HENRY BUTCHER MALAYSIA
International Asset Consultants

# MALAYSIA PROPERTY OUTLOOK 2025

# HB PERSPECTIVE
by Henry Butcher Malaysia

# NAVIGATING AN UNCERTAIN 2025

The Madani government under the leadership of Dato' Seri Anwar Ibrahim came into power more than two years ago, outlasting the previous post-GE15 administrations of Dato' Sri Ismail Sabri and Tan Sri Muhyiddin Yassin despite attempts by the opposition to destabilise and bring down the government. The relative political stability enjoyed by the country has enabled the government to focus on more important matters like improving the economy and livelihood of the people rather than spend so much time and energy as well as resources on politicking and staving off challenges just to stay in power.

The country's economy has benefitted from this political calm and this can be seen in the higher GDP growth recorded by the country for the year, the increase in FDIs and better performance of the stock market. In tune with the improved economic outlook, the property market has also recorded positive growth in terms of volume and value of transactions, not only in the residential but also the commercial and industrial sectors too, especially when the health scare and ensuing mayhem caused by the Covid-19 pandemic has faded.

We are now able to look towards the future through more optimistic lenses and we are confident though at the same time cautiously so that the property market will continue to record steady growth in the coming year.

We cannot help but note that the world is entering into an uncertain period, with the conflicts in Ukraine and Gaza not reaching any immediate resolution and with President Elect Donald Trump taking up a second term in office. The incoming president of the United States has been loudly trumpeting protectionist policies which he intends to adopt not only against rivals but also friends of his country even though the man himself has not yet even been sworn into office and will only assume control of the administration after his inauguration on 20 January 2025. The world will indeed be in a bit of turmoil in the early part of the Trump II administration as the President's policies could be disruptive to free trade.

Malaysia, with its open economy being heavily dependent on trade, could face new tariffs on its exports to the United States, particularly as it has just been admitted as a partner country of BRICs which President Elect Trump regards as an adversary considering that the organisation is headed by China and Russia. As such, the country's economy could face some headwinds in the year ahead.

At the same time, Malaysia may benefit from the realignment of manufacturing activities by China to the country as Chinese manufacturers seek a way out to escape the punishing tariffs imposed on direct imports from China. Learning from the lessons of the first Trump administration, China and other countries would however be better prepared to deal with the protectionist policies which will surely be adopted by the Trump II administration and this may help to soften the impact of such policies.

Malaysia on the whole is expected to be able to weather the trying times ahead and register a positive economic growth in the coming year of the wood snake. If the Madani administration manages to steer a steady ship through the stormy seas in the year ahead, we should continue to enjoy steady growth in the property market.


**LONG TIAN CHEK**

*GROUP MANAGING DIRECTOR*

The residential sector will continue to anchor the property market although the pace of growth could likely decelerate a bit whilst the commercial and industrial sectors will continue to enjoy moderate growth. Nevertheless, it would be imprudent for us not to take note of the growing concern of a possible oversupply of office space as well as shopping malls in the Klang Valley especially as consumers adopt a more cautious attitude towards spending on goods and services beyond basic necessities in the face of the rising cost of living and concerns about job security. The leisure sector could be a major beneficiary of government policies and budget allocations in the push towards Visit Malaysia Year 2026.

To round up this foreword, we at Henry Butcher Malaysia would like to wish all our clients, partners, associates and staff a happy and prosperous 2025 and all the best in navigating the twists and turns of the coming year and reap maximum benefits from the opportunities that come your way.

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

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# MALAYSIA PROPERTY OUTLOOK 2025

## General Economic Overview 2024 & Outlook for 2025

Malaysia's economy continued to experience steady growth in 2024. GDP improved year-on-year to 5.9% in Q2 2024 and 5.3% in Q3 2024 compared to 4.2% in Q1 2024 and 3.3% in Q3 2023. Arising from the better-than-expected growth, the government, in its Budget 2025 proposals, has upgraded the country's projected GDP growth to between 4.8% to 5.3% in 2024 and moderate to between 4.5% to 5.5% in 2025. Nevertheless, the uncertainty of the policy direction under the Trump II administration and its impact on international trade flows has cast a shadow on exports from Malaysia to the US and thence on the country's economic performance.

On the global front, the International Monetary Fund (IMF) is expecting global GDP growth to "remain stable yet underwhelming at 3.2%" in both 2024 and 2025. Although the economic forecast for the United States was upgraded, there were downgrades for other large European countries as well in certain emerging markets and developing economies due to disruptions to production and shipping of commodities arising from the continued war in Ukraine and expanded conflict in the Middle East.

The country managed to secure approved investments totalling RM160 billion in the first six months of 2024, representing a y-o-y increase of 18%. FDIs contributed 53.4% of the total approved investments. According to the Malaysian Investment Development Authority (MIDA), the country secured RM85.4 billion in foreign investments with Austria emerging as the top investor at RM30.1 billion, followed by Singapore (RM16.5 billion), China (RM9.8 billion), the Netherlands (RM4 billion) and Taiwan (RM2.4 billion).

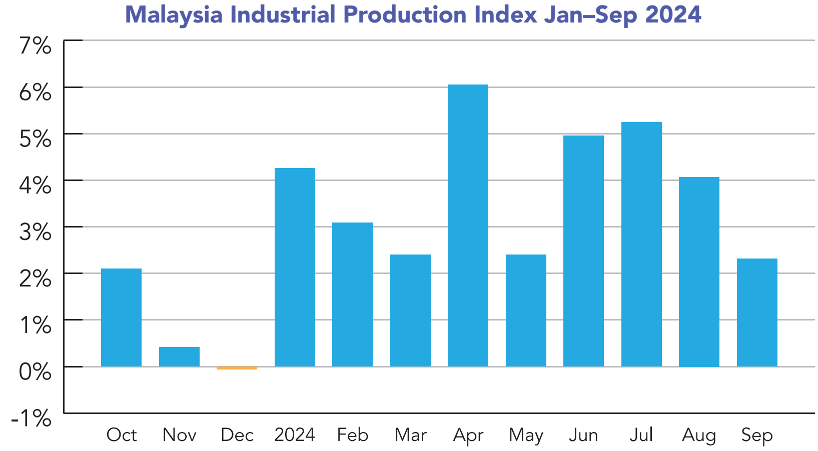
Malaysia's overall trade performance for the eleven-month period January to November 2024 registered a rise of 8.7% to RM2.621 trillion, marking the eleventh successive month of y-o-y growth, with exports chalking up an increase of 4.7% whilst imports rose by 13.3%. The country continued to record a trade surplus, for the 55th consecutive month since May 2020 which is the highest value recorded in fourteen months since October 2023.

The Industrial Production Index (IPI) for Malaysia grew 2.1% y-o-y in October 2024 compared to 2.3% the month before and 4.1% in August, which is below expectations but marking the tenth consecutive month of expansion. The growth was affected by a decline in mining output but factory and electricity production were maintained. The IPI is expected to continue to be expansionary going into 2025 but at a slower pace, supported by an economy fuelled by steady domestic spending and sustained exports growth but against a backdrop of geopolitical tensions, uncertain trade policies under a Trump II administration and slower economic growth in China.

Crude oil prices have recovered after registering a drop towards the end of 2022 although still nowhere near the peak reached in mid-2022 with Brent hitting US$73.98 and WTI settling at US$70.99 as at 30 December 2024. With the escalation of the conflict in the Middle East and continued fighting in Ukraine, crude oil prices are expected to rise further but at the same time could be weighed down by lower demand from China. Malaysia, being a net exporter of crude oil will benefit economically from any improvement in crude oil prices.

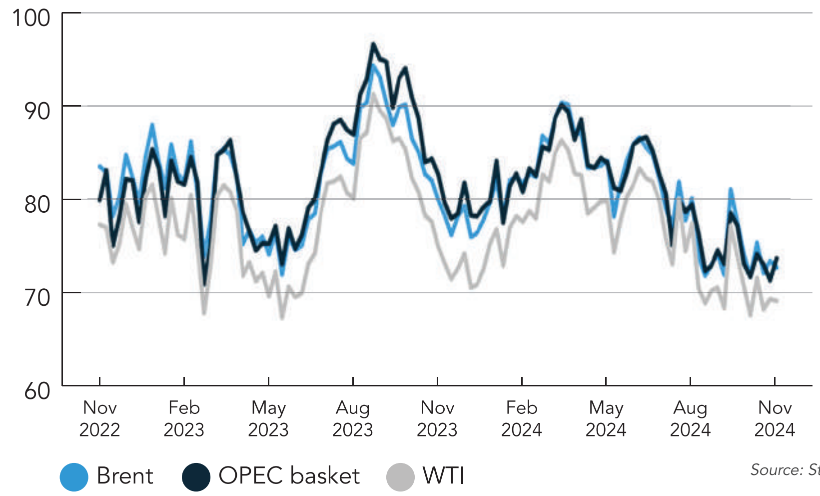
After earning the dubious honour of being the worst performing currency in Asia in 2023, the Malaysian Ringgit rebounded and managed to become the best performing currency in the

**Malaysia Industrial Production Index Jan–Sep 2024**




*Source: Trading Economics / DOSM*

**Crude Oil Price Movement 2022-2024**




*Source: Statista*

world in August 2024. Since July 2024, the Malaysian Ringgit has surged to a 19-month high against the US$, outperforming most regional currencies. Starting at US$1:MYR4.5976, the Ringgit reached a high of US$1:MYR4.3147 on 30 August but then weakened and ended the year just 3% higher at US%1:MYR4.4595. The Ringgit is expected to weaken further in the lead up to and after the Trump II administration takes over the helm of the administration in January 2025.

The FBM KLCI kicked off 2024 off at 1,453 points on 2 January but started to move up over the months to record a high of 1,678 points on 2 September before easing back and ending the year at 1,642 points. However, it is noted that foreign investors have become net sellers on the market towards the closing weeks of the year.

Locally, the Malaysian political situation appeared to have stabilised with the Madani government under the leadership of Dato' Seri Anwar Ibrahim having lasted longer than the previous three administrations post-GE15. Although there were still shadow plays in the background by the opposition to destabilise the government, the Madani government is expected to complete its full term before going into GE16. The political stability augurs well for the country's growth and economic prosperity.

Bank Negara Malaysia has not raised the Overnight Policy Rate (OPR) and has maintained the interest rate at 3% since the last increase in May 2023. This is positive for businesses and supportive of economic growth.

## Overview of The Malaysian Property Market in 2024

### Overall Market Performance

The Malaysian property market continued to improve in 2024 with the overall volume of transactions climbing 6% in the first nine months of the year compared to the same period in 2023 whilst the value of transactions increased by 14%. This compares favourably with the stagnant growth in volume and single digit increase in value recorded in 2023.

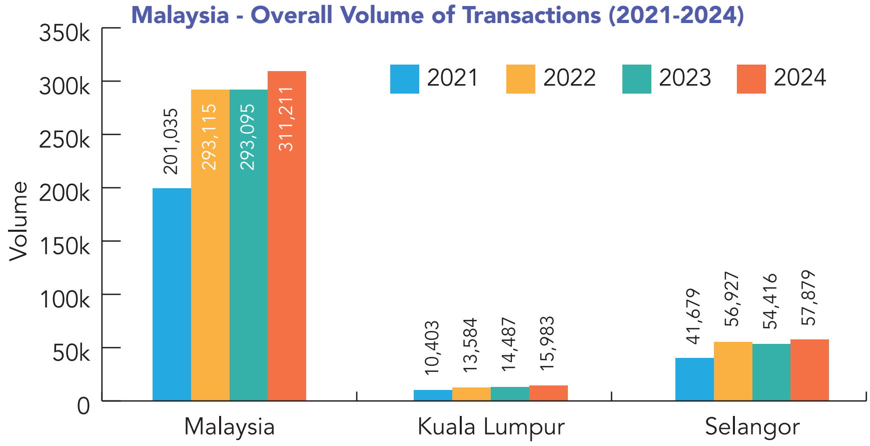
**Performance of Malaysian Ringgit vs US Dollar (Jan–Dec 2024)**


Source: Investing.com

**Performance of FBM-KLCI (Jan–Dec 2024)**


Source: Trading Economics

**Malaysia - Overall Volume of Transactions (2021-2024)**




Source: NAPIC

## Residential Property Sector

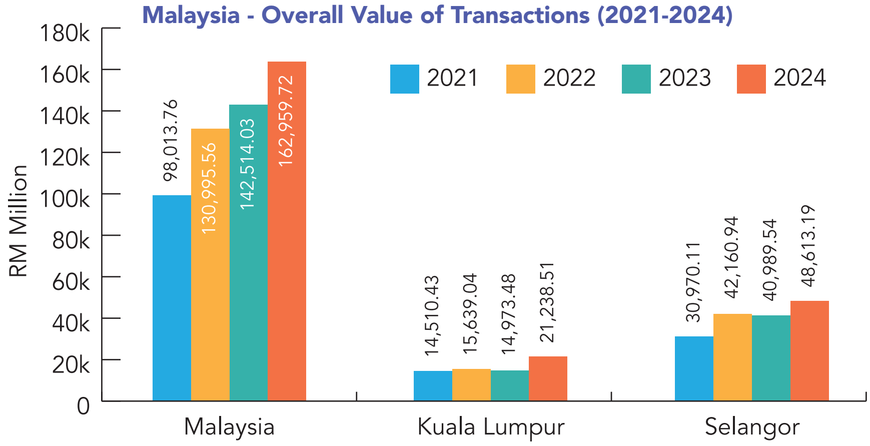
The residential property market in Malaysia recorded a nearly 5% jump in the volume of transactions in the first nine months of 2024 compared to a marginal improvement of just over 1% for the corresponding period in 2023 whilst the value of transactions went up by close to 7% compared to under 4% the year before.

In line with the improving performance of the residential property market since recovering from the Covid-19 pandemic, the value of loans approved by banks for the purchase of residential properties have registered double-digit growth in the first ten months of 2021, 2022 and 2023 but slowed down to just 1% in the first ten months of 2024, reflecting that the market rebound from the pandemic has likely peaked and growth has now normalised.

Based on NAPIC's latest available statistics, the number of new residential units launched nationwide registered a 47% increase in the first nine months of 2024 compared to the same period in 2023 but overall sales performance declined from 41% to 34%, possibly due to the larger number of units launched. Two and three storey terraces contributed the largest share of transactions followed by condominiums/apartments.

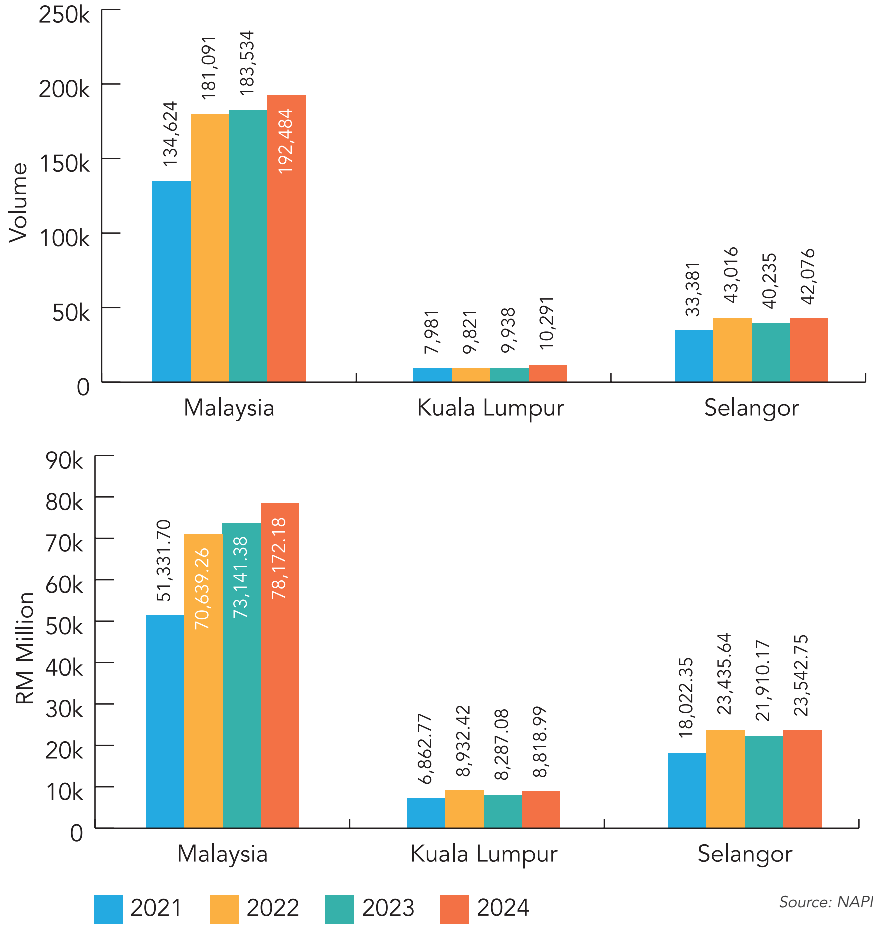
Meanwhile, the Real Estate and Housing Developers' Association Malaysia (REHDA) Property Industry Survey 1H2024 revealed that the number of new units launched by their members in the first half of 2024 increased by 7% to 11,814 units. This figure is however lower than the 14,392 units launched in the second half of 2023. REHDA also reported that there was an improvement in the sales performance recorded by the respondents. The number of units sold in the first half of 2024 reached 13,445 units compared to 12,017 units in the second half of 2023 and 11,273 units in the first half of 2023. Two and three storey terrace houses followed by serviced residences led the way in terms of number of units launched as well as sold.

**Malaysia - Overall Value of Transactions (2021-2024)**




*Source: NAPIC*

**Volume & Value of Residential Transactions (Jan-Sep 2021 to 2024)**




*Source: NAPIC*

The residential property overhang for the country as at Q3 2024 meanwhile recorded a 13% decline compared to Q3 2023. Houses priced at and below RM300,000 contributed a 30% share of the overhang whilst houses priced between RM300,000 to RM500,000 contributed 28%. Those houses priced between RM500,000 to RM1 million made up 30% of the overhang and houses priced at RM1 million and above, 12%. Condominiums/apartments contributed the largest share of the national residential overhang, followed by terraced houses.

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 all-house price index crept up just marginally as at Q3 2024 compared to 2023 and all house types recorded improvements except for detached houses and high-rises. The highest increase was recorded by semi-detached houses.

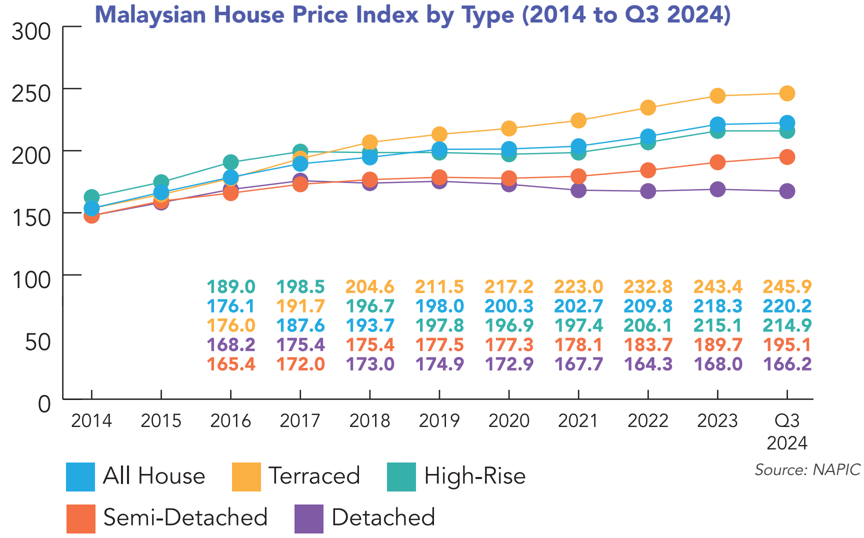
Budget 2025 tabled by the Madani government continued to allocate priority to the education, health and higher education ministries and there were not many goodies announced for the property sector. The measure which has the most beneficial direct impact on the residential property market is the individual tax relief on housing loan interest granted to encourage Malaysians to buy their first home and applicable to Sale & Purchase Agreements signed between 1 January 2025 and 31 December 2027.

**Value of Residential Loans Approved from 2019 to October 2024 (RM millions)**

| Year/Month | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Jan | 8,222 | 7,055 | 8,885 | 11,330 | 10,755 | 14,358 |
| Feb | 6,104 | 7,209 | 8,356 | 8,204 | 14,065 | 11,601 |
| Mar | 8,830 | 6,416 | 10,872 | 12,069 | 19,372 | 15,401 |
| Apr | 10,262 | 2,495 | 12,573 | 12,671 | 15,266 | 16,724 |
| May | 10,881 | 3,412 | 12,019 | 11,699 | 18,095 | 18,924 |
| Jun | 9,637 | 6,253 | 10,545 | 13,848 | 16,551 | 17,113 |
| Jul | 11,118 | 9,117 | 7,940 | 17,049 | 16,772 | 19,845 |
| Aug | 10,474 | 9,855 | 7,261 | 17,463 | 18,063 | 17,902 |
| Sep | 8,935 | 10,797 | 8,500 | 14,930 | 15,469 | 14,469 |
| Oct | 10,336 | 10,936 | 10,273 | 13,906 | 17,165 | 16,862 |
| Nov | 9,386 | 10,308 | 12,025 | 13,224 | 14,671 | NA |
| Dec | 8,381 | 9,270 | 12,779 | 12,698 | 12,671 | NA |
| **Total** | **112,566** | **93,123** | **122,028** | **159,090** | **188,915** | **163,197** |

*Source: Bank Negara Malaysia*

**Malaysian House Price Index by Type (2014 to Q3 2024)**




*Source: NAPIC*

**Residential - Factors to Watch in 2025**

- The continued positive performance of the residential property market has encouraged developers to launch more new projects as witnessed by the increase in the number of new units launched in the first nine months of 2024 and this is also corroborated by the findings of REHDA's survey amongst its members. Noting that a number of the leading developers in the country have made land bank acquisitions over the past two to three years, it is not unrealistic to expect these developers to be launching more new projects over the next few years.
- 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 OPR 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 Business Confidence Index survey conducted by the Malaysian Institute of Economic Research (MIER) for Q3 2024 saw the index hitting nearly 105 points which represents an 8.9 points rise year-on-year from Q3 2023. MIER has also forecasted that business conditions will remain positive in the fourth and final quarter of the year. Meanwhile, the Consumer Sentiments Index registered a drop down to 87.1 points as at the first quarter of 2024. This may mean that consumers, especially the B40 and possibly the M40 groups may continue to adopt a more cautious stance and may want to defer spending on big ticket items like property. Nevertheless, the country's business environment is expected to improve further as reflected by the rise in the Business Confidence Index and this would ultimately lead to an improvement in consumer sentiments and higher propensity to spend.
- The raising of the minimum wage from RM1,500 to RM1,700 per

month effective 1 February 2025 as well as the more than 13% increase in salaries of civil servants starting December 2024 could provide a boost to consumer spending as well as motivate some to start thinking of buying their own homes.

- The stamp duty for foreign individuals and companies has been increased to a flat 4% in 2024 but this is not expected to have a big impact as Malaysian real estate prices are still very much cheaper than countries like Hong Kong and Singapore which also imposes high stamp duties for foreign buyers (foreigners buying any residential property now face a 60% Additional Buyers' Stamp Duty (ABSD) and Singapore Citizens buying a second and third property have to pay ABSD of 20% and 30% respectively).
- Various global and domestic events such as the continuing war in Ukraine, the expansion of the war in Gaza as well as the slow recovery of the Chinese economy 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 positive 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.
- The incoming Trump II administration is expected to adopt a protectionist policy and various tariffs will be imposed on imports into the United States. This will likely affect countries deemed to be not supportive of the US' efforts to support its US dollar as well as domestic economy and will include China as well as BRIC's member countries of which Malaysia has recently been admitted as a partner country, though not yet a full member. However, Malaysia may be able to benefit from some rerouting of Chinese manufacturing activities to the country to enjoy lower tariff rates than direct Chinese exports to the USA.
- The proposed Urban Renewal Act (URA) is expected to be tabled in Parliament for approval in 2025. This Act, introduced by the Ministry of Housing & Local Government (KPKT) is aimed at rejuvenating ageing and dilapidated urban areas and revitalising cities. In addition to turning dilapidated buildings into new, habitable urban dwellings, KPKT says the redevelopment of some 139 pieces of land in Kuala Lumpur could generate an estimated gross development value (GDV) of RM332.5 billion.
- Amendments are anticipated to be tabled in 2025 to the Housing Development (Control & Licensing) Act 1966 (Act 118) which will hold developers accountable for fraudulent practices and abandoned projects, and prevent the developers from fleeing the country.
- The country is seeing increasing digitalisation of the property industry with proptech, expanded use of social media, virtual tours and other digital technologies to improve operational efficiency, service quality, marketing reach, and time & cost savings.
- Events to look forward to in 2025 include the following:
  - Signing of the Johor-Singapore Special Economic Zone (JS-SEZ) agreement in January 2025;
  - Implementation of RON95 petrol subsidy rationalisation
  - Announcement of 13th Malaysia Plan (13MP, 2026-2030) in mid-2025; and
  - National Investment Incentives Framework (NIIF) in 3Q 2025.

**Residential - Bright Spots for 2025**

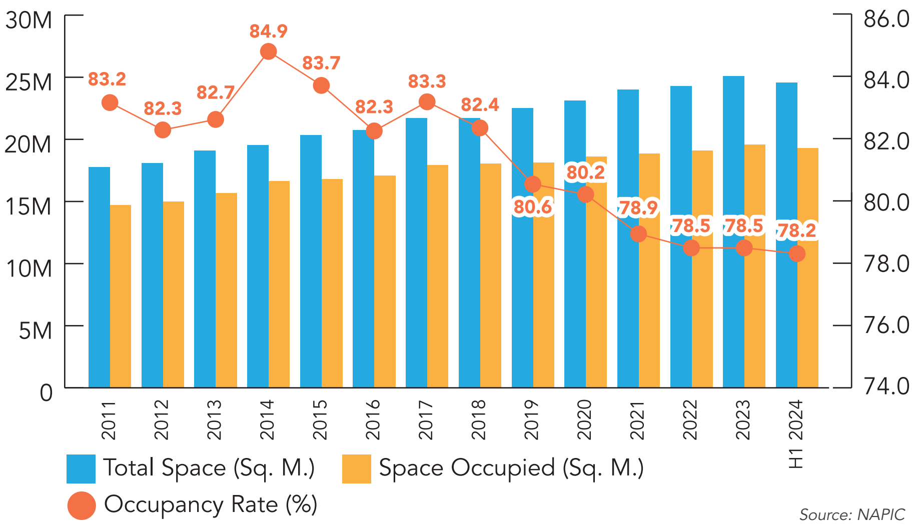
- For the coming year, we are therefore optimistic that the residential property market will likely be stable and continue to enjoy positive growth in volume as well as value of transactions. House prices could at the same time go up as developers try to recoup higher construction costs although the sensitive market and cautious consumer sentiments would place a ceiling on how much developers will be able to raise prices.
- As supply and demand dynamics of each state are different, it is expected that the performance of the residential property markets in different states will be different. Overall, we believe that the general focus of the residential property market in 2025 will continue to be on:
  - as has been all this while, landed residential properties, principally single and two storey terrace houses since they are the preferred house types for most Malaysians;
  - high rise apartments in the affordable price range in the major towns and cities, especially in the more popular or high growth locations;
  - smaller sized units which will bring down the absolute price of the unit; and
  - niche high-end projects in good locations where supply is limited.
  - projects which are designed to comply with eco-friendly and green building standards.
  - projects with innovative concepts, designs and themes which set them apart from the usual fare in the market.
- The 30-day visa free programme offered to travellers from various countries will boost not only the retail, leisure and entertainment industries but also probably, the property sector. It is also noted that the visa exemption policy for citizens of China and India has now been extended to 31 December 2026.
- The more aggressive stimulus measures taken by the China government to boost economic growth of the country could see a firmer recovery of the economy and this would be positive to Malaysia as China is Malaysia's largest trading partner.
- Areas which will be served by proposed new major infrastructure projects like highways, LRT/MRT networks will become more accessible and this will lead to more projects being undertaken by developers in these locations. These are growth areas which will be of interest to both investors and house buyers.
- Established locations which enjoy proximity to a wide range of social, educational, shopping and recreational amenities and which are popular with local home buyers as well as expatriate tenants, will always remain attractive to investors, especially where there is limited land available to carry out new projects which means future supply of houses in the area will be limited.

## Office Sector

The total supply of privately-owned, purpose-built offices (PBOs) in the country stood at 18.82 million sq metres as at Q3 2024, up slightly compared to 18.39 million sq metres as at Q3 2023 whilst the occupancy rate was recorded at 71.6%, down from 72.7%.

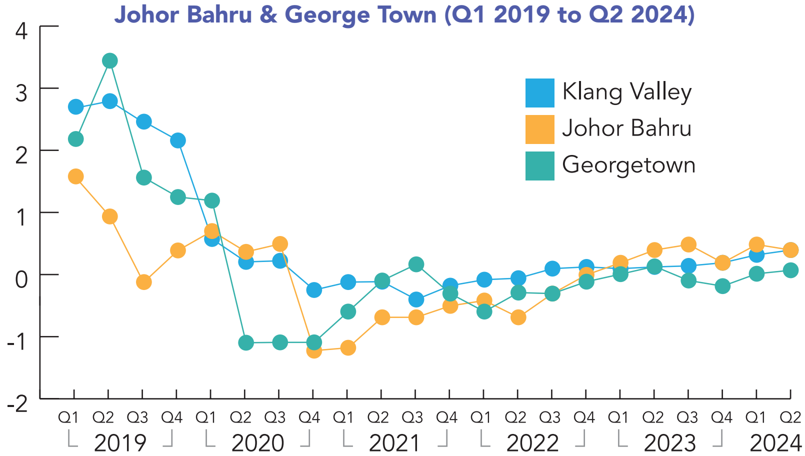
As the supply and demand dynamics of each state are different, the performances of the office sector vary depending on the supply and demand of the respective states. The outlook for the office sector will be mixed, with states like Terengganu, Kelantan, Kedah and Pahang which do not have many new PBOs being built expected to continue to enjoy stable occupancy and rental rates whilst Kuala Lumpur and Selangor 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.

**Supply & Occupancy Rates of Purpose-Built Offices in Malaysia (2011 to H1 2024)**




Source: NAPIC

**Purpose-Built Offices Rental Trend in Klang Valley, Johor Bahru & George Town (Q1 2019 to Q2 2024)**




Source: NAPIC

**Office - Factors to Watch in 2025**

- The completion of mega office towers in Kuala Lumpur like Signature 106 and Merdeka 118 has significantly increased the supply of office space on the market and this has led to concerns of an oversupply situation which will then put pressure on occupancy and rental rates.
- Older buildings which have not embarked on any upgrading exercises will tend to lose out in the competition to not only attract new tenants but also retain existing ones as the newer buildings offer better quality specifications, amenities, M&E infrastructure at not significantly higher rentals.
- Multinationals as well as local companies have placed increasing importance on environmental, social and governance (ESG) issues and in response, new office buildings have adopted designs which will comply with ESG or at least green-certified building requirements in order to attract such tenants.

**Office - Bright Spots for 2025**

- The continued positive economic growth enjoyed by Malaysia has led to companies becoming more optimistic about future prospects and this has led to stronger demand for office space by existing companies as well as new ones setting up offices in the country.
- 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.
- Malaysia has continued to attract foreign investments into the country and this is expected to spur economic growth which in turn, will lead to business expansion and increase demand for office space.
- The services sector which includes tourism, finance and information & communications technology (ICT) is the largest contributor to the economy, accounting for close to 55% of GDP growth annually. The strong performance of the sector will ultimately drive demand for more office space.
- The entry of several multinational corporations (MNCs) to set up regional offices in the country as well as expansion of business activities by existing ones have contributed to an increase in demand for office space.

# Retail Sector

## Review of the Retail Sector

**Malaysia - Retail Sales & Other Economic Performances 2024**

| Economic Indicator (%) | Q1 | Q2 | Q3 | Q4 | Whole Year |
|---|---|---|---|---|---|
| Retail Sales | 7.8 | 0.6 | 3.8 | (e) 4.4 | (e) 3.9 |
| GDP (%) | 4.2 | 5.9 | 5.3 | NA | (e) 4.5 - 5.5 |
| Private Consumption (%) | 4.7 | 6.0 | 4.8 | NA | NA |
| Inflation Rate (%) | 1.7 | 1.9 | 1.9 | NA | NA |

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

Retail Group Malaysia (RGM) has forecasted a 4.0% growth rate for Malaysia's retail industry in 2025. For the same period, the Malaysian government expects the national economy to grow between 4.5% and 5.5%. Similar to 2024, the biggest challenge for the country's retail industry in the new year is the rising cost of living.

Based on Budget 2025, several new policies and measures will be implemented in the new year and these are expected to have an impact on Malaysia's retail industry.

The monthly minimum wage for example will increase from RM1,500 to RM1,700 effective from 1 February 2025. Enforcement for companies with less than five workers will however be delayed by six months. In addition to that, there will also be mandatory EPF contributions for all non-Malaysian workers. These measures will have a major impact on retailers and food operators that rely heavily on foreign workers. The higher operation costs incurred by these retail operators are also expected to lead to higher retail prices.

On a more positive note, the Malaysian government increased the remuneration of civil servants from 1 December 2024 in two phases. For civil servants under the management and professional category, an 8.0% increment will be received on 1 December 2024 and 7.0% increment on 1 January 2026. For civil servants in the upper management category, a 4% raise on 1 December 2024 and a 3% raise on 1 January 2026. These increments should stimulate retail sales during the year-end holidays.

Another major change hitting the market is the removal of the current subsidy on RON95 fuel from the middle of 2025. In its place, a new subsidy scheme to re-distribute the targeted privilege to about 85% of Malaysian households will be introduced. Malaysians eligible for the RON95 subsidy will be determined by the Basic Expenses for Decent Living (PAKW) Cost of Living Index, size of household, employment status, number of cars, number of working adults as well as the number of school-going children.

Another is the excise duty imposed on sugar sweetened beverages which will increase from 50 sen per litre to 90 sen per litre from 1 January 2025. This would lead to higher retail prices on the majority of beverages sold in the country. However, the overall negative impact should be small.

The once debatable Sales and Services Tax (SST) will also have its coverage expanded from 1 May 2025 to include premium foods and imported food products. This will lead to higher retail prices on selected food products but the overall negative impact will be insignificant.

On the tourism front, the Malaysian government granted visa-free entry to citizens of China and India for stays of up to 30 days from 1 December 2023 to 31 December 2024 as part of the Malaysia Visa Liberalisation Plan announced in Budget 2024. But just prior to its expiry, another announcement was made to extend the visa exemption to December 2026. This may prove to be a step in the right direction as Malaysia recorded a 194% increase in Chinese tourists as of May 2024 compared to the same period in 2023 while arrivals from India in the first half of 2024 saw an 89.3% increment compared to the same period last year.

The weak Ringgit since the third quarter of 2023 would have played a part to encourage more international tourists to spend more during their trips in Malaysia. The cheap Malaysian currency has been especially attractive for visitors from Singapore as well.

The Malaysia Mega Sale 2024 which started on 15 June and ended on 31 July with discounts of up to 85% is another programme designed to keep the retail atmosphere exciting in the country. The campaign was supported by shopping mall operators, hotel associations, travel agencies, airlines, KTM Bhd and local tourist industry players.

Further to the Mega Sale, Tourism Malaysia collaborated with Mastercard to launch the Malaysia Year-End Sales Campaign 2024 (MYES 2024) on 27 November. The retail campaign will run from 15 November to 1 January 2025 to leverage on the year-end festive spirit and holiday season.

But just as the Sales campaigns were getting off ground, the Malaysian government then announced the High Value Goods Tax (HVGT) at a rate of 5.0% to 10.0% on selected high-value retail goods based on the threshold value of the goods. This new tax has however been deferred from its original commencement date of 1 May 2024.

As the country continues to fine-tune its supporting mechanisms for the people, Malaysia has nevertheless remained a highly popular destination in Southeast Asia for foreign retailers. Case in point, at least 51 new brands from 11 countries opened their first stores (shopping centres only) in Malaysia in 2024. Klang Valley accounted for more than 90% of these new entries with Kuala Lumpur making up 82% of the total Klang Valley supply.

Dissecting further, 45% of the new brands came from China whilst 47% of the new store brands were in the food & beverage business and 29% in the fashion and fashion accessories sector.

Another noteworthy phenomenon peculiar to the Malaysian market is the effect caused by the Israel-Hamas conflict that started in early October 2023. Unbeknownst to most, the conflict led to a boycott on many western brands with alleged links to Israel or those who purportedly pledged support to the Jewish state. Malaysian consumers then avoided stepping into these retail stores and buying these brands from the grocery retailers. The prolonged boycott affected businesses of selected retail brands which inadvertently saw Malaysians switching their support to Malaysian and other Asian brands.

## Supply of Retail Space

Amidst the changing consuming patterns, the supply of retail space in shopping malls in Malaysia increased marginally by 0.68% in 2024 whilst the occupancy rate of the malls went up slightly from 76.8% to 77.6%.

**Supply & Occupied Space of Retail Malls in Malaysia as at Q3 2024**

| Total Nett Floor Area/Year | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Existing Space (sqm) | 16,875,246 | 17,440,890 | 17,542,898 | 17,966,369 |
| Space Occupied (sqm) | 12,926,438 | 13,115,549 | 13,472,946 | 13,948,330 |
| % Occupancy | 76.6 | 75.2 | 76.8 | 77.6 |

*Source: Henry Butcher Retail*

**Retail - Factors to Watch in 2025**

- Retail Group Malaysia (RGM) forecast a 3.9% growth rate for the Malaysian retail industry in 2024 and 4.0% for 2025. For the same period, the Malaysian government expects the national economy to grow between 4.5% and 5.5%.
- Similar to 2024, 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 increased Service Tax rate from 6.0% to 8.0% effective from March 2024 has led to further increases in prices of retail goods and services. This is expected to affect retail spending.
- The Malaysian government may also introduce the proposed High Value Goods Tax (HVGT) on certain high-value retail goods which has previously been deferred. The introduction of this new luxury tax is however not expected to deter Malaysians from buying the luxury items locally but may discourage foreign tourists from buying such goods in Malaysia instead although they are eligible to claim for tax refunds. Some tourists may however not risk the hassle of claiming the refund. Nevertheless, until the exact tax rate and the impacted list of goods are officially made known publicly, it is not possible to estimate the actual impact it will have on the retail market.
- E-invoicing has become mandatory for taxpayers with income or annual sales exceeding RM100 million from 1 August 2024.
- The Malaysia Year End Sale 2024 (MYES 2024) has returned with more than 100 deals and promotions beginning from 15 November 2024 to 1 January 2025. More than 60 shopping centres and tourism partners across Malaysia participated in the event to encourage more retail spending among both Malaysian consumers and the foreign tourists.

**Retail - Bright Spots for 2025**

- The Malaysian government increased the remuneration of civil servants from 1 December 2024 and these increments should stimulate retail sales during the year-end holidays.
- The government increased the minimum wage from RM1,500 to RM1,700 effective from 1 February 2025 as an effort to increase consumers' disposable income which could benefit the retail sector.
- 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. The visa exemption has been extended to 31 December 2026 and this could lead to higher tourism receipts for the country.
- The weaker Ringgit since Q3 2023 will encourage international tourists to spend more during their trips to Malaysia. The weak Malaysian currency has also been especially attractive for visitors from Singapore. Coupled with the higher airfare cost, the weak currency is expected to encourage more Malaysians to spend their holidays domestically instead of travelling abroad.
- 2026 has been designated as Visit Malaysia Year and the government has allocated a budget of RM550 million to enhance tourism promotions and activities with an additional RM110 million to upgrade tourism areas, establish eco-tourism partnerships and support UNESCO nominations. In line with that, Tourism Malaysia targets to receive 31.4 million foreign tourists in 2025. To stimulate spending, Tourism Malaysia will be organising three national sales campaigns:
  - Malaysia Super Sale, 1 March to 31 March;
  - Malaysia Mega Sale, 15 June to 31 July; and
  - Year-End Sale, 15 November to 31 December.
- The government will be promoting the medical tourism industry and this is set to benefit Malaysia's private healthcare and the hospitality and retail sectors.

## Industrial Sector

Malaysia's overall trade performance for the eleven-month period January to November 2024 registered a rise of 8.7% to RM2.621 trillion, marking the eleventh successive month of year-on-year growth, with exports chalking up an increase of 4.7% whilst imports rose by 13.3%. The country continued to record a trade surplus for the 55th consecutive month since May 2020 which is the highest value recorded in fourteen months since October 2023.

The Industrial Production Index (IPI) for Malaysia grew 2.1% y-o-y in October 2024 compared to 2.3% the month before and 4.1% in August, which is below expectations but marking the tenth consecutive month of expansion. The growth was affected by a decline in mining output but factory and electricity production were maintained. The IPI is expected to continue to be expansionary going into 2025 but at a slower pace, supported by an economy fuelled by steady domestic spending and sustained export growth but against a backdrop of geopolitical tensions, uncertain trade policies under a Trump II administration and slower economic growth in China.

Malaysia managed to secure total approved investments of RM254.7 billion in the first nine months of 2024, a 10.7% rise from RM230.2 billion in the same period last year. These investments were made across the following sectors:

a) Services, RM160.7 billion, which made up 63.1% of total approved investments;
b) Manufacturing, RM88.8 billion, 34.9% of total approved investments; and
c) Primary Sector, RM5.2 billion.

Domestic Direct Investments (DDI) amounted to RM148.0 billion, accounting for 58.1% of total approvals while Foreign Direct Investments (FDI) contributed 41.9% (RM106.7 billion).

The top five states with the highest approved investments were Selangor (RM66.8 billion), WP Kuala Lumpur (RM63.9 billion), Kedah (RM34.0 billion), Pulau Pinang (RM22.6 billion) and Johor (RM18.1 billion).

The top five foreign investments came from Germany (RM30.9 billion), People's Republic of China (RM10.8 billion), United States of America (RM8.4 billion), Netherlands (RM 4.9 billion) and Singapore (RM4.4 billion).

The manufacturing sector attracted RM88.8 billion in approved investments in the first nine months of 2024, with FDIs making up RM66.9 billion (75.4%) while Domestic Investments (DI) accounted for RM21.9 billion or 24.6%.

Investments in the electrical & electronics (E&E) industry continue to dominate with RM47.0 billion in approved investments. The semiconductor sub-sector alone accounts for over 90% of E&E investments, in line with the aspirations of the National Semiconductor Strategy. Besides the E&E industry, other key industries contributing to the performance of the manufacturing sector include:

a) Chemicals & Chemical Products, RM7.0 billion
b) Transport Equipment, RM7.0 billion
c) Machinery & Equipment, RM6.3 billion
d) Non-Metallic Mineral Products, RM4.2 billion

The Malaysian Investment Development Authority (MIDA) has approved a total of 4,230 green technology projects worth RM41 billion up until last year.

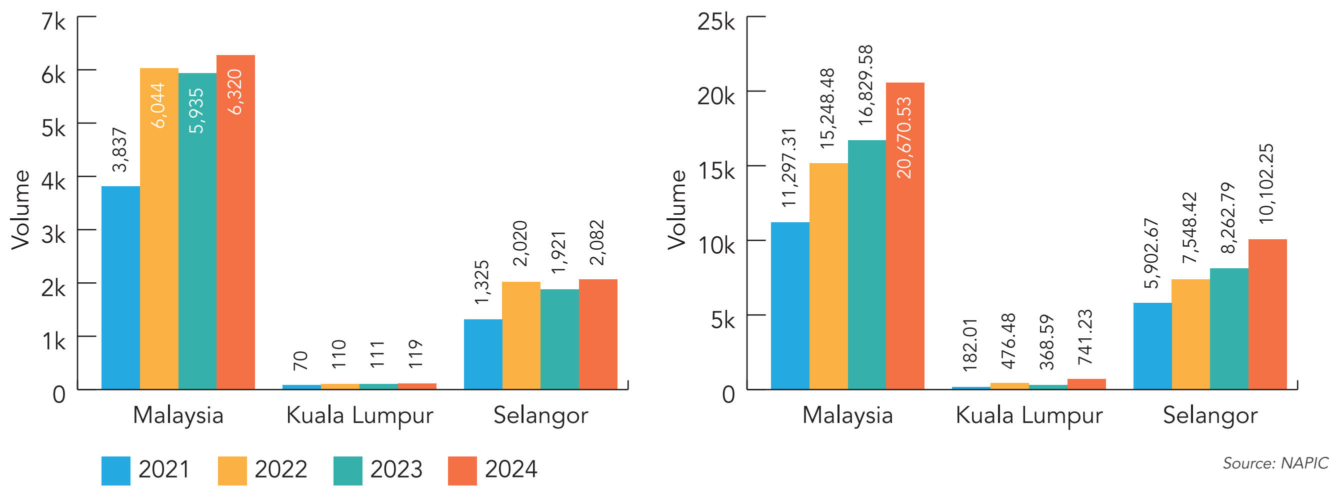
Five notable manufacturing projects reported by MIDA for 2024 are:

a) Siliconware Precision Malaysia Sdn Bhd
b) Plexus Manufacturing Sdn Bhd
c) Dominant Opto Technologies Sdn Bhd
d) Deer Tiles Sdn Bhd
e) MKS Instruments Malaysia Sdn Bhd

The volume of industrial transactions in Malaysia increased by 6.5% in the first nine months of 2024 compared to the same period a year ago whilst the value of the transactions rose 22.8%.

Selangor continued to dominate the market, contributing the most to the national transactions volume (33%) followed by Johor (18.5%). Terraced factories contributed the highest to the total volume of transactions, followed by vacant plots.

**Volume & Value of Industrial Property Transactions (Jan-Sep 2021 to 2024)**




*Source: NAPIC*

**Industrial - Factors to Watch in 2025**

- The better trade performance recorded by the country in 2024 could ultimately contribute to a higher demand for industrial space as manufacturers expand capacity. Moreover, the success of the country in attracting a higher level of committed FDIs and DDIs in 2024 will also help to boost demand for industrial properties.
- More data centres have been established and are still being built, with Johor having the most number followed by Selangor.
- Matured and established areas with good accessibility and proximity to source of labour will remain a popular location for manufacturers or warehouse operators.
- Improved accessibility arising from the completion of major infrastructural projects such as the Rapid Transit System (RTS) Link between Johor Bahru and Singapore and the LRT line linking Penang island and the mainland could help to generate more investments in Johor Bahru and the Penang mainland, and lead to increased demand for industrial space.

**Industrial - Bright Spots for 2025**

- Industrial activities are still active and a number of major industrial property transactions have been noted in the course of the past three years.
- With the introduction of more aggressive stimulus measures by the government, the Chinese economy is expected to stage a firmer recovery and this will help to boost Malaysia's trade performance as China is a major trade partner of the country that will ultimately benefit the manufacturing and industrial property sectors.
- The higher level of committed investments secured in 2024 could translate into increased demand for business and industrial space.
- The government's New Industrial Master Plan 2030 as well as National Energy Transition Roadmap are expected to provide a boost to the manufacturing sector and in turn benefit the industrial property market in the coming years.
- The government has set out to attract more data centres to be built in the country and also attract more chip design and manufacturing activities.
- Malaysia has been an attractive destination for investors in electric vehicles (EVs). MIDA reported that it has approved 68 projects worth RM30 billion between 2018 and 2023 in the EV sector and its related ecosystems, encompassing vehicle assembly, manufacturing parts and charging components.
- Government policies and programmes such as Industry4WRD (National), IDRISS (Selangor) and JS-SEZ (Johor) will act as catalysts to upgrade and drive future industrial development and the digital economy.

**Approved DDIs & FDIs By State (Jan–Jun 2024)**

| State | Number | Domestic Investment* (RM million) | Domestic Investment* (RM million) | Total Capital Investment* (RM million) |
|---|---|---|---|---|
| Kedah | 20 | 421.6 | 30,680.7 | 31,102.4 |
| Selangor | 155 | 3,529.4 | 3,798.1 | 7,327.5 |
| Johor | 135 | 1,455.5 | 4,571.1 | 6,026.6 |
| Pulau Pinang | 88 | 1,321.5 | 3,687.6 | 5,009.1 |
| Sarawak | 14 | 943.3 | 1,274.6 | 2,218.0 |
| Negeri Sembilan | 29 | 1,032.0 | 1,145.4 | 2,177.5 |
| Melaka | 17 | 1,237.9 | 426.8 | 1,664.7 |
| Kelantan | 4 | 1,174.1 | 486.4 | 1,660.4 |
| Pahang | 8 | 680.2 | 406.7 | 1,086.8 |
| Sabah | 9 | 118.0 | 952.7 | 1,070.7 |
| Perak | 30 | 457.3 | 144.2 | 601.5 |
| WP Kuala Lumpur | 8 | 136.2 | 38.0 | 174.2 |
| Terengganu | 1 | 17.4 | 0.1 | 17.5 |
| Perlis | 1 | 10.2 | 0.0 | 10.2 |
| **Total** | **519** | **12,534.7** | **47,612.5** | **60,147.2** |

*Source: MIDA*

**Domestic & Foreign Investments (Jan–Sep 2023/2024)**

| | Jan-Sep 2024 (RM) | | | Jan-Sep 2023 (RM) | | |
|---|---|---|---|---|---|---|
| | New | Expansion / Diversification | Total | New | Expansion / Diversification | Total |
| **Number** | 506 | 294 | 800 | 295 | 318 | 613 |
| **Potential Employment** | 35,502 | 22,515 | 58,017 | 24,801 | 23,812 | 48,613 |
| **Total Capital** | 36,814.3 | 51,998.6 | 88,812.9 | 37,871.7 | 62,114.7 | 99,986.3 |
| **Domestic Investment*** | 14,016.2 | 7,854.1 | 21,870.3 | 7,493.9 | 6,418.0 | 13,911.9 |
| **Foreign Investment*** | 22,798.2 | 44,144.5 | 66,942.6 | 30,377.7 | 55,696.7 | 86,074.4 |

*Source: MIDA*

## Hospitality Sector

For 2024, the Ministry of Tourism, Arts and Culture (MOTAC) has set a target of attracting 27.3 million international tourists with tourism receipts of RM102.7 billion. However, based on the latest available data, it would seem that the country would likely not be able to meet this target. The country welcomed 18.38 million international tourists between January and September this year which although is an increase of 27% y-o-y, is still about a third short of the full-year's target. It would not be easy to generate enough international tourists to make up the balance of the target over the remaining three months of the year.

