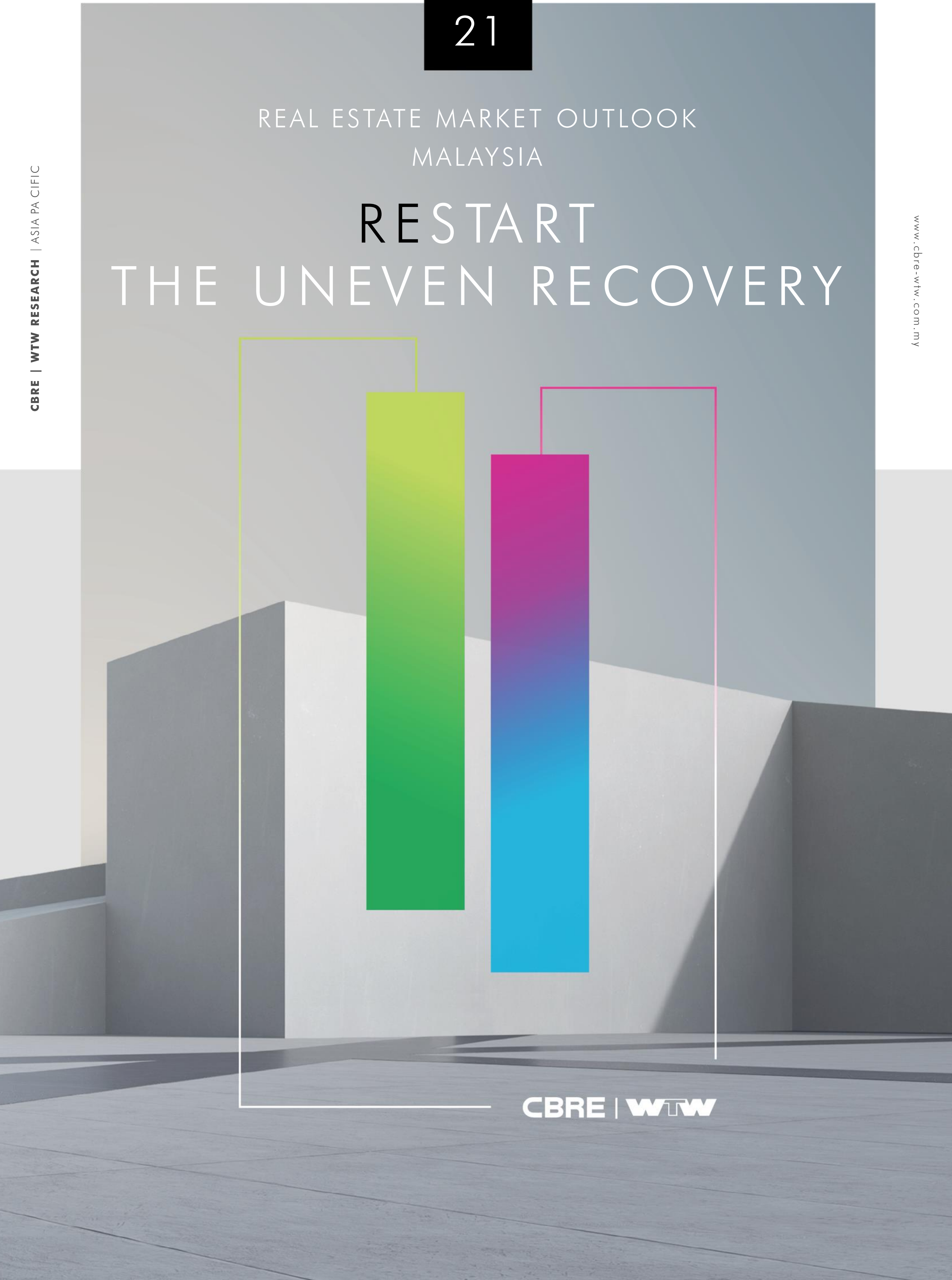
2021

REAL ESTATE MARKET OUTLOOK
MALAYSIA

RESTART
THE UNEVEN RECOVERY



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CBRE | WTW

INTRODUCTION

Sr FOO GEE JEN
GROUP MANAGING DIRECTOR
CBRE | WTW

''The pandemic will not vanish overnight, so I think we still will be dancing Tango with the pandemic in 2021, where a step forward of opening up the economy will be accompanied by another step backward of movement control if the cases surge. All said, I am confident we will make positive progress in the year ahead, I am hopeful that macroeconomic recovery will be forthcoming and the pandemic will be better-contained with vaccines coming into play.

There might not be strong growth for the coming years but we could still look forward to gradually restoring normalcy and regaining certainty in 2021''

FORMATION

CBRE | WTW entered into an agreement in May 2016 to form a joint venture to provide a deep, broad service offering for the clients of both firms. This combines Malaysia's largest real estate services provider, WTW's local expertise and in-depth relationships in Malaysia with CBRE's global reach and broad array of market leading services.

The union of CBRE and WTW is particularly significant because of our shared history. In the1970s, CBRE acquired businesses from WTW in Singapore and Hong Kong, which remain an integral part of CBRE's Asian operations.

The wider WTW Group comprises a number of subsidiaries and associated offices located in East Malaysia including:

- C H Williams Talhar Wong & Yeo Sdn Bhd (1975)
- C H Williams Talhar & Wong (Sabah) Sdn Bhd (1977)
- C H Williams Talhar & Wong (Brunei) Sdn Bhd

ABOUT WTW

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. C H Williams & Company merged in 1974 with Talhar & Company founded by Mohd Talhar Abdul Rahman and the inclusion of Wong Choon Kee to form C H Williams Talhar & Wong (WTW).

In 1975, C H Williams Talhar Wong & Yeo (WTWY) was established in Sarawak. C H Williams Talhar & Wong (Sabah) (WTWS) was established in 1977.

The current management is headed by Group Chairman, Mohd Talhar Abdul Rahman.

The current Managing Directors of the WTW Group operations are:

- CBRE | WTW: Mr. Foo Gee Jen
- C H Williams Talhar & Wong (Sabah) Sdn Bhd: Mr. Leong Shin Yau
- C H Williams Talhar Wong & Yeo Sdn Bhd: Mr. Robert Ting Kang Sung

ABOUT CBRE

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2014 revenue). The Company has more than 70,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 400 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

CONTENTS

UPDATES ON ECONOMY & MAJOR POLICY / INFRASTRUCTURE

MALAYSIA'S ECONOMY

ECONOMIC ACTIVITY RECOVER

Malaysia recorded a Gross Domestic Product (GDP) contraction of -2.7% in 3Q 2020 q-o-q as compared to 2Q 2020 (-17.1%). Nevertheless, Bank Negara Malaysia (BNM) anticipates a contraction between -3.5% and -5.5% of GDP growth in 2020.

In terms of recovery momentum, manufacturing (3.3%) and construction (-12.4%) showed the strongest resilience and improved recovery as compared q-o-q from 2Q 2020. This is followed by mining and quarrying (-6.8%) and services (-4%). Only agriculture recorded negative growth by -1.7% as compared to 2Q.

The Consumer Sentiments Index (CSI) improved 9% while the Business Confidence Index (BCI) increased 25%. The Consumer Price Index (CPI) hovered at 120 points and the Industrial Production Index (IPI) was 0.8 points in 3Q 2020, a marginal decrease y-o-y.

Net Exports increased by 11% y-o-y as at 3Q 2020, creating a trade surplus of RM60 billion mainly supported by manufacturing and agriculture goods. Foreign Direct Investment (FDI) was recorded at RM51billion as at 3Q 2020 as compared y-o-y (RM27 billion).

LOW INTEREST RATE ENVIRONMENT

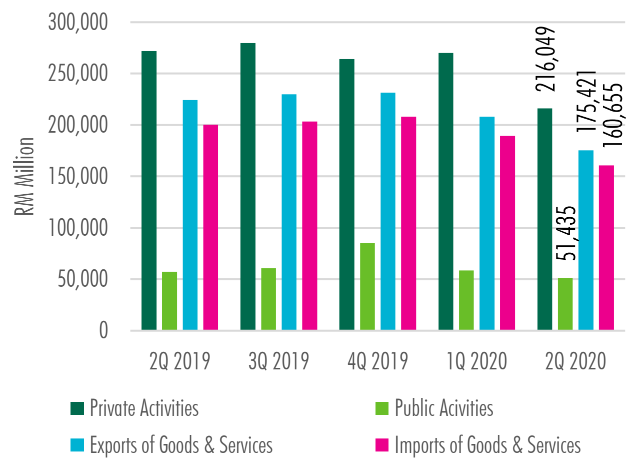
Malaysia maintained a low interest rate environment with the latest Overnight Policy Rate (OPR) at 1.75% as at 3Q 2020, the lowest in history. The low interest rate will be maintained in 2021 to stimulate economic recovery. Financing activity continues to grow. The total number of applied loans increased 2% while loan approval rate hovered at a maintained level of 41.8%.

GOVERNMENT FINANCIAL AID BUT STILL AN UNEVEN RECOVERY

Since the pandemic outbreak, some financial aid packages announced by the Government were Prihatin, Prihatin Small and Medium Enterprise (SME)+, Short-Term Economic Recovery Plan (PENJANA) and Kita Prihatin, and Loan Moratorium to assist SMEs. An extension or loan rescheduling was also proposed in Budget 2021 to ease financial stress.

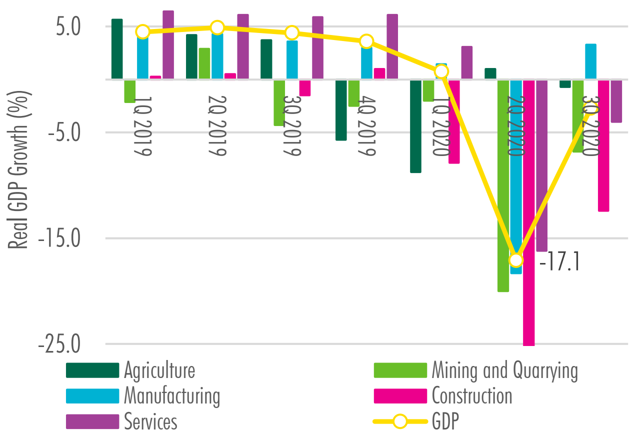
The Economy will continue to recover unevenly throughout 2020 / 2021 with the industrial sector taking the lead. Slow improvement is expected for aviation, hotel and tourism sectors. In realizing that Malaysia's unemployment rate and SME sentiments are important drivers of Malaysia's GDP, the Government had allocated RM1.5 billion to stimulate the employment. Malaysia's participation in the Regional Comprehensive Economic Partnership (RCEP) will be beneficial for the long-term.

CONTRIBUTION OF EXPENDITURE COMPONENTS TO REAL GDP GROWTH



Source: Bank Negara Malaysia, CBRE | WTW Research

GDP GROWTH BY SECTORS



Source: Bank Negara Malaysia, CBRE | WTW Research

MAJOR POLICY UPDATES

MAJOR POLICY			
DESCRIPTION	AUTHORITY / AGENCY	EFFECTIVE DATE	REMARKS
Fund for Affordable Homes	Bank Negara Malaysia (BNM)	1 September 2019 to 31 December 2020, or until the fund is exhausted.	Maximum monthly household income increased to RM4,360, maximum property unit price increased to RM300,000.
Real Property Gains Tax (RPGT)	Ministry of Finance (MOF)	Exemption until 31 December 2021 (Gazette on 28 July 2020)	Exemption is applicable for Malaysia citizens, of disposal up to 3 residential properties from 1 June 2020 to 31 December 2021.
Stamp Duty Exemption	Ministry of Finance (MOF)	1 June 2020 – 31 May 2021	A full exemption given on loan agreement effective signed between June 2020 to May 2021
		1 June 2020 – 31 May 2021	For transfer and loan agreement for the purchase of residential home priced between RM300,000 to RM2.5 million. For transfer instrument limited to the first RM1 million property prices only.
		1 Jan 2021 – 31 Dec 2025	Exemption to both transfer and loan agreement for the purchase of a first home worth not more than RM500,000
Quit Rent	Federal Territories Land and Mines Office	1 January 2020	Quit rent for strata properties will now be payable individually, to be known as Parcel Rent.
Minimum Value of Property for Foreign Acquisition (revision) in Sarawak	Sarawak Government	23 May 2019	The prescribed amount for foreign acquisition of landed residential property shall be not less than RM500,000 (throughout the State of Sarawak except Kuching), and shall be not less than RM600,000 for Kuching Division.
Minimum Value of Residential Home Ownership by Foreigners in Sabah	Sabah Government	1 January 2020	The threshold level for residential home ownership by foreigners have been lowered to RM750,000 from RM1 million. Applicable only for residential homes that have been issued with Occupation Certificate and remain unsold for more than 9 months.

INFRASTRUCTURE UPDATES

MAJOR INFRASTRUCTURE			
PROJECTS	LOCATION	COMPLETION YEAR	REMARKS
RAIL			
East Coast Rail Link (ECRL)	Tumpat-Kuantan-Mentakab-Jelebu-Port Klang	2026	Under construction
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas – Johor Bahru	2021	Under construction
Rapid Transit System (RTS)	Bukit Chagar – Woodlands, Singapore	2026	Construction kick-start
LRT Line 3	Bandar Utama – Klang	2024	Under construction
MRT 2 (SSP Line)	Sungai Buloh – Serdang – Putrajaya	2021	Under construction
HIGHWAY / EXPRESSWAY			
Damansara – Shah Alam Highway (DASH)	Puncak Perdana – Kota Damansara – Penchala	2021	Under construction
East Klang Valley Expressway (EKVE)	Cheras – Hulu Langat – Ampang	2021	Under construction
Lebuhraya Putrajaya-KLIA (MEX II)	MEX – KLIA – KLIA 2	2020	Contract awarded
Pan-Borneo Highway	Tawau – Kuching	2022 / 2023	Under construction
Sungai Besi – Ulu Kelang Elevated Expressway (SUKE)	Sungai Besi – Cheras – Ampang – Ulu Kelang	2021	Under construction
West Coast Expressway (WCE)	Banting – Taiping – Sabak Bernam – Changkat Jering	2021	Under construction
Setiawangsa – Pantai Expressway (SPE)	Ulu Kelang – Setiawangsa – Pantai Dalam	2021	Under construction
Nilai – Labu – Enstek Expressway (NLE)	Nilai – Labu – Bandar Enstek	2022	Under construction
OTHERS			
West Port Expansion (380 acres land under the sea & 360 acres of land)	West Port, Port Klang	2040	Under construction (additional 9 container terminal)

MARKET OVERVIEW

REGAIN

SUMMARY

Challenge
The use of Internet of Things (IoT) and flexi-working have become the new working style, with layouts at workplaces being transformed and lowering office costs.

Technology and e-commerce platforms have been adapted by landlords, retailers and customers, paving the way to store rationalization by retailers and tenant retention strategies by landlords.

The Malaysian Association of Hotels (MAH) reported about 20% of 1,200 hotels were facing action to close or postpone operations within six (6) months following the pandemic outbreak.

Outlook
The emergence of rubber demand for Personal Protective Equipment (PPE) and the boom of e-commerce usage has driven investments since the start of the pandemic outbreak.

Data hubs in Iskandar Malaysia (IM) are reflections of a growing trend in Malaysia. With the entry of global technology giant, Microsoft to Kulai, the 745 acres Kulai Data Exchange (KIDEX) is set to be the second data hub in Malaysia after Cyberjaya.

The recent news of Shell Malaysia's relocation of its operations to Miri is a boost to Sarawak's economy and Oil & Gas (O&G) sector.

MALAYSIA

	OVERALL		LANDED RESIDENTIAL		HIGH RISE RESIDENTIAL		PURPOSE-BUILT OFFICE		SHOP-OFFICE		RETAIL		INDUSTRIAL		HOTEL	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
KLANG VALLEY																
Klang Valley	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶	▼	▼	▶	▲	▼	▼
Seremban	▶	▶	▼	▶	▶	▶	-	-	▶	▼	▼	▼	▶	▶	▼	▼
PENANG																
Penang	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶	▼	▼
Alor Setar	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▼	▶	▶	▶	▼	▼
Ipoh	▶	▶	▶	▶	▼	▼	▼	▼	▼	▶	▼	▼	▶	▶	▼	▼
ISKANDAR MALAYSIA																
Iskandar Malaysia	▼	▶	▶	▶	▼	▼	▼	▼	▶	▶	▼	▼	▶	▶	▼	▼
Melaka	▶	▶	▲	▲	▼	▼	▶	▶	▼	▼	▼	▼	▶	▶	▼	▼
Batu Pahat	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
EAST COAST																
Kuantan	▼	▶	▼	▼	▼	▶	▼	▶	▼	▼	▼	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SABAH																
Kota Kinabalu	▼	▶	▼	▶	▼	▼	▼	▶	▼	▼	▼	▶	▼	▶	▼	▶
Lahad Datu	▶	▶	▼	▶	-	-	-	-	▶	▶	▶	▶	▶	▶	-	-
Tawau	▶	▶	▼	▼	▶	▶	▶	▶	▶	▼	▶	▼	▶	▶	▼	▼
Sandakan	▶	▶	▶	▶	▶	▶	-	-	▶	▶	▶	▶	-	-	▶	▶
Labuan	▶	▶	▼	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶
SARAWAK																
Kuching	▶	▶	▶	▲	▶	▼	▶	▶	▼	▶	▼	▼	▶	▶	-	-
Miri	▶	▶	▶	▶	▼	▼	▼	▼	▶	▶	▼	▶	▶	▶	▼	▼
Bintulu	▶	▶	▶	▶	▶	▶	-	-	▼	▼	▼	▼	▶	▶	-	-
Sibu	▶	▶	▶	▶	▶	▶	-	-	▼	▶	▶	▶	▶	▶	-	-

KLANG VALLEY

The Klang Valley residential market faced a slowdown as residential transaction activities dropped for both volume and value between 15% and 20% in the first 9 months of 2020.

Based on National Property Information Centre (NAPIC) data, transactional activities for residential properties* declined for both volume and value between 15% and 20% in the first 9 months of 2020. 2- & 3-storey terrace and condominium / apartment topped residential transactions in Klang Valley.

RESIDENTIAL OVERHANG STILL A CONCERN

Residential overhang in Klang Valley since 2017 had an average yearly growth of about 25%, contributing about 27% to the overall residential overhang in Malaysia as at 2Q 2020. Compared q-o-q, the overhang number in Klang Valley increased 15% as at 2Q 2020, impacted from an injection of about 415,000 incoming units (1Q 2020).

OFFICE NEW CHANGES

Following three (3) completions as at 3Q 2020, the vacancy rate rose by 1.0%, with no signs of respite as an estimated incoming supply of 6.1 million square feet of office space is expected in the next 3 years.

Since the Movement Control Order (MCO) implementation, major usage of Internet of Things (IoT) and flexi-working became the new working style, where some workplaces decided to transform their layout and also in terms of operating costs.

RETAIL STRIVING

Health concerns by consumers are still playing a push-and-pull effect on shopper traffic in retail malls. Technology and e-commerce platforms have been adapted by landlords, retailers and customers, paving alternative buying habits expected until post-pandemic, store rationalization by retailers and tenant retention strategies by landlords. Although online presence and omnichannel currently plays a big role, physical presence notices to still be significant.

While the domestic market becomes the highlight, occupancy rate and rental drop presents a major challenge to non-prime retail malls.

INDUSTRIAL GAINS BENEFIT FROM CURRENT CHANGES

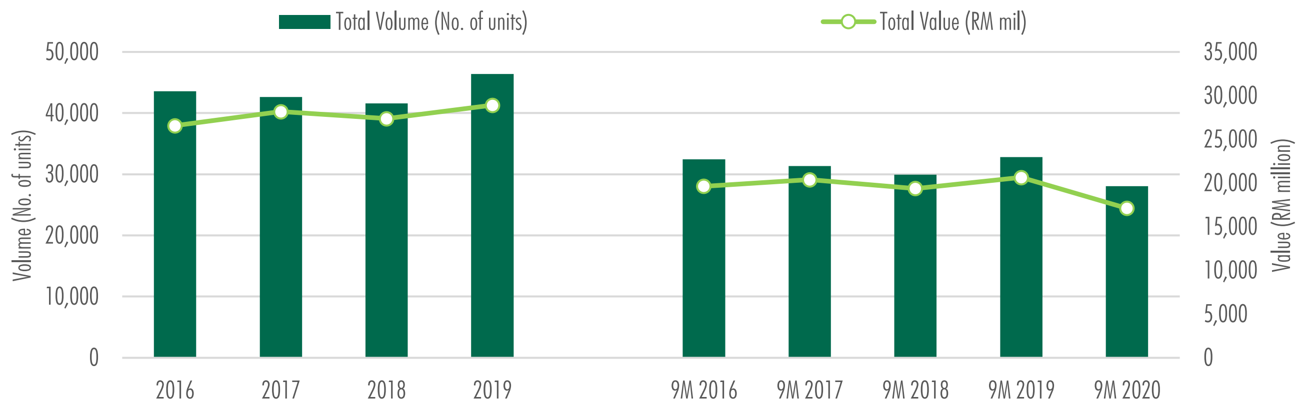
The emergence of rubber demand for Personal Protective Equipment (PPE) and the boom of e-commerce usage has driven investments totaling about RM37 billion since the start of the pandemic outbreak. Some land transaction deals were also noted, marking some positive signs.

HOTEL / TOURISM WITH HOPE

The hotel sector is currently heavily depending on the domestic tourism as international borders remain closed, where international tourist arrivals in January-September 2020 decreased about 78% y-o-y to 4.3 million. Hotels are lowering operating costs, creating alternative channels for income and majorly relying its sector recovery on Government aids and conditions during post-pandemic.

Note: *all types of landed and non-landed residential but exclude low-cost residential.

TRANSACTION ACTIVITIES IN KLANG VALLEY (JANUARY 2016 TO SEPTEMBER 2020)



Abbreviation: mil – million
Source: NAPIC, CBRE | WTW Research

PENANG

The Penang property market sagged with the declining market activity in 2020 in both the primary and secondary markets due to the adverse impact of the Covid-19 pandemic. A slow recovery is expected moving into 2021. It will still be a buyers' market with more bargaining power and better incentives to be seized by prospective purchasers.

MARKET ANTICIPATED TO REBOUND GRADUALLY IN 2021

Property transaction activities saw a sharp fall from Jan to September 2020. 7,938 properties valued at RM4.78 billion were transacted, a drop by 35.9% and 20.9% of volume and value respectively compared to the same period last year.

Market activities are expected to rebound with the lifting of the Movement Control Order (MCO). The recovery will extend to 2021, or possibly longer, as the end of the pandemic is still uncertain.

BUYERS TO BARGAIN

More incentives have been offered in securing sales thus providing opportunities for investors searching for a good "buy". Under the prevailing market, prospective purchasers have the opportunity to negotiate further for more discounts in addition to the existing incentives offered.

SOLUTION TO LAND SCARCITY?

In view of the land scarcity in Penang Island, more proposals for reclamation, rehabilitation and redevelopment projects are expected:

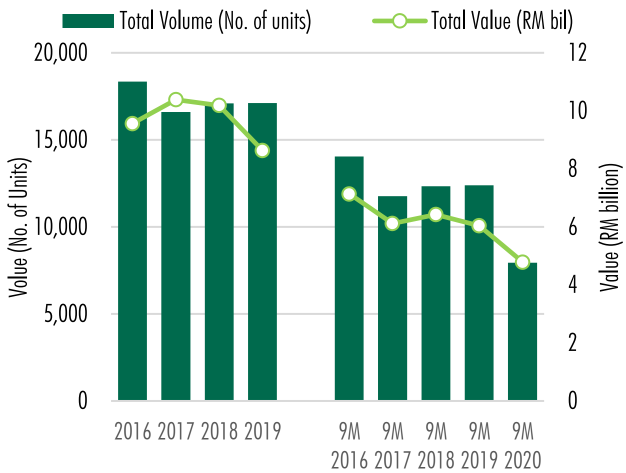
i. PLB Engineering Berhad (PLB) has signed a conditional joint development agreement (JDA) with the Penang Development Corporation to rehabilitate and redevelop the 84-acres of landfill at Jelutong. The RM1 billion project is estimated to complete over 15 years.

ii. The Penang State Government has called for Requests for Proposals (RFP) to reclaim and develop 150-acres of land along the coast from the Queensbay Mall roundabout to Jambatan Sultan Abdul Halim Muadzam Shah (Second Penang Bridge). Themed as the 'Linear Waterfront', this project will have four (4) oblong-shaped strips of reclaimed land attached to the coast of Penang Island, which would comprise of waterfront resorts, hotels, restaurants, medical, commercial and mixed development components.

The implementation of the proposals are expected to create more opportunities in the Penang property market.

Aside from the proposals being announced, the Penang South Reclamation (PSR) project is slated to begin next year. The Penang Transport Master Plan (PTMP) is still awaiting approval to commence construction

TRANSACTION ACTIVITIES IN PENANG (JANUARY 2016 TO SEPTEMBER 2020)



Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

The Iskandar Malaysia property market was sluggish following the Covid-19 pandemic outbreak and economic slowdown. The kickstart of the Rapid Transit System (RTS) construction could boost investors confidence in the region.

SLUGGISH TRANSACTION ACTIVITY

In the first nine (9) months of 2020, 12,098 properties were transacted in Iskandar Malaysia (IM), down 28% as compared to 16,709 properties in the corresponding period of 2019. Total value amounted to RM 7,297 million, falling 22% from RM9,399 million in 1Q-3Q 2019.

In terms of transaction volume, the industrial sector saw a 40% drop, the worst among all sectors; followed by development land and residential with 36% and 30%, respectively.

Transaction values declined 54% for development land, followed by residential sector with a 27% fall compared to 1Q to 3Q 2019.

COMMITED INVESTMENTS

IM has progressed with cumulative committed investments of nearly RM332 billion, whereby a total investment value of RM194.28 billion has been realized from 2006 to June 2020.

Mixed developments, residential and industrial properties with a total investment value of RM187.29 billion had the biggest share of 56.4% followed by manufacturing with 24% share.

RM16 billion additional investments have been committed from January to June 2020.

Local investors contributed 60% of the total. From 2006 to June 2020, China was the top foreign investor in IM followed by Singapore and United States of America, ranked 2nd and 3rd, respectively.

MUNDANE SECTOR PERFOMANCE

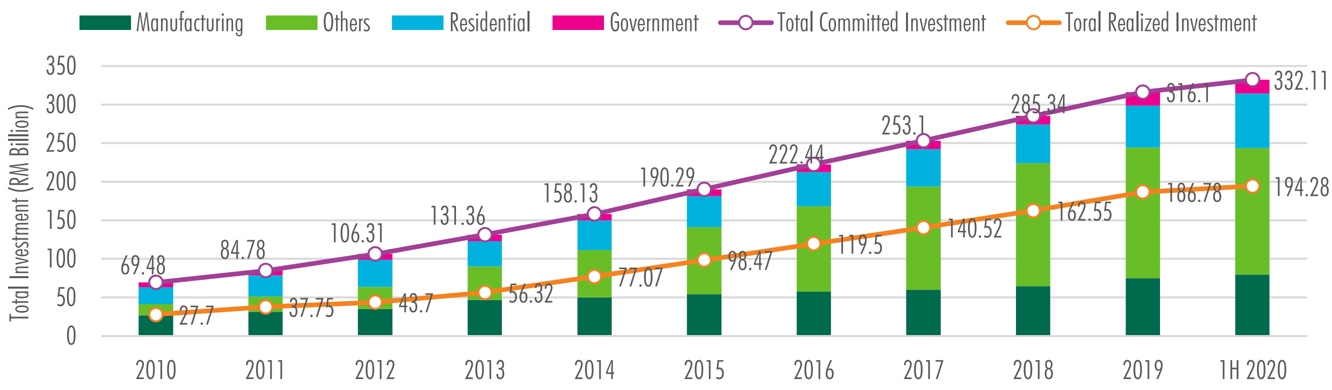
Landed and high-rise residential performance showed a downward trend for both primary and secondary markets with 30% to 50% decrease in transaction volume and value. Job insecurity and unstable economy have changed consumers' behavior to being prudent in big-ticket purchases and investments. We have observed much less new launches in the market but the overhang situation has not improved.

The vacancy rate of purpose-built offices worsened in 2020 with a new high of 45% . The new supply of office space in the market was not supported by new demand. In addition, the spread of telework and work from home being in practice also might change the demand of office space in the near future. Competitive rental and / or downward adjustment in rental is expected.

The retail sector remained pessimistic. A 35% vacancy rate was recorded in 2020, amongst the highest in the past five (5) years. The over-supply situation worsened with the opening of 1 new mall. Omnichannel e-commerce is the 'new normal' being embraced by shoppers thus challenging the traditional brick-and-mortar retailers.

The hotel sector is the most hit due to the global travel ban since March. Hoteliers are turning to domestic tourism to overcome the devastated hotel industry. However, as new waves of Covid-19 hit the country, the hotel industry was forced to hibernate yet again.

CUMULATIVE COMMITTED INVESTEMENT AND REALIZED INVESTMENT BY SECTOR IN IM



Source: Economic & Investment, Iskandar Regional Development Authority

UP AND DOWN INDUSTRIAL SECTOR

The protracted United States (US)-China tension has open many doors of opportunities for electronics manufacturing services (EMS) players to relocate or station in Southeast Asia. Iskandar Malaysia (IM) has seen the opening of several industrial facilities from global players ie. Enics AG (Enics), HQ Pack Sdn Bhd and Jstar Motion.

The emergence of data hubs in IM is growing with the entry of global technology giant, Microsoft to Kulai. Some spillover effects may draw Microsoft network companies to invest in IM.

The 745-acres Kulai Data Exchange (KIDEX) is set to be the second data hub in Malaysia after Cyberjaya. Upon full operation in 2023, KIDEX is anticipated to generate RM17.5 billion in investments value and creating 1,600 job opportunities.

However, industrial land sales were seen slowing down after an uptick for three (3) consecutive years since 2017.

TRANSPORTATION INFRASTRUCTURE: ROAD TO ECONOMIC RECOVERY

On 1st January 2021, Singapore and Malaysia had jointly announced to terminate the twice-delayed High Speed Rail (HSR) project. In Budget 2021 which was tabled on 6th November 2020, the government intends to continue the construction of HSR. However, both countries had not been able to reach an agreement after negotiating changes. Therefore, the agreement had lapsed on 31st December 2020.

The Gemas - Johor Bahru Electrified Double - Tracking Project (EDTP) which is progressing as scheduled is expected to complete by October 2022. EDTP will shorten the travelling period from Kuala Lumpur to the southern region of Johor. It is anticipated to spur economic development towards the central part of Johor.

The long-awaited Rapid Transit System (RTS) kick-started construction officially on 22nd November 2020. The mega-project which costs RM3.7 billion is targeted to start passenger services by end of 2026.

The 4-kilometres track connecting Bukit Chagar Station in Johor Bahru to Woodlands North Station will have the capacity to transport 10,000 passengers per hour which translates about 280,000 passengers daily, based on the estimated five minutes to travel time between Bukit Chagar and Woodlands North Station with a train frequency of three (3) to six (6) minutes. Commuters will require to undergo only one (1) immigration clearance upon departure.

The Bukit Chagar station will feature a 4-storey building, encompassing the train platform and a new Immigration, Customs and Quarantine complex (CIQ). The project facility will also include a transit-oriented development (TOD) with mixed property development.

With the newly announced progress of RTS, the IM market is excited to await commencement of this project. Land acquisition for the involved sites are also in the process. This catalyst project will act as a critical activator to stimulate the market.

RTS ALIGNMENT OVERVIEW

Source: Mass Rapid Transit (MRT) Corp

EAST COAST

STRIVING FOR THE NEW NORMAL

Strategic projects earmarked in the East Coast Economic Region (ECER) Master Plan 2.0 (EMP 2.0) continue to be implemented post-Covid-19 to stimulate economic growth.

Among of the projects are the expansion of Kerteh Biopolymer Park in Terengganu, construction of Kuantan Port City port link road and the Kemaman-Gebeng water supply project in Pahang.

Manufacturing is the biggest contributor to the region's economy. Over the past 10-years, the East Coast has attracted about RM122 billon in committed investments which could contribute to creating 120,000 job opportunities and 60,000 Small and Medium Enterprises (SMEs) by 2025.

Its strategic proximity to China pushed an expand of capacity and facilities of Kuantan Port. The East Coast Rail Link (ECRL) could further enhance towards a manufacturing and distribution hub. However, better, closer, co-ordinated planning between Malaysian planning agencies and Chinese investors is urgently needed and will be critical for this potential to take root.

