Real Estate Highlights

Knight Frank

1st Half 2024

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

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MALAYSIAN ECONOMIC OVERVIEW

In the first quarter of 2024, the Malaysian economy exhibited sturdy expansion, recording a growth rate of 4.2%, compared to 2.9% in the previous quarter. This growth was propelled by several factors, including increased household spending, a rebound in goods exports, higher tourist arrivals, improved labour market conditions, and heightened investment activities. Looking ahead, Bank Negara Malaysia (BNM) forecasts Malaysia's Gross Domestic Product (GDP) to expand further, with projections ranging between 4.0% and 5.0% for the year 2024. This growth is expected to be driven by sustained growth in domestic expenditure and strengthened external demand, indicating a positive outlook for Malaysia's economic trajectory in the coming year.

The first quarter of 2024 saw a notable increase in capital expenditure, reaching 9.6% of Real Gross Fixed Capital Formation (GFCF), up from 6.4% in the previous quarter. This trend is expected to continue, with investments supported by key infrastructure projects such as the East Coast Rail Line (ECRL), Johor Bahru – Singapore Rapid Transit System (RTS), Pan Borneo Sabah, and MyDigital 5G, collectively valued at RM86.2 billion. Furthermore, approved domestic and foreign investments during this period reflected a positive response, totaling RM83.7 billion compared to RM74.1 billion in the same period of 2023. These developments indicate growing confidence in Malaysia's investment landscape and a strengthening commitment to economic development and infrastructure enhancement.

Headline inflation remained steady at 1.7% in the first quarter of 2024, slightly up from 1.6% in the previous quarter. This increase is attributed to policy adjustments, including the recent water tariff revisions and services tax adjustments for high-usage electricity. Both headline and core inflation are expected to remain cautious throughout 2024, reflecting stabilising demand and controlled cost pressures, with potential upside from fuel subsidy rationalisation. Overall, inflationary trends are anticipated to remain manageable in the coming months.

As of July 2024, Bank Negara Malaysia (BNM) opted to keep its overnight policy rate (OPR) steady at 3.00%, following a previous hike from 2.75% to 3.00% in May 2023. This decision reflects the central bank's stance of maintaining a supportive monetary policy to bolster the economy. It aligns with the current assessment of inflation and growth prospects, signalling a cautious approach to lending while striving for stability and sustainable economic expansion.



MARKET HIGHLIGHTS

KLANG VALLEY

Industrial

- The "flight-to-quality" and "flight-to-sustainability" trends are expected to shape the future development of logistics space in Klang Valley. With higher development costs associated with prime logistics space, market rents are anticipated to experience a marginal increase in the short term.
- Between 2021 and 2023, Malaysia attracted RM114.7 billion worth of investments in data centres and cloud services. Notable investments during this period include Google's establishment of data centres in Klang Valley.
- There is increasing interest from institutional investors and funds in the industrial sector. Yield-accretive industrial assets are in demand as investors seek to capitalise on stable returns from this sector.
- The manufacturing sector is forecasted to grow by 3.5% in 2024, supported by a rebound in export-oriented industries and sustained growth in the domestic-oriented cluster. The electrical and electronics (E&E) sector is expected to recover in 2024, led by an upswing in the global technology cycle.

Office

- The review period saw the completion of 0.4 million sq ft of office space, including Menara Felcra @ Semarak20 and Pavilion Damansara Heights Tower 1. An additional 1.4 million sq ft of office space is expected to be completed in the second half of 2024.
- The overall Klang Valley office market experienced modest improvements in both occupancy and rental rates. KL City saw a slower decline in occupancy, supported by tenant relocations to newly completed office spaces. Meanwhile, the KL Fringe and Selangor markets witnessed increased occupancy and rental rates, exhibiting resilience.
- The office market continued to attract multinational corporations, driven by competitive rental rates, a skilled talent pool, and strong government support for the digital economy.
- Investment sentiment in the office sector remains cautious, reflected in subdued investment transactions during the review period. Conversely, there is a growing appetite for co-working and flexible office spaces, evidenced by recent expansions in this segment.

Retail

- Malaysia's retail sales exceeded expectations with a 7.8% growth in 1Q2024, but a slowdown is anticipated in 2Q2024.
- Bloomsvale Shopping Gallery opened in June 2024 with a net lettable area (NLA) of 230,000 sq ft and an 85% occupancy rate.
- Retail malls and supermarkets are undergoing transformations to enhance the shopping experience and maintain competitiveness.
- Sustainability remains a key focus in the Klang Valley's retail landscape, with an increasing emphasis on ESG initiatives.

Hospitality

- Economic recovery and a rebound in tourism activities led to 20.1 million tourists visiting Malaysia in 2023, with tourism spending reaching RM71.3 billion. This resulted in the highest average tourist spending per capita recorded since 2010.
- The luxury segment of the market is expected to see significant growth, with the majority of hotel developments in the pipeline consisting of international luxury and upscale hotel brands.
- The gradual recovery in both the average occupancy rate (AOR) and average daily rate (ADR) to pre-pandemic levels suggests that the hospitality sector is poised for full recovery in 2024.

High Rise Residential

- In Wilayah Persekutuan Kuala Lumpur, the combined transacted volume and value of apartment/condominium and serviced apartment categories surged by 19.2% and 19.3% respectively, indicating a robust market activity in the capital city.
- There has been a significant decline in new residential properties offered for sale in the primary market in 2024 compared to the previous year, addressing concerns related to property overhang and market mismatch, and signalling a correction in the market.
- Developers are actively promoting homeownership through various initiatives, including collaborations with banks, campaigns, rental programs, and home care services, aimed at enhancing the overall homebuying experience for consumers.

JOHOR

- As of July 2024, the construction of the Johor Bahru – Singapore Rapid Transit System (RTS) Link is progressing as scheduled at 77.6%. Other infrastructure developments like Gemas-Johor Bahru Electrified Double-tracking Rail Project, expansion of the North-South Highway and Automated Rapid Transit (ART) are in the pipeline to enhance the State's connectivity.
- The review period witnessed active land transactions. Beyond developers seeking to expand their land banks, data centre operators also emerged as significant buyers.
- There is improvement in the performance of selected high-rise residential projects, particularly in Johor Bahru City Centre.
- An increase in asking rents for office space in Johor Bahru City Fringe is observed, while Johor Bahru City Centre and Iskandar Puteri remain relatively stable. A high volume of tenant relocations and expansions is taking place.
- The retail sector is experiencing a resurgence, marked by a surge in retailer activity, including a wave of new outlet openings and store expansions.
- The industrial property sector continues to thrive, fuelled by active transactions. Notably, data centre investments are playing significant roles, contributing to the sector's growth and driving up land prices.

Active Land Transactions in Johor

- Johor's land market experienced a period of active transactions during the review period.
- Notably, Pelangi Sdn Bhd, a subsidiary of S P Setia Bhd had sold its 959.7 acres land located in Tebrau to a company

related to Tan Sri Syed Mokhtar Albukhary. Senibong Island Sdn Bhd, which is owned by Sigma Senibina Sdn Bhd and WM Senibong Sdn Bhd purchased the land at a cash consideration of RM564.0 million.

- Eco Botanic 3 Sdn Bhd, a wholly owned subsidiary of Eco World Development Group Bhd (EcoWorld Malaysia) is set to acquire lands in Pulai, Johor, from River Retreat Sdn Bhd for RM450.13 million. EcoWorld Malaysia plans to develop the lands into a mixed residential and commercial township development with a preliminary estimated gross development value (GDV) of RM3.88 billion. The proposed residential development will comprise affordable products (both high-rise and landed) suitable for first-time home buyers and the M40 target group.
- In another proposed transaction, EcoWorld Malaysia, through its wholly owned subsidiary, Eco Business Park 6 Sdn Bhd entered into a conditional sale and purchase agreement with Microsoft Payments (Malaysia) Sdn Bhd to dispose 123.14 acres of industrial land in Kulai for a cash consideration of RM402.30 million (circa RM75 per sq ft). The land forms part of the master land purchased by EcoWorld Malaysia in September 2023 at circa RM12 per sq ft.
- In June, Scientex Bhd, through its subsidiary, Scientex Quatari Sdn Bhd announced a proposed acquisition of 14 parcels of land located in Mukim Pulai from Lee Pineapple Company (Pte) Ltd for a consideration of RM381.4 million.
- Iskandar Waterfront City Bhd has unveiled its 10-year development plan, with an aggregate GDV of RM4.33 billion. The development plan comprises the RM3.5 billion waterfront township Tebrau Bay, RM500 million mixed waterfront development Danga Rivera, and RM330 million mixed-use development project Danga Heights.

PENANG

- In the first quarter of 2024, the high-rise residential sector witnessed a slight decrease in both transaction volume and value when compared to the corresponding period in 2023. This decrease was observed across both condominium/ apartment and serviced apartment categories.
- On the office front, the occupancy and rental rates of office buildings have remained steady. Notably, Sunshine Tower, a forthcoming office building situated in Air Itam, is anticipated to enter the market in the third quarter of 2024.
- In Penang State, the retail sector has remained stable with a negligible decline in the overall occupancy rate. During the third quarter of 2024, Sunshine Mall is expected to enter the market with approximately 820,000 sq ft of retail space.
- From January to March 2024, Penang secured RM1.1 billion in foreign direct investment (FDI), representing 61% of the state's total manufacturing investment of RM1.8 billion. The FDI was, however, lower compared to the corresponding period in 2023, which recorded approximately RM2.3 billion.
- The hospitality market demonstrated a sustained recovery, as evidenced by the rise in both the AOR and ADR. This positive trend was further bolstered by the opening of the five-star hotel, Marriott Penang Hotel, in George Town.

Penang LRT Mutiara Line

The proposed Penang LRT Mutiara Line, spanning 28 kilometers with 22 stations featuring overhead tracks, will offer direct access to the Penang International Airport (PIA) and connect with the Electric Train Service (ETS) at Butterworth, with KOMTAR designated as the future ETS interchange. Prioritising accessibility and inclusivity, the Mutiara Line will provide 1,220 car parking spaces, 1,315 motorcycle parking spaces, and is designed to be OKU-friendly. The alignment commences from Penang Sentral on the mainland, traverses to Macallum, the proposed first station on Penang Island, and continues through key areas such as KOMTAR, Jalan Gurdwara, Solok Sungai Pinang, and East Jelutong, ending at Silicon Island. The revised plan omits stations initially proposed at Bandar Sri Pinang and Sky Cab along Tun Dr Lim Chong Eu Expressway. Construction is scheduled to begin in the fourth quarter of this year and is expected to be completed in 2030.

Penang Hill Cable Car Project

The building plan for the RM245 million Penang Hill cable car project has been approved. Following initial approval from technical agencies, research is underway to finalise the next steps in construction. The necessary approvals have been obtained to start the project, including the Environmental Impact Assessment (EIA) approval from the Environment Department and planning permission from the Penang Island City Council. The project includes monitoring measures to ensure it does not adversely impact the hill's environment and ecological balance. The project comprises nine components and is expected to be completed within twenty months. The Prime Minister Datuk Seri Anwar Ibrahim officially launched the Cable Car Project on the 29th June 2024 and it is scheduled to be completed by the third quarter 2026.

Gurney Bay Project

Phase One of the Gurney Bay project, also known as Priority 1, has been completed and is now open to the public. Valued at RM247.8 million, the project is divided into two phases: Priority 1 and Priority 2. Priority 1, which covers 27.70 acres, features various amenities including a children's play area, skate park, south vantage point viewing deck, public toilets, pedestrian promenade, hawker stalls, retail areas, recreation park, hawker kiosks, open car park space, and south water body reclamation area. In contrast, Priority 2, encompassing 74.10 acres, will include a hawker center, retail area, convenience stores, north viewing deck, public toilets, additional hawker kiosks, multi-storey car park, open car park, water garden, surau, water taxi jetty, man-made beach and boardwalk, refuse center, and north water body. Priority 2 is scheduled for completion in mid-2025. Initiated by the Penang State Government, this project is expected to boost tourism and dining activities around the Gurney Drive area and become a prominent tourist destination on the island upon completion.

SABAH

- The Sabah property market demonstrated strong performance in 2023, recording 10,503 transactions valued at RM5.45 billion.
- The Peninsula and Jesselton Docklands are large-scale integrated developments planned along the coastal areas of the city center.
- New residential launches primarily consist of high-rise residential schemes targeted toward small- to mid-sized households, with an emphasis on lifestyle and convenience.
- The hospitality industry recorded improved occupancy levels, following further recovery in international tourist arrivals.

Transaction activity in 2023 remained relatively strong following 2022, observing the second-best performance over the past decade. The industrial and development land subsectors demonstrated growths including a notable transaction of residential development land in Kota Kinabalu, sized at approximately 26 acres, with a consideration of RM74 million. Conversely, the agriculture subsector experienced a steep decline.

As of 1H2024, two large-scale integrated developments, namely The Peninsula and Jesselton Docklands, were unveiled as part

Volume and Value of Transactions in Sabah, 2023

Property Sub-Sector	Volume of Transactions (No. of Units)	
	2023	Annual Change (y-o-y)
Residential	5,689	-1.8%
Commercial	1,350	6.8%
Industrial	473	28.5%
Agriculture	1,671	-42.3%
Development Land & Others	1,320	61.4%
Total	**10,503**	**-5.7%**
Property Sub-Sector	**Value of Transactions (RM million)**	
	2023	**Annual Change (y-o-y)**
Residential	2,372.04	4.1%
Commercial	875.12	8.9%
Industrial	714.37	26.2%
Agriculture	656.25	-56.9%
Development Land & Others	839.24	31.9%
Total	**5,457.02**	**-6.0%**

Sources: NAPIC / Knight Frank Research

Note: There may be some discrepancies due to rounding of figures

of the city's port regeneration initiative. Located within the coastal areas of the northern fringe of the KK CBD with views and frontage onto the South China Sea, these projects are mainly targeted towards the tourism industry and are anticipated to modernise the existing city landscape upon full materialisation.

Developed by Trillium Development Sdn Bhd, The Peninsula comprises four commercial suite towers, two hotels, an integrated shopping mall and office tower, as well as two residential towers. Phase 1, consisting of Agate Tower with 408 units of commercial suites and a 4-star hotel, is slated for completion in 2027. Additionally, the existing Jesselton Point Ferry Terminal, which serves as the main access to Tunku Abdul Rahman Marine Park, will be relocated to The Peninsula.



The Peninsula Kota Kinabalu

Source: Trillium Development Sdn Bhd

Suria Capital Holdings and BEDI Development Sdn Bhd, a subsidiary of EXSIM, have entered into a joint venture agreement to develop Jesselton Docklands across multiple phases. This development will have an estimated overall GDV of RM4.2 billion and will comprise an international cruise terminal, commercial suites, serviced apartments, retail shops, offices, SOHO units, hotels, and more.

Budget 2024

Under Budget 2024, Sabah received a federal allocation of RM6.6 billion and a special grant of RM300 million under Article 112D of the Federal Constitution. Other notable initiatives include:

1. The transfer of electricity supply regulatory authority to the Sabah State Government and provision of subsidies to Sabah Electricity Sdn Bhd (SESB) until the completion of the SESB Transformation Plan in 2030.
2. The implementation of hybrid solar energy generation and the construction of network electricity transmission lines in southern Sabah.
3. The expedited tender process for 19 work packages under Phase 1b of the Pan Borneo Highway.

These initiatives place a strong emphasis on enhancing electricity and road infrastructure in Sabah, which is anticipated to provide crucial support for future developments, particularly in the industrial sector, over the medium to long term.

The state has also placed increased importance on green initiatives and sustainable development in recent years. Sabah's first integrated scheduled waste management facility will be developed by Tex Evolusi Waste Management at the Sipitang Oil and Gas Industrial Park (SOGIP), under a joint venture between Tex Cycle Technology (M) Bhd and Evolusi Bersatu Sdn Bhd. Other environmentally conscious projects include a green steel manufacturing plant by Esteel Enterprise Sabah Sdn Bhd, a hydroelectric power plant by UPP Holdings Sdn Bhd, the InterContinental Sabah Kota Kinabalu Resort, and a net-zero carbon island resort on Mengalum Island by Sinyi Group, among others.

SARAWAK

- Pan Borneo Highway (Phase One): This extensive highway covers 706 kilometers, stretching from Telok Melano to Miri. It is expected to be fully operational in 2Q2024. The highway aims to enhance regional connectivity, making travel more efficient and accessible.
- Kuching Urban Transportation System (KUTS): Sarawak Metro has ambitious plans for three fully operational ART (Automated Rapid Transit) lines by the end of 2027. These ART lines will significantly improve urban mobility within Kuching, with the Blue Line running from Rembus to Hikmah Interchange, the Red Line from Kuching Sentral to Pending, and the Green Line from Pending to Damai.
- Sarawak's Green Energy Goals: Sarawak aims to be "Asia's Renewable Powerhouse," leading the way in the green economy among ASEAN nations. Sarawak is actively working on supplying green energy to Singapore and Peninsular Malaysia through an undersea submarine cable. Additionally, Sarawak is constructing a hydro dam in Kalimantan, Indonesia to provide green energy to Nusantara, Indonesia's new capital. This cross-border initiative demonstrates Sarawak's commitment to sustainable energy solutions.
- Shell Malaysia Upstream's Relocation: The headquarters of Shell Malaysia Upstream has moved from Lutong to Miri Times Square. This relocation signifies the region's growing importance in the energy sector.
- Industrial Property Market Outlook: Sarawak's industrial property market looks promising. Initiatives like the Post Covid-19 Development Strategy 2030 (PCDS 2030) are supporting growth. Increased demand for new industrial parks and rising property values in the region are expected. There are 10 proposed industrial parks in Sarawak, including Demak Laut Industrial Park, Kapit Industrial Estate, Sibu Industrial Estate, Betong Industrial Park, Sri Aman Industrial Park, Samalaju SME Clusters, Sematan Industrial Estate, Bau Industrial Estate, Rantau Panjang Industrial Estate Phase II, and Sebuyau Industrial Estate.

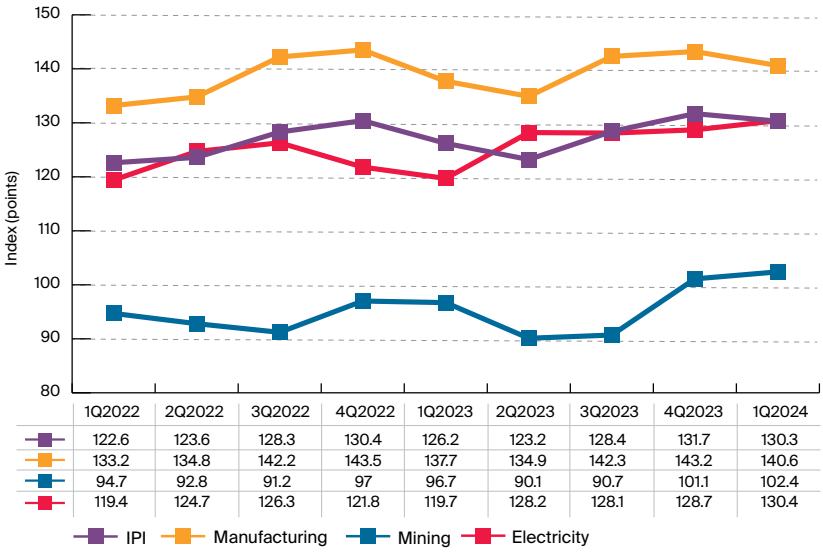
INDUSTRIAL MARKET

MARKET INDICATORS

Industrial Production Index (IPI)

The positive trend in the Malaysia's Industrial Production Index (IPI) maintained in 1Q2024, at the range of 130 point since its recovery in 2022, recorded 130.4 point, posted a higher yearly growth of 3.3% (1Q2023: 2.9% growth). The year-on-year (y-o-y) growths are observed across all sectors, led by electricity sector (8.9%), followed by mining sector (5.9%) and manufacturing sector (2.1%).

Malaysia: Industrial Production Index (IPI), 1Q2022 to 1Q2024



	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024
IPI	122.6	123.6	128.3	130.4	126.2	123.2	128.4	131.7	130.3
Manufacturing	133.2	134.8	142.2	143.5	137.7	134.9	142.3	143.2	140.6
Mining	94.7	92.8	91.2	97	96.7	90.1	90.7	101.1	102.4
Electricity	119.4	124.7	126.3	121.8	119.7	128.2	128.1	128.7	130.4

Source: Department of Statistics Malaysia (DOSM)

Approved Investments

In the first quarter of 2024, Malaysia attracted RM83.7 billion in approved investments across the manufacturing, services, and primary sectors, expected to create 29,027 new job opportunities. This marks a y-o-y increase of approximately 13.0% (1Q2023: RM74.1 billion). Domestic direct investments (DDI) accounted for RM36.7 billion (43.8%), while the remaining RM47.0 billion (56.2%) came from foreign direct investments (FDI). The primary sources of FDI were Austria (RM30.1 billion), Singapore (RM5.6 billion), the Netherlands (RM3.6 billion), China (RM3.4 billion), and the USA (RM0.6 billion).

