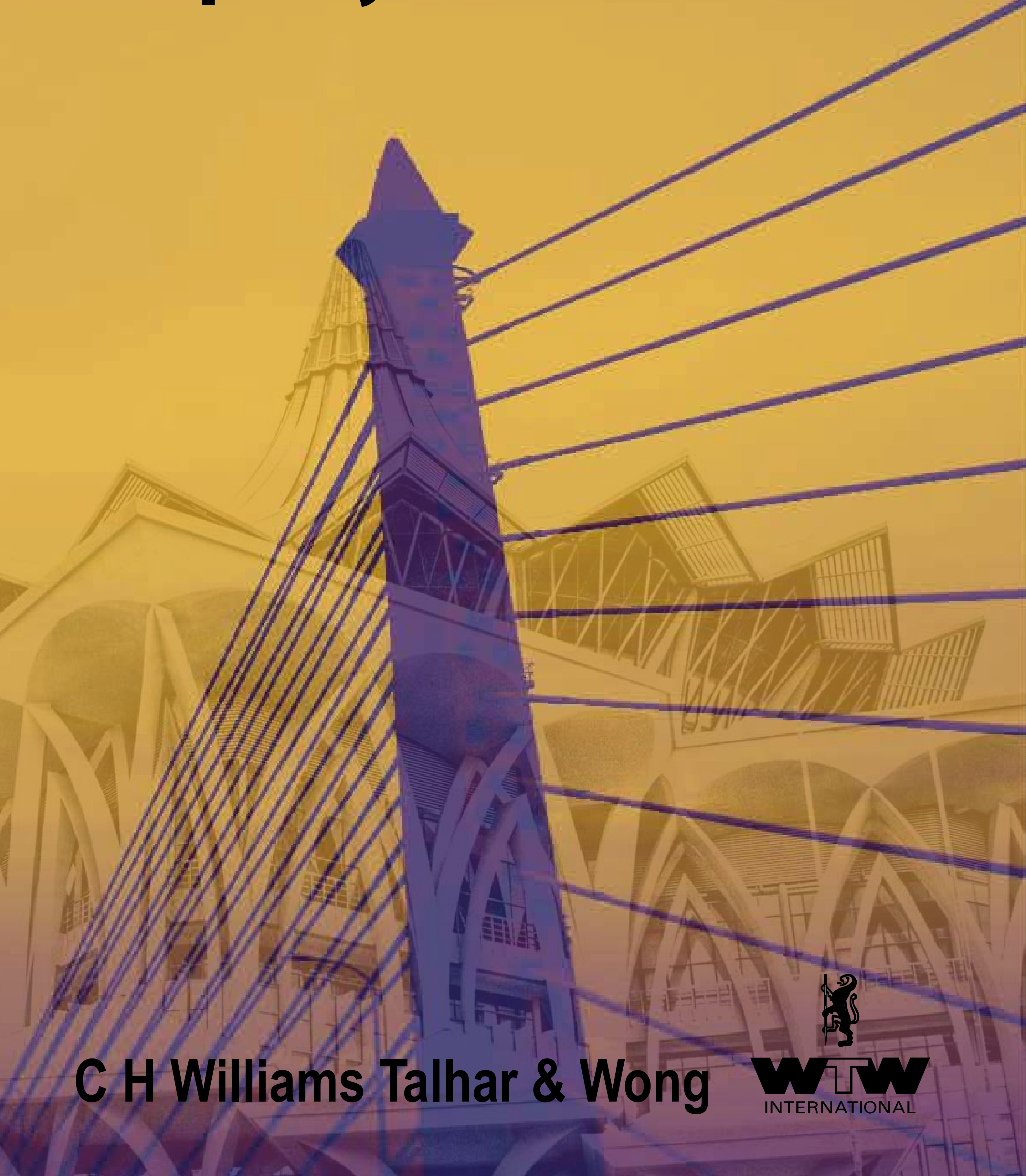
Property Market 2014



C H Williams Talhar & Wong

WTW INTERNATIONAL

HISTORY

C H 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.

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-based 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

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AGENCY DEALS CONCLUDED BY WTW IN 2013

The WTW Group advised and facilitated the conclusion of over RM1.5 billion in transactions in 2013. Seven of the notable property transactions were:

1. No. 227, Jalan Ampang, Kuala Lumpur

Putrajaya Holdings S/B, acquired the property for RM82 million on 7th October 2013. A 3-storey commercial building approximately 15 years old with 2 levels of basement car park and held under a freehold title.

2. Menara PJD

The building, a twenty-eight storey commercial office tower, comprising 5 floors of retail/commercial/office (Levels LG,1,2,3,4), 8 floors of carpark (Levels 5 to 12), 16 floors of commercial/office (Levels 13 to 28) and link bridge to the Titiwangsa Light Rail Transit station, was sold on 31st December 2013 by PJD Land Sdn Bhd for a purchase consideration of RM220 million. The building is about 4 years old and is located at No. 50, Jalan Tun Razak, 50400 Kuala Lumpur.

Menara PJD

3. Development Land In The Locality Of Air Itam / Paya Terubong, Penang Island

Sunway Berhad through its wholly owned subsidiary, Sunway City (Penang) Sdn Bhd, made a successful bid for a parcel of development land for RM267 million in a tender exercise conducted by WTW in 2013. The site measures approximately 24.5 acres and mainly accommodates the former Lee Rubber factory.

227, Jalan Ampang, KL (former MIM Building)

4. Development Land in Pulai, Johor Bahru

Four parcels of land with development potential were sold for a consideration of RM518 million by Lee Pineapple Co. Pte. Limited. The property which is held under freehold titles is located off the Second Link Expressway, north of Flagship B, in Nusajaya of Iskandar Malaysia, Johor. The property has a total land size of approximately 386 acres.

5. Techpark@enstek, Seremban

WTW successfully facilitated the sale of approximately 28.9 acres industrial land located at Techpark@Enstek (Phase 2A) for RM30 million.

6. Kawasan Perindustrian Bukit Raja, Klang

A factory complex comprising a 2-storey factory and office building with approximately 17 acres of freehold land was sold for RM77 million. The property located in Kawasan Perindustrian Bukit Raja, Selangor, has a built-up of approximately 270,000 sq ft.

7. Kluang, Johor

Located about 3km south-west of Kluang town, Johor, three land parcels having a total area of 500.86 acres was sold for a consideration of RM105 million via an Expression of Interest.

Development Land in Penang

STATE OF THE PROPERTY MARKET

Introduction

Malaysia's economy grew by 4.7% by the end of 2013 led by expansion in the services, manufacturing and construction sectors with growth rates of 5.9%, 3.4% and 10.9% respectively. Residential activities posted the highest growth in construction with a 21.2% increase over the previous year's figures.

The construction sector continued to grow during the year but slower than the previous year. Indicators point out to a slowing but sustainable performance in overall economy in the year with steady external demand from Malaysia's trading partners, firm investment activity in capital spending in the mining, services and manufacturing industries.

The property market generally will face a challenging year with the possible exception of the industrial sector. With tightening domestic liquidity situation and the apparent inflationary trend (rising to 3.2% in December 2013) the retail sector can expect to face the biggest challenge. Studies by MIER showed the Business Confidence Index declining to 92 points in the last quarter and the Consumer Sentiments Index settling at 82.4 points, its lowest reading for almost five years. Over the period, the tendency to cautious domestic spending on the one hand is tempered by the indication that capital investment is on the uptrend - offering bright prospects for the industrial property sector and to a degree the property services sector. The likely expectation of strong support from external demand is behind MIER's projection of a GDP growth of 5.5% for 2014.

Our report covering a spread of urban centres across the country shows the varying impacts that these general economic indicators have on the different local and regional economic situations.

Government Policies and Budget 2014

Changes to Real Property Gains Tax (RPGT)

From 1 January 2014, Real Property Gains Tax (RPGT) for property disposed within 3 years from assignment, capital gains are taxable at 30%.

A property that is assigned within a holding up to 4 and 5 years, are subject to RPGT of 20% and 15% respectively. No RPGT is imposed on properties sold after 5 years from date of purchase.

Before the revision, the RPGT rate for property disposals within two years was 15%, while the level for disposals between two to five years was 10%.

Property Investment by Foreigners

RPGT imposed on the sale of properties by foreigners was revised upwards to 30% for all of the first five years from the date of purchase whilst those disposed on the 6th year onwards are taxable at 5%.

In addition, for properties located in the Federal Territories of Kuala Lumpur, Putrajaya or Labuan, foreigners can only buy properties priced at RM1,000,000 or above without prior EPU approval. Malaysia has emerged as the new preferred destination for Chinese and Singaporean investors looking at "second - tier" markets such as Miami, Edinburgh and Kuala Lumpur.

Changes to BNM Guidelines for Financial Institutions on Financing

Bank Negara Malaysia announced in July 2013, the implementation of a set of measures aimed at detering excessive household indebtedness and to reinforce responsible lending practices by key credit providers.

These measures were in addition to the Central Bank's earlier set of guidelines in 2012 which were aimed at promoting better protection for financial consumers and a sustainable credit market that contributes towards preserving financial and macro - economic stability.

The new additional guidelines for lending include:

- Maximum tenure of 10 years for financing extended for personal use;
- Maximum tenure of 35 years for financing granted for the purchase of residential and non - residential properties;
- Prohibition on the offering of pre - approved personal financing products.

Furthermore, financial institutions must now make appropriate enquiries into a prospective borrower's income after statutory deductions for tax and EPF, and consider all debt obligations, in assessing affordability.

Apart from the financial institutions under Bank Negara Malaysia's purview, the Cooperatives Commission will imposed requirements on responsible financing practices on credit cooperatives.

In addition, developers are no longer allowed to offer Developer Interest Bearing Scheme (DIBS) during construction to homebuyers.

Income tax rate changes and introduction of a Goods and Services Tax (GST)

The 2014 budget also introduced a Goods and Services Tax (GST) at 6% effective on April 1, 2015 which will replace the Sales tax and Service tax.

There are changes to income tax also. Corporate income tax rate will be reduced by 1% from 25% to 24%. Income tax rate for Small and Medium Enterprise (SME) (defined as company with paid up capital below RM2.5 Million) will be reduced by 1% from 20% to 19% starting on the financial year of 2015.

Individual income tax is reduced by 1% - 3% and current the maximum tax rate at 26% will be reduced to 24%, 24.5% and 25%. This will be effective from 2015. Moreover, chargeable income subject to maximum rate is raised from exceeding RM100,000 to exceeding RM400,000.

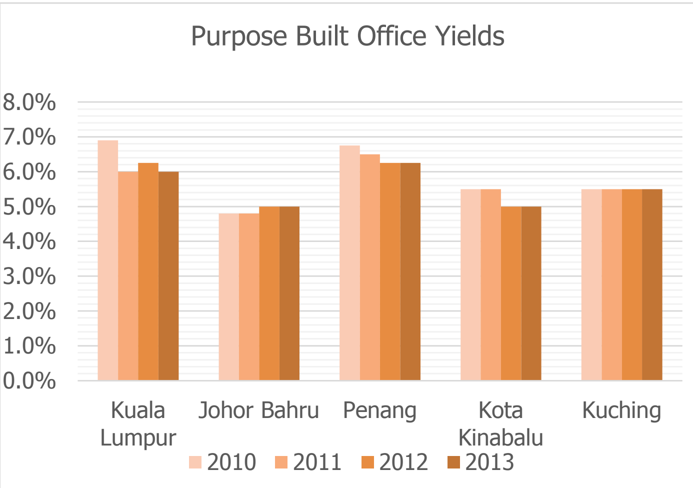
Affordable Housing

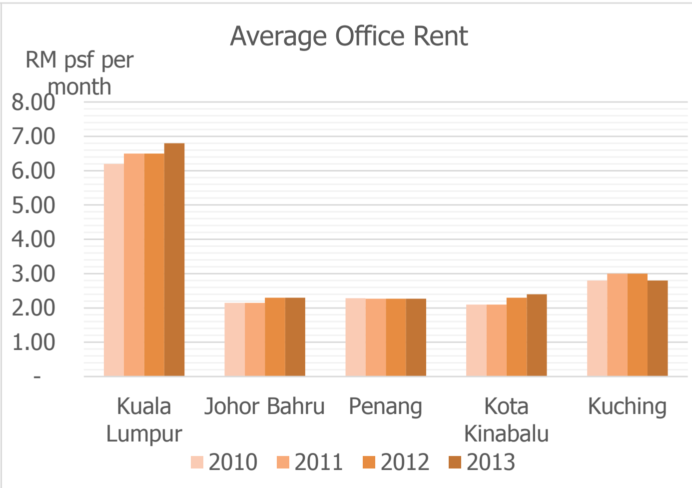
RM1 billion is allocated in the 2014 budget for PR1MA to provide 80,000 housing units at prices 20% lower than market prices. The government targets 223,000 units of affordable houses to be built by government and private sector in 2014.
In total, PR1MA has been mandated to build 500,000 homes within the next five years.

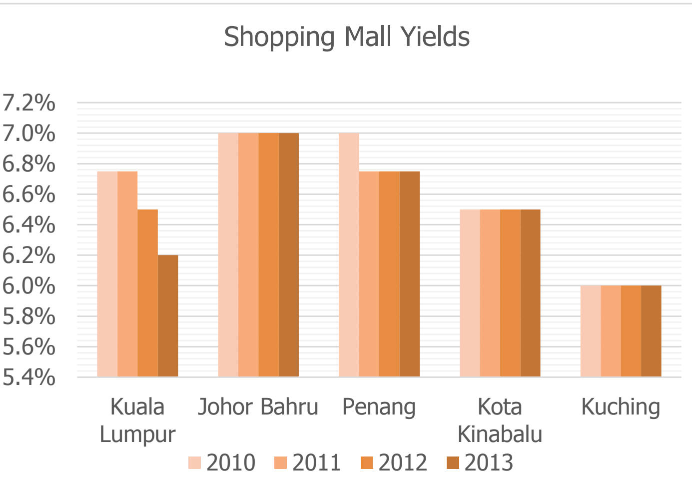
2013 – 2014 Property Direction

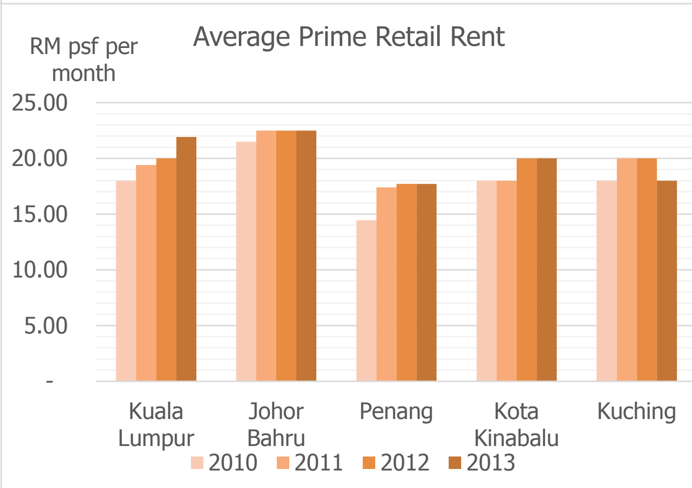
2013-2014 Property Direction	OVERALL		OFFICE		RETAIL		HOTEL		CONDO.		HOUSES		SHOPOFFICE		INDUSTRIAL	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Kuala Lumpur	→	→	→	→	→	→	↑	↑	↑	→	↑	↑	→	→	↑	→
Seremban	↑	→	↑	→	→	→	→	→	→	→	↑	→	↑	→	↑	→
Penang	↑	→	→	→	→	→	→	→	↑	→	↑	↑	↑	→	↑	→
Seberang Perai	↑	↑	→	→	↑	→	→	→	↑	↑	↑	↑	↑	↑	↑	↑
Alor Star	↑	→	→	→	→	→	→	→	→	→	↑	↑	↑	↑	↑	→
Ipoh	→	→	→	→	→	→	→	→	→	→	↑	→	↑	→	→	→
Johor Bahru	↑	↑	→	→	↑	↑	→	↑	↑	→	↑	↑	↑	↑	↑	↑
Batu Pahat	→	→	→	→	→	→	→	→	→	→	↑	→	→	→	→	→
Melaka	→	→	→	→	↑	↑	→	→	↑	↑	↑	↑	→	→	↑	→
Kuantan	↑	→	→	→	↑	↑	→	→	→	→	↑	↑	↑	→	↑	↑
Kuala Terengganu	→	→	→	→	→	→	→	→	→	→	→	↑	→	↑	→	→
Kota Bahru	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
Kota Kinabalu	↑	→	↑	↑	→	→	→	→	↑	↑	↑	↑	↑	↑	↑	↑
Keningau	→	→	NA	NA	NA	NA	NA	NA	NA	NA	→	↑	→	→	→	→
Lahad Datu	→	→	NA	NA	→	→	NA	NA	NA	NA	→	↑	→	→	→	→
Tawau	↑	↑	→	→	↑	↑	→	→	→	→	↑	↑	↑	↑	→	→
Sandakan	↑	→	NA	NA	NA	NA	NA	→	↑	↑	↑	↑	↑	→	↑	→
Labuan	↑	↑	→	→	→	→	↑	↑	→	→	↑	↑	↑	↑	↑	→
Kuching	→	→	→	→	→	→	→	→	↑	↑	↑	↑	↑	↑	→	↑

Summary of Selected Rents and Yield 2010 – 2013









Overview

Demand for commercial space in Klang Valley will likely see modest growth in 2014 given that external demand will be robust whilst domestic spending stays stable throughout the year.

Population and demographic trends in Klang Valley continues to show positive signs for strong growth in demand for residential units.

Based on the government's Population Census 2010, Klang Valley's population grew at an average of 2.7% per annum between 2000 and 2010.

Strong demographic forces in the Klang Valley will continue to support a growing demand for residential units in 2014. The National Summit on Urban Public Transport 2010 report projected that the population in Klang Valley will grow at healthy rate of 1.7% per annum from 6.6 million in 2010 to 7.8 million in 2020.

Developers faced the threat of rising construction costs fuelled by higher oil prices and labour shortages. Mid - range property developments are unlikely to be significantly affected as they are supported by a strong trend of internal migration of young workers from smaller cities to Klang Valley.

The total number of legal foreign workers which includes unskilled, skilled, and highly educated workers has steadily declined from roughly 2.0 million in 2006 to 1.6 million in 2013. The tightening of foreign workers policy in Malaysia has created labour shortages across various industries, not least the construction industry.

Luxury residential developments however are at the greatest exposure to downside risk as rental yields are already compressed as a result of speculative buying.

To rein in on speculative buying, the government raised the Real Property Gains Tax (RPGT) effective on 1st January 2014. This is anticipated to curb the rapid rise in property prices in the short to medium run. Some investors will delay disposing their properties to qualify for lower or zero rate of RPGT if they have the holding power to do so.

Nonetheless, many investors will be unfazed by the increase in RPGT. In the long - run property still provides a secure way of protecting wealth against inflation and adverse market fluctuations.

Moreover, property assets continue to offer potential for capital gains at some of the lowest tax rate of any asset class as long as one is able to hold on to the asset for more than 5 years. Moreover, the measures taken by Bank Negara Malaysia (BNM) to tighten lending requirements have already curbed much of the earlier feverish buying activity seen in 2012. Banks were already scaling back significantly on loan approvals before the announcement of the increase in RPGT.

Malaysian Airport Holdings reported that the number of arrivals in H1 2013 beat earlier expectations by growing 13.6% y-o-y to 37.0 million passengers (50% domestic and 50% international passengers).

Both international and domestic passenger movements recorded strong growth at 14.4% and 12.8% respectively. 2013 passenger arrivals number is likely to surpass the 2012 result which saw a 5.8% increase y-o-y. From 2008 to 2012, passenger arrivals climbed 8% to 9% annually on average.

The strong performance in air travel is closely reflected in the Tourism Malaysia figures on foreign tourist arrivals into the country which recorded a 7.9% increase y-o-y in H1 2013 to 12.6 million.

Keeping in line with the trend, demand for hospitality facilities and services is likely to experience firm growth in 2014, barring any unexpected shocks in the industry.

Overall property investment will continue to be relatively more popular that other forms of investments. As investors hold - out from selling to reap the benefits of lower RPGT, we should expect only a temporary lull in market activity in 2014.

Taking a longer - term view of the market, we should expect to see a continued trend of strong growth in capital values of properties in the Klang Valley.

Changes to Assessment Rate in Kuala Lumpur

In December 2013, Kuala Lumpur City Hall (DBKL) announced a rental revaluation exercise for properties located in Kuala Lumpur city that would result in siginificantly higher assessment payments efffective January 2014.

The sudden announcement without prior notice caused widespread objections. In response, DBKL delayed its implementation date and the financial burden was partly mitigated by a drop in assessment rates.

Residential properties will be now charged a 4% rate while commercial properties will be charged 10%, down from 6% and 12% respectively as originally proposed.

Menara Bank Rakyat

OFFICE SECTOR

Office Supply

In 2013, office supply grew by 3.6 million sq ft which is similar to the average annual supply growth of about 3.7 miilion sq ft during the period from 2008 to 2012.

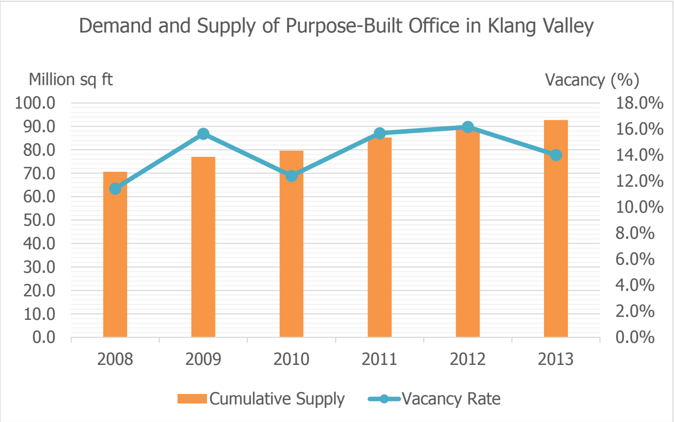
As of 2013, office stock in Klang Valley (KV) was 92.7million sq ft – of which 43.15 million sq ft is in Central KL (CKL), 39.6 million sq ft in Metro KL (MKL), and 12.0 million sq ft in Greater KL (GKL).

Ongoing decentralization of office developments has gradually reduced the CKL's share of KV office space from 53% in 2008 to 47% in 2013.

The main driver for the decentralization has been due to scarcity of land in CKL for new office developments. Recently the trend has seen a renewed focus at the heart of the city. A number of proposed prime office developments, most notably the Tun Razak Exchange and Warisan Merdeka are being planned in the city centre especially in areas close to the on - going Klang Valley Mass Rapid Transit Station projects.

Year 2014 will see a subdued growth in office stock – an estimated 6.6 million sq ft (or 7.1% of existing stock) of new office space is expected to be completed within the year.

Of the total in - coming supply for 2014, 2.8 million sq ft will be within CKL whilst the balance of 3.9 million sq ft will be located in MKL 3.4 million sq ft & GKL 0.5 million sq ft respectively.



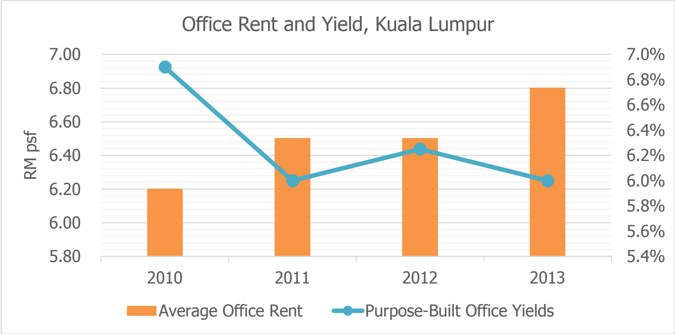
Source: WTW Research 2013

Office Demand

The labour market was in full employment throughout most of the year. Unemployment recorded a downtrend in 2013, from 3.3% at the beginning of the year to 2.9% at the close of 2013.

The business conditions index, conducted by MIER, registered sluggish domestic orders and deteriorating sales performances in Q4 2013, sliding to 92.0 points, down from 94.1 points in Q4 2012.

Total approved investment into the service industry has remained resilient. The services sector received RM83.4 billion of investments or 60.9% of total investment in the first nine months of 2013.



Source: WTW Research 2013

MIDA estimates that this investment will be channeled into 3,316 new projects which will create over 68,000 jobs over the next few years.

Growth in office space demand is expected to remain robust in 2014 given that employment figures and business conditions remain upbeat.

In 2013, an estimated net absorption of 3.3 million sq ft of office space was registered – 0.9 million sq ft in CKL, 2.09 million sq ft in MKL; and 0.48 million sq ft in GKL – or a 20% increase in net absorption compared to 2012 which gained 4% compared to 2011. Vacancy rates decrease in 2013 to 14% from 16.2% recorded in 2012 or 15.7% recorded in 2011.

Offices in CKL enjoyed the lowest vacancy rates at 10% whilst GKL offices had the highest vacancy rates on average at 19%, leaving the middle position to MKL offices which had a 17% vacancy rate on average.

Prime gross rental grew steadily at 4.6% in 2013 to RM6.80 psf per month compared to RM6.50 psf per month in 2012. Forecasted gross prime office rent in 2014 is estimated to improve or be stable supported by favourable business conditions and a further moderation in new supply over the next 12 months.

Business conditions are likely to remain supportive of the office space market in 2014. New supply in 2014 is not nearly as high as foreboded in early 2013. Moderating new construction starts is anticipated to bring supply growth to a more sustainable level.

The office segment will continue to be a tenant's market in 2014 as in-coming supply will keep the office rental market competitive.

The Intermark, Jalan Ampang, Kuala Lumpur

RETAIL SECTOR

Retail Supply

Cumulative supply in the Klang Valley recorded a marginal growth of 0.5% in 2013 y-o-y compared to the historical 5 year average of 2% annually.

