Revival Opportunities

Market Outlook 2023

REPORT

MALAYSIA REAL ESTATE

CBRE | WTW Research

Contents

C H Williams & Co was established in Kuala Lumpur in 1960. Successively, **Talhar & Co** was founded in Johor Bahru in 1972. Two years later, **C H Williams Talhar & Wong** was formed as a result of a merger of the two practices. **C H Williams Talhar & Wong** quickly rose to become one of Malaysia's leading & established real estate services company as their Peninsular offices were complemented further by associated offices in Sarawak in 1975 and Sabah in 1977.

The company stood strong over the years and continued to do so in 2016 when the merger with CBRE took place. In 2016, CBRE Group, Inc. entered into an agreement to acquire a significant interest in the operating companies of the 11 Peninsular Malaysia offices rebranding the company as **CBRE | WTW**.

This joint venture provides a deep and broad service offerings for the clients of both firms. Our existing clients over decades will now have access to global expertise via CBRE and CBRE will be able to provide in-depth local expertise for their clients in Malaysia.

"Malaysia sailed through 2022 relatively unscathed, as its GDP surpassed pre-pandemic levels. Despite projected headwinds for this year, Malaysia's economy remains a relatively bright spot in Asia."

Sr Foo Gee Jen
Chairman, CBRE | WTW

"ESG and technology are the future of the real estate industry. Sustainability has become increasingly vital as it generates optimal returns in the long term and preserves property values over time."

Sr Tan Ka Leong
Group Managing Director, CBRE | WTW

Introduction

The Malaysian economy grew 14.2% y-o-y in the third quarter of 2022, up from 8.9% in 2Q 2022. All main sectors registered positive growth.

SURPASSING THE MARKET EXPECTATIONS

The Malaysian economy grew 14.2% year-on-year (y-o-y) in the third quarter of 2022, up from 8.9% in 2Q 2022. Gross Domestic Product (GDP) is on track to surpass pre-pandemic levels.

All main sectors registered positive growth. The Services sector recorded the highest growth with 16.7% in 3Q, followed by Construction (15.3%), and Manufacturing (13.2%). The Mining and Quarrying sector returned to the green territory, rising 9.2% y-o-y from -0.5% y-o-y last quarter, underpinned by the natural gas sub-sector.

KEEPING ON TRACK

Malaysia transitioned into the endemic phase and re-opened international borders. The Consumer Sentiment Index (CSI) rose 12.4 points q-o-q, to 98.4 points in 3Q 2022 (2Q 2022: 86.0 points), but the mood remains cautious.

Businesses remain upbeat with the Business Confidence Index (BCI) increasing 4.7% in 3Q compared to 3.5% in the previous quarter.

Consumer Price Index (CPI) was up 4% y-o-y, from 123.7 to 128.6 points in October 2022, compared to 4.5% in the previous quarter. Headline inflation is expected to moderate but may remain elevated.

The Industrial Production Index (IPI) recorded double-digit growth (12.2%) for 3Q 2022 y-o-y, supported by the mining and manufacturing sectors.

Net export in 3Q 2022 recovered 18.7% y-o-y after two consecutive quarters of negative growth. Foreign Direct Investment (FDI) inflow was RM12.3 billion, with RM8.7 billion to the Manufacturing sector.

The Overnight Policy Rate (OPR) rose four times this year, 25 basis points each time to the current rate of 2.75%. Further hikes in OPR are expected given that pre-pandemic interest rates ranged between 3.25% and 5%.

Total loans approved for residential properties in 3Q 2022 grew in approval rate by 17.6% y-o-y to 42%, and in loan amount by 105% y-o-y to RM49.32 billion.

POSITIVES AMID UNCERTAINTIES

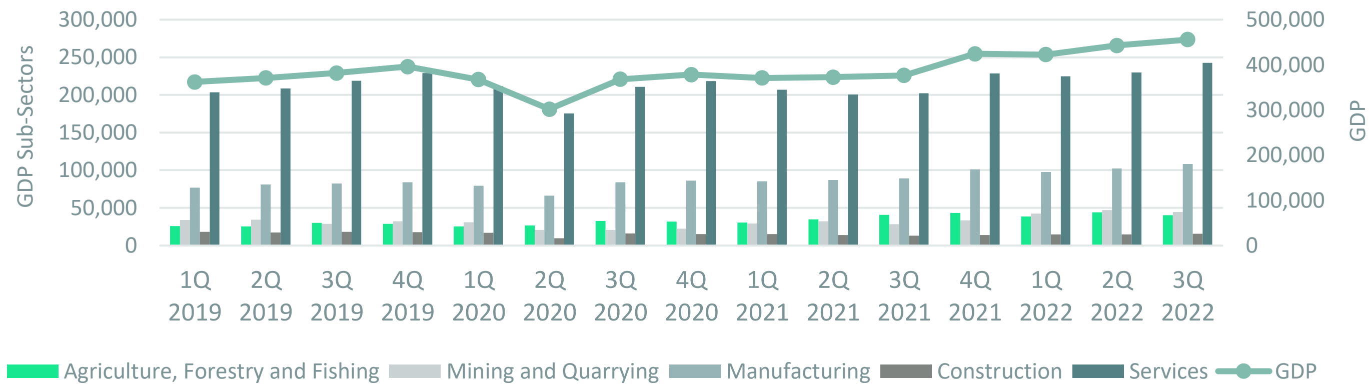
The growth in 2022 will provide Malaysia with a strong foundation for a challenging 2023.

The government will maintain fiscal support and adopt an expansionary stance to stimulate GDP growth momentum. A revised Budget 2023 may address the immediate pressing issues of the high cost of living and inflation.

The economy is expected to remain resilient, driven by domestic demand and the implementation of infrastructure projects amidst a softening global economy. GDP is envisaged to expand by 4% - 5% in 2023.

Investment activities may also improve. However, an escalation of geopolitical conflicts, global economic concerns and supply chain disruptions may torpedo our rising optimism.

GDP by Sectors at Current Price



Source: Bank Negara Malaysia, CBRE | WTW Research

Major Policy Updates

Description	Authority/ Agency	Effective Date	Remarks
Real Property Gains Tax (RPGT)	Ministry of Finance (MOF)	1 January 2022	Exemption is applicable to property disposals by individual owners in the sixth year after the date of acquisition (reduced from 5%).
JaminKerja Employment Incentive	Ministry of International Trade and Industry (MITI)	1 January 2022 – 31 December 2022	A financial incentive reserved for employers who hire new employees in the tourism sector, women, replacement of foreign workers and trade officers, and finally, vulnerable groups such as the disabled.
Malaysia My Second Home (MM2H)	Ministry of Home Affairs (MOHA)	21 January 2022	Programme was relaunched with new conditions, including RM1.5 million in liquid assets, RM40,000 in monthly offshore income (up from RM10,000), RM1 million in a Malaysian fixed deposit and an additional RM50,000 per dependent.
Business Recapitalisation Facility (BRF)	Ministry of Finance (MOF)	3 February 2022 until the fund is exhausted	Available for SMEs of all economic sectors, up to a maximum of RM5 million, for financing working capital and/or capital expenditure, with the tenure of financing is up to 10 years.
Low Carbon Transition Facility (LCTF)	Ministry of Finance (MOF)	3 February 2022 until the fund is exhausted	Available for SMEs of all economic sectors, up to a maximum of RM10 million, for financing working capital and/or capital expenditure, with the tenure of financing is up to 10 years.
Sarawak Housing Deposit Assistance Scheme (HDAS)	Housing Development Corporation (HDC)	7 February 2022	State government to provide 10% of the house value or a maximum of RM10,000 for first-time Sarawakian homeowners under the B40 and M40 groups, for affordable housing deposits.
Keluarga Malaysia Home Ownership Initiative (i-MILIKI)	Ministry of Finance (MOF)	1 June 2022 – 31 December 2023	First-time homebuyers will receive stamp duty exemption for property priced RM500,000 and below and 50% stamp duty exemption for property priced between RM500,000 and RM1 million.
Premium Visa Programme (PViP)	Ministry of Home Affairs (MOHA)	1 October 2022	A long-term "Residency Through Investment" visa that enables investors and entrepreneurs to live and work in Malaysia for up to 20 years.

Note: Tabulated information is of selected projects. Subject to changes after Budget 2023 re-announcement.
Source: CBRE | WTW Research

Major Infrastructure Updates

Projects	Location	Completion Year	Remarks
HIGHWAY / EXPRESSWAY			
Pan Borneo Highway Sarawak (PBHS)	Miri – Telok Melano	2024	Under construction (seven sections are fully completed and open for public use), full completion is expected by 2024
West Coast Expressway (WCE)	Banting – Taiping – Sabak Bernam – Changkat Jering	2025	Under construction
Sarawak – Sabah Link Road (SSLR) Project	Lawas - Lopeng/Pa'Berunut - Lopeng	2026 (Phase 1) 2030 (Phase 2)	Phase 1 is under construction and due for full completion by 1Q 2026 Phase 2 is under the planning stage and construction to kickstart by 3Q 2023
Central Spine Road (CSR)	Kuala Pilah – Kuala Krai	2026	Under construction
Trans Borneo Highway (LTB)	Miri – Limbang – Lawas	2028	Under planning stage, construction to kickstart by 4Q 2023
RAIL			
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas – Johor Bahru	2023	Under construction
MRT 2 (SSP Line)	Sungai Buloh – Serdang – Putrajaya	2023	Phase 1 has been operating since June 2022 Phase 2 is on the final trial run and set to open in early-2023
Light Rail Transit 3 (LRT3)	Bandar Utama – Klang	2024	Under construction and due for full completion by 2024
East Coast Rail Link (ECRL)	Tumpat – Kuantan – Mentakab – Jelebu – Port Klang	2026	Under construction
Rapid Transit System (RTS)	Bukit Chagar – Woodlands, Singapore	2026	Under construction and due for full completion by December 2026
MRT 3 (Circle Line)	Bukit Kiara – PPUM	2030	Construction to kickstart in early 2023 and slated for full completion by 2030
OTHERS			
Tanjung Pelepas (PTP) Expansion (81-acre site)	Tanjung Adang, Johor	2023	Expansion of the Free Zone
West Port Expansion (380 acres land under the sea and 360 acres of land)	West Port, Port Klang	2040	Under construction with an additional of 9 container terminals, due for full completion by 4Q 2040
Kuching Urban Transport System (KUTS)	Samarahan Line (Line 1) & Serian Line (Line 2) (Phase 1)	2025/2026	Stage 1 of the Autonomous Rapid Transit to be fully completed by 2028

Note: Tabulated information is of selected projects. Subject to changes after Budget 2023 re-announcement.
Source: CBRE | WTW Research

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Market Overview

Market Indicator

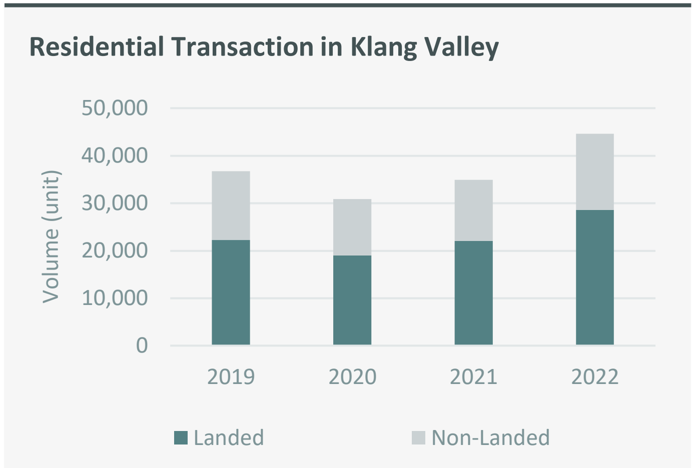
▲ UP MARKET ● MAINTAINED MARKET ▼ DOWN MARKET

Regions/ Sub Offices	Overall		Landed Residential		High-Rise Residential		Purpose-Built Office		Shop Offices		Retail		Industrial		Hotel	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
KLANG VALLEY	▲	●	●	▲	●	▲	●	●	●	●	▲	●	▲	▲	▲	●
SEREMBAN	●	●	●	●	●	●	-	-	●	●	●	●	●	●	●	●
PENANG	●	●	●	●	●	▼	●	▲	●	●	●	●	▲	▲	●	●
ALOR SETAR	●	●	●	▲	●	▼	●	●	●	▲	▼	●	●	▲	▼	●
IPOH	●	●	●	▲	●	▼	▼	●	▼	▲	▼	●	●	●	▼	●
ISKANDAR MALAYSIA	▲	▲	▲	▲	▲	▲	●	●	●	●	▲	▲	▲	▲	▲	▲
MELAKA	●	●	▲	▲	▲	▲	●	●	●	●	▼	▼	●	●	●	●
BATU PAHAT	●	●	●	▲	●	●	-	-	●	●	●	●	●	●	●	●
KUANTAN	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
KOTA BHARU	●	●	▲	▲	●	●	●	●	●	●	●	●	●	●	▲	▲
KUALA TERENGGANU	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
KOTA KINABALU	●	●	▲	▲	●	●	●	●	●	●	▼	●	▲	▲	▲	●
LAHAD DATU	●	●	●	▼	-	-	-	-	●	●	●	●	●	●	-	-
TAWAU	●	●	●	●	●	●	-	-	●	●	●	●	●	●	▼	▼
SANDAKAN	●	●	●	▲	●	●	●	●	●	●	●	●	●	●	●	●
LABUAN	●	●	●	●	●	●	●	●	●	●	●	●	●	●	▼	▼
KUCHING	▲	●	▲	●	●	●	▲	●	▲	●	▲	●	▲	▲	▲	▲
MIRI	●	●	▲	▲	▼	●	●	●	●	●	●	●	●	●	●	●
BINTULU	●	●	▲	●	▲	▲	●	●	●	●	●	●	●	●	●	●
SIBU	●	●	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●

Note: Capital Letter-Regions; Sentence Case: Sub-offices. Market indicator arrows are based on a yearly comparison.

Klang Valley

While the industrial sector anchored its spot in the recovery run, landlords are projecting their investment and enhancing their property portfolio, marking positive sentiments.



Source: NAPIC, CBRE | WTW Research

PRUDENT NEW PROJECTS

Fewer residential projects were launched this year, as developers understandably held back from launching and concentrated on clearing the existing stocks. In light of rising interest rates and continuous supply-demand imbalances, particularly for high-rise residences, it is projected that developers would remain prudent in launching new projects next year. As new residential developments are being planned, the market will expect a cost increase due to the existing supply of materials and labour costs.

FLEXIBLE IS THE NEW COMFORT

Landlords are intending to establish a more flexible environment by incorporating various facilities accommodating the tech generations and combining the "homely" feeling as a top priority for future workplaces. The growing trend of flexible office options and private spaces are the expected future plus points.

FRESHENING UP COMMON SPACES

Landlords are on the move of freshening up common spaces, such as for events, pop-up stores, hangout areas and F&B lots, to engage and create experiences for shoppers, attracting more footfall, backed by business resumption at full capacity. Other than that, it may also be a factor for improved revenue and prospect.

TECHY BOUTIQUE CONCEPTS

Boutique hotels with an essence of friendly engagement and personalized services are gaining traction among travellers, alongside several new pop-ups observed around Klang Valley. While technology has been used to maximise guests' experience in hotels through fast and useful processes.

Penang

Infrastructure developments are the required catalysts to boost property projects in Penang and elevate the state to the next level of urbanisation.

SIGNIFICANT REBOUND

In the first 9 months of 2022, property transaction activities in Penang registered a significant rebound year-on-year (y-o-y), with a total of 17,297 properties valued at RM9.51 billion. This reflected y-o-y increases of 44.4% and 31.5% of transaction volume and value respectively (cf. 11,981 properties valued at RM7.23 billion in 2021).

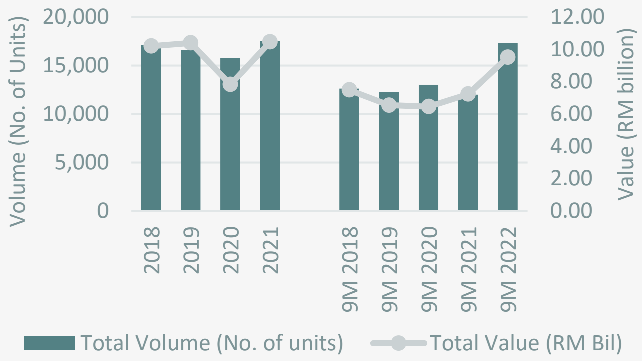
SPILLOVER EFFECT FROM INFRASTRUCTURE

The Bayan Lepas Light Rail Transit (LRT) project is anticipated to commence in 4Q 2023, pending approval from the federal authorities for the last segment of the line involving the location of the LRT depot on the reclaimed Penang South Islands.

Penang also commenced the development of its 5G network in September 2022, benefitting the State's aspirations of being an international smart city.

An 8.5-kilometre monopole transmission tower next to the Penang (First) Bridge is planned to complete in 2024, which will generate 2 MW of electricity to power large developments in Penang.

Transaction Activities in Penang

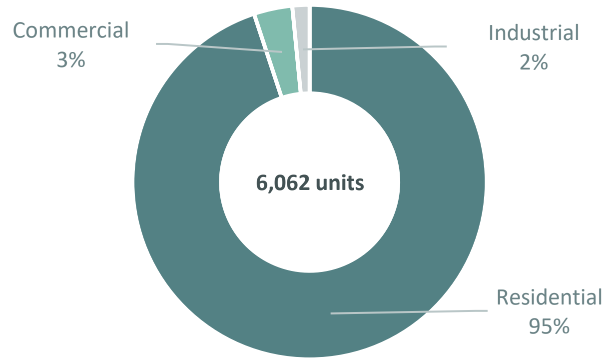


Abbreviation: bil – billion, 9M – first 9 months
Source: NAPIC, CBRE | WTW Research

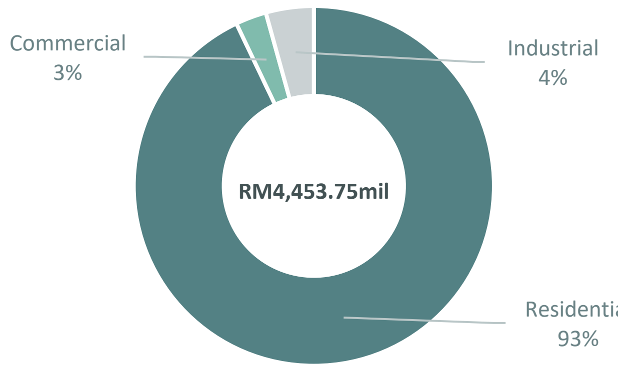
Proposals are called to set up a water taxi service as another form of public transportation that would help alleviate traffic congestion.

These infrastructure initiatives will boost this mode of transport service developments and particularly property projects in Penang.

Number and Value of Overhang (Developers' Unsold Units), 3Q 2022



Source: NAPIC, CBRE | WTW Research



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

Iskandar Malaysia

As market activities recover, Johor still tops all states in terms of investments and prospects.

In the first nine months of 2022, 16,169 properties worth RM10,664 million, up 40% year-on-year (y-o-y) in volume (cf. 11,544 properties in 2021). The residential, commercial, industrial and agriculture sectors all showed an upward trend in property transactions.

FOCUS ON INVESTMENTS

From January to June 2022, Johor ranked as the top state recording committed investments of RM60.93 billion. About 89% (RM54.2 billion) was in the services sector, followed by the manufacturing sector (11% at RM6.7 billion). Investments in the services sector were mainly for foreign-owned data centres.

From 2006 to June 2022, the cumulative committed investment in IM reached RM367.8 billion, of which RM219.2 billion (60%) has been realised.

PROPERTY MARKET PERFORMANCE

With the reopening of borders, projects recorded a positive performance, especially residential units with easy access to/from the Singapore Causeway. The overhang of high-end serviced apartments is still alarming despite the efforts made to reduce existing inventories. The industrial sector boomed this year due to data centre developments.

Purpose-built Offices (PBOs) remained stable with the few tenant movement and delays in new supply into the market. The emerging hybrid working models in businesses are creating demand for co-working spaces, opening new opportunities.

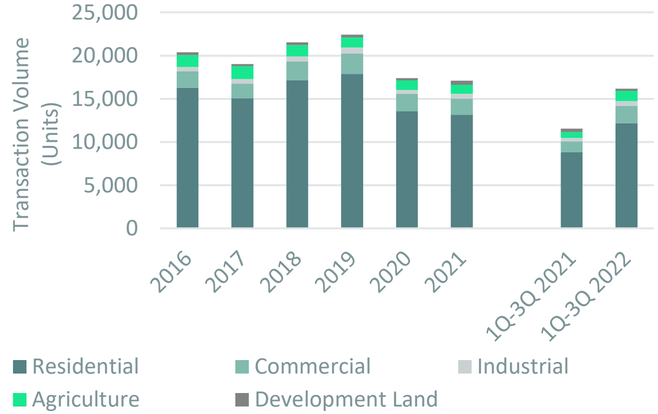
SINGAPORE: A SHOT IN THE ARM

The reopening of borders in April 2022 brought back foreign purchasing power especially Singaporeans. The recovering footfall resulted in positive demand for F&B and entertainment businesses.

Similarly, the hotel sector has also thrived. The Desaru Coast had high hotel activity recording an average rental rate of RM270 with a 70% average occupancy rate as of November 2022.

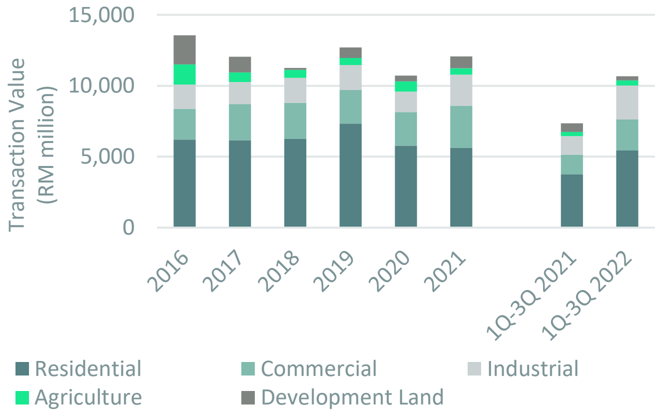
New office and hotel development in Midvalley Southkey, Johor Bahru
Source: CBRE | WTW Research

Transaction Volume By Sector



Source: NAPIC, CBRE | WTW Research

Transaction Value By Sector



Source: NAPIC, CBRE | WTW Research

East Coast

POSITIVE RESIDENTIAL DEMAND

Residential transactions improved in Kuantan and Kota Bharu with significant demand for landed residential. The House Price index (HPI) for Kuantan and Kota Bharu increased by 3.2% and 4.8%, respectively. Transaction activities in Kuala Terengganu remain stable with a limited number of new launches.

Affordable housing projects such as PR1MA, Rumah Makmur and Rumah PPA1M, or auction properties are still the main consideration by homebuyers.

High-rise residential properties in Pahang are distributed in Cameron Highlands, Genting Highlands, and Kuantan city, given the potential for investment and high returns from AirBnB. Several notable new launches are such as Tropicana Grandhill (1,443 units), The Grand Ion Majestic (1,668 units), and Antara (1,460 units) at Genting Highlands.

Completion of the Central Spine Road (CSR) and road upgrading projects are expecting a boost to Kelantan's residential sector in terms of connectivity.

STABLE SHOP OFFICE MARKET IN KUANTAN

Kuantan's offices posed stable rental rates for the past 3 years and a strong occupancy rate of 93.7%. Kelantan shop office sector however trended downwards in performance, owing to an oversupply concern and increased selling prices. The overhang increased by 40% to 287 units and is set to welcome another 1,005 units.

Refurbishing old office buildings provide opportunities for growth and help to secure a different type or class of tenants or occupants, which could lead to the restoration of or increase in rental revenue, higher occupancy, and price appreciation. Office buildings located at strategic locations and are in well-maintained condition should record improvements in 2023.

THE LOOKOUT FOR BUSINESS POTENTIAL AREAS

The growing chain such as 99Speedmart, Family Mart, MiX Stores, Chicago Chicken City, and Health Lane Family Pharmacy are expanding their stores in Kuantan and considering the business potential in new areas. F&B plays a huge part in attracting shoppers to retail destinations.

Physical stores will remain favourable for shopping pleasure. This sector will continue to pick up in 2023 as post-pandemic economic optimism grows.

RELYING ON CONSISTENT IMPROVEMENT IN THE TOURISM SECTOR

Hospitality performance has improved gradually in terms of occupancy and room rates. Hotels in Kuantan were at full capacity during public holidays and long weekends.

The expansion and upgrading works of Sultan Ismail Petra Airport (LTSIP) is a positive catalyst for Kelantan's tourism industry. With the completion of the project, the airport will be able to accommodate up to 4 million passengers annually compared to 1.5 million passengers currently. The facilities offered will be of international standard, with 11 aircraft parking areas compared to just five previously.

Sabah

Large investment projects are expected to lead to positive sentiments in 2023.

RE-ACTIVATED PROPERTY SECTOR

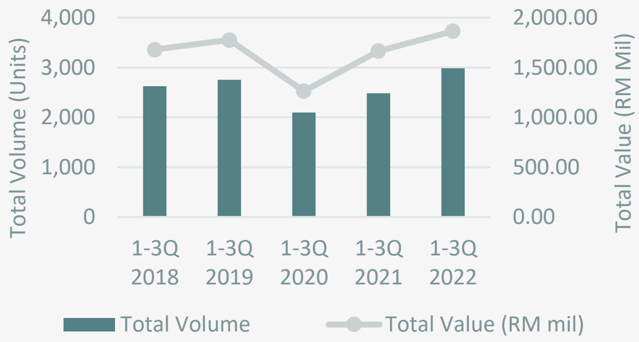
Up to 3Q 2022, transactions increased by 54% to 8,660 and 57% to RM4.568 billion by total volume and value, respectively.

In Kota Kinabalu (encompassing neighbouring Penampang and Putatan districts) transactions also grew to 2,985 (3Q 2021: 2,481) and RM1.865 billion in value (3Q 2021: RM1.666 billion).

Sabah recorded a 1.1% growth rate in 2021 (2020: -9.2%) with a Gross Domestic Product (GDP) of RM78.7 billion. Sabah's economy is expected to continue its recovery, supported by exports which increased 54% year-on-year (y-o-y) to RM50.4 billion, primarily contributed by petroleum and crude palm oil.

Sabah is expected to maintain positive growth in 2022 and 2023, at a rate of 4% to 5% respectively, underpinned by tourism activities, export stability, increased domestic consumption and the implementation of high-impact investment projects.

Property Transactions in Kota Kinabalu, Penampang and Putatan



Abbreviation: mil – million
Source: NAPIC, WTWS Research

In 2022, several major projects were announced:

- A RM19.59 billion, 3-phase green steel project in Sipitang Oil and Gas Industrial Park (SOGIP) by Esteel Enterprise Sabah Sdn Bhd.
- RM2 billion silica sand mining and processing plant project in Sikuati, Kudat by China-owned SBH Kibing Solar New Materials (M) Sdn Bhd which will include a solar panel manufacturing plant on a 130-acre site in Kota Kinabalu Industrial Park (KKIP).
- Pavilion Harbour City, a 30-acre site next to Sabah International Convention Centre (SICC): a joint development by Pavilion Kota Kinabalu Sdn Bhd (under Pavilion Group) and Yayasan Sabah.

