WTW INTERNATIONAL

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Property Market 2013

C H Williams Talhar & Wong

WTW INTERNATIONAL

CH Williams Talhar & Wong established in 1960, is a leading real estate services company in Malaysia & Brunei (headquartered in Kuala Lumpur) operating with 25 branches and associated offices.

HISTORY

Colin Harold Williams established C H Williams & Co, Chartered Surveyor, Valuer and Estate Agent in 1960 in Kuala Lumpur. In 1974, the company merged with Talhar & Co, a Johor-base Chartered Surveying and Valuation company under the sole-proprietorship of **Mohd Talhar Abdul Rahman**. With the inclusion of **Wong Choon Kee**, in a 3-way equal partnership arrangement, **C H Williams Talhar and Wong** was founded.

PRESENT MANAGEMENT

The Group is headed by Chairman, Mohd Talhar Abdul Rahman who guides the group on policy developments and identifies key marketing strategies which have been instrumental in maintaining the strong competitive edge of WTW. The current Managing Directors of the WTW Group operations are:

C H Williams Talhar & Wong Sdn Bhd	Foo Gee Jen
C H Williams Talhar & Wong (Sabah) Sdn Bhd	Robin Chung York Bin
C H Williams Talhar Wong & Yeo Sdn Bhd (operating in Sarawak)	Robert Ting Kang Sung
Land Lease Project (M) Sdn Bhd (Formerly known as WTW Bovis Sdn Bhd)	Dinesh Nambiar

CONTENTS

Board of Directors

Front row from right - Mohd Talhar Abdul Rahman (Chairman), Foo Gee Jen (Managing Director)
Back row from right - Muhammad Baharuddin Mustafa, Tan Ka Leong, Aziah Mohd Yusoff, Ainuddin Jalaini Ismail, Danny Yeo Soon Kee, Lim Chai Yin, Peh Seng Yee, Tony Lee Eng Kow, Heng Kiang Hai

State of The Property Market

Cautious but Steady

Economic growth in Malaysia in 2012 has been primarily from the services and manufacturing sectors with construction playing a stronger role. Manufacturing output especially domestic-oriented industries will expand steadily with continuing strong domestic demand. However, export oriented industries are expected to moderate in line with the weak global economy. This could slowdown the growth.

The manufacturing sector expanded 5% in 1H2012 and attracted RM5.7 billion FDI in 1Q2012 which was a slight drop compared to 4Q2011. The electrical and electronics sub-sector rebounded while the chemicals sub-sector and petroleum sub-sector also rose 9.9% and 7.1% respectively in 1H2012. The growth of these sub-sectors has benefitted industrial areas in new corridors especially Northern and Eastern Corridors of the Economic Regions.

The construction-related materials sub-sector grew 5.7% driven by on-going infrastructure and high impact projects. Similarly driven the transport equipment sub-sector turned around sharply by 13.7% in 1H2012.

In 1H2012, gross exports expanded 3.3% to RM409.3 billion while gross imports increased 8.2% to RM354.6 million. External trade continues to be a major component of the economy but is no longer a significant driver of economic growth.

Taking into account the weak external sector but resilient domestic economy, prospects for the Malaysian economy growth in 2012 are expected to improve slightly to 4.9% in 2012 (Source: Business Times/ RAM, January 28, 2013).This would provide support for the continuing strength of the retail sector of the property market.

Significant Events during the year:

- The launch of Visit Malaysia Year 2013 – 2014, can be expected to boost the Tourism Industry. The hotel and retail sectors would see better growth with the expected increase in foreign tourist arrivals and spending.

- The Tun Razak Exchange (TRX) (previously named as the Kuala Lumpur International Financial District) is expected to attract 250 multinational companies including global financial institutions and creating over 500,000 new jobs including 40,000 for knowledge workers in financial services. More than RM3.5 billion in FDI is expected to flow into the country under Phase 1 of the project. We anticipate that this could create additional demand for at least 6 million sq ft of new office space, which will help maintain the office property sector.

- During the year, Malaysia floated the world's second and third largest IPOs: Felda Global Ventures Bhd, the world's third largest palm oil plantation company made its debut in June 2012 after raising RM9.9 billion in the second largest IPO after Facebook Inc and IHH Healthcare Bhd, a healthcare provider raised over RM5 billion. With a market capitalization of RM22.5 billion IHH is the second largest healthcare provider in the world.

- The opening of Legoland in Iskandar Malaysia in latter part of 2012 marked another successful catalytic project in that region. This further bolstered investor interest in this part of Johor.

- The latest budget announced the launch of affordable housing with the allocation of RM1.9 billion to construct 123,000 units. Pr1ma will construct 50,000 houses under this programme priced from RM100,000 to RM400,000. The initial locations are identified to be Kuala Lumpur, Shah Alam, Johor Bahru, Seremban and Kuantan.

- The Real Property Gains Tax has been increased from 10% to 15% for disposals within 2 years and from 5% to 10% for disposals within 2 to 5 years. Disposals after 5 years will not attract RPGT, which is unchanged from previously.

The office sector remained stagnant in most cities in 2012 except for Melaka and Kota Kinabalu where increase in demand for office space was noted. In 2013, the outlook for the office sector in respective individual cities are expected to be unchanged compared to last year; except in Kota Kinabalu, where we expect there would be continuing demand expansion for office space.

The retail sector improved with good take up and occupation of retail space in selected cities, namely Kuala Lumpur, Johor Bahru, Melaka, and Kota Kinabalu. Elsewhere, the market stayed stable in 2012, with no movements or only marginal increase in initial rents or in renewals compared to the previous year. In 2013, we expect this sector of the market will see an upward trend in demand for space and rental levels generally in Kuala Lumpur and Johor Bahru.

In 2012, the occupancy rates of hotels in Ipoh, Johor Bahru, Melaka and Kuantan improved. Elsewhere hotels reported marginal or no increase in tariff rates or occupancies. In 2013, except for the four locations we expect the market situation to remain the same.

The condominium market in 2012 is characterised by increasing number of new construction starts and rising prices in Penang, Seberang Perai, Ipoh, Johor Bahru, Melaka, Kuala Terengganu, Kota Bharu and Kota Kinabalu. We expect this trend will be sustained through 2013 in Seberang Perai, Ipoh,Johor Bahru, Melaka, and Kota Bharu, but not elsewhere.

All major urban centres reported continued strong buying interest in landed residential property in 2012. We expect this level of interest in the landed residential sector of the market to continue to be higher in 2013.

Shopoffices continued to sell well in 2012 throughout the country. In 2013, this trend is expected to continue in Seberang Perai, Alor Setar Ipoh, Johor Bahru, Batu Pahat, Kuantan and Kota Terengganu.

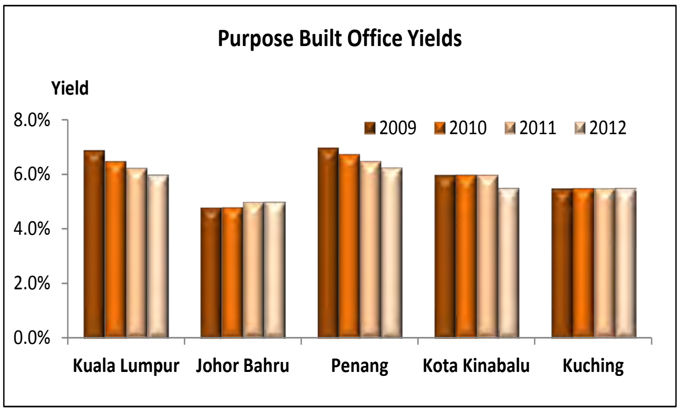
The industrial sector in 2012 showed increasing number of transactions in Kuala Lumpur, Seremban, Penang, Seberang Perai, Alor Setar, Johor Bahru, Melaka, Kuantan and Kota Kinabalu. Elsewhere, market activities in this sector either stabilised or reduced slightly. In 2013, we expect continuing interest and market activities in this sector in Kuala Lumpur, Johor Bahru, Seberang Perai, Alor Setar, Kuantan and Kota Kinabalu.

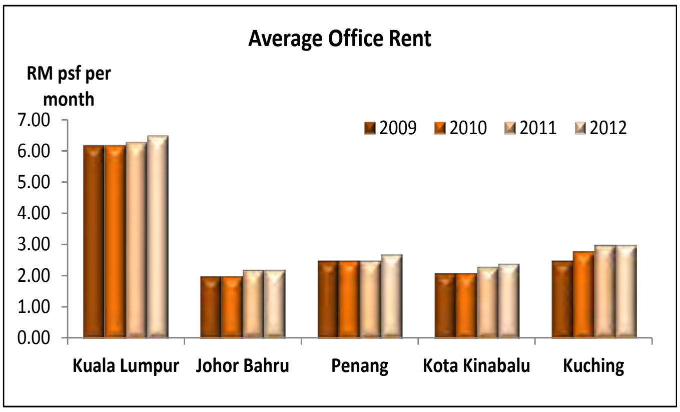
In 2013, the market outlook for the affordable housing segment is very positive. We can expect units in this segment will continue to find a ready market. The high-end residential properties continue to sell well in the major cities of Johor Bahru, Kuala Lumpur and Penang. We can expect with the seemingly strong demand, prices may be pushed upwards.

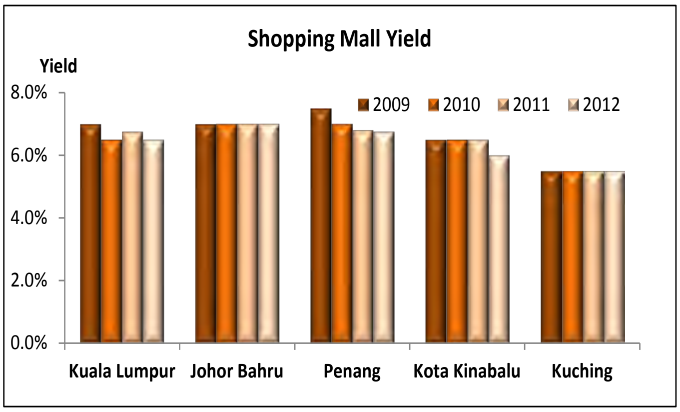
2012 - 2013 Property Direction

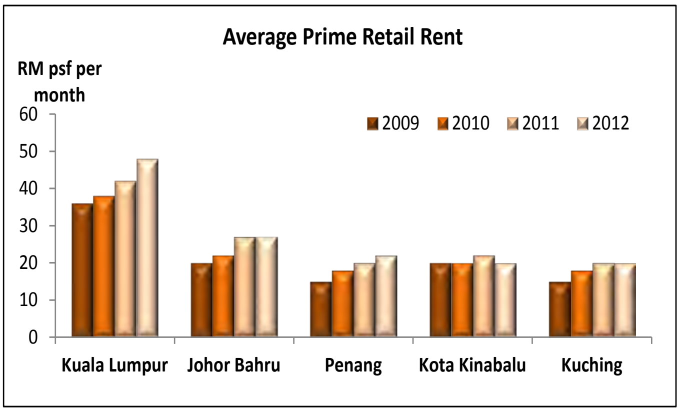
	REGIONAL 2012	REGIONAL 2013	OFFICE 2012	OFFICE 2013	RETAIL 2012	RETAIL 2013	HOTEL 2012	HOTEL 2013	CONDOMINIUMS 2012	CONDOMINIUMS 2013	LANDED RESIDENTIAL 2012	LANDED RESIDENTIAL 2013	SHOPOFFICE 2012	SHOPOFFICE 2013	INDUSTRIAL 2012	INDUSTRIAL 2013
Kuala Lumpur	↑	→	→	→	↑	↑	→	→	→	→	↑	↑	↑	→	↑	↑
Seremban	→	→	→	→	→	→	→	→	→	→	↑	↑	→	→	↑	→
Penang	↑	→	→	→	→	→	→	→	↑	→	↑	↑	↑	→	↑	→
Seberang Perai	↑	↑	→	→	→	→	→	→	↑	↑	↑	↑	↑	↑	↑	↑
Alor Setar	↑	↑	→	→	→	→	→	→	→	→	↑	↑	↑	↑	↑	↑
Ipoh	↑	↑	→	→	→	→	↑	↑	↑	↑	↑	↑	↑	↑	→	→
Johor Bahru	↑	↑	→	→	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
Batu Pahat	→	→	→	→	→	→	→	→	→	→	↑	↑	→	↑	→	→
Melaka	↑	↑	↑	→	↑	→	↑	↑	↑	↑	↑	↑	↑	→	↑	→
Kuantan	→	→	→	→	→	→	↑	↑	→	→	→	→	→	↑	↑	↑
Kuala Terengganu	→	↑	→	→	→	↑	→	↑	↑	→	↑	↑	↑	↑	→	→
Kota Bharu	→	→	→	→	→	→	→	→	↑	↑	↑	↑	→	→	→	→
Kota Kinabalu	↑	→	↑	↑	↑	→	→	↑	↑	→	↑	↑	↑	→	↑	↑
Kuching	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→

Summary of Selected Values and Yield 2009-2012









Office and retail rental rates as tabulated above are only for purposes of providing benchmarks for comparing rents in the locations covered by our report. They are general averaged figures and as such cannot be applied for purposes of valuing any specific property, nor applied for any purposes without proper real estate experts' oversight.

Yields as tabulated above are shown as relative yields between the referred cities and their variations during the indicated periods to be used for general benchmarking purposes. They are not based on any specific or particular properties and should not in any manner be applied for valuation or other purposes without recourse to proper real estate experts' oversight.

State of The Property Market

Average Prices of Residential Properties 2012

Location	Terraced (per unit)	Semi-detached (per unit)	Condominiums (per sq ft)
Kuala Lumpur	RM730,000	RM2,600,000	RM1,100*
Seremban	RM250,000	RM430,000	NA
Penang	RM800,000	RM1,350,000	RM500
Seberang Perai	RM350,000	RM480,000	RM260
Alor Star	RM360,000	RM470,000	NA
Ipoh	RM250,000	RM400,000	RM300
Johor Bahru	RM420,000	RM750,000	RM350
Batu Pahat	RM340,000	RM500,000	RM200
Melaka	RM250,000	RM450,000	RM280
Kuantan	RM290,000	RM500,000	RM230
Kota Bahru	RM280,000	RM350,000	RM250
Kota Kinabalu	RM500,000	RM950,000	RM500
Kuching	RM450,000	RM800,000	RM400

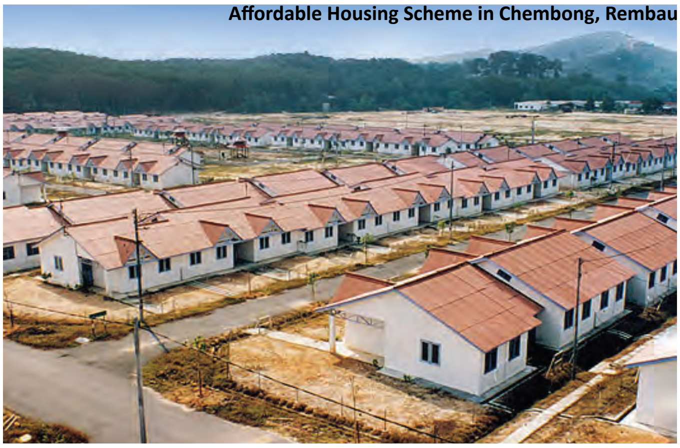
Terraced and Semi-detached houses for purposes of the above comparison are sampled as 2-storey houses, on 22X70 feet plots, with freehold tenure within half hour to one hour travel time from the main business centre.

Condominiums for purposes of the above comparison are sampled as 1,500 – 2,000 sq ft units with the minimum services of lifts, car parks, swimming pool and 24-hour security, with freehold tenure within half hour to one hour travel time from the main business centre .

Prices / values as tabulated above are only for purposes of providing benchmarks for comparing property prices in locations covered by our report. They are general averaged figures and as such cannot be applied for purposes of valuing any specific property, nor applied for any purposes without proper real estate experts' oversight.

** Refers to luxury condominium pricing in Kuala Lumpur city centre.*

Affordable Housing Scheme in Chembong, Rembau



Tun Razak Exchange

Average Yields* of Selected Investment Properties 2012

Location	3-5 star Hotels	Condominiums	Detached Houses	Shop-offices	Industrial
Kuala Lumpur	7.00%	6.00%	3.00%	6.00%	7.00%
Seremban	8.50%	4.50%	4.50%	5.50%	7.00%
Penang	7.50%	4.25%	1.25%	4.75%	7.25%
Seberang Perai	7.00%	7.00%	3.00%	6.00%	6.50%
Alor Star	7.50%	5.00%	3.00%	5.50%	6.00%
Ipoh	7.50%	5.00%	2.50%	5.00%	5.50%
Johor Bahru	N/A	6.00%	3.25%	5.00%	7.50%
Batu Pahat	7.50%	5.00%	NA	5.00%	N/A
Melaka	7.50%	3.00%	3.00%	5.50%	7.00%
Kuantan	7.50%	5.00%	2.00%	4.50%	5.00%
Kota Kinabalu	8.00%	4.50%	NA	4.50%	N/A
Kuching	8.00%	5.00%	3.00%	5.00%	5.50%

Yields as tabulated are shown as relative yields between the referred cities and their variations during the indicated periods to be used for general benchmarking purposes. They are not based on any specific or particular properties and should not in any manner be applied for valuation or other purposes without recourse to proper real estate experts' oversight.

N/A denotes not available

** All net except for condominiums*

Introduction

Overall, the landed residential market continued to perform well in 2012. Hence, the sales rate for new housing developments is expected to be sustained in 2013. The prevailing low interest rate, relatively low unemployment rate, attractive financing packages are the reasons for sustainable growth of the sector.

Meanwhile in the office sector, we will see occupancy rates in older buildings fall as new supply comes on-stream. We believe that rental rates will remain range bound and may have difficulty to rise further despite the better quality of buildings entering the market.

In the luxury condominium sector, the market will be slower with less new launches. We note that occupancy rates will continue to face downward pressure, keeping sales prices and rental levels relatively flat. The Landed Residential sector will see sales slowing due to tightening of loan conditions and rising prices. We are also expecting new launches to be delayed.

On the other hand, hotel occupancy rates will improve as tourism arrivals increase but new hotel supply will hold back average room rates at current levels as promotional room rates continue to be widely prevalent. The retail sector will see rentals and occupancies grow at a slower pace. However, with consumer expenditure continuing to expand, we believe this would enable retailers to maintain a high shopping turnover. Lastly, industrial space demand remains strong and rental levels are foreseen to continue to rise.

Office Sector

The office market was firm in 2012 but with some signs of slowdown as new supply came online. Office supply in Klang Valley stood at 90.2 million sq ft an overall increase of 5% compared to 2011 with 85.7 million sq ft.

More new supply is due for completion in 2013. However, notably; they comprise largely a new breed of office buildings especially in the city centre. By 2014, there will be approximately 3.8 million sq ft new office space, making the total supply, 97.7 million sq ft. Of the total supply, 3.74 million sq ft or 31% of the buildings will be in Central Kuala Lumpur.

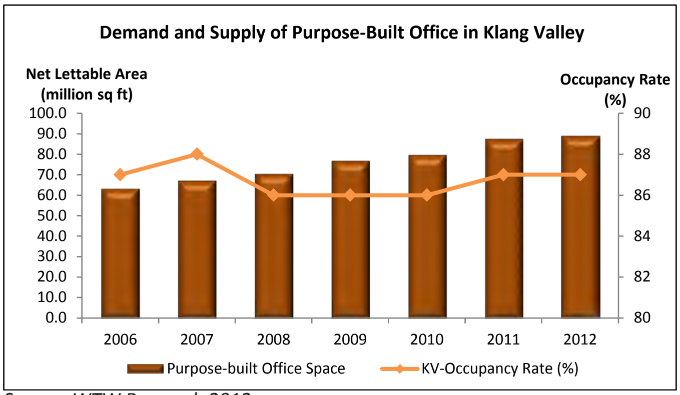
Despite of the massive connectivity transformation, office buildings within prime locations might still maintain an advantage in terms of greater accessibility and thus increase their occupancy; tenants will be capitalizing on the present and forecast state of market on new leasing terms.

The occupancy of office space in Klang Valley was unchanged at 87% in second half 2012 compared with 2H 2011 . The average prime office rent in Central Kuala Lumpur improved slightly to RM6.50 per sq ft compared to RM6.30 per sq ft last year.

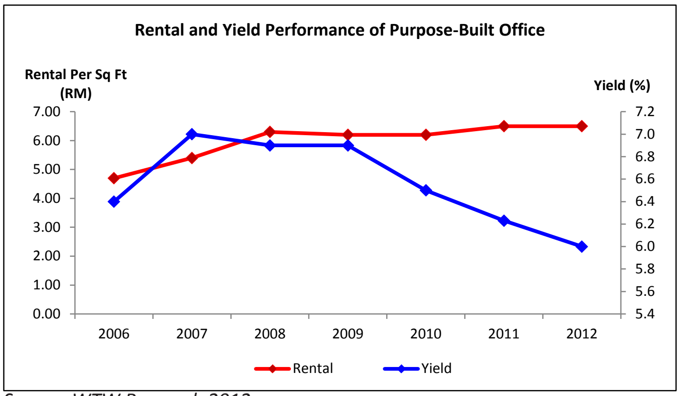
Rentals remained a challenge with more supply even in prime locations in the Golden Triangle area.

The office sector will prove to be especially challenging for landlords and owners of older buildings. For prospective tenants, we are entering a period of "happy hours": for the same rent companies will be able to shift to better and newer buildings. New buildings will be well taken up but overall occupancy rate may slide slightly to a healthy 85% in 2013.

Note that:
CKL - Central Kuala Lumpur
MKL - Metro Kuala Lumpur
GKL - Greater Kuala Lumpur



Source: WTW Research 2012



Source: WTW Research 2012

Office Buildings Completed in 2012

Name of Development	Zone	Net Lettable Area (million sq ft)
Menara Darussalam (Grand Hyatt at the Park)	CKL	1.95
Menara FELDA @ Platinum Park		
Menara Binjai		
Integra Tower (The Intermark)		
Bangsar South – The Horizon (Phase 2)	MKL	2.05
KL Sentral – Hana Daol Office Tower (Lot G)		
Point 92		
Menara 238		
Menara Mudajaya		
Boulevard Plaza	GKL	0.84
CX5		
	TOTAL	**4.84**

Source: WTW Research, 2012

Demand is expected to be stable over the year and the take-up rate for new purpose-built office in Central Kuala Lumpur is expected to remain strong for Grade A office space comparable to international standards. These would be expected to have slightly higher rental as they are equipped with more high technology facilities.

Klang Valley

Hana Daol Office Tower, KL Sentral

The market was generally subdued with no significant major movers in 2012. Prime rental and capital values are expected to remain steady in short term with expectation of the economy growing at 5% to 6% in 2013. With 5.6 million sq ft space expected to complete by end of this year, rentals are expected to face downward pressure in the short term particularly in the MKL area. Vacancy rates are expected to worsen despite improvements in take-up rates.

General current preferences for office locations are centred in Cyberjaya, KL Sentral and KL City Centre. However, office developments at Bangsar South, Petaling Jaya Town Centre and Mutiara Damansara could transform these localities into viable alternatives.

We do not expect the office sector to out-perform the last 2 years but the market could remain firm depending on the successes of the Economic Transformation Programme, smooth completion of the General Elections in 2013 and some positive signs of world economic recovery.

Retail Sector

The last five years have seen a major transformation in the retail sector. In the earlier years, the function of a shopping mall was to provide basic necessities. However, shopping malls nowadays have evolved to be more holistic and theme based. In 2011, retails sales growth was reported to be 8.1%, where as retail sales by 2012 is expected to grow at 6% contrarly to many domestic companies seeing low sales due to the high cautious retail spending of the Malaysian consumers as well as the global economic crisis.

We also saw the listing of IGB Real Estate Investment Trust (REIT) comprising Mid Valley Megamall and The Gardens Mall with an estimated total value of RM4.6 billion offered.

Four retail malls were completed in 2012 and added approximately 2.1 million sq ft of retail space giving the total cumulative supply to about 45 million sq ft by end 2012.

