PROPERTY MARKET 2016

C H Williams Talhar & Wong

WTW INTERNATIONAL

ABOUT WTW

C H Williams Talhar & Wong (WTW) established in 1960, is a leading real estate services company in Malaysia & Brunei (headquartered in Kuala Lumpur) operating with 24 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 (WTW) was founded.

At the present time, 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
Mr Foo Gee Jen

C H Williams Talhar & Wong (Sabah) Sdn Bhd
Mr Leong Shin Yau

C H Williams Talhar Wong & Yeo Sdn Bhd
(operating in Sarawak)
Mr Robert Ting Kang Sung

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SR FOO GEE JEN

MANAGING DIRECTOR
C H WILLIAMS TALHAR & WONG SDN BHD

WITH 24 BRANCHES & ASSOCIATE OFFICES,

our report gives the widest private sector enterprise coverage of the Malaysian Property Market. It is our privilege to be able to report on the property market situation and to present our outlook on the market for 2016 right from the ground.

2015 saw further consolidation of the Market with fewer new projects coming on stream. Despite flat market sales and falling number of transactions and occupancy rates, property prices continued to escalate driven by rising costs and further aggravated by the implementation of GST in April 2015.

Generally, housing developers are keeping their prices at the high levels reached by strategically launching lesser number of units. These high levels are critically beyond the affordability levels of first time buyers. While such levels may remain sustainable in the short term without downward adjustments in the high growth development areas due to additional external and non-domestic interests in Malaysian property market, developers can be expected to review their offerings to meet the affordability levels of domestic demand for owner-occupied houses and acceptable level of returns from buy-to-let houses.

With the Malaysian Economy being further battered by the twin shocks of plunging oil and commodity prices and the Ringgit Depreciation by almost 35% in 2H2015 it is understandable that performance in almost all regions and in all property sectors was lacklustre during the year. The outlook is expected to remain cautious going into 2016 generally. We however expect better days ahead in a number of projects and in certain regions where there are greater private sector / corporate / foreign driven investment and development in manufacturing and industrial production following the infrastructural initiatives undertaken by the Government. Industry and manufacturing has always been the primary engine of economic growth. It is a robust and thriving industrial and manufacturing sector that propels the services and construction industries which in tandem underpin the health and sustainability of the overall property market within the economy.

Mega infrastructure projects in the Klang Valley in particular are on schedule for completion and consequently, sales and development activities in the residential sector continue to drive the overall market in this region as expectations for capital appreciation remain optimistic. On the flip side, this tend to push up land prices making the problem of providing affordable housing ever more acute.

With these concerns in mind, we have highlighted the development of infrastructure and the issue of affordable housing in our review of the 11th Malaysia Plan. We have also devoted some effort to reflect on the performances of the plantations sector and the MICE Industry in anticipation of their relevance and interest to our clients and readers.

NOTABLE AGENCY DEALS CONCLUDED BY **WTW IN 2015**

The WTW Group advised and facilitated the conclusion/sale of a number of notable property transactions as follows:

1

Bandar Malaysia is a 486-acre development on the former Sungai Besi Air Force base. Bandar Malaysia will be a mixed-use urban development that is expected to serve as a catalyst for the transformation of Kuala Lumpur city centre towards a world class city centre. WTW is the transaction advisor for the Bandar Malaysia Request for Proposal (RFP).

The sale of the 60% stake in Bandar Malaysia was based on a land value of RM12.35 billion (100%).

Date of Sale: December 2015

2

Prime Industrial Property, Persiaran Jubli Perak, Section 22, 40300 Shah Alam, Selangor

Transacted Price : RM240 million
Land Area: 18.58 hectares
Date of Sale : March 2015

3

Iskandar Waterfront City Berhad through its wholly owned subsidiary, Bayou Management Sdn Bhd, made a successful bid for a 67.5-acre development land for RM156 million in a Tender Exercise conducted by WTW. The property which is freehold and has obtained SBKS 2 Approval is located adjoining to the east of The Seed @ Sutera Utama, Johor Bahru, Iskandar Malaysia, Johor.

Total Transacted Price : RM156 million
Land Area : 67.5 acres
Date of Sale : April 2015

4

Lot 392, Jalan Changkat Kia Peng, Kuala Lumpur

Sale Price : RM87.92 million
Land Area: 2,917 sq metre
Date of completion : October 2015

5

Prime Industrial Property, Persiaran Sabak Bernam, Section 26, 40300 Shah Alam

Transacted Price: RM50 million
Land Area: 8.54 acres
Date of Completion : November 2015

6

Sale of Development Land in Kluang, Johor

Transacted Price: RM169.91 million
Land Area : 935 acres
Date of Sale : 2014 / 2015

MALAYSIA IN 2015

Economic Overview

Malaysia's GDP in 3Q2015 expanded 4.7% to record a real GDP of RM292 billion. Net foreign direct investment (FDI) was RM27.05 billion in the first nine month of 2015. Manufacturing attracted the highest net investments at RM11,670 million (43%), followed by mining and quarrying at RM11, 701 million (40%), primarily by the oil & gas sector.

The overall market sentiment has generally been affected by the implementation of the Goods and Services Tax (GST) on 1st April 2015, subsidy rationalisation by the Federal Government, the drastic drop of crude oil price since end of 2014 that reduced significantly revenue collectable by the Federal Government, the continuous weakening of Malaysian Ringgit, and a certain jittery in the political situation.

Although the export manufacturing industry has been boosted and inbound tourism was bullish due to the weakening Malaysian Ringgit, the business confidence has generally weakened as the cost of living and conducting business have been increasing.

The global economy also has yet to fully recover from the debt and economic crisis in certain countries, as well as concerns on the weakening economy of China and its demand for consumption. As such, the economy of Asia including Malaysia, has to a certain extent, susceptible to the current global economic situation. Hence, the development and investment climate has generally affected to a certain degree which in turn also affected the marketability of properties.

The sharp depreciation of the Ringgit and weak economic sentiment caused by weak commodity prices has dampened the country's economic outlook for 2016. The weakening of the Ringgit may boost exports, but has also increased the cost of doing business as imported raw materials become more expensive.

The inflation rate at around 1.0% in January 2015 experienced a hike to 1.8% in April 2015 and has maintained at around 2.6% in September 2015.

Malaysia GDP Growth 2014/2015

1Q 2014	6.3%	1Q 2015	5.6%
2Q 2014	6.5%	2Q 2015	4.9%
3Q 2014	5.6%	3Q 2015	4.7%
4Q 2014	5.1%	4Q 2015	-
2014	6.0%	2015	-

Source: Bank Negara Malaysia (BNM)

Policy Overview

Three statutes have come into force beginning from 1st June 2015.

1 HOUSING DEVELOPMENT (CONTROL & LICENSING) ACT 2012

A deposit sum equivalent to 3% of the estimated construction cost is required to be paid by a developer in order to obtain a developer's license. Section 18A of the Act also introduced penalties on developers who abandon housing developments or any phase of the development, namely monetary fines or imprisonment upon conviction. Section 8A of the Act now grants a statutory right to purchasers to terminate the Sales & Purchase Agreement (SPA) whereupon all monies will be refunded within 30 days.

Other notable amendments included shortening the time for renewal of developers' licenses from 60 days to 14 days. Furthermore under the Act, developers are not permitted to advertise information or facts that cannot be properly confirmed and/or may be changed in the future.

2 STRATA TITLES (AMENDMENT) ACT 2013

Effective 1st June 2015, the Strata Titles (Amendment) Act 2013 was extended to also cover the Federal Territory of Labuan. Another significant amendment was facilitating the issuance of strata titles to purchasers upon vacant possession. The Developer/Proprietor is required to apply for a certification of the proposed strata plan (CPSP) at superstructure stage within three months and then the subdivision of building within one month after issuance of CPSP. This will be followed by the application of strata titles with the land office which will then be able to facilitate the issuance of strata titles upon vacant possession.

Policy Overview

3 STRATA MANAGEMENT ACT

With this Act in place, the Building and Common Property (Maintenance and Management) Act 2007 and sections in relation to the Management Corporation in the Strata Title Act 1985 were repealed. This Act is supplemented by the Strata Management Regulations 2015 and Strata Management Tribunal Regulations 2015. The Act aims to put the management and maintenance regulations for strata properties under one Act.

Under this Act, the practitioners of Property Management were amended as follows:-

1. **Non-Stratified Property**: Bound to Act 242 (Valuers, Appraisers and Estate Agent Act 2981) and to be managed by the Registered Property Managers (RPM) only.
2. **Stratified Property**: Bound to Strata Management Act 2013, and can be managed by either Registered Property Manager (RPM) or Agent appointed by the Management Corporation/Joint Management Body(JMB)

The Act has introduced a new provision of establishing Subsidiary Management Corporations (SMC) and Limited Common Properties (LCP) to provide for the management for mixed developments. The Strata Management Tribunal is established to regulate and resolve disputes in the management and maintenance issue of strata properties. The supplementary Strata Management (Maintenance & Management) Regulations 2015, introduced a set of byelaws to be abided by the proprietors of a stratified building. The Act has made provisions to resolve issues of inter-leakage as well as damage to party walls by identifying the root cause and spelling out the standard approaches for rectification and the parties to bear the costs.

Infrastructure Overview

The Government continued to invest in infrastructure projects in the country to spur economic growth.

List of Rail Infrastructure Projects in Malaysia as of 2015

Project Name	Connectivity	Est. Project Cost (RM billion)	Commencement Date (Progress as at 2015)
Electrified Double Track Project (EDTP) Ipoh-Padang Besar	Ipoh, Perak – Padang Besar, Perlis	12.5	In Operation since July 2015.
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas. Negeri Sembilan – Johor Bahru, Johor	8	Bidding and Awarding Stage
LRT Line 1 & 2 Extension	Subang Jaya - Puchong		**Ampang Line** Phase 1 - Operational on 31st Oct (Awan Besar, Muhibbah, Alam Sutera & Kinrara BK5). Phase 2 - Operational by March 2016 **Kelana Jaya Line** - Scheduled to open June 2016
LRT Line 3	Bandar Utama – Shah Alam - Klang	10	Construction works scheduled to commence in 1Q 2016.
KVMRT SBK Line	Sungai Buloh - Kajang	22	Station Sungai Buloh - Semantan will be operational by Dec 2016
KVMRT SSP Line	Sungai Buloh – Serdang - Putrajaya		Construction works scheduled to commence in 2Q 2016.
BRT Sunway	Setia Jaya, Sunway – USJ 7	0.63	In Operation since 2nd June 2015. Station USJ 7 will only be operational by 2016.
BRT KL-Klang	Central Market, KL - Klang	1.5	Announced in Oct 2015 and Budget 2016.
BRT Kota Kinabalu	-	1.0	Announced in Budget 2016

Source: WTW Research, Press Announcments

Infrastructure Overview

The Government continued to invest in infrastructure projects in the country to spur economic growth.

In 2015, the Bus Rapid Transit (BRT) project connecting Kuala Lumpur – Klang and Mass Rapid Transit (MRT) connecting Sungai Buloh-Serdang-Putrajaya were announced. The BRT project is expected to have 25 stations along the Federal Highway to alleviate traffic congestion. The MRT SSP Line, (Line 2) will be 52.2km long, consist of 36 stations and will start construction in 2Q2016. The MRT SSP Line will be integrated with the existing LRT, Monorail, KTM Komuter and upcoming MRT SBK Line.

Within the Klang Valley itself, expressway projects such as DASH and SUKE highways are currently in the pre-qualifying stage whilst the KIDEX highway was called off. The West Coast Expressway (WCE) project has been awarded to IJM Corporation and is expected to commence construction by 4Q2015. The extension of the MEX highway will be operational by the end of the year enabling exit to Seri Kembangan via the new Interchange.

In August 2015, the Penang State Government announced the appointment of SRS Consortium Sdn Bhd as the Project Delivery Partner (PDP) for the implementation of the RM27 billion Penang Transport Master Plan (PTMP). SRS Consortium comprises Gamuda Berhad (60%) and Penang based Loh Phoy Yen Holdings Sdn Bhd (20%) and Ideal Property Development Sdn Bhd (20%).

In addressing the critical traffic congestion on Penang Island, the initial and main components of PTMP comprise the proposed Bayan Lepas Light Rail Transit (LRT) and Pan Island Link (PIL) Highway. The proposed LRT alignment begins from Komtar in Georgetown and ends at Penang International Airport in Bayan Lepas, running along Tun Dr Lim Chong Eu Expressway and Jalan Sultan Azlan Shah. The total alignment length is approximately 20 kilometres. A feeder bus network would complement the LRT services, in enhancing its reach within the communities. In addition, the proposed PIL alignment starts at the Second Penang Bridge and ends at Gurney Drive. It would also be approximately 20 kilometres and to be connected to Teluk Kumbar and Balik Pulau. Six interchanges are proposed at Tun Dr Lim Chong Eu Expressway, Jalan Tun Dr Awang, Relau, Paya Terubong, Jalan Gottlieb and the Gurney Expressway. Other major components of PTMP include tram and catamaran system, highway interchange upgrading project, bus rapid transit, and upgraded Georgetown – Butterworth ferry services.

In return for implementing the transportation system, the PDP would be awarded with the rights to reclaim a sizeable parcel of land. The location for reclamation has recently been announced at the southern coast of Penang Island, off Permatang Damar Laut. The reclamation which will be known as South Reclamation Scheme (SRS), would form 2 new islands spanning approximately 930 hectares and 485 hectares. A third island of approximately 323 hectares located next to the two islands, has also been identified for further reclamation in catering to future demand. Other proposed development components include office buildings, residential units, and public facilities such as sports arena, convention centre, museum, performing arts centre, green space, sandy beach, coastal park, tree lined boulevards and water features, waterfront, designated bicycle lane, and sheltered pedestrian walkway.

In addition, the Penang State Government also announced the plan of linking Penang Island with Butterworth at the mainland, with a cable car system. To be called Penang Sky Cab, it was still at the exploratory stage and was expected to be operational in 2018. It would be a joint venture project between the State Government and Penang Sentral, a subsidiary of Malaysian Resources Corporation Berhad (MRCB). The terminals were proposed at Gat Lebuh Nordin on Penang Island and Penang Sentral at Butterworth. The 3-kilometre link is expected to take 15 minutes of travelling time. The first phase of the project would involve 40 cabins with each cabin able to accommodate up to 10 passengers.

The long-delayed Electrified Double Track Project (EDTP) Gemas-Johor Bahru has gained traction with China's China Railway Construction Corp Ltd (CRCC) and Fajarbaru Builder Group Bhd, reported to be involved with this project. Being the final phase of the EDTP project, travelers will able to travel more conveniently from the north down to Johor Bahru when this project is completed.

Property Overview

Klang Valley

The subdued performance of the property market in 2014, has continued in 2015. Despite the general slowdown, the market activities in Klang Valley remained vibrant with several notable land and property deals recorded as follows:

Integra Tower: RM1,065,000,000/-
Blackrock Inc sold the Integra Tower to Kumpulan Wang Persaraan (KWAP) at consideration of RM1.065 billion. The Platinum LEED certified building had NLA of 760,715 sq ft and 850 car park bays.

DoubleTree by Hilton: RM388,000,000/-
Purchase of DoubleTree Hilton hotel by Royal Group from Singapore at a consideration of RM388 million. DoubleTree by Hilton which was was refurbished in 2010 is a 540-room 5-star hotel.

The Intermark Mall: RM160,000,000/-
Purchase of The Intermark Mall, a retail building with NLA of 225,014 sq ft and 367 car park bays by Pavilion REIT at a consideration of RM160 million, which included a rental guarantee of RM15 million for three years..

Menara Shell: RM640,000,000/-
Disposal of Menara Shell, office tower with 5-storey podium and 4-storey basement car park by MRCB to MRCB-Quill REIT at RM640 million.

Menara CIMB: RM646,000,000/-
On 1st April 2015, CIMB Group's wholly owned subsidiary CIMB Real Estate Sdn Bhd completed the acquisition of the 40-storey commercial building known as 'Menara CIMB' for RM646 million.

Nu Tower 1: RM283,000,000/-
The acquisition of Nu Tower 1 , a 35-storey office building by Malaysian Communications and Multimedia Commission (MCMC) at RM283 million, from MRCB Sentral Properties Sdn Bhd.

Tropicana City Mall & Tropicana Office Tower: RM540,000,000/-
The acquisition of Tropicana City Mall (NLA: 448,248 sq ft) & Tropicana Office Tower (NLA: 101,246 sq ft) by CapitaMalls Malaysia Trust (CMMT), at a consideration of RM540 million.

Da:men USJ: RM488,000,000/-
Proposed Acquisition of Da:men USJ by Pavillion REIT at a consideration of RM488 million from Equine Park Country Resort Sdn Bhd and Revenue Concept Sdn Bhd. The retail mall with 420,920 sq ft NLA and 1,672 car park bays is scheduled for opening in early 2016.

The most significant land deals were mainly situated in the city centre, with four sales of development land were within the Tun Razak Exchange (TRX) development. Each land is with different density/plot ratio with the highest sale recorded was at RM4,699 psf. It is anticipated that there will be more high-end and branded developments in the prime locations, and also more regeneration and retrofitting projects in the city centre to complement these landmark developments.

Other notable land deals included the purchase of 26 pieces of leasehold land totaling 2,198.40 acres in Ijok, Kuala Selangor, by Eco World Development Group Bhd, at RM1.181 billion, for the development of a new township. In addition, Sunway Bhd, through its wholly-owned subsidiary Sunway Dimension Stones Sdn Bhd has entered into two sale and purchase agreements to purchase five land parcels measuring 17-acre for a combined RM286 million or RM386 psf, which is proposed for a mixed development.

Other Notable Announcements

BUKIT BINTANG CITY CENTRE

Joint venture between UDA Holdings Bhd, EcoWorld Development Group Bhd and the Employees Provident Fund (EPF) to develop the former Pudu Jail site which was approved for a mixed residential and commercial development.

TRX LIFESTYLE QUARTER

The joint venture with Lendlease was another exciting deal in property market sector. The proposed TRX Lifestyle Quarter sited on 17-acre of land is proposed to have a Gross Floor Area (GFA) of around 2 million sq ft.

BUKIT JALIL NATIONAL SPORT COMPLEX

MRCB was appointed to undertake the refurbishment of the existing facilities as well as the creation of a fully integrated sports hub with world-class infrastructure, known as KL Sports City.

CYBERJAYA CITY CENTRE

Cyberview Sdn Bhd together with MRCB Land Sdn Bhd will jointly develop Phase 1 (21.6 ha) of the project.

BB PLAZA

BB Plaza ceased operation in March 2015 and will be redeveloped by the joint-venture between UDA Holdings and Tradewinds Corp.

Property Overview

The Penang property market in 2015 has to a certain extent, been dampened by the general sentiment in the market, which was not buoyant.

Penang

The Penang property market in 2015 has to a certain extent, been dampened by the general sentiment in the market, which was not buoyant. Although the general market and business sentiments have been comparatively weaker than the recent preceding years, transaction of properties in Penang during 2015 have not shown a notable decline in prices yet. In a relatively lacklustre demand for property acquisition, asking prices by sellers have just reduced to a more reasonable level. Generally, property owners still have the holding power of not forced selling the properties at much reduced prices. Realised rentals also have not shown a notable decline as landlords have to either maintain or increase rentals, to cover for the rising outgoings of the properties. Notwithstanding the above, the prices and rentals maybe really affected in the near future, with the property sector expected to remain challenging in 2016.

Acquisitions of development lands by developers were much less pronounced compared to the recent past years. A notable acquisition of development land in April 2015 is as follows:

Acquisition of Reclaimed Development Land: RM402,800,000/-
Acquisitions of 32.76-acre site which forms part of Phase 2 of The Light Waterfront Penang at Gelugor, by Aura Hebat Sdn Bhd (a 50:50 joint venture company between The Light Waterfront Sdn Bhd and Perennial Penang Pte. Ltd.The waterfront site will be developed into a large-scale integrated mixed-use development at an estimated gross development cost (including land cost) of over RM3 billion. The proposed development components include a shopping mall and thematic shops (approximately 1,536,678 sq ft of gross floor area), residential blocks (1,071,871 sq ft), an office tower (645,835), 2 hotels of over 750 rooms (545,623 sq ft), and a convention centre (300,000 sq ft).

Major land reclamation adjacent to Penang Island has also been actively pursued for new growth centres and mixed developments. Tanjung Pinang Development Sdn Bhd (TPD), a subsidiary of Eastern and Oriental Berhad, has issued a letter of award (LOA) to China Communications Construction Co Ltd (CCCC) to undertake land reclamation works for Seri Tanjung Pinang Phase 2 (STP2) in Tanjung Tokong. The entire reclamation area is approximately 891 acres, comprising 760 acres of 2 man-made islands and 131 acres of Gurney Drive foreshore.

Facts & Figures of STP2	
Total Reclamation Area	891 acres
Area to surrender to State Government	191.09 acres
Duration of Entire Development	2 years
Estimated GDV	RM12 billion

The LOA comprises 2 parts as follows:

Phase 2A	Land Area: 384 acres Contract Sum: RM1.035 billion
Phase 2B & 2C	Land Area: 507 acres Contract Sum: RM1.285 billion

The State Government has also called for Request For Proposal (RFP) for the safe rehabilitation and development of the approximately 53-acre dumpsite / landfill at Jelutong. The landfill has been taking only construction and demolition (C&D) waste and marine clay.

New Affordable Housing Policies in Penang

Net -Household Income Cap (RM)	Selling Price per unit (RM)
2,500	42,000
3,500	72,500
6,000	150,000
8,000	200,000
10,000	300,000
12,000	400,000

On rulings related to property, the Penang State Government unveiled several new policies to render affordable housing more accessible as some applicants were having difficulty in obtaining bank loans in purchasing the units. These new policies include raising the net household income cap. As such, the various categories of net household income cap have been revised as RM2,500, RM3,500, RM6,000, RM8,000, RM10,000 and RM12,000 per month. A new RM150,000 per unit category of affordable units was also introduced, which are allowed to be purchased by those who already owned properties.

In addition, the State Government also allowed 30% of units in an affordable housing project to be sold in an open market on the condition that they are sold at 20% above the controlled price in North-East District and 10% above the controlled price in other districts. Developers need to contribute the top-up price to the State Government in the form of affordable housing units of the particular project, so that the state could have affordable housing stock to be allocated to those on the waiting list. Purchasers of affordable housing units sold in the open market must also be a registered voter in Penang.

Property Overview

In Johor, the property market has been experiencing a slowdown since 2H2014, especially the high-rise residential sector. Less new projects were introduced and sales took a longer time.

Johor

With Iskandar Malaysia's comprehensive development plan (CDP) entering into the 2nd half of the 20 years plan, the region has recorded total cumulative committed investment of RM172.5 billion since 2006. 50% has been realised as projects on the ground and more than 650,000 jobs have been created. Domestic investors have contributed 61% of the recorded amount while the remaining 39% were from overseas investors. Nevertheless, the property market has been experiencing a slowdown since 2H2014, especially the high-rise residential sector. Less new projects were introduced and sales took a longer time. The state government has rejected new applications to build serviced apartments, outlined more stringent conditions and implemented a 1% property tax on serviced apartments. The 1% is computed based on the development GDV.

To continue sustainable growth, the authority is expected to reveal the second Comprehensive Development Plan (CDP) together with the review of the first CDP. The second CDP is likely to focus more on social and environmental management, which will be seen as a balancing move after years of growth. Although there is an increased level of cautiousness in the overall property market, interest in land acquisitions and other means of development cooperation continued to be active in 2015:

Month	Significant Events
January	Shanghai-based developer, Greenland Holding Group Ltd formed a JV company with Southern Crest Development Sdn Bhd to acquire a 128 acres site fronting Jalan Sen for RM2.4 billion. The freehold land is situated fronting Jalan Senibong and faces the Straits of Johor in the locality near Permas Jaya. This deal is the highest transaction to-date in Johor Bahru.
April	Iskandar Waterfront City Bhd expanded its land bank by purchasing 67.5 acres of freehold development land in Mukim of Pulai for RM156 million.
June	UEM Land Bhd sold its new office development viz. Imperia Building in Puteri Harbour to UEM Group Bhd for RM137.8 million. The transaction consists of a 16-storey office tower, multi-storey parking and 20 retail lots and the GFA is 476,000 sq ft.
July	Ho Hup Construction Co Bhd via Intact Corporate Approach Sdn Bhd purchased 429 acres of leasehold land in Kulaijaya within the proposed Yayasan Pelajaran Johor Academic City for RM107.3 million.
August	MMC Corp Bhd disposed off 3 parcels of freehold industrial land at Senai Airport City, totalling 188 acres, to IPark Development Sdn Bhd for RM370 million.
September	Scientex Bhd's Scientex Quaritari Sdn Bhd proposed to acquire 249 acres and 74 acres of development land from Bukit Gambir Company Sdn Bhd and Jayaplus Bakti Sdn Bhd respectively for a total RM216.74 million.
September	Boustead Plantations Bhd proposed to dispose off 257.9 acres of freehold land in Kulaijaya for RM60.7 million to YTL Cement Bhd.
-	Mitsui & Co. Ltd. from Tokyo has entered into a JV with Nusajaya Tech Park Sdn. Bhd. to acquire 49% of its existing industrial park development in Nusajaya. The industrial park encompasses 519 acres and was co-developed by UEM Sunrise Bhd and Ascendas Co. Ltd.

The Johor Bahru property market will also benefit from the proposed High Speed Rail between Malaysia and Singapore. According to the Ministry of Transport, contracts for the multi-billion projects may be awarded by 2017 for completion by 2022. Another major infrastructure project viz. the Rapid Transit System has been in planning for sometime and the site for the terminal station connecting to Singapore's Woodlands has been identified. It is expected to be operational by 2019.

In Sabah, property prices are envisaged to be sustained going into the 2016 – provided also that there be no major changes to macro-economic conditions and government policies.

Sabah

A softer property market in 2015, for Sabah and Kota Kinabalu, across most sectors. Tighter bank lending policies put in place in previous years coupled with the delay in obtaining development plan approvals for developers, amongst others, also saw fewer new property launches and moderated transaction activities. Notwithstanding which, there has been no evidence of a drop in property prices.

Property Overview

The scenario is anticipated to be little changed going into 2016. As Kota Kinabalu is State Capital and the administrative, commercial, education and tourism hub and the gateway into Sabah, property prices are envisaged to be sustained, provided that there be no major changes to macro-economic conditions and government policies. Notwithstanding which, the State Cabinet's approval of an earthquake resistant buildings guideline in November 2015 following the June 5 Ranau earthquake may see an increase in construction costs and property prices, if implemented.

Overall, good, developable lands in proven locations would continue to be safe bets in the long term given the current lack of new roads to open up new areas and as Kota Kinabalu continues to expand with development densities increasing and moving away from the centre.

The next couple of years will certainly be a true test of the "Survival of the Fittest", as we expect lots of challenging times ahead and thus, lots of changes to cope with the challenges

Sarawak

The overall property market for Sarawak is seen to be generally lack-lustre due to the weak buying sentiments. The anticipation of higher mortgage rates in 2015 and the increased inflationary pressure with the implementation of 6% GST in April 2015 have further dampened property sales for 2015 as buyers took on a wait-and-see attitude. On the positive side, this cautionary approach may have also resulted in some market corrections.

Despite residential property being exempted from GST, the rise in costs of construction have pushed up the prices of residential property, generally between 3% to 6% for the year. Notwithstanding the less conducive climate, the property sector remains stable especially for those in prime locations. Residential properties priced below RM400,000 are still in good demand but properties on the upper end of the scale have been affected by slower sales. With the large number of new commercial units coming into the market, shophouses are also experiencing a much slower take-up rate and falling occupancy. In the face of a slackening economy, developers are offering attractive sales packages whilst investors are moving cautiously.

Sarawak's maintaining of the foreign ownership's minimum pricing requirement at RM350,000 per property instead of the RM1 million minimum purchase price per property for foreign ownership by its West Malaysian counterparts, could make it a more attractive option. The announcement by the Sarawak Chief Minister that subsidiary land titles shall follow the land tenure of the original parent title augurs well for the property sector as the interests of owners and purchasers are protected.

If market conditions continue as it is, the coming year 2016 is expected to see a further slow-down in all property sectors, although demand will very much be determined by the types and prices offered, with perceived attention shifting to the secondary market which is less subject to the effects of current economic measures such as the GST. High end residential units including luxury condominiums are expected to see slow sales. However, the residential sector will continue to dominate the market, comprising still about 80% or more of the overall property stock. There will still be good demand for affordable housing of not more than RM250,000 per unit with a recommended built up area of 850 sq ft. It is perceived that the majority of residential units would and should be focused on low cost, low cost plus and affordable housing as the way forward. The market is anticipating an overload of commercial properties and only those in prime locations and with good income earning potentials are expected to sell well. Industrial properties will remain low key except for those in established and prime areas.

Overall, the market outlook for 2016 will be bleak and uncertained. Developers will be compelled to build what the market wants and can afford rather than what developers prefer to build in terms of profitability. As the economy is expected to be slow and even recessive, developers will be hard pressed to survive in an increasingly competitive market. The next couple of years will certainly be a true test of the "Survival of the Fittest", as we expect lots of challenging times ahead and thus, lots of changes to cope with the challenges.

Sub Market	
Landed Residential	The landed residential sector in most cities reported steady performance, whilst both Alor Setar and Seremban experienced strong buying interest in 2015. Being the only town that had weak market sentiment, Lahad Datu needed to restore civil security before it can regain market confidence.
High-rise residential	High-rise residential is an emerging development trend in most of towns and cities in West Malaysia. In East Malaysia, high-rise residential are generally segregated into apartments and condominiums. The strong buying interest in condominiums in Ipoh, Batu Pahat, Miri and Bintulu is expected to be flattish in 2016 while other cities are expected to stay firm.
Shopoffices	Shopoffices are still the favoured location for businesses in most of the cities in West Malaysia. Prices of shopoffices in major towns/cities remained firm and will stay on course moving into 2016. However, Miri and Bintulu, are predicted to experience an oversupply of shop houses in 2016.
Industiral	The industrial sectors in Kuantan and Seremban were fairly active in 2015 with pockets of ongoing industrial developments. Elsewhere, market activities stabilised or reduced slightly.
Hotel	The hotel sector in each sub market is dependent on tourist activities, appeared to be steady in 2015, and is expected to continue into 2016.The market sentiment in most of the sub markets remained subdued in 2015 and is expected to extend into 2016.

2015 - 2016 Property Direction

	All Sector		L. Resi		HR. Resi		PBO		Shopoffice		Retail		Industrial		Hotel	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
MAIN MARKET																
Klang Valley	▶	▶	▶	▶	▼	▼	▶	▶	N.A.	N.A.	▶	▶	▲	▲	▶	▶
Penang																
Penang Island	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▲	▲	▶	▶
Seberang Perai	▲	▶	▲	▶	▶	▶	▶	▶	▶	▶	▶	▶	▲	▲	▶	▶
Johor Bahru	▶	▶	▼	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kota Kinabalu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuching	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶
SUB MARKET																
WEST MALAYSIA																
Northern Region																
Alor Setar	▲	▶	▲	▶	N.A.	N.A.	▶	▶	▲	▶	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
East Coast Region																
Kuantan	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▲	▲	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Southern Region																
Seremban	▲	▶	▲	▶	▲	▶	N.A.	N.A.	▶	▶	▶	▶	▲	▲	▶	▶
Melaka	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
EAST MALAYSIA																
Sabah																
Sandakan	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	N.A.	N.A.	▶	▶	N.A.	N.A.
Tawau	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▶	▶	▶
Lahad Datu	▼	▼	▼	▼	▼	▼	N.A.	N.A.	▼	▼	▼	▼	▼	▶	N.A.	N.A.
Keningau	▶	▶	▶	▶	N.A.	N.A.	N.A.	N.A.	▶	▶	▶	▶	▶	▶	▶	▶
Sarawak																
Sibu	▶	▼	▶	▶	▲	▶	N.A.	N.A.	▶	▶	N.A.	N.A.	▶	▶	▶	▶
Miri	▶	▼	▶	▼	▼	▼	▼	▼	▶	▼	▶	▼	▶	▼	▶	▶
Bintulu	▶	▶	▶	▶	▼	▼	▼	▼	▶	▶	▶	▼	▶	▼	▶	▼
Labuan	▶	▶	▶	▶	▶	▶	N.A.	N.A.	▶	▶	▶	▶	▶	▶	▶	▶

L. Resi: Landed Residential HR. Resi: High-rise Residential PBO: Purpose Built Office

FEATURE ARTICLES

THE M.I.C.E INDUSTRY IN MALAYSIA

The MICE Industry/business event industry is a mix of events that come with different formats, objectives and emphases. Malaysia has acknowledged the importance of this and identified this industry as two Entry Point Projects (EPPs) under the Economic Transformation Programme (ETP). While gaining insight into the MICE Industry, C H Williams Talhar & Wong (WTW) had the pleasure to meet experts of the industry, from the Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS) and Malaysia Convention and Exhibitions Bureau (MyCEB). The individual interview session was attended by Dato' Vincent Lim, President of MACEOS while representing MyCEB were Ms Winnee Lim, exhibition sales manager and Ms Manisa, research manager.

MICE Industry

The MICE industry comprises four main components, i.e. Meeting, Incentive, Convention and Exhibitions/events.

Definition of Meeting, Incentive, Convention, Exhibition (M.I.C.E)

Type	Description	Facilities involved
Meeting	Gathering of a number of people in one place, to confer as for instance annual general meetings, committee meetings, etc.	Meeting Rooms
Incentive	Meeting event which is offered to its participants to reward performance.	Banquet Halls
Convention	Participatory meeting designed for discussion, fact-finding, problem solving and consultation.	Convention Centre & Conference Room
Exhibition	Events at which products and services are displayed.	Exhibition Centre

Source: International Congress and Convention Association (ICCA), Tourism Malaysia, WTW Research

World Expo - The History

The meeting industry was introduced decades ago, which primarily hosted for the purpose of trade only. One of the known mega-events today is the World's Expo (formerly known as World's Fair). World's Expo is a global exhibition which provide opportunities for people to explore the unique cultures from all over the world.

The earlier Expos from 1851 till 1938 were strongly influenced by the industrial revolution and expansion of world trade. Post World War II, the theme for the Expo has shifted to promotion of human progress and international dialogue and paving the way for cultural exchanges. This has seen a significant increase in terms of the number of participating countries. According to BIE (Bureau International Des Expositions), there were only 39 participating countries in the 1958 Brussels expo, however, it gradually increased to 193 countries in the 2010 Shanghai Expo.

The World's Expo was generally held across the European and Northern America region, including London, Paris, Vienna, New York and Milan with exception of 1970 in Osaka, Japan and 2010 in Shanghai, China. Europe and North America were the pioneers of the event industry but data from BIE revealed that Osaka 1970 and Shanghai 2010 Expo were the most successful in terms of number of visitors. Until today, this event is still ongoing (2015 Milan) and the next expo will be in Dubai in 2020. The World's Expo usually takes place every 5 years and lasts up to 6 months,

Expo Axis during Expo Shanghai 2010 was rebranded into The River Mall and opened in 2014

World Expo - The History

The BIE currently regulates 4 types of Exhibitions, or "Expos" :

1. World Expos,

2. International Specialized Expos,

3. Horticultural Exhibitions

4. The Triennale di Milano.

Post-World War II World's Expo

World Expos	Theme	Visitors	Surface (Ha)	Participating country
1958 Brussels	Balance for a more Humane World	41,454,412	200	39
1967 Montreal	Man and his World	50,306,648	400	62
1970 Osaka	Jinrui no shinpo to Chowa : Human progress into harmony	64,218,770	330	78
1992 Seville	The Age of Discovery	41,814,571	215	108
2010 Shanghai	Better City, Better Life	73,000,000	523	192
2015 Milan	Feeding the Planet, Energy for Life	20,000,000	110	145

Source: Bureau International des Expositions (BIE) / WTW Research

and accompanied with a significant landmark/building structure as entrance and then pavilion of each participating country.

