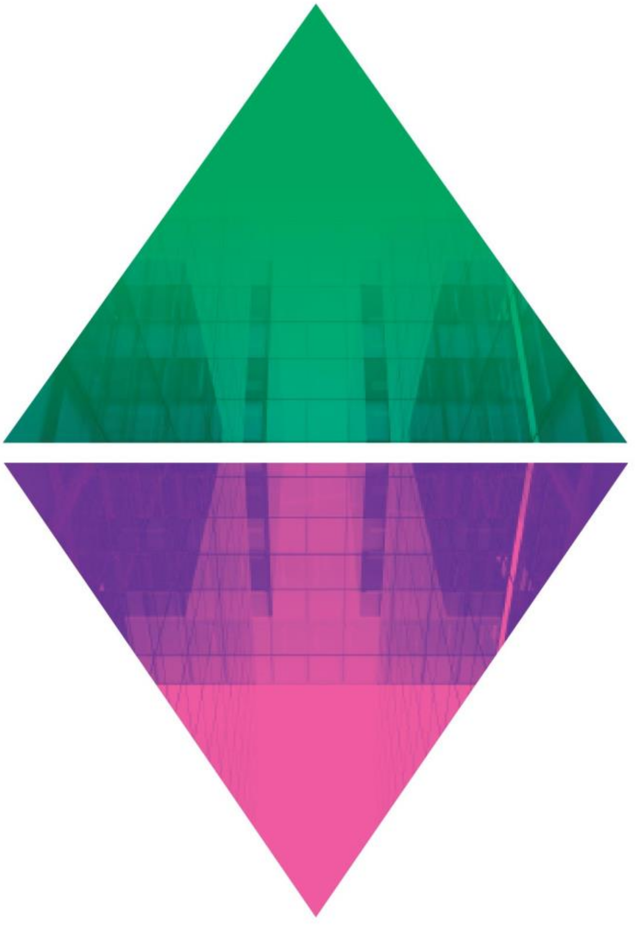
C B R E | W T W   R E S E A R C H | A P A C



REAL ESTATE MARKET OUTLOOK 2019

MALAYSIA

CBRE | WTW

ABOUT US

"2018's property market was gripped by rigidity, high asking price of saleable assets restrains yield. This resulted in a quiet market where sizeable investments and significant deals were hard to come by. Slowly but surely, recovery shall make its way into 2019 once the dust settled in view of the recent change in government. The market could still brace for optimism with commercial and industrial sectors being the potential bright spot."

Sr FOO GEE JEN
MANAGING DIRECTOR, CBRE | WTW

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.

TABLE OF CONTENTS

MALAYSIA'S ECONOMY

A YEAR OF HOPE

Malaysia's economy sustained a growth of 4.5% in the first half, a more moderate pace y-o-y (2017: 5.9%). The Mid-term Review of the 11th Malaysia Plan has forecasted Malaysia's gross domestic product (GDP) to grow between 4.5% and 5.5% for the 2018 – 2020 period.

In 2Q 2018, private consumption growth (2Q 2018: 8%, 1Q 2018: 6.9%) peaked since 1Q 2015. Private investment growth (2Q 2018: 6.1%, 1Q 2018: 0.5%) also accelerated, mainly due to higher capital expenditure by the manufacturing and services sectors. There were mixed results in the public sector whereby consumption picked up (2Q 2018: 3.1%, 1Q 2018: 0.4%) while investment contracted (2Q 2018: -9.8%, 1Q 2018: -1.0%). In the near future, the contribution by public sector activities to the economy is anticipated to diminish in view of the new government's fiscal consolidation measures and the completion of infrastructure projects. Private sector activities are expected to be a bigger force in driving Malaysia's economy. Private investment on high-value capital is expected to step-up. On the other hand, as it has always been, private consumption remains as the main component of domestic demand, sustained by stable employment hence, household income.

By convention, the services and manufacturing sectors continued to spearhead growth, contributing 78.9% of Malaysia's GDP for 2Q 2018. In the same quarter, services sector grew by 6.5%. The manufacturing sector also went on an expansionary mode of 4.9% in 2Q 2018, driven by robust demand for exports. The growth of the construction sector is likely to moderate as several mega projects have been suspended or cancelled. Another factor could be the anticipation of a softer property market and less building starts.

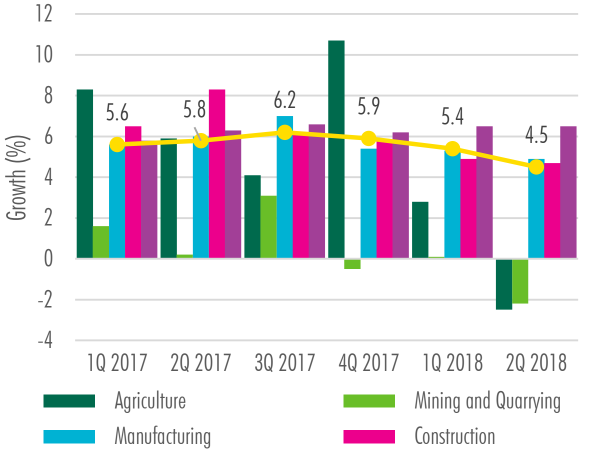
POSITIVE SPENDING SENTIMENTS

The inflation rate declined to 1.3% during 2Q 2018 (1Q 2018: 1.8%). Malaysia's labour market remains astute since unemployment rate has stayed unchanged at 3.4% as at 2Q 2018.

The repeal of GST should bring about a more moderate pace of inflation and encourage spending in the country. Apart from that, certainty in employment would also boost spending confidence among households.

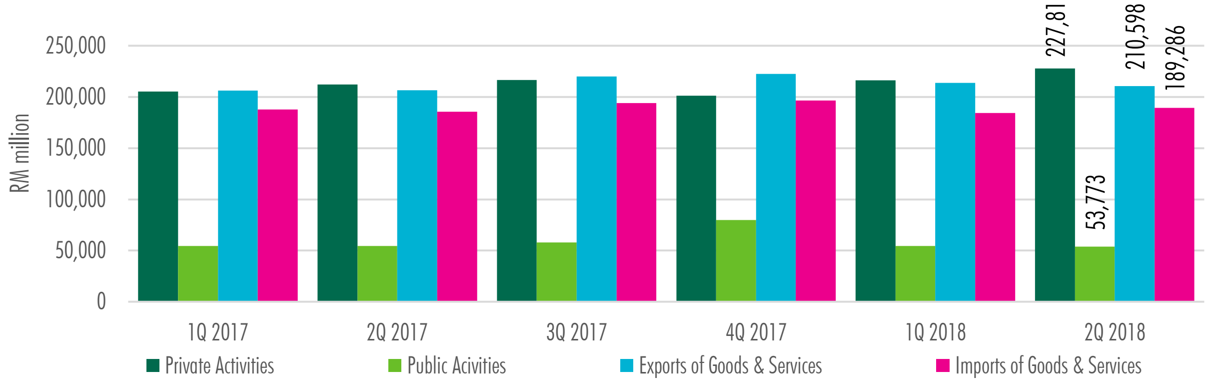
Data by Malaysian Institute of Economic Research (MIER) suggests an upbeat in the market as the Consumer Sentiments Index (CSI), Business Conditions Index (BCI) and Retail Trade Index (RTI) improved in 2Q 20018.

GDP Growth by Sectors



Source: Bank Negara Malaysia

Gross National Income



Source: Bank Negara Malaysia

A YEAR OF HOPE (CONTINUED...)

ON THE LOOKOUT

As of 2Q 2018, gross exports totalled RM245 billion, an increase of 8.2% (1Q 2018: 5.8%). Strong demand from major trading partners such as China, United States and European countries led export and re-export activities, especially in the electronic and electrical segments. Manufactured exports recorded a growth of 10.6% during 2Q 2018 (1Q 2018: 8.2%), driven by chemical, petroleum and metal products. On the other hand, imports also grew to RM217.8 billion (2Q 2018: 7.7%, 1Q 2018: 0.8%). In net terms, the trade surplus shrank to RM27.2 billion for 2Q 2018.

Foreign direct investments (FDI) was approximately 4 times lower in terms of net inflow as compared to the previous quarter (2Q 2018: RM2.8 billion, 1Q 2018: RM12.0 billion), on account of lower retained earnings and some liquidation of foreign equity holdings. FDI inflows were mostly being channelled to the real estate, wholesale and retail trade sub-sectors, and mining sector which is consistent with the previous year.

TOUGHER LOAN APPROVAL

Total lending in the country in 2Q 2018. amounted to RM1.63 trillion, a 5% hike y-o-y (2Q 2017: RM1.55 trillion). The interest rate for loans also rose to 3.89% as compared to 2Q 2017 (3.61%), after the central bank's upward revision of overnight policy rate back in January 2018 as a response to the weakening Ringgit amidst series of rate hikes by US Fed.

Loan applications for residential property purchase dipped y-o-y (2Q 2018: 26.9%, 2Q 2017: 29.9%). Despite a slight rise in residential loans approval rate in 2Q 2018 to 43.1% (2Q 2017: 42.9%), the value of loans approved shrank to RM25.4 billion (2Q 2017: RM26.2 billion).

The 0.17% increment in loan value approved for purchase of residential property despite a 2.9% drop in approval rate suggests that the average loan size rose. There could be either an appreciation in house prices or an increasing tendency to purchase higher-end residential properties.

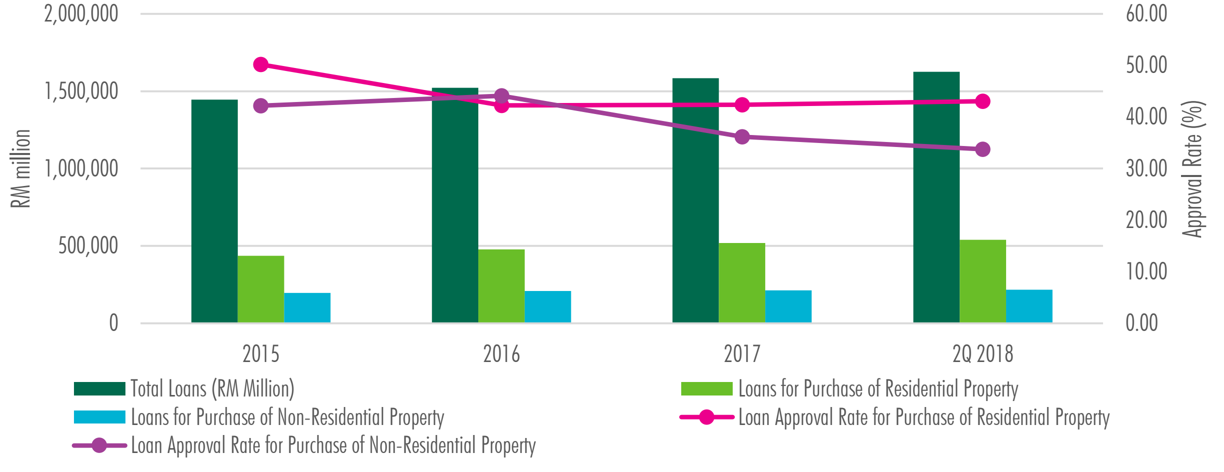
LAYING THE FOUNDATION FOR GROWTH

In the post 14th General Election, Malaysia exemplified political maturity whereby the rule of law was observed by all parties during the transition of power period as the change of Government took effect.

The recent Budget 2019 is a tell-tale sign that the government will focus on investing in core economic activities to boost Malaysians' wellbeing. The country's economy is anticipated to grow steadily, backed by persistent domestic demand and sound external performance.

The combination of political sensibility and continuous socio-economic enhancement would lay the foundation for macro stability. These could well be the pre-requisites for sustainable growth drivers.

Loan Approvals



Source: Bank Negara Malaysia

MAJOR INFRASTRUCTURE UPDATES

Projects	Locations	Completion	Status (as at Oct 2017)
RAIL			
East Coast Rail Link (ECRL)	Port Klang, Selangor - Kuantan Port, Pahang - Terengganu - Tumpat, Kelantan	2024	KIV
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas - Johor Bahru	2020	Under-construction
High Speed Rail (HSR)	Bandar Malaysia - Bangi - Putrajaya - Seremban - Melaka - Muar - Batu Pahat - Iskandar Puteri - Jurong East, Singapore	2026	Postponed
LRT Line 3	Bandar Utama - Johan Setia – Klang	2020	Contract awarded
MRT 2 (SSP Line)	Sungai Buloh - Serdang - Putrajaya	2022	Contract awarded
MRT 3 (Circle Line)	-		Postponed
HIGHWAY - EXPRESSWAY			
Damansara-Shah Alam Highway (DASH)	Sungai Penchala - Shah Alam	2020	Under-construction
East Klang Valley Expressway (EKVE)	Sungai Long - Ukay Perdana	2020	Under-construction
Lebuhraya Putrajaya-KLIA (MEX II)	MEX - KLIA - KLIA 2	2019	Contract awarded
Pan-Borneo Highway	Tawau - Kuching	2022/2023	Under-construction
Serdang-Kinrara-Putrajaya Expressway (SKIP)	Serdang - Kinrara - Putrajaya	2021	Design stage
Sungai Besi-Ulu Kelang Expressway (SUKE)	Sungai Besi - Cheras - Ampang - Ulu Kelang	2020	Under-construction
West Coast Expressway (WCE)	Banting - Taiping - Sabak Bernam	2020	Under-construction
PORT			
Kuantan Port New Deepwater Terminal (Phase 1)	Kuantan Port	2018	Completed
OTHERS			
The Penang Sentral Terminal Hub (Phase 1)	Seberang Perai, Penang	2018	Completed
The Swettenham Pier Cruise Terminal (Expansion)	Penang Island	2021	Planned

MAJOR POLICY UPDATES

Title	Authority/Agency	Effective Date
Stamp duty exemption	Ministry of Finance	
• Stamp duty exemption for first time house buyers for properties priced between RM300,000 to RM1 million		1 January 2019 to 30 June 2019
• Stamp duty exemption on the instrument of transfer and the loan agreement for house priced up to RM300,000		1 January 2019 to 31 December 2020
• House price between RM300,001 to RM500,000, the instrument of transfer and loan agreement is exempted but limited to the first RM300,000		1 July 2019 to 31 December 2020
Stamp duty increase	Ministry of Finance	1 July 2019
• The increase of 1% stamp duty from 3% to 4% of the instrument of transfer for property exceeding RM1 million to RM2.5 million		
Real Property Gain Tax (RPGT) revision	Ministry of Finance	1 January 2019
• For disposal in the 6th year and after, RPGT to be increased from 5% to 10% for foreigners and corporations; 0% to 5% for Malaysian individuals. • Exemption applies to low-cost houses, low- to medium-cost houses and houses priced below RM200,000.		
New duty-free area and island	Ministry of Tourism and Cultural	
• Tax exemption for Port Swettenham, Penang to promote cruise tourism. • Pulau Pangkor to be declared as new duty-free island.		
Fund by Bank Negara Malaysia	Bank Negara Malaysia	1January 2019 to 31 December 2020, or until the fund exhausted
• RM1 billion fund is set up for Malaysians earning not more than RM2,300 per month to buy affordable houses priced at RM150,000 and below at an interest rate of as low as 3.5%. • Available at participating financial institutions such as AmBank, CIMB Bank, Maybank, RHB Bank and BSN.		
Allocation to Cagamas Berhad	Ministry of Finance / Cagamas Berhad	2019
RM25 million in allocation for Cagamas Berhad to provide mortgage guarantee (jaminan pajak gadai) to ensure that first-time house buyers with a household income of up to RM5,000 will receive a higher margin, including the deposit. This is expected to lower the cost by 7% to 11% for buyers, apart from the discounts given by developers.		
Extended financing term under Public Sector Home Financing Board (LPSSA)	Bank Negara Malaysia / LPSSA	January 2019
The repayment term increased from 30 years to 35 years for first-time financing; 25 years to 30 years for second-time financing.		
Development charges in Johor	State government of Johor	January 2018
• International Zone: 30% of increased land value • City Council: 25% of increased land value • Municipal Council: 15% of increase land value • District Council: 10% of increase land value • Increase of land value due to changes related to land use, density or floor area/plot ratio.		

PROPERTY MARKET OVERVIEW

PROPERTY MARKET INDICATORS

	Overall		Landed Residential		High Rise Residential		Purpose-built Office		Shopoffice		Retail		Industrial		Hotel	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
MAIN MARKETS																
Klang Valley	▶	▶	▶	▶	▼	▼	▶	▼	▶	▶	▶	▶	▶	▲	▶	▲
Penang	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Johor Bahru	▶	▼	▶	▶	▼	▼	▶	▼	▶	▶	▼	▼	▶	▶	▶	▶
Kota Kinabalu	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶
Kuching	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	-	-
REGIONAL MARKETS																
NORTHERN REGION																
Alor Setar	▶	▶	▶	▶	▼	▶	▼	▼	▶	▶	▼	▼	▼	▶	▶	▶
Ipoh	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SOUTHERN REGION																
Seremban	▶	▶	▶	▼	▶	▶	-	-	▶	▶	▶	▶	▶	▶	▶	▶
Melaka	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼
EAST COAST																
Kota Bharu	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuantan	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SABAH																
Lahad Datu	▼	▼	▼	▼	-	-	-	-	▼	▶	▼	▶	▼	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▶	▶
Labuan	▶	▶	▶	▶	-	-	▶	▶	▶	▶	▶	▶	-	-	▼	▼
SARAWAK																
Miri	▼	▶	▶	▲	▼	▶	▼	▶	▼	▶	▼	▶	▶	▶	▼	▶
Bintulu	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▼	▼	▶	▶	▶	▶
Sibu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶

KLANG VALLEY

Klang Valley's property market displayed signs of recovery with diminished contractions in transaction volume post-2016. Residential sector will still be the main market with more strategic developments and launching anticipated moving forward. Older commercial properties would have to be proactive to hold up to the intensifying competition from newer developments. For the hotel sector, new entrance are still active despite fluctuating tourist arrivals. Last but not least, industrial sector has been picking up attention, evidenced by the line-up of industrial property or land in the significant deals concluded in 2018.

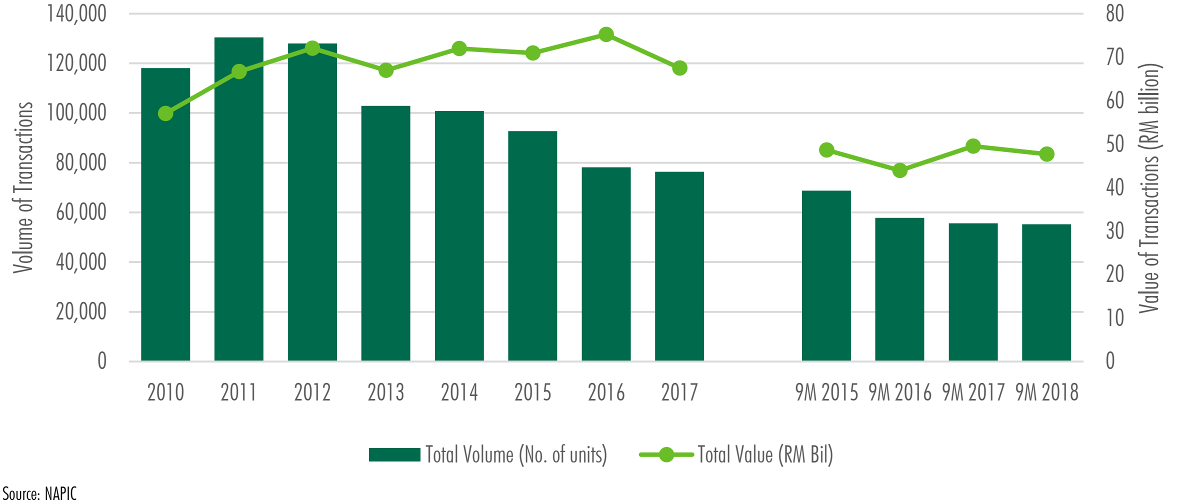
Klang Valley's property market remained subdued as of 1H 2018 when its total transaction volume declined by 1.6% to 38,053 transactions. When measured in value, these transactions worth RM33.8 billion. Overall, the market could still be considered as on a recovery mode post-2016 since the y-o-y contraction in transaction volume has diminished in comparison to -7.4% for 1H 2017. Another reasoning is that transaction value remained on the rise despite the fall in transaction volume (1H 2017: RM33.2 billion). Overall, Klang Valley constituted approximately one-quarter of all transactions in Malaysia.

ACTIVITY UNDERPINNED BY RESIDENTIAL

Making up about 77% of total transactions, residential sector is still by far the largest segment of Klang Valley's property market. Landed residential developments remain active in Klang Valley, as seen with persistent new launches. These developments are generally located in areas further away from the city centre, predominantly along the northern and southern corridors of Klang Valley to tap onto lower land cost in these areas unlocked by the ongoing road network enhancement involving highways.

Meanwhile, railway projects continue to steer the developments of high-rise residential in and around KL city centre. However, it has to be said that launching of high-rise residential could slow down in near future due to the concern of rising overhang. As of 1H 2018, condominiums/apartments made up about 96.2% and 37.6% of total residential overhang in the state of Kuala Lumpur and Selangor respectively. To be more precise, new launches of high-end high-rise residential is most likely to moderate considering the flattish market and financial reach of buyers.

Total Volume and Value of Property Transactions (2010 – Jan to Sept 2018)



Source: NAPIC

KLANG VALLEY (CONTINUED...)

Property Sector		Jan - Sept 2018 vs Jan - Sept 2017		Jan - Sept 2018 vs Jan - Sept 2016		Jan - Sept 2018 vs Jan - Sept 2015
Number of Transactions						
Residential	▼	-0.43%	▼	-4.72%	▼	-19.35%
Commercial	▲	7.81%	▲	2.53%	▼	-22.94%
Industrial	▲	5.80%	▲	11.55%	▲	5.72%
Value of Transactions						
Residential	▼	-3.33%	▲	0.03%	▼	-0.06%
Commercial	▲	34.75%	▲	38.51%	▲	69.86%
Industrial	▲	54.48%	▲	60.28%	▲	55.68%

Source: NAPIC

PRESSURE ON OLDER COMMERCIAL PROPERTIES

Klang Valley's office market is still awaiting influx of supply from a number of skyscraper office towers primarily in the Tun Razak Exchange. The pipeline supply in Klang Valley's office market is estimated to be well over 15 million square feet up until year 2020. These new additions would set the new benchmark of prime office rental which has been averaging between RM6.60 and RM7.00 per square foot in recent years. Pressure could soon be induced on the overall occupancy rate as well.

Retail sector in Klang Valley could be equally challenging as well. While the established mega malls with stable occupancy, strong footfalls and comprehensive tenants mix continue to impose their dominance in the market, competition will be more easily felt among malls of smaller scale. This could explain why food and beverages has increasingly become the differentiation factor for malls in recent times. The rise of e-commerce has yet to create significant impacts across Klang Valley's retail market but some departmental stores are observed to close down or optimise their space take-up in malls.

Overall, Klang Valley's commercial sector is strained by lack of new opportunities coupled with large incoming supply. Nonetheless, the fact that KL will still remain as Malaysia's prime business hub and shopping destination could well serve as the hedging factor for Klang Valley's office and retail markets. All said, it has to be acknowledged that the pressure will be felt more by older offices and malls, coming from newcomers in the market. Therefore, Klang Valley could witness constant adaptations in the form of property refurbishment and redevelopment undertaken by these owners in order to maximise their capital value.

HOTEL NEWCOMERS REFLECTS CONFIDENCE

Tourist arrivals to Malaysia have not been outright strong but consistent In the past few years. Despite that, entrance of new hotel brands still prevails which spurs positive sentiment in Klang Valley's hotel market, including renowned international hotel brands. Apart from that, it is observed that hotel is increasingly playing the role of asset enhancement as more hotels are being incorporated into integrated/mixed developments. Hotel operators have also moved into serviced residence which are predominantly found in the luxury high-rise developments in the heart of KL city centre.

INDUSTRIAL UNDER THE SPOTLIGHT

Industrial sector retains its prospects, as proven by the fact that majority of significant deals concluded in 2018 involved industrial property or land. The traditional industrial activities such as manufacturing, food and beverages, logistics and warehousing continue to ne Klang Valley's stronghold, consistently receiving domestic and foreign investments at the same time. Logistics and warehousing activity in particular, is expected to spearhead the local industrial market development in view of the encouraging profess of e-commerce and Malaysia's conventional role as regional distribution hub. Looking ahead, among the key highlights for the upcoming years are the developments of Digital Free Trade Zone and the Pulau Indah Free Trade Zone as proposed in the recent National Budget 2019.

PENANG

The overall market activity stagnated in 2018 as Penang's property market continued a downtrend. It is anticipated to be flat but resilient in 2019 and could bottom out within the next 2 years. Buyers' market in the short-term, particularly for residential properties, with opportunities for good buy. Under the prevailing subdued market, launches of smaller single phase developments would reduce in the short-term but larger integrated mixed developments or townships would carry on.

SOFT IN 2019 BUT EXPECTED TO BOTTOM OUT WITHIN 2 YEARS

Transaction activities in Penang had been quite stagnant in 2018, reflecting a bottoming property market.

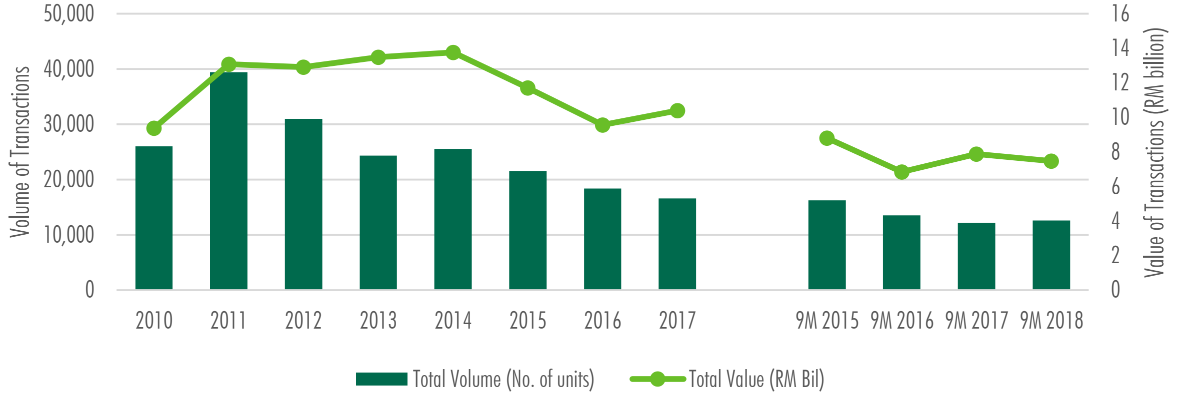
According to NAPIC data, a total of 12,600 properties were transacted in Penang up to 3Q 2018, representing a marginal increase of 3.5% compared to Jan – Sept 2017, and contractions of 6.9% and 22.5% as compared to the corresponding periods in 2016 and 2015 respectively. Compared with Jan – Sept 2014 (before the downturn), total property transactions in Jan – Sept 2017 was 34.8% less.

The total value of properties transacted in Penang was approximately RM7.48 billion in Jan – Sept 2018, a slight reduction of 4.9% as compared to Jan – Sept 2017. Compared with Jan – Sept 2016, the total value of property transactions in Jan – Sept 2018 rose by approximately 9.2% but declined by 15.1% and 27.9% compared to Jan – Sept 2015 and Jan – Sept 2014 respectively.

The property market is anticipated to remain generally soft and flat in 2019. This is in consideration of the challenging global and domestic economy, rising cost of living, as well as supply-demand imbalances, particularly in the high-rise residential sector.

Penang's property market still demonstrates resilience, aided further by recovery in the economy. Meanwhile, the current excess in supply will effectively be absorbed by the market. Benefits of reforms undertaken by the new government could also trickle down to the local property market.

Total Volume and Value of Property Transactions (2010 – Jan to Sept 2018)



Source: NAPIC, CBRE | WTW Research

PENANG (CONTINUED…)

Property Sector		Jan - Sept 2018 vs Jan - Sept 2017		Jan - Sept 2018 vs Jan - Sept 2016		Jan - Sept 2018 vs Jan - Sept 2015
Number of Transactions						
Residential	▲	+4.4%	▼	-6.8%	▼	-20.26%
Commercial	▼	-8.3%	▼	-17.4%	▼	-44.2%
Industrial	▼	-3.5%	▲	+1.3%	▼	-40.93%
Value of Transactions						
Residential	▲	+1.4%	▲	+0.2%	▼	-12.35%
Commercial	▲	+8.9%	▲	+8.0%	▼	-50.32%
Industrial	▲	+57.2%	▲	+6.1%	▲	+25.88%

Source: NAPIC

OPPORTUNITIES FOR GOOD BUYS

Overhang data as of 2Q 2018 by NAPIC reveals that residential properties formed the bulk of the property overhang in Penang state. The substantial unsold residential stock has led to a buyers' market situation which is likely to prevail until a significant portion of the unsold units are cleared. As such, there may be opportunities for good buys.

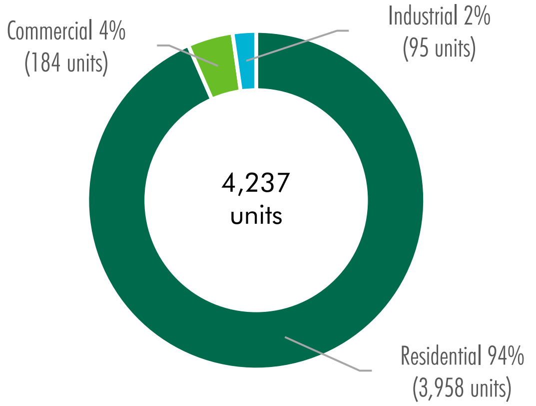
LARGER INTEGRATED MIXED DEVELOPMENTS OR TOWNSHIPS WOULD PERSIST

Facing the challenging property market, launches of relatively small single phase projects have tapered off. Instead, larger integrated mixed developments or townships have continued with phased launches.

These larger projects will take 10 years or more to mature, usually requiring time to establish their brand and provide infrastructure for better value capitalisation. As such, the timing of launching would not be as sensitive as for smaller developments.

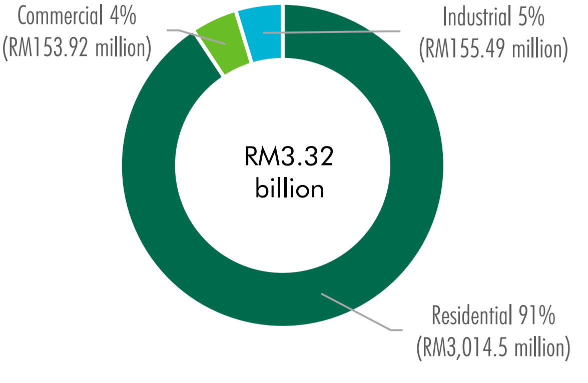
Launches of larger projects shall carry on in the short- to medium-term. Among the examples are Penang International Commercial City (PICC) by Hunza Group, Setia Fontainers by S P Setia, Eco Horizon by EcoWorld, The Light Waterfont Penang by IJM and Seri Tanjung Pinang Phase 2 by E&O Berhad.