Retail stock stood at 44.0 million sq ft in 2013 compared to 43.8 million sq ft in 2012 and 40.9 million sq ft in 2011.

Additional malls completed in 2013 were Giant @ USJ in Q1 and The School @ Jaya One in Q4. The year 2013 also welcomed the reopening in Cheras of Cheras Sentral (a redevelopment of Plaza Phoenix) in December 2013.

Located along Jalan Cheras, the 880,000 sq ft enlarged and refurbished mall is connected to a 300 - room hotel and home to many popular brands such as Uniqlo, G2000 and Giordano.

2013 also saw two malls closed for regeneration projects: Sunway Putra Mall and PIKOM ICT Mall CapSquare. This brings the market share of MKL retail supply to 46% of total supply in the Klang Valley (c.f. 24% for CKL; 30% for GKL) which is in line with the recent trend of decentralization of retail centres.

Moving forward, retail space is expected to increase by 6.4 million sq ft or 14.5% by 2014 – 1.61 million sq ft in CKL, 2.51 million sq ft in MKL and 2.25 million sq ft in GKL. This is expected to mount significant pressure on existing shopping centres to keep existing tenants.

By 2014, 31% of retail stock will be located in GKL, whilst 45% will be located in MKL and only 24% in CKL (c.f. year 2008: 24% in GKL; 45% in MKL; and 31% in CKL).

The decentralization trend of retail centres in the last 5 years reflects the growing scarcity and cost of land for new retail developments in the city centre.

Vacancy has historically hovered around 9% - 11% over the last 5 years and 2013 has been a stable year for retail centres in the Klang Valley – average vacancy dropped marginally to 10% from 11.4%.

GKL shopping centres saw vacancy levels rise from 10.2% to 12.2% whilst MKL maintained at 10.3% compared to 10.5% in the previous year. CKL's retail centres made a solid improvement from 8.9% in 2012 to 6.5% in 2013.

A spate of new supply in 2014 will likely see vacancy rates rise compared to the previous year. CKL shopping centres will continue to enjoy a low average vacancy in 2014; MKL and GKL retail centres will see vacancy rise further as new supply enters into the market.

Retail Demand

The Retail Group Malaysia estimated in August 2013 that the retail sector grew by 6.4% in national retail sales in 2013, higher compared to 5.5% in 2012 and on par with 6.5% in 2011.

After two years of above average net take up rates in 2011 and 2012, net retail space absorption slowed significantly in 2013. The Klang Valley recorded a positive 810,000 sq ft net take up in 2013 – CKL experienced a negative net absorption of 400,000 sq ft due to the closures of PIKOM ICT Mall, CapSquare and Sunway Putra Mall whilst MKL and GKL registered a net take-up of 440,000 sq ft and 780,000 sq ft of retail space, respectively.

Average prime retail rents maintained the steady growth trend with a 10% increase y-o-y in 2013 to RM22 psf compared to RM20 psf in 2012.

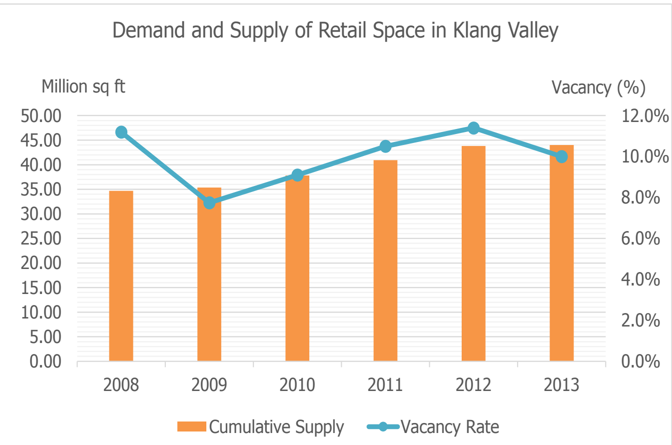
The prospect for retail rents accretion for secondary malls however is coming under increasing pressure from an increasing number of in - coming retail centres over the coming years.

An analysis of REIT - owned malls in the Klang Valley revealed that prime shopping mall net yields have continued to be compressed to the 4.4% - 6.2% range whilst gross rents yields ranged between 6.2% - 9.4%.

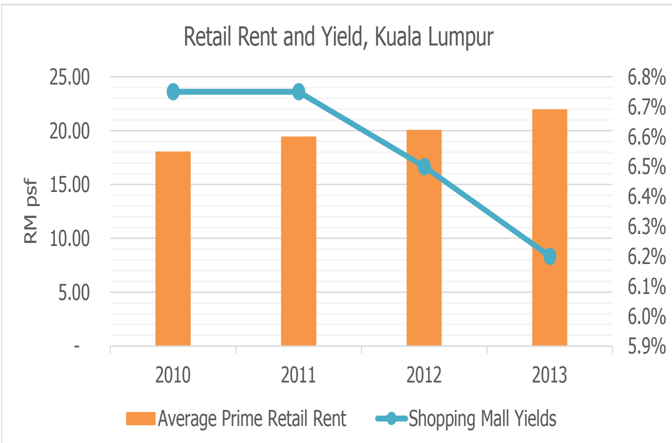
The increasing affluence of the urban population and growing middle - income population in Klang Valley will continue to support domestic spending.

In contrast, the rising nominal inflation and a burgeoning household debt threatens to weigh down on domestic demand.

Retail space, especially in lifestyle malls, will become increasingly competitive as numerous new mixed use developments have incorporated retail centres as key components; many of them are expected to enter the market in the next 3 - 5 years.



Source: WTW Research 2013

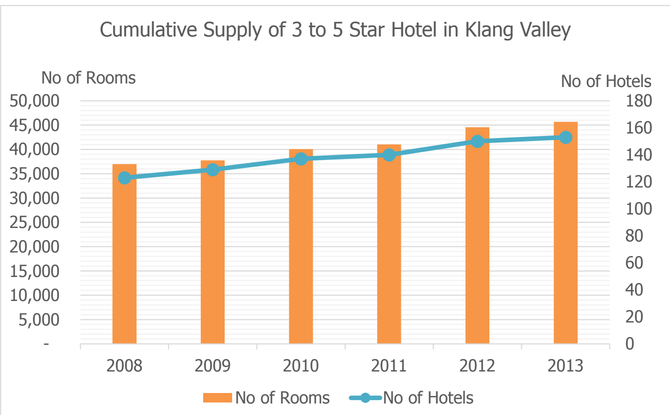


Source: WTW Research 2013

In - coming Retail Supply in 2014	
Name of Complex	**Estimated Lettable Area (sq ft)**
Quill City Mall	
Sunway Putra Mall	
Capsquare Mall	
Total CKL	1,610,000
Nu Sentral	
The Strand	
Jaya Shopping Centre	
The Atria Mall	
Sunway Velocity Lifestyle Mall	
Total MKL	2,510,000
Main Place (formerly Taipan Square)	
Sunway Pyramid (Phase 3)	
M Square Mall	
D'Pulze	
IOI City Mall	
Total GKL	2,250,000
Total Klang Valley	**6,370,000**

Source: WTW Research 2013

Southgate, Sungai Besi



Source: WTW Research 2013

HOTEL SECTOR

Hotel Supply

A number of hotels were completed in 2013 mostly in the central and metropolitan areas of the capital that catered mainly for business travelers and mid - to - high end tourists.

Aloft Kuala Lumpur Sentral Hotel opened its doors on March 2013. The 482 rooms within the hotel will be managed by the international hotel management group, Starwood Hotels and Resort Worldwide.

It was not the only highlight in 2013, WOLO, a chic 140 - room boutique hotel (converted from an office building formerly known as Wisma KLIH) located on Jalan Bukit Bintang opened in October 2013. Bangsar became home to a new 513 - room business and leisure hotel named, Pullman Kuala Lumpur Bangsar.

One @ Bukit Ceylon Hotel Suites is a 354 - room hotel and serviced apartment being built by UOA Group. Located along Lorong Ceylon, Kuala Lumpur, the 27 - storey building will feature an infinity pool, sky gym, launderette, and business centre.

Cumulative supply of 3 - 5 star hotels in the Klang Valley has risen from 150 hotels (or 44,653 rooms) in 2012 to 153 hotels (or 45,737 rooms) in 2013.

By location, a majority of hotels are located within CKL – together they command 55% of the total rooms in the Klang Valley (c.f. MKL: 25%; GKL: 20%). 2014 will continue to see same or higher levels of construction activity in the hotel segment.

The award - winning hotel managers, Alila Hotels and Resorts is working with Keystone Land Developments to create a boutique hotel on a site located opposite Menara UOA, Bangsar which will be known as Alila Bangsar @ The Establishment. The 124-room hotel is expected to be completed in 2016. The RuMa Hotel and Residences Kuala Lumpur, which will be located on Jalan Kia Peng, was launched in March 2013 and offers 253 hotel suites and 200 residential suites.It is expected to be opened in 2016.

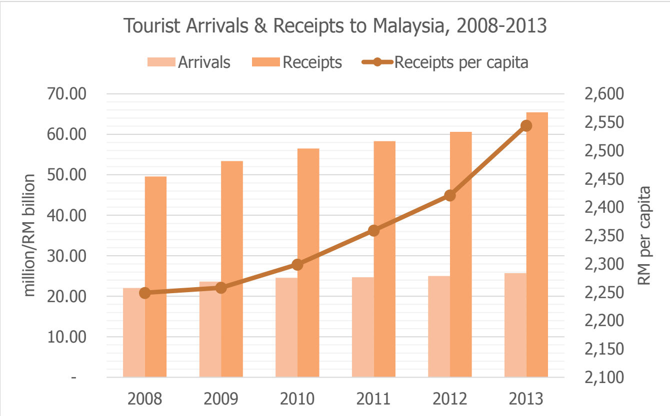
Crowne Plaza Mutiara, a property of Tradewinds Corporation Bhd officially ceased its operation in early January 2013 and was being demolished together with Kompleks Antarabangsa.

This is to make way for a RM6 billion mixed use development comprising Grade A+ offices, serviced apartments as well as retail space.

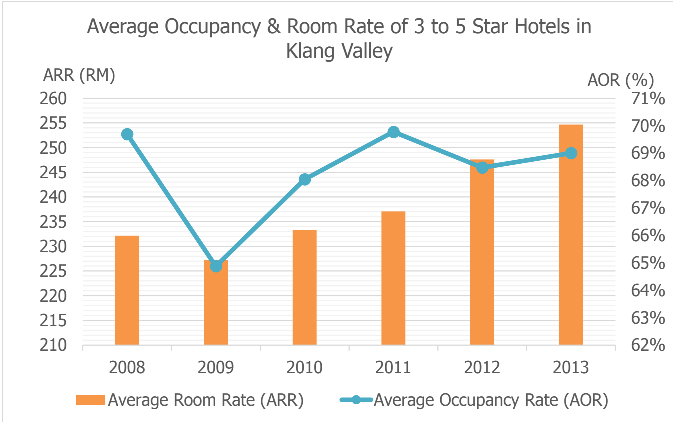
Future supply for 2014 is projected to grow faster than in 2013 to a total 48,127 rooms or a 5.2% increase y-o-y, representing 163 hotels in total.

In addition, the introduction of a Goods and Services Tax (GST) at 6% effective on April 1, 2015 is unlikely to impact the demand for hospitality service since the industry is already currently charging a rate of 10% for service tax.

KLANG VALLEY



Source: WTW Research 2013



Source: WTW Research 2013

Hotel Demand

Klang Valley foreign tourist arrival grew by 3.01% y-o-y in 2012 to 0.93 million and is forecasted to see similar or better performance in 2013.

Most notably tourists from China, which makes up the third largest arrivals after Singapore and Indonesia, were the fastest growing nationality in H1 2013 at 24.5% y-o-y.

Domestic tourist arrivals in Kuala Lumpur saw double - digit annual increase of 26.31% in 2012 to 4.7 million arrivals.

Overall Average Occupancy Rate (AOR) in Klang Valley was stagnant in 2013 at 69%. 4-star hotels performed comparatively poorer than 3 and 5 star hotels, falling 2% to 68% in 2013. 3-star hotels saw a stagnated AOR at 66%, which is in line with recent trends. 5-star hotels bucked the general trend, strengthening by 2% to 70% in 2013.

In 2014, occupancy is likely to strengthen to 70% assuming current economic trends stays on track. 5-star hotels are expected to continue seeing robust occupancy whilst 3 and 4-star hotels is forecasted to see stable to moderate improvement in occupancy in 2014.

After dipping 2.2% in 2009, the Average Room Rate (ARR) has been strengthening steadily y-o-y from RM227 per room in 2009 to RM255 in 2013.

ARR growth for 3-star hotels, which have been laggard recently, saw a 3% rise y-o-y to RM130 per room in 2013. 4-star hotels maintained its steady progress growing from RM223 per room in 2012 to RM233 per room in 2013.

ARR was flattish for 5-star hotels, marginally improving from RM323 per room in 2012 to RM327 per room in 2013.

There are a number of aging 4-star hotels, especially in CKL, that are finding it increasingly difficult to maintain occupancy levels in light of the increasing number of newer competitors.

Their falling occupancies have contributed to the lacklustre AOR performance by the 4-star hotel class in recent years.

However, a number of 4-star hotels, many relatively new, have bucked the trend and have seen occupancy rates and revenues rising over recent years.

3-star hotels will continue to see a stagnant to modest improvement in reflection of a stable outlook for the domestic tourism market which provides the bulk of their revenues.

5-star hotels looks set to continue its strong performance by catering to an increasingly affluent class of international tourists from the East Asian economies.

Pullman Kuala Lumpur Bangsar Hotel

CONDOMINIUM SECTOR

Condominium Supply

The supply of luxury condominiums has been rising at an average of 20% per annum from 2008 through to the end of 2013 – representing one of the fastest growing property segments in the period.

In 2008, there were 10,674 units in prime areas in the Klang Valley. However by the end of 2013 this number has risen to 26,816 units.

After a temporary slowdown in condominium development in 2012 to 5.3%, luxury condominiums have resumed construction at a rate of 17.0% per annum in 2013, adding 3,891 new units.

A sub - category of office development was introduced in 2010 / 2011. High - rise commercial projects were branded as SOHO (small office home office), SOVO (small office versatile office), SOFO (Small Office Flexible Office) or business suites. In general, this sub - category of office units is strata - titled and fall within the range of 500 to 1,000 sq ft per unit.

These units usually offer common high-end apartment facilities (club house, swimming pool, meeting rooms, gym and etc.) and podiums are usually reserved for retail purpose.

One of the intentions for the introduction of this sub-category is to tackle the Bank Negara ruling that the loan - to - value for 3rd home borrowing is limited at 70%.

Looking forward, the total supply of luxury condominiums will rise rapidly in 2014, by 19.4% to 32,020 units. A majority of this new supply are concentrated in the KLCC (1,669 units), Mont' Kiara (1,133), Ampang Hilir / U - Thant (1,590 units), and Bangsar (712 units).

Condominium Demand

The population in Klang Valley is also gaining in affluence and broadening its middle - income class. The Household Income Survey (HIS) 2012 showed that mean household income in Selangor and Kuala Lumpur grew from RM5,962 and RM5,488 respectively in 2009 to RM7,023 and RM8,586 in 2012.

Vacancy rose from 2008 - 2012 from 26% in 2008 to 35% in 2012. With the increase in net take up in 2013 the vacancy rate of condominiums fell to 32% in 2013.

The highest vacancy rates are found in Ampang at 37%. Damansara Heights trails closely with 35% vacancy rate followed by Mont' Kiara / Sri Hartamas and CKL areas with both having 33% vacancy rate. Bangsar and Kenny Hills enjoy a very healthy rate with vacancy standing between 17% and 20%.

In addition, developers are not allowed from offering Developer Interest Bearing Scheme (DIBS) during construction to homebuyers.

Due to the significant new supply of high - end residential units entering the market, vacancy rates in KLCC and Ampang Hilir / U - Thant areas are likely to remain above 30% in 2014.

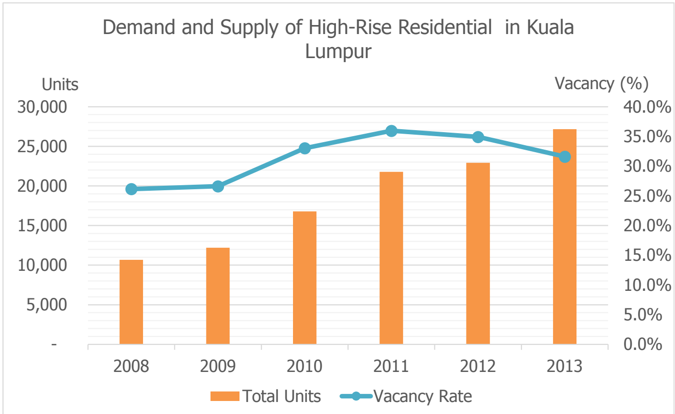
In contrast to Damansara Heights which is expected to see marginal improvements in occupancy, Bangsar, Kenny Hills are expected to see a marginal increase in vacancy rates whilst the Mont' Kiara / Seri Hartamas area is expected to remain stable in 2014.

View of Mont' Kiara

Condominium Launches in 2013

Name	Location	No. Of Units	Unit Size (sq ft)	Completion
Dua Menjalara	Kepong	95	1,360 - 10,250	2016
Cybersquare	Cyberjaya	413	450 - 775	2017
Verdi	Cyberjaya	800	700 - 1,442	2016
Solstice @ Pangaea	Cyberjaya	946	450 - 980	2016
Sunway Geo	Sunway South Quay	472	829 - 1496	2016
The Centrina @ Central Residence	Sg Besi	n/a	783 - 1,132	2016
Lake Front Residence	Cyberjaya	606	1,390 - 1,640	2017
Puteri Hills Condo	Bandar Puteri Puchong	120	1,400 - 1,700	2017
Mulberi Residence	Menjalara Kepong	208	964 - 1,300	2015
100 Residency	Setapak	100	1,447 - 3,295	2016

Source: WTW Research 2013



Source: WTW Research 2013

Note: The areas surveyed are Kuala Lumpur City Centre, Mont' Kiara / Seri Hartamas, Ampang Hilir / U - Thant, Bangsar, Damansara Heights, Kenny Hills

KLANG VALLEY

LANDED RESIDENTIAL SECTOR

House Supply

Houses covered in this section are terraced, semi-detached and detached houses. In recent years, houses supply has been growing at a slower pace than condominium supply.

This is due to land constraints in Kuala Lumpur and the growing popularity of condo - lifestyle living amongst urbanites especially the young working class.

After years of growth at 2% to 3% per annum, housing supply saw a moderation in growth to about 1% in 2012 and 2013. Total supply was nearly 685,000 units in 2008 compared to 762,000 units in 2013.

A breakdown by building format reveals that there were 50,000 detached, 37,000 semi-detached, and 598,000 terraced houses in 2008 and by the end of 2013 these numbers rose to 54,424 detached, 51,000 semi-detached, and still by far the most dominant format, terraced houses recorded 666,000 units.

In 2013, the house market was upbeat with an estimated total of 12,808 new units of terraced, semi-detached, and detached houses launched compared to only 9,736 units in 2012. 1,330 detached units, 2,076 semi-detached and 9,402 terraced units were launched last year.

New supply for 2014 is projected to fall to about 9,800 units in total (i.e. 1,000 detached, 1,800 semi-detached, 7,000 terraced units).

There has been a pick - up in the number of notable residential developments in northern Klang Valley such as Corus 68 @ M Residence, Elmina Township, and Sinar Samudra. However, the most rapid development is seen in southern Klang Valley especially in Puchong, Damansara, Kajang, and Cyberjaya.

Developers will face the threat of rising construction cost in 2014 fuelled by higher oil prices and rising material costs. This cost hike has led to developers building units of smaller floor areas. Smaller units are increasingly more popular because they are affordable to a larger segment of prospective buyers.

Semi-detached house in Embun @ Kemensah Heights

House Demand

Housing demand, especially for affordable housing, remains very high fueled by a rapidly growing population of adults between the prime ages of 25 - 54 and an increasingly affluent middle - income class.

There are currently roughly 7.5 million inhabitants in the Klang Valley and government projection puts this number at over 10 million by 2020 or a 4% to 5% annual growth on average.

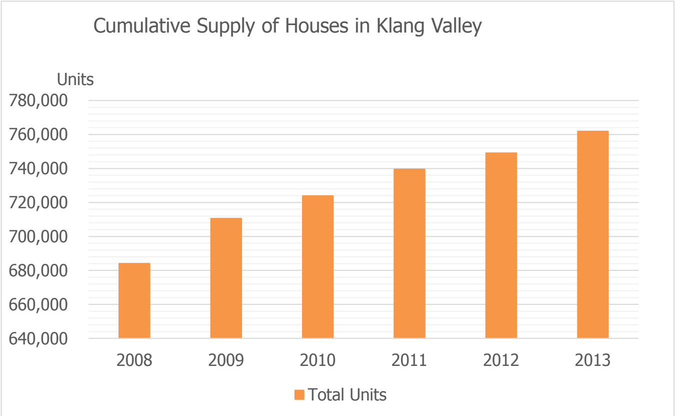
The ongoing MRT and LRT extension projects will regulate urban sprawl along defined corridors, drawing developments trend away from the city centre, especially in areas that are conveniently accessible via mass public transport.

Although the high level of household debt is likely to weigh down on buyers' purchasing ability, the residential market remains healthy – based on the Bank' Negara's data, non - performing loan ratio in Malaysia has been steadily declining from 4.8% in 2008 to below 2% in September 2013.

In 2013, the average price of terraced houses rose to RM890,000 from RM730,000 in 2012. For semi-detached houses, average prices have remained stable at RM2,600,000 to RM2,700,000 per unit.

After years of inflow of speculative money due to the very accommodative monetary policies, the significant hike in Real Property Gains Tax (RPGT) might trigger a temporary correction in capital values.

With a rapidly rising demand for affordable housing, the mid - segment rental market will remain upbeat on the back of a healthy growth in housing demand, a continued constraint in supply side and positive socioeconomic trends.



Source: WTW Research 2013

However, luxury properties, which have seen a disproportionately larger share of speculative fund inflow in recent years, will see subdued gains in capital values in 2014.

Rental yields in the luxury segment have remained low at 3 % on average whilst capital gains is unlikely see the same levels of capital gains in 2014 that it benefited from over the past 5 years.

Landed Residential Launched in 2013				
Development Name	**Area**	**Type**	**Units**	**Indicative Price (RM)**
Symphony Avory	Puchong	2 - TH	214	800,923
Forest Hill	Damansara	3 - DH	75	3,190,000
Sinar Samudra	Batu Caves	2.5 - TH	56	988,736
Aspera, Garden Residences	Cyberjaya	3.5 - DH	69	3,900,000
The Effingham	Bandar Utama	3 - DH	98	4,500,000
The Brymwood	Kajang	2 - SDH	26	1,589,888
Bayuemas Klasik	Klang	2 - TH	58	535,888
Anyaman KGMB	Shah Alam	2 - TH	90	
Almira 28 Sutera Damansara	Damansara Damai	3 - TH	28	1,427,800
Temasya Citra 3	Shah Alam	2 - TH	20	2,367,888
Tropicana Cheras	Cheras	3 - TH	85	1,400,000
Balvia D'island Residence	Puchong	3 - TH	74	2,388,000
Ariza Kota Elmina	Shah Alam	2 - TH	117	598,888
Bayuemas Klasik	Klang	2 - TH	58	535,888
Egreta Saujana Rawang	Kajang	2 - SDH	n/a	398,000
Setia Eco Hill	Semenyih	2 - TH	440	406,000
Taman Denai Puchong	Puchong	3 - TH	71	938,000
Cypress Denai Alam	Puchong	2 - SDH	26	938,000
16 Quartz	Melawati	3 - TH	56	3,780,000
Mansion Park	Cyberjaya	3 - TH	72	1,503,000
Keana @ Elmina	Rawang	2 - TH	65	708,000
Regia @ Elmina	Rawang	2 - TH	73	828,888
Abadi Heights	Puchong	3 - TH	272	773,800
Rafflesia Hill (Phase 1)	Damansara Perdana	3 - SDH	36	3,300,000
Embun@Kemensah	Melawati	3 - TH	103	1,734,000
Tierra @Shah Alam 2	Puncak Alam	2 - TH	43	495,000
M Residences (Phase 4)	Rawang	2 - TH	173	688,000
Pine@Hillpark	Puncak Alam	2 - TH	311	368,000
Tari - 2, Alam Impian	Shah Alam	2 - TH	86	799,000

Source: WTW Research 2013
Note: TH Terrace House; SDH Semi Detached House; DH Detached House

2-storey terraced houses in M Residence @ Rawang

Ariza Kota Elmina

Artist's impression: The Villa @ Forest Hills, Damansara Perdana

INDUSTRIAL SECTOR

Industrial Supply

Cumulative supply of industrial properties in the Klang Valley has been growing steadily over the past 5 years. Based on the National Property Information Centre (NAPIC), total industrial property buildings grew from 37,507 units in 2008 to 39,035 units in 2013 which averaged at 0.7% annual growth.

Detached units expanded from 4,572 units in 2008 to 4,889 units in 2013 or 1.3% annual growth on average. Semi-detached factories increased in number by 3.8% annual growth on average from 2008 to 2013 which recorded 3,752 units and 4,514 units respectively.

For the period between 2008 and 2013 terraced factory supply grew by an average of 0.3% per year from 29,183 units in 2008 to 29,575units in 2013 which averaged 0.8% annual growth. Overhangs have remained low throughout 2008 and through to the end of 2013.

Terraced factory units are by far the biggest constituent of overhung units ranging from 84% to 91% of total overhangs. 2013 has seen a drastic decline in industrial unit overhangs, reaching the lowest level for the period – signaling a constrained supply situation ahead.

