HENRY BUTCHER MALAYSIA
International Asset Consultants

MALAYSIA PROPERTY OUTLOOK 2023

HB PERSPECTIVE
by Henry Butcher Malaysia

HENRY BUTCHER
ART AUCTIONEERS

Malaysian & Southeast Asian Art Auction

March 2023

ABDUL LATIFF MOHIDIN
Mindscape 31, 1983
oil on canvas, 57 x 53cm, estimate **RM160,000 - 250,000**

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** million auction sales

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FOREWORD

2023 – A Stronger & More Sustainable Recovery Post-GE15?

The past three years have been a trying time for the country which has not only seen its public health sector overwhelmed by the Covid-19 pandemic but also witnessed the fall of a democratically elected government. This was after part of the coalition which won the elections in 2018, broke away in what is now known as the "Sheraton Move", and teamed up with the then opposition to form a new government. The new administration set up thereafter was nevertheless plagued by backstage power plays and political manoeuvrings which saw two prime ministers taking charge, each for a tenure not exceeding 18 months.

A new Unity Government has now been formed by a coalition of parties across both sides of the political divide and headed by a new prime minister from Pakatan Harapan after the votes have been cast and counted in the 15th General Elections (GE15). The new prime minister, Datuk Seri Anwar Ibrahim, has successfully proved his command of the majority of MPs after calling for and surviving a vote of confidence in his leadership. This will hopefully pave the way for a stronger and more stable government, focusing more energies on the economy as well as instituting necessary structural policy changes and reforms to bring the country to the next level of development.

Prior to GE15, the country has also managed to keep the Covid-19 infection rate under control with the successful rollout and implementation of a nationwide vaccination programme, and has emerged from the pandemic phase with life returning to near normal with stringent SOPs having been phased out. The stage is now set for a sustained recovery of the property market which has shown signs of coming out of the slowdown caused by the lockdowns and restrictions imposed during the pandemic phase of Covid-19 in 2020 and early 2021.

The overall volume of property transactions registered for the first nine months of 2022 showed a 45.8% increase over the corresponding period in 2021 whilst the value of transactions rose 33.6%. Undoubtedly, 2022 will end with a good showing with a double-digit growth in both volume and value of transactions but will the growth momentum continue into 2023 under the new administration?

We believe the property market should continue to improve and grow stronger in the new year. However, we should also take note of a number of dark clouds in the horizon which could have a negative impact on the country's economic growth as well as the property market.

Slight Showers or Thunderstorms?

The Russia-Ukraine conflict which led to the US and its western allies imposing various sanctions and restrictions on trade and diplomatic relations with Russia, has created supply chain disruptions, resulting in shortages of food, crude oil, gas and raw materials

causing prices to spiral upwards. This has an adverse impact on industrial production and worsened inflationary pressures as people struggled to cope with the shortages as well as the substantial rise in prices of gas, petrol, food and other daily necessities.

Many well-known economists have predicted that there is a strong likelihood of a global recession happening in 2023 and if this materialises, there will be a negative impact on Malaysia, whose economy is heavily dependent on international trade. In turn, if the country's economic growth slows down, there will be less optimism amongst investors and consumers and this could affect the recovery of the property market.

Nevertheless, our local economists believe that even if there is a global recession, Malaysia, although recording a slower economic growth, will likely be able to steer clear of a recession. The outstanding trade performance and increase in FDI inflows into the country over the past year will help to cushion the country against any global economic meltdown.

Secondly, the Unity Government formed after GE15 comprises parties which have been opposing each other for years, it is therefore still not certain whether they will be able to work together and remain aligned with each other to see out the five year mandate given to them. The opposition will always be on the lookout for opportunities to bring down the government and this will create destabilising factors which will not be good for the economy and the property market in the long term.

The rise in construction costs due to the current labour shortage as well as substantial increase in building material prices over the past few years will also remain a dark shadow lurking in the background for the property industry. Some developers have opted to take a cautious stance and deferred new project launchings or reduced the size of their launches until the situation becomes clearer unless market feedback indicates that there will be a good response for their projects.

The residential property sector should continue its recovery in 2023 but its momentum will likely taper off somewhat due to the strong economic headwinds which the country is likely to face in the coming year. The retail and hospitality sectors have seen a vast improvement since its darkest days at the height of the pandemic in 2020/early 2021 and should continue to sail smoothly into the new year, albeit at a slower speed.

The industrial property sector will continue to ride on its current growth momentum although the prospects of a global recession next year and the increase in the number of developers embarking on industrial property projects over the past three years which will lead to a substantial increase in supply are factors which have to be borne in mind as they may slow down the growth of the sector.

This issue of our annual property market report is the third produced under our HB Perspective series and we hope we have been able to provide some useful insights into how we envisage the property market will perform in 2023.

Lastly, we would like to wish all our business partners, clients and associates, a smooth sailing, meaningful and rewarding year ahead.

Tang Chee Meng

Chief Operating Officer

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International Asset Consultants

HB Perspective 2023 is a Malaysian property market report published by **Henry Butcher Malaysia Group of Companies**.

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

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GLOBAL RECESSION & DOMESTIC PRESSURES WEIGH ON 2023 RECOVERY

NAPIC's data showed promises but global economic concerns could disrupt solid curves.

Overview of the Malaysian Property Market in 2022

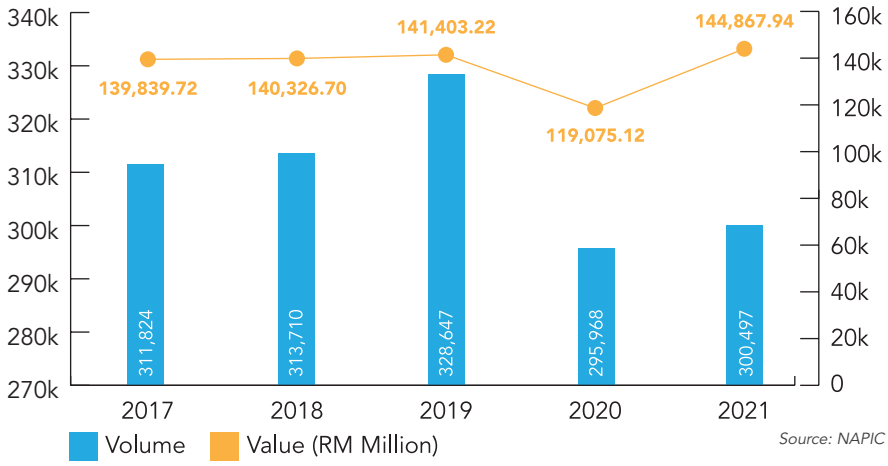
The Malaysian property market was able to stage a quick recovery from the pandemic induced slowdown in 2020 as statistics compiled by the Valuation & Property Services Department of the Ministry of Finance (JPPH) indicated that the volume and value of property transactions recorded an improvement in 2021, a trend which continued well into 2022.

Overall Market Performance

The volume of overall property transactions in Malaysia registered a marginal increase of 1.5% to reach 300,497 units in the full year of 2021 whilst the value of the transactions rebounded by 21.7% to record RM144.9 billion.

Following that, the recovery of the market picked up further in the first nine months of 2022 with the overall volume of transactions recording an increase of 45.8% to 293,206 units whilst the value of transactions chalked up an increase of 33.6% to RM131 billion. Coming on the back of this growth pattern, the full year of 2022 should witness a double digit increase in both the volume and value of transactions.

Malaysia - Overall Volume & Value of Transactions (2017-2021)



Source: NAPIC

Overall Volume & Value of Property Transactions, Malaysia (Jan-Sep 2020 to 2022)

Overall Volume of Transactions (Units)		
2020	**2021**	**2022**
204,708	201,035	293,206
Overall Value of Transactions (RM Million)		
2020	**2021**	**2022**
80,713.24	98,013.76	131,026.52

Source: NAPIC

Residential Property Sector

The performance of the residential property market in Malaysia showed a significant improvement in the first nine months of 2022 as the volume of transactions climbed 34.6% to 181,167 units compared to the corresponding period in 2021 whilst the value of the transactions went up by 34.8% to RM70.5 billion, building on the momentum of the recovery which started in 2021 despite the two Home Ownership Campaigns (HOC) having come to an end and superseding the numbers set before the pandemic.

In line with the recovery, the value of loans approved by commercial banks according to Bank Negara Malaysia for the purchase of residential properties registered a strong growth in 2022, with the four-month period of July to October alone witnessing a 35% increase compared to the same period in 2021.

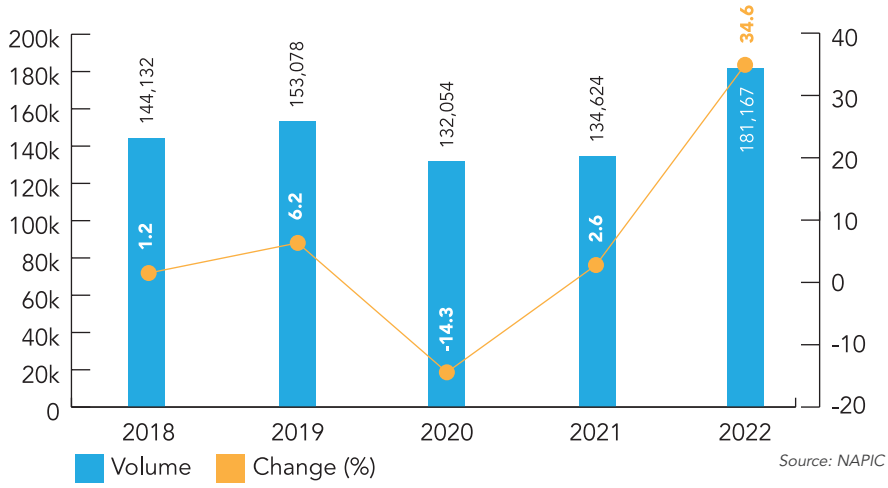
Based on NAPIC's latest available statistics, the number of new residential units launched nationwide declined marginally in the first nine months of 2022, from 29,556 units to 29,052 units. The sales performance over this period also recorded a slight decline from 34% to 33%.

Meanwhile, REHDA's (Real Estate and Housing Developers' Association Malaysia) Property Industry Survey 1H2022 revealed that the number of new launches saw a decline of 26% to 7,845 units in the first half of 2022 whilst the sales performance eased by 5% to 45%. The survey also revealed that, in the face of rising construction costs, developers have taken various steps including rescheduling and scaling down the size of new launches.

The residential property overhang on the other hand moderated to 29,534 units worth RM19.9 billion as at Q3 2022. At the same time, there were another 25,948 units of overhang sohos and service apartments worth a total of RM21.6 billion. Johor tops the list with the highest number of overhang residential units followed by Penang, Selangor and Kuala Lumpur.

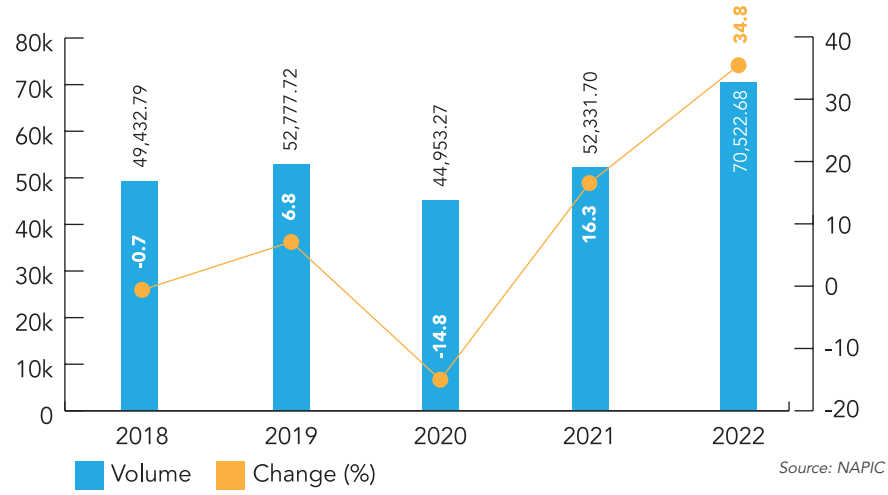
It is interesting to note that high-rises form the majority of the overhang (64%) whilst homes priced under RM300,000 contributed 24% and those priced

Volume of Residential Transactions (Jan-Sep 2018 to 2022)



Source: NAPIC

Value of Residential Transactions (Jan-Sep 2018 to 2022)



Source: NAPIC

Value of Residential Loans Approved from 2017 to October 2022 (RM millions)

Year/Month	2017	2018	2019	2020	2021	2022
Jan	6,589	7,916	8,222	7,055	8,885	13,149
Feb	6,515	6,588	6,104	7,209	8,356	10,462
Mar	9,230	8,479	8,830	6,416	10,872	16,719
Apr	8,342	9,002	10,262	2,495	12,573	16,853
May	9,337	8,225	10,881	3,412	12,019	16,240
Jun	8,498	8,475	9,637	6,253	10,545	18,965
Jul	8,925	9,174	11,118	9,117	11,563	17,018
Aug	9,810	8,954	10,474	9,855	8,961	17,421
Sep	8,343	8,608	8,935	10,797	11,563	14,840
Oct	9,202	10,607	10,336	10,936	14,527	13,798
Nov	9,401	9,042	9,386	10,308	16,935	n/a
Dec	7,327	7,724	8,381	9,270	17,551	n/a
Total	**101,519**	**102,794**	**112,566**	**93,123**	**144,350**	**n/a**

NB: there was a change in the way the statistics were compiled & presented by Bank Negara Malaysia wef July 2021 and so no proper comparison can be made with statistics before this change due to the difference in basis.
Source: Bank Negara Malaysia

between RM300,000 to RM500,000 formed another 29%. Perhaps the relevant authorities should carry out a more in-depth study to understand the rationale behind the high inventory of affordably priced homes, under RM500,000, are left unsold even after completion.

If the targeted buyers are financially not in a position to buy homes even at the lower price range, perhaps the authorities could look into other ways of putting a roof over the heads of these groups of buyers in the B40 and M40 categories eg. build & rent or rent-to-buy. If the study suggests that the location is too far from the target buyers' workplaces or social amenities like schools and shopping conveniences, then due consideration should be given to these important factors before proceeding with any project.

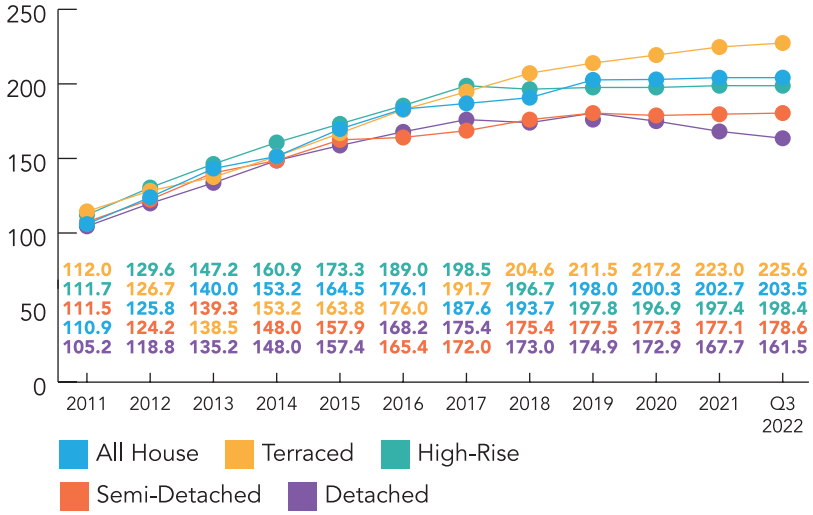
The Malaysian House Price Index (MHPI) which has always been registering positive growth throughout the years saw the rate of increase begin to slow down in 2017. The MHPI grew by only 0.7% year-on-year in the first half of 2022 compared to the double digit growth that it enjoyed ten years ago.

On a quarter-to-quarter basis, the MHPI registered a decline in the third quarter of 2022 to 203.5 points, down from 207.8 points in the previous quarter. The average house price meanwhile softened 2% from RM448,418 in Q2 to RM438,967 as at Q3 2022. All residential types recorded marginal increases in Q3 2022 except for detached houses which registered a decline in the price index from 167.7 in 2021 to 161.5 as at Q3 2022.

Based on NAPIC's data, it is also noted that average house prices declined in Q3 2022 compared to the same period in 2021. Average prices of terraced houses eased by 2.2% whilst that of high-rises declined by 1.5%, semi-detached by 2.9% and detached by 1.7%.

Budget 2023 which was tabled just before parliament was dissolved did not contain any substantial incentives for the property sector and it is left to be seen whether the new Minister of Finance who is also the incumbent Prime Minister Datuk Seri Anwar Ibrahim will add more goodies for the sector when he re-tables the budget in early 2023.

Malaysian House Price Index by Type (2011 to Q3 2022)



Residential - Factors to Watch in 2023

- Bank Negara Malaysia (BNM) has raised the overnight policy rate (OPR) four times in 2022 and this has increased borrowing costs for the purchase of property. Economists are of the view that there may still be further increases in 2023 before BNM feels it has reached the limit for interest rate increases in its effort to control inflation.
- The conclusion of the 15th General Elections (GE15) and the formation of a Unity Government will hopefully put a stop to the political instability of the past three years and create an environment conducive enough to attract more investors, promote economic growth and the people's well-being.
- The new government will have the opportunity to review and improve proposals made in Budget 2023 tabled by the previous administration but yet to be debated or approved by the parliament.
- The increase in construction costs have compelled property developers to be more cautious and delay or stagger new launches into smaller phases until they see signs of a stronger recovery in the property market.
- Labour shortage is affecting the construction industry and this has resulted in not only delays in completing projects but also increase in construction costs.
- Some international economists have predicted a global recession in 2023. If their predictions come true, Malaysia's economy will be impacted and this will ultimately affect the property market negatively. However, local economists believe Malaysia will not enter a recession although the rate of growth is expected to slow down.
- The residential property market is expected to face some headwinds & challenging conditions in 2023 and will probably register a slight slowdown in its pace of growth but it is not likely to reverse gears along its recovery path.

Residential - Bright Spots for 2023

- The focus of the residential property market in 2023 will continue to be on:
  - landed residential properties;
  - affordable high-rise apartments around and under RM500,000;
  - smaller sized units which brings down the absolute price of the unit; and
  - niche high-end projects in good locations.
- The removal of the strict MCO (Movement Control Order) SOPs and allowing foreigners to enter the country without having to quarantine for a period of time will help boost not only the retail, leisure and entertainment industries but also probably the property sector.
- The beginning of China's move to relax its strict zero-Covid policy will help boost economic growth of the country and this will have beneficial spin-off effects to Malaysia. China is Malaysia's largest trading partner.

