

CBRE | WTW RESEARCH

ASIA PACIFIC REAL ESTATE MARKET OUTLOOK

Malaysia

CBRE | WTW



FORMATION

CBRE | WTW entered into an agreement in May 2016 to form a Joint Venture to provide a deep, broad service offering for the clients of both firms. This combines Malaysia's largest real estate services provider, WTW's local expertise and in-depth relationships in Malaysia with CBRE's global reach and broad array of market leading services.

The union of CBRE and WTW is particularly significant because of our shared history. In the 1970s, CBRE acquired businesses from WTW in Singapore and Hong Kong, which remain an integral part of CBRE's Asian operations.

The wider WTW Group comprises a number of subsidiaries and associated offices located in East Malaysia including:

C H Williams Talhar Wong & Yeo Sdn Bhd (1975)

C H Williams Talhar & Wong (Sabah) Sdn Bhd (1977)

C H Williams Talhar & Wong (Brunei) Sdn Bhd

ABOUT WTW

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. C H Williams & Company merged in 1974 with Talhar & Company founded by Mohd Talhar Abdul Rahman and the inclusion of Wong Choon Kee to form C H Williams Talhar & Wong (WTW).

In 1975 C H Williams Talhar Wong & Yeo (WTWY) was established in Sarawak.

C H Williams Talhar & Wong (Sabah) WTWS was established in 1977.

The current management is headed by Group Chairman, Mohd Talhar Abdul Rahman.

ABOUT CBRE GROUP, INC.

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2014 revenue). The Company has more than 70,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 400 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

The current Managing Directors of the WTW Group operations are:

CBRE | WTW

Mr Foo Gee Jen

C H Williams Talhar & Wong (Sabah) Sdn Bhd

Mr Leong Shin Yau

C H Williams Talhar Wong & Yeo Sdn Bhd

Mr Robert Ting Kang Sung

TABLE OF CONTENTS



MESSAGE FROM MANAGING DIRECTOR



MALAYSIA IN 2016

- 1 Economic Overview
- 2 Policy Overview
- 3 Infrastructure Overview
- 6 Property Overview



SECTOR REPORT

- 13 Landed Residential Sector
- 24 CBRE | WTW Malaysia House Price Indicator Map
- 26 High-Rise Residential Sector
- 37 Purpose Built Office / Shopoffice Sector
- 48 Retail Sector
- 56 Hotel Sector
- 64 Industrial Sector



FEATURE ARTICLES

- 72 It's all about P.L.A.C.E Making
- 84 The Property Market Impacts of the UK Referendum 'Leave' Vote



GLOSSARY / ABBREVIATION

92



SIGNIFICANT TRANSACTIONS

93



BRANCH NETWORK

95

“ MESSAGE FROM MANAGING DIRECTOR

... market conditions have become much more challenging in 2016 and 2017

2016 was indeed a historic milestone for us as WTW formed a joint venture with CBRE to combine our more than 50 years of expertise and in-depth relationships in Malaysia with CBRE's global reach. Under the new co-branding of CBRE | WTW, we look forward to providing our clients with a wider range of professional services, geographically as well as scope of products. With CBRE as a strategic partner, we have confidence that we can help our clients expand their activities beyond our shores and more fruitfully, can help bring greater meaningful in-bound investments into the Malaysian real estate market.

The growing consensus among the practitioners on the ground in all our branches throughout Malaysia is that market conditions have become much more challenging in 2016 and 2017 will not get any better. Latest statistics as of 3Q2016 by National Property Information Centre (NAPIC) recorded drop, ranging from 7% and 29% yoy in transaction volumes and values in the residential, commercial and industrial sectors. This sliding trend recorded since 2014 is not unexpected against a backdrop of falling crude oil and commodity prices and weakened Malaysian Ringgit.

Transaction activity is down in many urban centres, especially in the residential sector. This is the common barometer used to gauge the overall property market. Market prices tend to be more resilient but there are growing expectations that prices will drop further in 2017. Vacancy rates are also rising. The inability of the emerging young working population to purchase homes due to the rate of house price increase is probably the single most pressing matter facing the country.

Sarawak and Penang are mulling over the possibility of increasing permitted housing densities. Many more states may follow suit in the years ahead. This is a means to increase "land supply" at no extra cost. If we take a step further to allocate all of this "free land" for the development of affordable homes, this could be a solution to increase affordable housing supply (the remaining development components can still target the higher margin / conventional housing products).

More affordable housing availability may only be possible around the city fringe. Many existing projects have been implemented without proper consideration and planning of the requirements of potential home owners for convenient, speedy public transport to their work place and as a result, many of these developments experience below expectation. The design, planning and provision of new bus routes or services must become an integral part of a township development.

The current blight of strata developments is the large number of defaults on service charge payments. As a result, many mid-priced condominiums eventually fall into disrepair and poor maintenance. Instead of all funds being allocated for new developments or refurbishments, some funds could be set aside to educate the average Malaysian high-rise resident on the role of services charges in maintaining and preserving the value of his home and investment. Over time service charges can become an accepted norm by home owners.

On the brighter note, as in the past year the conjunctive effort to re-focus on and rationalize the mass rapid transportation system in Kuala Lumpur in the form of LRT & MRT had helped buttress the growing sense of confidence in the effort to take KL into the top league of world liveable cities by 2020.

“ MESSAGE FROM MANAGING DIRECTOR

In a similar vein, the proposed HSR (KL-Singapore), East Coast Rail (KL-Tumpat), MRT 2 & 3, Gemas-JB rail, Singapore MTR (extension to JB), Seremban-PD rail and Pan Borneo Highway will surely open up opportunities for new growth centres and spur economy activities along their path.

Overall, our take on the property market for 2017 will be another flattish period pulled down mostly by low commodities prices, continued slow economic growth in most of the major countries and political uncertainties due to Brexit, Trump's Presidency in USA and a couple of general election /referendums in Europe. Moving forward, it is advisable to reduce portfolios of non-strategic assets, reducing leverage and being aware of liquidity needs if and when credit tightens.

In the short-term, investors and developers should focus on taking calculated risk where markets are strong, pursuing development in strong, supply-constrained markets and "bidding on strategic long-hold assets that are most likely to be able to withstand a downturn".



Sr FOO GEE JEN

MANAGING DIRECTOR
CBRE | WTW



NOTABLE AGENCY DEALS CONCLUDED BY CBRE | WTW IN 2016

FREEHOLD LAND
SALE BY TENDER
SEBERANG PERAI UTARA, PENANG

Sale Price : RM620million
Land Area: 1,675 acres (approx)
Date of completion : Expected by 3Q 2017



PURCHASER'S REPRESENTATIVE FOR THE
PURCHASE OF 8 PARCELS OF FREEHOLD
INDUSTRIAL LAND
KAWASAN PERINDUSTRIAN SILC,
ISKANDAR PUTERI, JOHOR

Land Area: 25 acres (approx)
Date of completion : End 2016



COMMERCIAL BUILDING
SALE BY EXPRESSION OF INTEREST
ENTERPRISE BUILDING 2, TECHNOKRAT 5,
CYBERJAYA

Sale Price : RM40million
Land Area: 2 acres (approx)
Built-up Area : 75,014 sf (approx)
Date of completion : End 2016



DETACHED FACTORY
SALE BY EXPRESSION OF INTEREST
SG PENAGA INDUSTRIAL AREA,
SUBANG JAYA

Sale Price : RM50million
Land Area: 7 acres (approx)
Built-up Area : 114,000sf (approx)
Date of completion : May 2016



DETACHED FACTORY
SALE BY EXPRESSION OF INTEREST
KAWASAN PERINDUSTRIAN SILC, ISKANDAR
PUTERI, JOHOR

Sale Price : RM24million
Land Area: 3 acres (approx)
Built-up Area : 95,577 sf (approx)
Date of completion : May 2016





Economic Overview

Political upheavals such as Brexit has generated more uncertainties in the global stage while domestic headwinds will continue to weigh on Malaysia's economic growth, we expect accommodative monetary and fiscal policies to lend some support to the economy with real GDP growth for 2016 is forecasted to come in at 4.3%.

Malaysia's exports growth has also moderated as China, which has become a major source of export demand, slows down in economic growth. The US which is Malaysia's second major source of export demand also continues to struggle with the health of its economy: improvements in employment have been counter-balanced by deterioration in production, inventory ratios and loan delinquencies.

As of 3Q2016, total trade were recorded at RM1.20 trillion with both Gross Exports and Gross Imports down by 0.6% and 0.1% yoy at RM637.6 billion and RM568.03 billion respectively.

Albeit slower trend were observed during 3Q2016, in October, Gross Exports was up by 1.7% mom at RM69.2 billion probably driven by the weakened Malaysian Ringgit where Gross Imports down by 1.7% mom at RM59.4 billion. With the continuous support from the manufacturing and commodities sector, total trade in 2016 is estimated to reach RM1.5 trillion of which gross exports may be RM770 billion.

The manufacturing sector expanded 4.2% qoq at 3Q2016 with 553 domestic and foreign investments were approved as of 3Q2016 as reported by the Malaysian Investment Development Authority (MIDA). The total approved foreign investment was more than RM19 billion as of 3Q2016, an increase by 12.8% compared with the same period last year. In addition, approved domestic investments totalled to more than RM21 billion.

The relatively successful implementation of GST in April 2015 and ongoing efforts to strengthen the revenue collection system bode well for Malaysia's fiscal position even as petroleum revenues continue to fall. Malaysia's GDP in Q3 2016 regained its momentum registered at 4.3% with Services sector picking up with real GDP growth registered at 6.1%, 1.7% increase when comparing to the same period last year.

The deceleration noted from other sectors was within expectations as net exports and the agricultural sector continued to drag on growth in 3Q.

Private consumption growth accelerated from 5.4% in 1Q2016 to 6.5% in 3Q2016, mainly driven by spending on food and beverages, transportation and communication. Government consumption, on the other hand, grew by 3.6% yoy as of 3Q2016, owing largely to continued spending on infrastructure.

Domestic demand remained resilient, driven by broad-based improvements in both public and private consumption. Likewise, whilst slower trend observed across 3Q2016, industrial production registered a sharp improvement of 5.3% in June, growing at the fastest rate since July 2015.

The Malaysian ringgit has traded within a tight range over the past few months, and will remain range bound averaging MYR4.468/USD, amid continued uncertainty in global financial markets. Though sign of recovering in crude oil prices in 4Q2016 trading at about USD45 – 49 per barrel, the still low crude oil prices may continue to discourage resumption of oil rig operations in Malaysia and may lead to further closures.

Moving forward, the long-going concern on the overall weak Ringgit, low crude oil and commodity prices coupled with geo-political issues worldwide will continue to plague the economy in 2017. Whilst 2017 will continue to be a challenging year, Malaysia's economy in 2017 will remain stable with GDP growth forecasted between 4.5% and 5.0%. Market sentiment, on the other hand, though impacted by the uncertainties of the economy, is expected to remain resilient.

Malaysia GDP Growth 2015/2016

1Q 2015	5.6%	1Q 2016	4.2%
2Q 2015	4.9%	2Q 2016	4.0%
3Q 2015	4.7%	3Q 2016	4.3%
4Q 2015	4.5%	4Q 2016	-
2015	5.0%	2016 ^p	4.3%

Source: Bank Negara Malaysia (BNM), World Bank

**Policy
Overview**

Policy	Details
Overnight Policy Rate	As of July 13, 2016, the Overnight Policy Rate (OPR) was reduced to 3.00 percent.
Lending guidelines	On September 20, 2016, Bank Negara Malaysia re-affirmed that the maximum housing loan tenure of 35 years is more than sufficient for borrowers to settle their housing loans by their retirement age.
MyDeposit Programme	Effective April 8, 2016, the PM announced that households with income of below RM10,000 per month seeking to buy houses priced at RM500,000 or less will be entitled to apply for a government grant of either 10% of the cost of the property or a maximum RM30,000, whichever is lower
Exemption on Assessment Rate	Majlis Perbandaran Kajang (MPKj) on March 30, 2016 announced that, owners of low cost houses were given an exemption on paying assesment rate this year.
Freeze on Hotel Development in Kuala Lumpur	Effective March 1, 2016, DBKL implemented a freeze on approval of hotel developments in KL, applicable to all types of hotels.
100% Stamp Duty Exemption for first time home buyers	100% Stamp duty exemption will be provided on instruments of transfer and housing loan instruments, to help reduce the cost of first home ownership, compared to 50% at present. This will be limited to houses with the value up to RM300,000 for first home buyers only for the period between 1 January 2017 and 31 December 2018.
3% stamp duty on instruments of transfer of real estate worth more than RM1 million	The rate of stamp duty on instruments of transfer of real estate worth more than RM1 million, will be increased from 3% to 4% effective 1 January 2018.
Increase in Development Density Sarawak	The Sarawak Planning Authority (SPA) is to increase Sarawak's development density from 8 to 10 units per acre for landed housing and from 24 to 30 units per acre for stratified housing to encourage more affordable housing to be built.
Tourism Service Fee	Effective September 16, 2016, the Ministry of Tourism has imposed a Tourism Services Fee between RM5 and RM30 per room per night sold in hotels or service apartments; RM30 in 5 star, RM20 in 4 star, RM10 in 3 star, RM5 for 1 to 2 star and Orchid. Melaka and Penang further imposed fees: Penang - RM3 per room per night for 4 and 5-star hotels - RM2 per room per night for 3-star hotels and below, including dormitories, budget hotels, hostels and guest houses. Melaka - RM2 heritage tax per room per night on all types of hotels. In July 2016, Langkawi Development Authority also started imposing a "tourism promotion fee" of RM1 per room per night for one- and two-star hotels, RM3 for three- and four-star hotels, RM5 for five-star hotels, RM7 for six-star ones, and RM9 for seven-star hotels. DBKL also proposes to introduce a charge for hotels, to be enforced in 2017.

Source: Press Releases, CBRE | WTW Research



Infrastructure Overview

Infrastructure jobs awarded as of September 2016 amounted to RM47.5 billion, exceeding the value of jobs given out in 2015 at RM26.9 billion. The pace of job awards has continued to roll, implying delivery commitment by the Government.

In June 2016, the LRT Lines 1 & 2 became fully operational while construction work on the MRT Sg Buloh – Kajang Line was on schedule for completion with Phase 1 (Sg Buloh - Semantan) is expected to operate by December.

Three additional public transport projects; MRT SSP Line, BRT Klang-KL and Gemas-JB Electrified Double Track Project were announced to commence in the second half of 2016. The big news of the year was the kick-off of the Singapore – KL High Speed Rail (HSR) with the signing of the MOU with the Singapore Land Transport Authority in June 2016. The joint government communique indicated that tender exercises will begin in 2017 with the target project completion by 2022.

The HSR will see more visitors between Kuala Lumpur and Singapore. To travel to Kuala Lumpur at equal to or lower cost than air travel may result in more tourists possibly on day trips out of Singapore and more expatriate professionals choosing to reside in KL instead of Singapore. The HSR passenger volume has been targeted at 49,000 passengers daily or 17.9 million per year.

The six (6) intermediate stations have been identified - Putrajaya, Seremban, Ayer Keroh, Muar, Baru Pahat and Iskandar Puteri.

The Government in Budget 2017 also announced the implementation of the new East Coast Rail Line project connecting Klang Valley to the East Coast, in phases. The 600-km rail will connect townships such as Port Klang, ITT Gombak, Bentong, Mentakab, Kuantan, Kemaman, Keroh, Kuala Terengganu, Kota Bharu and ends in Tumpat, with an estimated cost of RM55 billion.

For the Johor Bahru – Padang Besar ETS, 10 more new train sets will be purchased up to 2019, with an overall allocation of RM1.1 billion.

NAME OF PROJECT	CONNECTIVITY	Est Project Cost (RM billion)	STATUS (AS AT DEC 2016)
RAIL			
LRT Line 1 & 2 Extension	Subang Jaya - Puchong		Full service was implemented in June 2016
KVMRT SBK Line	Sungai Buloh - Kajang	22	Construction is on schedule for completion with Phase 1 (SB-Semantan) expected to operate by December
KVMRT SSP Line	Sungai Buloh – Serdang - Putrajaya	32	Construction works scheduled to commence in 2Q 2016.
BRT KL-Klang	Central Market, KL - Klang	1.5	The Federal Government announced that construction is planned to commence in 3Q2016.
East Coast Rail (ECR)	Port Klang – Tumpat, Kelantan	55.0	Project will involve a 600 KM line.
Electrified Double Track Project	Gemas – Johor Bahru	7.13	Government announced project to commence at end 2016
High Speed Rail (HSR)	Bandar Malaysia, KL – Jurong East, Singapore	60.0	MOU signed with Singapore land Transport Authority in Jul 2016. Tender exercise to begin in 2017. Planned completion date: 2022
HIGHWAYS			
Sungai Besi - Ulu Kelang Expressway (Suke)	Sg Besi – Ulu Kelang	9.87	Project to commence in 2017 and expected to be completed by 2019
Damansara - Shah Alam Highway (DASH)	Sg Penchala – Shah Alam		Project to commence in 2017
Mex Highway Extension		1.20	Project to commence in 2017
DUKE Phase 2 & 3		4.94	Phase 2 to commenced at end 2016 and Phase 3 to completion by 2020

Source: Press Releases, CBRE | WTW Research

Infrastructure Overview

In Penang, the detailed proposal of the Penang Transport Master Plan (PTMP) was unveiled by the Penang State Government and SRS Consortium Sdn Bhd (Project Delivery Partner - PDP), in seeking the feedback from the public. PTMP encompasses a holistic and integrated public transport system as follows :

- (A) Public Transport Network (by SRS Consortium)
 - Bayan Lepas LRT
 - Ayer Itam Monorail
 - Tanjung Tokong Monorail
 - Raja Uda – Sungai Nyiur – Bukit Mertajam – Permatang Tinggi Monorail with extension of Bus Rapid Transit northwards to Kepala Batas
 - Tram
- (B) Bus Rapid Transit (by SRS Consortium)
 - Permatang Tinggi – Batu Kawan line extension northwards to Bukit Tengah / Seberang Jaya extension southwards to Nibong Tebal
- (C) Sky Cab (by MRCB)

Penang Transport Master Plan - Proposed Transport Network



Source: Penang Transport Master Plan (PTMP)

Infrastructure Overview

Penang Transport Master Plan - Proposed Road Network



Source: Penang Transport Master Plan (PTMP)

- (D) Highways (by SRS Consortium)
 - Pan Island Link 1
 - Pan Island Link 2 & 2A
- (E) Roads (by SRS Consortium)
 - North Coast Pair Road
- (F) Interchange (by SRS Consortium)
 - Butterworth – Kulim Expressway Interchange
 - Juru Interchange
- (G) Missing Links And Road Upgrading (by SRS Consortium)
 - Permatang Pagar – Perda
 - Bukit Minyak
- (H) Penang Undersea Tunnel (by Zenith-BUGG Consortium – SPV)
 - Phases 1a, 1b, 2 and 3

Moving into 2017, there are still the remaining packages of the KVMRT 2, estimated to be valued at over RM5 billion, the Pan Borneo Sarawak Highway at about RM11 billion, the West Coast Expressway at about RM2 billion, as well as the KVLRT 3 at RM9 billion. Beyond 2017, the Kuala Lumpur-Singapore High Speed Rail, estimated to cost RM60 billion, would be the single largest infrastructure project.

Property Overview

As of 3Q2016, the property market dipped further. Transactions activity dropped 12.0% to 239,798 transactions (272,550 transactions as of 3Q2015) and 16.5% to RM95.34 billion (RM114.12 billion as of 3Q2015). Agricultural land remained as the second most active after residential properties with 52,337 deals worth RM9.41 billion. Third was the commercial sector with 17,453 transactions followed by development lands (14,255 transactions). Selanogr was the most active with 46,805 properties worth RM27.95 billion followed by Johor (29,520 deals worth RM14.78 billion). NAPIC also reported as at 3Q2016, that 57% of residential property transactions were priced below RM250,000 while 43% were transactions between RM250,001 and RM1 million.

The Table below summarises the recent past and future market outlook by major property sub-sectors and regional areas. This should be read with caution as the property market is characteristically fractured and fragmented, with niche markets often moving contrary to the primary market direction.

2016 - 2017 MARKET DIRECTION																
	All Sectors		L.Residential		HR Resi		PBOffice		Shop Office		Retail		Industrial		Hotel	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
MAIN MARKET																
K.Valley	▶	▶	▶	▶	▶	▶	▶	▶	N.A.	N.A.	▶	▶	▶	▶	▶	▶
Penang																
Penang Island	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Iskandar M'sia	▼	▶	▼	▶	▼	▼	▲	▶	▶	▶	▶	▶	▼	▶	▶	▶
Kota Kinabalu	▶	▶	▼	▼	▼	▼	▶	▶	▼	▼	▶	▼	▶	▶	▶	▶
Kuching	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▼	▼	▶	▶	▶	▶
REGIONAL																
WEST MALAYSIA																
Northern Region																
Alor Setar	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
East Coast Region																
Kuantan	▼	▶	▼	▶	▼	▶	▶	▶	▼	▶	▼	▼	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Southern Region																
Seremban	▼	▶	▼	▶	▼	▶	▼	▼	▼	▶	▼	▶	▼	▶	N.A.	N.A.
Malacca	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
EAST MALAYSIA																
Sabah																
Sandakan	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	N.A.	N.A.	▶	▶	N.A.	N.A.
Tawau	▼	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▼	▶	▶	▶	▶
L.Datu	▼	▼	▼	▼	N.A.	N.A.	N.A.	N.A.	▼	▼	▼	▼	▼	▼	▼	▼
Keningau	▼	▼	▼	▼	N.A.	N.A.	N.A.	N.A.	▶	▶	▶	▶	▶	▼	▶	▶
Labuan	▶	▼	▶	▶	▶	▼	N.A.	N.A.	▶	▶	▶	▶	▼	▼	▼	▼
Sarawak																
Sibu	▼	▼	▼	▼	▶	▶	N.A.	N.A.	▶	▼	N.A.	N.A.	▶	▶	▲	▶
Miri	▼	▼	▶	▼	▼	▼	▼	▼	▶	▼	▶	▼	▶	▼	▶	▶
Bintulu	▶	▼	▶	▼	▶	▶	▼	▼	▶	▼	▶	▼	▶	▶	▶	▶

Property Overview

The subdued property market performance in 2016 showed no signs of improvement in 2017.

Klang Valley

The subdued property market performance in 2016 showed no signs of improvement in 2017. As new supply of offices, retail, hotels and condominiums are nearing completion in significant quantities in the next 6 – 12 months; juxtaposed against the continued slowdown in economic growth, concerns of a large market over-supply situation in many sectors remains unabated.

The purpose-built office sector continued to be soft as office space occupied by companies engaged in the oil and gas sector were further downsized / reduced as more oil drilling and production ceased operations.

Nevertheless, investors with projects commenced more than two years ago moved closer towards completion; 2.19 million sq ft entered supply in 1H2016, while no new supply is observed during 3Q2016, another 1.65 million sq ft is slated for completion by 4Q2016.

Likewise, 2.27 million sq ft of retail space was completed as at 3Q2016 with another 2.03 million sq ft scheduled for completion in 4Q2016. An estimated 16 million sq ft have been announced for development by 2019.

In the hotel sector, there were 8 new hotels adding 2,399 rooms to existing supply in 3Q2016, the most prominent opening being the St Regis Hotel. Five hotels with 1,294 rooms are currently under construction slated for completion by 4Q2016. By 2019, the KV market could include another 33 hotels and 9,642 rooms.

The sector, despite concern of oversupply, however, remains upbeat as travelling becomes more affordable and tourist arrivals gather momentum.

Eight luxury condominium projects amounting to 3,004 units were completed in 3Q2016 and by the end of the year, 527 new units will be added to existing supply, taking total supply to 38,064 units. In comparison, the landed residential sector was more subdued with about 6,777 new houses in 2016. Sales restrained by the limited supply of development land around the city and the sky-rocketing prices which have rendered them unaffordable to a large cross-section of the market. In 2017, the landed residential sector is expected to see price stability with minimal growth and more new developments in the affordable homes price range.

In the industrial sector, foreign investors' appetite for industrial projects in Malaysia remains keen which has fueled continued demand and development of industrial parks. While profit margins are thinner, more developers are realizing that industrial property demand is more stable, and consequent employment opportunities created by the industries, will spin-off into more housing and commercial property demand in the future.



IOI City Mall & Tower

Property Overview

In 2016, the overall property market activity continued on a downward trend since 2015.

Penang

The Penang property market in 2016 generally remained subdued. The overall market activity continued on a downtrend since 2015. According to the recent statistics released by the NAPIC, a total of 13,540 property transactions were registered in Penang State as of 3Q2016, a reduction of approximately 16.7% compared to 16,261 transactions registered in 3Q2015. The downtrend was prevalent for all major property sectors i.e. residential (-14.4%), commercial (-32.4%) and industrial (-43.0%). In terms of total value, the RM6.85 billion worth of properties recorded in 3Q 2016 was 22.2% lower than RM8.81 billion recorded in the corresponding period of 2015. Except the industrial property sector which showed an increase of 17.9% in 3Q2016, the value transacted declined for the residential (-12.5%) and commercial property sectors (-54.1%) compared to 3Q2015. Impacting the property market are factors including high rejection of property loan applications and macro-economic issues such as a smaller growth in income and rising living cost. Extending towards 4Q2016, the property market was not boosted by the announcement of Budget 2017. The business and consumer sentiments have also been dampened by the depreciating ringgit value against major currencies, after the election of the President of the United States in November 2016.

Notwithstanding the above, the property market slowdown was not applicable across the board. Certain segments of properties, particularly those landed and in prime locations, were still well sought-after by owner occupiers and long-term investors and have maintained or even appreciated marginally in value.

Acquisition of development lands by developers continued to be less pronounced since the past 2 years, Major events involving lands and property developments in 2016 are:

Month	Significant Events
January	LBR Industries Sdn Bhd (subsidiary of LBI Capital Bhd) disposed four parcels of 4.48 acres adjoining vacant development lands for RM50 million to Crimson Legend Sdn Bhd. These lands in Batu Ferringhi are designated for tourism and residential uses.
February	The State Government, has also made announcement on the proposed seafront public recreation area, known as "Gurney Wharf" or "Park On The Sea". This project will be created on a 24.28ha plot of reclaimed land in front of the present Gurney Drive comprises of four distinct features, i.e. a seaside food and beverage area, water gardens, as well as beach and coastal groves spanning some 1.5 kilometres of shoreline. Set for completion in 2020, the development will be in two phases, of which Phase 1 (Park Area excluding the seafront retail F&B) is slated for completion by mid-2018. The reclamation works has commenced.
June	In Batu Kawan, Ecoworld Bhd entered into a deed of revocation and rescission with the Penang Development Corporation (PDC) for the proposed Eco Marina Development. Same month, Ecoworld Bhd acquired another 300.07 acres from Batu Kawan Development Sdn Bhd (BKDSB) for RM731.99 million and another 74.49 acres from Penaga Pesona Sdn Bhd and BKDSB for RM143.25 million.
October	Encorp Bhd has proposed to dispose its freehold land in Batu Ferringhi of approximately 5.83 acres to subsidiary of Selangor Dredging Bhd for RM25 million.
November	A joint-venture agreement was inked between Tropical Island Resort Sdn Bhd (TIRSB) with Q Islands Development Sdn Bhd (subsidiary of Ideal Property Group) for the redevelopment of Jerejak Rainforest Resort and Spa into a world class island resort. The proposed redevelopment, spread over 80 acres of land will comprise 1,200 residential units, a marina, 4 and 5 star hotels, a theme park, and a 11.5-kilometre round island cycling track. A vehicle-free bridge is proposed to be built connecting Penang Island to Pulau Jerejak.
December	S P Setia Berhad, via its subsidiary, Setia Recreation Sdn Bhd entered into a Sale & Purchase Agreement with Boustead Plantations Berhad for the acquisition of freehold parcel of land measuring approximately 1,674.83 acres for RM620.12 million. The land forms part of Malakoff Estate and is within the Butterworth-Sungai Petani Growth Corridor.

With respect to rulings related to property, the Penang State Government has gazetted the George Town Special Area Plan (GTSAP) on 1st August 2016. The SAP is to guide and control development within the heritage zone, and also act as a conservation management plan for George Town World Heritage Site. George Town was inscribed as a World Heritage Site in 2008 by the World Heritage Committee and comprises a core zone (109.38 hectares, 2,569 buildings) and a buffer zone (150.04 hectares, 2,444 buildings).

Property Overview

To meet current housing needs, it was proposed that the permissible density for affordable housing development be raised from 30 units per acre to 87 units per acre for certain areas on the island whilst other areas will be allowed up to 180 units per acre. The affordable housing projects entitled to this higher density are to be priced at RM300,000 per unit or below. The policy is expected to take effect in 2017.

A Memorandum of Understanding (MoU) was inked between the Seberang Prai Municipal Council (MPSP) and Think City. Under this MoU, four more areas in Butterworth namely Pekan Lama, Sungai Prai, Penang Sentral and Butterworth Waterfront will be restored with urban renewal works while preserving their heritage values.

Proposed “Gurney Wharf” Illustrative Master Plan



Source: Bulletin Mutiara

In 2016, the Iskandar Malaysia property sector continued to observe a slow momentum in terms of total volume and value transacted

Iskandar Malaysia

With Iskandar Malaysia (IM)’s comprehensive development plan (CDP) entering into the 2nd half of the 20 years plan (2006 – 2025), the region has recorded total cumulative committed investment of RM208 billion for the period of 2006 to June 2016 with 60% were contributed by local investors. Of the total investment, 51% had been realised on the ground. The largest contributor to committed investments is retail/mixed developments (27% or RM57.19 billion) followed by manufacturing (26% or RM53.68 billion) and residential properties (20% or RM40.87 billion).

In 2016, the IM market continued to observe a slow momentum in terms of total volume and value transacted which could be due to the impact of the overall slowdown in the global market. NAPIC recorded a total value of RM10.57 billion and volume of 15,119 units transacted as of 3Q2016, 5.3% and 20.1% lower comparing to the same period in 2015.

The overall soft market is the result of the general economic conditions and cooling measures. Nonetheless, 2016 was an exciting year for the office sector where the market witnessed 4 transactions of office buildings with a total transaction value of RM1.24 billion. Rentals for purpose-built offices also marked a new high benchmark especially for new office buildings in Iskandar Puteri.

With the rapid development of the IM economic corridor, the hotel sector is observed to have picked up pace, with more direct flights connecting to other Asia countries coupled with a few mega property developments being promoted internationally. The weakening Ringgit has also encouraged tourism activities in the region.

Contrariwise, whilst general slowdown in terms of transaction activities and take-up within new development are observed, especially for higher-end product, particularly in residential sub-sectors, developers have diversified their plans to offer more affordable products to meet the present market needs. In addition, for industrial sector, albeit the slower growth, there are still foreign MNC companies exploring and expanding their investments in IM, eg. Lotte Chemical and Amore Pacific Corporation of South Korea.



Property Overview

Looking forward, both developers and purchasers will continue to be cautious in the current market situation. However, demand for quality and affordable properties as well as those in a prime address, are expected to remain as the key drivers for the property market. Where the overall IM property market is expected to remain soft in the short term, but is expected to gain strength upon recovery of the regional and national economy. Moreover, the continuing effort in promoting IM, rapid development of infrastructure projects i.e. High Speed Rail, Rapid Transit System, double-track project as well as oil & gas ventures in Pengerang is expected to create investment opportunities and encourage property developments in the region.

It was a generally lacklustre property market in Sabah in 2016 with a slowdown in transaction activities due to softer market sentiments

Sabah

It was a generally lacklustre property market in Sabah in 2016 with a slowdown in transaction activities due to softer market sentiments and no loosening of the strict lending measures imposed by the Central Bank and financial institutions for property purchases in previous years. However, there is no trend of a decline in prices and properties in attractive locations are still maintaining their values.

There were fewer new property launches compared to 2015 save for the high-rise residential sector. New condominium launches dominated the property market in Kota Kinabalu although some of these already had pre-launch registrations of interest in 2015. Most of the new launches were geared towards the mid-market segment, where interest seemed the strongest. Some of the new launches located in prime areas that would command higher price on per square footage were also packaged in smaller products or unit configurations for lower absolute pricing.

Generally, the outlook for 2017 is anticipated to be little changed from 2016 given the more challenging economic conditions, overall slower take-up, high household debt and tight financing conditions, amongst others.

The property market for 2016 was sluggish year with most preferring not to make long term financial commitments,

Sarawak

The property market for 2016 was a sluggish year with most preferring not to make long term financial commitments, a reflection of the poor market sentiments felt and the reduced purchasing power resulting from the spiraling effect of the GST. Compared to last year, the property market for 2016 was rather flat with much fewer launches overall except for certain sub-sectors of stratified housing which were launched as part of a mixed development concept of retail and residential. Construction activities have also generally slowed down as the market struggles to finish off completing units launched previously.

However, properties in prime and attractive locations are still in demand and despite the softer market, prices have generally not gone down. That said, prices of properties which have gone beyond their upper threshold are expected to remain flat. The property prices which have surged to new highs in recent years have pushed house prices beyond the affordability range of the general population.