Meanwhile, Malaysia's domestic tourism has 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 airfares.

According to the Department of Statistics Malaysia (DOSM), the country recorded a total of 213.7 million domestic tourists in 2023, a 24.6% increase compared with 171.6 million in 2022. At the same time, domestic tourism receipts rose by 32.5% to RM84.9 billion. However, when compared with pre-pandemic levels in 2019, total domestic arrivals and receipts were still lower by 10.6% and 17.7% respectively.

For Q1 2024, the country recorded 58.6 million domestic tourists travelling within Malaysia whilst for Q2, the figure went up to 68.4 million, marking a 16.8% increase over the previous quarter and a 23.8% increase compared with the same period last year. At the same time, MOTAC reported that domestic tourism expenditure rose to RM28.1 billion for Q2 2024 which represented a 28.6% growth y-o-y and a 16.9% increase from the RM24.6 billion recorded in the previous quarter.

Malaysia has a total of 3,555 hotels as at Q3 2024 with a total of 278,992 hotel rooms. Hotels with between 100 to 299 rooms contribute the largest number of rooms (35%) although in terms of number of hotels, this category only makes up 16% of the total.

The category with the largest number of hotels is the 20 to 49 rooms group (nearly 40%) but its contribution to the total number of rooms is less than 16%.

The largest hotels with 300 rooms and above make up only 5% of the total but contribute 32% of the total number of rooms.

Johor is the state with the most number of hotels (488) offering nearly 32,000 rooms. This is followed by Sabah (420) and Sarawak (386) which have a combined total of 45,161 rooms which is however less than the 47,177 rooms offered by the 253 hotels in Kuala Lumpur.

Penang has 248 hotels with a total of 25,071 rooms whilst Perak has a higher number of hotels (330) but lesser number of rooms (16,429). Selangor has 210 hotels and 26,089 rooms.

3, 4 and 5 star hotels make up 22% of the total supply of hotels in the country but provide 59% of the total supply of rooms.

The supply of hotels will increase in the coming years with a large number of the planned hotels located in Kuala Lumpur, Johor and Penang.

The average occupancy rates of hotels in Malaysia in the first six months of 2024 was recorded at 52.6% which is an improvement from the 50.5% recorded in 2023 but lower than the 56.6% recorded in 2019.

All states recorded an increase in average occupancy rates with the highest occupancy rate recorded by Pahang (74.6%) followed by Kuala Lumpur (60.3%) and Penang (53.5%). The lowest occupancy rates were recorded by Negri Sembilan and Labuan.

**International Tourist Arrivals in Malaysia 2023 to 2024 ('million)**

| Month | 2023 | 2024 |
|---|---|---|
| Jan | 1.496 | 1.771 |
| Feb | 1.298 | 1.952 |
| Mar | 1.593 | 2.088 |
| Apr | 1.543 | 1.748 |
| May | 1.550 | 1.925 |
| Jun | 1.678 | 2.322 |
| Jul | 1.821 | 2.256 |
| Aug | 1.717 | 2.386 |
| Sep | 1.768 | 1.926 |
| Oct | 1.645 | n.a. |
| Nov | 1.706 | n.a. |
| Dec | 2.323 | n.a. |
| **Total** | **20.138** | **18.374** |

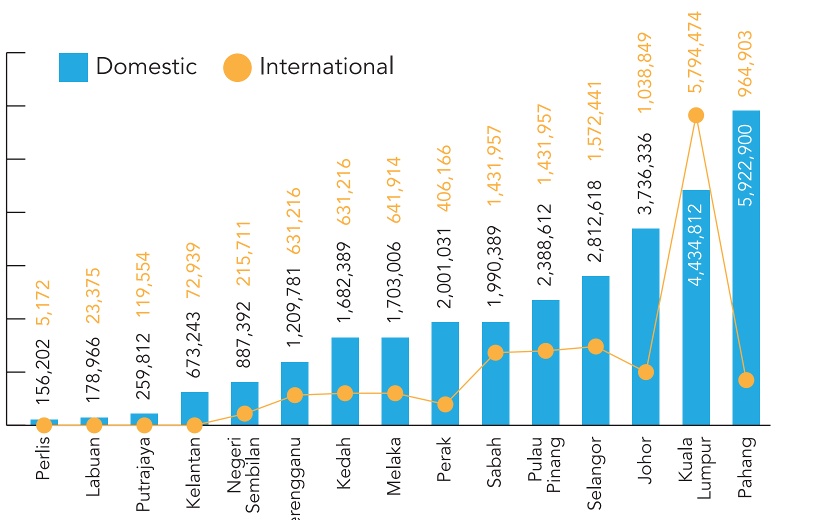
*Source: MOTAC*

**Future Supply of Hotels, Malaysia (as at Q3 2024)**

| Status | No. of Hotels | No. of Rooms |
|---|---|---|
| Completion | 7 | 1,753 |
| Incoming | 75 | 15,363 |
| Starts | 1 | 78 |
| Planned | 68 | 13,832 |
| New Planned Supply | 3 | 327 |

*Source: Napic*

**Total No. of Hotel Guests By State (Jan-Jun 2024)**




*Source: Tourism Malaysia*

### Supply of Hotels & Rooms By State, Q3 2024

| | Total | | >300 | | 100-299 | | 50-99 | | 20-49 | | 10-19 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| **WP KL** | 253 | 47,177 | 57 | 25,973 | 90 | 16,633 | 35 | 2,475 | 54 | 1,863 | 17 | 233 |
| **WP Putrajaya** | 7 | 1,769 | 2 | 835 | 4 | 896 | 0 | 0 | 1 | 38 | 0 | 0 |
| **WP Labuan** | 41 | 1,697 | 0 | 0 | 5 | 622 | 3 | 236 | 18 | 619 | 15 | 220 |
| **Selangor** | 210 | 26,089 | 31 | 13,235 | 47 | 8,058 | 29 | 1,998 | 79 | 2,442 | 24 | 356 |
| **Johor** | 488 | 31,971 | 21 | 8,431 | 57 | 10,395 | 66 | 4,622 | 217 | 6,756 | 127 | 1,767 |
| **Pulau Pinang** | 248 | 25,071 | 26 | 9,852 | 46 | 8,864 | 38 | 2,730 | 96 | 3,027 | 42 | 598 |
| **Perak** | 330 | 16,429 | 1 | 313 | 43 | 6,775 | 48 | 3,381 | 150 | 4,651 | 88 | 1,309 |
| **Negeri Sembilan** | 144 | 9,584 | 5 | 2,569 | 12 | 2,429 | 32 | 2,149 | 63 | 2,019 | 32 | 418 |
| **Melaka** | 177 | 18,223 | 14 | 6,169 | 38 | 6,967 | 40 | 2,843 | 55 | 1,825 | 30 | 419 |
| **Kedah** | 175 | 13,154 | 2 | 681 | 47 | 7,586 | 34 | 2,503 | 61 | 1,950 | 31 | 434 |
| **Pahang** | 303 | 25,575 | 12 | 12,462 | 33 | 5,404 | 44 | 2,923 | 113 | 3,386 | 101 | 1,400 |
| **Terengganu** | 250 | 11,487 | 1 | 340 | 23 | 3,783 | 45 | 3,100 | 107 | 3,210 | 74 | 1,054 |
| **Kelantan** | 91 | 4,360 | 0 | 0 | 8 | 1,584 | 16 | 1,072 | 44 | 1,343 | 23 | 361 |
| **Perlis** | 32 | 1,245 | 0 | 0 | 4 | 500 | 5 | 263 | 15 | 383 | 8 | 99 |
| **Sabah** | 420 | 24,019 | 13 | 5,368 | 45 | 7,323 | 62 | 4,181 | 174 | 5,382 | 126 | 1,765 |
| **Sarawak** | 386 | 21,142 | 7 | 2,641 | 51 | 9,044 | 42 | 2,764 | 167 | 4,966 | 119 | 1,727 |
| **MALAYSIA** | **3,555** | **278,992** | **192** | **88,869** | **553** | **96,863** | **539** | **37,240** | **1,414** | **43,860** | **857** | **12,160** |

*Source: Napic*

Whilst Pahang recorded the highest number of total as well as domestic hotel guests, Kuala Lumpur received the second highest number of domestic guests and the highest number of international guests, followed by Sabah, Selangor and Penang.

Based on data released by the Strategic Planning Division of Tourism Malaysia, the average daily rate (ADR) achieved in the first six months of 2024 has registered an increase over the same period in 2023 as shown by the ADR recorded by the top five states (see Average Daily Rates of Hotels, Jan–Jun 2023 vs 2024).

### Average Daily Rates of Hotels, Jan–Jun 2023 vs 2024

| Location | 2023 | 2024 |
|---|---|---|
| Malaysia | 208 | 246 |
| Kuala Lumpur | 295 | 357 |
| Selangor | 226 | 295 |
| Penang | 217 | 285 |
| Terengganu | 317 | 320 |

*Source: Tourism Malaysia*

### Average Occupancy Rates of Hotels in Malaysia, Jan-Jun 2023 to 2024

| State | 2023 (%) | 2024 (%) | Increase/(Decline) (%) |
|---|---|---|---|
| Kuala Lumpur | 57.3 | 60.3 | 3 |
| Putrajaya | 54.0 | 55.4 | 1.4 |
| Selangor | 47.1 | 47.7 | 0.6 |
| Pulau Pinang | 49.2 | 53.5 | 4.3 |
| Perak | 44.0 | 44.7 | 0.7 |
| Kedah | 41.5 | 44.8 | 3.3 |
| Perlis | 40.2 | 40.8 | 0.6 |
| Negeri Sembilan | 36.8 | 37.8 | 1.0 |
| Melaka | 41.6 | 42.9 | 1.3 |
| Johor | 47.4 | 49.2 | 1.8 |
| Pahang | 72.9 | 74.6 | 1.7 |
| Terengganu | 44.5 | 44.7 | 0.2 |
| Kelantan | 41.8 | 43.6 | 1.8 |
| Sabah | 46.3 | 50.1 | 3.8 |
| Labuan | 31.2 | 32.4 | 1.2 |
| Sarawak | 41.9 | 43.3 | 1.4 |
| **Malaysia** | **50.5** | **52.6** | **2.1** |

*Source: Tourism Malaysia*

**Hospitality - Factors to Watch in 2025**

- The Malaysian Association of Hotels has expressed its view that the increase in the minimum wage from RM1,500 to RM1,700 w.e.f 1 February 2025 will further increase operational costs of hotels and put additional strain on their financial resources.
- 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 hope 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 industry and if not resolved by the government, will continue to hamper the recovery and growth of the hospitality industry.
- There has been a call by the Minister of Tourism to hotels to consider extending hotel stays to 23 hours but this is not looked upon favourably by the hotel industry as they deem it impractical and will put further strain on manpower resources.
- 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.
- Based on the Malaysian Aviation Commission's latest report, Malaysia's total air passenger traffic grew 15.3% y-o-y to 46.6 million, largely driven by international air passenger traffic which went up by 35.9% whilst domestic traffic on the other hand decreased slightly by 0.7%. MAVCOM has indicated that it expects to meet its earlier passenger traffic projection which is now narrowed down to between 95.4 million and 97.6 million passengers for the full year of 2024.

**Hospitality - Bright Spots for 2025**

- The government has introduced a 30-day visa free initiative for nationals of China and India under the Malaysia Visa Liberalisation Plan which runs until 31 December 2024. The visa-free programme for Chinese and Indian nationals has now been extended to 31 December 2026. Citizens of ASEAN countries are currently allowed to stay for more than a month without a visa.
- The government has relaxed the existing conditions for the Malaysia My Second Home (MM2H) programme, aiming to boost the influx of foreigners wishing to reside in 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 weaker 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. It is the government's aim to bring in 26.1 million tourists with an estimated domestic spending of RM97.6 billion. VMY2026 is being eagerly awaited by the leisure and hospitality as well as retail industries as the promotional efforts by the government is expected to lead to an increase in tourist arrivals and boost hotel occupancy rates as well as spending on food & beverage and shopping.
- The government will also be promoting medical tourism as part of its plans to boost tourist arrivals in the country.
- In Budget 2025, a sum of RM550 million has been earmarked for the ASEAN Tourism Forum (ATF) 2025 and Visit Malaysia Year (VMY) 2026. The additional allocation of RM110 million for eco-tourism is also welcomed by the leisure and hospitality industry.

# KEDAH

After a drop last year, Kedah's volume of property transactions increased by 2.8% in the first nine months of 2024 compared to the same period in 2023. In terms of value, performance was otherwise steady if not for the slight 1.6% dip over the same period. The stable market demonstrated the state's inherent strength as it recovered from the momentary slide in volume of transactions in 2023, matching the growing interest from domestic and foreign industrialists looking at Kedah as a viable alternative to the usual favourite Penang next door.

Kedah's industrial strength was evident as early as the first quarter of 2024 when it raced ahead as the state with the highest approved investments in the country with RM31.3 billion. This is 37.4% of the nation's total approved investments of RM83.7 billion. The resultant effects such as this was why names such as the Northern Corridor Economic Region (NCER), Northern Corridor Implementation Authority (NCIA) and Kulim Hi-Tech Park have become increasingly common and synonymous with mobilising the state's industrial ambition, which among others have also mooted Kedah Rubber City (KRC) as the state's dedicated rubber industrial park back around a decade ago.

Some of the noteworthy news that have positioned Kedah under the spotlight in 2024 included energy-related services provider Reservoir Link Bhd forming a joint venture with Japan-based Sumitomo Corporation (SC), MAQO Engineering Sdn Bhd (MESB) and SRM Utama Selambau Sdn Bhd (SUS) in March to undertake a 29.99 MWac ground mounted solar photovoltaic (PV) project.

Another was French electronic manufacturing services company, éolane, commissioning its new manufacturing plant in Kulim Hi-Tech Park in April with a focus on sustainable production. Phase 1 of the project saw éolane investing RM45 million (EUR8.7 million).

There was also lithium-ion batteries manufacturer Zhuhai CosMX's RM1 billion investment in August 2024 to build its first manufacturing plant in Kedah over several phases in Kulim East Industrial Park, which according to the Minister of Investment, Trade & Industry (MITI) Tengku Zafrul Tengku Abdul Aziz at the launch, aligns with the mission of Malaysia's New Industrial Master Plan (NIMP) 2030.

In September 2024, German glass company Schott expanded its Malaysian base with the second plant in the country in Kulim after the first in Penang half a century ago in 1974. In the same month, multi-diversified company PGF Capital Bhd signed a sales and purchase agreement to acquire a land worth RM40 million to expand its insulation manufacturing plant in Kulim East Industrial Park.

From the wide ranging national plans rolled out by the government to support the economy in the last few years, projects such as the above have cemented its relevance as part of Kedah's economic contributor that can be harnessed from programmes like the National Energy Transition Roadmap (NETR).

As Kedah continues to woo investors from a myriad of different industries, evergreen economic sectors such as the heavy industries, tourism and the emerging hospitality sector may yet be other lucrative avenues for investors to look into as the state expands its horizons alongside the country's economy.

Further to the above, regional and global impact from geopolitical tensions around the world would have little to no impact to Kedah's economy in 2025 unless a severely adverse condition may impede global trade. In the same way, Malaysia's chairmanship of Asean in 2025 would also be unlikely to yield any immediate or tangible benefits to Kedah's local economy.

With Kedah's strengths emanating from some of the large-scale catalytic projects that have also drawn interest from foreign investors, with potential spillover effects into the state's local property market, 2025 may present a year of stability with spots of improvements in selected areas in Kedah's overall property sector.

**Factors to Watch in 2025**
- The proposed Kulim Airport is anticipated to be a catalyst to the property market should the project get the go-ahead.

**Bright Spots in 2025**
- Kuala Ketil and Sidam Kiri areas.
- Kulim Hi-Tech Park and related industrial parks.
- Tourism market's increased momentum in anticipation of Visit Malaysia 2026 with spillover effects into the hospitality market.

**Outlook in 2025**
- Kedah's property market including the residential sector are anticipated to be stable with improvement in selected areas in 2025.

## Residential Overview & Outlook

Unlike the state's overall property market, Kedah's residential sub-sector declined in both the volume and value of transactions at 2.7% and 9.5% respectively. This brought the numbers lower to 9,612 units valued at RM2.5 billion.

Like last year and as the flavour of the era remained in the affordable segment, most of the transactions in the period under review occurred below RM400,000, making up 85.2% of the total market share. More commonly picked up by property buyers are homes valued between RM100,001 to RM300,000, contributing 53.1% of the total residential transactions in Kedah.

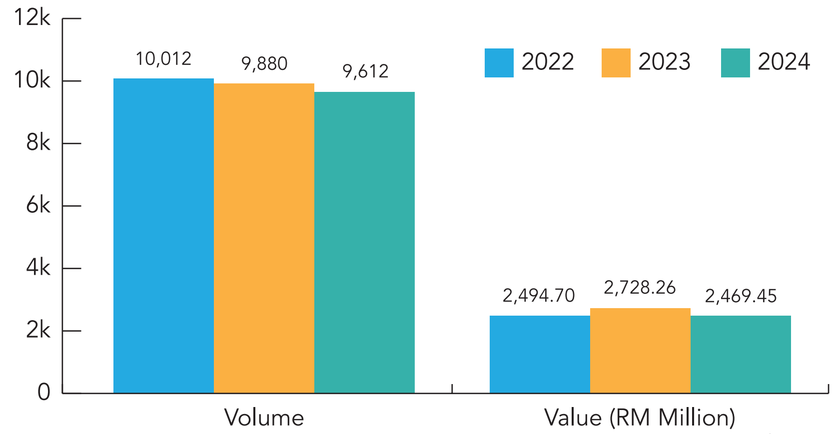
Year-on-year, only properties below RM100,000 showed an improvement in transactional volume with a 5.3% growth. All other price points registered declines over the same period. The largest drop came from the above RM1 million category, sliding down by 29.8%.

The appeal of Kedah's affordable housing segment may have also drawn Sime Darby Property Bhd into its first affordable project via a joint venture with Lagenda Properties Bhd. Together, the combined development team will see its Seed Homes Lagenda building more than 3,000 homes across its 249 acres in Gurun to capitalise on the anticipated industrial growth.

According to the Malaysian House Price Index, Kedah's annual growth of 4.6% as of H1 2024 positioned it above all other states that also rallied into the positive territory. This bodes well for Kedah's residential market as it does not have many unsold inventory to trigger an alarming trend in the state.

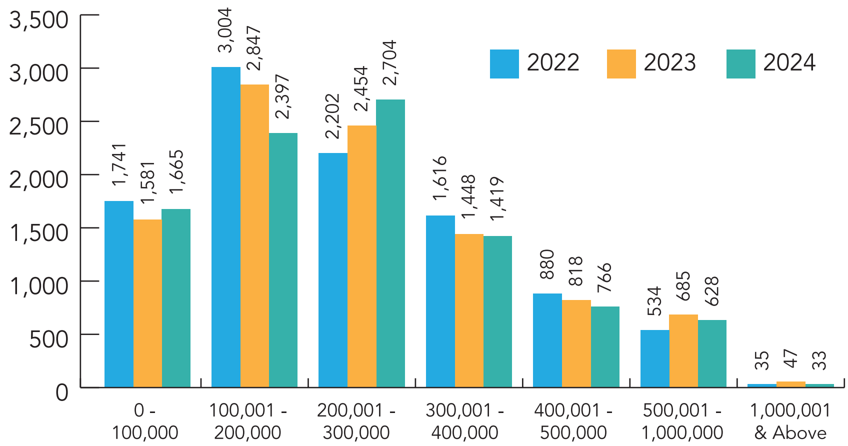
Based on NAPIC's data, Kedah's overhang stock dropped by 25.5% to 451 units with the value of the same declining by 10.5% to RM179.6 million. This came on the back of an 11.2% increase in the number of units launched in the first nine months of 2024. The overhang improvement was in fact better in the period before with declines of 46.6% in volume and 50.1% in value. The manageable inventory should pave the way for the market to absorb the stock organically without much intervention required to spur property buying.

**Volume & Value of Residential Property Transactions in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Transactions By Price Range in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Commercial Overview & Outlook

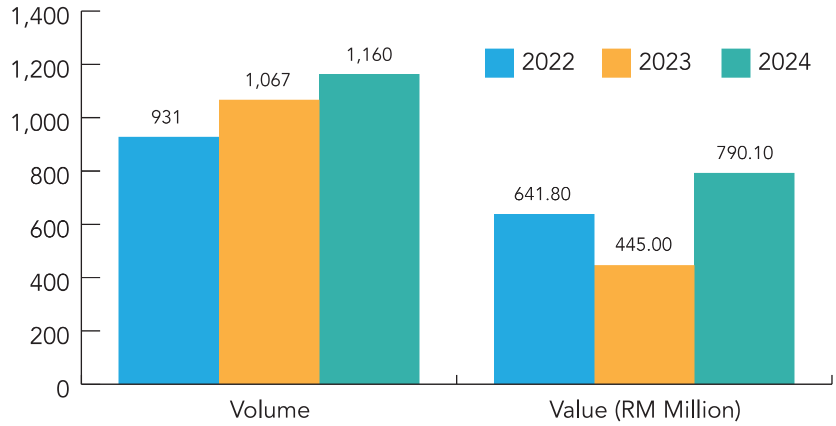
Over in the commercial property market, performance bucked the trend when compared against the residential sector as volume of transactions rose 8.7% whilst value of transactions leapt even further by 77.6%. The steep rise is attributed to a series of vacant plot transactions that amounted to RM130.8 million in Kuala Muda in 1H 2024, followed by some transactions in Langkawi in the third quarter in the hotel/leisure segment valued at RM123.6 million and vacant plots valued at RM98.4 million. These are indicative of committed interest in Kedah's commercial market.

In terms of transactions by price, the trend in 2024 resembles that of 2023 with properties below RM100,000 continuing as the most popular with 24.2% of the market share. This is followed by the RM500,001 to RM1 million and RM100,001 to RM200,000 categories with 20.6% and 19.1% respectively.

There were year-on-year improvements across the board in all pricing categories with the RM100,001 to RM200,000 segment jumped the furthest with 38.8% followed by the RM200,001 to RM300,000 category with 20.4%.

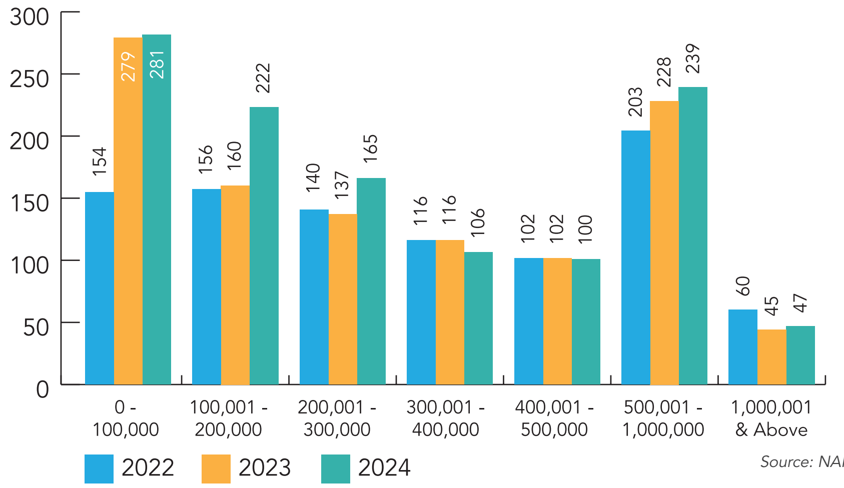
The RM300,001 to RM400,000 and RM400,001 to RM500,000 categories on the other hand registered declines in transactional volume, dropping by 8.6% and 2.0% respectively.

**Volume & Value of Commercial Transactions in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Commercial Transactions By Price Range in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

NAPIC's data in the period under review shows an increase in the overhang for shops, rising by 11.7% in volume and 2.8% in value after easing by 6.6% in volume and 5.0% in value in the period before.

As the robust national plans have all shown signs of progress from the year before, the spillover effects are likely to weigh positively on Kedah's commercial property market in 2025.

## Hospitality Overview & Outlook

Through initiatives like the Dana Usahawan (DU@NCER) and the NCER Talent Enhancement Programme (NTEP) that were launched in 2019, the Northern Corridor Implementation Authority (NCIA) has been able to finance the development of tourism facility and at the same time, ensure a steady supply of skilled workers to meet industry demands. Three companies were granted the privilege to build hospitality products through such initiatives in January 2024.

The first, Langkawi Skywalk Sdn Bhd, is anticipated to build the world's longest free-standing cantilever glass skywalk spanning 38 metres and rises 645 metres above sea level to become a landmark attraction in Langkawi.

The second, SMS Retreat Company Sdn Bhd, will be developing 44 chalet units as part of its Hangouts Urban + Eco Langkawi resort to cater to eco-conscious travelers, a growing segment in the global tourism industry.

The third, PFCE Integrated Plant and Project Sdn Bhd, will together form the development team to create Langkawi City in Bandar Kuah. Conceptualised as an integrated tourism hub, Langkawi City represents a RM677 million investment and is expected to generate over 100 job opportunities for the local community.

From January to September 2024, Kedah's Average Occupancy Rate (AOR) recorded 46.2%, up from the 42.0% last year. This improvement came on the back of an impressive 24.6% growth in domestic hotel guests, that is from 2 million to 2.5 million visitors. This growth rate according to Tourism Malaysia's statistics is second in the country, behind Johor's 26.9%.

By hotel inventory, the state had 329 hotels with 18,688 rooms as of September 2024, down from 330 hotels with 19,029 rooms as of December 2023. The decline was nevertheless greeted later in the year when Imperio Group entered into a partnership with Accor Group in December 2024 to open ibis Styles in Alor Setar, the capital city's first international hotel located at the former's The Tenz integrated development. The RM350 million project is scheduled to complete in 4Q 2028 and will include a 154-room hotel, 349 serviced apartments, 84 serviced suites, 60,000 sq ft of retail and office space.

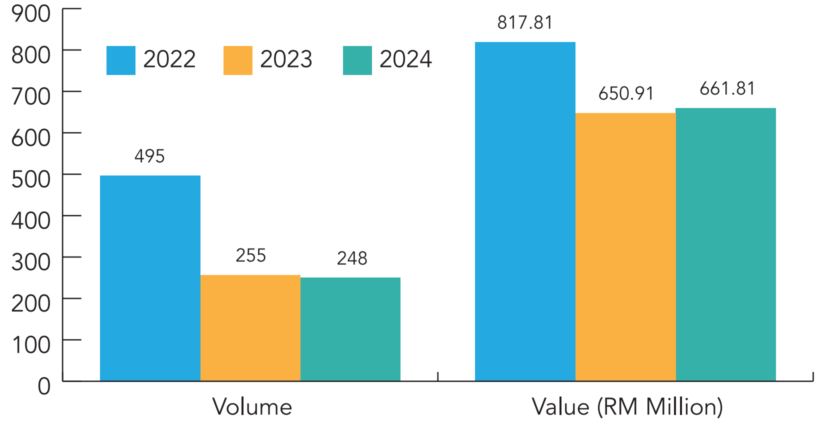
The progressive momentum of Kedah's hospitality sector may be what the state needs to restore the lustre Langkawi lost over the last few years to regional neighbours like Thailand's and Indonesia's many island and beach offerings. This may also spearhead other hospitality developments in the state that can leverage on Kedah's other unique opportunities such as its natural terrains.

## Industrial Overview & Outlook

Over in Kedah's industrial property market, performance was relatively steady except for a slight drop in the volume of transactions where it dipped 2.6%. Value of transactions however held steady and rose slightly by 1.7% in the period under review.

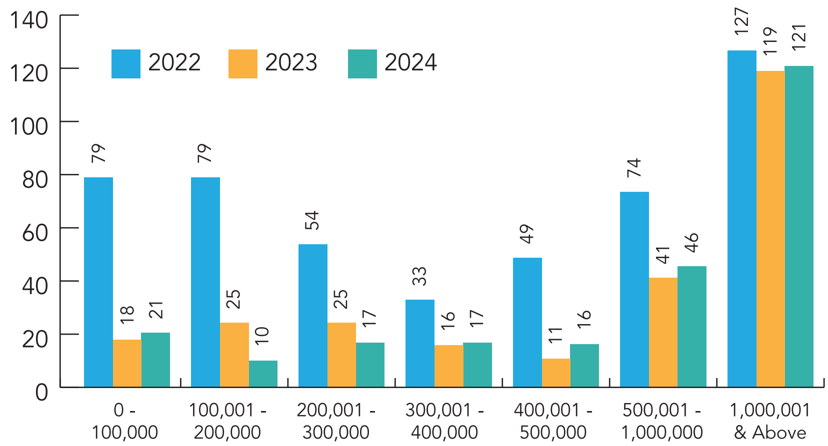
Like last year, transactions concentrated in the upper price segments where there were 48.8% of the transactions lodged in the above RM1 million category and 18.6% in the RM500,001 to RM1 million category.

**Volume & Value of Industrial Transactions in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Transactions By Price Range in Kedah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

The RM400,001 to RM500,000 grew the most year-on-year with a 45.5% improvement whilst the RM100,001 to RM200,000 category declined the most with a 60.0% drop.

Kedah's industrial appeal is underpinned by significant milestones recorded in 2024 alone owing to its strategic location being next to Penang. It is considered a viable and feasible alternative for companies already looking to resolve the China+1 factor. But credit must also go to Kedah's domestic environment for making it conducive to woo investors to its shores.

For instance, the Kedah Rubber City launched almost a decade ago expanded its parameters to include four new clusters in November 2023 - polymer-based industry, green technology, renewable energy, machinery and equipment (M&E). This was a proposal deliberated to overcome the uncertainties in the international rubber-based products market.

Then in August 2024, German giant Infineon Technologies AG inaugurated the first phase of its new facility in Kulim, Kedah, to become the world's largest and most efficient 200-millimeter silicon carbide (SiC) power semiconductor fabrication facility with €2 billion investment that is also estimated to create approximately 900 high-value jobs. The second phase of Infineon's expansion is looking at an additional €5 billion investment in Kedah.

Developments such as these collectively show Kedah's commitment to the industrial market without neglecting the priorities national programmes such as the NIMP 2030 and NETR play in working favourably for the incoming investors.

Given the steady market momentum in 2024, it is likely Kedah will undergo another year of stability with potential for growth if global trade continues to favour Malaysia as a strategic location for manufacturers to relocate to.

# PENANG

## Residential Review 2024

In 2024, the Penang property market showed signs of stabilisation following a strong rebound in 2023. While the transaction volume experienced a slight dip (down 0.85% from 17,953 in 2023 to 17,801 in 2024), it remained higher than 2022 levels, indicating consistent activity. However, the total transaction value declined by 12.7% (from RM13,209.54 million in 2023 to RM11,528.37 million in 2024), reflecting a slowdown in higher-value property deals.

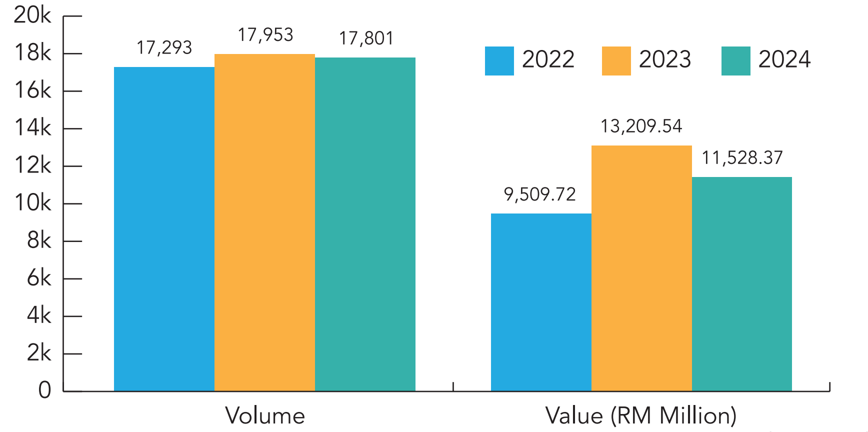
Despite these declines, Penang's property market remains resilient, driven by ongoing infrastructure developments and industrial growth.

For the residential sector, although the volume of transactions declined marginally by 0.8%, the value of the transactions went up by 4%, indicating a rise in the average price of the properties transacted. Approximately 46% of the residential properties transacted in the state are located on the island whilst the bulk of the transactions are properties located on the mainland. Nonetheless, residential transactions on the island contributed more than 55% of the total value of transactions in the state, confirming that house prices are much higher on the island than on the mainland.

Close to 45% of the residential transactions recorded in Penang in the first nine months of 2024 are those priced at RM300,000 and below whilst 27% are priced at RM500,000 and above. Houses priced at RM1 million and above make up only 7% of the total number of transactions. About 70% of the residential units sold on Penang Island were located within the Timur Laut district.

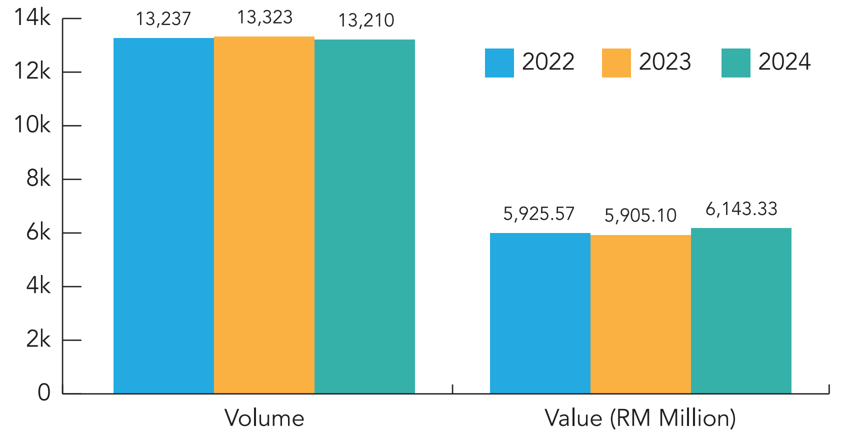
About 78% of the residential properties transacted on land scarce Penang Island are strata titled properties. Condominiums/apartments made up about 30% of the transactions whilst flats and low-cost flats contributed about 47%. On the other hand, Seberang Perai recorded a 3.5% increase in the volume of transactions in the first nine months of 2024 compared to the same period the year before whilst value wise, a 16% jump was noted. Seberang Perai Utara

**Volume & Value of Overall Property Transactions in Penang (Jan-Sep 2022 to 2024)**



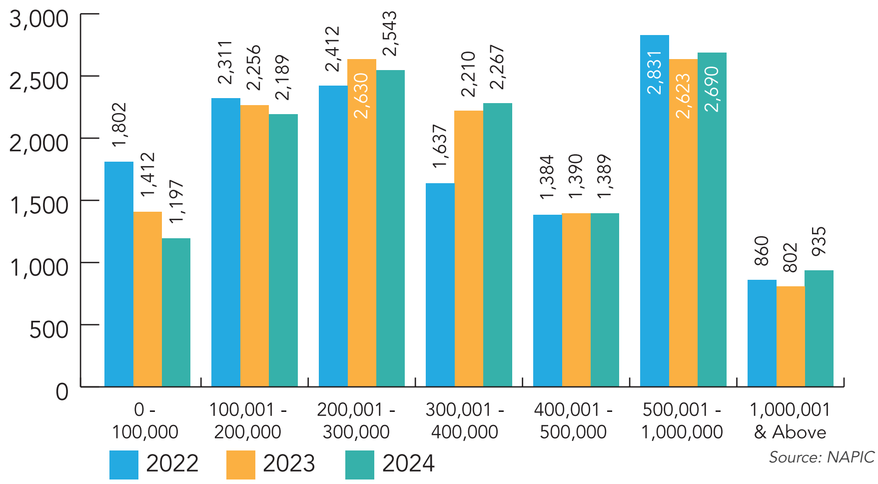

Source: NAPIC

**Volume & Value of Residential Property Transactions in Penang (Jan-Sep 2022 to 2024)**




Source: NAPIC

**Volume of Residential Property Transactions by Price Range in Penang (Jan-Sep 2022 to 2024)**




Source: NAPIC

contributed about 39% of the transactions whilst transactions in Seberang Perai Tengah made up about 36%. The bulk of the houses transacted on the Penang mainland were landed residences (64%). About 49% of the properties transacted were single, two and three storey terraced houses. This clearly indicates a preference for the mainlanders for landed residences.

There were 3,717 units of residential properties launched in Penang in the first nine months of 2024 with sales performance achieved 47% as at Q3 2024. About 84% of the residences launched were those priced at RM500,000 and below. The bulk of the units launched were those priced between RM300,000 to RM400,000 and between RM400,001 to RM500,000. Very few of the units launched were those priced at RM1 million and above, perhaps indicating a cautious stance taken by developers in the state.

The House Price Index released by NAPIC for Q3 2024 shows that the index for Penang went up slightly with the index logging in at 211 compared to 207 for Q3 the year before and 197 for the same quarter in 2019. This indicates that house prices have risen above pre-Covid-19 levels.

## Residential Outlook 2025

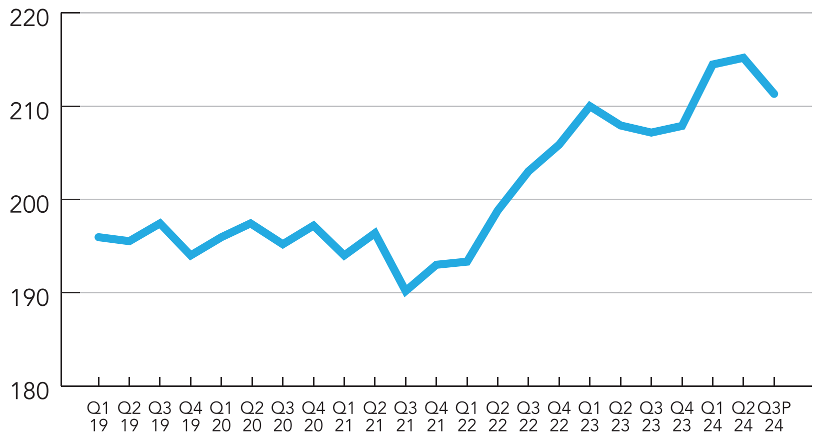
We expect the residential property market in Penang Island to be stable in 2025 and for house prices to continue to appreciate. Generally, the property market in Seberang Perai is also expected to sustain its momentum in 2025 in view of the various programmes implemented by the federal and state government.

**New Residential Property Launches & Sales Status in Penang (as at Q3 2024)**

| Price Range | Units Launched | Unsold Units | Sales (%) |
|---|---|---|---|
| Below RM300K | 573 | 398 | 69.5 |
| RM300K to RM500K | 2,558 | 1,135 | 44.3 |
| RM500K to RM1mil | 517 | 146 | 28.2 |
| RM1mil & above | 69 | 69 | 100.0 |
| **Total** | **3,717** | **1,748** | **47.0** |

*Source: Napic*

**House Price Index for Penang 2019-2024**




*Source: NAPIC*

**Factors to Watch in 2025**

- Federal funding for the Mutiara LRT and the Penang International Airport Expansion has elevated Penang's connectivity and appeal to investors.
- Public-Private Partnership Master Plan 2030 (PIKAS 2030)
  - Impact: Strengthened collaboration between the government and private developers in Penang, resulting in affordable housing initiatives and better urban infrastructure.
  - Property Market Contribution: Facilitated mixed-use developments and infrastructure upgrades thus seeing new levels of property values in preferred strategic locations.
- National Climate Change Policy 2.0 (NCCP 2.0)
  - Impact: Promoted sustainable urban planning and green building certifications in Penang.
  - Property Market Contribution: Boosted demand for eco-friendly developments, particularly in urban areas like George Town and Tanjung Tokong.
- Boost in Infrastructure Development such as the implementation of the Mutiara LRT and airport expansion projects which will enhance connectivity, making properties along key routes highly desirable.
- Focus on Sustainability - the Climate Change Act and NCCP 2.0 will encourage green certifications, increasing the value of eco-friendly residential and commercial properties.
- Upskilled Workforce Migration - Programmes like GEAR-uP will draw skilled workers to Penang, particularly in high-tech sectors, creating demand for rental and purchase of residential properties.
- Mixed-Use Developments - public-private partnerships under PIKAS 2030 will lead to innovative mixed-use projects, creating self-sustaining townships and increasing property appeal.
- Strengthened Regional Connectivity
  - Penang's strategic location will be further leveraged as improved regional connectivity through the Penang International Airport Expansion and Mutiara LRT enhances trade and mobility.
  - Property Impact: Higher property values and demand for developments near transport and logistics hubs.
- Policies like NCCP 2.0 and the Climate Change Act will drive the demand for green-certified buildings and sustainable property developments. Arising from this, developers may focus on eco-friendly projects, attracting environmentally conscious buyers and investors.
- Volatile energy and material costs may lead to higher construction expenses, potentially slowing project completions and increasing property prices. As a result, developers may focus on niche, high-value projects rather than large-scale developments.
- Outlook for 2025:
  - Stability driven by targeted incentives and infrastructure projects eg. Mutiara LRT.
  - Demand to focus on affordable and mid-range properties.
  - Luxury segment to see selective growth due to foreign investments and MM2H applicants.
- Key Catalysts:
  - Expansion of Penang International Airport.
  - Continued industrialisation attracting worker and executive housing demand.
  - Penang's green agenda driving interest in eco-friendly developments.

**Bright Spots for 2025**

- Geopolitical tensions and currency advantages will attract foreign buyers seeking value and stability in Penang's property market. The impact of this will be increased interest in luxury residential properties and mixed-use developments. High-net-worth individuals and investors from conflict-affected regions may seek Penang properties as safe-haven assets. This could lead to increased interest in premium residential properties, particularly those offering long-term value and security.
- Steady demand for affordable apartments, high-rise units, and premium properties in strategic locations.
- Surge in demand for green-certified buildings and developments designed with sustainable features.
- Continued demand for affordable high-rise and transit-oriented properties.
- Likely increase in residential launches, especially in transit-oriented developments and industrial-adjacent zones like Batu Kawan.
- Foreign interest has remained stable, particularly in areas like George Town, Tanjung Bungah and Batu Ferringhi.
- Continued demand for heritage properties and luxury condos.
- We also noted that developers have started buying lands to standby for the next property cycle. One example is a parcel of land of 708 acres at Jawi which was reportedly sold for RM462 million.
- People on the mainland still prefer landed houses. Prices are more affordable compared to Penang Island eg. the price range for 2-3 storey terrace houses is between RM400,000 to RM700,000.
- SkyWorld Development Bhd is set to build the largest affordable housing development project located on two prime plots of land in Penang — 13-ha in Seberang Jaya and 65.3-ha in Batu Kawan, with over 35,000 houses priced between RM225,000 and RM420,000 for buyers from the B40 and M40 groups.
- The Juru-Sungai Dua Elevated Highway project, announced by Prime Minister Datuk Seri Anwar Ibrahim during the tabling of Budget 2025, will commence next year and is expected to be completed in 2029. This project is aimed at reducing traffic congestion at the Juru and Sungai Dua toll plazas along the North-South Highway.
- The Bukit Kukus paired road project in Penang which is scheduled for completion in 2028 is poised to significantly ease traffic congestion in Paya Terubong, benefitting over 60,000 road users and improving connectivity across the region. Once fully operational, the 5km dual carriageway will connect Jalan Bukit Kukus to Lebuh Bukit Jambul and Jalan Tun Sardon and offer an important link to areas such as Bukit Jambul, Bukit Gambir, Balik Pulau and Air Itam.

## Commercial Overview & Outlook

The commercial property sector registered a decline in both volume as well as value of transactions in the first nine months of 2024, with the volume declining by nearly 11% and value dropping by a massive 48%. The drop in commercial property transactions, especially in value, is mainly due to an extraordinary high-value transaction in 2023 involving Queensbay retail units. This rare deal inflated the 2023 numbers, making 2024 seem lower by comparison. Without such outliers, the 2024 figures reflect a more typical market trend.

Close to 53% of the commercial property transactions were those which were priced above RM500,000. Whilst Penang Island contributed only about 39% of the commercial property transactions in terms of numbers, value wise, the contribution is much higher, at 53%.

Within Penang Island, nearly 77% of the commercial property transactions were those located within Daerah Timur Laut. Pre-war shops contributed close to 15% of transactions whilst another 15% comprised single to five and a half storey shophouses. Retail lots made up 31% of the total transactions and service apartments made up another 18%.

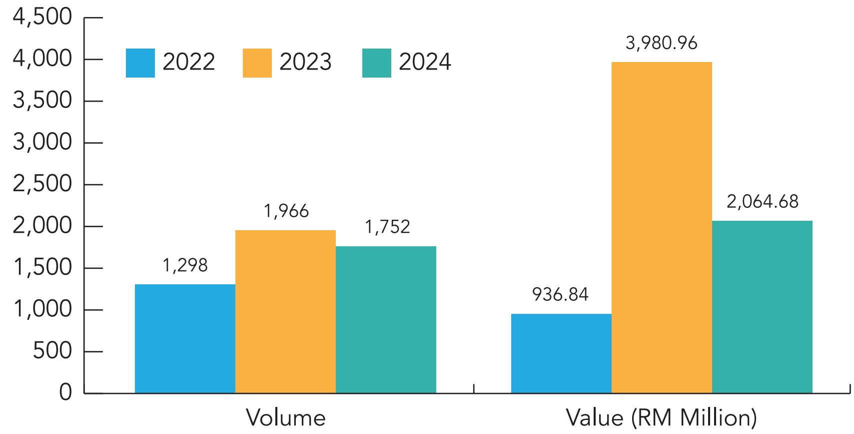
In Seberang Perai, close to 74% of the commercial property transactions were shophouses whilst under 7% were service apartments.

As at Q3 2024, commercial property overhang in the state comprised 81 units of shophouses and retail lots, 217 soho units and 263 service apartments. The bulk of the overhang was located within the Timur Laut district.

The current and future supply of commercial properties in Penang are summarised in the "Supply of Commercial Properties in Penang" table:

The current supply of shophouses in Penang is largely located on the mainland (62%) whilst 85% of the sohos are located on the island. The supply of serviced apartments is more evenly split, with 47% of the current supply located on the island.

**Volume & Value of Commercial Property Transactions in Penang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Supply of Commercial Properties in Penang (as at Q3 2024)**

| Supply / Type | Shops | Sohos | Serviced Apartments | Total |
|---|---|---|---|---|
| **Penang Island** | | | | |
| Current | 15,702 | 3,993 | 4,570 | 24,265 |
| Completion | 87 | 439 | 587 | 1,113 |
| Incoming supply | 353 | 546 | 4,625 | 5,524 |
| Starts | 17 | 0 | 380 | 397 |
| | | | | |
| **Penang Mainland** | | | | |
| Current | 25,169 | 703 | 5,141 | 31,013 |
| Completion | 123 | 0 | 1,004 | 1,127 |
| Incoming supply | 808 | 978 | 2,025 | 3,811 |
| Starts | 286 | 0 | 1,173 | 1,459 |

*Source: JPPH*

## Purpose-Built Offices

The supply of purpose-built offices (PBOs) space in the state amounted to 811,060 sq metres as at Q3 2024 with an occupancy rate of 77.8% which was higher than the national average. Close to 71% of the available space was supplied by buildings located in Georgetown which recorded an occupancy rate of 81.4%, higher than that of the state. Another 13% of the office space was located within the Bayan Baru/Sungei Nibong/Gelugor conurbation which recorded an occupancy rate of 86.5%. Only 15% of the office space supply in Penang is located on the mainland as most businesses there prefer to operate from shop offices which are cheaper than PBOs in terms of both value and rental. Of this, close to 7.5% of the space is located in Prai and Seberang Perai. Seberang Perai recorded an occupancy rate of 78.9% whilst Perai had a lower occupancy rate of 63%.

The rental index of PBOs in Georgetown showed a mild recovery in Q2 2024, after being stagnant for two quarters, in line with the strong occupancy rate of 85%. A steady demand, aided by the absence of new supply helped to push up occupancy rates as well as rentals.

The rental rates of purpose-built office buildings in Penang are currently as follows:

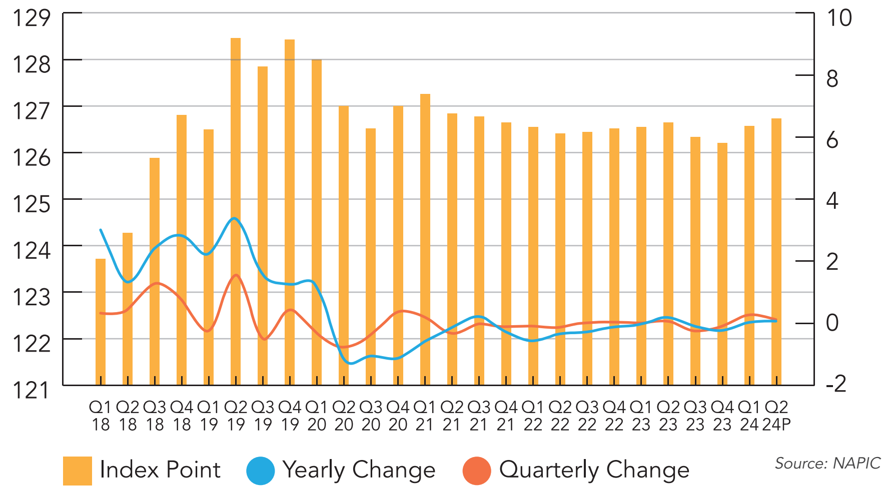
a) Better grade office buildings: RM4.00 – RM6.00 per sq ft.
b) Older office buildings: RM2.50 – RM4.00 per sq ft.

**Supply of Office Space & Occupancy Rates of PBOs in Penang (as at Q3 2024)**

| No. | Location | Total Nett Floor Area (sqm) | Average Occupancy Rate (%) |
|---|---|---|---|
| 1 | Penang Island | 657,740 | 82.6 |
| 2 | Penang Mainland | 153,320 | 56.8 |
| | **TOTAL** | **811,060** | **77.8** |

*Source: NAPIC*

**Rental Index of Purpose-Built Offices in Georgetown & Annual/Quarterly Growth (as at Q2 2024)**




*Source: NAPIC*

**Factors to Watch in 2025**

- The PBOs market in Penang in 2024 remained subdued, with limited transactions reflecting cautious demand.
- High-value transactions occurred, primarily for strategically located, well-maintained office spaces. There was one reported transaction at RM174 million.
- Demand for office space remained selective, focusing on modern, well-equipped office spaces in strategic areas.
- Larger firms sought consolidation.
- Federal government infrastructure projects (eg. Mutiara LRT, Penang International Airport expansion) have improved accessibility, enhancing the attractiveness of PBOs in these areas.
- The National Semiconductor Strategy and other industrial-focused policies indirectly increased demand for ancillary office spaces supporting tech and manufacturing firms.
- Limited new supply of Grade A office spaces may hinder growth in the short term.
- Older PBOs in less strategic locations may face higher vacancy rates.