Retail Sector

The Malaysian retail sector was badly affected by the pandemic hit years of 2020/2021 when the strict SOPs implemented by the government to curb the spread of the Covid-19 virus resulted in the closure of shops and malls, and the consequent significant drop in shopper traffic. Retailers of non-essential goods and services suffered the most and many, who were unable to continue paying rents and staff salaries, were forced to downsize or close down altogether. Retailers who were able to innovate and use non-traditional means like online and delivery platforms survived through the darkest hours of the pandemic.

When the country exited the pandemic phase and loosened the strict SOPs put in place during the various forms of MCO (Movement Control Order), retailers were able to breathe a sigh of relief and start on a long journey of recovery. It first began with domestic travel, and followed by international travel, movement restrictions that were lifted one after another allowed shopping traffic to recover. Only then could the retail industry ease out of the worst performing period in history. Although footfalls in malls improved significantly thereafter, occupancy and rental rates have yet to bounce back to pre-Covid-19 levels.

As at Q3 2022, there were a total of 1,069 shopping malls with a total nett floor area of 17.44 million sq ft in Malaysia. The average occupancy rate of these malls stood at 75.2%, continuing the decline which began when the pandemic hit the country in 2020.

The retail sector recorded a strong recovery in 2022 as retail sales hit double digit growth with the highest expansion recorded in Q3 2022. However, it has to be pointed out that this performance was achieved on the back of a low base due to the poor performance recorded during the pandemic period of the past two years. Overall, retail sales is projected by Retail Group Malaysia to grow by around 41.6% for the full year of 2022.

Number of Malls & Supply of Retail Space in Malaysia as at Q3 2022

Total Nett Floor Area/Year	2020	2021	2022
Existing Space (sqm)	16,840,379	16,875,246	17,440,890
Space Occupied (sqm)	13,051,294	12,926,438	13,115,549
% Occupancy	77.5	76.5	75.2

Source: NAPIC

Malaysia - Retail Sales & Other Economic Performances 2022

Economic Indicator (%)	Q1	Q2	Q3	Q4	Whole Year
Retail Sales	18.3	62.5	96.0	(e) 6.0	(e) 41.6
GDP	5.0	8.9	14.2	NA	NA
Private Consumption	5.5	18.3	15.1	NA	NA
Inflation Rate	2.2	2.8	4.5	NA	NA

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

Quarterly Retail Sales Performances

In Q1 2022, the Malaysian retail industry recorded a promising growth rate of 18.3% in retail sales compared to the same period in 2021. Shopping traffic returned in all major shopping malls and commercial centres across the country. In addition, the Chinese New Year festival (from early January to mid-February) and domestic tourism contributed to higher retail sales.

In Q2 2022, the industry recorded an all-time high growth rate of 62.5% in retail sales compared to the same period a year ago. This is attributed to the Hari Raya festival, relaxation of Covid-19 SOPs and the forced closures of many retail shops in May and June 2021. Shopping traffic in major shopping malls remained high two weeks after the holidays.

The high growth rate in Q2 2022 was also lifted by the low base from the partial lockdown in May to the full lockdown in June 2021, which coincided with MCO 3.0 imposed from 3 to 31 May 2021.

In Q3 2022, the industry recorded an impressive growth rate of 96.0% in retail sales. All retail businesses were operating with limited social distancing measures and operated at full capacity. Shoppers from all over Malaysia returned to physical stores and businesses of most retailers rebounded.

After two years of lockdown, many Malaysians travelled around the country for holidays, visited family members and relatives, as well as caught up with friends. Retail shops in tourist areas and small towns enjoyed brisk business.

Retail Group Malaysia (RGM) estimated the growth rate for Q4 2022 to be 6.0%. This forecast took into consideration the high base of 26.5% a year ago and the current challenges facing the retail industry. Retailers in Malaysia were hopeful that the retail industry will continue to recover at the end of 2022 due to Christmas and Chinese New Year (end January 2023).

RGM also estimates the growth rate for the full year of 2022 to be 41.6%, which is unprecedented and unlikely to happen again unless another forced closure of retail shops occurs

Malaysian Tourism

Malaysia re-opened its border to international tourists from 1 April 2022 as the government eased Covid-19 testing requirements upon arrival from 1 May 2022. For the first nine months of 2022, Malaysia received 5.5 million foreign tourists.

When Malaysia reopened the international borders on 1 April, the initial target was 2 million foreign tourist arrivals in 2022. This was later revised to 4.5 million foreign tourists in July. The latest target for the entire year by the Ministry of Tourism, Arts and Culture (MOTAC) was 9.2 million foreign tourists. This is however still way below the foreign tourist arrivals in 2019 at 26.1 million.

In 2023, the Malaysian government aims to attract 15 million foreign tourists with tourism receipts of RM47.6 billion in 2023. Various incentives to boost the tourism industry were announced during the tabling of Budget 2023 in October 2022.

For example, RM25 million was allocated in terms of discounts and vouchers to spur domestic travel among Malaysians while another RM200 million was set aside for tourism promotion to encourage more international tourist arrival. These allocations may however be changed after a new Federal Government has been formed after GE15.

In the public space, renowned travel media Lonely Planet had also in November 2022 unveiled a 30 must-visit destinations listing for 2023 through its annual Best in Travel list. Kuala Lumpur was mentioned among the five destinations in the publication's Best n Travel 2023: Eat Category.

Retail Outlook 2023

The biggest challenges facing the retail industry are the substantial rise in prices of goods and services, the shortage of staff, the increased supply of retail floor space, the impending completion of a number of new malls especially in the Klang Valley and the possibility of a global economic slowdown which will hurt the country's economy and lead to consumers turning cautious in their spending.

The lifting of travel restrictions after China relaxed its zero-Covid policy is good news as it could result in an increase of tourist arrivals to the country which in turn, could lead to more footfalls and sales recorded by malls in the main cities visited by the Chinese tourists.

The conclusion of GE15 and the forming of a Unity Government and the resultant return to political stability for the country also augurs well for businesses. If the calmer political situation can be sustained for the full term of the present government, this would help to promote consumer confidence and spending.

Overall, the retail sector should continue to see an improvement in 2023 but the pace of growth could be affected by the global recession, which hinges on its severity and duration, and whether it will happen as predicted by some economists.

Retail - Factors to Watch in 2023

- Domestic shoppers' purchasing power may be curtailed by continuous inflation and the rising interest rates.
- With the possible heightened number of arrivals, the government must also be vigilant in protecting the country from new variants of the Covid-19 virus or another type of viral outbreak.
- Malaysia may emerge as one of the better and more viable destinations for international travellers given the competitive value of the Ringgit.

Retail - Bright Spots for 2023

- China's easing of the zero-Covid policy is set to open the doors to Chinese tourists into Malaysia again, raising retail activity as part of the tourism itinerary. At the same time, concerns have been expressed by some quarters that the influx of tourists from China, if not properly handled, could result in a new wave of Covid-19 infections in the country and if this happens, may lead to the re-implementation of some of the strict SOPs adopted during the MCOs. This would then have a negative impact on the retail as well as hospitality sectors.
- Entry of new international retailers especially in Klang Valley will usher in a new kind of interest from domestic to international patrons.
- Stability of the new government may instill more confidence into the market and thereby raising spending at the retail outlets.

Office Sector

The total supply of privately owned purpose-built offices in the country stood at 18.20 million sq metres as at Q3 2022 whilst the occupancy rate was recorded at 71.1%. The office sector continued to record a decline in occupancy rates due to the substantial increase in supply without any corresponding increase in demand. Nevertheless, different states performed differently, depending on the supply and demand situation of each state.

Whilst certain states like Terengganu and Kelantan have a limited supply of purpose-built office buildings (as most offices are located inside shop-offices) but continue to sustain stable occupancy rates, states like Selangor and Kuala Lumpur have seen the supply of PBOs recording substantial increases over the years and witnessing a steady decline in occupancy rates. In particular, with businesses badly affected during the pandemic period and with companies reducing headcounts including switching to a hybrid work arrangement, demand for office space has declined over the past three years. Nevertheless, rental rates which registered a drop in 2020/2021 appeared to have stabilised in 2021/2022 with the reopening of the economy and a return to normality.

The outlook for the office sector will be mixed, with states which have insignificant new PBOs being built continuing to enjoy stable occupancy and rental rates while states with many new office buildings under construction will see a substantial increase in supply of new office space to their markets over the next few years and will then face increasing pressure on occupancy and rental rates.

The possibility of a global recession next year will aggravate the situation unless the government is able to manage the situation well and create an environment conducive to business expansion, which would then lead to an increase in demand for additional office space.

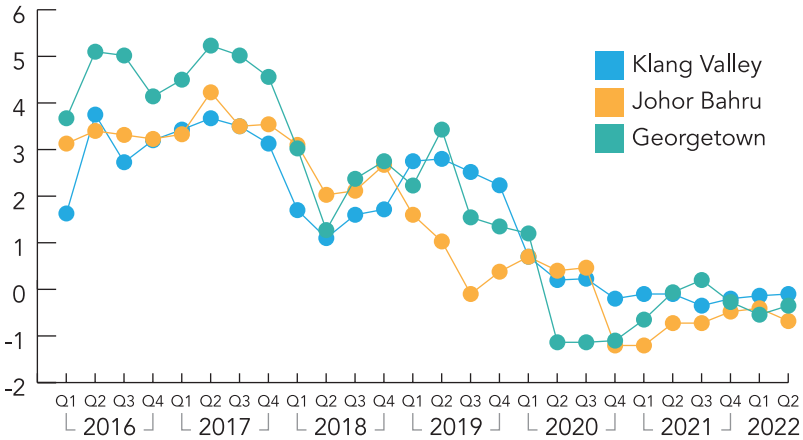
Office - Factors to Watch in 2023

- Concerns of an oversupply of office space in the Klang Valley will continue to be a major issue to contend with and the imminent completion of a number of mega office projects in the coming one to two years will worsen the oversupply situation.
- Companies wary of being caught again in another business slowdown have adopted a more flexible approach and opted for co-working space instead of signing permanent and long term tenancies for expansion purposes.
- Multinationals as well as local companies have placed increasing importance on environmental, social and governance (ESG) policies and in response, more new office buildings will adopt designs complying with this requirement in order to attract such tenants.

Office - Bright Spots for 2023

- The recovery of the economy which led to improved business conditions in 2021/2022 have allowed companies to recover from the business slowdown they suffered during the height of the pandemic. Some companies have done well enough to consider expanding or relocating to bigger office premises and this has generated increased demand for office space.
- The looming oversupply situation may lead to some developers rethinking about their new office projects and shelving or deferring them. This will help alleviate the oversupply situation.
- The first nine months of 2022 have seen an increase in DDIs as well as FDIs into the country. This will spur economic growth which in turn, will lead to business expansion and benefit the office market.
- The growth of fintech companies will spur increased demand for office space.
- More office workers have returned to work in their offices although some companies have continued to adopt a hybrid system of working on-site and work from home.

Purpose-Built Office Rental Trend in Klang Valley, Johor Bahru & George Town (Q1 2016 to Q2 2022)



Source: NAPIC

Industrial Sector

External trade in 2021 recorded the fastest growth since 1994 and reached an all-time high during the year. Total trade for Malaysia in 2021 increased by 24.8% on an annual basis and breached the RM2 trillion mark. Trade performance also continued to remain resilient in 2022 as statistics for total trade, exports, imports and trade surplus for the first eleven months of the year showed a double-digit growth.

Total trade grew by 29.9% to RM2.61 trillion whilst exports expanded by 27.2% to RM1.42 trillion and imports grew by 33.3% to RM1.19 trillion. The trade surplus increased marginally by 2.6% to RM 227.89 billion. Nevertheless, this fine performance may not be sustained in the coming year if a global recession sets in.

FDIs recorded a net inflow of RM24.7 billion for 4Q 2021 and total FDIs for the full year came up to more than RM50 billion, a big improvement over 2020's RM14.6 billion. The momentum has continued into 2022 when total approved investments for the first nine months comprising FDIs and DDIs reached RM193.7 billion.

FDIs remained the major contributor to the total approved investments with a share of 67.5% valued at RM130.7 billion. These statistics should eventually translate into a stronger demand for industrial space.

On the ground, industrial property transactions in Malaysia have registered a sharp increase of 57.5% in volume of transactions to 6,044 units and 34.9% in the value of transactions to RM15.2 billion in the first nine months of 2022 compared to the same period in 2021. This puts the industrial property sector as the best performing sector in Malaysia.

Industrial - Factors to Watch in 2023

- The industrial sector is driven by the e-commerce sub-sector which has generated demand for distribution hubs, warehousing & logistics facilities strategically located near high population areas and served by a good network of highways to enable fast point-to-point delivery to consumers. There has been a huge increase in demand for online transactions since the start of the pandemic (although this has tapered off somewhat in 2022) and this has provided a boost in demand for warehousing & logistics facilities.
- Data centres are still sought after.
- Matured & established areas with good accessibility and proximity to source of labour will remain a popular location for manufacturers or warehouse operators.

Industrial - Bright Spots for 2023

- Consumers have returned to their normal pre-Covid routines and this has led to an improved environment for businesses.
- All economic sectors are now allowed to open and this permits businesses including manufacturers & logistics operators to resume normalised operations.
- International borders have opened up and foreign travellers are allowed into the country without any Covid-19 testing or quarantine. This eases and facilitates business travel.
- Malaysia continued recording good trade performance and this will provide a boost in demand for industrial properties. The positive outlook may however be affected by a global recession.
- The increase in FDIs, especially in the manufacturing industry, is expected to translate into an increase in demand for industrial space/properties.
- Industrial activities are still active and a number of major industrial property transactions have been noted in the course of the past two years.

Hospitality Sector

Since the reopening of Malaysia's international borders in April 2022, international tourists have started returning to the country. Statistics from the Ministry of Tourism, Arts & Culture (MOTAC) showed that the number of tourists in the first seven months of 2022 have exceeded 3 million, which is 23 times that for full year 2021 when the country experienced periods of lockdowns, and 56 times more than the number of tourists in the same period in 2020. This is however still much lower than the figures recorded in the pre-Covid-19 years eg. 25.8 million in 2018 and 26.1 million in 2019. More as such needs to be done by the government to increase the flow of inbound tourists to the country.

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

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

Hospitality - Factors to Watch in 2023

- Domestic tourism will continue to play a big part in boosting hotel occupancy rates in the country.
- With the reopening of international borders, there is an increase in tourist arrivals but the figure is still way below pre-Covid-19 levels.
- After the long periods of lockdowns experienced in 2020/2021 and with the reopening of international borders & easing of quarantine requirements by most countries, Malaysians have started to travel abroad again for their year end annual holidays.
- The possibility of a global recession in 2023 could lead to travel plans being shelved and this may affect inbound tourist arrivals into Malaysia.
- The shortage of labour which has plagued the country over the past year is a major issue faced by the hospitality industry and if not resolved by the new government, it will continue to hamper the industry's recovery and growth.
- A sizable number of new hotels are being built especially in the Klang Valley and when completed over the next few years, will add significantly to the supply of hotel rooms. There is therefore a need for the government to take concerted and proactive steps to promote the country and increase inbound international tourists into the country.

Hospitality - Bright Spots for 2023

- With GE15 over and a new government in place, Malaysia should see improved investment sentiments and this could lead to more foreign businessmen travelling to the country in pursuit of opportunities.
- With the loosening of travel restrictions internationally, this will allow MOTAC to draw up and implement new plans to promote the tourism industry, including reactivating the shelved Visit Malaysia 2020 (VM2020). As it is, the government has revised the arrivals target to 9.2 million for 2022 and 15 million for 2023.

Tourist Arrivals in Malaysia 2021 to July 2022

Month	2021	2022
Jan	8,012	29,797
Feb	7,599	26,760
Mar	9,645	41,496
Apr	9,742	392,059
May	9,156	670,474
Jun	6,459	971,574
Jul	6,203	1,076,218
Aug	8,062	NA
Sep	8,431	NA
Oct	10,684	NA
Nov	14,722	NA
Dec	36,013	NA
Total	**134,728**	**3,208,378**

Source: MOTAC

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

State	2021 (%)	2022 (%)	Increase/ (Decline) (%)
Kuala Lumpur	17.6	38.5	20.9
Putrajaya	24.6	44.0	19.4
Selangor	25.8	42.6	16.8
Penang	14.4	39.6	25.2
Perak	16.3	42.9	26.6
Kedah	13.5	38.4	24.9
Perlis	15.6	37.1	21.5
Negri Sembilan	15.6	33.4	17.8
Melaka	15.9	36.4	20.5
Johor	17.8	42.0	24.2
Pahang	23.1	57.6	34.5
Terengganu	27.6	55.2	27.6
Kelantan	21.3	46.6	25.3
Sabah	12.4	35.4	23.0
Labuan	31.8	35.2	3.4
Sarawak	48.9	45.1	-3.8
Malaysia	**23.2**	**43.6**	**20.4**

Source: Tourism Malaysia

KEDAH

Factors to Watch in 2023

- If construction of the proposed new airport in Sidam can commence in late 2023, then it will be a good catalyst for development in the Sungai Petani, Kuala Ketil and Kulim areas.

Bright Spots in 2023

- Langkawi's appeal as a holiday destination has spurred some property market activity in 2022 and the positive trend is likely to spillover into 2023 with more tourists visiting.

Outlook for 2023

- Kedah's property market is predicted to be stable with a slight increase in the overall values of all properties in 2023.
- Increased activities and a recovery pace in the residential sub-sector in 2023.
- Kedah's hospitality sub-sector is looking at a rising trend in 2023.
- The industrial sub-sector may see sustained and growing interest in 2023 but may not fashion the blistering pace of 2022.

Kedah's property market has been quite stable in 2022 with slight increases in the overall values of all types of properties. This is similar to the prediction made for the state last year in HB Perspective 2022.

Some keen investors have been in search of large tracts of land in 2022 to cater to the construction of solar panels. To meet their requirements, these investors were looking at lands near the TNB national grid. This and more new emerging trends may be what investors can look at in Kedah as they assess opportunities in the state.

Kedah's property market is predicted to be stable with a slight increase in the overall values of all properties in 2023. This is attributed to the decrease in the units completed, new construction starts and new planned supply. All these will collectively induce a hike in the value of existing stock in the market.

There has been no announcements made for any new mega projects that can act as catalysts for Kedah's economy and neither has there been any drawbacks spotted from the existing projects that can impede the state's progress. Should things continue as it is in 2023, it shouldn't pose too much problem to Kedah's property market other than the external factors such as a global economic slowdown.

In the event the slowdown does occur worldwide in 2023, survival will by default become the number one priority for many. Subjective matters like buying a property or splurging on peripheral materials will be relegated as secondary priorities. As the saying goes, "One must have enough money to feed the family first before he can think of investing in a roof above his head".