Tourism and agricultural are the complementary economic activities targeted for development. The East Coast Economic Region Development Council (ECERDC) mission is to bolster self-sufficiency in food supplies and improve tourism.

The region is well-positioned to capitalise on domestic tourism as international travel restrictions will remain in force in the foreseeable future. Redevelopment of some key projects such as Kampung Laut in Kelantan and the upgrading of infrastructure in the island resorts within ECER, may boost tourism.

Budget 2021 has provided an allocation on infrastructure works for development of Palekbang Bridge and an extension of existing tax incentives within ECER region to 2022. Realignment the ECRL project to the original route of Kuantan-Gombak-Port Klang was also announced, which is expected to drive the economy.

Tapping into mainland China expertise and innovation may become a key in the economic transformation of the East Coast.

RESIDENTIAL LIMITED UPSIDE WITHOUT ECONOMIC GROWTH

Most developers are putting new launches on-hold, focusing on selling remaining stocks. Recently launched project was reported at KotaSAS township, through online marketing services.

High-rise is expected to experience some pressure during this period as most of the developments were not out of state buyers. Moving forward, re-positioning of the target market and re-pricing may be crucial for revived sales.

Landed residential remained the most preferred properties in Kota Bharu while the high-rise segment remains moderate.

The residential market in Kuala Terengganu remains quiet with no new launches. Majority of landed residential properties were priced below RM400,000, while 2-storey semi-detached houses priced between RM400,000 and RM500,000.

Two (2) high-rise residential developments were recently completed: Icon Residence, with about 60% to 70% occupancy rate.

Pangsapuri Ladang Tanjung completed early-2020 but faced poor occupancy rate, less than 20%. Buyers profile are mostly locals with plans for short-stay homes, hence high price and poor demand makes this segment less attractive.

PURPOSE-BUILT OFFICE / SHOPOFFICE – ALL QUIET AND DOWN

Demand for the purpose-built office (PBO) sector is mainly by government-linked corporations (GLCs) and observed to be less impacted by the current situation. Poor occupancy was observed in shop offices within the city centre, but preferred mostly by basic retails stores to financial institutions and professional firms.

The PBO market in Kota Bharu also caters mainly to government-linked entities. Activities and rental remained stagnant and is expected to be unchanged next year. There was a slowdown in transactions for shop offices, with optimistic prices ranging from RM500,000 to RM1 million per unit. Some activities were observed in the Kota Bharu Water Front and Tunjung projects in Kota Bharu and Bandar Baru Gua Musang Development in Gua Musang, reflecting some possibilities in the shop office market.

The Kuala Terengganu PBO market was uneventful throughout 2020 with limited supply and is expected to be stagnant in 2021.

RETAIL – A SUSTAINING NOVELTY AND POPULAR GATHERING PLACE

The existing malls in Kuantan continued to attract shoppers from the general population in Kuantan and the immediate surrounding suburban areas. Consumers have continued to patronize the malls especially the East Coast Mall.

Newly opened retail businesses are mostly food and beverage in nature, whilst several convenience shops were observed sprouting in the suburban residential areas of the town, catering to the immediate residential neighbourhood.

A seeming buck in trend was observed in the form of the local supermarket chain – Tunas Manja Group (TMG), which has made many inroads in their convenience store chain operations, opening not less than 10 outlets in and around Kuantan, and a few in Kuala Lumpur, post-Movement Control Order (MCO). During the MCO Period, the convenience store, classified as essential businesses, has shouldered a big portion of the responsibility of providing food to the general public. The reinvention of the supermarket chain into your friendly neighbourhood store is much welcomed and fits into the new livelihood norm, where one attempts to reduce exposure to outside elements.

After a few hiccups, Platinum Wholesale City Mall at Lembah Sireh, Kota Bharu which was recently acquired by TEKUN National, is expected to be launched end of 2020, with similar concept as the Kenanga Wholesale City Mall in Kuala Lumpur. Another upcoming mall is Al-Waqf with Pacific Supermarket and Paragon Cinema as anchor tenants.

Mayang Mall in Kuala Terengganu is expected to complete next year with SOGO.

INDUSTRIAL – KEY TO ECONOMIC GROWTH

Continual demand for industrial land 3-acres and below in preferred industrial estates such as Semambu Industrial Estate, Batu 3 and Indera Mahkota. The Gebeng Industrial Area has been a reliable supply of industrial sites for new factories or warehouses.

The MCO have spearheaded some lines of businesses such as logistics & courier, food delivery and fast-moving consumer goods, impacting the relocation of these businesses to larger industrial premises for their business growth.

The industrial sector in Kuala Terengganu is stagnant, with manufacturing activities mostly by Small and Medium Enterprises (SMEs). In July 2020, Ta Win Holdings (a copper wire and rod maker) has teamed up with Perbadanan Memajukan Ikhtisad Negeri Terengganu (PMINT) to develop an industrial park on 500-acres of land in Kemaman.

The proposed development of Terengganu Ecocycle Park is linked to the Kitakyushu Eco-Town project in Fukuoka, Japan with expected completion by 2029.

HOTEL – DOMESTIC TOURISM AS A SAVIOUR

The 4-star Swiss Belhotel Kuantan opened to a poor start in 1Q 2020 due to the pandemic.

Some hotels turned to promoting other lines of businesses such as cloud kitchens and food delivery, while some turned into temporary quarantine centres during the MCO.

Moving forward, the tourism sector will be relying more on the domestic market. Some adjustment of the packages is anticipated to cater to the needs of local guests.

Both hotels and serviced apartments in Kota Bharu are temporarily closing and will need some time to recover when travel restrictions are lifted.

The hotels in island resorts had a brief respite during the months of July till September, before the 3rd wave of the pandemic caused another halt in their recovery. Domestic tourism is expected to be the main income generator for these island resorts in the coming year of 2021.

SABAH

Transaction activities up to 3Q 2020 contracted by 23% to 2,141 transactions and 29% to RM1.269 billion by total volume and value, respectively compared to the same period in 2019.

A SUBDUED 2020 – CONTRACTION THROUGHOUT

Sabah's economy is expected to contract by -15% to -19% y-o-y, (2019: -0.5% growth). The Covid-19 pandemic had greatly impacted the State Government's revenue collections as almost all state revenue sources were affected. Sabah's total revenue for 2020 is projected to decrease by 17% to RM3.471 billion largely due to lower production of crude palm oil (CPO), notwithstanding good CPO prices. The actual revenue collection of Petroleum Royalty in 2020 is RM1.13 billion compared to the original estimate of RM1.70 billion. Revenue from the CPO Sales Tax is projected to decrease to RM793 million compared to the original estimate of RM825 million. For 2021, Petroleum Product Sales Tax is anticipated to bring in RM1.25 billion and CPO Sales Tax, RM787.5 million.

National Property Information Centre (NAPIC) Property Sales Data showed that Sabah registered a total of 5,054 transactions amounting to RM2.308 billion up to 3Q 2020, reflecting a -22% and -36% y-o-y contraction in volume and value, respectively.

In the same period, transaction volume and value in the State Capital, Kota Kinabalu (encompassing neighbouring Penampang and Putatan), declined by 23% and 29% to 2,141 transactions (3Q 2019: 2,783) and RM1.269 billion (3Q 2019: RM1.786 billion), respectively. Overall, transaction activities declined for the residential, commercial, industrial and development land subsectors.

The residential sector, the largest segment in Kota Kinabalu's property market, registered 80% of total transaction volume and 56% of transaction value while the commercial property sector accounted for about 12% and 24%, respectively. Industrial, development lands and agricultural-related properties made up the remaining transactions.

Kota Kinabalu's landed residential developments saw a slowdown in sub-sale transaction activities of about 20%, in terms of volume whilst condominium sub-sales decreased by almost half y-o-y, in 3Q 2020. The reduced activity may well continue into 2021. Prices may ease further in view of more cautious market sentiments, although developments in prime and central locations could still be the exception.

New residential developments opening for sale mainly consisted of condominiums, with four (4) high-rise projects totalling 1,035 units located in Putatan, Penampang and Likas.

In the commercial property sector, the overall glut for retail and offices persists more so for newer developments as demand still lags behind supply. This is also exacerbated by the decline in business activities affected by the pandemic and restrictions from the Movement Control Order (MCO).

Industrial properties also saw reduced activity. Nonetheless, industrial land and buildings with good access and suitable for logistics use would still be in demand with Kota Kinabalu being the main entry point and distribution hub for the State.

It is not business as usual for the hospitality sector, as this segment was the hardest hit by the Covid-19 pandemic. The pandemic had greatly affected the world economy and changed the landscape of global travel. Tourism-related activities were grounded to a halt for the most part of what was supposed to be Visit Malaysia Year 2020 where some 4.18 million visitor arrivals to Sabah had earlier been anticipated. Rather, the State received only 866,514 visitor arrivals for the period of January-August 2020, which is a 69% y-o-y decline. Some hotels have had to face closure.

With international visitor arrivals halted, the focus would be on domestic tourism. Tourism industry players would need to reinvent and re-strategise. To fill room void, higher star-rated hotels and resorts are offering reduced room rates and promotional packages, which have been well-received. However, this has also exerted pressure on lower-range hotels and Airbnb accommodation.

For 2021, 1.3 million tourist arrivals to Sabah is expected with an estimated revenue of RM2.51 billion, subject to the reopening of Sabah's borders for tourists. The Ministry of Tourism, Culture and Environment Sabah (KePKAS) will continue to increase efforts to attract airlines that have stopped international flights and chartered flights to Sabah after the reopening of the international borders. Under the Sabah State Budget 2021, some RM227.97 million will be allocated to fund the KePKAS and also its departments and agencies to stimulate growth in the tourism sector.

SARAWAK

The world-wide Covid-19 pandemic which came to a head in 2020, has affected the investment climate, businesses and market sentiments across the board, both globally and locally. Although Sarawak's market is mainly domestic-driven, the State has not been spared the adverse effects of this pandemic.

PANDEMIC TURMOIL AND UNCERTAINTY

The unconducive socio-economic climate caused by the current health and political uncertainty are likely to cause purchaser to continue adopting a wait-and-see attitude in terms of property commitments. Property overhang will become more evident as take up rates slow down further. Pricing may be compromised further and decline, if poor demand persists.

Owing to the high degree of volatility surrounding the local economic recovery and the current oversupply of property units particularly in the high-rise residential and commercial sector, the full impact on the real estate market is still unclear.

Decline in business activities have directly affected the commercial and retail property sector, as businesses vacate shop and office units affecting both occupancies and rentals.

Despite the Malaysia My Second Home (MM2H) program being put on hold till December 2020, the Sarawak Government decided to continue to conduct the Sarawak Malaysia My Second Home (S-MM2H) program through enhanced regulations and requirements for foreigners.

Sarawak has revised upwards its foreign ownership threshold from RM300,000 to RM500,000 for Sarawak and RM350,000 to RM600,000 for Kuching in particular.

The State received RM2.95 billion in Sales and Services Tax (SST) (5% of the Petroleum Products' Sales Value for 2019) from Petronas, in accordance with the provisions of the Sarawak State Sales Tax Ordinance, 1998, which has contributed significantly to the public coffers in a most needful year. 2 mining leases were also awarded during the 4Q 2020 to Sarawak-owned Petroleum Sarawak Berhad (PETROS), which gives it full control and legal rights over the exploration and production of all the oil and gas in its onshore areas.

The recent news of Shell Malaysia's relocation of its operations to Miri is a big boost to Sarawak as this shift will potentially impact the economic growth of Miri and Sarawak in the coming years.

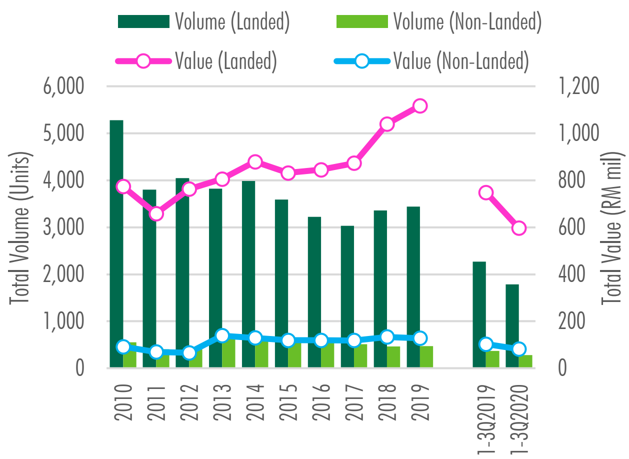
The state property sector recorded 7,483 transactions worth RM2.26 billion in the 1H 2020, a decrease of 36.8% in volume and 35.5% in value compared with 1H 2019.

The residential sub-sector continues to be the most active sector contributing 43.3% of total transactions followed by agricultural (39%) although the former recorded a double-digit decline for volume (-34.7%) and value (-30.4%) y-o-y. New launches increased slightly but sales performance remained low with residential overhang up by 3.1% compared to the last half year of 2019 (1,847 units). Construction and completions activities remain high in Sarawak with unsold under construction units increased by 8.6% compared to 2H 2019 whilst completions increased by >200% compared to 1H2019.

The Sarawak House Price Index (SHPI) continued to grow y-oy-y albeit at a moderating trend of 2.7%. As at 3Q 2020, the SHPI stood at 184.9 points (Malaysian House Price Index (MHPI):198.3 points) (2010=100), with terraced and detached units up by 3.5% and 2.6% respectively but semi-detached down by 0.34%. The SHPI as at 3Q 2020 is RM471,525 down from 1Q and 2Q 2020 (2019: RM456,810) and rental yields hold steady between 1.3% and 8.6%.

2,016 residential launches were recorded for 1Q-3Q of 2020, with the most number of launches 2Q 2020 (1,080 units), 14% more compared to the same period last year, where 65% is for the price segment below RM400,000.

PERFORMANCE OF PROPERTY SECTOR IN SARAWAK



Source: NAPIC, WTWY Research

Transacted houses priced between RM100,000 and RM300,000 led the market price segment in the first half of 2020 with 1,561 units (48%) whilst sales below RM400,000 made up 63% of all transactions.

By property type, terraced houses dominated new launches. 1-storey and 2- and 3-storey terraces contributed 73% (740 units) followed by condominium / apartment units (18.9%; 192 units).

The commercial sub-sector decreased significantly in volume and value by 44.6% and 53.7% respectively with shophouse sector making up around 84% in both volume and value.

Shop offices recorded a drop of 45% in volume and 39.6% in value whilst retail shops dropped 44% in volume and 57% in value. Overhang of commercial units increased by 20.8% compared to the last period but unsold under construction was slightly reduced by 3.9%. Commercial completions decreased (-39.8%) but start and new planned supply increased, up 19.9% and 3.1% respectively.

The performance of the retail sector continue to decline with drop in mall occupancy in 2020 compared to 2019. 4 Giant hypermarket / supermarket outlets involving 323,000 square feet of retail space exited Sarawak's retail market. Supermarket and Pharmaceutical outlets are thriving during the Movement Control Order (MCO), with continuous local demand for necessities.

Retail malls in sub-prime areas may see increasing vacancy rates especially upcoming new spaces with difficulty in securing tenants. Shophouses with overhang concern are also observed having low occupancy from increasing number of ground floor units being vacated.

Performance of Purpose-Built Office (PBO) remains stable with a slight drop of occupancy to 90% from about 92% in 2019.

Rental yields are expected to drop especially for commercial spaces, as tenants are struggling to maintain rental commitments due to the contraction in business activities.

The agriculture sub-sector which was the 2nd main sector after housing recorded double digit decreases in both volume (-35.5%) and value (-29.2%). 2020 recorded one (1) big transaction of estate land worth RM91 million in Baram. Prices of agriculture sub-sector remains stable with upward movements in locations with good infrastructure.

Travel aversion have killed many tourism related businesses with some hotels closing since the MCO. The Malaysian Association of Hotels (MAH) reported about 20% of 1,200 hotels are facing action to close or postpone operations within six (6) months following the pandemic. Some hotels have signed up to offer their premises to be used as Quarantine Centres to recover some losses it had incurred since the MCO enforcement.

A temporary slowdown in the industrial sector is expected as plans are put on hold, but the PRIHATIN Small and Medium Enterprise (SME)+ stimulus package could aid financially.

The manufacturing sector would most likely be affected by low export demand, however supply chain, logistics, warehousing and distribution hubs are expected to play a more important role moving forward.

ECONOMIC RECOVERY PLAN: PUBLIC AND PRIVATE SECTOR INITIATIVES

Sarawak hopes to make a full economic recovery, being a partner of the federal government's PRIHATIN and Short-Term Economic Recovery Plan (PENJANA) by engaging with industry players to come up with measures and incentives for the property sector.

Real Property Gains Tax (RPGT) and Stamp Duty exemption, the relief from quit rent and assessment payment, and lowering of cost of funds by lowering of the Overnight Policy Rate (OPR) are some of the options introduced by the government to boost the property market.

The extension of the 6-months loan moratorium by banks will also ease property related financial burdens, with hope to be extended. Banks are encouraged to extend assistance for existing mortgages and allow easier financing.

Developers are currently willing to offer perks and attractive sales packages such as discounts and freebies and participating in the Home Ownership Campaign (HOC) in order to reduce their unsold units.

FINANCING IN PROPERTY SEGMENT

The HOC re-introduction, stamp duty and RPGT exemption are seen to be spurring renewed interests in property purchases. The OPR and Average Lending Rate (ALR) is now at a record low of 1.75% since 3Q 2020. Additional cuts in OPR for the remainder of the year have not been ruled out, in a bid to encourage spending and inject more liquidity into the market.

SETBACKS

The projected Gross Domestic Product (GDP) growth for Sarawak of 5.5%-6% for year 2020 envisaged earlier last year will not be realised despite the slew of major projects lined up for the State.

Whilst crude oil prices are likely to average lower at United States Dollar (USD) 40 per barrel for 2020, crude palm oil price has exceeded RM3,200 per metric ton at beginning of November 2020, the highest in eight (8) years, driven by high global demand from major players such as India and China.

The recent fluctuations and any drop in commodity prices particularly in crude and palm oil would have a significant impact on the revenue and economic growth of Sarawak which is commodity and resource based.

Big ticket items like property purchase have taken a backseat amidst more crucial bread and butter issues at the moment. As such, the property market is generally experiencing softer times.

OPPORTUNITIES

The available aids and perks presented some good results in the residential market with some taking up the opportunity from cost reduction in property purchasing. Investors may restructure portfolio, manage risks and prioritise undervalued properties.

SHORT-TERM OUTLOOK

Domestic consumption is expected to be frugal this year owing to job insecurity. Investment appetite will remain weak for the short- to medium-term but optimistic in the long run. Drop in spending confidence and consumption may affect business sentiment and revenue, including halt of property purchases.

Auction / tender properties may increase due to forced sale as a result of increase in non-performing loans. Asking prices of property are expected to be generally lower and negotiable, with commercial and retail property sector with the hardest hit, while apartment / condominium are expected to face even slower take up rates.

2021 will be a buyer's market, as buyers will be flooded with plentiful of options at attractive prices and good bargains. This period will also be beneficial for genuine buyers and investors with capability, grasping the offered incentives.

Condition of the property market after the lift of loan moratorium and depletion of schemes and incentives remains to be seen. A global recession resulting from the pandemic remains a concern on the state and Malaysia's GDP growth.

LONG-TERM PROPERTY OUTLOOK

Observing from past property cycles, property transactions will not be put off indefinitely instead, creating a "pent-up" demand to be released when conditions are more conducive. The property market has repeatedly demonstrated a tendency to "bounce back" following periods of crisis and short-term decline.

The market has yet to capture the full impact of the Covid-19 pandemic which remains to be seen. The duration of the global pandemic would really test the resilience of our economic fundamentals. An additional challenge is adapting to the "new normal", entailing a different set of business and consumer behaviour, and also affecting the macro landscape. Observed new norms are the utilisation of cyber space, new technological communications such as online business which are able to reach a wider audience and at a faster speed. These include e-commerce, online retail and marketing leading to logistics and warehousing.

Highly domestic-driven Sarawak will not be overly affected once the local economy has been revived and the Covid-19 situation under good control. The state's recovery would also depend very much on the extent and speed of recovery of various sectors contributing to the state's GDP growth.

RIDING OUT THE STORM AMIDST A HALTED RECOVERY

The type of Budget rolled out for 2021 would be most crucial in mapping out the road to recovery and addressing present woes which still remains to be seen.

The weak domestic market sentiments amidst socio-economic and political concerns would most certainly affect the banking, construction and property sector. This period would be trying to survive through the socio-economic storm, and to reflect, review and realign priorities. That said, the soft and uncertain market would also root out unhealthy speculations and flipping and instead favour long-term genuine investment.

RESIDENTIAL

RECALIBRATE

SUMMARY

Challenge

Interruption in completion schedules due to movement restrictions may cause supply to balloon in 2021. Transactional activities softened in 2020 in both volume and value, while properties priced at luxury and premium levels are expected to face slower take up / sales rate compared to properties priced in the standard range.

Outlook

As many people opted for working-from-home since early-2020, collected responses from a survey observed an increase in demand for larger living spaces and study rooms, which may be carried forward post-pandemic.

Various Government aids were introduced since early-2020 as such as Stamp Duty waiver, 0% Real Property Gains Tax and the uplift of 70% financing margin, all in all to accelerate transactional activities and borrowings by home buyers.

KLANG VALLEY

Changing work styles may lead to a recalibration of home designs to suit evolving homebuyers' residential needs for larger living spaces for study rooms, play and leisure space.

As at 3Q 2020, existing supply in the Klang Valley (KV) was 1.77 million residential units, up 4.1% from 3Q 2019. Over the next four (4) years, about 271,000 are under construction.

FUTURE HOTSPOTS

In addition, total planned supply (not commenced construction) amounted to 242,620 residential units as at 3Q 2020, with high-rise residential contributing 81%. Kuala Lumpur and the city fringe remain hotspots for high-rise developments. In contrast, planned landed residential units are focused in the southern and western regions of the Klang Valley (KV) i.e., Kuala Langat, Sepang, Klang and Kuala Selangor. Notable launches this year include Bandar Rimbayu's Starling, Phase 4 of Serenia City-Serenia Ariya, and Bandar Bukit Raja's Lumira 2.

DECLINE IN SUBSALE ACTIVITIES

Residential transactional activities for the first 9 months of 2020 in the KV recorded a 15%-20% decline in volume and value as compared to the same period in 2019. Nonetheless, average transacted price per unit only recorded a marginal drop by 5%.

GOVERNMENT AID

Since implementation of the Movement Control Order (MCO) in March 2020, the Government had announced several packages to mitigate the financial adversities faced by Malaysians and stimulate the residential property sector. This included a sequel of the Home Ownership Campaign (HOC) 2020 / 2021 and added incentives such as 100% Stamp Duty waiver and 0% Real Property Gains Tax (RPGT). Additionally, uplift of the 70% financing margin for third housing loan onwards for properties RM600,000 and above is expected to step up borrowings by home buyers.

Budget 2021 on November 2020 will further assist first-time home buyers via Stamp Duty exemptions on Memorandum of Transfers (MOT) and loan agreements for the next five (5) years.

POST-MCO DEMAND

Contrary to our expectations, a post-MCO residential survey by CBRE | WTW revealed that individual preferences in terms of landed vs high-rise / high density did not shift significantly despite Covid-19 infection fears.

Instead, occupants / tenants expressed increasing interest in bonus living spaces such as study rooms for work-from-home arrangements and more leisure space. This could be design elements for developers to incorporate into their future offerings.

Developers also adapted to the soft market by diversifying to e-marketing platforms. Although this has enlarged the potential audience / target market, sales remain limited to local buyers. Foreign buyers have become virtually non-existent, given the international border restrictions.

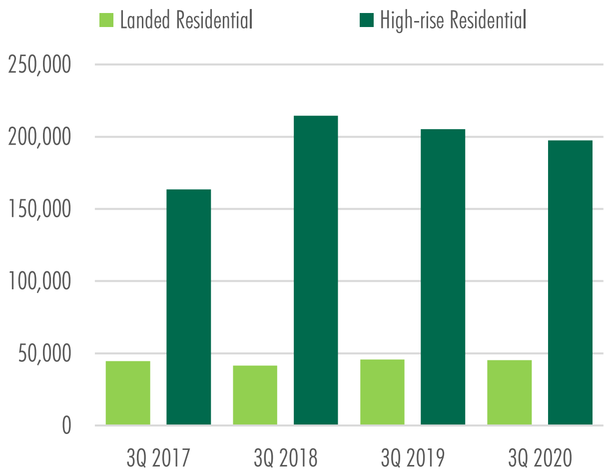
LUXURY MARKET RESIDENTIAL

Existing supply increased to 56,200 units in 3Q 2020, whilst 27,900 units are in the pipeline for completion by 2024. Completions for about 6,500 units were postponed to 2021 due to delays in construction, interrupted by the MCO.

A total of 2,000 units were launched in prime localities, namely Tun Razak Exchange (TRX) Residences (luxury), Allevia @ Mont Kiara (standard) and Bangsar Hill Park (standard). TRX Residences was launched digitally and was the only luxury development launched in 3Q 2020.

Another notable launch this year was Park Place @ Desa Park City. It recorded a high sales rate upon launch, with the majority of buyers comprising locals and some are repeat buyers.

PLANNED SUPPLY IN THE KLANG VALLEY



Note [1] Existing supply refer to the total units of landed and non-landed residential unit by NAPIC 3Q 2020.
Source: CBRE | WTW Research

The sales rate was down marginally at 75.4% in 3Q 2020 q-o-q (2Q 2020: 79.2%), the slowest momentum since 2010, impacted by the limited sales gallery visits allowed during Conditional Movement Control Order (CMCO) vis-à-vis new supply. Sales rates for standard and upscale developments improved, encouraged by the Home Ownership Campaign (HOC) incentives; while it remained slow for premium and luxury projects.

To encourage sales, developers of these premium and luxury projects are offering various custom-tailored cashback options to suit potential buyers' cashflow timing and / or tax implications as a means to optimize buyers' investment returns. Meanwhile, interest in the secondary market remained low.

Occupancy rates went down to 68.8% as short-term rental activity ceased momentarily, caused by the restricted cross-border travelling. However, rental activity remained vibrant in the localities of Bangsar, CKL-Secondary, Damansara Heights and Kenny Hills.

SEREMBAN – DISRUPTION ON THE MARKET

The residential segment softened for both primary and secondary markets. Less launches were seen as most of developers are focusing on sales of unsold products. Some developers such as Sime Darby, IJM and Matrix are still launching products but on a smaller scale.

MARKET OUTLOOK

Undoubtedly, the pandemic has brought about changes in the residential property landscape. While maintaining a cautious approach, developers are also recalibrating and revising their project launches and completion dates in order to adapt to the changing market.

In addition, a shift in preferences for home layouts and available flexible options may result in a change of residential layouts in the future.

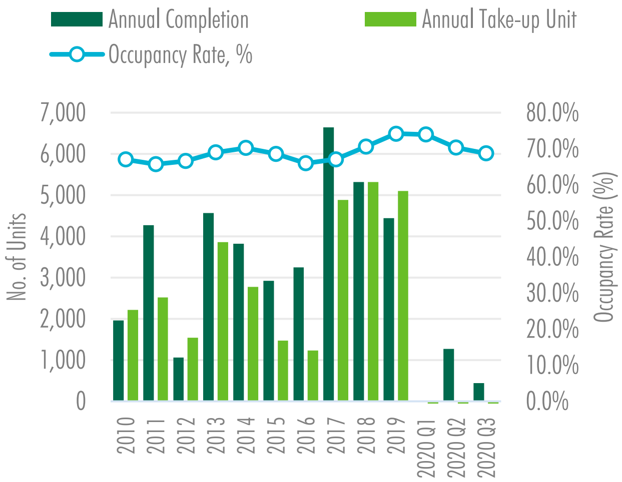
Meanwhile, homebuyers will continue to have strong bargaining power, given the various options to choose from the primary, secondary and auction markets - with the latter two having lower price tags. Additionally, a price opportunity may emerge for developers' units (completed but remained unsold) where buyers could still buy completed units at the initial launch prices, versus newly launched units.

In the near-term, more joint ventures / partnerships between developers are expected as the government intends to revive abandoned projects, seeing as stamp duty have been exempted for "white knight contractors" under Budget 2021 .

The overall luxury high-rise residential sector remains cautious with the current Covid-19 situation. Properties priced at luxury and premium levels (RM1,500 per square foot and above) are expected to have slower / take-up than lower priced properties in the upscale and standard range (RM700 per square foot to RM1,499 per square foot) as this type of property price is more accessible to the general house buyer.

The temporary suspension of MM2H and cross-border travel are expected to adversely impact properties that target foreign buyers. This situation may only resolve after a vaccine is available.

KL ANNUAL SUPPLY, TAKE-UP & OCCUPANCY RATE



Note 2 CKL-Secondary refers to Kuala Lumpur City Center excluding Golden Triangle.

Source: CBRE | WTW Research

PENANG

The residential market will be resilient, given the expected delay in completions of most projects and fewer new launches. Significant growth is not expected within the next 1 to 2 years as property overhang issues, lack of consumer spending confidence and stringent lending policies by banks, are expected to persist. Retirement resort developments are springing up. The prevailing market correction is expected to continue.

RESILIENT MARKET BUT SIGNIFICANT GROWTH NOT EXPECTED

The residential property market was affected as sales and construction activities were halted during the Movement Control Order (MCO) implementation.

The subsequent easing of the MCO into the less restrictive Recovery Movement Control Order (RMCO), had softened the economic impact of the Covid-19 pandemic. As housing is a necessity, the implementation of the bank loan repayment moratorium and various stimulus measures by the government, had also somewhat cushioned the residential property sector from a more severe financial impact.

As such, the residential market is expected to remain resilient in the short-term. However, significant growth is not expected yet as the issues of property overhang, lack of spending confidence by consumers and stringent lending policies by banks, are expected to linger in the next 1 to 2 years.

DELAYED COMPLETIONS / LESS LAUNCHES

Delays in completion of residential projects are anticipated as well as less launches as developers focus on clearing unsold stocks.

HIGH-RISE OVERHANG UNITS CONTINUE

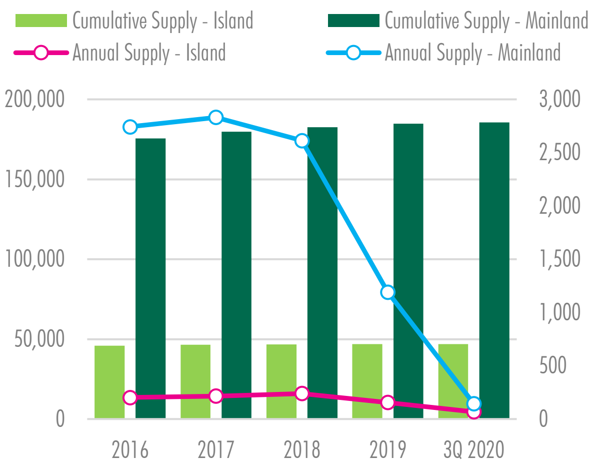
The residential overhang is still mainly high-rise units comprising 3,194 units worth approximately RM2.26 billion. It was mainly due to the plentiful supply within the past few years especially in secondary locations such as Relau and Sungai Ara. Further price adjustment is expected especially in locations with relatively lower demand and interest.

Under this challenging market situation, lending policies by banks would be stringent and buyers will be more cautious. As such, the overhang in high-rise stratified residential units may be extended well into 2021.

STABLE PRICE FOR LANDED RESIDENTIAL

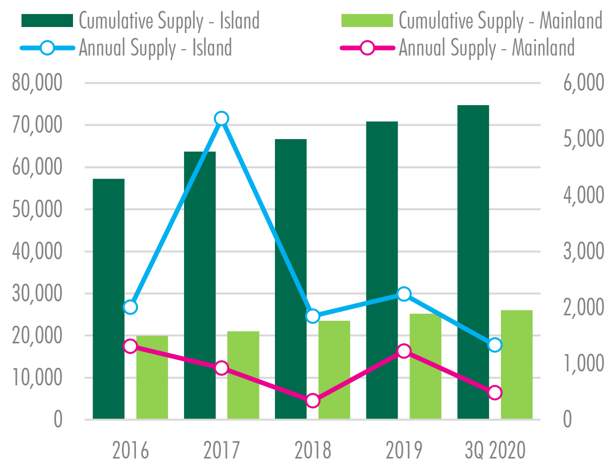
Penangites still prefer landed residential units which are underpinned by the limited land supply especially in Penang Island. There was only one (1) landed residential project launched in Penang Island in 2020 i.e. Geranium @ Botanica.CT in Balik Pulau. Other launches of landed housing projects (Jesselton Hills, Pearl City and Scientex Tasek Gelugor) are located in Seberang Perai. The prices of landed residential units are likely to remain stable in the near future.