Despite the slowdown in the market, affordable housing remains in demand and would do well, given a reasonably decent location and suitable type. The recent approval by the Sarawak Planning Authority (SPA) to increase Sarawak's development density from 8 to 10 units per acre for landed housing and from 24 to 30 units per acre for stratified housing would help path the way for more affordable housing to be built by private developers.

The general outlook of the market for 2017 is stormy and unpredictable and could be a long-drawn period before recovery, with a generally overbuilt environment, slower absorption rate, increasing household debts, stringent financing conditions and increasing costs of businesses and living as prices of goods and services inflate, double-jeopardised by the weak performance of the Ringgit and the implementation of the 6% GST. Reduced consumer spending which has crimped demand and will affect the construction and retail sectors negatively.

Market sentiment is expected to remain weak and demand will continue to be low with consumers preferring to wait it out rather than commit on long-term big expenditure items like property purchases.

Certain exceptional areas in Sarawak such as Bintulu and Mukah, ear-marked under the regional development plans of the 10th and 11th Malaysia Plan, namely SCORE, would spearhead growth in Sarawak due to the implementation of mega projects.

Property Overview

Regional Reviews

The sentiment in most states have turned more cautious moving from 2015 to 2016.

The landed residential sector maintained its resilience but market softness was more evident as prices climb ever higher. There was greater activity especially in the larger cities but prices and occupancy rates were hitting resistance.

The purpose-built office sector remains under-developed while the shopoffice sector remained active but on a downtrend as the number of vacant units and even more upper levels remained untenanted.

The retail sector was mixed with many regions and states stable but a drop in prices and occupancy is expected especially in East Malaysia.

The hotel and tourism sector remains upbeat as tourist arrivals are still in large numbers and the global and domestic market continues to expand strongly. The tourism factor is one of the main catalysts for the property market in Perak especially for places like Taiping, Ipoh and Manjung. Ipoh caters to tourists with its distinctive food destinations and tourism events such as the Ipoh International Waiters Race, Vintage Ride 2016, Ipoh Kreatif, etc. The upcoming tourist attraction, Movie Animation Park Studios (MAPS) in Meru, is expected to see a higher tourist count as the early bird tickets have already been sold out.

The other bright spot in the market is the industrial sector as foreign investments remain keen and active.



Movie Animation Park Studios, Meru, Ipoh

SECTOR REPORTS

Landed Residential Sector 13

CBRE | WTW Malaysia
House Price Indicator Map 24

High-Rise Residential Sector 26

Purpose -Built Office
/ Shopoffice Sector 37

Retail Sector 48

Hotel Sector 56

Industrial Sector 64

Overview

The Government's proposal to increase public servants' housing loans eligibility from between RM120,000 and RM600,000 to between RM200,000 and RM750,000, may stimulate some residential sales.

Other government plans to increase low / medium cost / affordable housing units will also ease the current shortage of such housing. The Ministry of Urban Wellbeing, Housing and Local Government (KPKT) will build 9,850 houses under People's Housing Programme (PPR) with the allocation of RM134 million in 2017.

Meanwhile, a total of 11,250 PPR houses are being built with an allocation of RM576 million, to be sold between RM35,000 and RM42,000, even though the actual construction cost is higher.

Through the New Blue Ocean Strategy (NBOS), the Government's vacant lands at strategic locations will be provided to GLCs and Perumahan Rakyat 1Malaysia (PR1MA) to build more than 30,000 houses. 5,000 units of People's Friendly Home (PMR) will also be built with a RM200 million allocation to Syarikat Perumahan Negara Berhad (SPNB).

In addition, around 10,000 houses will be built in urban areas for rental to eligible youths with permanent jobs including young graduates entering labour market.

House with Pool, Kuala Terengganu



Mahkota Golf & Country Club, Kuantan

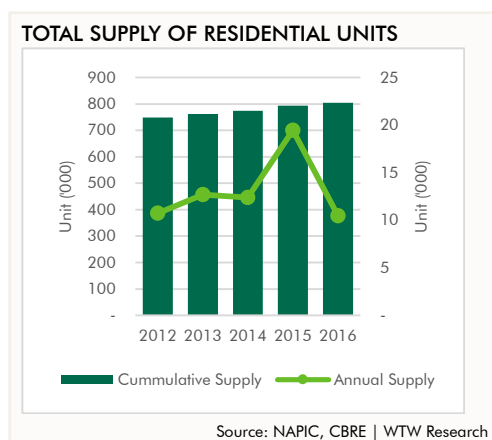


LANDED RESIDENTIAL						
	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET						
Klang Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▼	▶	▶	▶	▼	▶
Seberang Perai	▼	▶	▶	▶	▼	▶
Iskandar M'sia	▼	▼	▶	▶	▼	▶
Kota Kinabalu	▼	▼	▶	▶	▶	▶
Kuching	▶	▶	▲	▲	▶	▶
REGIONAL						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▼	▶	▼	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▼	▶	▼	▶	▼	▶
Malacca	▶	▶	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	▶	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
L.Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▼	▶	▼	▶	▶
Labuan	▶	▼	▶	▶	▼	▼
Sarawak						
Sibu	▼	▼	▲	▲	▼	▼
Miri	▼	▼	▲	▶	▼	▼
Bintulu	▼	▼	▲	▼	▼	▼

MAIN MARKET

Klang Valley

The subdued performance of residential sector in 2015 continued in 2016.



The subdued performance of residential sector in 2015 continued in 2016. A total of 793,718 units of landed residential properties (terraced, semi-detached and detached) were recorded in the Klang Valley as at end 3Q2016. Based on projects monitored, we estimate approximately 10,462 new houses to be added to the above supply by end of 2016.

Based on the residential stock report 3Q2016 by NAPIC, 2 & 3-storey terraced houses continue to be the most popular land residential development. In Klang Valley, a total of 88,955 units of incoming supply and 35,257 units of planned supply were reported in 3Q2016.

As the supply of land around Kuala Lumpur diminishes, residential development continues to be active beyond KL fringes, with the largest numbers located in Kajang, Klang, Shah Alam, Sepang, Rawang, Cyberjaya, Puchong and Semenyih. Townships with comprehensive masterplans are expected to thrive in the current tough market. Some of the noteworthy launches included Kajang 2 by MKH Berhad, Bandar Rimbayu by IJM Land and Eco Sanctuary by EcoWorld Bhd in Shah Alam as well as Setia Eco Hill 2 by SP Setia in Semenyih. The rapid development of infrastructure such as MRT, LRT and proposed highways have encouraged residential developments to move further away from the city. New landed residential schemes within a township/masterplan are generally gated and guarded with ample green areas.

Pricing of standard double-storey terraced houses in new launches were between RM250 and RM440 psf, or about a million ringgit for a typical unit. The government has acknowledged the high house prices and initiated proactive efforts such as the Rumah Selangorku, PR1MA, First House Financing Scheme and Rent-to-Own schemes to provide more affordable housing.

The performance of the landed residential sector in the Klang Valley in the past few years has slowed down. New launches in the 2016 decreased compared to 2015. In 2017, the landed residential sector is expected to see price stability with minimal growth. However, transaction activities may further decline. The soft market sentiment may result in more new developments in the affordable price range and address the needs of the squeezed low middle income population segment. The increase in property prices in the primary market due to price fluctuations in material and construction costs have helped to propel buyers' interest to the secondary market which is comparatively cheaper. Going forward, properties in the secondary market is expected to become more active.

Selected New Launches

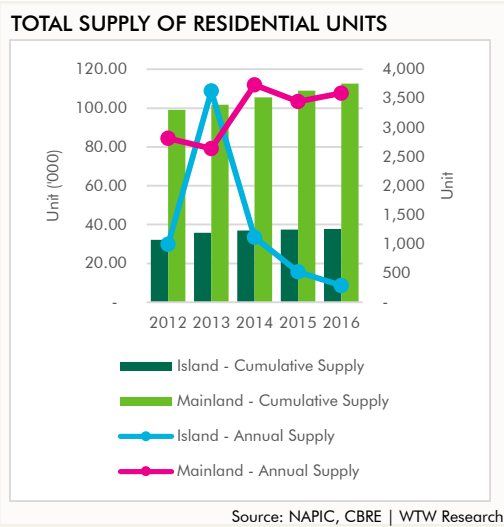
Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Selling Price (RM per unit)
Mellowood Parkhomes	Semenyih	Eco Devt Group Bhd	2-TH	1,760	329	908,000
Merrydale	Semenyih	Eco Devt Group Bhd	2-TH	1,400	586	748,800
Augusta@Precinct 12	Putrajaya	Putrajaya Holdings	2½-TH	3,207	50	2,682,888
Albury@Mahkota Hill	Semenyih	Lia Ace Devt SB	2-TH	1,650	173	375,000
Dumalis@16 Sierra	Puchong South	Lush Development SB	2-TH	1,920	109	1,083,420
16 Sierra	Puchong South	Lush Development SB	3-TH	1,920	99	1,310,220
Penduline @Rimbayu	Kota Kemuning	IJM Land	2-TH	1,400	246	654,800
Anggun Kirana @Setia Alam	Selangor	PKNS	3-TH	2,520	50	1,780,500
Camelia@Tamansari	Rawang	BRDB	3-TH	1,680	149	1,257,667
Amverton Hills	Shah Alam	Unik Sejati SB	2-SD	3,200	186	1,480,000
Alesus@Setia EcoHill 2	Semenyih	Setia Ecohill	2-TH	1,300	80	553,000
Avista@Warisan Puteri	Sepang	IOI Properties Group	2-TH	1,650	182	663,344

Source: CBRE | WTW Research

MAIN MARKET

Penang

The landed residential sector in Penang has been slower but remained steady



The landed residential sector in Penang remained steady amidst a slow growth in 2016, with marginal upward adjustment of house prices recorded. As of September 2016, existing supply of landed residential houses in Penang stood at 150,307 units, of which 75% were on the mainland whilst 25% on Penang Island. New supply into the market for the first nine months in 2016 was 3,877 units, concentrated in Seberang Perai with 3,590 units whereas only 287 new units were completed in Penang Island.

The market has yet to regain its full momentum, given the number of new launches has reduced significantly. On the island, new products introduced to the market are targeted towards the niche and high-end market driven by high land cost and shortage of developable land supply.

Seberang Perai, meanwhile posted higher prices for newly launched landed homes. Raintree Park II in Pearl City, offered double-storey terraced homes at RM478,000 per unit onwards and double-storey link semi-detached at RM585,000 per unit onwards. In Hijauan Valdor by Asas Dunia Bhd, the double-storey semi-detached houses are priced at RM695,000 per unit. Towards the north in Bertam, Hunza Bhd launched its Mekarsari single-storey semi-detached homes at RM430,000 per unit onwards.

In the secondary market, average transacted prices of double-storey terraced houses with typical land sizes, within the established residential precinct on the island, such as Island Park and Island Glades, were generally stable or increased marginally in 2016. Likewise, double-storey semi-detached houses had observed stagnant or up to marginal growth of approximately 5% in 2016. In Seri Tanjung Pinang, three-storey semi-detached houses have surpassed RM3 million per unit. Landed residential in the district of Seberang Perai Tengah commanded the highest transacted prices in the secondary market, compared to other districts in Seberang Perai, ranging from RM520,000 to RM535,000 for a double-storey terraced house. The same housing products in Seberang Perai Selatan were transacted between RM380,000 and RM410,000 whilst in Seberang Perai Utara, double-storey terraced houses were sold at RM300,000 to RM360,000 per unit.

With new landed residential projects are selling at relatively higher prices, by incorporating new features and concepts, purchasers may look at alternatives in the secondary market, where prices are comparatively lower.

Going forward, demand for landed properties in Penang is expected to stay firm, especially terraced and semi-detached houses which are still the preferred housing products amongst Penangites.

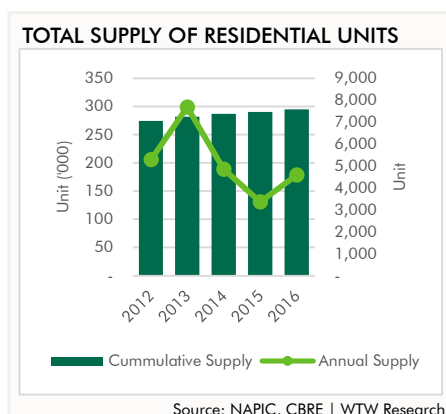
Selected New Launches						
Name	Location	Developer	Type	Land Area (sq. ft)	No. of units	Selling Price (RM per unit)
Cydonia @ Sunway Cassia	Batu Maung	Sunway Bhd	2-SD	2,975	48	1,600,000
Amaris Terraces By The Sea	Seri Tanjung Pinang	Eastern & Oriental SB	3-TH	2,600	29	3,780,000
Raintree Park II @ Pearl City	Simpang Ampat	Tambun Indah Bhd	2-SD	2,150 – 2,800	110	585,000
			2-TH	1,320	208	478,000
			Townhouse	1,872	104	368,000
The Mila @ Mekarsari,	Bertam, Seberang Perai Utara	Hunza Group	1-SD	2,637	80	430,000
The Zinnia & The Sonia @ Mekarsari,	Bertam, Seberang Perai Utara	Hunza Group	1-DH (Zero Lot)	2,855 -3,068	168	480,000
Phase 4 @ Hijauan Valdor, Sungai Bakap	Sungai Bakap, Seberang Perai Selatan	Asas Dunia Bhd	2-SD	3,200	112	695,000

Source: CBRE | WTW Research

MAIN MARKET

Iskandar
Malaysia

The supply of landed residential units in Johor in 2016 stood at 294,694 units and terraced houses continue to be the majority at 83% of the total.



The supply of landed residential in 2016 stood at 294,694 units and terraced houses continued to form the bulk of supply at 83% of the total. The number of houses is expected to increase by 13,584 units in the next two years, comprising 91% of terraced, 7% of semi-detached and 2% of detached houses.

In the sub-sale market, 2-storey terraced houses were transacted at RM321 psf over built-up area which is about the same as compare to RM325 psf (only 1% different) in 2015, and 40% lesser in terms of volume, as of August 2016. In older established housing schemes, Permas Jaya recorded higher transaction values at RM300 psf followed by RM275 to RM285 psf achieved by Taman Perling and Taman Pelangi.

In newer developments such as Bukit Indah, Taman Sutera Utama and Horizon Hills, similar type of properties were transacted in the range of RM325 to RM395 psf, about 5 to 10% lower than the previous year. Majority of the new housing schemes are gated and guarded developments and some are completed with basic facilities.

Prices of 2 storey semi-detached houses have also dropped by about 10% in general, recorded at RM488 psf in 2016. Transaction volume as of August 2016 was approximately 40% lesser than 2015, only one transaction was found in East Ledang and no transaction recorded for Horizon Hills. The highest transacted price was recorded in East Ledang of RM702 psf and followed by RM588 psf in Taman Pelangi.

As our observation, lesser developments were being launched in 2016 as compared to previous years. Two projects were launched in Skudai viz. Mutiara Bestari and Rini Homes which offer 2 and 3 storey cluster and 2 storey terraced houses at RM315 and RM280 psf respectively. In Iskandar Puteri, the developer of Melia Residences has priced their 2 storey terraced houses (Phase 1 & 2) at RM270 to RM350 psf. At the eastern corridor, 2 storey terraced houses in Meridin East and Bandar Alam Masai are selling in the range of RM200 to RM225 psf.

Landed terraced houses with more affordable prices remained as one of the most favorite products. The market is expected to continue be a buyers' market and is predicted to maintain as its current momentum in the near future.

Selected New Completions

Name	Location	Developer	Type	Land Area (sq. ft)	No. of units
Jade 1 & 2 @ Seri Austin	Tebrau	UM Land Bhd	2-TH	1,650-1,800	240
The Cove @ Horizon Hills (Type A,B & C)	Iskandar Puteri	JV of Gamuda Land & UEM Sunrise Bhd	2-3 SD	3,200-4,500	78
Aurora @ Setia Eco Cascadia	Tebrau	SP Setia Bhd	2-TH	1,500 - 1,600	349
Emerald Bay (Phase 1)	Puteri Harbour	Haute Property SB	3-4 TH 3-SD 3-D	1,920 - 2160 3,912 4,896	42 24 16

Selected New Launches

Name	Location	Developer	Type	No. of units	Selling Price (RM per unit)
Rini Homes (Phase 5B)	Skudai	Mutiara Rini SB	2-TH	223	530,000-620,000
Bandar Alam Masai	Masai	Era Universe Devt SB	2-TH	72	560,000
Melia Residences (Phase 1, 2 & 3)	Gerbang Nusajaya	UEM Sunrise Bhd	2-TH	366	590,000-700,000
Meridin East - The Willows (Phase 1)	Masai	Mah Sing Bhd	2-TH	492	394,000
Villosa & Visca @ Bukit Indah	Bukit Indah	S P Setia Bhd	2-TH	183	650,000-770,000
Impian Emas (Zone 6-D1)	Skudai	Gunung Impian Devt SB	2-TH	100	648,000
Nillesgate @ Eco Tropics	Tebrau	Eco World Devt Group Bhd	2-TH	>500	474,000-562,000

Source: CBRE | WTW Research

MAIN MARKET



Melia Residences,
Gerbang Nusajaya

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.

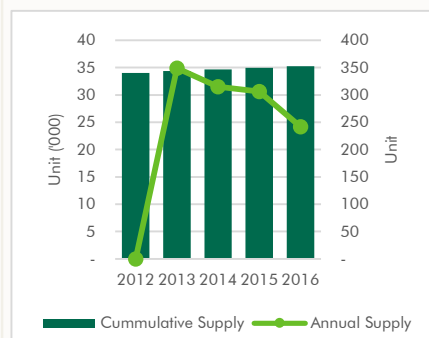
Overall, a relatively stable landed residential sector in 2016. Similar to 2015, new or pre-launched (opened for registration of interest) landed residential developments mainly comprised double-storey terraced houses. These include:

Selected New Launches

Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Selling Price (RM per unit)
Park Residence Sugud Phase 2	Penampang	DF Development SB	2-TH 2-SD	1,128 N.A.	36 2	668,800 990,800
Pertama Phase 3A & 3B	Penampang	Multi Midvest SB	2-TH 2-D	1,800 N.A.	67 2	725,398 N.A.
Prestige Residence	Manggatal	Palmspan SB	2-TH	1,261 - 4,315	48	602,150- 686,840

Source: WTW Research

TOTAL SUPPLY OF RESIDENTIAL UNITS



Source: NAPIC, WTW Research

Newly launched double-storey terraced house developments are located in the southern and northern sectors of Penampang and Manggatal, with developer selling prices beyond the RM600,000 range. However, rebates of about 4%-5% are also offered to early bird purchasers for some of the developments.

One of the major completed developments in 2016 is Taman Rimba Phase 3 with 81 units of double-storey terraced houses located in Manggatal North.

Sub-sale market is noted to be less active in the 1H2016 compared to 1H2015 with a decline in transaction volume although there is no trend of a decline in prices. Generally, the market is expected to remain little changed going into 2017.

However, developments in established locations and near to centre of activities should continue to fare well.

Selected New Completions

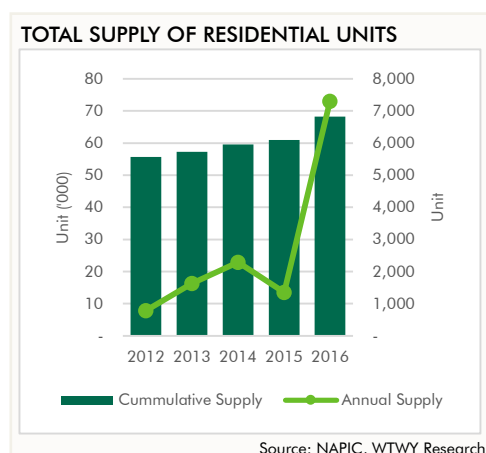
Name	Location	Developer	Type	Land Area	No. of units
Tunoh	Penampang	GVKK Development SB	3-TH	1,200	43
Cerah Ph 6B	Tuaran Bypass	GKS Development SB	2-TH	N.A	17
Rimba Ph 3	Manggatal	Wah Mie Group	2-TH	1,468-4,763	81

Source: WTW Research

MAIN MARKET

Kuching

The number of new launches for 2016 was considerably reduced.



The number of new launches for 2016 was considerably reduced. This is due to anticipated lower demand as well as the shift to stratified residential units such as apartments and condominiums which continue to be launched in significant numbers. Projects launched in 2016 are piecemeal and even smaller than recent years, comprising between 10 and 30 units and spread out amongst the various location groups, with Matang area experiencing a lull.

However, 2016 recorded an increase in units completed compared to 2015. Jalan Kuching-Serian area has the most number of completions followed by Batu Kawa and Matang.

Terraced houses continue to dominate the market and comprise more than 75% of the total units completed. There is an increased share of more than 85% in terms of units launched in 2016, as more developers gear towards the more affordable terraced in view of the softer market. Double-storey terraced remains the most popular type comprising around 70% of the market segment. House prices range from RM250,000 for double-storey intermediate terraced houses in secondary locations to more than RM500,000 for those in prime locations whilst semi-detached units in prime locations easily exceed RM1,000,000 per unit. Despite the slow-down in the general market, house prices continue to uptrend albeit at a lower rate.

Housing will remain the mainstay of the property sector with more than 40% of transactions contributed by the residential sector. Demand for affordable houses remained high and residential properties priced RM400,000 per unit and below would be well received. Despite the slowdown in the market, affordable housing remains in demand and would do well, given a reasonably decent location and suitable type. The recent approval by the Sarawak Planning Authority (SPA) to increase Sarawak's development density from 8 to 10 units per acre for landed housing and from 24 to 30 units per acre for stratified housing would help path the way for more affordable housing to be built by private developers.

Selected New Completions

Name	Location	Developer	Type	Land Area (sq ft)	No. of units
Taman Genesis	Matang	IH Hung Enterprise SB	2-TH	2,201 - 8,348	63
			2-SD	4,614 - 8,348	14
Federal Park	Matang	Eastbourne Corporation Bhd	2-TH	2,035 - 5,978	93
Lee Onn/Lot 793 Blk 10 MLD	Matang	Lee Onn Development SB	2-TH	2,035 - 5,242	63
			2-SD	3,769 - 11,155	16
Moyan Residence	Matang	Top Green Construction Development SB	2-TH	1,948 - 8,022	92
Residence 805	Matang	Lee Onn Development SB	1-TH	1,983 - 5,568	48
			1-SD	4,143 - 5,978	10
Taman Bowood	Matang	Bowood SB	1-TH	2,026 - 5,189	27
			2-TH	2,206 - 4,780	27
Taman Dusun Bayu	ODBKUA	BDC Realty SB	2-TH	1,740 - 4,483	104
Tabuan Tranquility	BUA	Ibraco Bhd	2-TH	1,959 - 6,207	59

Source: WTWY Research

REGIONAL

West
Malaysia

Northern Region

In Alor Setar, there is more demand and preference for landed residential properties. Developers are putting in greater effort to meet market preferences for features such

as gated and guarded communities, landscaped gardens and open space. 2-storey terraced houses in Alor Setar were transacted at RM385,000 per unit, and Kubang Pasu and Sungai Petani at RM250,000 – RM350,000 per unit.

Likewise in Ipoh, the market preference for landed residential properties is stronger compared to stratified residential properties. Developers are creative in differentiating their development schemes by different accommodation styles, offering features such as security, prestige, eco-friendly properties and unusual designs, amenities together with scenic views.

INDICATIVE NET YIELDS (%)	Terraced House		Semi-Detached House	
	2015	2016	2015	2016
Alor Setar	3.0 - 3.5	3.0 - 3.5	3.0 - 3.5	3.0 - 3.5
Ipoh	3.0 - 4.0	3.0 - 4.0	3.0 - 4.0	3.0 - 4.0

Source: CBRE | WTW Research

Selected New Launches

Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Selling Price (RM per unit)
IPOH						
Chamberlain Villas	Chateau Garden	Chye Hin Development SB	3-SD	4,048	4	1,288,000 - 1,415,600
Taman Sri Perkasa Baru	Ipoh	Selamat Raya SB	2-TH	From 1,600	48	368,000 - 690,240
Tmn Lapangan Harmoni	Ipoh	Seong Maju Properties SB	2-TH	From 1,892	46	From 368,600

Source: CBRE | WTW Research



Taman Lapangan Harmoni, Ipoh



Chamberlain Villas, Ipoh

REGIONAL

West
Malaysia

East Coast

In Kuantan, the overall transaction activity remained slow due to banks' credit crunch implementations. Continuing from 2015, GST has resulted in the increasing development costs which led towards higher selling prices. This has widened the rift between prices of new developments and affordability. Due to a more sluggish demand, the secondary market for landed residential properties in preferred residential areas have also witnessed a reduction in prices. In conjunction with the above, most developers in Kuantan were cautious in new project launches with many have adopted the view of completing ongoing projects in hand and defer new purchases of land or new joint development signings.

The overall residential market in Kota Bharu was relatively flat over the year. Strong demand remained skewed towards landed residential properties priced below RM500,000, which mostly

purchased for self-occupation. Notwithstanding the above, Tijani Raja Dewa, which entered the local market in 2015 as a first ever high-end development has shown commendable responses with some of the buyers are Kelantanese who have been residing in other states.

Despite of a weakest performance due to the cooling measures, Terengganu's residential market continues to spearhead in the overall market performance and grew at a healthy pace. The KTCC development has slightly heated up the current dynamic market partly contributing to the rising house prices.

INDICATIVE NET YIELDS (%)	Terraced House		Semi-Detached House	
	2015	2016	2015	2016
Kuantan	3.5	3.5	3.5	3.5
Kota Bharu	3.0 - 3.6	2.9 - 3.5	3.0 - 3.5	3.0 - 3.5
Kuala Terengganu	4.5 - 5.0	4.5 - 5.0	4.5 - 5.0	4.5 - 5.0

Source: CBRE | WTW Research

Selected New Launches

Name	Location	Developer	Type	Land Area (sq ft)	No. of Units	Selling Price (RM)
KUANTAN						
Mahkota Villa	Bdr Indera Mahkota	Aim Realty Devt SB	3-SD Homes with Lift	2100	60	NA
Evergreen Homes	Kota SAS	Tanah Makmur Bhd	1-TH	1,650	200	245,000-501,800
			1-SD	3,000	1,200	340,000-424,900
			1-TH	From 1,650	200	245,000-501,800
			1-SD	From 3,000	120	340,000-424,900

Source: CBRE | WTW Research



Taman Firdaus, Kota Bharu



**West
Malaysia**

Southern Region

In Seremban, the general outlook of the market appeared to be on a downward trend. Transaction activity has been in decline as the general take up rates in developers' projects have shown sign of softening. This is attributed to the lesser affordable housing products were introduced, coupled with increasing loan rejections. The secondary market also taken a dip in transaction volumes and prices. Although some investors are trying to liquidate their assets to cut down their liabilities, sales are still less as affordability and purchasing power is getting low with the inability of buyers to fork out the 10% down payment plus all the necessary processing and legal charges. However, with bumiputra quota for certain areas to be revised back to 30%, it will serve as a tonic for improved transacted prices and take up rates.

In Malacca, landed residential stayed as preferred choice amongst the locals. The tightening of lending policy, and softening market condition have observed the upcoming new developments trended towards affordable price range, reflected by more affordable projects being approved by the local authority.

No sizeable scheme has been launched in the year under review. However, it was noted that Johor Land Berhad is proposing to construct 2,778 units of mixed residential cum commercial units identified as Taman Gading Mutiara and located along Jalan Kluang, approximately 8 kilometres from Batu Pahat town centre. The proposed scheme is expected to be launched in late 2016 or early 2017.

INDICATIVE NET YIELDS (%)	Terraced House		Semi-Detached House	
	2015	2016	2015	2016
Seremban	4.5	4	4.5	3.5 - 4.0
Malacca	3.4	3.4	3.0	3.0
Batu Pahat	2.0	2.0	1.8	1.8

Source: CBRE | WTW Research

Selected New Launches						
Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Selling Price (RM per unit)
Malacca						
Taman 1 Krubong	Krubong	Paduwan Realty SB	2-D	4,950	204	From 1,100,000
Seremban						
Rimbun Irama	S2 Heights	IJM Land Bhd	2-TH	1,400 1,540	183	From 560,800
Suriaman 2A	Bandar Sri Sendayan	Matrix Concept Holdings Bhd	2-TH	1,500 1,760 1,936 2,046	267	538,888 – 1,199,208
Rimbun Vista (Phase 1)	S2 Heights	IJM Land Bhd	2-TH	1,400 1,540	202	From 560,800
Aster (Type A, B, C)	Seremban Forest Heights	Sunrise MCL Land SB	2-3TH	1,540 1,680 1,820	167	From 556,600

Source: CBRE | WTW Research



Taman Desa Botani, Batu Pahat



Aviva Green, Seremban

REGIONAL

**East
Malaysia**

Labuan

The overall residential market in Labuan remains relatively stable with landed property continue to be the preferred choice of housing especially for locals on the island. However, high rise developments are becoming more acceptable as landed properties become more expensive and given the increased concerns over security issues.

INDICATIVE NET YIELDS (%)	Terraced House		Semi-Detached House	
	2015	2016	2015	2016
Sandakan	4	4	3.5	3.5
Tawau	3.35	3.25	2.7	2.6
Lahad Datu	4.00	4.00	3.75	3.60
Keningau	N.A	N.A	N.A	N.A

Source: WTW Research

Sabah

Demand for medium cost houses in the sub-RM400,000 will see recovery in 2017 as demand is still strong. In Keningau, market for landed properties has been softening since early 2016 due to weaker buyer sentiments and heightened restrictions of financial institutions on lending criteria. This has resulted in a relatively slow take up rate for several of the newly completed residential developments. Based on our general observation, landed residential properties in Keningau district is in somewhat oversupply.

In Sandakan, supply of residential properties are mainly skewed towards terrace houses, which are considered affordable in the market with price range of RM300,000 to RM400,000. The 'affordable' price tag is attributed to smaller land area and built-up areas.

Meanwhile in Lahad Datu, developers have scaled back their development plans despite having ready land bank and development concept for mixed development projects. An increased number of sub-sale properties is noted in the market as owners who bought for investment are putting their properties in the market. Limited qualified purchasers are the main reason behind the delay in launching property development projects in Lahad Datu.

Selected New Launches						
Name	Location	Developer	Type	Land Area (sq ft)	No. of units	Selling Price (RM per unit)
TAWAU						
Bandar Sri Indah, Phase 5G1	Jalan Apas Mile 10	Hap Seng Properties Development SB	1-SD	1,667	130	531,900 – 935,400
PR1MA @ Runggu,	Runggu	PR1MA	1- 2 TH Type A, B & C	900 – 1,400	1,300	From 194,000

Source: WTW Research

Palm Heights, Lahad Datu



East
Malaysia

Sarawak

The supply trend of landed residential has obviously slowed down with transactions activities and take up rates dropping. Generally, newly launched standard intermediate terraced and semi-detached houses command above RM420,000 and RM620,000 per unit respectively.

Selling prices of newly launched residential properties have continued increasing mainly due to inflation and GST. Transactions activity is expected to go down due to increase of property prices, strict loan requirements and lower purchasing power.

With Miri sprawling northwards and southwards, current and new projects are located in outlying areas where the land costs are relatively lower compared with those within the built-up areas. 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 areas which have seen increasing housing activity in recent years are expected to slow down. Generally, it is expected that the Miri housing market will slow down with noticeably less launches and completions.