On the political front, although a new Unity Government has been formed after the 15th General Elections, some instability may still exist since no single coalition won with a convincing majority. As such, participants of the market are encouraged to keep tabs on the political movements, more so when disagreements could easily be triggered between those in power.

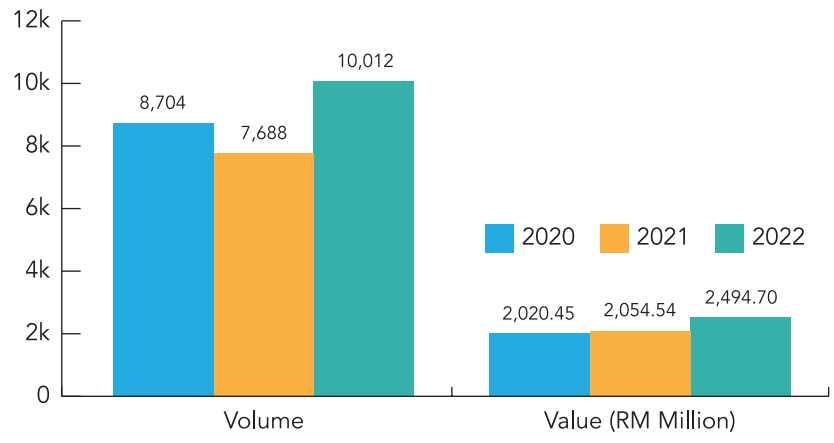
Residential Overview & Outlook

The declining trend of Kedah's residential sub-sector's volume of transactions since 2020 has made a turn for the better with a 30% increase to record 10,012 units in the first nine months of 2022 compared to 7,688 units in the same period last year.

Value of transactions has continued its upward movement since 2020 where in the first nine months of 2022, it recorded a 21% uptick to register RM2.49 billion, compared to RM2.05 billion in the same period in 2021.

Beyond NAPIC's data, there were visible signs of increased activities in the residential market towards Q3 2022 and this positive trend is expected to continue into 2023 with property buyers looking to lock in present day values in light of the rising inflation impacting costs of construction materials, labour etc.

Volume & Value of Residential Transactions in Kedah (Jan-Sep 2020 to 2022)



Source: NAPIC

In terms of price points, Kedah's residential property buyers and investors have shown interest in the below RM1 million category.

In addition to the above and after a long hiatus in 2021 and 2022, it is also highly probable for Kedah's property market to see more new launches taking place in 2023. To encourage better take-up rates, developers may incentivise with special discounts for first time home buyers.

In terms of overhang, there has been a reduction of about 4% in the unsold units in Kedah in 2022. It is envisaged that the number of overhang units will decrease in 2023, in tandem with the decrease in new launches and the newly planned supply.

Moving forward to 2023, Kedah's residential sub-sector will be looking at an upward recovery trend owing to the decreasing unsold units in the market and the rising demand, signalling a recovery is on the cards in the new calendar year.

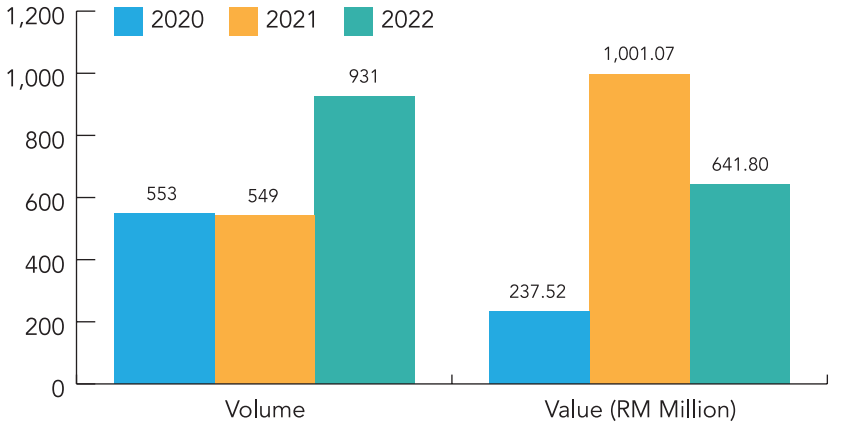
Commercial Overview & Outlook

The limited number of commercial properties (eg. shopping malls etc.) in Kedah means transactions for this type of property are very rare but in the first nine months of 2022, volume of transactions shot up by 69.6% to reach 931 units compared to 549 units in the same period last year.

The value of transactions on the other hand declined by 35.9% to arrive at RM641.8 million, from a high of RM1 billion in the corresponding period in 2021. The giant leap in 2021 was believed to be a RM750 million transaction made for a shopping mall in Kota Setar.

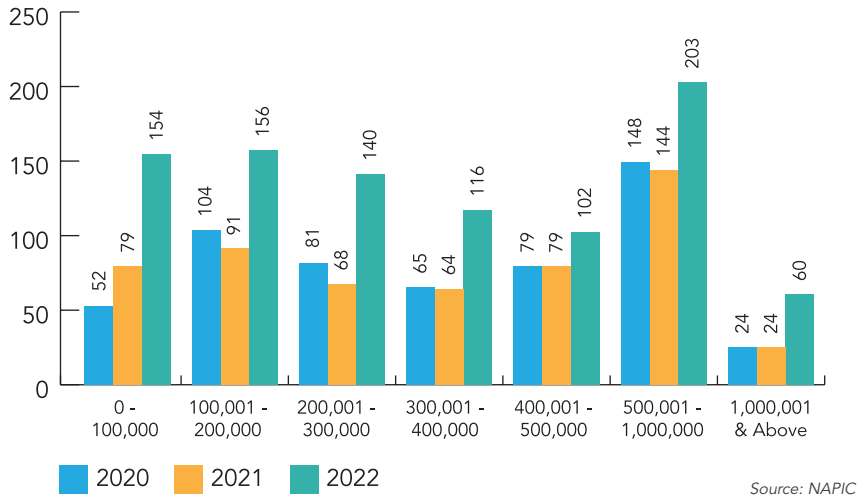
The most popular range of commercial properties in Kedah continues to be in the RM500,001 to RM1 million category clocking in 203 transactions. This is followed by the RM100,001 to RM200,000 price bracket with 156 units exchanging hands and the below RM100,000 category with an almost similar number of 154 units transacted.

Volume & Value of Commercial Transactions in Kedah (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Commercial Transactions By Price Range in Kedah (Jan-Sep 2020 to 2022)



Source: NAPIC

Hospitality Overview & Outlook

Observation in the market showed that most of the hospitality-type commercial properties exchanged hands within the touristy Langkawi Island area. This is likely to be supported by the gradual increase of tourist arrivals in 2022 after the successful first domestic travel bubble implemented from 16 September 2021.

It is hoped this rising trend will continue into 2023 and welcome more arrivals into Langkawi and Kedah as a whole.

Industrial Overview & Outlook

Similar to Kedah's residential and commercial markets, the industrial sub-sector recorded an improved performance in the first nine months of 2022 compared to the same period in 2021. The margin of difference however shows a significantly larger upward movement, at 302% and 486% rise in both its volume and value of transactions respectively.

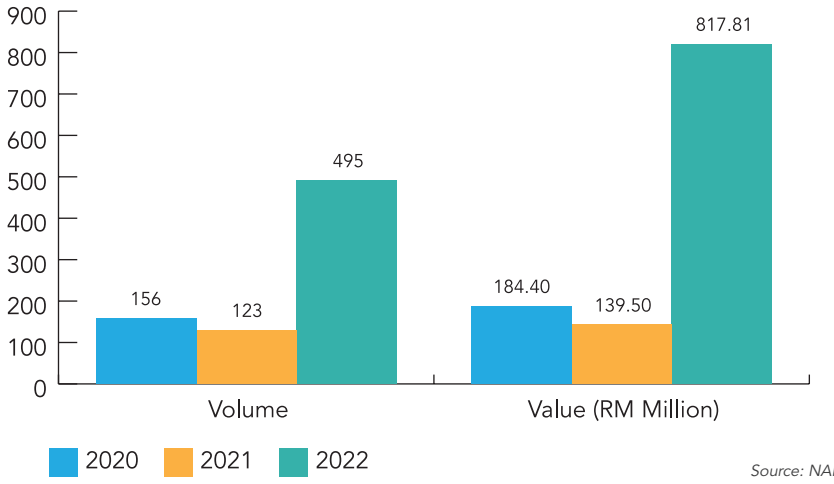
By volume, the increase jumped from 123 to 495 transactions while its value leaped from RM139.5 million to RM817.81 million. The steep increase is due mainly to the higher priced acquisitions where a majority of the transactions came from those priced above RM1 million, a consistent trend in Kedah's industrial sub-sector since 2018.

In terms of property type, the market in 2022 was led by the vacant industrial plots followed by terrace factories/warehouses and the detached factories.

By locality on the other hand, most transactions were concentrated in areas like Kota Setar, Kuala Muda and Kulim.

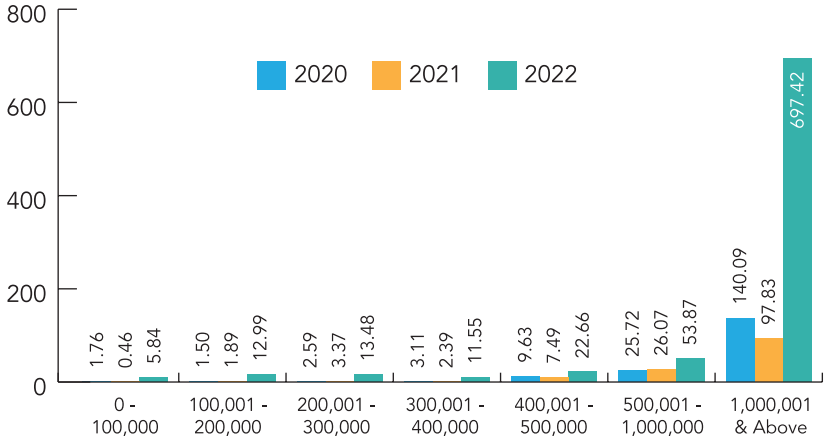
The astounding rise of Kedah's industrial sub-sector will remain a great talking point among property followers in the state since transactions for this category has been on a declining trend since 2019. Should the proposed Kulim Airport come to fruition, 2023 will see a strong increase in activities in the industrial sub-sector.

Volume & Value of Industrial Transactions in Kedah (Jan-Sep 2020 to 2022)



Source: NAPIC

Value of Industrial Transactions By Price Range in Kedah (Jan-Sep 2020 to 2022)



Source: NAPIC

PENANG

Penang Island

The reopening of international borders and the transition to the endemic phase has boosted Penang's tourism and retail sectors, giving rise to a recovery in all sub-sectors with the industrial and tourism related industries as well as services taking the lead.

Performance of the property market in Penang shows a recovery driven by growth in market activity. The state registered 6,399 transactions worth RM3.361 billion, an increase of 59.14% in the volume of transactions and 17.89% in value of transactions compared to Q3 2021. The residential sub-sector continued to lead the overall market, accounting for 76.2% of the total transactions within the state, followed by agriculture (8.8%), commercial (7.5%), development land (5.5%) and industrial (2.0%).

The agricultural sub-sector appeared to have increased the most in Q3 2022 where a total of 560 agricultural properties worth RM249 million have been transacted, representing a sharp increase of 170.5% and 107.8% in volume and value of transactions respectively compared to Q3 2021. This is followed by the residential sub-sector, registering 4,879 transactions worth RM2.208 billion, an increase of 56% volume and 50.4% in value of transactions.

In the commercial sub-sector, there was also an increase in the volume of transactions with about 57.0% rise to record 482 transactions compared to the same quarter in 2021. Its value of transactions however experienced a drop of about 35.10%. A similar trend was also recorded in the industrial sub-sector where a 20% rise in the volume of transactions saw 126 units exchanging hands but in terms of value of transactions, it dropped by 42.4% to approximately RM237.74 million.

Factors to Watch in 2023

Penang Island

- Bank Negara Malaysia (BNM) increased the overnight policy rate (OPR) by four times in 2022 with each at 25 basis points (or 0.25%), impacting interest rates on loans. The OPR was raised on 11 May, 6 July, 8 September and 3 November.

Seberang Perai

- Residential sub-sector continued contributing a lion share of the total volume of transactions of 65.19% followed by the development land at 13.98%.
- Sunway Carnival Mall's expansion opened another 500,000 sq ft of retail space in 2022.
- Sunway Medical Centre Seberang Jaya was completed in 2022. Located within the town centre of Bandar Sunway Seberang Jaya, it is a 9-storey medical centre with 180 beds capacity.

Bright Spots in 2023

Penang Island

- All categories of leasehold land in Penang will be given a discount of between 50% and 90% lease extensions held by the state.
- The Draft Local Plan Pulau Pinang (Island), an official document that contains a list of comprehensive development planning strategies on the island until 2030, was unveiled in Oct 2022, before the 15th General Elections (GE15).
- Penang passed the RM989mil Budget 2023 with the highest allocation of RM172.04 million to the state secretary and chief minister's office. It also covers expenditure on development projects such as the Gurney Wharf (RM60 million), sports & recreational spaces (RM18.9 million), Penang Transport Master Plan (RM17.23 million) and affordable homes (RM8.67 million).

Seberang Perai

- By volume of transactions, Seberang Perai Tengah was the most active district in the first nine months of 2022 generating 37.87% transactions in Seberang Perai followed by Seberang Perai Selatan at 31.50% and Seberang Perai Utara at 30.63%.
- Active areas are the Bukit Tengah-Bukit Mertajam-Alma corridor and the Simpang Ampat-Batu Kawan corridor.
- Sunway Carnival Mall is now one of the major shopping malls in Seberang Perai and Penang with a total retail floor area of approximately 800,000 sq ft.
- Both the Sunway Carnival Mall and Sunway Medical Centre Seberang Jaya would further boost the property market and property demand in the neighbourhood in the years ahead.

Outlook for 2023

Penang Island

- Penang's property market is anticipated to improve in 2023.
- Residential market on Penang Island is expected to remain stable in 2023.
- Penang Island's commercial market will be supported by the active tourism and hospitality industries in 2023, with the Island's tourism continuing to grow with increased tourist arrivals & tourism receipts in 2023.

Seberang Perai

- Seberang Perai's property market is expected to be challenging in 2023.
- Residential sub-sector in Seberang Perai in 2023 is expected to tread cautiously.
- Performance of Seberang Perai's commercial market in 2023 is expected to be consistent with 2022.
- Seberang Perai's industrial sub-sector is anticipated to perform well in 2023.

Seberang Perai

Over on the mainland in Seberang Perai, the property market improved in 2022 and was better than what was forecasted amid global economy's uncertainties and political tensions from the Russia-Ukraine war. But in view of the domestic pressures like the rising interest rate, inflationary pressure and other relevant factors including those mentioned above, Seberang Perai's property market is anticipated to be challenging in 2023.

As for which industry sector will be strong enough to weather through the economic tremors in 2023, the industrial sub-sector may stand out as one that will continue to be active. This is primarily attributed to the strong demand and cheaper land prices for such properties on the mainland compared to Penang Island. Other supporting factors include the presence of good infrastructure, availability of skilled & semi-skilled manpower in the electronics & electrical industry, English proficiency among the workforce, low unemployment rate, political stability, easy connectivity to Penang Airport, Penang Port & other places as well as a robust tourism industry. Major growth areas for industrial properties in Seberang Perai are located in Bukit Minyak, Penang Science Park and Batu Kawan.

Moving on from the pandemic era, Covid-19 is not foreseen to have any significant impact on the property market in Seberang Perai seeing that it is already well into the recovery stage and people are used to the new normal with almost all economic and market activities back to normal.

Overall

In Penang, notable developments and catalytic projects in sectors such as industrial and tourism are key to supporting the growth of the residential, commercial and retail sub-sectors. Some of these projects that have already been completed are the Island Hospital's extension of the Peel Wing and Sunway Carnival Mall Expansion while projects that are undergoing construction are Tun Dr Lim Chong Eu Expressway-Air Itam Bypass, Gurney Wharf, Penang Electricity Supply Strengthening Project, Marriott Hotel @ Gurney Drive, LeMéridien Penang Airport Hotel, Sunshine Central Penang, The Light City Penang, Pantai Hospital Penang Expansion, Penang Technology Park @ Bertam and Batu Kawan Industrial Park 2 & East Batu Kawan. In the proposal stage are the Bayan Lepas Light Rail Transit (BLLRT) and the Penang South Reclamation (PSR) project.

In Seberang Perai, the entry of MNCs and foreign investments are considered to have a major influence on the real estate market including proposed mega projects by the government such as the Batu Kawan New Township and Batu Kawan South development.

Although some of these industry sectors could be thriving in their own niche markets, they are nevertheless faced with similar problems encountered nationwide such as labour shortages, a weakening Ringgit, rising interest rates, construction material costs, tightening of monetary policy causing a high rejection rate for loan applications and the uncertainties in the global economy.

But regardless of the economic temperaments, Penang owes its success as an ideal location for property and business investments to the state's political stability. The calm political environment is conducive for businesses to do well and with the Unity Government led by Penang's own homegrown Prime Minister Datuk Seri Anwar Ibrahim, it is a pride for the state. This may lend credence to Penang's proposals submitted to the federal level for approvals. Further, if and when this government can hold itself together without any disruptions to last a full term, it will help grow the property market as market confidence and positive sentiments will gradually return to the industry.

Penang as a whole has always been an ideal location for living, investment, tourism/leisure, medical, education and retirement, and these are generally closely related to the property market with multiplier effects to boot. With a host of factors and bright spots supporting the state, Penang's property market is anticipated to improve further in 2023.

Investors assessing opportunities in Penang may study the success factors surrounding industries like electrical & electronics, high-tech manufacturing, aerospace, logistics, supply chain services and medical devices, just to name a few.

Residential Overview & Outlook

Penang Island

The volume of residential transactions in Penang Island saw a significant increase in the first nine months of 2022 compared to 2021. Transaction volume rose 49.9% to record 6,112 units while transactional value increased by almost the same margin at 49.7% to RM3.5 billion. In the period under review in 2021, transaction volume was 4,078 valued at RM2.3 billion.

As at Q3 2022, Penang's residential properties continue to form a major part of the property market transactions in the state with 4,879 units transacted worth RM2.2 billion, representing 76.2% and 65.7% of the total property transactions in volume and value respectively. This is an improvement from Q2 2022 with 3,127 transacted units valued at RM1.5 billion.

Condominiums/apartments contributed the most transactions with 1,916 units followed by flats with 1,710 units and 2-3 storeys terraced homes with 639 units exchanging hands.

By price, NAPIC's data indicated homes between RM200,001 to RM500,000 were the most sought-after with 2,055 transactions or 42.1% of the total transaction volume. Next is the below RM200,000 category with 1,440 units (29.5%), followed by the RM500,001 to RM1 million price bracket recording 1,082 units (22.2%) and above RM1 million with 302 units (6.2%).