**Bright Spots in 2025**

- Premium Spaces: High demand expected for premium office properties in established commercial hubs.
- Flexible Workspaces: Expansion of co-working spaces and hybrid work setups in response to evolving tenant needs.
- Green Buildings: Increased interest in sustainability-certified office spaces aligned with the National Climate Change Policy and upcoming Climate Change Act.
- Growth in New Hubs: Batu Kawan and Bayan Lepas poised to see increased development activity due to industrial growth and improved connectivity.
- Strategic repositioning of underutilised office buildings.
- Potential for Asean-focused businesses to drive occupancy rates, given Malaysia's Asean chairmanship in 2025.

## Retail Overview & Outlook

The state of Penang has a supply of approximately 1,941,000 sq metres of retail space located within shopping malls and they enjoyed an occupancy rate of 70.5% as at Q3 2024. About 58% of the retail space were located on the island and the malls there enjoyed a higher occupancy rate of 76.9%. Approximately 25% of the retail space were located in Georgetown and the occupancy rate of these malls was also higher at 80.5%. Close to 42% of the retail space was located on the mainland and in fact, nearly 17% of the space were located in Bukit Mertajam. The occupancy rate of the malls in Bukit Mertajam was however at a low 40%, an indication that the malls were struggling to fill up the space amidst an overbuilt situation.

The major shopping mall with the most visitors in Seberang Perai is still the Sunway Carnival Mall at Bandar Sunway especially after the opening of their new extension. Other major shopping malls which are still in operation are the AEON Mall at Alma, MYDIN Hypermarket at Jalan Baru, other MYDIN Stores, Lotus's Hypermarkets, IKEA and Penang Design Village. Other older malls are slowly losing their shine.

The future supply of retail space in shopping malls is summarised in the "Current & Future Supply of Retail Space in Penang" table.

Phase 1 of a new mall called Sunshine Central opened its doors on the island in December 2024. Spanning nine floors and housing a hypermarket, 350 stores, a 26-stall food court and a cineplex which has not yet opened for business, the mall has a total lettable area of 820,000 sq ft. The mall is located in Bandar Baru Farlim in Air Itam.

Another new mall which became available for lease was The Light Waterfront Mall, also known as Waterfront Shoppes, located on Penang Island. This mall is part of phase 2 of the 152-acre reclamation and development project called The Light Waterfront being undertaken by IJM on the eastern coast of Penang Island off Gelugor and in close proximity to the Penang bridge. The mall has a nett lettable area of approximately 680,000 sq ft and is designed with a 20,000 sq ft food court, a 25,000 sq ft grocery store and a 45,000 sq ft cineplex. It is expected to be completed in 2025.

**Supply of Retail Space in Shopping Malls in Penang (as at Q3 2024)**

| No. | Location | Total Nett Floor Area (sqm) | Average Occupancy Rate (%) |
|---|---|---|---|
| 1 | Penang Island | 1,129.01 | 76.9 |
| 2 | Penang Mainland | 811.92 | 61.5 |
| | **TOTAL** | **1,940.93** | **70.5** |

*Source: PMR, NAPIC*

**Current & Future Supply of Retail Space in Penang (as at Q2 2024)**

| Supply | No. of Malls | Total Space (sqm) |
|---|---|---|
| Current | 107 | 1,940,911 |
| Completions | 1 | 76,772 |
| Incoming | 2 | 107,123 |
| Starts | 0 | 0 |

*Source: PMR, JPPH*

**Factors to Watch in 2025**

- Increasing consumer spending and tourism revival has boosted retail spaces in tourist hubs like George Town.
- Continuation of recovery, particularly in lifestyle-centric malls and neighbourhood retail hubs catering to suburban populations.
- Projects integrating residential, retail and commercial spaces will gain attention due to their versatility.
- Saturation of traditional retail spaces in urban centers.
- Footfalls have increased in prime malls (Gurney Plaza, Queensbay Mall) and holding steady in suburban malls.
- Big Brands: Expansion in fashion, electronics, dining and luxury retail.
- Trends:
  - Growth in experiential retail and e-commerce integration.
  - Rise of sustainability-focused retail spaces.

**Bright Spots in 2025**

- Performance - Prime malls and neighbourhood hubs will continue to thrive.
- Catalysts - Asean events, infrastructure upgrades, mixed-use developments will ultimately drive the state's economy and benefit the retail sector through higher spending by locals as well as visitors from abroad.
- Trends to Watch - Luxury retail, tech-driven stores, health & wellness spaces.
- Challenges - Rising costs, e-commerce competition.

## Industrial Overview & Outlook

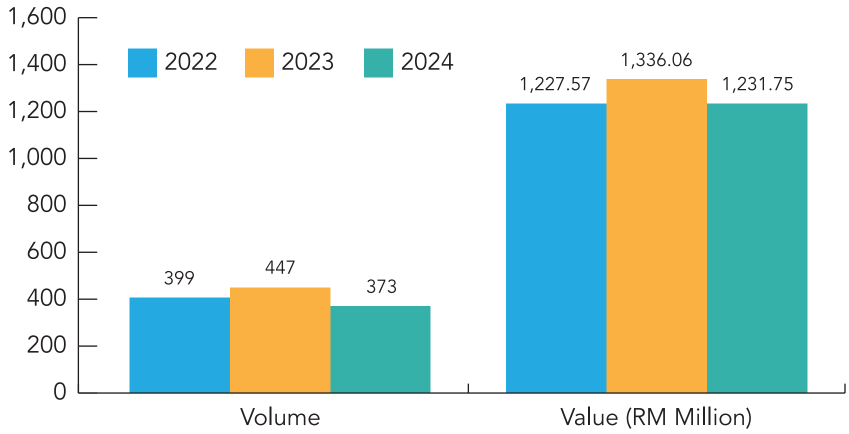
The volume of industrial property transactions in Penang dropped by nearly 17% in the first nine months of 2024 compared to an increase of 12% for the corresponding period in 2023. Meanwhile the value of the transactions declined by nearly 8% compared to an increase of almost 9% the year before.

55% of the transactions were of industrial properties priced above RM1 million whilst about 22% were properties priced between RM500,001 to RM1 million. About 11% of the transactions were of industrial properties located on the island. 51% of these transacted properties comprised terraced factories/warehouses whilst industrial complexes/units made up 25% of the transactions.

On the mainland, 31% of the industrial property transactions comprised terraced factories/warehouses and another 31% were of vacant lots. More than 52% of the industrial properties transacted were located in Seberang Perai Tengah.

Semi-detached factories and warehouses priced above RM1 million were popular on the island due to the high demand from SMEs and MNCs in logistics, electronics and renewable energy sectors. There were several notable sales transactions including multiple units of semi-detached factories acquired by foreign and local manufacturers.

**Volume & Value of Industrial Property Transactions in Penang (Jan-Sep 2022 to 2024)**




*Source: Napic*

**Factors to Watch in 2025**

- The National Semiconductor Strategy is expected to drive demand for high-tech factories and precision manufacturing spaces.
- The Public-Private Partnership Master Plan (PIKAS 2030) will promote the joint development of industrial zones, attracting investments into the state.
- The GEAR-uP Programme facilitates funding and incentives for advanced manufacturing facilities.
- The Penang Transport Master Plan will help improve connectivity, supporting logistics and warehousing sectors.
- Continued growth is expected for the industrial sector in the state, driven by sustained FDI and expansion in electronics, semiconductor and renewable energy industries.
- The "Penang Silicon Design @5km+" initiative is set to revolutionise Malaysia's semiconductor industry and offers a comprehensive IC design ecosystem, comprising three key components:
  - The Penang IC Design & Digital Park @ Bayan Lepas, developed by Penang Development Corporation (PDC) which offers approximately 1 million sq ft of premium hybrid office and lab space tailored for IC design, research and development (R&D) and digital companies;
  - The Penang Chip Design Academy @ Penang Skills Development Centre (PSDC), which provides a comprehensive Chip Design Talent Cultivation Programme aimed at upskilling and reskilling at least 500 fresh graduates and engineers in IC design-related fields in the next 2 years; and
  - The Silicon Research and Incubation Space @ GBS TechSpace, tailored as a one-stop innovation hub to support chip design companies by providing workspaces featuring cutting-edge infrastructure, design services, essential Electronic Design Automation (EDA) Tools, intellectual property (IP) provider, and expertise in packaging and major technical disciplines for New Product Introduction (NPI) preparation, supported by InvestPenang's technology collaborations within the 5km+ ecosystem. This one-stop innovation center, positioned to drive growth and foster collaboration within the industry; and is set to become fully operational by the end of April 2025. (Source: Invest Penang)

**Bright Spots in 2025**

- Demand for automated and eco-certified industrial facilities.
- Increased warehousing requirements from e-commerce and regional trade activities.
  - Customisable spaces suited for advanced manufacturing needs.
  - Electronics manufacturing, logistics and green technology will dominate demand for industrial space in Penang.
- Increased interest in eco-friendly industrial spaces with renewable energy options.
- Opportunities: Development of high-value industrial parks tailored to MNC needs, with renewable energy integration.
- Challenges: Rising land and construction costs as well as competition from neighboring states.
- The development of the Penang Silicon Design aimed at creating a unique and interconnected ecosystem for Integrated Circuit (IC) design and technology enterprises within a 5km+ radius of the Bayan Lepas Industrial Park.
- The industrial sub-sector on the mainland has been very active, especially at Penang Science Park, Bukit Minyak, Batu Kawan and Valdor.
- Industrial land prices at Valdor have increased significantly due to their close proximity to Batu Kawan Industrial Park.

Batu Kawan's industrial zone benefits from its proximity to Penang Port and the robust infrastructure and this has led to the expansion of facilities for semiconductor and electronics companies. Modern industrial parks in Batu Kawan as well as Bayan Lepas emphasise sustainability and automation readiness.

Major transactions on the mainland include a detached factory at Jalan Perusahaan, Kawasan Perusahaan Perai, with a land size of 60,702 sq metres sold for RM39.8 million. Another detached factory at Jalan Bukit Tengah-Nibong Tebal with a land size of 8,373 sq metres sold for RM26 million and another detached factory at Taman Industri Sungai Lokan at Butterworth with a land size of 14,188 sq metres sold for RM21.222 million.

## Hospitality Overview

Penang reported an influx of 6.18 million domestic and international tourists via the Penang International Airport from January to October 2024, representing a 7.46% rise compared to the same period last year. The state government has indicated that Penang's tourism prospects for the next two to three years looks promising especially with the prospects of more travellers coming from China and India taking advantage of the country's current visa exemption programme for Chinese and Indian tourists. Further, additional direct flights to Penang from key cities worldwide will improve accessibility and help to bring in more tourists from these countries. The Meetings, Incentives, Conferences and Exhibitions (MICE) tourism market is also expected to experience a surge with the opening of the Penang Waterfront Convention Centre (PWCC) next year. The 76,000 sq ft facility is expected to become a preferred venue for various events in the state.

In this regard, the Chief Minister of Penang has expressed his view that the state is facing a shortage of hotel rooms to accommodate the growing number of foreign and domestic tourists, especially during festive seasons and major events. There is a need for more hotels, particularly in Seberang Perai, to cater to tourist accommodation demands.

There have been several new boutique hotels which opened in Georgetown as well as luxury resorts in the Batu Ferringhi area, targeting affluent tourists. On the flip side, some small under performing budget hotels have closed and exited the market.

The key drivers for the hotel sector have been the return of international tourists after the pandemic period, cultural & trade events and government backed tourism promotions & programmes. There is a rising demand for higher-end accommodation especially in the heritage rich Georgetown enclave. Green-certified hotels appear to be gaining popularity among environmentally conscious travellers.

Penang is set to see the opening of ten new hotels in the state in the coming years.

- The Pan Pacific Hotels Group (PPHG) has taken over the Evergreen hotel and renamed it as Gurney Bay Hotel. The 368-room hotel is located within the new Gurney Bay lifestyle precinct developed by the Penang state government as part of its Penang 2030 Vision and its facilities include a 220-seater all-day dining restaurant, a lobby lounge & bar, a ballroom which can accommodate up to 550 guests, four ancillary meetings rooms, a fully decked out Kids' Club, an outdoor tennis court, two swimming pools including a kids' pool, steam & sauna rooms and a 24/7 gym.
- The IHG group has taken over the former Penang Mutiara Beach Resort at Teluk Bahang and will be renovating and rebranding it into an IHG-branded luxury beach resort, The InterContinental Penang Resort. The resort is scheduled to open in 2025.
- Opened on 7 December 2024, the 5-star Iconic Marjorie Hotel, a Tribute Portfolio by Marriott, is located within ten minutes' drive from Penang International airport and has 298 rooms.
- The 4-star 144-room LYF Georgetown Penang Hotel located along Jalan Penang is operated by the Ascott group and opened in November 2024.
- The 5-star Marriott Executive Apartments opened in September 2024 and is part of the Penang Marriott Complex on Gurney Drive. The property offers 90 units of one and two bedroom suites, each with a full kitchen, washer & dryer and a living area.
- The 5-star Penang Marriott Hotel located along Gurney Drive opened in February 2024 has 223 rooms.
- The year also witnessed the opening of a new hotel, the Crowne Plaza Penang, situated along Jalan Bagan Luar, Butterworth, within the Straits City project site just a short distance from the Penang Sentral Terminal Hub. It is a 23-story hotel featuring 343 luxurious rooms and suites, and catering to the rising demand for premium accommodation on the mainland.
- Managed by the Marriott Group, a new hotel called The Westin Hotel, Penang, is scheduled to open its doors in 2026 as part of the Westin Hotel & Residences development.
- Ideal Property Group and Marriott International Inc will open the second 'Marriott'-branded hotel and residence in Penang named Penang Marriott Hotel Queens Waterfront and Marriott Residences Queens Waterfront by 2029. The 28-storey hotel located in Bayan Lepas is part of Phase 4 of the Queens Waterfront master plan and will feature 262 rooms.

**Supply of Hotel Rooms in Penang (as at Q3 2024)**

| Total | | >300 | | 100-299 | | 50-99 | | 20-49 | | 10-19 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| 248 | 25,071 | 26 | 9,852 | 46 | 8,864 | 38 | 2,730 | 96 | 3,027 | 42 | 598 |

*Source: Tourism Malaysia*

**Average Occupancy Rates of Hotels in Penang Jan-Jun 2023/24**

| State | 2023 (%) | 2024 (%) | Increase (Decline) (%) |
|---|---|---|---|
| Pulau Pinang | 49.2 | 53.5 | 4.3 |

*Source: Tourism Malaysia*

The year also witnessed the opening of a new hotel, the Crowne Plaza Penang, situated along Jalan Bagan Luar, Butterworth, within the Straits City project site just a short distance from the Penang Sentral Terminal Hub. It is a 23-storey hotel featuring 343 luxurious rooms and suites, and catering to the rising demand for premium accommodation on the mainland.

## Hospitality Outlook 2025

Overall, the outlook for the hospitality industry for both Penang Island and Seberang Perai is expected to remain stable in 2025.

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

- Visit Malaysia Year has been set for 2026. The Penang state government will ride on the national programme to promote Penang on the international market as an attractive tourist destination.
- The continuation of the 30-day visa free programme for Chinese and Indian nationals till end 2026 is expected to attract more tourists from these countries to the country and Penang, with its rich cultural heritage will likely be a key beneficiary.
- Penang recorded a 222.7% increase in Chinese tourist arrivals via international flights, reaching 108,029 compared to 33,474 during the same period in 2023. This figure does not include tourists entering through Kuala Lumpur or by land.
- Loong Air of China has launched a new direct flight connecting Xi'an, China, to Penang, Malaysia. The flight will operate twice weekly, on Mondays and Fridays, using an Airbus A320 with a capacity of 168 passengers.
- The weaker Ringgit will make holidaying in Malaysia more attractive to foreign tourists as well as domestic holiday makers.
- Penang International Airport (PIA) is undergoing major upgrades to accommodate the expected influx of visitors.
- The Fly & Cruise initiative implemented by the state will also play a key role, facilitating seamless transfers between air and sea travel and making it easier and hassle free for cruise passengers to visit Penang and beyond.
- Penang's international flight network has grown tremendously and now boasts direct connections to 20 global cities through 35 routes. Direct flight frequencies from China alone surged 259%, from 17 weekly flights in November 2023 to 61 in the same period this year.
- Penang's cruise tourism has shown remarkable growth. In 2023, the state welcomed 573,178 international passengers to its shores compared to 439,012 in 2022 and 409,943 passengers in 2019. This represents a 30% jump from the figure in 2022.
- Penang has received a number of accolades for its tourism sector in 2024, including being named the Most Popular Outbound Travel Destination by "Guangzhou Daily" and ranking fourth in Preply's list of Top 10 Cities for Expats Moving to Asia. Further, Penang was recognised as among the Top 10 Best Islands in by Asia Travel + Leisure's Luxury Awards Asia Pacific 2024 and "DestinAsian" magazine.
- A study was conducted by a group of researchers from Breda University of the Netherlands as well as Disted College in Penang and focused on four tourist zones: George Town, Penang Hill and Penang National Park, the Tourism Belt (Tanjung Tokong to Batu Ferringhi), and Gurney Drive, to evaluate the balance between economic growth, tourism development, sustainability, and community welfare. The study's key findings reveal that George Town and Gurney Drive are experiencing tensions between rapid tourism growth and urban liveability whilst Penang Hill and Penang National Park are successfully balancing visitor numbers with conservation. The Tourism Belt is struggling with revitalising tourism and addressing environmental degradation. Future projections paint a picture of exciting possibilities. George Town is poised to grow as a cultural tourism hub, requiring innovative traffic and public transport solutions. Penang Hill and Penang National Park could see infrastructural developments that support eco-tourism. The Tourism Belt, with the right measures, could revitalise its tourism and high-end tourism and medical hub, with careful urban planning. (Source: Penang Institute. Issues).
- A total of 31 TNB monopole towers became operational in 2024 with six featuring unique betel nut-inspired designs, reflecting local culture and enhancing the project's aesthetic appeal. These illuminated monopole towers near the Penang Bridge have become a new landmark and tourist attraction.

**New Hotel Openings**

| Hotel | Location | No. of Rooms |
|---|---|---|
| **2024** | | |
| The Iconic Marjorie Hotel | Bayan Lepas | 298 |
| Crowne Plaza Penang | Butterworth | 343 |
| The Leith | Georgetown | 44 |
| Penang Marriott Hotel | Georgetown | 223 |
| LYF Georgetown Penang By The Ascott Limited | Georgetown | 144 |
| Citadines Connect Cecil Georgetown | Georgetown | 75 |
| | | |
| **2025 Onwards** | | |
| HARRIS Hotel Sunshine Penang | Ayer Itam | 289 |
| Citadines Tanjung | Tanjung Tokong | 132 |
| Le Meridien Penang Airport | Bayan Lepas | 200 |
| The Fifth Avenue Hotel Sdn Bhd | Georgetown | 241 |
| The Millen | Georgetown | 144 |
| Green City Garden Development Sdn Bhd | Georgetown | 100 |
| Oakwood Hotel | Batu Maung | 96 |
| Westin Hotel | Gurney | 217 |
| Ascott Residences Batu Ferringhi Penang | Batu Ferringhi | 99 |
| Citadines Connect Bertam Georgetown Penang | Georgetown | 59 |
| Intercontinental Penang Resort | Teluk Bahang | 355 |

*Source: Henry Butcher Research; Bulletin Mutiara*

# PERAK

Perak's property market rebounded in the first nine months of 2024 compared to the corresponding period last year growing by 10.7% and 14.5% in the volume and value of transactions respectively. This came on the back of the positive momentum in the first half of 2024 with an 8.8% uptrend in the volume of transactions against the same period last year and a larger 19.7% increase in the value of transactions.

The stable Overnight Policy Rate (OPR) of 3% throughout the period under review and the improvement of Malaysia's currency against the US and Singapore Dollar in the second half of 2024 can be credited to the property market's upward trajectory. The conducive environment has however been dampened by the cost inflation pressure, increase of minimum wages, the rise of Sales & Services Tax from 6% to 8% and continued geopolitical uncertainties.

Despite the overcast headwinds, Perak's market can still capitalise from the slew of projects rolled out by the federal and state governments like the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030). Such initiatives play a pivotal role to empower green solar energy power generation projects and green industrial parks like the Kerian Integrated Green Industrial Park (KIGIP) to fulfill Perak's industrial development to be fully ESG-compliant, consistent with international sustainability policies and minimises the negative impact it has on the natural environment.

Further, such national plans are also economic and urbanisation catalysts, capable of improving the state's infrastructure and creating more green industrial estates that will induce demand for not just the industrial sector but also maritime, tourism, hospitality and residential.

Aside from that, Perak's public machinery and private enterprises are also working in unison towards the Perak Sejahtera 2030 vision that addresses six different pillars of the state which among others include digitalisation encompassing Industry 4.0, and education & skills development.

Other initiatives that have also caught Perak's attention are infrastructure developments, green economy projects (like KIGIP), forest conservation & biodiversity, affordable housing, healthcare, promotion of local culture & heritage and efforts towards anti-corruption & upholding integrity.

But with a global emphasis for climate-related projects that are aligned with the ESG agenda, Perak is a potentially lucrative green technology site for investors to explore into such as the emerging green or energy vehicles segment via the strategic Automotive High Technology Valley (AHTV) in Proton City, Tanjung Malim.

Another is to tap directly into the industrial parks such as KIGIP, Lumut Maritime Industrial City (LuMIC), Silver Valley Technology Park (SVTP), Perak Halal Industrial Park (HiP) and the Ipoh Raya Integrated Park (IRIP).

Tourism and agriculture players are also invited to sample the state's ecotourism and agriculture sectors that span across the state.

Perak's relatively lower cost of doing business is expected to wrestle some interest back to the state from Malaysia's Asean chairmanship in 2025. In particular, leverage on the state's eco-centric focus to attract ESG-related companies and at the same time, harness from the spillover FDIs from Penang, Kuala Lumpur and Selangor.

Further afield from the Asean region, the ongoing shifts in global supply chains influenced by geopolitical tensions have created a unique opportunity for Malaysia to position itself as a strategic key beneficiary of the trade diversions. In fact, over the years, Malaysia has successfully marketed itself as a strategic regional hub for manufacturing and distribution owing to the country's stability and harmonious domestic environment; two critical factors including security that foreign investors often seek amidst the global uncertainties. To that end, the trade war between the United States and China has only done more good than harm to the country as it

**Factors to Watch in 2025**
- High tech industrial development.
- Green logistics and maritime hub.
- Global automotive hub for new energy vehicles (NEV).
- High-tech green (semiconductors, electrical & electronics) hub.
- Recycling and waste management hub.

**Bright Spots in 2025**
- Silver Valley Technology Park's location in Kanthan of Chemor with a land area of 323 hectares.
- The Lumut Maritime Industrial City (LuMIC) and Lumut Maritime Terminal (LMT 2) located in Batu Undan of Segari in Lumut with a land area of 90 hectares.
- The Automotive High Technology Valley (AHTV), located in Proton City of Tanjung Malim with a land area of 405 hectares.
- The Kerian Integrated Green Industrial Park (KIGIP) in Tali Ayer Estate of Kerian with a land area of 405 hectares.
- The Seri Iskandar Integrated Recycling Technology Park located in Seri Iskandar with a land area of 1,242 hectares.

**Outlook in 2025**
- Perak's property market is anticipated to be stable with the possibility of some headwinds in 2025.
- Perak's residential property market is expected to be more stable in 2025.
- The commercial property market in Perak is anticipated to be stable in 2025.
- Perak's hospitality sector is expected to be vibrant and growing in 2025.
- The industrial sector in Perak is expected to perform well in 2025.

amplified Malaysia's appeal as an impartial and highly capable partner.

So as the superpowers clash on trade, Malaysia's neutral stance has earned it from the best of both words, thanks to the strong relations with the two largest economies in the world, enabling foreign direct investments (FDI) to flow in almost effortlessly especially from companies that were already scouting for suitable alternatives to avert from the risks associated with the US-China trade tensions.

It is no wonder that in 2023, Malaysia saw a significant influx of foreign direct investments according to the Malaysian Investment Development Authority (MIDA), amounting to a total of RM188.4 billion in private investments, marking a 15.3% increase compared to the previous year's RM163.3 billion. In the first nine months of 2024 however, FDI may have slowed down and reached RM106.7 million, representing 56.6% of 2023's full year injection of the same.

In terms of the geopolitical tensions, it would be rather inconceivable if one was told from the beginning that the impact of this disruption would characterise Malaysian states into a certain profile. But this is exactly what has happened where every state now carries with it a different kind of appeal to the different industries, and with it the ease of attracting and retaining FDI. These variations highlight the complex interplay between global politics, national policies and local economic conditions.

While Malaysia has emerged as a key player in the changing landscape of global trade, both the national and state-level impacts must nevertheless be closely monitored. With the geopolitical tensions not dissipating anytime soon and in fact, anticipated to continue shaping the global economy at large, Malaysia's ability to navigate these changes and maintain its position as an investment hub will be crucial for sustained economic growth in the years to come.

Moving forward, Perak's property market is anticipated to see a stable year in terms of price movements, underscored by a continuous and gradual growth in the industrial, tourism and agricultural sectors, including a challenging outlook in the overhang inventory. A bumpy ride beckons amidst the stable forecast for 2025.

## Residential Overview & Outlook

Like Perak's overall property market, the residential sector experienced an improvement with volume of transactions rising by 15.6% and value of transactions by 13.7%. The transactional statistics were also better than those recorded in 2021.

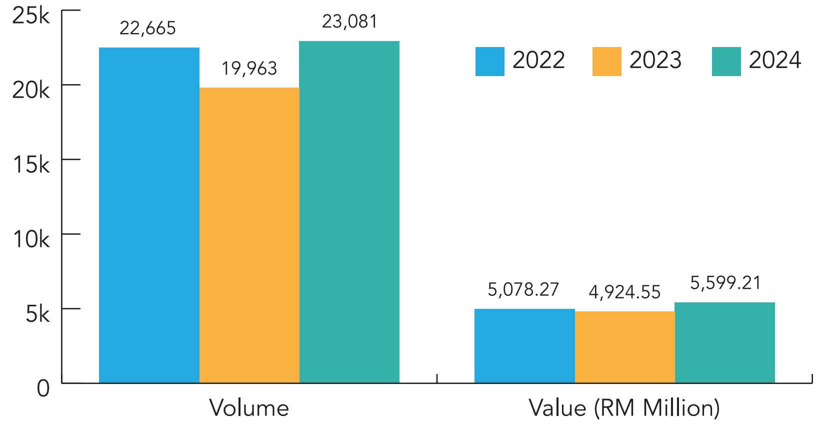
Properties priced between RM200,001 to RM300,000 continued its dominance with 28.1% of the market transactions occurring in this price bracket. This is followed by the below RM100,000 category with 24.5% and the RM100,001 to RM200,000 segment with 21.7%.

Interestingly, up to 87.0% of the state's residential properties were transacted below the RM400,000 threshold, reflecting the consistent appetite of Perak buyers over the years with a steep focus in the affordable range. Of these, properties below RM100,000 registered the second highest volume of transactions growth at 47.7%, behind only the broader segment of RM500,001 to RM1 million with 50.1%. This could be indicative of the pent-up demand since the downtrend in 2023 and also the relative ease of securing financing for that price bracket. Incentives from the developers or the Perak state government especially for first time home buyers may have also played a part.

Given the active market in 2024 and also the uncertainties surrounding 2025, Perak's residential market may see its new launches easing in the new year.

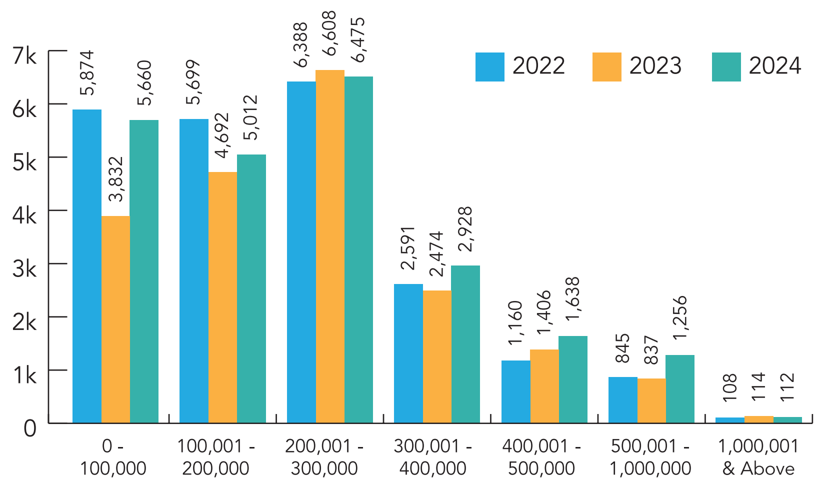
As to whether property buyers should be incentivised to buy residential properties in the market, the quick answer is yes although such incentives may come in different forms such as government's

**Volume & Value of Residential Property Transactions in Perak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Transactions by Price Range in Perak 2022 to 2024)**




*Source: NAPIC*

better control of the inflation rate that results in a higher level of disposable income for the households and individuals. The strategic inducement of a higher purchasing power through effective economic measures will then translate to a better quality of life and over time, benefit the housing market.

Efforts to stabilise operational costs for businesses, particularly energy, labour and raw materials will also be crucial to ensuring business continuity. By having a good control over such cost factors, businesses will not be faced with unpredictable cost increases which could otherwise squeeze profit margins or lead to price hikes in goods and services.

Moreover, a stable economy is certain to breed a steady labour market and stable employment levels. A balanced economic approach that focuses on sustainable growth, productivity improvements and better economic conditions as well as maintaining employment and offering fair wages to the workers are as such much preferred instead of relying on abrupt measures like sudden minimum wage increases to strike equilibrium.

Another glaring point to address is the overhang status where Perak has the highest number of unsold residences in the country but the good news is these completed overhang stocks have contracted in the period under review to 3,039 units as of the first nine months of 2024 against 3,625 units over the same period last year.

Over in the under-construction segment, unsold inventory has unfortunately crept up to 10,922 units in H1 2024 compared to H2 2023 and alongside this rising trend, starts in construction activity has also risen. Based on the current pace of the market, these are pointing to a broader trend of continuous oversupply in the housing market.

On a more positive note, there has been a significant drop in the new planned supply and this suggests that developers are becoming more cautious, possibly due to the overhang stock that remains or a sign of shifting market sentiments.

In terms of foreign interest in Perak, the introduction of the new three-tier Malaysia My Second Home (MM2H) programme is expected to encourage more foreign investments and real estate acquisitions in Malaysia, particularly in Perak. However, since the revised scheme was only set to take effect in the second half of 2024, it may take some time before the full effects of the programme can be appreciated by the targeted demographic.

Further, although the MM2H programme was mooted in part to provide foreign nationals the privilege to buy and own property, and settle in Malaysia, which could lead to increased demand for real estate especially in the more attractive states like Perak, only four real estate acquisition applications by MM2H participants were filed in since the programme's inception in 2020 as reported by Perak Land and Mines (PTG) Director's office. Among the contributing factors are the system's lengthy wait for its implementation and the need for potential investors to acclimatise to the new changes.

Malaysia could however see a surge in real estate demand once the new MM2H system is fully operational, especially as the new tiered system offers more attractive incentives and clearer pathways to the foreign nationals.

For Perak to benefit from MM2H, it is imperative more marketing promotions need to be done in order to communicate the salient points of the programme and also the state's abundant real estate opportunities. Promoters must however also be conversant with the needs of the potential applicants, which may include the following as drawbacks of the revised programme:

- **Mandatory Property Purchase** - the mandatory requirement to purchase residential property could disincentivise potential participants, particularly those acquainted with renting. Many individuals especially the retirees or those seeking flexibility may not want such an obligation.
- **Large Disparity in Participation Fees** - the substantial difference in the participation fees across the three tiers of the programme where Platinum requires RM200,000, Gold RM3,000 and Silver RM1,000 is counter-intuitive. While Platinum offers the added benefit of working and investing in businesses, it raises the question about whether such a large fee is justified. This could unnecessarily create the perception of inequality or exclusivity which may deter the applicants, especially if the benefits of each tier do not commensurate with the value of the scheme.
- **Incongruity of the 10-Year Property Holding Period** - the 10-year property holding requirement under Platinum is contentious because it is longer than the initial 5-year MM2H pass for under the Silver tier. This can be confusing and perceived as overly restrictive, particularly for those who may not intend to stay in Malaysia long-term or prefer flexibility in their investments.

In terms of location, Ipoh city centre continued its status as a foreigner's favourite given the easy access to the city's expanding transportation network, infrastructure, medical, social and business amenities. This contributes to Ipoh's appeal for residential, commercial and tourism.

Overall, Perak's residential property market is expected to be more stable in 2025 with prices holding steady and new developments strategically planned. This would benefit both the buyers and developers as it ensures sustainable growth along the way and where applicable, mitigates the risks associated with overbuilding and unaffordable price hikes.

## Commercial Overview & Outlook

Perak's commercial property market trended higher in the period under review with volume of transactions rising by 25.7% whilst the value of transactions registered a higher margin of 34.7%. Momentum was already prominent by the first half of the year with volume of transactions rising 37.3% and value of transactions improved by 9.9%.

The shop sub-sector remained as the main contributor in terms of volume and value of transactions. Factors driving this uptick include increase in tourism activity, new housing development schemes, new industrial parks and the overall improved infrastructures in Perak.

NAPIC's data also showed a significant drop of 63.6% in the number of completed properties in the H1 2024 and a 53.4% decrease in the number of new property developments or starts. New planned supply however increased by 23.2%.

Like last year, transactions continued to be dominated by the RM500,001 to RM1 million category in the first nine months of 2024 with 25.1% of total market transactions. This is followed by the RM100,001 to RM200,000 category and the below RM100,000 segment with 19.3% and 18.1% respectively.

From a broader price bracket perspective, 48.9% of the transactions occurred below RM300,000 with the RM100,001 to RM200,000 price bracket registering the highest year-on-year growth with 85.9% or 461 units exchanging hands. This is followed by the below RM100,000 category in a distant second with 67.4% growth or 432 transactions.

Perak's commercial property market is anticipated to see most of its prices holding steady in 2025 except in secondary areas as investors and business owners alike will focus on the prime locations which are complemented by the vibrant business activities.

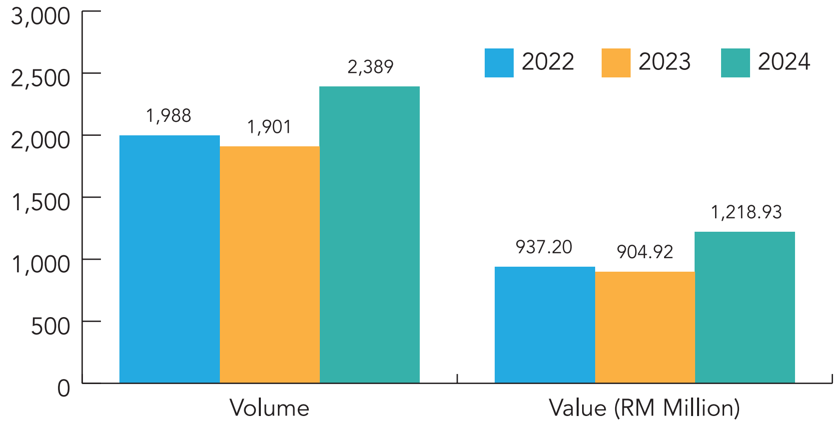
Over in the purpose-built offices (PBOs) space, there was one notable transaction involving RM13.8 million in Q3 2024. This came on the back of zero transactions up until the first half of the year with the overall occupancy rate showing a 1.6% downtrend to 90.8%. Existing supply stood at 667,897 sq metres from a total of 226 PBOs.

Rentals of PBOs in the first half of 2024 were largely stable across the board with a few exceptions of rental increments recorded at Lembaga Tabung Haji Building (10.2%), Menara Taiko (6.9%), Plaza Teh Teng Seng (6.8%-6.9%), Menara SSM Perak (5.6%) and the KWSP Building (4.9%-5.4%).

On the whole, Perak's commercial property market saw a jump in transactions from 2Q to 3Q 2024, with volume rising by 58.0% (1,033 units) and value up by 37.0% (RM430 million).

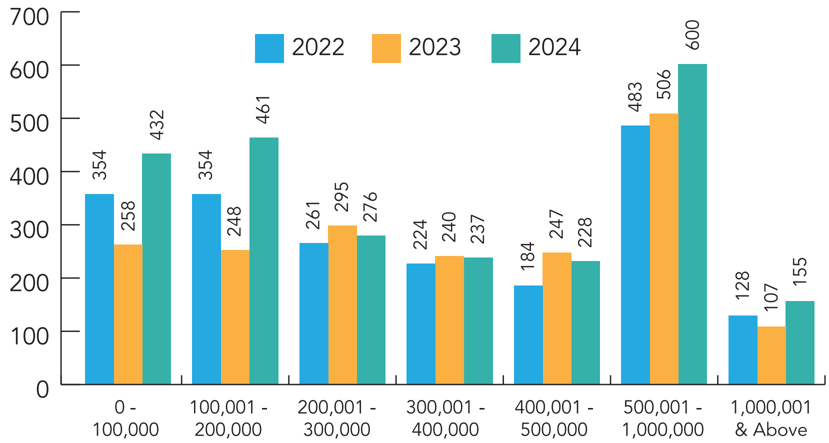
Barring any untoward global issues that may cause unexpected volatility, Perak's commercial property sector is looking at a stable 2025.

**Volume & Value of Commercial Property Transactions in Perak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Commercial Property Transactions by Price Range in Perak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Rental movement in the retail space showed mixed performance based on the type and location of the property. Shopping complexes such as Ipoh Parade Shopping Centre recorded marginal rental growth of between 2.2% to 4.7% while Aeon Seri Manjung increased by 4.5% to 6.0% and Mydin Mall grew between 2.1% to 11.9%.

There was also a notable rise in the retail transactional volume and value from 2Q to 3Q 2024 with volume of transactions going up by 32.0% (66 units) and value of transactions increasing by 224.0% (RM42.4 million). A big part of the transactional volume came from Kinta district within the shopping complex (RM32.1 million) and shop unit/retail lot (RM6.3 million) segments.

Overall, occupancy rate improved from 87% in H1 2023 to 88.5% in H1 2024 with rental increased marginally in a few well-managed malls. Some malls are however struggling to keep up with the moving times.

The high-profile and under-construction Sunway City Ipoh Mall is set to become Perak's largest mall with an estimated gross floor area of 131,467 sq metres valued at about RM730 million. It is expected to be completed in 2027 and join the ranks as among the better-managed malls in Perak.

Looking ahead, performance of the well-managed malls in Perak is expected to be stable in 2025.

## Hospitality Overview & Outlook

Perak's hospitality sub-sector is undergoing a rapid pace of transformation based on NAPIC's hotel supply data as of 3Q 2024. From the incoming supply of 9 hotels, the state will see an additional 3 planned hotels supplying 664 rooms with one new planned supply adding another 303 rooms.

According to NAPIC's data, there was also a transaction in Manjung valued at RM0.8 million in 3Q 2024.

Perak's hospitality property sub-sector looks positive with the following developments in the pipeline:

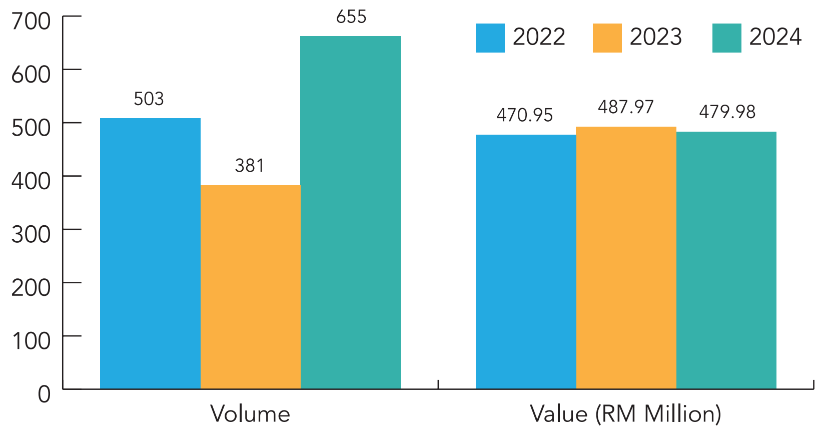
- Hotel M Hill valued at RM110 million is under construction and is expected to be fully opened by 2027.
- YTL Hospitality Real Estate Investment Trust's (YTL-REIT) RM55 million acquisition of the Syuen Hotel in Ipoh, Perak, is seen as a strategic move to capitalise on the expected rebound of Malaysia's tourism sector. AmInvestment Bank expressed a positive outlook on the acquisition particularly due to the hotel's prime location and the flexible rental agreement in place. The hotel is set for renovation and will be rebranded under the AC Hotels by Marriott, a step the group believes will enhance its value and attract more guests. This acquisition is expected to contribute to YTL-REIT's growth and performance as tourism activities in the region are poised for a recovery.

**Hotel Supply in Perak (as of 3Q 2024)**

| | No. of Hotels | Total Rooms |
|---|---|---|
| Incoming Supply | 9 | 835 |
| Planned Supply | 3 | 664 |
| New Planned Supply | 1 | 303 |
| **Total** | **13** | **1,802** |

*Source: NAPIC*

**Volume & Value of Industrial Property Transactions in Perak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

Perak's hospitality sub-sector is anticipated to conclude 2024 strongly, driven by the government's strategic initiatives aimed at boosting international tourism. These initiatives include enhancing visa-on-arrival facilities, expanding social visit passes and multiple-entry visas (to ease access for tourists), and increasing the number of international arrivals.

Occupancy in Perak has also experienced notable peaks during weekends and holiday seasons, reflecting the region's popularity as a getaway destination.

With Tourism Malaysia projecting a 24% year-on-year growth in international arrivals to reach 20 million in 2024, the hospitality sector is likely to reap significant benefits. The momentum moving forward is expected to attract more tourists and contribute to a vibrant and growing tourism economy that supports both the country's and Perak's hospitality expansion in 2025.

## Industrial Overview & Outlook

There was a significant increase in the volume of transactions in Perak's industrial market in the period under review, registering a 71.9% increase year-on-year. Value of transactions however could not keep pace and slid by 1.6%.

A closer look at NAPIC's data reveals that the steep rise in the transactional volume originated in the RM100,001 to RM200,000 segment with a whopping 786.7% growth or jumping from 30 units in the first nine months of 2023 to 266 units in the corresponding period in 2024. This alone amassed 40.6% of the market share in Perak's industrial sector with most of the transactions occurring within the vacant plot segments in the Kinta district.

Without the anomaly, the usual favourites of RM500,001 to RM1 million and the above RM1 million categories share about the same number of transactions, with each contributing 16.0% (105 units) and 16.3% (107 units) respectively.

Properties in the RM200,001 to RM300,000 and RM300,001 to RM400,000 categories also enjoyed significant escalated interest from last year, rising by 81.8% and 73.1% respectively.

As reported by the state assembly, Perak saw strong performance from January to June 2024 with a total investment of RM3.04 billion from 166 projects. According to Loh Sze Yee, Committee Chairman of Perak's Tourism, Industry, Investment and Corridor Development, the majority of these investments were domestic-driven, totaling RM2.85 billion, with the balance RM184.2 million coming from foreign sources.

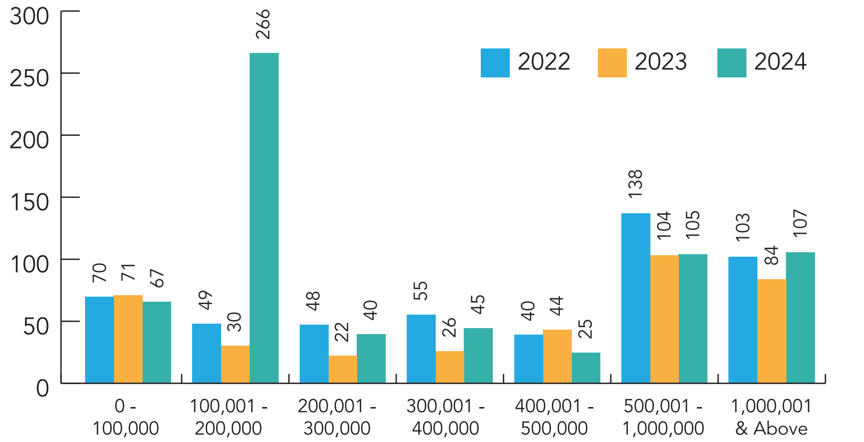
The investments were divided between sectors, with the manufacturing sector contributing RM601.5 million from 30 projects (RM457.3 million in domestic & RM144.2 million in foreign investments). Meanwhile, the services sector garnered RM2.44 billion from 136 projects, primarily from domestic investments (RM2.40 billion) with a smaller portion of RM40.0 million from foreign investments.

These investments are anticipated to generate 1,560 job opportunities, with the manufacturing sector expected to create 1,249 jobs and the services sector contributing 311 jobs.

Some of the key industrial drivers in Perak include:

- Smart Paint Manufacturing Sdn Bhd's second plant after its first factory in Johor. The company sources mineral resources from Perak for the production of water-based decorative paints and protective coatings used in home and industrial applications. This is expected to have positive spillover effects that benefit small traders in the region and create job opportunities for local residents. It will also significantly boost Perak's industrial landscape, contributing to both economic development and employment growth.
- Development of Silver Valley Technology Park (SVTP), led by the Perak State Government through the Perak State Development Corporation (PKNP). SVTP is designed to attract RM14 billion of private investment for an 816-acre area. It is expected to be completed within 5 to 10 years and earmarked to transform the region into a new industrial hub for the country, driving economic growth and fostering technological advancements while at the same time prioritising both quality and safety, contributing to a sustainable industrial growth.

**Volume of Industrial Property Transactions By Price Range in Perak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

- Kerian Integrated Green Industrial Park (KIGIP), is located at the border of the Kerian district and neighbouring Penang and Kedah. It is a significant new project with a focus on the green technology industry and aligns with the country's commitment to sustainability and technological advancements. The KIGIP Master Plan was officially launched in mid-2024 by Prime Minister Datuk Seri Anwar Ibrahim and is expected to be a key driver for economic growth in the northern region, forming a strategic growth triangle between Batu Kawan, Kulim and Kerian. It aims to attract high-value investments domestically and internationally to contribute to the development of green technologies and industries in the region.

Further to the above, Smart Paint Manufacturing's plant in Perak aligns with the state's development objectives, particularly the Perak Sejahtera 2030 plan and the Pelan Perindustrian Perak (P3) spearheaded by InvestPerak. The P3 is designed to stimulate economic growth and enhance the performance of Perak's industrial sector over a 10-year period from 2021 to 2030.

KIGIP on the other hand is one of the key initiatives under the New Industrial Master Plan 2030 (NIMP 2030). The park directly supports the four core missions of NIMP 2030 - advancing economic sophistication, accelerating the adoption of technology & digitisation, driving net-zero carbon emissions and ensuring economic security & inclusivity.

These developments will enhance Malaysia's position as a leader in green technology and sustainable industrial practices, helping to drive the country towards a more environmentally and economically sustainable future. Once completed, these parks will strengthen Perak's position as a key player in the nation's industrial landscape, offering new opportunities for businesses and employment in the state.

Moving forward, the industrial sector in Perak is expected to perform well in 2025 and beyond, driven by key developments and initiatives such as the SVTP, AHTV, LuMIC and KIGIP, all of which are set to strategically position the state as a hub for industrial growth and innovation, particularly in green technology and advanced manufacturing.

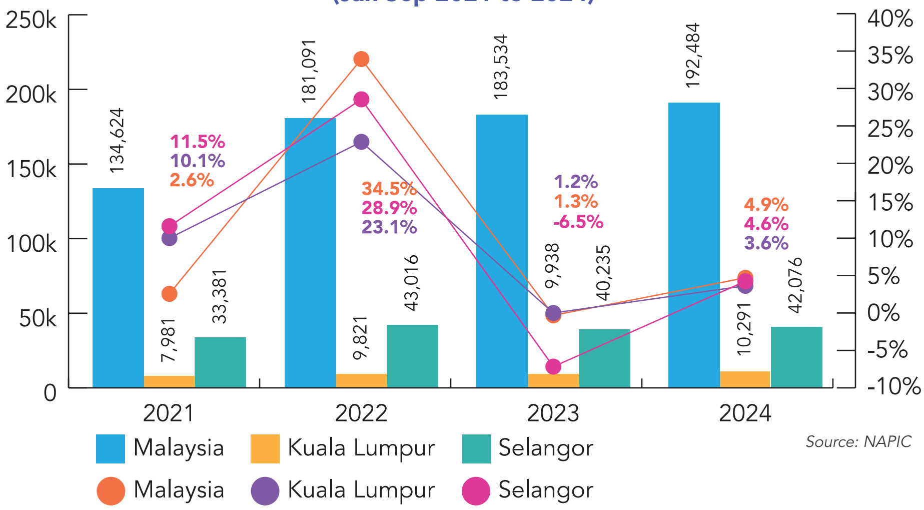
# KLANG VALLEY

## Residential Review 2024

The residential property market for both Kuala Lumpur and Selangor continued to register a positive performance in 2024 as indicated by the increases registered in the volume and value of transactions in the first nine months of the year. Kuala Lumpur recorded an increase of just under 4% in the volume of transactions whilst the value of transactions went up by 6%. Selangor meanwhile recorded a rise of nearly 5% in the volume of transactions but a jump of more than 7% in the value of transactions. This is an improvement from the performance for the same period in 2023 where Kuala Lumpur saw only a marginal rise in volume but a decline in value of transactions whilst Selangor recorded declines in both volume and value of transactions.

