HENRY BUTCHER MALAYSIA
International Asset Consultants

MALAYSIA PROPERTY OUTLOOK 2024

HB PERSPECTIVE
by Henry Butcher Malaysia

FOREWORD

The world, Malaysia included, has moved out of the depths of despair which everyone experienced at the height of the Covid-19 pandemic. Although the virus has not been totally eradicated and continues to rear its ugly head everywhere in its mutated forms, the symptoms are relatively mild and the number of deaths resulting from the new wave of infections is not at the alarming levels which we once experienced.

People have gone back to work in their physical workplaces although some companies have adopted a hybrid style of work from home and work in office for their staff, businesses have recovered and life has generally gone back to what it was before the world's health systems and economies were overwhelmed by this new strain of virus which wrought havoc and sowed despair everywhere, with no distinction between the first world or third world economies and sparring neither the rich nor poor.

For Malaysia, the economy has recovered well, starting with an 8.7% growth in 2022 and likely achieving a growth of between 4% to 5% in 2023. The country managed to secure approved investments amounting to RM 225 billion in the first nine months of 2023 which exceeded the full year target set earlier and is higher than the ten-year average of RM222.6 billion. The country also recorded 26 million tourist arrivals between January and 15 November this year and has exceeded the target set by the Ministry of Tourism, Arts and Culture. This has given hope to the tourism industry which bore the brunt of the lockdowns imposed by the government to combat the pandemic and the industry can now look optimistically to 2026 which has been declared Visit Malaysia Year.

Nevertheless, not all is rosy. The country's trade performance has been dismal in 2023, weighed down by a decline in exports. The Ringgit has also declined sharply against the US dollar as well as other major currencies. Economists are however confident that things could pick up this year with a stronger economic recovery expected in China, a key trading partner of Malaysia, a more settled and stable political situation despite occasional moves by the opposition to bring down the government, an expected pick up of the tourism industry and a manageable inflation rate and stable interest rate regime.

The property market has, in line with the improved economic conditions and more optimistic business and consumer sentiments, recovered since 2022. The statistics for the first nine months of 2023 shows that the recovery has continued, albeit at a reduced pace. The residential property market registered a marginal increase in the volume and value of transactions and the property overhang recorded a decline, riding on the back of an improved sales performance.

The office market managed to register an improvement in the overall occupancy rates but the substantial supply of office space due to be completed and released to the market in the Klang Valley in the next few years will put a dampener on the market.

The retail sector has also recorded an improvement with shoppers back at their favourite malls. The shopping industry has more or less returned to pre-Covid-19 levels and shopping centres in the cities, towns and tourist attractions enjoyed good business during long weekends, public holidays and festivals. The weak Ringgit and higher cost of airfares led to many Malaysians spending their holidays within Malaysia and this benefited the local malls.

The industrial sector which was the darling of the property market for the past three years, finally showed signs of moderating. The volume of transactions has registered a marginal decline in the first three quarters of 2023 although the value of transactions recorded a rise, indicating a still healthy industrial property market, albeit at a less robust pace compared to the year before.

The leisure industry has clearly turned the corner with hotel occupancy rates having gone up, though not yet to pre-pandemic levels.

Fuelling 2024 & Beyond

For 2024, Malaysia's economic growth is expected to be positive, with RAM, the rating agency, projecting a growth of between 4.5% to 5.5% and MIDF, a growth of 4.7% and the International Monetary Fund (IMF), 4.3%.

Various changes are in store for the year. On the tax aspect, the sales and service tax will go up from 6% to 8% effective March 2024, a high value goods tax (HGVT) or luxury tax will be levied on the sale of high value luxury goods based on a rate of 5% to 10% effective May 2024 whilst beginning January 2024, a sales tax of 10% will be levied on products priced under RM500 sold online to Malaysians by foreign retailers.

Effective from 1 December 2023, the Malaysian government has granted visa-free entry to citizens of China and India for stays of up to thirty days as part of the Malaysian Visa Liberalisation Plan. This is expected to lead to higher tourism receipts for the country. Further, the weaker Ringgit will not only boost the country's exports but will also encourage more international tourists to visit Malaysia and to spend more during their trips. At the same time, the weak Ringgit will make travelling abroad more expensive and could lead to more Malaysians spending their holidays within the country instead of holidaying abroad. The declaration of 2026 as Visit Malaysia Year and the allocation of a decent budget to promote the country's tourism attractions will provide a further boost to the sector.

The launch of the New Industrial Master Plan (NIMP) 2030 by the government has come at the right time as we will be rolling out the plan at a time when China's economy is forecast to stage a stronger and more sustainable recovery in 2024 and this will certainly benefit our manufacturing sector.

We should not however dismiss the possibility of a global economic recession happening, in view of the continuing war in Ukraine and the Israel-Hamas conflict as well as the economic difficulties experienced by some leading economies. All these distractions will no doubt cast a long shadow on the prospects of the country's economic growth for the year and by extension, the property market.

On balance, we are nevertheless cautiously optimistic in our conviction that the Malaysian property market will remain stable and will continue to maintain a growth trajectory in 2024, albeit at a more gradual and sustainable pace.

LONG TIAN CHEK

GROUP MANAGING DIRECTOR

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"Our strength begins in your market and takes you anywhere in the world."

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GROWTH & CLOUDS OF CONCERN: MALAYSIA'S PROPERTY TRAJECTORY IN 2024

Navigating upward trends amidst cost pressures and external challenges.

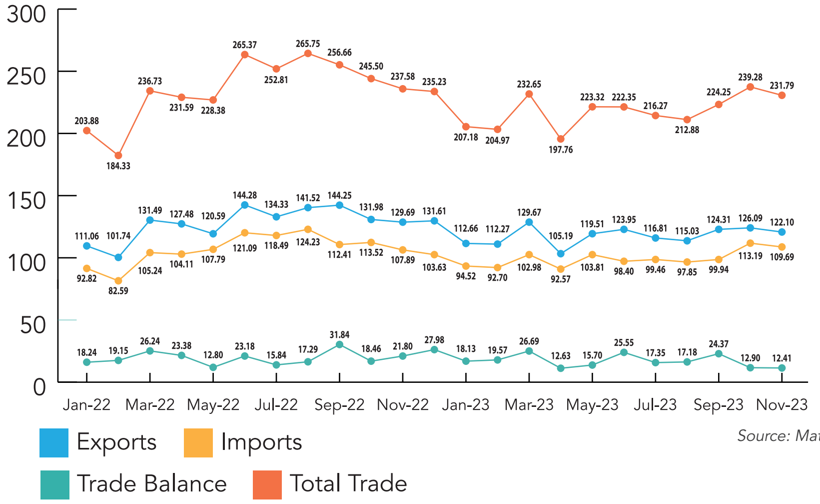
General Economic Overview 2023 & Outlook for 2024

After chalking up an impressive 8.7% GDP growth in 2022, marking a strong recovery from the pandemic hit years of 2020 to 2021, Malaysia's economic growth moderated in 2023, rising 3.9% in the first nine months of 2023 (compared to 9.2% in the corresponding period in 2022), weighed down by a contraction in the country's total trade but fortunately bolstered by resilient domestic demand as well as private and public expenditure. The government has expressed its confidence in achieving the growth forecast of between 4% and 5% for the year.

On the global front, the International Monetary Fund (IMF) has forecasted that growth in 2023 will decelerate to 3.0%, down from 3.5% in 2022 and will further slow down to 2.9% in 2024, well below the historical average of 3.8% (2000-2019). The continuing war in Ukraine which is now into its second year and the conflict between Israel and Palestine in Gaza as well as economic issues faced by leading economies like USA, China and Europe all weigh down on economic growth.

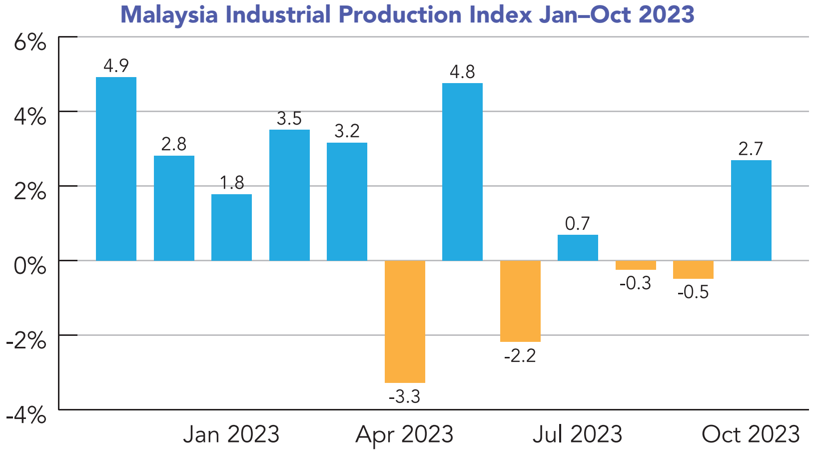
The country managed to secure approved investments amounting to RM225 billion in the first nine months of 2023 which exceeded the full year target set earlier and is higher than the ten-year average of RM222.6 billion.

Summary of Malaysia's Monthly Trade, January-November 2023



Source: Matrade

Malaysia Industrial Production Index Jan–Oct 2023



Source: Trading Economics / DOSM

Foreign Direct Investments (FDIs) contributed 55.9% or RM125.7 billion with the Netherlands leading the pack followed by Singapore, the United States, China and Japan.

Domestic Direct Investments (DDIs) on the other hand made up 44.1% of the total, amounting to RM99.3 billion. The services sector attracted RM117.7 billion worth of investments, constituting 52.3% of total investments whilst the manufacturing sector contributed RM99.8 billion or 44.4%. Kuala Lumpur (RM48.9 billion), Penang (RM44.9 billion) and Selangor (RM41.6 billion) were the top three investment destinations.

Malaysia's trade performance for the eleven-month period January to November 2023 registered a decline of 7.7% to RM2.4 trillion compared to the same period the year before, in line with the drop in exports (down by 7.8% y.o.y.) as well as imports (down by 7.1% y.o.y.) The trade surplus also recorded a decrease of 11.3%. It is noted that exports and imports have declined monthly since March.

Overall, trade performance for the full year 2023 is expected to register a contraction. For 2024, economists are however confident that the trade performance will show an improvement, riding on the anticipated resurgence of China's economy and the implementation of the National Industrial Master Plan (NIMP) 2030.

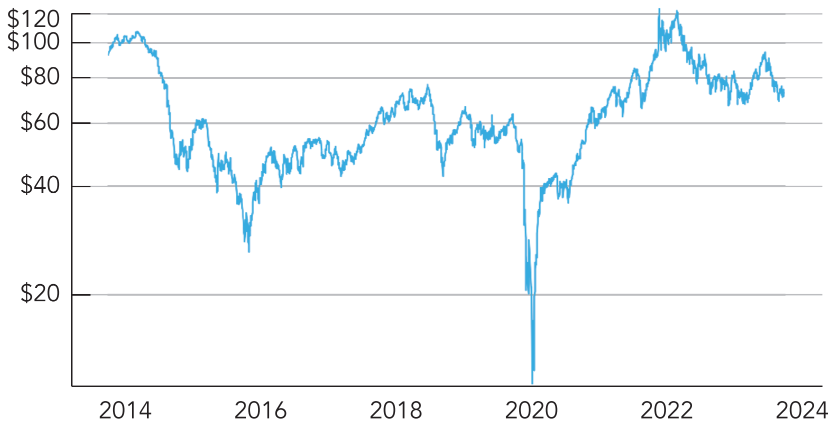
Meanwhile Malaysia's Industrial Production Index (IPI) increased by 2.7% y.o.y. in October compared to a negative 0.5% the month before. In November, the IPI went up further by 4.8%, boosted by an uptick in the manufacturing, mining and electricity sectors.

Crude oil prices have rebounded from the lows of 2022 in the aftermath of the Covid-19 pandemic and recovered, and touched a peak of US$122.11 on 17 June 2022. In 2023, the performance of crude oil was however more muted, starting off at US$80.26 on 2 January and managing to breach the US$95 mark in September before settling down at US$71.33 on 29 December 2023. Although OPEC+ has reached an agreement to support prices, the continued weak economic performance of leading economies, the strong US dollar as well as the easing of sanctions on Venezuelan oil may restrain prices from breaching the US$100 level.

The Malaysian Ringgit was the worst performing currency in Asia in 2023, after the Japanese Yen, falling to its lowest level since the days of the Asian Financial Crisis in 1997-98. External factors such as the strong US dollar, the Federal Reserve's monetary policy direction and a weak Chinese economy all contributed to the weak Ringgit.

Meanwhile the weak Ringgit has helped to make Malaysian exports as well as tourism more attractive although trade figures do not show that it has translated into higher exports for the country. Nevertheless, economists are of the view that the Ringgit is expected to perform better in 2024 in view of the possible reversal of interest rate increases by the US now that the inflation rate has been brought under control and the administration will need to stimulate economic growth. Any interest rate increase by the US will narrow the gap between the US and the emerging economies and this would have the effect of bringing down the value of the US dollar which will lead to an improvement of the Ringgit's value against the US dollar.

Crude Oil Price Movement 2014-2023

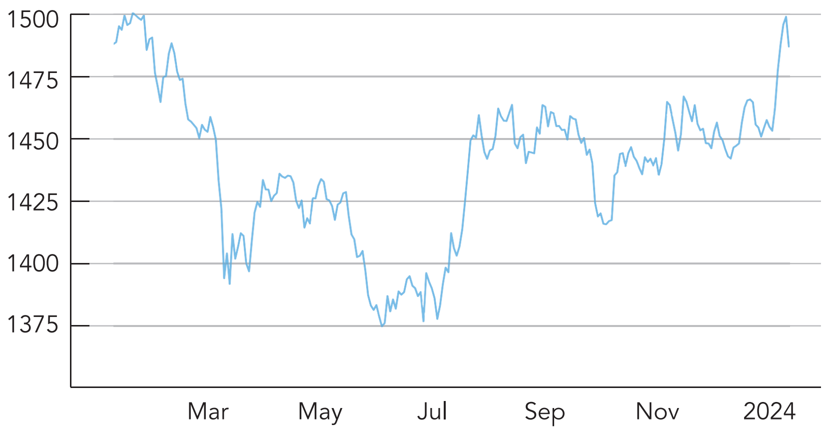


Source: Macrotrends

Performance of Malaysian Ringgit vs US Dollar (Jan–Dec 2023)

Source: Trading Economics

Performance of FBM-KLCI (Jan–Dec 2023)



Source: Trading Economics

The country recorded 26 million tourist arrivals between January and 15 November this year and has exceeded the target set by the Ministry of Tourism, Arts and Culture (MoTAC). With the government's plan to make 2025 Visit Malaysia Year (now rescheduled to 2026) as well as the recent announcement by the government to introduce visa free arrivals for several countries including China and India, the weaker Ringgit will certainly help boost tourist arrivals to the country.

The FBM KLCI started off strongly at the beginning of the year but went through a series of ups and downs between March and July before starting a recovery in August. The index kicked off 2023 by closing at 1,473.99 points on 3 January and closed down at 1,454.66 points on 29 December 2023, the last trading day of the year. The performance of the bourse was largely affected by negative sentiments arising from global events such as the ongoing war in Ukraine, the outbreak of hostilities in the Middle East between Israel and Palestinian Hamas as well as the uncertainty of the recovery of the Chinese economy and the weak Ringgit. Analysts however believe that the equities market will perform better in 2024 in view of the continued positive economic growth, expected improvements in corporate earnings and favourable government policy initiatives

Locally, the Malaysian political situation appeared to have stabilised although there are still reported attempts by the opposition to topple the unity government amidst the continuing green wave in recent by-elections. The regaining of a two-thirds majority in Parliament has put the government in a stronger position and raises hope that the government will now be able to focus on nurturing economic growth as well as implementing much needed political and economic reforms to strengthen and ensure the long-term sustainability of the country's economic prosperity.

Despite the weak Ringgit, Bank Negara Malaysia (BNM) has not raised the Overnight Policy Rate (OPR) and has maintained it at 3% since the last increase in May 2023. Economists are projecting that BNM will keep the OPR at this level for the whole of 2024. This is positive for businesses and supportive of economic growth and will be beneficial for the property market.

Malaysia's Overnight Policy Rate Movement 2023

Date	Change in OPR (%)	New OPR Level (%)
02 Nov	0	3.00
07 Sep	0	3.00
06 Jul	0	3.00
03 May	+0.25	3.00
09 Mar	0	2.75
19 Jan	0	2.75

Source: BNM

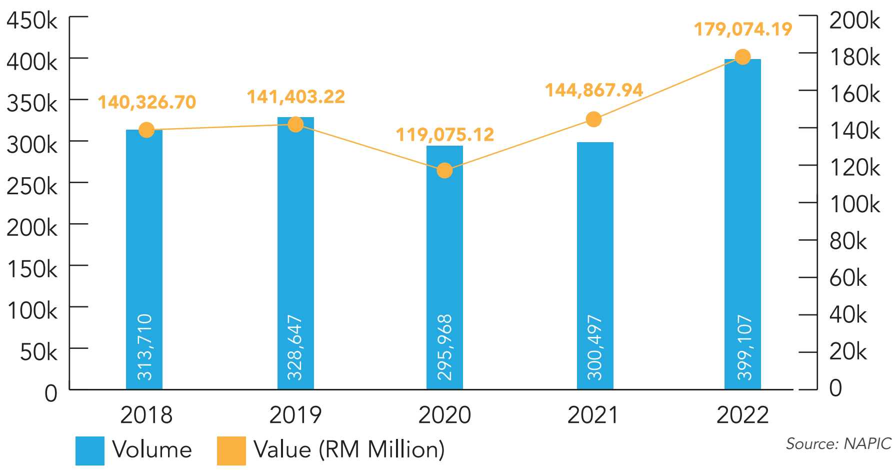
Overview of The Malaysian Property Market in 2023

Overall Market Performance

The Malaysian property market continued its recovery from the slowdown experienced during the pandemic hit period of 2020-2021 where, after registering a marginal growth in overall volume of transactions in 2021 of only 1.5%, the pace of recovery picked up in 2022 when the volume of transactions jumped by 32.8%. The value of transactions also climbed up 21.6% in 2021 and 23.6% in 2022.

For the first nine months of 2023, the overall volume of transactions was more or less maintained at the same level as the corresponding period the year before whilst the value of transactions chalked up an increase of 8.8%. This indicates that the property market appears to have normalised and although still growing positively, no longer accelerates at the pace experienced when recovering from the low base of 2020-2021.

Malaysia - Overall Volume & Value of Property Transactions (2018-2022)



Source: NAPIC

Overall Volume & Value of Property Transactions, Malaysia (Jan-Sep 2021 to 2023)

Overall Volume of Transactions (Units)		
2021	**2022**	**2023**
201,035	293,115	293,095
Overall Value of Transactions (RM Million)		
2021	**2022**	**2023**
98,013.76	130,995.56	142,514.03

Source: NAPIC

Residential Property Sector

The residential property market in Malaysia recorded a marginal improvement of just 1.4% in the volume and 3.5% in the value of residential transactions in the first nine months of 2023 compared to the corresponding period in 2022. Most states recorded a similar performance except Johor which remarkably recorded double digit growth in both volume and value of transactions.

In line with the stable performance of the residential property market, the value of loans approved by commercial banks for the purchase of residential properties registered a double-digit growth of 21% in the first ten months of 2023 compared to the same period in 2022. In fact, the value of the loans approved in the first ten months of 2023 even exceeded the full year total achieved in 2022.

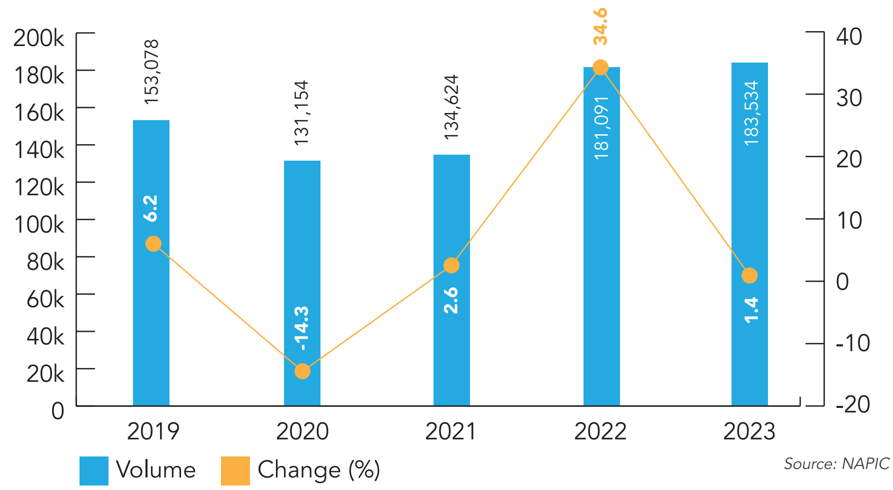
Based on NAPIC's latest available statistics, the number of new residential units launched nationwide declined by a substantial 43% in the first nine months of 2023, from 41,431 units the year before to 23,426 units. The sales performance over this period however recorded an improvement from 17% to 34%.

Meanwhile, the Real Estate and Housing Developers' Association Malaysia (REHDA)'s Property Industry Survey 1H2023 revealed that the number of new launches saw a 50% jump in the number of units launched in the first half of 2023 to 14,392 units compared to the second half of 2022 whilst there was also an improvement in sales performance recorded by the respondents.

The residential property overhang as at Q3 2023 meanwhile moderated to 25,311 units, down from 29,534 units as at Q3 2022 whilst the value of the overhang dropped from RM19.95 billion to RM17.4 billion. At the same time, there were another 22,152 units of overhang sohos and service apartments worth a total of RM18.24 billion.

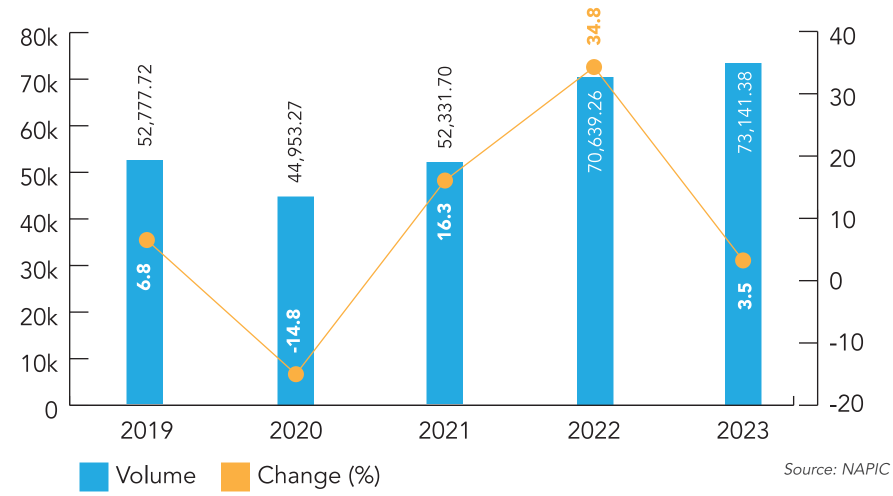
Johor tops the list with the highest number of overhang residential units followed by Perak and Selangor. It is noted that houses priced under RM500,000 form the largest category of the overhang (55%) whilst houses costing between RM500,000 and RM1 million contributed 29.4% and those priced above RM1 million, another 15.6%.

Volume of Residential Property Transactions (Jan-Sep 2019 to 2023)



Source: NAPIC

Value of Residential Property Transactions (Jan-Sep 2019 to 2023)



Source: NAPIC

Value of Residential Loans Approved from 2018 to October 2023 (RM millions)

Year/Month	2019	2020	2021	2022	2023
Jan	8,222	7,055	8,885	13,149	10,755
Feb	6,104	7,209	8,356	8,356	14,065
Mar	8,830	6,416	10,872	16,719	19,372
Apr	10,262	2,495	12,573	16,853	15,266
May	10,881	3,412	12,019	16,240	18,095
Jun	9,637	6,253	10,545	18,965	16,551
Jul	11,118	9,117	11,563	17,018	16,772
Aug	10,474	9,855	8,961	17,421	18,063
Sep	8,935	10,797	11,563	14,840	15,469
Oct	10,336	10,936	14,527	13,798	17,165
Nov	9,386	10,308	16,935	13,224	NA
Dec	8,381	9,270	17,551	12,698	NA
Total	**112,566**	**93,123**	**144,350**	**159,090**	**161,573**

Source: Bank Negara Malaysia

Residential - Factors to Watch in 2024

- Bank Negara Malaysia (BNM) has maintained the OPR at 3% since raising it in May 2023 and this augurs well for businesses as well as for the property sector as a rise in the interest rate will increase borrowing costs. House buyers may be persuaded to enter the market now that interest rates have stabilised and show no signs of going up significantly in the near future.
- The recovery of the residential property market, especially if it shows more signs of being sustainable, has injected some optimism amongst developers who may now launch more new projects as well as review and raise prices of their new launches to cover the hike in construction costs due to the substantial increase in building material costs over the past few years.
- Property developers have actively sourced out and acquired landbanks for future projects. A number of major developers have announced land acquisitions in 2023 including amongst others, Mah Sing Group Bhd, Eco World Development Group Bhd, UEM Sunrise Bhd, Sunway Bhd, Gamuda Bhd, Selangor Dredging Bhd, HIL Industries Bhd and Scientex Bhd.
- The business confidence survey conducted by MIER (Malaysian Institute of Economic Research) for Q3 2023 saw business confidence hit a low of 79.7, a very significant drop y-o-y from 99.8. Meanwhile, the Consumer Sentiments Index shows a similar drop to 78.9 (down q-o-q from 90.8 and y-o-y from 86.0). This may mean businesses as well as consumers, going forward, may adopt a more cautious stance and may want to defer spending on big ticket items like property as well as acquiring new premises for business expansion.
- The stamp duty for companies and foreign individuals will be increased to a flat 4% in 2024. Currently, calculation of stamp duty is based on a tiered structure with the first RM1 million being taxed within three bands at 1%, 2% and 3% and the residue above RM1 million at 4%. The increase in stamp duty payable by foreigners for purchase of property is certainly not helpful to the industry's drive to attract more foreign investments in the real estate sector and runs counter to the government's proposal to relax conditions under the MM2H programme.
- Various global and domestic events such as the continuing war in Ukraine, the incursion into Israel by Hamas and the retaliatory invasion by the Israelis into the Hamas-ruled Gaza strip, the uncertain recovery of the Chinese economy and the decline in the country's trade position including the weak Ringgit have all cast shadows on economic growth as well as the country's property market for 2024. Nevertheless, there are other positive factors such as the more stable political situation, continued economic growth, strong inflow of FDIs and expected improvement in the tourism industry which will help cushion the country against any adverse effects arising from negative global events.
- For the coming year, we are therefore optimistic but at the same time, cautious to a certain extent considering the many challenges that the country faces, both internally and externally, that the residential property market will be stable and will continue to stick to its recovery path out of the slowdown brought on by the pandemic.

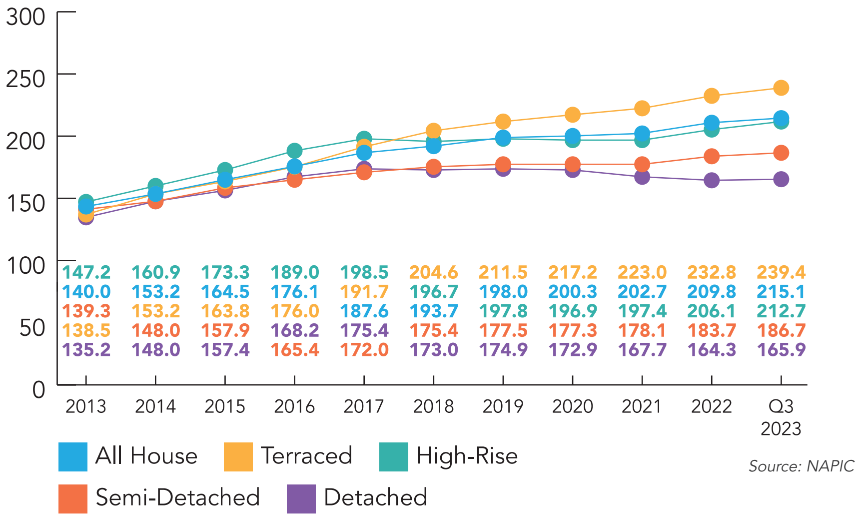
Residential - Bright Spots for 2024

- Different states will perform differently in 2024. Generally however, the focus of the residential property market in 2024 will continue to be on:
  - Landed residences;
  - High-rises like apartments in the affordable price range especially in the major towns & cities;
  - Smaller built-ups which commensurates with a lower pricing threshold to make them more afforable;
  - Unique and/or prime projects in strategic locations; and
  - Projects with innovative concepts, designs and themes which set them apart from the usual fare in the market.
- The visa liberalisation plan as announced in Budget 2024 will help to boost not only the retail, leisure and entertainment industries but also probably, the property sector. Effective 1 December 2023 until 31 December 2024, the government has introduced a visa exemption policy for citizens of China and India who can now stay for up to 30 days visa-free, but with no extension of stay allowed.
- The various measures taken by the China government to restructure businesses and boost economic growth of the country could see results in 2024 and this will have beneficial spinoff effects to Malaysia as the country is Malaysia's largest trading partner and a recovery of the Chinese economy could lead to more Malaysian exports to China and inflows of Chinese investments and tourists into the country.
- Areas which will be served by new major infrastructure projects will become more accessible and this will lead to more projects being undertaken by developers in these locations. Some of these projects include the LRT linking Penang Island and the mainland, the RTS (Rapid Transit System) rail link connecting Johor Bahru and Singapore and the reinstatement of five previously-cancelled LRT 3 stations in the Klang Valley – Tropicana, Raja Muda, Temasya, Bukit Raja and Bandar Botanic. The proposed Johor-Singapore Special Economic Zone (JS-SEZ) to be set up in Iskandar Malaysia is expected to contribute to the region's new investment target of RM36 billion by 2030 and will have an immense spillover effect on the development and economic future of Johor in general and Iskandar Malaysia in particular. These are growth areas which will be of interest to both investors and house buyers.

The Malaysian House Price Index (MHPI) which has always been registering positive growth throughout the years saw the rate of increase begin to slow down in 2017. The MHPI went up just marginally and was recorded at 215.1 points as at Q3 2023 compared to 209.8 points as at end 2022, with all house types registering a decline with the exception of terraced houses. The average house prices also recorded a decline for all types except terrace houses.

Budget 2024 tabled by the Madani government placed priority on the rakyat's wellbeing while maintaining fiscal responsibility. The highest allocations, understandably and justifiably, went to the education, health and higher education ministries. The property sector was however not accorded top priority by the government and there were not many goodies announced in the budget for the sector.

Malaysian House Price Index by Type (2013 to Q3 2023)



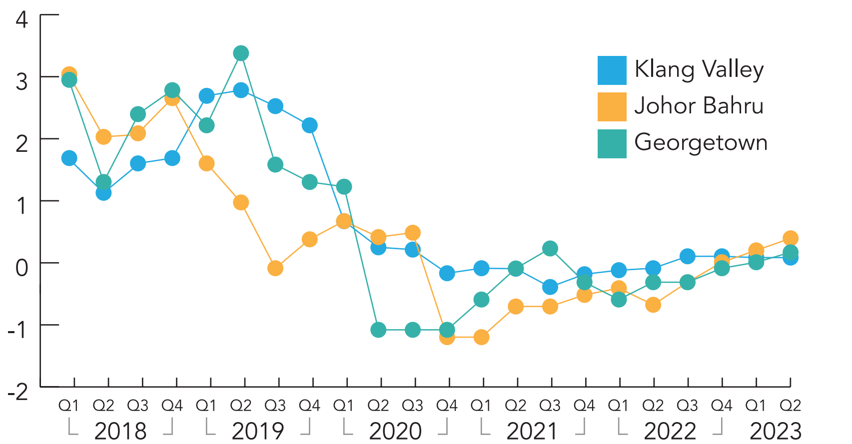
Source: NAPIC

Office Sector

The total supply of privately-owned, purpose-built offices (PBOs) in the country stood at 18.39 million sq metres as at Q3 2023, up slightly from 18.37 million sq metres a year ago whilst the occupancy rate was recorded at 72.7%, up marginally from 72.42% recorded in Q3 2022. Nevertheless, different states have chalked up different performances, depending on the supply and demand situation of each state.

The outlook for the office sector will be mixed, with states which do not have many new PBOs being built expected to continue to enjoy stable occupancy and rental rates whilst states which will see a substantial increase in supply of new offices over the next few years will face increasing pressure on occupancy and rental rates.

Purpose-Built Office Rental Trend in Klang Valley, Johor Bahru & George Town (Q1 2016 to Q2 2023)



Source: NAPIC

Office - Factors to Watch in 2024

- The imminent completion of a couple of mega office towers in Kuala Lumpur in the coming year is expected to cause concerns of an oversupply situation and will put pressure on occupancy and rental rates. Older buildings which have not embarked on any upgrading exercises will lose out in the competition to retain and attract tenants.
- Multinationals as well as local companies have placed increasing importance on environmental, social and corporate governance (ESG) issues and in response, more new office buildings will adopt designs which will comply with ESG or at least green-certified requirements in order to attract such tenants.

Office - Bright Spots for 2024

- The positive performance of the Malaysian economy over the past two years have allowed companies to recover from the business slowdown that they suffered during the height of the pandemic and injected much needed optimism and this has led to stronger demand for office space.
- The looming oversupply situation may lead to some developers rethinking about their new office projects and shelving or deferring them. This will help avoid an oversupply situation from building up.
- The country managed to secure approved investments which exceeded the full year target set earlier and this is expected to spur economic growth which in turn, will lead to business expansion and increased demand for office space.
- Kumpulan Wang Persaraan (Diperbadankan) (KWAP) has launched a new RM500 million fund called Dana Perintis, to boost Malaysia's venture and startup ecosystem. This could ultimately spur an increased demand for office space.

Retail Sector

Although there has been, in recent months, a surge in Covid-19 infections, the symptoms are mild and the number of deaths arising from the infections is very much less compared to the time when the pandemic was at its peak. The situation is well under control as the health authorities are better prepared and the people are no longer scared of going out to shop and dine and partake in leisure pursuits.

The shopping industry has more or less returned to pre-Covid-19 levels and shopping centres in the cities, towns and tourist attractions enjoyed good business during long weekends, public holidays and festivals.

The weak Ringgit and higher cost of airfares led to many Malaysians spending their holidays within Malaysia. During the recent Christmas and New Year celebrations, major shopping centres were packed with shoppers.

For Q3 2023, Malaysia's retail industry achieved a better-than-expected growth rate of 2.7% in retail sales, as compared to the same period in 2022. During the same period a year ago, the retail industry expanded by 96.0% due to the re-opening of retail businesses after 2 years of lockdown. The quarterly growth rate of 96.0% in 2022 was the highest achieved in the history of Malaysia's retail industry. Therefore, the lower growth rate in the third quarter of 2023 was partly due to the high base effect.

Nevertheless, although shopping traffic has returned to pre-Covid-19 levels, spending power has been weakened due to the rising cost of living. Although the average inflation rate eased during Q3 this year, prices of many basic necessities and consumer goods were higher compared to the pre-lockdown period. The further weakening of the Malaysian currency during Q3 led to another round of price increases due to higher import costs of raw materials, semi-finished goods and finished retail goods.

The Israel-Hamas conflict that started in early October 2023 led to a boycott of many western brands with alleged links to Israel or those who purportedly pledged support to the Jewish state. Malaysian consumers avoided stepping into these retail stores and buying these brands from grocery retailers. This prolonged boycott affected businesses of certain retail brands. This gave Malaysians an opportune window to switch their support to Malaysian and other Asian brands.

The supply of retail space in shopping malls in Malaysia increased marginally by 0.58% in 2023 whilst the occupancy rate of the malls also went up slightly from 75.2% to 76.8%.

Malaysia - Retail Sales & Other Economic Performances 2023

Economic Indicator (%)	Q1	Q2	Q3	Q4	Q1-Q4
Retail Sales	13.8	-4.0	2.7	(e) 2.1	(e) 2.8
GDP	5.6	2.9	3.3	NA	NA
Private Consumption	5.9	4.3	4.6	NA	NA
Inflation Rate	3.9	3.4	2.5	NA	NA

NA - not available; (e) - estimate
Source: Retail Group Malaysia/Bank Negara Malaysia

Supply & Occupied Retail Space in Malaysia as at Q3 2023

Total Nett Floor Area/Year	2021	2022	2023
Existing Space (sqm)	16,875,246	17,440,890	17,542,898
Space Occupied (sqm)	12,926,438	13,115,549	13,472,946
% Occupancy	76.6	75.2	76.8

Source: NAPIC

Retail – Factors to Watch in 2024

- Retail Group Malaysia (RGM) has forecasted a 3.5% growth rate for the Malaysian retail industry in 2024. For the same period, the Malaysian government expects the national economy to grow by between 4.0% and 5.0%.
- Similar to 2023, the biggest challenge for Malaysia's retail industry is the rising cost of living which will influence consumers to spend less on non-essential items and dining out.
- The Service Tax rate will increase from 6.0% to 8.0% effective from March 2024. This increment will lead to further increases in prices of retail goods and services and is expected to affect retail spending.
- Beginning 1 January 2024, any online seller or facilitating marketplace selling to consumers in Malaysia of imported goods shipped by air of not more than RM500 will have to charge a 10% Sales Tax.
- The Malaysian government will also introduce a High Value Goods Tax (HVGT) at a rate of 5.0% to 10.0% on certain high-value retail goods based on the threshold value of the goods. This new tax will commence from 1 May 2024. The introduction of this new luxury tax is however not expected to deter Malaysians from wanting to buy luxury items locally but may discourage foreign tourists from buying luxury goods in the country even though they may claim for tax refunds as they may be dissuaded by the risks to claim or the hassle of getting the refund. Nevertheless, the luxury tax rate and the list of goods to be taxed have not been announced yet so it is too early to establish its actual impact on the tourism sector.
- E-invoicing will become mandatory for taxpayers with income or annual sales exceeding RM100mil from 1 August 2024.

Retail – Bright Spots for 2024

- Based on Budget 2024 announced on 13 October 2023, the government will increase the subsidies for households and individual persons to battle rising inflation. These include:
  - RM29 billion will be allocated for the control of prices of goods & services for the benefit of the people;
  - Implementation of the Rahmah Sales Programme that offers basic necessities at prices which are 30% cheaper across the country.
  - The Rahmah Cash Contribution (STR) will increase by RM2 billion and will benefit 60% of the adult population in Malaysia;
  - The maximum rate of STR will increase from RM3,100 to RM3,700.
  - The minimum rate of STR for the youth will increase from RM350 to RM500.
  - The Rahmah Foundation Contribution (SARA) will increase to 700,000 STR recipients with RM100 per month for a period of 12 months.
- Effective from 1 December 2023, the Malaysian government has granted visa-free entry to citizens of China and India for stays of up to 30 days. This is part of the Malaysian Visa Liberalisation Plan announced during the Malaysia Budget 2024 and will last until the end of 2024. This could ultimately lead to higher tourism receipts for the country.
- The weaker Ringgit since Q3 2023 will encourage more international tourists to spend more during their trips in Malaysia. The weak Malaysian currency has been especially attractive for visitors from Singapore. The higher cost of airfares and the weakened Ringgit will also encourage more Malaysians to spend their holidays within the country instead of travelling abroad.

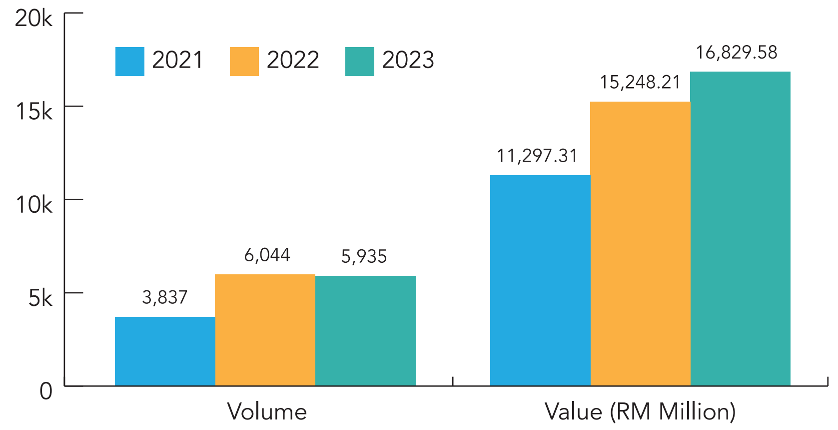
Industrial Sector

Malaysia's trade performance for the eleven-month period January to November 2023 registered a decline of 7.7% to RM2.4 trillion compared to the same period the year before, in line with the drop in exports (down by 7.8% y.o.y.) as well as imports (down by 7.1% y.o.y.)

Trade surplus also recorded a decrease of 11.3% with exports and imports declining monthly since March. Overall, trade performance for the full year 2023 is expected to register a contraction.

For 2024, economists are however confident that the trade performance will show an improvement, riding on the anticipated resurgence of China's economy and the implementation of the National Industrial Master Plan 2030 as well as the National Energy Transition Roadmap (NETR).

Volume & Value of Industrial Property Transactions (Jan-Sep 2021 to 2023)



Source: NAPIC

As mentioned above, Malaysia managed to secure approved investments amounting to RM225 billion in the first nine months of 2023 which exceeded the full year target set earlier and is higher than the ten-year average of RM222.6 billion. FDIs contributed 55.9% or RM125.7 billion whilst DDIs made up 44.1% of the total, amounting to RM99.3 billion.

The services sector attracted RM117.7 billion worth of investments, constituting 52.3% of total investments whilst the manufacturing sector contributed RM99.8 billion or 44.4%. Kuala Lumpur (RM48.9 billion), Penang (RM 44.9 billion) and Selangor (RM 41.6 billion) were the top three investment destinations of the country. These new investments could spur a stronger demand for industrial space.

Industrial property transactions in Malaysia registered a sharp increase of 57.5% in volume and 34.9% in the value of transactions in the first nine months of 2022 compared to the same period in 2021. However, the volume of transactions has registered a marginal decline of 1.8% in the first three quarters of 2023 although the value of transactions recorded a rise of 10.3%, indicating a still healthy industrial property market, albeit at a less robust pace compared to the year before. The average transaction value has also gone up.

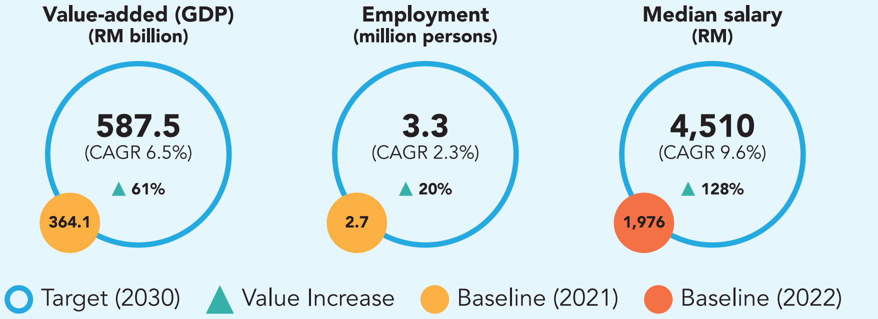
Industrial - Factors to Watch in 2024

- Malaysia's poorer trade performance in 2023 may weigh down new demand for industrial space. However, the success of the country in attracting a higher level of committed FDIs and DDIs in 2023 will help to compensate for this and ultimately boost demand for industrial properties.
- More data centres are still being established.
- Matured and established areas with good accessibility and proximity to source of labour will remain popular locations for manufacturers or warehouse operators.
- Improved accessibility arising from the completion of major infrastructure projects such as the RTS link between Johor Bahru and Singapore and the LRT line linking Penang island and the mainland could help generate more investments in Johor Bahru and the Penang mainland, consequently leading to increased demand for industrial space.

