are likely to turn to automation, investing more heavily and strategically in digital infrastructure.

Driven by Malaysia's steady growth of digital consumers as well as high penetration of e-wallets and digital payments, e-commerce is indispensable. Despite the resumption of physical retail, consumers expect a seamless shopping experience, online and offline. With the ever-evolving retail landscape, retailers and mall operators are increasingly re-configuring their spaces and services to offer experiential retail, as well as include ESG initiatives.

Against the backdrop of geopolitical fragmentation, supply strains, rising inflation, tightening financial environment and volatile currency, Malaysia's economic growth is expected moderate in 2023. Nonetheless, with the country's newly formed government pledging to prioritise the issue of rising cost of living, and backed by steady domestic demand, the local retail sector is expected to remain favourable.

KLANG VALLEY INDUSTRIAL MARKET

Highlights

REITs are diversifying and expanding their portfolio into the flourishing industrial segment.

The logistics sector in Klang Valley continued to evolve and grow, underpinned by strong growth enablers that include improving infrastructure, increasing freight volumes and e-commerce growth.

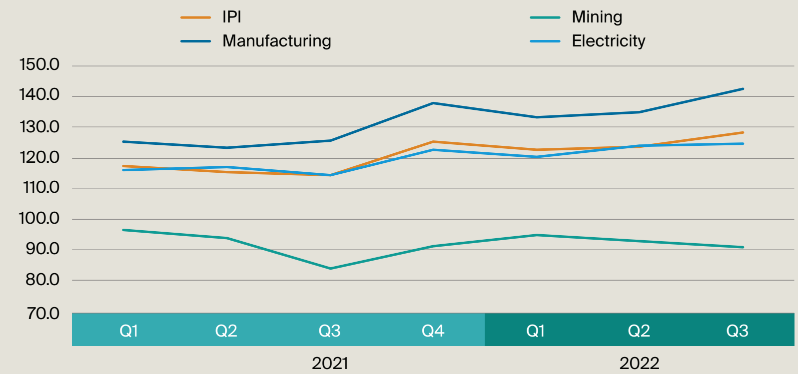
Klang Valley is one of the ideal destinations in Malaysia for nearshoring of firms with focus on South-East Asia.

All manufacturing activities, with exception of the rubber and plastic products segment, expanded in the January to September 2022 period following normalisation of all economic activities.

Market Indications

Malaysia's Industrial Production Index (IPI) grew 12.2% year-on-year (y-o-y) in 3Q2022 to record at 128.4 points (3Q2021: 114.4 points). This is driven by expansion of the manufacturing, electricity and mining indices, with annual growth of 13.4%, 9.0% and 8.6% to settle at 142.5 points, 124.8 points and 91.0 points respectively.

Malaysia Industrial Production Index (IPI), 1Q2021 to 3Q2022



Source: Department of Statistics Malaysia (DOSM)

Following the country's transition to the endemic phase of COVID-19 on 1 April 2022, there have been increased manufacturing activities for domestic and export-oriented industries. For the first nine months of the year, the production indices of all industries with exception of the rubber and plastic products segment, were in the positive territory.

Among the manufacturing activities with significant annual expansion of more than 15% are tobacco products (42.1%); motor vehicles, trailers and semi-trailers (33.8%); leather and related products (28.1%); computer, electronics and optical products (18.1%); beverages (17.6%) and furniture (16.2%). In contrast, the production index for the rubber and plastic products headed south (-10.6% y-o-y).

Manufacturing Activities Index Y-o-Y Changes, Jan to Sep 2021 vs Jan to Sep 2022

Top Gainers (Production index > 15% annual growth)	
Tobacco products	42.1%
Motor vehicles, trailers and semi-trailers	33.8%
Leather and related products	28.1%
Computer, electronics and optical products	18.1%
Beverages	17.6%
Furniture	16.2%
Expanding (Production index < 15% annual growth)	
Wood and products of wood and cork, except furniture; articles of straw and plaiting materials	12.9%
Other manufacturing	12.8%
Repair and installation of machinery and equipment	12.3%
Other non-metallic mineral products	12.2%
Electrical equipment	12.0%
Paper and paper products	9.8%
Basic metals	9.4%
Fabricated metal products, except machinery and equipment	8.4%
Machinery and equipment n.e.c.	7.7%
Other transport equipment	7.6%
Basic pharmaceuticals, medicinal chemical and botanical products	7.2%
Printing and reproduction of recorded media	7.2%
Coke and refined petroleum products	6.7%
Textiles	6.3%
Chemicals and chemical products	4.9%
Wearing apparel	4.7%
Food products	4.5%
Top Losers (Production index with negative growth)	
Rubber and plastics products	-10.6%

Source: Department of Statistics Malaysia (DOSM)

Supply and Demand

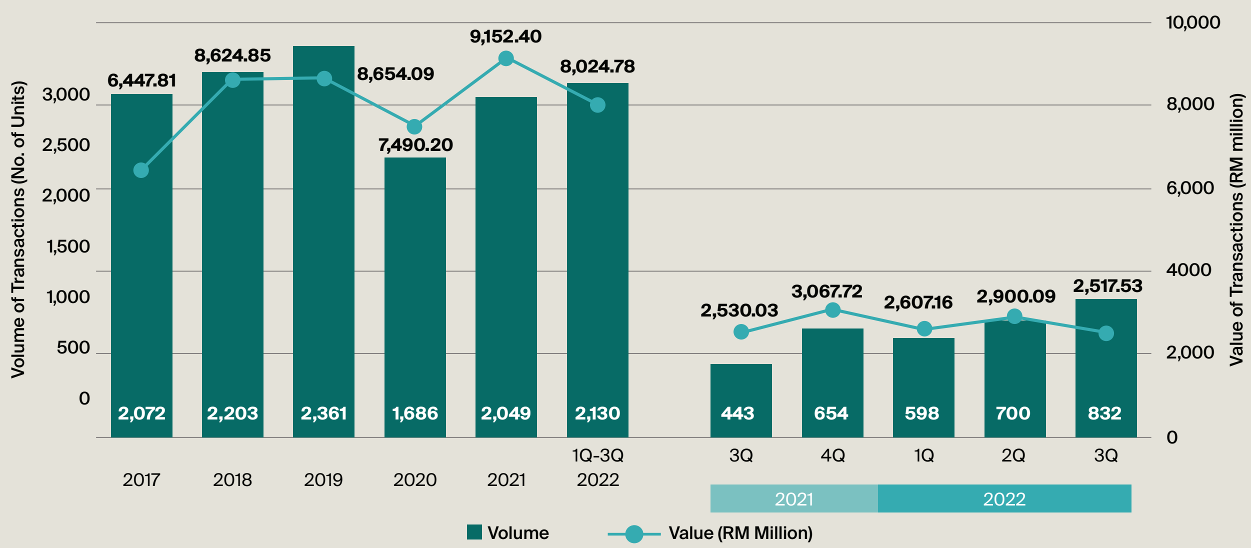
The industrial property sector in Klang Valley saw a rebound in market activity with 2,049 industrial properties worth RM9.15 billion changing hands in 2021, reflecting annual increments of 21.5% and 22.2% in transacted volume and value respectively. During the year, the analysed average price per industrial transaction was marginally higher by 0.5%.

The growth momentum continues with Klang Valley registering a total of 2,130 industrial property transactions with collective value of RM8.02 billion in the first nine months of 2022 (9M2021: 1,395 transactions; collective value RM6.08 billion).

In 3Q2022, Klang Valley registered 832 transactions in the industrial sub-sector with collective value of RM2.52 billion (3Q2021: 443 transactions worth RM2.53 billion). Despite recording a surge in market activity (87.8% higher sales volume y-o-y), the total sales value remained flat at circa RM2.52 billion.

On a quarterly comparison, it is observed that the sales volume has been trending up, from 598 transactions in 1Q2022 to 700 transactions and 832 transactions in 2Q2022 and 3Q2022, respectively. In contrast, the analysed value per industrial transaction has been on the decline – from RM4.36 million in 1Q2022 to RM4.14 million and RM3.03 million in 2Q2022 and 3Q2022, respectively. This indicates that lower priced industrial properties were transacted during the review period.

Klang Valley: Volume and Value of Industrial Property Transactions, 2017 to 3Q2022(p)



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

As of 3Q2022, the cumulative industrial property inventory in Klang Valley stood at 46,762 units, concentrated in District of Petaling and District of Klang with 14,413 units (30.8% share) and 8,760 units (18.7% share), respectively.