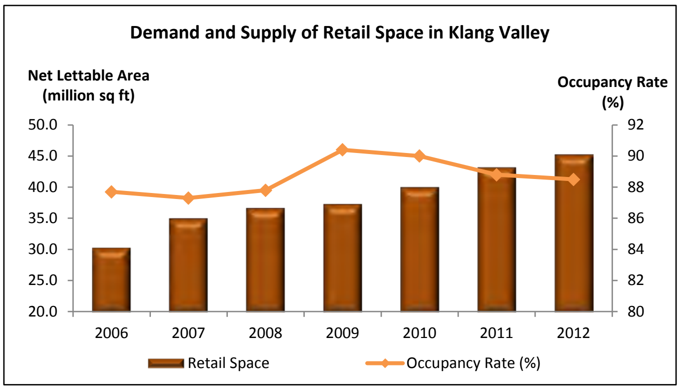
More new developments were announced during the year i.e. proposed retail centres within Damansara City by Guocoland (Malaysia) Berhad, Pavilion Extension by Urusharta Cemerlang Sdn Bhd, KLCC Extension – Lot K by KLCC Properties Holdings Berhad, Sapura Retail by Sapura Ventures Sdn Bhd as well as Gallery @ Pan'gaea by OSK Property Holdings Berhad. Generally, occupancy rates of retail centres in the Klang Valley recorded a slight decline of 0.3% from 2011 registering at 88.5% as at 2012. Whilst for area performance, apart from CKL retail centres which had showed continuous improvement registering an occupancy rate of 91% (an increase of 1.1% from 2011) during the review period, MKL and GKL, on the other hand, had recorded a slight decline of 0.9% and 0.7% from 2011 registering at 87.9% and 87.3% respectively as at 2012. The decline in occupancy rate could due to the closure of The Atria Shopping Centre for redevelopment and the new completions where spaces are still to be taken up.

Prime retail centres, particularly those located in Kuala Lumpur such as KL Pavilion currently average about RM16.50 per sq ft per month. CMMT reported that the average rent at Sungei Wang Plaza was RM13.18 per sq ft. Mid Valley Megamall and The Gardens reported average rents of RM12.35 per sq ft and RM11.52 per sq ft, respectively in the recent circular to shareholders. The average retail rent was reported at RM7.48 per sq ft at Subang Parade and RM6.90 per sq ft at the Mines Shopping Fair.

Retail Malls Completed in 2012

Zone	Period	Name of Development	Net Lettable Area (sq ft)
MKL	2Q 2012	Paradigm Mall	700,000
GKL	1Q 2012	AEON Jusco Rawang	520,000
GKL	2Q 2012	Setia City Mall	740,000
GKL	1Q 2012	Giant Hypermarket, Jalan Kebun	107,000
		TOTAL	**2,067,000**

Source: WTW Research 2012



Source : WTW Research 2012

Another new retail centres and one refurbishment totaling 1.9 million sq ft are expected to be completed by 2013 in Klang Valley. The new completions will exert pressure on the existing retail centres resulting in slower take-up and rental levels are expected to remain the same. Nevertheless, the overall retail sector is expected to remain stable in the next 6 months with retail sales growing at much slower pace due to external factors.

The year 2013 will continue to see more refurbishments or retrofittings or rebranding of aged retail centres such as Sunway Putra Mall (formerly known as The Mall) as well as redevelopment of Bukit Bintang Plaza to incorporate the MRT Station, Sinar Kota and The Atria Shopping Centre to reposition themselves in the current market. Further down the line, Pavilion REIT has announced their intention to acquire Fahrenheit 88 and USJ Mall in the forthcoming years.

Retail Malls Future Supply 2013

Zone	Name of Development	Net Lettable Area (sq ft)
MKL	Nu Sentral (Lot G, KL Sentral)	652,000
MKL	Cheras Sentral (Former Plaza Phoenix)	450,000
MKL	The Strand Shopping Centre	309,000
GKL	Giant USJ 1	215,000
GKL	D' Pulze	240,000
	TOTAL	**1,866,000**

Source: WTW Research 2012

Hotel Sector

Tourism is the second largest sector in the country after manufacturing. We have seen hotel developments rebound in line with the gradual global economic recovery since 2009. Tourism sector contributed 15.1% (RM130.8 billion) of whole economy Gross Development Product (GDP) in Malaysia in 2012, a slightly increase compared to 2011 with 14.8% (RM125.4 billion). In 2012, Malaysia received 25.03 million tourist arrivals, a growth of 1.3% compared to 24.71 million in 2011.

The hotel rooms supply stood at 44,547 rooms or 150 hotels in 2012 compared to 2011 with 41,045 rooms or 140 hotels. Of this total supply, 3,607 rooms or 20 hotels are serviced apartments whereas the balance of 40,940 rooms from 130 hotels are 3 to 5 star hotels.

Seven hotels were completed in 2012 adding 2,366 rooms to existing supply.

Another 4 hotels with a total of 1,529 rooms are under construction which may be completed by end of 2013.

The Average Occupancy Rate (AOR) in 2012 was 68%, a slightdecrease compared to 70% in 2011. The Average Room Rate (ARR) remained unchanged in 2012.

Over the past 5 years, the occupancy rates for 3 to 5-star hotels in Klang Valley ranged between 65% and 70%. In 2012, 4-star and serviced apartments recorded occupancy rates 70% and 73% respectively. In terms of pricing, the overall average room rates (ARR) for 3-star hotels in Klang Valley remained stable at RM125 per night. On the other hand, 5-star hotels recorded an increase in ARR from RM308 to RM324 per night in 2012.

Meanwhile, Multi Purpose Holdings Berhad (MPHB) sold Flamingo Downtown Hotel in Jalan Pudu, Kuala Lumpur for RM54 million to Dijaya Corporation (RM315,000 per room).

As Malaysia starts attracting more high-end tourists into the country, the hotel sector in Malaysia will see increased interest from international chain as well as "branded hotel" such as Aloft, Harrods Hotel and Movenpick Hotel. Aloft is expected to opened in the first quarter of 2013 offering 494 rooms.

Hotel Completed in 2012

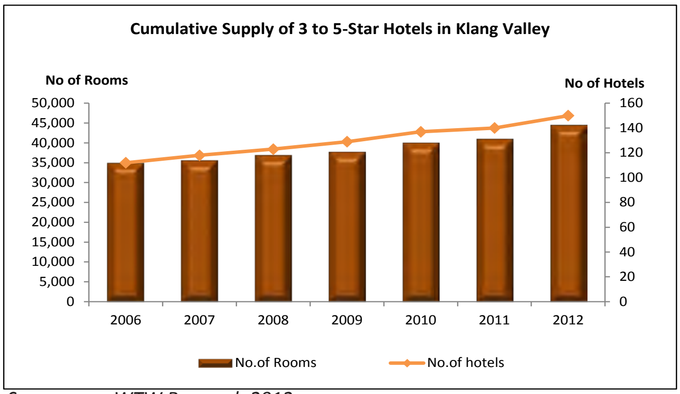
Name of Development	Zone	Star	No of Rooms	Completion
Best Western Premier Dua Sentral	MKL	4	364	2Q 2012
Grand Hyatt Hotel	CKL	5	412	3Q 2012
Ibis Styles Fraser Business Park Kuala Lumpur	CKL	4	500	4Q 2012
Vivatel Kuala Lumpur	MKL	4	264	4Q 2012
Royale Bintang Damansara	MKL	4	370	4Q 2012
Ibis Styles Cheras	MKL	4	156	4Q 2012
The Majestic Kuala Lumpur	MKL	5	300	4Q 2012

Source: WTW Research 2012

Hotel Future Supply 2013

Name of Development	Location	Zone	Star	No of Rooms
Wolo Hotel	Jalan Bukit Bintang	CKL	3	168
Aloft KL Sentral Hotel	Jalan Stesen Sentral 3	MKL	BH	494
Pullman Kuala Lumpur Bangsar	Jalan Pantai Baru	MKL	5	513
One @ Bukit Ceylon Hotel Suites	Jalan Ceylon	CKL	5	354

Source: WTW Research 2012



Source : WTW Research 2012

Condominium Sector

The influential force that is creating demand for properties in Klang Valley is ETP initiated by the government to transform Malaysia. We expect more foreign companies to invest in the country and consequently, increase the entry of more expatriates and demand for up-market residences, including condominiums.

Klang Valley

For the condominium sector, there was a marked slowdown in completions within Kuala Lumpur as most projects completed in the last two years have yet to achieve near full occupancy. Compared to our earlier projection of 2,900 units being completed in 2012, about 1,150 units had been completed as at 2012 with another 1,750 of our projected new supply still remaining uncompleted. As expected, prices, occupancy rates and rental levels are lower and in some cases yields of 2% have been observed.


St Mary Residences

Condominium Completed in 2012

Name of Development	Location	Zone	Type	No of Units
Katana II	Embassy row	MKL	C	40
The Pearl KLCC	Jalan Stonor	CKL	C	179
The Crest	Jalan Sultan Ismail	CKL	SR	278
St Mary Residences	Jalan Tengah	CKL	SR	675

Note: SR – Serviced Residence
C - Condominium
Source: WTW Research, 2012

On the demand side, the sales rate was stable. Many developers introduced a new financial package known as the Developer's Interest Bearing Scheme (DIBS) as one of their new marketing strategies to stimulate sales.

As at 2012, the total supply of luxury condominium in Kuala Lumpur increased by 5% from 21,771 units (135 developments) in 2011 to 22,925 units (139 developments). (4) developments were completed namely The Crest JSI, The Pearl @ KLCC and St Mary Residences all located within the Golden Triangle (GT) area of CKL as well as Katana II located within Ampang Hilir / U-Thant (AH/UT).

Of the existing supply, 12,327 were condominium units in 97 developments (or 53.8% of total existing supply) and 10,598 were serviced residences (inclusive of SOHO developments) in 42 developments (or 46.2% of total existing supply).

The average occupancy rate for the existing luxury condominium in most areas had improved since early 2012 where more units were taken-up due to the lesser launches as well as the slow down in completions for most projects. Overall, the average occupancy rate for existing luxury condominium in KL was recorded at 66.7% during the review period, showing an increase of 3.8% since 2011. Both condominiums and serviced residences also recorded an upward trend registering occupancy rates at 67.8% and 65.3%, in 2012, an increase of 3.4% and 3.9% from 2011 respectively.

The average take-up in KL over the last 5 years (2008-2012) was about 2,234 units annually where more units were taken up during the later half of 2012 of about 1,670 units compared to only 680 units in 1H 2012.

Condominium to be Completed by 2013

Name of Development	Location	Zone	Developer	Type	No. of Units
MK 28	Jalan Kiara	MKL	Sunrise Bhd	C	462
Verticas Residensi (A &B)	Jalan Ceylon	CKL	WingTai Asia Group	C	302
Regalia	Jalan Sultan Ismail	CKL	Mayland Group	C	1,130
Kiaramas Danai	Jalan Desa Kiara	MKL	Kiaramas Development Sdn Bhd (subsidiary of Asia Quest Holdings Sdn Bhd)	C	332
Setia Sky Residences (Phase 1)	Jalan Raja Muda Aziz	CKL	SP Setia Bhd Group	SR	422
Icon Residence	Persiaran Dutamas	MKL	Maxim Heights Sdn Bhd (a subsidiary of Mah Sing Group)	SR	260
M Suites	Jalan Ampang	MKL	Star Residences Sdn Bhd (subsidiary of Mah Sing Group)	SR	442
Suasana Bukit Ceylon	Jalan Raja Chulan	CKL	UM Land Sdn Bhd	SR	310
Vipod KLCC	Jalan Kia Peng	CKL	Vipod Suites Sdn Bhd	SR	367
SOHO Suites @ KLCC	Jalan Perak	CKL	Jadepot Development Sdn Bhd (associate of Monoland Corporation)	SOHO	320
Binjai 8	Lorong Binjai	CKL	Scenic Point Development (subsidiary of UOA Group)	SOHO	310

Note: SR – Serviced Residence C - Condominium SOHO – Small Office Home Office
Source: WTW Research, 2012

Approximately 6,113 units by 25 developments are expected to be completed by 2013, giving the total cumulative supply registering at 29,038 units by 2013. Other condominiums expected to be completed by 2013 that are not mentioned earlier also include 6 Capsquare, Casa Residency, Six Ceylon (redevelopment of Bolton Court), Vue Residence, all located in CKL area as well as 9 Madge, Amarin Wickham, Arata Tijani, Dedaun, Kenny Hills Residence, One Kiara (Tower 1), Rimbun @ Embassy Row, Sastra U-Thant and Seri Ampang Hilir, all located in MKL area.

The overall luxury condominium sector will continue to face stiff competition and will exert pressure in terms of rentals and occupancy rates. The general market had seemed to be growing at a slower pace as a result of fewer project launches compared with year 2011. Many developers will target foreign buyers under the MM2H program as Malaysian properties are still considered relatively cheap to those in Singapore, Hong Kong and Europe.

We can see that the take up rate has been trending down somewhat significantly and this has put a lot of pressure on the developers to come up with creative ways to market the condominiums. The KLCC area is particularly hard hit with occupancy and rentals heading “down south”. Prices are holding up but that does not correspond with rental and occupancy rates.

We expect occupancy rates to stay depressed for the foreseeable future due to incoming supply. On the other hand, sales prices and rental levels are expected to remain stable despite a weakening in sales rate.

Landed Residential Sector

For landed, it has been another record year for capital appreciation particularly in the KL suburban locations where MRT/LRT extension projects are in progress. Landed residential properties are still in demand with prices up and in particular, sales in the RM350,000 to RM500,000 range will not be impacted even in the face of adverse economic or political developments.

However, the secondary sales market shows signs of slowing down and high-end landed residential has stabilised and even trended downwards in some localities.

The landed residential sector showed a steady improvement with 2,073 units launched in 1H2012. The new residential supply has been primarily in Selangor with increases averaging 2,000 to 5,000 units for each quarter. As for Kuala Lumpur, landed residential was almost flat, probably because condominiums have grown in popularity.

The total number of new residential units for Klang Valley, which has been moving up consistently slowed down slightly in 1H2012. Supply of two storey terrace houses comprises almost half of the total supply, has slowed down in growth in recent years.

Residential demand picked up in 2H 2011 and extended in 1H 2012. New residential supply has been primarily in Selangor, with increases of supply averaging 2,000 to 5,000 units for each quarter.

A big volume correction seems on the cards in 2013. House prices will remain generally flat but prices could face upward pressure from rising building materials prices and other cost-push factors.

The secondary sales market may be harder hit due to the tighter housing credit restrictions introduced by Bank Negara this year together with the increased RPGT rates of Budget 2013. To some extent, developers are mitigating these threats by providing more “freebies” in addition to the whole slew of marketing incentives which have been introduced.

In general, landed house prices will continue to trend upwards albeit at slower pace while for high rise units, the price will remain stable. Sales-ability of the units will depend on the affordability level and locational factors.

The landed residential market is expected to continue to be in resilient mood with stable growth although less new units may be launched. House prices will continue to increase, driven by the rising cost of land, construction material and labour cost.

However, sales will be slow due to due to tightening loan conditions, which will require purchasers to pay higher downpayments. In this situation, developers are delaying launches as they wait to see if Bank Negara will ease back on the current tight credit requirements.

Developers are also trying to sustain profit margins by raising the new launch prices and testing new grounds for affordability. In tandem with that, they are putting in more eco-friendly and green building features as an added value to the projects.

We have seen developers veering away from high-end niche developments and switching to more mid-range products in tandem with the Government’s PR1MA scheme. Many developers have also jumped on the bandwagon by designing smaller houses on smaller land plots that can be priced in the RM300,000 range. Developers are also looking at acquiring land banks located away from the KL City Centre, which may significantly reduce project land costs and consequently the selling prices to homebuyers. There are many plots of land along the Sungai Buloh-Kajang line of the My Rapid Transit with potential to be developed into sites for affordable homes. These include Kota Elmina near Sungai Buloh and government-owned real estate in Jalan Duta and Taman Suntex.

Serissa, Denai Alam

Klang Valley

Industrial Sector

In the past, industrial buildings in the Klang Valley and Kuala Lumpur have been very functional and the premises served only as a manufacturing space, while stock keeping areas as well as office/showroom were located separately. However, we have seen new developments in the industrial sector where new industrial premises now house the manufacturing, stock keeping area as well office/showroom all in one building. We see the industrial properties located within prime locations maintaining a robust demand.

In 2Q2012, there were 39,866 factory units in the Klang Valley; an increase of 0.43% compared to 1Q2012 (39,693 units). Terraced factory units are still the largest contributor to existing units with 74% of total existing supply followed with detached factory (12%) and semi-detached factory with 10% of total existing units. There were competing trends between terraced and semi-detached type of factory since 1Q2012, with semi-detached factories showing the highest growth compared to terraced as these units provide larger and more convenient work space for the modern industrial process.

Other industrial property types did not show much change compared to the previous quarters. There were 29,405 units of terraced existing supply, detached (4,829 units), semi-detached (4,120 units), flatted factory (1,387 units) and industrial complex (125 units) in 2Q2012.

Petaling District accounted for the highest percentage of existing supply in Klang Valley with 14,280 units of 36%, followed by Klang (6,532 units,16%). The least industrial supply was in Kuala Selangor with 166 units (0.42%) and Sabak Bernam (0.05%) respectively.

The overall growth of industrial properties in Klang Valley between 2008 until 2Q2012 was 3.1%. In 2Q2012, incoming supply in the Klang Valley was 2,859 units of which 2,125 were terraced units, 637 units were semi detached units, detached (93 units) and four industrial complexes.

Klang District had the highest number of units for incoming supply with 1,401 units in 2Q2012 followed by Petaling (658 units) and Gombak (301 units). Klang remains the most popular industrial location due to the presence of Port Klang in the district and surrounded with extensive infrastructure facilities provided by the government.

The asking monthly rentals for detached factories in Klang Valley ranged between RM1.20 to RM2.50 per sq ft while industrial land prices ranged from RM55 to RM85 per sq ft.

Rentals remained stable for properties in prime locations in the Klang Valley in 2012 with the bulk of the demand leaning towards warehousing as well as logistics facilities.

In the future, the industrial property markets especially on semi-detached factories is expected to further bustle due to the continuous active transactions. Semi-detached factories are moving towards more modern and contemporary designs which include modern façade elements, bold and distinct image presence as well as a smart and intelligent interior layout. Industrial properties located within prime locations such as Subang Jaya, Shah Alam, Kota Damansara, and Puchong area are expected to continue enjoying high demand in 2H2012 made even more attractive by government incentives.

Conclusion

With the anticipated market weakening, there may be opportunities to acquire properties in prime locations that are rarely placed on the market. Sellers will be more accommodative and there will be a narrowing of the asking – offer price negotiating range.

Look for properties in proven prime residential locations, namely Bangsar, older sections of Petaling Jaya, etc. Focus particularly on areas which are close to the routes of the proposed / existing MRT / LRT lines and announced new highway constructions such as DASH, SUKE, KLAS, SKIP, etc.

Shopoffices will also be great investment options where major new residential and commercial developments have commenced construction e.g. Bukit Jelutong Commercial Centre, Datum Jelatek, Jalan Cochrane-Peel Redevelopment, PJ Sentral, etc., as these will create demand for retail and service facilities by the new emerging working and resident populations.

Investors may also wish to be on the investment trail for bargain condominiums as prices are expected to remain stable in 2013 while market sentiment remains hesitant.

Selangor Science Park I

Selangor Science Park I

JOHOR BAHRU

Introduction

With Iskandar Malaysia's comprehensive development plan entering into the second phase (2011-2015) of 20 years development, 2012 can be considered the tipping point year for the region when several major projects have been completed. As of November 2012, total cumulative committed investment for Iskandar Malaysia since its debut stood at RM105 billion, up 24% from 2011 (source: IRDA), it is expected this country's first economic growth corridor will continue to spur the growth of Johor Bahru's economy thus benefiting the property industry.

Some of the notable new developments in 2012 include education facilities in Nusajaya viz. Raffles University Malaysia, Marlborough College Malaysia, University of Southampton Malaysia Campus and Marlborough College Malaysia and tourism facilities such as Legoland Malaysia and Puteri Harbour Family Theme Park – The Cube. In addition, a new shopping mall known as Medini Mall (phase 1) and a new hotel development called Hotel Granada at Bukit Indah were also opened for business in 2012.

With the continuous funding support from the Federal Government, Johor Bahru has seen three completed major infrastructures viz. the Eastern Dispersal Link and Southern Link Expressway that help alleviate traffic from Johor Bahru city centre to North-South Highway and Pasir Gudang, respectively; and the Coastal Highway which provides direct access between the city and Nusajaya. The improved accessibility and connectivity have brought along more developments to Johor Bahru.

The growth of Johor Bahru in 2012 was further evidenced by some large-scale committed investments, namely:-

- Country Garden from China acquired 50 acres of waterfront commercial land in Danga Bay for mixed development. (RM900 million)
- UEM Land JV with Ascendas Group from Singapore to develop an integrated tech park on a site of 519 acres at Gerbang Nusajaya.(RM250 million)
- Sunway City Bhd JV with Khazanah Nasional Bhd for the development of Wellness Resort City in Medini on a leasehold land of 779 acres. (RM412 million).
- UEM Land JV with Fastrack Autosports Pte Ltd from Singapore for a Motorsport City development on a land of 270 acres in Gerbang Nusajaya. (RM223 million)
- Southkey Megamall and mixed commercial development between IGB Corporation Bhd and Selia Pantai Sdn Bhd are being carried out on a leasehold land of 36 acres in Tebrau Highway/Jalan Bakar Batu. (RM259 million)

With major government supported projects in the pipeline such as to transform south of Johor into an O&G hub in the region (Petrochemical and Maritime Centre of over 2,000 acres in Tanjung Bin, Refinery and Petrochemical Integrated Development of 800 acres in Pengerang), Johor Bahru City Rejuvenation Programme and 3,900 acres of Desaru Coast development by Khazanah Nasional Bhd, these will continue to be the main contributors to the growth of Johor Bahru.

Office Sector

Demand of office space remained stable in 2012 where companies in the financial and business services sectors are the main drivers of office demand. As development activities in Nusajaya continued to improve, the office sector is expected to enjoy positive growth in demand.

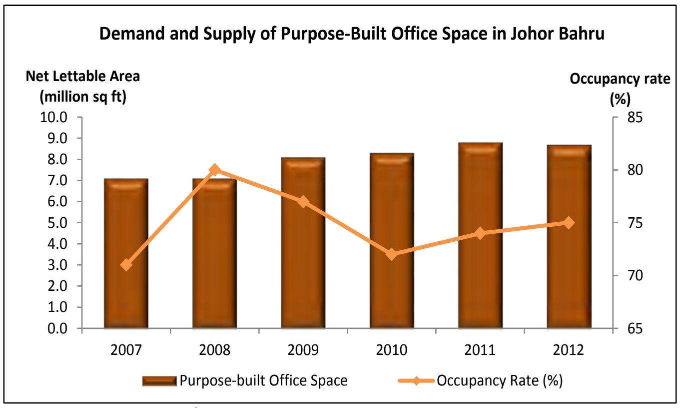
The average office rent remained flat at RM2.50 to RM3.50 per sq ft per month for prime office space, while office space in city fringe commands RM1.60 to RM2.50 per sq ft per month. The rental level is expected to remain steady in 2013, provided that the economic performance remains on course as projected.

With existing supply of office space unchanged at 8.7 million sq ft, the occupancy rate has been 75% for the last two years. Transactions of stratified office space in the subsale market remained only a handful and the average transacted value was between RM200 and RM300 per sq ft.

In 2012, the office sector experienced more activities as compared to previous years. Local developer Ra Ta Land Sdn Bhd has received approval in 2H2012 to build a 30-storey twin towers office with GFA of 750,000 sq ft in Medini North, Nusajaya, and it will be the first high-rise office development in the area upon its completion in 2015/2016. Daiman Properties Sdn Bhd had refurbished the office space of 163,339 sq ft at Menara Landmark that it acquired via court auction in August 2011, and was able to lease out 80% of the space for RM2.50 per sq ft per month.