Industrial Demand

Investments into the manufacturing sector totaled RM22.5 billion for H1 2013 or 336 projects of which 102 projects worth RM2.3 billion will be located in the Klang Valley.

The projects are expected to create more than four thousand new jobs in the Klang Valley mostly in the electrical & electronics, basic metal products, petroleum products, food manufacturing, transport equipment and non - metallic mineral industries.

Industrial premises rents moved up marginally in 2013. Selected industrial areas in Shah Alam saw rents appreciate strongly from RM1.20 to RM1.50 psf in 2010 to RM1.30 to RM2.75 psf in 2013. Other places such as Taman Perindustrian KIP in Kuala Lumpur has seen industrial rents remain flat in 2013 at RM 1.40 to RM1.70 psf compared to 2012.

Nonetheless, compared to 2010, rents in this area have had a solid growth of 15.7% on an average annual basis. Section 51 & 51A, Petaling Jaya has seen lacklustre rent accretion since 2008. Industrial building rents in 2013 were recorded in the range of RM1.50 to RM2.00 psf.

Pandamaran Industrial Estate in Klang seen 3% to 4% growth annually from 2010 to 2013 – rising from RM0.80 to RM1.10 psf in 2010 to RM0.90 to RM1.20 psf in 2013.

Klang Valley's industrial sector continues to grow at a healthy pace spurred by strong levels of foreign and domestic investments. This is likely to maintain a robust growth in demand for industrial space in the region.

Supply will tighten further in 2014 as supply trend has not caught up with demand recently. This is likely to push up rents in 2014 especially for well - planned industrial parks with infrastructure, facilities and services that are capable of supporting high technology and capital intensive manufacturing outfits.

Source: WTW Research 2013

Semi-detached factory in Prestij 16 @ UEP

Latitude 2, USJ19,Subang

Monthly Rental Rates for Industrial Buildings in Selected Areas in 2013					
Area Industrial	Location	Average Rent (RM psf)			
		2010	2011	2012	2013
Kuala Lumpur	Taman Perindustrian KIP	0.90 - 1.10	1.20 - 1.40	1.40 - 1.70	1.40 - 1.70
Petaling Jaya	Sect 51 & 51A, PJ	1.50 - 2.00	1.50 - 2.00	1.50 - 2.00	1.50 - 2.00
Shah Alam	Temasya, Glenmarie, Bukit Jelutong, Sect 15, 23, 26 and 28 Shah Alam	1.20 - 1.50	1.30 - 2.50	1.30 - 2.50	1.30 - 2.75
Klang	Pandamaran Industrial Estate, Klang	0.80 - 1.10	0.8 - 1.50	0.80 - 1.50	0.90 - 1.20

Industrial Property Transactions in 2013					
Type	Location	Vendor	Purchaser	Size (sq ft)	Price (RM)
Industrial Land	Ulu Langat, Selangor	Bolton Bhd	Batu Tiga Quarry S/B	8,973,377	100,000,000*
Industrial Land	Batang Berjuntai	QL Resources Bhd	RubyTech Resources S/B	2,308,680	35,370,720
Industrial Land	Sungai Keladi	QL Resources Bhd	RubyTech Resources S/B	30,001	11,000,000
Office and Warehouse	Bandar Glenmarie	Lysaght Galvanized Steel Bhd	Lysaght Group	145,313	26,914,835
Office and Factory	Kapar, Klang	Vickers Hoskins S/B	Advance Boilers S/B	435,861	35,975,000
Office and Factory	Bandar Rawang, Gombak	T. H. Hin S/B	MinShine Success S/B	108,027	12,380,000

Source: WTW Research 2013
Note: * total deferred cash consideration payable over 4 years


Industrial building @ Bukit Jelutong

Office Building Transactions in 2013					
Name	Location, Zone	Vendor	Purchaser	NLA (sq ft)	Price (RM)
Menara PMI	Jalan Changkat Ceylon, CKL	Fairway Properties S/B	Admiral Gateway S/B	104,011	60,000,000
One Block Of 13 - Storey Strata-titled Office Floors	Putrajaya, GKL	Mayland Avenue S/B	Maple Domain S/B	132,687	72,485,000
Block 1 (Type E), The Horizon, Bangsar South	Jalan Kerinchi, MKL	Bidang Lagenda S/B	Nextnation Communication Bhd	67,704	64,000,000
Block 1 Of V Square @ Pj City Centre	Petaling Jaya, MKL	Bkt Damansara Development S/B	Malton Bhd	163,504	140,000,000
Packet Hub Building	Jalan Templar, MKL	Green Packet Bhd	SYM World Realty S/B	56,888	49,000,000

Source: WTW Research 2013

SEREMBAN

Overview

Overall, the property market in Seremban was stable in 2013. The landed residential sector continued to be bullish due to growing demand from Klang Valley buyers.

The industrial sector also saw growing demand due to its strategic location and easy accessibility from the Klang Valley via major highways.

Significant Developments

The proposed development of Seremban Sentral is situated at the former 79 - acre land owned by Keretapi Tanah Melayu Bhd (KTMB).

The plan is set to be a landmark development which will enhance Seremban's connectivity to the Klang Valley and attract its young middle income working population to reside in Seremban.

KipMart Senawang, completed in 2012, has increased commercial activities in the Senawang area and stimulated increased buyer's interest in residential and commercial properties there.

New Launches

Saujana Duta @ S2 Heights in Seremban 2 was launched in May 2013 comprising 3-storey semi-detached and detached houses.

In June 2013, Sime Darby Properties launched Mekar at Bandar Ainsdale, 116 units of 3-storey link houses. Meanwhile, Persada Cattleya 2 also launched 85 3-storey shopoffices for sale on strata basis.

Commercial Land Transactions in 2013

Description	Location	Property Type	Land Area (acres)	Transacted Price (RM)
KipMart Sendayan	Bandar Sri Sendayan	Commercial Land	10	19,602,000
Commercial Land	Along Jln Pantai, Port Dickson	Commercial Land	5	11,560,000
Commercial Land	Jln Tok Ungku	Commercial Land	7.18	11,300,000
Development Land	Jln Seremban - Mambau	Development Land	194.4	59,287,882

Source: WTW Research 2013

Noteworthy projects completed in 2013 included Mydin Hypermarket located in Seremban 2 and 32 shopoffices in Port Dickson at PD Waterfront.

Outlook

In 2014, the property market will remain stable in all sectors.

Mydin Hypermarket in Seremban 2

Ainsdale

Chemara Hills

Residential Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units	Price (RM)	Expected Completion
Saujana Duta S2 Heights	Seremban 2	IJM Land	3 - SDH	3203 to 8236	116	1,288,800 – 2,263,800 (RM319 - 421 psf)	May 2015
Saujana Duta S2 Heights	Seremban 2	IJM Land	3 - DH	4038 to 4108	8	3,057,800 – 3,346,800 (RM433 psf)	May 2015
Ainsdale – Mekar	Bandar Ainsdale	Sime Darby Ainsdale Development S/B	2 - TH	1,400 & 1,680	116	410,888	June 2015

Source: WTW Reseach 2013

JOHOR BAHRU

Overview

The Johor Bahru property sector continued to grow in 2013 where JPPH recorded property transaction value and volume for the first half was already 85% (RM7,144 million) and 58% (11,047 units) of those recorded in 2012. The cumulative investment amount that the property sector had attracted totaled RM49.3 billion as of October 2013 since the debut of Iskandar Malaysia ('IM') in 2006. Such an achievement represented about 38% of the cumulative total investments of RM129.5 billion in Iskandar Malaysia.

High-rise residential continued to be the most active sub-sector, our survey indicated that more than 18,000 units of properties were launched in 2013. Prices for some projects in prime location such as Danga Bay, Puteri Harbour and Medini had surpassed the RM1,000 per sq ft mark, and the developers' sales rates were in the healthy range of 60% to 100%.

This year alone, three international standard hotels were opened for operation, namely the Traders Hotel at Puteri Harbour, the Legoland Malaysia Hotel at Medini and the Renaissance Hotel at Bandar Baru Permas Jaya. These new hotels had added 877 rooms to the market with an average room rate over RM300, except Legoland Malaysia Hotel's RM620.

In 2013, the vibrant property market was recorded with major activities and transactions as follows:-

- In April, Eco World Development Sdn Bhd acquired 613.7 acres of land in Mukim of Tebrau for RM534.7 million.
- In May, Country Garden Danga Bay Sdn Bhd kicked start its months long carnival-like sales campaign for its mixed commercial development in Danga Bay. The development consists of over 9,000 units of high-rise residential and 1 million sq ft of commercial space.
- In September, Eco World Development Sdn Bhd bought into 65.5% of Focal Aims Holdings Bhd (a listed developer based in Johor) for RM230 million which owns land bank in Pasir Gudang, Johor and Selangor.
- In October, Mah Sing's Sanjung Tropika Develoment Sdn Bhd acquired a net land area of 1,351 acres for RM411 million in Bandar Bistari Perdana, Pasir Gudang.
- In October, IGB Corporation Bhd started the construction of 2 million sq ft mega mall in Southkey City in Johor Bahru.
- In December, Guangzhou R&F Properties Co Ltd, a property developer from China (listed in Hong Kong Stock Exchange) had entered a sale and purchase agreement with Sultan of Johor to acquire 116 acres of commercial land in Johor Bahru city for RM4.5 billion.

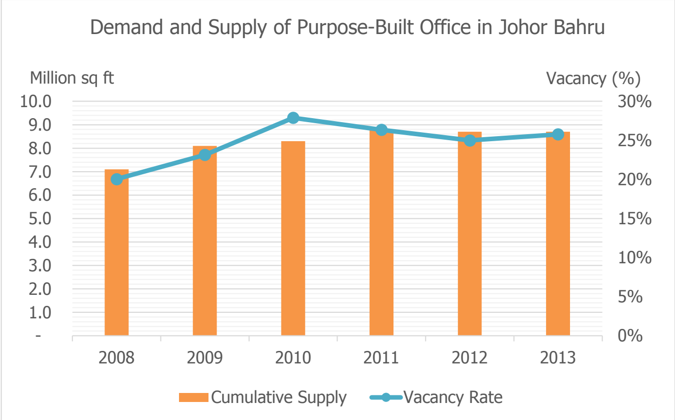
It is noted that foreign buyers have been actively buying into Johor Bahru properties, and in line with the cooling measures (Budget 2014) announced by the Federal in October, Johor State government planned to impose a 2% levy on foreign buyers starting from May 2014 as opposed to the current levy of RM10,000.

OFFICE SECTOR

Office Supply

In Johor Bahru, the existing supply of purpose-built office space stood at 8.7 million sq ft, consisting of 111 buildings. Of this supply, about 70% are privately owned office space while the remaining is owned by the government.

In the central district of Johor Bahru, a new 13-storey purpose - built office building is under construction. This office building is developed by Bank Simpanan Nasional (BSN) and will be self - occupied as BSN's southern region headquarters. It will offer NLA of 83,000 sq ft upon completion in 2015 / 2016.



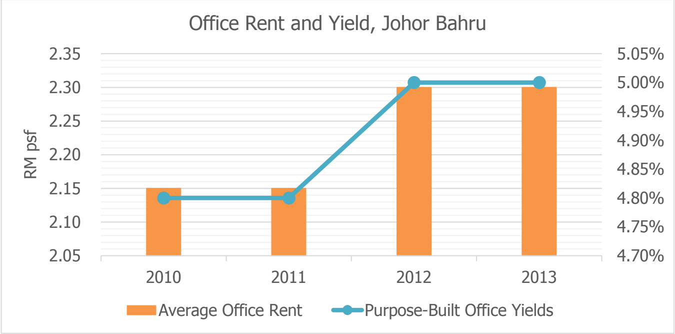
Source: WTW Reasearch 2013

In 2013, one office cum retail development is completed viz. Indah Walk 3 at Taman Bukit Indah. Indah Walk 3 is the first of its kind in Nusajaya offering 120 office units and 20 retail units at the ground floor. The unit size of office space ranged from 950 sq ft to 2,000 sq ft.

Office Demand

Demand for office space has been stable in Johor Bahru and the office vacancy rate was about 25% in 2013. Prime office space was let at between RM2.80 and RM3.50 psf per month, while the office space in the fringes of the city commanded RM1.80 to RM2.80 psf per month. The rental level is expected to remain steady in 2014.

Transactions of strata - titled office space in the sub - sale market remained a handful and the price was between RM230 to RM350 psf in 2013 compared to RM200 to RM300 psf in 2012.



Source: WTW Research 2013

City Square, JB

In Tebrau Corridor, Gromutual Bhd's 25 - storey business suites project, Austin 18, has achieved a sales rate of 50% since its pre - launch in July. The high - rise is expected to release 319 units of office suites totaling NLA of about 225,000 sq ft by 2016. The developer's starting price is RM620 psf for units ranging from 662 sq ft to 1,036 sq ft.

In 4Q, B&G Capital Resources Bhd launched a mixed commercial development known as d'Pristine at Medini.

The first phase of the leasehold development offers small office flexible office (SOFO) product with selling price in the range of RM650 to RM690 psf.

RETAIL SECTOR

Retail Supply

The total supply of retail space stood at 13.3 million sq ft in 2013, including shopping centres and hypermarkets; the overall vacancy rate remained at about 26%.

In November, AEON Group opened its fourth shopping mall in Johor Bahru at Kulai. The new retail centre has a GFA of 457,800 sq ft and it is sited on 18 acres land.

In the old part of Johor Bahru along Jalan Wong Ah Fook, KOMTAR is under major reconstruction. A new shopping mall podium will be built to complement the existing office tower and the project is expected to be completed in 2015.

The new retail building will consist of 450,000 sq ft net lettable area. It is adjacent to the best performing shopping centre in Johor Bahru, City Square. The established shopping mall enjoys some of the highest rental and occupancy rates.

Sutera Mall, JB

In addition, IGB Corporation Bhd has started the construction of a 2 million sq ft mega mall with Selia Pantai S/B in Southkey City at the intersection of Jalan Bakar Batu and Eastern Dispersal Link Expressway. The mega mall is expected to complete by the end of 2016.

Retail Demand

We foresee the demand will continue to climb at a steady pace in 2014. In the city centre, the rental of prime retail space in shopping centres was let between RM15 to RM70 psf per month.

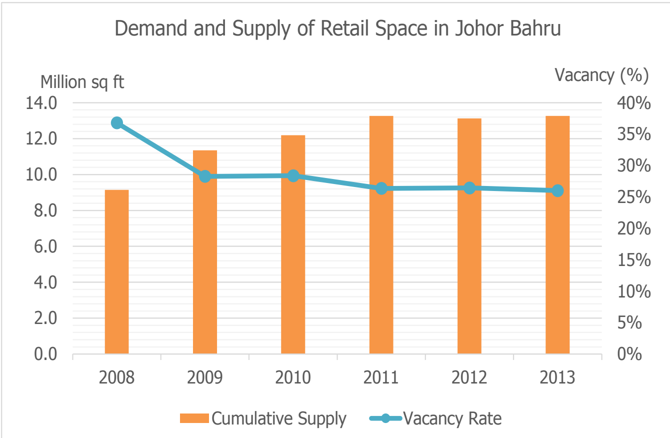
City Square at city centre continued to be the shopping mall that commanded the highest rental rate in 2013; its prime retail space was tenanted at RM40 to RM70 psf while prime retail spaces at other shopping centres such as Plaza Angsana and Sutera Mall, were tenanted between RM15 and RM20 psf.

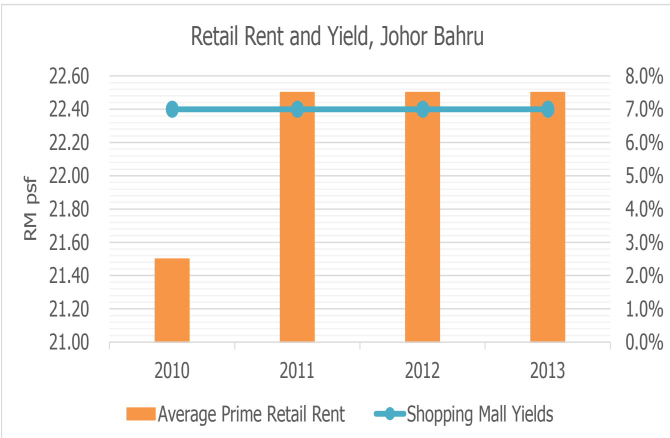
It is noted that the leasing of KOMTAR shopping mall has begun and is targeting more internationally - recognized names as tenants.

For instance, Finland - based Rovio Entertainment Ltd has committed to open an indoor theme park known as Angry Birds Activity Park in the shopping mall.

When ready for operation in 2015, it will become the first 'Angry Bird' theme park in South - East Asia occupying NLA of 26,000 sq ft.

In the sub - sale market, ground floor retail spaces of Holiday Plaza were transacted between RM1,500 and RM2,400 psf while retail spaces at upper floor had changed hands at RM370 to RM460 psf in 2013.





Source: WTW Research 2013

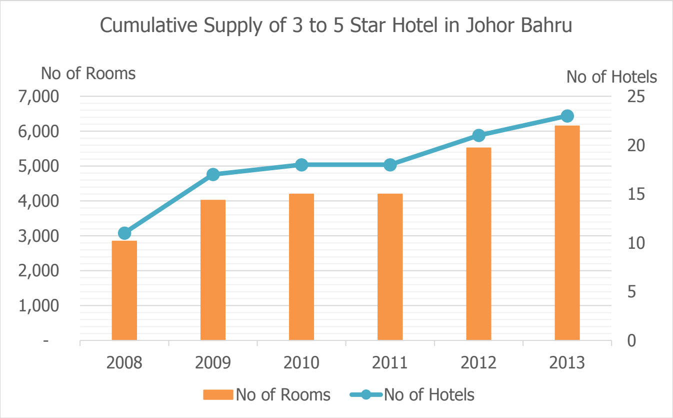
HOTEL SECTOR

Hotel Supply

The existing supply of 3 to 5-star hotel rooms stood at 6,434 rooms in 22 hotels. Of this, 2,329 rooms (5 hotels) are categorized under 5-star, 1,914 rooms (7 hotels) are 4-star and the rest of 2,191 rooms (10 hotels) are 3-star.

There are three hotels opened this year. Renaissance is a 5-star hotel of 345 rooms, Traders Hotel and Legoland are 4-star hotels of 283 and 249 rooms respectively.

We expect the number of hotel rooms to increase by the completion of Doubletree by Hilton (350 rooms) at city centre in 2015.

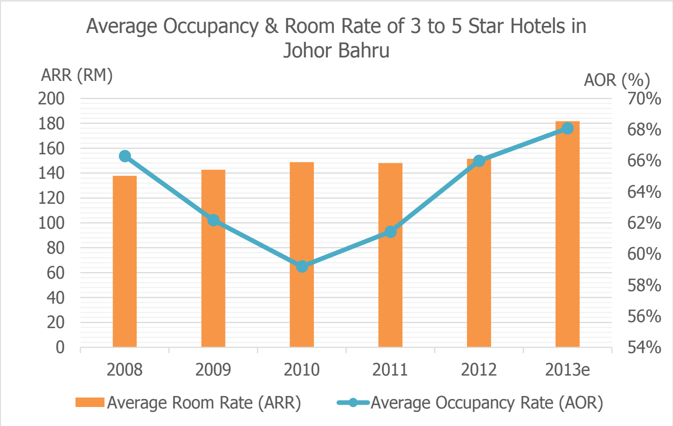


Source: WTW Research 2013

Hotel Demand

The average room rate (ARR) of 5-star hotels for 2013 was RM230 while it was RM190 and RM105 for 4 and 3-star hotels respectively.

In terms of average occupancy rate (AOR), 5-star hotels achieved higher AOR of 72% in comparison to 68% and 63% of 4 and 3 - star hotels, respectively.



Source: WTW Research 2013

Legoland Hotel

JOHOR

CONDOMINIUM SECTOR

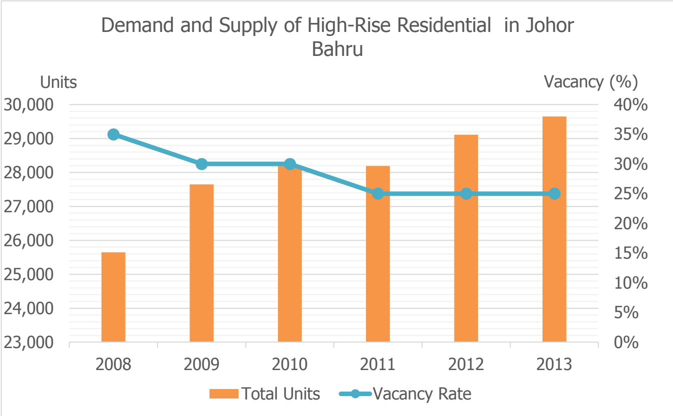
Condominium Supply

High - rise residential is the most active sub - sector in Johor Bahru for the last 2 years. This year the supply of high - rise residential property has increased to 29,650 units (about 1.8% more than the same period a year ago).

Condominium Completions in 2013

Name	Location	Developer	Unit Size (sq ft)	Units
Sky Executive Suites	Bukit Indah	Bukit Indah (Johor) S/B	751 - 2,788	364
Palazio Service Apartment	Austin Perdana	Mayland Group	420 - 1,227	624
KSL D 'Esplanade	Taman Abad	KSL Properties S/B	511 - 2,000	608

Source: WTW Research 2013



Source: WTW Research 2013

According to JPPH, there are 25,673 units currently under construction which are expected to come on stream in the next 1 to 3 years. This comes to almost 85% of the existing high - rise units in Johor Bahru.

Condominium Demand

The price in the sub - sale market has increased from RM350 psf in 2012 to RM400 psf in 2013. In recent sales, Sri Samudera achieved the highest recorded price of RM540 psf, followed by The Sky Executive at Bukit Indah (newly completed) at RM490 psf and Molek Pine's RM450 psf.

New developments in Johor Bahru, the developers' selling prices have increased to RM700 to RM1,200 psf, especially for those located at Medini, Puteri Harbour, and waterfront sites in Danga Bay.

The average sales take - up rates were in the range of 60% to 100%.

Condominium Launches in 2013

Project Name	Developer	Units	Unit Size (sq ft)	Price (RM psf)
Country Garden Danga Bay	Country Garden Danga Bay	9,000	466 - 2,200	750 - 1,200
Afiniti Residence	Pulau Indah Ventures	147	670 - 1,689	850 - 1,000
Astaka@Iskandar	Astaka Padu	423	2,199 - 2,236	900 - 1,300
Meridin@Medini	Mah Sing Properties	300	450 - 1,100	600 - 750
Pinetree Residence	Tiong Nam Group	260	670 - 1,689	1,200 - 1,500
Puteri Cove Residences (T1&2)	Pearl Discovery Development	329	677 - 1,750	> 1,250

Source: WTW Research 2013

Country Garden Danga Bay

Bukit Indah

LANDED RESIDENTIAL SECTOR

House Supply

Supply of houses in 2013 stood at 260,837 in total where 2 to 3-storey terraced houses continued to be the majority at 45% of the market share.

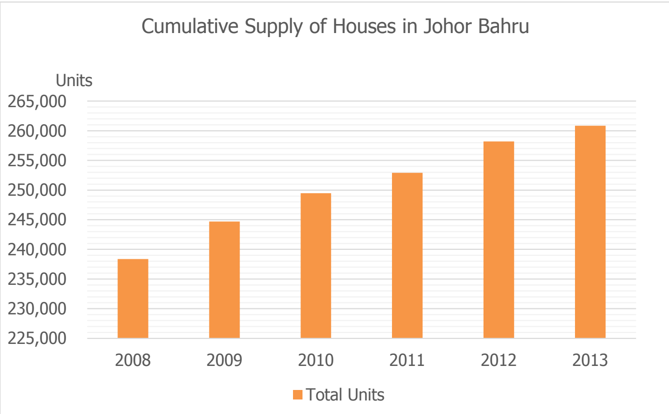
The number of houses is expected to soar in the near future when the total incoming supply for the H1 2013 is recorded at 33,429 units, approximately 12.6% of the existing stock.

From the incoming supply, the most popular residential products are 2-storey terraced houses, 1-storey terraced and cluster houses with 21,383, 5,022 and 3,316 units in the construction pipeline respectively as of H1 2013.

House Demand

The average prices of 2 - storey terraced houses in the sub - sale market in H1 2013 was RM240 psf over the built - up area or about 15% higher than the transaction in 2012.

In the older housing estates, Taman Pelangi's price has reached RM230 psf while it was RM190 and RM160 psf in Permas Jaya and Taman Perling, respectively.



Source: WTW Research 2013

In new housing schemes, such as Sutera Utama and Horizon Hills, 2-storey terraced houses was transacted at RM450 and RM325 psf respectively.

In Johor Bahru, gated and guarded security system becomes a standard feature of a new development. Price of 2-storey semi-detached houses has also risen. For example, the price in East Ledang was RM600 psf in 2012 and it has increased to RM700 psf in 2013; in Horizon Hills it was RM700 psf comparing to RM430 psf in 2012.

Standard 2-storey detached houses in East Ledang and Horizon Hills were transacted in the range of RM600 to RM800 psf. Semi-detached in Johor Bahru launched in the first half was priced between RM280 and RM410 psf, and it was about RM200 psf in Kulai.

Detached was however priced in the range of RM500 to RM670 psf. Strong demand for bungalow site continued to push the price higher.

For example, in Leisure Farm and Ledang Heights, prices for bungalow lots have increased from RM50 to RM70 psf and RM70 to RM120 psf respectively.