As at Q3 2022, there were 545,752 existing residential units with another 31,129 units in the incoming supply and 15,386 units in the planned supply.

Seberang Perai

Seberang Perai's residential property transactions improved by about the same rate in the first nine months of 2022 compared to the corresponding period in 2021. Volume of transactions escalated by 39.4% to 7,125 units while value of transactions improved by 39.6% to RM2.4 billion. In 2021, transaction volume and value over the same period stood at 5,113 units worth RM1.8 billion.

On a quarter-on-quarter basis, total value of transactions increased by 60.32%, from RM573.62 million as of Q3 2021 to RM919.62 million as of Q3 2022.

The most popular type of residential properties in Seberang Perai in the first nine months of 2022 were the 2–3 storey terraced homes with 2,058 units followed by single storey terraced houses with 1,028 units and low-cost flats with 965 units.

Seberang Perai's residential market has generally performed better than forecasted, possibly due to the post-Covid-19 recovery sentiments and supported by the reopening of economic and market activities. But in view of the current rising interest rates and uncertain global economy, the performance in 2023 is expected to tread cautiously.

New Launches

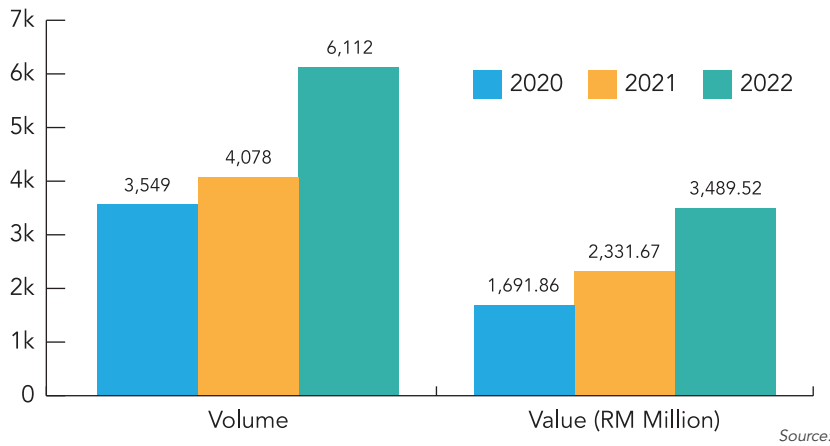
In the first nine months of 2022, Penang State recorded a total of 4,024 residential units launched and registered a low sales performance of 30.7%.

Of the total of the planned supply of serviced apartments, 3,701 units or 47% are located in the District of Timor Laut, followed by 2,868 units (37%) in District of Barat Daya, 650 units (8%) in Districts of Seberang Perai Utara and 622 units (8%) in Seberang Perai Tengah respectively.

The focus of new launches in the state will generally remain in the affordable segment and to spur the market further, incentives such as the rent-to-own scheme, reinstatement of the Home Ownership Campaign (HOC), initiatives to control the rising cost of building materials, adoption of industrial building systems and others may be considered. The HOC in particular may also help reduce the overhang numbers in Penang.

In Seberang Perai, some new launches are on the cards although they may be on a smaller scale in 2023.

Volume & Value of Residential Property Transactions in Penang Island (Jan-Sep 2019 to 2021)



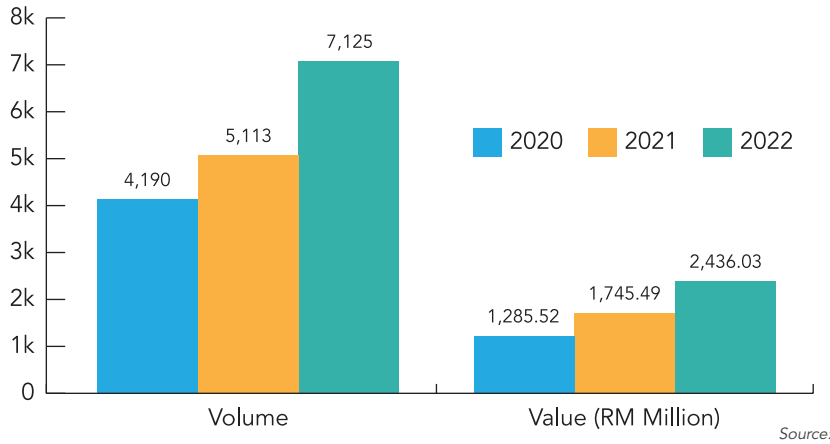
Source: NAPIC

Volume of Residential Property Transactions by District in Penang Island (Jan-Sep 2022)

	Timur Laut	Barat Daya	Total
Vacant Plot	31	10	41
Single Storey Terraced	100	75	175
2-3 Storey Terraced	301	338	639
Single Storey Semi-Detached	46	12	58
2-3 Storey Semi-Detached	129	99	228
Detached	103	77	180
Condominium/Apartment	1,285	631	1,916
Cluster House	19	26	45
Town House	23	17	40
Flat	1,489	221	1,710
Low-Cost House	11	8	19
Low-Cost Flat	726	335	1,061
Others	0	0	0
Total	**4,263**	**1,849**	**6,112**

Source: NAPIC

Volume & Value of Residential Property Transactions in Seberang Perai (Jan-Sep 2020 to 2022)



Source: NAPIC

Overhang

As at Q3 2022, the residential overhang situation in Penang shows slight improvement, dropping from 5,508 units in Q2 2022 to 5,222 units in Q3 2022.

The number of overhang serviced apartments increased in the period under observation with 481 units recorded worth RM621.71 million. This raised the volume by 52.7% and value by 53.2% compared to Q3 2021 with 385 units worth RM450.95 million.

By price range, the bulk of the overhang serviced apartments are priced above RM1 million, accountable for 97% of the total units and 99% of the total value (466 units worth RM616.24mil).

In Seberang Perai, there were 1,207 units of overhang residential properties as of Q3 2022, a decline when compared to Q2 2022. The District of Seberang Perai Tengah has the major share with 997 units (83%) followed by Seberang Perai Utara with 173 units (14.3%) and Seberang Perai Selatan with 37 units (3%).

Condominiums and apartments contributed the most to the overhang statistics with 639 units (53%) followed by 2-3 storey terrace houses with 178 units (14.7%) and 2-3 storey semi-detached houses with 139 units (11.5%).

Seberang Perai's residential property overhang status is expected to remain firm in 2023 in view of the deferment of new launches since the outbreak of the Covid-19 pandemic and the existing surplus which is gradually being absorbed by the market.

Volume of Residential Property Transactions by District in Seberang Perai (Jan-Sep 2022)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	128	88	90	306
Single Storey Terraced	335	340	353	1,028
2-3 Storey Terraced	678	798	582	2,058
Single Storey Semi-Detached	62	109	65	236
2-3 Storey Semi-Detached	88	304	185	577
Detached	91	185	82	358
Condominium/Apartment	351	437	33	821
Cluster House	25	44	20	89
Town House	80	27	11	118
Flat	116	70	8	194
Low-Cost House	146	98	131	375
Low-Cost Flat	182	546	237	965
Others	0	0	0	0
Total	**2,282**	**3,046**	**1,797**	**7,125**

Source: NAPIC

Overhang of Completed Residential Units by Price Range in Penang (as at Q3 2022)

Price Category	Units	Percentage (%)	Value (RM)
Below RM300k	1,121	21	174.81
RM300k to RM500k	1,744	33	737.04
RM500k to RM1mil	1,594	31	1,204.59
RM1mil and above	763	15	1,367.55
Total	**5,222**	**100**	**3,483.99**

Source: NAPIC

Residential - Bright Spots in 2023

The following proposals were tabled under Budget 2023 but are yet to be approved by the Parliament. If and when it does, it shall lend weight to the residential market:

- First time homebuyers will continue to enjoy 100% stamp duty exemption for properties priced below RM500,000 through the Keluarga Malaysia Home Ownership Initiative (i-Milik) from 1 June 2022 to December 2023.
- Buyers of houses priced between RM500,000 and RM1mil will enjoy an increase in stamp duty exemption from 50% to 75% until 31 December 2023.
- RM3 billion allocation for the Housing Credit Guarantee Scheme to help those without fixed incomes to secure housing loans (according to MOF's website, financing limit is up to RM400,000).
- Transfer of properties between families is subject to a RM10 stamp duty.
- RM460 million allocated for building new and renovating houses in rural areas.
- RM367 million is set aside to build People's Housing Projects in urban areas.
- The Rumah Mesra Rakyat programme will receive a total of RM358 million to build 4,250 housing units.
- RM290 million is allocated to refurbish low-cost strata houses, including to replace worn-out lifts.

Commercial Office Overview & Outlook

Penang's commercial properties have experienced a contrasting growth between the volume and value of transactions in the first nine months of 2022 compared to the corresponding period in 2021. While volume of transactions increased by 33.4% to reach 511 units, value of transactions declined by 31.8% to RM472 million. This could be due to the lower valued commercial properties being transacted in the period under observation.

Shops/retail lots were the most popular type transacted with 144 units followed by pre-war shops with 80 units and office lots with 78 units.

The performance of the office segment in Penang Island improved as the overall occupancy rate went up by 0.9% to 81.0% in Q3 2022 compared to the same quarter in 2021.

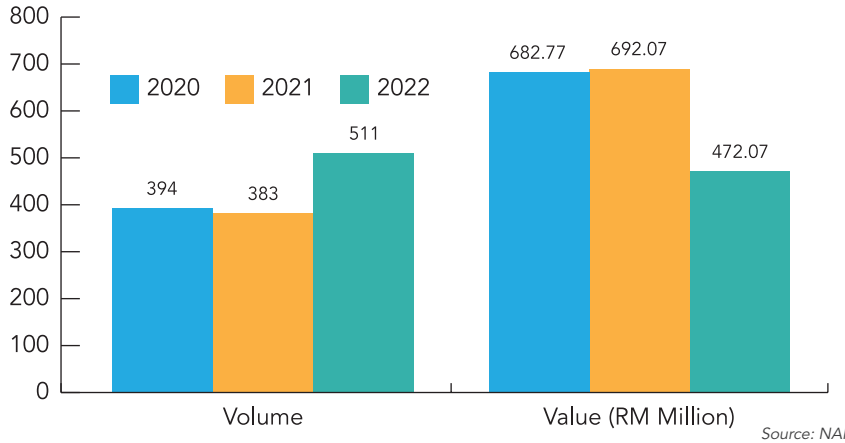
As at Q3 2022, there were 8.487 million sq ft of existing supply of office space in Penang State with 81% or 6.873 million sq ft occupied.

On a quarterly basis, Penang Island's office lots including that of the purpose-built office recorded 38 transacted units with a value of RM27.2 million compared to the slightly lower transactions in the same quarter in 2021 with 34 units worth RM20.1 million. By volume of transactions, these were higher compared to the same quarter in 2020 but by value of transactions, Q3 2020's transaction value remains highest among the three years at RM29.3 million.

In terms of incoming supply, there are three private purpose-built office buildings within George Town with a total net lettable area of about 608,000 sq ft in Q3 2022. Another two private and a government purpose-built office buildings with a total net lettable area of approximately 478,000 sq ft are under planned supply during the same period.

There will also be more flatted commercial products ie. commercial/office suite & serviced apartments to be launched in 2023 in Penang Island. Based on NAPIC's data, there are 7,841 units of serviced apartments and 626 units of soho being recorded as planned supply as at Q3 2022.

Volume & Value of Commercial Property Transactions in Penang Island (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Commercial Property Transactions by District in Penang Island (Jan-Sep 2022)

	Timur Laut	Barat Daya	Total
Vacant Plot	1	0	1
Pre-War Shop	80	0	80
1-1½ Storey Shop	6	0	6
2-2½ Storey Shop	29	15	44
3-3½ Storey Shop	17	23	40
4-4½ Storey Shop	3	5	8
5-5½ Storey Shop	1	0	1
6-6½ Storey Shop	0	0	0
Shop Unit/Retail Lot	102	42	144
Office Lot	65	13	78
SOHO/SOFO/SOVO	26	2	28
Shopping Complex	0	0	0
Purpose-Built Office	0	0	0
Service Apartment	41	30	71
Hotel/Leisure	0	0	0
Others	10	0	10
Total	**381**	**130**	**511**

Source: NAPIC

In Seberang Perai, there were significant improvements in the volume of transactions for the commercial sector which rose by 52.8% in the first nine months of 2022 compared to the corresponding period in 2021. Value of transactions also improved but slightly lower at 47.3% to RM464.8 million.

On a quarterly basis, there was a significant increase compared to the same quarter in 2020 and Q3 2021. Total volume of transactions increased by 76.02% to reach 301 transactions compared to Q3 2021 with 171 transactions while the total value of transaction increased by 47.28% to record RM168.5 million compared to Q3 2021 with RM114.4 million.

The most frequently transacted commercial properties were the 2-2½ storeys shops with 432 units followed by the 3-3½ storeys shops with 183 units and shop unit/retail lot with 53 units.

The District of Seberang Perai Tengah amassed a major share of the transactions at 40% followed by Seberang Perai Selatan at 33% and Seberang Perai Utara at 27%.

Again, like the residential market, Seberang Perai's commercial properties market had also performed better than forecasted and it could likely be attributed to the same reasons of post-Covid-19 recovery and the reopening of the economic and market activities.

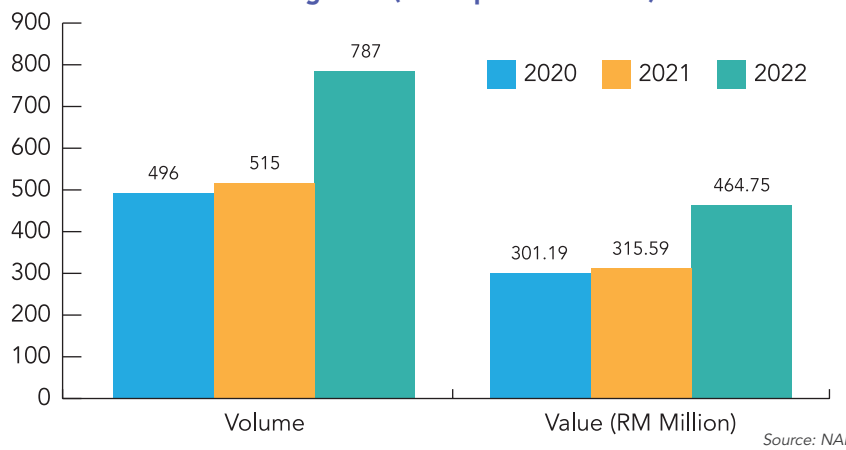
Seberang Perai's commercial sub-sector is expected to perform at the current pace in 2023.

Over at the retail market comprising pre-war shops, shops and retail lots, Penang Island witnessed 385 units transacted with a value of RM271.8 million as at Q3 2022. This is higher than the 247 transactions worth RM263.0 million recorded in the same quarter in 2021.

The performance of retail space in Penang Island's shopping complexes remains relatively stable as the overall occupancy rate only dropped marginally to 71.5% (14.282 million sq ft) in Q3 2022 compared to 71.2% in Q3 2021. The existing supply of retail space stood at 19.987 million sq ft.

In terms of incoming supply, three shopping complexes comprising two in George Town and one in Air Itam town centre will together contribute a total net lettable are of about 2 million sq ft to the market (as recorded

Volume & Value of Commercial Property Transactions in Seberang Perai (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Residential Property Transactions by District in Seberang Perai (Jan-Sep 2022)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	4	14	11	29
Pre-War Shop	0	0	1	1
1-1½ Storey Shop	4	15	8	27
2-2½ Storey Shop	124	129	179	432
3-3½ Storey Shop	41	127	15	183
4-4½ Storey Shop	5	13	4	22
5-5½ Storey Shop	0	0	0	0
6-6½ Storey Shop	0	1	0	1
Shop Unit/Retail Lot	4	48	1	53
Office Lot	2	9	0	11
SOHO/SOFO/SOVO	0	0	0	0
Shopping Complex	0	0	0	0
Purpose-Built Office	0	1	0	1
Service Apartment	1	10	13	24
Hotel/Leisure	0	0	0	0
Others	0	3	0	3
Total	**185**	**370**	**232**	**787**

Source: NAPIC

Commercial Retail - Factors to Watch in 2023

- Popular American fast-food chain Taco Bell opened its first Northern Region outlet in City Junction, Tanjung Tokong, on the Penang Island and another coming soon in Borealis Commercial Center in Bandar Cassia, Batu Kawan, in Seberang Perai.
- Iconic Point, a new commercial precinct comprising 3 "drive-thru" commercial detached buildings, 3-storey detached shops offices and a 4-storey boutique hotel has been completed in the town centre of Simpang Ampat.

Commercial Retail - Factors to Watch in 2023

- Sunshine Tower, an upcoming 18-storey office tower located in the heart of Air Itam town centre, is expected to complete by 2023. More than 60% of the office space has been taken up at the time of writing including Citigroup's 8-level tenancy.

Tourism (Leisure & Medical) - Factors to Watch in 2023

- Official launch of Malaysia's first ski slope and dead sea pool at Escape Penang, Teluk Bahang.
- Firefly's new route connecting Penang International Airport (PEN) to Sultan Iskandar Muda International Airport (BTJ) in Banda Aceh, Indonesia.
- Island Hospital officially opened its new Peel Wing, adding 14 operating theatres & 300 beds.
- Ascott Gurney Penang, comprising 271 serviced apartments, located along the Gurney Drive Promenade in George Town, started operation in March 2022.
- M Summit 191 Executive Hotel Suites in George Town was rebranded as the The Granite Luxury Hotel with two entries in the Malaysia Book of Records (MBR) ie. the 71.2m high vertical carpark accommodating 204 vehicles recognised as the "Tallest Automated Hotel Car Park" in Malaysia, and the transparent protruding section of its infinity pool was named the "Highest Cantilevered Acrylic Bottom Swimming Pool" at 49.5m above ground level.
- The 453-room Amari SPICE Penang, a hospitality partnership between ONYX Hospitality Group and SP Setia Bhd, opened in October 2022.
- A new youth centre worth RM45mil will be developed in a 10-ha area in Paya Keladi, completion is expected in two years.
- The Ministry of Tourism, Arts and Culture (MOTAC) awarded a 3-star rating under the 'Innovative Hotel/Resort' category to Boulder Valley Glamping Penang located in Teluk Bahang, the first glamping resort in Malaysia to receive such rating.

Tourism (Leisure & Medical) - Bright Spots in 2023

- Pantai Hospital Penang's RM200mil expansion announced in August 2022 involves a new medical block with proposed additional 307 beds & 440 car parking bays.

in Q3 2022). Another two shopping complexes with a total net lettable area of approximately 1 million sq ft are also under planned supply.