Manufacturing investments totalled RM42.9 billion in 1Q2024, a 175% surge y-o-y (1Q2023: RM15.6 billion). The sector saw strong foreign interest, with approximately 89% of investments being FDI, predominantly in the electrical and electronic subsectors. The top five subsectors were electrical and electronics, transport equipment, chemical and chemical products, fabricated metal products, and food manufacturing.

In Klang Valley, a total of 239 projects worth RM193.8 billion in manufacturing investments were approved in 2023, ranking third nationally after Penang and Kedah. Total approved capital investments increased by 57% compared to 2022, with FDI expanding by 80% to RM136.8 billion and DDI growing by 20% to RM57.0 billion. In the first three months of 2024, 79 projects worth RM3.3 billion in manufacturing investments were approved. Total approved capital investments increased by 243% y-o-y, with FDI showing robust growth of 651% to RM2.0 billion, while DDI expanded by 84% to RM1.3 billion.

The Johor government approved RM113.7 billion worth of investments between 2022 and 2023, which is almost 20% of Malaysia's overall approved investment (RM597.2 billion). As of 1Q2024, Johor approved RM4.1 billion worth of investments contributed by various economic sectors. This performance is further reflected in Johor's ranking as the third-highest recipient of approved manufacturing investments among all Malaysian states, with a total of 70 projects worth RM2.3 billion (or 57.4% share) approved.

In 2023, Penang achieved a significant milestone by securing the highest FDI in Malaysia, amounting to RM60.1 billion. Additionally, the state secured the third position in DDI for 2023, attracting RM3.3 billion in investments. Notably, the FDI accounted for an impressive 47% of the nation's total FDI in 2023. From January to March 2024, Penang secured RM1.1 billion in FDI, representing 61% of the state's total manufacturing investment of RM1.8 billion. The FDI was, however, lower compared to the corresponding period in 2023, which recorded approximately RM2.3 billion.

In 2023, Sabah recorded 126 projects across various economic sectors with a total approved investment value of RM11.35 billion (2022: RM11.56 billion; 89 projects). One of the notable projects is a RM2 billion integrated clinker and cement plant by Borneo Cement (Sabah) Sdn Bhd in Tongod, Nabawan. In 1Q2024, Sabah recorded 26 approved private investments with a total capital investment of RM392.0 million from both DDI (RM 276.4 million) and FDI (RM115.6 million).

Sarawak received RM21.3 billion in approved private investments across all sectors in 2023, contributed by 267 projects. DDI accounted for 63.3%, amounting to RM13.5 billion, while the remaining 46.7% came from FDI, totaling RM7.8 billion. Manufacturing investments stood at RM7.7 billion (both FDI and DDI), representing 36% of total investments in 2023. In the first quarter of 2024, four manufacturing projects worth RM1.29 billion were approved in Sarawak, with FDI comprising 97.4% or RM1.26 billion.

Trade Performance

Trade performance in the country continued its upward trajectory in 1Q2024, growing by 7.1% to RM690.6 billion, with a trade surplus of RM34.22 billion, reflecting global trade recovery. Exports

increased by 2.2% to RM362.4 billion compared to 1Q2023, driven by higher exports of manufactured and mining goods. Meanwhile, imports grew by 13.1%, driven by capital and intermediate goods for manufacturing products destined for export.

Port Performance and Expansion

Cargo and container throughput at federally administered ports grew marginally by 3.5% in 2023, reaching 586 million tonnes and 28.2 million 20-foot equivalent units (TEUs). Port Klang remained a significant contributor, handling 41% of the national cargo throughput in 2023 and achieving a historic high of 14.06 million TEUs compared to 13.22 million TEUs in 2022.

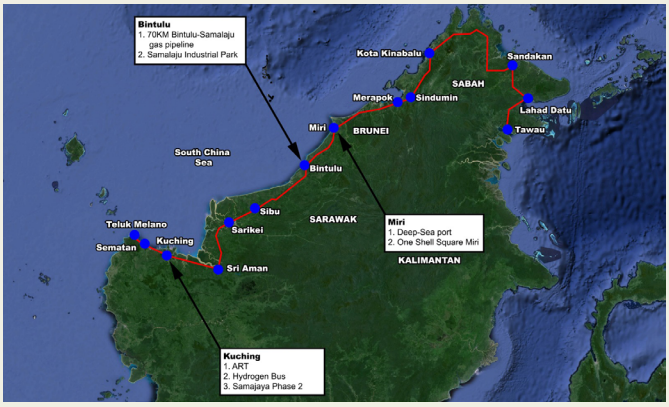
In efforts to enhance competitiveness, the proposed expansion of Westport in Port Klang is set to begin in 3Q2024, with development planned in two phases over 15 years. The expansion includes a 4.8 km wharf and the addition of eight container terminals (CT10 to CT17), increasing capacity by 13 million TEUs annually and doubling the port's current capacity to nearly 28 million TEUs.

Johor-Singapore Special Economic Zone (JS-SEZ)

In January 2024, Prime Minister Dato' Seri Anwar bin Ibrahim and his Singaporean counterpart Lee Hsien Loong witnessed the signing of the Johor-Singapore Special Economic Zone (JS-SEZ) Memorandum of Understanding (MoU) between the two countries. The JS-SEZ will be developed in the areas of Iskandar Malaysia and Pengerang, involving an area of 3,505 square kilometers and encompassing five local authorities: Johor Bahru, Iskandar Puteri, Pasir Gudang, Kulai, and Kota Tinggi. The Johor government has proposed 16 economic sectors that are expected to provide socio-economic benefits to the state and the nation.

As of April, Malaysia's government has made progress on two out of the seven initiatives outlined in the JS-SEZ MoU. These initiatives include establishing the Investment Malaysia Facilitation Centre Johor, which is planned to be set up in Forest City and implementing QR code-based immigration clearance for Malaysians traveling to Singapore, starting in June 2024.

Meanwhile, special incentives for the Special Financial Zone (SFZ) in Forest City are expected to be finalised in August, according to Johor Menteri Besar Datuk Onn Hafiz Ghazi. The SFZ designation will encompass more than just Forest City as part of a foreign investment initiative aimed at boosting the economic development of the area.



Sources: Google Earth / Knight Frank Research

Infrastructure Development in Sarawak

The Sarawak state government has taken significant steps to boost development and improve infrastructure within the state. The ongoing Pan Borneo Highway project aims to connect Sabah and Sarawak with Brunei and the Kalimantan region in Indonesia. The Pan Borneo Highway begins its journey in Telok Melano, Sarawak, and passes through key towns such as Kuching, Serian, Sri Aman, Sarikei, Sibu, Bintulu, Miri, Limbang, and Lawas. It then extends into Sabah, covering destinations like Kota Kinabalu, Sandakan, and finally ending in Tawau, near the West Kalimantan/Sarawak border.

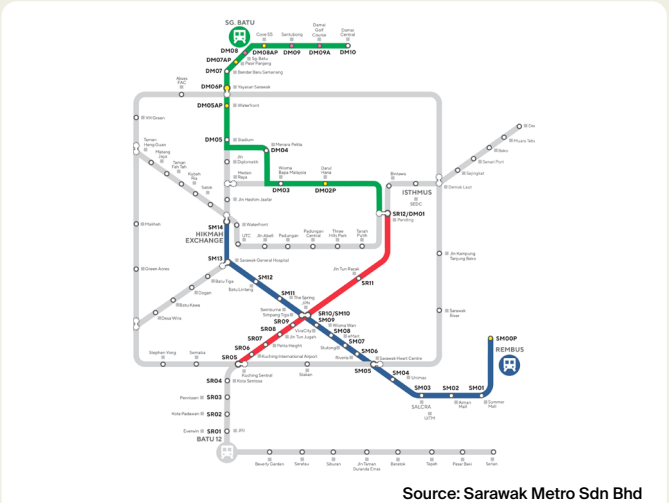
As of April 2024, the completion for Phase One stands at 99.42%, and this phase is expected to be fully operational in 2Q2024, except for the Lambir section in Miri. Phase One of the Sarawak portion of the Pan Borneo Highway covers 706 kilometers, spanning from Telok Melano to Miri. This highway will enhance transportation connectivity, potentially influencing property development and investment along its route.

The Second Trunk Road (STR) project focuses on improving transportation links across various regions, including Kuching, Samarahan, Sadong Jaya, and Sebuyau in Sarawak. The STR project in Sarawak comprises three packages. The first package focuses on constructing a road from Batang Samarahan to Batang Sadong. The second package involves building a major bridge crossing the Batang Samarahan River. Both the first and second packages are expected to be completed in February 2027. Finally, the third package encompasses the construction of a road connecting Batang Sadong to the Sebuyau/Batang Lupar Bridge, with completion targeted for April 2028. The completion of the STR project will reduce the travel time from Kuching to Sibu to three hours. By enhancing connectivity, it will contribute to economic growth and accessibility. Strategically positioned to support the state's development process, the STR project is expected to attract significant investment.

InvestSarawak and TOYO Engineering Corporation have signed an MoU to collaborate on Sarawak's energy transition initiatives, which include developing green hydrogen projects, carbon capture and storage (CCS), waste-to-energy projects, energy storage solutions, and smart grid technology. This partnership aligns with the state's vision for a greener, more resilient, and sustainable energy future.

These initiatives, along with the Pan Borneo Highway and the Second Trunk Road, are expected to have a positive impact on Sarawak's real estate market and overall development.

The Kuching Urban Transportation System (KUTS) project aims to have all three Autonomous Rapid Transit (ART) lines fully operational by the end of 2027. The state is introducing ART and hydrogen buses as part of its transportation system, marking a significant step in transportation innovation and sustainability efforts. The hydrogen-powered ART will cover 69.9 km across three lines: Blue, Green, and Red, as part of Phase 1 of the KUTS project.



Source: Sarawak Metro Sdn Bhd

The Hydrogen Buses will serve as feeder buses, providing connectivity for the initial and final portions of the ART system. The successful integration of hydrogen into Sarawak's transportation system is a significant achievement that can serve as a foundation for further economic growth and attract foreign investment.

Sarawak's Strategic Initiatives as Asia's Renewable Powerhouse

Aiming to establish itself as "Asia's Renewable Powerhouse," Sarawak leads the green economy within ASEAN nations and is actively working on supplying green energy to Singapore and Peninsular Malaysia through an undersea submarine cable. Additionally, Sarawak is constructing a hydro dam in Kalimantan to provide green energy to Nusantara, Indonesia's new capital.

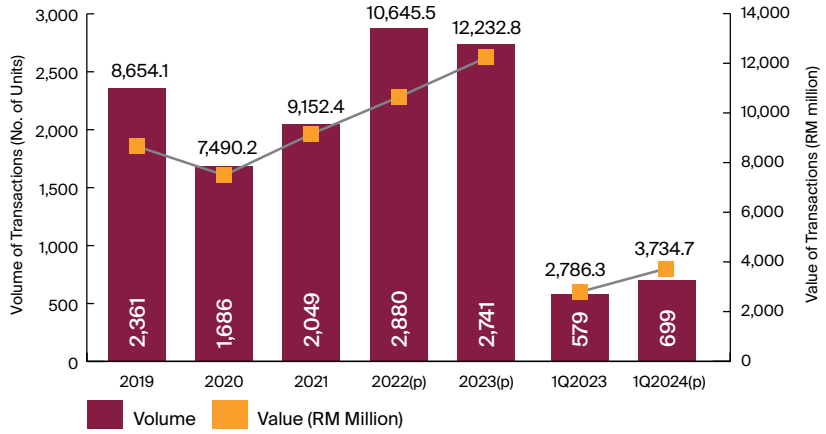
Dato Sri Julaihi Narawi, Minister of Utilities and Telecommunications Sarawak, announced that the federal government has approved the Sarawak government's proposal for a power interconnection project with Singapore. This project involves a capacity of up to 1,000MW transmitted through an undersea cable, which will cross Indonesia's Muri-Midai corridor, spanning 720km.

KLANG VALLEY

Supply and Demand

In the first quarter of 2024, the industrial property market in Klang Valley saw increased activity compared to the same period in 2023, with 699 transactions valued at RM3.7 billion. This marked a 20.7% increase in transaction volume and a 34.0% rise in transaction value on a y-o-y basis. The average price per industrial transaction was approximately RM5.3 million, reflecting an 11.0% y-o-y increase and indicating a trend towards higher-value transactions during this period. Terraced factories remained the most transacted industrial property type in 1Q2024, accounting for approximately 44% of the total transaction volume. This was followed by vacant industrial plots and semi-detached factories, each representing 20% of the total transactions.

Klang Valley: Volume and Value of Industrial Property Transactions, 2019 to 1Q2024(p)



Sources: National Property Information Centre (NAPIC) / Knight Frank Research

Note: (p) = Preliminary data

As of 1Q2024, the cumulative industrial supply in Klang Valley stood at 50,825 units, with majority are in the District of Petaling (14,413 units, 30.5% share) and the District of Klang (8,875 units, 18.8% share). Currently, there are 1,496 industrial units under construction and another 2,130 units in the planning stages.

The District of Petaling and the District of Klang lead in incoming supply, with 498 units (33.5% share) and 530 units (35.7% share), respectively. These primarily comprise flatted factories (464 units) and semi-detached factories (422 units). In terms of planned supply, the District of Klang holds the majority share with 53.3% (1,136 units), followed by the District of Kuala Selangor at 18.4% (391 units).

In the first half of 2024, there were two completion of warehouses/distribution centres namely Bandar Bukit Raja Industrial Gateway and Axis Mega Distribution Hub Phase 2, collectively adding approximately 1.1 million sq ft of industrial space to the existing stock.

Several notable announcements relating to the industrial / logistics market during the review period are summarised below.

Sime Darby Property Bhd and LOGOS SE Asia Pte Ltd SDPLOG, announced that the joint venture achieved its target of RM1 billion Industrial Development Fund in May 2024. The capital of Shariah-compliant Fund was sourced from local institutional players, private equity and insurance funds including Permodalan Nasional Bhd, Kumpulan Wang Persaraan (Diperbadankan), Great Eastern Life Assurance (Malaysia) Bhd and TA Islamic Private Investment Fund. The fund will focus on key logistics, e-commerce and cold-chain sector, which aligned with global trade trends and supply chain advancements.

IJM Bhd, through its wholly owned subsidiary, IJM RE Sdn Bhd entered into share sale agreement with fully integrated logistics provider, Swift Haulage Bhd and Hartamas Mentari Sdn Bhd, acquiring a 25% stake in Global Vision Logistics Sdn Bhd (GVL). GVL is developing the Shah Alam International Logistics Hub (SAILH) in Section 16, Shah Alam. The RM2 billion project will be developed across few phases on a 71-acre plot of land. Phase 1 of the development boosts 2.8 million sq ft of net lettable area (NLA), comprising a four-storey warehouse complex, a four-story car park facility and a single-storey office building along with additional structures for testing and certification purposes. The project is targeted to be fully completed by 2028 and aimed to become one of the largest green-certified logistics hubs in the region.

FM Global Logistics acquired four plots of vacant industrial land totalling 11.34 acres in Setia Alaman Industrial Park for a total consideration of for RM75.6 million (RM153 psf). The acquisition from Petaling Garden Sdn Bhd (a wholly subsidiary of SP Setia Bhd) is to facilitate the group's future expansion of its Third-Party Logistics (3PL) warehousing and distribution services.

Mah Sing group acquired 185 acres of agricultural land in Sepang for RM 100.72 million (or RM12.50 psf) from Premier Land Resources Sdn Bhd. The proposed Mah Sing Business Park, situated in the Integrated Development Region in South Selangor (IDRISS), will enjoy special incentives including a special premium scheme, interest-free instalment payments for development charges, tax exemption for vacant land assessment, a 50% discount on vacant building assessment tax and business license fee exemption. The business park will consist of customised factories, industrial lots, and various types of ready-built factories. The proposed acquisition also carried an option for the group to purchase another 376.65 acres at the same fixed price point within a four-year period.

Further south of Klang Valley in Negeri Sembilan, several notable market announcement have been made, including:

Seri Pajam Development is developing SPD Tech Valley in Senawang. The 523-acre industrial park, with a gross development value (GDV) of RM3 billion, is slated to be the first LEED for Cities and Communities Gold-certified industrial park in Southeast Asia and the first managed industrial park (MIP) that complies with ESG standards in Negeri Sembilan. The entire development is expected to take 10 years to complete, with the first phase covering an area of 285.25 acres, offering industrial lots and ready built detached factories.

Dutch Lady Milk Industries Bhd (DLMI) inaugurated a new halal manufacturing hub at Bandar Enstek in May 2024. The RM540 million manufacturing hub, located on 13.2 hectares of land, is intended to be the regional manufacturing hub. With a capacity three times larger than the former facility in Petaling Jaya, the production lines will be doubled from eight to sixteen. The facility also features a distribution centre and a Research and Development Centre.

Data Centre

Between 2021 and 2023, Malaysia approved a total of RM114.7 billion in investments related to data centres, which constituted most the country's approved digital investments totaling RM144.7 billion. The surge in data centre investments occurred predominantly in 2022 and 2023, amounting to RM80.8 billion and RM60.5 billion respectively. Several significant announcements regarding data centres during this period are summarised below.

Google to invest US$2 billion (RM9.4 billion) to establish its first Google data centre and Google Cloud region in Malaysia. The investment is expected to support 26,500 jobs across various sectors and have an economic impact of approximately RM15.0 billion. The data centre will be located at Sime Darby Property's Elmina Business Park, with construction expected to begin in the second quarter of this year and be completed in 2026.

Jakel Group is partnering with PiDC Holding Bhd to build a 51MW data centre in Cyberjaya worth RM1.2 billion. Jakel is taking up a 40% stake in the project, Pi Data Centre Sdn Bhd, while the remaining 60% is held by PiDC. The data centre will be a Tier III facility spanning a 7.3-acre site in Cyberjaya. The project will be built in three phases, with the construction of the first phase starting in the third quarter of this year and expected to be completed in the fourth quarter of 2025. Jakel states that a large portion of the phase 1 capacity is already committed, indicating strong demand for data centres.

Mah Sing Group Bhd is making its maiden entry into the data centre sector by launching Mah Sing DC Hub @ Southville City in partnership with Bridge Data Centres (BDC). The developer has earmarked 150 acres of land at Southville City for further expansion into a leading Data Centre Hub with a planned capacity of up to 500MW. For this first partnership, Mah Sing will contribute and reserve 17.55 acres of land for a data centre with a planned capacity of up to 100MW. This partnership will involve designing and developing the data centre facilities and infrastructure, including securing the necessary approvals and planning permissions.



Artist impression of Google's first data centre and Google Cloud region in Malaysia

Source: Google

Prices and Rentals

During the review period, the asking rentals for detached industrial buildings and warehouses in the selected localities remained stable.

Asking Rental Rates of Typical Detached Industrial Buildings / Warehouses in Selected Localities, 1H2024

Locality	Average Asking Rental Rates over Built-Up Area[4] (RM per sq ft / month)
Shah Alam[1]	1.80 to 2.50
Port Klang[2]	1.50 to 1.80
Bukit Raja	1.80 to 2.20
Petaling Jaya[3]	1.90 to 2.50

Sources: Various / Knight Frank Research

Notes:
(1) Selected industrial schemes in Shah Alam include Hicom-Glenmarie Industrial Park, Temasya Industrial Park, Seksyen 15 and Seksyen 16.
(2) Selected industrial properties within the localities of Pulau Indah and Bandar Sultan Sulaiman.
(3) Selected industrial properties within the localities of Seksyen 51, Seksyen 51a and Seksyen 19 in Petaling Jaya.
(4) Asking rentals (on a per sq ft basis) based on listings as per property websites for typical detached industrial buildings / warehouses in the selected localities for the period from January 2024 to June 2024.

Similarly, the asking prices of vacant industrial land (less than 5 acres) in the selected localities of Klang Valley remained stable.

Asking Prices of Vacant Industrial Land (< 5 acres) in Selected Localities, 1H2024

Locality	Asking Price[4] (RM per sq ft)
Shah Alam[1]	290 to 340
Shah Alam[2]	160 to 250
Port Klang[3]	90 to 120
Bukit Raja	160 to 200

Sources: Various / Knight Frank Research

Notes:
(1) Selected industrial schemes in Shah Alam include Hicom-Glenmarie Industrial Park and Temasya Industrial Park
(2) Selected Industrial schemes in Shah Alam include Seksyen 15 and Seksyen 16
(3) Selected industrial scheme in Port Klang include Pulau Indah Industrial Park
(4) Asking prices (on a per sq ft basis) based on listings as per property websites for vacant industrial land in the selected localities for the period from January 2024 to June 2024

The asking rentals and prices vary depending on the location / scheme, accessibility / frontage, land size and tenure, level of infrastructure, built-up area / specification, and other factors.

During the first half of 2024, there were several notable industrial property transactions (> RM30 million).