INDICATIVE NET YIELDS (%)	Terraced House		Semi-Detached House	
	2015	2016	2015	2016
Sibu	3.0	3.0	3.0	3.0
Miri	3.5	3.0	3.2	3.0
Bintulu	4.0	3.5	4.0	3.5

Source: WTWY Research

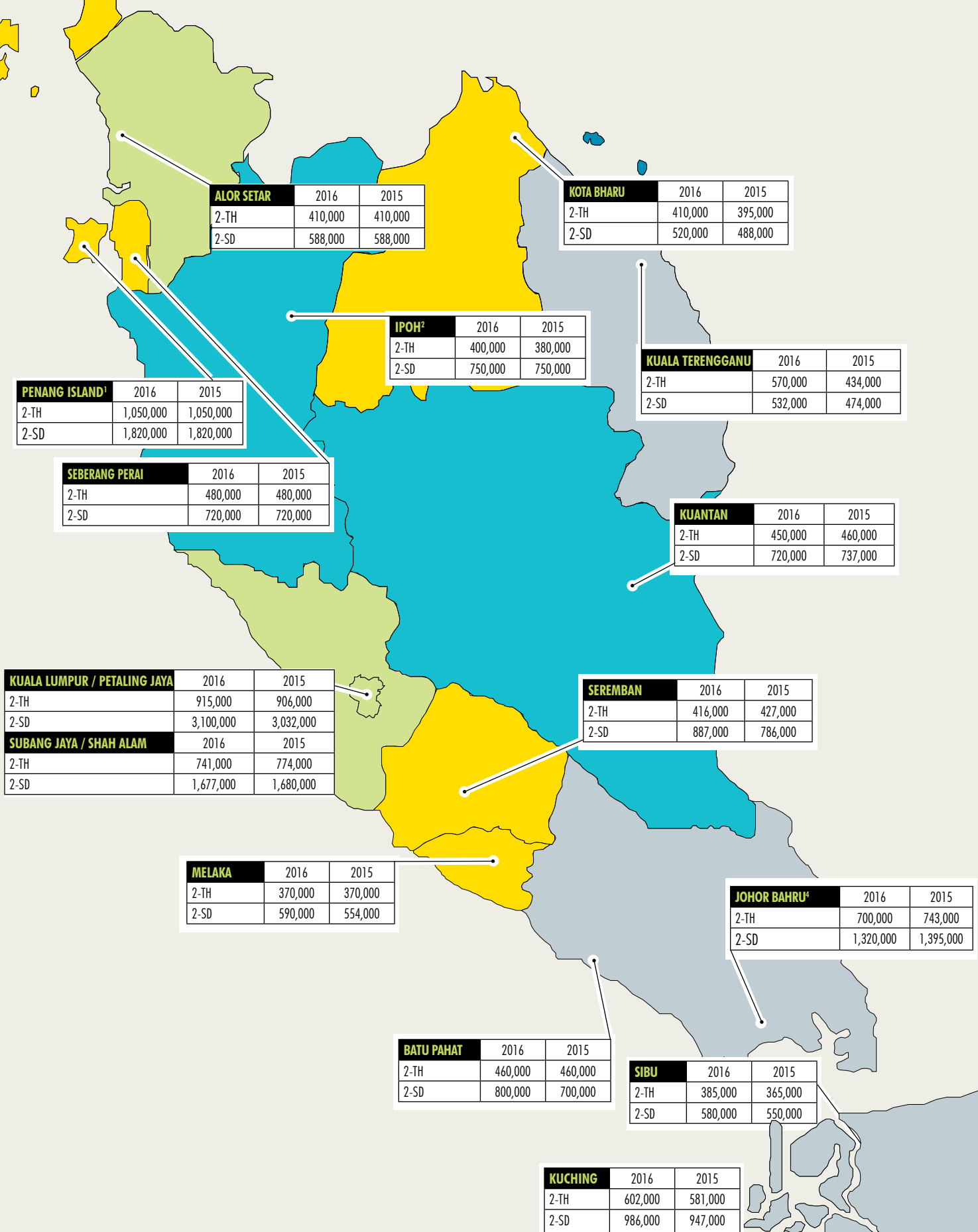
Selected New Launches

Name	Location	Developer	Type	Land Area (sq ft)	No of Units	Selling Price (RM per unit)
BINTULU						
Riverside Avenue	Jalan Sibiyu	Hong-Yet Construction SB	2-TH	1,882	28	465,888
Woodland Height	Jalan Sibiyu	Teck Yien Construction SB	2-TH	1,875	109	480,000
Taman Kozai	Jalan Sibiyu	Paling Construction SB	2-TH	1,808	54	508,000 - 634,000
Kidurong Sentral	Jalan Kidurong, Bintulu	Menawan Megah SB	2-TH	1,852-1,920	48	399,000 - 558,000

Source: WTWY Research

Desa Senadin, Miri





* CBRE | 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/ leasehold tenure, building age of < 5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).
- (ii) Double-storey Semi-detached houses, are sampled with land area of 3,200 - 3,600 sq ft, freehold/leasehold tenure, building age of < 5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).
- (iii) Plot sizes and built-up areas may vary in areas in cities / towns where the market norm differs.
- (iv) Prices for 2015 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the average price.

2015/2016*

CBRE - WTW MALAYSIA

HOUSE PRICE INDICATOR



KOTA KINABALU ⁵	2016	2015
2-TH	560,000	560,000
2-SD	1,286,000	1,200,000

LABUAN	2016	2015
2-TH	478,000	478,000
2-SD	655,000	632,000

SANDAKAN	2016	2015
2-TH	403,000	393,000
2-SD	550,000	557,000

KENINGAU	2016	2015
2-TH	280,000	280,000
2-SD	530,000	530,000

MIRI	2016	2015
2-TH	463,000	421,000
2-SD	558,000	570,000

LAHAD DATU	2016	2015
2-TH	339,000	336,000
2-SD	549,000	503,000

TAWAU	2016	2015
2-TH	360,000	332,000
2-SD	618,000	607,000

BINTULU	2016	2015
2-TH	427,000	424,000
2-SD	620,000	574,000

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 Iskandar Malaysia are with following criteria:

TH: 1,600 - 1,900 sq ft

SD: 3,500 - 4,500 sq ft

⁴ Selected townships in District of Johor Bahru only

⁵ Selected townships in Kota Kinabalu are more than five years old & on leasehold tenure

MAIN MARKET

HIGH RISE RESIDENTIAL						
	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET						
Klang Valley	▶	▶	▶	▶	▼	▼
Penang						
Penang Island	▼	▼	▶	▶	▼	▼
Seberang Perai	▶	▶	▶	▶	▶	▶
Iskandar M'sia	▼	▼	▼	▼	▼	▼
Kota Kinabalu	▲	▼	▶	▶	▶	▼
Kuching	▼	▶	▶	▶	▶	▼
REGIONAL						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▼	▶	▼	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▼	▶	▼	▶	▼	▶
Malacca	▶	▶	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	▶	▶	▶	▶
Tawau	▶	▶	▶	▶	▶	▶
Labuan	▶	▼	▶	▼	▶	▼
Sarawak						
Sibu	▶	▲	▲	▲	▶	▶
Miri	▼	▼	▼	▼	▼	▼
Bintulu	▶	▶	▶	▶	▶	▶

Klang Valley

The total number of luxury condominiums in Kuala Lumpur will be about 37,824 units as of end 2016

The total number of luxury condominiums in Kuala Lumpur will be about 38,064 units as of end 2016, an increase of 3,004 units compared to 2015. The total number of luxury condominium units is expected to increase another 14,408 units in the upcoming two years, to a total of approximately 52,112 units by 2018.

Eight developments were completed as of 3Q2016, contributing 3,004 units into the market. New completions included Face@

Platinum Suites, Pavilion Banyan Tree, Le Nouvel and the Vida Ceylon in the vicinity of Central Kuala Lumpur. The Royale Condominium (previously known as Azaran Hill) in Sri Hartamas, is a build and sell development of 148 units.

Embassy Row, Mont Kiara / Sri Hartamas area and the Golden Triangle remained the prime localities for high-rise residential developments.

A total of 1,277 units of condominiums/serviced residences units were launched in 1Q2016 and another two new launches of about 1,114 units in 2Q2016. All new launches were serviced residences / SOHO with smaller

DC Residency, Kuala Lumpur

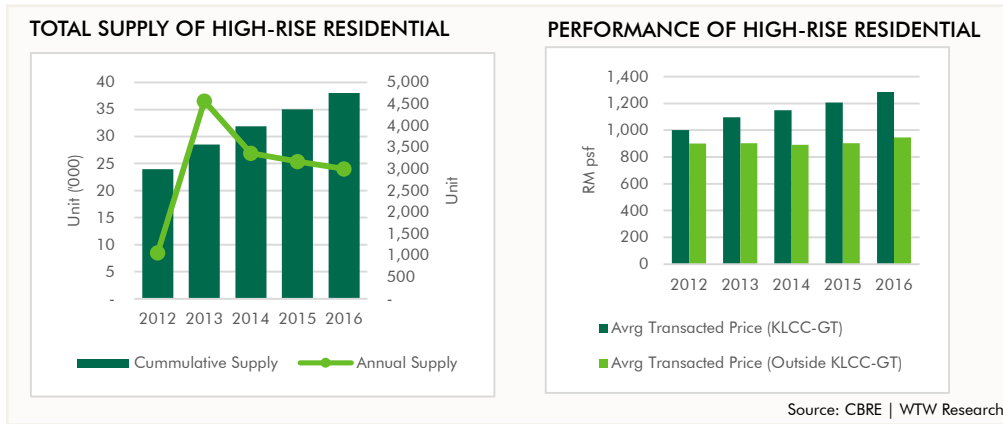


Selected New Completions

Name	Location	Developer	No. of units	Selling Price (RM psf)
Damai 88	Off Jalan Ampang	Solid Promenade SB	150	1,200 - 1,300
DC Residency @ Damansara City	Damansara Heights	Guocoland (M) Bhd	370	1,500 - 1,600
Royalle Condominium	Mont Kiara	Wisdom Realty SB	148	545 - 619
Le Nouvel	Jalan Ampang	DNP Holdings	197	2,200 - 2,400
Pavilion Banyan Tree	Jalan Raja Chulan	Lumayan Indah SB	441	1,650 - 1,850
Face @ Platinum Suites	Jalan Sultan Ismail	Platinum Victory Property SB	733	1,200 - 1,300
The Vida Ceylon	Jalan Ceylon	Spritzer Resources SB	70	1,100 - 1,150

Source: CBRE | WTW Research

Klang Valley



Selected New Launches

Name	Location	Developer	No. of units	Selling Price (RM psf)
The Grid	Jalan Kia Peng	MRCB Land	277	1,400 - 1,500
M101 SkyWheel	Jalan Raja Muda Abdul Aziz	M101 Entity SB	1,000	1,050 onward
Star Residences (T2)	Jalan Yap Kwan Seng	Alpine Return SB	482	1,838 - 2,141

Source: CBRE | WTW Research

built up areas and targeted at young working professionals or expatriates.

The transaction activities in the luxury condominiums market were less active in 2016, but average transacted prices still rose at a slower pace. Luxury condominiums in the Golden Triangle were transacted at RM1,280 psf on average, whereas in secondary areas there was price appreciation of around 5%, to RM945 psf on average.

Condominium rentals in Central KL saw a slightly decreased especially for the standard category averaging RM4,320 per month. Similarly to the upscale category where rentals decreasing to RM6,120 per month over the period (2014 – 2015) due to the current high supply situation coupled with the downturn in the oil and gas sector.

In terms of price structure, 86% of existing condominiums are in the RM700 – RM1,000 psf range (Standard) which could decline to 64% by 2019. Upscale condominiums (RM1,001 – RM1,500 psf) are expected to see the greatest growth averaging 4,000 units per year sharing 23% of total condominiums by 2019. The premium and luxury categories will also see significant growth.

The large increase in condominium supply in the past 5 years has impacted the overall performance in KL where the average occupancy rate as of 3Q2016 has shown a

decline to 66% (end 2015: 68%). Within the prime city area where land space is continuously in short supply and the growing demand for convenient commuting by residents in the city centre coupled with more premium to luxury category condominiums in the pipeline, the outlook for the condominium sector is challenging as competition becomes intense. However, it is anticipated that this sector will continue to attract demand as residential land becomes scarce in the city area.



MAIN MARKET

Penang

The high-rise residential sector in Penang, has turned to be more of a buyer's market as demand lost its momentum.

Penang's high rise residential market has turned to be more of a buyer's market in recent years, as demand has lost its momentum. 2016 was a challenging market for developers of high-rise residential developments in Penang, with the overall transaction volumes easing significantly since 2014.

The overall cautious market sentiment, attributed to the "cascading effect" of tight lending rules, led to greater difficulties for purchasers to access loan financing. This has also encouraged a number of private property developers to introduce creative and innovative marketing packages apart from the typical freebies and rebates, to attract and pitch sales.

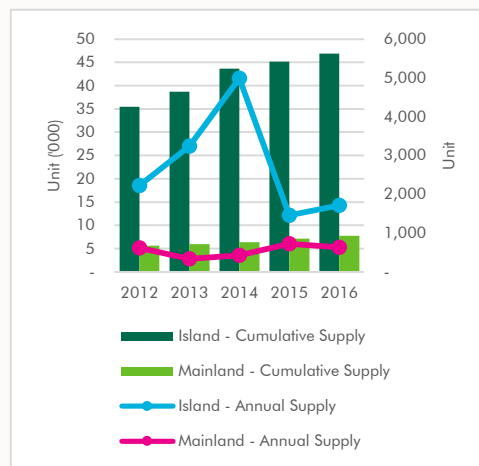
As of 3Q2016, the existing stock of high rise residences (apartment, condominiums, and serviced residence) stood at 54,619 units, with 86% on the island (46,853 units) whilst the balance in Seberang Perai at approximately 14%, i.e. 7,766 units. Selected new condominium / SOHO developments completed in 2016 included Ferringhi Residence 1 in Batu Ferringhi, Skycube Residence & Imperial Residence in Sungai Ara, Tree Sparina & Setia Triangle in Bayan Lepas, Straits Garden Condominium & Suites and 86 Avenue Residences in Jelutong as well as Sunrise Gurney in Gurney Drive.

Less new launches were observed in the State in 2016, with the general take-up performance slowed. Some notable new launches on the island were The Tamarind in Tanjung Tokong, Ferringhi Residence 2 in Batu Ferringhi, Setia Sky Ville in Jelutong and Summersky Residence in Bayan Lepas. These new launches are priced at a minimum of RM500 psf up to RM1,150 psf.

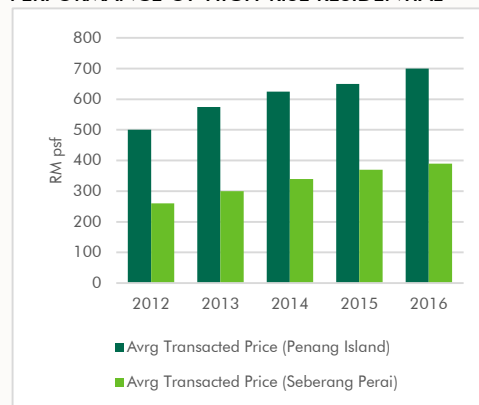
On the mainland, high-rise residential developments continued to be concentrated in the major towns, i.e. Butterworth, Seberang Jaya, Bukit Mertajam, with some upcoming growth areas further south to Simpang Ampat, Bukit Tambun and Batu Kawan. Some notable new launches in Seberang Perai in 2016 are Vertu Resorts @ Aspen Vision City, Avenue Garden @ Pearl City, EcoBloom @ EcoMeadow and Luminari @ Harbour Place. Selling prices of the new launches are at a minimum of RM350 psf.



TOTAL SUPPLY OF HIGH-RISE RESIDENTIAL



PERFORMANCE OF HIGH-RISE RESIDENTIAL



Source: CBRE | WTW Research

MAIN MARKET
Penang

In the sub-sale market, existing high-rise residential developments experienced stagnant or minimal growth. On average, condominium prices in established locations on the island were ranging from RM650 psf to RM750 psf. On the mainland, high-rise residences in the sub-sale market recorded average transaction prices of RM380 psf.

Looking ahead, the high-rise residential market in Penang will continue to be a buyer's market, with the completion of more new supply in the coming few years. Notwithstanding the above, existing and upcoming developments priced at the affordable price range should continue to be in demand by purchasers during the prevailing downturn market.

Selected New Completions				
Name	Location	Developer	Unit size (sq. ft)	No. of units
Ferringhi Residence 1	Batu Ferringhi	Mah Sing Group	1,510 – 1,752	210
Sunrise Gurney	Gurney Drive	Primo Corporation SB	794 – 980	73
Moulmei Rise	Pulau Tikus	Bellevue	1,787 – 2,228	84
Straits Garden Condominium & Suites	Jelutong	Tambun Indah	1,302 – 1,345	413
The H2O Condominium	Jelutong	Tauplene Development SB	1,560 – 1,656	71
Aspen Residence	Jelutong	Rimbaco SB	1,280	98
86 Avenue Residences	Jelutong	Yuan Seng Building Trading SB	1,028 – 1,483	96
98 Nibong Residences	Sungai Nibong	PLB Homes	473 – 2,390	98
Pine Residences	Paya Terubang	Lone Pine Group	1,508 – 1,874	222
Imperial Residence	Sungai Ara	Ideal Property SB	1,100 – 1,200	816
Skycube Residence	Sungai Ara	GSD Land SB	1,153 – 1,275	410
Setia Triangle (SOHO)	Bayan Lepas	S P Setia	690 – 1,244	72
Setia Triangle (Condominium)	Bayan Lepas	S P Setia	1,295 – 1,738	225
Tree Sparina	Bayan Lepas	Ideal Property SB	800 – 1,650	548

Selected New Launches						
Name	Location	Developer	Unit size (sq. ft)	No. of units	Selling Price (RM psf)	
Penang Island						
Tower B @ The Tamarind	Tanjung Tokong	Eastern & Oriental Bhd	1,047 – 1,772	552	765	
Summerskye Residence	Bayan Lepas	Ideal Property Group	1,100 – 1,200	507	550	
Ferringhi Residence 2	Batu Ferringhi	Mahsing Group	1,208 – 2,910	478	595	
Setia Sky Ville	Jelutong	S P Setia Bhd	1,036 – 1,424	550	730	
Alila II	Tanjung Bungah	Hunza Group	1,900 – 3,300	270	795	
Phase 1 @ Queen Residence*	Bayan Bay	Ideal Property Group	950 – 1,650	500	780	
Beacon Executive Suites *	Sungai Pinang	Aspen Group	980	227	590	
Seberang Perai						
Vertu Resort Condominium	Batu Kawan	Aspen Group	1,030 – 1,800	1,282	380	
Luminari @ Harbour Place	Butterworth	OSK Property	947 – 1,335	462	530	
Eco Bloom @ Eco Meadows	Simpang Ampat	EcoWorld Bhd	802 – 1,101	490	480	
Avenue Garden @ Pearl City	Simpang Ampat	Tambun Indah Bhd	775 – 1,163	312	360	
Nautical Bay#	Kampung Gajah	OHM Group	2,152	28	265	

Source: CBRE | WTW Research

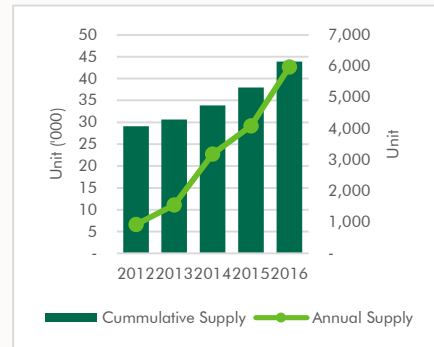
*Open for registration / Soft Launch; # Built-then-sell

MAIN MARKET

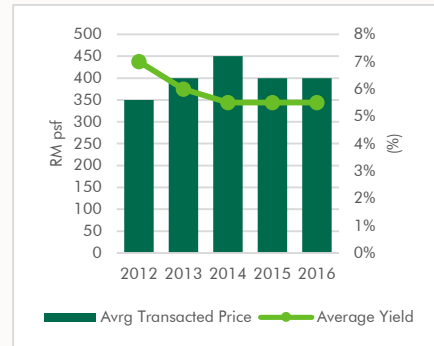
Iskandar Malaysia

The high-rise residential market in IM is further softening and challenging in 2016 as compared to 2015 and the last few years.

TOTAL SUPPLY OF HIGH-RISE RESIDENTIAL



PERFORMANCE OF HIGH-RISE RESIDENTIAL



Source: CBRE | WTW Research

The high-rise residential market in IM is further softening and remain challenging in 2016 as compared to 2015 and the last few years. The existing supply of high-rise residential (apartment, condominium and serviced residence) in 2016 is estimated at 43,898 units, increased approximately 16% from the previous year.

Our in-house survey revealed that about 15 high-rise residential developments were completed since 2H2015, of which majority are serviced residence developments, contributing an additional of approximately 9,025 units to the market, with near to 50% of the units are located in Iskandar Puteri. All these newly completed developments are currently recorded a fairly low occupancies of less than 30%.

The average transaction values of high-rise residential units in sub-sale market was analysed at RM370 psf or about 11% lower than last year and transaction volume is 50% lesser than previous year. Highest transaction price recorded in the secondary market are units within KSL City D'Esplanade, with price of RM730 psf. This followed by Sri Samudera and Zenith Suites with units changed hand at average of RM460 to RM470 psf. For year 2016, most of the transactions were in Molek Pine of Taman Molek, however the transaction prices are more than 20% lower compared to the previous developer's selling prices.

Based on our survey, there are only a few high rise residential developments launched in 2016 namely Southern Marina Residences at Puteri Harbour offered 456 units with selling prices ranged from RM900 to RM1,300 psf. Grand Medini (Tower C) at Medini was offered to public at RM850 to RM1,200 psf while Phase 1 of The Elysia Residence and Tower A of The M - Macrolink Medini, both located at Medini, are launched at RM850 to RM900 psf and RM860 to RM950 psf respectively.

Forest City, a newly launched mega projects by the joint venture between Country Garden Holdings Co Ltd (Hong Kong listed property developer) and Johor's Esplanade Danga 88 Sdn Bhd, will be located on four man-made islands near to the Malaysia-Singapore 2nd Link and spans over 1,386 ha and is a duty-free zone which enjoys special incentives. To date, we understand that more than 13,000 units have been sold and approximately 75% was purchased by China purchasers. The selling price for the condominium is pegged at RM1,200 psf onwards.

Year 2017 will expect new completion of approximately 19,000 high rise units, resulting to a total of about 63,000 units in IM. Lower transaction price in secondary market and higher vacancy rate are expected due to competitive market.

Selected New Completions

Name	Location	Developer	Unit Size (sq ft)	No. of units
The Sky View	Bukit Indah	SP Setia Group	538-1,216	316
The Raffles Suites	Nusa Bestari	BMAH Bproperties SB	700-1,068	311
Grandview 360	Permas Jaya	Northstar Frontier SB	1,085-1,708	443
Aliff Avenue	Tampoi	MB Land	538-1,098	285
The Seeds	Skudai	Tanah Sutera SB	1,240 - 2,390	1230

Selected New Launches

Name	Location	Developer	Unit Size (sq ft)	No. of units	Selling Price (RM psf)
The M-Macrolink Medini (Tower A)	Medini	Macrolink International Land (Malaysia) SB	506 - 1,119	335	860 - 950
Forest City (Phase 1,2,3)	Tg. Pelepas	Country Garden Pacificview SB	517-1,862	>15,000	1,200-1,700
Grand Medini (Tower C)	Medini	Grand Global Medini SB	474-1,119	208	850-1,200

Source: CBRE | WTW Research

MAIN MARKET

Kota Kinabalu

There were more new condominium projects launched in 2016 compared to the previous year although some of these already had their pre-launch registration of interest initiated in 2015. The new launches mainly consist of the mid-range segment. The new high-rise residential developments launched / opened for sale in 2016 are briefly noted as follows:

There were more new condominium projects launched in 2016 compared to the previous year

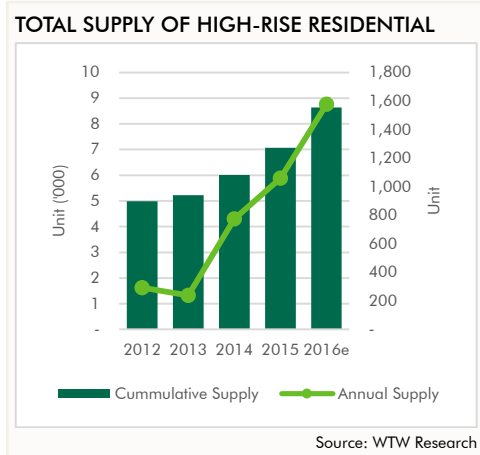
Selected New Launches

Name	Location	Developer	No. of units	Selling Price (RM psf)
Maya@Likas	Likas	Tower Paradise SB	483	513-595*
Bukit Bantayan Residences Phase 1	Inanam	Gamuda Land	296	414-512*
Kingfisher Inanam (Block 1)	Inanam	Hap Seng Properties SB	255	440-499*
Kingfisher Putatan	Putatan	Hap Seng Land Development & JCA SB	120	400-440*
Triconic Tower	Penampang	Unicorn Tower SB (Kinsabina Group)	768	432-518*
SkyVue Residence	Penampang	North Borneo Land Avenue SB	200	513-638*
Likas Boulevard	Likas Bay	GE Properties SB	368	800-1,200
The Shore (Sova/Soho)	KK CBD	Blu Waterfront Development SB	561	1,200 (fully furnished)
CityPads @ JQ Central**	Tanjung Lipat	SBC Corporation	698	800-1,160
Embun Tower Business Suites**	Manggatal	Grand Merdeka Development SB	179	418-469

Source: WTW Research

*Approximate price range after rebate / early bird discount

**Commercial / Business suites. Pricing stated excludes 6% GST



The developments located in prime areas, e.g. within KK CBD or its fringe areas like Tanjung Lipat and Likas Bay are going for about RM800-RM1,200 psf, but it is noted that the unit sizes in these developments, namely The Shore and CityPads @ JQ Central are mainly of the "studio" type configuration, at some 400-700 sq. ft. These also form part of larger, mixed commercial-residential developments. Similarly, the newly launched Embun Tower business suites, being part of the Grand Merdeka mixed commercial development also has unit sizes of 569-898 sq. ft

In September 2016, Singapore-listed GSH Corp Ltd announced that it will launch two luxurious oceanfront condominium projects within Kota Kinabalu's Sutera Harbour Resort in 2017.

The first project consists of the 450-unit Coral Bay @ Sutera with an estimated selling price of RM1,400-RM1,700 psf, or starting at RM1.5 million, targeting Asian investors and owner-occupiers. Their proposed pricing is a new benchmark for condominiums in Kota Kinabalu.

The first three quarters of 2016 saw the completion of some 1,576 condominium units in Kota Kinabalu, bringing the estimated total supply to over 8,638 units. Major completions were the 840-unit Lido Four Seasons and the 228-unit Light Residences, and 228-unit Lido Avenue, all of which are located in Penampang area.

The volume of transaction activities for the 1H2016 eased further year-on-year in the sub-sale condominium market. Interest leaned towards mid-market developments with the bulk of secondary transactions for units below RM550,000 in the 1H2016.

Overall, an increasingly competitive condominium sector with more developers building high-rise / high-density developments to cover rising land costs. Possibility of some downward adjustments to values with expectations of oversupply, especially in secondary areas. However, exceptions are for well-located and well-managed condominiums with good sea views, where values will remain sustainable.

MAIN MARKET

Kota Kinabalu

Selected New Completions				
Name	Location	Developer	Type	No. of units
Lido Four Season	Penampang	Kinasabina Group	C15	840
Light Residences	Penampang	RA Concept Development SB	C22	228
Lido Avenue	Penampang	Mega City Development SB	C26	228
Jade Residence	Fung Ye Ting	Sara-Timur Realty SB	C15	135
Kondominium Kristal (Blocks A & B)	Kepayan	Ip Muda Properties SB	C7 & C10	81

Source: WTW Research



Jesselton Quay, Kota Kinabalu

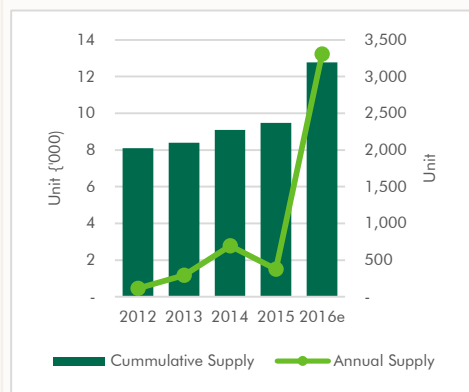
Kuching

There were less units completed for the condominium sector in 2016 compared to 2015. Some projects completed were the The Cube @ Dogan, Stutong Heights, The Royale, Urbaneeze and Imperial Grand Suites. These were located within the periphery of Kuching’s built-up area.

There were less units completed for the condominium sector in 2016 compared to 2015.

Although the number of units launched is considerably less compared to 2015, the number of apartments currently under construction are high especially in the Kuching urban area where these have exceeded the number of landed residential units under construction. This trend which is also observed to be gaining popularity in the suburban areas is expected to continue. The Sarawak property market is seeing a lot more stratified developments in order to optimize on land development efficiency e.g. mixed developments of retail and apartment units, especially with the growing urban population in the major cities in Sarawak such as Kuching, where apartment units make up more than 40% of the overall residential units under construction.

TOTAL SUPPLY OF HIGH-RISE RESIDENTIAL

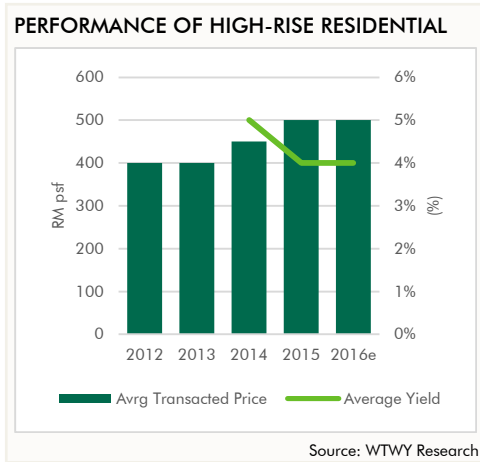


Source: WTW Research

MAIN MARKET



Kuching



As can be seen, the launches of high rise residential units for 2016 have not been confined to Kuching urban areas, but were seen to be also active in the suburban areas with the likes of Trinity Residence, Inspire Heights, HK Square, Cube 2 and etc.

Condominium units offered at these developments range between RM1,000 psf and RM2,250 psf each.

Rentals remain competitive between RM1,000 and RM2,000 per month for apartments and between RM1,500 and RM3,000 per month for condominiums; depending on the furnishings, unit size and facilities. Due to the increased number of units available in the market, rentals have more or less stagnated, and are negotiable.

Most of the apartment units launched for 2016 are of the medium and upper-medium category with prices of units hovering between RM400 and RM500 psf. No exceptional high rates were recorded for 2016 compared to previous years, as there were no high-end projects launched. As such, the average rate recorded was lower compared to the last 2 years where rates as high as between RM700 psf and RM900 psf for studio units at prime locations and penthouses at the city center area were recorded. The take-up rates of apartments, however, have remained strong for 2016 but are expected to slow down by 2017 due to the high number of units anticipated to come into the market.

Whilst sales of the condominium sector is expected to slow down in 2017, prices are expected to maintain and may even increase marginally, depending on the product type and location.

Selected New Completions				
Name	Location	Developer	Unit Size (sq. ft)	No of units
72 Residences	Off Jalan Song	Regal Advantage SB	1,861 - 2,249	32
Riveria Bay	Kota Samarahan	Naim Holdings Bhd	893 - 1,313	72
The Cube @ Dogan	Batu Kawa	Instarmac Development SB	1,096 - 2,731	94
Urbaneeze	Jalan Ketek	Rasaja SB	1,291	78
The Royale	Jln Stampin	Rasaja SB	1,894 - 2, 938	76
Stutong Heights 2	Lrg 28B, Jln Stutong Baru	Ibraco Bhd	841.7 - 1,054	100
Stutong Heights 3	Lrg 24, Jln Stutong Baru	Ibraco Bhd	861 - 1,108	126
Imperial Grand Suites	Jln Datuk Tawi Sli	Boulevard Group	1,477 - 1,982	224

Source: WTWY Research

The Cube @ Dogan,
Batu Kawa



REGIONAL

West Malaysia

Northern Region

In Perak, high-rise residential is less preferred compared to landed properties. However, stratified properties in the town/city centre areas i.e. Ipoh, is gaining acceptance as these areas offer more working opportunities and therefore attracts those who searching for convenience in terms of accommodation.

INDICATIVE NET YIELDS (%)	Condominium	
	2015	2016
Alor Setar	N.A.	3.0 - 3.5
Ipoh	3.0 - 4.0	3.0 - 4.0

Source: CBRE | WTW Research

Selected New Launches

Name	Location	Developer	Unit Size (sq. ft)	No. of units	Selling Price RM (per unit)
Ipoh					
Champs-Élysées	Along Jalan Batu Sinar, Kampar	Agacia Land SB	430 (Average)	632	(RM 480 psf)
Oasis Condominium	Near Taman Mirindy	Luxe Properties SB	944 – 1,066	260	330,000
Sky Garden Residence	Klebang	LYS Group SB	1,680	650	190,880 - 641,880
DWJ Residence	Meru, Ipoh	Suria Gemilang SB	1,032	100	258,000 - 308,000
Manhattan	Jalan Pasir Puteh, Ipoh	Miclebina Properties SB	1,217	436	199,990 – 974,990
Lakeside Legend	Ipoh	Sunrise Palace SB	913	-	191,880
The Venus (Pangsapuri Sejati)	Manjung	King Ong Development SB	From 1,690	N/A	From 268,000
Pangsapuri Samudera 1	Manjung	Kar Sin Bhd	840 - 969	N/A	From 188,860
Park View Residence	Bandar Cyber, Ipoh	Harmony Symbolic SB	1,468 -1,492	56	468,000 - 588,000

Source: CBRE | WTW Research



The Octagon, Ipoh



Kalistar, Seremban

**West
Malaysia**

East Coast

High-rise residential units, in particular, the Kuantan Tembeling Resort, have become more attractive as an investment choice/ first home for buyers entering the property market as the disparity between the prices of landed and non-landed properties widens. The slight increase in demand by expatriates has also contributed to the demand by local investors purchasing condominium units for rental returns.