Over in Seberang Perai, the completion of Sunway Carnival Mall's extension in 2022 added another 500,000 sq ft to the existing supply to the retail market. The 4-level shopping mall is located at Bandar Sunway's town centre in Seberang Jaya and is served by easy accessibility from the North-South Highway and the Butterworth-Kulim Expressway. Major anchor tenants include Parkson Grand, Jaya Grocer, Golden Screen Cinemas and others. The mall is set to further boost property demand in its surrounding neighbourhood.

Hospitality

Penang state as a whole has seen the completion of four new hotels with 848 rooms in total in the first nine months of 2022.

As at Q3 2022, there were 237 hotels (23,085 rooms) in existing supply with another 22 hotels (4,154 rooms) in incoming supply and 17 hotels (2,617 rooms) under planned supply.

Penang hotels have recorded close to 100% occupancy rate in the month of December, the first of such occurrence in the post-pandemic era in 2022.

Penang's tourism industry and its related sub-sectors and services such as accommodation, retail trade, tour & travel, medical tourism etc, have seen a strong rebound since the reopening of international borders. This is also supported by a series of initiatives and campaigns organised at the domestic and international platforms.

It is anticipated that Penang will enjoy a continuing rise of tourism activities and tourist arrivals given the exposure and coverage by both local and international players including the media space. For example, CNN's 22 best destinations to visit in 2022 includes Penang, Michelin Guide's inaugural selection in Malaysia honours 19 eateries in the state for the Bib Gourmand and Michelin 1 Star categories, potential influx of China tourists from the reopening of borders in 2023 (3.9 million Chinese tourists visited in 2019 and was the top 3 inbound countries to visit Penang) and Firefly's new route connecting Penang International Airport (PEN) to Sultan Iskandar Muda International Airport (BTJ) in Banda Aceh of Indonesia.

In addition to the above, the weakening Ringgit that makes travelling to Malaysia affordable and coupled with the ongoing events to promote Penang as a choice destination, the performance of the state's tourism will continue to grow with incremental improvements in both tourist arrivals and tourism receipts in 2023.

Tourism is however not a significant factor in Seberang Perai's property market as the arrivals of foreign tourists is not very significant. Hotel guests in the mainland are mostly made up of business or private visit guests. The only silver lining for Seberang Perai in tourism may perhaps be medical tourism through Sunway Medical Centre Seberang Jaya. Scheduled to open soon, the 9-storey 180 beds capacity medical centre is located within the town centre of Bandar Sunway Seberang Jaya.

Industrial Overview & Outlook

Penang Island

Like the commercial sub-sector, Penang Island's industrial sub-sector also recorded an increase in the volume of transactions albeit at a smaller uptick but spotted a dramatic decline in the value of transactions in the first nine months of 2022 compared to the period under review in 2021.

Volume of transactions inched up by 1 to 56 units or 1.8% but its value of transactions dropped drastically by 40.4% to RM117.2 million.

By property type, industrial units had the highest number of transactions with 25 units followed by terraced factory/warehouse with 15 units and detached factory/warehouse with 6 units. According to NAPIC's definition, industrial units are considered within a low-rise multi-storey stratified building such as a flatted factory.

Performance of the industrial sub-sector on Penang Island on a quarterly basis also mirrored the growth pattern of the first nine months statistics with a rise in volume but a drop in value of

transactions.

Volume of transactions increased by 20% to 126 transactions while value of transactions shrunk by 42.40% to about RM237.74 million as compared to Q3 2021 with 105 transactions worth RM412.71 million.

As at Q3 2022, there were 9,647 units of existing supply in the whole of Penang out of which 55 units were completed in the first nine months of 2022.

As for incoming supply as at Q3 2022, there were 154 units of factories under construction, comprising 26 units of terraced, 104 units of semi-detached and 24 units of detached factories. Another 138 units of factories were under planned supply during the same period.

Seberang Perai

The industrial property sub-sector in Seberang Perai continued on an upward march from 2020, with the volume of transactions for the first nine months of 2022 improved to 343 units and value of transactions recording RM1.1 billion. This represents a 15.5% and 12.0% improvement in volume and value of transactions respectively.

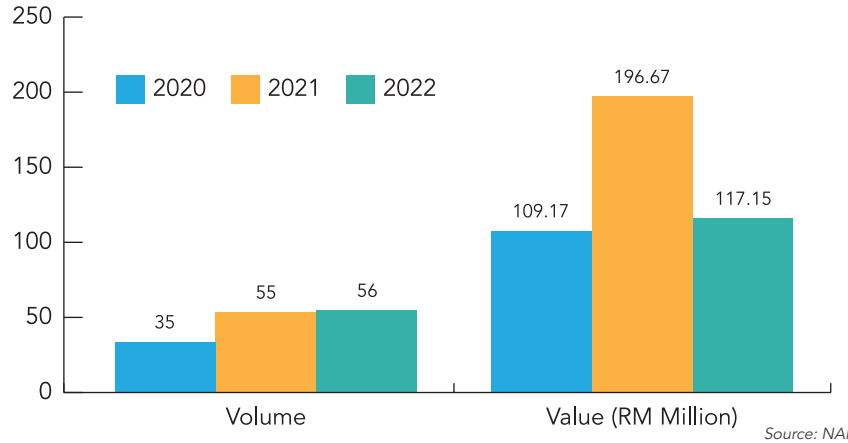
On a quarterly basis, total volume of industrial property transactions increased by 15.38% to reach 105 transactions in Q3 2022 compared to 91 transactions in Q3 2021. Total value of transactions also increased compared to Q3 2020 but slightly moderated when compared to Q3 2021.

Terraced factory/warehouse had the highest number of industrial transactions in Seberang Perai with 122 units followed by vacant industrial plot with 74 units and semi-detached factory/warehouse with 87 units.

The District of Seberang Perai Tengah was a dominant force in the industrial transactions, chalking up 51% of the total transactions in Seberang Perai. This is followed by Seberang Perai Selatan with 29% and Seberang Perai Utara with 20%.

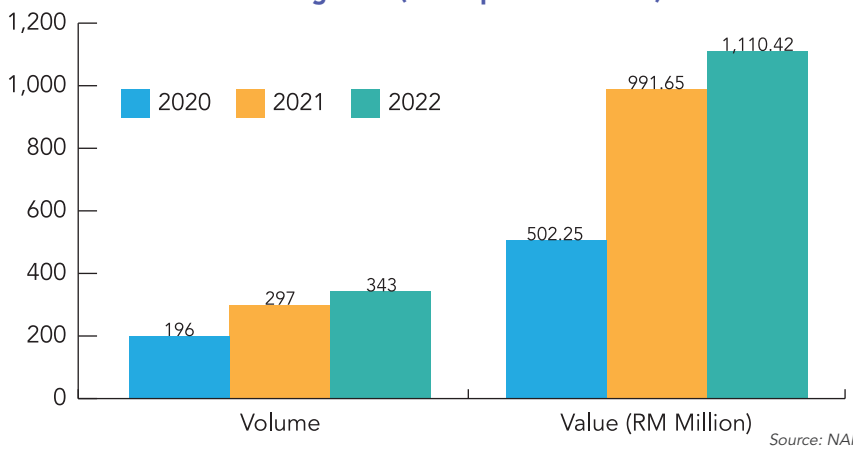
The most sought-after locations are Bukit Minyak, Penang Science Park, Batu Kawan and Valdor.

Volume & Value of Industrial Property Transactions in Penang Island (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Industrial Property Transactions in Seberang Perai (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Industrial Property Transactions by District in Seberang Perai (Jan - Sep 2022)

Seberang Perai:	Utara	Tengah	Selatan	Total
Vacant Plot	24	25	25	74
Terraced Factory/Warehouse	27	80	15	122
Semi-Detached Factory/Warehouse	7	52	28	87
Detached Factory/Warehouse	2	38	12	52
Industrial Complex/Unit	0	0	0	0
Industrial Unit	0	0	0	0
Others	3	5	0	8
Total	**63**	**200**	**80**	**343**

Source: NAPIC

Major transactions in Seberang Perai include a factory complex at Perai Industrial Estate Phase IV with a land area of 6.47 acres sold for RM43.5 million and another factory at Valdor with a land area of 7.28 acres sold for RM21.4 million.

Other notable major investments and developments in Seberang Perai's industrial sub-sector are:

- DHL relocated its Prai Service Centre to a larger RM13 million facility at the Batu Kawan Industrial Park with a 2,386 sq metres of warehousing and office space;
- A new industrial park, known as Penang Technology Park, was launched in 2022 and located at Bertam, Seberang Perai Utara. Some of the targeted industries here include the high-technology sector such as semiconductor, aerospace, medical devices and others. The first phase is opened for sale at the selling price of RM60 per sq ft onwards.
- TTM Technologies, a Nasdaq-listed global printed circuit board manufacturer, plans to invest RM550 million in their new plant in Penang Science Park over the next three years. Penang was selected due to its well-established electrical & electronics industry ecosystem. The ground breaking ceremony was held in April 2022.
- US-based biomedical and biotechnology engineering & medical device technology provider Boston Scientific Corp is expanding its operations in Batu Kawan and expected to create approximately 300 jobs in the coming years. The facility includes a 110,000 sq ft global distribution centre, the company's third global distribution centre and its first in Asia, shipping medical devices in Malaysia and around the world.
- EG Industries Bhd, an electronic manufacturing services provider is investing RM180 million in its Smart Factory 4.0 in Batu Kawan. A fully automated lights-out smart factory on a 6-acre industrial land with a built-up exceeding 22,500 sq metres for production floor area, office building and warehousing capacity, it is scheduled for operation in 2024 and is earmarked to create more than 1,000 high-value job opportunities.
- Penang Development Corporation is planning to expand the existing Batu Kawan Industrial Estate towards its south at Byram, Nibong Tebal, in view of the strong market demand. The Batu Kawan Industrial Park Phase 2 will cover an area of more than 1,000 acres to cater to future demand.

With a hive of industrial activities already underway in 2022, Seberang Perai's industrial sub-sector is anticipated to perform well in 2023.

Industrial - Factors to Watch in 2023

- The proposed 339-ha new Penang Technology Park at Jalan Tun Hamdan Sheikh Tahir in Kepala Batas.
- AME Elite to develop a 175.98-acre freehold industrial park in Seberang Perai Tengah Penang with a GDV of RM1 billion.

Industrial - Bright Spots in 2023

- The Penang government will continue its plan of constructing more foreign worker dormitories to overcome the issue of foreign workers staying in residential areas.
- More industrial areas are being planned by the Penang State Government for the next three years to cater to the strong demand, and with a focus to develop Bandar Cassia Technology Park and East Batu Kawan, both in the District of Seberang Perai Selatan, measuring a total of 900 acres of industrial land.

PERAK

Factors to Watch in 2023

- The economic development focus areas under the "Perak Sejahtera 2030" ten years development plan are Green Technology, Hospitality & Tourism, Mineral, Digital Economy, Ports & Logistics and Properties.
- Shrinking purchasing power due to the rising interest rate and inflation.
- Stamp duty, tax allowance & incentives for pioneer status businesses.
- Infrastructure projects to support Perak's economic growth and development which includes the 70km West Ipoh Span Expressway (WISE) planned to connect Gopeng and Kuala Kangsar, and the extension of the gas pipeline between Bidor and Tanjung Malim.
- The Lembaga Perumahan Hartanah Perak issued the "Dasar Kawalan Pindahmilik Perumahan Kos Rendah Dengan Mengenakan Syarat Kebenaran Pindahmilik Untuk Kategori Rumah Kos Rendah Bagi Negeri Perak" circular in February 2022 aimed at controlling the transfer of ownership for low-cost houses that have been sold to the low income groups and will from then on be allowed to only transfer for ownership and purchase by those registered with the Lembaga Perumahan Hartanah Perak to ensure transactions are executed within the confines of the B40 and M40 groups.
- Under Budget 2022:
  - RM1.5 billion was allocated for the low-income groups housing projects ie. Rumah Mesra Rakyat and the maintenance assistance programmes.
  - Lifting the Real Property Gains Tax (RPGT) for property disposal from the 6th year onwards by Malaysian citizens and permanent residents, excluding companies.
  - Guarantees of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) to assist the gig workers, small entrepreneurs & farmers to qualify for home financing.
- Currently, the residential property financing initiative known as i-Biaya provides financing through the Housing Credit Guarantee Scheme, My First Home Scheme, and the Rent-to-Own (RTO) scheme for those facing difficulties obtaining housing loans. The government has also introduced the Keluarga Malaysia Home Ownership Initiative known as i-Miliki which provides full stamp duty exemption on instruments of transfer and loan agreement for first-time home buyers of properties priced RM500,000 and below while 50% exemption for homes priced above RM500,000 to RM1 million. This exemption is for sale and purchases completed from 1 June 2022 to 31 December 2023. (Note: this is subject to change under the proposed Budget 2023)

Bright Spots in 2023

- MRCB's Ipoh Raya Integrated Park with a GDV of RM5 billion will be built on an 832.38 acres site, comprising an agro-based industrial hub, a logistics hub, 3 managed industrial parks, accommodation facilities, technical & vocational education and training facilities.
- The National Neuro-Robotics and Cybernetics Rehabilitation Centre with a GDV of RM654 million is earmarked for development over 37 hectares and has the capacity to accommodate 700 patients simultaneously. It will act as Perkeso's Center of Excellence for rehabilitation and Return to Work programmes.
- A joint project by PKNP (Kumpulan Perbadanan Kemajuan Negeri Perak) & Majuperak Holdings Bhd, the Silver Valley Technology Park (SVTP) planned on 1,139.2-ha with a GDV of RM14 billion is projected to create 13,000 jobs and will facilitate the development of emerging applied technologies. It is strategically located with easy access to the Ipoh Cargo Terminal, Sultan Azlan Shah Airport, Penang Port and Port Klang. It is expected to be completed by 2024.
- The Ipoh Smart City Action Plan 2020-2030 launched in 2021.
- DRB-HICOM Automotive Hi-Tech Valley in Tanjung Malim under the National Automotive Policy (NAP) 2020.
- The RM300 million UNISEM Gopeng Plant, expected to be completed in April 2023.
- The 46.5-ha Lumut Maritime Port 2 (Clean Cargo) to be completed in 2023.

Outlook for 2023

- Perak's property market for 2023 is less promising due to the rising interest rates resulting in less optimistic consumer's purchasing power especially in the first half of 2023.
- Perak's residential, commercial and industrial sub-sectors are expected to grow moderately in 2023.

The forecast made for Perak in HB Perspective 2022 for the residential, commercial and industrial sub-sectors is reflected in the market throughout the year with the only "positive" exception in the residential market where its price improvement bucked the "stable" prediction made previously. Across the board, all property sub-sectors in Perak have experienced a growing trend in 2022 compared to the corresponding periods in 2021 and 2020.

After a healthy growth for the residential, commercial and industrial sub-sectors in 2022, the outlook for Perak's property market in 2023 is less promising due to the rising interest rate which will shrink consumers' purchasing power especially in the first half of 2023. In line with that and subject to the prevalent climate in the global economy, political environment and the Malaysian job market, Perak may experience a moderate or slower growth in its economy in 2023.

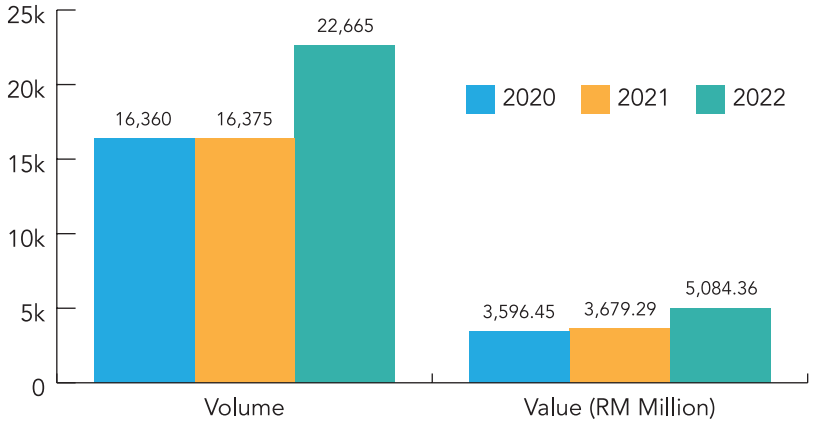
In terms of the property market, it will remain a challenge in 2023 due in part to the rising interest rate and another, the time needed to stabilise the political undercurrents in Malaysia.

Although the 15th General Elections has concluded with a more stable government from the outset, it will nevertheless need to undergo the test of time to forge a more functional and solid political environment at both the national and state levels. With that in place, Perak's property market should respond positively.

Perak State Government's policies and initiatives to improve the industrial sector such as the industrial parks for green technology, renewable energy, automotive, digital economy, and eco-tourism for the hospitality and tourism sectors, will have spillover effects onto the job market and in turn, the residential and local commercial sectors as well.

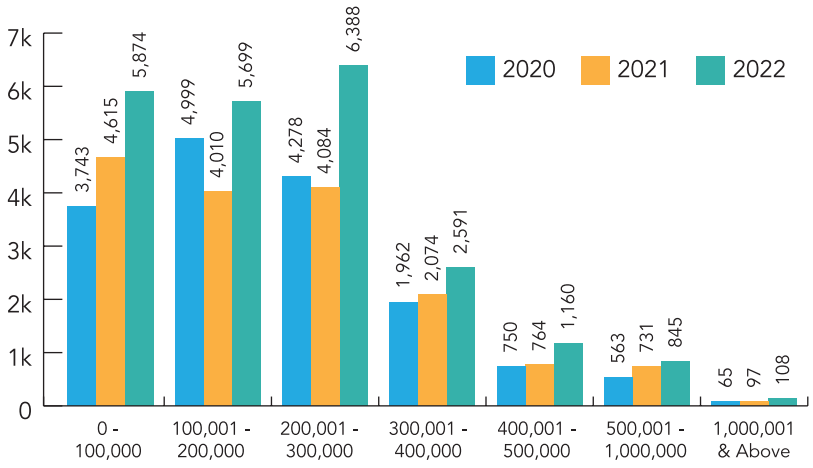
The State Government's continuous effort to improve the well-being of the state with comprehensive infrastructures and incentives is commendable and should continue well into the future so the positive results generated from these projects can holistically attract foreign and domestic investments that are vital to the Perak state.

Volume & Value of Residential Property Transactions in Perak (Jan-Sep 2020 to 2022)



Source: NAPIC

Value of Residential Transactions By Price Range in Perak (Jan-Sep 2020 to 2022)



Source: NAPIC

Residential - Overview 2021

There are positive growths in both the volume and value of transactions in the residential sub-sector in the first nine months of 2022 compared to the corresponding period in 2021.

Volume of residential transactions grew by 38.4% to 22,665 units from 16,375 units previously while value of transactions rose by about the same margin at 38.2% to RM5.1 billion from RM3.7 billion.