In the pipeline, there are 1,560 industrial units currently under-construction (incoming supply) with another 1,702 units in the planning pipeline. District of Petaling and District of Klang also topped in terms of incoming supply with 498 units (31.9%) and 413 units (26.5%) respectively. The bulk of incoming detached units will come from District of Klang while for the semi-detached category, they are focused in Klang, Gombak and Kuala Selangor districts.

As for planned supply, it is worthy to mention that about half (48.9% share or 833 units) will be from District of Klang. This is likely attributed to its proximity to Port Klang – the country's largest port and the world's 12th busiest port (2021); the availability of large tracts of development / industrial land at competitive pricing, good and improving road infrastructure with the under construction 233-kilometre West Coast Expressway (WCE) expected to be fully completed and operational by 2024; and other factors.

Amid the oversupplied market in selected property sub-sectors, the country's real estate investment trusts (REITs) are diversifying or expanding their portfolio into the flourishing industrial segment.

In September, Axis REIT announced that it is acquiring an industrial facility located in Kapar, Klang for RM41 million while earlier in July, KIP REIT made its maiden industrial asset acquisition comprising three industrial properties in Pulau Indah Indsutrial Park, Port Klang for circa RM79 million. Sunway REIT acquired a prime industrial asset comprising two buildings with total gross floor area (GFA) of circa 497,487 sq ft in Sungei Way, Petaling Jaya for RM60 million in late June. The newly listed AME REIT, which has its stronghold in Johor with 37 industrial properties (including workers' dormitories), is also eyeing expansion to the central and northern regions of Peninsular Malaysia.

The logistics sector is emerging as a strategic investment opportunity – logistics facilities are highly favoured as investment assets amid rising e-commerce growth and scarce supply. There were several notable logistics related announcements during the review period.

The Employees Provident Fund (EPF) and Ally Logistic Property Co Ltd (ALP) have entered into a shareholders agreement (70:30 basis) to develop a 100% pre-leased logistics hub in Bukit Raja, Klang. Located on 27 acres of freehold land, the hub will have GFA of more than 1.8 million sq ft and 100,000 pallet positions in the Automated Storage and Retrieval System (ASRS) zone. It is slated for completion by the third quarter of 2024.

The inaugural Industrial Development Fund by Sime Darby Property and LOGOS Property JV (SDPLOG) has achieved its First Close on a US$250 Million Fund. The Shariah-compliant Fund will be anchored by Permodalan Nasional Berhad (PNB) and unit trust funds under its management and Kumpulan Wang Persaraan (Diperbadankan) (KWAP). The immediate capital available for deployment from the fund as at first close is RM500 million with 70% in capital commitment secured. It will be channelled into the development of sustainable, large-scale, integrated modern logistics assets with green building certification at its E-Metro Logistics Park in Bandar Bukit Raja, Klang.

Separately, Sime Darby Property MIT Development Sdn Bhd (SDPMIT) has secured pre-committed tenancy for the third project at Bukit Raja Industrial Gateway. The multi-tenant two-storey warehouse with approximately 487,000 sq ft GFA will be occupied by CEVA Logistics, a global logistics and supply chain company together with SL Ng, a leading home grown FMCG market expansion service provider. The construction of this facility has commenced and it is expected to be completed in the second half of 2023. Meanwhile, there are two remaining projects currently in various stages of negotiations with prospective tenants which include third party logistics providers, warehousing and distribution centres and cold chain logistics

Prices and Rentals

Both prices and rentals of industrial assets have continued to remain resilient, supported by increased manufacturing activities and new manufacturing investments.

Highlights of industrial property transactions in 2022 are as follow.

Klang Valley: Significant Industrial Property Transactions, 2H2022

Date	Status	Type of Property Property Address	Land Area	Consideration (RM) Analysis over LA (RM per sq ft)	Buyer Vendor
Jun-22	Pending	**Industrial land** Land in Bandar Rimbayu	**30.0 acres** (1,306,800 sq ft)	**600.0 million** (GDV)	**J&T Express Malaysia** IJM Land Bhd
Aug-22	Pending	**Industrial land** UMW High Value Manufacturing Park	**140.0 acres** (6,098,400 sq ft)	**304.9 million** 50	**LONGI (Kuching) Sdn Bhd** UMW Development Sdn Bhd
Jul-22	Pending	**Three industrial premises** Pulau Indah Industrial Park, Port Klang	**Combined:** **15.1 acres** **(658,361 sq ft)** 5.3 acres (229,311 sq ft) 5.2 acres (228,189 sq ft) 4.6 acres (200,861 sq ft)	**Combined:** **78.7 million** **120** **27.0 million** 118 **23.7 million** 104 **28.0 million** 139	**Pacific Trustees Bhd (Trustee for KIP REIT Management Sdn Bhd)** **Hextar Chemicals Sdn Bhd;** Hextar Industrial Chemicals Sdn Bhd; and Teju Logistics Sdn Bhd
Jun-22	Pending	**Two parcels of land together with existing buildings** Sungei Way, Petaling Jaya	3.6 acres (158,229 sq ft)	**60.1 million** 380	**RHB Trustees Bhd (Trustee for Sunway REIT)** Western Digital (Malaysia) Sdn Bhd
Jul-22	Pending	**Industrial land with an office building with annexed factory and 2 blocks of factories** Lot 1, Jalan Waja, Kawasan Industri Bukit Raja, 41050 Klang, Selangor Darul Ehsan	8.0 acres (347,674 sq ft)	**47.1 million** 136	**Amsteel Mills Sdn Bhd (subsidiary of Lion Industries Corporation Bhd)** Yinson Corporation Sdn Bhd
Sep-22	Pending	**Two warehouses and a 3-storey annexed office building** PT 76085, Jalan Haji Salleh/KU8, Batu 51/2, Pekan Meru, 41050 Klang, Selangor	6.2 acres (268,581 sq ft)	**41.0 million** 153	**RHB Trustees Bhd (Trustee for Axis REIT)** Jemaramas Jaya Sdn Bhd
Nov-22	Pending	**Industrial land** PT 10562, Precinct 3B (Westgate), Eco Business Park V, Mukim of Ijok, Daerah Kuala Selangor, Negeri Selangor	9.8 acres (427,208 sq ft)	**36.0 million** 84	**SKB Shutters Manufacturing Sdn Bhd** Paragon Pinnacle Sdn Bhd
Jul-22	Pending	**Industrial land** Selangor Halal Hub, Pulau Indah	10.1 acres (438,649 sq ft)	**30.7 million** 70	**Oleon Port Klang Sdn Bhd** Central Spectrum (M) Sdn Bhd

Source: Various sources / Knight Frank Research

An artist's impression of the RBW for CEVA Logistics and SL Ng (expected completion in 3Q2024).

Source: Edgeprop

J&T Express is acquiring a 30-acre land in Bandar Rimbayu to construct a logistics centre that will serve as its one-stop shop for express distribution, logistics, and warehousing. This is part of its strategy to strengthen its position in South-East Asia.

UMW Group is disposing 140 acres of land at the UMW High Value Manufacturing Park in Serendah to LONGi (Kuching) Sdn Bhd for RM304.92 million. LONGi, the largest producer of solar cells in Malaysia, made the purchase as part of its plan to expand its operations and increase the production volume to cater to growing demand.

KIP REIT Management has entered into conditional sale and purchase agreements with Hextar Chemicals Sdn Bhd and Teju Logistics Sdn Bhd for the proposed acquisitions of three industrial properties for approximately RM78.7 million - its maiden industrial asset deal. Located in Pulau Indah Industrial Park in Port Klang, the leasehold properties with circa 350,000 sq ft of lettable area in total, will be leased to related companies of Hextar group on a triple net basis for a fixed term of 15 years.

Sunway REIT's trustee, RHB Trustees Bhd, has entered into a sale and purchase agreement to acquire two parcels of land together with the existing buildings erected thereon for a consideration of RM60.05 million. The property, strategically located in the established industrial zone of Sungei Way in Petaling Jaya, is easily accessible via the Federal Highway and Lebuhraya Damansara-Puchong (LDP).

Lion Industries Corporation Bhd's subsidiary Amsteel Mills Sdn Bhd (AMSB) and Yinson Corporation Sdn Bhd have signed a sale and purchase agreement for the proposed acquisition of land and structures constructed thereon at a consideration of RM47.13 million. AMSB is currently operating its steel manufacturing business from this leasehold property on land measuring 7.98 acres. The proposed acquisition will enable the company to ensure continuity of its business operations while potentially enjoying capital appreciation of the property which is located in the prime area of Bukit Raja in Klang.

