

CCO PROPERTY MARKET REVIEW 2017



CCO & ASSOCIATES

Since 1987

**CHARTERED VALUATION SURVEYOR,
REGISTERED VALUER, REAL ESTATE AGENT,
PROPERTY MANAGER, AUCTIONEER**

CCO & Associates has set upon itself a mission to continue monitoring the Malaysian property market and continuously update our valued clients and readers through our periodic reviews.

FOREWORDS BY SR CHAN CHEOK ONN (CCO) FOUNDER AND CHAIRMAN OF CCO & ASSOCIATES GROUP



**Mr Chan Cheok Onn
(Chairman and Founder)**

2017 marks the 30th anniversary of CCO & Associates, an achievement that I am particularly proud of and I would like to attribute this accomplishment to the hard work of the management and team.

The Group is set to achieve another milestone in 2017. We are reorganizing the structure of the group and launching new website and periodical property market review to enhance our services to our valued clients as well as the society.

The overall Malaysian property market has undergone immense challenges since the implementation of various cooling measures to curb the rising household debts and speculative activities in the property market. With restricted access to financing, demand for properties has been significantly affected.

Implementations of Goods and Services Tax (GST) in 2015, declining global fuel prices, depreciation of Ringgit Malaysia (RM) and political uncertainties locally and abroad have worsened the overall property market sentiments. Many prospective buyers are adopting wait and see attitude, expecting the property market to decline further. Their inaction prolongs the recovery of the property market.

The Malaysian Gross Domestic Products (GDP) grew by 5.9% in 2017, which was higher than the projected 5.2% to 5.7% and considerably higher than the 4.2% growth recorded in 2016. A new milestone for country's export was also recorded in 2017 when it breaches RM80 billion mark for the first time when the export grew by 24.1% to RM82.62 billion in March, the highest ever monthly export value recorded. The central bank continues to adopt low interest rates to encourage economic growth, an important move to ensure stability of the Malaysian economy.

The Malaysian property market has benefited from the introduction and completion of various major infrastructure projects. High Speed Rail (HSR), Mass Rail Transit (MRT), Light Rail Transit (LRT) and various highway projects are expected to stimulate new property development projects located around these infrastructural projects.

We have also observed property developers in the country have responded well to the prevailing market trend. Many developers have focused on developing affordable projects and some have postponed or delayed their project launches, allowing the market to consolidate before the next upward trend takes place.

Overall, cautiously optimistic outlook is observed for the Malaysian property market. New development projects need to be undertaken diligently and supported by strong underlying demand.

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Strong economic growth is important to sustain the overall Malaysian property market sentiment.

The reduction in the interest rate in July 2016 has not created significant impact to improve the overall property market sentiments.

In the absence of subsidies by the government, the Malaysian CPI will continue to be affected by the changes in the global fuel prices.

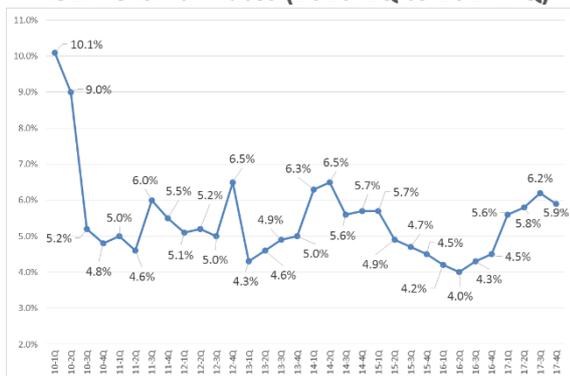
High inflationary pressures may restrain the government's efforts to lower the interest rates to stimulate economic growth. Consumer's sentiments will also be affected.

The interest rate is expected to increase in 2018, largely due to the impending interest hike in US and inflationary pressure.

OVERVIEW OF MALAYSIAN ECONOMY

Malaysian economy has expanded by 5.9% in 2017, which was considerably higher than the 4.2% growth rate recorded in 2016. In 2017, Malaysian economy had recorded strong quarterly growths of between 5.7% and 6.2%.

GDP Growth Rates (2010-1Q to 2017-4Q)



Source: Bank Negara Malaysia & Department of Statistics

The increase in the Gross Domestic Products (GDP) was spurred by the increase in the private sector spending and country's exports while the agriculture sector has turned around to register a 10.7% growth in 2017.

Private Final Consumption Expenditure grew by 7% while the Government Final Consumption Expenditure expanded by 6.9% in 2017.

The strong economic growth in 2017 marks possible economic recovery after a period of moderate economic growth of 4% to 4.5% in 2015 and 2016 resulted from the declining global fuel prices and depreciation of Ringgit Malaysia (RM) against USD and other major currencies.

Overall, the Malaysian economy is well positioned to achieve growth rates of between 5% and 5.5% in 2018. The high economic growth also coincides with the highly speculated forthcoming 14th General Election.

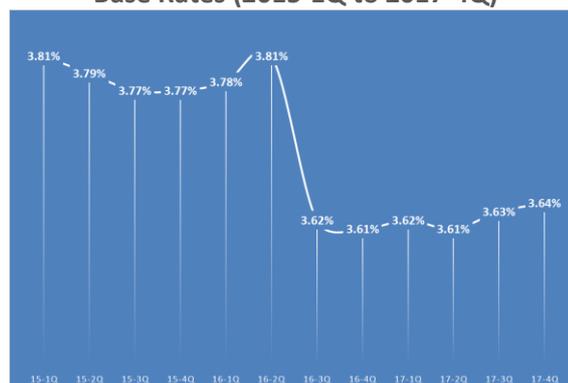
Interest rates

The government continues to adopt competitive interest rates to support economic growth.

In January 2018, Bank Negara Malaysia (BNM) increased the Overnight Policy Rate (OPR) to 3.25% after maintaining the OPR at 3% since July 2016. Prior to this, OPR had been maintained at 3.25% since 16th July 2014.

Generally, the increase in the OPR has prompted financial institutions to increase the Base Rate (BR) from 3% to 3.25% and Base Lending Rate (BLR) from 6.65% to 6.9%.

Base Rates (2015-1Q to 2017-4Q)



Source: Bank Negara Malaysia

Consumer Price Index (CPI)

From January to December 2017, CPI registered a 3.7% increase, a significant increase when compared to the 2.1% increase recorded in 2015 and 2016. The CPI growth slowed towards the second half of 2017 after recorded 4.1% growth during the first half.

Rise in the country's inflation was largely attributed to the subsidy rationalization measures by the government. The increases were due to increase in Food Away From Home (+4.8%) and Food At Home (+3.7%).

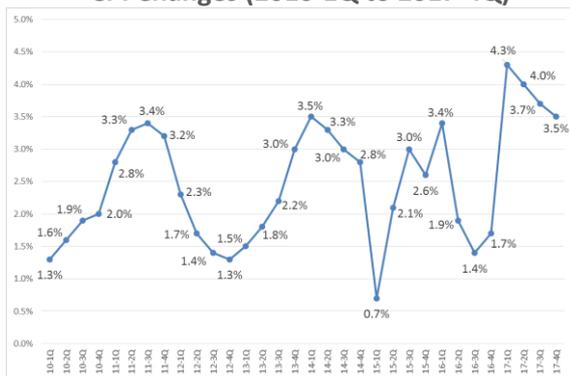
Other major increases in the CPI were Transport (+13.2%), Health (+2.5%), Restaurants & Hotels (+2.5%), and Housing, Water, Electricity, Gas & Other Fuels (+2.2%).

In 2017, the Malaysian CPI is expected to remain on the high side averaging between 3% and 4%. The inflation is largely driven by cost increase as opposed to demand driven.

Amongst the cooling measures implemented by the government since 2012 are:

- More stringent lending policies
- Increase in the Real Property Gain Tax (RPGT)
- Disallow the Developer Interest Bearing Scheme (DIBS)
- Increase the minimum price for foreigners to RM1 million
- Freeze on the developments of new purpose built office and retail projects
- Development of high-end residential projects costing above RM1 million need to undergo extensive study and will be approved based on case to case basis.

CPI Changes (2010-1Q to 2017-4Q)



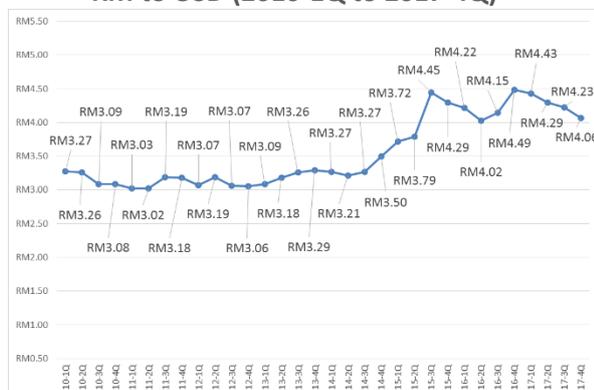
Source: Bank Negara Malaysia

Ringgit Malaysia (RM) – Exchange Rates

The plunge in the global fuel prices and interest rates increased by Federal Reserve in US have contributed to the drop in the value of RM against US Dollar (USD) and other major currencies.

Prior to the decline in the global fuel prices, the exchange rates hover around RM3.20 to RM3.30 to an USD. The exchange rates breached RM4 mark in 2015 and hovered around RM4 to RM4.50 in 2016 and 2017.

RM to USD (2010-1Q to 2017-4Q)



Source: Bank Negara Malaysia

The depreciation of RM against USD and other major currencies has increased prices of various imported products and services and worsened the overall property market sentiments particularly the retail property market, which had been affected by moderate economic growth and cooling measures introduced by the government.

BNM has introduced several measures to stabilize the RM against the US Dollars, namely limiting foreign exchange exposure of resident and non-resident fund managers, streamlining treatment for investment in foreign currency assets, requiring the exporters to hold the Ringgit Malaysia instead of foreign currencies and others.

With the global fuel prices stabilising at around USD50 per barrel and supported by strong economic growth, the exchange rate of RM to USD is expected to strengthen at around RM3.80 to RM4.10 level.

2018 Budget

2018 Budget involves total expenditure of RM280.25 billion, an increase of 6.94% from the 2017 Budget. The fiscal deficit has declined to 3.1% in 2016 and is expected to reduce to 2.8% in 2018 from 3% in 2017.

Under 2018 Budget, the government continues to introduce measures to encourage home ownership and to improve on country's investments, trade and industries.

The government has also announced 2020 as the Visit Malaysia Year, which coincides with a series of international meetings that the country will host, namely APEC, WCIT and CHOGM. Various measures and incentives have been introduced to promote the tourism sector from 2018 to 2020.

Under 2018 Budget, the government has reiterated various logistics and transport infrastructure projects in the country, namely East Coast Rail Link (ECRL), MRT line 2 connecting Sungai Buloh-Serdang-Putrajaya, LRT 3 connecting Bandar Utama to Johan Setia Klang, High Speed Rail (HSR) from Singapore to Kuala Lumpur, West Coast Expressway, etc.

The government has also announced several new infrastructure projects under the 2018 Budget. Amongst the new projects are as follows:

The DFTZ has witnessed the launches of regional distribution hub by Alibaba Group in KLIA Aeropolis in March 2017.

It has been reported that DFTZ will also see the creation of a new Kuala Lumpur Internet City (KLIC) in Bandar Malaysia and Catcha Group has been made the master developer.

- ✓ South Perak Region comprising Proton City, Educity and Youth City in Tanjung Malim
- ✓ RM230 million to develop Central Spine Road connecting Raub to Bentong in Pahang and Gua Musang in Kelantan to Kampung Relong in Pahang.
- ✓ Pangkor Island in Perak as Duty free island excluding alcoholic beverages, tobacco and motor vehicles.
- ✓ Special Border Economic Zone in Bukit Kayu Hitam in Kedah
- ✓ Upgrade Pulau Pinang International Airport
- ✓ Upgrade of Langkawai International Airport
- ✓ Construction of new airport in Mukah
- ✓ Expansion of airport in Kota Bahru
- ✓ Expansion of airport in Sandakan
- ✓ Port and industrial park in Tok Bali, Kelantan
- ✓ Access road to Baleh Dam in Sarawak

The government is allocating RM30 million to Malaysian Healthcare Travel Council (MHTC) to promote the country's health tourism. MHTC is tasked to promote Malaysia as the Asian Hub for fertility treatment. Various incentives will be offered to the private hospitals that promote health tourism.