Many of the specially designed landmarks/building structures have been retained as attractions after the closing. For instance, the Eiffel Tower that once served as the main entrance gate for World's Expo in Paris in 1889, is now a must-visit tourist landmark in Paris. Some of the attractions were rebranded for better use such as the Expo Axis at the Shanghai Expo 2010 has been renamed as The River Mall in 2014. The recently closed World Expo in Milan, has constructed a tree sculpture, Tree of Life as its landmark.

Global Overview of MICE Industry

According to International Congress and Convention Association (ICCA), the international meetings market is segmented into corporate and non-corporate market (covering medical, scientific or academic). Cities that are in the top ten globally include Singapore, Vienna, Paris, Madrid, Barcelona and Berlin. Most of the top notch conferences and convention cities are in Europe, but several Asian cities are highly ranked including Singapore, Seoul, Tokyo and Bangkok.

For exhibitions, the Global Association of the Exhibition Industry (UFI) reported that Europe and North America offered the highest venues capacities, 15.6 million sq.m. and 7.9 million sq.m. respectively. Asia Pacific has 6.6 million sq.m. of indoor exhibition space, constituting 20% of the total space available globally. According to data released by UFI, 2,321 exhibitions were held in 23 countries in Europe in 2014, a growth of 6.4% from year 2013. These exhibitions attracted 64.6 million visitors and generated 24.7 million sq.m. of rented space of which the leisure, hobby and entertainment segment led (13%) followed by agriculture, forestry, fishery (10%).

In its latest edition of The Trade Fair Industry in Asia, total net space sold in Asia Pacific grew 6.8%, from 17.4 million sq.m. to 18.6 million sq.m. in 2013. China remained the dominant force in the Asian Exhibition industry, with 55% of the total exhibit space sold in Asia, being host to 565 trade shows covering an estimated 9.72 million sq.m.

Regional Perspective

Prominent MICE destinations across the globe remained concentrated in the Europe and North America. However, Asia has garnered much attention in recent years, and some of the main MICE destinations are China, Japan, South Korea as well as some countries in Southeast Asia. At present, Singapore is the only country in Southeast Asia that ranks in the top ten by both ICCA and Union of International Association (UIA). On the exhibition segment, Singapore registered between 6% and 8% growth last year.

''Southeast Asia is still a fresh and untapped market, where it is seen as the next emerging market for MICE Industry. Singapore, Malaysia, Philippine, Thailand and Indonesia which are relatively more developed in the MICE Industry as compared to Vietnam, Cambodia and Laos." observed Dato' Vincent Lim, President of Malaysian Association of Convention and Exhibition Organisers and Suppliers (MACEOS).

THE M.I.C.E INDUSTRY IN MALAYSIA

The Regional Perspective

> Southeast Asia is still a fresh and untapped market, where it is seen as the next emerging market for MICE Industry. Singapore, Malaysia, Philippine, Thailand and Indonesia which are relatively more developed in the MICE Industry as compared to Vietnam, Cambodia and Laos.
>
> *Dato' Vincent*
> *President of MACEOS*

Singapore is leading in terms of convention and conference segment. The island-city was the choice for twelve World Congresses and several key meetings since 2013, included World Library and Information Congress IFLA, CFA Institute Annual Conference and Regional World Health Summit Asia. On the other hand, Malaysia is preferrable as incentive destinations especially amongst the second-tier cities, such as Penang, Kota Kinabalu, Kuching.

In terms of exhibition facilities, Singapore and Thailand are currently ahead of Malaysia with the Singapore owned Singapore Expo Centre with 100,000 sq.m. space while the Thailand has IMPACT Arena with 140,000 sq m. Indonesia is gaining tract in facilities and will surpass Malaysia when the Indonesia Convention Centre due for operation by end of 2015. Malaysia is expecting a purpose-built exhibition centre with gross space of around 48,000 sq.m. in 2017, but there were no further plans for expansion.

"The development of a sizeable exhibition centre need not to be a one-off development. For some of our regional countries like Indonesia, there are plans to expand the newly completed Indonesia Convention Centre and for Thailand, the BITEC will total up to 70,000 sq.m. when the second phase of the development is completed in 2016" added Dato' Vincent when he was asked about development of exhibition facilities in the neighbouring countries.

Major Exhibition Centres in Singapore, Thailand & Indonesia

Singapore Expo
Completion: 1999
Est Size: 100,000 sq. m.

Changi Exhibition Centre
Completion: 2007
Est Size: 40,000 sq. m.

Sands Expo and Concention Centre
Completion: 2010
Est Size: 41,000 sq. m.

Suntec Singapore
Completion: 1995
Est Size: 38,000 sq. m.

IMPACT Arena, Exhibition and Convention Centre
Completion: 1998
Est Size: 140,000 sq. m.

Bangkok Internaitonal Trade and Exhibition Centre (BITEC)[1]
Completion: 1997
Est Size: 36,000 sq. m.

Queen Srikit National Convention Centre
Completion: 1991
Est Size: 14,000 sq. m.

Indonesia Convention Centre (ICE)[2]
Completion: 2015
Est Size: 50,000 sq. m.

Jakarta International Expo (JIExpo)
Completion: 2004
Est Size: 30,000 sq. m.

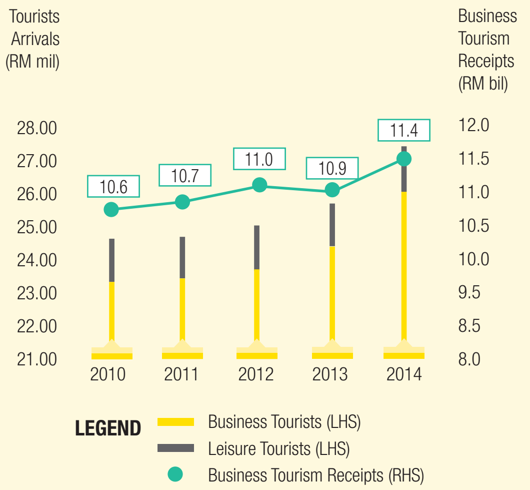
Jakarta Convention Centre
Completion: 1992
Est Size: 9,135 sq. m.

[1] Expansion of BITEC scheduled for completion in 2016, to add up 34,000 sq.m.
[2] ICE have future expansion plan

Source: UFI, MACEOS

The MICE Industry in Malaysia

Business Tourist Arrivals and tourism receipts in Malaysia (2010 - 2014)

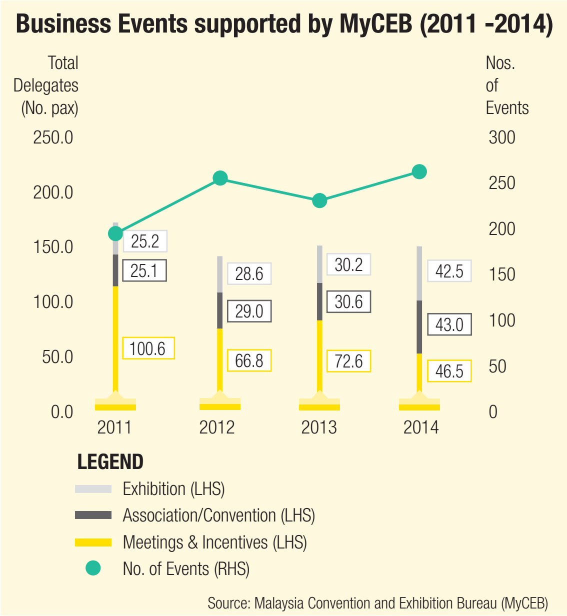


Source: Malaysia Convention and Exhibition Bureau (MyCEB)

In 2014, an estimated 1.37 million business tourists visited Malaysia, (5% of total international tourists, i.e. 25.03 million). With an average 3.9 days per international event, the contribution to foreign earnings can be significant, where total tourism expenditure was RM11.4 billion in 2014. However, the average days per visitor may extend up to 5.9 days including pre & post touring.

The estimated spending of a business tourist is almost 3 times the spending of an average leisure visitor. Based on research by MyCEB, the business tourists' spending are primarily on hotel (30%), event registration fee (28%), shopping (16%) and F&B (10%).

MICE Development



From 2011 to 2014, there were 947 events held with more than 500,000 delegates. Conference/convention comprised 46% whilst corporate meetings was 44%. With continuous promotions by MyCEB, both incentives/ meetings and exhibition/trade fairs have shown significant expansion. The incentives/meeting sub-segment is growing due to promotion of major cities such as Langkawi, Penang and Kota Kinabalu. Exhibition/trade fairs grew from 6 events in 2011 to 52 in 2014 and events included Malaysia International Furniture Fair (MIFF), Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA), Malaysia's Food & Hotel Show (FHM) , Homedec, Archidex, Metatech and others.

Sports and art/entertainment events also attract large crowds and boost the tourism industry. To name a few, the events include Ironman 70.4 Putrajaya, WWE Live Malaysia, Viper Challenge and others. For the past 4 years, a total of 100 major events were held, with estimated attendees of 925,000. The estimated total tourist expenditures is significant, especially where these events have attracted almost 30% international tourists. Malaysia has targeted to have 2.9 million business visitors by 2020 (8% of total tourists). It is expected that there will be demand for more world-class MICE facilities in major cities, especially the Klang Valley in the very near future.

MICE Facilities

Kuala Lumpur, Penang, Johor Bahru, Kota Kinabalu and Kuching are amongst the leading cities with MICE facilities. There are 16 major purpose-built convention centres (approx. 188,794 sq. m.), providing a mix of exhibition space and conference/meeting halls. Most of these convention centres are complemented with retail and hotel components. Many conferences and meetings are also held in business hotels.

> **"A multi-purpose arena with convention centre, exhibitions as well as an open arena for concerts/ sport events is in demand and such developments were supported by both private-public sectors in other countries."**
>
> *Ms Winnee Lim, Exhibition Sales Manager, MyCEB*

Exhibitions require larger space: 2,000 sq. m. (state level) to 50,000 sq. m. (national level), whilst the conferences and meetings generally use space of 400 sq. m. to 3,000 sq. m., cater to a maximum of 4,000 attendees. The recent opening of IDCC Shah Alam has offered another 8,700 sq.m. exhibition space. The upcoming MITEC (48,000 sq.m.) will be the first purpose-built exhibition centre in Malaysia and Klang Valley by 2017 and the expansion of the Kuala Lumpur Convention Centre (KLCC) and the Setia City Convention Centre will contribute an additional 10,000 sq. m. and 6,000 sq. m. respectively.


Source: www.klccconventioncentre.com

KLCC Convention Centre is amongst the notable conference and exhibition venue in Malaysia.

MyCEB commented that a multi-purpose arena with convention centre, exhibitions as well as an open arena for concerts/ sport events is in demand and such developments were supported by both private-public sectors in other countries. However the challenges faced are project funding and getting private developers to participate due to less attractive returns.

MICE Facilities in Malaysia

Development Name	Exhibition Space (sq. m.)	Meeting rooms (Nos.)	Plenary (pax)	Banquet (pax)	Reception (pax)
National Level					
Kuala Lumpur Convention Centre *	9,710	36	3,000	3,000	6,000
Matrade Exhibition & Convention Centre	33,000	8	1,500	1,200	2,000
Putra World Trade Centre	35,000	17	10,000	7,500	10,000
Mahsuri International Exhibition Centre (Langkawi)	20,000	6	1,600	1,200	1,800
Malaysia International Exhibition & Convention Centre (MIECC)	20,300	6		580	1110
State Level					
Malaysia Agro Exposition Park Serdang (MAEPS)	8,000	13	-	4,500	9,000
Putrajaya International Convention Centre (PICC)	8,000	31	2,500	2,060	5,000
Sunway Convention & Exhibition Centre	4,880	55	4,000	2,500	3,500
Mid Valley Exhibition Centre (MVEC)	5,574	-	-	-	-
Setia City Convention Centre **	4,000	8	2742	2,000	1,000
Borneo Convention Centre Kuching (BCCK)	2,790	18	5,000	2,000	3,500
Persada Johor International Convention Centre	6,000	10	3,100	2,100	2,500
Melaka International Trade Centre	13,000	8	1,100	600	1,000
Genting International Convention Centre	14,000	18	4,200	2,000	3,100
Straits quay Convention Centre	2,300			1,900	
Shah Alam Convention Centre	2,240	6	2,500	1,700	3,000
Total (Existing Supply)	188, 794				

* Expansion of 9,000 sm include exhibition, retail and office suites by 2018
** Expansion to total floor space of 10,000 sm by 2016
Source: WTW Research, 2015

Expert's Views:

"The objective of organizing a convention/ conference is to share knowledge and exchange information on a specific industry.

Incentive travel is to motivate & recognise participants for increased levels of perfromance in support of organizational goals."

Ms Manisa
Research Manager, MyCEB

MEETING, INCENTIVE & CONFERENCE

In Kuala Lumpur, most conventions/conference are held in halls provided in hotels and purpose-built convention with the peak seasons for conference in the months of September to November.

With the majority conventions/conferences held ranged from 300 to 500 paxs, hotels such as Grand Hyatt, Shangri-La, Mandarin Oriental, Sunway Convention Centre, KLCC, Hilton Hotel KL and JW Marriot are amongst the favourable venues for organizers.

A convention/conference is often targetted to create awareness through presentation of one's concept, discoveries or academic works. A successful conference/convention is often relying on the several main criteria. In most circumstances, the organizers will identify the target audience or attendees or some may look at the awareness and relevancy of this conference/convention to a particular region prior decision. Also, by organizing conference/convention, the organizations/associations that well-established in the Europe region will be able to increase their exposure and members in Asia.

For incentives/meetings, Malaysia is favourable compared to the neighbouring countries. The unique tourism identity and availability of luxury hotels in major cities such as Kota Kinabalu, Penang and Langkawi were the factors driving its growth. The delegates often stayed between 3 and 4 days, with the months of September and April having a large influx of incentives/meetings activities.

TOP 3 INDUSTRY IN:

Conference

1 *Medical Science* (15%)
2 *Technology* (14%)
3 *Science & Industrial* (9%)

Meeting/Incentive

1 *Finance* (24%)
2 *Consumer Product* (17%)
3 *Medical* (9%)

Source: MyCEB Research, 2012

Expert's Views:

"An exhibition facility need not to be fancy or luxurious. It is recommended to be on one level, pillar-free, high ceiling of between 9 and 11 meters, ample of parking space and easy access via public transport."

Dato' Vincent
President of MACEOS

"A conference is targeted to create awareness via presentation of concepts/ discoveries whilst a trade exhibition provides a face to face platform to conduct business relationship between buyers and sellers"

Ms Winnee Lim,
Exhibition Sales Manager,
MyCEB

TRADE EXHIBITION

Based on UFI survey carried last year, Malaysia achieved 7% growth in space take-up. Compared to our neighbouring countries with growth at 6% to 8%, a higher growth path is needed to catch up. In a survey conducted by MACEOS with its members based on the 12 main convention centres in the country, a total of 724,000 sq. m. of net space was rented in 2014, cumulating to 936 days, translated to a net space of 724 sq. m. per event per day.

Dato Vincent, highlighted that a tradeshow/trade fair is targeted to increase the business exposure of exhibitors whilst consumer shows are meant for instinct buying as well as cash and carry.

"For example, Archidex 2015 was a niche exhibition, specially designed for Business-to-Business (B2B). On the other hand, consumer shows are inclined towards the family as target market where there is no age limit and dress code." added Dato' Vincent to address the difference of trade and consumer shows.

The main challenges faced by the exhibition industry in Malaysia are the lack of sizeable exhibition facilities and competitive rental rate. Rental expenses constituted the major cost for event organizers in running a show and vary during the peak and the shoulder season. The high land cost in the KL city centre may not be a good option for developing exhibition and convention facilities, but developers may tap on any land in the suburbs adjacent to MRT for such developments. Quoting some of the exhibition centres in Europe, Dato' Vincent stressed that most of the facilities are located in the fringe of the city had yet good connectivity. I

"Exhibition centres in Europe come with attractive facades, however, once you walk into it, it is basically a big empty warehouse with cement flooring. Often, the organizers themselves will dress up the exhibition centre whenever there are shows." added Dato'Vincent. He reiterates further that if Malaysia wishes to be more competitive, it is necessary to have expansion or new exhibition centre plans line-up ahead given that the regional countries like Indonesia has been gaining pace in terms of MICE facilities.

TYPE OF EVENTS HELD IN 2014:

168 *Consumer Shows*
NRS: 384,000 sq.m.

70 *Tradeshows*
NRS: 256,000 sq.m.

70 *Conferences*
NRS: 84,000 sq.m.

Note:
1. NRS: Net Rented Space
2. Data above is a compilation by MACEOS with the members based on twelve(12) major convention centres in Malaysia.

Source: MACEOS, 2014

Conclusion

Business tourism is nothing new to us yet it is often the most overlooked. As a MICE destination, the country will attract more shows and events which will drive the development of accommodation, logistics, transportation as well as food and beverages activities. International events that will have global media coverage and heighten awareness of Malaysia globally by facilitating tourism growth in the major cities such as Kuala Lumpur, Penang, Langkawi, Kota Kinabalu and Kuching.

However, the challenge ahead is the lack of facilities in the major cities. Facilities at present are targeted for meetings, conventions and conferences, but there is a lack of sizeable exhibition space. Yet, the growth of the exhibition segment in recent years is faster than the other segments at between 5% and 10% per annum, which has resulted in a mismatch of supply and demand in the industry.

The lack of venues have put the country in a less preferred position which has further restricted the country to participate in bidding for large-scale events. The development of convention and exhibition centres or arena may not generate immediate investment returns but by integrating with hotels and retail space and with suitable incentives, the entire integrated development could be financially feasible.

Malaysia already has many of the requirements to tap into the MICE market as seen from the growing number of luxury hotels for meetings and conferences, eco-tourism and cultural destinations for incentives, exhibition centres for trade fairs and lastly the well-connected infrastructure and road network. However, the promising future can materialise only when the above-mentioned issues are resolved, which require the joint effort of the public and private sectors.

11TH MALAYSIA PLAN: INFRASTRUCTURE & AFFORDABLE HOUSING DEVELOPMENT

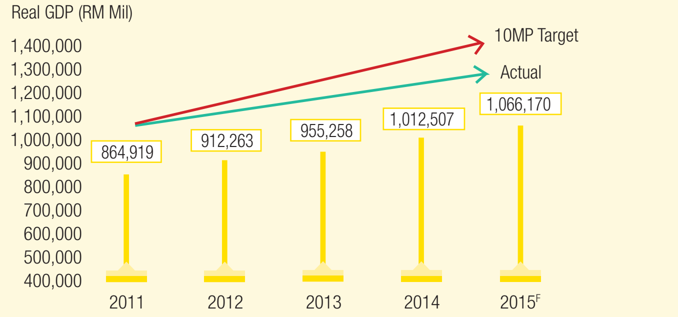
Review of the 10th Malaysia Plan: 2010 - 2015

The 10th & 11th Malaysian Plans are the two final instalments of the national agenda to achieve Vision 2020 and become a developed and high income nation by 2020. The national benchmark is set at 15,000 USD Gross National Income (GNI) per capita.

Macroeconomic Progress

10MP targeted the GNI per capita to increase to RM42,490 (US12,140) in 2015, requiring the GNI to grow at 8 per cent per annum. In 2014, GNI has grown to RM37,310 (US10,660), 12.2% below target. For Malaysia to achieve Vision 2020, GNI will need to increase by 5.9% per annum throughout the next five years period. With GDP growth likely to be less than 5% per annum for the next few years, the 15,000 USD GNI target no longer seems feasible.

10MP Real GDP Target and Actual Achievement (2011 - 2015[F])



Source: Department of Statistics (DOSM), Malaysian Institute of Economics (MIER), September 2015

Public Transportation Infrastructure as Catalyst

Under 10MP, government's efforts to increase public transportation capacity and reliability can be seen via projects such LRT Extension (Sri Petaling – Putra Heights, Ampang – Awan Besar), MRT (Sungai Buloh – Kajang), upgrading of existing KTM cars, electrified double tracking project (EDTP) and electrification of KL-Padang Besar. The EDTP extension from Gemas to Johor Bahru was originally brought up in 9MP but only saw progress in 2015. Bus Rapid Transit (BRT) is aimed at reducing the congestion woes along the proposed corridors; Kerinchi – Pasar Seni, Shah Alam – Petaling Jaya and Klang – Shah Alam. Whilst there is no specific timeline given, BRT Sunway Line only commenced operation in June 2015. The Table below summarises selected mega projects under 10MP with most of the projects concentrated in Klang Valley area. Overall, the execution of these projects has not met the timelines proposed and some were even 3-4 years delayed from the initial project duration.

10MP Mega Projects / Infrastructure Improvements

LEGEND
🟢 Target achieved
⚫ Partially achieved
🔴 Target not achieved, project delayed more than 1 year

	10MP Mega Projects / Infrastructure Improvements	Target	Achievement	Status	Remarks
1	Pengerang Integrated Petroleum Complex (PIPC)	2017	2019[e]	🔴	
2	MRT 1 (Sungai Buloh - Kajang)	2016	2017	⚫	
3	LRT extension	2015	2016	⚫	
4	Upgrade of KTM Komuter with 38 Electric Multiple Units (EMU)	2011	2012	⚫	
5	Double Track Railway Project (EDTP), KL-Padang Besar	2013	2015	🔴	Operated in July 2015.
6	197-km extension of EDTP, Gemas to Johor Bahru	2009	2021[e]	🔴	Construction expected to commence in 2016.
7	49-km Greater KL BRT System			🔴	Only Sunway Line operational since June 2015.
8	East Coast Expressway Phase 2	2012	2015	🔴	
9	New runway for KLIA and KLIA2	2012	2015	🔴	
11	Improvement in national ports	2 ports in Top 20		🟢	Port Klang (12) Tanjung Pelepas (19)
12	Sultan Abdul Halim Muadzam Shah Bridge (Second Penang Bridge)	2011	2014	🔴	Tabled in 9th Malaysia Plan. Completed in early 2014
13	Broadband Penetration	75.00%	70.20%	⚫	58% (2010)

Source: Tenth Malaysia Plan/ WTW Research

Highlights of 11TH Malaysia Plan

The plan envisages a real GDP growth of 5%-6% per annum to achieve Gross National Income (GNI) per capita of US 15,690 (RM54,100) (RM3.45 = 1 USD) by 2020. Average monthly household income is projected to reach RM10,540, almost double from the present average monthly household income of RM6,241. The dwindling global economy and falling commodity prices could prove to be challenging for the future of the Malaysian economy and her ability to achieve high income status as in Vision 2020. The following are the list of mega projects that will be undertaken under 11MP period amounting to RM175 billion:

HIGHWAY/EXPRESSWAY	RAIL	OTHERS INFRASTRUCTURE
Central Spine Road & Kota Bharu - Kuala Krai Highway Location: Kelantan Est Cost: RM2 Billion	***Electrified Double Track Project Gemas - Johor Bahru*** Location: Negeri Sembilan / Johor Est Cost: RM8 Billion	***Perlis Inland Port, Chuping Valley, Padang Besar Logistics Hub & Padang Besar Hospital*** Location: Perlis Est Cost: RM0.85 Billion
DASH Highway Location: Klang Valley (KV) Est Cost: RM4 Billion	***KV MRT Line 2 (SSP Line)*** Location: Klang Valley (KV) Est Cost: RM23 Billion	***Pengerang Integrated Petroleum Complex (PIPC)*** Location: Johor Est Cost: RM65 Billion
West Coast Expressway (WCE) Location: Perak/Klang Valley (KV) Est Cost: RM5 Billion	***High Speed Rail (HSR)*** Location: Klang Valley (KV) / Singapore Est Cost: RM40 Billion	***Water Supply Plants (Beaufort, Kundasang, Semporna, Keningau) & Sewerage plants (Keningau, KK)*** Location: Sabah Est Cost: RM1 Billion
Pan Borneo Highway Location:Sabah & Sarawak Est Cost: RM4.4 Billion	***Light Rail Transit (LRT) Line 3*** Location: Klang Valley (KV) Est Cost: RM9 Billion	***High Speed Broadband Project Phase 2*** Location: Malaysia Est Cost: RM1.8 Billion
Paroi-Senawang-KLIA Location: Negeri Sembilan/Klang Valley (KV) Est Cost: RM2.2 Billion	***Monorail Upgrading & Extension*** Location: Klang Valley (KV) Est Cost: RM3 Billion	***Mukah Airport & Smart City Mukah*** Location: Sarawak Est Cost: RM0.2 Billion
Re-gastification Terminal (RGT-1) Location: Melaka Est Cost: RM3 Billion	***Cinta Mata Dam*** Location: Sabah Est Cost: RM0.415 Billion	***Regional Sewerage Plant*** Location: Perak Est Cost: RM2 Billion

Transport and Logistics

Major ports also will be upgraded to cater for bigger vessels through channel deepening work and building additional berths and wharfs to attract mega vessels with capacities over 18,000 TEUs. Major projects include Kuantan Port and upgrading of Padang Besar Terminal. For airports, projects under planning are Mukah and Lawas airport in Sarawak and expansion of Kota Bharu airport.

Klang Valley Mass Rapid Transit (Phase 1) is planned for completion in 2016 while MRT Line 2, from Sg. Buloh to Serdang and Putrajaya and LRT Line 3 from Kelana Jaya to Klang is expected to begin construction in 2016. Improvement of public transportation in other sub-urban cities in Malaysia namely Seremban, Kuching, Kangar, Ipoh and Kuala Terengganu is also planned.

Development and upgrading of the Pan Borneo Highway will span a distance of 1,668 km from Telok Melano at Sarawak's most-Western tip all the way to Tawau, Sabah. The upgrading involves widening the existing roads from 2 lanes to 4 lanes, construction of modern bridges and proper rest and services areas. It is expected that industries and tourism will be the main beneficiaries from the highway as the alignment crosses the Sarawak Corridor Renewable Energy (SCORE), Sabah Development Corridors and Sabah tourism spots. Over 7 years to complete, the proposed highway is expected to act as a development catalyst to both Sabah and Sarawak.

The West Coast Expressway (E32) with 21 interchanges will provide an alternative north-south expressway along the west coast of peninsula Malaysia. Total length of this proposed expressway is 316 kilometers and will be divided into eight packages and due for completion in 2018. WCE will cross over mostly rural areas with the proposed interchanges sited at Tg. Karang, Sabak Bernam, Teluk Intan, Beruas and Changkat Jering.

Highlights of 11TH Malaysia Plan

This big infrastructure investment may generate many downstream economic activities in areas that previously could be accessed only by state roads. WCE could boost Perak's economy as main industrial areas of Lumut Port and Kamunting Industrial Park will have a better and direct connection to Port Klang.

WCE will also unlock several tourism spots i.e. Kuala Selangor, Teluk Intan, Pulau Pangkor and Taiping which are popular with domestic visitors. WCE is set to create more job opportunities and expected to generate GNI of over RM100 billion for the next 10 years.

High Speed Rail

Although the High Speed Rail (HSR) is among the list of 11MP megaprojects, no other details are provided. The journey from Singapore to KL will take a mere 2½ hours, compared to the current 7 hours. By bus coach, the trip is currently five hours.

Based on existing HSRs, travel time is not shorter than a plane nor is it much cheaper. However, it can move much larger passenger volumes compared to the 200 – 300 of a Boeing 727 or Airbus 320. HSRs will make commuting to work between cities a reality. Options will open up for the upper income households to live in the countryside or seaside and commute to work in the city. While there will be more business travellers and tourists between Singapore and Malaysia, alternative transport options and the capabilities of the Internet will be tough competitors.

HSR have been only successful in countries or regions (Europe) with huge and dense populations and where daily long distance commuting has become routine. Whether Malaysia can replicate this, remains to be seen. Eight stations have been proposed and expectations of the likely localities of these stations are as in the table.

If the locations of these stations are confirmed and implemented, large tracts of land within the vicinity will open up for new township developments and meet future demand for housing.

HSR Proposed Stations

Cities / Towns	Locality
Kuala Lumpur	Sg Besi
Putrajaya	Putrajaya Sentral
Seremban	Labu
Melaka	Air Keroh
Muar	Pagoh
Batu Pahat	Air Hitam
Johor Bahru	Nusajaya
Singapore	Jurong

Affordable Housing

Affordable housing needs have long been an issue for most urban cities in the world and Klang Valley is no exception. The Malaysian government has made effort to address this issue and various initiatives have been undertaken such as Program Bantuan Rumah (PBR), Program Perumahan Rakyat (PPR), Rumah Mesra Rakyat 1Malaysia (RMR1M) and other housing programmes.

Malaysian home ownership as a whole stood at 72.5% in 2010, a rather high figure but urban home ownership fared relatively poor at 69.1%. In Kuala Lumpur and Selangor, the figures drop to 53.5% and 66.9% respectively.

Demographic factors will amplify the problem: population is growing at around 1.3% per year and will reach 38.6 million by 2040; Due to urbanisation, households are getting smaller – in 1970 there were 182 households for every 1,000 people, by 2020 there will be 250 households for every 1,000. According to Department of Statistics Malaysia (DOSM), Klang Valley will grow at 1.5% and will be home to 8.1 million persons by 2020.

The level of affordability for housing can be measured as a multiple of annual median income to the median house price. Hong Kong tops the list where the median house price is 14.9 times annual median income followed by Malaysia at 5.4 and Singapore (5.1). Generally affordable homes are defined as houses priced below RM300,000. We have noted only PR1MA and PPA1M have offerings at the aforementioned price benchmark which is only 5% to 10% of the total units offered.

Highlights of 11TH Malaysia Plan

Public Affordable Housing Programmes

Schemes	Number of Housing Units			
	Completed	Under Construction	Planned	Total
Program Bantuan Rumah (PBR)	56,668	8,928	-	65,596
Program Perumahan Rakyat (PPR)	12,025	27,087	-	39,112
Rumah Mesra Rakyat 1Malaysia (RMR1M)	32,948	2,803	-	35,751
Perumahan Rakyat 1Malaysia (PR1MA)	560	18,400	-	18,960
1Malaysia Civil Servants Housing (PPA1M)	-	13,539	-	13,539
Rumah Wilyah Persekutuan (RUMAWIP)	-	9,309	-	9,309
Rumah SelangorKu	-	15,721	19,729	35,000

Data from DOSM reveals that the population of Malaysia was 30.1 million in 2014 whilst average and median household income were recorded at RM6,141 and RM4,585 respectively. Applying broad ratios, we estimated a total need for 406,620 affordable houses for first time buyers. We have calculated the overall affordability level by states based on the respective household income level of each states, as illustrated in the table below.

Overall, six (6) states are within the severely unaffordable category, three (3) classified as seriously unaffordable, four (4) as being moderately unaffordable and only Melaka is deemed to be affordable. Sabah and Sarawak lead the list being the top two most unaffordable states in Malaysia followed by Kuala Lumpur.

List of states and multiple of median house price over annual household income

State	Monthly Median Income (RM)	Annual Median Income (RM) (1)	Est. Affordable House Price[1] (1) x 3	All House Price (RM) (3)	Median Multiple (3)/(1)	Price Gap (3) - (2)
Severely Unaffordable						
Sabah	3,745	44,940	134,820	435,396	9.7	300,576
Sarawak	3,778	45,336	136,008	365,814	8.1	229,806
Kuala Lumpur	7,620	91,440	274,320	690,541	7.6	416,221
Pulau Pinang	4,702	56,424	169,272	358,245	6.4	188,973
Selangor	6,214	74,568	223,704	445,640	6.0	221,936
Malaysia	4,585	55,020	165,060	297,934	5.4	132,874
Kelantan	2,716	32,592	97,776	166,247	5.1	68,471
Seriously Unaffordable						
Pahang	3,389	40,668	122,004	204,898	5.0	82,894
Terengganu	3,777	45,324	135,972	210,071	4.6	74,099
Perak	3,451	41,412	124,236	168,955	4.1	44,719
Moderately Unaffordable						
Kedah	3,451	41,412	124,236	160,918	3.9	36,682
N Sembilan	4,128	49,536	148,608	185,339	3.7	36,731
Johor	5,197	62,364	187,092	232,136	3.7	45,044
Perlis	3,500	42,000	126,000	148,470	3.5	22,470
Affordable						
Melaka	5,029	60,348	181,044	168,381	2.8	-12,663

Source: NAPIC, HPI 1Q 2015, DOSM, WTW 2015

Conclusion

However, at the individual level, latest data from DOSM estimated that in 2014 median monthly salaries and wages was RM1,700. This was consistent with the data from EPF showing that 75% of active EPF members earned less than RM2,000 per month and about 15% earned between RM2,000 and RM5,000 a month.

Compared to our estimate of 406,620 affordable houses needed, the government has targeted the construction of 653,000 units. However, demographic factors will aggravate the problem: population will reach 38.6 million by 2040; urbanization is increasing; households are getting smaller and increasing family units from 182 to 250 per 1,000 people by 2020.

Housing affordability is both a function of house prices and household income. Consider that:
- 23% of households earned less than RM2,000 per month
- 55% less than RM4,000 per month
- 74% less than RM6,000 per month.

Nationwide, median house prices were 5.4 times median annual household income in 2014. According to global standards, this signifies a 'severely unaffordable' housing market. In Kuala Lumpur and Penang, the median multiple is 7.6 and 6.4, respectively; which are both 'severely unaffordable'. House prices in Sabah and Sarawak are "extremely unaffordable".

High housing prices are often blamed on land costs but the causality actually runs in the opposite direction – rising house prices result in rising land prices. Interventions in the housing market have been largely on the demand side – cheaper house financing and subsidies for home buyers. These measures are unsustainable as they can drive price increases. The answer to more affordable housing lies in making supply more responsive to population needs.

Mega projects for public transport, highways, etc. will make more remote regions accessible and within one hour commuting time. However, government / state lands must be made available at low cost for mass affordable housing for lower and middle income households. If subsidies are required, then some of the state lands must be sold for upmarket residential / commercial property projects which can help to contribute to subsidies.