In terms of new developments, developer of Taman Austin Heights i.e. Detik Hartamas Sdn Bhd, has in July 2012 launched a new ofice project known as Manhattan SOVO (Small-Office Versatile-Office) within the housing scheme. The multi storey development consists of 306 units of office space ranging from 646 sq ft to 1,292 sq ft; the project was fully taken up at prices starting from RM460 per sq ft.

In addition, Frost & Sullivan, a global business research and consulting firm, has opened a representative office in Nusajaya after its largest office presence in Asia Pacific outside India at Kuala Lumpur. It is reported that the company has the intention to invest over RM500 million in the Iskandar Malaysia region and employ about 800 staff by 2020.



Source: WTW Research, 2012

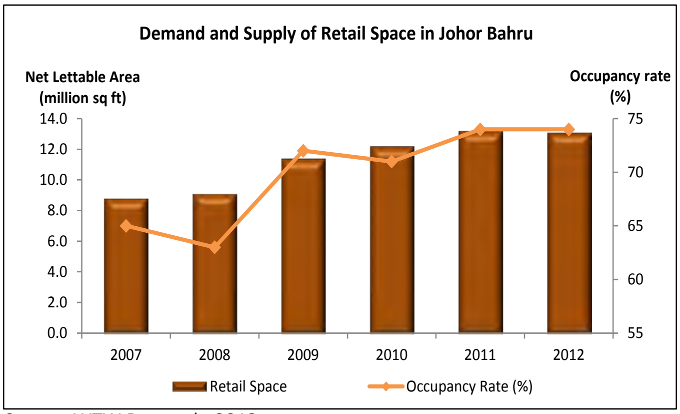
Johor

Retail Sector

As of 3Q2012, the total NLA of retail space stood at 13.12 million sq ft with overall occupancy rate of 74%. Ground floor rental rates at city centre are recorded at the range of RM15 to RM60 per sq ft per month. It is foreseeable that the demand for retail space for which the occupancy rate has been healthy at above 70% since 2009, will continue the positive growth into 2013.

We have seen some changes as follows in the retail sector which will add new players and more space in the market in forthcoming years;

- KSL City, entering into the end of its first 2 year-lease term, has proposed to increase the rent by 50% to 200% to its existing tenants starting from 2013, depending on location and lettable area. It is believed that such a high revised rental rates may force some of the tenants to relocate from the mall.
- KOMTAR at Jalan Wong Ah Fook has resumed work in October for the 3-storey shopping complex of over 160,000 sq ft of retail space.
- IGB Corporation Bhd has announced in May, a joint venture with Selia Pantai Sdn Bhd for a mixed commercial development on a site of 36 acres. The project is along the Eastern Dispersal Link (EDL) expressway in JB including a proposed retail complex of over 2 million sq ft. The new development could be the replica of IGB's successful development in KL i.e. Mid Valley Megamall.
- Two hypermarket operators, Aeon Jusco and Mydin, have respectively acquired lands in Kulaijaya and Skudai for development. The former land size is approximately 18.21 acres while the latter is 2.22 acres.
- In addition, the longtime abandoned Kemayan City shopping mall at Jalan Skudai has been acquired by WCT Bhd from a public auction in August for redevelopment. The acquisition cost was recorded at RM180 million for land area of 12.38 acres and a 4-level retail podium together with 2-level car park of close to 1.90 million sf of gross floor area. It will consist of additional residential and commercial components upon full refurbishment/completion.



Source: WTW Research, 2012

Family Indoor Theme Park, Johor Bahru

Hotel Sector

The existing supply of 3 to 5-star hotel rooms stood at 5,517 rooms comprising 19 hotels. In terms of rating, 2,162 rooms (5 hotels) are contributed by the 5-star hotel category, 991 rooms (3 hotels) are 4-star rated while the rest of 2,364 rooms (11 hotels) are rated 3-star. We expect the number of hotel rooms to increase with some of the hotel developments to be completed in 2013.

The average room rate (ARR) of 3 to 5-star hotels for the 2012 was RM151 while the average occupancy rate (AOR) of hotels, in general, experienced an uptrend to 65% as compared to same period last year of 56%.

Three hotels opened this year i.e. KSL Resort Hotel (5-star), Granada Hotel (4-Star) and Amansari Hotel (3-star). KLS and Amansari officially opened for business in June contributing 868 and 263 rooms respectively, whilst Granada started operation in December with 191 rooms.

In addition, Daiman Development Bhd in May has entered a management agreement with Hilton to manage the hotel portion of Menara Landmark under the brand, DoubleTree by Hilton. It is expected that the hotel will be fully opened for operation by 2014.

With Legoland Theme Park and Indoor Theme Park already opened in September and November respectively, and Austin Heights Water Theme Park under construction, we foresee more hotel developments in the future for the expected increase of visitors.

Hotel developments in the pipeline:-

Hotels Future Supply

Name of Development	Star Rating	No. of Rooms	Location	Comple-tion Date
Renaissance Hotel	5	300	Bdr Permas Jaya	1H 2013
Traders Hotel	5	286	Puteri Harbour	1H 2013
Landmark Hotel	4 or 5	--	Jalan Trus	2014
Palazzo Hotel	4 or 5	293	Danga Bay	2014
Legoland Hotel	--	250	Medini, Nusajaya	2014

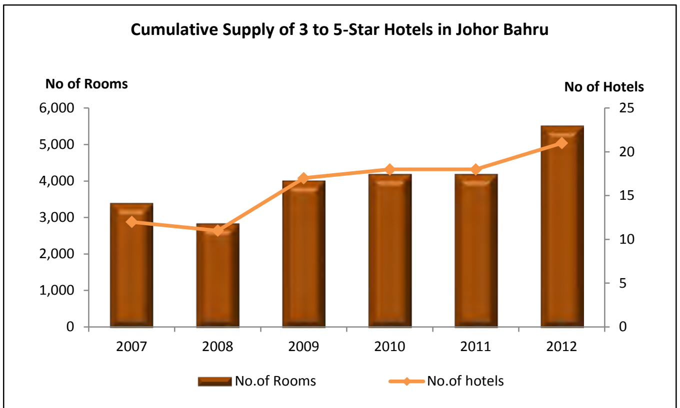
Source: WTW Research 2012

Traders Hotel. Johor Bahru

Condominiums Launched in 2012

Name of Development	Developer	No. of Units	Unit Size (sq ft)	Selling Price (RM/per sq ft)
Tropez Residences, C	Tropicana Danga Sdn Bhd	297	463-689	>660
Skysuites@ Meldrum Hills	MB Land Sdn Bhd	250	577-1,350	425-680
V@Summerplace	Connoisseur Sdn Bhd	260	642-1,534	485-730
Paragon Residences	Amprojek Construction Sdn Bhd	533	732-1,674	690-830
Twin Galaxy, A	Golden Oriental Realty	334	963-3,919	635-715
Sky 88, B & C	SP Setia Berhad	588	603-1,281	750-850
Water Edge Apartment (Tower 1 & 2)	Walker International	390	893-2,465	515-616
Encorp Marina	Encorp Berhd	538	690-1,755	886-1,077
Teega Suite (Tower 1 & 2)	Sunrise Berhad	1,293	485-1,998	650-915

Source: WTW Research 2012



Source: WTW Research, 2012

In addition to the above, a few developers have also proposed hotel developments which are still in the design stage namely, Plenitude Tebrau Sdn Bhd and Southkey Properties Sdn Bhd. Plenitude has planned to build a boutique hotel of 172,286 sq ft at its on-going housing scheme known as Desa Tebrau. Southkey Properties on the other hand has proposed to build a 3-star hotel of 249 rooms alongside its development at Jalan Bakar Batu and Eastern Dispersal Link (EDL).

Condominium Sector

The high-rise residential market saw no increase in supply since 2011 but the incoming supply during this period was recorded at 16,621 units. In other words, we will see an additional supply of 59% in the near future as compared to the existing supply of 28,190 units.

The average transaction value over built-up area in the subsale market has increased from RM260 per sq ft in 2011 to RM335 per sq ft in 1H2012. In the recent sales record, Sri Samudra achieved the highest value at RM450 per sq ft followed by Petri Condominium's RM440 per sq ft and Molek Pine's RM400 per sq ft.

In the residential market, high-rise condminiums continued to be popular, aimed at Singaporeans and Malaysians who work in Singapore. Generally the developers' selling prices have increased from the average range of RM250 to RM400 per sq ft to RM300 to RM1,000 per sq ft in 2012. The average sales take-up rates are in the healthy range of 50% to 90%.

To compete with each other and attract prospective purchasers, developers nowadays provide different incentive schemes or rebates to their new projects. Besides low down-payments, free legal fees for SPA and loan agreement, additional benefits offered by developers include DIBS (Developer Interest Bearing Scheme), units to be completed with move-in condition and etc.

Landed Residential Sector

Supply of landed houses in 3Q2012 stood at 258,209 units in total where 2 to 3-storey terraced houses continued to be the majority at 45% of the market share. The number of houses is expected to soar in the near future when the total incoming supply for the 3Q2012 is 29,586 units, approximately 12% of the existing stock.

In the market, the most popular residential products are terraced, cluster and semi-detached houses with 22,550, 3,036 and 3,341 units in the construction pipeline respectively as of 3Q2012.

The average transaction value of 2-storey terraced houses in the subsale market in 1H2012 is RM210 per sq ft over the built-up area or about 14% higher than the average value in 2011. In the older housing estates, Taman Pelangi's transaction value has reached the mark of RM200 per sq ft while in Permas Jaya and Taman Perling, the average value was ranged from RM160 to RM170 per sq ft.

For 2-storey terraced houses located in new housing schemes, such as Sutera Utama and Horizon Hills, the property value was transacted in the range of RM260 to RM280 per sq ft in average. Gated and guarded security and better management remained the main features for better popularity.

Transaction values for 2-storey semi-detached houses also experienced a rise. Average prices in 2011 ranged from RM250 to RM350 per sq ft while it was RM300 to RM480 per sq ft in 2012. East Ledang achieved a higher transaction value in the subsale market at RM480 per sq ft followed by Horizon Hills' RM400 per sq ft in 2012.

Johor

Landed Residential Launched in 1H2012

Name of Development	Property Type	No. of Units	Built-Up Area (sq ft)	Selling Price (RM/per sq ft)
East Ledang	2-Sty Pool Villa	28	5223	>673
Uda Heights	2-Sty Bungalow	28	>3,812	>506
IOI Palm Villa	2-Sty Semi Detached	40	4,413	>202
Sutera Utama	3-Sty Semi Detached	-	4,600	>280
Tmn Laguna	2-Sty Semi Detached	60	4,172	>311
Adda Heights	2-Sty Semi Detached	50	2,700-3,280	>335
Senibong Cove	3-Sty Semi Detached	60	3,359-3,687	>410
Senibong Cove	3-Sty Villa	84	4,553-4,971	>530

Source: WTW Research 2012

For projects in Johor Bahru that were launched in the 1H2012, developers' semi-detached houses were priced between RM280 to RM410 per sq ft, and about RM200 per sq ft in Kulai, depending on location and design. Detached houses were however priced in the range of RM500 to RM670 per sq ft.

Demand for bungalow land in JB has pushed up the transaction value on year to year basis. Leisure Farm, Ledang Height, Taman Ponderosa and Taman Impian Emas are the popular housing estates that provide bungalow lands. Average prices in these estates range from RM40 to RM120 per sq ft.

Shopoffices Sector

Supply of 2 to 3 ½-storey shops is 25,555 units as recorded in 3Q2012. For the same period of time, there are approximately 6,308 units in the construction pipeline of which 55% are 2 to 2 ½-storey shops while the rest are 3 to 3 ½-storey shops.

As of 3Q2012, the average transaction value of 2-storey shops was recorded at RM260 per sq ft, 20% higher than the previous year. Transactions in Johor Jaya were reported at RM530,000 per unit or RM230 per sq ft while it was about RM830,000 or RM285 per sq ft in Nusa Bestari.

2012 prices for 3-storey shops in the subsale market experienced an increment of 24% as compared to RM235 per sq ft in 2011. Average prices for units located at Austin Height and Taman Sutera Utama were recorded at RM1.5 million (or RM330 per sq ft) and RM1.75 million per unit (or RM330 per sq ft) respectively.

Shopoffices Launched in 1H2012

Name of Development	Developer	No. of Units	Unit Size (sq ft)	Selling Price (RM/per sq ft)
Oasis@Tropicana Danga Cove	Tropicana Danga Cove Sdn Bhd	112	5,040	>215
Forty 5 Perling	Pelangi Sdn Bhd	27	5,209	>270
Bdr Baru Permas Jaya	Permas Jaya Sdn Bhd	60	4,620	>365
Dataran Larkin	Changkat Fajar Sdn Bhd	27 52	3.300 5,040	>300
Nusajaya Square	AME Group	106	4,456	>270

Source: WTW Research 2012

For the last two years, high take-up rates have been achieved for newly launched projects for both 2 to 3-storey shops. We expect the take-up rates for new developments will continue to do well in the coming year, depending on pricing and location.

Industrial Sector

According to JPPH, the existing supply of industrial properties in JB stood at 10,276 units in 1H2012, comprising 58% of terrace, 23% of semi-detached and 16% of detached factories while the remaining is classified as industrial complex.

The market will increase approximately 4% of supply in 2013/2014, about 450 units are in the construction pipeline.

Selling prices of semi-detached and detached factory units launched this year ranged from RM260 to RM320 per sq ft over the built-up area or approximately RM1.5 to RM3.2 million per unit. Subdivided plots in industrial parks however, were priced at the range of RM35 to RM55 per sq ft, depending on land size and location.

In October, UEM Land entered into an agreement with Ascendas Land from Singapore to undertake the development of an integrated industrial technology park of 519 acres in Nusajaya. In addition to the Petronas RM50 billion integrated downstream oil and gas complex development in Pengerang, Johor, the 2,255 acres site in Tanjung Bin including a Petrochemical and Maritime Centre which is also under construction, has been gazzetted a free industrial zone. Pengerang and Tanjung Bin will transform southern Johor into an oil and gas hub in the region.

Industrial Developments Launched in 2012

Name of Development	Developer	Type of Factory	Built-Up Area (sq ft)	Selling Price over Built-Up (RM/per sq ft)
iPark@Tanjung Pelepas	Mah Sing Property Sdn Bhd	Semi detached	5,075	>295
		Detached	10,000	>259
		Land plot	N/A	>55 (land only)
Tampoi Entrepreneur Park	MB Land Sdn Bhd	Semi Detached Detached	9,000 10,000	>280 >320
Sime Darby Business Park, Pasir Gudang	Sime Darby Property Sdn Bhd	Land plot	N/A	36 to 50 (land only)

Source: WTW Research 2012

BATU PAHAT

The new supply of residential units in the year under review was mainly contributed by the ongoing construction of Pura Kencana, the new phases of Taman Bukit Perdana, Evergreen Heights and Bandar Putra Indah. Amongst some of the choicest locations, residential prices appeared to have risen to new heights. Double storey terrace houses in Taman Bukit Perdana were selling for RM380,000 or more.

Of late, there is an apparent shift by developers to launch housing schemes targeting the higher income group. These schemes which comprise mainly luxury 2-storey terraced and 2-storey semi-detached houses with unique architectural style and finishes are priced over RM400,000 and RM650,000 respectively. Under these market conditions, a parcel of development land located adjoining to Taman Kurnia and totaling 44.6 acres was purchased by a developer at RM172.22 per sq ft in June 2012.

The new extension to The Summit, featuring a multi-storey hotel tower and a podium for shopping, was virtually completed and ready to commence operation. Batu Pahat Mall along Jalan Kluang, continues to gain ground in attracting the shopping crowd.

Jalan Tan Swee Hoe, which is the strategic link between Jalan Kluang and Jalan Bukit Pasir, is the most prominent and vibrant commercial sub-centre of Batu Pahat. In the recent launching, 2-storey shophouses within Taman Flora Utama were sold by the developer at RM520,000. Commercial landmarks in the vicinity are the 24-hour McDonald's drive-thru outlet, Carrefour Hypermarket and Square One Shopping Mall.

MELAKA

Ayer Keroh, Cheng, Paya Rumput and Klebang continued to be the main residential development focus in Melaka, yet the demand still exceeds the supply according to REHDA Melaka statistics. Gated and guarded community as well as green concepts housing schemes have been introduced for a better living life stlye for Malacca.

Commercial developments in Melaka are focusing at Kota Laksamana and Bukit Baru. Some of these developments will be designed as heritage outlook i.e. Porto Historia and Bukit Baru. Some are with plaza concepts i.e. the Boulevard and Marina Business Park. Other places such as Cheng and Ayer Keroh have also completed their projects and are attracting local business activity. Overall, demand is slightly below supply due to the unattractive rental market.

Melaka is expecting new retail developments i.e. the Shore at Melaka River side, Hatten City & Imperio which all are mixed with Serviced Apartments development the shore line of Melaka is even been extended with the land reclamation for these projects. Hatten Square will be extended with Terminal Pahlawan where a new bus terminal will be located. Mahkota Parade, Dataran Pahlawan and Hatten Square are the main attractions for shopping and nearby to the Melaka Heritage area.

Completion and launching of Hatten Hotel, Casa de Rio Serviced Apartments, Bayou Lagoon Resort (Amari Villa) have increased the supply of hotel rooms in the market. Hoteliers in Melaka to survive during the weekdays despisite the increasing number of tourists year by year. Incoming serviced apartments in Melaka Raya, MITC as well as along Melaka River are expected to increase the competition among the hotel operators.

The industrial sector in Melaka was quiet for existing industrial schemes, except for new upcoming places i.e. Tanjung Minyak and Durian Tunggal. Factors that are generating interest in these new schemes are the Sungai Udang-Paya Rumput-Ayer Keroh (SPA) Highway, Batu Berendam Melaka Airport as well as new housing projects in Cheng, Paya Rumput and Ayer Keroh.

Hatten Hotel, Melaka


Bayou Lagoon Park, Melaka

PENANG ISLAND

Introduction

The Penang property market in 2012 generally remained upbeat, albeit was less vigorous when compared to the preceding year 2011. The residential sector continued to spearhead the property market by dominating market activity.

One of the notable activities was transactions and refurbishments of pre-war buildings, especially within the heritage area of Georgetown. Since Georgetown was accorded the status of World Heritage Site by UNESCO in 2008, transacted prices of the pre-war buildings had been increasing in recent years. A new benchmark of transacted prices was recorded, with a few buildings at prices surpassing RM1,100 per sq ft (on land area). There was also an increasing activity of refurbishing the pre-war buildings to be operated as boutique heritage hotels, restaurants and specialty food and beverage outlets, such as Campbell House Hotel, Chong Tian Hotel, Yeng Keng Hotel, Loke Thye Kee building, Macalister Mansion, and 55 Café and Restaurant.

Acquisition of development lands in Penang Island by developers continued from 2011 to 2012. SP Setia Berhad Group was one of the active developers entering into Sale and Purchase Agreements to purchase relatively larger parcels of lands as follows:

Acquisition of Land by SP Setia

Location	Land Size (acres)	Transaction Price (RM)
Tanjung Bungah	35.25	290,645,750
Relau	19.17	64,570,164
Jelutong	9.41	82,004,660
Pulau Betong (near Balik Pulau)	20.95	25,557,104
Pulau Betong (near Balik Pulau)	9.36	13,457,664
Tanjung Bungah	21.31	185,645,750
Tanjung Bungah & Batu Ferringhi	13.94	105,000,000

Source: WTW Research, 2012

Other major purchases of development lands by developers include:

In terms of infrastructure, the construction of the Second Penang Bridge was ahead of schedule with about 90% of the structure completed. The 23.5 km bridge is scheduled to be opened to the public in September 2013. The upgrading of the Penang International Airport is also scheduled to be completed soon.

Other significant events include the opening of a theme park, called "Escape" in Teluk Bahang. The Phase 1 is an eco / dry theme park. Future phases of the theme park would comprise a water theme park and a theme hotel. The Penang State Government and Penang Development Corporation (PDC) also announced a plan to establish a new heritage enclave under the Komtar Phase 5 development in Georgetown. To be known as Heritage Square, it covers a land area of about 4.50 acres, and would comprise 5 major elements:

- Restoration and expansion of the old Sia Boey / Prangin market;
- Creation of urban spaces,
- Creation of a heritage celebration square and an iconic Georgetown Heritage Centre of 5 storeys;
- Reinstatement and adaptive reuse of old shophouses – such as cafes, tea houses, handicraft centres, and boutique hotels;
- Restoration of the Prangin Canal – include plans for a hawker street food zone and street furniture in well landscaped areas

Campbell House

Additional Acquisition of Land in Penang

Location	Purchaser	Land Size (acres)	Transaction Prices (RM)
Pantai Acheh (near Balik Pulau)	Sunway Group	9.32	11,367,341
Georgetown (adjoining KOMTAR)	Plenitude Group	1.10	32,443,480
Georgetown (along Jalan Macalister)	Radiant Niche Sdn Bhd (related to Dijaya Corporation)	2.09	41,500,000
Paya Terubong	PLB Land	42.10	29,000,000
Teluk Tempoyak (near Batu Maung)	Magnum Holdings Group	2.07	10,400,000
Teluk Tempoyak (near Batu Maung)	Metaland Properties Sdn Bhd	15.82	29,641,750
Tanjung Bunga	Blossom Acacia Sdn Bhd	9.66	31,544,845
Batu Ferringhi (seaward side)	Daya Intelek Usahasama Sdn Bhd	2.78	42,000,000
Mount Erskine (known as "Pepper Estate", at the rear of Fettes Park)	Beverly Height Properties Sdn Bhd	29.62	25,000,000
Bukit Gambier	Nusmetro City Sdn Bhd	0.79	11,355,990

Source: WTW Research, 2012

Loke Thye Kee

Penang International Airport

Office Sector

The existing supply of purpose-built office space increased approximately 173,000 sq ft in 2012, with the completion of One Precinct, a mixed commercial and office building. Located in Bayan Baru, the 7-storey building accommodates approximately 77,000 sq ft of specialty retail lots, 22,000 sq ft of food and beverage outlets and 173,000 sq ft of office space of MSC status. Additional 2 levels of basement and sub-basement provide a total of 381 car parking bays.

The area of Georgetown remains the major contributor of office space followed by the growth areas of Bayan Baru, Sungai Nibong and Gelugor at the south-eastern portion of Penang Island. Over the recent years, the office property sector in Penang has been relatively subdued compared to other property sectors such as shopping complexes, luxury houses, upmarket condominiums and development lands.

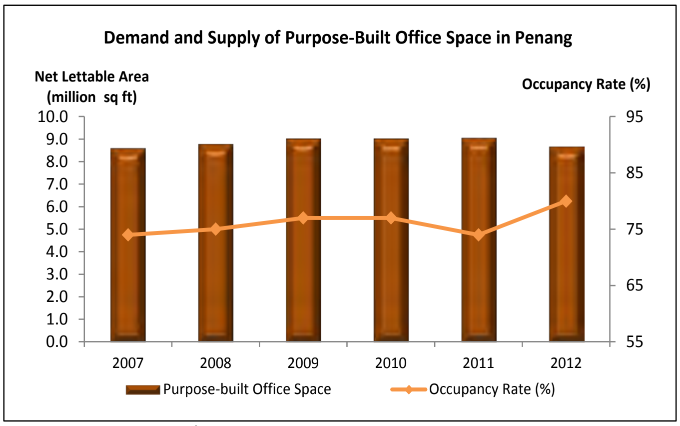
The overall occupancy rate of office buildings in Penang Island stood at approximately 78%.

Generally, the average rental rates for prime, well-managed and relatively newer office buildings in Georgetown have increased marginally to RM2.70 per sq ft per month in 2012. Older buildings are noted to have rentals of RM2.00 per sq ft per month and below except for those that are more extensively renovated. On the other hand, certain office space at the south-eastern portion of the island such as E-Gate in Gelugor, The CEO in Bukit Jambul and Suntech in Bayan Baru, have registered rentals higher than RM2.70 per sq ft per month.