Icon Residence, a mixed development, is reaping the advantage of being the very first luxury high-rise condominium in Terengganu and so far has received a warm response from the local market and underlines the future prospects for high-rise residential in the state.

In Kota Bharu recent trend of buying high-rise residential property is for investment purposes especially serviced apartment units whilst condominium units are usually for family and long-term owner occupation. Developers are keener towards smaller size units such as studio and 1-bedroom units which could entice more buyers. Cash buyers are com-

INDICATIVE NET YIELDS (%)	Condominium	
	2015	2016
Kuantan	7.0	7.0
Kota Bharu	5.5	5.5
Kuala Terengganu	5.0	5.0

Source: CBRE | WTW Research

mon in the local market and are greatly contributing to the high take up rate of high rise developments.

The rising concern on security issues has also encouraged the trend of high-rise residential development. The local market in Kuantan and Kota Bharu will see greater acceleration in high-rise developments due to demand for such lifestyle properties.

Selected New Launches

Name	Location	Developer	Unit Size (sq ft)	No. of Units	Selling Price (RM psf)
Kuantan					
Timur Bay	Sungai Karang	PJD Sejahtera SB	429 – 917	760	From 788
Mahkota Villa @ Mahkota Golf & Country Club	Bandar Indera Mahkota	Aim Realty Development SB	451 – 620	1001	From 400

Source: CBRE | WTW Research

Southern Region

The general outlook of the Seremban market is on the down trend with the take up rates for new projects such as Kalistar 2 falling below expectations. Although it is not officially announced, it is believed that the state government is not keen on high rise residential development but are willing to approve high rise residential developments meant for affordable housing. However, transactions for such properties are decreasing as buyers are more cost cautious of high-rise residential which incur additional costs such as maintenance charges, sinking fund, etc.

Developments in Melaka are concentrated in the town area, demanded by locals for convenience to work, schools and commercial facilities, provided that the pricing is competitive.

INDICATIVE NET YIELDS (%)	Condominium	
	2015	2016
Malacca	3.7	3.7
Batu Pahat	3.0	3.0

Source: CBRE | WTW Research

The only notable condominium in Batu Pahat is Hillview Loft Condominium. Only a handful of units were transacted in year 2016. The average transacted price is in the region of RM320 psf.

Selected New Launches

Name	Location	Developer	Type	Unit Size (sq. ft)	No of Units	Selling Price (RM psf)
Seremban						
Nurani	Bandar Ainsdale	Sime Darby Property	APT	From 980	384	336,888 – 513,888
Melaka						
Parkland Residence @ Sungai Melaka	Bachang	Parkland Group SB	SA	1,088	809	>450
Centro	Jalan Gajah Berang	PB Realty SB	C	870	288	>442

Source: CBRE | WTW Research

REGIONAL

**East
Malaysia**

Labuan

As landed properties become more expensive, high rise residential properties have become a more of acceptable form of home ownership or investment. Security has become also another important issue.

Sabah

This sector remains stable as there are no new launchings of new high-rise residential projects for 2016 and 2017.

INDICATIVE NET YIELDS (%)	Condominium	
	2015	2016
Sandakan	5.0	5.0
Tawau	4.5	4.3

Source: WTW Research

Sarawak

High-rise residential properties will be expected to experience a slowdown and will continue over to year 2017.

In Sibü, the completion of Waterfront Residence is expected by this year end to become a new landmark in Sibü. There will be more apartments in suburban areas to be launched in 2017.

The past 5 years have seen many launches of apartments and condominiums in Miri and this year, two apartment/condominium projects have been launched while 3 apartment/condominium projects are currently under construction.

INDICATIVE NET YIELDS (%)	Condominium	
	2015	2016
Sibü	4.5	4.5

Source: WTW Research



Waterfront Residence, Sibü

Overview

The global rout in oil prices, dropping by more than 50% since July 2014 have led to layoffs in the oil and gas sector; forcing many companies to cut back on capital expenditure and operating overheads. According to Bank Negara, there are 21,713 layoffs in 2015, 75% higher than 2014 and the highest since 2009. As a result, latest statistics by

Klang Valley

The Purpose-Built Office market in the Klang Valley (KV) was observed to be stable in 2016.

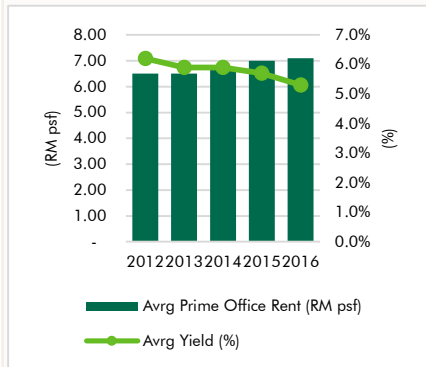
The Purpose-Built Office market in the Klang Valley (KV) was observed to be stable in 2016. Despite on-going decentralisation, Kuala Lumpur (KL) being the preferred location for many local and MNC companies, continued to contribute the bulk of office supply with about 45% of office space located within KL city centre.

Three office buildings totaling 2.19 million sq ft were reported completed in 2016 resulting to a total stock in KV exceeding 100 million sq ft. By end of 2016, 5 more buildings are expected to add a total of 2.48 million sq ft of office space into the market.

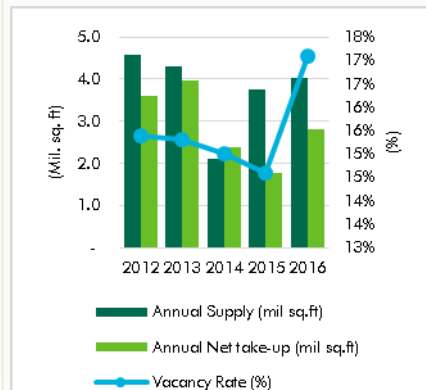
In 3Q2016, the KV occupancy rate rebounded by virtue of no new supply observed during the review period. The occupancy rate registered at 83.9% of which KL improved by 1.1% whilst outside KL recorded a marginal drop at 0.3%.

Despite softer demand, rental and capital values in KV remained stable. Average prime asking gross rental, particular in KL area was RM7.00 per sq ft with yields ranging between 5.5% and 6.0%.

PERFORMANCE OF PURPOSE BUILT OFFICE



SUPPLY & DEMAND OF PURPOSE BUILT OFFICE



Source: CBRE | WTW Research

Malaysian Institute of Economic Research (MIER) reported that Business Confidence Index (BCI) continue to dives further below the 100-point threshold at 83.9 points, with both Current Index (CI) and Expectation Index (EI) remained low. The weakening business sentiments and slowdown in the overall trading is expected to be more apparent in the short terms.

	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET (PURPOSE-BUILT OFFICE)						
K.Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▶	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Iskandar M'sia	▶	▶	▲	▶	▲	▶
Kota Kinabalu	▶	▼	▶	▶	▶	▶
Kuching	▶	▶	▶	▶	▼	▶
REGIONAL (SHOPOFFICE)						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▼	▶	▼	▶	▼	▶
Kota Bharu	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▼	▶	▼	▶	▼	▶
Malacca	▼	▼	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▼
EAST MALAYSIA						
Sabah						
Sandakan	▶	▶	▶	▶	▶	▶
Tawau	▶	▼	▶	▼	▶	▼
L.Datu	▼	▼	▼	▼	▼	▼
Keningau	▼	▼	▶	▶	▶	▶
Labuan	▼	▼	▶	▶	▶	▼
Sarawak						
Sibu	▼	▼	▶	▶	▼	▼
Miri	▼	▼	▶	▼	▼	▼
Bintulu	▼	▼	▶	▼	▶	▼

MAIN MARKET

Klang Valley

Six purpose-built office were transacted in 2016 amounting to a total value of RM1.62 billion. Out of the total, three buildings were located within city centres with two of the buildings were acquired by foreign investor.

With the additional 1.65 million sq ft of purpose built office space expected by end of 2016, the KV market will continue to be a tenants' market while no fluctuation in rental is expected, landlords / building owners will be more aggressive in attracting tenants.

High quality prime offices will continue to perform well and in terms of investments, the office market is expected to sustain interest from foreign investors who are exploring and interested to invest in Malaysia. It is made more attractive by the weak ringgit and slower growth in the European countries, China and US.



Purpose-built Office scheduled for completion in 2016

Name	Sub-Zone	NLA (million sq ft)
Menara Hong Leong @ Damansara City	MKL	1.65
Mercu Mustapha Kamal @ Neo Damansara		
The Vertical UOA Bangsar (Tower B)		
Total		1.65

Source: CBRE | WTW Research

Penang

The existing supply of purpose built offices in Penang stood at 11.98 million sq ft with 8.95 million sq ft of office space on the island. Approximately 82% of the office space on the Island are within Georgetown, whilst office space outside Georgetown are scattered in Bayan Baru, Sungai Nibong and Gelugor.

The existing supply of purpose built office in Penang stood at 8.95 million square feet in the island, and 3.03 million square feet on the mainland.

In 2016 observed the completion of an office tower at Seri Tanjung Pinang, namely Straits Quay Commercial Suites with a net lettable area of approximately 105,000 sq ft. Straits Quay Commercial Suites is an 18-storey block of office suites and formed part of the Straits Quay development. The office tower comprises 11 levels of commercial space, with typical floor plate size of approximately 10,000 sq ft.

The occupancy rate of office space in Penang remained stable at approximately 83%. Rental rates for office space in Georgetown were between RM2.50 and RM3.30 psf per month whilst office space outside Georgetown such as Bayan Baru, commanded a relatively higher rental rates of between RM3.30 and RM4.50 psf per month. Gross rental yield remained stable in 2016, at 5.0% to 6.0%.

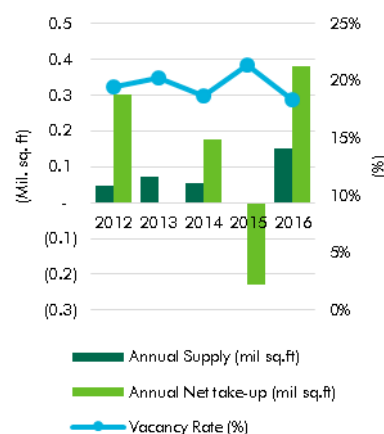
Demand is expected to remain stable with subdued

Selected New Completion

Name	NLA (sq ft)
Straits Quay Commercial Suites	105,000

Source: CBRE | WTW Research

SUPPLY & DEMAND OF PURPOSE BUILT OFFICE



Source: CBRE | WTW Research

MAIN MARKET

Penang

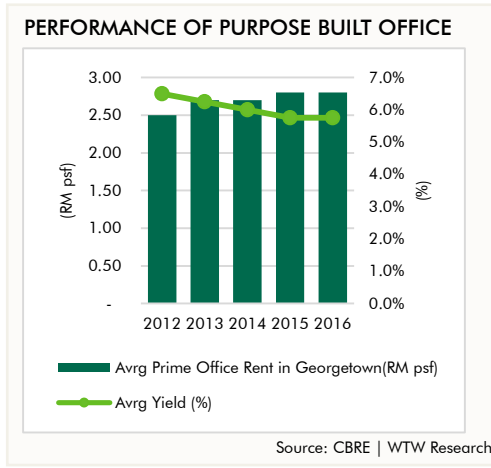
improvement in the near future, with challenges due to the the weak global economy and cautious business sentiment of the country. New take-up is expected to be primarily in newer and well maintained buildings.

Hence, well located and well maintained buildings with secured leases should maintain their rentals and prices. Older buildings which do not meet the increasing expectations of end-users may experience a significant slide in demand thus rentals and market prices.

In Penang Island, the future development trend is likely to shift towards the south-eastern area of the Island, nearer to the Bayan Lepas Industrial Park and further from the matured office zone in Georgetown. The development prospects at the south-eastern area of the sland is boosted by the declaration of Penang Cybercity 1 (PCC1), as part of the Multimedia Super Corridor (MSC). There are also more parcels of lands with sizes that are suitable for a better planned developments compared to other areas.

In Seberang Perai, the supply of office spaces remained stagnant as many small and medium-sized local companies still prefer to purchase or rent shophouses in commercial locations for their offices.

Straits Quay Office Suites



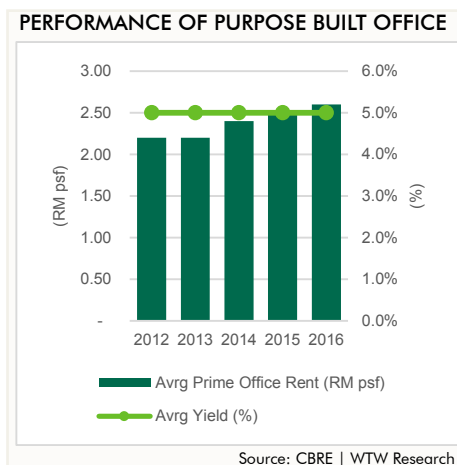
Selected New Launch

Name	Type	Minimum Selling Price (RM per unit)
Phase 1 @ Ultropolis, Batu Kawan	196 retail shop & office units	326,600 onwards

Source: CBRE | WTW Research

Iskandar Malaysia

The completion of new office buildings in Medini and Puteri Harbour have set a new benchmark in terms of quality and rental for office buildings



2016 was an exciting year for office sector where the market witnessed a number of transactions of purpose-built office building in IM, recorded total transaction value of RM1,241 million. At the same time, completion of several new office buildings in Medini and Puteri Harbour have set a new benchmark in terms of quality and rental for office buildings in IM.

As of 3Q2016, the existing supply of office space in IM stood at 9.21 million sq. ft of which the government buildings contributed 30.4%.

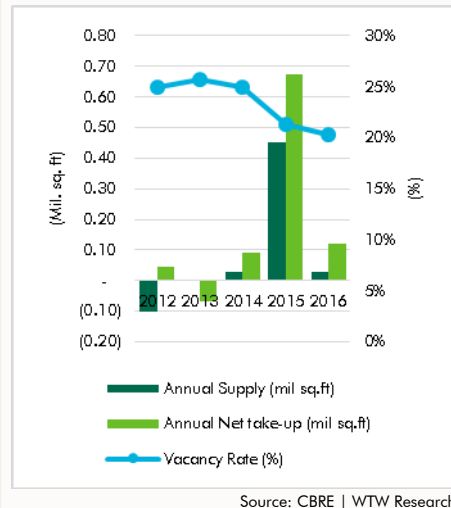
By the end of 2016, the office sector witnessed the completion of two office buildings in Medini and Puteri Harbour at Iskandar Puteri, known as Corporation Training

Centre of Afiniti Medini and Imperia Tower with NLA of 66,000 sq ft and 197,260 sq ft respectively.

MAIN MARKET

**Iskandar
Malaysia**

SUPPLY & DEMAND OF PURPOSE BUILT OFFICE



There will be an additional 2.4 million sq ft of new office spaces available in IM within the next 3 years by completion of 5 upcoming developments in Medini and Eco Botanic, Iskandar Puteri and 4 located within Johor Bahru city centre.

Demand for office space has been stable and the vacancy rate was about 21%. Rental rates for prime office space in Johor Bahru city centre remained steady at about RM3.20 to RM3.50 psf per month, while it was RM2.80 to RM3.30 psf for office buildings located in city fringe. New benchmark was recorded for the new office buildings in Medini and Puteri Harbour with higher rental rates achieved in the range RM4.50 to RM5.00 psf.

In January 2016, D’Pristine Tower in Medini with NFA of 514,795 sq ft was acquired by Pelaburan Hartanah Berhad at RM373 million or analysed at RM725 psf. The sale is with a 3-year fixed guaranteed return of 6.5% per annum.

In March 2016, Bank Rakyat has also purchased an entire Imperia Tower, Iskandar Puteri

block of 550,000 sq ft within Coronation Square in city centre of IM at RM460 million which is expected for completion in 2019.

In November 2016, another 2 transactions viz. Selesa Tower (consists of a hotel and an office tower) was acquired by Optimum Impress Sdn Bhd (OISB) at RM100 million whilst Astaka Padu Sdn Bhd entered into a sale and purchase agreement with Johor Bahru’s City Council (MBJB) to construct, develop and sell to MBJB a office tower for RM308 million or analysed at RM880 psf.

With newly completed office buildings and the additional 2.4 million sq ft of office space coming into the market, office market in IM is expected to be more challenging and relatively long take up period is expected before the upcoming office spaces can be absorbed by the market.



D’Pristine Tower,
Iskandar Puteri

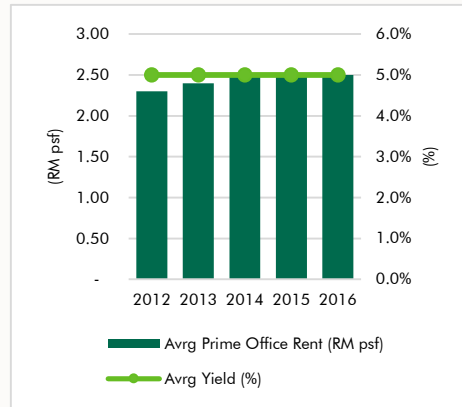
MAIN MARKET



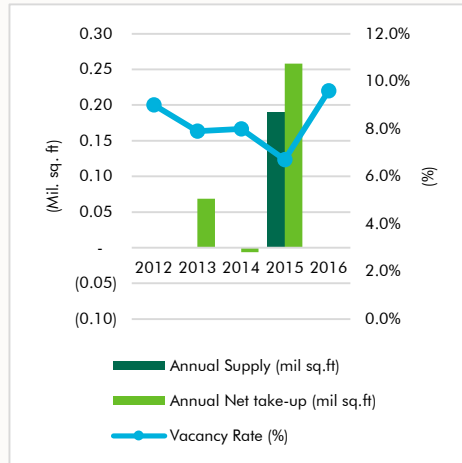
Kota Kinabalu

There were no new supply of purpose-built offices in 2016.

PERFORMANCE OF PURPOSE BUILT OFFICE



SUPPLY & DEMAND OF PURPOSE BUILT OFFICE



Source: WTW Research

There were no new supply of purpose-built offices in 2016. Incoming new supply of purpose-built office from ongoing developments such as the State Administrative Complex and Pacific Enterprise (part of Pacificity) as well as signature offices from Sutera Avenue and Aeropod are expected to come onstream in 2017.

New launch of office space in 2016 consists of i-Office, in JQ Central, which is part of the larger Jesselton Quay development at the old Kota Kinabalu port. The 22-storey Grade A office tower will be equipped with the latest technology, facilities and security.

A relatively quiet sub-sale market for purpose-built offices in the 1H2016. Rental rates for purpose-built offices are around RM2.00-RM3.00 psf, with the exception of Plaza Shell and Riverson Suites, with asking rents in the region of about RM5.50-6.00 and RM4.00 psf, respectively.

Overall, demand for purpose-built office space in Kota Kinabalu is still very much localised. The sector is expected to remain little changed from previous years, or may face some downward pressure as requirements for office space are also being met by conventional shopoffices.

Selected New Launches

Name	Location	Developer	Type	Unit Size (NLA, sq ft)	No. of units	Selling Price (RM per unit)
Seri Putatan Commercial Centre	Putatan	Excel Pave S/B	2-3 - SO	1,762-5,640	39	899,800-2.788 mil

Source: WTW Research

JQ iOffice

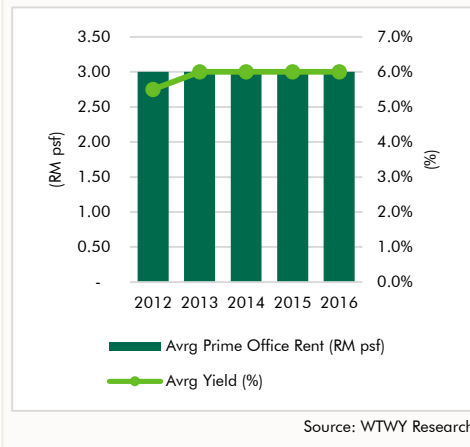


MAIN MARKET

Kuching

There were no new purpose-built office buildings completed for 2016.

PERFORMANCE OF PURPOSE BUILT OFFICE



ChaYi Goldland



ICOM Square Office Tower

launches spell an impending oversupply/glut for this sub-sector. These will take time to absorb, with take up rates further hampered by the current poor economic climate. Occupancies are also seen to be falling for existing shop office units with no improved rentals.

At the moment, shop office prices continue to be sustained despite slower sales, with marginal increase in prices for units in good locations. The prices of shop office units remain stable at RM400 psf for units in prime locations and rentals are hovering around RM1.50 psf for office spaces at shophouses.

Overall, the 3-storey shophouse is the dominant type. The design of the shophouses are seen to have be trending towards street-mall concept with covered common areas, walkways and corridors to cater for alfresco dining, exhibition displays and etc.

There were no new purpose-built office buildings completed for 2016. The few that were completed end of last year such as CWR Corporate and the East Wing and Centre Court towers at City Square are still unoccupied. Current supply of purpose-built office spaces in Kuching have exceeded 5 million sq. ft .

Purpose-built offices in Kuching remain somewhat low in demand due to smaller scale of business operations, with most preferring to take up shophouse blocks where rentals and overheads are lower.

While most office spaces are occupied by government and government-linked entities, the vacancy rates for the office sector are observed to have increased due to the moving out of big tenants for relocation such as that seen happening at Wisma Bukit Mata which saw CIMB and Al-Rajhi Bank moving out during the 2nd half of 2016. The average occupation rate was also pulled down with the incoming new supply of private purpose-built office space remaining vacant. 2016 saw Maybank moving its corporate banking and office sector to the former MAS building at Jalan Song Thian Cheok.

The office sector in Kuching remains docile with rental yields maintaining at 5%-6% per annum and rentals remaining stagnant at an average of between RM2.80 and RM3.00 psf or even less for those outside the CBD. There were no office buildings transacted for 2016.

The office sector will witness a significant addition of purpose-built office spaces of around 230,000 sq ft in the next year or so with the completion of the 11-storey Gateway Towers at the Kuching Isthmus, which is built to house the headquarters of SEDC and LCDA, 2 government subsidiaries.

SHOPOFFICE

The large number of shop office units under construction and coming into the market from previous years of prolific

MAIN MARKET

Kuching

Selected New Completions			
Name	Location	Developer	NLA (mil sq. ft)
City Square/East-wing tower	CBD	Timberland Group of Companies	5,000
City Square/Centre Court	CBD	Timberland Group of Companies	24,000
RCW Corporate	Suburb	NA	3,778
Shop Office			No. of units
@iman	Kota Samarahan	San Chin Mantap SB	204
Jln Taman Eastern/Unaco	Jalan Taman Eastern	Unaco Enterprise SB	18
Campus Hub	Kota Samarahan	Sinar Mekar Properties SB	37
Central World	Jln Merbau/Pelabuhan	Metro Mile Sd	73
City Square	Jalan Pending	The TimberLand Group	29
Desa Ilmu	Kota Samarahan	Naim Holdings SB	23
Federal Park	Matang	Eastbourne Corporation Bhd	16
Moyan Square	Matang	Tanah Hartawan/Indah Kerjaya	28
Residence 805	Matang	Lee Onn Development SB	16
Taman Sri Tuang	Kota Samarahan	LTH Enterprise SB	42
Berlian Square	Kota Samarahan	Yung Seng Construction SB	51
Meadow Hill	Matang	Imperco SB	20
Chayi Goldland	Jalan Tun Jugah	TSW (S) Holdings SB	26

Source: WTWY Research

Selected New Launches				
Name	Location	Developer	Type	No. of units
Regal	Batu Kawa	Regal Group	SH3CT	10
TT 3 Plaza	KBUA	Ibraco Bhd	SH3CT	69
TT 3 Plaza	KBUA	Ibraco Bhd	SH3SuperIT	15

Source: WTWY Research

Moneta de Borneo @ Stutong



REGIONAL

**West
Malaysia**

Northern Region

For commercial development, there has been no new purpose built office development and the existing office buildings are mostly occupied by the public sector especially in Sungai Petani and Alor Setar. Overall, the shopoffice were more preferred compared to purpose built office as it was cheaper for most of the business to operate in conventional shopoffice.

Year 2016 has been a stable year for purpose built office and shopoffice market and it is expected to be soften in 2017. In Ipoh, prospective buyers and SMEs prefer shop offices more than purpose built office, thus creating a minimal to stagnant demand for purpose built offices in the Ipoh market in 2016. Purpose-built offices in Ipoh are also tenanted mostly by government departments and big corporations, which show low occupancy rates on this type of property.

Shop offices are more preferred by SME business owners and also investors. For typical hot spots in the town areas, the yield for shop offices is still higher which sustains the strong demand for shop offices. Other than that, capital appreciation in several areas such as Ipoh and Manjung contributes to the massive supply of shop offices in both property markets.

INDICATIVE NET YIELD (%)	Purpose Built Office		Shop Office	
	2015	2016	2015	2016
Alor Setar	4.0 - 5.0	4.0 - 5.0	7.0	5.0 - 6.0
Ipoh	4.0 - 5.0	4.0 - 5.0	4.0 - 5.0	5.0 - 6.0

Source: CBRE | WTW Research

Selected New Launches

Name	Location	Developer	Type	Selling Price (RM psf)
Uni Square	Taman Chandan Putri, Kuala Kangsar	Sri Kancil Development SB	Retail Space/ Shop office/ Home office (SOHO)	From 320,600
Falim Square	Near AEON Big Falim	Mansion Builders SB	Sports arena / shop office	From 888,000
Avenue 8 @ 1 Pengkalan	Pengkalan, Ipoh	Tumbuh Merata SB	2 -SO	From 399,000

Source: CBRE | WTW Research



Ipoh Soho 2



Manhattan Business Centre, Ipoh

REGIONAL



West Malaysia

East Coast

There is no new purpose-built office that is expected to be unveiled in Kuantan for the upcoming year. Therefore, overall demand is expected to remain stable.

In view of the oversupply of shop offices in Kuantan, especially in the outskirts, there will be some adjustment in the transaction activity, transacted prices and occupancy rate. The reduced financing approval rate on shop offices is also one of the factors affecting the overall performance of shop office demand. Shop offices located

in prime areas remain robust, though an adjustment in price has been witnessed in 2016, whereas adjustments in transacted prices and low occupancy rates prevailed for those that are located outskirts.

In Kota Bharu shop offices are highly preferable for office sector. Rental rates of shop office types is more competitive and relatively promising depending on location. The most highly sought area for shop offices are within Kota Bharu Waterfront City or Lembah Sireh and high transaction activities for shop offices throughout the

INDICATIVE NET YIELD (%)	Purpose Built Office		Shop Office	
	2015	2016	2015	2016
Kuantan	5.5	5.5	5.5	5.0
Kota Bharu	1.8 - 2.0	1.8 - 2.0	6.5 - 7.0	6.5 - 7.0
Kuala Terengganu	1.8 - 2.0	1.8 - 2.0	6.5 - 7.5	6.5 - 7.5

Source: CBRE | WTW Research

year were the newly completed units at Pasir Puteh Sentral.

In Kuala Terengganu, Paya Bunga Square is a new multi-purpose built office in which LHDN has rented office space. However, buyers and tenants still prefer shop-offices possibly due to the lower rental rates and flexibility in the use of space.



Kota Bharu City Point

Southern Region

The shopoffice is the proven investment tool as investors tend to buy into newly launch projects in prime locations for the rental returns and yield which would be comparable to residential properties in Seremban.

However, with the flood of newly completed shopoffices and higher developers' selling prices coupled with the extra cost of GST, the market is generally slower. Furthermore, some of the commercial precincts with shopoffices are performing below expectations with lower occupancy, i.e. Centrio of Seremban 2, Era Square by Era Baru Development Sdn Bhd and etc. For purpose built office, the only new supply was Menara Mains, which is pending CCC/CFO and available only for rent.

As for shopoffices, the newer phase of Sendayan Metro Park by Matrix Concept Holdings Berhad, Plazo by IJM Land Berhad, Bandar Prima Senawang by LTS Properties (M) Sdn Bhd and Lukut Prima are among the notable new supply. Although the number of new launches have generally decreased, the scale of the projects launched are bigger with more units being developed within one project.

Selected New Launches

Name	Location	Developer	Type	Unit Size (sq ft)	No. of units	
Seremban						
10shopz@nilai	Desa Kasia, Nilai	Ireka Development	SB	2.5 - SO	1650	10
Ainsdale, Type Anika	Bandar Ainsdale	Sime Darby SB		2- SO	1650-2475	32

Source: CBRE | WTW Research

REGIONAL

West Malaysia

Private purpose-built office space in Melaka is limited to the existing United Malacca Berhad building and Jaya 99 as market demand is still limited.

The supply of shop offices are mostly newly completed whilst units under-construction are under control as local developers realize that market demand has weakened. New shop offices had been completed and available in Kota Laksamana, Limbongan, Klebang, Krubong, Bukit Katil and Ayer Keroh area since 2015. With stable / lower market appreciation, investors may pursue rental income rather than capital gains. In 2017, market sentiment will continue to be subdued unless new incentives / opportunities are introduced by the state government.

The River City Commercial Centre along Jalan Pantai, Batu Pahat was launched in May 2016. The scheme, which comprises a total of 43 units of 3-storey terrace shop/offices and 3-storey semi-detached shop/offices, is due to be completed in

INDICATIVE NET YIELD (%)	Purpose Built Office		Shop Office	
	2015	2016	2015	2016
Malacca	6.0	6.0	6.4	6.3
Batu Pahat	5.0	5.0	5.0	5.0
Seremban	6.5	6.5	6.5	6.5

Source: CBRE | WTW Research

2018. A new commercial scheme known as Versis Batu Pahat is proposed to be erected at a sizeable plot of land strategically located at the Jalan Bakau Chondong/Rugayah junction. The scheme, which is undertaken by BCB Berhad, will have a total of 70 units of 3-storey shop/offices. Phase 1, containing 37 units, was soft launched in August 2016.



Uptown Avenue, Seremban 2



Taman Flora Utama, Batu Pahat

East Malaysia

Sabah

In 2016, new shopoffices being built at Keningau New Township are expected to be completed in 2017. There are no other shopoffice developments at present.

INDICATIVE NET YIELD	Purpose Built Office		Shop Office	
	2015	2016	2015	2016
Tawau	3.5 - 4.0	3.5 - 4.0	3.5 - 4.5	3.5 - 4.5
Lahad Datu	-	-	4.0	4.0
Sandakan	4.0	4.0	4.5	4.5
Keningau	-	-	4.6	4.6

Source: WTW Research

Selected New Launches

Name	Location	Developer	Type	Unit Size (sq ft)	No. of units	Selling Price (RM per unit)
Tawau						
1 Kubota, Phase 2	Jalan Kubota	Acejuta SB	3-SO	1,350 - 2300	50	367 - 375 (psf)
Sandakan						
Bandar Labuk Jaya D Ph 1	Jalan Labuk	Kelasmaju SB	2-SD	1,500/floor	16	1,319,000 - 1,572,000
Bandar Labuk Jaya D Ph 2	Jalan Labuk	Kelasmaju SB	3-SO	1,313/floor	6	1,260,000 - 1,378,000
Bandar Melrose	Jalan Utara	Saban Enterprise SB	2-3 -SO	C-1,226/floor I-1,125/floor	16	N.A

Source: WTW Research



Sarawak

There is limited transaction activity for purposed built offices. The occupancy rate has remained the same for the last two years. Vacant office spaces remain unrented and tenants in occupied office space remain as usual. For office space, there are two blocks of 6-storey and 8-storey office suite with the total estimated office space of 6,698 sq m to be added in 2016/2017. The transaction activity of shop offices dropped mainly due to selling prices which are rising to unaffordable levels compared to retail yields as a result of the oversupply position.

Due to the oversupply situation at the present moment, some shopoffice projects have been delayed to launch, at the same time waiting for occupancy rates to recover in the year ahead.

There is limited supply and demand for purpose built offices in Miri and Bintulu. Most companies would opt for shophouses as office space. The supply for purpose built offices and shophouses is expected to slow down with fewer units being launched and it is seen that this market condition will continue on to year 2017. Generally, there is an over-supply of shophouse units in the Miri market.

Currently the ongoing projects in Bintulu are the 6-storey SOVO in Bintulu Paragon launched in 2014 by Naim Land Development Sdn Bhd and Town Square SOHO launched in 2016 by Ibraco Sdn Bhd.

At present, around 467 units of shopoffices were introduced into the market and will be completed in the next two to three

INDICATIVE NET YIELD (%)	Purpose Built Office		Shop Office	
	2015	2016	2015	2016
Sibu	N.A.	N.A.	4.0	4.0
Miri	4.5	4.5	4.5	4.0
Bintulu	N.A	N.A	6.6	6.0

Source: WTWY Research

years. The take up rates of commercial properties are at a relatively slow pace and generally there is an oversupply of shopoffices in Bintulu. Supply is expected to slow down and this market condition will continue into 2017.

Selected New Launches

Name	Location	Developer	Type	Unit Size (sq ft)	No. of units	Selling Price (RM per unit)
Bintulu						
SK One	Jalan Sultan Iskandar	SK Development SB	Strata title commercial	800-1700	316	280,000-1,500,000
Town Square Soho	Jalan Tun Ahmad Zaidi	Ibraco Development SB	SOHO	597-987	158	285,000-502,000
Pier 99 Phase 1	Lebuhraya Abang Galau	Sarawak Land (Kemena Park) SB	3-SH	3,882-5,373	36	1,705,000-2,320,000

Source: WTWY Research

Klang Valley

The Klang Valley saw completion of 2.27 million sq ft in 3Q 2016, there were a total of 146 shopping centres with total net lettable area of 53 million sq. ft.