Volume of Unsold Units by Sector (2Q 2018)



Source: NAPIC, CBRE | WTW Research

Value of Unsold Units by Sector (2Q 2018)



Source: NAPIC, CBRE | WTW Research

PENANG (CONTINUED…)

Description
PROJECTS
Hunza Group held the ground-breaking ceremony of the Penang International Commercial City (PICC), a 43 acre project in the locality of Bayan Baru, Penang Island. Dubbed as the KLCC of the North, the project is planned with residential units, office blocks, a 5-star hotel, a hospital and a shopping mall. The first phase, which is a residential development called "Muze", is set to be launched in early of 2019.
S P Setia unveiled one of the largest townships in Penang, spanning across approximately 1,675 acres of land in Bertam, Seberang Perai Utara. Known as Setia Fontaines, fountains are featured throughout the development with each residential precinct having its own fountain. The township has an estimated gross development value of RM13.05 billion, to be developed over 20 years. It is probably the best replica of Setia Alam in Shah Alam, Klang Valley, one of S P Setia Berhad's successful eco-themed townships. The township is proposed with 16 residential precincts, 270 acres of commercial and retail components, 63 acres of lake and 37 acres of park. The commercial component is planned with the Setia International Waterfront Centre which will have the Setia Experience Centre, Oriental Club, main clubhouse, convention centre, retail and lifestyle streets, auditorium and hotel. Setia Fontaines City will comprise serviced apartments, office towers, a medical centre, international school, shopping malls and strata shops. The first phase to be launched will be the gated and guarded Precinct 6 comprising 1- and 2-storey terraced, cluster, semi-detached and detached houses as well as Precinct I and III shopoffices in the City Centre Business Hub.
Another major development launched was the 300-acre mixed development of Eco Horizon by Eco World in Batu Kawan, Seberang Perai Selatan. Planned for development over 10 years with a Gross Development Value of RM7 billion, this gated and guarded development comprises 4 residential precincts, and a commercial precinct.
North Butterworth will have a new waterfront with the long delayed reclamation of the 7 kilometres of the coastline set to take off since the Land Reclamation and Resettlement Agreement was first made approximately 20 years ago. The reclamation project was revived through a supplementary agreement made with Rayston Consortium (Butterworth) Sdn Bhd . The RM2 billion reclamation along Jalan Pantai Bersih, between the North Butterworth Container Terminal (NBCT) and Jalan Tunku Putra, Teluk Air Tawar, is scheduled to be completed within 6 years. With a total land area of approximately 650 hectares to be reclaimed, 243 hectares would be for Penang Port, 2.5 hectares for the development of low-cost and low-medium cost homes by the Penang State Government, 90.31 hectares to be surrendered to the State Government and the remaining for mixed development.
Planning permission has been granted for the redevelopment of Jerejak Rainforest Resort and Spa on Jerejak Island, off the eastern coast of Penang island, into a mixed development comprising a hotel (350 rooms), 3 blocks of serviced apartments (450 units), 5-storey shopoffices (60 units), 2 blocks of condominiums (556 units), 4-storey villas (44 units), and another block of serviced apartments (180 units). A theme park has also been planned.

Source: CBRE | WTW Research

ISKANDAR MALAYSIA

Johor led the approved capital investment by state for the 5th consecutive year. Iskandar Malaysia (IM) recorded RM264 billion cumulative investment as at June 2018, of which, with more than half has been realised.

IMPOSITION OF DEVELOPMENT CHARGES

Johor imposed development charges of 10% to 30% since 1st January 2018, after Selangor, Perak, Kedah and Kelantan. It is applied to changes related to land use, density or floor area/plot ratio which could lead to the increase of the land value over time. The maximum rate of 30% is imposed on development projects within the International Zones, 25% for areas covered by City Councils, 15% for areas under Municipal Councils' jurisdiction and 10% for District Councils. A Planning Approval (KM) will only be issued to developer after the development charges have been paid, if any.

RTS TO PROCEED, HSR SUSPENDED

The new government has deferred the High Speed Rail (HSR) project to a later date but the Rapid Transit System (RTS) is to proceed as scheduled.

The deferred HSR was to connect Kuala Lumpur and Singapore in 90 minutes with six designated stops, Iskandar Puteri being the last stop before Singapore. The project was planned to commence in 2018 and targeted for completion in 2026. However, HSR has since been postponed because of the high cost and as Malaysia stabilizes its current financial position.

The Johor Bahru-Singapore Rapid Transit System (RTS) project will continue as agreed by both countries. RTS will connect Bukit Chagar in Johor Bahru and Woodlands North station in Singapore. Once completed in 2024, RTS will enhance the connectivity between the two countries and reduce congestion on the Causeway significantly.

DESARU COAST – ALL IN ONE TRAVEL DESTINATION

Desaru Coast Adventure Waterpark which is the biggest waterpark in Malaysia, had its soft opening in July 2018. Desaru Coast spans over 3,900 acres along a pristine 17-kilometre beachfront of the South China Sea. It will be developed into a premium all-in-one travel destination.

Newly completed and upcoming luxury hotels in Desaru Coast are ready to cater to the demand from local and foreign tourists - Hard Rock Hotel Desaru Coast, Westin Desaru Coast Resort and Anantara Desaru Coast Resort. A wide range of upscale retail, dining and entertainment outlets, as well as a world-class golf courses are available within its central hub. In addition, there is a multi-purpose venue with exhibition space and a banquet area with a capacity of up to 1,000 people. The conference centre can host corporate functions, meetings, exhibitions and entertainment events.

INVESTMENTS DRIVING DEVELOPMENT

Johor recorded the highest domestic direct investment (DDI) approved in the manufacturing sector, amounting to RM16.83 billion, while foreign direct investment (FDI) approved was RM5.10 billion. In retrospective, Johor also received the highest investment in the manufacturing sector in 2017 (DDI and FDI), totaling RM21.93 billion or 34.43% of total investments in Malaysia.

The petroleum products industry was the main beneficiary which garnered 67% of the total investment value. This was followed by non-metallic mineral products and chemical products, of 15% and 10% of capital investments, respectively.

ISKANDAR MALAYSIA (CONTINUED…)

PROPERTY SECTOR CONTRIBUTES HIGHEST TO CUMULATIVE INVESTMENT

Iskandar Malaysia (IM) recorded RM263.95 billion in cumulative committed investment from 2006 to June 2018. 58% and RM154.14 billion has been realised. Local investors contributed 61% of the total while the balance 39% came from foreign investors. Mixed developments, residential and industrial properties with total investment value of RM150.96 billion had the biggest share of 57%.

From 2006 to June 2018, China investors have contributed RM36.35 billion to the total committed investment in IM, equivalent to 35% of investment from foreign countries. Singapore ranked 2nd with RM21.98 billion or 21%.

TRANSACTION ACTIVITY GREW WHILE VALUE REMAINED STABLE

In 1Q-3Q 2018, the total number of transactions in IM increased by 20% to 16,358 units as compared to 1Q-3Q 2017, whereas the value of transactions recorded similar figure y-o-y of RM8,686 million.

All sectors showed increase in the number of transactions except agriculture. The commercial sector led performance, 42% higher than the same period in 2017, followed by residential sector at 21%. The number of transactions involving industrial properties and development land have also rose by 10% and 3% respectively.

In terms of transaction volume for 1Q-3Q 2018, residential, commercial and industrial sectors displayed a stable performance as compared to 1Q-3Q 2017. Residential and commercial sectors increased merely at 3% each while no significant change in industrial -sector. The total transaction value of development land and agriculture dropped by 16% and 9% y-o-y respectively.

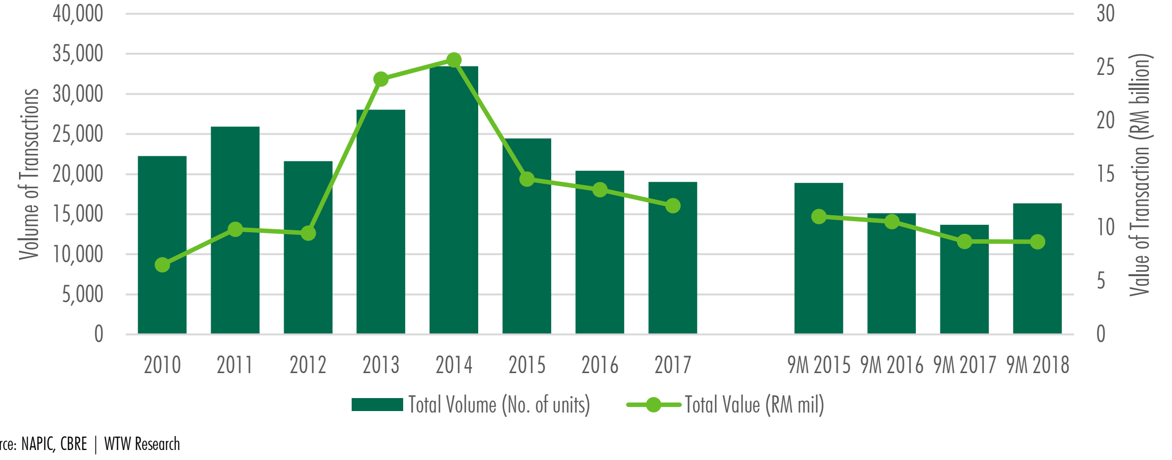
IM property market was dominated by residential transactions with 81% market share in terms of volume, worth RM4,536 million. This is followed by commercial transactions amounting to RM1,859 million.

The total number of transactions increased to the same level as in 2016. Residential transactions was the main contributor (13,182 sales) to total volume.

The commercial sector was the second largest contributor to the increment of transaction volume. 2- to 2.5-storey shops were among the most transacted commercial properties, representing about 30% of sales, followed by 3- to 3.5-storey shops of about 15%. Most of the transacted properties were located within the District of Johor Bahru.

Industrial and development land sales increased 10% and 3% respectively while agriculture did not performed as well as its corresponding period in 2017, down 15%. The market is likely to see a continued self-correction in tandem with the supply and demand condition of the respective property sectors.

Total Volume and Value of Property Transactions (2010 – Jan to Sept 2018)



Source: NAPIC, CBRE | WTW Research

PROPERTY MARKET OVERVIEW

KOTA KINABALU

Projected gross domestic product (GDP) growth of 5% - 6% for 2019 to be driven mainly by the services (tourism) and mining & quarrying sectors. Overall, a moderated property market is likely with the exception being tourism-related sectors.

ANTICIPATES A MODERATE ECONOMIC GROWTH IN 2018 AND 2019

Sabah's economy recorded a GDP growth of 8.2% in 2017, higher than the national growth rate of 5.9%. This was mainly attributed to the services sector (including tourism-related services) which contributed about 39.9% to Sabah's GDP, followed by mining and quarrying with 31.3% and agriculture at 18.7%. Contributions from mining and quarrying is expected to increase in 2019, in line with government's effort to intensify activities in existing oil fields and exploration of new oil fields. For the first seven months of 2018, export value of crude petroleum increased by some 44% y-o-y, boosted by higher volume and better price.

During the tabling of its maiden 2019 State Budget in November 2018, the new Sabah state government had projected Sabah's economy to remain stable in 2018 and expand by 5% - 6% in year 2019, driven by the growth in the services (including tourism) and the mining and quarrying sectors.

MODERATE PROPERTY SECTOR PERFORMANCE

Based on the 1H 2018 statistics by NAPIC, the property market in Sabah registered a total of 4,110 transactions amounting to RM2.71 billion involving mainly the residential, commercial, industrial, agricultural and development land sectors. Generally, transaction activity in Sabah declined in terms of volume although transaction value continued to increase.

For Kota Kinabalu-Penampang, transaction activity in 1H 2018 improved from its corresponding period of 1H 2017. The residential sector formed the largest portion of volume transacted at 76% and 51% of total value transacted. Development land transactions though making up only 1.4% of volume transacted, accounted for about 25% of transacted value. The market adopted a wait and see stance amidst a softer market and changes in the political landscape, amongst others.

Transaction activities – Sabah

	Volume of transactions			Value of transactions (RM million)		
Period	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	1H 2018
Transactions	4,501	4,127	4,110	1,977.38	2,525.56	2,712.05
1H 2017 vs 1H 2018		- 8.7%			+ 37.2%	
2H 2017 vs 1H 2018		- 0.4%			+ 7.4%	

Source: NAPIC

Transaction activities – Kota Kinabalu-Penampang

	Volume of transactions			Value of transactions (RM million)		
Period	1H 2017	2H 2017	1H 2018	1H 2017	2H 2017	2H 2018
Transactions	1,632	1,827	1,770	955	1,466.6	1,236
1H 2017 vs 1H 2018		+ 8.5%			+ 29.4%	
2H 2017 vs 2H 2018		- 3.1%			- 15.7%	

Source: NAPIC

KOTA KINABALU (CONTINUED...)

The housing sector in the state capital continues to focus on stratified and high-rise developments given its requirements of smaller land areas and flexibility of having various unit configurations, amongst others. Developers are generally geared towards smaller units, which translates into lower price for better affordability and enhanced marketability. As such, high-rise sub-sector is expected to remain competitive in view of more supply and participation from developers.

The overall glut for both the retail mall and shop-office sectors still persists, especially for newly-completed developments and/or those in secondary locations. Improvement in occupancy is expected to be gradual at the expense of depressed rents.

TOURISM THE BRIGHT SPOT

The bright spot in the property market would be tourism-related sectors. After a decline in arrivals during the 2014-2015 period on the back of incidents involving the national airline and security on Sabah's East Coast, the state's tourism sector rebounded in 2016 and 2017 with visitor arrivals up by 7.9% and 7.5% respectively whilst international arrivals (excluding Philippines and Indonesia) breached the one million mark in 2017.

Between January and August 2018, Sabah welcomed 2.562 million visitors, up 5.4% y-o-y. Major hotels in Kota Kinabalu have registered average occupancy of about 74.6% in 1H 2018. Increased competition is expected especially among the business-class hotels in light of the impending completion of several major/branded hotels in the state capital over the next few years and the mushrooming of alternative accommodations such as Airbnb.

To attract more tourists, the Sabah government will step up promotions and marketing, develop new products and improve the quality of existing products and services, explore tourism destinations especially at the district level and attract more investment into the sector. RM229.89 million has been allocated for tourism development under the Department of Forestry, Sabah Biodiversity Centre and other departments or agencies.

The government had also said that it would continue to empower the existing eco-tourism in the East Coast districts with efforts to promote rural tourism. Allocation would also be provided for environmental care, wildlife protection and heritage parks and marine management.

Borneo Rainforest Lodge situated in the midst of 130 million years old rainforest within Danum Valley Conservation Area on the East Coast of Sabah
Source: WTWS Research

KUCHING

Sarawak's CAGR for the past seven years achieved 3.9% and is targeted to reach 4.7% by 2020. Infrastructure development is high on the list for Sarawak. Mega projects mooted under the 11th Malaysia Plan for Sarawak such as the Pan-Borneo Highway, carry on and is on course to be completed by 2021.

NEUTRAL STANCE - WAIT AND SEE

2018 has been an unprecedented and interesting year with changes in the political landscape and economic agenda of the nation and state, which would affect the future direction of the country.

The 14th General Election result marked a change in the political direction of the state with the formation of Gabungan Parti Sarawak (GPS), a new state political coalition comprising four Sarawak-based parties who broke away from Barisan Nasional (BN) on June 12. The new state government hopes to place more focus on and protect the rights of the state and its people, as enshrined in the Malaysia Agreement 1963 (MA63).

In the November 2018 sitting of the State Legislative Assembly (DUN) under the new coalition, the State Budget 2019 was tabled with an allocation of RM11.914 billion, the biggest in the history of Sarawak. It will be a development-based and rural-focused budget where the main highlights are a 5% sales tax on petroleum products, incentive for newborn children, accelerating rural and agricultural developments, improving intra-state connectivity, development of industrial estates, providing affordable housing and a new financial model. RM9.073 billion (2018: RM5.745 billion) - combined with federal allocation of RM0.260 billion - was proposed for development expenditure and RM2.841 billion (2018: 2.4816 billion) was intended for operating expenditure.

The National Budget 2019 allocated RM4.346 billion for Sarawak, which is 7.94% of the total development budget (2018: RM4.336 billion).

Generally, the market remained slow and cautious in 2018 with the property market maintaining a neutral stance and adopting a wait-and-see attitude. Developers and buyers are cautious in decision-making, pending further political and economic developments.

However, the market is hopeful and positive, encouraged by greater transparency and clarity. Once the dust has settled, the new government's policies should spur development activities. Market confidence can be seen returning with improved consumer sentiments recording a 20-year high exceeding 130 points in 2Q 2018, and moderating to around 107 points in 3Q 2018.

Commodity prices rebounded with oil prices climbing past USD80 per barrel in September 2018, from less than USD60 as at end of 2017. The Ringgit has also been one of the better performing currencies amidst intensifying trade war between the US and China.

Malaysia's real gross domestic product (GDP) for 2018 has been revised to 4.7% from 5.5% forecasted earlier (Source : MIER Report, October 2018). According to the 11th Malaysia Plan (11MP), Sarawak is targeted to reach a 4.7% GDP growth by 2020. Based on MIDF Research and the Department of Statistics Malaysia's (DoSM), the CAGR of the state's GDP in the past seven years has reached 3.9% (Source : Borneo Post Online, July 2018).

The residential sector continued to lead the market in terms of volume and value of transactions, albeit at a slower rate than the previous year. Home-ownership remains a priority as seen in the initiative by the state government to provide affordable housing with the likes of SPECTRA housing, etc.

Also of concern is the growing surplus of commercial properties in recent years in the form of shop-offices/shop-houses and retail units. Amidst a soft market, properties take longer period to sell; occupancy and rental rates of these properties are affected; and units are being disposed at much lower prices.

Some development changes in Kuching include the shelving of the proposed LRT line from Kuching to Serian as announced by the state government and the opening of Borneo Samariang Water Park, the first water theme park in Kuching.

KUCHING (CONTINUED...)

Infrastructure development is high on the list for Sarawak with many projects underway by second half of 2018. The Pan-Borneo Highway is expected to be completed as scheduled by 2021. The Sarawak Coastal Road project was also tendered out during the year and expected to start by mid-2019.

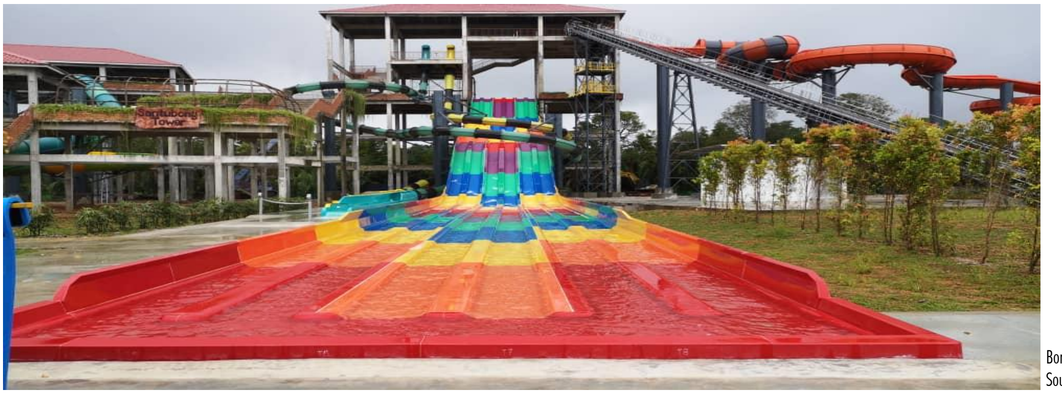
The longer term outlook of the property market in Sarawak remains promising.

PERIOD OF CHANGE, ADJUSTMENT AND CONSOLIDATION

It would be fair to say 2018 is a year on hold; reviewing the old and observing the new, pending the playout of new policies and the recent National and State Budgets.

Infrastructure Projects in Sarawak

Name of Project	Connectivity	Est Project Cost (RM)	Status Remarks (as at Oct 2018)
ROAD			
Manjawah-Belaga Road (Upgrade)	Menjawah to Belaga	86 million	Started in 1Q 2018
Mile 10-15, Kuching-Serian Road (Upgrade)	Mile 10 to 15, Kuching-Serian	84.5 million	Completed in July 2018
Jalan Ulu Sikat-Sebakong	Ulu Sikat to Sebakong	75.4 million	55% completed as at Mid 2018
BRIDGE			
Batang Samarahan Bridge	Kampung Baru in Samarahan to Kampung Tambey in Simunjan	93.8 million	Completed in mid 2018
Batang Tatau Bridge	Tatau River Crossing	NA	37% completed
Long Lama Bridge	Baram River Crossing	67 million	87% completed
Marudi Bridge	Baram River Crossing	90 million	Due to start 1Q 2019
ROAD/BRIDGE			
Matang Batu Kawa new link road and bridge	Emart Matang to Stapok	220 million	Completed and officiated in April 2018
Kampung Kupang-Bajau road/bridge	Kampung Kupang to Bajau road junction	180 million	To start in 2018
UNDERPASS			
Datuk Abang Haji Kipali underpass	Datuk Abg Haji Kipali roundabout, Petra Jaya	67 million	Completed in mid 2018



Borneo Samariang Water Park
Source: WTWY Research

RESIDENTIAL SECTOR

RESIDENTIAL SECTOR

KLANG VALLEY

Location, price and accessibility play crucial roles in the success of residential developments. Direct access to the public transport will pull buyers and also add value to the property. Changes in the demographics and lifestyle of residents in the Klang Valley have driven demand for condominium living. Foreign buyers have further boosted growth. Nevertheless, meeting the price range that is affordable by the majority of households remains the challenge.

SLUGGISH MARKET FOR RESIDENTIAL

Slower momentum was recorded for transaction activity during second quarter of 2018. 10,100 residential properties worth of RM6.7 billion were transacted, a decline of 6% in volume and 5% in value as compared to the previous year.

2-storey terraced houses and condominiums continued to dominate transaction activity with 3,800 and 2,900 transactions, worth RM2.4 billion and RM1.4 billion respectively.

Supply activity remained on the uptrend, increasing by 6% to 1.56 million in 2Q 2018 as compared to 2Q 2017. But since 2017, more new non-landed residential projects are entering the market. Up until 2Q 2018, non-landed residential now constitutes 44% share and is anticipated to increase to 47% in the next four years.

Overhang of residential unit rose by 53% to 10,300 units in 2Q 2018 (1Q 2018: 6,700 units). Properties priced more than RM500,000, particularly non-landed recorded the most overhang in the Klang Valley. The likely reason is due to its location as those with better purchasing power can acquire properties in areas closer to KL city centre. This indirectly benchmarks the prices of similar product for these locations.

INFRASTRUCTURE AND PUBLIC TRANSPORTATION AS CATALYSTS

Infrastructure improvements are a catalysts for landed residential property, evidenced by the significant growth in supply was observed in the northern and southern areas of Klang Valley.

Areas with the most launches in recent period were Semenyih and Kota Kemuning where new major townships are located, namely Bandar Rimbayu, Eco Sanctuary, Tropicana Aman and Setia Eco Hills.

Active transactions of small vacant plots were observable within the districts of Gombak, Kuala Langat, Sepang, Hulu Selangor and Klang. Notable large land transactions took place in Shah Alam, KL city centre, Klang and Cyberjaya.

As of 2018, estimated prices of significant new launches for landed and non-landed residential are recorded as follows:

Type of Development	Min Price	Max Price
Serviced Residence/ Condominium	RM450,000	RM1.1 mil
2-storey Terraced	RM505,000	RM1.7 mil
2-storey Semi-Detached	RM1.6 mil	RM3 mil

Source: CBRE | WTW Research

FINE-TUNING THE INCENTIVES

Referring to National Budget 2019, the government exhibited commitments in promoting home-ownership and financial assistance for first-time homebuyers Introductions of financing alternatives, tax and stamp duty exemptions, and house price reduction are the proposed items in the budget.

Developers and the government are adopting proactive measures to stimulate residential purchases. REHDA on behalf of several developers have agreed to provide a further 10% discount on overhang units to encourage purchases by first-time buyers.

As reported by Bank Negara Malaysia, total loans approved for residential purchase reduced to RM25.4 billion in 2Q 2018 from RM26.2 billion in 2Q 2017.

All said, the context of affordability has to be viewed as a structural issue wherein the most prevalent challenge is to bring house prices down, rather than pumping-in more money into the market via easier credit terms.

KLANG VALLEY (CONTINUED...)

GOLDEN TRIANGLE AND MONT KIARA LED EXPANDING

As at 3Q 2018, there were an estimated 48,859 units (225 projects) of high-rise luxury residences in KL. Approximately 2,662 more units (or 5 projects) are expected to complete by end of 2018 - of which 49% will be located in Mont Kiara/Sri Hartamas (MK/SH).

New launches have moderated as compared to the previous year, partly attributed to the freeze on luxury projects which was implemented since late-2017. 8 projects (or 2,908 units) were launched and 55% of these launched units are located in Golden Triangle (GT).

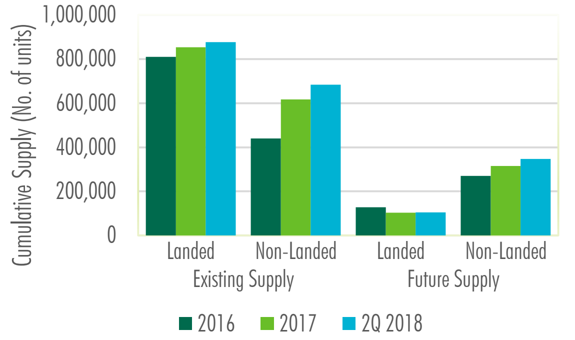
By 2020, 43 projects are expected to be completed of which 35% of the total units are located in GT, followed by MK/SH with 30%. In terms of price, 50% of the total incoming supply in KL range between RM1,001 to RM1,500 per square foot.

The average transacted price in all 6 main areas of KL dropped marginally with majority of the units sold having built-up areas between 801 and 1,500 square feet. Lower transaction volume y-o-y was also recorded.

The average occupancy rate in KL remained stable at about 66% despite new completions in the Secondary (CKL-S) area and Bangsar. This was still relatively lower as compared to the high in 2012 to 2014 period.

Average sales revolved around 73%, a marginal improvement from the previous year amidst fewer launches in 2018.

Cumulative Supply of Residential in KV



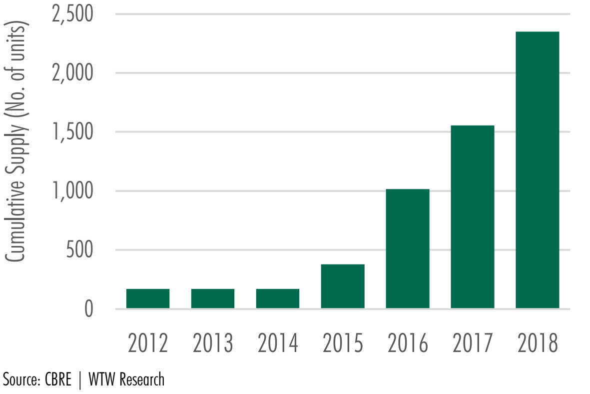
Note: Excludes flat, low cost flat, low cost house, townhouse and SOHO.
Source: CBRE | WTW Research

Selected Expected Completions of High-Rise Residential in 2019

Development	Location	No. of Units
The Manor	Golden Triangle	498
Pavilion Suites	Golden Triangle	383
Star Residences Tower 1 Star Residences Tower 2 Ascott Star	Golden Triangle	557, 482, 471
Aria Luxury Residence KL	Golden Triangle	598
Novum Bangsar	Bangsar South	729

Source: CBRE | WTW Research

Cumulative Supply of Luxury High-Rise Residential in KL



Source: CBRE | WTW Research

KLANG VALLEY (CONTINUED…)

SCARCITY-DRIVEN HIGH-END MARKET

To leverage on high land prices within GT, there have been more mixed development projects. Since the completion of St Regis Residences in 2015, the supply of luxury units has tripled to 1,556 units as at 2Q 2018. Approximately 3,469 luxury residences are expected to complete between 2019 and 2021. These branded and non-branded luxury residences selling from RM2,000 per square foot onwards.

Both branded and non-branded luxury residences are able to enjoy premium price in the present market. The former is underpinned by the exclusive lifestyle served through top-notch facilities and services from prestigious hotel brands. The latter is supported by unique selling points and marketing strategies, brand loyalty, more focus on overseas market, and better privacy.

The influx of luxury high-rise residences in GT is also spurred by the development of MRT.

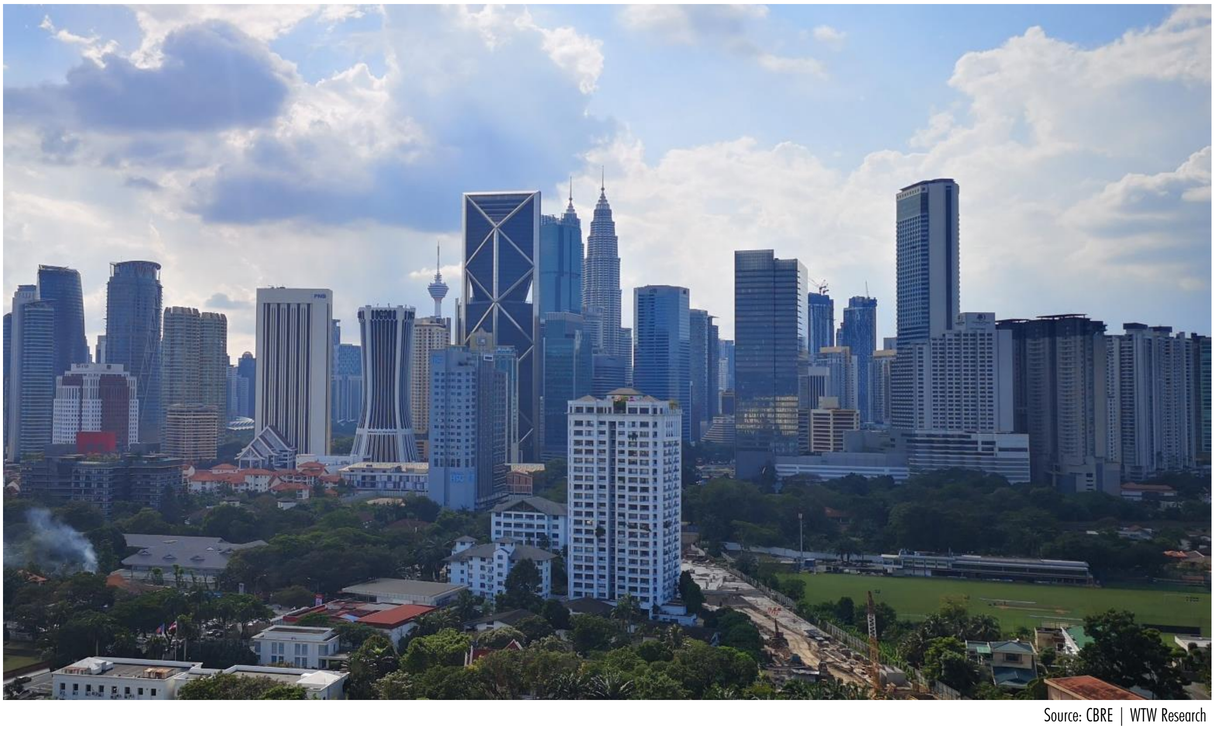
The market for luxury projects is heavily skewed to foreigners. However, measures to curb foreign ownership as tabled in National Budget 2019 - i.e. RPGT rate for foreigners revised from 5% to 10% after 5th year of property purchase and higher stamp duty on transfer of property from 3% to 4% - may dampen foreign buyers' appetites. Additionally, the government intends to review the quota of foreign ownership.

OUTLOOK AND CHALLENGES

Rising maintenance costs, a poor community-living culture, security issues with short-term tenancy, relatively lower value appreciation as compared to landed properties are putting a damper on the stratified residential market.

Many old condominiums sitting on expensive lands in established localities are ripe for redevelopment. However, no provisions exist for redevelopment without the full consent of the parcel owners, raising the need to review and amend the Strata Act.

Moving into 2019, the hotspots and areas of heightened activities may be Bukit Jalil, Sepang and Nilai.



Source: CBRE | WTW Research

PENANG

Overhang - apartments/condominiums in particular – prevails in the market. As such, developers are expected to be more proactive in order to secure sales which gives bargaining power to purchasers. Combined with the introduction of alternative financing and series of incentives for first-time homebuyers, the overhang situation shall ease off over time with price correction anticipated. On the other hand, prices of landed residential units is expected to remain firm and resilient.

OVERHANG MAY EASE IN SHORT TERM

Property overhang units reported as at 2Q 2018 by NAPIC revealed that these are mainly apartments / condominiums amounting to over 2,200 units worth nearly RM1.6 billion. This is due to the abundant apartment and condominium units launched, constructed and completed within the past 3 to 5 years coupled with the high rejection rate of end financing, unreleased bumiputra units and low demand for units in secondary locations.

The property overhang is likely to ease over 2 to 3 years with developers offering special packages and postponing launches, all of which would allow demand to catch up with supply.

The medium- to long-term outlook remains positive given that various policies and efforts are being undertaken by the government.

BARGAINING POWER WITH PURCHASERS

In terms of unsold residential units, 34% or 1,300 of the overhang units are in the RM500,001 to RM1,000,000 per unit price range. On the other hand, units priced at RM1,000,000 and more form the bulk (58%) of the total overhang valued at approximately RM1.745 billion.

Apartment / condominium projects particularly are experiencing increased sales pressure amidst an oversupply situation. Under the challenging market, developers have resorted to offering incentives such as rebates on selling prices, zero or low down payment, easy instalment payment up to 24 months, deferred payment of (say) 30% of the selling price over 5 years at 0% interest, free legal fees and one year's maintenance fee, complimentary interior design package, kitchen and electrical appliance vouchers, as well as referral and reward schemes.