To increase the disposable income, BR1M cash transfer of up to RM1,200 will be continued in 2018. Income tax rate for income tax band between RM20,000 to RM70,000 will be reduced by 2%. The reduction will increase disposable income of the people by between RM300 and RM1,000 per annum.

Toll collections at Batu Tiga and Sungai Rasau in Selangor, Bukit Kayu Hitam in Kedah and Eastern Dispersal Link in Johor will be abolished.

The government has allocated RM83.5 million to construct infrastructure for the first phase of Digital Free Trade Zone (DFTZ) in Aeropolis KLIA. The first phase aims to attract 1,500 SMEs to participate in the digital economy. This will attract RM700 million worth of investment and create 2,500 job opportunities.

2018 Budget, which has been deemed as Mother of all budgets and the last budget announcement, before 14th General Election (GE14), provided various measures and incentives to drive Malaysian economy and to ease the financial burdens of the rakyat.

Freeze on new projects

In view of the increasing unsold properties in the market, the government has imposed ban on approvals of new office building and shopping complex projects in the country effective 1st November 2017.

Although the government has lifted its sanction on new serviced apartment and condominium projects costing above RM1 million, developers are advised to conduct adequate market research to ensure the proposed developments are in demand.

To sustain the demand for high-end properties, the government will not raise the stamp duty rate from 3% to 4% on instruments of transfer for properties worth over RM1 million, which was supposedly to take effect on 1st January 2018.

Outlook

Moving forward, the services, manufacturing and construction sectors will continue to contribute to Malaysian economic growth while the launches of Digital Free Trade Zone (DFTZ) will be the new impetus of growth for Malaysian economy.

With the DFTZ, the digital economy is expected to contribute about 20% to the country's GDP in 2020, up from the initial target of 18.2% and promises to generate trade worth of RM286 billion by 2025.

Supported by strong economic performances during the first nine months of 2017, the Malaysian economy is expected to record commendable growth rates of about 5.2% to 5.7%. The economy is projected to record growth of about 5% to 5.5% in 2018.

The number and values of property transactions in 2016 recorded second consecutive year of decline, attributed to the cooling measures implemented by the government and central bank as well as economic uncertainties.

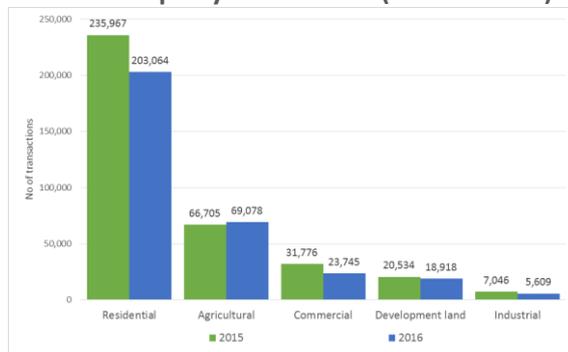
The number of industrial and commercial property transactions recorded the steepest decline in 2016.

OVERVIEW OF MALAYSIAN PROPERTY MARKET

In 2016, the overall Malaysian's property market continued to be sluggish, extended since 2015 when the Goods & Services Tax (GST) was first implemented and global fuel prices started its downward trend.

The number of property transactions in 2016 had declined by about 11.5% to 320,425 transactions from 362,105 transactions in 2015. Overall values of the transactions recorded smaller decrease of about 3%, from RM149.898 billion in 2015 to RM145.408 billion in 2016.

No. of Property Transaction (2015 & 2016)



Source: NAPIC's Property Market Report 2016

Value of Property Transaction (2015 & 2016)



Source: NAPIC's Property Market Report 2016

Overall, all property sectors have recorded lower number of property transactions with the exception of agricultural properties, which recorded a marginal increase of 3.56%.

In 2016, the commercial and industrial properties recorded the steepest declines of 25.27% (-8,031 transactions) and 20.39% (-1,437 transactions), respectively.

Despite the steepest decline in the number of commercial property transactions, the overall value of commercial property transactions increased by about 36.15% in 2016. This was due to the transactions involving multi-million commercial properties in 2016.

Besides the commercial properties, the values of agricultural property transactions recorded 9.62% increase while the value of industrial property transactions recorded marginal increase of about 0.4%.

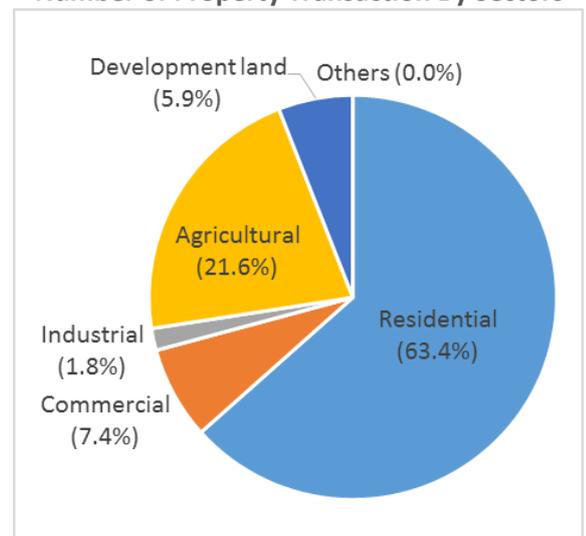
The number of residential property transactions had reduced by 32,903, indicating a drop of about 13.94% from 235,967 transactions in 2015 to 203,064 transactions in 2016.

Transactions By Property Sectors

The residential property sector remained the most active property sector in the country, commanding about 63.4% and 45.1% from the overall number and value of property transactions in the country in 2016.

Although the number of commercial property transactions made up a mere 7.4% of the overall property transactions, these commercial property transactions made up approximately 24.7% of the overall transaction values.

Number of Property Transaction By Sectors

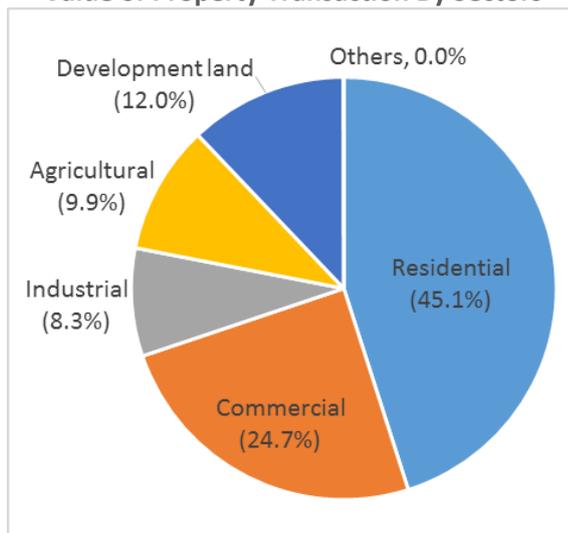


Source: NAPIC's Property Market Report 2016

In 2016, Kuala Lumpur recorded the highest average value per property transaction due to higher property prices and transactions of multi-million properties in the federal territory.

Transactions of properties located within Selangor and Kuala Lumpur made up more than 50% of the overall property transactions value in the country in 2016 followed by Johor and Pulau Pinang, the economic hubs of southern and northern regions respectively.

Value of Property Transaction By Sectors



Source: NAPIC's Property Market Report 2016

Transactions By States

Selangor has the most active property market in Malaysia, recorded 62,959 property transactions in 2016. This represented about 19.6% of the overall property transactions in the country.

Johor and Perak recorded 40,066 and 38,956 property transactions, representing about 12.5% and 12.2% of the overall property transactions respectively. Kedah and Sarawak, which recorded 29,550 transactions (9.2%) and 23,347 transactions (7.3%), rounded up the top five most active property market in 2016.

Although Kuala Lumpur recorded considerably lower number of transactions, e.g. 14,950 transactions and ranked 10th highest transactions, the federal territory recorded the second highest transaction value at RM34.2 billion in 2016, only lower than Selangor which recorded total transaction value of RM40.7 billion.

Kuala Lumpur and Selangor, which houses the Klang Valley economic hub, commanded 51.5% of the overall property transaction values in 2016. About 13.4% and 6.6% of the overall property transaction values were located within Johor and Pulau Pinang, the northern and southern economic hubs of Malaysia respectively.

Being the city capital for Malaysia, Kuala Lumpur recorded the highest average value of per property transaction at RM2.289 million per property transaction. This was attributed to high property values in Kuala Lumpur and transactions of multi-million commercial properties that took place in 2016.

Putrajaya and Selangor recorded the second and third highest average value per property transaction at RM943.8 and RM646.5 thousands per property transaction, respectively.

Other established development areas such as Pulau Pinang, Sabah and Johor have recorded average value per property transaction of RM521, RM503.2 and RM485.4 thousands, respectively.

Other states that have recorded average value per property of RM250 thousands and above in 2016 are Labuan, Negeri Sembilan, Melaka, Pahang and Sarawak.

Number & Value of Property Transaction And Average Value Per Transaction By States (2016)

States	Number	Value (RM bil)	Average value ('000)
Selangor	62,959	RM40.7	RM646.5
Johor	40,066	RM19.4	RM485.4
Perak	38,956	RM7.7	RM196.7
Kedah	29,550	RM5.4	RM181.9
Sarawak	23,347	RM5.8	RM250.5
Terengganu	19,091	RM2.3	RM118.3
N Sembilan	18,809	RM5.9	RM315.4
Pulau Pinang	18,352	RM9.6	RM521.0
Pahang	15,796	RM4.3	RM272.4
Kuala Lumpur	14,950	RM34.2	RM2,289.0
Melaka	14,525	RM4.2	RM289.8
Kelantan	12,994	RM1.5	RM117.0
Sabah	6,983	RM3.5	RM503.2
Perlis	3,354	RM0.45	RM134.1
Labuan	428	RM0.15	RM352.5
Putrajaya	265	RM0.25	RM943.8
Malaysia	320,425	RM145.4	RM453.8

Source: NAPIC's Property Market Report 2016

Higher values of commercial property transactions in Kuala Lumpur were attributed to the following multi-million transactions.

- Renaissance Hotel
- Sky Express Hotel
- The Intermark Tower
- Nu Tower
- RHB Centre

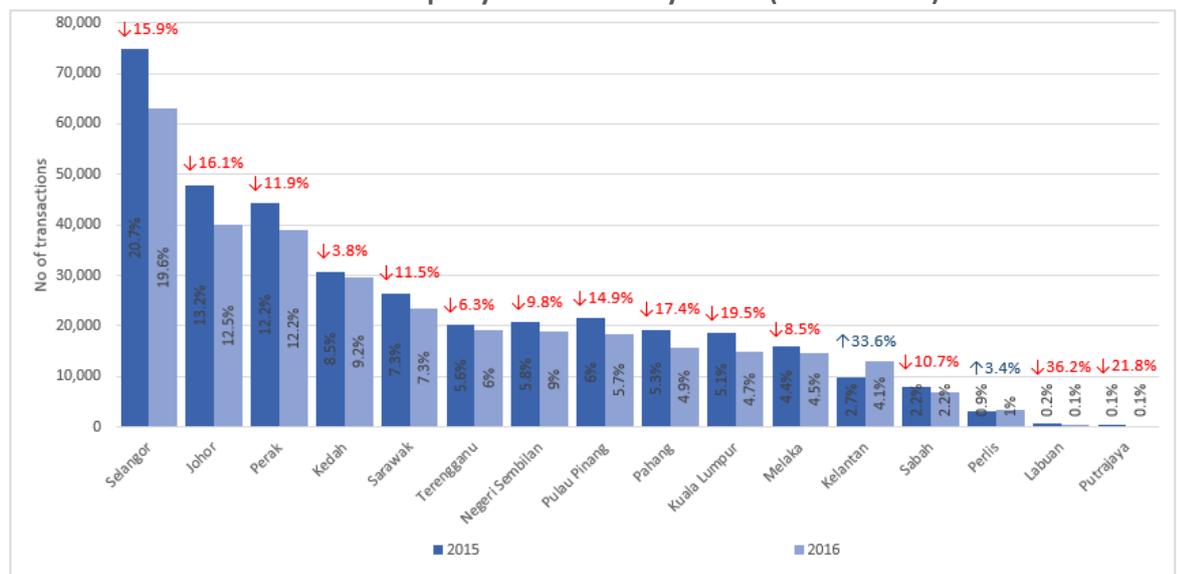
The cooling measures implemented by the government and central bank as well as poor market sentiments resulted from the depreciation of RM against USD and declines of global fuel prices have affected the property markets in all the states in Malaysia.

