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

Knight Frank

Real Estate Highlights

Research, 1st Half 2021

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KUALA LUMPUR HIGH END CONDOMINIUM MARKET

Highlights

6-month loan moratorium for all individuals and SMEs under PEMULIH and extension of the Home Ownership Campaign (HOC) until 31 December 2021 under PERMERKASA+.

Reverse mortgage scheme offering financial assistance to retirees to be launched by Cagamas later in the year.

Fewer completions and launches in 1H2021 due to the various phases of strict containment measures amid resurgence of infections.

Secondary market pricing undergo correction while rentals remain under pressure amid full-lockdown with no viewings allowed since 1 June 2021.

The pandemic has accelerated the adoption of technology in newer developments and on the same note, more developers are embracing digital marketing to boost sales.

Market Indications

The COVID-19 infections in Malaysia showed no signs of abating despite the national roll-out of vaccines on 24 February 2021. The spike in positive coronavirus cases has led to the re-imposition of MCO 2.0 in January 2021, followed by MCO 3.0 and full lockdown (FMCO) since May 2021. The reopening of the economy is expected to be gradual as vaccination drive ramps up under the four-phase National Recovery Plan (NRP). The country's gross domestic product (GDP) growth for 2021, which was previously projected at between 6.0% and 7.5%, is expected to be revised downwards due to the adverse impact of the prolonged strict containment measures on the various economic sectors.

Malaysia's economy posted a lower contraction of -0.5% in 1Q2021 (4Q2020: -3.4%), supported by a series of stimulus packages totalling about RM530 billion to date, coupled with expansion in exports and improvement in domestic demand as well as better external demand.

The labour market recovered modestly in 1Q2021 with unemployment rate at 4.7% (4Q2020: 4.8%). However, going forward, it will remain challenging as the strict containment measures currently in place is expected to result in more business closures and job losses.

Headline inflation increased to 0.5% in 1Q2021 after the country recorded its first full year deflation (2020: -1.2%) since 1969. The central bank projected Malaysia's headline inflation for 2021 to average between 2.5% and 4.0% due mainly to cost-push factors which include an expected increase in global crude oil and commodity prices.

The current monetary policy remains accommodative with the Overnight Policy Rate (OPR) maintained at a record low of 1.75% since 7 July 2020. The number of submissions for loan applications was higher by circa 27.2% in 2H2020 (2H2019: 133,648 applications) although banks / financial institutions continue to remain vigilant with stringent approval process against potential build-up of financial imbalances.

Timeline of Government Measures

First Wave 25 Jan 20 to 16 Feb 20

Movement Control Order (MCO) 18 Mar 20 - 3 May 20

Second Wave 27 Feb 20 to 30 Jun 20

Stimulus Package

27 Feb 20
Malaysia First Economic Stimulus Package 2020
RM20 bill

4 Jul 20
Malaysia Second Economic Stimulus Package 2020
RM230 bil

27 Mar 20
Malaysia Additional Prihatin SME Economic Stimulus Package 2020
RM10 bil

6 May 20
Malaysia Short Term Economic Recovery Plan 2020
RM35 bil

Movement Control Order 2.0 (MCO 2.0) 13 Jan 21 - 4 Mar 21
Movement Control Order 3.0 (MCO 3.0) & Full Lockdown (FMCO) 6 May 21 - 14 Jun 21
National Recovery Plan (NRP) 15 Jun 21 - Current

Third Wave 8 Sep 2020 to Current

Stimulus Package

23 Sep 20
Kita Prihatin Malaysia Economic Stimulus Package 2020
RM7 bil

18 Jan 21
PERMAI Assistance Package
RM15 bil

19 Mar 21
PEMERKASA Assistance Package
RM20 bil

31 May 21
PEMERKASA+ Stimulus Package
RM40 bil

28 Jun 21
PEMULIH Stimulus Package
RM150bil

In Wilayah Persekutuan Kuala Lumpur, the condominium / serviced apartment segment remains the most transacted type of property. In 1Q2021, a total of 1,990 units valued at RM1.50 billion changed hands. The figures reflect a 18.5% and 29.6% increase in volume and value of transactions year-to-date (1Q2020: 1,680 units valued at RM1.16 billion) respectively.

Supply & Demand

As of 1H2021, the cumulative supply of high-end condominiums / residences in Kuala Lumpur stood at 1,777 units following the completion of six projects.

Completion of High-End Condominiums / Residences, 1H2021

Project	Location	Area	Total Units
AIRA Residence	Jalan Batai	Damansara Heights	169
Ascott Star KLCC	Jalan Yap Kwan Seng	KL City	272
Eaton Residences	Jalan Eaton	KL City	632
The Estate South Bangsar	Jalan Pantai Prima	Bangsar / KL Sentral / Mid Valley / Bangsar South	328
ViiA Residence	Off Jalan Bangsar	Bangsar / KL Sentral / Mid Valley / Bangsar South	326
18 Madge	Jalan Madge	Ampang Hilir / U-Thant	50

Source: Knight Frank Research

Another eleven projects, scheduled for completion by 2H2021, will collectively contribute some 6,979 units to Kuala Lumpur's cumulative high-end residential stock. These schemes are 10 Stonor (364 units), The Manor (484 units), Lucentia Residences @ Bukit Bintang City Centre (666 units), The Colony by Infinitum (423 units), The Luxe by Infinitum (300 units), Novo Ampang (421 units), Sentral Suites (1,434), Met 1 Residences @ KL Metropolis (616 units), Senada Residence @ KLGCC Resort (429 units), Savio @ Riana Dutamas (921 units) and Phase 1 of The Era @ Duta North (921 units).

During the review period, notable launches / previews include Jendela Residences @ KLGCC, The Fiddlewoodz @ KL Metropolis, Sunway Belfield and Verdura @ Bangsar Hill Park.

Sime Darby Berhad has unveiled its latest residential project - Jendela Residences. Located at its flagship Kuala Lumpur Golf & Country Club Resort (KLGCC Resort), the project consists of 520 units of serviced apartments in two 41-storey towers complemented by 27 retail units. The serviced apartments with built-up areas of 1,324 sq ft to 2,260 sq ft are currently open for registration with indicative selling prices starting from RM1.25 million per unit or about RM940 per sq ft.


The Estate South Bangsar

Source: Knight Frank Research

The Fiddlewoodz @ KL Metropolis is a serviced apartment project by Ivory Interpoint Sdn Bhd, a subsidiary of Exsim group. Located on a 1.86-acre site at Jalan Dutamas 2, the freehold project forms part of the 75.5-acre KL Metropolis masterplan development. The Fiddlewoodz @ KL Metropolis offers 679 units of serviced apartments sized from 889 sq ft to 1,476 sq ft with selling prices starting from RM850,000 or about RM960 per sq ft. The project is expected to be completed by 2025.

Sunway Belfield is being developed by a subsidiary of Sunway Bhd. The freehold Green RE-certified sustainable project on a 4.53-acre site located along Jalan Belfield features three blocks of serviced apartments with a total of 1,330 units. To date, two blocks have been launched, each offering 440 units. The units, which come in five different layouts with built-up

Notable Launches / Previews, 1H2021

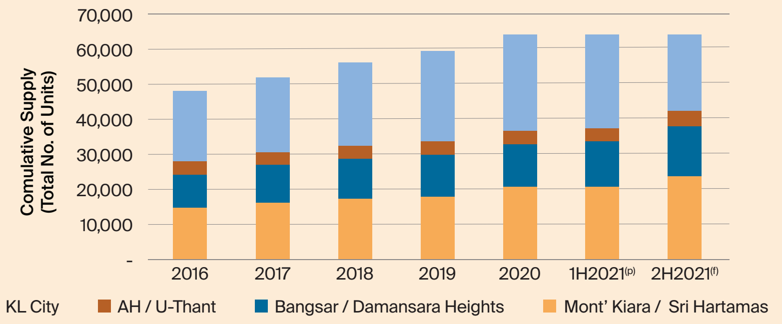
Name of Development	Type[1]	Developer	Location	No. of Units	Unit Sizing (sq ft) (Min - Max)	Gross Selling Price
Jendela Residences @ KLGCC	SA	Sime Darby Property Berhad	Mont' Kiara / Sri Hartamas	520	1,324 - 2,260	From circa RM1.25 million (RM940 per sq ft)
The Fiddlewoodz @ KL Metropolis	SA	Ivory Interpoint Sdn Bhd (A member of EXSIM Group)	Mont' Kiara / Sri Hartamas	679	889 - 1,476	From circa RM850,000 (RM960 per sq ft)
Sunway Belfield	SA	Sunway Belfield Sdn Bhd	KL City	1,330	788 - 1,337	From circa RM590,000 (RM750 per sq ft)
Verdura @ Bangsar Hill Park	C	Bangsar Hill Park Development Sdn Bhd (BHPD)	Bangsar	812	917 - 1,478	From circa RM835,000 (RM910 per sq ft)

Source: Knight Frank Research
Note: (1) SA = Serviced Apartment; C = Condominium

areas ranging from 788 sq ft to 1,337 sq ft in two-to-four-bedroom configurations, are priced from RM590,000 onwards or about RM750 per sq ft.

Bangsar Hill Park Development Sdn Bhd (BHPD) has previewed Verdura, phase one of the 5.87-acre Bangsar Hill Park project. The latter forms part of the 9.82-acre leasehold redevelopment of Sri Pahang flats in Bukit Bangsar. Verdura, which is slated for completion by 1Q2025, features two blocks (Blocks D and E) of 62-storey condominiums offering a total of 812 units sized from 917 sq ft to 1,478 sq ft. Gross selling prices start from RM835,000 each or about RM910 per sq ft.

Projection of Cumulative Supply for High End-Condominiums / Residences, 2016 to 2H2021(f)



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

Average Prices of Selected Existing High-End Condominiums / Serviced Apartments, 2H2020 and 1H2021(p)

Locality	2H2020 (RM per sq ft)	1H2021(p) (RM per sq ft)	Price Analysis
KL City	1,005 – 1,056	1,000 - 1,040	↘
Ampang Hilir / U-Thant	720 - 760	720 - 750	↘
Bangsar	890 – 1,040	800 - 1,040	↘
Damansara Heights	760 -900	820 – 940	↗
Kenny Hills	710 – 730	690 – 710	↘
Mont' Kiara	580 – 730	580 - 730	⇔
OVERALL	**780 - 870**	**770 - 870**	↘

Source: JPPH / Knight Frank Research
Notes: (p) = Preliminary – Analysis based on preliminary data

Average Asking Rentals of Selected Existing High-End Condominiums / Serviced Apartments, 2H2020 and 1H2021(p)

Locality	2H2020 (RM per sq ft)	1H2021(p) (RM per sq ft)	Rental Analysis
KL City	2.20 - 5.00	2.00 - 5.00	↘
Ampang Hilir / U-Thant	1.80 - 3.00	1.80 - 2.90	↘
Bangsar	2.30 - 4.00	2.30 - 3.80	↘
Damansara Heights	2.00 - 4.20	2.20 - 4.20	↗
Mont' Kiara	2.00 - 3.50	2.00 - 3.80	↗

Source: Knight Frank Research
Notes: (p) = Preliminary – Analysis based on preliminary data

Prices & Rentals

In the primary market, the average gross selling prices of new high-rise residences generally ranged between RM750 per sq ft and RM960 per sq ft. New and upcoming schemes located at the established and popular residential locales of Bangsar and Mont' Kiara / Sri Hartamas appear to command higher pricing although developers are generally offering more discounts to boost sales in this challenging market environment.

In the secondary market, the locality of Damansara Heights is the only exception where the selected schemes monitored registered higher average prices (on per sq ft basis) when compared to 2H2020 while in the locality of Mont' Kiara, the prices of sampled properties were relatively stable during the review period. Elsewhere, in the other localities, the prices of high-end residential units remained under pressure.

During the review period, asking rentals for selected schemes monitored in KL City, Ampang Hilir / U-Thant and Bangsar declined marginally. Meanwhile, in the localities of Damansara Heights and Mont' Kiara, the asking rentals remained in the positive territory.

Moving forward, the overall rental market is expected to remain under pressure due to weaker leasing demand. Tenants looking for affordable rental options continue to be spoilt for choice. It is worth mentioning that the country has relaxed its entry ban on certain categories of expatriates and their dependants as well as professional visit pass holders since 21 September 2020.

Outlook

The country has recently entered into Phase 1 of the four-phase National Recovery Plan (NRP) as it looks to gradually reopen more economic sectors following acceleration in vaccine drive.

The strict containment measures to curb the spread of COVID-19 for the most part of 1H2021 has derailed the recovery of Kuala Lumpur's high-end condominium market in addition to delaying construction works / project delivery as well as the sales and financing processes among others.