The residential sector forms the largest segment, registering 78% of total transaction volume and 62% of total transaction value while the commercial property sector accounted for about 14% and 17%, respectively.

However, market conditions for the property sector in general remains challenging due to external headwinds, and uncertainty in global conditions coupled with rising interest rates.

Sarawak

Sarawak's initiatives and incentives are expected to place the State back on track within the next 2 years.

MARKET RECOVERY IN PROGRESS

Sarawak's economy is on the mend and its GDP growth is projected to improve to between 5% and 6% for 2022. A Gross Domestic Product (GDP) growth of 2.9% was recorded for the year 2021 (2020: -6.8%). Sarawak's GDP per capita of RM65,971 for 2021 is the 3rd highest in the country.

The tourism sector was also revived in 2022 bolstered by the following events :

— 25th Rainforest World Music Festival (RWMF), which attracted 12,000 participants, after a 2-year hiatus.
— International Dragon Boat Race in October 2022 which was participated by 17 nations / 2,600 foreign paddlers.
— 25th Miss Tourism International World Final 2022/2023 with participants from 60 countries.
— The International Kuching Marathon held in October 2022 attracted 2,000 participants including 713 foreign participants.

The Ministry of Tourism expects Sarawak to hit its target of 1.8 million visitors by year-end.

SARAWAK'S BOOST TO THE MARKET

Sarawak's Post-Covid-19 Development Strategy 2030 (PCDS 2030) kick-started in 2022 with RM63 billion allocation for Phase 1: for digital transformation, basic infrastructure, transport and renewable energy.

The Bantuan Khas Sarawakku Sayang (BKSS) package was also continued including discounts for government-owned business premise rents and utility bills. The Sarawak-Malaysia My Second Home (S-MM2H) Enhanced Requirements and Regulations was further revised in August 2022 from 15 days to 30 days minimum annual stay duration. A 5-year work permit (instead of 1 year) is offered to professionals to attract in-demand global talents to its shores. Property players also welcomed the extension of the Home Ownership Campaign (HOC) which has been replaced by i-MILIKI (Keluarga Malaysia Home Ownership Initiative) program.

IMPROVED TRANSACTION ACTIVITIES

2021 recorded a good bounce-back, and this momentum is seen to continue into 2022. In terms of transaction activities, the volume has improved 44% year-on-year (y-o-y) whilst value has increased 25% y-o-y, with the residential sector being the biggest contributor.

Retail outlets are regaining occupancy with bigger retail players expanding/taking over such as Everwin (supermarket) as an anchor at Kenyalang Complex, Everrise (supermarket) at Metrocity Mall and Tabuan Jaya shophouse, and Emart (hypermarket) at EG Mall, King's Centre. Meanwhile, purpose-built offices (PBO) remain stable in occupancy, hovering slightly below 90%.

SIGNIFICANT DEVELOPMENTS

Several significant developments in Sarawak include:

— The newly completed Borneo Cultures Museum is the 2nd largest in South East Asia and was opened to the public in March 2022.

— Relocation of SHELL Malaysia Upstream HQ to Times Square in Marina ParkCity, Miri's first Grade A and Gold-certified Green Office Building.

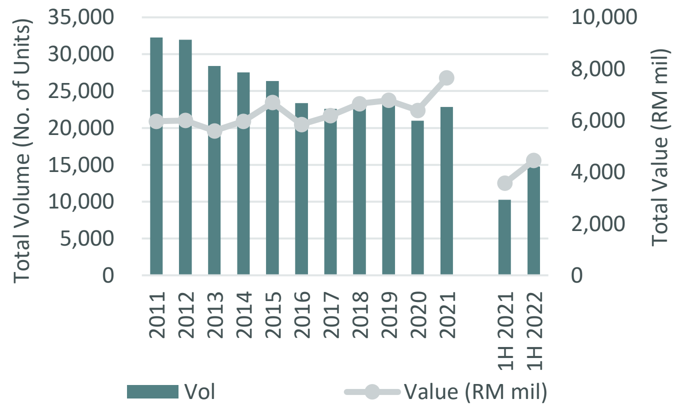
— Petroleum Sarawak Berhad (PETROS) opened the first three-in-one multi-fuel refuelling station in the country at Batu Kawah and Petra Jaya in Kuching with 4 more slated for Sri Aman, Sibu, Bintulu and Miri.

— Sarawak Infectious Disease Centre (SIDC), a bio-hub which will function as a research facility under the purview of Sarawak Research and Development Council (SRDC).

— The 4.8 km long Batang Lupar Bridge (the longest river-crossing bridge in Malaysia) linking Samarahan to Betong will be completed by 2025.

— Kuching Urban Transportation System (KUTS) implemented by Sarawak Metro, kicked off its Phase 1 (Samarahan and Serian Lines) in 1H 2022. KUTS will cover a total network of 3 lines and 31 stations with 2 interchanges measuring 69.9 km in total route.

Property Transactions In Sarawak



Abbreviation: mil – million
Source: NAPIC, WTWY Research

“The era of hybrid living will be a catalyst for more sustainable, connected and smarter homes in the residential market. A noticeable shift in homebuyers’ preference for hybrid living has become apparent, blending built spaces and environments.”

Sr Aziah Mohd Yusof P.J.K.
Director
CBRE | WTW

02

Residential

Klang Valley

The Klang Valley residential market is in its gradual recovery phase, focusing on the affordable and mid-range price segments.

As at 3Q 2022, cumulative supply in Klang Valley rose 3.8% year-on-year (y-o-y) to 2.05 million residential units. Meanwhile, incoming supply moderated for the first time since 2019, declining 7.3% y-o-y to 285,000 units – contributed by the slowdown of new high-rise developments during the review period (-9.1%).

INCOMING DEVELOPMENTS

Landed planned supply tapered slightly by -4.9% y-o-y to 46,600 units with more than 60% of these being located to the west and south, mainly in Klang, Kuala Langat and Sepang. Notable launches in 2022 include Serenia Anira @ Serenia City (200 units), Hana Residences @ Tropicana Aman (130 units) and Nadira @ Bandar Bukit Raja (242 units).

Since 2018, planned high-rise supply continues to moderate by 8.4% y-o-y to 170,000 units. New launches continue to focus on the city fringe such as The Serenade @ The Glades (122 units), Sunway Alishan in Cheras (255 units), and Lea by the Hills (344 units) in Melawati – driven by matured populations, good accessibility and amenities. These developments are nearby major roads and highways, while The Serenade is in proximity to LRT Subang Alam station.

INCREASE IN SUB-SALE ACTIVITIES

Transactions in the first 9 months (9M) of 2022 rose 28% and 18% in both volume and value respectively as compared to the same period in 2021. However, the average transacted price per unit moderated by -19% and -3% for high-rise and landed transactions respectively – indicating a buyers' market in the current market conditions.

Top transacted locations for landed houses such as Petaling, Klang and Hulu Langat observed a drop between 2% and 8% in average prices despite a 30% increase in volume.

MACROECONOMIC FACTORS AND GOVERNMENT AID

Despite 4 consecutive increases in the Overnight Policy Rate (OPR) in 2022 from 1.75% to 2.75%, loan applications for the purchase of residential properties YTD have surpassed pre-pandemic figures (9M 2022: 329,000 vs 9M 2019: 196,000 applications).

The approval rate averaged 41% to date (c.f. 9M 2019: 43%; 9M 2021: 35%.

Additionally, the previously announced Budget 2023* aimed to assist homeownership amongst low and middle-income households, through stamp duty exemptions up to 75% for houses priced between RM500,000 to RM1,000,000, further allocations for the Housing Guarantee Credit Scheme and public housing under the Program Perumahan Rakyat (PPR).

*Note: *As at time of writing, the Budget 2023 may be subject to potential revisions following the 15th Malaysian General Election (GE15).*

LUXURY RESIDENTIAL MARKET

The existing supply increased to 68,200 units in 3Q 2022, whilst 25,000 units are in the pipeline for completion by 2027. 53% of the incoming supply will be in Central KL.

Notable completions in 2022 included 10 Stonor (364 units), The Face 2 Victory Suites (354 units), Lucentia @ BBCC (666 units), Eaton Residence (632 units) and Inspirasi Mont' Kiara (640 units). The aforementioned projects have achieved above 80% sales rate upon their respective completions.

Numerous projects totalling circa 6,500 units are expected to be completed by 1H 2023. CKL-Secondary would be the major contributor with the incoming addition of Chambers Kuala Lumpur (509 units), Pavilion Ceylon Hill (629 units) and Quill Residence (552 units).

Though project launches in the upmarket localities were limited, notable ones include One Eleven Menerung (111 units) by BRDB Developments Sdn Bhd, SWNK Houze @ BBCC (441 units) by BBCC Development Sdn Bhd, Skyline KL (1,109 units) by LTS Skyline Sdn Bhd.

An uptick in occupancy rates has been seen due to the re-entry of international travellers into the country.

The introduction of the Premium Visa Programme (PVIP) on 1 October 2022 will offer long-term residency for investors, entrepreneurs and foreign talents to live and work or study in Malaysia for up to 20 years. Though terms apply, this provides high-net-worth individuals with a chance to reside and work or study in Malaysia with the exemption of a minimum staying requirement.

Klang Valley (Cont'd)

SEREMBAN

Both the supply and demand for subsale landed residential below RM500,000 remain robust, as it is always preferred by homebuyers over new primary projects.

High-rise residential in Nilai are popular among expatriates and families for their location wise and proximity to Kuala Lumpur International Airport 2 (KLIA2), Klang Valley and the surrounding institutional hub. Home to renowned higher education establishments such as Universiti Sains Islam Malaysia (USIM), INTI College, and Manipal College, there is a great demand in the rental market for student housing.

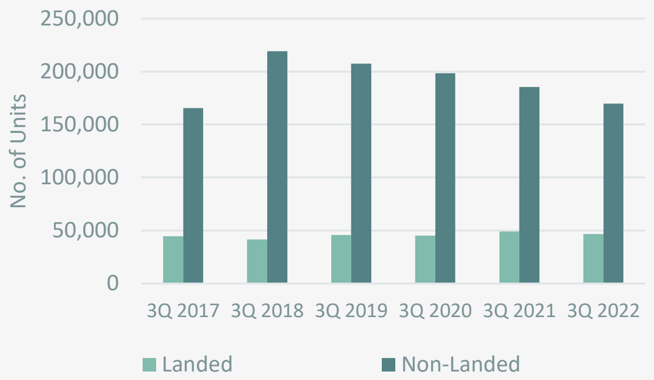
As a good location for investment, high-rise residentials are emerging and distributed to Seremban 2 (Kalista, Safira), Seremban 3 (UniCity), and Nilai (Starzvalley, Taman Bucida Hijauan, Youth City, and the extension of Meza Hill in Myra Impian and Mesa hill Premier).

MARKET OUTLOOK

The Klang Valley residential housing market will continue on a slow but gradual recovery, with demand focused on the mid-priced and affordable range as the economy improves and is encouraged by the supportive government policies in place.

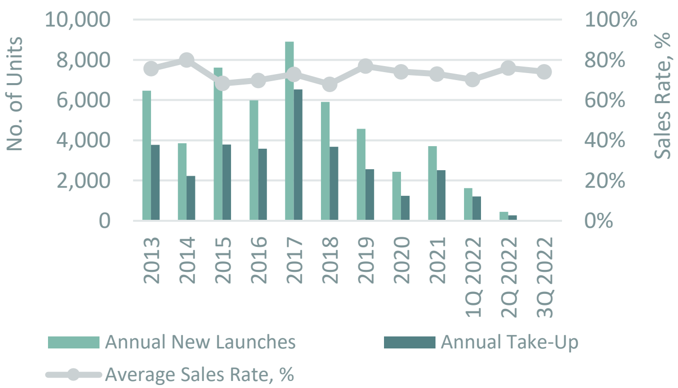
Nonetheless, demand could be held back by slower economic growth, increased borrowing costs and other market uncertainties. Although the Overnight Policy Rate (OPR) remains lower in comparison to pre-pandemic (2022: 2.75% vs 2019: 3.25%), any further hike may dent buyers' affordability and sentiment.

Planned Supply in Klang Valley



Source: NAPIC, CBRE | WTW Research

Kuala Lumpur Annual Launches, Take-Up and Average Sales Rate



Source: CBRE | WTW Research

On the supply side, developers are expected to remain prudent in launching amidst rising interest rates, elevated material and labour costs; and continuous supply-demand imbalances, especially for high-rise residences. The landed residential segment is expected to remain resilient, given the good response last year.

Notable major integrated developments in Kuala Lumpur with more residential launches in the near future would include Merdeka 118, Tun Razak Exchange, Bukit Bintang City Centre, Pavilion Damansara Heights, KL Metropolis, KL Wellness City and Kiara Bay.

In embracing new living trends, developers have been incorporating digitalized property management processes e.g., Sunway Property via Sunway Property Facility Management (SPFM) app, Platinum Victory via JaGaApp, and TRX Residences which will provide a customised smart community app that residents can use for booking of facilities, visitor management, calling of lifts and more.

Following the pandemic, buyers' key considerations have now expanded to include wellness-centric facilities and flexible spaces which allow homeowners to convert for other usages. Green features and flexible use of unit spaces were also seen being successfully incorporated into new projects to cater to new buyers' demands.

Other new features that might be rising in importance consist of incorporating EV charging stations, designated e-hailing pitstops and delivery parcel lockers.

Penang

The Penang residential market has resumed activities with cautious optimism, amidst an overhang of high-rise developments and a price correction.

The Penang residential property market resumed being active in 2022. Transaction volume increased by 18% to 10,885 units while transaction value grew to RM4.67 billion, up 14% as compared to the corresponding period last year.

This sector has been cushioned from the pandemic due to housing being a necessity and high aspiration for home ownership as well as low-interest rates.

Although transactions picked up, new launches by developers have been subdued, in the wake of soaring construction costs and labour shortages. Cautious optimism would prevail in such a property development scene.

GOVERNMENT INITIATIVES SPURRING THE MARKET

The residential property sector has also been spurred by Federal and State Government initiatives.

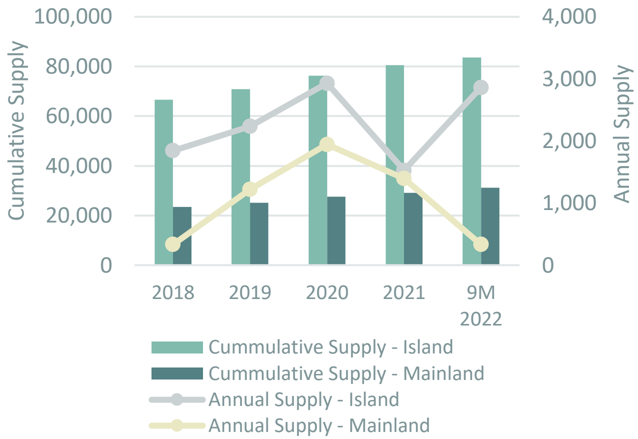
The 100% stamp duty exemption for first-time homeowners remains, applicable for properties priced RM500,000 and below through the Keluarga Malaysia Home Ownership Initiative (i-Miliki) from 1 June 2022 to December 2023 remains applicable.

The 75% stamp duty exemption on properties priced between RM500,001 and RM1 million will also pique the interest of middle- to upper-income first-time homebuyers as well as those who are looking to upgrade their property.

Supply of Landed Residential

Abbreviation: 9M – first 9 months
Source: NAPIC, CBRE | WTW Research

Supply of High-Rise Residential



Abbreviation: 9M – first 9 months
Source: NAPIC, CBRE | WTW Research

Furthermore, the State Government has also extended its home ownership campaign until 31 December 2023 which will assist first-time buyers as well as facilitate developers in promoting affordable housing.

The initiatives would continue to spur the residential property market in 2023.

STABLE PRICE FOR LANDED RESIDENTIAL

Prices of landed residential properties in Penang Island have been holding strong, due to the current scarcity of development lands, while for Seberang Perai, the prices for landed residential units were more competitive.

Price correction in the high-rise residential market will continue but with fewer launches, the overhang could be reduced as unsold units are progressively absorbed.

Penang (Cont'd)

KEDAH

Transaction activities improved in 2022, mainly driven by landed properties in town areas.

Lagenda Properties Bhd and Bina Darulaman Bhd (BDB) announced the joint venture development of Darulaman Lagenda, in Sungai Petani, Kedah. With a gross development value of RM593 million and 2,500 homes, it may be the largest affordable township development in Kedah.

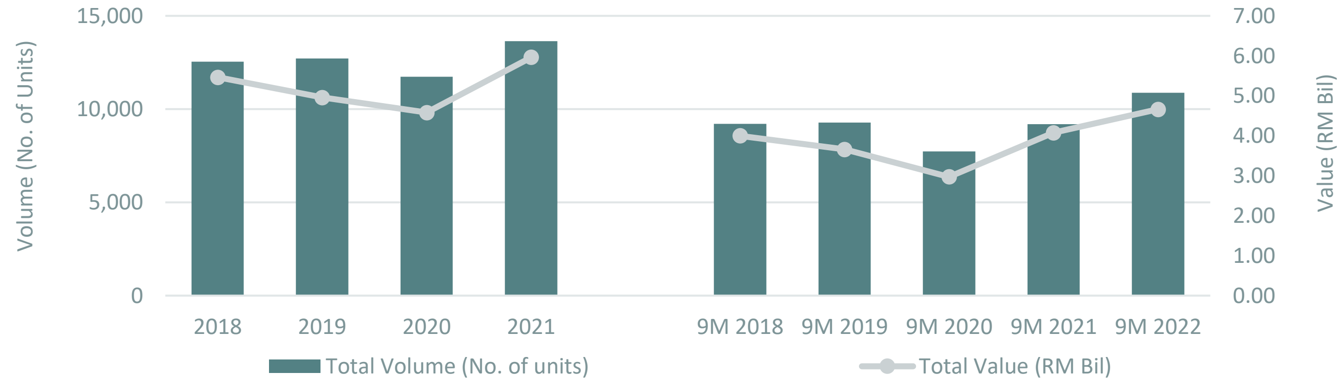
The first phase is 282 single-storey houses, priced below RM250,000 per unit. Launched in December 2022, it has been fully sold.

PERAK

Growth in market activity was seen this year and the price of the landed residential market is expected to remain stable.

The high-rise residential showed a downward trend and fewer launches.

Residential Transaction in Penang



Abbreviation: bil – billion
Source: NAPIC, CBRE | WTW Research

Iskandar Malaysia

The market saw an uptrend in both secondary and primary markets.

TRANSACTION ACTIVITY IN AN UPTREND

Transaction activity of both landed and high-rise residential properties increased in the first nine months (9M) of 2022 as compared to the corresponding period in 2021.

Landed residential recorded an increase of 47% and 50% year-on-year (y-o-y) in transaction volume and value respectively. The total transaction volume increased to 8,256 units (9M 2021: 5,635 units), along with the transaction value to a total of RM4,402 million (9M 2021: RM2,929 million).

The transaction volume of high-rise residential in 9M 2022 rose by 30% y-o-y to 1,822 units (9M 2021: 1,338 units), while the transaction value ascended by 28% y-o-y to RM697 million in the first nine months of 2022.

Residential Transactions

	Total Volume	Total Value
Jan – Jun 2021	6,974	RM3,473 mil
Jan – Jun 2022	10,078	RM5,099 mil
% Change y-o-y	46%	47%

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

MODERATE SUPPLY IN THE PRIMARY MARKET

Developers are cautious in releasing new supply due to the uncertainties arising from various challenges affecting market sentiment: the overhang issue and rising prices.

Landed residential properties continued to see more activity compared to high-rise residential. Several new landed residential projects were introduced in the market in smaller numbers. About 50% of the new supply is double-storey terraced houses, followed by high-rise residential developments.

Only two new high-rise residential developments were launched: 2,159 apartments by D' Secret Garden 2 in Kempas and Pangsapuri KSL Bukit Gemilang in Skudai.

RENTAL PERFORMANCE IMPROVING

Demand for rental properties has increased significantly since the reopening of Singapore borders. This resulted in increased rental rates, especially in the Johor Bahru area.

CONSTRUCTION ACTIVITY IMPROVED

Construction activity resumed operating at full capacity. A higher number of completed landed residential units were recorded in in first nine months of 2022 compared to 2021. The cumulative supply of landed residential is expected to reach 350,000 units.

MISMATCHED SUPPLY AND DEMAND

Johor's overhang was the highest in the country, about 38% of the total overhang in 1H 2022.

The residential overhang situation in Iskandar Malaysia improved slightly by 5% compared to the preceding half. Most developers are focusing on selling unsold inventories. The market saw a reduction of 6% in the high-rise overhang to 17,875 units in 1H 2022 while the overhang in landed residential increased by 2% to 2,322 units.

Condominium/apartment and serviced apartment still makes up about 88.5% of total overhang while by price range, units above RM500,000 took up the proportion: 88.5%.

Most of the transacted high-rise residential units were priced at less than RM500,000, 65.4% out of 6,108 units, reflecting a price mismatch.

SIGNIFICANT TRANSACTION

Several significant transactions were noted in 2022 :

- June 2022, MS Lakecity SB, a subsidiary of Mah Sing Group, acquired a parcel of 6.938-acre land to be built upon with serviced apartment named M Minori for RM39.29 million.
- KSL Development SB acquired 84.09 acres of development land located along Jalan Skudai – Gelang Patah from Tropicana Desa Mentari SB for RM109.88 million in August 2022.
- In September 2022, KSL Medini Development SB entered into a sale and purchase agreement with Tropicana GP Views SB to purchase 53.89 acres of land in Pontian for RM102.94 million.

Iskandar Malaysia (Cont'd)

BATU PAHAT

The landed residential sector performed positively in 2022 with high demand for projects with gated-guarded facilities and landscape design. Batu Pahat's residential market saw limited new supply. Most of the on-going projects were in outskirt areas, i.e. Peserai and Linau areas or along Jalan Kluang. A slower take-up was noticed due to the uncertain market condition.

There were limited high-rise residential transactions in the sub-sale market and no new developments. Most Batu Pahat locals still prefer landed properties offering more space. Overall, the market was stable.

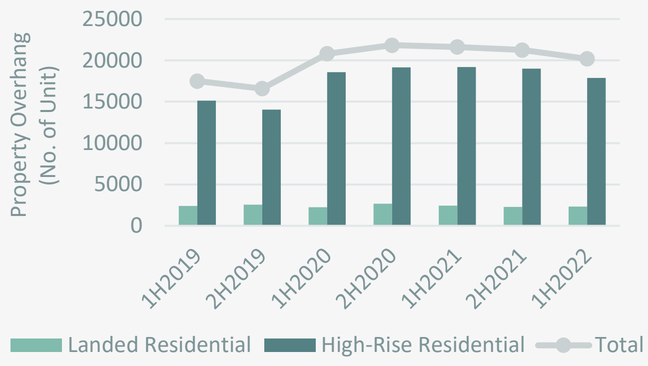
MELAKA

Malacca's residential sector recorded an uptrend in transactions. Landed residential increased by 5% and 16% year-on-year (y-o-y) in transaction volume and value respectively. Total transaction volume was 3,266 units (1H 2021: 3,117 units), valued at RM1,145 million (1H 2021: RM991 million). About 84% of the units were priced below RM500,000, due to the high demand for such developments.

The transaction volume of high-rise residential in 1H 2022 rose by 31% y-o-y to 306 units (1H 2021: 233 units), valued at RM102 million (up 87% y-o-y). About 94% of the units were price range below RM500,000. The take-up is still slower as the preference is landed homes.

The purchasers' profile for high-rise property is mainly for owner occupation, working professionals who would like to stay near their workplaces and expatriates who prefer to stay in the town area.

Property Overhang in Iskandar Malaysia



Source: NAPIC, CBRE | WTW Research

Show Village of cluster and semi-detached types, of the newly launched The Commune @ Eco Botanic 2
Source: CBRE | WTW Research

Several transactions were recorded in 2022. Hypersky SB acquired 5.49 acres of residential land located off Jalan Baru, Jalan Melaka Raya/Limbongan for RM19.10 million. Eraone Property Sdn Bhd acquired 14.95-acre commercial land located off Jalan Syed Abdul Aziz, Kota Laksamana for RM36.54 million. Another 14.60 acres of commercial land located off Jalan Klebang was acquired by Vistaleap Sdn Bhd for RM15.90 million. All the lands were purchased mainly for the development of serviced apartments and gated & guarded landed residential projects.

MARKET OUTLOOK

A rise in property prices and interest rates have lowered home purchasers' affordability, topped by economic uncertainties.

However, the Government's various home-buying incentives and financing schemes i.e. stamp duty exemption and financing facilities for first-time homebuyers, provided some relief. Job opportunities also have increased while rental demand has also risen following more Malaysians joining the Singapore labour market.

Having considered the above, an improvement is expected in 2023 in terms of transactions, price and rental rates for residential properties. The sales of properties priced below RM500,000 is also expected to improve in next year.

Sabah

Kota Kinabalu: Residential saw better performance with improved sub-sale transactions up to 3Q 2022.

MORE ACTIVE SUB-SALE SECTOR

After the gradual resumption of economic activities and the lifting of the movement control order, sub-sale activities in the residential sector improved. Transactional activities within the Kota Kinabalu-Penampang-Putatan areas amounted to RM1,071 million from 2,267 transactions in 3Q 2022, an increase of 23% and 22% in terms of volume and value, year-on-year (y-o-y), respectively, exceeding pre-Covid 19 levels.

NEW LAUNCHES

Several new offerings of landed residences included subsequent phases of Parklane 2 in Sepangar; Meridian Place mixed housing in Penampang and 3-storey gated, luxurious terraced houses in Banyan Valley, off Jalan Nountun-Bukit Padang.

New high-rise developments opened for sale included Damar Residence in Lok Kawi and Bay Suites condominium at Likas Bay. A condominium tower forming part of the proposed 88 Avenue mixed development in Kepayan was also opened for registration of interest.

1Sulaman Platinum Tower (1,008 units) from a previously abandoned condominium project along Jalan UMS was completed and issued with the Occupation Certificate in October 2022. The other notable completion was Elemen Utara Presint 2 Block A condominium in Manggatal in early 2022.