Significant Industrial Property Transactions, 1H2024

Date	Status	Type of Property Property Address	Land Area / Estimated Built-up Area (BUA)	Consideration (RM) Analysis over Land Area (RM per sq ft)	Buyer Vendor
Jan-24	Pending[1]	**Two parcels of contiguous freehold vacant industrial land** Setia Alaman Industrial Park, Kapar, Klang	5.7 acres	**37.9 million** 153	**FM Global Logistics Holdings Bhd** Petaling Garden Sdn Bhd
Jan-24	Sold[2]	**Two single-storey detached factories with a single-storey office** Lot No. 2-14, Jalan Perindustrian Mahkota 5, Kawasan Perindustrian Mahkota, 43700, Beranang, Selangor	4.6 acres (121,101 sq ft)	**30.4 million** 153	**LB Aluminium Bhd** Puspajaya Realty Sdn Bhd
Feb-24	Sold[3]	**An Industrial Complex** Lot 1 Jalan Waja, Kawasan Perindustrian Bukit Raja 41050 Klang, Selangor	8.0 acres (199,500 sq ft)	**49.0 million** 141	**Axis REIT** Amsteel Mills Sdn Bhd
Mar-24	Pending[4]	**A parcel of freehold industrial land** Setia Alaman Industrial Park, Kapar, Klang	5.7 acres	**37.7 million** 153	**FM Global Logistics Holdings Bhd** Petaling Garden Sdn Bhd
Apr-24	Pending[5]	**An Industrial Complex** Lot 6, Solok Waja 2, Kawasan Perindustrian Bukit Raja, 40150, Klang, Selangor	60.0 acres (2,614,776 sq ft)	**313.0 million** 120	**Axis REIT** Lion Industries Corporation Bhd
Apr-24	Pending[6]	**Two parcels of freehold industrial land** PT 50053 & PT50054, Mukim of Rawang, District of Gombak, Selangor	6.5 acres	**36.0 million** 127	**PTT Synergy Group Bhd** Koperasi Kakitangan Bank Rakyat Bhd
May-24	Pending[7]	**4.5-storey detached building, with existing use as 3S Centre** Lot 19, Jalan 51A/219, Federal Highway, 46100, Petaling Jaya	2.4 acres (156,000 sq ft)	**69.0 million** 670	**Axis REIT** Cycle & Carriage Bintang Berhad
May-24	Pending[7]	**Single storey detached building with annexed 1.5 storey office building with existing use as a 2S srvice centre** Lot 5, Jalan Perusahaan 1, Kawasan Perindustrian PKNS, 68100 Batu Caves	4.1 acres (71,000 sq ft)	**56.0 million** 314	**Axis REIT** Cycle & Carriage Bintang Berhad

Sources: Real Capital Analytics (RCA) / Bursa Malaysia / Knight Frank Research

Notes:
(1) The proposed acquisition is for the Group's future expansion of Third-Party Logistics (3PL) warehousing and distribution services.
(2) The industrial developments are located adjacent to the existing manufacturing facilities, which to be utilise for the Group's business expansion.
(3) The Lease agreement is executed for two terms (3 years each), with an option for renewal for an additional year. The rental rate for the first term is analysed at approximately RM1.42 psf/month.
(4) The proposed acquisition is for the Group's future expansion of Third-Party Logistics (3PL) warehousing and distribution services.
(5) The lease agreement is executed for two terms (3 years each), with an option for renewal for an additional year. The rental rate for the first term is analysed at approximately RM2.00 psf/month.
(6) The Group proposes to develop a commercial warehouse with ASRS system, aligning with the Group's strategy to provide comprehensive solutions fo total intralogistics.
(7) At the time of acquisition, the building is 100% occupied. The proposed acquisition is expected to be completed by 4Q2024.

JOHOR

Industrial Developments and Investments

UEM Group Bhd has partnered with local and foreign investors to develop a 1GW hybrid solar photovoltaic power plant integrated with a renewable energy (RE) industrial park. UEM Group will collaborate with Itramas Corp Sdn Bhd and Hexa Renewables on the first phase of this project, which entails the development of a 500MW hybrid solar plant in Johor. Additionally, UEM Sunrise Bhd, alongside Itramas Corp Sdn Bhd, has partnered with China Machinery Engineering Corp to develop a 40-acre RE industrial park in Gerbang Nusajaya, Iskandar Puteri. This RE industrial park will be designed to attract Chinese manufacturers and suppliers across the RE and electric vehicle (EV) value chains.

Paragon Globe Bhd has signed an MoU with Solarvest Holdings Bhd to jointly develop a solar-ready factory and green industrial township in Johor Bahru. Situated on 141 acres of industrial land in Desa Cemerlang, the project is expected to generate 12.5 megawatts peak (MWp) in renewable energy capacity upon completion, positioning it as one of Johor's most energy-efficient industrial townships.

Iskandar Waterfront Holdings Sdn Bhd (IWH) and PLS Plantations Bhd inked an MoU with Shenzhen Shenyue Joint Investment Co Ltd (SSJI), a company owned by the Shenzhen provincial government. The MoU outlines the proposed development of a 1,000-acre Johor-Shenzhen Industrial Park in Ulu Sedili, along with a 50-acre Johor-Shenzhen Innovation Development Hub in Johor Bahru. Designed to be one of the largest fully integrated new industrial estates in Johor, the proposed industrial park is poised to promote industrial development and collaboration. This will be supplemented by the innovation hub within the Johor Bahru CBD, which will provide resources and support for innovative activities, research and development (R&D) initiatives in Johor.

Masimo Medical Technologies Malaysia Sdn Bhd, a mission-based medical device and technology company, has invested RM100 million to set up a new production facility in Pasir Gudang. The plant has a maximum capacity of 100 million devices per year, catering to both domestic and export markets.

JLand Group Sdn Bhd (JLand) has partnered with biotechnology company ALPS Global Holding Bhd (ALPS) to establish BioValley in Sedenak, Johor. JLand will develop a comprehensive and cutting-edge biotechnology hub within the 7,290-acre Ibrahim Technopolis (IBTEC), while ALPS will serve as the anchor tenant and operator. The campus-style biotechnology hub spans across 500,000 sq ft and will be developed in phases. It is anticipated to complement IBTEC's existing data centre campus and its forthcoming smart logistics, manufacturing, and artificial intelligence (AI) hubs.

In May, AME Elite Consortium Bhd (AME), through its wholly-owned subsidiary Golden Symphony Sdn Bhd, entered a sales and purchase agreement (SPA) with Dahlia Utama Sdn Bhd (a subsidiary of Lee Rubber Co (Pte) Ltd) for the proposed acquisition of 37.5 acres of freehold land in Taman Teknologi Johor, Senai, for a cash consideration of RM106.17 million (or RM65 per sq ft). AME intends to develop the land into an industrial cluster.

Notable Transactions of Industrial Properties in Districts of Johor Bahru & Kulai, 1H2024

Purchaser	Location	Property Type / Component	Land Area (acre)	Consideration (million)	Date of Announcement / Transaction
Mtrustee Berhad	Iskandar Puteri	Semi-detached factories & Detached factory	2.4	RM27.0	5 February 2024
Microsoft Payments (Malaysia) Sdn Bhd	Nusa Cemerlang Industrial Park	Vacant Land	25.3	RM132.5	4 April 2024
Undisclosed	SiLC	Detached factories	27.0	RM162.0	24 April 2024
Bridge Data Centres Malaysia IV Sdn Bhd	Ulu Tiram	Vacant Land	47.9	RM238.3	8 May 2024
Digital Hyperspace Malaysia Sdn Bhd	i-TechValley, SiLC	Vacant Land	34.9	RM209.8	13 May 2024
Paragon Business Hub Sdn Bhd	Ulu Tiram	Vacant Land	14.9	RM28.6	30 May 2024
Golden Symphony Sdn Bhd	Kulai	Vacant Land	37.5	RM106.2	31 May 2024
Microsoft Payments (Malaysia) Sdn Bhd	Kulai	Vacant Land	123.1	RM402.3	10 June 2024
Undisclosed	East Ledang	Vacant Land	28.9	RM144.9	11 June 2024
Digital Halo Pte Ltd	Nusa Cemerlang Industrial Park	Vacant Land	20.5	RM115.9	11 June 2024
ST Dynamo DC Sdn Bhd	Iskandar Puteri	Vacant Land	41.8	RM178.2	18 June 2024

Sources: Jabatan Penilaian dan Perkhidmatan Harta (JPPH) / Bursa Announcements / Knight Frank Research

Johor's Prospects as a Data Centre Hub

Johor is set to emerge as a major player in Malaysia's digital economy with significant investments from multinational corporations for data centre development, positioning it as the leading data centre market in the country.

Over the review period, several data centre operators announced their plans to set up data centres in Johor.

Notable Announcements of Data Centres in Districts of Johor Bahru & Kulai, 1H2024

Company	Location	Remarks
Microsoft	Nusa Cemerlang Industrial Park	New set-up
Undisclosed	SiLC	New set-up
Bridge Data Centre	Ulu Tiram	New set-up
Quantum DC (HK) Ltd	i-TechValley, SiLC	New set-up
Equinix	Nusajaya Tech Park	Grand opening
Logos Infrastructure Holdco Pte Ltd	Gerbang Nusajaya	MoU signed
Microsoft	Kulai	New set-up
Undisclosed	East Ledang	New set-up
Digital Halo Pte Ltd	Nusa Cemerlang Industrial Park	New set-up
Telekom Malaysia & Nxera	Iskandar Puteri	New set-up

Sources: Various / Knight Frank Research

UEM Sunrise Bhd and Logos Infrastructure Holdco Pte Ltd have inked an MoU to explore the potential of developing an innovative data centre campus in Gerbang Nusajaya, Johor. The proposed campus will be located on a 74-acre site and is set to offer up to 360MW of capacity.

YTL Power International Bhd has established YTL AI Cloud, a specialised provider of massive-scale graphics processing unit (GPU)-based accelerated computing, to deploy and manage one of the world's most advanced supercomputers on NVIDIA Grace Blackwell-powered DGX Cloud - an AI supercomputer for accelerating the development of generative AI. The YTL AI Supercomputer will be housed in a 1,640-acre data centre facility in the YTL Green Data Center Campus in Johor, powered by renewable energy from its on-site 500MW solar power facility.

The rapid growth of Johor's data centre market is primarily driven by its proximity to land-scarce Singapore, the spillover effects of the US-China trade war, and its competitive land prices, operational costs, and electricity tariffs.

However, water and power supply limitations remain a major challenge for data centre development in Johor. To overcome these issues, enhanced collaboration between the government and the private sector is crucial. Potential solutions include building desalination plants for an adequate water supply and partnering with developers to create industrial parks equipped with sufficient power and water infrastructure.

PENANG

Expansion of Industrial Landscape in Penang

Batu Kawan Industrial Park 3 (BKIP 3), a project developed by the Penang Development Corporation with an investment of RM2.2 billion, is anticipated to serve as a catalyst for economic growth in Penang and the northern regions. Encompassing an area of 407 acres and comprising four phases, BKIP 3 is projected to be fully completed by August 2031, with the initial phase scheduled for completion in October 2025, covering 60 acres. Upon its completion, the industrial park aims to cater to the industrial land requirements of multinational corporations (MNCs), large local companies (LLCs), and small-medium industries (SMIs), establishing itself as a future industrial hub.

The Penang Development Corporation has issued a request for proposal (RFP) for the first phase of the Batu Kawan Industrial Park 2 (BKIP2) project, encompassing approximately 559.64 acres. This initiative follows a previous controversy surrounding a land deal, which resulted in the cancellation of a contract awarded without an open tender. The RFP seeks to engage industry stakeholders as strategic partners in the development of BKIP2, ensuring compliance with state policies and adherence to project timelines.

Three new semiconductor companies—China Wafer Level CSP Co (WLCSP), Ningbo SJ Electronics Co (SJE), and Wuxi AMTE Inc (AMTE)—are set to invest a total of US$100 million in Penang. This investment, facilitated by Blue Chip Venture Capital (BCVC), aims to enhance Penang's integrated circuit (IC) design and advanced packaging ecosystem. WLCSP is noted for its innovative semiconductor technologies, SJE for its materials and equipment expertise and strong R&D capabilities, and AMTE for its semiconductor manufacturing apparatus, particularly in etching and film processes.

Penang has unveiled plans for an integrated circuit (IC) design and digital park, which offers one million square feet of premium office space to cater for high-impact projects. This park is specifically catered to house high-impact activities including IC design, research and development, global business services (GBS), digital technologies investments, and a circular digital economy ecosystem. The project consists of two phases. The first phase involves the ongoing construction of two pioneering office buildings, GBS By The Sea and GBS TechSpace while the second phase of the park involves an establishment of an additional building named GBS@TechnoPlex.

Ewein Bhd, a property developer and precision sheet metal fabrication manufacturer, is acquiring a vacant piece of industrial land in Butterworth for RM25.84 million to develop a workers' dormitory in a related-party transaction. The land, measuring 172,265 sq ft, will be used to develop a block of 16-storey workers' dormitory. Its indirect subsidiary Delight Island Sdn Bhd (DISB) is buying the land from Magnum Heritage Sdn Bhd (MHSB).

Notable announcements related to the expansion and new set-up of industrial facilities in Penang during the review period are summarised in the following table.

Notable Expansions / New Industrial Facilities in Penang, 1H2024

Location	Valdor		Batu Kawan Industrial Park			Seberang Jaya Industrial Park	
Status	Expansion	New Facility	New Facility	New Facility	Expansion	Expansion	New Facility
Component	(192,000 pallets)	600,000 sq ft facility	N/A	550,000 sq ft facility	83,488 sq ft facility (Land Area: 2.0 acres)	280,000 sq ft facility	100,000 sq ft facility
Status / Expected Completion	1Q2025	2Q2025	Newly Completed	Newly Completed	4Q2024	4Q2024	Newly Completed
Vendor	Sin-Kung Logistics Bhd	Equalbase	Lam Research Corp	Ultra Clean Holdings, Inc	QES Mechatronic Sdn Bhd (A subsidiary of QES Group Berhad)	PIE Industrial Bhd	
Country of Origin	Malaysia	Singapore	United States	United States	Malaysia	Malaysia	
Facility Specialty	Logistics	Logistics	Warehousing	Manufacturing	Manufacturing	Manufacturing	

Location	Penang Science Park		Bukit Minyak Industrial Park	Bandar Cassia Technology Park	Diamond Valley Industrial Park
Status	New Facility	New Facility	Expansion	New Facility	New Facility
Component	127,014 sq ft facility	(Land Area: 26.9 acres)	13,300 sq ft facility	(Land Area: 19.8 acres)	N/A
Status / Expected Completion	Newly Completed	Newly Completed	Newly Completed	N/A - (Upcoming facility)	Newly Completed
Vendor	LEM Holding SA	TTM Technologies Inc	Actiforce	Siliconware Precision Industries Co Ltd	Nihon Handa Manufacturing (Malaysia) Sdn Bhd
Country of Origin	Switzerland	United States	Netherlands	Taiwan	Japan
Facility Specialty	Manufacturing	Manufacturing	Manufacturing	Manufacturing	Manufacturing

Note: N/A refers to not available

Sources: News Articles / Knight Frank Research

Notable Industrial Transactions in Penang, 1H2024

Development	Prai Industrial Park	Butterworth	Penang Science Park North
Location	Mukim 1, Seberang Perai Tengah	Section 4, Bandar Butterworth, Seberang Perai Utara	Mukim 13, Seberang Perai Tengah
Land Area	N/A; (Gross Floor Area: 653,399 sq ft)	4.0 acres	3.0 acres
Tenure	Leasehold	Freehold	Leasehold
Component	A parcel of leasehold land together with the buildings thereon and all fixtures, fittings and other things thereon	14 contiguous parcels of vacant industrial land	Vacant industrial land
Consideration	RM39.8 million	RM25.8 million	RM8.0 million
Purchaser / Buyer	Hume Cement Industries Bhd (A subsidiary of Hume Concrete Sdn Bhd)	Delight Island Sdn Bhd (A subsidiary of Ewein)	ECA Advanced Solutions Sdn Bhd (A subsidiary of ECA)
Vendor / Seller	Skygate Technology (KL) Sdn Bhd	Magnum Heritage Sdn Bhd	Penang Development Corporation

Sources: News articles / Bursa Malaysia / Knight Frank Research

Note: N/A refers to not available



New facility: Ultra Clean Holdings, Inc in Batu Kawan Industrial Park

Source: evertiq.com

SARAWAK

Industrial Transaction Volume and Value

The industrial sector in Kuching recorded a significant increase in both the volume and value of transactions for industrial properties in 2023 compared to 2022. The total growth was 16.81% in volume and 27.06% in value. With many established foreign investments in the city, Kuching has developed the maturity to further attract investments in the industrial sector.

Specifically, the volume of transactions in the Miri industrial sector increased from 159 units in 2022 to 193 units in 2023. There has been a notable rise in the number of vacant industrial plots being transacted, with 79 units transacted at a total value of RM35.99 million. The increasing demand for vacant industrial plots indicates that more industrial businesses are likely to be developed in Miri.

Similarly, the volume of transactions in the Bintulu industrial sector increased from 57 units in 2022 to 68 units in 2023. The major contributors to these numbers were vacant plots and semi-detached factories, with 11 and 48 units respectively. The active industrial market in Bintulu is significantly influenced by government initiatives and the influx of foreign investments into the market.

Both Miri and Bintulu districts show a decrease in the total value of transactions, despite an increase in transaction volume. This discrepancy may be due to the significant rise in property supply, which can outpace demand and result in declining prices.

Transaction Volume and Value of Industrial Properties in Selected Districts in Sarawak

District	Total Volume of Transactions (No. of Units)		Annual Change (%)
	2022	2023	
Kuching	119	139	16.81%
Miri	159	193	21.38%
Bintulu	57	68	19.30%
District	**Total Value of Transactions (RM million)**		**Annual Change (%)**
	2022	2023	
Kuching	124.17	573.18	27.06%
Miri	114.22	213.76	-15.45%
Bintulu	93.64	233.86	-12.61%

Sources: National Property Information Centre (NAPIC) / Knight Frank Research

Industrial-related Investment Activities

In 2022, Sarawak received RM6.05 billion in FDI in electric and electronic products, as well as basic metal products. In the first three quarters of 2023, Sarawak recorded a total of RM4.8 billion in FDI.

Sarawak Microelectronics Design (SMD) Semiconductor Sdn Bhd, owned by Sarawak Research and Development Council (SRDC), signed a deal with X-FAB Global Services from Germany. SMD will design chips for X-FAB to develop X-FAB's latest silicon IP libraries for advanced process technology node migration. Additionally, X-FAB plans to expand its factory in Samajaya, Kuching, to increase production from 30,000 to 40,000 chips per month by 2025.

In 2022, a groundbreaking ceremony was held for the proposed RM1.7 billion epichlorohydrin (ECH) manufacturing plant project in Samalaju Industrial Park. This project is a joint venture investment between OCiKumho Sdn Bhd and Korea Kumho Petrochemical Group. It aligns with Sarawak's Post COVID-19 Development Strategy (PCDS) 2030, aiming for growth in green and renewable industries to achieve a low-carbon and eventually carbon-neutral society in Malaysia by 2050. The new plant will produce ECH using hydroelectric power, bio-glycerin, and natural salts. OCI has already invested over RM8 billion in Sarawak to produce solar-grade polysilicon, creating job opportunities and business growth for locals.

China's solar technology firm, LONGi Green Energy Technology Co Ltd, is investing RM1.3 billion to establish a monocrystalline ingot manufacturing plant in Bintulu Samalaju Industrial Park, covering a total area of 125 acres. The new facility, with a designed capacity of six gigawatts (GW), is scheduled to begin commercial operations in the first quarter of 2024 (1Q24). This marks LONGi's second manufacturing plant in Sarawak, following its initial facility in Sama Jaya High-Tech Park, Kuching.

Samsung Engineering, in collaboration with SEDC Energy (a wholly owned subsidiary of Sarawak Economic Development Corporation), Sarawak Energy Bhd, LOTTE Chemical, and POSCO Holdings, have jointly announced the signing of an MoU. The purpose of this MoU is to explore the potential of providing a minimum of 900MW of hydro-based renewable power for the H2biscus Green Hydrogen/Ammonia project (H2biscus project) in Sarawak, Malaysia. The target for commercial production is set to be achieved by the end of 2027.

Government Initiatives

Government-led activities and initiatives play a crucial role in boosting Sarawak's industrial sector. Notable developments include the expansion of Sama Jaya Industrial Park (Phase 2) in Kuching. With an additional 1,000 acres, this expansion aims to attract more investment, directly impacting industrial land values.

Sakura Ferroalloys Sdn Bhd has committed RM1.41 billion to construct a sinter plant in the Samalaju Industrial Park, Bintulu. The project aims to manufacture refined ferromanganese products with added value and is anticipated to be finalised and commissioned in the latter half of 2024.