Industrial - Bright Spots for 2024

- Industrial activities are still active and a number of major industrial property transactions have been noted in the course of the past three years.
- The Chinese economy is expected to stage a firmer recovery in 2024 and this will help boost Malaysia's trade performance.
- The higher level of committed investments secured in 2024 could translate into increased demand for business and industrial space.
- The government launched the New Industrial Master Plan 2030 in September 2023 and the plan encompasses 6 key goals that aim to elevate Malaysia's economic standing:
  - Increase Economic Complexity
  - Create High Value Jobs

  Opportunities
  - Extend Domestic Linkages
  - Develop New & Existing Clusters
  - Improve Inclusivity
  - Enhance ESG (Environmental, Social, Governance) Practices
- The NIMP 2030 has also set the following targets to be achieved by the manufacturing sector by 2030:



Source: MIDA

- The implementation of the NIMP 2030 is expected to provide a boost to the manufacturing sector and in turn benefit the industrial property market in the coming years.
- The government has also introduced the National Energy Transition Roadmap (NETR) which will provide policy guidelines towards achieving a sustainable and inclusive energy system. The first part of the NETR has identified 10 flagship catalyst projects based on 6 energy transition levers whilst the second part introduces the Responsible Transition (RT) targets focussed on:

  - The energy transition ambition and macro position; and
  - The five cross-cutting enablers.

  The NETR will be crucial in navigating the complexity of energy transition of the country from a traditional fossil fuel-based economy to a high-value green economy.
- Analysts are projecting that the technology sector will recover in the second half of 2024, driven by the increase in demand for memory and integrated circuits (IC). The latest World Semiconductor Trade Statistics has projected that Global Semiconductor Sales (GSS) would grow 13.1% in 2024, up from the previous forecast of 11.8% and a big improvement over the contraction of 9.4% in 2023.
- Malaysia has been an attractive destination for investors in electric vehicles (EVs). Between 2018 and June 2023, MIDA reported that it has approved 59 projects worth RM26.2 billion in the EV sector and its related ecosystems, encompassing vehicle assembly, manufacturing parts and charging components.
- The manufacturing projects approved in the first nine months of 2023 showed an increase in total capital investment of nearly 54% over that of the corresponding period in 2022 of which about 85% are from foreign investments. All states recorded an increase except for Johor, Melaka, Perak, Sabah, Negri Sembilan, Pahang, Kelantan and Kuala Lumpur. These approved projects should contribute to an increase in demand for industrial land as well as factories.

Hospitality Sector

The tourism industry has clearly recovered from the Covid-19 pandemic as the number of tourist arrivals in 2023 has not only recovered but in fact exceeded the earlier target set by MoTAC.

Between 1 January and 15 November of 2023, Malaysia received 26 million tourists, with the largest numbers coming from Singapore (48.6%) followed by Indonesia (12.2%), Thailand (8.0%), China (5.4%), Brunei (3.5%) and India (3.0%). Nevertheless, although the number of international tourists has returned to pre-crisis levels, tourism spending has not. High-spending tourists from China, India and the western countries have yet to return to pre-pandemic levels.

Meanwhile, Malaysia's domestic tourism has risen significantly as more Malaysians chose to holiday within the country due to the higher cost of doing so abroad as a result of the weak Ringgit and higher global air fares.

According to the Department of Statistics Malaysia (DOSM), for the period of January to September 2023, the country recorded 156.6 million domestic visitors, an increase of 25.4% compared to a year ago. Domestic tourism expenditure meanwhile recorded RM61.2 billion, up 33.8% compared to last year.

Based on MoTAC's statistics, the average occupancy rates of hotels in Malaysia in the first six months of 2022 improved to 43.6% from 23.2% for the same period in 2021. All states recorded an increase in average occupancy rates except for Sarawak with the east coast states of Pahang, Terengganu and Kelantan recording the highest occupancy rates.

The improvement in occupancy rates can be attributed partly to the efforts of the government to promote domestic travel and the preference of Malaysians to holiday within the country rather than travel abroad especially in the early part of the year when travel restrictions and more stringent SOPs were still in place in Malaysia as well as in other countries.

For 2023, overall, hotel occupancy rates in Malaysia improved to 50.9% for the first half of 2023 from 23.2% for the corresponding period a year ago. Kuala Lumpur chalked up a 57.3% occupancy rate, up significantly from 17.6% a year

Tourist Arrivals in Malaysia 2021 to June 2023

Month	2021	2022	2023
Jan	8,012	29,797	26mil (Jan-mid-Nov)
Feb	7,599	26,760	
Mar	9,645	41,496	
Apr	9,742	392,059	
May	9,156	670,474	
Jun	6,459	971,574	
Jul	6,203	1,076,218	
Aug	8,062	1,102,625	
Sep	8,431	1,245,278	
Oct	10,684	1,344,091	
Nov	14,722	1,330,700	
Dec	36,013	1,839,892	N/A
Total	**134,728**	**10,070,964**	

Source: MOTAC

Average Occupancy Rates of Hotels in Malaysia, Jan–Sep 2021/22

State	2021 (%)	2022 (%)	Increase/ (Decline) (%)
Kuala Lumpur	16.9	44.3	27.4
Putrajaya	21.4	48.0	26.6
Selangor	26.8	44.7	17.9
Penang	11.9	43.7	31.8
Perak	15.0	45.5	30.5
Kedah	11.6	41.00	29.4
Perlis	13.0	36.7	23.7
Negri Sembilan	14.6	34.2	19.6
Melaka	14.8	37.9	23.1
Johor	16.9	45.0	28.1
Pahang	13.5	60.0	46.5
Terengganu	35.5	55.9	20.4
Kelantan	27.4	47.1	19.7
Sabah	10.8	41.5	30.7
Labuan	28.4	36.3	7.9
Sarawak	49.6	46.6	-3.0
Malaysia	**21.8**	**46.6**	**24.8**

Source: Tourism Malaysia

Average Occupancy Rates of Hotels in Kuala Lumpur, Putrajaya & Selangor (Jan–Jun 2022/23)

State	H1 2022 (%)	H1 2023 (%)
Kuala Lumpur	17.6	57.3
Putrajaya	24.6	54.0
Selangor	25.8	47.1
Malaysia	**23.2**	**50.9**

Source: NAPIC

ago whilst Putrajaya went up from 24.6% to 54% and Selangor, from 25.8% to 47.1%.

Pahang recorded the highest hotel occupancy rate in the first half of 2023 at 73% with Kuala Lumpur coming in second with an average rate of 57.3% followed by Putrajaya (54%), Penang (49.2%), Johor (47.5%) and Selangor (47.1%).

Based on data released by the Malaysian Association of Hotels (MAH), the average daily rate (ADR) achieved by the hotels was RM283 over the period of January to May 2023, up from RM247 a year before.

Hospitality – Factors to Watch in 2024

- MAH announced that the increase in Sales & Service Tax revealed through the tabling of Budget 2024 will likely lead to hotel room rates rising by 30% in 2024.
- The weak Ringgit will make Malaysia an attractive place for foreign travellers to spend their holidays here.
- Domestic tourism is expected to play a big part in the tourism landscape as more Malaysians are expected to spend their holidays within the country instead of travelling abroad in view of concerns of a slowdown in economic growth if current global conflicts escalate and the hoped for recovery of major economies like China and USA take a longer time to materialise. The weaker Ringgit also plays a part in view of the higher cost of travelling abroad.
- The shortage of labour which has plagued the country is a major issue faced by the hospitality sector and if not resolved by the government, will continue to hamper the industry's recovery and growth.
- There are quite a number of new hotels being built especially in the Klang Valley and when completed over the next few years, will add significantly to the supply of hotel rooms.

Hospitality - Bright Spots for 2024

- In Budget 2024, the government has announced plans to introduce new initiatives under the Malaysia Visa Liberalisation Plan including a 30-day visa free initiative for nationals of China and India. This is expected to lead to increased tourist arrivals to the country. Other salient measures include:
  - Simplifying the approval process for Employment Passes for strategic investors in key sectors;
  - Introducing Long-Term Social Visit Passes for international students who have completed their studies; and
  - Enhancing facilities for Visa-On-Arrival, social visit passes and offering Multiple Entry Visas to encourage the entry of tourists and investors, particularly from India and China.
- The government has relaxed the existing conditions for the Malaysia My 2nd Home (MM2H) programme, aiming to boost the influx of foreign tourists and investors to Malaysia. In this regard, the new MM2H programme has introduced three tiers of entry to cater to the applicants' affordability thresholds and is expected to regain interest amongst foreigners seeking a long term stay option out of their own country.
- The weak Ringgit will make Malaysia an attractive place for foreign travellers to have their holidays here and could lead to higher spending by these tourists.
- 2026 has been designated as the next Visit Malaysia Year and in this regard, RM350 million has been allocated in Budget 2024 for promoting tourism activities in the country whilst RM80 million will be set aside for preserving heritage buildings and sites. It is the government's aim to bring in 26.1 million tourists with an estimated domestic spending of RM97.6 billion.

KEDAH

Kedah's overall property transactions in the first nine months of 2023 fared lower by volume but better by value compared to the corresponding period in 2022. Volume of transactions dropped 6.1% while value of transactions rose 4.9%. This brought the total transactions in the first three quarters of 2023 to 23,393 units worth RM5.7 billion.

The 12th Malaysia Plan (12MP) Mid-Term Review's commitment to deliver 500,000 units of affordable housing by 2025 is poised to contribute positively to Kedah's property market in 2024. This will increase the supply of housing in the state and consequently address the issue of home ownership, especially among those facing economic hardships due factors such as rising cost of living, dwindling disposable income, compromised employment opportunities etc.

Shoring up sufficient support for the affordable housing sector will also contribute to market stability and lend weight to the state's overall economic growth owing to the industry's inherent multiplier effects.

In one of Kedah's most lucrative industry segments that is consistent with the global economy is the opportunity to raise solar farms. Investors looking to tap into vast open spaces at highly competitive rates do not need to look far as Kedah's moniker of the "rice bowl" of the country presents itself as a hotbed for solar-related projects and for that matter, climate change-related technologies such as solar infrastructure and renewable energy.

But unlike economies that are more exposed to the influence of geopolitical tensions around the world, Kedah comes as a rather safe destination for businesses to operate in. Whether this is known as decoupling from the world economy or strategically insulated from global volatilities (eg. Russian-Ukraine & Palestine-Israel wars), Kedah as a whole is unlikely to be affected or become vulnerable under such pressures.

Moving forward, Kedah's property market is anticipated to experience a slight increase in both transactional volume and value in 2024.

Residential Overview & Outlook

Performance of Kedah's residential market in the first nine months of 2023 mimicked the trend of the state's overall statistics with declining volume and rising value of transactions.

Total volume of transactions dropped by 1.3% in the period under observation to record 9,880 units while total value of transactions rose 9.4% to RM2.7 billion.

According to NAPIC, most of the property transactions concentrated in the affordable range, especially from the RM100,001 to RM300,000 price bracket where 53.7% came from here with 5,301 units. Consistent with the affordable theme throughout the country, market sentiments on the ground have also favoured residential properties below RM300,000.

Transactions below RM100,000 came in next with 16.0% of the market share with 1,581 units, followed by the RM300,001 to RM400,000 category with 14.7% or 1,448 units. Overall, the trend was similar to the corresponding period last year.

Factors to Watch in 2024

- The proposed transportation hub in Kulim.

Bright Spots in 2024

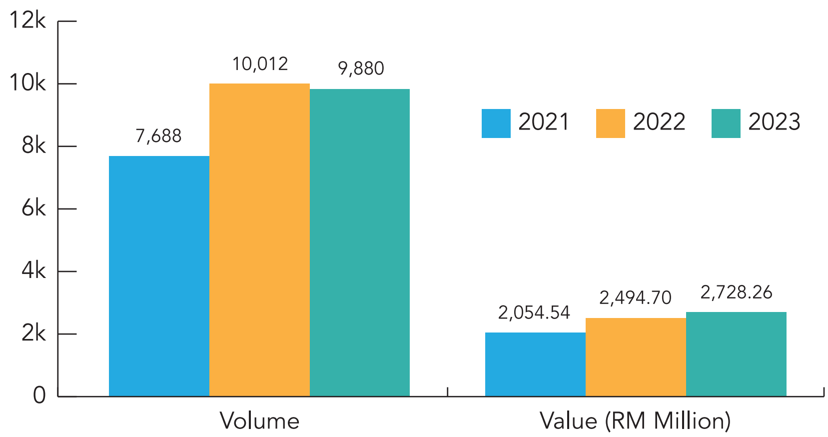
- If funding is successful for the proposed Kulim transportation hub, it will be a big success for Kedah.

Outlook for 2024

- Kedah's property market including the industrial sector is expected to be stable with slight increases in property values.
- The residential market is poised for a stable year with the provision of 500,000 units of affordable housing nationwide under the 12th Malaysia Plan Mid-Term Review.
- Kedah's retail property market is expected to be on par with 2023 if not better.
- The hospitality sector is anticipated to stage a recovery provided purposeful tourism initiatives are rolled out in a timely manner.

Based on NAPIC's transactional records for development lands, it is certain that 2024 will witness more new launches in the market. This however is not expected to increase Kedah's overhang statistics as the state has not had any alarming rate of unsold inventory prior to this. As such, backed by a healthier residential

Volume & Value of Residential Property Transactions in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

property market and economy, Kedah is anticipated to see a further decline in the overhang statistics in 2024 amidst new supply entering the market.

In terms of foreigners' interest in choosing Kedah as their domiciled address, the uptake seems to be minimal thus far due to the limited leisure-driven facilities present in the state. In that regard, the newly formatted Malaysia My 2nd Home (MM2H) programme announced in December 2023 by the Ministry of Tourism, Arts and Culture is also not expected to usher in foreigners in droves to live in or buy properties in Kedah. As such, the number of successful MM2H applicants looking to reside in Kedah will at best be minimal in 2024.

Overall, Kedah's residential property market is expected to be stable with a slight increase in property values in 2024.

Commercial Overview & Outlook

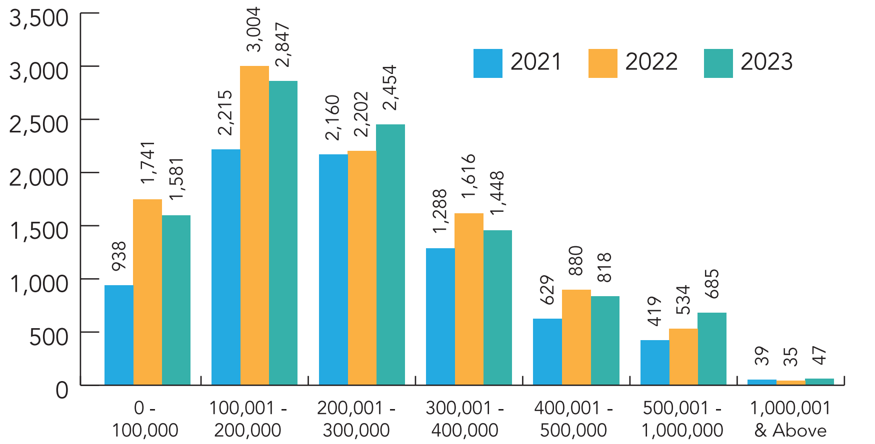
In the commercial sector, performance went in the opposite direction from the residential market. Volume of transactions increased by 14.6% to register 1,067 units exchanging hands but value of transactions slipped by 40.8% to conclude the period under observation with RM380 million.

By price, NAPIC's data showed that transactions for properties under RM100,000 were the most active with 279 units, followed by the RM500,001 to RM1 million category with 228 units, and the RM100,001 to RM200,000 category with 160 units.

In the same period last year, the collective category of RM500,001 to RM1 million had the most number of transactions with 203 units, far more than the RM100,001 to RM200,000 bracket with 156 units and the below RM100,000 category with 154 units. This shows that Kedah's market may have experienced a surge of opportunities in the lower priced category, matching the demand for the affordable range in 2023.

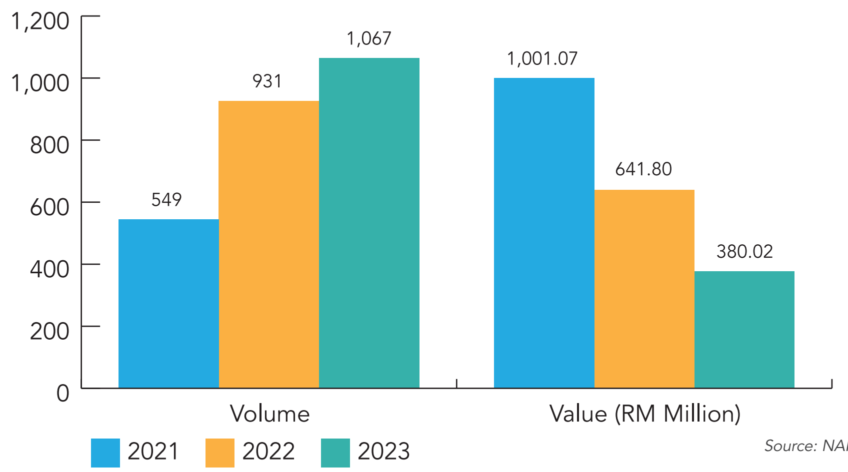
Commercial property buyers have generally displayed a liking for 2- and 3-storey shop offices priced below RM1 million in 2023 with most acquired for own use and business purposes. The pragmatic and affordable price points made it a popular choice among the buyers.

Volume of Residential Property Transactions By Price Range in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume & Value of Commercial Property Transactions in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

Kedah however does not have a strong purpose-built offices (PBO) market and as such, there was no transaction recorded in 2023 in this market segment.

While the mega-sized initiatives and projects under the 12MP Mid-Term Review, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and measures rolled out in Budget 2024 sounding promising on paper, it remains to be seen how extensive its impact will be to Kedah's economy. Most market participants are however anticipating positive outcomes from these grand plans.

Retail Overview & Outlook

Over in the retail sub-sector, unlike other states where the proliferation of budget-conscious stores were more prominent, only homegrown Mr. DIY has made significant inroads in Kedah's retail space. Other brands of similar genres have not really made their presence felt in the state.

But despite the limited diversity in retail offerings due to the absence of other regional or international brands, Mr. DIY's strong presence seems to have yielded a stable retail market in Kedah with potential growth in the pipeline.

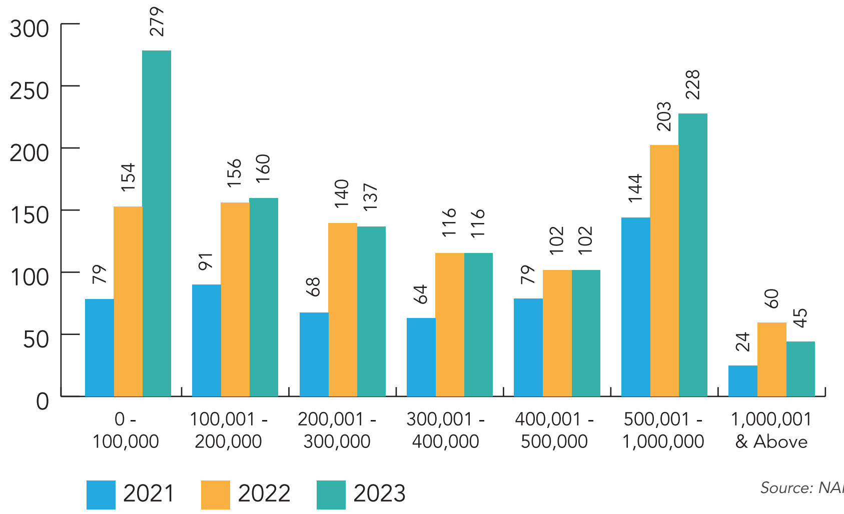
Looking towards 2024, there is optimism in Kedah's retail property market to at least be on par with 2023's performance if not better.

Hospitality Overview & Outlook

Amidst Malaysia's domestic travel resurgence, Kedah's hospitality sub-sector faced some headwinds in 2023. News portals have in fact reported a significant reduction in international tourist arrivals to Langkawi, which used to be Kedah's crown jewel among foreigners visiting Malaysia. To that end, the state's political scenario may have had a role to play in compromising the state's opportunity to draw more inbound tourists. Political stability and strategic tourism initiatives aimed at promoting the state as such could play pivotal roles in revitalising the sector once again in the year ahead.

But regardless of how 2023 has fared, there remains great hope for Kedah's hospitality market to stage a recovery in 2024.

Volume of Commercial Property Transactions By Price Range in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

Industrial Overview & Outlook

Kedah's industrial market experienced a decline in the first nine months of 2023 with the volume of transactions declining by 45.7% and the value of transactions dropping by 20.4% compared to the same period last year. The reductions brought the total transactions to 269 units valued at RM650.9 million.

In terms of price points, there were considerably more transactions in the RM1 million and above segment, contributing 46.7% or 119 units. This is followed by the RM500,001 to RM1 million category with 16.1% or 41 transactions.

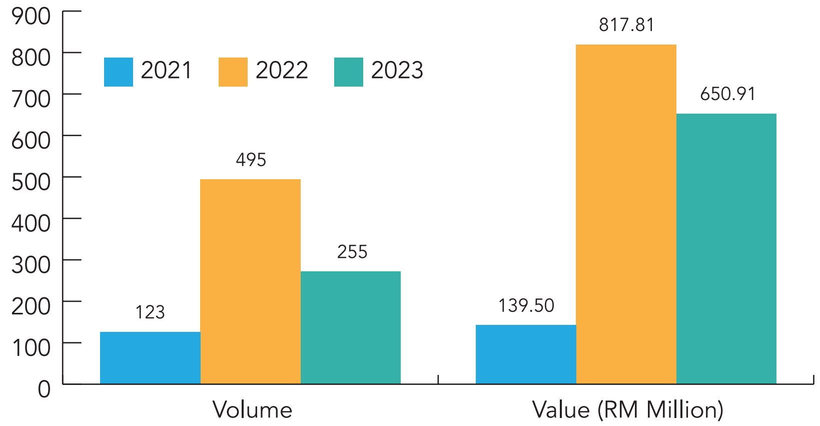
In comparison to the first nine months of 2022, the same period in 2023 saw transactions of all pricing categories registering declining volumes, with the RM400,001 to RM500,000 category recording even less transactions than the same period in 2021. This demonstrates that perhaps out of the pent-up demand contained during the pandemic, investors who were more resilient to market tremors had already come out to snap up good deals as soon as the threats from Covid-19 were tapering off.

Market sentiments in Kedah have shown that in 2023, semi-detached industrial properties were the most sought after among property buyers, potentially due to their reasonable price points. Additionally, the sizes of these properties may have also matched the scale required by such businesses, meeting operational requirements adequately without being excessively large.

Major national plans like the 12MP Mid-Term Review, NETR and the NIMP 2030 possess the capacity to influence the industrial property market in Kedah but the extent of their impact remains uncertain given that they were only just announced in 2023.

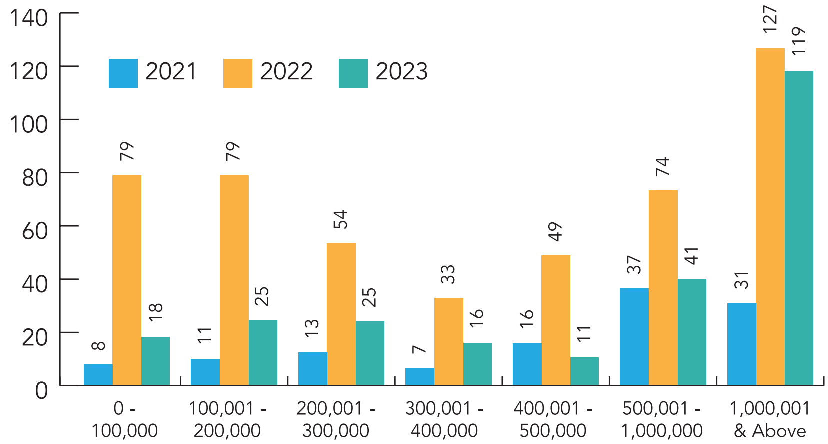
Judging from how the market has held itself together even without landmark decisions or projects to dramatically support the market in 2023, Kedah's industrial property sector is expected to be stable with potential increases in property values in 2024.

Volume & Value of Industrial Property Transactions in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions By Price Range in Kedah (Jan-Sep 2021 to 2023)



Source: NAPIC

PENANG

Penang's property market performance for the first nine months of 2023 outpaced the corresponding period in 2022 where volume of transactions increased by 3.82% while value of transactions trended higher by 38.9%. This raised Penang's total transactions to 17,953 units valued at RM13.2 billion.

Over on Penang Island, the real estate market remained resilient and promising throughout 2023 with the residential sector exhibiting significant growth in both transactional volume and value compared to the previous year. This uptrend was complemented by a gradual yet steady increase in home asking prices, reflecting a balanced optimism among property owners seeking to leverage their assets. Preference was inclined towards landed residential properties, affordable high-rise apartments, of smaller units and upscale projects in sought-after locations. Indicators such as these have fueled REHDA Penang's optimism as the developers' association projected an enhanced market performance for the full year of 2023.

Infrastructure development on Penang Island has also received a notable push from the Federal Government with allocation of funds for key projects like the Penang Transport Master Plan (PTMT), specifically expediting the Bayan Lepas LRT project and allocating RM93 million for Penang International Airport's expansion. This underscores the government's commitment to bolster the region's connectivity and growth prospects right from where Penang is situated.

The state's reputation as a manufacturing hub also received attention as private investments continued pouring in. Phabritek Sdn Bhd, specialising in optoelectronic multiplexers, modules and components, inaugurated its new RM100 million manufacturing facility in Batu Kawan, Seberang Perai, while Micron Technology Inc commissioned its cutting-edge assembly and test facility plant in the same industrial zone. Enovix Corporation's strategic move to establish its first high-volume manufacturing facility in Penang went down as another important milestone in its global expansion plan.

As the global semiconductor manufacturing industry gears towards recovery by 4Q 2023, Penang can look to this steady groundwork for sustained growth in 2024. Anticipation of additional manufacturers relocating to Penang further augments prospects for the region.

Silicon Island

Another bright spot in the Penang story is the newly announced Silicon Island, a project earmarked for a 25-year construction. Made known officially only in December 2023, the Penang government aims to reclaim 400 acres (161.87 hectares) annually with a target roll out of the first factory by 2026.

According to news reports, current efforts on Silicon Island have already reclaimed 5 acres (2.02 hectares) since work commenced in October 2023 with dredging work intensifying in 2024 and aims to complete the land component in 8 to 10 years or as early as 2032. By then, Silicon Island is projected to contribute RM1.1 trillion to the GDP, attracting RM74.7 billion in investment and creating 220,000 jobs. All these will be culminated through a a Green Tech Park (GTP), a global business services and software hub (or GBS Campus), and the development of commercial and housing real estate. Chief Minister Chow Kon Yeow believes this endeavour will mirror the success of the Bayan Lepas Free Industrial Zone and fortify Penang's electronics manufacturing sector.

Madani's Plans

To further strengthen Penang's standing in 2024, the state can look forward to programmes under the 12th Malaysia Plan (12MP) Mid-Term Review, the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030).

As outlined in the NETR, Malaysia's urbanisation rate is projected to reach 85% by 2040 from 75% in 2020 where the country's population is predicted to surge from 32.7 million in 2022 to 40 million by 2050. The good news is, housing the burgeoning population will be complemented by the target of delivering 500,000 affordable homes nationwide by 2025 under the "Building a Prosperous Society" programme, part of the 12MP Mid-Term Review. Demand for the same will be met by the Madani Inclusive Housing project in Penang. These demographic shifts underpin a heightened need for housing and

Factors to Watch in 2024
- Global economic trends due to Penang's exposure to the international markets.
- Industrial sector growth due to the promising tech advancements in this era.
- Movement of Malaysian interest rates impacting businesses and individuals.

Bright Spots in 2024
- Impact of government policies across all sectors of the economy.

Outlook for 2024
- Penang's residential market in 2024 is expected to improve further with anticipation of growth in sectors like industrial and tourism to cause a spillover of demand for housing.
- Purpose-built office sector is generally optimistic and is expected to see a modest increase in transactional volumes & values, higher rental rates and improved occupancy rates.
- Rental of Penang's retail property is expected to improve, encouraged by factors like increased tourism & economic growth.
- The hospitality sector is expected to continue recovering with potential growth.
- Industrial development land prices are expected to increase in view of the strong demand and limited industrial land supply in the state.

infrastructure to cater to the needs of various income groups. As these projects break ground and take shape, the issue of home ownership will overtime be resolved, stimulating the residential market in the process and raising the volume of transactions across Penang.

On the industrial front, the NIMP 2030's plan to transform 3,000 factories into smart factories throughout the country is also poised to increase demand for residential and commercial properties in Penang. But despite the lofty plans, things could nevertheless still go wrong if, for example, it neglects rural and semi-urban areas, and risks imbalanced growth throughout the state.

Another potential risk is the absence of proven strategies to revive the commercial and retail sectors which are crucial for post-pandemic recovery. This could curtail any possibility of a resurgence and impacting the property market's interconnected growth.

While urbanisation and industrialisation may take precedence, an oversight from sustainable practices could yet stir up long term environmental repercussions and derail Penang from aligning with global climate trends. Further, its lack of suggestions or policies to address smart solutions integration in residential and commercial developments may also give rise to new issues to deal with in the future. As such, a more holistic and pragmatic approach is called for in order to drive the economy forward.

With the above in mind, active participants in Penang are recommended to be mindful of global economic issues, geopolitical tensions and saturation in the local market. To take advantage of what the government has rolled out, the manufacturing (aligned with Industry 4.0 advancements), technology, tourism and green energy industries could provide some leverage if not brownfield opportunities.

In terms of property investments, Penang's market in 2024 will still count on good investment fundamentals such as a good diversification strategy with a focus on the resilient sectors, and an acute awareness of evolving market trends. For example, considering the positive trajectory of the residential market, the significant infrastructural enhancements, landmark projects like Silicon Island and the support from the Madani-led plans, 2024 should see anticipated growth in the industrial and residential sectors albeit tempered by the external economic factors. In other words, a dynamic balance between growth and challenges is expected for Penang's property market in 2024.

Residential Overview & Outlook

Penang's residential property market was stable in the first nine months of 2023 compared to the same period in 2022. Volume of transactions rose 0.7% while value slipped 0.4%.

The affordable range of RM200,001 to RM300,000 category recorded the most transactions with 19.7% exchanging hands, edging the RM500,001 to RM1 million price bracket with only 7 units (which was last year's corresponding period's highest transacted category). This is followed by RM100,001 to RM200,000 category with 16.9%.

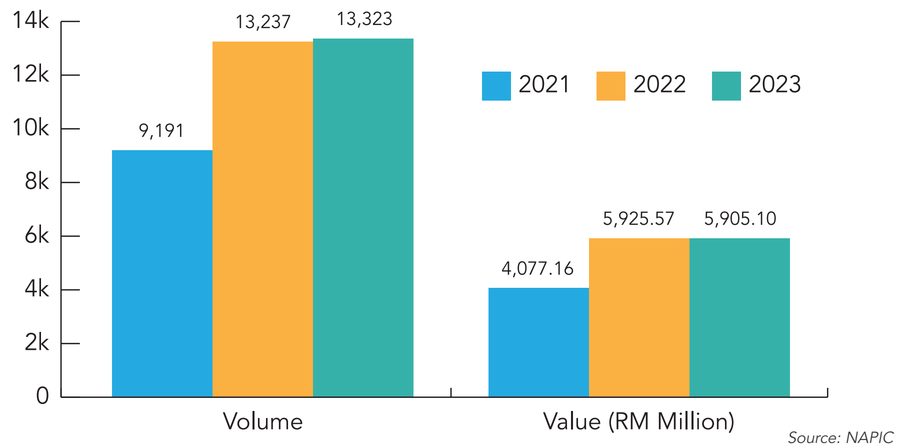
Penang Island

Residential market on the Penang Island continued growing in the first nine months of 2023 compared to the same period in 2022 although the climb was not as steep as from 2021 to 2022.

Volume of transactions rose by 4.5% while value of transactions increased by 2.2% over the period in 2023. This translates to 6,386 units worth RM3.6 billion transacted.

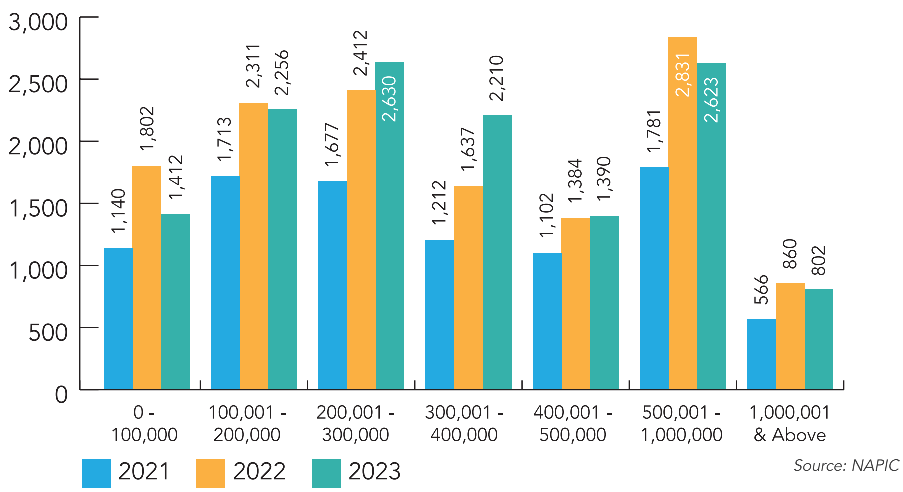
In terms of property type, the 2 to 3 storeys terraced houses recorded the highest volume of transactions with 21.5% of the

Volume & Value of Residential Property Transactions in Penang (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Property Transactions by Price Range in Penang (Jan-Sep 2021 to 2023)



Source: NAPIC

total residential transactions market share. By value, the RM200,001 to RM300,000 contributed the most transactions with 20.3% of the market share. This trend is influenced by factors such as government incentives, the need for affordable housing and buyer preferences.

Residential transactions concentrated in the Timur Laut (Northeastern) part of Penang Island with 70.5% transacted in the period under observation. Flats in the same region also continued generating the most transactions with 25.5% of the total transactions followed by condominium/ apartments in the same areas generating 20.7% of the total market share.

Seberang Perai

Over in Seberang Perai, performance of the residential market dropped in both the volume and value of transactions in the first nine months of 2023 compared to the same period in 2022. Volume of transactions dropped 2.6% while value of transactions slipped by 3.9%. This concluded the period under review with 6,937 units worth RM2.3 billion.

Perhaps driven by the larger land mass on the mainland, the landed 1 to 3 storeys terraced houses continued its dominance with the highest volume of transactions. In the first nine months of 2023, Seberang Perai Utara's 1 to 3 storeys terraced homes generated the most transactions with 17.0% of the total market share, followed by Seberang Perai Tengah with 9.7% and low-cost flats in the same area with 7.2% transacted.

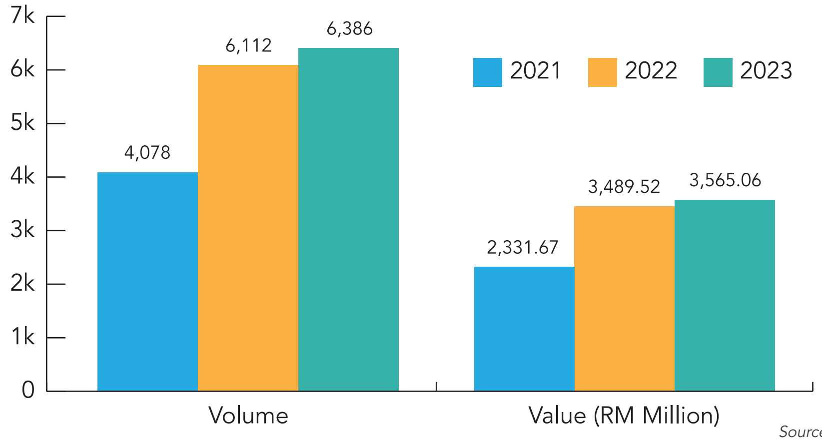
New Launches & Overhang

It is likely Penang will see new residential market launches in 2024, catering to the market's robust and ongoing demand. The introduction of incentives could however stimulate the market further, especially in sub-sectors which are experiencing a slower growth or a higher overhang than usual.

In terms of overhang properties, Penang generated 4,879 units of unsold completed inventory in the first nine months of 2023, a 9.3% drop from the 5,222 units in the corresponding period in 2022.

The RM1 million and above category was surprisingly the segment that had the

Volume & Value of Residential Property Transactions in Penang Island (Jan-Sep 2021 to 2023)



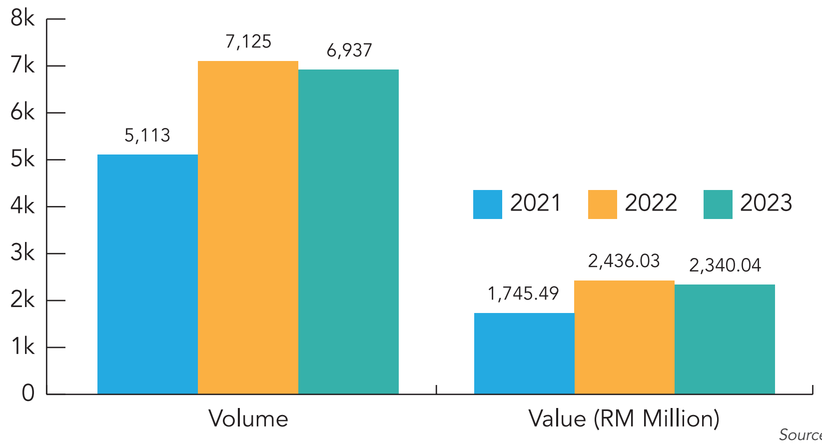
Source: NAPIC

Volume of Residential Property Transactions by District in Penang Island (Jan-Sep 2023)

	Timur Laut	Barat Daya	Total
Vacant Plot	26	13	39
Single Storey Terraced	112	64	176
2-3 Storeys Terraced	274	288	562
Single Storey Semi-Detached	57	18	75
2-3 Storeys Semi-Detached	150	71	221
Detached	95	69	164
Condominium/Apartment	1,322	757	2,079
Cluster House	21	36	57
Town House	27	9	36
Flat	1,630	219	1,849
Low-Cost House	20	12	32
Low-Cost Flat	770	326	1,096
Others	0	0	0
Total	**4,504**	**1,882**	**6,386**

Source: NAPIC

Volume & Value of Residential Property Transactions in Seberang Perai (Jan-Sep 2021 to 2023)



Source: NAPIC

highest portion of overhang inventory with 33.1% or 844 units. Just last year, the same premium class had the least number of overhang units with only 15% or 763 units.

Based on NAPIC's overhang statistics, the first nine months of 2023 saw Penang being delisted from the second position it held last year. How the year will conclude on this front remains to be seen as it is dependent upon a host of factors like market demand, economic conditions and the effectiveness of government policies. As such, it is uncertain at the point of writing to ascertain if Penang's overhang will increase or decrease in 2024.

As Penang is a hotbed for global manufacturing firms, the trend of foreigners relocating to Penang is anticipated to increase, influenced by factors like lifestyle, investment opportunities, the newly formatted Malaysia My 2nd Home (MM2H) programme and the weakening Ringgit. But regardless, Penang remains a favourite destination among foreigners and as such, it shouldn't surprise when there are property purchases and investments made by them.

By location, Northern Penang has been a foreigner haven but some have also preferred elsewhere on the island. Foreign retirees and expats on the other hand tend to live in the following areas:

- **Gurney Drive** - popular among MM2H holders and professionals, offering modern conveniences and seafront living.
- **Tanjong Tokong & Tanjung Bungah** - chosen by Europeans, Americans and retirees for its beautiful sea views and access to the beach.
- **Batu Ferringhi** - European, British and Korean expats favour this area, with options like The Marin, Bayu Ferringhi etc.
- **Gelugor/Bayan Lepas** - ideal for MM2H holders, retirees and expats looking for a local lifestyle with lower rents and property prices.

On the whole, Penang's residential market in 2024 is expected to improve further with growth in the industrial and tourism sectors that may indirectly bolster demand for housing.

Volume of Residential Property Transactions by District in Seberang Perai (Jan-Sep 2023)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	83	102	79	264
Single Storey Terraced	425	322	340	1,087
2-3 Storeys Terraced	1,178	670	448	2,296
Single Storey Semi-Detached	35	81	91	207
2-3 Storeys Semi-Detached	92	190	155	437
Detached	94	144	77	315
Condominium/Apartment	327	322	159	808
Cluster House	67	57	25	149
Town House	34	14	35	83
Flat	96	68	1	165
Low-Cost House	95	130	110	335
Low-Cost Flat	165	499	127	791
Others	0	0	0	0
Total	**2,691**	**2,599**	**1,647**	**6,937**

Source: NAPIC

Overhang of Completed Residential Units by Price Range in Penang (as at Q3 2023)

Price Category	Unit Launched	Unsold Unit	Overhang (%)
Below RM300k	5,671	1,312	23.1
RM300k to RM500k	6,914	2,193	31.7
RM500k to RM1mil	1,909	530	27.8
RM1mil and above	2,546	844	33.1
Total	**17,040**	**4,879**	**28.6**

Source: NAPIC

Commercial Office Overview & Outlook

The commercial property sector in Penang registered increases in both the volume and value of transactions in the first nine months of 2023 compared to the corresponding period last year. The jump was quite significant as the volume of transactions leapt by 51.5% while the value of transactions went even further by 324.9%.

According to NAPIC's data, contributing the most to the rise were:

- 68 units of pre-war shops worth RM110.6 million in northeastern of Penang Island in Q2 and Q3 2023;
- 43 units of 3- to 3½-storey shops valued at RM43 millions in Seberang Perai Tengah in Q3 2023;
- 27 units of service apartments in northeastern Penang Island worth RM23.4 million in Q3 2023; and
- 11 units of 3- to 3½-storey shops in northeastern Penang Island in Q2 2023 worth RM23.3 million.

Penang's commercial market has also seen 4 units of purpose-built offices sold up until 3Q 2023 with 3 transactions coming from Timur Laut and one in Seberang Perai Tengah contributing a total value of RM40.75 million.

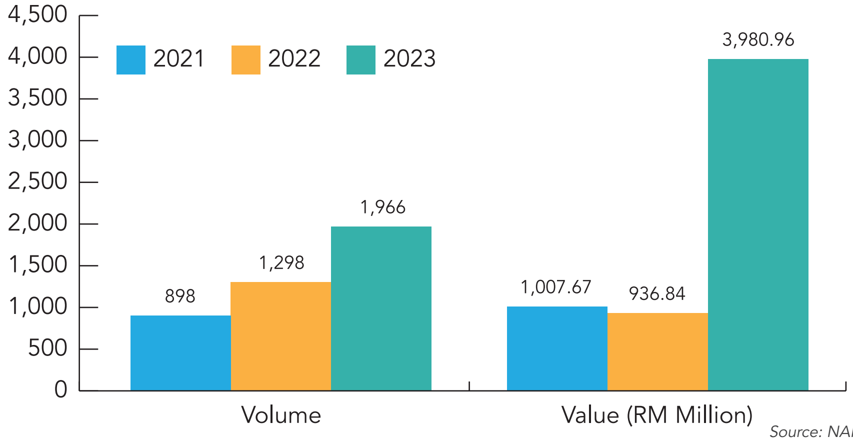
By price, 33.2% of the transactions were focused in the above RM1 million category followed by 26.7% in the RM500,001 to RM1 million category. Incidentally, these two top categories swapped positions last year with a lower amount of transactions.