RHB Trustees Bhd (Trustee for Axis REIT) has entered into sales and purchase agreement with Jemaramas Jaya Sdn Bhd (wholly-owned subsidiary of Versalink) for the disposal of an industrial facility for a consideration of RM41.0 million. The freehold property is located at Jalan Haji Salleh Batu 5½ off Jalan Meru, Klang, . The agreement will enable Jemaramas Jaya to continue occupying the property after the sale.

SKB Shutters Manufacturing Sdn Bhd has entered into a conditional sale and purchase agreement with Paragon Pinnacle Sdn Bhd to acquire a portion of leasehold land provisionally known as Lot B51012 Phase 3B12 of Eco Business Park V, measuring approximately 9.807 acres / 39,689 sq m for a consideration of RM35.97 million. The proposed acquisition is in line with the company's plan to set up its new manufacturing plant that will incorporate and prioritize green building operations.

Oleon Port Klang Sdn Bhd, an existing occupier in Selangor Halal Hub, Pulau Indah, has signed a sale and purchase agreement with Central Spectrum (M) Sdn Bhd to acquire an additional parcel of land measuring 10.07 acres for a consideration of RM30.7 million. The proposed acquisition is in line with the company's plans to expand its manufacturing facility to meet global demand of oleochemical.

Outlook

For the full year of 2022, Malaysia's economy is expected expand between 6.5% and 7.0% following normalisation of all economic activities. However, the OPR hike from 2.50% to 2.75% on 3 November 2022, the fourth hike this year, amid rising domestic and global inflationary pressures and on-going geopolitical tensions may derail growth momentum.

To date, multiple economic initiatives have been unveiled to drive the industrial sector.

These initiatives and measures aim to spur post pandemic growth in 2022 – attracting Foreign Direct Investments (FDI) and Multi-National Companies (MNCs) as well as empowering SMEs as a driving growth for country's economy. The country is committed to revive the economy with digitalization and attract new high-quality, high-tech and green-tech investments.

In the short to medium term, the improving market trajectory is expected to continue into 2023, supported by strong enablers such as better logistics infrastructure, increasing freight volumes, structural growth in e-commerce and supportive government policy.

In the past 12 months, the logistics industry has continued to outperform many other sectors. Moving into 2023, demand for logistics assets will continue to outpace supply amid normalisation of all economic activities. The industrial property sector remains on upward growth trajectory with a steady pipeline of distribution and warehouse projects, driven by strong and steady demand from both logistics players and investors.

Selected industries are steeling themselves from the next potential disruption by adapting nearshoring as one of the strategies to manage complexities in the supply chain. The disruptions to the global supply chain such as border closures following onset of the unprecedented COVID-19 pandemic in early 2020 coupled with rising geopolitical tensions have made businesses rethink their strategies and decide if a nearshoring hub can add value to their existing supply chain. Klang Valley has emerged to be a potential (ideal) destination for these businesses to tap into the South-East Asia economic bloc with right balance between cost, efficiency and quality.

The Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act), is an industrial strategy for United States to revitalize their domestic manufacturing in the semiconductor industry. Spurred by the passage of CHIPS Act in August 2022, the supply chain participants in ASEAN region are expected to benefit from the back-end assembly as more companies move to build front-end new wafer fabrication plants in the United States. This will put Malaysia under the radar of investors as the favourable destination for new expansion due to the existing semiconductor manufacturing ecosystem.

Moving forward, the e-commerce market is expected to continue expanding albeit at a slower pace following normalisation of all economic sectors. Also, amid current market uncertainty with rising inflation and slowing economy, consumers have turned cautious. The newly elected government is expected to take pro-active and pre-emptive measures to manage the cost-of-living crisis affecting households while encouraging business growth.

Meanwhile, the Selangor government has launched its First Selangor Plan (RS-1) 2021-2025 in July. The comprehensive development plan covers four main thrusts – reinforce economic growth, betterment of social inclusivity and society welfare, sustainability and transformation towards a modern, visionary and people-oriented governance. In the manufacturing and services sectors, the focus will be on selected industries such as life sciences, food and beverage manufacturing, electrical and electronics product manufacturing, machinery and equipment as well as two new industries, namely logistics services and digital investment. The state government is expected to introduce various incentives to boost investments.

PENANG PROPERTY MARKET

Highlights

Sustained momentum in the high-rise residential property sub-sector, registering higher annual sales volume and value as of 3Q2022.

Rental and occupancy levels of selected privately-owned purpose-built office buildings continued to hold steady.

Overall occupancy level of existing shopping malls in the State remained stable above the 70% mark and in Georgetown, ground floor rental levels for selected prime shopping centres held firm.

Penang recorded RM9.2 billion worth of approved manufacturing investments from January to September 2022, three-fold higher year-on-year (January to September 2021: circa RM2.9 billion).

Market Indications

Tenaga Nasional Berhad has launched a RM500 million transmission line tower project to boost electricity supply in Penang. Slated for completion in 2024, the project will be able to supply up to 2,000 megawatts (MW) of electricity from the national grid to Penang. The 275kV overhead transmission line will run parallel with the Penang Bridge through 31 monopoles, connecting the Prai Power Station (SJ) Main Inlet Substation (PMU) to The Light PMU on Penang Island. The high impact project will ensure stable electricity supply and boost economic growth in various sectors such as industrial, infrastructure development, transport and tourism in the State. The project is set to be one of Penang's iconic landmarks due to the unique betel nut design of the transmission line tower.

Developer, Ayana Bayu Sdn Bhd (ABSB), a subsidiary of Acme Holdings Bhd and landowner, Koperasi Kampung Melayu Balik Pulau Bhd (KKMBPB), will be jointly developing seven parcels of land measuring about 178.34 acres in Balik Pulau on an 83:17 sharing basis. The multi-phased integrated development will have a minimum gross development value (GDV) of RM1.4 billion.

In September, Klassik Tropika Development Sdn Bhd, a wholly-owned subsidiary of Mah Sing Group Bhd, disposed a parcel of freehold land measuring 147,412 sq ft in Georgetown to Morningjoy Sdn Bhd for RM66.33 million. The land, located in Pykett Avenue, was acquired by Klassik Tropika in 2009 at a consideration of RM RM38.65 million. It was proposed to be developed into a high-end condominium with an estimated GDV of RM280 million.

High-Rise Residential

As at 3Q2022, the cumulative existing supply of high-rise residential property (condominium / apartment and serviced apartment) in Penang State stood at 111,472 units, reflecting an annual increase of 5.2% (3Q2021: 105,912 units). During the review period, the volume and value of transactions for the condominium / apartment category were higher by 69.0% and 75.9% respectively (3Q2022: 1,063 units valued at RM674.48 million versus 3Q2021: 629 units worth RM383.43 million). Similarly, the serviced apartment category also registered higher volume and value of transactions (3Q2022: 40 units worth RM27.22 million versus 3Q2021: 12 units valued RM8.21 million). This was primarily attributed to improved market activity in the Districts of Timur Laut and Seberang Perai Selatan (Source: NAPIC).

Aspen Group has unveiled Versa, an upcoming high-rise project in Aspen Vision City. The development will consist of two residential blocks with nine commercial units. The residential units, which will come in two sizes: 703 sq ft (two-bedroom unit) and 868 sq ft (two-bedroom unit with a private terrace), are priced from RM350,000 onwards. The development will offer various facilities including a leisure pool, a games court, a gym, a skating rink, a BBQ garden, a reflexology garden, and a multipurpose hall, among others.

Eco World is planning to launch the third and fourth phases of the 300-acre Eco Horizon project between 2022 and 2023. The proposed development components for these upcoming phases include Co-Homes and Garden Homes with indicative pricing between RM500,000 and RM800,000 each.

Penang: Average Asking Prices for Selected High- End Condominiums in Penang Island, 2H2022

Locality	Average Asking Prices (RM per sq ft)		Price Trend
	1H2022	2H2022	
George Town	600-900(1)	550-900(1)	↔
	1,000-1,250(2)	1,100-1,300(2)	↗
Tanjung Tokong/ Tanjung Bungah	550-950(3)	550-1,000(3)	↔
Gelugor	600-900(4)	600-1,100(4)	↗

Source: Knight Frank Research

Notes:

(1) Refers to units with built-up areas of 4,000 - 4,200 sq ft

(2) Refers to units with built-up areas of 2,200 -2,800 sq ft

(3) Refers to units with built-up areas of less than 2,000 sq ft

(4) Refers to units with mixed built-up areas of less than 2,000 sq ft and the bigger built-up areas more than 4,000 sq ft

Office

During the review period, the existing supply of purpose-built office space (privately owned) on the Island remained unchanged at 6.8 million sq ft (2Q2022: 6.8 million sq ft) . Similarly, on the Mainland, it was unchanged at 1.6 million sq ft. The average occupancies for Penang Island and the Mainland stood at circa 86.7% and 57.0% respectively (Source: NAPIC).