Sarawak has allocated RM300 million to build a deep-sea port near Kuala Baram. This move aims to attract more investments and boost the industrial sector in the region.

The development of the Sarawak water supply grid promotes environmental sustainability, social impact, and governance transparency. It creates a conducive environment for responsible investment and sustainable economic development.

The 70-km Bintulu-Samalaju gas pipeline, expected to be ready by the end of 2025, enhances connectivity and supports industrial development. It will distribute gas supply to users within the Samalaju Industrial Park (SIP) and the under-construction Combined Cycle Gas Turbine (CCGT) power station.

Petros, Petronas, and a Japanese consortium are collaborating to develop carbon storage at a depleted oil field off Sarawak's coast. Feasibility studies, starting with the M3 depleted field, are underway.

These initiatives demonstrate Sarawak's commitment to sustainable growth and economic diversification.

MARKET OUTLOOK

The country's economy is poised to strengthen in 2024, with Gross Domestic Product (GDP) forecasted to grow between 4% and 5%, according to the Ministry of Finance (MoF). This growth projection is underpinned by resilient domestic spending, sector-wide expansion, and the anticipated recovery of export-oriented industries amid improved global trade prospects and advancements in the global technology cycle. Government initiatives such as National Energy Transition Roadmap (NETR) and New Industrial Master Plan (NIMP) 2030, aimed at accelerating digitalisation and advancing manufacturing, are expected to attract high-tech and high-value investments.

The manufacturing sector is expected to grow by 3.5% in 2024, driven by the recovery of export-oriented industries and sustained growth in the domestic cluster. The E&E sector, constituting about 40% of the country's exports, is anticipated to rebound, buoyed by global technological trends like digitalisation, the Internet of Things (IoT), 5G networks, and electric vehicles.

In the Klang Valley, the industrial market started strong in 2024 with increased transaction volumes and values in the first quarter. There is increasing interest from institutional investors and funds in the industrial sector, suggesting a growing appetite for assets that cater to the rise of the digital economy, as well as ongoing need for manufacturing and logistics space. Yield-accretive industrial assets in established locations remain highly sought after, as investors continue to seek to capitalise on stable returns from the industrial sector.

Rental rates of prime industrial space in Klang Valley are anticipated to remain resilient in 2024, attributed to the limited availability of prime industrial space in both existing and new supply. The construction of high-specification logistics facilities with sustainability features at higher construction costs is likely to command higher rental rates, leading to overall rental rate growth in the medium term.

Amid the "flight-to-quality" and "flight-to-sustainability" trends, landlords need to adopt proactive strategies, including incorporating these features into new developments or retrofitting aged warehouses to maintain competitiveness. Green and technology-driven features are expected to become standard in upcoming industrial and logistics developments.

The spotlight on data centres has intensified further in the first half of 2024, with increased investments noted during this period. To enhance Malaysia's attractiveness as a hub for AI data centres, the Government, through the Ministry of Investment, Trade and Industry (MITI), will introduce special incentives. Malaysia Investment Development Authority (MIDA) will also implement an incentive framework promoting energy-efficient equipment and renewable energy use, aimed at fostering AI data centre investments and bolstering Malaysia's competitiveness in this sector.

Against this backdrop, the industrial property market in the Klang Valley remains robust and resilient in 2024.

The industrial sector in Johor remained active, with increased market activities over the review period. Data centre investments are a boon but could strain affordability for other industries due to higher land prices for suitable plots. Government intervention might be necessary to balance data centre growth with access for traditional users.

The industrial market in Penang State is anticipated to experience continued growth, particularly in the mainland region. In response to the persistent demand for industrial land from both domestic and international investors, the State Government intends to establish several new industrial parks. Among these parks are Batu Kawan Industrial Park 2 and Penang Science Park South in Simpang Ampat. In the second quarter of 2023, the State Government introduced Bandar Cassia Technology Park, an extension of the existing Batu Kawan Industrial Park. Furthermore, Batu Kawan Industrial Park 3 in Bukit Tambun was introduced in February 2024.

Penang State has set its sights on becoming a global high-tech hub by bolstering its semiconductor sector and fortifying the E&E industry. The State Government is prioritising the development of the supply chain for manufacturing equipment, fostering R&D and design and development (D&D) initiatives, and integrating local companies into the global value chain. Furthermore, there is a strong emphasis on technological innovation and digitalisation to establish sustainable industries that generate employment opportunities and economic growth. The MITI has formulated a Semiconductor Strategic Master Plan to guide this expansion, with the State Government playing a pivotal role in facilitating the establishment of manufacturing facilities.

In 2023, Sarawak's GDP experienced a significant increase, reaching RM146 billion. This marked notable growth of approximately 4% to 5% compared to previous years. Sarawak aims to become the second-highest contributor to Malaysia's GDP.

Sarawak's advantage in renewable energy presents significant opportunities for both local and foreign investors. With abundant natural resources and a commitment to sustainable development, Sarawak is well-positioned to attract FDIs in the renewable energy sector, further strengthening its economic growth.

The industrial property market in Sarawak is positive and optimistic, with significant support from initiatives like PCDS 2030 by the Sarawak government. This is expected to result in increased demand for new industrial parks, leading to an upward trend in property values throughout the region.

OFFICE MARKET

MARKET INDICATOR

Business Condition Index (BCI)

The Business Condition Index (BCI) recorded a second consecutive increase, rising from 89.0 points in 4Q2023 to 94.3 points in 1Q2024, reflecting companies' optimism regarding short-term business confidence. The Malaysian Institute of Economic Research (MIER) also reported that while sales and domestic orders have both increased, there was a drop in capital investments.

KLANG VALLEY

Supply and Demand

During the review period, the Klang Valley office market saw growth of 0.4 million sq ft with the completion of two notable office buildings, bringing the total space to 117.9 million sq ft. This marks a positive development, particularly compared to the 3.0 million sq ft completed during the previous review period (2H2023). Notably, more than one-third of the current office space is green-certified, underscoring the importance of sustainable office spaces in the market.

The KL City submarket recorded the completion of Menara Felcra @ Semarak20, a 35-storey office tower offering a net lettable area (NLA) of 213,000 sq ft. Situated along Jalan Sultan Yahya Petra, this office tower is part of the freehold integrated development known as Semarak20, which also includes residential and commercial components.

In KL Fringe, the International Commerce Centre Kuala Lumpur (iCC.KL), also known as Pavilion Damansara Heights Corporate Tower 1 – the penultimate tower in the development – has been completed, adding 233,000 sq ft to the submarket. Upon the final tower's completion, the integrated development will contribute over 1 million sq ft of office space to the Damansara Heights address.

In the second half of 2024, the market anticipates the completion of four additional office buildings, which are projected to add approximately 1.4 million sq ft to the existing supply. These developments include The Exchange TRX Office by Lendlease and Oxley Tower in KL City, TNB Gold Bangsar in KL Fringe, and the Atwater Corporate Towers in Selangor.



iCC.KL (Pavilion Damansara Heights Corporate Tower 1)

Source: ICC International Commerce Centre Kuala Lumpur

During the review period, occupancy rates in the Klang Valley experienced mixed performance. In KL City, occupancy continued to moderate, albeit at a slower pace, from 65.9% in 2H2023 to 65.7% in 1H2024(p). Demand was largely supported by a flight-to-quality trend, with tenant relocations from existing offices to newly completed Grade A office spaces in the market. Meanwhile, the KL Fringe and Selangor markets witnessed better upticks, with occupancy rates reaching 85.6% and 75.5% respectively, compared to 83.9% and 74.3% in 2H2023.

Several notable office-related announcements were made during the review period.

Inaugurated earlier this year, the Merdeka 118 tower has achieved the Leadership in Energy and Environmental Design (LEED) Platinum certification, making it the first mega tall building in the country to receive such recognition. Merdeka 118 is also actively pursuing the Platinum certification from Green Real Estate (GreenRE) and the Green Building Index (GBI), as well as the WELL certification from the International WELL Building Institute Asia Pacific. These certifications underscore the tower's commitment to enhancing the well-being of its occupants and the broader community.

Arvato Systems Malaysia, an IT solutions company, has recently reopened its expanded and refurbished office space within GTower, Jalan Tun Razak. The total area now stands at almost 27,000 sq ft, accommodating 230 employees. With 16,000 sq ft undergoing refurbishment and an additional 11,000 sq ft receiving a new fit-out, the office space features enhanced communal areas, open collaboration spaces, project rooms, ideation rooms, and power nap rooms.

Digital payment and financial technology provider Ant International plans to establish a new digital business centre in Malaysia, creating more than 500 job opportunities in the first year, with more hiring expected over the next four years until 2028. The upcoming business centre is slated to be situated within The Exchange 106, strategically positioned within the Tun Razak Exchange precinct.

Nord-Lock Southeast Asia & Taiwan has launched its regional office in Q Sentral, KL Fringe. Previously based in Singapore, the company relocated to Malaysia, recognising it as a key market offering a skilled workforce, strategic location, and a conducive business environment. The move underscores Nord-Lock's commitment to expanding its presence and serves as a hub for its Asia Pacific operations, enhancing service to its customers and partners.

Co-working space providers also continued to expand in 1H2024. WORQ has expanded its premises at Menara 1 Sentrum, Kuala Lumpur, adding 7,200 sq ft to its existing space. This space will be fully occupied by Datacom Systems (Asia) Sdn Bhd and WithSecure Sdn Bhd, both multinational companies. Currently, WORQ manages 200,000 sq ft of space and aims to operate up to 450,000 sq ft by 2025, with a target of reaching 1 million sq ft by 2028.

Co-labs Coworking opened its seventh outlet at The Five in Damansara Heights, spanning 15,400 sq ft across two levels, accommodating 256 seats, three meeting rooms, and an event hall. The current occupancy stands at 40%. With a total space of 167,000 sq ft across the Klang Valley, the coworking operator aims to double its space to 300,000 sq ft nationwide within two years. Plans are also underway to launch the eighth location in the Klang Valley by mid-year.

IWG is also set to open four new centres across Kuala Lumpur, Cyberjaya, and Johor. This expansion will bring IWG's total footprint in Malaysia to 42 centres spanning four distinct brands – Regus, Spaces, HQ, and Signature. In Kuala Lumpur, IWG will launch its 13,000 sq ft HQ centre at AmBank Tower, while a 16,500 sq ft Regus centre will be established at Prima-9 in Cyberjaya. The brand has introduced five new centres in Malaysia over the past two years, aligning with its global expansion efforts.

Meanwhile, Colony has unveiled its new flagship location at The MET Corporate Towers, spanning 24,000 sq ft across two floors. The centre offers 110 workstations, premium amenities, and six versatile event spaces with unique themes. One of its standout event halls, The Glass Box, is a 3,000 sq ft space with a rooftop terrace, ideal for corporate events, lectures, or even wedding dinners.

Apart from these developments, new government incentives and policies were also introduced. In February, the government unveiled marquee incentives aimed at companies relocating to the country's new International Financial Centre (IFC), the Tun Razak Exchange (TRX). The incentives include an industrial building allowance, tax exemption for 70% of the statutory income for five years for property developers, and stamp duty exemption for loan and service agreements.

Selected Notable Tenant Movements, 1H2024

Building Name	Approx. Space (sq ft)	Remarks
KL City		
Sunway V2	~20,000	Moving In • Investment holding and consultancy services
Menara Affin @ TRX	~17,000	Moving In • Apparel retailer and distributor
Menara IQ @ TRX	~16,000	Moving In (Relocation) • Education sector • Apparel retailer and wholesaler
Menara Perak	~15,000	Moving In (Relocation) • Real estate services
G Tower	~11,000	Expansion • Information Technology (IT) consulting services
Menara Worldwide	~11,000	Moving In (Relocation) • Travel and tourism industry
KL Fringe		
The MET Corporate Tower	~219,000	Moving In (Relocation) • Construction industry • Beauty and pharmaceutical industry • Co-working and flexi space provider
Axiata Tower	~78,000	Moving In • Medical industry
Selangor		
Sentral Building 4	~184,000	Moving In (Relocation) • Education sector
8 First Avenue	~28,000	Moving In (Relocation) • Health and beauty industry

Source: Knight Frank Research

The government also introduced the KL20 Action Paper, outlining policies to foster a conducive environment for investment and entrepreneurship. As part of this initiative, 12 international venture capital firms are set to establish offices and new funds in Kuala Lumpur, with substantial assets under management and proven investment track records. Additionally, several high-tech companies are expected to establish operations, research, and development facilities, along with regional headquarters targeting the Asian and Southeast Asian markets. These efforts aim to elevate Kuala Lumpur to the ranks of the top 20 global startup hubs by 2030.

Prices and Rentals

In KL City, average rental rates have continued their upward trend, reaching RM6.58 per sq ft per month in 1H2024(p) (2H2023: RM6.48 per sq ft per month). This increase is partly attributed to higher rents of newly completed buildings and improved overall leasing sentiment, particularly for Prime A+ and Grade A offices.

Asking Rentals of Selected Prime A+ and Grade A Offices, 1H2024(p)

Building Name	Asking Gross Rental (RM per sq ft / month)
KL City	
New CBD	
The Exchange 106	10.00 – 15.00
Integra Tower	9.80 – 11.00
Menara Maxis	8.50 – 12.00
Menara Prudential @ TRX	8.50
Menara Binjai	7.50 – 7.80
Menara TCM	7.50
Plaza Conlay	7.50
NAZA Tower	7.00 – 8.00
G Tower	6.50
Old CBD	
Menara AIA Cap Square	6.00 – 7.00
JKG Tower	5.50 - 6.50
Menara Great Eastern 2	5.00
KL Fringe	
Menara Shell	8.50 – 9.00
Menara Southpoint	8.50
The Gardens North & South Towers	8.00
Mercu 2	7.50
NU Tower 2	7.00
Menara Etiqa	7.00 – 8.00
Menara Ken @ TTDI	6.50
UOA Corporate Tower A	6.20
Selangor	
1 First Avenue	7.00
Imazium @ Uptown	6.50 – 7.00
1 Powerhouse	6.50 – 7.00
The Pinnacle	6.00 – 7.50
Plaza 33	6.50 – 7.50
Surian Tower	5.80
The Bousteador	5.70
The Ascent @ Paradigm	5.60 – 5.80

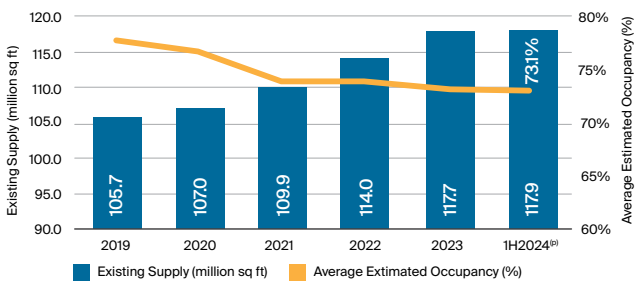
Source: Knight Frank Research

Note: (p) = Preliminary Data

Similarly, average rental rates in the KL Fringe have seen a modest increase to RM5.75 per sq ft per month (2H2023: RM5.73 per sq ft per month), aligning with its occupancy performance. Meanwhile, the Selangor market has maintained its resilience at RM4.16 per sq ft per month (2H2023: RM4.16 per sq ft per month).

During the review period, asking rentals for Prime A+ and Grade A office spaces in KL City ranged from RM5.00 per sq ft to RM15.00 per sq ft per month, depending on the location (New CBD: from RM6.50 per sq ft to RM15.00 per sq ft; Old CBD: from RM5.00 per sq ft to RM7.00 per sq ft). In the KL Fringe, monthly rentals range from RM6.20 per sq ft to RM9.00 per sq ft. In Selangor, similar grade office spaces command competitive monthly rentals ranging from RM5.60 per sq ft to RM7.50 per sq ft.

Cumulative Supply and Average Estimated Occupancy in Klang Valley, 2016 to 1H2024(p)



Source: Knight Frank Research

Notes:
1. (p) = Preliminary data
2. Adjustments have been made to current supply figures due to recent updates in our monitoring basket.

During the review period, there were two notable office transactions: Solarvest Tower in Bangsar South, and the Contraves Building in Cyberjaya. These transactions totaled RM80.8 million, significantly less than the over RM800 million recorded in 2H2023.

Notable Investment Sales & Transactions, 1H2024

Building Name	Location	Approx. NLA (sq ft)	Consideration (RM / RM per sq ft)
Solarvest Tower (1)	Bangar South	30,645	38,330,000 / 1,251
Contraves Building (2)	Cyberjaya	75,014	42,500,000 / 567

Sources: Knight Frank Research / Bursa Announcement / Annual Report

Notes:
(1) Solarvest Holdings Bhd has acquired four office levels and 200 parking bays within Solarvest Tower, an ongoing office development, from Chin Hin Group for RM38.3 million. They intend to establish their new headquarters there. This transaction is part of a larger deal, totaling RM48.73 million, which also includes a rooftop retail unit. The tower is currently 40% complete, with full completion expected by March 2028.
(2) AmanahRaya Real Estate Investment Trust (REIT) is selling Contraves Building for RM42.5 million cash to 4X Software Sdn Bhd, who is buying the building for business expansion. The freehold property is a 4-storey office building with one level of basement and is reported to be 100% occupied.

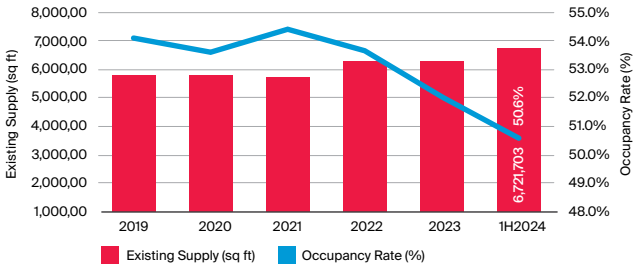
JOHOR

Supply and Demand

The supply of selected office space in Johor was recorded at about 6.7 million sq ft as of 1H2024, reflecting an annual increase of 7.4% (1H2023: 6.3 million sq ft). The completion of two office buildings collectively injected approximately 0.5 million sq ft into the market and the conversion of one existing office space to a different use was observed during the review period. Following the increase in supply, the average occupancy rate for office space experienced a decline of 1.4% in 1H2024, reaching 50.6%.

Notably, Wisma Sunway Big Box has emerged as a key player in Iskandar Puteri with circa 65,000 sq ft of office space being took up in 1H2024. This remarkable initial take-up rate outpaces competitors in Iskandar Puteri, indicating better tenant demand for this new development.

Cumulative Supply and Average Estimated Occupancy in Johor Bahru, 2019 to 1H2024



Source: Knight Frank Research

Note: The data tabulation presented in this report may deviate from previous REH due to transition from NAPIC data to Knight Frank internal database

Knight Frank Malaysia is proud to announce that our Office Strategy & Solution team has successfully facilitated AIA Malaysia's Johor Office consolidation and relocation project at Mid Valley Southkey (MVS) North Tower. Occupying nearly 60,000 sq ft of office space, AIA Malaysia has emerged as one of the anchor tenants of the office building.



AIA Malaysia's signage at MVS North Tower

Source: Knight Frank Research

The office spaces in Johor Bahru represent a growing trend in the commercial property market, offering modern amenities and a professional environment. However, a significant portion of businesses currently operate from conventional shop-offices.

By co-locating with a variety of service providers such as financial institutions and professional services firms, the office buildings can create a dynamic ecosystem that attracts a wider range of visitors. This increased foot traffic not only benefits the service providers but also fosters greater public awareness and visibility for the entire office building. This strategic approach positions the office buildings as hubs for business activity, fostering a sense of vibrancy and professionalism that can attract a new generation of tenants.

Mirroring the global shift towards remote work and lease flexibility, Johor Bahru has witnessed a continuous influx of co-working spaces. Notably, the International Workplace Group (IWG) is capitalising on the booming demand for flexible work solutions. Following the recent opening of its second co-working space in Johor Bahru City Fringe, IWG plans to establish a third workspace in the Medini area. This proactive approach positions them to capture a significant share of the co-working market in Johor Bahru.

Selected Notable Tenant Movements, 1H2024

Building Name	Approx. Space (sq ft)	Remarks
Menara JLand	~1,500	New Set Up • Engineering
	~2,300	New Set Up • Real Estate
	~5,200	Relocation • Construction
	~1,700	New Set Up • Construction
	~3,000	New Set Up • Information Technology
MVS North Tower	~59,000	Consolidation • Financial services
Menara Selia	~10,000	Relocation • Education
Menara Pelangi	~15,000	Expansion • Co-working Space
	~1,000	Relocation • Transportation / Logistics
	~2,000	Relocation • Legal Services
	~1,400	Relocation • Transportation / Logistics
	~1,900	Relocation • Boutique Restorer
	~7,000	New Set Up • Real Estate
Wisma Sunway	~43,800	Relocation • Government Agency
	~17,000	Relocation • Real Estate
	~4,100	New Set Up • Real Estate

Source: Knight Frank Research

During the review period, the average asking rental rates for office space in Johor Bahru City Centre and Iskandar Puteri remained stable while Johor Bahru City Fringe saw significant improvement following influx of new Grade A office building and removal of one building that changes its use.