In 2016, all the states have recorded declines in the number and value of property transactions with the exception of Kelantan and Perlis. Both states are relatively undeveloped states and were least affected by the macro-economic events.

Federal territories of Labuan and Putrajaya recorded the steepest decline of 36.2% and 21.8% respectively. Economic hubs such as Kuala Lumpur, Selangor, Johor and Pulau Pinang recorded about 15% to 20% decline in the number of property transactions.

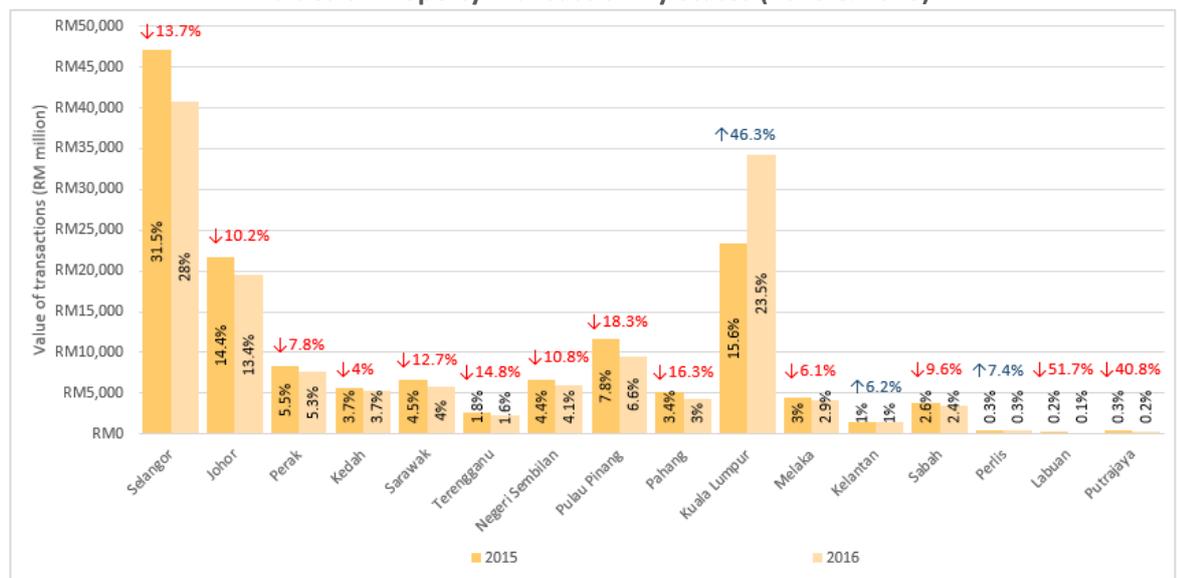
Although the number of property transactions in Kuala Lumpur declined by approximately 19.5%, the value of the property transactions increased by about 46.3% attributed to the transactions of multi-million properties reported in 2016.

Number of Property Transaction By States (2015 & 2016)



Source: NAPIC's Property Market Report 2016

Values of Property Transaction By States (2015 & 2016)



Source: NAPIC's Property Market Report 2016

Large stock built-ups have been noted in certain locations in Malaysia. These locations may undergo market corrections due to economic and political uncertainties as well as cooling measures introduced by the government and central bank.

Residential Property Market

A large number of new projects have been planned and launched in the Malaysian property market, especially before the slowdown in the Malaysian property market. This future supply has built up property stock in the market.

As at the end of 2017-2Q, Malaysia recorded approximately 5.35 million units of existing residential properties. Approximately 0.901 million units were under construction or approved for developments. The future supply stock represented about 16.8% of the existing residential property stock.

The overall future stock of residential properties in the country have reduced by about 37.04% when compared to the 1.431 million units reported in 2016-4Q. Many developers refrained from launching new projects due to poor market sentiment.

Selangor recorded the largest residential property stock in the country, recorded about 1.48 million existing stock and 0.197 million future stock followed by Johor with 0.775 million existing stock and 0.174 million future stock.

Although Negeri Sembilan, Pahang, Sabah, Terengganu, Kelantan and Putrajaya are expected to witness large increase of new residential properties, e.g. increases of over 20%, these states have relatively low number of existing residential properties, e.g. less than 300,000 units.

Selangor is home to the largest future stock, comprising 196,573 units followed by Johor with 178,035 units. Johor is expected to experience larger increase of about 22.5% when compared to Selangor with about 13.3% increase when all the future stocks have been completed.

Other highly populated states such as Kuala Lumpur Federal Territory, Perak and Pulau Pinang have recorded future residential property stocks of between 70,000 and 90,000 units.

Overall, main economic growth areas in the country and supported by high population bases and active commercial activities, e.g. offering vast employment opportunities, are expected to continue to attract considerable number of new residential property projects.

Existing, In-coming And Planned Residential Property Stocks By States (2017-2Q)



Source: NAPIC's Property Stock Report (2017-2Q)

The serviced apartment developments gained its footing after the 1997/1998 regional currency crisis when developers chose to build residential units on commercial lands as opposed to commercial buildings such as offices or retail complexes.

Small Office Home Office (SOHO) units offer mixed used accommodations to stay and work. Popularity of such development concept has encouraged other office suite development types known as Small Office Flexible Office (SOFO), Small Office Versatile Office (SOVO) and others.

Serviced apartment and SOHO

Generally, the developments of serviced apartment and SOHO (Small Office Home Office) were relatively new when compared high-rise residential developments such as condominium and apartment.

As of 2017-2Q, there were 109,618 existing units of serviced apartment and SOHO in Malaysia. The stock is expected to increase substantially by about 294.6% when the 188,617 units of in-coming stock and 134,273 units of planned stock have been completed.

Approximately 71.8% of the existing serviced apartment and SOHO units were located within Klang Valley, e.g. in Kuala Lumpur and Selangor, followed by about 11.8% in Johor.

Other serviced apartment developments are mostly located in the town centres and tourist destinations in other states such as Negeri Sembilan, Pulau Pinang, Melaka, Pahang, Perak, Sabah and Kedah.

Johor recorded the largest number of future serviced apartment and SOHO units with 119,708 units or about 37.1% of the overall future stock followed by 104,360 units (32.3%) and 73,383 units (22.7%) in Kuala Lumpur and Selangor, respectively.

Putrajaya, Terengganu and Labuan are expected to witness their first serviced apartment units in the states when the in-coming projects have been completed. New SOHO project has been approved in Terengganu however the construction work has not yet commenced.

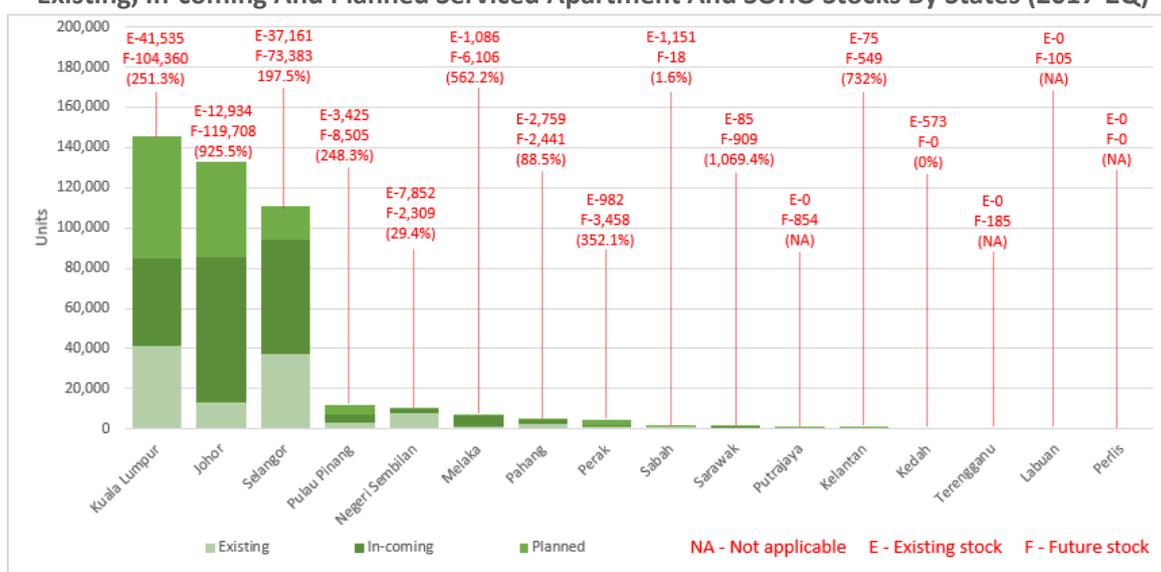
Purpose Built Office Buildings

A large proportion of the purpose built office buildings are located in high-growth commercial areas, namely Klang Valley, Johor Bahru and Pulau Pinang. Being the administrative centre for the governments, Putrajaya hosts a large number of government offices.

As of 2017-2Q, the existing supply of office spaces in Malaysia was 20.994 million square meters. Additional 1.876 million square meters of office spaces were under construction while 0.973 million square meters have been approved for developments.

Approximately 58% of the existing office spaces are located within Klang Valley, comprising about 12.175 million square meters of office spaces while about 10.1% (2.114 million square meters) of the office spaces are located within Putrajaya.

Existing, In-coming And Planned Serviced Apartment And SOHO Stocks By States (2017-2Q)



Source: NAPIC's Property Stock Report (2017-2Q)

In line with the declines of the global fuel prices, many Oil & Gas (O&G) and related companies have closed down or reduced their office spaces. This resulted in an increase of a number of vacant office spaces in the market.

Economic uncertainties have compelled many companies to undertake cost cutting measures, including downsizing their operations.

Majority of the office buildings located in less developed states cater mainly for the government departments or government linked companies.

Existing, In-coming and Planned Stocks Of Purpose Built Offices By States (2017-2Q)



Source: NAPIC's Property Stock Report (2017-2Q)

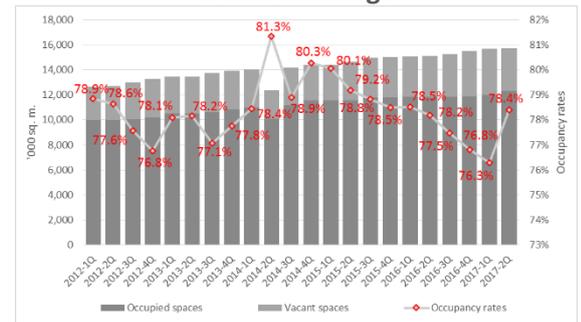
Approximately 5.4% and 5.3% of the existing office spaces are located within Johor and Pulau Pinang, which are also the southern and northern economic hubs of Malaysia respectively.

Klang Valley, particularly within the main commercial centers such as Golden Triangle, KLCC, Central Business District (CBD), KL Sentral and suburban areas such as Bangsar, Damansara Heights and others remain to be the preferred locations for purpose built office developments.

Overall occupancy rates of the purpose built office spaces in the country have declined from the peak at 81.3% in 2014-2Q to 78.4% in 2017-2Q. The lower occupancy rates were attributed to completion of new office spaces and low take-up rates.

The depreciation of RM and declines in the global fuel prices have affected take-up rates of office spaces. Most of the newly completed purpose built office buildings face difficulties to secure office tenants while many old office buildings were compelled to offer competitive rentals and features to sustain the existing tenants.

Occupancy Rates of Malaysian Purpose Built Office Buildings



Source: NAPIC's Commercial Buildings-Space Availability Report (2012-1Q to 2017-2Q)

Shopping Complexes

Retail shops are popular development component types in mixed commercial developments in the country. The retail shops are planned to enhance the attractiveness of the surrounding developments.