Properties below RM300,000 were the most sought-after with 17,961 units transacted or about 79% of the total transactions in the period under review. Dissecting this further, properties within the RM200,001 to RM300,000 were the most popular with 6,388 transactions followed by properties below RM100,000 with 5,874 units transacted and those within the RM100,001 to RM200,000 price bracket with 5,699 units exchanging hands.

The new year of 2023 will see more new launches in Perak although it will likely be held in a more moderate pace.

The current incentive provided to first time house buyers under the i-MILIKI programme is a good measure to spur the market. The provisions provided include a 100% stamp duty exemption for properties priced RM500,000 and below and a proposed 75% stamp duty exemption for property prices between RM500,000 and RM1 million (provided under Budget 2023 but yet

to be approved in the Parliament) will encourage more residential transactions.

Based on NAPIC's data in the first nine months of 2022, Perak's overhang properties registered a 49.2% increase in the residential sub-sector to reach 13,578 properties compared to the same period in 2021 with 9,100 properties. This is anticipated to rise in 2023 given the increase in construction starts and a 28.8% increase in the new planned supply in the first nine months of 2022 compared to the corresponding period last year.

Commercial, Hospitality and Retail Overview & Outlook

Perak's commercial sub-sector has also recorded a promising uptrend in its volume and value of transactions in the first nine months of 2022 compared to the same period in 2021. Volume of transactions rose 48.3% to 1,988 transactions while value of transactions increased by 47.7% to RM937.2 million.

The most popular commercial property transactions in the period under observation were those between RM500,000 to RM1 million with 483 transactions. This is followed by 354 transactions each for those below RM100,000 and RM100,001 to RM200,000 price brackets.

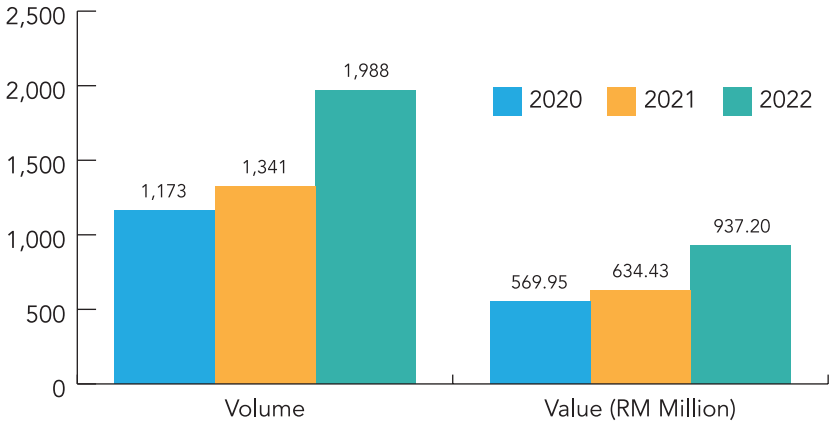
In terms of overhang, Perak's commercial sub-sector has decreased marginally by 1.3% to 2,100 properties in the first nine months of 2022 from 2,128 units in the same period in 2021.

Over in the tourism industry, the obvious market movers in the F&B and eco-tourism segments will continue to stand out as the main attractions for international and domestic tourists to visit the Silver state in 2023.

The state government's Northern Corridor Implementation Authority (NCIA) project implementations such as the redevelopment of Pulau Pangkor Jetty Complex, the Lata Kinjang Eco Tourism Project and the Ipoh Heritage Tourism Project are also expected to boost the state's tourism economy.

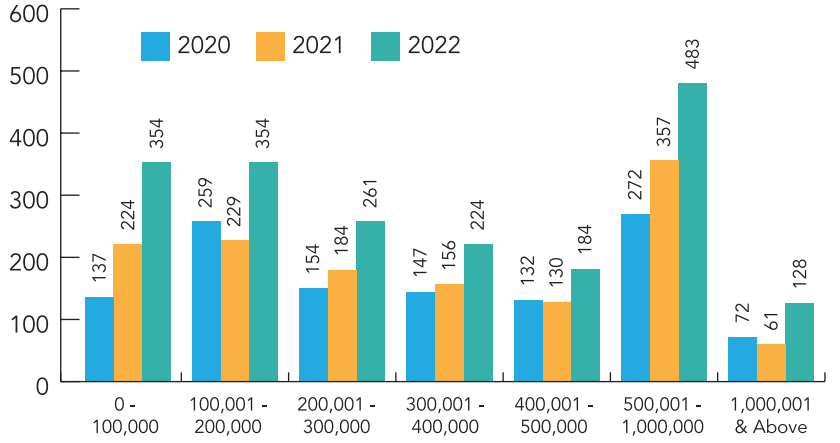
Arrivals to the state in 2023 will likely trend higher as the market anticipates further easing of international travel restrictions especially from China.

Volume & Value of Commercial Property Transactions in Perak (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Commercial By Price Range in Perak (Jan-Sep 2020 to 2022)



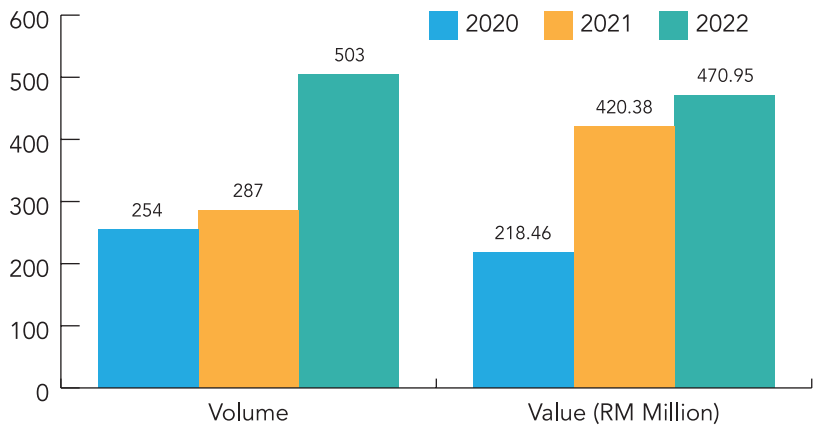
Source: NAPIC

Industrial Overview & Outlook

Perak's industrial property showed a massive increase of 75.2% in the volume of transactions in the first nine months of 2022 to arrive at 503 transactions compared to the same period in 2021 with 287 transactions but its value of transactions only went up by 12.0% to RM471.0 million from RM420.4 million. This phenomenon is likely caused by the increased activity in property acquisitions in 2022 but prices were of the more competitive range.

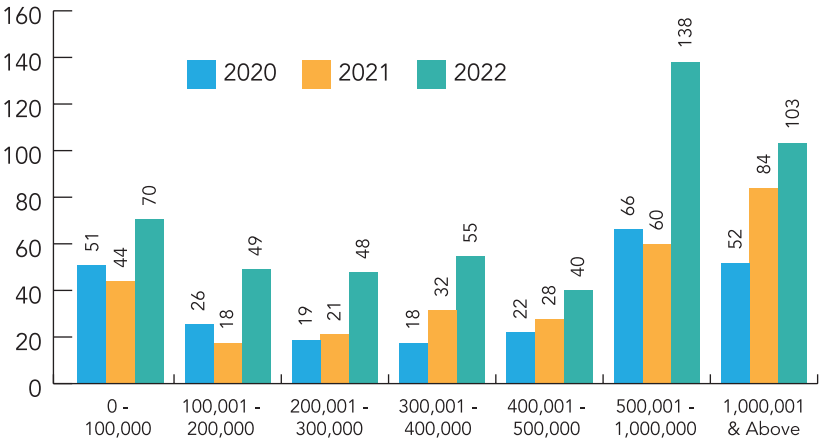
Like the commercial sub-sector, the RM500,001 to RM1 million price bracket was the most popular category with 138 transactions. This is followed by 103 transactions for properties valued at more than RM1 million.

Volume & Value of Industrial Property Transactions in Perak (Jan-Sep 2020 to 2022)



Source: NAPIC

Value of Industrial By Price Range in Perak (Jan-Sep 2020 to 2022)



Source: NAPIC

KLANG VALLEY

Residential Review 2022

The residential property market showed signs of recovery from the pandemic induced slowdown of 2020 when the volume and value of residential transactions in the country crept up by 2.6% and 16.3% respectively in the first nine months of 2021 compared to the corresponding period the year before. The recovery trajectory then continued well into the first nine months of 2022 when the volume of transactions jumped 34.5% and the value of transactions went up by about the same margin at 34.8%.

Consistent with the national trend, Kuala Lumpur's volume of residential transactions for this period increased 23% to 9,821 units whilst the value of transactions rose by 30% to reach RM8.9 billion.

Similarly in Selangor, there were also increases recorded in the volume of transactions which went up by 28.8% to 43,016 units while the value of transactions inched up slightly higher by 30% to RM23.4 billion.

In terms of new launches, Selangor released a total of 6,685 new units in the first nine months of 2021 with a commendable sales performance of 47.7% but the same cannot be achieved again over the same period in 2022 as the total units launched declined to 3,745 while sales performance managed only 26.4%.

In stark contrast with Selangor, Kuala Lumpur had 5,029 units launched in the first half of 2021 with a sales performance of a mere 5.2% but this was later eclipsed in the same period the following year with 6,011 units launched and an astounding sales result of 30.5%.

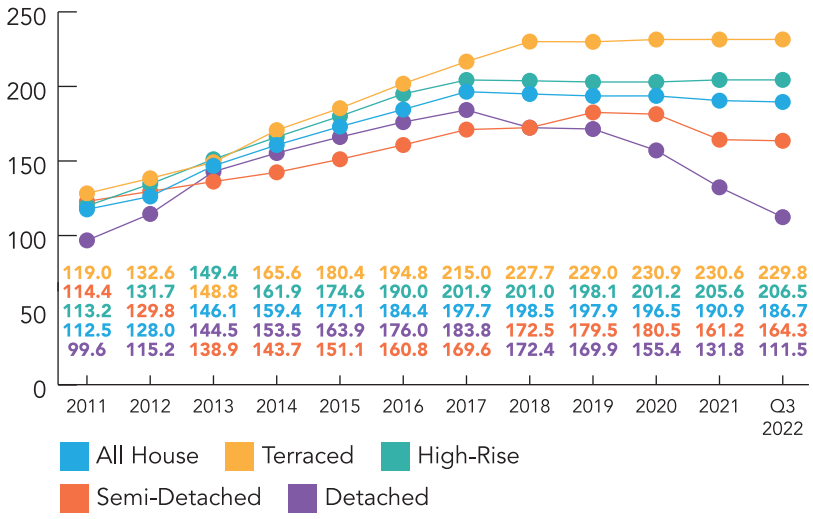
Nearly 36% of the new residential units launched in Selangor were apartments/ condominiums while in Kuala Lumpur, it was 100%.

Volume & Value of Residential Transactions (Jan-Sep 2020 to 2022)

	Overall Volume of Transactions (Units)		
	2020	2021	2022
Malaysia	131,154	134,624	181,167
Kuala Lumpur	7,252	7,981	9,821
Selangor	29,939	33,381	43,016
	Overall Value of Transactions (RM Million)		
	2020	2021	2022
Malaysia	44,986.27	52,331.70	70,552.68
Kuala Lumpur	5,652.26	6,862.77	8,932.43
Selangor	14,699.08	18,022.35	23,435.64

Source: NAPIC

Kuala Lumpur House Price Index by Type



Source: NAPIC

As at Q3 2022, Selangor was the second largest contributor to the residential overhang statistics in the country after Johor, with 4,386 units worth a total of RM4.33 billion whilst Kuala Lumpur contributed 3,253 units valued at RM2.82 billion. Homes priced above RM1 million constituted 39% of the overhang in Selangor whilst high-rises form the bulk of its overhang at 73%.

Almost all or 96% of Kuala Lumpur's overhang inventory are high-rises, which is unsurprising since most of the units launched in the capital were from this genre. Residences between RM500,000 and RM1 million make up 53% of the city's overhang stock.

According to NAPIC's data, Kuala Lumpur's House Price Index for Q3 2022 showed a decline of 2.2% whilst Selangor remained unchanged at around the same level.

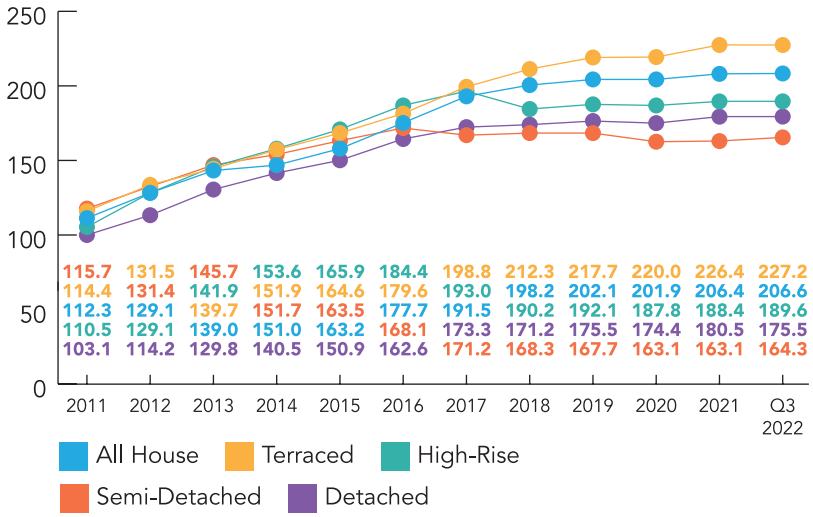
For Kuala Lumpur, the price index for high-rises and semi-detached houses experienced marginal increases but the rest of the residential types recorded declines. In Selangor, slight improvements were seen in all housing types with the exception of only detached houses which experienced a decline.

Residential Outlook 2023

The residential property sectors in Kuala Lumpur and Selangor have long been the top performing markets in the country in terms of volume and value of transactions including the level of its property prices. As such, the recovery which began in 2021 and continued into 2022 for both the markets is predicted to extend into 2023 but at a slower pace than the previous two years, and this may be a precursor of what's to come for the rest of the country.

In 2023, like the rest of the world, Malaysia is set to encounter some external economic headwinds which will have a bearing on how the property market will fare. Together with the persisting difficulty to secure the required loan margins from commercial banks by the borrowers plus the higher borrowing costs, all these will somehow dampen demand in Klang Valley's residential market. Nevertheless, the residential market is expected to continue its growth momentum but at a possibly slower pace, depending on how well the newly minted government is able to shield the economy from the shocks of the potential global recession in 2023.

Selangor House Price Index by Type



Source: NAPIC

Residential - Factors to Watch in 2023

- Klang Valley's residential market's focus in 2023 will continue to be on:
  - landed homes;
  - affordably priced homes around and under RM500,000;
  - units between RM500,000 to RM1 million in popular locations;
  - smaller sized units; and
  - niche high-end projects in good locations.
- The conclusion of GE15 (15th General Elections) and the forming of a Unity Government will create a stable environment in the country and this will reassure investors, providing a boost to the property market.
- There was a lack of substantial measures announced in Budget 2023 to boost the residential property market and it is hoped that more goodies will be added on when the new government re-tables the budget in the parliament in January 2023.
- Areas badly affected by the year end floods will have a hard time attracting homebuyers as they will face some difficulties getting bank loans and insurance coverage.

Residential - Bright Spots for 2022

- Several of the infrastructural projects that were completed during the year eg. SUKE (Sungai Besi-Ulu Kelang Elevated Expressway) and DASH (Damansara-Shah Alam Elevated Expressway), will improve accessibility to these areas and could stimulate interest in homes located near the interchanges along these highways.
- The Putrajaya MRT Line 2 is expected to be completed and operational in March 2023. Areas served by this line will benefit from the improved accessibility and attract people to buy & rent homes near the stations
- The imminent completion of several landmark developments in Kuala Lumpur eg. Merdeka 118 & The Exchange TRX will uplift the image and prestige of the surrounding areas besides providing additional facilities to the residents. Existing properties in the immediate neighbourhoods could see upwards re-rating of their values whilst nearby projects could see an increase in demand.
- Millennials will form a significant segment of the population in the coming years and this will have a major influence on property developers' focus in terms of the property type and price segments of the housing market. It is likely such properties will incline towards the affordable/starter homes segment.
- Some of the major property developers have managed to achieve their sales targets in 2022 and performed better than 2021. They have also managed to reduce their stocks of units launched and freed up working capital. However, developers are generally cautious and will hold back on new launches until they see a more sustainable improvement in the market.

Purpose-Built Office Review 2022

Existing & Incoming Supply

The supply of privately owned purpose-built offices (PBOs) in Kuala Lumpur stood at 9.368 million sq metres as at Q3 2022 with an overall occupancy rate of 70.3% whilst Selangor had a supply of 4.170 million sq metres and an occupancy rate of 68.3%.

KL city centre enjoyed a higher occupancy rate of 71.4% compared to outside the city centre with 65.9% occupancy, indicating a preference for locations within the city centre's boundaries. However, with the improvement of public transportation, facilities and the higher cost of occupying an office in the city centre, not forgetting the traffic congestion, more companies may consider moving into the suburbs in the future.

In 2022, six new buildings were completed in Kuala Lumpur, adding 274,000 sq metres of office space onto the market. In Selangor, three new buildings added another 92,000 sq metres of new office space to the state.

This additional supply of space, coupled with the new buildings scheduled for completion in the coming years will put more pressure on occupancy and rental rates unless a corresponding increase in demand emerges in the market.

The stock of PBOs in both Kuala Lumpur and Selangor will see further increases in the coming years as there are currently a number of new planned and under construction projects in the market. This includes mega developments like PNB's Merdeka 118 which will add substantially to the supply of PBOs when completed in 2023.

In addition, there are a number of proposed office developments that have been announced which, if proceed to the construction phase, will add significantly to the future supply of office space in Kuala Lumpur. Some of these also involve the redevelopment of existing buildings.