Golf Course, Horizon Hills

Residential Launches in 2013

Project Name	Property Type	Units	Unit Size (sq ft)	Price (RM psf)	Expected Completion
Horizon Hills	2 - TH	210	2,100 - 2,200	360 - 370	2015
Nusa Duta	2 - SDH	28	3,774	480	2015
Nusa Duta	2 - DH	28	4,317	607	2015
Straits View Residence	2 - SDH	32	3,012	570	2015
Eco Botanic	2 - ClstrH	498	2,400 - 3,100	375 - 420	2016

Housing Completions in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units
Bukit Indah	Bukit Indah	Bukit Indah (Johor) S/B	TH	1,852 - 1,992	240
Adda Heights	Bandar Dato Onn	Southern Gateway (M) S/B	Cluster H	2,882 - 2,994	104
Senibong Villa	Permas Jaya	Mahabuilders Bhd	SDH	2,985 - 3,222	104
Straits View	Permas Jaya	Bandar Raya Developments Bhd	SDH	3,012 - 3,414	28
Eco Botanic	Nusajaya	Eco World Development S/B	Cluster H	2,400 - 3,100	498

Source: WTW Research 2013
Note : TH - Terraced, SDH - Semi -detached house, DH - Detached House, ClstrH - Cluster Home

JOHOR

INDUSTRIAL SECTOR

Industrial Supply

The supply of industrial property has increased gradually over the years, and it was recorded at 10,338 units in 2013. Terraced factories continued to be the main product comprising 58% of the total supply, followed by semi-detached of 23%, detached of 16%, and the remaining is known as industrial complex.

There is no flatterd factory in Johor Bahru. The supply will increase by approximately 6.8% in the next 2 years; about 713 units are under construction.

Nusajaya was the most sought area in 2013 for industrial property; the strong demand has pushed up the value in transaction in the sub - sale market.

For example, industrial plots in SiLC Industrial Park have increased from RM35 to RM60 psf in 2012 to RM55 to RM75 psf in 2013.

In addition, i-Park @ SiLC's newly completed semi-detached factories were recently sold at RM310 psf; they were sold at RM270 psf in 2011.

Industrial Demand

In Pasir Gudang, selling prices of Sime Darby Business Park's freehold industrial plots have been revised from RM33 to RM35 psf in 2012 to between RM50 and RM55 psf in 2013.

We expect the industrial sector to continue to do well in 2014 especially for industrial properties in Kulai, Seelong, Nusajaya and Pasir Gudang.

Besides local interest, the continuing interest comes from also Singapore, Japan, Europe, United States and etc. For example, Hershey Chocolate from United States has committed to invest RM795 million to build a confectionery plant of 700,000 sq ft on a 40 acres site in Senai High - Tech Park.

SHOPOFFICE SECTOR

Shopoffice Supply

According to JPPH, the total existing supply of 2 to 3½ - storey shops was recorded at 25,851 units in H1 2013, and the future supply was estimated at 6,865 units which will come on stream in the next 1 to 3 years; about 56% are 2 to 2½ - storey type and the remaining is 3 to 3½ - storey.

Shopoffice Demand

As of H1 2013, the price of 2-storey shops was recorded in the range of RM250 to RM670 psf, more than 50% higher than the previous year.

The highest recorded price was found in Jalan Harimau Tarum where the units were sold at RM530 to RM670 psf (RM1.2 to RM1.6 million per unit), followed by RM250 to RM340 psf at Taman Molek (RM800,000 to RM1.1 million per unit) and RM250 to RM440 psf (RM625,000 to RM1.1 million per unit) at Jalan Dedap of Johor Jaya, respectively.

Prices for 3-storey shops in the sub - sale market have increased by 30% to RM380 psf on average as compared to RM290 psf in 2012.
Prices for units located at Nusa Bestari were recorded at RM340 to RM580 psf (RM1.6 to RM2.6 million per unit), followed by Taman Pelangi's RM220 to RM450 psf (RM1 to RM2 million per unit) and Sutera Utama's RM300 to RM470 psf (RM1.6 to RM2.5 million).

We expect new shopoffices that are well - priced and in good location to sell well.

Source: WTW Research 2013

SiLC Industrial Park, Nusajaya

Shopoffice Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units	Price (RM psf)	Take - Up Rate
Tiong Nam Business Park	SiLC, Nusajaya	Terminal Perintis S/B	3 SO	4,680	128	309	80 %
SK1 Commercial Hub	SiLC, Nusajaya	SK Tiong Development S/B	3 SO	4,456	68	270	75 %
Permas City	Permas Jaya	Interasia Group	3 SO	3,966	59	320	70 %
Permas Centro	Permas Jaya	Gabungan AQRS S/B	3 SO	4,457	99	276	60 %
Cendana	Pasir Gudang	Johor Land Bhd	2 SO	2,860	14	284	100 %

Source: WTW Research 2013
Note : SO - Shopoffice

BATU PAHAT

Overview

The property market in Batu Pahat was stable in 2013. The higher land and construction costs have further driven up the prices of houses. Most of the recent launches were residential developments.

The latest Bank Negara ruling on the Loan Value (LV) cap to borrowing for second and third houses is expected to dampen the property market.

Significant Developments

1 Batu Pahat Commercial Park (Pusat Perniagaan Ceria), completed in 2013 is about 4 kilometres from Batu Pahat town centre and 250 metres from BP Mall.

This project is the first of its kind in Batu Pahat with a lift in each shopoffice unit.

New Launches

Bandar Putra Indah is a mammoth housing scheme located in the vicinity of a rural township known as Tongkang Pecah. The township lies about 8.5 kilometres north of Batu Pahat town. Given the location, the take up rate can be considered fairly encouraging.

Outlook

The outlook of Batu Pahat's property market in 2014 looks steady. The foreseeable completion of new developments in Taman Flora Utama by 2014 is expected to contribute substantially to the supply of shopoffice units.

In the residential sector, the trend is towards development of high rise condominiums in view of escalating land cost

Commercial Completions in 2013

Project Name	Location	Completion Period	Developer	Type	Unit Size (sq ft)	Units
1 Batu Pahat Commercial Park	Jln Kluang, Batu Pahat	2013	Central Harmony Development S/B	4 & 5 - SO	1,800 to 2,300	24

New Commercial Centre at Jalan Tan Swee Hoe

Bandar Putra Indah

Crystal Inn

MELAKA

Overview

Overall, the property market in Melaka was stable in 2013. The office sector remained inactive although MITC was completed in mid - 2013. Office rents remain stable as most office lease contracts have yet to expire. For those leases that are expected to be renewed in the coming year, rental rates are likely to be maintained.

Occupancy levels of retail properties continue to remain solid bolstered by a vibrant local economy and positive trends in the tourism industry. New supply of retail space (under construction) as well as a significant number of sale and leaseback schemes having expired in 2013 has encouraged an uptick in transaction activities.

Due to the competition, price is stable. With the maintained rate of rental and increasing visits by tourists, occupancy of retail space was stable.

With an estimated 12.5 million tourist arrivals in 2012, total visitor arrivals in 2013 is expected to exceed 13 million and 14 million tourist arrivals have been forecasted for 2014.

The Malacca River Festival and Malacca UNESCO Heritage Day are among the significant events that are being promoted by the Melaka government to attract visitors.

In the hotel sector, a stable trend had prevailed. Room rates have remained stable due to the competitive hotel business environment in Melaka. Due to an increase in supply of new hotel rooms, hoteliers are under more pressure to maintain occupancy rates than previous years.

Demand for housing in Melaka remains unsatisfied by current supply, resulting in a fairly active market. However, affordable housing is still the main focus of purchasers. Shop office transaction volume and prices have been stable due to unattractive rental returns.

Investments for capital appreciation require high financial commitment and the supply of new shop offices is yet to be absorbed by existing demand.

Industrial property transactions and take - up have been stable due to existing supply being in balance with demand. However, prices are trending up with new record prices transacted.

Significant Developments

A new township is being developed in Krubong complementing the emerging Krubong Industrial Area. Double storey terraced houses were nearly fully booked during the soft launch.

Another major development is Taman Tanjung Minyak Perdana. Upon completion, it will complement the Tanjung Minyak and Bukit Rambai Industrial Areas. Single storey semi-detached houses were among the most popular type during the launch.

New Launches

The demand of housing in Melaka still exceeds the supply according to REHDA Melaka statistics. Housing developments are centered at Ayer Keroh, Cheng, Krubong, Klebang, Paya Rumput, Tanjung Minyak and Ujung Pasir.

Significant Transactions

A significant transaction noted in 2013 was the reclamation project at Klebang Beach which will provide more land for future development.

Outlook

The property market in Melaka in 2014 is expected to remain flat, the sector that is expected to perform better than the average is retail while residential sector is subdued somewhat by the 2014 Budget revision of the real property gains tax and the raising of the minimum permitted foreigners purchase price to RM 1 million.

More new governmental offices will be completed in 2014 and 2015. No prospect of increment in terms of rental and occupancy rates is expected. More retail units are expected to come into the market at higher selling prices.

Strong competition will keep rental increases in check. The prospects of increasing tourist arrivals will help maintain high occupancy levels.

The supply of new hotel rooms is increasing. Room rates will be stable and it will be challenging to maintain occupancy level. For residential (Condominiums and Landed), prices will remain stable as the main demand is for affordable housing.

Landed houses will continue to be the preference of house buyers while condominiums will be primarily for investment purposes. Industrial properties will likely be stable given the equilibrium between demand and supply.

The shopoffice segment will see transaction volume and prices remain stable due to the unattractive rental income.

Residential Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units	Price (RM psf)	Expected Completion
Bandar 1 Krubong	Krubong	PB Realty S/B	2 - DH	4,000	189	597,600 - 976,940	August 2015
			2 - DH	4,500	73	719,993 - 1,141,440	
			1 - DH	4,000	168	468,000 - 772,400	
			2 - TH	1,540	513	384,000 - 677,540	
Taman Tj Minyak Perdana	Tanjung Minyak	Teobros Development S/B	1 - TH	1,920 & 1,800	189	207,800 - 325,996	December 2015
			2 - storey terrace	1,920 & 1,800	73	339,800 - 439,592	
			1 storey semi - D	3,200 & 3,600	168	317,800 - 446,936	
			Bungalows	4,000 & 5,000	513	372,800 - 529,408	

Source: WTW Research 2013

PENANG ISLAND

Overview

Extending from the preceding years, the Penang property market remained upbeat at the start and throughout most of 2013 before tapering off towards end of the year. Property development was active with construction and new launches, especially the apartment / condominium projects.

One of the major projects launched to the market is Tropicana Bay Residences. The project is the first phase of the RM10 billion integrated waterfront city called Penang World City by Tropicana Ivory S/B in Bayan Mutiara.

Acquisition of development lands by developers continued in 2013, albeit with less intensity than in 2012. One of the major transactions is the sale of the part share (20%) in a development land at Air Itam which is owned by Farlim Group (Malaysia) Bhd to 1MDB RE (Ayer Itam) S/B. With an overall land area of 116.89 acres, the transacted part share is calculated to be 23.49 acres.

Other notable purchases are by Setia Eco Land S/B and Gama Citra S/B (related to Eco World Development S/B) for development lands at Bukit Dumbar and Paya Terubong, respectively.

In December 2013, Sunway Bhd through its wholly owned subsidiary, Sunway City (Penang) S/B, had successfully bid for a parcel of development land (formed by 4 adjoining lots) in a tender exercise conducted by WTW Real Estate as the property agent.

The site measures approximately 24.458 acres in the locality of Air Itam / Paya Terubong. It mainly accommodates the former factory of Lee Rubber which had ceased operation in early 2012. The purchase price is RM267,418,000, analyzed at approximately RM251 psf. A summary of significant transactions of development lands in 2013 is provided on page 32.

Towards end of 2013, the general market sentiment has been dampened by factors affecting the economy as well as proposed measures, rules and policies related to the property sector.

Various fiscal tightening and subsidy rationalization measures by the Federal Government have resulted in increases of prices of sugar and fuel, impending hike in electricity tariff and toll rates of highways in 2014, and other potential rate hike in the near future.

As such, consumers tend to be more cautious with their spending.

Developers were concerned about the effect on the primary property market involving the sales of developers' units, by new policies pursuant to the Budget 2014 announcement. These policies are such as :

- Banning the Developer's Interest Bearing Scheme (DIBS) and any Interest Capitalization Scheme (ICS) in which interests are factored into the cost of a residential unit;
- Directives to banks to fix the property loan - to - value ratio based on the net selling prices (after rebate / discount);
- Declining bridging loans to finance property developments offering DIBS and ICS.

New State Property Investment Guidelines

Moreover, in December 2013, the Penang State Government has proposed new housing rules, commencing 1st February 2014, to curb property speculation as well as ensuring that public and affordable housing is bought by qualified and genuine owner occupiers. These new housing rules are :

- **Public housing – low - cost and low - medium - cost housing**
  Low-cost houses (up to RM42,000) and low - medium - cost houses (up to RM72,500) purchased from developers cannot be sold for the first 10 years. Those who wish to sell during the first 10 years must appeal to the state government and can only be sold to "listed purchasers".
- **Affordable housing**
  Affordable housing (initially purchased below RM400,000 on Penang Island and RM250,000 in Seberang Perai) cannot be sold within 5 years of purchase. Those who wish to sell within the 5 years of purchase must appeal to the state government and can only be sold to "listed purchasers".
- **Purchases by foreigners**
  Foreigners can only purchase properties in excess of RM1,000,000 or RM2,000,000 for landed properties on Penang Island, and will be subject to a 3% levy on the transacted prices. Exemptions are provided for purchases related to industry use or for purposes that promote employment, education, human talent or promoting Penang as an international and "intelligent city".
- **Property purchased from 1st February 2014 and sold within 3 year**s.
  A 2% levy will be imposed on seller for properties sold within 3 years from the date of the Sale and Purchase Agreement signed from 1st February 2014. This levy is not applicable to affodable housing.

On a separate note, the Penang State Government has proposed charging a levy of RM2.00 per room occupied for budget to 3-star hotels and RM5.00 per room occupied for 4 and 5-star hotels.

This is a move to set up a special fund to promote tourism, culture, heritage and art in the state. The hoteliers could choose to either bear the levy or charge it to their customers.

The Penang Municipal Council (MPPP) has also proposed that all planning applications submitted from 1st January 2014 onwards, in building medium - cost, low - medium - cost and low - cost flats, are to adhere to new guidelines on parking lots.

The new guidelines are as follows :

Type	New Car Park Guidelines
Medium - cost flats	2 parking lots per flat + 10% of parking lots for visitors
Low - medium - cost flats	1 parking lot per flat + 10% of parking lots for visitors
Low - cost flats	1 parking lots per flat + 10% of parking lots for visitors

With regard to infrastructure development, the upgrading works of the Penang International Airport had been completed. However, the opening of the Second Penang Bridge to the public has been rescheduled to February 2014.

PENANG

OFFICE SECTOR

Office Supply

The completion of Hunza Tower has set a new benchmark in terms of quality and rental for office buildings in Penang Island. It is situated above the newly opened Gurney Paragon shopping mall, within the prime area in Georgetown with unobstructed sea view.

This newly completed office building has a total of approximately 90,000 sq ft of NLA, increasing the existing supply of purpose - built office space in Penang Island to approximately 8.8 million sq ft.

The bulk of office space in Penang Island is located in the locality of Georgetown followed by the upcoming area in the south - eastern portion of Penang Island, comprising the localities of Bayan Baru, Sungai Nibong and Gelugor.

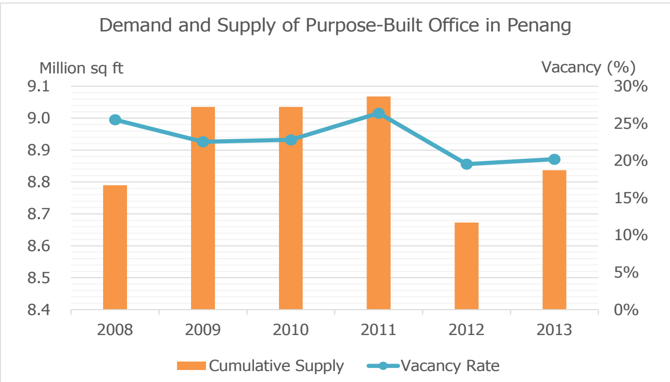
Office Demand

The office sector in Penang Island has been relatively subdued compared to other property sectors. The occupancy rate stood at approximately 80% as at end of 2013, increased slightly compared to previous years.

The upper range rental of prime office accommodation in Georgetown has increased to RM3.30 psf per month, (achieved by Hunza Tower) for leases up to 8,000 sq ft.

The office sector development trend in Penang Island shows that future developments are shifting towards the south - eastern portion of the Island apart from the matured office zone in Georgetown.

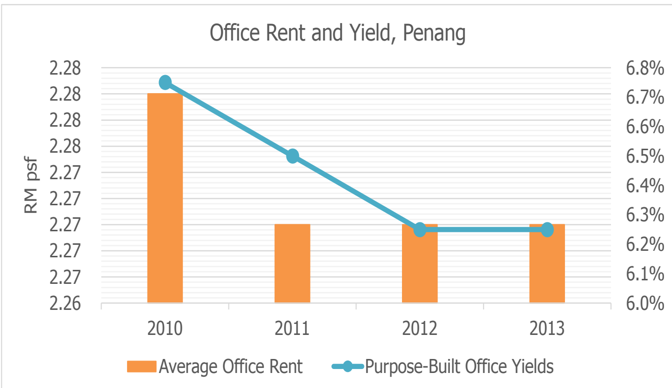
The upcoming localities in the south - eastern portion have larger land parcels, enabling better - planned developments. The office market in Penang Island is expected to remain stable in the near future, moderated by the challenges in the global economy and business sentiment of the country.



Source: WTW Research 2013

Hunza Tower @ Gurney Paragon, Georgetown

Gurney Paragon Shopping Mall, Georgetown



Source: WTW Research 2013

RETAIL SECTOR

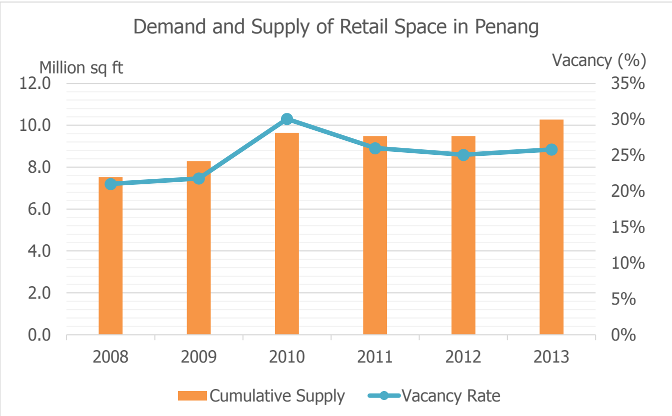
Retail Supply

The existing supply of the retail property sector in Penang Island in 2013 continued to expand to 10.27 million sq ft. Gurney Paragon Shopping Mall, located along Jalan Kelawai, Georgetown, was newly opened to shoppers, offering approximately 540,000 sq ft of NLA spread over 9 levels, including a lower ground level.

Its vacancy rate was approximately 28% as at end of 2013. Tenants include TGV cinemas, Debenham, Harvey Norman, Celebrity Fitness Studio, Sam's Groceria, Bentley Music, L'occitane, Godiva Chocolate, H&M, Michael Kors, Times Bookstore, and Victoria's Secret.

Retail Demand

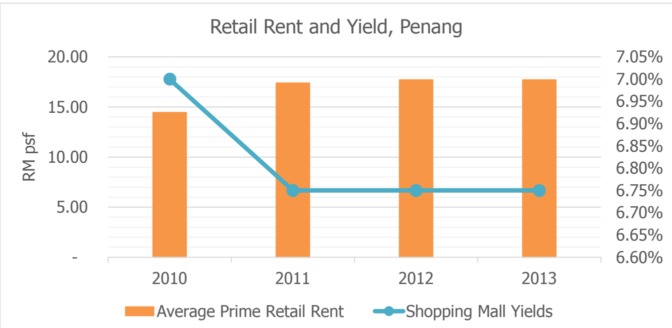
Rentals and prices have generally remained stable or increased steadily for the newer and better performing centres. Accommodation in the older buildings and secondary locations continue to experience downward pressure on rentals.



Source: WTW Research 2013

Existing shopping malls along Gurney Drive continued to record the highest rentals with ground floor rentals of RM17.00 to RM35.00 psf per month for small to mid - size lots. For anchor tenants, rentals were in the region of RM1.50 to RM2.90 psf per month.

The highest transacted prices of strata - titled retail units were recorded in Queensbay Mall. The strata - titled retails lots at the ground floor, lower ground floor and 1st Floor with sizes of 500 sq ft to 600 sq ft were transacted at prices of RM1,750 psf to RM2,250 psf.



Source: WTW Research 2013

HOTEL SECTOR

Hotel Supply

As at end 2013, the overall existing supply of 3 to 5-star hotel rooms in Penang Island stood at 8,155 rooms from 28 hotels. In 2013, E&O Hotel extension known as Victory Annexe has been completed, offering 139 rooms. Two hotels which had completed major renovation, re-opened to the public.

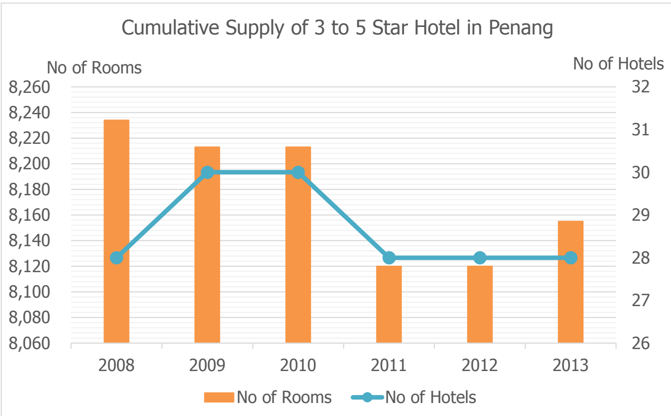
Four Points by Sheraton Penang (previously called Tanjung Bunga Beach Hotel) at Tanjung Bunga, re-opened with 220 rooms.

Another hotel along Jalan Macalister, Georgetown, called Glow Penang (previously known as Grand Paradise Hotel) re-opened to guests with 131 rooms. The hotel was bought by The Nomad Group Bhd in 2012 and is managed by Zinc InVision Hospitality (ZIH), a Bangkok based group.

In addition, an abandoned office project along Lebuh Carnarvon within the inner city of Georgetown, has been revived into a hotel. Called Armenian Street Heritage Hotel, it is managed by Tune Hotel and offers 92 rooms.

Naza Talyya Penang Hotel with 126 rooms was transacted in September 2013 at RM19,500,000 (approximately RM155,000 per room). There were 9 hotels with a total of approximately 2,000 rooms under construction, scheduled to be completed within the next three years, seven projects in Georgetown, one project in Gurney Drive & two projects in Tanjong Tokong.

A major hotel was newly proposed to be developed along Jalan Macalister, Georgetown, forming part of an integrated development of Tropicana 218 Macalister. To be called Courtyard by Marriot Penang, the proposed 15-storey hotel will offer 200 rooms.



Source: WTW Research 2013

Hotel Demand

The hotel and tourism sector of Penang Island remained vibrant in 2013. Continued growth in visitor arrivals to the island was primarily fuelled by the domestic tourism sector. The rise of budget airlines has also spurred a resurgence in foreign as well as domestic visitors to Penang.

Generally, the majority of the hotels in Penang Island achieved monthly occupancy rate in the region of 45% to 85% in most months of the year. Hotels in Georgetown generally achieved higher occupancy rates. The better performing hotels in Georgetown include Evergreen Laurel Hotel and G Hotel along Gurney Drive.

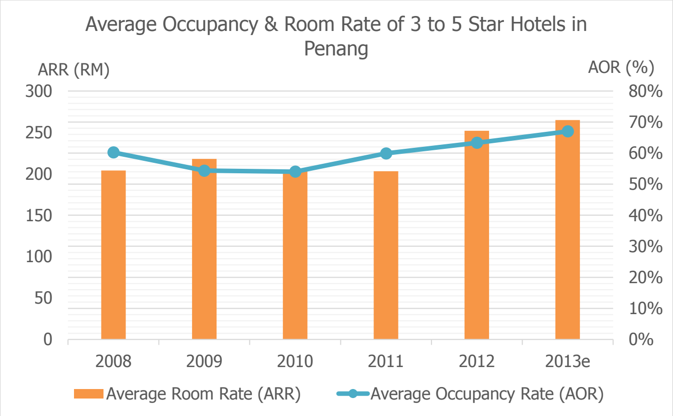
For hotels at the beach area, Hard Rock Penang Hotel recorded relatively higher occupancy rates while Eastin Hotel Penang registered higher occupancy rates among hotels outside Georgetown.

PENANG

There were limited changes to the average room rates (ARR) in 2013 compared to 2012. Generally, the ARR in 2013 ranged from RM115 to RM770 per room per night for 3 to 5-star hotels.

The Rasa Sayang Resort and Spa in Batu Ferringhi registered the highest room rate of RM600 to RM770 per room per night while the Eastern & Oriental Hotel, a 5 - star hotel in the heritage zone of Georgetown commanded ARR of RM450 to RM550 per room per night.

The encouraging sentiment of the tourism sector in Penang Island is expected to be extended to 2014 while the occupancy rate and ARR of hotels in Penang Island are expected to remain stable.



Source: WTW Research 2013

In - coming Hotel Supply in 2014

Hotel Name	Location	Star Rating	No. of Rooms	Completion Date
Royal Bintang	Pengkalan Weld	5	150	2014
Mansion One	Jln Sultan Ahmad Shah	3	110	2014
Rice Miller Hotel	Pengkalan Weld	5	50	2014
St Giles	Jln Magazine	4	500	2014
Cititel Express	Jln Magazine	3	270	2014
Baby G Hotel	Gurney Drive	5	200	2014
Jazz Hotel	Seri Tanjung Pinang	5	226	2015
By WHH Land	Tanjung Tokong	n/a	225	2015
By Magnil Corporation S/B	Jln Penang	n/a	83	2016
By Bintang Holdings S/B	Jln Sultan Ahmad Shah	5	n/a	2016

Source: WTW Research 2013

Four Points by Sheraton, Tanjung Tokong, Penang

CONDOMINIUM SECTOR

Condominium Supply

The Penang condominium segment remained the most active in 2013, with a large number of projects launched and under construction. Of the newly launched projects surveyed, most continued to receive encouraging responses in terms of sales rate.