Many developers were developing shopping complexes for recurring incomes. Popular shopping complexes are ideal acquisition targets for Real Estate Investment Trust (REIT) due to the high investment yields from the successful shopping complexes.

The retail property sector has recorded unimpressive performances since Goods & Services Tax (GST) has been implemented in April 2015.

The e-commerce developments in the country spurred by the Digital Free Trade Zone (DFTZ) could potentially reduce the requirements for retail spaces in the future.

Klang Valley, which is sited within Selangor and Kuala Lumpur, offers about 6.488 million square meters of existing retail spaces or approximately 43% of the overall existing retail spaces in the country.

Additional 1.078 million square meters of retail spaces were under construction or approved for developments in Kuala Lumpur and Selangor. The existing retail spaces are expected to increase by about 33.8% when all the future supply has been completed.

More established and developed states such as Johor and Pulau Pinang, which are also the southern and northern economic hubs, offer approximately 1.771 million and 1.738 million square meters of retail spaces, respectively.

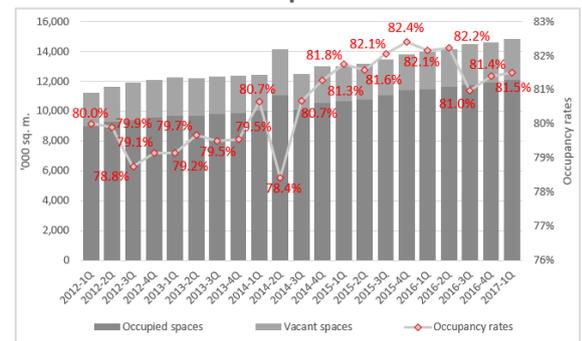
Retail spaces in Johor are expected to increase by about 30.1% when all the 0.534 million square meters of future retail spaces in the state have been completed.

In Pulau Pinang, only about 43,963 square meters of retail spaces were under construction. The in-coming retails spaces made up approximately 2.5% of the existing retail spaces in the state.

Developments of retail property market depend greatly on the demographic trend and economic sizes of the states. Generally, smaller states or less developed states offer smaller retail spaces.

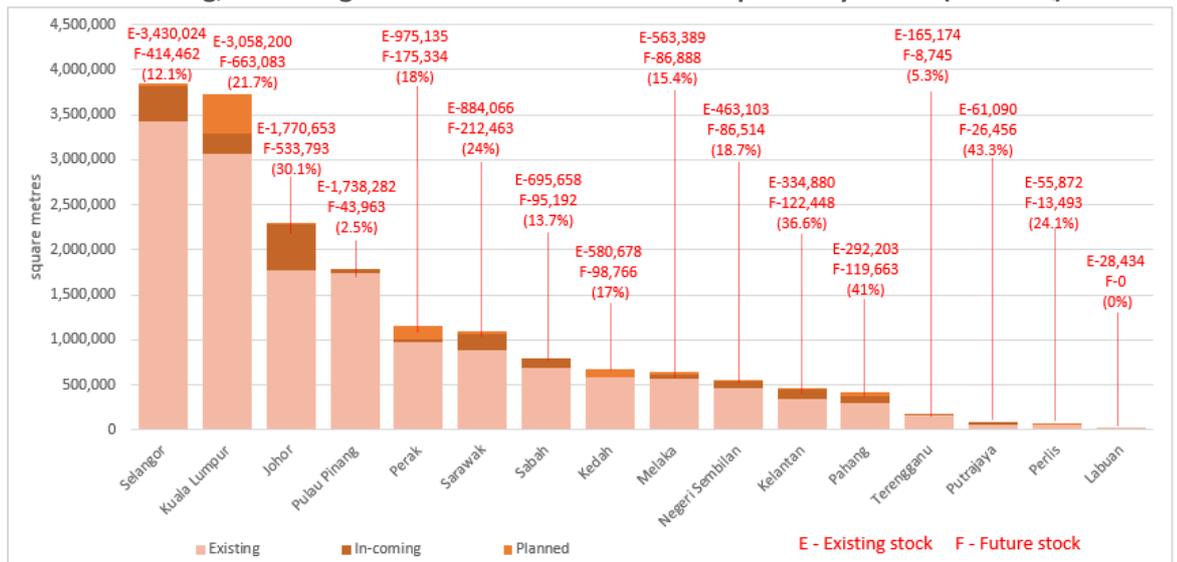
The Malaysian retail property sector has performed unimpressively as a result of the depreciation of Ringgit Malaysia (RM) and implementation of Goods & Services Tax (GST). The overall occupancy rates of shopping complexes in the country have been hovering around 81% since the second half of 2016.

Occupancy Rates of Malaysian Retail Complexes



Source: NAPIC's Commercial Buildings-Space Availability Report (2012-1Q to 2017-2Q)

Existing, In-coming and Planned Stocks Retail Complexes By States (2017-2Q)



Source: NAPIC's Property Stock Report (2017-2Q)

Large industrial property stock built-up is noted in Johor. In the absence of sustainable take-up rates, the industrial property market is expected to go through correctional phase, e.g. price and rental of industrial factories to reduce to attract buyers and tenants.

Incentives offered under the economic regional plans will be key stimulants to attract investments for industrial projects.

Industrial Property Market

Selangor hosted the largest existing supply of industrial properties in Malaysia, comprising 39,139 industrial units, which made up approximately 35% from the overall existing supply of industrial properties.

The overall industrial properties in Selangor is expected to increase by about 6.9% to 41,859 units when all the 1,454 in-coming units and 1,266 planned units have been completed in the state.

Johor recorded the second largest industrial property stock at 16,117 units or approximately 14.4% of the overall existing industrial stock in Malaysia.

Johor recorded the largest future supply of industrial properties, offering 1,821 units under construction and 1,462 units have been approved for developments. Collectively, the future supply will contribute about 20.4% increase in the industrial property stock.

Industrial property stock in Melaka is expected to increase by about 44.9%, from 6,495 units to 9,410 units, which is expected to match the number of industrial properties in Pulau Pinang when fully completed.

Although Perlis is expected to record substantial increases of about 105.9%, the overall industrial property units in the state will remain low at 457 units when all the future stock has been completed.

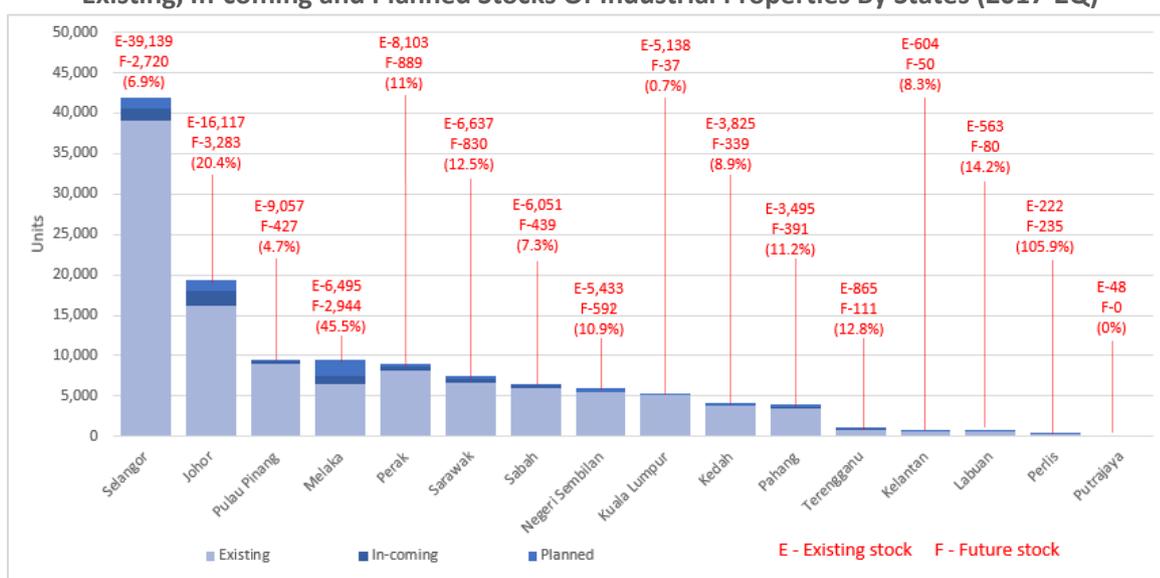
Notable industrial states in Malaysia are Selangor, Johor, Melaka, Pulau Pinang, Perak, Sarawak, Sabah and Negeri Sembilan, all these states have recorded over 6,000 units of industrial factories.

Industrial developments in Kuala Lumpur are limited due to land scarcity. The industrial developments are gradually being phased out due to increasing land costs, which affects viability of industrial developments in the federal territory.

Main growth areas supported by various investment incentives introduced under regional economic plans, such as Iskandar Malaysia, East Coast Economic Corridor (ECER), Northern Corridor Economic Region (NCER), Sabah Corridor and Sarawak Corridor of Renewable Energy (SCORE) attracted large number of industrial projects.

The depreciation of RM is expected to boost the country's exports and manufacturing sector, which augur well for the Malaysian industrial property market.

Existing, In-coming and Planned Stocks Of Industrial Properties By States (2017-2Q)



Source: NAPIC's Property Stock Report (2017-2Q)

Tun Razak Exchange (TRX) will create new commercial hub in Kuala Lumpur city center similar to Golden Triangle and KLCC.

The success of integrated commercial developments in Johor Bahru will depend greatly on the creation of business opportunities, which will encourage employment opportunities, population growth and increasing spending powers.

The newly opened MAPS Theme Park in Meru Raya will be the new stimulus for tourism sector in Ipoh.

KEY PROPERTY DEVELOPMENT PROJECTS

The following shows the high impact property development projects in 2016 / 2017.

Klang Valley

- **Bandar Malaysia** is sited on a 486-acre land in Sungai Besi and will house a MRT station and the final station of the High Speed Rail (HSR) between Kuala Lumpur and Singapore. In spite of the cancellation of the deal with Iskandar Waterfront City Berhad (IWC) and China Railway Engineering Corp (CREC), a number of new suitors have been identified to take over the project including Wanda Group from China, Malton Berhad, WCT Holdings and Malaysian Resources Corp Berhad (MRCB).
- **Tun Razak Exchange (TRX)** is a 70-acre development in the Kuala Lumpur city center. Notable investments in TRX include Lifestyle Quarter by Lendlease, Signature Tower by Mulia Group, office tower by Affin Bank, a residential development by Lembaga Tabung Haji, Veolia Water Technologies as water treatment and recycling concessionaire and HSBC is the latest investor in TRX.
- **River Of Life (ROL) project** - In April 2017, Kuala Lumpur City Hall (DBKL) has appointed Ekovest Berhad to undertake the Blue River Project located in the vicinity of River of Life (ROL) Precinct 7 – Masjid Jamek Kuala Lumpur zone. ROL aims to transform the Klang River into a vibrant and livable water front with high economic value.
- **Merdeka PNB118**, when completed, will be the tallest building in Malaysia and South-East Asia exceeding the height of Petronas Twin Towers in KLCC. Phase 1 of the project comprises the iconic Merdeka PNB118 tower and a retail mall followed by residential and commercial buildings under Phases 2 and 3.

- **KLIA Aeropolis** will be developed through three major clusters, e.g. air cargo & logistics, business & aviation parks and MICE & leisure. Mitsui Outlet Park was one of the earliest developments of KLIA Aeropolis. The proposed regional distribution hub for Alibaba Group will be a major boon for KLIA Aeropolis development.

Johor Bahru

- **Ibrahim International Business District (IIBD)** – Plan to turn the project into an economic brand for Johor on par with business districts in overseas such as Sydney CBD in Australia, Downtown Toronto in Canada, Beijing Business Central District in China and Seoul Special City in South Korea.
- **Pengerang Integrated Petroleum Complex (PIPC)** – The federal and state governments have allocated RM2.36 billion to improve infrastructure projects in Pengerang since 2012.
- **Sungai Segget rehabilitation and rejuvenation project** – The beautification of Sungai Segget, which is located at the center of Johor Bahru's central business district, will transform the overall outlook of the city center. Part of the river rehabilitation project has been completed.