Average Asking Rentals of Selected Office Space in Johor Bahru, 1H2024

Locality	Average Asking Rental, 2H2023 (RM per sq ft / month)	Average Asking Rental, 1H2024 (RM per sq ft / month)	Rental Trend
Johor Bahru City Centre	2.90 - 3.50	2.90 - 3.50	◀▶
Johor Bahru City Fringe	2.30 – 2.90	2.90 – 3.10	▲
Iskandar Puteri & Medini	2.80 – 3.20	2.80 – 3.20	◀▶

Source: Knight Frank Research



Wisma Sunway Big Box

Source: Wisma Sunway website

PENANG

Supply and Demand

The supply of office space in Penang remained stable during the review period, with 6.9 million sq ft (4Q2023: 6.9 million sq ft) on Penang Island and 1.7 million sq ft (4Q2023: 1.7 million sq ft) in Seberang Perai. However, three new office towers are expected to enter the market in the second half of 2024: Sunshine Tower (227,600 sq ft NLA) in Air Itam, GBS by The Sea (300,000 sq ft NLA) in Bayan Lepas, and 34-story office suites building (NLA of 166,000 sq ft) in Gelugor.

Sunshine Tower, part of the Sunshine Central development, is awaiting its Certificate of Completion and Compliance (CCC) and is anticipated to be completed in the third quarter of 2024. GBS by The Sea is the third Global Business Services (GBS) initiative by Penang Development, following the successful establishment of GBS@ Mayang and GBS@Mahsuri in Bayan Baru. The office suites in Gelugor are part of The Light City waterfront development.

PE Land Sdn Bhd is set to transform Batu Kawan with Capstone Corporate Suites, the region's first Grade A and green office tower. With a development value of RM500 million, this 36-storey tower will offer 395 commercial office spaces and 17 retail units, complemented by 3,340 parking spaces and support services such as procurement and accounting. It is expected to be completed in 2027.

Meanwhile, INFINITY8 will launch its first coworking space in the third quarter of 2024. Located in a historic building in Penang, the 25,000 sq ft facility will cater to small and medium-sized enterprises (SMEs) and startups, offering advanced meeting rooms and a comprehensive range of corporate services, including recruitment and HR payroll solutions. (Knight Frank Penang is the appointed agent to close this deal)

The overall average occupancy rates for office space were around 86.3% on Penang Island and 55.9% in Seberang Perai. The average occupancy rates for selected office buildings in George Town fluctuated between 80% and 100%. Selected premium-grade office buildings outside George Town, including Menara IJM Land in Jelutong, Suntech @ Penang Cybercity, One Precinct, GBS@Mahsuri, and GBS@Mayang in Bayan Baru, reported exceptionally high occupancy rates ranging from 95% to 100%.

In the interim, the asking rentals for selected good-grade office buildings in George Town have remained stable, ranging from RM2.80 per sq ft to RM5.00 per sq ft per month depending on location and facilities. In Bayan Baru, however, asking rentals of GBS@Mayang and GBS@Mahsuri have been revised to RM5.50 per sq ft per month.

Asking Gross Rentals of Selected Office Space in Penang, 1H2024

Building Name	Location	Asking Gross Rental (RM per sq ft / month)
Hunza Tower	George Town	5.00[1]
Menara Boustead Penang	George Town	3.00 - 3.30
Menara KWSP	George Town	3.00
Al-Bukhary Building / WOU	George Town	3.60[3]
Menara Livingston	George Town	5.00[1][3]
MWE Plaza	George Town	2.80[2]
Wisma Great Eastern	George Town	3.00
Menara IJM Land	Gelugor	4.00
GBS@Mayang	Bayan Baru	5.50[3]
GBS@Mahsuri	Bayan Baru	5.50[3]
One Precinct	Bayan Baru	4.50[3]
SunTech@Penang Cybercity	Bayan Baru	4.50[4]

Source: Knight Frank Research

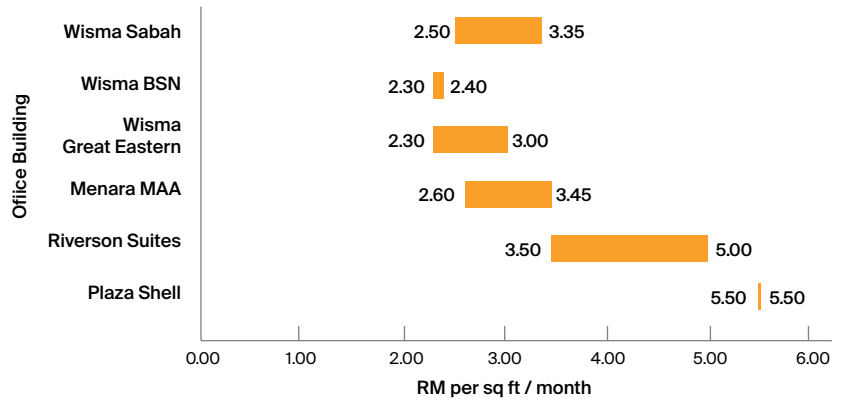
Notes:
(1) Passing Rent (2) Fixed Rent (3) MSC Status Tier 1 (4) MSC Status Tier 2

SABAH

As of the first quarter of 2024, the existing supply of office spaces in Kota Kinabalu remained stable at 5.2 million sq ft, with an occupancy rate of 86.0% (1Q2023: 5.2 million sq ft at 85.7% occupancy rate). Amidst a stable environment with no new additions, existing office buildings continue to observe steady tenant movements to maintain healthy occupancy levels. In recent years, landlords have extended beyond traditional office occupants to engage retailers and service providers, particularly in the beauty, healthcare, and F&B industries.

Monthly asking gross rentals of selected Kota Kinabalu CBD office spaces ranged from RM2.30 per sq ft to RM5.50 per sq ft.

Average Asking Gross Rentals of Selected Office Buildings in Kota Kinabalu, 1H2024[p]



Source: Knight Frank Research

Note: (p) = Preliminary data

Notable leasing activity during the review period included Casa Office & Home Furniture, which leased approximately 4,300 sq ft on the ground floor of G Building at Bundusan. In the public sector, the Jabatan Audit Negara Negeri Sabah, a government office building with a NLA of 39,579 sq ft, was completed in 2023.

SARAWAK

Commercial Property Market

The total volume of commercial property transactions in Kuching increased by approximately 5.90% compared to the previous period. This growth indicates a positive trend in commercial property activity within the region. The total value of commercial property transactions in Kuching also saw a slight increase of approximately 4.06% during the same period. The rise in both the volume and value of commercial properties in Kuching can be attributed to the city's infrastructure developments, especially Autonomous Rapid Transit (ART) and hydrogen buses, which have drawn businesses to invest in these properties. This suggests that the market is experiencing steady activity and potential investment opportunities.

Overall, Kuching's commercial property market appears to be resilient, with both transaction volume and value showing positive signs.

In 2023, there was a rise in both the volume and value of commercial property transactions in Bintulu, indicating growth of 3.03% and 66.89% respectively. The significant increase in the value of commercial property transactions in 2023 is largely attributed to the initiatives and projects in Bintulu. The Bintulu-Jepak cable-stayed bridge across the Kemena River has reduced travel distances, directly impacting commercial development in the town. The property value of Kemena Industrial Estate is expected to increase due to the ease of transportation. Additionally, the Sarawak government plans to establish a Free Trade Zone (FTZ) at Bintulu Port, which is expected to attract more global businesses to Bintulu.

However, in Miri, the volume of commercial properties transacted in 2023 decreased, recording 301 units compared to 344 units in the previous year. Despite the decline in volume, the total value of commercial property transactions in Miri increased by 19.47%.

The increase in property value in Miri, Sarawak, is attributed to the relocation of Shell Malaysia Upstream's headquarters from Lutong to Miri Times Square. This move, announced in 2020, involved the construction of a multi-tenanted office building, with Shell as its anchor tenant, designed to be sustainable and energy efficient. Notably, it is Miri's and northern Sarawak's first Grade A and Gold GBI office space, centrally located within Miri Times Square. Premier Sarawak Tan Sri Abang Johari Openg has highlighted that Shell's growth in Sarawak signifies a resurgence in downstream and upstream activities, promising economic benefits for the state. The increase in commercial property prices has limited the purchasing power of potential buyers, resulting in a reduction in the number of properties transacted.

Transaction Volume and Value of Commercial Properties in the Selected Districts in Sarawak

District	Total Volume of Transactions (No. of Units)		Annual Change (%)
	2022	2023	
Kuching	865	916	5.90%
Miri	344	301	-12.50%
Bintulu	231	238	3.03%
District	**Total Value of Transactions (RM million)**		**Annual Change (%)**
	2022	2023	
Kuching	550.83	573.18	4.06%
Miri	178.93	213.76	19.47%
Bintulu	140.13	233.86	66.89%

Sources: National Property Information Centre (NAPIC) / Knight Frank Research

MARKET OUTLOOK

During the review period, the office market in Klang Valley demonstrated positive momentum with notable improvements in both occupancy and rental rates. This growth was driven by consistent demand for high-quality office spaces, highlighting the ongoing shifts towards superior and environmentally friendly workplaces as occupiers reevaluate their workspace strategies and prioritise upgrades.

Looking ahead, the second half of 2024 is expected to add an additional 1.4 million sq ft of office space in the Klang Valley, on top of the 0.4 million sq ft completed during the review period, totalling 1.8 million sq ft for the year. This follows the completion of more than 3 million sq ft in 2023. While the projected supply for 2024 is relatively lower compared to the previous year, competition within the existing stock may persist, particularly in KL City, where a substantial portion of newly completed and incoming office spaces are concentrated.

On a positive note, the Klang Valley office market continues to attract multinational corporations (MNCs) establishing regional hubs, as evidenced by recent office inaugurations. A recent Knight Frank study estimates Malaysia contributes roughly 8% to the Asia Pacific offshoring market, driven by competitive rental rates, a skilled talent pool, and strong government support for the digital economy. These factors are crucial for businesses seeking cost-effective and strategically located spaces to support their regional operations.

This trend is further supported by recent government initiatives such as tax incentives for the country's designated International Financial Centre (IFC) at the Tun Razak Exchange (TRX) and the recent launch of the KL20 roadmap. Coupled with the announcement of 12 new international venture capital firms setting up offices in Kuala Lumpur, these initiatives are expected to bolster interest and activity in the Klang Valley office market, potentially leading to increased investment and development in the sector. These efforts aim to position Kuala Lumpur as a top global startup hub by 2030, which could drive further demand for high-quality office spaces.

On the investment front, fewer transactions were recorded in the first half of the year, and this trend may continue. An earlier Knight Frank survey suggests a downward trend in investment sentiment for the Malaysian office sector in 2024, influenced by the shift towards hybrid working and the ongoing demand-supply imbalance. However, as market dynamics stabilise and demand for quality spaces strengthens, there may be potential for renewed investor confidence and activity.

Conversely, there is a favorable appetite for co-working and flexible office spaces. The market for these spaces continues to expand, with multiple launches in the past six months alone and several more in the pipeline. Co-working environments remain popular among a diverse range of office users, including remote workers, SMEs, and larger corporate clients. The adaptability of these spaces to meet diverse business needs, coupled with the increasing acceptance of hybrid work models, signals a sustained trend towards greater flexibility in work arrangements.

In Johor Bahru, we anticipate that the wave of new supply could outpace current demand in the office market. This abundance of space presents a double-edged sword: companies looking for office spaces will have a wider selection of options, while landlords may face increased competition to fill their vacancies. Co-working spaces, though potentially competitive initially, may tighten overall office availability, ultimately benefiting traditional landlords by creating a more diverse and complementary office market. Nevertheless, we anticipate a steady rise in demand for office spaces over time.

Meanwhile, the Penang office market is expected to remain stable despite the impending completion of three office buildings, collectively offering approximately 700,000 sq ft of net lettable area by the end of 2024. While the overall occupancy rate may experience some downward pressure, the average rental rate for office spaces is projected to rise, as the upcoming office buildings are likely to command higher rental rates.

In Kota Kinabalu, asking rental rates for office spaces in the CBD are likely to remain stable, with continued leasing efforts to achieve full occupancy. Although there is currently no immediate incoming supply, selected integrated developments with office components are planned to address future demand as existing prime office space is progressively occupied.

RETAIL MARKET

MARKET INDICATORS

Malaysia Retail Sales

Malaysia's retail sales outperformed expectations in the first quarter of 2024, achieving a growth rate of 7.8%, surpassing the estimated 7.1%. This encouraging performance was primarily driven by the Chinese New Year festival, the month-long school holiday from February to March, and the month of Ramadan. However, the retail sector is projected to experience a slowdown in the second quarter due to underwhelming festive sales. Consequently, the full-year growth forecast for 2024 has been revised downward from 4.0% to 3.6%.

Malaysia Consumer Sentiment Index

Overall consumer sentiment remains weakened amid persistent inflation, as reflected in the Malaysian Institute of Economic Research (MIER) Consumer Sentiment Index (CSI), which fell to 87.1 points in the first quarter of 2024. This decline signals a pessimistic outlook on employment and income growth prospects, as consumers grapple with the ongoing effects of inflation.

KLANG VALLEY

Supply and Demand

The Klang Valley retail landscape remains dynamic, with one new community mall completed since the debut of The Exchange TRX Mall and Phase 1 of Pavilion Damansara Heights in 2023, contributing a combined 1.8 million sq ft of net lettable area (NLA).

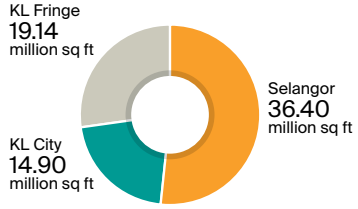
Bloomsvale Shopping Gallery, a new four-level mall located on Jalan Puchong in Kuala Lumpur, officially opened its doors on 15 June 2024. Aiming to provide a unique shopping and lifestyle experience for both residents and visitors, the mall features a gross floor area (GFA) of 320,000 sq ft with 100 retail units and a NLA of 230,000 sq ft. Already at an impressive 85% occupancy rate, the mall hosts a diverse range of tenants. Anchor tenants include MeMiZoooZooo grocer, Mr. DIY, Sport Planet, and Believe Fitness. It also offers various wellness options like Guardian, Klinik Mediviron, and R Pharmacy, as well as a wide array of food & beverage (F&B) outlets such as Gigi Coffee, Inside Scoop, Nam Heong, Marrybrown, Sushi Go, and Zus Coffee. Additionally, the mall caters to families with edutainment and education options like NS Nursery & Preschool and Jungle Gym. Bloomsvale Shopping Gallery is part of the larger 5.2-acre freehold Bloomsvale @ OKR mixed development, which also includes two residential towers, a corporate office tower, and a hotel by Courtyard by Marriott.

The Exchange TRX Mall, a burgeoning lifestyle hub in Kuala Lumpur's financial district, is set to further elevate its status with the opening of Malaysia's first Apple retail store on 22 June 2024. This highly anticipated addition, along with a host of new brands and key tenants like Aurum Theatre, Seibu, and Mercato, strengthens the mall's diverse retail and dining offerings.

Meanwhile, Pavilion Damansara Heights, catering to the surrounding residential and corporate community, has welcomed several new stores since its October 2023 opening. Anticipation is building for the completion of Phase 2 in the second half of 2024, which will add approximately 530,000 sq ft, bringing the mall's total retail space to 1.0 million sq ft.

In addition to Pavilion Damansara Heights' expansion, Elmina Lakeside Mall is slated to open in the second half of 2024. Developed by Sime Darby Property Bhd in Shah Alam, this expansive 17.2-acre mall boasts 85% confirmed tenancy ahead of its third-quarter opening. Its diverse offerings include drive-through restaurants, various dining options, home and living stores, services, health and wellness facilities, and boutique lifestyle retailers. Notable tenants include Jaya Grocer, Harvey Norman, The Coffee Bean & Tea Leaf, and Sushi Zanmai.

Existing Retail Supply, 1H 2024



Source: Knight Frank Research

Incoming Retail Supply, 2H 2024

Kuala Lumpur
Pavilion Damansara Heights (Phase 2) KL Fringe | 530,000 sq ft
Selangor
Elmina Lakeside Mall Sungai Buloh | 214,000 sq ft

Source: Knight Frank Research

The retail landscape in the Klang Valley is undergoing a significant transformation, with existing malls focusing on elevating the shopping experience and new developments poised to expand the market.

Central i-City is enhancing its shopping experience with a focus on experiential retail, innovative events, and entertainment. The mall is also fostering stronger ties with Thailand through various joint initiatives, resulting in exciting new events and offerings for shoppers. Additionally, the mall's community-focused initiatives have contributed to a 20% increase in foot traffic and numerous new store openings in 2023.

Similarly, IPC Shopping Centre in Mutiara Damansara is undergoing a revitalisation. It has introduced MR DIY Plus as a new anchor tenant and expanded its F&B offerings. The mall focuses on creating an experiential shopping environment through a carefully curated mix of tenants and innovative spaces like Träffas Work Pods and a glasshouse, with the aim of attracting more visitors and boosting business growth.

In addition to the physical mall landscape, retail brands are also introducing new concepts and expansions.

MeMi ZoooZooo, a 24-hour mini-mart and grocery chain launched in 2022, is rapidly gaining traction, with its first flagship store opening at Bloomsvale Shopping Gallery on 15 June 2024, and two more outlets planned by year-end. The brand's round-the-clock availability and flexible return policy set it apart in the competitive grocery market.

Meanwhile, international players are also eyeing the Malaysian market. Russian

discount grocery retailer Svetofor Group is awaiting approval to open stores in Ipoh and the Klang Valley, promising to offer goods at significantly lower prices than competitors.

Domestically, MyNews Holdings Bhd is set to expand its retail footprint with 100 new outlets across Malaysia in 2024. This includes its brands myNEWS, CU, WHSmith, SUPERVALUE, and the new Maru Coffee concept. The company aims to capitalise on the growing coffee culture with its first standalone Maru Coffee outlet in the Klang Valley.

In a move to adapt to changing consumer preferences, Metrojaya at Mid Valley Megamall is undergoing a transformation and will reopen in September 2024 as MJ by Metrojaya, offering a refreshed brand identity and updated merchandise.

While Padini Holdings Bhd reported a decline in net profit for 2Q FY2024, the company remains focused on providing value-for-money products and implementing cost-control measures to navigate the current retail environment's challenges.

In a strategic move to diversify its portfolio, InNature Bhd, a personal care products retailer, is acquiring Blu Restaurant Sdn Bhd, the operator of Burger & Lobster restaurants, for RM21.25 million. This acquisition aims to offset declining profits in InNature's primary cosmetics business and tap into the growing F&B sector.

AQUAWALK Sdn Bhd, the operator of Aquaria KLCC, which also owns Aquaria Phuket and has a 30% stake in Jakarta Aquarium & Safari (JAQ) in Jakarta, is preparing for a potential Initial Public Offering (IPO) on Bursa Malaysia's ACE Market in early 2025. This move reflects the company's strong financial performance and ambition to expand its reach in the leisure and entertainment sector.

Additionally, Oriental Kopi Holdings Bhd, which operates a cafe chain and sells packaged food, has filed for an IPO on the Bursa Malaysia ACE Market to raise funds for expanding its number of outlets and setting up new kitchens and stores. The company currently operates 14 cafes and plans to open 15 new owner-operated cafes progressively between 2024 and 2026 in various states.

Sunway Property and Concord Housing Development Sdn Bhd are also making strides in the retail sector. Sunway Property has secured Mercato as the anchor tenant for its Sunway d'Hill development, while Concord Housing Development has partnered with Trendcell Sdn Bhd, the operator of Jaya Grocer, to bring a premium grocery store to Bamboo Hills Residences.

The digital realm is also playing a significant role in shaping the retail landscape. TikTok Shop has emerged as a dominant force in social commerce, attracting both businesses and consumers with its engaging "shoppertainment" approach. The platform's integrated features, such as the "yellow bag" for direct purchases from videos, have made it a preferred choice for many online shoppers.

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

Notable New Entrants in Selected Prime Shopping Malls

Suria KLCC	Le Shrimp Noodle Bar*, Parapara Hotpot*, mtm Labo, Breitling, flaaah with ONO, A-Look Eyewear
Pavilion Kuala Lumpur	Cotti Coffee, Reebok, Semangkuk Mi Tarik Lanzhou China
Mid Valley Megamall	HEYTEA, Columbia, HAP&PI Frozen Yogurt
The Gardens Mall	Lululemon, Chloe
Sunway Pyramid	POP MART, SUPAMALA, Manuka
One Utama	Game On Sports Hub, Tsuruhashi Korean, HEYTEA, Potato Corner, DRUM, Yat Yat Seng, Jipinhe Scones
The Exchange TRX	Piquadro, Make Up For Ever, Prada, Omega, MPH, Zenith, OMI Café & Restaurant*, MCM, HONOR, Tarbush, Chloe, Godiva, Chica Bonita, Benefit, Shake Shack, Tiffany & Co, Guerlain*, HUBLOT, Balenciaga, Aurum Theatre, Coach, Longchamp, La Prairie, Acqua Di Parma, Michael Kors, Skechers

Source: Knight Frank Research

Note: *Represents the brands' maiden entry into Malaysia

Notable Retailers' Expansion Plans

Anta Sports Nationwide 3 stores in 2024	**Mr DIY** Nationwide 180 stores in 2024
Sports Direct Nationwide 7 stores in 2024	**Oriental Kopi** Nationwide 15 stores by 2026

Source: Knight Frank Research

Alongside these dynamic retail developments, a growing emphasis on sustainability is shaping the Klang Valley's retail landscape.