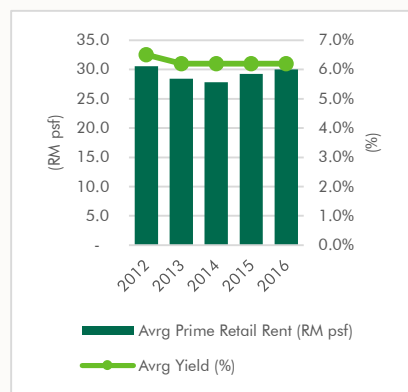
The KV retail market in general became more challenging in 2016 as a result from the low consumer sentiment leading to cautious retail spending. The Consumer Sentiment Index (CSI) fell for the ninth consecutive quarters below the 100-points threshold to 73.6 points in 3Q 2016 from 76 points in 2Q 2016. The aforesaid is believed to have a spillover effect on the retail business segment where a lower growth rate in retail sales was observed registering at 1.9% in 3Q 2016 compared to 7.5% in 2Q 2016.

The KV saw completion of 2.27 million sq ft in 3Q2016 resulting a total of 146 shopping centres with total NLA of 53.21 million sq ft. Another 2.03 million sq ft retail are coming on stream by 4Q2016. Notable megamalls near completion include Sunway Velocity, Empire City Mall, and Mytown Shopping Centre, each with more than 1 million sq. ft.

Out of the total supply, approximately 54% (28.67 million sq ft) is located within KL city centre, whilst the remaining 46% with NLA of 24.54 million sq ft are located outside KL.

Construction activity remain robust with about 16.58 million sq ft of retail space in development and expected completion by 2019. The surge in supply was mainly due to retail developments as parts of integrated developments.

PERFORMANCE OF RETAIL SPACE

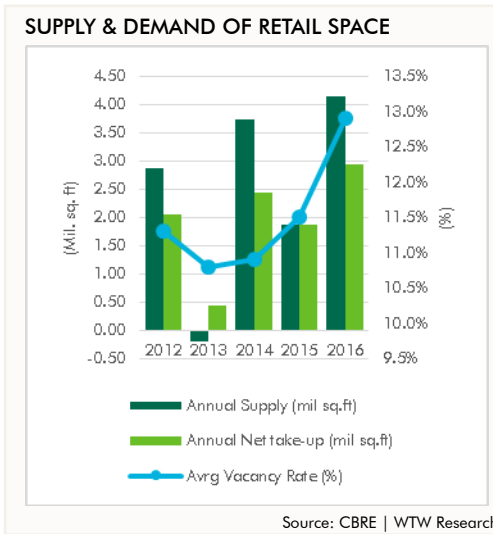


Source: CBRE | WTW Research

RETAIL	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET						
K.Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▶	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Iskandar M'sia	▶	▶	▶	▶	▶	▶
Kota Kinabalu	▶	▶	▶	▶	▶	▼
Kuching	▼	▼	▼	▼	▼	▼
REGIONAL						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▶	▶	▼	▼	▼	▼
Kota Bharu	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▶	▼	▼	▶	▼	▶
Malacca	▶	▼	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▼
EAST MALAYSIA						
Sabah						
Sandakan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tawau	▼	▼	▼	▼	▼	▼
L.Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▶	▶	▶	▶	▶
Labuan	▶	▼	▶	▶	▶	▶
Sarawak						
Sibu	N.A.	N.A.	N.A.	N.A.	▶	▶
Miri	▼	▼	▲	▼	▶	▼
Bintulu	▼	▼	▶	▶	▼	▼

MAIN MARKET

Klang Valley



The occupancy rate of retail malls had remained strong in the past five years, hovering at about 89%. Completion of several retail malls last year continued to push the occupancy rate slightly downwards, from 88.5% in 2015 to 87.6% in 2016. Increasing competition in the retail market will continue with the addition of the completed and incoming supply of close to 4.5 million sq ft of retail space in 2016.

Asking rentals in successful malls in prime locations remain highly sought after, averaging at around RM30 psf per month. With good locations in KV, the average rental rate is expected to remain firm or trend slightly upwards.

The retail sector in KV is expected to face stiff competition in the next few years, with more ongoing-construction retail malls slated for completion in 2017 - 2019. The majority of future mall supply are skewed to the fringe of

KL although there are several notable developments in progress around the Bukit Bintang area.

The uncertainties in both global and local economic outlook might cut consumer spending, which may later affect shopper traffic and retail sales particularly for those retail malls located in less-strategic locations. However, well located malls concentrated within Kuala Lumpur, especially KLCC and Bukit bintang areas remain appealing to some international retailers.

Overall, rental rates continue to remain flattish with investment prospects would remain firm, driven by the depreciated currency which will favour foreign investment activities in Malaysia.

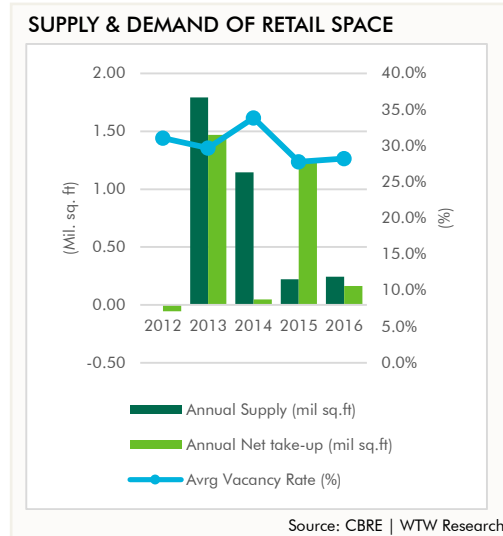
MyTown Shopping Centre



MAIN MARKET

Penang

The overall retail market in Penang was considered stable



The retail market in Penang saw three new retail malls opened in 2016. These retail malls are Pearl City Mall in Simpang Ampat, M Mall 020 @ Penang Times Square in Georgetown and Penang Design Village in Batu Kawan. As at 2016, the existing supply of retail space in Penang stood at 18.54 million sq ft, with the majority are on Penang Island, about 11.74 million sq ft (63%), whilst Seberang Perai has approximately 6.80 million sq ft (37%) of retail space.

Situated off Jalan Dato Kramat, M Mall 020 is the phase 2 of the Penang Times Square development. The retail mall has approximately 353,317 sq ft of retail space and allows consumers/customers the option to purchase products and services online or offline from merchants. Operated by MBI Group, the mall houses the first Wax Museum of the state and incorporated world cultures theme zones based on

cultures from various countries, i.e. England, China, Korea, Japan, Thailand and Malaysia.

On the mainland, Pearl City Mall is the newly opened neighbourhood mall development, is anchored by C-Mart supermarket, which has five other supermarkets in Perlis and Kedah. On the other hand, Perda City Mall located in Bandar Perda has ceased its operation effective 2nd August 2016, after 18 months in business since its make-over. The 790,000 sq ft retail mall formerly known as Aeon Seberang Perai City was opened in 2008, which was then refurbished and reopened for business in September 2014 with new anchor tenants Parkson and Econsave.

Penang Design Village, the first outlet mall in Penang and Northern Region, opened its doors to public on 23th November 2016. This single-storey mall has approximately 400,000 sq ft of retail space tenanted by some notable brand names.

Overall occupancy rate remained stable at 72%, with retail centres in Penang Island continuing to outperform existing retail centres in Seberang Perai, with average occupancy rates of about 80% whilst the latter at about 60%. Retail rentals of selected prime retail centres in Penang stayed firm in 2015. Gross rentals for the ground floor of selected prime retail centres in Penang Island commanded higher rental rates of about RM22 per sq ft per month.

In the next three to five years, more retail space with approximately 5 million sq ft of retail space is expected to come on stream. Nonetheless, retail centres with strong tenant mix and situated within strategic locations, and with large and ready catchment population, will continue to thrive. On the other hand, aged retail centres are likely to see a dip of occupancy where tenants may seek for relocation upon expiration of tenancy in view of the poor building conditions.

Penang Design Village Outlet Mall, Batu Kawan

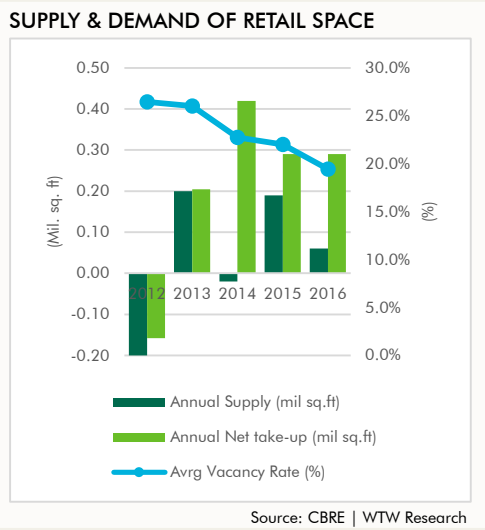


MAIN MARKET



Iskandar Malaysia

The total supply of retail space in Iskandar Malaysia stood at 13.53 million sq ft in 2016



The total supply of retail space in IM stood at 13.53 million sq ft in 2016, with the newly completed Mydin Pelangi Indah in Ulu Tiram contributing an additional of 142,224 sq ft of NLA.

The market is expected to see an additional 4.33 million sq ft of retail space in the next 2 years with the completion of Paradigm South, Capital 21, Midvalley @ Kota Southkey and Country Garden @ Danga Bay where each of them will be contributing between 1.1 million sq ft and 1.5 million sq ft of NLA except for the retail spaces in Country Garden @ Danga Bay at about 430,000 sq ft.

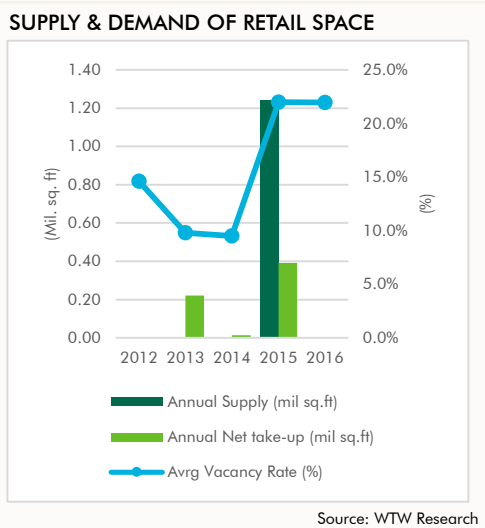
The vacancy rate of retail space dropped slightly to 22%, with the average rental remained stable at RM27 psf per month for retail malls located in prime locations.

It is also noted that, Al-Salam REIT has acquired @ mart Kempas Community Hypermarket and Komtar JBCC in Sept 2015 at a consideration of RM65 million and RM482 million or RM663 and RM1,200 psf respectively, The yield were analysed at 6% and 7.76% respectively.

The market is expected to welcome the completion of Paradigm South with 1.3 million sq ft of net lettable area in 2017. The retail sub sector is expected to remain stable with rental and vacancy rates of existing retail malls are likely to maintain their position as per previous year.

Kota Kinabalu

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



Existing supply of retail space remained unchanged from 5.8 million sq ft since 2015 as there were no new additions in 2016. Newer malls with new shopping concepts and retail formats are affecting the competitiveness of the older, traditional retail malls.

Come 2017-2018, the sector will see an addition of about 1.4 million sq ft from ITCC Mall, Pacific Parade, Jesselton Mall, Inanam Mall and Grand Merdeka Mall, which will contribute to an increase of some 24%. Except for the smallish Jesselton Mall (part of Jesselton Residences condominium development), the developments are situated in Penampang, Likas, Inanam and Manggatal suburban localities.

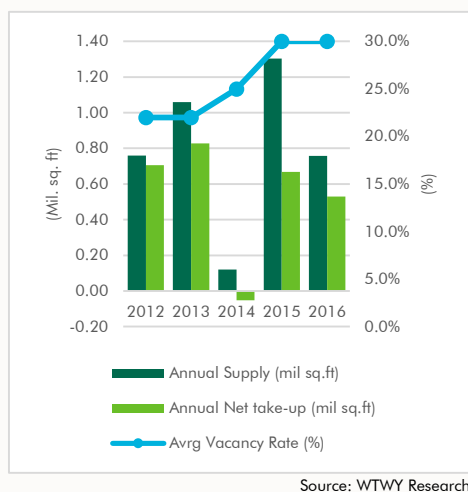
With the increased supply, the retail sector faces a more challenging phase with retail turnover expected to be diluted. Overall occupancy rates are anticipated to be affected with new malls coming on stream coupled with slower take-up for the new retail space. Notwithstanding which, occupancy rates for well-managed and well-located retail malls with good tenant mix is expected to hold up.

MAIN MARKET

Kuching

There was not much retail buzz in Kuching for 2016

SUPPLY & DEMAND OF RETAIL SPACE



There was not much retail buzz in Kuching for 2016 which saw the completion of a few smaller retail developments mostly in the form of hypermarkets, such as Giant @ Petra Jaya and Matang Mall and Mydin @ Vista Tunku and Mydin @ Samariang. Of significance is Mydin which started its foray into Sarawak with the opening of 3 outlets within 2016, including taking over the supermarket section of the existing City One mall.

Another 3 malls are currently underway, namely, Aeon @ Central Park, Emporium @ Tun Jugah and Moyan Square @ Matang, which are expected to be completed within the next 2 years.

The current supply of retail space stands at 644,827 sq m or close to 7 million sq ft with retail space projected to reach close to 8 million sq ft by 2018.

Signs of saturation are beginning to show by the lack of transactions and falling occupancy rates to below 70% for most 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. Average rental rates are subdued at around RM7 psf to RM8 psf with better performing malls offering at most around twice that rate, which is much less than the rate of RM20 psf enjoyed during the peak in previous years. Rental rates are expected to remain competitive and may even drop further in order to retain existing tenants or to lure in new tenants. Retail prices have also stagnated and may be reduced if the current economic conditions do not improve.

The retail sector has been feeling the pinch with reduced consumer spending which will eventually dampen retail growth. Shops are seen to be downsizing, relocating to cheaper premises or even cease operation. Retail costs and prices have gone up with the drastic depreciation of the Ringgit, thus curtailing retail expansion.



The Emporium @ Jln Tun Jugah underway



Matang Mall



West Malaysia

Northern Region

Retail supply still exceeds demand in Alor Setar and Ipoh market as majority of the retailers still prefer business in shop offices as crowd pulling may be fulfilled by having proper marketing strategies. Still, a healthy occupancy rate of about is seen across the existing retail centres in this region.

Rent and Yields				
	Retail Rent (RM psf)		Retail Yield (%)	
	2015	2016	2015	2016
Alor Star	15.00	15.00	6.5	5.0 - 6.0
Ipoh	12.50	15.00	4.5-5.5	5.5 - 6.5

Source: CBRE | WTW Research

East Coast Region

There are no new retail malls completed or in the offing for rent in year 2016 while the older malls have seen some tenants exiting. Thus the downward direction in demand. With the ongoing Kuantan City Mall slated for completion in 2017, there will be a swing in the demand of retail space to the new mall, thus creating more vacant retail space in the older malls.

Generally, the present retail supply in Kuala Terengganu is stable but the completion of KTCC Mall in future have a major market impact, bringing in various branded retailers and also offering more entertainment and recreation facilities.

2016 witnessed a new addition in retail sector in Kota Bharu: AEON Mall at Waterfront City, the upcoming commercial hub in Kota Bharu with a GFA of 1,347,695 sq ft (125,205 sq m) and NLA of 685,654 sq ft (63,654 sq m). Being officially opened in April 2016, AEON Mall accommodates AEON hypermarket and Index Living Mall as the anchor tenants.

There are a number of retail malls which currently under construction and due to be completed by 2016/2017:

1. 8-storey wholesale retail mall to be known as Platinum Wholesale City Mall in Lembah Sireh comprising 442 units of retail lots with a combined total net lettable area of 369,444 sq ft.
2. Lagenda Galleria with Giant as the anchor tenant is a 2-storey retail mall in Bandar Baru Tunjong offers 200,000 sq ft of NLA.
3. Under construction Al Waqf Mall (previously known as Tunjong Pavilion) in Bandar Baru Tunjong will covering 490,000 sq ft of NLA.
4. Mydin Mall in Bandar Baru Tunjong, will be connecting to Al Waqf Mall by a sky bridge.
5. Hypermarket of about 85,000 sq ft by Econsave in Pasir Puteh Sentral, a new township of Pasir Puteh

Rent and Yields				
	Retail Rent (RM psf)		Retail Yield (%)	
	2015	2016	2015	2016
Kuantan	8 - 11.50	9 - 12.00	6.0 - 7.0	6.0 - 7.0
Kota Bharu	8.50	8.50	7.0	7.0
Kuala Terengganu	7.50 - 8.00	7.50 - 8.00	7.0	7.0

Source: CBRE | WTW Research

REGIONAL

West Malaysia

Southern Region

The market is slow as occupancy was generally maintained or lower in most of the retail / malls. The refurbishment of Seremban Prima has not generated the desired occupancy and crowds. Furthermore, AEON Big Mall near Seremban Forest Heights has ceased operations since 31 December 2015. Ireka Corporation Berhad and AEON Co. (M) Berhad have also called off their plans to build a shopping centre in Senawang on 12 July 2016. These generally painted a negative outlook for the market.

Nevertheless, the completion of the previously abandoned Pall Mall, the newly completed Seremban Gateway and Mydin Mall in Bandar Prima Senawang as well as Tesco in Bahau and Lukut are among the latest mall / retail developments noted in Negeri Sembilan. Two (2) new malls / retail developments in the pipeline are KIP Sentral @ Sri Sendayan, a commercial development comprising KIP Mart and double storey terraced shopoffices by KIP Group and AEON Mall in Putra Nilai.

Hatten Group's Hatten City in Melaka Raya and Harbour City in Pulau Melaka as well as First Avenue Partners (Asia) Sdn Bhd's the Riviera in Pulau Melaka are under-construction with retail units available for sale from developers.

The Shore which was completed end of year 2014, is only available for rent. There is limited retail supply from the existing Dataran Pahlawan, Hatten Square and Terminal Pahlawan.

A sizeable commercial building is currently under construction in Taman Universiti, Parit Raja, about 18 kilometres from Batu Pahat town centre. The development is scheduled to be completed in 2018 and the tenant is expected to be Tesco Hypermarket.

Rent and Yields

	Retail Rent (RM psf)		Retail Yield (%)	
	2015	2016	2015	2016
Seremban	5.00 - 20.00	4.00 - 20.00	6.5 - 8.0	6.25 - 7.0
Malacca	8.00	8.00	5.75	5.7
Batu Pahat	3.00 - 12.00	3.00 - 13.00	5.5	5.5

Source: CBRE | WTW Research

Palm Mall, Seremban



East Malaysia

Labuan

Remains stable overall. There is only one shopping complex in Labuan and no transactional activities for year 2015 to 2016.

Sabah

The retail sector in Tawau was stable but towards the second half of 2016, demand slowed down caused by the oversupply situation in this property sector. The GST factor continued to create a stumbling block for the growth of this sector. Retail shop office development will continue to be centered around the hot spot commercial area of Jalan Datuk Chong Thien Vun and Jalan Kubota. The new bypass road of Jalan Datuk Chong Thien Vun and the opening of the new centralized Tawau Health Department has injected some impetus to the growth of the shop office sector in the this area.

Rent and Yields

	Retail Rent (RM psf)		Retail Yield (%)	
	2015	2016	2015	2016
Tawau	4.0 - 7.0	4.0 - 6.5	4.5 - 7.0	4.5 - 6.5
Lahad Datu	5.0	5.0	6.0	5.5
Labuan	5.0	5.0	-	-
Sandakan	2.0 - 12.0	2.0 - 12.0	-	-
Keningau	4.0	4.0	-	-

Source: WTW Research



**East
Malaysia**

Sarawak

There is limited transaction activity and no retail projects launched. Occupancy rate for existing retails remain as usual. The average occupancy rates of shopping malls in Miri is about 83% with shopping malls in the CBD enjoying a much higher rate as compared to those located in the suburbs. However, for the coming year, it is anticipated that the sector will be subdued as the overall market slows down. Miri’s retail sector had experienced a steady increase of retail supply for the past 5 years, with one mall completed and started operating almost every consecutive year. Higher rentals are also being achieved by the new and more modern shopping malls especially in the CBD, up to as high as RM13.00 sq ft. The take-up rates for new shopping malls at strategic locations have been good e.g. Permaisuri Imperial City Mall, which is located within the CBD. The latest mall to be opened in Miri is the 2-storey shopping mall known as E-Mart Riam, developed by E-Mart Group with a total lettable area of 20,000 sq m.

The average occupancy rate for shopping mallss in Bintulu is about 67% with those located in the CBD enjoying higher rental rates and occupancies. The newly completed Times Square Mall and Commerce Square Mall this year further increased supply in Bintulu. It is anticipated that the sector will be subdued as the overall market slows down. The Bintulu commercial market is expected to become competitive based on recent on-going construction projects and retail mall developments. Upcoming projects such as Paragon Street Mall and Crown Pacific Mall will add additional supply to the market. Therefore it is expected that the take up rate/occupancy rate will be challenging/slowing down.

Rent and Yields				
	Retail Rent (RM psf)		Retail Yield (%)	
	2015	2016	2015	2016
Sibu	3.00 - 12.00	3.50 - 18.00	4.5 - 5.0	5 - 5.5
Miri	6.00 - 12.00	6.00 - 15.00	4.5	4.0
Bintulu	6.00 - 15.00	6.00 - 15.00	4.5	4.5

Source: WTWY Research

HOTEL	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET						
K.Valley	▶	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▶	▶	▶	▶
Seberang Perai	▶	▶	▶	▶	▶	▶
Iskandar M'sia	▶	▶	▶	▶	▲	▶
Kota Kinabalu	▶	▶	▶	▶	▲	▶
Kuching	N.A.	N.A.	N.A.	N.A.	▶	▶
REGIONAL						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▲
East Coast Region						
Kuantan	▶	▶	▶	▶	▶	▶
Kota Bahru	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Malacca	▶	▶	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tawau	▶	▶	▶	▶	▶	▶
L.Datu	▼	▼	▼	▼	▼	▼
Keningau	▶	▶	▶	▶	▶	▶
Labuan	▼	▼	▼	▼	▼	▼
Sarawak						
Sibu	N.A.	▲	N.A.	▲	▶	▶
Miri	▶	▼	▶	▼	▶	▶
Bintulu	N.A.	N.A.	N.A.	N.A.	▶	▶

Overview

A total of 13 million tourists visited Malaysia 1st Half of 2016, up 3% compared to 1st Half of 2015. Malaysia is expecting a growth of 9% or 28 million tourist arrivals in 2016, indicated signs of recovery after slowdown in 2015. Meanwhile, tourist receipts contributed RM37.4 billion to national revenue during review period, exceeded by 10.7% compared to RM33.8 billion in 2015, averaging at RM2,870 per capita expenditure.

Numerous pro-tourism initiatives, i.e. E-Visa facilities in Malaysia for selected major countries and the recent introduction of the ASEAN Economic Community (AEC) will boost regional tourism and continue to encourage cross border travel. To achieve the target of 32 million tourist arrivals next year, the Government will extend eVisa to countries in the Balkans and South Asia regions.

Malaysia Airlines (MAS) and Malaysia Healthcare Travel Council (MHTC) have agreed to jointly promote Malaysia as a medical tourism destination.

Pioneer Status promotion and Investment Tax Allowance for new 4 and 5 star hotels will be extended to 31 December 2018.

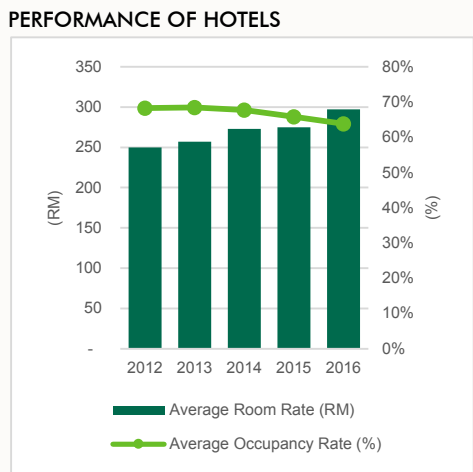


St Regis Hotel, Kuala Lumpur

MAIN MARKET

Klang Valley

Hotel supply in KV climbed to 179 hotels with 51,787 rooms in 3Q 2016, after the completion of 8 hotels (2,399 rooms)



Source: CBRE | WTW Research

Hotel supply in KV climbed to 179 hotels with 51,787 rooms in 3Q2016, after the completion of 8 hotels (2,399 rooms). The luxury hotel, i.e. St Regis Hotel & Residence opened its doors in May 2016, offering 208 rooms and the Holiday Inn Express were opened in June 2016 with 383 rooms, the conversion of a previous office building namely Menara ING in the Golden Triangle.

Another 6 hotels with 1,415 rooms is scheduled to be completed by 4Q 2016. By 2019, the KV market may expand with another 39 hotels with 10,936 rooms. Prominent newly added and incoming hotel brands include Oakwood Hotels & Residence, Kempinski, Jumeirah, Banyan Tree, Clermont, Raffles and Four Season.

As at August 2016, hotels in KL recorded 65% YTD occupancy rate, down 1.3% yoy. Growing tourist arrivals, international meetings, incentives, conferences and events (MICE) activities will support both midscale and upscale hotels to sustain occupancy rates of about 65%.

The average room rate of hotel in KL has dip slightly to RM356, 3% yoy decrease compared to August 2015. Significant hotel completions in recent years coupled with the general economic slowdown have led to greater competition with hotels offering more attractive room rates to attract hotel guests and maintain room sales.

Investment activities, on the other hand, remained robust despite the softening market situation. The Renaissance Hotel and Aloft KL Sentral exchanged hands at RM840,000 and RM870,000 per room respectively. The interest is

being led by REIT companies from Asian countries.

Moving forward, the uncertain global economy could dampen leisure and travel demand across markets as travelers tighten their budget. However, as travelling becomes more affordable due to budget airlines and short holiday trips gaining momentum among mid-class travelers, tourist arrivals will continue to sustain.

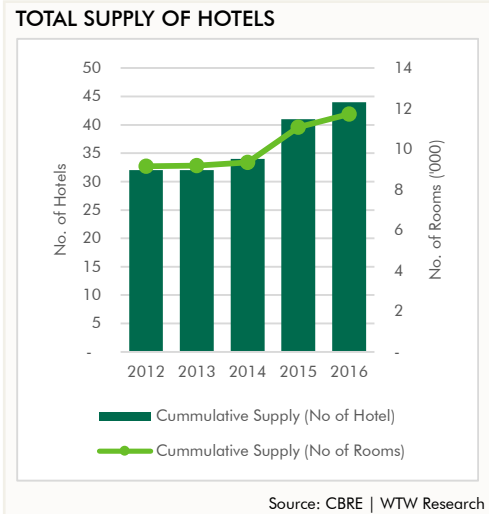
In overall, Malaysia continues to position itself as one of the favourable tourism destinations in South-East Asia, taking advantage of the weak currency and growing tourist arrivals. The KV hotel market, is expected to be firm with strong pro-tourism initiatives of government and growing tourist arrivals. The incoming international hotels are expected to lift the overall tourism market and push the existing hotels to improve their hotel facilities and create better tourist experiences.

Room rates and occupancy rates remain stable but competitive with incoming hotel supply and alternative accommodation options such as AirBNB.

MAIN MARKET

Penang

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



Three new hotels opened in Penang in 2016, increasing to 44 of the total of existing 3-5 stars hotels in Penang. Approximately 87% (38 hotels, 10,191 rooms) are situated in Penang Island and approximately 13% (6 hotels, 1,534 rooms) in Seberang Perai.

Two new hotels started operation in Penang Island, namely Lexis Suite Penang at Teluk Kumbar and Vouk Hotel Suites along Jalan Sultan Ahmad Shah. Lexis Suite Penang is a 222-key five-star hotel, featuring private dip pools and steam rooms in every suites. Vouk Hotel located in Georgetown is managed by a boutique hotel management company, Vouk Hotel Management. Featuring 231 rooms, the hotel opened in June 2016.

In Seberang Perai, the new Iconic Hotel located in Juru, Seberang Perai opened its door to the public. The 4-star

195-key business hotel is located within the newly established commercial enclave Icon City, which is near to the well-established Auto City. The hotel has started operating since June 2016, and the average room rate ranges between RM220 and RM310 per room per night.

Upcoming hotel developments in Penang Island are The Rice Miller & Godown at Pengkalan Weld which may open soon as the physical construction has nearly completed. Another hotel slated for operation in the near future is Jazz Hotel at Tanjung Tokong. In the next three years, there will be some notable hotel developments, including Double Tree Resort Penang by Hilton Penang slated for operation in 1H2017 whilst Angsana Teluk Bahang and Courtyard by Marriott in 2018.

In Seberang Perai, Inter Continental Hotels Group has signed a management agreement with Exopuri Development Sdn Bhd to develop a 288-room Holiday Inn & Suites within the Juru Sentral. The hotel will also accommodate four restaurants and bars, twelve meeting rooms and an outdoor pool.

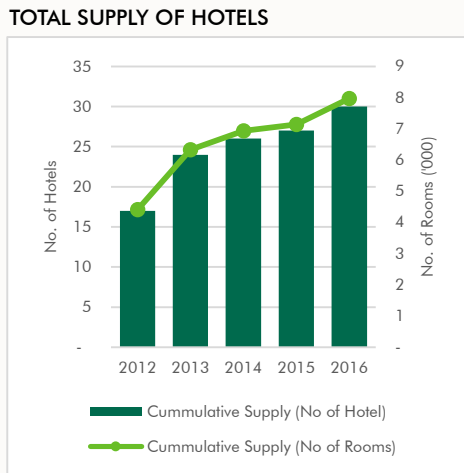
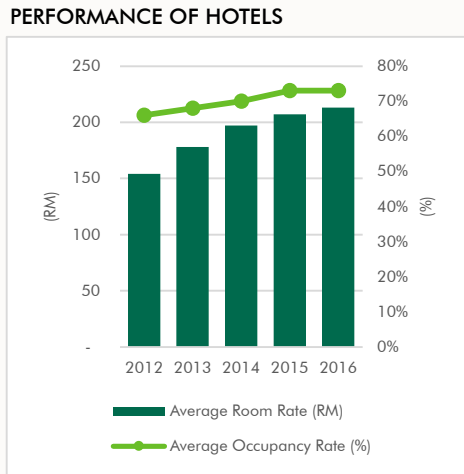
The outlook for the hotel sector in Penang is expected to be healthy, underpinned mainly by the local as well as foreign tourists boosted by the depreciating of the Ringgit against major currencies. Tourism activities in the state will stay vibrant with its popularity being highlighted among international platforms, which can be seen from the new accolades in 2016 by international publications such as Lonely Planet, Los Angeles Times, Forbes, Holiday Lettings UK and The Culture Trip in early 2016. The growth of more international hotel brands in Penang is expected to intensify the competition within the hotel market.



MAIN MARKET

Iskandar Malaysia

In Iskandar Malaysia, 3 new hotels have been completed in 2016, contributing 831 rooms/ suites to the existing stock of 7,137 rooms.



Source: CBRE | WTW Research

In IM, 3 new hotels have been completed in 2016, contributing 831 rooms/ suites to the existing stock of 7,137 rooms. The new supply comes from two 4-star hotels and one serviced apartment.

Two new hotels opened in IM viz. Holiday Villa in Johor Bahru city centre and Somerset Medini in Iskandar Puteri. Holiday Villa owned and managed by Holiday Villa Hotel & Resorts offers 245 rooms while Somerset Medini provides 310 suites which is the second serviced apartment operated by The Ascott Limited in Iskandar Puteri after the first in Puteri Harbour opened to market with 204 rooms in 2015. The Amerin at Taman Perling by Capital Trend Asia Sdn Bhd also opened 176 rooms to the market in 2Q 2016.

IM is expected to welcome another 3 hotels with 1,160 rooms by next year. In Johor Bahru city centre, Capri by Fraser Hotel near JB Sentral will provide 360 suites while Amari Hotel at Jalan Wong Ah Fook will come on stream with 200 rooms. In Medini, Meridin Hotel Suites is expected to open its 600 serviced suites by 2017.

Another two hotels by Melia Hotels International, knowns as Melia Iskandar Malaysia (5-Star) and Inside Iskandar Johor (4-Star), are expected to be ready with 450 rooms and 350 rooms respectively by 1H2019.

Occupancy rate for hotels in IM is expected to remain steady whilst room rate will potentially increase slightly due to inflation. The overall hotel market is likely to continue to stay healthy in the near future.