Perak

- **Bandar Meru Raya** – The opening of Movie Animation Park Studios (MAPS) Theme Park in June 2017 is expected to enhance the development of the township. There is also a proposed education and health development known as QI City, which will house an 840 bed teaching hospital and the Quest International University Perak campus. Presently, the township houses several government buildings, bus terminal, hypermarket as well as several mixed residential and commercial schemes.

Improvements in the public transportation services are expected to revolutionize the development trend in Klang Valley:

- Transit Oriented Development (TOD): Increase development density within walking distance of public transport
- Reduce car park requirements for future projects
- Increase the car parking costs.

New highways, MRT, LRT and other public transportation networks create and enhance development opportunities for vacant lands located nearby the interchanges and stations.

- **New integrated public transportation terminal in Kampar** – The project, which will be undertaken by Perak Transit Berhad, will be major public transportation hub for Kampar. Kampar also houses the main campus of Universiti Tunku Abdul Rahman (UniTar).
- **Upgrading of Jalan Tun Razak** from Jalan Langgak Golf to Kampung Pandan roundabout and around the Tun Razak Exchange (contracts worth RM327.9 million have been awarded).

Pulau Pinang

- **Global Business Service (GBS) Center** – Penang Development Corporation (PDC) has identified a 72.8 hectare site in Bayan Lepas. The project, known as GBS By The Sea, will be part of a rejuvenation exercise for the Bayan Lepas Industrial Area.

KEY INFRASTRUCTURE DEVELOPMENTS

The following shows updates of key infrastructure development projects in 2016 / 2017.

Klang Valley

- **Klang's third bridge**, which links the northern and southern parts of Klang through Jalan Goh Hock Huat and Jalan Sungai Bertih (newly completed in June 2017).
- **Mass Rapid Transit (MRT)** line connecting Sungai Buloh to Kajang (Phase 1 is operational since April 2017 while the remaining line was fully operational in July 2017).
- **The LRT Extension Project (LEP)** connecting new locations in Klang Valley such as Subang Jaya, Ara Damansara, USJ, Sungai Besi, Pandan and Ampang has gradually commenced operation from October 2015 to June 2016.
- **Light Rail Transit 3 (LRT 3)** connecting Bandar Utama, Shah Alam and ending at Johan Setia, Klang (various contracts have been awarded by Prasarana Malaysia Berhad).
- **High Speed Rail (HSR)** between Kuala Lumpur and Singapore (first tender of the project is expected to be called in the final quarter of 2017).
- **Bus Rapid Transit (BRT)** from Kuala Lumpur to Klang (request for proposal (RFP) issued in January 2017).
- **Mass Rapid Transit Line 2 (MRT 2)** connecting Sungai Buloh, Serdang and Putrajaya (contract packages worth RM30 billion have been awarded since March 2017).
- **East Coast Rail Link (ECRL)** is a new electrified railway linking Kelantan, Terengganu, Pahang and Greater Klang Valley Region (collecting feedbacks, planning and design stage).
- Other major highways that are under constructions:
 - DUKE Phase 2 (Tun Razak Link and Sri Damansara Link) (expected completion in 2017)
 - Sungai Besi – Ulu Klang Expressway (SUKE) (expected completion in 2020)
 - East Klang Valley Expressway (EKVE) (expected completion in 2019)
 - Damansara – Shah Alam Elevated Expressway (DASH) (expected completion in 2020)
 - West Coast Expressway (WCE) (expected completion in 2019)
 - Setiawangsa-Pantai Expressway (SPE or previously DUKE Phase 3) (expected completion in 2020)
 - DUKE2A (Kampung Baru Link, Istana Link and Kapar Link) (concession of the expressway won by Ekovest Bhd)

The proposed RTS and HRS are positive projects to ease the traveling between Singapore and Johor Bahru.

Johor

- **Link bridge and flyover within Ibrahim International Business District (IIBD)** (approximately RM250 million will be allocated by the federal government)
- **Johor-Singapore Rapid Transit System (RTS)** (IRDA expects the BRT (Bus Rapid Transit) system in Johor will be connected to Singapore's transport system by end of 2024).
- **Upgrading of Pasir Gudang Highway** (about 39% of the widening of the 7.7 km stretch of the Pasir Gudang Highway from Plentong to Seri Alam-Rinting exit has been completed and is scheduled to be completed by September 2018).
- **Gemas-Johor Bahru electrified double tracking project (EDTP)**, which will link to the existing Padang Besar-Gemas line (pending approval from the relevant authorities).
- **B5 Johor Street Market** (based on Melbourne's famous Queen Victoria Market and will be developed on 2.34-ha site at Tampoi Town).

Pulau Pinang

- **Upgrading of federal road from Teluk Kumbar to Penang International Airport** (was reported to be ahead of schedule and is expected to be completed by end of 2017).
- **Penang Transport Master Plan (PTMP)** (pending approval from the relevant authorities)

MAJOR CORPORATE DEALS

The following shows updates of key infrastructure development projects in 2016 / 2017.

Klang Valley

- ✓ In December 2017, Japanese billionaire Katsumi Tada has sold **Hilton Kuala Lumpur** in Kuala Lumpur Sentral for RM497 million to Daito Trust Construction Co Ltd, which is also the owner of the adjoining Le Meridien Kuala Lumpur. Daito has acquired the hotel through acquisition of Daisho Asia Development (M) Sdn Bhd, which owns the hotel.
- ✓ **Boustead Holdings Bhd** will acquire a 6.59 acre prime land in Jalan Cochrane, Kuala Lumpur from Lembaga Tabung Angkatan Tentera (LTAT). The land is reported to worth RM143.5 million.
- ✓ **HCK Capital Group Bhd** plans to acquire 10 acre land in Sungai Buloh from Selangor State Development Corp (PKNS) for RM80 million in December 2017. The land is currently a vacant parcel and is intended for mixed commercial development.
- ✓ Serba Dinamik Holdings Bhd plans to acquire **Affin Bank Building Shah Alam**, a 16 storey office building in Section 14, Shah Alam for RM43.5 million to house its head office and operational staff.
- ✓ Jaks Resource Bhd is disposing a 1.214 ha plot of freehold industrial land in Subang Jaya for 25.87 million in October 2017. The industrial land houses a one storey factory within Sungai Penaga Industrial Park in Subang Jaya.
- ✓ **Ibraco Berhad** has proposed to acquire four plots of leasehold land located along New Pantai Expressway (NPE) for RM37.44 million. The land measuring 15,811.66 square meters was approved for mixed commercial development.

Notable purpose built project transactions in Klang Valley from 2016 and 2017:

Offices

- Wisma Selangor Dredging (KL)
- The Ascent @ Paradigm (Kelana Jaya)
- Menara Prudential (KL)
- Star Corporate Park (Block 12) (Cyberjaya)
- Menara AIA Cap Square (KL)
- Axis Eureka (Cyberjaya)

- Iconic Office (Block N) at Empire City @ Damansara
- Damansara Intan
- Menara Shell (KL Sentral)
- Enterprise Building 2, Cyberjaya
- Dijaya Plaza (Damansara)
- Affin Bank Building Shah Alam
- Vista Tower, The Intermark

Retail

- AEON Mahkota Cheras
- Empire Shopping Gallery (Subang Jaya)
- Berjaya Times Square
- M3 Mall in Gombak

Hotel

- Duta Vista Executive Suites (Jalan Duta)
- Renaissance Kuala Lumpur Hotel (KL City)
- Aloft Kuala Lumpur Sentral
- Sky Express Hotel Kuala

- ✓ Amanahraya Real Estate Investment Trust (AmanahREIT) acquired **Vista Tower**, a Grade A office building in Kuala Lumpur for RM430 million in September 2017. Vista Tower forms part of The Intermark integrated development at Jalan Tun Razak.
- ✓ LBS Bina Group Bhd will buy Gerbang Mekar Sdn Bhd, the mall owner and operator of the **M3 Mall in Gombak** for RM105 million. The acquisition will enable LBS to venture into retail business.
- ✓ **Goh Ban Huat Bhd (GBH)** is acquiring a freehold land measuring about 9,925 square meters in Mont Kiara for RM39.53 million in August 2017. The acquisition allows GBH to invest in prime property at a reasonable price.
- ✓ Jaks Resources Bhd will dispose of four parcels of freehold land totaling 5.988 ha in Selangor for RM167.59 million to **Sunway Holdings Sdn Bhd** in August 2017. The disposal is to enable the group to unlock capital resources and enhancing the group's liquidity and financial position.
- ✓ **Scientex Berhad** acquired 26.44 acres of freehold land in Rawang from Medius Developments Sdn Bhd for RM85.4 million in August 2017. The property developer plans to develop mixed developments on the land. Landbank of the company will increase to 1,093 ha when the purchase has been completed in first half of 2018.
- ✓ **Sunway REIT** acquired **Sunway Clio**, a 19-storey 4-Star hotel, for RM340 million cash in August 2017. The hotel has 401 rooms, a 3-storey retail spaces with net lettable areas of about 8,211 square meters and 732 car parking bays.
- ✓ **Sunway Berhad** acquired several plots of freehold land totaling 20 acres in USJ 1 and Kajang for total RM231 million from JAKS Resources Berhad and Concept Housing Development (M) Sdn Bhd.
- ✓ **Sunway Berhad** acquired 1.8 hectare freehold land in Kuala Lumpur for RM165 million for residential and commercial developments.
- ✓ Paramount Corp Bhd sells and leases back the company's private and international schools, Sekolah Sri KDU and Sri KDU International School from unlisted **Alpha Real Estate Investment Trust (REIT)** for RM165 million.
- ✓ **AEON Co (M) Berhad (AEON)** disposed a 2 storey shopping center known as **AEON Mahkota Cheras Shopping Center** for RM87.8 million in June 2017. The shopping center is located on a 28,328 square meter land in Mukim of Cheras and District of Hulu Langat, Selangor.
- ✓ **Selangor Dredging Berhad (SDB)** disposed **Wisma Selangor Dredging** for RM480 million in June 2017. The project comprises 4 blocks of commercial building with 2 basement car parks erected on a freehold land measuring 103,882 square feet. The commercial buildings have total 362,782 square feet of net lettable areas and 459 car parking bays. The building is located within strategic and highly popular commercial area in Kuala Lumpur city center.
- ✓ Metro Spectacular Sdn Bhd (MESB), a 51% owned by **MRCB Land Sdn Bhd**, which is wholly owned subsidiary of Malaysian Resources Corporation Berhad (MRCB) acquired 3 parcels of land measuring about 40,720.5 square meters in Kuala Lumpur for RM335.5 million. The land is located within Jalan Putra locality and bounded by Jalan Putra, Jalan Tun Ismail, Jalan Tun Razak and Jalan Kuching.

