

MALAYSIA COMMERCIAL REAL ESTATE INVESTMENT SENTIMENT SURVEY 2020 (CREISS 2020)

■ Penang Sentiment

Without a doubt, investors are adopting the “wait and see” approach as the local and global economies screeched to a halt amid the COVID-19 pandemic. The deadly virus has sent half the world into semi or total lockdown as countries try to contain the spread by restricting travel, banning mass gatherings and encouraging social distancing amongst other measures

With the 6-week long movement control order (MCO) in place, property transactions not only in Penang but the whole country have come to a standstill.

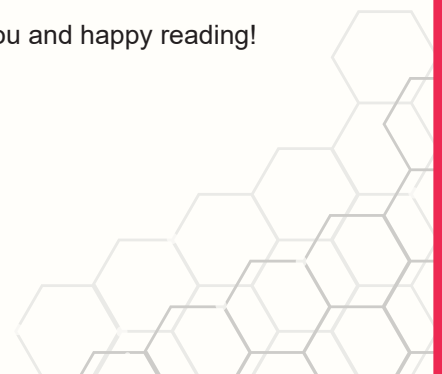
Like any other regions, the commercial property market in Penang is expected to remain in the doldrums as weak sentiments prevail for the remainder of the year. The economic toll from the pandemic continues and has yet to be calculated, and recovery, when it comes, will be a welcome relief.

With Penang’s competitive positioning and its ecosystem built on a solid business offering a robust supply chain with ready infrastructure and government support, the state’s economy is poised to bounce back once the pandemic stabilises. There are over 65,000 establishments comprising multinational corporations (MNCs) and small-medium enterprises (SMEs) in Penang’s ecosystem. The state also possesses a strong and growing cluster in the manufacturing industry, mainly in the semi-conductor, electrical and electronics (E&E), and medical devices segments.

Undoubtedly, the industrial sub-sector will continue to be a beacon of Penang’s economy. However, there is also a rising interest in the office sector. A wave of branded residences emerging with hotel services is also a bright sector for Penang, a UNESCO World Heritage destination.

There are still opportunities to explore amidst the doom and gloom. Thank you and happy reading!

Mark Saw,
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The office market, the sweet spot in Penang

The Penang office market saw rising interest due to its relatively healthy level of supply and commendable occupancy rate.

As of 3Q2019, Penang recorded circa nine million sq ft of privately-owned purpose-built office space with corresponding occupancy rate of circa 77.5% (Source: NAPIC). George Town contributes circa 5.7 million sq ft or 64% of the total office stock with occupancy rate of 82.1%. In the supply pipeline is the 80,000 sq ft GBS One Mahsuri in Bayan Baru by Penang Development Corporation (PDC). With limited incoming supply, the office market has become the bullseye for some investors / developers.

There may be some pullback to the co-working segment which has helped to improve occupational demand of growing office supply in Kuala Lumpur in the immediate term preceding the lifting of the movement control order (MCO) as there will be reduced desire for clients or members to congregate and interact face to face in one location. Post COVID-19, co-working space may serve well in Penang as it offers flexibility, hassle-free and low set-up cost. These unique selling points (USPs) are attractive particularly to small companies and self-employed individuals.

On top of flexibility, co-working space also offer modern working environment and networking opportunities. With limited availability of good grade offices in Penang, co-working operators have begun to make inroads into the Penang to fill in the gap. Last year, Regus unveiled "Space" at No. 2, Beach Street, the refurbished office space is housed within an iconic heritage building within the UNESCO site of George Town. Other notable players who have presence in Penang are Common Ground, MSOGO, Settlement, Scoopoint, Flexible and Habitat.

The outlook for the office sub-sector (including the co-working segment) is anticipated to remain attractive post-COVID-19 economic recovery. Penang's office market is anticipated to grow in tandem with the state's 2030 vision of becoming Malaysia's next business nexus.



■ Branded residences, the trophy asset

Branded Residence is a growing concept of luxury housing for the wealthy in Penang. Traditionally, the luxury homes are integrated with a hotel development or vice versa where the residences benefit from the international and upscale hotel brand (quality), management and services such as 24-hour concierge service, ala carte room service and housekeeping.

Marriott Branded Residence by the waterfront of Persiaran Gurney in the Penang Island is set to be Georgetown's first premium Branded Residences when completed in 2023. The 55-storey tower by Boon Siew Group comprises mixed-use components made up of 302 units of branded services residences, 90 units of executive apartments and 223 hotel rooms.

Another notable incoming branded residence development in Penang is the Angsana by Banyan Tree at Teluk Bahang.

Penang, The Pearl of The Orient, is showing affinity for branded residences as more developers come to realise the synergy of having a brand not only adds premium but also helps with sales. Penang, with Georgetown inscribed into the UNESCO World Heritage List, is a renowned destination for tourists and retiring foreign property buyers.

In line with the state government's planned Vision 2030, several infrastructure projects such as the Gurney Wharf Penang, the expansion of Penang International Airport and Penang Transport Master Plan (PTMP) are expected to take-off in the near to mid-term. These infrastructure projects, catalysts for the state to draw further investments and create more job opportunities, bode well for the real estate market.



Artist Impression of Marriott Residences Penang

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