Targets for Public Affordable Housing under 11MP Programme	Housing Unit (Malaysia)
PBR	47,000
PPR	50,000
PR1MA	380,000
PPA1M	88,000
RMR1M	55,000
RUMAWIP	33,000
Total	653,000
Average Annual Supply Target (within 5 years)	130,600
Total Affordable Housing Under-construction	110,000

Source: 11MP

MARKET PERFORMANCE & OUTLOOK FOR THE OIL PALM SECTOR:

WITH PARTICULAR REFERENCE TO SABAH

by
Robin Chung
Former Managing Director
WTW (S) Sdn Bhd

Up to the end of 2012, the capital values of Oil Palm estates and smallholdings had continued their seemingly inexorable rise but Income/ Profit declined through generally lower yields and sharply lower CPO/FFB prices in 4Q2012. CPO and FFB prices /Tonne fell from a peak of RM3,400/ RM700 and above in April-May to a nadir of RM2,000/RM400 and less, the reduced prices coinciding with the Q4 peak crop in Sabah. Thus, a double whammy for the bottom lines of oil palm owners. In the 3 years since, 2013 - 2015, CPO prices have rebounded but generally in the range of RM2,100 to RM2,600 pmt, with short lived breakout to RM2,800 in Feb-Apr 2014 and an equally momentary dip to below RM2,000 in Aug-Sep 2015. Prices, spot and futures, are presently in the range of RM2,000 to RM2,200 with most agreed on further volatilities ahead due to global economic uncertainties and, because of "discretionary biodiesel demand", to a link between vegetable oils and crude oil prices. There is also near unanimity in the concern over continued labour shortage and rising costs

Nevertheless, demand for Oil Palm land remains good. Market Value of Mature Prime Oil Palm, which had almost doubled from the RM48,000 per hectare of '07 & tripled from the RM27,000 per hectare of '02 to the almost RM90,000 to RM100,000 per hectare in'12 softening only slightly, thence.

Oil Palm Hectarages and CPO Production

The growth in the Oil Palm sector is shown in the following table and chart.

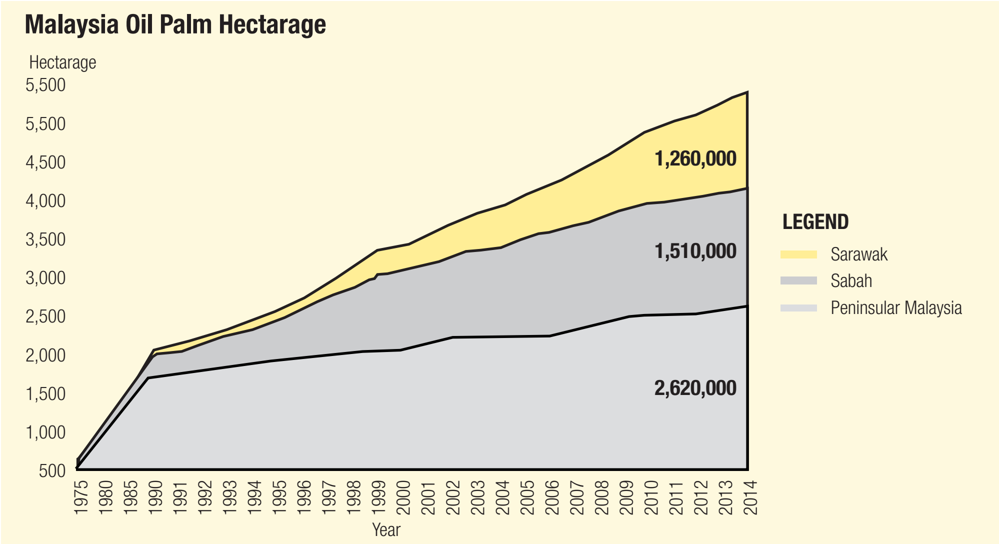
Planted Oil Palm Hectarages In Malaysia

Year	Peninsular Malaysia	Sabah	Sarawak	Total
1975	568,561	59,139	14,091	641,791
1980	906,590	93,967	22,749	1,023,306
1985	1,292,399	161,500	28,500	1,482,399
1990	1,698,498	276,171	54,795	2,029,464
1995	1,903,171	518,133	118,783	2,540,087
2000	2,045,500	1,000,777	330,387	3,376,664
2005	2,298,608	1,209,368	543,398	4,051,374
2010	2,497,892	1,409,676	919,418	4,846,822
2011	2,546,760	1,431,762	1,021,587	5,000,109
2012	2,558,103	1,442,588	1,076,238	5,076,929
2013	2,593,733	1,475,108	1,160,898	5,229,739
2014	2,620,000	1,510,000	1,260,000	5,390,000

Source: Department of Statistics, Malaysia : 1975 to 1984, MPOB (formerly PORLA) : 1985-2014

In Malaysia, Sabah has had the greatest growth in hectarage and CPO production. The increments for the decades of the 1970s, 1980s, 1990s and 2000s were 38,000 hectares, 253,000 hectares, 665,000 hectares, and 409,000 hectares, respectively and slowing down to 100,000 hectares in the half decade to date, due to increasing scarcity of suitable greenfield land. Further Malaysian growth will come mainly from Sarawak where a lot of land suitable for oil palms is subject to native customary rights, with attendant problems /issues.

In Indonesia, there are varying estimates of the total hectarage of land suitable for oil palm. The latest, from the Ministry of Agriculture, Indonesia appears to be 13 million hectare (probably, having consideration of consumer countries' sensitivity to the clearing and planting of ecologically sensitive areas like peat's, watersheds, and marginally suitable land/pre-logged forested areas capable of regeneration into natural jungles). With almost 10 million hectare planted up to 2014, there was therefore another about 3 million ha potential oil palm areas for expansion into. Most of the new plantings and additional CPO production will be coming from the four Kalimantan (Borneo) provinces and Irian Jaya as well as some of the lesser developed Sumatran provinces.



World production and distribution between producer countries are shown in the following table:

Palm Oil: World Production With Breakdown by Major Countries (Mn T)

	Forecasts		Actual Data				
Production	2025F	2020F	2015F	2010	2005	2000	1995
Malaysia	26.50*	23.50*	19.80*	16.99	14.96	10.84	7.81
Indonesia	51.00*	41.70*	32.90*	22.50	14.10	7.05	4.22
Nigeria	1.47*	1.24*	1.04*	0.89	0.80	0.74	0.66
Colombia	1.90*	1.60*	1.20*	0.75	0.67	0.52	0.39
Thailand	3.40*	2.80*	2.00*	1.36	0.70	0.53	0.35
Other Countries	9.23*	6.90*	4.94*	3.79	2.92	2.36	1.77
WORLD	93.50*	77.74*	61.88*	46.28	34.15	22.04	15.20

Note: F - Forecast;
* - Estimated
Source: Oil World, Mar 2015 POC

It is this burgeoning supply of CPO from Indonesia which has been a bugbear for the Malaysian Oil Palm industry (together with a more real worry that Indonesian labour will be increasingly difficult to obtain as their own Oil Palm industry grows). The very good demand and active market for of agricultural land, both estates and smallholdings, is reflected in the following table:

Breakdown of Number of Estate Transaction and Average Value (RM/ha) in Sabah

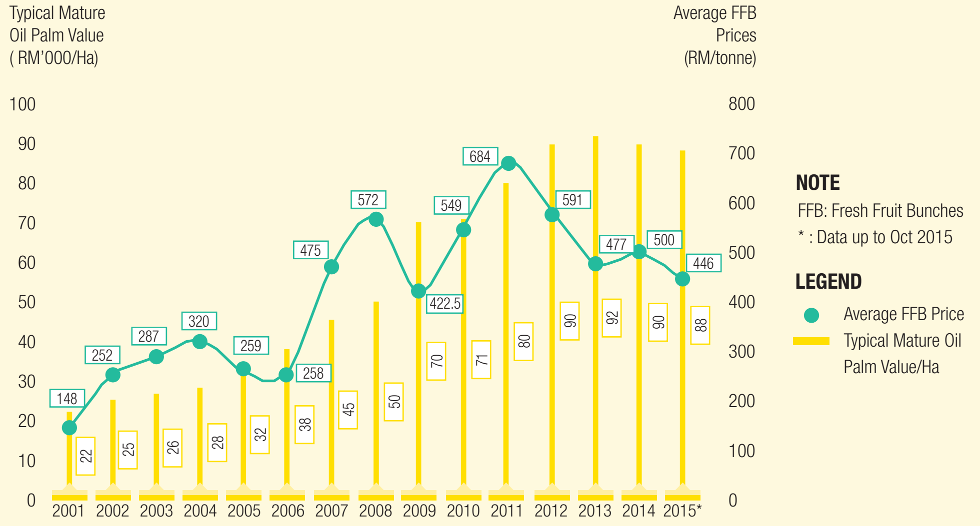
	No. of Transactions			Average Value (RM/ha)					
	Oil Palm Smallholder	Estate	Vacant Land	Oil Palm Small holder*		Estate		Vacant Land*	
				Min.	Max.	Min.	Max.	Min.	Max.
2007	558	23	1,339	29,655	31,264	20,181	54,363	NA	NA
2008	535	0	1,368	25,440	171,224	35,000	64,244	6,600	13,590
2009	619	43	1,201	NA	NA	NA	NA	NA	NA
2010	577	71	1,389	22,000	44,300	38,800	90,180	22,000	44,300
2011	575	47	1,339	34,300	91,400	30,900	247,000	18,532	39,500
2012 (to Jun)	350	24	738	74,100	274,100	54,400	119,800	49,400	

Note: * more or equal to 20 hectare
Source: Property Market Reports '07 - '12 NAPIC

Oil Palm Estate Transactions & Values

These were only transactions by transfer of titles, there being numerous other transactions by acquisition of the equity shareholding of owner companies including acquisitions by publicly listed companies.The appreciation of Oil Palm land over the years as reflected in the value of Mature Prime Oil Palm (benchmark being Year 8 to Year 15 OP yielding more than 25 tonnes FFB per hectare nett, being now typically RM34,000 to RM38,000 per acre or RM85,000 to RM88,000 per hectare is best demonstrated in the following which also correlates increasing (capital) Oil Palm land values with the generally upward trending FFB prices.

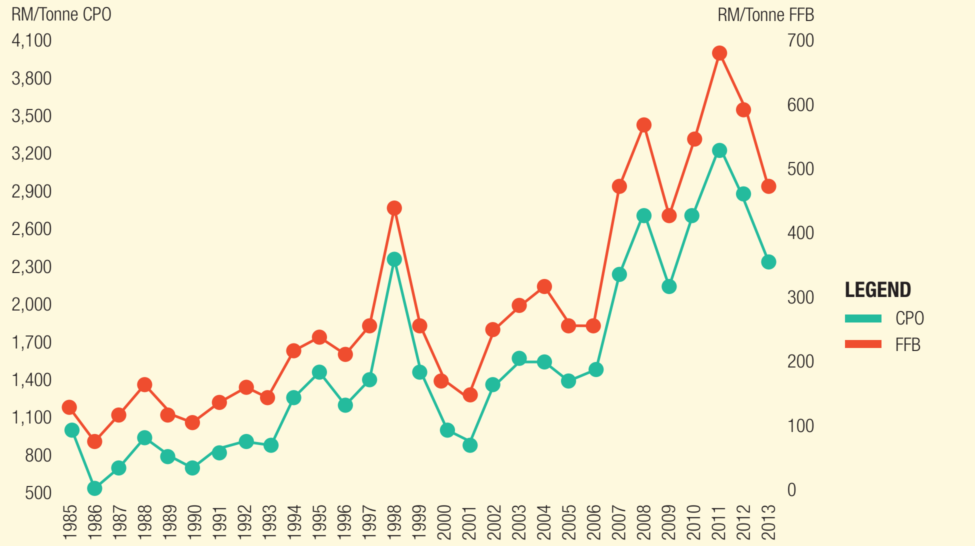
Oil Palm Value per Hectare vs FFB Price PMT



With increasing scarcity of undeveloped land, and new players in the industry, as well as plantation owners on the expansion trail, buying already planted Oil Palm estates, market values after the seemingly inexorable pre-2013 increases have softened, albeit slightly but with no panic exits from the industry. In fact, there has been a recent phenomenon of old Oil Palm land (+ 22years palms) purchased up to RM 75,000 per hectare, at only a slight discount to Prime OP values, for brownfield replanting, such being the scarcity of greenfield land for replanting.

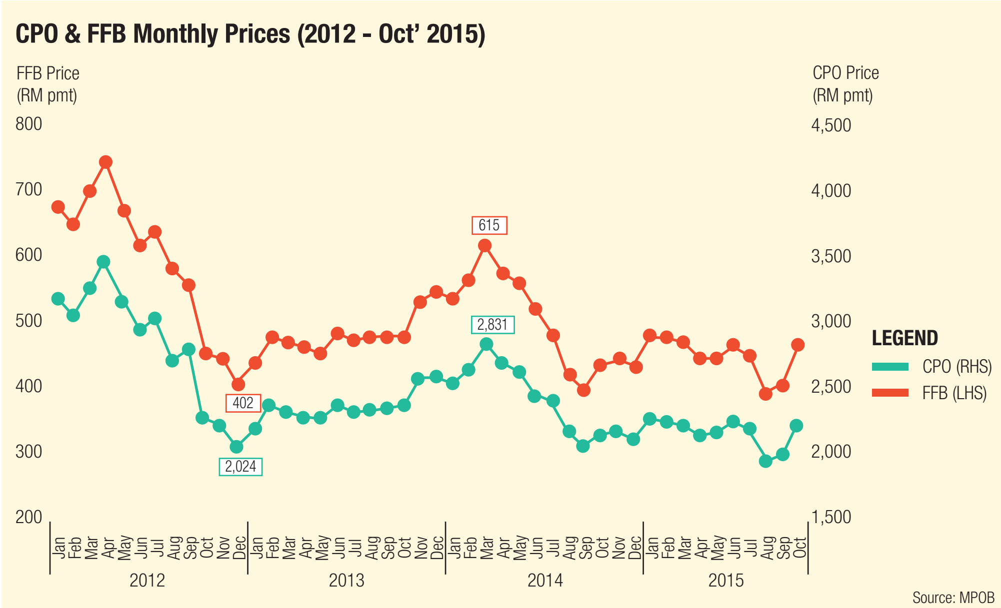
CPO/FFB Prices have always been volatile. Although over the last five years, happily, fluctuating around an upward trend, apart from a hiatus in Q4 '08 to Q2 '09. These are shown in the subsequent charts:

CPO & FFB Prices, Sabah



Source: Department of Statistics, Malaysia and MPOB (formerly PORLA)

Oil Palm Estate Transactions & Values



But in Q4 '12, CPO and FFB prices softened to below RM2,000 pmt and RM 400 pmt respectively, the other half of a double whammy being a reduction in yield of more than 20% for many estates that year. Since then prices have generally hovered between RM2,100 and RM2,600 Tonne CPO, with a short lived breakout to RM2,800 in Q2 '14 and an equally momentary dip to below RM2,000 in Q3 '15. Yields were more normal in '13 and '14 but this year (2015) yields are again down due to the effects of El Nino. What it has meant for Income/Profit:

• At say, RM560 pmt FFB (equivalent to RM2,800 pmt CPO) Less Current Production Costs of say, RM200pmt FFB (but before Amortisation of Land Costs, Costs of Establishment & Financial Charges), Profit pmt FFB would be RM360. But at RM400 pmt FFB, Profit was only RM200 pmt FFB (a drop from 'super' to 'normal' profit ?!)

• As an example, with a Yield of 10 Tonnes FFB per acre or 25 Tonnes FFB per hectare, at RM 560 pmt FFB, profit would have been RM 3600 /Acre or RM 9000 /Hectare, per year. But with a, say, 20% drop in yield (as suffered by many estates) to 8 Tonnes FFB /Acre or 20 Tonnes FFB /Hectare, and at RM400 pmt FFB, Profit would be RM1,600 per acre or RM4,000 per hectare, per year. Income/Profit thus reduced by RM2,000 per acre or RM5,000 per hectare although nonetheless, a RM3,600 per acre or RM9,000 per hectare Income/Profit.

EXAMPLE

Says

	Scenario A		***Scenario B***	
	Per Acre	Per Hectare	Per Acre	Per Hectare
Yield (Tonnes)	10	25	8	20
FFB Price (RM pmt)	560	560	400	400
Gross Income (RM)	5,600	14,000	3,200	8,000
Less				
Cost of Production @ RM200 pmt)	2,000	5,000	1,600	4,000
Profit	**3,600**	**9,000**	**1,600**	**4,000**

• Oil palm land values in the short - medium term have softened very disproportionately less than CPO prices as these Oil palm land values take a longer time horizon than the cyclic commodities price variations. Market Values are relatively unchanged in the short term with people buying and selling at around the same, or only slightly lower prices, (implicitly) accepting a lower return (temporarily, expecting prices to pick up again.) Returns dropped from 13% -15% during the halcyon days of RM 3,000 pmt CPO to 8%, or less, at the current RM 2,200 pmt CPO.

• Many oil palm owners reinvested profits from oil palm to other property sectors. Some oil palm owners have cashed out, selling their estates, generating yet more funds looking for alternative property investments. Thus, the Oil Palm sector profits had been an important driver of the other property sectors. A reduction in these being a damper for the general property market.

Outlook

• CPO prices are RM2,065, RM2,100, and RM2,190 for, Feb and Jan delivery, respectively (MPOB: Palm Oil Prices Nov 25, 2015). Price predictions for H1, 2016 vary but the "reluctantly made" predictions generally lie in the RM2,000 to RM2,300 range. Many pundits are agreed on further volatilities ahead due to global economic uncertainties, that the "Commodities Super Cycle" is over, and that prices of CPO along other vegetable oils are linked to Brent Crude due to "discretionary biodiesel demand".

• There have been reductions of export duty on palm oil but the industry still complains of being burdened by state sales tax, cess and windfall tax, apart from corporate tax.

• According to Oil World (POC Mar '15), supply growth is now outstripping demand growth ("bearish demand and bullish supply fundamentals"). This will lead to a build-up of inventories, and continuous soft prices.

• As big a worry for many Oil Palm estates has been labour shortage resulting in unharvested fruits of as much as 20%. This is likely to persist and it is feared that labour from Indonesia will be increasingly difficult to obtain with that country's own rapid expansion of the industry. Labour shortage is now compounded by more expensive labour with the minimum wage of RM800 being implemented.

• Notwithstanding the vagaries of CPO/FFB prices (and, therefore, Income/Profit fluctuations) and other challenges facing the industry, demand for Oil Palm estates in Malaysia, in general, Sabah in particular, appears unabated for now while (capital) values of Oil Palm land will soften, albeit slightly and very disproportionately less than softening of CPO prices.

Disclaimer: The author has taken all care to ensure the accuracy of the data, estimates and forecasts contained in this Paper. The views expressed in no way should be construed as guidance or advice to invest, sell or trade. The author accepts no liability to the reader for any information and forecast contained in this paper.

SECTORAL REPORT

LANDED RESIDENTIAL

The landed residential market continues to thrive in tough economic conditions. The Central Bank has maintained the Overnight Policy Rate (OPR) at 3.25%, stabilizing the lending rate between 4.5% and 4.7% The implementation of the Base Rate did not result in any significant change but gave rise to a more competitive and transparent financial market. Infrastructure developments have been the main catalyst for the residential market in major towns and cities, such as Klang Valley and Johor, where township developments are spurred along the expressway or rail line.

The softened residential market since the 2H of 2014 has continued into 2015. Most states in the country have witnessed low volume transaction activities. In terms of transaction value for residential properties, 2015 witnessed only a marginal growth between 10% and 15%. The demand for medium cost housing remained firm given its price range is more affordable for young working professionals.

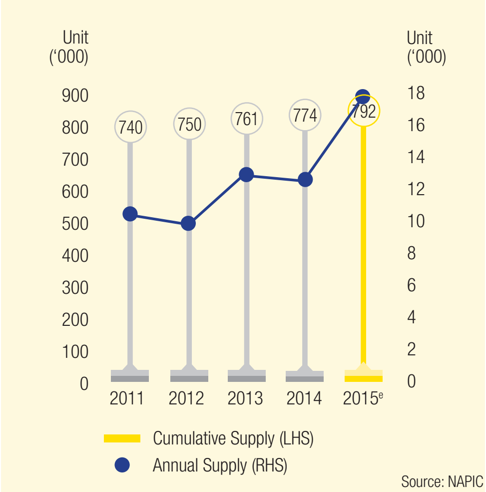
	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET						
Klang Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▲	▶	▲	▲	▲	▶
Seberang Perai	▶	▶	▲	▶	▶	▶
Johor Bahru	▼	▼	▶	▶	▶	▼
Kota Kinabalu	▼	▶	▶	▶	▶	▶
Kuching	▲	▲	▲	▲	▶	▶
SUB MARKET						
WEST MALAYSIA						
Northern Region						
Alor Setar	▲	▶	▲	▶	▲	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▶	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▲	▶	▲	▶	▲	▶
Melaka	▼	▼	▶	▲	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	▶	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
Lahad Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▶	▶	▶	▶	▶
Sarawak						
Sibu	▼	▼	▲	▲	▼	▼
Miri	▼	▼	▼	▶	▼	▼
Bintulu	▼	▼	▲	▶	▼	▼
Labuan	▶	▶	▶	▶	▶	▶

MAIN MARKET

Klang Valley

The performance of the landed residential sector in the Klang Valley in the past few years has slowed down. New launches in the 1H 2015 decreased compared with the 2014.

Total Supply of Residential units



Source: NAPIC

The performance of the landed residential sector in the Klang Valley in the past few years has slowed down. New launches in the 2015 decreased compared with the 2014. Developers have been cautious in launching their projects on a small scale, i.e. less than 50 units.

People are more cautious in spending and investing as the global and regional economies become uncertain. Purchasing or investing in property has not been active in the last two years as people prefer to hold cash and maintain financial liquidity.

Based on the residential stock report 3Q2015 by NAPIC, total supply of landed residential units was 791,995, with terraced developments constituting 86% of total supply. The rapid development of infrastructure such as the MRT, LRT and proposed highways have encouraged residential developments further away from the city. New landed residential schemes within a township/masterplan are generally gated and guarded with ample green areas.

New landed residential developments are situated mostly further away from the city, such as Bangi, Shah Alam, Rawang, Cyberjaya, Kajang and Semenyih. Townships with comprehensive masterplans are expected to thrive in the current tough market. Some of the noteworthy launches included Tropicana Aman by Tropicana Corporation and the new phases of Bandar Rimbayu by IJM Land on the former Canal City site at Shah Alam. The site will see another new development, Eco Sanctuary by EcoWorld Bhd in the near future.

Selected New Launches in Klang Valley in 2015

Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Min. Selling Price (RM per unit)
Caffra @ Setia Alam	Shah Alam	S P Setia Bhd Group	3-TH	1300	100	865,000
Peduline @ Bandar Rimbayu	Shah Alam	IJM Land Bhd	2-TH	1400	132	623,400
Wisteria @ Bandar Rimbayu	Shah Alam	IJM Land Bhd	2-TH	1725 - 1840	231	1,229,800
Quadz @ Kemuning Greenhills	Shah Alam	AMI Construction Sdn Bhd	2-SD	2240	64	998,000
Arahsia @ Tropicana Aman	Shah Alam	Tropicana Corporation Bhd	2 & 3-TH	1650	432	750,800
Bayan Residences @ Tropicana Aman	Shah Alam	Tropicana Corporation Bhd	2 & 3-TH	1765	372	858,800
CasaView @ Cybersouth	Cyberjaya	Glomac Bhd	2-TH	1400	500	650,000
Sutera Heights @ Sutera Heights	Serdang	Jitu Enigma Sdn Bhd	2½ & 3-TH	1800	120	1,269,000
The Terresse @ Bandar Puteri Bangi	Bangi	IOI Properties	2-TH	1760	111	728,800
Ixora Residences @ Bandar Seri Coalfields	Rawang	KLK Land Sdn Bhd	2-TH	1650	226	751,800
Amaryllis @ Taman Sari Rawang	Rawang	BRDB Developments Sdn Bhd	3-TH	1560	117	894,000

Source: WTW Research

Klang Valley

Selected New Launches in Klang Valley in 2015

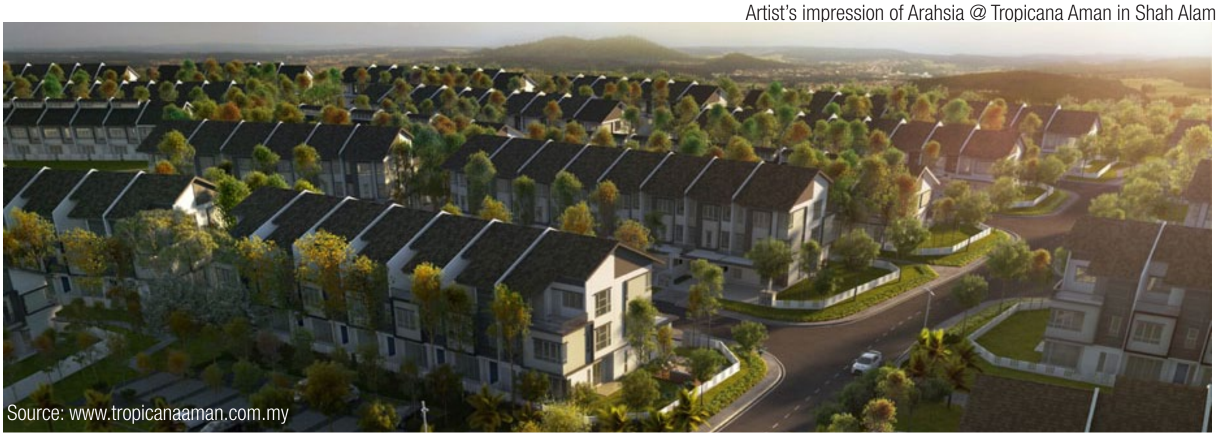
Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Min. Selling Price (RM per unit)
Parkfield @ Tropicana Heights Kajang	Kajang	Tropicana Corporation Bhd	2-TH	1650	250	835,800
Grandlis Homes @ Setia Eco Hill	Kajang	S P Setia Bhd Group	2-TH	1794	127	773,000
Garndlis Collection @ Setia Eco Hill	Kajang	S P Setia Bhd Group	2-TH	1794	210	773,000
Cheras Vista@Cheras Idaman	Kajang	Magna Bay Sdn Bhd	3-TH	1800	92	1,360,000
Garden Sonata @Taman Sari Rawang	Selayang	BRDB Developments Sdn Bhd	2-TH	1560 - 2100	117	778,000
Heather @ Saujana KLIA	Sepang	Glomac Bhd	2-TH	1400	102	518,000
Bayou@Pantai Sepang Putra	Sepang	Guocoland Bhd	2-SD	3200	142	885,000
Quadz @ CyberSouth	Sepang	MCT Bhd	2-TH	1400 - 2800	530	729,800
Dumalis @ 16 Sierra	Sepang	IOI Properties Group	3-TH	1920	99	1,250,000
Avira @ Bandar Puteri Warisan	Sepang	IOI Properties Group	2-TH	1650	196	722,000
Cendana @ Puncak Bestari	Klang	Worldwide Holdings	2-TH	1800	208	580,888
Serenade @ Lakeside Residences	Puchong	Glomac Bhd	2-TH	1540	102	1,280,000
Cendana @ Puncak Bestari	Klang	Worldwide Holdings	2-TH	1680	208	585,888

Source: WTW Research

Pricing of standard double-storey terraced houses in the new launches were between RM300 and RM400 psf, or about a million ringgit for a typical unit. The government has acknowledged the high house prices and taken a number of proactive efforts such as the Rumah Selangorku, PR1MA and Rent-to-Own schemes to provide more affordable housing.

In 2016, the landed residential sector is expected to see price stability with minimal growth. However transaction activities may further contract. The soft market sentiment may see the introduction of new developments of affordable price range, to address the needs of the 'squeezed middle' population segment. The increase in property prices in the primary market due to the inevitable prices fluctuations in both the materials and construction costs have helped to propel the secondary market which is comparatively cheaper. Going forward, properties in the secondary market is expected to become the preferential choice of most property buyers.

Artist's impression of Arahsia @ Tropicana Aman in Shah Alam



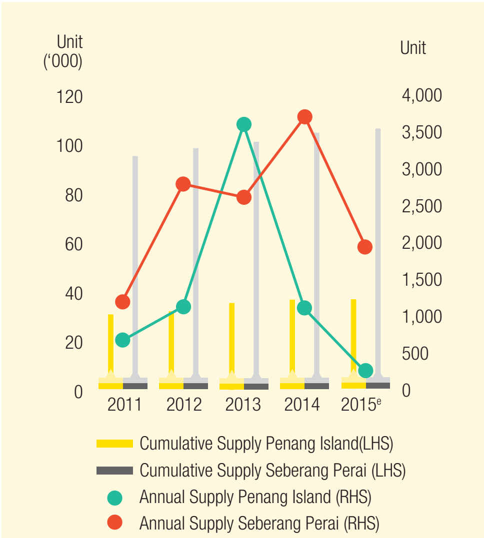
Source: www.tropicanaaman.com.my

MAIN MARKET

Penang

The hike in prices in Penang Island is expected to taper off in the near future with more new houses entering into the market.

Total Supply of Residential units



Source: NAPIC,

Data from NAPIC unveiled that the existing supply of landed residential units in Penang were 144,691 units of which 107,476 units (74.3%) are in Seberang Perai and 37,215 units (25.7%) on Penang Island. Despite more attractive high rise residential buildings being launched in the market, landed residential properties are still the preferred choice of Penang residents.

Penang Island

On Penang Island, 287 units of landed properties came into the market in 2015. Prices of newly-launched houses continued to increase, reaching a new benchmark in their respective locations.

Terraced and semi-detached houses in established neighbourhoods such as Seri Tanjung Pinang in Tanjung Tokong and Island Park & Island Glades in Greenlane, still command strong demand in the secondary market despite the increasing prices. Transacted prices of 2½-storey terraced houses and 3-storey semi-detached houses in Seri Tanjung Pinang have surpassed RM2 million and RM3 million per unit, respectively. However, the hike in prices is expected to taper off in the near future with more new houses entering into the market.

Seberang Perai

On the mainland, demand of landed residential developments remained strong in 2015 underpinned by the improved infrastructure. A number of major property players venturing into Seberang Perai for the first time has excited the local market with new housing products. For instance, Ecoworld, positioned as a pioneer in sustainable and green developments launched its maiden residential project known as EcoMeadows in Bukit Tambun. With its lush green landscape, gated and guarded concept as well as proximity to the expressway, a typical terraced unit was priced at RM700,000 per unit, a new price benchmark to the market.

According to data by NAPIC, only 1,945 housing units were completed in 2015. Terraced houses were the preferred development in 2015, as around 1,190 units were completed, mostly located in Southern Seberang Perai. The opening of the Second Penang Bridge and projects in Bandar Cassia at Batu Kawan has become the stimulus for more developments. The bullish market of Seberang Perai has moderated in 2015 and will remain soft moving forward. The transaction volume especially for properties priced at the low to medium range will still generate strong demand compared to new launches which are targeted at the higher income group.

Selected New Launches in Penang Island in 2015

Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Min. Selling Price (RM per unit)
Aster @ Taman Pantai Indah	Sungai Nibong	Chong Company Group	3-TH	1,980	14	1,880,000
Sunway Cassia (Phase 3)	Batu Maung	Sunway	2-SD	2,975 & 3,000	48	1,600,000
Trehaus	Bukit Jambul	IJM Land	2-SD	Landed Strata	26	2,200,000
Pearl Residence (Phase 2)	Batu Ferringhi	Seni Bahagia	3-SD	2,638 - 3,649	22	2,100,000
Hilir 37	Balik Pulau	Airmas Group	2-D	3,500	37	1,200,000

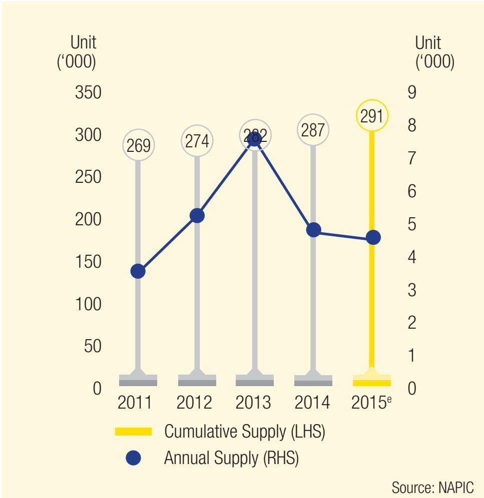
Source: WTW Research

MAIN MARKET

Johor Bahru

Demand for houses in established areas remain healthy and it is expected to be a buyers' market in future. New launches may offer more perks in order to attract more purchases.

Total Supply of Residential units



The supply of houses in 2015 stood at 291,384 units of which terraced houses comprised 83% of the total. In the next 2 years, the number of houses is expected to increase by another 16,712 units comprising 84.3% of terraced, 13.2% of semi-detached and 2.5% of detached houses.

The average transaction value of 2-storey terraced houses in the sub-sale market was RM325 psf over the built-up area or about 14% higher than last year. In the older housing estates, higher transaction values were recorded at Permas Jaya (RM320 psf), followed by Taman Pelangi at RM315 psf and Taman Perling, RM285 psf. In newer housing schemes, 2-storey terraced houses at Taman Sutera Utama, Horizon Hills and the latest phases of Taman Bukit Indah, the transaction prices were RM420 psf, RM410 psf and RM400 psf on average respectively. Gated and guarded security systems and better management remained the main features preferred by buyers.

Despite the decrease in the number of transactions compared with the previous year, the average price of a 2-storey semi-detached house was maintained in 2015. For example, Taman Austin Perdana was transacted at RM420 psf in 2014 and 2015 while Taman Austin Heights was between RM460 psf and RM500 psf for the same review period. For new launches, 2-storey terraced developments with higher selling prices were found in Nusajaya. Terraced units at Estuari by UEM Sunrise Bhd and Eco Summer by EcoWorld Bhd were priced RM1.3 and RM1.2 million each respectively. The former has a land area of 1,800 sq ft and built-up area of 2,700 sq ft while the latter has a land area of 1,760 sq ft and built-up area of 1,800 sq ft. At Tebrau Corridor, Glenmarie Properties Sdn Bhd introduced its first development in Johor Bahru with selling prices starting at RM665,000 per unit.

Demand for houses in established areas remain healthy and it is expected to be a buyers' market in future. New launches may offer more perks in order to attract more purchases. In addition, we foresee more affordable houses will be built in Johor State, about 6,000 units will be completed by year end while another 36,000 units will come on stream over the next 3 years.

Selected New Completions in Johor Bahru in 2015

Name	Location	Type	Land Area (sq ft)	No. of unit
Foresta	Setia Eco Cascadia	3-TH	1,760	106
Foresta		2-SD	2,560	4
Olivine		2-SD	3,150	22
Samara	Bandar Dato Onn	2-SD	3,200	20
Rollinia & Roselle 1,2		2-TH	1,540-1,680	366
Nusa Duta	Nusa Duta	2-SD	4,000-4,500	28
Nusa Duta		2-D	5,000-7,200	28

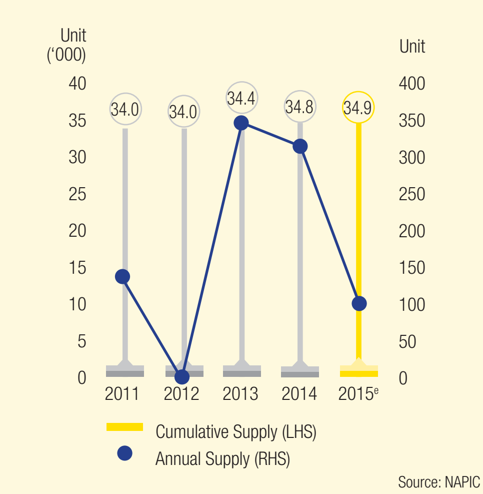
Source: WTW Research

MAIN MARKET

Kota Kinabalu

The market is expected to remain little changed going into 2016 and developments in established locations and near to urban centres should continue to fare well.