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

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

Penang: Average Asking Gross Rentals of Selected Purpose-Built Offices, 2H2022

Building Name	Location	Average Asking Gross Rentals of (RM per sq ft / month)
Hunza Tower	George Town	4.50 - 5.00[1]
Menara Boustead Penang	George Town	3.00 - 3.30
Menara KWSP	George Town	3.00
Al-Bukhary Building / WOU	George Town	3.60[3]
Menara Livingston	George Town	5.00[1][3]
MWE Plaza	George Town	2.80[2]
Wisma Great Eastern	George Town	3.00
Menara IJM Land	Gelugor	4.00
GBS@ Mayang	Bayan Baru	4.50[3]
GBS@ Mahsuri	Bayan Baru	4.30[3]
One Precinct	Bayan Baru	4.50[3]
SunTech@ Penang Cybercity	Bayan Baru	4.50[4]

Source: Knight Frank Research
Notes:
1) Passing Rent
2) Fixed Rent
3) MSC Status Tier 1
4) MSC Status Tier 2

Sunshine Tower with 227,600 sq ft of net lettable area (NLA) is expected to be completed in the second half of 2023. It forms part of Sunshine Central, a mixed-use project consisting of serviced apartment, office, retail and hotel components.

In Gelugor, a 34-storey commercial tower comprising 90 office suites in various built-up sizes and layouts (total NLA of 166,000 sq ft) and 478 guest rooms (4-star hotel), is being developed within The Light City project. The tower, set to complete in October 2024, forms Phase 2 of THE LIGHT Penang.

Jurutama Sdn Bhd, a wholly owned subsidiary of IJM Construction, has secured a RM80.79 million contract from Bionic Development Sdn Bhd for construction of the 45-storey Maritime Signature commercial tower. The proposed commercial tower will consist of office suites, shop lots, duplex units and car parking podium. Construction is set to commence in December 2022 with completion expected within 42 months.

Retail

As of 3Q2022, there were over 109 existing shopping malls in Penang State with a collective retail space of approximately 20.0 million sq ft. The overall occupancy rate remained stable at 71.5%. For those in the locality of George Town, the overall occupancy stood at 72.8% (Source: NAPIC).

Sunshine Mall (142,000 sq ft NLA), which forms part of Sunshine Central, is slated to be completed by the second half of 2023. Meanwhile, Phase 1 of The Waterfront Shoppes of The Light City (total gross floor area [GFA] of over 1.5 million sq ft - 1,000,000 sq ft in Phase 1 and 500,000 sq ft in Phase 2) is set complete by July 2024.

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

During the review period, CapitaLand Malaysia Trust (CLMT) acquired 91.8% of the total strata floor area of retail parcels in Queensbay Mall from parties related to CapitaLand Investment Limited for a total purchase consideration of RM990.5 million. With a net lettable area of 883,111 sq ft and a committed occupancy rate of 95% as at 7 October 2022, the shopping mall has a diverse mix of tenants from different trades, including entertainment, lifestyle, fashion and dining, segregated on thematic basis throughout the floors of the mall.

The Food Purveyor, the premium grocery operator of Village Grocer, has opened three new stores in Penang. Its latest store in 1st Avenue Mall opened on 12 July 2022 following on from Village Grocer City Junction soft-launched in June 2021, and Village Grocer Queens Waterfront soft-launched in April 2022.

Industrial

From January to September 2022, Penang attracted RM5.7 billion of foreign direct investment (FDI), accounting for a 62% share of the State's total manufacturing investment of RM9.2 billion. The FDI was relatively higher compared to the corresponding period in 2021 (circa RM1.6 billion).

During the review period, AME Elite Consortium Bhd and Majestic Builders announced their joint development of an integrated industrial park in Seberang Perai Tengah with GDV of RM1 billion. To undertake the development, AME Elite's wholly owned subsidiary, Northern Industrial Park Sdn Bhd and Majestic Builders have established Suling Hill Development Sdn Bhd as their special-purpose vehicle (SPV). AME Elite intends to replicate its proven fully integrated industrial park model in Penang, with custom-built industrial properties amply supported by fit-for-purpose workers' dormitories.

Notable announcements relating to the 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, 2H2022

Location	Bayan Lepas Free Industrial Zone	Penang Science Park	Batu Maung	Batu Kawan Industrial Park	Batu Kawan Industrial Park	Batu Kawan Industrial Park	Batu Kawan Industrial Park
Status	New Facility	New Facility	Expansion	Expansion	New Facility	New Facility	Expansion
Component	982,000 sq ft	653,369 sq ft	60,000 sq ft	110,000 sq ft	37,500 sq ft	242,188 sq ft	30,000 sq ft
Expected Completion	2025	Newly Completed	Newly Completed	Newly Completed	Newly Completed	2024	2025
Vendor	Advanced Semiconductor Engineering, Inc	Scandinavian IBS Sdn Bhd	NI Malaysia Sdn Bhd	Boston Scientific Corporation	Indium Corporation	EG Industries Bhd	Comet Group
Country of Origin	Taiwan	Sweden	United States	United States	United States	Malaysia	Switzerland
Facility Specialty	Semiconductor Assembly and Testing	Manufacturing	Global Supply Chain Distribution Hub	Global Distribution Center	High-Technology Manufacturing	Production Floor Area, Office Building and Warehousing	Manufacturing and Service Center

Source: News articles / Knight Frank Research

Penang: Notable Expansions / New Industrial Facilities, 2H2022

Location	Batu Kawan Industrial Park	Batu Kawan Industrial Park
Status	New Facility	Expansion
Component	N/A	900,000 sq ft
Expected Completion	Newly Completed	2023
Vendor	Lanco Integrated	Micron Technology Inc
Country of Origin	United States	United States
Facility Specialty	High-Technology Manufacturing	Semiconductor Assembly and Testing

Source: News articles / Knight Frank Research
Note: N/A refers to Not Available

Penang: Notable Industrial Transactions, 2H2022

Development	Batu Kawan Industrial Park	Penang Science Park North	Kawasan Perusahaan Perai	Limbongan Batu Maung	Limbongan Batu Maung	Bertam	Bertam	Jalan Ayer Puteh
Location	Mukim 13, Seberang Perai Selatan	Mukim 13, Seberang Perai Tengah	Mukim 1, Seberang Perai Tengah	Mukim 12, Barat Daya	Mukim 12, Barat Daya	Mukim 6, Seberang Perai Utara	Mukim 3, Seberang Perai Utara	Mukim 4, Balik Pulau
Tenure	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Freehold	Freehold	Freehold
Component	2.2 acres land	1.4 acres land	3.2 acres land (126,008 sq ft – a factory building and structure)	2.9 acres land	2.0 acres land	467.2 acres land (7 parcels)	367.2 acres land (10 parcels)	N/A
Consideration	RM5.7 million	RM3.0 million	RM19.0 million	RM9.5 million	RM11.0 million	RM254.6 million	RM220.7 million	RM5.8 million
Purchaser / Buyer	Amlex Technology Sdn Bhd	Sip Technology (M) Sdn Bhd	XFS Sdn Bhd	Park Avenue Construction Sdn Bhd (a subsidiary of Atta Global Group Bhd)	Park Avenue Construction Sdn Bhd (a subsidiary of Atta Global Group Bhd)	Lestari Duta Sdn Bhd	Mujur Sinarjaya Sdn Bhd	Meng Shin Garment Sdn Bhd and Keow Bee Garment Sdn Bhd
Vendor / Seller	Penang Development Corporation	Penang Development Corporation	Uchi Optoelectronic (M) Sdn Bhd	Limbongan Batu Maung Sdn Bhd	Utopia Span Sdn Bhd	Aspen Bell Avenue Sdn Bhd	Aspen Bell Avenue Sdn Bhd	Wing Tai Malaysia Sdn Bhd

Source: News articles / Bursa Malaysia / Knight Frank Research
Note: N/A refers to Not Available

Outlook

The Penang residential market is expected to continue its recovery phase, supported by a series of measures and incentives to boost home ownership. These should encourage buyers from various income levels to re-look at purchasing their dream homes despite higher borrowing cost.