All Residential Transactions in Kota Kinabalu, Penampang and Putatan

	Total Volume	Total Value
Jan – Sept 2021	1,849	RM880.56 mil
Jan – Sept 2022	2,267	RM1,071.44 mil
% Change y-o-y	23%	22%

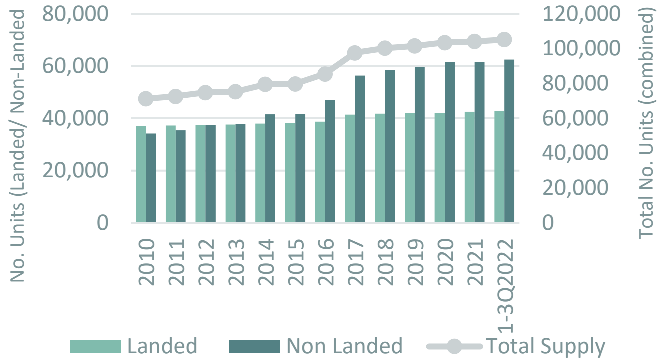
Abbreviation: mil – million
Source: NAPIC, WTWS Research

Landed Residential Transactions in Kota Kinabalu, Penampang and Putatan

	Total Volume	Total Value
Jan – Sept 2021	943	RM571.03 mil
Jan – Sept 2022	1,234	RM718.71 mil
% Change y-o-y	31%	26%

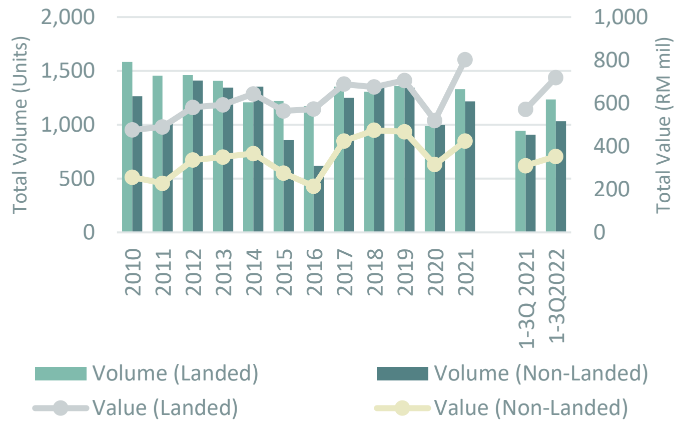
Abbreviation: mil – million
Source: NAPIC, WTWS Research

Supply of Residential Units in Kota Kinabalu, Penampang and Putatan



Source: NAPIC, WTWS Research

Volume and Value of Residential Transactions in Kota Kinabalu, Penampang and Putatan



Source: NAPIC, WTWS Research

Sabah (Cont'd)

In the sub-sale market, condominiums transactions moderated slightly in 3Q 2022, year-on-year (y-o-y). Units priced from RM400,000 to RM599,000 accounted for half of the transaction volume while properties below RM400,000 made up about 9% compared to 18% in 2021. Units over RM800,000 transacted also increased to 16%, up from 9% in 2021.

Despite the overall improvement in 2022, external headwinds such as slower global growth, inflationary pressures, and higher borrowing costs, could impede future take-up. The high-rise residential segment remains competitive while interest for landed residential is firm due to limited new supply and would be sustainable.

LAHAD DATU

There was little change in the residential sector in 2022 as the high palm oil prices did not last long while input costs such as labour, fertilisers and chemical costs had increased substantially. Moving into 2023, a downtrend in residential transactions is anticipated due to subdued economic activities, restricted disposable income and higher borrowing rates.

On the flip side, there is a vacuum of residential properties with prices ranging from RM400,000 to RM1 million due to supply disruptions caused by the 2-year Covid-19 pandemic lockdown.

TAWAU

Overall, a stable residential market in recovery after the pandemic. Landed residences remain the preferred choice while demand for medium-cost residential units located near town continued to be the brightest spot. Niche upper-end residential units above RM650,000 saw moderate movement. Medium-cost walk-up apartments are driving sales, but take-up is modest.

The market is on a gradual recovery and prices will hold up well. Medium-cost housing will attract the bulk of the buying interest, with some bargain hunting for properties in close proximity to town. However, higher borrowing costs to finance house purchases might affect investors' appetite.

SANDAKAN

The landed residential sector saw increased transaction activities in 2022, particularly for properties within the RM300,000 – RM400,000 range.

Kingfisher Sandakan, a 792-unit condominium and 480 units in Sri Indah Kondominium were completed.

Notable new offerings include landed residences in Utama Park Residence Phases 2A and 2B; Utama South Park Phase 1A as well as Awana Mas Residence off Jalan Airport. Awana Mas Residence is reportedly sold out while 204 condominium units in Kingfisher Sandakan are opened for sale on a build-then-sale basis.

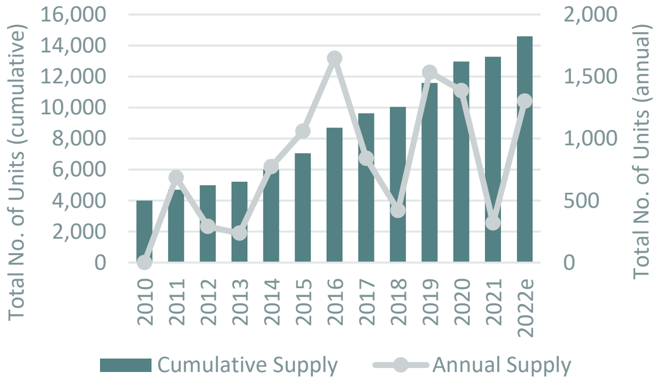
In 2023, house prices are expected to be sustained with interest for landed properties while demand for high-rise residences will be muted.

LABUAN

As with previous years, affordability remains the unrelenting theme for potential homeowners within a stable market environment.

How 2023 pan outs will depend on the availability of job opportunities in the oil and gas sector, the relaxation of lending requirements and the aftermath of the pandemic.

Supply of High-Rise Residential Units in Kota Kinabalu, Penampang and Putatan



Source: NAPIC, WTWS Research

1S Platinum Tower
Source: WTWS Research

Sarawak

Kuching: Residential sector is going strong with increases in volume (40%) and value (43%) transacted in 2022 y-o-y. Incoming supply is expected to be less landed and more high rise.

INCREASED INCOMING SUPPLY

Most of the residential projects were launched in the Batu Kawa locality, a secondary prime housing area.

Some new launches of landed housing in 2022 are :

— Greenery Heights Phase 1, at Jalan Sungai Moyan by Top Green Construction Sdn Bhd – 37 units of 2-storey terraced priced from RM516,800.

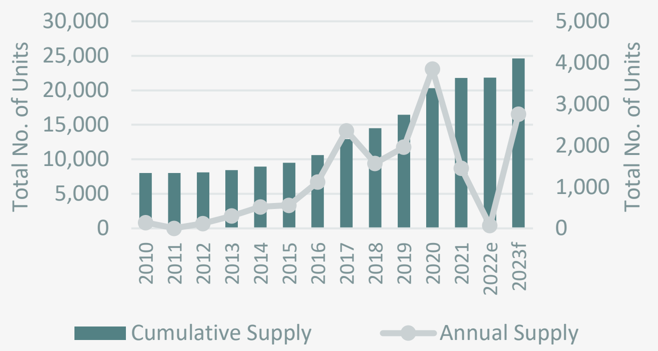
— Pines Residence 84 and Pines Residence 86 at Batu Kawa by Lee Onn Development Sdn Bhd – 170 units of 2-storey terraced houses priced from RM700,000.

— Sejijak Residence at Jalan Sejijak by Lik Kuok Realty SB/Sinar Mekar Properties SB – priced from RM358,000 for a 1-storey terrace (142 units) to RM468,000 for 1-storey semi-detached (20 units) Some Spektra Lite affordable housing (59 units) were priced between RM100,000 and RM135,000.

— Vison Hill at Sungai Tengah by Hong Seng Construction (EM) SB – 133 units of affordable Spektra terraced houses priced from RM135,000 to RM295,000

— Riccarton Avenue @ Moyan at Tondong with 79 units of terraced and semi-detached.

Supply of High-Rise Residential in Kuching



Note: Data for the full year of 2022 is based on estimation from NAPIC's data
Source: NAPIC, WTWY Research

High-rise launches in 2022 include:

— AVA 8, Jalan Kuching-Serian (270 units)

— RSS Residence, Jalan Batu Kawa (240 units)

— OAKLAND @ Stapok (110 units)

— SP Lodge Sri Pertiwi @ Batu Kawa New Township (486 units)

There were slightly more high-rise launches than completions, with the latter down by more than 57% year-on-year (y-o-y) as at 1H 2022 (539 units) compared to 1H 2021 (1,251 units). However, incoming supply increased (1H 2021: 4,692 units and 1H 2022: 5,522 units).

The unit types ranged from affordable 2-bedroom units (600 sf) to bigger 3 + 1 bedroom units of about 2,000 sf.

Completions included The 1878 @ Tabuan Jaya for PPAM (civil servants) with 192 units and the last block of Riverine Diamond (156 units) (IJM Project).

The prices of high-rise residential units in Kuching maintained an average of RM500 per square foot and a yield of 3.5% per annum.

Residential prices are expected to hold steady and even increase further for those in short supply in prime and popular areas.

The 1878 @ Tabuan Jaya, Kuching
Source: WTWY Research

Sarawak (Cont'd)

MIRI

Landed residential

Landed residential transactions for the year increased, particularly for 2-storey terraced houses, up 14.5% in 1H 2022 compared to 1H 2021, but decreased by 6.2% against 2H 2021 likely due to the Overnight Policy Rate (OPR) hikes in the past several months.

Transacted prices show a similar trend with values for 1H 2022 increasing 18.1% against 1H 2021 and decreasing 10.4% against 2H 2021.

Occupancy and take-up rates are expected to remain stable.

There is an emerging trend of gated and guarded housing estates and also the continuing demand for affordable housing.

Significant projects currently underway are the Sri Pertiwi* projects namely Taman Harmoni and Ara Mutiara.

Landed housing is still the popular choice in Miri over high-rise residential.

*Note: *Sri Pertiwi Affordable Housing Program is a scheme implemented by the Sarawak Government to cater for the growing demand for affordable housing in Sarawak by the middle-income (M40) and low-income group (B40). The house prices are capped at RM270,000 (intermediate) & RM295,000 (corner) for landed units and RM295,000 for non-landed units.*

High-rise residential

Transaction activities for high-rise residential were down by 17.6% in 1H 2022 compared to 1H 2021 while occupancy and take-up rates remained stable. Growth will be moderate depending on demand from expatriates and non-local professionals.

High-rise apartments with sea/beach views and smaller unit sizes continue to trend.

The target buyers are mostly local young families and first-time homebuyers as well as some property investors and buyers under the Sarawak My Second Home Program (S-MM2H) program.

Despite the rising OPR and inflation, sales in the more affordable residential category is still expected to be strong. Therefore, the overall residential market for Miri is anticipated to have an upward trend in 2023.

BINTULU

Landed residential

As at 1st half of 2022, the transaction volume of landed residential properties (331 units) compared to 1H 2021 (324 units) remained stable. The average transacted value of landed residential units increased by 10% - 15% compared to 2021.

As a developing industrial town, Bintulu has experienced an influx of migrant workers. The demand for residential houses remains bright with a strong rental market.

Upcoming affordable housing, namely Spektra and Sri Pertiwi* will increase the supply of landed residential by 402 units in Tanjung Kidurong (JV between Bintulu Development Authority and Johabaru group), and 1,154 units in Kidurong Sentral with approximately another 2,470 units in the pipeline.

High-rise residential

The transaction volume of high-rise residential properties in 1H 2022 increased from 28 to 33 units, whilst transaction value increased from RM10.47 million to RM13.60 million compared to 1H 2021, and the average transacted value increased 5% to 10% compared to 2021.

High-rise residential units are more affordable and popular for rent by the migrant and transient population.

Miri – Average Transacted Price and Yield for 2022

	Price (RM)			Average Yield (%)	
	2021	2022		2021	2022
Terraced House	476,000	485,000	Per unit	3.0	3.0
Semi-Detached House	695,000	698,000	Per unit	3.0	3.0
Condominium	580 psf	587 psf - 665 psf	Per sq. ft.	4.0	3.0-4.0

Abbreviation: psf – per square foot, sq. ft. – square feet
Source: WTWY Research

Bintulu – Average Transacted Price and Yield for 2022

	Price (RM)			Average Yield (%)	
	2021	2022		2021	2022
Terraced House	503,000	574,000	Per unit	3%-3.5%	3%-3.5%
Semi-Detached House	786,000	803,000	Per unit	3%-3.5%	3%-3.5%
Condominium	440 psf	480 psf	Per sq. ft.	2.5% - 3%	2.5%-3%

Abbreviation: psf – per square foot, sq. ft. – square feet
Source: WTWY Research

Sarawak (Cont'd)

SIBU

Landed residential

The landed residential market is on the uptrend, with sufficient supply and reasonably good demand. Anticipated increases in raw material and construction costs have caused potential buyers to reserve units in advance despite the rising housing loan interest rate so as to avoid future higher selling prices.

The take-up rate is expected to remain stable based on past trends over the years.

Apartments in Sibu are becoming more varied in order to cater to different income groups. Occupancy rates and asking prices for newly completed projects have improved over time.

The primary market is expected to perform well whilst the secondary market might experience a slowdown. Selling prices are expected to rise due to inflation and increasing construction costs.

High-rise residential

The high-rise residential sub-sector is catching on as the local market accepts and adapts to new lifestyles and living experiences of security and convenience.

However, with more choices in the market, a longer time is required for the disposal of completed units and there is lower marketability for sub-sale units.

Sibu – Average Transacted Price and Yield for 2022

	Price (RM)			Average Yield (%)	
	2021	2022		2021	2022
Terraced House	460,000	500,000	Per unit	3%	3%
Semi-Detached House	700,000	750,000	Per unit	3%	3%
Condominium	510	540	Per sq. ft.	4%	4%

Abbreviation: sq. ft. – square feet
Source: WTWY Research

MARKET OUTLOOK

Landed residential continues to dominate market demand, although potential homebuyers are affected by affordability issues and financial difficulties.

The continuance of the Home Ownership Campaign (HOC) under i-MILIKI program will help sales, especially those that are higher priced. Rentals and occupancies remain stable for landed housing.

The release of pent-up demand for residential properties is more gradual due to the lack of economic impetus and financial support. The present overhang of high-rise residential strata titled units in Sarawak has been eased by the lull in new launches.

Although 2022 has seen some upward revisions in rents and prices, these have not been in tandem with inflationary costs. The residential property market is still more of a buyers' market especially in secondary locations.

The following factors continue to weigh heavily on market recovery: resurgence/mitigation measures against Covid-19 variants, inflationary pressure and effectiveness of policies.

Residential – New Launches (Landed Residential)

Projects	Location	Developer	Type	Unit Size (sq. ft.)	No. of Units	Price (RM per unit)
KLANG VALLEY						
Serenia Anira @ Serenia City	Sepang	Sime Darby	2-T	1,933 – 2,362	200	> 735,800
Nadira @ Bandar Bukit Raja	Klang	Sime Darby	2-T	1,900 – 2,231	242	> 783,800
Altora & Balora Musika Homes @ Setia Alam	Setia Alam	SP Setia	2-T	2,298 – 2,520	234	> 1,070,000
Straits of Heron 2 @ Setia Eco Park	Shah Alam	SP Setia	2-SD, 2-DH	SD: From 2,950 DH: From 3,500	43	SD: > 2.42 million DH: > 3.83 million
Elmina Green 6 @ City of Elmina	City of Elmina	Sime Darby	2-T	2,170 – 2,675	255	> 1,174,000
ISKANDAR MALAYSIA, JOHOR						
Bandar Indahpura (Rimbun Residences) (Ledang Homes)	Kulai	Genting Property SB	2-T 2-T	2,074 1,752	100 83	> 716,500 > 574,000
Eco Spring (Rosé 3) (Daisy – Fortè & Fortè+) (Bayfield)	Tebrau	Eco Springs Development SB (EcoWorld)	2-T 2-C 2-SD	2,007 – 2,237 2,698 3,459	162 92 44	> 1.10 million > 1.44 million > 2.0 million
The Grove @ Setia Eco Garden (Maple 1 & 2) (Pine 1 & 2)	Lima Kedai	Kesas Kenangan SB (SP Setia Bhd Group)	2-T	1,588 – 1,632 1,445 – 1,646	113 116	610,800 – 799,200 528,000 – 776,000
Iconia Garden Residence @ Taman Impian Emas	Skudai	Gunung Impian Development SB	1-T (Zone 10B2) 1-T (Zone 10C1A) 2-T (Zone 10A5)	1,240 1,370 1,868 – 2,057	176 118 145	> 488,000 > 530,000 > 648,000

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; TH – Townhouse; sq. ft. – square feet
Source: CBRE | WTW Research

Residential – New Launches (Landed Residential)

Projects	Location	Developer	Type	Unit Size (sq. ft.)	No. of Units	Price (RM per unit)
ISKANDAR MALAYSIA, JOHOR						
Bukit Impian Residence @ Taman Impian Emas (Phase 6E2)	Skudai	Gunung Impian Development SB	2-SD	2,963	36	> 1.10 million
Bandar Putra (Piccolo) (Arcela)	Kulai	Nice Frontier SB (IOI Properties Group Bhd)	1-T 1-SD	1,459 1,819	147 130	> 528,900 > 817,900
Sonatia @ Bandar Putra (Phase 1 / Phase 2)	Kulai	IOI Properties Group	2-T	2,417	287	> 704,000 > 738,900
Areca @ Bandar Uda Utama	Skudai	UDA Land (South) SB	2-T	1,443	172	> 633,000
Austin Duta (Phase 9A)	Tebrau	IJM Land Bhd	2-T	1,862 – 1,954	110	> 605,500
Aurora Sentral Resort Villa (Phase 1)	Iskandar Puteri	Country View Resources SB	2-T	2,833	464	> 988,000
Aster Heights	Gelang Patah	Tropicana GP Views SB	2-T	1,446	193	> 478,000
Nigella @ Bandar Tiram	Ulu Tiram	Johor Land Bhd	2-T	1,550	144	> 561,000
Pisonia Ville (Pac 2)	Skudai	UDA Land (South) SB	2-T	1,875 – 2,550	53	> 874,000
Taman Pulai Bestari	Pulai	Khoo Soon Lee Realty SB	2-T 2-C	2,200 2,700	183 300	> 785,000 > 997,800
SEREMBAN, NEGERI SEMBILAN						
Resort Residence 2B (Azalea II)	Bandar Sri Sendayan	BSS Development Sdn Bhd	2-T	1,650 (intermediate) 2,658 – 4,165 (corner)	84	768,800 – 896,800 1,019,800 – 1,297,780
Hijayu 2 (Resorts Villa)	Bandar Sri Sendayan	BSS Development Sdn Bhd	1-D & 2-D (Type A) 1-D & 2-D (Type B)	8,250 – 11,905 8,250 – 11,033	6 7	3,188,800 – 3,644,800 3,288,800 – 3,651,800
Irama Sendayan	Bandar Sri Sendayan	BSS Development Sdn Bhd	2-T	1,400 – 3,616	156	360,000 – 828,800
Taman Nilam Sari	Temiang, Seremban	Mega 3 Housing Sdn Bhd	2-T	1,300 - 2,725	122	465,000 – 532,300
Taman Desa Ros	Senawang	Mega 3 Housing Sdn Bhd	2-T	1,300 - 2,600	50	504,800 - 623,800

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; TH – Townhouse; sq. ft. – square feet
Source: CBRE | WTW Research

Residential –
New Launches (Landed Residential)

Projects	Location	Developer	Type	Unit Size (sq. ft.)	No. of Units	Price (RM per unit)
PENANG						
Casa Rica	Sungai Ara	SP Setia	2-SD 3-SD	2,897 – 3,046 3,512 – 3,573	22 16	>2,013,000 >2,300,000
SEBERANG PERAI, PENANG						
Iris	Tasek Gelugor	Scientex	2-TH	1,364	401	303,000 - 470,000
ALOR SETAR, KEDAH						
Southfiled Residence Zone 2, Yarra Park	Bandar Puteri Jaya	OSK Properties Bhd	1-SD 1-D	3,600 - 6,600 7,340 – 7,588	50	508,100 - 654,450 668,720 - 713,330
MELAKA						
Taman Bertam Heights (Fasa 1B)	Tanjung Minyak	Teladan Setia Sdn Bhd	2-SD 2-T	3,197 – 6,706 1,755 – 5,307	30 246	688,800 – 930,400 518,800 – 722,100
Taman Tehel Indah	Tehel	Suara Kiaramas Sdn Bhd	2-T	1,539 – 3,670	357	394,200 – 615,410
Scientex Jasin (Phase 1A1 & Phase 1A2)	Jasin	Scientex Heights Sdn Bhd	2-T	1,170 – 3,724	522	277,000 – 475,000
Bandar Botani Parkland Presint 1, Phase 1B	Lipat Kajang	Parland Avenue Sdn Bhd	2-T 2-C	1,539 – 2,971 2,885 – 5,769	263 115	412,200 – 548,700 538,200 – 722,400
Taman Bertam Heights (Fasa 1B)	Tanjung Minyak	Teladan Setia Sdn Bhd	2-SD 2-T	3,197 – 6,706 1,755 – 5,307	30 246	688,800 – 930,400 518,800 – 722,100
Taman Tehel Indah	Tehel	Suara Kiaramas Sdn Bhd	2-T	1,539 – 3,670	357	394,200 – 615,410
Scientex Jasin (Phase 1A1 & Phase 1A2)	Jasin	Scientex Heights Sdn Bhd	2-T	1,170 – 3,724	522	277,000 – 475,000
Bandar Botani Parkland Presint 1, Phase 1B	Lipat Kajang	Parkland Avenue Sdn Bhd	2-T 2-C	1,539 – 2,971 2,885 – 5,769	263 115	412,200 – 548,700 538,200 – 722,400

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; TH – Townhouse; sq. ft. – square feet
Source: CBRE | WTW Research

Residential – New Launches (Landed Residential)

Projects	Location	Developer	Type	Unit Size (sq. ft.)	No. of Units	Price (RM per unit)
KUANTAN, PAHANG						
River Vale (Precint 7 Phase 4)	KotaSAS	KotaSAS & Wawasan Intact	1-T	1,680 – 1,960	201	383,000 – 561,000
PPAM Aman Plus 2	Tanjung Lumpur	Melima Assets Sdn Bhd	1-T & 2-T	1380 – 1930	317	199,960 – 299,150
KOTA KINABALU, SABAH						
Banyan Valley	Off Jalan Nountun-Bukit Padang	Asia Land International Sdn Bhd	3-T	2,552 – 5,189	84	1.473 million onwards
Parklane 2 (Part 2A, 2B, 4A & 4B)	Sepanggar	Ramindah Sdn Bhd	2-T	1,445 onwards	135	738,000 onwards
Meridian Place	Penampang	Skye Vista Development Sdn Bhd	2-T 3-T 2-SD	1,455 1,455 – 3,074 2,701 – 3,048	12 14 6	931,000 onwards 1.017 million onwards 1.723 million onwards
TAWAU, SABAH						
Taman Jasmin	Jalan Sin On Utara	LEEKA	2-T	1,688 – 1,722	18	617,000 – 780,000
Taman Ria 5	Jalan Utara Baru	LEEKA	1-T	1152	6	475,000 – 680,000
SANDAKAN, SABAH						
Rimbayu Indah Phase 2A	Off Jalan Lintas Sibuga	Panorama Jelita Sdn Bhd	2-T	1,264 – 2,804	52	564,300 - 909,000
Utama Park Residence (Phase 2A) (Phase 2B)	Off Jalan Utara	IJM Properties Sdn Bhd	2-D 2-SD	6,631 – 10,723 3,296 – 5,881	14 46	2,739,800 – 3,428,000 1,654,900 – 2,321,000
Utama South Park Phase 1	Off Jalan Utara	IJM Properties Sdn Bhd	2-T	1,642 – 3,418	42	869,250 – 1,297,000
Awana Mas Residence	Off Jalan Airport	BMG Global Sdn Bhd	2-T	1,407 – 3,054	98	398,800 – 480,500

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; TH – Townhouse; sq. ft. – square feet
Source: CBRE | WTW Research

Residential – New Launches (Landed Residential)

PROJECTS	Location	Developer	Type	Unit Size (sq. ft.)	No. of Units	Price (RM per unit)
KUCHING, SARAWAK						
Pines Residence 84 @ BKNT	Jalan Batu Kawa	Lee Onn Development Sdn Bhd	2-T	1905	84	> 725,000
Sejijak Residence	Jalan Sejijak	Lik Kuok Realty Sdn Bhd/ Sinar Mekar Properties Sdn Bhd	1-C 1-T 1-SD	941 923 1,040 – 1,130	34 108 20	403,000 – 468,000 358,000 – 378,000 468,000 – 588,000
Vision Hill	Lorong Sg Tengah 5	Hong Seng Construction (EM) Sdn Bhd	1-C 1-T	975 975	28 71	295,000 270,000
BINTULU, SARAWAK						
Glenary Park	Jalan Tun Hussein Onn	Pelita Raya Sdn Bhd	2-T 2-SD	1,874 – 6,527 4,068 – 4,190	120 4	678,800 – 1,178,800 1,128,800 – 1,138,800
Graceville	Jalan Tun Hussein Onn	Wahon Construction Sdn Bhd	2-T	1,992 – 4,586	54	718,800 – 1,058,800
MIRI, SARAWAK						
Ara Mutiara	Sungai Dalam, Miri	Green Summit Development SB	1-T	903	98	270,000 (intermediate) – 295,000 (corner)
Taman Harmoni	Kuala Baram, Miri	Dinospec Technology SB	1-T	919	430	270,000 (intermediate) – 295,000 (corner)

Note: T- Terraced; SD- Semi detached; D- Detached; C- Clustered; TH – Townhouse; sq. ft. – square feet
Source: CBRE | WTW Research

Residential – New Launches (High-Rise Residential)

Projects	Location	Developer	Unit Size (sq. ft.)	No. of Units	Price (RM per square foot)
KLANG VALLEY					
Skyline KL	CKL-S	LTS Skyline Sdn Bhd	480 – 1,080	1,109	750 – 900
One Eleven Menerung	BGSR	BRDB Developments Sdn Bhd	1,001 – 3,714	111	> 1,800
SWNK Houze	Bukit Bintang City Centre	BBCC Development Sdn Bhd	463 – 1,238	441	> 1,400
Skylon Residences	Bukit Ceylon	GBD Land Sdn Bhd	519 – 1,250	178	> 1,300
Lea by the Hills	Taman Melawati	OSK Property	1,050 – 1,243	344	> 500
Park One	Taman Melawati	Sime Darby Property	1,027 – 1,522	234	> 700
Noöra	Desa Park City	Perdana Park City Sdn Bhd	520 – 1,282	1,156	900 – 1,000
SEREMBAN, NEGERI SEMBILAN					
Mesa Premier	Nilai	Hari Lumayan Sdn Bhd	554	1,106	> 653
Ara Residence @ Myra Impian, Nilai		OIB Group	735 – 1,055	546	440 – 544
ISKANDAR MALAYSIA, JOHOR					
Trellis Residence	JBCC	MB W	295 – 1000	1302	295 – 435
KSL Bukit Gemilang	Skudai	KSL Realty	850 / 915	476	850 – 915
D' Secret Garden 2	Kempas	KSL Realty	420 – 893	1683	> 540
MELAKA					
Puncak Kasa Heights – Phase 1	Alor Gajah	Prasarana Pesona Sdn Bhd	1,751 – 2,051	214	230 – 270
PENANG					
Dora	Bayan Baru	Sunway Property	750 – 1,250	156	> 800
Versa	Batu Kawan	Aspen Group	703 – 868	960	> 490
Amaanee Residence	Seberang Jaya	Uda Land	950 – 1,100	422	> 320

Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

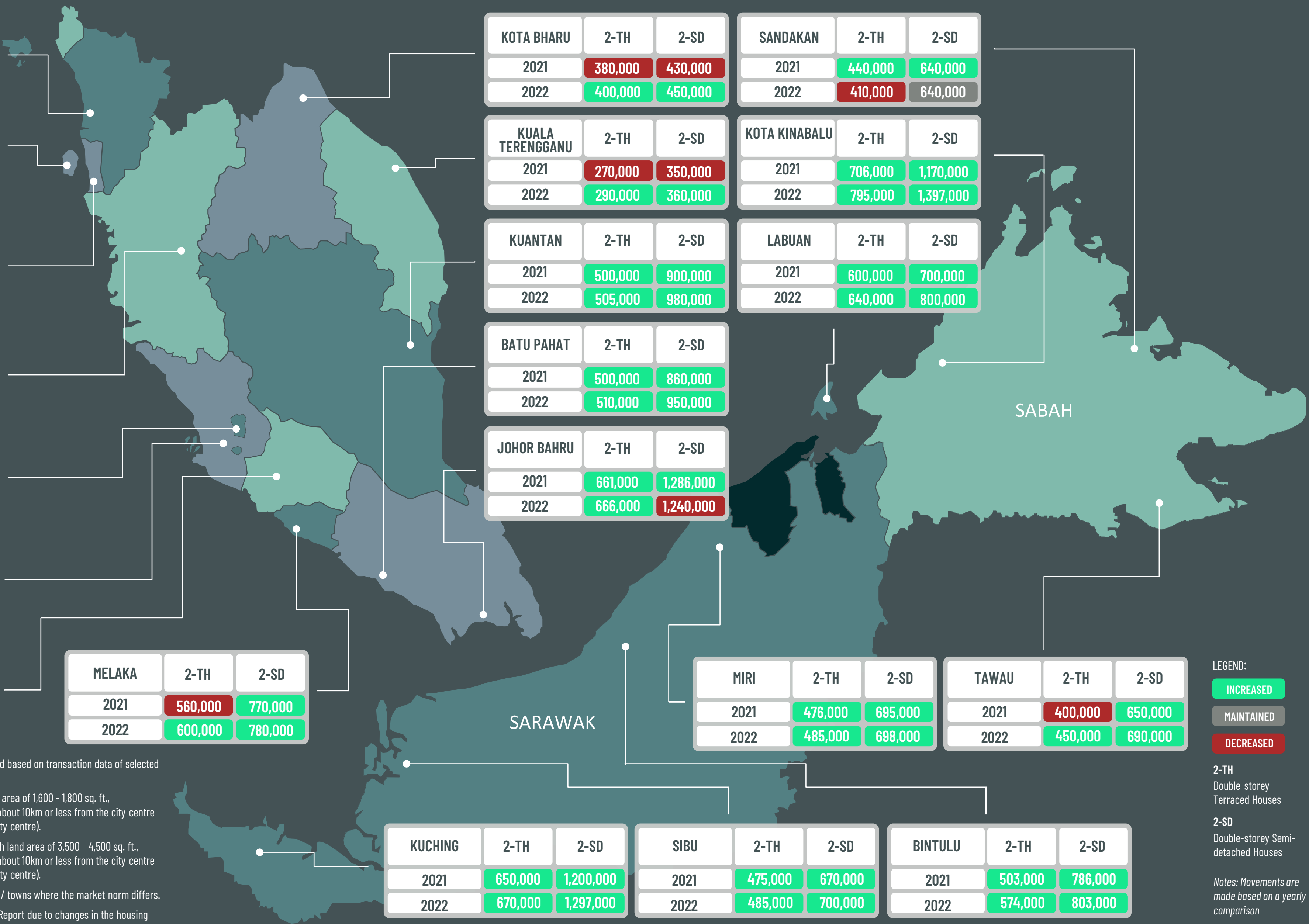
Residential –
New Launches (High-Rise Residential)

Projects	Location	Developer	Unit Size (sq. ft.)	No. of Units	Price (RM per square foot)
IPOH, PERAK					
The Stallionz @ Ipoh White Time Square	Jalan Sultan Nazrin Shah, Ipoh	Exism Group	650	424	650
Piccadilly @ Greentown Service Suite	Jalan Ashman Shah, Ipoh, Perak	Luxe Propoerties	538 – 1,055	399	440 – 545
SANDAKAN, SABAH					
Astana Heights Phase 5C (Block B1)	Off Jalan Utara	Hap Seng Properties Sdn Bhd	752 – 1,230	204	440 – 514
BINTULU, SARAWAK					
Imperial Residences	Jalan Tun Razak	Pantiasa Sdn Bhd	543 – 1,301	114	770 – 780
KOTA KINABALU, SABAH					
Damar Residence	Lok Kawi	Zalam Development (Sabah) Sdn Bhd	780 – 840	360	451 – 541
Bay Suites (Residential)	Likas Bay	Remajaya Sdn Bhd	659 – 1,690	70	724 - 943
KUCHING, SARAWAK					
Ava 8	7 1/2 Mile, Jln Penrissen	Timber Land Properties Sdn Bhd	603 – 1,033/1,710	270	493 - 533
KENSHO Residence	Jalan Batu Kawa	Lee Onn Development Sdn Bhd	1,170 – 1,380	124	340 - 350
Maxwell Residences	Lorong Maxwell 1	Gerbang Citarasa Sdn Bhd	3,500 / 7,000	11	> 1,500
RSS Residence	Jalan Batu Kawa	Lee Onn Development Sdn Bhd	1,050 – 2,004	240	> 440
IKE Village (PUTERA)	Off Jalan Datuk Mohammad Musa	Ministry of Housing Sarawak	833	270	238
OAKLAND	Jalan Stapok	LT Homes Development Sdn Bhd	1,390 – 1,894	110	440 – 460
SP Lodge Sri Pertiwi	Jalan Batu Kawa	Lee Onn Development Sdn Bhd	966	486	> 300
SIBU, SARAWAK					
Hann’s Avenue (Tower C)	Jalan Wong King Hou	Musyati Development Sdn Bhd	539 – 979	176	> 520

Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

2021/2022 Malaysia Housing Price Indicator

CBRE | WTW



ALOR SETAR	2-TH	2-SD
2021	430,000	570,000
2022	480,000	600,000

PENANG	2-TH	2-SD
2021	1,070,000	1,600,000
2022	1,070,000	1,700,000

SEBERANG PERAI	2-TH	2-SD
2021	500,000	730,000
2022	550,000	850,000

IPOH	2-TH	2-SD
2021	430,000	600,000
2022	450,000	650,000

KUALA LUMPUR/ PETALING JAYA	2-TH	2-SD
2021	1,440,000	2,957,000
2022	1,538,000	3,009,000

SUBANG JAYA/ SHAH ALAM	2-TH	2-SD
2021	778,000	1,415,000
2022	796,000	1,436,000

SEREMBAN	2-TH	2-SD
2021	540,000	1,200,000
2022	580,000	1,300,000

MELAKA	2-TH	2-SD
2021	560,000	770,000
2022	600,000	780,000

KOTA BHARU	2-TH	2-SD
2021	380,000	430,000
2022	400,000	450,000

KUALA TERENGGANU	2-TH	2-SD
2021	270,000	350,000
2022	290,000	360,000

KUANTAN	2-TH	2-SD
2021	500,000	900,000
2022	505,000	980,000

BATU PAHAT	2-TH	2-SD
2021	500,000	860,000
2022	510,000	950,000

JOHOR BAHRU	2-TH	2-SD
2021	661,000	1,286,000
2022	666,000	1,240,000

SANDAKAN	2-TH	2-SD
2021	440,000	640,000
2022	410,000	640,000

KOTA KINABALU	2-TH	2-SD
2021	706,000	1,170,000
2022	795,000	1,397,000

LABUAN	2-TH	2-SD
2021	600,000	700,000
2022	640,000	800,000

MIRI	2-TH	2-SD
2021	476,000	695,000
2022	485,000	698,000

TAWAU	2-TH	2-SD
2021	400,000	650,000
2022	450,000	690,000

KUCHING	2-TH	2-SD
2021	650,000	1,200,000
2022	670,000	1,297,000

SIBU	2-TH	2-SD
2021	475,000	670,000
2022	485,000	700,000

BINTULU	2-TH	2-SD
2021	503,000	786,000
2022	574,000	803,000

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

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

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

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

(iv) Prices for 2021/22 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the average price.

LEGEND:

INCREASED

MAINTAINED

DECREASED

2-TH
Double-storey Terraced Houses

2-SD
Double-storey Semi-detached Houses

Notes: Movements are made based on a yearly comparison

"Hybrid work arrangement is here to stay. But office space will still be a requirement by Malaysian occupiers. Access to talent pool, public transport, amenities and flexibility for tenants to reconfigure space/ tenancies will still be the driving force behind office space demands and decisions."

Sr Lim Chai Yin
Managing Director,
Advisory & Transaction
CBRE | WTW

04

Office

Purpose-built office: relevant to Klang Valley, Penang, IM, Kota Kinabalu and Kuching, relating to a privately-owned office building.

Shop office: relevant to other localities, relating to shop office buildings with multi-ownership and is used for office purposes.

Klang Valley

Future work styles brought about tech support, sustainability and staff wellness.

2022 witnessed the completion of Affin Bank HQ at Tun Razak Exchange (TRX), The Stride at Bukit Bintang Commercial Centre (BBCC), UOB 2 and EPF HQ at Kwasa Damansara, pushing purpose-built office (PBO) supply in the Klang Valley to 120 million sq. ft.

The recovery in leasing activities remained slow while demand will remain challenging as upcoming supplies will further elevate vacancy rates. Kuala Lumpur maintained the lowest rentals in South-East Asia, with yields from 5.5% to 6.0%.

TAKING THE SCENIC ROUTE

Office decentralisation and centralisation continued actively as large corporate entities relocated, such as KWSP to Kwasa Damansara, Affin Bank and HSBC bank into Tun Razak Exchange (TRX). Maybank will also relocate to PNB 118 and partly to Mercu Maybank at i-City, Shah Alam.

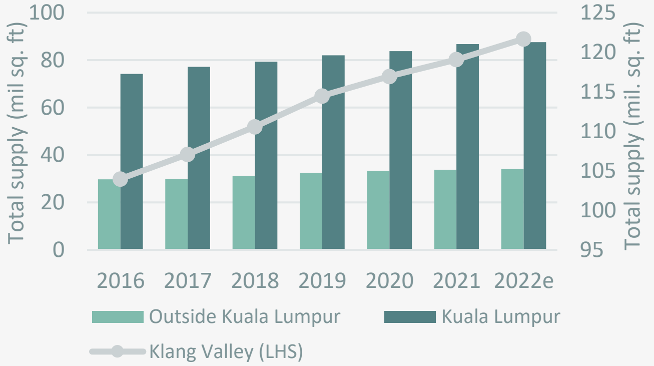
With owner occupants vacating, several PBO buildings in Klang Valley are being offered for sale. Meanwhile, transacted buildings in 2022 included Bangunan KWSP at Raja Chulan (at RM547 per sq. ft.) and Menara AmFirst in Section 14 Petaling Jaya.

REFURBISH OR DIE?

Staying relevant in the market pushes new construction plans for additional measures of future-proofing, while existing structures may turn towards a change of building use.

Wisma Lee Rubber building in Kuala Lumpur was revamped into a boutique hotel named Else, and Wisma KFC at Jalan Sultan Ismail is to be converted into a Hyatt Centric hotel.

Cumulative Supply in Klang Valley



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

Selected Upcoming PBO Developments in 2023

Name of Development	Location	Estimated NLA (sq. ft.)
Merdeka PNB 118	Kuala Lumpur	1.70 million
PNB 1194	Kuala Lumpur	0.19 million
Aspire Tower	Kuala Lumpur	0.67 million

Abbreviation: sq. ft. – square feet
Source: NAPIC, CBRE | WTW Research

The Exchange 106, Kuala Lumpur
Source: CBRE | WTW Research

Klang Valley (Cont'd)

Office space demand may be focused on flexible spaces as companies remain cautious of new space expansion. Coworking space demand is expected to remain firm with a preference for flexibility over the prevailing high fixed office costs.

CORPORATION CONSOLIDATION DRIVES OFFICE DEMAND

Another office demand driver is from occupiers in relation to technology and industry 4.0. MSC status has been revamped as Malaysia Digital, with policy enhancement enabling tech offices to spread beyond previous certified MSC areas.

Long-term investment prospects are being increasingly influenced by digital transformation initiatives, attracting foreign investments in the digital economy from large international firms like Google and Amazon.

INCREASING ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INITIATIVES

ESG has created a demand for environment-friendly and staff health office features, which are currently limited in supply. The corporate ESG agenda will create more demand for newer sustainable buildings.

A higher preference for ESG buildings will also fuel the flight to higher quality building specifications as observed in a 2022 CBRE APAC survey. The take-up rate for buildings in KV's market reflected this trend as seen in buildings such as IQ Tower and Affin HQ at Tun Razak Exchange (TRX), 1Powerhouse at Bandar Utama and iMazium at Uptown, Petaling Jaya.

Merdeka PNB 118 will be the first building in Malaysia to be certified with the WELL Building Standard by International WELL Building Institute (IWBI), while Sunway Tower in Kuala Lumpur also incorporated a 37,000 sq. ft. vertical garden by Sunway XFarms.

SEREMBAN

The shop office market outlook in Seremban remains stable in 2022, supported by sustained demand and a steady occupancy rate. Landlords and investors are making efforts to retain existing tenants and attract new ones.

Prime locations are an undeniable draw. Proximity to financial institutions, schools, or a central position in a bustling neighbourhood earns a competitive advantage for the shop office market in Seremban. Highly sought-after locations such as Oakland Commerce Square and Taman Bukit Kepayang are the new active commercial centres in Seremban.

The existing shop offices function as a converging point for the new and existing residential schemes in the vicinity. One of the biggest draws of the new commercial areas is the wide range of Food and Beverage (F&B) outlets. There are now a number of international restaurants and a few always-crowded cafés in the commercial centre, which are the new crowd-pullers in the area. It helps to improve the occupancy rates for the surrounding.

Oversupply conditions in the shop office space have not improved with the incoming supply remaining sizeable and the projected interest rates hikes. It is anticipated that the prospect of megaprojects such as Malaysia Vision Valley 2.0 (MVV 2.0) will improve business opportunities.

MARKET OUTLOOK

Physical office space remains a fixture, although landlords are trending to more flexible office leasing.

Although 3.4 million sq. ft. of office supply may complete as scheduled, the overall vacancy will improve slowly starting in 2025 which is currently exacerbated by inflation concerns and higher operating costs.

UOB Tower 2, Jalan Raja Laut, Kuala Lumpur
Source: CBRE | WTW Research

Penang

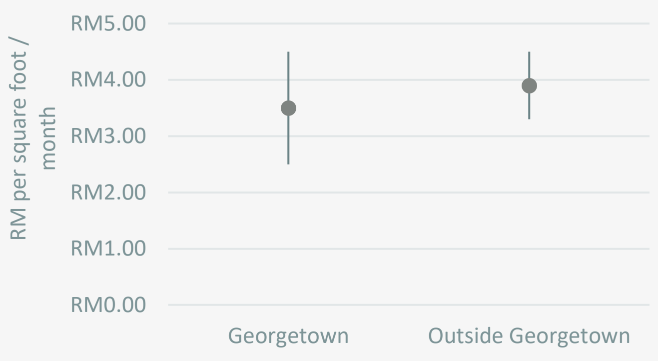
Stable occupancy will prevail in 2023 amidst the limited new supply. Demand for MSC Status purpose-built office (PBO) will also persist. Rental increases are expected in tandem with the higher quality office space made available and for covering the escalating maintenance costs. Co-working spaces will continue to be sought as the relevant alternative to traditional office space.

RESILIENT AND HEALTHY OVER THE SHORT TERM

The traditional office workplace still plays an important role in face-to-face interactions and team collaborations. During the pandemic, most service sectors retained their existing office space augmented with work-from-home arrangements.

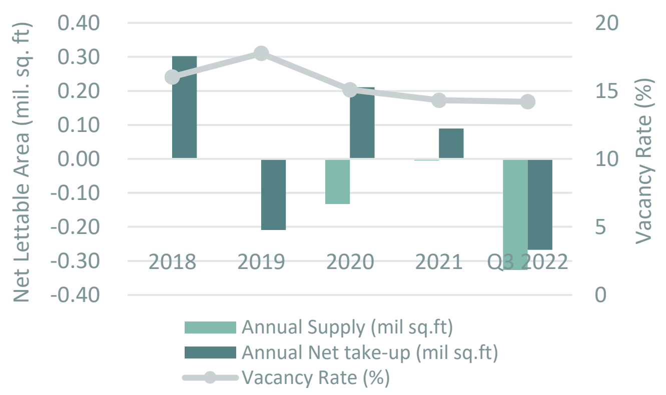
Hence, the PBO in Penang was resilient and healthy which is expected to continue over the short term. Companies with a long-term view will retain high-quality offices as vital for the corporate image as well as to attract, retain and nurture top talent.

Rentals of Prime PBO Space, Penang Island



Source: NAPIC, CBRE | WTW Research

Supply and Vacancy Rate of PBO, Penang



Abbreviation: mil – million, sq. ft. – square feet
Note: Due to the re-categorization of space by NAPIC on the existing supply, it has affected the annual supply and annual net take-up to be negative.
Source: NAPIC, CBRE | WTW Research

STABLE OCCUPANCY

No PBO building was completed during 2022 leaving the existing supply unchanged at approximately 11.6 million square feet.

Against such a backdrop, overall occupancy also remained stable at approximately 89% at Penang Island and 77% at Seberang Perai, with an overall of nearly 86% for the entire state.

Prime PBO in Penang Island such as Menara IJM Land, Menara Boustead, and Plaza MWE recorded slight increases in occupancy driven by new tenants from the logistics and technology sectors.

The incoming PBO supply of PBO space within the next 1 year is estimated at nearly 230,000 square feet from the 18-storey Sunshine Tower @ Sunshine Central in Penang Island.

Office space scheduled to enter the market over the next 3 to 4 years is estimated at approximately 950,000 square feet from 4 PBO buildings located in Penang Island, in the localities of Bayan Lepas, Bayan Baru and Jelutong. These are GBS by the Sea (330,000 square feet), PDC GBS Building (300,000 square feet), and 2 office towers in The Light City (320,000 square feet).

Penang (Cont'd)

DEMAND FOR MSC STATUS OFFICE TO PERSIST

Actively promoted by the state government, multinationals continue to be attracted to set up their Global Business Services (GBS) /shared services operations in Penang. Hence, MSC status offices continue to be in demand.

The demand for office space compliant with MSC features is affirmed in the upcoming Sunshine Tower @ Sunshine Central, with high-speed fibre-optic broadband, 100% back-up power supply, an IoT 5G data centre, as well as 24-hour CCTV surveillance and security with a card-only access system. It was reported that Citigroup has committed to take up eight levels of office space at Sunshine Tower.

RENTAL INCREASES

A slight rental increase is anticipated due to pent-up demand for MSC Offices as well as landlords asking for higher rates to cover escalating maintenance costs.

ENCOURAGING PROSPECTS FOR CO-WORKING SPACE

Interest in co-working space continues to grow as it offers occupiers cost-effectiveness, and flexibility of matching the size of businesses, whether scaling up or down. Office space could also be secured almost immediately.

The various clusters of co-working offices are mainly in the localities of Georgetown, Bayan Baru and Tanjung Tokong. Established operators include Regus, ADA, Common Ground, and Spaces.

KEDAH

The market activity of shop offices improved for the first nine months of 2022 as compared to last year. Demand for shop offices will be mainly in town area with good accessibility. The price and rental are anticipated to be stable in the coming quarters.

PERAK

The shop office sector gained momentum in 2022. Tenants and investors prefer shop offices in prime locations with good accessibility or near to housing schemes. The upcoming trend of home-based operations will create new demand patterns on the design of the shop offices.

In terms of supply, Peranakan Place located within Bandar Seri Botani was launched officially in September 2022. It comprises 31 units of double-storey shop offices with classic Nyonya architecture and asking prices ranging from RM1.289 million to RM1.368 million.

Iskandar Malaysia

Flexibility in rental and working spaces has maintained occupancy, although yields declined.

About 5.4 million sq. ft. of purpose-built office (PBO) space supply is recorded in Iskandar Malaysia (IM), of which about 35% is vacant. Few major tenant movements were noticed especially due to shifts in business models between occupying co-working spaces and physical offices. About 176,000 sq. ft. of vacant spaces in Menara Jland, Medini 6 and Medini 7 were occupied in 2022. The competitive landscape has intensified with competition between older and newer PBOs to retain/attract tenants.

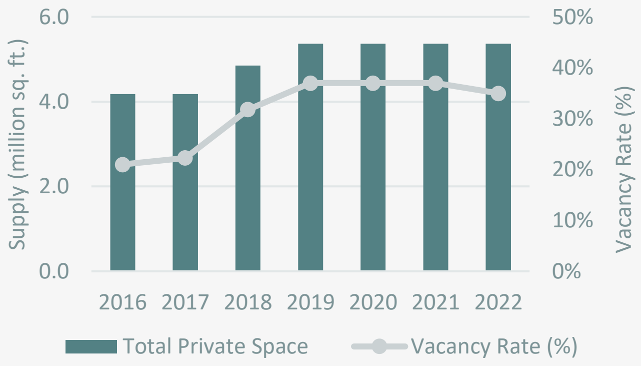
Meanwhile, average gross rentals remained steady ranging from RM2.30 to RM3.50 per sq. ft. per month for older buildings, and RM2.80 to RM4.00 per sq. ft. per month for newer buildings.

This year, Berjaya Assets Berhad entered into a Rent cum Option To Purchase Agreement with Extreme Broadband Sdn Bhd to lease out 42 units (166,196 sq. ft.) for RM250,000 per month (RM1.50 per square foot) for three years. The agreement also grants an option to purchase 72 units with a lettable area of 278,432 sq. ft. for RM69.608 million.

On the upcoming supply, the Certificate Of Completion and Compliance (CCC) was delayed for Midvalley Southkey office towers as the Mechanical & Engineering (M&E) and interior architectural works remained uncertified. The development offers 323,000 sq. ft. of space and an asking rental of about RM4.00 to RM4.50 per sq. ft.

Menara Bank Rakyat @ Coronation Square in Johor Bahru City Square, Sunway Big Box office towers are currently under construction while Medini 10 is still awaiting construction resumption.

Supply of PBO in Iskandar Malaysia



Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

Office Development Expected to be Completed in 2023

Development	Location	Size (sq. ft.)
Menara Bank Rakyat @ Coronation Square, JBCC	Johor Bahru City Centre	550,000
MVS South Tower	JB City Fringe	323,000
MVS North Tower	JB City Fringe	323,000
Sunway Big Box Office	Iskandar Puteri	180,000

Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

CO-WORKING DEMAND IS UP

As more businesses are investing in digitizing their operations and implementing hybrid business models, demand for co-working space in Iskandar Malaysia is increasing.

To date, there are about 27 co-working space operators in Iskandar Malaysia, of which 60% are located in shop office buildings and 31% are in PBO developments.

Iskandar Malaysia (Cont'd)

BATU PAHAT

The market for offices located within shop office buildings has been relatively stable in 2022.

Coworking service provider Co-me Up, is targeting to launch the 1st coworking space in Batu Pahat at BP Avenue by the end of December 2022.

MELAKA

Rental and occupancy rates for purpose-built offices (PBOs) have been stable since 2011 as no new supply was introduced. Jaya 99 and United Malacca Berhad are the sole private PBOs in Melaka.

Coworking space operator Regus Melaka, launched a new space at Metra Square in September 2022.

MARKET OUTLOOK

Current and upcoming office developments may partner with a co-working space operator to meet the changing spatial needs of evolving businesses.

Although competitive pressure remains, the office sector is expected to remain stable into 2023.

MVS South and North Towers in Midvalley Southkey, Johor Bahru
Source: CBRE | WTW Research

Sabah

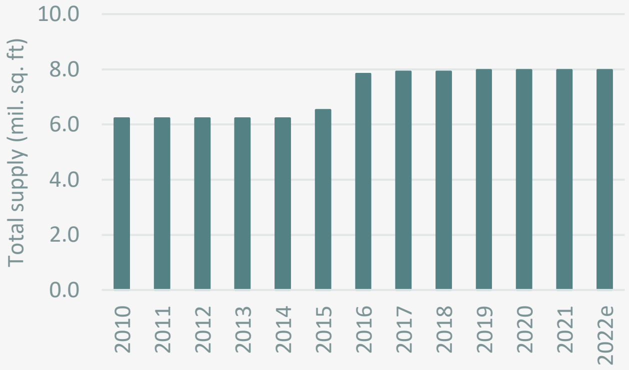
Kota Kinabalu: Demand for shop offices remained with activities of refurbishment and new commercial areas.

The office sector in Kota Kinabalu saw a maintained performance in transactional activities in 2022 compared to 2021.

New office space in 2022 was the upper floor units of JQ Central Gallery Shoppes in the Central Business District (CBD).

Since before the pandemic, tourism in Kota Kinabalu has been booming, leading to the redevelopment and conversion of some office buildings into hotels over the years. Wisma Gek Poh office building was redeveloped into a 5-star international hotel known as Hyatt Centric Kota Kinabalu, which was recently completed in 4Q 2022. The old Wisma Yakim office block in the CBD is also in the works to be redeveloped into a hotel.

Supply of PBO in Kota Kinabalu (2010 – 2022)



Abbreviation: mil – million, sq. ft. – square feet
Source: WTWS Research

LAHAD DATU

The shop office sector is relatively stable in overall, with a slight increase in transaction activities and stable prices and rents. Demand for the ground floor of shop offices will mainly come from food and beverage businesses, small agricultural suppliers and also the service sector.

TAWAU

Office space demand in Tawau is primarily for ground floor shop offices with good footfall in high catchment areas at newer commercial centres, such as Garden City at Perdanajaya Commercial Centre and T2 Centre.

SANDAKAN

Office space requirements are mostly through conventional shop offices.

Phases 3 and 4 of Utama Zone 3, located off Jalan Utara were launched (50 two-storey shop offices priced from RM1,056,000 to RM1,287,000).

In Sinar Telupid Commercial Centre located off Jalan Sandakan-Kota Kinabalu, 69 lots of 2-storey shop offices were launched with prices from RM869,000 to RM1.32 million.