The Real Estate and Housing Developers' Association Malaysia (REHDA) has urged the government to amend the Temporary Measures for Reducing the Impact of Coronavirus Diseases 2019 (Covid-19) Act (Act 829), which was gazetted in October 2020, to address the various problems that may arise, and at the same time protect all the affected contracted parties.

On a positive note, the Home Ownership Campaign (HOC) which was first introduced in 2019 to stimulate the property buying process and the sale of unsold residential properties, has been extended till 31 December 2021 as part of the PEMERKASA+ Stimulus Package. The HOC has been successful in reducing the property overhang with an estimated 34,354 residential units worth RM25.65 billion sold from 1 June 2020 to 28 February 2021.

Meanwhile, there have also been calls to the government to lift the suspension of the Malaysia My Second Home (MM2H) programme to boost the property (and rental) market. Since its inception in 2002 to 2019, MM2H which has been relatively successful in attracting high-net-worth individuals to Malaysia, has brought in an estimated RM40 billion to the economy.

The government has recently unveiled an additional aid package under the NRP worth RM150 billion through Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH), to ease financial and economic damages on the economy.

Timeline of Loan Moratorium

Date	Loan Moratorium
1-Apr-20	6-month automatic moratorium on all bank loans for individuals and SMEs (i.e. a "blanket" approach)
1-Oct-20	Targeted repayment assistance until the end of June 2021 (extended 3-month moratorium for unemployed; 6-month reduced instalments and repayment flexibility for those affected by COVID-19)
1-May-21	Enhanced targeted repayment assistance for eligible B40 and SMEs (postponement of repayment for 3 months or 50% reduction in monthly instalment for 6 months) and self-declaration application for M40
28-Jun-21	6-month moratorium on bank loans for all individuals and SMEs. The loan moratorium would be approved automatically after application.

Source: Ministry of Finance / Knight Frank Research

Cagamas Bhd, the National Mortgage Corporation of Malaysia is looking to launch its reverse mortgage scheme later this year to address income insecurity for seniors. As a guarantor, Cagamas designed the scheme to offer financial assistance in improving standard of living for the silver population rather than as a measure to drive the property market.

More developers are embarking on digital marketing (campaigns) to clear unsold inventory and boost sales of newly launched products.

During the review period, KSK Land, the developer of the branded residences, YOO8 serviced by Kempinski launched its microsite called Discovery YOO8. The microsite provides access to construction progress update down to each unit level via isometric layout drawings as well as access to progressive billing functions. It also introduced an interactive mini movie series to capture the services within the development. The digital storytelling series will enable users to choose their own Kempinski services whilst allowing KSK Land to use big data to learn the service and lifestyle preferences for future residences of YOO8.

The unprecedented crisis has brought health and hygiene in high-rise living to the forefront. Moving forward, more upcoming developments are expected to incorporate touchless technology in elevators, door handles etc., antimicrobial material / surfaces in common areas, customised sensors to adjust air temperature and humidity, air-conditioning systems using UV light to kill bacteria and some viruses, etc. Other trends that we foresee may come into place are dedicated workplace in homes as the work-from-home trend firmly settles in, parcel lockers due to higher demand for contactless deliveries, vertical urban farms, etc.

The short-term outlook for Kuala Lumpur's high-end condominium market remains sluggish as potential buyers and investors adopt the 'wait and see' approach during this trying time. Also, with the suspension of the MM2H programme and closure of international borders still in place, demand for projects targeting foreign buyers will be limited.

Recap on Ongoing Incentives

Incentive	Timeline
Low interest rate, OPR at 1.75%	Since 07 July 2020
Exemption of Real Property Gains Tax (RPGT)	Until 31 December 2021
Home Ownership Campaign (HOC)	Until 31 December 2021
6-month Loan Moratorium	Announced on 28 June 2021

KLANG VALLEY OFFICE MARKET

Highlights

Co-working space providers are re-strategizing by offering attractive corporate flex packages and membership packages that allow organisations the flexibility to scale up or down as they explore the hybrid working arrangement during current market uncertainty.

Rising number of tenants and investors with clearer business continuity plans looking at workplace consulting to identify strategies for managing the new normal in their business operations.

Four new offices in KL City were completed during the review period, offering combined leasable space of circa 1.7 million sq ft.

Subdued investment market with no notable office transaction.

The KL City office market is anticipated to experience further pressure as the gap between supply and demand continues to widen amid weaker office demand.

Market Indications

The Business Conditions Index (BCI), as reported by MIER, declined 3.6 points to read at 111.8 points in 1Q2021 (4Q2020: 115.4 points) due to slightly lower sales as well as the decline in local and external demand. Nevertheless, the index, which expanded 28.8 points year-on-year, has remained above the 100-point threshold level for two consecutive quarters. The optimistic outlook was mainly attributed to the gradual recovery of the domestic and global economies, the rollout of the National Immunisation Programme and the implementation of various initiatives under the economic stimulus packages amongst others.

However, the resurgence of COVID-19 infections early this year, leading to the re-imposition of movement control orders (MCO 2.0 and MCO 3.0) and full lockdown (FMCO) since January 2021, continues to derail the nation's economic recovery.

The prolonged pandemic with its strict containment measures such as travel restrictions, enforced business closures and restricted social activities leaves many businesses and economic sectors struggling to stay afloat.

To date, nine economic stimulus packages totalling some RM530 billion have been unveiled to mitigate the adverse impact of the pandemic on the economy, business and society. The latest package, PEMULIH (National People's Well-Being and Economic Recovery Package) worth RM150 billion together with a RM10 billion fiscal injection, was announced on 28 June 2021 and together with acceleration in the vaccine drive will support the gradual reopening of more economic sectors in the country's four-phase National Recovery Plan (NRP).

Supply & Demand

The cumulative supply of office space in Klang Valley stood at circa 111.4 million sq ft as of 1H2021 with the addition of 1.7 million sq ft of space following completions of the International Quarter (Menara IQ) (formerly known as HSBC Tower) at TRX, Permata Sapura, Menara Great Eastern 2 and TS Law Tower, all located in KL City.

Located along Jalan Ampang, the 19-storey Menara Great Eastern 2 is the redevelopment of the former headquarters of Great Eastern Malaysia. Completed in April 2021, the GBI-certified building has a net lettable area (NLA) of circa 212,000 sq ft and comes with 224 car park bays. Its typical floor plate measures circa 17,650 sq ft.

Permata Sapura (formerly known as Lot 91) forms part of a mixed-use development in the vicinity of KLCC. Located along Jalan Pinang, this 45-storey Grade A office tower sits atop an exhibition centre, five levels of car park and two levels of retail space. The office tower, which is GreenRE (Gold) certified and has MSC Malaysia Status, offers circa 670,000 sq ft NLA and 375 car park bays. The building has a ceiling height of 2.80 metres, raised floors and typical floor plates sized between 16,000 sq ft and 17,000 sq ft. It is connected to the KLCC LRT station and the upcoming Persiaran KLCC & Conlay MRT stations via covered walkways.

The new headquarters for HSBC is now known as the International Quarter (Menara IQ). The 33-storey Prime A+ office building, which forms part of the International Financial District at Tun Razak Exchange (TRX), has MSC Malaysia Status and is LEED Gold certified. The building has a total NLA of circa 555,000 sq ft and 565 car park bays. Its floor plates for the lower and higher zones are circa 20,050 sq ft and 17,500 sq ft respectively.

The most recently completed TS Law Tower is a 48-storey Grade A office building with dual access from Jalan Kemuning and Jalan Utara in KL City. The building with NLA of circa 294,000 sq ft, has circa 62,000 sq ft of retail space and 372 car park bays. This GBI certified building has a floor plate of circa 7,543 sq ft and raised floor of between 2.70 metres and 2.90 metres on the high zone. The landlord will occupy circa 15% of the office space.


Menara TS Law

Source: TSLAW Group

By the end of 2021, the Klang Valley office market will see a flood of new supply that will put significant pressure on landlords. A total of 11 office buildings are scheduled for completions with six located in KL City, one in KL Fringe and four in Selangor. Upcoming completions in the city are Affin Tower, Stride Strata Office, UOB Tower 2, PNB 1194, Pavilion Embassy Corporate Tower and Plaza Conlay @ Conlay 301. In KL Fringe, the only impending completion would be that of Pavilion Damansara Heights Corporate Towers (Phase 1) whilst in Selangor, they are Block G of Empire City, HCK Tower @ Empire City, Quill 9 Annex and Imazium @ Uptown. Collectively, these completions will add circa 4.4% or 5.0 million sq ft of space to the existing cumulative office stock.

Selected Notable Tenant Movements, 1H2021

Building Name	Approx. Space (sq ft)	Remarks
KL City		
The Exchange 106	~ 60,000	Moving In • Co-working • BPO
Menara Binjai	~ 7,000	Moving In • Electronics
KL Fringe		
Menara Southpoint	~16,000	Moving In • IT
1 Sentrum	~36,000	Moving Out • Finance
Mercu 2	~ 8,000	Relocation • Recruitment Agency
Selangor		
1 First Avenue	~ 12,500	Moving In • Manufacturing
1 Powerhouse	~ 109,500	Moving In • FMCG • Tele-communication
Quill 18	~ 120,000	Moving out • IT
Symphony Square	~ 8,000	Moving in • Electronics

Source: Knight Frank Research

The overall occupancy rate of purpose-built office space in KL City continued to decline to record at 67.4% as of 1H2021(p) (2H2020: 69.1%) due to growing mismatch between supply and demand, "flight-to-quality" and continued COVID-19 impact. New office supply continues to compete for the same pool of tenants and with an increasing number of companies embracing hybrid or flexible work arrangements, more space is being released back to the market. As for KL Fringe, the overall occupancy remained flat at 85.8% during the review period (2H2020: 85.8%) as improved rail links continue to drive demand for quality decentralized office space. Similar to KL City, the overall occupancy for Selangor was also under pressure and declined to 75.8% in 1H2021(p) (2H2020: 77.9%).

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

HSBC Bank Malaysia Bhd is currently focused on relocating its head office-based teams in Leboh Ampang to its newly completed headquarters at Tun Razak Exchange (TRX). HSBC has invested more than RM1 billion in International Quarter (Menara IQ), its new and futuristic headquarters with approximately 555,000 sq ft NLA that will be fundamental in growing its business in Malaysia.

The Employees Provident Fund (EPF) has identified at least seven assets all over Malaysia with a total estimated value of RM350 million to RM450 million to be put up for sale. At least three of the assets are office buildings that the provident fund is currently occupying - Bangunan KWSP at Jalan Raja Laut and Bangunan KWSP at Changkat Raja Chulan, both in KL City and Bangunan KWSP Damansara Fairways in Petaling Jaya. The proposed disposals are part of the ordinary course of managing the provident fund's investments as a long-term strategic investor for the benefit of its members.

Singapore-listed Oxley Holdings Ltd has teamed up with property developer Pavilion Group for the development of Oxley Towers. The mixed-use project, on freehold land measuring about 3.11 acres, is located near Suria KLCC and Maxis Tower and has an estimated gross development value (GDV) of RM3.5 billion. The project will feature a 29-storey signature office tower (BCA Greenmark Gold) atop a retail podium as well as two integrated towers of hotel and residences.

The property development arm of Jakel Group is reportedly planning for a 74-storey tower on Lot 195 at Jalan Pinang. Located near Petronas Twin Towers, the freehold parcel measures 57,447 sq ft and is proposed for three floors of retail, four floors of exhibition space, a hotel as well as office and serviced apartment components. The proposed development is expected to be completed by 2025.

IBM, one of the first technology companies to invest in Cyberjaya, has shut down its Global Delivery Centre in Cyberjaya on 31 May 2021. Aside from its Cyberjaya operations, IBM also has a head office located in Bandar Utama, Petaling Jaya.

Paramount Property is selling two office buildings within Atwater, its RM800 million integrated development in Section 13, Petaling Jaya. Towers A and B, with NLA of 169,300 sq ft and of 197,570 sq ft respectively, are being put up for en bloc sale at circa RM380 million. The buildings, which are proposed to have MSC Malaysia Status (Tower A) and GreenRE Silver Rating (Tower B), are currently under construction with expected completion by 4Q2022.

Prices & Rentals

The average rentals of office space in KL City, KL Fringe and Selangor continued to retreat in 1H2021 as the year started on a more challenging note with the re-imposition of movement control orders (MCO 2.0, MCO 3.0 and FMCO) in January, May and June respectively and the declaration of state of emergency in January as part of the containment measures to prevent the spread of COVID-19.