The existing supply of condominiums and serviced residences in Penang Island, as at end 2013, was approximately 36,270 units.

Most units are located within the North East District (84%) and the remaining 16% are located in the South East District. Some of the major newly completed projects include 8 Gurney along Gurney Drive and Quayside Condominium at Tanjung Tokong which offer 90 units and 502 units, respectively.

There were approximately 50 major projects in various stages of construction with a total of approximately 13,000 units to be completed within the next 3 years as scheduled.

By The Sea at Georgetown, Andaman at Tanjung Tokong and The Light Collection IV at Gelugor were among the luxury and niched condominium projects under construction.

Condominium Demand

Most of the ongoing condominium projects achieved commendable sales rates of more than 60% except for some of the projects which were targeted at overseas purchasers.

Condominium prices in 2013 generally increased on a more gradual pace compared to the steep hike in the past 2 years. However, rentals have not moved in unison with the significant increase of capital values, thus the yields have decreased further.

With more choices of new housing accommodation entering the market, the hike in prices is expected to taper off and market resilience would be tested in the near future.

Condominium Launches in 2013

Name	Location	Developer	Units	Unit Size (sq ft)	Selling Price (RM psf)
Georgetown					
Moulmein Rise	Pulau Tikus	Belleview Group	84	1,700 - 2,000	1,300 - 1,600
The Turf Condominium	Georgetown	Chong Company S/B	180	1,300 - 2,700	800 - 1,000
Tanjung Bungah / Tanjung Tokong					
Marinox Sky Villas	Tanjung Tokong	Masmeyer Development S/B	301	1,260 - 2,960	700 - 800
Mira Residence	Tanjung Bungah	BSG Group	322	1,352 - 3,642	700 - 900
Batu Ferringhi					
Ferringhi Residence	Batu Ferringhi	Mah Sing Group	210	1,510 – 1,752	600 - 750
Jelutong					
Aspen Residence	Jelutong	Aspen Avenue S/B	98	1,270	500 - 600
Grace Residence	Jelutong	Nova Mulia Development S/B	378	856 - 1,646	400 - 600
Sandilands	Jelutong	BHL Waterfront S/B	403	1,338 - 2,269	550 - 650
Skyview Residence	Jelutong	Gema Intan S/B	252	1,250 - 1,450	450 - 500
The H2O	Jelutong	Tauplene Group of Company	71	1,560 - 1,656	470 - 500
Bukit Gambier / Bukit Dumbar					
Arte S	Bukit Gambier	Nusmetro	401	1,280 - 1,313	650 - 750
D' Mansion	Bukit Dumbar	Mansion Properties S/B	50	1,450 – 4,300	465 - 600
Bayan Baru / Sungai Nibong					
Olive Tree Residences	Bayan Baru	Harta Intan Group of Companies	91	1,680 - 1,880	550 - 700
Sungai Nibong Residence	Sg Nibong	PLB Land S/B	107	473 - 2,455	400 - 500
The Clovers	Bayan Baru	Asia Green Group	670	1,543	400 - 500
Bayan Mutiara					
Tropicana Bay Residence	Bayan Mutiara	Tropicana Ivory	1,268	455 - 1,945	650 - 1,100
Relau / Sungai Ara					
Garden Ville	Relau	SGD Land (M) S/B	476	1,100 - 1,300	450 - 550
Iconic Skies Condominium	Relau	Iconic Land S/B	299	1,483 – 2,976	500 - 600
Orchard Ville	Sungai Ara	Reka Indah Development	442	1,190 - 1,623	500 - 585
Setia Pinnacle	Sungai Ara	S P Setia	434	1,000 - 1,500	550 - 650
Batu Maung					
The Loft	Batu Maung	Mah Sing Group	156	1,325 - 1,615	1,000 - 1,600
Teluk Kumbar					
Platinum III	Teluk Kumbar	TPPT S/B	357	1,230 - 1,320	345 - 440

Source: WTW Research 2013

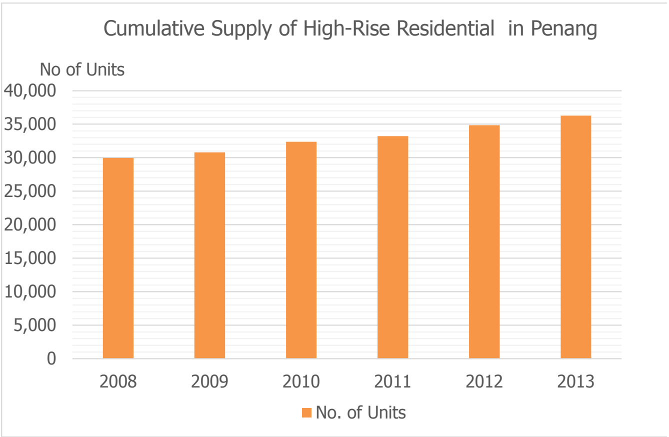
PENANG

Condominium Soft Launches in 2013

Name	Developer	Units	Unit Size (sq ft)	Price (RM psf)
Georgetown				
Shorefront Residences	YTL Land	76	1,500 – 4,900	1,200 – 1,500
Silverdale	BSG Property	590	600 – 1,200	N / a
Burmah Road Eco	The Yeangs S/B	90	N / a	
Tropicana 218 Macalister	Tropinaca Ivory S/B	299	883 – 1,300	1,200
Jelutong				
Quattro 360	Marvellous Land S/B	38	1,900	400 onwards
Commercial Suites @ Jelutong	Airmas Group	174	900 – 1,585	400 – 500
Air Itam				
Sunshine Tower	Crimson Omega S/B	270	N / a	
Tanjong Tokong				
Darra (Sea Quall)	UDA Land (North) S/B	600	1,400 – 1,800	640 onwards
Bukit Dumbar				
Lanai Seri Condominium	MRCB Land	148	766 – 1,384	N / a
Bukit Gambier / Bukit Jambul				
Sierra East Condominium	Chong Company S/B	256 (Block A)	1,200 – 1,400	400 – 600
Starhill Luxury Residences	Aroma Development S/B	506	1,480 – 1,715	660 onwards
Bayan Baru				
Tree Sparina	Ideal Property Development S/B	548	1,100 – 1,300	500 - 540
Relau				
Setia Sky Vista	SP Setia Bhd Group	426	930 – 1,500	500 – 550
Skycube Residence	GSD Land (M) S/B	205	1,275	470 - 510
Bayan Lepas				
Solaria Residences	Ideal Property Development S/B	285	1,100 - 1,450	450 - 500

Source: WTW Research 2013

Quayside Condominium, Tanjung Tokong



Source: WTW Research 2013

LANDED RESIDENTIAL SECTOR

Residential Supply

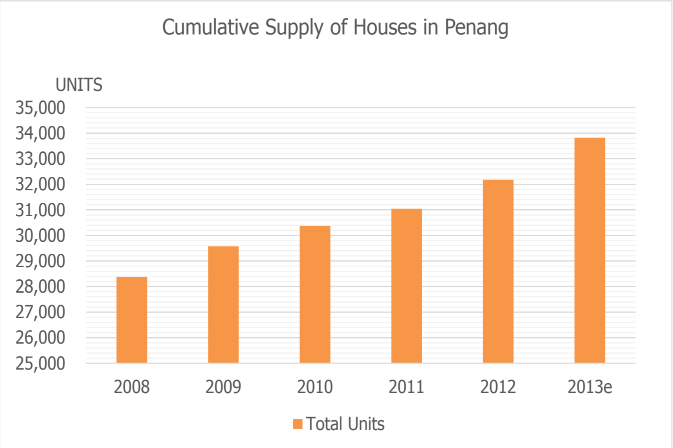
Landed property remained the preferred choice of residential accommodation for the residents of Penang, although more attractive and relatively affordable apartments and condominiums were being launched in the market.

Most of the houses were launched in 2012 and scheduled to be completed in end of 2013 or early 2014. Compared to 2012, fewer units were launched in 2013. Most of these projects comprised terraced houses.

Residential Demand

The prices of newly - launched houses continued to set new benchmarks due to the hike in land and building costs. Older residential units in established neighbourhoods also remained highly sought - after despite high asking prices.

Similarly as condominiums, the steep hike in prices of houses is expected to taper off with more choices of new housing accommodation entering the market in the near future.



Source: WTW Research 2013

Residential Completions in 2013

Name	Developer	Type	Units	Unit Size (sq ft)
Gelugor				
White Lily, Minden Heights	PPM Realty S/B	3 - TH	73	2,310
Sungai Ara				
Setia Greens	S P Setia	3 - SDH	18	3,500
		3 - TH	149	2,436 - 3,212
Oasis Residences	Oasis Courtyard S/B	3 - TH	28	3,222
Batu Maung				
Prestige V	PLB Land S/B	2 - TH	74	1,848
		2 - SDH	6	2,600
Balik Pulau				
Mutiara Residence	Malton Bhd	2 - TH	24	2,163 - 2,270
		3 - DH	2	3,103 - 3,333

Source: WTW Research 2013
Note: "TH - Terraced , SDH - Semi-detached, DH - Detached, ToH - Townhouse

White Lily, Minden Heights

Residential Launches in 2013

Name	Developer	Type	Units	Unit Size (sq ft)	Price (RM psf)
Jelutong					
Along Jalan Perak	Northern Skyline S/B	3 - SDH	10	3,254 – 3,337	1,850,000 – 2,576,000
Pulau Tikus					
Y Cantonment Townhouses	The Yeang S/B	3 & 4 - ToH	20	3,500 – 7,000	2,100,000 – 5,100,000
Batu Maung					
Sunway Cassia	Sunway Grand S/B	2 - TH	96	3,000	1,000,000
Balik Pulau					
Prestige III – Central Park City	PLB Land S/B	1 - TH	90	980	388,000
		2 - TH	332	1,760	528,000 – 588,000
		2 - SDH	40	2,024 - 2,156	851,000 – 1,100,000
Botanica 5A	MTT Properties & Development S/B	2 - TH	32	1,959	650,000
Sierra Pinang	BSK Concept Zone S/B	2.5 - TH	80	1,782 – 1,967	480,000 – 510,000
Teluk Kumbar / Gertak Sanggul					
Baymont Residence	WHH Land	3 - DH	80	4,500	3,000,000

Source: WTW Research 2013
Note: "TH - Terraced , SDH - Semi-detached, DH - Detached, ToH - Townhouse

PENANG

INDUSTRIAL SECTOR

Industrial Supply

In Penang Island, new supply of industrial land / plots has been limited with only one major industrial park located in Bayan Lepas / Batu Maung, which is being 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 tenures of 60 - years leasehold term.

Compared to previous years, more projects of purpose - built standard factories were in advanced stages of construction in 2013. These projects are expected to be completed in 2014.

Industrial Demand

The transacted prices for these vacant industrial lands have increased significantly during the past 3 years to about RM45 psf to RM60 psf for unexpired leasehold terms of 40 to 60 years.

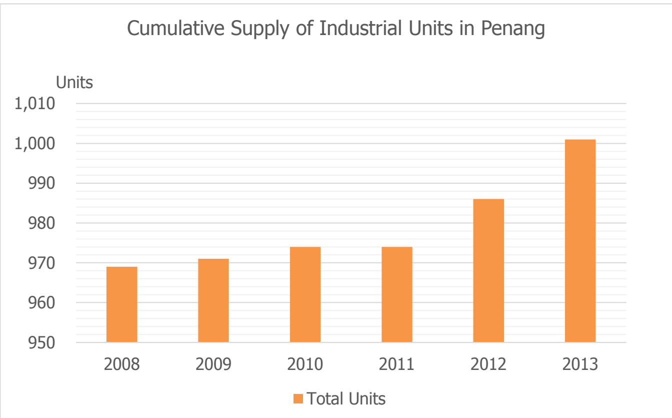
With the limited new supply, demand for industrial space in Penang Island is expected to remain strong, and is expected to overspill onto Seberang Perai in the mainland.

Due to the pent - up demand for the limited supply of industrial units on Penang Island, the Penang Development Corporation (PDC) has embarked on the development of Batu Kawan Industrial Park and Batu Kawan SME Park.

In - coming Industrial Supply in 2014

Name	Developer	Type	Units	Size	Price (RM)	Expected Completion
Bayan Lepas						
Mutiara Light Industrial Park	Nyaman Mutiara S/B	2 - SDF	27	4,280	2,480,000	2014
		2 - SDF	16	9,600 – 12,023	5,400,000 - 5,700,000	2014
Along Jln Sungai Tiram 4	Vivahill Land Development	3 - SDF	8	7,000	3,000,000 - 5,500,000	2014
Batu Maung						
The Gate	NBIP S/B	2 - SDF	16	4,200	3,500,000	2014
		3 - SDF	4	2,641	1,900,000	

Source: WTW Research 2013



Source: WTW Research 2013

Mutiara Light Industrial Park, Bayan Lepas

Industrial Completion in 2013

Name	Developer	Type	Units	Unit size (sq ft)
Along Jln Beringin, Batu Maung	Pioneer Avenue S/B	SDF	12	10,500

Significant Development Land Transactions in 2013

Location	Purchaser	Land Size	Transacted Price (RM)
Air Itam / Paya Terubong	1MDB RE (Ayer Itam) S/B	20 % undivided share of 116.89 acres	112,501,725 (110 psf)
Bukit Dumbar	Setia Eco Land S/B	5.95 acres	116,175,173 (448 psf)
Paya Terubong	Gama Citra S/B	12.79 acres	55,000,000 (99 psf)
Jln Anson, Georgetown	Summit Methods S/B	1.11 acres	29,000,000 (600 psf)
Jln Brook, Pulau Tikus	PPM Realty S/B	1.62 acres	30,270,000 (428 psf)

Source: WTW Research 2013

SEBERANG PERAI

Overview

Seberang Perai witnessed a strong uptrend in its property market in 2013 except for the office and hotel sectors. Existing vacant office spaces have not been filled up.

The average occupancy rate for Hotel Sunway Seberang Jaya as at June 2013 reported a drop to 51.6% from 70.2% as at June 2012.

A 20 storey budget Hotel in Seberang Jaya developed by The Light Hotel (M) S/B is expected to be completed in early 2014.

The more popular shopping complexes in Seberang Perai include Sunway Carnival Mall, Seberang Jaya and AEON Jusco, Bandar Perda.

AEON Jusco is constructing their new building at Jalan Rozhan, Alma. The annual shopper traffic for Sunway Carnival Mall in 2012 / 13 was more than 7.8 million.

Mydin has started construction of their shopping mall along Jalan Baru, Perai. There are 3 additional Shopping Mall / Hypermarkets that will be opened in Bertam, Seberang Perai Utara:

- Sunshine Hypermarket – opened in November 2013.
- Tesco – Site clearing
- Mydin – Planning stage

Significant Developments

Anticipation of the completion of the Penang Second Bridge in 2014 continues to dominate market expectations and driving the property market in Seberang Perai especially in Seberang Perai Selatan.

Condominiums remain popular and developer's prices for new projects were in the range of RM300 to RM320 psf compared to RM250 to RM270 psf in 2012. The developers' selling prices for double storey terraced houses at BM Utama, Bukit Mertajam are RM500,000 onwards.

The 2-storey and 2-storey semi-detached houses in the proposed Casamaya, Sungai Dua, Seberang Perai Utara developed by Streams Ville S/B were sold at RM542,000 and RM802,000 onwards respectively.

This gated and guarded housing scheme (Casamaya) comprises 115 units of 2-storey terraced houses and 12 units of 2 - storey semi-detached houses.

Transacted prices for older 2-storey terraced houses at Alma in Seberang Perai Tengah, Raja Uda / Bagan Lallang and Sungai Dua in Seberang Perai Utara ranged between RM320,000 to RM350,000 compared to RM280,000 to RM300,000 in 2012.

Three storey shopoffices at Sunway Perdana, Seberang Jaya completed in 2012 were offered for sale at asking prices of above RM2 million in 2013.

New Launches

3 and 4 storey semi-detached shopoffices along Jalan Baru, Perai known as Laguna Commercial Centre were sold by the developer for RM2.8 million and above (see table below).

Outlook

The strong uptrend in the overall market is expected to be sustained in 2014 although the retail segment may moderate in 2014 as additional shopping malls / hypermarkets come on stream.

2014 should also see little change in the office and hotel sectors with transaction activity, prices, and occupancy level maintaining their current levels.

Light Hotel, Seberang Jaya

Laguna Commercial Centre

Plot Nos.	Storey	Land Area (sq ft)	Built Up Area (sq ft)	Unit Price (RM)
1	4	5,320	8,670	4,888,800
2	4	6,256	8,670	5,388,800
3 to 8	3	3,581	4,595	2,828,800
9 (Detached)	3	7,876	5,897	3,988,800

Source: WTW Research 2013

ALOR SETAR

Overview

The capital of Kedah yielded a fairly strong performance in 2013 with the landed residential, shopoffice and industrial sectors registering upward trends while other sectors were relatively more stable.

Overall demand across the board remained firm as evidenced by the increased in property prices largely due to the positive outlook of our current economy, favourable government policies such as My First Home scheme which support young buyers in buying their first homes.

Significant Developments

Tourist arrivals to Kedah increased from 2,783,253 in 2011 to 2,852,769 tourists in 2012, which represents a 2.5% improvement y-o-y. Kedah have many attractions to boost the rapid development of tourism in the state.

This began when the Island of Langkawi was recognized as tax - free zone in 1987 and stimulated its development into a leading international tourist destination.

The tourism sector is the second highest contributor to Kedah's economy and Langkawi, a major contributor to Kedah's GNI, which can attract more than 3 million tourists annually; resulting in a projected tourism - related GNI of RM3.8 billion by 2015. A new hotel, located along Jalan Anak Bukit opened its doors in 2013.

Developed by TH Properties, TH Hotel is a 4-star hotel with 204 rooms, a ballroom (1,100 people) and 5 meeting rooms. In addition, the hotel is syariah - compliant and standard room rates are from RM380 per night.

The city will also soon witness the completion of its largest mall to - date, the Aman Central shopping mall. The mall has a Net Lettable Area (NLA) of 800,000 sq ft, covering eight levels, including two basement levels. The development will have 1,700 parking bays and 330 retail units. The anchor tenants include Parkson and Golden Screen Cinemas.

New Launches

There were four noteworthy residential launches in Alor Setar in 2013. Amansuri Residence was launched at RM350 psf onwards. The condominium units ranged from 1,249-3,492 sq ft in size.

Taman Budiman 2, developed by Teguh Harian, mainly comprises 700 sq ft sized terraced houses. They are selling from RM165,000 onwards.

Taman Gunung Bongsu (phase 5) is another development by Teguh Harian S/B which consists of semi-detached and terraced houses. The 1,400 sq ft terraced houses are priced between RM192,000 to RM280,000 while the semi-detached are priced RM311,000 to RM369,000 per house.

Outlook

The increase in petrol price and shortage of labour may lead to higher construction costs and as a result property prices might increase further.

However, the less than optimistic global economic situation especially in the US and Europe and Bank Negara's policies to tighten property financing might cool the market further.

Overall, the impact of the above factors will cause the property market to continue to grow but at a slower pace than 2013 and possibly stabilizing towards the end of 2014.

Residential Launches in 2013

Name	Developer	Type	Unit Size (sq ft)	Price (RM)	Expected Completion
Amansuri Residence	Belleview Group	Condominium	1,248 - 3,492	350 psf	2015
Taman Budiman 2	Teguh Harian	TH	700	165,000	2014
Taman Gunung Bongsu Fasa 5	Teguh Harian	SDH	2,496	311,000 –369,000	2014
Taman Gunung Bongsu Fasa 5	Teguh Harian	TH	1,400	192,000 –280,000	2014

Source: WTW Research 2013

Panoramic view of Alor Setar, PKNK Building in the centre and Star Parade shopping mall

IPOH

Overview

The property market in Ipoh was largely stable in 2013 with upward movement only in transaction volume and prices in the landed residential and shopoffice sectors.

New launching prices have increased compared to 2012.

Significant Developments

Recently completed projects include the Ipoh small office home office (SOHO) and MH Suites, located in the town centre and Symphony Business Park and Symphony Suites along Jalan Raja Dr. Nazrin Shah.

New Launches

The town saw the launch of a new "small office versatile office" (SOVO) development known as The Majestic @ Ipoh.

Outlook

As one of the most iconic tourism destinations amongst all states in Malaysia, Perak presents a blend of old world architecture charm, modern lifestyle and eco - tourism.

There are many heritage architectures found in Perak such as Kellie's Castle, Ipoh Railway Station and Leaning Tower of Teluk Intan. "Kapal Korek" in Tanjung Tualang is also one of the famous historical structures found in Perak.

Ipoh is also an attraction for its local cuisine some of which have become internationally renowned. The food and beverage industry is growing alongside the tourism industry.

These attractions will play a major role in the tourism sector as they draw in local and foreign visitors. In summary, the Perak tourism sector is poised to provide further support to the local economy. The property market outlook for 2014 in Ipoh looks solid and stable.

Residential Launches in 2013

Name	Developer	Type	Unit Size (sq ft)	Price (RM psf)	Expected Completion
The Majestic @Ipoh	Majestic Ipoh S/B	SOVO	603 – 1,370	385 – 480	2015

Mixed Commercial Completions in 2013

Name of Project	Developer	Type	Unit size (sq ft)	No of units
Ipoh SOHO and MH Studio	Kinta Saujana S/B	3.5 / s SOHO & 1 block of Boutique Hotel	1,080 - 1,220 (GF to 1F) 2,854 (2F & above)	22 blocks of 3.5 / s SOHO and a 23 - room studio hotel
Symphony Business Park and Symphony Suites	Unique Symphony S/B	3 - SO & 1 block of Boutique Hotel	1,760	15 units shops / 26 units offices and a 95 - room boutique hotel

Source: WTW Research 2013
Note: GF – Ground Floor; 1F – 1st Floor; 2F – 2nd Floor, Mezzanine – Mezzanine Floor; SOHO - small office home office

MH Studio

Symphony Suites

KUANTAN

Overview

Investors were deferring their property investment decisions until after the Malaysian General Elections and thereafter the property market became generally more active. The property market in Kuantan was upbeat, especially the landed residential and retail sectors.

A number of branded retailers in the health and fitness, consumer and other retail businesses have opened and were seeking to open more branches, leading to a surge in demand for retail space.

The prices in houses have seen an upward surge of between 10% to 20% with the most acute upward movement seen in double storey terraced houses in densely populated areas.

Developers are pricing new additions in town at between RM400,000 to RM450,000 for a typical intermediate unit. The demand for shopoffices has also seen an upward adjustment in prices of between 10% to 25%, mainly witnessed in new developments concentrated in the town centre.

Most of the purchases for such properties were for investment purposes. Industrial land located in Bandar Indera Mahkota, Batu 3 and Semambu Industrial Estate have also seen an upward price movement ranging from 10% to 15% within the year with an increase in the number of small medium enterprises, especially related to consumer products.

Significant Developments

The new RM50 million express bus terminal, Terminal Sentral Kuantan in Indera Mahkota which opened on 1 August 2013 is expected to improve the standard of public transportation in Pahang.

Members of the public welcomed Terminal Sentral Kuantan which has 40 bays for express buses, 365 parking bays for cars and a 176 - motorcycle parking facility.

The one - stop centre concept of the Pahang Urban Transformation Centre (UTC) in the heart of Kuantan has received positive feedback from the local town folks.

The UTC was built at a cost of RM37 million and houses 24 federal - level agencies, 15 state - level agencies, 12 private agencies and seven NGOs.

New Launches

New projects generally enjoyed brisk sales. This was apparent in the sale of semi-detached houses launched by General Heights S/B, and the 3-storey shopoffices developed by Kema Development and Dasar Irama S/B.

Pahang Urban Transformation Centre (UTC)

The unveiling of Semambu Industrial Park created a wave of excitement in industrial land investments. Plot sizes measuring 1 acre or less with longer tenure became more available to investors and the demand created an upward movement in price for this type of property.

Significant Transactions

Two golf resorts are expected to change hands soon – Lagenda Golf and Country Resort and Astana Golf and Country Resort. The disposal of Astana Golf and Country resort is in the midst of completion.

Outlook

With the decentralization policy in place for a number of consumer - based retail chains, opening branch outlets in smaller towns such as Kuantan has become an attractive option.

Coupled with the temporary closure of certain sections of one of the popular malls, EC Mall, for purposes of upgrading works, a higher demand for properties in town that cater to retail businesses is expected, with some retail based companies planning to utilize the opportunity to expand into high streets.

Transaction activities for hotels are expected to slow down as it is expected that demand for full - fledged hotels will be reduced with the mushrooming of many homestays and budget hotels.

Houses are expected to see continued upward trend in prices with the expected increase in the price of raw materials as well as the price of land amongst others leading to increased development costs. This will in turn have an effect on properties in the secondary market.

Demand for industrial land, half an acre or less, in certain locations will continue to be high in view of the increasing focus on SME activities.

At the same time, an active mining industry will contribute to increased demand and a gradual upward price movement of land in industrial areas such as Gebeng Industrial Estate.

Tourism arrivals have continued to grow, in conjunction with the several events held in Kuantan over the 2012 – 2013 period.

Following events such as SUKMA Pahang 2012, the recent opening of Bukit Gambang Safari Park, and the upcoming Kuantan Music Festival slated to be held in April, a positive impact on the tourism industry in Kuantan is anticipated.