By property type, serviced apartments priced below RM1 million have shown to be the most popular among buyers in 2023, influenced by factors such as investment potential, prime locations, affordability, prospects for capital appreciation and Penang's overall economic stability.

In 2024, the purpose-built offices sector is expected to see a modest increase in transaction volumes and values, higher rental rates and the potential for improved occupancy rates, reflecting a generally optimistic outlook for this sub-sector. Contributing factors to this positive trend include economic stability and the evolving work patterns.

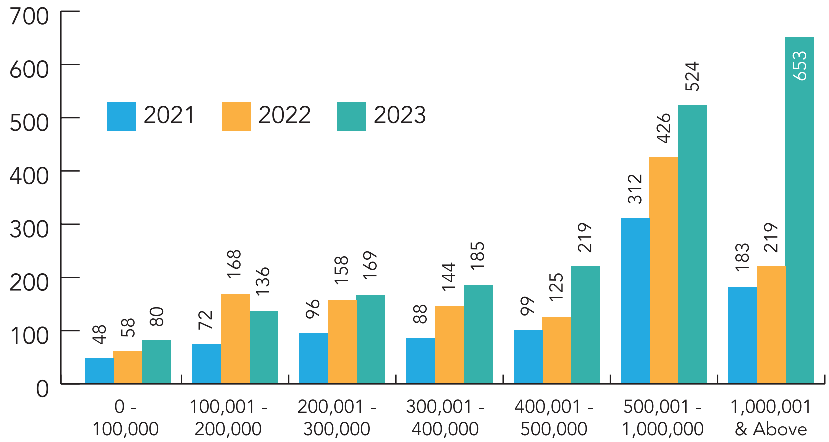
National programmes and initiatives such as those under the 12th MP Mid-

Volume & Value of Commercial Property Transactions in Penang (Jan-Sep 2021 to 2023)



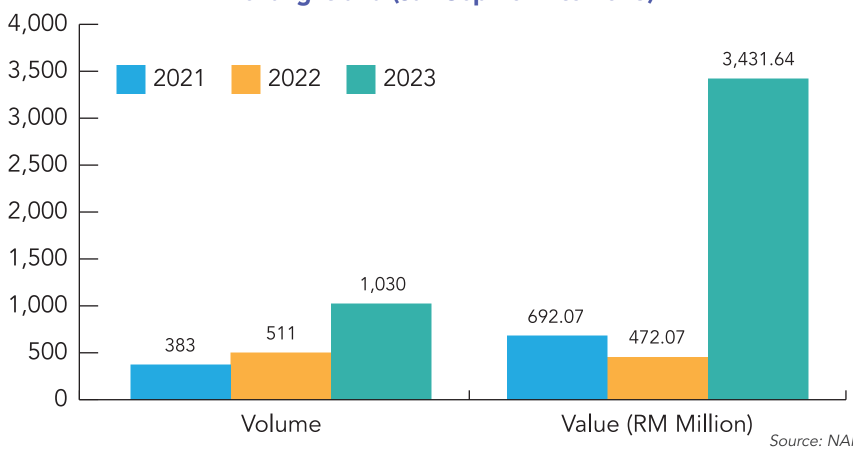
Source: NAPIC

Volume of Commercial Transaction by Price Range in Penang (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume & Value of Commercial Property Transactions in Penang Island (Jan-Sep 2021 to 2023)



Source: NAPIC

Term Review and NIMP 2030 could also boost the commercial sectors, especially for those aligned with technological advancements and sustainable practices.

Penang Island

Dissecting further, Penang Island's commercial property market showed that volume rose 101.6% in the first nine months of 2023 against the same period last year. By value, the leap was greater at 627.0%.

In terms of rental, prime office spaces of old office buildings in Georgetown are now leased between RM2.40 per sq ft to RM3.60 per sq ft per month while the newer buildings outside Georgetown are fetching between RM3.80 per sq ft to RM5.00 per sq ft per month. Based on NAPIC's statistics, the average occupancy rate stood at 81%.

Southwest of Penang Island enjoyed the highest number of transactions in the period under review with 46.8% of shops or retail lots exchanging hands. The next and closest category to follow was the pre-war shops which commanded 9.5% of the total market share.

Seberang Perai

Over in Seberang Perai, transactional volume and values continued increasing at almost the same rate in the first nine months of 2023 against that of 2022. Volume of transactions rose by 18.9% whereas value of transactions escalated by 18.2%.

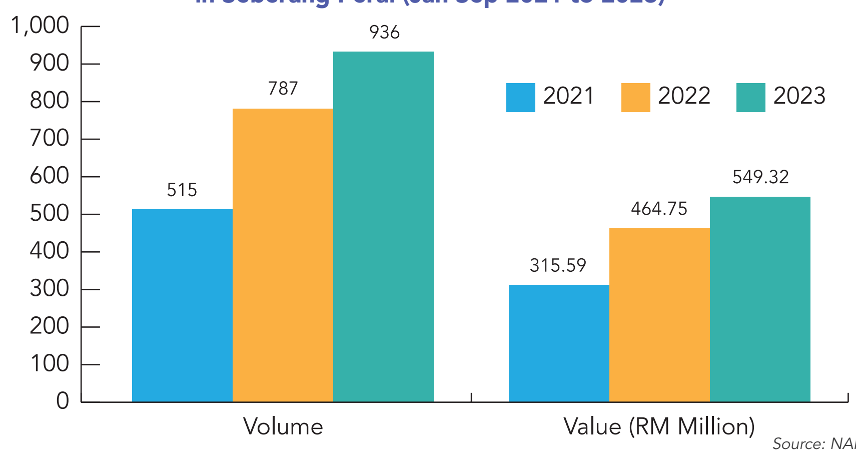
The 2- to 2½-storey shops recorded the highest number of transactions in Seberang Perai with 40.3% of the transactions market share. The next best category was the 3- to 3½-storey shops which recorded 19.7% and followed by the service apartments with 14.2%.

Volume of Commercial Property Transactions by District in Penang Island (Jan-Sep 2023)

	Timur Laut	Barat Daya	Total
Vacant Plot	11	6	17
Pre-War Shop	98	2	100
1-1½ Storeys Shop	3	0	3
2-2½ Storeys Shop	42	18	60
3-3½ Storeys Shop	22	11	33
4-4½ Storeys Shop	11	2	13
5-5½ Storeys Shop	2	0	2
6-6½ Storeys Shop	1	0	1
Shop Unit/Retail Lot	91	482	573
Office Lot	50	17	67
SOHO/SOFO/SOVO	29	3	32
Shopping Complex	0	0	0
Purpose-Built Office	3	0	3
Service Apartment	59	51	110
Hotel/Leisure	2	0	2
Others	10	4	14
Total	**434**	**596**	**1,030**

Source: NAPIC

Volume & Value of Commercial Property Transactions in Seberang Perai (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Property Transactions by District in Seberang Perai (Jan-Sep 2023)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	10	64	11	85
Pre-War Shop	0	1	3	4
1-1½ Storeys Shop	6	17	6	29
2-2½ Storeys Shop	104	129	144	377
3-3½ Storeys Shop	49	90	45	184
4-4½ Storeys Shop	14	25	5	44
5-5½ Storeys Shop	0	0	0	0
6-6½ Storeys Shop	0	0	3	3
Shop Unit/Retail Lot	11	42	2	55
Office Lot	0	13	0	13
SOHO/SOFO/SOVO	0	0	0	0
Shopping Complex	0	0	0	0
Purpose-Built Office	0	0	0	0
Service Apartment	9	15	109	133
Hotel/Leisure	2	0	1	3
Others	0	2	4	6
Total	**205**	**398**	**333**	**936**

Source: NAPIC

Retail Overview & Outlook

Like the rest of the country, Penang experienced a rise in the opening of budget conscious stores in 2023 like 7-Eleven, 99 Speedmart and Mr. DIY along the main streets. This active trend contributed to a sustainable and stable retail property prices and rentals in the market.

But amidst the growing budget-wave, innovative developments like Iconic Point at the other end of the spectrum have also set a new high in terms of property prices and rentals in that locality. In addition to that, prime malls around Penang have also enjoyed increased footfall and improved occupancy rates, a stark contrast to the debilitating sight during Covid-19.

Judging from this, Penang's retail sector appears to be recovering in 2023, boosted by a growing tourism industry post-pandemic. This has led to the mushrooming of tourism-related businesses such as restaurants, cafés and budget hotels in traditional shop houses, more so in the Georgetown City area.

Given such a robust turnaround, rental of Penang's retail property is expected to improve in 2024 and further encouraged by factors like increased tourism and economic growth.

Hospitality Overview & Outlook

The lifting of pandemic measures nationwide has resulted in a surge in domestic travel and this has boosted the hospitality sector in Penang in 2023. This led to increased demand for diverse accommodation options and tourism-related services throughout the year, restoring confidence in Penang's tourism industry.

In 2024, the hospitality sector is expected to continue recovering, with potential growth influenced by travel trends, economic conditions and consumer preferences. The 30-day visa-free condition for tourists from China and India announced by the Prime Minister on 26 November 2023 for the period of 1 December 2023 to 31 December 2024 will also add to Penang's tourist arrivals.

Industrial Overview & Outlook

Penang's industrial property market registered a positive trend in the first nine months of 2023 compared to the same period in 2022. Both volume and value of transactions registered upticks of 12.0% and 8.8% respectively.

In terms of pricing, transactions continued to skew towards the above RM1 million threshold with more than half of Penang's industrial property transactions occurring in this segment. In the period under observation, the 244 units transacted represented 54.6% of the total transactions in the market. This was also 29.1% higher than the transactional volume that occurred in the same period in 2022.

The RM500,001 to RM1 million category came in next but experienced a 14.4% drop in the number of transactions against the previous year.

Penang Island

Over on Penang Island, the industrial property market experienced a slight dip in its value of transactions in the first nine months of 2023 against the same period in 2022 after holding steady from 2021 but conversely, value of transactions increased.

Volume of transactions dropped by 26.8% while value of transactions rose by 29.3%. This brought the period under observation to 41 units exchanging hands valued at RM151.5 million.

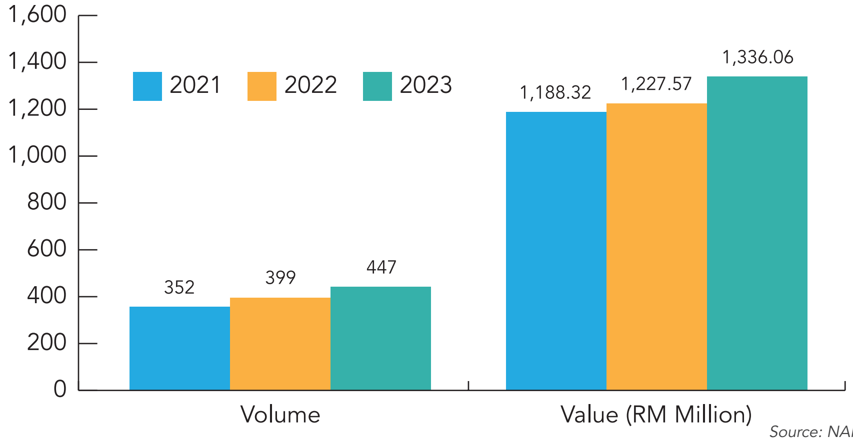
Industrial units and terraced factories/ warehouses led the transactional volume with 29.3% and 26.8% of the transactions respectively. By location, Barat Daya (Southwestern) of Penang Island contributed more with 56.1% transactions with terraced factories/warehouses chalking up the most transactions.

Industrial units at Timur Laut (Northeastern) however generated the most transactions by any industrial property type with 24.4% of the total industrial transactions.

Seberang Perai

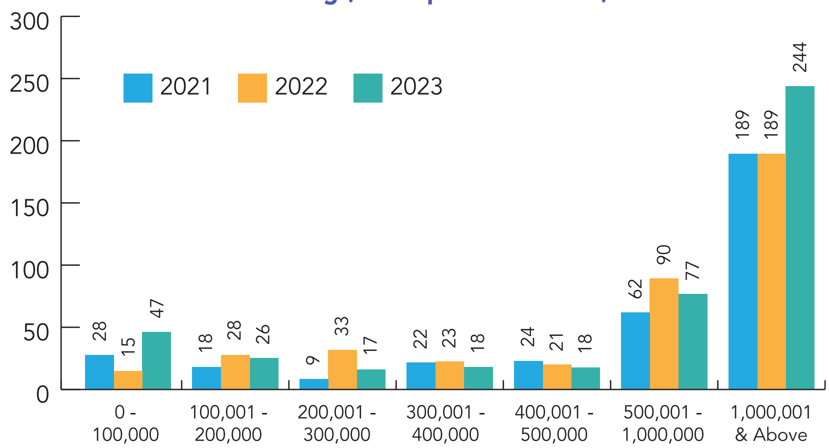
Industrial property transactions in Seberang Perai were more pronounced in comparison to Penang Island, registering 406 units of transactions valued at RM1.2

Volume & Value of Industrial Transactions in Penang (Jan-Sep 2021 to 2023)



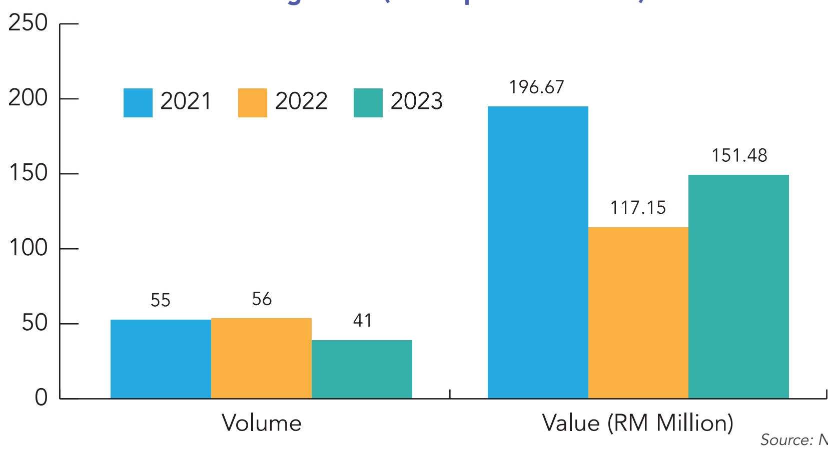
Source: NAPIC

Volume of Industrial Transactions by Price Range in Penang (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume & Value of Industrial Property Transactions in Penang Island (Jan-Sep 2021 to 2023)



Source: NAPIC

billion in the first nine months of 2023. Compared to the same period in 2022, it registered an 18.4% growth in volume and 6.7% increase in value of transactions.

In terms of property type, vacant plots commanded a lion share of the market with 36.5% followed by the terraced factories/warehouses with 28.6%.

By location, Seberang Perai Tengah generated the highest number of transactions with 58.4% followed by Seberang Perai Selatan with 24.9%.

In every location, transactions were also skewed differently. Seberang Utara's highest number of transactions were made up of 37 units of terraced factories/ warehouses whereas in Seberang Perai Tengah, it was 98 units of vacant plots. In Seberang Perai Selatan, 40 units of semi-detached factories/warehouses was the highest category. This could likely be influenced by the type of businesses acquiring these units and the price points they were transacted at over the different locations.

Overall

Vacant plot and industrial development lands have been the most favourable in Penang in 2023 with demand for industrial development lands increasing significantly due to the vibrant industrial sector. This has possibly contributed to a general increase of 10% in industrial land prices in 2023 compared to 2022.

The good news is, major national plans like the 12th MP Mid-Term Review and NIMP 2030 are anticipated to positively impact Penang's industrial property market in 2024 by fostering industrial growth and technological advancement. These plans will also likely boost investment into Penang's industrial infrastructure and facilities, attracting tech-based enterprises to make their way into the state and further improve the overall infrastructure and connectivity in the region.

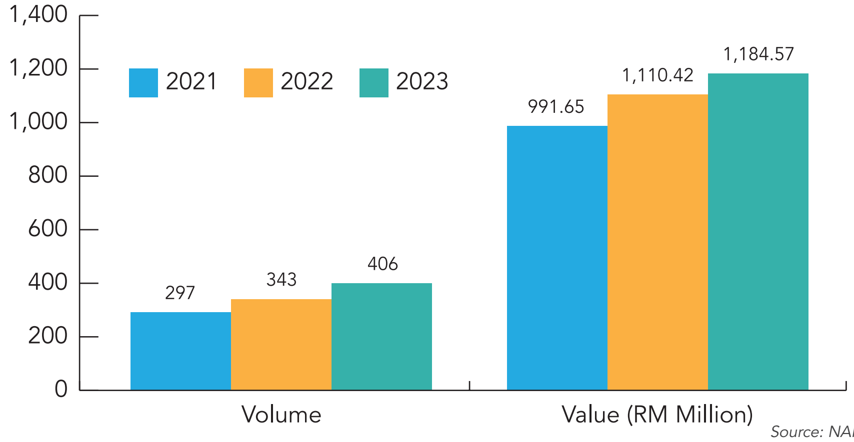
Additionally, policy-driven investments and potential business incentives from Budget 2024 may further stimulate demand in Penang's industrial properties, especially those accommodating the high-tech and sustainable industries. This is set to enhance the overall appeal and growth of Penang's industrial sector.

Volume of Commercial Property Transactions by District in Penang Island (Jan-Sep 2023)

	Timur Laut	Barat Daya	Total
Vacant Plot	2	5	7
Terraced Factory/Warehouse	5	6	11
Semi-Detached Factory/ Warehouse	0	3	3
Detached Factory/Warehouse	1	5	6
Industrial Complex/Unit	0	0	0
Industrial Unit	10	2	12
Others	0	2	2
Total	**18**	**23**	**41**

Source: NAPIC

Volume & Value of Industrial Property Transactions in Seberang Perai (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions by District in Seberang Perai (Jan - Sep 2023)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	18	98	32	148
Terraced Factory/Warehouse	37	69	10	116
Semi-Detached Factory/Warehouse	7	36	40	83
Detached Factory/Warehouse	2	27	16	45
Industrial Complex/Unit	0	0	0	0
Industrial Unit	0	0	0	0
Others	4	7	3	14
Total	**68**	**237**	**101**	**406**

Source: NAPIC

Moving forward, Penang's industrial development land prices are expected to increase in view of the strong demand and limited industrial land supply.

PERAK

Factors to Watch in 2024

- 2030 Perak Sejahtera Plan.
- Visit Perak 2024.
- Budget 2024.
- 12th Malaysia Plan Mid-Term Review.
- National Energy Transition Roadmap (NETR).
- New Industrial Master Plan 2030 (NIMP 2030).
- Northern Corridor Economic Region (NCER).

Bright Spots in 2024

- High Tech Industrial Hub, Kerian.
- Perak Halal Industrial Pak (HiP) near West Coast Expressway (WCE–Lekir).
- Automotive High-Tech Valley (AHTV), Tanjung Malim.
- MRCB's Ipoh Raya Integrated Park, Gopeng.
- The Silver Technology Park (SVTP), Kinta.
- West Ipoh Span Expressway (WISE) connecting Gopeng – Kuala Kangsar.

Outlook for 2024

- Perak's property market is expected to exhibit stability with a gradual pace of improvement, led by the industrial and tourism sectors.
- The residential sector is poised to maintain stability with an emphasis for the affordable range.
- Perak's commercial sector is anticipated to remain stable, similar to the conditions in 2023.
- The retail property market is forecasted to remain stable, with a slight upward movement compared to 2023.
- Perak's hospitality market is poised for significant growth in 2024.
- The industrial sector is anticipated to be better in 2024.

As projected in last year's report of HB Perspective 2023, the performance of Perak's property market in the first half of 2023 was less promising, marked by concerns of upward interest rate movement from 2.75% to 3.00%, inflationary pressure, weakening Malaysian Ringgit against the US & Singapore Dollars and escalating uncertainties in the global landscape. Things however progressed with better stability in the second half with mild improvements in property market activities, attributed to Bank Negara's efforts to ease inflation (eg. stabilising interest rate), and together with the government's endeavours to improve foreign direct investments, exports, consumer spending, tourism and the local construction industry.

According to NAPIC, the declining trajectory saw property volume slowing down by 10.8% in the first nine months of 2023 compared to the same period last year. Value of transactions on the other hand dropped 7.4%. But in spite of the weakened statistics, performance under the review period was still considerably better than the corresponding period two years ago in 2021.

For Perak specifically, the Visit Perak Year 2024, the 30-day visa waivers for entry to Malaysia for citizens of China and India, and the ongoing discussions regarding a potential visa-free regime between Malaysia and Russia, are expected to significantly boost the country's and Perak's tourism industry.

At the national level, the Madani Government's efforts like the 12th Malaysia Plan Mid-Term Review, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and Budget 2024 would also bode well for Perak's property market in 2024 and beyond. Notable advancements from these mega plans are expected in sectors such as Industry 4.0, solar energy, urbanisation and affordable housing. The tourism sector should nevertheless have received more attention and incentives so that it could compete more effectively against the neighbouring countries.

For investors interested in the Perak market, potential beckons for the industrial, tourism, technology, agriculture, retail and residential properties. The unveiling of a new high-tech industrial area in Kerian, situated in northern Perak as part of Budget 2024, is also set to attract developers and stimulate growth in the state.

At the state level, the Perak Budget 2024 demonstrates a dedicated focus on several pivotal domains, namely in human capital & youth development, environmental sustainability and food security.

Key challenges facing Perak's property investment however remain despite the Federal and State levels support. For example, the counter cost-push inflation factor, maintaining a stable interest rate, managing a low unemployment rate and companies that are still required to navigate past their post-pandemic financial hurdles. These are significant factors influencing investors' confidence as far as property ventures are concerned.

On a broader spectrum, Bank Negara Malaysia's assessment of the conflicts in regions like Palestine-Israel is reassuring because Malaysia's trade exposure to West Asia accounts for only 4.9%. Potential escalation of these conflicts will nevertheless bear implications on global growth and inadvertently inflict greater volatility in the financial markets, causing surges in commodity prices and disrupting supply chains. The precedents set by the Russia-Ukraine war has amplified the potential of such obstacles facing Malaysia and also Perak's property market in 2024.

To effectively navigate the property market in Perak in 2024, participants should adopt a strategic approach encompassing due diligence, prudence and caution. Engaging actively in state government initiatives with a focus on Industry 4.0, automotive, human capital & youth developments, food security and tourism will prove beneficial in the long run. Additionally, identifying locations with robust infrastructure developments like the West Coast Expressway (WCE) will also be instrumental.

The trajectory for Perak's property market in 2024 is expected to exhibit stability with a gradual pace of improvement. Market dynamics in the new year are likely to be significantly influenced by the industrial and tourism sectors.

Residential Overview & Outlook

In the first nine months of 2023, Perak's residential market experienced a drop in performance compared to the corresponding period in 2022. By volume, it decreased by 11.9% while by value, the decrease was 3.0%. This comes after the steep increase in transactional volume and value recorded in the same period from 2021 to 2022.

The single-storey terraced houses priced between RM200,000 to RM300,000 emerged as the most favoured for buyers in Perak in 2023. This preference can be attributed to the affordability factor which is determined by household income.

By price range, the same RM200,000 to RM300,000 category dominated the market with 6,608 transactions followed by the RM100,001 to RM200,000 category with 4,692 units and the less than RM100,000 category with 3,832 homes exchanging hands.

In terms of new releases, the market can expect a moderate pace of developer launches in 2024 but any introduction of incentives tailored to the residential sector could prove to drive the market further.

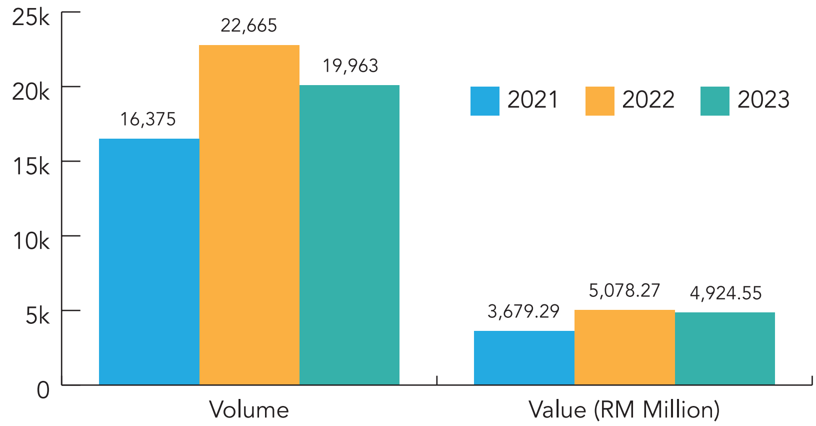
Perak's overhang situation in the residential sector has shown to be challenging in 2023 as these unsold inventory has escalated to 3,625 units in Q3 2023 compared to 2,400 units in Q3 2022. In fact, Perak has the second highest residential overhang after Johor.

Perak's overhang predicament was further exacerbated by a news report on 5 December 2023, indicating the state's full year overhang numbers in 2022 stood at 2,312 units, with the bulk of it priced at RM200,000 and above.

Condominiums and apartments made up over half of the overhang statistics at 1,203 units or 52.03%.

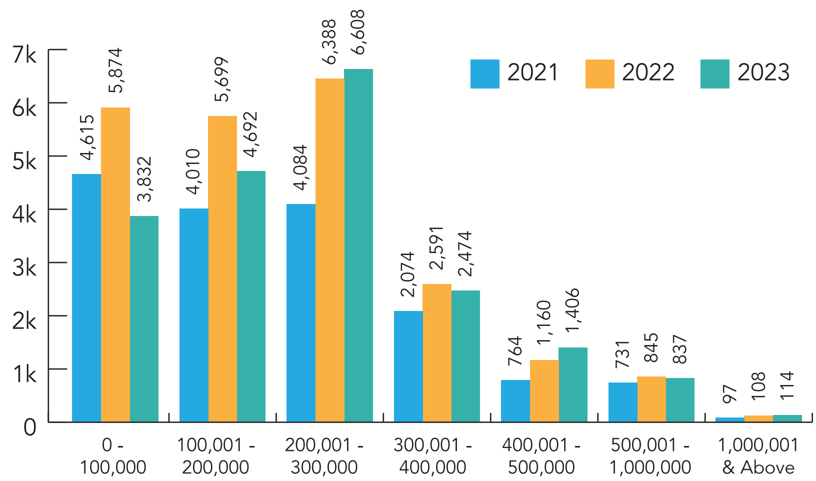
By location, Kinta district had the highest unsold houses with 1,065 units, followed by Manjung district with 498 units and Kampar district with 328 units. Bagan Datuk recorded the lowest overhang numbers with

Volume & Value of Residential Property Transactions in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Transactions by Price Range in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

9 units while the Perak Tengah and Selama districts have no unsold houses.

In light of the staggering numbers, the state government has mandated property developers to set aside 40% of its developments as affordable housing while at the same time, offering incentives to developers undertaking the Rumah Perakku I, II and III projects. Although these may help to improve the take-up rate, it is likely 2024 will continue seeing its overhang numbers rising as any large scale absorption of properties will take time.

In terms of foreign interests, Perak aims to attract 350,000 foreign tourists during Visit Perak Year 2024, which will simultaneously raise the state's exposure on the global stage.

The recently announced Malaysia My 2nd Home (MM2H) conditions in December 2023, which is divided into three distinct classes to match the different segments of applicants, is the right step forward from the Ministry of Tourism, Arts and Culture (MoTAC). This shall open up more avenues for interested applicants to obtain approval to stay in Malaysia for longer periods while at the same time, continue to attract more foreigners to come, reside and potentially invest in Perak's properties. Perak's comparatively lower living expenses may also significantly boost foreign interest in coming to the state.

In terms of location, foreigners tend to gravitate towards Ipoh city centre as their preferred place to set up a home.

In 2024, Perak's residential market is poised to maintain stability, holding its position as the most transacted sector in the state's property market. Placing emphasis on affordable prices in new launches will be pivotal in sustaining the market's momentum and attracting buyers.

Commercial Overview & Outlook

Like the residential market, Perak's commercial market also experienced a drop in performance, declining by 4.4% in terms of volume and 3.4% in value in the first nine months of 2023 compared to the same period the year before.

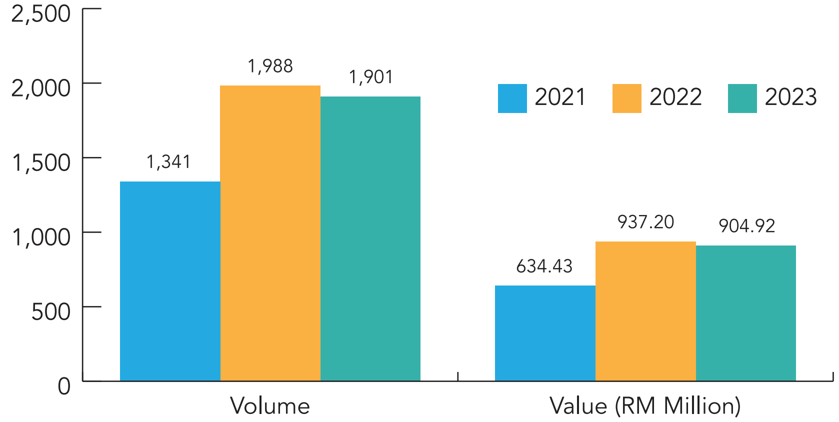
By price range, the RM500,001 to RM1 million bracket continues to lead Perak's commercial market with 506 transactions followed by the RM200,001 to RM300,000 category with 295 transactions and the below RM100,000 threshold with 258 transactions.

In terms of the most favoured commercial property type, buyers in Perak preferred the 2- to 2.5-storey shop offices priced between RM500,000 to RM600,000, attributed to its suitability and optimal range of sizes for various business usages.

Purpose-built offices in Perak are predominantly catered to government institutions or for owner-occupation. The occupancy rate for the first half of 2023 stood at a commendable 92.4%. Notably, Menara Air Perak offering 14,407 sq metres of office space was reported to be completed during this period.

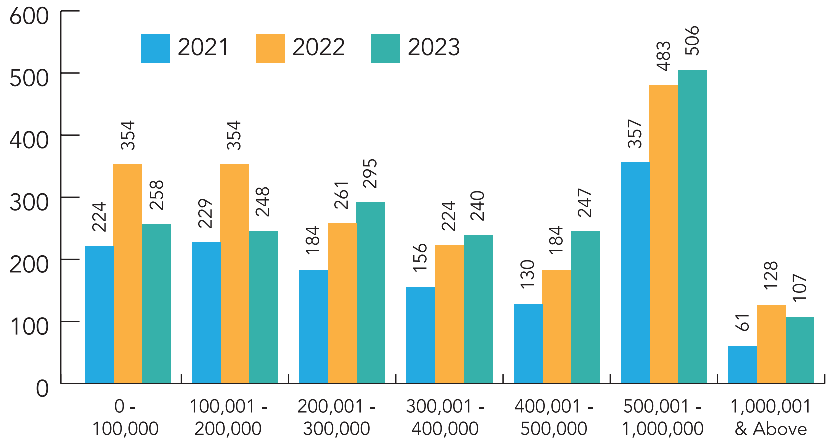
Looking ahead to 2024, the trend of Perak's commercial sector is anticipated to remain stable, mirroring the conditions observed in 2023.

Volume & Value of Commercial Property Transactions in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Commercial Property Transactions By Price Range in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

Retail Overview & Outlook

Throughout 2023, Perak witnessed a significant trend in the emergence of F&B stores, convenient stores, pharmacy chains, courier services, beauty clinics and electrical appliances stores.

Several significant occurrences shaped the retail market in 2023, namely the opening of Silverlakes Premium Outlet in Batu Gajah in December 2023 and shopping complexes experiencing an improvement in occupancy rates, with a notable increase of occupancy to 87%, marking a rise of approximately 10.6% compared to 1H 2022. Rental growth within establishments like De Garden ranged from 4.5% to 11.5%.

Perak's retail property market is forecasted to remain stable in 2024, with a slight upward movement compared to 2023.

Hospitality Overview & Outlook

Throughout 2023, Perak's hospitality property sector experienced a phase of recovery after the pandemic measures were lifted, displaying robust occupancy rates particularly during the weekends and holidays.

In the first half of 2023, a new hotel project was slated for development along Jalan Sultan Abdul Jalil in Ipoh, introducing an additional 301 rooms to the state's existing supply upon completion.

The government's incentive aimed at promoting domestic tourism benefited the state's tourism where initiatives such as eco-tourism and food hunting activities were particularly well received.

Perak's hospitality market is poised for significant growth in 2024, thanks to the launch of Visit Perak Year 2024 which will bring forth an allocation of RM20.6 million for upgrading tourism facilities and promotional endeavours. Collaborations such as MATTA Fair's partnership with Tourism Perak are anticipated to attract a surge in both local and foreign tourists to the state. Another boon is the 30-day visa-free condition for China and India tourists from 1 December 2023 to 31 December 2024, not forgetting the new format of applications for Malaysia My Second Home (MM2H).

Industrial Overview & Outlook

Perak's industrial market experienced a drop in volume of transactions but an increase in value in the first nine months of 2023 against the same period in 2022. By volume, the decline was 24.3% while by value of transactions, the increase was 3.6%.

The gradual rise in value of transactions since 2021 can be attributed to the higher priced units in the market owing to economic factors like inflation, location of the transacted properties and supply & demand.

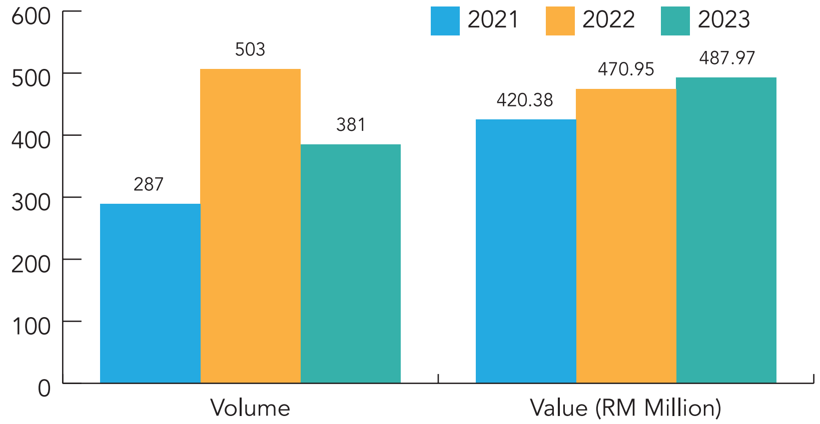
In terms of price preference, there was no change in 2023 compared to the same period in the previous two years. Industrial properties priced between RM500,001 to RM1 million enjoyed the most transactions with 104 units exchanging hands followed by properties valued at more than RM1 million with 103 transactions and the below RM100,000 bracket with 71 transactions (only one unit more than the previous year).

The most favoured industrial property type in Perak in 2023 was vacant industrial plots priced above RM1 million. This preference stemmed from initiatives and encouragements introduced by the state government and related authorities, and along with national policies emphasising the transition to Industry 4.0. Additionally, the relative value for money offered by industrial land prices in Perak played a crucial role in driving buyer interest toward these properties.

Perak on the whole has actively attracted high impact projects to the state, focusing on next-generation automotive, green energy, hi-tech sectors including certain niche industries. The state witnessed remarkable success in garnering over RM22.3 billion in realised investments from 283 manufacturing projects up until the first half of 2023.

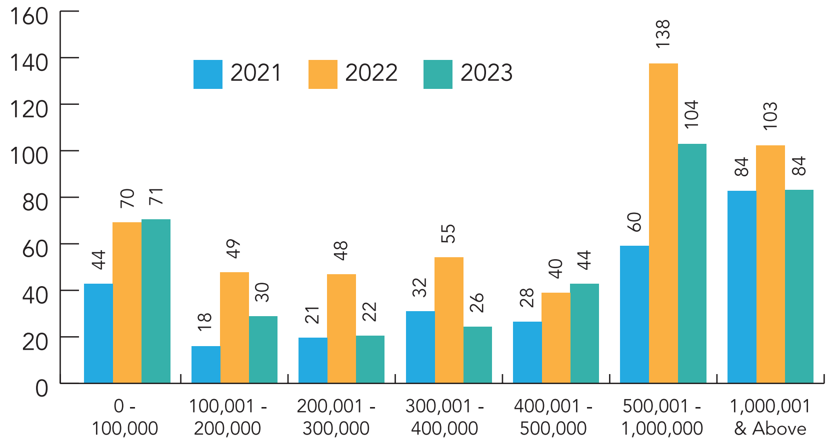
The major national plans such as the 12th Malaysia Plan Mid-Term Review, NETR, NIMP 2030 and Budget 2024 are poised to provide workable blueprints to expedite the realisation of Perak's Industry 4.0 goals.

Volume & Value of Industrial Property Transactions in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions By Price Range in Perak (Jan-Sep 2021 to 2023)



Source: NAPIC

With the proactive drive introduced by the Perak State Government and the collective implementations of the various national plans, the growth trajectory of Perak's industrial sector is anticipated to be better in 2024.

KLANG VALLEY

Residential Review 2023

The residential property market continued to pick up from the slowdown experienced during the pandemic hit period of 2020-21. However, the pace of the recovery appeared to have slowed down somewhat. The volume of residential transactions in Kuala Lumpur (KL) in the first nine months of 2023 crept up marginally by 1.2% but the value of the transactions surprisingly declined by 7%.

In Selangor, both the volume as well as value of residential transactions went down by 6.5% compared to the corresponding period the year before. This could indicate that firstly, house buyers in KL and Selangor have become more cautious and secondly, more of the houses purchased in KL are of the lower priced categories whilst the average price of the houses transacted in Selangor remained the same as the previous year's.

About 20% of the residential properties transacted in Kuala Lumpur in the first nine months of the year were those priced above RM1 million whilst another 26% were those within the RM500,000 to RM1 million bracket. Only 29% were houses costing RM300,000 and below.

We also noted that except for houses priced within the categories of RM100,001 to RM200,000 and RM300,001 to RM400,000, the number of units transacted within the first nine months of 2023 in all other price brackets recorded an increase.

For Selangor, 36% of the residential units transacted were those priced under RM300,000 whilst 25% of the transactions relate to units priced between RM500,000 to RM1 million. It is interesting to note that the number of units transacted in the first nine months of 2023 recorded a drop for all price categories except for houses priced under RM100,000 and above RM1 million.

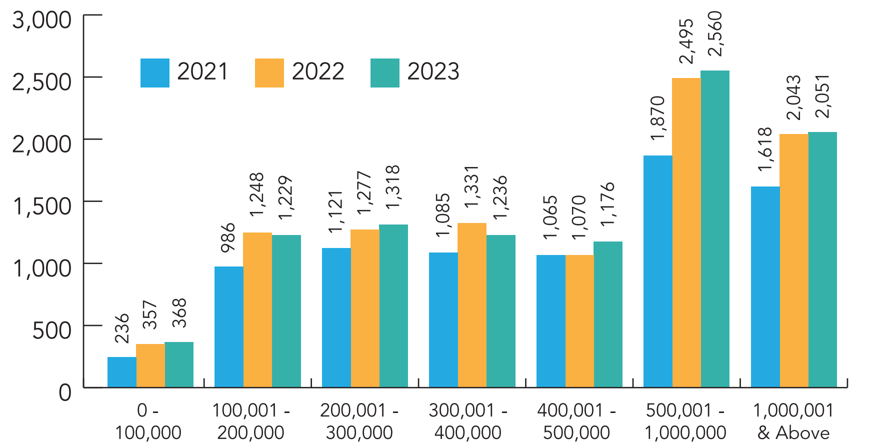
In terms of new launches, Selangor recorded a total of 7,215 new units launched in the first nine months of 2023 whilst KL recorded 3,496 units. Together,

Volume & Value of Residential Transactions (Jan-Sep 2021 to 2023)

	Overall Volume of Transactions (Units)		
	2021	**2022**	**2023**
Malaysia	134,624	181,091	183,534
Kuala Lumpur	7,981	9,821	9,938
Selangor	33,381	43,016	40,235
	Overall Value of Transactions (RM Million)		
	2021	**2022**	**2023**
Malaysia	51,331.70	70,639.26	73,141.38
Kuala Lumpur	6,862.77	8,932.43	8,287.08
Selangor	18,022.35	23,435.64	21,910.17

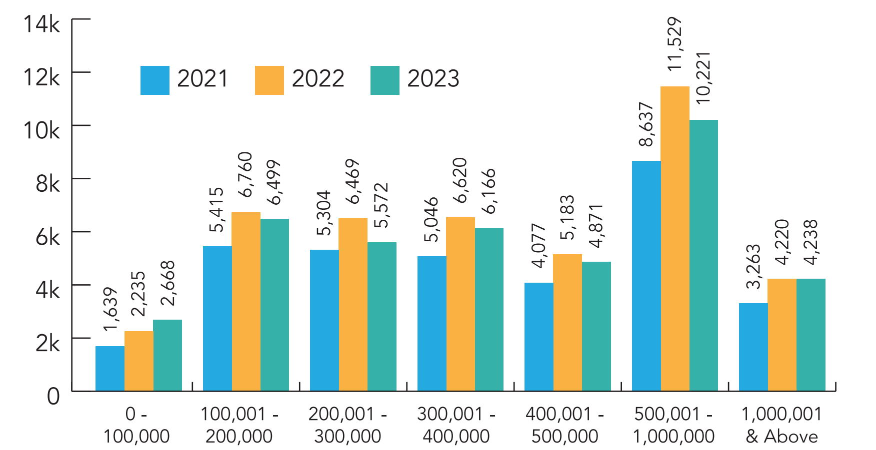
Source: NAPIC

Volume of Residential Property Transactions in Kuala Lumpur by Price Range (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Property Transactions in Selangor by Price Range (Jan-Sep 2021 to 2023)



Source: NAPIC

KL and Selangor contributed 32% of new units launched in the country.

Sales performance meanwhile improved to 58% for Selangor whilst KL managed to register a sales take-up rate of only 24%, well below the national average of 41%.

There were 25,311 residential overhang units in the country as at the third quarter of 2023 with a total value of RM17.4 billion. This is an improvement from the 29,534 units worth RM19.9 billion recorded at Q3 2022 and reflects an improved residential property market in 2023.

Selangor with 3,296 units was the third largest contributor to the residential overhang after Johor and Perak whilst KL had an overhang of 3,111 units.

The House Price Index released by NAPIC for Q3 2023 showed that the index for KL rose 3.7 points, with all house types except for detached houses, going up. Selangor similarly recorded a 2.8 point rise with all house types recording an increase. This is indicative of a stable market.

Residential Outlook 2024

KL and Selangor will continue to lead in terms of volume and value of residential properties transacted as well as prices of houses. We expect the residential property market to be stable in 2024 but the pace of growth could be more moderate.

There are still some global challenges such as the ongoing conflicts in Ukraine and Gaza and the slow recovery of China, the country's major trading partner which the government will need to monitor and carefully address to ensure that economic growth is not disrupted. Any escalation of the conflicts or a global recession happening would have a dampening impact on the residential property market.