In KL City, the average rental rate declined to RM6.88 per sq ft per month in 1H2021(p) (2H2020: RM7.03 per sq ft per month) as the protracted pandemic continues to weigh on the economy and businesses. The imposition of various phases of MCO since March last year has resulted in many people embracing home working. The closure and downsizing of businesses saw the release of shadow space and more fit-out units being left behind in the market. As tenant retention becomes more challenging amid growing imbalance between supply and demand, this has put significant pressure on landlords leading to declining rental trend in KL City.

Asking Rentals of Selected Grade A Offices, 1H2021^(p)

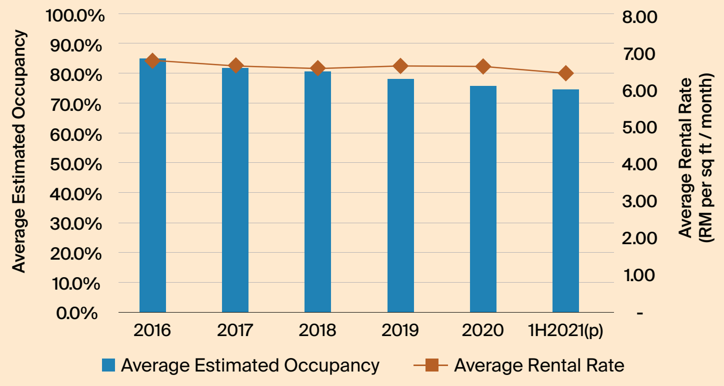
Building Name	Asking Gross Rental (RM per sq ft / month)
KL City	
Permata Sapura	9.50 - 10.50
Integra Tower	11.00
Menara Maxis	8.00 - 12.00
The Exchange 106	10.00 – 12.00
Menara Prudential @ TRX	8.50
Menara Hap Seng 3	8.00
Menara Binjai	8.80
Vista Tower	7.50 – 9.50
Menara TCM	7.50
G Tower	7.50 - 8.50
NAZA Tower	7.00
JKG Tower	5.00 – 6.50
KL Fringe	
Menara Shell	8.50
Menara Southpoint	8.50
Menara Etiqa	7.50 - 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	5.50
Nucleus Tower	5.60
Plaza 33	5.50
The Ascent @ Paradigm	5.50 – 6.00
Quill 18 (Blocks A & B)	5.50
Puchong Financial Corporate Centre (Towers 4 & 5)	4.50

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

During the review period, the average office rent in KL Fringe dropped to RM5.69 per sq ft per month (2H2020: RM5.75 per sq ft per month) whilst for Selangor, it was also lower at RM4.15 per sq ft per month (2H2020: RM4.25 per sq ft per month).

Meanwhile, 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 (New CBD: RM7.00 per sq ft to RM12.50 per sq ft per month and Old CBD: RM5.00 per sq ft to RM6.50 per sq ft per month). In KL Fringe, the monthly asking rentals are from RM6.00 per sq ft to RM8.50 per sq ft and in Selangor, similar grade office space command competitive monthly rentals ranging from RM4.50 per sq ft to RM7.50 per sq ft.

Occupancy and Rental Trends in Kuala Lumpur, 2016 to 1H2021^(p)



Source: Knight Frank Research
(p) = Preliminary data

Outlook

The office market outlook for KL City remains challenging as supply continues to outstrip demand, placing significant pressure on rental and occupancy levels. In KL Fringe, however, occupancy is expected to stabilize during the year, supported by sustained demand for quality decentralized office space available at competitive rates. There will also be growing pressure on the rental and occupancy in Selangor due to the challenging business environment.

Despite the 'wait-and-see' approach among tenants and investors, an increasing number of them appear to have clearer business continuity plans now and as such, we expect to see more enquiries moving forward as they identify strategies for managing workplace requirements in the new normal. These plans are, however, delayed amid the current strict containment measures.

A year into the pandemic, more office buildings are incorporating technologies such as facial recognition to promote touchless access, hands-free doors, touchless elevator system and UV disinfection system to ensure health and safety of tenants and visitors.

Going forward, more landlords are expected to focus on cost optimisation, asset enhancement initiatives (AEIs) and leasing strategies as tenant retention becomes more challenging amid heightened competition.

During this period of uncertainty, co-working space providers continue to re-strategize by offering attractive corporate flex packages and membership packages that allow organisations the flexibility to scale up or down while maintaining healthy cashflow as they explore the potential of hybrid work arrangement, either temporarily or permanently.

Although more organizations are exploring hybrid or flexible working arrangement, conventional office would remain very important with a tweak to its purpose where health and safety remain the top priority but with new roles such as a place for physical interaction and collaboration space complementing other flex offices for staff to work remotely.

The performance of the office market is closely related to the country's economic recovery which has been derailed by strict containment measures since beginning of this year to curb the spread of rising infections. The recent acceleration in vaccine drive supported by multiple financial aids totalling RM530 billion will help the country transition into the next phase of the National Recovery Plan with gradual reopening of more economic sectors.

KLANG VALLEY RETAIL MARKET

Highlights

The country's retail industry registered a negative growth rate of -16.3% in retail sales for 2020, its worst performance since the Asian Financial Crisis.

The MIER Consumer Sentiments Index (CSI) was higher at 98.9 points in 1Q2021. It, however, remained below the 100-point threshold of optimism despite reaching a ten-quarter high.

New completion of circa 450,000 sq ft brings Klang Valley's cumulative retail space supply to 63.01 million sq ft.

The recovery of the retail industry is undermined by the re-imposition of movement restrictions amid slower than anticipated vaccine rollout.

Market Indications

The MIER Consumer Sentiments Index (CSI) was recorded at 98.9 points in 1Q2021 (4Q2020: 85.2 points). Despite remaining below the 100-point optimism threshold, the index is at a ten-quarter high, signifying consumers' reconciliation of the current economic challenges and optimistic expectation for future employment and household income.

The country's retail industry recorded its worst performance since the Asian Financial Crisis with a -16.3% contraction in retail sales (1998: -20.0%). In 1Q2021, retail sales growth declined by -9.9%; reflecting an improvement on the quarter and when compared to the corresponding period in 2020 (4Q2020: -19.7% and 1Q2020: -11.4%).

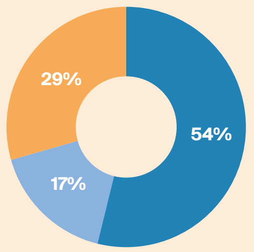
Supply & Demand

Following the completion of Setia City Mall Phase 2 with NLA of approximately 450,000 sq ft, the cumulative supply of retail space in Klang Valley stands at circa 63.01 million sq ft.

The scheduled completions of other under construction retail developments, however, have been delayed amid the current retail climate exacerbated by the prolonged pandemic. By the 2H2021, eight shopping centres / supporting retail components with a collective retail space of circa 4.62 million sq ft are scheduled for completion.

Existing Cumulative Supply of Retail Space, 1H2021

Selangor | KL City | KL Fringe



Source: Knight Frank Research

Amid current challenges in the retail industry, several mall operators see this as an opportune time to embark on asset enhancement initiatives (AEIs) to cater to evolving consumer preferences and to address health and safety of shoppers.

Following a major refurbishment exercise, the iconic Starhill Gallery - rebranded as "The Starhill" - is set to reopen in December 2021. Notable high-end brands, namely Patek Philippe, Philipp Plein, Tom Ford, Paul & Shark and Stefano Ricci are among its exclusive list of tenants. Showcasing refreshed concepts, The

Incoming Retail Supply, 2H2021

Selangor

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

Retail Component of Datum Jelatek
Ampang
317,000 sq ft

EcoHill Walk Mall
Semenyih
170,000 sq ft

IOI City Mall Phase 2
Putrajaya
1,000,000 sq ft
Putrajaya supply is included in Selangor.

Kuala Lumpur

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

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

Mitsui Shopping Park Lalaport
KL City
861,000 sq ft

Pavilion Bukit Jalil
KL Fringe
1,840,000 sq ft

Source: Knight Frank Research

Starhill will house the flagship store of Taiwan's Eslite Spectrum, a globally renowned bookstore.

Fahrenheit88 is undertaking a revitalisation exercise to curate an immersive green hub. Spanning 22,000 sq ft, "Hijau" will have a tenant mix focusing on offerings that promote a green lifestyle to attract eco-conscious consumers. BookXcess has signed on as its anchor tenant.

The COVID-19 pandemic continues to weigh heavily on retailers with many businesses failing to withstand its challenges. eCurve, which has been in operations since 2005, has permanently closed for redevelopment while Galeri Petronas in Suria KLCC, has ceased operations after 28 years of championing the arts.

The review period also witnessed growing interest within the supermarket / grocer segment.

Tesco Malaysia, which has 62 stores nationwide, has been rebranded to Lotus's Malaysia. The rebranding exercise which seeks to create smart living experience will be completed by year-end.

Giant is revamping all 57 stores with refreshed logo and look, as well as expanding its small store concept. Giant's transformation includes new product launches, imported "World of Food" section, economical "Ringgit Zone", ready-to-eat offerings and in-store Guardian.

Revitalized interest in the previously challenged sector has led to the introduction of new grocers. Qra, a premium wellness based and green concept grocer was launched following a rising demand for individualistic goods with transparency in sustainable and ethical practices. Another newcomer, The Hauz of Spize by WTF opened in Bangsar, offering fresh organic produce and hand-ground spices.

In partnership with The Food Purveyor Sdn Bhd, business tycoon Tan Sri Desmond Lim Siew Choon is embarking on a new premium grocery chain named The Food Merchant. Opening its first outlet in Pavilion Bukit Jalil, the grocery chain envisions to open 15 outlets within the next five years.

Pavilion Bukit Jalil

Source: Pavilion Bukit Jalil Official Website

Record performance brought upon by the pandemic has encouraged existing homegrown grocery / convenience store chains to expand. Econsave aims to add seven branches in 2021, while 99 Speedmart and KK Super Mart plan to open on average, 25 and 10 stores a month respectively.

Retailers continue to introduce innovative concept and adopt digital strategies due to changing consumer behaviour and challenging business environment.

Burger King's rebranding exercise which includes new logo, packaging, crew uniforms and décor, as well as digital strategies such as QR code ordering system and web applications, has allowed for better management of COVID-19 SOPs.

The first Malaysian Esports City will be opening in Quill City Mall. Equipped with the latest technology and support system to accommodate Esports tournament, event and conventions, EBM Esports City aims to creates a sustainable Esports ecosystem.

Aye Solution Sdn Bhd is introducing the first unmanned retail store in Malaysia, utilising artificial intelligence (AI) to allow consumers to hastily shop with ease and increased hygiene standards while Focus Dynamics has unveiled MixoBot, a robotic bartender serving perfect glass of cocktails through precise mix of ingredients, as a centrepiece in Lavo, a resto-lounge and wine atelier.

Amid the pandemic, consumers are becoming increasingly health conscious. Focus Dynamic, in collaboration with LKL International Bhd is embarking on a chain of lifestyle-based pharmacy, backed by a digital platform which include e-prescription, e-fulfilment and delivery.

Rising number of traditional brick and mortar retailers are embracing e-commerce following pressure compounded by the pandemic. In collaboration with Shopee, "Petaling

Retailers' Expansion Plans

Santan by AirAsia
Nationwide
60 stores by 2022

TGI Fridays
Klang Valley, Penang, Johor,
10 stores

Burger King
Nationwide
25 stores in 2021

Starbucks
Nationwide
25 - 30 stores annually

Tealive
Nationwide
130 - 150 stores annually

MR DIY (MR DIY, MR DOLLAR, MR TOY)
Nationwide
175 stores in 2021

Big Bath
Nationwide
86 stores by 2023

Caring Pharmacy
Nationwide
15 stores annually

CU Malaysia
Nationwide
500 stores by 2026

myNEWS SUPERVALUE
Nationwide
20 stores in 2021

Source: Knight Frank Research

Notable New Entrants in Selected Prime Shopping Malls

Suria KLCC
Sandro Paris*, Meje*, Maria's SteakCafe

Pavilion Kuala Lumpur
Carhartt WIP*, Weekend Max Mara*, % Arabica*, Celine, Armani Beauty, Mocof x Valorforce, Objects, Red Box Plus, Nyonya Colors, Chicco, I am Yogost

Lot 10
Don Don Donki*

Mid Valley Megamall
Atmos, Aesop Skincare, Ban Heang, Dunlopillo, Happy Lemon, Hazukido, Nerdunit, Pizza Hut, Sarang, Sister Wei, Wacoal, Xiao Long Kan

The Gardens Mall
BaWangChaJi, Boost, Emporio Armani, Furla, Rocku Yakiniku Malaysia.