The Penang office market is relatively balanced with limited new incoming supply. Thus, rental and occupancy levels are expected to hold firm. As for the retail market, there may be potential headwinds amid current market uncertainty and rising inflationary pressure. Consumers remain cautious despite improvement in labour market conditions.

The state's industrial sector is expected to thrive, its approved manufacturing investment of circa RM9.2 billion for the period of January to September 2022 was significantly higher on the year (January to September 2021: circa RM2.9 billion). According to Malaysia Investment Development Authority (MIDA), more manufacturers are anticipated to relocate to Penang State next year following numerous enquiries from foreign countries including China due to the ongoing US-China conflict.

In June 2022, Penang Hill received an official UNESCO (United Nations Educational, Scientific and Cultural Organization) certificate of recognition of Penang Hill's Biosphere Reserve. This is the State's second accolade from the UNESCO after George Town was awarded the UNESCO World Heritage Site status in 2008. With this designation, the Penang Hill Biosphere Reserve, which comprises 12,481 hectares of marine and terrestrial ecosystems in the north-western part of Penang Island, will be counted amongst a distinguished global network of 714 Biosphere Reserves across 129 countries. Penang Hill is the third biosphere reserve in Malaysia after Tasik Chini in Pahang (2009) and Crocker Range in Sabah (2014). This recognition is expected to attract more tourists to the State while enhancing its tourism economy.

The State government's announcement on the extension of lease for all categories of land by granting discounts of between 50% and 90% based on extension of the lease calculated and land value without taking into account value of the structure on the land, should encourage more renewals. This will provide an additional source of income for the State as there are between 20,000 and 30,000 leasehold lands in Penang. Discounts of up to 90% are for agricultural and residential land, and up to 80% for commercial land. For industrial land, the owners will get a discount of between 50% and 75% according to the criteria set by the state. However, there will be a moratorium where the landowners will be restricted from selling their parcels of land for 10 years. Otherwise, the landowners have to pay 100% of the premium.

New facility: Indium Corporation in Batu Kawan Industrial Park

Source: Knight Frank Research

JOHOR PROPERTY MARKET

Highlights

The high-rise residential market remained subdued with no launches observed in 2H2022. However, for existing established high-rise residential schemes, the sentiments have turned positive as the year draws to a close due to the progress of the on-going RTS system in Johor Bahru City Centre.

In the secondary market, asking prices of selected high-rise residential projects in Johor Bahru City Centre and Fringe have remained relatively stable as of 2H2022 whilst in Iskandar Puteri, the prices are improving.

Asking rentals for selected office space in Johor Bahru remained flat. The review period witnessed the completion of MVS North Tower at Mid Valley Southkey.

Johor's retail market is anticipating a brighter outlook, supported by increased footfall following reopening of the country's border since April 2022. This is also supported by improved positive sentiments evident from active tenants' movements / expansions all across Johor Bahru in 2H2022.

The industrial property sector remained strong across the board with notable acquisitions and expansions of logistics warehouses, manufacturing plants and the hype surrounding data centres.

Market Indications

As of 3Q2022, Johor ranked first as the top investment state in Malaysia with RM63.9 billion worth of total capital investments, made up of foreign and domestic direct investments (FDI and DDI). It was followed by Kuala Lumpur, the states of Selangor, Sarawak and Kedah. In terms of manufacturing investments, Johor came in 4th with RM8.8 billion (90.7% higher as compared to 3Q2021) worth of manufacturing investments in Malaysia (Source: Malaysia Investment Development Authority, MIDA).

Meanwhile, Iskandar Malaysia has secured RM368 billion in total cumulative committed investments since 2006. To date, circa 59.5% of the total cumulative investments have been realized, with Singapore remaining as the 2nd largest source of FDI in Johor Bahru with a total of RM25.3 billion worth of diversified investments across various industries (Source: Malaysia Investment Development Authority, MIDA).

Mah Sing Group Bhd's offering of 108 units of 18 ft by 70 ft double-storey linked homes at Erica Phase 3 in Meridin East were fully taken up during its two-day weekend launch event in August. With a gross development value (GDV) of RM56.6 million, the linked houses which come with four bedrooms and three bathrooms have built-ups between 1,601 sq ft and 1,647 sq ft. They are priced from RM425,000 onwards.

During the review period, KSL Holdings Bhd proposed to acquire 53.89 acres of freehold land in Pontian, Johor from Tropicana Corp Bhd for RM102.94 million. The acquisition is expected to be completed by end of 2023. The proposed development on the land will entail 628 units of residential properties with an estimated GDV of RM395 million. The project is expected to kickstart in 2024 and be developed over a span of 8 to 10 years.

KSL Holdings Bhd is also acquiring an 84-acre parcel of land in Pulai, Johor Bahru from Tropicana Desa Mentari Sdn Bhd at a consideration of RM109.90 million. The land is planned for landed property development. The acquisition is expected to be completed by 2Q2023.

Industrial space solutions provider AME Elite Consortium Bhd aims to achieve RM1.5 billion GDV for its newly launched i-TechValley at Southern Industrial and Logistics Clusters (SILC) Phase 3, Johor. Developed by the group's wholly owned subsidiaries Pentagon Land Sdn Bhd and Greenhill SILC Sdn Bhd, the 170-acre industrial park will feature properties from standard units of one acre and three acres to larger fit-for-purpose buildings that are tailored to customers' requirements. Prior to its launch, i-TechValley at SILC has already garnered initial investments from notable multinational corporations and domestic companies, including two US-based pharmaceutical giants. i-TechValley will allocate 2.98 acres to build and manage workers' dormitories offering more than 2,600 beds, with space allocations in compliance with the Labour Department's requirements.

It has been eight months since Malaysia transitioned to the endemic phase of COVID-19 – this follows reopening of its borders on 1 April, 2022. The highly anticipated reopening of the Singapore – Malaysia Causeway and the Tuas Second Link have allowed a large number of people in both countries to travel across both places. Coupled with the normalisation of all economic activities, this has sparked retail activities in Johor Bahru evident from the high number of footfalls in retail malls on weekends.

Residential

As of 3Q2022, the cumulative supply of high-rise residential properties (condominiums and serviced apartments) in Johor Bahru stood at 161,732 units reflecting an annual increase of 11.3% (3Q2021: 145,375 units).

During the review period, the volume of transactions for both condominiums and serviced apartments were higher by 46.3% and 110.7%, respectively, as compared to 3Q2021 while the corresponding transacted values jumped 113.0% for the serviced apartment category and posted a modest 17.9% increase for the condominiums.

The asking prices of selected high-rise residential schemes in the locality of Iskandar Puteri are trending upwards. This is attributed to improved market sentiment following reopening of the Singapore – Malaysia border in April 2022 coupled with its proximity to Singapore via Tuas Checkpoint.

Average Asking Prices of Selected High-Rise Residential Schemes in Johor Bahru, 2H2022

Locality	1H2022	2H2022	Price Change
	(RM per sq ft)		
Johor Bahru City Centre	550 – 1,000	580 – 1,000	⇔
Johor Bahru City Fringe	400 – 650	400 – 670	⇔
Iskandar Puteri	450 – 770	490 – 860	↗

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

Office

As of 3Q2022, about 8.4 million sq ft of the existing office stock are privately-owned (3Q2021: 8.5 million sq ft). The lower supply (-1.6%) is 3Q2022 due to removal of three properties as they no longer meet the definition of a PBO due to other dominant uses / for other purposes

Johor Bahru has an incoming office supply of about 2.5 million sq ft. The completion of MVS North Tower at Mid Valley Southkey in October, added about 330,000 sq ft of net lettable area to the existing supply.

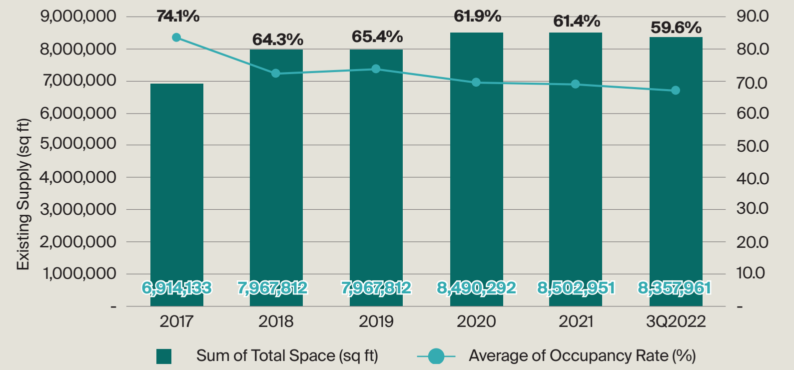
During the review period, the asking rentals for selected office space in Johor Bahru remained relatively flat.