The average capital values of prime office buildings in Georgetown have also increased slightly to RM270 per sq ft. Secondary sales of stratified office units in purpose-built office buildings in Georgetown ranged from RM220 to RM340 per sq ft depending on location, building conditions, view, etc. Similarly stratified office space at the south-eastern portion of the island, have been transacted at higher prices. Most of the transacted prices of stratified office space in E-Gate were RM465 per sq ft to RM575 per sq ft The CEO were RM365 per sq ft to RM390 per sq ft and Suntech were RM450 per sq ft to RM500 per sq ft.

Overall, the expected net yields by investors were in the range of 5.5% to 6.5%.

The future development trend of office buildings in Penang Island shows more office buildings are being planned to be developed at the south-eastern portion of the island apart from the established office zone in Georgetown. The south-eastern portion of the island has more parcels of lands with sizes that are suitable for better planned development compared to other areas. The Penang office market is expected to be stable with subdued improvement in the near future, moderated by the challenges in the global economy which poses uncertainty to the economy and business sentiment of the country.



Source: WTW Research, 2012

One Precinct, Penang

Penang

Retail Sector

The overall existing supply of retail space in Penang Island has increased approximately 515,000 sq ft in 2012 with the completion of Penang Times Square Phase 2 (Birch Regency), the first phase of Gurney Paragon Shopping Mall and All Seasons Place strip mall. The Penang Times Square Phase 2 (Birch Regency), along Jalan Dato Keramat in Georgetown has a total of approximately 200,000 sq ft of net lettable area. The first phase of Gurney Paragon Shopping Mall of approximately 86,350 sq ft at Gurney Drive, comprises food and beverage outlets at the lower 3-level retail podium of the condominium blocks. All Seasons Place strip mall is of 3 storeys with a net lettable area of approximately 228,000 sq ft, accommodates a supermarket anchor tenant and shoplots. The anchor tenant is Giant Hypermarket, occupying approximately 45,000 sq ft.

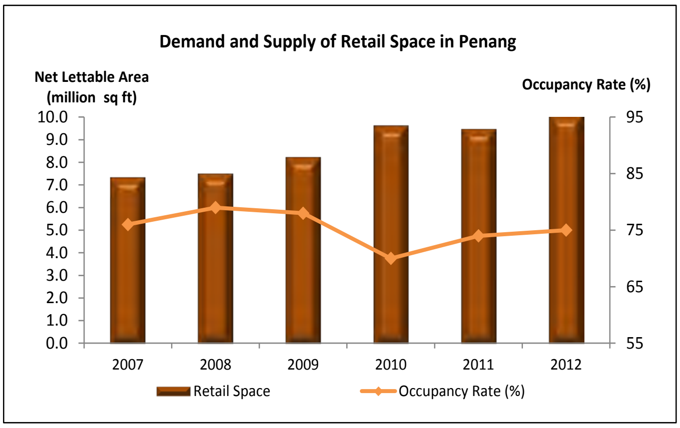
Mah Sing Group launched for sale stratified retail units of 4-storey retail complex at the podium of serviced apartment towers in Batu Maung called Trends at Southbay, the total net lettable area is approximately 100,000 sq ft.

The overall occupancy rate of retail complexes in Penang Island in 2012 was approximately 75%.

Rentals generally remained stable or increased for better performing centres. Nevertheless, accommodation in older buildings and secondary locations continued to experience downward pressure on rentals.

Gurney Plaza recorded the highest rentals for the existing shopping malls, with ground floor rentals of RM9.20 to RM35.00 per sq ft per month for small to mid-size lots. On the other hand, rentals of major anchor tenants are in the region of RM1.50 to RM2.90 per sq ft per month.

The highest transacted prices of stratified retail units were recorded in QueenSdn Bhday Mall. The stratified retails lots at the ground and lower ground floors with sizes of 345 sq ft to 520 sq ft were transacted at prices of RM1,900 per sq ft to RM3,750 per sq ft. At the 1st floor, the retail units with sizes of 320 sq ft to 855 sq ft were transacted at RM1,200 per sq ft to RM1,870 per sq ft. The retail units at the 2nd floor with floor areas of 310 sq ft to 560 sq ft were transacted at RM900 per sq ft to RM1,660 per sq ft.



Source: WTW Research, 2012

Hotel Sector

The overall supply of 3-5 star hotel rooms in Penang Island remained at approximately 8,800 rooms from 31 hotels.

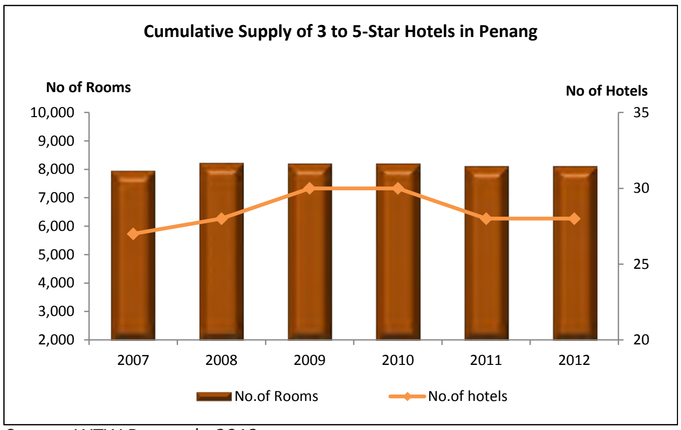
There are currently four hotel projects in various stages of construction, which are expected to be completed within the next two years. All these projects are located in Georgetown and upon completion will increase rooms supply by approximately 449 rooms.

The sentiment of the hotel and tourism sector of Penang generally continued to be encouraging in 2012 although less vibrant than the previous Year 2011. Visitor arrivals to Penang continued to expand with growth primarily from the domestic tourism sector. The inclusion of Georgetown in the UNESCO World Heritage City listing and the rise of budget airlines have also spurred the resurgence and increase in foreign visitor arrivals to Penang.

Hotels under Construction

Name of Development	Location	Star Rating	No of Rooms	Completion Date
E&O Hotel Extension	Lebuh Farquhar	5	139	2013
Royal Bintang	Pengkalan Weld	5	150	2013
Mansion One	Jalan Sultan Ahmad Shah	3	110	2014
Rice Miller Hotel	Pengkalan Weld	5	50	2014
Jazz Hotel	Tanjung Sri Pinang	5	226	2015

Source: WTW Research, 2012



Source: WTW Research, 2012

Generally, the majority of the hotels in Penang Island achieved monthly occupancy rates in the region of 45% to 75% in most months of 2012. For the city hotels, G Hotel, Evergreen Laurel Hotel, and E&O Hotel achieved higher occupancy rates in the range of 55% to 89%, due to their popularity with tourists with ample food and beverage outlets and shopping facilities.

Hotels in other locations performed reasonably well including those in Batu Ferringhi and Georgetown - Inner City.


Macalister Mansion, Penang

Average room rates (ARR) in 2012 ranged from RM110 to RM815 per room per night for 3 – 5 star hotels. The Rasa Sayang Resort and Spa in Batu Ferringhi commanded the highest room rates of RM590 to RM815 per room per night while the Eastern & Oriental Hotel, a 5-star heritage hotel in the heritage city of Georgetown achieved ARR of RM500 to RM620 per room per night.

Condominium Sector

Condominium property market continued as one of the most active sectors in Penang with a large number of projects launched and under construction.

Most of the newly launched projects continued to receive brisk sales with prices on an up-trend. The majority of the surveyed projects achieved quite good sales rates of more than 60%. Yields have decreased further amidst the increasing market prices with rentals remaining stable.

Market resilience would be tested in the near future as more units are expected to be completed within the next 3 years.

Newly launched major projects include:

Newly Launched Condominiums

Name	Developer	Location	No. of Units	Price Range (RM)	Expected Completion
Vertiq Condominium	IJM Land	Gelugor	318	540,000 - 1,300,000	2015
Raffles Tower	Boon Siew Group	Bukit Gambier	260	700,000 – 1,200,000 (With Furnishes)	2015
Arena Residence	Golden Virtue Capital Sdn Bhd	Bayan Baru	337	450,000 - 550,000	2015
Southbay Plaza Residential Suite	Mah Sing Group	Batu Maung	206	650,000 – 1,800,000	2015
Lexis Suite (Serviced Apartment)	KL Metro Land Development Sdn Bhd	Teluk Kumbar	222	770,000 - 980,000 (With Furnishes & Hotel Facilities and Services)	2015
Pine Residence	Geo Valley Sdn Bhd	Paya Terubong	222	490,000 to 650,000	2015
Scott Residence	Red Rock Hotel Realty Sdn Bhd	Jalan Macalister, George-town	62	Typical Units : 1,100,000 - 1,300,000 Penthouses : 1,780,000 – 2,255,000	2015
The Cantonment	Malton Group	Jalan Cantonment, Georgetown	71	850,000 - 3,500,000	2015
Straits Garden Suites	A subsidiary company of Tambun Indah Land Berhad	Jelutong	230	288,000 - 457,000 (With Furnishes)	2015
Straits Garden Condo			183	660,000 - 824,000	2015
86 Avenue Residences	Yuan Seng Building Trading Sdn Bhd	Jelutong	96	460,000 - 700,000	2014
Jazz Residence	Sure Commerce Sdn Bhd	Tanjung Tokong	150	800,000 - 900,000	2015
The Landmark	Katana Development Sdn Bhd	Tanjung Tokong	290	1,100,000 - 3,000,000	2015
Setia Tri-Angle	SP Setia Group	Sungai Ara	235	580,000 - 1,350,000	2015
Ferringhi Residence Phase 1	Mah Sing Group	Batu Ferringhi	210	1,008,800 - 1,345,800	2016
By The Sea	Selangor Dredging Bhd	Batu Ferringhi	138	1,400,000 - 3,600,000	2016
Andaman	E & O Property Development Bhd	Tanjung Tokong	549	1,402,700 - 4,300,000	2016
The Landmark	Katana Development Sdn Bhd	Tanjung Tokong	308	1,100,000 - 3,000,000	2015
Sunrise @ Gurney	Primo Corporation Sdn Bhd	Gurney Drive	70	800,000 - 1,100,000	2015

Source: WTW Research, 2012

Penang

Newly Launched Landed Residential						
Name	**Developer**	**Location**	**Size / Type**	**No. of Units**	**Price Range (RM)**	**Expected Completion**
La Ferringhi	Tat Boot Development Sdn Bhd	Batu Ferringhi	3-Sty Terraced	20	1,318,000 - 1,688,000	2014
Permai Gardens	BSG Property	Tanjung Bungah	3-Sty Terraced	132	1,200,000 - 1,788,000	2013
Quattro Zen Residences	Marvellous Land Sdn Bhd	Air Itam	3-Sty Terraced	12	950,000 - 1,100,000	2013
Fortune Residence	Fortune Inspiration Holding Sdn Bhd	Georgetown	3-Sty Bungalow	4	5,280,000 - 6,280,000	2013
Ardmore	Cosmopolitan Homes Sdn Bhd	Jelutong	3-Sty Terraced	46	1,300,000 - 2,000,000	2013
Minden Gardens Residence	PPM Realty Sdn Bhd	Gelugor	3-Sty Terraced	74	969,000 - 1,200,000	2013
			Semi-Detached	20	1,400,000 - 2,300,000	2013
White Lily, Minden Heights	PPM Realty Sdn Bhd	Gelugor	3-Sty Terraced	73	788,000 - 960,000	2013
Setia Greens	Kewira Jaya Sdn Bhd (SP Setia)	Sungai Ara	3-Sty Terraced	149	899,000	2013
Clove - Taman Titi Heights	Gold Mart Development Sdn Bhd	Balik Pulau	3-Sty Terraced	54	638,000 - 919,000	2013
Orchardia	Malvest Group	Balik Pulau	3-Sty Terraced	64	618,000 - 750,000	2013
Fragonard Garden	VST Group	Balik Pulau	2-Sty Terraced	68	550,000 - 800,000	2013
Raffles residence 199	BSG Property	Bukit Gambier	3-Sty Terraced	128	1,500,000 - 1,700,000	2014
Legenda @ Southbay	Mah Sing Group	Batu Maung	Bungalow	76	4,757,000 - 5,481,000	2014
Prestige V	PLB Land Sdn Bhd	Batu Maung	2-Sty Terraced	74	728,000	2013
			2-Sty Semi-Detached	6	1,168,000	2013

Source: WTW Research, 2012

Raffles Tower, Penang

Setia Greens

Landed Residential Sector

Although more attractive and relatively affordable apartments and condominiums are being launched in the market, landed houses remained the preferred choice of residential accommodation for residents of Penang.

New launches of housing schemes in 2012 have decreased compared to 2011. A major newly-launched project is Raffles Residence 199 by Boon Siew Group located in Bukit Gambier. The scheme comprises 199 units of 3-storey terraced houses with a land area of 1,600 sq ft and 3,900 sq ft of built-up area, priced at RM1,500,000 to RM1,700,000.

The increase in prices of newly launched houses continued to new benchmark levels. Older residential units in established neighbourhoods also remained highly sought-after despite sellers asking high prices. The hike in prices is expected to taper off in the near future with more choices of new housing accommodation entering the market.

Industrial Sector

New supply of industrial land and premises on Penang Island has been limited with only one major industrial park located in Bayan Lepas, which is developed by the Penang Development Corporation (PDC). The industrial lands and terraced factories within the Free and non-Free Industrial Zones in the Bayan Lepas Industrial Park have tenure of 60-year leasehold term. The transacted prices for these vacant industrial lands have increased over the past 3 years to about RM35 per sq ft to RM55 per sq ft for unexpired leasehold terms of 40 to 60 years.

With the limited new supply, demand for industrial space in Penang Island is expected to remain strong, and is expected to overspill to the mainland.

SEBERANG PERAI

Property prices in Seberang Perai remained stable in 2012 without any significant signs of declining despite several negative factors such as the new financing rulings by Bank Negara on the debt service ratio based on the net income and the maximum 70% loan-to-value for third and subsequent properties as well as uncertainties in political development and the global economy.

Office Sector

The office sector in Seberang Perai remained unchanged with no new office buildings being developed.

The vacant units in the existing Wisma Sempilai, Wisma Suria and Wisma Peladang due to the opening of Wisma Persekutuan at Bertam, Kepala Batas have not found new tenants yet.

Retail Sector

The significant retail development in Seberang Perai is BM City by BM City Realty & Construction Sdn Bhd. It is an interconnected and self contained residential cum commercial development that combines lifestyle with commercial in one elegant high-rise tower of designer suites perched above eight floors of retail outlets.

Located along Jalan Perda Selatan at Bandar Perda, Bukit Mertajam, it consists of 528 units of designer suites of 594 sq ft to 1,441 sq ft, 40 units of double storey shopoffices and 32 kiosks. The special features of this development include its 36 types of facilities and amenities on a 2-acre amenities floor above the retail mall.

Hotel Sector

Bandar Sunway, Seberang Jaya will have a 20 storey budget hotel when the development by M.S. The Light Hotel (M) Sdn Bhd is completed.

This hotel is still under construction and is expected to be completed end 2013.

Condominium Sector

The high-rise condominium market has shown a marked increase in popularity in Seberang Perai over the last three years. Prices for Condominiums in Jalan Chain Ferry, Jalan Raja Uda and Jalan Telaga Air in Butterworth have improved.

The Seaview Condominiums and Ocean View Condominiums by PJD Eastern Sdn Bhd, Cassia Condominium by Island LandCap Properties and Vista Bay Condominiums by Cendana Realty Sdn Bhd are among such projects in Butterworth which started off from RM200,000 to RM270,000 with built up area of 1,150 sq ft to 1,300 sq ft have rose approximately 30% to RM260,000 to RM350,000 over the past 2 years.

Given the good demand, a few new condominiums projects have been planned in the district of Seberang Perai Tengah and Seberang Perai Selatan. Amongst the upcoming condominium projects are as follows:-

Condominiums Under Construction

Name of Development	Developer	Location	Price Range (RM)
Aston Park	Ivory Properties Group	Jalan Astom, Bukit Mertajam	350,000 onwards
d'Square Residence@Butterworth	GSD Land (M) Sdn. Bhd.	Jalan Baru, Seberang Jaya	280,000 onwards
Royale Infinity, Tambun Royale City	Jadi Group	Tambun Royale City	330,000 - 430,000
Seri Jaya Condominium	Global Mega Jasa	Near BM High School	400,000 onwards

Source: WTW Research, 2012

Condominiums in Seberang Perai have become popular because of the facilities provided and most of the projects are strategically located within or near to the town centre.

Generally, the prime residential locations in Seberang Perai are in Alma in the central district, Simpang Ampat and Bukit Tambun in the southern district and Raja Uda and Bertam in the northern district.

Landed Residential Sector

Residential properties of selected projects still recorded good take-up rates as indicated below:

Landed Residential Under Construction

Name of Development	Location	Size / Type	No. of Units
Carnation Villa	Bukit Minyak	2-Sty Terraced 3-Sty Semi-Detached	88 54
Carissa Villas	Jalan Bagan Lallang	3-Sty Terraced	48
Central Way Phase 1	Bukit Tengah	3-Sty Terraced	99
Central Way Phase 2	Bukit Tengah	3-Sty Terraced	140
Harmoni Residensi	Jalan Betik, Bukit Mertajam	Gated & Guarded 2-Sty Quad Semi-Detached 3-Sty Quad Semi-Detached 3-Sty Bungalow Individual title 2-Sty Semi-Detached 2-Sty Bungalow	20 20 4 2 4 4
Taman Mega Homes	Butterworth	2 ½ - Sty Semi-Detached	72
Orange Villa	Jalan Betik, Bukit Mertajam	3-Sty Terraced 3-Sty Semi-Detached 3-Sty Bungalow	124 16 1
Park View Residences Phase 1	Juru	2-Sty Semi-Detached 2-Sty Clustered Semi-Detached 3-Sty Bungalow	14 50 8 45
Pearl Residences	Pearl City, Simpang Ampat	2-Sty Terraced 2-Sty Semi-Detached	361 112
Prai Tropika@ Perai Utama	Prai	2 ½ - Sty Terraced	54

Name of Development	Location	Size / Type	No. of Units
SA65 (Simpang Ampat Perdana)	Simpang Ampat	3-Sty Terraced 3-Sty Semi-Detached	67 30
Tambun Royale City Royale Heights	Jalan Perin-dustrian Bukit Minyak	2-Sty Terraced 3-Sty Terraced 3-Sty Bungalow 2-Sty Zero Lot Bungalow	21 24 21 64
Royale Nova		2-Sty Terraced 3-Sty Terraced	108 74
Serdang Villa	Bertam	1-Sty Detached	21
Bella Impiana		1-Sty Terrace Type A & B	63
Bertam Lakeside		1-Sty Detached 1-Sty Semi - Detached 2-Sty Semi - Detached	11 20 20

Source: WTW Research, 2012

Enquiries with developers revealed that the demand stems from those on the mainland who want to upgrade their lifestyle as well as those from the island who want to own landed property but could not afford do so on the island. Landed properties in Seberang Perai are priced approximately 40% lower than similar properties on the island.

Shopoffice Sector

Bandar Sunway, Jalan Raja Uda, Jalan Song Ban Kheng and Alma continued to be major hot spots for commercial developments in Seberang Perai.

The 70 units of 3½ storey semi-detached shops with the land area of 3,128 sq ft and built-up area of 5,800 sq ft in iCon City at Bukit Tengah was also reported fully sold during the day of registration.

Prices of shops at Alma, Raja Uda and Bandar Sunway had also appreciated. The new double storey shops at Impiana Boulevard by DNP Land were being sold by the developer at RM1.2million to RM1.3million, an increase of nearly 50% in comparison the launching price of RM800,000 in 2010.

The double storey detached shops at Butterworth City Centre, Jalan Raja Uda were reported transacted at RM1.42 million to RM1.66 million in comparison to the original selling price of RM900,0000.

A 3 storey shop along Jalan Todak 2, Bandar Sunway, Seberang Jaya was reportedly sold at RM1.5million whilst the new three shops at Sunway Perdana are being offered for sale at above RM2 million each.

Market sentiments for commercial properties in the Seberang Perai are positive especially for new shop development.

Although developer's selling price for new double storey shopoffices in Simpang Ampat, Nibong Tebal and Kepala Batas have been priced higher, the response have been reported to be overwhelming.

Industrial Sector

There are no new industrial schemes being developed in Seberang Perai after the Penang Science Park was opened by Penang Development Corporation (PDC).

The limited supply coupled with good demand has seen industrial land prices edging higher.

In 2012, a vacant freehold industrial land at ACKU industrial Park with a land area of 1.32 acres was transacted at RM51.00 per sq ft whilst the leasehold industrial land in Bukit Minyak Industrial Park with a land area of 4 acres and unexpired lease term of 46 years was transacted at RM28 per sq ft

The demand for industrial land/space in Seberang Perai has remained strong due to the limited new supply of industrial land and higher value as well rental rates of similar properties on Penang Island.

Penang Development Corporation (PDC) has commenced compulsory acquisition of land since 2011 at Juru and Bukit Tambun for the expansion of the Bukit Minyak Industrial Park.

ALOR STAR

Residential property prices for new launches in Alor Setar have increased since the restriction by the state government on land swapping. The developer's selling price for new single-storey terraced and double-storey terraced houses are about RM220,000 and RM380,000 respectively.

Alor Setar property market showed a slight growth in prices for residential, commercial and industrial properties whilst the prices for office and retail properties remained stable. Demand for residential property remains strong. Prices for freehold (Non Malay Reservation) residential, commercial and agricultural lands with development potential have shown signs of increment.

The Alor Setar Haji Complex which is nearly completed located about a kilometre away from the Sultan Abdul Halim Airport comprises a four storey hotel with 210 rooms and a convention centre. Upon its completion in 2013, the Alor Setar Haji Complex will contribute to the tourism sector in Kedah.

The opening of Amanjaya Mall in Sungai Petani will increase the prices of three-storey shophouses within Bandar Amanjaya (Zone Cempaka) which were previously in low demand.

The Sungai Petani property market remains stable with prices for properties the same as the previous year.

KUANTAN

Introduction

The overall real estate market in Pahang in 2012 was generally cautious with oil palm industry spearheading the agricultural sub-sector while the industrial sector showed encouraging signs in terms of demand and upward price movement.

Despite the volatility in prices of FFB and CPO in the world market, the oil palm industry is still lucrative providing healthy returns to the industry players in the state. The industrial sector has also benefited from the various government's initiatives under the Economic Transformation Program(ETP) being carried out particularly in the East Coast Economic Region(ECER) Corridor which is now into its 3rd year of implementation. The ECER initiative in particular, has shown some encouraging results to revive the economy especially in the industrial and agricultural sectors, the notable ones are the Palm Oil Industrial Cluster which is taking shape in the Gebeng Industrial Estate, Goat Rearing Programs in the Pekan Agropolitant Area and Fruit Planting Program in the Lanchang Agricultural Park.

In line with the government efforts to improve road connectivity within the state in particular amongst the different districts, various major district roads have been widen and upgraded with new roads built as well. The commencement of land acquisition proceedings for all the lands involved in the construction of the Central Spine Road from Lipis to Simpang Pelangai in Bentong and the completion of the Raub –Cameron Highlands main road are part of the government's initiatives towards this end.

Efforts are also being made to improve the Kuantan Port facilities to make it as the main hub for port services in the east coast. On the industrial front, the Federal Government has provided an initial grant of RM250 million to improve infrastructural facilities to the proposed Tanjung Agas Oil & Gas Hub at Pekan and creation of a Special Economic Zone and Palm Oil Industrial Cluster at the Gebeng Industrial Area.

Despite the lingering concerns on the impact of the Lynas Rare Earth Processing project in the Gebeng Industria Area on the real estate market in Kuantan, there is still no evidence of an impending resolution of the saga presently. However, the government has granted the operating licence with shipments of the first batch of the raw materials arriving at the plant recently.