SUPPLY OF LANDED RESIDENTIAL SECTOR



Source: NAPIC, CBRE | WTW Research

SUPPLY OF HIGH RISE RESIDENTIAL SECTOR



Source: NAPIC, CBRE | WTW Research

GOVERNMENT INITIATIVES SPURRING THE MARKET

Initiatives have been taken by the Federal and State Government to spur the residential property market.

The State Government has reduced the minimum price threshold for foreign property ownership. The ceiling prices for stratified properties located in Penang Island will be reduced from RM1 million to RM800,000 per unit and from RM500,000 to RM400,000 per unit in Seberang Perai. The threshold prices for landed properties in Penang Island will be reduced from RM3 million to RM1.8 million per unit, and from RM1 million to RM750,000 per unit in Seberang Perai.

The State Government has also reduced the price of affordable homes through its Housing Ownership Campaign Package (Penang Edition) 2020. The new ceiling prices for affordable homes in Penang Island will range from RM135,000 to RM270,000 per unit (previously RM150,000 to RM300,000). In Seberang Perai, the new ceiling price ranges from RM135,000 to RM225,000 per unit (previously RM150,000 to RM250,000).

With the aforementioned initiatives, developers have experienced a pick up in bookings since mid 2020. The buying momentum for residential properties in Penang is anticipated to continue in 2021. However, the encouraging bookings may not be fully translated into corresponding good actual sales, as stringent lending policies by banks moderate completed transactions.

EMERGENCE OF RETIREMENT RESORT DEVELOPMENTS

There is an emergence of retirement resort developments in Penang.

The Penang Retirement Resort in Batu Gantong, Ayer Itam, will be completed by the Penang Turf Club in early 2021. Featuring 126 apartment units in a 7-storey block, there will be 49 units offering assisted care and 77 units offering independent living with sizes ranging from 414 square feet to 1,246 square feet. The units will be offered on a lease basis with meals provided. The services available for the residents include housekeeping, home medication management, personal assistant services, beauty services, round-the-clock security, excursions and shopping trips as well as an in-house convenience store.

In another development, MTT Group of Companies through its subsidiary Botanica Hills Sdn Bhd, has entered into a joint venture agreement with Eden-On-The-Park Sdn Bhd to develop the first Integrated Senior Living Resort in Botanica.CT, Balik Pulau. The project, named Eden at Botanica.CT, will feature a Nursing Care Residence and a low-density Active Living Resort comprising villas and condominiums in two tower blocks. The Nursing Care Residence will be designed with care services, such as infection control in view of the on-going pandemic and for future epidemiological outbreaks. It will also be furnished with state-of-the-art technology for remote monitoring of the residents, fall monitoring and care services delivery. The Active Living Resort will have units for general public sale and lease. The project will be modelled after the award-winning senior care facility Eden-On-The-Park in Kuching.

The aforementioned projects may set the trend for more similar developments offering alternative elderly living in the coming years.

MARKET CORRECTION TO CONTINUE

The Penang residential market will continue its correction in the short-term with less new launches, reduction in overhang as more unsold developer units are progressively absorbed by the market, as well as adjustment in asking prices of units for sale, reflecting the prevailing subdued market.

ALOR SETAR

Under prevailing market conditions, the residential market will be buyer driven. Demand will continue to concentrate in the town centre, mainly driven by landed residential units. Developers are expected to focus on existing developments with less launches. For high-rise developments, D'Aman Residence was launched in 2020. Featuring 396 units, the 21-storey condominium project is expected to be completed in 2023.

IPOH

In general, the landed residential sector remains stable with some areas exhibiting a decreasing trend. The high-rise residential sector was affected with lower demand following the Covid-19 pandemic. The market will remain a buyers' market with the demand driven by occupiers rather than investors in the short-term.

ISKANDAR MALAYSIA

New record low for transaction volume in the Iskandar Malaysia (IM) residential market. The oversupply of high-rise residential has finally disciplined developers to put new high-rise units on hold.

TRANSACTION ACTIVITY NOSE-DIVES

Transaction activity of both landed and high-rise residential properties in IM showed a downward trend in the first nine (9) months of 2020 as compared to the corresponding period in 2019. Landed residential recorded a drop by 31% and 32% in volume and value of transactions respectively. Total transaction volume nose-dived from 8,893 units in 1Q-3Q 2019 to 6,115 units in 1Q-3Q 2020 whilst total transaction value plummeted from RM4,412 million to RM3,005 million in the corresponding period.

The volume of high-rise residential transactions in 1Q-3Q 2020 also recorded a decrease by 25% to 1,448 units from 1,930 units in the corresponding period of 2019. While the value of transactions dropped by 24% from RM710 million in 1Q-3Q 2019 to RM543 million in 1Q-3Q 2020.

SLOWER SUPPLY OF LANDED HOUSES

Supply of landed houses is continuing to trickle out into the market albeit at a slower pace. The implementation of the Movement Control Order (MCO) halted construction activities and developers were not able to complete their projects within the stipulated time frame.

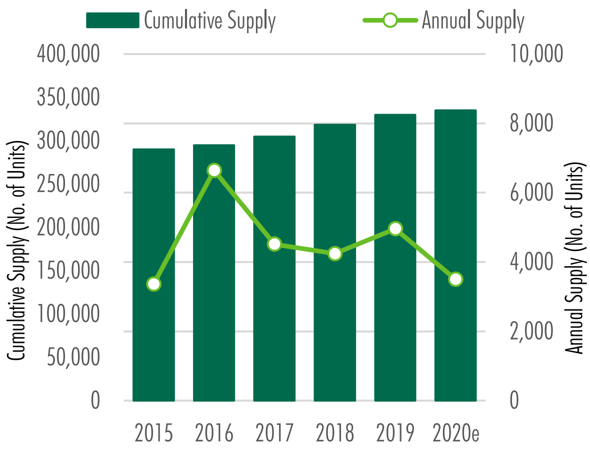
Nevertheless, approximately 3,500 units of new landed houses will be completed by the end of 2020, bringing the total cumulative supply to 335,144 units.

FEWER NEW LAUNCHES

The property overhang in Iskandar Malaysia as reported by National Property Information Centre (NAPIC) as at 1H 2020 was dominated by high-rise units, serviced apartments and condominiums amounting to over 19,000 units whilst landed houses recorded approximately only 2,000 units.

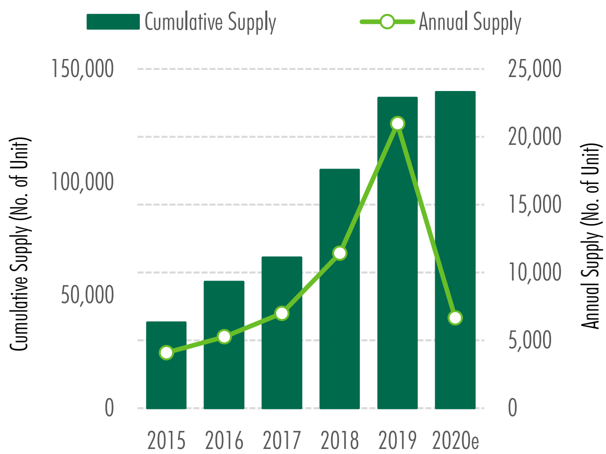
The overhang in landed houses is seen manageable while the high-rise residential overhang is still a major concern. In 2020, only three (3) new launches of high-rise residential projects were recorded which is expected to slowly ease the overhang and unsold units in the region.

SUPPLY OF LANDED RESIDENTIAL SECTOR



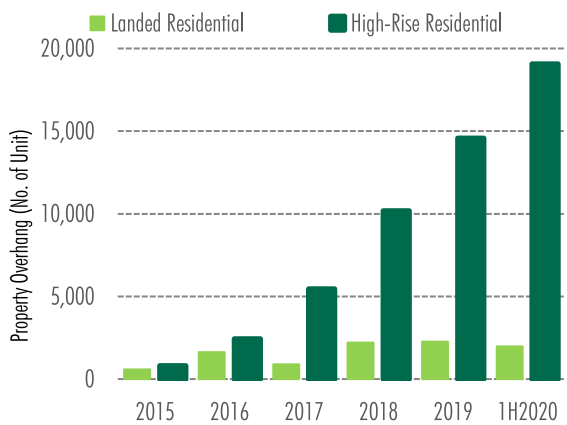
Source: NAPIC, CBRE | WTW Research

SUPPLY OF HIGH RISE RESIDENTIAL SECTOR



Source: NAPIC, CBRE | WTW Research

PROPERTY OVERHANG IN ISKANDAR MALAYSIA



Source: NAPIC, CBRE | WTW Research

SUB-SALE MARKET DOWN

In the secondary market, less transaction took place as compared to the corresponding period of 2019. The transaction volume fell 30% and 50% for landed and high-rise units respectively but average sub-sale prices for landed houses were generally stable approximately RM350 per square foot over built-up area for terraced houses, RM450 per square foot over built-up area for cluster units and RM480 per square foot over built-up area for semi-detached. Meanwhile, high-rise residential prices in the secondary market dropped to RM350 per square foot in 2020.

BATU PAHAT

Batu Pahat's landed residential segment is anticipated to remain stagnant in 2021. Job insecurity and affordability concerns have been challenges for buyers. Meanwhile, the high-rise residential market in Batu Pahat is very limited with non-existent demand amongst locals. The only notable high-rise residential project in Batu Pahat is Hillview Loft Condominiums with only a handful transacted units recorded in 2020.

MELAKA

Melaka's landed residential segment is expected to remain listless due to the unpredictable economy and job insecurity. Notwithstanding, landed residential will still be in demand as prices for landed houses in Melaka are still regarded as affordable.

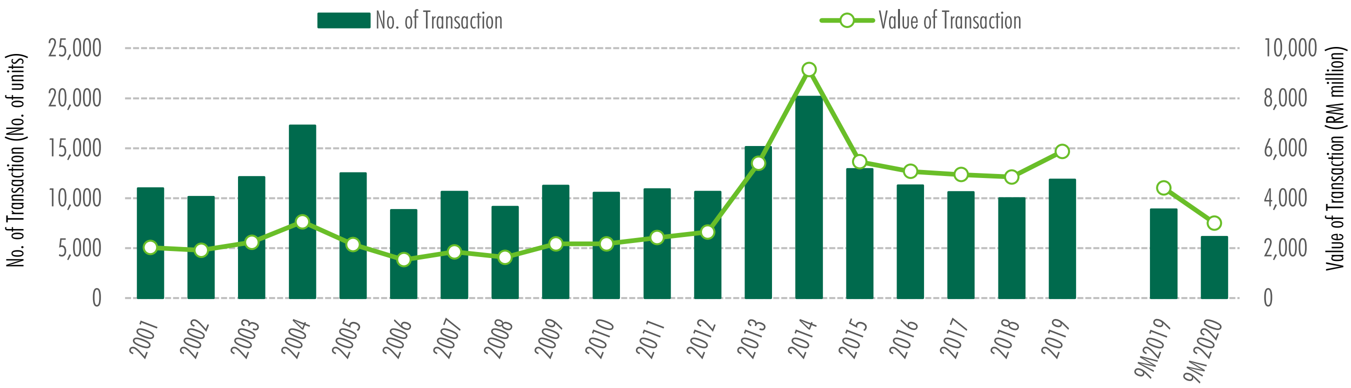
No new launch for high-rise residential was recorded in 2020 as market correction continued to absorb the current over-supply in Melaka.

MARKET OUTLOOK

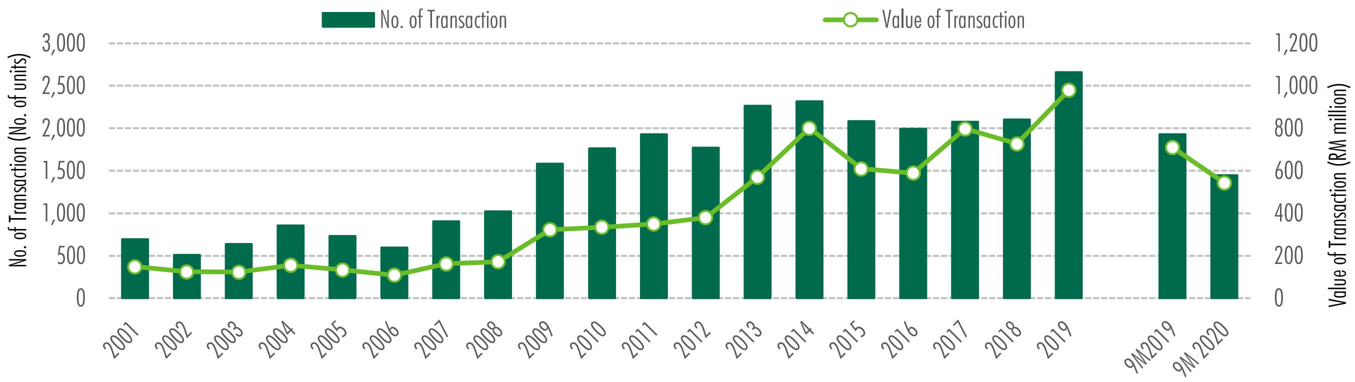
Due to the deterioration of the economic outlook and the rise of unemployment, households and investors have become more cautious in making big-ticket purchases.

Investment in the high-rise residential market is expected to dwindle. However, landed houses in good locations with good connectivity and reasonable prices will interest genuine buyers who have been planning and waiting for the right price to own an unit.

NUMBER AND VALUE OF TRANSACTION FOR LANDED HOUSES



NUMBER AND VALUE OF TRANSACTION FOR HIGH-RISE UNITS



Source: NAPIC, CBRE | WTW Research

SABAH

Kota Kinabalu: Overall decline in sub-sale transactions up to 3Q 2020 due to a slowdown following the Covid-19 outbreak and disruption of activities from the Movement Control Order (MCO) implementation.

SUB-SALES CONTRACTION IN 2020

In overall, the residential sector was subdued in 2020. Sub-sale transactions for the residential sector of vacant residential plots, landed and stratified housing within the Kota Kinabalu-Penampang-Putatan conurbation from January-September 2020 declined by 20% and 25% y-o-y in terms of volume and value of transactions, respectively. Landed residential developments made up about 47% of transaction volume but also posted the worst y-o-y decrease of about 28%.

LIMITED NEW LAUNCHES

As in previous years, new launches of landed residential developments were limited. A notable development which was opened for sale included a gated development (Riveria Villas) of 30 3-storey terraced houses in Kepayan price from RM998,000 onwards. Other launches were smaller scale terraced and semi-detached houses (<15 units per development) in the Luyang area.

New completions in the high-rise residential sector include SkyVue Residence in Penampang (200 units), Bukit Bantayan Block C (296 units), Kingfisher Inanam, Block B and C (484 units) and Kingfisher Putatan Phase 2 (408 units). The Movement Control Order (MCO) to curb the Covid-19 outbreak has disrupted construction activities of several condominium developments to be delayed to the following year.

RESIDENTIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

	TOTAL VOLUME	TOTAL VALUE
Jan – Sept 2019	2,142	RM947.27 mil
Jan – Sept 2020	1,716	RM705.37 mil
% Change y-o-y	-19.9%	-25.5%

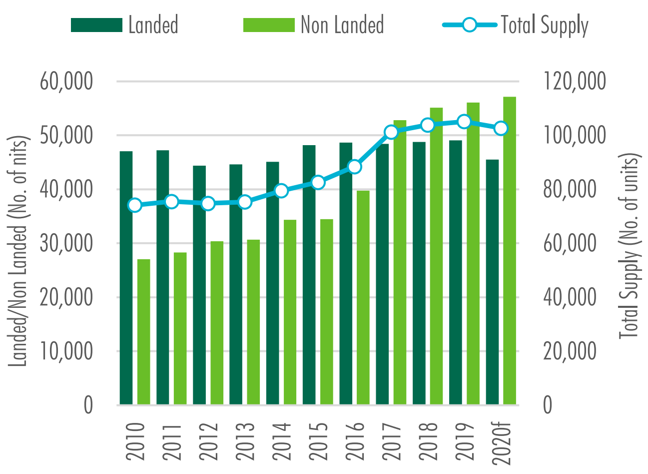
Abbreviation: RM = Ringgit Malaysia, mil = million
Source: NAPIC

LANDED RESIDENTIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

	TOTAL VOLUME	TOTAL VALUE
Jan – Sep 2019	1,060	RM542.83 mil
Jan – Sep 2020	763	RM394.17 mil
% Change y-o-y	-28.0%	-27.4%

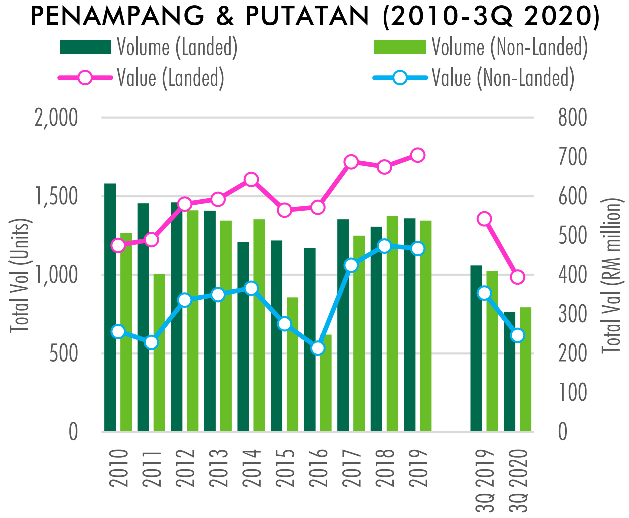
Abbreviation: RM = Ringgit Malaysia, mil = million
Source: NAPIC

SUPPLY OF RESIDENTIAL UNITS IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-2020)



Source: NAPIC, WTWS Research

VOLUME & VALUE OF RESIDENTIAL TRANSACTIONS IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-3Q 2020)



Source: NAPIC, WTWS Research

Several new high-rise residential developments were opened for sale pre-Movement Control Order (MCO) and during the Recovery Movement Control Order (RMCO) period: Residensi Fantasi in Likas (60 units), Alam Pesona in Putatan (Phase 1 - 400 units), SkyMillion Residence in Nosoob (254 units) and Eco Peak Residences in Penampang (321 units).

In the sub-sale market, Valuation and Property Services Department (JPPH) transaction data for January-September 2020 showed a 45% y-o-y contraction for condominiums. Out of the total transactions, developments priced RM400,000-RM599,000 accounted for about 45% of transaction activities with those priced RM600,000-899,000 at 30% and >RM1 million accounting for about 11%. Properties below RM400,000 made up about 15% of transactions.

The high-rise residential segment will remain very competitive with large incoming supply from launched and ongoing projects. Given the limited new launches, demand for landed residential developments in the sub-sale market will be firm although asking prices have moderated in view of more cautious sentiments. Values for well-located and well-managed developments will be sustainable. Lower bank lending rates and government initiatives such as exemption of Real Property Gains Tax (RPGT) for disposal of residential properties (from June 2020 to December 2021) and the uplift of the 70% margin of financing limit for third housing loan onwards (for properties priced over RM600,000 sold during the Home Ownership Campaign (HOC) could initiate some improved transactional activities.

SUPPLY OF HIGH-RISE RESIDENTIAL IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-2020)

Source: WTWS Research

Kingfisher Inanam
Source: Developer

SkyVue Residence @ Kobusak, Penampang
Source: Developer

LAHAD DATU

Lahad Datu experienced the worst market downturn in decades as it suffered severe blows from two consecutive lockdowns from the Covid-19 pandemic, the intensified US-Sino trade war and the political instability of Sabah State. Total value of property transactions in 2020 were further down by 33% compared to the same period in 2019.

Property market sentiment was low and gloomy and likely persist into 2021.

The landed residential segment saw an overall drop in transaction activities and prices, which is also likely to extend into 2021. The prevailing trend is demand for medium cost housing of RM300,000-RM500,000 per unit. There is still demand for 2-storey terraced houses given the absence of new housing offerings in over a year in Lahad Datu. However, developers have had to lower prices in an effort to clear existing stock. The relatively good palm oil prices would be the sole bright spot amidst all the negative developments.

TAWAU

There were no significant new launches during the year. Transaction activities for the landed residential segment moderated but prices remained stable as this is still the preferred housing of Tawau home owners. The high-rise residential sector was negligible, catering only to some government, military and security personnel.

SANDAKAN

Transaction activities for the residential sector declined but there was no price drop. The landed residential segment saw the launch of Taman Maju Phase 2 with 116 units double-storey terraced houses. There were no new launches of high-rise residential, which presently has 1,032 condominium units under construction of which 396 units under a Build-then-Sell scheme and also 360 medium-cost apartment units.

LABUAN

Slowdown in economic activities and drop in crude oil prices have seen an outflow of skilled workers from Labuan and reduced market activities. As a result, the residential sector has also been muted. Given prevailing market conditions, affordability is the main criteria for potential home owners among the younger generation. First-time home buyers are opting for affordable, high-rise residential as newer landed housing comes with higher selling prices.

SARAWAK

KUCHING: Landed housing continues to be the most active segment albeit a drop in volume and value reported in 2020. Demand picked up in 3Q 2020 but is seen slowing down again from the 3rd and 4th waves of Covid-19 in Malaysia. 80% of 1H 2020 new launches were recorded in 2Q 2020, with more high-rise compared to landed units.

DECREASED LAUNCHES, INCREASED COMPLETIONS

There were only half the number of new launches in 2020 compared to 2019, with even fewer of landed residential. 70% of the landed units launched were terraced houses priced RM400,000 and below.

Significant launches in 2020 include Petra Vistana Larimar by GSD Southland comprising 198 units of 1-storey terraced houses priced from RM336,000 per unit; the Alyvia Residence (102 units of townhouses) at the Northbank by M/s BRACo priced from RM625,000-RM944,000 per unit; and Treasures Residence by M/s Titanium at Saradise, 40 exclusive residential units priced from RM2.65 million-RM5.92 million each.

The number of completions in 2020 is expected to exceed 2019 as construction activities resumed in 3Q 2020 and a high number of completions in 1H 2020.

The market for landed residential units which was halted temporarily from mid-March to May 2020, had gained momentum by 3Q 2020 and is expected to hold steady with prices generally maintained. Rentals and occupancies also remained stable.

WORSENING GLUT OF HIGH-RISE

High-rise residential units continue to dominate new supply with 3,051 units completed up to 3Q 2020. Most were high-rise in mixed developments. About 2,000 more units are expected to be completed by end-2020.

Prices of high-rise residential units in Kuching has declined to an average of RM450 per square foot due to an abundant supply resulting in a very competitive market. Moreover, most new projects are offering smaller units below 1,000 square feet in order to project a lower and more attractive price.

Apartment rentals are very much negotiable in the increasingly soft market and this has reduced the average asking rental for apartment units, thus affecting net yields.

The supply glut of stratified residential units experienced in the last couple of years have seemingly gotten worse with an increased incoming supply. This has resulted with buyers dictating the rentals and terms. Units are taking much longer to sell or rent especially those in the higher rent market / class.

Significant launches recorded include The GLEN at Arang Road (628 units), Milano Eight at Jalan Wan Alwi (780 units) and PD Residence at Jalan Ong Tiang Swee (110 units).

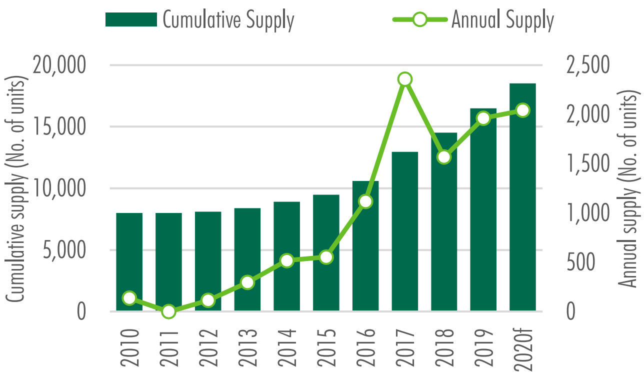
Royal Richmond, Jalan Sherip Masahor, Kuching
Source: WTWY Research

In 2020, Kuching built-up area covering Kuching urban area and its surroundings recorded the highest number of launches at 890 units. Most of the newly launched units are observed to be smaller, starting from 667 square feet (studio units) and priced from RM243,000 per unit.

Apartment / Condominium developments completed in 2020 were sizeable, namely as the followings:

1. Riverine Diamond Condominium (312 units)
2. Metro City Square (376 SOHO units)
3. Royal Richmond Condominium (192 units)
4. Yarra Park (195 units)
5. Laticube Apartments (100 units)
6. PRIMA @ Bintawa Waterfront (1,320 units)
7. Princeton Suites (83 units)
8. Toorak at Seladah (65 units)
9. Ataria Resort @ Bandar Semariang Resort City (428 units)

SUPPLY OF HIGH-RISE RESIDENTIAL IN KUCHING



Note: Data for the full year 2020 is based on estimation from NAPIC's data
Abbreviation: per sq. ft. = per square foot
Source: NAPIC, WTWY Research

MIRI

Transaction activity remains stable despite the Covid-19 outbreak and socio-political uncertainty as transactions were mainly supported by the low / medium housing category. However, high-end market performance remains slow.

Affordable houses priced RM350,000 & below i.e. 1-storey terraced houses, continue to draw demand. Based on Valuation and Property Services Department (JPPH) sales data for 2020 (as at Aug 2020), 56% of transactions of landed residential properties in Miri consist of 1-storey terraced houses.

A significant launched project was the Miri North City mixed-development project jointly developed by Miri North City Development Sdn. Bhd. and Beijing Urban Construction Group (BUCG) from Beijing, China. This development which covers an area of 1,200 acres is located to the North of Senadin, along the Kuala Baram Bypass road and consists of 4,800 housing units, to be built in 4 phases. This development will be another major landmark in Miri City.

Currently, Miri North City is developing 599 Spektra affordable housing project to cater to first-time Sarawakian homebuyers with a gross income of RM5,000 and below. Priced from RM100,000 each unit and a built-up of 720 square feet, it is expected to be completed by 2022.

Affordability is the most important factor affecting high-rise residential with those located in areas with scenic views, and smaller units with affordable prices are likely to sell better.

There are no significant high-rise apartment projects launched in 1H 2020.

Milea Residences @ ParkCity Eastwood, Miri
Source: WTWY Research

BINTULU

Bintulu's landed residential continues to exhibit resilience in 2020, with a stable volume and value transaction in 2020 although a slight increase in selling prices of new projects.

Demand for residential houses remains bright with incoming projects to Bintulu creating more job opportunities, and boosting influx of local and foreign workers. A new petrochemical hub at Tanjung Kidurong is seen to kick start more downstream activities for clean energy and improved infrastructure works such as the Bintulu-Jepak bridge linking Jepak and the town area which would shorten the distance between the airport and the town centre by 20-kilometres, encouraging more resident population.

The upcoming surge of affordable housing supply namely Spektra and Sri Pertiwi housing will affect the take up rate, occupancy rate and selling price of other conventional existing projects by private developers.

SIBU

Landed residential market in Sibu remains balanced, with sufficient supply and reasonably good demand. Although selling prices has stabilised, sales of on-going projects are slowing down as an increase of selling prices have affected affordability. Sub-sale activity for this sector remains active after mortgage interest rate is reduced.

Taman Kozai at Jalan Sibiyu
Source: WTWY Research

MARKET OUTLOOK

The residential sector remains the most active and the biggest contributor to the Sarawak property market. Landed residential sector remains stable and continues to see good demand but outnumbered by new supply of high-rise residential units, especially for Kuching and Bintulu expecting a supply glut in the high-rise residential market.

With the current perks and incentives offered under Short-Term Economic Recovery Plan (PENJANA) particularly for housing, buyers can take advantage of the lower costs of financing in securing homes.

Demand is seen making a comeback since 3Q 2020 and is expected to strengthen further as the market recovers, provided the above mechanisms are still in place.