PRICE CORRECTION FORTHCOMING?

Within the past two years, the secondary sale market was flat. The prices of residential units were generally sustained by the strong holding power of Penang property owners.

However, selective price correction may occur for "non-affordable" apartment/condominium units in locations which have abundant supply, which in turn, could reflect a significant mismatch with demand.

EYES ON ALTERNATIVE END-FINANCING

Obtaining end-financing remains a challenge due to strict lending guidelines, lower margin of financing offered and adverse credit history.

National Budget 2019 has suggested private sector crowdfunding as an alternative source of financing which may be more accessible for first time buyers. The Securities Commission is tasked with formulating the property crowdfunding or peer-to-peer financing framework, to enable wider public participation while safeguarding integrity and investors' interests. However, the efficacy of this new concept is unproven.

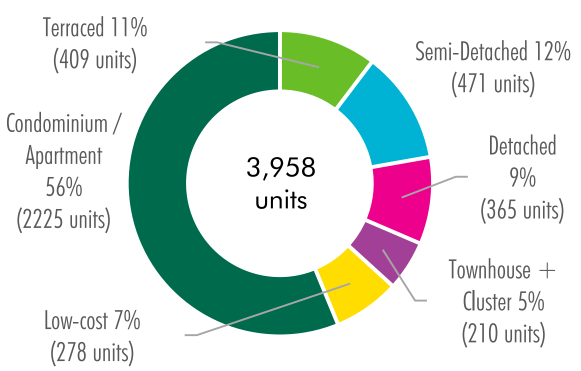
FIRST-TIME HOME BUYERS FROM LOW INCOME GROUP TO BENEFIT

First-time home buyers and the low income group are among the main beneficiaries of Budget 2019. First-time home buyers of units under RM500,000 will be exempted from stamp duty on sale and loan agreements for the first RM300,000 until December 2020.

Bank Negara Malaysia is setting up a RM1 billion fund to assist those earning below RM2,300 a month to purchase their first home priced below RM150,000 with a lower financing rate 0.5% per annum.

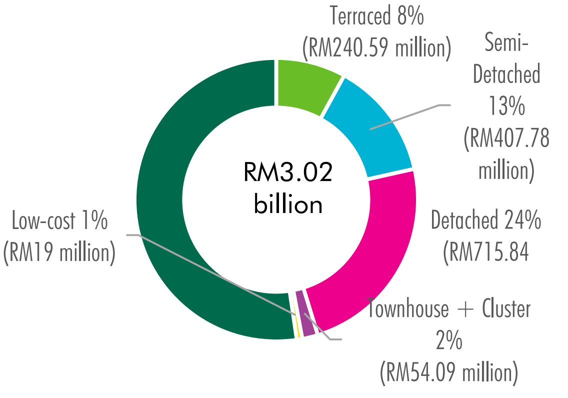
PENANG (CONTINUED…)

Volume of Unsold Units by Type (2Q 2018)



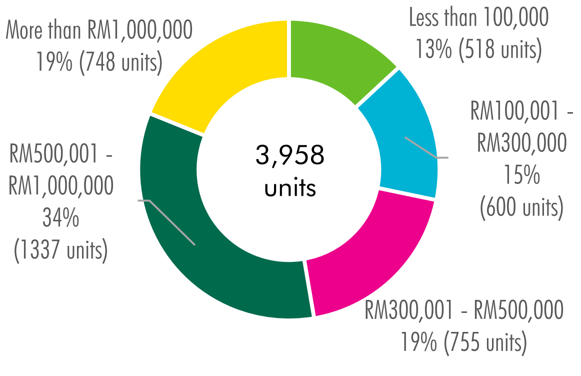
Source: NAPIC, CBRE | WTW Research

Value of Unsold Units by Type (2Q 2018)



Source: NAPIC, CBRE | WTW Research

Volume of Unsold Units by Price Range (2Q 2018)



Source: NAPIC, CBRE | WTW Research

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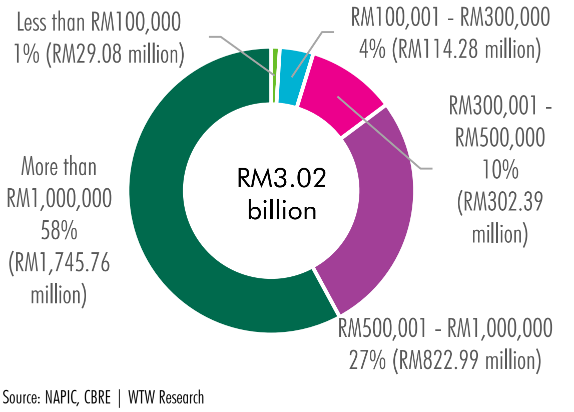


Source: NAPIC, CBRE | WTW Research

MORE AFFORDABLE UNITS AVAILABLE

More affordable units will be completed in Penang in the short-term. Developers are required by the state government to build affordable units in their new projects, in addition to the existing requirement for low-medium-cost units. There are also incentives for those who intend to develop solely affordable units for sale.

Certain developers have also shifted their focus to affordable units due to the property market downturn and unfavourable overhang.

LANDED RESIDENTIAL STANDING FIRM

Prices of landed residential units were generally firm in 2018 and is expected to remain resilient in near future, being the preferred accommodation for Penangites as well as the relatively limited supply compared to high-rise units, particularly in Penang Island.

MASTER PLANNED DEVELOPMENTS SET NEW BENCHMARK

Better quality residences are being launched in the market. Developers having sizeable parcels of land are offering lifestyle value-added products that are sought by residents. Such developments which have been unveiled to the market are Eco Horizon, Setia Fontaines and PICC.

RESIDENTIAL SECTOR

ISKANDAR MALAYSIA

Source: SERIMBUN, UEM Sunrise

The primary residential market in IM was dominated by affordable terraced houses. Limited new launches for high-rise units.

The total number and value of transactions in Johor was recorded at 20,342 units as at 3Q 2018, worth RM6,405 million, increased by 11% and 5% respectively (y-o-y). In Iskandar Malaysia (IM), 13,182 units were transacted in 1Q-3Q 2018 worth RM4,536 million, increased by 21% and 3% respectively compared to 1Q-3Q2017.

TERRACED HOUSE DOMINATES THE MARKET

The market is more focused on smaller-size landed houses, especially for new developments in the past one year.

The primary residential market was mainly led by landed houses with prices ranging from RM500,000 to RM700,000. There were also new launches of landed houses in Senai and Kulai localities priced below RM500,000.

There was only one new high-rise project launched in 2018, viz. the new phase of Princess Cove named as Seine Region. This will contribute an additional 3,700 units by 2021 to the recently completed 3,000 units in the same development.

EXISTING STOCK LED BY TERRACED HOUSE, INCOMING SUPPLY MAINLY CONTRIBUTED BY HIGH-RISE UNITS

The cumulative stock of residential units in IM is estimated at 427,864 units by end of 2018 - 74% are landed houses and 26% are high-rise units. There were additional 17,000 landed houses and 45,000 high-rise units completed in 2018.

ISKANDAR MALAYSIA (CONTINUED…)

NEWCOMERS IN IM RESIDENTIAL MARKET

Some of the newly completed landed residential projects are:

Locality	Projects Name	No. of Units
Tebrau	• Ekoflora • Glenmarie	1,200
Masai	• Meridin East	580
Skudai	• Bukit Indah • Impian Emas	335
Pontian	• Tmn Pontian Perdana	325

Source: CBRE | WTW Research

Some of the newly completed high-rise projects are :-

Locality	Projects Name	No. of Units
Johor Bahru city	• Setia Sky 88 • R&F Princess Cove • Wave @ Marina Cove	3,015
Tebrau	• Molek Regency • KSL Residence @ Daya	2,115
Perling	• Twin Danga Residence @ Laguan	710
Pontian	• Tmn Pontian Perdana	325

Source: CBRE | WTW Research

Iskandar Malaysia (IM) is expecting an additional 16,000 and 14,000 residential units by end of 2019 and 2020 respectively, with about 80% to be contributed by condominium and serviced residence. The incoming supply is mainly located at Johor Bahru city centre, Iskandar Puteri and Tebrau area.

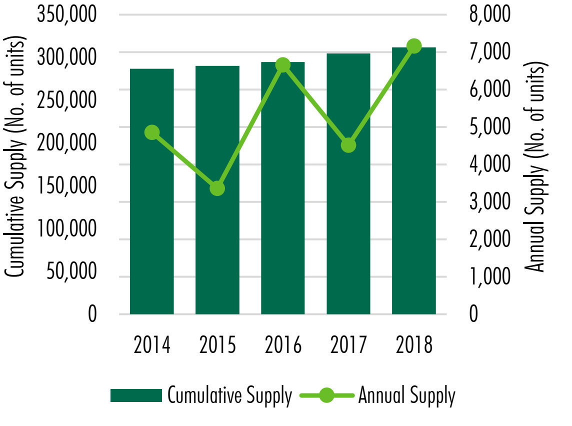
SUB-SALE MARKET: STABLE PRICE MOVEMENT BUT LESSER TRANSACTIONS

In the secondary market, less transactions took place as compared with the corresponding period of 2017. CBRE | WTW's analysis indicates that the transaction volume experienced 20% and 50% drop for landed houses and high-rise units respectively. However, an average sub-sale prices for landed and high-rise houses were generally steady at approximately RM335 per square foot for terraced, RM450 per square foot for semi-detached and RM380 per square foot for high-rise.

The upcoming residential market will remain focused on middle- to lower-income groups who are currently residing along the eastern and northern corridors of IM. Some of the developments in the eastern corridor include Meridin East by Mah Sing, Eco Tropics by Eco World, Tanjung Puteri Resort by Keck Seng, Scientex Pasir Gudang by Scientex, and several smaller scale developments in the northern part of IM.

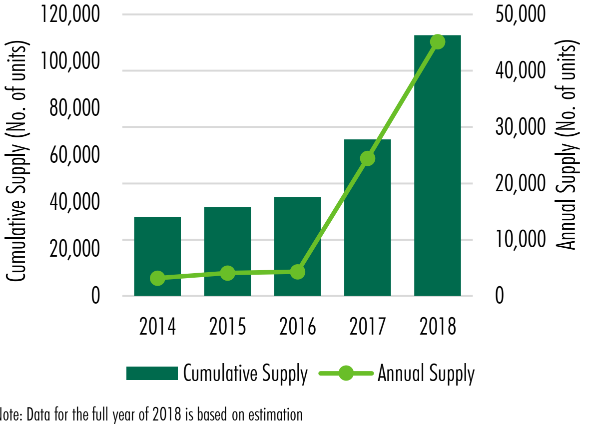
The high-rise residential market remains soft and challenging especially for the primary market. It was observed that there were limited new launches for the past two years and this situation is likely to prevail in near future. The market will continue to offer reasonably priced houses with good connectivity.

Supply of Landed Residential in IM



Note: Data for the full year of 2018 is based on estimation
Source: NAPIC, CBRE | WTW Research

Supply of High-Rise Residential in IM



Note: Data for the full year of 2018 is based on estimation
Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

Overall, a relatively flattish landed residential sector with lack of new launches as developers are geared towards high-density residential.

LACK OF SIGNIFICANT NEW LANDED RESIDENTIAL LAUNCHES

A rather lacklustre landed residential market in the absence of major new launches within Kota Kinabalu area because developers are mostly focused on higher density residential developments, as in previous years. The only significant housing project launched in November 2018 was Taman Jayamas 118 Phase 1 in Papar township - about 39-kilometre south-west of Kota Kinabalu city centre. The 45-unit double-storey terraced house forming part of a four-phased, 209-unit development is going for RM505,880 onwards. However, nearer to Kota Kinabalu urban area, WMG Holdings Berhad (previously Wah Mie Group) would be initiating its 115-unit double-storey terraced house project in 2019. The development is sited within its existing 380-acre Taman Bukit Sepangar off Jalan Sepanggar.

In terms of new completions, 2018 saw the addition of a small housing development - Vistana Heights comprising 25 units of 2- to 3-storey semi-detached houses and 8 of double-storey detached houses off Jalan Fung Ye Ting.

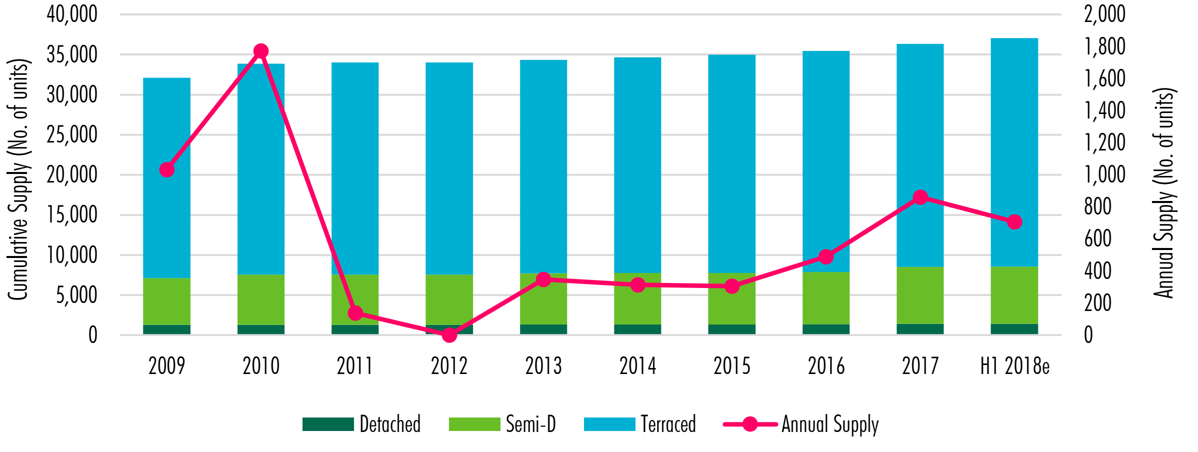
SLIGHTLY MORE ACTIVE SUB-SALES

Based on the 1H2018 Property Market Report by JPPH, sub-sale market activities for landed housing (terraced, semi-detached, detached , cluster and townhouse) between 1H 2017 and 1H 2018 registered a total transaction value of RM315.54 million, a 7.0% growth y-o-y, whereas transaction volume increased marginally by 1.7% for the same period. Consistent with previous years, double-storey terraced houses were the highest transacted, about 45% of total volume transacted and contributing about 39% of transaction value in 1H 2018.

Sabah Terraced House Price Index for Kota Kinabalu-Penampang increased from 167.75 to 172.55 between 1H 2017 and 1H 2018 (Source: Malaysia House Price Index 2Q 2018 by JPPH).

With limited choices of new landed housing within prime or established locations, residential developments within centres of activities and good accessibility should preserve their values.

Supply of Landed Residential in Kota Kinabalu-Penampang



Source: WTWS Research

KOTA KINABALU (CONTINUED...)

COMPETITIVE HIGH-RISE SECTOR

There were four new condominium launches totaling to 1,404 units as at November 2018. One of those is the much talked about Coral Bay - an exclusive 460-unit seafront condominium within Sutera Harbour Resort near the city centre. Starting price for the residences is over RM2 million and averages at about RM1,350 per square foot.

The other three condominiums which comprise some two-thirds of total units launched are mainly mid-market developments. Except for the 216 units in K Avenue, the other two developments, i.e. Kingfisher Putatan (Blocks B, C & D) and Bukit Bantayan (Block D) are subsequent phases of previously launched developments.

Other significant high-rise developments opened for registration included the 56-storey Jesselton Twin Towers (819 units) in Damai which is expected to be launched in 2Q 2019. The other would be the 28-storey Forest Hill condominium located off Jalan Bundusan in the vicinity of Reservoir Garden Phase 1. The first of three towers comprising 132 units opened for registration of interest.

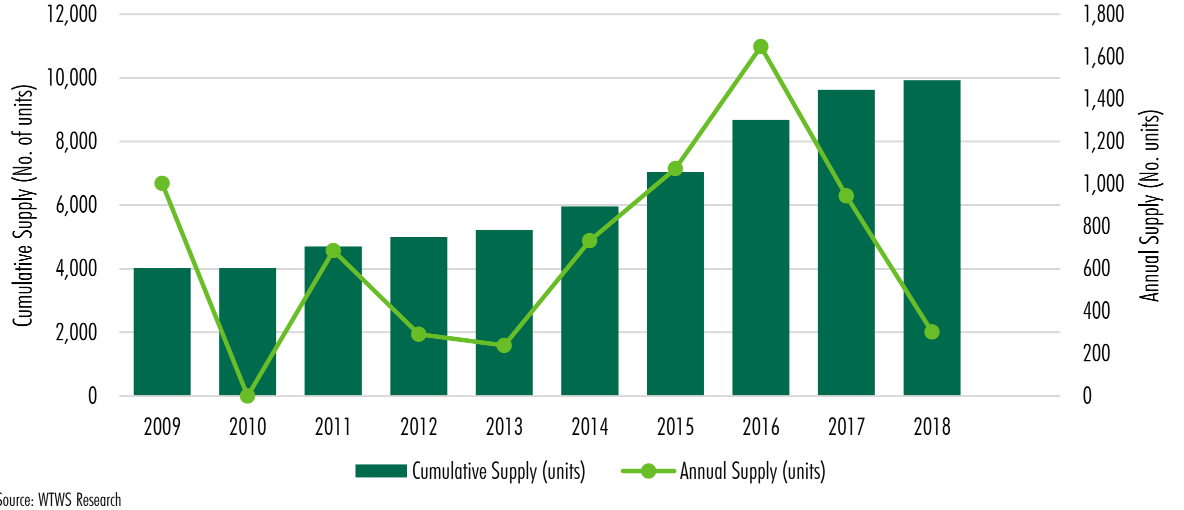
Serviced residences/hotel suites which form part of mixed developments were also initiated. These include The Aru (127 units), The Crown Serviced Suites (323 units) and Bay Suites (510 units). Two blocks (414 units) within the newly launched K Avenue also offered commercial suites.

Sabah's growing tourism sector and increasing popularity of Airbnb have also seen some condominium owners converting their units for short-term lodging/rental.

In the condominium sub-sale market, WTWS analysis of transactions data obtained from JPPH showed that total value of transactions for condominiums increased by some 9.3% y-o-y for the first half of 2018, volume of transactions changed minimally.

Overall, well-located and well-managed condominiums with good design and panoramic view should preserve their capital values and market interest. However, the market is expected to remain competitive in view of more new supply and participation from developers.

Supply of High-Rise Residential in Kota Kinabalu-Penampang



Source: WTWS Research

KUCHING

Launches of landed housing continued to drop as opposed to the number of apartment units. Nevertheless, demand for landed housing remains evident. Launches for high-rise residential units were almost have for 2018 in view of the current large incoming supply and signs of slower sales and lower rentals.

LIMITED LAUNCHES

The landed residential market has seen very few new launches with Kuching city itself experiencing a dearth in the prime housing areas. Most launches in 2018 are in the outer-lying secondary prime areas, which include Taman Berlian Stabil along Jalan Datuk Mohammad Musa offering 232 units of single-storey low cost plus units and Taman Sejijak Indah off Jalan Matang-Batu Kawa with 77 units of terraced houses.

Riding on their past success with the Tabuan Jaya township and more recently, Tabuan Tranquility, IBRACo kick-started the much-anticipated Northbank project along the Kuching-Samarahan Expressway, with its phase 1 of Nova 72, which saw brisk sales.

Given the handful of new landed residential units, especially in prime locations, values of landed properties continue to appreciate between 5% and 10% annually. Rentals on the other hand, continue to stagnate.

Due to the lack of new landed housing in the market, buyers have sought other alternatives in the likes of high-rise apartments and second-hand landed units. However, the eagerness to capture this segment has resulted in a prolific increase in the supply of strata-titled residential units which may lead to a supply glut, with dropping occupancy, take-up and rental rates.

PENT-UP DEMAND

The pent-up demand for housing during these few years of uncertainty, may not amplified once the market recovers.

INCREASING SUPPLY, SLOWER SALES, LESS LAUNCHES

The high-rise residential sector saw about 50% drop in launches for 2018 y-o-y compared to more than 3,000 units launched in 2017. Developers are aware of the impending overhang situation in the market which would almost triple the existing supply upon completions of projects in the pipeline. The apparent excess in the supply of apartments have resulted in a drop in occupancy, take-up and rental rates.

This large supply of new apartment units in the market has led to slower sales especially for higher density projects. The stiff competition amongst such readily available units in Kuching has impeded any further increase in sale prices, which have been hovering around RM500 per square foot for units in primary locations and RM400 per square foot for those in secondary locations, depending on the size and specifications. A standard unit sizes are now reduced slightly to around 1,000 square feet and most of these units come with better packages and more perks such as built-in cupboards, curtains, water heater, air-conditioners etc.

Echelon @ Airport Link Road
Source: WTWY Research

Sapphire on the Park off Jalan Batu Lintang
Source: WTWY Research

KUCHING (CONTINUED...)

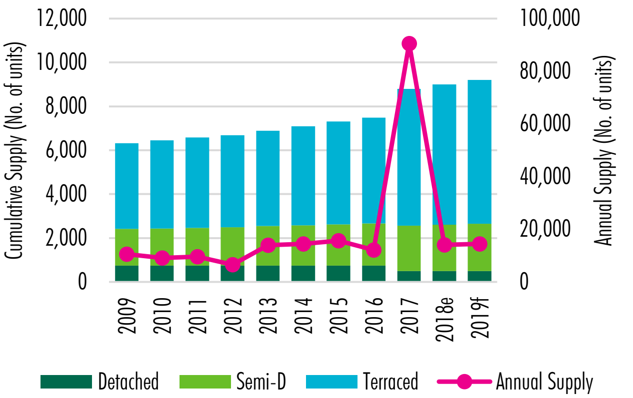
Asking rentals for apartment units have also decreased and are highly negotiable. The net yields are only around 3%.

High rise residential units are mostly developed as part of a mixed development, in order to achieve the desired density as prescribed in Sarawak's development land policies which limit pure high-rise residential developments to only 30 units per acre - revised from 24 units in 2017. This may result in redundant commercial units in order to fulfil planning requirements, as already observed in some recently completed developments.

For 2018, Batu Kawa area recorded the highest number of launches at 846 units, followed by the Kuching city area with 536 units. Of these, the biggest contributors were The Podium (395 units) developed by M/s Chen Ling and Mackenzie Avenue (256 units) developed by M/s Lee Onn. Units launched range between 800 square feet and 1,500 square feet.

High-rise apartments completed in 2018 include d'Belle at Jalan Datuk Stephen Yong link (67 units), Rex @ BDC (95 units), Block D of Sky Villa @ MJC (128 units) and Sapphire on the Park, M/s Naim's flagship high-rise condominium project at Jalan Batu Lintang with 206 units.

Supply of Landed Residential in Kuching



Note: Data for the full year of 2018 is based on estimation from NAPIC data
Source: NAPIC, WTWY Research

REX @ BDC
Source: WTWY Research

REGIONAL MARKETS

NORTHERN REGION

ALOR SETAR: LANDED BETTER VALUE FOR MONEY

Transaction activity and take-up rate of landed residential property picked up in 2018 and is expected to persist into 2019 considering modest incoming supply. Single storey terraced houses ranging from RM140,000 to RM200,000 were the most sought after in 2018. Pricing played a significant role in the Alor Setar market. For high-rise residential, the market is facing weak demand. Landed residential remains the preferred option due to its better value for money.

IPOH: EQUALLY ATTRACTIVE FOR INVESTMENT

The demand for landed residential in Ipoh is still principally backed by local buyers in a stable market. In fact, there is a slight sense of optimism in the market in 2019 on the back of the certainty that landed residential has provided over the years. Greater price shifts would be observable if more investors could be attracted to drive demand. Properties ranging between RM300,000 and RM400,000 were in demand.

Turning to the high-rise residential market, the take-up rate is expected to slow down in 2019 with the incoming supply moderating amidst absorption mode. Demand is made up of locals and investors looking to gain from hospitality purpose. Therefore, properties in prime locations with good access and convenience should draw market interest. There has been increasing transactions of condominiums/apartments valued between RM300,000 and RM400,000. The present situation whereby locals are still opting for landed residential while investors are the ones absorbing the high-rise residential units is not expected to change in 2019.

OVERALL

Landed residential is the market focus in the Northern Region, especially among locals. Landed residential in Alor Setar seems to be more preferred than high-rise residential. Ipoh's high-rise residential is able to attract the buying interest from locals and investors, with stronger investment potential for hospitality usage.

SOUTHERN REGION

SEREMBAN: FOCUS IS ON NEW AREAS

The landed residential market was cautious; buyers were holding back purchases, and preferring to purchase from the secondary market. The take up rate for Seremban and Seremban 2 newly completed projects slowed down while transactions involving secondary properties less than RM300,000 increased. Hotspots such as Nilai and Seremban 2 attract buyers from the Klang Valley, which compensate for the demand lag from locals.

Market acceptance of high-rise residential is encouraging as indicated by the upcoming high-rise developments in Senawang, Seremban 2, Seremban 3 and Nilai. Nilai in particular has come under the spotlight, advantaged by the establishment of educational institutions and the opening of AEON Nilai. The demand arises from Klang Valley buyers and investors aiming for rental returns.

Transactions of high-rise residential units ranging from RM170,000 to RM250,000 was active, rental prospects is the key market driver.

MELAKA: SELECTIVE DEMAND AND OPPORTUNITIES

Transaction activity and prices for landed residential is expected to remain stable with single storey terraced houses being the most active. Owners of existing units expect annual appreciation of 5% to 10%. Overall, single storey terraced houses priced between RM120,000 and RM220,000 will top demand.

New launches of high-rise residential in 2018 has created competition which may take some time to settle down. Prices are likely to experience little to no change. The high-rise residential market in Melaka is investment driven whereby investors could expect a rental yield of 5% to 6%. Transactions in the market point towards units priced at RM250,000 and below.

In general, locational factors play a significant role. In the landed residential sector, occupiers favour proximity to workplace and schools. On the other hand, in the high-rise residential sector, preference is to be closer to town centre to tap into the rental prospects brought about by Melaka's tourism industry.

REGIONAL MARKETS (CONTINUED…)

BATU PAHAT: IT IS ALL ABOUT LANDED

No new sizeable launches entered the market in 2018. Rental yield has also not been very attractive at 2% to 2.5%. Terraced priced around RM300,000 is still acceptable in the market. The younger generation is opting for landed residential units in the outskirts of Batu Pahat town particularly Taman Putera Indah and Taman Evergreen Heights, which are more affordable.

High-rise residential is still relatively expensive in Batu Pahat, and current supply is limited. Hillview Loft Condominium is the only condominium found in Batu Pahat. No price growth was recorded as only a handful of units were transacted at average RM350 per square foot.

Suspension of the High Speed Rail has impacted some optimism in the residential market in Seremban and Batu Pahat. Melaka still offers positivity as pockets of demand are still observable. The high-rise residential sector has and would remain the second preference among locals. The demand driver in this sector would be investors in the case of Nilai and Melaka. Competition is stiffer in Melaka while the market in Nilai is more robust as an established education hub and the spill-over effects of active developments.

EAST COAST

KOTA BHARU: CAUTIOUS OPTIMISM FOR HIGH-RISE

Demand for landed residential in Kota Bharu remains astute. Despite that, price adjustment was observable in 2018 whereby developers and sellers are more willing to offer rebates. 2019 may witness demand going to popular areas like Bandar Baru Kubang Kerian, Panji locality, and Bandar Baru Gua Musang due to their proximity to amenities and facilities; Sering and Wakaf Delima which provide freehold double storey terraced.

Vacant plots continued to be the highest transacted, especially those valued at RM50,000 to RM100,000 since locals have the tendency to build their own residence than buying from the market.

At present, high-rise residential is still a new sector in Kota Bharu but acceptance has been improving as exhibited through the significant rise in transaction volume in 2018. However, this has yet to translate into higher prices or take-up for new units. The underlying reason could be the current low occupancies and rentals.

The current demand skews towards condominiums priced from RM300,000 to RM500,000, general demand for high-rise residential shall persist on moderate growth in the near future.

KUALA TERENGGANU: SLOW AND STEADY

Transaction activity was moderate in 2018. 2 storey semi-detached units priced between RM400,000 to RM500,000 changed hands the most in 2018. Generally, landed residential with the price tag of RM400,000 and below are still well-received . The emergence of Kuala Nerus should be the focus area of new supply in the near future.

Kuala Terengganu's high-rise residential sector is quiet but balanced. Any spike in demand is likely to be location or development-specific. Condominiums worth around RM400,000 and RM500,000 had the highest transactions in 2018. Most of the present developments are situated in strategic and established locations.

KUANTAN: LACK OF BUYING SENTIMENT

Kuantan's landed residential market could welcome better conditions in 2019 after a year of absorption in 2018. In 2018, price adjusted downwards as developers were more focused on clearing existing stock amidst the softening take-up and transaction activity.

However, certain areas are still active with developments, such as Tanjung Lumpur's PR1YA Kuantan by OCR Berhad with 1,125 units as well as Bukit Setongkol. As for the secondary market, double storey terraced priced at RM380,000 to RM430,000 is the favourite for local buyers.

The high-rise residential market for Kuantan is quiet with no major shift in supply foreseeable in 2019. On the demand side, there has been a constant stream of tenants which, in turn helped to sustain the rental rate.

OVERALL

In 2019, landed residential markets on the East Coast look steady with no significant variation expected. Kuantan could see better market conditions while Kota Bharu and Kuala Terengganu are likely to stay unchanged. Locals still dominate demand, price and location will remain the important considerations.

High-rise residential markets in this part of Malaysia are secondary with limited supply in the pipeline, most units are acquired for investment purposes

REGIONAL MARKETS (CONTINUED...)

SABAH

LAHAD DATU: MAJOR RECOVERY NEEDED

The residential market in Lahad Datu has been sluggish with no signs of recovery in 2019. There has been oversupply of residential properties across the board with affordability a major issue. Demand would be restricted to existing home-owners seeking to upgrade.

TAWAU: HOPE OF BOTTOMING OUT

There is some optimism that Tawau's landed residential market could recover in 2H 2019. The market has been down for 2018 but is expected to bottom out. The demand for landed residential properties is price sensitive since it is dominated by the middle income group.

LABUAN: INACTIVE MARKET

The landed residential market in Labuan is quiet but stable. Property values were unchanged amidst less transactions.

SANDAKAN: A HANDFUL OF SUPPLY

Activity in the landed residential market was limited in 2018 with only a handful of projects entering the market. In the high-rise residential market, only three new projects were launched namely Astana Heights Phase 5C (also known as Kingfisher Sandakan), Taman Suria Phase 2 and Villa Permai Jaya Phase 6. A notable completion in Sandakan was The Utama Park Residence in Bandar Utama in August 2018.

KENINGAU: MINIMAL MOVEMENT

Single storey terraced houses at prices between RM225,000 and RM270,000 were the most popular based on transaction data in 2018. The completion of Bandar Baru Keningau could spur some market activity.

SARAWAK

MIRI: COULD BE PRICE-SENSITIVE

The landed residential market in Miri is anticipated to improve from the downtrend for the past few years. Stable transaction activity and price in 2018 maintained a positive market. Single storey terrace priced below RM300,000 topped demand with short-term rental returns and long-term capital appreciation being important purchase considerations.

High-rise residential in Miri remains slow for 2019, with most transactions taking place at RM650,000 and below, reflecting the narrow market demand by higher income earners and investors.