Sunway Pyramid
Shabu-Yo, Bread History, Dji, Johnny's Restaurant, Uniqlo

1 Utama
Korean Grocer, Calvin Klein, Ippudo Malaysia, Wolf Gelato, Empire Sushi, Bath & Body Works

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

Street Goes Ong-Line" during Chinese New Year (CNY). Similarly, Selangor state government launched Selangor E-Bazar CNY Campaign in collaboration with Shopee and Lazada, following successful campaigns in 2020.

Aeon Malaysia's digital transformation includes launch of its online platform - "Superapp" which aims to serve its whole ecosystem. Aeon is also assisting SME food operators through its cloud kitchen and subsequently markets the products on "Aeon Makan" application and website.

Prices & Rentals

There were no notable transactions of shopping centres during the review period as investor confidence remains lacklustre and undermined by the COVID-19 pandemic.

As a result of proactive rental rebates and marketing support, revenues of prime shopping centres have dented, lowering average gross rentals while, occupancy rates generally persevered following business continuity efforts by mall operators.

Shopping icons in Kuala Lumpur City, namely Suria KLCC and Pavilion Kuala Lumpur command average monthly gross rentals of RM33.00 per sq ft and RM26.00 per sq ft (2019: RM42.00 per sq ft and RM29.00 per sq ft) respectively. The malls enjoyed commendable occupancies at 97.0% and 96.5% respectively.

In Kuala Lumpur Fringe, Mid Valley Megamall and The Gardens Mall command average monthly gross rentals at about RM15.00 per sq ft and RM14.00 per sq ft (2019: RM18.00 per sq ft and RM16.00 per sq ft) respectively. The occupancies of these malls remain high at circa 99.7% and 91.8% respectively.

Sunway Pyramid and The Mines in Selangor command average monthly gross rentals of RM14.00 per sq ft and RM5.00 per sq ft (2019: RM17.00 per sq ft and RM7.00 per sq ft) respectively. The malls have occupancies of 97.8% and 85.2% respectively.

The estimated rental is derived from the gross revenue as reported in the respective Annual Report (2020).

Outlook

The pandemic continues to be the underlying factor impacting the recovery of the retail market, as resurgence of cases leads to stricter containment measures. The renewed optimism brought upon by the national vaccination drive which began in February 2021, is undermined by the slower than anticipated vaccine rollout.

Concurrent with the enforcement of MCO 3.0, the release of Hotspot Identification by Dynamic Engagement (HIDE) system, which identifies potential COVID-19 hotspot, may induce premature uncertainty and panic, as well as negatively stigmatise the flagged shopping centres and retail premises. Ultimately, this impedes on the recovery and survival of businesses.

Further derailing recovery of the sector is the latest enforcement of the four-phase National Recovery Plan (NRP) announced in mid June, following the re-imposition of "full-lockdown" effective 1 June 2021. To date, the government has launched multiple economic stimulus packages totalling RM530 billion to mitigate the impact of the COVID-19 pandemic. However, the accumulating debts and depleting savings of retailers lead to growing concern of increasing retail closures amid the latest enforcement of a full lockdown.

Amid the incoming supply of retail space coupled with the pandemic-riddled economy, there are windows of opportunities for retailers, including record low interest rates and attractive leasing packages from landlords such as fit-out, rent-free periods, financial / marketing assistance and short-term tenancies.

The COVID-19 pandemic has created lasting impact within the industry. Spurred by the changing consumer preference, selected business segments including grocery, convenience store, home improvement and certain F&B continue to open and expand. The steady rise in discount store, also known as RM2 store such as Eco-shop and Mr Dollar signify consumer gravitation towards affordable and value-for-money products amid consumers' declining disposable income and purchasing power.

With no end to the pandemic in near sight, retailers and stakeholders are projected to enhance their omnichannel strategies to provide consumers with a seamless shopping experience, in which physical and digital platforms not only co-exist but complement one another.

Following the rise in popularity of convenient services such as home delivery, click-and-collect, drive-through, personal shoppers, etc., investment in digitalisation including big data, predictive analytics and ecommerce software is likely to accelerate.

In the era of e-commerce, physical stores remain vital to a brand, but its role as place to purchase goods and service is fleeting, and instead transforming into a technologically sophisticated retail space through the use of robotics, artificial intelligence, augmented reality, etc. Amid the rising number of sporadic COVID-19 infections within the community, the adoption of digitalisation and automation in retail create convenient yet safe retail experience.

With social commerce increasingly seen as the future, retailers and stakeholders are expected to become well-versed in their use of social media platforms. The significance is further compounded as customer online reviews and influencer marketing are becoming an essential part of the retail industry.

KLANG VALLEY INDUSTRIAL MARKET

Highlights

Malaysia's Industrial Production Index (IPI) stood at 117.2 points as of 1Q2021. It has continued to remain above the 100-point threshold since June 2020. Driven by the strong performance in the manufacturing sector, the IPI expanded 9.3% in March and surged 50.1% in April from a year earlier.

The Covid-19 pandemic has delayed recovery in the property market. In Klang Valley, a total of 1,686 industrial properties worth RM7,490.20 million changed hands in 2020, reflecting a 28.6% and 13.4% decline in the volume and value of transactions respectively. However, an uptick in market activity is anticipated as the rollout of COVID-19 vaccines continues to be accelerated.

The average rental rates of industrial premises in matured and established localities within Klang Valley remained resilient during the review period.

The Klang Valley industrial property market continues to be supported by the robust performance in the manufacturing sector and growth of e-commerce activities.

Market Indications

Malaysia's Industrial Production Index (IPI), which stood at 117.2 points as of 1Q2021 (1Q2020: 112.8 points), has continued to remain above the 100-point threshold since June 2020. Driven by the strong performance in the manufacturing sector, the IPI expanded 9.3% in March and surged 50.1% in April from a year earlier to settle at 120.1 points (March 2020: 110.0 points) and 114.8 points (April 2020: 76.5 points) respectively.

During the first three months of the year, the manufacturing index continued to expand (1Q2021: 6.8%) to record at 125.3 points while the electricity and mining indices experienced contraction of 0.2% and 4.1% respectively to register at 115.9 points and 95.4 points respectively.

The major sub-sectors contributing to the growth of the manufacturing sector in 2020 were rubber & plastic products and pharmaceutical products / preparations in line with higher demand due to the deployment of COVID-19 vaccines globally. The robust performance in these two sub-sectors continued into 1Q2021, with the production indices expanding 44.8% and 21.5% year-on-year respectively. Meanwhile, the sub-sectors which hit bottom during the year were tobacco products and leather & related products.

Production indices for the respective manufacturing activities are listed below.

Manufacturing Activities: Production Indices showing Y-o-Y Changes (%)

	2020 vs 2019	1Q 2021 vs 1Q 2020
Top Gainer (Production index showed significant growth of more than 10% y-o-y)		
Rubber & plastics products	▲ 26.3%	▲ 44.8%
Pharmaceutical products / preparations	▲ 14.5%	▲ 21.5%
Expanding (Production index showed marginal growth of less than 5% y-o-y)		
Computer, electronics and optical products	▲ 2.5%	▲ 11.9%
Machinery and equipment n.e.c.	▲ 1.1%	▲ 5.0%
Electrical equipment	▲ 0.9%	▲ 7.0%
Food products	▲ 0.8%	▼ 0.8%
Catching up (Production index showed decline of up to -10% y-o-y)		
Motor vehicles, trailers & semi-trailers	▼ 1.7%	▲ 13.4%
Paper products	▼ 2.9%	▲ 10.7%
Basic Metals	▼ 4.8%	▲ 3.7%
Reproduction of recorded media	▼ 5.1%	▲ 4.2%
Furniture	▼ 7.0%	▲ 5.7%
Chemicals and chemical products	▼ 7.1%	▲ 4.5%
Others	▼ 7.6%	▲ 1.2%
Repair and installation of machinery and equipment	▼ 8.5%	▲ 1.0%
Top Losers (Production index showed significant decline of more than -10% y-o-y)		
Coke and refined petroleum products	▼ 10.6%	▼ 5.9%
Wearing apparel	▼ 11.4%	▼ 0.4%
Wood and products	▼ 12.1%	▼ 0.7%
Other transport equipment	▼ 13.2%	▼ 0.5%
Textiles	▼ 13.2%	▲ 4.7%
Other non-metallic mineral products	▼ 14.3%	▲ 2.5%
Beverages	▼ 14.5%	▲ 1.8%
Fabricated metal products	▼ 15.5%	▼ 1.3%
Tobacco products	▼ 16.0%	▲ 6.7%
Leather and related products	▼ 17.9%	▲ 5.2%

Sources: Department of Statistics Malaysia (DOSM) / Knight Frank Research

Supply & Demand

The Klang Valley industrial property market, which showed an uptick since 2017, slowed down in 2020 due to adverse impact of the COVID-19 pandemic. During the year, a total of 1,686 industrial properties with collective value of RM7,490.20 million changed hands, depicting an annual decline of 28.6% and 13.4% in the volume and value of transactions respectively (2019: 2,361 industrial transactions worth RM8,654.09 million). The analysed average value per industrial transaction was, however, higher at RM4.44 million compared to RM3.67 million in the previous year.

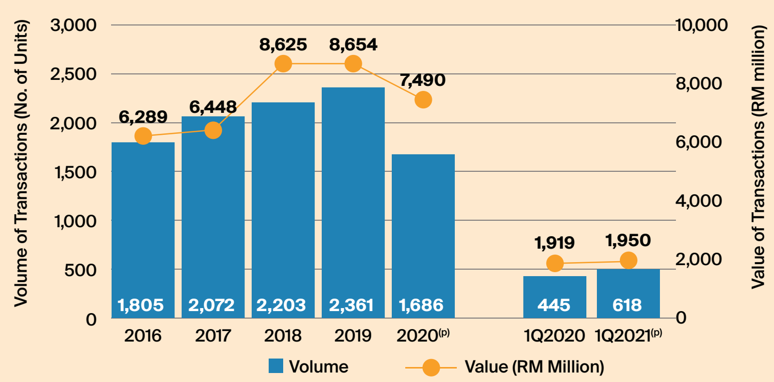
The first quarter of 2021 registered 518 industrial transactions worth RM1,949.92 million (1Q2020: 445 transactions worth RM1,919.29 million), reflecting an improved market a year into the pandemic.

During the review period (1Q2021), Districts of Petaling and Klang continued to see active transaction activity, garnering 25.3% and 22.4% share of the total transacted volume in Klang Valley respectively. Matured and established industrial sub-markets in these districts continue to attract investments, both domestic and foreign.

As of 1Q2021, the cumulative existing industrial property stock in Klang Valley stood at 46,154 units. Another 1,420 units of factories / warehouses are currently under-construction (incoming supply) while circa 1,717 units fall under the planned supply.

The bulk of existing industrial stock totalling 14,378 units or circa 31.2% share are located in Petaling District, followed by Klang District with a total of 8,465 industrial units (18.3% share). As for future supply, however, Klang District is top with 486 units under construction and 924 units under planning. There are 324 units under construction in Petaling District while another 301 units are under planning in Kuala Selangor District.

Klang Valley: Volume and Value of Industrial Property Transactions, 2016 to 1Q2021(p)



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

The robust growth of e-commerce amid the prolonged COVID-19 pandemic magnifies the importance of efficient last-mile strategies for both delivery and collection methods, as it drives up demand for logistics and fulfilment / distribution centres.

Notable newly completed warehouses / distribution centres in Klang Valley include Senheng Electric Distribution Centre [Built-Up Area (BUA): 248,000 sq ft] and Leschaco Logistics Facilities (BUA: 137,000 sq ft) - both in Bukit Raja, Tri-Mode Warehouse (BUA: 92,000 sq ft) in Pulau Indah as well as EmHub (BUA of circa 669,000 sq ft) in Kota Damansara.

Tri Mode Warehouse – 3 storey office & 1 storey warehouse

Source: trimode-malaysia.com.my

Prices & Rentals

The average rental rates of selected notable manufacturing facilities and logistics/ distribution centres in Shah Alam and Klang remained stable during the review period, ranging from about RM1.80 per sq ft to RM2.20 per sq ft per month and from RM1.30 per sq ft to RM1.60 per sq ft per month respectively.