Holiday Villa, Johor Bahru



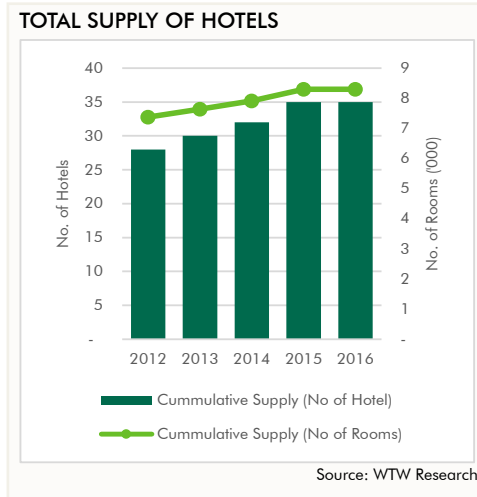
MAIN MARKET

Kota Kinabalu

Preliminary statistics from Sabah Tourism Board indicated that Sabah attracted some 2,486,387 visitors between Q1-Q3 2016

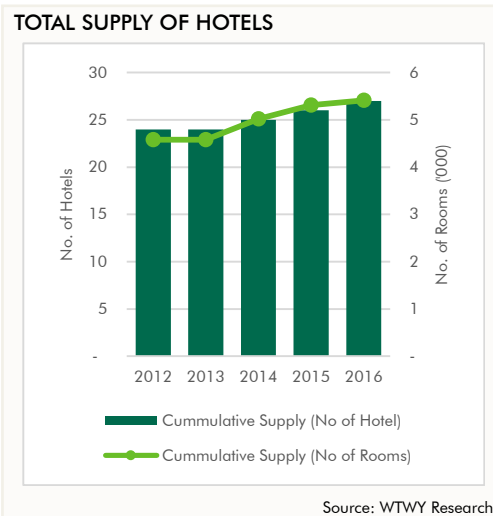
Preliminary statistics from Sabah Tourism Board indicated that Sabah attracted some 2,486,387 visitors between January to September 2016, an increase of about 5% yoy. The increase comes mainly from North Asia arrivals, namely China (46% increase), South Korea (45%) and Taiwan (27%). A random check with some of the hotels in Kota Kinabalu indicate improved occupancy compared to 2015.

There were no new hotel openings in 2016. Amongst the new hotels slated for opening in 2017 are Marriott @ KK City Waterfront (365 rooms) and Hilton Kota Kinabalu (312 rooms) in KK CBD.



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.



After an impressive performance in 2014 which recorded more than 4.8 million visitors to the State, lower figures have been recorded subsequently for visitors arrival in 2015 and 2016.

2016 saw the completion and opening of the 4-star 360 Waterfront Hotel at Plaza Merdeka which added another 290 rooms to the Kuching hotel scene. Two budget hotels namely Pine Garden Hotel and Imperial Riverbank Hotel was also opened recently, offering 104 and 109 rooms respectively.

The Majestic Tower Hotel which was expected to be completed this year is still in its final stages of construction and looks more likely to be completed only by 2017. The halal-certified Tabung Haji Hotel sited along Jalan Airport, which will offer 182 rooms, is making good progress and looks set to be completed by 2017. The 9-storey hotel will include a convention centre and office podium. The 11-storey UCSI City Island Hotel at the Kuching Isthmus which will also cater for hotel management training whilst offering quality accommodation, is also well underway and is slated to be completed in the next 2 years.

The Kuching hotel sector will definitely get a boost in the next year or so, with the completion of these sizeable hotels.

Hotel room rates are maintained at competitive rates for 2016 in order to vie for hotel guests, with domestic tourists still making up the chunk of hotel guests. Occupancy rates for star-rated hotels are somewhat affected as travelers seek out cheaper accommodation alternatives with the current recessive economic conditions. Occupancy rates are higher for peak seasons such as the mid-year and year-end school holidays and the Rainforest World Music Festival held annually.



The Waterfront Hotel @ Plaza Merdeka

West
Malaysia

Northern Region

The Langkawi Development Authority (LADA) has launched the next development phase which is known as Langkawi Tourism Blueprint between 2016 and 2020 in order to transform Langkawi Island to a low carbon island. The expansion of Langkawi International Airport is already in progress to receive more passengers. The hotel market in Kedah especially in Langkawi is slightly more bullish compared to other areas in Kedah.

For hoteliers, big players such as Pullman Hotel and Novotel are entering the Perak market by hitting on Ipoh town centre and Taiping. With such entries in the market, hoteliers have predicted lucrative hotel investment returns in the Perak region. Perak will be having another Visit Perak 2017 event which will focus on promoting fascinating tourist spots and activities in the Perak region. Hoteliers will further benefit from the tourism events as more budget hotels are seen in the Ipoh and Manjung areas in the recent years. The latest completed hotel in Ipoh is the Container Hotel Ipoh, one of the popular hotels in Ipoh with cheap rates and good recommendations, launched in early 2016. Further entries of hoteliers were mostly budget hotels around Ipoh, Manjung and Taiping area with the two exceptions of the Pullman Hotel and Novotel in Ipoh and Taiping, respectively.

According to a New Straits Times article, Perak maintained its position as the most popular domestic tourist destination for 4 years consecutively. Ipoh also managed to secure a sixth spot in the top 10 best Asian destinations to visit on Lonely Planet, the largest travel guide book publisher in the world. This will encourage more domestic and international tourists to Perak and contribute to a better economy.

Average Room Rates and Occupancy Rates												
	3 Star Hotel				4 Star Hotel				5 Star Hotel			
	ARR (RM)		AOR (%)		ARR (RM)		AOR (%)		ARR (RM)		AOR (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Alor Setar	180- 200	200 - 220	60	62	200 -220	250 - 280	52	55	300 -350	300 - 400	40	45
Ipoh	115- 600	< 139	N.A.	N.A.	160 - 1780	< 163	N.A.	N.A.	< 745	< 290	N.A.	N.A.

Source: CBRE | WTW Research

East Coast Region

The weak Ringgit and tourism boosting efforts of the local government have encouraged the influx of more local and foreign tourists, and notably, the increase in the numbers of tourists from China.

The overall performance of hotels in Kota Bharu remained soft in 2016. The actively rising numbers of serviced apartment units where most of the units were being managed as homestay as well for daily and long-term occupations seems to be strongly competing with most of the hotels to secure higher occupancy rates and visitors.

In spite of the competitive number of hotels, the overall hotel sector is expected to be optimistic with the growing number of tourist arrivals. Mövenpick Hotels and Resorts is expected to enter the hotel line-up in Kota Bharu by 2019. Located at Jalan Telipot, the Tijani Raja Dewa development will uplift the image of the proposed 5-star hotel. The Mövenpick Hotel features a luxury hotel with Islamic concept of façade and layout and to be consisting 452 rooms with several luxury facilities.

Terengganu continues to attract massive numbers of tourists by organizing various tourism events such as Sultan Mahmud International Bridge Run, International Squid Jigging Festival, International Squid Jigging Festival, Terengganu International Rainforest Challenge, Kenyir Bird and Nature Quest, Terengganu International Eco and Marine Tourism Conference (TEMCO), etc. These help to maintain the occupancy rates of hotel.

Average Room Rates and Occupancy Rates												
	3 Star Hotel				4 Star Hotel				5 Star Hotel			
	ARR (RM)		AOR (%)		ARR (RM)		AOR (%)		ARR (RM)		AOR (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Kuantan	250	250	N.A.	N.A.	385	385	N.A.	N.A.	460	460	N.A.	N.A.
Kota Bharu	180	180	N.A.	N.A.	210	210	N.A.	N.A.	260	260	N.A.	N.A.
Kuala Terengganu	160	170	60 - 65	60 - 65	185	190	60 - 65	60 - 65	230	240	50 - 60	50 - 60

Source: CBRE | WTW Research

SUB MARKET

West Malaysia

Southern Region

Melaka is a tourism state which promises a high volume of tourists. The hotel sector in Malacca is expected to remain stable even though the hotel industry is competitive. The demand/supply shall be balance through the rising volume of tourists visiting Melaka. Efforts to attract the visitors i.e. Melaka River Festival Month has effectively promoted Melaka internationally.

The budget hotel and homestays have become increasingly popular in Batu Pahat and has affected the market of the traditional hotel industry. This trend is expected to continue as more are in the pipeline. The Boutique Hotel, a new budget hotel, was converted from 6 units of 3-storey shophouses located in Taman Maju and commenced operations in February, 2016. This budget hotel has a total of 93 rooms, cafeteria, spa and massage services.

Average Room Rates and Occupancy Rates												
	3 Star Hotel				4 Star Hotel				5 Star Hotel			
	ARR (RM)		AOR (%)		ARR (RM)		AOR(%)		ARR (RM)		AOR (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Malacca	150	150	40	40	240	240	45	45	310	310	50	50
Batu Pahat	110-180	110-180	45	45	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Source: CBRE | WTW Research

East Malaysia

Labuan

The weak oil sector has also affected the hotel sector with occupancy suffering a slow down. However, budget to 3 or 4-star hotels remain stable with hotel operators offering attractive packages and promotional room rates.

Sabah

Performance in 2016 remained soft due to Tawau being less of a tourist destination. Hotel occupancy rates in 2016 were stable. For 2017 the hotel industry will remain stable in Tawau but Semporna is likely to outperform Tawau due to the influx of China tourists visiting offshore island resorts. For 2016, most of the offshore island resorts in Semporna had registered 90%-100% occupancy rates. The planned chartered international flights direct from China to Tawau in 2017 will likely to see more tourist arrivals to Semporna, which will make the resort/hotel industry in Semporna to be even more vibrant.

Average Room Rates and Occupancy Rates												
	3 Star Hotel				4 Star Hotel				5 Star Hotel			
	ARR (RM)		AOR (%)		ARR (RM)		AOR(%)		ARR (RM)		AOR (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Tawau	110 - 150	110 - 150	35 - 55	35 - 55	160 - 240	160 - 240	35 - 45	30 - 45	-	-	-	-
Lahad Datu	120	120	55	50								
Labuan	155	155	65	65	250	250	60	60	350	350	60	60
Sandakan	150	150	60	60	230	230	50	50	-	-	-	-

Source: WTW Research

Hotel Jagakota, Lahad Datu



East Malaysia

Sarawak

Overall, the hotel sector can be said to be satisfactory. In 2016, there were two hotels; 6-storey and 8-storey purposed built hotels to be completed. Upon the completion, there will be an additional 171 hotels rooms in the hotel market. One of the hotels is confirmed to be sold at the price of around RM15million without furnishing basis whilst another is retained by the developer for hotel business. As this sector has additional hotel rooms, we forecast the occupancy rate for existing hotels may drop.

The average occupancy rate for hotels in Miri stands at 68%, a considerably moderate rate. 3-star & 4-star hotels fare better in terms of occupancy and are still the most popular hotels for tourists/visitors to Miri. It is anticipated in the coming year, the hotel sector will continue to be stable and with the weakening ringgit, Bruneians will continue to crowd Miri for their weekend stay-over and shopping spree.

From the table on Top 5 countries of visitors arrivals to Sarawak (See below), Brunei is the top country of visitor arrivals to Sarawak with more than 1.5 million visitors recorded in 2015. Brunei visitors to Sarawak visit Miri more than any other towns in Sarawak since Miri is the nearest town to Brunei. 75% of the hotels are located in the city area of Miri, offering more than 65% of the hotel rooms. Based on the supply of hotels in Miri, the most popular type of hotel seems to be the 4-star hotel as it makes up to 54% of total rooms supply.

No. of Hotels and Rooms in Miri by locality

Locality	No. of Hotels	% of total hotel	No. of Rooms	% of total rooms
Urban/ City area	15	75%	1,810	65.65%
Suburban	5	25%	947	34.35%
Total	20	100.00%	2,757	100.00%

Source : WTWY Research

Average Room Rates and Occupancy Rates												
	3 Star Hotel				4 Star Hotel				5 Star Hotel			
	ARR (RM)		AOR (%)		ARR (RM)		AOR(%)		ARR (RM)		AOR (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Sibu	120 - 160	120 - 180	65	60+	200	220	60	60	N.A.	N.A.	N.A.	N.A.
Miri	165 - 417	150 - 380	70	65	220 - 400	170 - 385	70	65	320 - 425	292 - 466	65	60
Bintulu	150-370	200-500	72	50 - 80	324-696	270+	70	70-80	N.A.	N.A.	N.A.	N.A.

Source: WTWY Research

Country of Origin	2011	2012	2013	2014	2015	June 2016
Brunei	1,553,523	1,728,923	1,710,104	1,952,220	1,585,997	624,978
Indonesia	415,267	417,702	464,661	547,158	483,171	223,932
Philippines	77,652	113,174	119,570	135,861	111,616	37,726
Singapore	45,986	33,199	54,792	49,059	42,827	19,473
China	35,309	15,439	42,183	39,735	32,916	17,641

Source : WTWY Research

Miri, hotel rooms by hotel category

Type of Hotel	No. of Hotels	No. of Rooms	% of total rooms
5-star	2	553	20.06%
4-star	6	1,506	54.62%
3-star	2	250	9.07%
2-star	2	102	3.70%
1-star	0	0	0.00%
NA	8	346	12.55%
Total	20	2,757	100.00%

Source : WTWY Research



Pullman Hotel, Miri

Overview

The manufacturing sector expanded 4.2% in 3Q2016 qoq. 553 domestic and foreign investments were approved as of 3Q2016 as reported by the Malaysian Investment Development Authority (MIDA).

In October 2016, Gross Exports was up by 1.7% mom at RM69.2 billion probably driven by the weakened Malaysian Ringgit where Gross Imports down by 1.7% mom at RM59.4 billion. With the continuous support from the manufacturing and commodities sector, total trade in 2016 is estimated to reach RM1.5 trillion of which gross exports may be RM770 billion.

KV reported a total of 39,849 factory units as at 2016. This supply increased 1.18% as compared to end of 2015 (39,430 units). Notable investments included CCM Duopharma in Klang; where CCM invested RM103.7 mil and RM37.1 mil in Klang on its new plant and warehouse respectively. In 2016, Shah Alam attracted the most investments in KV as the area received 23.59% (or RM1.9 billion), followed by Klang and Cyberjaya with 9.96% (or RM0.8 billion) and 7.37% (RM0.6 billion) respectively.

Industrial supply in KV has been virtually stagnant and incoming supplies were concentrated in the district of Klang, of which 724 units were under construction.

The overall future supply of factories in the Klang Valley is 5,553 units of which 3,450 units (62%) are incoming supply and the remaining 2,135 units (38%) are planned supply. Most of future supply is in the district of Klang with a total of 721 units (47% of incoming supply) under construction and 808 units (53% of planned supply) approved for development.

Assuming all incoming and planned supply is completed on schedule, the existing supply is expected to increase by approximately 13.94% to 45,402 units within the next 4 to 5 years.

The aggressive promotion of aerospace-based industry investments by MIDA has led to a significant increase of aerospace investments in the manufacturing and maintenance, repair, operations (MRO) projects.

Klang Valley

The Klang Valley has about 299 industrial parks and most of the industrial parks are located in Shah Alam, Subang Jaya, Port Klang, Petaling Jaya and Rawang.

TOTAL SUPPLY OF INDUSTRIAL UNITS



Source: NAPIC, CBRE | WTW Research

INDUSTRIAL	Transaction Activity		Transaction Price		Occupancy/ Take up Rate	
	2016	2017	2016	2017	2016	2017
MAIN MARKET						
K.Valley	▲	▶	▶	▶	▶	▶
Penang						
Penang Island	▶	▶	▲	▶	▶	▶
Seberang Perai	▶	▶	▲	▶	▶	▶
Iskandar M'sia	▶	▶	▼	▶	▼	▶
Kota Kinabalu	▲	▶	▶	▶	▶	▶
Kuching	▶	▶	▲	▶	▶	▶
REGIONAL						
WEST MALAYSIA						
Northern Region						
Alor Setar	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▶	▶
East Coast Region						
Kuantan	▶	▶	▼	▶	▼	▶
Kota Bahru	▶	▶	▶	▶	▶	▶
K. Terengganu	▶	▶	▶	▶	▶	▶
Southern Region						
Seremban	▼	▶	▼	▶	▼	▶
Malacca	▶	▶	▶	▶	▶	▶
B. Pahat	▶	▶	▶	▶	▶	▶
EAST MALAYSIA						
Sabah						
Sandakan	▼	▼	▶	▶	▶	▲
Tawau	▲	▶	▶	▶	▶	▶
L.Datu	▼	▼	▼	▼	▼	▼
Keningau	▲	▼	▶	▶	▶	▶
Labuan	▼	▼	▼	▼	▼	▼
Sarawak						
Sibu	▶	▼	▲	▶	▶	▶
Miri	▼	▼	▲	▼	▼	▼
Bintulu	▲	▶	▲	▶	▶	▶

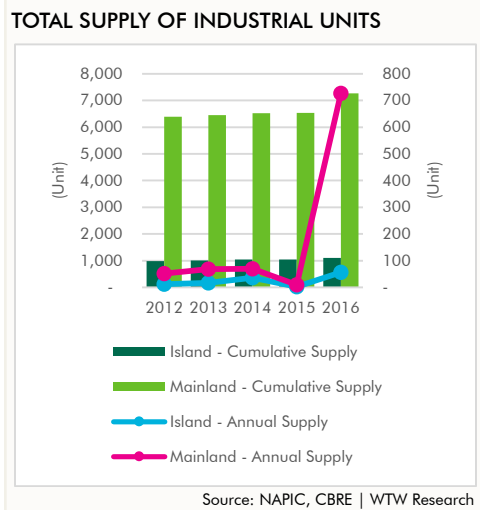
The new initiatives include development of Asia Aerospace City in Subang by MARA, which is expected to commence work for Phase 1 and slated for completion in 2018. In addition, Subang Technology Park will be developed by MAHB and AREA as part of further development of the aerospace ecosystem in Subang.

MAIN MARKET



Penang

In the first nine months of 2016, Penang attracted RM3.88 billion of capital investment, contributed by 84 projects.



The global consolidation of operations and restructuring exercises of multi-national companies in the industrial sector extended into Year 2016. Additional announcements of closure of industrial facilities and layoff of workers in Penang were:

1. Seagate Technology Inc. will close its manufacturing plants in Bayan Lepas Industrial Park, Penang and Seremban by end 2017, relocating the bulk of its operations to Korat, Thailand. Approximately 3,000 staff in Penang will be affected. The construction of its new manufacturing facility on a 40-acre industrial land in Batu Kawan Industrial Park (Seberang Perai), would also be aborted.
2. Western Digital Corp. was planning to relocate its slider fabrication operation in Bayan Lepas to BangPa-In, Thailand. Approximately 400 Malaysian staff and 800 foreign workers will be laid off.
3. Intel Corp., a semiconductor chip maker company, was laying off up to 12,000 workers globally, affecting approximately 1,000 employees in Bayan Lepas, Penang and Kulim Hi-Tech Park, Kedah.
4. Rubicon Technology Inc., specialising in monocrystalline sapphire products for optical systems and specialty electronic devices, was shutting down its plant in Perai Industrial Park. The closure of this plant will affect an estimated 180 employees.
5. TS Solartech, a solar cell maker company in Penang Science Park will retrench approximately 180 employees.

Notwithstanding the above, investments by new companies and expansion by existing industrialists continued unabated. According to Malaysian Investment Development Authority (MIDA), Penang State is ranked fourth in terms of total value of approved projects after Johor, Selangor and Sarawak; attracted approximately RM3.88 billion of capital investments from 84 projects in the first nine months of 2016. Establishment of new investments and industrial facilities, and creation of job opportunities, were announced for the Penang industrial sector:

- Boston Scientific Malaysia commenced its manufacturing facility of approximately 375,000 sq ft on a 20-acre of industrial site in Batu Kawan Industrial Park. The company develops, manufactures and markets medical devices used to treat a wide range of medical conditions.
- SAM Engineering and Equipment (M) Berhad allocated RM70 million to construct a new plant on 4-acre industrial site in Bukit Minyak, Seberang Perai, and RM30 million for the existing facility in Bayan Lepas Industrial Park. Based in Singapore, the company is involved in precision machining, equipment integration and automation solutions for the aerospace and equipment industries.
- The new plant of Atotech Malaysia recently commenced operations in Penang Science Park, Seberang Perai. Headquartered in Germany, the company specialises plating and coating solutions for electronics and general metal finishing industries.
- Bosch would be investing RM140 million to remodel its multimedia plant in Bayan Lepas, Penang to include a new engineering centre and extra floors for the SMT manufacturing operations and for the increased production volume.
- Inari Technology Sdn Bhd acquired an additional factory in Bayan Lepas Industrial Park to increase the group's total manufacturing floor space. The factory, with a land area of approximately 5.25 acres, was purchased at RM22.8 million.
- Vitrox Corp allocated RM120 million to complete its new facility in Batu Kawan Industrial Park by mid-2017
- Broadcom Ltd, acquired by Avago Technologies (M) Sdn Bhd, would invest RM1.03 billion (US\$250 million) to boost its operations in Penang. The expansion of warehouse operations is expected to be fully operational in mid of 2017.
- Five multi-national companies in the medical devices industries were in discussion with the authorities to finalise investments to set up manufacturing plants in Penang over the next 2 years. Lake Region Medical Inc. and Johnson & Johnson were in discussions to acquire industrial land in Batu Kawan. Based in the United States, Lake Region Medical Inc. produces medical devices for the cardiac, neuromodulation, vascular and orthopaedic uses while Johnson & Johnson manufactures pharmaceutical products and solutions, and medical devices.

MAIN MARKET

Penang

News of industrial investment generally reveal that development in Batu Kawan Industrial Park has been gaining momentum with more industrial sites being acquired and manufacturing facilities being constructed and completed. Compared to other major industrial parks, industrial plots of land in Batu Kawan Industrial Park are relatively larger in size with longer unexpired leasehold tenure and lower developer selling prices.

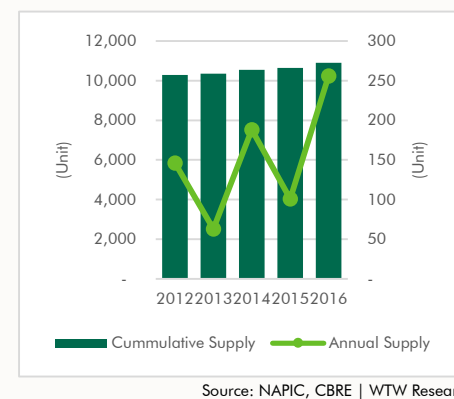
Generally prices of vacant industrial sites and rentals of industrial buildings have been stable or registered some increases in major industrial parks.

In the short term, the prevailing consolidation and restructuring exercises particularly by multi-national companies, is expected to continue affecting the Penang industrial property sector to a certain extent. In the long run, as the Governments and relevant authorities seek high quality manufacturing investment, the outlook of Penang industrial property sector remains positive. The State Government has also initiated a strategy of converging the public, manufacturing and services sector, to exploit and benefit from the 4th Industrial Revolution. The 4th Industrial Revolution is the current trend of automation and data exchange in manufacturing technologies that creates a “smart factory”. It revolves around the Big Data Analytics (BDA), Cloud Computing, Internet of Things (IoT) and e-commerce.

Iskandar Malaysia

Industrial market in Iskandar Malaysia is expected to remain stable and healthy in 2017 with lesser new launches while awaiting spaces in those newly completed projects to be occupied.

TOTAL SUPPLY OF INDUSTRIAL UNITS



The supply of industrial properties has increased gradually over the years, and it was recorded at 10,898 units (terraced, semi-detached and detached types) in 2016. Terraced factories continued to be the main product comprising 56% of the total supply, followed by 25% of semi-detached and 19% of detached factories.

IM industrial market will see additional 1,736 industrial units over the next two year which is about 16% more of correct stock. Out of these incoming supply, 1,258 units will be contributed by semi-detached factories, 351 units of detached and the remaining 117 units of terraced factories.

Iskandar Puteri has been the most sought after area for industry development for the past few years, however, new developments also take place in Kulai area.

Some new projects completed in 2016 include Lagenda Industrial Park at Bandar Putra and Phase 1 of Innoparc, both located in Kulai. The former offered 80 units of cluster and semi-detached factories while the latter offers 90 units of cluster and semi-detached factories. Cemerlang Industrial Park at Saleng Kulai, with 32 units of cluster factories are expected to complete by end of 2016. In Iskandar Puteri, Smart Industrial Park and Phase 1 of Nusajaya Techpark were completed in early 2016, with 16 units of cluster and 21 units of semi-detached and detached factories respectively.

Johor Halal Park, a world class Halal integrated industrial park in IM with a total of 350 acres freehold land, JV (50:50) of Johor State Government (J-Biotech) and UM Land, the first phase of 50 acres with 89 factory units is expected to be ready by end of 2016.

South Korea conglomerate Lotte Chemical has decided to invest an additional of RM1.5 billion to increase its present manufacturing facilities' capacity in Tanjung Langsat Industrial Park in Pasir Gudang. Amore Pacific Corporation would also invest RM500 million to set up its manufacturing plant and the research and development centre at SiLC in Iskandar Puteri in 2017.

Launched projects in end of 2015 including i-Synergy in Bandar Putra, Kulai and Phase 2 of Industri Jaya, Skudai, both of the developments offer semi-detached and detached factories which are expected to be ready in the next two years.

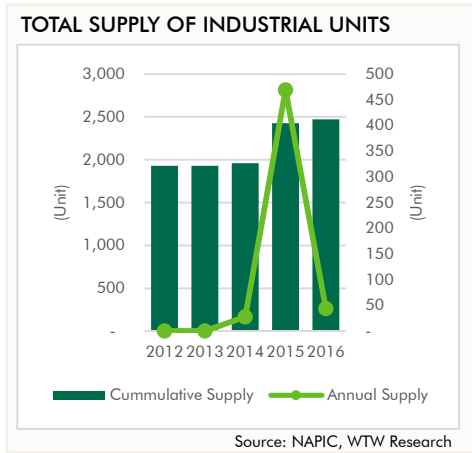
In sub-sale market, the average transaction value recorded in 2016 ranging from RM270 to RM280 psf over built-up area for terraced factories, which is about 5% higher than last year; however, transacted prices for semi-detached and detached factories were approximately 5% lower than 2015, recorded at RM350 to RM380 psf. The occupancy rate of factories in the market is expected to be marginally lower compare to previous years due to completion of new projects with more cluster and semi-detached factories which are predominantly owned by investors instead of end users.

Industrial market in IM is expected to remain stable and healthy in 2017 with lesser new launches while awaiting spaces in those newly completed projects to be occupied.

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.



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.

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 in established areas and / or with good road access will command good values.

New industrial developments opened for sale include The Factory @ Inanam located off Jalan Tuaran in the vicinity

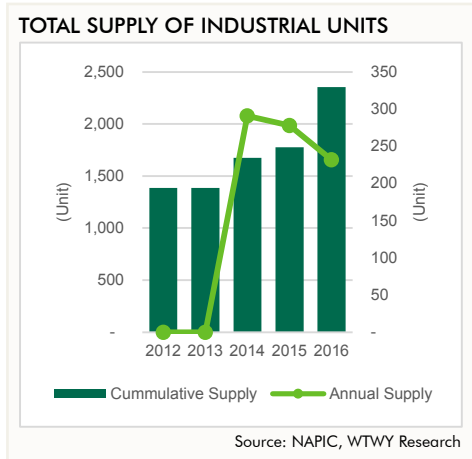
of Inanam township and RBF Phase 5 within Kota Kinabalu Industrial Park (KKIP) further north in Telipok. Developer's selling prices for the developments are as follows:

Selected New Launches						
Name	Location	Type	Land Area (sq ft)	Built up (sq ft)	Developer Selling Price (RM)	No. of units
The Factory @ Inanam	Jalan Tuaran	2-T	3,953-8,095	2,698-3,717	1.8-2.9 mil	11
		2-SD	7,750-13,279	4,414-5,964	3.2-4.6 mil	14
		2-D	12,270-18,341	5,156-7,634	5.0-7.4 mil	4
RBF Phase 5	KKIP	2-SD	7,363-9,203	3,726-5,066	2.29-3.03 mil	18
		2-D	10,269-16,587	6,344	3.12-4.88 mil	8

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.



There were a lot more industrial units completed for 2016 compared to 2015, mostly concentrated in the out-of-town areas such as Matang-Batu Kawa, including 15 units of 2-storey modern showrooms built along the main road at the Kuching Isthmus.

In terms of launches, there were only a couple of piece-meal industrial projects launched in 2016 with more than half being showroom types. The showroom types are observed to be gaining in popularity which reflects the need to cater for SMEs.

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. Prices of industrial

buildings have gone up, with launched unit prices moving beyond RM1 million up to as high as RM2 million for the bigger units. Prices are expected to be maintained for 2017. Occupancy, take up rates and rentals for the industrial sector were stable for 2016 and is expected to remain unchanged for 2017.

With the vast expanse of Kuching's lands in the outer areas, and with the improved infrastructure and good road networks, there is much potential for industrial development in Kuching. Most industrial lands still remain undeveloped.

REGIONAL
**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. The second automotive investment was also in Gurun, which is by a China-based company, Go Automobile Manufacturing Sdn Bhd.

The investments totaled 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 to transform Kuala Kedah into the first Seafood Industrial Park with a Domestic and International Fishery Terminal. In November 2015, German firm Osram announced a EUR 1 billion (RM4.66 billion) investment in Kulim Hi-Tech Park, the LED plant to be the world's largest and latest production facility is slated for operation by end 2017. The market is expected to remain firm in 2016 and likely improve should the government promote this segment accordingly.

Ipoh's industrial market is stable with positive growth in terms of rental and pricing as transactions of industrial properties have shown minor increment in year 2016. One of the latest industry property pricing movements was seen in Gopeng Industrial area whereby the transaction price has slightly increased even though most of the properties are vacant.

Rent and Yields

	Industrial Rent (RM psf)		Industrial Yield (%)	
	2015	2016	2015	2016
Alor Setar	0.6	0.6	7.5	7.5
Ipoh	0.6	0.7	5.5-6.5	5.5-6.5

Source: CBRE | WTW Research


East Coast Region

The demand for land, half acre or less in certain preferred locations such as Semambu Industrial Estate and Bandar Indera Mahkota continued to be active. However, due to the slower general demand, pricing of land in industrial areas have remained stable or reduced due to various reasons such as the reduced number of years of lease in the title. Gebeng industrial area has however witnessed an increase in supply, though not met by similar demand rate.

In Terengganu, the State Government is planning to develop several areas to be zoned as new industrial areas; Lembah Perasing, Kemaman and Hulu Terengganu.

Rent and Yields

	Industrial Rent (RM psf)		Industrial Yield (%)	
	2015	2016	2015	2016
Kuantan	0.7	0.7	4.5	4.5
Kota Bharu	1.0 - 1.5	1.0 - 1.5	4.5 - 5.5	4.5 - 5.5
Kuala Terengganu	1.0 - 1.5	1.0 - 1.5	4.5 - 5.5	4.5 - 5.5

Source: CBRE | WTW Research

West Malaysia

New Deep Water Terminal (NDWT) – Kuantan Port

The NDWT, a private public partnership project between the Government of Malaysia and Kuantan Port Consortium (KPC) was approved in June 2015. The Government is responsible for building the 4.63 km breakwater which is now 3.6 km completed, while KPC is responsible for dredging, reclamation and construction of the berth and terminal facilities.



The reclamation works are now 80% complete, while the berth is 15% completed with piling works in progress for Phase 1, involving 1 km berth with 16 m water depth.

Phase 1A involving 400 m of the 1 km berth and related backup facilities will commence operation in late 2017 in line with KPC's first/anchor customer, Alliance Steel (M), which has its steel mill in the Malaysia-China Kuantan Industrial Park, about 10 km from the port.

The new terminal will initially be able to handle 12,000 teu container vessels. The ultimate capacity of the port with 18 m water depth should cater for larger bulk vessels up to 200,000 dwt. In addition, the port has achieved free zone approval from the government meaning that it will be able to take advantage of new export businesses setting up shop at the port.

Malaysia China Kuantan Industrial Park (MCKIP)

MCKIPSB is a 51:49 joint venture between two consortiums from Malaysia and China. The Malaysian consortium consists of a public-private partnership spearheaded by Kuantan Pahang Holding Sdn Bhd comprising IJM Land Bhd, Sime darby Property and the Pahang State Government. The remaining 49% stake of the Chinese consortium is led by the state-owned Guangxi Beibu Gulf International Pport Group and the Qinzhou Investment Development Co.

MCKIP was launched in 2013 and the first industrial park in Malaysia to be jointly developed by both Malaysia and China and to be accorded the "National Industrial Park" status. An important component in the China-Malaysia supply chain, MCKIP's target industries include energy-saving and environment-friendly technologies, alternative and renewable energies, high-end equipment manufacturing and the manufacture of advanced materials.

Southern Region

The general outlook for industrial is not convincing. The news of shutting down and ceased operations of some major factories such as Samsung Electronic Displays Malaysia in April this year has generally impacted the market with further rumours of slowing down in operations or downsizing. The occupancy has also declined with more factories now available for rent.

TH Properties has launched the second phase of TechPark@Enstek, comprises mainly vacant industrial land of 5 acres and above per lot with Kellogg's as one of the current main occupiers. IJM Land Berhad has launched Factory 69 which generally comprises terraced light industrial factories.