While in Sandakan, 20 units of 2-storey shop offices in Boulevard 10, Bandar Utama will be converted into a supermarket. It was purchased in bulk for RM19.17 million. In outer areas of town commercial areas, conversion of conventional shop offices into supermarkets was observed before, being some of them known as Gentingmas at Sandakan Harbour Square & Bandar Perdana, Servay @ Bandar Pasaraya, Parkwell @ Bandar Indah and Sui Teck @ Taman Mawar.

LABUAN

With the absence of new supply, the shopoffice sector is expected to be unchanged from previous years.

As the market and economic activities reopen, previous vacant shop offices were slowly filled. Demand for shop offices is mainly driven by visitors to the island, duty-free businesses, and the offshore and oil and gas sector.

Sarawak

Kuching: More incoming supply of purpose-built offices (PBO) for ready-owner/corporate HQ occupation while Environmental, Social and Governance (ESG) slowly marks inroads into Sarawak's office market.

Rentals of PBO in Kuching are similar to 2021, averaging around RM2.70 per sq. ft. with a slightly decreased yield of 4.5%.

Looking into the upcoming supply, the 22-storey Hikmah Exchange which comprises offices, a convention centre and commercial outlets, is expected to be ready within the next 2 years. The 9-storey Panggau Dayak Towers which will house the Dayak Chamber of Commerce is currently underway and is expected to be completed by 2024. It includes residential towers and will be an iconic landmark for Kuching.

On transaction activity, one PBO measuring about 44,800 sq. ft., located on Lot 31 KCLD, Kuching was transacted for RM11.5 million between Chin & Sons Sdn. Bhd. and CMW Engineering Corporation Sdn. Bhd.

In the shop office sector, the planned supply in Kuching dropped from 426 units in 2021 to 304 units in 2022. However, a slight increase in incoming supply is expected.

New launches of shop offices include 70 units of 3-storey shophouses by Ibraco Berhad at Northbank, a new upcoming township along the Kuching-Samarahan Expressway, and Blocks 1 and 2 of the Pine Square commercial development by Lee Onn Development Sdn Bhd at Eden Parade (154 units).

Transactions were mostly of 3-storey shophouses with prices of more than RM1 million per unit.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INTEREST

Shell has confirmed the relocation of its head office to Miri Times Square which is to be completed by end-2023. The office building will be a new landmark in featuring environment-friendly elements such as energy efficiency, solar panels, rain-water harvesting, a garden within the building and electric vehicle charging stations. Initiatives towards ESG interest or Green Building Index (GBI) certification may start for Miri.

Only a handful of GBI-certified buildings are found in Sarawak, including HSL Tower in Kuching and 5 more buildings across Kuching, Sibu and Bintulu.

MIRI

The demand for PBO in Miri has mostly been dependent on the oil & gas and oil palm-related companies and government sectors.

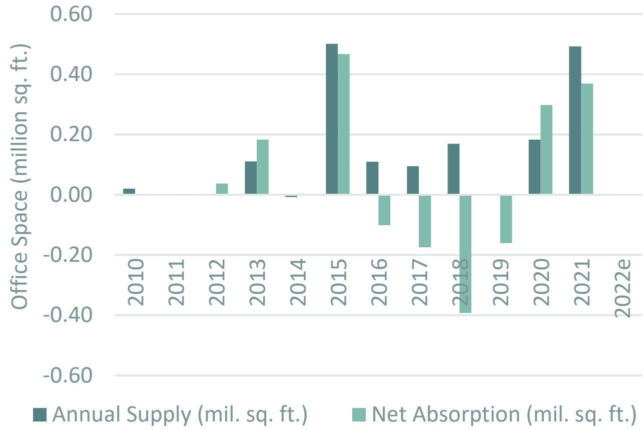
For the shophouse market, demand is mostly domestic from local business owners (Fast-Moving Consumer Goods (FMCG) and lifestyle services) and investors. The influencing sectors are the agricultural and oil and gas sectors which form the backbone of the Miri economy.

Average Yield of Shophouses in Miri

	Shop Office	
	2021	2022
Average Rent (RM psf)	1.20	1.20
Average Yield (%)	4.0	4.0
Average Transacted Price (RM per unit)	1.2 mil	1.2 mil

Abbreviation: mil. – million, psf – per square foot
Source: WTWY Research

Performance of PBO in Kuching



Abbreviation: mil. – million, sq. ft. – square feet
Note: Data for the full year of 2022 is based on an estimation
Source: NAPIC, WTWY Research

Shell Malaysia HQ Building at Miri Times Square, Marina Park City (under construction)
Source: WTWY Research

Sarawak (Cont'd)

BINTULU

The demand for purpose-built offices (PBO) in Bintulu is mainly from the Government sector. An office building developed by Hold Development was bought and occupied by Lembaga Hasil Dalam Negeri Malaysia (LHDN) and renamed Wisma LHDN.

For the shop office market in 1H 2022, transaction volume increased from 62 units to 76 units whilst the transaction value increased from 41.30 million to 56.88 million year-on-year (y-o-y).

SIBU

PBOs in Sibu are similarly occupied by local corporate companies and Government sectors. Existing tenants have the bargaining power in rental negotiations for PBO spaces due to competition from shop-office spaces which are plentiful and cheaper. There is a limited market for PBO spaces in Sibu and a challenge to source for such tenants.

For the shop house office market, take-up rates continue to be slow, while launches are likely to go ahead. Purchasers still have an advantage over sellers in price negotiations for sub-sales, and shophouses continue to be more popular over PBO as they have proven better capital appreciation and reasonable rental yields.

MARKET OUTLOOK

The PBO sector in Sarawak remains a niche market with intermittent supply and limited demand.

Shophouses are still preferred over PBOs as business premises by the locals due to lower rental and price rates.

Average Yield of PBO and Shophouses in Sibu

	Purpose Built Office		Shop Office (3-storey)	
	2021	2022	2021	2022
Average Rent (RM psf)	NA	NA	1.20	1.20 - 1.30
Average Yield (%)	4% - 4.5%	4% - 4.5%	4.0%	4.0%
Average Transacted Price (RM per unit)	NA	NA	1.1 mil	1.1 mil

Abbreviation: mil. – million, psf – per square foot, NA – not available
Source: WTWY Research

Average Yield of PBO and Shophouses in Bintulu

	Purpose Built Office		Shop Office	
	2021	2022	2021	2022
Average Rent (RM psf)	1.40 - 2.80	1.40 - 2.80	1.20 - 1.30	1.35
Average Yield (%)	NA	NA	4% - 5%	4% - 5%
Average Transacted Price (RM per unit)	NA	NA	1.2 mil	1.3 mil

Abbreviation: mil. – million, psf – per square foot, NA – not available
Source: WTWY Research

Pines Square Commercial Centre at Batu Kawah New Township, Kuching
Source: WTWY Research

> Attractive retail spaces engage and create experiences for shoppers while improving retailers' business. The blend of in-store and e-commerce shopping must be seamless.

Sr Heng Kiang Hai
Deputy Group Managing Director
CBRE | WTW

05

Retail

Purpose-built retail: is used by Main Offices, relating to a shopping centre with single-ownership.

Shop office: is used by Sub Offices, relating to shop office buildings with multi-ownership and is used for retail purposes commonly on the ground floor.

Klang Valley

Physical space remains in demand with wider coverage of usage and areas, as market optimism grows.

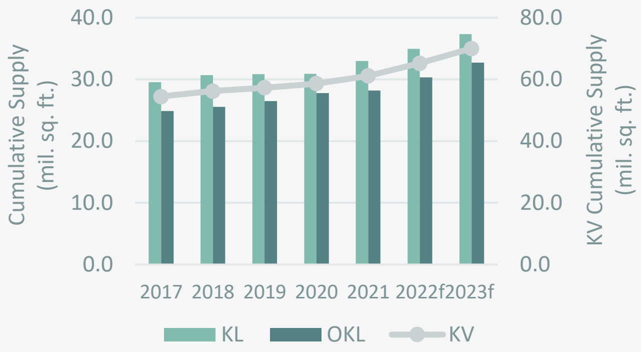
Retail sales improved significantly in 2Q 2022, up 62.5% year-on-year (y-o-y) (2Q 2021: 3.4%), backed by the Hari Raya festival and the full reopening of businesses. It continued into 3Q 2022 with a 96.0% increase y-o-y (3Q 2021: -27.8%).

Three retail projects were completed in 2022, the expansion of IOI City Mall in Putrajaya, KSL Esplanade Mall in Klang and Datum Jelatek in Jelatek. These completions added a sum of about 1.65 million sq. ft. of lettable area into the existing supply of 65 million sq. ft. Another 4 million sq. ft. of space is expected by 2023, including 2 malls that postponed completion to next year.

Observation on newly completed retail malls is an average occupancy between 50% and 55%, despite active preleasing.

In terms of tenant movements, several debuts were observed from Japanese retailers Nitori (home household & furniture), Nojima (electrical & electronic), Zoff (spectacle), Tsutaya Books and Ainz & Tulpe (health & wellness). Retail expansion into new malls includes Food Republic, Harvey Norman, Metrojaya, Parkson and The Food Merchant. Preleasing activities remained resilient since last year, reporting about 50% to 60%.

Cumulative Supply in Klang Valley



Abbreviation: KV – Klang Valley, KL – Kuala Lumpur, OKL – Outside Kuala Lumpur, mil – million, sq. ft. – square feet
Source: CBRE | WTW Research

Selected Upcoming Retail Malls by 2023

	NLA (sq. ft.)
118 Mall (Merdeka 118)	0.9 million
Tun Razak Exchange Lifestyle Quarter Mall	1.3 million
Pavilion Damansara Heights	1.1 million

Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

ENHANCING RETAIL SPACE USAGE

The opening of Phase 2 of IOI City Mall in Putrajaya featured new attractions such as the IOI City Farm, IOI Sports Centre, IOI Grand Exhibition and Convention Centre.

To attract increased shopper traffic as well as increased rent, open common spaces have been utilised for events, smaller F&B lots and pop-up stores. MyGround in MyTown was opened with an F&B store, F&B kiosks and hang-out areas. Starhill Piazza at The Starhill introduced public events. MyTown Shopping Centre renovated its open space to include hang-out areas and playgrounds.

EMBRACING THE E IN E-COMMERCE

After 2 years of Movement Control Orders (MCO), shoppers have increasingly shifted to e-commerce platforms to which retailers have had to adapt to stay afloat and find the balance between in-store and e-commerce shopping.

While embracing e-commerce, physical stores remain essential for brand showcasing and customer engagement.

On a few observations this year, Mothercare Flagship Store unveiled its second experiential store at Suria KLCC. Pavilion Bukit Jalil also welcomed Southeast Asia’s first HP Experience Hub launched by Thunder Match Technology (TMT) in partnership with HP Malaysia for a whole new Online-to-Offline (O2O) concept.

Statistically, Malaysia’s e-commerce income in 3Q 2022 recorded RM289.2 billion, a 3.7% growth y-o-y and 0.3% q-o-q, which is expected to continue.

Klang Valley (Cont'd)

SEREMBAN

The retail market's occupancy and rental rates have held steady in 2022. The average rent ranged from RM4 to RM15 per sq. ft. per month and the estimated yield was 6%. Shopping malls with tenant variety and leisure activities remained in demand.

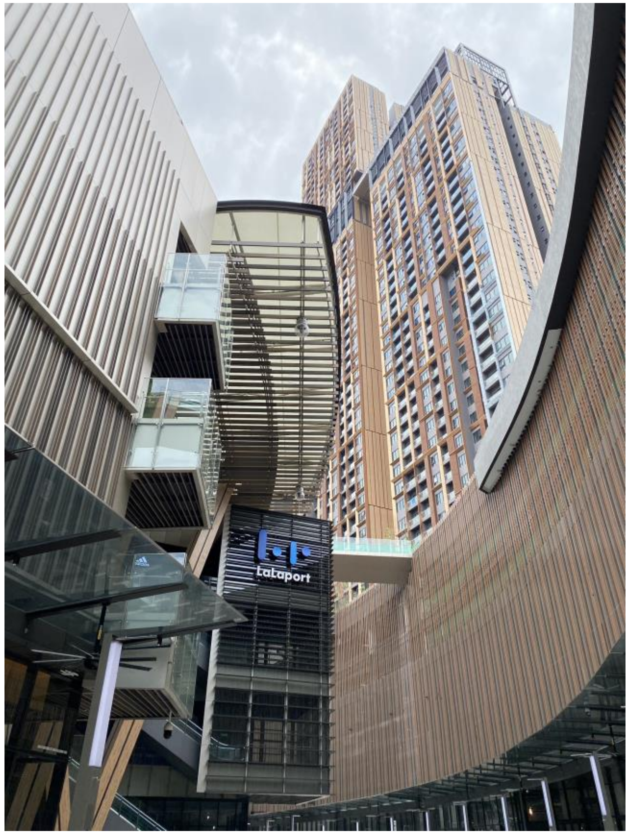
Amid heightened competition, landlords are focusing on cost optimisation, asset enhancement and tenant retention leasing strategies.

MARKET OUTLOOK

The retail sector performed positively in 2022, but high inflation will pose a risk to consumer spending confidence which may impact retail sales. A moderate improvement is anticipated in 2023.

VANS event located at Starhill Piazza, Bukit Bintang
Source: CBRE | WTW Research

Local market at KL Gateway Mall, KL
Source: CBRE | WTW Research



Mitsui Shopping Park Lalaport, Kuala Lumpur
Source: CBRE | WTW Research

Penang

The normalisation of shopping activities should extend further into 2023. It is also an opportune time to ride on recovery by strategic acquisition of a retail complex.

MAJOR NEW COMPLEXES

In 2022, the expanded Sunway Carnival Mall opened to shoppers, offering approximately 500,000 sq. ft. of additional net lettable area. The number of tenants increased by 60% to 350 tenants, across 4 levels.

The expansion achieved an occupancy of 95% with tenants such as Jaya Grocer (anchor), JD Sports, Bath & Body Works, Innisfree, Uniqlo, Haidilao Hot Pot and Swarovski. The existing GSC Cinema will expand to 13 screens.

Strategically located in Seberang Jaya, at the intersection of the North-South Highway and Butterworth-Kulim Expressway, the mall caters to the enlarged market catchment comprising Penang, southwest Kedah and northern Perak.

With this opening, the existing supply of retail space increased to about 21 million sq. ft. Penang Times Square Phase 3 (230,000 square feet) and Sunshine Mall @ Sunshine Central (900,000 square feet) are expected to complete next year. Within the next 3 years, Waterfront Shoppes in Light City is also expected to be completed, adding another 1.02 million sq. ft.

A Mitsui Outlet Mall was recently proposed, to be located in proximity to Penang International Airport. The project is a joint venture between Mitsui Fudosan Co Ltd and Malaysia Airport Holdings Bhd.

INVESTORS' INTEREST IN PENANG'S RETAIL RECOVERY

In 2022, CapitaLand Malaysia Trust (CLMT) announced its acquisition of 91.8% of Queensbay Mall (438 strata parcels) for a total purchase consideration of RM990.5 million. Queensbay Mall is one of the largest malls in Penang, located in Bayan Lepas with good transport linkages throughout the state.

The current occupancy rate of the subject of the transaction is 95% and the gross annual rental income is RM80.61 million based on the audited financial statement for FYE 31 December 2021.

KEDAH

Recovery in shopping activities was observed. The retail malls with more tenant mix in the city centre managed to have higher shopper traffic. The emergence of different brands of retail chain outlets was observed in the secondary area or nearby housing schemes. The target market is the residents for the convenience of grocery shopping. The outlets were mainly converted by a number of shop offices. In the near future, more types of retail models will be in the market to cater to different demands of shopping experiences.

PERAK

Rentals remained stable in 2022. The business activities were mainly focused on groceries and daily goods. Competition against online dealings still persists amid the recovery of shopper traffic.

With the completion of Econsave Hypermarket in Bandar Seri Botani last year-end, the proposed Bazaar is in the pipeline. Leasing negotiations with international tenants were made known and are anticipated to bring in more vibrant retail elements.

MARKET OUTLOOK

The overall occupancy rate of retail complexes in Penang was 73%: 78% in Penang Island and 66% in Seberang Perai while rents remained unchanged.

The current focus of the retail sector is shop office properties and trade in the convenience retail category.

Sunway Carnival Mall, Penang
Source: CBRE | WTW Research

Iskandar Malaysia

Well-located malls are performing well, backed by the revival of Singapore visitors.

The convergence of physical and online retail has boosted sales performance, especially in the apparel and grocery retail categories.

Established retail malls located along busy highways are receiving good footfalls such as The Mall @ Midvalley Southkey, Paradigm Mall, AEON Bukit Indah and Angsana Mall, maintaining a healthy occupancy rate and positive market sentiment.

Overall malls are experiencing a decrease in vacancy rate which stood at 35% in the review period.

The Commune at Indahpura, Kulai (200,000 sq. ft.) witnessed its groundbreaking in June 2022.

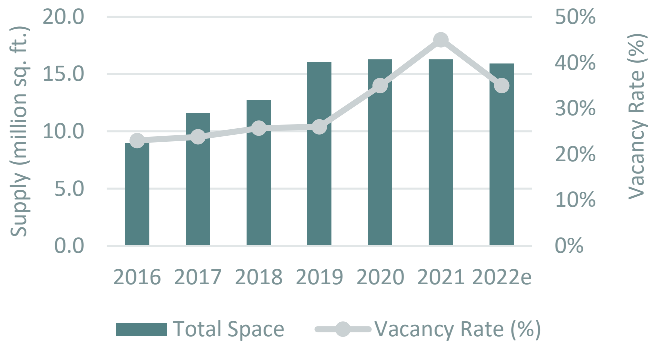
Horizon Mall in Horizon Hills (150,000 sq. ft.) and The Gem @ Coronation Square, Johor Bahru City Centre (1.2 million sq. ft.) are planned for opening by 2024. The Larkin Junction and D'Pristine Lifestyle Mall in Johor have been completed but are yet to start operation.

MAJOR RETAIL MOVEMENTS POSE AN ACTIVE MARKET

New F&B outlets were observed:

— Mixue Bingcheng, China's milk tea and ice-cream franchise opened in Paradigm Mall.
— Japan's largest pastry chain, Châteraisé, opened three outlets in The Mall @ Midvalley Southkey, JB City Square and AEON Tebrau.
— KOI Thé opened in Sutera Mall and Aeon Tebrau
— Street Churros opened in JB City Square.

Supply and Vacancy Rate of Malls in Iskandar Malaysia



Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

Other new F&B outlets which opened in The Mall @ Midvalley Southkey and AEON Tebrau included Empurau Restaurant, Madam Kwan's, Chagee, Jang Won Korea BBQ, Chicago Chicken City, Garrett Popcorn, Coffee Bean & Tea Leaf and Rollney Malaysia.

Japan-based Nitori (household and furniture), opened in The Mall @ Midvalley Southkey, while Lulu Grocer and Hoops Station (sport & entertainment) opened in Toppen Shopping Centre.

Sunway Big Box witnessed the opening of Golden Screen Cinemas PlayPlus cinema halls and Johor's biggest Sports Direct outlet (20,000 sq. ft.).

In May 2022, Iskandar Malaysia (IM) welcomed the first Watsons (personal care category) drive-thru store in TD Central, Taman Daya, spanning about 5,000 sq. ft. Other features include its partnership with a ZUS Coffee outlet and its move towards sustainability through the iCycle campaign.

Iskandar Malaysia (Cont'd)

BATU PAHAT

Malls in Batu Pahat have yet to regain their footing. Hence, shoppers are turning to online platforms, creating opportunities for physical and online collaborations.

F&B shops in Taman Setia Jaya, Taman Flora Utama and D' Garden Business Park regained their customers. The market also saw the completion of a standalone restaurant by Loon Sing Group, located along Jalan Masjid in Batu Pahat old town.

MELAKA

Malls in Melaka are diversifying into wholesale online businesses and short-term businesses such as kiosks.

Supporting the recovery of tourist arrival and market activities, more retail space usage and space repurposing may benefit entirely.

Several ongoing retail mall projects have slowed down while some even stopped development.

Shops such as 99 Speedmart, CU Mart and Family Mart, located within residential schemes performed well, serving the local commercial centre in the township.

MARKET OUTLOOK

The occupancy and rental rates of established retail malls in Iskandar Malaysia are expected to normalize to pre-pandemic levels. While malls in Batu Pahat and Malacca are still re-strategising to revive their businesses.

The return of tourists has contributed to recovery, with F&B sectors receiving the highest boost. food, Cosmetic treatments, entertainment services as well as daily needs enjoy high demand from Singapore shoppers.

Supply and Vacancy Rate of Malls in Iskandar Malaysia

	Total Space (sq. ft.)	Expected Opening
The Commune @ Indahpura, Kulai	200,000	2023
Horizon Mall @ Horizon Hills, Iskandar Puteri	150,000	2024
The Gem @ Coronation Square, JB City Centre	1,200,000	2024

Abbreviation: sq. ft. – square feet
Source: CBRE | WTW Research

Sabah

Kota Kinabalu: Lifting of controls and easing of travel restrictions saw increased footfalls in retail malls.

An overall increased footfall was observed in 2022 compared to the past 2 years.

New addition to the retail space includes 1Sulaman Platinum Tower shoplex with over 180,000 sq. ft. of lettable area, as well as The Shore in the city centre.

Other upcoming mixed retail developments are the Pacificity in Likas Bay, The Logg in Luyang and EG Mall in Penampang. A planned shopping mall from the proposed 88 Avenue mixed development in Kepayan is also under planning.

In terms of retail movements, a few retailers mostly of F&B and fashion and accessories categories, of international branding have opened in Imago Mall.

LAHAD DATU

The retail sector is stable with an improved economic outlook spurred by a growing population, nonetheless, retail properties are not preferred investments in Lahad Datu given the small catchment and limited purchasing power.

TAWAU

Demand for ground floor space at locations having high pedestrian flow, such as Garden City Commercial Centre and the new T2 Centre is relatively good. Consumer demand is mainly for F&B, supermarket/grocer and specialty retail categories.

SANDAKAN

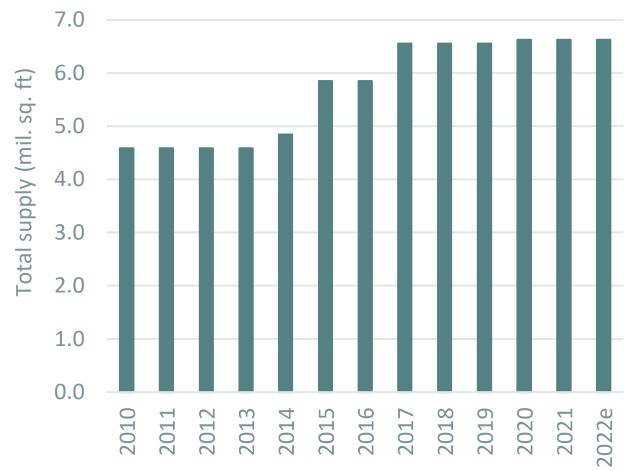
Retail activities in Sandakan are mainly in ground floor space in conventional shop offices in suburban areas along/off Jalan Utara.

There is only 1 retail mall: the Harbour Mall Sandakan which is currently anchored by TKS Grocer.

MARKET OUTLOOK

Overall, the retail sector in Kota Kinabalu is likely to tread on a stable trend. Pressure is on older malls to reinvent to stay vital whilst quality retail malls with evolving tenant mix are expected to retain their performance.

Supply of Retail Space from Retail Malls in Kota Kinabalu, Penampang and Putatan



Abbreviation: mil – million, sq. ft. – square feet
Source: WTWS Research

Sarawak

Kuching: Significant expansion of supermarket chains marks better retail sentiment and performance.

With full business resumption, traffic is back at shopping complexes, especially eateries and supermarkets.

The occupancy rate is improving, anchored by hypermarkets and supermarkets. Pharmacies, personal and household essentials are also performing better than other sub-sectors.

Significant retail expansions include:

— Everwin Supermarket in Kenyalang Shopping Centre in 1Q 2022.

— Everrise Supermarket opened its 13th and 14th outlet at Metrocity Mall and Tabuan Jaya shophouse.

— Emart Hypermarket opened its 6th store at King's Centre in 2Q 2022 (formerly occupied by Servay Supermarket).

MIRI

Retail demand is mostly from local shoppers and Bruneian visitors. The key factors driving this sector would be the oil and gas industry and the high purchasing power of Bruneian visitors who have increased Miri's shopping traffic since borders re-opened in August 2022.

There is an increase in retail expenditure particularly on basic necessities, electrical appliances and F&B, with some shift to online or home-based retail businesses. In the future, DIY retail may be the new trend.

BINTULU

Based on NAPIC data as of 1H 2022, retail shop unit transactions decreased year-on-year (y-o-y) from 16 units to 4 units, and from a value of RM2.88 million to RM1.6 million. The rental rates remained stable including for major retail complexes such as Boulevard Mall and the Spring Mall. Retail malls/units are mainly owned by developers. There are few transactions and units owned by developers which have a stable yield of 4.0 % to 4.5%.

In terms of supply, the new supply of retail shops has increased, while newer retail malls (less than 5 years) are not fully occupied. In view of this, buyers/tenants have the advantage in terms of price/rental negotiation due to the ample retail supply.

To date, Boulevard shopping mall and the Spring shopping mall recorded an average occupancy of around 60%. Therefore, the rental could be impacted. In relation to that, tenants and buyers prefer shopping malls with a good track record of mall management and control of tenant mix.

SIBU

The latest opening of Hann's Esplanade (Hann's Commercial Centre) has finally attracted major F&B retailers to set up businesses in Sibu. The increased occupation of vacated spaces has also increased the overall rental income and capital values.

This has translated to a reasonable retail yield of 5.0% and is expected to improve from 5.5% to 6.0% next year.

MARKET OUTLOOK

Rentals which were previously given discounts during the Movement Control Order (MCO) have been reinstated, backed by more take-ups in shop lots.

The retail sector in Kuching will depend very much on purchasing power parity, business adaptation and resilience ahead.

The retail sector remains stable for Miri, as businesses are recovering, backed by the re-opening of Brunei's border since 1st August 2022.

There are opportunities to attract more F&B retailers in Sibu's retail market but increasing rentals can be a challenge.

Everwin @ Kenyalang Complex, Kuching
Source: WTWY Research

> The industrial sector has grown from strength to strength during the recent past years, as underpinned by the encouraging new manufacturing investment, flourishing e-commerce and increasing consumers' demands for fast and reliable delivery of goods. This has led to "Industrial 4.0" requirements with higher technology implementation for a better-quality industrial and warehouse space, as well as "last mile delivery" requirements for premises which are closer to the population catchments.

Sr Peh Seng Yee
Director
CBRE | WTW

05

Industrial

Klang Valley

Transaction activities up to 3Q 2021 improved year-on-year (y-o-y), both statewide and in the state capital.

INDUSTRIAL SECTOR ON STRONG RECOVERY

Industrial Performance Index (IPI) registered continued growth to 12.26 as of 3Q 2022.

RM123.3 billion of investments were approved in Malaysia from January to June 2022 of which 70.9% or RM87.4 billion were foreign investments. The manufacturing sector led with RM43.1 billion worth of investments. About RM5 billion (12%) of approved investments in Klang Valley were mainly in non-metallic mineral products, electrical & electronics, and food manufacturing.