Total Supply of Residential units



Generally, a more muted landed residential sector in 2015 where new launches are concerned, with fewer new developments initiated compared to previous years.

New landed residential launches in 2015 comprised mainly double-storey terraced houses. These include:

Name	Location	Type	No. of units	Min. Selling Price (RM per unit)
Fulliwa Ph 3B	Manggatal	2-T	43	525,000
Sutera Jaya	Kinarut	2-T	55	472,000
Sri Khazanah Ph 1A	Langkuas, Kinarut	2-T	71	556,800
Casablanca Residence	Kolombong	2-T	57	788,000
		3-T	35	973,000
		3-SD	2	1,600,000

Completed landed residential developments mainly consisted of double-storey terraced and semi-detached houses. Transactions in the sub-sale market are noted to be stable in 1H 2015 year-on-year with no evidence of decline in prices.

The market is expected to remain little changed going into 2016 and developments in established locations and near to urban centres should continue to fare well.

Selected New Completions in Kota Kinabalu in 2015

Name	Location/Zone	Type	No of Units
D'Sri Gayang Phase 1 & 2	Gayang	2-T	431
Kasigui 3B	Penampang	2-SD	46
Aman Sari	Manggatal	2-TH	43
Albion Ph 2	Manggatal	2-TH & 2.5-TH	73
Bukit Pulutan	Manggatal	2-TH	59
		2-SD	14
Makmur Ria	Manggatal	2-TH	28
Desa Seri Ketiau Phase 1	Putatan	2-TH	53

Source: WTW Research

Artist's impression of Casablanca Residence at Kolombong

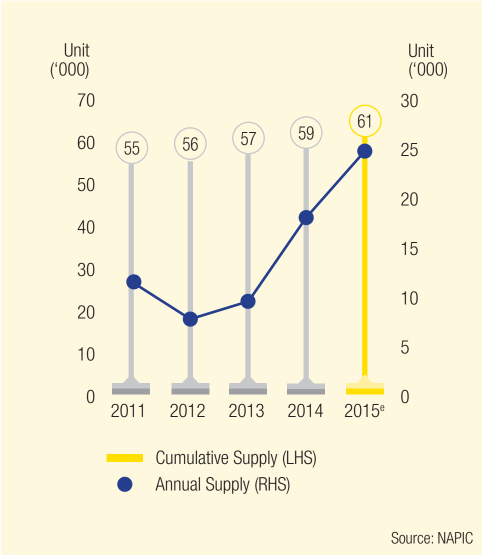
Source: www.casablanca.my

MAIN MARKET

Kuching

2016 is expected to reflect a similar scenario with a slowdown in new sales but good transaction activities in the affordable housing sector.

Total Supply of Residential units



The residential sector in 2015 saw more units completed, due to the large number of launches in previous years. On the other hand, the number of landed residential launches for 2015 has dropped considerably, due to a softer market and also because of the shift to high-rise residential units, which have been launched in significant numbers.

Except for continuing phases of some major developments such as Tabuan Tranquility and Bandar Samariang and more affordable mass housing such as Green Gate and Lotak Villas in Batu Kawa and Taman Sri Permai in the outer Dewan Bandaraya Kuching Utara (DBKU) area, most of the developments are piece-meal and small, comprising less than 50 units per project.

New launches were noted to be more active in the outlying suburban areas, basically prime secondary areas such as Batu Kawa, Jalan Kuching Serian and Matang, due to increasing land costs in and around Kuching city which has pushed newer developments to the outer areas in efforts to maintain affordability.

Double-storey terraced houses continue to dominate the landed residential sector followed by 2-storey semi-detached houses. Prices of housing units in prime locations remain high, recording over RM550,000 for 2-storey terraced units and more than RM1,000,000 for semi-detached units. Take up rates for new housing projects seem to be slower in 2015 but market transaction activities in the secondary market have increased. Demand for reasonably priced housing below RM500,000 remained strong. Housing areas recorded high occupancy rates at around 90% and rentals were maintained as previous year.

2016 is expected to reflect a similar scenario with a slowdown in new sales but good transaction activities in the affordable housing sector. Prices are still expected to go up, albeit at a slower rate between 5% and 10%.

Selected New Launches in Kuching in 2015

Name	Developer	Location	Type	No. of units	Selling Price (RM per unit)
Vision Heights	Hong Seng Construction (E.M.) Sdn Bhd	Batu Kawa	2-TH	73	273,000 - 520,000
Golden Palm	Hung Seng Construction (E.M.) Sdn Bhd	Jalan Kuching Serian	2-TH 2-SD	66	398,000 - 535,000
Green Acres	Ih Hung Enterprise Sdn Bhd	Jalan Matang	2-TH 2-SD	128	308,000 - 575,000

Source: WTWY Research

West Malaysia

Northern Region

While the average price of terraced houses in Penang was experiencing rapid growth in the last couple of years, the performance of landed residential properties in both neighbouring states, i.e. Kedah and Perak, has been relatively slower.In Alor Setar, the landed residential market was soft in 2015. 2-storey terraced houses are now transacted at RM450,000 per unit, an increase of 12.5% since 2014. There were less new launches in 2015, and it is expected to persist into 2016 as developers are expected to postpone new launches or developments.

In Ipoh, there is still demand and preference for landed residential properties. Meanwhile, developers are pouring effort into meeting market preferences, including features such as gated and guarded communities, landscaped gardens and open space to create a serene and harmonious ambience for residents. Such a concept has now gained acceptance boosting take up rates. With a number of on-going developments still to be fully taken up, less new launches are likely in 2016.

AVERAGE NET YIELD (%)

	Alor Setar		Ipoh	
	2014	2015	2014	2015
2 - TH	3.5	3.5	2.5	2.5
2 - SD	3.0	3.0	2.5	2.5

Source: WTW Research

Selected New Launches in the Northern Region in 2015

Name	Location	Developer	Type	No. of units	Min. Selling Price (RM per unit)
Alor Setar					
Taman Tunku Intan Syafinaz (TTIS)	Bandar Darulaman	Bina Darulaman Berhad (BDB)	1-SD	68	380,000
			2-SD	72	498,000
			2-TH	145	355,000
Ipoh & Kampar					
The Residence @ Kampar / The Trails of Kampar, Bandar Agacia	Off Jalan Kampar Putra, Kampar	Agacia Land Sdn Bhd	Townhouse	258	560,000
The Meadow Park, Bandar Agacia	Off Jalan Kampar Putra, Kampar	Everest Home Sdn Bhd	Townhouse	426	355,000
Ipoh South Precinct Residences	Off Jalan Lapangan Siber	Keris Properties Sdn Bhd	2-TH	155	448,800
			2-Cluster	148	588,800
			2-SD	110	698,800
Meru Desa Park – The Sierra	Bandar Meru Raya	Meru Properties Sdn Bhd	2-SD	66	738,800
Medan Klebang Mewah (Suria Hill 2)	Klebang	PK Lee Sdn Bhd	1-SD Cluster	60	368,800
			1-SD	40	438,800
			1-SD Cluster	32	268,800
Puncak Iskandar	Off Ipoh - Lumut Highway	Seri Iskandar Development Corporation Sdn Bhd	1SD - Caspia	42	350,000
			1SD - Alpina 2	72	305,000
			1SD - Begonia	29	440,800
			1SH	14	176,000
Embun Meru	Meru Valley	Kinta Properties Sdn Bhd	Townhouse	48	607,800
Lakeside Legend	Ipoh	Sunrise Palace Sdn Bhd	2.5-D	26	1,088,880
			2-SD	48	588,880
			2-Cluster	-	388,880

Source: WTW Research

West Malaysia

East Coast Region

In Kuantan, development costs increased slightly after the implementation of GST. Established residential schemes enjoyed the positive spill-over effect from newly-launched projects as the new launch prices set new benchmarks. This increase has affected the affordability of the purchasers, which has seen subdued effect in the market activities in residential sector in 2015.

In 2015, the general property market has been slow in Kota Bahru, led by the soft residential market, the predominant segment. The landed residential market remained the most sought after category despite the increasing number of high-rise developments. Most landed residential developments in Kota Bahru were small scale (i.e. a row of terraced houses/ 2 to 3 units of detached houses) and scattered in various locations, thus the impact on new supply was not significant.

Similarly, landed residential has been the main market segment in Terengganu over the years. Despite the weak market sentiment, the residential market led overall market performance and continued to grow at a healthy pace. The Kuala Terengganu City Centre (KTCC) development has stimulated the market, contributed appreciation of residential properties in the locality. Local purchasers have continued to demand for terraced and semi-detached developments.

AVERAGE NET YIELD (%)	Kuantan		Kota Bahru		Kuala Terengganu	
	2014	2015	2014	2015	2014	2015
2 - TH	3.0	3.0	4.0 - 4.6	4.0 - 4.6	4.25	4.25
2 - SD	3.0	3.0	3.8 - 4.4	3.8 - 4.4	4.25	4.25

Source: WTW Research

Selected New Launches in the East Coast Region in 2015

Name	Location	Developer	Type	No. of units	Min. Selling Price (RM per unit)
Kuantan					
Hermoso Residences	Tanjung Lumpur	Tunas Land Sdn Bhd	3-SD	-	1,200,000
			3-TH		800,000
PSJ-Damansara	Off Jalan Kuantan Bypass	PSJ Group	2-TH	-	377,000
			2-SD		530,000
Evergreen Homes	Kota SAS	Tanah Makmur Bhd	1-TH	200	245,000
			1-SD	120	340,000
Kota Bharu					
Tijani Raja Dewa1	Raja Dewa	Dexview Sdn Bhd	3-SD	16	2,052,000
			3-TH	41	1,256,400

Source: WTW Research

Artist's impression of Hermoso Residences at Tanjung Lumpur by Tunas Land Sdn Bhd

West Malaysia

Southern Region

In Seremban, the upbeat market activities in 2015 are likely to level off in 2016. Poor market sentiment is likely to result in cautious spending and investment activities. Double-storey terraced houses were transacted at RM423,000 per unit, marginally up 2% since 2014. Developments in prime locations such as Nilai and Seremban are by major property players from Klang Valley such as Sime Darby and IJM Land and the target market are purchasers from Klang Valley as well as local purchasers that work in Klang Valley.

On the other hand, Melaka experienced a relatively soft residential market. Transaction activities in the landed residential market were inactive in comparison to 2014, which may extend into 2016. New housing supply was finite due to limited approvals from the local authorities, making housing demand in the state become acute. Prices of both terraced and semi-detached houses have move upwards about 9% in 2015.

In Batu Pahat, the housing market is still relatively stable in terms of pricing. However, transactions have tapered off in comparison to 2014. The market is expected to consolidate further in 2016. Except for a handful of medium sized schemes of 2-storey terraced and semi-detached houses, no sizeable residential schemes were launched in 2015.

AVERAGE NET YIELD (%)	Seremban		Melaka		Batu Pahat	
	2014	2015	2014	2015	2014	2015
2 - TH	4.5	4.5	4.0	3.0	2.0	2.0
2 - SD	4.5	4.5	3.0	3.0	1.8	1.8

Source: WTW Research

Selected New Launches in the Southern Region in 2015

Name	Location	Developer	Type	No. of units	Min. Selling Price (RM per unit)
Seremban					
Bellina Villas	NIlai	Putra Nilai Develoment Sdn Bhd	2-SD	16	1,200,000
Laman Alamanda	Nilai	Seriemas Development Sdn Bhd	2-TH	70	538,888
Melaka					
Straits Courtyard	Kota Laksamana	LVS Properties Sdn Bhd	3-D	78	2,800,000

Source: WTW Research

East Malaysia

Labuan

The landed residential market was relatively stable in 2015 and there were no new launches recorded in Labuan. At present, landed residential developments in the Federal Territory of Labuan are small scale comprising about 50 units per housing estate. However, with the upsurge of transaction prices of landed residential in the sub-sale market and increase in land cost, developments have shifted from landed to stratified.

Due to the sluggish oil & gas sector, the rental market and demand in Labuan has declined significantly. This is especially true for double storey semi-detached houses. Before the slump in crude oil price a normal fully furnished double storey semi-detached house can command a rental of RM4,000 to RM4,500 per month. However, the slump in crude oil prices has observed less demand for landed properties due to retrenchment or companies have their employees sent back to country of origin as part of the cost cutting strategy.

SUBMARKET

East Malaysia

Sabah

There were no significant new launches during 1H 2015 in Sandakan. Transaction activities were lack-lustre in 2015 but prices remained firm. Typical 2-storey terraced houses were transacted at RM420,000 per unit. Approximately 570 landed residential units launched in 2014 are at various stages of construction.

At Tawau, demand for medium cost housing priced below RM400,000 per unit remained significant. The medium cost housing segment is expected to see more supply coming on stream in the next two years with the launches of the first PR1MA project in 4Q2015 and a second project in 1Q2016 at Mile 10 Jalan Apas by Princip Hasil Sdn Bhd. The launch of high end residential development projects at Jalan Sin On and Jalan Bunga Raya in 2015, is expected to face strong headwinds in the market.

Landed residential developments in Keningau are mostly medium scale, ranging from 30 to 100 units per development. The transacted price for a 2-storey terraced house increased about 20% in 2015, to RM367,000 per unit on average. The growing population is expected to spur demand.

In Lahad Datu, the lower commodity (oil palm) prices and oil palm crop production had reduced the spending power of the population. The majority of purchasers faced difficulties to submit their loan applications with proper financial documents while a number of them were over-geared. The negative impact left over by the Sulu intrusion has caused many developers to hold and scale back their residential projects. Despite the poor market sentiment in Lahad Datu, Hap Seng Properties had launched Phase 4 of Palm Heights consisting 100 double-storey semi-detached and Villa Perdana with 44 units of high-end double-storey semi-detached houses.

AVERAGE NET YIELD (%)	Sandakan		Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015	2014	2015
2 - TH	4.0	4.0	3.35	3.25	N.A.	N.A.	4.0	4.0
2 - SD	3.5	3.5	2.70	2.60	N.A.	N.A.	4.0	4.0

Source: WTW Research

Selected New Launches in Sabah in 2015

Name	Location	Developer	Type	No. of units	Min. Selling Price (RM per unit)
Tawau					
Ria Height	Jalan Utara Baru	Hap Seng Properties Development Sdn Bhd	1-TH	320	323,000
			2-TH	321	388,000
Residence	Jalan Bunga Raya	Leeka Holding Sdn Bhd	2-TH	26	653,000
Indah Villa	Jalan Yamamoto	Leeka Holding Sdn Bhd	2-TH	9	665,000
Lahad Datu					
Palm Heights Phase 4	Jalan Dam	Hap Seng Properties Group	2-SD	100	611,200
			2-TH	88	420,000
Villa Perdana	Jalan Silam	Hap Seng Properties Group	2-SD	100	988,000

Source: WTW Research

East Malaysia

Sarawak

Supply of landed residential units in Sibu has slowed down as transaction activities and take up rates have contracted. Generally, newly launched intermediate terraced and semi-detached houses have command prices above RM400,000 and RM600,000, respectively.

In Miri, selling prices of newly launched residential properties were higher mainly due to inflation and the impact of GST. Transactions activity and take-up rates are expected to slow down in 2016 due to the overall slowdown of Malaysia's economy. With Miri sprawling north and south, current and new projects are moving to outlying areas where the land cost is relatively lower. Housing units under construction are the highest in Lutong-Kuala Baram area (927 units), largely contributed by Desa Senadin developed by Miri Housing Development Realty Sdn. Bhd. Luak-Bakam and Taman Tunku-Taman Jelita which have seen increasing housing activity in recent years are expected to maintain their momentum in the next few years. Generally, it is expected that the Miri housing market will continue to be stable but with noticeably less launches and completions.

Prices of residential units in Bintulu in 2015 were higher compared to 2014. However, the market was stable in general due to the current on-going SCORE Projects in Bintulu but it is expected that the transaction volume and take up rate for new projects may experience a downward trend due to overall economic slowdown.

AVERAGE NET YIELD (%)	Sibu		Miri		Bintulu	
	2014	2015	2014	2015	2014	2015
2 - TH	3.0	3.0	3.4	3.2	5.3	5.0
2 - SD	3.0	3.0	2.7	2.6	5.8	5.5

Source: WTWY Research

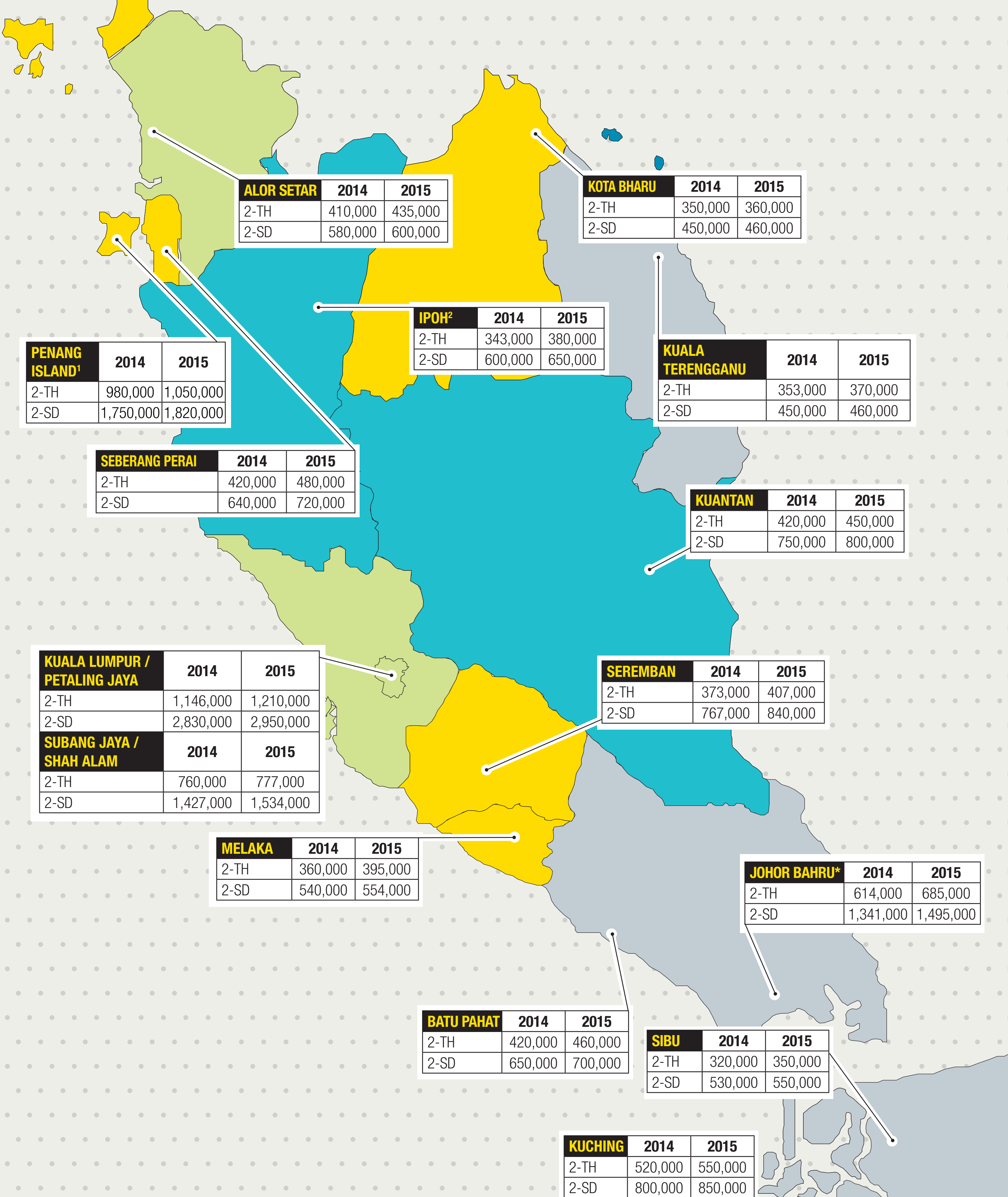
Selected New Launches in Sarawak in 2015

Name	Location		Type	No. of units	Min. Selling Price (RM per unit)
Bintulu					
Austra Height Phase 3	Jalan Sibiyu, bintulu	Kien Lim Realty Sdn Bhd	2-TH	113	398,000

Source: WTWY Research

Double-storey Terraced Houses in Gem Park, Bintulu

Serene Jelita 2 in Taman Jelita, Miri



ALOR SETAR	2014	2015
2-TH	410,000	435,000
2-SD	580,000	600,000

KOTA BHARU	2014	2015
2-TH	350,000	360,000
2-SD	450,000	460,000

IPOH[2]	2014	2015
2-TH	343,000	380,000
2-SD	600,000	650,000

PENANG ISLAND[1]	2014	2015
2-TH	980,000	1,050,000
2-SD	1,750,000	1,820,000

KUALA TERENGGANU	2014	2015
2-TH	353,000	370,000
2-SD	450,000	460,000

SEBERANG PERAI	2014	2015
2-TH	420,000	480,000
2-SD	640,000	720,000

KUANTAN	2014	2015
2-TH	420,000	450,000
2-SD	750,000	800,000

KUALA LUMPUR / PETALING JAYA	2014	2015
2-TH	1,146,000	1,210,000
2-SD	2,830,000	2,950,000
SUBANG JAYA / SHAH ALAM	**2014**	**2015**
2-TH	760,000	777,000
2-SD	1,427,000	1,534,000

SEREMBAN	2014	2015
2-TH	373,000	407,000
2-SD	767,000	840,000

MELAKA	2014	2015
2-TH	360,000	395,000
2-SD	540,000	554,000

JOHOR BAHRU*	2014	2015
2-TH	614,000	685,000
2-SD	1,341,000	1,495,000

BATU PAHAT	2014	2015
2-TH	420,000	460,000
2-SD	650,000	700,000

SIBU	2014	2015
2-TH	320,000	350,000
2-SD	530,000	550,000

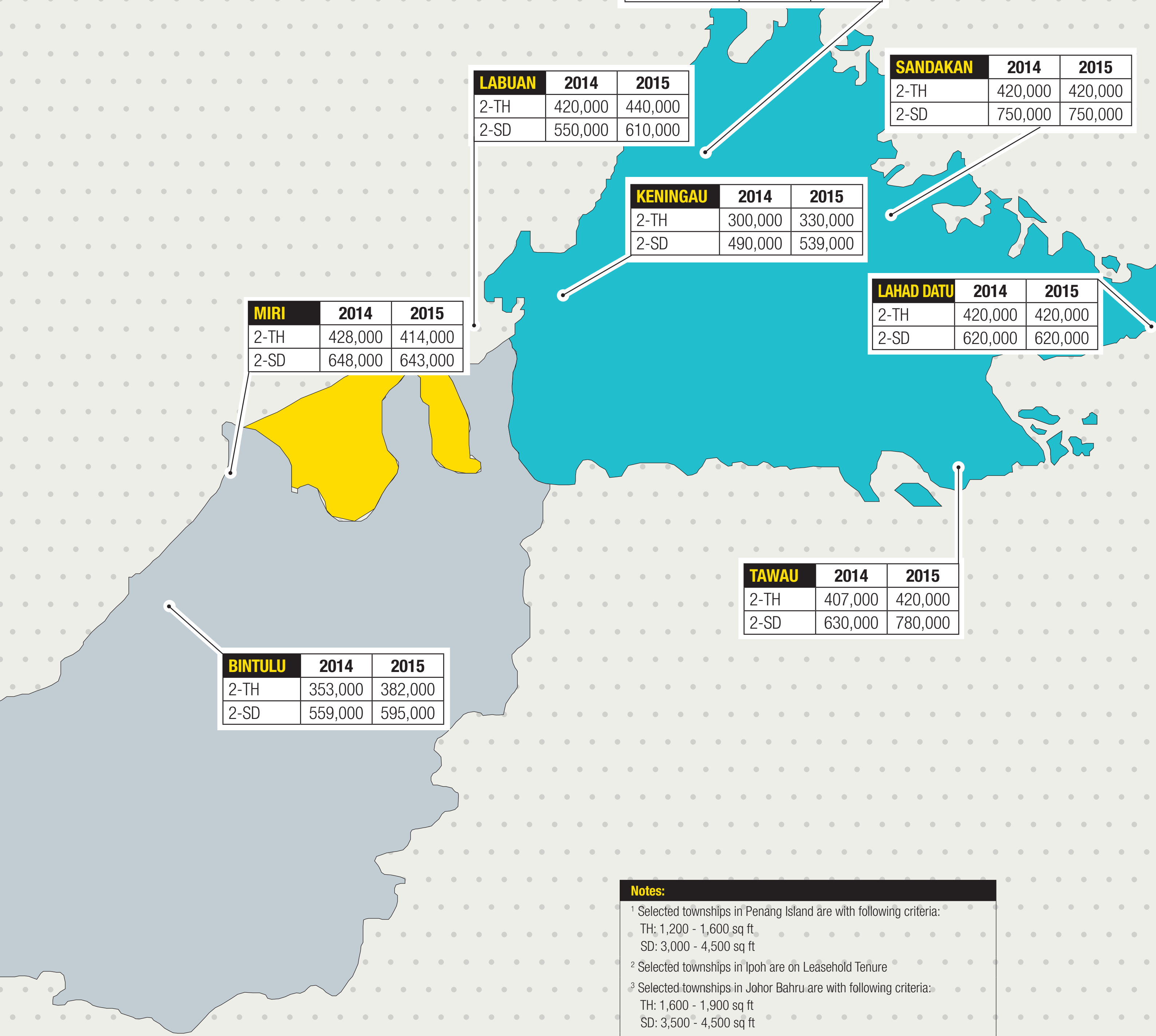
KUCHING	2014	2015
2-TH	520,000	550,000
2-SD	800,000	850,000

* WTW House Prices for respective towns were analysed based on transactions data of selected townships. The criteria are as follows:

(i) Double-storey Terraced houses, are sampled with land area of 1,400 - 1,650 sq ft), freehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

(ii) Doube-storey Semi-detached houses, are sampled with land area of 3,200 - 3,600 sq ft, freehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

2014/2015*
WTW MALAYSIA HOUSE PRICE INDICATOR



KOTA KINABALU[4]	2014	2015
2-TH	570,000	590,000
2-SD	1,100,000	1,200,000

LABUAN	2014	2015
2-TH	420,000	440,000
2-SD	550,000	610,000

SANDAKAN	2014	2015
2-TH	420,000	420,000
2-SD	750,000	750,000

KENINGAU	2014	2015
2-TH	300,000	330,000
2-SD	490,000	539,000

MIRI	2014	2015
2-TH	428,000	414,000
2-SD	648,000	643,000

LAHAD DATU	2014	2015
2-TH	420,000	420,000
2-SD	620,000	620,000

TAWAU	2014	2015
2-TH	407,000	420,000
2-SD	630,000	780,000

BINTULU	2014	2015
2-TH	353,000	382,000
2-SD	559,000	595,000

Notes:

[1] Selected townships in Penang Island are with following criteria:
TH: 1,200 - 1,600 sq ft
SD: 3,000 - 4,500 sq ft

[2] Selected townships in Ipoh are on Leasehold Tenure

[3] Selected townships in Johor Bahru are with following criteria:
TH: 1,600 - 1,900 sq ft
SD: 3,500 - 4,500 sq ft

[4] Selected townships in Kota Kinabalu are more than five years old & on leasehold tenure

HIGH-RISE RESIDENTIAL

High-rise residential developments are wide spread and accepted by purchasers/investors in towns/cities, such as Klang Valley and Penang. Various development concepts and unique features were introduced into market, by developers to attract buyers.

On the other hand, high-rise residential developments in East Malaysia, are a more recent market trend but with the lack of security features in landed residential schemes, high-rise residential developments may gain higher market acceptance in the long run.

	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET						
Klang Valley	▼	▼	▼	▶	▼	▼
Penang						
Penang Island	▶	▼	▲	▲	▶	▼
Seberang Perai	▲	▶	▲	▶	▶	▼
Johor Bahru	▼	▼	▶	▼	▼	▼
Kota Kinabalu	▼	▶	▶	▶	▶	▶
Kuching	▼	▼	▲	▲	▶	▶
SUB MARKET						
WEST MALAYSIA						
Northern Region						
Alor Setar	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ipoh	▶	▼	▶	▶	▶	▼
East Coast Region						
Kuantan	▶	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban						
Melaka	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▼	▶	▼	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	▶	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
Lahad Datu	▼	▼	▼	▼	▼	▼
Keningau						
Sarawak						
Sibu	▼	▼	▲	▶	▼	▼
Miri	▼	▼	▼	▼	▼	▼
Bintulu	▼	▼	▼	▼	▼	▼
Labuan	▶	▶	▶	▶	▶	▶

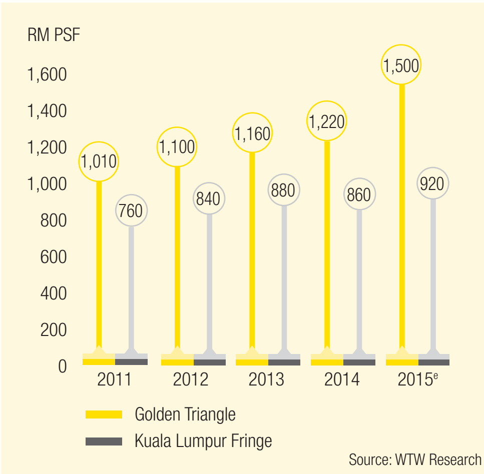
HIGH-RISE RESIDENTIAL

MAIN MARKET

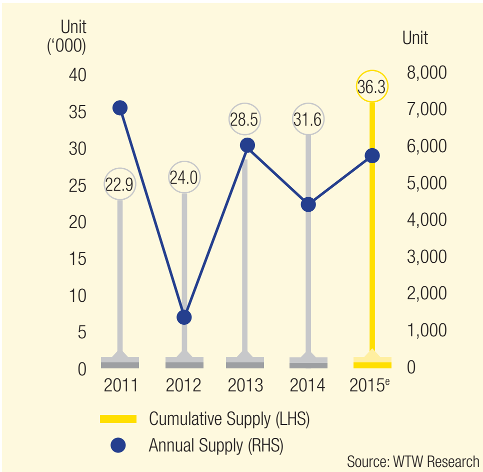
Klang Valley

The condominiums sector is expected to be more challenging in the next two years, with the large incoming supply scheduled for completion in 2016 and 2017.

Performance of Luxury High-Rise Residential



Total Supply of Luxury High-Rise Residential



New Launches in Klang Valley in 2015

Location	No. of Projects	Total units
Central Kuala Lumpur	9	4,338
Ampang Hilir/U-Thant	4	1,217
Mont Kiara / Sri Hartamas	5	2,819

Source: WTW Research

Total number of luxury condominiums in Kuala Lumpur was 36,252 units in 2015, an increase of 4,625 units compared to 2014. The total number of luxury condominiums units is expected to increase another 13,500 units the upcoming two years.

Eight developments located in Sri Hartamas, Ampang Hilir and fringe of the Golden Triangle were completed in 1H 2015, contributing 1,463 units into the market. New completions included Madge Mansions and Rimbun@Embassy Row in the vicinity of Ampang Hilir. The Signature in Sri Hartamas is a SOHO cum serviced residences development by Kiara Seleksi Sdn Bhd, where its completion in 1Q2015 added 336 units into the market. D'Majestic, The Horizon Residence and Verdana Kiara North were amongst the developments completed in 2Q2015.

Central Kuala Lumpur, Embassy Row and Mont Kiara/Sri Hartamas area, golden Triangle remained the prime localities for high-end condominiums developments. The market was quiet in the first quarter of 2015 with only two new launches, i.e. The Residences @ W KL along Jalan Ampang by Tropicana Corporation and Prima Harmoni 2. These serviced residences developments are expected to be completed by 2017 and 2019 respectively.

A total of 8,374 units of condominium/serviced residences were launched as at 2015. 2Q2015 saw more new launches especially in Embassy Row (Ampang Hilir/U-Thant) and the Golden Triangle. Majority of the new launches were serviced residences (69 %), with small built up areas and targeted at young working professionals or expatriates.

Artist's impression of The Residences @ W KL

Source: Tropicana Corp

The transaction activities in the luxury condominiums market was less active in 2015, but average transacted prices still rose. Luxury condominiums in the Golden Triangle were transacted at RM1,500 psf on average, whereas secondary areas remained firm at RM920 psf in average. The average occupancy rate for condominiums and serviced residences developments remained at between 77% and 80% in Golden Triangle and 60% to 65% in secondary area.

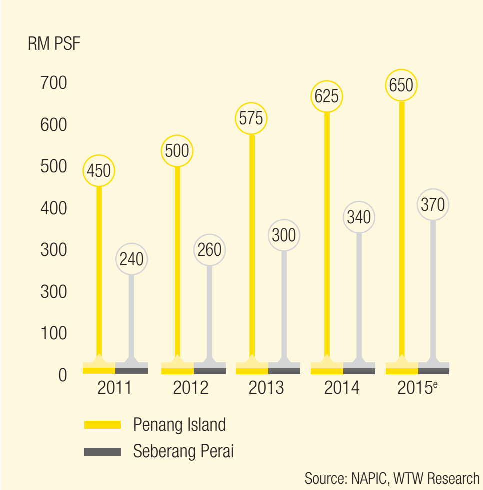
The condominiums sector is expected to be more challenging in the next two years, with the large incoming supply scheduled for completion in 2016 and 2017. The infrastructure developments such as MRT SSP Line and East Klang Valley Expressway (EKVE) are likely to spur more condominiums developments in the prime as well as suburban areas. However, developers are advised to maintain a cautious stand. The rental market is expected to be a tenant's market with more choice of units coming on stream in 2016.

MAIN MARKET

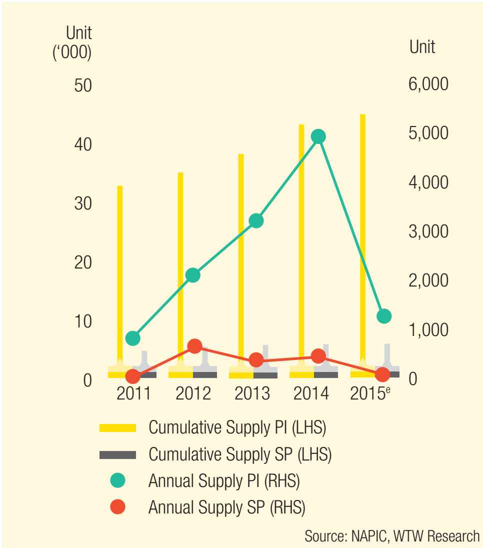
Penang

Moving into 2016, the market is likely to experience slower growth with transaction activities expected to slow down.

Performance of High-Rise Residential



Total Supply of High-Rise Residential



In 2015, the high-rise residential sector in Penang remained as the most active market with a large number of projects launched and in the pipeline compared to other property sectors. The existing stock of high-rise residential properties (apartment, condominiums and serviced apartment) in Penang Island was approximately 44,950 units, of which 37,430 units (83.3%) are located at the North East District whilst the remaining 7,520 units (16.7%) are in South West District.

Penang Island

A number of high-rise residential projects were completed in first half of 2015, included The Address at Bukit Jambul (124 units), Vertiq at Gelugor (318 units), Sierra Residences at Sungai Ara (300 units), Gardens Ville at Sungai Ara (476 units) and The Latitude at Tanjung Bungah (218 units). A newly completed luxury condominium development is located at Batu Ferringhi, known as By The Sea which is developed by Selangor Dredging Berhad. It comprises 138 units with floor areas ranging from 1,037 sq ft to 3,012 sq ft.