Various types of industrial units are available along the main highway i.e. Sungai Udang – Paya Rumput – Ayer Keroh Highway (SPA) and Alor Gajah – Melaka – Jasin Highway (AMJ) from developers. Under-construction industrial projects are mainly at the SPA stretch, Tanjung Minyak, Krubong and MITC, as well as AMJ stretch, Telok Mas, Jasin and Merlimau.

Industrial properties in Melaka are highly dependent on state government policy and as such, each and every industrial scheme has its own identity, e.g. Alor Gajah, Tanjung Minyak, Jasin & Merlimau are light industrial park, Bukit Rambai is heavy industrial area, Krubong has mostly warehouse industries, Autocity MITC for auto-mobile industries, etc.

REGIONAL

West Malaysia

Rent and Yields				
	Industrial Rent (RM psf)		Industrial Yield (%)	
	2015	2016	2015	2016
Seremban	1.0 - 1.5	0.8 - 1.5	7.0 -8.0	5.0 -6.0
Malacca	1.5	1.5	6.0	5.75
Batu Pahat	0.3 - 0.5	0.35 - 0.5	6.5	6.5

Source: CBRE | WTW Research

East Malaysia

Labuan

Due to the weak oil sector, industrial activities have slowed down and caused demand for industrial properties to drop. There is currently no oversupply of warehouses or industrial properties however there are also no new projects being plan or launch.

Sabah

No new industrial development project launching for 2016. Most of the demand for the industrial properties are for light engineering works, storage and SME soft manufacturing industries for the local and domestic market. There will be at least two (2) proposed new developments in the next 2 years, which are centered around Jalan Tiku and Jalan Sg Tajong areas. The two (2) new proposed developments of light industrial building will be focusing on the development of 1½ storey and semi-detached industrial buildings. The pricing for this type of premises is expected to be at RM700,000-RM900,000 and RM1,200,000–RM1,800,000 respectively.

The Keningau industrial property market during 2016 was stable due to the completion of a few light industrial estate/developments. Based on our general observation, there are adequate numbers of industrial/light industrial properties within the district at present. There are no new industrial launches in Keningau in 2016 and developers are still trying to sell their completed project/unsold units.

Rent and Yields				
	Industrial Rent (RM psf)		Industrial Yield (%)	
	2015	2016	2015	2016
Tawau	1.00 -1.50	1.00 -1.50	4.0 - 5.0	4.0 - 5.0
Lahad Datu	2.00	1.80	5.0	4.5
Labuan	2.00 -2.50	2.0 -2.50	N.A.	N.A.
Keningau	2.00 - 2.50	2.00 - 2.50	4.7	4.7

Source: WTW Research

Sarawak

Similar to the past years, new supply of light industrial spaces are limited and no significant vacancy rate and therefore it has given an impression that this sector remain stable.

The overall market is experiencing a slowdown and the trend is expected to continue to 2017, with less launches and slower rate of completion. There have been no launches of industrial properties in 2016.

Rent and Yields				
	Industrial Rent (RM psf)		Industrial Yield (%)	
	2015	2016	2015	2016
Sibu	1.00 - 1.40	1.00 - 1.40	N.A.	N.A.
Miri	1.20	1.20	4.5	4.0
Bintulu	1.70	1.80	4.5	4.5

Source : WTWY Research



FEATURE ARTICLES

pg. **72** It's all about P.L.A.C.E Making

pg. **84** The property market impacts of the UK
referendum "Leave" vote
The Long Goodbye?

ALL ABUZZ ABOUT SEA E-COMMERCE POTENTIAL

There is much abuzz about the potential growth of South East Asia's e-commerce market in the next five to 10 years. The SEA e-commerce market is estimated to be around USD \$5.5 billion as at end 2015, accounting for 0.8% of total retail sales. It is forecasted that this market will grow significantly in the next 10 years to reach USD \$87.8 billion and account for 6.4% of the total retail market. Indonesia, The Philippines, and Vietnam are set to lead this growth with Indonesia expected to account for 52% of the e-commerce market by 2025².

This hype is backed by a few trends. Firstly, SEA is currently the fourth largest internet market in the world; it is set to be the fastest growing internet market with the number of internet users forecasted to grow 14% CAGR³ to reach 480 million by 2020⁴. Secondly, there is high smart phone ownership; it is estimated that close to 60% of the

region's population has a mobile broadband (i.e. 3G and 4G) connection⁵. Thirdly, the use of social media is substantial in the region with more than 230 million active social media users or an estimated 37% of the population. Consumers in SEA spend a considerable amount of time on social media, the highest being the Filipinos who spend close to four hours a day on social media platforms⁶. Fourthly, SEA has a relatively young demography as an estimated 60% of its population is under the age of 35 years old as at end 2015⁷. This young population is a generation that has lived most of their lives surrounded by technology, thus they are savvier and exposed to myriad views and influences online. Lastly, the number of retail developments is expected to grow at a relatively slower rate, especially in the rural areas, giving e-commerce the upper hand in obtaining a wider reach.

60% OF SEA POPULATION IS AGED 35 YEARS OLD AND BELOW

Philippines	67%	Vietnam	58%
Malaysia	62%	Thailand	45%
Indonesia	61%	Singapore	42%

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, DVD Edition.

Consumers' shopping patterns continue to evolve

Technological trends and the emergence of e-commerce in the region have and will alter the way consumers across the SEA region shop. The number of brands and product touch points for SEA consumers has multiplied as they are exposed to influences in both physical and digital realms. They are not confined to the physical store for awareness, search, and purchase of a product and are up-to-speed on the latest trends, riding on the high connectivity with their immediate community and the rest of the world. Consumers transit from the physical to digital realm seamlessly. They review and make decisions round the clock, influenced heavily by their experiences in both realms. The path of purchase and the decision-making process of consumers have become more complex, and are expected to remain this way.

¹ For this report, South East Asia refers to ASEAN-6 countries i.e. Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam

^{2,4} Temasek, Google e-conomy SEA May 2016, Retrieved June 2016

³ CAGR stands for Compound Annual Growth Rate

^{5,6} We are Social Digital in 2016 Jan 2016, Retrieved June 2016

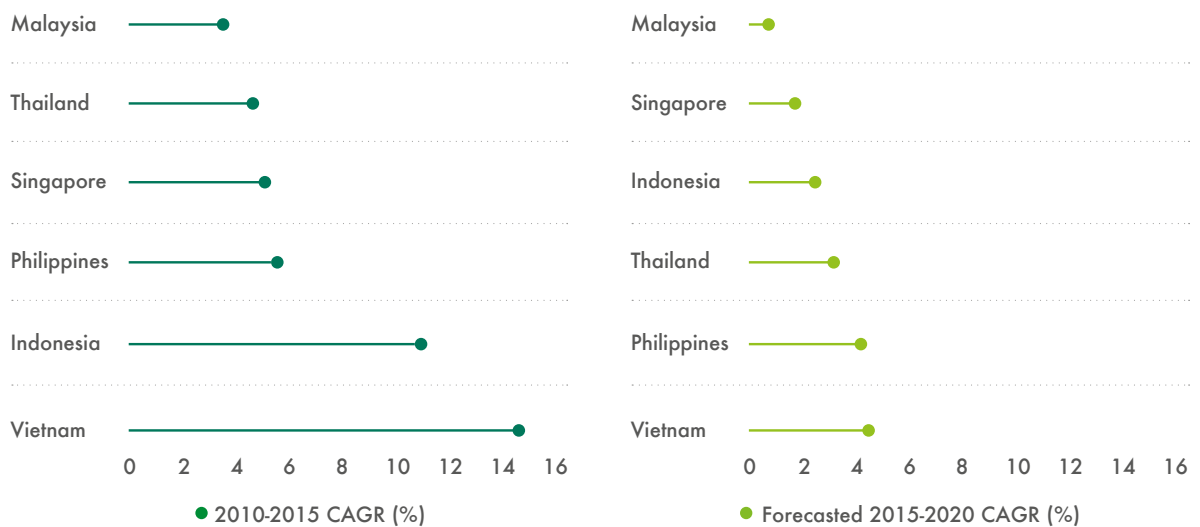
⁷ United Nations World Population Prospects, 2015 Revision, Retrieved July 2016



PHYSICAL RETAIL IS STILL RELEVANT

While the region will have to contend with the ‘disruptions’ that technology brings to traditional retailing, store-based retailing will remain the key point of purchase among SEA consumers in the next five to 10 years and account for at least more than 90% of total sales value. It is forecasted that store-based retailing across the SEA countries continue to record positive growth in the range of 1.0-4.5% CAGR from 2015 to 2020⁸ across the SEA countries albeit at a rate lower than that of e-commerce due to its higher base. The physical store is also likely to play the important role of engaging consumers. Discussions should not focus on digital versus physical but rather, how landlords and retailers can implement and adapt to an omni-channel strategy.

STORE-BASED RETAILING SALES VALUE



Source: Euromonitor, June 2016

⁸ Euromonitor Retail Database January 2016, Retrieved June 2016

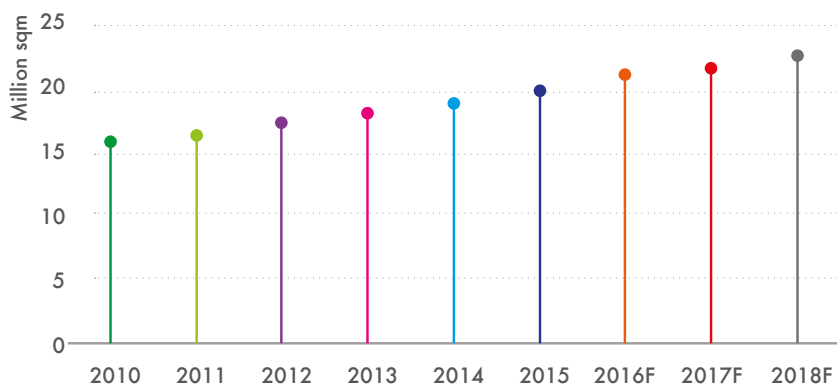


LANDLORDS NEED TO STAY AHEAD WITH P.L.A.C.E. IN MIND

Retail is still an attractive proposition in SEA. Positive macroeconomic and demographic trends such as a growing middle-income class segment and rising urbanisation will lend support to growth. Competition among landlords in the cities, however, will be stiff. Developers have been ramping up retail supply as it grew around 4% to 5% CAGR in the key SEA cities⁹ from 2010-2015. More supply can be expected with at least close to four million sqm of retail stock expected to complete in the next three to five years across the cities.

Retail landlords thus cannot afford to rest on their laurels and must evolve with the times to stay ahead in a fast-changing retail landscape where the boundaries between the physical and digital are increasingly blurred. The threat is real; there have already been cases in which retail developments in SEA have had to shut down or face high vacancy and low footfall as they fail to capture consumers and retain tenants. Landlords will need to consider P.L.A.C.E. in their innovation strategy, paying close attention to the value that they have to bring to both consumers and their occupiers.

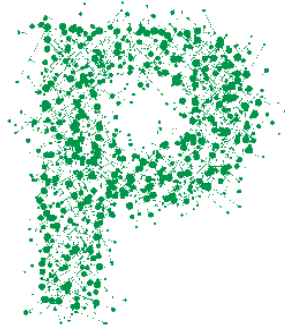
RETAIL SUPPLY IN KEY SEA CITIES⁹



Source: CBRE Research, August 2016
Refers to total retail stock in Bangkok, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur and Singapore

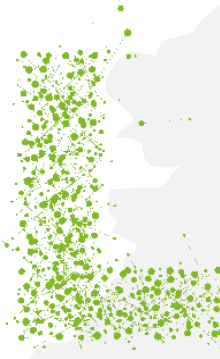
⁹ Refers to Singapore, Malaysia, Thailand, Vietnam, Indonesia

IT'S ALL ABOUT P.L.A.C.E. MAKING



PLACE MAKING

The important tool for conceptualising shopping developments that places consumers' experience at the forefront. A good experience builds a strong positive association for the consumer and is tougher to replicate on the digital platform.



LEVERAGE TECHNOLOGY

Landlords should take advantage of the high internet and smart phone penetration among SEA consumers to improve the shopping experience in a mall. Technology can help increase foot traffic and sales by providing landlords consumer insights and novel ways of visitor interaction.



ACTIVE ENGAGEMENT

Going back to basics, forging personal connections with consumers is imperative for landlords to stand out from the competition and gain loyalty. Tenant engagement is also crucial during this period of structural shift and landlords need to find ways to support them.



FACTORS DRIVING E-COMMERCE GROWTH IN SEA



Fourth largest internet market in the world

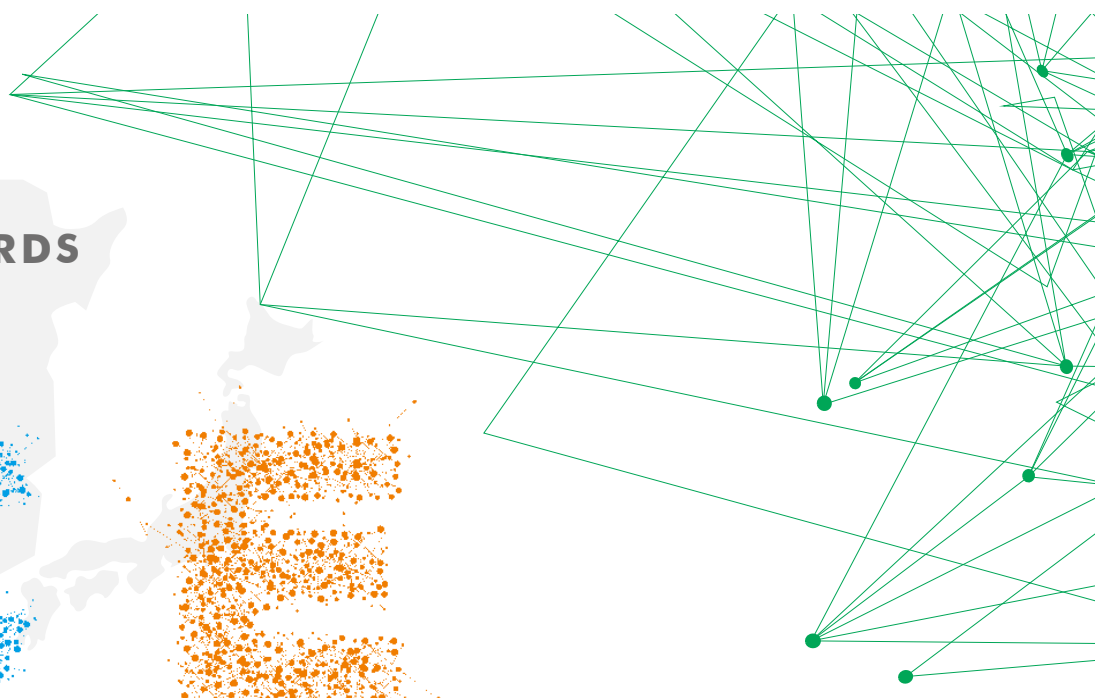


High smart phone ownership



Active use of social media among SEA consumers

FOR LANDLORDS



COMBINE CHANNELS

Landlords can break down the silos between online and offline by helping their tenants incorporate an omni-channel strategy through vertical and horizontal integration such as acquiring an e-commerce platform or setting up a logistics network to fulfil delivery needs.



EMBRACE DIGITAL TENANTS

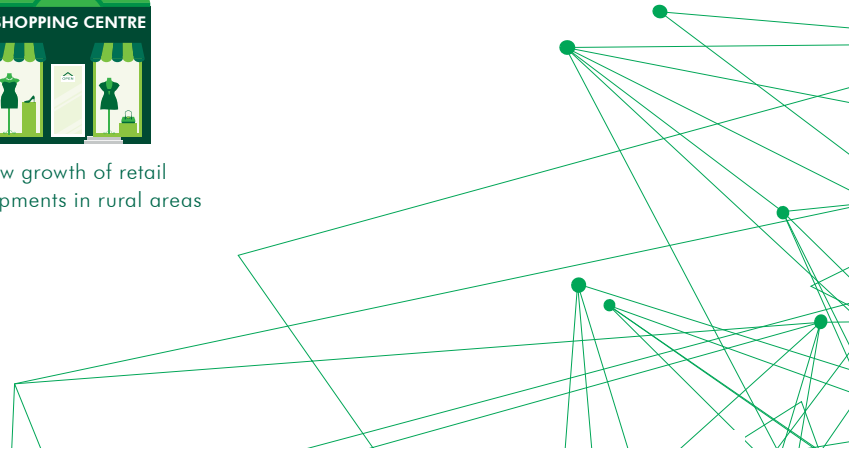
Landlords should actively seek to lease space to budding e-commerce retailers as they are likely to be savvier in digital marketing and more in-tune with the modern consumers' needs, having established a following online and a logistics network.



A relatively young population with 60% under age 35 years old



Slow growth of retail developments in rural areas



LACE MAKING

In SEA, shopping centres serve as the ‘third place’, i.e. a place away from home and work, for consumers to meet their social needs in a safe and clean environment¹⁰. However, landlords need to find ways to differentiate their shopping centres; place making can be the important tool used to conceptualise shopping developments that puts the consumers’ experience at the forefront instead as an afterthought. This is critical as a good social experience makes a strong positive association on the consumer and is tougher to replicate on the digital platform.

The recently completed Emquartier in Bangkok illustrates the careful consideration the landlord, The Mall Group, took in its planning and design. Emquartier is one of three developments to anchor the “The Em District”, an area planned by The Mall Group to be an iconic destination for both locals and tourists alike. In the highly built-up city that is scarce in green public space, the 600,000 sqm Emquartier stands out with its lush flora and fauna planted along and within. Visitors can take in the 40-metre high manmade waterfall or find respite in the 3,000 sqm rooftop “Quartier Water Garden” which offers panoramic views of Bangkok. This helps to add an experiential element for its visitors, helping to make the Emquartier visit a more memorable one.

In addition, the tenant mix is wide and varied in terms of retail trade and country origin. Deliberate efforts were made to group related retailers or concepts into special themed zones such as “Another Story” which introduces visitors to a wide variety of exclusive and eclectic lifestyle items; “Qrator” which is a show case for established and emerging Thailand fashion designers; a gourmet market featuring myriad goods and produce sourced locally and internationally. Such planning provides visitors with choice and variety while invoking curiosity and creating moments of serendipity.

¹⁰ According to CBRE’s Asia Pacific Consumer Survey 2014 *How We Like to Shop*, safety and cleanliness were the most valued factors in a shopping centre.

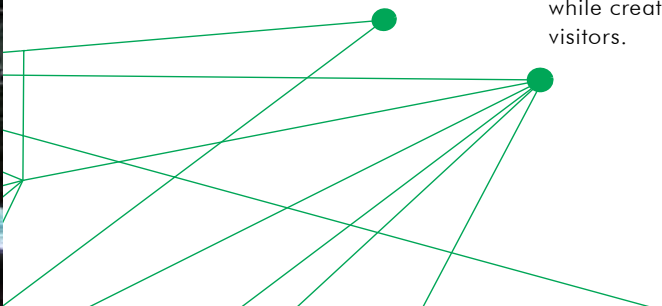




Open-air wet and dry playground at SC Vivocity

In Ho Chi Minh City, another newly completed shopping centre-SC Vivocity- has also incorporated place making into its design and function to anchor itself as a key retail destination in the suburban District 7.

SC Vivocity takes into consideration that its primary catchment is made up of families and has created a family-centric venue as a result. There is a rooftop park in which an open-air wet and dry playground is available for children to play in and activity areas for toddlers are located across the 62,000 sqm shopping centre. Complementary 'retail-tainment' tenants such as a bowling centre, arcade, and cinema coupled with a wide variety of dining options also provide families and young shoppers alternative options aside from shopping. This in turn, increases visitors' dwell time within SC Vivocity while creating a wholesome social experience for visitors.



Landlords should take advantage of the fact that there is high internet and smart phone penetration among SEA consumers to improve the shopping experience while they are at the store.

In line with active engagement, there is an increasing number of landlords creating shopping centre-based smart phone applications such as ION Orchard (Singapore) and Crescent Mall (HCMC, Vietnam) which help visitors with multiple functions such as navigating within a shopping centre, retrieving the most updated list of tenant directories, and alerting them to updates on events and promotions.

There are also more shopping centres in SEA which provide free Wi-Fi; this incentivises visitors to stay for a longer time and empowers visitors to do online research about the development and its tenants or update their social media accounts in which they can tag their location or share pictures of elements they find interesting. The landlord and retailers benefit too as they will be able to harness information such as the social profile of visitors and reach out to them with real-time promotions or events. Similarly, the use of beacon technology also allows landlords and retailers to connect with consumers.

These steps, however, are relatively rudimentary as technology continues to advance. Landlords need to remain nimble by keeping abreast of trends and upcoming technology which could be beneficial to their retailers and developments. For instance, retail asset managers should have their eyes on the developments in Augmented Reality (AR) and Virtual Reality (VR). AR can capture real world images and overlay additional information on mobile phone screens, such as overlaying apparel onto a browsing shopper or present more information about the product. It can also provide unique consumer interaction and increase retail sales as evidenced by a campaign launched by SM Supermalls in Philippines as early as 2012.

SM Supermalls had launched an AR game, iButterfly, across eight of their shopping centres in May 2012. Visitors to these developments, through the use of AR, GPS and motion sensors on their smart mobile phones, could try to catch virtual butterflies and get rewarded with store discount coupons and freebies in a month. It was reported that this marketing event by SM Supermalls was aimed at arresting the problem of a traditional decline in sales during the month of May and enhance the shopping experience for visitors. There was an increase in sales across all eight shopping centres and it helped to draw crowds as iButterfly was the top most downloaded lifestyle application on the Google Play Store in Philippines in that period¹¹.

¹¹ SM Supermalls iButterfly Hunt: http://www.omnicontests4.com/gal-resultdetail.aspx?s=s&gallery_id=24&entry_id=322187, Retrieved July 2016



A CTIVE ENGAGEMENT

Going back to basics, retail mall managers need to actively engage their customers in order to gain loyalty. Place making and the use of right technology could help customer engagement in terms of experience but there is also the need to forge personal connections with consumers.

It is imperative that landlords set up social media and instant messaging accounts to interact with consumers on popular regional platforms such as Facebook, Instagram, Snapchat and Line. SEA consumers are frequent users of social media and expect that they can get in touch with retailers and shopping centre managers to ask questions, give feedback, and receive updates on the latest promotions or events. This is seemingly fundamental but there are retail developers and landlords who fail to do so. This might prove to be a costly move as disengaged customers will find few reasons to patronise the mall, causing it to lose prominence and visibility among locals and tourists. There are other ways in which landlords can work to engage visitors, such as hosting multiple events and exhibitions which entertain and educate consumers or rolling out a loyalty programme scheme.

Singapore's CapitaLand Mall Asia (CMA) Group has launched a rewards programme called CAPITASTAR for consumers who shop in any of the 15 participating shopping developments in CapitaLand Malls' portfolio. It is a card-free programme in which customers can convert their purchases to "STAR\$" when they scan or upload their receipts through their mobile phones or the self-service kiosks located within the shopping centres. Customers will be able to accumulate the "STAR\$" to exchange for CapitaLand Mall shopping vouchers or parking privileges. CMA has also tied up with some credit card providers such as American Express for the CAPITARSTAR programme in which purchases charged on American Express CapitaCard will earn more STAR\$ than a regular

purchase. There is also a loyalty programme, SPARKS, launched for shoppers under the age of 16 years old in which children and teenagers can collect "Star Coins" to redeem exclusive SPARKS collectibles or attend special events/activities¹². The CAPITASTAR loyalty programme has been lauded as a successful one in engaging consumers and it has been launched in other countries such as China, Malaysia, Japan, and India.

While retailers benefit from landlords' initiatives to engage consumers in the form of higher foot traffic, spending, and positive association, landlords should also take care to actively engage their tenants and understand the challenges that they face in adapting to changes in consumers' shopping patterns and technology. Landlords should also analyse and share data collected about visitors to the development as it could help their tenants to better understand their consumers, so that they are able to provide a more personalised, curated experience and product offering.

¹² Information about CAPITASTAR Sparks Programme from official site: <http://www.capitastar.com.sg/en/placeholder-tiles/sparks/sparks/>, Retrieved July 2016



COMBINE CHANNELS

Consumers do not view online and offline channels the way businesses view them. To them, convenience, choice, value, and experience matter. The combined advancement of technology and infrastructure network has exposed SEA consumers to e-commerce, reducing the reliance on physical stores to meet their shopping needs.

Landlords have a role to break down the silos between online and offline among consumers by helping their tenants incorporate an omni-channel sales strategy. This will also make shopping a more convenient, enjoyable experience while offering consumers more choices as product offerings are not limited to brick-and-mortar space.

An example is the launch of Indonesian e-commerce platform, Matahari Mall by Lippo Group. The online store is in part complementary to the Group's Matahari Department Stores as the online site carries products sold in-store and more. Customers are also able to collect their online purchases from any of the chain of Matahari Department Stores too, providing consumers various options to take delivery of their products, whichever way works best for them.

Similarly, a key retail player in Thailand -Central Group- acquired the business operations of e-commerce platform Zalora in Thailand. Central Group reportedly commented that the 100% acquisition of Zalora Thailand is a move which will provide its partners and suppliers "an additional retailing channel which is not limited to the traditional offline model" while giving consumers "greater choice and quality"¹³.

Thus, landlords could consider horizontal and/or vertical integration such as acquiring established e-commerce platforms, setting up their own logistics network and online platform to create an omni-channel business operation for its tenants and consumers.

The possible value and outcomes that can be generated from such investments are plenty. For one, it increases the number of touch points between consumers and the shopping centre, its retailers and products, reducing the distinctions between what is offered online and offline. Shopping centres could serve as distribution centres in which customers can combine their purchases from different retailers online and/or offline and opt to have them delivered to their homes or collect from one of the landlord's retail developments. Retailers could also promptly deliver products to stores within the landlord's shopping centre portfolio should there be a need to meet real-time demand from consumers. The association of an established shopping centre operator with an

online platform that provides 'click-and-collect' or from 'store-to-door' services builds a stronger level of reliability and trust amongst consumers too. Both physical and online-only retailers looking to incorporate an omni-channel strategy are also likely to be more inclined towards expanding their footprint in these shopping centres with an established e-commerce and logistics network.

Established landlords with a portfolio of shopping centres are in a better position to do so as they gain better economies of scale from the investments made.

¹³ Central Group announces the purchase of Zalora Thailand: <http://www.nationmultimedia.com/business/Central-Group-announces-the-purchase-of-Zalora-Tha-30285946.html>, Retrieved July 2016





Landlord distributes goods to shopping centres and consumers

E-COMMERCE PLATFORM



Landlord acquires or creates an e-commerce platform which carries tenants' products



HORIZONTAL INTEGRATION

Retailers can deliver goods to landlord's shopping centres for real-time purchase requests

ONLINE SHOPPING



CLICK-AND-COLLECT



Purchase from the landlord's e-commerce platform and opt for pick-up at any of its shopping centres

Get 24/7 access to goods online and have purchases delivered directly to home



EMBRACE DIGITAL TENANTS

Landlords should actively seek to lease space to up and coming e-commerce retailers on a temporary or long term basis. These e-commerce retailers are likely to be savvier in digital marketing and more in-tune with the modern consumers' needs, having established a following online and their logistics network. This provides a win-win situation for both the landlord and retailer. The landlord can tap on the popularity of the retailer to help drive foot traffic into the shopping development. This also provides consumers an interesting mix of tenants in their shopping centres.

The online retailer will benefit from having a physical store too as it provides an important additional touch point for consumers. It could lead to increased brand awareness. It could encourage consumers to test products in person and possibly buying them. The store can serve as an additional point for customers to collect or return products, offering them increased convenience and a wider variety of choices.

For example, some landlords in Singapore, Malaysia, Vietnam, Philippines, have leased pop-up space for e-commerce platform Zalora. It allowed the retailer to showcase their digital-physical concept; customers could try their products and get educated about shopping on Zalora's website. Customers had to purchase their products on Zalora's online platform in-store which will be delivered to their homes instead of carrying it away immediately. It was reported by the company that 90% of customers who bought from the pop-up stores were new ones¹⁴. The retail landlords who leased to Zalora were also able to collate consumers' perceptions about omni-channel shopping and offer consumers a novel experience.

¹⁴ Zalora Press Release, 11 March 2016:
http://blog.zalora.com/press/press-release-zalora-turns-four/#.V5V90_I95hE, Retrieved July 2016



A WIN-WIN OUTCOME

The consumer should remain the focal point for landlords' response to the changing retail landscape. Placing top priority on consumers' shopping experience, their need for convenience and choice in the design and management of a shopping development is crucial as offline and online boundaries blur and converge. Landlords and asset managers need to support their retailer-tenants as structural shifts transform business operations. Innovating and making necessary investments are the crucial next steps to attracting a steady stream of shoppers and retain tenants who want to be part of this successful ecosystem – the true test of a successful shopping centre.



The property market impacts of
the UK referendum 'Leave' vote

The Long Goodbye?

(This article is an extract from *The Long Goodbye?*, a CBRE research report whose second edition was issued in July 2016 following the result of the UK's referendum on membership of the European Union. It is reproduced and updated with the courtesy and cooperation of CBRE UK Ltd. The full report, and other CBRE research material relating to the EU referendum, may be found at www.cbre.co.uk/eureferendum)

Introduction

On Thursday 23 June 2016 the UK population voted by 51.9% to 48.1% to leave the European Union (EU). Turnout was 72%, with a record 46.5 million people eligible to vote, causing Prime Minister David Cameron to resign.

In voting to leave the EU, the UK has made probably its most profound economic and political decision in 60 years – a decision seemingly reflecting our identity as a nation, our values, our dissatisfaction with the EU economic and legal model, a rejection of integration and globalisation, and dissatisfaction with 'the establishment'. But what happens next, and what does it mean for real estate? In this note we sketch out some of the big issues to watch.

Why a 'long goodbye'?

CBRE entitled its post-referendum report *The Long Goodbye?* because we do not believe that exit will be as dramatic as some commentators claim. Imaginations will no doubt run wild, fed by media speculation. While it is difficult to categorically rule out some of the more farfetched scenarios (and therefore we do consider some of them in this note), we think they are for the most part not very likely to arise. This is because:

- We are in the EU until we are not – and it will take some years to achieve an exit. The implications will take some time to emerge and there will be inertia in the decisions businesses and individuals take, on a 'look before you leap' basis.
- Some of the gloomier predictions made by Remain campaigners are overdone – the economic impacts run

in both directions, and it is illogical to suggest that there are no upsides or opportunities in the current situation.

- Sectoral impacts will vary; some sectors will be more resilient than others; for example, exit won't stop the UK population increasingly shopping online, so the demand-supply imbalance in UK industrial property will continue to be a hot topic.
- Brexit presents an opportunity for the industry to consider what advantages it sees in "taking back control" from the EU – for example, in changes to planning legislation originating in Europe – and to press for these with Government.

Short term demand-side and occupier impacts: overview

Most economists fear that Brexit will be bad for the UK. The main cause of short-term negative impacts is likely to be uncertainty about how the UK's relationship with the EU will now work, and this uncertainty is likely to hit confidence (including consumer confidence). That said, the UK economy is in reasonably good health at the moment and we think claims of imminent recession are overblown. Financial services, professional services, and the 'tech' industries look most likely to be affected by a Brexit.

UK economic fundamentals remain sound

The UK's economy has, at least until very recently, been in reasonably good health. GDP growth in 2014 and 2015 has been strong, employment is very high, and unemployment will not take long to reach its typical

cyclical low of around 5%. Borrowing costs remain low, inflation is low, and prices for key production inputs (like oil) are also low. If the UK reacts positively to news of a Brexit and confidence in its economy is boosted as a consequence, then there is no reason why this trend cannot continue for now. Our forecast for GDP growth in 2016 is 1.8%. This level of growth is a little lower than has been achieved recently, and is a slight downgrade relative to our Remain case, but the reason for that is not simply, and possibly not even mainly, the uncertainty generated by the referendum. The global economy has experienced a great deal of turbulence in the last 12 months, and the UK has not been immune from this. So, a world of low but steady growth looks likely for now. Given the recent underlying economic strength, the claims of an imminent recession (two quarters of negative growth) look overblown.

For example, Oxford Economics has forecast that the UK will be worse off over the next five years as a result of leaving the EU. But a recession is not expected. They forecast GDP growing around 1.8% in 2016 and by 1.1% instead of 2.3% (baseline) in 2017; suggesting the Leave vote has knocked around 120 basis points off the Remain scenario. However, they also think that growth rates will have recovered by 2020.

The Bank of England has said that it is likely to make policy changes in the event of a Leave vote. We think that UK interest rates are now likely to remain very low for some time. The Bank looks likely to cut interest rates to slightly above 0% in Q4 2016 and will probably only start raising rates in 2020. By the end of 2020, we think interest rates will hit 1% (compared with our previous baseline scenario which suggests that it would hit 1% in late 2017).