Klang Valley: Estimated Average Rental Rates of Selected Notable Manufacturing Facilities and Logistics / Distribution Centres in Shah Alam and Klang, 2020 and 2021(f)

Locality	Average Rental Rates (RM per sq ft / month)		
	2020(e)	1H2021(f)	2021(f)
Shah Alam	1.80 to 2.20	1.80 to 2.20	=
Klang	1.30 to 1.50	1.30 to 1.60	=

Sources: Various / Knight Frank Research
Note: (e) = Estimates; (f) = Forecast

Klang Valley: Transacted Prices of Vacant Land (< 5 acres) in Selected Localities, 2020

Selected Locality	Range of Land Areas (acre)	Analysed Transacted Price (RM per sq ft)
Hicom-Glenmarie	< 1.5	256
Bukit Raja	~ 2.0	155
Port Klang (North Port & West Port)	< 5.0	53 - 63
Rawang / Bukit Beruntung	< 1.5	50

Sources: Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research
Note: Analysed transacted prices (on per sq ft basis) based on recorded transactions of vacant industrial land in selected schemes in each locality

The transacted prices of detached factories / industrial premises in selected schemes within Klang Valley vary depending on locality / scheme, land area and tenure, type of property and building specification / state of repair, built-up area, and other factors.

Klang Valley: Transacted Prices of Detached Industrial Premises in Selected Localities (Land Area < 5 acres), 2020

Selected Locality	Range of Land Areas (acre)	Range of Built-up Areas (sq ft)	Range of Transacted Prices (RM per unit)
Shah Alam / Hicom-Glenmarie	1.0 to 2.0	25,000 to 82,000	13 to 21 million
Port Klang (North Port & West Port)	1.0 to 2.0	27,500 to 52,000	9 to 10.75 million
Sungai Buloh	~ 1.5	~ 10,000	8.7 million

Sources: Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Knight Frank Research
Note: Recorded transactions of detached industrial premises in selected schemes in each locality

Despite the overall softer property market condition, there were a few significant transactions of industrial properties in late 2020 and 1H2021.

Outlook

The year (2021) started on a challenging note given the implementation of movement control orders (MCO 2.0 and MCO 3.0) in the short span of time (January and May 2021), followed by the National Recovery Plan (NRP). Strict containment measures to curb the spread of the coronavirus, such as travel restrictions, have resulted in limited new foreign entries to the market. Amid the uncertainties, developers, investors and local prospective buyers, are adopting the wait-and-see approach and conserving cash.

Nonetheless, Malaysia remains as an attractive investment destination for high-value manufacturing and global services in Asia due to its favourable investment environment with availability of excellent infrastructure, telecommunication services, financial and banking services, supporting industries and skilled workforce among other factors.

In 1Q2021, the Malaysian Investment Development Authority (MIDA) approved RM80.6 billion worth of investments in the manufacturing, services and primary sectors, a surge of 95.6% from RM41.2 billion a year ago (68.1% FDI and 31.9% DDI). The approved investments involved 993 projects and are expected to generate 32,557 job opportunities.

The trajectory of improvement in the market is expected to continue, but it is highly dependent on how the national vaccination programme, which kicked off in February 2021, gathers pace to support the reopening of country's economy.

Transactional activities, which were slowed down by the pandemic, are expected to slowly pick up in the remainder of the year as more economic sectors are reopened in phases. Moving forward, the average rental rates of industrial premises in established sub-markets, namely Shah Alam / Hicom-Glenmarie, Subang, Petaling Jaya and

Klang Valley: Significant Industrial Property Transactions, Late 2020 and 1H2021

Date	Status	Property	Land Area	Consideration (RM in million) Analysis over Land Area (RM per sq ft)	Buyer Vendor
Jun-21	Sold	No. 1, Jalan 13/2, Seksyen 13, Petaling Jaya	5.13 acres (223,596 sq ft)	**82 million** 367	**Pixel Valley Sdn Bhd** Roset-BLG Sdn Bhd
Mar-21	Pending	Dutch Lady Milk Industries Bhd's factory land, Jalan Professor Khoo Kay Kim, Petaling Jaya	9.93 acres (432,632 sq ft)	**200 million** 462	**UEM Sunrise** FrieslandCampina
Mar-21	Sold	No. 3, Jalan Keluli 1, Klang	20.75 acres (903,870 sq ft)	**120 million** 133	**Axis REIT (MY)** FIW Steel Sdn Bhd
Mar-21	Pending	Lot 158512, Jalan Sungai Pinang 4-7, Klang	5.12 acres (223,171 sq ft)	**88 million** 394	**Aryzta** Envictus Int'l Holdings
Dec-20	Sold	Former Sinalco and Kickapoo Joy Juice bottling factory site, Lot 54, Jalan Professor Khoo Kay Kim, Petaling Jaya	2.06 acres (89,560 sq ft)	**46 million** 514	**GSD Land (M) Sdn Bhd** National Aerated Water Co (KL) Sdn Bhd

Sources: Real Capital Analytics / Knight Frank Research

Klang, are expected to hold steady.

In the short term, multi-storey industrial premises will be one of the focus of developers due to the scarcity of land in established and matured industrial localities with good accessibility and connectivity. These facilities offer flexibility that cater to multiple tenants and building features that facilitate logistics efficiencies. Some businesses may also choose to consolidate their operations and contract their footprint by disposing their existing facilities and move to smaller facilities in cheaper locations.

Riding on the e-commerce trend, developers are also looking for opportunities in the industrial market with launches in strategic locations such as Pulau Indah and Shah Alam that offer an array of unit types to cater to the needs of different businesses.

In the RM15 billion Malaysian Economic and Rakyat Protection Assistance Package (PERMAI), unveiled on 18 January 2021, there is a RM300 million allocation for e-commerce campaigns. This is expected to spur further demand in the logistics / warehousing sector.

Against this backdrop, the industrial property market in Klang Valley remains resilient supported by exponential growth of the e-commerce market - creates investment opportunities in line with rising demand for last-mile delivery services, driving up demand in the logistics and warehousing segments.

PENANG PROPERTY MARKET

Highlights

The residential sub-sector continued to dominate the property market with an increasing number of affordable housing and mixed-use development projects. Penang was nominated by Travel Awaits as the third best island in the world and first in Asia to retire in 2021.

Stable rental and high occupancy rate recorded for privately owned purpose-built office space in George Town and Bayan Baru.

Occupancy rates of shopping malls in Penang have dropped slightly. Shopping malls / retailers are adapting to the new normal with continued strict guidelines on contact tracing, safe distancing and hygiene.

Penang approved 40 manufacturing projects with total investments of RM1.08 billion in 1Q2021. In 2020, the state was ranked 3rd with total manufacturing investments of RM14.1 billion, short of its 2019 record of RM16.9 billion.

Market Indications

In order to promote economic sustainability and achieve Penang 2030 Vision, the state government launched Penang Green Agenda (PGA) 2030 in February, Digital Transformation Masterplan in March and Penang Tourism Master Plan 2021 to 2030 in May.

Penang Infrastructure Corporation Sdn Bhd (PICSB), a state government-linked company, has entered into a joint-venture (JV) with SRS Consortium Sdn Bhd (30:70 share) to reclaim Island A of the Penang South Island project. The reclamation of Island A featuring (environmental, social and corporate governance) ESG concepts will be carried out in phases where under the first phase, 486 hectares out of the total 931 hectares will be reclaimed and with expected completion by 2027. Some 700 acres of reclaimed land in Island A will be designated for a Green Tech Park, targeted at high-value E&E players.

Early this year, Penang Port Commission (PPC) through Penang Port Sdn Bhd (PPSB) replaced Penang's iconic ferry operation with speedboats pending delivery of new water buses and vehicular ferries expected by July 2022. In the interim period, both ferry terminals will also be upgraded.

Construction work on the first project under Penang Transport Master Plan (PTMP), involving the 6km bypass connecting the Tun Dr Lim Chong Eu Expressway to Ayer Itam (Package 2) has commenced with expected completion by January 2025. Meanwhile, proposed work on the Pan Island Link 1 (PIL1) will also be carried out in stages starting with a 2.4km stretch in Bayan Baru to connect Jalan Tun Dr Awang to Lebuhraya Tun Dr Lim Chong Eu at the Free Industrial Zone (FIZ) 4.

Under Phase 1 of the 131-acre Gurney Wharf project, there will be a 50-acre landscaped public park with facilities and amenities for the disabled, a skate park, a promenade, a children's playground and kiosks selling snacks and souvenirs. Work is expected to commence in September with expected completion by 1H2022.

Early this year, Penang Development Corporation (PDC) signed a memorandum of understanding (MoU) with iHeal Health Sdn Bhd to develop the Penang Medical and Digital Technology Hub on 295 acres of land in Bandar Cassia, Batu Kawan.

High-End Condominium

The Commissioner of Building under the Penang Island City Council (MBPP) and the Seberang Perai City Council (MBSP) are finalising guidelines pertaining to short-term accommodation in stratified residential buildings in Penang where it can only be allowed when the Joint Management Body (JMB) or Management Corporation (MC) gets 75% approval from the unit owners.

The review period saw the completion of Straits Residences by Kerjaya Prospek Property Sdn Bhd. The 29-storey building on a one-acre freehold land at Bandar Seri Tanjong Pinang comprises 246 units with sizes ranging from 861 sq ft to 1,356 sq ft. Selling prices start from RM1,013 per sq ft to RM1,399 per sq ft.

Aspen Group has completed Green Building Index (GBI) rated, Vertu Resort in Aspen Vision City, Batu Kawan. The project consists of five blocks of 20 to 36-storey condominiums with a total of 1,246 units sized from 740 sq ft to 1,290 sq ft and selling from RM402,000 to RM1,288,000 per unit.

A notable soft launch during the review period is Mezzo@The Light City by IJM Perennial Development Sdn Bhd. The 34-storey building on a 4.12-acre freehold site at The Light City will offer a total of 456 units with typical built-up areas ranging from 1,033 sq ft to 1,367 sq ft. The selling price for this newly launched project starts from RM900,000 per unit. Construction is scheduled to kick off in

June 2021 with completion by 2025.

Mezzo, The Light City

Source: IJM Perennial Development Sdn Bhd

Office

As of 1Q2021, the existing supply of purpose-built office (privately owned) stood at 7.1 million sq ft on Penang Island and 1.6 million sq ft on the Mainland with average occupancy rates of circa 85% (1Q2020: 81%) and 58% (1Q2020: 59%) respectively. There was no new completed office project during the review period (Source: NAPIC).

Clarivate Plc, a global leader in providing trusted information and insights to accelerate the pace of innovation, has officially opened its Global Business Centre, occupying approximately 50% of the Ground Floor of GBS@Mahsuri in Bayan Baru. It expects to create up to 350 job opportunities.

The occupancy rates for monitored office buildings in George Town remained stable, averaging from 75% to 96%. As for selected better-grade office buildings located outside George Town area, namely Menara IJM Land, Suntech @ Penang Cybercity, One Precinct and and GBS@Mayang, the average occupancies are in the region of 82% to 90%.

In George Town, asking rentals of selected office buildings under review held steady ranging from RM2.80 per sq ft to RM4.75 per sq ft per month.

Prices of Selected High-End Condominiums in Penang Island, 2019 and 2020

Scheme	Average Floor Area (sq ft)	Price Range (RM / Unit) 2019	Price Range (RM / Unit) 2020	Average Price Change (%)
Quayside Condo (Seri Tanjung Pinang)	1,371	1,280,000 - 1,460,000	1,420,000	5.4
The Cove	5,834	2,460,000 - 3,000,000	2,770,000	3.1
Mira Residence	1,635	1,000,000 - 1,168,888	1,080,000 – 1,190,000	3.2
Logan Mansion	1,507	1,280,000	1,490,000	16.4
Fettes Residences	2,465	1,500,000	1,350,000	-10.0
Horizon Towers	2,357	1,050,000 - 1,350,000	1,000,000	-16.7
Baystar Queenbay Condominium	1,528	1,090,000	1,000,000	-8.3

Source: National Property Information Centre (NAPIC)

Rentals of Selected High-End Condominiums in Penang Island, 2019 and 2020

Scheme	Average Floor Area (sq ft)	Rental Range (RM / Unit) 2019	Rental Range (RM / Unit) 2020	Average Rental Change (%)
Quayside Condo	2,002	4,000 - 5,000	4,000 - 5,200	3.8
Quayside Condo	1,367	3,500 - 4,800	3,500 - 4,200	-5.0
The Light Linear	1,475	2,600 - 3,000	2,500 - 3,000	-3.6
The Cove	6,000	8,000 - 11,000	8,000 - 10,500	2.8
8 Gurney (The Shore)	5,800	6,000 - 8,200	6,000 - 8,000	2.3
Mira Residence	1,636	2,000 - 3,000	2,100 - 3,000	5.0
Marinox Sky Villas	1,650	2,800 - 3,100	3,000 - 3,500	7.8

Source: National Property Information Centre (NAPIC)

Asking Rents of Selected Purpose-Built Offices, 1H2021

Building Name	Location	Asking Gross Rent (RM per sq ft / month)
Hunza Tower	George Town	4.75
Menara Boustead Penang	George Town	3.00
Menara KWSP	George Town	3.00
Al-Bukhary Building / WOU	George Town	3.60 (MSC Status Tier 1)
Menara Livingston	George Town	4.50 (MSC Status Tier 1)
MWE Plaza	George Town	2.80 (fixed rent)
Wisma Great Eastern	George Town	3.00
Menara IJM Land	Gelugor	4.00
SunTech@Penang Cybercity	Bayan Baru	4.50(MSC Status Tier 2)
One Precinct	Bayan Baru	4.00 (MSC Status Tier 1)
GBS@Mayang	Bayan Baru	4.50 (MSC Status Tier 1)

Source: Knight Frank Research

Retail

The overall occupancy rate for existing shopping malls in Penang was recorded at 73.3% in 1Q2021 (1Q2020: 74.1%) showing only a slight drop due to disruptions arising from the COVID-19 pandemic. As of 1Q2021, the 109 existing shopping malls in Penang offer a total retail space of 20.2 million sq ft with two complexes (NLA: 1.04 million sq ft) under planned supply (Source: NAPIC). Occupancy rates for prime shopping malls on the Island have generally remained stable within the range of 82% to 97% as at 1Q2021.