The overall performance of the real estate industry in the state in 2012 was still encouraging despite concern arising from the tightening in the lending guidelines by Bank Negara, the general slowdown in the world economy as well as the impending general election. Data from NAPIC sales records revealed that the residential sector is leading the pack in terms of number and total value of sales transactions. Demand is still at a healthy level and values are holding although upward movement in prices has not been significant as compare to previous years. Kuantan District is still leading in terms of the number of real estate transaction and values recorded followed by Temerloh, Bentong and Raub Districts.

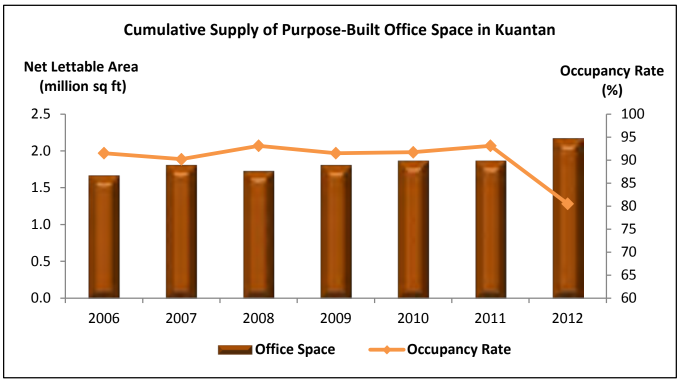
Office Sector

The office sector in Kuantan is relatively stable with hardly any new addition in supply of new office space being added to the market in 2012. However, demand, rental and pricing levels are generally stable. Occupancy rates of purpose built office buildings remain high at 80 to 90%.

The cumulative supply of purpose-built office space in Kuantan reported at end 2012 was about 1.88 million sq ft, comprising 51 properties including Zenith Office Tower and New Court Complex should be 2.79 million square feet.

Over the past six (6) years, purpose-built office buildings in Kuantan have maintained a relatively high occupancy rate of over 90%.

The demand and supply of office space in Kuantan is shown in the following chart.



Source: WTW Research, 2012

In terms of pricing, office monthly rental ranges from RM2.80 per sq ft for ground floor units to RM1.50 per sq ft for upper floors.

Kuantan has been identified as one of the future growth centres and a hub for trade and commerce under the ECER master plan. These developments are expected to generate more the business activities and therefore, increase the demand for office space in the near future.

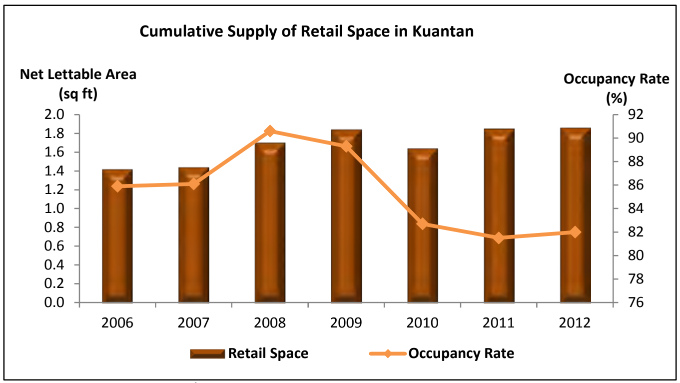
Retail Sector

Year 2011 was a quiet year for retail sector in Kuantan as no additional supply was completed. There are a total of 12 retail malls in Kuantan contributing a cumulative supply of almost 1.85 million sq ft as at end of 2012.

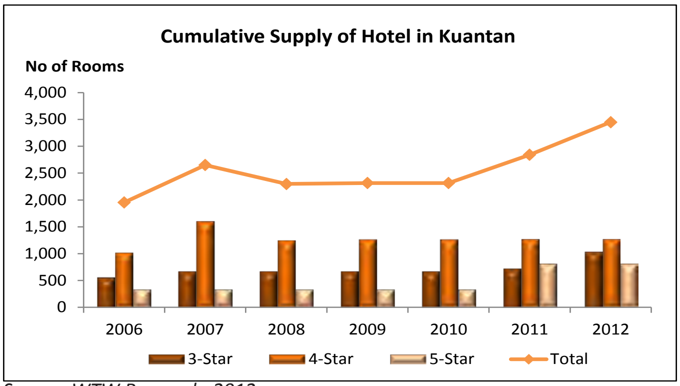
The occupancy rate for the retail sector in Kuantan has been relatively high since 2006. An occupancy rate of about 90% had been registered annually, but the trend reversed from 2009 as a number of retail malls came on-stream and the occupancy rate declined to 80% by 2010.

The growth and performance of retail space in Kuantan is as follows.

Pahang



Source: *WTW Research, 2012*



Source: *WTW Research, 2012*

In 2012, rentals for retail malls located at ground floors of prime areas such as Kuantan Parade were rented as high as RM24 per sq ft. Other major malls were rented between RM8 per sq ft to RM18 per sq ft.

The retail sector is expected to stay stagnant as shopping expenditure growth remains slow but steady. As a result, no new major retail projects have been announced and the leasing market for retail space will be less competitive for the time being.

Hotel Sector

The hotel and leisure sector has shown some promise particularly the budget type hotel segment due to SUKMA Games being held in Kuantan in the second quarter of the year. However, the overall average room rate generally remains unchanged.

As at end of 2012, the cumulative supply for 3 to 5-star hotels in Kuantan stood at 2,841 rooms from 12 hotels.

The occupancy rate for 3-star hotels was below 60% from 2006 to 2010, but it increased marginally to slightly above 60% in 2011. Hotel occupancies in Kuantan has been supported mainly by the public sector seminars market segment. Four-star hotels achieved occupancy rates of around 60% in 2006 and 2007 whereas it decreased to below 50% from 2008 onwards while 5-star hotels maintained occupancy rates at 50% annually.

However, budget hotels performed better with many weekend visitors from the Klang Valley. Beaches in Balok as well as the Rainbow Waterfall and Panorama Hill in Sungei Lembing have become favorite tourist spots for these domestic tourists. Overall, budget hotels in Kuantan have outperformed 3 to 5-star hotels, with an average occupancy rate of above 80%.

In terms of room rates, the overall average room rates (ARR) for 3 to 5-star hotels in Kuantan remained steady over the last six (6) years.

Prospects for the hotel sector in Kuantan is for strong growth due to its recognition as a future growth centre and a hub for tourism especially in the domestic market.

Rocana Hotel, Kuantan

Condominium Sector

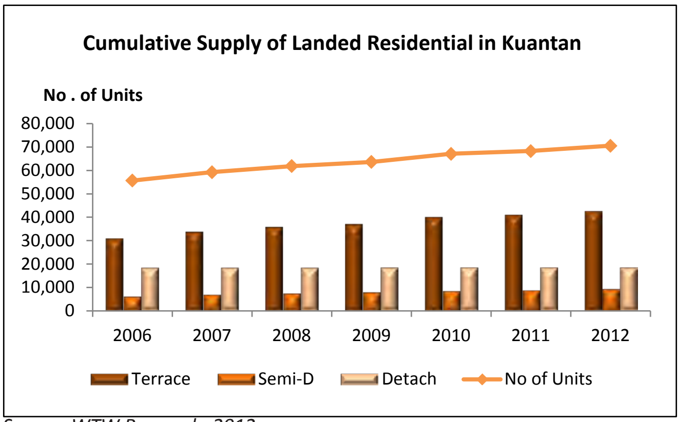
Landed properties are generally preferred compare to non-landed or stratified properties such as flats, apartments or condominiums simply because of the abundance of land in the state. Efforts have been made to expand the condominium sector in line with changes in the livestyle in the local community particularly in the capital town of Kuantan. Prices in this sector are still attractive while the older units are still holding.

The total cumulative supply of non-landed residential in Kuantan consisting of condominiums and serviced residences stood at 2,048 units as at end of 2012.

In terms of selling price, non-landed residential properties peaked during 2008. Prices were hovering between RM200,000 to RM330,000. Unfortunately, prices dropped to between RM140,000 to RM250,000 per unit in the following year. In 2012, sales prices improved slightly to range from RM250,000 to RM450,000.

Landed Residential Sector

The overall landed residential market in Kuantan will remain positive. The sector is expected to continue to be dominated by houses especially those located in out-of-the town areas. This is due to the affordability as well as the current preference trend for ample land of plots.



Source: WTW Research, 2012

As at end of 2012, there were about 68,281 landed residential properties in Kuantan. The chart below shows the supply of landed residential for the past six (6) years.

In terms of future supply, the housing projects currently under construction include the following:

Landed Residential under Construction

Name	Location	Description	Units	Price Range (RM)
KotaSAS	Kota Sultan Ahmad Shah	2-Sty Terraced	138	186,888 - 373,888
		1-Sty Terraced		
		2 -Sty Semi-Detached		
		1-Sty Semi Detached		
Bandar Indera Mahkota 2	Indera Mahkota	2-Sty Terraced	88	284,288 - 489,742
SAS Promenade	Jalan Tanjung Lumpur	2 ½ -Sty Terraced	429	418,000 - 638,000
		2 -Sty Terraced		
		2½ -Sty Terraced Villas		
		2 -Sty Terraced		

Industrial Sector

The total supply of terraced, semi-detached and detached industrial properties in Kuantan stood at 2,072 units in 2012.

The buying and selling of industrial properties in Kuantan maintained an increasing pace. Prices in industrial areas have appreciated at over 50% in the past three years. Currently, industrial properties are priced between RM28 to RM30 per sq ft where as three (3) years earlier of was between RM12 to RM15 per sq ft.

In the near future, the Industrial market especially on terraced factories is expected to further bustle due to the continuous active transactions and its affordability.

The industrial sector is noted to be the most promising in terms of price movement and sales activities compared to the preceding years due to supply constraints for such properties especially those located closer to the town areas such as Padang Lalang, Semambu Batu Tiga Jalan Gambang and Bandar Indera Mahkota. There are also signs of pent-up demand for industrial land in and around the Kuantan Port area especially by the mining companies for stockpiling/store yard and processing purposes due to the the port which has become an important export base for the China market.

Realising the situation, the State Government has allocated a special site within the Gebeng Industrial Area solely for processing of the iron ores to overcome the indiscriminate siting of such activities in this area. The continuous increase in the demand for such properties has helped to sustain the prices of industrial land in and around this locality.

Sri Manja Boutique Hotel

Putra Square, Kuantan

KOTA KINABALU

Introduction

Overall, the property market in Kota Kinabalu remained on-track for steady growth following the uptrend in the last two years. Prime real estate in established and easily accessible locations remained sought-after and continues to command high prices.

Sentiments were more cautious in the later part of the year following the decline in crude palm oil prices during the fourth quarter of 2012. Notwithstanding, property prices should remain stable going into 2013 although take-up is likely to moderate.

Office Sector

A generally stable purpose-built office sector with supply unchanged at some 6.2 million sq ft with an estimated occupancy of 91%.However, demand for purpose-built office space in Kota Kinabalu has been encroached by supply from signature office developments in fringe locations and suburban centres. Notwithstanding, there has been some appreciation in market values for purpose-built offices although rents are little changed with yields of around 5%.

Kota Kinabalu can expect to see more signature office developments in the Southern extension of the city centre in the vicinity of KK Times Square with the launch of Sutera Avenue's 18 units of 10-storey signature office blocks which forms the first phase of this mixed commercial development. These modern offices with lifts comprising mainly office space in the upper levels and commercial space on the ground and lower levels is going from RM10 million and up.

Not far from Sutera Avenue is Aeropod @ Tanjung Aru, a redevelopment and modernization of the State's railway station and mixed development, where 26 units of 8-storey signature offices of about 12,000 sq ft. were launched last year at RM8.8 million and up.

In KK Times Square, a 6-storey corner shopoffice lot with lift was also transacted at RM7.5 million in the re-sale market. The ongoing Riverson mixed development will also house a 6-level office tower above the Riverson Walk retail mall although this is yet to be opened for sale.

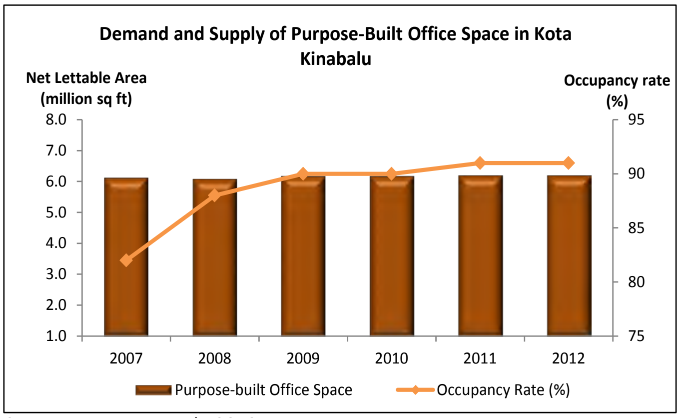
Outside the city centre area, future supply of office space is mainly from suburban shopoffices. Developments launched in 2012 include:

Offices Launched in 2012

Name	Type	Price Range (RM)	No. units
Inanam Capital	3-Sty Shopoffices	1,338,000 - 2,210,000	184
Lido Plaza	3-Sty Shopoffices	1,200,000 - 1,650,000	23
Sierra BizHub	2-3-Sty Shopoffices	700,000 - 980,000	30
	1½ -Sty Semi-detached Commercial unit	1,200,000 - 1,400,000	86
Penampang Central	5-6-Sty Signature Offices	2,800,000 - 3,500,000	16
		Total	339

Source: WTW Research, 2012

Moving forward, values of office space is likely to edge up going by the overall increase in prices of new office and shopoffice developments although yields are expected to soften or remain stable, at best, with rentals having yet to match the increase in prices.



Source: WTW Research, 2012

Retail Sector

Kota Kinabalu's retail sector remains stable with established retail malls and those with good management and differentiated offerings maintaining business levels. Supply of retail space from shopping complexes stands at some 4.5 million sq ft.

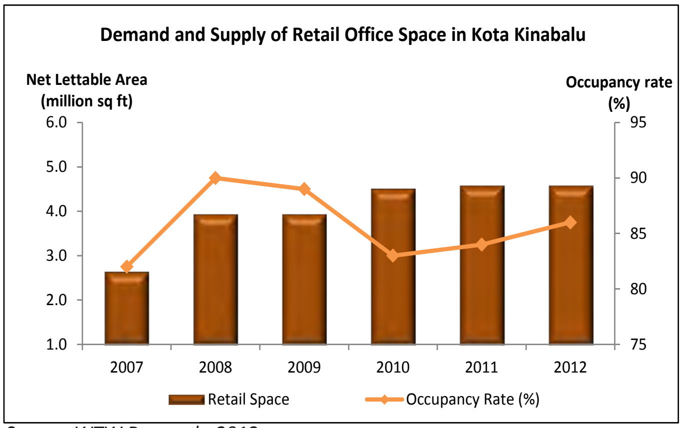
Prime ground shop space of 300-600 sq ft in the CBD is fetching RM20 per sq ft, on average, although smaller lots / kiosks command higher rates whilst preferential rates are given for bigger lots or mini-anchors. The rental market varies quite significantly with those having a more established presence and high customer traffic commanding higher rents. Overall, average capital values of prime ground floor retail space is in the region of RM2,800 per sq ft, reflecting a yield of around 6.5%. There were no new additions of retail mall developments in 2012 although two suburban malls were launched:

Retail Malls Launched in 2012

Name	Location	Price Range (RM per sq ft)	Net lettable Area (sq ft)
ITCC Penampang	Penampang	788 - 2,188	366,000
Grand Merdeka Mall	Telipok	500 - 1,150	130,000
		Total	496, 000

Source: WTW Research, 2012

The projected increase in retail space supply from new launches coupled with ongoing developments from The Mall @ KK Times Square and Riverson Walk at the Southern extension of KK City Centre, Oceanus Waterfront Mall @ KK Waterfront and Jesselton Mall in KK City Centre and Pacific Parade in Likas Bay, is expected to see a much more competitive retail sector when these developments come on stream in the coming years. Aside from location and accessibility, design and layout, factors such as mall management, trade mix and tenant retention are crucial for the sustainability of the retail complex.



Source: WTW Research, 2012

Hotel Sector

The rate of visitor arrivals to Kota Kinabalu has maintained its upward trajectory since recovering from a decline in 2009. Preliminary statistics indicated 2.9 million visitor arrivals to Sabah in 2012, albeit a marginal increase of 1.1% year-on-year where there was a slight drop in Malaysia arrivals but significant increase in international arrivals.

According to Tourism, Culture and Environment Minister, Datuk Masidi Manjun, the drop of seat capacity and competitive air fares for the Peninsular outbound market contributed to the marginal increase. European visitors as well as visitors from Australia and Japan on direct flights from Perth and Japan on transit via Kota Kinabalu caused the decrease in seat capacity. As more seats were taken up by international transit travellers, there were fewer seats for domestic travelers and diverted outbound overseas travel of West Malaysians elsewhere with the attractive promotional packages (The Borneo Post, 6 November 2012).

Visitor arrivals from the North Asian market, namely China, South Korea and Japan have increased and remain key market sources for Sabah's tourism sector. Excluding arrivals from Indonesia, China made up the largest number of visitor arrivals at 193,010 or 28% of international arrivals in 2012. This trend is expected to continue with more direct flights added from China namely Shanghai, Guangzhou and Hong Kong to Kota Kinabalu starting from end-2012. Others include flights from Osaka (Japan) and Perth (Australia) to Kota Kinabalu.

In the hotel sector, 5-star resorts are enjoying good occupancy and room rates, especially those that have established brand names and global network. Due to limited supply, up market and branded resort developments will readily maintain their strong market position.

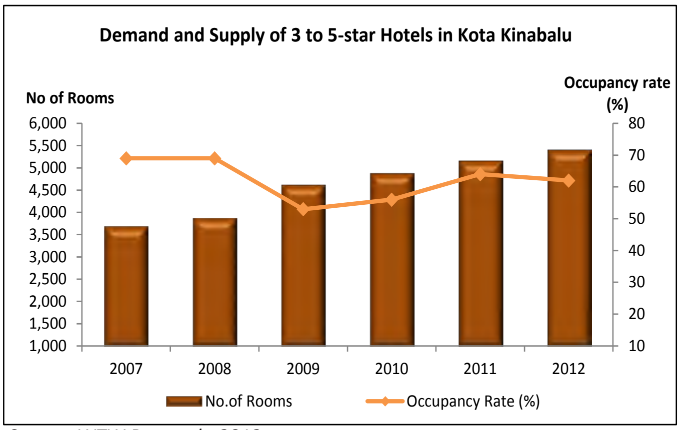
Hotel developments completed in 2012 consisted of the 3-star boutique-style 90 rooms Lintas View Hotel in the thriving Lintas Plaza commercial centre whilst YTL's Pulau Gaya Resort with 121 chalets located on the island off KK City Centre was completed in mid-2012. Notable ongoing hotel developments known to us include:

Hotels under Construction

Name of Development	Location	Star Rating	No. of Rooms
Wow Hotel	KK CBD	4-star	197
Regency Hotel @ One Place Mall	Putatan town	4-star	320
Ibis Styles Hotel	Inanam town	3-star	185

Source: WTW Research, 2012

With more direct flights bound for Kota Kinabalu from major markets and the government's continued efforts to promote Sabah's tourism sector, future prospects for the hospitality sector should remain promising.



Source: WTW Research, 2012

Condominium Sector

Despite the considerable number of condominiums launched in recent years, the sector continues to be active with launches of new condominiums again outnumbering landed residential developments.

Within the condominium sector, new launches are dominated by high-density, mid-range developments. Of the estimated total of 3,077 condominium units from 11 developments launched in 2012, some 1,790 units or 58% from 1Sulaman Gold Tower (950 units) and Lido Four Seasons (840 units) are targeted at the mid-range segment. Both developments have reportedly enjoyed good take-up thanks to their competitive price range against the more up market condominiums and rapidly rising house prices in Kota Kinabalu.

At the higher-end of the spectrum, the final phase of The Loft @ KK Times Square comprising Blocks C and D, were launched at prices of RM548,000-2.8 million (RM600-1,100 per sq ft). For Block C, this comes with 5.5% guaranteed rental return per annum for two years. Those who purchase for their own use, will receive a special 5% + 2% rebate. Elsewhere, well-managed developments in choice locations should see steady appreciation of prices especially sea view units.

A summary of condominium developments launched in 2012 and the developers' asking prices are indicated as follows:

Sabah

Condominiums Launched in 2012

Name of Development	Location	Price Range (RM/per sq ft)	No. of units
Bay Residences	Likas	463-713	82
Peak Soho (Tower B)	Likas Bay	383-840	96
Peak Soho (Tower A)	Likas Bay	430-843	112
Canggih Heights	Menggatal	350-500	92
1Sulaman Gold Tower	Jalan UMS	266-285	950
The Suritz	Kolombong	359-435	128
Seri Manis Condominium	Lintas Luyang	404-455	50
Lido Avenue	Penampang	420 & up	228
Lido Four Seasons Residence	Penampang	336-380	840
The Light Residences	Penampang	392-519	228
Kondominium Kristal Ph 2 & 3	Kepayan	480-610	81
The Loft Blocks C & D	Southern KK City Centre	600-1,100	190
		Total	**3,077**

Source: WTW Research, 2012

Riverson & KK Times Square

A 56-storey twin condominium tower, set to be Sabah's highest building has been proposed and approved in principle by the Sabah State Cabinet and Central Board. The proposed 540-unit condominium is situated on a 5-acre land in Damai within Luyang residential area. The development is expected to be launched in 2013. Other condominium developments expected to be launched in 2013 are Lido Avenue and Tropicana Landmark in Penampang locality amongst others.

The rental market has been quite stable for the upper-range condominiums where supply is limited. However, asking rates for recently completed condominiums with sea view were about 10%-20% higher than previous leases.

Taking into account the active market in previous years and increasing land and buildings costs, it is likely that prices would advance unabated going into 2013. On the flipside, there could be some moderation in take-up rates going by the number of developments coming on stream and proposed in the coming years.

Landed Residential Sector

Due to limited new supply and hikes in land and building prices, prices of new housing developments continue rising unabated from previous years. Old residences in established neighborhoods remain sought-after despite higher asking prices. However, the rental trend continues to be stable thereby compressing yield expectations in view of rising house prices.

Landed residential developments launched in 2012 are as follows:

Landed Residential Launched in 2012

Name of Development	Location	Description	Price Range (RM)	No. units
Rimba Phase 1	Telipok	2-Sty Terraced	398,000	153
Rimba Phase 2	Telipok	2-Sty Terraced	428,000	101
Malaga Villa	Penampang	2-Sty Terraced	368,000	20
Seri Kibabaig	Penampang	2-Sty Terraced	638,888	39
Gemilang	Penampang	2-Sty Terraced	483,888	30
Juara Ph 1A & 2	Menggatal	2-Sty Terraced	348,000	71
18 Cerah	Penampang	2 &2½ - Sty Terraced	800,000	18
Ganang Riverside	Ganang	2½-Sty Townhouse	529,290	9
Megah	Penampang	2½-Sty Terraced	580,000	13
Gayamas 118	Penampang	3-Sty Terraced	540,000	41
			Subtotal	**495**
Seri Kibabaig	Penampang	2-Sty Semi Detached	888,888	6
Villa Tropicana	Penampang	2-Sty Semi Detached	858,000	57
1st Garden Residence Phase 1 (Tmn Pertama)	Penampang	2-Sty Semi Detached	728,000	58
Prima Jaya Phase 3	Penampang	2-Sty Semi Detached	1,100,000	28
Laman Hijau	Penampang	2-Sty Semi Detached	1,188,888	36
Eaton Square	Penampang	3-Sty Semi Detached	1,006,000	16
Gayamas 118	Penampang	3-Sty Semi Detached	1,045,000	2
			Subtotal	**203**
Juara Phase 1B	Menggatal	2-Sty Detached	N/A	3
Gayamas 118	Penampang	2-Sty Detached	1,850,000	1
1st Garden Residence Phase 1 (Tmn Pertama)	Penampang	2-Sty Detached	1,000,000	2
Prima Jaya Phase 3	Penampang	2-Sty Detached	2,400,000	2
Yi Jia/Duta Vila	Penampang	3-Sty Detached	1,980,000	45
Seri Kibabaig	Penampang	3-Sty Detached	1,989,000	1
			Subtotal	**54**
			Total	**752**

Source: WTW Research, 2012

Landed homes with high prices are beyond the range of most first-time home buyers who instead would be looking at more affordable priced properties like apartments and mid-range condominiums.