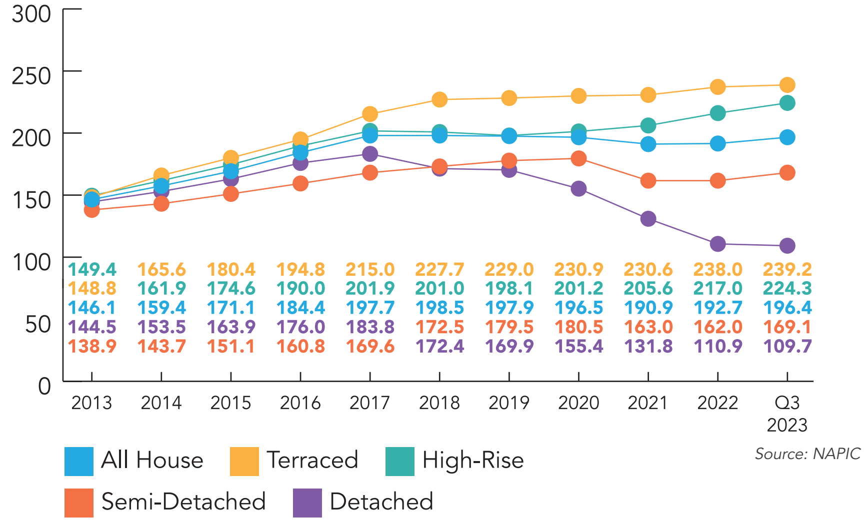
The continued difficulty of borrowers to secure the required loan margins from commercial banks are issues which developers continue to grapple with.

New Residential Launches & Sales Performance - Malaysia, Selangor & KL (as at Q3 2023)

	Malaysia	Kuala Lumpur	Selangor
Unit Launched	33,069	3,496	7,215
Units Sold	13,610	840	4,206
Sales Performances (%)	41.2	24.0	58.3

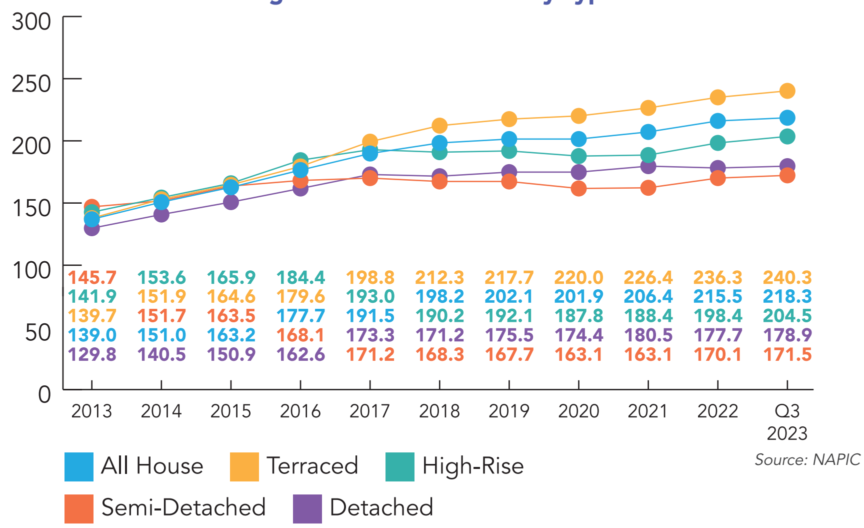
Source: NAPIC

Kuala Lumpur House Price Index by Type



Source: NAPIC

Selangor House Price Index by Type



Source: NAPIC

Residential - Factors to Watch in 2024

- The residential market focus in 2024 will continue to be on:
  - landed homes which will be undertaken mainly in Selangor in the more outlying areas in view of the high land costs within and closer to the city which prohibits the development of landed properties;
  - Homes priced between RM500,000 to RM1 million in popular locations in KL and affordable homes costing around RM500,000 and below in Selangor;
  - smaller sized units with higher density; and
  - niche high-end projects which can be strata or landed in good locations;
  - projects with innovative concepts, designs and themes which set them apart from the usual fare in the market.
- The relatively more stable political situation compared to the past three years will provide a more positive environment for investors and this could benefit the housing market.
- There was a lack of substantial measures announced in Budget 2024 which will stimulate the property market.
- The increase of the Sales & Service Tax from 6% to 8% will increase the cost of purchasing property.
- House prices may be raised by developers to offset the increased cost of construction.
- The increase in cost of living may deter purchasers especially those in the B40 and M40 groups from spending on big ticket items like property.

Residential - Bright Spots for 2024

- Areas which will witness the construction of new infrastructural improvement projects such as the revival of the previously omitted LRT stations (Tropicana, Raja Muda, Temasya, Bukit Raja & Bandar Botanic) will benefit from the improved accessibility and higher level of interest from property developers in these areas.
- The recent completion and opening of PNB's Merdeka 118 and TRX City/ Lendlease joint venture project of The Exchange TRX will uplift the image and prestige of the surrounding areas besides providing additional facilities to the residents. Existing properties in the immediate neighbourhood could see an upwards re-rating of their values whilst nearby projects could see an increase in demand.
- Some of the major property developers have managed to achieve and even exceeded their sales targets for the year and performed better than the previous year. They have also managed to reduce their stocks of units launched and freed up working capital. Some of these developers have announced even higher sales targets for the coming year, indicating an improvement in their confidence level.
- The improved market sentiments has led to developers embarking on landbank acquisitions and we will see more launches in the coming years when the necessary approvals have been secured by the developers.
- Millennials will form a significant segment of the population in the coming years and this will have a major influence on the type & price segment of the housing market that property developers will be focussing on and this will likely be on the affordable/starter homes segment.
- Bank Negara Malaysia has not raised the OPR since the last increase in May 2023 and economists are expecting the current rate to be maintained for the year. This augurs well for the economy in general and will benefit the property market as any rise in interest rates will make property purchases more expensive.

Office Review 2023

Existing & Incoming Supply

The supply of privately owned purpose-built offices (PBOs) in KL increased to 9.338 million sq metres as at the third quarter of 2023 whilst Selangor saw its supply of office space rising to 4.331 million sq metres.

Four new buildings were completed in KL in the first nine months of 2023 and this added another 231,000 sq metres of office space to the existing supply whilst in Selangor, one new building provided another 42,000 sq metres to the market.

There is a trend of more of the newer buildings being designed to be more ESG (Environmental, Social & Corporate Governance) compliant and better equipped with higher quality telecommunications infrastructure to accommodate the requirements of modern businesses and multinationals which have higher expectations of quality and specifications in line with international standards of their head offices.

The stock of PBOs in both Kuala Lumpur and Selangor will see further increases in the coming years as there are a number of new PBOs currently under construction as well as planned.

The "Kuala Lumpur & Selangor New Office Buildings Completion 2023 Onwards" table shows the new PBOs which are expected to be completed over the next few years in KL and Selangor. This includes mega developments like PNB's Merdeka 118 which will be the world's second tallest building and will add substantially to the supply of PBOs when the building is opened for occupation in January 2024.

In addition, we noted that there are a number of proposed office development projects which have been announced

Kuala Lumpur & Selangor Privately Owned Office Buildings Total Supply & Occupancy Rates (as at Q3 2023)

Location	No. of Buildings	Total Space (sqm)	Total Space Occupied (sqm)	Occupancy (%)
KL - City Centre	306	7,384,247	5,427,422	73.5
KL - Outside City Centre	107	1,934,343	1,311,364	67.1
Total	413	9,338,590	6,738,786	72.2
Selangor	253	4,331,342	3,057,927	70.6

Source: NAPIC

Kuala Lumpur & Selangor New Office Buildings Completed in Jan-Sep 2023

Building	NLA (sq m)
Kuala Lumpur	
V2 Corporate Office Tower @ Sunway Velocity	36,362
Aspire Tower @ KL Eco City	60,400
Pavilion Damansara Heights Corporate Tower 1	119,287
PNB 1194	14,864
Kuala Lumpur Total	**230,913**
Selangor	
HCK Tower, Empire City	42,735
Selangor Total	**42,735**

Source: NAPIC/HB Research

Kuala Lumpur & Selangor Privately Owned Office Buildings Incoming Supply (as at Q3 2023)

Status / Location	No. of Buildings	Total Space (sqm)
KL - Completion		
City Centre	1	29,185
Outside City Centre	0	0
Total	**1**	**29,185**
KL - Incoming Supply		
City Centre	7	801,726
Outside City Centre	6	158,186
Total	**15**	**959,912**
Selangor – Completion	0	0
Selangor – Incoming Supply	3	60,243
Total	**3**	**60,243**

Source: NAPIC / HB Research

which, if the developers proceed with their construction, will add significantly to the future supply of office space in Kuala Lumpur.

Some of these involve the redevelopment of existing buildings. Nevertheless, some of these projects may not be launched in the immediate future depending on market conditions and the financial strength and space requirements of their developers or promoters.

- Lot 185 KLCC – 500,000sf of retail & office space & a hotel;
- Bukit Bintang City Centre (BBCC) Signature Tower by Eco World Group;
- Former Brickfields District HQ – Seni Nadi;
- Tradewinds Square, Jalan Sultan Ismail (redevelopment of Kompleks Antarabangsa & Crowne Plaza Hotel) – proposed 110-storey, 775 metres tall corporate tower, 61-storey mixed use tower and a retail mall. The development is reported to have an office building which will become the second tallest building in the world if the project proceeds to its completion.
- Tradewinds Towers – 50- and 26-storey office towers to be built on the former Menara Tun Razak site, Jalan Raja Laut.
- New 60-storey office tower to be added to Menara Dayabumi;
- Bandar Malaysia.

Kuala Lumpur & Selangor New Office Buildings Completion 2023 Onwards

Building	Location	NLA (sqm)	Estimated completion
Kuala Lumpur			
Sunway V2 Tower	Sunway Velocity	33,668	2023
Oxley Tower	Jalan Ampang	32,144	2023
MET Corporate Tower	Solaris Mont' Kiara	59,102	2023
Mercu Aspire	KL Eco City	60,387	2023
Merdeka 118	Changkat Stadium	157,900	2024
Pavilion Embassy Corporate Tower	Jalan Ampang	33,445	2024
PHB Bangsar 61	Bangsar	50,910	2024
Menara Felcra	Jalan Semarak	104,000	2024
Menara Sentral RAC	Brickfields	15,059	2024
Total		**546,616**	
Selangor			
Office Tower @ Atwater	PJ	15,728	2024
Sunway South Quay Corporate Tower 1 & 2	Bandar Sunway	91,614	2025
Sunsuria Forum Corporate Office	Setia Alam	29,517	2025
Tower 5 @ PJ Sentral	PJ	NA	2025
One City Phase 3	USJ	139,000	2026
PJ Sentral - PKNS	Section 52, PJ	80,000	TBA
Petaling Tin Redevelopment	PJ	28,000	TBA
PJCC	PJ	27,000	TBA
Fraser Square	Section 13, PJ	22,000	TBA
Total		**432,860**	
Grand Total		**979,475**	

Source: NAPIC / HB Research

Office Occupancy Rates & Rentals

Buoyed by improved economic conditions and more optimistic business sentiments, the occupancy rate of PBOs in KL inched up slightly to 72.2% as at Q3 of 2023 with PBOs located outside the city centre recording a lower occupancy rate of 67.1% compared to those within the city centre which registered an occupancy rate of 73.5%, indicating that offices located in the prime city centre areas perform better than those outside the city centre. Meanwhile, the occupancy rate of PBOs in Selangor as at Q3 2023 also improved and was recorded at 70.2%.

The office market clearly benefited from the improved business and consumer sentiments following the recovery of the country's economy after exiting from the various lockdowns and movement restrictions imposed by the government during the height of the Covid-19 pandemic between 2020-2021. The improved sentiments enabled businesses to recover and refocus on growth and this led to an increase in demand for new office space.

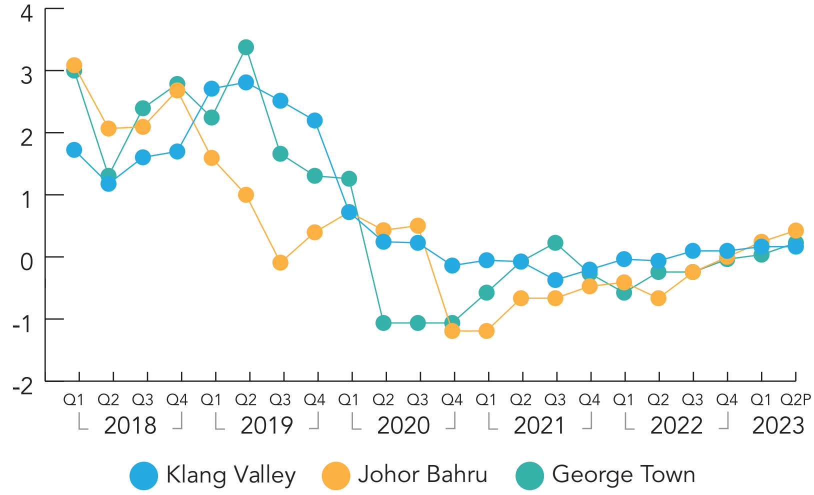
The next few years will see a significant supply of office space coming onto the market. There will be several new buildings, including PNB's mega Merdeka 118 and this will impact occupancy rates and put more pressure on rental rates.

Some of these new buildings are designed to be ESG compliant or at least certified green buildings with superior infrastructure and facilities. The design of the new buildings has also evolved to accommodate the change in workstyles to a hybrid mix of work in office and work from home. We also noticed a trend of companies shifting to newer buildings with higher grade infrastructure upon expiry of their existing tenancies.

Based on NAPIC's report for the first half of 2023, the rental index for PBOs for Klang Valley was seen to have registered a marginal increase of 0.1% in each of the first two quarters of 2023, due to an increase in the take-up of office space which led to an improvement in occupancy rates.

The "Overall Range of Office Rentals (1H 2023)" and "Rentals of Selected Grade A Purpose-Built Office Buildings" tables summarise the current rental rates charged by Grade A and B PBOs in various commercial hubs within KL.

Purpose-Built Office Rental Trend in Klang Valley, Johor Bahru & George Town (Q1 2015 to 1H 2022)



Source: NAPIC

Overall Range of Office Rentals (1H2023)

Location	Rental Range (RM psm / mth)	
	2022	2023
KLCC / GT		
Grade A+	80.73 - 131.32	83.96 - 136.50
Grade A	59.25 - 100.11	66.74 - 96.88
Grade B	40.37 - 73.20	41.98 - 84.07
CBD		
Grade A	51.13 - 70.50	53.82 - 59.20
Grade B	37.67 - 69.21	35.52 - 53.82
WCC	57.05 - 96.88	38.75 - 115.93
Suburbs	40.90 - 92.57	26.91 - 80.73

Source: NAPIC / HBM Research

Major Office Sales Transactions

There were not many transactions of office buildings in KL and Selangor in 2023. The most significant was Menara CelcomDigi in Petaling Jaya in Selangor which was bought over by Sentral REIT for RM450 million (approximately RM1,000 per sq ft). Other transactions included Oxley Tower on Jalan Ampang sold to Alliance Bank for RM405.84 million (RM1,285 per sq ft) and TM Tower on Jalan Semarak sold by Menara ABS Bhd for RM72 million, both of which were in KL, and 3 Damansara office tower in Selangor sold for RM52 million.

We also noted that the EPF (Employees Provident Fund) has signed a 30-year lease agreement with Pacific Senior Living Sdn Bhd on the landmark EPF building in PJ and it was reported that the building will be repurposed into accommodation for senior living. The "Major Office Transactions in 2023" table summarises the known office buildings that were transacted in 2023.

Office Outlook 2024

With business and consumer sentiments having recovered from the slowdown experienced during the pandemic hit years of 2020-2021, businesses have recovered and some have started to expand whilst new businesses have also sprouted up, leading to a rise in demand for office space. This has pushed up occupancy rates of office buildings in both KL and Selangor in 2023.

Nevertheless, the business confidence survey conducted by MIER (Malaysian Institute Of Economic Research) for Q3 2023 saw business confidence hit a low of 79.7, a very significant drop y-o-y from 99.8. This may mean that businesses may adopt a more cautious stance and may want to defer acquiring new premises for business expansion.

In line with the latest market trends and to accommodate the requirements of modern businesses, more of the new office buildings have been designed to be more green-certified and equipped with better specifications in order to meet the expectations of these businesses.

The trend of businesses relocating outside the congested city centre has continued especially with improved public transport which has made these areas more accessible. The completion

Rentals of Selected Grade A Purpose-Built Office Buildings

Building	Location	Rental (RM psm)
KLCC / GT		
Petronas Twin Tower (Tower II)	KLCC	117.11
Menara Darussalam	KLCC	88.39 - 105.59
Menara Maxis	KLCC	89.13 - 136.50
G Tower	Jalan Tun Razak	48.44 - 92.57
Intermark (Integra Tower)	Jalan Tun Razak	92.36 - 122.71
Menara Pavilion Tower	Bukit Bintang	68.35 - 80.73
Menara AIA Sentral	Bukit Bintang	48.44 - 77.50
Menara Perak	Jalan Perak	69.97 - 84.07
KL CBD Area		
Menara Multi-Purpose	Jalan Munshi Abdullah	25.30 - 80.73
Menara Olympia	Jalan Raja Chulan	43.06 - 49.73
Wisma Lee Rubber	Jalan Melaka	53.82 - 59.20
Menara JKG	Jalan Raja Laut	43.06 - 53.82
Menara OCBC	Jalan Tun Perak	53.82 - 57.26
WCC Area, KL		
1 Sentral	KL Sentral	53.82 - 70.50
Menara NU2	KL Sentral	62.75 - 80.19
Centrepoint South	Mid Valley City	53.82 - 80.73
The Gardens North Tower	Mid Valley City	64.58 - 85.04
Menara Shell	Jalan Tun Sambanthan	46.39 - 115.93

Source: NAPIC / Henry Butcher Research

Major Office Transactions in 2023

Building, Location		NLA (sq ft)	Price (RM)	PSF (RM)	Buyer
CelcomDigi Tower	Petaling Jaya	450,000	450mil	1,000	Sentral REIT
TM Tower Semarak	Jalan Tun Razak	324,155	72mil	222	Titijaya Land Bhd
EPF Building (30-year lease)	Jalan Gasing, Petaling Jaya	NA	NA	NA	Lessee: Pacific Senior Living
EPF Building Damansara Fairway	Tropicana, Petaling Jaya	NA	24mil	NA	LKL International Bhd
Q1 Tower, Block C	Jalan Barat, Petaling Jaya	155,291	88.81mil	572	Silver Formula ABS Bhd
Wisma Speedy	Ampang Hilir	NA	10.38mil	NA	Private
HSBC Tower	Lebuh Ampang	NA	41.1mil	NA	Pact REIT Managers Sdn Bhd
3 Damansara Office Tower	Damansara Intan, Petaling Jaya	52mil	52mil	515	Lagenda Harta
Oxley Tower	Jalan Ampang	29,330	405.84mil	1,285	Alliance Bank

Source: Henry Butcher Research

and availability of high quality office space in new integrated commercial developments such as TRX, KL Eco City and Pavilion Damansara Heights have attracted businesses to relocate to these new business hubs.

The Malaysian economy is projected to achieve a steady growth of between 4% to 5% in 2024 and this augurs well for the business environment generally and will be beneficial to the office market. Nevertheless, we note that there is a significant amount of office space which will come onto the market over the next few years and this is expected to put pressure on occupancy rates and could lead to a softening of rental rates as landlords compete to fill up their buildings. Newer buildings with better specifications and more facilities as well as higher compliance with ESG standards will generally be in a better position to attract tenants compared to older buildings which have not been upgraded. Going forward, we may see more of the older buildings either embarking on upgrading exercises or being taken over and repurposed to other uses like hotels, serviced apartments or senior living accommodation.

Retail Supply & Occupancy Rates in Klang Valley 2023 (as at Q3 2023)

Location	No. of Malls	Total Nett Floor Area (sf)	Average Rental Rate (RM psf / mth*	Average Occupancy Rate (%)
Kuala Lumpur	122	40,747,826	12.03	73.9
Selangor	160	45,478,456	10.93	73.6
Putrajaya	3	1,018,000	13.11	75.4
Total	**285**	**87,244,282**	**11.47**	**73.8**

Notes:
 # include hypermarket malls & arcades
** exclude rental rates of anchor tenants eg. supermarkets, department stores, cineplexes, bowling alleys etc.*
Source: Henry Butcher Retail

New Shopping Centres in Klang Valley in 2023

Name	Location	Nett Floor Area (sf)
Pavilion Damansara Heights Mall	Damansara Heights	533,361
The Exchange TRX	Jalan Tun Razak	1,300,000
KSL Esplanade Mall	Klang	700,000
Total		**2,533,361**

- *Pavilion Damansara Heights Mall opened Phase 1 of the shopping centre on 9 October 2023. Anchor tenants included The Food Merchant, Harvey Norman and ALL IT Hypermarket. It achieved a take-up rate of 80% upon opening and targeted at least 100 retail shops to open by the end of the year.*
- *The Exchange TRX opened on 29 November 2023. Anchor tenants included Seibu and Mercato. Many international brands opened their first stores in this upmarket shopping centre. They included Acqua di Parma, Drunk Elephant, Gentle Monster, Heytea, Maison Kitsune, Marimekko, Mil Toast House, Reborn Coffee, Alo Yoga, Tipsy Flamingo, Yomaro, FRED and Seibu. A unique feature of this mall is the 10-acre public park located on the rooftop of the shopping centre. This shopping mall achieved a 95% take-up rate during its opening.*
- *KSL Esplanade Mall, located at the southern part of Klang, opened on 31 May 2023. Major tenants include Star Grocer, Al-Ikhsan Sports, Putien, Loong Sing Restaurant, Pets Wonderland, Happy Fish Swimming School, EnerG X Park, Xctive Kidz, Xroller, etc. It achieved a 75% take-up rate during opening.*

Source: Henry Butcher Retail

Retail Review 2023

As at December 2023, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had 285 shopping centres with a total supply of more than 87 million sq ft of retail space (see Retail Supply & Occupancy Rates in Klang Valley 2023 (as at Q3 2023)).

The average occupancy rate of shopping centres in the Klang Valley improved moderately from 72.4% in 2022 to 73.8% in 2023 because of the improved retail market and employment situation. The average occupancy rate of shopping centres in Kuala Lumpur was maintained at 73.9% in 2023.

Shoppers have generally returned to all shopping centres after almost 3 years of disruption during the Covid-19 pandemic. Although new shopping centres that opened over the last 3 years did not achieve high occupancy rates during their initial opening, new shops nevertheless continued to open on a monthly basis.

The average occupancy rate of shopping centres in Selangor improved from 71.1% in 2022 to 73.6% in 2023. New shopping centres that opened in the last 3 years have achieved better occupancy rates.

The average occupancy rate of shopping centres in Putrajaya rose from 73.5% in 2022 to 75.4% in 2023.

The average rental rate for Klang Valley shopping centres dropped marginally from RM11.60 per sq ft per month in 2022 to RM11.47 per sq ft per month in 2023. This average did not include rental rates of anchor tenants such as supermarkets, department stores, cineplexes, bowling alleys etc.

Although shopping traffic has returned to pre-Covid-19 levels in 2023, many retail landlords still needed to offer attractive rental packages to new retailers due to intense competition, especially with the opening of a number of new malls over the past few years.

Nevertheless, rental rates of retail lots in prominent locations within the shopping centres continued to improve because many retailers preferred to pay higher rentals for prime shops rather than cheaper rentals at upper levels where shopper traffic tends to be less. At the same time, rental rates of upper floors of shopping centres declined as many retailers at upper levels suffered greatly during the lockdown periods.

New Shopping Centres Opening in 2023

Three large shopping centres were opened in 2023 with a total nett floor area of more than 2.5 million sq ft (see New Shopping Centres in Klang Valley in 2023).

Klang Valley Retail Supply in 2024

At least eight new shopping centres, one mall extension and one mall re-opening are expected in 2024 and will add on a total nett floor area of almost 5.0 million sq ft. Six of them are located in Kuala Lumpur whilst four are situated in Selangor.

Performance of Klang Valley Shopping Centres in 2023

Similar to the second half of 2022, shopping traffic of most shopping centres in the Klang Valley in 2023 have generally returned to 2019 levels. For the year, shopping centres in cities, towns and tourist attractions enjoyed good business during long weekends, public holidays and festivals.

Malaysians from all parts of the country travelled for shopping, gatherings and meetings in the Klang Valley while foreign travellers also returned to KLCC and Bukit Bintang shopping districts during the Hari Raya holidays. The weak Ringgit and higher cost of airfares from the third quarter of 2023 played a role and led many Malaysians to spend their holidays within Malaysia.

Aside from that, artisan markets held on weekends in shopping centres within the Klang Valley were highly popular as they offered a wide variety of merchandise not usually found in retail shops within shopping centres. They drew in large crowds to the shopping centres.

During the recent Christmas and New Year celebrations, major shopping centres throughout the Klang Valley were packed with shoppers. Traffic jams in shopping mall car parks were common during peak shopping hours.

Opening of Foreign Retailers in the Klang Valley

After three years of the Covid-19 pandemic, Malaysia has returned as a highly popular country in South-East Asia for foreign retailers. In 2023, at least 76 new brands from 20 countries opened their first stores (shopping centres only) in Malaysia. The Klang Valley accounted for 94% of these new entries in Malaysia. The opening of several new high quality shopping malls within the Klang Valley in recent years attracted these retailers to set up stores here.

New Shopping Centres/Extension/Reopening in Klang Valley in 2024

Name	Location	Nett Floor Area (sf)
Bloomsvale Mall	Old Klang Road	300,000
Senada Shopping Centre	Bukit Kiara	231,000
MET Galleria	Mont Kiara	80,000
118 Mall	Kuala Lumpur CBD	1,400,000
Pavilion Damansara Heights Mall P2	Damansara Heights	529,353
8 Conlay	KLCC	130,000
168 Park Selayang	Selayang	235,000
Sunsuria Forum 2	Setia Alam	175,000
Elmina Lakeside Mall	City of Elmina	200,000
Empire City Mall	Damansara	1,700,000
Total		**4,980,353**

- *Bloomsvale Mall is part of a mixed-use development in the Old Klang Road area. The entire development consists of 2 blocks of residential towers, 25-storey office suites, Courtyard by Marriott 4-star hotel and a retail podium. Confirmed anchor tenants include Village Grocer, Believe Fitness, Guardian Pharmacy and Coffee Bean & Tea Leaf.*
- *The 3-storey Senada shopping centre is part of the Senada Residence development that includes 2 residential towers and an office block.*
- *MET Galleria is a 2-storey shopping centre and is the first retail component within the mega mixed development of KL Metropolis and is located below a residential tower with 616 units.*
- *118 Mall is a 7-storey shopping mall located at the base of the second tallest building in the world, PNB 118, and will be surrounded by a 4-acre linear park.*
- *The 2nd Phase of Pavilion Damansara Heights Mall is planned for opening in Q4 2024.*
- *8 Conlay's Lifestyle Retail Quarters is a 9-storey boutique mall to be occupied by retail shops and F&B outlets. It is part of a mixed-use development with 2 residential towers to be managed by Kempinski Hotel and a tower block consisting of hotel & service suites.*
- *168 Park Selayang, formerly known as Selayang Star City, is a 2-storey shopping centre targeted for opening in 3Q 2024. Village Grocer is the confirmed grocery operator.*
- *Sunsuria Forum 2 is a 2-storey retail arcade below an office tower and two blocks of service apartments. It is linked to Sunsuria Forum 1 with Village Grocer and numerous F&B outlets.*
- *Elmina Lakeside Mall targets opening in 1H 2024. Confirmed major tenants include Jaya Grocer, Harvey Norman & Pets Wonderland.*
- *Empire City Mall was partly opened in 2017 with the completion of the Malaysian National Ice-Skating Stadium. In addition, a grocery store and several F&B outlets were opened during the initial years. It closed down completely during the Covid-19 pandemic. With several new investors that took over from Mammoth Empire Holding Sdn Bhd in 2021, this mega mall is targeting re-opening in the middle of 2024.*

Source: Henry Butcher Retail

Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers, 2023

#	Country of Origin	Brand Name	Trade
1	Spain	Camper	Fashion accessories
2	Japan	Seibu	Department store
3		Goldflog Coffee	F&B outlet
4		Gashpon Bandai	Toys
5		Sushinosuke	F&B outlet
6		Yoshiyama Ramen	F&B outlet
7		Maisen Tonkatsu	F&B outlet
8		Alpro Sugi Pharmacy	Health & beauty
9	Philippines	Potato Corner	F&B outlet
10	Canada	Talimu	Fashion accessories
11	South Korea	Paris Baguette	F&B outlet
12		Sulbing	F&B outlet
13		Gentle Monster	Fashion accessories
14		MIL Toast House	F&B outlet
15		MLB	Fashion
16		Tiger Fish Cake	F&B outlet
17	Thailand	Laem Charoen	F&B outlet
18		Khiang	F&B outlet
19		Tummour	F&B outlet
20		Chatramue	F&B outlet
21	Germany	Yomaro	F&B outlet
22	Switzerland	Vacheron Constantin	Fashion accessories
23		MBT Shoes	Fashion accessories
24		Kybun	Fashion accessories
25		La Prairie	Health & beauty
26		Laderach	Chocolate
27	United States	Tesla	Car showroom
28		Carhartt	Fashion
29		Drunk Elephant	Health & beauty
30		National Geographic Apparel	Fashion
31		Alo Yoga	Fashion
32		Champion*	Fashion
33	France	HOKA	Fashion accessories
34		Kering Eyewear	Fashion accessories
35		Maison Kitsune	Fashion
36		Cafe Kitsune	F&B outlet
37		Guerlain	Health & beauty
38		Chaumet	Health & beauty
39	France	FRED	Fashion accessories
40	Indonesia	Richeese Factory	F&B outlet
41		Warung Eropa	F&B outlet
42	Brazil	Clube Melissa*	Fashion accessories
43	China	Tanyu	F&B outlet
44		HAOFA Tourbillion	Fashion accessories
45		Shuyi	F&B outlet
46		Heytea	F&B outlet
47		Tea Expert	F&B outlet
48		Yang Guo Fu Mala Tang	F&B outlet
49		Mama's Bun & Stewed Fish	F&B outlet
50		BYD	Car showroom
51		Fish With You	F&B outlet
52		Zhang Liang Mala Tang	F&B outlet
53	Singapore	Tamago-En	F&B outlet
54		Sift & Pick	Fashion accessories
55		Mustafa Jewellery	Fashion accessories
56		The Original Vadai	F&B outlet
57		Tipsy Flamingo	F&B outlet
58		SHH Boutique	Fashion accessories
59		Playmade	F&B outlet
60		Udders	F&B outlet
61	United Kingdom	EL&N	F&B outlet
62		Penhaligon's	Health & beauty
63		CeX	Pre-owned goods
64		John Richmond	Fashion
65		Street Pizza	F&B outlet
66		Molton Brown	Health & beauty
67		Ben's cookies	F&B outlet
68	Italy	Roberto Cavalli	Fashion
69		Venchi	F&B outlet
70		Aqua di Parma	Health & beauty
71		Valentino Rudy	Fashion
72	Belgium	Delvaux	Fashion accessories
73	Morocco	Bacha	F&B outlet
74	Australia	OMI	F&B outlet
75	Finland	Marimekko	Fashion
76	UAE	Sun & Sand Sports	Sporting goods

** - opened end 2022*
Source: Henry Butcher Retail

Closures of Foreign Retailers in Klang Valley

Several foreign retailers closed down in 2023 due to weak demand and intense competition. They included:

a. In August 2023, Borders from the United States closed down its last outlet in Bangsar Village II after 18 years of operation in Malaysia. It also ceased its online operations.
b. Nuttea from Taiwan closed down in Pavilion KL within a year.
c. The Cheesecake Factory from the United States operated by Legasea Bakery closed down in Sunway Pyramid. However, the cheesecakes are still sold via online and selected cafes.

Rental Rates of Selected Shopping Centres in Klang Valley in 2023

The rental rates of selected shopping centres in Klang Valley are detailed out in the "Rental Rates of Selected Shopping Centres in Klang Valley 2023" table.

Retail Outlook in 2024

The prospects of the Klang Valley shopping centre market in 2024 remains highly dependent on the performance of the Malaysian economy and how well the government manoeuvres its way through challenges like international conflicts and economic slowdowns experienced by Malaysia's major trading partners as well as the purchasing power of Malaysian consumers.

Domestic tourism has recovered since the Hari Raya festival in 2022 and it will continue to sustain the shopping traffic of shopping centres in the new year. The weak Ringgit will also encourage more Malaysians to spend their weekends and public holidays within the country instead of travelling overseas.

Foreign tourist arrivals will continue to rise in 2024 with the weaker Ringgit and Malaysia's Visa Liberalisation Plan set to attract international tourists from all parts of the world. This will contribute to higher sales for retail businesses in shopping centres that are dependent on foreign tourists.

Due to the severe oversupply of retail space in the Klang Valley, existing shopping centres will continue to struggle to secure new tenants and to achieve high occupancy rates. Retail landlords of many shopping centres will need to offer lower rental rates, longer renovation period, renovation subsidy, extra rent-free period and base rental with turnover rent to attract quality tenants.

Retail Group Malaysia (RGM) has forecasted a 3.5% growth rate for the Malaysian retail industry in 2024. Over the same period, the Malaysian government expects the national economy to grow between 4.0% and 5.0%. Similar to 2023, the biggest challenge for Malaysia's retail industry in the new year continues to be the rising cost of living.

Based on Budget 2024 announced on 13 October 2023, the Malaysian government will increase the subsidies for households and individuals to battle rising inflation. These include:

- RM29 billion will be allocated for the control of prices of goods & services for the benefit of the people.
- Implementation of the Rahmah Sales Programme that offers basic necessities at prices which are 30% cheaper across the country.
- The Rahmah Cash Contribution (STR) will increase by RM2 billion and will benefit 60% of the adult population in Malaysia.
- The maximum rate of STR will increase from RM3,100 to RM3,700.
- The minimum rate of STR for the youth will increase from RM350 to RM500.
- The Rahmah Foundation Contribution (SARA) will increase to 700,000 STR recipients with RM100 per month for a period of 12 months.

The Malaysian government has also introduced several tax-related policies that will have an impact on consumer spending in 2024:

- The Service Tax rate will increase from 6.0% to 8.0%. This increment will lead to further increases in prices of retail goods and services and is expected to affect retail spending.
- Beginning 1 January 2024, any online seller or facilitating marketplace selling to consumers in Malaysia of imported goods shipped by air of not more than RM500 will have to charge a 10% Sales Tax.
- The Malaysian government will also introduce a High Value Goods Tax (HVGT) at a rate of 5.0% to 10.0% on certain high-value retail goods based on the threshold value of the goods. This new tax will commence from 1 May 2024. The introduction of this new luxury tax will however not deter Malaysians from wanting to buy luxury items in the country. During the Covid-19 pandemic, luxury brands such as LV, Gucci, Dior and Coach were doing well. This was especially so when retail outlets were allowed to open for public walk-in. Therefore, luxury brands with a strong following in Malaysia should continue to do well even after the HVGT tax has been implemented in 2024.

Industrial Review 2023

The volume of industrial property transactions in Selangor declined by nearly 5% in the first nine months of 2023 compared to the same period the year before. However, the value of the transactions shot up by 60%, indicating that the average value of the transactions has gone up substantially.

For KL, whilst the volume of industrial property transactions was more or less maintained at the previous year's level, the value of the transactions recorded a 22% decline. It is to be pointed out that the number of industrial property transactions in KL is very small and insignificant compared to that of Selangor.

Selangor has undertaken various steps to boost foreign investments and this include formulating policies such as the First Selangor Plan (RS-1), coming up with the new regional development plans such as the Integrated Development Region in South Selangor (IDRISS) as well as large-scale annual programmes like the Selangor International Business Summit and the Selangor Aviation Show. For the record, Selangor has approved a total of 1,506 manufacturing projects with a total investment value of RM88.88 billion for the period 2028 to June 2023.

There were several notable industrial deals concluded in 2023 and the major ones are listed in "Major Industrial Deals in 2023."

Demand for industrial properties, although remaining at a healthy level, appears to have slowed down, judging by the decline in the volume of industrial property transactions. The poorer trade performance registered by the country in 2023 could perhaps be one of the contributing factors whilst another factor could be the increase in supply of industrial properties over the past few years as more property developers re-focused their attention on industrial park development.

Major Industrial Deals in 2023

Scheme	Location	Month	Type	Land Area (sf)	Price (RM)	PSF (RM)	Vendor	Buyer
SYIT 53C	Bestari Jaya	September	Vacant Land	1,709,307.32	61,535,064	36.00	Berkat Mujur Sdn Bhd	Industrial Concrete Products Sdn Bhd
Kompleks Perabot Olak Lempit	Bukit Changgang	August	Vacant Land	655,844.43	39,500,000	60.23	Top Quality Glove Sdn Bhd	Dynamite Empire Sdn Bhd
Bukit Raja Prime Industrial Park	Kapar	June	Detached Factory & Office	174,235.25	46,500,000	266.88	Linaco Resources Sdn Bhd	Impress Eight (M) Sdn Bhd
Glenmarie Industrial Park	Petaling Jaya	May	Detached Factory & Office	90,007.73	39,690,000	440.96	CYNNYX Sdn Bhd	MTrustee Bhd
Kawasan Perindustrian Selat Klang Utara	Kapar	April	Detached Factory & Office	208,216.88	30,000,000	144.08	AQ Timber Export Sdn Bhd	Central Forwarding Agency Sdn Bhd
Bukit Raja Prime Industrial Park	Kapar	March	Vacant Land	171,813.37	33,333,888	194.01	Qualitypack Properties Sdn Bhd	Logisticspac Global Sdn Bhd
Kawasan Perindustrian Selat Klang Utara	Kapar	March	Warehouse	615,814.26	57,700,000	93.70	Bright Way Holdings Sdn Bhd	TPC Properties Sdn Bhd

Source: HBM Research

Industrial Outlook 2024

The following are the factors which will have an impact on the industrial property sector in 2024:

- The increase in DDIs (Domestic Direct Investments) as well as FDIs (Foreign Direct Investments) in the first nine months of 2023 is expected to translate ultimately into an increase in demand for more industrial space.
- For 2024, economists are confident that the trade performance will show an improvement, riding on the anticipated resurgence of China's economy and the implementation of the New Industrial Master Plan (NIMP) 2030 and will ultimately lead to an increase in confidence of investors and generate more investments including in the manufacturing sector.
- Implementation of the NIMP 2030 is expected to provide a boost to the manufacturing sector and this in turn will lead to an increased demand for industrial space.
- External factors such as the continuing war in Ukraine, the conflict in Gaza and any global economic slowdown could negatively impact Malaysia's economy and this could lead to a slowdown in demand for industrial space.
- The state government has announced plans to develop a Selangor International Aero Park (SAP) next to Kuala Lumpur International Airport in Sepang and have begun talks with the stakeholders involved.
- Selangor recorded a 75% increase in the value of the total capital investments approved for manufacturing projects in the state for the first nine months of 2023 compared to the corresponding period the year before and this is expected to boost demand for industrial land and buildings in the state.
- The Selangor government has targeted to secure RM50 billion worth of investments for 2024, a slight increase over the RM45 billion target for 2023.

Volume & Value of Industrial Property Transactions (Jan-Sep 2021 to 2023)

	Volume of Industrial Property Transactions (Units)		
	2021	**2022**	**2023**
Malaysia	3,837	6,044	5,935
Kuala Lumpur	70	110	111
Selangor	1,325	2,020	1,921
	Value of Industrial Property Transactions (RM million)		
	2021	**2022**	**2023**
Malaysia	11,297.31	15,248.48	16,829.58
Kuala Lumpur	182.01	476.48	368.59
Selangor	5,902.67	5,140.37	8,262.79

Source: NAPIC

Hospitality Review 2023

The tourism industry has clearly recovered from the Covid-19 pandemic, based on the record 26 million tourist arrivals recorded between January to 15 November 2023. Meanwhile, Malaysia's domestic tourism has also risen significantly, as more Malaysians chose to holiday within the country due to the higher cost of holidaying abroad as a result of the weak Ringgit and higher global air fares.

In line with the improvement in both domestic travel as well as international tourist arrivals, the country's hotels have witnessed an improvement in occupancy rates, although still not up to the levels of the pre-Covid-19 years.

Overall, hotel occupancy rate in Malaysia improved to 50.9% in the first half of 2023 from 23.2% in the corresponding period a year ago. KL chalked up a 57.3% occupancy rate, up significantly from 17.6% a year ago whilst Putrajaya went up from 24.6% to 54% and Selangor, from 25.8% to 47.1%.

Hospitality Outlook 2024

There are a number of factors which will provide a boost to the tourism industry in Malaysia:

- The first will be the setting of 2026 as Visit Malaysia Year. In line with this, the government has set aside a substantial budget under Budget 2024 to promote the country in order to attract international tourists to visit the country.
- Secondly, the visa liberalisation plan announced during Budget 2024. This includes a 30-day visa free programme for nationals for countries like China and India.
- Thirdly, the weak Ringgit will make holidaying in Malaysia more attractive to foreign tourists.

The travel and hospitality industry is nevertheless still grappling with problems of staff shortage and this has hampered hotels as well as theme parks/ entertainment centres and restaurants from operating at full capacity.

A number of new hotels are nevertheless under construction in KL and Selangor and when completed, will add onto the supply of hotel rooms but this could emerge as a double edged sword for the market as it will stand to offer more choices to the tourists.

Average Occupancy Rates of Hotels in Kuala Lumpur, Putrajaya & Selangor (Jan-Jun 2022/23)

State	H1 2022 (%)	H1 2023 (%)
Kuala Lumpur	17.6	57.3
Putrajaya	24.6	54.0
Selangor	25.8	47.1
Malaysia	**23.2**	**50.9**

Source: Tourism Malaysia

New Hotels Under Construction & Due for Opening in Kuala Lumpur & Selangor

Building	Location	No. of Rooms
2023		
Crowne Plaza	Jalan Yap Kwan Seng	238
Holiday Inn	Bangsar	220
Courtyard by Marriott	Setia Alam	276
Imperial Lexis	Jalan Kia Peng	275
Park Hyatt	Presint Merdeka 118	290
Renaissance	Jalan Ampang	400
Four Points by Sheraton	Jalan Ampang	513
Hotel Indigo KL On The Park	Bukit Nanas	180
2024 onwards		
Somerset	KL Metropolis	262
Kempinski	8 Conlay	260 rooms, 300 Suites
Kimpton	The Exchange	471
Edition	Persiaran Stonor	350
Jumeirah Kuala Lumpur	Jalan Ampang	213
Waldorf Astoria	Jalan Raja Chulan	272
Conrad	Jalan Sultan Ismail	488
SO/Sofitel	Jalan Ampang	207
JW Marriott Sentral	KL Sentral	451
Hyatt Regency	Jalan Duta	450

Source: Henry Butcher Research

Overall, the outlook for the hospitality industry of KL and Selangor looks promising in 2024 although high spending tourists from China have not yet made a strong appearance and this may dampen tourism receipts.

NEGERI SEMBILAN

2022 was a good year for the property market in Negeri Sembilan, outperforming in terms of the total number and value of transactions compared to pre-Covid-19 years of 2017 to 2019. In that regard, 2023's full year figures will likely be the same as 2022.

In the first nine months of 2023, Negeri Sembilan's property market registered 17,309 transactions worth RM5.5 billion, an increase of 6.1% and a drop of 9.7% in volume and value of transactions respectively compared to the corresponding period in 2022. The growth of the final quarter of 2023 is very likely to be less encouraging compared to the rest of the year.

Large pieces of development lands are being transacted in the area of Labu and Senawang and it is foreseeable that in the coming years, these two locations will be the "hot spots" of Negeri Sembilan for residential, commercial and industrial developments.

The Negeri Sembilan State Government is currently emphasising the developments of manufacturing, heavy and technology industries. New large scale industrial estate developments will be well equipped with services such as industrial training centre, solar farm, workers' "club house", water recycling facility, centralised labour quarters etc. These new industrial estates will also have wider roads and faster Internet connections, smoother ingress and egress of people, materials and goods; all for the convenience of the occupants.