The launch of the Malaysia - China Kuantan Industrial Park (MCKIP) and the new state administrative centre known as PPSAS are set to further spur the economic growth of Kuantan town.

Shopoffices at Lorong Tun Ismail 5

KOTA BHARU

Overview

The property market for 2013 was stable. There was no significant movement in transaction activity and occupancy levels have been flat across all property segments.

Landed homes continue to be the property of choice due to Kelantan / Malay culture and lifestyle coupled with the abundant supply of development / potential agriculture land.

In addition, the low cost of land relative to the cost of construction have contributed to the appeal of landed property developments compared to condominiums.

Significant Developments

Completed in 2013, the current expansion of Sultan Yahya Petra Bridge will further improve the connection from Kota Bharu to Tumpat and Pasir Mas district, thereby increasing the demand and value of properties especially in Tumpat district.

A new 5-star hotel, known as Hotel Perdana, was completed in 2013. The 266 - room hotel is located along Jalan Mahmud and offers room rates from RM198 per night. This is the second 5-star hotel in Kota Bharu after the Renaissance Kota Bharu.

New Launches

Recently a commercial development known as Che Siti Village Mall was opened for sale. The retail centre will be located in Bandar Baru Tunjong and are offering units with floor sizes from 1,600 sq ft and above.

Along Jalan Sultan, a residential development by HR City View S/B was launched. Known as City View Condominium, the development showcases apartment units of 965 sq ft to 1,474 sq ft in size and with prices starting from RM 306 psf. The development is slated for completion in 2016.

Embunuri @ Sireh is a hotel and service apartment development, recently launched by Ara Asia Property Management S/B. It is located in Kampung Sireh, near KB Water Front. Prices start from RM342 psf and unit sizes for the serviced apartments range from 554 – 3,793 sq ft. Other notable launches include two new apartment buildings known as Sentosa Residence Kubang Kerian and D'Perdana.

Significant Transactions

A residential development consisting of three 4 - storey blocks of hostel accommodation was sold for RM35 million by Harta Iring S/B to UMK Business Ventures S/B.

This property is located in Pengkalan Chepa and near to the Universiti Malaysia Kelantan (UMK) Kota Bharu campus and is rented by UMK to their students.

Outlook

The outlook for 2014 is stable for all property segments.

KUALA TERENGGANU

Overview

The overall property market in Kuala Terengganu in 2013 was stable with the landed residential sector being the most active.

Notwithstanding the laggard market development, houses led the market in terms of price performance.

Terraced house prices recorded approximately RM320,000 to RM350,000 per unit whilst semi-detached houses were going for roughly RM370,000 to RM420,000 per unit.

Significant Developments

The highlight for 2013 was the on - going development of PB Sentral, which is earmarked to be the State's main public transportation hub.

The development, once completed, will comprise a hotel, an office building, a bus transport hub, apartments and a retail mall.

New Launches

A new specialist hospital, known as KTS Specialist Hospital started its construction in 2013. Sited along Jalan Sultan, the hospital is being developed by TDM Bhd and is expected to be completed in 2015.

Outlook

The outlook for 2014 is continued stability extending from 2013.

Condominium Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Price (RM psf)	Expected Completion
Che Siti Village Mall	Bandar Baru Tunjong	Sara Timur Urban Development S/B	Commercial centre	1,600 – 2,500	GF - 880 1F - 740 2F - 440	2016
City View Condominium	Jln Sultan Yahya Petra	HR City View S/B	Residential	965 – 1,474	306 and above	2016
Embunuri @ Sireh	Kg Sireh near KB Water Front	Ara Asa Property Management S/B	Exclusive Hotel Apartment	554 – 3,793	342 – 374	2016
Sentosa Residence Kubang Kerian	Bandar Baru Kubang Kerian	Sentosa Jaya Development S/B	Apartment	628 – 4,620	327 - 477	2016
D'Perdana	Jln Sri Cemerlang	Kelantan SEDC	Apartment	412 – 2,885	384 - 463	2016

Property Transactions in 2013

Description	Location	Land Area (acres)	Vendor	Purchaser	Transacted Price (RM)
Three 4 / s hostel blocks	Taman Bendahara, Pengkalan Chepa	5.86	Harta Iring S/B	UMK Business Ventures S/B	35 million

Source: WTW Research 2013

KOTA KINABALU

Overview

The property sector, encompassing the residential, commercial and industrial segments generally continued on a steady pace of growth.

Although recent macro events such as decline in palm oil prices and stricter lending guidelines, amongst others have seen more subdued activities, property prices have been sustained and developments in established locations and near to centre of activities remain sought after.

In the high - end condominium sector, analyzed average transacted sub - sale prices for Peak Vista is about RM800 psf whilst units with good direct sea view are commanding higher prices, at the RM1,000 psf mark.

In the light of rising property prices, developments in good locations priced below the RM500,000 threshold have been well - received although these are mainly for apartment or condominium units of about 1,000 sf.

Serviced suites / SOHO / SOVO units with commercial titles are also being built, often as a component of a mixed development, and these units of 300 - 1,200 sq ft are going for RM650 - RM1,000 psf.

The continued uptrend in tourism as reflected by increasing visitor arrivals to Sabah, particularly China and Hong Kong, through Kota Kinabalu has also augured well for hotels in Kota Kinabalu.

Going into 2014, the scenario for the Kota Kinabalu property sector is anticipated to be similar to that of 2013 with prices, overall, continuing on an uptrend or sustained at current levels but this at the expense of lower investment yields.

Transaction volume is likely to moderate as the gap between sellers' expectations and purchasers' ability widens.

With the steady growth in prices over the last few years, buyers / investors who have made their property purchase earlier would be unwilling to settle for less than current prices for re - sale.On the other hand, restricted affordability and tighter lending policies imposed by Bank Negara could see further easing in transaction activities.

The market for mid - range properties would be good in view of higher prices for upper-range properties. Investments in land in proven locations will continue to be a safe bet in the long term as Kota Kinabalu continue as to expand with development densities increasing and / or moving further away from the centre.

In terms of new supply, there are a number of property developments in the planning stage but the progress of these plans in 2014 will face a challenge, amongst others, from the labour shortage which is expected to affect the construction sector.

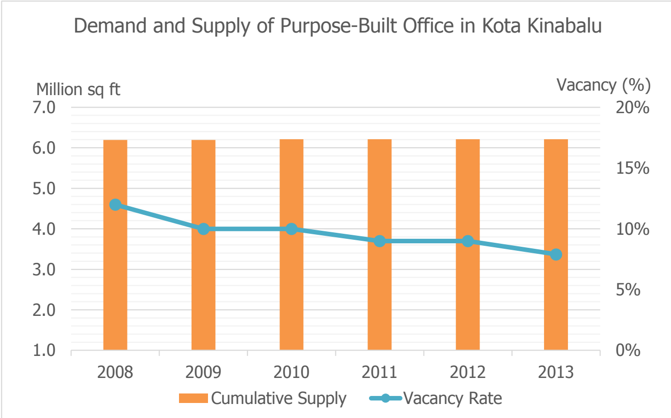
OFFICE SECTOR

Office Supply

The supply of purpose - built offices during H1 2013 remained relatively stable at some 6.2 million sq ft. A significant portion of incoming office supply will come from the upcoming Sabah State Administrative Complex near Yayasan Tun Mustapha and Wisma Innoprise.

It will reportedly accommodate the various departments under the Chief Minister's Department and related agencies and GLCs.Other than purpose - built office buildings and signature offices, future supply of office space outside the city centre will also come from shopoffice developments.

With the exception of several recently developed government office buildings, the private high - rise purpose - built office buildings in Kota Kinabalu are mainly more than 12 years old.



Source: WTW Research 2013

Other major office space will consist of Sutera Avenue and Aeropod, which are 10-storey and 8-storey modern signature offices with offices for the upper floors and lower levels intended for retail use.

The ongoing Menara Akal Megah is reportedly planned as a Grade A office building similar to that of Menara Hap Seng and will comprise a 4 - level basement car park, 3-storey retail podium and 10-storey office tower.

The next few years will see an increase in office space from current ongoing office developments.

In - coming Office Supply

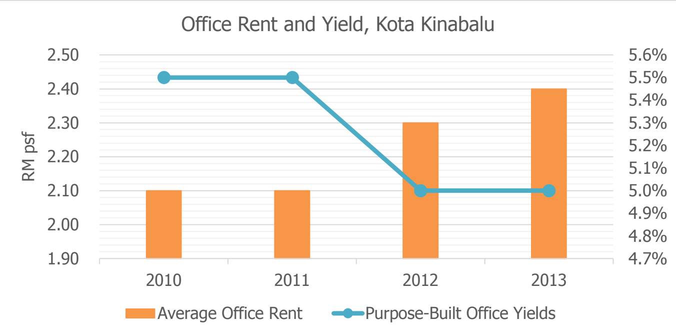
Name	Location	Developer	Completion	Type	NLA(sq ft)
Riverson Suites	Sembulan	Riverson Corporation S/B	2015	Office block	118,541
Sutera Avenue	Sembulan	Mah Sing Group	2016	Signature Office	246,964*
Aeropod (Block C, D & H)	Tanjung Aru	SP Setia	2015	Signature Office	196,248*
Menara Akal Megah	CBD	Hap Seng Group	2015	Office block	n/a
Sabah State Administrative Complex	Kuala Inanam	Sabah State Government	2015	Office block	882,000

Source: WTW Research 2013
Note: *Includes only upper levels intended for office use.
Ground and lower levels intended for retail use

Office Demand

Most of the office space requirements in Kota Kinabalu are being met by office space within conventional shopoffice developments though the sector is also seeing the rise of "signature offices" in recent years with demand for better quality offices as the city grows in importance and size.

The average vacancy rate of purpose - built offices in Kota Kinabalu is about 8%. Rental rates stayed mainly around RM2.00 - RM2.50 psf.



Source: WTW Research 2013

There has been some appreciation in market values for purpose - built offices although rents have been little changed with yields hovering at around 5%.

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 compress with rentals having yet to match the increase in prices.

RETAIL SECTOR

Retail Supply

Existing supply of retail space from shopping complexes is at some 4.58 million sq ft since the completion of One Place Mall Putatan in 2010.

The projected increase in retail space supply from ongoing developments is likely to see a more competitive retail sector when these developments come on stream though this may also be supported by rising population and household income and robust tourism growth.

There are a number of retail mall developments ongoing in and near the central business district (CBD) which will see an increment of 1.23 million sq ft within the next two years upon the completion of Imago Mall @ KK Times Square, Oceanus Mall @ KK Waterfront, Riverson Walk and Jesselton Mall.

Larger malls, namely Imago and Oceanus will also bring in new tenants / brand names currently not found in Kota Kinabalu. Imago Mall will be fully retained by the developer for leasing.

Retail Demand

Overall, values of retail space in the CBD have been relatively stable. Capital values of prime ground floor space generally range from RM2,500 to RM3,000 psf and yields around 6.5% per annum.

The rental market also varies with typical ground floor arcade shops in the CBD fetching RM15 to RM25 psf. On the other hand, smaller lots / kiosks are known to command higher rates whilst preferential rates are given to bigger lots or mini-anchors.

The vacancy rate for retail malls in Kota Kinabalu is estimated at around 12%.

Sutera Avenue SoVo

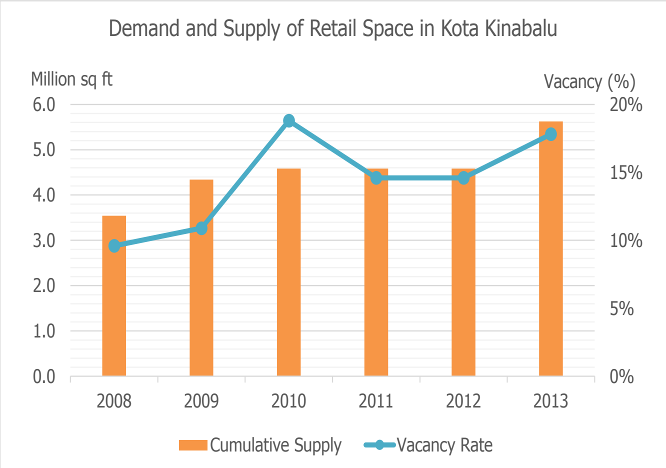
Shopoffice Launches in 2013

Name	Location	Developer	Expected Completion	Type	Unit Size (sq ft)	Developer's Price (RM)	Units
Harumas 118	Sepangar	LPL 118 Corporation	2015	3SO	3,792 - 4,188	968,888 - 1.488 mil	38
Pintas Avenue	Penampang Bypass	Chan Kok Weng Brothers	2015	3SO	3,384 - 4,805	1.418 - 2.238 mil	18
Kobusak Commercial Centre	Penampang Bypass	Ever Rich Development	2015	3SO	3,157	1.68 - 1.78 mil	80
C Park	Penampang Bypass	Semangat Global	2016	3SO	5,617	3.28 mil	8
				4SO	4,600 - 4,700	2.38 - 2.98 mil	40
Suria Inanam	Tuaran Bypass	DGE Development	2015	3SO	3,308 onwards	1.6 - 2 mil & up	110
						Total	294

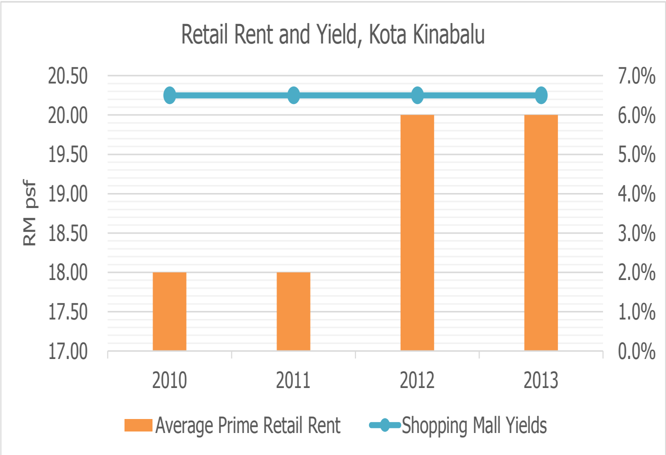
Source: WTW Research 2013
Note: List may be non - exhaustive, SO - Shopoffice

SABAH

In-coming Supply - Retail Properties				
Name	**Location**	**Developer**	**Expected Completion**	**Appox NLA (sq ft)**
Oceanus Mall @ Kota Kinabalu City Waterfront	CBD	Sunsea Development S/B	2014	258,000
Imago Mall	Sembulan	Syarikat Kapasi	2014	783,000
Riverson Walk	Sembulan	Riverson Corporation S/B	2015	114,000
Jesselton Mall	CBD	Palikota S/B	2015	75,000
Pacific Parade	Likas Bay	Pacific Sanctuary Holdings	2015	610,000
Grand Merdeka Mall	Menggatal North	Grand Merdeka Development S/B	2015	268,000
ITCC Penampang	Penampang	Sabanilam Enterprise S/B	2015	366,000
1Sulaman Shoplex	Jln UMS	Sagajuta (Sabah) S/B	n/a	184,000
Kompleks Star City	CBD	AC Property Development S/B	n/a	456,000
Total				**3,114,000**



Source: WTW Research 2013



Source: WTW Research 2013

Pacific Parade Mall, under construction

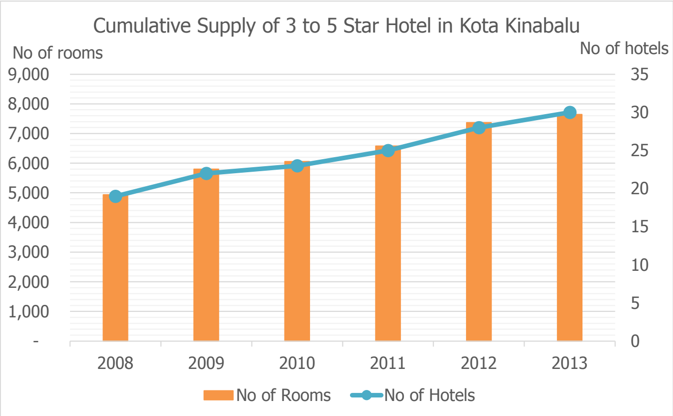
HOTEL SECTOR

Hotel Supply

Visitor arrivals to Sabah have continued on a steady growth trend. In 2013, preliminary statistics showed 3.38 million arrivals to Sabah, which is a 17.6% increase from 2012.

Visitors from China (including Hong Kong & Macau) accounted for 360,361 arrivals and currently form the largest group of international visitors in Sabah.

In the hotel sector, current supply of 3 - 5 star hotels in Kota Kinabalu (inclusive of 5 - star resort hotel in Tuaran) stands at approximately 7,641 rooms from 30 establishments.



Source: WTW Research 2013

Hotel Demand

Average occupancy for a sample of 3-star hotels in Kota Kinabalu surveyed by the National Property Information Centre (NAPIC) under the Valuation and Property Services Department is 64%, though occupancy is likely to be higher for CBD and city fringe hotels especially during peak seasons given the significant increase in visitor arrivals, especially those from China.

5-star resorts are also enjoying good occupancy and room rates, more so for 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.

In-coming Hotel Supply in 2014

Name	Location	Star rating	No. of rooms
Mercure Kota Kinabalu City	CBD	4-star	315
Hilton Kota Kinabalu	CBD	5-star	313
Unnamed @ Jalan Pantai	CBD	3-4 star	n/a
Marriott @ Oceanus Mall	CBD	5 - star	365
Grandis Hotel @ Suria Sabah	CBD	4 - star	197
Regency Hotel @ One Place Mall	Putatan town	4 - star	320
Ibis Styles Hotel	Inanam town	3 - star	185
Mercure Hotel @ Metro Town	Kolombong	4 - star	n/a

Source: WTW Research 2013

There were two major hotel transactions in Kota Kinabalu, namely:

1. The sale of Grand Borneo Kota Kinabalu 4 - star, 325 - room hotel (part of the 1Borneo Hypermall development at Jalan UMS) to Felda Group for RM86 million in mid - 2013.
2. The sale by tender of the uncompleted Asia City Phase 2B 12 / s, 313 - room hotel with multi-storey car park in the CBD for a sum of RM85 million. The hotel will be managed and operated by the Hilton Group. It is slated to be the fifth hotel under Hilton Hotel & Resorts in Malaysia.

The second half of 2013 saw the soft opening of Dreamtel Hotel (proposed with 3-star rating). The hotel was converted from the old Natikar building near Padang Merdeka in Bandaran Berjaya. The hotel will have a total of 160 rooms.

With the government's continued effort to promote Sabah's tourism sector and increased accessibility from regional destinations via more direct flights bound for Kota Kinabalu, future prospects for the hospitality sector should remain promising.

Regency Hotel and One Place Mall

Grandis Hotel, Suria Sabah

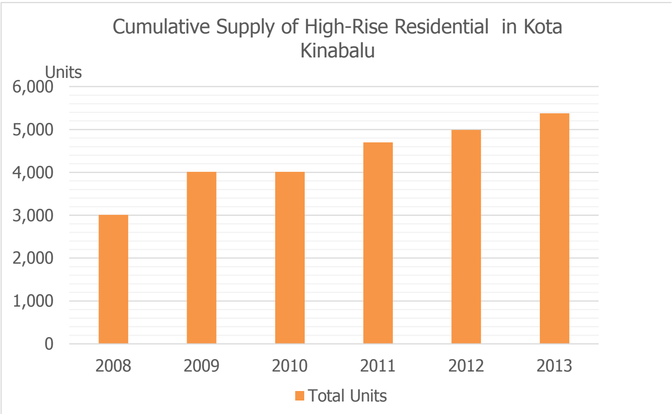
CONDOMINIUM SECTOR

Condominium Supply

Current supply of condominiums in Kota Kinabalu is estimated at 5,228 units. Developments completed in 2013 include Surian Residences and Puncak Luyang (Block B).

Other new launches in Kota Kinabalu that may be similar to condominium developments are those that involve serviced residences / suites / SOVO (small office versatile office). These breed of properties are usually developed on commercial titles and forms part of integrated developments.

They mainly come in smaller unit sizes compared to condominiums, and some of which come with partial furnishings and fittings.



Source: WTW Research 2013

Condominium Demand

Recently launched condominiums are mostly of the mid / mid upper range. Prices range from RM500,000 per unit upwards.

Condominium prices in the sub - sale market remain on an uptrend whilst rental market has been relatively stable. However, asking leasing 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 condominium prices would appreciate further going into 2014.

This, together with the number of developments coming on stream and proposed in the coming years and tighter lending requirements may see take - up rates moderating, particularly for the upmarket developments.

Artist Impression: Aeropod SoVo

Condominium Launches in 2013

Name	Location	Developer	Unit Size (sq ft)	Price (RM psf)	Expected Completion	Units
Bayshore Phase 4	Likas Bay	Pembangunan Teluk Likas	1,482 - 1,680	500 - 510	2015	28
Tropicana Landmark	Bundusan	Tropicana Landmark	1,215 - 1,466*	430 – 555	2014	149
Lido Avenue	Lido	Mega City Development	1,338 - 1,628*	435 - 503	2016	228
Jing Yuen Condominium	Minitod	Richallenge Corporation	1,216 - 1,548*	330 - 400	2015	72
Pacific Heights	Likas Bay	Apex Juta	1,060 - 3,150	715 - 913	2016	204
Jesselton View	Luyang	Binapuri Properties	809 - 2,507	477 - 790	2016	80
					Total	**761**

Source: WTW Research 2013
Note: *Unit size excluding penthouse units

Tropicana Landmark, under construction

LANDED RESIDENTIAL SECTOR

House Supply

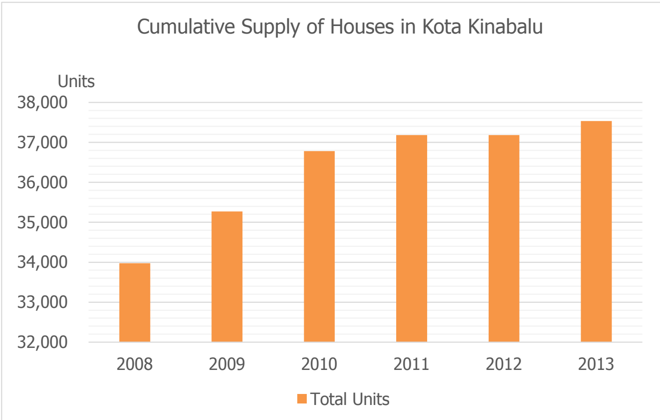
Residential developments launched in 2013 comprise mainly 2-storey terraced houses.

House Demand

Prices of new housing developments have continued pushing upwards from previous years.

Older residences in established neighbourhoods remain highly sought - after despite higher asking prices. The rental trend, however, continues to be stable thereby compressing yield expectations.

House prices are expected to increase in view of rising land and building costs and limited new supply. The sub - sale market will continue to be active with limited alternatives from new developments.



Source: WTW Research 2013

In-coming Residential Supply in 2014					
Name	**Location**	**Developer**	**Type**	**Units**	**Price (RM)**
Aman Sari	Menggatal	MH Land Development S/B	2 - TH	43	669,000 - 880,000
Bukit Pulutan	Menggatal	Lengsoon Development S/B	2 - TH	59	310,998 - 486,888
Bukit Pulutan	Menggatal	Lengsoon Development S/B	2 - SD	14	449,888 -,756,888
Laman Hijau Ph. 2	Kepayan	Ecogreenland S/B	2 - SD	20	1,388,000
Bukit Sepangar - D'Ambience	Sepangar	Wah Mie Group	2 - D	8	2,000,000 - 2,100,000
D'Sri Gayang Ph. 2	Sepangar	Golden River Development S/B & LPPB	2 - TH	227	288,000 onwards
Putera Perdana - Astelia	Telipok	TPPT S/B	2 & 2.5 – D	4	815,000
Putra Pogun	Penampang	Docomo Development S/B	2 – TH	108	585,000
Putra Pogun	Penampang	Docomo Development S/B	2 - SD	32	1,000,000
Sumundu By Prima Ph. 2	Penampang	Prima CL S/B	2 - TH	93	618,450 -, 800,000
Kasigui Ph. 3B	Penampang	Central Million Properties	2 - SD	46	518,000 - 588,000
Vila Era Kolopis	Penampang	Hemat Fajar S/B	2 - TH	17	488,000 onwards
Vila Era Kolopis	Penampang	Hemat Fajar S/B	2 - SD	4	n/a

Source: WTW Research 2013
Note: *List may be non - exhaustive
Abbreviation: TH = Terraced; SD = Semi - detached; D = Detached

INDUSTRIAL SECTOR

Industrial Supply

There have been limited new developments in the industrial property sector. This has led to an acute rise in capital values in existing industrial properties.

Inanam / Kolombong and Kota Kinabalu Industrial Park (KKIP), which are the main industrial locations in Kota Kinabalu, are enjoying good price appreciation.

The Inanam Industrial Belt is very close to reaching full capacity and most of the lands have remained on short leasehold terms.

Industrial Demand

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 especially in the current favourable market condition.

2-storey ready built factories in KKIP

Industrial Launches in 2013

Name	Location	Developer	Type	Units	Unit Size (sq ft)	Price (RM)	Expected Completion
Idamas 118	Salut	LPL 118 Corporation S/B	3 – SD	12	6,818 - 7,801	1.388 - 1.423 million	2015
Idamas 118	Salut	LPL 118 Corporation S/B	3 – WH	5	10,913 - 11,381	1.528 - 1.538 million	2015
Golden Hill Industrial Park	Inanam	Bumiwang Development S/B	4 - SR	4	6,000 - 8,000	1.65 - 3.65 million	2015
Golden Hill Industrial Park	Inanam	Bumiwang Development S/B	3 - SR	36	3,450 - 4,500	1.35 - 1.85 million	2015
Golden Hill Industrial Park	Inanam	Bumiwang Development S/B	2 - SD	20	2,400	1.65 - 1.85 million	2015
Golden Hill Industrial Park	Inanam	Bumiwang Development S/B	2 - D	2	2,400	2.85 million	2015

Source: WTW Research 2013
*List may be non - exhaustive
Abbreviation: SD = Semi - detached; WH= Warehouse; SR=Showroom, D = Detached

Ready-built factories at Kota Kianabalu Industrial Park

KENINGAU

Overview

The overall Keningau property market was stable especially in the landed residential and shopoffices sectors.