Oxford Economics suggests that the Sterling/Euro exchange rate is expected to depreciate to around 1.1 Euros to the Pound by Q3 2016. This is a 17% fall year-on-year, close to historic lows. Sterling's predicted depreciation against the dollar is even more significant, to 1.2 dollars per pound, a 22% fall year-on-year. It is however, gradually expected to recover over the next five years to its present rate of around 1.4:1.

On the whole, the macroeconomic variables point to a slowing of the UK economy. Inflation is expected to arrive at its 2% target within a shorter time frame, partly owing to higher import prices. However, this will happen against a backdrop of a slowing economy. This implies that interest rates would remain lower for longer and that so called "normal conditions" would take longer to achieve than under the Remain scenario.

Not surprisingly, the impact on the Eurozone following a Brexit is forecast to be less strong than the impact on the UK. And the impact will take perhaps one or two quarters to appear. Oxford Economics forecast that over the next two years, Eurozone GDP will underperform compared with the baseline Remain scenario, but only very slightly, with growth of around 1.6%-1.7% per annum.

The euro is also expected to depreciate against the dollar to around 1:1. This is not as dramatic as the depreciation of the pound against the dollar, and will be temporary. As with the Bank of England, the ECB seem likely to reduce or delay interest rate rises.

Sectoral impacts: some sectors are more exposed than others

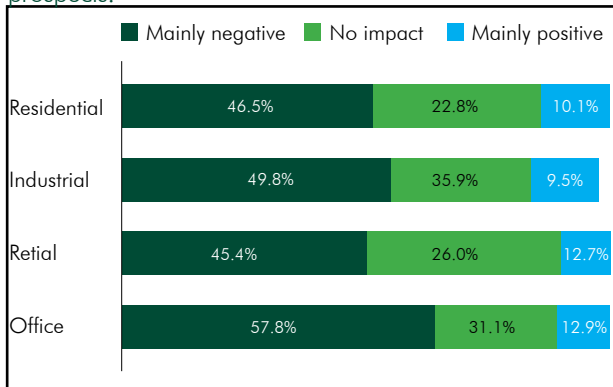
Specific and robust evidence on which sectors of the economy will be particularly affected by Brexit is difficult to come by.

Most of the economic studies about Brexit conducted prior to the referendum do not mention sectoral effects. HM Treasury's 2016 study is an exception. This makes specific reference to a number of (mostly office based) sectors that they see as being at risk. These are: pharmaceuticals, aerospace, financial services, automotive, professional services, digital (tech) and agriculture. We look at some of these sectors in more detail below.

While all of the sectors identified by either the Treasury or by industry bodies are important to the UK economy, three key office-using sectors (financial services, professional services and the new (digital) tech industries) are important to the country as a whole and are particularly important to the central London office market. Survey evidence suggests that property market decision makers are

also particularly concerned about the impact on offices, with a recent Property Week survey of over 500 industry representatives indicating that 58% of them felt offices would be 'mainly negatively' affected by Brexit compared with 45% for retail, 50% for industrial and 46% for residential (see Figure 1). The same survey found that the positive impacts of a Brexit would be most felt in the residential sector though even for that sector, only 13% of respondents felt that Brexit would be 'mainly positive'.

Figure 1: Perceived impact of Brexit on investment prospects.



There are two separate demand-side effects. There are jobs which re-locate as a direct result of the Leave vote; and jobs which might have been created in the UK but which are created somewhere else because the UK is no longer in the EU. Although economic activity might be depressed more in the short term, the full effect on the occupier market is likely to build over time as leases expire and are not renewed.

Banking and Financial Services look most exposed

The threat to financial services jobs has been at the forefront of the debate over the likely economic impact of a Brexit. This is because of the importance of 'passporting' rights permitting businesses based in the EU to operate anywhere within it. The UK would retain passporting rights if it joined the wider European Economic Area (which includes non-EU countries such as Norway); but this would mean agreeing to a number of EU demands, including the freedom of movement of people and contributing to the EU budget. Given the prominence given to limiting immigration by the Leave campaign it is quite possible that this would not be an agreeable solution.

Frankfurt and Paris are the most mentioned

likely destinations if international financial services jobs leave London. Milan and Madrid actually have more financial services jobs than Frankfurt but Frankfurt is seen as more internationally orientated. Lending and trading are more important in Frankfurt than in other European cities, London excepted.

A number of UK-based banks have already said that they have contingency plans to relocate some of their staff out of London in the event of a Leave vote. HSBC have said that they have contingency plans to move 1,000 investment bankers to Paris. Bank of America Merrill Lynch, Goldman Sachs, and others have also talked about relocations but have been less specific about the location.

Dublin and Amsterdam could benefit too. Despite the rumoured preference for Paris amongst some bankers, presumably based on the perceived quality of life there rather than on international competitiveness, Frankfurt, at number 18, is the highest ranked EU Global Financial Centre after London (at number 1). Paris only ranks 37, just ahead of Warsaw and one place behind Amsterdam.

The European Central Bank has previously tried, and failed, to move Euro-denominated financial trading out of London so that it could be subject to ECB regulation. It is extremely likely that the ECB will try again, and this time it would probably succeed if the Article 50 process for leaving the EU has already commenced.

The fate of Professional Services will depend on that of Financial Services

Services such as legal, accounting, management consultancy, architecture, marketing and advertising tend to cluster near major financial centres and corporate headquarter clusters. If London's financial services industry were to shrink then so would its professional services sector. There is an argument that a Brexit would mean a boom for lawyers as they strive to unwind existing contracts based on EU law or regulations. This may be true, but the impact would be transitory.

Longer term, the prospects of the legal services sector are heavily tied into the success of financial services and corporate UK. UK-based professional services companies are also major export earners. They benefit directly from EU membership in two main ways: The EU's Services Directive allows professional services firms to establish subsidiaries in other member states or trade across borders without facing discriminatory or unjustified barriers. And the Mutual Recognition of Professional Qualifications system means that a firm's employees can have their training and qualifications recognized throughout the EU.

If London were to lose financial services jobs to Paris or Frankfurt, for example, some professional services jobs could be eventually expected to go there too.

'Tech' industries could also be significantly affected

A recent survey by the Bertelsmann Foundation found that Tech companies were even more concerned about Brexit than financial services companies, and they were far more concerned than the average of all companies sampled. Business surveys that focus on large companies, such as the CBI's, show an overwhelming majority of companies (80% in the case of the CBI) are in favour of continued EU membership. A minority of respondents to surveys by the Federation of Small Businesses and Zurich's SME Survey were in favour of continued EU membership. But a survey by TechUK of its membership showed 70% of companies in favour of continued EU membership, which stands out at the opposite end of the spectrum. A Tech London Advocates survey (focused solely on London-based tech companies) found an even bigger proportion (81%) in favour of staying in the EU.

Tech companies are worried about a Brexit mainly because they rely heavily on skilled workers from overseas. A Brexit would hinder recruitment and "would slow their ability to move rapidly against rivals and to bring on talent in a competitive field". Nor is the concern limited to small companies. Recent research cited in The Guardian found that five of the UK's 14 'unicorns' (private tech companies with a value

of more than \$1bn) were explicitly pro-EU. The rest have not expressed a view either way. The focus on the availability of migrant workers puts tech companies alongside companies in construction and leisure who are more commonly associated with worries over labour shortages. The difference is that technology industries are at the forefront of economic growth, new technologies and international competitiveness and they are talking about attracting highly skilled, highly sought after people.

The Leave campaign argued that if the UK were to leave the EU, unfettered migration from Central and Eastern Europe would be replaced by a points-based system that allows UK companies to pick the brightest and the best talent from around the world. The problem, as far as tech companies are concerned, is that many of the brightest and the best actually come from Central and Eastern Europe and that whatever system is introduced will be less flexible than what we currently have. In addition, the current point-based system that applies to non-EU immigrants has been criticised with companies citing problems of bureaucracy, inflexibility and excessive delays. The focus of much of the Remain camp's protests in the tech sector has been small- and medium sized enterprises; but large tech companies are now locating in London partly because of the depth of talent and the networks created by the smaller companies. So the ease of movement of international staff is also an issue for large companies.

Retail prospects depend on confidence but could prove resilient

Concerns from retailers will focus on the impact of the Leave vote on consumer confidence, but it is widely accepted that the scale of such an effect is difficult to predict. Spending on 'big ticket' items might be the first to suffer, which could have implications for the bulky goods and automotive sectors in particular. Retailers also have other concerns: that (since most retail purchasing is done in US dollars), a weaker pound will increase import costs, which will need to be absorbed or passed onto customers at a time of already ferocious price competition. Retailers pay close attention to population demographics, so the immigration debate for them is about consumers

(including tourists) as well as workforce. Retailers are fairly dependent on lower-paid migrant labour so lower immigration might in time push costs up – but as with the construction industry (see below), here might actually be more immigration in the short term.

Mainstream residential should prove resilient

The Leave vote doesn't reduce the pent-up demand in the UK housing market. However, the prospects for mainstream residential property hinge on consumer confidence. So, in the immediate aftermath, there was a quiet summer for sales as buyers consider the wider economic implications. However, even if the economy were to slow sharply, low interest rates mean forced sales are unlikely. We don't expect a marked negative impact on property prices. Indeed if developers scale back and new housing supply contracts significantly, there may even be upward pressure on prices. Prime London is most exposed to greater risk, but the underlying fundamentals (lifestyle, safe haven and education offer) remain robust. Overseas investors will benefit from a weaker pound, including institutions investing in large scale build to rent and individual investors.

Immediate supply-side impacts: construction and development

Development and construction activity looks likely to be particularly affected by a Brexit. Developments which have not started on site are likely to be delayed until there is more clarity about the level of demand in the economy. Offices are most likely to be affected, while residential development may well hold up in the short term. Longer term, development prospects depend on the state of the economy but also the costs of construction.

Confidence indicators – which tend to be leading indicators of demand for property – are likely to be watched particularly closely by developers.

Restrictions on free movement on workers may adversely impact the construction industry with nearly 5% of construction workers being EU, non-UK nationals. 9% of sole proprietorships of construction industries are foreign owned.

A recent Property Week survey indicates that 42% of property industry commentators believe construction costs will rise in the event of a Brexit while only 18% think they will fall – with influences including both the availability of, and demand for, construction labour. Those who think that prices will fall are betting on a reduction in demand for labour following decisions not to proceed with development; those who think prices will rise take the view that demand for development may well hold up but that the supply of labour will dry up.

It is more likely that we will in fact see both effects, but in sequence – in the short term, decisions not to commence construction will cut costs, but if the UK's new immigration controls are not sufficiently responsive in the longer term, then there will be labour shortages and construction prices will rise. And in the short term, an influx of EU migrants aiming to get into the UK before new controls begin could actually increase labour availability.

Uncertainty over the scale of these contradictory effects, and the likely supply-side caution it creates, ironically looks very likely to provide support for sale prices and yields.

Planned office development is most likely to be affected, unless there is a very significant pre-let commitment associated with the development in question. In Central London, for example, over 6m sq ft of office building development will complete in 2016, the highest figure for more than a decade, and a similar amount in 2017 – but the amount of planned development in 2018 and 2019 is even higher at over 13m sq ft. Under 3m sq ft of floorspace due to become available in 2018 and 2019 has actually started on site, and we doubt that much of the remaining 10m sq ft will start on site until conditions are clearer, resulting in new supply restrictions from 2018 onwards, which will sustain prices.

Residential development looks less likely to be affected, given the structural shortfalls in supply which exist in many UK markets, and particularly in London, though even in the residential sector we expect housebuilders will proceed with caution. Although this caution is not likely to be as dramatic in its effects as the collapse in new supply in 2008-09,

it could well push prices up even further in the short term if demand is sustained. There could also be an influx of EU migrants in the immediate aftermath to put down roots before the restrictions come into force. This could significantly push up migration – and therefore the demand for at least rented housing – in the next two years.

The housing demand impacts of leaving are unlikely

to be as significant as some claim. According to the ONS's low migration scenario, immigration is likely to fall by around 40% from 333,000 to 185,000 per annum by 2024. Despite this fall, however, the UK population will still be rising. So by 2026 our population would have increased from around 64.6 million in 2014 to 68.9 million by 2026, instead of reaching 69.9m as currently forecast. This would still mean a need to build 137,500 homes a year, which is around the current rate for the UK as a whole.

However, net migration could potentially be cut further. The Government's target is to reduce net migration to below 100,000 per year. In this case, adding the organic rise in population of 2.2 million, with the lower level of migrants, means the population would be 68.13 million by 2026, which suggests a need for 111,000 new homes per year. Infrastructure and public sector development look least likely to be affected, at least until public spending controls are revised.

The longer term: investment impacts

Investment sentiment is likely to be affected in similar ways to before the referendum. The UK's openness means it is exposed to flows of international capital, but investment sentiment will depend much more on the outlook for the UK economy than on our strict relationship with the EU. Intrinsic attractions of the UK mean that it looks likely to remain an attractive property investment destination, and not all sectors will be equally affected. Some may actually benefit. Money diverted away from the UK will not necessarily end up elsewhere in the EU.

Caution from investors is likely to continue for

some time. Prior to the referendum, CBRE saw clear evidence that investors were waiting to see the outcome before investing – the clear implication being that a Leave vote would cause investors to pull out. Indeed, we saw contracts being drawn up on that basis. Now that the vote has occurred, the uncertainty which investors perceived in a decision to Leave has crystallised, and investors are not much better informed than they were before the referendum about what a UK outside the EU looks like.

This uncertainty is likely to affect UK investment prospects, because the UK (and London in particular) is an open economy with significant exposure to international capital flows. However, the magnitude of the effect is very difficult to predict. Setting aside Central London, over the last eight quarters (to Q1 2016) domestic investors have been responsible for 64% of all investment (in value terms). The bulk of the remaining 36% was non-European (29%). European investment accounted for just 7% of non-London investment. So even if a UK exit from the EU increases the formal barriers to investment into the UK, it is not likely to have a very significant effect. The general economic impact of a Brexit, including confidence effects, is likely to be a much more significant factor.

This is also true, though slightly less so, for Central London. Over the same eight quarters, domestic investment into Central London accounted for 32% of all investment, so London is in theory much more exposed to a drop in international confidence than the rest of the UK. Of the remaining 68%, non-European investment accounted for 55% and European investment for 13%. So again the attitude of non-European investors is much more significant than any new restrictions on capital flows from the EU. Note also that the biggest source of European money into London was Norway, which is itself not in the EU.

If this money did go somewhere other than the UK, the beneficiary would not necessarily be other European markets. Cross-regional flows in the USA have been growing and key cities there might be seen as a more obvious alternative to London than other European destinations.

Uncertainty is not in any case, necessarily bad for every sector. In the domestic residential market, for example, there may be a shift in tenure preferences; during periods of uncertainty CBRE finds that the rental market becomes more popular. This will potentially provide a fresh boost to the private rented sector.

And there are also powerful structural reasons to believe that the UK will continue to experience strong investment volumes – even if not quite the record amounts seen in 2014 and 2015. For example:

- Some investors have no choice but to invest in the UK.
- Some sectors are exit-resilient in the short term (such as infrastructure, student housing, public sector, hotels and the mass residential market).
- Some investors will like the diversification benefits of the UK, including the different (and now better value) currency,
- Some will like the inherent structural attractions of the UK such as time zone, language, the rule of law, highly liquid and transparent investment markets – which, indeed, Leave campaigners have drawn attention to and which for sophisticated international investors are well-understood reasons to put capital in the UK.

We do expect an increase in yields to reflect the perceived risk of holding UK property, which could in some cases look alarming. But it may well be temporary, and in any case will be at least partly offset by the continuing relative attractiveness of property compared with other global asset classes or 'safe haven' assets, and by relatively strong economic prospects which will support rents. So we do not envisage a serious decline in investment volumes or prices in the medium term.

Sectoral impacts will vary. Most forecasters think that capital values for offices (especially London offices) are likely to be most affected. Prospects for retail depend on the sub-sector and on already well-understood trends within retail such as the increasing preference among

consumers for experiential prime retail. Prime shopping centre values are likely to hold up relatively well. Industrial property looks likely to be similarly resilient given the demand for this type of investment. This is because of the support provided to the industrial sector from online retailing, plus the fact that many industrial properties have long leases with fixed uplifts and an overall higher income return.

Opportunities for structural reform to improve prospects

Brexit campaigners point to significant structural opportunities which are opened up by the UK leaving the EU.

These include, for example, the opportunity to either abolish EU regulation completely, or to design different regulatory regimes more suited to the UK context – whether specific to the property market (such as planning and environmental regulation) or to key occupier sectors (such as financial services), or indeed to the flexibility of the UK economy generally. We think the actual reduction in regulation will be very low, and will in any case take time to appear. But for longer term investors, the prospect of the UK economy becoming less 'European' and more 'Transatlantic' or 'global' may look quite attractive.

Similar considerations apply to trade policy – Brexit campaigners make the argument that the UK's more dynamic open-market attitude has been submerged for too long in the protectionist attitudes of other EU member states, and that the UK will now have the opportunity to create new trade relationships.

Some economists argue that the UK should unilaterally abandon the EU's tariffs, which if it happened could result in very significant structural shifts in the UK economy as 'protected' industries (steel comes to mind) face more ferocious competition from abroad for their products. Because of the short term pain involved in undertaking such restructurings, this sounds politically unlikely to us – it is more likely that new trade relationships will take some time to form. So only very long term investment decisions should need to take improved trading relationships into account.

GLOSSARY / ABBREVIATION

A	- Apartment	LB	- Link Bungalow
AOR	- Average Occupancy Rate	LRT	- Light Rail Transit
ARR	- Average Room Rate	MNC	- Multi-National Companies
Avg	- Average	MOM	- Month On Month
B	- Berhad (Limited)	NAPIC	- National Property Information Centre
BNM	- Bank Negara Malaysia	NLA	- Net Lettable Area
BRT	- Bus Rapid Transit	psf	- per square foot
C	- Condominium	QOQ	- Quarter on Quarter
CBD	- Central Business District	SA	- Serviced Apartment
CCC	- Certificate of Completion & Compliance	SB	- Sdn Bhd (Private Limited)
D	- Detached House	SD	- Semi-Detached House
FDI	- Foreign Direct Investment	SR	- Serviced Residence
GDP	- Gross Domestic Product	TH	- Terraced House
GFA	- Gross Floor Area	YOY	- Year On Year
IRDA	- Iskandar Regional Development Authority		
JPPH	- Jabatan Penilaian dan Perkhidmatan Harta		
KVMRT	- Klang Valley Mass Rapid Transit		

SIGNIFICANT TRANSACTIONS IN 2016



Development	Description	Vendor	Purchaser	Transaction Price
Klang Valley				
Menara Shell	33-storey office tower KL Sentral	348 Sentral SB (subsidiary of MRCB)	MQ Reits	RM640,000,000
KL Metropolis	Persiaran Dutamas	Naza TTDI SB	Hap Seng Land Development SB	RM467,834,400
Aloft Hotel	Jalan Sentral 5, KL	Aseana Properties Ltd	Prosper Group Holding Ltd	RM418,700,000
Shah Alam Industrial Park	3 blocks of 1 storey multi-tenanted warehouses	Mapletree Investments	Mapletree Logistics Trust	RM160,000,000
Dijaya Plaza	237, Jalan Tun Razak	Dijaya Plaza SB	Kenanga Investment SB	RM140,000,000
Persiaran Stonor	Persiaran Stonor	Federal Government	Kumpulan Wang Persaraan (KWAP)	RM140,000,000
Plantation Land	36 parcels of palm oil plantationland in Kuala Selangor	Shalimar (Malay) PLC, Indo Malay PLC	Hap Seng Land Development SB	RM28,749,128
Johor				
D'Pristine Tower	32-storey Grade A office tower in Medini	D'Pristine Medini SB	Pelaburan Hartanah Bhd	RM373,000,000
Medical Suite @ Coronation Square	Proposed Multi-storey Medical Suite Block	Coronade Properties SB	Kump. Perubatan (Johor) SB	RM90,000,000
Development Land	251.5 acres of freehold land	Tropicana Desa Mentari SB	Tiarn Oversea Group SB	RM569,870,000
Office Block @ Coronation Square	Proposed 37-storey office building	Coronade Properties SB	Rakyat Holdings SB	RM460,000,000
Selesa Tower	27- storey hotel & 31-storey-office tower	Al-Aqar Healthcare REIT	Optimum Impress SB	RM100,000,000
Menara Astaka	15- storey office tower	Astaka Holdings Limited	JB City Council	RM308,000,000
Penang				
Development land	Approximately 300 acres of leasehold land in Batu Kawan	Batu Kawan Development SB	Eco World Development Group Bhd	RM731,988,877
Vacant Land	Approx. 1,674.83 acres freehold land in Seberang Perai Utara	Boustead Plantations Bhd	Setia Recreation Sdn Bhd (subsidiary of S P Setia Bhd)	RM620,122,555
Development Land	Approx. 75 acres of leasehold land in Batu Kawan	Batu Kawan Development SB & Penaga Pesona SB	Eco World Development Group Bhd	RM142,253,376
Development Land	4.48 acres of land @ Batu Ferringhi	LBI Capital Bhd	Crimson Legend (M) SB	RM50,000,000
Prai Industrial Estate Phase IV	3 1/2 storey detached factory building (leasehold, 10.47 acres)	Tatt Giap Group Bhd	CSC Steel Sdn Bhd	RM41,000,000
Development Land	Approx. 5.83 acres freehold land in Batu Ferringhi	Encorp Berhad	Crescent Consortium Sdn Bhd	RM25,000,000
Development Land	Freehold land measuring 8.59 acres	GIM Standard Development SB	G Land Development Sdn Bhd	RM25,000,000
Commercial Land	Land adjacent to Sunway Carnival Mall, measuring 3.29 acres	Sunway Berhad	Sunway Real Estate Investment Trust	RM17,200,000

SIGNIFICANT TRANSACTIONS IN 2016

Development	Description	Vendor	Purchaser	Transaction Price
Ipoh				
10-storey hotel	10-storey hotel known as PI Hotel (Previously known as Tune Hotel Ipoh)	Majlis Bandaraya Ipoh	Chuan Wah & Lee Development SB	RM12,332,000
Development Land	Vacant Land with residential zoning	Pembinaan Sendaria SB	Tenaga Nasional Bhd	RM18,322,500
Development Land	Proposed for commercial development (Previously known as S.M.K Poi Lam)	Persatuan Hock Kean Perak	Para Development SB	RM14,000,00
Development Land	Vacant Land proposed with stratified development	Ling Mee Hua	King Ong Development SB	RM10,000,000
Kuantan				
Development Land	Approx. 10.37 acres land in Mukim of Kuala	David Lau Sin Sang @ Lau Lin Sun	Goldfields Property SB	RM9,225,000
Commercial Land	Approx. 50 acres land in Mukim of Hulu Lepar	SUK	Sentoria Alfa SB	RM6,381,540
Commercial Land	Approx. 46.8 acres land in Mukim of Sabai for resort development	Kim Chong Resort SB	Karak Orchard Resorts SB	RM7,800,000
Industrial Land	Approx. 10 acres land in Kawasan Perindustrian Gebeng	Dato' Ho Phea Keat	UPC Chemicals (M) SB	RM8,712,000
Melaka				
Mix development	Vacant land	FELDA	Encorp Bhd	RM583,600,000
Commercial development	Vacant Land	Pembinaan Kota Laksamana (Melaka) SB	Arah Menang Holdings SB	RM8,520,000
Commercial development	Vacant Land	Pembinaan Kota Laksamana (Melaka) SB	Arah Menang Holdings SB	RM74,980,000
Kota Bharu				
PRIMA Project	Vacant land	Cahaya Timur Utama SB	Prima Corporation Malaysia	RM21,094,066
Kuching				
Wafer and Polysilicon Plant	Plant, slicing machine and other equipment	SunEdison	LONGi	US\$63,000,000
Tabuan Heights / Jalan Song	Development Land	N.A.	N.A.	RM16,607,000
Sibu				
Engkilo, Sibu	Agricultural Land	N.A.	N.A.	RM43,987,000
Kabang, Sibu	Agricultural Land	N.A.	N.A.	RM73,290,000

Published by
C H Williams Talhar & Wong Sdn Bhd (18149-U)
CBRE | WTW Kuala Lumpur, Malaysia.
December 2016

All materials presented in this report, unless specifically indicated otherwise, is under copyright and proprietary to CBRE | WTW. Information contained herein, including projections, has been obtained from materials and sources believed to be reliable at the date of publication. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. Readers are responsible for independently assessing the relevance, accuracy, completeness and currency of the information of this publication. This report is presented for information purposes only exclusively for CBRE | WTW clients and professionals, and is not to be used or considered as an offer or the satisfaction of an offer to sell or buy or subscribe for securities or other financial instruments. All rights to the material are reserved and none of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without prior express written permission of CBRE | WTW. Any unauthorized publication or redistribution of CBRE | WTW research reports is prohibited. CBRE | WTW will not be liable for any loss, damage, cost or express incurred or arising by reason of any person using or relying on information in this publication.

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

CBRE | WTW BRANCH NETWORK



No	Office	Contact Details	No	Office	Contact Details
C H Williams Talhar & Wong Sdn Bhd					
1	30-01, 30th Floor Menara Multi-Purpose@ CapSquare 8, Jalan Munshi Abdullah P.O. Box 12157 50100 KUALA LUMPUR	Sr Foo Gee Jen Managing Director Tel: 03 - 2616 8888 Fax: 03 - 2616 8899 / 8989 / 8998	8	4th Floor 98, Jalan Banggol 20100 KUALA TERENGGANU TERENGGANU DARUL IMAN	En Mohd Yusri Ngah Officer-in-Charge Tel: 09 - 626 2760 Fax: 09 - 622 2788
	Email : kualalumpur@cbre-wtw.com.my			Email : kualaterengganu@cbre-wtw.com.my	
2	1st Floor, No. 71 - B Lebuhraya Darulaman 05100 ALOR SETAR KEDAH DARUL AMAN	Sr Ainuddin Jalaini Director Tel: 04 - 730 3300 Fax: 04 - 730 2200	9	5th Floor Bangunan Hongkong Bank Jalan Mahkota 25000 KUANTAN PAHANG DARULMAKMUR	Ms Lok Siew Mei Officer in-charge Tel: 09 - 515 0000 Fax: 09 - 514 5793
	Email: alorsetar@cbre-wtw.com.my			Email: kuantan@cbre-wtw.com.my	
3	2nd Floor, 37 - 4B Jalan Rahmat 83000 BATU PAHAT JOHOR DARUL TAKZIM	Mr Toh Heng Suan Officer-in-Charge Tel: 07 - 434 6122 / 6686 Fax: 07 - 431 6921	10	No. 178, Jalan Merdeka Taman Melaka Raya 75000 MELAKA	Sr Teh Hong Chua Branch Manager Tel: 06 - 281 2288 Fax: 06 - 284 6399
	Email: batupahat@cbre-wtw.com.my			Email: malacca@cbre-wtw.com.my	
4	D1-3 & D-1-5, SOHO Ipoh 2 Jalan Sultan Idris Shah PO Box 562 30000 IPOH PERAK DARUL RIDUAN	Sr Giselle Chong Branch Manager Tel: 05 - 255 8822 Fax: n/a	11	Suite 2.7 Level 2 Wisma Great Eastern No 25 Lebu Light P.O. Box 1161 10850 PENANG	Sr Tony Lee Eng Kow- Director Sr Peh Seng Yee Director Tel : 04 - 263 3377 Fax: 04 - 263 0359
	Email: ipoh@cbre-wtw.com.my			Email: penang@cbre-wtw.com.my	
5	Unit 15B, Level 15, Me- nara Ansar 65, Jalan Trus, P.O. Box 320 80000 JOHOR BAHRU JOHOR DARUL TAKZIM	Sr Tan Ka Leong Director Tel: 07 - 224 3388 Fax: 07 - 224 9769	12	No 2A & 4A Jalan 52/18 Merdeka Square Seksyen 52 46200 PETALING JAYA SELANGOR DARUL EHSAN	Sr Chuan Tinng Tinng Associate Director Tel: 03 - 7955 1818 Fax: 03 - 7957 8049
	Email: johorbahru@cbre-wtw.com.my			Email: petalingjaya@cbre-wtw.com.my	
6	PT 1185, Level 2 Jalan Kebun Sultan 15350 KOTA BHARU KELANTAN DARUL NAIM	Sr Muhd Kamal B Mohamed Director Tel: 09 - 748 7070 Fax: 09 - 744 7575	13	No. 46 (2nd Floor), Jalan Todak 4 Pusat Bandar Seberang Jaya 13700 SEBERANG JAYA BUTTERWORTH, PENANG	Sr Tan Chean Hwa Branch Manager Tel: 04 - 398 1188 Fax: 04 - 397 1188
	Email: kotabharu@cbre-wtw.com.my			Email: butterworth@cbre-wtw.com.my	
7	Lot 4981, Tingkat 3 Jalan Dato' Sheikh Ahmad PO Box No. 190 70710 SEREMBAN NEGERI SEMBILAN DARUL KHUSUS	Pn Latifah Binti Harun Officer-in charge Tel: 06 - 765 3355 Fax: 06 - 765 3360			
	Email: seremban@cbre-wtw.com.my				

WTW BRANCH NETWORK

No	Office	Contact Details	No	Office	Contact Details
C H Williams Talhar & Wong (Sabah) Sdn Bhd			C H Williams Talhar & Wong & Yeo Sdn Bhd		
14	2nd Floor Menara MBf (EON CMG Life Bldg) No. 1, Jalan Sagunting, P.O. Box 14414 88850 KOTA KINABALU SABAH	Sr Cornelius Koh Director Tel: 088 - 248 801 Fax: 088 - 230 826 Email: kotakinabalu@wtw.com.my	20	Sublot 54 (Lot 4229) First Floor Parkcity Commerce Square Ph.6 Jalan Tun Ahmad Zaidi 97008 BINTULU, SARAWAK	Sr Jeffrey Pui Branch Manager Tel: 086 - 335 531 Fax: 086 - 335 964 Email: bintulu@wtwy.com
15	Lot 22, 21st Floor Future City Shopping Centre 89008 KENINGAU SABAH	Sr Harry William Koh Registered Valuer Tel: 087 - 336 803 Fax: 087 - 338 803 Email: keningau@wtw.com.my	21	No 26 Lot 352 Section 54 Wisma Nation Horizon Jalan Petanak P O Box No 2236 93744 KUCHING, SARAWAK	Sr Yip Phooi Leng Director Tel: 082 - 231 331 /246262/240863 Fax: 082 - 231 991 Email: kuching@wtwy.com
16	1st Floor, Wisma Chee Sing 48, Jalan Bunga Kenanga, P.O. Box 82229 87032 LABUAN SABAH	Sr Karis Chong Fui Mei Director Tel: 087 - 416 341 Fax: 087 - 416 342 Email: labuan@wtw.com.my	22	Lot 1139, Miri Waterfront Commercial Centre 98000 MIRI SARAWAK	Sr Robert Ting Kang Sung Managing Director Tel: 085 - 432 821 Fax: 085 - 411 786 Email: miri@wtwy.com
17	2nd Floor, Lot 2, Block A, RHB Building Metro Commercial Centre, Jalan Kiambang P.O. Box 60600, 91115 LAHAD DATU, SABAH	Sr Leong Shin Yau Managing Director Tel: 089 - 882 393 Fax: 089 - 885 088 Email: lahaddatu@wtw.com.my	23	No. 11 & 12, (2nd Floor) Lorong Kampung Datu 3A, P.O. Box 1467 96008 SIBU SARAWAK	Sr Hii Wei Jin Director Tel: 084 - 319 396 Fax: 084 - 320 415 Email: sibu@wtwy.com
			C H Williams Talhar & Wong (B) Sdn Bhd		
18	Room 605 - 608, 6th Floor, Wisma Khoo Siak Chiew 90000 SANDAKAN SABAH	Sr Benjamin Mu Director Tel: 089 - 219 714 / 217 022 Fax: 089 - 272 850 Email: sandakan@wtw.com.my	24	Unit No: 18, First Floor, Jaya Setia Square Simpang 13, Kampung Setia Jaya Bandar Seri Begawan BB2713 NEGARA BRUNEI DARUSSALAM	Ms Kathy Lim Director Tel: 673 - 2228 050 Fax: 673 - 2234 695 Email : wtwb@brunet.bn
19	305, 1st Floor, Leong Hua Building Dunlop Street, P.O. Box 60394 91013 TAWAU SABAH	Sr Chan Mon Hueg Associate Director Tel: 089 - 774 349 Fax: 089 - 762 287 Email: tawau@wtw.com.my			

CBRE | WTW EVENT & ACCOLADE



CBRE | WTW
JOINT VENTURE
SIGNING CEREMONY



MIEA NATIONAL REAL ESTATE
AWARDS 2016 - SPECIALIZED
PROJECTS CATEGORY





www.cbre-wtw.com.my

C H WILLIAMS TALHAR & WONG

30.01, 30th Floor, Menara Multi-Purpose, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel: 03-2616 8888 Fax: 03-2616 8899

KDN No. PP9013/07/2012 (030726)