Malaysia's inflation is likely to moderate further in the first half of 2024, easing the burden of the B40 and M40 groups. However, the targeted petrol subsidy to be introduced in the second half of 2024 might see the end of the subsidy for the T20 group. With the top earners' cost of living increasing as a consequence, the effect on property transactions and its values is something that remains to be seen in Negeri Sembilan.

On the whole, Negeri Sembilan's property market is expected to remain cautiously optimistic with some growth in 2024 but unlikely to register a high rate.

Residential & Commercial Overview & Outlook

Negeri Sembilan's residential property market continued its upward trajectory by rising 11.4% and 7.1% in volume and value of transactions respectively in the first nine months of 2023 compared to the same period in 2022.

The residential sector retained its lion share of the market in the period under observation with 71.53% of the state's total transactions. For Q3 alone, there were 4,004 units of residential properties exchanging hands compared to 387 units transacted in the commercial market. This represents an uptick of 5.4% in the residential market and 29.9% in the commercial market compared to the corresponding period in 2022.

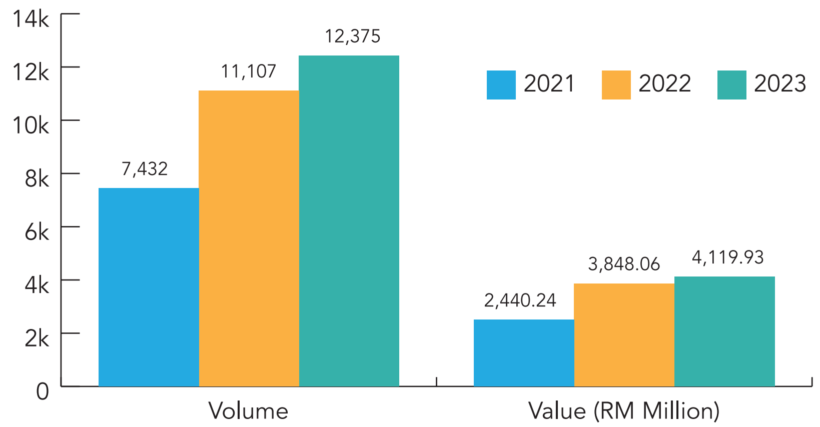
Collectively, residential properties below RM400,000 were the most sought-after with 8,180 units transacted or about 66.1% of the total transactions in the first nine months of 2023. Properties within the RM200,000 to RM300,000 bracket contributed the most number of transactions in the period under observation for both 2022 and 2023 with more than 2,300 units each year. Statistics

Factors to Watch in 2024
- Large development lands to be developed across Negeri Sembilan, in particular the Malaysia Vision Valley Development Plan 2045 which outlined extensive plans for estate land development and emphasising industrial components as primary features.

Bright Spots in 2024
- Labu and Senawang as the upcoming hotspots.

Outlook for 2024
- Negeri Sembilan's property market is expected to remain cautiously optimistic in 2024.
- The residential market is expected to lead as the greatest contributor to the total volume of transactions in 2024 albeit at a lower rate compared to 2023.
- Rental rates for retail shops for 2024 are expected to slow down or maintain at 2023's level.
- Continued growth and expansion of the industrial market in 2024 with demand remaining strong.

Volume & Value of Residential Property Transactions in Negeri Sembilan (Jan-Sep 2021 to 2023)



Source: NAPIC

for the full year of 2022 for this price segment contributed 67.6% of the total transactions.

For properties priced between RM400,001 to RM800,000, its market share increased from 29.58% for the full year of 2022 to 31.09% in the first nine months of 2023, indicating an upward price movement for the residential sector in Negeri Sembilan.

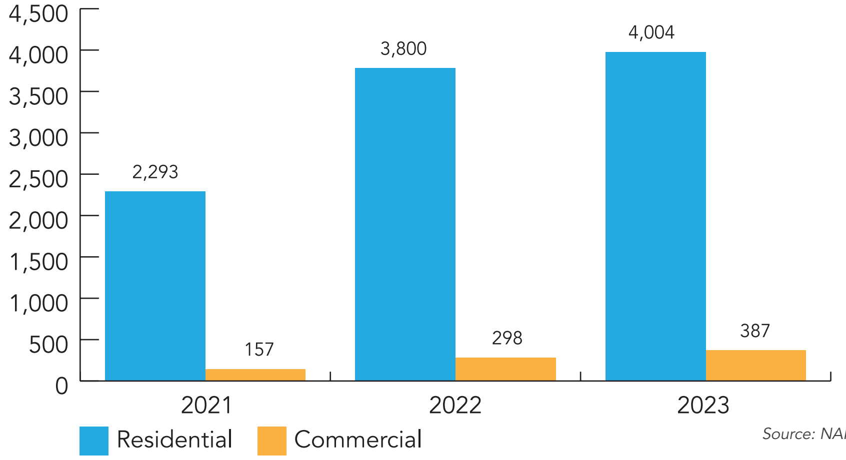
In terms of new launches in 2024, Negeri Sembilan will likely see projects released to the market at a more moderate pace.

Negeri Sembilan's overhang situation has been improving since 2021 with about 1,400 units unsold worth about RM780 million reducing to about 700 units valued at RM380 million in the first half of 2023. It is anticipated that the situation will be further improved in 2024, albeit at a slower pace. A majority of the unsold units are located within the Seremban district with the 2- to 3-storey terraced houses and condominiums as the most common property type.

Foreign presence in Negeri Sembilan is not new and those approved with the Malaysia My 2nd Home (MM2H) visa from China and Hong Kong have been buying high end properties in the state for about 10 years now but the interest has died down in recent years. Nevertheless, it is envisaged that a new round of interest to buy and live in Negeri Sembilan will again emerge in the market with the new format of MM2H. Foreigners who chose Negeri Sembilan as their preferred location tend to live in new township developments such as Seremban 2 and S2 Heights.

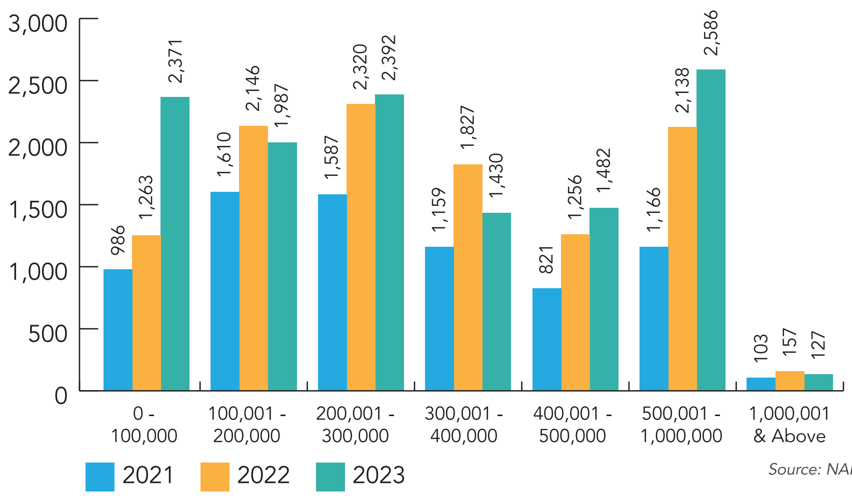
It is anticipated that the residential sector will again retain its position as the greatest contributor to the total volume of transactions in 2024 with approximately 70% of the market share. The potential increase in the number of transactions is likely to be accompanied by the same price movements albeit at a lower rate compared to 2023.

Volume of Residential & Commercial Property Transactions in Negeri Sembilan (Q3 2021 to 2023)



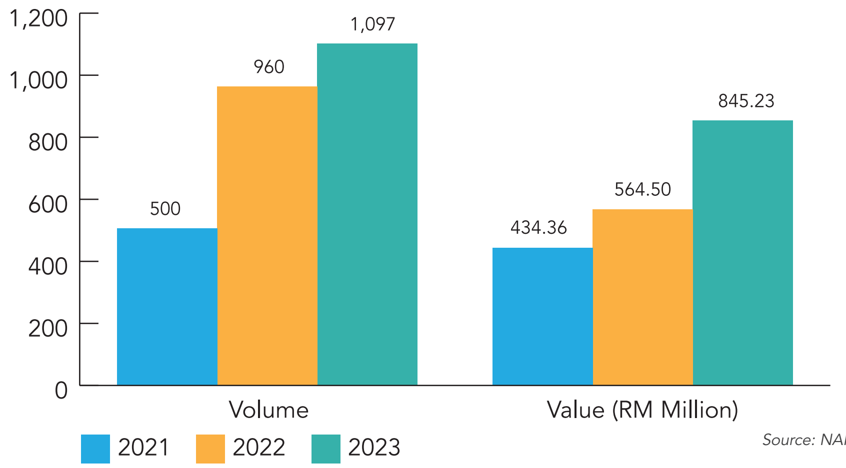
Source: NAPIC

Volume of Residential Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2021-2023)



Source: NAPIC

Volume & Value of Commercial Property Transactions in Negeri Sembilan (Jan-Sep 2021-2023)



Source: NAPIC

Commercial Overview & Outlook

Like the residential market, Negeri Sembilan's commercial sector also continued its upward trend, registering an increase of 14.3% in volume and 49.7% in value of transactions in the first nine months of 2023 compared to the corresponding period in 2022. This is a rise of 137 units and RM280.7 million.

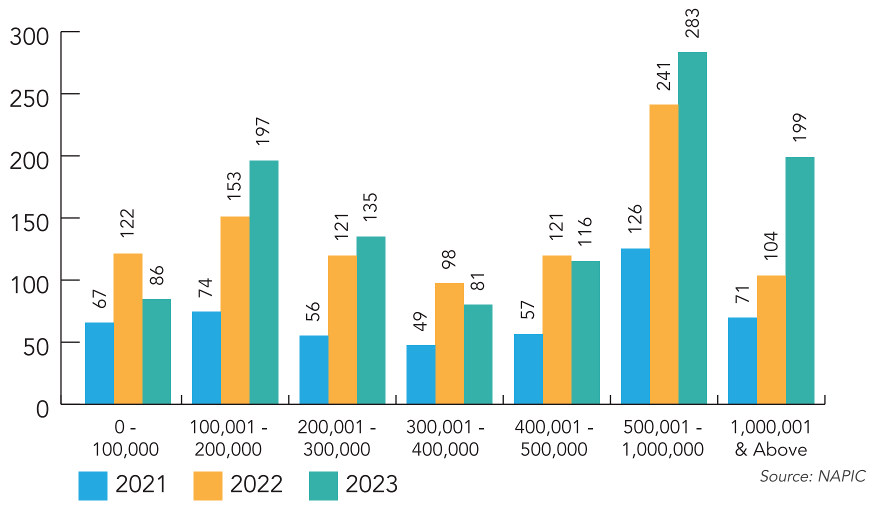
In terms of pricing, commercial property buyers in Negeri Sembilan were inclined towards the RM400,000 and below properties, taking up 499 units or 45.5% of the total commercial market transactions for the period under review.

By property type, the terraced shop office is the most popular in Negeri Sembilan where about 2/3 of the commercial properties transacted in the first half of 2023 were from this category.

Dissecting further, about 75% of these are from the 2- or 2½-storey type, which are generally better received given its more affordable price point than the 3- or 4-storey shop offices. The former is more economical to maintain and its popularity also rests on the difficulty of getting tenants for the upper floors compared to units on the ground or first levels.

Negeri Sembilan does not have any major purpose-built office buildings in the state.

Volume of Commercial Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2021-2023)



Source: NAPIC

Retail & Hospitality Overview & Outlook

In the retail sector, budget-friendly stores like Mr. DIY have expanded their influence throughout the state. Apart from being present in several shopping centres in Negeri Sembilan, Mr. DIY has established its presence in corner lots of shop offices within smaller towns like Mantin, Sendayan and Lukut.

Rental rates for ground floor retail shops have since surged after the cessation of Covid-19 lockdown measures. Prime locations in Seremban 2 and S2 Heights in particular have experienced a notable spike, with rates climbing from approximately RM2,500 to RM4,000 per month. In contrast, other areas have seen more moderate increases, ranging between RM500 to RM1,000 per month.

With the recent upward adjustments, Negeri Sembilan's retail shops' rental rates for 2024 is expected to slow down or maintain at 2023's level.

In the hospitality segment, Port Dickson proves an ideal beach getaway due to its proximity to Klang Valley and since the resumption of economic activities in May 2022, the town has seen an influx of vacationers, particularly on weekends, delighting in a relaxed holiday atmosphere.

Rental rates for unconverted commercial lands have doubled since the pandemic, with some plots of raw land commanding as high as RM0.40 per sq foot per month.

Industrial Overview & Outlook

For the industrial market, the first nine months of 2023 experienced a slight drop in the volume of transactions but a steep rise in the value of transactions. The negative 5.8% drop in volume was countered by the 38.6% rise in value of transactions.

Vacant land and detached factories are highly sought after in Negeri Sembilan with manufacturers acquiring the former to construct their own facilities and the latter for both expansion and warehouse needs. These two types of industrial properties collectively represented 67.1% of the total transacted value in the state during the initial six months of 2023. Remarkably, within this period, approximately 92.5% of the 305 industrial properties sold are located in the Seremban District.

By price point, industrial properties worth RM500,000 and above commanded a slight edge among the buyers with 51.7% share of the total industrial property transactions in the first nine months of 2023. This is a 41.2% rise compared to the same period last year and the strong performance could likely be attributed to the momentum of the economy and the overall sentiments for Negeri Sembilan as a choice location for manufacturers and logistics companies.

From 2023 onwards, there has been an emerging trend where industrial lands have been converted for the construction of labour quarters. Within the market, smaller plots, typically ranging from 1 to 2 acres, have been earmarked for this specific purpose. These quarters are intended to accommodate factory workers, particularly those arriving from foreign countries.

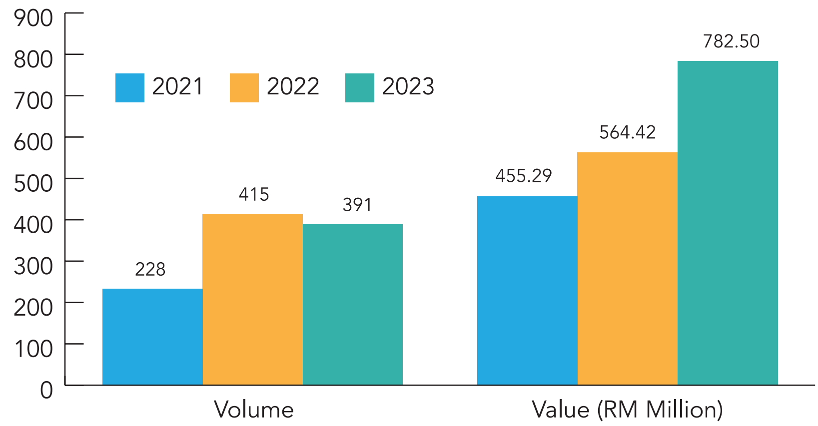
In recent years, Negeri Sembilan has also quietly emerged as a prime destination for industrial ventures, drawing interest from both the local and global investors. Its strategic proximity to Klang Valley, coupled with business-friendly government policies offering competitive incentives, positions Negeri Sembilan as a burgeoning industrial hub, following closely behind Selangor, Penang and Johor.

Several multinational and international companies, including Perodua, Hino, On Semiconductor, Dutch Lady, Cabot, Coca-Cola, Petron, Worldsign Industries and Kellogg have established a significant presence in the state.

Anticipating future developments, an increasing disparity is foreseeable in the industrial sector across the seven districts of Negeri Sembilan, notably with more industrial schemes slated for launch in the District of Seremban. The Malaysia Vision Valley Development Plan 2045 outlines extensive plans for estate land development, with many projects emphasising industrial components as primary features. This will likely contribute to the continued growth and expansion of the industrial landscape within Negeri Sembilan.

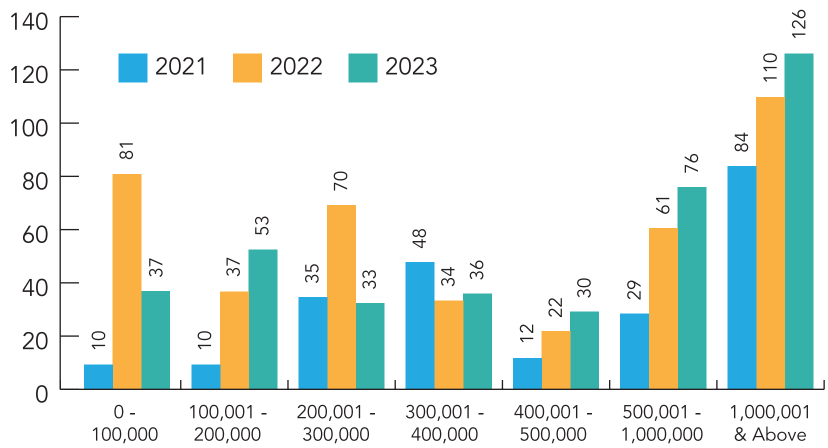
It is envisaged that demand for industrial properties, especially large purpose-built factories and warehouses, remains strong due to the relocation of factories from Klang Valley, new overseas investors and logistics companies.

Volume & Value of Industrial Property Transactions in Negeri Sembilan (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2021-2023)



Source: NAPIC

MELAKA

Factors to Watch in 2024
- Melaka State Government's support for the manufacturing (semiconductor), tech (data centre) and heavy industry (automotive) sectors.

Bright Spots in 2024
- Revival of Melaka's tourism market.
- Returning interest in heritage properties.
- Additional ferry services from Indonesia, boosting tourism including medical tourism.

Outlook for 2024
- Melaka's property market is projected to remain stable in 2024, exhibiting consistent trends across all property sectors.
- The residential sector is projected to experience an uptick in both the volume and value of transactions in 2024, driven mainly by demand for landed residences.
- Melaka's commercial property market is anticipated to experience a steady growth in 2024 with a stable outlook for properties located in prime locations.
- The retail sector in Melaka, while stable in 2023 requires increased marketing initiatives to bolster occupancy rates in major malls in 2024.
- The positive momentum in the hospitality sector in 2023 is anticipated to persist in 2024.
- Melaka's industrial sector is expected to remain stable in 2024.

Generally the property market in Melaka has remained stable in 2023 with interest returning to the heritage property market, thanks to the increased tourist arrivals. The revival of the tourism industry has led to the re-opening of many tourism-related businesses, a welcoming positive development in the historical state.

In spite of the resurgence of activities, the first nine months of 2023 recorded a decline in performance compared to the corresponding period last year. This was probably attributed to the steep rise it experienced from 2021 to 2022.

Volume of property transactions dropped by 4.5% whereas value of transactions declined by about the same margin at 4.4%.

Melaka's overall volume of property transactions in the sub-sale market has remained stable in the first half of 2023 with its momentum expected to continue into Q3 2023 to spot a steady growth in the second half of the year.

As the economy has been moving at a progressive pace nationwide in 2023, observation on the ground showed that the government could have rolled out more programmes including incentives for Melaka, especially towards the green and sustainable technologies sectors. In the same way, the federal government should also have considered incentivising investors for bringing in foreign direct investments (FDI) into the country. To that end, it is worth noting that the Melaka State Government has on its own accord set aside incentives for the manufacturing (semiconductor), tech (data centre) and heavy industry (automotive) sectors as part of its effort to attract more FDI into Melaka. Evidently, value accretive exercises such as these are potential collaboration opportunities between the state and federal governments to bring about a positive change to Melaka's economy.

Over at the tourism sector, aside from the long-standing existing tourism products and offerings, Melaka could also do with more new tourist attractions or destinations. When done right, this will raise tourist arrivals into Melaka and thereby increase tourism receipts into the state, benefitting all layers and sub-sectors related to the tourism economy.

Moving into 2024, Melaka's property market is projected to remain stable throughout the new year, exhibiting a consistent trend across all property sectors. Notably, amidst geopolitical tensions in the West, Melaka's stable property market can be attributed primarily to a domestic temperament where local involvement is more prominent. This is a great formula to safeguard the market from volatility and external disruptions.

Residential Overview & Outlook 2024

Melaka's residential market dipped slightly by 2.1% in volume but more by value of transactions at 13.2% in the first nine months of 2023 compared to the same period last year.

The RM200,001 to RM300,000 category had 2,118 transactions in the period under observation, 18 units more than the RM100,001 to RM200,000 category. This is in contrast to the corresponding period in the previous year where the latter had 692 more transactions with 2,234 units.

The most favourable segment for buyers in Melaka comprised landed residential properties ranging from RM200,000 to RM550,000, attracting a predominantly owner-occupier group.

According to NAPIC's data, there were 1,824 landed residential properties transacted in 1H 2023 compared to 102 units of high-rise residences exchanging hands in the same period, indicating the lopsided preference of most buyers in Melaka. The RM100,001 to RM200,000 category is the next most sought after with 1,135 units transacted in 1H 2023.

Based on the number of approved and pending development orders, there will be more new property launches in Melaka in 2024. But to comprehensively support this market expansion, there is a heavy reliance on financial institutions to approve loan applications.

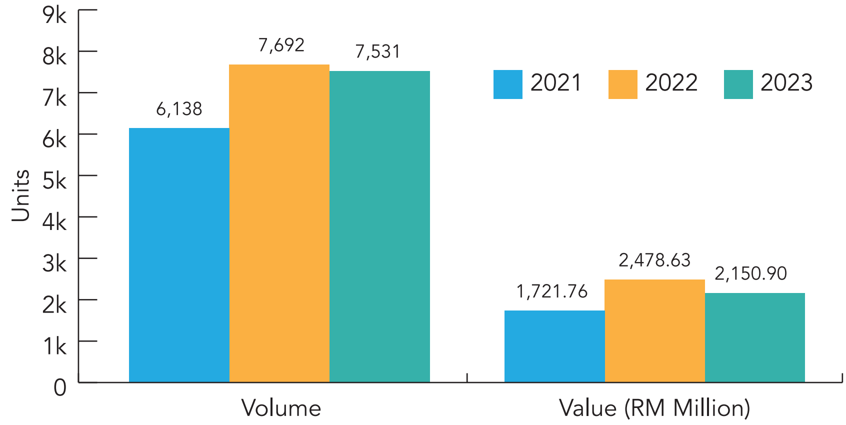
Melaka's overhang situation persisted in 2023, primarily due to the bumiputra units. To address this, it would be good for the property market in Melaka if the state government could consider providing more flexible and clear timelines for housing developers to obtain the release of the units set aside as required to comply with the mandatory bumiputera quota.

As Melaka is renowned mostly as a historical tourism destination, interest in the state's property market by foreigners remained relatively subdued compared to prime locations like Kuala Lumpur, Selangor, Penang and Johor Bahru. Further, the recent implementation by the state government of the M-WEZ (Melaka Waterfront Economic Zone) policy to raise the minimum price for property ownership by foreigners from RM500,000 to RM2 million is expected to reduce the influx of foreign buyers within this zone. So although the newly revised Malaysia My Second Home (MM2H) condition with three-tier of applications has received positive reviews in the market, it remains to be seen whether it will attract more foreign buyers into Melaka's property market.

As to where foreigners tend to stay when they choose to call Melaka home, Klebang (particularly seafront properties) and Ayer Keroh (proximity to golf courses) stand out as preferred locations.

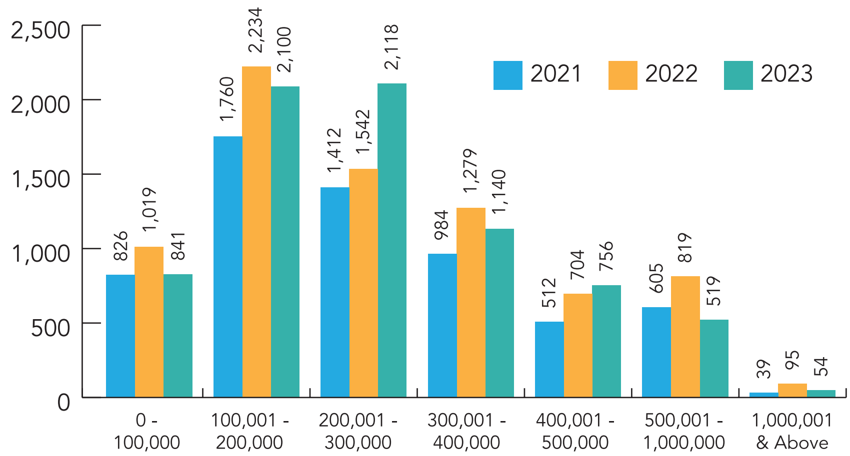
In 2024, the residential sector is projected to experience an uptick in both the volume and value of transactions, driven mainly by demand for landed residential properties, particularly in areas within a 15km radius from Melaka City Centre, with notable focus in Tanjung Minyak, Krubong, Bukit Katil, Ayer Panas, Tehel, Ayer Molek and Durian Tunggal. High-rises like the condominiums and service apartments may however grapple with weakened prices, attributed chiefly by an oversupply situation.

Volume & Value of Residential Property Transactions (Jan-Sep 2021 to 2023)



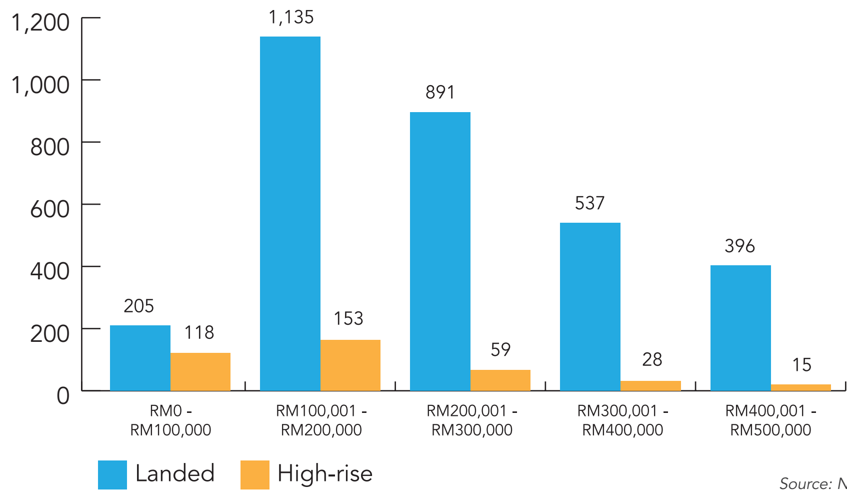
Source: NAPIC

Volume of Residential Transaction by Price Range in Melaka (Jan-Sep 2021-2023)



Source: NAPIC

Residential Volume of Transactions by Type & Price Range Below RM500,000 (1H 2023)



Source: NAPIC

Commercial Overview & Outlook 2024

Over in the commercial market, interest in heritage buildings in Melaka may have contributed to an increase in the volume and value of transactions in the period under review.

By volume, market performance escalated by 2.5% whereas value of transactions rose 4.3%. NAPIC's statistics may contrast observation on the ground because post-pandemic, prices of Melaka's commercial properties had actually decreased significantly, reaching record lows in comparison to the peaks witnessed in 2015. As such, these positive increments seen in 2023 may indicate a resurgence of interest in Melaka's market.

In terms of property type, market preference was leaning heavily towards the 2- and 3-storey shops cum offices in 2023 and this is also anticipated to continue into 2024. This surge of interest is fueled by the robust demand in the rental market and the steady growth observed in rental values.

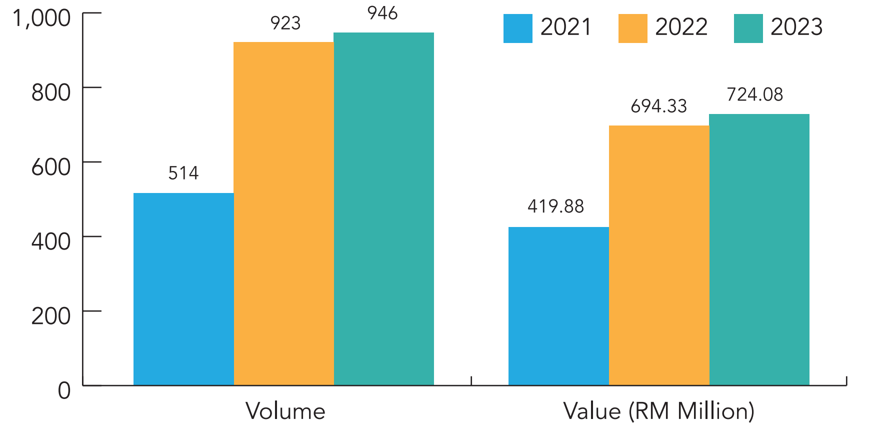
By price range, the RM500,001 to RM1 million category remained the most popular with 337 units transacted in the first nine months of 2023 compared to 267 units in the corresponding period in 2022. This represents a 26.2% increase.

Of importance is also the RM200,001 to RM400,000 bracket which had the most transactions with 254 units exchanging hands in the first nine months of 2023. The same price bracket saw an even higher 299 units transacted in the same period in 2022, signalling perhaps the impact of pent-up demand when the market fully opened up post-pandemic.

Below the RM500,000 category, there was generally a consistent appetite where every set of the RM100,000 pricing bracket witnessed an average 109 units transacted in the first nine months of 2023, lower than the 118 units on average in the corresponding period in the previous year. This shows that the market has experienced an upward price adjustment, where although a lower volume of properties have been transacted, total value of transactions continued inching up.

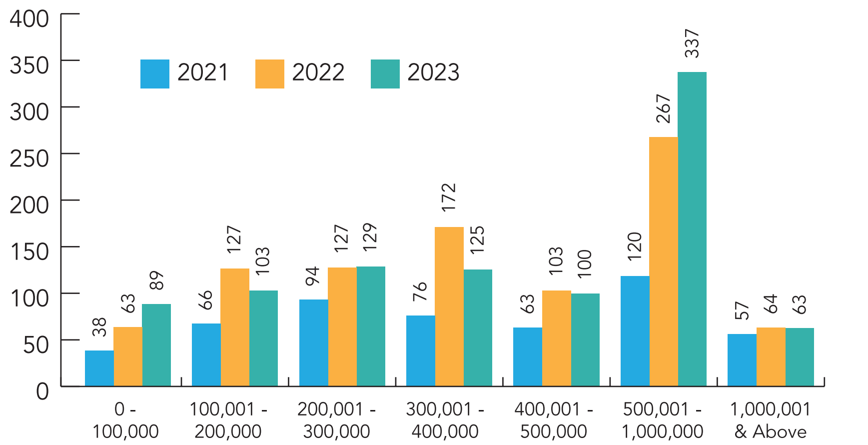
In the purpose-built offices (PBO) sub-sector, net lettable area increased by

Volume & Value of Commercial Property Transactions in Melaka (Jan-Sep 2021 to 2023)



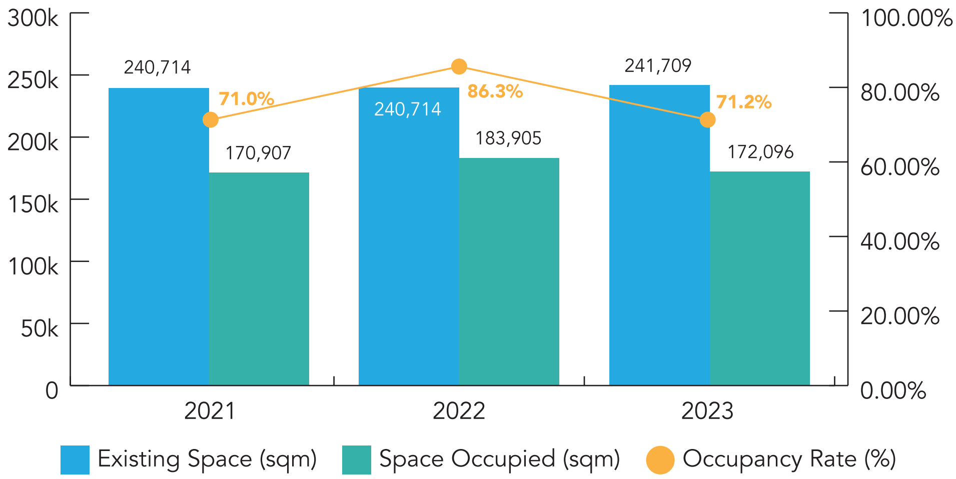
Source: NAPIC

Volume of Commercial Property Transactions by Price Range in Melaka (Jan-Sep 2021-2023)



Source: NAPIC

Supply & Occupancy of Purpose-Built Office in Melaka (Jan-Sep 2021 to 2023)



Source: NAPIC

0.41% in the first nine months of 2023 to 241,709 sq metres compared to the corresponding period in 2022 with 240,714 sq metres. There was no change in the net lettable area from the same period in 2021 to 2022.

Interestingly, demand for PBO in Melaka remained low because despite the increase in total space, occupancy rate dropped by 15.1% in the first nine months of 2023 compared to the same period in 2022. Evidently, most business operators in Melaka exhibit a preference for office units nestled within the confines of existing 2- or 3-storey terrace shops combined with offices rather than PBOs.

In 2024, commercial properties, particularly in sought-after locations, are anticipated to experience steady growth driven by emerging business ventures following a recent price decline during the pandemic period. Prime-location shops such as those in Kota Laksamana and Kota Syahbandar are poised to remain stable in pricing and demand, reflecting its enduring appeal to both individual buyers and businesses.

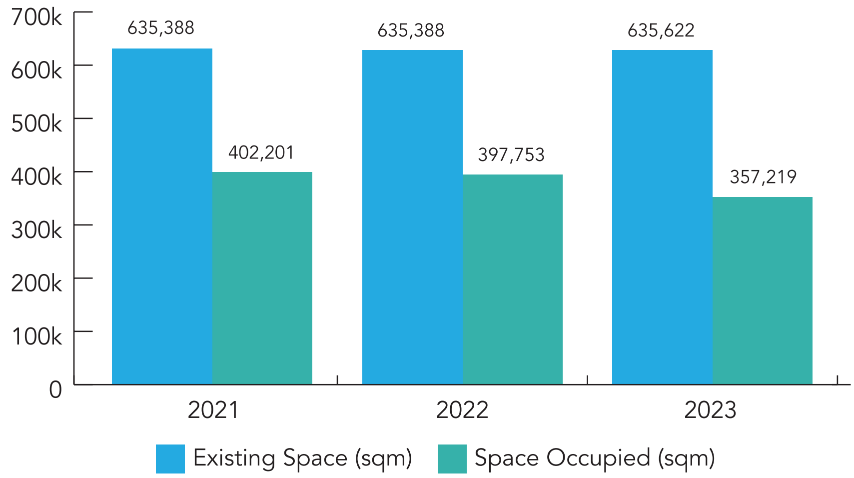
Retail Overview & Outlook 2024

Like in the PBO sub-sector, there was also an increase in Melaka's total net lettable space in the shopping complexes in the period under observation. After stagnating without any increase from 2021 to 2022, the first nine months of 2023 added 234 sq metres or 0.04% of space.

Occupancy rate however did not keep pace with the expansion. In comparison to the first nine months of 2022, occupancy rate shrunk by 10.19% to reach 357,219 sq metres in the same period in 2023. Just two years ago in 2021 when the market was still facing the pandemic measures, occupancy was better at 402,201 sq metres or 44,982 sq metres more.

Melaka's retail market conditions persist with challenges due to a relatively low population base and sluggish population growth, making it difficult to attract international brands to establish operations in the state. Stores prioritising budget-conscious consumers typically opt to operate within 2- and 3-storey shops located in residential neighbourhoods instead of retail malls where occupancy predominantly comprises chain F&B stores, leisure facilities and fashion-related companies.

Shopping Complex Space & Occupancy (Jan-Sep 2021 to 2023)



Source: NAPIC

Throughout 2023, the retail sector in Melaka remained stable. However, there's a pressing need for increased marketing efforts to entice more retailers since several major retail malls in Melaka are still grappling with low occupancy rates.

Hospitality Overview & Outlook 2024

The hospitality sector observed a surge in occupancy throughout 2023 due to the closure of several hotels in Melaka such as Ramada Plaza Hotel, Orkid Hotel, Emperor Hotel, Hatten Place Hotel and Equatorial Hotel, resulting in a constrained supply of hotel rooms. A significant rise in domestic and international tourists, especially during the weekends, school holidays and festive periods have bolstered the occupancy rates of existing hotels that continue to operate in Melaka.

Beyond the usual tourist influx for leisure getaways, the introduction of additional ferry services from Indonesia stands out as a significant factor driving demand in the hospitality sector, particularly medical tourism.

The positive momentum experienced in the hospitality market as such is anticipated to persist into 2024. This forecast aligns with the new 30-day visa-free entry for tourists from China and India, which will last until 31 December 2024.

Industrial Overview & Outlook 2024

The significant interest in Melaka's industrial property market from the previous year did not continue into 2023, registering a drop instead in both the volume and value of transactions. Volume of transactions declined by 14.6% in the first nine months of 2023 compared to the same period in the previous year. Value of transactions on the other hand slipped further by 29.9%.

Properties worth more than RM1 million contributed RM202.1 million in total value of transactions, the highest price bracket in the first nine months of 2023. This is however inferior to the RM321.4 million generated by the same category in the corresponding period in 2022, representing a 37.1% drop in performance.

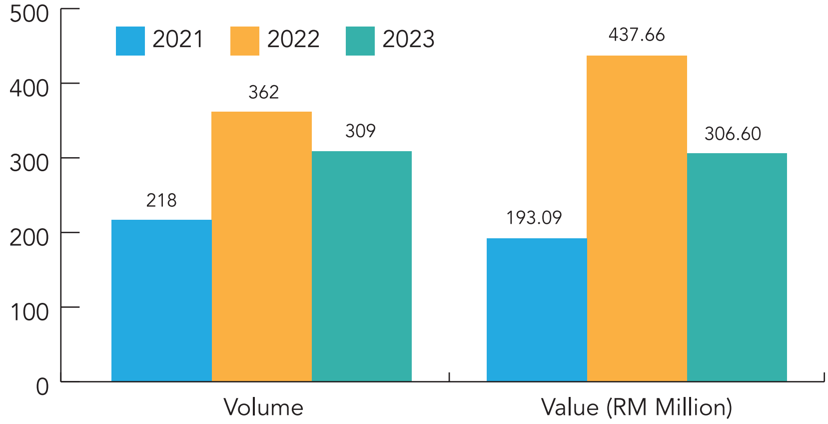
Interest for the RM500,001 to RM1 million category continued to hold steady in the period under observation for both 2023 and 2022 with RM73.5 million in total transactions each year.

Terraced and semi-detached factories priced between RM500,000 to RM1.5 million are preferred by buyers and investors due to their adaptability for conversion into small warehouses, catering to logistics, online sales companies and serving the needs of smaller business operators. Larger corporations would generally opt for vacant industrial lots to construct custom factories.

The rising demand for smaller warehouses has nevertheless prompted local developers to focus on constructing terraced and semi-detached factories tailored to meet these specific business needs.

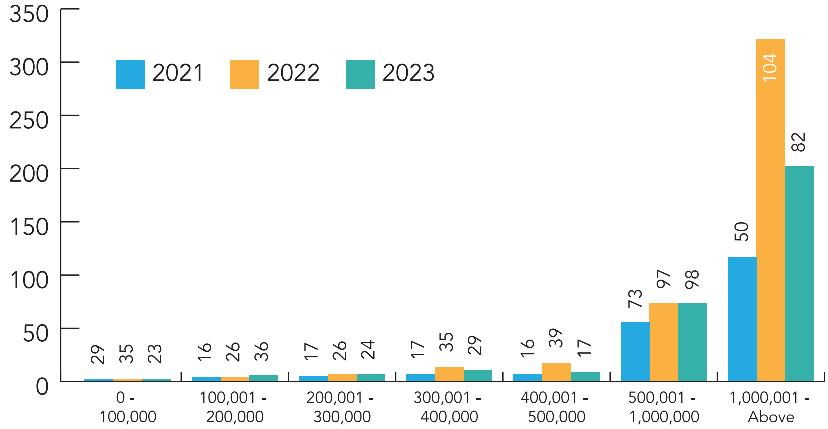
Moving forward, Melaka's industrial sector is expected to remain stable in 2024, with consistent demand observed for vacant industrial land, terraced and semi-detached factories.

Volume & Value of Industrial Property Transactions in Melaka (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions By Price (Jan-Sep 2021 to 2023)



Source: NAPIC

JOHOR

Johor's property market continued its upward momentum in the first nine months of 2023. Volume of transactions grew 31.8% to register 45,421 units while value of transactions jumped by a larger margin at 58.7% to record RM27.5 billion. The impressive growth of 10,953 units valued at RM10.2 billion is a continuous trend that began from the pandemic stricken era of 2021.
Although NAPIC's data showed marked improvements by way of statistical transactions, Johor's property market would generally have gone up by about 15% to 20% in 2023 attributed mainly to the increased construction costs caused directly by building materials and the depreciation of the Malaysian Ringgit, which collectively induced a higher cost of living and also the cost of doing business.
The thriving property market in Johor of 2023 could as such, in part, be a result of the revised Budget 2023 tabled by the Madani government on 24 February 2023. These initiatives included:

Factors to Watch in 2024
- Rapid Transit System (RTS) Link project linking Johor to Singapore.
- Special Financial Zone (SFZ) status for Forest City & Medini City in Iskandar Puteri.
- Continuous demand for setting up data centres in Johor.
- The establishment of a Johor-Singapore Special Economic Zone (SEZ).
- Kuala Lumpur-Singapore High Speed Rail (HSR).
- The strength of the Singapore Dollar.
- Residential properties across Johor state including places like Kluang, Segamat, Mersing etc.

Bright Spots in 2024
- Johor Bahru city, the surrounding areas of the RTS Link and the sea fronting areas.
- The Iskandar Puteri region including Forest City.
- The Kulai/Senai areas.
- Single and double-storey terraced properties around Johor.

Outlook for 2024
- Johor's property market is anticipated to have a better year than 2023.
- More new residential launches are expected in Johor Bahru and Pontian with markets in Kluang, Segamat and Mersing expected to be soft.
- There is anticipation for a steady commercial market in Johor.
- Johor Bahru's retail property market is expected to experience a slow movement whilst Pontian is expecting a soft landing. In Kluang, Segamat and Mersing, the retail property markets are expected to move slowly and steadily.
- The hospitality industry for Johor Bahru and also Pontian is expected to be a very good year in 2024.
- Johor industrial property sector is expected to remain steady.

- Full stamp duty exemption until 31 December 2025 on instruments of transfer and loan agreements for the purchase of the first residential home priced up to RM500,000 by Malaysian citizens.
- An increase of stamp duty remission from 50% to 75% for the purchase of the first residential properties priced between RM500,000 to RM1 million by Malaysian citizens - this remission is applicable for sale and purchase agreements executed until 31 December 2023.
- Full stamp duty exemption up to RM1 million and 50% stamp duty remission for the remaining balance on transfers of property by way of love and affection between family members (eg. from father to child and grandfather to grandson).

In addition to the above, several other affordable home programmes under the national budget may also support Johor's property market when the allocation and implementation reach the state. They include the People's Housing Programme, construction of affordable homes under the Rumah Mesra Rakyat programme by Syarikat Perumahan Negara Bhd, the construction of 23,000 houses under Projek Perumahan Awam Malaysia and further allocations to construct new homes and home renovations in rural areas. The increase in guarantees via Syarikat Jaminan Kredit Perumahan (SJKP) to assist gig workers such as e-hailing workers in obtaining home financing up to RM500,000 nationwide will also see Johoreans benefitting from the programme and with that, inject some positive movement to Johor's residential property market.