BINTULU: DEMAND BOOSTER FROM POPULATION INCREASE

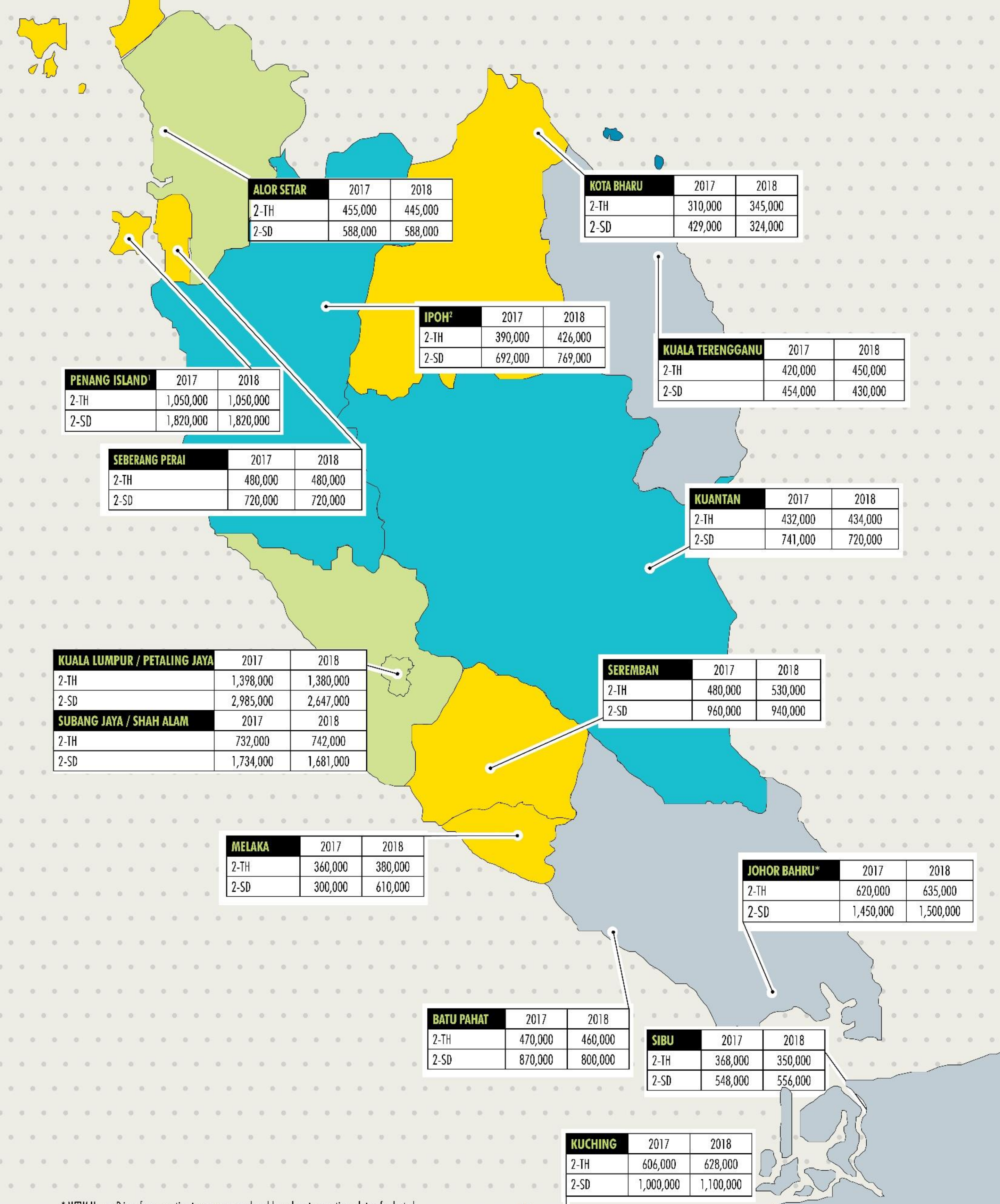
Demand for landed residential in Bintulu remains stable as prices of new completions rose about 5%. No significant price variation is expected for both terraced and semi-detached in 2019. Developers are launching more single storey terraced which has been consistently performing well in Bintulu. The demand is principally from office and industrial workers. In terms of pricing, RM300,000 to RM400,000 should be the preferred price range.

High-rise residential in Bintulu is getting gaining acceptance but all said, landed residential would still be the preferred residential property in Bintulu.

SIBU: PRICE MATTERS MORE THAN TYPE

Sibu's landed residential market is balanced with moderate supply and price stability. Prices of properties in prime areas could still be rising due to limited supply. Affordability would dictate performance. Generally, prices not exceeding RM350,000 should enjoy good reception.

Sibu's non-landed stratified titled residential sector is also quite balanced with moderate supply. Demand is mainly from buyers in the RM350,000 price range which is comparable to landed residential.



ALOR SETAR	2017	2018
2-TH	455,000	445,000
2-SD	588,000	588,000

KOTA BHARU	2017	2018
2-TH	310,000	345,000
2-SD	429,000	324,000

IPOH[2]	2017	2018
2-TH	390,000	426,000
2-SD	692,000	769,000

KUALA TERENGGANU	2017	2018
2-TH	420,000	450,000
2-SD	454,000	430,000

PENANG ISLAND[1]	2017	2018
2-TH	1,050,000	1,050,000
2-SD	1,820,000	1,820,000

SEBERANG PERAI	2017	2018
2-TH	480,000	480,000
2-SD	720,000	720,000

KUANTAN	2017	2018
2-TH	432,000	434,000
2-SD	741,000	720,000

KUALA LUMPUR / PETALING JAYA	2017	2018
2-TH	1,398,000	1,380,000
2-SD	2,985,000	2,647,000
SUBANG JAYA / SHAH ALAM	2017	2018
2-TH	732,000	742,000
2-SD	1,734,000	1,681,000

SEREMBAN	2017	2018
2-TH	480,000	530,000
2-SD	960,000	940,000

MELAKA	2017	2018
2-TH	360,000	380,000
2-SD	300,000	610,000

JOHOR BAHRU*	2017	2018
2-TH	620,000	635,000
2-SD	1,450,000	1,500,000

BATU PAHAT	2017	2018
2-TH	470,000	460,000
2-SD	870,000	800,000

SIBU	2017	2018
2-TH	368,000	350,000
2-SD	548,000	556,000

KUCHING	2017	2018
2-TH	606,000	628,000
2-SD	1,000,000	1,100,000

* 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).

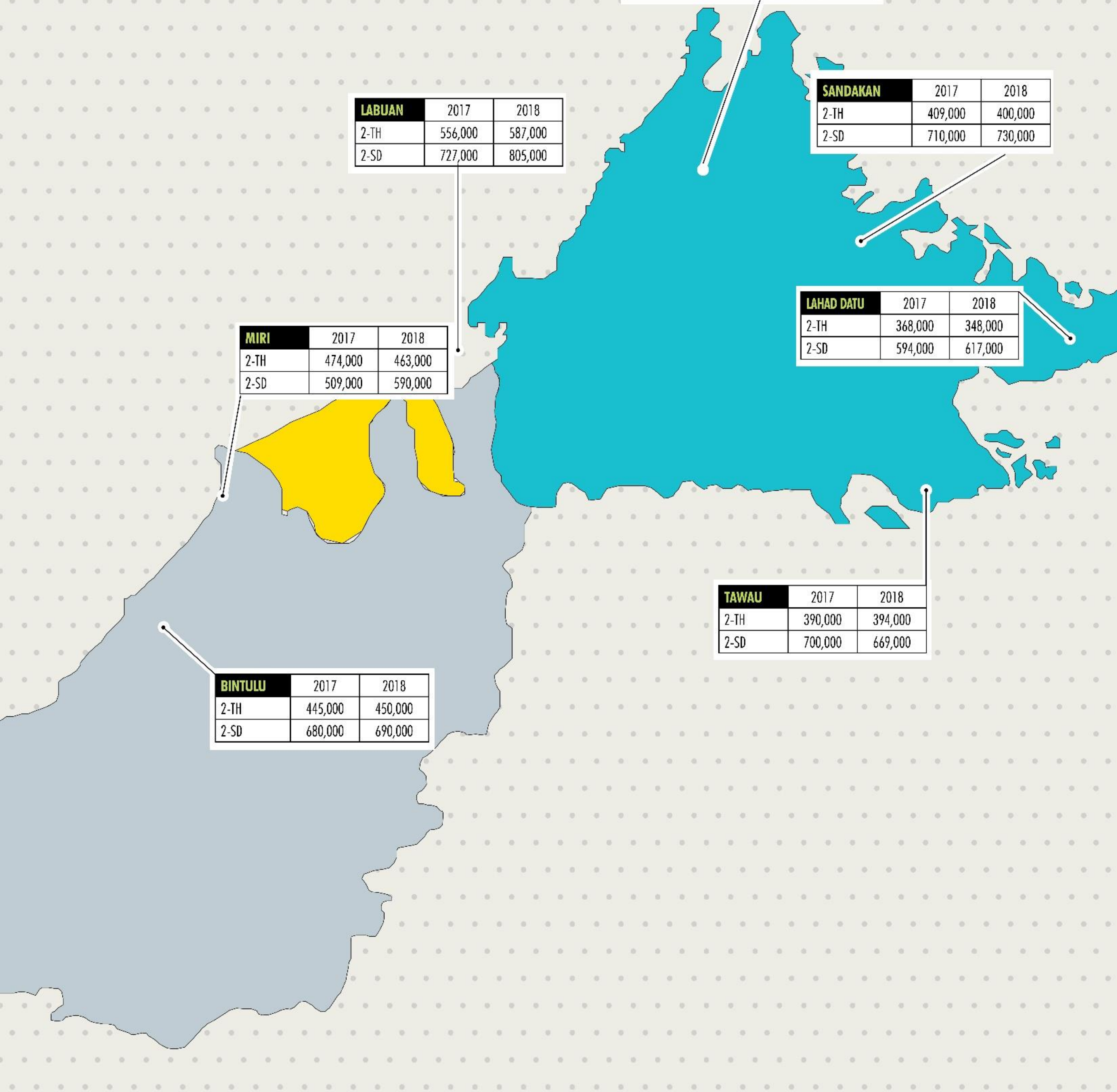
(ii) Double-storey Semi-detached houses, are sampled with land area of 3,500 - 4,500 sq ft, freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

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

(iv) Prices for 2017/18 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the averge price.

2017/2018*

CBRE - WTW MALAYSIA HOUSE PRICE INDICATOR



KOTA KINABALU[4]	2017	2018
2-TH	561,000	595,000
2-SD	1,246,000	1,376,000

SANDAKAN	2017	2018
2-TH	409,000	400,000
2-SD	710,000	730,000

LABUAN	2017	2018
2-TH	556,000	587,000
2-SD	727,000	805,000

LAHAD DATU	2017	2018
2-TH	368,000	348,000
2-SD	594,000	617,000

MIRI	2017	2018
2-TH	474,000	463,000
2-SD	509,000	590,000

TAWAU	2017	2018
2-TH	390,000	394,000
2-SD	700,000	669,000

BINTULU	2017	2018
2-TH	445,000	450,000
2-SD	680,000	690,000

NEW LAUNCHES (LANDED RESIDENTIAL)

Project	Location	Developer	Type	Unit Size (sq.ft)	Price (RM per unit)
KLANG VALLEY					
Althea @ Alam Impian	Alam impian	I & P Group	2-SD	3,384 – 3,580	>1,934,800
Villa 22 @ Bukit Rimau	Shah Alam	Malton Berhad	2-SD 2-D	3,249 3,981	>2,245,000 >3,815,000
Ayra 1 & 2 @ Bandar Bukit Raja	Klang	Sime Darby Property	2-SL	1,507 – 3,305	>683,888
Swans @ Bandar Rimbayu	Kota Kemuning	IJM Land	2-T	2,322	>800,000
M Aruna @ Rawang	Rawang	Mah Sing	2-SL	1,666	>507,000
PENANG					
Brydon @ Eco Horizon	Batu Kawan	EcoWorld Development Group	2-SD	2,777	>1,200,000
			2-D	4,025	>2,200,000
Sanctuary Ridge @ Permatang Sanctuary Phase 4	Bukit Mertajam	IJM Land	2-SD	1,983 – 2,429	>700,000
Hijauan Valdor Phase 5	Sungai Bakap	Asas Dunia	2-SD	3,970	>700,000
Viluxe	Batu Kawan	Aspen Vision City	3-D	4,829 – 5,521	>2,500,000
JOHOR BAHRU					
Ayera Residences @ Tropicana Danga Cove (Phase 2)	Kota Puteri	Tropicana Danga Cove	2-T	1,713 – 2,250	>536,000
Carmellia	Taman Pulai Mutiara	Scientex Quatari	2-T	1,660	>420,000
Lavender			2-C	2,033	>570,000
Citrine Lakehomes (Phase 2)	Iskandar Puteri	Sunway Property	2-T	2,066	>764,000
Danga Sutera	Taman Sutera Utama	Bayou Management (subsidiary of IWCity)	2-T	1,880 – 1920 2,166 – 2,171 2,440 – 2,557	>695,000
Elata Nova @ Setia Tropika	Setia Tropika	SP Setia	2-T	>1,964	>700,000
Serimbun	Iskandar Puteri	Nusajaya Greens (subsidiary of UEM Sunrise)	2-T	1,993 – 2,117	>635,000
The Eden @ Meridin East The Fern @ Meridin East	Masai	Mah Sing	2-T	1,622 – 2,033	>548,000
KUCHING					
Nova 72 @ Northbank	Kuching-Samarahan Expressway	IBRACo	2-T	2,090 – 2,117	725,000 – 976,000
			2-SD	3,054	1,510,000 – 1,678,000
			3-SD	4,187	2,047,000 – 2,262,000
Taman Sejijak Indah	Jalan Sejijak, Matang	GKS Development	1-SD	1,075 – 1,163	450,800 – 523,800

TNote: C – Cluster D – Detached LCP – Low Cost Plus T – Terraced TH – Townhouse SD – Semi-detached SL – Super-linked

NEW LAUNCHES (LANDED RESIDENTIAL)

Project	Location	Developer	Type	Unit Size (sq.ft)	Price (RM per unit)
Taman Berlian Stabil Phase 3	Off Jalan Muara Tuang	Berlian Stabil	1-T (LCP)	700 – 750	100,000 – 168,000
Taman Berlian Stabil Phase 5			1-T (LCP)	900	150,000 – 198,800
			1-T	992 – 1,037	345,800 – 447,800
			2-T	1.009 – 1,505	462,800 – 627,800
IPOH					
Grand Summit Lahat	Lahat	Excellent Realty	2-SD	2,975 – 4,777	718,880 – 908,800
Hartamas Residence @ Botani	Simpang Pulai	Pakar Hartamas	2-D	6.531 – 6/876	732,000 – 758,800
			1-SD	2,798 – 5,595	448,800 – 633,800
			2-TH	1,399 – 3,699	328,000 – 470,000
Hill View Residence @ Silibin	Silibin	Leisure Passion	2-C	2,450	638,880 – 768,880
Suria Hartamas @ Seri Botani	Simpang Pulai	Mawar Angkasa	2.5-TH	1,540 – 3,068	518,000 – 668,000
Taman Bercham Mas	Bercham	CPS Homes Al-Aminy	2-C	1,800	438,000 – 738,000
SEREMBAN					
Sena Parc	Senawang	Bright Term	2-T	1,500 – 4,458	494,000 – 689,000
Taman Warisan Villa	Nilai	Primuncak Properties	1-SD	3,896 – 5,877	663,800 – 863,800
			2-SD	3,799 – 3,901	858,800 – 1,251,800
MELAKA					
8 Residence (Phase 3)	Padang Temu	Starwatt Realty	2-T	1,716	750,000
Taman Ozana Residence (Phase 4)	Ayer Keroh	PDG Development	1-SD	3,400	508,800
Taman Vista Belimbing (Phase 2)	Durian Tunggal	Fixmax Entity	2-T	1,752	408,000
			1-SD	2,880	388,000
TAWAU					
D'Bayan Fruit Garden	Mile 8, Jalan Apas	Visa Suria Holding	1-T	1,800 – 7,200	348,000 – 633,000
Hap Seng Phase 5H	Bandar Sri Indah	Hap Seng Properties Development	2-T	1,300 – 3,200	418,000 – 870,000
BINTULU					
Acacia Garden Phase 3	Jalan Tun Hussein Onn	Topwish Capital	2-T	2,034	558,000 – 738,000
			2-SD	3,659 – 3,934	1,158,000 – 1,188,000
Kemena Sutera Phase 4	Jalan Sibiyu	Johabaru Development	2-T	2,038	488,000 – 653,000
Riverside Avenue	Jalan Sibiyu	Hong Yet Construction	2-T	1,830 – 1,883	465,888 – 702,888

TNote: C – Cluster D – Detached LCP – Low Cost Plus T – Terraced TH – Townhouse SD – Semi-detached SL – Super-linked

NEW LAUNCHES (HIGH-RISE RESIDENTIAL)

Name	Location	Developer	Unit Sizes (sq.ft)	No of Units	Price (RM per sq ft)
KLANG VALLEY					
8 Conlay (Tower B)	Kuala Lumpur	KSK Land	705 – 1,328	498	>3,200
Agile Bukit Bintang	Kuala Lumpur	Agile Tropicana Developer	625 – 1,157	678	>1,955
Damansara Fifty9	Damansara Height	Damansara Fifyty6 (subsidiary of Allstone Group Asia)	1,356 – 3,510	56	>1,004
Imperial Lexis	Kuala Lumpur	Kuala Lumpur Cosmopolitan (company of KL Metro Group)	569 – 1,157	430	>2,400
Impression U-Thant	Ampang Hilir / U-Thant	Joint-venture between KOF Holdings, YTB Development and RISDA	782 – 1,632	108	>1,687
Inspirasi Mont' Kiara	Mont' Kiara / Sri Hartamas	MKH	940 – 1,015	640	>776
KaMi Mont' Kiara (previously known as Kiara Residences)	Mont' Kiara / Sri Hartamas	Ireka Corporation	840 – 1,640	168	>1,189
Residensi Astrea	Mont' Kiara / Sri Hartamas	UEM Sunrise	1,364 – 1,859	240	>850
Trinity Pentamont	Mont' Kiara / Sri Hartamas	Modern Pandora (Trinity Group)	1,379 – 4,000	330	>640
PENANG					
3 Residences	Georgetown	IJM Land	850 – 1,050	478	650 – 660
Evoke Residence @ Gravitas	Perai	UDA Holdings	1,100	300	472
Montage	Sungai Nibong	Prisma Bumiraya	1,015	282	632
The Amarene	Bayan Lepas	Ideal Property	1,100 – 1,200	410	572 – 625
The Stone	Paya Terubong	PLB Land	1,000	1,000	298 – 313
Tree O	Sungai Ara	Hunza Group	850	1,240 (affordable)	353
JOHOR BAHRU					
Seine Region @ R&F Princess Cove	Tanjung Puteri, Johor Bahru city centre	R&F Development	471 – 933	3,724	>1,050
KOTA KINABALU					
Bukit Bantayan Residences (Block D)	Inanam	Gamuda Land	904 – 1,100	320	533 – 673*
Coral Bay	Sutera Harbour Resort	GSH Corporation	1,541 – 4,739 (excl. penthouse sizes)	460	1,350* (average)
K Avenue (Block C)	Kepayan	Mega City Avenue	850 – 1,250	216	496 – 610*
Kingfisher Putatan (Block B, C & D)	Putatan	Hap Seng Land Development and JCA	1,009 – 1,065	408	488 – 582*

* Price subject to other sales package from developer

NEW LAUNCHES (HIGH-RISE RESIDENTIAL)

Project	Location	Developer	Unit Size (sq.ft)	No of Units	Price (RM per sq ft)
KUCHING					
GEM Suites	Off Jalan Stutong Baru	Sin Hai Ming Development	861 – 1,214/1,624	198	330 – 463
Liberty Grove @ Kota Sentosa (Block 10)	Off Jalan Sg Tapang	Elica	1,065 – 1,400	96	150 – 197
Mackenzie Avenue	Jalan Stapok Utara	Lee Onn Construction Co.	1,520	256	300 – 350
Stutong Tiarra 2 (Stutong 7 Residences)	Off Jalan Stampin Baru	Jyrah Realty	672 – 1,222	130	212 – 385
The Fifth Ryegates	Off Jalan Lapangan Terbang	Lee Onn Construction Co.	861 – 1,227	72	439 – 465
The Podium	Jalan Keretapi	Chen Ling Development	964 – 1,446	395	532 – 634
Urban Residences	Jalan Central Timur	E-Heritage	1,409 – 1,560	136	563 – 623
Yarra Park	Jalan Batu Kawa	Tecktonic & Sons Holdings	940 – 1,240	195	303 – 400
MELAKA					
Admiral Residences	Kota Laksamana	Tanjung Ratna	1,069 – 1,159	1,440	294
Bali Residences	Kota Laksamana	Teladan Setia	477 – 3,174	830	462 – 736
Grand Residence Merak Mas	Bukit Baru	Grand City Development	908 – 1,062	176	400 – 489
Novo 8	Kampong Lapan	Crystal Faber	515 – 1,327	412	480 – 561
Sri Melaka Residensi	Bukit Serindit	Potensi Restari	1,000 – 1,135	704	230 – 277
SIBU					
College Square Wawasan	Jalan Wawasan	Vertoland	710 – 807	36	370 – 487

OFFICE SECTOR

OFFICE SECTOR

KLANG VALLEY

The financial sector still leads the office market in KL where buildings in proximity to public transport are most demanded. Shackled by the huge supply entering the market, revolutionary usage of space by millennials may create a variation in the tenants mix, which may bounce up demand for the office space.

Klang Valley's purpose-built office (PBO) market in 2018 remained challenging. The current soft market and abundant pipeline supply have impacted on leasing activity. A source of optimism could however, come from the fact that Malaysia has climbed to 15th spot in World's Doing Business Report 2019, showing a positive outlook amongst investors which in turn, may support demand.

HUGE PENDING PIPELINE SUPPLY RAISES CONCERN

Cumulative supply of PBO as at 3Q 2018 in Klang Valley stood at 109.7 million square feet. 4 new completions thus far in 2018 injected 1.56 million square feet of space and increased the vacancy rate by 5% q-o-q to 18.9%.

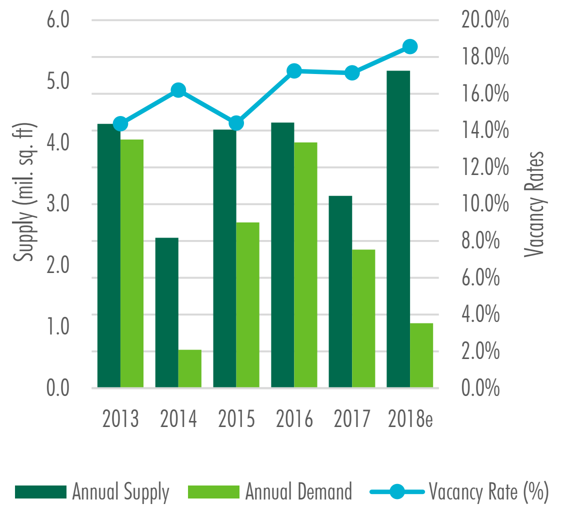
Approximately 15.7 million square feet or 26 PBO buildings are expected to enter the market by the end of 2021. 82% are located in KL area.

Several major movements took place in 2018. Celcom has relocated from Menara Celcom in Jalan Tun Razak to their newly-completed Menara Celcom in PJ Garden Central (Phase 1) on a 21-year lease with Celcom Axiata as the anchor tenant. Meanwhile, Prudential will occupy their own Prudential HQ in TRX in 2019.

Average prime rental declined to RM6.95 per square foot in 2018. Capital value unvaried with net yields between 5.5% and 6.0%. Wisma UOA Pantai purchased by CIMB Bank, was the sole significant office transaction in 2018, sold at RM764 per square foot.

Excess in supply alongside the existence of office alternatives such as shop offices and industrial buildings may threaten the PBO sector, as the rentals offered by these alternatives tend to be slightly lower than the typical PBO, thus pressuring rentals and vacancy rates.

Supply and Performance of PBO in KV



Note: Data for the full year of 2018 is based on estimation
Source: CBRE | WTW Research

Selected Upcoming PBO in 2019

Name of Development	Location	Estimated NLA (sq. ft)
The Exchange 106	Tun Razak Exchange	2,600,000
Prudential HQ (TRX)	Tun Razak Exchange	413,000
MBSB Tower	PJ Sental	280,000
Tropicana Gardens	Kota Damansara	150,000

Source: CBRE | WTW Research

KLANG VALLEY (CONTINUED...)

TECHNOLOGY RESHAPING WORKPLACE

Advancement of technology and flexible working culture, especially amongst the younger generation, have contributed to the birth of co-working operators, locally and internationally. Emphasis on "collaboration and innovation" in the working environment, it creates a sense of community that may link various businesses under one roof.

In Klang Valley, co-working spaces are seen to focus on Grade A buildings in prime locations, including pre-war shops or worn-out buildings. Typical sizes of co-working spaces span between 15,000 to 30,000 square feet. Some of the operators would require co-working space as large as 100,000 square feet, especially amongst established international operators.

Attractive amenities and facilities provided by the co-working operators, anything from café to napping corner are their unique selling points. To cater to digital nomads, the introduction of "Passport" allows universal access to the co-working spaces in different locations.

The stepped-up participation of co-working space has diversified the tenants' profiles in Klang Valley's office market. In fact, higher technology content has also decreased office space requirement while rising costs of doing business is driving business owners to optimise their space use. This trend shall persist as traditional tenants turning to mobile working arrangements.

OUT WITH THE OLD, IN WITH THE NEW

New buildings with better quality maintenance should attract more interest from both existing and future tenants.

Upgrading on old buildings could be pertinent in order to improve property conditions, reduce energy consumption and make the best use of the existing structure. This could uplift the property to stay competitive by fulfilling the modern standards in terms of quality, comfort and efficiency.

In view of the rapid technological advancement, adoption of technologies in office buildings would increasingly become a necessity for them to cater to and engage in tech-enabled workplace. On the other hand, attaining MSC Status and Green Building Index would be strategic. While rental may not be pulled-up, these accreditations could enhance the marketability of the buildings, especially to multinational companies and large reputable corporates as part of their corporate social responsibility fulfilment and to enjoy tax incentives.

Source: CBRE | WTW Research

OFFICE SECTOR

PENANG

Pent-up demand for newer and prime offices persists. Spill-over demand for MSC status offices is also expected to grow. Stable occupancy rates are anticipated while rentals will increase in near future. The future development trend of purpose-built office (PBO) buildings would move away from CBD. The emerging concept of co-working office space is set to pick-up.

NEW PRIME OFFICES PENT-UP DEMAND

New supply of offices in Penang in the past ten years was limited. New prime PBO buildings completed within the past three years such as Hunza Tower and Straits Quay Commercial Suites are enjoying commendable occupancy rates although charging new benchmark rentals. Newly set-up offices as well as offices relocated from older office buildings comprise the tenants in these new buildings. Office occupiers are seeking for newer office buildings that serve their contemporary needs and enhance their corporate image.

Pent-up demand for newer and prime offices would continue in the short-term as most of the upcoming PBO buildings are scheduled for completion in year 2020 and beyond. Older buildings are likely to experience a slide in demand thus lower rentals and capital prices.

GROWTH FOR MSC STATUS OFFICES

Investment in industries which are knowledge intensive and innovation-led have been aggressively pursued by the Penang state government. As such, there would be spill-over demand for office space to accommodate industrialists / manufacturers progressing upstream into design and research activities.

Penang has also been actively promoted by the state government as a centre of Global Business Services (GBS). Multinational companies which are involved in GBS generally seek office with MSC status that could cater to their business operations, as well as seizing the various incentives and privileges offered. Celestica Inc, Teleperformance, Swarovski and UST Global have set-up their offices in Penang.

As Penang continues to attract high value manufacturing and services operations, demand for MSC status offices will increase. Livingston Tower (Georgetown), extension of the Centre for Creative Animation Triggers (CAT) (Georgetown), and GBS @ Mayang (Bayan Baru) have recently entered the market to capture such demand.

STABLE OCCUPANCY RATES ANTICIPATED; RENTALS WOULD INCREASE

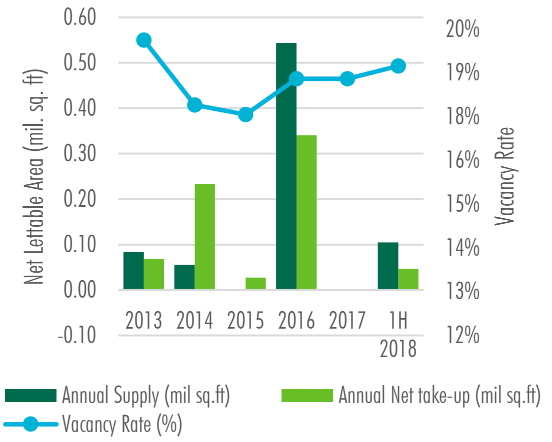
As at mid of 2018, the overall occupancy rate of PBO buildings in Penang state declined slightly to 77% from 82% (y-o-y). Occupancy rates are anticipated to generally remain in the region of 80% in near future.

Rentals of prime office space in Georgetown were between RM2.50 and RM3.50 per square foot. Prime offices outside Georgetown, particularly newer buildings in Bayan Lepas / Bayan Baru and Tanjung Pinang (Tanjung Tokong), registered higher rentals of RM3.30 to RM4.50 per square foot.

Due to increasing outgoings / maintenance cost, rentals of office space in most buildings are expected to increase in the short-term. The overall average rental of prime offices would also increase, pulled-up by new entrants with higher asking rentals.

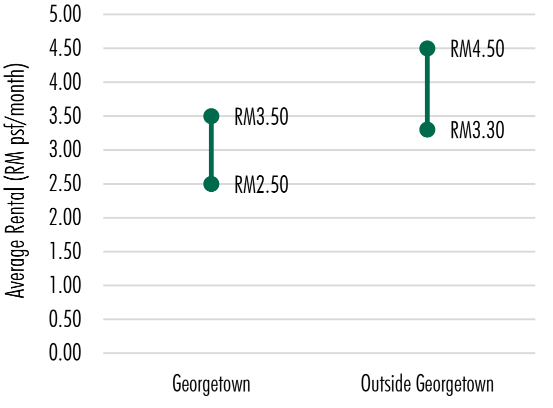
PENANG (CONTINUED...)

Supply and Performance of PBO in Penang



Source: NAPIC, CBRE | WTW Research

Rental of PBO in Penang



Source: NAPIC, CBRE | WTW Research

FUTURE DEVELOPMENTS AWAY FROM CBD

The CBD of Georgetown is already constrained in terms land availability for new development. Hence, major PBO buildings are being developed and planned outside of the CBD to the south-eastern portion of Penang Island and Seberang Perai.

Situated within the Penang Cybercity area are the newly completed GBS @ Mayang in Bayan Baru and the upcoming GBS by The Sea in Bayan Lepas. These office projects with MSC status are developed by the Penang Development Corporation (PDC).

GBS @ Mayang is a refurbishment of Mayang Shopping Mall. The building offers approximately 110,000 square feet of office space to the market. On the other hand, GBS by The Sea which is slated for completion in 2020, is a 9-storey seafront building offering approximately 411,000 square feet of office space. Within the Penang International Commercial City in Bayan Baru by Hunza Group, there is another PBO building proposed.

In Phase 2 of The Light Waterfront Development in Gelugor by IJM Perennial Development Sdn Bhd (a joint-venture company between IJM Corp Bhd and Perennial Real Estate Holdings Ltd), a 28-storey PBO building with net lettable area of approximately 370,000 square feet is planned.

In Batu Kawan, Seberang Perai, Aspen Group launched Vittoria Financial Centre, with five 8-storey corporate office blocks and a 9-storey executive office tower with 231 office suites with built-up areas ranging from 610 to 1,415 square feet, to be sold under stratified basis.

As part of the expansion of the existing Sunway Carnival Mall, Sunway Real Estate Investment Trust (SunREIT) is planning to develop a 10-storey office tower in Seberang Jaya. In Butterworth, MRCB Group has also proposed a 22-storey PBO tower within Penang Sentral Intermodal Transit-Oriented Development.

CO-WORKING OFFICE SPACE IS SET TO GROW

Co-working office space has emerged in Penang and the operators include Snooze50 (Gurney Tower), Scoopoint (Pengkalan Weld), MSOGO (Jalan Dr Lim Chwee Leong), @FlexiSpace (Raja Uda), CoHere (Icon City), Hubbiz (Autocity) and Settlements (Livingston Tower).

Demand for co-working space is expected to grow, across a diverse mix of industries and professions. Co-working space may be opted by larger companies seeking flexibility and practicality in their workspace. Emergence of co-working offices is also facilitated by the surplus of whole office floors which operators of co-working space are able to secure at attractive rental rates.

ISKANDAR MALAYSIA

Incoming supply of purpose-built office (PBO) with better building quality and modern features to outperform the aged PBO over time. A transition period is needed for the market to transform and adapt.

WELL-EQUIPPED, NUMEROUS SUPPLY

New PBO are mushrooming in recent years, after a long hiatus since 2000s. The new office buildings are designed with modern high technology features, which may potentially outperform the old buildings in near future.

In 2018, two new office buildings, namely the M9 at Medini and Menara JLand at Johor Bahru city centre. Injected an additional 685,450 square feet net lettable area into the market.

The existing supply of PBO space in IM stand at 9.75 million square feet contributed by 110 buildings. Out of that, 77 buildings with a total of 6.96 million square feet are privately-owned while the remaining 33 buildings with a total of 2.8 million square feet are government-owned.