- Lumpur (KL City)
 - Sunway Clio (Bandar Sunway)
 - Hilton Kuala Lumpur
- Developers bought large tract of land for township / mixed developments.
- SP Setia purchased Bangi Estate
 - Petaling Garden purchased Glengowrie Estate in Beranang
- REIT continued to contribute to the Malaysian property transaction activities.
- Sunway REIT acquired factory in Shah Alam
 - Atrium REIT purchased a factory in Shah Alam
 - Axis REIT sells Axis Eureka in Cyberjaya
 - Axis REIT acquire Scomi plant in Rawang
 - MQREIT purchased

- ✓ **Mah Sing Group Berhad** (MahSing) announced in May 2017 it will pay RM60 million for a 3.56 acre of land fronting onto Titiwangsa Lake Garden. The purchase price is subject to MahSing obtaining a density of 350 units per acre or more, failing which the purchase price shall be adjusted accordingly. The deal was subsequently called off in October 2017.
- ✓ **SP Setia Berhad** (SPSetia) is buying a 342.5 acre site in Bangi, Selangor known as Bangi Estate from Permodalan Nasional Berhad (PNB) for RM447.58 million or RM30 per square foot. The land is sited within 5 kilometer radius from Setia Eco Hill, an on-going township development undertaken by SPSetia.
- ✓ Mulpha Argyle Property Sdn Bhd, a 51% subsidiary of **Thriven Global Berhad (TGB)** has disposed a parcel of residential land measuring about 10,226 square meters, in April 2017 for RM27,518,166. The land was first acquired in 2007 for RM30.75 million.
- ✓ Lion Industries Corp Berhad (Lion) is selling an industrial property in Kapar, Klang to Yinson Corp Sdn Bhd (Yinson) for RM45 million in April 2017 to partly settle outstanding debts owned by its 99% owned Amsteel Mills Sdn Bhd. The industrial premises, which sits on a 3.23ha plot, comprises a 3-storey office building with an annexed 1-storey factory, 2 blocks of 1-storey factories and a guardhouse.
- ✓ **Ekovest Berhad** (Ekovest) has purchased 2 parcels measuring about 1.16 acres of lands from substantial shareholder Lim Seong Hai Holdings Sdn Bhd for RM26.77 million in April 2017. Ekovest intends to combine the lands together with its existing land bank to undertake its mixed commercial project called EkoQuay, which shall commence works in 2018.
- ✓ In March 2017, **Metronic Global Berhad (MGB)** announced that it is acquiring 4 leasehold lands measuring a total of 2,262.77 square meters for RM7.8 million. The land, which is located near Cheras Business Center, Pantai Cheras Medical Center and Leisure Mall Shopping Complex, has been planned for 18-storey service apartment comprising 88 serviced apartment units and 13 shop lots.
- ✓ **Mitrajaya Holdings Berhad (MHB)** is acquiring a 2.13 acre plot of leasehold land in Sepang for RM4.22 million in March 2017. The acquisition of the land, which is located along Jalan Nilai-KLIA, will enlarge its property's land bank for future developments.
- ✓ **Gabungan AQRS Berhad** (GAB) is selling 5.15 acre leasehold land in Petaling Jaya to **Ara Indah Development Sdn Bhd** for RM34.7 million in March 2017 to reduce its gearing and to raise funds as working capitals. The sales comes with an approved building plan for a commercial development.
- ✓ In March 2017, Econpile Holdings Berhad (Econpile) has disposed a piece of 3-acre freehold land for RM5 million located at Bt 7.5 Jalan Meru, Klang. The disposal is aimed at streamlining the principal activities of the subsidiaries of Econpile and to unlock the value of the property held under Econpile.
- ✓ Jelas Puri Sdn Bhd, a 70% subsidiary of WCT Holdings Berhad (WCT) has disposed a Grade A office building known as **The Ascent @ Paradigm** together with the elevated car park to Employee Provident Fund (EPF) Board in February 2017 for RM347 million. The building, that has total net lettable areas of 516,633 square feet, will be leased to WCT Properties Sdn Bhd.

- Menara Shell in KL Sentral
 - AmanahRaya REIT purchased Enterprise Building 2 in Cyberjaya
 - Sunway REIT acquires Sunway Clio
 - Alpha REIT acquired private and international schools
- Developers acquired lands for development purposes:
- MRCB Land
 - Mah Sing Group
 - SP Setia Bhd
 - Ekovest Bhd
 - Metronic Global Bhd
 - Mitrajaya Holdings Bhd
 - Ara Indah Development
 - Sunway Bhd
 - Gadang Holdings Bhd
 - Petaling Garden Sdn Bhd
 - Magna Prima Bhd
 - Melati Ehsan Holdings Bhd
 - Selangor Properties Bhd

- ✓ It has been reported in February 2017, OCBC Properties (M) Sdn Bhd (OCBC) has sold the **Menara Prudential** office in Kuala Lumpur for RM125 million. The building, which has net lettable areas of 164,706 square feet, is located along Jalan Sultan Ismail and is located within Kuala Lumpur Golden Triangle.
- ✓ **Sunway Berhad** (Sunway) entered into a joint venture agreement in February 2017 to acquire Austral Meridian Property Sdn Bhd to gain an additional 3.41 ha of leasehold land in Jalan Peel. The land is located directly opposite Sunway Velocity development.
- ✓ **Tanco Holdings Berhad** (Tanco) is selling off all the 68 units together with 7 common areas within 75 car park bays in **Duta Vista Executive Suites** in Kuala Lumpur for RM50 million in February 2017. The disposal will provide the group with an avenue to unlock and realise the value of the properties.
- ✓ **Gadang Holding Berhad** (Gadang) has bought a 2.66 acre commercial leasehold land in Damansara Perdana from Nusvista Development Sdn Bhd for RM55.7 million cash in February 2017. The current zoning for the land is commercial with allowable plot ratio of 4.
- ✓ In February 2017, Mammoth Empire Holdings Sdn Bhd sold its flagship **Empire Shopping Gallery** in Subang Jaya to Pelaburan Hartanah Berhad (PHB) for RM570 million. Mammoth Empire has been granted a call option to buy back the mall on the fifth anniversary of the sale. The mall has a gross and net built up areas of 600,000 and 350,000 square feet, respectively.
- ✓ In January 2017, Prestariang Berhad has purchased the 8 storey semi-detached signature corporate offices / retail suites in **Star Corporate Park (Block 12)**, Star Central Cyberjaya for RM25.511 million. As in February 2017, the properties were under construction and were expected to be completed by first quarter of 2018.
- ✓ Cycle & Carriage Bintang Berhad (C&C) bought a 1.03 acre leasehold land together with a factory building in January 2017 for RM59.8 million. C&C plans to develop a 3S (sales, service and spare part) in Sungai Besi. The land is strategically located opposite the Bandar Malaysia.
- ✓ Logistics firm Tasco Berhad (Tasco) bought 6 parcels of leasehold lands measuring about 39.52 acres in Pulau Indah Industrial Park together with the furniture, fixtures, fittings and buildings erected thereon for RM113,827,400. The acquisition is to expand the capacity of the logistics firm, which is presently operating at near full capacity.
- ✓ **Sunway Real Estate Investment Trust (SunwayREIT)** has acquired a leasehold industrial asset in Shah Alam for RM91.5 million in January 2017, consisting of a factory, warehouse and office space with a long term lease of 18 years until December 2034 and a 5 year renewal. Rental reversions are every 3 years. The asset's gross yield and net yield are similar at 6.1%.
- ✓ Kumpulan Wang Persaraan (KWAP) has bought **Menara AIA Cap Square** from Germany's Union Investment real Estate GmbH in December 2016. The Grade A office building boasting 601,796 square feet of net office areas was reported to be sold at RM511 million. The deal provides KWAP with a net yield of 6.4%.
- ✓ **Selangor Dredging Berhad (SDB)** has disposed 16 pieces of bungalow land in Damansara Heights for RM71 million cash. Nine years ago, SDB plans to build 21 bungalows called Damansara 21 on the site. However the project has been halted when the government imposed freeze on hillslope developments and due to protests by the nearby residents.

- Scientex Bhd
- Sunway Bhd
- Sunway Holdings
- Boustead Holdings Bhd
- HCK Capital Group Bhd
- Ibraco Berhad
- Goh Ban Huat Bhd (GBH)

Companies that disposed assets.

- AEON Co (M) Bhd
- Selangor Dredging Bhd
- Thriven Global Bhd
- Gabungan AQRS- PJ Land
- Tanco Holdings Bhd
- Selangor Dredging Bhd- Damansara Heights land
- Sime Darby Bhd
- Bertam Alliance Berhad
- Gabungan AQRS-land in Petaling district
- Talam Transform Bhd- Putra Perdana
- Talam Transform Bhd- Serendah

- ✓ LKL International Berhad (LKL) has acquired a parcel of freehold industrial land together with a 1.5 storey semi-detached factory in Taman Perindustrian Bukit Serdang for RM5.247 million in October 2016. The land area covers approximately 11,135.36 square feet. The acquisition is in line with the Group's business plans to expand its manufacturing plant to facilitate its expansion plan.
- ✓ The Glengowrie Rubber Company Sdn Bhd (GRC), an indirect subsidiary of **Sime Darby Berhad (SimeDarby)** disposed 2 parcels of lands measuring 403 acres and 402 acres to **Petaling Garden Sdn Bhd (PGSB)** for RM209,427,332.40 and RM219,414,333.60, respectively. The lands are agriculture land with development potential located in Beranang locality.
- ✓ **Atrium Real Estate Investment Trust (Atrium REIT)** acquired a piece of freehold industrial land in Shah Alam Industrial Estate for RM23 million in October 2016. The land measuring 13,013 square meters come with a 2 storey office with 2 adjoining single storey factories with total net lettable areas of about 85,000 square feet. The site is currently tenanted by Nagatron Engineering Sdn Bhd.
- ✓ In October 2016, **AXIS Real Estate Investment Trust (AxisREIT)** has disposed a 4 storey purpose built office building built on a freehold land measuring about 89,760 square feet land in Cyberjaya for RM56,132,075. The building, also known as **Axis Eureka**, has total net lettable areas of 116,903 square feet.
- ✓ In September 2016, Berjaya Land Berhad (BerjayaLand) has acquired an 871.01 acres of freehold land located in Mukim of Sungai Tinggi, District of Hulu Selangor for RM155 million from Berjaya City Sdn Bhd, a wholly owned subsidiary of Berjaya Corporation Berhad. The lands comprise oil palm estates and vacant lands and are located within an area zoned for industrial according to the Planning Department of Hulu Selangor District Council.
- ✓ My E.G. Services Berhad (MYEG) has acquired seven storeys of stratified parcels offices within a 45 storey corporate office tower identified as **Iconic Office (Block N), at Empire City @ Damansara** for RM44,293,852 in September 2016. The total lettable areas of the office spaces are 79,284 square feet. The acquisition, addition to the 22 storey offices the company has acquired, is for future expansion plans as the company plans to centralize its operations and relocate all employees under one roof.
- ✓ Tropicana Corporation Berhad (TCB) disposed a freehold stratified office premise identified as Unit A-3A-10, Block A, **Damansara Intan** measuring 107 square meters together with accessory parcels comprising about 1,519 car parking bays, boom gates, ticket issuing machines, autopay stations, etc. for RM24,902,650 in September 2016.
- ✓ Top Glove Berhad (TGB) has acquired a freehold industrial land in Kawasan Perindustrian Sungai Puloh, Klang for RM51.5 million in August 2016. Erected on the land measuring about 34,499 square meters, is a single storey detached factory with annexed 2 storey production office and 5 storey integral office building together with fixtures, fittings or furnishing. The acquisition is for the TGB's future expansion and building more glove production lines.
- ✓ Amalgamated Industrial Steel Berhad (AISB) has disposed 2 pieces of detached industrial lands measuring about 40,514.01 square meters in Shah Alam Industrial Areas for RM69.5 million. The lands come with 3 units of single storey detached factories, a 4 storey office block and a single storey canteen. The disposal provides avenue for AISB to unlock and realise the value of the property.