The monthly rental rates for ground floor retail lots in prime shopping malls have generally remained stable and range from RM7.00 per sq ft to as high as RM50.00 per sq ft, depending on the mall, location and size of the units amongst other factors (Source: NAPIC).

Lucas Mart, a food mart that sells international snacks and food has opened in Gurney Plaza, occupying circa 1,500 sq ft of space on the fourth floor.

Queensbay Mall welcomed the state's second outlets of Châteraisé Patisserie, a Japanese dessert store and Haidilao Hot Pot, occupying retail lots located on the ground and third floors of the mall respectively. The maiden outlets of Châteraisé Patisserie and Haidilao Hot Pot are in Gurney Plaza and Gurney Paragon respectively.

The Coffee Bean & Tea Leaf opened its third new double-storey drive-thru outlet at Bagan Ajam, Penang.

The Coffee Bean & Tea Leaf

Source: The Coffee Bean & Tea Leaf, Bagan Ajam from Penang Foodie

The Weld Heritage Square, a notable upcoming commercial property by Adat Makmur Sdn Bhd and Koperasi Gabungan Negeri Pulau Pinang, will be developed on 2.1 acres of land located along Lebuhraya Merdeka, off Pengkalan Weld in George Town. The strata-titled project will consist of 36 units of three and four-storey shop units with built-up areas ranging from 3,113 sq ft to 5,042 sq ft, priced from RM1.6 million onwards. The project is targeted to be completed by end 2021 with certificate of completion and compliance (CCC) expected by 1H2022.

Industrial

Penang approved 40 manufacturing projects with total investments of RM1.08 billion in 1Q2021. In 2020, the state was ranked 3rd with total manufacturing investments of RM14.1 billion, short of its 2019 record of RM16.9 billion.

Foreign direct investment (FDI) made up RM10.6 billion or 75% of total approved investment with the balance RM3.6 billion or 25% share contributed by domestic direct investment (DDI). Penang was the country's third largest recipient of investments in the manufacturing sector, after Selangor and Sarawak. The investments were primarily from the State's key promoted industries, such as electronics & electrical (E&E), machinery and equipment, and scientific and measuring equipment (including medical devices).

Under the Free Zone Act 1990, the North Butterworth Container Terminal (NBCT) has been gazetted as a free commercial zone (FCZ) on 1 February 2021. This involves 10 lots of land covering 83.57 hectares. NBCT is to achieve throughput of 50,000 twenty-foot equivalent units (TEUs) of transhipment this year.

During the review period, there were four notable announcements in relation to the setting up of new industrial facilities, three in Batu Kawan Industrial Park by ViTrox Corp Berhad, Greatech Technology Bhd and JHM Consolidation Bhd, and one in Bukit Minyak by Tek Seng Holdings Bhd. Greatech plans to develop a new 200,000 sq ft facility, comprising office and factory, with expected completion by 2H2021 while JHM is targeting to complete its new factory for telecommunication equipment industry by 2H2022. Meanwhile, Tek Seng will set up a new plant on a 10-acre site near its present plant in Bukit Minyak with expected completion by the end of the year or early 2022.

Notable Industrial Transactions, 1H2021

Development	Location	Tenure	Component	Consideration	Vendor / Seller	Purchaser / Buyer
Valdor Industrial Park	Sungai Jawi, Seberang Perai Selatan	Freehold	Land measuring 676,910 sq ft together with building with built-up of 441,665 sq ft	RM58.80 million	Eonmetall Industries Sdn Bhd, a wholly-owned subsidiary Eonmetall Group Bhd	Power Portal Sdn Bhd
Batu Kawan Industrial Park	Batu Kawan, Seberang Perai Selatan	Leasehold	5.9 acres vacant land	RM13.37 million	Penang Development Corporation	Greatech Integration (M) Sdn Bhd, a wholly-owned subsidiary Greatech Technology Bhd
Seberang Perai Tengah	Along Jalan Bukit Minyak / Permatang Tinggi Seberang Perai Tengah	Freehold	853,863 sq ft of industrial land made up of 9 adjoining lots and a 41,979 sq ft warehouse and structure	RM46.96 million	Limsa Ekuiti Sdn Bhd, a wholly-owned subsidiary See Hup Consolidated Bhd	Wangsaga Industries Sdn Bhd and Tek Seng Properties & Development Sdn Bhd, a wholly-owned subsidiary Tek Seng Holdings Bhd
Bukit Minyak Industrial Park	Jalan Perindustrian Bukit Minyak	Leasehold	87,435 sq ft land with detached factory building	RM14.00 million	BKNT Resources Sdn Bhd	RGT Industries Sdn Bhd, a wholly-owned subsidiary of RGT Bhd
Prai Industrial Estate Phase IV	Lorong Perusahaan Maju 6, Prai Industrial Estate Phase IV	Leasehold	2 parcels of industrial land measuring 10.47 acres and buildings comprising a 4-storey office, a production area with built-up of 318,461 sq ft	RM43.50 million	CSC Steel Holdings Bhd	Tashin Hardware Sdn Bhd, a wholly-owned subsidiary Tashin Holdings Bhd
Prai Industrial Estate	Tingkat Perusahaan 6, Kawasan Perusahaan Perai	Leasehold	15.13 acres land together with a single-storey warehouse building measuring approximately 142,939 sq ft	RM33.09 million	Southern Steel Bhd	Kobay UA Sdn Bhd, a wholly-owned subsidiary Kobay Technology Bhd
Batu Kawan Industrial Park	Batu Kawan, Seberang Perai Selatan	Leasehold	21.04 acres vacant land	RM48.33 million	Penang Development Corporation	ViTrox Technologies Sdn Bhd, a wholly-owned subsidiary of ViTrox Corporation Berhad
Batu Kawan Industrial Park	Batu Kawan, Seberang Perai Selatan	Leasehold	9 acres vacant land	RM21.56 million	Penang Development Corporation	Morrissey Assembly Solution Sdn Bhd, a wholly-owned subsidiary of JHM Consolidation Berhad

Source: News articles / Bursa Malaysia / Knight Frank Research

Outlook

The Penang property market is expected to remain challenging as strict containment measures to curb the spread of COVID-19 since early this year will further delay construction activity, project completion and transactional activity among others.

The strength of the country's economic (and property market) recovery hinges on the smooth and accelerated implementation of the National Immunisation Programme which enables more economic sectors to gradually reopen under the National Recovery Plan (NRP).

The residential sub-sector is expected to remain resilient supported by initiatives under the various stimulus packages and the National / State Home Ownership Campaigns which have been extended till end 2021 and June 2022 respectively. The supply of affordable housing will remain the main focus of the State Government and the new regulation for developers to provide fibre optic infrastructure as a basic utility to enhance the coverage of high-speed internet access will be a bonus for homebuyers who are able to work remotely from home.

With no impending new office supply during the review period, the office segment is expected to maintain its occupancy and rental levels.

The continued closure of international borders, inter-state travel restrictions and and re-imposition of movement control orders to contain the spike in COVID-19 cases will continue to weigh on footfall to shopping malls leading to a longer recovery period of the retail industry. Building owners are expected to continue to offer rental waivers and implement stringent standard operating procedures (SOPs) in order to sustain their businesses whilst more retailers will embrace e-commerce to capture the growing online shopping trend.

Penang's industrial sector continues to attract the attention of local and foreign investors with Batu Kawan Industrial Park remaining as a preferred destination for high quality investment. The State's initiative to develop Batu Kawan Industrial Park 2 in Byram Estate, the 10th industrial park in Penang, will cater to growing demand in the next decade or so. Penang continues to promote high-technology industries and some 700 acres of reclaimed land on Island A of the Penang South Island project will be designated as a Green Tech Park. The gazettement of the North Butterworth Container Terminal as a Free Commercial Zone earlier this year will have a positive impact on the industrial sub-sector with incentives that will be able to attract foreign investors and boost manufacturing activities in the State. The logistics sector is also expanding with more investors looking for quality warehousing space.

JOHOR PROPERTY MARKET

Highlights

The Rapid Transit System (RTS) project between Johor Bahru (Bukit Chagar Station) and Singapore (Woodlands Station) is scheduled to be operational by end of 2026. The rail link is expected to serve about 10,000 commuters per hour in each direction and will ease traffic congestion on the Causeway and Second Link.

Market activity in the high-rise residential segment remained subdued in 1H2021. In Johor Bahru City Centre and Iskandar Puteri, the asking prices of condominiums and serviced apartments experienced a wide gap while in Johor Bahru Fringe, there was marginal optimism when compared to 2H2020. We also observed a few launches of landed residential projects, offering mainly two-storey terraced houses.

During the review period, there was no new completion of purpose-built office building in Johor Bahru. Asking rentals remained under pressure as landlords are more motivated to retain existing tenants and improve occupancies of their buildings amid the weak market condition.

In the retail segment, there was mixed performance amid an increasingly difficult market environment impacted by border closures and travel restrictions. The review period saw some retailers such as Dunkin Donuts, Lovely Lace, Padini, Brands Outlet and Uniqlo closing their underperforming stores, but in contrast MR DIY continued its expansion with new openings at several locations, the latest being at Angsana Johor Bahru Mall.

Johor recorded lower capital investment of RM6,784.3 million in 2020 (2019: RM11,455.2 million) and was ranked fifth (Johor was ranked fourth in 2019) after Selangor, Sarawak, Penang and Sabah.

Market Indications

The cumulative investment for Iskandar Malaysia, since its inception in 2006, was recorded at RM340.3 billion as of December 2020. Some 60% or RM202.2 billion has been realised, made up of 59% domestic investment and the balance 41% from foreign investment. China topped with the highest investment value of RM54.6 billion, followed by Singapore (RM24.3 billion), United States (RM8.39 billion) and Japan (RM5.86 billion).

On 7 May 2021, SP Setia, through its wholly-owned subsidiary, Pelangi Sdn Bhd disposed eight parcels of land measuring about 959.72 acres in Mukim Tebrau at a total consideration of RM518,146,000.

On 22 April 2021, Damansara Realty Berhad entered into a Sales and Purchase Agreement with DMR Land Sdn Bhd (formerly known as Bukit Pelali Development Sdn Bhd) to dispose two parcels of freehold land measuring 11.8 acres in Taman Damansara Aliff, Johor Bahru for RM38,420,100 (approx. RM75 per sq ft).

On 5 January 2021, Kimlun Corp Bhd proposed to acquire two plots of commercial land measuring 11.12 acres in Bandar Seri Alam for RM40.5 million (approx. RM83.60 per sq ft) to replenish its land bank. As at the date of announcement, details and specific plans for the proposed commercial development are still at the preliminary stage.

Japanese conglomerate, Sankyu Group, plans to invest about RM100 million to construct its first human resource centre outside Japan. The academy, to be known as Sankyu Technical Academy, will be located in Medini Central Business District, Iskandar Puteri and is targeted to commence operations by 2022.

Residential

As of 1Q2021, the cumulative supply of high-rise residential property in Johor Bahru stood at 141,728 units, reflecting an annual increase of 4.2% from 1Q2020. Market activity fluctuated during the review period due to various tightening and relaxation of movement control orders (MCO) and introduction of the four-phase National Recovery Plan (NRP) to contain the spread of COVID-19.