For new projects launched in 2015, Shorefront Residence by YTL Land is one of the luxury condominiums projects. Situated along Lebuh Farquhar which is within the inner city of Georgetown, the luxurious condominiums offered 115 units with floor areas ranging from 1,400 sq ft to 3,400 sq ft.

Average transacted prices of condominiums in the sub-sale market increased marginally in 2015. Moving into 2016, the market is likely to experience slower growth with transaction activities expected to slow down.

With more affordable flats and apartments being launched and under construction, a spike in the existing supply of high-rise residential units is expected within the next three to five years.

Gardens Ville at Sungai Ara was completed in 2015.

Penang

Selected New Launches in Penang Island in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM psf)
Shorefront Residence	Georgetown	YTL Land	115	1,200
Artis 3	Jelutong	Airmas Group	534	535
The Tamarind (Phase 1)	Tanjung Tokong	E&O	552	573
18 East at Andaman	Tanjung Tokong	E&O	210	1,000
City of Dreams	Tanjung Tokong	Ewein Zenith	572	1,200
Botany Bay Residence	Tanjung Bungah	Blossom Acacia	47	745
The Marin @ Batu Ferringhi	Batu Ferringhi	Plenitude Bayu	149	805
Edge 360	Bukit Dumbar	Amanvida Development	76	600
Eco Terraces	Paya Terubong	Eco World	333	450
Golden Triangle 2	Sungai Ara	GSV Development	406	607
Setia Vista Sky	Relau	SP Setia	426	450
Forest Ville	Bayan Lepas	Ideal Property	991	450
Quaywest Residence	Sungai Nibong/ Bayan Lepas	Asia Green	500	700

Source: WTW Research

Artist's impression of The Marin @ Batu Ferringhi.

Seberang Perai

High-rise residential developments have made a strong inroad in Seberang Perai in recent years, with a majority in the town area especially Butterworth in Seberang Perai Utara. Existing condominiums developments that are actively transacted in the secondary market in the past five years included Habour Place and Casia Condominiums. Bukit Mertajam is emerging as the next hotspot for high-rise residential developments with a majority of projects in the pipeline and due for completion.

Condominiums developments remained as the main development trend in Seberang Perai with a number of serviced residences and SOHO projects being proposed that are pending approval. Prices of a typical condominiums unit have increased around 9% since 2014 to RM370 psf on average. The coming few years will see the mushrooming of skycrapers in Butterworth and Bukit Mertajam, as several property players plan to develop integrated developments comprising condominiums, serviced residences or SOHO together with shopoffices and hotel in these locations given their robust and established business sentiment. Take up rates of newly launched projects are likely to taper off as the rental market in the Seberang Perai is less demanding in comparison with the Island.

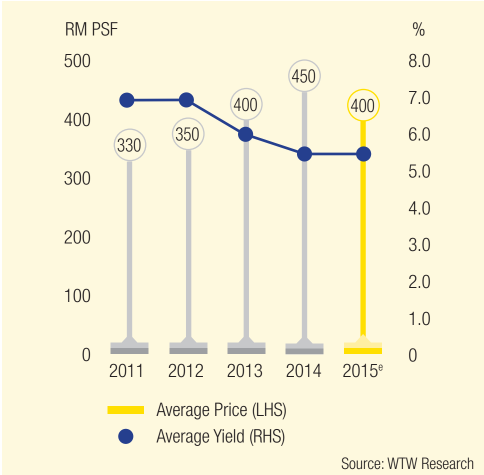
HIGH RISE RESIDENTIAL

MAIN MARKET

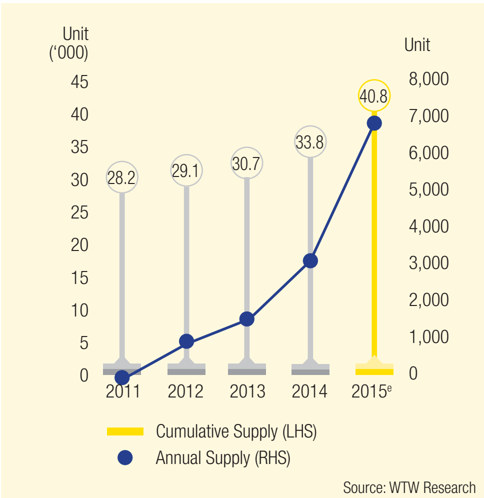
Johor Bahru

The average transaction value in the sub-sale market was about RM400 psf in 2015. It is 10% lower than last year but about the same as 2013.

Performance of High-Rise Residential



Total Supply of High-Rise Residential



The high-rise residential market was active in the last few years, however transaction activity was slowed down in 2015. This year the supply of high-rise residential property increased to 40,776 units (about 20.5% more than last year).

Completed projects in 2015 include Paragon Residences (533 units) at Straits View, Tropez Residences (1,150 units) at Danga Bay, Skysuites (250 units) at Bukit Meldrum, Impiana Resort (488 units) at East Ledang and Molek Pine 4 (260 units) at Taman Molek.

The average transaction value in the sub-sale market was about RM400 psf in 2015. It is 10% lower than last year but about the same as 2013. This reflected the softened demand in the high-rise residential sector. In addition, we expect the occupancy of high-rise residential developments to be adjusted downwards due to more projects being completed in 2015 and 2016.

In new developments, Southern Marina in Puteri Harbour is priced RM950 psf while Citywoods that is located closer to Johor Bahru city and Elysia Park at Medini were priced at RM560 and RM850 psf respectively. Comparatively, the market witnessed fewer new launches this year than 2014. Sales of these projects have been slow, only about 20% to 30% have been taken up.

Selected New Launches in Johor Bahru in 2015

Name	No. of units	Min. Selling Price (RM psf)
Southern Marina @ Puteri Harbour*	220	950
Citywoods @ Jalan Abdul Samad	417	560
The Elysia Park Residence @ Medini*	355	850

*Initial Phase
Source: WTW Research

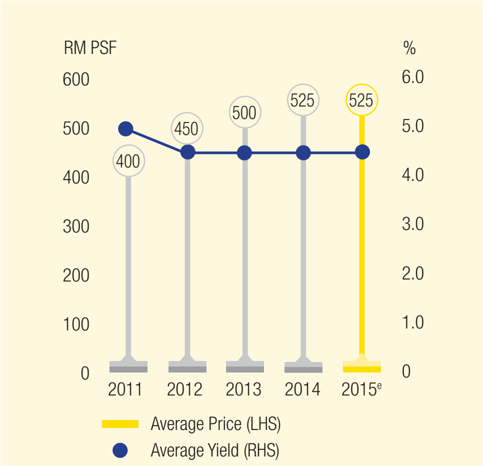
Artist's impression of The Elysia Park Residence @ Medini

MAIN MARKET

Kota Kinabalu

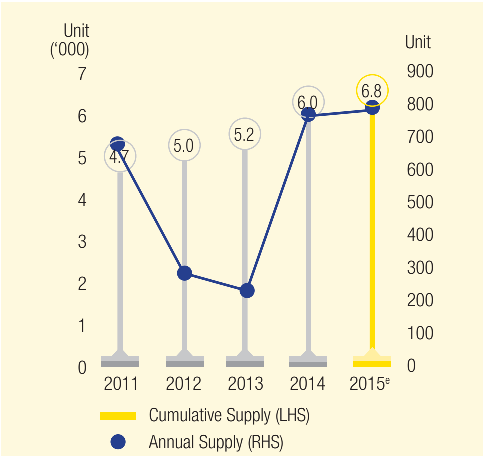
New supply of high-rise residential developments is anticipated to continue to outperform its landed counterpart, in the near foreseeable term.

Performance of High-Rise Residential



Source: WTW Research

Total Supply of High-Rise Residential



Source: NAPIC

New condominium launched in 2015 consist of the following:

Selected New Launches in Kota Kinabalu in 2015

Name	Location	No. of units	Selling Price (RM psf)
The Riverside Residence	Kepayan	134	467 - 527
One Jesselton	Kepayan Ridge	125	551 - 705

Source: WTW Research

There were also other condominium projects opened for pre-launch registration of interest and these include Maya@Likas, Kingfisher Putatan, Kingfisher Inanam and Bukit Bantayan Residences.

2015 saw the completion of 828 condominium units from The Loft (Blocks C, D and E) in Sembulan, The Suritz in Kolombong, Seri Manis in Lintas Luyang, Canggih Heights off Jalan Tuaran Bypass, Aman Sari Lofts in Manggatal and Bay 21 in Likas Bay bringing total new supply to some 6,831 units in Kota Kinabalu.

In the sub-sale market, the volume of transaction activities for 1H2015 eased further from 2014 although transacted prices have so far been sustained.

Given the increasing land price and building costs, new supply of high-rise residential developments will continue to outperform its landed counterpart, though for the near foreseeable term, interest is likely to lean towards mid-market condominiums given softer market conditions and tighter bank lending policies.

Artist's impression of Riverside Residence

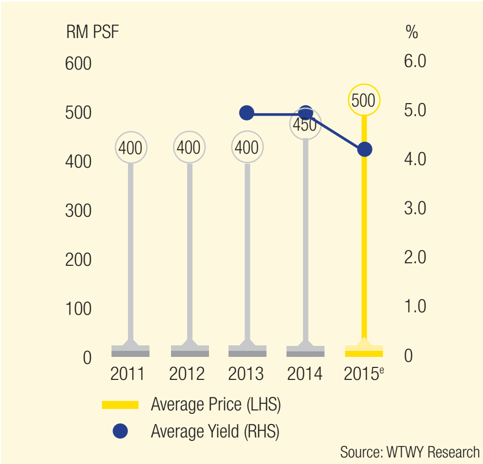
Source: www.riversideresidence.com

MAIN MARKET

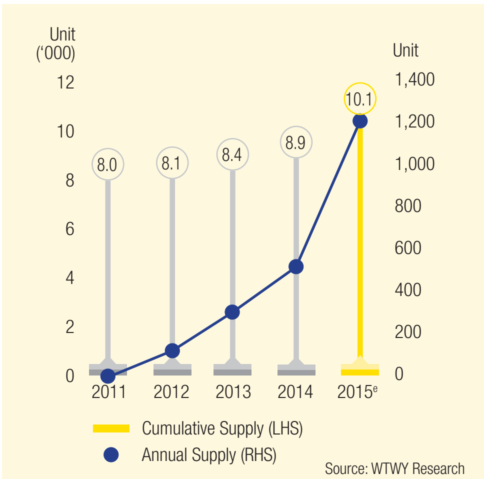
Kuching

Whilst sales of the condominiums sector are expected to slow down further in 2016, prices are still expected to increase although at a lower growth rate.

Performance of High-Rise Residential



Total Supply of High-Rise Residential



There were less units completed for the condominiums sector after a record year in 2014. Some projects completed were the 72 Residences at Jalan Song and Greenwich South at Jalan Batu Kawa. However, with another 6,500 or so units either under construction or undergoing earthworks, the next couple of years would see even more high-rise apartments and condominiums coming into the market. This sub-sector is taking up an increasing share in the residential sector of Kuching and has even overtaken landed housing in the Kuching urban areas in terms of numbers completed for the past 2 years.

The number of units launched for the year are almost on par with the year before. However, most of these are part of mixed commercial developments. 80% of the high-rise residential units launched are located in the Kuching urban areas such as BUA and Matang areas, and units offered at these developments range between 1,000 sq ft. and 3,000 sq ft. Rentals remained competitive at between RM1,500 and RM3,000 per month, depending on the furnishings and unit size. Due to the increased number of units available and coming into the market, the rental markets are expected to be competitive and very much a tenants' market.

Prices for condominiums units continued to record growth of around 10% or so for the year, with prices as high as between RM700 and RM900 per sq ft for studio units at prime locations and penthouses at the city centre area. On the average, the selling prices are hovering around RM500 psf. Take-up rates of apartments have slowed down somewhat. Whilst sales of the condominiums sector is expected to slow down further in 2016, prices are still expected to increase although at a lower rate.

Selected New Launches in Kuching in 2015

Name	Location	Developer	No of units	Selling Price (RM per unit)
LD Legenda	BUA	Lien Dak Development Sdn Bhd	569	189,000 – 515,000
Gala City Residences	BUA	San Chin Realty Sdn Bhd	432	375,488 – 866,233
Rivervale Condominiums	BUA	CMS Property Development Sdn Bhd	292	388,888 – 802,888
The City Gateway	BUA	Sucihandal Sdn Bhd	200	298,000 onwards
Genesis Walk Mall 2	Matang	Rasaja Sdn Bhd	174	218,000 – 317,000
Liberty Grove @ Kota Sentosa	Kuching-Serian	Elica Sdn Bhd	168	409,810 – 543,200
Rex @ BDC	BUA	Tecktonic & Sons Holdings Sdn Bhd	95	398,250 – 682,500
Vermont Suites Condominiums @ Stutong	BUA	Vermont Suites Sdn Bhd	90	805,000 – 2,279,000
The Vista	DBKUA	Da Jiang San Development Sdn Bhd	96	258,000 - 368,000
Tropics City	BUA	Regal Advantage Sdn Bhd	352	341,800 - 1,123,800
Ataria Resort	DBKUA	Sentoria Borneo Land Sdn Bhd	428	178,800 - 296,800

Source: WTWY Research

NOTE
BUA: Built Up Area
DBKUA: DBKU Area

MAIN MARKET

West Malaysia

Northern Region

At present, there is only one high rise residential development in the pipeline in Alor Setar, of which take-up rate for this project was about 50% to 60%. High-rise residential is still a relatively new development, and low market acceptance for the time being may keep the high-rise residential market in Alor Setar muted in the short run.

In Ipoh, the local market still prefers landed over high-rise residential. The fact of that few noticeable high-rise projects within Ipoh had scrapped off signified the downturn of the market trend for high-rise residential developments.

IN A GLANCE	Alor Setar		Ipoh	
	2014	2015	2014	2015
Average Price (RM psf)	-	-	500	500
Average Net Yield (%)	-	-	7.5	7.0

Source: WTW Research

Selected New Launches in the Northern Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM psf)
Ipoh & Kampar				
Upper East	Jalan Kelab Golf, Ipoh	Andaman Group	580	500
Polo Residence	off Jalan Brash, Ipoh	Pyhomes Realty Sdn Bhd & Belkron Group	68	510
Champs-Élysées	Along Jalan Kampar Putra, Kampar	Agacia Land Sdn Bhd	632	480
The Suites Times Square Ipoh	Off Jalan Sultan Nazrin Shah (Formerly known as Jalan Gopeng)	Team Keris Berhad	246	482
Oasis Condominium	Near Taman Mirindy	Luxe Properties Sdn Bhd	260	350
Sky Garden Residence	Klebang	LYS Group Sdn Bhd	650	211
DWJ Residence	Meru, Ipoh	Suria Gemilang Sdn Bhd	100	250
Manhattan	Jalan Pasir Puteh, Ipoh	Miclebina Properties Sdn Bhd	436	252
Lakeside Legend	Ipoh	Sunrise Palace Sdn Bhd	N.A.	210
Westlake Villas	Kampar	Huges Corporation Sdn Bhd	272	N.A.

Source: WTW Research

The Majestic Ipoh

West Malaysia

East Coast Region

In Kuantan, the high rise residential has become more attractive as investments or as first homes due to the high prices of landed homes. The increase of demand for high-rise residential, especially by expatriates, has spurred interest amongst investors. The supply of high-rise residential will gain a foothold in Kuantan when more developments are completed in the next few years.

Despite the lack-lustre performance, supply of high rise residential units in Kota Bahru continued to increase. The high rise residential units that have a relatively niche target market will observe more unsold units, due to the gloomy economic prospects.

Kuala Terengganu welcomed the very first luxury high-rise residential project, known as Icon Residence. Being part of a mixed development, the project itself was well-received from the local market.

IN A GLANCE	Kuantan		Kota Bahru		Kuala Terengganu	
	2014	2015	2014	2015	2014	2015
Average Price (RM psf)	360	360	375	375	375	450
Average Yield (%)	6.0	6.0	5.5	5.5	5.0	5.0

Source: WTW Research

Selected New Launches in the East Coast Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM psf)
Kuantan				
Delima Residences	Air Putih	Highrise Property Sdn Bhd	280	334
Kuantan Waterfront resort city	Tanjung Lumpur	Ideal Heights Sdn Bhd	-	785
Mahkota Valey	Indera Mahkota	Aim Realty Sdn Bhd	-	400
Kota Bharu				
Tijani Raja Dewa	Raja Dewa	Dexview Sdn Bhd	150	580
Troika	Jalan Sultan Yahya Petra	Kelmedic Sdn Bhd	338	570

Source: WTW Research

Southern Region

There are limited high rise residential in Seremban. The existing units are mostly located near to education hubs such as USIM, Nilai College as well as INTI College.

Developments of high rise residences are concentrated in Melaka town centre. The ease of access to office, school and commercial facilities are the key success factors of satisfying response for high-rise residential developments. In 2016, the supply of high-rise residential units will constitute most of the new supply in the market when a number of projects are due for completion in 2016. However, it is worth noting that landed residential developments are the preferred choice, for both own-stay or investment compared to high-rise developments.

For Batu Pahat, high rise residential has never been a favourite amongst the local populace. However, as landed residential properties have been increasingly unaffordable in recent year, condominiums units are beginning to emerge as an alternative.

IN A GLANCE	Seremban		Melaka		Batu Pahat	
	2014	2015	2014	2015	2014	2015
Average Price (RM psf)	N.A.	N.A.	250	260	300	310
Average Net Yield (%)	N.A.	N.A.	4.0	4.0	3.0	3.0

Source: WTW Research

Selected New Launches in the Southern Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM per unit)
Seremban				
Kiara Court	Nilai Impian, Nilai	Sime Darby Property	240	330
Rimbun Kasia	Desa Kasia, Nilai	Ireka	382	-

Source: WTW Research

Artist's Impression of Rimbun Kasia in Nilai

East Malaysia

Labuan

High-rise residential housing in Labuan consists of either affordable apartments or medium to high end condominiums. In 2015, the demand for affordable housing apartments remained stable but condominiums declined due to the sluggish oil & gas sector.

Selected New Launches in Labuan in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM per unit)
Southsea Pearl	Ganggarak	Growball Development Sdn Bhd	280 units	490

Source: WTW Research

Sabah

In Sandakan, some 220 units condominiums units Utama South Condominiums were completed in 1H2015. The transacted price of condominiums was around RM330 psf.

In Tawau, the high-rise residential market was relatively quiet with no new launches in 2015. As compared to the landed residential sector, high-rise residential sector did less well across the board. Typical condominiums units were transacted around RM330,000 per unit, an increase of 3% since 2014.

IN A GLANCE	Sandakan		Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015	2014	2015
Average Price (RM psf)	300	330	320	330	N.A.	N.A.	N.A.	N.A.
Average Net Yield (%)	5.0	4.5	4.5	4.3	N.A.	N.A.	N.A.	N.A.

Source: WTW Research

East Malaysia

Sarawak

Since the last five years, developments of high-rise residences have picked up in Miri with five projects completed and four new project launches that will be completed in the next one to two years.

Likewise in Sibu, stratified residential properties were picking up in recent years, due to increasing land cost and scarcity of land in prime locations. Selling prices of newly launched apartments have been rising fast after gaining popularity.

In Bintulu, the condominiums/apartment market was weak in 2015. The number of high-rise residential units is expected to increase with nine projects, totalling 783 units slated for completion within the next three years. Moving forward, 2016 is likely to see less transaction activities.

IN A GLANCE

	Sibu		Miri		Bintulu	
	2014	2015	2014	2015	2014	2015
Average Price (RM psf)	420	450	420	N.A.	N.A.	N.A.
Average Net Yield (%)	3.0	3.0	N.A.	N.A.	5.8	5.5

Source: WTWY Research

Selected New Launches in Sarawak in 2015

Name	Location	Type	Unit Size (sq ft)	No. of units	Min. Selling Price (RM psf)
Sibu					
Project on Lot 3403 Block 10 Seduan Land District	Jalan RTM	Apartments	865-1302	62	300
		Penthouse	2,066 -2,293		323
Miri					
Kenyalang Corner (Arcadia Square)	Marina Parkcity	SOHO	603 – 646	100	566
			818 – 894		604
			743		612
			915 - 959		632

Source: WTW Research

PURPOSE BUILT OFFICE
& Shopoffice

MIER reported that business confidence had weakened in 2015. The Business Condition Index (BCI) took a dip, touched 86.4 points in the 3Q2015, again falling below the 100-point threshold since 1Q 2013.The weakening business sentiments are likely to prolong.

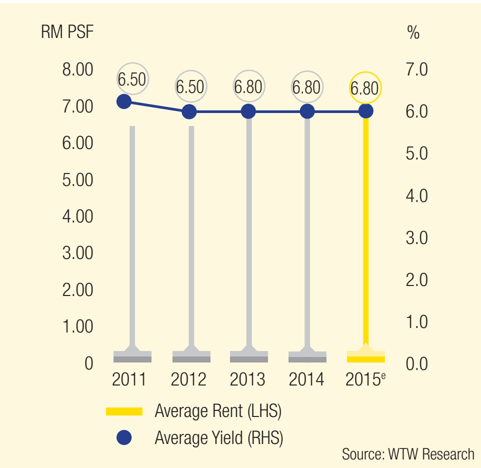
	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET (PURPOSE BUILT OFFICE)						
Klang Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▲	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Johor Bahru	▶	▶	▶	▶	▶	▶
Kota Kinabalu	▶	▶	▶	▶	▶	▶
Kuching	▶	▶	▶	▶	▶	▶
SUB MARKET (Shopoffice)						
WEST MALAYSIA						
Northern Region						
Alor Setar	▲	▶	▲	▶	▲	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▼	▼	▶	▶	▼	▼
Kota Bharu	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▶	▶	▶	▶	▶	▶
Melaka	▼	▼	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▶	▶	▶	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
Lahad Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▶	▶	▶	▶	▶
Sarawak						
Sibu	▼	▼	▶	▼	▼	▶
Miri	▼	▼	▶	▼	▼	▼
Bintulu	▶	▶	▶	▶	▶	▶
Labuan	▶	▶	▶	▶	▶	▶

MAIN MARKET

Klang Valley

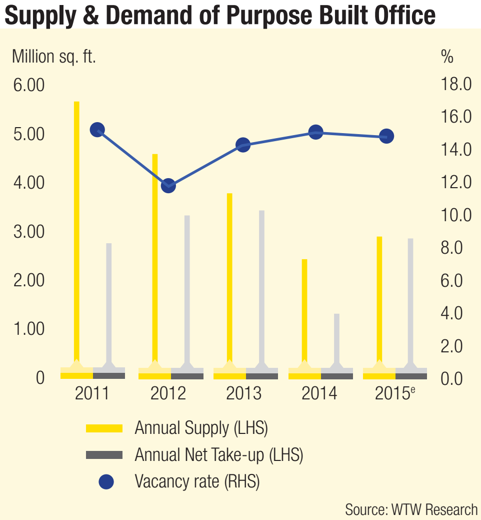
In the near future, prime rentals are expected stay stable, but may see a dip in occupancy rates with the increased competitiveness.

Performance of Purpose Built Office



Source: WTW Research

Supply & Demand of Purpose Built Office



Source: WTW Research

The purpose built office market in Klang Valley was stable in 2015. The closure of Damansara Town Centre in the 1Q 2015 reduced the cumulative supply of purpose-built office by 1.4 million sq ft which was offset by end of the year, with the completion of around 4.4 million sq ft of new office space. There were five buildings were completed as at 3Q2015, gave rise to additional 2.53 million sq ft of office space.

Newly completed buildings included Menara Centara, Menara Top Glove, Ilham Baru Tower, Q Sentral and The Ascent. Another five (5) office buildings are slated for completion in 4Q2015 included KL Trillion, Menara Bangkok Bank, Menara TH, NAZA Tower and Block G & H of MKN Embassy Tech Zone, totalling 1.91 million sq ft of office space. Around 88% of office space are located in Kuala Lumpur while the balance are in towns/cities in the suburb

Newly completed office space in the pipeline is likely to command a higher premium given that those situated in the city centre are with green features as well as MSC accreditation. The coming few years will continue to be a tenants' market with more quality office space available in the market and owners/investors may experience stiff competition in retaining existing tenants or leasing out new space.

Integra Tower @ The Intermark was sold to KWAP at RM1.065 billion

In 2015, purpose built offices within Kuala Lumpur outperformed those outside Kuala Lumpur and in Petaling Jaya, with a vacancy rate of 12% compared to 13% in the previous year. Occupancy rates may drop further in 2016 as slower take-up is expected for new supply as uncertainty of economic climate may restrain MNC and local SME from expansions. Yields for prime office space maintained between 6.00% and 6.50%.

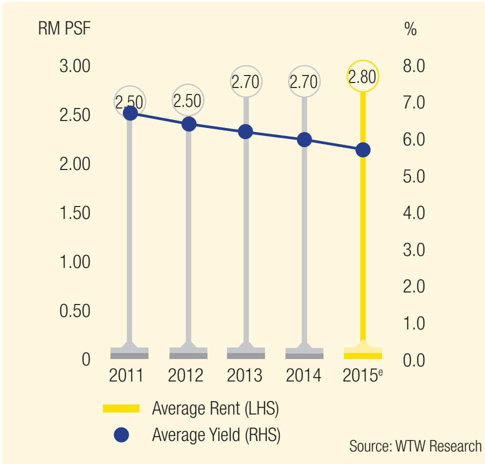
The prestigious address of KLCC currently command premium office rents of between RM6.50 to RM7.00 psf. The rental rate of KLCC prime office space is expected to stay firm moving into 2016 despite stiff competition, mainly due to its well-connected infrastructure, which enabled easy access to and from the city centre. There were five purpose built office transactions in 2015. Integra Tower@The Intermark was transacted at RM 1.065 billion by Blackrock Inc to KWAP.

With prime offices in the Klang Valley attracting mostly tenants from the financial services or oil & gas sector, the low crude oil price and less active financial sector may see the consolidation of space requirements or downsizing as part of cost cutting measures. In the near future, prime rentals are expected stay stable, but may see a dip in occupancy rates with the increase competitiveness.

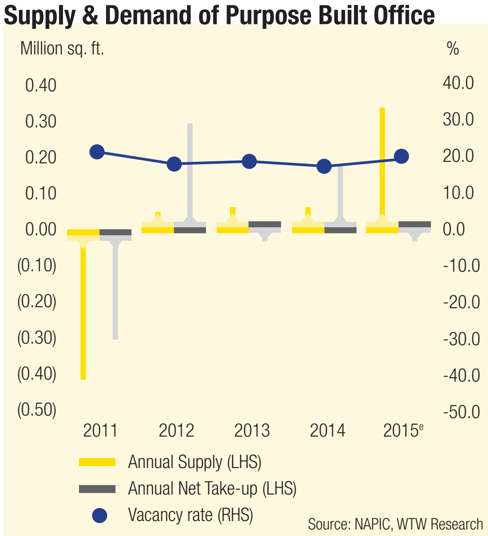
Penang Island

Gross rentals of new tenancies have generally increased slightly compared to existing tenancies, as landlords negotiated for higher rents to cover for rising outgoings in managing and maintaining the office buildings.

Performance of Purpose Built Office



Supply & Demand of Purpose Built Office



Penang Island

The existing supply of purpose-built office space in Penang Island stood at approximately 9.14 million sq ft of which 82.7% is in Georgetown. The overall vacancy rate was 22%. Gross rentals of new tenancies have generally increased slightly compared to existing tenancies, as landlords negotiated for higher rents to cover for rising outgoings in managing and maintaining the office buildings. However, yields have compressed further. A recent transaction of en-bloc office building was the 13-storey Menara Zurich (formerly known as Menara MAA), which was sold by Zurich Insurance Malaysia Bhd to Olive Tree Properties Sdn Bhd. The transacted price was RM33,500,000 or RM297 psf based on a net lettable area of approximately 112,800 sq ft.

Another major transaction of office accommodation was in August 2015, by Platinum Manifest Sdn Bhd (a wholly owned subsidiary of Ideal United Bintang Berhad) which acquired 13 units of office space and 60 car park bays from Bumimaju Gaya Sdn Bhd. With a total net lettable area of approximately 48,481 sq ft, the office accommodation is located on the 4th floor to 14th floor (inclusive) and 25th floor of a 26-storey office building identified as Menara LA (previously known as Menara Liang Court), along Jalan Sultan Ahmad Shah, Georgetown. The 60 car park bays are located at ground, first, second and third floors of the annexed car park block. The transacted price was RM19,200,000, analysed at RM396 psf on net lettable area (including car park bays). The purchase consideration is satisfied entirely by the issuance of 19,200,000 Consideration Shares. Earlier in November 2014, Ideal United Bintang Berhad completed the acquisition of 15th to 24th floor of Menara LA. The remainder of the building on the 1st to 3rd floors being the podium and 35 car parking bays, are owned and occupied by AmMetLife Insurance Berhad. As such, Menara LA (except the podium on the 1st to 3rd floors) has been proposed to be converted into 301 units of commercial suites with resort style facilities for residential use. The total estimated Gross Development Value of the project would be RM56.8 million with a Gross Development Cost estimated at RM46 million and an estimated gross profit of RM10.8 million. The project is estimated to commence during 1st quarter of 2016 and complete within 24 months.

On 31 July 2015, the Penang Development Corporation (PDC) entered into an agreement with the Singapore based Temasek and EDIS, for the development of the RM1.3 billion BPO Prime Project at Bandar Bayan Baru. The project is at the 6.8-acre site of the present PDC office. The construction of the project is expected to commence in 2016 and complete by 2019. With a minimum gross floor area of approximately 1.6 million sq ft, the proposed development would comprise 29-storey and 25-storey BPO Towers, accommodating Grade A office space, commercial units, serviced apartments / SOHO, and recreational facilities. It will represent as the prime business hub in Malaysia's Multimedia Super Corridor (MSC) at Penang Cyber City 1, Bayan Lepas. The proposed Grade A office accommodation would cater to the pent-up demand from Business Process Outsourcing (BPO) and Shared Services Outsourcing (SSO) companies.

MAIN MARKET

Seberang Perai

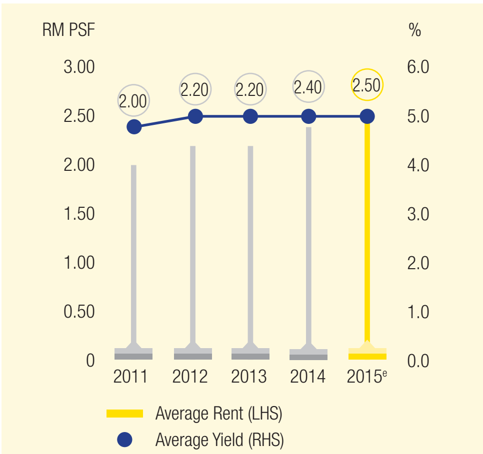
Purpose built office supply had been stagnant over the last five years at 2.75 million sq ft as local SMEs preferred shop offices. The existing space in purpose-built office is still to be fully absorbed by the market, so that new purpose built office development are unlikely to happened in the short term. A notable shop office project in Seberang Perai last year was the Vervea@ Aspen Vision City in Bandar Cassia, Batu Kawan. Phase 1 of this integrated development offered 441 shop offices, of which 337 units are 3-storey shop offices and 104 units are of 4-storey shopoffices.

The intermediate 3-storey shop offices have built-up areas ranging from 3,330 sq ft to 3,850 sq ft, whilst the end and corner 4-storey units are in the range of 4,450 sq ft to 6,340 sq ft. The 3-storey shop offices are priced from RM1,218,000 onwards, whilst the 4-storey shop offices are priced from RM1,628,000 onwards. The transacted price have remained unchanged as previous year at around RM1,500,000 per unit, largely due to the weak business sentiments.

Johor Bahru

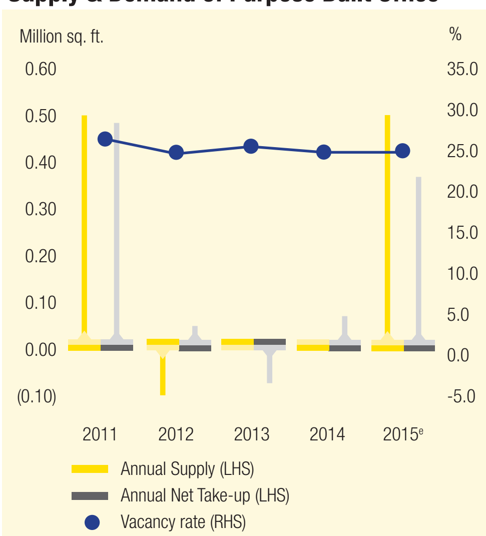
The future development of office space in Johor Bahru is expected to be more active especially in Medini at Nusajaya.

Performance of Purpose Built Office



Source: WTW Research

Supply & Demand of Purpose Built Office



Source: WTW Research

The purpose-built office sector in Johor Bahru was subdued compared to other property sectors.

The existing supply of office space in Johor Bahru stood at 9.2 million sq ft in 2015 where 33% of the space was contributed by government buildings. The occupancy rate was estimated to be steady at 75% and is likely to remain stable for the next 1 to 2 years.

The rental rates for prime office space was between RM2.80 and RM3.30 psf per month, while office space in city fringe commanded above RM2.00 psf per month. In recent transactions, Menara Landmark has secured two major tenants viz. Greenland Holdings Ground Ltd, a developer from Shanghai, and Beverly Wilshire Medical Centre.

A notable transaction reported in June was Imperia Building, about 98% completed, at Puteri Harbour with GFA of 476,000 sq ft. It was acquired by UEM Group Bhd at RM137.8 million. Sales transaction of stratified office space in the sub-sale market remained handful and the transacted prices were between RM320 and RM380 psf.

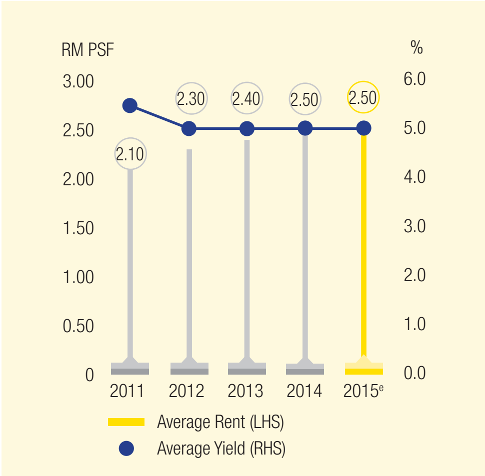
The future development of office space is expected to be more active in Medini at Nusajaya. Medini Iskandar Malaysia Sdn Bhd (MIM) has awarded the contract to build a 23-storey twin tower office of 372,000 sq ft which is scheduled to complete in 2018.

MAIN MARKET

Kota Kinabalu

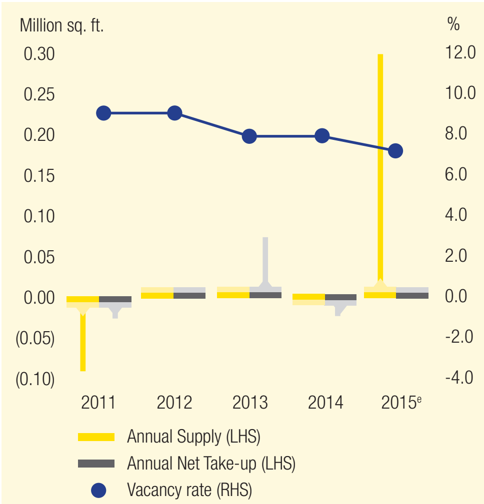
Prices of purpose-built offices are likely to remain stable as requirements for office space in Kota Kinabalu are also being met by conventional, suburban shopoffice developments.