Lagenda, Jalan Mathies, Kuching
Source: WTWY Research

RESIDENTIAL

NEW LAUNCHES (LANDED RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	TYPE	UNIT SIZE (SQ. FT.)	NO. OF UNITS	PRICE (RM PER UNIT)
KLANG VALLEY						
Castanea @ Setia Alam	Setia Alam	S P Setia	2-SD	2,451 – 2,764	52	>1.16 million
Lumira 1 @ Bandar Bukit Raja	Bandar Bukit Raja	Sime Darby	2-T	1,903 – 2,167	125	>721,888
Lumira 2 @ Bandar Bukit Raja	Bandar Bukit Raja	Sime Darby	2-T	1,718 – 2,803	107	>732,888
PENANG						
Garden Superlink @ Jesselton Hills	Alma	DNP Land	2-T	1,962 – 2,119	70	>598,000
Aster Villa @ Pearl City	Simpang Ampat	Tambun Indah Land	2-T 2-SD	1,680 1,892 – 2,064	153	>678,000 >788,000
Geranium @ Botanica . CT	Balik Pulau	MTT Properties & Development SB	2-T	1,750	28	>600,000
Lily @ Scientex Tasek Gelugor	Tasek Gelugor	Scientex	2-T	1,123	382	242,000 – 356,000
JOHOR BAHRU						
Taman Mutiara Rini (Phase 6M)	Skudai	Mutiara Rini SB	2-T	1,540	216	>670,000
Aspira Park Homes (Phase 3)	Iskandar Puteri	Nusajaya Rise SB (subsidiary of UEM Land SB)	2-T	1,400 - 1,540	158	>690,000
Cordelia Garden @ Setia Eco Garden	Iskandar Puteri	SP Setia Berhad	2-T	1,300 - 1,540	200	>650,000
Precinct Wijaya @ Taman Ungku Tun Aminah	Skudai	Tasek Maju Realty	2-C	2,240 - 3,069	32	>900,000
Precinct Wijaya @ Taman Ungku Tun Aminah	Skudai	Tasek Maju Realty	2-T	1,300	56	>640,000
Adenia 2 @ Saphire Hills	Pulai	Keck Seng (M) SB	2-T	1,540	138	>430,000
Senadi Hills	Iskandar Puteri	UEM Sunrise	2-T	1,400 - 1,540	112	>720,000
Eco Botanic 2	Iskandar Puteri	Eco World	2-T	1,300 - 1,400	166	>570,000
MELAKA						
Taman Desa Bertam (Phase 2)	Bertam Ulu	Teladan Setia SB	2-T	1,540	127	388,800 – 580,000
Taman Desa Bertam (Phase 3)	Bertam Ulu	Teladan Setia SB	2-SD	3,200	114	478,800 – 690,000
Taman Krubong Heights	Krubong	PB Realty SB	2-T	1,540	260	459,800 – 890,000

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered
Abbreviation: sq. ft. – square feet, RM – Ringgit Malaysia

RESIDENTIAL

NEW LAUNCHES (LANDED RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	TYPE	UNIT SIZE (SQ. FT.)	NO. OF UNITS	PRICE (RM PER UNIT)
KUCHING						
Central Landeh	Jalan Landeh Padawan	Kwang Tai	1-T 2-T	N/A	35	>325,000
Alam Impian (Phase 2)	Semariang	Projek Bandar Semariang	1-T 2-T 1-SD	1,421 – 1,464 1,743 – 2,045 1,571 – 1,700	42	274,888-338,888 356,888-446,888 382,888-416,888
Garden Residents	Batu Kawa	Real Majestic	2-T	2,215 – 2,395	46	494,000 – 887,600
Tropical Height	Jalan Datuk Stephen Yong	GKS Development	2-T 2-SD	2,318.24 2,609.96	48	650,800 – 911,800 958,800 – 1,072,800
Petra Vistana Larimar	Jalan Matang	GSD Southland	1-T	1,640– 4,813	203	336,00 – 700,000
Taman Tiana	Petra Jaya	Gaya Resource	1-SD 1-T	868 – 1,136	51	375,000 – 555,000
Taman Tiana	Petra Jaya	Gaya Resource	1-SD 1-T	868 – 1,136	51	375,000 – 555,000
Taman Ming Chung @ Moyan	Batu Kawa	Lambang Jiwa	2-T 2-SD 1-D	From 1,811	25	475,600 - 553,600
TREASURES @ Saradise	Jalan Stutong	Saradise	2-D 2-SD	3,815+4030 2,779+1200	40	5,435,000 - 5,920,000 2,650,000 – 3,525,000
Tris Garden	7th Mile,Jalan Penrissen	Vivagold	1-D 1-T 1-SD	1,428 – 3,627	25	300,000 338,800 – 428,800 468,800
Alyvia Residence @ The Northbank	Kuching-Samarahan Expressway	Ibraco Berhad	3-TH	1,254 – 1,443 1,574 – 1,875	102	625.000 – 781,000 776,000 – 944,000
BINTULU						
Taman Kozai Phase 2	Jalan Sibiyu	Paling Construction SB	2-T	1,808	41	538,000 – 661,000
MIRI						
Miri North City (Phase – Spektra)	Kuala Baram Bypass road	Miri North City Development SB	1-T	720	599	>100,000
KOTA KINABALU						
Riveria Villas	Kepayan	Double Dragon Development SB	3-T	2,460 – 2,650 (BUA)	30	998,000 – 1.4 million
SANDAKAN						
Taman Maju Phase 2	Off Jalan Utara	Sunrise Device SB	2-T	867	N/A	310,300 – 365,588

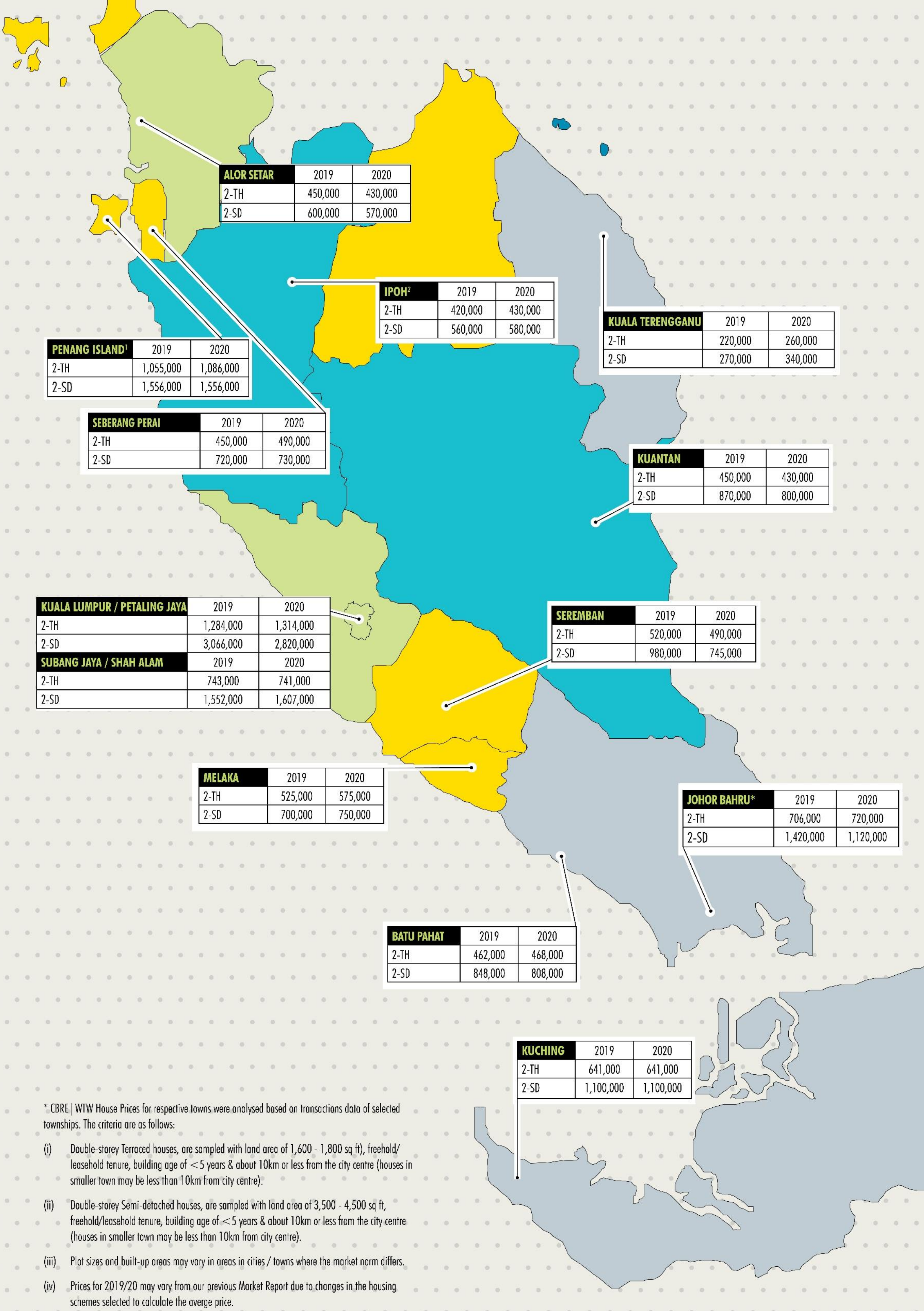
Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; N/A – Not available
Abbreviation: sq. ft. – square feet, RM – Ringgit Malaysia

RESIDENTIAL

NEW LAUNCHES (HIGH-RISE RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	UNIT SIZE (SQ. FT.)	NO. OF UNITS	PRICE (RM PSF)
KLANG VALLEY					
TRX Residence (Phase 1)	Tun Razak Exchange	LQ Residential 1 SB (Lendlease Malaysia)	474 – 3,854	896	1,648 – 2,251
Allevia Mont Kiara	Mont Kiara	UEM Sunrise	1,703 – 2,634	294	902 – 1,093
Edelweiss @ Tropicana Gardens	Tropicana Indah	Tropicana Indah SB (JV between Tropicana and PKNS)	556 – 1,111	630	1,522 – 1,544
Maple Residences @ W City	Old Klang Road	WCT OUG Development SB	808 – 1,378	303	835 – 948
Quinn Residence	Wangsa Maju	MC Land (Quinn) SB	538 – 1,070	361	914 – 1,133
PENANG					
Marminton Homes	Butterworth	Sungguh Gemilang SB (Atta Global Group)	1,130 – 1,323	112	>340
Glisten Hill	Juru	TKS Development SB	1,305 – 2,345	134	>300
JOHOR BAHRU					
Optimus Medini	Medini	Optimus Medini SB	700 – 2,080	276	580 – 640
Veranda Residences	JB City Centre	Parkwood Palms SB (subsidiary of MB World Group Berhad)	632 – 1,023	1,298	635 – 670
Centro Residences	JB City Centre	Solusi Kelana SB	226 – 947	2,432	>530
KUCHING					
PD Residences	Jalan Ong Tiang Swee	Pangau Dayak Residences SB	1,370-2,600 1,640-3,679	110	>474
The GLEN	Jalan Arang	Tecktonic & Sons Holdings	670-1,050	628	>331
Milano Eight	Jalan Wan Alwi	Kenbest Group	From 725	780	>577
Upton	Jalan Arang	Elica SB	667 - 1226	160	520 – 898
SIBU					
Lot 781 Seduan Land	Jalan Old Oya	Plustage SB	650 – 1,095	72	358 – 361
BINTULU					
Serviced Apartments @ Crown Pacific Mall	Jalan Tun Razak	Bintulu Town Square SB	From 560	315	>519
Lot 483 Block 31	Jalan Tun Razak	Pantiasa SB (Shin Yang Group)	From 422 From 639	114 88	>699 >610
KOTA KINABALU					
Alam Pesona (Phase 1 Emerald Tower)	Putatan	WK Consortium SB	540 – 868	400	472 - 530
Residensi Fantasi	Likas	Serisar Development SB	1,195 – 1,288	60	490 -605
Skymillion Residences	Nosoob	Rich Millionway SB	930-1,860	254	503-658
Ecopeak Residences	Penampang	Legacy Group	934 - 992	321	373 - 421

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; N/A – Not available
Abbreviation: sq. ft. – square feet, RM – Ringgit Malaysia, psf – per square foot



ALOR SETAR	2019	2020
2-TH	450,000	430,000
2-SD	600,000	570,000

IPOH[2]	2019	2020
2-TH	420,000	430,000
2-SD	560,000	580,000

KUALA TERENGGANU	2019	2020
2-TH	220,000	260,000
2-SD	270,000	340,000

PENANG ISLAND[1]	2019	2020
2-TH	1,055,000	1,086,000
2-SD	1,556,000	1,556,000

SEBERANG PERAI	2019	2020
2-TH	450,000	490,000
2-SD	720,000	730,000

KUANTAN	2019	2020
2-TH	450,000	430,000
2-SD	870,000	800,000

KUALA LUMPUR / PETALING JAYA	2019	2020
2-TH	1,284,000	1,314,000
2-SD	3,066,000	2,820,000
SUBANG JAYA / SHAH ALAM	2019	2020
2-TH	743,000	741,000
2-SD	1,552,000	1,607,000

SEREMBAN	2019	2020
2-TH	520,000	490,000
2-SD	980,000	745,000

MELAKA	2019	2020
2-TH	525,000	575,000
2-SD	700,000	750,000

JOHOR BAHRU*	2019	2020
2-TH	706,000	720,000
2-SD	1,420,000	1,120,000

BATU PAHAT	2019	2020
2-TH	462,000	468,000
2-SD	848,000	808,000

KUCHING	2019	2020
2-TH	641,000	641,000
2-SD	1,100,000	1,100,000

* CBRE | WTW House Prices for respective towns were analysed based on transactions data of selected townships. The criteria are as follows:

(i) Double-storey Terraced houses, are sampled with land area of 1,600 - 1,800 sq ft), freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

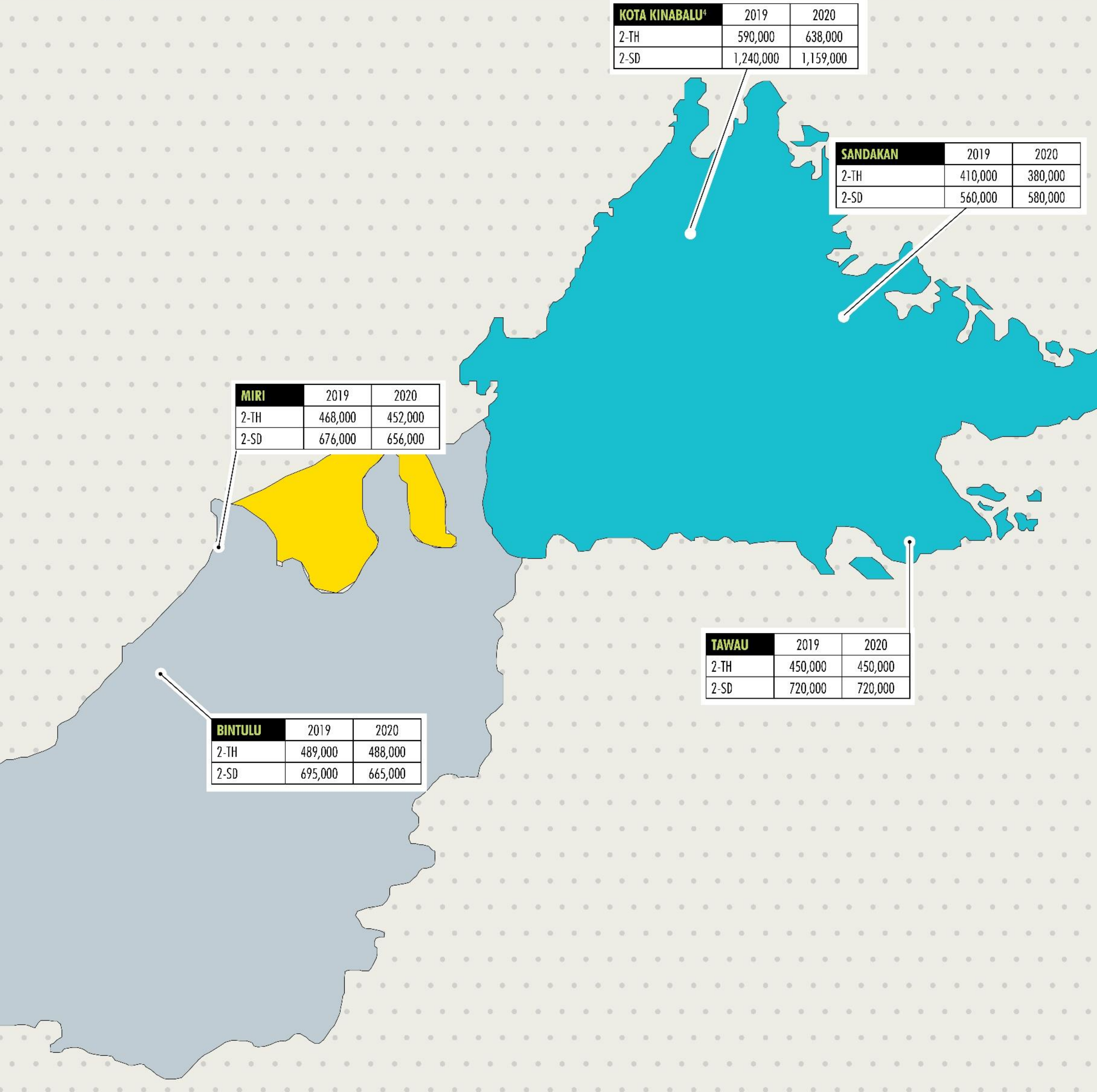
(ii) Double-storey Semi-detached houses, are sampled with land area of 3,500 - 4,500 sq ft, freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

(iii) Plot sizes and built-up areas may vary in areas in cities / towns where the market norm differs.

(iv) Prices for 2019/20 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the averge price.

2019/2020*

CBRE | WTW MALAYSIA HOUSE PRICE INDICATOR



KOTA KINABALU[4]	2019	2020
2-TH	590,000	638,000
2-SD	1,240,000	1,159,000

SANDAKAN	2019	2020
2-TH	410,000	380,000
2-SD	560,000	580,000

MIRI	2019	2020
2-TH	468,000	452,000
2-SD	676,000	656,000

TAWAU	2019	2020
2-TH	450,000	450,000
2-SD	720,000	720,000

BINTULU	2019	2020
2-TH	489,000	488,000
2-SD	695,000	665,000

OFFICE

RETURN

SUMMARY

Challenge
Incoming supply of 6.1 million square feet of office space in Klang Valley from 12 upcoming purpose-built office (PBO) buildings raises concerns of increased vacancy if all are completed in the next 3 years. Vacancy and rental concerns are also faced by shop offices.

Outlook
The adaptation of working-from-home style by many office workers was enabled by the Internet of Things (IoT), resulting in flexi workplaces and working styles which is expected to become the norm in many offices post-pandemic.

Office spaces and office buildings have been evolving to remain relevant in the 'new norm' of working. The traditional and common private workplace may be facing the rising trend of collaborative space as its competitor. These latter spaces may have different implications in terms of lease structure, flexibility and price.

The demand for Global Business Services (GBS) persists, supported by Government initiatives. Multinationals are setting up their shared services operations in Penang including GBS companies with manufacturing facilities, and may enhance positive growth for the office sector.

KLANG VALLEY

The new norm of working from home will increase the demand of flexible working spaces. Office building landlords and owners should focus on other demand drivers and sectors which have growth possibilities.

The Klang Valley (KV) office market continued its subdued performance throughout 2020. Three (3) completions were recorded within the first three (3) quarters of 2020, increasing cumulative supply to 114.9 million square feet. The vacancy rate increased by 1.0% (20.7%) based on y-o-y comparison.

Another 6.11 million square feet from twelve (12) upcoming purpose-built office (PBO) buildings are in the pipeline which may push the vacancy rate higher if completed in the next 3 years. Upcoming supply are mainly buildings 500,000 square feet in size, except for Merdeka PNB 118. Kuala Lumpur city centre remains the preferred office location, with 84% of total future supply.

Tenants sought rental aid during Movement Control Order (MCO) but rental relief offered by landlords have been limited. Many leasing decisions were also put on hold in 2020. Rentals declined further to RM6.80 q-o-q and by 10% on a y-o-y comparison.

Major movements by large corporations into newer buildings in well established office locations, included Tokio Marine, BASF, Accenture and Hapag Lloyd. Landlords are willing to negotiate further in the present environment.

Four (4) major transactions announced were Pinnacle Sunway in Bandar Sunway, Menara Guocoland in Damansara Heights, UOA Corporate Tower in Bangsar South, and Quill Building 5 in Cyberjaya, mainly acquired by Real Estate Investment Trust (REIT). Menara Affin in Jalan Raja Chulan was also put up for sale, as Affin Bank will fully relocate to their own building in Tun Razak Exchange by 2021. Whilst, Menara MIDF in Jalan Raja Chulan was transacted to Singapore based , JD Hospitality Sdn Bhd. The only occupier of Menara MIDF, also will be relocating to PNB 118 by 2022.

SELECTED UPCOMING PBO DEVELOPMENTS IN 2020

Name of Development	Location	Estimated NLA (square feet)
Menara Hap Seng 3	Kuala Lumpur	240,000
Menara TCM	Kuala Lumpur	380,000
HCK Tower @ Empire City	Outside Kuala Lumpur	347,000
Menara Star 2	Outside Kuala Lumpur	216,000

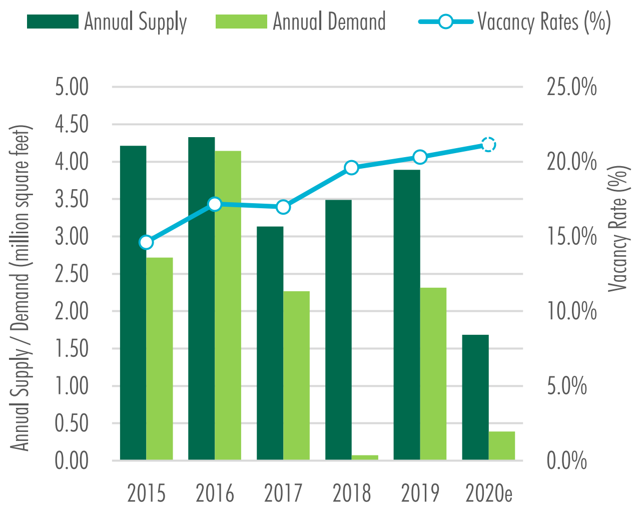
Source: NAPIC, CBRE | WTW Research

SMOOTHER APPROVAL PROCESS FOR BUSINESSES NEEDED

Malaysia is ranked 12th in World Bank's Ease of Doing Business in 2020, presenting great potential for current and future investors. Reality check: its current bureaucratic processes, equity and visa formalities need to be eased to enable faster start-up times and hassle-free processing.

As a part of Short-Term Economic Recovery Plan (PENJANA) incentives, the government is offering a generous tax holiday of 10 to 15 years to attract foreign companies in the manufacturing sector to relocate their businesses into Malaysia, whilst 100% Investment Tax Allowance up to 5 years, will be given for existing companies relocating their operations from overseas to Malaysia.

KV ANNUAL SUPPLY AND DEMAND



Source: NAPIC, CBRE | WTW Research

INTERNET OF THINGS (IoT) AND THE FUTURE

The Movement Control Order (MCO) forced many office workers to adapt to remote working or working-from-home, enabled by the Internet of Things (IoT) and is encouraging flexi workspace as an option post-pandemic. Most major corporations have also implemented work from home as the new normal .

EVOLVE OR DIE

Businesses are becoming more cost sensitive as challenging conditions persist, thus impacting on their leasing decisions either by consolidation, space reduction or lease termination.

Lease commencement and new leasing have been deferred. Re-negotiation and evaluation of decisions have slowed down leasing activity. New completions and renovation works are being delayed.

Health, Standard Operating Procedure (SOP) and financial concerns have pushed companies and industries into restructuring, technology advancement, remote working and also improvement of office layout and work flow.

Workplaces are trending away from private cubicles to shared / collaborative spaces. Selected landlords are converting and offering flexi space / short-term leases. The flexi working space trend could spur the growth of co-working space in Klang Valley (KV), not only catering for SMEs but also large corporations. Offices are also being dispersed to less dense and alternate / different locations.

These restructuring ideas are bringing both positives and negatives: a rise of underused office buildings counter balanced by the possibility repurposing its usage for social and community needs.

In order to practice social distancing in the current situation and the rapidly changing workplace, offices are still trending away from private workplaces to collaborative spaces. Selected landlords are offering under-used fitted units into flexi space / short-term leasing of 6 to 12 months.

Many tenants are reviewing their leasing agreements with the landlords which may impact rentals and future leasing terms. Those resilient sectors as such as pharmaceuticals, Information Technology (IT) or fintech and e-wallet providers may be the better tenants to target.

SEREMBAN – WORSENING DUE TO PANDEMIC

The over-supply shop office market in Seremban continued to persist with performance worsening by the closing down of businesses.

Location continued to be the primary pull factor with higher occupancies driven by food & beverage (F&B) outlets and financial institutions.

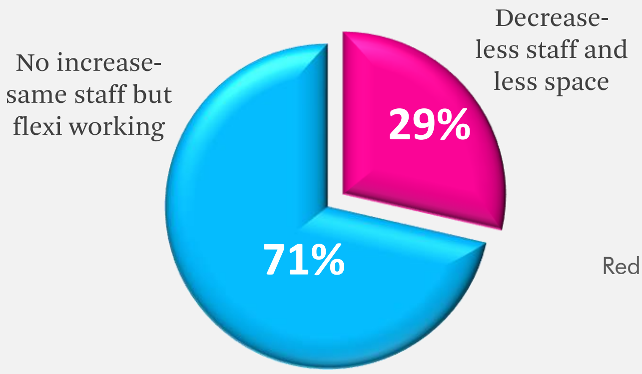
MARKET OUTLOOK

Looking forward, companies will strive to revert to pre-Covid-19 business levels. Weakened office space demand is expected to reflected in softer rentals and yields.

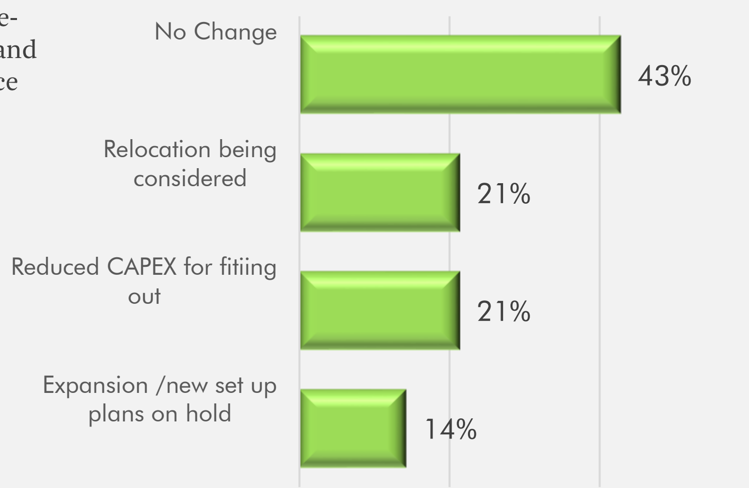
Office Flash Survey : RE-turn

Tenants are returning to office where Flexibility will be the underlining office landscape. A Flash Survey from May – July 2020 of occupiers of Purpose-built Offices (PBO) in the city centre, indicated most occupiers remaining at their current offices but adapting higher flexibility in work spaces and arrangement, leveraging on technology to sustain the working styles of the future.

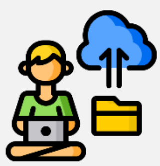
What are your expectations on space requirements ?



How have your real estate leasing decision been impacted by the COVID 19?



- **Which Sectors with Long-Term Shift in Space Requirements:**
  Construction: Due to: Remote working, Flexi-hours, Outsourcing
  Technology: Due to: Outsourcing



- **Which Sectors Seeking to Re-negotiate Leasing Terms:**
  Financial Institutions and Construction / Property Related

Please login to Asia Pacific Occupier Flash Survey - 2020 | CBRE for more insight on the report by CBRE APAC.

Note: Our sample size was too limited to be definitive except for possible indicative trends

Source: CBRE | WTW Research

PENANG

The occupancy and rental rates of purpose-built office (PBO) buildings are expected to remain resilient underpinned by limited new supply and the growing demand of Global Business Services (GBS). New office buildings equipped with better specification as well as Malaysia Status Company (MSC) accredited status would receive better demand. Co-working spaces will continue to be the relevant alternative to traditional office space.

HEALTHY MARKET IN THE SHORT-TERM

Most office operations were affected during the Movement Control Order (MCO) period, with working from home arrangements taking place. Working in office resumed gradually in stages after the lifting of the MCO and with the Recovery Movement Control Order (RMCO) in place. In abiding with the Standard Operating Procedure (SOP), office operation is experiencing a new normal.

A number of landlords of PBO buildings in Penang have assisted tenants in the current challenging period. The assistance provided include rental rebates particularly for the MCO period, as well as delays in the contractual increase in rent.

Companies from the worst-affected industries such as tourism and leisure, will occupy less office space in the near future due to downsizing or closing of operations. Other end users from the services sector will still retain their existing office space but with arrangements for employees to work from home in the short-term.

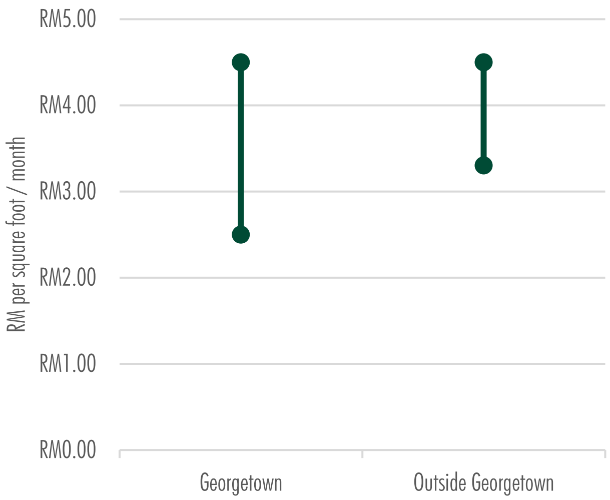
Notwithstanding the above, the PBO market is expected to remain healthy, as the office workplace still plays an important role for face-to-face interactions and team collaborations. Companies who hold a long-term view of the market, would uphold that a high-quality office space is vital to portray corporate image as well as in valuing their employees in order to attract, retain and nurture top talent.

LIMITED NEW SUPPLY WITH STABLE RENTALS AND OCCUPANCY RATES TO PREVAIL

A new PBO building completed in 2020 is GBS @ Mahsuri in Bayan Baru. It contributed an additional 80,000 square feet to existing supply which had been stagnant since 2016. Certain other proposed PBO buildings have been kept in abeyance presently.

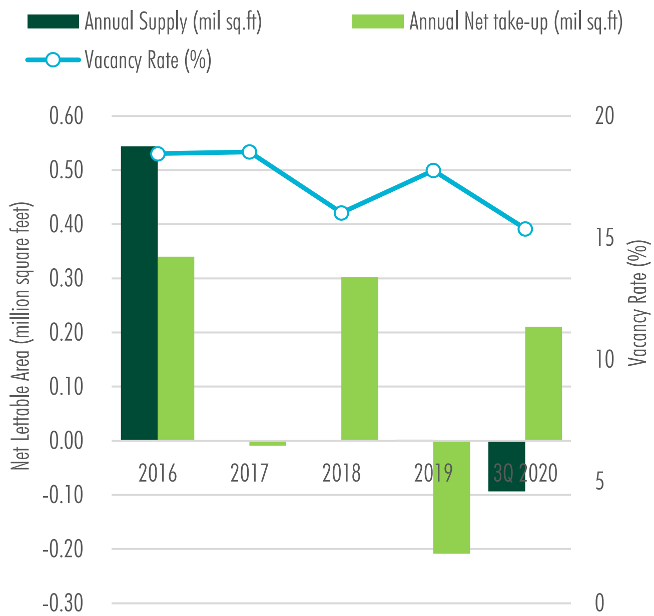
The overall occupancy rate remained firm at approximately 85% as at 3Q 2020. The occupancy rate in Penang Island increased slightly to 87%, while in Seberang Perai was 78%. The occupancy rates are anticipated to remain stable in the short-term amid the expected limited new supply of office accommodation, particularly high-quality prime space.

PERFORMANCE OF PRIME PBO SPACE IN PENANG ISLAND



Source: NAPIC, CBRE | WTW Research

SUPPLY AND PERFORMANCE OF PBO IN PENANG



Abbreviation:. mil = million, sq. ft. = square feet
Source: NAPIC, CBRE | WTW Research

Rentals of prime office space in Penang Island, particularly in Georgetown and as well as Bayan Baru / Bayan Lepas, Jelutong and Bandar Tanjong Pinang ranged from RM2.50 to RM4.50 per square foot / month. It is foreseen to remain stable in the near future.

DEMAND FOR MALAYSIA STATUS COMPANY (MSC) STATUS OFFICES PERSISTS

With the initiatives by the state government to promote Global Business Services (GBS), multinationals were attracted to set up their shared services operations in Penang. These include the GBS companies with their manufacturing facilities in Penang such as B. Braun, Jabil and Cypress and multinationals which have recently established their presence in Penang such as Celestica, Teleperformance, Swarovski and UST Global.

GBS @ Mahsuri in Bayan Baru, the newly completed MSC status office, has been fully committed by tenants. One of the major tenants is Clarivate Plc, a global leader in providing trusted information and insights to accelerate the pace of innovation. Its office in Penang will be the primary centre for Clarivate shared services in Asia. Another major tenant is Teleperformance, setting up their third office in GBS @ Mahsuri.

The demand for MSC status offices is anticipated to persist in the near future with more multinational companies consolidating and embarking on centralised global services.

DEMAND FOR CO-WORKING SPACE CONTINUES IN THE SHORT-TERM

Similar to the landlords of "traditional" office buildings, co-working operators in Penang such as Spaces and Common Ground, have also launched promotions. The promotions include rental rebates for new tenant referrals, lucky draws for new day-pass members, reduced charges for virtual calls, and certain free rental for new commitments of 6 and 12 months.

The prospects of co-working spaces complementing conventional office space is still very encouraging. For companies who require more office space to comply with the Standard Operating Procedure (SOP) in the short-term, the flexible lease terms and ready to use facilities of co-working spaces is a feasible alternative. In addition, co-working spaces can serve as the contingency plan for companies in separating their employees to multi-locations for social distancing as well as to minimise the potential risks of business disruptions if an employee gets infected.

For companies intending to expand or set-up their businesses amid the uncertainties and challenges in the market, the flexibility of co-working spaces will also suit them. Co-working spaces could be secured almost immediately with more flexible lease terms.

NOTABLE PROPOSED PBO PROJECTS IN PENANG

DEVELOPMENT	LOCATION	EST. NLA (sq. ft.)
PENANG ISLAND		
VOS Lifestyle Suites	Bukit Dumbar	90,000
GBS by The Sea	Bayan Lepas	317,000
The Light City / Light Waterfront	Jelutong	370,000
Penang International Commercial City (PICC)	Bayan Baru	N/A
SEBERANG PERAI		
Vitoria Financial Centre @ Aspen Vision City	Batu Kawan	N/A

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research.

ALOR SETAR

The purpose-built office (PBO) market is expected to remain unchanged in the near future with stagnant rental and no significant movement. The performance of shop offices in prime locations is anticipated to remain resilient with limited supply. For secondary locations, the occupancy of particularly the upper floors in shop offices will be affected if the pandemic is prolonged.

IPOH

The shop offices sector has been affected both in rental income as well as occupancy due to the Covid-19 pandemic. The pandemic has encouraged the trend of "home-operate" businesses that has evidently weakened demand for shop offices. With the extension of Recovery Movement Control Order (RMCO) along with the imposition of the Conditional Movement Control Order (CMCO) in November, restrictions and social distancing measures were still in force. These precautions pose a lot of limitations especially on commercial activities and thus the outlook will exhibit a slow recovery trend.

GBS @ Mahsuri
Source: CBRE | WTW Research

ISKANDAR MALAYSIA

Challenging market for Purpose-built office (PBO) due to the acceptance of "hybrid" working styles and Information Technology (IT) friendly office support applications. Rental market remained competitive among old and new PBOs.

VACANCY RATE WORSENS

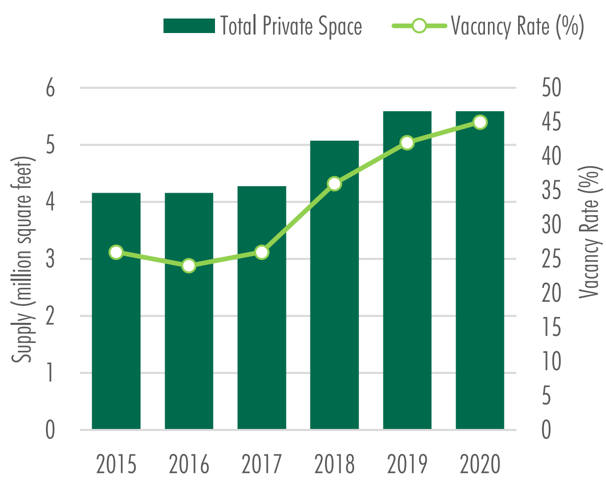
The PBO sector in IM experienced the severe sluggish effect of the COVID-19 pandemic. Total supply of PBO space in Iskandar Malaysia (IM) remained at 11.3 million square feet as there was no new completion in 2020.