- ✓ IGB Corporation Berhad (IGB) has disposed of **Renaissance Kuala Lumpur Hotel** for RM765 million. The disposal includes all buildings, structures, plant, machinery and equipment and fitting, furnishing and fixtures thereon together with the business of the hotel and all activities related to it. The divestment allows IGB to unlock the business assets at a favourable price.
- ✓ Berjaya Starbucks Coffee Company Sdn Bhd has acquired a freehold retail lot on the ground floor of **Berjaya Times Square** for RM17,468,640 or analysed to be RM10,080 per square foot from Deru Klasik Sdn Bhd (DKSB) in August 2016. The shareholders and directors of DKSB are related to Tan Sri Dato's Seri Vincent Tan, a majority shareholder of Berjaya Food Berhad.
- ✓ Scomi Engineering Berhad (Scomi) has entered into a Sale and Leaseback of a freehold industrial plant at Kawasan Industri Ulu Choh, Rawang with **Axis Real Estate Investment Trust (Axis REIT)** in August 2016. Axis REIT agreed to purchase the industrial plant at RM42 million while Scomi will lease back from Axis the industrial plant for 15 years with option to renew for another 5 years with 7.3% per annum net yield before Islamic financing costs.
- ✓ **Bertam Alliance Berhad (BAB)** has disposed 2 parcels of freehold lands located in Batu 9 Cheras for RM128 million in July 2016. Parcel 1 and Parcel 2 of the lands, covering 36,928 square meters and 11,002 square meters, have Building and Agriculture land uses, respectively.
- ✓ In June 2016, **MRCB-Quill Real Investment Trust (MQREIT)** acquired a 33 storey office tower known as **Menara Shell** together with 5 storey podium and 4 storey basement for RM640 million. Menara Shell is a Grade A building located in KL Sentral and has been awarded the Leadership in Energy and Environmental Design (LEED) and Multimedia Super Corridor (MSC) status. The building has net lettable areas of 557,053 square feet and 915 car parking lots.
- ✓ **AmanahRaya Real Estate Investment Trust (AmanahRaya REIT)** acquired a 4 storey freehold office building located in **Enterprise Building 2, Cyberjaya** for RM40 million. The office has gross built up area of 93,804 square feet. The 15 year old building fetches monthly rental of RM300,000 per month with a net yield of 7.19% per annum.
- ✓ **Magna Prima Berhad (MPB)** purchased a piece of land measuring about 5.25 acres in Section 13 Shah Alam for RM43 million in June 2016. The leasehold land has category of land use of "Building". The property has been given planning permission to develop into a residential project until 1st March 2016. On 3rd March 2016, Majlis Bandaraya Shah Alam (MBSA) has approved the earthwork for the site.
- ✓ British American Tobacco (M) Berhad (BAT) disposed 2 leasehold parcels of lands measuring 35,483.5266 and 17,540 square meters for RM218 million in June 2016. The sale was made via a public tender exercise which was closed on 29th April 2016.
- ✓ **Melati Ehsan Holdings Berhad (MEH)** has acquired 3 parcels of leasehold lands in Selayang, Gombak for RM77.74 million. The lands measuring 37,078 square meters, have building use. The purchase price will be reduced to RM70 million in the event MEH is required to build low cost and or affordable homes on the lands.
- ✓ In April 2016, London listed Aseana Properties Ltd disposed the **Aloft Kuala Lumpur Sentral** for RM418.7 million, which works out to about RM870,000 per room for the 482-room hotel. The sale was to realise the investments and distribute the gains to the shareholders.

- ✓ **Gabungan AQRS Berhad (GAB)** has disposed a piece of leasehold land in Mukim and District of Petaling measuring about 7.977 acres for RM50,384,327.4 in April 2016. The land with express condition of commercial building has yet to obtain development order. The purpose of the sales is to realise gain and to raise funds as working capital and for repayment of bank borrowings.
- ✓ **Talam Transform Berhad (TTB)** has disposed 622 pieces of vacant leasehold lands in Taman Putra Perdana in Dengkil for RM70 million in April 2016. The property comprises 615 terraced plots and 7 bungalow lots with total land areas of about 90,559.08 square meters. The disposal is to improve the liquidity position and to reduce the Group's borrowing.
- ✓ **Talam Transform Berhad (TTB)** has disposed 249 lots and 490 lots of vacant lands in Serendah for RM7,324,405.39 and RM14,370,327.17, respectively in March 2016. The freehold lands cover total land areas of about 31,627 square meters and 61,896 square meters. The sales will be used to repay the Group's debts and for working capital purposes.
- ✓ In February 2016, **Selangor Properties Berhad (SPB)** acquired 4 adjoining parcels of lands in Damansara Heights for RM32.2 million. The freehold vacant lands covering about 5,252.659 square meters, front onto Jalan Batai, Damansara Heights. The lands have "Building" land use.
- ✓ Tropicana Corporation Berhad (TCB) has disposed a 19 storey office building known as **Dijaya Plaza** with 2 level basement parking containing 322 parking bays at Jalan Tun Razak for RM140 million in January 2016. The office building comprises 156,488 square feet of net lettable areas and recorded 70% occupancy rate.
- ✓ Tropicana Corporation Berhad (TCB) disposed a 10 storey hotel known as **Sky Express Hotel Kuala Lumpur** in January 2016 for RM55 million. The hotel is located on a 11,904.88 square feet freehold land. The hotel is located at Jalan Pudu in Kuala Lumpur city. The purchaser may continue to use Sky Express Hotel brand for a period of up to 18 months from completion of the transaction.
- ✓ Singapore based Lee Rubber Co (Pte) Ltd (Lee Rubber) has disposed Lee Rubber Building located at Jalan Tun HS Lee in early 2016 for RM29 million. The office building has net lettable areas of 38,126 square feet. The disposal forms part of the disposals of assets in Malaysia by the group.

Developers acquired lands in Johor for development purposes:

- BCB Bhd
- Scientex Bhd
- Iskandar Waterfront City Bhd
- Country View Resources Sdn Bhd

Johor State

- ✓ Goh Ban Huat Bhd has proposed to acquire 29 units of 1.5-storey semi-detached factory, 15 parcels of vacant industrial land, a parcel of vacant commercial land and vacant hostel land in Pontian for RM143 million in December 2017.
- ✓ UEM Sunrise Berhad is disposing a piece of freehold agricultural land to Nusajaya Greens Sdn Bhd, an indirect subsidiary for RM82.09 million. The sales is conditional upon approval from Economic Planning Unit.
- ✓ UEM Sunrise has proposed to sell 163.9 acres of land in Iskandar Puteri, Johor for RM310 million to **Country View Resources Sdn Bhd**. The commercial land is located near the interchange between the Coastal Highway and Lebuhraya Kota Iskandar.

Property transactions by REIT in Johor:

- [Hektar REIT](#)
- [AmanahRaya REIT](#)

Most corporate property transactions in Johor involved industrial factories.

[Tropicana Corp Berhad](#) sold land in Johor to strengthen its financial position while [Lien Hoe Corp Berhad](#) sold land in Bandar Seri Alam to raise fund for working capital, business expansion and new investments.

- ✓ Hap Seng Consolidated Berhad (HapSeng) has proposed to sell a parcel of leasehold land together with various buildings in Kluang, Johor to Byorion Sdn Bhd for RM97.5 million in October 2017.
- ✓ **Lien Hoe Corp Bhd (Lien Hoe)** sells 36.4 acres of lands in Bandar Seri Alam for RM100.53 million cash to Plato Assets (M) Sdn Bhd. The land is a freehold land and zoned for commercial use. Lien Hoe plans to use RM90.5 million for working capital, business expansion and new investments.
- ✓ Harn Len Corporation Bhd (HLCB) acquires the entire issued and paid up capital of Midwest Equity Sdn Bhd (MESB) for RM28 million in May 2017. MESB is the owner of a parcel of land strategically located in the heart of Johor Bahru city center. HLCB acquires the land for appreciation in value.
- ✓ Enra Group Berhad (Enra) is selling 40 retail shops and 16 office units in Holiday Plaza Johor Bahru in May 2017 for RM51.85 million and basement car park of the complex for RM28 million. The retail shops and office units comprise 139,597 square feet and 122,507 square feet, respectively while there are 613 car parking bays in the basement car park.
- ✓ **BCB Berhad (BCB)** bought 6 adjoining plots of agriculture land measuring a combined areas of 18.91 hectares from 2 Singaporeans. BCB plans to develop 400 mixed residential units comprising bungalows, semi-detached and terraced houses.
- ✓ In January 2017, CAB Cakaran Corporation Berhad (CAB) vide its 53.04% owned subsidiary Farm's Best Food Industries Sdn Bhd, has acquired the following properties:
 - 2 parcels of freehold agricultural land measuring about 11.237 acres in Johor together with 2 broiler poultry farms for RM3,529,900
 - 10 parcels of freehold agricultural land measuring about 58.6474 acres in Johor together with 10 broiler poultry farms for RM13,645,500
 - 1 parcel of freehold agricultural land measuring about 6 acres in Johor together with 1 broiler poultry farm for RM1,212,200
 - 4 parcels of freehold agricultural land measuring about 13.613 acres in Johor together with 1 broiler poultry farm for RM2,497,000
 - 2 parcels of leasehold agricultural land measuring about 36.7 acres in Johor together with 1 broiler poultry farm for RM6,138,000
 - 3 parcels of leasehold agricultural land measuring about 14.262 acres in Johor together with 1 broiler poultry farm for RM3,520,000
- ✓ **Scientex Berhad (Scientex)** has acquired 2 parcels of land totaling 49 hectares in Kulai, Johor for RM123.6 million in December 2016. The acquisition is to extend its expertise in providing affordable properties in Johor. The land is located about 15 to 20 minutes away from its existing township developments, e.g. Taman Scientex Senai and Taman Pulai Mutiara.
- ✓ In October 2016, Sime Darby Plantation Sdn Bhd (SimeP), a wholly owned subsidiary of Sime Darby Berhad, has purchased two assets from Yong Peng Realty Sdn Bhd (YPR Assets) for RM77.6 million and Perusahaan Minyak Sawit Bintang Sdn Bhd (PMSB assets) for RM29.09 million.

- YPR Assets comprises 2 freehold oil palm plantation known as Talisman Estate in Mukim of Nyior, District of Kluang and Lian Seng Estate in Mukim of Chaah, District of Batu Pahat measuring 434.6 hectares and 333.9 hectares, respectively.
- PMSB assets comprises a palm oil mill known as Bintang Palm Oil Mill, workers' quarters and ancillary buildings erected on 8.1063 hectares as well as machinery and equipment and mobile equipment and vehicles. The Bintang Palm Oil Mill is a 70 metric tonne per hour palm oil mill which is licensed to process up to 360,000 metric tonne of oil palm FFB per annum.
- ✓ **Iskandar Waterfront City Berhad (IWCity)** has acquired 2 parcels of land in Mukim of Pulai, District of Johor Bahru from two different owners in September 2016. IWCity acquired a vacant freehold land measuring about 1.72 hectares for RM39 million and another freehold land measuring 2.17 hectares for RM51 million.
- ✓ Sage Evergreen Sdn Bhd, an indirect wholly owned subsidiary of Chin Hin Group Berhad (CHG), has acquired a piece of freehold land in Mukim and District of Kota Tinggi for RM21,935,236 in September 2016. The land, measuring about 20.3785 hectares is "Nil" for current status and is zoned for industrial use under the Majlis Daerah Kota Tinggi. The acquisition is in line with the expansion plans of CHG.
- ✓ Gromutual Berhad (GMB) disposed a parcel of industrial land together with factory erected thereon to Vermi Industries Sdn Bhd (related party) to GMB for RM7.2 million in July 2016. The land measuring about 17,563 square meters is sited within Desa Perindustrian Kulai.
- ✓ Ge-Shen Corporation Berhad (GSCB) has acquired a 2 storey detached warehouse with an annexed 3 storey office and other ancillary buildings in Taman Gembira, Johor Bahru for RM9.5 million in July 2016. The buildings were erected on a piece of freehold land measuring about 4,857.6 square meters. The acquisition forms part of the company's plan to enhance its offerings as a component manufacturer.
- ✓ **Tropicana Corp Berhad (TCB)** has disposed several parcels of land measuring about 251.5855 acres of freehold land in Mukim of Pulai, District of Johor Bahru, Johor for a cash consideration of RM569,871,328 in July 2016. Parts of the land have categories of land uses of "Agriculture", "Nil" and "Perusahaan / Perindustrian".
- ✓ UEM Land Berhad (UEM) has disposed land parcels located within the Southern Industrial and Logistics Clusters (SiLC) in Iskandar Puteri to South Korea based cosmetics company Amorepacific Corp for RM691 million in June 2016. The 25.37 acre land will house Amorepacific's integrated center for research and development, manufacturing and logistics of cosmetics products.
- ✓ Complete Logistic Services Berhad (CLSB) has acquired a piece of leasehold land measuring about 3 acres with a factory building for RM5.08 million pursuant to the successful bid at the Johor Bahru High Court. The land is located at Kawasan Perindustrian Pasir Gudang and will be used as depot and workshop for the company.
- ✓ CAB Cakaran Corporation Berhad (CAB) has acquired several parcels of agriculture lands together with breeder poultry farms and equipment in November 2016 in Melaka and Johor. The lands in Johor comprises 7 parcels of freehold agricultural land measuring about 26.05 acres with 1 breeder poultry farm and all the equipment erected thereon for RM8.7 million.