Price of landed residential developments are expected to increase unabated in view of rising land and building costs and limited new supply as the bulk of new developments comprise strata-based developments. The sub-sale market will continue to be active with limited choices of new developments.

Industrial Sector

There have not been any notable new developments in the industrial sector in the last few years. Limited supply, coupled with good demand has seen industrial lands and properties enjoying good price appreciation, especially in Inanam / Kolombong and Kota Kinabalu Industrial Park (KKIP), the two main industrial locations in Kota Kinabalu.

Availability of appropriate industrial lands with integrated facilities and components is not only a scarcity but also virtually non-existent in other areas. The Inanam Industrial Belt, has almost reached its full capacity and most of the lands in the locality have remaining short leasehold terms.

Current selling price for developed industrial lands (prepared site with infrastructure) in KKIP is about RM30 to RM35 per sq ft. Asking prices for vacant industrial lands in the Inanam industrial area is currently about RM60 to RM90 per sq ft depending on location, size and shape of the land and land condition.

With Kota Kinabalu as the centre of distribution for Sabah, industrial lands, buildings and warehouses with good road access and proximity to the port will command good values buoyed by firm market demand.

Among the recently launched developments are the fourth phase of KKIP's ready-built factories. Details as follows:

Industrial Developments Launched in 2012

Type	Land / Built-up area (sq ft)	Selling Price (RM)	No. of units
2-Sty Detached Light Industrial building	From 12,793 / 5,177	1,910,600 onwards	9
2-Sty Semi Detached Light Industrial building	From 9,172 / 4,057	1,441,200 onwards*	18
2-Sty Terraced Cluster Light Industrial building	From 2,938 / 3,477	789,300 onwards*	22
		Total	**49**

** Bumiputra units available at 5% discount*

Source: WTW Research, 2012

LAHAD DATU

Overall, the property market in Lahad Datu was quiet compared to previous years. The decline in palm oil prices during the fourth quarter of 2012 somehow influenced the property market as the potential purchasers turned away from investments. Generally, many properties are being transacted for investment rather owner-occupancy.

The property market has been bullish for the past 3 years arising from the persistently high oil, building materials and commodity prices. Furthermore, the bank deposit and lending rates have been kept relatively low encouraging investments in the property market. The trend has lost momentum and property investors are more cautious as the World economy currently faces many challenges such as the euro crisis and its ripple effects.

The attitude of "wait and see" of the purchasers can be seen in the transaction activities; the only significant property transaction in Lahad Datu involved the sale of a development land to Ivory Bay Sdn Bhd. The land is located in Km 3, Jalan Segama and was transacted at RM5 million, which works out to be RM41.50 per sq ft.

An oversupply of commercial space in Lahad Datu is expected when all the commercial projects such as Darvel Bay Plaza, First Palm City, i-Peak, D' Perdana Square (Bandar Sri Perdana 5) are completed.The commercial properties will have to be competitive in terms of pricing.

Unlike other major cities and towns in Sabah, Lahad Datu lacks the power of consumption and the general standard of living is relatively low. Quite a sizeable percentage of the Lahad Datu resident population is from other cities and they perceive that Lahad Datu does not provide the trendy shopping facilities and the range of choices in the bigger cities and towns. This may change when all the commercial shopping centres are opened and goods and services with competitive pricing and quality become available, to spur its growth and expansion.

In the past and even at present, Lahad Datu is viewed as a "work" town; providing job opportunities but deficient in facilities such as education, entertainment, sports, security etc. The large number of uncontrolled illegal immigrants, many of whom are unable to settle permanently in Lahad Datu further aggravates this situation. The scenario will improve albeit slowly.

We opine that given the sustainable local economy and strong purchasers' holding power, the sale price of commercial properties would be maintained even though there is a potential oversupply of commercial space in Lahad Datu.

SANDAKAN

The property market in Sandakan was, for the most part relatively stable in 2012 sustained by oil palm sector although the sudden downturn in crude palm oil (CPO) prices at last quarter of 2012 from +RM3,000/tonne to RM2,200/tone had dampened market sentiments.

Amongst the property sub-sectors, the residential sector remains the most active. Notable developments within Bandar Utama township such as subsequent phases of Utama Park Villa 2-storey terraced houses (latest phase launched at close to RM480,000 and up) and Utama South Condominium at Mile 10, Jalan Utara were launched.

New property developments launched were largely concentrated at the northern precinct along / off Jalan Utara and moving further northwards to Jalan Labuk and towards Jalan Lintas Sibuga.

Some of the residential, commercial and light-industrial developments launched /open for sale in 2012 are summarized as follows:

i) Residential

Name	Location	Size / Type	Price Range (RM)	No. of Units
Utama South Condominum	Km10 Jalan Utara	Condominium	234,800 - 476,800	220
Utama Park Villa Ph 5	Km10 Jalan Utara	2-Sty Terraced	454,800 onwards	55
Utama Park Villa Ph 6	Km10 Jalan Utara	2-Sty Terraced	479,800 - 665,800	51
Taman Mutiara Phs 2A & 2B	Km 6 Jalan Utara	2-Sty Terraced	388,000 - 425,000	92
Taman Sejati Ujana Ph 6	Km 13 Jalan Utara-Airport	2-Sty Terraced	300,000 onwards	N/A
Taman Mawar Ph 5B	Off Km 9 Jalan Utara	2-Sty Terraced	252,000 onwards	N/A
Taman Vista	Jalan Lintas Sibuga	2-Sty Terraced	298,800 - 363,032	64
Taman Mutiara Phs 2A & 2B	Km 6 Jalan Utara	3-Sty Terraced	575,800 - 825,405	32
Astana Heights Ph 2C1*	Km 2 Jalan Utara	2-Sty Semi-Detached	668,888	16
Taman Vista	Jalan Lintas Sibuga	2-Sty Semi-Detached	498,800 - 500,256	4
			Total	**534**

** Build Then Sell*
**List may be non exhaustive*

ii) Commercial

Name	Location	Size / Type	Price Range (RM)	No. of Units
Sibuga Jaya Commercial Centre Ph 1	Km 14 Jalan Labuk	3-Sty Shopoffices	868,00 - 968,000	20
Sibuga Jaya Commercial Centre Ph 2	Km 14 Jalan Labuk	3-Sty Shopoffices	38,000 - 1,088,000	32
Taman Anggerik Perdana	Jalan Lintas Sibuga	3-Sty Shopoffices	3,000,000 (Enbloc sale)	4
Labuk Commercial and Business Centre	Km 21 Jalan Labuk	3-Sty Shopoffices	1,000,000 - 1,050,000	8
		2-Sty Shopoffices	668,000 - 975,000	16
			Total	**80**

(iii) Light Industrial

Name	Location	Size / Type	Price Range (RM)	No. of Units
Lintas Industrial Park	Jalan Lintas Sibuga	2-Sty Terraced Light Industrial building	693,000 - 875,000	30
Labuk Commercial and Business Centre	Km 21 Jalan Labuk	2-Sty Terraced Light Industrial building	805,000 - 975,000	8
Lintas Industrial Park	Jalan Lintas Sibuga	2-Sty Semi-Detached Light Industrial building	898,000 - 1,030,000	6
			Total	44

Elsewhere, 2012 also saw the opening of 200,000 sq. ft. Harbour Mall in Sandakan's town centre in mid-2012 together with The Four Points Hotel by Sheraton Sandakan with 300 guest rooms operated by Starwoood Hotels & Resorts. The hotel and retail mall forms the final phase of the Sandakan Harbour Square redevelopment project in the central business district of Sandakan. The retail mall space is retained and leased out.

Moving forward, the decline in CPO prices at the close of 2012 has evoked more cautious sentiments for 2013. It is envisaged that projects from the 3.7 million acres of oil palm in Sabah, which had been largely fuelling the property boom in the State will be drastically reduced. Unless this only is a brief hiatus/correction, the property market is likely to be adversely affected.

TAWAU

Overall performance and sentiments for the property sectors were positive and on a steady pace of growth, mainly led by agriculture and residential sectors. Despite the downtrend in CPO prices during the later part of 2012, prices of oil palm lands have generally increased by 15% to 20% compared to 2011.

The residential sector has seen steady increase in prices, particularly in the medium cost housing segment. Buying interest is also moving towards this segment of housing which has led developers targeting their development strategies towards this residential subsector.

The commercial and industrial sectors remained stable throughout but prices for conventional commercial shopoffices have visibly increased by 10% to 20% although rental yields remain stable.

	Condominium	Shopoffices	Agricultural Sector	Semi-detached
Location	Kuhara Court	Bandar Perdana Jaya	Kunak, Sapang	Taman Grace Hill
Floor Area (sq ft)	1,070	1,211	N/A	2,400
Land Area (sq ft)	N/A	2,422	1,431 acres oil palm land	3,600
Sale Price (RM per sq ft)	310 - 330	350	50,000 per acre	1,288,000 per unit

McDonald's fastfood restaurant leased a vacant piece of commercial land of 30,000 sq ft for setting its first fastfood restaurant in Tawau. The drive-thru restaurant commenced operation in the second half of 2012.

LA Hotel had its soft opening in February 2012. The newly built hotel comprises 108 guest rooms, Bistro Restaurant and rooftop coffee house. Business travellers and tourists are the main markets for the hotel.

Launching of "Tawau Times Square" in March 2012, a 39-storey shopping mall, office suites cum hotel commercial complex on a 3.70 acres seafront land along Jalan Persisiran, Bandar Sabindo. It will provide about 332,064 sq ft net retail space and 118,440 sq ft office suites.

Residential Sector

Development trends leaned towards medium cost housing projects with houses priced below the RM450,000 bracket. The prices of medium cost houses of newly launched projects, namely single storey terraced houses were priced at RM280,000 and above for those nearer to town. Prices of similar units were 20% to 30% lower for projects located at the outskirts or secondary locations.

Residential Launched / Opened for Sale in 2012

Name of Development	Location	Size / Type	Price Range (RM)	No. of Units
Terraced house				
BSI, Phase 5	Jalan Apas	1-Sty Terraced	200,000 & above	80
Desa Ranggu	Jalan Ranggu	1-Sty Terraced	85,000 & above	95
Melinium	Jalan Eastern	2-Sty Terraced	350,000 & above	24
Pinery Height Phase 1C, 2A & 2C	Jalan Sin On		536,000 & above	35
Semi-detached house				
Grace Hill	Jalan Sin On	2½ Semi-Detached	1,288,000 & above	24
Pinery Height Phase 1C, 2A & 2C	Jalan Sin On	2-Semi Detached	883,800 – 955,800	16
			Total	**274**

Source: WTW Research, 2012

Commercial Sector

Commercial properties in town which comprise conventional shophouses continue to fetch good prices at the prime locations of Fajar Commercial Centre and Bandar Sabindo whilst decentralized commercial developments at prime residential localities received good response from investors. Prices for three storey and two storey shopoffices units are in the region of RM1,000,000 to RM1,300,000 and RM800,000 to RM850,000 respectively. There will be more of such projects to be launched in the coming year.

Agriculture Sector

Demand for oil palm lands had driven up prices to unprecedented levels with the highest transacted price at RM53,000 to RM58,000 per acre in 2012. With the increase in demand for oil palm lands and the scarcity of vacant agricultural lands available for new planting, prices of agricultural and oil palm lands are expected to remain firm, although this is also dependent on the sector maintaining CPO/FFB prices at profitable levels.

Market Outlook

The economy of Tawau will continue to be driven by the agriculture sector for some time to come although the transformation and promotion of Tawau as a tourism spot will be a new economic driver for the future economy of this East Coast town. Better air linkage will also attract visitors and investors to patronise Tawau whilst improved future road linkage beween Tawau and Kota Kinabalu via Tawau-Kalabakan-Nabawan-Kota Kinabalu Road will shorten travelling time between these two towns.

The outlook for the property sector for 2013 in Tawau will remain stable with the main engine of growth driven by the oil palm industry. The performance in the agricultural sector will have a spillover effect to the residential and commercial sectors and as a pillar of support for the other property sub-sectors. Residential developments will continue to be focused on medium cost segment while developers of commercial premises are expected to maintain development trends within heavily populated suburban areas.

LABUAN

The island's economic performance has been positive. Backed by support from the Federal Government and activities from the oil and gas industry, investors' confidence remain positive and the property market is anticipated to be stable.

Housing development on the island is largely dominated by Lazenda Group, with its developments having been well-received by Labuanites where units are reportedly fully taken up prior to launching. Buoyed by that, semi active developers' such as Mui Chew Sdn. Bhd and United Construction Sdn. Bhd. have re-entered the housing scene and started to play more active roles. Buyers of residential properties are mainly for owner occupation and investment. In general, monthly rental for a fully furnished double-storey semi-detached house is in the region of RM3,000 and up whilst a fully furnished double-storey terraced house is going for about RM2,000. Prices of new double storey semi-detached houses are from RM550,000 onwards, while new double storey intermediate terraced houses are priced from RM400,000. New single storey semi-detached and terraced houses are priced at RM400,000 and RM300,000 onwards.

There have not been any new developments in the industrial sector for the last three years although there are a number of agriculture lands converted for individual industrial uses. With limited supply and good demand, industrial properties are enjoying good price appreciation, especially those located at Jalan Patau-Patau and Rancha-Rancha locality. Current transfer prices for vacant industrial lands with infrastructure are about RM30 per sq ft onwards depending on location, size, shape and condition of land. At prime areas along Jalan Patau-Patau, industrial estate known as Sagunking warehouse, where the warehouses have built-up area of 6,000 sq ft are being transacted between RM1,000,000 to RM1,300,000. Asking prices from other industrial estates with smaller built-up areas and located further from the town centre are about RM750,000 to RM850,000.

The commercial sector remains active with several on-going constructions:

i) Phase 1 of Labuan Times Square completed and awaiting occupation certificate. The total development costing RM120 million, sited on a 7 acres site, comprises an 8 storey building with 75 shop lots, 48 office lots and condominiums. There will also be a 4-star hotel with 192 rooms and a car park with 132 bays.

ii) Lazenda Central comprising a 3-star 172-room hotel, 25 units of three-storey shophouses and a 9-storey shopping mall is under construction by Lazenda Group.

iii) Traditional shophouses of 2 and 3-storeys are also enjoying good price appreciation whilst ground floor retail lots at Financial Park Complex have been transferred at about RM1,000 per sq ft.

KUCHING

Introduction

More projects under the Sarawak Corridor of Renewable Energy (SCORE) commenced in 2012. By September 2012, Sarawak had recorded the third highest capital investments in the country totaling RM4.68 billion from 24 projects and attracted the most foreign investment in Malaysia of about RM3.75 billion. To-date, a total investment of RM29.1 billion had been approved under the SCORE initiative, comprising 12 projects in the Samalaju Industrial Park in Bintulu, 4 in Mukah and 3 in Tanjong Manis.

A surplus budget for 2013 to the tune of RM83 million as announced in the Sarawak State Budget together with a higher expected GDP growth of 5% for 2013 (4.5% for 2012) and an improved 10.5% growth anticipated for the construction sector, would spell more construction activity in the State for the coming year. The inflation rate is expected to be about 3%. With Sarawak earmarked as one of the nation's main regional development areas under the current 10th Malaysia Plan, more funds will pour into the State in the coming years to sustain continued development in all sectors.

The Sarawak tourism sector has also experienced growth as indicated by an increase in hotel occupancy and room rates with 4 million visitors arrivals in Sarawak in 2012 compared to about 3.2 million in 2011.

There is increased activity in the commercial shophouse sector especially in Kuching and Sibu with increased construction and prices reaching as high as RM1.5 million and RM1 million respectively for an intermediate shophouse unit.

Even though housing has generally been overshadowed by commercial development activities in 2012, the residential sector remains the mainstay of the property industry. However, recent accelerated growth in property prices especially in housing, is a cause for worry that if allowed to continue without some form of control or check, housing affordability is likely to suffer.

2013 will see more activity in the industrial sector with more SCORE and 10MP projects underway. This in turn, will attract more workers, increasing the need for basic properties like housing and accommodation. At the same time, down-stream activities could trigger further expansion in the office and retail sector.

Continuing its run from 2011, 2012 has been a very active year in terms of property development for Kuching, with a significant number of launches (>40%) in the 3Q2012, coinciding with the Sarawak Builders' Expo (SARBEX) in September 2012.

Developers who were notably more aggressive in 2012 were:

- M/s Lee Onn introducing sizeable mixed development projects in the secondary locations of Batu Kawa-Matang
- M/s Chong Kia Hoi building its commercial precinct named Metro City in the new Matang Road area
- M/s Ibraco continuing the latter phases of its Tabuan Tranquility project in the Stutong area, and
- M/s MJC City Development launching its mixed retail cum apartment project within the vicinity of the Batu Kawah New Township.

Other significant players include M/s Indah Kerjaya for its retail complex named Moyan Square at the Batu-Kawa Tondong area, M/s Sarafield for its 111 shophouses at Matang and M/s Batu Cergas for its commercial shophouse centering round Emart at Batu Kawa.

Most of these newly launched commercial projects are concentrated in the secondary locales, in suburban-outskirt area, away from the city's built up area.

The Batu Kawa area ranks 1st in terms of construction starts followed by the Kuching Serian area. However, the Kuching Built Up Area (BUA) would be leading in terms of total number of strata-titled units.

The socio-economic growth of Kuching has also spilled into the adjacent Samarahan area where the construction starts were not far behind that of Batu Kawa with housing projects such as Palm Villa and Desa Damai by M/s Hock Peng Realty Sdn Bhd, Taman Bukit Berangan by M/s Yong Seng and Bandar Riyal. M/s MD Kwang Tai is another big developer with their on-going project at Central City in Samarahan.

Kuching has also been deluged by the constant infrastructure works happening concurrently with the other property development projects such as the upgrading of Jalan Tun Jugah, construction of the Jalan Tun Jugah-Jalan Song flyover (a major thoroughfare in South East Kuching) to ease traffic flow and improve connectivity from the Kuching airport and the Kuching city centralised sewerage system project for efficient waste management.

Office Sector

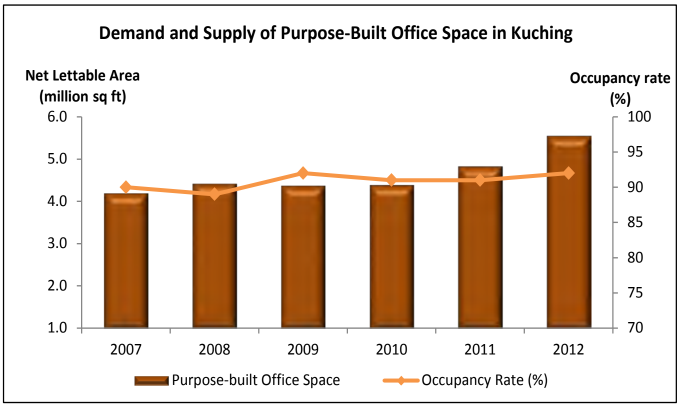
The purpose-built office sector for Kuching was rather quiet in 2012 with no new official launches or starts except for an indication by M/s Naim of office blocks to be built at the Rock project in Batu Lintang.

Two (2) office buildings were completed during the year, namely Sarawak Energy Berhad HQ, a 9-storey green GBI-certified Corporate Building for Sarawak's utility company at a cost of about RM232 million at the Kuching Isthmus; and Kompleks Islam Sarawak, a 17-storey building with a dewan including 4 retail floors on a 2.05 acres site costing RM100 million at Jalan Haji Mohamad Kassim, near the Satok Commercial area. Both were built for government-linked entities.

Office rents remained stable between RM2.50 to RM3.00 per sq ft on average and yields for purpose built offices in Kuching remain at 5.5% at most for prime areas. The new office buildings are government owned and occupied so no new rental rates have been recorded. Most of the office buildings built in the last 2 years have yet to be fully occupied. Office rents are likely to remain unchanged for 2013.

Office values for 2012 are maintained at RM300 per sq ft. There was no purpose built office transaction recorded for 2012. The office supply is expected to be stable with no unexpected jolts for 2013 and no large overhang.

Sarawak



Source : WTWY Research, 2012

Retail Sector

There was prolific development of retail malls for 2012 with the completion of a few major malls:

- Kuching Sentral at the new Kuching transportation hub at 7th Mile Sentosa area in Q1 2012
- Boulevard Phase 2, an extension of the Boulevard Shopping Centre in mid 2012 , and
- Plaza Merdeka, in the old Kuching town area which opened in December 2012.

These have added approximately 800,000 sq ft of retail space to Kuching city.

Kuching Sentral is a mid-market mall built mainly to cater to travellers on transit whilst the Boulevard Extension offers higher-end retailing to supplement its earlier mid-market Phase 1.

Plaza Merdeka, set amidst the more historical part of old Kuching and which had been in the pipeline for the last decade was officially opened on 12/12/2012, adding much retail excitement and enlivening the atmosphere of an otherwise quiet part of town. Its anchor tenants include Parkson which takes up four floors of 130,000 sq ft, Everrise (more than 22,000 sq ft), Cotton On with 9,000 sq ft and Esprit with 5,000 sq ft.

The shopping mall at Plaza Merdeka will be further complemented by a boutique hotel which is currently under construction.

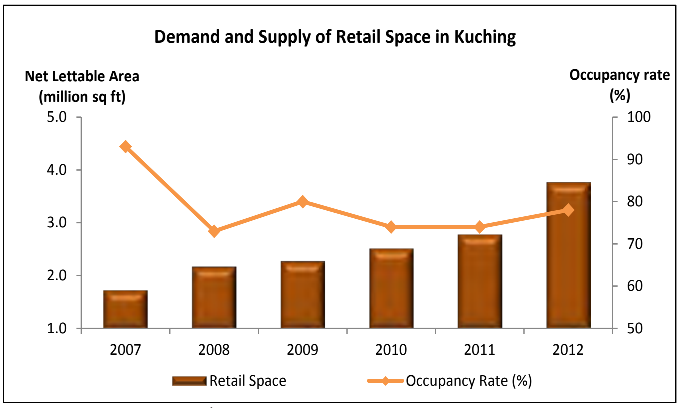
The retail sector does not seem to be slowing down anytime soon, judging from the commercial complexes that are currently underway, from the thriving suburbs to outskirts as far as Siburan, 17 miles from Kuching. The following are expected to come on board by 2013, contributing another 1.5 million sq ft of retail space.

These malls are nearing completion with City One and ST3 expected to open before Chinese New Year 2013. Once completed, City One will overtake Boulevard as the biggest shopping mall in terms of lettable area. Kuching Plaza which has been closed for the last few years for refurbishment is also expected to reopen by 2013. Summermall will be the 1st shopping mall in Samarahan and hopes to entice even patrons from Kuching with its water theme park, built atop the complex.

For 2012, retail rents are capped at RM20.00 per sq ft more or less with some actual rentals transacted at a lower rate due to structuring of flexible rents based on revenue. Retail prices for new complexes launched this year in more outlying areas have not reached last year's all-time high of RM2,400 per sq ft. The rental yield is expected to remain at between 5% and 5.5%. There were no retail buildings transactions in 2012.

There is some concern as to the performance of retail complexes with the big influx of retail space into the market within these few years and wariness as to whether the occupancy can be maintained especially when there is increasing competition between retail and basic needs such as food, housing, utilities and transportation which have experienced inflationary pressure.

The emergence of new shopping malls has also resulted in tenants opting out from older complexes into newer ones. The next few years will be a true test of the resilience of the retail market in Kuching.



Source : WTWY Research, 2012

Retail Malls to be Completed in 2013

Name of Development	Location	No. of Units	Net Lettable Area (sq ft)	Expected Completion
City One	BUA	>400	731,952	2013
ST3	BUA	280	61,441	2013
Kuching Plaza (refurbished)	BUA	>100	69,966	2013
Summermall	Samarahan	234	258,261	2013
Eastern Mall	Siburan	81	547,457	2013

Source : WTWY Research, 2012

Hotel Sector

The supply of 3-5 star hotels in Kuching remains unchanged for 2012, although there were increased accommodation supply in terms of B & Bs and lodgings taking up shophouses and old detached houses in and around the city, to cater to the budget-conscious. Hotel 56, a business hotel, located off Jalan Tun Jugah, a busy commercial area, was completed recently in December 2012 and is expected to open soon.