Klang Valley ranked fourth in investments from January to June 2022, mainly distributed in Shah Alam, Subang Jaya, Klang, Pulau Indah and Puchong.

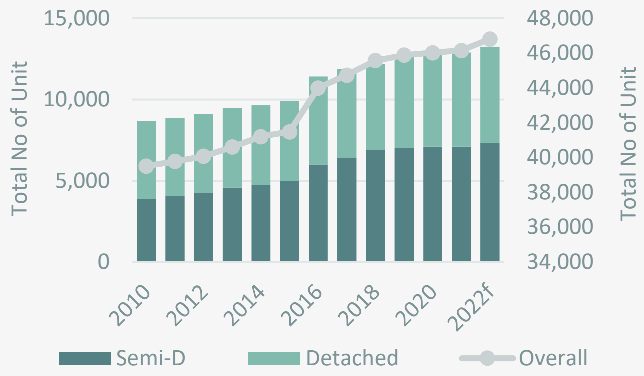
Klang Valley also recorded 29 transactions worth RM838 million in value as of December 2022. Significant industrial transactions included:

— An acquisition of the former Western Digital production plant (with factory and office) by Sunway REIT for RM60 million in June 2022.

— An acquisition of 60 acres of vacant industrial land by Sunsuria Berhad at Ijok for RM74 million, in April 2022.

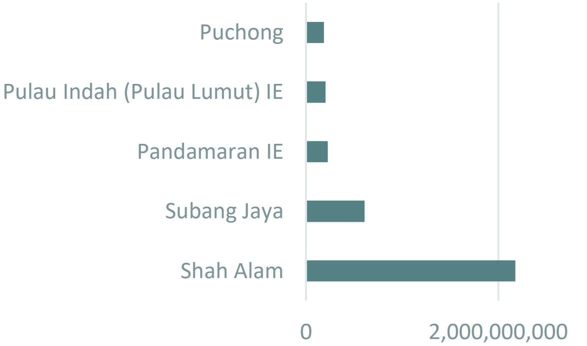
— A series of sales and leaseback arrangements at Pulau Indah Industrial Park by KIP REIT for a total of RM78.7 million in July 2022.

Cumulative Supply in Klang Valley



Source: CBRE | WTW Research

Top 5 Investments by Locality in Klang Valley, 1H 2022



Source: Malaysian Investment Development Authority (MIDA), CBRE | WTW Research

— An acquisition of industrial land comprising 2 warehouses and an office building In Meru, Klang by Axis REIT for RM41 million in June 2022.

Activities in the E&E and e-commerce industries are driving demand for industrial and warehouse space in Klang Valley.

LOGISTICS AND WAREHOUSING

Regional logistics and warehousing will be one of the primary drivers in Malaysia's industrial property market.

The growth of online purchases is driving storage space demand closer to the city centre and better quality warehouse space. On the other hand, major logistics / 3PL companies such as CJ Century Logistics, Agility Logistics, POS Logistics and LF logistics are found clustered in Prime Industrial Areas.

Modern warehousing together with added facilities such as ramp-ups and smooth docking areas can command a significant rental premium and higher yield.

Notable launches of warehouses in 2022 include:

— E-Metro Logistics Park by Sime Darby-Logos joint venture approx. 1.2 million sq. ft. at Bukit Raja Klang launched in July 2022.

— DPL Malaysia III by Daiwa House Group 3-floor logistics warehouse with about 1.6 million sq. ft. space at Kota Kemuning, started construction in September 2022.

Klang Valley (Cont'd)

SEREMBAN

Strategically located and easily accessible via major highways such as North-South Highway, ELITE and LEKAS highways, Seremban is expected to experience increased industrial activities and potential growth with prominent projects, such as Malaysia Vision Valley 2.0 (MVV 2.0), Estek Techpark, Sendayan Techvalley, Nilai Utama Industrial Park, Nilai Arab Malaysian Industrial Park and Hamilton Nilai City Industrial Park by Sime Darby Property.

The strong demand has driven investor interest in the industrial sector as large corporates and foreign investors are cementing their position in Seremban's industrial market such as Ajinomoto, Coca-Cola Bottlers (Malaysia) Sdn Bhd, Pusat Penyelidikan Kebombaan (PUSPEK), and Crown Records Management Sdn Bhd in Estek Techpark, Hino Manufacturing in Sendayan Techvalley and Rhone Ma Holdings Berhad, relocate to Seremban and Nilai.

The average rent for industrial developments in Seremban currently ranges from RM0.50 to RM1.00 per sq. ft. per month with an average yield of 5% to 6%.

The demand for space continues to be driven by e-commerce and last-mile logistics, seeking larger spaces with fulfilment facilities.

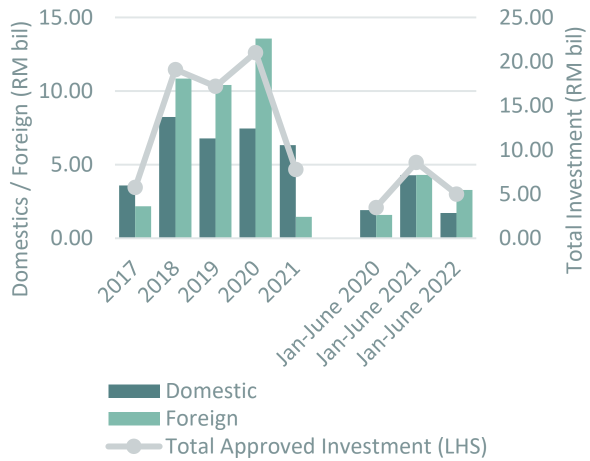
The industrial belt in Seremban is anticipated to bring in more job opportunities and ultimately economic growth and development.

MARKET OUTLOOK

Demand for industrial premises and land will continue to be firm with more activities taking place within Northern Shah Alam and Southern Klang Valley.

Regional logistics and warehousing will be the primary focus due to the growing demand for last-mile delivery facilities, e-commerce retailing and consumer products.

Total Approved Investments in Klang Valley



Abbreviation: bil – billion
Source: Malaysian Investment Development Authority (MIDA), CBRE | WTW Research

Penang

Sustained growth is expected with robust export demand. More private industrial parks will come onstream in Seberang Perai.

ROBUST INVESTMENT PERFORMANCE

With the outstanding investment performance over the past 3 consecutive years, the high momentum was sustained in 2022. According to the Malaysian Investment Development Authority (MIDA), Penang was Malaysia's second largest recipient of approved manufacturing investments (RM7.85 billion as of 1H 2022), with foreign direct investments at 62% and 38% domestic investments.

New investment and expansion were observed especially in electrical and electronics products, machinery and equipment and medical devices.

Significant new investments in Penang include:

— Boston Scientific Corporation, a global leader in medical device technology, announced a new 110,000 sq. ft. global distribution centre in Batu Kawan Industrial Park (BKIP) which will generate approximately 300 jobs.

— Comet Group, the Switzerland-based innovative technology company will expand its current plant in BKIP by 30,000 sq. ft. for a service centre for high-frequency components used in microchip manufacturing.

— Micron Technology Inc announced plans to build a second facility in BKIP, to bring the total factory space to 1.5 million sq. ft.

The major operation start-ups include:

— Scandinavian Industrialised Building Systems (SIBS), the Sweden-based construction tech company opened its second facility of 500,000 sq. ft. at Penang Science Park North in Simpang Ampat.

— Indium Corporation, a US-based materials supplier to the electronics and semiconductor industries, opened its 37,500 sq. ft. facility in BKIP.

— Lanco Integrated, a manufacturer of production automation equipment, opened its BKIP facility.

— NI Malaysia opened its global distribution hub next to its existing plant in Batu Maung, for NI's software-connected automated test and automated measurement systems.

NEW PRIVATE INDUSTRIAL PARKS IN THE PIPELINE

As BKIP matures, private industrial parks are emerging nearby. Ancubic Capital Sdn Bhd proposed the A-Park, semi-detached factories with a built-up area ranging from 8,000 to 30,000 sq. ft which is set to be launched in 2Q 2023.

Others include VDI and VS11 industrial parks from Oriental Max Group in the Valdor industrial area. VDI industrial park comprises 13 detached factories ranging from 41,040 to 164,000 sq. ft. each, whereas VS11 industrial park will offer 12 detached factories of 23,040 to 42,000 sq. ft.

AME Elite Consortium Bhd and Majestic Builders has proposed an integrated industrial park development in Seberang Perai Tengah, Penang upon acquisition of the 175.98-acre site for RM130 million from Waz Lian Holdings Sdn Bhd.

Due to the availability of sizeable industrial land, Seberang Perai will continue to be the hotspot for future industrial projects.

FLOURISHING MARKET ACTIVITY

According to NAPIC, industrial transactions grew steadily by 13% to 399 units, while transaction value grew to RM1.23 billion, up 3%, for the first nine months of 2022 as compared to 9M2021.

The land values in PDC's industrial parks range between RM30 and RM60 per sq. ft. in Seberang Perai, and between RM80 and RM140 per sq. ft. in Bayan Lepas. Greenfield asking prices in BKIP increased slightly to RM60 per sq. ft. in 2022 as compared to 2021 (RM55 per sq. ft.).

Rentals of industrial accommodation improved slightly, generally ranging between RM1.00 and RM2.50 per sq. ft. /month in Seberang Perai, and between RM1.70 and RM3.50 per sq. ft. /month in Bayan Lepas.

Stable prices and rentals are expected in 2023.

Penang (Cont'd)

KEDAH

Kedah was among the top states with approved manufacturing investments, amounting to RM9.38 billion in 1H 2022, 98% to Kulim Hi-Tech Park (KHTP).

New investments include Japan-based Menicon Co Ltd (RM650 million) and Ferrotec Holdings Corp (RM500 million). The strong investment performance drove the recent expansion of KHTP's new phase, of about 700 acres. New private industrial parks nearby such as Northern Technocity, Kulim Smart-Tech Industrial Park, Lunas Vision City and Padang Meha Kulim Industrial Park are in the pipeline.

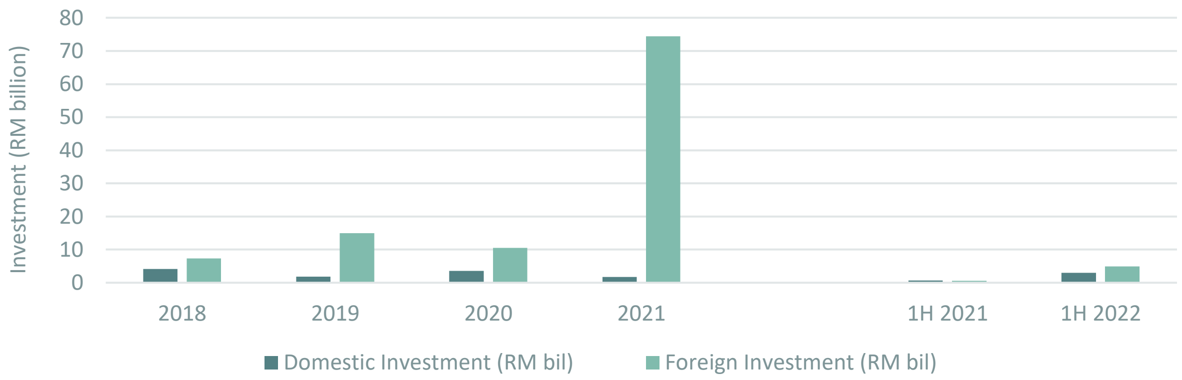
Prices and rentals will remain stable, particularly in the established industrial parks.

Kedah Science and Technology Park (KSTP) Phase 2 is expected to commence in 4Q 2022. Spanning an area of more than 840 acres in Bukit Kayu Hitam, the industrial park will focus on investment in the agro-food, biotech and nanotechnology sectors.

PERAK

The sector is expected to be stable in the coming years. No major projects are being planned. Occupancy could improve as new manufacturers absorb the existing available units in 2023.

Approved Manufacturing Investment in Penang



Abbreviation: bil – billion
Source: Malaysian Investment Development Authority (MIDA), CBRE | WTW Research

Iskandar Malaysia

The Industrial sector was the best performing, receiving widespread attention from data centre investors.

THRIVING INDUSTRIAL SECTOR

The industrial sector remained the best-performing sector despite facing many challenges.

Johor ranked 3rd with RM6.67 billion total approved investments for January – June 2022, about 20% of total approved investment in Malaysia. For FDI, Johor is 2nd, after Kedah, with approved investments of around RM5.65 billion for 1H 2022.

IM's industrial transaction volume doubled in 1H 2022 to 566 units compared to 375 units in 2021 while transaction value was RM2,387 million, up from RM1,313 million in 1H 2021.

SIGNIFICANT ACTIVITIES

Several significant transactions and investment activities were observed.

— Axis-REIT acquired a single-storey detached factory at Kawasan Perindustrian I-Park, Bandar Indahpura, Kulai for RM16.3 million in February 2022.

— April 2022, Axis-REIT acquired a logistics warehouse facility within Pelabuhan Tanjung Pelepas, Johor for a consideration of RM390 million.

— Franco-Italian multinational electronics and semiconductors manufacturer awarded the construction of its new manufacturing plant to Kelington Group Bhd in Johor for RM114 million in June 2022.

— Ingenieur EPCM SB, a wholly-owned subsidiary of IGB, inked a conditional sale and purchase agreement with Dynaciate Engineering SB to dispose of a piece of leasehold industrial land together with buildings erected at Kawasan Perindustrian Pasir Gudang for a consideration of RM16.6 million.

— Attractive Venture (JB) SB acquired two pieces of industrial land measuring an area of approximately 8 acres in aggregate for a total consideration of RM12.2 million.

— South Korea's SPC Group is investing RM130 million to develop its first Paris Baguette regional halal food hub consisting of seven production lines known as SPC Centre at Nusajaya Tech Park. SPC Centre witnessed its groundbreaking in October 2022.

— Paragon Globe Bhd inked a deal to build and design Shimano Components (Malaysia) Sdn Bhd's two units of the single-storey detached factory together with a double-storey office on 4.95 acres of land in Pekan Nenas Industrial Park for RM45 million. The manufacturing facility is expected to be completed by 2024.

— Massachusetts-based Insulet Corporation invested RM878 million for the development of a medical device manufacturing hub at i-Tech Valley in SiLC.

— GKN Aerospace invested RM160 million to set up an aero-engine parts repair facility at Nusajaya Technology Park, Johor.

— DHL Express expanded its Johor Gateway spanning over 6,000 square metres of warehouse space for RM10.8 million.

— Sub Bus Tech Sdn Bhd, a bus and bus body manufacturing company, kickstart the development of its first bus body manufacturing plant at Senai Airport City, Johor. The investment is worth RM80 million.

NEW SUPPLY

— Port of Tanjung Pelepas (PTP) will see an expansion of another 81-acre of Free Zone with an investment of RM750 million, scheduled for completion by 2023.

— Johor Corp signed a preliminary collaboration agreement with Tiong Nam Logistics Holdings Bhd to co-develop a 300-acres high-tech logistic park within Sedenak Technology Valley (STV), Kulai.

— New Industrial projects launched in Iskandar Malaysia include Stellar Park @ Vervocity Kulai, Empire Park @ Kulai, Setia Neo 2 @ Taman Industri Jaya, KSL Business Park @ Ulu Tiram, Phase 3 @ Eco Business Park 1 and Phase 3 @ Eco Business Park 2. About 352 units of terraced factories, 310 units of cluster factories and 110 units of semi-detached factories are entering the market by 2025.

— i-Techvalley @ SiLC recently launched 84 industrial plots designated for ready-build and build-to-suit type detached factory development.

Iskandar Malaysia (Cont'd)

DATA CENTRE

Demand for data centres is growing exponentially in Iskandar Malaysia due to the growth of cloud computing. Iskandar Malaysia is fast becoming a data hub by attracting new investment from data centre operators.

— GDS Holdings Ltd, a leading developer and operator of data centres in China, commenced construction of the first phase of the hyper scale data centre campus at Nusajaya Tech Park in April 2022.

— Yondr Group announced the development of its 200 megawatts hyperscale campus on 72.8 acres of land located in Sedenak Tech Park.

— YTL Corp launched 500MW YTL Green Data Centre Park, the first data centre to be powered by renewable energy, which is to be developed on 275 acres of land in Kulai. The first phase includes the development of a 72MW Sea Data Centre for Singapore's Sea Ltd and is expected to be completed by the first quarter of 2024. YTL also partnered with GDS Holdings to co-develop 8 data centre facilities with a capacity of up to 168MW in aggregate. This marks the first phase of the development.

— Nasdaq-listed Equinix, Inc. is entering Malaysia by investing RM180 million to build a new International Business Exchange TM(IBX) data centre called JH1 at Nusajaya Tech Park.

— JLand Group signed a Memorandum of Understanding (MOU) with Mitsui and Co Ltd. To develop a hyperscale data centre and a solar farm in Sedenak Tech Park.

BATU PAHAT

In Batu Pahat, the industrial estates are almost fully occupied, mostly owner-occupied. With no new supply, the industrial market will be stable in 2023.

MELAKA

Melaka is competing with neighbouring states to attract manufacturers through the provision of better facilities and infrastructure.

Several significant activities were observed in 2022. Fieldman EV SB developing the country's first electric car assembly plant on 200-hectare land at the Elkay Lipat Kajang Industrial Area in Jasin for RM1 billion. Texas Instruments Electronics Malaysia SB awarded factory construction works at Taman Perindustrian Batu Berendam, Free Trade Zone in Melaka for RM1.45 billion.

Ifineon Technologies (Malaysia) Sdn Bhd acquired five pieces of land together with a single-storey manufacturing facility located at Batu Berendam Free Trade Zone for RM90 million.

The newly launched Eco Park offers 36 two-storey terraced factories which are expected to be completed by 2024. SME players are looking for larger spaces to expand their business when their current space is fully optimized. The industrial players are expanding their businesses in Krubong, Tanjung Minyak, Ayer Keroh and Durian Tunggal areas.

MARKET OUTLOOK

IM's industrial sector continues to see more transaction activities and attract more foreign investments, with stronger growth expected in 2023.

Slower capital spending, labour shortages and the rise in the minimum wage to RM1,500 from 1st May are increasing the pressure on manufacturers. Rising energy costs and economic uncertainty are also pushing the Producer Price Index (PPI) causing the companies to face profit margin squeeze.

Since Kulai Fast Lane received positive comments from foreign investors, the state government looking to expand the Kulai Fast Lane concept into Johor Fast Lane to make Johor is investor and business-friendly. Industrial developers may use this opportunity to develop and attract high-tech or clean industry operators i.e. data centres, robotic, etc.

Newly Completed Factories, Kempas Utama Industrial Park
Source: CBRE | WTW Research

Sabah

Kota Kinabalu: A more active secondary market for industrial lands and buildings for Small and Medium Enterprises (SMEs) and logistics.

MORE ACTIVE SUB-SALES

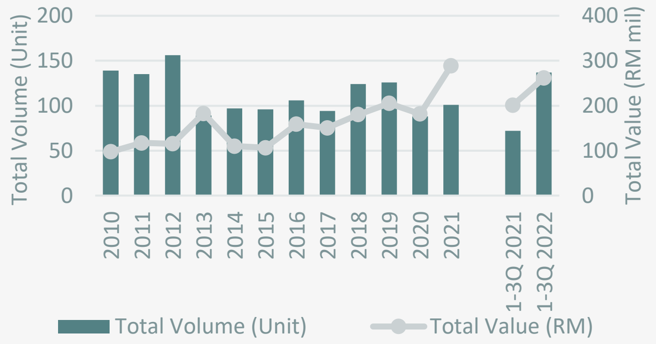
Sub-sales of industrial properties within the Kota Kinabalu-Penampang-Putatan area from January to September 2022 recorded an increase from 72 to 137 transactions with a transacted value up by 30% from RM201.4 million to RM261.42 million.

Terraced light industrial buildings had the most transactions (64%), although the bulk of transaction value comprised detached factories (49%). The average value per transaction for terraced, semi-detached and detached factories was analysed to be about RM982,000, RM1,830,000 and RM8,500,000, respectively.

The Gallery Industrial Centre, comprising 31 lots of 3-4 storey terraced light industrial buildings in Inanam was opened for sale in 2022. Overall, industrial properties, particularly industrial premises with good infrastructure would remain in demand given limited new supply.

Kota Kinabalu is the main distribution hub for Sabah, maintaining that industrial properties with good accessibility and in proximity to centres of activities will continue to be in demand. Demand for industrial properties mainly comes from SMEs with requirements for factories, workshops, showrooms and warehouses.

Volume and Value of Industrial Transaction in Kota Kinabalu, Penampang and Putatan



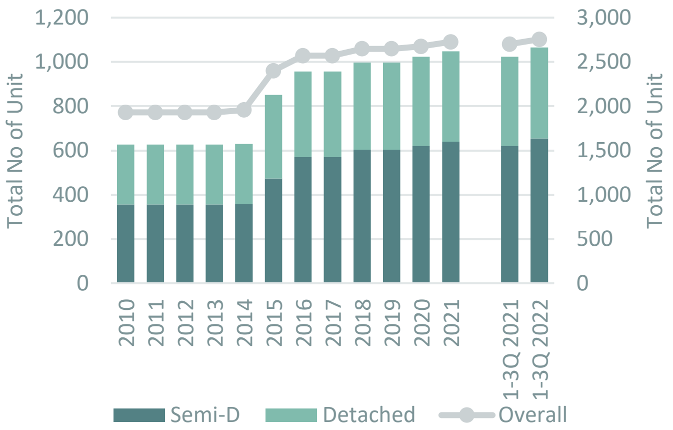
Abbreviation: mil – million
Source: WTWS Research

Industrial Transaction in Kota Kinabalu, Penampang and Putatan

	Total Volume	Total Value
Jan – Sept 2021	72	RM201.40 mil
Jan – Sept 2022	137	RM261.42 mil
% Change y-o-y	90%	30%

Abbreviation: mil – million, y-o-y – year-on-year
Source: NAPIC, WTWS Research

Supply of Industrial Units in Kota Kinabalu, Penampang and Putatan



Source: NAPIC, WTWS Research

Sabah (Cont'd)

TAWAU

Tawau's industrial sector remains stable with limited activities. Most of the demand is for light engineering, storage and light manufacturing for local demand and consumption. There is also an emerging trend for premises for parcel collection and delivery for e-commerce.

Demand is observed for 1.5-storey terraced and semi-detached units, with smaller built-up but bigger land areas making them suitable for open storage and future extension to suit individual needs. However, these are limited in supply.

1-Kuhara Centre, a light industrial business is fully leased out after its launch in 2022. The project is located within the town centre, easily accessible from all parts of town.

Scarcity of suitable land at strategic locations with access to the town centre hinders the industrial sector's expansion. Apart from that, this sector is anticipated to be stable in terms of transactions, prices, rents and yields. No new development projects are anticipated for 2023.

LAHAD DATU

Vacant industrial land is abundant, without matching demand. The lack of skilled and experienced workers also poses a challenge to the industrial sector.

LABUAN

Labuan's industrial sector remains stable with limited activities through transaction activities and take-up is expected to improve in 2023. Demand for industrial premises mainly comes from oil and gas-related companies and offshore companies.

Sarawak

Kuching: The industrial sector remained stable in 2022, with several large industrial projects in the pipeline and more to come as the Sarawak government hold trade missions to procure new ventures.

AFFECTED BUT STABLE

With the lifting of Covid-19-related restrictions on business operations, the industrial sector has gone back to full operations to catch up on low supply due to disruptions in production over the last 2 years.

The government has continued to provide some financial aid such as :

— Interest subsidies via 3 facilities, namely, Special Relief Facility (SRF), Targeted Relief and Recovery Facility (TRRF), and Penjana Tourism Financing (PTF) under Bank Negara Malaysia (BNM) to assist local SMEs with a total allocated budget of RM80.7 million for 3 ½ years.

— Rental waivers granted up to June 2022 for all Government owned properties under Bantuan Khas Sarawakku Sayang (BKSS) 8.0.

Supply under construction for 2Q 2022 remains the same as 2Q 2021 with more than 85% being semi-detached industrial factories. Double-storey semi-detached units were the most popular making up about 60% of total transactions.

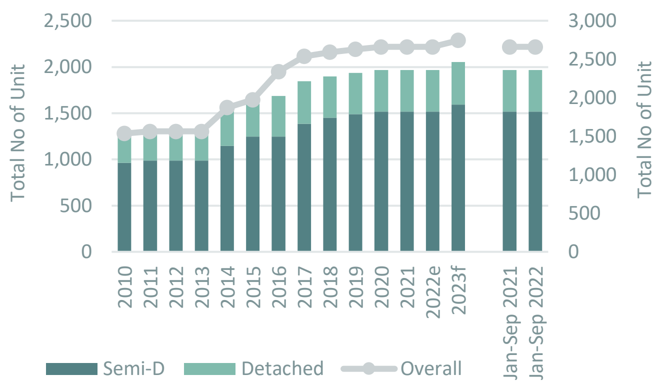
Occupancies and take-up rates have increased for the year as new entries exceeded exits, with rentals remaining between RM0.80 and RM1.20 per square foot for semi-detached units.

A memorandum of understanding (MOU) was signed involving Sarawak Energy, SEDC Energy as well as South Korean companies Samsung Engineering, Lotte Chemical and Posco Holdings in September 2022 with the anticipation of producing Sarawak's first large-scale green hydrogen for export by 2027. The MOU will see the development of a new plant located in Tanjung Kidurong, Bintulu (H2biscus project) which will produce 220,000 tonnes of green hydrogen, 630,000 tonnes of green ammonia and 600,000 tonnes of blue ammonia. The bulk of green hydrogen produced will be exported to South Korea.

The industrial sector is expected to be more active in the next few years.

In the medium and long run, good potential remains for industrial developments particularly for the oil and gas industry, green energy as well high-tech electronics sub-sector.

Supply of Industrial in Kuching



Note: Data for the full year of 2022 is based on an estimation
Source: NAPIC, WTWY Research

MIRI

Based on JPPH's data, an increase of transaction activity was recorded in the first half of 2022 compared to the same period last year (1H 2022).

Industrial property demand comes mainly from large corporations, oil & gas related companies and SMEs with increased demand from logistics companies.

The current industrial property supply is sufficient in the market. Many new industrial units are still vacant. The industrial growth in Miri is driven by the oil & gas industry and its downstream activities and other related businesses.

The relocation of Shell's HQ operations to Miri will have some impact on oil and gas downstream activities in Miri and even Sarawak.

There were no significant transactions of industrial properties in Miri for 2022.

The industrial sector is considered generally stable for 2022 and is expected to remain stable for 2023 with the economic recovery.

Average Rent and Yield of industrial Units in Miri

	2022	2023
Average Rent (RM psf)	0.80 – 1.20	0.80 – 1.20
Average Yield (%)	3.00 – 3.50	3.00 – 3.50

Abbreviation: psf – per square foot
Source: WTWY Research

Sarawak (Cont'd)

BINTULU

Based on NAPIC's data as at 1H 2022, the transaction volume of industrial units decreased from 31 units to 20 units compared to 1H 2021 whilst transaction value also decreased from RM39.97 million to RM31.31 million year-on-year (y-o-y).