1 Utama Shopping Centre in Bandar Utama has set a notable example by earning a Platinum certification in the non-residential category from GreenRE, a prominent certification body promoting sustainable practices in Malaysia's property sector. This accolade underscores 1 Utama's commitment to environmental responsibility, evident in its ice and chilled water storage systems, rainwater harvesting, solar panels, food waste management system, rooftop garden, rainforest enclave, recycling hub, and tree-planting mobile app. The mall has also integrated digital green technologies like the 1PAY e-wallet and ONESHOP e-commerce platform and fostered Green Lease Partnerships with tenants to promote sustainable practices throughout its operations.

AEON Mall is prioritising sustainability through various initiatives. The company has installed solar panels at 10 of its malls and plans to expand this effort. Additionally, AEON is implementing recycling programs, setting up EV charging stations at its locations, and offering reusable bags made from recycled plastic bottles. These efforts align with AEON's broader Living Zone strategy, which aims to create a more sustainable and customer-centric shopping experience.

AEON BiG (M) Sdn Bhd, the hypermarket chain under the AEON umbrella, is equally committed to sustainability. The company has banned take-home plastic bags, partnered with GSPARX Sdn Bhd to install solar panels at 14 stores, and equipped five stores with electric vehicle chargers. AEON BiG also actively engages in corporate social responsibility (CSR) programs, such as beach cleaning and tree planting initiatives, and recently launched its first Drive-Thru Recycling Centre at Wangsa Maju.

These combined efforts demonstrate a growing trend among Malaysian retailers to prioritise sustainability and reduce their environmental impact, contributing to a more eco-conscious retail landscape.

Prices and Rental

During the review period, KIP Real Estate Investment Trust (KIP REIT) announced plans to acquire the fully occupied DPulze Shopping Centre in Cyberjaya for RM320 million, with the exercise expected to be completed by the first quarter of 2025. This strategic move adds a well-performing asset to KIP REIT's portfolio, leveraging the mall's prime location and strong tenant mix. Its anchor tenants include Jaya Grocer and TGV Cinema.

Meanwhile, YNH Property Bhd is set to sell 163 Retail Park in Mont Kiara to Sunway Real Estate Investment Trust (Sunway REIT) in a deal expected to be finalised by the second quarter of 2024. This transaction further strengthens Sunway

REIT's presence in the Klang Valley retail market.

The positive momentum in the retail property market is echoed in the strong financial performance of several REITs and retail operators. Pavilion Real Estate Investment Trust (Pavilion REIT) and CapitaLand Malaysia Trust (CLMT) both reported robust results for 1Q FY2024, driven by increased revenue, improved occupancy rates, and higher tenant sales. Additionally, AEON Co (M) Bhd, a major retail player, and Suria KLCC, a premier shopping destination, also demonstrated strong performance in the first quarter, highlighting the resilience of the retail sector and the continued demand for prime retail spaces in the Klang Valley.

While rising costs and geopolitical issues remain concerns for the industry, IGB Commercial REIT's improved occupancy rates and commitment to stable rental reversions indicate a positive outlook for the sector. The REIT's performance, bolstered by strong retail footfall and increased tourist arrivals, further reinforces the resilience of the Klang Valley retail market.

Shopping icons in Kuala Lumpur City, namely Suria KLCC and Pavilion Kuala Lumpur, command average monthly gross rentals of RM41.00 per sq ft and RM30.00 per sq ft (2022: RM39.00 per sq ft and RM28.00 per sq ft) respectively. These malls enjoyed commendable occupancies of 96.0% and 95.2% respectively.

In the Kuala Lumpur fringe, Mid Valley Megamall and The Gardens Mall command average monthly gross rentals of about RM18.00 per sq ft (2022: RM17.00 per sq ft). The occupancies of these malls remain high at approximately 99.9%.

Sunway Pyramid and The Mines in Selangor command average monthly gross rentals of RM18.00 per sq ft and RM5.00 per sq ft, respectively (2022: RM16.00 per sq ft and RM5.00 per sq ft). These malls have occupancy rates of 98.0% and 80.0%.

The estimated rental is derived from the gross revenue as reported in the respective Annual Report 2023.

JOHOR

As of 1Q2024, the cumulative retail space supply in Johor Bahru recorded approximately 20.48 million sq ft. With supply remaining constant, the overall occupancy rate was 3.5% higher, reaching 69.9% in 1Q2024 (1Q2023: 66.4%).

It is worth noting that Singapore-based Allgreen Properties Ltd, a member of the Kuok Group, has bought back the stake in Johor Bahru City Square (JBCC) mall that it sold to Singapore sovereign wealth fund GIC Real Estate Pte Ltd (GIC RE), in a deal estimated to be worth RM850 million. It is understood that the sum paid was for the purchase of the 70% stake held by GIC RE, which the Kuok Group sold to GIC RE 20 years ago.

The review period has witnessed a surge in both local and international F&B options across the retail scene in Johor Bahru. Paradigm Mall Johor Bahru and AEON Mall Bukit Indah have become key destinations, attracting a diverse range of established and emerging brands such as The Coffee Bean & Tea Leaf, Beutea, Auntie Anne's, Chagee, and 4 Fingers Crispy Chicken, among others. The excitement escalated further with the opening of Jollibee's first Johor Bahru outlet at a Shell petrol station in Seri Austin, bringing the popular fast-food chain from the Philippines to the region.

Notable New Entrants in Selected Shopping Malls, 1H2024

Komtar JBCC Expansion: Watson, Famous Amos, McDonald's
Zenith Mall New set-up: Cotti Coffee
Sutera Mall Expansion: RUD Karting New set-up: Noble Kids Playland
Paradigm Mall Johor Bahru Expansion: LG Puricare, The Coffee Bean & Tea Leaf, Beutea New set-up: Utopia Titan X
Sunway Big Box Retail Park Expansion: Padini Concept Store
The Mall, Mid Valley Southkey Expansion: The FOUNDERS Bakery, Impulse Gaming(1), Swiss Watch Gallery(1)
KSL City Mall Expansion: Chagee
AEON Mall Tebrau City Expansion: HWC Coffee, Haidilao New set-up: Yolé
Johor Bahru City Square Expansion: Oriental Kopi(1), Old Chang Kee
Toppen Shopping Centre New set-up: Game on Theme Park
AEON Mall Bukit Indah Expansion: Chagee, Auntie Anne's, 4 Fingers Crispy Chicken
Eco Galleria Expansion: Cotti Coffee, Marrybrown New set-up: CURIOOKids
Seri Austin New set-up: Jollibee

Source: Knight Frank Research

Note: (1) Expansion within existing mall / location

Beyond F&B, the retail landscape is evolving into entertainment hubs, with the introduction of amusement and theme parks. Sutera Mall now features RUD Karting and Noble Kids Playland, Paradigm Mall has welcomed Utopia Titan X, and Toppen Shopping Centre is now home to the new Game On Theme Park.

Prominent malls like The Mall, Mid Valley Southkey, and KSL City Mall continue to experience strong demand, particularly from Singaporean shoppers. This surge in interest has pushed occupancy rates close to capacity, with the recent addition of popular tenants like The FOUNDERS bakery and Chagee highlighting the continuous influx of popular brands and further underscoring the malls' appeal.

Meanwhile, Komtar JBCC has seen the presence of major players such as Watsons, McDonald's, and Famous Amos, strategically positioning themselves to capitalise on the expected increase in foot traffic due to the mall's proximity to the upcoming RTS station.

PENANG

As of the first quarter of 2024, the number of existing shopping malls in Penang State remained at 106, with a total retail space of approximately 20.1 million sq ft. While the overall occupancy rate slightly decreased to 72.8% (4Q2023: 73.3%), shopping malls in George Town saw a marginal increase to 79.1% (4Q2023: 78.9%) (Source: NAPIC)

Two new shopping malls are scheduled to Within the Penang Island region, the anticipated completion of a prominent shopping mall, Sunshine Mall, is slated for the third quarter of 2024. Situated in Air Itam, this mall boasts an impressive 820,000 sq ft of NLA. Currently, the mall's physical construction is complete, and it is awaiting the issuance of its Certificate of Completion and Compliance (CCC). Additionally, another mall, The Waterfront Shoppes Phase 1, is set to enter the market in the first half of 2025. Located in Gelugor, this mall encompasses 680,000 sq ft of NLA. Notably, both malls are integral components of larger mixed-use developments, namely Sunshine Central and The Light City, respectively.

The Klippa Shopping Centre in Batu Kawan, Penang, owned by Ikano Centres, is set to undergo further expansion with the construction of a new 20,000 sq ft Decathlon standalone flagship store. This outlet will be the second store of the sporting goods retailer in Penang. Additionally, Ikano Centres has also unveiled the Soccer Experience @ Klippa Batu Kawan, powered by IKEA, a 170,000 sq ft project featuring two pitches with an 11-aside open airfield, a 7-aside covered field, and a clubhouse.

Notable New Entrants in Selected Shopping Malls, 1H2024

Gurney Plaza	Oriental Kopi
Queensbay Mall	Charles & Keith (reopened), 7dayz, New Balance, Jo Malone London, 65c Ondo, SWAROVSKI, Clarks Shoes (reopened), HP Concept Store, Ben's Cookies, Boat Noodle, Herschel Supply Co.
Gurney Paragon Mall	T Select, A Plus Go, Reef, Immortal 花礼, GravyBaby, Standard Chartered Bank, Finelycup
1st Avenue Mall	KKV, Lovisa, Travel House, Krave Mee, Taco Bell, N.J. Forex, Ayam Penyet Best, Cloud Eight
Sunway Carnival Mall	KKV, Para Thai, Harvey Norman, Tomaz, Cotti Coffee, Cornery, Kiehl's, Muji, Focus Point Signature, Home of Sport (reopened), Tiny Button, Beutea, Dyson

Source: Knight Frank Research

Generally, the monthly rental rates for ground floor retail lots in select prime shopping centres within George Town have remained stable, ranging from RM2.70 per sq ft to RM42.00 per sq ft. These variations are influenced by factors such as the specific mall, its location, and the size of the individual units (Source: NAPIC).

SABAH

Prime shopping malls in the Kota Kinabalu (KK) CBD have generally repositioned their tenant mix over the past two years, including the introduction of renowned retailers to differentiate and strengthen their market positioning. The malls have now transitioned into a period of observing the success of the revised tenant mix, with continued efforts to achieve full occupancy.

As of 1Q2024, the supply and occupancy of retail space within shopping complexes (shopping malls, hypermarkets, and arcades) in Kota Kinabalu were recorded at approximately 6.1 million sq ft, with an occupancy rate of 79.8%.

Notable New Entrants in Selected Shopping Malls, 1H2024

Imago Mall	Expansion: Cha Qian Sui, Coolblog, Royal Salon, realme, My OPPO Space New set-up: Anta, Christy Ng, Little Penang Kopitiam, Shihlin Taiwan Street Snacks
Suria Sabah Shopping Mall	Expansion: Gigi Coffee, Nando's, The Travel store, Gong Cha, EWT Technology, Western Tailor New set-up: Columbia, Drum, The Bretzel Co.

Source: Knight Frank Research

Monthly passing rental rates of selected shopping malls in the KK CBD ranged from RM1.01 per sq ft to RM28.50 per sq ft, varying depending on the mall, unit visibility, size, floor level, rental structure, and other factors.

During the review period, several local brands in the fashion and F&B trade categories entered the Kota Kinabalu market. There were also notable brand expansions and relocations to larger units following promising retail performances.

Imago Mall welcomed Anta, a global sportswear brand from China, Christy Ng, a Malaysian brand known for its versatile bags and footwear, as well as Shihlin Taiwan Street Snacks and Little Penang Kopitiam. Additionally, fashion brands Drum and Columbia made their entries into East Malaysia via Suria Sabah Shopping Mall.

MARKET OUTLOOK

The Malaysian retail sector faced significant headwinds due to weakened consumer sentiment. While festive seasons offered temporary respite, overall spending remained subdued, weighed down by elevated inflation, high interest rates, and moderate global growth. The depreciating Malaysian Ringgit further eroded consumer purchasing power, driving up import prices and diminishing spending capacity as the post-pandemic demand surge subsided.

Retailers grappled with escalating costs across multiple fronts, including manpower, electricity, and rentals. The increase in the Sales and Service Tax (SST) rate to 8% further fuelled consumer caution, while fuel subsidy rationalisation is expected to inflate operational costs, potentially impacting sales revenue and necessitating price adjustments. Looking ahead, these cost pressures are anticipated to persist in 2024, stemming from utilities, manpower, commodity prices, currency depreciation, and new tax policies.

The projected expansion of retail space in Klang Valley could reshape the leasing landscape. While this growth presents opportunities for new entrants, it also intensifies competition among existing retailers and landlords. Malls will need to differentiate themselves through unique experiences to attract and retain tenants and customers. The influx of new retail spaces could potentially soften rental rates and pose occupancy challenges for some established players. To navigate this evolving landscape, retailers and mall operators must adapt their strategies, focusing on creating engaging experiences, optimising tenant mix, and leveraging digital technologies to maintain a competitive edge.

In Johor, the retail market is experiencing positive momentum, driven by active retailer movements and higher occupancy rates. This growth is expected to continue, fueled by the close proximity to Singapore.

In the second half of 2024, retail spending in Penang is anticipated to increase due to improvements in the State's labor market, the expansion of flight routes and frequencies, and the growth in tourism-related activities. On the supply side, the completion of two shopping malls in the remainder of 2024, collectively introducing a total of 1.5 million sq ft of retail space, may result in a decrease in the overall occupancy rate. Moving forward, the retail market in Penang is expected to remain stable.

In Kota Kinabalu CBD, the ongoing improvement in tourist arrivals is anticipated to lead to higher footfall and better retail sales performance. Prime shopping malls in the city centre that previously solidified and differentiated their market positioning with multiple entries of notable new brands are expected to maintain stable performance from the revised tenant mix.

Digital transformation and Environmental, Social and Governance (ESG) initiatives are revolutionising Malaysia's retail landscape. The burgeoning number of digital consumers is compelling retailers and mall operators to invest in digital infrastructure and enhance their assets to remain competitive. Concurrently, ESG concerns are gaining prominence, with consumers increasingly demanding sustainable practices from retailers.

The Malaysian government is actively promoting the adoption of 5G technology and digitalisation among retailers and micro, small, and medium enterprises (MSMEs). Initiatives such as the collaboration between Digital Nasional Berhad (DNB) and Shopee Malaysia aim to harness 5G's ultra-fast connectivity to enable seamless, real-time shopping experiences, ultimately transforming Malaysia into a digital nation.

Despite the prevailing challenges, the Malaysian retail market shows glimmers of optimism. A growing tourism sector, coupled with the impact of Employees Provident Fund (EPF) withdrawals, a favourable labour market, targeted cash assistance, and upcoming civil servant wage adjustments in December 2024, are expected to somewhat bolster private consumption. While geopolitical tensions, inflation, and financial conditions remain concerns, the medium-term sustainability of demand will hinge on fundamental drivers such as demographics, labour market dynamics, and income growth across various segments.

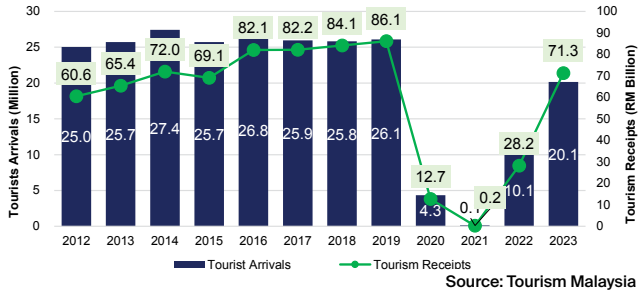
HOSPITALITY MARKET

MARKET INDICATORS

Tourist Arrivals and Receipts

The tourism industry in Malaysia is on track for recovery, with a total of 20.1 million tourists visiting the country in 2023, doubling from 10.1 million tourists in 2022. Meanwhile, tourist receipts contributed RM71.3 billion to national revenue in 2023, a significant increase, 2.5 times higher than the RM28.2 billion recorded in 2022. Although tourist arrivals and receipts are still lower compared to the pre-COVID era in 2019, the nation recorded the highest tourism revenue per capita since 2010, at RM3,540 per capita.

Malaysia: Tourist Arrivals & Tourism Receipts (2012 – 2023)



Source: Tourism Malaysia

KLANG VALLEY

Supply

Data from the National Property Information Centre (NAPIC) shows that, as of the first quarter of 2024, there are a total of 470 hotels contributing to 75,035 rooms in Klang Valley. Approximately 75% of the hotel rooms are rated 3-star or above, with 4-star and 5-star hotels accounting for 37% (68 hotels, 20,704 rooms) and 39% (58 hotels, 21,494 rooms) respectively. The latest available statistics indicate that there are 16 hotels in the pipeline and 10 hotels with planning approval, collectively offering 5,460 additional rooms.

According to Knight Frank Research, the number of 4-star and 5-star hotels in Kuala Lumpur stands at 102 buildings, totaling 33,377 rooms. Hotel developments are traditionally concentrated in the city centre, with only approximately 25% situated in the KL Fringe.

New hotel openings were generally put on hold since 2020 due to construction delays, lockdowns, and the overall impact of the COVID-19 pandemic. However, activities gradually picked up as the country transitioned to the endemic phase.

The year 2023 saw a significant boost in hotel room inventory with the completion of seven new hotels and the refurbishment of one existing property, contributing an additional 1,679 rooms to the market:

- **INNSiDE Kuala Lumpur Cheras by Meliá:** A 4-star hotel, managed by Melia Hotels International, opened as part of the EkoCheras integrated development, offering 238 rooms.
- **lyf Chinatown Kuala Lumpur:** Ascott Ltd unveiled a 104-room lifestyle hotel curated for experience-led social living.
- **THE FACE STYLE:** Local player The Face Hotels & Resorts debuted a 327-room hotel along Jalan Sultan Ismail.
- **Malaysia's First Hyatt Place:** Hyatt Hotels Corporation opened the country's first Hyatt Place in Bukit Jalil, featuring 250 guestrooms, a rooftop pool, and a gym with a yoga room.
- **Renaissance Hotel & Four Points by Sheraton:** After refurbishment, the Renaissance Hotel reopened as the first dual-branded hotel in Malaysia. The refurbished hotel offers 406 rooms under the Renaissance brand, alongside 513 rooms under the Four Points by Sheraton.
- **Kuala Lumpur's First Crowne Plaza:** IHG Hotels and Resorts opened its first Crowne Plaza hotel in the city, a 320-room property developed in partnership with Yuk Tung Properties.
- **Hotel Indigo Kuala Lumpur on the Park:** IHG Hotels and Resorts introduced the first Hotel Indigo brand to Kuala Lumpur, featuring 180 rooms, a fitness center, and an outdoor pool.

The first half of 2024 saw the arrival of the 5-star Imperial Lexis along Jalan Kia Peng. Soft-launched in May, this 275-room property offers serviced apartments, a ballroom, three F&B outlets, an executive lounge, a gym, a spa, a sky infinity pool, and a skydeck. Another opening is Courtyard by Marriott Kuala Lumpur South. The 278-key hotel is part of an integrated development known as Bloomsvale@OKR by Kerjaya Prospek Property Bhd.

Looking ahead, the next six months are expected to see the completion of three additional hotels with a combined total of 862 rooms, all managed by internationally renowned brands: Park Hyatt Kuala Lumpur, Marriott Executive Apartments and Holiday Inn Kuala Lumpur at Menara Alfa Bangsar. It is forecasted that the hotel inventory will expand by another 15%, to approximately 38,200 rooms, with around 10 hotels boasting 3,727 rooms expected to be completed in 2025.



Imperial Lexis Hotel

Source: imperiallexiskl.com

Occupancy and Room Rates

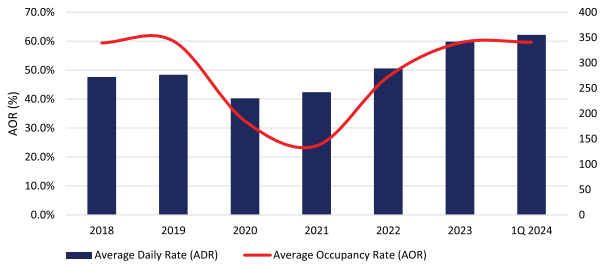
Kuala Lumpur's hotel sector exhibits a promising trajectory towards pre-pandemic performance. Following the reopening of international borders in April 2022, both the average occupancy rate (AOR) and average daily rate (ADR) have shown steady recovery, particularly within the 4-star and 5-star segments.