There will be approximately 2 million square feet net lettable office space coming into the market in the next three years. The upcoming PBO buildings are:

Project Name	Localities	Net Lettable Area (sq. ft)
D'Pristine	Medini	513,449
M10	Medini	414,949
Menara MBJB @ Astaka Padu	JBCC	350,000
Coronation Square	JBCC	550,000

Source: NAPIC, CBRE | WTW Research

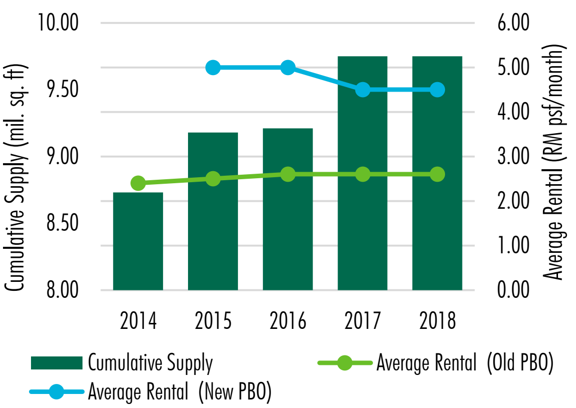
RENTALS REMAIN STABLE IN SHORT-TERM

Demand for office space has been stable in Johor Bahru and vacancy rate was about 20%. The average office rental for prime office space in Johor Bahru city centre remained unvaried in the range of RM3.20 to RM3.50 per square foot, while the rental range was from RM2.80 to RM3.20 per square foot in the city fringe. New office buildings in Johor Bahru city centre, Medini and Puteri Harbour commanded higher rentals of between RM4.00 to RM5.50 per square foot. The higher rates are driven by the influx of multinational companies (MNCs) seeking high prestige office addresses which is currently only available in Iskandar Puteri. The proximity to catalytic projects within Iskandar Puteri is also an added advantage.

NEW BUILDING SPACE TO BE FILLED UP

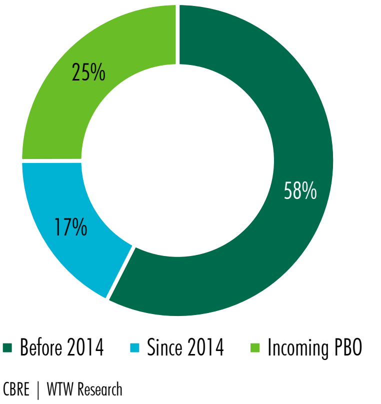
New and incoming office buildings are forming 42% of total PBO's supply in IM. These new buildings with better quality and features, are able to achieve almost double average rental rates of old office buildings. In order to achieve healthier occupancy rates, it is expected that new PBOs will offer competitive leases and incentives.

Supply and Rental of PBO in IM



Source: NAPIC, CBRE | WTW Research

Existing and Incoming Supply of PBO in IM



Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

An uneventful year with limited movements for the purpose-built office (PBO) market, as in previous years.

NO SIGNIFICANT VARIATIONS

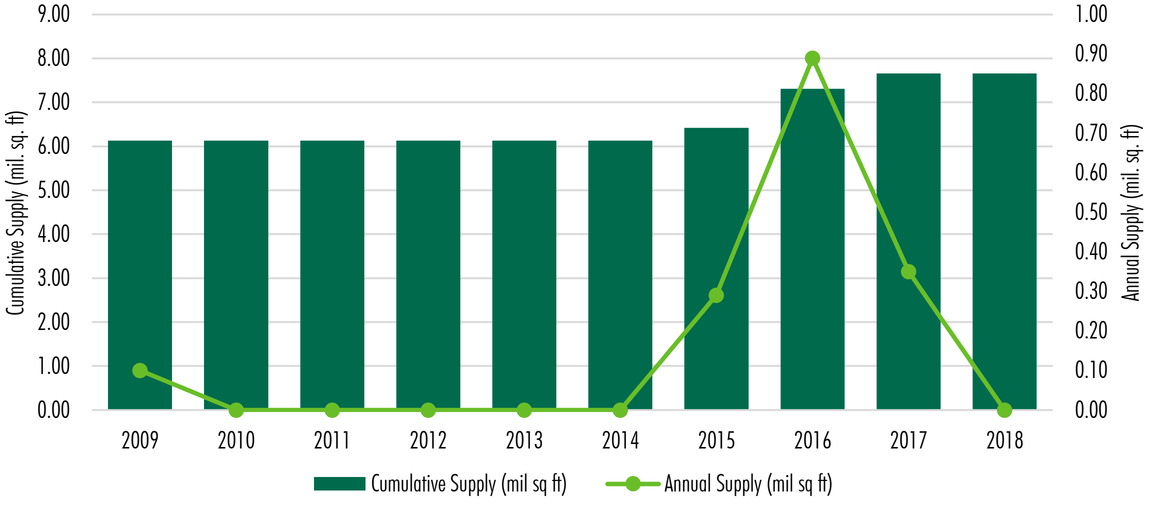
The PBO sector witnessed the completion of the RM66.6 million 8-storey Menara Kastam Sabah in the vicinity of the Federal Administrative Complex along Jalan KK-Sulaman. The modern building incorporates seismic design features and is able to withstand earthquake up to seven Richter scale in magnitude. There was no other completion of privately-initiated PBO in 2018.

Overall, 2018 was an uneventful year with limited movements in the PBO market. The sector is expected to stay stable overall, though downward pressure on take-up / occupancy rates and competitive rents can be felt coming from the conventional shop-offices and the more contemporary signature offices.

Completed shop-office developments include Harumas 118 (38 units) and Alamesra Plaza Utama Phase 3 (55 units). They are located in the northern region of Kota Kinabalu.

Menara Kastam Sabah
Source: WTWS Research

Supply of PBO in Kota Kinabalu-Penampang



Note: Annual Supply for some years have excluded completion of government offices as we are unable to verify the supply / floor areas of office space for these premises
Source: NAPIC, WTWS Research

KUCHING

Performance of purpose-built office (PBO) in Kuching continued to be lacklustre with stagnant rental rate. Shop-offices/shop-houses remain in oversupply with a challenging time ahead.

LACKLUSTRE OFFICE SECTOR

Similar to the year before, there were no new office projects launched in 2018. The few completed in 2018 include the Tabung Haji Office Tower at Jalan Lapangan Terbang standing at 6-storeys tall with 2,162.40 square metre of space, Sentosa Parade office towers near Kota Sentosa and Gala City along Jalan Tun Jugah. The two latter projects were developed as part of a mixed shop-office development.

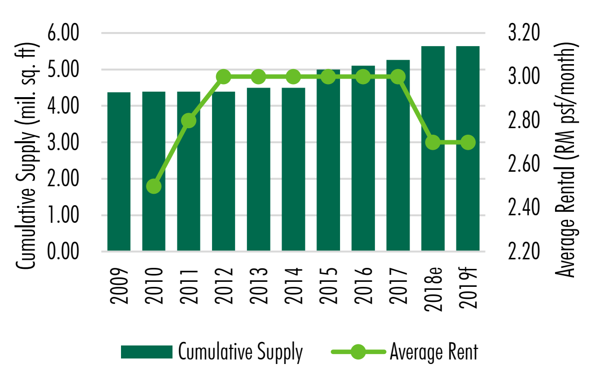
The office sector in Kuching is lacklustre and prices continue to be stagnant. Due to increasing office space coming into the market and shop offices constituting a significant alternative supply, take-up rates are slow and rentals are seen to be dropping to less than RM3.00 per square foot even in prime locations.

SHOP-OFFICES STILL IN OVERSUPPLY

2018 witnessed substantial increase in completions of shop-offices/shop-houses in Kuching. Incoming supply as at 2Q 2018 was estimated to be at 1,053 units of which only about 5% was started this year based on NAPIC data. This signifies a slowdown of new launches. The significant increase in supply of shop-offices/shop-houses in the Kuching market have resulted in higher vacancy rate and affected their rentals and sales.

A major launch in 2018 would be the Royal Richmond Square offering 70 units in 4-storey shop-house at Jalan Datuk Mustapha, developed by M/s Kenbest.

Supply and Rental of PBO in Kuching



Note: Data for the full year of 2018 is based on estimation from NAPIC's data
Source: NAPIC, WTWY Research

Metro City Square
Source: WTWY Research

KUCHING (CONTINUED...)

Developments completed in 2018 included:

- Milan Square - 61 units of 4-storey shop-house located opposite Vivacity Mall, which has opened for business along Jalan Wan Alwi - a busy and popular residential area;
- Metrocity Square comprising 23 units of 3-storey shop-office at Matang, a secondary prime area;
- 250 units of shop-offices at Gala City along Jalan Tun Jugah which is integrated with two blocks of apartment and a retail street mall; and
- Shop units in the final phase of Tabuan Tranquiliy (an offshoot of the established Tabuan Jaya township) which offers an array of SOHO units, shops and apartments.

Milan Square @ Jalan Wan Alwi
Source: WTWY Research

GALA City @ Jalan Tun Jugah
Source: WTWY Research

REGIONAL MARKETS

NORTHERN REGION

ALOR SETAR: PBO FOR CERTAINTY, SHOP OFFICE FOR BETTER DEMAND

The purpose built office market has been subdued in 2018 due to narrow demand and this will persist in 2019. PBOs in Alor Setar are predominantly occupied by government agencies with locked-in lease term. As such, movement in the market is minimal and rent is not expected to vary. Subsequently, yields and capital values could be compressed due to growing property expenses. Overall, PBO market in Alor Setar should stay unchanged.

The overall performance of shop offices in Alor Setar, remains steady as owners prioritise on retaining existing tenants in prime locations. Therefore, rental did not vary and yield decreased. Demand for 2-3 storey shop offices was seen to pick-up, partly due to limited supply. Demand for ground floor units is still healthy but the occupancy rate for upper floor units is seen to drop.

IPOH: NEW PBO, STRATEGIC SHOP OFFICE

For purpose built office, the market remains stable. Better performance would be produced by newly completed buildings which can fetch higher rentals and occupancy rates moving forward, especially in good locations.

Ipoh's shop office market is driven by local businesses, financial institutions and SMEs for office space whilst ground floor retail space is dependent on the tourism activity in certain tourist hotspots within the Old Town and New Town of Ipoh. As such, investors of shop offices should look at locations close to tourism activities with ease of access for better rental prospects. In fact, location-specific oversupply is observable. Overall, rental of PBO shall stay the same at RM1.50 – RM2.80 while rental of shop offices is likely to move upwards to RM1.70 – RM3.00.

OVERALL

PBO in Alor Setar faces narrow demand across the market which impedes the rental growth and value appreciation while newer PBOs in Ipoh could still harvest higher rentals and occupancy rates.

Shop offices are still preferred in both markets by local companies and businesses. For Ipoh, shop offices capable of tapping onto tourism activity are the ones expected to do better.

SOUTHERN REGION

SEREMBAN: MORE SHOP OFFICE BEING INTRODUCED

Most buyers in Seremban's office market were investors as more stratified units are being introduced to the market recently. There is an oversupply of shop offices, creating mixed performances. The trend of decentralisation is noticeable, especially towards new commercial areas. A successful example would be Uptown Avenue which suggests that international F&B outlets, financial institutions and retail branding could boost the occupancy rate of shop offices. Shop offices serving established residential areas could also be attractive.

MELAKA: STRATEGIC SHOP OFFICES

No drastic movement in the purpose built office market is anticipated for 2019 but there could be competition from newer shop offices, particularly those in emerging commercial areas. This could be aggravated by the downsizing by corporate occupiers in the past few years.

Having said that, transaction volumes and values of shop offices have also declined. Some improvements may occur in 2019, underpinned by economic optimism. Locations with tourist attractions should continue to top the demand list. Double storey shop offices within the range of RM500,000 and RM700,000 were actively transacted in 2018. Although the shop office market is expected to be soft in 2019, it would still lead market preference. Despite having same yield, a shop office offers rental rates at RM1.80 per square foot, almost half of PBO's of RM3.20 per square foot.

BATU PAHAT: SUPPLY COMING IN FOR SHOP OFFICE

There are only 2 PBOs in Batu Pahat, namely Wisma Sin Long and Wisma Chin Yong. The overall occupancy rate is about 70%, not much movement took place. Limited supply and demand gives stability to this market.

Transactions involving shop offices persist with noticeable increase in Taman Flora Utama, where AEON Big and Square One Shopping Mall are located. Price is not expected to change. Nonetheless, rent and occupancy could be squeezed amidst increasing supply from D Garden Business Park and River City Business Park.

REGIONAL MARKETS (CONTINUED…)

Overall, the market is a competitive buyers' market. Occupancy rate for shop offices in established housing areas shall continue to be bullish while take-up rate of new shop offices tends to start slow. In terms of demand sources, the food industry is the principal driver in areas such as Taman Setia Jaya, Taman Bukit Pasir and the newly completed D Garden Business Park.

OVERALL

PBO is not popular in region centres while shop offices are a buyers'/tenants' market since existing and incoming supply exceeds. Demand is skewed towards shop offices due to lower rentals offered. In Batu Pahat and Seremban, the focus is on new commercial or established residential areas, whilst Melaka continues to be associated with the tourism industry.

EAST COAST

KOTA BHARU: PRICE OF SHOP OFFICE PICKING UP

Continuing its previous trend, the market for purpose built office (PBO) in Kota Bharu in 2018 was quiet but stable. The main tenants are financial institutions, corporates, insurance companies and government-linked entities. Rental and occupancy rates are unlikely to budge.

Despite transactions declined in 2018, the prices shop offices in Kota Bharu were maintained, RM500,000 – RM1 million for 2 to 5.5 storey shop offices. Demand could still be strong for strategically located shop office units. Examples are Kota Bharu Waterfront, Kota Bharu town centre and Bandar Baru Gua Musang. Most of the transactions here ranged between RM400,000 and RM1 million involving 2 – 4.5 storey shop offices. While vacant units are observable in new completions, demand for ground floor and first floor units are still enjoying good take-up.

KUALA TERENGGANU: A SHOP OFFICE A BETTER SUIT TO THE MARKET

Kuala Terengganu PBO market performance was stable throughout 2018. Existing supply is met with narrow but stable demand, coming from the government sector. With no upcoming developments, the overall performance will continue to be stagnant in 2019.

Shop offices are highly sought after in Kuala Terengganu due to the predominance small and medium traders. The rental of shop offices in Kuala Terengganu are higher than PBO. Investment is viable for shop offices in Kuala Terengganu where investors could expect a yield of 6.5% - 7.5% and long-term capital appreciation. Rental opportunity is abundant here as small and medium traders may not be able to afford to purchase a unit.

3 – 3.5 storey shop offices priced RM1 million and above had the highest transactions in 2018. New developments of Dataran Alamanda and Panji Curve, the Draw Bridge and Mayang Village Mall, are poised to unlock new business opportunities and spur demand in the market.

KUANTAN: MOVING SLOWLY

Kuantan's purpose built office market was stagnant in 2018, predominantly occupied by corporates; financial institutions and foreign investors. The demand commonly comes from relocation from older buildings and the need for improved corporate image.

Most local businesses prefer shop offices but there has been an oversupply situation in 2018. However, 2019 is likely to be better and demand may pick up slightly. The market would still focus on absorbing the unsold units.

OVERALL

PBO has not been popular in this region with only a handful of PBO. Shop offices are still preferred due to the lower rental although demand for shop office has not been robust. In most instances, demand is specific and selective amidst an oversupply situation.

REGIONAL MARKETS (CONTINUED…)

SABAH

LAHAD DATU: INTERNAL AND EXTERNAL PRESSURES

Shop office market in Lahad Datu was unimpressive in 2018. Demand for shop offices banks on local businesses which has slowed down. This combined with oversupply have exerted pressure on rental and compressed yields. All said, property values shall stabilise and not anticipated to fall further in 2019, with a bottoming-out likely in 2020 or later.

TAWAU: CAUTIOUS OPTIMISM

The purpose built office market in general remains stable with limited supply and demand.

Cautious optimism could be sensed in Tawau's shop office market for 2019 whereby developers are more reserved in launching new products and take-up for any new developments is expected to be slow but steady. Shop office units are increasingly being used as F&B and entertainment outlets and moving closer to residential areas, such as along Jalan Datuk Chong Thien Vun.

LABUAN: CAUTIOUS SENTIMENTS

The shop office market in Labuan was slow in 2018 where demand depends on local business activities, which has slowed down. The completion of new shop office developments will further exert pressure on rental and compress yields. Values for shop offices shall remain stagnant going into 2019.

Purpose Built Offices (PBO) remains unchanged and stable. Currently there are no new supply of PBO in Labuan.

SARAWAK

MIRI: UNDERWHELMING FOR BOTH

PBO is a narrow market in Miri where supply and demand are limited. Most of the occupiers are oil and gas related businesses. The shop office market remained soft as take-up was slow. Oversupply of shop offices in Miri is expected to strain the market in 2019.

BINTULU: BUYERS' CALL

Overall performance of PBO, was stagnant in 2018 and this should persist in 2019. The shop office market is shrouded by oversupply, which also effected rentals and yields. Investment in shop office is unappealing, most of the units are acquired for own use. In line with this, the purchasing behaviour is also conservative whereby buyers prefer sub-sales in established or matured areas.

SIBU: IN THE HANDS OF OWNERS

Demand for PBO in this market is motivated by corporate image and branding, most of the spaces are owner-occupied. The shop office market remains flattish. This is because sellers possess holding power despite oversupply situation in the market. Location will be the performance determinant; established and matured areas could still enjoy higher take-up rates.

OVERALL

PBO is a narrow market in this region. Supply is limited while demand is niche. Thus, there shall be no significant variation in 2019. Oversupply of shop office is prevalent in most of the markets covered, triggering conservative purchasing behaviour.

RETAIL SECTOR

RETAIL SECTOR

KLANG VALLEY

Proximity and access from rail stations will be increasingly critical for the success of retail malls. Besides that, the growing Klang Valley's population and the tourism industry will bolster the future demand for retail space. Evolving millennials' lifestyle and spending preference have also changed the retail landscape, that is, expansion of food and beverages outlets in malls, entertainment, recreation, etc.

RESILIENT FOR PRESENT

Retail sales achieved an encouraging growth rate of 6.7% in 3Q 2018 and this was above the market expectation of 0.6%. The Malaysian Institute of Economic Research (MIER) also reported that the Retail Trade Index (RTI) recorded 36 points higher at 153.8 points in 3Q 2018. According to MIER, most of the purchases were made during the last week of August prior to the implementation of the Sales and Services Tax (SST) which took effect from 1 September 2018.

As at 3Q 2018, 4 retail malls were completed, namely Eko Cheras Mall in Cheras, KL Eco City Retail in Bangsar, Shoppes @ Four Seasons Place in KL city centre and Evo Shopping Centre in Bangi. Most of the new malls have achieved up to 60% occupancy upon their opening. These completions raised the total supply of retail space to 56.9 million square feet.

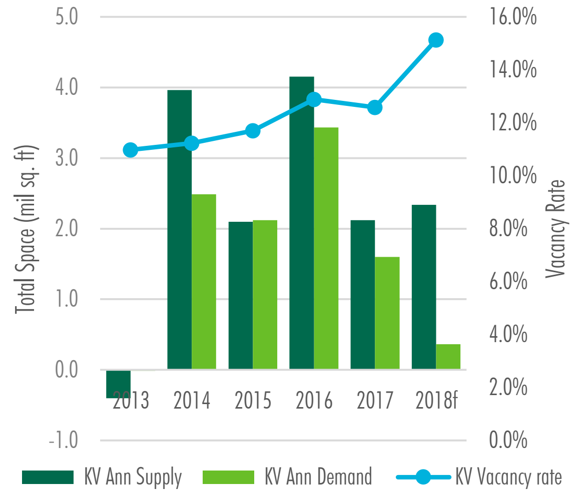
By 2020, 11.3 million square feet of retail space shall enter the market which may press the occupancy rate. The bulk of incoming supply will be contributed by the mega malls such as Empire City Mall, Tropicana Garden Mall, TRX Lifestyle Quarters and Pavilion Bukit Jalil.

For 2018, KL and outer KL areas recorded stable occupancy rates of 86% and 84% respectively. This may be partly helped by the completion of the MRT Sungai Buloh-Kajang Line which has drawn in footfalls for the malls near to MRT stations.

Prime malls located at strategic locations with access to public transport will top retailers' preference. According to most REITs, the average rental rate of prime malls will remain healthy between RM16 and RM35 per square foot.

The challenging year ahead is marked by the growing e-commerce which will affect overall retail space demand.

Supply and Performance of Retail in KV



Source: CBRE | WTW Research

Selected Future Supply in 4Q 2018 - 2019

Project Name	Location	Estimated NLA (sq. ft)
Plaza i-City	Shah Alam	802,000
Eko Cheras Mall	Cheras	625,000
Kiara 163 Lifestyle Mall	Mont Kiara	300,000
One Utama E-Phase 2	Bandar Utama	435,000
Tropicana Garden Mall	Kota Damansara	1,000,000

Source: CBRE | WTW Research

KLANG VALLEY (CONTINUED...)

MILLENNIALS DICTATE THE LANDSCAPE

A survey by CBRE Research reveals that millennials are spending less on basic living expenses since most of them live with parents. This permits them to save up to 18% of their income and spend more on leisure activities such as eating out, sports and non-food shopping.

Millennials are the first truly digital natives, growing up with technology rather than having to adapt to it. Interestingly, millennials are using online stores primarily to research products, compare prices and read reviews. When buying, more than 50% of the respondents agreed that they prefer the physical experience of seeing, touching, testing and trying out the product before buying. The underlying statement of this is that physical stores are still relevant.

In another perspective, shopping centre is not patronised by millennials for the sole purpose of buying a product. Instead, it is also a leisure activity and a time to spend with family and friends. Therefore, place-making for shopping malls through provision of more social spaces, unique features, diverse tenants mix and wide range facilities and amenities may well be the increasingly important differentiation factors for malls.

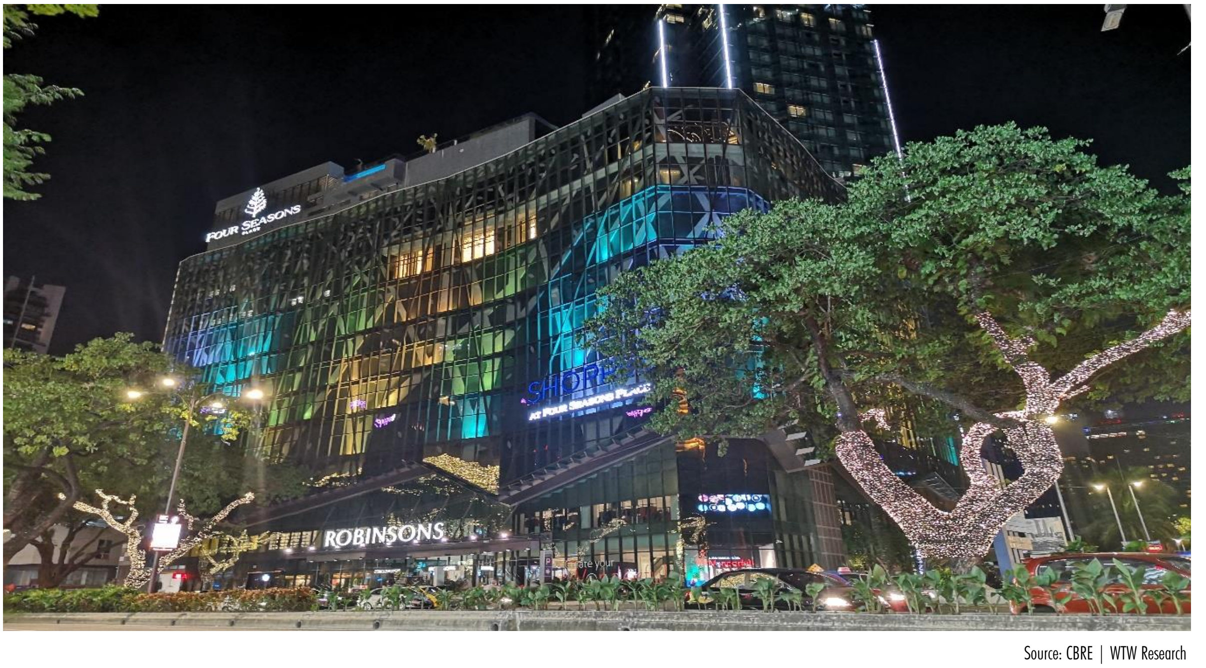
PROACTIVE TRANFORMATION

The speed of digital revolution and constantly evolving consumption trend have made it difficult for shopping centres to gauge and foresee market appetite. In order to retain customers, a pleasant shopping experiences has to be considered as a key by creating modern shopping and leisure destinations to increase footfalls and subsequently, revenue.

According to Inside Retail, 42% of respondents in a recent study noted that refurbishments, paid their way in higher sales, tenant sentiment and also increased leasing. CapitaLand Malaysia Mall Trust (CMMT) intends to refurbish Sungei Wang Plaza by mid-2019 which will be the third makeover since 2013 to breathe new life into the 41-year old mall.

SALES AND SERVICES TAX IS BACK

After the GST-holiday period, retail sales are anticipated to drop in the early months of sales and service tax (SST) reintroduction starting in September 2018. However, Retail Group Malaysia indicated that sales should regain strength during the school holidays and festive season towards end-2018 and early-2019 based on past patterns.



Source: CBRE | WTW Research

RETAIL SECTOR

PENANG

The retail sector is likely to be flat, buffered by cautious optimism. Mixed performances will be more evident between the better and under-performing retail complexes, of which the latter is likely to drag down the overall occupancy rate and average rental. With abundant supply in the pipeline, shoppers can look forward to exciting shopping experiences.

CAUTIOUS OPTIMISM AS THE BUFFER

According to Malaysian Institute of Economic Research (MIER), the Consumer Sentiment Index (CSI) retracted to 107.5 points in 3Q 2018 after a 21-year high of 132.9 points in 2Q 2018 while the Business Conditions Index (BCI) slipped to 108.8 points, from 116.3 points in 2Q 2018. 2Q 2018 was more bullish mainly reflecting market euphoria following the change in the federal government.

Despite the sentiments fall in 3Q 2018, both were still above 100-points which suggests that consumers and businesses are generally positive. Consumers could be held back by lack of extra income, their purchasing power eroded by the rising cost of living.

Revenue for retailers shall sustain but not grow. Hence, the ability of retailers to pay increased rentals would be constrained. In turn, the retail sector is likely to be flat.

PERFORMANCE DISPARITY

Retail complexes in Penang were observed experiencing mixed performance. Single owner retail complexes have generally registered good occupancy rates and high rentals. Gurney Plaza, Gurney Paragon and Queensbay Mall on Penang Island, and Sunway Carnival and AEON Mall in Seberang Perai are the examples. In contrast, most stratified shopping complexes with multiple ownership with poorer tenant mix experienced reduced occupancy rates and rentals. Tenants exited these complexes due to low footfalls and unsustainable business volume.

The incoming retail complexes are better-planned in design and concept and offering a pleasant and refreshing shopping experience. Hence, the mixed performance among retail complexes is expected to be more obvious in the future.

REDUCTIONS IN OVERALL OCCUPANCY RATE AND AVERAGE RENTAL ARE LIKELY

The overall occupancy rate stood at 72% as at mid of 2018 - 79% for Penang Island and 63% for Seberang Perai. Retail lots on the ground floor of selected prime retail complexes in Penang Island commanded higher gross rental rates of up to RM45 per square foot.

SHOPPERS CAN LOOK FORWARD TO AN EXCITING SHOPPING EXPERIENCE

As at mid of 2018, the existing supply of retail space in Penang state remained at 18.8 million square feet since there was no new mall/complex. 59% of the existing supply is located in Penang Island and the balance in Seberang Perai.

Following the announcements and construction of a number of retail projects in Penang, a substantial increase of supply will be seen in the medium-term. Approximately 8 million square feet of net lettable area may be offered by retail complexes within integrated developments instead of stand-alone retail complexes.

Hence, exciting shopping experience awaits shoppers while competition among retailers and landlords will intensify.

ADAPTATION NEEDED, QUICKLY

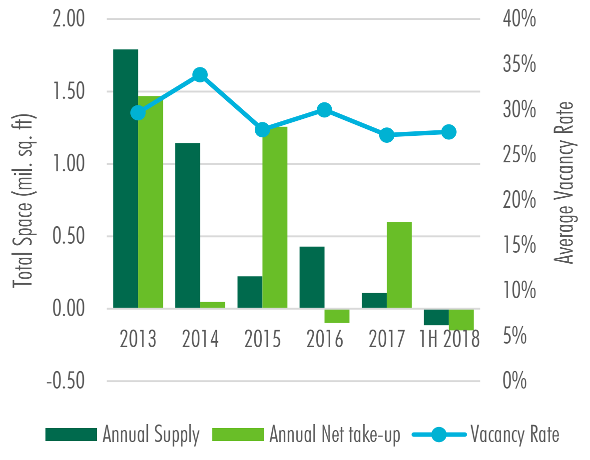
The advent of online shopping and emergence of mobile shopping applications have rapidly changed the retail industry. Shopping malls are also under pressure to reshape in line with the evolving technologies.

According to Euromonitor International, a market research provider, internet retailing in Malaysia is expected to register RM6.25 billion of sales in 2018 and accelerate to RM7.67 billion in 2019. E-commence in Malaysia is also on a growth trajectory following the full implementation of 13 key programmes under the National E-Commerce Strategic Roadmap (NeSR). The emergence of new payment technologies that address safety, speed and convenience will continue to support this trajectory.

Traditional brick-and-mortar retailers need to gauge the interest of customers to visit their store or face losing market share to online retailers such as Lazada, Zalora, Shopee, FashionValet, Ezbuy and 11Street. In addition, the power of social media such as Facebook and Instagram would enable anyone to start an online business with ease from the comfort of their own home.

There will be convergence in which traditional retailers are going online while online merchants are opening physical outlets. Other new retail models are retailtainment and online to offline (O2O) retailing. In fact, shopping malls may be repositioned as social interaction centres for leisure, social and recreational activities.

Supply and Performance of Retail



Source: NAPIC, CBRE | WTW Research

Notable Upcoming Purpose-Built Retail Centres in Penang

Project Name	Estimated NLA (sq. ft)	Expected Year of Completion
Penang Island		
The Light Retail Mall	1,000,000	2025
Sunway Paya Terubong	1,000,000	2025
Retail Mall @ Penang World City	1,000,000	2024
Mall @ Southbay City	750,000	2020
City Mall @ Tanjong Tokong	300,000	2018
Penang Time Square Phase 3	230,000	2019
Retail Mall @ Sunshine Tower	N.A.	2020
Seberang Perai		
GEMS Megamall	1,200,000	2020
Ikano Shopping Centre @ Batu Kawan	1,000,000	2019
IKEA @ Batu Kawan	430,000	2018
Sunway Carnival Extension	500,000	2020
Retail Mall @ Penang Sentral	392,000	2020
Tesco @ Bagan Ajam	N.A.	2020

Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

Weakening Ringgit encouraged foreigners spending in Iskandar Malaysia (IM), especially Singaporeans who are always the main support to IM's retail market. Locals are looking forward to new malls for different shopping and entertainment experiences.

AGAIN, NEW MALLS COMING IN

There are three retail malls to be ready by end of 2018. These three long-waited malls will offer a variety of shopping and entertainment experiences to locals and visitors in IM. Midvalley Southkey Megamall, Princess Quay Shoplex and Capital 21 will provide another 3.13 million square feet of new retail space to the market.

The current supply of retail space in IM stood at 17.53 million square feet which will increase to 20.66 million square feet when the above-mentioned three malls commence operation as per schedule.

NEW MALLS TO SURPASS EXISTING MALLS SOON

Out of the total 17.53 million square feet of retail space in IM, 62% (10.8 million square feet) are retail malls while the remaining 38% (6.7 million square feet) are arcades and hypermarkets.

Approximately 5.3 million square feet of retail space entered IM for the past two years, and another 2.5 million square feet will come on stream in the next few years. By then, the newly completed and incoming supply will eventually form 44% of total retail space in IM.