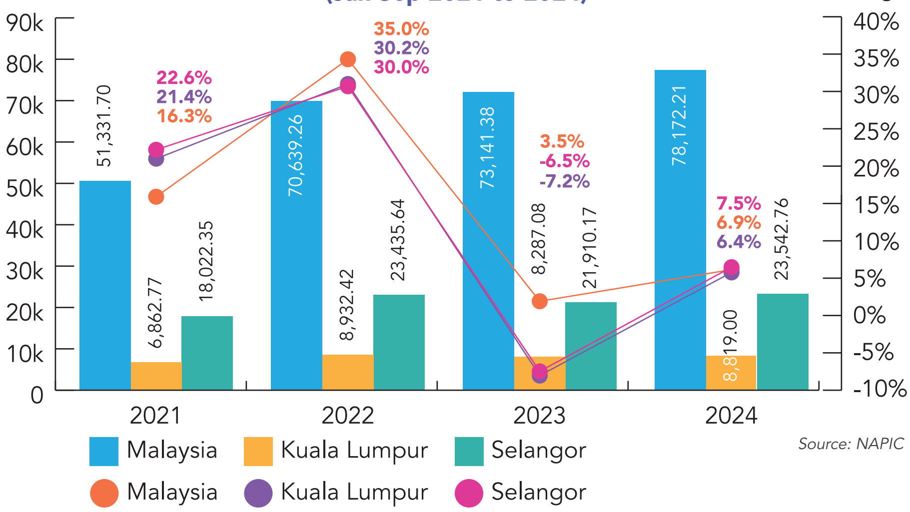
About 31% of the residential transactions recorded in Kuala Lumpur in the first nine months of 2024 are those priced at RM300,000 and below whilst 46% are priced at RM500,000 and above. Houses priced at RM1 million and above alone contribute 21% of the total.

Volume Trend of Residential Transactions (Jan-Sep 2021 to 2024)



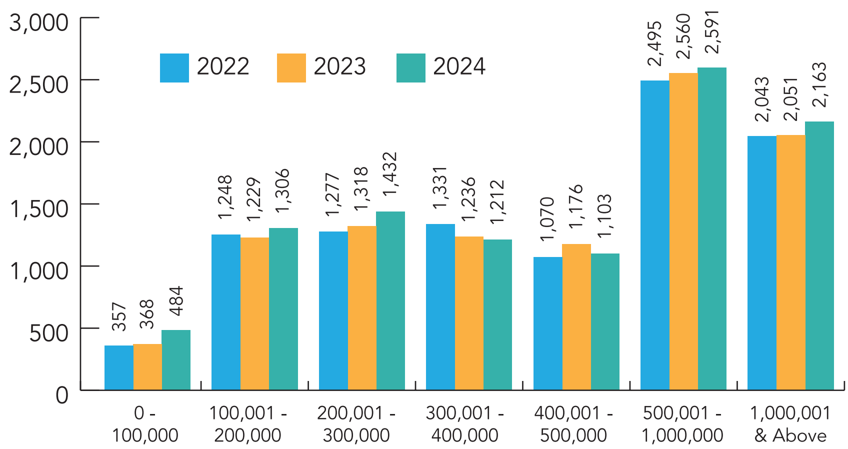

Source: NAPIC

Value Trend of Residential Transactions (Jan-Sep 2021 to 2024)




Source: NAPIC

Volume of Residential Property Transactions in Kuala Lumpur by Price Range (Jan-Sep 2022 to 2024)

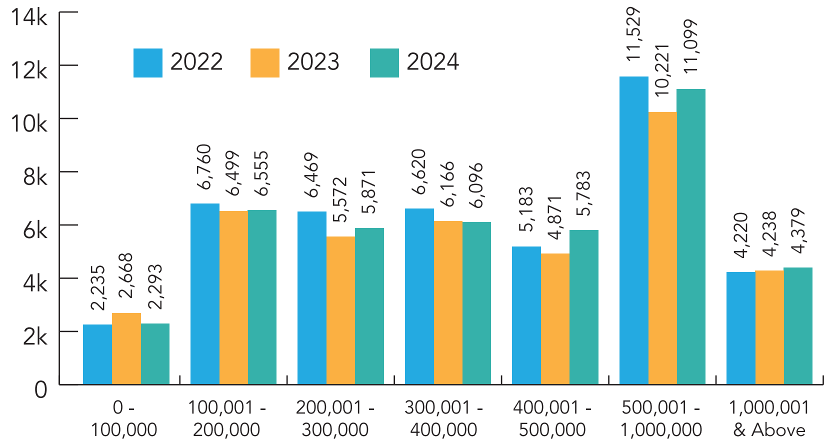



Source: NAPIC

For Selangor, 35% of the residential units transacted were those priced under RM300,000 whilst 26% of the transactions relate to units priced between RM500,000 to RM1 million. Only 10% of the transactions are of houses priced at RM1 million and above.

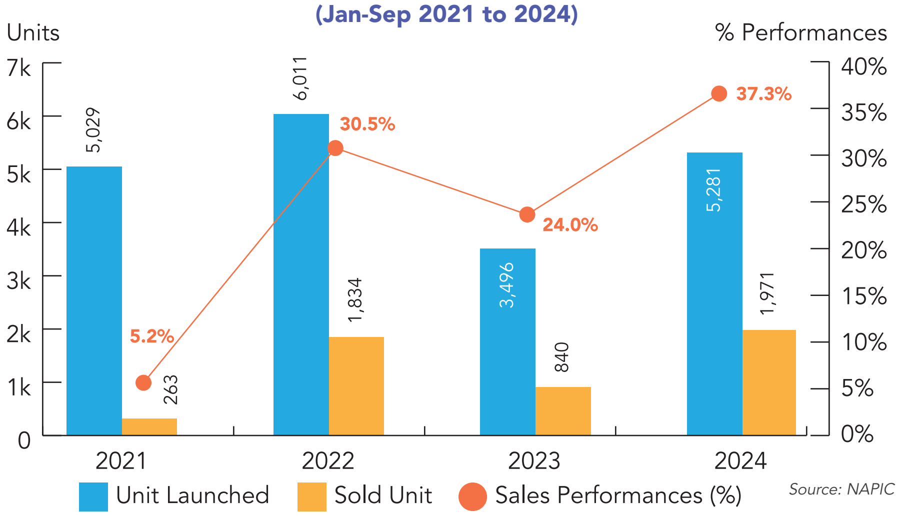
In terms of new launches, Kuala Lumpur recorded a total of 5,281 new units launched in the first nine months of 2024 which is an increase of 51% over the same period in 2023. Selangor on the other hand recorded 7,794 new units launched, up 8% from the previous year. Sales performance meanwhile improved to 37% for Kuala Lumpur compared to only 24% in 2023 whilst Selangor registered a drop in the sales take-up rate from 58% to 35%

**Volume of Residential Property Transactions in Selangor by Price Range (Jan-Sep 2022 to 2024)**



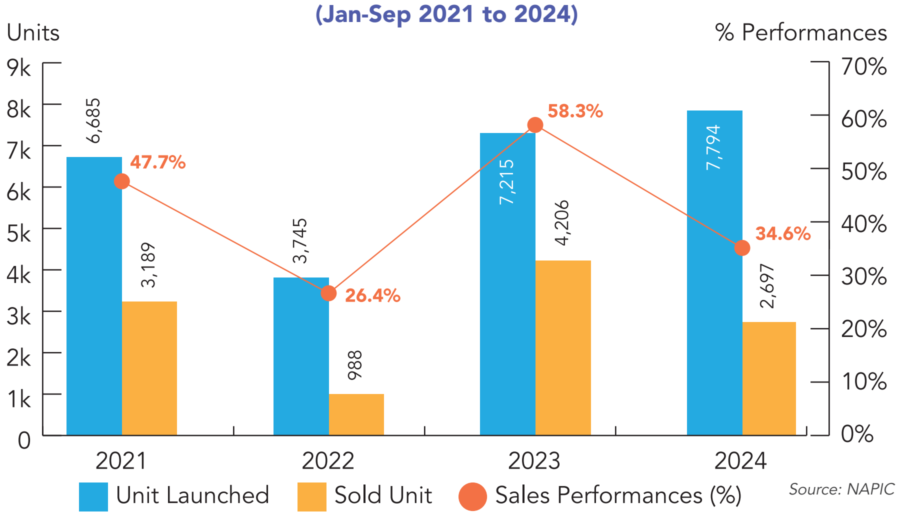

*Source: NAPIC*

**Kuala Lumpur New Residential Launches & Sales Performance (Jan-Sep 2021 to 2024)**



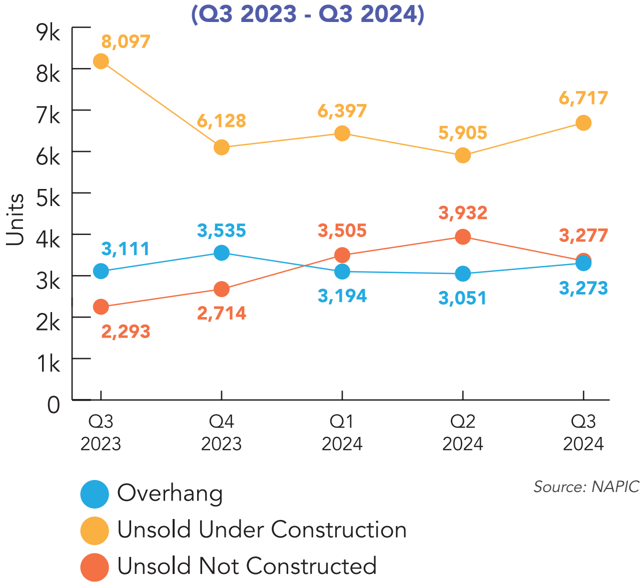

*Source: NAPIC*

**Selangor New Residential Launches & Sales Performance (Jan-Sep 2021 to 2024)**



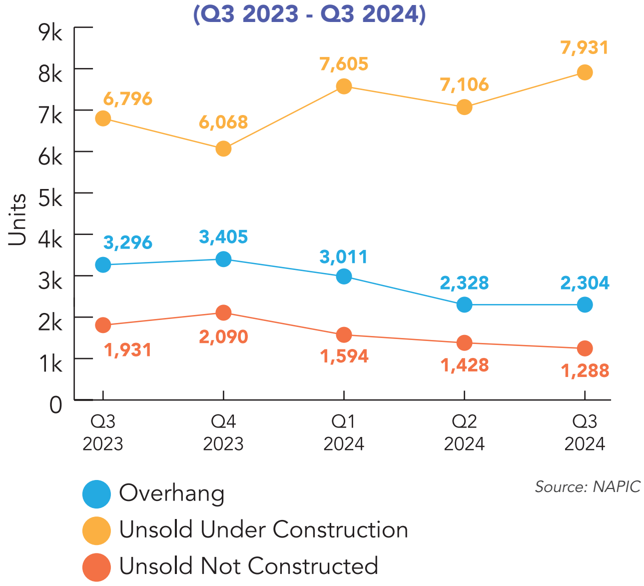

*Source: NAPIC*

**Kuala Lumpur Overhang Residential Market Status (Q3 2023 - Q3 2024)**




*Source: NAPIC*

**Selangor Overhang Residential Market Status (Q3 2023 - Q3 2024)**

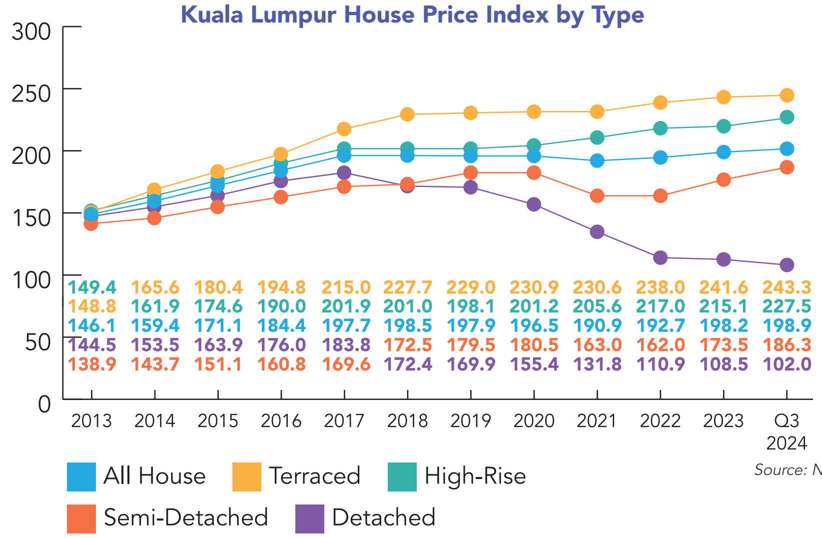



*Source: NAPIC*

There were 21,968 residential overhang units in the country as at Q3 2024, down from 25,311 as at Q3 2023. The improvement was also noted in Selangor where the residential overhang declined from 3,296 to 2,304 units. However, Kuala Lumpur registered a 5% rise in the residential overhang from 3,111 to 3,273 units.

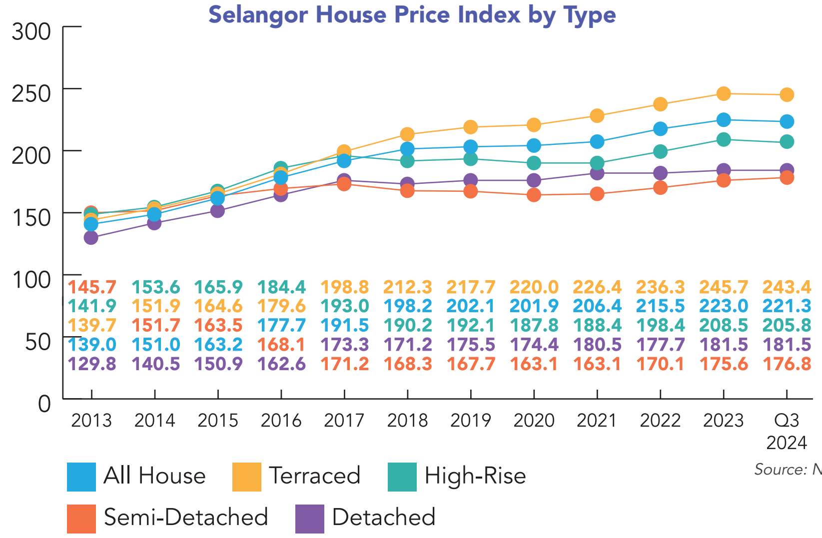
The House Price index released by NAPIC for Q3 2023 showed that the index for Kuala Lumpur was more or less maintained at the same level as the previous year, with all house types except for detached houses, going up. The index for semi-detached and high-rises registered the highest appreciation. Selangor recorded a slight decline in the index with both terraced and high rises recording a drop. The price index for detached houses remained unchanged whilst there was a slight increase for semi-detached houses.

**Kuala Lumpur House Price Index by Type**




*Source: NAPIC*

**Selangor House Price Index by Type**




*Source: NAPIC*

## Residential Outlook 2025

We expect the residential property market in Kuala Lumpur and Selangor to be stable in 2025 and continue to record positive increases in the volume and value of transactions, although we believe that due to the still cautious consumer sentiments, the increases will just be in the single digits. Being the leading residential markets in the country, we believe the continued stability and growth of the markets will lead to a further decline in the residential overhang whilst house prices could go up, albeit at a slower pace.

**Factors to Watch in 2025**

- The residential property market focus in 2025 will continue to be on:
  - Landed homes in Selangor and high-rise apartments/ condominiums in Kuala Lumpur in view of the high land costs within and closer to the city which makes the development of landed properties not feasible.
  - Homes priced between RM500,000 to RM1 million in popular locations in Kuala Lumpur and affordable homes costing around RM500,000 and below in Selangor.
  - Smaller sized units of around 1,000 sq ft and below in higher density projects.
  - Niche high-end projects which can be strata or landed properties in good locations as there is unsatisfied pent-up demand due to scarcity of such projects being launched in recent years.
  - Projects with innovative concepts, designs and themes which set them apart from traditional projects in the market.
- The relatively more stable political situation as well as strong economic growth will provide a conducive environment for people to consider buying their home or invest in the residential property market.
- Except for the tax relief on housing loan interest granted to encourage first time home buyers to buy their first home, there were no substantial measures announced in Budget 2025 which will stimulate the property market.
- House prices may be raised by developers in 2025 to cover the higher cost of building materials.
- 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.
- External events such as the continuing wars in Gaza and Ukraine are factors which could affect investors' sentiments.
- The uncertainty over the trade policies which will be adopted by the incoming Trump administration could cause investors to hold back until things are clearer and the impact of the new US trade policies can be seen.

**Bright Spots for 2025**

- The better market performance and improved market sentiments have led to developers building up their land banks and so we should see more new project launches by these developers in the coming years. This is especially when developers have generally reported better financial results and have become more confident of good reception to their new launches by the market.
- Bank Negara Malaysia has not raised the Overnight Policy Rates (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.
- The continued positive growth enjoyed by the Malaysian economy as projected for 2025 will provide the right environment for the property market as investors and house buyers will be more confident and motivated to invest in the market.
- The increase in the minimum wage effective 1 February 2025 as well as the rise in wages of civil servants could put more disposable income in the pockets of Malaysians and this may lead to some deciding to purchase their own homes.

## Office Review 2024

### Existing & Incoming Supply

The supply of privately owned purpose-built offices (PBOs) in Kuala Lumpur increased to 9.657 million sq metres as at Q3 2024 of which approximately 7.554 million sq metres or about 78% of the total space available is located within the city centre. Selangor meanwhile have a current supply of 4.352 million sq metres.

The supply of PBOs in Kuala Lumpur will grow significantly as the official statistics show that there is a substantial incoming supply of 0.558 million sq metres, concentrated within the city centre. Selangor will have a much lower incoming supply.

Five new PBOs were completed in Kuala Lumpur in the first nine months of 2024 and this added approximately 270,000 sq metres of office space to the existing supply whilst in Selangor, one new building provided another 15,728 sq metres to the market. The completed PBOs in Kuala Lumpur include the mega 118 storey skyscraper, Merdeka 118, which will be the tallest office building not only in Malaysia but also in Southeast Asia. The development will be the first in Malaysia to achieve triple platinum status in global sustainability certifications and when fully completed, will also feature a retail podium as well as a hotel. PNB and Maybank will be the main tenants occupying Merdeka 118.

**Total Supply & Occupancy Rates of PBOs in KL & Selangor (as at Q3 2024)**

| Location | No. of Buildings | Total Space (sqm) | Total Space Occupied (sqm) | Occupancy (%) |
|---|---|---|---|---|
| KL - City Centre | 308 | 7,554,997 | 5,439,597 | 72.0 |
| KL - Outside City Centre | 111 | 2,102,113 | 1,328,535 | 63.2 |
| **Total** | **419** | **9,657,110** | **6,738,132** | **70.1** |
| Selangor | 257 | 4,352,000 | 3,116,032 | 71.6 |

*Source: NAPIC*

**Future Supply of PBOs in Kuala Lumpur & Selangor (as at Q3 2024)**

| Status / Location | No. of Buildings | Total Space (sqm) |
|---|---|---|
| **KL - Completion** | | |
| City Centre | 1 | 19,788 |
| Outside City Centre | 1 | 7,070 |
| **Total** | **2** | **26,858** |
| | | |
| **KL - Incoming Supply** | | |
| City Centre | 8 | 547,485 |
| Outside City Centre | 2 | 10,416 |
| **Total** | **10** | **557,901** |
| | | |
| **Selangor – Completion** | 2 | 27,337 |
| **Selangor – Incoming Supply** | 1 | 32,906 |
| **Total** | **3** | **60,243** |

*Source: NAPIC / HB Research*

**New Office Buildings Completed in 2024**

| Building | NLA (sq m) |
|---|---|
| **Kuala Lumpur** | |
| Oxley Tower | 32,144 |
| Merdeka 118 | 153,290 |
| Menara Sentral RAC | 15,059 |
| Aspire Tower | 54,534 |
| PNB 1194 (formerly MAS Building) | 14,864 |
| **Kuala Lumpur Total** | **269,891** |
| | |
| **Selangor** | |
| Office Tower A @ Atwater | 15,728 |
| **Selangor Total** | **15,728** |

*Source: NAPIC/HB Research*

The "Office Buildings Under Construction in Kuala Lumpur & Selangor" table shows the new PBOs which are expected to be completed over the next few years in Kuala Lumpur and Selangor. These buildings will add another 193,000 sq metres of office space onto the Kuala Lumpur market by 2027 whilst Selangor will see close to 300,000 sq metres added to its stock of office space by 2026.

In addition, we noted that there are a number of proposed office development projects which have been announced 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 if market conditions are not so favourable and the financial strength and space requirements of their developers/ promoters does not permit them to proceed with the projects.

**Office Buildings Under Construction in Kuala Lumpur & Selangor (as at Q3 2024)**

| Building | Location | NLA (sqm) | Estimated completion |
|---|---|---|---|
| **Kuala Lumpur** | | | |
| TNB Gold | Bangsar | 44,184 | 2024 |
| Menara Felcra | Jalan Semarak | 19,788 | 2025 |
| Pavilion Corporate Tower 10 | Damansara Heights | 19,988 | 2025 |
| The Exchange TRX Campus Office | Jalan Tun Razak | 18,581 | 2025 |
| Bangsar 61 Tower 1 | Bangsar | 50,610 | 2026 |
| Duo Tower (Tower B) | Bangsar South | 40,153 | 2027 |
| **Total** | | **193,304** | |
| | | | |
| **Selangor** | | | |
| Sunway South Quay Corporate Tower 1 & 2 | Bandar Sunway | 91,614 | 2025 |
| Sunsuria Forum Corporate Office | Setia Alam | 29,594 | 2025 |
| Tower 5 @ PJ Sentral | PJ | 41,800 | 2025 |
| Kossan Tower | Setia Alam | 12,077 | 2025 |
| One City Phase 3 | USJ | 12,913 | 2026 |
| The Capitol, Bandar Utama | Bandar Utama | 111,484 | 2026 |
| **Total** | | **299,484** | |
| **Grand Total** | | **492,788** | |

*Source: NAPIC / HB Research*

## Office Occupancy Rates & Rentals

The occupancy rate of PBOs in Kuala Lumpur eased to 70.1% as at Q3 2024 from 72.2% the year before. The occupancy rate of PBOs in the city centre was 72% which is better than the 63.2% recorded by PBOs located outside the city centre. Meanwhile, the occupancy rate of PBOs in Selangor as at Q3 2024 improved from 70.2% the year before to 71.6%.

The office market was supported by the steady economic growth achieved by the country, especially the services sector, since recovering from the Covid-19 pandemic. The improved sentiments led to an increase in demand for new office space as companies expand and new ones are set up.

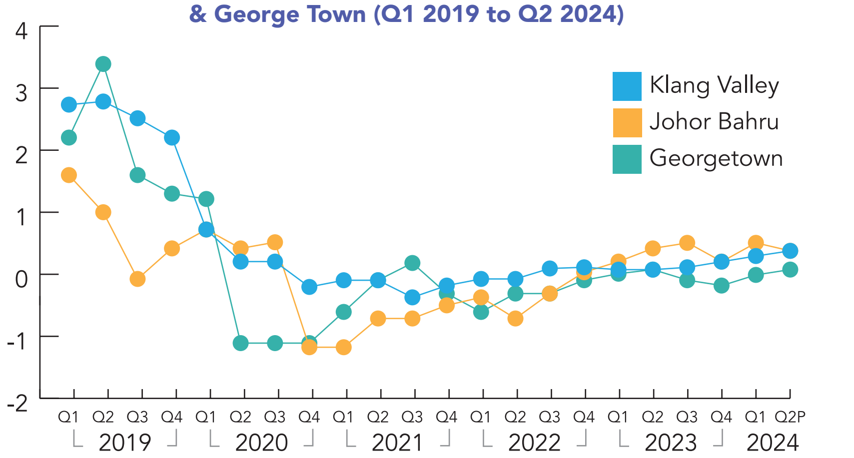
Nevertheless, there has been a significant increase in the supply of office space in the Klang Valley over the past two years whilst we expect to see a number of new office buildings reach completion over the next two years. This could make the office market more challenging and impact occupancy rates as well as put some pressure on rental rates unless demand for office space can be increased substantially.

In terms of design and specifications, some of these new buildings are designed to be ESG compliant or at least green certified with superior finishes, higher quality and modern M&E infrastructure and facilities. This will lure companies currently occupying space in older buildings to relocate to these newer buildings upon expiry of their existing tenancies especially if there is not a big differential in rental rates.

Based on NAPIC's report for the first half of 2024, the rental index for PBOs for Klang Valley rose marginally when compared to the same period in 2023. The rental index was higher than the pre-Covid-19 days of 2019 and even 2016.

The "Overall Range of Office Rentals" and "Rentals of Selected Purpose-Built Office Buildings" tables summarise the current rental rates charged by Grade A and B PBOs in various commercial hubs within Kuala Lumpur. The rental rates for both Kuala Lumpur and Selangor appear to be generally stable.

**Purpose-Built Office Rental Trend in Klang Valley, Johor Bahru & George Town (Q1 2019 to Q2 2024)**




*Source: NAPIC*

**Overall Range of Office Rentals (Q2 2024)**

| Location | Rental Range (RM psm / mth) | |
|---|---|---|
| | 2023 | 2024 |
| **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*

**Rentals of Selected Purpose-Built Office Buildings**

| Building | Location | Rental (RM psm) |
|---|---|---|
| **KLCC / GT** | | |
| Petronas Twin Tower (Tower II) | KLCC | 117.11 |
| Menara Darussalam | KLCC | 75.35-102.26 |
| Menara Maxis | KLCC | 91.60 - 138.96 |
| Menara Citibank | KLCC | 74.27 - 100.64 |
| G Tower | Jalan Tun Razak | 48.44 - 96.88 |
| Intermark (Integra Tower) | Jalan Tun Razak | 92.36 - 113.02 |
| Menara Pavilion Tower | Bukit Bintang | 68.35 - 85.57 |
| Menara AIA Sentral | Bukit Bintang | 50.05 - 82.34 |
| Menara Perak | Jalan Perak | 55.54 - 77.07 |
| Menara Hap Seng 2 | Jalan P. Ramlee | 66.74 - 96.88 |
| Menara Prestige | Jalan Pinang | 67.28 - 91.49 |
| | | |
| **CBD** | | |
| Menara Multi-Purpose | Jalan Munshi Abdullah | 39.29 - 55.97 |
| Menara Olympia | Jalan Raja Chulan | 43.06 - 59.20 |
| Wisma Lee Rubber | Jalan Melaka | 53.82 - 59.20 |
| Menara JKG | Jalan Raja Laut | 37.67 - 53.82 |
| Menara Bumiputra Commerce | Jalan Raja Laut | 43.06 - 59.20 |
| Menara OCBC | Jalan Tun Perak | 53.82 - 57.26 |
| Maju Tower | Jalan Tunku Abdul Rahman | 37.67 - 69.21 |
| Sunway Tower 2 | Jalan Ampang | 35.52 - 62.43 |
| | | |
| **WCC Area, KL** | | |
| Menara Exchange | Jalan Tun Razak | 48.44 - 139.93 |
| 1 Sentral | KL Sentral | 45.21 - 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 - 86.11 |
| The Gardens South Tower | Mid Valley City | 69.97 - 91.49 |
| Menara 1 Sentrum | Jalan Tun Sambanthan | 69.97 - 83.96 |
| Menara Shell | Jalan Tun Sambanthan | 46.39 - 115.17 |

*Source: NAPIC / Henry Butcher Research*

## Major Office Sales Transactions

There were not many transactions of office buildings in Kuala Lumpur in 2024. The most significant transaction was the sale of Averis Tower in Bangsar South which was sold for RM88.7 million. The other sales involved smaller buildings. The "Major Office Transactions in 2024" table summarises office buildings that were known to be transacted in 2024.

**Major Office Transactions in 2024**

| Building, Location | | Date | Built-Up (sqm) | PSM (RM) | Price (RM) | Buyer |
|---|---|---|---|---|---|---|
| Averis Avenue | Jalan Kerinchi, Bangsar South | May | 10,276 | 8,632 | 88.7mil | NA |
| Plaza Perangsang | Seksyen 14, Shah Alam | Feb | 25,304 | 1,818 | 46mil | PKNS |
| 10 Office Suites @ Subplace Boulevard | Seksyen U1, Shah Alam | NA | NA | NA | 6.99mil | Vestland Bhd |
| Boutique Office @ Southbank Commercial | Old Klang Road | NA | 3,163 | 6,999 | 22.137mil | NA |
| Boutique Office @ Bangsar South | Bangsar South | Dec | 54,876 | 911.15 | 50mil | Apex Equity Holdings |

*Source: Henry Butcher Research*

## Office Outlook 2025

The Malaysian economy is projected to achieve a steady growth of between 4.8% to 5.3% in 2024 and between 4.5% to 5.5% in 2025. As the services sector is the main contributor to the Malaysian GDP, this augurs well for the business environment generally and could provide a boost to demand for office space. The entry of new MNCs and expansion of business activities by existing MNCS could also generate more demand for office space.

Nevertheless, we note that there is a significant amount of office space which has come onto the market over the past few years and the supply will continue to increase in the coming years with the completion of a number of new buildings especially in Kuala Lumpur and Petaling Jaya. There is concern that the market could become more challenging due to a potential oversupply situation which could then put pressure on occupancy rates and lead to a softening of rental rates as landlords compete to fill up their buildings.

The newer buildings which are designed to be ESG-compliant, equipped with better quality and more current specifications as well as facilities will be in a better position to attract tenants compared to older buildings which have not carried out any upgrading exercises. Once the owners of these older buildings find it difficult to fill up the vacant space in their buildings, they may be forced to lower rentals or spend money to upgrade or even repurpose the building for other uses like hotels, serviced apartments or senior living accommodation.

Newer integrated commercial hubs such as TRX, KL Eco City and Pavillion Damansara Heights have attracted businesses to relocate there as connectivity is better with MRT stations within or close by, and more amenities like food & beverage outlets and hotel accommodation are available.

## Retail Review 2024

As at Q3 2024, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had 290 shopping centres with a total supply of more than 88 million sq ft of retail space as detailed out in the "Retail Supply & Occupancy Rates in Klang Valley 2024" table.

The average occupancy rate of shopping centres in the Klang Valley improved moderately from 73.8% in 2023 to 75.8% in 2024 because of the improved retail market and employment situation. Despite the opening of several large shopping malls over the last two years, retailers opened more outlets in popular shopping centres. The average occupancy rate of shopping centres in Kuala Lumpur improved to 78.0% in 2024 whilst the average occupancy rate of shopping centres in Selangor which stood at 73.6% in 2023 was maintained at 73.8% in 2024. The average occupancy rate of shopping centres in Putrajaya rose from 75.4% in 2023 to 76.1% in 2024.

Despite better average occupancy rates, the average rental rate for Klang Valley shopping centres dropped marginally from RM11.47 per sq ft per month in 2023 to RM11.42 per sq ft per month in 2024. This average did not include rental rates of anchor tenants such as supermarkets, department stores, cineplexes, bowling alleys etc. Although shopping traffic in major shopping centres have returned to pre-Covid-19 levels, many retail landlords still needed to offer attractive rental packages to new retailers due to intense retail competition.

## New Shopping Centres Opening in 2024

A total of four (4) new shopping centres and one (1) superstore were opened in 2024 with a total nett floor area of close to one (1) million sq ft. They are listed in the "New Shopping Centres in Klang Valley in 2024" table.

**Retail Supply & Occupancy Rates in Klang Valley 2024 (Q3 2024)**

| Location | No. of Malls | Total Nett Floor Area (sf) | Average Rental Rate (RM psf pm)* | Average Occupancy Rate (%) |
|---|---|---|---|---|
| Kuala Lumpur | 123 | 41,047,826 | 11.83 | 78.0 |
| Selangor | 164 | 46,117,456 | 11.00 | 73.8 |
| Putrajaya | 3 | 1,018,000 | 13.11 | 76.1 |
| **Total** | **290** | **88,183,282** | **11.42** | **75.8** |

***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 2024**

| Name | Location | Nett Floor Area (sf) |
|---|---|---|
| You City III Retail | Cheras | 140,000 |
| Bloomsvale Shopping Gallery | Old Klang Road | 300,000 |
| Elmina Lakeside Mall | City of Elmina | 200,000 |
| 168 Park Selayang | Selayang | 235,000 |
| Lotus's IJM Rimbayu | Telok Panglima Garang | 64,000 |
| **Total** | | **939,000** |

- *You City III Retail, located in Taman Suntex Cheras, is part of You City master development. Opened in March 2024, this 3-storey shopping centre is anchored by TMC supermarket. Mini-anchors include Mr DIY, Believe Fitness and Manatee Swim Academy. This shopping centre has a direct link bridge to an MRT station.*
- *Bloomsvale Shopping Gallery is part of a mixed-use development in the Old Klang Road area. The entire development consists of two blocks of residential towers, 25-storey office suites, a 4-star hotel Courtyard by Marriott and a retail podium. This shopping centre was opened in June 2024. Anchor and mini-anchor tenants include 24-hour MeMiZoooZooo supermarket, Mr DIY, Sports Planet and Jungle Gym.*
- *Elmina Lakeside Mall, located in Shah Alam, opened in August 2024. Major tenants include Jaya Grocer, Harvey Norman, Mr DIY, Pets Wonderland, Toys R Us, Anytime Fitness, Happy Fish (swim academy) and LittleFoot (indoor children playground).*
- *168 Park Selayang, formerly known as Selayang Star City, opened in December 2024. Village Grocer is its grocery anchor tenant. Other major tenants include Harvey Norman, Mr DIY, Anytime Fitness and The One Sports Centre (with 22 badminton courts).*
- *The latest Lotus's hypermarket which opened in December, is located within IJM's Rimbayu township in the southern part of Klang Valley. It is the 70th Lotus's store in Malaysia.*

*Source: Henry Butcher Retail*

## Klang Valley Retail Supply in 2025

At least six new shopping centres and two mall extensions are expected to be completed in 2025 with a total nett floor area of almost 4.8 million sq ft. Six of them are located in Kuala Lumpur and two of them are situated in Selangor. Six of the new shopping centres are supposed to open in 2024 but have been delayed. The list of new shopping centres in the Klang Valley are listed in the "New Shopping Centres in Klang Valley in 2025" table.

**New Shopping Centres in Klang Valley in 2025**

| Name | Location | Nett Floor Area (sf) |
|---|---|---|
| Senada Shopping Centre | Bukit Kiara | 231,000 |
| MET Galleria | Mont Kiara | 90,000 |
| 118 Mall | Kuala Lumpur CBD | 1,400,000 |
| Pavilion Damansara Heights Mall P2 | Damansara Heights | 529,000 |
| 8 Conlay | KLCC | 130,000 |
| Sunsuria Forum 2 | Setia Alam | 175,000 |
| Empire City Mall | Damansara | 1,700,000 |
| KL Midtown Mall | Mont Kiara | 500,000 |
| Shopping Centre in Kwasa Damansara | Kwasa Damansara | 39,000 |
| **Total** | | **4,755,000** |

- *The 3-storey Senada shopping centre is part of the Senada Residence development that includes two residential towers and an office block. Both the residential towers and the office tower have been completed and occupied since 2023.*
- *MET Galleria is a 2-storey shopping centre located off Jalan Duta. It is the first retail component within the mega mixed development of KL Metropolis. The shopping centre 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. This shopping mall will be surrounded by a 4-acre linear park.*
- *The second phase of Pavilion Damansara Heights Mall was originally planned to open its doors at the end of 2024 but will now only be ready for opening in 2025.*
- *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 two residential towers to be managed by Kempinski Hotel as well as a tower block consisting of hotel and service suites. This project has been delayed several times.*
- *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.*
- *Empire City Mall was partly opened in 2017 with the completion of Malaysia 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 was scheduled for opening in 2024. However it has been delayed until June 2025.*

*Source: Henry Butcher Retail*

## Performance of Klang Valley Shopping Centres in 2024

Major shopping malls in Klang Valley have continued to draw shoppers and diners on weekends and public holidays. Shopping centres in Klang Valley will remain as attractive spots for many new overseas retailers, especially food & beverage brands. The relatively weak local currency will encourage more Malaysians to spend their weekends and public holidays within the country instead of travelling overseas.

The management of shopping centres in Klang Valley will have to be constantly renewing its trade mix in order to retain shoppers. The highly saturated retail market will put more pressure on shopping centre owners in the Klang Valley to offer attractive rental packages to retain existing tenants and to attract new retailers.

Foreign tourist arrivals will continue to grow in 2025. The weak Ringgit, government initiatives and new airlines will 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.

Artisan markets held on weekends in shopping centres within the Klang Valley were highly popular. They offered a wide variety of merchandise not usually found in retail shops within shopping centres. They drew 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

Malaysia remained a highly popular country in Southeast Asia for foreign retailers. For 2024, at least 51 new brands from eleven countries opened their first stores (shopping centres only) in Malaysia with Klang Valley accounting for more than 90% of these new entries. In addition, Kuala Lumpur made up 82% of the total Klang Valley supply. 45% of the new brands came from China whilst 47% of the new store brands were in the food & beverage business and 29% were in the business of fashion and fashion accessories.

New foreign retailers expected to open in the Klang Valley in 2025 include:

- Luckin Coffee from China
- Dairy Queen from United States
- Brands For Less from Dubai
- KaraKu from Japan
- Miao from China
- Xian Qi Ban Bu Dian from China

### Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers, 2024

| # | Country of Origin | Brand Name | Trade |
|---|---|---|---|
| 1 | Canada | Tim Hortons | Food & Beverage outlet |
| 2 | Japan | Sakanoue Cafe | Food & Beverage outlet |
| 3 | | Descente | Fashion |
| 4 | | Comcoca | Fashion |
| 5 | | Enishi Ramen | Food & Beverage outlet |
| 6 | South Korea | Meet Sun | Food & Beverage outlet |
| 7 | | 3CE | Health & Beauty |
| 8 | | Ediya Coffee | Food & Beverage outlet |
| 9 | Thailand | Lung Ngen Coffee | Food & Beverage outlet |
| 10 | Switzerland | Zenith | Fashion Accessories |
| 11 | United States | Red Wing Shoes | Fashion Accessories |
| 12 | | Shake Shack | Food & Beverage outlet |
| 13 | | Apple | Electrical & Electronics |
| 14 | | Undefeated | Fashion |
| 15 | | Vivaia | Fashion Accessories |
| 16 | | National Geographic | Fashion |
| 17 | | Levoit | Electrical & Electronics |
| 18 | France | Salomon | Fashion Accessories |
| 19 | | Faure Le Page | Fashion Accessories |
| 20 | Indonesia | Ai-Cha | Food & Beverage outlet |
| 21 | | Sudo Brew | Food & Beverage outlet |
| 22 | | Momoyo | Food & Beverage outlet |
| 23 | China | Cotti Coffee | Food & Beverage outlet |
| 24 | | Auntea Jenny | Food & Beverage outlet |
| 25 | | Nong Geng Ji | Food & Beverage outlet |
| 26 | China | More Yogurt | Food & Beverage outlet |
| 27 | | Narwal | Electrical & Electronics |
| 28 | | Uncle Luo | Food & Beverage outlet |
| 29 | | Issen Hin Ramen | Food & Beverage outlet |
| 30 | | BYD | Car Showroom |
| 31 | | The Eight | Food & Beverage outlet |
| 32 | | YeeHoo | Children's Products |
| 33 | | Lam Heung Ling | Food & Beverage outlet |
| 34 | | Tang Tea | Food & Beverage outlet |
| 35 | | Beneunder | Fashion |
| 36 | | Bestore | General Merchandise store |
| 37 | | Cha Bai Dao | Food & Beverage outlet |
| 38 | | Xtep | Fashion |
| 39 | | ChaPanda | Food & Beverage outlet |
| 40 | | Share Popo | Food & Beverage outlet |
| 41 | | Urban Revivo | Fashion |
| 42 | | GWM | Car Showroom |
| 43 | | The Colorist | Health & Beauty |
| 44 | | Naixue | Food & Beverage outlet |
| 45 | | Xiaomi | Electrical & Electronics |
| 46 | Singapore | Chirashi King Kong | Food & Beverage outlet |
| 47 | | Sunnystep | Fashion Accessories |
| 48 | | People Up | Indoor Theme Park |
| 49 | Italy | Golden Goose | Fashion |
| 50 | | Elisabetta Franchi | Fashion |
| 51 | | Flexform | Furniture & Furnishing |

*Source: Henry Butcher Retail*

## Closures of Foreign Retailers in Klang Valley

There were many large-format store replacements and closures during the year:

a) In January, Ben's Independent Grocer started operations in Pearl Shopping Gallery on a retail space previously occupied by Jaya Grocer. The latter moved to the first floor of the newly refurbished Pearl Point.
b) During the same month, Jaya Grocer replaced Giant in Plaza Shah Alam.
c) mmCineplexes replaced GSC in Berjaya Times Square during the month of January.
d) On 3 March, NSK Grocer replaced Giant in Amcorp Mall.
e) Since March this year, the former Parkson in Nu Sentral has been tenanted by Don Don Donki, Uniqlo, Decathlon and Nitori.
f) GSC has closed down in 3 Damansara since 18 March.
g) On the same day, AEON opened in Setia City Mall at the retail space formerly occupied by Lulu Hypermarket and Department Store.
h) On 1 April, GSC closed down in Klang Parade.
i) During the month of June, Village Grocer opened in IOI Mall Puchong at a corner zone previously occupied by numerous restaurants.
j) MBO closed down in Atria Shopping Gallery on 30 June.
k) Malakat Mall in Cyberjaya closed down on 31 July after it struggled for years. It was opened in 2020.
l) Don Don Donki closed down in IOI City Mall on 31 August.
m) In September, Decathlon relocated its mega store from Giant USJ to Nu Empire.
n) Jaya Grocer replaced Mercearia in The Sanctuary Mall during the month of September.
o) Decathlon closed down in The Scott Garden during the month of October.
p) GSC closed down in Citta Mall on 1 November.

## Sale and Refurbishment

Numerous sales and refurbishments of retail malls took place during the year:

a) Started in February, Metrojaya Mid Valley Megamall closed down for major renovations and re-opened in August with a smaller retail space. In addition, the South Court of Mid Valley Megamall has been refurbished with new tenants such as MUJI, VOIR, Nichii, Juicework, Raea etc.
b) After three years of refurbishment, Semua House re-opened in May 2024. It now offers five levels of lifestyle shopping and dining.
c) In December, KIP REIT completed the acquisition of DPulze Shopping Centre in Cyberjaya for RM320 million.
d) In July, the owner of SACC Mall announced plans to demolish the shopping centre for a mixed-use development called Shah Alam Sentral.
e) In September, the land occupied by Lucky Plaza in Old Klang Road was put up for sale.
f) YNH Property sold 163 Retail Park to Sunway REIT for RM215 million. In October, it was renamed as Sunway 163 Mall.
g) In October, the owner of The Main Place at USJ 19 Subang Jaya announced plans to refurbish the shopping centre.
h) In November, the majority owner of South City Plaza made plans to reposition the old mall into a sports-focused shopping centre.
i) On 1 November, Sunway Pyramid opened its new wing (named Oasis) to the general public with 300,000 sq ft of retail space. The tenant mix included Jaya Grocer flagship store, the largest MUJI store in Malaysia, Southeast Asia's first Caudelie Spa, first stand-alone H&M Home, Akemi flagship store and more than 50 F&B outlets.
j) Tropicana Gardens Mall was sold to IOI Properties for RM680 million. In December, it was renamed as IOI Mall Damansara.
k) In May 2023, KWSP sold its 9-acre land occupied by Giant Mall Kelana Jaya to UEM Sunrise Bhd. Before the end of the year, the hypermarket building was demolished.
l) Since July 2023, Alamanda Shopping Centre has been undergoing major refurbishment and is targeted for completion soon. It would add 190,000 sq ft of retail space with a new cineplex, bigger bowling centre and a new outdoor adventure park.

## Rental Rates of Selected Shopping Centres in Klang Valley in 2024

The rental rates of selected shopping centres in Klang Valley are detailed out in the "Rental Rates of Selected Shopping Centres in Klang Valley 2024" table.

**Rental Rates of Selected Shopping Centres in Klang Valley 2024**

| Name | Rental Rate (RM psf per month) | | | | | |
|---|---|---|---|---|---|---|
| | Lower Ground | Ground Floor | 1st Floor | 2nd Floor | 3rd Floor | 4th Floor |
| Suria KLCC | 35.00 – 207.00 | 44.00 – 151.00 | 42.00 – 95.00 | 36.50 – 100.50 | 44.00 – 91.00 | 37.00 – 61.00 |
| Low Yat Plaza | 26.50 – 30.00 | 19.00 – 48.00 | 23.00 – 35.00 | 10.00 – 25.00 | 14.00 – 39.00 | 11.00 – 22.00 |
| Cheras Leisure Mall | 18.00 – 34.00 | 13.00 – 22.00 | 10.00 – 27.00 | 8.00 – 22.00 | NA | NA |
| Mid Valley Megamall | 25.00 – 36.00 | 45.00 – 80.00 | 33.00 – 38.00 | 23.00 – 25.00 | 15.00 – 22.00 | NA |
| 3 Damansara | 11.00 – 25.00 | 10.00 – 14.00 | 7.00 – 12.00 | 7.50 – 9.50 | NA | NA |
| The Mines | NA | 7.00 – 18.00 | 8.00 – 18.00 | 5.00 – 24.00 | 9.00 – 19.00 | NA |
| SACC Mall | 2.00 – 7.00 | 4.00 – 14.00 | 4.00 – 12.00 | 2.50 – 7.00 | 3.00 – 6.00 | NA |

***Notes:***
*N/A - not applicable*
*The achieved rental rates did not include anchor tenants eg. supermarket, department store, cineplex, bowling alley etc.*
*Source: Property Market Report, NAPIC, Henry Butcher Retail*

## Retail Outlook in 2025

The prospects of the Klang Valley shopping centre market in 2025 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. In particular, the prolonged conflicts in Ukraine as well as Gaza have disrupted international trade and supply chains. For 2025, the ascension of President Donald Trump into his second presidency term has injected uncertainty into how international trade will be affected by his protectionist trade policies, sanctions and import duties.

Purchasing power has dropped due to the rising cost of living and Malaysian consumers are always seeking out discounts and offers by retailers at both the physical shops and online stores as they try to maintain the quality of their lives.

Domestic tourism will continue to sustain the shopping traffic of shopping centres in the new year. The weak Ringgit will 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 2025 and into 2026 when the government will be promoting the Visit Malaysia Year 2026. The weaker Ringgit and Malaysia's Visa Liberalisation Plan will 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. In this regard, the extension of the visa exemption for Indian and Chinese citizens will encourage more of the nationals of these two countries to visit the country.

More than a million Indian visitors were recorded, representing a 47% growth compared to the same period in 2019 and an impressive 71.7% increase compared to 2023. Meanwhile the statistics showed that in the first eight months of 2024, Malaysia welcomed more than 2.2 million tourists from China, marking a 160% increase compared to the same period last year. In 2019, before the onset of the Covid-19 pandemic, Malaysia received 3.1 million tourists from China.

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.

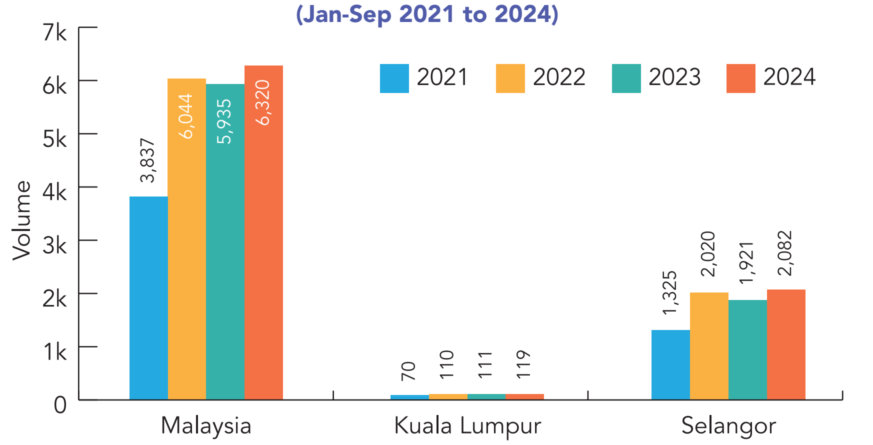
Retail Group Malaysia (RGM) has forecast a 3.9% growth rate for the Malaysian retail industry in 2024 and 4.0% for 2025. For the same period, the Malaysian government expects the national economy to grow by between 4.5% and 5.5%. Similar to 2023 and 2024, the biggest challenge for Malaysia's retail industry in the new year is the rising cost of living.

## Industrial Review 2024

The volume of industrial property transactions in Selangor increased by 8% in the first nine months of 2024 compared to a drop of nearly 5% for the corresponding period in 2023. The value of the transactions on the other hand went up by 22%. The bulk of the industrial property transactions (62%) were of properties priced at RM1 million and above.

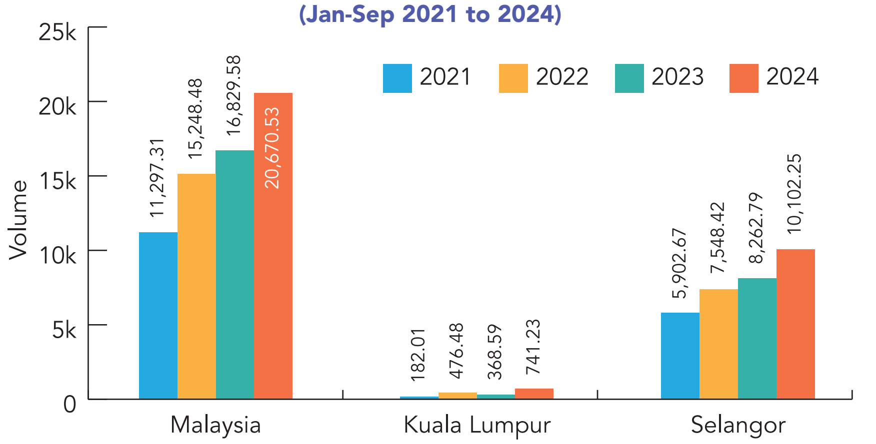
For Kuala Lumpur where industrial activities are not that significant, the volume of industrial property transactions rose 7% whilst the value of the transactions jumped by more than 100% indicating that the transactions were mostly of larger, higher value industrial properties.