Data from ADATA (the official data service provider by Malaysian Association of Hotels (MAH) suggests that the upscale and luxury segment in locations with an established tourism identity recorded encouraging recovery. The AOR for 4-star and 5-star

hotels recovered from 23.9% in 2021 to 47.8% in 2022, while ADR improved from RM242 per night to RM289 per night. The improvement is more evident in the city centre of Kuala Lumpur, where the performance of selected 4- to 5-star hotels showed a 15% year-on-year (y-o-y) increase in ADR, recorded at RM769, while occupancy rose 13.6% y-o-y to 54%.

The positive trend continued in 2023, with both AOR and ADR exceeding expectations. Occupancy rates climbed to a robust 59.5%, while ADR surpassed pre-pandemic levels, reaching RM342 per night. The significant rise in room rates is driven by several factors, including the rebound of tourism activities and Malaysia's favorable exchange rate for foreign visitors, which makes the country a more appealing and budget-friendly destination for international travelers.

Kuala Lumpur: AOR & ADR of Selected 4-star & 5-star Hotels (2018 – 1Q 2024)



Sources: ADATA / Knight Frank Research

JOHOR

In 2023, Johor recorded a total of 16.7 million tourist arrivals, exhibiting an impressive 96% increase compared to the preceding year (2022: 8.5 million arrivals), as the country's border only reopened in April 2022. The top international tourist arrivals were from Singapore, Indonesia and China. The positive trend continued into the first four months of 2024, with Singapore remaining the leading source of international tourists, accounting for approximately 78.6% out of the total 6.0 million visitors. Indonesia followed with a 7.0% share and China with a 4.3% share. (Source: Immigration Department of Johor)

As of 1H2024, hotel occupancy levels of selected 3- to 5-star hotels hotel in Johor recorded y-o-y growth within the range of approximately 15% to 30%, with the 5-star category demonstrating stronger performances.

Updates of Notable Hotels and Resorts in Johor Bahru

Development Name	Locality	Type	No. of Rooms	Expected Completion	Status
Novotel Hotel	JB Fringe	4-star hotel	314	2024	Under construction
Sheraton Johor Bahru	JB CBD	5-star hotel (targeted)	345	2025	Under construction
Oakwood Hotel & Apartments / Hyatt Place Hotel	JB CBD	4-star hotel	482	2026	Under construction
The Realm Hotel by Wyndham Group	JB CBD	4-star hotel	250 – 300	TBC	In planning stage

Source: Knight Frank Research

The long-abandoned Pacific Mall is proposed to be revamped into a mixed-use development named SKS Tower, which will incorporate a 345-room Sheraton hotel, a retail podium and office spaces.

Notably, the upcoming Quayside JBCC in the heart of the Johor Bahru CBD will comprise 482 commercial suites in a 29-storey tower managed by Oakwood Hospitality, integrated with a 4-star hotel featuring 200 units operating as Hyatt Place. Additionally, the Novotel Hotel will be part of Space Residency, integrated with two 60-storey serviced apartment towers. The Realm Hotel, operated by Wyndham Group, will be housed in a 32-storey tower with 250 to 300 rooms, forming part of the Coronation Square.

PENANG

Supply and Demand

As of 1Q2024, Penang State had 244 hotels with a total of 24,034 rooms, reflecting an increase of 2.1% and 3.7% compared to 1Q2023, which had 239 hotels and 23,185 rooms. Approximately 67% of the hotel rooms are rated 3-star or above, with 4-star and 5-star hotels accounting for 32% (30 hotels, 7,696 rooms) and 22% (20 hotels, 5,248 rooms) respectively. In terms of future supply, there are 13 hotels in the development pipeline, and 10 hotels have obtained planning approval, collectively offering 4,236 rooms.

During the first half of 2024, the state welcomed the opening of its first new international five-star hotel, the Marriott Penang Hotel. This prestigious establishment is part of the renowned Marriott brand, which includes 30 brands, and operations commenced on 7 February 2024, following a successful soft opening. The luxurious hotel is part of an integral mixed development comprising Marriott Executive Apartments and Marriott Residences. Strategically located along the coveted seafront of Gurney Drive, the hotel features 223 exquisitely designed rooms.

The second half of 2024 will see six notable hotels slated for completion and opening. Five of these hotels will be located on Penang Island: the Harris Sunshine Penang (a 3-star hotel with 289 rooms), The Light City Hotel (a 4-star hotel with 500 rooms), the Iconic Marjorie Hotel (a 5-star hotel with 298 rooms), The Millen, a Marriott Design Hotel (a 5-star hotel with 146 rooms), and LYF by Ascott (a 4-star hotel with 136 rooms). The sixth hotel, the Crown Plaza Penang (a 4-star hotel with 343 rooms), will be located in Seberang Perai.

In 2025, the completion of three notable hotels is anticipated on Penang Island. These hotels include the Capri by Frasers Hotel (a 5-star hotel with 255 rooms), the InterContinental Penang Resort (a 5-star hotel with 355 rooms), and the reopening of the Hotel Equatorial Penang (a 5-star hotel with 662 rooms).

The AOR for 3- to 5-star hotels in Penang State experienced a notable increase of 4.8%, rising from 56.5% in the first half of 2023 to 59.2% in the corresponding period of 2024. This positive trend indicates a gradual recovery of the hospitality industry in the state, potentially reaching pre-pandemic levels.

Moreover, all 3-star to 5-star hotels demonstrated a substantial improvement in the ADR within the state during the first half of 2024 compared to the corresponding period in 2023. Notably, the ADR for 5-star hotels experienced a significant rise of 2.9%, reaching RM494 per night in 1H2024 from RM480 per night in 1H2023. Similarly, 4-star hotels witnessed a notable increase of 3.8% in ADR, recording RM270 per night in 1H2024 compared to RM260 per night in 1H2023. Furthermore, 3-star hotels exhibited an impressive growth of 10.3% in ADR, achieving RM171 per night in 1H2024 from RM155 per night in 1H2023. These improvements in ADR suggest a promising outlook for the hospitality market in Penang State.

SABAH

In 2023, Sabah recorded a total of 2.6 million tourist arrivals, representing a 51.3% growth compared to the preceding year (2022: 1.7 million arrivals). The top international tourist arrivals were predominantly from Brunei Darussalam, South Korea, and Indonesia. However, from January to April 2024, visitor arrivals from China outpaced other market sources, forming approximately 34.3% of the total 396,584 international arrivals, followed by Brunei Darussalam with an 18.4% share and South Korea with a 16.7% share.

As of the first half of 2024, hotel occupancy levels in Sabah recorded y-o-y growth within the range of 10% to 20%, with the 4-star and 5-star categories demonstrating the strongest performances.

Sinyi Group has embarked on developing two 5-star eco-friendly resorts in Sabah. These include a first-of-its-kind net zero carbon island resort on Pulau Mengalum, in addition to the previously launched InterContinental Sabah Kota Kinabalu Resort in Melinsung, Papar. The proposed Mengalum island resort will prioritise the use of renewable energy sources to minimise fossil fuel dependency, along with other initiatives such as reforestation, marine life restoration, water harvesting, and an education center with a turtle nursery, among others.

Updates of Notable Hotels and Resorts

Development Name	Locality	Type	No. of Rooms	Expected Completion	Status
Crowne Plaza Hotel	Southern Fringe of KK CBD	5-star hotel	367	2025	U/C (1)
Sheraton Kota Kinabalu	KK CBD	5-star hotel	345	2025	U/C (1)
Fairfield by Marriot	Southern Fringe of KK CBD	4-star hotel	281	2025	U/C (1)
AVANI Kota Kinabalu Hotel	Luyang, KK	4-star hotel	378	2026	U/C (1)
Club Med Borneo Kota Kinabalu	Kuala Penyu	4 & 5-trident resort	400	2025	U/C (1)
InterContinental Sabah Kota Kinabalu Resort	Melinsung, Papar	5-star resort	450	2027	CTC (2)
Borneo Semporna Resort	Semporna	4-star chalet	188	TBC	CTC (2)

Source: Knight Frank Research

Notes:
(1) U/C: Under-Construction (2) CTC: Construction Yet to Commence

MARKET OUTLOOK

Kuala Lumpur's hospitality sector is navigating a path towards recovery, mirroring the broader travel and tourism industry. While tourist arrivals and tourism receipts haven't fully reached pre-pandemic levels, a sense of normalcy is gradually returning. This lag is primarily attributed to the slower return of visitors from traditionally strong markets like China and India.

The hospitality market in Penang is experiencing tremendous interest from more international hotel brands planning to open in the next few years. These include Le Meridien, Westin, a second Marriott Hotel at Queens Waterfront, Ascott, and Park Royal Hotel along Gurney Drive. The confidence of these international brands coming to Penang post-pandemic, combined with the resumption of direct local and international flights to major cities such as Doha, Dubai, Xiamen, Hong Kong, and Medan, as well as the implementation of a reciprocal visa-free policy between China and Malaysia for up to 30 days, bodes well for the state's tourism sector. Additionally, the increase in the number of international cruises arriving in Penang and the depreciation of the Malaysian Ringgit against the US Dollar are expected to benefit the tourism industry tremendously, not only in Penang but throughout Malaysia, leading into Visit Malaysia Year 2026.

Similarly, hotel occupancy rates in Sabah are projected to improve in line with the increase in visitor arrivals, particularly for 4-star and 5-star hotels. The state's hospitality sector continues to garner interest from foreign investors, which could lead to further new developments.

The Malaysian government is taking strategic steps to accelerate this recovery. The recent implementation of a 30-day visa-free program for Chinese and Indian citizens (effective 1 December 2023) presents a significant opportunity. Coupled with an extensive promotional campaign, this program could attract high-spending tourists from these key markets. The hotel industry, recognising this potential, anticipates a surge in visitors from China and India, which would significantly bolster recovery efforts.

Additionally, under Budget 2024, the government plans to reinstate "Tahun Melawat Malaysia" (Visit Malaysia Year) in 2026. With a target of 26.1 million foreign tourists and domestic spending of RM97.6 billion, this initiative aims to reclaim Malaysia's position as a global tourism destination. The allocated budget of RM350 million for promotional activities, alongside RM20 million earmarked for state-level tourism infrastructure rejuvenation, demonstrates the government's commitment.

Despite these challenges, 2024 presents a more optimistic outlook for the hospitality sector. In particular, Kuala Lumpur is experiencing rebounding travel demand and strong growth in the ADR, driven by the openings of international luxury and upscale hotel brands. These developments will enhance the city's offerings and set a higher benchmark for room rates.

While a full recovery may not be immediate, the combination of government initiatives and a focus on high-yield markets creates a fertile ground for growth. The influx of luxury hotels necessitates strategic adaptation from existing players. Overall, cautious optimism prevails as the industry navigates its path back to pre-pandemic levels.

RESIDENTIAL MARKET

MARKET INDICATORS

Malaysia House Price Index (MHPI)

The preliminary Malaysia House Price Index (MHPI) showed moderate growth, increasing by 0.5% to 216.9 points in 1Q2024 (1Q2023: 215.8 points). However, on a quarterly basis, there was a decline of 1.9% from 4Q2023, which recorded 221.2 points. Similarly, Kuala Lumpur's high-rise residential property price index fell by 1.9% year-on-year (y-o-y) to 220.4 points in 1Q2024 (1Q2023: 224.7 points) and decreased by 3.4% quarter-on-quarter (q-o-q) (4Q2023: 228.1 points).

Malaysia Residential Property Market Transaction

Despite inflationary pressures and global headwinds, Malaysia's residential property market improved in the first quarter of 2024. A total of 62,823 transactions worth RM25.25 billion were recorded, marking a 16.6% increase in volume and a 21.0% increase in value (1Q2023: 53,861 transactions valued at RM20.86 billion).

KLANG VALLEY

High-rise Residential

Supply and Demand

In the first quarter of 2024, the Federal Territory of Kuala Lumpur (WPKL) experienced vibrant market activity with 3,413 residential units sold for RM2.80 billion in value. This represents a 19.2% increase in sales volume and a 19.3% rise in transaction value (1Q2023: 2,863 transactions valued at RM2.34 billion). Notably, the apartment/condominium and serviced apartment categories recorded 2,937 transactions worth RM2.51 billion, showing significant annual growth of 37.0% in volume and 49.8% in value (1Q2023: 2.144 transactions valued at RM1.68 billion).

During the review period, there was a notable decrease in the number of properties offered for sale in the primary market nationwide, with a decline of 7.8% (1Q2024: 126,820 units / 1Q2023: 137,547 units). A similar trend was observed in Kuala Lumpur, where the number of new residential properties put up for sale decreased by 14.5% (1Q2024: 20,492 units / 1Q2023: 23,967 units). This cautious approach among developers can be attributed to various factors, including the high interest rate environment, escalating costs of building materials, geopolitical risks, and the global economic slowdown. However, this decline is viewed positively as a market correction, addressing the issue of property overhang.

The cumulative supply of high-end condominiums/residences in Kuala Lumpur stood at 80,616 units. During 1H2024, three projects were completed, adding 1,846 units to the existing stock. Moving forward, the scheduled completions of several projects by 2H2024 will collectively add approximately 5,866 units to the existing cumulative stock.

Completions of High-End Condominiums / Serviced Apartments, 1H2024

Project	Location	Area	Total Units
Agile Bukit Bintang (Tower B & Tower C)	Jalan Imbi	KL City	1,316
Setia Sky Seputeh	Jalan Taman Seputeh	Seputeh	290
Residensi Astrea	Jalan Kiara 5	Mont' Kiara	240

Source: Knight Frank Research

During the review period, several notable projects launches and previews took place, collectively introducing 3,325 units to the market. Most of these developments are located within Kuala Lumpur City (KL City), contributing significantly to the area's residential offerings.

Notable Launches / Previews, 1H2024

Name of Development	Type (1)	Developer	Area	Total Units	Unit Sizing (Min - Max) (sq ft)	Average Gross Selling Price (RM per sq ft)
Branniganz Suites @ Bukit Bintang	SS	Exsim Development Sdn Bhd	KL City	759	344 - 678	1,900 – 2,030
Times Square 2	SA	Berjaya Times Square Sdn Bhd	KL City	629	488 – 1,038	1,400 – 1,600
Dawn KLCC	SA	Chin Hin Property Development	KL City	470	350 - 835	1,950 – 2,020
The Ashwood	C	Paramount Property	Ampang Hilir	342	1,381 – 3,020	1,100 – 1,300
Aetas Seputeh	C	Avaland Berhad	Seputeh	126	3,531 – 4,005	850 – 1,020
Kiaramas deDaun	C	Asia Quest	Mont' Kiara	436	1,313 – 4,693	800 - 900
Papyrus @ North Kiara	C	Kerjaya Prospek	North Kiara	413	1,033 – 2,325	600 - 750
The Ophera	C	Sime Darby Property	Bukit Kiara	150	3,079 – 7,523	1,280 – 1,600

Source: Knight Frank Research

Note: (1) SS = Serviced Suites; SA = Serviced Apartment; C = Condominium

Nestled in the heart of Kuala Lumpur city center, Branniganz Suites offers modern luxury and convenience adjacent to Sungai Wang Plaza and surrounded by top shopping destinations like Lot 10, Berjaya Times Square, Lalaport at BBCC, Fahrenheit88, and Pavilion Bukit Bintang. Developed by Exsim Development Sdn Bhd, this project is the fourth phase of their prestigious service suites in KL City, following the success of Scarletz, Hugoz, and Kyliez. It offers three-unit configurations: Studio (344 sq ft), 1-bedroom

with dual key (678 sq ft), and 2-bedroom (495 sq ft), catering to discerning investors. Embracing the Airbnb model, units can be rented and managed by Mana Mana Hospitality. Under the profit-sharing program, owners receive 80% of rental income for three years, with the possibility of renewal.

A landmark project by Berjaya Properties on Jalan Imbi, Times Square 2 is adjacent to the Berjaya Times Square Mall and Lalaport at BBCC, with seamless connectivity via the Monorail Imbi Station. Offering 629 units of serviced residences, Times Square 2 presents four distinct unit types ranging from 488 sq ft to 1,038 sq ft, with options to combine units using hackable walls. The dual-key design provides rental flexibility for personal occupancy and investment. Amenities include a Sky Deck on Level 41 with an infinity pool. The project achieved a 50% take-up during its soft launch. Following an Airbnb-inspired model to maximise rental Return on Investment (ROI), the property is projected to achieve a guaranteed net profit of 25%. Managed by MapleHome, Times Square 2 offers luxury, convenience, and investment potential in Kuala Lumpur's vibrant landscape.

Situated in Kuala Lumpur's prime area, Dawn KLCC is poised to become a notable landmark in the city's skyline. Located on Jalan Saloma, the development offers breathtaking views of the Petronas Twin Towers and Kampung Baru and is adjacent to the renowned Saloma Bridge. Developed by Chin Hin Property, Dawn KLCC comprises 470 serviced residences ranging from 350 sq ft to 835 sq ft. Chin Hin Property has partnered with MapleHome to ensure hassle-free tenant management, comprehensive financial reporting, property maintenance, cleaning, and asset insurance coverage.

Occupying a prestigious 3.59-acre freehold plot within the esteemed Embassy Row in the U-Thant enclave, The Ashwood is surrounded by embassies, high commissions, and premier amenities. It features 302 condominium units, 40 units of 2-storey duplexes, and 12 units of 3- and 4-storey villas, with units ranging from 1,381 sq ft to 3,407 sq ft. The development boasts meticulously curated facilities, sustainable elements, intuitive home technologies, and a comprehensive multi-tiered security system. The rooftop facilities on its 48 levels offer stunning views of the Kuala Lumpur City Skyline and the Royal Selangor Golf Club. Committed to environmental stewardship, The Ashwood includes rainwater harvesting, solar power systems, water filtration integration, energy-efficient Low-E windows, low-VOC paint, and EV charging stations. This dedication to eco-conscious living elevates the standard of modern luxury in Kuala Lumpur.

Nestled within the dynamic enclave of Taman Seputeh, Aetas Seputeh is just 1.7 km from the renowned Mid Valley Megamall, offering residents unparalleled convenience. Developed by Avaland Berhad, this luxury project epitomises low-density living with only 126 exclusive condominium units tailored for discerning individuals seeking exceptional comfort and sophistication. With expansive built-up areas ranging from 3,531 sq ft to 4,005 sq ft, the residences provide spacious living and dining areas ideal for a luxurious lifestyle. It prioritises sustainability, incorporating energy and water efficiency, environmental protection, indoor air quality, green features, and carbon emission reduction, balancing luxury living with ecological responsibility.

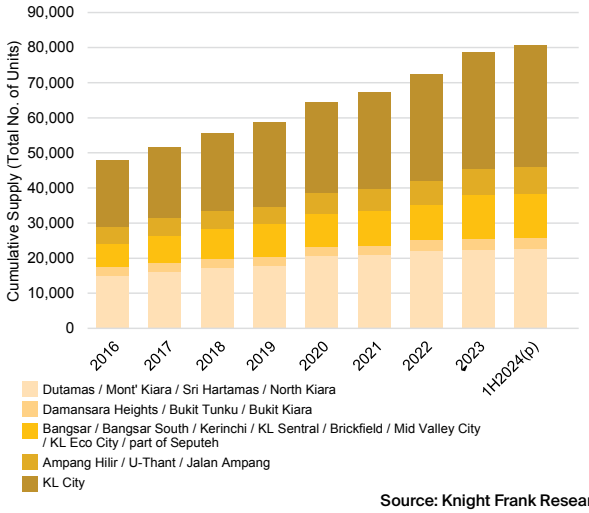
Adding to the esteemed Kiaramas developments, Kiaramas deDaun is a new high-rise gem in Mont' Kiara, following the success of Danai, Cendana, Ayuria, and Sutera. Seamlessly connected to the wider Klang Valley via multiple highways and expressways, this premier address offers residents access to top-tier amenities, including international schools, hospitals, and commercial zones. Developed by Asia Quest, Kiaramas deDaun comprises 436 condominium units ranging from 1,313 sq ft to 4,693 sq ft. These units feature higher ceilings, quality flooring, built-in kitchen cabinets, gas and smoke detectors, fully integrated air-conditioning systems, natural gas supply, storage water heaters, and video intercom systems. The development also offers exclusive Private Residents' Entertainment Zones (REZ) with private function halls, lounges, reception foyers, rooftop private dining, and sky lounges for each tower block.