As reported by National Property Information Centre (NAPIC) as of 1H 2020, about 71% (8.0 million square feet) was contributed by privately-owned office buildings while the remaining 29% (about 3.2 million square feet) was government buildings.

As of end 2020, we have observed vacancies as high as 45% for PBO buildings in IM. This record high vacancy rate was mainly contributed by the mushrooming of new PBOs over the past few years which was not matched by new demand. The total space occupied was approximately 3.1 million square feet.

There are another five (5) PBOs with a total of approximately 1.7 million square feet in the pipeline. Three (3) of the PBOs, UMCity Premium Corporate Office Tower and Medini 10 in Medini, and MVS North Tower in Kota Southkey, were scheduled for completion in 2020.

SUPPLY AND VACANCY RATE OF PRIVATELY-OWNED PBO IN ISKANDAR MALAYSIA



Source: CBRE | WTW Research

Another two (2) PBOs, Menara Bank Rakyat in JB city centre and MVS South Tower in Kota Southkey, were targeted to complete in 2021. If all under construction PBOs are completed as scheduled, the IM market will have an additional 1.7 million square feet of new office space by 2021, making a total of 7.3 million square feet, about 31% more than 5 years ago in 2015.

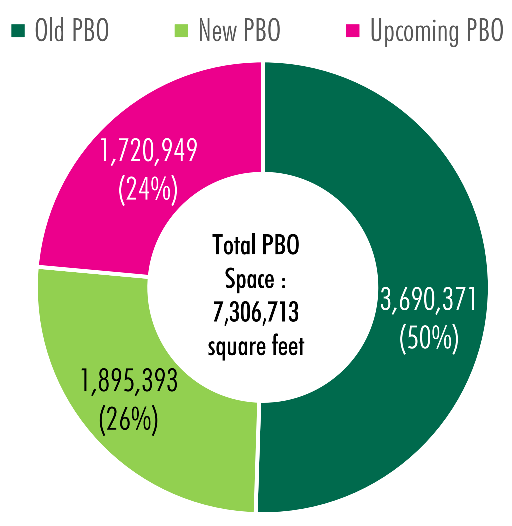
Even though IM had no new supply in 2020, the current available space in IM will still need years to fill up. It may worsen with the incoming PBOs, exacerbated by the Covid-19 pandemic.

NOTABLE INCOMING PBO BUILDINGS IN IM

	DEVELOPMENT	EST. NLA (sq. ft.)
1	MVS North Tower, Kota SouthKey	323,000
2	MVS South Tower, Kota SouthKey	323,000
3	UMCity Premium Corporate Office Tower, Medini	110,000
4	Medini 10, Medini	415,000
5	Menara Bank Rakyat@Coronation Square, JBCC	550,000
TOTAL PURPOSE-BUILT OFFICE SPACE		**1,721,000**

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research

TOTAL PURPOSE-BUILT OFFICE IN ISKANDAR MALAYSIA



Abbreviation: PBO = Purpose Built Office
Source: NAPIC, CBRE | WTW Research

COMPETITIVE OFFICE RENTAL

Rental for purpose-built offices (PBOs) in Iskandar Malaysia (IM) is expected to remain challenging. Old and new office buildings are competing with each other to secure tenants. Older PBOs are holding on to their lower rental; while new PBOs are offering attractive rental packages with competitive rentals.

The current rental of old PBOs which are mostly located in Johor Bahru city is about RM2.40 per square foot per month; while new PBOs which are mostly located in Medini or Puteri Harbour are asking RM3.50 per square foot per month.

TELEWORK & WORK FROM HOME

We anticipate that office demand may contract due to the spread of telework and work from home. While companies still prefer office-centered work, they are adapting to a more appropriate level of "hybrid" working style and social distancing in the physical office.

It seems too early for us to judge the future demand of PBOs. PBOs will have to reinvent themselves to match the latent demand of commercial space in this dynamic market.

BATU PAHAT

The PBO market in suburban Batu Pahat is relatively less effected by the current global pandemic. Office buildings in good locations are still in good demand by private companies especially insurance companies and financial institutions.

Shop offices remained as one of the favored choices for local operators rather than PBO due to more attractive rentals. In view of the limited supply of PBO, demand for shop offices in Batu Pahat is still encouraging.

MELAKA

Similar to Batu Pahat, there was no new supply of PBO in Melaka since 2011. Rental for existing PBOs was relatively stable throughout the years. The office space are mainly occupied by professional accountancy firms, lawyers, insurance and telecommunication companies.

Shop offices are the most preferred alternative option for companies as there are a number of new shop office developments in newly developed commercial centres and the rental is much lower as compared to PBO.

MARKET OUTLOOK

The future development of PBO is uncertain but is also interesting. A re-vamped office market is expected in the new future due to the swift Information Technology (IT) upgrowth with multi-elements. A market player who could think out of the box with new ideas and elements to catch the transforming demand will be the next market leader.

SABAH

KOTA KINABALU: An uneventful year with a subdued office sector and little change in uptake and occupancy.

LACKLUSTRE OFFICE SECTOR

The office sector saw the sale of the 6-storey Wisma Dixon in Likas early in 2020 for a declared sum of RM10.5 million. The Covid-19 pandemic had forced offices to operate fully or partially from home during the Movement Control Order (MCO) period. This resulted in increased reliance on the use of Information and Communications Technology (ICT) and internet for businesses. However, whether this work-from-home would significantly affect demand for office space remains to be seen as Sabah still lags behind in digital connectivity.

Overall, the office segment is expected to remain little changed with slowdown in economic activities and as supply of office space exceeds demand. Sabah Shell, which occupies 4 levels in Plaza Shell building in Kota Kinabalu Central Business District owned by Hap Seng Group, had also announced that it will reduce its office footprint in 2021 as it trims its operations and relocates to Miri, Sarawak.

LAHAD DATU

Relatively stable shop office sector except for downward trend in prices. Demand for conventional shop office is still weak with many vacancies. Food catering outlets, small-scale agricultural suppliers, professional firms and selected service-based business make up most of the demand. Overall, high Covid-19 infection rates had immobilised the community, dampening investor sentiments due to unattractive yields, as it is cheaper to rent than to own.

TAWAU

The office sector remains the same as previous years with demand for purpose-built offices (PBO) sluggish as Tawau is not the preferred market for PBO. The trend, post Covid-19 is for small offices with option for personnel to work from home supported by modern technology and efficient internet connectivity.

The shop office sector is seeing weak demand and depressed rentals as overall business activity is down due to the current pandemic. Tenants are resorting to re-negotiate a discount for ongoing leases of 30%-50% rental reduction over 3-9 months or even 6 months rent-free period for 2020.

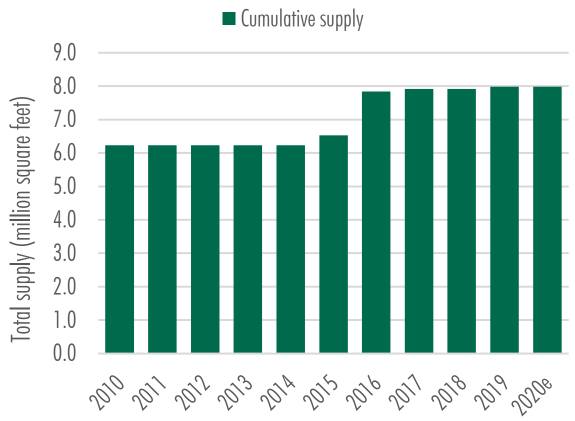
SANDAKAN

The PBO sector has been static without any new supply over the last two decades except for Menara Rickoh in 2010. Generally, most of the PBO in Sandakan were developed during the 1980s and 1990s and are located within the town centre. Other PBO are mostly located along Jalan Utara-Jalan Labuk, which were built for own occupation, mainly by large plantation companies. Requirements for office space are mainly being met by office supply from conventional shop-office. These secondary office spaces to the market result in and continues to cause further voids within PBO. Sale transactions of PBO space remain scarce.

LABUAN

PBO space mainly caters to offshore companies. With the absence of new supply, the office sector is expected to remain stable with little change from previous years. The Covid-19 pandemic and drop in crude oil prices had dampened sentiments and reduced consumer spending which had affected retail businesses. This has led to tenants requests for rent reduction to sustain business in the current challenging market.

SUPPLY OF PURPOSE-BUILT OFFICE SPACE IN KOTA KINABALU (2010-2020)



Source: NAPIC, WTWS Research

SARAWAK

KUCHING: Transactions of commercial properties have decreased by almost half in volume and value for 2020. There were some activities in the office sector with a few purpose-built corporate offices completed during the year. Shop offices remain in over-supply and shop vacancies continue to increase.

NEW COMPLETIONS OF PURPOSE-BUILT OFFICES

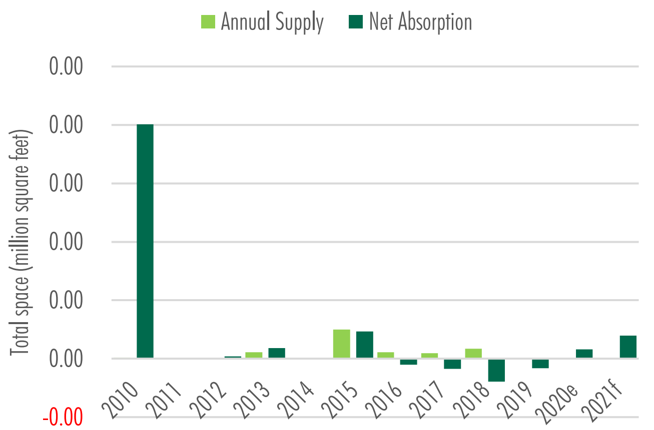
There were completions of a few purpose-built offices (PBO) this year, including IBRACO Headquarters Building at Northbank and HSL Office Tower at la Promenade, both located along the Kuching-Samarahan Expressway. Some tenants' movement were observed involving few government agencies to the recently built Baitul Makmur II building at Medan Raya in Petra Jaya and Land Custody and Development Authority (LCDA) and Sarawak Economic Development Corporation (SEDC) Towers at the Kuching Isthmus.

There were however neither transaction nor any significant renting of office spaces as the newly built PBO were owner-occupied, namely by IBRACO and HSL as their new HQ and corporate offices.

The Panggau Dayak Towers, launched in 4Q 2020 is significant for the Dayak Community as it will house the Dayak Cultural Foundation (DCF) and Dayak Chamber of Commerce and Industry (DCCI). Sitting on 2.05 hectares of land, this 9-storey of PBO will be a landmark for the Ong Tiang Swee area which is bereft of any tall buildings.

Due to the increasing stock and competition for office spaces from shop offices, take up and rentals remain stagnant averaging about RM2.50 per square foot.

PERFORMANCE OF PURPOSE-BUILT OFFICE IN KUCHING



Note: Data for the full year of 2019 is based on estimation
Source: NAPIC, WTWY Research.

ADDITIONS OF SHOP OFFICES SLOWING DOWN

Pressured by the glut in supply, shop offices completed in Kuching dropped in 1H 2020, to almost half as reported in the same period last year. Based on National Property Information Centre (NAPIC) data, incoming supply for 2020 is estimated at about 568 units.

There were no significant new launches of commercial shops in 2020.

Although the number of shop units added to the market has decreased, supply remains high and the current Covid-19 pandemic has made it increasingly difficult to maintain rentals and the increasing number of shop units being vacated is a real concern. These have greatly reduced the average asking rent for shop units especially the ground floor and affected sales due to increased risk exposure.

2020 saw the completion of the last blocks of 3- and 4-storey shop offices at Gala City developed by M/s Tecktonic & Sons and F&B Street Mall shops at Saradise developed by M/s Titanium, both located in new prime commercial areas of South-east Kuching.

Gala City Prime shops at Jalan Tun Jugah, Kuching
Source: WTWY Research

MIRI

Challenging outlook for the purpose-built offices (PBO) market due to limited demand / low occupancy. The on-going trade war which has affected the demand and price of commodities such as palm oil & gas and in turn, the related companies which make up most of the demand for PBO in Miri, has aggravated market uncertainty in recent years.

However, a positive development is Shell's relocation plan to Miri which would potentially increase demand for PBO property.

The property overhang / slow take up rate & lack of confidence in the economy will also continue to pose a challenge to the shop office sub-sector. There is also preference for light-industrial properties by occupants with larger space requirements.

The shop office yield is 4% with average rentals of RM1.20 per square foot. The average transacted price of a shop office is maintained at RM1.2 million per unit for both years.

The oversupply situation in Miri is expected to continue in 2021.

BINTULU

The PBO market in Bintulu remained stagnant in 2020 with no transaction activity recorded. The shop office sector continues its downward trend with fewer transactions compared to last year and shop offices remained in over-supply. The market is very much on the buyer's and tenant's side with more options and better negotiating power.

Pier 99 Project with 144 shophouse units located within Bintulu Waterfront development with a panoramic river view and near to the under construction Jepak-Bintulu Bridge, will be the new landmark in Bintulu.

The shop office yield is expected to remain at 4% to 5% for both 2020 and 2021, with rental rates at RM1.20 to RM1.50 per square foot / month and average transacted price at RM1.2 million per unit.

SIBU

PBOs were stable in 2020, and is expected to continue in 2021. Supply remains sufficient with no transactions recorded for Sibu. There are opportunities for corporate companies to build PBOs for mainly their own occupation with some floors rented to ready tenants.

The shop office market is generally down for 2020 due to the current adverse economic conditions caused by the ongoing pandemic. Although rentals have softened, price and values of shophouses especially those in prime and established areas are maintained.

Rentals average RM1.20 per square foot with RM1.20 to RM1.30 per square foot expected for 2021 and yields are generally maintained at 4%. The average transacted price for a 3-storey shop office is maintained at RM1.2 million per unit for both years. Capital appreciation and reasonable rental yields continue to drive the market.

MARKET OUTLOOK

The PBO in Sarawak remains a niche market with limited demand and more or less stagnant. Construction of PBO is mostly ad-hoc for owner-occupation.

An oversupply situation persists in the shop office market segment for Sarawak with buyers and tenants dictating rentals and price rates.

Pier 99 at Jalan Abang Galau, Bintulu
Source: WTWY Research.

RETAIL

RETAIN

SUMMARY

Challenge
The rapid usage of e-commerce has led to several rounds of store rationalizations by retailers and decrease in rental commitments although smaller / less physical stores remain essential to attracting customers and generating sales. As a result, upcoming retail space may face challenges in achieving optimal occupancy and rental performance, while tourist-focused retail malls waits the re-opening of international borders.

Outlook
Omnichannel is currently adopted by a majority of businesses in achieving sales from both offline and online. More flexible lease arrangements may develop from such new norms, in order to retaining tenants and achieve optimal occupancy.

Online platforms have been accepted by all age groups, encouraging the growth of virtual malls, even by existing retail mall operators. 1st Avenue Shopping Mall in Penang and Matdespatch X Sunway Pyramid are examples of such developments.

SS Two Mall in Petaling Jaya has been transformed into a one-stop healthcare lifestyle mall. Other retail space transformations or changes in retail space use may be a part of future market trends.

KLANG VALLEY

International border closures have turned all eyes on the domestic market for future sustainability of the economy and retail market. E-commerce and financial technology have taken the spotlight post-pandemic, while retailers and landlords struggle to survive.

ALL EYES ON DOMESTIC SHOPPERS

The retail sector was among the hardest hit by the Covid-19 outbreak, as movement restrictions led to closures of retail malls and non-essential businesses, closure of international borders and strict Standard Operating Procedure (SOP) which limited shopper / customer traffic. Retail sales growth had recorded the worst plunge at -30.9% in 2Q 2020, before a further drop of -9.7% in 3Q 2020 as businesses re-opened and some restrictions were eased.

The Consumer Sentiment Index (CSI) climbed back to 90 points after a drop to 51 points in 1Q 2020, a positive sign.

Physical stores had no customers since the Movement Control Order (MCO) implementation (except supermarkets and essential service businesses) until the RMCO in June 2020. Consequently, many retailers have diversified to digital and online platforms to mitigate the drop in store sales (such as online shopping websites, delivery platforms, mobile apps and cashless payment options).

Business continuity and economic growth will be heavily dependent on the domestic market due to closure of international borders, affecting particularly tourist-focused retail malls on its physical footfall.

Customer shopping behaviour has partially shifted from a sole focus on essential items during the early MCO, to non-essentials since the recovery period.

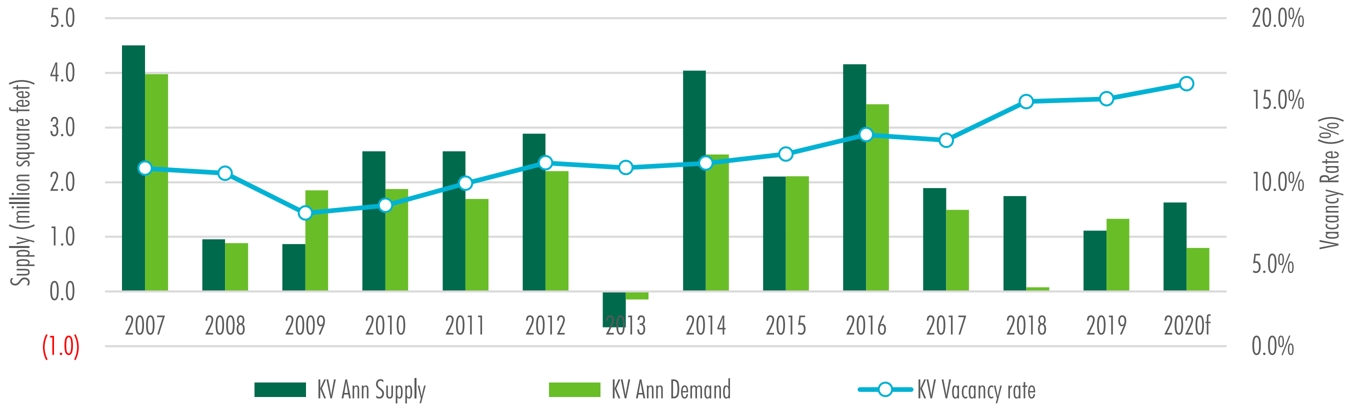
Noticeable store exits were Parkson with an approximate size of 150,000 square feet from MyTown Shopping Centre before the MCO and Robinsons in 3Q 2020 which closed its 2 stores in KL, following poor customer turnouts.

SELECTED NEW RETAIL MALLS IN 2021-2022

YEAR	DEVELOPMENT	LOCATION	EST. NLA (sq. ft.)
2021	Datum Jelatek	Jelatek	491,500
	Eco Hill Walk Mall	Kajang	170,000
	Mitsui Shopping Park Lalaport KL	Bukit Bintang	1,200,000
	Sapura Corporate HQ	KLCC	120,000
2022	Pavilion Bukit Jalil	Bukit Jalil	1,800,000
	Pavilion Damansara Heights	Damansara Heights	1,100,000
	Tun Razak Exchange Lifestyle Quarter	Tun Razak Exchange	1,300,000
	Warisan Merdeka Mall	Stadium Merdeka	900,000

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research.

SUPPLY AND PERFORMANCE OF RETAIL IN KLANG VALLEY



Abbreviation: KV = Klang Valley
Source: CBRE | WTW Research

BOOST OF TECHNOLOGY

Various online platforms and delivery channels were the main options for customers' purchases while in lockdown, but these have been sustained even after business re-openings. Cashless payment systems which had been available since last year, have now become almost a standard feature of retailers.

The Buy Malaysia campaign was launched by the Government in July 2020 to encourage purchase of local products, collaborating with Lazada and Carousell.

E-commerce has become more familiar to all age categories and is a significant part of retailers' business plans. Since the start of the Movement Control Order (MCO), the SOGO Telegram channel, upcoming AEON online shopping platform and AEON Rider, Sunway Pyramid X Matdespatch are new options to stay relevant in the challenging market.

Several retailers decided to focus on their online platforms. ESPRIT closed all their Asia stores while maintaining a presence online. Mango, MPH and Borders Bookstore are focusing on online platforms.

Other than NYX Cosmetics fully exiting from the market, other stores closed down less than 30% of their stores in retail malls in Klang Valley (KV). Physical stores will remain relevant for KV shoppers, albeit changes in size, layout, store number and location.

RETAIL MALLS EVOLVING

SSTwo Mall in Petaling Jaya announced a revamp into a healthcare centre known as D'LifeCare Mall with Life Care Diagnostics Medical Centre as its main tenant, offering a comprehensive healthcare service of medical specialist consultations.

The possibility of more retail malls re-purposing space usage may gain traction if D'LifeCare Mall proves successful.

Temporary closure of non-essential businesses during the early-MCO has pushed tenants' demands of rental rebate / reduction which were commonly in the range between 10% and 30%.

More flexible lease terms were offered by some newly opened retail malls, as an option to gain and retain tenants for mall occupancy.

SEREMBAN – STRUGGLE BY OWNERS

Retail mall performance in Seremban is expected to moderate except for Nilai where education and industrial activities has established a significant catchment population. The pandemic outbreak has caused some disruption and landlords are struggling to retain the tenants by resorting to more flexible lease arrangements.

MARKET OUTLOOK

Technology and e-commerce have become a significant part of business plans for both retailers and landlords. Store rationalization will continue but physical space remains relevant.

Tenant retention and lease flexibility will impact on the performance of retail malls in KV. Upcoming retail malls with pre-leasing activities may remain competitive with existing malls. Until the pandemic is contained and international borders re-open, continuous pressure on occupancy is expected as additional retail space supply enters the market.

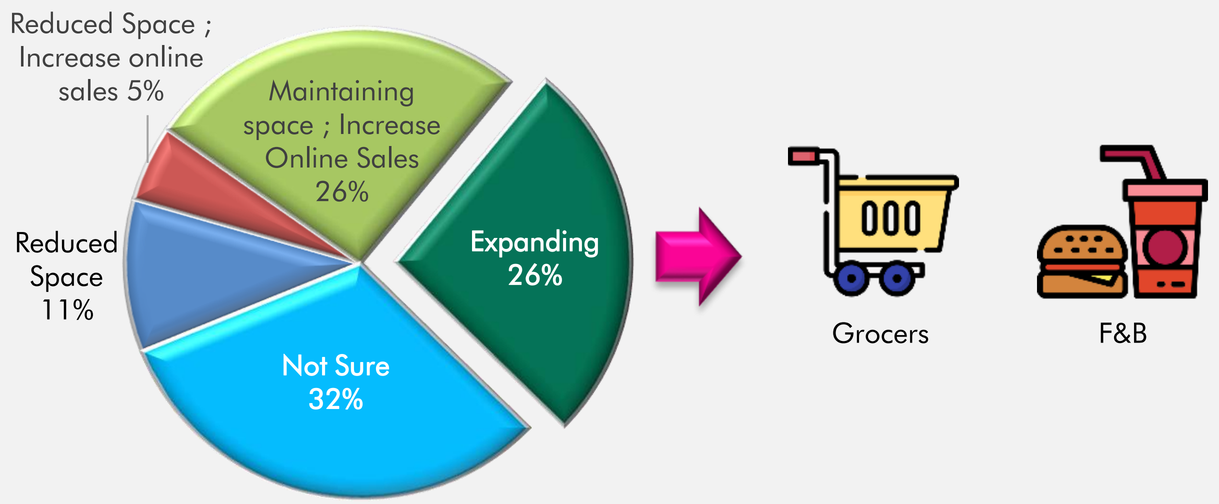
Neighbourhood retail malls are performing better in terms of shopper traffic and occupancy, being the most convenient, catering to neighbourhood areas. Tourist-focused retail malls may only see better performance when international borders re-open, while other retail malls will continue to face major challenges.

Retail Flash Survey: RE-tain

With thinned shopping crowds, shopkeepers are switching to digitalization to boost sales. Omnichannel is one of the options taken in business continuity. Our Flash Survey May – July 2020 saw flashes of demand growth among grocers and other essential services.

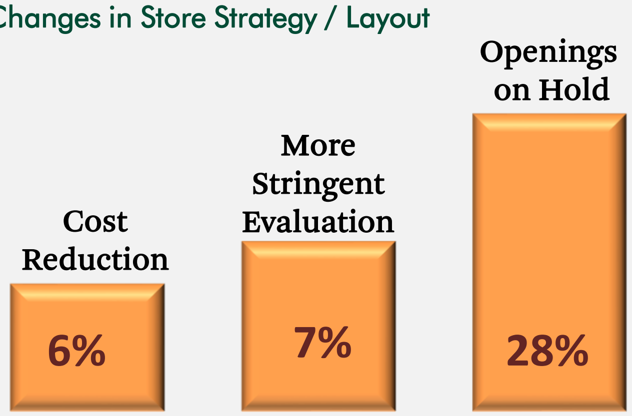
However, retailers of fashion & accessories are expanding their online sales capacity and networks.

Are you looking for store expansion in the next 1-2 years?



- Which Trades are Increasing Online Sales Volume: Fashion & Acc., Beauty & Wellness, F&B
- Which Trades are Negotiating Leasing Terms: Fashion & Acc., Beauty & Wellness, F&B
- What Percent of Trades have partly incorporated digital sales channels post-Covid-19: 50%

Changes in Store Strategy / Layout



Please login to Asia Pacific Retail Flash Survey - 2020 | CBRE for more insight on the report by CBRE APAC.
Note: Our sample size was too limited to be definitive except for possible indicative trends.

Source: CBRE | WTW Research

PENANG

The retail property sector is not poised for full recovery in the near future while occupancy and rental performance are expected to deteriorate in 2021. The adaption of technology has become more significant since the Covid-19 outbreak. First Avenue Mall is being planned for conversion into a virtual mall and is expected to be opened to shoppers in 2021.

FULL RECOVERY IS NOT CERTAIN YET

The retail property sector was severely hit, especially during the Movement Control Order (MCO) period. Marked improvement in shopper traffic can be seen in prime retail complexes such as Gurney Plaza, Queensbay, Tesco and Gurney Paragon after the easing of MCO restrictions during the Recovery Movement Control Order (RMCO) phase.

However, the return of shopping crowds remain unstable with the emergence of sporadic new clusters of Covid-19 cases and re-instatement of Conditional Movement Control Order (CMCO) in November 2020 for the entire Penang State and further prolonged for Mukim 12. As such, full recovery of the retail property sector is uncertain.

DETERIORATING PERFORMANCE IN 2021

As at 3Q 2020, the overall occupancy rate of retail complexes in Penang Island remained at 81% whereas in Seberang Perai the rate declined to 61%. Retail lots on the ground floors of prime retail complexes in Penang Island still command a gross monthly rental rate up to RM50 per square foot.

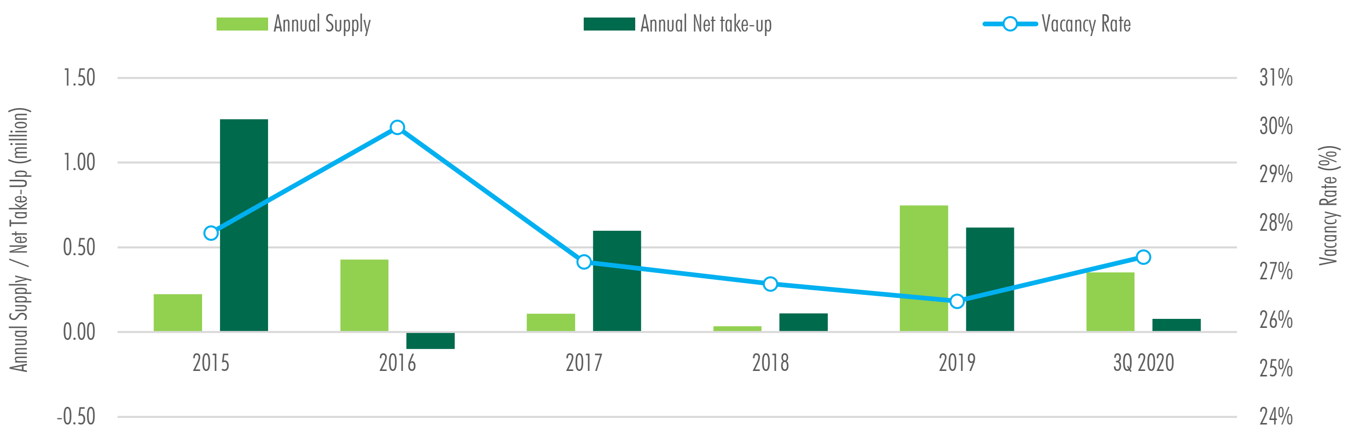
Single ownership retail complexes such as Gurney Plaza, Gurney Paragon and Queensbay Mall on Penang Island, and Sunway Carnival and Aeon Mall in Seberang Perai, are expected to continue to sustain more stable occupancies and rental rates, as compared to stratified shopping complexes with multiple ownership.

As consumer sentiment remains muted, spending activities of consumers remains cautious. Essentials such as groceries and household products will be prioritised over luxury items. Movement restrictions have also made consumers more attuned to online purchasing. With international border closures, the luxury retail segment will have a smaller local market which will especially affect tourist-focused retail malls. The weakened ability of retailers for rental commitment may lead to the decline of occupancy and rental performance if the pandemic persists.

LEVERAGING ON TECHNOLOGY WOULD BE THE NEW NORMAL

With consumer behaviour changes and the Covid-19 outbreak, most retailers have started to re-strategize their business models, incorporating online services and technology to drive their business in the 'new normal'.

SUPPLY OF RETAIL COMPLEXES IN PENANG



Source: CBRE | WTW Research.

Apart from online shopping through dedicated websites, retailers have also partnered with delivery service providers such as Grab and FoodPanda. Some retailers partnering with delivery service providers include Texas Chicken (1st Avenue shopping mall) with Grab, and Din Tai Fung (Gurney Plaza mall) with Foodpanda and Grab. Retailers in purpose-built retail complexes with their own dedicated delivery services include Hai Di Lao (Gurney Paragon Mall) and Mercato (Gurney Plaza Mall).

More retailers are also encouraging customers to make payments via mobile payment apps such as Touch 'n Go and Boost to limit social contact.

CONVERGENCE OF PHYSICAL AND VIRTUAL

Ideal United Bintang International Bhd (IUBIB) plans to convert the 1st Avenue Shopping Mall which was acquired in 2019, into a virtual mall. The mall will showcase the integration of digitalisation and information technology with physical stores, offering interactive online retail experiences, combining reactive campaigns with promotions by tenants. The mall will also collaborate with an online shopping platform i.e. Shopee to establish a "mall within a mall" virtual experience that allows shoppers to shop virtually at 1st Avenue Mall through the Shopee platform. The mobile app which is integrated with the virtual mall is expected to be introduced by 1Q 2021.

ALOR SETAR

The retail market was subdued in 2020. The performance of retail malls is mainly driven by local shoppers. Cautious spending by consumers and the emergence of e-commerce presented challenges to retail malls trying to maintain footfalls throughout the Covid-19 pandemic. Full recovery is uncertain with the prevailing pandemic and the subdued market is expected to extend into 2021.

IPOH

The retail market in general has been stable for the past few years. The virus outbreak coupled with necessary social distancing measures have posted an adverse impact on the retail market. The sector is anticipated to encounter intense competition against online retailing as people are getting more literate with online transactions. We have observed a shift in retailing dynamics during the Covid-19 pandemic outbreak.

Recovery of the sector is seen to be gradual as people might prefer online transactions even after the lifting of the relevant Movement Control Order (MCO).

NOTABLE PURPOSE-BUILT RETAIL COMPLEXES TO COMPLETE IN PENANG

DEVELOPMENT	EST. NLA (sq. ft.)	COMPLETION YEAR
PENANG ISLAND		
Penang Time Square Phase 3	230,000	2021
Retail Mall @ Sunshine Tower	900,000	2022
SEBERANG PERAI		
Sunway Carnival Extension	350,000	2021
GEMS Megamall	1,200,000	2023

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research

ISKANDAR MALAYSIA

International border closures and the restriction movements intensified the already competitive retail market in Iskandar Malaysia (IM). Retailers are also restructuring their businesses to improve turnover by investing in e-commerce platforms.

PESSIMISTIC RETAIL SECTOR

The number of retail malls mushrooming in IM for the past two to three years intensified the competition to retain tenants.

The supply of retail space in IM is approximately 22 million square feet in 2020 after the entrance of one (1) new mall i.e. Paragon Market Place, with 156,000 square feet of retail space and TF-Value Mart as the anchor tenant.

The cross border travel ban has crippled the retail market in the region severely, especially due to the heavy reliance on cross-border shoppers i.e. Singaporeans.

As more office workers adopted the work-from-home, neighbourhood malls with hypermarkets were relatively less effected. Retailers are well visited by many for daily necessities and household sundries.