**Volume of Industrial Property Transactions (Jan-Sep 2021 to 2024)**



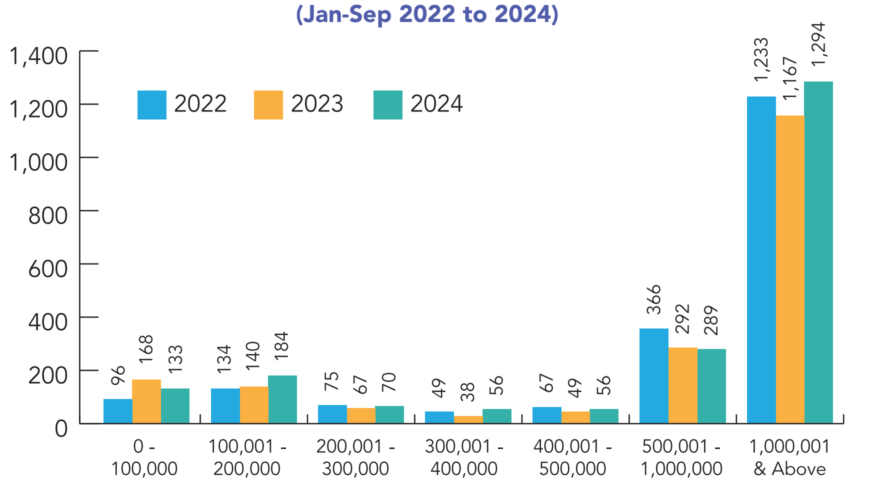

*Source: NAPIC*

**Value of Industrial Property Transactions (Jan-Sep 2021 to 2024)**




*Source: NAPIC*

**Industrial Transactions According to Price Range, Selangor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

According to MIDA, Selangor recorded total capital investments of RM15,044.6 million in the first nine months of 2024, comprising 39% DDIs and 61% FDIs. This represents a drop of 11% from the same period in 2023. DDIs showed an increase of 32% but FDIs registered a decline of 27%.

There were several notable industrial deals concluded in Selangor in 2024 and the major ones are listed in "Major Industrial Deals in 2024."

Demand for industrial properties is expected to grow with the influx of and expansion of MNCs into the country and its spillover effect on SMEs. The better trade performance registered by the country in 2024 could also contribute to increased demand for industrial properties. We also note that more property developers have refocussed their attention on industrial development, including the building of data centres.

The Selangor state government has announced the construction of seventeen data centres in the state worth RM52 billion over the next ten years. These data centres include Google in Sungai Buloh, HeiTech Padu in Shah Alam and NextDC in Petaling Jaya. Another seven data centres are situated in Cyberjaya, including Vantage Data Centre, Bridge Data Centre, Equinex, NTT Global Data Centre, Microsoft, Edge ConneX, and ST Telemedia Global Data Centre. This positions Selangor second, after Johor with the most number of data centres in the country. The state government intends to further expand on this.

**Foreign & Domestic Direct Investments in Malaysia (Jan-Sep 2023 & 2024)**

| State | January - September 2024 | | | January - September 2023 | | |
|---|---|---|---|---|---|---|
| | Domestic Investment* (RM million) | Foreign Investment* (RM million) | Total Capital Investment* (RM million) | Domestic Investment* (RM million) | Foreign Investment* (RM million) | Total Capital Investment* (RM million) |
| Kedah | 550.5 | 32,060.7 | 32,611.2 | 1,639.3 | 19,378.5 | 21,017.8 |
| Selangor | 5,876.0 | 9,168.6 | 15,044.6 | 4,464.7 | 12,510.8 | 16,975.5 |
| Pulau Pinang | 2,070.6 | 10,072.4 | 12,143.1 | 1,932.9 | 36,995.7 | 38,928.6 |

*Source: MIDA*

**Major Industrial Deals in 2024**

| Scheme | Location | Month | Type | Land Area (sqm) | Price (RM) | PSM (RM) |
|---|---|---|---|---|---|---|
| Pulau Indah Industrial Park | Pulau Indah, Klang | August | Warehouse | 44,096 | 110.08mil | 2,496 |
| Seksyen 51 / 51A | Petaling Jaya | May | Detached Factory & Office | 9,569 | 69mil | 7,211 |
| Perusahaan Batu Caves | Batu Caves | May | Detached Factory & Office | 16,547 | 56mil | 3,384 |
| Seksyen 51 / 51A | Petaling Jaya | May | Detached Factory & Office | 8,494 | 34mil | 4,003 |
| Bukit Raja Prime Industrial Park | Bukit Raja, Klang | May | Detached Factory | 100,372 | 216mil | 2,152 |
| BT 1 Light Industry Park | Kapar, Klang | May | Vacant Land | 287,320 | 160.82mil | 560 |
| Bukit Raja Prime Industrial Park | Bukit Raja, Klang | April | Detached Factory | 240,000 | 313mil | 1,304 |
| Sg Choh | Serendah | April | Vacant Land | 454,258 | 107.57mil | 237 |
| SYIT 91A | Klang | March | Detached Factory & Office | 17,960 | 35mil | 1,949 |
| Seksyen 22 | Shah Alam | February | Detached Factory & Office | 60,320 | 558.80mil | 9,264 |
| Bukit Raja Prime Industrial Park | Bukit Raja, Klang | February | Detached Factory & Office | 32,283 | 49mil | 1,518 |
| SS 8, Sungai Way | Petaling Jaya | February | Detached Factory & Office | 44,515 | 185mil | 4,156 |
| Lion Industrial Park | Shah Alam | January | Detached Factory | 18,673 | 62mil | 3,320 |
| SYIT 83A | Kapar, Klang | January | Vacant Land | 131,800 | 64.36mil | 488 |

*Source: HBM Research*

## Industrial Outlook 2025

The following are the factors which will have an impact on the industrial property sector in 2025:

a) For 2025, the country is confident of achieving a GDP growth of between 4.5% to 5.5% and this will provide the right setting for businesses to adopt a more positive and expansionary outlook.
b) For Selangor, the state has recorded an average GDP growth of 7.43%, exceeding the RS-1 target for the 2021-2025 period, which was set at between 6.5% and 7.0%.
c) The implementation of the New Industrial Master Plan 2030 (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.
d) Selangor has recorded approved investments of RM66.8 billion for the first nine months of 2024 which has surpassed its investment target of RM55 billion for the year. This represents 26.2% of the investments received by the country for this period, making the state the largest contributor.
e) Nevertheless, external factors such as the continuing war in Ukraine and Gaza and any disruption arising therefrom on supply chains and global economic growth could negatively impact Malaysia's economy and this could lead to a slowdown in demand for industrial space.
f) The uncertainty of the incoming Trump II administration's trade policies would also cast a shadow over how international trade will grow in the coming year. Trade tariffs and sanctions are disruptive and could affect Malaysia's exports to the US. However, there may be some realignment of manufacturing activities by Chinese manufacturers who may relocate some of their manufacturing facilities to other countries who are slapped with a lower tariff than China like Malaysia. This could then provide a boost to the industrial property market.

## Hospitality Review 2024

Selangor has set a target of welcoming seven million tourists in 2024 and eight million during Visit Selangor Year in 2025 (TMS 2025), building on its success of attracting 6.54 million tourists in 2023 which exceeded the 5 million target set for the year and represents a 46.4% increase from the previous year.

Of the 6.54 million tourists in 2023, about 68% were domestic tourists while 32% were international tourists. For 2024, the state has managed to attract 3.6 million tourists for the first six months of the year, which has passed the half way mark of its target of 7 million tourists. For TMS 2025, the state is targeting 40% of the eight million tourists to be international travellers.

In line with the increase in numbers of both domestic as well as international tourists in the Klang Valley in 2024, the hotels in Kuala Lumpur, Selangor and Putrajaya have witnessed an improvement in occupancy rates, although still not up to the levels of the pre-Covid-19 years. Kuala Lumpur chalked up a 60.3% occupancy rate in the first six months of 2024, up from 57.3% a year ago whilst Putrajaya went up from 54% to 55.4% and Selangor from 47.1% to 47.7%.

## Hospitality Outlook 2025

Overall, the outlook for the hospitality industry for Kuala Lumpur and Selangor looks promising in the coming year. A number of factors will provide a boost to the tourism industry in Malaysia, they are:

a) Visit Malaysia Year has been set for 2026. In line with this, the government has set aside a substantial budget under Budget 2025 to promote the country in order to attract international tourists to visit the country.
b) Secondly, the continuation of the Visa Liberation Plan announced during Budget 2024. The 30-day visa-free programme for Chinese and Indian nationals has been extended till end-2026.
c) Thirdly, the weaker Ringgit will make holidaying in Malaysia more attractive to foreign tourists as well as domestic holiday makers.
d) For Selangor, the state will be carrying out a number of programmes to attract both domestic as well as international tourists to the state as part of the efforts to promote Visit Selangor Year 2025 (TMS 2025) which will have a focus on sports tourism.
e) There are a number of new hotels currently being under construction in Kuala Lumpur and Selangor and when completed, will add onto the supply of hotel rooms and at the same time offer more choices to tourists. These hotels are listed in the "New Hotels Under Construction & Due for Opening in Kuala Lumpur & Selangor" table.

**Average Occupancy Rates of Hotels in Kuala Lumpur, Selangor & Putrajaya (Jan-Jun 2023/24)**

| State | H1 2023 (%) | H1 2024 (%) | Increase (Decline) (%) |
|---|---|---|---|
| Kuala Lumpur | 57.3 | 60.3 | 3 |
| Selangor | 47.1 | 47.7 | 1.4 |
| Putrajaya | 54.0 | 55.4 | 0.6 |

*Source: Tourism Malaysia*

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

| Hotel | Location | No. of Rooms |
|---|---|---|
| **2024** | | |
| Holiday Inn | Bangsar | 220 |
| Courtyard by Marriott | Jalan Puchong | 278 |
| Imperial Lexis | Jalan Kia Peng | 275 |
| Fox Glenmarie | Shah Alam | 117 |
| Moxy Hotel | Putrajaya | 480 |
| Ibis Style | Sepang | 229 |
| Lloyd Inn | Imbi | 110 |
| | | |
| **2025 onwards** | | |
| Park Hyatt | Presint Merdeka 118 | 290 |
| Somerset | KL Metropolis | 262 |
| Kempinski | 8 Conlay | 260 |
| Edition | Persiaran Stonor | 350 |
| Jumeirah Kuala Lumpur | Jalan Ampang | 213 |
| SO/Sofitel | Jalan Ampang | 207 |
| JW Marriott Sentral | KL Sentral | 451 |
| Hyatt Regency | Jalan Duta | 450 |
| Hyatt Centric City Centre | City Centre | 312 |
| Conrad | Jalan Sultan Ismail | 544 |
| Waldorf Astoria | Jalan Raja Chulan | 279 |
| Regent Hotel & Residences KL | Persiaran TRX | 259 |
| Kimpton | The Exchange | 471 |

*Source: Henry Butcher Research*

# NEGERI SEMBILAN

After a good run in 2022, Negeri Sembilan's property market continued its upward trajectory in 2023 where for the first time in the state's history, total value of transactions exceeded RM10 billion from a record of 23,916 units exchanging hands. Momentum however slowed down over the same period in 2024 with transactional volume dipping 13.2% but value of transactions held up with a 17.3% increase. This is likely to see Negeri Sembilan's property market concluding 2024 in a satisfactory manner.

While ambitious national programmes like the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030) are to be lauded, Negeri Sembilan's economy will by and large still be expected to ride on its strategic location, specifically being adjacent to the international gateways of Malaysia's biggest and busiest international airport of Kuala Lumpur International Airport (including klia2), and the marine port of Port Klang in Selangor.

Nevertheless, new spurts of economic activities nearby are expected to give Negeri Sembilan a few more reasons to cheer for in 2025. For example, Selangor's ambition to contribute up to 30% of the National Semiconductor Strategy through its first semiconductor integrated circuit (IC) design park in Puchong. Located only about 30km from Negeri Sembilan, such proximity is anticipated to lend weight to the state's future prospects in driving similar initiatives such as high-tech manufacturing & design.

Another sector that can benefit from the state's favourable location, land values and vast natural resources is the data centre (DC) industry. Negeri Sembilan's decently endowed natural terrain and land mass position it as an ideal site location capable of hosting multiple data centres from the get go without much problems. This is certain to empower Negeri Sembilan as a viable candidate to wrestle away projects from the normal DC hubs of Kuala Lumpur, Cyberjaya and Johor Bahru.

Looking ahead to 2025, the year is envisaged to comprise a mixed-bag of opportunities and challenges for Negeri Sembilan's property market. Perched atop every pundit's list of concerns is the removal of petrol subsidies. This bold but necessary move is expected to induce a higher inflationary pressure across the market and directly affect the real income of the lower (B40) and middle (M40) income groups albeit with the promise of government cash aid. This will bring about an adverse impact to Negeri Sembilan's residential property market with a slow down in demand and downward pressure on capital growth over a longer term horizon.

Like the residential market, Negeri Sembilan's commercial market is also expected to be swayed by the same factors and this is likely to see the commercial market perform moderately in 2025.

The story could prove to be different for the industrial sector as it looks sturdy enough to sustain growth owing to the many factors that support the state's industrial activities. Bucking the trend are also the agricultural and development lands.

The positive prospects of the agricultural lands for one is attributed to the recent growth of commodity prices, which like a rising tide that lifts all boats, has elevated the values of not only the smallholdings but also the larger tracts of lands.

In terms of development lands, the spillover effects from Selangor's urbanisation and industrialisation has pushed prices up in Negeri Sembilan.

This mixed-bag sentiments of 2025 will also not be precluded from the uncertainty arising from the ongoing geopolitical tensions and an overall expectation of higher inflation domestically. As such, Negeri Sembilan's overall property market is anticipated to perform moderately, spotting stability at a sustainable pace in 2025.

**Factors to Watch in 2025**

- The industrial property sector.
- West Coast Expressway - the southern part connecting Banting in Selangor to Gelang Patah in Johor.

**Bright Spots in 2025**

- Malaysian Vision Valley - more launches of industrial lands have been planned for.
- Senawang - new industrial schemes earmarked for launch are very well-planned, complete with security service and workers hostels.
- West Coast Expressway - the proposed southern linkage is expected to spur developments along its route in Nilai, Labu, Gadong, Bandar Springhill, Siliau and Linggi.

**Outlook in 2025**

- Negeri Sembilan's property market is expected to perform moderately and sustainably in 2025.
- Both the residential and commercial property sectors are expected to ease in 2025.
- Negeri Sembilan's retail property market is forecasted to remain stable in 2025.
- The industrial property sector is poised to sustain its growth and remain stable in 2025.
- Agricultural and development lands are looking favourable in 2025.

## Residential Overview & Outlook

Negeri Sembilan's residential market recorded 10,224 transactions worth RM3.5 billion in the first nine months of 2024, commanding a 68.03% and 54.70% of total market volume and value of transactions respectively. Compared to the same period in 2023, performance has however dipped 17.4% and 14.4% respectively.

Like in the previous years, Negeri Sembilan's residential property market leads the market with the most number of transactions in the period under review. Measuring transactions recorded in Q3 2024 against the same period the year before shows that the residential market has dropped by 5.8% but the commercial market went up by 4.9%.

By price points, residential properties below RM400,000 remained the most sought-after with 67.9% of all residential transactions taking place in this segment, up slightly from 67.6% last year.

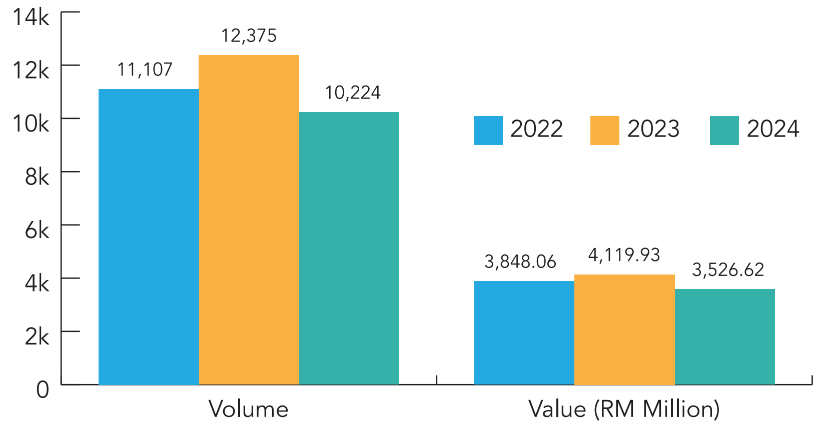
In a narrower price bracket, properties between RM200,000 to RM300,000 also continued its dominance with the most transactions in the first nine months of 2024 with 2,276 units, followed by RM500,000 to RM1 million with 1,902 units. Previously, there were more than 2,300 units in each category.

By market sentiments, two-storey landed houses priced between the RM400,000 and RM700,000 bracket were favourable in more developed districts such as Seremban and Port Dickson whereas the single storey terraced homes priced between RM200,000 to RM350,000 were more popular in least developed districts such as Kuala Pilah, Jelebu and Jempol.

The different geographical concentration of the properties is attributed largely to the higher land prices in the more developed districts where developers are compelled to build houses with two levels or more to compensate for the higher land acquisition prices.

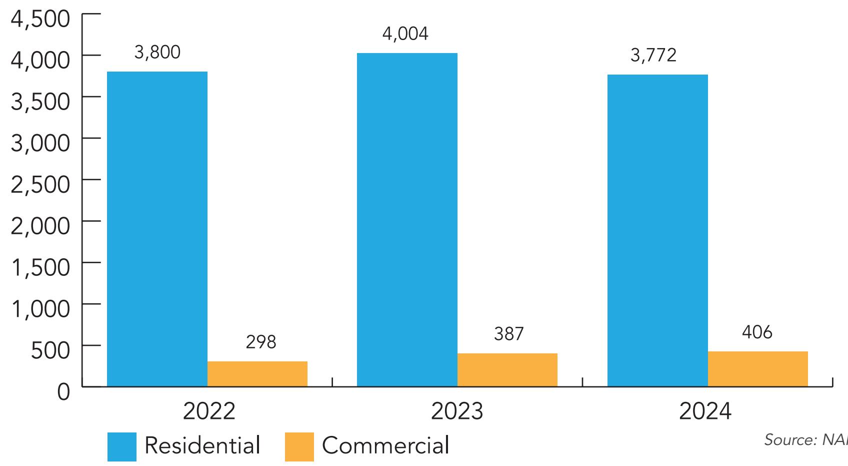
But aside from the landed properties, Negeri Sembilan has seen launches of stratified residential schemes taking place in recent years such as the low-rise apartment blocks of about 10 to 25 storeys with each unit priced at

**Volume & Value of Residential Property Transactions in Negeri Sembilan (Jan-Sep 2022 to 2024)**



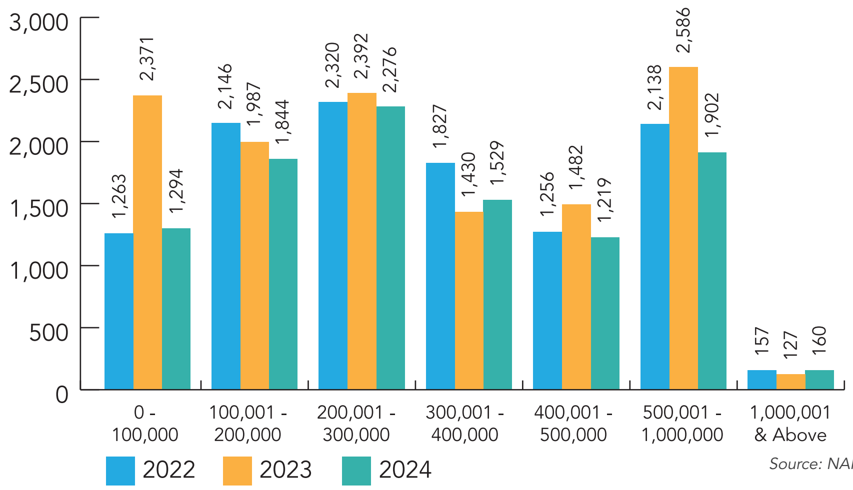

*Source: NAPIC*

**Volume of Residential & Commercial Property Transactions in Negeri Sembilan (Q3 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2022-2024)**




*Source: NAPIC*

approximately RM250,000 to RM400,000. Market reception has however not been as encouraging as the landed properties.

Nevertheless, as the country begins transforming into an aging society, demand for smaller sized residential schemes that are aptly packaged with good services and amenities are likely to receive good reviews and response. One such example is the Arena Residence in Seremban, which has its 3-bedroom units measuring about 1,000 sq ft snapped up soon after it was launched.

Judging from the active land bank acquisitions by developers in the previous years and also the current stages of land planning with the district councils, new property launches will continue to make their way into 2025 albeit less than those seen in 2023 and 2024.

In terms of overhang properties, and after close to three years from the Covid-19 pandemic, outstanding inventory from the landed range excluding the affordable segment has since eased from 609 units in the first nine months of 2022 to 405 units in the same period in 2024 despite dropping lower to 395 units in 2023. The same however cannot be said for the stratified residential schemes where overhang stock has increased from a low of 260 units in 2022 to 1,132 units in 2024. Year-on-year to 2024, this represents an increase of 2.5% in the landed properties and 42.4% in the high-rise stratified schemes, potentially erasing the reduction recorded since 2021.

Given the rise in the overhang statistics, Negeri Sembilan is unlikely to correct the excess supply in 2025 owing to the borrowers' difficulties in securing the required loan margins from the banks. As such, Negeri Sembilan's overhang predicament is likely to remain the same in 2025 except with the stratified units which may pose more risks of escalating further.

On the whole, although Negeri Sembilan's residential property market is expected to retain a lion share of the market compared to the commercial and industrial sectors, performance is anticipated to ease in 2025 compared to 2024 due to reasons such as the removal of petrol subsidy and the impending consequential inflationary pressures.

**Volume of Overhang Residential Properties in Negeri Sembilan (Jan-Sep 2022-2024)**

| Year (as at end of Quarter 3) | Landed (excluding affordable houses; units) | Condominium / Apartment / Town Houses (units) |
|---|---|---|
| 2022 | 609 | 260 |
| 2023 | 395 | 795 |
| 2024 | 405 | 1,132 |

*Source: NAPIC*

## Commercial Overview & Outlook

Performance of Negeri Sembilan's commercial property market has been soft in the first half of 2024 (378 units in Q1, 337 units in Q2) but sentiments improved thereafter with sales picking up to 406 units in Q3 2024. Compared to the first nine months last year, this is a 2.2% improvement but by value of transactions, it declined by 2.6%. This could likely be due to the lower average price of properties transacted over the period in review.

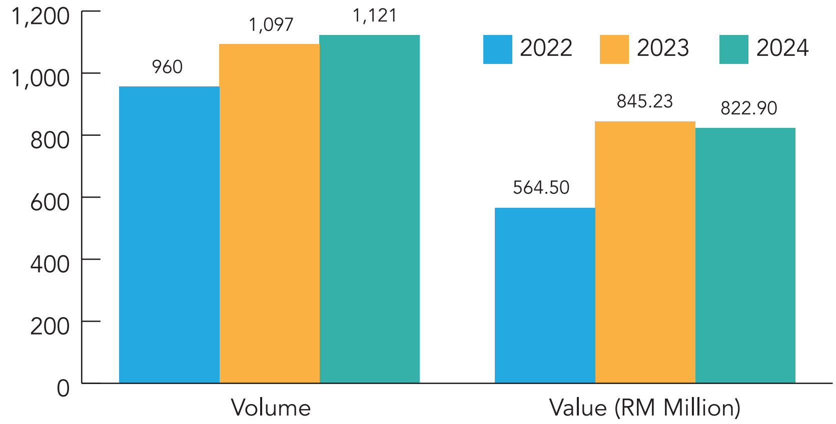
As to the reasons that contributed to the increase in volume of transactions, market observation shows that the return of confidence among the purchasers and investors arising from the lower-than-expected rising cost of living post Covid-19 is one factor. Another is the allure of the launching price of the properties, which rose from around RM800,000 to RM1.1 million within just a few years.

Commercial units from the RM300,001 price brackets onwards have all registered upticks in the first nine months of 2024 compared to the same period in the previous year. In terms of the highest number of transactions, units between RM500,000 to RM1 million have clocked in 303 transactions followed by the above RM1 million category with 212 transactions. Together, they contribute 45.9% of the total market share, dethroning the below RM400,000 category from its top position the year before which registered 42.8%.

In terms of growth, the RM300,001 to RM400,000 segment made the largest leap by rising 44%.

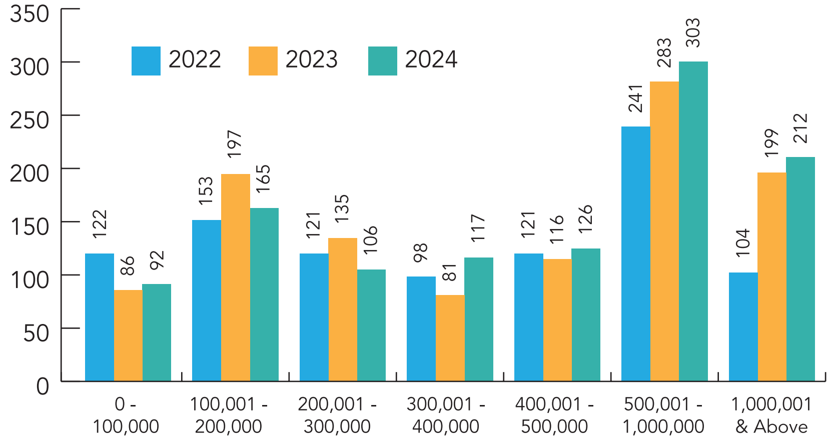
Like the residential market, Negeri Sembilan's commercial property sector is expected to register a lower growth in 2025 due to the impending rising inflation from the petrol subsidy removal although the government has asserted good control in reining in rising prices in the last two years. Inflationary pressures in 2024 will nevertheless influence consumers' spending on dispensable goods and services as well as the option to eat-out frequently.

**Volume & Value of Commercial Property Transactions in Negeri Sembilan (Jan-Sep 2022-2024)**




*Source: NAPIC*

**Volume of Commercial Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2022-2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Over in the retail market, the biggest news in Negeri Sembilan came from AEON Co (M) Bhd's announcement in the middle of 2024 about the retail giant's intention to buy two adjoining pieces of commercial lands measuring about 9.326 hectares (23.05 acres) in Seremban 2. Located to the rear but separated by a service road of the existing AEON Mall Seremban 2, the subject lands have been planned for as a shopping centre, enlarging AEON's already stable, and in fact staple, footprint in Negeri Sembilan.

2024 also witnessed the commencement of operations of Careplus Mall, located about 1km to the northeast of AEON's new site and situated in the Oakland Commercial Area. This new mall houses a furniture outlet, an EV showroom, a fast food training centre and a snow-themed park.

Moving forward, Negeri Sembilan's retail property market is forecasted to remain stable in 2025.

## Industrial Overview & Outlook

While industrial properties continue to be a hot topic in Negeri Sembilan stemming from the increasingly robust industrial play in the state, performance however contracted by 19.7% in the first nine months of 2024 compared to the same period last year. Value of transactions on the other hand eroded by 9.1%.

Industrial properties priced above RM1 million continued its dominance in the period under observation in 2024 with 110 units transacted but in terms of preference, the market continued its inclination to units above RM500,001, amassing a total of 56.7% transactions from the total market share.

By and large, the trends of transactions remained the same across the two periods under review except for the below RM100,00 and RM200,001 to RM300,000 categories which registered steep declines of 71.6% and 74.3% respectively. This is likely due to the gestation period after stocks of these categories were snapped up in the previous years.

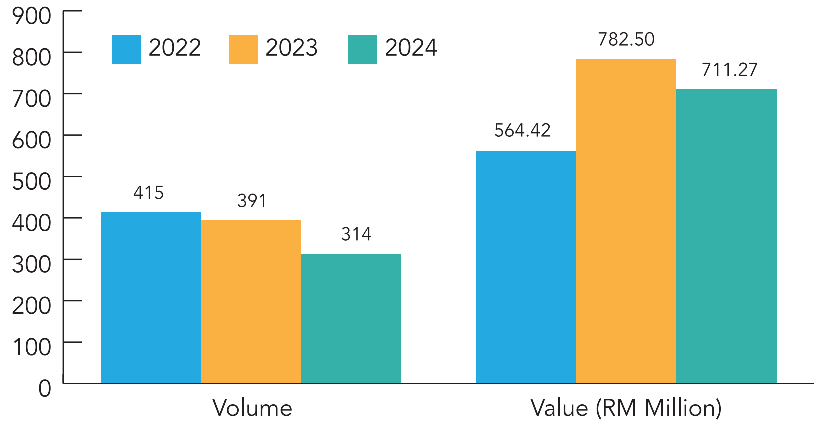
Sentiments on the ground showed a liking towards the terraced factories followed by vacant plots. The former is due to the more affordable price points, which are well accepted especially by individuals and small-scale operators. The latter's attributed to its multi-utility factors where the purchasers can build anything from a warehouse to purpose-built factories.

Whether by design or coincidence, Negeri Sembilan's industrial sub-sector has always concentrated in the District of Seremban and by market share, it accounts for approximately 78% of the total number of transactions and 89% of the state's total value of transactions in the first nine months of 2024. This evidently asserts Seremban's status as the capital of Negeri Sembilan.

Although most economic activities are centred in Seremban, the touristy town and District of Port Dickson has nevertheless introduced new industrial offerings in 2024 with a selling price of RM30 per sq ft for its vacant lots. This new release was well-received by both the users and investors in the market.

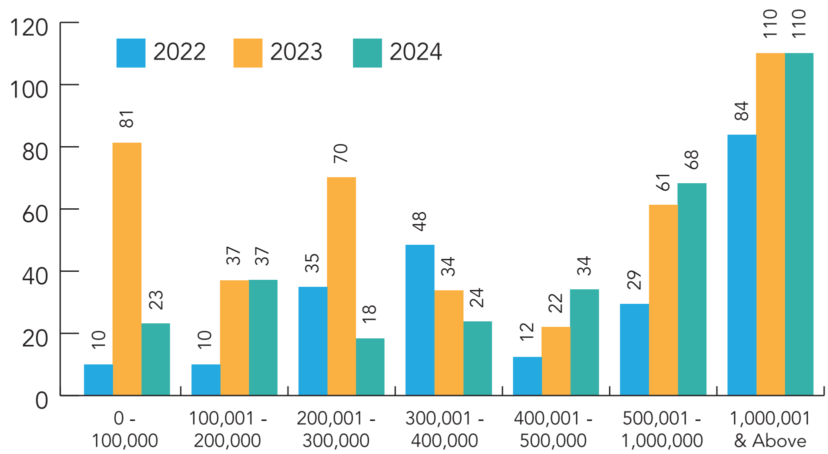
Given the macro and microeconomic factors in and surrounding Negeri Sembilan, the state's industrial property market is expected to remain stable in 2025.

**Volume of Industrial Property Transactions in Negeri Sembilan (Jan-Sep 2022-2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions by Price Range in Negeri Sembilan (Jan-Sep 2022-2024)**




*Source: NAPIC*

# MELAKA

After a drop in performance in the first nine months of 2023 compared to the year before, Melaka's property market made a comeback over the same period in 2024 with both the volume and value of transactions rising by 19.8% and 16.3% respectively. The encouraging performance was led by the residential sub-sector as the main contributor.

While the national programmes rolled out at the federal level may be opportune for the rest of the country, the National Climate Change Policy (NCCP) 2.0 looks to be the only viable plan that can influence Melaka's property sector's future supply. Local governments in particular will begin imposing additional requirements and restrictions on development orders, adhering to the policies prescribed by NCCP 2.0.

As mentioned in 2024's report, the Melaka State Government has always placed emphasis in attracting more investors into the semiconductor, AI, data centre, tourism, retail, hospitality and manufacturing sectors, and 2025 will be no different as the state experienced an uptick in the industrial property sub-sector in the first nine months of 2024.

But as the historical state is also renowned as a tourism city, Melaka's economy is expected to continue riding on the promising inflow of tourists from China owing to the 30 days visa-free entry period extended to 31 December 2026.

In terms of Malaysia's chairmanship of Asean in 2025, it is unlikely to inject any excitement into Melaka's property market due to the state's domestic focus in drawing tourism demand.

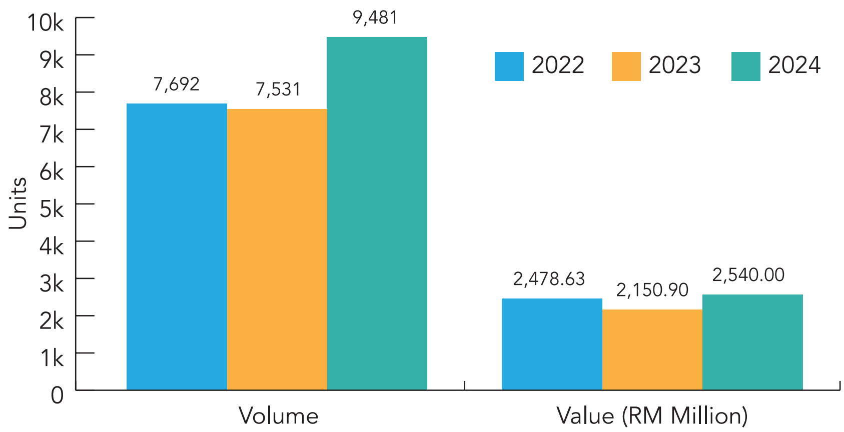
Although tremors from geopolitical tensions around the world could cause some jitters among property investors looking to take a position in Melaka's property market, it will not likely to cause any major disruptions given that demand has always centred around owner-occupation instead of speculative investments by investors.

**Factors to Watch in 2025**
- Geopolitical tensions and related factors that may affect the property market.
- The reduction or removal of petrol subsidy may soften the demand for investment properties.

**Bright Spots in 2025**
- Melaka's property market is mainly reliant on the domestic market than foreign investors.
- The extension of "Tahun Melawat Melaka 2024" to "Tahun Melawat Melaka 2025" will continue to receive high influx of tourists to Melaka to boost properties in the hospitality sector and also other related industries.
- More new supply and new planned supply developments will boost the primary property market sales in 2025.

**Outlook for 2025**
- Melaka's residential and industrial markets are expected to remain stable in 2025.
- Commercial properties in Melaka need more new and trendy retailers and businesses to stimulate the market for a better performance in 2025.
- The hospitality market is expecting a good year with rising tourist arrivals in 2025.

**Volume & Value of Residential Property Transactions (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Residential Overview & Outlook

Consistent with the state's overall market performance, Melaka's residential sub-sector registered an uptick of 25.9% and 18.1% in volume and value of transactions respectively compared to the period under review last year.

By market share, properties below RM400,000 continue to be the most popular with 85.8% of the transactions occurring within this price range.

Dissecting further, NAPIC's data shows that 30.3% of the transactions took place in the RM100,001 to RM200,000 category, the highest across all pricing categories, followed by 30.0% of the transactions exchanging hands in the RM200,001 to RM300,000 price bracket.

Volume of transactions for homes valued below RM100,000 surged the most with a 47.2% jump. The RM400,001 to RM500,000 category however is the only price segment to register a decline in performance with a 2.9% drop.

Like in years past, sentiments on the ground continued to favour landed properties although by value it has narrowed to between RM150,000 and RM400,000 compared to last year's RM200,000 to RM500,000 given its affordability to local Melaka buyers. NAPIC's data is reflective of this trend with significantly more landed transactions taking place between the RM100,001 to RM400,000 category in the first half of 2024 alone with a total of 2,873 properties transacted.

In terms of new launches, the state is anticipated to witness more new launches of landed residences in 2025. New projects are also expected to be launched in areas further away from the city centre like Ayer Keroh, Gapam, Krubong, Sungei Petai, Ayer Molek, Tehel and Durian Tunggal.

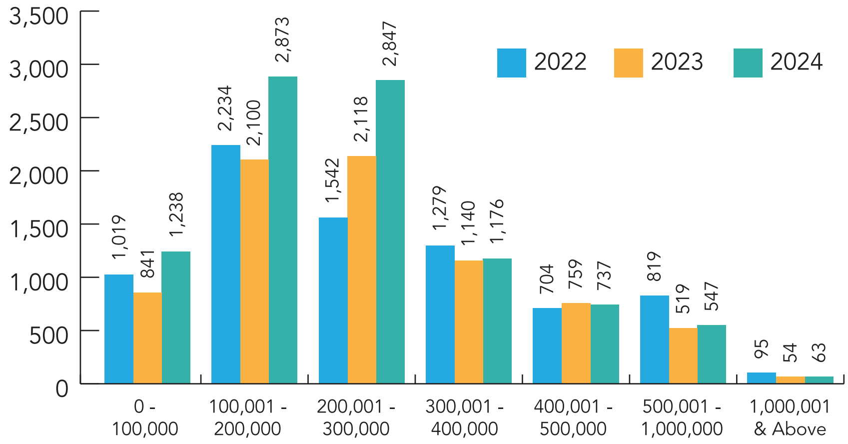
The growth of Melaka's property market is nevertheless hindered by the high bumiputera quota and the tall order release mechanism imposed by the state government. Systemic barriers such as these are obstructing an otherwise free market which when overcome can spur the market to grow at a quicker pace.

Case in point is the overhang stock. As mentioned in 2024's report, a big part of the reason is attributed to the unsold properties reserved for Bumiputeras under the mandatory quota set by the state and although Melaka recorded a decrease of 3.9% compared to 2H 2023, the higher number of new launches in 2025 may reverse the positive result and increase the overhang inventory again if the take-up rate remains at the current pace.

In terms of attracting foreigners to the state other than for tourism purposes, Melaka may only have seen a moderate increase in numbers given that most prefer to live in the bigger cities like Kuala Lumpur, Johor Bahru and Penang that are supported by better infrastructures such as the airports and railway connectivity.

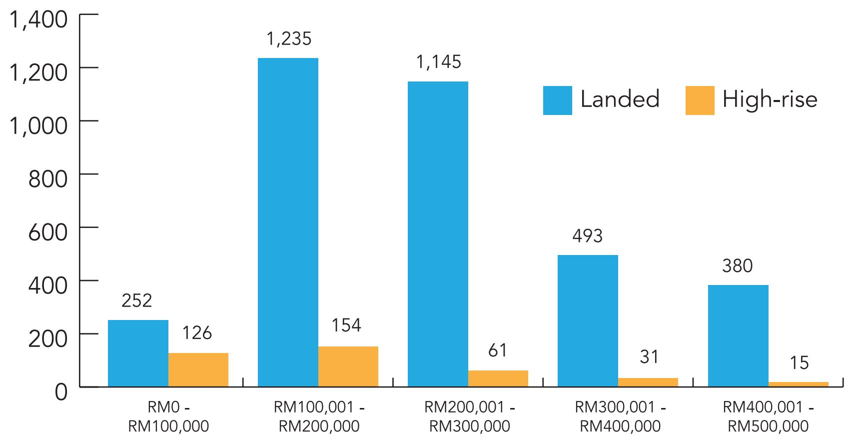
The moderate increase is indicative of Malaysia My 2nd Home's effectiveness on Melaka although not directly correlated. Regardless of the programme, the state is looking forward to a better year in 2025 as the state government has lowered the minimum purchase price for foreigners to RM500,000 for strata residences and RM1 million for landed properties with land areas not exceeding 8,000 sq ft.

**Volume of Residential Property Transactions by Price Range in Melaka (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Residential Volume of Transactions by Type & Price Range Below RM500,000 (1H 2024)**




*Source: NAPIC*

Seafront properties in Klebang and homes near the fairways in Ayer Keroh remained as foreigners' favourite in Melaka with no new residential estates emerging as contenders in 2024.

Looking ahead to 2025, Melaka's residential property market is anticipated to continue favouring homes priced between RM300,000 and RM500,000.

## Commercial Overview & Outlook

Melaka's commercial property market saw marked improvement in the first nine months of 2024 compared to the corresponding period in 2023. The upward trajectory had in fact continued from as early as 2021, right after the pandemic year of 2020.

Both the volume and value of transactions made significant leaps in the period under observation, rising by 14.6% and 39.1% respectively. The value spike in particular is attributed to a transaction occurring in the first half of 2024 in Melaka Tengah valued at RM276.3 million.

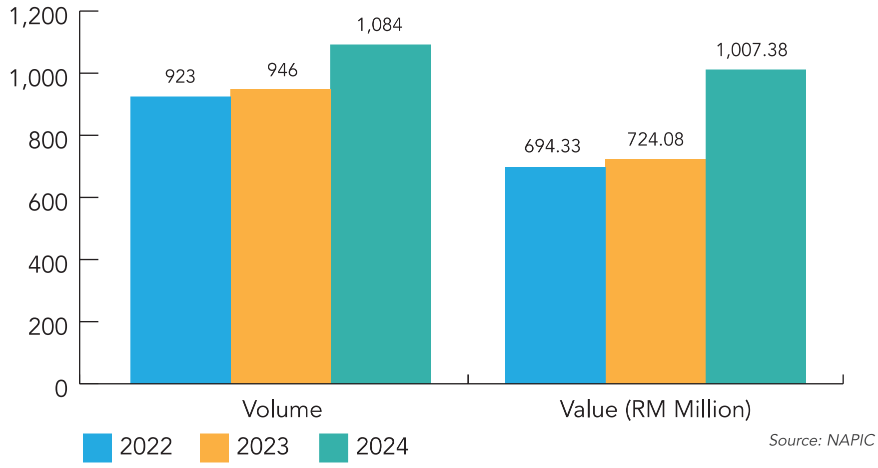
Despite the increase, Melaka's commercial property market contributed only 7.5% to the state's overall volume of property transactions in the period under review. This came on the back of the high overhang units from previously completed schemes and the limited new and new planned supplies in the market. This is exacerbated by the difficulty to secure tenants to commence operations, coupled with the Covid-19-triggered work from home (WFH) privilege that continued into 2024. This has resulted in a reduction of demand for office space in Melaka's commercial property market.

By price points, more than half or 51.9% of the market's transactions came from the below RM400,000 segment followed by the RM500,001 to RM1 million category with 31.7% of the market share.

In terms of performance, properties below RM100,000 stole the show with 60.7% more transactions compared to last year. Appetite for this price segment is consistent with the residential market.

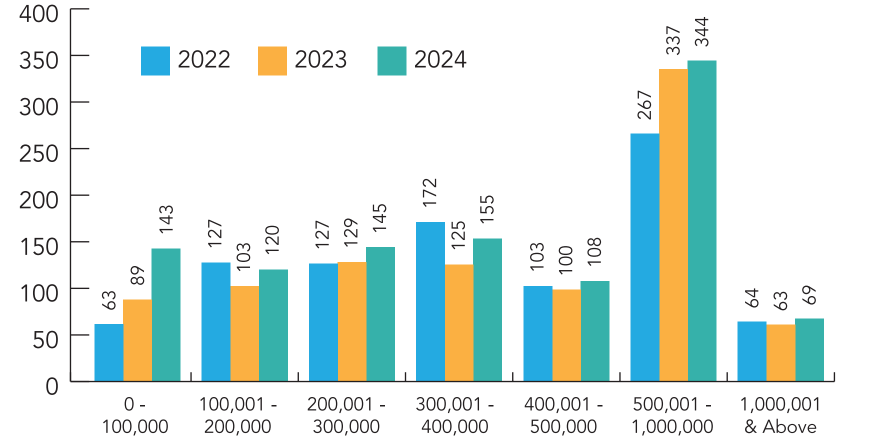
In light of the external headwinds (eg. geopolitical tensions & wars in the Middle East, economic conditions in the US and EU etc) and the prevailing domestic factors (eg. lower demand for commercial properties, rising cost of living, inflated selling prices etc), investors tend to prefer investing in other property segments and in cities outside of Melaka that could provide better returns.

**Volume & Value of Commercial Property Transactions in Melaka (Jan-Sep 2022 to 2024)**



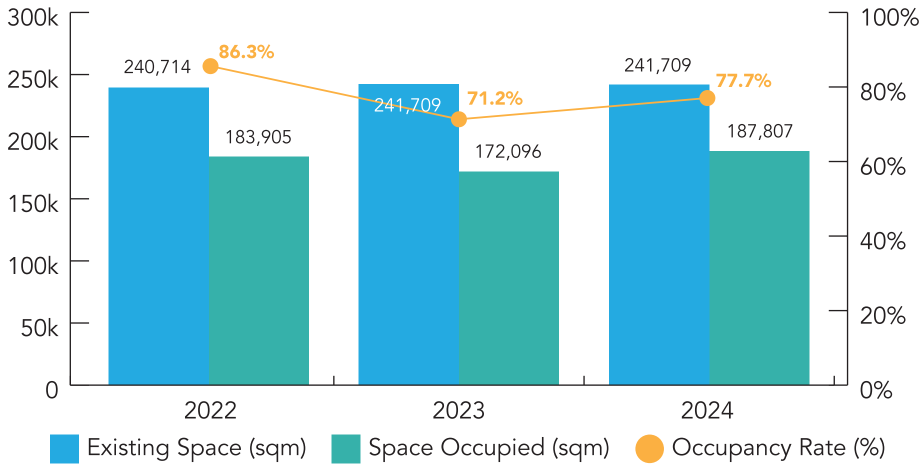

*Source: NAPIC*

**Volume of Commercial Property Transactions by Price Range in Melaka (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Supply & Occupancy of Purpose-Built Offices (Privately Owned) in Melaka (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

Over in the purpose-built offices (PBOs) segment, occupancy improved to 77.7% in the period under observation compared to 71.2% last year with total net lettable area the same from 2023.

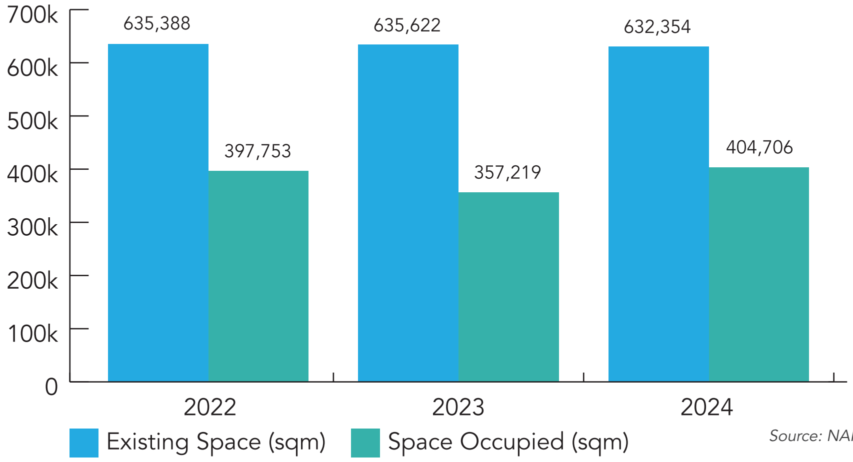
Demand for PBOs remained limited to the bigger corporations such as the insurance companies, banks, government-linked companies, government offices etc. As such, the small PBOs market in Melaka is expected to remain the same with no change in demand.

## Retail Overview & Outlook

A contrasting affair was seen in Melaka's retail sub-sector with total net lettable area decreasing by 0.5% but compensated by a 13.3% growth in occupancy in the first nine months of 2024 compared to the same period in 2023.

The usual favourites like Aeon Bandaraya, Mahkota Parade and Dataran Pahlawan Melaka Megamall continued recording high occupancy but the same cannot be said for the rest of the retail complexes. Some have in fact problems sustaining owing to the acutely low occupancy rates.

**Shopping Complex Space & Occupancy (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Hospitality Overview & Outlook

Unlike the commercial shops, PBOs and retail markets, Melaka's hospitality segment has received a wave of good news in 2024 despite performing relatively the same as last year.

At the macro level, hotels that have shuttered continued to plague the market in 2024 with shortage of rooms replaced by service apartments in the city centre. But upon closer scrutiny, competition among hoteliers is about to heat up in 2025 with the opening of Dusit Princess Hotel (formerly Ramada Plaza Hotel, closed in December 2020).

The anticipated increase of tourists supported by some of the state government's initiatives are also set to escalate demand for hotel rooms in 2025. This is an encouraging sign as the state received close to 10 million tourists as of September 2024, exceeding the initial full year target of 8.7 million for Visit Melaka Year 2024 (TMM2024). The boom in arrivals was attributed to the following factors:

- **Tourism Ambassador Fan Bingbing** - The Melaka State Government named the internationally renowned Chinese actress as its Tourism Ambassador in July 2024, riding on her 63 million followers on Weibo (China's X (formerly Twitter) equivalent).
- **World Tourism Day** - Melaka will play host to this global event slated for September 2025 and is expected to usher in a delegation of 155 people from around the world.
- **Global Promotional Efforts**: Melaka has been promoting itself globally, starting with the TMM2024 campaign which showcased Melaka's history, culture, cuisine and hospitality. The state's official website and social media accounts were also featured with relevant TMM2024 information and updates.

## Industrial Overview & Outlook 2025

Like the rest of the property sub-sectors, transactions in the industrial market registered improvements with 8.7% and 45.38% upticks in both the volume and value of transactions respectively. NAPIC's data suggests that the significant jump in value is attributed to a detached factory/ warehouse in Melaka Tengah. This has powered the state's transactional value to also surpass the RM437.66 million recorded in 2022 by 1.8%.

Perhaps due to its price points in Melaka, 46.4% of the transactions concentrated in the below RM500,000 category, giving investors in the industrial space a relatively affordable entry point.

This is followed by the above RM1 million category with 31.3% and the RM500,001 to RM1 million price bracket with 22.3% of the total market transactions.

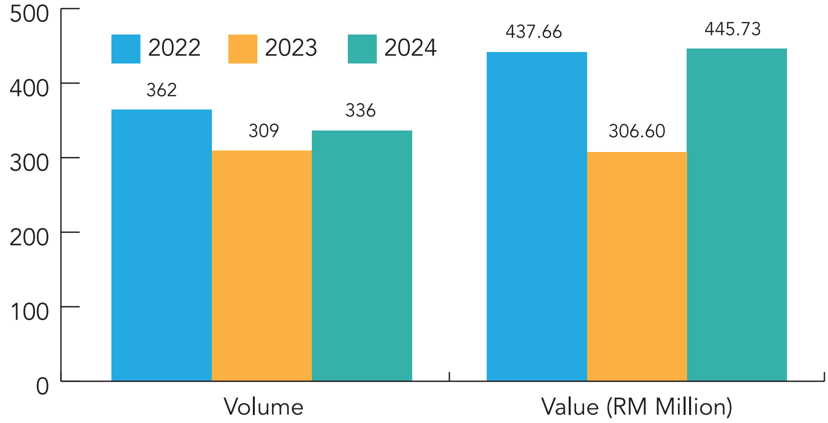
Large terrace and large semi-detached factories have been favourable for buyers in Melaka in 2024 given its flexible utility factor for businesses in general. Most of such industrial units located in light industrial areas have been used as automotive showrooms cum service centres and warehouses for trading hubs.

Market demand has shown an inclination towards:

- Terrace Factories measuring 40' x 100', 40' x 130' and 60' x 150' priced from RM850,000 to RM1.6 million; and
- Semi-Detached Factories measuring 60' x 150' and 80' x 160' priced from RM1.5 to RM2.2 million.