- ✓ **Hektar Real Estate Investment Trust (HektarREIT)** has acquired 1Segamat Mall and the car park rights in June 2016 for a cash consideration of RM104 million. The mall, which offers net lettable areas of 223,438 square feet, is a leasehold mall and located in Segamat, Johor.
- ✓ SKB Shutters Corporation Berhad (SKB) has acquired a parcel of leasehold industrial land in Taman Sains Selangor in January 2016 for RM54,905,200. Previously, SKB has leased the property from Perbadanan Kemajuan Negeri Selangor (PKNS), also Vendor in this transaction. Buildings have been erected on the property by SKB in April 2004.
- ✓ **AmanahRaya Real Estate Investment Trust (Amanahraya REIT)** has acquired an industrial land known as Deluge Factory in Kawasan Perindustrian SILC for RM24 million in April 2016. The land measuring about 1.2141 hectares while the buildings have gross floor areas of about 78,360 square feet. Pipeline Distribution (M) Sdn Bhd has agreed to lease the property for a fixed term of 6 years at an initial monthly rental of RM135,000.
- ✓ In March 2016, Hup Seng Industries Berhad has acquired 2 pieces of land measuring 1.1875 acres and 15,428.6156 square meters for RM4.399 million and RM13.091 million respectively in Mukim of Linau and District of Batu Pahat (inclusive of Goods & Services Tax). Several buildings have been erected on the lands.
- ✓ Xin Hwa Holdings Berhad (XHH) has acquired a 1.252 hectare land for a cash consideration of RM5,862,240.96 in March 2016. The freehold land is located within Mukim of Tebrau, Johor Bahru. The acquisition is in line with the Group's expansion plan.

Sale of the **Pantai Hospital Manjung** was the notable transaction of purpose built building in Perak in 2016 / 2017.

Perak Darul Ridzuan

- ✓ MK Land Holdings Berhad (MKLand) will dispose of nine parcels of leasehold lands measuring about 79.25 hectares in Kamunting, Perak Darul Ridzuan for RM72 million in May 2017. The land was acquired by the company in January, 1997 with the cost of investment of RM5.65 million and is expected to record a net gain of RM32.14 million.
- ✓ In April 2017, Perak Corp Berhad (PCB) plans to buy 4 leasehold land measuring about 115.31 acres in Manjung from Perbadanan Kemajuan Negeri Perak for RM57 million. PCB intends to develop another port and terminal on the site.
- ✓ Maju Perak Holdings Berhad (MPH) was disposing 2 plots of leasehold land measuring 664.78 acres in Kinta, Perak for RM17.72 million in April 2017 to Wawasan Amanjaya Sdn Bhd, which will use it for an integrated farming project.
- ✓ In March 2017, Perak Transit Berhad (PTB) announced that its 99.98%-owned subsidiary The Combined Bus Services had entered into a sale and purchase agreement with Pasti Kenari Sdn Bhd for the two land parcels measuring about 67,100 square meters at a purchase consideration of RM7.97million. With the new acquisitions, the group is set to replicate its terminal business of Terminal Aman Jaya in other parts of the state.
- ✓ IHH Healthcare Berhad (IHH) via its wholly owned subsidiary Pantai Medical Centre Sdn Bhd, acquired a parcel of freehold land together with a 5 storey purpose built private hospital known as **Pantai Hospital Manjung** for RM63 million in February 2017. The hospital comes with 384 surface car parks.

SP Setia Berhad and **Eco World Development Group** acquired 2 large tracts of development lands in Seberang Perai, Pulau Pinang.

The Summit Hotel Bukit Mertajam was the only notable purpose built building transacted in Pulau Pinang.

Sunway REIT plans to extend the existing Sunway Carnival Mall by acquiring the adjoining vacant land.

- ✓ In January 2017, Dancomech Holdings Berhad (DHB) has acquired a 99 year leasehold industrial land with a single storey industrial factory in Kawasan Perindustrian Tasek, Ipoh for RM4.25 million. The land measures about 11,838.247 square meters. The acquisition will enable DHB to own its factory for the productions of pumps.
- ✓ Chin Hin Group Berhad (CHG) has acquired 26 parcels of land in Mukim of Bidor in Perak for RM7 million in March 2016. The vacant lands have combined land areas of approximately 18.55 acres.

Pulau Pinang

- ✓ Eastern & Oriental Berhad disposed a portion of Seri Tanjung Pinang Phase 2 project to Kumpulan Wang Persaraan (KWAP) for RM766 million. The transaction covers the sale of 20% of net development land measuring 1.45 million square feet of Phase 2A.
- ✓ Meda Inc Berhad (Meda) is disposing of it's hotel **The Summit Hotel Bukit Mertajam** in Pulau Pinang for RM20 million in April 2017 to partially fund its working capital requirements. The hotel is sited on 14,067 square meters site and comprises 168 rooms.
- ✓ Vitrox Holdings Berhad (VHB) and Pentamaster Corp Berhad (PCB) are acquiring a piece of 5.05 acre industrial land in Batu Kawan Industrial Park for RM3.52 million. The land will be used to develop and operate a small and medium automation industry cluster.
- ✓ In June 2016, **Eco World Development Group Berhad (EcoWorld)** has signed agreements to purchase 2 parcels of land in Batu Kawan, Seberang Perai, Pulau Pinang measuring 300.74 acres and 74.491 acres for RM731,988,877.76 and RM143,253,376.20, respectively. EcoWorld plans to develop mixed developments on the lands.
- ✓ In January 2017, Aemulus Holdings Berhad (AHB) has acquired 1.6283 acre commercial land in Bayan Lepas Industrial Park for RM9,930,025. The company plans to build its own corporate office building on the land.
- ✓ Boustead Plantations Berhad (BousteadP) has disposed 5 adjoining parcels of freehold land in Mukim 6, District of Seberang Perai Utara, Pulau Pinang to **SP Setia Berhad (SPSetia)** for RM620,122,555.80 in December 2016. The lands covering total areas of 677.78 hectares are sited within Tasek Gelugor locality. Approximately 92.61% of the land has been planted with oil palm.
- ✓ Encorp Berhad (Encorp) disposed a piece of freehold land in Bandar Batu Ferringi in Pulau Pinang for RM25million inclusive of 6% Goods and Services Tax (GST) if any. The land is proposed for residential development and covers total land areas of 5.831 acres. The disposal is to improve the cashflow of the company.
- ✓ **Sunway Real Estate Investment Trust (SunwayREIT)** acquired a 1.33 hectare land in Seberang Jaya from Sunway Berhad for RM17.2 million. SunwayREIT plans to build a 9 storey shopping mall inclusive of 6 storey car parking bays and 1 storey basement car park. It forms part of the expansion plan for Sunway Carnival Mall, which is sited adjoining the land.

Several locations and property sectors in the country are expected to undergo market correction, where property prices as well as rentals are expected to move downward until it reaches a level that is attractive to buyers and overall demands start to improve.

High risk areas are expected to undergo market correction when market sentiment deteriorates. Amongst the key factors contribute to the market correction are performances of Malaysian economy and large built up of property supply.

MARKET OUTLOOK

Economic performances

Although the strong economic growths of 5.6% to 6.2% recorded in first three quarters of 2017, did not create major improvements in the Malaysian property market, it has sustained the overall property market sentiments amid the cooling measures implemented by the government.

High household debt, increasing inflationary pressure and political uncertainties are expected to continue to affect the overall market sentiments.

Based on economic growth of 5% and above, the overall Malaysian property market is expected to remain stable. The overall Malaysian property market will be negatively affected, e.g. the number of depressed property sales is expected to increase in the event the Malaysian economy recorded low economic growth rate of below 3%.

Property stock built up

Large stock built up is noted for Johor State. Spurred by the Iskandar Malaysia regional development programs, Johor is expected to record substantial stock increases in most of the property sectors such as serviced apartments, SOHOs, residential properties, retail spaces and industrial properties.

Large increases in the number of serviced apartment and SOHO units are expected in Johor, Kuala Lumpur and Selangor. Serviced apartment and SOHO units are mostly small in sizes, e.g. between 400 to 700 square feet and are relatively new in the market.

Kuala Lumpur and Johor are expected to record increases of 663,083 and 533,793 square meters of retail spaces representing about 21.7% and 30.1% increases over the existing stocks, respectively. The increases are deemed sizeable in view of the poor market sentiments in the retail property sector.

Major Property Transactions

The following are potential major property transactions in 2017/2018:

- Sheraton Petaling Jaya Hotel
- The MET Corporate Towers, KL Metropolis
- Wisma MCIS in PJ New Town
- Vista Tower, The Intermark
- Ascott Sentral Kuala Lumpur
- Quill 6 at Lebu Ampang, Kuala Lumpur
- Quill City Mall at Jalan Sultan Ismail
- Swiss Inn Johor Bahru
- Menara Celcom Kuala Lumpur
- Evolve Concept Mall, Ara Damansara

Real Property Investment Trust (REIT) and institutional funds are expected to continue to play active role in the transactions of large properties particularly properties that generate attractive investment yields.

Overall outlook

Although the Malaysian economy recorded high growth rate in 2017 when compared to preceding year, insignificant improvements in the Malaysian property market are anticipated. The market will continue to be affected by the cooling measures implemented by the central bank and government.

In view of the prevailing property market situation, property developers will focus on launching affordably priced residential projects. Demand will be fueled mainly by the young population profile in the country and first time house buyers.

Developers of high-end and luxurious residential developments will introduce wide range of incentives such as discount, rebate, free gifts and others, to attract buyers. Large developers may offer easy financing schemes to assist prospective buyers that fail to secure loans.

Occupancy rates of newly completed purpose built offices and retail complexes will struggle to secure tenants. Owners may be forced to offer competitive rental rates and accommodative terms to attract tenants.

Net developer's selling prices (after discount and rebate) of high-end serviced apartments and condominiums have reduced due to aggressive marketing strategies and incentives offered by the developers to attract buyers.

Rental and occupancy rates of many existing office buildings and retail complexes are facing downward pressures due to poor market sentiments and new supplies.

Reasonably priced projects located within highly established and popular locations are expected to command strong demand while the selling prices are expected to remain stable.

Rental rates and occupancy rates of popular and well maintained existing office buildings and shopping complexes are expected to remain stable.

Stable outlook is noted for the Malaysian hospitality sector, supported by sustained tourist arrival to the country, introduction of new tourist attractions and favourable economic growth. The sector will also benefit from various incentives offered under 2018 Budget.

The opening of MAPS Theme Park will improve tourist arrivals to Ipoh. Many new international hotel brands have also been established in the country, particularly in tourist areas and major towns in the country.

In the absence of significant economic progression, the overall Johor Bahru property market, particularly high-end residential projects, serviced apartment projects as well as retail property sector, is expected to undergo market correction.

Selling prices and rental rates of high-end serviced apartment and SOHO projects located throughout the country are expected to remain stagnant or decline in view of the large number of in-coming and planned supplies.

Subject to the location and positioning of the property projects, cautious to stable outlook is observed for the overall Malaysian property market.

Sectors	Klang Valley	Johor Bahru	Pulau Pinang	Ipoh
Residential property sector				
✓ Landed residential houses	Stable to positive	Negative to stable	Stable to positive	Stable
✓ Apartment / Condominium	Stable to negative	Negative	Stable to negative	Stable to negative
✓ Serviced apartment / SOHO	Stable to negative	Negative	Stable to negative	Stable to negative
Commercial property sector				
✓ Shopoffices	Stable to negative	Stable to negative	Stable to negative	Stable to negative
✓ Purpose built offices	Stable to negative	Negative	Negative	Negative
✓ Retail complexes	Stable to negative	Stable to negative	Stable to negative	Stable to negative
Hospitality property sector				
✓ Hotel / Resort	Stable to positive	Stable to positive	Stable to positive	Stable to positive
Industrial property sector				
✓ Standard developer's designed factories	Stable to negative	Stable to negative	Stable	Stable
✓ Industrial land	Stable	Stable	Stable	Stable

We welcome any enquiries and feedback on our report. Kindly forward your enquiries and feedback to ccokl@cco.com.my

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DISCLAIMERS

Information highlighted in the above property market review was derived based on sources that are deemed to be correct and complete. Findings from the market review is deemed to be valid at the time of publication and is subject to future changes without prior written notice.

This publication provides general overview of Malaysian property market trend and such trend may differ for some micro locations and specific property types in Klang Valley, Johor, Pulau Pinang and Perak.

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