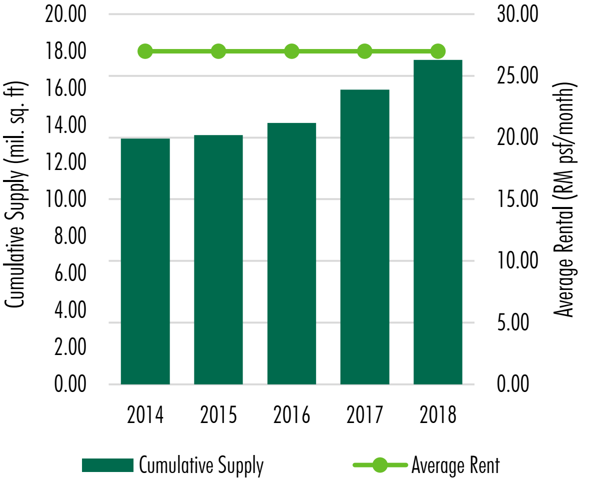
STABLE RENTAL AND VACANCY RATE

For 2018, the vacancy rate of retail space stayed stable at approximately 23% while the average rent eased slightly to RM25 per square foot from RM27 per square foot in 2017.

AGEING MALLS TO BE REPLACED

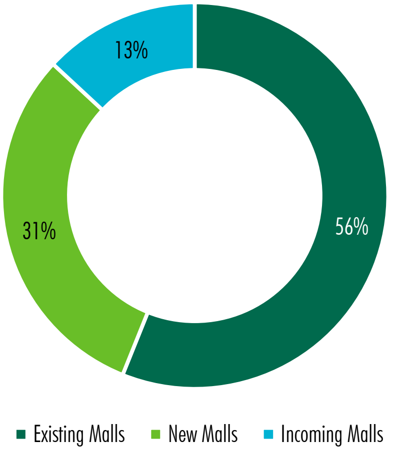
With the increasing number of new modern retail malls coming into the market, the existing malls have to put on a lot more effort to stay competitive in the market. Most of the new retail malls have unique attractions and entertainment/leisure activities besides enhanced shopping experiences. All these will build up more pressure and challenges to ageing malls.

Supply and Average Prime Rental of Retail Malls in IM



Source: NAPIC, CBRE | WTW Research

Existing and Incoming Supply of Retail Malls in IM



Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

Take-up in newly completed malls and those with strata ownership continue to lag behind while well-managed and strategically-located malls have sustained occupancy and footfalls.

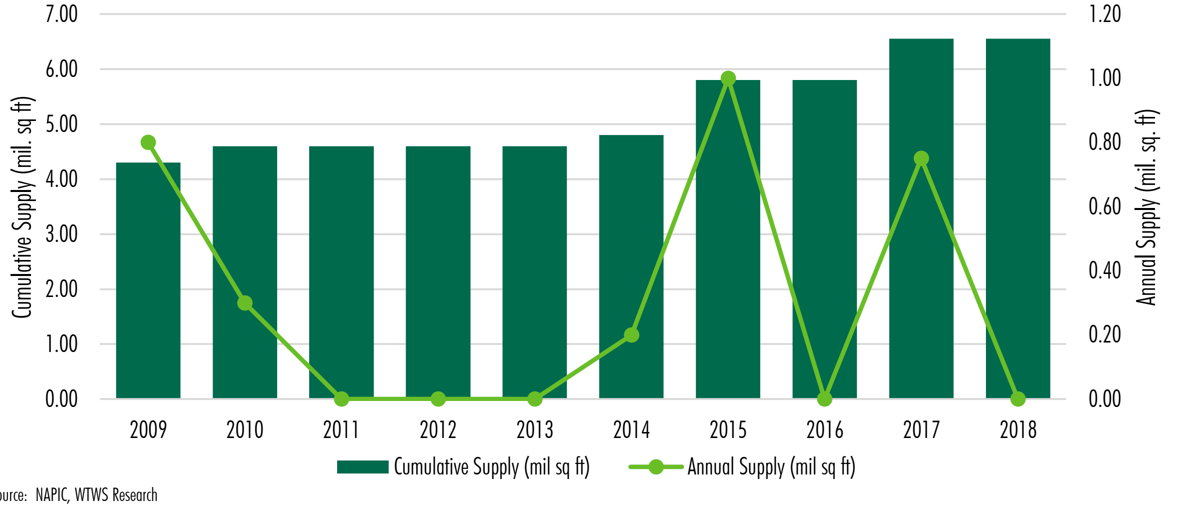
NO SIGNIFICANT CHANGE FROM PREVIOUS YEARS

Secondary market transaction volume for the retail sector continued on a flattish trend from the preceding year. There was no new completion in 2018. Take-up of retail space in newly completed malls have been gradual and continue to lag behind supply. Competitive rental rates and / or rent-free period are being offered by newer malls to attract tenancy. On the other hand, well-managed and strategically-located retail malls continue to attract good footfalls and sustain their occupancy and rental rates. Progressive mall management strives to modernise and retain shoppers' interest with activities, promotions and festival celebrations.

The first quarter of 2019 will see the opening of Jesselton Mall which houses luxury retail brands to ride on the state's burgeoning tourism sector. The mall offers differentiation to Kota Kinabalu's retail scene. Among the brands under the mall's tenants are Valiram - Malaysia's home-grown and Southeast Asia's leading luxury goods and retail specialist - and Hugo Boss, Michael Kors, Polo Ralph Lauren, Swarovski, Swiss Watch Gallery, Tory Burch, Tumi, Versace, Wear+When, TWG Tea and Godiva. More reportedly to ensue.

Jesselton Mall in KK CBD
Source: WTWS Research

Supply of Retail Malls in Kota Kinabalu-Penampang



Source: NAPIC, WTWS Research

KUCHING

The retail sector remained subdued for 2018 which has been a challenging year in terms of maintaining occupancy.

SUBDUED AND CHALLENGING

The retail sector in Kuching continued its quiet streak for 2018 with only one mall, namely AEON Mall opening in April 2018. Close to established housing areas at Central Park, this latest mall with gross floor area of about 70,000 square metres houses well-known brands such as AEON, Level UP, MBO, H&M, Uniqlo, BO, Daiso, Kaison and Lea Centre.

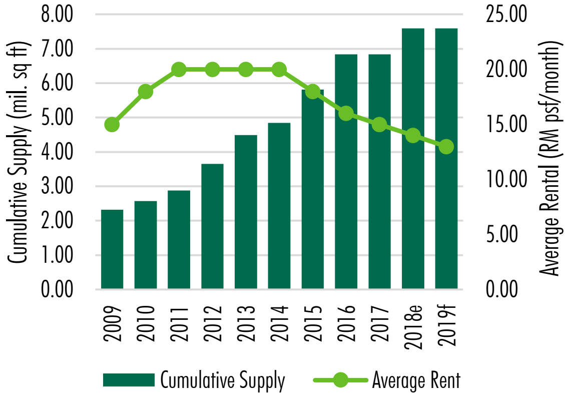
The increase in supply of retail space in recent years, coupled with the present economic slowdown have resulted in lower transactions and occupancies which then reflected lower sale prices and asking rentals of around RM13 per square foot on average.

There was some retail buzz during the mid-2018 as brisk sales were conducted throughout the retail malls, to cash in on the tax-holiday period between June and August.

NEW BREED OF MALLS

There is an anticipated increase in hybrid malls in the next few years, in the form of shops built around an open-air centre court with shared common facilities such as walkways, stairs / escalators and toilets, akin to a street mall. Examples of such retail types would be The Emporium along Jalan Tun Jugah which was opened in 2Q 2018, and the upcoming Tropics City Mall at Jalan Song, Aeroville at Stutong Baru, Gala City Street Mall, The Forum, etc.

Supply and Rental of Retail Malls in Kuching



Source: WTWY Research

AEON Mall at Central Park, Kuching
Source: WTWY Research

REGIONAL MARKETS

NORTHERN REGION

ALOR SETAR: HYPERMARKETS STILL FAVOURABLE

The retail market in Alor Setar remained down but newer malls manage to retain good sales volume. In fact, the rental of newer malls has been either stable or increasing slightly while most of the existing malls have decreased their rental. Moving forward, hypermarket and convenience stores could stay resilient as spending on groceries remains strong.

IPOH: HEALTHY RETAIL ENVIRONMENT

Healthy retail performance in Ipoh stabilized the retail market, occupancy rate was moderate as of 2018. The increase in transaction value for 2018 despite similar transaction volume compared to 2017 implied optimism in the market. Taking into consideration the absence of incoming supply and vacancy in existing retail space, rental for retail space in Ipoh is unlikely to vary in 2019. Owners would prioritise securing or retaining tenancy instead of going after higher rental returns.

OVERALL

Retail sales in Ipoh was healthy whereas Alor Setar has generally slowed down. The underlying tourism activity may have buffered the retail sales for the former whilst the latter is more dependent only local shoppers. As 2019 approaches, the positive outlook on the retail sector is more widespread for Ipoh whereas only certain newer malls in Alor Setar are likely to be resilient.

SOUTHERN REGION

SEREMBAN : NEW CATALYST IN THE MAKING

Retail properties in Seremban market have been stable in terms of occupancy and rental rates in 2018, improvement may be forthcoming in 2019 on the premise of better economic prospects. AEON Nilai will be a new benchmark for the retail landscape in Negeri Sembilan where it is set to offer a new and comprehensive shopping experience as the largest mall in the state. The opening of Mesa Mall with the concept of Bangkok Street could be another signal that the advent of enhanced shopping experience. Coupled with Nilai's identity as an education hub, the introduction of new malls and concepts could have catalytic outcomes, creating job opportunities and reshaping retail norms. Given that the target group in Nilai are predominantly younger especially students, good location, connectivity via public transport and tenant mix will determine the success for retail centres.

MELAKA: REVOLVE AROUND TOURISM

Melaka's retail market is anticipated to retain its current state. Challenges from newer malls amidst weak demand could still arise. Therefore, the rental rate is unlikely to vary and stays competitive. Malls located at prime locations within town city centre able to tap into tourism activity could still be better protected from potential adversity.

BATU PAHAT: NOTHING CHANGED

There are only 3 malls in Batu Pahat, namely Square One Shopping Mall, Batu Pahat Mall and The Summit. Except The Summit, occupancy rates in these malls are satisfactory, no fluctuation is foreseeable in 2019 and beyond. Retail spaces in Square One Shopping Mall and Batu Pahat Mall are for lease only, thus, stability in occupancy rate should also translate into constant rental. Footfalls in Batu Pahat are driven by good tenant mix and popular food outlets.

OVERALL

The 3 markets covered in this region portrayed distinctive conditions. Batu Pahat has the quietest nonetheless stable retail market among its neighbouring markets. Melaka's stronghold of tourism could lend support to malls in prime locations. The retail sector in Seremban and Nilai are probably the most innovative and exciting in the Southern Region, more time may be needed for the impact to be evident.

EAST COAST

KOTA BHARU: FEW CATER TO ALL

In Kota Bharu, the market can be regarded as stable with supply still active by the new entrance of Platinum Wholesale City Mall and Al-Waqf Mall. Limited options of retail malls in Kota Bharu presents concentration and certainty of footfalls to the malls. Therefore, the selection of tenant is significant to remain competitive in the market.

REGIONAL MARKETS (CONTINUED...)

KUALA TERENGGANU: CRAVING FOR NEW RETAIL MALL

Supply of retail space in Kuala Terengganu is still active with notable projects in the pipeline, they are KTCC Mall and Mayang Mall, both have potential of becoming the benchmark of the retail sector in the state. At present, competition is feeble, there are still opportunities for expansion. In near future, rental shall retain its current rate, changes would probably be observable only when the KTCC Mall and Mayang Mall commence.

KUANTAN: GEOGRAPHICALLY-ADVANTAGED

The Kuantan City Mall and East Coast Mall are anchoring the performance of retail market in Kuantan. Benefiting from the absence of other big cities around Kuantan, these 2 malls are able to reach out to tap consumers from Pekan, Kemaman and Rompin. Both Kuantan City Mall and East Coast Mall are relatively new, well managed and able to offer a wide variety of products and services.

OVERALL

Retail properties in East Coast are producing encouraging yields of 7% in recent years. Moreover, there is still untapped opportunities in Kota Bahru and Kuala Terengganu. There may be no significant changes in rental or occupancy rates until these pipeline malls are completed. Meanwhile, the retail market for Kuantan will remain astute, advantaged by its geographical position.

SABAH

Lahad Datu's retail market was down in 2018 and this is likely to persist into 2019. The retail market in Tawau may be more stable in 2019 whereby the demand is still healthy for small-sized retail units. Most of these units are taken-up for lifestyle and F&B businesses.

SARAWAK

The retail markets in this region are mixed. The retail market in Miri was subdued as the local economy softened. Reduction in rental rate of retail properties is probable in 2019.

In the case of Bintulu, the market is expected to face pressure due to increasing competition from new supply. Newly completed projects such as Paragon Street Mall, Commerce Square Mall, Times Square Mall and the upcoming malls namely Crown Pacific Mall, The Spring Mall and Boulevard Mixed Development will add substantial retail space to the market. These developments could strain take-up and occupancy rates. All said, malls located in prime locations with good access and road linkages would be the ones doing well.

Meanwhile in Sibu, the retail market is slightly optimistic, banking on the proposed development of the Sibu Transportation Hub.

INDUSTRIAL SECTOR

INDUSTRIAL SECTOR

KLANG VALLEY

Industrial sector is undeniably one of the lifeblood to drive the economy. Technology advancement is anticipated to transform the landscape of industrial sector. E-commerce shall steer demand for warehouse, logistics services and last mile delivery.

OPTIMISM AND STEADINESS

Klang Valley stays as a top pick for investment in Malaysia. It was shown by the total approved investment of RM3.1 billion received for January – June 2018, accounting for about 25% of national total approved investment. Klang Valley also draws huge attention from foreign investors, worth around RM1.6 billion for the same period.

As at 1H 2018, 840 industrial properties worth RM4.45 billion were transacted, where most of the transactions took place in Petaling district. The most significant transaction was the purchase of 212.54 acres of industrial land within Kota Seri Langat by AIDF Industrial Park Sdn Bhd (subsidiary of AREA Group). Named as The COMPASS, this site is planned to be a fully integrated and serviced industrial and logistics park.

The average rental reported stable, hovering at a range of RM1.50 to RM2.50 per square foot for prime areas and RM0.70 to RM1.50 per square foot for non-prime areas. Meanwhile, average yield for prime industrial areas was estimated in a range of 7% to 9%.

Approximately 155 million square feet of industrial space are available within the prime industrial areas. 96.5% of occupancy rate was recorded for 2018 of which about 149.5 million square feet of space are occupied by manufacturing, followed by services sectors. By activity, food and beverages and chemical products occupied the majority of manufacturing space by making up to about 107.7 million square feet (69% of total space used). As for services sector, 26% or 39.5 million square feet are occupied by 3-PL and logistic players.

2,700 units of future supply reported by NAPIC during the review period. 46% or 735 units of the planned supply are semi-detached factories. This implies the pattern of development trend of standard industrial property in near future.

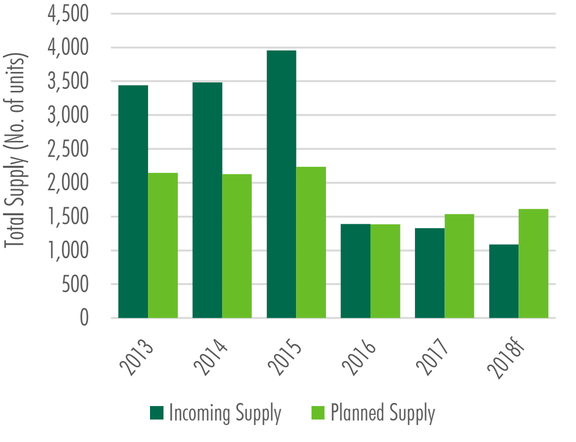
TRANSPOSITION: ANOTHER SUNSHINE

Real estate pursues highest and best use. Given the increasing land price and rapid developments, Petaling Jaya industrial areas may be facelifted into commercial use such as office towers and serviced residence. For instance, suitability for manufacturing and warehousing at the Jalan 51A and Jalan 225 areas are being questioned as the old factories are progressively commercialised.

Consequently, opportunities also arise within existing industrial areas such as Bandar Bukit Raja, Meru and Kapar. Recent developments are seen to incorporate the concept of greenery, cleanliness, security - all of which would reshape the image of industrial properties accommodative for office or corporate usage.

In addition, Pulau Indah may be added to the list of choices as 380 acres of land has been proposed to be declared as Free Trade Zone, spurring industrial growth in Klang Valley.

Future Supply of Industrial Units in KV



Source: NAPIC, CBRE | WTW Research

KLANG VALLEY (CONTINUED…)

INDUSTRIAL REVOLUTION 4.0: JOURNEY BEGINS

Implementation of technology may also slowly transform industrial orientation in Malaysia to high value-added industrial activities. For example, digitalisation and automation via the application of the Internet of Things (IoT), robotics and automated real-time manufacturing system by Top Glove Corp Bhd resulted in operational efficiency improvement. Apart from 20% of gas energy savings, there was a 14% reduction in workers reliance over the years.

Leveraging on automation, GD Express Carrier Bhd (GDEX) also intend to increase the average daily sorting capacity to above 300,000 parcels. Thus, introduction of automation and technology enhancement in industrial operations and lesser dependency on labour could transform industrial space use in long-term.

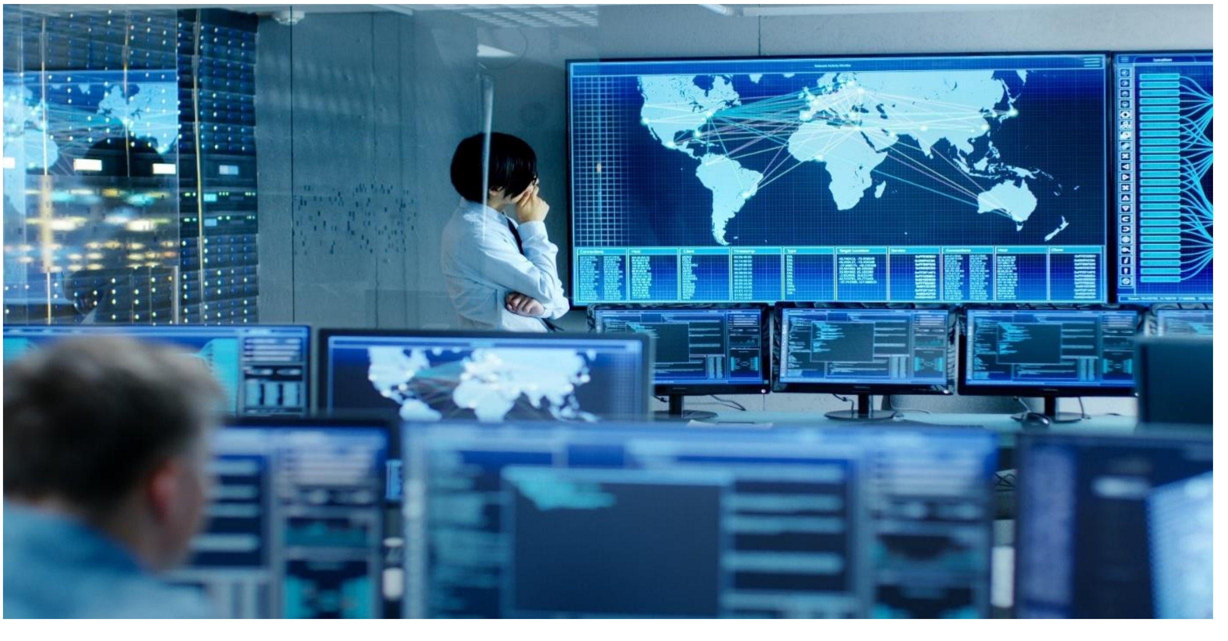
NEW DEMAND STREAM OF E-COMMERCE

Collaboration between Alibaba Group's logistics unit, Cainiao, with Malaysia Airports Holdings Berhad (MAHB) and Malaysia Digital Economy Corporation (MDEC) to develop Digital Free Trade Zone (DFTZ) has seen some progress. To-date, approximately 3,300 SMEs have joined the DFTZ platform since it was implemented in 2017.

Parallel to the emergence of e-commerce, logistics activities, especially last mile delivery would be increasingly significant where its efficiency is closely tied to the proximity of recipients. Eventually, possibilities and alternatives may be opened up for last mile delivery service providers such as Century Logistics Holdings Bhd, Freight Management Holdings Bhd and Xin Hwa Holdings Bhd to consider warehouses of optimum size located closer to the city centre instead of a spacious warehouses located closer to ports.

BUDDING IN THE PROCESS

Following the National Budget 2019, the government has proposed a pile of incentives to encourage research and development (R&D) activities in the manufacturing sector. R&D are essential to strengthen manufacturing capacity and technology of local SMEs as well as developing a more skilled labour force. Taken into account the efforts of various aspects, industrial facilities are to be upgraded further while anticipating a dynamic and smart future in Klang Valley's industrial sector. As such, interest for Klang Valley's industrial property remains on the upbeat and supported by both local and foreign industrial players.



PENANG

Investments in manufacturing would still drive the growing the Penang's industrial sector. As multinational companies rationalise their operations, more 'sale and leaseback' arrangements may be expected in the near future. Privately-developed purpose-built standard factories will be relying on the growth of small and medium enterprises (SMEs). Overall, stable prices and rentals are anticipated.

INVESTMENTS LOOKING GOOD

Investments in the manufacturing sector was less in 2018 compared to 2017 when Penang state recorded the highest foreign investment among all states in Malaysia at RM8.5 billion and was ranked second in terms of total investment at RM10.8 billion. For the first six months of 2018, Penang state received approximately RM716 million of foreign investment and RM1.3 billion of domestic investment.

Announcements of significant new manufacturing investments into Penang in 2018 include:

- Micron Technology, a manufacturer in memory and storage solutions, announced its plan to invest RM1.5 billion in Penang over the next five years and set up a plant on a 52-acre site in Batu Kawan Industrial Park, Seberang Perai, for the assembly of solid state drives (SSDs). The Nasdaq-listed company is a Fortune 500 multinational company based in the United States.
- Mi Equipment Holdings Berhad has started the construction of its RM65 million factory in Bayan Lepas Industrial Park, Penang Island while its RM75 million factory in Batu Kawan Industrial Park, Seberang Perai, will start end-2019. The company is principally involved in the design, development, manufacture and sale of wafer level chip sale packaging (WLCSP) sorting machine for the semi-conductor industry.
- Japan Lifeline Co Ltd's subsidiary, JLL Malaysia Sdn Bhd had purchased a 4-acre industrial site at Penang Science Park and invested RM70 million to set-up a facility to manufacture medical devices.
- CPI (Penang) Sdn Bhd which is the indirect wholly-owned subsidiary of Kumpulan Peransang Selangor Berhad has signed the sale and purchase agreement with the Penang Development Corporation (PDC) to purchase an industrial site at Bayan Lepas Industrial Park to build a new electronic manufacturing services (EMS) factory. The industrial site measures approximately 4.54 acres and was purchased at RM27.7 million, or RM140 per square foot.

Major industrial complexes opened for operations in 2018 include:

- Built at a cost of RM120 million, the newly opened 12 Waves warehouse in Batu Kawan holds two records in the country as the longest warehouse with a length of 684 metres and the biggest single-storey warehouse at 645,640 square feet.
- Sheet metal fabrication manufacturer, UWC Group of Companies has opened its new plant in Batu Kawan Industrial Park with investment of RM150 million. The 12.5-acre site boasts a built-up area of 350,000 square feet.
- CEVA Logistics has opened a new 70,000 square feet facility in Bayan Lepas Free Industrial Zone Phase 4.
- Integrated Cold Chain Logistics Sdn Bhd launched its new one-stop regional distribution centre in Bukit Minyak Industrial Park.

PENANG (CONTINUED…)

The US-China trade conflict which started in early-2018 has somewhat provided a positive impact to the industrial sector in Penang. On one hand, manufacturing companies in China explored production and shipping options from Malaysia specifically, Penang. This is to avoid the hefty import duty imposed by the US on products made in China. On the other hand, American companies based in Penang were not seen returning to the US with the presidential tax break offer.

MORE "SALE AND LEASEBACK" ARRANGEMENTS

Atrium REIT will execute a sale and leaseback agreement with Lumileds Malaysia Sdn Bhd for its proposed acquisition and leaseback of two factories in Bayan Lepas Industrial Park, Penang Island for a total consideration of RM180 million.

As multinational companies further rationalise their operations, there may be more of such arrangements.

PRIVATE DEVELOPERS TAP ONTO SMEs

Most private industrial developers in Penang build standard factories to cater to SMEs. Typically, these industrial developments are much smaller than the major industrial parks developed by the Penang Development Corporation (PDC).

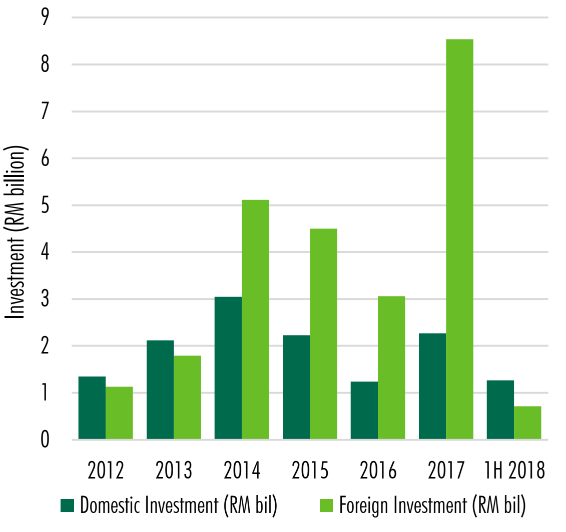
Under Budget 2019, the federal government has proposed various financing packages, grants, and training programmes to facilitate the growth of SMEs.

EXTENSION OF BATU KAWAN INDUSTRIAL PARK

The take-up and development in Batu Kawan Industrial Park have gained momentum with industrial sites being acquired and manufacturing facilities being constructed and completed.

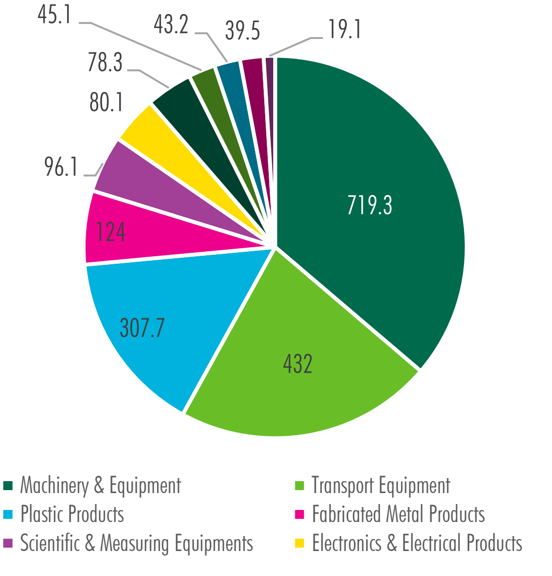
The expansion of Batu Kawan Industrial Park towards south of Byram Estate, is in the pipeline as the land acquisition exercise will complete soon.

Approved Manufacturing Investments in Penang



Source: MIDA, CBRE | WTW Research

Approved Investments for Manufacturing Industry in Penang for Jan to June 2018 (RM million)



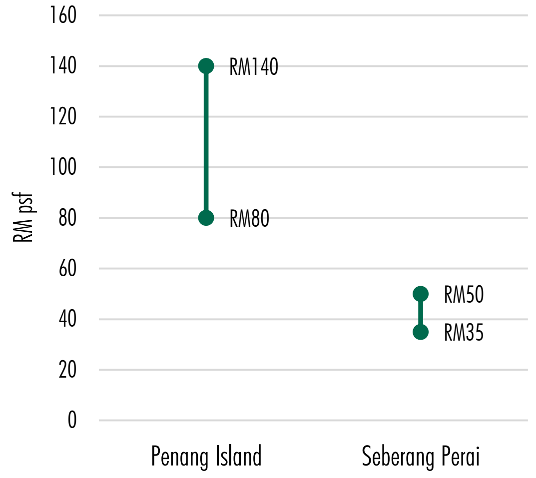
Source: MIDA, CBRE | WTW Research

PENANG (CONTINUED...)

STABLE PRICES AND RENTALS IN NEAR FUTURE

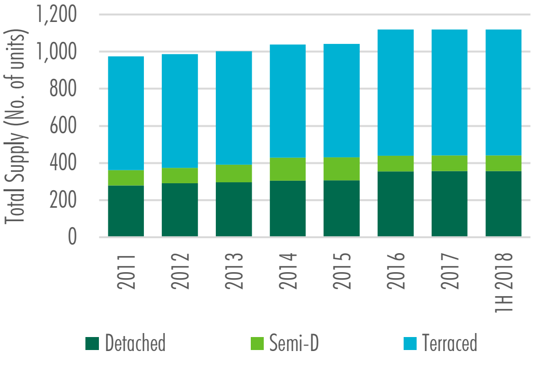
Prices and rentals of industrial properties have moved upwards marginally in recent years, in line with the rising cost of development. However, prices and rentals are anticipated to be stable.

Indicative Land Prices in PDC Industrial Park



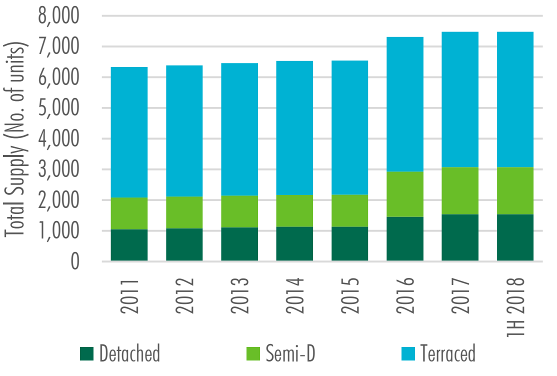
Source: NAPIC, CBRE | WTW Research

Supply of Industrial Units in Penang Island



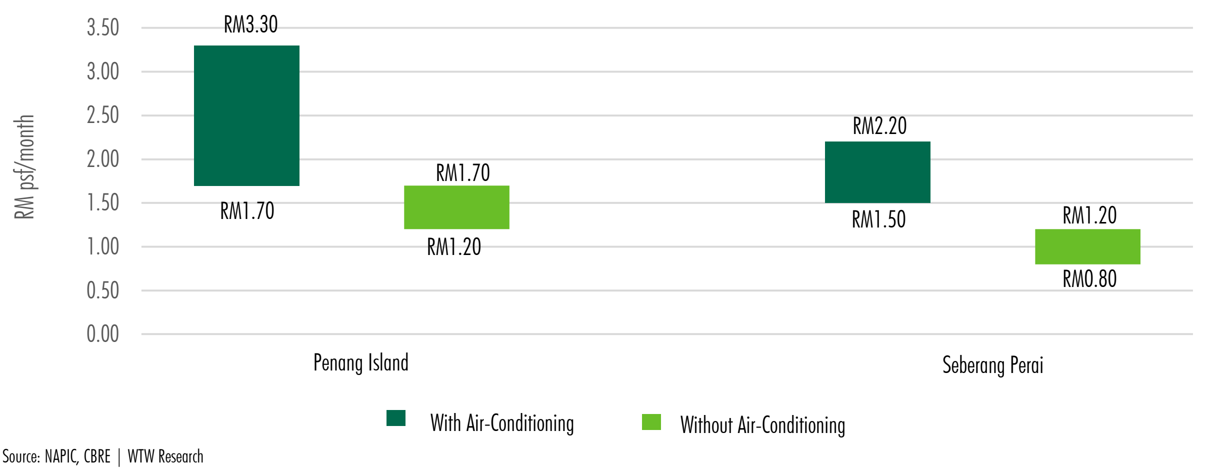
Source: NAPIC, CBRE | WTW Research

Supply of Industrial Units in Seberang Perai



Source: NAPIC, CBRE | WTW Research

Indicative Rentals in PDC Industrial Park



Source: NAPIC, CBRE | WTW Research

INDUSTRIAL SECTOR

ISKANDAR MALAYSIA

Iskandar Malaysia (IM) maintained the growth in committed investments with RM264 billion accumulated as at 1H 2018. RM10.9 billion was invested in IM in the first half 2018 with new realised investments worth RM13.6 billion.

PETROLEUM PRODUCTS HOLDS THE MAJOR SHARE

IM continues to garner the interest of investors, led by government investments in oil and gas at Tanjung Pengerang. In 1Q 2018, total investments in Johor was RM868 million by 31 projects.

Johor attracted approved projects worth RM21.9 billion in 2017, the top spot of all states, representing about 34% of total investments approved in Malaysia. 77% of the investments came from domestic investments while the remaining 23% from foreign investments. The main contributor was petroleum products with a big 66% share of total approved investments, followed by 15% for non-metallic mineral products.