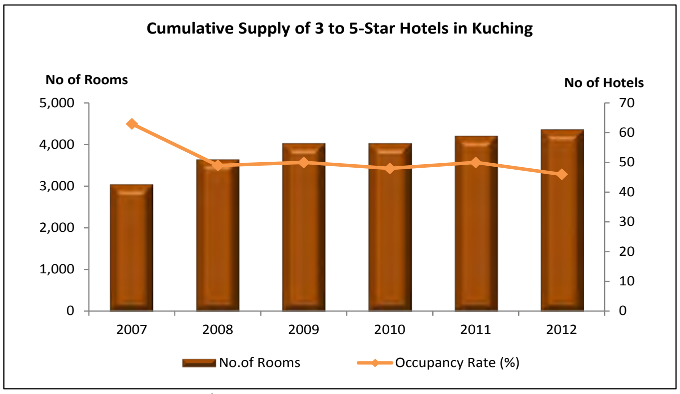
There are quite a number of hotels in the works at the moment, namely, the 360 Waterfront Hotel @ Plaza Merdeka in the city main bazaar area, Imperial Hotel @ Boulevard and Citadines Kuching Uplands @ ST3 in the thriving residential suburban areas. These are parts of mixed development projects and aim to cater to retail shoppers of the annexed malls.

The abandoned hotel, next to the Riverside Majestic Hotel in the golden triangle area, was given a new lease of life with SEDC taking over the helm of building a new 18-storey 268-room 4-star hotel to be named Majestic Tower Hotel. Preliminary construction works on the hotel has started and is expected to be completed by July 2014.

The introduction of new hotels into the Kuching market suggests strong business confidence for the hotel and tourism business in general. These hotels located in different locales catering to different segments of tourists ensure that travellers have ample choices which is good for tourism and the local economy.

Moderate growth has been recorded in the tourism sector, with increases in tourist arrivals, occupancy rates and average room rates. Both foreign and domestic tourists into Sarawak are expected to reach four million this year and exceed that number in 2013. This increase in tourists is expected to augur well for the future of the hotel industry in Kuching.

Hotel 56



Source : WTWY Research,2012

Condominium Sector

The increasing scarcity of land especially in the built up areas of Kuching, coupled with the growing affluence of the population for more comfort and security, has spurred many condominium/apartment developments in the past few years. The number of units currently under construction and coming into the market will more or less double the current existing supply.

Stacks 128 consisting of medium cost apartments was completed by M/s Lee Onn at the beginning of the year as well as the last block of The Ryegates sited opposite the Kuching International Airport sometime in mid-2012. Sky Villa developed by M/s MJC City Development within their flagship development of Batu Kawa New Township was also completed during the year.

D'Jewel is a high-end condominium project developed by M/s Genesis Base, a subsidiary of M/s Lee Onn, along Jalan Sherip Masahor going into the old established Hui Sing housing area. It consists of 118 units in 2 tower blocks with swimming pool, gym and other amenities. Its price starts from RM700,000 for an average 3-bedroom unit of 2,000 sq ft and the units are believed to be fully sold.

Condominiums / Apartments Launched in 2012

Name of Development	Location	Developer	No. of Units
Samajaya Apartments (final phase)	Jalan Muara Tabuan	Polar-Link Sdn Bhd	240
Jazz Suites @ VivaCiTy	Jalan Wan Alwi	Coramax Sdn Bhd	672
d'JEWEL	Jalan Sherip Masahor	Genesis Base Sdn Bhd	118
Greenwich South	Jalan Batu Kawa	Spago	72
Centre Court Residence	Jalan Pending	The Timber Land Group	30
Riveria Bay (Phase 3)	Off Kuching-Samarah-an Expressway	Naim Holdings Berhad	24
The Orchard Residences	Off Kuching-Samarah-an Expressway	Tiya Development	72

Source : WTWY Research, 2012

Sarawak

JazzSuites @ VivaCity is another high density condominium project of 672 units sitting atop the retail podium of VivaCity to be developed by M/s Coramax with units ranging from 850 sq ft to 1,200 sq ft priced from RM340,000 onwards.

Response to condominium and apartment launches has been encouraging with more than 50% sales rates within the first year of launch. With suburban housing areas becoming more congested and lack of development lands in and around the city, there will continue to be an increasing interest in this sector, both from developers and home buyers.

Landed Residential Sector

There was no big major housing project launched in Kuching for 2012. Most housing developments launched were small and piece-meal, spread out in land pockets scattered in and around the city. Kuching Built up Area recorded the highest number of housing launches, mainly concentrated in South-East Kuching, considered the prime housing area for Kuching where the houses are highly sought after.

Park Windsor at Stampin and Sin Hai Min Garden 10 at Stutong Baru in the Kuching BUA and Stevenson Heights at Batu Kawa were some of the comparatively bigger projects launched for 2012 of over 60 units each. Prices have breached RM500,000 for double-storey intermediate terraced houses in prime locations and close to RM350,000 for secondary locations. Although there were more projects launched in Petra Jaya area in 2012, the number of units in each project was small.

Tabuan Tranquility being developed by M/s Ibraco at the Muara Tabuan-Stutong area would be the only major on-going housing project in Kuching at the moment, comprising more than 900 units including 76 shophouses which have been completed and some semi-detached industrial units in a later phase.

In contrast, most of the bigger housing projects are now sited across Sg Kuap in the Samarahan district due to scarcity of development lands in Kuching and by virtue of Samarahan being adjacent to South East Kuching which has a high residential population. Major on-going housing projects in Samarahan include Central City/Central Villa (>800 units) and Academia Lane (>150 units) along the KORR-Samarahan Expressway, Palm Villa (about 200 units) along Jalan Datuk Mohd Musa and Taman Desa Damai (> 100 units) at Bandar Baru Kota Samarahan.

Despite the continued increase in house prices, sales are still good. However, there is a worry that this demand is highly speculative, resulting in further increases in prices, making basic housing unaffordable for the general population.

Industrial Sector

After the launch of The Sarawak Factory Wholesale Centre at Jalan Bako in 2011, there were few industrial projects launched in 2012. These were two small project launches , namely Hartamas Industrial Park and RH Park at 9th Mile, Jalan Kuching-Serian, priced at RM150 per sq ft and the latter at more than RM700,000 per unit for their semi-detached factories. Most of these factories are occupied by small-scale light industrial workshops like car workshops, furniture manufacturing/ assemblying, dry food packing/storage etc.

The price of industrial lots in Kuching is around RM50 per sq ft (at most) and rent yields for industrial units in Kuching remain at between 5% and 6%.

The Samajaya Free Trade Industrial Zone set up in the 1990's to boost foreign investments in hi-tech industries has been facing many hiccups, the latest of which is the restructuring of Sanmina-SCI which has laid off 800 of its workers. This followed earlier restructuring of 2 other companies, namely, First Silicon to X-FAB Sarawak Sdn Bhd and Komag to Western Digital and later, Hitachi.

No major changes are expected in the industrial sector in Kuching for 2013 which is expected to remain rather conservative and stable, with any major industrial developments guided and controlled by the State government. It is hoped that in the coming years, the activities and programs generated by the SCORE projects will eventually fuel more down-stream industries which could be located in Kuching.


City One

MIRI

In Miri, it is anticipated that the housing development will remain stable, with smaller piece-meal projects being launched. Currently condominium / apartment projects are in the spotlight in Miri's market, targeting mainly high end buyers. Several condominiums/apartments are well underway and expected to be completed next year.

The retail sector in Miri will experience a boost with the anticipated completion of MYY Mall at Lutong (nearing completion) and the 7-storey Imperial City Mall at Jalan Asmara/Merpati (to be linked to the present Imperial Mall by a bridge) by next year.

Phase 8 of Senadin Commercial Centre consisting of 248 units of 2 and 3-storey shophouses which started construction in 2011 has several blocks nearing completion this year and all units have been sold. This commercial project is part of an 80-acre project by Miri Housing Development Realty Sdn. Bhd. which incorporates a water theme park, shopping complex, cultural village, amphitheatre, hotel and a proposed man-made island. The project to be developed in three stages, is planned to be completed in three years. The Marina Square Phase II was launched this year as well as commercial projects within Bandar Baru Permyjaya i.e. Pusat Bandar Phase 4, Desa Murni & Desa Bahagia commercial centres. All the units in these projects enjoyed brisk sales.

The Eastwood Valley Industrial Park and Senadin Enterprise Park are currently the only on-going industrial projects in Miri with most units nearing completion. However, take-up rates are rather slow. It is anticipated that the industrial sector will continue to remain sluggish next year.

For 2012, Miri witnessed the construction of several major infrastructure projects aimed at alleviating traffic jams during peak hours due to the growth of housing developments in the areas of Bandar Baru Permyjaya, Taman Jelita (Taman Tunku Phase II) and their surrounding areas. These included:

1. Conversion of Pujut 7 roundabout to a traffic light at the Pujut-Tudan-Kuala Baram road interchange project (Completed in July 2012).
2. Expansion of the bridge link to Bandar Baru Permyjaya with a new 150-metre parallel bridge. (Completed in July 2012 simultaneously with the Pujut 7 traffic light)
3. A 146-metre bridge linking Jalan Piasau and Jalan Pantai-Peninsula (Piasau Camp), constructed alongside the existing bridge (Completed).
4. Upgrading Tudan-Kuala Baram Road (Phase 2) (Currently under construction)
5. Construction of a 5-km access road fringing the runway of Miri Airport, linking Taman Jelita to Miri-Bintulu Road. (Currently under construction)

Prices and sales which have been on a steady rise, especially for the housing market, are expected to continue to improve with time, with the number of buyers increasing. The prices of houses will remain competitive next year and increase further due to rising costs of land, abetted by market speculation.

BINTULU

In Bintulu, the demand for housing and other amenities has manifested itself in the spatial spread away from the town centre with recent developments concentrated in the sub-urban areas such as Jalan Tun Hussein Onn and Jalan Sungai Sibiyu area. The price for these properties have increased from an average of RM390,000 to RM430,000 for double-storey terraced houses and from RM500,000 to as high as RM888,000 for double-storey semi-detached houses.

The retail market in Bintulu remained steady in 2012 with no additions to the existing 3 retail commercial complexes, namely, Li Hua Plaza, Parkcity Mall and City Point However, new retail space is expected in 2013 with the anticipated completion of Times Square Mall at Jalan Tun Hussein Onn and Commerce Square at Jalan Tun Ahmad Zaidi which are currently under construction.

In Bintulu, most of the newer shophouses continue to be located outside the existing commercial core, in Parkcity and suburban areas due to the limited land available for commercial development at the existing town centre area. Most of the recent launches in Bintulu are 3-storey terraced shophouse which are transacted well above RM950,000 per unit.

Currently, on-going industrial projects in Bintulu are sited along Jalan Bintulu-Miri, namely:

1. Nyabau Industrial Park comprising 10 units of double-storey detached industrial buildings and 14 units of double-storey semi-detached industrial building developed by BBC Construction Sdn Bhd and,
2. Eastern Gateway Industrial Park developed by Hong-Yet Development Sdn Bhd comprising 87 double-storey semi-detached factory units.

The apartment/condominium sector in Bintulu will experience a boost with on-going projects such as Double Dynasty Holding Sdn Bhd's proposed Condominium Tower & ancillary sports hall cum supporting facilities estimated to be completed in 2013 as well as the Southbank Apartment and Pinnacle Condominium. Most of these projects are located along Jalan Tun Razak which is near to Tanjong Batu Beach area, Taman Tumbina and Bintulu Water Promenade. With good panoramic seaviews facing the South China Sea, it is one of the reasons investors are interested to invest in the apartment/condominium properties in this area.

Property prices will rise steadily in Bintulu, especially for the housing market. Large-scale projects such as Samalaju Industrial Park, a heavy industrial park under the Sarawak Corridor of Renewable Energy (SCORE) development plan, will have a positive impact on the property sector in this region. The anticipated increase in resident population as a result of increased migrant workers, expatriates, investors and businesses from SCORE, will make the property market in Bintulu more vibrant and competitive in the coming years.

SIBU

2012 saw the continued liveliness of commercial shophouse developments in the town areas as well as the outskirts although the slower take up rate continued. Sibu might see an oversupply of commercial shophouses as occupancy rates have not improved much for newly completed shophouses. Despite the situation, all newly launched 3-storey commercial shophouses continue to witness a significant upward revision in prices.

Jalan Tun Ahmad Zaidi Adruce and its surrounding areas have become one of the hottest development areas in Sibu with many on-going 3-storey shophouse projects underway, even though the road faces flash floods during heavy downpours. Several new schemes were launched in 2012 and average prices recorded for intermediate units in this area indicated a range of between RM950,000 and RM1,000,000 per unit.

The industrial sector experienced a slight improvement in 2012. Both the demand and supply situation for industrial properties appear to be slightly better, compared to the previous year. Jalan Ding Ling Kwong area is still the preferred area for industrial developments although more light industrial developments are now moving towards the Jalan Tun Ahmad Zaidi Adruce area. The prices of newly launched double-storey semi-detached industrial units located along Jalan Tun Ahmad Zaidi Adruce, with land area of about 610.8 square metres, commands about RM750,000 per unit.

The performance of the housing market in Sibu has remained stable with a continued increase in selling prices. Prices of new semi-detached houses have increased to around RM650,000 in prime areas. Generally, selling prices of terraced houses are more than RM380,000 for intermediate units and above RM480,000 for corner units, depending on the land size and location. Sales of high end residential units have slowed down due to market affordability issues. Sales for apartments in Sibu are still slow-moving partly due to this housing type being an unpopular choice amongst local house buyers. Nevertheless, the selling prices continued to increase. The 2012 prices for most recent transactions as well as remaining units for Medan Jaya Apartment have reached up to RM300,000 per unit.

Other Significant Projects

The new Sibu airport terminal which opened in August 2012 marked a new chapter for Sibu tourism . With the upgraded Sibu Airport, there is a possibility of having more flights as well as catering to international flights in the near future.

A Technical University, namely, University College of Technology Sarawak (UCTS) is being planned for Sibu as part of efforts to produce highly skilled personnel to fill the demand of projects under Sarawak Corridor of Renewable Energy (SCORE). The site, adjacent to the Old Sibu Airport runway, covers about 96.98 acres. Construction of Phase 1 of UCTS covering 30 acres is progressing well and expected to be completed by July 2013.

University College of Technology Sarawak (UCTS)

Significant Transactions in 2012

Name of Development	Description	Vendor	Purchaser	Transacted Price (RM)
KLANG VALLEY				
Bangsar South	Tower 1, Horizon Phase 2	Nasib Unggul Sdn Bhd and Paramount Properties Sdn Bhd	First Impact Sdn Bhd	173,250,000
Damansara	Commercial Land	Tropicana Desa Mentari Sdn Bhd	CrosSdn Bhdorder Team Sdn Bhd	23,027,100
Petronas Twin Tower	Office	KLCC Property Holdings Bhd	KLCC REIT	6,500,000,000
Menara 3, Petronas	Office	KLCC Property Holdings Bhd	KLCC REIT	1,1790,000,000
Menara Prudential	Office building	Pacific Mas Bhd	OCBC Capital Sdn Bhd	130,170,000
Menara Tun Razak 2	Grade A Office	Skyline Atlantic Sdn Bhd	Soveriegn Place Sdn bhd	483,600,000
Mid Valley Megamall	Retail	KrisAssets Holding Bhd	IGB REIT	3,440,000,000
The Garden Mall	Retail	KrisAssets Holding Bhd	IGB REIT	1,160,000,000
Sky Express Hotel	3-star hotel (171 rooms)	Multi Purpose Holding Bhd	Advent Nexus Sdn Bhd	54,000,000
Bangsar South	Tower 6, Horizon Phase 2	UOA Development	Lembaga Tabung Haji	102,200,000
Dengkil	Selangor Science Park 2	PKNS	Andaman Daya Sdn Bhd	22,077,911
Semenyih	Near to Kajang Jail	Ideapalm ventures Sdn Bhd	Knusford Bhd	14,210,000
Kampung Klang Gates	Lot No 1224,1234 & 1235	Superior Dignity Sdn Bhd	SDB Propoerties Sdn Bhd	34,500,000
Sepang	West of Kota Warisan	Lee Chin Cheng Dengkil Ol Palm Plantation Sdn Bhd	Magical Sterling Sdn Bhd (wholly owned subsidiary of Glomac Bhd)	66,821,040
Bandar Sultan Sulaiman	Industrial Land	Hai San & Son Sdn Bhd & Haisan Holding Sdn Bhd	Ebit Fund Limited	28,050,000
Section 23, Shah Alam	Two Single Storey Detached Factory	Kazen Kagu Sdn Bhd	Absolute Deal Sdn Bhd	97,000,000
Cheras	Industrial Land	Weng Zheng Sdn Bhd	Tang Yeow Wah	9,197,510
Wisma Academy	Office and Warehouse	Academy Resources Sdn Bhd	OSK Trustee Berhad	73,000,000
Kayangan Depot	Office and Warehouse	Landmark Sdn Bhd	Axis-REIT	23,600,000
Hicom Glenmarie	3-Storey Detached Factory	Geinvest Corporation (M) Sdn Bhd	OCK Setia Engineering Sdn Bhd	14,300,000
Subang Jaya	Detached Factory	SSK Logistic Sdn Bhd	Nautical Icon Sdn Bhd	20,300,000
Hicom Glenmarie	Warehouse and 3-storey Office	High Court Shah Alam	Igens Sdn Bhd (Subsidiary of Vistavision Resources Sdn Bhd)	10,050,000
Bandar Sultan Sulaiman	Double storey office and Warehouse	Century Advance Technology Sdn Bhd	Nakamichi Malaysia Sdn Bhd	19,000,000
Meru, Klang	Warehouse and Factory Building	Dulon Industries Sdn Bhd	Notion Venture Sdn Bhd	17,500,000
SEREMBAN				
Nilai Industrial Estate	Two parcels of commercial land and buildings (7.3 acres)	LRS Property Sdn Bhd	Axis Real Estate Investment Trust	26,500,000
Kg Sg Mahang, Pajam	Residential Land (156.2 acres)	Taifab Properties Sdn Bhd	Sepang Cemerlang Sdn Bhd	46,264,728
Bandar Baru Nilai	Commercial Land (145.2 acres)	Arus Ikhlas Sdn Bhd	Manipal Education Malaysia Sdn Bhd	127,671,886
Senawang	Commercial Land (13.8 acres)	Senawang Mewah Sdn Bhd	Setia Wirajaya Sdn Bhd	19,997,313
JOHOR BAHRU				
Fuji Warehouse	Industrial warehouse in Pasir Gudang	Fuji Properties Sdn Bhd	Semangkuk Bhd (Mapletree Logistics Trust)	31,500,000
Celestica Warehouse	Industrial warehouse in Senai	Well-Built Holdings Sdn Bhd	Semangkuk Bhd (Mapletree Logistics Trust)	27,500,000
Kemayan City	Abandoned retail project	Public Auction	WCT Bhd	180,000,000
Nusajaya	Residential land (122.3 acres)	Nusajaya Premier Sdn Bhd (UEM)	Tanjung Ventures Sdn Bhd (Khazanah)	93,212,291
Adjacent Bandar Tiram	Development land (230.2 acres)	Johor Corporation	Daiman Impian Sdn Bhd	64,463,280
Sungai Danga	Commercial Land (55.1 acres)	Chua Joo Cheng	Aliran Peluang Sdn Bhd (Dijaya Corp)	105,069,017
Desaru	Residential land (678 acres)	Desaru Development Corporation Sdn Bhd	UEM Land Holdings Bhd	485,300,000
Nusajaya	Industrial Land (Phase 1- 216 acres)	UEM Land Holdings Bhd	Joint Ventures of UEM Land and Ascendas Group	67,932,000
Danga Bay	Commercial Land (55 acres)	Iskandar Waterfront Sdn Bhd	Country Garden Danga Bay Sdn Bhd	917,809,200
Nusajaya - Motorsport City	Development land (270 acres)	UEM Land Holdings Bhd	Joint Ventures of UEM Land and Fastrack Auto Sports Ptd Ltd	223,462,800

Significant Transactions in 2012

Name of Development	Description	Vendor	Purchaser	Transacted Pice (RM)
Tanjung Kupang, Nusajaya	Mixed development (779 acres)	Iskandar Investment Bhd	JV of Sunway City Bhd and Iskandar Investment Bhd	223,500,000
Southkey Megamall, Johor Bahru	Mixed development (36 acres)	Selia Pantai Sdn Bhd	JV of IGB Corporation and Selia Pantai	259,000,000
Waterfront Tanjung Puteri	Mixed commercial development (22 acres)	Vantage Bay Sdn Bhd	Rowsley Ltd	877,000,000
MELAKA				
Water City	322 rooms hotel & resort	Purchase from auction	Yayasan Melaka	47,000,000
Melaka Mall	Office building	Majlis Bandaraya Melaka Bersejarah	Majlis Perbandaran Hang Tuah Jaya	60,000,000
PENANG				
N/A	Development Land (2.78 acres)	Tegapasti Sdn Bhd	Daya Intelek Usahasama Sdn Bhd	42,000,000
Jalan Lembah Permai	Development Land (21.3 acres)	Penang Realty Sdn Bhd	Intra Hillside Sdn Bhd (SP Setia)	185,645,750
Off Persiaran Tanjung Bungah 2	Development Land (9.7 acres)	Elegance Sonata Sdn Bhd	Blossom Acacia Sdn Bhd	31,544,845
N/A	Development Land (13.9 acres)	Biopolis (Penang) Sdn Bhd & CJ Solitaire Sdn Bhd	Intra Hillside Sdn Bhd (SP Setia)	105,000,000
N/A	Development Land (9.41 acres)	Gelebar Emas (M) Sdn Bhd	Kay Pride Sdn Bhd	82,004,660
N/A	Development Land (19.2 acres)	Lastery Sdn Bhd	Setia Promenade Sdn Bhd	64,570,164
IPOH				
Jalan Gopeng	Commercial land	Cheah Chee Kuan	Lembah Teguh Sdn Bhd	4,883,340
Jalan Gopeng	Commercial land	Lee Yau Sing	SNS Network (M) Sdn Bhd	3,987,464
Jalan C.M Yusof	Commercial land	Assets Harvest Sdn Bhd	Majestic Ipoh Sdn Bhd	14,585,216
Jalan Dato Tahwil Azhar	Commercial land	Jerma Realty Sdn Bhd	Lahad Wira Sdn Bhd	2,130,000
KUANTAN				
MS Garden	Hotel	Danaharta Hartnah Sdn Bhd	Majlis Ugama Islam Dan Adat Resam	50,000,000
Bangunan ECM	Shoping Complex	Pasdec Corporation Sdn Bhd	AM Trustee Behad	310,000,000
Lebuhraya MEC	Industrial Land	Frontier Bond(M) Sdn.Bhd	Frontier Bliss(M) Sdn Bhd	N/A
KOTA BHARU				
Bandar Utama Gua Musang	Commercial Land	Bandar Utama Gua Musang Sdn Bhd	Tunas Manja Supermarket (Raub) Sdn Bhd	N/A
Kawasan Perindustrian Tanah Merah	Industrial Land	Syarikat Kenderaan Melayu Kelantan	K.D. Howa Seng Sdn Bhd	N/A
ALOR SETAR				
Off Jalan Guar Nenas, Gurun	Three parcels of industrial land with factory	Associated Concrete Products(Malaysia) Sdn Bhd	Kilang Beras Pek Choon Keok Sdn Bhd	8,888,280
KOTA KINABALU				
KM12, Jalan Tuaran	Industrial land (part hilly)	Kumpulan Akamewa Sdn Bhd	Bumiwang Development Sdn Bhd	35,000,000
Jalan Duta / Bundusan	Light industrial land	Wong Chen Nam	Kerjaya Kagum Sdn Bhd	18,880,000
LAHAD DATU				
Km 3, Jalan Segama	Light Industrial development	Sia Chee Shing @ Shea Chee Shing @ Stephen	Ivory Bay Sdn Bhd	5,000,000
TENOM				
Mile 14, Jalan Tenom Sapong	Agriculture - oil palm (286 acres)	Dixon Sdn Bhd	Lim Sun Lai, Lee Ah Kai & Lim Herk Yuan	N/A
KUCHING				
Bandar Baru Samariang, Salak Land District	275.5 acres of land approved for mixed development	Projek Bandar Samariang Sdn Bhd	Hock Seng Lee Berhad	25,547,000
Lot 4871, Section 18, Salak Land District, Kuching, Sarawak	Retail Mall: 774,859 sq ft on part of 12.267 acres of land	Zecon Land Sdn Bhd	Lembaga Tabung Haji	155,851,684
BINTULU				
Kemena Land District	65 parcels of agricultural land - oil palm (23,340 sq metres)	Sarawak Plantation Property Holding Sdn Bhd	Everlasting Prosperity Sdn. Bhd.	7,200,000

N/A denotes not available

FOCUS

GATED AND GUARDED RESIDENCES

Gated and Guarded Residences

Introduction

It has been more than 10 years since gated and guarded residences (GR) were introduced into the Malaysian residential property market. Today almost every landed residential property project launched is positioned as a gated and guarded development.