Average Asking Gross Rentals of Selected Purpose-built Office Space in Johor Bahru, 2H2022

Locality	1H2022	2H2022	Price Change
	(RM per sq ft)		
Johor Bahru City Centre	2.90 – 3.50	2.90 – 3.50	⇔
Johor Bahru City Fringe	2.40 – 2.70	2.30 – 2.90	⇔
Iskandar Puteri	3.00 – 3.50	3.00 – 3.50	⇔

Source: Knight Frank Research

Total Supply of Privately-owned Office Space and Occupancy Rate in Johor Bahru, 2017 to 3Q2022



Source: NAPIC / Knight Frank Research
Note: The existing supply for privately-owned office space in Johor Bahru declined in 3Q2022 due to removal of 3 properties as they no longer meet the definition of a PBO due to the dominant use for retail and serviced apartment purposes instead of office.

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

Selected Notable Tenant Movements in Johor Bahru, 2H2022

Building Name	Approx. Space (sq ft)	Remarks
Johor Bahru CBD		
Menara JLand	~4,100	New Set Up • Fintech Industry
Menara Landmark	~1,000	Relocation • Biomass Industry
	~640	Relocation • Steel Manufacturing Industry
Johor Bahru City Fringe		
MVS North Tower	~3,300	Relocation • Logistics Industry
	~3,300	Relocation • Chartered Accountants

Source: Knight Frank Research

Retail

As of 3Q2022, the cumulative supply of retail space in Johor Bahru was recorded at about 20.4 million sq ft with lower overall occupancy rate at 69.1% (3Q2021: 73.2%). Two retail malls with total space of about 0.5 million sq ft are scheduled for completion in the near future, namely SKS City Mall Larkin and Persada Annexe (Source: NAPIC).

There are two openings of cinemas in Johor Bahru during the review period. Sunway Big Box Retail Park welcomed Golden Screen Cinemas' (GSC) which features Malaysia's first-ever GSC Play Park with the one and only Popcorn Tower Slide while Blockbuster Cineplexes Cinema is going to launch its second outlet in Pelangi Leisure Mall, taking over the space of GSC after its closure in 2013.

Golden Screen Cinemas at Sunway Big Box Retail Park and Lulu Grocer, Toppen Shopping Centre

Source: Knight Frank Research

Lulu Grocer, a full-fledged supermarket that sells fresh food and imported products from the UK and US has opened its first Johor outlet in Toppen Shopping Centre, occupying circa 27,500 sq ft of space on the ground floor.

Meanwhile, international renowned personal watercraft rentals, Seadoo Safari which provides a one-stop leisure and entertainment experience has launched its maiden outlet in Malaysia at R&F Marina Place this November.

The 2H2022 also marked Nitori's debut into Johor's market. The largest furniture and home furnishing chain in Japan has opened its first outlet in the state at The Mall, Mid Valley Southkey in December and will continue to expand its presence in other locations such as Toppen Shopping Centre.

Notable openings in the food and beverage (F&B) category include Châteraisé, Moody Cow Cafe, Chicago Chicken City, Garrett Popcorn, Rollney, KOI Thé, The Coffee Bean & Tea Leaf and Street Churros. Châteraisé is expanding rapidly with the opening of its second outlet at Johor Bahru City Square while another two outlets will be opening in Aeon Mall Tebrau City and Paradigm Mall this December.

A few famous brands that sell sweet and savoury snacks have also expanded their market presence to Johor. In particular, Garrett Popcorn and Rollney have opened their first outlets in Aeon Mall Tebrau City while Johor Bahru City Square welcomed a new outlet of Street Churros. Moody Cow, one of Penang's best cafes for cheesecakes has also launched its first outlet in Paradigm Mall. It is noteworthy to mention that Chicago Chicken City, a fast-food restaurant inspired by the original flavours of Chicago city, has set up its first stand-alone outlet in the state that provides drive-thru service at TD Central in Taman Daya. Following the success of this flagship store in TD Central, the chain has continued its expansion with a new outlet in Aeon Mall Tebrau City in November.

Notable Retailers / Tenant Movements in Johor Bahru, 2H2022

Tenant	Location	Remarks
Moody Cow Cafe	Paradigm Mall Johor Bahru	New set-up
Sketcher		Relocation
Golden Screen Cinemas	Sunway Big Box Retail Park	Expansion
Nitori	The Mall, Mid Valley Southkey	New set-up
Chagee		Expansion
Garrett Popcorn	Aeon Mall Tebrau City	New set-up
Rollney		New set-up
KOI Thé		Expansion
The Coffee Bean & Tea Leaf		Expansion
Street Churros	Johor Bahru City Square	New set-up
Lulu Grocer	Toppen Shopping Centre	New set-up
Seadoo Safari	R&F Marina Place	New set-up
Blockbuster Cineplexes Cinema	Pelangi Leisure Mall	Expansion
Châteraisé	Paradigm Mall / Aeon Mall Tebrau City / Johor Bahru City Square	Expansion
Chicago Chicken City	TD Central, Taman Daya / Aeon Mall Tebrau City	New standalone drive-thru store / Expansion

Source: Knight Frank Research

Industrial

Notable Transactions of Industrial Properties in Districts of Johor Bahru & Kulai, 2H2022

Purchaser	Location	Component	Land Area (acres)	Consideration	Announcement Date
Seng Li Marketing	Kawasan Perindustrian Tebrau 1	Detached factory	1.7	RM10.8 million	13 July 2022
Nipponkey Sdn Bhd	Gerbang Nusajaya	Vacant lands	Collectively 107.8	RM148.2 million	4 August 2022
Dynaciate Engineering Sdn Bhd	Kawasan Perindustrian Pasir Gudang	Detached factory	4.0	RM16.6 million	4 August 2022
Attractive Venture (JB) Sdn Bhd	Jalan Industri Saleng 3	Vacant land	8.0	RM12.2 million	5 August 2022
OKA Corporation Bhd	Senai	Vacant land	8.8	RM 14.2 million	16 August 2022
Shimano Components (Malaysia) Sdn Bhd	Pekan Nenas Industrial Park	Built-to-suit factory	5.0	RM45.0 million	12 October 2022
CI Holdings Bhd	Sime Darby Industrial Park, Pasir Gudang	Detached factory	6.6	RM 33.8 million	28 October 2022
Paragon Business Hub Sdn Bhd	Next to Taman Desa Cemerlang	Vacant land	104.5	RM71.5 million	9 November 2022
AME REIT	Indahpura	Detached factory	101,764 sq ft(1)	RM26.5 million	5 December 2022
			98,249 sq ft(1)(2)	RM26.5 million	
	Senai Airport City		56,814 sq ft(1)	RM16.3 million	

Source: Bursa Announcements & Knight Frank Research
Notes:
(1) Agreeable lettable area
(2) This property is currently under construction

Notable Announcements relating to Data Centres in Districts of Johor Bahru & Kulai, 2H2022

Company	Location	Component	Announcement Date	Remarks
Sea Ltd	YTL Green Data Centre Park	Data centre	25 August 2022	Joint-venture
Bridge Data Centres	Sedenak Tech Park	Data centre	20 October 2022	Opening
Equinix Inc	Nusajaya Tech Park	Data centre	30 November 2022	New set-up

Source: Various Sources & Knight Frank Research

AME Real Estate Investment Trust (AME REIT) was listed on the main market of Bursa Malaysia on 30 September, 2022. The initial portfolio of AME REIT consists of 34 industrial and industrial-related properties in Johor Bahru. The properties are being valued at RM557 million. AME REIT indicated that they are embarking on industrial property portfolio expansion into the central and northern Peninsular Malaysia to primarily leverage the future development project of its sponsor AME Elite Consortium Bhd (AME).

The second half of 2022 saw the partnership between Johor Corporation (JCorp) and Tiong Nam Logistics Holdings Bhd (Tiong Nam) to build and co-develop a 121.41-hectacre state-of-the-art, technology-enabled logistics park in Sedenak Technology Valley. They signed a preliminary collaboration agreement to jointly develop the project which has RM2.39 billion GDV.