In February 2018, the Petronas-Saudi Aramco partnership in RAPID Johor was finalised with a committed investment amount of USD7 billion.

SUPPLY GROWING STEADILY

Total supply of industrial units in 2018 stood at 12,111 - of which 5,956 units (49%) are terraced factories, 3,619 units (30%) are semi-detached factories and the remaining 2,536 units (21%) are detached factories. The supply is expected to increase marginally in 2019.

414 industrial premises were completed in 2018 of which cluster and terraced factories made up 36% and 33% respectively, followed by 26% semi-detached and detached factories.

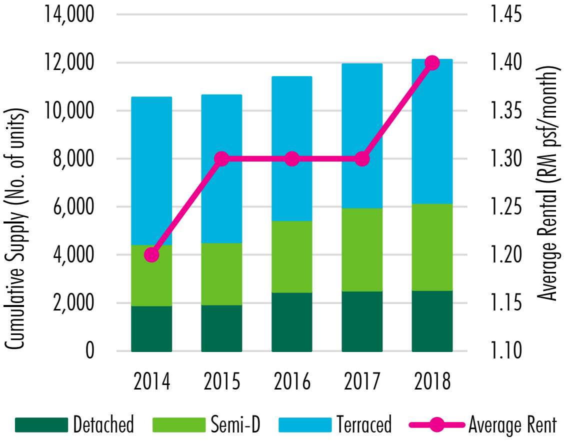
In 2018, only three new industrial developments were launched, viz the new phases of 5F Factory in Kempas, Taman Perindustrian Cemerlang in Desa Cemerlang and Eco Business Park 2 in Senai Airport City. These projects introduced a total of 146 industrial premises to the market.

LOWER SALES TRANSACTION VALUES

In sub-sale market, the number of industrial premises changing hands in 2018 dropped by 15% compared to the same period of last year, especially for terraced and detached factories. Semi-detached factories showed an increment of 24%. When measured in value however, terraced factory indicated a minor growth of 3% while semi-detached factory prices dropped by 10%.

IM is still one of the preferred investment destinations for multinational companies albeit at slower momentum. Demand for larger industrial plots and detached premises in good locations is still encouraging. On the flip side, cluster and smaller-sized semi-detached factories are facing poor occupancy.

Supply of Industrial Units in IM



Note: Data for the full year of 2018 is based on estimation
Source: NAPIC, CBRE | WTW Research

KOTA KINABALU

Overall, a quiet industrial sector in 2018. However, Kota Kinabalu still plays a significant role as the main distribution hub for Sabah.

LITTLE TO OBSERVE

New launches were limited, the only one noticeable being Angco Industrial Park along Jalan Tuaran Bypass with 41 terraced, semi-detached and detached industrial units. Including Angco Industrial Park, there are five developments totaling 168 units in various stages of construction. The majority (141 units) are located to the north of Kota Kinabalu in Inanam and Sepangar-Telipok areas. Semi-detached light industrial buildings make up the largest proportion of the ongoing units.

Based on the 1H statistics by NAPIC, total value of transactions declined by about 26% (y-o-y) for the first half of 2018 despite transaction volume almost doubling.

Notwithstanding that, Kota Kinabalu is the main distribution hub for Sabah, hence industrial lands and buildings with good accessibility and close to centres of activities will continue to be in demand.

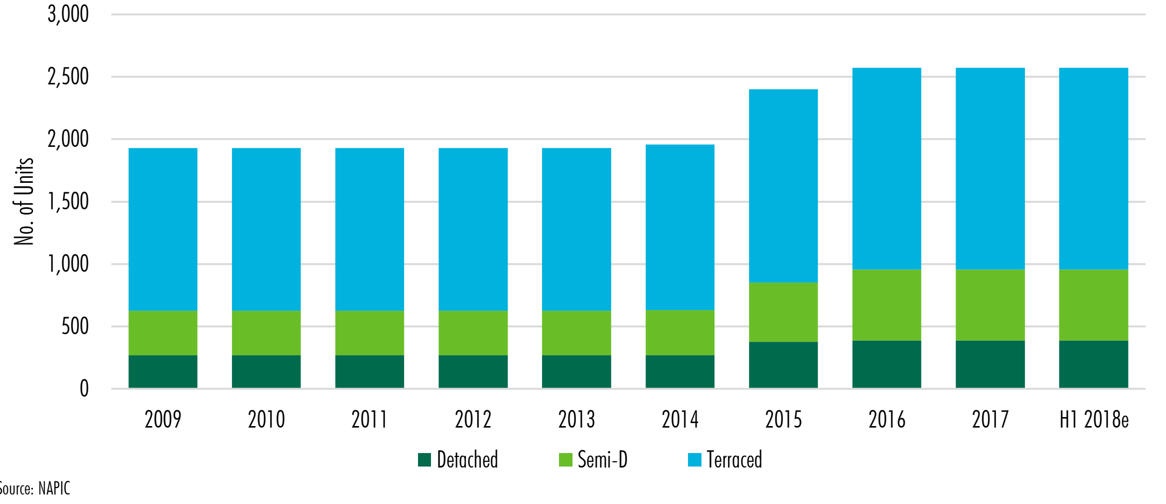
K.K.I.P. Sdn. Bhd. - the wholly-owned company of Sabah state government and the developer of Kota Kinabalu Industrial Park - will continue to implement new projects, which will include the proposed development of Autocity, encompassing a drag race strip, specialised workshops and an auto exhibition centre on about 60 acres of land. Another undertaking would be an aerospace technical training centre to develop a workforce capable of handling aircraft maintenance (Source: Daily Express, 15 November 2018).

New Launches for Industrial Sector

Name	Location	Developer	Build-up Area (sq ft)	No of Units	Price
Angco Industrial Park	Jalan Tuaran Bypass	Angco Venture S/B	Terraced – 5,100-5,800 Semi-d – 5,040 Detached – 5,730	Terraced – 14 Semi-D – 26 Detached - 1	RM3.040 mil RM3.594 mil RM5.373 mil

Source: WTWS Research

Supply of Industrial Units in Kota Kinabalu-Penampang



Source: NAPIC

INDUSTRIAL SECTOR

KUCHING

The industrial sector in Kuching was dull for 2018, with few completions as a consequence of the paucity of industrial projects launched in recent years. The potential of Kuching's industrial sector is undermined by its inability to attract property players

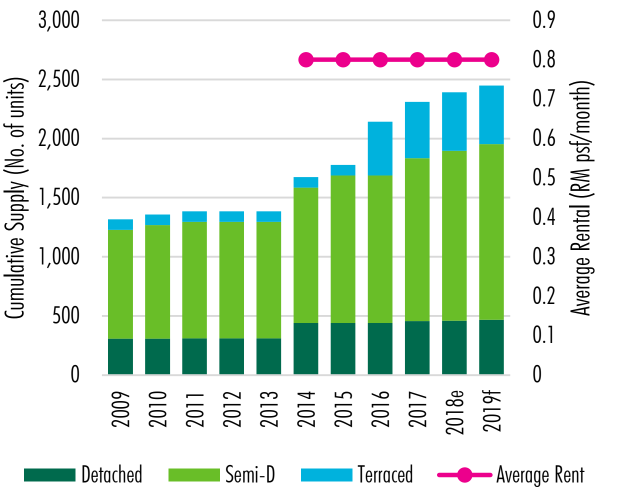
SHORT OF VIBRANCY

The industrial sector in Kuching is currently lacking vibrancy. No new industrial project was launched in 2018; with only 26 units expected to be completed in 2018 coming from the Industri 87 at Jalan Batu Kitang. However, there is interest in the secondary market especially for units located in established industrial areas.

Semi-detached units and warehouses remain popular with market prices ranging from RM600,000 to more than RM1 million, depending on the land size. Meanwhile, rentals for semi-detached units range from RM1.20 to RM1.50 per square foot. Occupancy and take-up rates were stable and may remain unchanged for 2019.

In the long-run, the potential of this sector could be premised on the increasing presence of SMEs who will demand space for workshops, showrooms and storage / warehousing.

Supply of Industrial Units in Kuching



Note: Data for the full year of 2018 is based on estimation
Source: NAPIC, WTWY Research

Sarawak Wholesale Factory at Jalan Bako
Source: WTWY Research

REGIONAL MARKETS

NORTHERN REGION
ALOR SETAR: ABSORPTION MODE

The market will remain quiet through 2019 in the absence of incoming supply. Demand has been soft resulting in units unoccupied. Lack of supply and demand coupled with cautious business sentiment suggests that the industrial market could enter a holding pattern.

IPOH: IN EQUILIBRIUM

The industrial market in Ipoh is expected to be stable throughout 2018 and 2019. No new supply infers little or no variation in transaction volume and value in 2019, and also rental and occupancy rates. Purchases will be more towards expansion purposes.

OVERALL

New supply is not foreseeable in both Alor Setar and Ipoh, any demand arising would channel to existing stock. All said, the industrial market in Ipoh is better positioned compared to Alor Setar where some oversupply exists.

SOUTHERN REGION
SEREMBAN: UNLOCKING NEW AREAS

Seremban's industrial market remains balanced with demand for quality properties could still be strong due to limited options. Transaction activities remained stable and steady in 2018 whereby the demand is primarily from large corporations, foreigner as well as local players. Industrial areas in strategic locations around Seremban shall remain at the forefront of demand, especially those that enjoy highway accessibility to Kuala Lumpur International Airport (KLIA).

In addition to that, Seremban emerges as an alternative to the industrial area in Klang Valley. For instance, notable factories such as Coca Cola Bottlers (Malaysia) Sdn. Bhd., Pusat Penyelidikan Kebombaan (PUSPEK), Crown Records Management Sdn. Bhd. and other major industrial players are seen occupying the Enstek Techpark. Looking forward, industrial parks like Sendayan Techvalley (automotive), Nilai Utama Industrial Park (mixed industries) and Arab Malaysian Industrial Park hold the prospect of attracting more occupants

MELAKA: AIDED BY BUSINESS STABILITY OF INDUSTRIAL PLAYERS

Industrial areas in Melaka are clustered by activities. For instance, F&B in Ayer Keroh; Krubong caters for warehouses; Pegoh - automotive and Tanjung Minyak as Smart Industrial Centre. The affordability of industrial properties in Melaka combined with the business stability of the industrial players may buffer the industrial sector in 2019 as some new completions enter supply. Looking at demand, SMEs are taking-up existing industrial stock while larger corporations are going for Lipat Kajang and Tanjung Minyak SIC.

BATU PAHAT: PROPORTIONATE AND ADEQUATE

Most of the industrial estates were noted to be fairly well-occupied except for Taman Industri Sri Sulong. The current stock appears to be proportional to demand, there is no new scheme being launched. Market demand continues to be from the furniture and textile industries.

OVERALL

Industrial sectors covered in this region indicate that the demand and supply are matched. Support from local and foreign industries could be considered as healthy.

EAST COAST
KOTA BHARU: CARRY ON AS USUAL

The industrial market in Kota Bharu in 2018 maintained the same performance as 2017, no significant movement occurred. Without any expansion plan, the market should retain its current trend in 2019.

REGIONAL MARKETS (CONTINUED...)

KUALA TERENGGANU: MORE MAY BE COMING

The bulk of industrial properties in Kuala Terengganu is in the gazetted industrial areas such as Kawasan Perindustrian Gong Badak, Kawasan Perindustrian Petronas and Kawasan Perindustrian Al Muktafi Billah Shah. By activities, Kawasan Perindustrian Gong Badak has a mix of manufacturing and storage or warehousing; Kawasan Perindustrian Petronas specialises in oil and gas; and Kawasan Perindustrian Al Muktafi Billah Shah focuses on sawmills. Large corporations and foreigners constitute the majority of the demand for these industrial areas. There has been a suggestion to zone Lembah Perasing, Kemaman and Hulu Terengganu as new industrial areas. Overall, the market is not anticipated to vary in 2019.

KUANTAN: CHOICES ARE AVAILABLE

The demand trend for Kuantan's industrial sector varies by size. The demand for land measuring 3 acres and below is preferred in industrial estates such as Semambu Industrial Estate, Batu 3 and Indera Mahkota with transaction activities. Prices have also remained stable, reflective of the available supply and/or the remaining tenures in the land title. On the other hand, Gebeng Industrial Area is offering bigger land parcels which feeds into the demand of local and foreign interest who seek to construct or acquire new plants or warehouses. This is partly attributable to Kuantan's competitive land price, lower cost of amenities and facilities provision, ease of sourcing skilled labour and comprehensive infrastructure provided.

SABAH
LAHAD DATU: LOGISTICS HOLDS THE CARDS

Warehousing activities are anticipated to be the future of Lahad Datu's industrial sector in view of the completion of Palm Oil Industrial Cluster (POIC). The POIC would support importing and exporting activities whereby its Liquid Bulk Terminal can cater to vessels up to 100,000 DWT while the Dry Bulk Terminal has a capacity of 30,000 DWT. This container port is poised to position Lahad Datu as a logistics hub of the east coast, serving Sabah and the region covering Southern Philippines, East Kalimantan and Sulawesi.

TAWAU: QUIET AND STEADY

Overall, the industrial environment in Tawau has been quiet but steady. Supply is modest skewed towards landed semi-detached and detached industrial buildings with smaller built-up but bigger land areas with flexibility for extension. These are mainly utilized for light engineering works, storage and SMEs engaged in light manufacturing.

SARAWAK

In Miri, there is optimism arising from the signs of recovery in the oil and gas industry. On the other hand, Bintulu continues to benefit from its identity as an industrial town to attract more investments in addition Sakura Ferroalloy and OCIM, both of which have large factories in Samalaju Industrial Park. In Sibu, new supply of industrial units is piecemeal, vacant lands with development potential are located along Jalan Ding Lik Kwong area, Sibu Jaya and Jalan Tun Ahmad Zaidi Adruce.

Industrial markets in this region are quiet but stable. The only exception is Miri which has been down recently. Nonetheless, Miri's industrial market may undergo slight improvements in 2019 if the oil and gas industry recovers. No significant supply is expected across the markets. Investment in industrial properties can be regarded as a safe option given the slowly rising rental over the years.

HOTEL SECTOR

HOTEL SECTOR

KLANG VALLEY

Improvement in global tourism alongside weaker Ringgit set to draw higher inbound arrivals. Demand growth to be sustained through enhancement of tourism facilities.

REBOUNDING ARRIVALS

Tourist arrivals made improvement with diminished decline of 0.3% y-o-y (YTD Jan-Aug 2018), impacted by lower arrivals from Singapore and Brunei.

The weakened Ringgit, backed by government promotional efforts have enticed significant growth in arrivals from parts of Asia, Europe (+8%), and America (+29%). Ministry of Tourism, Arts and Culture (MOTAC) has co-operated with local marketing company in India to promote tourism in Malaysia by various means, covering numerous Indian cities. Also, MOTAC has participated in significant exhibitions such as India International Travel & Tourism Exhibition (IITT) 2018, South Asia Travel & Tourism Exchange (SATTE) 2018, Shanghai World Travel Fair (SWTF) 2018, China-Asean Expo (CAEXPO) 2018, and Korea World Travel Fair (KOTFA) 2018.

Chinese tourists increased by 35.4% y-o-y (YTD Jan-Aug 2018) and ranked 3rd in the share of total arrivals after Singapore (6.9 million) and Indonesia (2.2 million). Malaysia received substantial Indonesian medical tourists with its extensive world-class medical services at competitive pricing. Arrivals from India, Indonesia, South Korea, Taiwan, and Vietnam registered double-digit growth ranging from 11.5% to 55%.

Amid more spontaneous travel decision-making and numerous hotel options, hotel occupancy is further driven by enhanced facilitation of booking and increased visibility through social media marketing and guest reviews.

Free and independent Travel (FIT) trended strongly due to increasingly digital-savvy travelers and higher disposable income which enable personalised travel plans. As at 1H 2018, international tourist expenditure rose by 2.2% y-o-y to about RM38.9 million, with average daily expenditure per capita improved by 2.4% y-o-y to RM528.

Travelers were spending much more on shopping (inbound tourist: +46%; domestic tourist: +129% from 2011 to 2017). Prominent shopping amenities in Klang Valley is a major pull factor for tourists, spurred by seasonal offers, wider options of high-end brands for upmarket shopping, and Muslim-friendly environment.

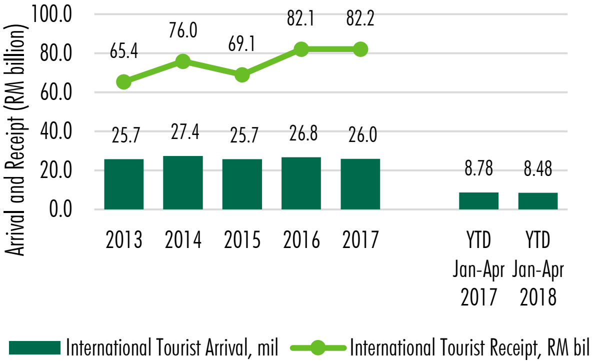
HEART OF KL IN THE SPOTLIGHT

As at 3Q 2018, the cumulative supply stood at 57,881 rooms by 202 hotels (69% in KL, 31% in OKL), with 12 completions thus far in 2018 contributing 3,009 rooms. 9 hotels with 1,994 rooms are expected to be completed by the end of 2018.

In 2019, 11 hotels with 3,154 rooms are expected to complete of which 43% are in KL, 55% consisting of upscale hotels.

Significant hotel transactions which took place in 2018 include Hilton Garden Inn North & South with 532 rooms was sold for RM240 million or about RM450,000 per room to a Thai-listed REIT, and Impiana Hotels & Resorts comprising Impiana Pangkor, Astaka Mekar (Impiana KLCC), Intra Magnum, Impiana Cherating and Impiana Ipoh were sold for RM425.9 million to Bio Osmo Berhad.

Tourist Arrivals and Receipts



Source: MOTAC, CBRE | WTW Research

KLANG VALLEY (CONTINUED…)

EXCITING YEAR FOR LUXURY SEGMENT

Hotel occupancy stayed resilient at 74% (YTD Jan-Sept 2018), boosted by stronger demand for luxury hotels. Average room rates (ARR) remained relatively unchanged at RM270 per night.

Demand for luxury hotel outperformed upscale and midscale, spurred by new entrants which did not only draw in brand loyal guests, but also serve to induce stronger demand for the existing hotels as they further establish KL as a destination for upmarket tourism. The new completions for this segment are concentrated in KLCC area with room rates starting from RM800 per night. More luxury hotels will enter the market; Park Hyatt, Kempinski, and Fairmont are expected to open in KL in 2021.

Meanwhile, midscale and upscale hotels were observed to be astute. The target groups would still be business travelers and shopping travelers. Newly-completed midscale hotels in 2018 include Hilton Garden Inn and Travelodge.

MORE TRAVELLING, STRONGER SPENDING

The uptrend of international arrivals across Asia Pacific, Europe, America, Africa and Middle East in 2017 and 2018 according to the UNWTO's World Tourism Barometer, indicated stronger spending power and suggested positive and sustained growth for global tourism. Despite the influx of hotel supply, demand is expected to improve and room rates shall remain unchanged.

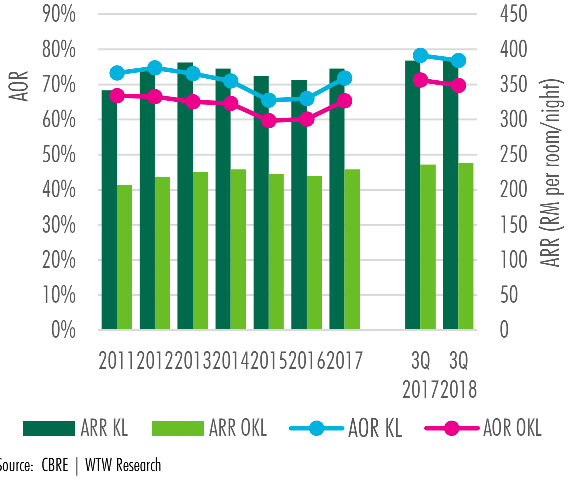
The diversity of Malaysia's tourism encompassing leisure, business, medical and M.I.C.E, offers strong investment justification in the long-run, supported by government incentives.

Beginning October 2018 , Condor Airlines which is Germany's 2nd largest commercial airline is set to fly from Frankfurt direct to KLIA thrice a week (735 total passengers weekly at full capacity). Besides that, Malaysia Airlines has reinstated the KL-Brisbane route with 4 direct flights weekly (1,160 total passengers weekly at full capacity) since June 2018. These flight arrangements are poised to increase tourists into the country.

National Budget 2019 will support the tourism sector by allocating 50% of tourism tax collection to private companies whereby a RM100 million matching grant would be offered to promote inbound tourism; promotion of small and medium industry with 2% interest for allocated RM500 million Tourism Fund Loan provided by SME Bank; and heritage preservation through redevelopment and restoration of Sultan Abdul Samad building.

Amid competitive tourism market, continuous improvements are necessary to sustain demand. Examples are upgrading and upkeeping of infrastructure and tourism facilities, inclusion of more tourism-related developments and tourist-friendly facilities (for the disabled), enhanced flight connectivity, refined conservation efforts of eco-tourism destinations, and bettering ease of commuting (better connectivity of public transport and served by daily unlimited pass).

AOR and ARR of Hotels in KV



Source: CBRE | WTW Research

Selected Future Supply

Year of Completion	Name of Hotel	No. of Rooms
2019	Equatorial Hotel Monopoly Mansion Kiara 163	1,059
2020	PNB Hotel VIIA Hotel	832
2021	Kempinski Fairmont Park Hyatt @ PNB 118 Ascott Star	1,595

Source: CBRE | WTW Research

HOTEL SECTOR

PENANG

Penang will see more international hotel brands entering the market occupancy rates and room rates will moderate due to the significant number of hotel rooms in the pipeline.

VIBRANT TOURISM INDUSTRY

Tourism generates approximately 49% of the gross domestic product and nearly 50% of the state's revenue since Georgetown was conferred the Unesco World Heritage status in 2008.

Tourist arrivals to Penang has steadily grown due to increased direct flights, enhanced cruise routes and the weakened Ringgit which has fueled tourism. In 2018, China Southern Airlines (to Guangzhou); Air Asia (to Hanoi, to Phuket); Malindo Air (to Banda Aceh) and Citilink (to Jakarta) – all increased flight frequencies or introduced new routes to Penang.

Penang airport will increase its capacity 12 million passengers per year from its present 6.5 million which was already over-extended in 2017 when the airport handled 7.1 million passengers. Tourist arrivals will be boosted further if plans for a dedicated low-cost carrier terminal (LCCT) are successful.

The Penang Tourism Master Plan which is being drafted will spur the tourism sector and its long-term growth.

BOOST FROM MEDICAL TOURISM

According to Patient Beyond Borders, Malaysia is one of the top 10 destinations. Penang receives about 60% of healthcare travellers to Malaysia and generated half a billion ringgit in revenue for the state in 2017.

Air Asia Indonesia signed a MOU with MHTC to jointly promote Penang as Malaysia's top healthcare tourism destination by providing discounts for flights and medical expenses, respectively. Citilink also signed a similar MOU with the Penang Centre of Medical Tourism.

The construction of Sunway Medical Centre in Seberang Jaya commenced Phase 1 with a capacity of 180 beds while Phase 2 will increase capacity to 350 beds.

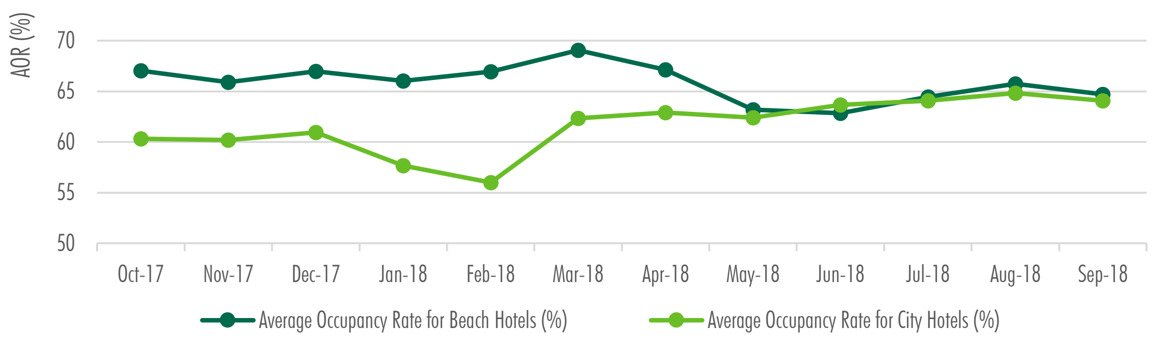
MORE INTERNATIONAL PRESENCE

The 316-room Double Tree Resort by Hilton Penang opened in early-2018 at Batu Ferringhi. Other hotel brands to open in Penang will include Courtyard by Marriot, J.W. Marriot, Capri by Fraser, Angsana (Banyan Tree), and Holiday Inn & Suites.

At end 2018, Ritz Carlton is in discussions to manage the 133-rooms Runnymede Place along Jalan Sultan Ahmad Shah, targeted to operate in 2026. The Aspen Group will appoint Aloft Hotel to manage the proposed 4-star hotel with 308 rooms at Aspen Vision City in Batu Kawan.

Permission has been granted for the redevelopment of the abandoned "The Crag" on Penang Hill, formerly a hotel and International School - into a new 28-room (suites type) hotel. Two additional hotels with a total of 300 rooms have also been conceptually proposed at Penang Hill - the refurbishment of Convalescent Bungalow (200-room hotel) and buildings on Coolie Line (Strawberry Valley) (100-room hotel).

AOR of Hotels (Oct 2017 – Sep 2018)



Source: Malaysian Association of Hotels (Penang Chapter), Penang Institute, CBRE | WTW Research

PENANG (CONTINUED...)

OCCUPANCY/ROOM RATES TO MODERATE

Average occupancy rates for beach hotels in Penang in 2018, were generally higher - 63% - 69% compared to 56% - 65% by city hotels. Average room rates for beach hotels ranged between RM350 and RM505 per room per day while city hotels achieved RM205 - RM220 per room per day. The performance of hotels in Penang is projected to moderate due to the significant number of hotel rooms being developed and planned.

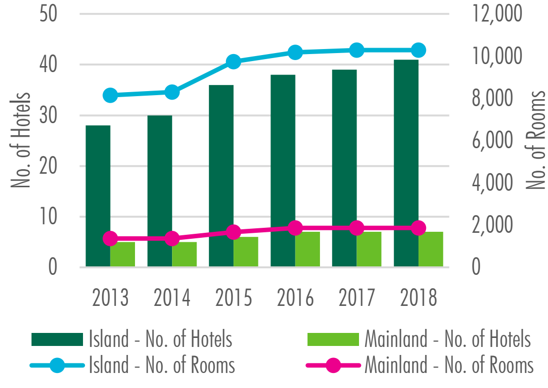
COMPETITION FROM NEW PLATFORMS

The younger millennial travellers, no longer contented with conventional cookie-cutter travel experiences, are seeking for customised experiences within a relatively affordable budget. Traveling families who prefer larger accommodation would also be considering rental of serviced apartments.

In the inner city of Georgetown, the prevailing development trend is 'shop-house boutique hotels', operating mostly in refurbished pre-war shop-houses. There is also the online marketplace such as Airbnb which offer accommodation in private homes.

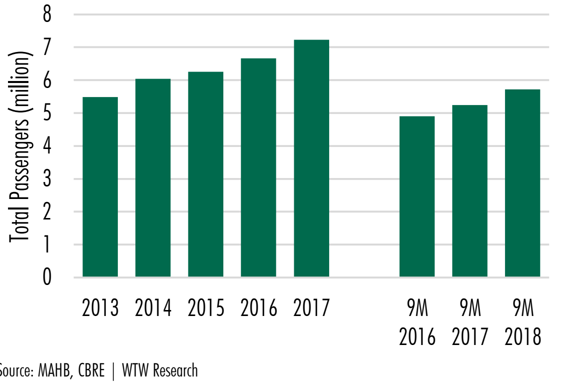
Competition from shop-house boutique hotels and online hospitality service providers will continue to increase.

Supply of Hotel in Penang



Source: CBRE | WTW Research

Total Passengers Handled by Penang International Airport (2013 – Jan to Sept 2018)



Source: MAHB, CBRE | WTW Research

Upcoming Major Hotel Developments

Project Name	Total Rooms	Expected Opening	Project Name	Total Rooms	Expected Opening
Penang Island			Penang Island		
Jazz Hotel	259	2019	Proposed Hotel along Jalan Sultan Ahmad Shah	251	2021 / 2022
The Quay at Church Street Ghaut	162	2019	JW Marriott at Persiaran Gurney	313	2021 / 2022
Courtyard by Marriott @ Tropicana 218 Macalister	211	2019	Proposed Hotel @ Sunshine Tower	320	2021 / 2022
The Rice Miller & Godown	46	2019	Island Medical City	440	2021 / 2022
Proposed Hotel @ Setia SPICE	453	2019	Seberang Perai		
OZO Hotel along Jalan Agryll	132	2019	Holiday Inn & Suites	288	2020
Angsana Teluk Bahang	102	2019	GEM Hotel	336	2020
Capri by Fraser Penang @ Jalan Magazine	255	2019 / 2020	Proposed Hotel along Jalan Bagan Luar, Butterworth	364	2021
The Grace at Jalan Sultan Ahmad Shah	373	2020	Proposed Hotel @ Penang Sentral	372	2021
KLIDC	210	2020 / 2021			

Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

Johor is one of the favourite tourist destinations. More international hotel brands are entering the market in the next two years. The hospitality market in Iskandar Malaysia (IM) is expected to persist growing healthily.

Johor Bahru's tourism sector remains healthy supported by local and foreign tourists, encouraged by the depreciating Ringgit and increasing air routes. The Senai International Airport is now serves 11 domestic and 7 international routes, with an average of 90 daily flights.

JOHOR AS ONE OF THE FAVOURITE CHOICES FOR DOMESTIC TOURISTS

Johor ranked as the 3rd destination for domestic tourists with 7.5 million local tourists visited Johor in 2017, after Perak and Pahang. The number of visitors increased by approximately 2% and 25% as compared to 2016 and 2015 respectively.

IM was expecting four new hotels by end of 2018. These 4- to 5-star hotels would bring in additional 1,606 rooms to the market. The four new hotels are Ramada Meridin Johor Bahru in Medini (644 rooms), Forest City Golf Hotel in Forest City (305 rooms), Capri by Fraser Johor Bahru in Johor Bahru city centre (360 rooms) and Fraser Place Puteri Harbour in Puteri Harbour (297 rooms).

There are eight upcoming hotel developments in IM, including six hotels namely, Melia Iskandar Malaysia, Innside Iskandar Malaysia, Hilton Garden Inn, Capital Suites, Novatel @ D'Pristine and Pan Pacific Serviced Suites Puteri Harbour - with a total of 2,250 rooms to be ready by 2019. Another two hotels, Holiday Inn and St Giles Johor Bharu Hotel with a total of 528 rooms are targeted to come on stream in the next two years.

Desaru Coast have welcomed several well-known hotels. Among those are Hard Rork Hotel Desaru Coast, Westin Desaru Coast Resort and Anantara Desaru Coast Resort.

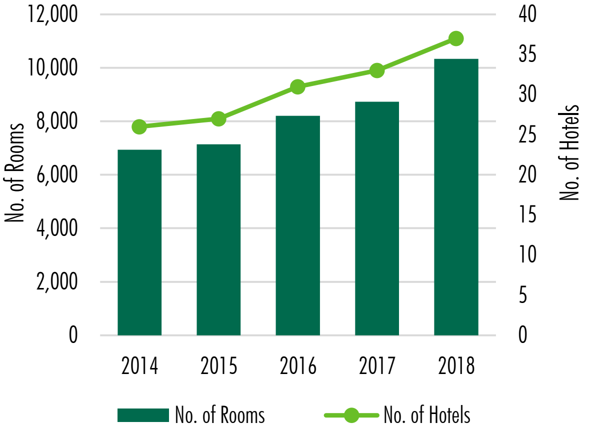
AIRBNB APPROACHING

IM's hotel market is increasingly pitted against the homestays and Airbnb who has about 1,300 active hosts and 1,400 active rentals as of December 2017. In 2017, about 130,000 guests stayed in a rooms/houses on Airbnb, compared to the total 7.4 million hotel guests. However, tourists with accommodation via Airbnb are likely to increase when more accommodation choices are available in the market.