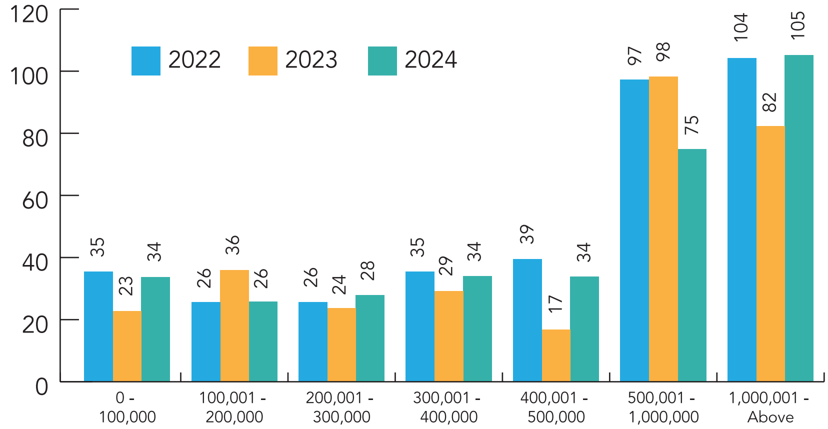
Overall, Melaka's industrial market is expected to remain stable in 2025 with new planned supply of terrace and semi-detached factories in Taman Perindustrian Bukit Rambai and Kawasan Perindustrian Gangga in Durian Tunggal.

**Volume & Value of Industrial Property Transactions in Melaka (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions By Price Range in Melaka (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

# JOHOR

Performance of Johor's property market in 2024 continued its upward trajectory from 2023 although the growth was not as strong. Volume of transactions grew by 7.4% while value of transactions raced ahead further by 22.9%.

The pace of growth is considered modest when compared to the previous year where volume and value of transactions escalated by 31.8% and 58.7% respectively. Nevertheless, 2024's performance in the first nine months contributed 12.2% in the volume and 17.2% in the value of transactions at the national level.

Johor's recent growth story is attributed to the strong appeal of the state being located right next to Singapore and supported by the bold programmes rolled out by both the state and federal governments.

The state's resilient property market is driven by key infrastructure developments such as the Johor-Singapore Rapid Transit System (RTS) Link, the Gemas–Johor Bahru Electrified Double Track Project (Gemas-JB EDTP), the potential revival of the Kuala Lumpur-Singapore High Speed Rail (KL-SG HSR) and the establishments of the special zones, namely the Johor-Singapore Special Economic Zone (JS-SEZ) in Iskandar Malaysia encompassing the areas surrounding Pengerang, and the Special Financial Zone (SFZ) in Forest City.

Along with the growth in data centres and advanced manufacturing, Johor's market has experienced boosted demand across the residential, commercial and industrial sectors. Singapore's rising property prices has also fueled demand from Singaporeans and local buyers for Johor's real estate especially in Johor Bahru.

Of importance is the highly talked about JS-SEZ where the bilateral agreement is set to enhance cross-border collaboration and trade & investment. Singapore and Johor will be getting off the blocks first under this arrangement before expanding its influence around the region.

Plans under the JS-SEZ are also afoot to birth some firsts for the two neighbours. Among them are the passport-free travel

**Factors to Watch in 2025**

- Rapid Transit System (RTS) Link, connecting Singapore to Johor Bahru.
- Special Financial Zone (SFZ) status designated for Forest City and Medini City in Iskandar Puteri.
- Attention from data center players.
- The Johor-Singapore Special Economic Zone (JS-SEZ).
- Kuala Lumpur-Singapore High Speed Rail (KL-SG HSR).
- Geopolitical risks and global economic uncertainties, causing currency and regional trade fluctuations.
- Cross-border business dynamics especially from Singapore.
- Gemas–Johor Bahru Electrified Double Track Project (Gemas-JB EDTP) is expected to be fully completed by April 2025.
- Johor Bahru has experienced a notable increase in high-rise developments (serviced apartments/apartments), encompassing newly completed, ongoing and planned developments.
- Johor Bahru - city centre, areas within new development projects and sea fronting areas.
- Iskandar Puteri region and Kulai areas.
- Hotel Sheraton Johor Bahru, scheduled to open in 2025.

**Bright Spots in 2025**

- Proximity to Singapore boosting trade and investment opportunities.
- Economic integration between Malaysia and Singapore drives growth in real estate, industrial and commercial sectors.
- JS-SEZ in Iskandar Malaysia and Pengerang area and the SFZ in Forest City.
- Johor's affordability attracts regional and global investors.
- Johor Bahru city centre and the RTS Link's surrounding areas.
- Projects like the RTS Link, highways and port upgrades will enhance connectivity.

**Outlook in 2025**

- Johor's property market is expected to perform better in 2025.
- Johor's residential property market is set for steady growth in 2025.
- The commercial property market in Johor is anticipated to see moderate growth in 2025.
- Johor's retail property market is expected to thrive in 2025.
- The hospitality market in Johor is looking to remain stable in 2025.
- Johor's serviced apartments sub-sector is anticipated to sustain growth in 2025.
- Johor's industrial property market is expected to remain positive and grow in 2025.

economic activities across all existing industry sectors such as healthcare, education and the latest craze in town - data centres.

An interesting development is also unfolding in Kluang where the District Administrative offices located along Jalan Pejabat Kerajaan are slowly moving to Bander Primer, along the main road of Jalan Batu Pahat, 4.3km west of Kluang town.

To date, this includes the Wisma Persekutuan Kluang, Lembaga Hasil Dalam Negeri (LHDN) Kluang, Institut Tadbiran Awam Negara (INTAN) and the Majlis Perbandaran Kluang (an 11-storey office building under construction scheduled to be completed soon and occupied early 2025). The Kluang District and Land offices are expected to start their construction in 2025.

To the uninitiated, Kluang town is the district capital of Kluang District located 112.3km north of the state capital of Johor Bahru and between Mersing town (87.8km to the east) and Batu Pahat (53.4km to the west). It has a population of 328,000 based on 2023 statistics.

Bandar Primer on the other hand sits on 104.4 hectares (258.0 acres) and accommodates an already operational Lotus's Supermarket, a near-completed Majlis Perbandaran Kluang office, the proposed Kluang District office, the Kluang Land office, a nine-storey Resort Hotel & Convention Centre, an indoor sports arena and 115 units of double storey shop offices, where 44 units were completed and the other 71 units were already launched in 2024.

With a plethora of opportunities emerging to excite Johor's economic appeal, investors excavating opportunities in the state may look at the following for 2025:

- **Data Centre** - The rising demand for data centres is expected to attract increased foreign investments into Johor, leveraging its strategic location and expanding the state's digital economy.
- **Manufacturing & Electronics** - the ongoing expansion in high-tech manufacturing, especially semiconductors, can leverage Johor's industrial strength and proximity to Singapore.
- **Logistics & Trade** - enhanced connectivity from the RTS Link and port upgrades will position Johor as a logistics hub.
- **Real Estate** - increased demand for properties in Johor Bahru and Iskandar Malaysia due to economic growth and strategic location.
- **Tourism & Hospitality** - growth in leisure and medical tourism will create opportunities in hospitality and retail. Johor Bahru is well-positioned to attract an increasing number of visitors owing to its proximity to Singapore.

Further to the above, Malaysia's Asean chairmanship in 2025 is forecasted to strengthen regional economic ties, attract foreign investments and increase demand for properties in Johor. This will drive growth in the residential, commercial and industrial property sectors, particularly in Johor Bahru and the Iskandar Malaysia region. The enhanced infrastructure and expanded tourism opportunities are also expected to further accelerate development.

Geopolitical tensions around the world in 2025 may nevertheless pose risks to Johor's property market, including reduced foreign investments and disruptions in supply chains. Behind these uncertainties may however lie opportunities worth considering, specifically when businesses seek alternative trade routes. This could well position Johor favourably as a choice logistics hub and as a safe-haven asset that could lead to encouraging demand for its residential and commercial properties.

With many factors going for the inseparable twin-city status between Singapore and Johor, and now motivated also by the strengthened economic ties with the Republic, the value accretive infrastructure projects (eg. RTS Link), the inclusive nature of the JS-SEZ and SFZ, as well as the increased demand for residential, commercial and industrial properties in well-connected areas like Johor Bahru, Johor's property market is likely to continue its upward movements in 2025.

## Residential Overview & Outlook

Like the performance of the state's overall property market, Johor's residential sub-sector continued its upward movement year-on-year by growing 4.9% and 13.3% in the volume and value of transactions respectively. The growth margins are however only a fraction of the pace last year at 46.7% in volume and 66.9% in value of transactions. Worth noting is that the RM14.8 billion recorded in 2024 is almost double the RM7.8 billion recorded in 2022.

Measuring performance on a quarterly basis in 2024 reveals that the market experienced a sudden surge in the third quarter with a 35.2% and 26.2% uptick in the volume and value of transactions respectively. In fact, 3Q 2024 registered the best (predicted) showing since 2022 with 12,616 units exchanging hands valued at RM5.8 billion.

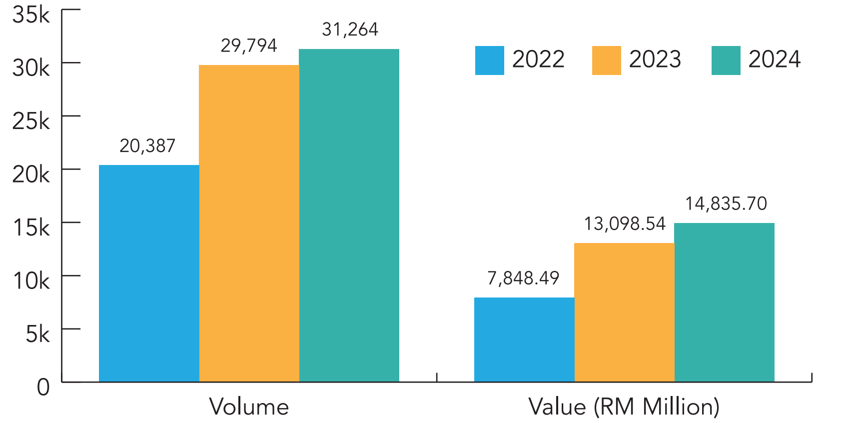
But as reported last year, the best quarterly performance remained from 1Q to 2Q 2023, registering a 39.6% improvement in the volume and 46.6% in the value of transactions.

A bulk of Johor's residential transactions continued in the broad price points of between RM100,001 to RM500,000, commanding 55.7% of the market share. This is followed by the above RM500,000 category with 36.1%.

Perhaps supported by the positive spillover effects from Singapore, residential properties priced above RM1 million registered the best growth year-on-year with 43.7%. This is followed by the RM500,001 to RM1 million with 18.2% and RM100,001 to RM200,000 with 11.4%. All other price points had interestingly dropped from the previous period with the largest drop coming from the RM300,001 to RM400,000 category with an 8.6% slide.

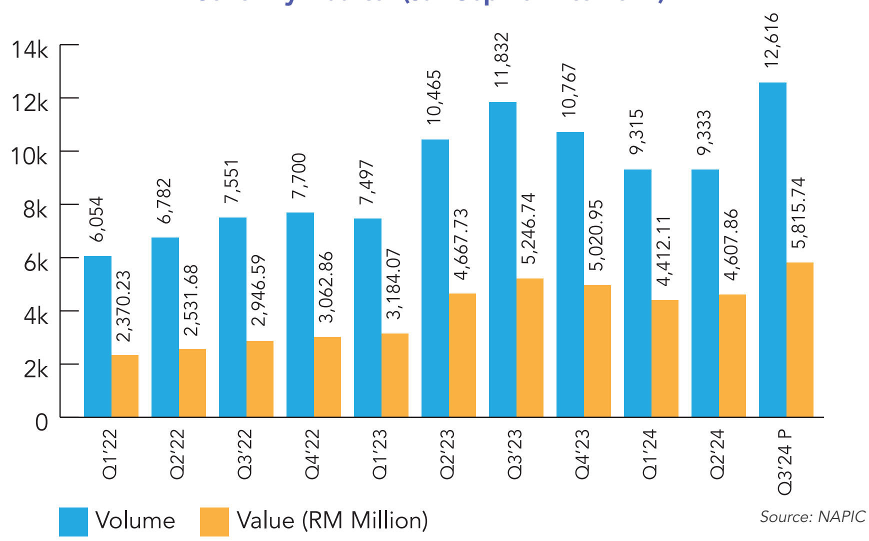
Consistent with the previous years, sentiments on the ground in 2024 continued favouring landed single and double storey terrace houses. Interest pointed to homes below RM700,000 across both the primary and secondary markets with the affordable (RM200,000 to RM400,000) and mid-range (RM400,000 to RM500,000) as the most talked about in Johor. One of the possible reasons supporting this trend could be

**Volume & Value of Residential Property Transactions in Johor (Jan-Sep 2022 to 2024)**



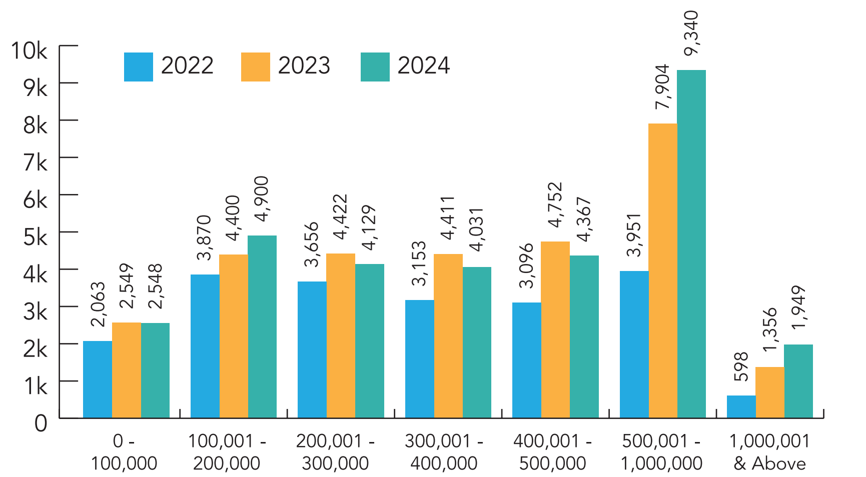

Source: NAPIC

**Volume & Value of Residential Property Transactions in Johor By Quarter (Jan-Sep 2022 to 2024)**




Source: NAPIC

**Volume of Residential Transactions By Price Range in Johor (Jan-Sep 2022 to 2024)**




Source: NAPIC

the government's incentives for first-time homebuyers and young families.

The active market is anticipated to witness more new launches making their way to the market in 2025, fueled by interests pouring in from Singapore and also the increased demand for affordable and mid-range housing, infrastructure projects (eg. RTS Link) and continued economic growth in the state.

Housing incentives extended by the government amid the rising demand from local and foreign buyers, especially those from Singapore, are also expected to encourage new developments in Johor.

Over in Kluang, 539 units of residences were launched to the market in 2024 comprising:

- 14 units units of 2-storey detached houses at RM780,000 each;
- 62 units of 2-storey semi-detached houses at RM650,000 each;
- 108 units of 2-storey cluster houses at RM620,000 each;
- 172 units of 2-storey terraced houses at RM586,000 each; and
- 183 units of 1-storey terraced houses at RM442,000 each.

It is observed that the prices are 10% to 15% above the previous year's values.

In Segamat, the district capital of Segamat and located 113.7km north of Kluang town, has seen the launch of 392 houses in 2024 comprising:

- 40 units of 2-storey cluster homes at RM631,000 each;
- 14 units of 2-storey semi-detached homes at RM640,000 each;
- 18 units of 1-storey semi-detached homes at RM483,000 each;
- 125 units of 2-storey terraced homes at RM468,000 each; and
- 195 units of 1-storey terraced houses at RM370,000 each.

It is observed that the prices are 10% to 15% above previous year's values.

In Mersing, the district capital of Mersing, and located on the seaside eastern coast of Peninsular Malaysia about 87.8km east of Kluang town, has seen the launch of 319 houses in 2024 comprising:

- 2 units of 1-storey semi-detached houses at RM618,888 each;

**Volume & Value of Overhang Residential in Johor (Jan-Sep 2022 to 2024)**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Units Launched** | 26,557 | 19,368 | 15,240 |
| **Unsold Units** | 5,348 | 4,500 | 3,030 |
| **Value (RM, Million)** | 4,482.59 | 3,601.30 | 2,615.56 |

*Source: NAPIC*

- 284 units of 1-storey terraced houses at RM300,000 to RM368,888 each;
- 102 units of RMMJ (A) houses at RM150,000 each; and
- 25 units of RMMJ (B) houses at RM100,000 each.

It is observed that prices are 10% to 15% above previous year's values.

Although Johor's property market seems to have moved full steam ahead, it could nevertheless still benefit from schemes and programmes that can lower acquisition costs for first time home buyers. Such goodies may come in the form of tax exemptions, subsidies, affordable housing and financial assistance. When implemented, they are anticipated to further stimulate demand, improve property accessibility to a wider audience and see to a year that contributes to sustained growth and stability in 2025.

NAPIC's data showed that overhang in the residential market in the period under review dropped by 32.7% year-on-year, an improvement from the previous year's 15.9% decline. The value of overhang also trended down by 27.4% from the 19.7% recorded in the previous period.

Amidst the excess unsold inventory reduction, units launched into the market have also tapered down by 21.3% compared to the corresponding period in 2023.

Johor's market as such can be said to face moderate overhang in 2024. This was likely to be more pronounced in the high-end residential segment in Johor Bahru and the Iskandar Malaysia region with mid-range properties also carrying some unsold stock. Affordable housing on the other hand saw better absorption rates due to the strong demand.

Moving into 2025, Johor Bahru's overhang is expected to reduce riding on the stamp duty exemption for homebuyers acquiring properties valued between RM500,001 to RM1 million as announced in Budget 2024 and also developers' intentional focus to deliver affordable and mid-range properties to meet the insatiable demand.

With the stamp duty exemption timeline extended to the end of 2025, this targeted assistance has already shown signs of benefiting both the first time home buyers and property developers. Johor Bahru's high-rises have in fact seen a decline in its unsold inventory with the RTS Link singled out as a possible leading factor behind this take-up rate.

In light of the above, Johor's once alarming overhang status is expected to improve over time and stabilise in 2025 should the market be aided with the right supply adjustments.

With 2024 looking to conclude positively for Johor Bahru and the state of Johor as a whole, it is undeniable that an increasing number of Singaporeans have started exploring property options in the state due to the significantly lower costs and lifestyle benefits that are affordably within reach. Quite unlike the past property upcycles, even high-net-worth individuals from Singapore are now seen shopping for options in Johor's property market.

In terms of attracting the foreigners, Johor Bahru's vibrant infrastructure projects and the burgeoning lifestyle options have been cited as the main reasons for them to visit. Another is the 30-day visa-free privilege to China tourists which has been extended to 31 December 2026.

The reformatted 3-tier Malaysia My Second Home (MM2H) programme on the other hand also has its own following and has shown to increase foreigners living and buying properties in Johor in 2024. High-net-worth individuals opting for the Platinum and Gold tiers are also drawn to Johor due to its affordable property market compared to Singapore, not forgetting the already enhanced infrastructure and lifestyle amenities.

Market performance of places mentioned in last year's report as foreigners' favourites such as Taman Molek, Ponderosa, Leisure Farm, East Ledang, Ledang Heights, Sunway Iskandar, Medini and Forest City have been encouraging in 2024. Johor Bahru's central business district and the general Iskandar Malaysia region also received strong demand attributed to the RTS Link and the JS-SEZ. This trend is expected to continue in 2025 with possibilities of doing better than 2024.

Other localities such as Johor Bahru as a whole, Iskandar Puteri, Kulai, Senai and Desaru have also had a good year and performed well in 2024.

The following is a brief summary that characterises each region according to its location:

- Johor Bahru remained popular due to its proximity to Singapore, supported by the ongoing infrastructure improvements.
- Iskandar Puteri attracted high-net-worth individuals owing to its luxury and smart city developments.
- Medini has grown into a business and tourism hub.
- Kulai & Senai sealed its reputation as an industrial powerhouse.
- Desaru leveraged its natural tendencies for leisure tourism and attracting an increasing number of foreign visitors in 2024.

In addition to the locations mentioned above, Gerbang Nusajaya and Kota Iskandar are emerging as attractive destinations for foreigners seeking casual visits or even mid- to long-term stays. These localities share the same factors that bolster Johor's appeal, aligning closely with the vision outlined in the Iskandar Malaysia blueprint introduced in 2006. Nearly two decades later, the economic pillars identified in that blueprint remain central and have evidently driven growth in recent years. The same factors are expected to continue shaping the region's progress in the years ahead with 2025 looking to be a better year for the mentioned locations.

Barring unforeseen challenges, 2025 is poised to see sustained demand for affordable and mid-range properties in Johor. Interest is expected to grow among Singaporeans and participants of the MM2H programme. Integrated developments that blend residential, commercial and leisure spaces are anticipated to redefine the market and gain traction. Meanwhile, the RTS Link will also enhance cross-border connectivity, solidifying Johor's position as an attractive destination for local, Singaporean and international buyers.

With urbanisation, streamlined border clearance processes and the completion of key infrastructure projects right on track, Johor's residential property market is set for steady growth in 2025.

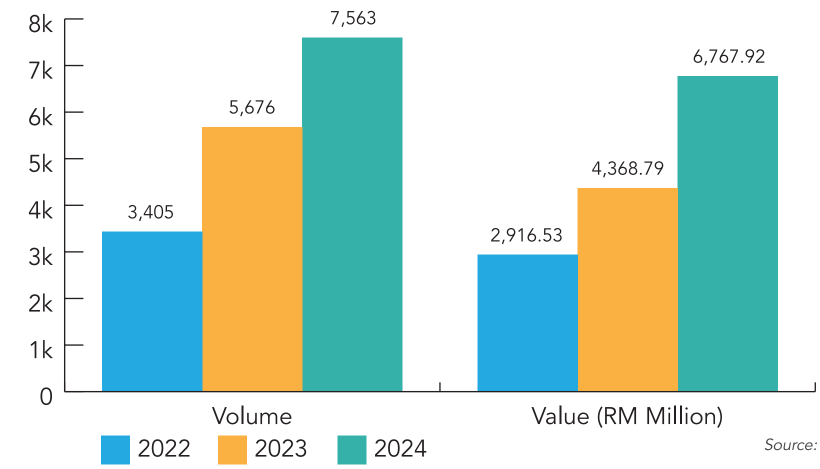
## Commercial Overview & Outlook

Johor's commercial property market continued its upwards march in the period under observation with volume of transactions registering 33.3% and value of transactions recording 54.9%. The commendable performance in 2024 exhibited an overall stability, supported by steady demand across various segments in the commercial sub-sector.

Key drivers of Johor's commercial property market in 2024 again include the usual suspects like the proximity to Singapore, Iskandar Malaysia's urban growth, rising tourism and an overall economic recovery. Headlining infrastructure developments like the RTS Link further supported demand, particularly in the prime retail and office spaces, despite challenges such as structural oversupply in the older areas.

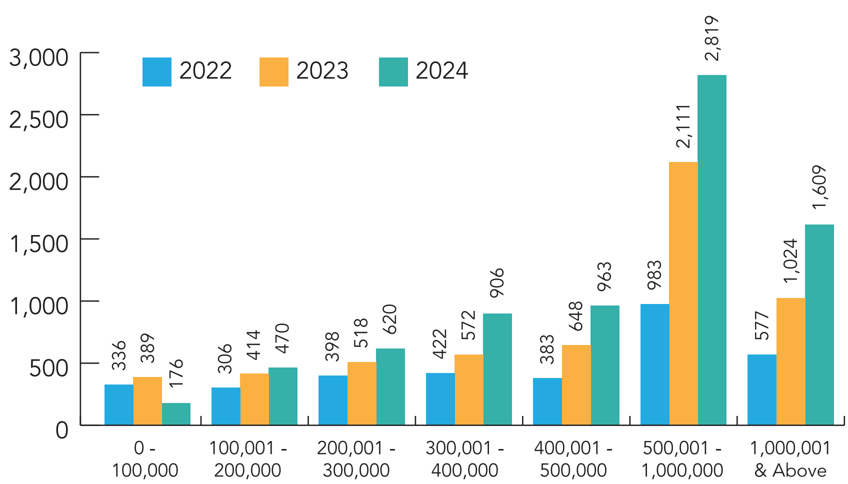
One of the major transactions in 2024 came from the sale of a 38.527 acres land valued at RM240 million in Gelang Patah by Tropicana Firstwide Sdn Bhd (TFSB), a wholly-owned subsidiary of Tropicana Corp Bhd, to Computility Technology

**Volume & Value of Commercial Transactions in Johor (Jan-Sep 2022 to 2024)**




Source: NAPIC

**Volume of Commercial Transactions By Price Range in Johor (Jan-Sep 2022 to 2024)**




Source: NAPIC

(Malaysia) Sdn Bhd, a subsidiary of Beijing-based ZData Technologies Co Ltd. The land will be used to develop a regional data centre hub.

Like the last two years, distribution of transactions continued to be almost evenly split between the RM100,001 to RM500,000 and RM500,001 to RM1 million categories with 39.1% and 37.3% of the market share respectively.

By performance, there was growth in every price bracket except for the below RM100,000 segment which declined rather significantly by 54.8% year-on-year. The higher tiered pricing of the RM100,001 to RM200,000 (13.5%) and the RM200,001 to RM300,000 (19.7%) brackets also did not improve quite as much when compared to properties above RM300,000. In fact, the RM300,001 to RM400,000 grew the most year-on-year at 58.4% followed not far behind by the above RM1 million segment at 57.1%. The other two price brackets in between trended above 30% growth.

The higher transactional numbers in the pricier tiers are indicative of the kind of financial capacity Johor's property buyers are ready with when it comes to acquiring commercial properties.

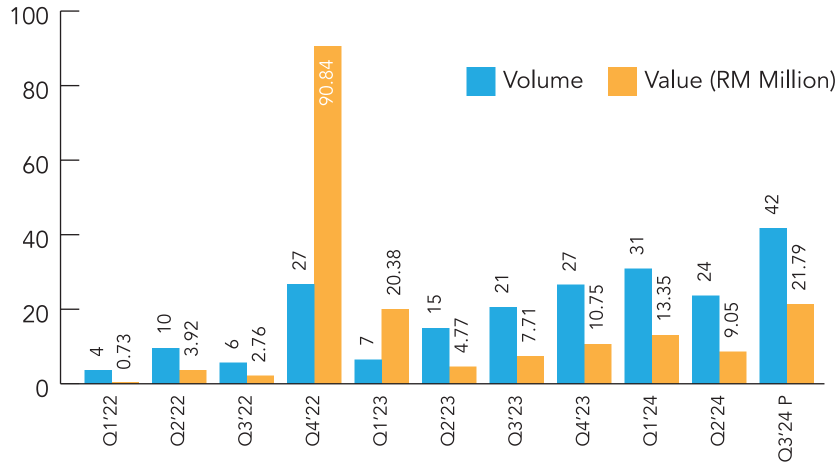
Broadly, market observation on the ground suggests that sentiments continued favouring the double and triple storey shophouses between RM600,000 and RM2 million. Such properties have been acquired for both investment and own occupation purposes.

Over in Kluang, there were 44 units of 2-storey shop offices launched at RM758,000 each. Price is observed as 10% to 15% above previous year's values.

In terms of commercial offices, where the statistics comprises a mix of office lots, soho/sofo/sovos and purpose-built offices (PBOs), volume of transactions grew at 125.6% and value of transactions improved by 34.5% in the first nine months of 2024 compared to the same period last year. Although volume of transactions showed stability year-on-year by surpassing last year's growth of 115%, value of transactions pales in comparison to last year's 343.5%.

Nevertheless, 2024's performance in the period under review is supported by the exceptionally high quarter-on-quarter performance from 2Q to 3Q 2024, registering 75.0% and 140.8% jump in the volume and value of transactions respectively.

**Volume & Value of Commercial Office Transactions in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

Over in the PBO sub-sector, market performance shows a trend of stability in 2024 although there were minimal transactions taking place. The rise of flexible office spaces for hybrid work models has however gained momentum and while economic recovery supports moderate leasing activity, oversupply in the older or less strategically located buildings remains a challenge, contributing to higher vacancy rates in those segments.

On that backdrop, rental rates for office spaces remained stable for most buildings with the exception of investment-grade buildings, which command higher rental rates due to their inherent competitive advantages made up by its built quality matching modern day requirements.

Based on market observation in 2024, Johor's PBOs sub-sector encountered moderate challenges with overall occupancy rate hovering around 50.6%, slightly lower than those seen in 2023. Grade A Offices on the other hand improved with occupancy rising to 31.7%.

Rental rates for newer offices range from RM4 to RM5 per sq ft while the older buildings as mentioned above continued facing slower demand. Key locations such as Medini City and Forest City, bolstered by infrastructure projects like the JS-SEZ and the RTS Link are expected to see stronger demand in the future, attracting more businesses to relocate to the commercial hubs.

Leveraging on prospects laid out by the slew of national programmes such as the NETR, NIMP 2030 and the National Climate Change Policy (NCCP) 2.0, Johor's commercial property market is expected to get on a better footing in 2025 with the commercial shops sub-sector slowly picking up pace.

Johor's PBOs market on the other hand is poised to remain stable, driven by a few key trends and benefits from national initiatives like the JS-SEZ and the National Semiconductor Strategy. Demand for flexible and sustainable office spaces has in fact been increasing to adapt to the modern working environments with increasing interests for prime locations near infrastructure projects. These developments are anticipated to drive Johor's economic growth and attract foreign investments, thereby attracting international businesses and high-tech industries, especially in key areas like Johor Bahru and Iskandar Puteri, further boosting demand for modern office spaces.

Overall, Johor's commercial property market is expected to see moderate growth albeit at a softer pace in 2025, riding on the positive sentiments led by economic recovery, rising tourism and continued urbanisation in Iskandar Malaysia. Proximity to Singapore and infrastructure projects like the RTS Link will continue to enhance demand in strategic areas.

## Retail Overview & Outlook

Johor's retail market has achieved sustained growth in the first nine months of 2024 compared to the same period in 2023. Volume of transactions rose 10.7% whilst value of transactions went up by 28.8%. Although the value of transactions exceeded RM3 billion for the first time, the annual growth rate could not match last year's pace of 30.2% and 40.2% in volume and value of transactions respectively.

Like the commercial office sub-sector, performance of Johor's retail market in 2024 is also supported by the resurgence of activities in 3Q 2024 with 18.7% and 26.5% increases in the volume and value of transactions respectively.

Statistics for the retail sub-sector in this report comprises the pre-war shops, multi-storey shops of 1 to 6.5 storeys high, shop units/retail lots and shopping complexes.

Based on activities on the ground and reflected by NAPIC's data, Johor's retail market showed signs of recovery in the period under review with Johor Bahru's larger malls experiencing thriving business owing to the comprehensive experiential factor to attract a broader range of visitors. Smaller malls on the other hand were more focused on meeting the adjacent community's needs and convenience.

Footfall on the whole was spurred by growing tourism and the state's economic strength with retailers across the board adapting digital innovations and sustainability efforts to improve their appeal. Like the commercial offices, malls that are older and smaller struggled with lower footfalls and difficulties in attracting quality tenants.

While no new malls were completed in 2024, Larkin Junction opened its doors for business as a new neighbourhood retail centre designed to meet the needs of local consumers in Johor Bahru.

Just like last year, more grocery and sundry-oriented retail outlets or malls are expected to continue making their way to Johor Bahru's retail market including setting up shops within shopping malls. This includes brands like Maslee Express, Hwa Tai Supermart, Target Supermarket, Speed Mart 99, Jaya Grocer etc.

Amidst the rising occupancy rates demonstrating a gradual recovery and sustained demand in Johor's retail sub-sector in 2024, the reversion of Johor's weekends to Saturday and Sunday effectively from January 2025 is also anticipated to further enhance the state's appeal to tourists and accelerate retail activity.

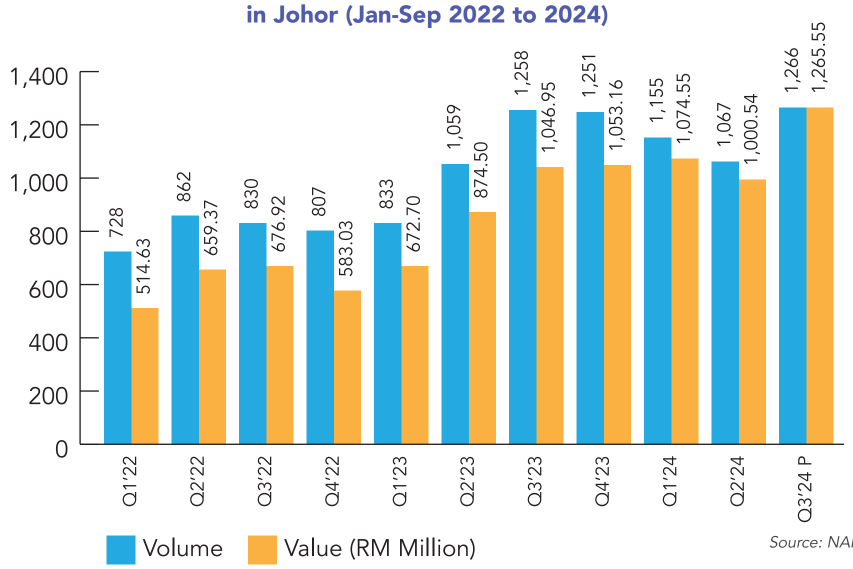
Moving forward, Johor's retail property market is expected to thrive in 2025, supported by economic growth, improved connectivity and an increasing presence of international brands. The retail property market will also continue to grow despite challenges from e-commerce and the overall inflationary pressures for individuals, households and businesses.

## Hospitality Overview & Outlook

There were two transactions that took place in Johor's hospitality property sub-sector in the first nine months of 2024, occurring each in 1Q and 3Q 2024. The first was valued at RM2.9 million while the second concluded at RM19.8 million in Kota Tinggi in 1H 2024.

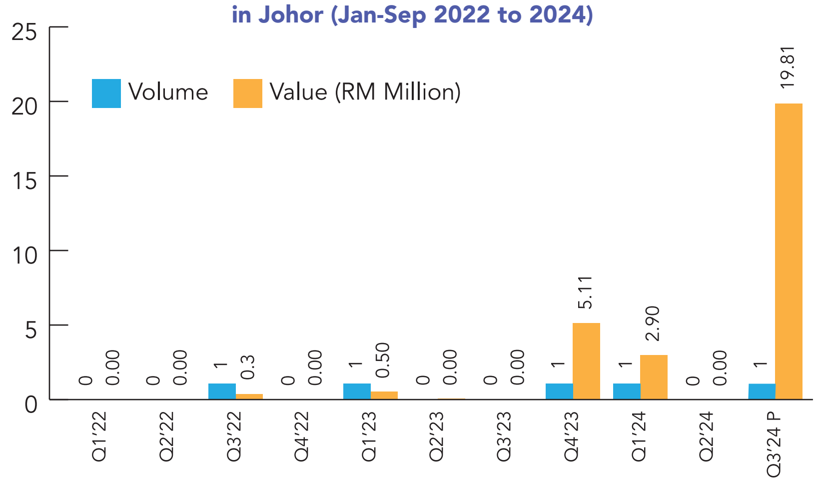
The performance by these two properties round up the period as a 100% uptick in the volume of transactions compared to last year but in value, the gap is RM22.2 million or a colossal difference exceeding 4,000%.

**Volume & Value of Retail Property Transactions in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume & Value of Hospitality (Hotel & Leisure) Property Transactions in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

The enormous percentage difference is negligible given the quantum but Johor's hospitality market did however show a stable performance in 2024, maintaining a steady occupancy rate across the period under review.

Market activities showed that Johor's hospitality sector experienced robust recovery in 2024, fueled by a surge in international and regional tourism, supported by the government's National Tourism Policy (NTP) which significantly encouraged tourism expansion and contributed to the positive momentum in the state's hospitality industry. The heavy traffic flow across the borders between Johor Bahru and Singapore is a testament of this growth.

Business in the hospitality industry has also been brisk ever since the announcement of JS-SEZ and the SFZ of Forest City. The thriving pace by inbound tourists and local Malaysians from Singapore as well as from the domestic region in Malaysia has given Johor Bahru's hospitality market reasons to cheer.

Johor's hospitality market is set to continue on this positive growth in 2025, driven by improved connectivity, the influence of the NTP and Johor's proximity to Singapore. Government initiatives including visa-friendly policies and sustainable tourism practices will also further boost the sub-sector.

## Serviced Apartments Overview & Outlook

Johor's serviced apartments sub-sector grew by 77.0% and 97.1% in the volume and value of transactions in the first nine months of 2024 against the same period last year. The robust growth is supported by the spillover interest from 4Q 2023 that spiked transactions in 1Q 2024 to 1,429 units exchanging hands valued at RM970.6 million, the highest in the period under review.

The upward trajectory had in fact begun as early as 2Q 2022 which coincided with the lifting of all Covid-19 travel restrictions in May the same year. The persisting growth however took a dip in 2Q 2024 before bouncing back by 5.6% in volume of transactions and 2.4% in value of transactions in 3Q 2024.

Whilst the positive increments signalled a terrific performance by Johor's serviced apartments sub-sector, it is nevertheless below the giant leaps recorded in the preceding corresponding period of 2022 to 2023 with 265.0% and 349.7% in the volume and value of transactions respectively.

In terms of overhang, there was a 6.6% reduction of unsold serviced apartments in the period under observation with value of transactions contracting by 7.8% and new units reducing by 2.9%. Despite the improvement, performance was better in the corresponding period in the previous year, recording a 14.4% and 13.8% decline in the volume and value of overhang serviced apartments respectively and a reduction of 5.6% in the new units released to the market.

With a flurry of activities supporting the economic engines of Johor including the returning interests of Singaporeans, demand for serviced apartments may continue to exist in the market especially in strategic localities equipped with convenient transportation access and modern amenities. As such, Johor's serviced apartments sub-sector is expected to sustain growth in 2025 with potential to escalate beyond 2024's performance.

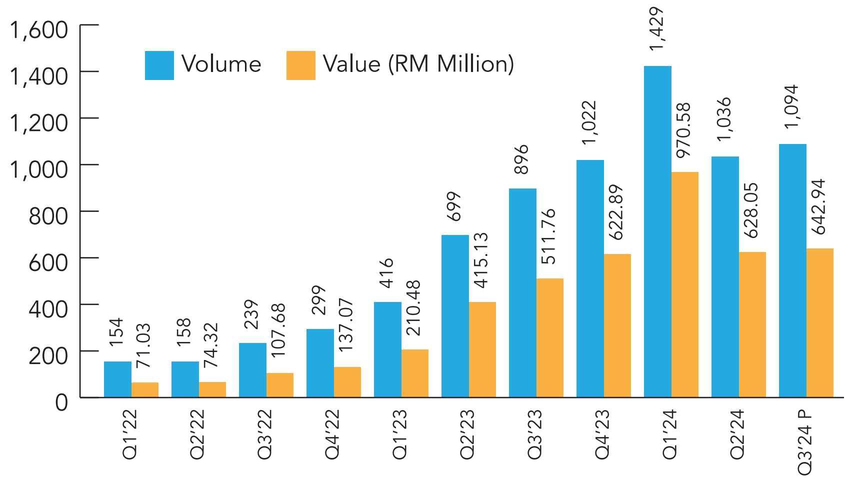
## Industrial Overview & Outlook

The first nine months of 2024 saw Johor's industrial property market maintained growth from the corresponding period last year with a 3.5% increment in the volume of transactions and a much higher 46.4% uptick in the value of transactions.

Taking a closer look at NAPIC's data revealed that the high transactional value is attributed to some vacant plot transactions in 1H 2024 that recorded RM1.1 billion in total.

Like the commercial office and retail property sub-sectors, Johor's industrial

**Volume & Value of Serviced Apartment Transactions in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume & Value of Overhang Serviced Apartments in Johor (Jan-Sep 2022 to 2024)**

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Units Launched** | 61,007 | 57,615 | 55,948 |
| **Unsold Units** | 14,780 | 12,646 | 11,810 |
| **Value (RM, Million)** | 12,784.36 | 11,017.70 | 10,159.21 |

*Source: NAPIC*

market rebounded in 3Q 2024 after dipping in the preceding quarter.

A big part of Johor's industrial property transactions continued to concentrate in the RM500,001 to RM1 million category with 37.3% of the market share.

Properties valued between RM300,001 to RM400,000 registered the highest growth with an improvement of 58.4% followed by the above RM1 million category with 57.1% growth. Properties below RM100,000 was the only segment that recorded a decline, sliding by 54.8% in the period under observation.

By and large, Johor Bahru's industrial market has been thriving with positive growth since 2022 and this has led industrial stakeholders to favour all kinds of industrial-grade properties to keep up with the robust economy.

Consistent with NAPIC's data, 2024 saw industrial plots and semi-detached factories priced above RM1 million to be popular among buyers in Johor, particularly SMEs in the logistics, warehousing and manufacturing industries. Demand was driven by affordability and Johor's strategic location being next to Singapore, not forgetting the ongoing infrastructure improvements.

The robust market in 2024 has led to multiple land acquisitions by multinational corporations that further bolstered Johor's industrial market especially in the much-talked about data centre industry, among them are:

- Axis REIT Managers Bhd announced that RHB Trustees Bhd had entered into a sale and purchase agreement on 24 April 2024 with a data centre operator for the proposed disposal of Axis Steel Centre@SiLC for a total of RM162 million.
- Panoramic Industrial Development Sdn Bhd, a wholly-owned subsidiary of Crescendo Corporation Bhd, sold a 20.463 acres plot of vacant industrial land in Mukim Pulai, Johor Bahru, to Digital Halo Pte Ltd (data centre company) for RM115.88 million.
- Panoramic Industrial Development Sdn Bhd sold a 25.34 acres plot of vacant industrial land in Mukim Pulai, Johor Bahru, to Microsoft Payments (Malaysia) Sdn Bhd for RM132.47 million.

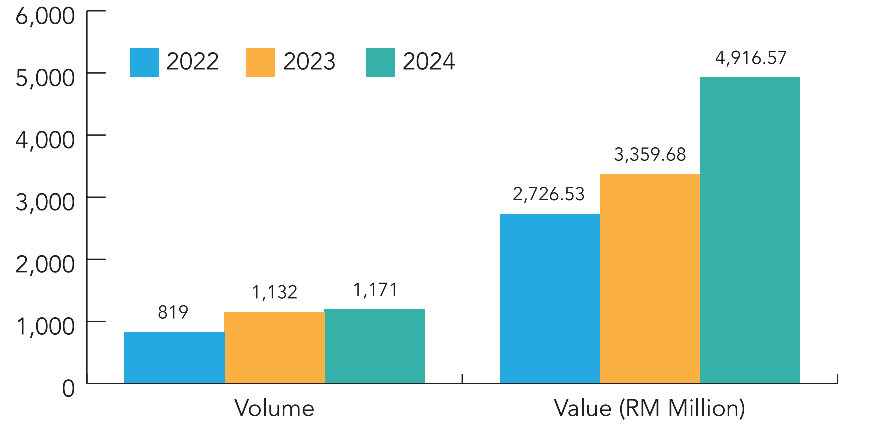
Further to the above, Johor is expected to attract RM17 billion (US$4.9 billion) in new data center investments over the full year of 2024, building on the RM51.1 billion in data center investments in 2022. Johor's ample land, including those zoned for industrial use and stable power supply sit lopsidedly favourable when measured against Singapore's rising energy costs, land constraints and the strict demands on sustainability for new data centre establishments.

The availability of Johor's land at a more competitive pricing therefore adds to a data centre player's regional expansion potential. Cost savings made on land can be reinvested into capital expenditure for constructing hyperscale data center facilities. When this is combined with Johor's supportive regulatory framework, it strengthens Johor's appeal as a premier destination for data center ventures and thereby, an ideal hub for advanced digital infrastructure.

In 2025, Johor's industrial property market will benefit from initiatives like the NETR, NIMP 2030, JS-SEZ and the various infrastructure developments like the RTS Link. These plans will enhance connectivity, attract foreign investments and drive demand for the creation of a data centre hub and properties designed for logistics and manufacturing. Sectors like logistics, manufacturing, e-commerce and digitalisation will also continue to drive demand, with a focus on modern, tech-driven and sustainable industrial spaces that includes fostering the growth of smart factories in the region.

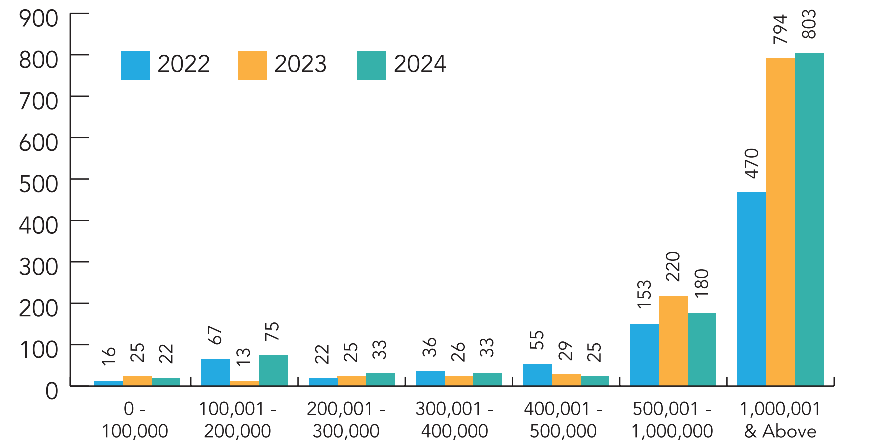
Moving forward, Johor's industrial property market is expected to remain positive and grow in 2025, leveraging on the sweet spot it now enjoys from the many different contributing factors from its strategic location to purposeful programmes, plans and initiatives.

**Volume & Value of Industrial Transactions in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume & Value of Industrial Transactions By Price Range in Johor (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

# PAHANG

Based on NAPIC's data, Pahang's property market performed better in the first nine months of 2024 compared to the same period in 2023 by recording 9.3% and 15.3% higher in volume and value of transactions respectively.

The positive showing however did not surpass the volume of transactions of 2022 although by value it exceeded by 1.9%. This shows that Pahang's soft market in 2023 did not persist into 2024 although there may appear to be lingering signs in selected areas of the market since no major catalytic projects were announced for Pahang in the period under observation.

All eyes are nevertheless on the soon-to-be completed East Coast Rail Link (ECRL). This shall supersede attention from most of the federal government-led projects like the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), National Climate Change Policy (NCCP) 2.0 etc.

Taking cognizance of Pahang's economic strengths as suggested last year, investors may continue to focus on the agricultural sector especially in durian farming as the state is renowned as one of the most fertile grounds for the "king of fruit" in Malaysia.

Another sector to look at is tourism, supported firstly by the strong domestic tourism and also by the 63 countries afforded visa-free status into Malaysia with some privileged to stay up to 90 days.

Malaysia's tourism sector on the whole is poised for increased tourist arrivals given that airlines are already planning for expanding the number of inbound flights from 2025 onwards.

In line with the increased flights, Malaysia's Asean chairmanship in 2025 is also likely to lend some weight into Pahang and together with the domestic tourism strength, boost the state's tourism sector as a whole.

Further away, geopolitical risks are not anticipated to pose significant risks to Pahang's economy and hence, the property sector.

Looking ahead into 2025, Pahang's property market is anticipated to be stable for the full calendar year, supported by the momentum developed from modest resurgence witnessed in 2024.

## Residential Overview & Outlook

Pahang's residential sub-sector grew in the first nine months of 2024 against the same period in 2023 with the volume of transactions going up by 10.0% whilst value of transactions increased by 17.0%. These are however below those recorded in 2022.

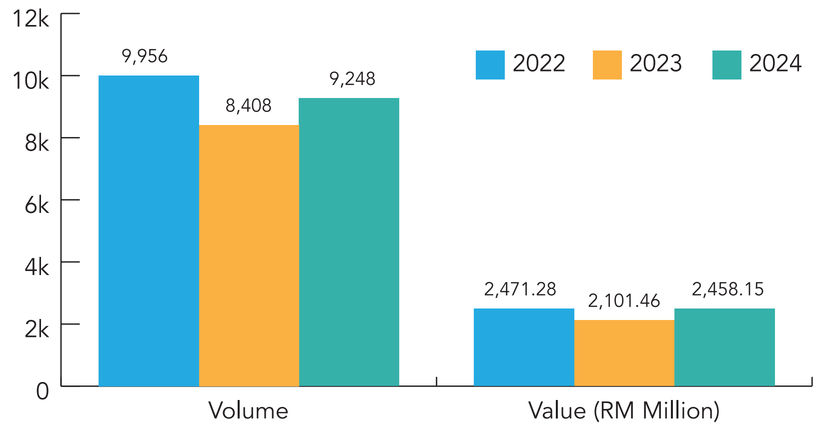
Based on NAPIC's data, properties below the RM300,000 price threshold took up 68.8% of the market share. Interestingly, although concentration was in the affordable range, there was a steep

**Factors to Watch in 2025**
- The continuing development of the KotaSAS township in Kuantan.
- High-rise properties in tourism areas.
- Manufacturing and logistics.

**Bright Spots in 2025**
- KotaSAS in Bandar Baru Kuantan.
- Genting View Resort in Bentong.
- East Coast Rail Link (ECRL).
- The proposed airport in Sg. Ular.

**Outlook in 2025**
- Pahang's overall property market including the commercial, retail, hospitality and industrial sub-sectors are anticipated to be stable in 2025.
- Pahang's residential sub-sector is expected to be stable with increases in selected range in 2025.

**Volume & Value of Residential Property Transactions in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

increase of transactions in the RM500,001 to RM1 million category, registering 81.2% growth or jumping from 419 to 759 units. This is followed by the RM300,001 to RM400,000 category with a 20.1% growth.

At the two extremes of the scales, NAPIC's data showed a declining trend of 2.1% and 20.9% in the below RM100,000 and above RM1 million categories respectively. These may however not be alarming as the overall statistics continued to show improvement from the year before. The drop in the number of transactions may as such only indicate a market mismatch between buyers affordability or preference against property prices.

The healthy trend aside, the market could still do with incentives to spur buying activities. This can come in the form of stamp duty exemptions, government subsidies and maybe also more innovative schemes to motivate buyers.

Riding on the positive trajectory in 2024, Pahang's residential sub-sector is expected to be stable with increases in the affordable range and also in the terraced house segment in 2025.