Job insecurity and salary cuts are also causing consumers to be more prudent and selective in purchasing non-essentials items and to put more priority on essentials items such as food and health products.

BOOMING E-COMMERCE

The Movement Control Order (MCO) have restricted shoppers mobility, thus encouraging the growth of omnichannel and e-commerce platforms.

A one-stop shop on a 24-hour operation, without costs associated with hiring staff and rental commitment is attracting a growing number of retailers to move their operation online rather than opening more outlets in retail malls.

Mall operators are also re-strategising and investing in e-commerce platforms to help their traditional brick and mortar retailers drive online sales.

Despite the rise of e-commerce, shoppers will still opt to visit shopping malls once the pandemic is resolved, for the experiential-retail experience which virtual shopping cannot fully replicate.

Since pre-Covid-19, some malls in Iskandar Malaysia ie. Toppen Shopping Centre and Sunway Big Box have already emphasized an experiential and activity-based environment to enhance shopping experience and boost footfall.

BATU PAHAT

Despite the current global pandemic, retail malls in Batu Pahat are anticipated to remain with a stable performance.

MELAKA

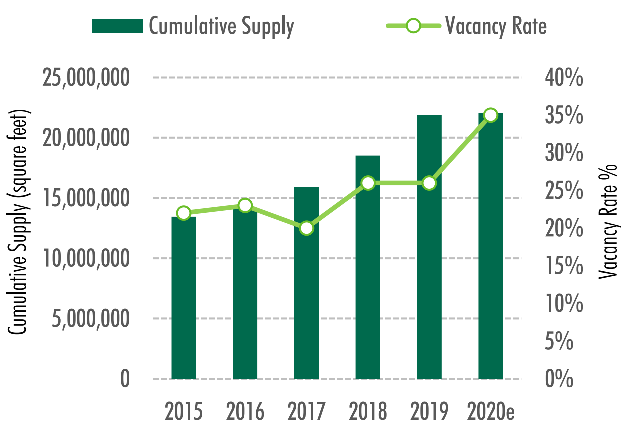
Tourism is the main driver of the Melaka retail sector. Thus, lower tourist arrivals has caused the plummeting performance of the retail sector in Melaka in 2020. On-going retail mall projects will further intensify the competition when completed.

MARKET OUTLOOK

The performance of retail malls is severely hit by the Covid-19 pandemic, with Singaporeans previously being major contributors of physical shoppers.

Retailers need to restructure their business models and fully embrace the new shopping landscape. Retail malls in Iskandar Malaysia need to have more distinct market positioning and attract shoppers by providing highly memorable shopping experiences.

CUMULATIVE SUPPLY AND VACANCY RATE OF RETAIL MALL IN ISKANDAR MALAYSIA



Note: Data for the full year of 2020 is based on estimation.
Source: NAPIC, CBRE | WTW Research

SABAH

KOTA KINABALU: The Covid-19 pandemic and implementation of the nationwide Movement Control Order (MCO) and subsequent Conditional Movement Control Order (CMCO) for Sabah had adversely affected businesses and retail malls performance in 2020.

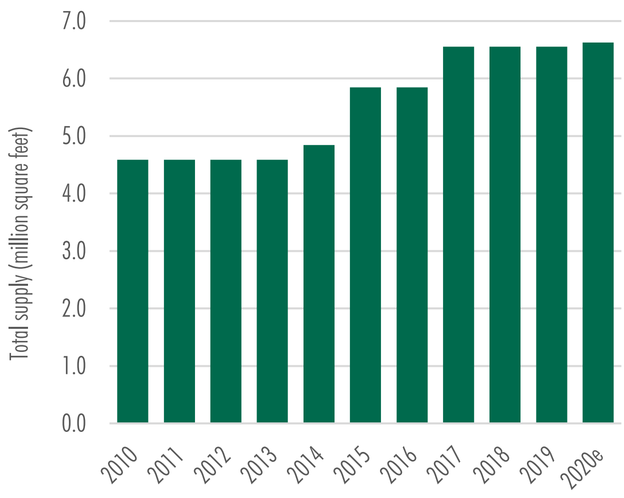
RETAIL ADVERSELY IMPACTED BY COVID-19

The MCO and CMCO implementations and tourism void from international closed borders due to the Covid-19 pandemic have negatively impacted the retail segment. The retail mall sector in Kota Kinabalu have had to contend with significantly reduced footfall and declining sales, leading to overall depressed rents and lower occupancy amidst prevailing oversupply of retail space. Non-essential retail businesses and leisure / entertainment-related outlets were the hardest hit.

Traditional brick-and-mortar retailers are also seeing competition from e-commerce as online shopping has become increasingly popular during this period. Restricted movement due to the MCO implementation had seen retailers such as supermarkets and food and beverage outlets providing online sales and delivery / pick up services.

As in previous years, sub-sale transactions of shop arcades in retail malls remain muted.

SUPPLY OF RETAIL SPACE FROM RETAIL MALLS IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-2020)



Note: Data for the full year of 2020 is based on estimation.
Source: WTWS Research

MIXED COMMERCIAL DEVELOPMENTS PLANNED

Several major commercial projects were announced in 2020. These include:

- "The Waterfront", a RM3.5 billion mixed commercial development comprising hotels, designer suites, service apartments, retail and commercial premises in Kota Kinabalu Central Business District (CBD) by State-owned Yayasan Sabah and Zillion Ventures Sdn Bhd. The Development Agreement was signed in March 2020.
- A RM7 billion coastal development comprising theme park, condominium, hotels, shopping complexes and offices at Meruntum, Lok Kawi. The project is a joint venture between Yayasan Sabah and Tegas Bangsa Sdn Bhd, and inked under Pavilion REIT in July 2020.
- RM10 billion seaside project in Teluk Dumpil, Putatan comprising a hotel, theme park, shopping mall and commercial-free zone amongst others, is to be developed by Setara Juara Sdn Bhd.

Earthworks for Grandis Quay, a proposed mixed commercial development comprising retail, shop-lots and commercial and residential blocks on a 12-acres sea land adjacent to Suria Sabah shopping complex within the CBD, had also commenced.

LAHAD DATU

An overall depressed retail segment was due to the pandemic in 2020 with the likelihood that this will extend into 1H 2021. The main driving factor in this agricultural based town would be good palm oil prices. Recovery of palm oil prices have seen plantation companies spending to upkeep and carry out replanting, thus improving the purchasing power of the populace and having a positive impact on the retail sector.

TAWAU

The retail market has been subdued and depressed due to the pandemic. The situation is expected to remain stagnant or downwards for 2021. Demand for retail outlets is mainly related to food-based businesses and consumer / daily necessities such as supermarket as consumers prefer to stay at home and venture less for shopping and dining.

SANDAKAN

No new retail complex is expected to be built in the near future, with only 1 existing retail complex in Sandakan Town known as Harbour Mall Sandakan (HMS) with all retail units for lease. Occupancy rate of HMS is reportedly over 95% with continuous effort of mall leasing. Sejati Walk, the stratified 2-storey suburban pedestrian mall located off Jalan Airport has an occupancy rate of about 60%. Mydin Hypermarket is located just a stone’s throw away from Sejati Walk.

LABUAN

Similarly for Labuan, the pandemic outbreak had resulted in a reduced consumer expenditure, affecting the traditional brick-and-mortar retailers thus further dampening the outlook for the retail sector, which already have to contend with the island’s small population base and limited visitor arrivals.

SARAWAK

KUCHING : The performance of the retail sector continue to decline with mall occupancies deteriorating further for 2020 compared to 2019. The on-going pandemic is expected to further affect footfalls of shopping malls.

FALLING OCCUPANCIES

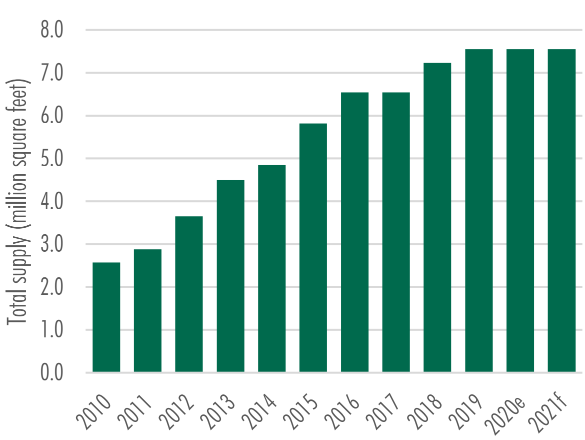
The retail sector in Kuching is facing a very challenging time due to low traffic and hence, low sales volume, which have sent many businesses packing up. Shuttered retail outlets are an increasingly common sight across the malls.

The prolonged Recovery Movement Control Order (RMCO) have great adverse effects on retail businesses across the board as the new norm of Standard Operating Procedure (SOP) of doing business has greatly reduced capacity, restricted movements and in some cases suspended the businesses indefinitely.

Depending on how well the pandemic is contained, it may very well be the watershed of conducting retail business whereby physical set-up of retailing is no longer that pertinent for business success, as shown by the increased preference for contactless and cashless dealings, also evident by the surge in e-commerce since the pandemic.

A significant event in 2020 was the exit of Giant Hypermarket / Supermarket from the East Malaysian region, which includes 3 stores in Kuching, i.e. Giant @ Kota Padawan, Giant @ Stutong and Giant @ Samariang, and 1 store in Miri i.e. Giant @ Permyjaya. They are the latest of a string of big retail brands to exit the retail scene in Kuching. Others that had left included Metro Jaya and Esprit.

SUPPLY OF RETAIL MALLS IN KUCHING



Source: WTWY Research

Although there has been no addition of retail malls since the opening of AEON in 2018, the new supply in recent years which were not fully absorbed are expected to suffer even lower rentals and sales rates for the next 2 years, with average rental rates having fallen to about RM8.00 per square foot for 2020.

There was one (1) transaction of a retail mall: Kenyalang Park Commercial Complex at RM7.62 million.

Retail complexes currently under construction are Tropics City Mall at Jalan Song and the Forum at Jalan Stampin Tengah.

MIRI

Businesses are badly affected with consumers being more prudent in their spending activities with the current socio-economic uncertainties. Groceries and the essential goods sector are performing well.

The ban on travel from Bruneians which formerly formed the bulk of weekend shoppers have also affected the performance of the retail sector.

The average yield is expected to deteriorate further to between 4% and 5% for 2021 from between 5% and 6%, followed by a drop in average rent to between RM4.00 and RM7.50 per square foot from RM5.00 to RM8.00 per square foot.

BINTULU

The retail market faced a weakened performance in 2020 which may extend into next year. Ongoing retail mall developments such as Crown Pacific Mall and Boulevard Mixed Development which will enter the market in the next 2 years are expected to face challenges in securing tenants and slow take up / occupancy rate.

The emergence of new malls will also adversely affect the patronage and hence, affect occupancies and rentals of older malls.

Buyers prefer shopping malls with high shopper traffic volumes in prime locations which are accessible from all parts of Bintulu, e.g Tanjung Batu Area.

As at 1H 2020, there was no recorded transaction of retail units for Bintulu.

The newly completed Spring Megamall and under construction Boulevard Mixed Development and Crown Pacific Mall are located within a 6-km radius of each other. These malls will be the new retail landmarks in the urban center of Bintulu. The retail market is expected to be competitive with the additional retail space.

Average rent for shopping complexes range between RM6.00 and RM15.00 per square foot with yields of 4% to 4.5%.

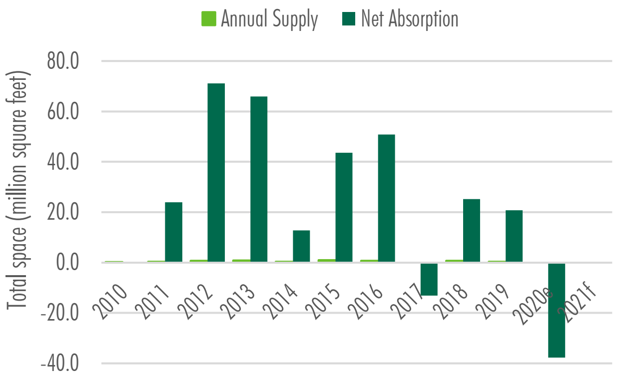
SIBU

The retail sector in Sibu is stable for 2020 and the trend may remain similar for the following year with moderate occupancy.

Rental rates for retail units range from as low as RM3.50 per square foot to as high as RM20.00 per square foot depending on the size and location. Yields are between 5% to 5.5% with expected yield of up to 6% by 2021.

Although there will be an incoming supply of 49 retail units and ten (10) 3- and 6-storey strata-titled commercial shops at Hanns Commercial Centre by end-2020, Sibu is still able to absorb more local and international lifestyle and F&B businesses.

PERFORMANCE OF RETAIL MALLS IN KUCHING



Source: WTWY Research

There is still room for more shopping concepts and lifestyle, from a variety of retail mall types from supermarkets to hypermarkets to neighbourhood malls to mega halls .

MARKET OULOOK

The current pandemic situation has had a bigger impact on the retail sector of bigger markets like Kuching, where the on-going Recovery Movement Control Order (RMCO) policies and Standard Operating Procedure (SOP) have not only curtailed the growth of the retail sector but has indeed dampened domestic demand leading to many closures of retail businesses in retail malls which generally has higher rental rates compared to commercial shophouses.

This year and the next will prove a very challenging time for most retail businesses and will be a time which will determine whether the businesses will make or break.

There is a dire need for the struggling malls to re-strategise in order to survive.

Boulevard Mixed Development @ Jalan Tun Razak, Bintulu
Source: WTWY Research

INDUSTRIAL

RESILIENCE

SUMMARY

Challenge
Uncertain demand remains for Malaysia's industrial property sector except for land and expansion of facilities, and for companies related to certain sectors such as medical, logistics, data centres and oil.

Outlook
The industrial sector gained traction on the rapid usage of e-commerce, leading to more than RM100 billion worth of investments in 2020 and an improved logistics sector and warehouse demand.

Global technology giant, Microsoft has a data centre under construction in Kulai, bringing expectations of more investments into the locality by Microsoft linked network companies.

The oil and gas industry is expected to improve in Miri following news of Shell relocating its Malaysia HQ operations there.

KLANG VALLEY

Growing demand for last-mile delivery facilities are in line with the expansion of e-commerce. Efficiency and accessibility will top the criteria of logistic players to meet the needs of end users.

UPBEAT PROGRESS

Malaysia's trade surplus remained steady in October, increased by 25.9% (y-o-y) to RM22.1 billion. Export of manufactured goods contributed to 87.8% of total exports, mainly due to higher exports of rubber products, electrical and electronic (E&E).

RM109.8 billion of investment were reported from January-September 2020. Sectors attracting investors were the manufacturing, services and primary sectors, with more than 60% contributed by domestic investments. The manufacturing sector reported 740 manufacturing projects amounting to RM65.33 billion.

Selangor received RM7.30 billion approved investments for manufacturing mostly in food manufacturing, paper products, electronics & electrical (E&E) and chemical production. Shah Alam remained the preferred location attracting about 19% of total approved investment. Food manufacturing contributed the largest share in Shah Alam, more than half of total approved investment.

E-COMMERCE: LOGISTIC BUSINESS

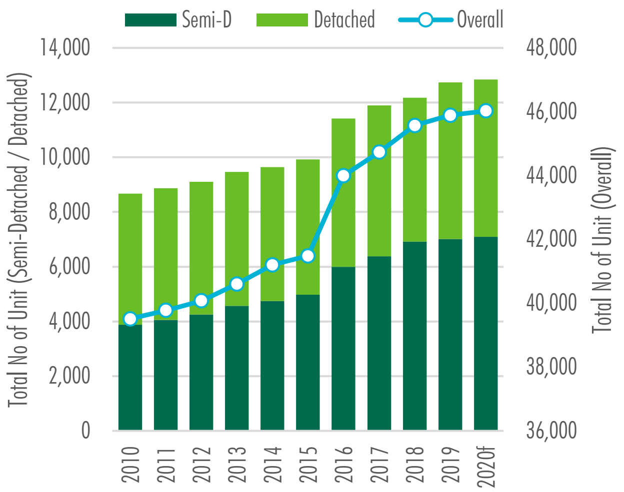
Since the Movement Control Oder (MCO) implementation, consumers have increasingly adapted to online platforms as the shopping alternative leading to increased online transactions. A 2020 study by Mastercard reported that Malaysia leads other countries in Southeast Asia in mobile / digital wallet usage at 40% of total population.

While rapid growth of e-commerce is expected domestically, the more attractive prospects will lie with e-commerce serving the ASEAN market where Malaysia needs to establish its strength as a logistic distribution hub.

In early-April 2020, a few British companies such as Sports Direct International plc, were looking to expand into South-East Asia, including setting-up their regional hub in Malaysia.

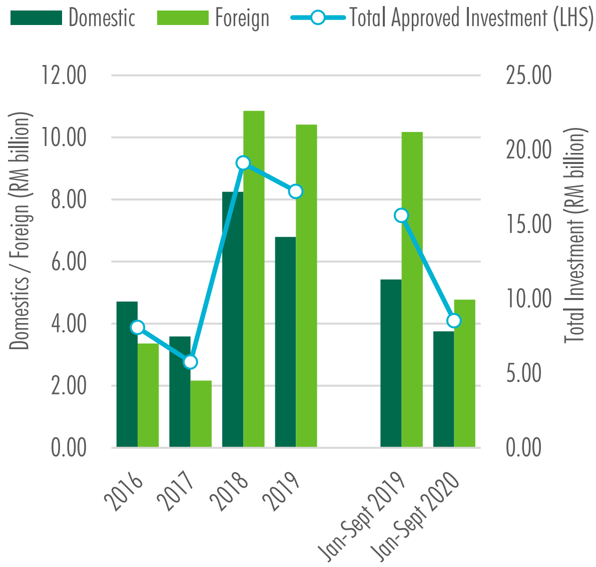
Meanwhile in October 2020, Daikin Malaysia Group started to build their Centralised Distribution Hub in Rawang, having a total built-up area of about 350,000 square feet.

INDUSTRIAL PROPERTY SUPPLY 2010 – 2020F



Source: CBRE | WTW Research

TOTAL APPROVED INVESTMENTS IN KLANG VALLEY



Source: CBRE | WTW Research

MEDICAL AND PPE INDUSTRY

The explosive rise of demand for rubber gloves and Personal Protective Equipment (PPE) has contributed a positive outlook for investment and industrial space. Several transactions by rubber glove companies were observed including the expansion of Hartalega's facilities in Sepang, and Supermax's transaction for a 2.02 hectare land in Klang. The rise of demand in PPE has also attracted companies from other businesses such as automotive, fashion and property to diversify into this sector.

SEREMBAN – MEGA PROJECT TO HELP BOOST THE MARKET

Benefiting from its good proximity to Klang Valley (KV) and extensive highway accessibility, Nilai is the most vibrant area for industrial activities in the state. Availability of land and reasonable pricing are the key attractions for industrial players to operate in the area. Enstek Techpark, Sendayan Techvalley and Nilai Industrial Area are the hotspots attracting the interest of local and international players.

The sector is expected to have a prosperous outlook supported by the latest developments of Malaysian Vision Valley (MVV) bundled with several infrastructure projects.

MARKET OUTLOOK

Uncertain demand and outlook remains for the industrial property sector except for land and expansion of facilities by companies related to the medical sector and warehousing space by logistic companies. Following on that, about 2 million square feet of new logistic and warehousing facilities are expected to enter the KV market in the near future, and continue to attract foreign investments.

The emergence of e-commerce in Klang Valley (KV) has boosted logistics activities and surge in warehouse demand. Having two busiest ports (Port Klang and North Port) easily connected to Kuala Lumpur International Airport (KLIA), KV is seen to be the most preferred location for logistics. Below are some observations we received from the local market.

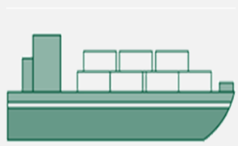
Recent Observation

Logistics Players

"Most are looking for expansion especially for the regional markets"

Air Freight

"Digital Free Trade Zone (DFTZ) at KLIA would boost the long-term outlook of Malaysia's logistics companies"



Sea Freight

"Increase in future demand has led to some expansion plans by ports and possibility of developing the third port terminal at Pulau Carey, Klang."

Note: Abstracted from a report, 'An Introduction of Malaysia's Logistics Sector' by CBRE | WTW Research. An observation done with few logistics players in KV in October – November 2020. Please login to (https://cbre-wtw.com.my/research-reports/) for more insight on this report.

Source: CBRE | WTW Research

PENANG

Manufacturing investments remain encouraging in 2020 and is expected to be sustainable over 2021. Transaction activities are expected to remain active, while prices and rentals remain stable amidst the pandemic. More purpose-built foreign workers dormitories would be made available in the vicinity of major industrial parks in Seberang Perai.

MANUFACTURING INVESTMENT TO CONTINUE SPURRING THE INDUSTRIAL PROPERTY SECTOR

Penang State continues to attract manufacturing investments mainly from the Machinery & Equipment, Scientific & Measuring Equipment (including medical devices) and Electrical & Electronics industries. According to the latest statistics for 9M 2020 released by the Malaysian Investment Development Authority (MIDA), Penang State recorded an approved manufacturing investment of about RM10.6 billion, of which Foreign Direct Investment was RM8.82 billion.

Announcements of significant new manufacturing investments into Penang in 2020 include:

- Lam Research Corporation: 700,000 square feet facility on a 34-acres site at Batu Kawan Industrial Park. The company is a global supplier of wafer fabrication equipment and services to the semiconductor industry.
- DEXCOM: a 28-acres facility at Batu Kawan Industrial Park for the manufacturing of sensors and applicators for the CGM system.
- Robert Bosch Sdn Bhd: a 24.7-acres facility at Batu Kawan Industrial Park, the fourth in Penang which will focus on final testing of semiconductor components and also accommodate R&D and training facilities.
- ULTRA Clean Holdings – a facility of 340,000 square feet at Batu Kawan Industrial Park. The company specialises in the fluid delivery critical subsystems within the semiconductor supply chain, which supplies to wafer fabrication equipment players.
- Iconic Medicare Sdn Bhd (a wholly-owned subsidiary of Iconic Worldwide Berhad): a facility on a 5.5-acres site at Batu Kawan Industrial Park for manufacturing and distribution of hand gloves and face masks.

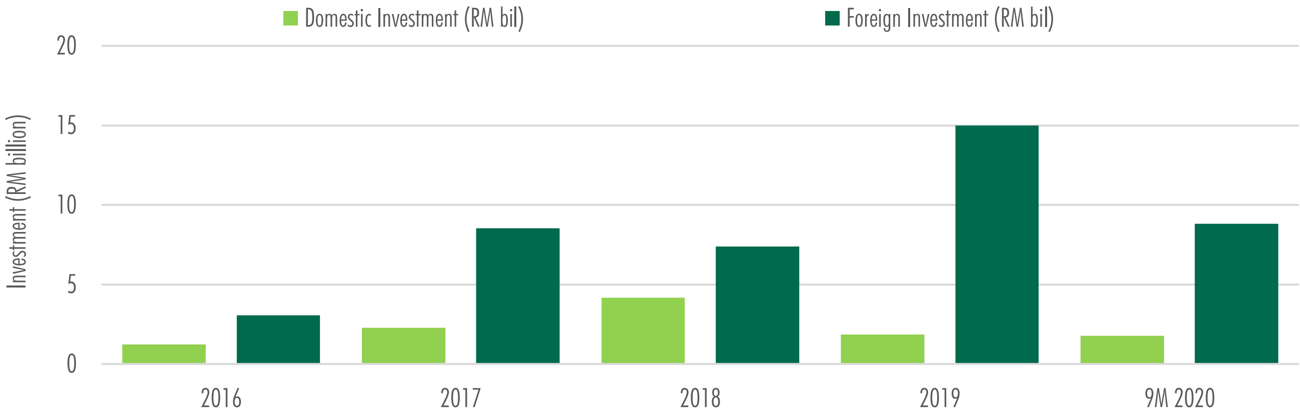
Major industrial complexes opened for operations in 2020 include:

- DIALIGHT, the global leader in sustainable LED lighting for industrial applications, has relocated from the previous facility of 40,000 square feet facility to its new RM10 million facility of 90,000 square feet at Perai Industrial Park.

With the high take-up rate in Batu Kawan Industrial Park (1,500 acres), the expansion to the Byram Estate (2,500 acres) which will be designated as Batu Kawan Industrial Park 2 is anticipated to commence in the near future.

The industrial property sector is foreseen to be sustained by the strong existing presence of high value industries and trained workers in Penang. There will be opportunities from the reconfiguration of the global supply chain and new industries arising post-Covid-19.

APPROVED MANUFACTURING INVESTMENTS IN PENANG (JANUARY 2016 TO SEPTEMBER 2020)



Abbreviation: RM = Ringgit Malaysia
Source: Malaysian Investment Development Authority (MIDA), CBRE | WTW Research

The growth of the Penang industrial property sector is expected at a relatively slower pace compared to the past recent years due to challenges posed by the prevailing global pandemic.

ACTIVE MARKET TO PERSIST

The Penang industrial property sector was still relatively active with acquisitions and disposal activities which included a Sale and Purchase Agreement between SBJ Property Sdn Bhd and HK Kitaran Sdn bhd, a wholly owned subsidiary of Heng Huat Industries Holdings Sdn Bhd which in turn is a wholly subsidiary of Heng Huat Resources Group Berhad on 14th May 2020. The RM22 million acquisition is an industrial complex for manufacturing of biomass material, mattresses as well as bedding accessories in Taman Industri Perabot, Sungai Baong, Seberang Perai Selatan. The industrial premise consists of 5 parcels of adjoining lots of land measuring approximately 13.184 acres together with factory-cum-office buildings and other ancillary structures with a total gross floor area of about 264,344 square feet.

South Island Garment Sdn Bhd, a wholly owned subsidiary of Magni-Tech Industries Berhad had entered into a sale and purchase agreement with Hallmark Equity Sdn Bhd on 9th September 2020 to dispose an industrial complex used for the manufacturing and sales of garments in Valdor Industrial Estate, Sungai Jawi, Seberang Perai Selatan for RM22 million. The industrial premise comprises 1 parcel of industrial land measuring approximately 7.7537 acres together with factory-cum-office building and other ancillary structures with a total gross floor area of about 108,855 square feet.

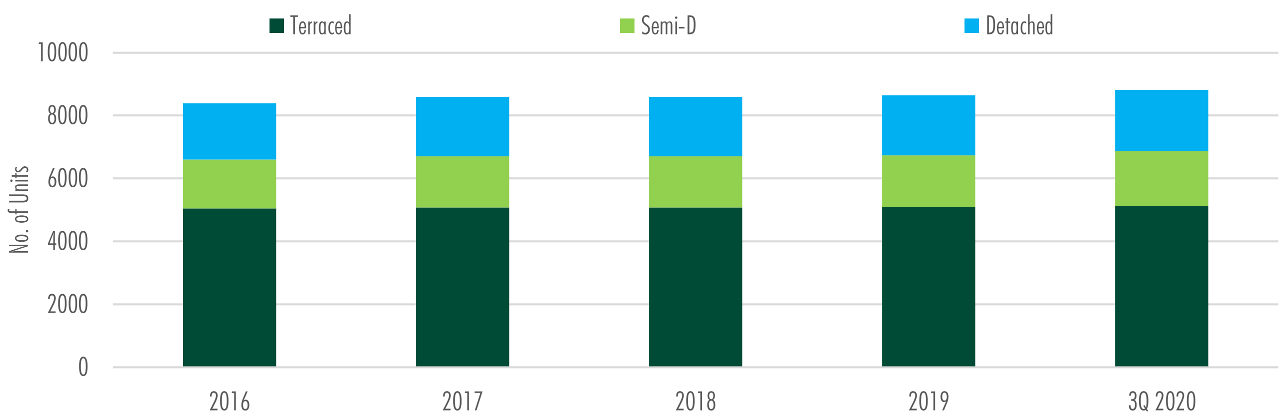
JHM Consolidated Berhad entered into a Sale and Purchase Agreement with Mforce Bike Holdings Sdn Bhd on 11th December 2020 to acquire approximately 13.8 acres of industrial land at Batu Kawan Industrial Park. The transacted price of RM27,060,632.20 is analysed at RM45.00 per square foot. The purpose of the acquisition was for expansion into telecommunications equipment to serve companies tapping into the growing demand for Internet of Things (IoT) applications.

An active market is anticipated to persist as the industrial sector was the least affected as compared to other economic sectors.

INSIGNIFICANT CHANGE IN PRICES AND RENTALS IS EXPECTED

In Penang Development Corporation's (PDC's) industrial parks, land values generally remain stable in the range between RM25 and RM55 per square foot in Seberang Perai and RM80-RM140 per square foot in Bayan Lepas. PDC which is the State's development agency have maintained its selling prices of industrial lands available for sale. The rentals of industrial accommodation generally range between RM0.80 and RM2.20 per square foot / month in Seberang Perai, and between RM1.20 and RM3.30 per square foot / month in Bayan Lepas.

TOTAL SUPPLY OF INDUSTRIAL UNITS IN PENANG



Source: NAPIC, CBRE | WTW Research

PURPOSE-BUILT WORKER DOMITORIES IN MAJOR INDUSTRIAL PARKS IN SEBERANG PERAI

More purpose-built worker dormitories are expected to be built due to the directive by the Human Resources Ministry to employers in providing proper accommodation for foreign workers.

The first foreign workers dormitory was opened in Bukit Minyak in 2019. Following suit is the first foreign workers dormitory project in the state that fully complies with the Minimum Standards of Housing and Amenities (Amendment) Act which has been proposed and will be ready by end-2021. Located on a 4.9-acres site in the Penang Science Park, the RM200 million dormitory project comprises 684 apartments from five (5) blocks of workers quarters that can accommodate 12,312 people. Each apartment measures approximately 900 square feet with proper social distancing features. On the ground floor are eight (8) retail outlets and a coach terminal.

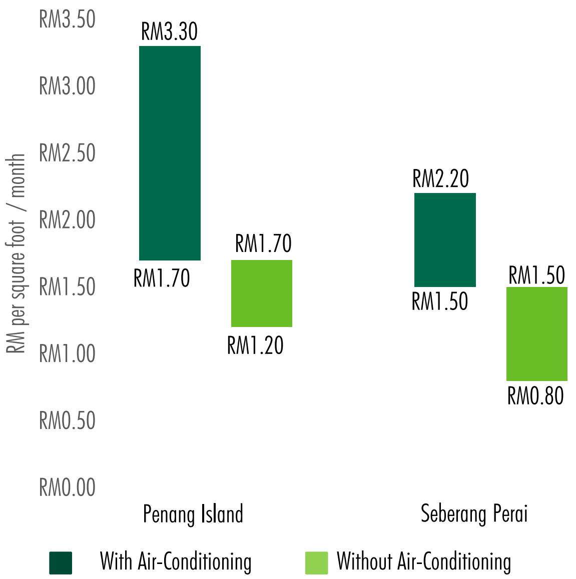
ALOR SETAR

The performance in major industrial parks such as Kulim Hi-Tech Park, Kawasan Perusahaan Sg Petani (LPK) and Bakar Arang industrial estate remained stable with new demand and limited supply, expected to persist in the short-term. The first phase of Kedah Rubber City (KRC) and Kedah Science & Technology Park (KSTP) are still in the pipeline. The Kulim International Airport (KXP) is still awaiting for approval and subject to studies on its viability as there is still no affirmation at the current moment.

IPOH

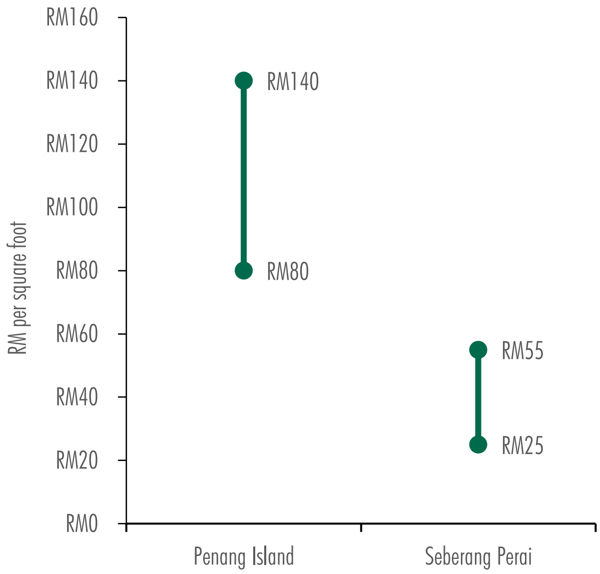
In the coming years, the sector is seen to establish a stable trend with no major changes, while existing supply is generally meeting and catering to the current market demand.