Based on 1H 2022 NAPIC's data and our concluded rental analysis, the industrial rentals remain stable.

There are no significant changes in occupancy and take-up rates for industrial property in Bintulu.

Demand remains stable with major upcoming projects in Bintulu, such as the petrochemical hub and Wenan Steel (13.8 billion Plant) projects in Samalaju. Continuous jobs awarded by big corporations, namely, MLNG, Petronas et cetera will help create demand for warehouses/factories.

The industrial sector shows a slow rate of supply. There is no completion as at 1H 2022 and the incoming supply stands at 98 units. Planned supply decreased from 114 to 54 units as at 1H 2022. With the continuous contracts for mega projects in Bintulu, it is foreseen that the demand for industrial property will increase.

Key drivers of the private industrial sector in Bintulu are the Kidurong Industrial Estate with accessibility and distance to the Bintulu Deepsea Port (one in Kidurong and another one in Samalaju) a key factor.

Factories in Bintulu are mainly semi-detached types, making up 70% of industrial property (722 units out of 1,000 units of existing stock). However, this type of built-up area may not be adequate for the needs of larger corporations.

SIBU

Overall, supply and demand in the industrial sector for Sibu in 2022 remain in equilibrium, currently neither in over-supply nor shortage. The transacted prices indicate an upward movement due to inflation.

The market is expected to remain stable with a balanced supply and demand. No significant impact is seen for occupancy/take-up rates for the industrial property sector in Sibu.

Demand continues to depend mostly on light industrial services, shipbuilding and ship repair businesses.

The supply of industrial properties is generally from private and piecemeal developments scattered within existing industrial estates. The industrial properties are normally in the form of semi-detached industrial units.

The average rent and yield for industrial semi-detached units are maintained at RM1.20 per sq. ft. and 4.0%-4.5% per annum respectively for 2022 with slight improvements for 2023 with average rent perceived at RM1.30 per sq. ft. and yield at 4.5-5.0% per annum.

Demand comes mainly from light industries, shipbuilding and ship repair businesses.

Although the industrial sector is generally stable, both light and heavy industrial sectors such as manufacturing, shipbuilding and ship repair services in Sibu are still affected by the weak economy.

Average Rent and Yield of industrial Units in Bintulu

	2022	2023
Average Rent (RM psf)	2.00	2.00
Average Yield (%)	4%	4%

Abbreviation: psf – per square foot
Source: WTWY Research

Average Rent and Yield of industrial Units in Sibu

	2022	2023
Average Rent (RM psf)	1.20	1.30
Average Yield (%)	4.0% - 4.5%	4.5% - 5.0%

Abbreviation: psf – per square foot
Source: WTWY Research

MARKET OUTLOOK

The overall industrial sector is seen to be stable with increased investments and expansion growth plans for the petrochemical sector, green/clean energy, IT and hi-tech manufacturing. Sarawak has good potential to draw in industrialists to tap on its abundant natural resources as well as supply of local population for skilled labour.

> "Hotels and accommodations being amongst some of the oldest service-based businesses will need to adopt more technology for better efficiency and customer experience moving forward. Client demand, human resources and inflationary pressures will be the main push factors towards this need. Ignoring this trend together with the much-needed human touch will prove detrimental to long-term bottom lines."

Sr Danny SK Yeo
Deputy Chairman
CBRE | WTW

06

Hotel

Klang Valley

More activities and new openings observed an improved performance.

2022 witnessed eight hotel openings. The latest was Marriot Courtyard Setia Alam and Pan Pacific Kuala Lumpur in December 2022.

Future developments are to be completed by 2025, including the Conrad Kuala Lumpur and Kimpton Kuala Lumpur @ Tun Razak Exchange, scheduled to complete next year. The latest announcement was the Waldorf Astoria Kuala Lumpur, a planned makeover of the Istana Hotel.

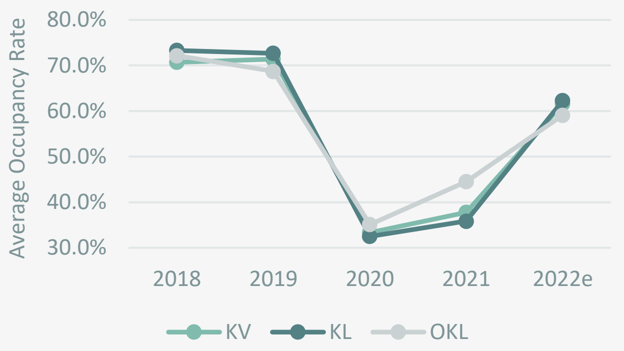
The hotel segment is progressively recovering, boosted by the reopening of country borders. To date, the average occupancy rate (AOR) for Klang Valley has increased to 61.6% compared to 37.8% reported last year. Kuala Lumpur performed better with AOR at 62.3%, almost reaching pre-covid levels.

As a result, the average room rate (ARR) for hotels in the Klang Valley rose to RM360 per day compared to RM300 per day reported last year. The ARR for hotels in Kuala Lumpur was RM380 per day.

REFRESH & REJUVENATE

Parkroyal was re-branded Parkroyal Collection, promising their guests a new experience of union with nature and rejuvenation. Pan Pacific Kuala Lumpur is also promoting a more eco-conscious hospitality experience for their guests while Amari Kuala Lumpur is enticing guests by "reawakening their senses".

Average Occupancy Rate in Klang Valley



Abbreviation: KV – Klang Valley, KL – Kuala Lumpur, OKL – Outside Kuala Lumpur
Source: CBRE | WTW Research

Selected Upcoming Hotels in Klang Valley

Name of Development	Estimated completion
Kempinski @ 8 Conlay	2023
Regent Kuala Lumpur	
Conrad Kuala Lumpur	
Hyatt Regency @ KL Metropolis	2024
Waldorf Astoria	

Source: CBRE | WTW Research

Re-opening of the first phase of Sunway Resort hotel showcases its brand new concept by adopting the latest travel and lifestyle trends. Technology is utilised throughout the property to enhance the guest experience, starting with contactless check-in and keyless room entry, and carrying through to a custom-built app with multiple functions that guests will find useful.

BOUTIQUE AND HERITAGE

The latest boutique hotels are incorporating heritage and culture into their concept which is gaining traction among travellers.

The essence of a boutique has come to mean personalized service. Boutique hotels have their own charm and service levels, with a more friendly engagement with guests and a rustic local experience and atmosphere. Boutique hotels have become a force to be reckoned with guests willing to pay more for an evocative experience.

Else Kuala Lumpur is the latest boutique hotel in Kuala Lumpur transformed from the former Wisma Lee Rubber into a modern, refreshing offering.

Other buildings given a second life as boutique hotels in Kuala Lumpur are The Stripes, WOLO, KLoe and Gold3.

Klang Valley (Cont'd)

MEDICAL TOURISM IS THE NEXT DRIVER

Malaysia has potential for medical tourism, considering the quality of services and relatively lower cost of healthcare. Statistics provided by the Malaysia Healthcare Travel Council (MHTC) indicate consistent double-digit growth in the healthcare travel industry, a compound annual growth rate (CAGR) of 16.3% from 2015 to 2019.

Up to 2019, more than 1.2 million healthcare travellers have spent close to RM1.7 billion spent on medical bills air travel, accommodation, food & beverages and leisure activities.

REDEFINING HOSPITALITY

Work staycation is on the rise. The classic hotel industry is evolving, launching new initiatives and adapting to new ways of working and service delivery.

The 'Work From Hotel' package was introduced by many hoteliers during the pandemic era, in anticipation that working from a luxury hotel could be uplifting to many who wished to escape their mundane home environment.

The JW Mezzanine by JW Marriott Kuala Lumpur is offering a flexible co-working space in a luxury hotel. It provides a workspace for focused tasks and meetings without distractions. Four Points by Sheraton Kuala Lumpur have also introduced various work-from-hotel packages.

The flexibility of being able to work remotely, along with work from hotel offerings, has spurred a work-staycation trend among Digital nomads.

SEREMBAN

Port Dickson is seeing a revival as efforts are made to capitalize on the recovering economy and improve the tourism scenario in general. Port Dickson was highly sought-after as a beach resort destination on the domestic front for its proximity to Kuala Lumpur and KL International Airport. The demand for vacation bungalows and resort-type hotels is considerable. The Lexis Hibiscus, Grand Lexis, The Lexis, and D'Wharf Hotel & Serviced Residence attained commendable occupancy rates as a result of their upscale accommodation facilities, water activities, and vast coastal landscape.

However, hotel operators are facing competition among existing hotels, serviced apartments, and Airbnb. With many options available, travellers are more conscious about the price and quality of stays which makes the competition among hotel industries intense.

In order to stand out from the competition, investors are offering distinctive amenities to highlight their specialised niches and offer guests a one-of-a-kind experience. The upcoming 'Splash Park' by Tanco Holdings Berhad is a component within the 400-acre Palm Springs Resort City and is set to be the largest water theme park in Port Dickson and Negeri Sembilan. Splash Park will be complemented by other facilities that are already in places such as the Kelab Golf DiRaja Palm Springs, Club Village and Extreme Park. It will also feature other components in the development such as an international destination-based spa retreat village, a wellness zone, and a marina and duty-free shopping outlet. Well-implemented perks and extras are a gateway to competitive advantage.

Overall, hotel operators can expect a robust recovery in demand and room revenue in 2023 due to increased leisure travel, particularly considering Port Dickson is an affordable vacation destination in Malaysia.

MARKET OUTLOOK: RELOOK, RETHINK, REFRESH

Ending stringent border controls, Malaysia now allows quarantine-free entry for all fully vaccinated travellers. In 1H 2022, Malaysia welcomed 2.13 million visitors (cf. 1H 2021: 0.05 million), with a total spending of RM6.2 billion (cf. 1H 2021: RM0.08 billion).

As travel confidence gradually picks up, there will be a substantial improvement in Malaysia's tourism industry. The Klang Valley hotel market will continue to recover.

Boutique hotels' popularity has been growing over the years. The expansion of digital information and social media boosted strong market growth for more authentic experiential travel experiences.

The hospitality sector has faced numerous changes and new trends have emerged which could provide opportunities for new players, whilst for the existing players, it is time to relook, rethink and refresh.

Penang

The rebound in the tourism and Penang hotel property sector has gained momentum and is expected to spill over to 2023. The quality of hospitality accommodation and offerings in Penang would be enhanced to the next level as more new hotels with international brands enter the market.

TOURISM GAINING MOMENTUM

Penang remains among the top tourist destinations, benefitting greatly from the state government's efforts to promote its beaches, heritage value and tourist attractions, as well as upgrading all its transport facilities and maintaining an open welcome to all tourists.

The rebound of the Penang tourism industry was signified by the arrival of cruise ships docking at the Swettenham Pier Cruise Terminal. During the year, Resort World Cruises' Genting Dream and Royal Caribbean's Spectrum of the Seas made calls at the Port of Penang.

In addition, Cathay Pacific announced its flight resumption between Penang and Hong Kong, while Air Asia also launched two domestic routes i.e. from Kota Bahru and Sibu to Penang. Several other routes have also resumed services.

Consequently, occupancy rates of hotels in Penang Island have recovered to about 60% since mid-2022. The Average Daily Room Rates have also shown improvement in 2022, to RM500 for beach hotels, and RM275 for city hotels.

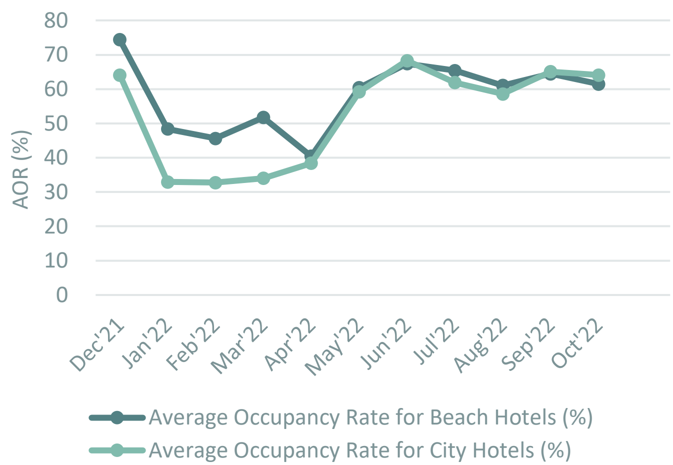
GOVERNMENT STRENGTHENING RECOVERY

The State Government has participated in tradeshows and roadshows while Penang Global Tourism, a state tourism bureau has launched "Experience Penang – The Diversity of Asia" in Singapore, Bangkok and Hatyai.

Virtual tour series has also been rolled out to leverage and boost tourism via promotions.

The State Government has also signed a joint agreement with Michelin Guide, to list recommended eateries in Penang to reinforce Penang as a food utopia.

Hotel Average Occupancy Rate



Source: STR, CBRE | WTW Research

NEW INTERNATIONAL HOTELS

4 hotels in Penang Island with a total of 959 rooms entered the market in 2022. The previous Gurney Resort Hotel and Residences was refurbished and rebranded as Ascott Gurney Penang.

Amari SPICE Penang, at Setia SPICE Convention Centre, also started operating in Bayan Baru, offering 453 guest rooms and suites. The hotel is a JV between SP Setia Berhad and ONYX Hospitality Group of Thailand.

Citadines Connect of the Ascott group is offering 143 rooms, suites and apartments under its first phase in Georgetown. The George Hotel in Georgetown, with 92 rooms was also opened.

Another 1,537 rooms are scheduled to complete within the next 2 years: 906 in Penang Island, and 631 rooms in Seberang Perai. The additional new supply in could intensify market competition and may lead to a situation of the "survival of the fittest".

Upcoming Hotels in Penang

Development	No. Of Rooms	Expected Year of Opening
Penang Island		
Harris Sunshine Penang (Air Itam)	289	2023
JW Marriott (Persiaran Gurney)	313	2023
Iconic Hotel (Sungai Nibong)	304	2024
Seberang Perai		
Holiday Inn & Suites (Juru)	288	2023
Crowne Plaza (Butterworth)	343	2023

Source: CBRE | WTW Research

Penang (Cont'd)

KEDAH

The tourism and hotel sector was improved since 2021, especially in Langkawi. In the near future, more hotels will be ready in Langkawi. Being the first ACCOR hotel in Langkawi, Mercure Langkawi Pantai Cenang entered the market in 2022, offering 164 rooms.

In addition, Tropicana Corp Bhd has signed a hotel management agreement with Marriott International to build a 270-room five-star hotel, Sheraton Langkawi Resort and Spa at its mixed development in Langkawi, Tropicana Cenang. Moreover, Hilton has signed an agreement with Tradewinds Corporation to build Hilton Burau Bay Resort Langkawi. Scheduled to open in 2024, the 251-room resort will be the Hilton's second resort in Langkawi, complementing The Nautilus Resort, Curio Collection by Hilton, which offer 250 rooms and is expected to open in 2023. More intense competition is expected with the incoming supply slated on stream in the coming years.

PERAK

The tourism and hotel sectors recovered gradually in 2022. As the tourism sector relies mainly on domestic visitors, the average room rates and average occupancy rates are expected to be stable in 2023.

Amari Spice, Penang
Source: CBRE | WTW Research

Hotel Supply in Penang

Source: CBRE | WTW Research

Ascott Gurney, Penang
Source: CBRE | WTW Research

Iskandar Malaysia

Hotels are performing well with the increased number of Singapore visitors.

FLOURISHING TOURISM

The tourism sector saw more activity following the easing of travel restrictions and reopening of borders with Singapore.

Approximately two million local and foreign tourists visited Johor in the first six months of 2022.

Consequently, hotels experienced a boost in occupancy rates, especially in coastal areas, theme parks and leisure areas.

As of November 2022, the Average Rental Rate (ARR) for hotels in Iskandar Malaysia (IM) improved 35% to RM292 (cf. RM217 in the same period in 2021). Similarly, the Average Occupancy Rate (AOR) is at 50%, which improved from 26% last year.

New hotels opening in 2022 included Fives Hotel in JB city centre, Opero and St. Giles Hotels in Southkey JB, and ibis Styles Johor in Iskandar Puteri, totalling 1,238 new hotel rooms, increasing the total supply to 41 hotels and 11,610 rooms.

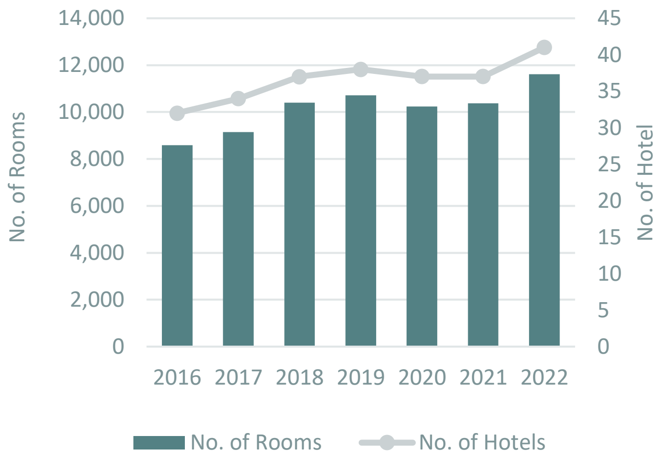
Meanwhile, the Tiong Nam Group announced eye-catching plans to redesign two actual Boeing 747 aircraft which will be converted into a 38-room hotel within an integrated township in Kempas. This hotel will be known as the 1975 Hotel and is slated to open in 4Q 2023.

NEW STRATEGY FORMULA

Hoteliers seem to have different promotional strategies to promote demand for accommodation, dining services, meeting rooms, event halls, recreation and others in terms of price discounts and flexibility in bookings.

The Sunway Big Box Hotel had unique discounts in restaurants, Xpark, Legoland and Horizon Hill Golf and Country Club. The Sunway Hotel and Jen Hotel Puteri Harbour also provided a stay & golf package at the Horizon Hills Golf & Country Club.

Supply of Hotel in Iskandar Malaysia



Source: STR, CBRE | WTW Research

Newly opened St. Giles, Midvalley Southkey Johor Bahru city fringe
Source: CBRE | WTW Research

Iskandar Malaysia (Cont'd)

BATU PAHAT

Crystal Inn Hotel is currently undergoing refurbishments. Hotels are yet to operate at full capacity with no significant improvement and may take more time to recover.

MELAKA

Melaka welcomed 2.4 million tourists as of June 2022, an increase of 1.7 million tourists compared to 1H2021. 5.6 million tourists are expected by end of the year.

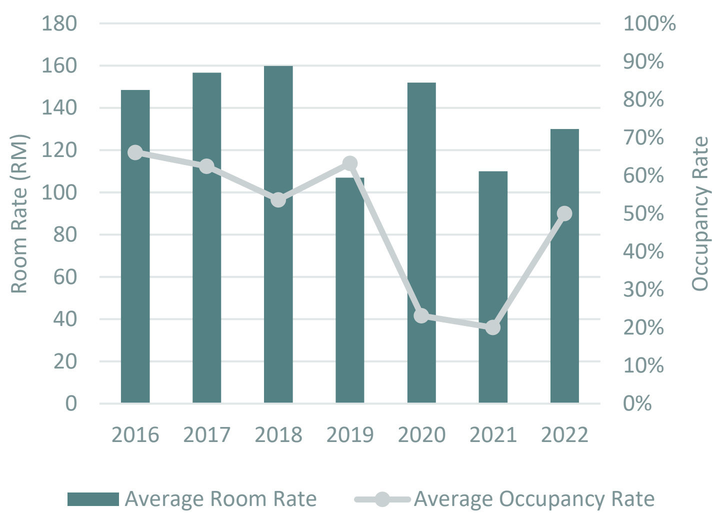
Hotels have resumed high occupancy rates, especially during weekends and holidays. The market is very competitive due to the mushrooming of homestays, Airbnb units and other rental facilities.

In 2021, about 53 hotels and 5 resorts (2,025 rooms) ceased operations and were observed to still be vacant.

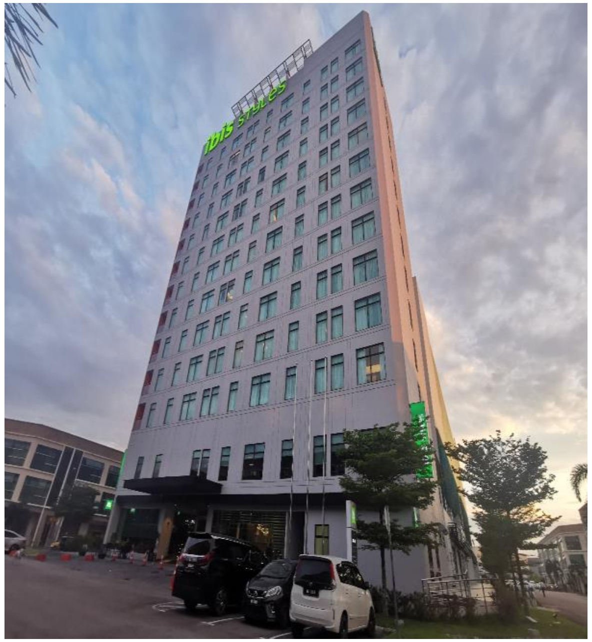
MARKET OUTLOOK

The outlook for hotels near tourist attraction areas remains positive. More tourist arrivals are expected to boost business. Hotels may partner with operators of leisure facilities to boost occupancy.

AOR and ARR of Upscale Hotels in Malacca



Abbreviation: AOR – Average Occupancy Rate, ARR – Average Room Rate
Source: STR, CBRE | WTW Research



Newly opened Ibis Style
Source: CBRE | WTW, Research

Sabah

Kota Kinabalu: Improved visitor arrival rates is treading a gradual recovery.

IMPROVED VISITOR ARRIVALS

Sabah registered about 1,190,513 visitor arrivals between January and September 2022, a significant increase from 136,390 arrivals within the same period in 2021. Domestic arrivals made up 88% (1,046,656) of the visitors, while foreign visitors made up the remaining (143,857).

As of 1st December 2022, there were 47 weekly international direct flights into Sabah with a seating capacity of about 8,518. This is set to increase by an additional 20 weekly flights in mid-December 2022 and January 2023, from Narita, Busan and Hong Kong. On another side, domestic flights accounted for 385 flights and 63,256 seats. Plus, Malaysia's second low-cost carrier MyAirline made its inaugural flight from Kuala Lumpur to Kota Kinabalu in early December 2022.

In 1H 2022, Sabah Tourism Board reported an improvement in the overall average occupancy for the selected budget to 5-star hotels in Kota Kinabalu, of about 36%. Room sales are still mainly domestic driven while hotels are facing competition from alternative short-term rental accommodations.

The 5-star Hyatt Centric Kota Kinabalu opened in the Central Business District (CBD) with 222 keys, previously the old Wisma Gek Poh office building. Another hotel opening was The Luma Hotel at Sutera Avenue, Sembulan (115 rooms).

Alila Dalit Bay Resort in Tuaran (162 rooms) and Club Med Borneo Kota Kinabalu (400 keys) in Kuala Penyu are set to open in 2023 and 2024 respectively.

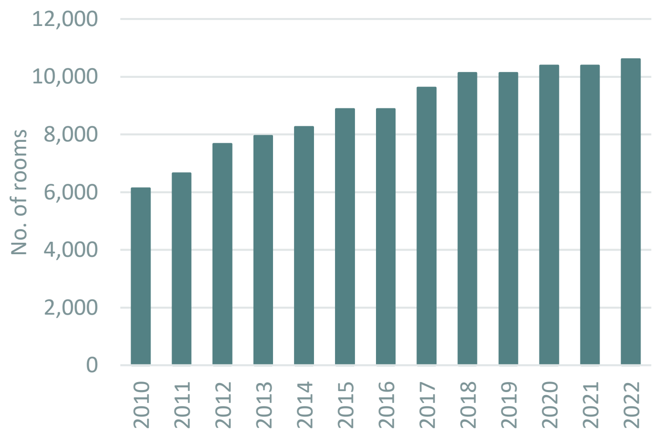
TAWAU

Hotel room rates and occupancy are on a gradual recovery trend. New hotel rooms are anticipated from ongoing projects in Semporna town which may complete between 2023 and 2025. Some off-shore island resorts will also be opening such as Mussah Boteh Resort and Arcadia Beach Resort.

MARKET OUTLOOK

Recovery of the hotel industry will be gradual, currently dependent on lifting travel restrictions of China mainland tourists.

Supply of 3-5 Star Hotel Rooms in Kota Kinabalu



Note: Including 5 Star Hotel in Tuaran
Source: WTWS Research

Hyatt Centric, Kota Kinabalu
Source: WTWS Research

Sarawak

Kuching: The tourism and hospitality sector has finally gotten a break this year and has shown improvements with the reopening of international borders in 2022.

IMPROVED HOTEL PERFORMANCE

Visitor arrivals for Sarawak up to September 2022 had increased 5-fold from 2021. As of September 2022, Sarawak recorded a total of 1,141,184 visitor arrivals which improved from the past 2 years (January – September 2021: 92,174) (January – September 2020: 1,078,067).

3 to 5-star hotels managed to record an average room rate of RM191 in 2022 compared to RM150 in 2021, the latter being bolstered by State Government subsidies for hotels used as quarantine venues during the previous year.

The average hotel room rate in Kuching improved to RM202 for 2022 from RM127 in 2021, whilst occupancy averaged 47% for the first 3 quarters of 2022 and is expected to fare better by year-end.

The 7-storey abandoned building along Jalan Tun Ahmad Zaidi Adruce (last occupied by Impiana Hotel) is to be revived as a hotel by Tecktonic & Sons Sdn Bhd. It is currently undergoing refurbishment to be re-opened in 2023 as ROXY Impiana Hotel.

The completion of the 19-storey Promenade Hotel in the Kuching Central Business District (CBD) area has been further delayed with construction work about 90% completed.

Hotel Supply in Kuching

Source:: WTWY Research

MIRI

With the resumption of international events such as the Borneo Jazz Festival, Country Music Fest and the opening of Brunei's border in August 2022, visitors to Miri have increased.

However, hotel occupancy rates in Miri decreased from about 70% to about 50% due to the cessation of using hotel rooms as quarantine venues. However, room rates have improved to about RM190 from RM150 a year ago.

Hotels currently under construction are the 15-storey Mercure Hotel in Miri City Centre, and a 20-storey hotel by Shin Yang Sdn Bhd along Jalan Brooke.

Miri with its proximity to the sea and its large nature reserves could do well with the Government and State Government's efforts in promoting the industry. The Trans Borneo Highway and Phase 2 of the Sarawak-Sabah Link Road may also contribute to growth.