## Commercial Overview & Outlook

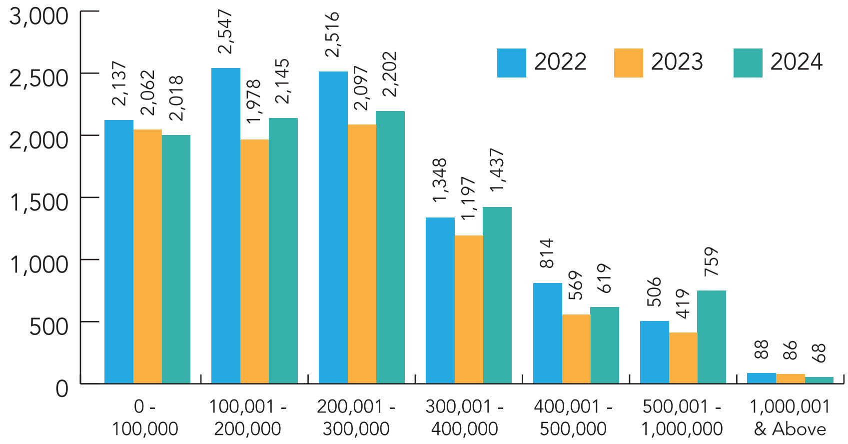
Although Pahang's commercial property sub-sector exhibited signs of a soft market with some stability in 2023, NAPIC's data in 2024 painted a slightly different story.

Volume of transactions enjoyed modest growth by rising 1.8% but value of transactions leapt significantly by 34.2%. The year-on-year variance represents 16 units valued at RM210.0 million.

Upon closer study of NAPIC's report, the surge in value of transactions is attributed to some vacant plots exchanging hands at more than RM1 million apiece in Kuantan in 1H 2024. This added RM207.4 million to the total transactional value.

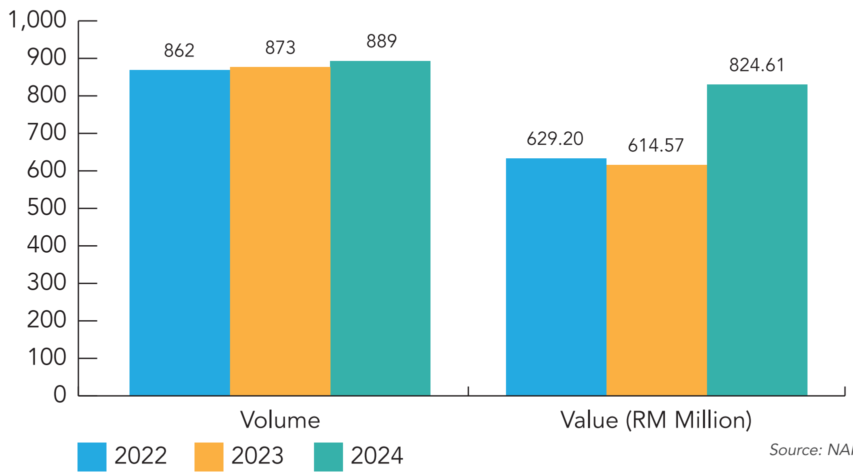
By price point, the market is evenly split at the RM500,000 mark with 49.2% and 50.8% of the transactions happening below and above the threshold respectively. The RM500,001 to RM1 million category had incidentally the largest concentration of transactions, taking up 35.8% of the market share.

**Volume of Residential Property Transactions by Price Range in Pahang (Jan-Sep 2022-2024)**



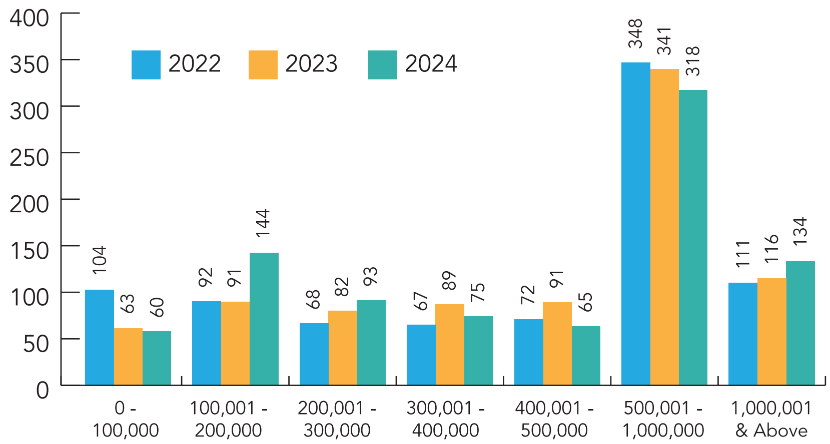

*Source: NAPIC*

**Volume & Value of Commercial Property Transactions in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Commercial Property Transactions by Price Range in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

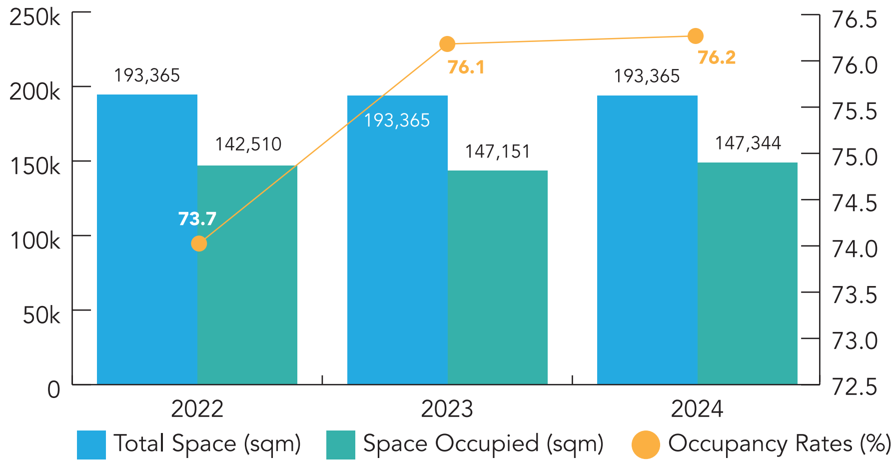
Year-on-year performance saw the RM100,001 to RM200,000 category rise the furthest at 58.2% to reach 144 units of transactions from 91 units previously.

On the downside, the RM400,001 to RM500,000 category registered the biggest drop at 28.6% followed by the RM300,001 to RM400,000 category which declined 15.7%. Collectively, this is indicative of buyer's price sensitivity and where affordability could still reign as the driving factor.

Over in the purpose-built offices sub-sector, Pahang's net lettable area remained the same from previous year at 193,365 sq metres. Occupancy experienced a slight uptick of 0.13% to reach 76.2%, occupying 147,344 sq metres.

Overall, Pahang's commercial property market is looking to be stable in 2025.

**Supply & Occupancy of Purpose-Built Office (Privately Owned) in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Over in the retail sub-sector, there was no change in the number of malls in the state with 44 retail-graded space contributing 459,105 sq metres.

Like the PBOs, occupancy for the retail market also increased by 1.3%. This added 460 sq metres to the total occupancy to reach 343,411 sq metres and concluded the occupancy rate at 74.8%.

With the continuous interest in budget-friendly stores, the market is looking to be stable in 2025.

**Retail Supply & Demand in Pahang**

| | No. of Malls | Total Nett Floor Area (sqm) | Total Space Occupied (sqm) | Average Occupancy Rate (%) |
|---|---|---|---|---|
| As at Q3 2024 | 44 | 459,105 | 343,411 | 74.8 |
| As at Q3 2023 | | | 342,951 | 74.7 |

*Source: NAPIC*

## Hospitality Overview & Outlook

Riding from last year's pole position in the country's Average Occupancy Rate (AOR) of 73.3% in the first nine months of 2023, Pahang continued its stellar performance with 75.3% over the same period in 2024. Kuala Lumpur remained in distant second albeit with a higher AOR of 61.2% compared to last year's 57.5%. National AOR stands at 54.4% in the period under observation in 2024.

Statistics by Tourism Malaysia also showed Pahang welcomed 10.2 million visitors over the same period in 2024, marking a 4.8% increase year-on-year from 2023's 9.7 million visitors. This is supported by the resurgence of domestic tourism and the state's diverse attractions such as Genting Highlands, Cameron Highlands, Taman Negara, Pulau Tioman, just to name a few. It is worth noting that Genting Highlands recorded the highest AOR of 95.0%, up from last year's 91.6%. Batu Feringghi of Penang came in second with 69.2% from last year's 59.1%.

In terms of hotel guests, Pahang checked-in 15.2% more domestic visitors to record 8.9 million guests from the same period last year. Although this places the state behind Johor (26.9%) and Kedah (24.6%) in terms of domestic hotel guests' percentage growth, Pahang's sheer dominance of 8.9 million guests positions it far ahead from its peers like Kuala Lumpur in second place with 6.7 million guests.

Despite the burgeoning numbers in 2024, Pahang did not add more new hotels to its existing 503 hotels, the same inventory it has from December 2023. The number of rooms nevertheless escalated by 2.6% or 883 rooms.

With the campaign to promote Visit Malaysia 2026 already well underway by the various tourism bodies including its chieftain the Ministry of Tourism, Industry and Culture, and supported further by the country's Visa Liberation Plan like the visa-free extension to 2026 for tourists from China and India, Pahang's hospitality sector is poised for a steady year in 2025.

## Industrial Overview & Outlook

Over in the industrial sub-sector, volume of transactions rose significantly by 79.1% in the period under review but value of transactions did not keep pace and instead contracted by 1.3%.

Like last year, NAPIC's data indicated that the surge in volume was mainly attributed to the vacant plots and no difference is 2024. A total of 49 additional units were added to the transactions in 1H 2024 in Kuantan with each valued above RM1 million.

Following that is another vacant plot exchanging hands in the rather quiet industrial environment of Rompin valued at RM6.6 million. This is consistent with the sentiments on the ground where industrial plots have been one of the most sought after. Semi-detached industrial units are also popular among industrial property buyers.

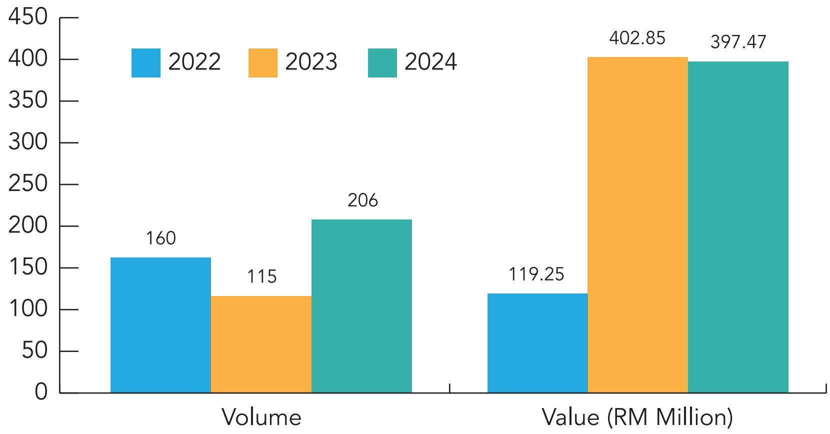
By price points, a big majority of the transactions in the period under review in 2024 concentrated in the above RM1 million category, commanding 41.8% of the market share. This is followed by the broad category of RM300,001 to RM1 million with 37.4% of total market transactions. Worth noting is that this broad category dominated last year's transactions by more than 50% of the market share.

Preference for units above RM1 million is evidently presented by NAPIC's official data as transactions rose year-on-year by a staggering 258.3% (or an additional of 62 units). This is followed by the RM100,001 to RM200,000 at 200% (additional 4 units) and the RM500,001 to RM1 million at 90% (additional 18 units).

Based on market observations, Pahang's industrial units have been taken up by the SMEs and logistics sectors.

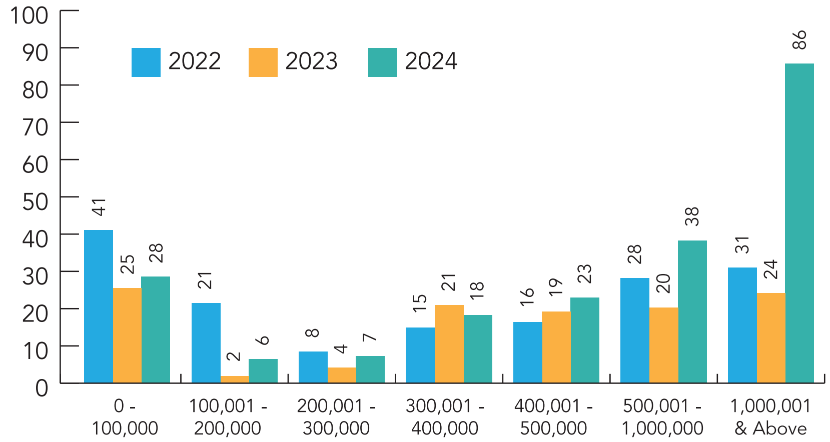
In light of the rather positive performance in 2024 especially by its volume of transactions, Pahang's industrial market is anticipated to be stable in 2025.

**Volume & Value of Industrial Property Transactions in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions by Price Range in Pahang (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

# TERENGGANU

Volume of transactions in Terengganu's property market declined 6.1% in the first nine months of 2024 compared to the same period in 2023 but value of transactions slid by a smaller margin of 0.9%. This is likely to be supported by the tourism and landed residential sub-sectors which showed signs of improvements in 2024.

The emerging renewable energy sector in Terengganu stood out like a shining star in 2024 where clean energy players like Solarvest Holdings Bhd had expressed interest in October in the same year to participate in Kenyir Floating Hybrid Solar Farm, touted as Terengganu's green hydrogen hub. This came on the back of Budget 2025's RM1 billion allocation for the Green Technology Financing Scheme (GTFS) until 2026, supplementing the already budgeted RM300 million funds under National Energy Transition Roadmap (NETR). The GTFS in particular is regarded as a potential catalyst for Terengganu's economy as it encourages the state to be part of the progressive sustainability economy.

While the green sector may appear to be still in its early days, investors keen on taking a position in Terengganu in 2025 may take a look at the tourism and hospitality sub-sectors. Although it may not be feasible to ascribe any tangible value as yet from Malaysia's chairmanship of Asean in 2025, the state's hospitality industry could still spring some surprises if tourism efforts are found to be aligned with some of the Asean-led programmes.

Moving forward, and based on the current developments in 2024 where no major catalysts have been announced for Terengganu under Budget 2025, the state's property market is anticipated to hold steady and remain unchanged in 2025. In tandem with the forecast, Terengganu's property developers are expected to adopt the wait-and-see attitude while investors take on a more cautious stance. Sales take-up rate of existing stocks on the other hand are expected to slow down in 2025.

**Factors to Watch in 2025**

- Anticipating a challenging year for the retail sub-sector as new supply will be coming on stream ie. Mayang Mall.
- Prices and rentals for commercial properties are expected to slightly decrease from 2024.

**Bright Spots in 2025**

- Prices of the landed residential properties in good locations will continue to improve.
- The hospitality market is expected to improve further in 2025 with the extension of the 30-day visa-free entry for tourists from China to 31 December 2026.
- Performance of the industrial sector is expected to improve further in conjunction with the final phase of construction of ECRL (East Coast Rail Link).

**Outlook in 2025**

- Terengganu's property market is anticipated to hold steady and remain unchanged in 2025.
- Prices of the landed residential sub-sector will continue to improve slightly in good locations.
- Prices and rentals of Terengganu's commercial property market are expected to decrease slightly in some locations.
- Terengganu's PBOs market is expected to consolidate in 2025 with some adjustments to its capital values and rental levels.
- Terengganu's retail market is expected to consolidate in 2025.
- Terengganu's hospitality and industrial sub-sectors are anticipated to further improve in 2025.

## Residential Overview & Outlook

Like the state's overall property market, Terengganu's residential sub-sector also experienced a decline by dropping 6.3% in the volume of transactions in the first nine months of 2024 compared to the same period in 2023. Value of transactions however held stronger and rose by 2.1% over the same period to surpass the transactional values recorded in both 2022 and 2023.

By price points, properties priced below RM100,000 continued to be the most popular with 6,611 units transacted although this is 13.4% lower than the same period in 2023. Properties in this segment are considered to be affordable in Terengganu, hence its popularity.

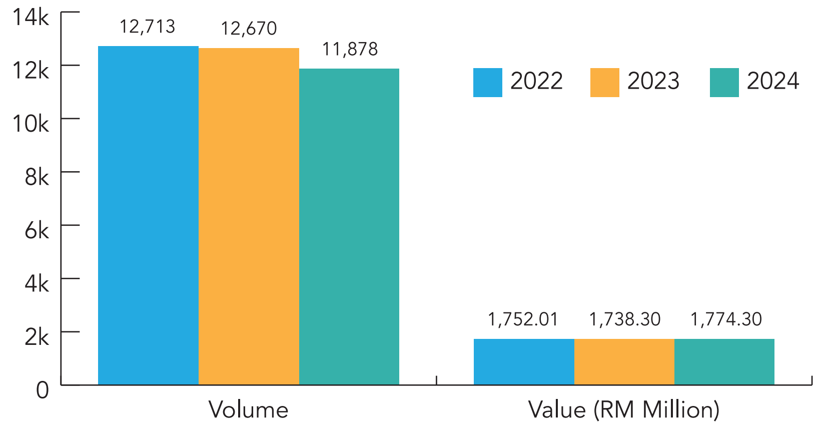
On the higher end of the scale, there was a sudden surge of transactions recorded in the RM500,001 to RM1 million and RM400,001 to RM500,000 categories with 23.4% and 18.8% respectively compared to the previous year. This may also correspond to interest on the ground where locals have favoured vacant detached plots.

As the market demonstrated signs of easing in 2024, property developers are expected to continue adopting a cautious approach in launching new projects in 2025. As such, fewer property launches are expected compared to the full year of 2024. A review of the Real Property Gains Tax (RPGT) may nevertheless help spur the market even if the market's decline in the period under review in 2024 is not directly correlated to it.

In terms of overhang, Terengganu's oversupply inventory is projected to remain relatively steady in 2025 with not much changes anticipated to influence a sudden take-up.

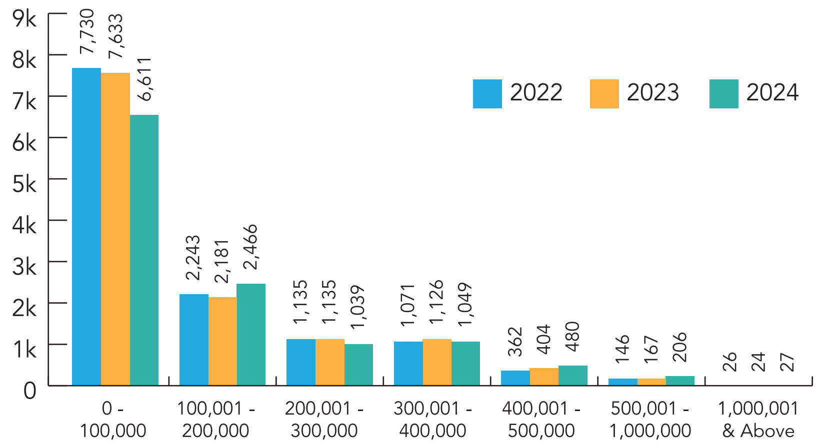
In the period under observation in 2024, Terengganu did not experience a surge of inbound foreigners calling the state home. The renewed Malaysia My Second Home's 3-tier system of Platinum, Gold and Silver also did not significantly boost Terengganu's position as a hotbed for foreigners. Perhaps the high financial requirements of the programme have posed as deterrent but a more conclusive study would be needed to further qualify the programme's performance.

**Volume & Value of Residential Property Transactions in Terengganu (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Transactions by Price Range in Terengganu (Jan-Sep 2022-2024)**




*Source: NAPIC*

Regardless of the inbound numbers, Kuala Ibai continued its status as a foreigners' favourite in Terengganu. Market in this locality remained stable in 2024 and is anticipated to continue the same in 2025 with no new localities emerging as contenders.

In 2025, prices of landed houses in selected prime locations in Terengganu are likely to see some slight improvements.

## Commercial Overview & Outlook

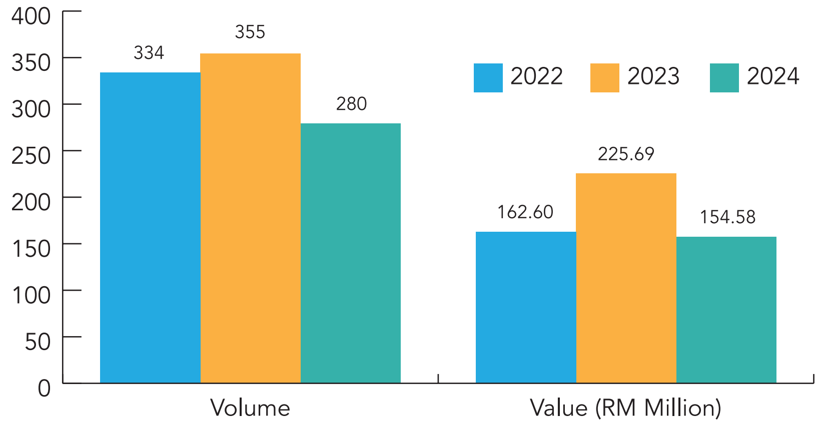
After a good run in 2023, the first nine months of 2024 saw Terengganu's commercial property market dropping below the corresponding periods of both 2022 and 2023. By comparison, the year-on-year drop from the period under review in 2024 are 21.1% and 31.5% in volume and value of transactions respectively.

Commercial units below RM200,000 continued its dominance with the highest transactional volume of 105 units despite experiencing a 21.6% drop from the previous year. Consistent with this trend, volume of transactions also tapered down in every price bracket except for the above RM1 million category which held steady with only 1 less transaction than the previous year. In light of the subdued activity, prices and rentals are expected to decrease slightly from 2024's values in some locations.

Over at the purpose-built offices (PBOs) sub-sector, performance in 2024 did not differ much from the previous year with only one less premises in the market to bring it to 124. This reduced the total built-up to 429,000 sq metres from 436,947 sq metres previously. Occupancy rate remained at over 90%.

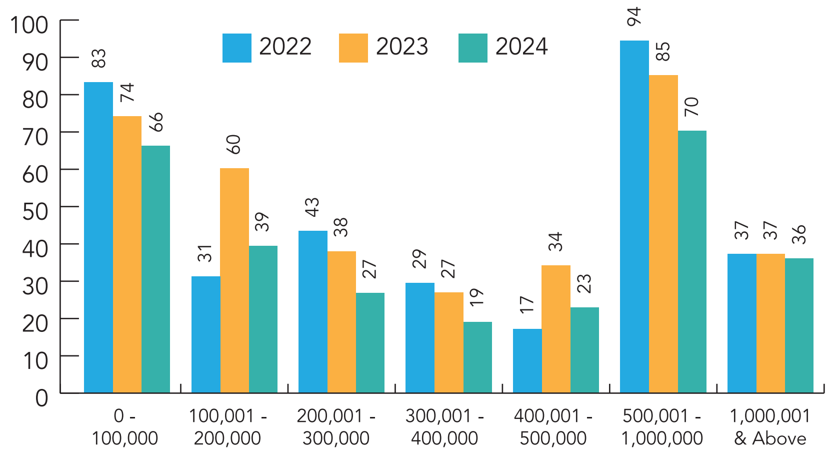
This niche sector in Terengganu is not likely to undergo any significant change as it is anticipated to receive minimal to zero impact from the various national plans like the NETR. As such, Terengganu's PBOs market is expected to consolidate further in 2025 with some adjustments to its capital values and rental levels from 2024.

**Volume & Value of Commercial Property Transactions in Terengganu (Jan-Sep 2022 to 2023)**




*Source: NAPIC*

**Volume of Commercial Transactions by Price Range in Terengganu (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Terengganu's retail market was kept abuzz with the newly opened Mayang Mall which was officially launched in December 2024. The six levels retail complex by Pelaburan Hartanah Bhd boasts the presence of over 300 international, regional and local offerings across 715,000 sq ft including Sogo as its anchor tenant. This adds to Terengganu's retail diversity when combined with KTCC (Kuala Terengganu City Centre) Mall.

Moving into 2025, Terengganu's retail market is expected to consolidate with both the KTCC Mall and Mayang Mall open for business.

## Hospitality Overview & Outlook

The positive momentum experienced in Terengganu's hospitality market in 2023 has persisted into 2024. This was made more significant with the grand opening of Perhentian Marriott Resort & Spa in May 2024 in the tourists favourite Perhentian Island. The resort's 5-star facilities and 217 exquisite rooms & villas injected much excitement into the state's hospitality sub-sector.

Another news that had caught the attention of Terengganu's hospitality industry is the refurbishment of Gem Beach Resort in Batu Rakit in early 2024. Refurbishment work was carried out after it was sold at RM10.85 million and since then, it has been rebranded as the Bidong View Resort, contributing 108 guest rooms to the state amidst a renewed hospitality atmosphere.

In 2025, Terengganu's hospitality sub-sector is anticipated to further improve, attributed directly to the 30-day visa-free entry extension for tourists from China to 31 December 2026.

## Industrial Overview & Outlook

Like the residential and commercial markets, the volume of Terengganu's industrial transactions also contracted by 18.2% in the first nine months of 2024 compared to the same period last year. Value of transactions however expanded by 12.9%, in stark contrast to the performance recorded in the corresponding period in 2023.

There was also a difference in appetite as properties above RM400,001 were more receptive in Terengganu with 16 properties exchanging hands in the period under review. Again, this is in contrast with 2023 where properties under RM300,000 were contending for buyers from the higher priced units. Nevertheless, it is worth noting that industrial units in the lowest and highest price brackets of below RM100,000 and above RM1 million suffered the biggest declines of 60% and 41.7% respectively in 2024.

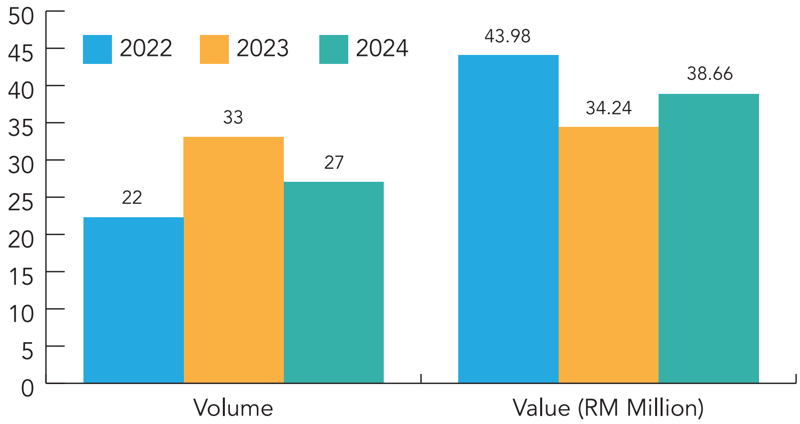
In terms of property type, sentiments on the ground showed a preference for vacant Industrial plots priced between RM100,000 to RM200,000 due to its affordable price point.

No major transactions happened in 2024 with Gong Badak Industrial Estate remaining as the most popular light industrial address in Terengganu, thanks to its proximity to Kuala Terengganu city centre. Leasehold vacant industrial lands of 2 to 3 acres in this industrial estate have been exchanging hands between RM500 to RM600 per sq metre.

Unlike the rest of the property sub-sectors, the New Industrial Master Plan 2030 (NIMP 2030) is expected to have a significant impact on Terengganu's industrial properties, particularly in the petroleum and petrochemical industry sectors. The well-established Kertih Industrial Estate in Kemaman, known commonly as Terengganu's key hub for oil & gas-based industries, is poised for further development as it will be additionally supported by incentives from MIDA (Malaysian Investment Development Authority) and ECERDC (East Coast Economic Region Development Council).

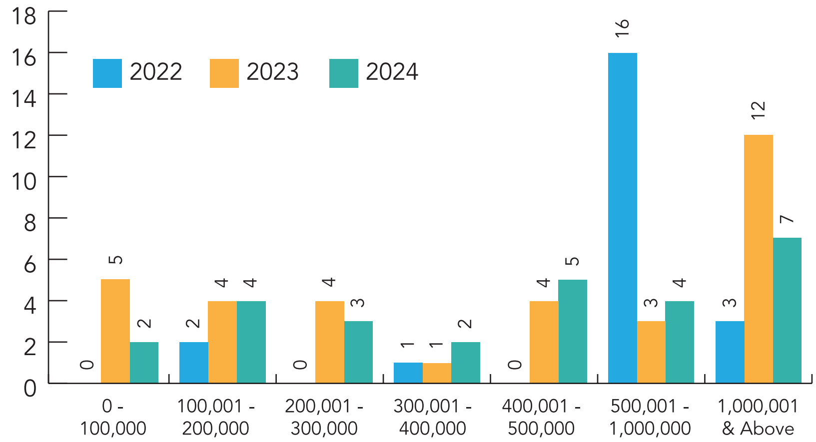
As the ECRL is fast approaching its final construction phase, the performance of Terengganu's industrial sub-sector is expected to improve further in 2025.

**Volume & Value of Industrial Property Transactions in Terengganu (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions by Price Range in Terengganu (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

# KELANTAN

After the drop experienced in 2023, Kelantan's property market made a giant leap by almost doubling the overall volume and value of property transactions in the first nine months of 2024 compared to the same period last year. The staggering jump saw volume increasing by 95.0% whilst value escalated by 52.6%. Further scrutiny of NAPIC's data shows that the impressive run especially in the volume of transactions began as early as the first quarter of 2024 from the residential and commercial sub-sectors.

While it may have been too early to form a solid opinion on the kind of impact the programmes by the federal government will have on Kelantan in 2024 such as the National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030), the signs may however be clearer in 2025 to motivate stakeholders in the state to accelerate transitioning into the clean energy sectors and undergo industrial transformation in a bigger way than before. Of importance are the two (2) mega projects of the Ulu Nenggiri Hydroelectric Power Plant in Gua Musang and the Tok Bali Industrial Park in Pasir Puteh.

Valued at RM5 billion, the Ulu Nenggiri Hydroelectric Power Plant project led by the national power company's wholly owned unit, TNB Power Generation Sdn Bhd, is touted as the biggest renewable undertaking in Kelantan. It is currently under construction and expected to be completed in 2027.

The Tok Bali Industrial Park on the other hand consists of heavy industry (oil & gas) and small and medium industries including the Halal industry. Occupying 40.47 hectares, it is expected to be a catalyst for economic growth and further improve Kelantan's property market.

Investors looking to tap into the state's potential are encouraged to look at the heavy industries (oil & gas), tourism and hospitality sectors where the latter can strategically ride on the success of Visit Kelantan Year 2024. These industry sectors have in fact been and will continue to be Kelantan's economic pillars in 2025.

**Factors to Watch in 2025**

- Kelantan's industrial sub-sector will consolidate further with new supply coming on stream such as the Tok Bali Industrial Park in Pasir Puteh and Kampung Joh Industrial Area in Machang.
- Prices for all property sub-sectors are expected to increase due to the rising cost of materials and labour.
- Kelantan's low development expenditure of RM361.33 million (24.89%) under the State Budget 2025 is unlikely to cause any significant movement in the property market.
- With the new Sultan Ismail Petra Airport terminal fully operational and supported by Visit Kelantan Year 2024's success, the state's tourist arrivals are expected to increase in 2025.

**Bright Spots in 2025**

- The performance of all property sub-sectors in Kelantan especially the residential and industrial markets are expected to improve in 2025 owing to the ongoing construction of the East Coast Rail Link (ECRL), the Rantau Panjang-Golok Phase 2 flood mitigation project and the Central Spine Road (CSR).
- Prices of landed residential and commercial sub-sectors will continue to improve in some good locations.
- With the extension of the 30-day visa-free entry for tourists from China to 31 December 2026, the hospitality sub-sector is expected to improve further in 2025.
- As the New Industrial Master Plan 2030 (NIMP 2030) has been fully implemented, the performance of the industrial sub-sector is expected to improve further in 2025.

**Outlook in 2025**

- Kelantan's property market is expected to continue holding steady in 2025.
- Landed residential will continue to improve slightly in selected locations in 2025.
- Kelantan's commercial sub-sector is expected to hold steady in 2025.
- Kelantan's retail sub-sector is expected to consolidate further in 2025.
- The hospitality and industrial sub-sectors in Kelantan are anticipated to further improve in 2025.

As to whether Kelantan will inherit any economic benefits from Malaysia's chairmanship of Asean in 2025, there is little likelihood pointing in that direction except for the possibility of increased demand in the hospitality market. Consistent with such a regional exposure, external risks arising from the geopolitical tensions further away are also not anticipated to cause any major impact to Kelantan's property market.

Like in 2024, Kelantan's property market is expected to continue holding steady in 2025 given the absence of major catalysts or policies announced at the tabling of Kelantan's Budget 2025 on 21 November 2024. Coupled with the cautious attitude by the property developers and financial institutions under the domestic political climate seen in 2024, Kelantan's property market is anticipated to remain steady and not experience any drastic changes in 2025.

## Residential Review & Outlook

Kelantan's residential market grew at a blistering pace in the first nine months of 2024 by recording a 92.3% and 71.1% jump in the volume and value of transactions respectively to arrive at its best showing in the post-pandemic era. In fact, statistics for the period under observation also showed that the value of transactions exceeded RM1 billion for the first time.

The impressive run began from as early as 1Q 2024 with 2,831 or 33.3% of the transactions already in the bag with value of transactions keeping pace with 33.4%. Momentum continued into 2Q with each of the volume and value of transactions registering 29.5%, demonstrating that appetite for the residential market had evidently returned in a more massive way than anticipated.

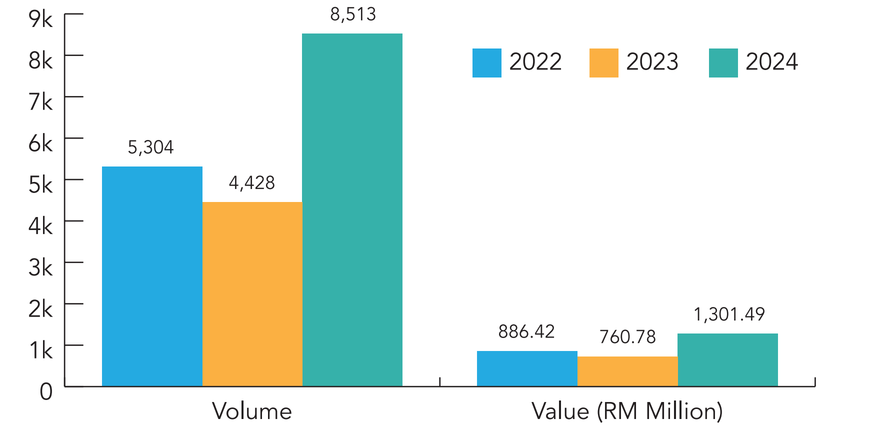
Like last year, sentiments on the ground have shown a preference for vacant detached plots in 2024 although price wise, it has shifted to the below RM100,000 segment from the RM100,001 to RM200,000 category. The appeal rests on its affordability factor for Kelantan's property buyers. NAPIC's data reflects this trend as more than half or 52.6% of the transactions have exchanged hands in this price bracket. Year-on-year growth did not deviate too far as well as it clocked an impressive 118% uptick, just a rung lower than the best growth of the season in the above RM1 million category with 166.7%.

Judging by the growth patterns, it is safe to say that Kelantan's residential market is in a league of its own in 2024 where even the lowest year-on-year improvement from the RM200,001 to RM300,000 category comes in at a commendable 30.8%.

In terms of new launches, Kelantan's residential market is likely to see an almost similar number of launches across both 2024 and 2025. This is attributed to the developers' wait-and-see attitude amidst the current economic conditions and political climate. Nevertheless, as the country's economy has performed rather steadily in 2024, residential new launches are expected to increase slightly in 2025.

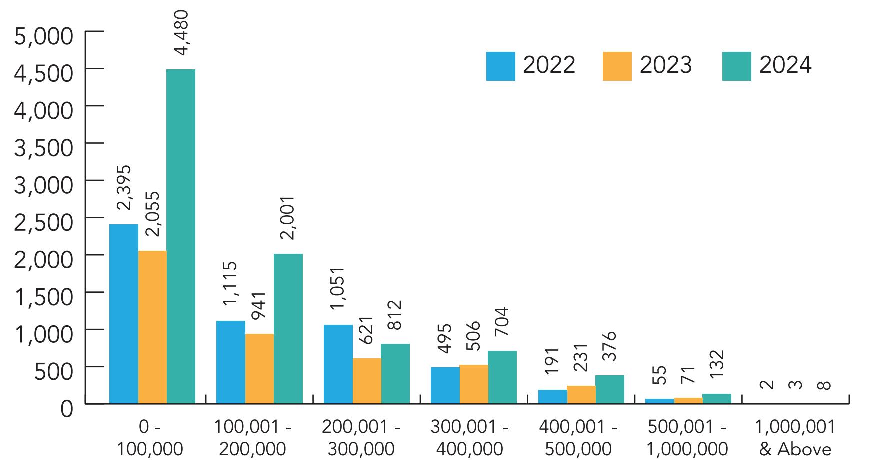
To spur market activities, a review of the Real Property Gain Tax (RPGT) and stamp duty reduction may be opportune in 2025. Although not directly correlated, assistance from the government in RPGT

**Volume & Value of Residential Property Transactions in Kelantan (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Property Transactions by Price Range in Kelantan (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

and stamp duty may help taper down the slight increase of overhang properties in 2024. But regardless of any statutory-led assistance, Kelantan's overhang properties will likely hold steady in 2025.

With strict land ownership laws in the state remaining the same in 2024 and never a hotbed for foreigners like Klang Valley, Penang or Johor, Kelantan is likely to maintain the status quo and not see any influx of foreigners in 2025.

Consistent with the performance in 2024, Kelantan's residential market will continue to see the landed residential sub-sector improving slightly in selected locations.

## Commercial Overview & Outlook

Like the residential market, Kelantan's commercial sub-sector also took off in the first nine months of 2024, recording a 73.2% growth compared to the same period last year. Value of transactions however contracted by 27.7%. The surprising drop is attributed to the anomaly sale of a shopping complex the year before for RM165 million. As such, if the comparison excludes this unusual transaction, the first nine months of 2024 can be said to have performed on an upward trajectory when compared against the same period of 2023 and also 2022.

Like the residential market, properties below RM100,000 were the most popular, commanding 32.4% of the market share, just slightly below the usual broader bracket of RM100,001 to RM400,000 with 35.4%.

Year-on-year growth was also better at the floor price brackets with the below RM100,000 and the RM200,001 to RM300,000 categories recording an almost similar improvement of 115.9% and 115.6% respectively.

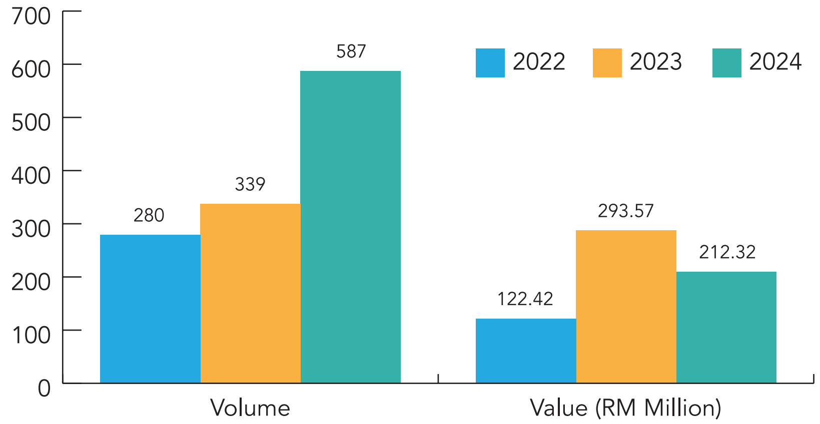
With the exception of the RM300,001 to RM400,000 segment, all other price brackets grew by at least 44.3% year-on-year, demonstrating that perhaps 2024 was truly a property buying year for Kelantanese of all walks of life.

Based on market observation, the cessation of all Covid-19 related restrictions that enabled businesses to operate full steam ahead is one of the major factors contributing to the uptick. As such, prices and rentals are expected to increase slightly in 2025 from the levels recorded in some locations in 2024.

In the purpose-built-offices (PBOs) sub-sector, occupancy held steady with a slight increase of 0.3% compared to the year before to record 87.4% of total occupancy in the period under observation. Total net lettable space from the unchanged 289 PBOs in Kelantan remained at 173,043 sq metres.

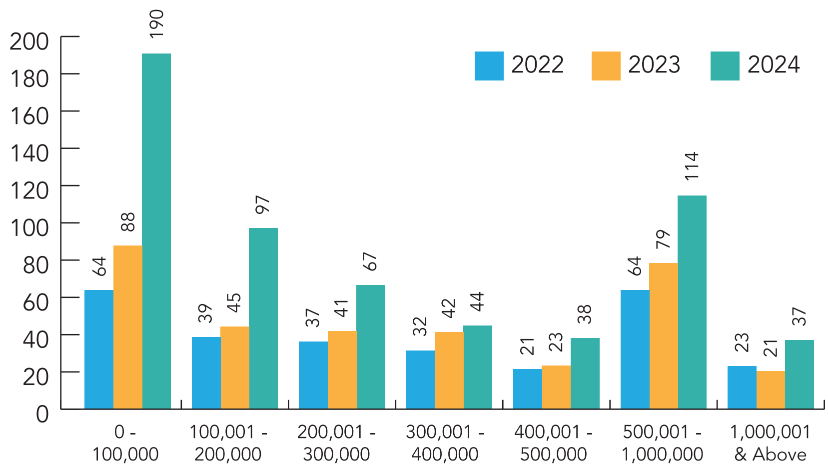
As tabled in last year's report, national plans announced by the government such as the NETR and NIMP 2030 have had very little impact on Kelantan's PBOs in 2024. This niche office sub-sector will however be expected to see its capital values and rental rates increasing slightly in 2025.

**Volume & Value of Commercial Property Transactions in Kelantan (Jan-Sep 2022 to 2024)**



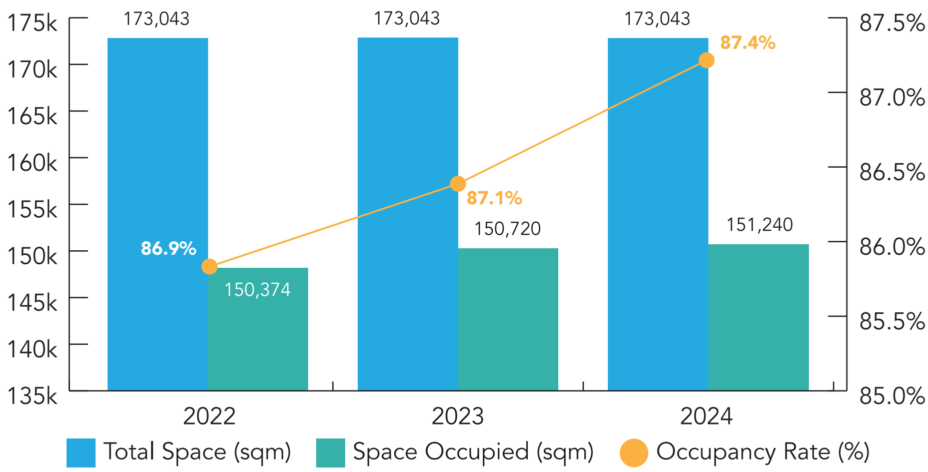

*Source: NAPIC*

**Volume of Commercial Property Transactions By Price Range in Kelantan (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Supply & Occupancy of Purpose-Built Office (Privately Owned) in Kelantan (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Kelantan's retail market has undergone rapid transformation in recent years from the emporium and shoplot-styled retail to purpose-built shopping centres. Joining this trend is the newly opened G-Orange Homemart in Bandar Gua Musang. Operational since the middle of 2024, its total lettable area is 16,603 sq metres.

Kelantan's retail sector is expected to consolidate further in 2025 with the list of malls expanding from AEON Mall, KB Mall and Mydin Mall to include G-Orange Homemart as part of the state's prime retail offerings.

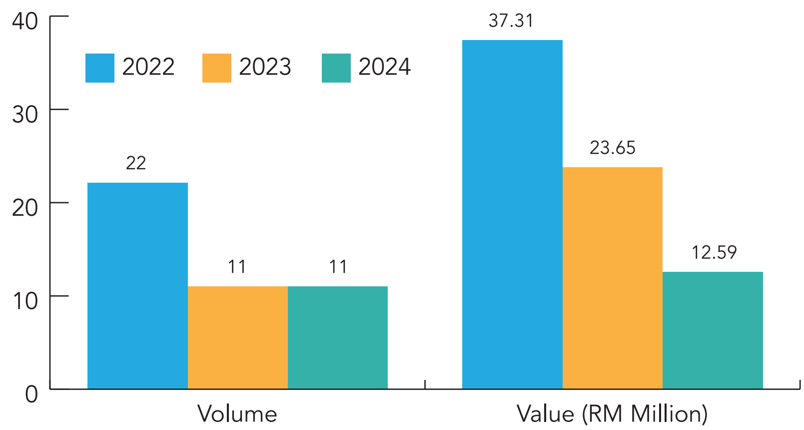
## Hospitality Overview & Outlook

The eager excitement surrounding Visit Kelantan Year 2024 (VKY24) was met with a promising performance in the state's hospitality property sub-sector in 2024. The positive momentum raised the hotel average occupancy rate to above 50% compared to the below 50% rate recorded in previous years.

Amidst VKY24's tourism activities however, there was zero construction of new hotels in the year or any significant trends to add to Kelantan's hospitality industry.

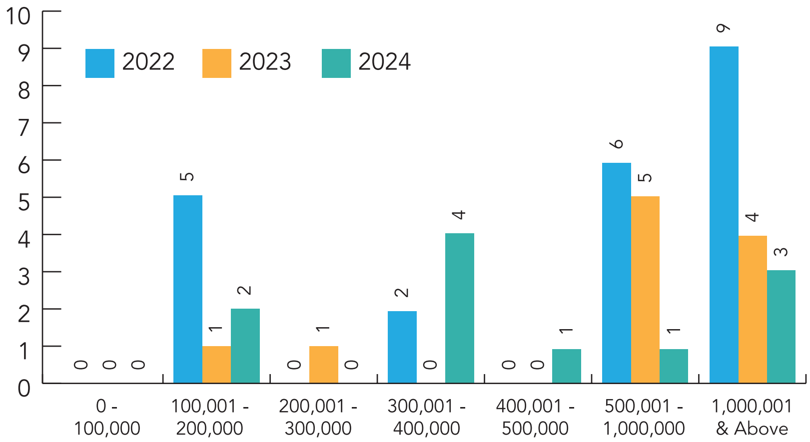
But like the rest of the country, Kelantan's hospitality sub-sector is anticipated to further improve in 2025 owing to the 30-day visa-free entry extension for tourists from China to 31 December 2026.

**Volume & Value of Industrial Property Transactions in Kelantan (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions By Price Range in Kelantan(Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Industrial Overview & Outlook

Kelantan's industrial market did not experience the kind of acceleration seen in the residential and commercial sub-sectors with volume of transactions remaining the same with 11 units exchanging hands whilst value of transactions eroded by 46.8% compared to the same period last year.

There was favourable interest however in the state's vacant industrial plots priced between RM100 to RM200 per sq metre in 2024 attributed directly to its affordability.

Kelantan's industrial market only saw positive growth in a few pricing categories from the 11 transactions that took place in the first nine months of 2024, namely the RM100,001 to RM200,000, RM300,001 to RM400,000 and the RM400,001 to RM500,000 segments, with each adding 1, 4 and 1 units to the transactional tally respectively.

No major industrial property transactions were recorded in Kelantan as well in 2024 with Pengkalan Chepa Industrial Estates (phases I & II) and MIEL Lundang remaining as the popular industrial estates especially for the light and medium scale businesses due to its close proximity to Kota Bharu Town Centre. Leasehold 66-years vacant industrial plots of about 1 to 2 acres here have been transacting between RM160 to RM280 per sq metre.

Although the NIMP 2030 was considered to be in its nascent stage in 2024, the federal government-led plan is however expected to influence Kelantan's industrial market positively in 2025 especially for the oil & gas industry.

The ongoing development of the Tok Bali Industrial Park in Pasir Puteh catering to the heavy industry (oil & gas) and small and medium industries like the Halal industries is expected to drive Kelantan's economic growth in 2025 as the state's prime catalysts. Occupying 40.47 hectares, the new industrial park is expected to contribute significantly to Kelantan's industrial property play in 2025.

With construction of the East Coast Rail Link (ECRL) and the Central Spine Road (CSR) entering the final phases, performance of Kelantan's industrial sub-sector is expected to improve further in 2025.

# SABAH

Overall, Sabah's property market has improved during Year 2024 from the previous years and the market is generally expected to continue to improve for Year 2025.

Based on information by Sabah Lands and Surveys Department, as of 30 November 2024, the total value of transactions for Land and Subsidiary (Strata) Title's Memorandum of Transfer (MOT) activities which included property ownership transfers (inclusive of all Native Land Title holdings) was recorded at about RM5.17 billion. This is a substantial increase compared to the RM3.57 billion (i.e. 44.8% increase) recorded for the full year of 2023 and RM4.1 billion for 2022. This signify that overall, the state's property market has demonstrated growth and robustness over the past three years.

The total value derived from the Memorandum of Charge (MOC) on the other hand stands at approximately RM9 billion for 2024, consistent when compared to the previous years.

In terms of performance measured according to NAPIC's data, 1H 2024 recorded 4,924 units of property transactions, an 8.1% year-on-year increase from the preceding 1H 2023 (of 4,554 units). Property transactions value for Sabah during 1H 2024 was reported at RM2.758 billion and have seen a notable increase of 20.8% from the preceding 1H 2023 with RM2.284 billion.

However, the sentiment on ground is mixed, with an increasing disparity in property purchasing power and gap in demand seen between the middle to upper-income group and the low-income group. Prime landed properties and lands at strategic centralised locations continue to see high demand from the upper income group and have continued to enjoy capital appreciation over time. Conversely, lower end property in inferior locations have seen poor demand and price stagnation due to the target market's weak purchasing and holding power. Some secondary and previously overpriced developments have also seen pricing decrease.

**Factors to Watch in 2025**

- Increased domestic consumption.
- 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 and roads.
- Increase in new property developments and launches in Sabah
- Recently announced new Bumiputera policy which is expected to positively affect the primary and secondary property markets.
- Improvement in the tourism industry.