Performance of Purpose Built Office



Source: WTW Research

Supply & Demand of Purpose Built Office



Source: NAPIC

Supply of purpose-built office space increased by some 300,000 sq ft. with the completion of Kota Kinabalu's first Grade A Plaza Shell office building developed by Hap Seng Group (known as Menara Hap Seng pre-completion) in the CBD and Riverson Suites in Sembulan.

Elsewhere, prices in the sub-sale market have been stable, whilst rental rates stayed mainly around RM2.00 to RM3.00 psf except for Plaza Shell office space, which would command a premium.

A significant portion of incoming office supply over the next one to two years will be the upcoming Sabah State Administrative Complex near Yayasan Tun Mustapha, Sutera Avenue, Aeropod signature offices and Pacific Enterprise Office Suites Tower A to E being part of the ongoing PacificCity mixed development.

Prices of purpose-built offices are likely to remain stable as requirements for office space in Kota Kinabalu are also being met by conventional, suburban shopoffice developments.

Plaza Shell was completed in 2015

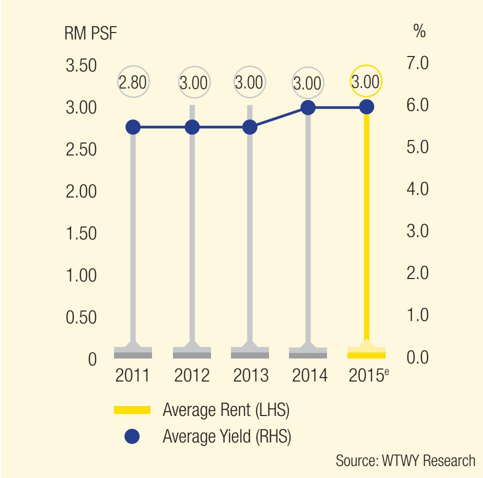
Source: www.shell.com.my

MAIN MARKET

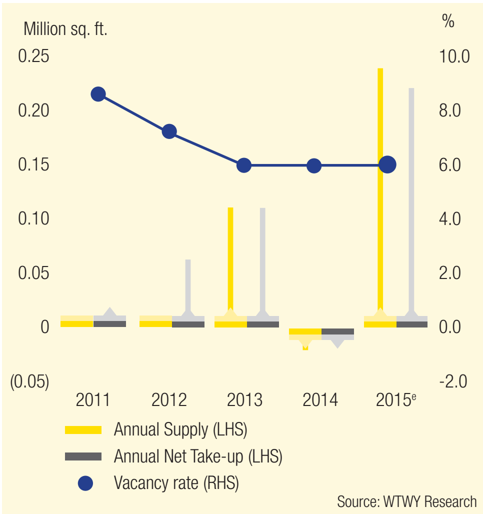
Kuching

The office sector is expected to remain stable in 2016, with significant additions to the sector expected only after 2016.

Performance of Purpose Built Office



Supply & Demand of Purpose Built Office



There are few new office building completions for 2015, and they are mostly part of a mixed commercial development, being annexed to newly completed 3 or 4-storey shophouse units, such as the 6-storey strata-titled office at the newly completed i.Com Square in the city and Trinity Hub at Jalan Datuk Tawi Sli, and the 9-storey office tower at City Square in Pending. A 6-storey corporate office building was also recently completed, along Jalan Tun Jugah, housing CWR Corporate.

Current supply of office space in Kuching hovers around 4.6 million sq ft. Plans for the office tower of The Dayak Plaza, which has been under construction for quite some time, has been changed to a hotel.

The office sector remained stable and vacancy rates are generally low, remaining at 10% or so, with most office space being occupied by the government and government linked companies. However, it is observed that new office buildings remain unoccupied, which might pull down the occupancy rate in the near future. The office sector in Kuching remained steady with rental yields at 5% to 6% per annum and rentals remaining stagnant between RM2.80 and RM3.00 psf or even less for those outside the CBD. There were no office buildings transacted in 2015.

The office sector is expected to remain stable in 2016, with significant additions to the sector expected only after 2016.

The newly completed i.Com Square

SUB MARKET

West Malaysia

Northern Region

In Alor Setar, there has been no new purpose built office development and the existing office buildings are mostly occupied by the public sector. Overall, the shopoffices in the town centre was in great demand in 2015 due to limited supply as most of the businesses operate in conventional shopoffices.

Similar to other states in the Northern region, shopoffices remained the preferred choice for businesses. 2015 was a steady year for the shopoffice market in Ipoh with a marginal increase in the average transacted price. Supply has slowed down with only 316 units of commercial shops completed in 2014 compared to 901 units in 2013 within the Ipoh area. The purpose built office market was stagnant with the dominance shopoffices amongst locals.

IN A GLANCE

	Alor Setar		Ipoh	
	2014	2015	2014	2015
Average Price (RM per unit)	600,000	650,000	500,000	575,000
Average Rental (RM per month)	4,000	4,000	3,200	3,500
Average Net Yield (%)	7.00	7.00	4.50	4.50

Note: the data stated above referred to double-storey intermediate shopoffices
Source: WTW Research

Selected New Launches in the Northern Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM per unit)
Ipoh				
The University Square	Along Jalan Kampar Putra, Kampar	Agacia Land Sdn Bhd	70	888,000
Ipoh South Gate	Off Jalan Sultan Nazrin Shah (Formerly known as Jalan Gopeng)	Eadepro Sdn Bhd	66	698,000
Manhattan	Jalan Pasir Puteh, Ipoh	Miclebina Properties Sdn Bhd	-	1,280,000
Ipoh SOHO2*	Ipoh	MH Amanjaya Properties Sdn Bhd	-	1,278,000

*Ipoh SOHO 2 is a development with 10 storeys high tower and 10 SOHO units
Source: WTW Research

East Coast Region

The oversupply of shopoffices in Kuantan, especially in the outskirts, will lead to a less active market in the short term. The low loan approval rate for shopoffices is also one of the factors affecting the overall performance of the shopoffice segment. Shopoffices located in prime area sremained robust whereas low prices and occupancy rates in the outskirts area. The supply for shopoffices increased marginally with some pocket developments around Kuantan town in year 2015. There was no new supply for the purpose built office space for year 2015.

In Kota Bharu, a majority of the businesses are in shopoffices, indicating a stronger demand over purpose built offices. Shopoffices in Kota Bharu are 7.25%. The latest addition to supply were the three-storey shopoffices in the Pasir Puteh New Township development.

Ïn Terengganu, the average rental for a ground floor shopoffice along Jalan Sultan Ismail was RM4.00 psf compared to RM5.50 psf in the Paya Keladi area, where many tenants are financial institutions and banks. The upcoming supply of shopoffices within KTCC development will generate more interest and may command a higher rental with its prestigious address as the town centre.

SUB MARKET

West Malaysia

IN A GLANCE

	Kuantan[1]		Kota Bahru [2]		Kuala Terengganu[1]	
	2014	2015	2014	2015	2014	2015
Average Price (RM per unit)	1,100,000	1,200,000	850,000	950,000	1,200,000	1,200,000
Average Rental (RM per month)	5,100	5,500	5,000	5,500	5,000	5,000
Average Net Yield (%)	5.00	5.00	7.00	7.00	5.00	5.00

Note: [1] Referred to three-storey intermediate shopoffices
[2] Referred to double-storey intermediate shopoffices

Source: WTW Research

Selected New Launches in the East Coast Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM per unit)
Kuantan				
Suria Atabara	Indera Mahkota	Franky Land Sdn Bhd	32	1.25mil onwards
Batu 3 Commercial Centre	Batu 3, Jalan Gambang	Goldpot Capital Sdn Bhd	63	1.25mil onwards
Kota Bharu				
Troika	Jalan Sultan Yahya Petra	Kelmedic Sdn Bhd	21	620,000 onwards
Kuala Terengganu				
Kuala Terengganu City Centre (KTCC)	Southern of Kuala Terengganu	KTCC Mall Sdn Bhd	N.A.	N.A.

Source: WTW Research

Southern Region

In Seremban, there is only one newly completed 15-storey purpose built office by Majlis Agama Islam Negeri Sembilan (MAINS). Similar to the Northern Region, the existing office buildings are mostly occupied by the government sector. Shopoffices in the Seremban town are occupied by local businesses where commercial activities are robust. Meanwhile, developments outside the town act as the commercial catalyst for any new residential scheme.

In Malacca, newly completed shopoffice developments in 2015 are generally located in Kota Laksamana, Limbongan, Klebang, Krubong, Bukit Katil and Ayer Keroh. The influx of new supply has given rise to a competitive rental market. Yields were compressed further with higher growth of capital value over rental value. Market sentiment is expected to remain soft should there be no further incentive by the State government. In the short run, shopoffices supply in Malacca is yet to reach the oversupply stage as developers are cautious in their planned developments under the prevailing economic situation.

In Batu Pahat, take-up rate of newly completed shopoffice units within the popular Taman Flora Utama has slowed down noticeably. The Old Street Commercial Centre which comprises 21 units of 2-storey and 3-storey shopoffices in Taman Sri Jaya will be completed in the coming months.. A new commercial scheme, D'garden Business Park, was launched in the 2nd quarter of the year. The scheme, comprising 80 units of 2-storey and 3-storey shopoffices, is expected to be completed in 3 years' time. A proposed commercial development along Jalan Pantai, River City Commercial Centre, which is made up of 43 units of 3-storey shopoffices, was scheduled for launching in the last quarter of 2015. These three developments would contribute to a substantial supply of shopoffice units in Batu Pahat.

SUB MARKET

West Malaysia

IN A GLANCE	Seremban		Melaka		Batu Pahat	
	2014	2015	2014	2015	2014	2015
Average Price (RM per unit)	820,000.	850,000	800,000	850,000	650,000	680,000
Average Rental (RM per month)	4,500	4,500	4,500	4,500	3,000	3,000
Average Net Yield (%)	6.50	6.50	6.40	6.30	5.00	5.00

Note: the data stated above referred to double-storey intermediate shopoffices
Source: WTW Research

Selected New Launches in the Southern Region in 2015

Name	Location	Developer	No. of units	Min. Selling Price (RM per unit)
Seremban				
10shopz@Nilai	Desa Kasia, Nilai	Ireka Dev Sdn Bhd	10	N.A.
Ainsdale, Type Anika	Bandar Ainsdale	Sime Darby Sdn Bhd	32	988,888 - 2,463,888
Batu Pahat				
D' Garden Business Park	D' Garden, Jalan Seluang, Batu Pahat	Country Land Realty Sdn Bhd	75	950,000 – 1,350,000
			9	1,200,000 – 2,700,000

Source: WTW Research

Old Street
Commercial Centre,
Batu Pahat

East Malaysia

Labuan

Financial Park Labuan (FPL) is the only purpose built office building in Labuan, which is currently occupied by offshore banks and insurance companies as well as government department. To date, shopoffices in town remained favoured by most of the companies as business premises. However, the gloomy oil & gas market has resulted in the softening shopoffice market in Labuan where developers and purchasers adopted a cautious stand.

IN A GLANCE	Labuan	
	2014	2015
Average Price (RM per unit)	2,550,000	2,500,000
Average Rental (RM per month)	9,500	9,500
Average Net Yield (%)	4.50	4.50

Note: the data stated above referred to double-storey intermediate shopoffices
Source: WTW Research

SUB MARKET

East Malaysia

Sabah

The shopoffice sector remained active in Tawau for 1H2015. The ongoing developments of shopoffices are expected to fully meet demand for the next few years. Any more new launches may bring about an oversupply of shopoffices in the locality. Implementation of GST back in April 2015 had created a knock-on effect towards the demand of shopoffices. In 2015, a 2-storey shopoffice in Tawau was sold at a higher price however the competitive rental market had resulted in a lower investment return. In general, yield from shop-office investment may generate 3.5% to 4.5% returns. Moving into 2016, the overall shopoffice market will moderate further.

In Lahad Datu, sales of the existing and newly completed shopoffice developments had been sluggish in 2015, and are expected to continue into 2016. Business opportunities are shrinking as market sentiment has yet to recover from its downturn in 2014. This has led to downward adjustment of price and rentals. In comparison to shopoffice, the development of purpose built office space is unlikely due to the lower probable yields and investment returns. Traditional shopoffices will remain the main supply of office space with the completion of i-Peak Business Centre, D'Perdana Square by Hap Seng Properties and First Palm City Lahad Datu respectively.

Likewise in Sandakan and Keningau, shopoffices are preferred by local businesses. There will be around 200 units of shopoffices coming into the market by the end of the year.

IN A GLANCE	Sandakan		Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015	2014	2015
Average Price (RM per unit)	750,000	800,000	850,000	950,000	720,000	750,000	800,000	825,000
Average Rental (RM per month)	2,800	2,800	2,700	2,700	2,800	2,800	3,000	2,700
Average Net Yield (%)	4.50	4.50	3.75	3.75	4.60	4.50	4.90	4.90

Note: the data stated above referred to double-storey intermediate shopoffices
Source: WTW Research

Selected New Launches in the Sabah in 2015

Name	Location	Developer	No. of units	Selling Price (RM per unit)
Tawau				
1 Kubota, Phase 2	Jalan Kubota	Acejuta Sdn Bhd	50	1,480,000 - 1,520,000
Sandakan				
Bandar Labuk Jaya D Phase 1	Jalan Labuk	Kelasmaju Sdn Bhd	16	1,319,000 - 1,572,000
Bandar Labuk Jaya D Phase 2	Jalan Labuk	Kelasmaju Sdn Bhd	6	1,260,000 - 1,378,000
Bandar Melrose	Jalan Utara	Saban Enterprise Sdn Bhd	16	750,000 - 1,230,000

Source: WTW Research

SUB MARKET

East Malaysia

Sarawak

In year 2015, the take up rate for shophouses in secondary location, such as Eco Garden Commercial Centre at Sibu Jaya and Uni City Commercial Centre at Jalan Wawasan has generally improved although the occupancy of existing shophouses projects remained low. Selling price for shophouses in these commercial areas are lower and more affordable compared to those in the vicinity of the town centre. Companies are still looking at shophouses as business premises, and as such there is no existing market for purpose built office space. In the short run, more commercial shophouse projects are expected to be launched as many were granted approval in the past few years. However, market activities and take up are likely to remain sluggish.

The average annual addition for shophouses in Miri is about 120 units per year, however, year 2015 observed a larger supply coming into the market. This was largely contributed by the completion of Senadin Commercial Centre (108 units), Desa Bahagia@Bandar Baru Permyjaya (81 units) and Marina Square I@ Marina ParkCity (106 units). The take up rates of these newly completed projects were relatively slow, underlying the lack-lustre performance of Miri's shophouses market in 2015. It is expected that the coming few years will see less new launches, as the unsold units will require a year or two to be fully taken up. In 2016, the shophouses market in Miri will be a tenants' market in 2016.

Bintulu also is facing an oversupply of shopoffice. At present, there are around 1,084 units of shopoffices due for completion in the next two to three years. The selling price of shopoffices had moved upward significantly since 2014, to between RM1.6 million and RM2.2 million in 2015. Rentals were rather competitive, at around RM1.38 to RM1.84 psf in both 2014 and 2015. Launches of shopoffices will be lesser in 2016 as the cautious market sentiment and oversupply issue see more developers postpone some of the approved projects.

IN A GLANCE	Sibu*		Miri*		Bintulu*	
	2014	2015	2014	2015	2014	2015
Average Price (RM per unit)	900,000	1,000,000	1,200,000	1,400,000	1,200,000	1,600,000
Average Rental (RM per month)	3,200	3,300	3,300	3,300	4,000	4,000
Average Net Yield (%)	4.50	4.50	3.30	2.80	4.10	4.00

*Note: the data stated above referred to three-storey intermediate shophouses
Source: WTWY Research

Selected New Launches in the Sarawak in 2015

Name	Location	Developer	No. of units	Selling Price (RM per unit)
Sibu				
Uni City Commercial centre	Jalan Wawasan	Hock Peng Realty Sdn Bhd	68	898,000 – 1,935,000
Bintulu				
Pier 99	Bintulu Town Central	Sarawak Land (Kemena Park) Sdn Bhd	108	1,608,888 - 2,238,888

Source: WTW Research

RETAIL

As of 1H2015, consumer sentiment in the country was weak compared to the previous year. The MIER Consumer Sentiments Index plummeted since the third quarter of 2014 to 71.5, the lowest since 2009. The uncertainty in both the global and local economy environment has shaded a pessimistic outlook on household spending in the short term.

The languishing economy may recover slowly in the short run, however, constant growing demand of consumers for modern and sophisticated retail malls has kept the growth of retail sales consistent. Malaysia Retailers Association (MRA) reported retail sales growth in the first quarter 2015 as 11.41%, which improved gradually since third quarter 2014. However, retail sales growth was down to 7.17% in second quarter 2015, due to Goods and Services Tax (GST) implemented in April 2015.

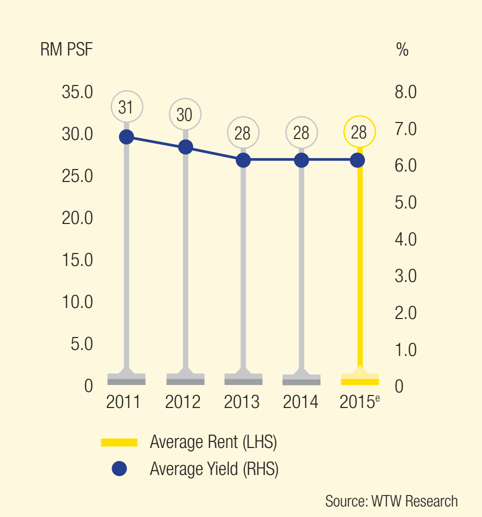
	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET						
Klang Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▶	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Johor Bahru	▶	▶	▶	▶	▶	▶
Kota Kinabalu	▼	▼	▶	▶	▶	▶
Kuching	▼	▼	▶	▶	▼	▼
SUB MARKET						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▶	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▶	▶	▶	▶	▶	▶
Melaka	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan						
Tawau	▶	▶	▶	▼	▶	▼
Lahad Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▶	▶	▶	▶	▶
Sarawak						
Sibu					▶	▶
Miri	▼	▼	▲	▼	▶	▼
Bintulu	▼	▼	▲	▼	▶	▼
Labuan	▶	▶	▶	▶	▶	▶

MAIN MARKET

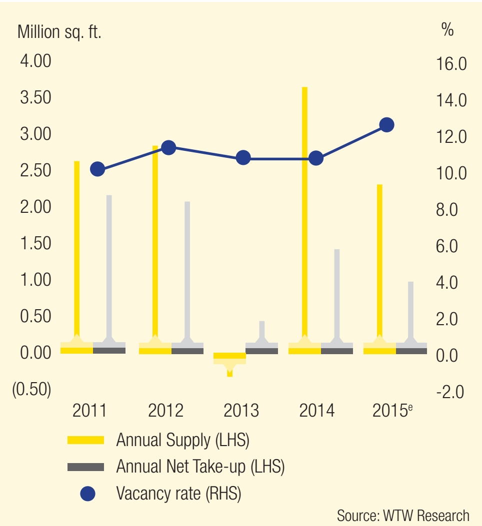
Klang Valley

Strategic planning for these shopping districts coupled with weakening of Ringgit and anticipated increase in tourist traffic due to promotional efforts by the government, the retail sector is expected to remain firm.

Performance of Retail Space



Supply & Demand of Retail Space



The Klang Valley (KV) retail market was soft in 2015 as consumer sentiment has weakened following the implementation of Goods and Services Tax (GST) in April 2015.

Cumulative supply of retail space stood at approximately 51.27 million sq ft as of 2015. Two rejuvenated shopping malls, Atria Shopping Gallery at Damansara Jaya and Sunway Putra Mall (formerly known as The Mall) were completed and opened in 1H 2015, adding 1.01 million sq ft of retail space into the market. Atria Shopping Gallery has undergone facelift and has a strong mix of Food & Beverages and lifestyle tenants, and anchored by Village Grocer supermarket. As for Sunway Putra Mall at Jalan Putra, major tenants in the mall included Cold Storage, TGV Cinema as well as a number of mainstream fashion brands such as Mango, Uniqlo, Brands Outlet and Padini.

2H of the year is expected to see another 1.24 million sq ft of retail space come into the market, of which retail malls that opened was IKEA@Jalan Cochrane, Emerald Avenue at Selayang and Star Avenue Lifestyle Mall whilst M3 Mall is likely to open its doors by end 2015 or early 2016. The Bukit Bintang Plaza, adjacent to the Sungei Wang has officially closed during March 2015, to make way for mixed development, comprising retail podium with duplexes and penthouses on top.

The occupancy rate of retail malls had remained strong in the past five years, hovering at an average of about 90%. Completion of seven retail malls last year has push the occupancy rate slightly downward, from 89.3% in 2013 to 89.1% in 2014. The estimated 2.04 million sq ft new retail space in 2015 will further compressed the overall occupancy rate, to around 87.3% by end of 2015. The average rental rate in prime retail malls remained healthy at between RM24 psf and RM30 psf.

In 2016, there are a few malls in the major towns will be completed, including Empire City Mall in Damansara Perdana with net lettable area of around 2.5 million sq ft and MyTown Shopping Centre in Cheras with NLA of around 1.1 million sq ft. Other retail malls that scheduled for completion in 2016 included Jakel Mall, Damansara City Lifestyle Mall, Starling Boutique Damansara Uptown, Glo Damansara, Melawati Mall, AEON Shah Alam, Da Men USJ and Sunway Pyramid Phase 3.

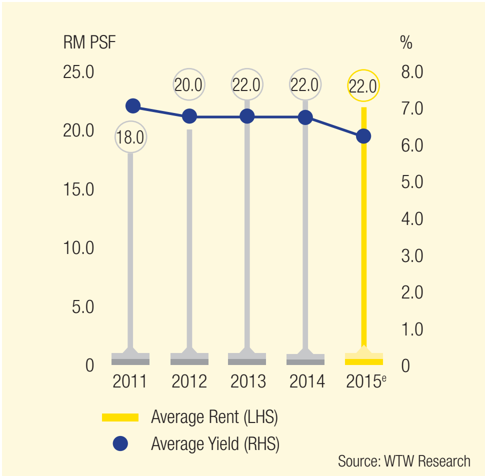
For retail malls that within Kuala Lumpur, especially KLCC and Bukit Bintang areas, the increasing demand for innovation by the young and affluent urban population as well as tourists will act as one of the key drivers that maintained the retail mall's performance in that locality. Strategic planning for these shopping districts coupled with weakening of Ringgit and anticipated increase in tourist traffic due to promotional efforts by the government, this sector is expected to remain firm.

MAIN MARKET

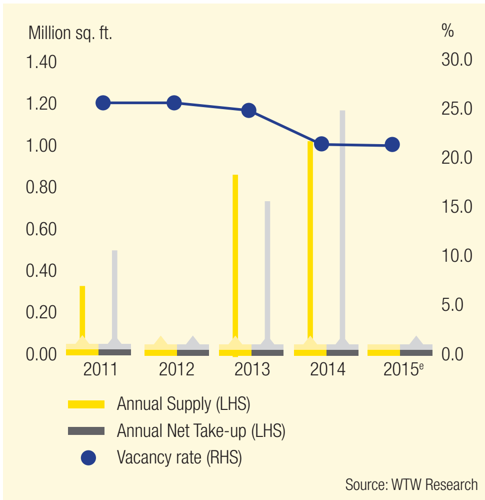
Penang

The next few years are likely to stay healthy for retail market in Penang, with both occupancy rate and rental will stay firm

Performance of Retail Space in Penang Island



Penang Island: Supply & Demand of Retail Space



Existing supply of retail space in Penang stood at approximately 18.07 million sq ft in 2015, of which 63% are in the island while 37% are in Seberang Perai. There are a number of planned shopping complexes scheduled for completion over the next five years. The bulk of retail space currently in the pipeline are located in Seberang Perai, including the Penang Designer Village in Batu Kawan and Pearl City Mall within the Pearl City Township.

Penang Designer Village is the first premium outlet mall proposed in Penang, which commenced its construction work in April 2015, scheduled for operation by Christmas 2016. With net lettable of 400,000 sq ft, the mall is designed to be open-air mall featuring weather-protected walkways and designed to have "loop system". A number of tenants in Penang Designer Village include Calvin Klein, Espirit, Hugo Boss, Armani Exchange and DKNY. Another incoming retail mall is also located in southern Seberang Perai, i.e. Pearl City mall in Simpang Ampat. The mall is a neighbourhood mall sited on a 15.55-acre of land within Pearl City Township and scheduled for opening by 1H2016.

Another planned retail mall is IKEA and an integrated shopping mall development within Aspen Vision city in Bandar Cassia that are scheduled for completion by 2018 and 2020 respectively. The next few years are likely to stay healthy for the retail market in Penang, with both occupancy rate and rental staying firm as the new malls to be completed are in locations that still has demand.

Mydin Wholesale Hypermarket Bukit Mertajam along Jalan Baru Perai opened to public on 20th November 2015. The retail building is of 3 storeys, each floor with a mezzanine level, together with 1,242 car park bays and 1,236 motorcycle bays. Developed on a site of approximately 12.8 acres, it has a total net lettable area (inclusive of common area) of approximately 536,507 square feet. In April 2015, when the building was in an advance stage of construction, AmFIRST Real Estate Investment Trust entered into a Sale Purchase Agreement to purchase the property from Mydin Wholesale Cash and Carry Sdn Bhd. The transacted price was RM250 million, analysed at approximately RM466 per square foot on the net lettable area. The transaction was a sale-and-leaseback arrangement, as the property would be leased to Mydin Mohamad Holdings Berhad for a tenure of 30 years with a 10% rent increment every 5 years.

Artist's Impression of Penang Designer Village in Batu Kawan

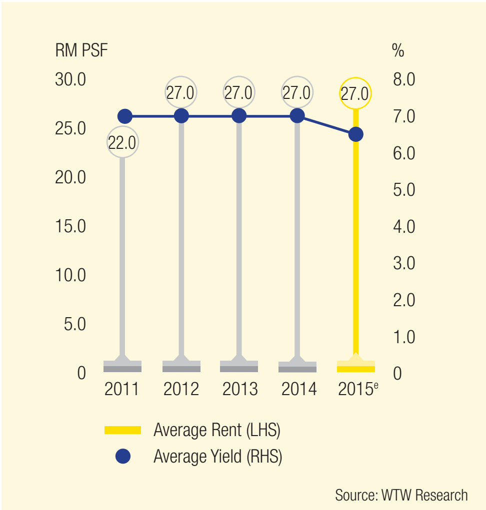
Source: http://designvillage.today/

MAIN MARKET

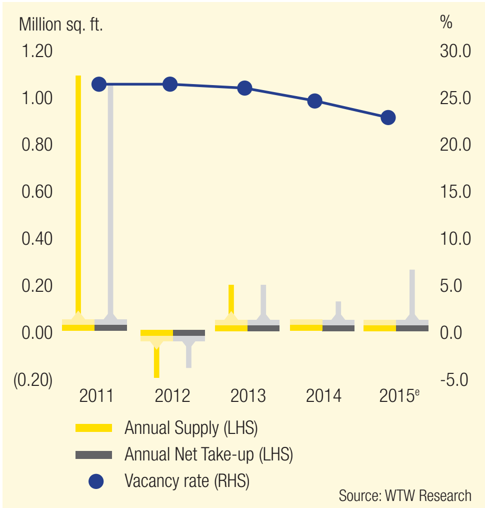
Johor Bahru

Prime retail rental at city centre was about RM27 psf per month on average and it is expected to remain steady in the next 1 to 2 years.

Performance of Retail Space



Supply & Demand of Retail Space



The existing supply of retail space was recorded at 13.3 million sq ft in 2015, and the occupancy rate increased to about 77%. Prime retail rental at city centre was about RM27 psf per month on average and it is expected to remain steady in the next 1 to 2 years.

Sub-sale transaction of retail space is limited as only few stratified retail space is found in Johor Bahru. Retail space at Holiday Plaza was transacted at between RM460 psf and RM670 psf whilst retail space at DNP Plaza, on the other hand, was sold between RM370 and RM480 psf.

It is noted that Metrojaya, one of the leading department stores in Malaysia, has relocated from Danga City Mall to Komtar JBCC shopping mall since June 2015. Their entry has vastly improved the occupancy rate of Komtar JBCC shopping mall to about 80%.

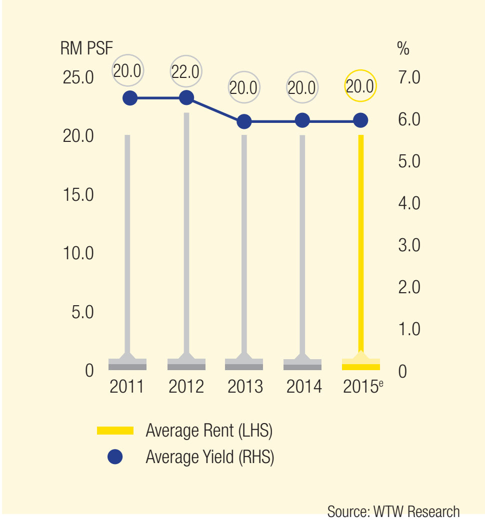
Metrojaya, one of the leading department stores in Malaysia, has relocated from Danga City Mall to Komtar JBCC shopping mall.

MAIN MARKET

Kota Kinabalu

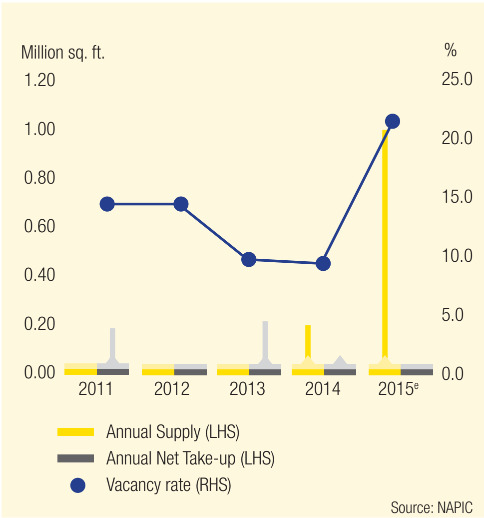
Established and well-managed retail malls in Kota Kinabalu are maintaining good occupancy rates.

Performance of Retail Space



Source: WTW Research

Supply & Demand of Retail Space



Source: NAPIC

Supply of retail space from shopping complexes increased by some 1,004,000 sq ft with the opening of Imago Mall, Riverson Walk retail mall and the retail space of Plaza Shell, expanding supply of retail space from shopping complexes from about 4.8 mil to 5.8 mil sq ft. Imago Mall and Riverson Walk are neighbouring developments located in Sembulan. Imago is the first non-stratified mall that is fully owned by the developer with its retail space leased out.

Similar to previous years, transactions for retail mall units have been limited and values and yields of retail space in the CBD have been relatively stable. Established and well-managed retail malls in Kota Kinabalu are maintaining good occupancy rates.

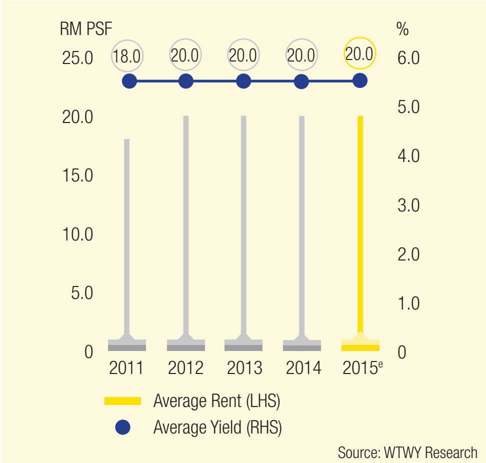
Imago Mall in Sembulan is the first non-stratified mall that is fully owned by the developer with its retail space leased out.

MAIN MARKET

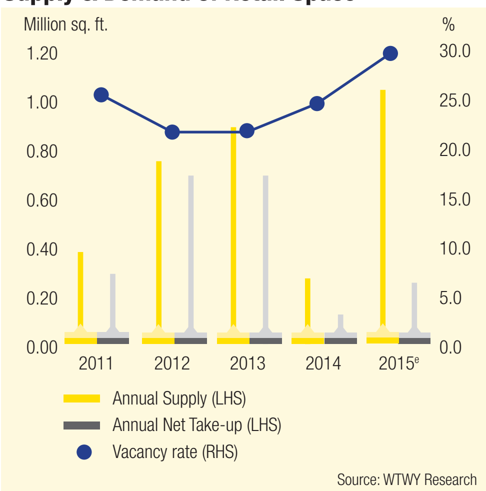
Kuching

With new and modern complexes coming up with better design and concept, older retail malls would need to reinvent themselves to remain relevant and occupied.

Performance of Retail Space



Supply & Demand of Retail Space



Except for Viva City Mega Mall which was completed in December 2015, there are no other malls completed for Kuching in 2015. However, this one mall will push up the retail space in Kuching by another 820,000 sq ft. Developed along Jalan Wan Alwi, a busy route leading into Tabuan Jaya, one of Kuching's oldest and most established housing estates, and developed by Coramax Sdn Bhd, Viva City Mega Mall will be the largest mall to-date for Kuching, promising a slew of big name tenants such as Uniqlo, TGV Cinemas, Charles & Keith, Tony Roma and Nandos.

In the current offerings are a number of malls currently under construction and due to be completed by 2016/2017, which include the following:

1. The 6-storey Emporium at Jalan Tun Jugah, a retail cum apartment complex, being developed by Ken Best offering about 140,000 sq ft of retail space;
2. The Matang Mall, a 4-storey mall at Matang, developed by Nationlink Group of Companies, with about 150,000 sq ft of retail space;
3. Moyan Square Shopping Mall, a 3+1 storey mall, at Jalan Batu Kawa-Matang being developed by Indah Kerjaya Sdn Bhd covering about 150,000 sq ft;
4. Aeon Shopping Mall located along Jalan Keretapi.

When completed, these will add more than half a million sq ft or so of retail space to the current Kuching market. The large influx of new retail space into the market in the last few years has showed signs of saturation, which is reflected by falling transactions and occupancy rates for shopping malls.

The average rental rate has dropped for the retail sector as a whole, especially for the older malls struggling to maintain their occupancy. Rental rates generally average less than RM10 psf although smaller units in prime locations at better performing malls are still being maintained at a good rate of RM20 psf. Retail prices have also not gone up with recent sales of prime ground floor retail units at not more than RM2,000 psf which is more or less the same rate commanded a few years ago.

Vivacity Mega Mall opened in December 2015

With new and modern complexes coming up with better design and concept, older retail malls would need to reinvent themselves to remain relevant and occupied.

SUB MARKET

West Malaysia

Northern Region

To date, there are five shopping malls in Alor Setar. The retail market has been quiet over the past few years but likely to be exciting and competitive in the next couple of years. The latest addition is Aman Central Mall by Belleview Group that soft opened in 1st Oct 2015, the retail centre offered net lettable area of 800,000 sq ft, anchored by big names like Parkson and Golden Screen Cinema. A number of renowned tenants had marked their first presence in Kedah, including Sam's Groceria, H&M and Uniqlo. Apart from Aman Central Mall, there is an unnamed mixed commercial development comprising condominiums and retail components at Jalan Kolam Air.