The Overnight Policy Rate (OPR) in the last few years had also contributed to a positive outlook for the rest of 2023 after it was adjusted upwards of 25 basis points for the final time for the year to 3.0% in May 2023. Prior to that, the OPR was raised a total of 4 times by a cumulative 100 basis points to 2.75% in 2022.

The latest OPR of 3.0% remained below the pre-Covid-19 rate of 3.25% which took effect from March 2019. With the domestic growth prospects showing resilience, the Monetary Policy Committee (MPC) decided to further normalise monetary policy to extend an accommodative posture to continue supporting the economy.

For the Johor market specifically, the roll out of the high profile and mega infrastructure projects has given the state much to cheer about considering these projects have come in a timely fashion to boost an already promising market post-pandemic. Some of these projects include:

- The Johor Bahru–Singapore Rapid Transit System (RTS) Link which is in an active pace of construction. It is expected to be completed in 2026 and operational by 2026/2027. Mass Rapid Transit Corporation Sdn Bhd (MRT Corp) as the project owner of the RTS Link has signed an MOU on 28 July 2023 to collaborate with Hong Kong's MTR Corporation for a mixed development next to the RTS Link with a GDV of RM3 billion.
- The construction of the Iskandar Bus Rapid Transit (IBRT) is part of a comprehensive & efficient public transport network for Johor Bahru and its surrounding areas.
- The RTS Link & IBRT will together

bring multi-tier benefits to Johor Bahru eg. increased demand from Malaysians in Singapore, property demand from Singaporeans including the Republic's permanent residents and visitors, better values in the surrounding areas, more tourists etc. Better land connectivity will also be beneficial to the business community ranging from service providers, F&B outlets, healthcare centres, education institutions and encourage relocation of offices and factories into and around Johor.
- The 7.5km Sungai Pulai Bridge connecting Gelang Patah in Johor Bahru to Tanjung Bin in Pontian has been operational since February 2023 and this has opened up opportunities for new industries around Tanjung Bin and tourism activities around Kukup.
- The Gemas–Johor Bahru Electrified Double Tracking Project is anticipated to encourage economic development in Central Johor as it connects Johor Bahru at the southern tip of Peninsular Malaysia to the northern end of the country in Padang Besar, Perlis. The project is expected to be completed in 2025.
- The Maharani Energy Gateway (MEG) is a catalytic development and sustainable integrated regional energy hub located near Muar and involves the creation of 3 man-made islands spanning a total of 3,200 acres comprising, among others, oil & gas storage depots, trading centres, refineries, petrochemical plants, renewable and alternative energy ventures and complementary amenities such as ship maintenance & repair and an LNG Floating Terminal etc. MEG is expected to be completed in Q4 2030.

In addition to the above, 2023 was also a year that saw many land deals related to data centres taking place and where shopping malls and hotels located closer to Singapore experienced thriving business owing to the free flow of traffic from both sides of the divide and the strength of the Singapore Dollar. Even property developers with projects located near the RTS Link have enjoyed good sales.

With already a sizable amount of projects running in Johor, initiatives launched by the Madani Government like the 12th Malaysia Plan Mid-Term Review, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and measures introduced via Budget 2024 did not go unnoticed although it may take a while before traces of these projects are to be realised in Johor's buoyant market.

In any case, the NETR and NIMP 2030 are two of the major national plans that will likely spur in-migration into Johor Bahru and elsewhere across the state like Kluang, Segamat and Mersing. This is especially when projects like the "Building a Prosperous Society - 500,000 Affordable Housing by 2025" under the 12MP Mid-Term Review makes its way into the state. Programmes such as these are poised to increase Johor's property demand and as a result, raise prices of properties. The impact from these projects will however only be felt further into the future rather than in 2024 itself.

Johor as a state is a large enough market for investors of any industry to enter into, from manufacturing, heavy industries, agriculture to tech, tourism, retail as well as healthcare, education and mining. Incidentally, gold mining is expected to take off soon at Gunung Arong in the District of Mersing after a joint venture initiative was formed between the Southern Alliance Mining Ltd and an undisclosed partner. A mining licence application was already submitted some time ago.

As to whether the Johor market is susceptible to global issues like the ongoing war in Ukraine, the Palestinian-Hamas-Israel conflict, other geopolitical tensions and the impending slowdown of the world's economy, Johor is likely to be able to withstand these pressures thanks to the strong relationship it has with Singapore, which is further boosted by the superior Singapore currency. 2023 has in fact shown the impact of how the strong Singapore currency has led to increased consumption in Johor Bahru. This ripple effect has simultaneously nudged Johor Bahru's retail and hospitality markets forward with the residential property market equally attractive to investors from Singapore. This stems from Johor Bahru's status as a second home for Malaysians working in Singapore, and to a certain extent, for the Singaporeans too.

Lending additional support to Johor's story is the way Singapore channels tourists into the southern state. Through this, not only has Singapore contributed the largest number of inbound tourists for Malaysia, it is also a gateway for other foreigners to travel into Johor.

The might of the Singapore Dollar is anticipated to be a good shield for the Johor Bahru market to cushion against any global pressures, more so when such upheavals may originate from thousands of miles away from Johor.

Because Johor is also made up of districts and towns that are located further up north from Johor Bahru and Singapore, the property markets in places like Kluang, Segamat and Mersing are unlikely to feel any impact from such wars seeing that these domestic markets are also not acquainted with commodities or products and services originating from these warring nations.

With Johor's economic engine firing on all cylinders, 2024 is anticipated to be an even better year than it was in 2023. Johor's property market may look at the supply of unbuilt subdivided lands ripe for the picking to meet the incremental demand for new real estate projects.

Another positive support may come from Madani government's NIMP 2030. This is slated to elevate the quality of Malaysia's manufacturing industries and its related services to be on par or more competitive at the global stage.

Residential Overview & Outlook

Johor's residential market has demonstrated notable advancements in its transactional volume and value over the period spanning the first nine months of 2023. During this interval, the volume of residential transactions surged by 46.7%. This escalation is particularly noteworthy as it reflects on the dissipating influence the Covid-19 pandemic has on Johor's economy.

Value of transactions also ascended by a remarkable 66.9% improvement over the corresponding period in 2022. This underscores the resilience and recovery of Johor's residential sector, affirming the positive economic dynamics with Singapore as a strong and relevant factor.

Tracing 2023's growth pattern, transactional volume and value from Q1 to Q2 2023 were the most prominent as it rose 39.6% and 46.6% respectively.

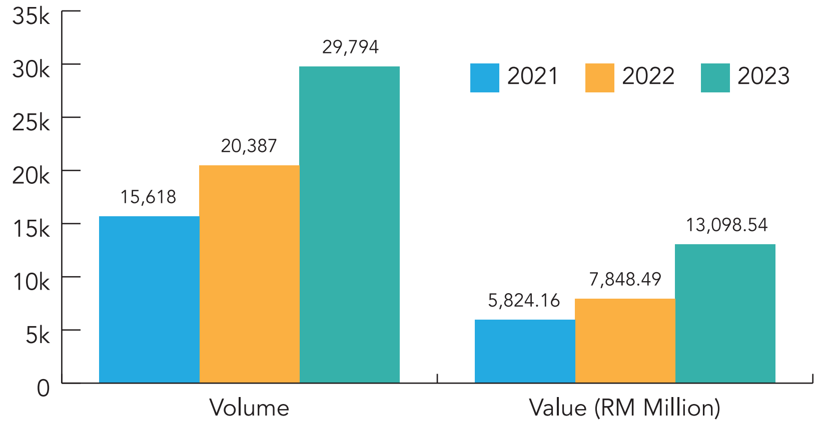
Transactions were concentrated mostly in the RM100,001 to RM500,000 range, commanding a lion share of the market with 60.4%, higher than the RM500,001 to RM1 million category with 26.5%.

In terms of preference, observation of the market shows that Johor Bahru's buyers inclined towards the single and double storey houses across both the primary and secondary markets. Pontian's market on the other hand prefers the affordable range of below RM500,000. Over in Kluang, Segamat and Mersing, the single and double storey terraced homes within RM300,000 to RM400,000 were favourable.

To further improve transactions, the markets in Johor Bahru and Pontian could do with additional incentives such as subsidies or a lower cost of acquisition facility extended to first time house buyers. These could also be targeted to the serviced apartments segment for its high inventory of overhang units.

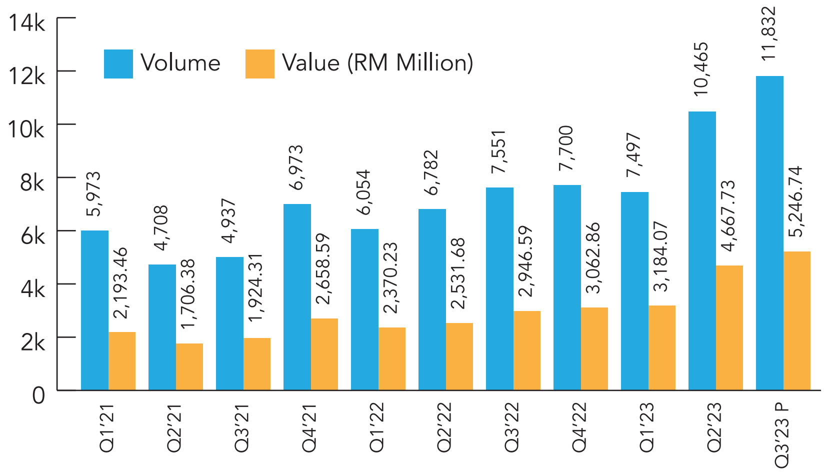
Markets in Kluang, Segamat and Mersing may consider matching new launches to expected demand to yield a more efficient equilibrium. Thus far and based on observation on the ground, demand for housing in these markets has shown to increase in 2023.

Volume & Value of Residential Property Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Volume & Value of Residential Property Transactions in Johor By Quarter (Q1 2021 to Q3 2023)



Source: NAPIC

In terms of the overhang statistics, Johor Bahru and Pontian are expecting to see the unsold stock reduced in 2024. This is attributed to the stamp duty exemption announced in Budget 2024 which will benefit residential transactions below RM500,000 for first time home owners until 31 December 2025. This is expected to benefit both the buyers and property developers. The issue of overhang however does not exist in Kluang, Segamat and Mersing but the take-up rate of properties has been slow.

Perhaps due to the proximity to Singapore, which is by itself already a gateway to international flight paths, the topic of foreigners choosing to reside in Johor never stood out as a factor. As such, whether or not there will be an increased number of Malaysia My 2nd Home (MM2H) applicants choosing Johor as their preferred homes is negligible although the reformatted scheme may prove to be more attractive.

Nevertheless, places such as Taman Molek, the Ponderosa area, Leisure Farm, East Ledang, Ledang Heights, Sunway Iskandar, Medini, Forest city, just to name a few, are places where foreigners tend to live when in Johor Bahru.

It is anticipated that there will be more new launches coming up in Johor Bahru and Pontian in 2024 with the markets in Kluang, Segamat and Mersing expected to be soft.

Commercial Overview & Outlook

The volume of transactions for the commercial property market in Johor continued its upward trajectory in the first nine months of 2023 compared to the same period last year but the value of transactions dropped over the same period.

By volume, growth registered 66.7% while value of transactions trended downwards by 9.4%.

The opposite trends between the volume and value of transactions shows that the commercial market may have experienced downward pressures in pricing post-pandemic to match with the affordability to buyers in 2023. The drop in the value of transactions was however not alarming given that it was still higher than the transactional value recorded in the same period in 2021.

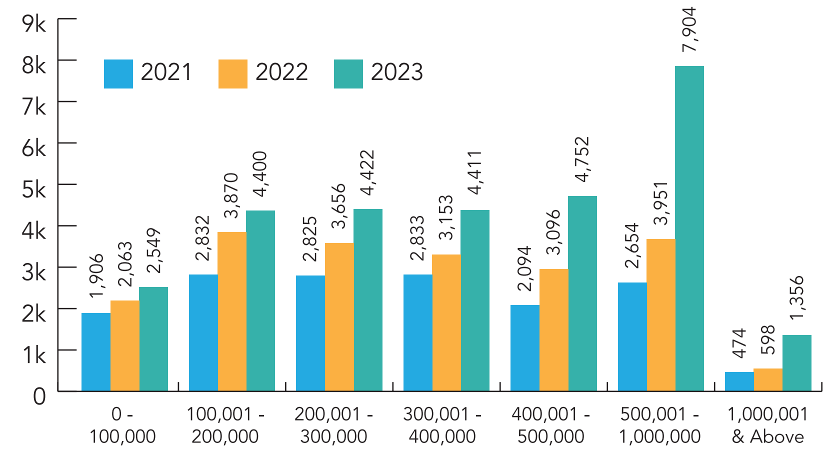
Commercial property transactions in Johor were almost evenly distributed between the RM100,001 to RM500,000 and the RM500,001 to RM1 million categories at 37.9% and 37.2% respectively. The transactional pattern by price also mirrored the trend in 2022 suggesting perhaps market appetite for Johor's commercial properties remains the same except for the quantum of the take-up. 2023 as such represents a better year when property purchases recorded a much higher volume than it did in 2022.

Market sentiments in Johor Bahru and Pontian favoured double and triple storeys shophouses priced between RM600,000 to RM2 million for both investment purpose and own occupation. Preference in Kluang, Segamat and Mersing on the other hand favoured the 2- to 3-storey shophouses priced at at about RM1 million.

According to NAPIC, commercial office transactions in the first nine months of 2023 outpaced the same period in 2022 with a growth of 115%. Value of transactions increased by a large margin at 343.5%.

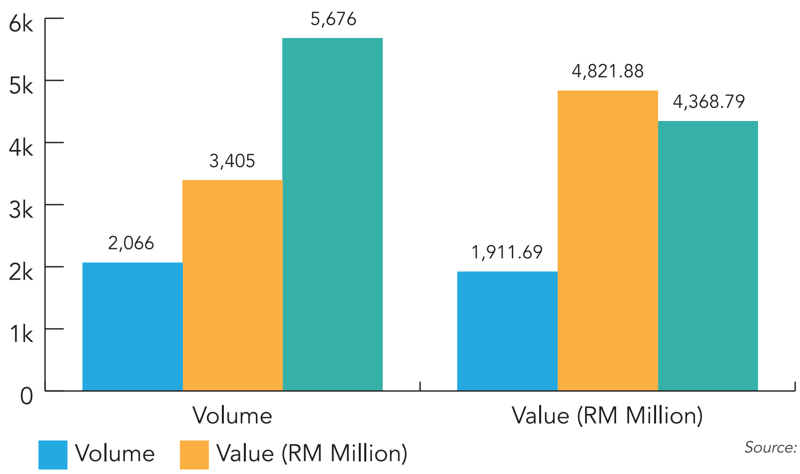
In terms of purpose-built offices (PBOs), Johor's market experienced a slow pick up in 2023 whilst not much movement was detected in Pontian. There are no PBOs in Kluang, Segamat and Mersing as almost all offices are located in the shophouses.

Volume of Residential Transactions By Price Range in Johor (Jan-Sep 2021 to 2023)



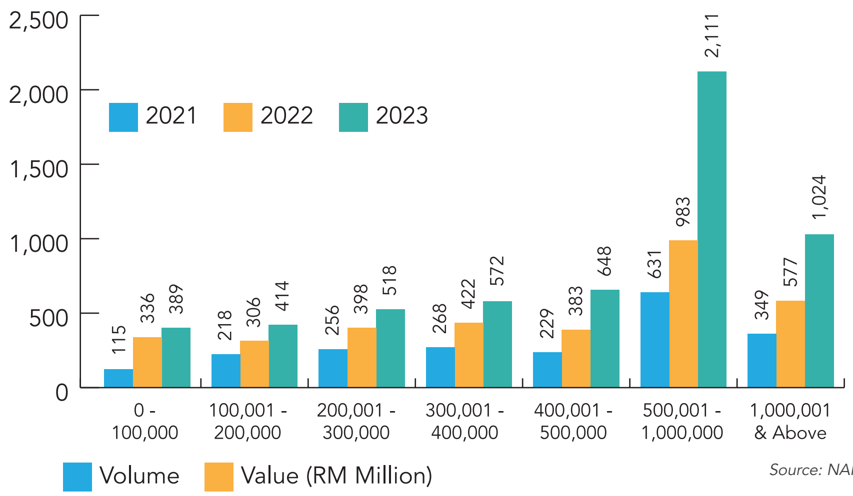
Source: NAPIC

Volume & Value of Commercial Transactions in Johor (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Commercial Transactions By Price Range in Johor (Jan-Sep 2021 to 2023)



Source: NAPIC

As mentioned above, the national plans of the 12th MP Mid-Term Review, NETR and NIMP 2030 have not translated to anything substantial or visible as yet in Johor. There is however a positive anticipation already for the NETR in Kluang, Segamat and Mersing.

Retail Overview & Outlook

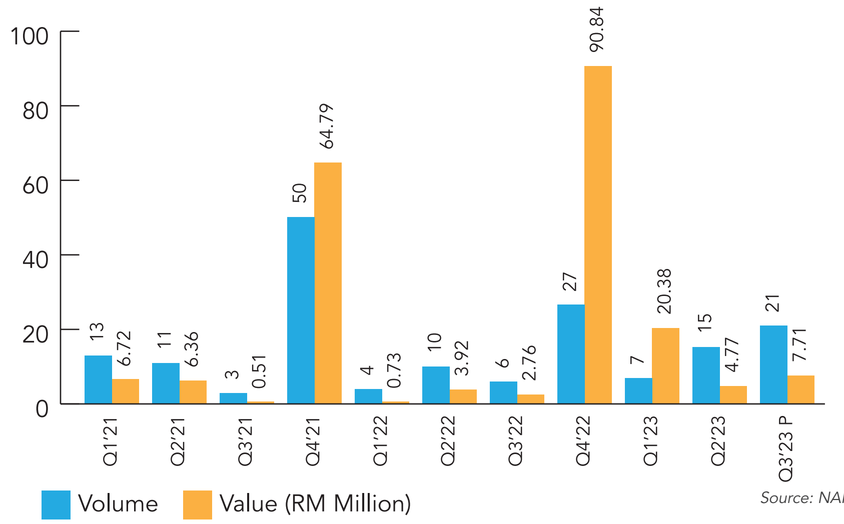
Over in the retail property sector, transactional volume and value increased in the first nine months of 2023 compared to the same period the year before. Volume of transactions increased by 30.3% while value of transactions went up by 42.0%. The period under review concluded with 3,150 units in volume of transactions worth RM2.6 billion. Although the increase was not as high as the same period from 2021 to 2022, the market sustained itself in a steady retail market in 2023.

On the back of such a performance, the retail markets in Johor Bahru and Pontian have seen the opening of more grocery and sundry orientated malls in 2023 such as Maslee Express, Hwa Thai Supermarket, Target Supermarket and 99 Speed Mart to cater to the rising demand for household groceries at affordable prices.

Over in Kluang, there were only 2 to 3 Mr. DIY stores opened up to 2023. Such stores tend to open in slightly larger housing schemes like Taman Kluang Perdana or Taman Tasik Indah.

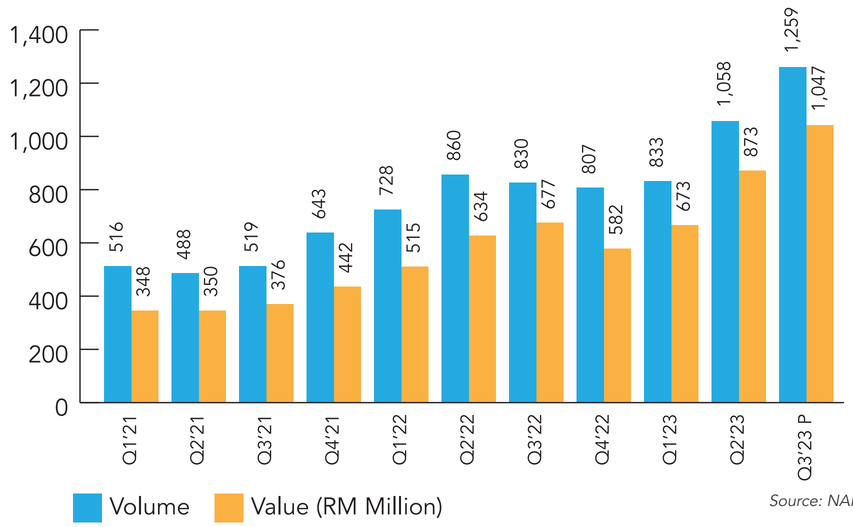
Despite the promising inbound traffic from Singapore, the retail property market in Johor Bahru is expected to experience a slow movement while over in Pontian, a soft landing is expected. In Kluang, Segamat and Mersing, the retail property markets are expected to move slowly and steadily.

Volume & Value of Commercial Office Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Volume & Value of Retail Property Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Hospitality Overview & Outlook

In terms of volume and value of transactions, there was not much action on the scorecard based on NAPIC's latest report with only 1 transaction of hospitality property recorded at a value of RM500,000 in Q1 2023. The period under review in 2022 also had only 1 transaction but the value was RM200,000 less.

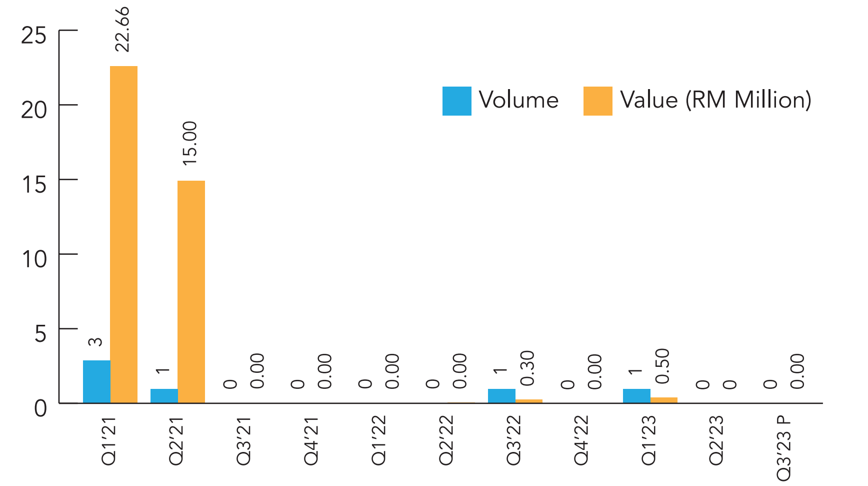
Ever since the pandemic measures were lifted in May 2022, domestic travel has shot off the roof with record breaking weekend crawls on the highways a common sight around Malaysia. The same is seen in Johor Bahru as it is the closest city to Singapore. The hospitality markets in Johor Bahru and also Pontian have since then enjoyed very good business.

Kluang, Segamat and Mersing are however situated a little too far for Singaporeans to conveniently travel to. As such, local business operators tend to focus on serving domestic tourists or those from the immediate localities itself.

The mixed settings of the hospitality industry in Johor can nevertheless take St. Giles Southkey Johor Bahru as a leading hospitality icon that captured the captive market from Singapore travelling into Johor for their weekend getaways.

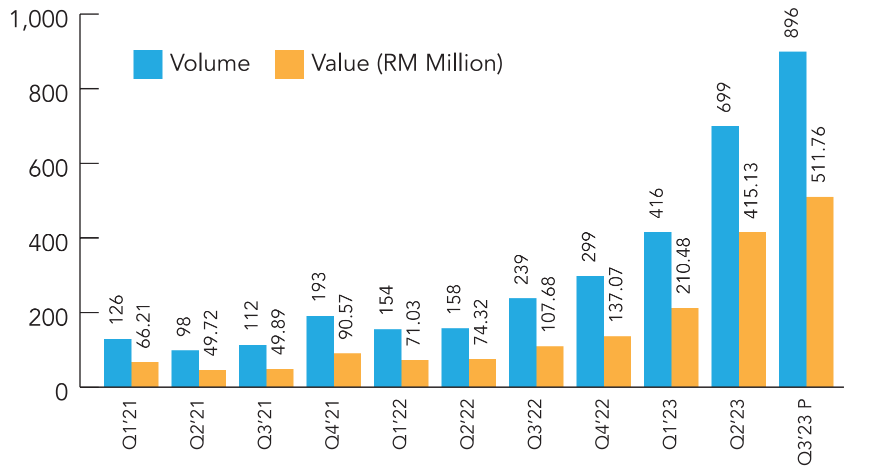
The hospitality industry as a whole for Johor Bahru and also Pontian is expected to enjoy a very good year in 2024.

Volume & Value of Hospitality (Hotel & Leisure) Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Volume & Value of Serviced Apartment Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Serviced Apartments Overview & Outlook

The transactional records of Johor's commercial-titled serviced apartments deserves a mention as it outperformed its own market by a large margin in the first nine months of 2023 compared to the same period in the year before.

The dramatic increase saw volume of transactions recording 265.0% while value of transactions leapt further with 349.5%. The strong showing in the value of transactions indicates that the market has made a quantum leap after the Covid-19 pandemic, overcoming the bad press surrounding Johor's oversupply predicament.

Upon closer scrutiny, Q3 2023 was the period with the highest transactions with 896 units valued at RM512 million. The momentum at which the market was moving looks promising to reduce Johor's glaring overhang statistics as well as absorb some of the incoming supply of serviced apartments into the market.

Industrial Overview & Outlook

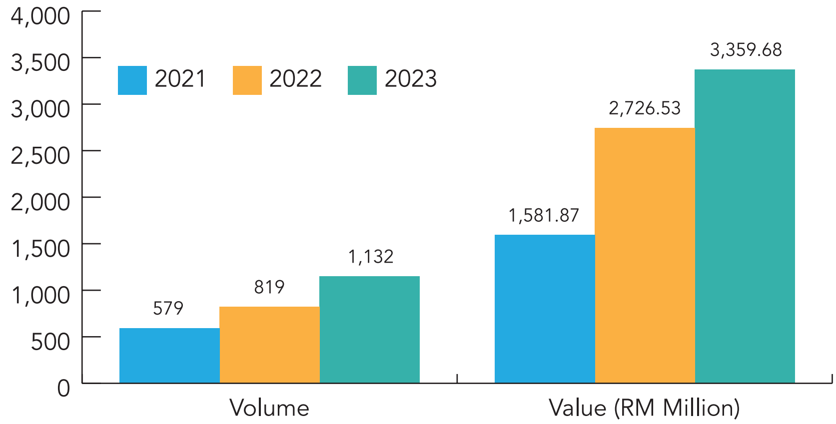
Johor's industrial sub-sector may have made a good return to the market with a promising run in the first nine months of 2022 alone. According to NAPIC's data, the industrial market recorded 819 units in transactions valued at RM2.73 billion from 579 units valued at RM1.58 billion in the period under observation. This represents a 41.5% and 72.4% increase in the volume and value of transactions respectively.

While the macro statistics seems impressive, bulk of the transactions were already completed in the beginning of the year in Q1 2022 with 303 units valued at RM1.14 billion. In Q3 2022, there were 290 transacted units valued at RM700.65 million.

Most transactions occurred in the state's capital of Johor Bahru with detached factories/warehouses ranked as the most popular property type.

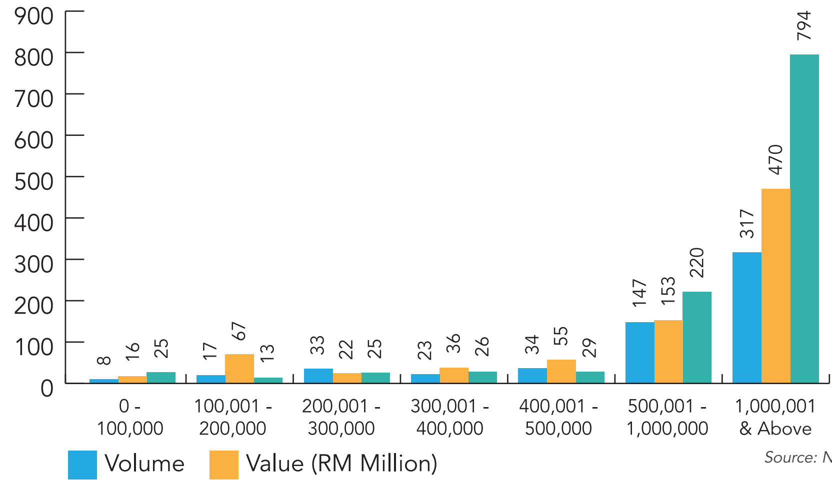
The increased transactional activities of 2022 is a positive backdrop going into 2023. Like most other sub-sectors and in most other states in Malaysia, Johor's industrial market is expected to be stable in 2023. This shall be a space to watch for investors interested to enter the Johor market.

Volume & Value of Industrial Transactions in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

Volume & Value of Industrial Transactions By Price Range in Johor (Q1 2021 to Q3 2023)



Source: NAPIC

PAHANG

In 2023, Pahang's property market remained soft yet stable, with pockets of growing activities across the different market segments. This comes on the back of a calm year with no exceptional occurrences throughout the last 12 months.

The softer market saw the volume and value of transactions declining by 14.0% and 11.7% respectively in the first nine months of 2023 against the same period last year.

Investors eyeing opportunities in 2024 in Pahang may take a look at the agricultural sector, particularly durian farming. Tourism is also another promising sector and Pahang is anticipated to benefit from increased flights owing to the open policies adopted since the abolishment of the quarantine measures imposed during the pandemic.

Another key component in Pahang is the upcoming Kuantan International Airport, part of the aerospace city project in Gebeng. It is projected to commence construction in 2024 and operational by 2026. This new airport will replace the current Sultan Haji Ahmad Shah Airport and is intended to function as an integrated national transit hub encompassing air, sea and land transportations.

Looking ahead, Pahang's property market is expected to be stable with slight increases in 2024.

Factors to Watch in 2024

- New KotaSAS township in Kuantan.
- High-rise properties in the tourism areas eg. Genting Highlands.
- Increased activities from the manufacturing and logistics industries.

Bright Spots in 2024

- KotaSAS in Bandar Baru Kuantan, spanning 2,000 acres, as Pahang's first and only master planned township.
- Genting View Resort and Genting Permai in Bentong, among the popular tourism destinations near Genting Highlands.
- East Coast Railway (ECRL) taking shape as construction begins.
- Commencement of Kuantan International Airport's construction in Gebeng.

Outlook for 2024

- Pahang's property market is anticipated to be stable with slight increases in 2024.
- Pahang's residential market is expected to be stable with some growth.
- There could be spillover of interest for Pahang's commercial market from the commencement of the mega projects.
- Pahang's retail market in 2024 is anticipated to remain stable and increasing.
- Pahang's hospitality market is expected to hold steady in 2024.
- Pahang's industrial market is anticipated to remain stable in 2024.

Residential Overview & Outlook

Pahang's residential market saw a decline in the volume and value of transactions in the first nine months of 2023 compared to the corresponding period in 2022. Both metrics dropped by about the same margins, at 15.6% and 15.5% in volume and value of transactions respectively.

In terms of pricing, NAPIC's data showed a significant uptake below the RM300,000 threshold, registering 73.0% of the total residential transactions for the first nine months of 2023. Out of these, properties priced in the RM200,001 to RM300,000 category with 2,097 units had 35 more transactions compared to the below RM100,000 category and 119 units more against the RM100,001 to RM200,000 category.

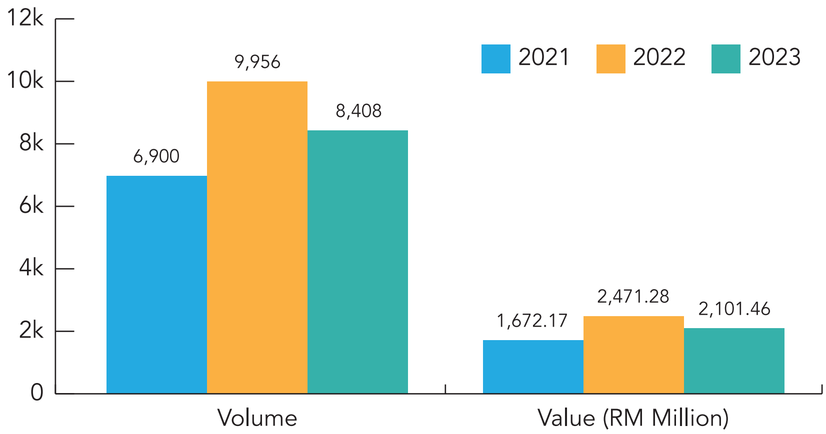
Market sentiments on the ground also showed that residential property buyers in Pahang in 2023 saw a preference for terraced houses within the RM100,000 to RM300,000 range, attributed mainly to affordability.

Pahang's first and only master planned township development covering more than 2,000 acres at KotaSAS in Bandar Baru Kuantan is expected to raise buying demand and the state's transaction data in 2024. Landmark projects such as this tend to have a spillover effect, resulting in more projects to be rolled out in adjacent areas or motivate developers to spruce up the surroundings with newer and more exciting concepts as seen in other states.

To spur transactions further, any introduction of incentives like those seen during the Home Ownership Campaign or state-led initiatives such as subsidies catering to a specific class of communities will certainly help increase market interest as well.

In terms of Pahang's overhang statistics, unsold inventory in the residential sector

Volume & Value of Residential Property Transactions in Pahang (Jan-Sep 2021 to 2023)



Source: NAPIC

saw a decrease from 673 units in Q1 to 619 units in Q2 2023.

The forecast for 2024 suggests a stable and growing market, especially in the affordable segment and terraced houses.

Commercial Overview & Outlook

Unlike the residential sector, Pahang's commercial market saw a slight increase in the volume of transactions, rising by 1.3% in the first nine months of 2023 against the same period last year. Transactional value however did not keep pace, declined instead by 2.3%.

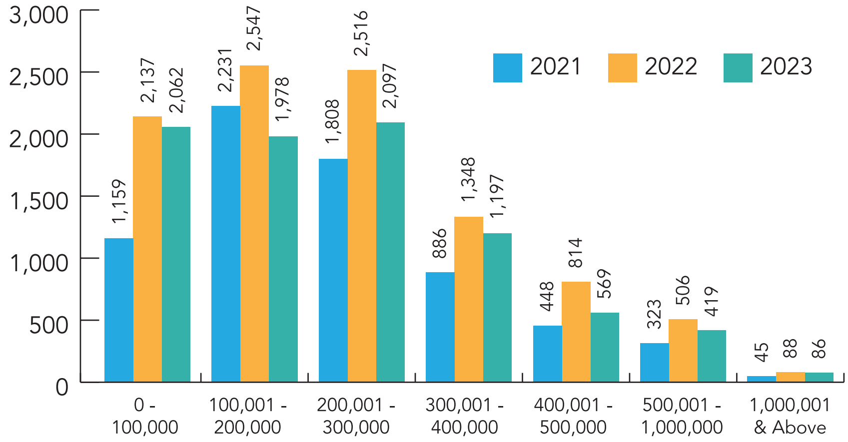
By pricing, interest was almost even between properties priced below and above the RM500,000 mark, at 47.7% against 52.3% of the total market transactions in the period under review. This explains the popular market sentiments in 2023 where terraced shop offices priced between RM600,000 to RM800,000 were the most talked-about among Pahang's commercial property buyers.

For the below RM500,000 categories, when analysed based on every RM100,000, less than 10 units separate each of the four categories from RM100,001 to RM500,000, indicating that properties in this range remained attractive to this segment of property buyers.

Over in the purpose-built offices (PBO) sub-sector, there was no change in the net lettable space, stagnating at 193,365 sq metres in the period under observation. Occupancy however increased from 142,510 sq metres (73.7%) in the first nine months of 2022 to 147,151 sq metres (76.1%) in the corresponding period in 2023. This may signal a return of confidence for the business sector as PBOs tend to attract a higher rental value than its counterparts at the shop offices.

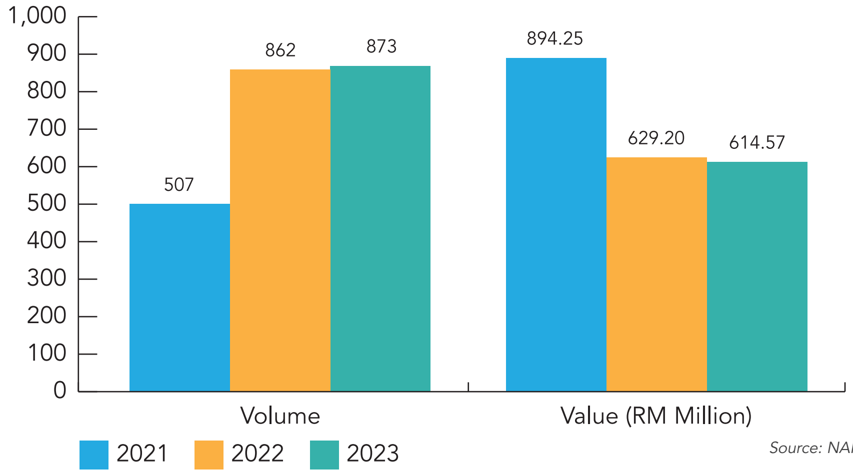
Significant infrastructure projects like the East Coast Railway (ECRL) and the initiation of construction for the Kuantan International Airport in Gebeng in 2024 may also have contributed to the rise in PBO's occupancy. Mega projects such as these are anticipated to induce more activities in the property market in Pahang. As such, Pahang's commercial market may enjoy a spillover of interest from potential investors involved in these projects.

Volume of Residential Property Transactions by Price Range in Pahang (Jan-Sep 2021-2023)



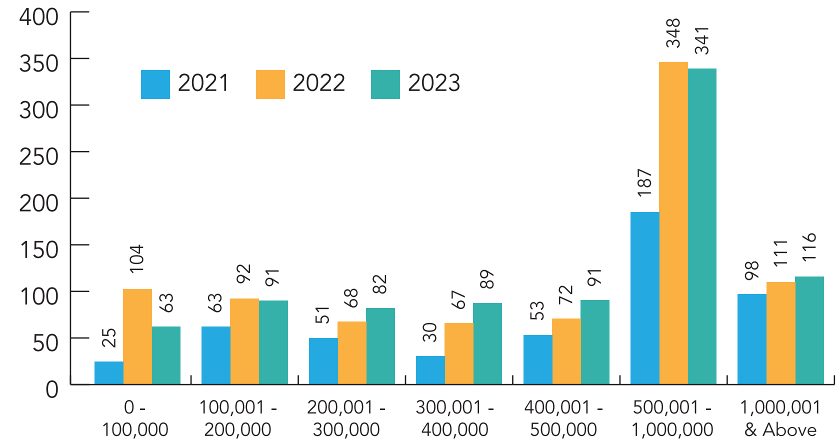
Source: NAPIC

Volume & Value of Commercial Property Transactions in Pahang (Jan-Sep 2021 to 2023)

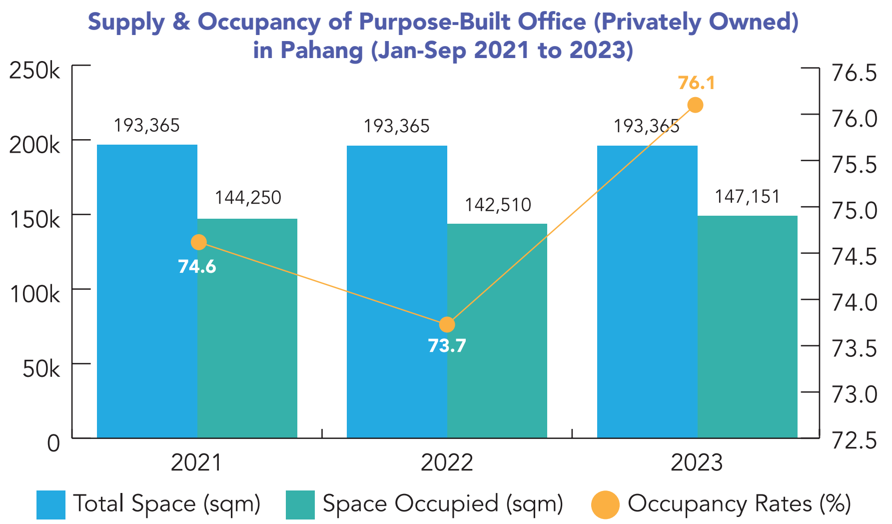


Source: NAPIC

Volume of Commercial Property Transactions by Price Range in Pahang (Jan-Sep 2021-2023)



Source: NAPIC



Source: NAPIC

Retail Overview & Outlook

According to NAPIC's data as at 3Q 2023, Pahang had 44 malls in the state, no change from the same period last year. However, total net lettable area for retail increased by 2.4% to reach 459,105 sq metres. Occupancy also increased from 70.8% to 74.7%.

Further scrutiny of the data revealed that the total nett floor area expansion occurred in Kuantan and Bentong with the state's capital city of Kuantan commanding a lion share of 76.0% while Bentong contributed the balance 24.0%. This suggests that the increased nett floor space occurred in premises that were not part of an existing or new mall although they were officially designated for retail use.

In 2023, budget stores like 99 Speedmart and Mr. DIY were more prevalent in Pahang. Alongside this growth, the market also saw a rise in SME-sized ventures such as convenience stores and franchise shops.

The emergence of new high rise properties in the tourism areas in Pahang such as around the vicinity of Genting Highlands is likely to attract more visitors into the state and thereby increase business volumes and other related opportunities for the retail and hospitality markets.

Moving forward, Pahang's retail market in 2024 is anticipated to remain stable with the potential to increase, particularly in the budget stores segment.

Hospitality Overview & Outlook

According to news reports in November 2023, Pahang achieved the Highest Average Occupancy Rates of Hotels of 73% in Malaysia during the first half of 2023 with the closest second place a distance away with 57.3% for Kuala Lumpur.

Pahang's State Unity, Tourism and Culture Committee chairman Leong Yu Man credited the positive performance to the state's appeal as a tourism destination. Districts like Bentong, Kuantan, Cameron Highlands, Temerloh and Rompin experienced significant tourist influx, with attractions like Genting Highlands, Cameron Highlands, Pulau Tioman, and Kuantan contributing to the rising numbers.

As of September 2023, Pahang had already welcomed 9.04 million visitors made up of domestic and foreign travellers. The strong showing has since boosted the state's confidence to record 13 million tourists for the full year of 2023.

The encouraging wave is likely to continue into 2024 with the festive moods still in the air at least until February due to Chinese New Year if not until the Hari Raya Aidilfitri holidays slated for April 2024.

Barring any untoward incidents that may curtail this positive trajectory, Pahang's hospitality market in this regard should continue to hold steady in the new year of 2024.

Industrial Overview & Outlook

Pahang's industrial property market saw a decline in interest in terms of volume of transactions, dropping by 28.1% in the first nine months of 2023 compared to the same period in the previous year. Value of transactions however rose significantly by 237.8%. The dramatic increase is attributed to 22 units of industrial vacant plots in Q2 and Q3 in Kuantan. Breaking this down, 16 vacant plots exchanged hands in Q2 at RM229.2 million while the 6 units in Q3 fetched RM94.2 million; reaching a total of RM323.4 million or 80.3% of the total transaction value for the period.