Average Room Rate for Miri, 2020-2022

	Average Room Rate (RM per room per night)		
	2020	2021	2022
3 stars	137 – 400	105 – 240	167 – 231
4 stars	149 – 358	110 – 360	148 – 490
5 stars	250 – 800	190 – 888	220 - 1021

Source: WTWY Research

Average Room rate for Bintulu, 2020 - 2022

	Average Room Rate (RM per room per night)		
	2020	2021	2022
3 stars	180 and above	180 and above	180 and above
4 stars	250 and above	200 and above	200 and above
5 stars	NA	NA	NA

Source: WTWY Research

BINTULU

Hotel occupancy was lower than 50% for 2022 as the use of hotels as quarantine centres for Covid-19 Patients Under Investigation (PUI) ceased. Nevertheless, the number of tourist arrivals for the year had improved. Hotel room rates remained stable at about RM165 per room night.

Sarawak (Cont'd)

SIBU

The occupancy rate improved from about 20% to 45% year-on-year (y-o-y) as the tourism industry recovered and the number of business travellers to Sibu increased including for non-star-rated hotels. Room rates also fared better, with an improved average rate of RM150 per room night.

Budget hotels are trending to cater more to local business travellers.

Dedicated bus services covering Sibu, Kapit and Bintulu have been implemented. With a one-way fare between RM20 and RM55, this may benefit tourism in these areas.

MARKET OUTLOOK

Sarawak's hotel industry and sector have slowly picked up in 2022, supported by State tourism programs and promotions such as the "SARAWAK Look, See… Chiak, Makan" travel campaign for Singaporeans, and for West Malaysians, the "Jom Ke Sarawak" roadshow.

Visitor arrivals in Sarawak is confident of surpassing the target of 1.2 million to reach 1.8 million by year-end and improve further for 2023. Sarawak aims to attract three million arrivals and RM7.25 billion in tourism receipts in 2023.

Average Room Rate for Sibu, 2020-2022

	Average Room Rate (RM per room per night)		
	2020	2021	2022
3 stars	120 – 170	120 – 170	120 – 170
4 stars	120 – 200	120 – 200	120 – 200

Source: WTWY Research

Visitor Arrivals into Sarawak

Year	Visitor Arrivals
2019	4,662,419
2020	1,199,872
2021	235,245
2022 (Up to Sept 2022)	1,141,184

Source: Immigration Department of Sarawak, WTWY Research

Roxy Impiana undergoing refurbishment, Kuching
Source: WTWY Research

07

Significant Transactions

Malaysia

Projects	Description	Vendor	Purchaser	Transaction Price (RM)
KLANG VALLEY				
Pavilion Bukit Jalil Mall	1 block of 5-storey retail mall with 2 basement car park levels.	Regal Path Sdn Bhd	Pavilion REIT	2,200,000,000
Development land at Met 3, Mont Kiara	15.34 acres of land located right adjacent to MITEC (Malaysia International Trade and Exhibition Centre).	TTDI KL Metropolis Sdn Bhd (wholly-owned subsidiary of Naza TTDI Sdn Bhd)	Sierra Positive Sdn Bhd (wholly-owned subsidiary of Hap Seng Consolidated Berhad)	868,676,627
Industrial in Teluk Panglima Garang, Selangor	a 30-acre land in Bandar Rimbayu with the purpose of developing a warehouse for a logistic integrated centre.	IJM Land	J&T Express	600,000,000
Development land in Kapar, Selangor	A 948-acre land located nearby the Kapar interchange of the West Coast Expressway, planned for an integrated sustainable industrial township.	Sime Darby Plantation Berhad	Sime Darby Property (Bukit Tunku) Sdn. Bhd. (a wholly-owned subsidiary of Sime Darby Property Berhad)	618,000,000
163 Retail Park mall	A stratified seven (7) storey shopping centre, comprising three (3) levels of retail space.	D'Kiara Place Sdn Bhd (wholly-owned subsidiary of YNH Property Berhad)	ALX Asset Berhad (wholly-owned by Premier SPV Management Sdn Bhd)	270,500,000
Sheraton Imperial KL	25-y/o hotel with 398 rooms and 138,000 sq. ft. of office space.	Inter Heritage (M) Sdn Bhd	Achi Jaya Plantations Sdn Bhd (Indonesia)	235,000,000
Quill 9 office building, Petaling Jaya	Mixed commercial office complex with a 6 storey block.	Quill Interior Holdings Sdn Bhd	Neo Platinium Berhad	200,000,000
Vacant commercial land at Puchong	3.55 acres leasehold land planned for high-rise serviced apartments.	Hartanah Idaman (M) Sdn Bhd	Billion Megastar Sdn Bhd (indirect)	68,040,720
Vacant development land at Kampung Attap	4.81 acres leasehold mixed-use land planned for high-rise residential development.	Cahaya Tinggi Sdn Bhd	EUPE Belfield Sdn Bhd (indirect wholly-owned subsidiary of EUPE)	125,000,000
Vacant development land at Salak South	1.65 acres freehold land approved for one block of studio apartment (146 units) and serviced apartments (336 units).	PMB Land (Sg. Besi) Sdn Bhd (wholly-owned subsidiary of PMB Technology Berhad)	Faithview Resources Sdn Bhd	37,000,000
Agricultural land at Rawang	46.87 acres leasehold land next to Saujana Techno Park with residential development potential.	Rasa Anggun Development Sdn. Bhd. (indirect wholly-owned subsidiary of Fitters Diversified Berhad)	Aikbee Development (Kepong) Sdn Bhd	36,000,000
Bangunan KWSP Changkat Raja Chulan	A 13-storey purpose-built office. The proposed acquisition will enable TIME to increase space for expansion of operational facilities.	Lembaga Kumpulan Wang Simpanan Pekerja (KWSP)	AIMS Data Centre Sdn Bhd (wholly owned subsidiary of TIME)	62,000,000 (RM536 psf)
Menara AMFirst at Petaling Jaya	22-storey office building with 3 levels of basement car parks (333 car park bays).	AmFIRST Real Estate Investment Trust (AmFIRST REIT)	Forever Backup Sdn Bhd	62,000,000 (RM391 psf)

Malaysia

Projects	Description	Vendor	Purchaser	Transaction Price (RM)
ISKANDAR MALAYSIA				
KPJ Pasir Gudang Specialist Hospital	Sale and Leaseback of KPJ Pasir Gudang Specialist Hospital.	Pasir Gudang Specialist Hospital SB (Vendor or Lessee)	Al-Aqar Healthcare REIT (Trustee or Purchaser)	93,000,000
Development land along Jalan Skudai – Gelang Patah	Acquired development lands measuring approximately 84.087 acres in aggregate forming part of the Master Lands located along Jalan Skudai-Gelang Patah.	Tropicana Desa Mentari SB	KSL Development SB	109,884,892
Pelabuhan Tanjung Pelepas	Acquire a logistic warehouse facility indentifiedas Plots DW1 & DW2, JlanTanjungA/2, DistriparkA, PelapuhanTanjungPelepas, 81560 GelangPatah, Johor.	Equalbase PTP SB	Axis-REIT	390,000,000
Gerbang Nusajaya	AEntered into Land Transfer Agreements for disposal of sixteen (16) parcels of land totaling a net area of 107.82 acres located in the mukim of Tanjung Kupang, District of JB as part of payment for the acquisition of Lot 228, Town & District Kuala Lumpur.	Nipponkey SB	UEM Sunrise Bhd	148,246,790
Two Factories in Kawasan Perindustrian i-Park	Proposed acquisition of two units of single storey detached factory with mezzanine office and other ancillary buildings.	AME Development Sdn Bhd	RHB Trustees Berhad	53,000,000
Factory in Taman Perindustrian i-Park SAC	Proposed acquisition of two units of single storey detached factory with mezzanine office and other ancillary buildings.	Ipark Development Sdn Bhd	RHB Trustees Berhad	16,250,000
MELAKA				
Residential development land at Off Jalan Baru, Jalan Melaka Raya/ Limbongan	5.49 acres of residential development land.	Real Golden Development Sdn Bhd	Hypersky Sdn Bhd	19,100,000
Commercial development land at Off Jalan Syed Abdul Aziz, Kota Laksamana	14.95 acres of commercial development land.	G & Q Marine Engineering Sdn Bhd	Eraone Property Sdn Bhd	35,538,762
Commercial development land at Off Jalan Klebang	14.60 acres of commercial development land.	Heritage Development Sdn Bhd.	Vistaleap Sdn Bhd	15,899,400
IPOH				
Taiping Medical Centre	1.09 acres of hospital land	KPJ Healthcare Bhd	Al-'Aqar Healthcare REIT	14,300,000

Malaysia

Projects	Description	Vendor	Purchaser	Transaction Price (RM)
SEREMBAN				
Development land at Lot 201113, Pekan Sungai Menyala, Port Dickson	18.62 acres of development land	Lim Kay Kok	Boulder Property Sdn Bhd	11,000,000
Commercial land at PT 1816, Bandar Nilai Utama, Seremban	8.83 acres of commercial land	Arus Ikhlas Sdn Bhd	Menteri Besar Negeri Sembilan	20,000,000
Commercial land at Lot 26829, Bandar Nilai Utama, Seremban	1.64 acres of commercial land	Nilai Resources Properties Sdn Bhd	Herna Sdn Bhd	16,652,372
Development land at Lot 10487, Mukim of Pasir Panjang, Port Dickson	38 acres of development land	MEPRO Resources Sdn Bhd	Cangkat Hartamas Sdn Bhd	11,586,960
PENANG				
Queensbay Mall	91.8% of the strata floor area of retail parcels in Queensbay Mall (Gross Strata Area: 1,282,681 sq. ft.)	Special Coral SB & Retail Galaxy Pte Ltd	CapitaLand Malaysia Trust (CLMT)	990,500,000
Industrial land at Bertam, Seberang Perai	Freehold with a land area of approximately 834.36 acres	Aspen Bell Avenue Sdn Bhd	Lestari Duta Sdn Bhd and Mujur Sinarjaya SB (70% subsidiary of Ideal United Bintang International Berhad)	475,359,056
Land at Mukim 19, District of Seberang PeraiTengah	Freehold with a land area of approximately 175.98 acres	WazLian Holdings SdnBhd	Northern Industrial Park Sdn Bhd & Majestic Builders Sdn Bhd (via a shareholders' agreement)	130,000,000
Industrial complex at Valdor Industrial Park, Seberang Perai	Freehold with a land area of approximately 12.6 acres	Ingenieur EPCM SB	CapitaLand Malaysia Trust (CLMT)	80,000,000
Industrial complex at Bayan Lepas Industrial Park, Penang Island	2.07 acres leasehold with unexpired term of 28 years	Zoomic Technology (M) SB (Subsidiary of IQZAN Holding Berhad)	FoundPac Technologies SB (Subsidiary of FoundPac Group Berhad)	25,500,000
ALOR SETAR				
Wings By Croske Resort Langkawi Sdn Bhd (Century Helang Hotel, Langkawi)	4.18 acres of hotel land	Croske Hotels Sdn Bhd	Medic Asset Group Sdn Bhd	90,000,000

Malaysia

Projects	Description	Vendor	Purchaser	Transaction Price (RM)
KUANTAN				
Industrial land at Off Jalan Chatin-Temerloh Industrial Park	253,490 sq. ft. of land with a factory	Powernet Industries Sdn Bhd	Magnitude Resources Sdn Bhd	12,000,000
Industrial land at Off Jalan Chatin-Temerloh Industrial Park	253,490 sq. ft. of land with a factory	Powernet Industries Sdn Bhd	Magnitude Resources Sdn Bhd	12,000,000
Agricultural land at Ringlet/ Tanah Rata	2,149,551 sq. ft. of agricultural land	Makencone Holdings Sdn Bhd	Daltans Sdn Bhd	14,799,000
KUCHING, SARAWAK				
Wisma SEGO at Jalan Sultan Tengah	4-storey office building measuring 3,090 sqm located on Lot 3593, Salak Land District, Kuching	Petra Jaya Properties Sdn Bhd	Pesuruhjaya Tanah Persekutuan	13,000,000
Chin & Sons Building at 2 ½ Mile, Rock Road, Kuching	Office building measuring 4,168 sqm located on Lot 31 Kuching Central Land District, Kuching	Chin & Sons (1955) Sdn Bhd	CMW Engineering Corporation Sdn Bhd	11,500,000
Leasehold development land at Jalan Kampung Mambong	201,640 sqm land located on Lot 910, Sentah-Segu Land District, Kuching	Poh Kwong Housing Development Sdn Bhd	Persatuan Pemuliaan Tuhan Kung Mung Bahagian Kuching	11,071,050
Development land at Jalan Kampung Mambong	269,660 sqm land located on Lot 1585 Sentah-Segu Land District, Kuching	Poh Kwong Housing Development Sdn Bhd	Yung Seng Realty Sdn Bhd	12,660,543
Freehold development land at Jalan Stephen Yong Link	20,430 sqm land located on Lot 4493 Kuching North Land District, Kuching	Syed Ahmad bin Wan Omar	Musyati Development (EM) Sdn Bhd	10,000,000
Leasehold development land at Jalan Sherip Masahor, Batu 4, Penrissen	8,396 sqm located on Lot 5530 Kuching Central Land District, Kuching	Sawako Sdn Bhd	Silverdrum Corporation Sdn Bhd	14,800,000
SIBU, SARAWAK				
Plantation land at Batang Lebaan, Tanjung Manis	2,388 ha of 60-year leasehold agricultural land located on Lot 1155 and one addition lot at Engkilo Land District, Sibu	Anggerik Jutamas Sdn Bhd	Semarak Gigih Berhad	120,000,000
MIRI, SARAWAK				
Agricultural land at Jalan Miri-Pujut	Land with veterinary clinic measuring 1.4 acres located on Lot 2680 Block 4 Miri Concession Land District, Miri	Ling Tung King	Phua Wei Seng	7,000,000
BINTULU, SARAWAK				
Kidurong Industrial Estate at Jalan Kidurong	Double-storey detached industrial building located on Lot 1958 Block 26 Kemena Land District	Ling Chiong Sieng	Yeon Tak Coldstorage Sdn Bhd	8,000,000

Malaysia

Projects	Description	Vendor	Purchaser	Transaction Price (RM)
SANDAKAN, SABAH				
Hong Hong Plantation at Sg. Lingkabau, Jalan Sapi Nangoh	600 acres of oil palm estate	Hong Hong Plantation Sdn Bhd	Barisan Setiajaya Sdn Bhd	16,799,160
Xumarax Plantation at Batu 90, Off Jalan Ranau-Telupid	1946 acres of oil palm estate	Xumarax Sdn Bhd	Felcra Berhad	62,288,000
MU Superstore at KM 13.3, Jalan Labuk	4.3 acres of warehouse to be converted to hypermarket	Grorich Sdn Bhd	MU Assets Sdn Bhd	20,000,000
TAWAU, SABAH				
SCB Building at Tawau town	7,100 sq. ft. of two storey commercial building	SCB	ST Land	2,900,000

Source: CBRE | WTW Research

08

Our Network

CBRE | WTW

Kuala Lumpur (HQ)
30-01, 30th Floor
Menara Multi-Purpose
8 Jalan Munshi Abdullah
P O Box 12157, 50100 Kuala Lumpur
☎ : +(6 03) 2616 8888
🖷 : +(6 03) 2616 8899
✉ : kualalumpur@cbre-wtw.com.my

Alor Setar Office
1st Floor, No. 71-B
Lebuhraya Darulaman
05100 Alor Setar
☎ : +(6 04) 730 3300
🖷 : +(6 04) 730 2200
✉ : alorsetar@cbre-wtw.com.my

Batu Pahat Office
2nd Floor, 37-4B Jalan Rahmat
83000 Batu Pahat
☎ : +(6 07) 434 6122
🖷 : +(6 07) 431 6921
✉ : batupahat@cbre-wtw.com.my

Ipoh Office
D-1-3 & D-1-5 SOHO Ipoh 2
Jalan Sultan Idris Shah
P O Box 562, 30760 Ipoh
☎ : +(6 05) 246 1133
🖷 : +(6 05) 246 1313
✉ : ipoh@cbre-wtw.com.my

Johor Bahru Office
Suite 15B Level 15 Menara Ansar
65 Jalan Trus, P O Box 320
80000 Johor Bahru
☎ : +(6 07) 224 3388
🖷 : +(6 07) 224 9769
✉ : johorbahru@cbre-wtw.com.my

Kota Bharu Office
PT 1185 Level 2
Jalan Kebun Sultan
15350 Kota Bharu
☎ : +(6 09) 748 7070
🖷 : +(6 09) 744 7545
✉ : kotabharu@cbre-wtw.com.my

Kuala Terengganu Office
4th Floor
98 Jalan Banggol
20100 Kuala Terengganu
☎ : +(6 09) 626 2760
🖷 : +(6 09) 622 2788
✉ : kualaterengganu@cbre-wtw.com.my

Kuantan Office
5th Floor, Bangunan HSBC Bank
Jalan Mahkota, 25000 Kuantan
20100 Kuala Terengganu
☎ : +(6 09) 515 0000
🖷 : +(6 09) 514 5793
✉ : kuantan@cbre-wtw.com.my

Melaka Office
No 178 Jalan Merdeka
Taman Melaka Raya
75000 Melaka
☎ : +(6 06) 281 2288
🖷 : +(6 06) 284 6399
✉ : malacca@cbre-wtw.com.my

Penang Office
Suite 2.7, Level 2 Wisma Great Eastern
No 25 Lebuh Light, 10200 Penang
☎ : +(6 04) 263 3377
🖷 : +(6 04) 263 0359
✉ : penang@cbre-wtw.com.my

Seremban Office
Lot 4981 Tingkat 3,
Jalan Dato' Sheikh Ahmad
P O Box No 190,
70710 Seremban
☎ : +(6 06) 765 3355
🖷 : +(6 06) 765 3360
✉ : seremban@cbre-wtw.com.my

C H Williams Talhar & Wong (Sabah) Sdn Bhd

Kota Kinabalu Office
2nd Floor Menara MBf, No. 1 Jalan Sagunting
P O Box 14414, 88850 Kota Kinabalu
☎ : 088-248 801
🖷 : 088-230 826
✉ : kotakinabalu@wtwsabah.com.my

Keningau Office
Lot 11, 1st Floor, Suria Shopping Centre
PO BOX 1428
Jalan Masak 89000 Keningau
☎ : 087-336 803
🖷 : 087-338 803
✉ : keningau@wtwsabah.com.my

Labuan Office
1st Floor Wisma Chee Sing
No 48 Jalan Bunga Kenanga
P O Box 82229, 87032 Labuan
☎ : 087-416 341
🖷 : 087-416 342
✉ : labuan@wtwsabah.com.my

Lahad Datu Office
2nd Floor, Lot 2, Block A , RHB Bank Building
Metro Commercial Centre, Jalan Kiambang
P O Box 60600
91115 Lahad Datu
☎ : 089-882 393
🖷 : 089-885 088
✉ : lahaddatu@wtwsabah.com.my

Sandakan Office
Rooms 605-608 6th Floor
Wisma Khoo Siak Chiew
WDT 110
90009 Sandakan
☎ : 089-217 025
🖷 : 089-272 850
✉ : sandakan@wtwsabah.com.my

Tawau Office
305 (1st Floor) Leong Hua Building
Dunlop Street, P O Box 60394, 91013 Tawau
☎ : 089-774 349
🖷 : 089-762 287
✉ : tawau@wtwsabah.com.my

C H Williams Talhar Wong & Yeo Sdn Bhd

Kuching Office
No 26 (1st Floor) Lot 352 Section 54
Wisma Nation Horizon
Jalan Petanak
93100 Kuching
☎ : 082-231 331
🖷 : 082-231 991
✉ : kuching@wtwy.com

Bintulu Office
Sublot 54 (Lot 4229) 1st Floor
Parkcity Commerce Square Ph 6
Jalan Tun Ahmad Zaidi
97000 Bintulu
☎ : 086-335 531
🖷 : 086-335 964
✉ : bintulu@wtwy.com

Miri Office
Lot 1139 (Ground & 1st Floors)
Miri Waterfront Commercial Centre
98000 Miri
☎ : 085-432 821
🖷 : 085-411 786
✉ : miri@wtwy.com

Sibu Office
No 10C (First Floor)
Jalan Kampung Datu
96000 Sibu
☎ : 084-319 396
🖷 : 084-320 415
✉ : sibu@wtwy.com

C H Williams Talhar & Wong (B) Sdn Bhd

Brunei Office
Unit No 18, 1st Floor, Jaya Setia Square
Simpang 13, Kampung Setia Jaya
Bandar Seri Begawan BB2713
Negara Brunei Darussalam
☎ : 673-2228 050
🖷 : 673-2234 695
✉ : wtwb@brunet.bn

Contacts

Kuala Lumpur (HQ)

Foo Gee Jen, Chairman
✉ : geejen.foo@cbre-wtw.com.my

Danny Yeo Soon Kee, Deputy Chairman
✉ : danny.yeo@cbre-wtw.com.my

Tan Ka Leong, Group Managing Director – Property & Facility Management
✉ : kaleong.tan@cbre-wtw.com.my

Heng Kiang Hai, Deputy Group Managing Director – Valuation & Advisory Services
✉ : kianghai.heng@cbre-wtw.com.my

Lim Chai Yin, Managing Director Advisory & Transaction
✉ : chaiyin.lim@cbre-wtw.com.my

Aziah Mohd Yusoff $_{PJK}$, Director
✉ : aziah.myusoff@cbre-wtw.com.my

Ungku Mohd Iskandar Ungku Ismail, Director
✉ : iskandar.ismail@cbre-wtw.com.my

Tay Bee Chen, Associate Director
✉ : beechen.tay@cbre-wtw.com.my

Azrul Hafiz Bin Abdul Hamid, Associate Director
✉ : azrulhafiz.abdulhamid@cbre-wtw.com.my

Zulkamal Bin Ruhaizat Ooi, Associate Director
✉ : zulkamal.ooi@cbre-wtw.com.my

Alor Setar Office

Azmil Rohimie Zakaria, Manager
✉ : azmil.zakaria@cbre-wtw.com.my

Batu Pahat Office

Joel Teo Zhili, Senior Assistant Manager ,
✉ : joel.teo@cbre-wtw.com.my

Ipoh Office

Ruwen Wong, Senior Assistant Manager
✉ : ruwen.wong@cbre-wtw.com.my

Khor Seong Wah, Assistant Manager
✉ : seongwah.khor@cbre-wtw.com.my

Johor Bahru Office

Jonathan Lo Kin Weng, Director
✉ : jonathan.lo@cbre-wtw.com.my

Paul Brendan Chan, Director
✉ : paul.chan@cbre-wtw.com.my

Lee Kun Thye, Associate Director
✉ : kunthye.lee@cbre-wtw.com.my

Giselle Chong Shek Heong, Associate Director
✉ : giselle.chong@cbre-wtw.com.my

Kota Bharu Office

Muhd Kamal Mohamed, Director
✉ : kamal.mohamed@cbre-wtw.com.my

Syed Ahmad Hafizuddin, Senior Assistant Manager
✉ : syed.taufik@cbre-wtw.com.my

Kuala Terengganu Office

Mohd Yusri Ngah, Senior Assistant Manager
✉ : yusri.ngah@cbre-wtw.com.my

Kuantan Office

Zulkamal Bin Ruhaizat Ooi, Associate Director
✉ : zulkamal.ooi@cbre-wtw.com.my

Lok Siew Mei, Senior Assistant Manager – Advisory & Transaction
✉ : siewmei.lok@cbre-wtw.com.my

Alex Yap, Assistant Manager – Valuation & Advisory Services
✉ : alex.yap@cbre-wtw.com.my

Melaka Office

Teh Hong Chua, Senior Branch Manager
✉ : hongchua.teh@cbre-wtw.com.my

Penang Office

Peh Seng Yee, Director
✉ : sengyee.peh@cbre-wtw.com.my

Tan Chean Hwa, Director
✉ : cheanhwa.tan@cbre-wtw.com.my

Byson Lim Yong Choon, Manager
✉ : yongchoon.lim@cbre-wtw.com.my

Seremban Office

Latifah Harun, Senior Assistant Manager
✉ : latifah.harun@cbre-wtw.com.my

Kota Kinabalu Office

Cornelius Koh, Director
✉ : ckoh@wtwsabah.com.my

Chong Fui Mei (Karis), Director
✉ : karischong@wtwsabah.com.my

Chan Mon Hueg @ Moon, Director
✉ : chanmonhueg@wtwsabah.com.my

Labuan Office

Chong Fui Mei (Karis), Director
✉ : karischong@wtwsabah.com.my

Lahad Datu Office

Leong Shin Yau, Managing Director
✉ : syleong@wtwsabah.com.my

Sandakan Office

Benjamin Mu Vi Ken, Director
✉ : benjaminmu@wtwsabah.com.my

Robin Chung York Bin, Consultant
✉ : rchung@wtwsabah.com.my

Tawau Office

Chan Mon Hueg @ Moon, Director
✉ : chanmonhueg@wtwsabah.com.my

Desmond Liew, Manager
✉ : tawau@wtwsabah.com.my

Keningau Office

Cornelius Koh, Director
✉ : ckoh@wtwsabah.com.my

Kuching Office

Yip Phooi Leng, Director
✉ : ypl@wtwy.com

Bintulu Office

Jeffrey Pui Zen Thung, Director
✉ : jeffreypui@wtwy.com

Miri Office

Ting Kang Sung (Robert), Managing Director
✉ : rting@wtwy.com

Lim Tien Yang, Director
✉ : tienyang@wtwy.com

Sibu Office

Hii Wei Jin, Director
✉ : hiiwj@wtwy.com

Brunei Office

Kathy Lim, Director
✉ : kathy@wtwbrunei.com

Contacts

CBRE | WTW Research

Sr Aziah Mohd Yusoff PJK
Director, CBRE | WTW
aziah.myusoff@cbre-wtw.com.my

Sr Peh Seng Yee
Director, CBRE | WTW
sengyee.peh@cbre-wtw.com.my

Sr Jonathan Lo Kin Weng
Director, CBRE | WTW
Jonathan.lo@cbre-wtw.com.my

WTWS Research

Cornelius Koh
Director
ckoh@wtwsabah.com.my

WTWY Research

Sr Robert Ting Kang Sung
Managing Director, WTWY
rting@wtwy.com

For more information regarding global research, please contact

Richard Barkham, Ph.D., MRICS
Global Chief Economist &
Head of America Research
richard.barkham@cbre.com

Henry Chin, Ph.D
Global Head of Investor Thought Leadership
Head of Research, Asia Pacific
henry.chin@cbre.com

Neil Blake, Ph.D
Global Head of Forecasting and Analytics
EMEA Chief Economist
niel.blake@cbre.com

Spencer Levy
Chairman Americas Research &
Senior Economic Advisor
spencer.levy@cbre.com

Michael Chai
Manager
CBRE | WTW
michael.chai@cbre-wtw.com.my

Analyst
Nurzawani Abdul Latiff
nurzawani.latiff@cbre-wtw.com.my

Khairunnisa Zulkifli
khairunnisa.zulkifli@cbre-wtw.com.my

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CBRE | WTW

30-01, 30th Floor, Menara Multi-Purpose, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia
Tel: 03-2616 8888 Fax: 03-2616 8899
www.cbre-wtw.com.my

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