In Ipoh, retail market was hit by the implementation of Goods & Services Tax (GST) in year 2014. Some units have been closed aftermath of the execution of the said tax. However the GST impact is estimated to have detrimental effect to smaller business holders as new retailers are still ventured into the Perak market. AEON Klebang and Aeon Big Falim were completed and in operation in October and December 2015 respectively. Retail centre that is currently in the pipeline is Econsave in Chepor. In addition, there were two retail malls transactions in Perak in 2014, Mydin along Jalan Meru Bistari at Jelapang was sold to Lembaga Tabung Haji at consideration of RM190 million whilst Econsave Klebang was sold at RM15 million to Econ Savemart Sdn Bhd. Meanwhile, Taiping had recorded the most new supply of retail space, with 626,000 sq ft of NLA in year 2014 whilst Ipoh is having 54,570 sq ft of new retail space.

IN A GLANCE	Alor Setar		Ipoh	
	2014	2015	2014	2015
Average Rental (RM psf)	15.0	15.0	12.5	15.0
Average Net Yield (%)	6.5	6.5	7.0	7.0

Source: WTW Research

East Coast Region

In Kuantan, there are no new retail malls completed in 2015. The East Coast Mall (Capital Mall) undergone extensive expansion and upgrading works which is slated for completion in year 2017. The expansion will provide approximately 45,000 sq ft retail space with more choices of tenant mix within the mall.

The retail market in Kota Bharu was stable over the year. The development of AEON Shopping Centre will spur more commercial developments i.e. shopoffices in the vicinity. With the introduction of some new tenants especially the international brands into the local market, the shopping malls in Kota Bahru are now able to offer vast shopping experience for the residents. The retail market in Kota Bharu will be competitive in the near future.

At present, retail sector in Kuala Terengganu is dominated by local-chain hypermarkets, i.e. Mydin and Giant. Mesra Mall in Kerteh is currently the only mall with cinema in Terengganu. The completion of KTCC Mall in very near future will improve the shopping experience of local folks. With a NLA of around 750,000 sq ft, the mall will be tenanted by a hypermarket, 48-lane bowling alley and 10-screen Cineplex.

IN A GLANCE	Kuantan		Kota Bahru		Kuala Terengganu	
	2014	2015	2014	2015	2014	2015
Average Rent (RM psf)	10.0	N.A.	8.5	8.5	8.0	8.0
Average Net Yield (%)	5.5	5.5	7.0	7.0	7.0	7.0

Source: WTW Research

SUB MARKET

West Malaysia

Southern Region

In Seremban, retail centres in the pipeline are AEON and Mydin supermarket, both in Senawang. The completion of these new projects are expected to exert pressure on the existing hypermarkets in the vicinity, i.e. Giant, TESCO and Kip Mart.

Retail projects in Malacca launched since 2014 were sold on stratified basis in general. Hatten City in Melaka Raya as well as Harbour City and the Riviera in Pulau Melaka are amongst the projects in the pipeline, which are scheduled for completion between years 2016 and 2020. Newly completed mall, The Shore Shopping Gallery offered only retail lots for leasing purpose. In additional, the first premium outlet, Freeport A'Famosa Outlet Melaka was officiated in November, houses a variety of designer brands and fashion items. In 2016, the retail market is expected to remain resilient.

In Batu Pahat, the existing three operating shopping centres are The Summit, Square One Shopping Mall and Batu Pahat Mall. The occupancy rate of Square One and Batu Pahat Mall remained firm in 2015. The Summit is however gradually losing its lustre although being the earliest retail centre of the town. Aeon Co. (M) has purchased a 20 acres land in Pura Kencana, Jalan Kluang from Genting Property Sdn Bhd in 2014 for the construction of a department store and shopping centre. The development will be the latest trend setter for shoppers in Batu Pahat and its neighbouring townships.

IN A GLANCE	Seremban		Melaka		Batu Pahat	
	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	3.0 - 10.0	5.0 - 20.0	8.0	8.0	3.0 -12.0	3.0 -12.0
Average Net Yield (%)	7.25	7.25	6.0	5.7	5.5	5.5

Source: WTW Research

Mydin supermarket in Senawang, scheduled for opening in early 2016.

East Malaysia

Labuan

Retail market in Labuan remained unchanged in 2015 with no new supply/ retail development plan announced. At present, there is only one purpose built shopping complex in Labuan, where the retail space was leased out at RM5 per sq ft in average.

IN A GLANCE	Labuan	
	2014	2015
Average Price (RM psf)	5.0	5.0
Average Net Yield (%)	N.A.	N.A.

Source: WTW Research

SUB MARKET

East Malaysia

Sabah

The retail market in Tawau was quiet in 2015. Purpose built retail centres at present are Eastern Plaza and Sabindo Plaza. A majority of the retailers still prefer to do business in shopoffices, thus it is expected retail shopoffice development will continue to focus at out-of-town suburban location, especially at the high growth hot spot residential and commercial areas of Jalan Datuk Chong Thien Vun and Jalan Kabota. With the new bypass road of Jalan Datuk Chong Thian Vun in operation, more land along the road may be developed in the the foreseeable future.

Likewise in Lahad Datu, retailers tend to choose shopoffices for businesses. The efforts by the local government to reduce the illegal immigrants from the Philippines and Indonesia, will reduce the local consumption drastically as the local economy partially relied on illegal immigrants. The retail market was relatively soft when the purchasing power of locale dropped significantly in Lahad Datu. Abundant retail space is available resulted from the completion of some retail developments in the past few years. The retail space in Lahad Datu will increase when the Phase I of First Palm City is completed.

Sandakan is expected to welcome, Sejati Walk (160,000 sq ft) in 2017, which will complement with the existing CBD mall (200,000 sq ft). In Keningau, the existing Keningau Mall opened since 2010 is the only retail centre in the locality.

IN A GLANCE	Sandakan		Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	2 - 12	2 - 12	2 - 7	2 - 7	2 - 12	2 - 12	4.0	4.0
Average Net Yield (%)	N.A.	N.A.	4.0 - 4.5	4.0 - 4.5	N.A.	N.A.	N.A.	N.A.

Source: WTW Research

Sarawak

There was limited transaction activity in the retail market in Sibu for year 2015, and there were no new retail projects launched. The Occupancy rate for the existing retail centre remained unchanged.

Shopping malls in Miri performed above average in 2015, recorded average occupancy rate of about 83%; malls in the Central Business District outperformed those in the suburbs. On average, there is one retail centre completed every consecutive year in Miri. Retail space in new malls in the CBD were rented out as high as RM13.00 per sq ft. In 2016, the retail market will soften.

Healthy occupancy rates were observed across the existing retail centres in Bintulu. In the coming few years, a number of retail centres in the pipeline will be completed, resulting in a competitive rental market. Retail malls operators/owners may introduce attractive rental packages to attract potential anchor tenants, sub-anchor tenants and retailers in view of the competitive market.

IN A GLANCE	Sibu		Miri		Bintulu	
	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	3 - 12	4 - 12	6 - 12	6 - 15	6 - 15	6 - 15
Average Net Yield (%)	4.0	4.5	4.8	4.5	4.5	4.5

Source: WTWY Research

Tourist arrivals remained firm in 1H2015, totaling 12.57 million tourists, a drop of 9.43% compared to 1H2014. The main tourist influx were from Singapore, Indonesia and China. The government also launched a visa-free entry program for tourists from China in Oct 2015, to encourage more Chinese tourists to visit Malaysia. The Tourism Market Index, by MIER, reported softening in hotel reservations despite much effort in promotion and marketing by tour operators and hoteliers.

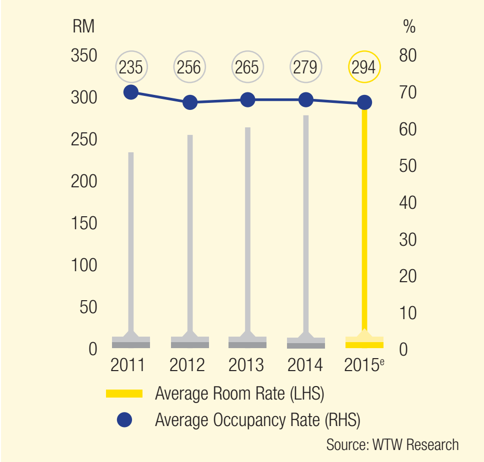
	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET						
Klang Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▲	▶	▲	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Johor Bahru	▶	▶	▶	▶	▲	▲
Kota Kinabalu	▼	▶	▶	▶	▶	▶
Kuching	▶	▶	▶	▶	▲	▶
SUB MARKET						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▲	▲
East Coast Region						
Kuantan	▶	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Melaka	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	N.A.	N.A.	N.A.	N.A.	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
Lahad Datu	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Keningau	▶	▶	▶	▶	▶	▶
Sarawak						
Sibu	N.A.	N.A.	N.A.	N.A.	▶	▶
Miri	▶	▼	▶	▼	▶	▼
Bintulu	▶	▼	▶	▼	▶	▼
Labuan	▶	▶	▶	▶	▶	▶

MAIN MARKET

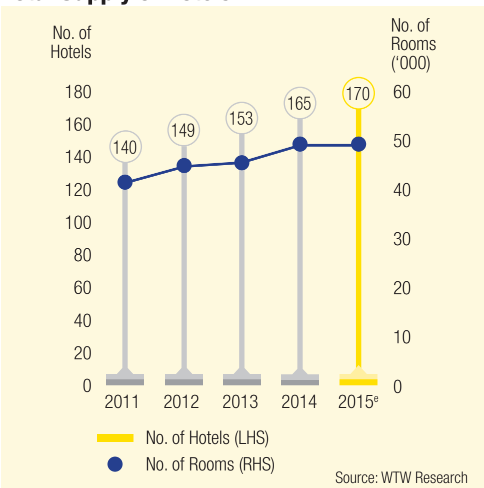
Klang Valley

The hotel market is expected to stay firm and stable in 2016 and is expected to have growing competition amongst upscale/ luxury hotels and further pressure on the occupancy rate and average room rates.

Performance of Hotels



Total Supply of Hotels



The completion of 6 hotels, of around 1,248 rooms outside the city centre increased the count of hotel/serviced apartments to 170 hotels, and 49,299 rooms as of 4Q 2015. Hotel supply will expand further with the completion of more developments to total 187 hotels/ serviced apartments (54,224 rooms) by end of the 2016. The room supply of 5-star hotels remained dominant in the Klang Valley hotel sector, providing 17,040 rooms (40 hotels) as of 4Q 2015.

Existing international hotel brands in Klang Valley include Accor Group, Marriot International, Starwood Hotels & Resorts Group and Dorsett Hospitality International. In early 2015, MRCB had officiated the Ascott Sentral Kuala Lumpur in KL Sentral, which is managed by another international hotel brand, The Ascott Limited.

The fast expanding tourism sector will see more international hotel chains mark their presence in Klang Valley in the next few years, such as Kempinski, Banyan Tree, W Hotel, St Regis, Raffles and Jumeirah Group. The presence of the international hotels are expected to strengthen Kuala Lumpur as a city for both leisure and business travels. The notable announcements were Kempinski inked a management agreement for 8 Conlay development whilst Jumeirah Group will operate Jumeirah KL Hotel (190) and Jumeirah Living KL residences within the development of Oxley Tower, Jalan Ampang by 2021.

Ascott Sentral Kuala Lumpur

The increasing number of international hotel chains in the city centre is expected to increase competitiveness in the hotel sector. With a number of hotel developments coming on stream in 2016, the occupancy rate of existing hotels may drop whilst room rates are likely to stay firm. Serviced apartments may constitute a small fraction of about 12% of total supply in recent years. However, the popularity and preference as short term accommodation will continue to stimulate developments of serviced apartments in Klang Valley.

The solid performance of hotels in the past five years experienced a dip in early 2015, with the softer consumer sentiment and weakening demand from corporate travels. Pursuant to average occupancy rates in KV at 69% in 2014, the hotel market remained flat in 2015. Average room rates in KV stood at about RM300 per night in 2015, a moderate increment compared to 2014 a result of the entry of new branded hotels in Klang Valley and compounded by increasing operating costs.

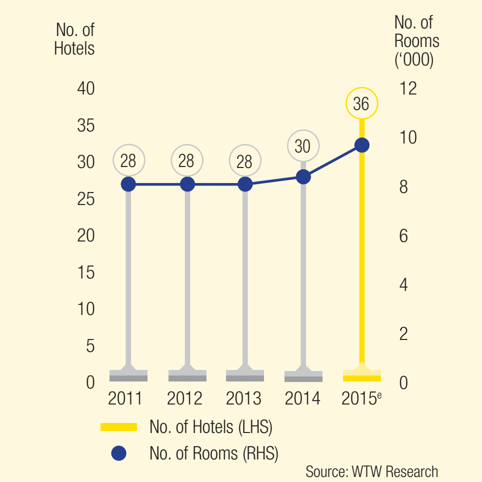
The increasing upcoming upscale/luxury hotels into the supply pipeline, the hotel market is expected to stay firm and stable in 2016. This is expected to have growing competition amongst upscale/luxury hotels and further putting pressure on occupancy and average room rates.

MAIN MARKET

Penang Island

The outlook for the Penang hotel sector is expected to be healthy, underpinned mainly by the local as well as foreign tourists.

Total Supply of Hotels in Penang Island



Under the list of top 10 cities to visit in 2016 by Lonely Planet (one of the largest travel guide book publishers), Georgetown is ranked 4th, ahead of other better known cities such as Rotterdam (Netherlands), Mumbai (India), Fremantle (Australia), Manchester (United Kingdom), Nashville (United States) and Rome. The accolade for Penang came 2 years after Lonely Planet named Penang as the world's best destination for food. Britain's Guardian newspaper also named Penang as one of the top 10 must-visit destinations in 2014. Such recommendations have continued to promote Penang to leisure travellers and augur well for the local tourism industry as well as the hotel property sector.

The 33-storey four-star St Giles Wembley Hotel along Jalan Magazine has started its operation. The hotel offers 415 rooms and a grand ballroom accommodating up to 1,000 people. Adjoining to The St Giles Wembley Hotel is Cititel Express Penang. The 22-storey three-star hotel offers 234 rooms and both St Giles Wembley Hotel and Cititel Express Penang were developed by IGB Group. Another hotel opened for business in 2015 was The G Hotel Kelawai, offering 208 rooms. This upscale five-star hotel located along Jalan Kelawai, is within walking distance to the established Gurney Plaza and Gurney Paragon Mall as well as to the Gurney Drive Promenade. In addition, Hotel Neo+ Penang opened its doors to guests, after the Indonesian hotel chain Archipelago International, refurbished the former Hotel Grand Continental. Located along Jalan Gurdwara within the inner city of Georgetown, the hotel offers 196 rooms and other facilities.

Hilton Worldwide signed a management agreement with Pinnacle Nexus Sdn Bhd, a member of Cornerstone Partners, to open DoubleTree Resort by Hilton Penang, a RM230 million project at Batu Ferringhi. The refurbishment and rebranding into this new 318-room hotel, from the former Hydro Majestic Hotel, is scheduled for completion by the end of year 2015 and operational in early 2016. Pinnacle Nexus acquired the former 322-room Hydro Majestic Hotel in May 2014 at RM82 million, analysed at approximately RM255,000 per room.

The outlook for the Penang hotel sector is expected to be healthy, underpinned mainly by the local as well as foreign tourists. However, with a number of major incoming hotel developments commencing operation in the near future, the market is expected to be more competitive for hoteliers.

The G Hotel Kelawai Hotel

Major Incoming Hotel Developments in Penang Island include :

Hotel	Location	No. of Rooms	Expected Operation
Mansion One	Jalan Sultan Ahmad Shah, Georgetown	110	2016
Rice Miller Hotel	Pengkalan Weld, Georgetown	50	2016
Hotel by Magnil Corporation	Jalan Penang, Georgetown	83	2017/18
Hotel by Bintang Holdings	Jalan Sultan Ahmad Shah, Georgetown	N.A.	2017/18
A 5-storey hotel	Jalan Victoria, Georgetown	80	2017/18
Courtyard by Marriot, Penang	Jalan Macalister, Georgetown	199	2018
Jazz Hotel	Seri Tanjung Pinang, Tanjung Tokong	226	2016
Hotel by WHH Land	Tanjung Bunga	225	2016/17
Angsana Teluk Bahang	Jalan Teluk Bahang	102	2017
Hotel at SPICE	Jalan Tun Dr Awang, Bayan Baru	453	2019

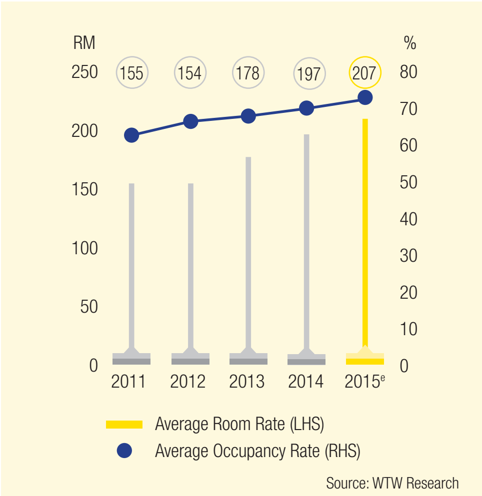
Source: WTW Research

MAIN MARKET

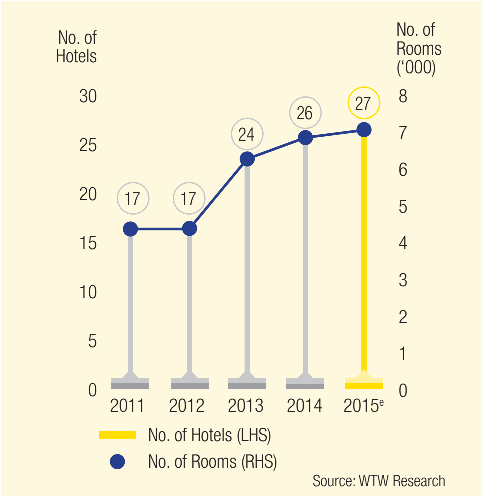
Johor Bahru

Hotel market in Johor Bahru is expected to remain stable in 2015 with hotel room rate to remain steady whilst occupancy rate will increase slightly due to limited immediate new supply.

Performance of Hotels



Total Supply of Hotels



The overall supply of 3 to 5-star hotel rooms in Johor Bahru stood at 7,137 rooms from 27 hotels. New hotels operated were mostly budget or boutique hotels, catering mainly to leisure guests travelling by private transportation.

Most of the hotels are occupied by leisure guest as there are a few new tourist attractons within the Iskandar Malaysia (IM) including Legoland and Austin Heights Water Theme Park, which further strenthen the tourism industry in IM.

The average room rate (ARR) of 5-star hotels for 2015 was RM280 while the average occupancy rate (AOR) was about 75%. ARR and AOR of 4-star hotels were RM220 and 75% on average while ARR and AOR of 3-star hotels were RM120 and 68%, respectively.

A new serviced apartment with 204 rooms was opened for business this year known as Somerset at Puteri Harbour. This is the second hotel/serviced suite in Puteri Harbour after Jen Hotel. The rooms were sold to individuals and leased back to the operator in exchange for a rental return.

Hotel market in Johor Bahru is expected to remain stable in 2015 with hotel room rate to remain steady whilst occupancy rate will increase slightly due to limited immediate new supply.

Citadines Medini in Nusajaya will be managed by The Ascott

Source: www.citadines.com

Incoming hotel developments in Johor Bahru

Name	Location	Rooms	Completion Year
Holiday Villa	City Fringe	322	2016
Somerset Medini	Medini	310	2016
Capri by Fraser	CBD	360	2017
Amari Hotel	CBD	200	2017
Meridin Hotel Suites	Medini	600	2017
Citadines Medini	Medini	214	2019

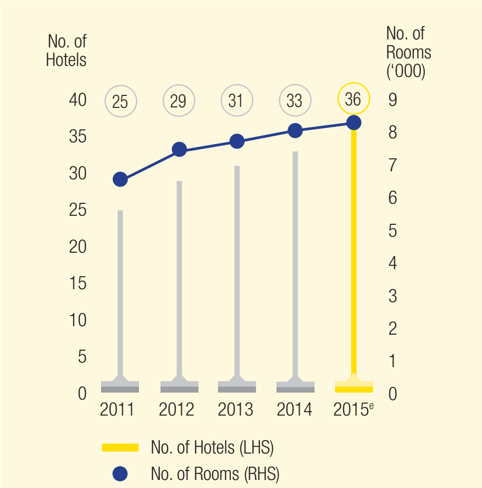
Source: WTW Research

MAIN MARKET

Kota Kinabalu

Sabah attracted some 2.11 million visitors within January to September of 2015, which is a decline of 1.7% year-on-year from 2014.

Total Supply of Hotels



Source: WTW Research

Preliminary statistics from Sabah Tourism Board indicated that Sabah attracted some 2.11 million visitors from January to September of 2015, which is a decline of 1.7% year-on-year from 2014.

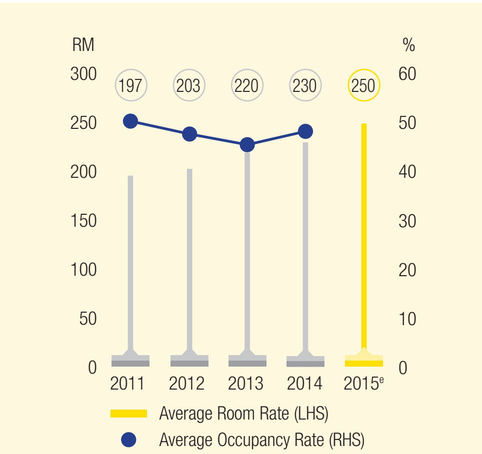
The incidents of kidnapping and intrusion in Sabah's East Coast have had adverse effects on the travel and tourism industry in the last 1-2 years. Notwithstanding which, Sabah's tourism is still expected to play a major role in the State's economy. Based on available information, the occupancy rate for selected 3-5 star hotels located within Kota Kinabalu's Central Business District and city fringe areas such as Karamunsing and Sembulan, averaged at 63% for the first eight months of 2015, a slight decline compared to about 65% for 2014. However, the year-end festive and holiday travel period is expected to push up average occupancy rates for 2015.The hotel sector in Kota Kinabalu saw the opening of the 4-star Avangio Hotel (managed by Accor Group) at Metro Town in Kolombong with 103 guest rooms. It is located next to Jesselton Medical Centre. Another 4-star hotel known as Soluxe Hotel being part of One Place Mall in Putatan also had its soft opening in April 2015. As at November 2015, 174 out of the total 320 rooms were available for booking. A 3-star hotel located at the Jalan Lintas - Jalan Penampang Bypass intersection known as Hotel N°5 with 117 rooms had its soft-opening in August 2015.

In September 2015, Pacific Sanctuary Holdings Sdn Bhd and Shangri-La International Hotel Management Ltd announced the development of Hotel Jen in Kota Kinabalu, a new hotel brand under the Shangri-La group. Hotel Jen Kota Kinabalu will comprise 440 rooms and form part of the ongoing PacifiCity mixed development in Likas Bay. It is slated for completion in 2018.

Kuching

The hotel industry continues to be upbeat with improved room rates. However, the average hotel occupancy rate is expected to drop with the addition of a few big hotels into the Kuching market in 2016.

Performance of Hotels



Source: WTWY Research

The number of tourists to Sarawak has been growing at between 5% and 6% per annum in the last decade. According to Ministry of Tourism Sarawak, total number of visitors in Sarawak grew 11% to around 4.8 million in 2014 since 2013, of which 61.7% were foreign arrivals and 38.3% were domestic arrivals from Peninsula Malaysia and Sabah. Tourism receipts have increased 75% since 2010, to around RM10 billion in 2014.

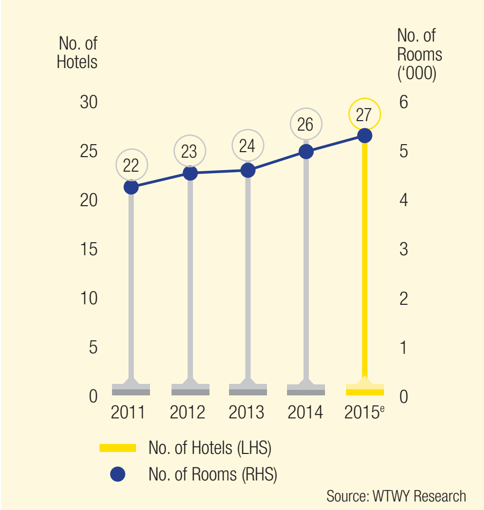
Large number of the tourists were from Brunei, with more than 1.9 million visitors recorded in 2014. Apart from Brunei, Sarawak also received a substantial share of visitors from Indonesia (500,000 visitors), Philippines (130,000 visitors), Singapore (50,000 visitors) and China (40,000 visitors).

The hotel market in Kuching was quiet in 2015. After the completion of several hotels in 2014, no new hotels were added to this sector for 2015, pending the completion and opening of the 4-star 360 Waterfront Hotel at Plaza Merdeka that is likely to be completed only in 2016. Once completed, it will add another 290 rooms to the Kuching hotel scene.

MAIN MARKET

Kuching

Total Supply of Hotels



The Majestic Tower Hotel which was revived from an abandoned hotel project adjoining the existing Riverside Majestic Hotel, is making good progress and looks set to be completed by 2016.

Another significant development is the halal-certified 9-storey Tabung Haji Hotel sited along Jalan Airport, which will offer 182 rooms. Construction of this hotel is currently right on track and slated to be completed by 2017. The hotel will include a convention centre and office spaces.

Hotel room rates continue to increase slightly for 2015, between 5% and 10%, whilst recording a higher occupancy rate for peak season such as the mid-year holidays and the Rainforest World Music Festival held annually. Kuching continues to see increased tourist arrivals for 2015 after an impressive performance in 2014, which recorded more than 4.8 million visitors to the State.

The hotel industry continues to be upbeat with continued increase in tourist arrivals and improved room rates. Total room sales are expected to be upped. However, the average hotel occupancy rate is expected to drop with the addition of a few big hotels into the Kuching market in 2016.

Hotel Tabung Haji

SUB MARKET

West Malaysia

Northern Region

The hospitality market in Alor Setar was stable in 2015. Langkawi Island remained as the main tourism attraction in Kedah. The Langkawi Development Authority (LADA) has also launched its next development agenda known as Langkawi Tourism Blueprint spanning between 2016 and 2020, to transform the island into a low carbon island. The Perdana Quay Development Masterplan in Langkawi, is expected to boost tourism activities and excite the hospitality market. The expansion of Langkawi International Airport scheduled to commence in 2016 will be carried out in phases to enable LIA receive more passengers. The hotel market is slightly more bullish in Langkawi than other town areas in Kedah, which may remain unchanged in the coming years.

In Ipoh, the hotel market was stable in 2015. The newly operated hotels in Ipoh town including The Weil Hotel, The Citel, Ipoh Bali Hotel, M Boutique and some other budget hotels. The Weil hotel offers up to 313 rooms while The Cititel offers up to 210 rooms. On the other hand, the Ipoh Bali Hotel serves 20 units rooms only that come with sophificated contemporary designs and architecture. In the anticipation of more tourist inflows due to emerging of more tourist hotspots, there is room for growth in the market in the state.

IN A GLANCE	Alor Setar		Ipoh	
	2014	2015	2014	2015
3-star				
Average Room Rate (RM)	160	180 - 200	120 - 150	160 - 180
Average Occupancy Rate (%)	55	60	N.A.	N.A.
4-star				
Average Room Rate (RM)	210	250	160 - 180	180 - 250
Average Occupancy Rate (%)	45	52	N.A.	N.A.

Source: WTW Research

M Boutique Hotel in Ipoh

East Coast Region

Kelantan welcomed about 2.6 million of tourists in 1H2015, similar to 1H2014. The average room rate remained firm in 2015 whilst occupancy rate was around 68% for three to five star hotels. There was no new hotel supply announced or in the pipeline in 2015 which will see another stable year for the hospitality sector in 2016.

The hotel sector in Terengganu remained stable with steady tourist inflow into the State. The state government had taken advantage of its unique natural landscape as well as local culture by organizing a number of events including the Sultan Mahmud International Bridge Run, International Squid Jigging Festival, Terengganu Rainforest Challenge, Kenyir Bird and Nature Quest. Apart from this, the state also welcomed a significant number of business tourists during the 2-day Terengganu International Eco and Marine Tourism Conference 2015 that boosted the F&B and hotel industry.

SUB MARKET

West Malaysia

IN A GLANCE	Kota Bahru		Kuala Terengganu	
	2014	2015	2014	2015
3-star				
Average Room Rate (RM)	170	180	160	170
Average Occupancy Rate (%)	60-65	60-65	60-65	60-65
4-star				
Average Room Rate (RM)	190	210	185	190
Average Occupancy Rate (%)	60-65	60-65	60-65	60-65
5-star				
Average Room Rate (RM)	240	260	230	240
Average Occupancy Rate (%)	50-60	50-60	50-60	50-60

Source: WTW Research

Southern Region

The hotel sector in Malacca is expected to remain competitive in 2016, with average room rate and average occupancy rate likely to stay firm. Malacca's tourism industry is active and the state continued to capitalize on its heritage city status by UNESCO, organized some events including a month long event along Melaka River known as Melaka River Festival Month. The hotel market in Malacca was good in the past few years, contributed by the increasing volume of both domestic and foreign tourists.

IN A GLANCE	Malacca	
	2014	2015
3-star		
Average Room Rate (RM)	150	160
Average Occupancy Rate (%)	55	55
4-star		
Average Room Rate (RM)	240	250
Average Occupancy Rate (%)	60	60
5-star		
Average Room Rate (RM)	310	320
Average Occupancy Rate (%)	70	70

Source: WTW Research

According to the Tourism Promotion Division, the number of visitors has doubled since 2008, to 14.31 million in 2014, whilst tourist receipts increased from RM3.8 million in 2008 to RM 10.9 million in 2013.

Moving south to Batu Pahat, The Summit Signature Hotel, and the extended wing of The Summit commenced operation in 2015. The hotel comprises 118 rooms (2-Suites, 26 Deluxe and 90 Superior) while the conference and Function Room facilities are still in the pipeline.

The Summit Siganture Hotel, Batu Pahat

Source: summithotelbp.com

SUB MARKET

East Malaysia

Labuan

Hotels in Labuan are targeted for business and corporate tourists. In the next coupled years, the market is expected to be quiet.

IN A GLANCE	Labuan	
	2014	2015
3-star		
Average Room Rate (RM)	155	155
Average Occupancy Rate (%)	65	65
4-star		
Average Room Rate (RM)	200	200
Average Occupancy Rate (%)	60	60
5-star		
Average Room Rate (RM)	300	300
Average Occupancy Rate (%)	60	60

Source: WTW Research

Sabah

The performance of hotels in Tawau remained soft in 2015. Although occupancy rates were stable, hoteliers find it challenging to maintain occupancy rate in 2H2015. Security was the main concern that led to the lack luster performance such as the Semporna Resort. The down trend is expected to persist moving into 2016 but efforts by both Central and State Government to enhance the cross border security of East Coast of Sabah may lead to a slow recovery of both tourism and hotel market. The depreciation of currency has made travel to Malaysia cheaper, which will see more inbound tourists to Sabah in 2016. In Tawau, foreign tourist visitors are mostly from the ASEAN countries, especially China.

Eco-tourism activities in Lahad Datu were very much affected by the spate of kidnapping incidents by the Sulu militants. Tourist arrivals experienced a decline of more than 50% since then and recovery is slow. Despite the negative tourism prospect in town, there are currently two hotel developments in the pipeline. The first is a 1,100-room hotel development at KM 7, Jalan Lahad Datu – Sandakan whilst the second is a 120-room hotel, which was converted from the current shopoffice building at D'Perdana Square.

The hotel market in Sandakan was stable in 2015, with two new hotels scheduled for completion by end of 2015, contributing 323 hotel rooms into the market. At present there are over 2,500 hotel rooms in Sandakan, where the new addition is a 43-rooms boutique hotel and purpose built 3-star hotel.

IN A GLANCE	Sandakan		Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015	2014	2015
3-star								
Average Room Rate (RM)	150	150	110 - 150	110 - 150	133	155	120	120
Average Occupancy Rate (%)	60	60	35 - 45	35 - 45	N.A.	N.A.	60	60
4-star								
Average Room Rate (RM)	230	230	160 - 240	160 - 240	N.A.	N.A.	N.A.	N.A.
Average Occupancy Rate (%)	50	50	35 - 45	35 - 45	N.A.	N.A.	N.A.	N.A.

Source: WTW Research

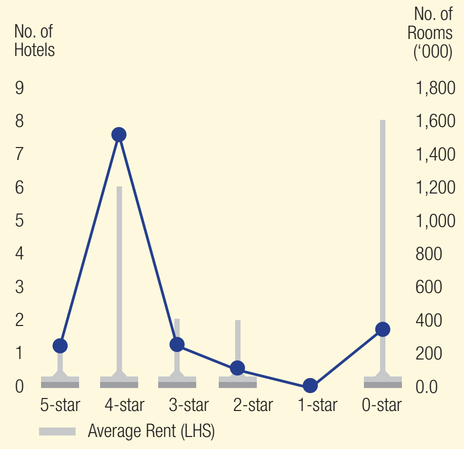
SUB MARKET

East Malaysia

Sarawak

Based on the latest available data from the Immigration Department Sarawak, there were around 7.18 million travellers to Sarawak in 2013. Sungai Tujuh (Miri/Brunei border) recorded the highest number of arrivals (23.21% of total travellers), supporting a robust tourism and hospitality market in Miri compared to other major towns in Sarawak. In comparison, both Sibu and Bintulu received a lower number of travellers, around 360,000 (5.07% of total travellers) and the latter was around 200,000 (2.80% of total travellers) respectively

Supply of Hotels by Star Rating in Miri in 2015



Source: WTW Research

With its close distance to Brunei, Miri's tourism mostly rely on its neighbouring country. Brunei visitors to Sarawak visit Miri more than any other towns in Sarawak since Miri is the nearest destination especially for vacation,shopping, food and leisure.

In 2015, there are 19 hotels in Miri, totalling 2,429 rooms where 67% are situated in the city area. 4-star hotels make up the most supply in Miri (6 hotels with 1,506 rooms), followed by 3-star hotel (2 hotels with 250 rooms) and 5-star hotel (1 hotel with 225 rooms). Occupancy rates of 3 -5 stars hotels stood at 68% on average whilst room rates remained firm in 2015. The hotel market in Miri is expected to stay firm in 2016.

As at 2015, there are 9 hotels in Bintulu, translating to 992 rooms where 56% of the hotels are situated in the Central Business District and the balance are in suburban area. Existing hotels in Bintulu was around 60% to 80% occupied in 2015 where hotels in the CBD fared better than hotels in suburban. Moving into 2016, the hotel market in Bintulu is likely to remain stable.

In Sibu, the average occupancy rates for hotels in CBD stood at 60% in general, which is relatively good for year 2015, and is expected to remain unchanged in 2016.