Following the new government's announcement to postpone the High Speed Rail (HSR) for two years, market expectations are still uncertain. Nevertheless, Rail Transit System (RTS) linking Johor Bahru with Singapore is still ongoing and targeted to start operation by 2024.

Tourism growth is believed to persist in a stable and healthy momentum in the next two years, supported by new tourist attractions. Desaru Coast Adventure Waterpark had its soft opening in July 2018. The other developments in Desaru Coast include golf courses, hotels and resorts, retail village and multi-purpose conference centre. With government's persistent effort to promote tourism activities, the hospitality industry is poised to benefit.

Supply of Hotel in IM



Note: Data for the full year of 2018 is based on estimation
Source: CBRE | WTW Research

KOTA KINABALU

Overall, the vibrant tourism sector and increased visitor arrivals have benefitted tourism-related sectors and the hotel sector.

VIBRANT TOURISM SECTOR, INCREASED VISITOR ARRIVALS

Sabah is a treasure cove of diverse natural assets, from mountain high to ocean deep. These include a 130 million years old rainforest which is home to countless species of exotic flora and fauna; tropical islands with white sandy beaches and world-class dive sites; and Mount Kinabalu, Southeast Asia's highest mountain and a World Heritage site. With year-round sunny weather, multi-cultural and English-speaking populace, Sabah qualifies as one of the key holiday destinations in this part of the world.

January - August 2018 saw the arrivals of some 2.56 million visitors to Sabah, an increase of about 5.4% y-o-y (2017: 2.432 million). Malaysians made up more than 60% of total arrivals. North-Asians formed the largest segment of international arrivals, constituting about 27% of arrivals within that period. Arrivals from China totaled 417,574 forming the largest single-country arrivals at 45%, followed by South Korea with 218,872 arrivals or 24%. Chinese and South Korean arrivals recorded an annual hike of 41% and 11% (y-o-y) respectively, accelerated by the increased frequency of direct international flights.

IMPROVED AIR ACCESSIBILITY

For the period between January and September 2018, Sabah received 308 unscheduled flights (special and extra charter) from 297 destinations whilst as of end-October 2018, Sabah is connected through 24 international flights by 13 foreign airlines providing 216 flights per week (Source: Daily Express, 16 November 2018). This is a significant increase in flight frequency compared to previous years. There were only 109 international flights in August 2012, just about half of the present frequency.

HOTEL OCCUPANCY OVER 70% IN 1H 2018

Overall, the vibrant tourism sector and increased visitor arrivals have benefitted tourism-associated sectors and the accomodation sector. Based on statistics obtained from Sabah Tourism Board, estimated occupancy rate for 3- to 5-star hotels in Kota Kinabalu averaged 74.6% in 1H 2018.

Ibis Styles Kota KInabalu
Source: TripAdvisor

Mariott KK City Waterfront
Source: www.marriott.com

KOTA KINABALU (CONTINUED...)

NUMEROUS HOTELS PLANNED

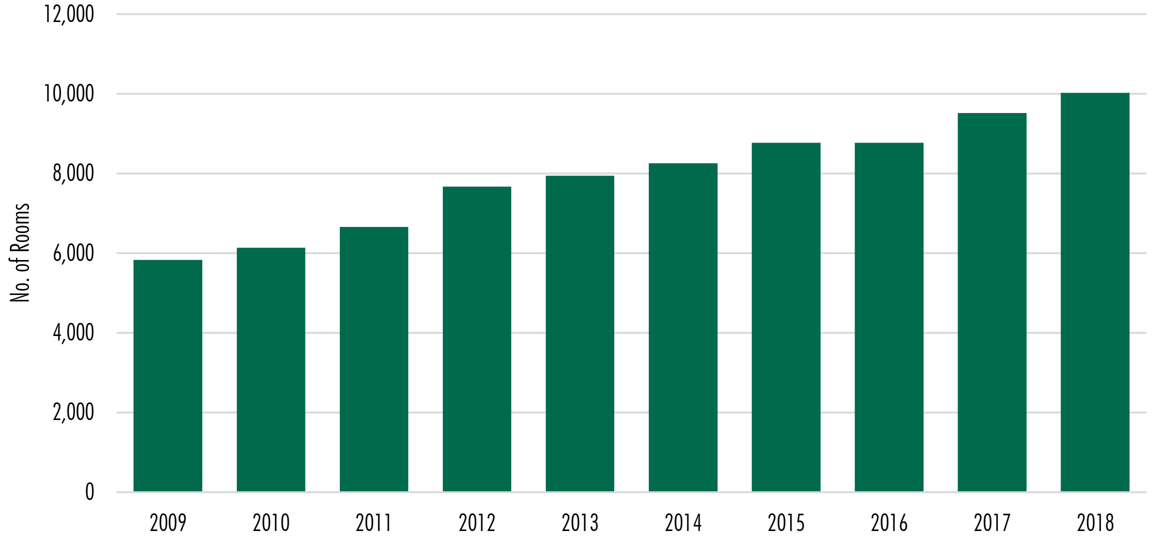
The two hotels completed in 2018 were Mariott KK City Waterfront (323 rooms) and Ibis Styles Kota Kinabalu (184 rooms) in Inanam. These new additions brought total supply of 3- to 5-star hotels in Kota Kinabalu (including major 5-star resorts in Tuaran) to just over 10,000 rooms.

Several other branded 3- to 5-star hotels are in various stages of planning and construction. Most of them are business-class hotels. These include Hotel Crowne Plaza Kota Kinabalu Waterfront (367 rooms), Hotel Holiday Inn Express (250 rooms), Citadines Waterfront Kota Kinabalu (222 serviced apartments).

Outside of Kota Kinabalu city centre, Pullman Kota Kinabalu Convention City (300 rooms) within the ongoing Sabah International Convention Centre and Hotel Jen (440 rooms) within the ongoing Pacificity mixed development in Tanjung Lipat and Likas Bay, are under construction.

Presently, the only incoming hotel within the resort category is Alila Dalit Bay Resort Hotel located in the vicinity of Shangri-La Rasa Ria Resort & Spa in Tuaran, comprising 152 rooms and 74 villas. Club Med has also expressed interest in investing and developing a resort in Sabah. (Source: Daily Express, 15 November 2018).

Supply of Hotel in Kota Kinabalu (including 5-star resort in Tuaran)



Source: WTWS Research

KUCHING

The hotel sector in Kuching displayed resilience with promising prospect and competitive advantage of Kuching being the gateway to Sarawak.

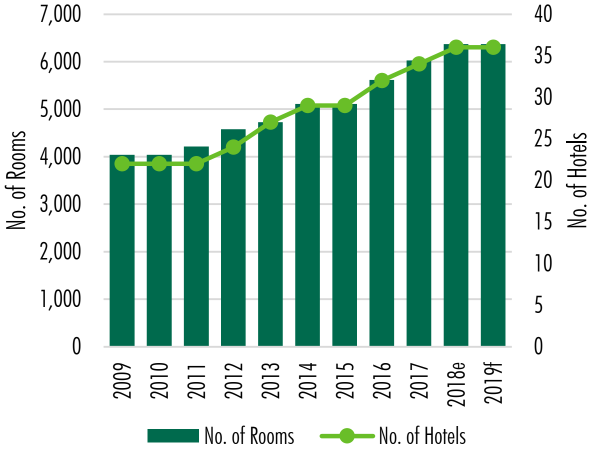
STEADY SUPPLY GOOD POTENTIAL

The Kuching hotel sector stayed stable for 2018, with room rates and average occupancies remaining generally unchanged. The 21st edition of the Rainforest World Music Festival in 2018 was a resounding success with visitors surpassing 20,000 - the highest number ever recorded for the festival. This renowned festival has boosted the occupancies of hotels in and around the city every July. With the increased promotion of Sarawak as a travel destination for adventure, culture and eco-tourism, Kuching will benefit as the gateway to other parts of Sarawak.

4- and 5-star hotels continue to face competition from budget and boutique hotels as well as alternative accommodation such as Airbnb, Homestays etc. Even for resort areas, there are optional lodgings of late, such as culverts, tents, bunkers and other camping ground styles for a closer encounter with nature.

2018 saw the completion and opening of the Premier Wing of the Riverside Majestic Hotel in the Golden Triangle area, offering 268 premium rooms. The hotel sector will also welcome another 182 rooms from the halal-certified Tabung Haji Hotel situated opposite the Kuching International Airport by next year.

Supply of Hotel in Kuching



Source: WTWY Research

Tabung Haji Hotel at Jalan Lapangan Terbang
Source: WTWY Research

Riverside Majestic Premier Wing
Source: WTWY Research

REGIONAL MARKETS

NORTHERN REGION

ALOR SETAR: DRAWN IN BY LANGKAWI

Tourism in Kedah – both domestic and international - has long concentrated on Langkawi Island. The unique advantage of Langkawi is its international airport, enabling direct global access. According to Lembaga Pembangunan Langkawi (LADA), about 300,000 tourists visited Langkawi monthly on average, with December being the peak season while May and June are off-peak.

The overall occupancy rate of hotels rose slightly, Langkawi's occupancy rate is higher than that of Alor Setar. In terms of demand source, 60% of tourists visiting Langkawi are foreigners while hotels in Alor Setar are mostly patronised by locals. No new hotel opened in 2018. The hotel market is expected to remain stable in 2019 and near future. Average room rates were increasing slightly in the past years which gives attractive investment returns as stable occupancy rates produce high and consistent yield.

IPOH: SAFE AND SOUND

The hotel market in Ipoh depicts an optimistic outlook as Ipoh continues to move up its tourism potential as well as for retirement living. DOSM data shows that Perak welcomed 7.6 million domestic travellers in 2017, second highest in Malaysia after Pahang. 2019 may see a boost to the occupancy rates of hotels in Ipoh when Perak becomes the host for Sukan Malaysia (SUKMA) 2018.

The hotel sector in Ipoh is expected to remain stable in 2019 and shall experience gradual growth in long-term. Average Room Rates (ARR) of hotels in Ipoh rose marginally in 2018. There are investment opportunities as there are not many renowned or major hotel brands in Ipoh. However, the growth of homestays and Airbnb could exert pressure on the hotels in Ipoh. The average occupancy rate for Ipoh may still fluctuate seasonally but should be encouraging in 2019.

SOUTHERN REGION

SEREMBAN: ACTIVE DEVELOPMENTS IN PORT DICKSON

The hotel market is dependent on tourist hotspots, such as Port Dickson and Melaka. An upcoming highlight in Port Dickson is a water theme park known as Splash Park, under the master development of Palm Springs which also features a hotel, convention centre and serviced apartments. Lexis Hibiscus Port Dickson with 13-storeys of serviced apartments and 534 water chalets built on stilts on the sea is another flagship project in the state. These developments underline the prospects of the tourism and hotel market in Negri Sembilan.

MELAKA: TOURISM STILL A STEADFAST DRIVER

Competition is building up as new hotels are entering the market amidst the increasing serviced apartments. These will exert pressure on occupancy but demand and supply should remain balanced with the rising tourist arrivals.

The opening of Encore Malacca and the Riviera at Pulau Melaka in 2018 should be new tourism pulling factors and sustain support for the hotel market in Melaka.

BATU PAHAT: CHALLENGED BY HOMESTAYS AND BUDGET HOTELS

Hotels in Batu Pahat also face competition from homestays and budget hotels. Homestays and budget hotels are able to offer lower cost of accommodation and a wider range of location selections.

OVERALL

Tourism activity is prominent in this part of Malaysia. Tourism performance in these cities have been consistent and positive to support the hotel sector. Opportunities may not be straightforward, competition is intensifying.

Melaka's Tourist Arrivals and Tourist Receipts (2015 – 2017)

Year	Average Length of Stay (Day)	Tourist Arrivals (Million)	Tourist Receipts (RM)	Spending per Day (RM)
2015	2.18	15.74	16,759,750	488.53
2016	2.16	16.28	18,289,490	520.04
2017	2.25	15.79	19,651,040	445.90

Source: Melaka Tourism Board

REGIONAL MARKETS (CONTINUED...)

EAST COAST

KOTA BHARU: THE EMERGENCE OF SERVICED APARTMENT CONCEPT

The existing hotels in Kota Bharu are facing competition from serviced apartments which are able to offer lower prices and wider selection of locations. Moreover, serviced apartments are generally newly constructed therefore, in better condition and quality. Nonetheless, historical data suggests that hotel properties in Kota Bharu are still producing consistent yields.

KUALA TERENGGANU: PROACTIVE INITIATIVES BOOST TOURISM

The main highlights for tourism in Terengganu for 2017 are the commencement of Tasik Kenyir Duty Free Zone, the hosting of Kenyir Bird and Nature Quest, and Terengganu International Eco and Marine Tourism Conference (TEMCO). Constant flow of local and international tourists into Terengganu shall persist in near future.

KUANTAN: A DOMESTIC TOURISTS' FAVOURITE

Tourist arrivals to Pahang improved by 15.6% y-o-y to 14,827,961 in 2017, of which Kuantan had its share of 16.4% (or 2,430,995 arrivals), comprising mainly domestic tourists. The key sources of international tourists have been and is expected to be from Singapore, China and Indonesia. Blessed by its dense forest and hills, tourism in the state of Pahang promotes nature and ecotourism. Among the tourism spots are Genting Highlands, Cameron Highlands, Raub, Bentong, Taman Negara and Kuantan (Cherating).

Kuantan as the capital city of Pahang currently has 118 hotels with a total of 7135 rooms. A healthy jump of 22.7% in the average occupancy rate for hotels in Kuantan was observed.

SABAH

Performance in 2018 remained soft except Semporna. Inbound tourists to Semporna is likely to outperform, originating primarily from China. The daily tourist arrivals to Semporna in 2018 were estimated to be 2,000. For 2018, most offshore island resorts in Semporna had registered 95% - 100% occupancy rates. Three new hotels are coming up in Semporna, each having capacity of 100 - 120 rooms.

Annual tourist arrivals in Labuan increased marginally. Overall, existing hotels in Labuan see no change in occupancy rates while market activity remains quiet.

SARAWAK

MIRI: SUPPORT FROM BRUNEIANS

Historic data on tourist arrivals shows that Miri has constantly been in the top 5 most visited cities in Sarawak. Bruneians continued to lead tourist arrivals to Sarawak. Miri being the closest city, is capturing the most tourists from Brunei. Concentration of commercial activities influences the location preference of hotel operators and tourists. About 72% of the hotels in Miri are located in the urban-city, offering two-thirds of the hotel rooms (66.2%) in Miri.

BINTULU: PLENTIFUL SUPPLY

Bintulu's hotel market will remain satisfactory in near future with the average occupancy rate at about 50%. There were a few newly completed hotels in Bintulu in 2017, namely Nu Hotel (210 rooms) and Green Hotel (160 rooms). Under-construction hotels in Bintulu will contribute another 160 rooms within 1 to 2 years. Further ahead, 9 hotel projects in the pipeline will inject an additional 1,100 rooms into the market. By then, the occupancy and room rates may be affected by competition.

SIBU: TOURISM NOT A BIG DEAL

The tourism sector in Sibu has always been modest. More owners are bringing in hotel components to complement their commercial property. In the pipeline, a purpose built budget hotel is located at the outskirts but near to the shopping mall such as Star Mega Mall.

FEATURE ARTICLES

2018 BUYERS' SURVEY

HOME BUYING VS RENTING SENTIMENT

AVERAGE MONTHLY THRESHOLD

MONTHLY INSTALLMENT / MONTHLY RENTAL

HIGHEST THRESHOLD | MEDIUM THRESHOLD | LOWEST THRESHOLD

*Categorized based on minimum average threshold of monthly installment

1 TTDI/BANGSAR/ MONT KIARA
RM2,000 – 3,000
RM1,200 – 1,500
BUA : 851 - 2,000 sq.ft

2 KL CITY CENTRE
RM1,700 – 3,000
RM1,100 – 1,500
BUA : 1,200 - 2,000 sq.ft

3 DAMANSARA/BANDAR UTAMA/ KELANA JAYA/ARA DAMANSARA
RM1,500 – 3,000
RM800 – 1,100
BUA : 851 - 2,000 sq.ft

4 WANGSA MAJU/ AMPANG/ HULU KLANG
RM1,500 – 2,700
RM700 – 1,100
BUA : 851 - 2,000 sq.ft

5 SEPUTEH/OLD KLANG ROAD
RM1,500 – 2,600
RM1,000 – 1,500
BUA : 1,200 - 1,500 sq.ft

6 PJ/USJ/PUCHONG
RM1,500 – 2,000
RM700 – 1,100
BUA : 851 - 1,500 sq.ft

7 SUNGAI BULOH/RAWANG
RM1,400 – 2,600
RM900 – 1,400
BUA : >1,201sq.ft

8 PUTRAJAYA/CYBERJAYA/KLIA SALAK TINGGI
RM1,400 – 2,500
RM500 – 700
BUA : >1,201sq.ft

9 SERI KEMBANGAN/BANGI/ KAJANG
RM1,300 – 2,600
RM700 – 1,000
BUA : 1,200 – 2,000 sq.ft

10 SENTUL/SELAYANG/ BATU CAVES/ GOMBAK
RM1,300 – 2,500
RM600 – 900
BUA : 851 - 2,000 sq.ft

11 CHERAS/BUKIT JALIL/SG. BESI
RM1,100 – 2,300
RM900 – 1,300
BUA : 1,200 - 1,500 sq.ft

12 KLANG/SHAH ALAM
RM900 – 1,600
RM700 – 1,000
BUA : 851 - 1,500 sq.ft

Considerations when comes to :

BUYING	RENTING
Proximity to facilities/amenities	Proximity to work place
Proximity to work place	Proximity to public transport
Security and safety control	Security and safety control
Proximity to public transport	Proximity to facilities/amenities
Property value appreciation	Physical condition of the property

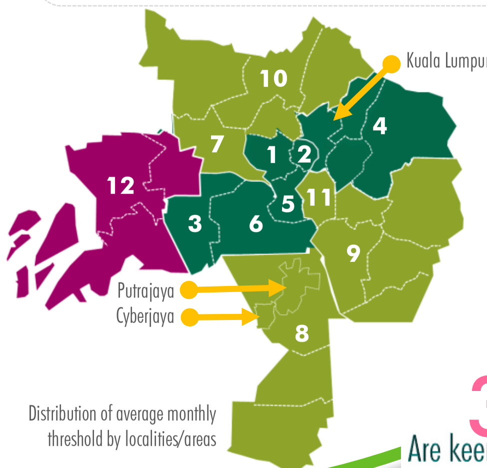
Acceptable distance from workplace :

BUYING	RENTING
5 – 10 km	Less than 5 km
11 -15 km	5 – 10 km

House buying preference :

74% LANDED HIGH RISE 26%

New/under construction development outnumber pre-owned/existing development in the ratio of 3:1



Distribution of average monthly threshold by localities/areas

ULTIMATE PLAN FOR HOUSING

Intend to own 1st house	51%
Intend to buy 2nd house	34%
Prefer to renting	3%
*No plan at all	12%

*Most dominant age group : 26 - 30 years old
*Average monthly threshold : RM1,200 - 2,400

54% Are keen to buy only

43% Are open to buying and renting

3% Are keen to rent only

3 out of 10 respondents believe that high house price has restricted them to buy a house

Reasons not to buy ?

Unreasonable house price	48%
Financial commitment	9%
*Others Saving up for deposit, spending on leisure activities/ experiences, nature of job, expecting an inheritance	15%
Job/income instability	9%
Unable to secure housing loan	9%

Abbreviations : sq.ft. – square feet, BUA – built up area, km – kilometer

Survey disclaimer : Information contained in this infographic is the result of 2018 CBRE|WTW Buyers' Survey conducted in August/September 2018. This survey aims to understand Klang Valley residents' perspective with regards to home buying and home renting Thus, the findings are representation of respondents opinion who has participated.

Source : CBRE|WTW Research , Infographic source : CBRE|WTW Research, https://www.freepik.com/free-vector

CO-WORKING *Evolving Workspace for Future Talents*

Started in 2010 with growth rate of **83.7%**, in 8 years

Current Market Size of **900,000** square feet, to increase by

59%

In 2019

WHY Co-working?

- Flexible
- Social
- Networking
- Total Service
- Cost Effective
- Optimal Space
- Exclusivity

WHAT? UNIQUE SELLING POINTS

- Conducive environment that enhanced work motivation and engagement
- 1-on-1 Hi Power Deal – making Meeting
- Various events after working hours/weekend
- Easy access to different branches, locally & internationally
- Be a part of online community via exclusive online apps e.g.- social apps, cashless, membership programs & points.
- Rent available space and facilities, to enhance your creativity e.g. recording studio
- Recreation - Leisure facilities to ensure work-life balance
- Casual working environment e.g. sleeping pod and massage parlour
- Small exclusive private parties
- Traveling opportunities for service and personal growth

WHO?

OPERATORS

CO3 SOCIAL OFFICE

wework

COLONY

COMMON GROUND

OCCUPIERS*

SMEs	START-UPs	MNCs
42%	33%	25%

*Tenant's Profile is based on selected co-working space only

WHERE?

52% are located in **Kuala Lumpur**

48% are in **Outside Kuala Lumpur**

Shop Office	Purpose Built Office	Retail Centre	Residential	Refurbished Factory
54%	36%	8%	2%	1%

In 2019, **78%** of new co working space will be located in purpose built office

HOW MUCH?

(average /per month/ per person)

HOT DESK
RM
200 - 400

DEDICATED DESK
RM
300 - 700

PRIVATE OFFICE
(for 4-5 persons)
RM
750 – 1,500

SERVICE DIFFERENTIATION

IT IS AN INCUBATOR

IT IS A 5-STAR HOSPITALITY

IT IS A MILLENNIAL ECO-SYSTEM

MALAYSIA vs OTHER PARTS OF THE WORLD

- Malaysia's co working scene made up about less than 1% of the world co-working operators. US contributed the largest share.
- Expanding start-ups ecosystem and advancement of technology promote working remotely which in turn, catalyses the growth of co-working space in Malaysia and other parts of Asia. In fact, Asia Pacific has been witnessing tremendous expansion of co-working space in recent years.
- Some operators outside Malaysia have opted sharing profits with bars and restaurants, operating office facilities during the day.

Abbreviations : SMEs – Small Medium Entrepreneurs , MNCs – Multi National Corporations

Source : WeWork, Colony, CO3, Common Ground, FlySpaces, CBRE|WTW Research , Infographic source : CBRE|WTW Research, https://www.freepik.com/free-vector

SIGNIFICANT TRANSACTIONS

SIGNIFICANT TRANSACTIONS

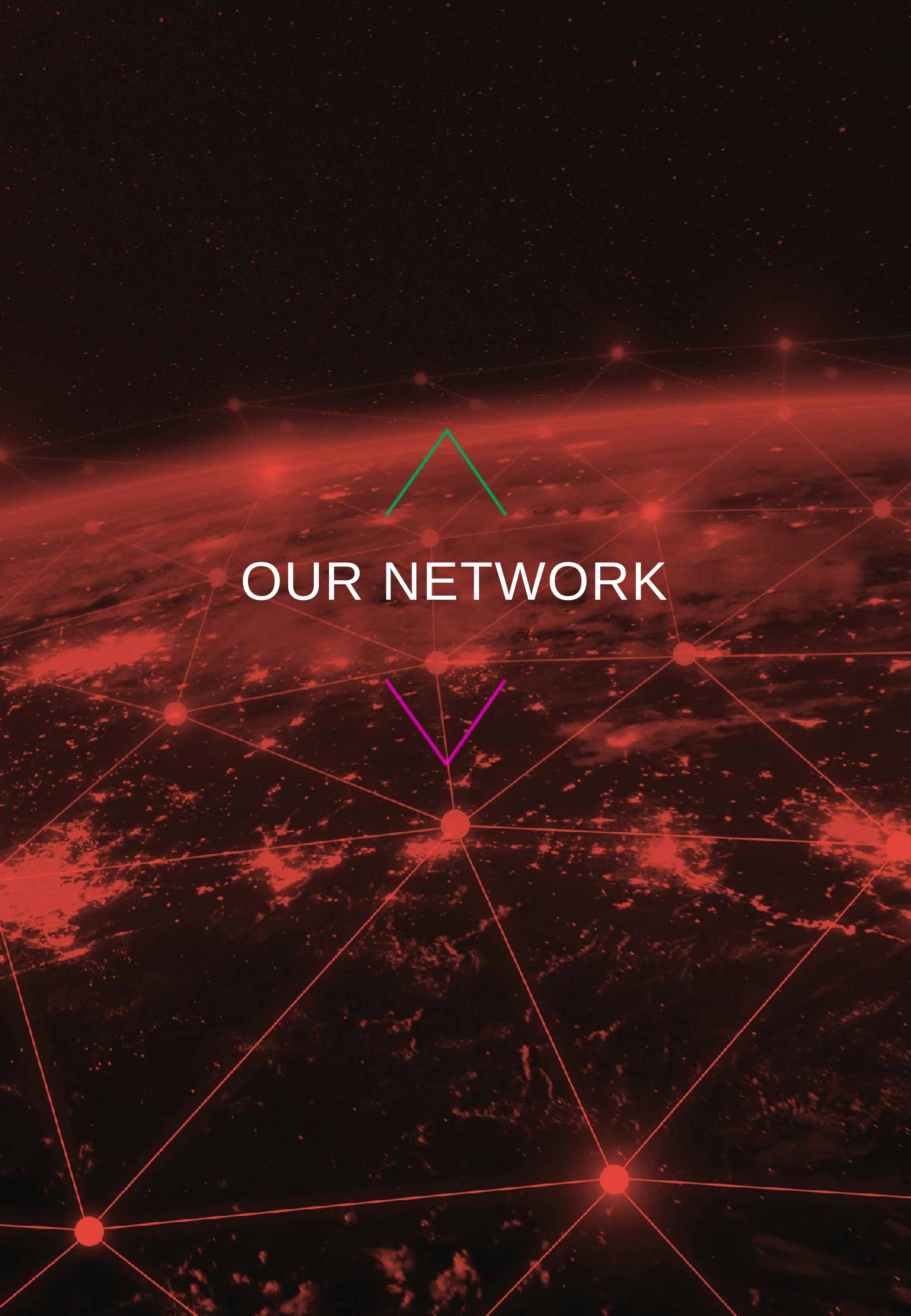
Development	Description	Vendor	Purchaser	Transaction Price (RM)
KLANG VALLEY				
Setia Federal Hill	Remaining 50% equity share of on-going mixed use development on Setia Federal Hill valued at RM1,050 psf.	Mekar Gemilang Sdn Bhd	SP Setia Berhad	431,891,000
Development land at Jalan Kia Peng	A parcel of freehold development land.	Legasi Azam Sdn Bhd (subsidiary of MRCB)	Pertubuhan Keselamatan Sosial (PERKESO)	323,000,000
Industrial land at Kota Seri Langat	212.54 acres for development of The COMPASS - an integrated industrial and logistics park, estimated GDV of RM4 billion.	Seriemas Development Sdn Bhd (subsidiary of master developer PNB Development Sdn Bhd)	AIDF Industrial Park Sdn Bhd (subsidiary of AREA Group)	320,000,000
Development land at Taman Medan, PJ	Five parcels of leasehold lands, no planned development yet.	Jiwa Murni Sdn Bhd	BH Builders Sdn Bhd (subsidiary of Asian Pac Holdings Bhd)	300,000,000
KDU University College @ Utropolis Glenmarie	Multi-purpose hall, and 7-storey hostel tower. Sale and leaseback.	KDU University College Sdn Bhd (subsidiary of Paramount Corp Bhd)	Selangor Dynamlc Gates Sdn Bhd	250,000,000
SS Two Mall	Suburban shopping mall planned for redevelopment and rebranding.	SS Two Mall Sdn Bhd (subsidiary of AsiaMalls Sdn Bhd)	DK-MY Properties (subsidiary of DK Groups)	180,000,000
Nestle factory in PJ	Industrial complex on 12.4 acres of land together with manufacturing fixed assets.	Nestle Malaysia Bhd	Lactails Trading Malaysia	155,300,000
Development land in Cyberjaya	With approval for stratified landed residential.	Makmur Asia Maju Sdn Bhd	Paramount Property Lakeside Sdn Bhd	149,702,565
Tropicana Metropark	Development land with approval for 1,400 serviced apartments.	Tropicana Metropark Sdn Bhd	Next Delta Sdn Bhd	143,000,000
Sg Puloh Industrial Area	23.23 acres of freehold land comprising industrial complex.	YKGI Holdings Bhd	NS Bluescope	125,000,000
Wisma UOA Pantai	Office building at Jalan Pantai	UOA REIT	CIMB Bank Bhd	120,000,000
Pulau Indah	Land under the sea for terminal expansion purpose	Perbadanan Kemajuan Negeri Selangor (PKNS)	Westport Malaysia Sdn Bhd	116,185,497

SIGNIFICANT TRANSACTIONS

Development	Description	Vendor	Purchaser	Transaction Price (RM)
JOHOR BAHRU				
Mixed industrial and commercial development land in Tebrau	Several parcels of freehold development lands measuring 1,243.45 acres in Mukim of Tebrau, District of Johor Bahru.	Prisma Dimensi Sdn Bhd & Kelana Ventures Sdn Bhd	DRB-HICOM Bhd	1,646,000,000
Mixed housing and commercial development land at Taman Jaya Putra Perdana, Tebra	Several parcels of freehold development lands measuring 778.80 acres in Mukim of Tebrau, District of Johor Bahru.	Benua Kurnia Sdn Bhd & Neraca Prisma Sdn Bhd (nominee company of DRB-HICOM Bhd)	Prisma Dimensi Sdn Bhd & Kelana Ventures Sdn Bhd	848,000,000
Golf course & potential development land in Pulai Spring Resort	747,184.12 square metres of freehold land, Mukim of Pulai, District of Johor Bahru, Johor.	Pulai Spring Resort Berhad	Gantang Jaya Sdn Bhd and Bintang-Bintang Development Sdn Bhd (subsidiary of KSL Holdings Bhd)	176,937,385
Housing development land in Pontian	Two parcels of freehold land measuring approximately 78 acres in Mukim of Jeram Batu, District of Pontian	GP Views Development Sdn Bhd	Splendid Pavilion Sdn Bhd	149,000,000
Industrial land in Ulu Tiram	Leasehold land approximately 47.74 hectares in Mukim of Tebrau, District of Johor Bahru	Grace Versatile Sdn Bhd	Goodpark Development Sdn Bhd (subsidiary of KSL Holdings Bhd)	133,593,387
Housing development land in Johor Bahru	Freehold land measuring 40.61 hectares in Mukim of Plentong, District of Johor Bahru.	Pasti Prestij Sdn Bhd	Medini Heritage Sdn Bhd (subsidiary of Tiong Nam Logistics Holdings Bhd)	40,217,347
Industrial properties at i-Park Indahpura	Two freehold industrial properties with total land area of 2.32 hectares in i-Park, a gated and guarded industrial park. Both properties comprise a single-storey detached factory, a mezzanine office and ancillary buildings.	Axis AME IP Sdn Bhd	Axis REIT	38,700,000
ALOR SETAR				
Development land, Kuala Muda	121.644 acres	Leanta Plantations Sdn Bhd	Leader Solar Energy Sdn Bhd	28,105,744
IPOH				
Aeon Mall Kinta City	Shopping mall with 14.88 acres	Kinta City Sdn Bhd	KIP REIT	208,000,000
Industrial land along Bidor - Tapah main road	836.69 acres	Perbandan Kemajuan Negeri Perak	Premium Medical Products Sdn Bhd	81,751,293
	135.75 acres		Bidor Industies Sdn Bhd	13,577,008

SIGNIFICANT TRANSACTIONS

Development	Description	Vendor	Purchaser	Transaction Price (RM)
NEGERI SEMBILAN				
Land at Bukit Pelanduk	9.6 acres of vacant industrial land	Jalur Jernih Sdn Bhd	Jimah East Power Sdn Bhd	44,000,000
Industrial property in Senawang Industrial Park	Detached factory with 6.49 acres	Seagate Systems (Malaysia) Sdn Bhd	C-Pak Cergas Sdn Bhd	
MELAKA				
Agricultural land along Jalan Tun Kudu/Jalan Kandang – Jasin main road	367.06 acres of agriculture land with development concept plan	Sime Darby Plantation Berhad	Premium Privilage Sdn Bhd	118,817,241
Agricultural land along Durian Tunggal – Jasin main road	208.9 acres of agricultural land with development potential	Scientex Heights Sdn Bhd	Real Golden Development Sdn Bhd	68,247,630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