**Bright Spots in 2025**

- 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.
- Prime properties in centralised location have seen increased demand and continued to enjoy capital appreciation from previous years.
- The number of incoming tourists in Sabah have notably increased since last year 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 RM4b hydroelectric dam in Tenom, are collectively projected to contribute to Sabah's economy and job creation.
- Sabah's GDP growth has moderated at 1.3 % for year 2023, influenced by weaker external demand and lower commodity prices. The state economy is expected to grow moderately at 2.0% for year 2024 and increase to 2.5% in 2025. The main factors influencing Sabah's economic strength and revenue are commodity prices.
- The state government has projected a revenue of RM6.445 billion for 2025, indicating a positive outlook for the state's financial performance. Approximately 50% of the state's revenue is generally derived from the oil & gas sector. A strong economic health of the state alongside increased foreign investments will have a spillover effect in improving the property market and increase demand in the state.
- Many places in Sabah ie. Kota Kinabalu, Penampang and Sandakan continue to suffer from poor infrastructure, power and water shortage in 2024 and this affected living conditions. Many areas continue to experience flash floods due to poor drainage and irrigation. Road conditions continue to remain poor with potholes in many areas especially in the rural outskirts. The government has allocated a major infrastructure budget to solve these issues and if implemented effectively would improve property investment sentiments in Sabah.
- The increase in development launches in the past year is testament to developers' improving confidence in the market. Projects with strategic locations and attractive price points have enjoyed good take-up rates and were sold within 6 to 12 months of launch.

**Outlook in 2025**

- Sabah's property market will continue to improve in 2025 albeit at a moderately optimistic tone.
- The residential property market in Sabah is expected to perform well in 2025.
- The commercial shop offices sub-sector in Sabah will continue to remain healthy in 2025.
- Sabah's PBOs market will continue to be flat in 2025.
- The retail property market in Sabah in 2025 is expected to continue to be mixed with the well performing malls continue to see increased demand and rental rates whereas poor and failed malls will continue to suffer from low footfall and poor business.
- Sabah's hospitality property sub-sector will be robust and positive in 2025.
- The industrial property market in Sabah is projected to remain strong in 2025.

In terms of measures affecting the Sabah property market, of interest for year 2025 are the new bumiputera policies announced by the Ministry of Local Government and Housing during the end of the year on 1 December whereby:

- Restrictions imposed on reselling bumiputera-allocated house lots have been abolished. Bumiputera units can since be subsold to any buyers, including non-bumiputera, without restrictions.
- Homeowners can apply to the Sabah Lands and Surveys Department (Jabatan Tanah & Ukur Sabah or JTU) to remove bumiputera restrictions in the land title by adhering to JTU's standard operating procedures.
- The 30% Bumiputera quota, which mandates private housing developers to reserve this percentage of total housing units and allows Bumiputera buyers to select their preferred house lots, remains unchanged.
- Developers must ensure that any discounts or rebates offered to non-Bumiputera buyers are added on top of the existing 5% discount provided to Bumiputera buyers.

Although the full impact of the recently announced measure is yet to be fully seen, this move by the state government is expected to increase the demand for property purchases from bumiputera homebuyers and also further contribute to the property market's liquidity. The better flexibility with the discount offered will see more bumiputera units being cleared off from developers' stocks, contributing to the developer's take-up rate and easing their cashflow.

New launches in Sabah have been picking up pace in 2024 that surpassed those launched between 2021 to 2023. Some of these developments include:

- Ayuria Place at Alamesra by the recently listed KTI Landmark Bhd. The project consists of apartments and linked houses.
- Aria @ Banyan Valley by Aton Group, a 360 condominium units at the Khidmat locality.
- The Peninsula by Trillium Development Sdn Bhd. It is a high-end condominium located in Kota Kinabalu city centre.
- Bayu Damai Residences by Exsim Group. Located in Damai, it was reportedly sold well.
- A new township development by WSG Group. Located in Kg. Dalit Bay, Tuaran, spans over 120 acres and is set to surpass the scale of its previous development in Benoni, Papar. This is indicative of the significant urban development expansion within the region.
- The Boulevard 360, Damai Suites, 88 Avenue and D23 Damai as well as new serviced suites developments in the Tanjung Lipat area in the city including Jesselton Docklands earmarked for future development by a joint-venture between Exsim and Suria Capital, and Q Suites by SBC Group.

Aside from the above, developers in Sabah have already planned and are moving ahead with their new projects or joint ventures. More developments are also in the pipeline for 2025 especially in the landed houses and commercial shops sub-sectors in secondary locations outside of the Kota Kinabalu area.

While the new developments are looking promising and bright in the years to come, Sabah continues to face shortage in low cost housing, particularly in the state's attempt to relocate residents from housing estates that have become unfit for occupation such as the Tanjung Aru's low cost flats, Sembulan's water stilts squatters and Sepanggar's squatters.

In light of the above, the state government has announced plans to construct 3,000 units of Rumah Mesra SMJ (Sabah Maju Jaya) that aims to provide affordable housing for families and individuals without homes. This is part of a broader strategy to resolve the issue of housing. A formal request was also made to the federal government for an additional allocation of 5,000 units under the People's Housing Programme (PPR).

On the infrastructure front, Sabah eagerly anticipates the commencement of Phase 1B of the Pan Borneo Highway which extends the project to the outlying areas of Kota Belud and Kudat. With a contract value of RM9.7 billion, the highway's ongoing development is expected to enhance road connectivity for residents while boosting the demand and market potential of lands that were previously difficult to access.

Efforts to unlock value are also happening in the industrial sector where the Sabah State Government continues to identify new areas suitable for industrial park development to expand from the near full-capacity of the Kota Kinabalu Industrial Park (KKIP) and the SOGIP Oil & Gas Industrial Park as highlighted in last year's report. Recognising the state's industrial potential, the government recently approved a 10,000-acre site in Kimanis to establish Sabah's largest industrial park. Additionally, there are also plans to consider the allocation of 5,000 acres in Kudat for a new industrial park, further enhancing the state's capacity to attract investments and support economic growth.

From the federal government's Budget 2025, Sabah was allocated the highest development expenditure among all states, totaling RM6.7 billion. This funding emphasised the need to improve basic infrastructure such as roads, clean water and electricity for the people in Sabah, which are foundational to driving growth in the property market.

The special grants to Sabah under the Malaysia Agreement 1963 have also been doubled to RM600 million starting from 2025 and this will likely boost the capacities of local government to support infrastructure and property developments in Sabah.

In terms of opportunities, investors interested to take a position may take a look at the following industry sectors:

- **Tourism** - demand for hotel rooms has been increasing especially for the upper-end hotels as most have been fully booked during the festive seasons.
- **Industrial Properties** - enjoying good demand thus far due to the limited supply in industrial lands and sizable warehouses for expansion.
- **Land, Commercial Shop Offices & Landed Residential** - good demand persists with price appreciation in prime areas.
- **Agriculture** - palm oil lands continue to be sought-after especially in the eastern Sabah region due to the fertile soil and the high plantation oil extraction rates. Durian and cocoa plantations also possess potential opportunities owing to the abundance of fertile agricultural land, Sabah's favourable climate and its strategic position as a major contributor to Malaysia's food exports.

In terms of Agricultural lands, the Sabah Agricultural Policy has placed a strong emphasis on boosting domestic food production and overcoming any potential hazards that may arise in terms of food security. To that end, paddy has been identified as a strategic crop, with plans in motion to increase yields by developing suitable irrigation and drainage systems in key areas. Efforts are also underway to expand the acreage dedicated to food crops, including paddy and fruits, to further enhance local production, enabling agricultural landowners to unlock their lands' economic potential instead of leaving their lands vacant.

Complementing this agricultural push is Sabah government's recent focus on the "blue economy," which leverages the sustainable use of ocean resources to foster economic growth, improve livelihoods and preserve marine ecosystems. Fisheries and aquaculture are central to this initiative, with an estimated annual potential yield of over 491,000 metric tonnes of fish and prawns valued at RM3.25 billion. At the moment, less than 50% of its potential is being tapped and this signals significant opportunities for industrial fishing and the establishment of processing facilities to facilitate and increase production. If well developed, this would further contribute to the industrial property market in the state.

In terms of the impact of Malaysia's chairmanship of Asean in 2025 on Sabah, Malaysia's increased exposure to the Asean counterparts is anticipated to increase Sabah's exposure to the region, showcasing Sabah's natural attractions and tourism activities to attract more tourist arrivals and receipts to the state via tourism spend and stay.

Sabah's economy and property market are mainly reliant on its agricultural and resource-based industries such as the key commodities of palm oil, seafood and crude oil. External geopolitical risks have influenced Sabah's economy mainly in terms of exports such as EU's ban on palm oil imports which has affected Sabah's palm oil export and revenue heavily. Further external restrictions or trade wars could continue to impact key commodities and commodity prices which affects Sabah's economy and revenue.

Notwithstanding, the state's strategic location in the Asean region and proximity to growing markets like China, Indonesia and the Philippines could position it as a buffer against geopolitical shocks in other parts of the world and position the state as an alternative preferred investment location by international investors seeking stable expansion locations and tourists seeking peaceful destinations.

Looking ahead to 2025, Sabah's property market is poised for improvement with rising demand across all sectors reflecting growing investor confidence and ongoing economic progress. It is hoped that there will be political stability after the upcoming state election which will enable the state government to focus on development, attract investments and advance key infrastructure projects to bolster the state's economy.

## Residential Overview & Outlook

The residential sub-sector has been generally stable in performance in the period under review. Based on NAPIC's records, volume of transactions dropped by about the same margin as the previous year at 7.3% while value of transactions fell by 7.6%.

As seen from the Sabah House Price Index, it is noted that there was a reasonably healthy trend , showing stability in the property sector from the previous years. This indicates that the residential property market in Sabah has remained resilient and stable over the last few years even amid the pandemic and is projected to improve in the coming years.

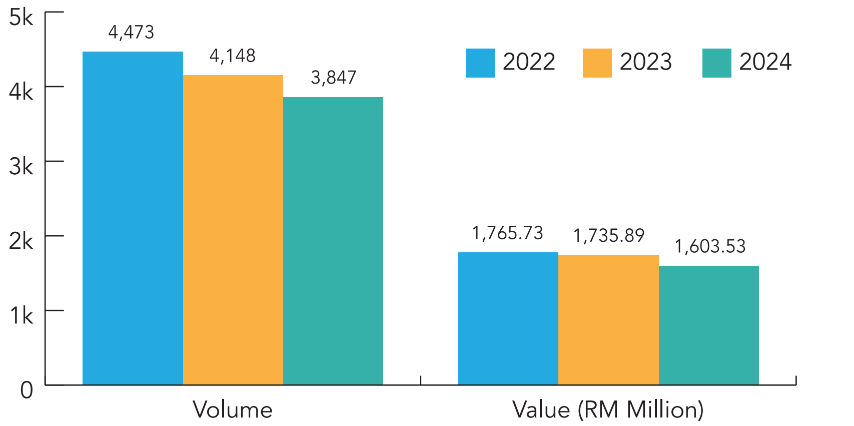
Similar to the preceding year, interest continues to hover around landed residential properties in prime areas due to location, scarcity in supply, financial strength of the middle-upper income buyers and its potential for price appreciation.

First time home buyers, the young working class and those looking for a second property tend to favour the landed homes. Condominiums and apartments priced below RM500,000 (about RM650 per sq ft or less in prime locations ie. near Luyang, Lintas, Damai) are also favourable, motivated by its affordability.

To further spur the residential property market, the state government is encouraged to consider reducing the Real Property Gains Tax (RPGT) and stamp duty, and also to upgrade and improve Sabah's infrastructures such as repairing damaged roads, widening road access to ease congestion, improve irrigation & drainages to prevent floods, ensuring electricity & water supply are sufficient as basic necessity.

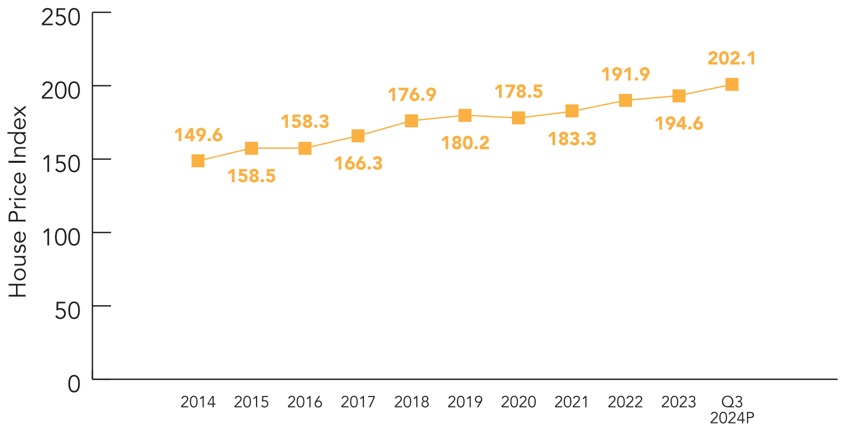
Due to the the lower volume of new launches in the last two years, the residential properties overhang has been more manageable in 2024 although this may change again in the next few years with more unsold stocks expected in the market due to a projected increase in new high density developments.

**Volume & Value of Residential Property Transactions in Sabah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**All House Price Index (Jan-Sep 2014 to 2024)**




*Source: NAPIC*

The state's residential market health will continue to depend on the respective developments' location, pricing, buyer's income strength, Bank Negara's monetary policy of Year 2025, buyers' loan approval rate and features of the development to entice new buyers.

## Commercial Overview & Outlook

Sabah's commercial market has also remained stable. Based on NAPIC's data, the commercial market has on Year 2024 experienced a slight dip in its volume of transactions, decelerating by 6.5% year-on-year while value of transactions rebounded by 8.8% from the corresponding period in the previous year. The above could also be seen in the context of most commercial property owners with stable financial capability and stability are continuing to hold their commercial properties long term and not looking to dispose in the near term unless necessary or if the price is attractive.

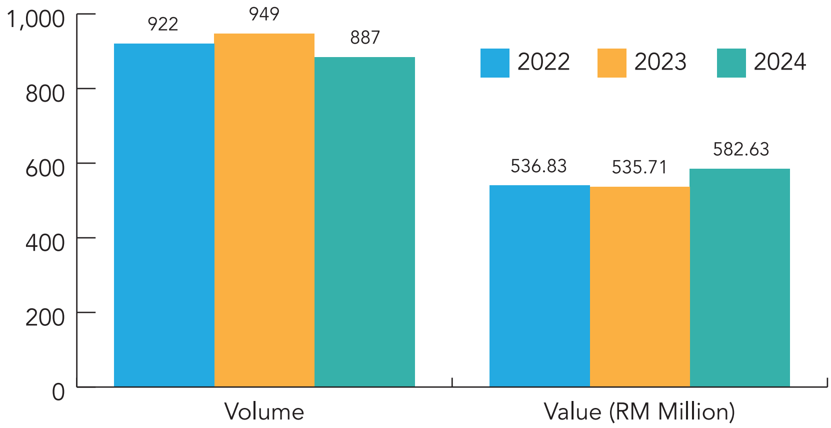
Demand and occupancy of shop offices located in the city centre and prime areas continue to be high although the steady price appreciation over the last 10 years has slowed down recently. The improved business environment and increased retail consumption activities has pushed up rental rates of shop offices and most developers have attached a premium to new shop office developments as the Kota Kinabalu's market landscape is conducive to do so given the scarcity of commercial development lands. The shortage has also encouraged developers to further venture into the secondary locations like Papar, Tuaran, Beaufort and Tenom to launch new shop offices.

Moving into 2025, the commercial shop offices sub-sector is poised to continue its healthy pace especially in high demand areas. Investors who are typically drawn to this segment are often influenced by the favourable rental yield, price appreciation and ease of managing such properties.

Over in the purpose-built offices (PBOs) sub-sector, demand remains low and stagnant as local businesses continue to prefer shop offices due to the low overhead (ie. management fees). Sabah's lack of large corporations to take up such spaces other than the government agencies is also another factor hindering progress.

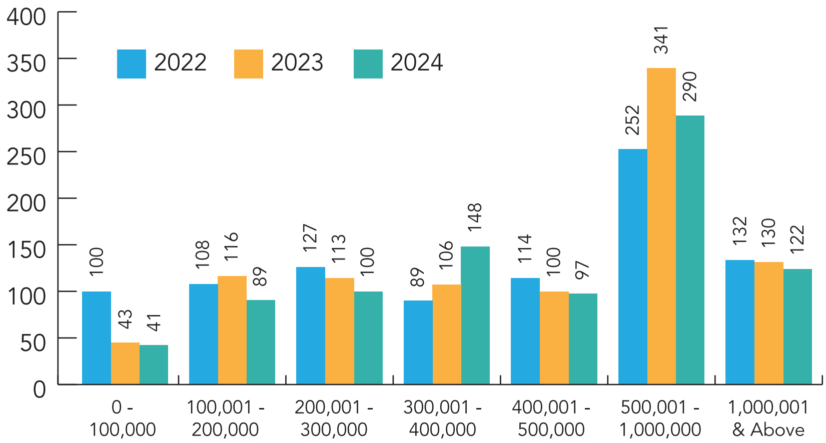
In light of the above, Sabah's PBOs market has not seen any new office buildings developed in recent years and the niche sub-sector will continue to be flat in 2025 as rental rates have also stagnated.

**Volume & Value of Commercial Property Transactions in Sabah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Commercial Property Transactions by Price Range in Sabah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Retail Overview & Outlook

Sabah's retail property market continued its status quo from last year with no new malls making their entry in Kota Kinabalu. The Imago Shopping Mall, Suria Shopping Mall and Centre Point remained as the retail flagbearers of the state. The other malls considered performing well and healthily include City Mall, Kompleks Karamunsing and ITCC.

Business of these three malls have been brisk as they enjoy typically high footfalls due to Sabah's improving domestic consumption. Performance as such is better compared to the poorer located malls elsewhere in the capital which have generally stagnated.

On the whole, Sabah's malls and restaurants is projected to improve in number of visitors than the previous years especially during the festive seasons. However, seeing the incoming increase in tenants and business demand, some of the prominent malls eg. Imago Shopping Mall and Suria Sabah have begun restructuring their tenant mix to better attract high quality tenants who are more willing to pay a higher rent to capture Sabah's market.

## Hospitality Overview & Outlook

Sabah's tourism market has continued to be strong and robust in 2024.

As of October 2024, a total of 2,635,641 tourists have arrived in Sabah, recording a 24.52% increase from the corresponding period in 2023 with 2,116,659 arrivals. The commendable annual growth is attributed to 1,226,971 domestic and 867,231 international tourists.

Hotels in both Kota Kinabalu and Semporna have seen improvements in room occupancies, in part credited to their natural beauty of the sea and mountains and the post-Covid-19 improvement in travelling activities. Things are expected to be equally rosy if not better in 2025 with more inbound tourists on the cards.

Briefly, Sabah's hospitality market is actively growing with some of the following developments:

- The latest recently opened hotels are Hyatt Centric Kota Kinabalu (5-star, 222 rooms), GrandIn Hotel in Inanam, LUMA Hotel (boutique luxury, 115 rooms).
- The proposed Sheraton Hotel and Fairfield Hotel (by Grand Liberty Group) in Kota Kinabalu are under construction.
- The Wyndham Semporna Resort, commencing development in 2025 and expected to be completed in 3 years.
- The proposed 5-star Hilton Resort and 4-star Hilton Garden Inn Resort in Tuaran with a total investment value of RM500 million have just been announced to the market.
- Average hotel occupancy rate in Sabah has improved, exceeding 52% on weekdays over the past six months.
- 3- to 5-star hotels in Kota Kinabalu have achieved an estimated average occupancy rate of 74.6% in the first half of 2024 and this is indicative of the strong demand for quality accommodation in Sabah's capital city.

To further accommodate the rising tourist arrivals, some significant infrastructure projects have also been initiated, they include:

- **Kota Kinabalu International Airport (KKIA)** - the Ministry of Transport approved a RM442.3 million investment for the airport's expansion and modernisation in November 2024. This funding will support infrastructure enhancements at the airport and also ensures KKIA remains equipped to handle increasing passenger volumes in support of Sabah's tourism and business sectors, as well as the state's regional economy.
- **Tawau Airport** - The Malaysian government has approved a comprehensive upgrade plan for Tawau Airport, with construction commencing in early 2025 and to be completed within three years. The terminal building will expand from 15,800 to 23,500 sq metres and also increase annual passenger capacity from 1.5 to 2.5 million. This expansion plan is crucial as the airport has been operating beyond its original capacity and design. In 2023, 1.71 million passengers passed through the airport. The upgrade aims to alleviate congestion, enhance overall passenger experience and support the region's growing tourism sector.

Sabah's tourism industry will continue to remain robust and positive in 2025 as more tourist arrivals and receipts are expected to land in the state owing to the ongoing marketing efforts by Sabah Tourism Board and Malaysia's Ministry of Tourism, Arts and Culture. This is expected to weigh positively on Sabah's hospitality sector.

## Industrial Overview & Outlook

Sabah's industrial property market mirrored the performance of the commercial property sector with a drop in volume but a rise in value of transactions compared to the same period last year.

Industrial land and warehouses measuring more than 8,000 sq ft have continued to be favourable and in high demand due to the expansion plans of businesses in the industrial, logistics, supply chain and manufacturing sectors.

Owing to the limited supply, keen industrial players are also willing to pay a premium to procure prime industrial lands and warehouses at established locations such as within the sought-after areas of Kolombong, Inanam, Sepanggar and Lok Kawi.

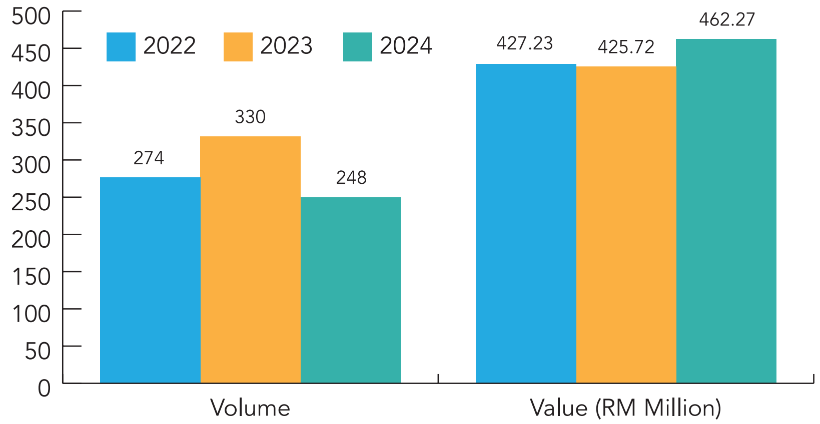
Some of the significant trends that have occurred in Sabah's industrial space recently included:

- The Kimanis Industrial Park, launched by the state government.
- The proposed Kudat Industrial Park.
- Kibing Group, a large industrial company from China has continued to purchase and seek lands for their solar glass material plants throughout Sabah. They have committed to build a RM7.2 billion solar glass plant in the Kimanis area.

While Sabah's industrial expertise has continued to see local manufacturers and suppliers enjoying high revenues and constantly seeking to expand their businesses, there are still yet to be any large scale data centres, technological or complex manufacturing projects in Sabah. This is attributed to the state's general lack of local expertise in such cutting edge technologies.

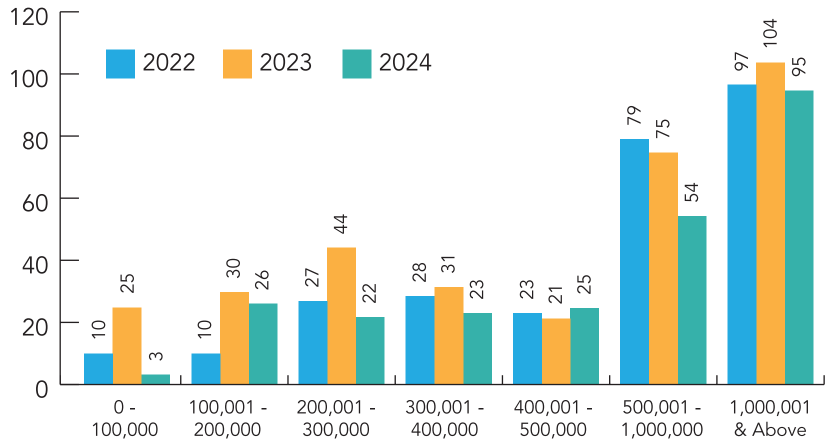
Moving forward, Sabah's industrial property market is projected to remain strong in 2025 alongside its robust activities. The state's industrial players are also anticipated to continue sourcing for strategic lands to expand their businesses, especially in the manufacturing and warehousing sectors.

**Volume & Value of Industrial Property Transactions in Sabah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Industrial Property Transactions by Price Range in Sabah (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

# SARAWAK

In the first nine months of 2024, Sarawak's property market contracted by 12.5% in total volume and 4.9% in total value of transactions compared to the same period last year. Amidst the contraction, there were still pockets of steady growth in Sarawak's property market, driven by a strong focus on sustainability, affordable housing and digital infrastructure.

Government initiatives such as the increased emphasis on green living, the ongoing infrastructure improvements and the proposed new deep sea port and airport are expected to positively shape Sarawak's property market.

One of Sarawak's key economic driving engines is the state's own Post-Covid-19 Development Strategy 2030 (PCDS 2030), which is anchored by six economic sectors, namely manufacturing, commercial agriculture, tourism, forestry, mining and social services. These sectors are in turn supported by seven enablers that include digital transformation, innovation, basic infrastructure, transportation, utilities, renewable energy and education & human capital development.

It was reported that PCDS 2030 guided Sarawak in 2024 to expand on its digital infrastructure, advancing renewable energy projects and investing in education & vocational training to raise the value of its human capital. Significant infrastructure improvements, along with a focus on sustainable agriculture and eco-tourism, are also said to be underway.

To further boost growth, PCDS 2030 aims to diversify Sarawak's economy and promote sustainable development across urban and rural areas. These initiatives, combined with policies fostering a conducive business environment, are expected to attract foreign investments and drive demand in the residential and commercial property sectors.

But beyond PCDS 2030, Sarawak also taps on the national plans such as the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030).

Through the NETR, Sarawak harnesses its strong position in renewable energy, particularly hydropower and the potential for solar hydrogen, biomass energy and green technology. Via the NIMP 2030, Sarawak has secured RM4.2 billion in approved investments in the first quarter of 2024 to contribute significantly to Malaysia's economic growth. As such when projects are carried out to leverage on such programmes including the chip making masterplan of the National Semiconductor Strategy, demand for industrial real estate is expected to grow and generate spillover effects to stimulate development in the residential and commercial property sectors.

Speaking of the property market, the outlook for Sarawak is pointed to a growth story in 2025, supported by initiatives at both the federal and state levels. Development expenditures under

**Factors to Watch in 2025**

- Pan Borneo Highway - by 2025 most of the project will be completed and provide better connectivity between the cities and rural areas.
- Borneo Grid - the development linking Sarawak's energy infrastructure with neighbouring countries such as Brunei and Indonesia is set to enhance Sarawak's position as an energy exporter.
- Airport & Transportation - the expansion of Kuching International Airport is expected to facilitate growth in tourism and the business sectors.
- Affordable Housing Development - Sarawak remains dedicated to meeting the increasing demand for affordable housing for the B40 and M40 groups.
- Sarawak Government's Proposed Acquisition of MASwings - with greater control over the airline, the Sarawak Government can improve connectivity and provide more frequent, affordable and reliable flight options.

**Bright Spots in 2025**

- Kuching as a Smart City - transformation into a smart city is ongoing, supported by cutting-edge digital infrastructure and data-driven urban planning.
- Borneo International Maritime Week 2025 – the largest maritime event in the region to be held in Bintulu seeks to promote collaboration and create growth opportunities within the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).
- Increased Investment in Tourism - Sarawak's rich cultural heritage and stunning natural landscapes will continue to be major assets driving tourism growth.
- Digital Economy & Tech Hubs - The establishment of tech hubs, smart cities and investments in high-speed internet and 5G infrastructure will drive innovation and attract businesses in e-commerce, FinTech and ICT sectors.
- Hydropower & Renewable Energy Initiatives - Boasting rich natural resources including vast rivers for hydropower and considerable potential for solar and biomass energy, Sarawak is poised to be a leader in green energy. By 2025, its role as an energy exporter is anticipated to grow.
- Cultural Events & Festivals - events like the Rainforest World Music Festival and the Sarawak International Festival will continue to draw international attention and boost the hospitality, events and tourism sectors. The proposed Santubong-Damai Peninsular master plan aimed at the tourism industry will also improve accommodation options and facilities standards, while the planned expansion of the Borneo Convention Centre Kuching will increase seating capacity to 10,000 people.

**Outlook in 2025**

- Sarawak's property market and the residential sub-sector are forecasted to grow steadily in 2025.
- The commercial property market is expected to grow moderately in 2025.
- Sarawak's retail sub-sector is expected to remain stable in 2025.
- In 2025, Sarawak's hospitality sub-sector is anticipated to thrive.
- Sarawak's industrial property market will see significant growth in 2025.

the Budget 2025's RM40.8 billion and Sarawak's State Budget of RM8.8 billion will enhance infrastructure and stimulate business activities. These efforts underpin Sarawak State Government's projected economic growth of 5% to 6% for the year.

As sustainability and the ESG (environment, social and governance) concept are quickly taking precedence to become mandatory economic parameters globally, initiatives under the NETR and National Climate Change Policy (NCCP) 2.0 will also begin to induce a higher demand for green-certified and eco-friendly properties in both the residential and commercial sectors.

Public infrastructure projects under the Public-Private Partnership Master Plan 2030 (PIKAS 2030) are anticipated to advance development of smart cities like Kuching, improving urban infrastructure and boosting demand for the residential and commercial properties. The technology sector will also benefit directly from the plans for tech hubs, research centres and housing for professionals to meet the increasing demand that is influenced by the inflow of investments for digital infrastructure, smart cities and 5G network expansion. All these are poised to also direct growth patterns into the data centres, AI and e-commerce industry sectors.

Programmes under GEAR-uP, supported by government-linked entities like Khazanah Nasional Bhd and the Employees Provident Fund (EPF) are anticipated to drive demand for office spaces, retail developments and coworking spaces.

Sarawak's eco-tourism and hospitality sectors will also not be left behind as they present significant growth potential to contribute to the state's GDP. By leveraging Sarawak's natural beauty and cultural heritage, the market is likely to see increased demand for eco-resorts and sustainable tourism products to further stimulate development in this sector.

Further afield, regional connectivity initiatives such as the Johor-Singapore Special Economic Zone (JS-SEZ) are expected to enhance trade and investment between the Peninsular and East Malaysia, further stimulating demand for commercial real estate in Sarawak's urban centres.

With Malaysia's turn to host the Asean chairmanship in 2025, the regional collaborative spirit shall cultivate an environment conducive for investment and regional cooperation that supports growth in Sarawak's property market, particularly in commercial, residential and tourism-related products.

Despite the global geopolitical tensions, Sarawak's stable political environment and robust sustainability agenda position it well to weather these external shocks. While challenges such as supply chain disruptions and rising business costs may persist, Sarawak's focus on sustainability and regional connectivity is expected to sustain resilience in the property market. Overall, Sarawak's property market in 2025 is forecasted to grow steadily, underpinned by sustainability-focused initiatives, infrastructure development and enhanced regional connectivity.

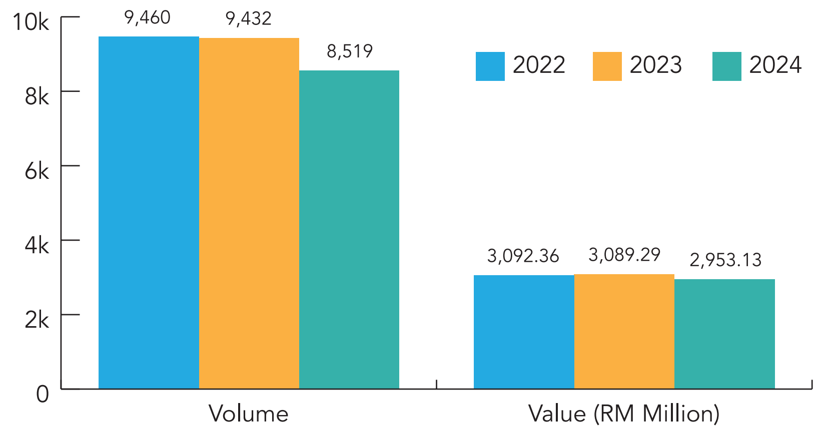
## Residential Review & Outlook

Like Sarawak's overall property market, the residential sector's total volume and value of transactions contracted in the period under review by 9.7% and 4.4% respectively.

Properties valued between RM100,001 to RM400,000 continue to dominate interest with a lion's share of 58.5% transactions. This is supported by the general sentiments favouring homes priced between RM200,001 to RM300,000. Factors backing this price bracket could likely be due to its affordability and built-up space that commensurate with the financing capabilities of many middle-income buyers, particularly first-time homebuyers and young families.

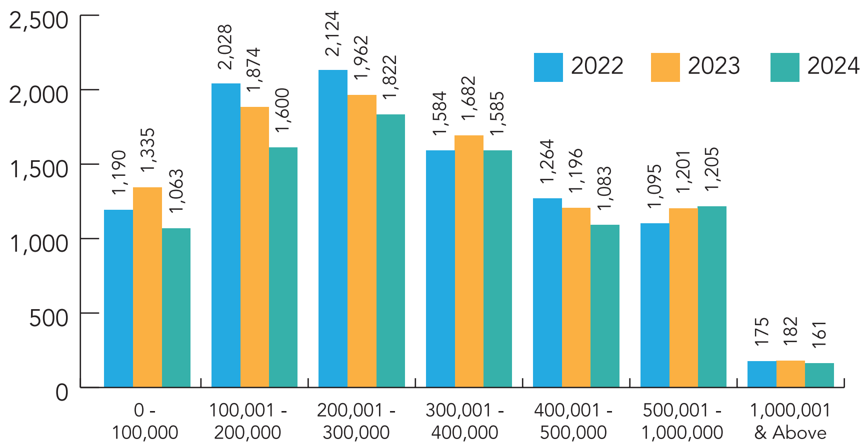
Consistent with the sector's performance, volume of transactions dropped across

**Volume & Value of Residential Transactions in Sarawak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

**Volume of Residential Transactions by Price Range in Sarawak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

all pricing categories except for the RM500,001 to RM1 million which saw 4 more units exchanging hands than the same period last year.

By property type, the typical Malaysian favourite of the 2 to 3 storey terrace houses continued as the most sought after.

Although the market may have unexpectedly softened in the period under review in 2024, it is likely to see more new launches taking place in 2025.

The market will nevertheless be more active if both the buyers and developers are extended with incentives such as stamp duty exemptions and subsidies for first-time homebuyers for the former and tax incentives for the latter to reduce construction and other associated costs especially in the affordable housing segment.

In terms of overhang, Sarawak's excess unsold units have shown improvement in 3Q 2024 compared to the same period last year. This is expected to continue in 2025 with no substantial rise in the overhang statistics if developers continue rolling out new housing stock that meet actual market demand, provided also the stable economic conditions experienced in 2024 prevails into 2025.

The situation may however lean towards the opposite end of the scale if high-end properties continue dominating the market or if affordability becomes a greater concern. This will then see Sarawak's overhang number increase in 2025.

As for foreigners' presence in Sarawak, the trend is growing, particularly through the more flexible 3-tier Malaysia My Second Home (MM2H) programme introduced on 15 December 2023. The revitalised programme has attracted the middle-income groups which led to increased interest for relocation and investment into Sarawak's affordable and mid-range properties. While the immediate impact is gradual, the long-term effects on property demand and foreign investment are expected to be significant.

By and large, foreigners such as the retirees, investors and digital nomads are attracted to Sarawak's affordable living, natural beauty and relaxed lifestyle with cities like Kuching and Miri popular for real estate investments and remote work.

The cultural diversity and Sarawak's readily available regional connections also make it an appealing destination to the foreigners for long-term stays and investments.

As mentioned in last year's report, Tabuan Tranquility, Northbank and Stampin in Kuching have been favoured by the foreigners and across the board, properties in these localities saw steady growth in 2024.

The progressive growth has characterised each locality with a unique profile where Tabuan Tranquility appeals more to the middle to upper-income families, Northbank emerging as a commercial and residential hub, and Stampin made up of a mix of affordable housing and local business establishments. As each locality continues to shape up as distinct preferred locations for the different profiles of foreigners, local residents and investors alike, the three localities can look back and thank the improved infrastructure, its strategic central locations and the ongoing developments as factors that have motivated this growth.

Speaking of developments, Kuching's transportation modernisation plan under the Kuching Urban Transportation System (KUTS) which includes the Autonomous Rapid Transit (ART) system are set to elevate the stature of the city to another level and possibly ahead of her peers in the Peninsular. Supported by a station within a township located along the revamped Kuching-Samarahan Expressway, the pioneering ART system will form a pillar of the transportation network to ensure efficient connectivity, especially to key urban areas and provide direct access to the upcoming education and health hubs in the Samarahan region.

Another good news is the establishment of a private specialist hospital in the near future that will add on to the already robust appeal of the Northbank commercial zone.

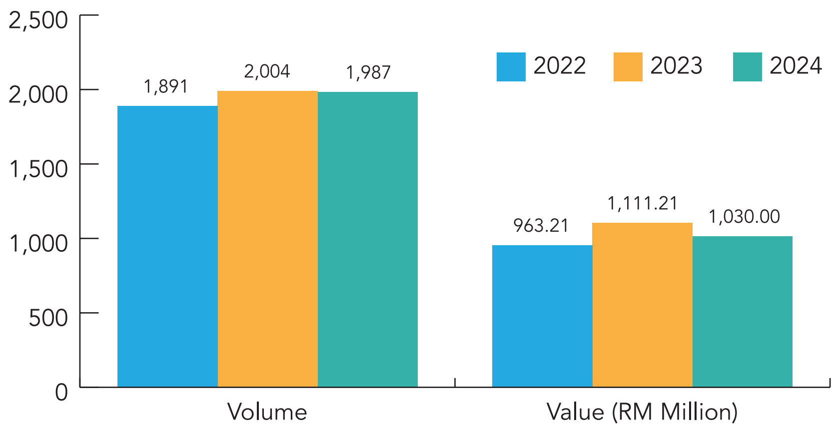
Looking ahead, Sarawak's residential market will experience steady growth in 2025, driven by affordable housing demand, foreign investments and the ongoing infrastructure development. The market will remain stable, with a focus on mixed-use and sustainable developments.

## Commercial Review & Outlook

Performance of the commercial property market in the period under review saw the volume of transactions contracting by 0.9% (from 2,004 to 1,987 units) while value of transactions eroded further by 7.3% (from RM1.2 billion to RM1.0 billion).

The decrease may be attributed to factors like economic uncertainties, higher interest rates, low yields, slower business growth and a possible oversupply of certain types of commercial properties.

**Volume & Value of Commercial Transactions in Sarawak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

Despite the contraction, the RM500,001 to RM1 million category grew by 5.5% in the period under observation while the RM400,001 to RM500,000 category enjoyed the steepest climb at 12.2%, representing 23 transactions.

Amidst the downtrend, there was a sudden rise of overhang in Sarawak's commercial property market. Year-on-year to 3Q 2024, it registered a 17.5% (from 2,425 units to 2,849 units) and 12.8% (RM1.3 to RM1.4 billion) increase in volume and value of overhang commercial properties respectively.

Over in the purpose-built offices (PBOs) sub-sector, no transactions were recorded in the period under observation in 2024.

Occupancy measured up to H1 2024 however recorded 90.1% (occupying 757,013 sq metres from a total space of 840,127 sq metres) which is a drop from 91.6% (occupying 759,519 sq metres from a total of 828,753 sq metres) in H1 2023. Rental value remains stable from H2 2023 to H1 2024 ranging from RM10.70 per sq metre to RM61.00 per sq metre.

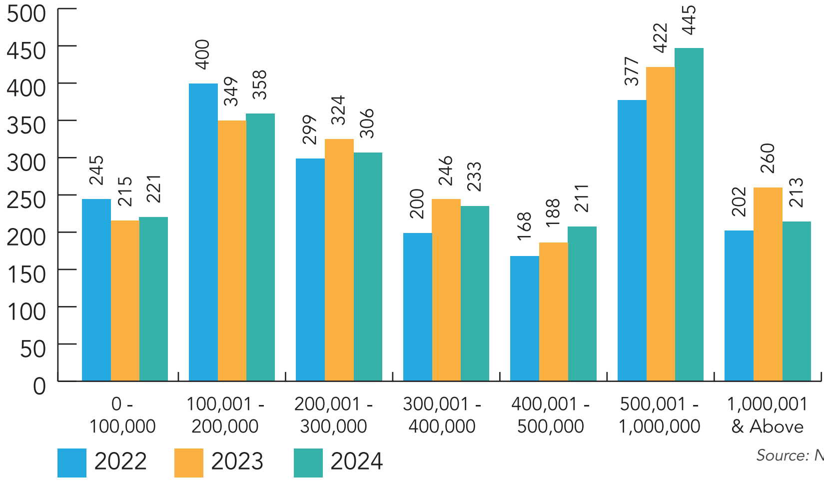
In 2025, it is anticipated that plans like the Digital Economy Blueprint and the National Infrastructure Plan will help improve Sarawak's PBO market owing to the better infrastructure, increasing demand for modern and eco-friendly offices and economic growth, which in turn will also attract more foreign investments into cities like Kuching and Miri, and increase demand for offices in the process.

On the whole, Sarawak's commercial property market is expected to grow moderately in 2025, driven by economic recovery, demand for flexible workspaces, growth in e-commerce and the better infrastructure. The PBOs sub-sector on the other hand will see a rise in flexible workspaces, sustainable office buildings and tech-enabled offices. Mixed-use developments combining work, living and leisure spaces will also become more popular.

## Retail Review & Outlook

In Sarawak's retail sub-sector, occupancy rate of retail spaces in shopping malls as of 3Q 2024 stood at 76.8%. This is considered stable in comparison to the same period last year. The stability is expected to persist into 2025.

**Volume of Commercial Transactions by Price Range in Sarawak (Jan-Sep 2022 to 2024)**




*Source: NAPIC*

## Hospitality Review & Outlook

As of August 2024, Sarawak has more than 22,000 hotel rooms across its major cities of Kuching, Miri, Bintulu and Sibu. This is according to John Teo, the Sarawak Chapter Chairman of the Malaysian Association of Hotels (MAH).

In Kuching, there are approximately 8,320 rooms, with 6,626 rooms in 48 star-rated hotels and 1,694 rooms in 45 budget inns. The average occupancy rate in Kuching is 63%, ranging from 33% to 92%.

A major highlight in Kuching in 2024 was the grand opening of the Sheraton Hotel in February. The capital city is also expected to add six more hotels by 2027.

The Borneo Convention Centre Kuching (BCCK) will also undergo construction to double its seating capacity to 10,000 guests. This is expected to be completed by 2027.

Over in Miri, there are about 6,000 rooms, with 3,599 in 23 star-rated hotels and 2,301 in 95 budget inns. The city's year-to-date hotel occupancy rate averages 55%, with Bruneians being the largest group of tourists, followed by visitors from Malaysia, Singapore, China, Taiwan, Korea, Japan and Europe.

New developments in Miri include the City Rise Hotel, with the Eastwood Golf & Resort expected to open by the end of 2024.

In Bintulu, there are 4,521 rooms, with 3,861 rooms in 46 star-rated hotels and 660 rooms in 18 budget inns. Occupancy rates range between 72% and 95%, driven largely by workers in the oil & gas industry. Additional hotels are expected in Bintulu's Samalaju area owing to the ongoing industrial projects.

In Sibu, there are approximately 2,807 rooms, with 1,716 rooms in 18 star-rated hotels and 1,091 rooms in over 20 budget inns. The average occupancy rate in Sibu ranges between 30% and 46%, fueled primarily by domestic business travelers.

As per years past, Sarawak was again featured in Malaysia's premier travel exhibition, MATTA Fair, in Kuala Lumpur from 6 to 8 September 2024. Exhibiting under the "Gateway to Borneo" theme, Sarawak's tourism appeal was showcased among the country's flagship travel fair's 1,592 booths to promote the region's key tourist attractions, hotels and local products, further boosting the state's tourism and hospitality sectors.

In 2025, the hospitality sub-sector in Sarawak is anticipated to thrive, fueled by ongoing developments, a boost in tourism and the growth of the regional economy. With the State Government promoting Sarawak as a tourist destination, it is projecting 5 million tourist arrivals for the full calendar year.

## Industrial Review & Outlook

Unlike the rest of the property market, Sarawak's industrial sub-sector expanded by 7.0% and 16.7% in the volume and value of transactions respectively in the first nine months of 2024 against the same period in 2023.

There was growth in transactional volume across all price categories in the period under review with the exception of the below RM100,000 and the RM200,001 to RM300,000 categories which declined by 20% and 10.4% respectively.

The above RM1 million category recorded the highest growth with 16.1% followed by the RM400,001 to RM500,000 with 14.3% and the RM500,001 to RM1 million with 8.3%. This is indicative of Sarawak's robust industrial property market amidst the lower transactional statistics for the state's overall property market.

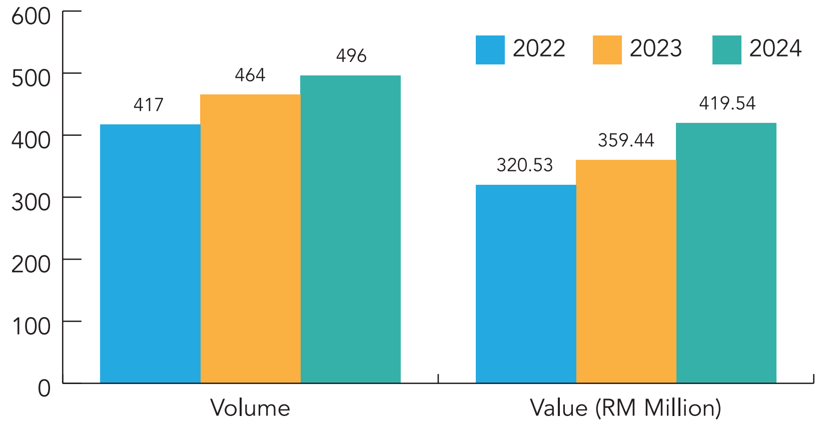
The most favourable industrial property type is the semi-detached factories/warehouses which are typically priced above RM1 million. They are ideal for medium scale businesses that need the space for manufacturing, storage or distribution.

Supported by Sarawak's active industrial market, the state's overhang industrial statistics has since decreased from those observed in 3Q 2024.

Some of the major news that have occurred in Sarawak's industrial market in 2024 are:

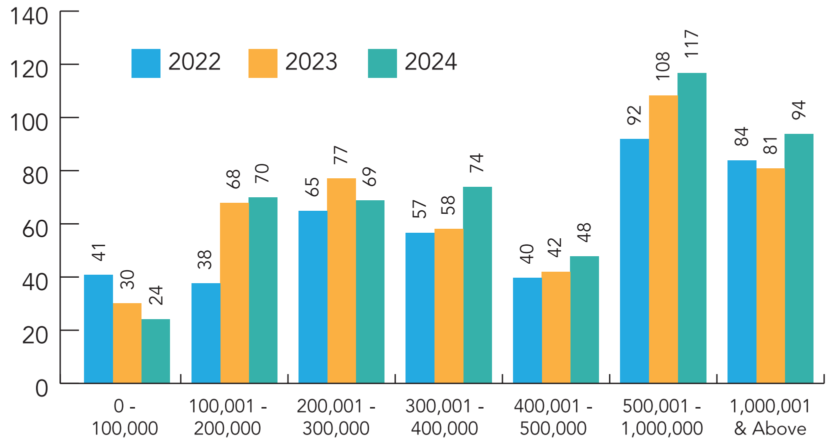
- The appointment of state-owned company Petroleum Sarawak Bhd (Petros) in February as Sarawak's sole gas aggregator.
- Hock Seng Lee (HSL) unveiled the New Vista Industrial Park (VIP) at the Premier Business Park in the city centre offering spacious three-storey units equipped with heavy-duty internal lifts.
- Melexis, a global microelectronics engineering company, opened its largest wafer testing site worldwide in Kuching. This expansion signals the company's commitment to meeting the increasing demand for semiconductors and strengthening its presence in the Asia-Pacific region.
- The establishment of Sarawak's first Bio-Industrial Park in Kota Samarahan with a focus to develop bio-based products in 2027. It will be one of the catalysts to drive Sarawak's economic growth, especially in the Kota Samarahan area.

**Volume & Value of Industrial Transactions in Sarawak (Jan-Sep 2022 to 2024)**




Source: NAPIC

**Volume of Industrial Transactions by Price Range in Sarawak (Jan-Sep 2022 to 2024)**




Source: NAPIC

Aside from the above, federal government plans such as the New Industrial Master Plan 2030 (NIMP 2030) is expected to significantly reshape Sarawak's industrial property market in 2025.

The NIMP2030 is expected to drive the expansion of industrial zones, especially in Samalaju, Bintulu and Kuching, not forgetting attracting foreign investments in the green technology and advanced manufacturing sectors. Among NIMP 2030's key focuses are fostering a productive environment for the high-tech industries and sustainable development that will be supported by a competent skilled workforce. The improved infrastructure in Sarawak is hence anticipated to boost connectivity while the demand for modern industrial properties will further solidify its position as a key regional industrial hub.

Sarawak's industrial property market will see significant growth in 2025 driven by the expansion of industrial zones, particularly in Samalaju, Bintulu and Kuching.

HENRY BUTCHER
ART AUCTIONEERS

# Malaysian & Southeast Asian Art Auction

## 20 APRIL 2025, 1PM

Venue: Hall 1 – 3, Level M, Menara KEN TTDI

YUSOF GHANI
*left* *Topeng 1*, 1992, mixed media on canvas, 152 x 138cm
*right* *Siri Topeng Watiqah,* 1995, oil on canvas, 122 x 122cm

| | | |
|---|---|---|
| 2016 | **RM 2.4** | million auction sales |
| 2017 | **RM 3.3** | million auction sales |
| 2018 | **RM 5.8** | million auction sales |
| 2019 | **RM 8.3** | million auction sales |
| 2020 | **RM 8.5** | million auction sales |
| 2021 | **RM 11.6** | million auction sales |
| 2022 | **RM 8.4** | million auction sales |
| 2023 | **RM 8.9** | million auction sales |
| 2024 | **RM 7.6** | million auction sales |

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