MB Group launched Trellis Residences in April 2021. Forming part of the MBW City mixed-use development on 18.66 acres of freehold land, it is located at the intersection of major roads such as the Inner Ring Road, Jalan Tun Abdul Razak and Jalan Abdul Rahman Andak.

Trellis Residences offers 1,737 units in four different types / layouts, namely studio (295 sq ft), one-bedroom (435 sq ft), two-bedroom (697 sq ft) and dual-key (1,001 sq ft) with selling prices starting from RM220,000 to RM623,000 per unit. The development sits on a 6.35-acre site and has an estimated gross development value (GDV) of RM539 million.

The overall high-rise residential properties in the secondary market experienced fluctuations in asking prices due to mixed sentiments arising from the strict containment measures.

Average Asking Prices for Selected High-Rise Residential Schemes in Johor Bahru (Secondary Market), 2H2020 and 1H2021

Locality	2H2020 (RM per sq ft)	1H2021 (RM per sq ft)	Price Analysis
Johor Bahru City Centre	700 - 800	560 - 840	↘
Johor Bahru City Fringe	350 - 500	360 - 550	↗
Iskandar Puteri	600 - 700	460 - 750	↘

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

The cumulative supply of purpose-built office space (privately owned) in Johor Bahru stood at 8.5 million sq ft as of 1Q2021, reflecting a 6.2% year-on-year increment (1Q2020: 8.0 million sq ft) following the completion of Carnelian Office Tower in Forest City*. Notable incoming supply such as Sunway Big Box Office, Coronation Square Office Tower @ Ibrahim International Business District, Menara UMLand and Mid Valley Southkey Office will collectively add circa 1.77 million sq ft to the cumulative stock. The Mid Valley Southkey Office, which is located at the city fringe, is scheduled to complete by 4Q2021. * Carnelian Office Tower is not officially launched to the public yet.

During the year, the overall occupancy rate of purpose-built office space edged higher to record at 69.2% (2019: 68.0%) after two consecutive years of decline. Amid the protracted pandemic, there is increased interest in co-working space as its flexibility allows companies to scale

Carnelian Office Tower at Forest City

Source: Knight Frank Research

up and down during the various phases of MCO where employees are encouraged to work remotely (Work From Home).

In Johor Bahru City Centre and Johor Bahru City Fringe, asking rental rates were lower and range from about RM2.40 per sq ft to RM3.20 per sq ft per month as retaining tenants and boosting occupancy levels are key to landlords. Similarly, at Iskandar Puteri, the monthly asking rentals also declined and were quoted from RM3.00 per sq ft to RM3.50 per sq ft.

Average Asking Rentals of Purpose-Built Office Space in Johor Bahru, 2H2020 and 1H2021

Locality	Average Asking Rental in 2H2020 (RM per sq ft per month)	Average Asking Rental in 1H2021 (RM per sq ft per month)	Rental Analysis
Johor Bahru City Centre	3.00 – 3.50	2.70 – 3.20	↘
Johor Bahru City Fringe	2.50 – 3.50	2.40 – 2.70	↘
Iskandar Puteri (Medini)	4.00 – 4.50	3.00 – 3.50	↘

Source: Knight Frank Research

Due to the pandemic, it has been a relatively quiet period in terms of leasing activity as companies defer plans to relocate or expand.

Retail

As of 1Q2021, the cumulative supply of retail space in Johor Bahru was recorded at about 20.8 million sq ft while the overall occupancy rate was lower during the year at 74.4% (1Q2020: 79.3%).

After six years of operations, Angry Birds Theme Park, which occupied circa 2,415 sq m (approx. 25,994 sq ft) of space within KOMTAR JBCC, officially shut down on 5 April 2021.

Notable Tenant Movements in Selected Shopping Malls in Johor Bahru, 1H2021

SDS Café & Bakeries
Plaza Pelangi
Moving Out

Brands Outlet
AEON Bandar Dato Onn
Moving Out

Uniqlo
AEON Bandar Dato Onn
Moving Out

Padini
AEON Bandar Dato Onn
Moving Out

Burger King
City Square Johor Bahru
Moving In (replaced McDonald's)

Lovely Lace
AEON Taman Universiti
Moving Out

Dunkin Donuts
AEON Taman Universiti
Moving Out

MR DIY
AEON Taman Universiti
Moving Out

Mr. Dollar (subsidiary of MR.DIY)
Mid Valley Southkey
Moving In

Oriental Kopi
Mid Valley Southkey
Moving In

Burger King
Mall of Medini
Temporary Closure since 21 January 2021

Source: Knight Frank Research

Industrial

On 8 April 2021, Jubin BMS Sdn Bhd (JBSB) officially launched its newly-expanded showroom named BMX Complex in Tebrau

REAL ESTATE HIGHLIGHTS

Selected Notable Tenant Movements in Johor Bahru, 1H2021

Company Name	Building Name	Area	Estimated Space Occupied (sq ft)	Remarks
Mass Rapid Transit Corporation	Menara JLand	Johor Bahru CBD	~ 19,000	Moving In
Mohanadass Partnership	Menara JLand	Johor Bahru CBD	~ 1,000	Moving In
Leo Technology Sdn Bhd	City Square Office Tower	Johor Bahru CBD	~ 3,000	Moving In
Infinity 8 Co-Working Space	Afiniti Medini	Iskandar Puteri	~ 9,000	Moving In
DHL Global Forwarding	Medini 9	Iskandar Puteri	~ 7,000	Moving In
Sankyu	Medini 9	Iskandar Puteri	~ 2,000	Moving In
Frost & Sullivan	Afiniti Medini	Iskandar Puteri	~ 700	Moving In

Source: Knight Frank Research

3, Johor Bahru. The 3-storey showroom, spanning approximately 70,000 sq ft, comprises three floors - stone & surface gallery, bath & wellness gallery and BMS multi-function hall.

On 5 March 2021, Acoustech Bhd, through its wholly-owned subsidiary Teras Eco Sdn Bhd entered into a sale and purchase agreement with Pegasus Advance Engineering Sdn Bhd for the disposal of a parcel of industrial land located at Tanjung Surat, Kota Tinggi. The consideration for the 3.239-acre land is RM6.4 million, analysed to about RM45 per sq ft. The land has a tenure of 60 years expiring on 29 June 2080.

AXIS Real Estate Investment Trust (Axis REIT) entered into a sale and purchase agreement with Xin Hwa Trading and Transport Sdn Bhd, a unit of Xin Hwa Holdings Bhd on 16 March 2021 to acquire land with buildings located in the Pasir Gudang Industrial Area, Johor, for a consideration of RM75 million. The property comprises two contiguous parcels of land totalling 16.23 acres, each erected upon with a singlestorey warehouse, a three-storey office annex and other ancillary buildings.

The first half of the year had been an active period for MMC Corp Bhd with the sales of several parcels of land in Senai Airport City (SAC). On 26 February 2021, Senai Airport City Sdn Bhd, a wholly-owned unit of Senai Airport Terminal Services Sdn Bhd, which in turn is wholly-owned by MMC entered in three deals with electrical and electronic companies for the disposal of three parcels of land, measuring 21.36 acres in total, for a total consideration of RM46.5 million. Subsequently, Senai Airport City Sdn Bhd sold another 11.07 acres of vacant industrial land at SAC to Shengda New Energy Sdn Bhd (SNESB) for RM24.1 million. Being the master developer of SAC, Senai Airport City Sdn Bhd has approximately 887.50 acres of available vacant industrial land.

LG Chem Ltd, the largest South Korean chemical company has indicated its interest in developing a petrochemical cluster in Malaysia. The company will set up a JV with Petronas Chemicals Group Bhd (PetChem) to produce nitrile-butadiene rubber latex in the Pengerang Integrated Petroleum Complex with a potential investment of RM600 million. Operations is expected to commence in March 2023.

GE Gas Power recently launched the world's largest and most efficient heavy-duty gas turbine power plant in Pasir Gudang, Johor Bahru. The power plant features GE's first 9HA.02 combined-cycle power plant, which was safely constructed with Taiwanese engineering, procurement, construction (EPC) partner, CTCI Corp. The plant also houses two generating blocks, each equipped with a highly efficient gas turbine, a steam turbine, a generator, and a Heat Recovery Steam Generator (HRSG) from GE.

BASF, a Germany based chemical company has doubled its acrylic dispersion production line capacity in Pasir Gudang. The existing plant, first commenced operations in 2015.

Outlook

The resurgence of COVID-19 cases more than a year since the implementation of the first MCO continues to impact the property market. The high-rise residential sub-sector is expected to remain sluggish moving forward as potential buyers and investors adopt the 'wait and see' approach.

The incoming office supply of 1.77 million sq ft in the near future is expected to increase competition in Johor Bahru's office market, putting pressure on occupancy level. The pandemic has also demonstrated the ability of employees to work remotely and this has led to more companies reviewing their current workspace requirement.

The retail segment is one of the worst hit sectors attributed to restrictions in domestic movement, inter-state travel ban, and closure of international borders. In the retail section, overall occupancy was at 74.4% in 1Q2021. Many retailers had to restructure their business operations by downsizing or permanently closing their underperforming outlets. Small retailers may also shift their business operations online to reduce operational cost which include rental of physical stores whilst optimistic retailers have seen this as an opportunity to take-over strategic prime space at more affordable rates.

Despite the current pandemic, the industrial sub-sector is expected to remain resilient with higher level of market activity. The Johor-Singapore relationship remains significant in driving demand and most investors, developers and business owners are looking forward to the re-opening of borders.

KOTA KINABALU PROPERTY MARKET

Highlights

A few major projects were unveiled during the review period, in a bid to stimulate the state's economy in the coming years.

In the residential sub-sector of Greater Kota Kinabalu, notable projects in the pipeline comprise mainly high rise units, along with increasing landed supply on a smaller scale.

Despite a decline in the average occupancy rate of privately-owned purpose-built office space in Kota Kinabalu, rental rates of office space within the CBD have remained stable.

Shopping malls continued to register muted performance, as operators and tenants alike remain affected by the coronavirus pandemic.

The initiation of the COVID-19 vaccine rollout is an important development in the recovery process of the tourism and hospitality industry.

Market Indications

Sabah's property market registered a total of 1,891 transactions valued at RM1.03 billion during 1Q2021. On a year-on-year basis, market activity recorded growth of 3.5% and 24.7% in terms of volume and value of transactions respectively (1Q 2020: 1,827 transactions worth RM824.17 million) (Source: NAPIC's Annual Property Market Report).

Since the COVID-19 outbreak, transaction activity has dipped in the periods where strict containment measures were enforced, and picked up when movement restrictions were eased (June – September 2020 and November 2020 – March 2021). The announcement and commencement of the national vaccination programme, which kicked off on 24 February 2021, is also inferred to have improved market sentiment, contributing to the increase in transaction activity during 1Q2021. However, Sabah's low vaccine registration rate, the severity of Malaysia's third infection wave and the subsequent enforcement of a full movement control order (FMCO) effective 1 June 2021, have posed challenges to the recovery in the state's economy and property market.

A few major projects were unveiled during the review period to stimulate the state's economy. On 22 March 2021, the Sabah government officiated the Lok Kawi Resort City project and sealed two Memoranda of Understanding (MoU) with SK Nexilis Co and Linaco Resources Sdn Bhd, in line with its objective to spur more developments through private financing initiatives (PFI).

Lok Kawi Resort City is a joint-venture development between Yayasan Sabah Group and Tegas Bangsa Sdn Bhd; an affiliate of Pavilion Group. Sited on approximately 166 hectares of land in Kampung Meruntum, the mega development with an estimated gross development value (GDV) of RM7 billion will feature mixed-use components such as resort hotels, residential properties, commercial offices, a theme park and shopping mall, to be progressively developed in multiple phases.

SKC Inc and SK Nexilis Co is set to invest RM2.55 billion in constructing its first overseas copper foil manufacturing facility at Kota Kinabalu Industrial Park (KKIP). SKC Inc, a subsidiary of South Korean conglomerate SK Group, is an electric vehicle (EV) battery manufacturer, whilst SK Nexilis Co is its copper foil producing arm. Construction of the 50,000-tonne capacity manufacturing plant is expected to commence in 2H2021 with completion slated in year 2023.

Linaco Resources Sdn Bhd, the country's leading producer of coconut-based products, is reportedly investing RM200 million to develop a coconut-based manufacturing facility within an area of 2,000 hectares in Paitan, Sugut. Additionally, another RM200 million will be invested in large-scale, high-yield coconut plantations totalling 4,000 hectares. The entire project is estimated to contribute approximately RM1.2 billion to the state's economy upon full operations.