The residential, shopoffice and industrial properties sectors have traditionally been the most active in Keningau.

Significant Developments

Datun Commercial Complex is located along Jalan Masak. It is generally completed but pending issuance of occupation certificate.

The commercial development comprises 2-storey and 3-storey shopoffices providing floor areas of 1,986 sq ft and 2,979 sq ft, respectively.

The 38 units of 3- storey shopoffices are priced at RM336 psf or from RM1 million to RM1.25 million each while the 73 units of two - storey shopoffices are not open for sale yet.

A proposed 3-star hotel is also under construction in the vicinity of Datun Commercial Complex.

New Launches

Fong Yuan S/B launched a new residential development comprising single and 2-storey semi-detached houses known as Taman Bukit Indah. It will be a gated community development with modern and spacious design.

Another major development launched is Taman Adika Phase 12, which is located in Kampung Bariawa and developed by Sri Padasa S/B. The development comprises 2-storey semi-detached houses and detached houses with land areas ranging from 3,148 sq ft to 5,766 sq ft.

The detached units are priced at RM738,000 and above, setting a new benchmark price for the town.

Outlook

The property market in Keningau is expected to remain stable

Shopoffices at Datun Commercial Complex

Taman Adika (Phase 12): Semi-detached Houses

In - coming Commercial Supply in 2014

Name	Location	Developer	Type	Unit Size (sq ft) Land	Unit Size (sq ft) Built - up	Units	Price (RM)	Expected Completion
Datun Commercial Complex	Jln Masak	Sri Padasa S/B	2 – SO 3 - SO	996	1,986 2,979	73 38	n/a 1 - 1.25 million	2014

Source: WTW Research 2013

Residential Launches in 2014

Name	Location	Developer	Type	Units	Unit Size (sq ft) Land	Unit Size (sq ft) Built - up	Price (RM)	Expected Completion
Taman Bukit Indah	Kg Pasir Putih	Fong Yuan S/B	1 - SDH	56	From 3,000	1,111	322,000 – 380,000	2015
			2 - SDH	30	From 3,000	2,020	502,000 - 550,000	2015
Taman Adika Phase 12	Kg Bariawa	Sri Padasa S/B	2 - SDH	60	3,148 - 5,766	2,025	490k - 537k	2015
			2 - DH	31	21,645	2,546 - 2,674	738k - 860k	2015

Source: WTW Research 2013

LAHAD DATU

Overview

The general market in Lahad Datu was stable in 2013 although transactions were lower compared to the previous year. Retail properties saw a dip in transaction activity which was echoed in the landed residential sector. The marked decline in residential transaction activities could be attributed to several reasons.

The major factors for the decline in market activity are because of the armed Sulu intrusion, relatively lower palm oil prices and the lending curbs imposed by Bank Negara Malaysia.

Significant Developments

D'Perdana Square, a commercial development located along Jalan Silam, was completed comprising about 140 units of two and three storey shopoffices.

Affin Bank will have a branch in D'Perdana Square as the location is considered good. The take up rate for these shopoffices is expected to be fair given the current local economic scenario.

New Launches

Sri Gemilang Phase 1 originally developed by Syarikat Perumahan Negara Bhd (SPNB) under its affordable housing programme, has since been taken over by Khazanah Jaya S/B in 2012.

Approximately 63% (566 units of terraced houses) have been committed to buyers. The remaining units are for sale at RM100,000 to RM200,000 (previously RM50,000 to RM100,000). The response had been very encouraging.

Outlook

The demand for residential properties has not been fully met and the supply is still restrictive due to the high land and building costs.

More affordable houses should be constructed to meet the residential needs in Lahad Datu. The general property market is anticipated to remain stable in 2014 but house prices may increase further pushed by rising land and construction costs.

Residential Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Price (RM psf)	Expected Completion
Palm Garden	Jln Dam	Primecon S/B	Apartment	974.6 – 1,306.44	255 – 269	2015
iResidency	Jln Tengah Nipah / Jln Dermaga	Purcon Resources S/B	2 / 3 - TH	1,870*	293.5	Sep - 14
			2 / 3 - SDH	7,125*	350	
			2 / 3 - SDH	3,400*	434	
Sri Gemilang Phase 1	Jln Tengah Nipah	Khazanah Jaya S/B	1 - TH	700 - 850	143 – 235	Mid - 2014

Shopoffice Completions in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units
D'Perdana Square	Jln Silam	Hap Seng Properties Development S/B	2 & 3 - SO	1,200	140

Oil Palm Estate Transactions in 2013

Description	Location	Land Area (acres)	Vendor	Purchaser	Transacted Price (RM)
Oil Palm Estate	Jln Segama	291.58	Teng Cheng Loon @ Tan Cheng Loon	AB Plantation S/B	9 million
Oil Palm Plantation	Ulu Segama	5,955	Uniglobal S/B	Boustead Rimba Nilai S/B	185 million
Oil Palm Plantation	Koyah	1,000	Bee Garden Holding S/B	Global Group	36 million

Source: WTW Research 2013

iResidency at iPeak Business Centre

Palm Garden under construction

TAWAU

Overview

The Tawau Property Market was generally up in 2013. The retail, landed residential and shopoffice segments were the best performers, recording higher transaction activity, prices and occupancy levels.

Residential units in the town area are in short supply because of the high land cost. Developers are focusing on developing medium cost houses in suburban areas where land prices are more affordable.

Significant Developments

Bandar Sri Indah (Phase 5A), located along Jalan Apas was completed with 313 units of single storey terraced houses with built - up areas ranging from 1,006 to 1,205 sq ft .

All the units were sold at a competitive price range of RM198,800 to RM315,000. The project is the first sub phase of Phase 5 of the development, which upon completion will consist of some 900 units of terraced houses.

An eco-tourism centre, Sipadan Mangrove Resort, was launched in 2013. It is located at the estuary of Sungai Kalumpong and is one of the entry point projects (EPP) of the government economic transformation programme (ETP).

The centre will offer eco - chalet accommodation and eco - themed attractions for visitors. It is also within travelling distance to the Semporna Island resorts.

New Launches

Hap Seng Properties launched Phase 5E & F of Bandar Sri Indah with some 416 units of double storey terraced houses priced at RM300,000 to RM500,000. The response has been overwhelming with a sales rate of over 60 % during the first month of promotional campaign.

The launch of 1 - Kubota (Phase 1), a commercial development project which consists of 99 units of 3-storey shopoffices saw about 80% of the launched units being sold. The project is located in an area with a high concentration of commercial and residential developments.

New shophouse developments were also launched at a highly populated residential area, in the vicinity of Giant Hyper - mall.

Outlook

The market outlook for 2014 is further improvement of the retail, landed residential and shopoffice segments with other sectors remaining stable.

Residential developments in 2014 will likely be skewed towards medium cost housing with pricing of RM300,000 to RM450,000..

The hotspot areas in this sector will be at Bandar Sri Indah, Jalan Ranggu and Jalan Utara Baru.

Shopoffice developments will be centered on out - of - town suburban locations amongst others at the high growth residential and commercial areas of Jalan Datuk Chong Thien Vun and Jalan Kabota.

Bandar Sri Indah

Completions in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Units
Bandar Sri Indah (Phase 5A)	Mile 10, Jln Apas	Hap Seng Properties	1 - TH	1,006 - 1,205	313

Source: WTW Research 2013

New Launches in 2013

Name	Location	Developer	Type	Unit Size (sq ft)	Price (RM)	Expected Completion
Bandar Sri Indah Phase 5E & 5F	Mile 10, Jln Apas	Hap Seng Properties	2 - TH	1600	RM 300,000 - 500,000	2015
1 - Kubota Commercial Centre	Jln Kabota	Acejuta	3 - SO	1350 - 2300	1.528m - 2.880m	2015

Source: WTW Research 2013

SANDAKAN

Overview

The property market in Sandakan which is strongly linked to the local oil palm plantation industry, was on an uptrend in 2013.

Generally, property prices have gone up in line with the trend of asset inflation that is seen in the wider market. There was continued bearishness in the outlook and prices for palm oil which had started its downturn in Q4 2012. This led to analysts describing it as the end of "super profits" for oil palm, which hitherto had been one of the main drivers of the property market in Sabah with plantation owners reinvesting their profits in the property sector. Prices for oil palm estate had softened slightly.

The supply of residential properties has been predominantly houses and preference of buyers is only slowly changing to condominiums.
Sales of condominiums which are a relatively new type of housing in Sandakan have been encouraging. The recent price hike was clearly felt by the average investor.

The exuberance in the market was justified by heightened occupancy levels and a growing popularity of high - rise living. House prices have also gone up as quickly if not better than the condominium segment.

Shopoffice have also seen an uptrend in prices. Similarly, industrial properties experienced a significant improvement in prices.

Significant Developments

The year saw the completion of several commercial developments namely, One Avenue 9, Bandar Utama, Bandar Letat Jaya (Phase 2), Bandar Megah Jaya, and Mawar Commercial Centre (Phase 2).

New Launches

New residential developments launched in 2013 include Taman Harbour View (Phase 2), Case San UNO (Phase 6), Taman Mawar (Phase 5B), Taman Sejati Ujana (Phase 6), Taman Impian (Phase 1) and Taman Jati. They consist of mostly 2-storey terraced houses and 2-storey semi-detached houses.

Commercial development launches include Sandakan Square, the Mid Town Project, and Taman Nasalim, all of which comprise two and three storey shopoffices.

A notable industrial development known as Sandakan Sibuga Industrial Centre was launched in H1 2013 and comprises detached, semi-detached and terraced industrial buildings.

Outlook

Outlook for oil palm is fair with prices hovering around RM2,500/490 per MT CPO/FFB.

The tourism sector is continuing to grow with increasing numbers of western eco - tourists and now, also tourists from China and Hong Kong.

The continued increase in supply of condominiums and landed houses coming into the market is in line with general property values appreciation, with prices also continuing to appreciate albeit at a slower rate.

Shopoffice Completions in 2013

Name of Project	Location	Developer	Type	Unit Size (sq ft)	Units
One Avenue 9 Bandar Utama	Km 10, Jln Utara	IJM Properties S/B	2 - SO	1,121 - 1,214	67
Bandar Letat Jaya Phase 2 (Blocks M - P)	Northern Ring Road	Equity Leader S/B	2 - SO	990	44
Bandar Megah Jaya	Km 12, Jln Labuk	Syarikat Saban Enterprise S/B	3 - SO	1,035 - 1,678	36
Mawar Commercial Centre Phase 2	Km 9.3, Jln Utara	Rich Worldwide S/B	2 - SO	1,033.3 - 1,210.3	22

Source: WTW Research 2013

Significant Transactions

Description	Location	Land Area	Transacted Price (RM)
Oil palm estate	Sg Manalunan, 4.5 km north of Tomanggong, Off Km 157, Sandakan - Lahad Datu Highway.	2,922.27 acres	95,850,456

Source: WTW Research 2013

New Launches in 2013

Name	Location	Type	Unit Size (sq ft)	Units	Price (RM)	Expected Completion
Commercial						
Sandakan Square Ph1A1	Off Jln Buli Sim Sim	3 - SO	3,230 - 4,732	44	1.508 million - 2.348 million	2015 - 2016
Mid - Town Project	Alongside Northern Ring Road	3 - SO	1,076.1	42	1.166 million - 1.25 million	2015 - 2016
Taman Nasalim	Alongside Northern Ring Road	3 – SO	1,417.4	40	1,268,888 - 1,468,888	2015 – 2016
		2 - SO	1,565.6	4	1,209,888	2015 - 2016
Industrial						
Sandakan Sibuga Industrial Centre	Alongside Jln Lintas Sibuga	2 - DIB*1	14,165.7 - 25,467.4	7	2.4 million - 3.5 million	2015 - 2016
		2 - SDIB*1	6,303.1 - 8,158	18	1.38 million - 1.6 million	
		2 - TIB*2	2,358.6 - 4,157	46	880,000 - 980,000	
Residential						
Taman Harbour View Phase 2	Mile 1.5,Jln Utara	2 - SDH	4,000 - 10,660	60	418,000 - 503,000	2015 - 2016
		2 - TH	1,980 - 3,500	22	698,000 - 926,000	2015 - 2016
Casa San UNO Phase 6	Off Northern Ring Road	2 - TH	2,309 - 3,738	44	481,888 - 624,888	2015 - 2016
Taman Mawar Phase 5B Part 3	Off Jln Sibuga	2 - TH	1,266 - 3,512	56	274,800 - 367,020	2015
Taman Sejati Ujana Phase 6 Part 2	Off Jln Airport	2 - TH	1,405 - 3,953	51	325,000 - 448,700	2015
Taman Impian Phase 1	Jln Sg Kayu, Airport locality	2 - TH	Typical lot - 1,170	158	278,000 - 388,000	2015 - 2016
Taman Jati	Off Jln Merpati, Airport locality	2 - TH	1,268 - 2,942	115	294,5000 - 354,500	2015 - 2016

Source: WTW Research 2013
Note: *1 Industrial office / showroom / warehouse
*2 Industrial Office and Workshop
TH - Terraced, SDH - Semi-detached, SO - Shopoffice

Sandakan City Centre commercial development

Mid -Town Project (under construstion)

LABUAN

Overview

The property market has generally been upbeat in 2013 driven by the activities of the robust oil and gas industry. However, the office, retail and condominium sectors have remained relatively stable for much of the year.

Labuan is very dependent on oil and gas activities and a large segment of visitors to Labuan are working personnel related to oil and gas sector or off - shore activities.

The most activities were observed in the hotel and landed residential sectors. The surge in confidence and activities in the oil and gas sector has boosted property prices and demand for properties quite significantly in 2013.

Due to the influx of oil and gas personnel quite a number of existing and incoming shopoffices were converted into hotels to accommodate the oil and gas personnel.

Significant Developments

A recent completion was Lazenda Central, located in the town centre developed by Lazenda Development S/B. The property comprises 19 units of 3 and 5 storey shopoffices, each with a standard floor area of 1,200 sq ft or more.

Another 75 units of shopoffices and 48 units of offices entered the market with the completion of the Labuan Times Square. Both commercial developments mentioned above were issued with Certificates of Fitness for Occupation in August 2013.

New Launches

Paragon Labuan is the latest mixed development to be launched in the town centre. According to developer all retail units have been taken up with only some apartment units left for sale.

The development by Newcity Heritage Development S/B comprises a 2-storey retail podium (66 units), 3-storey apartment block (105 units) and 7 storey boutique hotel.

To be completed in 2015, selling prices for the ground floor retails units range from RM900,000 onwards and over RM800,000 for the first floor.

The retail units vary in size but on average around 1,000 sq ft and apartment units are on average around 1,200 sq ft.

Significant Transactions

Waterfront Labuan Financial Hotel, located on Jalan Wawasan, Labuan Town, was sold to Billion Pavilion for a consideration of RM77,880,000. The property was previously owned by Labuan Marina Centre S/B. It covers a land area of approximately 10 acres.

Outlook

With the continued expansion of oil and gas activities, the overall property market is expected to remain buoyant.
The hotel and residential sectors are expected to see further upward movement while other property sub - sectors will remain relatively stable in 2014.

Lazenda Central shopoffices

Labuan Times Square

Retail Launches in 2013

Name	Location	Developer	Type	Approx Unit Size (sq ft)
Paragon Labuan	Town centre	Newcity Heritage Development S/B	2 - storey retail unit	Retail units – 1,000 per flr

Commercial Completions in 2013

Name of Project	Location	Developer	Type	Unit Size (sq ft)	Units
Lazenda Central	Town Centre	Lazenda Development S/B	3 & 5 - SO	1,200 per flr	19 units
Labuan Times Square Phase 1	Fringe of Town Centre	Matrik Melati S/B	Mix Development	Shopoffice, Office Units & Condominiums	Shopoffice - 75 units, Offices - 48 Units

Source: WTW Research 2013

Note : SO - Shpoffice

KUCHING

Overview

2013 had been fraught with uncertainties in the 1st half by the then impending 13th General Elections and the 2nd half by the passing of more stringent financing guidelines by BNM as part of the Government's measures to curb the rising household debt.

Everyone from industry players to buyers to investors was more cautious this year, in light of new conditions such as :

- The maximum payback term for financing for properties is shortened to 35 years compared to the previous maximum loan term of 45 years;
- The maximum payback period for personal loans was reduced to 10 years from 25 years previously;
- Debt to net income ratio was reduced to 60% only;
- A ban on "pre - approved personal financing products" such as unsolicited loan and credit card offers was imposed with immediate effect.
- Loan to value (LTV) ratio was capped at 70% for the 3rd property onwards;
- Increase in fuel price and increase in cost of labour translated to rising construction cost.

The increase in real property gains tax (RPGT) by another 15% to 30% (for disposals within 3 years from purchase) in 2014 in order to arrest rising property prices and cool the property market without affecting genuine homebuyers, as well as the abolishment of the DIBS, could further dampen the industry's efforts to boost sales.

The recent rise in fuel prices will have an inflationary effect on the whole economic spectrum.

Reported rising costs in building materials, labour shortage and wages will make it difficult to keep house prices down and the decrease in spending power against inflation and a weak Ringgit will make house purchases less affordable.

The property market remains jittery. It is very much a buyer's market. Many buyers are holding back on their real asset purchases.

Industry players generally agree that the situation will likely persist into the coming year.

Despite muted enthusiasm amongst investors, there is still much construction activity going on as a result of the prolific growth of past years.

There were fewer transactions in general in 2013 compared to the previous year.

Tighter financing criteria, rising development costs and a higher RPGT in 2013 compared to previous years are main contributing factors.

Even though the number of transaction volume for 2013 declined, the value per transaction is expected to make steady progress, with the housing sector remaining the major contributor in the industry.

Certain areas in Sarawak ear-marked under the regional development plans of the 10th Malaysia Plan, namely Sarawak Corridor of Renewable Energy (SCORE), would experience unprecedented growth due to the implementation of mega projects.
Towns such as Bintulu and Mukah would stand to benefit greatly and the impetus would drive up demand and have a positive impact on property developments in these areas.

The property market in Kuching is still young and vibrant and continues to hold great potential for the future.

As an essential need, property demand will not be abated but rather, just delayed during certain periods after which the so-called pent-up demand will re-assert it eventually.

Properties fulfilling the criteria of being near developed infrastructures and facilities, having strong property conceptual differentiations and attractive in terms of pricing (<500,000) and size (at least 1,000 sf) will have the competitive edge.

Kuching, being the Capital and state administrative center, will remain the star performer of Sarawak's property market.

The major industry players for Kuching for 2013 remained similar to previous years with no new entrants in 2013. Newcomers are mostly small developers developing projects with less than 50 units each on a piece - meal basis. Most developers are building in the residential sector.

The major developers seem to be reiterating their presence with new launches in the continuing phases of their mega projects.

These notable players have also been tasked with new public infrastructure projects such as M/S Ibraco Bhd for the Kuching Waterfront Extension and Town Square in Bintulu, M/S Hock Seng Lee Bhd with road building, reclamation and sewerage works and M/S CMS lands with various projects at the Kuching Isthmus.

2013 also saw the completion of several highways and bridges, namely the Tun Jugah - Jalan Song flyover near City One, the new RM267 million Isthmus Bridge / Sungai Sarawak Bridge connecting Kuching city centre to the Kuching Isthmus and the completion of the Kuching city centralized sewerage system project.

The residential sector made up more than 40 % of total property transaction volume in Kuching in 2013 (JPPH PMR 2013).

Many more strata - titled properties were launched in 2013 compared to previous years with almost all of them situated within the Kuching built - up area. This has pushed up the number of apartments / condominiums to about ¼ of the total residential units launched. The commercial shopoffice development scene was surprisingly quiet in 2013 after having a good run in 2012.

It was a busy year for the construction industry – many projects that were launched over the past 2 years, especially commercial developments, have commenced construction.

Construction activity was concentrated to the areas just outside the central business district and other subcentres of the city such as Kuching - Serian, Batu Kawa, Muara Tuang and Matang where prices are more affordable.

This trend is expected to continue in the medium to long run.
Matang tops the ranking of number of units completed in 2013. The area witnessed a boom in new properties that streamed into the market from newly opened areas such as Jalan Matang - Batu Kawa.

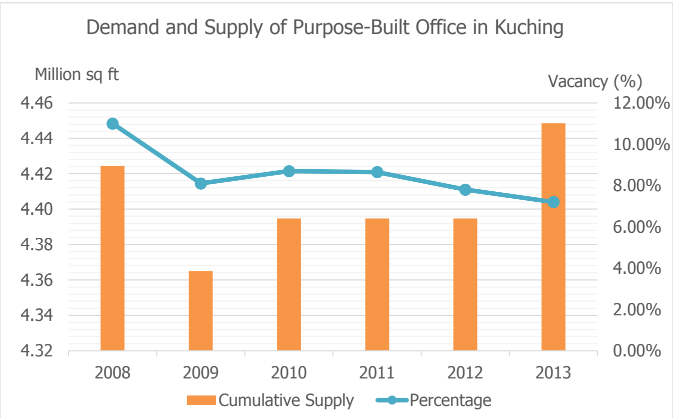
OFFICE SECTOR

Office Supply

The office sector for 2013 remained rather passive with only one purpose - built office building completed.

Baitul Makmur

It was built by M/S Lee Onn, a renowned developer in Kuching. The building will be partly owner occupied and partly leased. The 5 - storey building with about 53,800 sq ft of commercial floor space was completed in the 1st quarter of 2013.



Source: WTW Research 2013

Current supply of office space stands at less than 5 million sq ft, having increased insignificantly over the last 5 years, at an average of only about 0.5% per annum.

Some of the office buildings have been converted into hotels in recent years such as the Lime Tree Hotel in the former Kuching Tower building and the Abell Hotel at the former KKB building, thus offsetting some of the increase in office spaces.

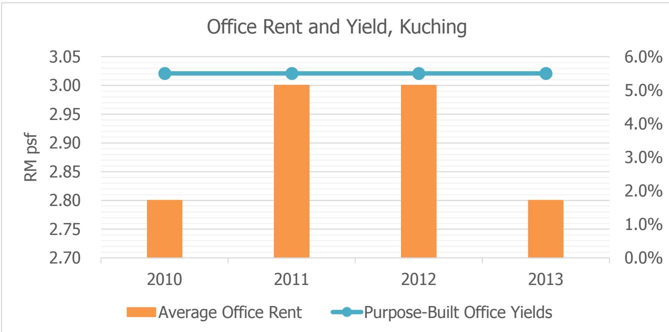
Two (2) buildings known as the Gateway Towers were simultaneously launched recently in August, 2013, to house the headquarters for the Sarawak Economic Development Corporation (SEDC) and the Land Custody and Development Authority (LCDA), both government linked entities.

To be built by CMS Lands S/B at the Kuching Isthmus, the buildings will both complement each other at 11-storey in height and 118,000 sq ft each in size on sites of 2.37 acres and 2.74 acres respectively.

The estimated project cost including land for each building is RM76 million. The buildings are expected to be completed in 2 years' time.

Another government linked building, called Baitul Makmur 2, is now being planned as a second building to be annexed to the existing Baitul Ma kmur at Bukit Siol area in Petra Jaya and is expected to be built in the near future. It is slated to be 18-storeys high with 2 basements and will have a NLA of 521,000 sq ft.

Dayak Plaza, which is a retail and office complex, was supposed to replace the original Rumah Dayak, and whose construction was stalled for years, has had its building plans redrawn to include 7 units of 4-storey shopoffices nearing completion and possibly, a 12-storey tower which is still on the drawing board.



Source: WTW Research 2013

Office Demand

Apart from these, there are no other known private commercial office buildings coming up in Kuching. As the supply of the office sector has always been well regulated by the State government, the vacancy rate for this sector remains stable and low, generally, below 10% as most spaces are being occupied by the government and its subsidiaries.

Office development is not a popular foray for local developers who prefer to remain in the mainstream sectors of residential and shopoffice development.

Sale of large commercial space is less promising since most large corporations are based in the Peninsular. Moreover, rentals are low and stagnant.

Rental yields remain low at 5% to 6% per annum with rental rates having stagnated at about RM2.80 – RM3.00 psf or so. As in the previous year, there was no purpose - built office building transaction. The office sector is expected to remain unexciting but stable for the next year with possible additions to the sector after 2015. Following global initiatives and awareness, environmentally friendly buildings shows strong promise as the way to go for future office buildings.

RETAIL SECTOR

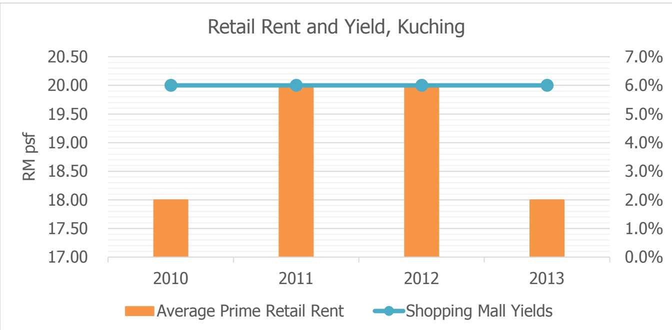
Retail Supply

The booming retail sector in Kuching has seen prolific development in the last couple of years.
This trend continued to manifest itself in 2013 with the completion of the number of malls.