A freehold development by Kerjaya Prospek, Papyrus @ North Kiara epitomises urban living. Located along Jalan Dutamas Dahlia and neighbouring Sri Hartamas, Dutamas, Bukit Damansara, and Mont' Kiara, this 4.5-acre project offers six layout plans ranging from 1,033 sq ft to 2,325 sq ft for typical units, with 4 -to 5- bedrooms. Focusing on low-density living, Papyrus @ North Kiara provides a variety of indoor and outdoor facilities that enhance communal spaces, creating an urban oasis for residents. The development includes elegant social spaces and grand hotel-like experiences, all meticulously crafted. It is anticipated to receive the GreenRE certificate, showcasing its commitment to sustainability with water-efficient fittings, energy-efficient lighting, energy-saving lifts, rainwater harvesting, and electric vehicle charging stations (EV). Papyrus @ North Kiara stands as a contemporary and environmentally conscious living option in the area.

Located within the Kuala Lumpur Golf & Country Club (KLGCC) enclave and nestled amidst Bukit Kiara Park and affluent neighbourhoods like Damansara Heights, Mont' Kiara, TTDI, and Bangsar, The Ophera offers residents a harmonious blend of urban convenience and natural serenity. It comprises 150 exclusive units across three low-rise buildings, each with dual frontage views of the city skyline and KLGCC greenery. The spacious layouts range from 3,079 sq ft to 7,523 sq ft, designed for modern lifestyles with elegance. Each unit features up to eight car park bays, storage lockers, and private lifts for seamless access. The Zen Zone sets The Ophera apart, offering amenities such as reading spaces, pavilions, and landscaped gardens.

Recent launches in the real estate market have notably leaned towards lower to medium-density developments, emphasising the importance of offering comfortable and spacious layouts to prospective homebuyers. These developments prioritise liveability and luxury living, acknowledging the evolving needs and preferences of modern residents. By focusing on creating residences that strike a balance between functionality and opulence, developers aim to cater to discerning buyers seeking both comfort and prestige in their living spaces.

Projection of Cumulative Supply of High-End Condominiums / Serviced Apartments, 2016 to 1H2024(p)



Source: Knight Frank Research

Prices and Rentals

During the review period, there has been a consistent and encouraging trend in the secondary transactions of high-end condominiums and serviced apartments in selected localities, showcasing a blend of improvement and stability. This positive trajectory can be partly attributed to the easing of inflationary pressures and favorable enhancements in the labor market, which have contributed to increased demand for housing.

However, the cautious optimism observed is tempered by the fact that the Overnight Policy Rate (OPR) remains at 3%. This stagnant rate places some strain on homebuyers, as the elevated borrowing costs are expected to impact their purchasing decisions.

Overall, the average transacted prices of high-end condominiums and serviced apartments in Kuala Lumpur were moderately higher, rising approximately 1.1% in 1H2024 compared to the preceding period (2H2023).

Average Transacted Prices of Selected Existing High-End Condominiums / Serviced Apartments, 2H2023 and 1H2024(p)

Locality	2H2023	1H2024(p)	Price Trend
KL City	1,020 – 1,140	1,050 – 1,140	▲
Ampang Hilir / U-Thant	740 - 740	740 – 740	◀▶
Bangsar	910 – 1,060	930 – 1,020	▼
Damansara Heights	820 - 930	820 - 930	◀▶
Kenny Hills	640 - 790	690 - 790	▲
Mont' Kiara	660 - 810	680 - 790	▲
Overall	800 – 900	820 – 900	▲

Sources: JPPH / Knight Frank Research

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

Average Asking Rentals of Selected Existing High-End Condominiums / Serviced Apartments, 2H2023 and 1H2024(p)

Locality	2H2023	1H2024(p)	Price Trend
KL City	2.10 – 5.80	2.20 - 6.00	▲
Ampang Hilir / U-Thant	2.00 – 3.20	2.40 - 3.10	▼
Bangsar	2.10 – 4.60	2.00 - 4.30	▼
Damansara Heights	2.20 – 4.60	2.30 - 4.90	▲
Mont' Kiara	2.10 – 4.20	2.10 - 4.50	▲

Source: Knight Frank Research

Note:
1. (p) = Preliminary – Analysis based on preliminary data
2. The analysis is based on asking rentals due to limited concluded rental data.

In the rental market, most areas have maintained stable or slightly rising rents, except for Ampang Hilir/U-Thant and Bangsar, which experienced a slight decrease. This decline can be attributed to factors such as an oversupply of rental properties, shifts in market dynamics, and changes in tenant preferences. Additionally, these areas are known for developments offering larger unit sizes, contributing to tenants' reluctance to pay higher rents.

Nevertheless, with the upcoming introduction of new properties featuring upgraded features and amenities, the rental market is expected to continue its positive momentum, drawing tenants and fostering rental growth across various neighbourhoods.



Branniganz Suites Bukit Bintang

Source: Exsim

JOHOR

High-rise Residential

Supply and Demand

As of 1Q2024, the cumulative existing supply of high-rise residential properties (condominiums / apartments and serviced apartments) in Johor Bahru stood at 158,603 units, reflecting an annual increase of 6.7% (1Q2023: 148,639 units).

The high-rise residential market in Johor Bahru is experiencing significant demand, marked by a notable rise in transaction volume and value for both condominium/apartment and serviced apartment categories. Compared to the corresponding period in the previous year, the volume and value of transactions for condominiums/ apartments increased by approximately 36.3% and 64.0%, respectively, totaling 717 transactions worth RM328.36 million (1Q2023: 526 units valued at RM200.27 million). Serviced apartments also witnessed a remarkable surge of 241.2% in transaction volumes and 359.0% in values, with 1,416 units worth RM964.08 million (1Q2023: 415 units valued at RM210.05 million).

The improved market activity, particularly in and around the city center, is likely driven by the development of the upcoming RTS Link, which is expected to alleviate congestion on the current Johor-Singapore Causeway upon completion.

Several notable launches and previews of high-rise residential projects occurred during the review period, including Pinegate Residency, Oasis Residence, Florian Residences, Avenue Residences, and Larkinton – AdisonWest.



Larkinton – AdisonWest by WCT Holdings Behad

Source: Developer's website

Notable Launches / Previews in Johor Bahru, 1H2024

Project	Developer	Locality	Total Units	Unit Sizing (sq ft)	Average Gross Selling Price (RM per sq ft)
Avenue Residences	MB World Group Berhad	Johor Bahru City Fringe	1,796	435 – 1,001	620 - 850
Pinegate Residency	Kimlun Corporation Berhad		448 (Tower A)	685 - 886	480 - 500
Oasis Residence	CTC Development Malaysia Sdn Bhd		612	517 - 990	1,000 – 1,250
Florian Residences	MB World Group Berhad		388	496 – 1,456	900 – 1,300
Larkinton – AdisonWest	WCT Holdings Berhad		1,024 (Phase 1)	501 - 791	850 - 910

Source: Knight Frank Research

During this review period, the average asking prices of high-rise units in selected residential projects within Johor Bahru City Centre were observed to be higher. Meanwhile, asking prices in the Johor Bahru City Fringe and Iskandar Puteri & Medini areas remained stable, with only minimal increases compared to the previous period.

Average Asking Prices for Selected High-Rise Residential Schemes in Johor Bahru, 1H2024

Locality	2H2023 (RM per sq ft)	1H2024 (RM per sq ft)	Price Trend
Johor Bahru City Centre	560 – 1,060	760 – 1,150	▲
Johor Bahru City Fringe	480 – 630	480 – 650	◀▶
Iskandar Puteri & Medini	500 - 750	530 - 750	◀▶

Source: Knight Frank Research

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

PENANG

High-rise Residential

As of the first quarter of 2024, the total existing supply of high-rise residential properties in Penang State stood at 116,176 units, representing a 3.1% annual increase (1Q2023: 112,682 units). During the review period, the condominium/apartment category experienced a decline in both transaction volume and value by 6.6% and 5.4%, respectively, with 830 units worth RM531.67 million transacted (1Q2023: 889 units transacted worth RM561.96 million). Similarly, the serviced apartment category also exhibited a decrease in transaction volume and value, with 71 units worth RM55.73 million transacted (1Q2023: 116 units transacted worth RM62.62 million).

Average Asking Prices for Selected High-End Condominiums in Penang Island, 1H2024

Locality	Average Asking Prices (RM per sq ft)		Price Trend
	2H2023	1H2024	
George Town	550-900(1)	650-950(1)	▲
	1,000-1,400(2)	1,050-1,350(2)	◀▶
Tanjung Tokong / Tanjung Bungah	600-950(3)	550-1,000(3)	◀▶
Gelugor	600-1,100(4)	550-1,000(4)	◀▶

Source: Knight Frank Research

Notes:
(1) Refers to units with built-up areas of 4,000 - 4,200 sq ft
(2) Refers to units with built-up areas of 2,200 -2,800 sq ft
(3) Refers to units with built-up areas of less than 2,000 sq ft
(4) Refers to units with mixed built-up areas of less than 2,000 sq ft and the bigger built-up areas more than 4,000 sq ft

Penang-based Tamarins Group has launched its latest project, The Anton, a low-density luxury condominium located along Jalan Cantonment in Pulau Tikus. The development features 51 units spread over 1.7 acres of land and emphasises privacy and ease of maintenance. Each unit boasts its own private lift lobby, with built-ups ranging from 2,700 sq ft to 5,500 sq ft. Prices of units start from RM3.5 million to RM7.0 million.
The development, with a RM200 million investment, offers GreenRE Platinum certification and includes facilities like a swimming pool, gym, garden, and concierge service. It strategically targets owner-occupiers, downsizers, and young families seeking smaller, upscale residences.

Codrington Residence, a project by Primary Spectra Development Sdn Bhd, offers 198 condominium units with varying built-up sizes ranging from 1,288 sq ft to 1,615 sq ft. Launched in June 2023, these units are priced starting from RM 1,430,000 and have secured an impressive sales rate exceeding above 80%.

Following the completion of the structural phase of GEM Residences, the topping-out ceremony for the prestigious apartment project developed by Belleview Group and LTC Group was formally held earlier this year. The transit-oriented development, situated in Prai on the Penang mainland, is anticipated to be completed in the second half of 2024. GEM Residences, a joint venture between Belleview Group and LTC Group under Regata Maju Sdn Bhd, encompasses 978 units and 15 retail spaces within a 20-acre masterplan project. With a substantial gross development value (GDV) of RM600 million, GEM Residences consists of four 38-storey residential towers, offering a range of one- to four-bedroom layouts starting from RM400,000. Strategically located along Jalan Baru, the development ensures convenient access to the North-South Expressway and Butterworth Outer Ring Road (BORR).

Iconic Worldwide Berhad's latest condominium development, known as Iconic Harmony, situated in Bukit Mertajam, Penang, has achieved a remarkable 70% take-up since its soft launch on 22 April 2024. With a total GDV of RM300 million, the 36-storey development comprises residential and commercial components. There are a total of 751 residential units with a built-up of 900 sq ft. The units come with three bedrooms and two bathrooms, with prices starting from RM280,000. Additionally, there are 16 units of two-storey shop lots, priced from RM1.6 million, which have been fully taken up during the soft launch.

SABAH

High-rise Residential

As of the first quarter of 2024, the existing supply of residential units in Greater Kota Kinabalu (comprising the districts of Kota Kinabalu, Penampang, Putatan, Tuaran, and Papar) stood at 137,328 units, marking an approximate 2.5% increase from the first quarter of 2023.

Volume and Value of Residential Transactions in Greater Kota Kinabalu, 2022 and 2023

Residential Property Category	Volume of Transactions		Change (%)
	2022	2023	2023/2022
Terraced Houses	1,125	1,156	2.8%
Semi-Detached Houses	371	361	-2.7%
Detached Houses	212	174	-17.9%
Condominium / Apartment	1,288	1,245	-3.3%
TOTAL	**2,996**	**2,936**	**-2.0%**
Residential Property Category	Value of Transactions (RM million)		Change (%)
	2022	2023	2023/2022
Terraced Houses	509.67	512.44	0.5%
Semi-Detached Houses	275.41	272.57	-1.0%
Detached Houses	176.04	196.24	11.5%
Condominium / Apartment	445.87	449.49	0.8%
TOTAL	**1,406.99**	**1,430.74**	**1.7%**

Sources: National Property Information Centre (NAPIC) / Knight Frank Research

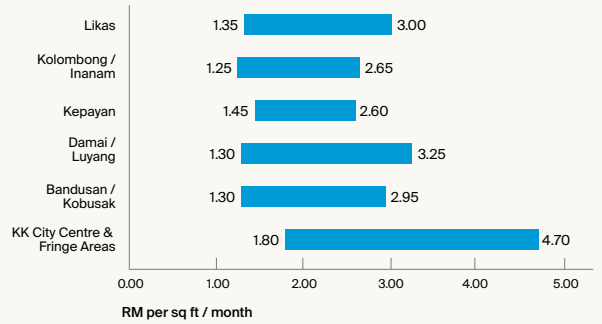
Note: Data above excludes townhouses, cluster houses, low-cost houses, low-cost flats, flats and vacant plots.

In 2023, Greater Kota Kinabalu recorded 2,936 residential transactions valued at RM1.43 billion. On a y-o-y basis, the overall transaction value increased by 1.7%, while the overall transaction volume decreased by 2.0% (2022: 2,996 transactions worth RM1.41 billion). The condominium/apartment category contributed the highest volume of transactions with a 42.4% share, while the terraced house category accounted for approximately 39.4%.

Residential launches during the review period primarily comprised high-rise residential schemes along with smaller scale landed residential schemes, as detailed in the following table. These newly launched high-rise residential schemes are strategically located and emphasise lifestyle and convenience, targeting small to mid-sized households such as young couples, young families, empty nesters, single professionals, and investors alike.

During the review period, Occupation Certificates (OC) were attained for both Jesselton Twin Towers and Lume Homes. Jesselton Twin Towers, known as Borneo's tallest iconic landmark, comprises a 56-storey condominium spread over two towers. Lume Homes is a high-end landed gated and guarded development.

Average Asking Gross Rentals of Selected Condominiums in Kota Kinabalu & Penampang, 1H2024(p)



Source: Knight Frank Research

Selected Residential Launches, 1H2024(p)

Locality	Scheme Name	Developer	Property Type(1)	Typical Unit Size / Built-up Area (sq ft)(2)	Land Area (sq ft)	No. of units(3)
Damai	Residensi Bayu Damai Phase 1 (Tower A & B)	BEDI Development Sdn Bhd	C	697 - 1,132	-	762
Kolombong	Aria @ Banyan Valley	Asia Land International Sdn Bhd	C	`915 - 1,313	-	360
Nosoob	Grand Meridian Tower A	Skye Vista Development Sdn Bhd	C	882 - 1,418	-	273
Alamesra	Kayana Heights Block A @ Ayuria Place	KTI Development Sdn Bhd	A	650 - 900	-	866
Kingfisher	Taman Kingfisher 3, Phase 2D - Part II	Pan Sheng Realty	TH	1,108 - 1,465	-	28
Alamesra	Araya Gardens Phase 1 @ Ayuria Place	KTI Development Sdn Bhd	DST	2,754 - 2,804	2,166 – 4,114	36
Kinarut	Sri Bayu Park Phase 1	Yuda Land Sdn Bhd	SST	820	1,400 – 3,300	147
Donggongon	Vision Garden Phase 3A (Taman Wawasan Mahandoi)	Sri Moraine Sdn Bhd	TST	2,254 - 2,726	1,130 – 2,605	37

Source: Knight Frank Research

Notes: (p) = Preliminary data
(1) C: Condominium; A: Apartment; SST: Single-storey Terraced; DST: Double-storey Terraced; TST: Triple-storey Terraced; TH: Town House
v(3) No. of units includes penthouses

In 1H2024(p), average asking rentals in Kota Kinabalu city centre and its fringes ranged from RM1.80 to RM4.45 per sq ft per month. In other localities, the average monthly asking rentals were between RM1.25 per sq ft and RM3.25 per sq ft.

MARKET OUTLOOK

The high-end high-rise residential segment in Klang Valley is currently experiencing significant growth in market activity. This upward trend is highlighted by rising sales volumes and an increase in the number of newly launched projects. Over the past six months, there has been a concentration of developments in KL City Centre, reflecting a shift towards investment portfolios, especially with the introduction of ROI rental programmes. The market's momentum is further bolstered by government initiatives aligned with the MADANI economic framework.

Similarly, the high-rise residential sector in Johor Bahru has seen improvements, marked by the launches of new projects that have attracted significant interest. Purchase inquiries have been increasing, particularly for high-rise developments near the RTS Link project. Moving forward, we expect the projects located near the city centre to maintain their upward trajectory, while others are still experiencing positive effects from the ripple.

The overall economy of Penang State is anticipated to improve, boosting residential market activity following the commencement of construction of the Penang LRT Mutiara Line in the fourth quarter of 2024, a stable OPR by Bank Negara Malaysia, and improving labor market conditions.

Residential transaction activity in Greater Kota Kinabalu, Sabah, demonstrated a y-o-y increase in 1Q2024 but is expected to moderate due to ongoing inflationary pressures. The second half of the year will continue to observe new launches on a smaller scale, particularly of landed residential schemes in the suburbs. The market is expected to gradually absorb the influx of residential projects launched over the past two years.

The significant growth in Malaysia's property market is propelled by the country's economic expansion outlined in the MADANI Economic Framework, further bolstered by ongoing government support, such as the extension of stamp duty exemption on MOT for first houses valued at RM500,000 and below until December 2025. However, the announcement of an 8% increase in the Sales and Service Tax (SST) is poised to impact property acquisition expenses. While this may initially affect market transactions, evidenced by the uptick in numbers in 1Q2024, it also signals a shift towards greater price sensitivity among buyers and encourages caution in purchasing decisions.

Additionally, the announcement of the implementation of targeted fuel subsidies starting with diesel currently foresees a limited impact on property development operations and consequently on increasing sales prices for some industry players. Further details are awaited to fully understand the potential impact on the property sector. By rationalising subsidies and raising services taxes, the government should be able to meet its fiscal deficit goal of GDP in 2024.

The Malaysia My Second Home (MM2H) programme faced a temporary suspension in 2020 due to the COVID-19 pandemic. However, it was subsequently reinstated with the introduction of three distinct categories, each differing primarily in their fixed deposit requirements and visa durations. These categories, known as Silver, Gold, and Platinum, offer potential participants the flexibility to select a tier that best aligns with their preferences and financial capabilities. The fixed deposit requirements for participants are RM500,000 for Silver, RM2,000,000 for Gold, and RM5,000,000 for Platinum.

These deposits bring various benefits to visa permits, such as multiple entry visas for Silver and Gold members and eligibility to apply for Permanent Resident (PR) status for Platinum members.

Meanwhile, multiple collaborations between developers and banks, along with initiatives and campaigns, aim to support homeownership.

UEM Sunrise and Affin Bank have joined forces to introduce a groundbreaking partnership through the launch of 'Alliance Home Complete' financing. This innovative financing solution is tailored to provide homeowners with enhanced flexibility by offering additional financing of up to 10% of the property value or a maximum of RM150,000. This allocation can be utilized for renovations and interior design, empowering homeowners to personalize their living spaces without requiring a significant initial cash outlay. The financing solution boasts a seamless, one-stop application process for both mortgage and renovation and interior design loan applications.

Gamuda Land and Alliance Bank Malaysia Berhad are embarking on a strategic partnership to reinforce their shared commitment to building communities under the principle of 'a town is a community'. Through this collaboration, Alliance Bank credit card users can leverage their accumulated rewards points towards Gamuda Land Properties, enhancing their benefits and connections. Additionally, members of this partnership gain exclusive advantages, including the seamless management of down payment repayments with 0% interest for 12 months on down payments of up to RM40,000 for participating Gamuda Land Properties.

Sunway Property's Signature Series for 2024 celebrates its third year with an array of exclusive 'Experience Sunway' deals for homebuyers, extending across dining, health & wellness, hospitality, retail, and more within the Sunway ecosystem. The campaign features eight signature properties in the Klang Valley, each offering enticing benefits such as monthly prizes (including a Tesla car and travel vouchers), zero legal fees, complimentary kitchen cabinets, low-down payments, referral incentives, 24-month easy payment plans, and subsidies for the Memorandum of Transfer (MOT). These offerings aim to enhance the homebuying experience while providing added value and convenience to purchasers within the Sunway community.

As the market dynamics evolve, industry players must grasp current consumer preferences and trends to tailor property offerings and contribute to the development of more affordable housing solutions for Malaysians. This adaptability is crucial in navigating the changing landscape and ensuring sustainable growth in the real estate sector.

Looking ahead, despite prevailing inflationary pressures and a high OPR, the residential property market is showing promising signs of growth. This positive momentum is evidenced by increased sales volume, the introduction of new property launches, and successful completions. Government support, especially following the Budget 2024 announcements and the MADANI Economy Framework, coupled with strengthened collaboration between developers and banks to facilitate homeownership, are key drivers behind this optimistic outlook. Malaysia's property sector is potentially boosted by the major rail infrastructure projects in the pipeline, such as MRT3, ECRL, Penang LRT, and Johor RTS, which bode well for transit-oriented developments. As the residential market enters the second half of 2024, it maintains a cautiously optimistic stance, buoyed by these factors and the potential for continued growth and stability in the sector.

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