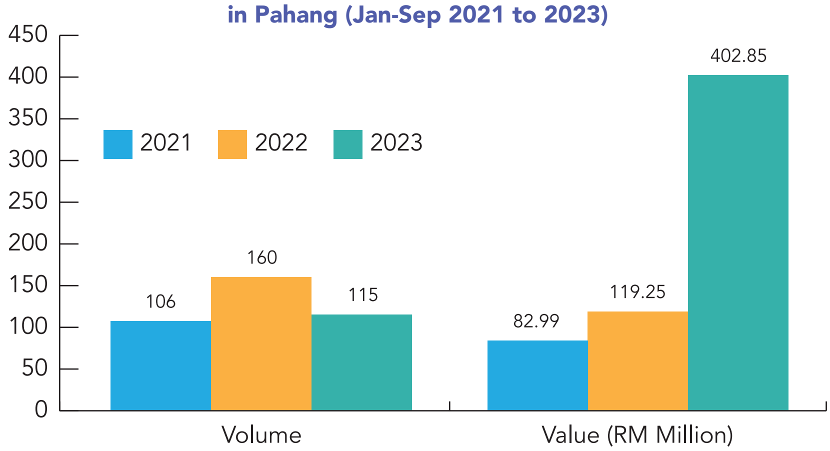
With the exception of the RM100,001 to RM300,000 category, all the rest of the price points registered some interest in Pahang's industrial market in the first nine months of 2023. Worth noting is that at the two extremes ie. below RM100,000 and above RM1 million, there were almost similar numbers of transactions, at 25 and 24 units respectively. In fact, with 25 units transacted, it stood out as the category with the highest number of transactions for Pahang's industrial sector in the period under observation. Nevertheless, a bulk of the transactions came from RM300,001 to RM1 million with 60 transactions, contributing 52.2% of all industrial transactions.

NAPIC's statistics for properties priced above RM1 million reflects sentiments on the ground where semi-detached or detached factories within the price range of RM1 million to RM2 million were most talked-about and favoured by buyers in Pahang, especially among SMEs like the logistic companies.

Key developments such as the commencement of the East Coast Railway (ECRL) construction will also add to Pahang's manufacturing and logistics sectors. As a consequence, this will raise Pahang's profile as a manufacturing and logistics hub on the east coast of Peninsular Malaysia.

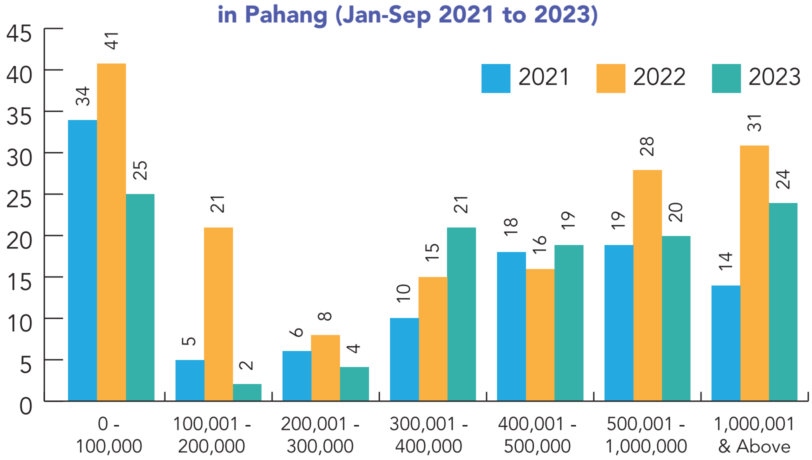
Pahang's industrial market is anticipated to remain stable in 2024.

Volume & Value of Industrial Property Transactions in Pahang (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions by Price Range in Pahang (Jan-Sep 2021 to 2023)



Source: NAPIC

TERENGGANU

Terengganu's property market took a slight dip in the volume of transactions but held steady in its value of transactions in the first nine months of 2023 compared to the corresponding period last year. Volume of transactions slid by 2.8% whereas value of transactions inched up slightly by 0.1%.

Catalysts provided from the Madani Government's national plans like the 12th Malaysia Plan Mid-Term Review, National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030) and measures announced in the Budget 2024, are not expected to contribute in a big way to Terengganu's economy in 2024 as these policies are still in the early stages of implementation. While the long-term effects of these policies are promising, their immediate influence on the property market might be gradual and less pronounced in the coming year.

In Terengganu, investors may pay closer attention to the revival of the tourism industry as it's poised to significantly contribute to the state's income in 2024. However, amidst global uncertainties including geopolitical tensions, supply-chain disruptions and a potential global recession, they could form the biggest challenge for Terengganu's property market in the new year. To navigate these uncertainties, property market participants should adopt a cautious approach in managing their businesses and investments throughout the year.

Overall, Terengganu's property market in 2024 is anticipated to remain stable, with selected sectors such as tourism and the landed residential sub-sector showing promising signs of improvement.

Residential Overview & Outlook

Terengganu's residential market dropped slightly over the course of the first nine months of 2023 compared to the same period in 2022. Volume of transactions declined by 0.3% while the value of transactions slipped 0.8%.

According to NAPIC, Terengganu's property buyers favoured the below RM100,000 price tag, commanding 60.2% of the total market share with 7,633 units transacted in the period under observation and 97 units less than the same period in 2022. Statistics for the past two years also showed the same category contributing the largest number of transactions to Terengganu's housing market.

Performance of other pricing brackets were somewhat similar for the period under observation between 2022 and 2023. Interestingly, there were 1,135 transactions for both periods in the RM200,001 to RM300,000 category. This goes to show that Terengganu's residential property market has achieved some form of stability across the two periods.

Market sentiments have displayed a favour for the detached residential plots in 2023, especially Malay Reserved properties priced between RM100,000 to RM150,000 per plot. These properties were readily available in the market

Factors to Watch in 2024

- Terengganu's retail sector will consolidate further with new supply coming on stream such as the Mayang Mall.
- In anticipation of a better infrastructure for all 28 industrial areas as announced in Terengganu's State Budget 2024.

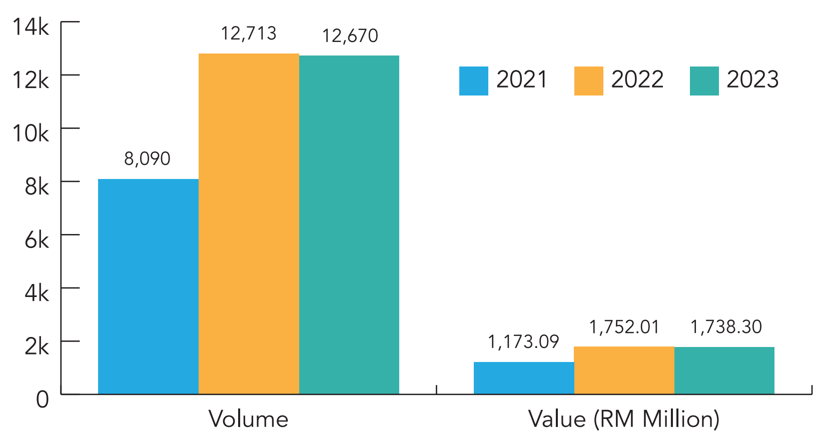
Bright Spots in 2024

- Terengganu's tourism industry will see improvement after the announcement of the 30 days visa waiver for tourists from China & India in 2024.
- Demand for the industrial sector is expected to increase with the ongoing construction of the ECRL (East Coast Rail Link).

Outlook for 2024

- Terengganu's property market in 2024 is anticipated to remain stable.
- Terengganu's residential market is anticipated to remain stable.
- Terengganu's hospitality sector is anticipated to further improve in 2024.
- Terengganu's industrial market is predicted to experience a heightened demand driven primarily by the ECRL project.

Volume & Value of Residential Property Transactions in Terengganu (Jan-Sep 2021 to 2023)



Source: NAPIC

and often perceived as affordable, contributing to their high transaction rates.

In terms of new launches, there might be a cautious approach in 2024 due to the looming global recession. As such, developers are expected to adopt a "wait and see" stance before introducing new projects. Incentives could however play a pivotal role in stimulating the market with measures such as reducing compliance costs, lowering conversion premiums and allowing higher building density for homes; all of which could incentivise developers and potentially boost market activity despite the economic uncertainties.

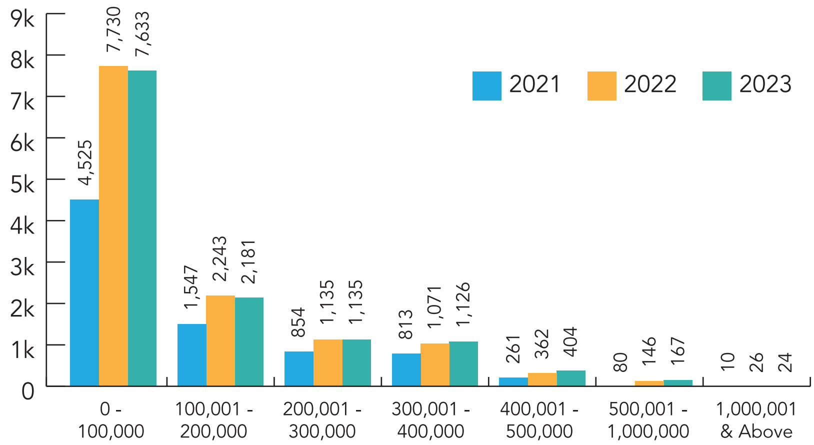
Developers' cautious approach may however also work positively in the overhang statistics as a more tapered launch scenario could mean preventing a significant rise in unsold units from happening in 2024. Therefore, it's projected that Terengganu's overhang status will remain relatively steady in 2024.

In terms of foreigners residing or investing in Terengganu, there was a declining trend recently due to the uncertainties in government policies from the previous administration. This has led many foreigners to move out of the state between 2022 and 2023. The positive turn of the newly revised Malaysia My 2nd Home (MM2H) conditions may however reinstill some interest back among the foreigners but time will tell if the new format is as welcoming as anticipated.

In Terengganu, Kuala Ibai stands out as a favoured location for foreigners to live in due to its proximity to the Green Acres Golf Course and the open title afforded to the properties.

Looking ahead to 2024, the residential market in Terengganu is anticipated to remain stable with improvements in prices, particularly within the landed residential sub-sector.

Volume of Residential Property Transactions by Price Range in Terengganu (Jan-Sep 2021-2023)



Source: NAPIC

Commercial Overview & Outlook

Movement in Terengganu's commercial market continued inching up, registering 6.3% in volume and a larger 38.8% increase in value of transactions. Interestingly, based on NAPIC's data, 19 transactions contributed a significant amount to the value of transactions, namely 3 vacant plots worth RM12.7 million and 16 units of 3- to 3½-storey shops worth RM14.2 million, all of which took place in the oil & gas district of Kemaman.

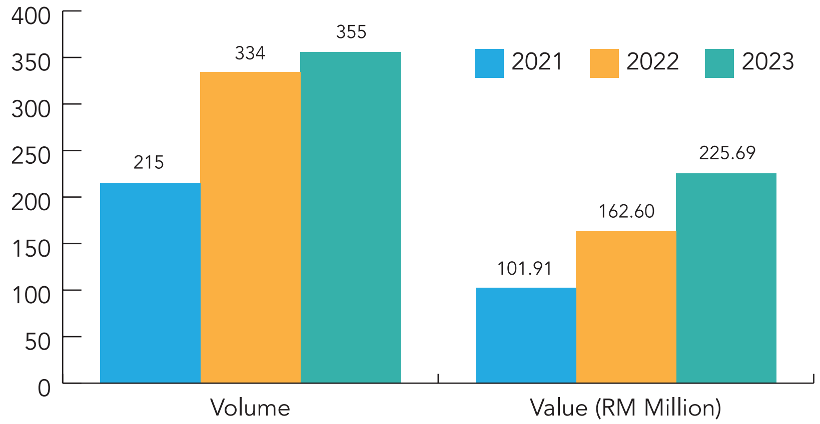
By pricing, commercial properties priced below RM200,000 had the most transactions with 134 units exchanging hands. This is followed by the RM500,001 to RM1 million category with 85 units transacted.

Most pricing categories saw a decline in the volume of transactions except for the RM100,001 to RM200,000 and RM400,001 to RM500,000 categories which went up compared to the same period in the previous year. The RM1 million and above segment held steady with 37 units transacted each year.

Sentiments of typical investors in Terengganu however favoured traditional shop houses and shop offices in 2023, especially those between RM1.2 million to RM1.5 million.

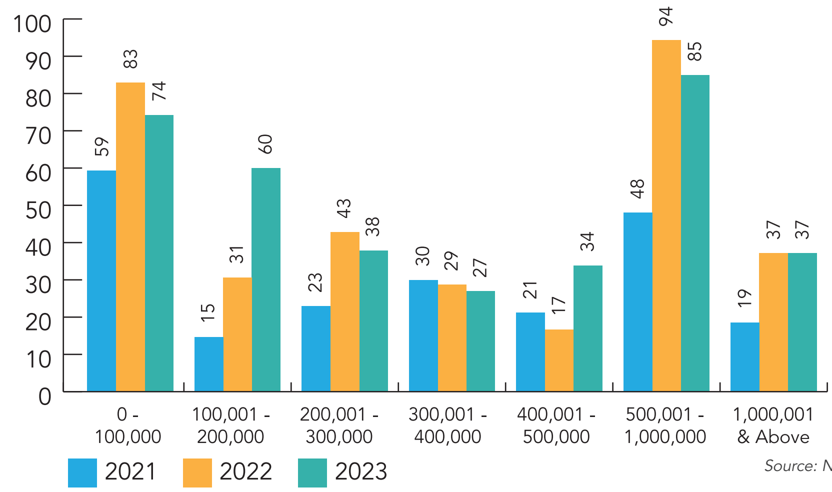
In terms of purpose-built offices (PBO), occupancy rate stood at 95% across the 125 premises with about 436,947 sq metres. It is however anticipated that the PBO market in Terengganu will consolidate in 2024 owing to no significant new supply coming on stream, thereby potentially maintaining its strong occupancy rates and stability.

Volume & Value of Commercial Property Transactions in Terengganu (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Commercial Property Transactions by Price Range in Terengganu (Jan-Sep 2021-2023)



Source: NAPIC

Retail Overview & Outlook

In Terengganu, there has been a noticeable trend of low-cost shopping establishments, similar to Eco-Shops proliferating throughout the state in 2023. This mirrors the emergence of budget-conscious stores seen in other areas and states, catering to cost-conscious consumers.

One significant occurrence in Terengganu's retail market in 2023 was the shift in shopping preferences towards shopping complexes following the opening of KTCC (Kuala Terengganu City Centre) Mall. This indicated a move away from traditional shopping venues favouring modern shopping complexes over emporiums and supermarkets.

Moving forward to 2024, Terengganu's retail property market is expected to experience positive changes, particularly with the introduction of new retail spaces such as Mayang Mall. The addition of these new retail spaces is anticipated to unlock capital values and rental levels within the market, potentially contributing to a more balanced and competitive retail landscape.

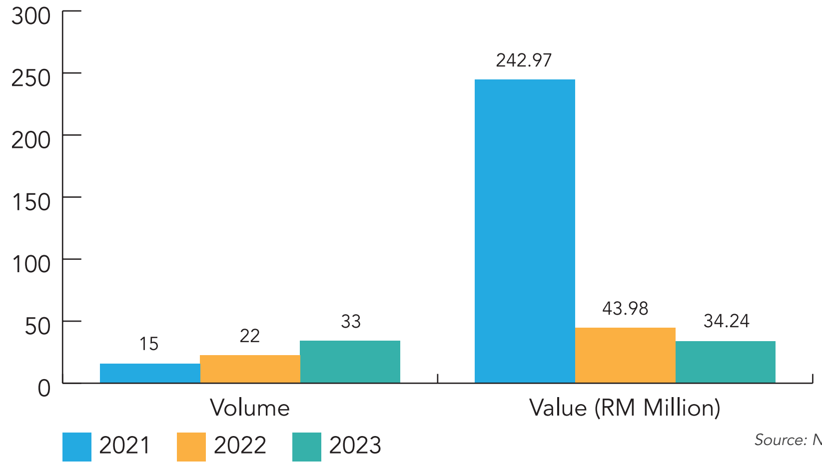
Hospitality Overview & Outlook

In 2023, the hospitality property sub-sector in Terengganu witnessed a notable surge, displaying remarkable improvement with a 30% increase in tourists arrivals compared to 2022. This is consistent with effects of a post-pandemic reopening which showcases a robust recovery in domestic travel across the country.

However, amidst these positive trends, there were concerns about a recent statement from the State Tourism Exco regarding attire regulations for local Muslim tourists visiting Terengganu's pristine islands. This announcement raised apprehensions about the potential impact it will have on domestic tourists.

Terengganu's hospitality sector is however anticipated to further improve in 2024, especially with the introduction of a 30-day visa-free entry for tourists from China and India from 1 December 2023 to 31 December 2024. This initiative is expected to significantly bolster tourist arrivals and contribute to the continued growth and positive performance of the hospitality sector in Terengganu.

Volume & Value of Industrial Property Transactions in Terengganu (Jan-Sep 2021-2023)



Source: NAPIC

Industrial Overview & Outlook

Terengganu's industrial market experienced a 50% increase in the volume of transactions but its value of transactions dropped by 22.1% in the first nine months of 2023 compared to the corresponding period in the previous year. This could be attributed to the better price points extended by the sellers to the buyers in a market where recovery was interspersed with revival and "back to normal."

Appetite for industrial properties in Terengganu in the period under review is balanced between the below RM300,000 and above RM1 million categories with 13 units against 12 units respectively.

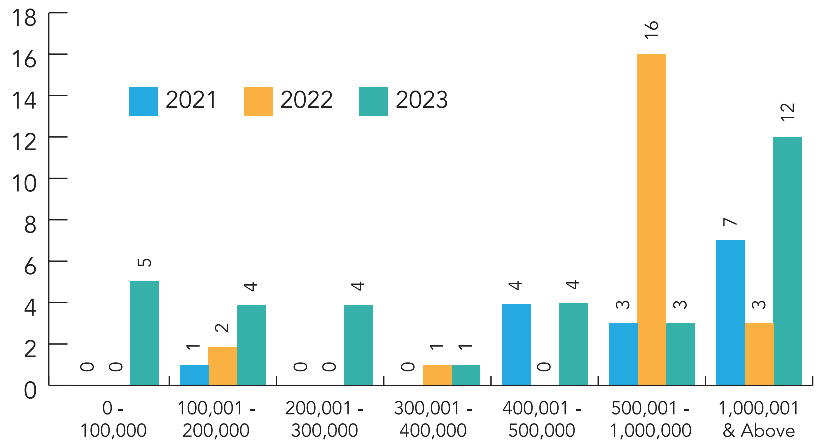
It is however interesting to note that there were three pricing brackets that bounced from zero transactions in the first nine months of 2022 to register some transactions in the same period in 2023, namely the below RM100,000 category with 5 transactions, and the RM200,001 to RM300,000 and the RM400,001 to RM500,000 categories with 4 transactions each. This is indicative of a resurgence of the state's industrial property market where developers were more ready to sample a variety of pricing models to match the affordability of property buyers.

Market sentiments revealed that single-storey factories priced between RM2 million to RM3 million were well received by the buyers in 2023. These were particularly sought after by small companies utilising them for their SME businesses.

In terms of market movement, the establishment of Terengganu Silica Consortium Sdn Bhd focusing on the production of high-grade silica products was one of the most high profile news in Terengganu in 2023. The new setup involves RM500 million of investment and 1,000 hectares of land in Marang.

Another good news stems from the ongoing ECRL project which is anticipated to raise demand for Terengganu's industrial properties and lead to an increase in industrial growth as well as spurring more activities in the industrial sector. In other words, ECRL is expected to play a more substantial role in shaping Terengganu's industrial market in 2024.

Volume of Industrial Property Transactions by Price Range in Terengganu (Jan-Sep 2021-2023)



Source: NAPIC

KELANTAN

Kelantan's property market in 2023 experienced a general slowdown across all sectors, namely residential, hospitality and industrial. The deceleration was primarily attributed to the uncertain economic and political conditions in the country as well as the absence of contingency measures from the state government, which further compounded the sluggish performance of the state's property market.

According to NAPIC, Kelantan's overall volume of property transactions dropped by 12.87% while value of transactions declined by 3.41% in the first nine months of 2023 compared to the same period in 2022. This brought the total volume of transactions down to 9,671 units worth RM1.4 billion.

Although there were optimism surrounding the Madani Government's national programmes like the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030) including the 12th Malaysia Plan Mid-Term Review, the nascent stages the programmes are in do not lend enough weight to Kelantan's economy or at least, its impact may not be as immediately pronounced in 2024.

As an economic destination however, Kelantan holds potential in several key industries. Firstly, tourism. This is due to Kelantan's strategic location which connects inbound tourists via land from the north at Pekan Rantau Panjang into Peninsular Malaysia. This in and by itself could spur growth opportunities in the tourism sector for Kelantan.

Another potentially viable opportunity is credited to the relatively low acquisition costs of land in Kelantan. This could position the agricultural sector as a potential investment segment for investors looking at Kelantan.

In 2024 and like most other states in Malaysia, Kelantan's property market will not escape the pressures from external factors such as the geopolitical tensions, global economic uncertainties and supply-chain disruptions. These could collectively impact investor confidence, financing availability and overall market stability. Property market participants in that regard should also adopt a more cautious and responsible approach when investing in Kelantan.

Looking ahead to 2024, Kelantan's property market is poised to remain stable, with the potential for incremental growth in selected sectors such as tourism and landed residential properties.

Factors to Watch in 2024

- The allocation of only RM46.36 million (29.02%) in Kelantan's development expenditure under the State Budget 2024 appears insufficient to catalyse substantial growth across all real estate market sectors.
- The increased loan interest rates and the escalating prices for all residential types, attributed also to the heightened labour and material costs, will contract demand for the residential sector whether in the landed or stratified high-rise properties.
- The arrival of domestic and foreign tourists alike will continue to increase when the Sultan Ismail Petra Airport expansion is fully completed and commences operations in 2024.
- Kelantan's industrial sector will consolidate further with new supply coming on stream such as in Tok Bali, Pasir Puteh and in Kampung Joh of Machang.

Bright Spots in 2024

- The performance of all real estate sectors, especially in the residential and industrial sectors, is expected to improve in 2024 with the ongoing construction of the East Coast Rail Line (ECRL), the Rantau Panjang-Golok Phase 2 flood mitigation project and the Central Spine Road (CSR).
- The launch of Visit Kelantan Year 2024 will hopefully contribute to a rise in domestic and international tourists arrivals and to the related business activities.
- Tourism will return as a major income contributor to Kelantan.

Outlook for 2024

- Kelantan's property market is forecasted to be stable with potential in landed residential properties and tourism.
- The residential market is anticipated to remain stable with price improvements in landed properties.
- Kelantan's retail property market is anticipated to be stable in 2024.
- Visit Kelantan Year 2024 has injected optimism for the hospitality sector in the state and is expected to raise business activities in related real estate sub-sectors, chiefly hospitality.
- Demand for Kelantan's industrial sector is expected to increase due to the ongoing construction of the Central Spine Road (CSR) and the East Coast Rail Link (ECRL).

Residential Overview & Outlook

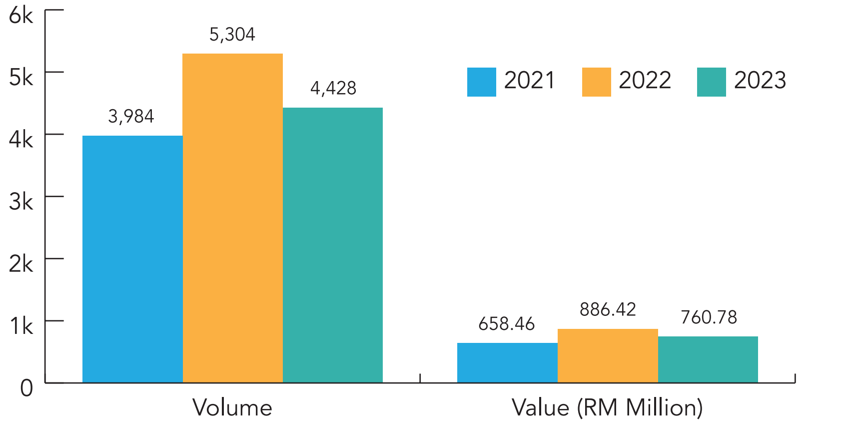
In the residential market, Kelantan's drop in performance was almost consistent between the volume and value of transactions in the period under review. By volume, it registered a 16.5% decline whereas in the value of transactions, the drop was 14.2%.

Consistent with the previous years, residential units below RM100,000 were the most sought-after with a lion's share of the market ie. 46.4% or 2,055 units. This is followed by the RM100,001 to RM200,00 (21.3%; 941 units) and RM200,001 to RM300,000 (14.0%; 621 units) categories.

Interestingly, there were almost a similar number of units transacted in the lower threshold of below RM100,000 against the RM100,001 to RM400,000 price bracket, spotting a difference of only 13 units. This margin of difference was however more pronounced in the same period last year against that of 2021 with 266 units separating them. This could mean the propensity to purchase higher priced homes in Kelantan have escalated as the economy recovers post-pandemic.

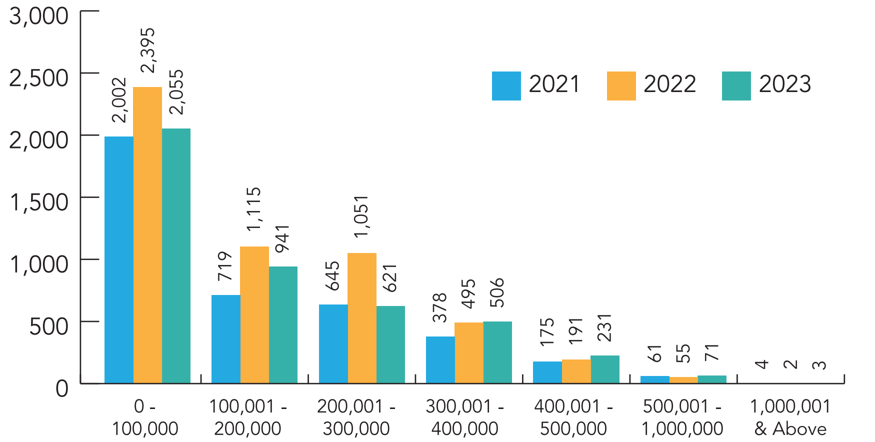
In 2023, sentiments on the ground displayed an affinity for detached residential plots valued between RM100,000 to RM200,000 per plot. The appeal stems from the liberty to construct homes to the buyers' desires and not limited by developer's designs and layouts.

Volume & Value of Residential Property Transactions in Kelantan (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Property Transactions by Price Range in Kelantan (Jan-Sep 2021-2023)



Source: NAPIC

In 2024, it is anticipated that the prevailing economic conditions and political uncertainties might deter significant new developments from being launched into the market. As such, developers are expected to adopt a more cautious stance, opting instead for the prudent wait-and-see approach in the coming year. This is also expected to contain the overhang statistics from escalating in 2024.

To stimulate the housing market, the willingness of the State Government to introduce or roll out purposeful incentives could be pivotal and these may include reducing the premium for conversions, extending offers to non-local buyers, streamlining the approval processes and reducing compliance costs.

Driven predominantly by local citizens and stifled also by the strict regulations surrounding property ownership by foreigners as well as the lacklustre returns, demand for real estate among non-Malaysians in Kelantan is considerably low. As such, the newly formatted Malaysia My 2nd Home (MM2H) programme announced in December 2023 is unlikely to significantly contribute to Kelantan's residential market.

Moving forward, Kelantan's residential market in 2024 is anticipated to remain stable with price improvements in the landed sub-sector.

Commercial Overview & Outlook

Over in the commercial sector, performance bucked the overall trend with a higher number of transactions and an even higher value of transactions in the period under observation.

The first nine months of 2023 witnessed 21.1% and 139.8% rise in volume and value of transactions respectively compared to the same period in 2022. The steep increase in the value of transactions is attributed to the sale of a shopping complex located in Kota Bharu worth RM165 million in Q3 2023.

Like the residential market, Kelantan's commercial properties also attracted the highest number of buyers in the RM100,001 to RM400,000 category with 37.8% transacted, followed by the RM100,000 and below (26.0%) and RM500,001 to RM1 million (23.3%) price brackets.

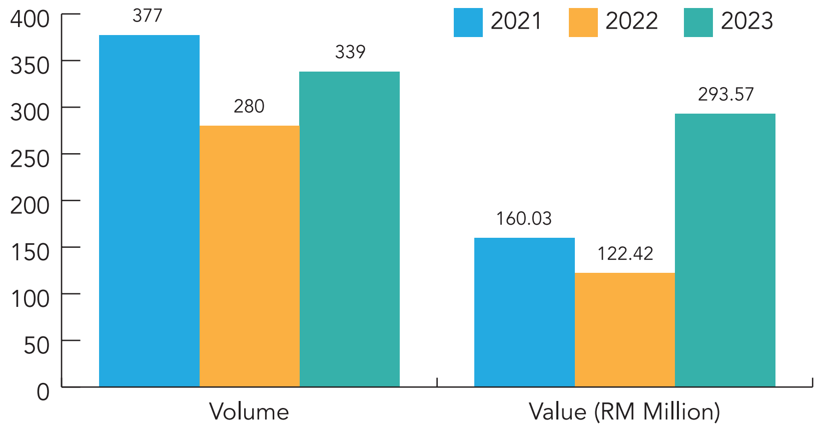
Traditional shophouses and shop offices, typically 2 or 3 storeys spanning RM800,000 to RM1.3 million, have shown itself to be a hot topic among property buyers and investors although more data is needed to fully substantiate this sentiment.

In the purpose-built offices (PBO) sub-sector, Kelantan has 289 of such offices, contributing approximately 173,043 sq metres in floor area, with an occupancy rate of around 87.1% in the first nine months of 2023. This signifies a relatively stable occupancy level with an uptick of 0.2% compared to the same period in 2022.

Interest surrounding Kelantan's PBO sector is expected to continue to be the same from 2023 to 2024 as the commercial property buyers in the state seem to be more inclined towards traditional shop offices.

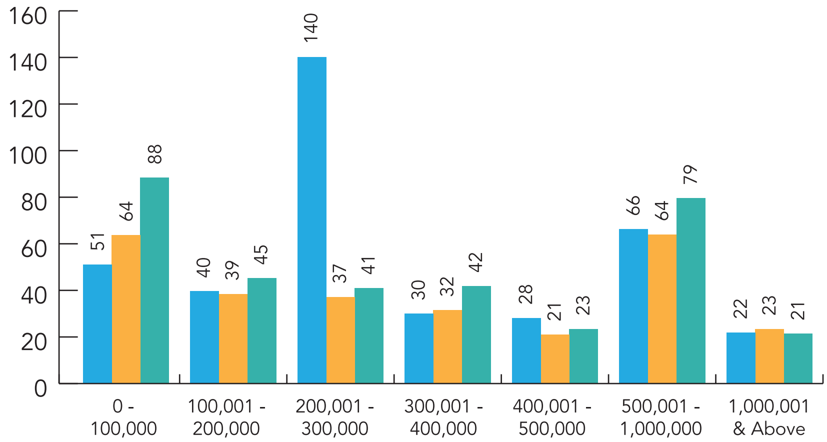
As to the influence from major national plans like the 12th Malaysia Plan Mid-Term Review, NETR, NIMP 2030 and Budget 2024, it appears that these initiatives might contribute only a minimal impact to Kelantan's commercial property sector in 2024.

Volume & Value of Commercial Property Transactions in Kelantan (Jan-Sep 2021 to 2023)



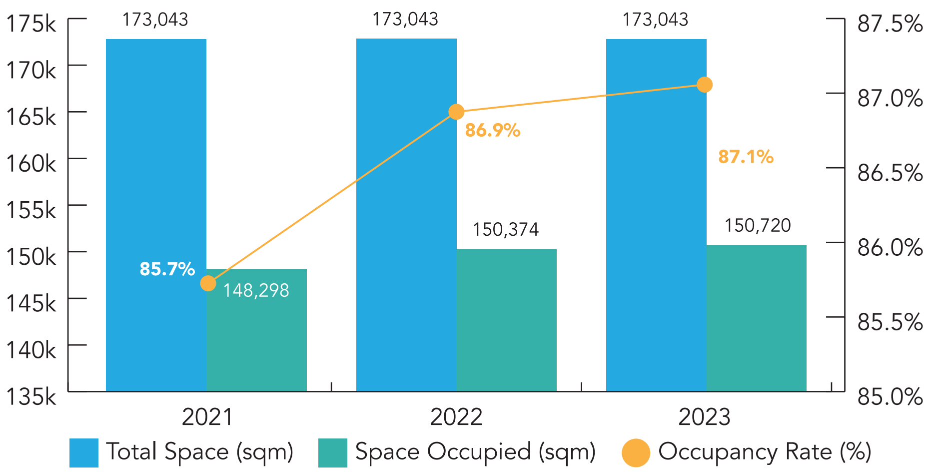
Source: NAPIC

Volume of Commercial Property Transactions By Price Range in Kelantan (Jan-Sep 2021 to 2023)



Source: NAPIC

Supply & Occupancy of Purpose-Built Office (Privately Owned) in Kelantan (Jan-Sep 2021 to 2023)



Source: NAPIC

Retail Overview & Outlook

In 2023, there was a notable dominance of low-cost shops such as the Eco Shops in Kelantan. These budget-conscious stores featured prominently in Kelantan's retail market, presumably catering to consumers favouring more affordable options.

There was however a shift of consumer preference towards shopping malls over traditional avenues like emporiums and supermarkets in Kelantan. This is attributed to the presence of modern shopping complexes like KB Mall, AEON Mall and Mydin Mall. These modern retail premises have altered consumer tastes in the state as they gravitate towards the experiential factor of shopping in a purpose-built retail environment like those in the major cities such as Kuala Lumpur, Penang and Johor Bahru.

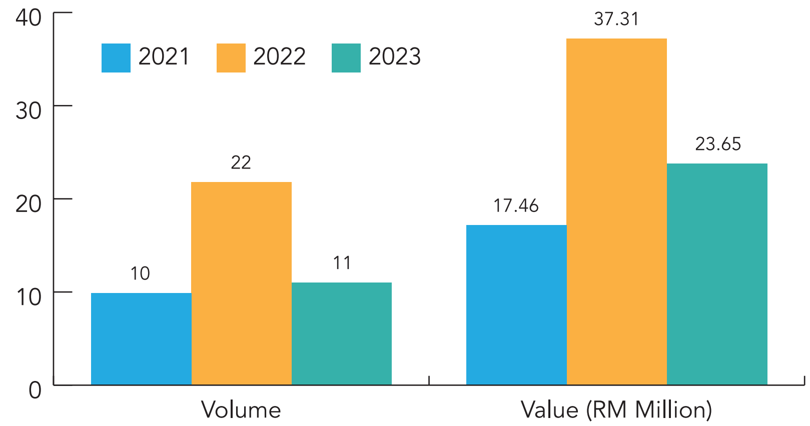
In 2024, Kelantan's retail property market is anticipated to be stable in terms of its supply, demand, rental rates and occupancy rates. This pattern is consistent with market movements in the previous years, indicating a continuation of prevailing market dynamics without significant fluctuations or drastic transformative impact in the near term.

Hospitality Overview & Outlook

Kelantan's hospitality property sub-sector in 2023 experienced encouraging improvements, marked by a noteworthy 20% increase in tourist arrivals compared to 2022. The organic growth without any interventions of promotions or programmes at the state level speaks volumes of Kelantan's intrinsic tourism value.

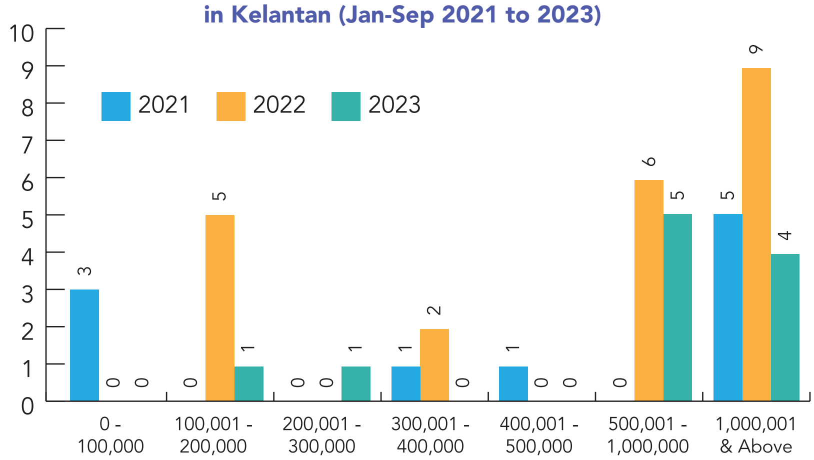
With the launch of Visit Kelantan Year 2024, there are now optimistic expectations for the state's hospitality sub-sector. Already with promotions and programmes all lined up for the new year, including the 30-day visa free privilege extended to tourists from China and India from 1 December 2023 to 31 December 2024, Kelantan's hospitality industry is anticipating a brighter year with growth potential in 2024. This positive outlook is underpinned by expectations of more tourists and further stimulation in hospitality-related businesses.

Volume & Value of Industrial Property Transactions in Kelantan (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions By Price Range in Kelantan (Jan-Sep 2021 to 2023)



Source: NAPIC

Industrial Overview & Outlook

Like the residential market, Kelantan's industrial sector experienced a decline in transactional volume and value in the first nine months of 2023 against the same period in 2022. Volume slid by half while value declined by 36.6%.

Industrial transactions in Kelantan mostly concentrated in the higher price brackets in 2023 with 5 units in the RM500,001 to RM1 million and 4 units in the above RM1 million categories.

The drop in transaction volume was however most significant in the RM100,001 to RM200,000 category, declining by 80.0% from 5 units last year to only 1 unit this year. The slide at the above RM1 million category was next, dropping by 55.6% from 9 units to 4 units.

Kelantan's industrial property market saw a significant interest in single-storey detached factories priced between RM2 million to RM4 million, primarily for the SMEs in the industrial sector due to the affordability and suitability factors.

The State Government's initiative to continue the Tok Bali Industrial Park project and to develop six industrial clusters - Jeli River (130 acres), Batu Mengkebang (79 acres), Kuala Nal (365 acres), Labok (200 acres), Tanah Merah (170 acres) and Senak (74 acres) - to boost entrepreneurship and industrial growth is a commendable effort. Nevertheless, the national plans of the NETR and NIMP 2030 are anticipated to only contribute a minimal impact to the state in 2024 given its nascent stage.

In 2024, demand for industrial properties in Kelantan is expected to increase due to the ongoing construction of the Central Spine Road (CSR) and the East Coast Rail Link (ECRL). A positive trajectory as such beckons for Kelantan's industrial property market.

SABAH

Sabah's property market has generally been stable despite a slight drop in performance in the first nine months of 2023 compared to the same period last year. Both the volume and value of transactions declined by 10.5% and 13.0% respectively but remained above the corresponding period in 2021.

Demand in the residential market has generally been about the same with the existing completed unsold developments experiencing moderate take-up rates to ease the overhang inventory. The sub-sale market remained active, supported by good demand for properties at good locations that are reasonably priced.

Property prices continue to increase moderately in 2023 with the prime and sought-after units enjoying higher capital appreciation than properties in other categories.

Commercially, business activities and domestic consumption in general have picked up since the pandemic, increasing demand for both rental properties and property purchases for shops in good retail locations. There was also continuously high demand for industrial properties, shop offices and development lands in strategic locations. This has induced a "cautiously optimistic" sentiment in Sabah's property market.

In terms of new launches, there has been a notable reduction in 2023 especially in the highrises compared to the previous years. This came on the back of a voluminous existing and incoming supply of highrises (condominium) in Kota Kinabalu including an extensive number of stock to be completed in the next few years. The increased supply will see most developments taking a longer time for the properties to be fully absorbed by the market.

In addition to the above, several large scale projects or joint ventures announced in the last few years are still yet to take off such as the RM7 billion Lok Kawi Meruntum mixed development, Tanjung Aru Eco Development and the RM1 billion The Cove (a joint venture project with Menara Sabah Ports Authority). As such, developers are mostly adopting a "wait and see approach."

In Sabah, the state government has been focused on the "Sabah Maju Jaya" (SMJ) roadmap launched by the Chief Minister Datuk Seri Hajiji Mohd Noor aimed at boosting economic growth through foreign and domestic investments. The State government has been actively courting foreign investors to invest into Sabah and among the few current large scale investments include:

- The ongoing construction of a solar glass panel manufacturing plant by Kibing Group in Kota Kinabalu Industrial Park as well as silica sand mining and a silica sand processing plant in Sikuati Kudat with an investment value of RM2 billion;
- The ongoing copper foil manufacturing plant construction project worth RM4.2 billion in Kota Kinabalu Industrial Park (KKIP) by SK Nexilis of South Korea. SK Nexilis has also entered into a joint venture with Malaysian firm LS EVC to invest RM300 million to produce 50,000 to 56,000 tonnes of copper granules, a vital raw material for SK Nexilis' copper foil manufacturing plant.
- The state of Sabah, through its wholly-owned company SMJ Sdn Bhd (SMJSB), and Petronas Chemicals Group Bhd (PCG) have signed a Share Purchase Agreement (SPA) for the acquisition of 25% equity interest in Petronas Chemicals Fertiliser Sabah Sdn Bhd (PC FSSB) for a value of RM1.2 billion.

Factors to Watch in 2024
- Increased domestic consumption.
- Improvement in the tourism industry.
- Ongoing and new implementation of high impact investment projects.
- State revenue from the oil & gas and palm oil commodities sectors.
- Quality and improvement of infrastructure ie. electricity, water & roads.

Bright Spots in 2024
- Businesses have generally improved and spending in the state has increased with higher footfalls in most commercial areas resulting in positive spillover to the rental market.
- The number of inbound tourists have notably increased in Sabah since the pandemic and is projected to further improve in line with the industry's recovery.
- The ongoing Pan Borneo Highway project, foreign investment projects ie. Kibing, SK Nexilis, the proposed RM4bil hydroelectric dam in Tenom are all projected to contribute to the economy and job creation in the state.
- Sabah's state revenue stood at RM6.96bil in 2022 but one of the main factors affecting the state's economic strength and revenue are commodity prices. As such, for 2023, although there was a decrease in the crude oil & crude palm oil prices, the estimated revenue for the year is expected to be about RM6.419bil.
- Many places in Sabah ie. Kota Kinabalu, Penampang, Sandakan, have been suffering from poor infrastructure such as power and water shortages in 2023. This has affected living conditions and property value as a whole with road conditions continuing to be poor in some areas. The government has committed to solve these issues and when rectified, would elevate property investment sentiments in Sabah.

Outlook for 2024
- Sabah's property market is projected to continue improving moderately and maintain stability.
- Sabah's residential market will continue to see moderate and stable growth.
- The retail market in Sabah is anticipated to be healthy.
- The hospitality industry in Sabah is expected to enjoy sustained stability and growth.
- Sabah's industrial market is projected to remain strong.

Assets in SMJ's stable include a 50% participating interest in Samarang PSC which is located some 50km off the coast of Sabah. SMJ Sdn Bhd is looking to acquire six more oil & gas assets from Petronas in the next 6 to 12 months. SMJ Sdn Bhd is the GLC which contributed the highest dividend of RM50 million to the state government in 2023. It also aims to conclude a RM1.2 billion acquisition of Sabah International Petroleum Sdn Bhd (SIP) soon.

- The state government is identifying new areas for new industrial parks in Sabah. The existing industrial parks namely KKIP and the SOGIP Oil & Gas Industrial Park have almost reached their full capacity, hence the need for more investments to construct such facilities in the state.

  Two new industrial parks are proposed to be developed in an area of between 15,000 to 20,000 acres respectively. The government envisions Kimanis as an oil & gas industrial park while the Kota Belud–Kota Marudu land will be similar to KKIP.

Aside from the above, favourable industries that may catch investors's attention are:

- Tourism, as demand for hotel rooms are increasing especially for the upper-end hotels since most are fully booked during the festive seasons;
- Industrial properties have been experiencing good demand due to the limited supply of industrial lands as well as sizable warehouses to cater to expansion needs;
- Agriculture palm oil lands are continually sought-after especially in the eastern Sabah region due to the fertile soil and high plantation oil extraction rates;
- Land, commercial shop offices and landed residential housing in prime areas continue to experience good demand and price appreciation.
- Prime landed properties and lands with reasonable pricing are among the asset class for consideration as they have shown consistent capital appreciation.