Data centres operators are still actively expanding in Johor Bahru. YTL Power International Bhd expects a whopping RM15 billion spending to develop its 500-megawatt YTL Green Data Centre Park in Kulai, Johor. The first phase is the Sea Data Centre for Singapore's Sea Ltd with YTL Power investing RM1.5 billion in the development. Sea will be the anchor tenant for the YTL Green Data Centre Park. The Sea Data Centre is targeted to be completed by the first quarter of 2024. The three-storey green facility will feature 24 data hall suites, M & E rooms, office space, storage, and parking facilities.

Bridge Data Centres has also launched a new data centre in Johor. The ChinData-owned company, together with ByteDance, announced the opening of the first phase of the MY06 data centre in Sedenak. First announced in late 2021, phase 1 of the 110MW project covers the first of three buildings across the 38-acre site, located within the Sedenak Tech Park (STeP). TikTok-owner ByteDance will be the anchor tenant of the site.

Equinix Inc also announced its market entry into Malaysia with plans to build a new International Business Exchange™ (IBX®) data centre in Johor, called JH1. With an initial investment of approximately $40 million, JH1 is scheduled to begin operations in 1Q2024, providing 500 cabinets and 1,960 sq m of colocation space. JH1, a two-storey facility, will be located at Nusajaya Tech Park.

GKN Aerospace, a global tier-one aerospace supplier, has invested about RM160 million to set up an aero-engine parts repair facility at Nusajaya Tech Park in Johor. The facility is complementary to GKN Aerospace's existing component repair facility in El Cajon, California, to meet growing demand in the Asia Pacific region.

Tropicana Corp Bhd announced that it has registered a 100% take-up for phase 1 of its first industrial venture, Tropicana Industrial Park in Iskandar Malaysia, Johor. The industrial park caters to light and medium industries and is also a central industrial hub in Pontian district that is set to spur economic growth in the southern region. Several land parcels worth about RM200 million reportedly changed hands recently.

Outlook

The high-rise residential market in Johor Bahru continues to be under the scope of being oversupplied as the year comes to a close.

However, with the lower restrictions of foreign buyers being able to purchase below the RM1,000,000 threshold coupled with reopening of the borders between Singapore and Johor Bahru, the high-rise residential market is observed to be slowly picking up pace with a few projects in the City Centre attracting more interest with more enquiries as compared to previous quarter. Landed residential properties remains strong in demand with those located in established areas and upcoming new townships observed to be positive - due to more attractive / affordable price range and connectivity.

As of 2H2022, the retail market in Johor Bahru continues to improve with new set-ups as well as notable tenant movements and expansions across the board. The reopening of the country's border since 1 April 2022 has been the catalyst for the gradual recovery of the tourism and retail related markets in Johor Bahru. High number of visitors have entered Johor on a daily basis through the Singapore-Malaysia Causeway and even on weekends for their retail needs.

The office market in Johor Bahru continues to gather pace following normalisation of economic activities with more relocations or expansions anticipated moving into 2023. In addition, the recent completion of MVS North Tower at Mid Valley Southkey is another bright spot as it brings more quality office space options for companies in Johor Bahru.

The industrial sub-sector remains resilient post-pandemic with active industrial property transactions over the review period. More developers are expanding their land banks by purchasing industrial or industrial-zoned lands. Data centres and logistics & warehousing are the main drivers of industrial sub-sector growth in Johor Bahru. However, scarcity of foreign workers is an uncertain factor that needs to be addressed. Moving forward, we expect industrial players to put more efforts in environmental, social and corporate governance (ESG) matters. With good ESG disclosure and ratings, they have the opportunity to conform to new regulatory standards, secure better financing rates from banks, and raise fresh capital from investors.

KOTA KINABALU PROPERTY MARKET

Highlights

The residential sub-sector witnessed an increase in new launches, particularly in the landed housing segment.

Occupancy rates of selected privately-owned purpose-built office buildings improved during the review period.

Notable shopping malls continue to see encouraging recovery in footfall and the entry of new brands and expansion of existing retailers.

Further relaxation of entry rules for foreign travellers has helped to restore the tourism industry in the state, albeit moderately. With improving number of tourist arrivals supported by Sabah's tourism recovery effort, there is renewed interest in the state's hospitality market.

Market Indications

Sabah recorded a total capital investment of RM9.9 billion, making it one of the top five states in Malaysia in terms of total approved investments (domestic and foreign) during the first half of 2022. The manufacturing sector contributed to the lion share of the state's total investment value, yielding from a high-impact investment project by Petroventure Energy Sdn Bhd. The Special Purpose Vehicle (SPV) company, based in Sabah, will be manufacturing petroleum products such as gasoline, kerosene, benzene, liquefied petroleum gas, acrylic, sulphur, slurry, fuel oil and diesel (Source: Malaysia Investment Development Authority, MIDA).

In 1H2022, Sabah recorded a total of 5,013 property transactions valued at RM2.73 billion (1H2021: 3,557 transactions worth RM1.94 billion). There was improved market activity with both volume and value of transactions up by 40.9% and 40.6% respectively. The breakdown of the volume and value of transactions by property sub-sector is tabulated below:

Volume and Value of Transactions in Sabah, 1H2021 and 1H2022

Property Sub-Sector	Volume (No. of Units)		Change (%)
	1H2021	1H2022	1H2022/1H2021
Residential	2,226	2,879	29%
Commercial	456	568	25%
Industrial	92	173	88%
Agriculture	550	1,068	94%
Development Land	233	325	39%
Total	3,557	5,013	-

Property Sub-Sector	Value (RM Million)		Change (%)
	1H2021	1H2022	1H2022/1H2021
Residential	905.98	1,127.51	24%
Commercial	279.83	318.28	14%
Industrial	217.05	285.47	32%
Agriculture	329.09	653.34	99%
Development Land	207.07	342.68	65%
Total	1,939.02	2,727.28	-

Source: Knight Frank Research / NAPIC

88 Avenue, the latest offering by Mega City Builder Sdn Bhd, was unveiled in the second half of 2022. Located within Kepayan Ridge, the mixed development on a 2.671-hectare site, is set to feature three residential towers, a block of serviced suites and a shopping mall. The built-up areas for the residential units and serviced suites range from 1,002 sq ft to 1,320 sq ft and from 399 sq ft to 865 sq ft, respectively.

Residential

The existing residential supply in Greater Kota Kinabalu (including the districts of Kota Kinabalu, Penampang, Tuaran, Putatan and Papar) stood at 133,840 units as of 1H2022, an increment by circa 1.3% compared to 1H2021 at 132,119 units. In 1H2022, the condominium / apartment segment, as a singular property type, constituted circa 51,155 units (or 38.2% share) of the total existing stock.

Greater Kota Kinabalu registered a total of 896 residential transactions worth RM489.12 million in 1H2022 (1H2021: 909 transactions worth RM489.04 million). Year-on-year (y-o-y), the sales volume was marginally lower by 1.43%, albeit stable sales value.

Residential Transactions in Greater Kota Kinabalu, 1H2021 and 1H2022

Residential Property Category	Volume of Transactions (No. of Units)		Change (%)
	1H2021	1H2022	1H2022/1H2021
High-Rise	487	475	-2%
Landed	402	397	-1%
Vacant Land	20	24	20%
Total	909	896	-

Residential Property Category	Value of Transactions (RM million)		Change (%)
	1H2021	1H2022	1H2022/1H2021
High-Rise	155.57	159.15	2%
Landed	298.70	301.03	1%
Vacant Land	34.77	28.94	-17%
Total	489.04	489.12	-

Source: Knight Frank Research / NAPIC

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

Selected Residential Launches and Updates, 2H2022

New Launches, 2H2022				
Development Scheme	Location	Developer	Type of Property	No. of Units
Copper Tree	Likas, Kota Kinabalu	Paul Lau Architect	3-storey Semi-Detached	6
Acacia Menggatal Phase 2	Jalan Mansiang, Menggatal	SCP Property	4-storey Apartment with Lift	256
Taman Desa Kelanahan Phase 1	Kg. Kelanahan, Papar	Borneo Bina Jaya / Bee Hong Properties Sdn Bhd	Double-storey Terraced	60
Damar Residence (Phase 1 of Tropika Park City)	Lok Kawi, Papar	Zalam Development (Sabah) Sdn Bhd	24-storey Condominium	360
Taman Jelita Tambalang Phase 2	Off Jalan Sulaman / Off Jalan Marabahai Spur	Baratier Development Sdn Bhd	Single-storey Terraced; Single-storey Semi-detached	35 2

Proposed Supply, 2H2022				
Development Scheme	Location	Developer	Type of Property	No. of Units
Banyan Valley	Jalan Nountun Bukit Padang, Kota Kinabalu	Asia Land International Sdn Bhd	3-storey Terraced	84
Grand Meridian Condominium (Tower 1)	Off Jalan Lintas / Off Jalan Pintas Penampang	Skye Vista Development Sdn Bhd	32-storey Condominium	279
Taman Kinarut Ceria 3	Kinarut, Papar	U Properties Development Sdn Bhd	2-storey Terraced	48

Completions, 2H2022				
Development Scheme	Location	Developer	Type of Property	No. of Units
Taman Kinarut Ceria 2 Phase 1	Kinarut, Papar	U Properties Development Sdn Bhd	2-storey Terraced	17

Source: Knight Frank Research

As of the review period, average asking rentals of selected condominiums in Kota Kinabalu city centre and its fringe areas are between RM1.60 per sq ft and RM3.85 per sq ft per month whilst similar properties in other localities command lower monthly asking rentals ranging from RM1.10 per sq ft to RM2.75 per sq ft.