AirAsia Farm, AirAsia's e-commerce platform for fresh produce, is establishing a 3-in-1 Digital Agri Centre in Kota Kinabalu in 2021. The warehouse is anticipated to accommodate a cold chain facility, office and training space for farmers and small and medium enterprises (SMEs) in Sabah. The company is also reportedly in the process of establishing additional facilities in Sandakan and Tawau.

Citypads @ JQ Central and The Aru Kota Kinabalu are commercial suites developments that were completed during the review period and are awaiting the issuance of Occupation Certificates (OC).

Residential

The existing supply of residential units in Greater Kota Kinabalu (including the districts of Kota Kinabalu, Penampang, Tuaran, Putatan and Papar) stood at 131,999 units as at the end of 1Q2021, an increment of circa 0.4% when compared to the previous quarter (4Q2020: 131,412 units). During the review period, the condominium / apartment segment as a singular property type constituted circa 50,601 units of the total existing stock (38.3% share) (Source: NAPIC's Residential Property Stock Report)

Under the Home Ownership Campaign (HOC) 2020 – 2021, 894 transactions valued at RM491.83 million were recorded in Sabah for the period of June 2020 to March 2021. Approximately 65.9% share of the transactions amounting to RM324.36 million involved landed properties, whilst the remaining 34.1% share valued at RM167.47 million consisted of high-rise units. This indicates that there is a preference for landed property amongst buyers, following the steady stream of high-rise properties in recent years.

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

NEW LAUNCHES, 1H2021					
Development Scheme	**Location**	**Developer**	**Type of Property**	**No. of Units**	**Remarks**
V21 Residence Phase 1 (Stage 1)	KKIP, Kota Kinabalu	K.K.I.P. Sdn. Bhd.	16-Storey Apartment	1,121	-
SkyMillion Residence	Nosoob, Penampang	Rich Millionway Sdn. Bhd.	22-Storey Condominium	254	-
Eco Peak Residences	Donggongon, Penampang	Pinnacle Legacy Sdn. Bhd.	26-Storey Condominium	326	-
Acacia @ Menggatal Block A	Menggatal, Kota Kinabalu	SCP Development Sdn. Bhd.	4-Storey Apartment with Lift	64	-
Residensi Seri Akasia Blocks A, B and C	Jalan Tuaran - Kota Belud, Tuaran	LPPB1 & K.T.I. Sdn. Bhd.	5-Storey Apartment	240	Blocks A and B are fully sold.
Taman Sri Lemawang Phases 1D, 1F, 1G and 1H	Jalan Tuaran - Kota Belud, Tuaran	LPPB1 & K.T.I. Sdn. Bhd.	Double-Storey Terraced	403	Phase 1D is fully sold.
Taman Jelita Tambalang	Kg. Tambalang, Tuaran	Shellstown Development Sdn. Bhd.	Single-Storey Terraced	68	-
Completions, 1H2021					
Development Scheme	**Location**	**Developer**	**Type of Property**	**No. of Units**	**Remarks**
Bukit Bantayan Residences Cemara and Dilenia Tower	Inanam, Kota Kinabalu	Gamuda Land	25 and 27-Storey Condominium	296; 320	-
Taman Sri Lemawang Phases 1A, 1B and 1C	Jalan Tuaran – Kota Belud, Tuaran	LPPB1 & K.T.I. Sdn. Bhd.	Double-Storey Terraced	271	-
Damaisari Kolombong	Kolombong, Kota Kinabalu	SCP Development Sdn. Bhd.	Double-Storey Terraced; Triple-Storey Terraced	80; 16	-
Proposed Supply					
Development Scheme	**Location**	**Developer**	**Type of Property**	**No. of Units**	**Remarks**
Rimba Hills @ KK South	Kinarut, Papar	Asian Pac Holdings Berhad	Double-Storey Terraced; Double-Storey Town Villa	46; 90	To be launched in 2H 2021.

Source: Knight Frank Research
Notes:
1. LPPB: Lembaga Pembangunan Perumahan dan Bandar
2. OC: Occupation Certificate

During the review period, asking rentals of selected condominiums in Kota Kinabalu city centre and its fringes ranged from RM1.05 per sq ft to RM3.65 per sq ft per month, whilst in other localities, asking rentals are generally lower, ranging between RM0.80 per sq ft and RM2.95 per sq ft per month.

Average Asking Rentals of Selected Existing Condominiums in Kota Kinabalu, 1H2021

Location	Average Asking Rentals (RM per sq ft / month)
KK City Centre & Fringes	1.05 – 3.65
Bundusan / Kobusak	1.10 – 2.55
Damai / Luyang	1.20 – 2.85
Kepayan	1.00 – 2.35
Kolombong / Inanam	0.80 – 2.30
Likas	1.05 – 2.95

Source: Knight Frank Research

REAL ESTATE HIGHLIGHTS

Purpose-Built office

As at the end of 1Q2021, the existing supply of purpose-built office space (privately-owned) in Kota Kinabalu stood at 5.3 million sq ft with an average occupancy rate of 83.5%. The average occupancy rate has declined since 3Q2020, though the actual occupied space has generally remained at around 4.4 million sq ft since the beginning of 2020. Tenant movements were generally observed to be on a smaller scale.

G Building at Bundusan

Source: Knight Frank Research

Average Asking Gross Rentals of Selected Purpose-Built Office Space in Kota Kinabalu, 1H2021

Building Name	Location	Gross Asking Rental Range (RM per sq ft / month)
Plaza Shell	KK CBD	4.00 – 6.00
Riverson Suites	Southern Fringe of KK CBD	3.50 – 4.00
Menara MAA	KK CBD	2.00 – 4.20
Wisma Great Eastern	KK CBD	2.30 – 3.00
Wisma Merdeka Phase 2	KK CBD	1.90 – 2.95
CPS Tower	KK CBD	2.10 – 2.65
Wisma Sabah	KK CBD	2.50 – 2.65
Central Building	KK CBD	2.50 – 3.00

Source: Knight Frank Research

The completion of G Building at Bundusan contributed circa 41,500 sq ft of office space to the existing supply. Issued with an Occupation Certificate (OC) in August 2020, the building is reported to be 90% leased as of May 2021. Secured tenants include professional firms, a specialty grocery store, a religious centre, F&B outlets, gymnasium and martial arts club.

During the review period, asking gross rentals of privately-owned CBD office space ranged from RM1.90 per sq ft to RM6.00 per sq ft per month. However, some landlords continue to provide tenants with rental incentives to improve or maintain occupancy rates.

Retail

According to data from NAPIC, the total retail space within shopping complexes in Kota Kinabalu stood at 5.94 million sq ft as at the end of 1Q2021, with an average occupancy rate of approximately 80.3% (4Q2020: 5.84 million sq ft at 82.1% occupancy rate).

The coronavirus pandemic continues to weigh on the performance of shopping malls in Kota Kinabalu. However, malls that are predominantly held by a single entity are observed to report relatively stable occupancy rates due to better control of tenant mix as a result of lease term negotiations that benefit the mall as a whole.

With regards to new mall additions, we have observed a trend of smaller-scale neighbourhood malls targeting essential-based retailers such as grocery, home improvement, food and beverage (F&B) and personal care.

88 Mall located at Marketplace 88 Commercial Centre commenced operations in March 2021. The double-storey neighbourhood mall accomodates tenants such as CKS Supermarket, Mr. DIY, Watsons and multiple F&B outlets.

Inanam Mall, developed by Upyield Progress Sdn Bhd, was unveiled in May 2021. The opening of the first neighbourhood mall in Inanam was previously delayed in light of the COVID-19 situation, even with the issuance of an Occupation Certificate (OC) in July 2020. To date, over a third of its 170 units have been leased out.

EG Mall at Inanam is a shop-office development that was granted a facelift to replicate an open-air neighbourhood mall. Its key tenants include MY INN Hotel, Servay Hypermarket, Mr. DIY and a wide offering of F&B options, amongst others.

During the review period, Asian Pac Holdings Berhad launched the Signature Retail component of Rimba Hills @ KK South. Situated off the Pan Borneo Highway in Kinarut, the development comprises 22 units of double-storey shop-offices to complement its main residential component.

Plaza Legacy @ Sulaman as developed by Doyen Legacy Sdn Bhd, subsidiary of Legacy Group Development Sdn Bhd, is situated along Jalan Sulaman within the district of Tuaran. The development features 53 units of double-storey shop-offices with typical built-up sizes of 1,960 sq ft and 2,100 sq ft. To date, the project has an estimated take-up rate of 70%.

Site progress of Plaza Legacy @ Sulaman as at 30 April 2021

Source: Knight Frank Research

Tourism and Hospitality

Due to the nature of tourism and hospitality, the COVID-19 pandemic has had more pronounced and lasting effects on the industry, in terms of visitor arrivals and tourism receipts. As such, the timely rollout of COVID-19 vaccines is highly crucial to aid in the recovery process of the industry.

Historically, domestic visitors constituted the majority of tourist arrivals into Sabah (circa 65%). This indicates that the domestic market has the potential to mitigate the impact of the coronavirus pandemic on the state's tourism sector pending the reopening of international borders. This was demonstrated in year 2020 when increased visitor arrivals were recorded in the months that interstate travel was allowed. During 1H2021, only inter-zone travel within Sabah was permitted. Selected established hotels and resorts were observed to be popular among locals, in part due to lower room rates coupled with promotional offers and events.

With regards to international travel, Reciprocal Green Lanes (RGLs) between Malaysia and selected countries are reportedly under negotiations. At the state level, travel between Sabah and Brunei has been reinstated since December 2020. An exclusive travel bubble between Singapore and Sutera Harbour Resort, Kota Kinabalu and Sutera @ Mantanani on Mantanani Island, Kota Belud is also under review.

The prolonged pandemic has induced a particularly challenging business environment for hotels and resorts. After more than seven (7) years of operations, Four Points by Sheraton - Sandakan's sole international hotel operation - has permanently ceased its management contract with Sandakan Harbour Square.

On a more positive note, InterContinental Hotels Group (IHG) officially opened its first hotel in East Malaysia – the Holiday Inn Express Kota Kinabalu City Centre, which features a total of 250 rooms.

With regards to incoming supply, we noted that selected projects have been put on hold, as developers and hotel operators reconsider or await a more opportune timing. Other notable hotels and resorts that continue to record construction progress are tabulated as follows:

Updates on Selected Hotels and Resorts, 1H2021

Development Name	Location	Type	No. of Rooms
Alila Dalit Bay Sabah	Dalit Bay, Tuaran	Resort with 5-Star Boutique Hotel	152
AVANI Kota Kinabalu Hotel	Luyang, KK	3 to 4-Star Hotel	378
Club Med Borneo Kota Kinabalu	Kuala Penyu	5-Trident Resort	400
Hyatt Centric Kota Kinabalu	KK CBD	5-Star Hotel	226
Sheraton Kota Kinabalu Hotel	KK CBD	5-Star Hotel	345

Source: Knight Frank Research

Outlook

Malaysia aims to achieve herd immunity to COVID-19 by 1H2022. However, the country experienced its worst-ever infection wave in May, leading to stricter containment measures nationwide. These movement restrictions coupled with delayed inoculation efforts within Sabah will likely cause a delay in the recovery of the the state's economy, with GDP expansion at a slower pace than previously projected.

Residential: The landed segment will continue to lead transaction activity in the secondary market. Well-located landed homes that afford better privacy and exclusivity are anticipated to garner increased interest, subject to a relatively high entry barrier. Suburban areas such as Tuaran and Papar will observe more launches of schemes with comparatively better affordability, complemented by the ongoing improvement of road infrastructure. On the other hand, the incoming and planned high rise supply will mainly comprise affordable to moderately priced products.

Purpose-Built Office: In view of the prolonged pandemic, occupancy levels of purpose-built office space in Kota Kinabalu are likely to moderate, with smaller firms liquidating, downsizing or relocating to more cost-effective premises. Rental rates of CBD office space are expected to maintain at a steady level given the relatively tight supply within the area.

Retail: Shopping malls will take time to recover in terms of occupancy and revenue, as some mall operators continue to provide rental incentives to retain retailers. Operators and retailers alike will continue to utilise digital resources and conduct promotional sales to spur sales activity.

Tourism and Hospitality: The strength and timing of the industry's recovery remains highly dependent on a timely and comprehensive global COVID-19 vaccine rollout, which will in turn support the easing of containment measures as well as see the return of traveller confidence. Domestic tourism will be the main focus and lifeline of the industry until the return of international travellers. Nevertheless, the innate potential of Sabah with its wealth of natural attractions, supported by promotional campaigns will eventually see a revival of the state's tourism and hospitality industry.

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