INDICATIVE RENTALS IN PDC INDUSTRIAL PARKS



Source: NAPIC, CBRE | WTW Research

INDICATIVE LAND PRICES IN PDC INDUSTRIAL PARKS



Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

The protracted United States and China tension has seen the uptrend of companies relocation to Southeast Asia specifically Iskandar Malaysia (IM), while demand for data centres facilities will rise.

CHALLENGING ISKANDAR MALAYSIA INDUSTRIAL SECTOR

Johor remained as one of the top states contributing to the total approved investments amongst all other states in Malaysia for 5 consecutive years. Johor ranked 3rd with a recorded RM3.6 billion of total approved investment for January – June 2020, accounting for about 10% of total national approved investment. On foreign direct investment, Johor is the 2nd top state that draws huge attention from foreign investors after Penang, with approved investment worth around RM2.4 billion for the same period.

As at 1H 2020, 177 industrial properties worth RM584 million were transacted. The transaction volume fell by 52% from 365 units recorded in 1H 2019.

The most significant transaction activity recorded was the purchase of 72 freehold industrial plots in the third phase of Southern Industry and Logistics Clusters (SiLC) in Iskandar Puteri worth RM434.3 million by AME Elite Consortium Bhd from UEM Sunrise Bhd with validity of the Head of Agreement (HOA) period until 7th Dec 2020. The site which encompasses of 169.8 acres of industrial plot forms part of the integrated industrial park known as SiLC Phase 3.

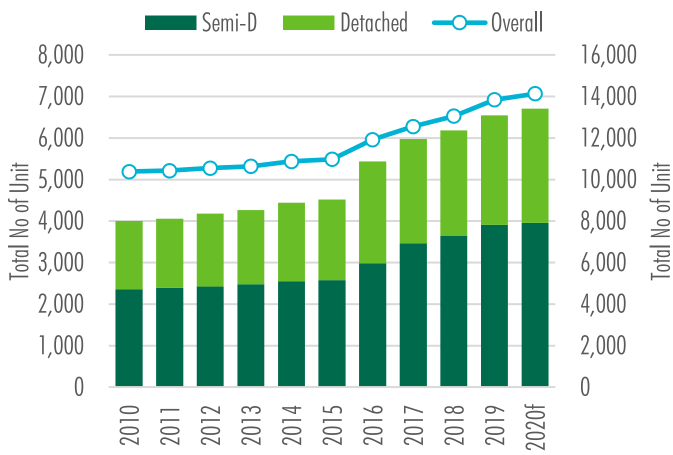
EMERGENCE OF NEW DATA HUB

Global technology giant, Microsoft is building a data centre in Kulai. The 40% completed data centre is expected to draw interest from Microsoft network companies to invest in Iskandar Malaysia in the near future.

745 acres of the Kulai Iskandar Data Exchange (KIDEX) is set to be the second new regional data hub in Malaysia after Cyberjaya. Its proximity and fiber connection to Singapore is an opportunity for KIDEX to be an alternative Data Hub for the Southeast Asia region. Upon its full operation in 2023, KIDEX is anticipated to generate RM17.5 billion in investment value and creating 1,600 job opportunities.

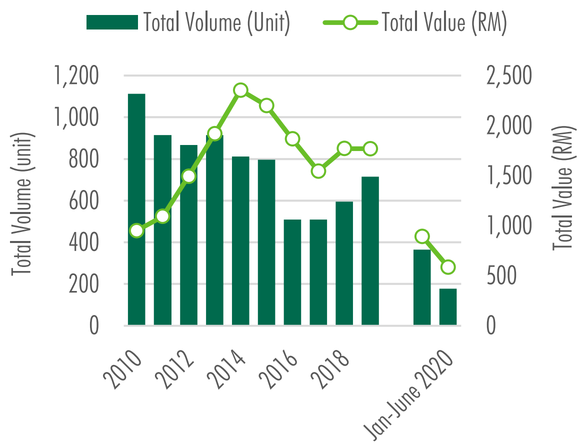
Adopting the current trend of automation data exchange in manufacturing technologies comprising cyber-physical systems, the Internet of Things (IoT), cloud computing, artificial intelligence and smart factory, KIDEX will serve as a key enabler to entice Industry 4.0 players to the 2,950 hectares Kulai Industrial Park. In addition, KIDEX will also use sustainable energy generated from the planned Solar Farm and CoGen Plant in the development area.

INDUSTRIAL PROPERTY SUPPLY IN ISKANDAR MALAYSIA



Abbreviation: RM = Ringgit Malaysia, per sq. ft. = per square foot
Note: Data for the full year of 2020 is based on estimation
Source: NAPIC, CBRE | WTW Research

PERFORMANCE OF INDUSTRIAL SECTOR IN ISKANDAR MALAYSIA



Abbreviation: RM = Ringgit Malaysia
Note: Data for the full year of 2020 is based on estimation
Source: NAPIC, CBRE | WTW Research

Referring to the CBRE 2020 Asia Pacific Investor Intentions Survey, 30% of investors in the region has strong interest to purchase data centres this year. Demand for data centres is anticipated to rise, boosted by the current global pandemic.

With the emergence of new data hubs in this region, a robust and stable data communication network would be beneficial for all stakeholders within Iskandar Malaysia economic corridor specifically for modern enterprises to function and remain competitive.

ISKANDAR MALAYSIA HAS GAINED TRACTION AMONG INTERNATIONAL PLAYERS

The ongoing trade dispute between United States and China has opened doors of opportunities for Electronics Manufacturing Services (EMS) players to Southeast Asia. Global EMS provider Enics AG (Enics) has landed its first Southeast Asia manufacturing site in i-Park @ Senai Airport City. The 10,000 square metre high-performance industrial electronics factory will be constructed by AME Elite Consortium Bhd; an integrated industrial space solutions provider with estimated completion by early 2021. i-Park @ Senai Airport City factory will be Enics' eight (8) manufacturing site globally, complementing its present sites across Europe and China.

In the same i-Park @ Indahpura, AME Elite has been entrusted for the expansion of HQ Pack Sdn Bhd. The expansion will include integrated facilities with a built up of approximately 60,000 square feet with targeted completion in 2H 2021. HQ Pack with headquarters in Netherlands, also has branches in Singapore and the United States.

AME Elite are also pushing ahead to instigate construction of the fourth Jstar Motion's manufacturing facility in i-Park @ Indahpura. Jstar Motion Sdn Bhd is a subsidiary of China-based linear motion systems for intelligent and ergonomics products global provider. i-Park @ Indahpura is the first Jstar Motion's manufacturing facility in Southeast Asia other than its existing facilities in China and America. To date, AME has delivered two (2) manufacturing plants to Jstar Motion in 1H 2020 and expected to complete the third and fourth plant by 1Q and 2Q 2021, respectively.

In 4Q2020, Axis REIT has acquired three (3) industrial properties located within I-Park @ Indahpura from a related party, Axis AME IP Sdn Bhd for a total consideration of RM28 million.

DOWNSTREAM OIL & GAS MARKET SET TO PICK UP FURTHER

ChemOne Group, a Singapore-based oil and gas, petrochemicals and natural resources conglomerate was scheduled to kick off the construction of the Pengerang Energy Complex (PEC) in 2H 2020. PEC aspires to be a world-class petrochemical hub that will add value to the downstream oil and gas value chain in Malaysia.

INDUSTRIAL LAND SALES SLOWING DOWN

Industrial land sales in Iskandar Malaysia (IM) was seen to be slowing down in 2020 after an uptrend of transaction activities for three consecutive years since 2017.

Industrial land in the Iskandar Puteri Corridor were transacted at premium prices compared to other industrial areas in IM due to government promotions and targeting high-tech manufacturing and the biotechnology industry. Infrastructure enhancement and well-planned industrial parks in strategic locations and easily accessible to the airport, seaport and Singapore, are also more sought-after by Multinational Corporations (MNCs).

Meanwhile, Senai-Kulai with its proximity to the airport and direct access to major expressways has become the home to the electric and electronics sector with major players such as Panasonic, V.S Industry and Foxcon.

Pasir Gudang being the most matured industrial corridor in IM was stable with healthy transaction activity due to its port's facilities and ability to accommodate heavy industries.

BATU PAHAT

The industrial market in Batu Pahat was stable for the past one year without new launches of any new major industrial schemes. The existing supply in the industrial market of Batu Pahat district is ample to serve current demand, mainly of local Small and Medium Enterprises (SMEs) of furniture and textile industries. The major driving factor of this sub-sector is export sales.

MELAKA

German semiconductor giant, Infineon Technologies has pledged to invest RM3.25 billion over 10 years until 2029 in the Batu Berendam Free Trade Zone. This multi-billion investment may improve Melaka's attraction as a foreign direct investment (FDI) destination.

SABAH

KOTA KINABALU: Reduced activity throughout 2020, however a maintained demand of industrial lands and buildings for Small and Medium Enterprises (SMEs) and logistical usage.

CONTRACTION IN SUB-SALES

Similar to other property sub-sectors, the industrial sector saw reduced market activity affected by the Movement Control Order (MCO) implementation in curbing the pandemic curve. Total volume of sub-sale transactions encompassing vacant industrial plots, terraced, semi-detached and detached factories / warehouses within Kota Kinabalu-Penampang-Putatan in 3Q 2020 reduced by 30% y-o-y, while transaction value declined by a lower margin of 14%.

Terraced light industrial buildings make up about 56% of the transaction volume whilst semi-detached and detached factories / warehouses accounted 35% combined. About 37% of the total transacted value was from detached factories. Analysed value per transaction for terraced and semi-detached factories in 3Q 2020 ranges between RM673,000 and RM1,970,000.

There were no new launches of light industrial developments in 2020. Ongoing light industrial projects are mainly located in the northern sector of Kota Kinabalu, along Jalan Tuaran Bypass and Jalan Tuaran and southern township of Putatan.

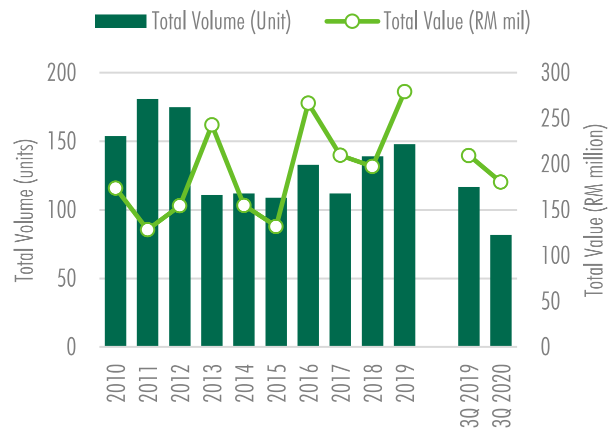
Sabah is mainly a primary-based economy driven by the export of commodities. However, Kota Kinabalu as the State administrative capital, education, business and trade centre, is largely services-based. It also serves as the distribution hub for Sabah with industrial lands and buildings required for logistical use such as warehouses and showrooms, as well as factories and workshops for SMEs. Industrial lands and buildings with good access would remain in demand.

INDUSTRIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

	TOTAL VOLUME	TOTAL VALUE
Jan – Sept 2019	117	RM209.62 mil
Jan – Sept 2020	82	RM180.54 mil
% Change y-o-y	-29.9%	-13.9%

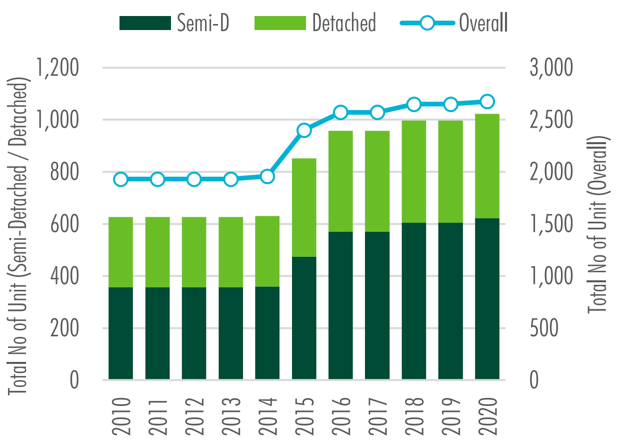
Abbreviation: mil - million
Source: NAPIC, WTWS Research

VOLUME & VALUE OF INDUSTRIAL TRANSACTIONS IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-3Q 2020)



Source: NAPIC

SUPPLY OF INDUSTRIAL UNITS IN KOTA KINABALU, PENAMPANG & PUTATAN (2010-2020)



Source: NAPIC

LAHAD DATU

Overall, activities related to industrial properties dropped in 2020. The supply trend has been greatly affected by the pandemic and no new project launches were observed and is likely to continue into 2021.

Agricultural activities vis-à-vis oil palm is the driving force for industrial property demand in Lahad Datu. Logistic activities were envisaged to get an impetus from the operations of the container terminal, but the impact has yet to be felt. Lack of skilled and experienced workers also pose a challenge to the industrial sector.

TAWAU

Most of the demand for industrial properties are 1½-storey terraced, 1½-storey semi-detached and 1½-storey detached industrial buildings for light engineering work, storage and Small and Medium Enterprise (SME) soft manufacturing for local demand and consumption. These premises are usually of smaller built-up areas but with bigger land areas suitable for open storage with room for extension to suit individual needs. Overall demand for industrial properties will be slow as most businesses pull back or delay their expansion plans. No significant supply or new project launchings are expected.

LABUAN

The drop in demand for industrial properties has been due to the double whammy of Covid-19 and decline in crude oil prices, leading also to a cut in jobs and outflow of skilled workers in the oil and gas sector.

SARAWAK

KUCHING: The industrial sector remained generally stable for 2020, with a helping hand from the Government's Short-Term Economic Recovery Plan (PENJANA) initiative for Small and Medium Enterprises (SMEs) and 6 months moratorium on rentals for all government owned properties.

AFFECTED BUT STABLE

The industrial sector in Kuching was affected by the Movement Control Order (MCO) implementation which halted most operations and adversely affected the supply chain. However, any drastic outcome was alleviated by the government's Short-Term Economic Recovery Plan (PENJANA) in aiding SMEs to survive through the tough economic times:

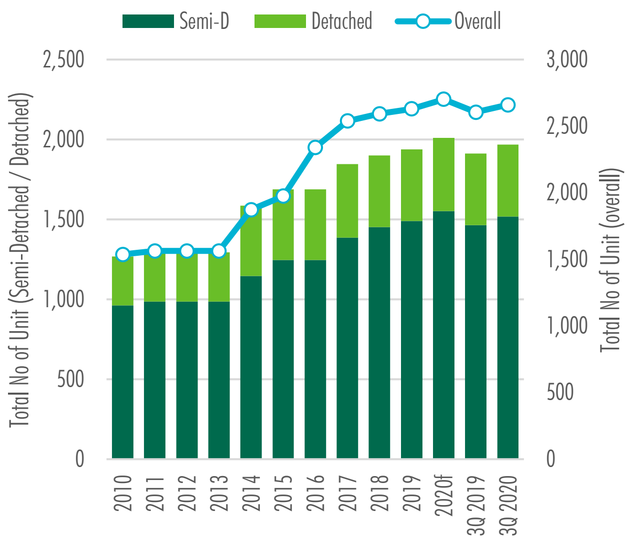
- Setting up and offering e-commerce platform to market products by SMEs
- Increasing SME financing options – loans, micro-financing and investment fund
- Re-strategising with new businesses and mergers – income tax rebates and Stamp duty exemptions

There were no completions of private industrial projects in 2020.

Semi-detached units and warehouses remain the popular types with market prices ranging from RM600,000 to over RM1 million. Occupancies and take up rates are generally stable and remain unchanged for 2020, whilst rental ranges from RM0.80-RM1.20 per square foot for semi-detached units.

Activities for the industrial sector in 2021 will highly depend on the uncertain economic recovery and subject to the pandemic situation which is still waging.

SUPPLY OF INDUSTRIAL UNITS IN KUCHING



Abbreviation: RM = Ringgit Malaysia, per sq. ft. = per square foot
Note: Data for the full year of 2020 is based on estimation
Source: NAPIC, WTWY Research

The industrial sector in Kuching which are mainly of SMEs is very much domestic driven and may not be as badly affected as those that depends on international trade.

In the long run, good potential is observed for light industrial units in Kuching with strategic locations, good logistics and convenient facilities.

BINTULU

The industrial sector shows a slow rate of supply. No new completion was recorded as at 1H 2020, while incoming supply stands at 8 units and planned supply at 44 units.

Transaction price remains stable with some slight increases as per transaction details captured by JPPH.

The Bintulu industrial sector is mainly driven by large corporations and SMEs. Foreign companies such as Sakura Ferroalloy and OCIM has large factories in Samalaju Industrial Park.

Accessibility and distance to the Deepsea Ports (Kidurong Port and Samalaju Port) are major factors affecting buyers' or tenants' choice of industrial properties.

The recent set up of a petrochemical hub at Tanjung Kidurong with a methanol plant to kick start the project would further propel Bintulu's status as a green industrial city with efforts to concentrate on down-stream activities, particularly in the production of clean energy.

The future for the industrial sector remains optimistic with good growth potential.

Average rental rates hover around RM1.80 per square foot with yields of about 4.5% per annum, expected to maintain for 2021.

MIRI

Market remains slow with less activities in 2020. Rentals for industrial properties in Miri are maintained between RM0.80 and RM1.20 per square foot and yields at 3.0% to 3.5%

Heavy industries have shifted interest to Bintulu being earmarked as Industrial City by year 2025 while ship building industries remain uncertain. However, the oil and gas industry in Miri is expected to be revived following the welcoming news of Shell shifting their Malaysian operations to Miri.

SIBU

Light industrial services, ship-building and ship repairs drive most of the demand for industrial properties. Unlike Bintulu and Miri, the industries are mostly piece-meal and private owned and operated.

Supply and demand remained stable with rentals of about RM1.20 per square foot and yields of 4%-4.5%. Rentals are expected to slightly increase to RM1.30 per square foot for 2021.

Both light and heavy industrial sectors such as shipbuilding and ship repair service business in Sibu are currently affected by the weak economy.

MARKET OUTLOOK

The industrial activities have generally slowed down in 2020 due to the on-going pandemic, but is seen to be stable and sustaining from the government's financial aid to minimize the impact, and some positive news delivered for the year especially in the oil and gas industry with the pay-out from Petronas, the awards of 2 mining leases to Sarawak-owned controlling company and the improved palm oil price which has reached an all year high.

Eastern Gateway Industrial Park at Jalan Tun Hussein Onn
Source: WTWY Research

HOTEL

REINVENT

SUMMARY

Challenge

Highly dependant on tourism, hotels struggle in facing lower Average Room Rate (ARR) and Average Occupancy Rate (AOR). Slow progress is expected for most hotel types especially those in urban areas and of luxury-brands until the re-opening of international borders.

Outlook

Uncertain of the international outlook, domestic tourism has become the major backup plan for the hotel and tourism industries. Room rate offers, packages including Government initiatives such as tourism, service tax exemption and income tax relief were actions adopted to revive the sector.

Hotels are being forced to evolve to survive: by lowering operational overheads, elimination of work duplication and finding various alternative sources for revenue. Some hotels are operating only 50%-60% of their available room capacity as they move to recovery.

KLANG VALLEY

Reinventing hospitality and F&B have become the major paths for hotels to stay on track in the market with hope primarily stemming from domestic tourism.

DOMESTIC TOURISM BACK-UP

Tourist arrivals in January-September 2020 decreased by about 78% y-o-y to 4.3 million arrivals.

The hotel industry is currently relying on domestic tourism for revenue. A survey in June by Tourism Malaysia indicated a growing number of Malaysians travelling locally after the easing of the Movement Control Order (MCO) restrictions. However, the third-wave of Covid-19 hitting Malaysia may have caused a further setback.

Overall Average Room Occupancy (AOR) decreased from 81% in 3Q 2019 to 30% in 3Q 2020 while Average Room Rate (ARR) reduced to RM213 (3Q2019: RM367). Several hotels have ceased operations or closed temporarily to undergo major renovations in the Klang Valley.

The Covid-19 outbreak has cast a shadow over hotel performance in Kuala Lumpur (KL). Most of the hotels have recorded low occupancies in the past few months, especially those focusing on business travelers and foreign tourists. Due to that, price reductions ranging between RM300 and RM400 were offered to pull hotel guests.

In promoting domestic tourism, the Government also played a part by offering incentives such as tourism and service tax exemption for accommodation and income tax relief of RM1,000 for tourism expenses.

In addition, financial support for heritage buildings and recreational areas were provided in order to attract domestic tourists.

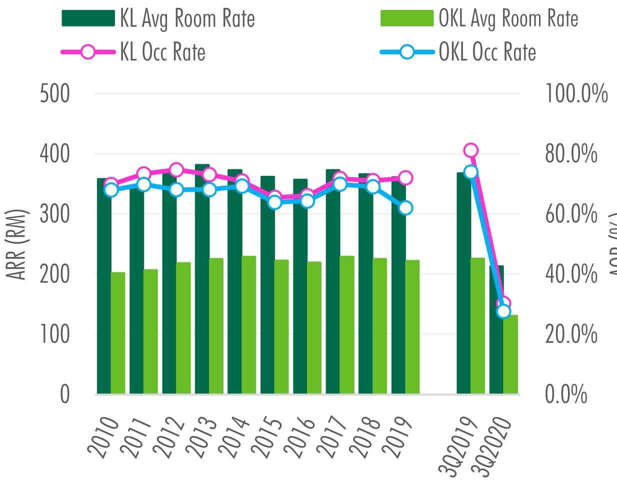
HOTEL MOVE TO RECOVERY

Performance of the hotel sector slightly improved after June 2020, as luxury-brand hotels recorded AOR at 18% during the Recovery Movement Control Order (RMCO), and midscale- and upscale-brand hotels recorded occupancy rate between 36% and 46%. Both hotel categories improved compared to the early MCO period, backed by the domestic market and also inter-state travelling.

Faster recovery is expected by smaller boutique hotels with lower operating overheads, and with potential to benefit better compared to luxury hotels, from the expected surge of domestic tourism. These hotels are able to mitigate the big impact from the pandemic and international closed borders, followed by a strong domestic tourism growth.

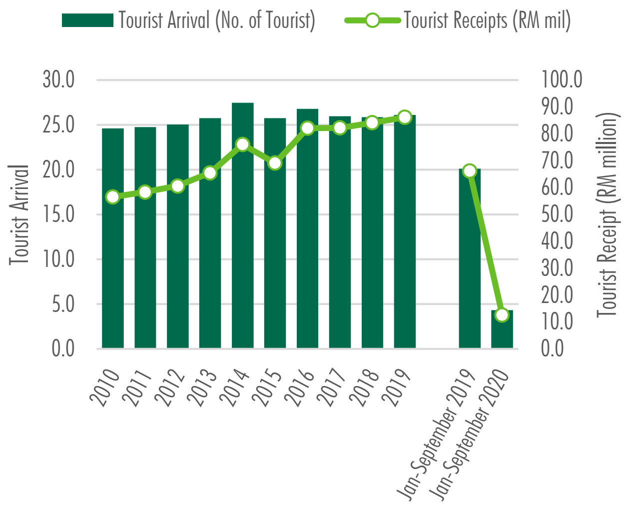
International branded hotels have restructured in terms of its key personnel, lower operating overheads, elimination of work duplication, shifted sources of income to F&B activities to lessen the impact of the pandemic. Other than that, some hotels only operate 50%-60% of their room capacity to achieve lower operational costs.

HOTEL PERFORMANCE AS OF 3Q 2020



Source: *CBRE* | *WTW* Research

TOURIST ARRIVALS AND RECEIPTS



Source: *CBRE* | *WTW* Research

As of 2020, cumulative supply stood at 60,743 rooms (212 hotels, 70% in KL, 30% outside KL). Innside Kuala Lumpur are the only new hotel as to-date whilst Fairfield by Marriot expected opening at the end of 2020. Several hotel scheduled openings in 2020 such as Double Tree by Hilton and Conrad KL were deferred to 2021. These on-going hotels projects are in "no-rush" mode, which allows them to review strategies and restructure their hotel business. In terms of future supply, about 1,871 rooms had been planned to be opened in 2021 in Kuala Lumpur depending on the economic recovery.

By 2023, 25 more hotels with 7,622 rooms had been planned for development, of which the majority were upscale hotels.

SEREMBAN – DEPENDENT ON THE DOMESTIC MARKET

Tourism activities in Port Dickson is picking-up in the 2Q 2020 as domestic tourism is increasing, fueled by tourists mainly from within the state and the Klang Valley. Nevertheless, the third-wave pandemic could further setback of domestic tourism to the state as banned inter-state travelling may be banned.

MARKET OUTLOOK

Due to the long-term timetable of global economic recovery, Covid-19 and prevailing low travel confidence, the hotel sector is facing a very difficult period. The tourism sector will continue to rely on domestic travelers where interstate travel is allowed. Continuous tax relief aid from the government and attractive room packages by the hoteliers are important to boost the tourism sector.

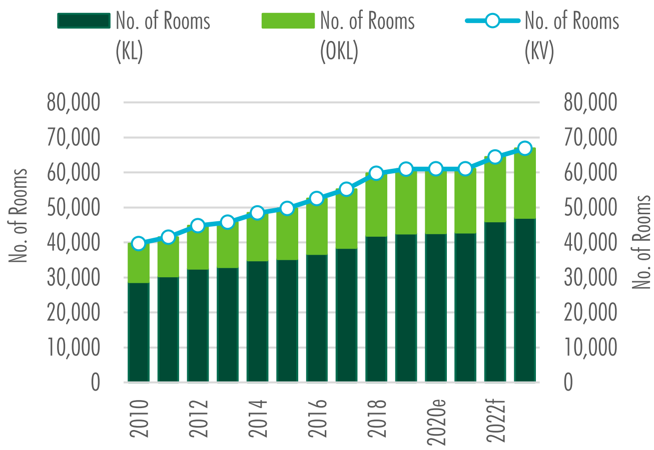
Hotel performance remains subdued with hotel operators striving to remain afloat until the market recovers. Recovery of the hotel sector will depend largely on the end of the Covid-19 outbreak and the opening of international borders. Any further setback such as a third-wave of the pandemic could worsen the expected recovery.

SELECTED FUTURE SUPPLY

DEVELOPMENT	LOCALITY	ESTIMATED NO. OF ROOMS
Planned Opening in 2021		
Santa Grand Hotel	Jln Ampang	285
Kempinski @ 8 Conlay	Bukit Bintang	260
Conrad KL	Jln Sultan Ismail	544
Planned Opening in 2022		
Canopy by Hilton @ BBCC	BBCC	478
Park Hyatt @ PNB 118	PNB 118	232
Planned Opening in 2023		
Mercure Kuala Lumpur	KL Trion	240
Jumeirah @ Oxley Tower	Jalan Ampang	190
So Sofitel @ Oxley Tower		207

Source: *CBRE* | *WTW* Research

KV HOTEL SUPPLY



Note: ECON – Economy, MID – Midscale, UP – Upscale LUX – Luxury, SA – Serviced Apartment KL – Kuala Lumpur, KV – Klang Valley
Source: CBRE | WTW Research

PENANG

The hospitality sector is anticipated to recover slowly after interstate travel was allowed. New entrants will be joining in intense competition. Purpose-built hotels will have advantages in complying with the Standard Operating Procedure (SOP) compared with shophouse boutique hotels and alternative accommodation such as serviced residences / apartments and SOHO. If the Covid-19 pandemic persists over the medium term, it will be the "survival of the fittest".

PESSIMISM TO LINGER ON IN THE SHORT-TERM

The occupancy and room rates of hotels in Penang had been adversely impacted to the extent of business sustainability. Penaga Hotel and Jazz Hotel have ceased operations since end of April 2020. Moreover, Holiday Inn Resort in Penang has shuttered down by end of June while the Copthorne Orchid Hotel Penang in Tanjung Bungah has stopped operation in August. On the other hand, the Gurney Resort Hotel and Residences as well as The Northam All Suites Hotel were closed temporarily for upgrading exercise.

The Penang hotel sector has somewhat recovered since mid 2020 as supported by domestic tourism with the lifting of the interstate travel ban during the Recovery Movement Control Order (RMCO) since 10th June 2020.

In addition, there were also various incentives by the Government in reviving the tourism such as giving personal income tax relief of up to RM1,000 for domestic tourism expenses, establishment of a new website known as "Penang Travel Deals" which offer local travellers different experiences and substantial savings.

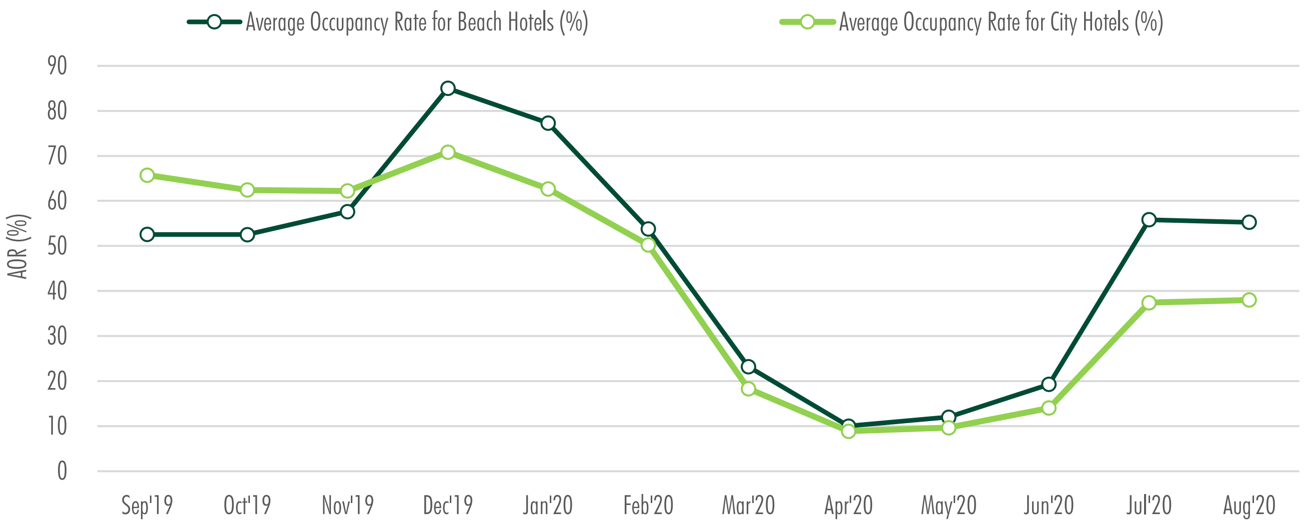
There were also various campaigns including "Responsible Tourism" whereby tour operators in the state were accredited for successfully complying with tight standard operating procedures during their operation and "Jom! Experience Penang Campaign" which offered value-for-money promotions namely "Best Hotel Deals", "Best Attraction Deals". "Best Tour Packages", and "Thank You Frontliners". There were also various staycation and work from hotel (WFH) packages being offered by various hotels.

However, the recovery of the tourism and hospitality sector is expected to be gradual and over a longer duration. Pessimism is expected to linger on in the short-term as the nation and the world embraces the 2nd and possible further waves of Covid-19 infection.

NEW ENTRANTS INTENSIFYING MARKET COMPETITION

There were 603 new hotel rooms from four (4) hotel openings in 2020. Two of the hotels are located in Georgetown, which are The 5-star Courtyard by Marriott @ Tropicana 218 Macalister (199 rooms) and OZO Georgetown Penang (141 rooms). Other two (2) hotels located in Teluk Bahang are Angsana Teluk Bahang (103 rooms) and Bahang Bay (160 rooms).

HOTELS AOR (SEPTEMBER 2019 to AUGUST 2020)



Abbreviation: AOR = Average Occupancy Rate
Source: STR, CBRE | WTW Research

Exacerbated by the prevailing pandemic, intense competition is anticipated in the near future as hoteliers offer attractive promotional packages at a fraction of the normal rate to domestic tourists in order to boost occupancy and sustain operations.

ADVANTAGES FOR PURPOSE BUILT HOTELS TO COMPLY WITH THE STANDARD OPERATING PROCEDURE (SOP) WILL BE THE PREFERED ACCOMMODATION

Compared to shophouse hotels, serviced residences / apartments, and SOHO, purpose-built hotels have the capability of having more trained staff and resources to conduct frequent cleaning, sanitizing and disinfecting and space for social distancing. Hence, accommodation in purpose-built hotel would be preferred compared to other travel accommodation. Stating compliance to the SOP would also serve as a marketing tool for purpose-built hotels.

SURVIVAL OF THE FITTEST

If the pandemic persists over the medium term, the pressure on hotel occupancy, room rates and operation costs would be severe. Hence, it would be a situation of the "survival of the fittest".