In many rapidly urbanizing countries, gates and guards appeared at a time of the advent of the expatriate community. The residential enclaves represented enclaves – catering to foreigners. They were also rapidly embraced by the local upper income households as symbols of prestige and for greater security.

In Southeast Asia and Malaysia, the gated community was born also based on the above two primary *raison d'etre*: **security and a symbol of wealth**. It is more like a residential club community, offering a growing nouveau riche class, a relatively higher quality and secure lifestyle. Developers, landowners, investors and consumers have together shaped a new genre of the modern urban habitat. Gates and guards are just one part of a bigger package.

A phenomenon unique in Malaysia has been the evolving of existing housing enclaves into guarded residences. Home owners have banded together to form residents' associations and subsequently sought approval from the local authorities to create guarded neighbourhoods to secure a greater sense of personal safety and privacy. In effect, these guarded residences have become the new benchmark for the average residential development: not for the super rich, of prestige or a status symbol. Guarded residences have become "the standard model".

Common Economic Model Types

Based on its historical development, three basic economic model types can be identified:

- Security – enclaves catering to foreigners (eg. worker compounds in the Middle East, built largely for the oil industry) and the super rich,
- Lifestyle – country clubs, retirement developments, and
- Prestige – gates for status appeal

A Gated Residence (GR) is defined as a cluster of houses or buildings where entry is restricted by "gates" (this could be also be boom gates, chains or blocks) across the roadways, resulting in the creation of an enclave or secure private community. GRs can range from the most basic: a housing neighbourhood with some form of restricted entry to the most elaborate with shared recreation facilities such as a swimming pool, a club house and even a golf course.

Due to their growing popularity and as more gated and guarded residential projects were launched, the relevant authorities had to introduce guidelines to regulate their development in line with the National Land Code.

The Town and Country Planning Department have issued guidelines defining two basic variants of gated and guarded residences. A developer may elect to proceed with:

1. Subdivision of land under the National Land Code 1965, or
2. Subdivision of land into land parcels to be held understrata titles, under the Strata Titles Act 1985.

If he chooses the first option, then a guarded neighbourhood is created while selection of the latter results in a gated community.

1. 'Gated Community' (GC)

GC is defined as a group of residents or community who live in a guarded fenced area whether in high-rise property such as apartment, condominium and town-house or in landed property such as bungalow, terrace or detached houses. However, the understanding of 'gated community' in Malaysia is more focused on groups of residents or community who live in landed property with strata title. The development of GC is consistent with the provisions of section 6 (1A) of the Strata Titles Act 1985 (Act 318).

2. 'Guarded Neighbourhood' (GN)

GN is defined as a residential area controlled in whole or in part in the scheme of the existing housing or new land holdings with individual land title. In such schemes, the roads, parks and amenities remain public property. In terms of the law, it cannot have physical barriers on public streets and enforce any entry and exit restrictions to the residents and the public. The presence of GN is not based on the provisions of any law or regulation. It only exists on an 'ad-hoc' basis with the agreement of residents in a neighbourhood to make their neighbourhood a guarded area. GN schemes can be with or without guard security services.

Guarded Neighbourhoods

Due to our preference for landed properties with individual titles, the latter has been the more frequent choice and guarded neighbourhoods have been the more popular form of guarded residences.

However, home owners frequently forget that it is unlawful to privately attempt to restrict or regulate public spaces; unless with the specific approval of the relevant authority – which can also be rescinded some time in the future. In the case of an attempt to close, barricade or restrict the access of a public road, drain or space, there may be a contravention of Sections 46 (1) of Street Drainage and Building Act 1974, Section 80 of the Road Transport Act 1987 and Section(s) 62 and 136 of the National Land Code 1965.

The use of guards to regulate the safety of individual home or certain residential areas in some housing schemes is not contrary to the law, provided that they comply with the requirements / conditions set by the Ministry of Home Affairs (KDN). There was a special circular formulated in 2006 by the Ministry of Home Affairs, i.e. Private Agency Circular Bill. 1 Year 2006 and Private Agency Circular Bill. 2 Year 2006. Nevertheless, the local authority and the relevant OCPD should be consulted first.

However, erecting structures to restrict access to public roads or guardhouses is another matter and would violate the law unless the relevant authority gives its approval to do so.

It should also be noted that the existing laws of the Road Transport Act 1987 (section 80) and the Street, Drainage and Building Act 1974 (section 46 (1)) explicitly prevents the installation of barriers at the entrance or in public access areas, including the lane edge and alley behind the residence. The only obstacle allowed is in the form of temporary physical restrictions, such as ‘manual boom gate’, safety cones and signs that can be considered to be installed or placed in a specific location at the entrance facing the guard, provided there are security guards on duty for 24 hours.

At the same time, security guards who are appointed shall not restrict or prevent the entry of occupants or the public to the housing scheme which is not ‘landed strata’. The current practice of requiring the public to submit identification documents (especially the driving license and identity card) is not consistent with the provisions of the law.

In recognition of a growing demand for guarded neighbourhoods, various local authorities and state governments have issued guidelines for such developments. These guidelines do allow erection of guard houses and the employment of private security based on 85% consent by the residents in the area affected. For example, in Selangor, the Selangor Housing and Property Board and the local authorities allow guard houses to be built on the following guidelines:-

1. Applications made through Resident Association (RA) only;
2. Consent by 85% of the residents;
3. Agreement must be made between RA and Local Authority;
4. Guard house without barrier are allowed and the location should not obstruct traffic (situated at road shoulder only);
5. The size of the guard house should not exceed 6ft x 8ft (1.8m x 2.4m) or other sizes that the Local Authority thinks fit and suitable;
6. The location and design of the guard house must be approved by the Local Authority;
7. A written consent from Local Authority and Land Administrator (LA) for the construction of guard house on reserved road/vacant land must first be obtained;
8. Appointed security guards must be registered with Ministry of Home Affairs or with other relevant agencies;
9. Not to prevent/obstruct passing vehicles from entering the guarded area; and
10. LA and other utility companies are free to conduct their maintenance work in the guarded area;
11. Perimeter fencing is strictly prohibited

The draft guidelines have outlined that any proposal to establish GN has to obtain the approval of majority of people (heads of households), subject to no coercion and pressure on people who do not agree. In this case, people who disagree should not be forced to pay maintenance fees or for security guards.

The guidelines do not allow the construction of the fence (perimeter fencing) around the boundary of the GN scheme. This is because the installation of fences in the area of GN involves public road reserves, unlike the GC scheme which is built on private land (the main lot of ‘landed strata’).

Fences, guard houses and automated boom gate which were erected prior to the introduction of these guidelines will not be demolished immediately but action will be carried out selectively on the existing GN schemes where installed barriers obstruct the movement of residents and to prevent the entry of authorities’ vehicles, particularly fire fighters and ambulance while minimising further difficulties or detriment to the safety and peace of the neighbourhood.

The legal basis for the creation of a GN scheme can be grounded on a set of agreements between the developer and the purchasers in relation to their respective rights and obligations for the management and use of the areas in the development. The problem with this is that these agreements, often referred to as Deeds of Mutual Covenants (DMC), are not enforceable against sub-purchasers once the separate issue documents of title are issued.

The general view is that the DMC is merely a contract between the developer and the purchaser, and cannot be binding on and enforced against a sub-purchaser, unless he consented to it. Once a separate individual title is issued and transferred to the first purchaser, the developer’s consent will no longer be required and consequently, purchasers in GN schemes will sell their property to sub-purchasers without getting the sub-purchasers to sign a DMC with the developer or the person managing the GN scheme.

Although the first purchaser shall contractually remain responsible to the developer if the sub-purchaser did not pay, for example, his security charges, this will be of little use in a case where the first purchaser has long gone, and the sub-purchaser is occupying the property.

One measure that could have been implemented by developers of a GN scheme, was to seek the state authority’s permission to register the DMC as an easement under Section 282 of the National Land Code 1965, and upon registration the easement could then be enforced against any subsequent purchaser. The definition of easement under Section 282 of the National Land Code 1965 is wide enough to cover the DMC. However, seeking state approval is currently a tedious process unless and until the state authorities decide to formulate guidelines and facilitate the registration of easements for GN schemes. Furthermore, it requires the developers’ continued involvement in a completed project.

The fact that people who disagree should not be forced to pay maintenance fees or for security guards and the current issues in registering an enforceable DMC, is likely to lead to the ultimate demise of GN in its current form.

The second variant of the gated and guarded residences is the Gated Community (GC).

Gated Communities

The amendments to the Strata Titles Act 1985 (with effect from April 12, 2007) by the Strata Titles (Amendment) Act 2007 now allows a GC to be statutorily created and regulated more effectively like other types of strata schemes. As such, land parcels with buildings are now be governed by the Strata Titles Act, in the same way as a high-rise building, if a developer chooses to do so. This means that for the purposes of the Strata Titles Act 1985, land parcels with buildings can in certain circumstances be treated like a “multi-storey building lying down on its side”. There are several important qualifications though.

The effect of section 5(h) of the Strata Titles (Amendment) Act 2007, is that only buildings of not more than four storeys may be erected on the land parcels intended to be subdivided and held under separate strata titles, or an accessory parcel.

With the amendment of the Strata Titles Act 1985, any Deed of Mutual Covenants entered into between the developer and a purchaser of a parcel in a GC scheme agreement can now be easily enforced as bylaws under the Strata Titles Act 1985.

The enforcement and management can now also be carried out under the Building and Common Property (Maintenance and Management) Act 2007, when the Management Corporation has not come into existence. This is a huge step forward from the past practice which was problematic to say the least.

It is not surprising that many older GC schemes have got themselves into problems with some sub-purchasers who refuse to pay the dues, but yet enjoy the facilities paid for by others. Of course, in some cases these sub-purchasers did have good reasons for not paying.

Even if a developer chooses to subdivide the land under the Strata Titles Act 1985, it does not necessarily mean that the developer can develop a GC scheme.

Planning Provisions

Planning law requirements as well as the State Authority have set out strict guidelines for approving GR. These guidelines also take into account socio-economic factors in determining whether to allow GR. Some of the matters addressed by the guidelines (in the case of Selangor) are as follows:-

1. Application is made only by the land owner / developer;
2. The maximum area allowed for each "parcel" for "gated community" should not exceed 20 acres;
3. Type of development, number of units, building set-back and densities are regulated;
4. Roads in the housing scheme are not connected with the adjoining areas at the time the application is made or in the future; Facilities and open spaces to be provided are generally more onerous than normal development;
5. The location and design of the guard house must be shown in the plan when the Planning Approval is being made;
6. The fencing height is regulated;
7. Local Authority and other utility companies are free to conduct their maintenance work in the guarded area; and
8. Developer to propose detailed information with regards to the concept of 'Gated Community' development in:-
   i. Disclosure statement; and
   ii. Deed of Mutual Covenants
   (minimum requirements must be incorporated as set out by the authority);
9. Where developer wants local authority to provide some of the services then an agreement containing prescribed terms is to be included in the maintenance agreement between the local authority and the developer. These prescribed terms include a security bond.

Finally, it must be understood and appreciated that all purchasers of houses in a GR will have to pay considerably higher charges for the maintenance, sinking fund, security fees, electricity and water and other services because the cost of all facilities within the boundary of GR will have to be borne by them in addition to the usual quit rent and rates levied.

Commonly, a gated community will offer residents services and accessible features. Some gated communities are so elaborate and offer so many services that residents have little reason to leave the area for necessities.

Features

The amenities available depend on many factors including location, demographic composition, and community structure. Amenities depend on the type of housing. For example, single-family-house communities may not have a common area pool, since the individual owners may want their own pools; whereas a condominium may offer a pool, since the individual units generally cannot have their own pools.

Typical amenities offered can include one or more;

- High security restricted access
- Swimming pools
- Gyms, health spas
- Tennis courts
- Community centers or clubhouses
- Golf courses
- Marina
- On-site dining; barbeque areas
- Playgrounds
- Exercise rooms including workout machines
- Hot tubs
- Laundry facilities

High security restricted access

In some communities to enter the person must be a registered resident issued with an access card or photo ID or the person must have a friend in the gated community who gives specific permission (via phone or internet) to the security guards at the gate.

One of the advantages of a private high security gated housing development is that it reduces pressure on the police because it eliminates the need for police patrols which have been supplemented by private security patrols, CCTVs and fencing installed in the community. Therefore the police never need to go patrol the area, and only ever need to go inside to arrest and charge thieves who are caught by the CCTV/private security patrols.

Club Houses / Golf Courses

Clubhouses and golf courses require a certain critical mass in order to be financially viable. However, since gated and guarded residences are relatively smaller niche developments and unlikely to exceed 20 acres, the financial costs of maintaining clubhouses and/or golf courses are likely to be unsustainable or extremely expensive. Consequently, the solution of developers have been to establish such community / recreational facilities independently of the guarded residences and to provide membership benefits to property owners on a free or subsidized basis, with their entitlements usually linked to ownership of the specified property.

Private Park

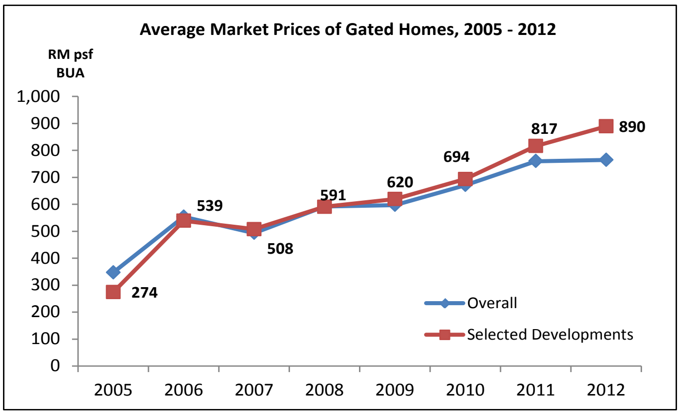
A more recent trend has been the demand by home owners for a private park within the guarded residence. This can take the form of a virgin forest enclave or an extensively landscaped garden with water features, particularly a large lake and/or waterways.

To ensure that these features are preserved within the development and do not become public areas, such residential developments are structured as subdivided lands under the Strata Titles Act 1985.

Trend in Capital Values

With the establishment of gated and guarded residences spanning more than 10 years, what has been the trend in capital values?

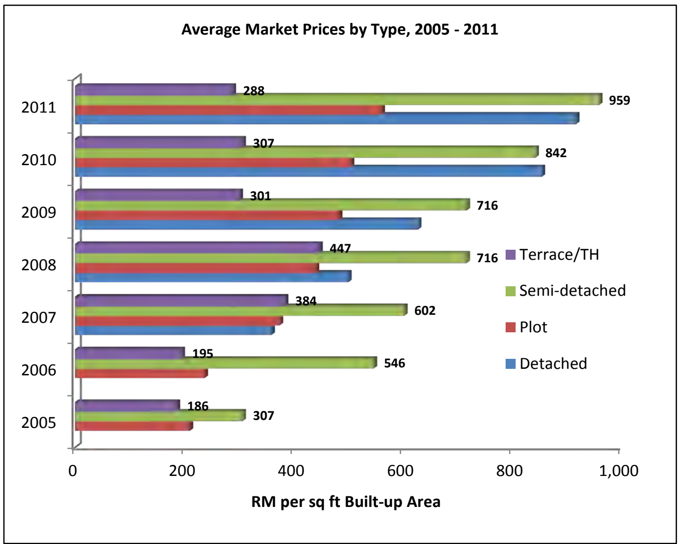
In general, gated and guarded residences have appreciated in value at an average of 10% p.a. over the past 7 ½ years, 2005 – 2012. However, based on a selection of developments which seen active transactions, the average annual appreciation has been significantly higher at 14.4%.



In terms of type of residence, detached houses have rewarded buyers with the highest returns at 27.2% per annum, followed by semi-detached houses at 17.3%. Terraced or townhouses have provided the lowest returns among gated residences at 10% p.a.

Average Annual Capital Appreciation Rate, 2005 - 2011

Type of Residence	
Detached House	27.2%
Vacant Plot	18.3%
Semi-detached House	17.3%
Terrace/Town House	10.0%

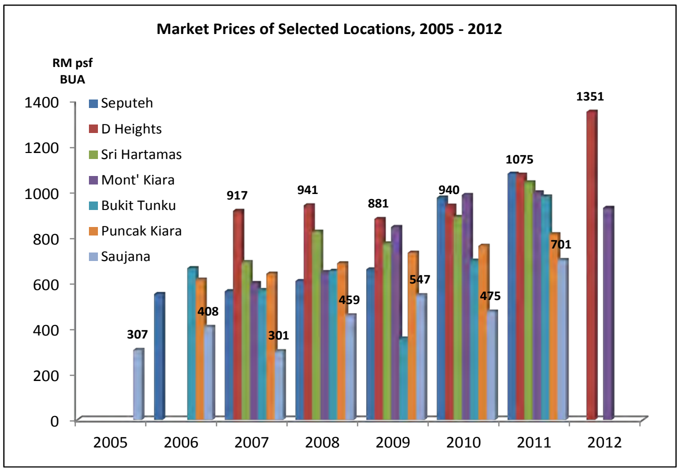


In terms of location, Section U9, Shah Alam achieved that highest rate of capital appreciation at 29.7% p.a. followed by PJU, Seputeh, Saujana and Mont' Kiara.

Average Annual Capital Appreciation Rate, 2005 - 2011

Location	
Seputeh	15.6%
Damansara Heights	7.1%
Sri Hartamas	9.3%
Mont' Kiara	11.0%
Bukit Tunku	5.7%
Puncak Kiara	5.7%
Saujana	12.8%
Shah Alam Section U9	29.7%
PJU*	18.1%
Ulu Kelang	5.0%
Seri Kembangan	7.4%
Sungai Besi	7.8%
Kg Sg Kayu Ara	5.3%

** PJU (Petaling Jata Utara) includes townships and developments such as Sunway Damansara, Damansara Idaman, Damansara Lagenda and Sutera Damansara.*



We also analysed the individual capital appreciation rates of our selected developments and compared them to the capital appreciation rates reflected in the Kuala Lumpur house price index.

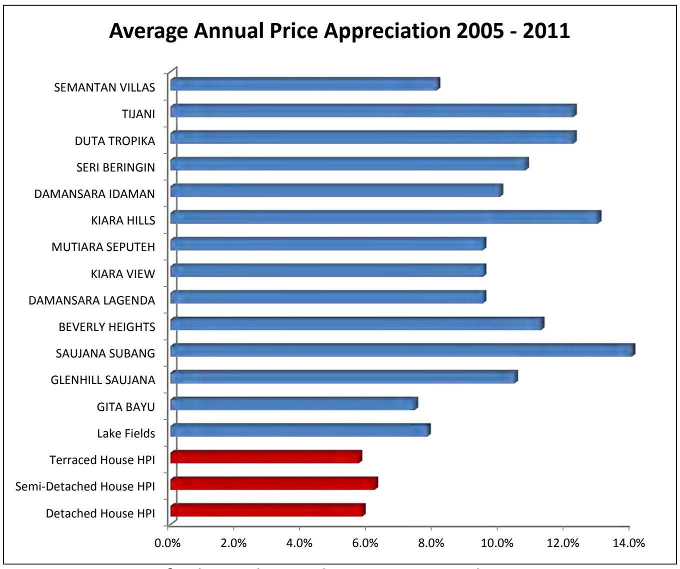
Average Annual Capital Appreciation Rate, 2005 - 2011

Up-Market Developments	
Semantan Villas	8.1%
Tijani	12.2%
Duta Tropika	12.2%
Seri Beringin	10.8%
Damansara Idaman	10.0%
Kiara Hills	13.0%

Mid-Market Developments	
Mutiara Seputeh	9.5%
Kiara View	9.5%
Damansara Lagenda	9.5%
Beverly Heights	11.2%
Saujana Subang	14.0%
Glenhill Saujana	10.4%
Gita Bayu	7.4%
Lake Fields	7.8%

House Price Index	
Detached House HPI	5.8%
Semi-Detached House HPI	6.2%
Terraced House HPI	5.7%

Gated and Guarded Residences



Source: Statistics of Sales Evidence, The House Price Index Q1 – Q2 2012, JPPH
Note: JPPH Sales Evidence up to April 2012 were available for only limited localities and developments and are included in our calculation of capital appreciation

Conclusion

Over the past 5 years, many gated and guarded residences have doubled in value but others have performed poorly.

Gated and guarded residences were targeted at upper income households, seeking better security and greater privacy and exclusivity. This market has been growing as household incomes have increased and also due to greater awareness of the occurrence of burglaries and other crimes. For developers, gated and guarded residences offer higher profit margins than traditional developments.

The demand for gated and guarded residences is sustainable as rising incomes place such developments within the range of a growing market segment. The security issue was the initial reason for such developments but this is evolving more towards a lifestyle concept and the exclusivity that these developments offer.

Depending on the scope and quality of services and the number of owners/residents in the development, the monthly costs currently range from 15 sen – 50 sen per sq ft but could rise substantially in the future. Monthly maintenance and security fees could become an issue if costs rise too fast and more home owners become poor paymasters or even decide not to pay these fees altogether.

Whether you are buying for own stay or for investment, the basic principles still apply i.e.

a) it is in the right location for your needs
b) it is of good design with good quality finishes
c) it was built by a reputable developer
d) it has been approved by the local authorities as a gated community or guarded neighbourhood

If you are looking for strong and enduring property management, then strata-based gated community (GC) should be your primary choice instead of titled-based GN developments. With strata-based projects, the obligations of the Deed of Mutual Covenants which are crucial to enforcing house rules and payment of maintenance charges, is passed on to subsequent owners, unlike titled-based developments where subsequent buyers are not obligated to sign the Deed of Mutual Covenants.

If you are buying into a project based on its attractions of a private forest park or an eco-township with large open spaces and landscaped gardens, then GCs would be the only way to go. Under GN developments, such features would be public amenities and there will be no guarantee that these will be protected, preserved and maintained in the future.

Duta Tropika, Dutamas

Seri Beringin, Damansara Heights

Kiara Hills, Mont Kiara

WTW

ANNOUNCEMENT

ANNOUNCEMENT

WTW is proud to announce the appointment of our new Directors and Managers.

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ALOR SETAR OFFICE
AINUDDIN JALAINI ISMAIL

B.Sc (Hons) Urban Estate Management (Liverpool)
MRISM MMIPPM MRICS
Registered Valuer

DIRECTOR
KUALA LUMPUR OFFICE
LIM CHAI YIN

B.Sc (Hons) Estate Management (UM)
MRISM MMIPPM MPEPS
Registered Valuer

SENIOR MANAGER
VALUATION, KUALA LUMPUR OFFICE
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