Kuala Lumpur & Selangor PBOs
Total Supply & Occupancy Rates (as at Q3 2022)

Location	No. of Buildings	Total Space (sqm)	Total Space Occupied (sqm)	Occupancy (%)
KL - City Centre	303	7,432,619	5,306,890	71.4
KL - Outside City Centre	106	1,935,759	1,275,665	65.9
Total	409	9,368,378	6,585,970	70.3
Selangor	247	4,170,584	2,848,509	68.3

Source: NAPIC

Kuala Lumpur & Selangor New Office Buildings Completed in 2022

Building	NLA (sq m)
Kuala Lumpur	
Affin Bank Tower @ TRX	53,600
KL Eco City Aspire Tower	60,400
Sunway V2 Tower	33,700
The MET Corporate Tower	55,700
UOB Tower 2	34,300
The Stride Strata	36,600
Kuala Lumpur Total	**274,300**
Selangor	
Menara KWSP, Kwasa Damansara	26,100
Block G, Empire City	12,900
Paramount Tower 1 & 2	53,000
Selangor Total	**92,000**

Source: NAPIC/HB Research

Kuala Lumpur & Selangor Office Space Future Supply (as at Q3 2022)

Status / Location	No. of Buildings	Total Space (sqm)
KL - Completion		
City Centre	2	111,978
Outside City Centre	0	0
Total	**2**	**111,978**
KL - Incoming Supply		
City Centre	7	632,061
Outside City Centre	4	144,676
Total	**11**	**776,737**
Selangor – Completion	0	0
Selangor – Incoming Supply	5	118,706
Total	**5**	**118,706**

Source: NAPIC

Nevertheless, in view of the slowdown in the economy, the consequential reduced demand for office space due to the impact caused by the Covid-19 pandemic and the current oversupply situation, it may result in a deferment of launches to some of the following projects:

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

Office Occupancy Rates & Rentals

The occupancy rate of PBOs in Kuala Lumpur declined to 70.3% as at Q3 of 2022, down from 73.3% in 2021. PBOs located outside the city centre have a lower occupancy rate of 65.9% compared to those within the city centre with 71.4% occupancy rate.

In Selangor, the occupancy rate of PBOs as at Q3 2022 stood at 68.3%, slightly down from the 69.4% as at Q2 but at around the same level as that of 2021.

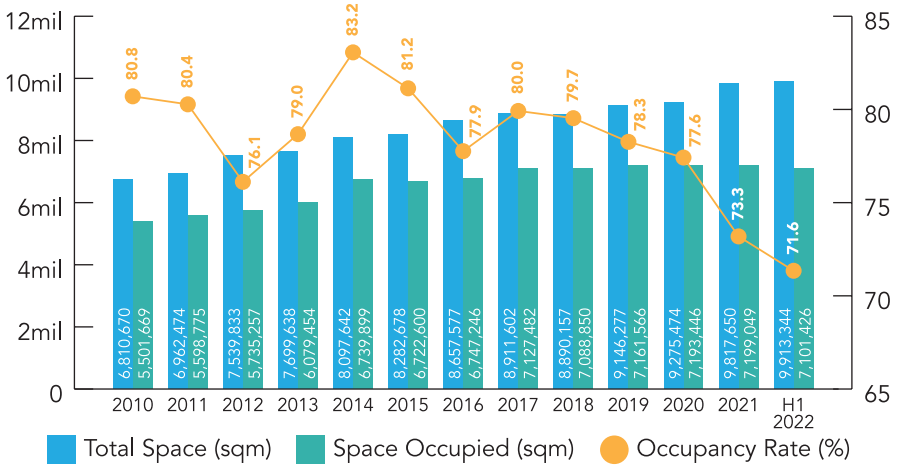
A significant increase in supply is expected to come onto the market in the next few years when several new buildings including the mega Merdeka 118 development by PNB are completed. This will lead to a rise in vacancy rates and it is expected to put more pressure on landlords to offer attractive incentives or reduced rental rates to sign on new tenants as well as to retain existing ones. As mentioned above, in view of the current oversupply situation, it is very possible that some developers may decide to defer their projects and thus avoid worsening the situation.

Kuala Lumpur & Petaling Jaya (Selangor)
New Office Buildings Completion 2023 Onwards

Building	Location	NLA (sqm)	Estimated completion
Kuala Lumpur			
Merdeka 118	Changkat Stadium	157,900	2023
Pavilion Damansara	Damansara Heights	139,400	2023
Sunway CP2 Office Tower	Bandar Sunway	51,500	2023
Menara Felcra	Jalan Semarak	104,000	2024
Total		**452,800**	
Selangor			
One City Phase 3	USJ	139,000	2026
PJ Sentral - PKNS	Section 52, PJ	80,000	TBA
Petaling Tin Redevelopment	PJ	28,000	TBA
PJCC	PJ	27,000	TBA
Fraser Square	Section 13, PJ	22,000	TBA
Total		**296,000**	
Grand Total		**748,800**	

Source: HB Research

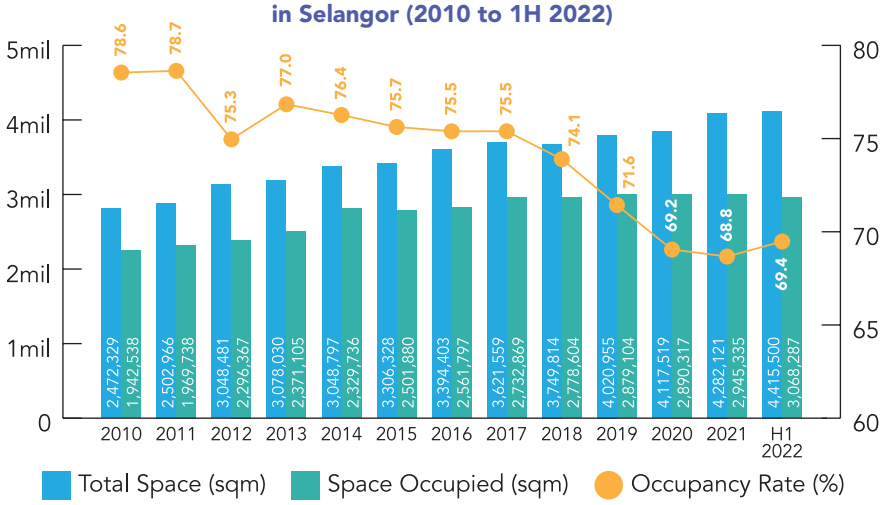
Supply & Occupancy Rates of Purpose Built Office in Kuala Lumpur (2010 to 1H 2022)



Source: NAPIC

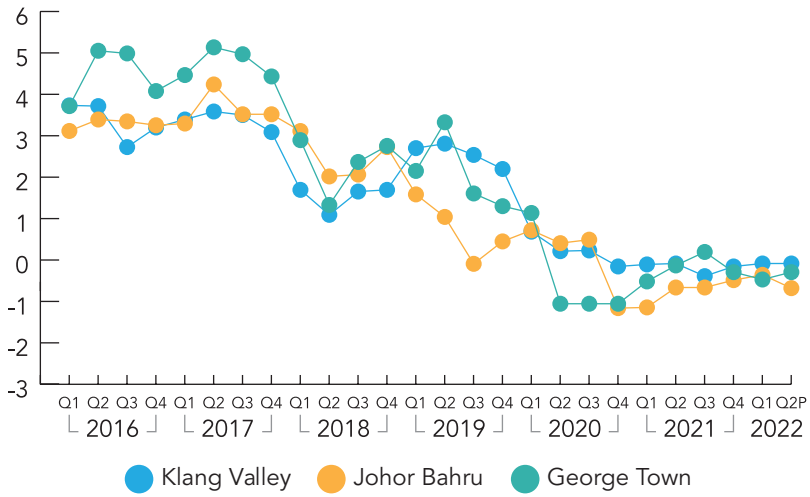
Based on NAPIC's report for 1H 2022, Klang Valley's rental index for PBOs registered only a marginal 0.1% decline in each of the first two quarters of 2022 even though there was widespread concern over the looming oversupply and decline in occupancy rates. The projected increase in supply of office space over the next few years is expected to exert pressure on occupancy rates and consequently could impact rental rates going forward.

Supply & Occupancy Rates of Purpose Built Office in Selangor (2010 to 1H 2022)



Source: NAPIC

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



Source: NAPIC

Overall Range of Office Rentals (1H2022)

Location	Rental Range (RM psm / mth)	
	2021	2022
KLCC / GT		
Grade A+	80.73 - 131.32	80.73 - 131.32
Grade A	61.35 - 100.64	59.25 - 100.11
Grade B	39.82 - 75.35	40.37 - 73.20
CBD		
Grade A	48.44 - 75.32	51.13 - 70.50
Grade B	37.67 - 59.96	37.67 - 69.21
WCC	53.82 - 96.88	57.05 - 96.88
Suburbs	43.06 - 92.57	40.90 - 92.57

Source: HBM Research

Rentals of Selected Grade A Purpose-Built Office Buildings

Building	Location	Rental (RM psm)
KLCC / GT		
Petronas Twin Tower (Tower II)	KLCC	117.11
Menara Darussalam	KLCC	102.25 - 105.45
Menara Maxis	KLCC	80.73 - 129.17
G Tower	Jalan Tun Razak	67.81 - 100.11
Intermark (Integra Tower)	Jalan Tun Razak	86.11 - 122.71
Menara Pavilion Tower	Bukit Bintang	68.35 - 85.57
Menara AIA Sentral	Bukit Bintang	40.37 - 80.73
Menara Perak	Jalan Perak	59.20 - 75.03
KL CBD Area		
Menara Multi-Purpose	Jalan Munshi Abdullah	51.13 - 59.20
Menara Olympia	Jalan Raja Chulan	46.29 - 50.59
Wisma Lee Rubber	Jalan Melaka	53.82 - 59.20
Menara JKG	Jalan Raja Laut	48.44 - 53.82
Menara OCBC	Jalan Tun Perak	57.17 - 57.27
WCC Area, KL		
1 Sentral	KL Sentral	54.90 - 57.59
Menara NU2	KL Sentral	58.13 - 78.58
Centrepoint South	Mid Valley City	53.82 - 80.73
The Gardens North Tower	Mid Valley City	64.58 - 94.72
Menara Shell	Jalan Tun Sambanthan	32.29 - 101.72

Source: Henry Butcher Research

Major Office Tenant Movements

Building	Tenant	Floor Area (sqm)	Status
Mercu Maybank, I-City	Maybank	162,000	Relocation
CIMB Hub (FKA Kenanga International)	CIMB	77,000	Move in
Menara Felda	Government Body, Healthcare, Construction etc	66,000	Move in
Menara BT (Bangsar South)	Medical Equipment	40,000	Move in
Menara IGB	Coupon Provider	20,000	Relocation
Imazium @ Uptown	Healthcare & Logistics	188,000	Move in
Wisma LYL	Education	32,000	Move in

Source: Henry Butcher Research

There were not many transactions of office buildings in Kuala Lumpur in 2022 but known major office building transactions that took place during the year are listed in the "Major Office Transactions in 2022".

Office Outlook 2023

With the successful transition of the country out of the pandemic stage and the subsequent relaxation by the government of the strict SOPs including allowing foreign visitors into the country, we have seen a vast improvement in the overall business environment.

Shoppers have returned to the malls and eateries whilst domestic tourism has also seen a sharp rise. At the same time, the good trade performance chalked up by the country could lead to business expansion by local businesses. This would ultimately lead to an increase in demand for office space, especially now that the political manoeuvrings of the past three years have been put to an end by the conclusion of GE15 which has seen a new administration being formed under a new prime minister, Datuk Seri Anwar Ibrahim.

If this new administration can stay the course for the next five years and provide a stable leadership to steer the country through the challenging economic environment in the year ahead, investors' confidence will grow and this ultimately augurs well for the office sector.

We have seen in 2022 that there are more inquiries for office space. The current demand is generated by expansion or relocation requirements by technology and fintech companies. There is also good demand for co-working space as companies prefer to adopt a shorter term, more flexible and nimble approach to their space requirements.

Nevertheless, the office sector still faces a looming oversupply problem which could lead to a rise in vacancy rates and exert more pressure on rental rates. Further, some leading economists have predicted a global recession to occur in 2023 and if this comes true, growth prospects of Malaysia, a trade dependent country, will be impacted. It will result in weaker business sentiments which would not be supportive of any major expansion by businesses and this could then curtail demand for office space.

Local economists however opined Malaysia will not enter into a recession although a slower growth may unfold in 2023. The impact on businesses and therefore the office sector as such are unlikely to be that drastic.

In conclusion, we would say that the office market has stabilised and remains within manageable range but the prevailing market conditions and prospects for 2023 would still be uncertain and challenging.

Major Office Transactions in 2022

Building, Location	Date	NLA (sq ft)	PSF (RM)	Price (RM)	Buyer
Balai Berita, Bangsar	July	327,310	477	156.4mil	Media Prima Bhd
Menara AmFirst, Petaling Jaya	July	158,450	407	64.6mil	Forever Backup
Wisma TM, Taman Desa	Sep			35.29mil	JAG Land
Wisma KFC, Jalan Sultan Ismail	Dec	175,292	1,084	190mil	Hap Seng Consolidated Bhd
Block N, Jaya One, Petaling Jaya	Apr	28,578	695	19.88mil	Luxchem
Bangunan KWSP, Persiaran Raja Chulan	Jan	110,524	560	62mil	Aims Data Centre (TIME dotCom)

Source: Henry Butcher Research

Retail Review 2022

Supply & Demand of Retail Space in 2022

As at December 2022, Klang Valley (includes Kuala Lumpur, Selangor and Putrajaya) had 291 shopping centres with a total retail supply of more than 84 million sq ft.

The average occupancy rate of shopping centres in Klang Valley improved marginally from 72.3% in 2021 to 72.4% in 2022. The rising trend is similar for the state of Selangor where it went from 69.7% in 2021 to 71.1% in 2022. Take-up rates of several major shopping centres increased during the year although new shopping centres which opened in the last two years did not achieve a high occupancy rate at the initial opening. But on the bright side, new shops continued opening on a monthly basis.

Spotting a negative growth is Kuala Lumpur with an average occupancy rate dropping from 74.6% in 2021 to 73.9% in 2022. Despite having shoppers returning to all shopping centres, occupancy rates did not improve significantly with some retailers resorting to close down their businesses after landlords reinstated pre-Covid-19 rental rates. It is worth noting that new shopping centres opened in the last two years also had yet to achieve a high occupancy rate.

Like the capital city, the average occupancy rate in Putrajaya dropped from 83.6% in 2021 to 73.5% in 2022. In particular, Anjung Shopping Centre closed down while statistically, IOI City Mall Phase 1 was reclassified as part of Selangor instead of Putrajaya.

Klang Valley's average rental rate recovered from RM10.09 per sq ft per month in 2021 to RM11.60 per sq ft per month in 2022. This average did not include rental rates of anchor tenants such as the supermarkets, department stores, cineplexes, bowling alleys etc.

In 2021, many shopping centre owners introduced rental rebates or reduced rental rates in order to retain existing tenants and some tenants agreed to the rental package restructure in order to achieve a win-win situation. But in 2022, most of the retail landlords

Retail Supply & Demand in Klang Valley 2022

Location	No. of Malls	Total Nett Floor Area (sf)	Average Rental Rate (RM psf/mth)*	Average Occupancy Rate (%)
Kuala Lumpur	124	38,914,465	12.47	73.9
Selangor	164	44,778,456	10.76	71.1
Putrajaya**	3	1,018,000	13.61	73.5
Total	**291**	**84,710,921**	**11.60**	**72.4**

Notes:
 # include hypermarket malls & arcades
** exclude rental rates of anchor tenants eg. supermarket, department store, cineplex, bowling alley etc.*
*** IOI City Mall Phase 1, in Sepang District, listed under Selangor. It was previously listed under Putrajaya. previously.*
Source: Henry Butcher Retail

New Shopping Centres in Klang Valley in 2022

Name	Location	Nett Floor Area (sf)
Mitsui Shopping Park Lalaport	Bukit Bintang	861,000
Pinnacle Mall Seri Petaling	Sri Petaling	160,000
Mitsui Outlet Park Phase 3	Sepang	75,000
Ecohill Walk Mall	Semenyih	170,000
IOI City Mall Phase 2	Putrajaya	1,000,000
Datum Jelatek Shopping Centre	Setiawangsa	319,000
Megah Rise Mall	Taman Mayang	145,000
Total		**2,730,000**

- *Mitsui Shopping Park Lalaport - opened 20 January 2022, over 300 retail shops & F&B outlets, a 100,000sf Malaysia Grand Bazaar & a concert hall with 2,500 seats.*
- *Pinnacle Mall - opened 12 January 2022, 4-storey neighbourhood mall.*
- *Mitsui Outlet Park Phase 3 - opened 24 April 2022, 75,000sf nett floor area.*
- *EcoHill Walk Mall - opened 15 September 2022.*
- *IOI City Mall Phase 2 - opened 25 August 2022, largest shopping centre in Malaysia with 2.5mil sq ft nett floor area when combined with Phase 1.*
- *Datum Jelatek Shopping Centre - opened 26 November 2022.*
- *Megah Rise Mall - opened on 18 December 2022, 4-storey shopping centre & 14,000sf Sports Hall.*

Source: Henry Butcher Retail

New Shopping Centres in Klang Valley in 2023

Name	Location	Nett Floor Area (sf)
The Exchange TRX	Jalan Tun Razak	1,300,000
KSL Esplanade Mall	Klang	700,000
Senada Shopping Centre	Bukit Kiara	231,000
MET Galleria	Mont Kiara	80,000
Pavilion Damansara Heights Mall	Damansara Heights	1,170,000
Bloomsvale Mall	Old Klang Road	300,000
8 Conlay	KLCC	130,000
Total		**3,911,000**

- *The Exchange TRX is a 4-storey shopping mall with 400 retail stores and features DFI Retail Group's upscale supermarket Seibu and GSC's new concept cinema as anchor tenants.*
- *KSL Esplanade Mall is located at the southern part of Klang with AEON MaxValu Prime, TGV, EnergeXPark, Mr. DIY and Ashley Furniture as anchor tenants.*
- *The 3-storey Senada shopping centre is part of Senada Residence which includes 2 residential towers and an office block.*
- *MET Galleria is a 2-storey shopping centre within the mega mixed development KL Metropolis and located below a residential tower with 616 units.*
- *Pavilion Damansara Heights Mall will open Phase 1 of the shopping centre by May 2023. Phase 1 has 533,361sf and Phase 2 of the mall has 529,353sf. The mixed-use development comprises 5 residential towers, 10 corporate towers, a 5-star hotel and a retail podium.*
- *Bloomsvale Mall is part of a mixed development in Old Klang Road area comprising 2 blocks of residential towers, a 25-storey office suites, Marriott's 4-star hotel Courtyard and a retail podium. Confirmed anchor tenants include Village Grocer, Believe Fitness, Guardian Pharmacy and Coffee Bean & Tea Leaf.*
- *8 Conlay's Lifestyle Retail Quarters is a 9-storey boutique mall and part of a mixed development with 2 residential towers to be managed by Kempinski Hotel and a tower block consisting of hotel and service suites.*

Source: Henry Butcher Retail

reinstated 2019's rental rates although the average rental rates still did not reach those charged during the pre-Covid-19 period.

New tenants who started businesses during the pandemic period enjoyed more attractive rental packages and this also motivated some existing tenants to take the opportunity to negotiate for lower rental rates.

In 2022, rental rates of prime lots in shopping centres escalated because many retailers preferred premium lots with higher rentals over cheaper rentals at the upper levels in light of the severe impact they suffered at the upper floor during the pandemic where even declining rental rates are no longer appealing to compensate for their losses.