HOTEL TRANSACTION

Ivory Properties Group Berhad had on 14th September 2020 entered into a Sale and Purchase Agreement with Copthorne Orchid Penang Sdn Bhd for the acquisition of the 318-room Copthorne Orchid Hotel and Resort Penang in Tanjung Bungah for RM75,000,000 (approximately RM236,000 per room).

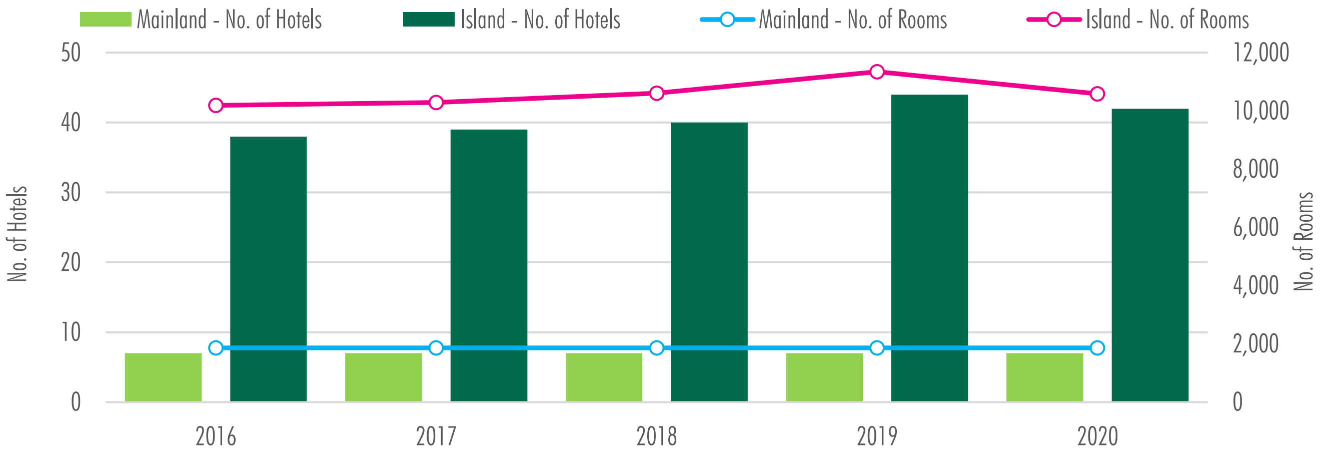
The acquisition is for redevelopment purposes of which the proposed development components comprise hotel and serviced apartments with an estimated Gross Development Value of approximately RM410 million. The construction is expected to commence in 2022 and is projected to be completed over a span of 3-4 years.

UPCOMING MAJOR HOTEL DEVELOPMENTS IN PENANG

DEVELOPMENT	NO. OF ROOMS	EXPECTED YEAR OF OPENING
Penang Island		
Amari @ Setia SPICE	453	2021
Proposed Hotel @ Sunshine Tower	320	2021
JW Marriott at Persiaran Gurney	313	2022
Island Medical City	440	2023
Seberang Perai		
Holiday Inn & Suites	288	2021
Proposed 4- to 5-star hotel along Jalan Bagan Luar, Butterworth	364	2022
Aloft @ Aspen Vision Batu Kawan	308	2023

Source: NAPIC, CBRE | WTW Research.

HOTELS SUPPLY IN PENANG



Source: CBRE | WTW Research.

ALOR SETAR

The nationwide lockdowns and international travel restrictions imposed by Federal Government to curb the spread of the Covid-19 has led to the severe decline in tourist arrival.

The performance of hospitality sector has been severely affected during the imposition of the Movement Control Order (MCO). With the lifting of the interstate travel ban during the Recovery Movement Control Order (RMCO), the recovery was not obvious except for hotels in Langkawi Island. Various promotional packages have been introduced by hoteliers to sustain their occupancy rates. With the continuous pressure on the occupancy rates, room rates and hotel operation costs, gloom market is expected in the short-term.

IPOH

Along with the virus outbreak, the hospitality sector has been heavily impacted. The virus outbreak has nearly put a complete halt to the sector where investors have become exceptionally cautious along with the ceased-in-operation of numerous hotels. Looking at the matter, the supply trend is anticipated to be disrupted. The sector is expected to take a longer recovery time, dependent on the successful development of a vaccine to curb the pandemic. The nature of the business might have to be further restructured if the pandemic is prolonged.

Courtyard by Marriott @ Tropicana 218 Macalister
Source: CBRE | WTW Research

Angsana Teluk Bahang
Source: CBRE | WTW Research

Bahang Bay
Source: CBRE | WTW Research

ISKANDAR MALAYSIA

With global travel restrictions still in force, domestic tourism will give a much-needed financial boost to hotels in Iskandar Malaysia (IM).

HOTEL SECTOR SEES GLOOMY OUTLOOK

The implementation of Movement Control Order (MCO) nationally on March and barring entry of international tourist had significant impact on the hotel performance in IM and lead to a plunged in average room rate (ARR) and average occupancy rate (AOR).

In 2020, ARR for hotels in IM was recorded at RM220 with 34% AOR, a far cry from RM290 and 75% for ARR and AOR for the same period last year.

The Covid-19 outbreak has forced some hoteliers with unstable financial position to cease operations. In IM, one (1) hotel closure was recorded viz. The Puteri Pacific Hotel with 424 rooms located in the heart of Johor Bahru City Centre was permanently closed after being in operation for approximately 29 years.

In spite of the challenging hospitality sector, in 3Q 2020, IM has welcomed the opening of Holiday Inn Johor Bahru which offers 335 guest rooms. With this new supply, the total number of hotels in IM registered at 37 hotels with 10,288 guest rooms. The signing of the management agreement between IHG Hotels and OSK Holdings to convert Swiss Inn Hotel to Holiday Inn Express in 4Q 2020 is a positive glimmer in an otherwise depressed industry.

3Q 2020 also witnessed the opening of the much anticipated award-winning luxury resort brand's first property in Southeast Asia, One & Only Desaru in Desaru Coast, a travel destination close to IM and an hour's drive from Senai International Airport. Other luxury hotels presently in Desaru Coast include Hard Rock Hotel, Anantara Resort & Villas and The Westin Desaru.

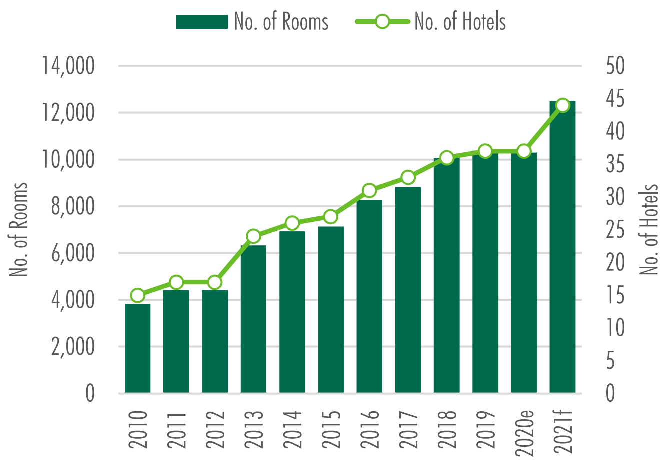
DISCOUNTS AND OTHER PERKS

Travel packages with more perks and safety measures have been put in place by domestic tourism players.

Attractive discounts and promotion prices for hotels, flight tickets, and entrance tickets to tourist destinations were being offered and targeting domestic travellers as the international travel restrictions have not been lifted. Other survival plans being considered by hoteliers include advance selling by means of vouchers and credits.

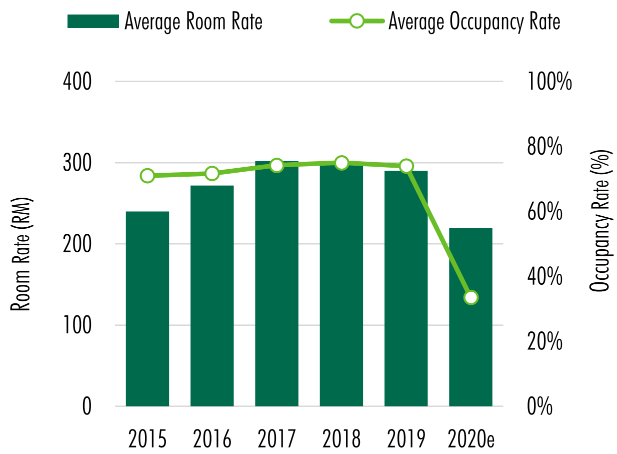
Hotel operators such as DoubleTree Hilton on the other hand, bring new strategies to promote their hotel with different experiences such as learning activities known as the 'Hilton Experience'. They also offer options for booking through other merchants i.e. Hilton Honors points.

HOTELS SUPPLY IN ISKANDAR MALAYSIA



Note: Data for the full year of 2020 is based on estimation
Source: CBRE | WTW Research

AOR & ARR OF UPSCALE HOTELS IN ISKANDAR MALAYSIA



Note: Data for the full year of 2020 is based on estimation
Source: Horwath HTL, STR, CBRE | WTW Research

BATU PAHAT

To date, Batu Pahat has about six (6) hotels and they are facing stiff competition from homestay-operators who are running short-term rental business with residential houses. With no new tourism attraction and activity to attract visitors to this region, Covid-19 pandemic has even worsened the situation. Hospitality and tourism industry in Batu Pahat is expected to remain stagnant.

MELAKA

The tourism industry in Melaka is slowly picking up amid the Covid-19 pandemic. The influx of domestic travelers after being given the go-ahead to restart domestic travelling during Recovery Movement Control Order (RMCO) has seen a positive improvement in the hotel sector.

In 2019, Visit Melaka Year has attracted more than 18 million visitors. A record high achieved since 2015. Amidst the global pandemic, the state government is currently strategizing to ensure their target of 5.6 million visitors would be achieved by end of 2020 from local travelers.

The hotel industry in Melaka was very competitive pre-Covid-19 with the strong competition from new hotels, serviced apartments, homestays and Airbnb. Due to the challenging market, some hotels had been trying to manage their financial losses for years, but the pandemic has tipped the situation for many, resulting business closures.

Three (3) hotels viz. Ramada Hotel, Mahkota Hotel and Emperor Hotel Melaka had ceased operation due to financial difficulties.

Harbour City which had been halted due to some legal issues is resuming construction which will comprise themed developments of the mall, water theme park as well as a luxury hotel. Malaysia Tourism City (MCT) which will feature a Hasbro water-themed park is set to open in March 2021. With these developments in the pipeline, hotels in the region are expected to attract local travelers.

MARKET OUTLOOK

As we prepare for the return of international tourists, local visitors and short-term staycations may play an important role for a healthier hotel industry. Tourism players need to think out of the box beyond existing proven strategies, business models, and services to attract more local travelers.

TOURIST ARRIVALS & TOURIST RECEIPT IN MELAKA (2015 – 2019)

YEAR	AVG LENGTH OF STAY	TOURIST ARRIVALS (MILLIONS)	TOURIST RECEIPTS (RM'000)	RM SPENT / DAY
2015	2.18	15.74	16,759.75	488.53
2016	2.16	16.28	18,289.49	520.04
2017	2.25	16.79	19,651.04	445.90
2018	2.46	17.02	20,979.52	501.07
2019	2.55	18.73	21,298.60	446.00

Abbreviation: AVG = average
Source: Melaka Tourism Board, CBRE | WTW Research

HOTELS CEASED OPERATION IN MELAKA

DEVELOPMENT	EST. ROOM NO.	REMARKS
Mahkota Hotel	219	Permanent closure (31st July 2020)
Ramada Plaza by Wyndham Melaka	294	Permanent closure (30th June 2020)
Emperor Hotel Melaka	228	

Source: CBRE | WTW Research

SABAH

KOTA KINABALU: Sabah's booming tourism industry was not spared from the Covid-19 pandemic with the halt of direct international flights and movement restrictions disrupting tourism activities.

SETBACK FOR TOURISM

Sabah's tourism sector has seen most tourism-related activities abruptly halted due to the Covid-19 pandemic and implementation of the nationwide Movement Control Order (MCO), or partial lockdown, and closed international borders for a period of time since March 2020.

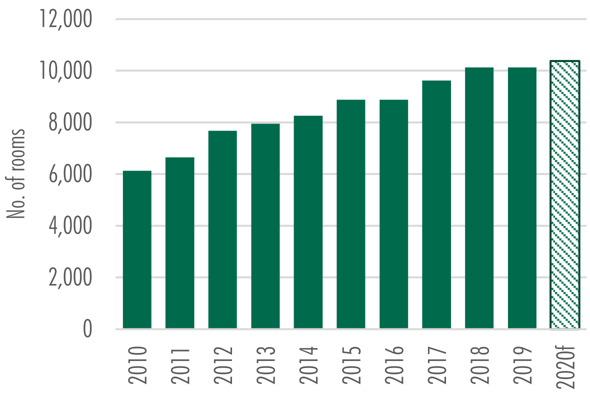
For the period of January-August 2020, Sabah registered a total of 866,514 visitor arrivals, which formed just under a third of arrivals for the same period in 2019 (2,776,016 arrivals). The sharp reduction from major East Asian markets China (-89%) and South Korea (-81%), the main contributors to Sabah's international arrivals, and simultaneous decline in domestic visitor arrivals had created a large void in the tourism and hospitality sectors. In the absence of sufficient tourism numbers, some hotels, as well as short-term stay operations like AirBnbs, have had to face closure, some, temporary in nature, until business improves. Meanwhile, Holiday Inn Express Kota Kinabalu opened its doors in 4Q 2020.

The easing of the MCO to a Conditional MCO (CMCO) and Recovery MCO (RMCO) in mid-2020 saw a gradual reboot in domestic travel and tourism or "Cuti-Cuti Sabah". With the absence of foreign tourists and reduced arrivals from other Malaysian states, both local and international hotels and resorts have had to slash room rates and offer promotions to fill up room vacancies. Popular places of interest also offered attractive promotional packages to entice local visitors. On the flip side, this has encouraged, and led to the discovery of new local tourist attractions, particularly nature-based and rural tourism in the outskirts of Sabah. Under the Sabah State Budget 2021, some RM17.02 million is allocated for Rural Tourism Development and this has become the Ministry of Tourism, Culture and Environment's main focus under the 12th Malaysian Plan.

However, as domestic tourism started to pick up, the sector had to take a step back as the government again imposed a state-wide CMCO and temporary suspension of inter-state and inter-district travel to curb a spike in Covid-19 positive cases in Sabah in 4Q 2020. The inter-district travel restriction was subsequently relaxed towards end-2020, with key tourism destinations under Sabah Parks, and others, reopened. Sabah also opened its borders to neighbouring Brunei, subject to SOPs.

However, given the high number of new Covid-19 cases coupled with foreign entry restrictions to Malaysia and general market uncertainty, the outlook for the tourism sector in the immediate term is rather dim as it is uncertain when international travel will pick up.

SUPPLY OF 3-5 STAR HOTEL ROOMS IN KOTA KINABALU (INCLUDING 5-STAR HOTEL IN TUARAN) (2010-2020)



Source: WTWS Research

Holiday Inn Express, Kota Kinabalu, Sabah
Source: WTWS Research

With such prevailing market conditions, tourism stakeholders opine that recovery of the tourism industry will take time, possibly several years, aided by a significant injection of government funds for publicity and to attract investors and flights to Sabah.

DOMESTIC TOURISM FOCUS

In the interim, the focus would be on domestic tourism. Hoteliers, tour operators and other tourism industry players would need to reinvent and re-strategise to adapt to these changes. The Sabah Association of Tour and Travel Agents (Satta) had called for government subsidies for tour packages less than RM1,000 and for offices of travel and tour operators' utilities bills, rental or bank loans. It was also suggested that RM50 million be allocated for overseas promotion to China and South Korea, among others.

TAWAU

Hotel occupancy imploded for Tawau and Semporna's hospitality sectors due to the pandemic, government's implementation of the Movement Control Order (MCO) and closure of international borders. Hoteliers and resort operators have resorted to slashing room rates, of up to 50%-80% to fill up room vacancies. This has attracted tourists from within Malaysia, but the numbers are significantly lower than pre-Covid-19 times.

SANDAKAN

Overall hotel performance declined and the district saw the closure of two (2) notable hotels, namely the 4-star Four Points by Sheraton Sandakan and the 24-room Nak Boutique Hotel, in the town centre in mid-2020. For the latter, the owner proposes to convert the hotel into a community hub for artists and local entrepreneurs, akin to Kuala Lumpur's Zhongshan Building.

LABUAN

The Covid-19 pandemic had adversely affected visitor arrivals. Based on statistics obtained from Labuan Corporation, visitor arrivals to Labuan totaled about 329,000 for 1H 2020, averaging about 55,000 arrivals per month. This is a significant drop compared to the 1.2-1.3 million arrivals in 2018 and 2019, or a monthly average of 100,000-108,000 arrivals. The decline in arrivals had also resulted in high vacancy rates with budget to 3-star hotels having to reduce room rates in order to boost occupancy.

SARAWAK

KUCHING: The hotel sector was hardest hit with almost all tourism programs and agenda cancelled for the year. Casualties are expected to be high in the hotel industry should the pandemic persist indefinitely.

PANDEMIC A BLOW TO OCCUPANCY

The hotel sector was dealt the biggest blow in 2020 whereby the pandemic had put all but some travel activities on hold with bans and / or restrictions on inter country and inter-district travel which is slowly but surely killing off the hotels.

In order to stay afloat, most hotels have shifted their focus to F&B including sit-down served buffet, take outs and delivery services whilst some hotels have opted to be quarantine centres at the set rate of RM150 per room / night in order to tide through this period.

Sarawak's popular annual tourist events such as the Rainforest World Music Festival n Kuching and the Borneo Jazz Festival in Miri which are the biggest draw on Sarawak's tourism calendar were cancelled, greatly affecting the tourism revenue for the year. Hotels which would normally be filled up during this event period would suffer much in low occupancies.

Room and occupancy rates are at an all-time low and expected to remain pathetic for the rest of 2020 and 2021.

In order to revitalize Sarawak's tourism sector, Sarawak Tourism Board has launched the 'Sia Sitok Sarawak' intra-state tourism campaign in a bid to boost local tourism, by offering discounted rates for hotel rooms and tours, and other perks, to encourage locals to travel and enjoy the sites and sights within Sarawak itself. This program hopes to generate a fair amount of revenue for the local tourism sector in order to compensate for some losses.

There were no new addition of hotels in 2020. The completion of the 19-storey Promenade Hotel located in the Central Business District area which was expected in 2020, seems likely to be delayed until 2021.

MIRI

With the border closure of Brunei, Miri is reeling from the impact of the lack of Bruneian visitors. Hotel, food and retail businesses are greatly affected by this situation.

The supply of hotels in Miri has been steady. Currently, there are 2 hotels under construction, namely Mercure Miri City Centre Hotel developed by Evolveland Berhad and hotel developed by Chiong Ho Ling Sdn. Bhd. Completion date may be delayed due to the COVID-19 pandemic.

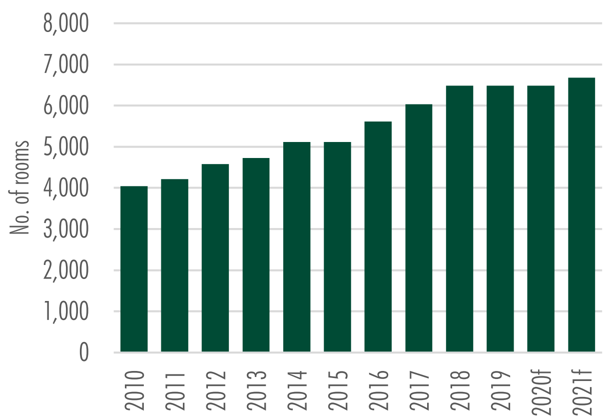
Hotel room rates have dropped to between RM137 for 3-star hotels up to RM250 for 5-star hotels and occupancy rates to hover between 30% and 40%.

TOURIST ARRIVALS IN SARAWAK

YEAR	2018	2019	AUG 2020
TOURIST ARRIVALS	4,430,921	4,662,419	1,078,117

Source: Immigration Department of Sarawak

HOTELS SUPPLY IN KUCHING



Source: WTWY Research

BINTULU

The average occupancy rate of hotel in Bintulu in 2020 stands lower than 50% and the average room rates for both 3 and 4-star hotels have gone down considerably from RM180-RM150 and RM250-RM200 respectively.

A recent addition is the Bintulu Paragon Fairfield Marriot Hotel with 238 rooms completed in 2019.

Hotels currently under construction in Bintulu will contribute another 160 rooms within the next one to two years. Another 8 hotel projects are in the pipeline and estimated to contribute an additional 862 rooms to the market. It is anticipated that with the introduction of the new hotels in the coming few years, the occupancy rates will fall and the hotel industry will face challenges in terms of room and occupancy rates.

The added competition coupled with the less conducive hospitality climate arising from the current pandemic will negatively affect the hotel industry this couple of years.

SIBU

Sibu's tourism industry has always been average, mostly depending on local travelers, mostly on business. The hotel industry in Sibu can be considered stable. As Sibu is not the main tourism city and highly domestic driven, the recent pandemic has not badly affected the overall hotel occupancy rate. However, the hotels' F&B's revenues are affected due to the Movement Control Order (MCO) & Standard Operating Procedure (SOP).

The trend of budget hotels continues, as these types cater to the local business travelers who make up the majority of Sibu hotels' customer profile.

Hotel investments in Sibu are mainly by local companies or family-owned.

Incoming supply consists of a 10-storey budget hotel (with 144 rooms) located within the proposed Sibu Star Mega Mall The commercial centre is expected to be in the market next year. The Otel Hotel, a 6-storey boutique hotel with 48-rooms and located at Hann Commercial Centre, has just been completed and started operations at the end of 2020.

Overall occupancy rates in Sibu is maintained around 60% for 2020 assuming Sibu remains a green zone, with the average room rate ranging from RM120-RM170.

More tourist attractions are needed to be developed in order to attract more holiday makers to Sibu which is the gateway to central Sarawak.

MARKET OUTLOOK

There was a 66% drop in tourist arrivals in the first 9 months of 2020 (1,155,754) compared to the same period in 2019 (3,366,922).

With the on-going global pandemic and emergence of 3rd wave of the Covid-19 infections in Malaysia, Sarawak's hotel industry will continue to be bleak until a vaccine or cure has been found to arrest the virus. More retrenchments and pay-cuts are anticipated in the short-term.

SIGNIFICANT TRANSACTIONS

MALAYSIA

PROPERTY	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
KLANG VALLEY				
UOA Corporate Tower	38-storey office building	Distinctive Acres Sdn Bhd (subsidiary of UOA Development Bhd)	RHB Trustee of UOA Reits and Paramount Properties Sdn Bhd	700,000,000
Sunway Pinnacle	24-storey office building	Sunway Integrated Properties & Sunway Pinnacle (subsidiary of Sunway)	RHB Trustee of Sunway REIT	450,000,000
Wesport	Development land, Pulau Indah	Pembinaan Redzai Sdn Bhd	Wesport Malaysia Sdn Bhd	393,958,900
Hartalega Tanjung Industrial Park	Industrial land	Bomus Essential Sdn Bhd	Hartalega NGC Sdn Bhd	263,096,563
Menara Guoco	19-storey office building	DC Offices Sdn Bhd (subsidiary of Guocoland (M) Bhd)	Tower REIT	242,100,000
Service Apartment @ BBCC	44-storey and 269-units service apartment	BBCC Development Sdn Bhd	Mitsui Fudosan (M) Sdn Bhd	242,000,000
Lanson Place	Development land, Ampang Hilir / U-thant	DNP Jaya Sdn Bhd	Paramount Property (Cityview) Sdn Bhd	161,600,000
Industrial land	Industrial land, Tg Dua Belas	Ideal Quaity Sdn Bd (subsidiary of Kossan Rubber)	Best Eternity Recycle Technology Sdn Bhd	153,380,091
Industrial land	Industrial land, Tg Dua Belas	Liansheng Paper (M) Sdn Bhd	Ideal Quaity Sdn Bd (subsidiary of Kossan Rubber)	147,749,148
Industrial land	Industrial land, Kapar	Golden Valley Industries Sdn Bhd (Klang Group Holdings Sdn Bhd)	Bintang Seribu Sdn Bhd (subsidiary of Can-One Berhad)	103,554,411
ISKANDAR MALAYSIA				
Industrial plots in SiLC (Phase 3)	HOA signed for the disposal of seventy-two (72) freehold industrial plots in SiLC Phase 3 with a total of 169.8 acres with the validity period until 7 Dec 2020	UEM Land Berhad and Nusajaya Heights Sdn Bhd (subsidiaries of UEM Sunrise Berhad)	Pentagon Land Sdn Bhd and Greenhill SiLC Sdn Bhd (subsidiaries of AME Elite Consortium Berhad)	434,300,000
Kahang Estate and Sungai Yong Estate, Kluang	Kahang Estate and Sungai Yong Estate in the Mukim of Paloh, District of Kluang measuring in aggregate 2,656.1649 hectares	KUB Agro Holdings Sdn Bhd (subsidiary of KUB Ekuiti Sdn Bhd, subsidiary of KUB Malaysia Berhad)	Beradin Plantation Sdn Bhd	158,000,000
Industrial lands within Taman Perindustrian Cemerlang	Seven (7) parcels of freehold industrial land with buildings erected thereon, plant and machinery and intellectual property rights	London Biscuits Berhad	Pacific Petcare Sdn Bhd and Mamee-Double Decker (M) Sdn Bhd (as guarantor)	70,000,000

PROPERTY	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
ISKANDAR MALAYSIA				
Waterfront commercial land along Jalan Persiaran Abu Bakar	Freehold vacant commercial land approximately 4 acres along Jalan Persiaran Abu Bakar, Johor Bahru	Lido Waterfront Boulevard Sdn Bhd	China Communications Construction Company Sdn Bhd	104,648,544
Industrial lands in Senai Aiport City and Mukim of Tebrau	Six (6) parcels of industrial lands with buildings in Senai Aiport City, Mukim of Senai, Kulai and Mukim of Tebrau	Ipark Development Sdn Bhd (subsidiary of AME Elite Consortium Berhad)	V.S Industry Berhad	98,766,641.20
Bandar Seri Alam land	Freehold golf course land within Bandar Seri Alam measuring 69.03 acres	Christine Resort Sdn Bhd (subsidiary of Lien Hoe Corporation Berhad)	Countryland Realty Sdn Bhd	88,666,380
Agricultural land in Pulai	Eight (8) parcels of freehold land in Mukim of Pulai measuring approximately 202.2 acres	Lee Pineapple Company (Pte) Limited	Scientex Quari Sdn Bhd (subsidiary of Scientex Berhad)	185,005,275
MELAKA				
Agricultural land	Agriculture land of 1,357 acres, Jasin, Melaka	GLM Emerald Industrial Park (Jasin) Sdn Bhd	Scientex Heights Sdn Bhd	260,174,594
Agricultural land	Agriculture land of 652 acres, Jasin Melaka	GLM Emerald Industrial Park (Jasin) Sdn Bhd	Parkland Avenue Sdn Bhd	119,259,090.72
Agricultural land	Agriculture land of 177 acres, Pulau Sebang, Melaka	Eksklusif Pesona Sdn Bhd	Malakoff R&D Sdn Bhd	150,000,000
NEGERI SEMBILAN				
Commercial land	Commercial land of 7.8 acres, Persiaran Korporat, Nilai	Bukit Maju (Nilai) Sdn Bhd	Ten Ah Man	20,356,708
PENANG				
Development land at Georgetown, Penang Island	3 lots of freehold land totalling approximately 1.1 acres	Eco Macalister Development SB	Exsim Macalister SB	56,000,000
Development land at Georgetown, Penang Island	3 lots of freehold land totalling approximately 0.8 acres	The Malayan Press (PG) SB	Carriage Bintang Berhad	24,205,460
Industrial complex at Kawasan Perusahaan Valdor, Seberang Perai	Freehold with a land area of approximately 7.7537 acres	South Island Garment SB (Subsidiary of Magni-Tech Industries Berhad)	Hallmark Equity SB	22,000,000

PROPERTY	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
PENANG				
TH Hotel Penang at Bayan Lepas, Penang Island	Operate under a new hotel brand i.e. Raia Hotel Penang	Lembaga Tabung Haji	Urusharta Jamaah SB	89,664,230
Retail space of Kompleks Bukit Jambul at Bayan Lepas, Penang Island	Retail space (Lettable Floor Area: 145,843 square feet)	MJ Properties Sdn Bhd	Iman Ikhlas (M) Sdn Bhd	25,500,000
Industrial complex at Taman Industri Perabot, Sungai Baong, Seberang Perai	Freehold with a land area of approximately 13.184 acres	HK Kitaran SB (subsidiary of Heng Huat Industries Holdings SB, which in turn is a subsidiary of Heng Huat Resources Group Berhad)	SBJ Property SB	22,000,000
Development land at Bayan Lepas, Penang Island	2 lots of freehold land totalling approximately 4.89 acres	C P Landmark Sdn Bhd & August Line Sdn Bhd	Ivory Properties Group Berhad	142,794,956
Industrial land at Batu Kawan, Seberang Perai	13.805 acres leasehold with unexpired term of 54 years	Mforce Bike Holdings SB	JHM Consolidation Berhad	27,060,632.20
Industrial land at Batu Kawan, Seberang Perai	5.5309 acres leasehold with unexpired term of 60 years	The Penang Development Corporation	Iconic Medicare SB (Subsidiary of Iconic Worldwide Berhad)	12,528,152
Copthorne Orchid Hotel & Resort Penang at Tanjung Bungah, Penang Island	Hotel that already ceased operation	Copthorne Orchid Penang Sdn Bhd	Ivory Properties Group Berhad	75,000,000
ALOR SETAR				
Industrial land at Kulim Hi-Tech Park, Kulim	29.331 acres leasehold with unexpired term of 60 years	Kulim Technology Park Corporation SB	Aspen Glove SB	51,107,040
PAHANG				
Factory / warehouse	Factory / warehouse with land area of 2.84 acres, Tanah Puteh, Kuantan, Pahang	Juraxis Sdn Bhd	YP Land Sdn Bhd	18,000,000
Agriculture land	Durian plantation of 8.99 acres, Off Jalan Sungai Chetang-Sang Lee, Pahang	Dusun Murai Sdn Bhd	Ea Durian 72 Alfa Sdn Bhd	9,335,910
Agriculture land	Tea plantation of 479.99 acres, Habu-Ringlet, Pahang	Bharat Tea Plantations Sdn Bhd	Hektar Muda Sdn Bhd	45,367,740
Agriculture land	Agriculture land of 1,967.47 acres, Off Jalan Tebu Hitam, Pahang	SUK	Far East Holding Berhad	15,866,710

PROPERTY	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
PAHANG				
Agriculture land	Durian plantation of 9.94 acres, Off Jalan Sungai Ruan-Dong, Pahang	Yong Soo Kain	Koperasi Sejati Berhad	8,800,000
Agriculture land	Durian plantation of 8.99 acres, Off Jalan Sungai Chetang-Sang Lee, Pahang	Dusun Murai Sdn Bhd	Ea Durian 72 Alfa Sdn Bhd	11,686,851
Agriculture land	Tea plantation of 454.24 acres, Habu-Ringlet, Pahang	Bharat Tea Plantations Sdn Bhd	Hektar Muda Sdn Bhd	44,971,129
KUCHING				
Development Land	Commercial Development Land comprising 6.8 acres along Jalan Abang Abdul Rahim	Angold Sdn Bhd/Wee & Wee Fertilizers and Chemicals Sdn Bhd	Hong Seng Construction (EM) Sdn Bhd	32,000,000
Development Land	Commercial Development Land measuring 24 acres along Jalan Sultan Tengah	GEO CRETE SPECIALIST SDN. BHD	MIRECONT SDN. BHD	21,000,000
BINTULU				
Mixed Development Land at Kidurong	2 parcels of development lands comprising 1,002.26 acres located at Jalan Saberkas, Kidurong, Bintulu	Petrochemical Hub Sdn Bhd	Sarawak Economic Development Corporation	340,000,000.00
MIRI				
Estate Land along Batang Baram	11,609 acres of Estate Land	Lumiera Enterprise Sb (Rimbunan Sawit Berhad)	Biogreen Success Sb (Wtk Holdings Sb)	85,000,000
Estate Land along Sungai Bakong and Sungai Baram, Baram	6,965 acres of Estate Land	Woodijaya	Muzana Plantation Jv Sb	53,000,000
SANDAKAN				
Agriculture land	2,862 acres of agriculture land at Segaliud Lokan & Segaliud Localities	Greenfingers Sdn Bhd and 3 others	Kim Loong Resources Berhad	92,538,290

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