Average Asking Gross Rentals of Selected Condominiums in Kota Kinabalu & Penampang, 2H2022

Location	Average Asking Gross Rentals (RM per sq ft / month)
KK City Centre & Fringes	1.60 – 3.85
Bundusan / Kobusak	1.35 – 2.50
Damai / Luyang	1.25 – 2.65
Kepayan	1.35 – 2.25
Kolombong / Inanam	1.10 – 2.50
Likas	1.40 – 2.75

Source: Knight Frank Research

Purpose-Built Office

As of 1H2022, the existing supply of privately-owned purpose-built office space in Kota Kinabalu stood at 5.21 million sq ft with an average occupancy rate of 85.0% (1H2021: 5.31 million sq ft at 84.4% occupancy rate).

Plaza Shell, a notable Grade A office building located in the Kota Kinabalu Central Business District (KK CBD) observed an increase in tenant entries during the review period. They include Huaqiao Holdings Sdn Bhd, Kota Boss Tour Sdn Bhd, UMZ Bioline Manufacturer Sdn Bhd, Sabah International Petroleum Sdn Bhd, Core Advisors Ltd, Consulate of the Republic of Korea and Standard Chartered Bank Malaysia Berhad.

In the locality of Bundusan, G building also observed improved occupancy with several notable tenant movements such as Jolly Golf Bar, Orange Convenient Store, Artistry Dental Lab and GOfiz serviced workspace.

Monthly asking gross rentals of selected privately-owned CBD office space range from RM2.00 per sq ft to RM5.50 per sq ft per month.

Average Asking Gross Rentals of Selected Purpose-built Office Space in Kota Kinabalu, 2H2022

Building Name	Location	Average Asking Gross Rentals (RM per sq ft / month)
Plaza Shell	KK CBD	5.50
Riverson Suites	Southern Fringe of KK CBD	3.50 – 4.00
Menara MAA	KK CBD	2.00 – 4.00
Wisma Great Eastern	KK CBD	3.00
Wisma BSN	Karamunsing	2.30 – 2.40
Wisma Sabah	KK CBD	2.50 – 3.20

Source: Knight Frank Research

Retail

According to data from NAPIC, total retail space within shopping complexes (shopping malls, hypermarkets and arcades) in Kota Kinabalu stood at 5.83 million sq ft during the first half of 2022, with an average occupancy rate of approximately 76.6%.

Shopping malls located in the city centre such as Imago Mall, Suria Sabah Shopping Mall, Centre Point Sabah and Karamunsing Kompleks record healthy occupancy rates of between 80% and 95%. As for neighbourhood malls such as City Mall and International Technology & Commercial Centre Penampang (ITCC), the occupancy rates range from 75% to 90%.

Meanwhile, the monthly asking rental rates of selected retail spaces range from RM2.00 per sq ft to RM25.00 per sq ft depending on the mall, unit visibility / size / floor level, rental structure, and other factors.

Notable Tenant Entries, 2H2022

Shopping Mall	Retailers	Type of Trade
Imago Mall	15 Minutes Bake, 4 fingers, Hazukido, Steve Madden, DJI, Crazy Mic, Royce, Happy Cheese Smile, Dr. KO Dermaceutical	F&B, Fashion, IT & Electronics, Leisure, Beauty & Personal Care
Suria Sabah Shopping Mall	Digi Store Express, Maxis Centre, Sushi Panda, Trusted Sharks, Total	F&B, Telco, Fashion, Homeware & Appliances
City Mall	Mr DIY	Homeware & Appliances
ITCC	Ilao Ilao, Zus Coffee, Pezzo, Xiaomi	F&B, IT & Electronics

Source: Knight Frank Research

Hotel and Resort

Effective 1 August 2022, travellers entering Malaysia no longer require a traveller's card, Pre-Departure Test (PDT), On Arrival Test (OAT) and home surveillance order or quarantine (Source: Ministry of Health).

With this further relaxation of entry rules for foreign travellers, tourism activities in the state are observed to be picking up, albeit moderately, evident by the higher number of tourist arrivals. More direct international flights from Kota Kinabalu International Airport to destinations like Taipei, Narita, Busan and Hong Kong are progressively scheduled for resumption in the second half of 2022.

During the review period, there were two notable hotel openings.

Monocolo Boutique Hotel, a 3-star boutique hotel featuring 64 rooms in four configurations began its operations in July 2022. The guestrooms are characterized by colour palette: Superior room in “black” that accommodates two persons, “salmon” Deluxe room that sleeps three, mini family room in “blue” that accommodates four persons and “olive green” family room for five. The hotel features meeting spaces to cater to business functions, provides baby cot service, “Doctor on Call” service, free parking and an in-house restaurant named “Quarter”.

Hyatt Centric Kota Kinabalu, being the first Hyatt Centric hotel in Southeast Asia had its grand opening on 21 November 2022. The 23-storey hotel offers 222 guest rooms with facilities that include an infinity pool, duplex restaurant (ON22) and bar (ON23) on the rooftop, fitness centre and function space that includes seven meeting rooms. Each meeting room comes with balconies, floor-to ceiling height windows and are installed with high-spec audio visual equipment.

Hyatt Centric Kota Kinabalu

Source: Knight Frank Research

Updates of Notable Hotels and Resorts

Development Name	Location	Type	No. of Rooms	Expected Completion
Alila Dalit Bay Sabah(1)	Dalit Bay, Tuaran	Resort with 5-star Boutique Hotel	152	2022
Crowne Plaza Hotel	KK CBD	5-star Hotel	367	2023
Sheraton Kota Kinabalu Hotel	KK CBD	5-star Hotel	345	2024
Club Med Borneo Kota Kinabalu	Kuala Penyu	4 to 5-star Resort	400	2024
AVANI Kota Kinabalu Hotel	Luyang, KK	3 to 4-star Hotel	378	2025

Source: Knight Frank Research
Note: (1) Alila Dalit Bay Sabah has obtained its Occupational Certificate (OC) as of 2H2022 and is pending its official opening.

Outlook

Residential: The residential segment will continue to be the focal point for both developers and genuine homebuyers with the affordability aspect being top priority. The market absorption for high-rise residential supply is gaining traction, albeit at a gradual pace due to large influx of similar products in the past. Additionally, demand for landed residential properties remains strong, especially for well-located projects with good connectivity in established areas and suburbs. However, the tightening of monetary policy with multiple hikes in the overnight policy rate (OPR) recently will likely dampen sentiments of homebuyers due to higher borrowing costs.

Office: Leasing activities of selected purpose-built offices will continue to gain momentum as economic activity continues to normalise.

Retail: Notable shopping malls have seen an encouraging recovery in footfall from both the local and tourist visitors, along with the debut of new entrants to the retail market. In tandem with the relaxation of entry rules for foreign travelers and the imminent reopening of China’s borders, the retail industry anticipates further acceleration in activity in the near future.

Hotel & Resort: The performance of hotels and resorts continues to pick up, albeit moderately with the increase in tourist arrivals, particularly anchoring on the recovery of domestic tourism, further relaxation of entry rules for foreigners and resumption of more international flights. Moving forward, the tourism market’s pace of recovery is highly dependent on the reopening of China’s border as pre-pandemic, the country was the largest single source of international arrivals into the state.

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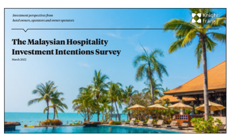

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