IN A GLANCE

	Sibu		Miri	
	2014	2015	2014	2015
3-star				
Average Room Rate (RM)	100 -150	120 – 160	163	165
Average Occupancy Rate (%)	60	60	72	70
4-star				
Average Room Rate (RM)	120 - 180	120 – 200	300	400
Average Occupancy Rate (%)	60	60	70	70
5-star				
Average Room Rate (RM)	N.A.	N.A.	350	425
Average Occupancy Rate (%)	N.A.	N.A.	66	65

Source: WTWY Research

INDUSTRIAL

As of 3Q 2015, 522 investment projects were approved by MIDA, which was around RM67.7 billion of investments. 75% or RM50.8 billion was domestic investments while the balance were foreign investments. The state of Johor topped the list, attracting 104 projects with proposed capital investments totalling RM30.0 billion, followed by Sarawak (18 projects with RM11.8 billion investments) and Melaka (20 projects with RM6.8 billion proposed investments)

The weakening of the Ringgit has encouraged more exports, but trade surplus contracted to RM9.7 billion in September 2015. The exports have expanded to RM 70.16 billion in August 2015, which is the highest monthly export value recorded and import value also rose to RM60.47 billion.

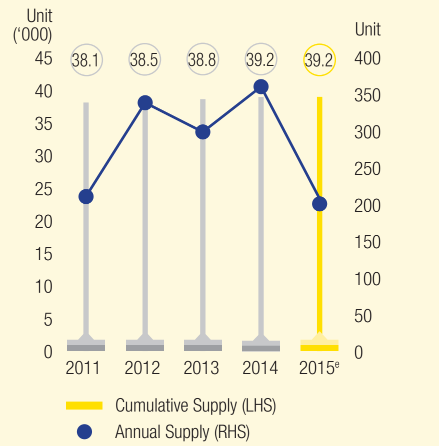
	Transaction Activity		Price Trend		Take-up / Occupancy Rate	
	2015	2016	2015	2016	2015	2016
MAIN MARKET						
Klang Valley	▲	▲	▲	▲	▲	▲
Penang						
Penang Island	▲	►	▲	▲	►	►
Seberang Perai	▲	►	▲	▲	►	►
Johor Bahru	►	►	►	▼	►	▼
Kota Kinabalu	▼	►	►	►	►	►
Kuching	▲	►	▲	►	►	►
SUB MARKET						
WEST MALAYSIA						
Northern Region						
Alor Setar	▲	►	►	►	►	►
Ipoh	►	►	►	►	►	►
East Coast Region						
Kuantan	▲	▲	▲	▲	▲	▲
Kota Bharu	►	►	►	►	►	►
Kuala Terengganu	►	►	►	►	►	►
Southern Region						
Seremban	▲	▲	▲	▲	▲	▲
Melaka	►	►	►	►	►	►
Batu Pahat	►	►	►	►	►	►
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	►	►	►	▲
Tawau	►	►	►	►	►	►
Lahad Datu	▼	►	▼	►	▼	►
Keningau	►	►	►	►	►	►
Sarawak						
Sibu	▼	▼	▲	▼	▼	▼
Miri	▼	▼	▲	▼	▼	▼
Bintulu	▼	▼	▲	▼	▼	▼
Labuan	►	►	►	►	►	►

MAIN MARKET

Klang Valley

Although the industrial sector is state-driven and was underrated over the past few years, strong growth is anticipated especially in terms of rental and prices evident by the shortage of industrial supply in the past few years.

Total Supply of Industrial Units



Source: NAPIC, WTW Research

Manufacturing activities in Klang Valley remained active in 1H 2015, with 131 projects were approved in the Klang Valley. Foreign investments constituted 55%, totalling RM2.3 billion, whilst the rest RM1.92 billion were domestic investments. Amongst the notable investments were Nestle in Shah Alam and joint-venture between Ingress Corp Bhd and Katayama Kogyo Co Ltd in Bandar Baru Bangi. Nestle invested RM258 million in Shah Alam on its Sri Muda's plant, which was in full operation in 2014. In Bandar Baru Bangi, a RM46 million R&D and manufacturing facility will be established under the joint venture between Ingress Corp Bhd and Katayama Kogyo Co Ltd.

As of 3Q2015, industrial supply remained unchanged. The average rental rates in selected industrial areas remained firm. Incoming supply are concentrated in Klang district, of which 2,015 units are expected to come into the market.

The introduction of incentives for industrial estates by the government is expected to enable industrial estate operators to enjoy 100% tax exemption on statutory income for five year. This is likely to interest more developers to develop industrial estates in Klang Valley.

The aggressive promotion of aerospace industry investments by MIDA has led to the growth of aerospace investments into the country, where the projects in relation to manufacturing and maintenance, repair, operations (MRO) grew to RM682 million in 2014, an increase of 76% from 2013. Amongst the efforts include development of Asia Aerospace City in Subang by MARA, which is expected to commence work for Phase 1 in 2016 and slated for completion in 2018. The World Class Infrastructure will generate interests of aerospace industry manufacturers to expand their operation in Klang Valley.

The ongoing and upcoming infrastructure developments will give rise to potential improvement in the industrial sector for the next few years. Although the industrial prospects sector is state-driven and underrated by most investors, strong growth is anticipated especially in terms of rental and prices evident by the shortage of industrial supply.

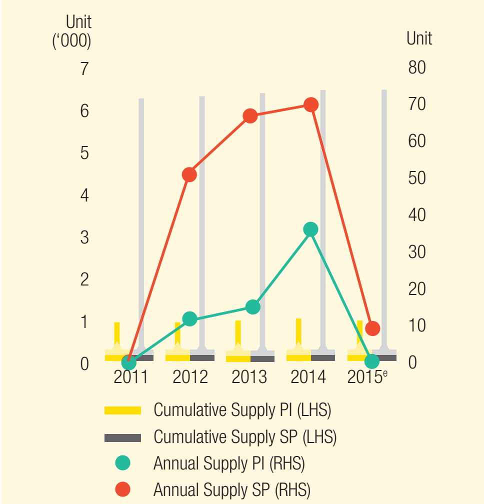
Artist's Impression of the Proposed Asia Aerospace City in Subang

MAIN MARKET

Penang

The short term outlook for the Penang industrial market is expected to be cautious in 2016, as companies are expected to closely evaluate the market demand for their products as well as their production capacity before any reinvestment.

Total Supply of Industrial Units



Source: NAPIC, WTW Research

The focus on industrial developments has shifted to Batu Kawan and its southern surroundings at Byram and Changkat. The opening of Batu Kawan Industrial Park is poised to be the stimulus for next wave of industrial and manufacturing growth in Penang.

The signing of Memorandum of Understanding (MOU) between Penang Development Corporation (PDC) and Sime Darby in June 2015, marked the collaboration on the development of Byram and Changkat at Seberang Perai Selatan into a premier SME high-tech industrial park with an estimated Gross Development Value of approximately RM1.8 billion. Both parties will formulate a Master Plan for industrial and mixed development. Sime Darby will develop 929.8 acres for small and medium industries (SMI) while PDC will develop 4,017.4 acres for heavy, moderate and light industries, SMI, as well as mixed development.

In the fourth quarter of 2015, several major multinational companies in the global semiconductor industry have announced exercises of merger, acquisition and relocation in order to consolidate operation, increase productivity, enhance market share, and synergise technologies. Penang as a hub of semiconductor with many multinational companies establishing their operation within the various industrial parks in the state, has been invariably impacted. These restructuring exercises have stirred anxiety in Penang. There were fears of massive plant closures and retrenchment exercises, which may result in Penang losing its position as the Silicon Valley of the East.

Announcements of restructuring exercises concerning companies in Penang

1	AMD Inc has entered into a joint venture agreement with Nantong Fujitsu Microelectronic Co for the latter to acquire an 85% ownership and become the controlling shareholder in AMD's operation in Malaysia and China. The manufacturing site in Penang would remain its operation. The deal is expected to be completed in the first half of 2016.
2	The manufacturing facility of Motorola Solutions' in Technoplex, Bayan Lepas, will be taken over by Sanmina Corp, a leading integrated manufacturing services company based in United States. Motorola Solutions will continue to focus on research and development from the adjoining Innoplex facility. There will be no reduction in headcount for the manufacturing as well as the research and development divisions. The transaction is expected to be finalised by early 2016.
3	Western Digital announced its plan to acquire SanDisk which has its new plant in Batu Kawan, Seberang Perai. The deal is scheduled to be closed by 3rd quarter of 2016.
4	Amphenol Corp which is based in United States, was closing one of its manufacturing facilities in Bayan Lepas. Its mobile consumer products division in Asia Pacific was being consolidated with the mobile devices and network operations were being relocated from Penang to China. Approximately 150 employees including engineers and operators were affected. The company continued its operation in two other plants in Bukit Minyak, Seberang Perai, which are involved in manufacturing of high speed connectors.
5	HGST (formerly known as Hitachi Global Storage Technologies) has planned to close down its plant in Bayan Lepas which has approximately 450 employees. The managerial staff would be transferred to its subsidiaries in Singapore. The consolidation exercise was subsequent to the approval granted by the Ministry of Commerce of China for Western Digital to integrate the operation of HGST. Western Digital acquired HGST in 2012.
6	Blaupunkt GmbH which is based in Germany, was up for sale with its local subsidiary to be likely the first subsidiary to be sold off. There was negotiation with another European based company to take over its operation in Juru, Seberang Perai. If the deal materialises, the local plant which has approximately 300 staff, would not have to wind up. Earlier, Blaupunkt Malaysia Sdn Bhd declared that the company can no longer continue business due to its liabilities. A provisional liquidator has been appointed and the company was planned to be wound up through creditors' voluntary winding up.
7	Fairchild Semiconductor International Inc was selling its manufacturing facility in Bayan Lepas as part of its worldwide realignment exercise. Approximately 1,000 employees were affected. Apart from Penang, the United States based company would also cease operation in West Jordan, Utah and Bucheon.

MAIN MARKET

Penang

However, restructuring exercises did not necessarily equate to closing down of factories and as such, widespread laid off of workers have not been seen. The restructuring exercises also involved acquisition by other companies with the intention of continuing the existing operation in Penang. Moreover, there were various job vacancies available to be filled, from expansion of established companies as well as from upcoming industrial operation. The manufacturing sector of Penang has received a fair quantum of new investment in 2015. Companies which have established their new plants or announced new investments in Penang during 2015 include :

Company Name	Industrial Park	Involve In	Investment Capital
Pensonic Holdings Bhd[2]	Bukit Minyak Industrial Park	Electrical & Electronic	RM50 mil
JA Solar[1]	Bayan Lepas Industrial Park	Solar panel	RM300 mil
JinkoSolar[1]	Perai Industrial Park	Solar panel	RM360 mil
Paramit Corporation[1]	Penang Science Park	Medical device	RM60 mil
Avago Technologies (Malaysia)[2]	Bayan Lepas Industrial Park	Electrical & Electronic	RM86 mil
Jabil Circuit Inc[2,4]	Batu Kawan Industrial Park	Global Service Provider	RM1,000 mil
Toshiba Medical Systems Manufacturing Asia[3]	Bayan Lepas Industrial Park	Medical device	RM50 mil

Source: WTW Research

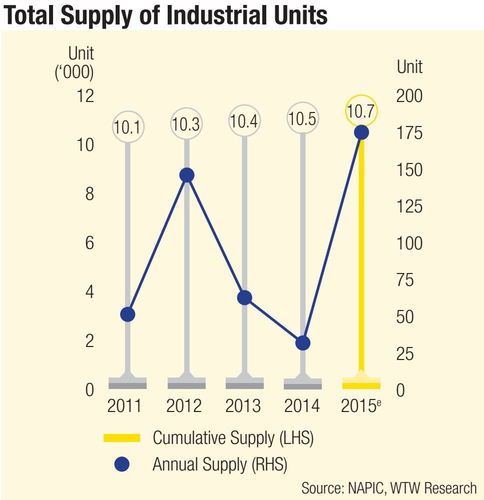
NOTE
[1]: New facility in Penang
[2]: Expansion of existing facility
[3]: In Operation
[4]: Investment Capital will be over a course of 5 years

The short term outlook for the Penang industrial market is expected to be cautious in 2016, as companies are expected to closely evaluate the market demand for their products as well as their production capacity before any reinvestment. For the companies affected by the restructuring exercises, a certain duration is required for the outcome of the consolidation to be ascertained, before any further adjustment is made on human resource as well as capital investment. On the other hand, the long term outlook is expected to be encouraging especially for companies involving in the "smart" segment, as the State Government has been promoting industries such as medical devices, solar, LED and aerospace. These industries can capitalise on the spillover benefit of the strong presence of the electrical and electronic companies in Penang. In addition, the convergence of the manufacturing and services sectors is expected to enhance the potential of Penang to be a Global Business Services (GBS) hub.

Johor Bahru

The average transaction value in the sub-sale market was from RM300 to RM340 psf over the built-up area in 2015, which is 8% lower than last year due to lack of demand.

Total Supply of Industrial Units



Source: NAPIC, WTW Research

According to NAPIC, Johor Bahru's existing supply of industrial properties stood at 10,716 units as at 2015. Terraced factories continued to be the main development trend, comprising 57.2% of the total supply, followed by semi-detached of 24.8% and detached of 18%.

The supply will increase by about 2,298 units in the next 2 years, an increase of 21.4%. Several newly completed projects in 2015 include Tropika Industrial Park, offering 50 units of detached factories near Desa Cemerlang and SME City at Taman Indahpura, comprising 36 units of cluster, 34 units of semi-detached and 15 units of detached factories.

The average transaction value in the sub-sale market was from RM300 to RM340 psf over the built-up area in 2015, which is 8% lower than last year. In addition, it is expected that the occupancy of industrial factories will decrease due to completion of more industrial units.

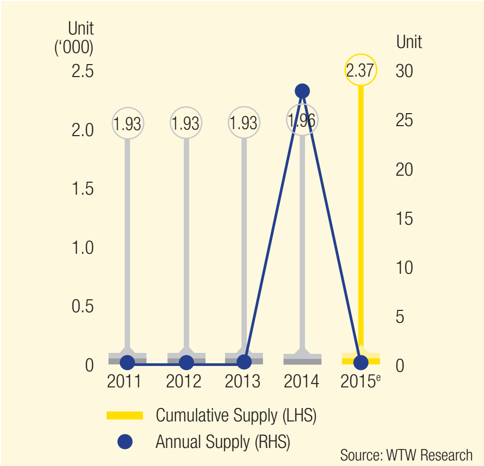
In new developments, semi-detached factories of Empire Park at Nusajaya was priced at RM330 psf (or RM2.7 million per unit) and it is around RM380 psf (or RM1.5 million per unit) for Business Park 3 at Masai. In Kulaijaya, IOI Properties Bhd introduced a similar product at RM260 psf (or RM3 million per unit).

MAIN MARKET

Kota Kinabalu

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.

Total Supply of Industrial Units



Existing developments in the industrial sector consists of mainly stand-alone, individually-designed detached factories / warehouse / showrooms or small-scale light industrial developments in the form of detached, semi-detached and / or terraced premises. Kota Kinabalu Industrial Park's Ready Built Factory (RBF) Phase 4 comprising 53 units of 2-storey terraced cluster, semi-detached and detached light industrial was completed in 2015. At the time of this report, RBF Phase 5 is in the planning stage. It is located in Industrial Zone 7 near to RBF 4 in the industrial park.

New industrial developments launched include Delta Riverside located off Jalan Tuaran Bypass in the vicinity of Neutron Riverside industrial park, with 16 units of 2-storey terraced, 26 units of 2-storey semi-detached and 6 units of 2-storey detached light industrial buildings with areas for factory, showroom and office. Inanam, Kolombong and Kota Kinabalu Industrial Park (KKIP) in the northern sector of Kota Kinabalu are the main industrial locations in Kota Kinabalu. 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.

Selected New Launches in the Sabah in 2015

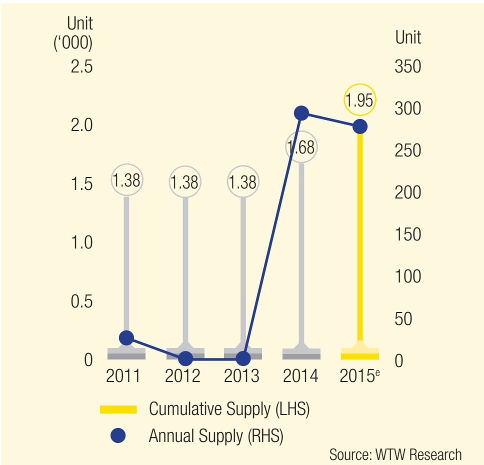
Name	Type	Land Area (sq ft)	Built-up Area (sq ft)	No. of units	Min. Selling Price (RM per unit)
Delta Riverside, Jalan Tuaran Bypass	2-T	5,425 - 9,803	4,185-4,330	16	2.54mil - 2.99mil
	2-SD	12,432 - 17,912	7,535-8,241	26	4.44mil - 5.48mil
	2-D	18,078 - 24,056	7,535	6	5.96mil - 6.45mil

Source: WTW Research

Kuching

The occupancy rates, take up rates and rentals for the industrial sector remained stable and expected to stay firm in 2016.

Total Supply of Industrial Units



There were no significant launches for the industrial sector in Kuching for 2015, with these new launches being piece-meal and part of a mixed commercial development such as the three units of 3-storey industrial buildings at Banquet Square and 11 units of double-storey buildings, which are more akin to commercial showroom types. The Regal Corporate Park which was launched last year and sited within Bandar Samariang along Jalan Sultan Tengah in Northern Kuching, is now under construction with completion of its 1st phase expected within the next 2 years.

It is noted that most of the industrial lands remained undeveloped, reflecting the slow rate of growth of the industrial sector in Kuching. Semi-detached light industrial buildings of around 2,000 sq ft remain the popular types, with most being used by SMEs for workshops and warehousing. There was also a slight increase in price of industrial units for 2015, with the latest launched units selling around RM1 million per unit, which is expected to stabilise in 2016. The occupancy rates, take up rates and rentals for the industrial sector remained stable and expected to stay firm in 2016.

SUB MARKET

West Malaysia

Northern Region

The industrial market in Alor Setar was stable over the last twelve months. There was no new launch of industrial projects announced as a number of existing industrial space remained vacant, reflecting a slow market.

However, there were a few foreign companies invested in manufacturing businesses in Kedah, primarily automotive investments in Gurun. Beijing Auto International Corporation (BAIC) from China joint ventured with a local company, Amber Dual Sdn Bhd to develop an electric vehicle manufacturing plant in Gurun, scheduled to be operational by end 2016. The second automotive investment was also in Gurun, which is by a China-based company, Go Automobile Manufacturing Sdn Bhd. The investments totalled RM250 million is allocated to construct the second manufacturing plant for manufacturing of energy efficient vehicles (EEVs) on a 5.2 ha of site.

The state government has also inked a memorandum of understanding (MoU) with Qingdao Lu Hai Feng Investment Co.Ltd to develop the Kedah Integrated Fisheries Terminal project with an initial investment of RM1 billion. German firm Osran has announced the EUR 1 billion (RM 4.66 billion) investment in Kulim Hi-Tech Park in November 2015, of which the semi-conductor production facility is slated for operation by end 2017. The market is expected to remain firm in 2016 and likely to improve should the government promote this segment accordingly.

In Ipoh, the industrial market was stagnant, transaction prices and rentals were stable over the years. There was no new launches in the market in 2015 however the state will be having a themed industrial estate, known as Ipoh Shoe City in the very near future. The Shoe City in Ipoh is a new concept which offers terraced and semi-detached factories within an industrial estate, hotel accommodation, shoe gallery, shoe museum, footwear academy restaurants and convention halls in the master plan.

IN A GLANCE	Alor Setar		Ipoh	
	2014	2015	2014	2015
Average Rental (RM psf)	0.60	0.80	0.80	1.00
Average Net Yield (%)	7.0	7.0	6.0	6.0

Source: WTW Research

East Coast Region

Industrial land of half an acre or less in preferred locations such as Semambu Industrial Estate and Bandar Indera Mahkota were highly sought-after, gradually pushing the price upward in 2015. Gebeng Industrial Estate is another industrial area preferred by manufacturers, and attracted investments of RM1.5 billion in 2015. The investment by BASF PETRONAS Chemicals is to develop a new facility to produce various aroma-related products widely used in households and the pharmaceutical industry. The complex will be constructed in phases with production from the first plant scheduled for 2018. The industrial market in Kuantan is expected to remain firm in 2016 with rental and investment returns likely to be stable.

The industrial market in Kota Bharu was stable and muted in 2015, with no new location/area zoned for industrial usages. At present, the notable industrial zones in Kelantan include Pengkalan Chepa Industrial Area, Kawasan Perindustrian MIEL Lundang, Kawasan Perindustrial Apam, Kawasan Perindustrial Gua Musang, Taman Krai Eco Park and Kampung Kemayan, Bachok. An existing Japanese firm has plans to expand the existing facility to a bigger floor space, which scheduled to be completed in 2016. A local enterprise, Heng Huat Resources Group Bhd has also invested RM35 million in Gua Musang for its biomass facility, scheduled for operation by 2Q2016. The performance of the industrial market in Kelantan is driven by the State Government.

SUB MARKET

West Malaysia

The industrial market in Terengganu was stable in 2015 but will see an upsurge in demand in 2016. The existing industrial zone will expand in the very near future as the State Government is currently planning to have a few locations such as Lembah Perasing, Kemaman and Hulu Terengganu gazetted as industrial zones. The existing supply of industrial units are in Kawasan Perindustrial Gong Badak, Kawasan Perindustrial Chendering, Kawasan Perindustrial Telok Kalong, Kawasan Perindustrial Jakar, Kawasan Perindustrian Petronas and Kawasan Perindustrial AMBS.

IN A GLANCE

	Kuantan		Kota Bahru		Kuala Terengganu	
	2014	2015	2014	2015	2014	2015
Average Rent (RM psf)	0.60	0.60	1.00 - 1.50	1.00 - 1.50	1.00 - 1.50	1.00 - 1.50
Average Net Yield (%)	4.0	4.0	5.0	5.0	5.0	5.0

Source: WTW Research

Southern Region

Seremban has benefitted from its strategic location and well-connected infrastructure. Industrial demand in Seremban was high and expected to maintain in 2016. In 2015, a French company invested in Sendayan Techvalley, namely Messier Bugatti Dowty. The company will be expanding its existing production line by developing a new plant covering 108,000 sq ft that will complement the two existing carbon disk facilities in France and one in the United States. The plant is expected to be fully operational by 2017, which will generate more job opportunities, benefitting the locals.

Industrial developments in Malacca were mainly focused along the highway, i.e. Sungai Udang – Paya Rumput – Ayer Keroh Highway (SPA) and Alor Gajah – Melaka – Jasin Highway (AMJ). A number of ongoing industrial projects are located along SPA and AMJ stretch, also including Tanjung Minyak, Krubong and MITC will have some industrial units completed in the next couple of years. Similarly, government intervention has been a key factor to the market performance of industrial sector in Malacca. To date, industrial areas in Malacca are group accordingly to the type of industrial acitivities of which light industrial activities can be found in Alor Gajah, Tanjung Minyak, Jasin and Merlimau whilst heavy industrial activities are in Bukit Rambai. Logistic and warehousing-related companies are mostly in Krubong where Autocity MITC is for automotive-related industries.

The Malacca State Government and Guangdong, China signed a memorandum of understanding on 21 September 2015 to construct a Maritime Industrial Park, the Guangdong-Malacca Industrial Estate (for the manufacture of electrical consumer goods), a deep-sea port in Malacca and construction/provision of land-use areas for purposes of trade and commerce. As a result of the MoU, the Federal Government has considered to extend Batu Berendam Airport runway in Budget 2016, with the aim to attract more investors to invest in the Malacca industrial sector.

In Batu Pahat, the industrial sector is fairly active with relatively stable rental and pricing. No sizeable industrial scheme has been launched in the year under review.

IN A GLANCE

	Seremban		Melaka		Batu Pahat	
	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	1.00 - 1.50	1.00 - 1.50	1.20	1.50	0.30 - 0.50	0.30 - 0.50
Average Net Yield (%)	4.5 - 5.5	4.5 - 5.5	6.0	5.7	6.5	6.5

Source: WTW Research

SUB MARKET

East Malaysia

Labuan

Industrial activities in Labuan has softened in 2015 with the slump of crude oil prices since end 2014 but it is expected that the sector will stabilize in the short run. There was no new supply planned in Labuan for year 2015, while the existing industrial units are likely to take another two to three years to be fully absorbed in the market.

IN A GLANCE	Labuan	
	2014	2015
Average Price (RM psf)	2.00 - 2.50	2.00 - 2.50
Average Net Yield (%)	N.A.	N.A.

Source: WTW Research

Sabah

In Sandakan, the industrial market was stable. A total of 71 units of industrial buildings under the Sandakan Sibuga Industrial Centre (SSIC) scheme are expected to be completed by end 2015 whilst some 60 units under the Majulah Industrial Centre in Sandakan are currently under construction, expected to be completed in the next couple of years.

Tawau's industrial market has been quiet in 2015 with no new industrial launches recorded. Most of the industrial properties are occupied by light engineering works, warehouse, and soft manufacturing of the local SMEs and were mostly designated to meet domestic demand. The focus of industrial development are on light industrial units comprising mostly 1 ½ storey and semi-detached industrial buildings, priced from RM600,000 to RM800,000 and from RM950,000 to RM 1,200,000 respectively.

In Sandakan, Tanah Emas Palm Oil Mill together with 10 oil palm estates transacted at RM655 million.

SUB MARKET

East Malaysia

Industrial activities in Lahad Datu relied heavily on palm oil of which POIC Lahad Datu supplied the bulk of industrial land for palm oil industrial activities. The utilization of these lands was considered promising with a few oil palm industrial complexes in the pipeline in 2015. These complexes are mainly for the production of fertilizer, palm-oil by-product and biomass processing. Industrial properties of workshops and warehousing were also developed in small scale in Lahad Datu. With the palm oil industry being the key factor in determining demand, the fluctuation of crude palm oil prices will impact the market. The industrial market has been stable in 2015 with no changes but the market may be affected by the volatility of the commodity market in the short run.

Industrial activities in Keningau slowed down in general but the existing and upcoming supply is expected to sustain the market in the short run despite no new launches/developments.

IN A GLANCE	Tawau		Keningau		Lahad Datu	
	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	1.00 - 1.50	1.00 - 1.50	2.00 - 2.50	2.00 - 2.50	2.00	2.00
Average Net Yield (%)	4.5	4.5	N.A.	N.A.	5.0	5.0

Source: WTW Research

Sarawak

As the previous year, there was no significant industrial project launched in 2015 in Sibu. The Industrial sector remained lack-lustre but may declining in 2016. Market rent and investment returns of industrial properties are likely to stagnate.

Industrial activities in Miri has taken a dip and the trend will last till 2016. The past few years had less new launches and slower rate of completion for on-going projects . No new industrial launches in Miri in 2015 but there are over 200 units of industrial buildings under construction at present.

Likewise in Bintulu, the industrial market has slowed down in 2015 and there were no new launches. Industrial activities has been muted with only about 155 industrial units completed between year 2008 to 2015. There was an investment of a chemical factory from South Korea into Bintulu in 2015. Hu-Chems Fine Chemicals Corp invested US$1 bil (RM3.8bil) will be having it very first overseas plant set up in Bintulu to increase its current production line.

IN A GLANCE	Sibu		Miri		Bintulu	
	2014	2015	2014	2015	2014	2015
Average Rental (RM psf)	1.00 - 1.30	1.00 - 1.40	1.20	1.20	1.70	1.70
Average Net Yield (%)	4.5	4.5	3.8	3.5	5.0	4.8

Source: WTWY Research

GLOSSARY / ABBREVIATION

A	- Apartment	LB	- Link Bungalow
AOR	- Average Occupancy Rate	LHS	- Left Hand Side
ARR	- Average Room Rate	LRT	- Light Rail Transit
BNM	- Bank Negara Malaysia	MNC	- Multi-National Companies
BRT	- Bus Rapid Transit	NAPIC	- National Property Information Centre
C	- Condominium	NLA	- Net Lettable Area
CBD	- Central Business District	pmt	- per metric tonne
CCC	- Certificate of Completion & Compliance	psf	- per square foot
D	- Detached House	RHS	- Right Hand Side
EDTP	- Electrified Double Railway Track Project	SA	- Serviced Apartment
FDI	- Foreign Direct Investment	SD	- Semi-Detached House
GDP	- Gross Domestic Product	SOHO	- Shopoffice Home Office
GFA	- Gross Floor Area	SOVO	- Shopoffice Versatile Office
IRDA	- Iskandar Regional Development Authority	SR	- Serviced Residence
JPPH	- Jabatan Penilaian dan Perkhidmatan Harta	TH	- Terraced House
KVMRT	- Klang Valley Mass Rapid Transit		

SIGNIFICANT TRANSACTIONS IN 2015

Name of Development/ Location	Description	Vendor	Purchaser	Transacted Price (RM)
KLANG VALLEY				
Tropicana City Mall & Office	Office & Retail	Tropicana City Sdn Bhd	Capitamalls Malaysia Trust	540,000,000.00
The Intermark Mall	Retail	The Intermark Sdn Bhd	Pavilion REIT	160,000,000.00
Nu Sentral	Retail	Malaysian Resources Corporation Bhd (MRCB)	Pelaburan Hartanah Bhd	119,776,000.00
Integra Tower	Office (Grade A)	Blackrock Inc	Kumpulan Wang Persaraan (KWAP)	1,065,000,000.00
Menara Raja Laut	Office (Grade B)	Hong Leong Bank Bhd	Hong Leong Assurance Bhd	220,000,000.00
Wisma AmanahRaya	Office (Grade C)	Amanahraya Real Estate Investment Trust	Annex Sentral Sdn Bhd (subsidiary of Amanahraya Bhd)	78,000,000.00
Double Tree Hotel	Hotel	Blackrock Inc	Asok Kumar Hirandani of the Royal Group	388,000,000.00
Hicom Shah Alam	Industrial	Johnson Controls Automotive Holding (M) Sdn Bhd	FM Global Logistics (M) Sdn Bhd	50,000,000.00
Jalan Ampang	Development Land	French Embassy	Putrajaya Ventures Sdn Bhd	834,261,120.00
Imbi	Development Land	Elite Starhill Sdn Bhd	Debao Property Development (HK) Ltd	388,000,000.00
Salak Perdana, Sepang	Development Land	NCT United Development Sdn Bhd	Paramount Corporation Bhd	227,380,000.00
Bandar Bukit Beruntung	Development Land	Europlus Corporation Sdn Bhd	Metro Ingenious Sdn Bhd	106,860,000.00
Jalan Tun Razak	Development Land	Bandar Park Sdn. Bhd	Ibraco Bhd	55,000,000.00
Jalan Kia Peng	Development Land	German Embassy Land	Legasi Azam Sdn Bhd (subsidiary of MRCB)	259,155,700.00
Serdang	Development Land	SM Fortuneville Sdn Bhd	Hayat Abadi Sdn Bhd	80,000,000.00
IRDK Residences	Development Land	IRDK Ventures Sdn Bhd	Matrix Concepts Sdn Bhd	95,000,000.00
Kelana Jaya	Development Land	Kelana Resorts Sdn Bhd (KRSB)	Sunway Dimension Stones Sdn Bhd (subsidiary of Sunway Bhd)	282,636,020.00
Tun Razak Exchange	Commercial Land	1MDB Real Estate Sdn Bhd	Affin Bank Bhd	255,000,000.00
Ijok	Development Land	Mujur Zaman Sdn Bhd	OSK Trustee Bhd	73,000,000
Gombak	Development Land	Harta Villa Sdn Bhd	Ecofirst Consolidated Bhd	61,859,166.00
Segambut	Development Land	Genting Highland Tour and Promotion Sdn Bhd	Esprit Icon Sdn Bhd	65,759,360.00
Sepang	Agricultural Land	Vintage Height Sdn Bhd	Putrajaya Properties Sdn Bhd	474,992,765.00
Tun Razak Exchange	Development Land	1MDB Real Estate Sdn Bhd	WCT Precious Development Sdn Bhd	223,000,000.00
Jalan Changkat Kia Peng	Development Land	Sabna Development Sdn Bhd (Subsidiary of Guocoland Bhd)	Kumpulan Wang Persaraan (KWAP)	87,915,229.00
Johor Bahru				
Tebrau Waterfront City	Commercial Land	Tebrau Bay Sdn Bhd	Greenland Tebrau Sdn Bhd	2,373,080,000.00
Pulai	Residential Land	Iskandar Waterfront City Bhd	Bayou Management Sdn Bhd	156,000,000.00
Imperia Building	Office & Retail	UEM Land Bhd	UEM Group Bhd	137,800,000.00
Senai Airport City	Industrial Land	MMC Corp Bhd	IPark Development Sdn Bhd	369,974,029.00
ALOR SETAR				
Sungai Petani	Agricultural land	Lee Boon Chin & 10 others	OIB Properties (K) Sdn Bhd	19,268,000.00

SIGNIFICANT TRANSACTIONS IN 2015

Name of Development/ Location	Description	Vendor	Purchaser	Transacted Price (RM)
PAHANG				
Off Jalan Bentong - Raub	Development land	Kam Woon Wah Realty Sdn Bhd	Tunas Manja Development & Construction Sdn Bhd	21,800,000.00
Off Jalan Pekan – Kuala Pahang	Development land	Kota Indrapura Development Corporation Berhad	Tunas Capital Sdn Bhd	49,730,122.00
Persiaran Sultan Ahmad Shah	Commercial land	Far East Holdings Berhad	TMG Develoment Sdn Bhd	16,900,000.00
MCKIP, Gebeng, Kuantan	Industrial land	Perbadanan Setiausaha Kerajaan Pahang	Alliance Steel (m) Sdn Bhd	123,710,400.00
Kawasan Perindustrian Semambu	Detached factory	Mieco Manufacturing Sdn Bhd	Micro Estate Sdn Bhd	23,000,000.00
NEGERI SEMBILAN				
Sendayan Techvalley	Industrial Land	Menteri Besar Negei Sembilan	Daihatsu Engine Manufacturing Malaysia Sdn Bhd	40,000,000.00
Sendayan Techvalley	Industrial Land	Menteri Besar Negei Sembilan	Shimadzu Manufacturing Asia Sdn Bhd	20,765,583.00
MALACCA				
Bachang	Development Land	Pertam	Sekitar Sinarmas Sdn Bhd	15,123,750.00
BATU PAHAT				
Taman Banang Jaya, Jalan Tanjong	Development land	Indah Corp Bhd	KSL Holdings Bhd	90,600,000.00
SABAH				
Tingkayu	Oil Palm Plantation	Subhana Plantation	Aumkar Plantation	30,000,000.00
Off Km 102-107, Sandakan-Kota Kinabalu	Agricultural Land	Golden Land Berhad and its subsidiary companies	Pontian United Plantation	655,000,000.00
SARAWAK				
Tisak, Skrang, Sri Aman, Sarawak	Oil Palm Plantation	Tranvale Plantation Sdn Bhd	TH Estates (Holdings) Sdn Bhd	506,854,000.00
6-storey hotel in Assyakirin Commerce Square, Bintulu, Sarawak	Hotel	Bintulu Hotel Group Sdn Bhd	Bintulu 101 Travel Lodge Sdn Bhd	17,000,000.00

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Published by
C H Williams Talhar & Wong Sdn Bhd (18149-U)
Kuala Lumpur, Malaysia.
December 2015

Additional copies may be downloaded from our website **www.wtw.com.my**

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KDN No. PP9013/07/2012 (030726)