1. **ST3**, a retail podium connected to the Citadines apartment - hotel, which opened in the 1st quarter of 2013, sited opposite the Spring, at Jalan Tun Jugah;
2. **City One** at the busy road junction of Jalan Tun Jugah / Song, a bustling residential domain and thoroughfare, which boasts of 2 malls having the highest combined retail space for shopping malls in Kuching;
3. **Eastern Mall** located at Siburan Bazaar along 18th Mile Jalan Kuching - Serian to serve the outskirt community;
4. **Summer Mall,** the first and biggest shopping mall in Samarahan, which is only a half - hour ride away from Kuching, linked conveniently by the Kuching - Samarahan Expressway going into Jalan Datuk Mohammad Musa.

City One is a mega mall by Kuching standards, incorporating all the modern conveniences under one roof, including a supermarket, a cinema, a games arcade and a food court.

Summer Mall which encompasses the concept of a one - stop shopping, leisure and entertainment centre for Samarahan will incorporate a water - themed park for its 2nd phase which is currently under construction and is expected to open by 2014 and a hotel and serviced apartments for its future phase.



Source: WTW Research 2013

Coupled with Samarahan, these have added about another 1.1 million sq ft of retail space to Greater Kuching, pushing current supply of retail space in Kuching to about 4.54 million sq ft which is more than double the figure 5 years ago.

Refurbishment works for Kuching Plaza (the 1st modern shopping complex built in Kuching in 1981) was completed this year and an official re - opening is due soon.

Malls continue to be built in 2013, albeit smaller ones in the form of hypermarkets / supermarkets built to cater to the suburbs / outskirt residential nodules at the various commercial centres.

Eastern Mall, Jalan Kuching Serian

Retail Demand

Due to the high influx of retail space in the Kuching market, retail rents have not been able to attract the kind of rates commanded two years ago and owners have had to lower their rents below RM 20.00 psf in order to secure new tenants or retain old ones.

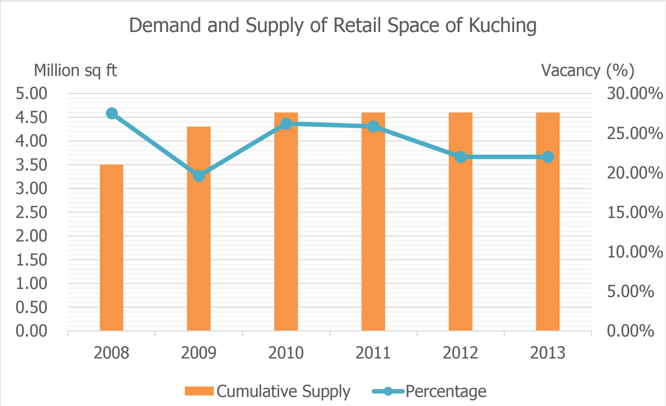
Retail property prices have also waned somewhat compared to recent years to less than RM 2,000 psf with malls vying for the same retail tenants who have not been increasing in tandem with the rise in retail spaces. The current vacancy rate has increased to around 28% from 26% recorded 5 years ago.

The market seems to be showing signs of saturation with vacancy rates anticipated to rise further in the next year or so.

Summer Mall, Samarahan

SARAWAK

With 4 new shopping malls opened in the current year and a handful more under construction, the retail sector doesn't seem to be slowing down anytime soon and maintaining a competitive edge in terms of appeal, layout, design and size will be relevant for survival.



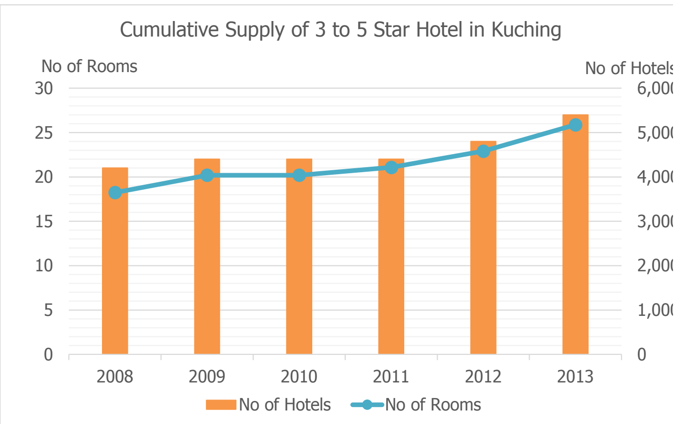
Source: WTW Research 2013

HOTEL SECTOR

Hotel Supply

Whilst 2 new small hotels and 1 new serviced apartment added 405 hotel rooms to the hotel sector in 2012, 2013 has so far not yielded any new hotel buildings, although the following are expected to be completed soon:

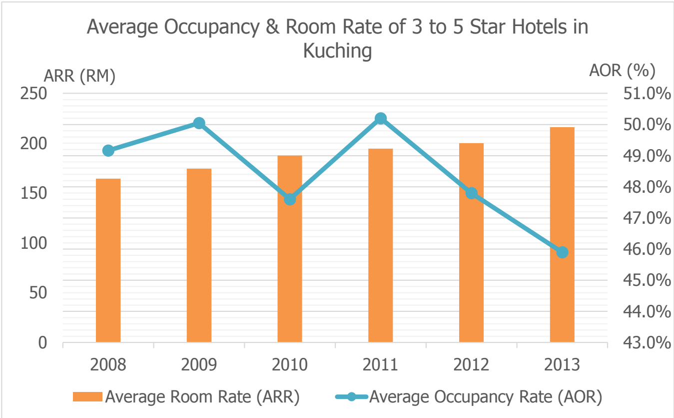
1. 360 Waterfront Hotel @ Plaza Merdeka, an 8 - storey city business boutique hotel built atop the Plaza Merdeka with 290 rooms;
2. The Imperial Apartment Suites, a 15-storey serviced apartment component of the Boulevard project which will offer 224 rooms;
3. A small 5-storey building, off Jalan Song Thian Cheok, reported to be a hotel in the offing with 39 rooms;
4. A refurbished 3-storey building with a roof top floor, formerly housing Yayasan Sarawak, at Jalan Ban Hock / Jalan Central Road East, believed to be opening as a budget hotel.



Source: WTW Research 2013

Another three (3) more hotels are currently under construction, namely, the Imperial Hotel, the New Majestic Tower Hotel and the UCSI CityIsland Hotel, which is undergoing earth works at the Kuching Isthmus. These are fairly big hotels which will contribute close to 960 rooms in total.

Although no new hotel buildings were completed in 2013, budget hotels have nonetheless, been springing up, occupying existing shopoffices, such as the newly opened CT2 Hotel at Jalan Ban Hock and Padungan Hotel at Jalan Padungan both with 36 rooms each.



Source: WTW Research 2013

Hotel Demand

Hotel room rates have gone up somewhat, perceived as between 5% and 10%, possibly due to rising costs of labour and upkeep.

Kuching, being the State capital and main entry point for Sarawak, has the lion's share of visitors to the State.

The tourism sector continued to grow in 2013 with visitors' numbers surpassing that of the previous year 2012, with well over 4 million in total visitors' arrivals for the year.

Kuching also played host to the State's 50th Malaysia Day celebration 2013 which attracted many tourists and dignitaries for the month of September.

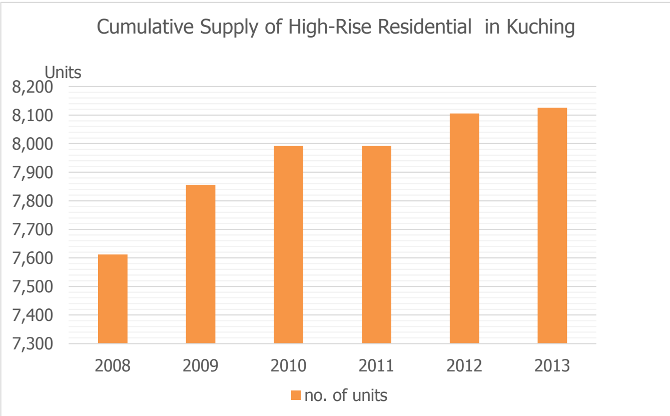
360 Hotel, Kuching

CONDOMINIUM SECTOR

Condominium Supply

The condominium sector which has caught on in recent years, continued to shine for 2013 as the number of units being launched and constructed trended upwards.

The increasing security concerns and changing lifestyles have most likely driven up preference for gated and guarded living facilities such as condominiums.



Source: WTW Research 2013

The surge in this sector has seen prices moving up from RM 300 psf two years ago to RM 550 psf currently.

Condominiums are slowly but surely gaining wider acceptance locally especially among the younger generation who are receptive to high - rise living and appreciate the convenience and security that comes with it.

Current supply of condominium / apartment units stand at about more than 8,000 units.
Newly completed units for the year include the following:

- D'Infinia Residences located off Jalan Airport developed by Genesis Base S/B with 45 units;
- The Tropics at Jalan Song, a thriving suburban hub developed by Regal Advantage with 128 units;
- Riveria Bay Phase 1 at the Riveria project developed by Khidmat Mantap (subsidiary of Naim Holdings Bhd) at the Kuching - Samarahan border with 66 units out of its total of 132 ;and
- I - MAS Village Flats at Jalan Datuk Mohammad Musa at Samarahan with 64 units.

Condominium Demand

2013 recorded the highest number of units launched, surpassing even that of 2012 with launch prices reaching an all - time record high of RM 650 psf for high - end condominiums in a choice housing area.

The number of units under construction and coming into the market totals more than 4,000 units which would add more than 50 % to the existing supply of close to 8,000 units. The take - up rates of these property types have been very encouraging with over 70% sales within a year of launch.

The next few years will see even more of such developments sprouting up, as high - rise living catches on in a city with an increasing population density and where development lands are becoming scarce.

Riveria Apartments @ Samarahan

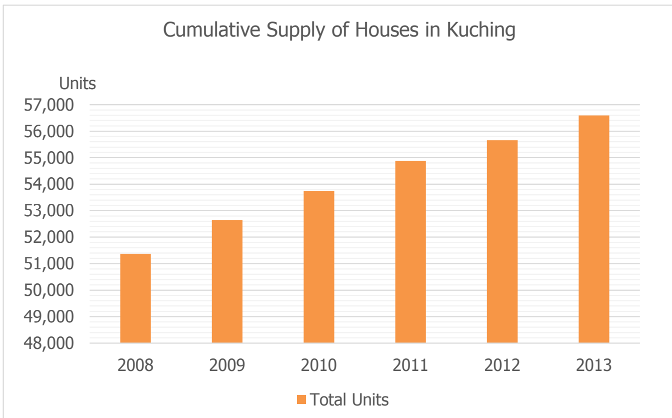
LANDED RESIDENTIAL SECTOR

House Supply

The residential sector was fairly active for the year 2013. There were marginally more units launched than 2012, attributed largely to higher density strata - titled developments. Like the previous year, most housing developments launched were small, comprising less than 50 units.

The bigger launches of more than 100 units recorded for 2013 were for the continuing phases of major projects like Tabuan Tranquility which launched its final phase and is located at Muara Tabuan - Jalan Canna and Central Town, one of the largest premium residential projects in Samarahan, developed by M/S Mdkwangtai.

Launches were most active in the prime secondary areas of Jalan Kuching Serian followed by Muara Tuang, Batu Kawa and Petra Jaya areas.



Source: WTW Research 2013

SARAWAK

In - coming supply for 2013 seems higher than 2012 with the number of units highest in the new up and coming areas of Jalan Kuching Serian, Jalan Datuk Mohd Musa and Batu Kawa with high concentrations in the Stapok area for the latter.

More developers are shifting towards these secondary locations due to increasing land prices in the prime areas pushing up house prices beyond the affordability of most of the population.

House Demand

Newly completed units more than doubled that in 2012 due to the high number of launches over the past few years with the Matang area recording the highest number of completions for 2013 largely contributed by Taman Moyan Jaya 2 with 122 units, followed by the Kuching built up area, Jalan Batu Kawa and Jalan Datuk Mohd Musa area.

Terraced houses continue to top the launches and completions (over 75%) followed by semi-detached (around 20%).

Prices remain high at more than RM500,000 for a new 2-storey terraced houses unit and more than RM1,000,000 for a semi-detached unit in prime housing areas.

Take up rates of new housing seems to be slowing down and this is expected to continue into 2014, as a result of increasing prices, stringent loan requirements and general inflation.

Despite that, the landed residential sector continues to look promising for Kuching with its young dynamic population growth although latest developments show a trend moving towards high - rise strata titled living.

However, it is expected that such developments will take place at a steady pace and not likely to overtake the landed housing sector any time soon.

The BOTANIKA @ Jalan Batu Kawa

Tabuan Tranquility

In-coming Retail Complexes				
Name of Development	**Location**	**Units**	**NLA (sq ft)**	**Completion Year**
Swan Mall / Hup @ Matang	Suburban	177	200,000	2015
Moyan Square Shopping Mall	Suburban	154	150,000	2015
Matang Mall	Suburban	> 150	150,000	2014 / 2015
Everise Flagship Store	Off Jalan Wan Alwi	na	100,000	2013

Condominium Launches in 2013			
Name of Project	**Location**	**No. of Storeys**	**Units**
Riveria Bay Phase 2	Off Kuching - Samarahan Expressway, Samarahan	3	78
D'Public Square	Jln Batu Kawa	6	264
Stutong Heights	Lrg 12, Jln Stutong Baru	5	272
The REPUBLIC	Lorong 8, Jln Kempas	12	48
The Park Residence	Off Jln Canna	5 - 10	178
Sentosa Apartments	7th Mile, Jln Kuching - Serian	10	60

Residential Launches in 2013					
Name of Project	**Location**	**Developer**	**Type**	**Unit Size (sq ft)**	**Units**
Tabuan Tranquility	Off Jalan Muara Tabuan	Ibraco Berhad	TH	NA	106
Cahya Damai	Lorong Cahay Damai	Projek Bandar Semariang SB	TH	NA	46
Central Town	Kuching Outer Ring Road	mdkwangtai	TH	910-1870	105
Eden Fields	Jalan Kuching Serian	Hock Seng Lee SB	TH	1004 - 2026	58
			SDH	NA	18
Fair Hills Park	Off Jalan Kong Ping	Fair Hill Property SB	SDH	2588 - 2922	12
Green Town	Jalan Kuching Serian	Soon Hing Hong Development SB	SDH	NA	14
Joyous Park	Jalan Penrissen	Gigantic Dynamic Group SB	TH	NA	70
			SDH	NA	26
Palm Residence	Jalan Stapok Utama	Central Land Developments SB	TH	1995-2171	62
				1950-3833	18
Samariang Aman 2	Jalan Sultan Tengah	Hock Seng Lee Construction SB	SDH	886-1522	50
				1077	28
Stakan Maju	Jalan Muara Tuang	Regal Group	TH	1679-3750	25
			SDH	NA	10
Taman Campus Edge	Jalan Muara Tuang	Sumbangan Aneka SB	TH	846-1063	18
Taman Muara Tuang Park	Jalan Muara Tuang	Hong Leiong Construction SB	TH	1835	23
Taman Sri Jaya	Off Jalan Depo/Jalan Matang	R.S. Builders	TH	1076	24
			SDH	1265	16
Taman Sri Permai	Jalan Pasir Pandak	Petra Jaya Properties	TH	730	64
Taman Stapok	Jalan Stapok Utara	Fortune Intermerge SB	TH	NA	12
Taman Vision Land	Jalan Tondong/Batu Kawa	Hong Seng Construction SB	TH	2121-2381	32
UniPark	Jalan Datuk Mohammad Musa	Tiya Development SB	TH	1012 - 1220	73
			SDH	NA	10
Taman Zoriah	Off Jalan Depo / Jalan Matang	Nursinar Development SB	TH	NA	32
Windsor Estate	Jalan Hup Kee	Rantau Johan SBS	D	NA	53

Source: WTW Research 2013
Note : TH - Terraced, SDH - Semi-Detached, D - Detached

Kuching City Mall shopoffices

iCom Square commercial centre

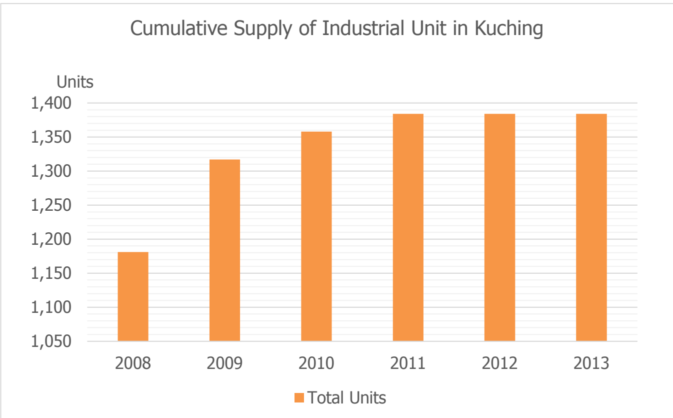
INDUSTRIAL SECTOR

Industrial Supply

At present there are only around 1,500 industrial units in Kuching. However, this already makes up close to 35% of the Sarawak total.

There were no new industrial projects completed for 2013 with projects launched previously still under construction. The Sarawak Factory Wholesale Centre at Jalan Bako is expected to be completed by 2014, contributing 225 units.

There was only one industrial project launched during the year, namely, Modern Light Industrial Estate.



Source: WTW Research 2013

Located along Jalan Stakan Melayu, Muara Tuang, the estate offers 70 units of double storey semi-detached units and 4 industrial detached lots for sale.

Prices range from RM635,000 to RM1,258,000 per unit depending on the land size for the semi-detached and RM1.66 million to RM1.9 million for the detached lots. This project has yet to start construction.

Industrial Demand

Prices of industrial lots in Kuching remain at around RM50 psf and semi-detached at around RM250 psf.

There were no major industrial transactions for 2013.

Rent yields for industrial unit remained unchanged at between 5% and 6% per annum. No significant events are expected for the industrial sector for the next year 2014.

However, with SCORE getting underway in the Central region, more related industries are expected to be mooted in the medium and long term in Kuching, as a result of spin - off effects of downstream activities.

Outlook

On the whole, developers and investors remain optimistic and hopeful on the outlook of the overall property sector.

Central City by MD Kwang Tai @ Samarahan

BINTULU

Overview

The overall property market in Bintulu was stable in 2013.
In Bintulu, most of the newer shopoffices continue to be located outside the existing Bintulu Old Town Commercial Centre, towards the Parkcity and suburban areas.

The focus on out - of - centre developments is due to the limited land available in the existing town centre area.

Most of the recent launches in Bintulu were 3-storey terraced shopoffices which were transacted at prices of RM950,000 to RM2,500,000 per unit.

The retail sector showed positive growth. A significant new project, Bintulu Paragon Street, entered the Bintulu market this year.

Other major projects that remain under construction are Times Square Mall and Commerce Square.

The shopoffice sector saw developments concentrated in suburban areas such as Kidurong and Jalan Sultan Iskandar.

Newly launched projects in this area are Town Square Bintulu (Jalan Sultan Iskandar) and Kidurong Gateway (Kidurong area).

Significant Developments

Several commercial projects are under construction, including Kidurong Commercial Centre and Kidurong Commercial Park. Both developments are situated in the Kidurong area.

The Kidurong area is also the gateway to Samalaju Industrial Park, which is one of the Sarawak Corridor of Renewable Energy (SCORE) development areas.

This industrial area is also near the Bintulu International Port, which would boost demand for shopoffices in this area.

The Borneo International Kite Festival has had a positive impact on the tourism and leisure sector of Bintulu.

Organized by the Bintulu Development Authority (BDA) and Sarawak State Government, the festival is a source of attraction for visitors to Bintulu.

This international event started in 2005 and is held annually, usually between August to early October.

New Launches

Bintulu is set to experience a flurry of integrated development projects such as Bintulu Paragon and Town Square Bintulu. These mega projects will change the development landscape of the town.

Bintulu Paragon developed by Naim Holdings Bhd is located adjacent to Bintulu Old Town.

Phase 1 consists of a 3-storey Street Mall, 6-storey small office versatile office (SOVO) Suites, 37 and 39-storey condominium buildings and a 16-storey business hotel.

Currently, the 3-storey Street Mall and 6-storey SOVO have already been launched for sale.

Located at Jalan Tun Ahmad Zaidi, Town Square Bintulu comprises commercial components such as shopoffice, small office home office (SOHO), an office block, mall and hotel as well as condominiums and apartments with 75 units of the 3-storey modern shopoffice already launched.

Other shopping malls currently under construction are Times Square Mall and Commerce Square.

The housing sector in Bintulu continues to be concentrated in suburban areas such as Jalan Tun Hussein Onn and Jalan Sungai Sibiyu area.

The recent launches price for residential properties are transacted between RM366,000 to RM698,000 fro double-storey terraced house and RM647,000 to RM840,000 for double-storey semi-detached house.

Outlook

The overall Bintulu Property Market will remain stable in 2014. Property prices will continue to rise steadily in Bintulu, especially for the retail, shopoffice, housing and hotel sectors.

The Samalaju Industrial Park will have a positive impact on the property sector in this region, creating new job opportunities for the local population.

The anticipated increase in the resident population is a result of an increase in migrant workers, expatriates, investors and businesses from SCORE.

This will make the property market in Bintulu more vibrant and competitive in the coming years.

3 and 4 - storey shopoffices in Bintulu Sentral Jalan Kidurong

2 - storey shopoffices in Kidurong Commercial Park

SARAWAK

MIRI

Overview

The overall property market in Miri was stable in 2013. House transaction activity was down due to the increase in house prices, stricter housing loan requirements implemented by Bank Negara Malaysia and the declining real purchasing power of households.

Shopoffices transaction volume and prices were up due to higher demand and corresponding increased supply. Buyers also find shop offices attractive investments on an after tax basis.

Industrial transaction volume and prices are also up as there is currently a limited supply of industrial units.

Significant Developments

This year has seen the most sales launches of shopoffice units in Miri as compared to previous years, the most popular being 3 - storey terraced shopoffices.

The MYY Mall completed in 2013, is a 4-storey shopping mall located in Lutong, approximately 10 km north of Miri City Centre.

The shopping mall has 3 levels of retail outlets and 1 level of office space. It has a total gross floor area of approximately 406,208 sq ft.

New Launches

The Wharf is a private 18-storey strata - titled suites development located within Miri City.

It has a total of 192 apartment units with facilities such as swimming pool, gymnasium and aerobics room, multi-purpose hall, children's playground, security card access system, CCTV, etc.

The Wharf is one of the components of the master development by Unique Harvests S/B which includes a 24-storey luxury hotel and 10 units of 3-storey shopoffices.

The project is set to be one of the largest private high - rise residential and hospitality developments with a total gross development value of RM400 million.

Miri 101 Commercial Centre located next to Boulevard Commercial Centre and Shopping mall consists of 54 units of 3-storey shopoffice with tenure of 99 years. It was launched in November. Selling prices of the shopoffices starts from RM1.9 million per unit. The commercial centre will also incorporate office towers, government agency building and Islamic Agency Building.

Arcadia Square is another prominent project in Miri that was launched recently. It is part of a mixed development project that is set to be one of the largest master - planned townships in Miri which is still in the process of construction, known as Marina ParkCity.

Arcadia Square has a site area of 19.2 acres and will consist of about 142 units of 4 to 5-storey shop offices / retail units with mezzanine floor.

Prices start from RM1.35 million for ground floor retails units; RM541,000 and above for first floor retails units and from RM268,000 for office units.

Outlook

Moving forward, the market is expected to remain stable in 2014.

MYY Mall (newly completed) located at Lutong

Artist Impression of the Wharf project in Miri

Significant Developments in 2013

Name of Project	Location	Developer	Type	Gross Floor Area (sq ft)	Units	Expected Completion
MYY Mall	Lutong	Warisan Teamwork Sdn. Bhd.	Shopping Mall	406,208	200	2013

Name of Project	Location	Developer	Type	Unit Size (sq ft)	Price (RM psf)	Launched	Expected Completion
The Wharf	Miri City	Unique Harvests SB	Apartments	1,547 – 1,770	582 - 647	2013	2015

Source: WTW Research 2013

SIBU

Overview

The general property market in Sibu was stable in 2013 with prices up for the condominium, landed residential, shopoffice, and industrial sectors.

Although the selling prices for all types of properties in Sibu, namely, apartment, landed residential, shopoffice and industrial buildings had gone up, transaction activity generally remained stable.

Selling prices are still on the uptrend as a result of increasing construction costs and high land cost due to limited suitable development lands in preferred areas.

Significant Developments

There are more newly launched shopoffice projects compared to other sectors as developers see high profit margins from their sales while investors find that shopoffices are more easily rented out, although the yield is generally lower.

The University College of Technology Sarawak (UCTS) has been announced to be set up in Sibu as part of the series of efforts to churn out highly skilled personnel to fill the projected demand by projects under the Sarawak Corridor of Renewable Energy (SCORE).

The on - going UCTS development has stimulated market values of surrounding properties as more landed residential and shopoffice projects are in the pipeline to meet the impending college population's needs.

New Launches

The main focus of the property developments in Sibu are luxury residential projects such as the Waterfront Residence launched in 2013. The Waterfront Residence comprises two 25-storey condominium towers each with 104 units and is the first luxury condomimium with 180° panoramic view of the waterfront overseeing the famous Rajang and Igan Rivers.

The selling price range varies with those measuring over 800sq ft selling from RM400,000 and 1700 sq ft selling RM700,000 with the prices increasing by floor.

Sibu Town Square Commercial Centre located along the river bank marks another milestone in the progress of Sibu towards achieving city status.

This development project launched in 2013, with 105 units of 4-storey shopoffices is one of the most significant private property projects in Sibu. To-date, this project has achieved the highest price for a standard - sized shopoffice in Sibu.

Outlook

Selling prices are expected to go up as a result of inflation and continued demand from investors seeking property investments as a hedge against inflation.

Architecture image for Waterfront Residence

Artist's impression of Sibu Town Square Commercial Centre shops

ANNOUNCEMENT

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

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MMIPPM
Registered Valuer

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Sr HII WEI JIN

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KDN No. PP013/07/2012 (030726)