Caution should however be exercised in the office sectors and retail malls due to its stagnant pricing and rental rates. Investors looking at Sabah should also minimise their exposure to strata properties, particularly in the secondary or poorly located areas due to the high supply.

Sabah's property market is projected to continue improving moderately and maintain stability in 2024.

Residential Overview & Outlook

Sabah's residential market experienced a drop in performance in the first nine months of 2023 compared to the same period in 2022 but still remained higher than in 2021.

Volume of transactions dropped by 7.3% while value of transactions declined by 1.7%. This shows that the value of Sabah's residential properties have held itself together despite a larger drop in the number of units being transacted.

By price range, a similar trend of transactions was seen in the first nine months of 2023 as the same period in 2022. Bulk of the transactions concentrated in the affordable range of between RM100,001 to RM400,000 with 58.4% of the total market transactions.

The RM500,001 to RM1 million category also showed a sizable following with 17.5% of the market share.

Landed properties in prime areas remained popular among market pundits due to their strategic locations, limited supply and the potential for price appreciation. Condominiums and apartments priced below RM500,000 were also favourable among first-time homebuyers and the young working class. The affordability factor made this option attractive.

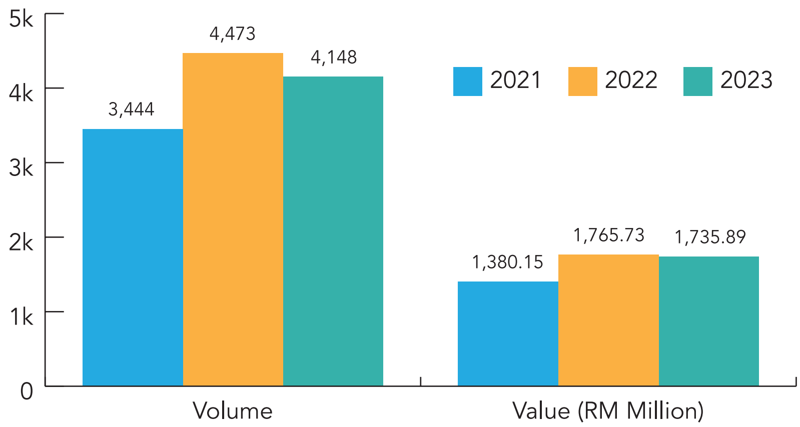
Sabah's market is expected to see less new launches in 2024 and this prompts for the need of incentives to stimulate the market. The following are some suggestions:

- Lowering the rate of Real Property Gains Tax.
- Providing developers with development lands while stipulating a price ceiling for resulting developments.
- Easing lending requirements by financial institutions.
- Reducing stamp duty on property transactions.
- Reducing the allocation of Bumiputera lots and easing its release mechanism by allowing immediate sale upon completion of development instead of the current 5 years time frame.

The number of overhang and unsold condominium and apartment units in Sabah is considered high when factoring in the heightened incoming and planned supply of 28,697 units of condominiums/apartments entering the Kota Kinabalu, Penampang and Putatan markets in the near future.

The condominium and apartment sub-sectors also constituted the highest number of unsold residences at about 94% out of the total unsold units in the market. Landed houses account for the

Volume & Value of Residential Property Transactions in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

remaining unsold inventory but are seen to have enjoyed good take-up rates in comparison to the high-rises.

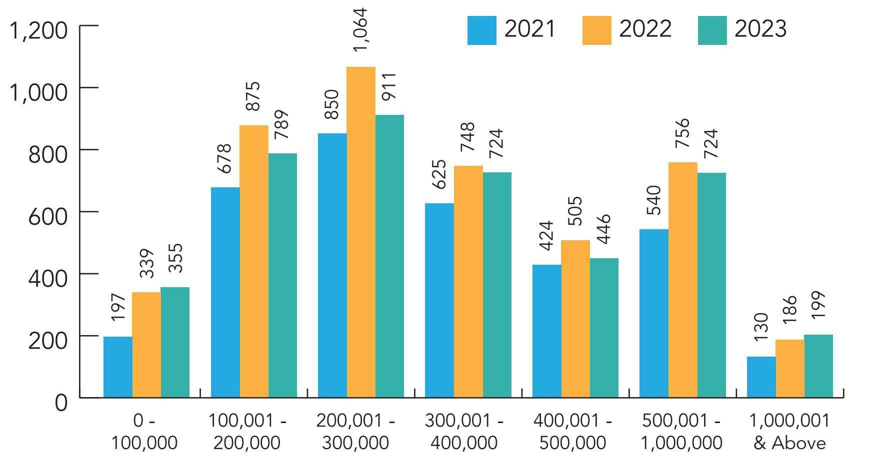
Sabah is however expecting an increase in the overhang statistics in 2024 as several condominium developments are scheduled for completion within the next year.

The recent trend of foreigners entering Sabah has seen a diverse mix of tourists including South Koreans, Bruneians and Chinese. Major investors on the other hand have been from South Korea, China and Taiwan.

To usher in more foreigners, Sabah has issued its own approvals under the Malaysia My 2nd Home (MM2H) programme but the impact on foreign purchases of local properties remains uncertain due to the historically low uptake owing to Sabah's previously stringent requirements on foreigners buying properties in the state. As to where these foreigners prefer to live, the state's capital of Kota Kinabalu is the preferred choice.

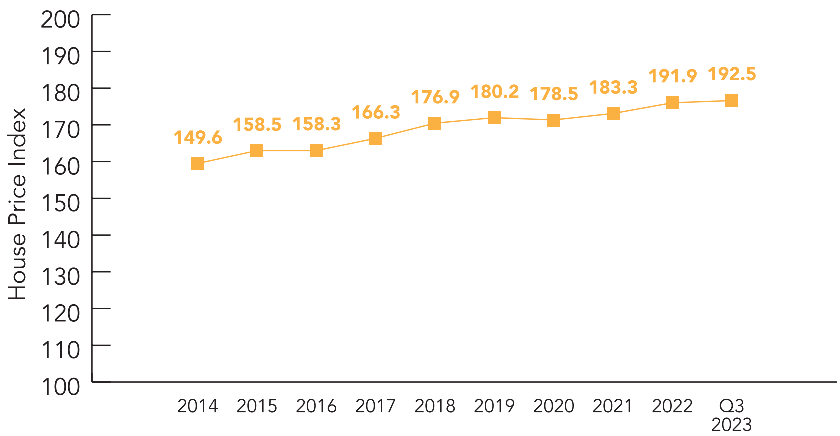
In 2024, Sabah's residential market will continue to see moderate and stable growth.

Volume of Residential Property Transactions by Price Range in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

All House Price Index (Jan-Sep 2014 to 2022)



Source: NAPIC

Commercial Overview & Outlook

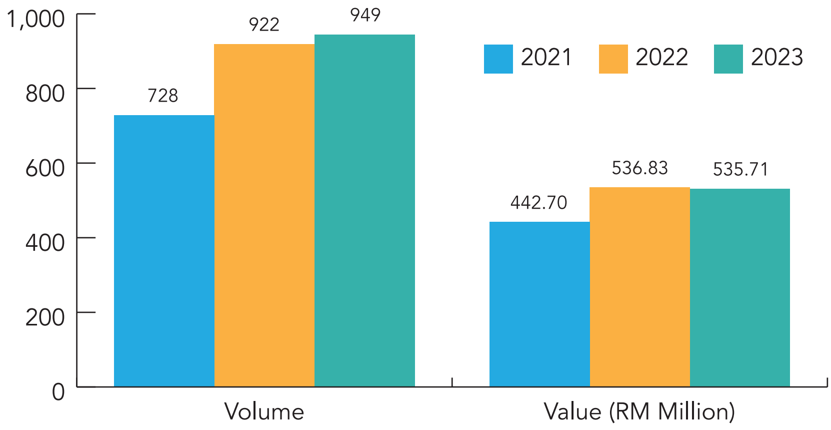
Sabah's commercial property market experienced an increase in its volume of transactions by rising 2.9% compared to the corresponding period the year before. Value of transactions slid marginally by 0.2%. Like the residential market, this suggests that the value of Sabah's commercial properties continued to be stable despite a drop in the number of transactions.

By price range, there was a sizable number of transactions occurring between the RM100,001 to RM500,000 category with 45.8% share of the market, which is higher than the collective category of RM500,001 to RM1 million price bracket with 35.9% share of the market.

Demand for commercial space is as such considered evenly distributed across all pricing categories. The RM500,001 to RM1 million category enjoyed a 35.3% increase in transactional volume compared to the preceding year.

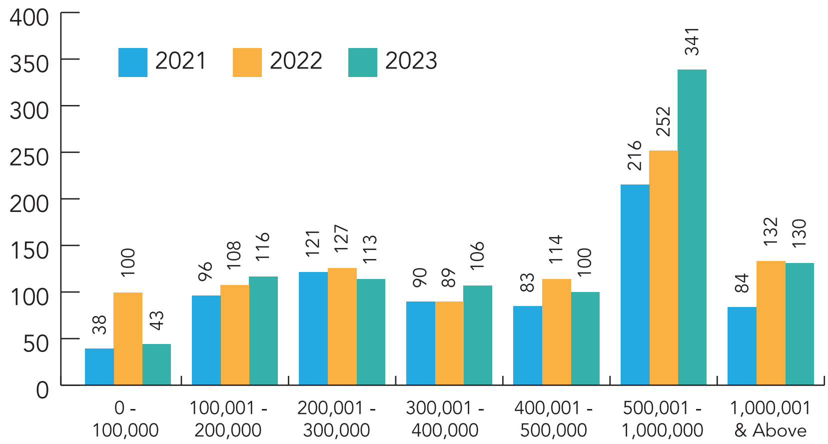
Market sentiments in Sabah has been favourable towards the commercial shop offices located in the city centre and prime areas as they continued enjoying high demand and an equally high occupancies albeit rental growth has been slow with shop offices yields ranging about 3% to 4%. Demand for purpose-built offices however has remained low and stagnant as local businesses in Sabah prefer shop offices.

Volume & Value of Commercial Property Transactions in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Commercial Property Transactions by Price Range in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

Retail Overview & Outlook

There have been no new mall developments in Sabah's capital city of Kota Kinabalu in 2023. As such, the 3 main and only successful malls continue to be the Imago Shopping Mall, Suria Sabah Shopping Mall and Centre Point Sabah, all of which are enjoying high footfall. Malls located in poorer locations have unfortunately not been as thriving and performance has generally been stagnant.

Even without any new or major retail developments, shopping footfalls and pedestrian flow have been on the rise in most of the malls and this has led to rental rates stability with some spotting yearly increases.

On the whole, Sabah's retail business has improved due to an increase in domestic consumption together with the increase in new retailers setting up businesses and also existing established retailers entering into the market. The market is anticipated to be healthy in 2024 barring any unforeseen circumstances.

Hospitality Overview & Outlook

In the hospitality industry, Sabah has enjoyed encouraging tourist arrivals in 2023. Just in the first nine months of 2023, arrivals recorded 1.88 million tourists, generating an estimated tourism expenditure of RM3.95 billion. This represents a growth of 58.2% compared to the same period last year. For the full year of 2023, Sabah is targeting 2.2 million tourist arrivals.

The Federal Government's decision to grant 30-day visa-free entry into Malaysia for tourists from China and India beginning 1 December 2023 augurs well with Sabah's target of increasing tourist arrivals in 2024. The introduction of this visa-free policy for visitors from the world's two most populous countries would assist in speeding up the recovery process in the tourism sector.

Some of the major hotel & resort projects planned and underway in Sabah include the Sheraton Kota Kinabalu Hotel (5-star), Club Med Borneo Kota Kinabalu at Kuala Penyu built on 17-ha of land, Crowne Plaza Kota Kinabalu Waterfront, Avani Kota Kinabalu Hotel, the proposed RM1 billion five-star luxury resort joint venture project in Papar between InterContinental Hotels Group (IHG) and Resorts and Taiwanese company Sinyi Group as well as Citadines Waterfront Kota Kinabalu.

Riding on the promising wave, Sabah is targeting the arrival of 2.8 million tourists and RM5.6 billion in tourism receipts in 2024.

Industrial Overview & Outlook

Unlike the residential or commercial property markets, Sabah's industrial sector enjoyed a continued sustenance of volume and value of transactions in the first nine months of 2023 compared to the same period the year before.

Volume of transactions grew by 20.4% during the first nine months of 2023 compared to the same period in 2022 while value of transactions have been more or less the same.

Based on NAPIC's data, almost all pricing categories experienced an increase in volume of transactions in the period under review.

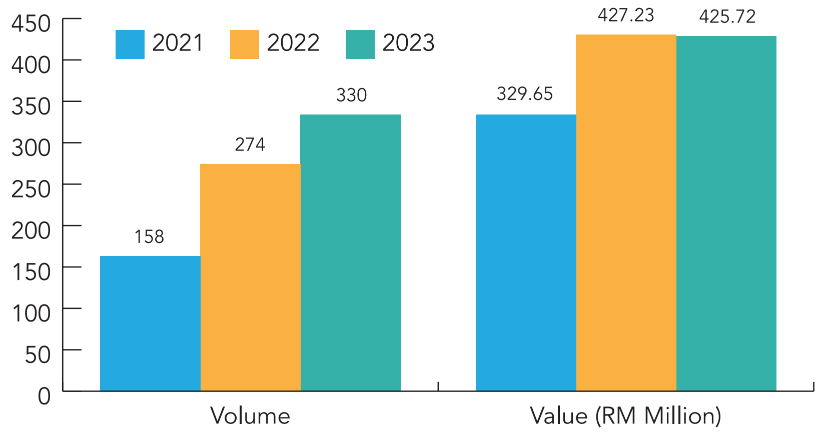
Sentiments on the ground have shown that industrial land and warehouses exceeding 10,000 sq ft have been favourable due to the expansion of industrial/logistics/supply chain and manufacturing businesses with areas such as Kolombong, Inanam, the Kota Kinabalu Industrial Park in Sepanggar and Lok Kawi highly sought-after. Developers in Kota Kinabalu have also in recent years been developing industrial parks suitable for modern showrooms or warehouses complete with land areas measuring 7,000 to 9,000 sq ft per unit, namely Armani Business Park, BDC Putatan Industrial Park, The Factory @ Inanam and Angco Industrial Park among others.

Due to the active movements in the industrial space, the Sabah State Government has earmarked 2 new industrial parks to be developed although full details to the projects has yet to be made known except for the estimated size of the parks, measuring approximately 15,000 to 20,000 acres each.

A continuous allocation of such space may continue as the national plans like the 12th MP Mid-Term Review, NETR and NIMP 2030 and the Sabah Maju Jaya initiative by the state government are set to invite more foreign investors into Malaysia, with Sabah as one of the preferred industrial destinations. With this, it is also expected to meet the continuous expansion plans of existing industrial players in Sabah who thus far have been enjoying high revenues despite many not having the advanced skill sets, knowledge or technology to tackle very large scale complicated manufacturing projects and on automating their industries. Things may nevertheless change with a new breed of inbound investors setting up shop in Sabah, bringing with them cutting edge technologies and expertise into the market.

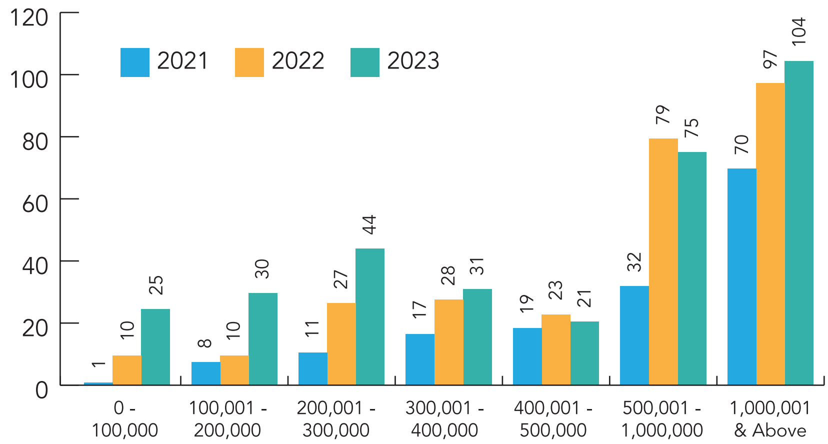
With anticipated demand on the horizon, Sabah's industrial market is projected to remain strong as activities continue to be robust in 2024.

Volume & Value of Industrial Property Transactions in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions by Price Range in Sabah (Jan-Sep 2021 to 2023)



Source: NAPIC

SARAWAK

Sarawak's property market continued moving up albeit at a slower rate at 0.2% in volume of transactions and by a slightly higher margin at 3.1% in value of transactions in the first nine months of 2023 compared to the same period last year.

The test run of the latest ground transportation, the autonomous rapid transit (ART), in Kuching and Kota Samarahan in August stood out as a milestone that caught the public's imagination in Sarawak in 2023. Another was the royal visit to the Pan Borneo Highway by the Yang di-Pertuan Agong Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah in September 2023. The increased attention from Peninsular Malaysia including that of the global audience bodes well for Sarawak's economy and its property market.

Aside from the aforementioned activities, the "Building a Prosperous Society - 500,000 Affordable Housing by 2025" initiative under the 12th Malaysia Plan Mid-Term Review is anticipated to support the urbanisation growth and development of Sarawak given that growing cities will often have a greater need for housing.

For keen investors looking at Sarawak as a potential investment destination, the green energy and water intensive industries have been earmarked as the two immediate market niches that are supported by the state government. Other favourable sectors include manufacturing, heavy industries, agriculture, tech and tourism.

Investors of Sarawak's property market on the other hand are encouraged to be observant of economic indicators such as inflation, elevated material costs, the interest rate and the Ringgit's value.

In terms of strategy, property developers and eager builders should pay attention to the affordable housing sector in Sarawak due to the increased attention from the Sarawak government to urbanise the localities. This is also the reason why individual property investors should continue looking at properties in strategic locations due to its inherent potential for rental.

Factors to Watch in 2024

- Sarawak-Sabah Link Road (SSLR) - a network of roads connecting 14 major towns in Sarawak and Sabah from Miri without going through Brunei Darussalam with a total length of 398km scheduled to be completed by 2026.
- Trans Borneo Highway - connecting Sarawak to Sabah through Brunei with the planning and construction expected to commence in Q1 2024.
- Project Jambatan Batang Paloh, Mukah - connecting Batang Paloh Ferry Point to Pulau Bruit, expected to be completed in 2024.
- Project Jambatan Muara Lassa, Mukah - connecting Pulau Bruit to Lassa; expected to be completed in 2024.
- Miri Sentral in Miri will serve Miri City and Miri Airport, and also connect to the Miri Bypass which links Miri to Brunei and Kalimantan in Indonesia. It is expected to be completed in 2024.
- Asia Pacific Green Hydrogen Conference & Exhibition (APGH) 2024 - strategically organised as a home-grown event to establish Sarawak as a leader in the Green Hydrogen Economy to attract investors, collaborators, industry partners, researchers and delegates interested in fostering the growth of green hydrogen & renewable energy-related businesses and industries.

Bright Spots in 2024

- SUKMA in Sarawak 2024 will be held in Kuching, Samarahan, Serian, Sri Aman, Betong, Sibu, Mukah, Bintulu & Miri.
- The Sarawak Government will take over Bintulu Port from the Federal Government. This vital Federal Port plays a strategic role and is an important asset to complete Sarawak's economic ecosystem.
- The State Government sees solid growth prospects for Sarawak with a projected record state budget of RM12.749bil. Sarawak is expected to grow 5% to 6% in 2024.
- State investment in rural areas with enhanced connectivity will boost stronger economic growth.
- China's solar technology firm, LONGi Green Energy Technology Co Ltd, will invest RM1.3bil in a monocrystalline ingot manufacturing plant with a design capacity of 6 gigawatt (GW), and is expected to commence commercial operations in 1Q24.
- Sarawak will emphasise cluster developments and encourage industries to promote the Sarawak Corridor of Renewable Energy (SCORE), currently in Phase 2 (2016-2030) of its development. To date, 11 of 24 approved projects with investments of RM19.06bil out of a total of RM39.94bil have begun operations, generating 10,262 out of the estimated 17,828 total job opportunities.
- RM1.5 billion had been allocated to 3 agencies under the Regional Corridor Development Authority (RECODA) to accelerate the implementation of development projects in the SCORE area in the next 2 years.

Outlook for 2024

- Sarawak's overall property market is expected to hold steady with a slower growth rate in 2024.
- Sarawak's residential market is expected to grow positively in 2024.
- The commercial property sector is expected to remain stable in 2024.
- The retail sector in Sarawak is expected to perform well in 2024.
- Sarawak's hospitality sector is anticipated to perform positively in 2024.
- The industrial sector in Sarawak is expected to grow positively in 2024.

Contributing to Sarawak's economy is also the Asia Pacific Green Hydrogen Conference & Exhibition (APGH) 2024. The event scheduled for June 2024 stands as a strategic home-grown initiative aimed at positioning Sarawak as a front-runner in the green hydrogen economy and is set to attract investors, collaborators, industry leaders, researchers, and delegates keen on advancing the green hydrogen and renewable energy businesses. This pivotal gathering facilitates partnerships between the government, investors and the private sector, ensuring the possibilities of mutual growth and for the benefit of all stakeholders.

Sarawak is also committed to promoting the Sarawak Corridor of Renewable Energy (SCORE), now in Phase 2 (2016-2030). Datuk Mohd Naroden Majais, Assistant Minister of Small and Medium Entrepreneur Development, reported that a total of 24 projects have been approved within the SCORE area, attracting investments totaling RM39.94 billion and a foreseeable 17,828 job opportunities in the making. Notably, 11 projects amounting to RM19.06 billion in investment are now operational and have already generated 10,262 jobs.

Additionally, the Sarawak government will intensify efforts to attract both local and foreign investors by enhancing infrastructure, including telecommunications, industrial waste management and energy sources. The RM1.5 billion allocation to three agencies under the Regional Corridor Development Authority (RECODA) further signals the commitment to expedite development projects under SCORE within the next two years.

Already in motion in Sarawak's agenda for the green economy is the arrival of LONGi Green Energy Technology Co Ltd, a prominent solar technology firm from China. Their RM1.3 billion investment in a monocrystalline ingot manufacturing plant, boasting a design capacity of six gigawatts (GW), anticipates commercial operations to begin in 1Q 2024. This will further position Sarawak as the preferred destination for global companies looking to expand their footprint into the Asia Pacific or Asean region.

Although Sarawak's macroeconomic landscape is looking robust in 2024, it cannot neglect the risks and movements of external factors outside of Borneo. As such, Sarawak's property market is expected to hold steady in 2024 with a slower growth rate underpinned by such global movements.

Residential Review & Outlook

Sarawak's residential market experienced a slight drop in the first nine months of 2023 compared to the same period in 2022. Volume of residential transactions dropped 0.3% while value of transactions declined 0.1%.

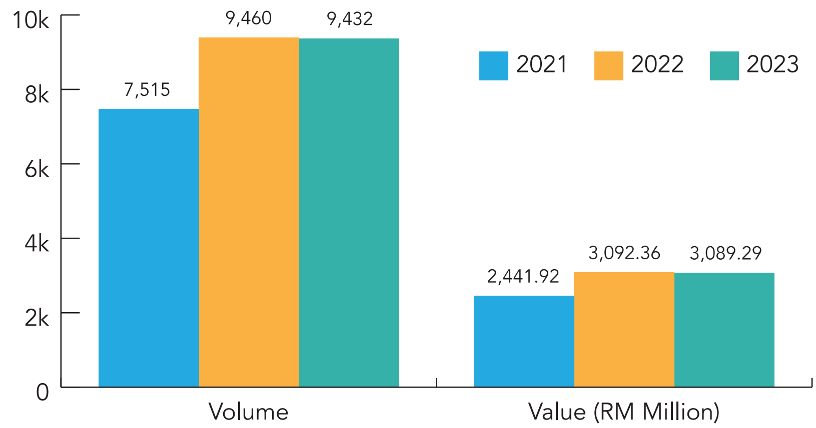
By price range, the RM200,001 to RM300,000 continued as the most favoured pricing category, generating 20.8% of the total residential transactions, followed by the RM100,001 to RM200,000 bracket with 19.9% of market share and the RM300,001 to RM400,000 with 17.8%. This purchasing trend, which is similar to the corresponding period last year, reflects the need for more affordable homes due to the average income level of most property buyers.

The declining trend in volume of transactions may be an indication for 2024 where there is unlikely to be more new launches compared to 2023. This however may change if there are incentives rolled out by the government to encourage home ownership.

The 2- to 3-storey terraced houses are the most favourable residential type in Q3 2023 with 974 units transacted followed by the 1-storey terraced houses with 630 units exchanging hands. The 2-3 storey semi-detached houses make up the next most popular with 581 units transacted.

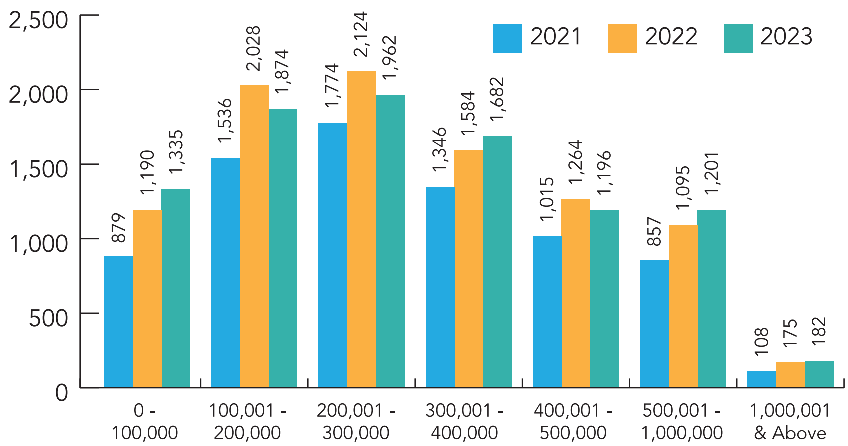
A total of 26,286 overhang units worth RM18.3 billion were recorded in the first half of 2023, a decrease of 5.3% in volume and 0.6% in value against the preceding half. Sarawak's overhang statistics in the residential market is however expected to remain stable in 2024.

Volume & Value of Residential Property Transactions in Sarawak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Residential Property Transactions by Price Range in Sarawak (Jan-Sep 2021 to 2023)



Source: NAPIC

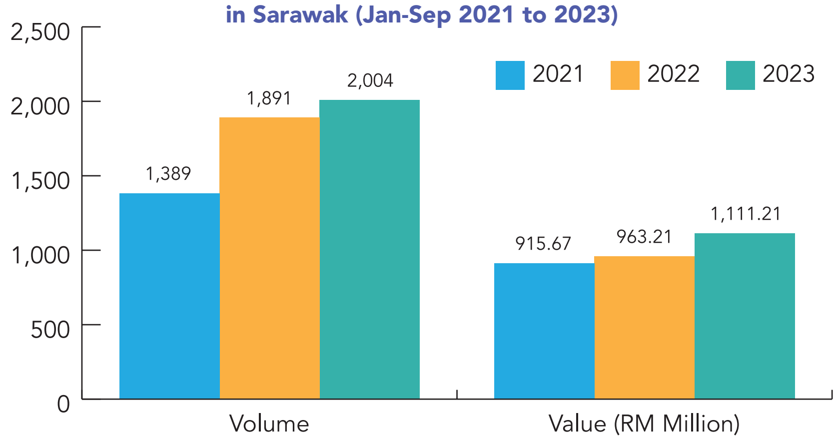
Based on the notable expansion projects and substantial investments in Sarawak, it is rapidly becoming a hot destination for foreign investors. This is evident in the approval for the Malaysia My 2nd Home (MM2H) programme where just in the first eight months of 2023, 406 applications were approved compared to the 411 approvals recorded for the full year of 2022.

Credit must go to the Sarawak Government's bold move to adopt a more liberal approval criteria that led to the higher than successful applications. The move departs from the more stringent conditions set by the previous Perikatan Nasional administration when it revived the programme in August 2021. The incumbent Madani Government has however removed the tall order and since 15 December 2023 re-introduced the rules as a three-tier MM2H application system of Platinum, Gold and Silver.

Tabuan Tranquility, Northbank and Stampin areas are some of the places where foreigners tend to choose to settle down in Sarawak.

Given the bright outlook of Sarawak's overall economy, it is anticipated that the residential market will follow suit with positive growth in the volume and value of transactions, especially in landed residences and affordable flats/apartments.

Volume & Value of Commercial Property Transactions in Sarawak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Commercial Property Transactions by Price Range in Sarawak (Jan-Sep 2021 to 2023)

Source: NAPIC

Commercial Review & Outlook

Over in the commercial market, transactional volume and value have both increased by larger margins than the residential sector in the first nine months of 2023 compared to the same period last year.

In terms of volume, Sarawak's commercial market went up by 6.0% in the period under review whereas the value of transactions increased by 15.4%.

Statistically, NAPIC's data showed that properties within the RM100,001 to RM300,000 price bracket were the most transacted, contributing 33.6%. Transactions were also active in the below RM200,000 category with 28.1% exchanging hands, and the RM300,001 to RM500,000 with 21.7%. The latter category registered almost the same number of units transacted as the RM500,001 to RM1 million market which contributed 21.1% in the period under observation. Interestingly, the above RM1 million category also had a good year, generating 28.7% more transactions than the corresponding period in the previous year.

Market sentiments on the ground have shown that the 3- to 3½-storey shops have been the most favourable type, followed by the 2 to 2½-storey and the 4 to 4½-storey shops. Common talking points also pointed to the RM800,001 to above RM1 million category as the more favourable and generally acceptable price range. In terms of pragmatic application however, the 3 to 3½-storey shops may stand out more as a preferred choice.

In the purpose-built offices (PBO) sub-sector, there was only 1 transaction registered in Q3 2023 with a value of RM6.33 million.

Rental rates of PBO in the prime areas range from RM10.00 to RM58.50 per sq metres whilst in the secondary areas, from RM15.00 to RM66.85 per sq metre. Occupancy of Sarawak's PBO stood at 91.3%.

Sarawak's commercial property sector is expected to remain stable in 2024.

Retail Review & Outlook

Like the rest of the country, budget conscious stores have also been mushrooming in Sarawak. Parallel to this retail growth pattern is the increased openings of F&B outlets, smaller anchor tenants and specialist branded stores in the state. As such, the retail sector in Sarawak is expected to continue performing well in 2024.

Up until 1H 2023, there were 72 units transacted with a value of RM19.7 million.

Hospitality Review & Outlook

In the hospitality sector, there were 2 transactions recorded in the period up to 1H 2023 with a value of RM16.2 million.

Bintulu emerged as the city with the highest hotel occupancy rate at 87% followed by Kuching at 78% and Miri at 55% (as of September 2023). In comparison to the first nine months of last year where the average occupancy rate stood at 46.6%, Sibu's occupancy rate was lower in the first nine months of 2023 at 40%. Smaller inns, motels or budget hotels also recorded lower occupancy at 25%.

Hotels with a higher occupancy rate have since adjusted their hotel rates upwards in 2023, coinciding with the positive trajectory experienced in Sarawak's hospitality industry. The opening of Sheraton Kuching Hotel in 2024 as such will also stand as a milestone in Sarawak's hospitality market that adds positively to the capital city of Kuching.

Sarawak's hospitality sector has enjoyed a positive trend in 2023 with tourist arrivals surpassing the target set for the year. Actual arrivals and tourism receipts up until October 2023 have reached 3.18 million and RM8.07 billion respectively, ahead of the 3 million and RM7.6 billion full year target.

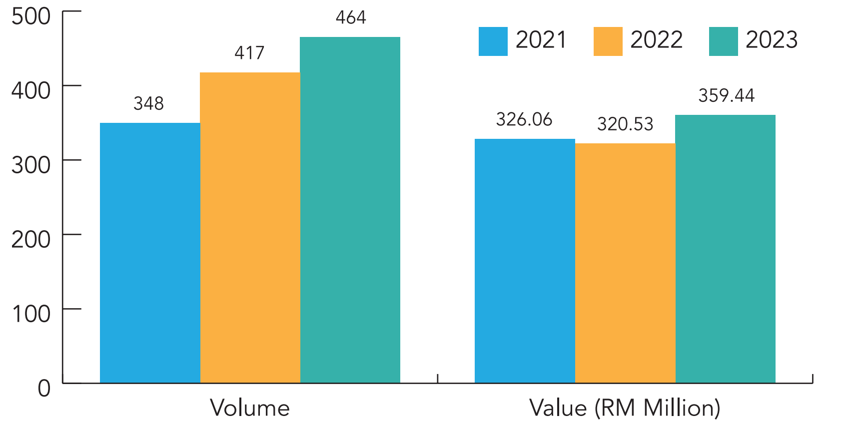
On the back of this positive trend, the Ministry of Tourism, Creative Industry and Performing Arts of Sarawak has projected a higher arrivals target of 4 million in 2024. This is also set to be fuelled by arrivals from China and India with the newly introduced 30-day visa-free condition valid from 1 December 2023 to 31 December 2024. Consistent with this, Sarawak's hospitality sector is anticipated to perform positively in 2024.

Industrial Review & Outlook

Activities in Sarawak's industrial property market have been more active in the first nine months of 2023 compared to the corresponding period in 2022. Transactional volume and value recorded an almost similar margin at 11.3% and 12.1% respectively.

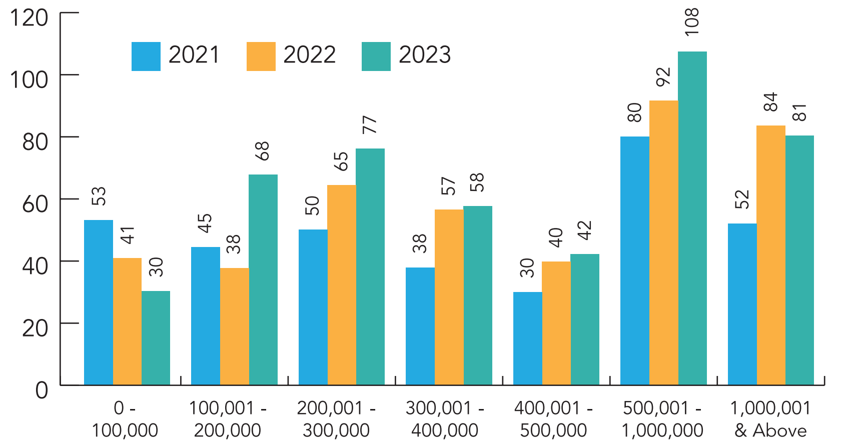
By price points, there were activities across all segments of the market although the below RM100,000 and above RM1 million categories were the only ones experiencing a drop in the volume of transactions.

Volume & Value of Industrial Property Transactions in Sarawak (Jan-Sep 2021 to 2023)



Source: NAPIC

Volume of Industrial Property Transactions by Price Range in Sarawak (Jan-Sep 2021 to 2023)



Source: NAPIC

When looked at collectively, NAPIC's data showed that the RM100,001 to RM400,000 price bracket contributed the highest number of transactions at 43.8%. This is followed by the above RM1 million category with 40.7% transacted.

Further observation in the market in Q3 2023 showed favourable sentiments for semi-detached industrial buildings followed by vacant industrial plots and terraced industrial buildings. In terms of pricing, units between RM800,001 to above RM1 million were considered well accepted.

Sarawak has seen some landmark deals in the industrial space in 2023, one of which was Taiyo Yuden, who invested more than RM3 billion in its Sarawak operations and was slated to open on 12 October 2023.

The state also planned to develop the Kuching High-Tech Park to meet growing demand from investors and to attract more foreign direct investments (FDI) from the electrical and electronics sectors. The High Tech Park measuring 738 hectares would be developed in phases in Kuching and Samarahan by Sarawak's Ministry of International Trade, Industry and Investment. The national plans of the 12th MP Mid-Term Review, National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030) will nevertheless also contribute to attracting more investors and influence the industrial market's movements in Sarawak in 2024.

For over three decades, Henry Butcher Malaysia has been providing a comprehensive range of services to serve our corporate as well as individual clients in the real estate, plant & machinery and industrial as well as art investment sectors.

VALUATION

Our property valuation service is built on strength in accuracy and integrity. From the top down, our valuers and support staff are well versed with the market, tools and technologies to create quality appraisals that are precise and meaningful. We constantly upgrade our standards according to the latest trends and tools being used in the international sphere that allow us to do appraisals faster and with better accuracy. As our clients deserve the best, our consultancy exercise goes beyond the simple provision of a figure in a valuation report; our valuers' experience and market knowledge have added value to our client's real estate assets by assisting with strategic decisions in asset acquisitions, disposals and/or expansions.

REAL ESTATE AGENCY

We recognise that the requirements of each client is different and we tailor our services to suit each individual client's needs and budget. We are able to capitalise on our good contacts, extensive database, research-led analysis, deal making skills, experience to assist our clients in growing their investment portfolios and maximising their returns.

We provide corporate real estate agency and retail agency services as well as investment advisory services.

For corporate work, we have handled sale by tender, sale by expression of interest, sale by private treaty, request for proposals, joint venture matching and structuring exercises.

PROJECT MARKETING

The marketing of property projects requires a distinct set of skills and expertise which are far more complex and sophisticated than that required in selling or renting an individual house, apartment, office space, shop, factory or even a piece of land.

Our in-depth and intimate knowledge of the property development industry as well as firm grasp of marketing principles and concepts drawn from our principals' personal experience in the property development industry provide us with an unparalleled edge in assisting property developers to move their projects from the drawing board to physical realisation.

We are able to assist clients in planning and design as well as formulating innovative and effective marketing strategies specially tailored for each project.

Our project marketing team is able to provide the complete range of advisory services covering from design development to marketing audit, marketing planning, marketing intelligence, advertising & promotions, project launches, sales promotions & sales administration.

MARKET RESEARCH & DEVELOPMENT CONSULTANCY

As the property industry becomes more sophisticated & competitive and property investors become more knowledgeable & selective, the need for market research is felt to be more urgent than ever before. Whether you are a housing developer about to formulate your layout plan or an institution contemplating a multi-million Ringgit purchase, the role of market research is often central and critical to the success or failure of your scheme/plan. For each and every one of our clients, we strive to understand the objectives & specific requirements of the individual clients and tailor our methodology & research to yield the right information to carry out a critical analysis of all relevant factors so as to enable us to provide the most appropriate recommendations to assist the client to make the crucial decisions. For many of our research assignments we work closely with the developer's consultant team and thus our involvement generally goes beyond the time frame of the study.

Our team has assisted developers/planners/local authorities in planning their new projects which can range from single residential or commercial developments to integrated projects as well as huge townships, district and city master planning.

Our capabilities cover the whole gamut of market studies, consumer research & demographic profiling, feasibility studies as well as investment analysis and development consultancy.

PROPERTY MANAGEMENT & FACILITY MANAGEMENT

In the current property development trend, property management & facility management play a pivotal role in preserving and enhancing the value of real estate assets thus driving a high demand in the industry. A well-maintained property will preserve its market appeal and will have its value sustained or enhanced, providing optimum returns for the owner while ensuring the occupant's needs are well taken care of.

Our property management team is highly experienced in all aspects of property/ facilities management i.e. all the wide-ranging non-core activities of organisation such as building maintenance, mechanical & electrical maintenance, cleaning, landscaping, health & safety and many others.

We work closely with Clients or Management Corporations to prepare strategic facilities management plans for the long-term operation of these services, even while design and construction are taking place or in an existing single site or portfolio of buildings. We also manage diverse portfolios including high-end luxury residences, mixed developments, townships & commercial complexes in the Klang Valley region and also provide comprehensive facilities management services to specialised properties such as REITs, automotive centres, factories and universities located all over Peninsular Malaysia.

As one of the principal companies within the group focussing on facilities & property management, Henry Butcher Malaysia (Mont Kiara) Sdn Bhd (HBMK) has a team of over 800 dedicated personnel and has received numerous awards in The Edge Malaysia Best Managed & Sustainable Property Awards since its inception in 2017, showcasing its commitment to excellence. Certified for ISO 9001 & 14001, as well as CIDB registered, HBMK combines expertise with cutting-edge technology, offering a mobile-based app platform to enhance communication and transparency for property owners. HBMK's achievements include successfully forming the second subsidiary management corporation in the Klang Valley region.

RETAIL CONSULTANCY

The design and development of commercial centres, shopping malls, hypermarkets, outlet stores and other retail properties require very specialised skills and expertise which are very different from those used in undertaking conventional housing development. A poorly conceptualised and designed mall will place it at a great disadvantage right at the start, notwithstanding that the property is situated in a great location.

Drawing from years of experience in advising developers on designing commercial centres and malls, we are able to provide a complete range of services relating to the development, marketing and management of shopping malls & retail centres in Malaysia such as market research, feasibility studies, retail planning & consultancy including retail layout and tenant mix planning as well as investment advisory, leasing, management & promotions.

AUCTIONS

We understand the painstaking and time-consuming process which our clients have to go through to undertake the disposal of their distressed properties. To assist our clients more effectively, we constantly seek to explore innovative and effective sale methods, which will attain the best possible capital return for our clients.

We adopt a marketing-centric approach to the whole auction process. By analysing the properties put up for auction, we are able to identify the profile of the likely bidders and develop a marketing programme to reach out to these bidders.

We carry out educational programmes by distributing step by step guides on how to buy properties through auctions and carry out explanatory talks at road shows and seminars, and disseminate information through press articles and interviews.

We adopt a variety of focused marketing programmes to reach out to the targeted bidders - road shows, press advertisements, leaflet drops, press releases, banners, info packs, and through networking with other real estate agents, solicitors and financiers.

PLANT & MACHINERY

Plant & Machinery valuation is a specialised field. Since 1877, Henry Butcher's skills and expertise in providing plant & machinery valuation and disposal services have gained worldwide recognition, covering most of the major trades and industries. The company has comprehensive disposal methodologies that are supported by groundbreaking technology, all of which allow for complete transparency of the transaction to achieve the maximum possible realisation for surplus assets. Our services cover both valuation as well as disposal advisory.

ART AUCTION

The Malaysian art industry has been on the rise for the past decade and there is an increasing awareness of art as an asset class, just like real estate. Nevertheless, art collecting seems to be still confined to a select group with buying and selling transacted primarily through art galleries or private dealings between collectors in a not so transparent manner.

Transactions of Malaysian art in public auctions in the initial years before Henry Butcher Art Auctioneers Sdn Bhd was formed were far and few between, even by established international auction houses. The absence of a strong and transparent secondary market has in a way limited the growth of art collecting in Malaysia as well as institutional acquisition and investment in Malaysian art.

Henry Butcher Malaysia, having had decades of asset auctioning experience, from real estate to plant & machinery, aspires to help rectify this situation by providing an additional avenue of sale and purchase of art pieces for galleries, collectors and investors. Thus, the birth of Henry Butcher Art Auctioneers in 2009.

Since undertaking our first auction in 2010, we have grown from strength to strength and attracted, and also built up a large pool of collectors & enthusiasts who have followed us and supported us in all our auctions for over a decade.

Our auctions are carried out in a transparent manner and we publish the results of each auction as well as the successful bid prices for every art piece on our website so that collectors as well as the public at large have access to reliable and informed data when making investment decisions on art pieces.

Besides auctions, we also offer other services including art valuation, organising solo art exhibitions, handling private sales of artworks, collaborations with foreign auction houses, curating private art collections and publication of art books.

To engage our services or to find out more about how we can be of assistance to your project, contact us at hbmalaysia@henrybutcher.com.my or visit our website at www.henrybutcher.com.my

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