New Shopping Centres Opened in 2022 & Retail Supply in 2023

A total of five new shopping centres and two mall extensions were opened in 2022 with a total nett floor area of more than 2.7 million sq ft in Klang Valley (see New Shopping Centres in Klang Valley in 2022).

At least seven new shopping centres are expected to open in 2023 with a total nett floor area of over 3.9 million sq ft and they are located in all parts of Klang Valley (see New Shopping Centres in Klang Valley in 2023).

Performance of Shopping Centres in 2022 - Year 3 of Covid-19 Pandemic

Since the beginning of 2022, shopping traffic of most shopping centres in Klang Valley have returned to the 2019 levels. Starting the year off in a great momentum was the Chinese New Year festival in early January which contributed strong sales to the malls. Non-Chinese shoppers also took the advantage to shop and travel during this season.

Hari Raya shopping commenced as early as three weeks before the actual celebration on 3 and 4 May with shopping centres crowded daily and reaching the peak a week before the big day, witnessing the largest crowds at major shopping malls around Klang Valley.

As interstate travel was also allowed from October 2021, shopping centres in the cities, towns and tourist attractions enjoyed good business during the long weekends, public holidays and around festive celebrations. This is mainly attributed to Malaysians travelling from all parts of the country to Klang Valley for shopping, gatherings and meetings.

The following is a quick take of what went on around Klang Valley's retail industry and shopping centres in 2022.

Major New Openings in 2022

- M Square in Puchong re-opened as JOMMALL in January 2022 before closing down again mid-year. It reopened again later by DA Auto Premium Cars where it took up several lots for its car showroom.
- MBO cineplexes reopened by a new company MBO Cinema Sdn Bhd in some cineplexes not sold to GSC, namely in Atria Shopping Gallery, Brem Mall and Space U8.
- The 100,000 sq ft Malaysia Grand Bazaar launched in March, the 2,414 capacity ZEPP Hall Kuala Lumpur opened in May and Metrojaya reopened as a department store anchor in July in Lalaport, Bukit Bintang City Centre.
- Sunway Pyramid launched The Link, a new 80,000 sq ft dining zone in June. Located between Sunway Pyramid and Sunway Pyramid Hotel & Sunway Resort, tenants include Sports Direct, Din Tai Fung, Haidilao, Memorie Cafe, Nanyang Cafe, Tonkatsu by Ma Maison and The Owls Cafe.
- Redtick supermarket re-opened in Setia Walk Mall in September.
- Jaya Grocer opened its first supermarket in Klang at Centro Mall in December.
- Starhill Gallery was refurbished and renamed as The Starhill in December with Taiwan's Eslite Spectrum bookstore as anchor.

Major Replacements & Closures in 2022

- In January 2022, NSK Grocer replaced AEON in Quill City Mall occupying an 85,000 sq ft supermarket, Jaya Grocer replaced Ben's Independent Grocer (BIG) vacated space in DC Mall and NSK Trade City opened in a building formerly occupied by Giant Hypermarket in Batu 9 Cheras.
- Decathlon and Samsung Malaysia in a tie-up with Senheng replaced part of the anchor space vacated by Robinsons in Shoppes @ Four Seasons Place. Decathlon opened its flagship store on the first floor while Samsung Malaysia-Senheng opened a brand new experience store on the ground floor.
- Maju Home and K Plus Food Market replaced Metrojaya in The Curve.
- NSK Grocer replaced The Store's vacated anchor lot in Paragon Point and opened a 3-storey supermarket in July 2022.
- Don Don Donki replaced the IT Centre on the top floor of Sunway Pyramid.

Several major closures also took place in 2022:

- Giant hypermarket closed in Klang Sentral and USJ, both in Selangor, while its outlets in South City Plaza in Kuala Lumpur and Amcorp Mall in Petaling Jaya, Selangor, will also close by the end of January 2023.
- Plaza OUG, opened in Old Klang Road, Kuala Lumpur, in 1984 was demolished in July to make way for a mixed-use development comprising a 6-storey shopping centre.
- Super Seven hypermarket ceased operations in Viva Home Mall, Cheras in Kuala Lumpur.

More closures were seen in some retail sub-sectors which were generally caused by a few reasons, they include over expansion in the last two years, set up of new stores solely to meet the latest pandemic trends and unsustainable business models.

Consolidation of the following business genres were also seen in the market in 2022:

- Mini-markets;
- Low-priced large-format stores (especially RM2.00+ stores);
- Courier delivery stores;
- Beverage-focused F&B outlets (bubble tea, yoghourt drink, coffee, tea etc.);
- Dessert-focused F&B outlets (cake, ice cream, French patisserie etc.); and
- Retailers using franchise, licensing, investment scheme and crowd funding to expand during the pandemic. These companies

attracted ordinary people to invest in it with a very low entry cost promising high returns.

In addition, retail outlets that survived the 2-year pandemic but chose to close down after the market reopened cited the following reasons:

- Landlords increased rental after the lockdown ended.
- Unable to attract shoppers and diners back to 2019 level due to increased competition.
- Shortage of manpower.
- Higher cost of operation.

Sale & Refurbishment in 2022

- In January 2022, Sungei Wang Plaza re-launched with a new interior design.
- AEON Big Subang Jaya refreshed in early 2022.
- Pearl Point Shopping Centre was refurbished in 2022 with Jaya Grocer replacing Econsave as the grocery anchor tenant. Jaya Grocer also vacated Pearl Shopping Gallery located next door.
- IGB wholly-owned subsidiary MGudang Properties Sdn Bhd acquired 149 units of Pandan Safari commercial lots from Paradise Boulevard Sdn Bhd for RM9.07 million and set to refurbish it into a storage and warehouse space catered to e-commerce operators.
- Semua House, opened in Little India in 1986, was closed for refurbishment in September and targets re-opening by the end of 2023.
- Commons KL, formerly known as BB Park, was refurbished and re-launched in September with a new selection of F&B outlets, plant shop, salon and pet grooming centre.
- Infra Segi Sdn Bhd took over the abandoned Selayang Star City in October 2022. Now known as 168 Park Selayang, the new developer will resume the construction of the 2-storey shopping centre with a nett floor area of 235,000 sq ft and targets for completion in 2024.
- Boustead Holdings Bhd announced in November its plan to redevelop eCurve shopping centre (closed since 31 March 2021) into a high-rise residential development.
- In November, YNH Property Bhd sold its 163 Retail Park and AEON Seri Manjung Shopping Centre to ALX Assets Bhd for RM422.5 million.
- In late November, Pavilion REIT agreed to purchase Pavilion Bukit Jalil from Malton Bhd's subsidiary Regal Path Sdn Bhd for RM2.2 billion.

Retail Trends in 2022

In 2022, Klang Valley consumers were back to their pre-Covid-19 shopping behaviour and patterns.

- The volume of online shopping had dropped since late 2021 but it didn't disappear. F&B outlets and retail stores in Klang Valley that set up online delivery services during the Covid-19 period were still offering such services although the virus spread had dissipated. These outlets did not cease their online services, remove the apps or stop using third-party food delivery platforms (eg. Grabfood, Foodpanda, Beep, airasia etc.).
- Physical stores that offered virtual shopping through social media, WhatsApp, website, app and third-party online platforms during the lockdown periods witnessed online shopping activities drop by 70% to 80% since early 2022.
- F&B outlets that offered food delivery via third-party delivery platforms during the lockdown periods experienced a 50% to 60% drop of online business since early 2022 with customers preferring to dine in after MCOs ended or after SOPs on social distancing were relaxed. F&B operators also prefer dine-in customers due to the high charges from third-party delivery platforms.
- Pure-play retailers enjoyed a spike in business during the lockdown period but after the various forms of MCO (Movement Control Order) ended, businesses dropped by 20% to 90%. Some online operators on the other hand continued enjoying stable sales for their unique and special products not found elsewhere but others suffered a large drop due to their weak unique selling propositions (USPs). Many online operators who started their businesses during the lockdown also ended their ventures due to the intense competition and low profit margins.
- Many individuals, who started selling products and services during the MCOs (due to retrenchment, reduced workload and work from home) returned to their previous or new full-time jobs after the lockdowns ended with many closing their ventures although some kept it going on a part-time or ad-hoc basis.
- After shoppers returned to the physical stores, many online retailers used events, exhibitions, farmers markets, flea markets, arts markets, bazaars, kiosks, promotion space, pushcarts and pop-up stores to sell their products and services directly to consumers. Some started to distribute their products to selected stores that carry multiple brands and few set up physical showrooms. This enabled the operators to interact face-to-face with their regular customers.

Opening of Foreign Retailers

Malaysia remained a highly popular country in Southeast Asia for foreign retailers where in 2022, at least 43 new brands from 15 countries opened their first stores (shopping centres only) in Malaysia with Klang Valley accounting for 93% of these new entries. The new supply of several high quality shopping malls in recent years attracted these retailers.

Shopping Centre Market

During the weekends and public holidays, major shopping malls in Klang Valley have been packed with shoppers and diners in 2022. The common crawl of traffic jams inside the car parks like those seen before the pandemic has also made its way back. The current shopping traffic of all major shopping centres may have reached 2019's level but occupancy rates and rental rates have not. Nevertheless, a full recovery should take place in 2023.

Domestic tourism in particular has recovered since the recent Hari Raya festival and it will continue to sustain the shopping traffic of shopping centres in both the major cities and small towns in 2023.

Foreign tourist arrivals will also continue to rise in 2023 and this will contribute to higher sales for retail businesses in shopping centres that are highly dependent on foreign tourists.

Due to the current oversupply of retail space in Klang Valley, new shopping centres opened in the recent few years will continue to struggle to secure new tenants and to achieve high occupancy rates. Retail landlords as such are compelled to attract quality tenants by offering lower rental rates, longer renovation period, renovation subsidy, extra rent-free period and base rental with turnover rent.

The possibility of a world recession in 2023 is high as the United States is already in a technical recession while the European countries are facing an energy crisis. China on the other hand is experiencing a slow recovery despite its recent relaxed Covid-19 policies. All these have slowed down the economic growth of Malaysia since Q4 2022.

Opening of First Stores (Shopping Centres only) in Malaysia by Foreign Retailers in 2022

No	Country of Origin	Brand Name	Trade
1	China	Mixue	Dessert
2		Taco James	Restaurant
3		Zhaoju Dessert	Dessert
4	France	Balmain	Fashion
5	Germany	HUGO	Fashion
6		Philipp Plein	Fashion
7	Hong Kong	The Coffee Academics	Coffee cafe
8	Indonesia	Kenangan Coffee	Coffee cafe
9	Japan	Ainz & Tulpe	Beauty
10		Baristart Coffee	Coffee cafe
11		Coo & Riku	Pets
12		DONQ	Bakery
13		Gyomu	Supermarket
14		Issey Miyake	Fashion
15		Matcha Eight	Tea & dessert
16		Mr. Kanso	Canned food
17		Nitori	Furniture & furnishing
18		Nojima	Electrical & electronics
19		Tamaruya Honten	Restaurant
20		Tsutaya	Bookstore
21	Portugal	Sacoor Blue	Fashion
22	Singapore	Epitex Home	Furniture
23		Wok Hey	Food kiosk
24		Yakiniku Sizzle	Restaurant
25	South Korea	32 Parfait	Ice cream
26		BHC Chicken	Fried chicken
27	Spain	Lladro	Arts & crafts
28		Yole	Frozen yoghourt
29	Switzerland	Amaris	Beauty
30		Roger Dubuis	Watch
31	Taiwan	Come True Cafe	Cafe
32		Eslite Spectrum	Bookstore
33		Fat Daddy	Fried chicken
34		HWC Coffee	Coffee cafe
35	Thailand	Baan PhadThai	Restaurant
36		Dee Coffee	Coffee cafe
37		Discover Siam	Arts & crafts
38		Flash Express	Courier delivery
39	United Kingdom	Liverpool FC	Fashion
40		Wolfgang's Steakhouse	Restaurant
41	United States	Apple Premium Store	Electronics
42		Club Macanudo	Cigar lounge
43		Ralph's Coffee	Coffee cafe

Source: JPPH / Henry Butcher Research

Rental Rates of Selected Shopping Centres in Klang Valley 2022

Name	Rental Rate (RM psm per month)					
	Lower Ground	Ground Floor	1st Floor	2nd Floor	3rd Floor	4th Floor
3 Damansara	11.00 – 25.00	10.00 – 14.00	7.00 – 12.00	8.00 – 10.00	N/A	N/A
Cheras Leisure Mall	17.00 – 33.00	14.00 – 23.00	10.00 – 27.00	8.00 – 22.00	N/A	N/A
Low Yat Plaza	27.00 – 30.00	19.00 – 48.00	23.00 – 31.00	10.00 – 23.00	14.00 – 23.00	10.00 – 17.00
Mid Valley Megamall	25.00 – 36.00	45.00 – 80.00	33.00 – 38.00	23.00 – 25.00	15.00 – 21.00	N/A
SACC Mall	7.00 – 13.00	4.00 – 14.00	3.00 – 12.00	3.00 – 7.00	3.00 – 6.00	N/A
Suria KLCC	46.00 – 207.00	44.00 – 151.00	42.00 – 95.00	36.00 – 100.00	44.00 – 91.00	37.00 – 61.00
The Mines	N/A	7.00 – 18.00	8.00 – 18.00	5.00 – 24.00	9.00 – 19.00	N/A

Notes:
The achieved rental rates did not include rental rates of anchor tenants such as supermarkets, department stores, cineplexes, bowling alleys etc.
N/A - not applicable

Source: NAPIC, Henry Butcher Retail

In the event of an economic downturn, Malaysian retailers will stop expansion. Retailers with heavy borrowings will also consolidate its operations by closing underperforming outlets and those incurring high rental rates. These will affect the occupancy rates and rental rates of shopping centres across Klang Valley.

Such an economic pressure will also see shoppers becoming cautious in their spending especially when their take-home pays drop again. For meals, it is likely they will cook more at home and dine at restaurants that offer affordable meals. They will also make fewer trips to the cafes and restaurants, and commit to buying less of the non-essential goods such as fashion clothing & accessories, jewelleries, ICT products, toys, tablewares, luggages etc.

On the high value items such as furniture, massage chairs, fitness equipment, photography equipment, large electrical & electronics goods etc., it would be few and far between if the financial crunch continues. Further, if any of these items or their belongings are broken, it shouldn't be surprising if they decide to seek out a cheaper alternative or a second-hand/ pre-loved branded goods, or maybe also attempt to repair it.

All these changes in consumers' behaviour and patterns will affect shopping traffic and retail sales of shopping centres in Klang Valley.

The Consumer Market

Prices of basic necessities have been rising since the beginning of 2021 with many consumer goods like food increasing by double-digit within a short span of time. It goes without saying that with higher retail prices, it will lead to a higher cost of living. This simply means less disposable income to buy non-essential goods and services. Through this, the shopping behaviour and patterns of the B40 and M40 households have inevitably changed as they try to stretch their Ringgit by cooking more at home and delaying the purchase of high-value goods while paying greater attention to offers and discounts given by retailers.

To cushion the fall, Malaysians can look forward to the various monetary incentives announced during the tabling of Budget 2023 in October 2022. This includes the allocation of RM55 billion for subsidies, aids and incentives to alleviate cost of living. If and when approved by the Parliament, these budgetary measures will ensure costs of fuel, rice, flour, chicken, cooking oil and many other basic necessities remain affordable to Malaysians. These allocations may however be revised again because a new Federal Government had just been formed in November 2022 after the eventful GE15.

Another form of savings or additional income to take home with in 2023 comes in the form of a 2.0% reduction of personal income tax contribution. This little "savings" will encourage working employees to channel this extra money to retail spending on a monthly basis.

Retail & Shopping Centre Markets Outlook in 2023

Looking into the horizon, a long list of new foreign entries are already expected to make its way into Klang Valley in 2023, they include the Apple Store, Bacha Coffee, Black Tap, David Rocco, GS25, Nuttea, Omotesando Koffee, Paris Baguette, Seibu, Shake Shack, Thaifeteria Nitinagin, and more.

The strong recovery during the first nine months of 2022 is expected to bring forward a full recovery of the Malaysian retail industry and by the end of 2022, it should make it back to 2019's sales level. The prospect of the Klang Valley shopping centre market in 2023 is however highly dependent on the economic development of the country as well as the prices of goods and services. But with interests coming from foreign brands into our shores including the domestic factors and the climate of the economic externalities, Retail Group Malaysia (RGM) is forecasting a 3.5% growth rate for the Malaysian retail industry in 2023 on the back of the country's biggest challenge - the rising cost of living.

Industrial Review 2022

The volume of industrial property transactions in Selangor jumped by more than 50% in the first nine months of 2022 to 2,020 units compared to the same period the year before. However, the value of the transactions came down by 12.9% to RM5.1 billion, indicating that the average value of the transactions has become lower.

For Kuala Lumpur, both the volume and value of industrial property transactions registered an increase of 57% and 161.7% respectively in the first nine months of 2022. It is however noted that the number of industrial property transactions in Kuala Lumpur is very small and insignificant compared to that of Selangor. Based on the growth in 2022, Kuala Lumpur's industrial market appeared to have recovered from the slowdown experienced in 2020.

There were several notable industrial deals concluded in 2022 and the major ones are listed in "Major Industrial Deals in 2022".

In 2022, there were also several major sale transactions involving industrial land and these are listed in "Major Industrial Property Transactions in 2022".

Demand for industrial properties, especially warehouses, remains strong due to the high demand from companies involved in e-commerce and logistics. In fact, the industrial property sector was the best performing sector of Malaysia's property market in 2022 and this has encouraged more property developers to shift some of their attention to the development of industrial projects.

Volume & Value of Industrial Property Transactions (Jan-Sep 2020 to 2022)

	Volume of Industrial Property Transactions (Units)		
	2020	2021	2022
Malaysia	3,303	3,837	6,044
Kuala Lumpur	61	70	110
Selangor	1,124	1,325	2,020
	Value of Industrial Property Transactions (RM million)		
	2020	2021	2022
Malaysia	9,028.11	11,297.31	15,248.48
Kuala Lumpur	143.14	182.01	476.48
Selangor	5,215.42	5,902.67	5,140.37

Source: NAPIC

Major Industrial Deals in 2022

Buyer	Seller	Description	Land Area (acres)	Consideration (RM)
KIP Reit	Hextar	3 industrial properties in Pulau Indah	350,000sf of lettable area	78.7mil
Amazing Blitz	Network Foods	Industrial property in Section 16, Shah Alam	6	41mil
Longi	UMW	Industrial land in Serendah	140	304.9mil
Axis REIT	Jemaramas Jaya	Industrial premises in Klang – sale & leaseback	6.165	41mil
TPC	Swift Haulage	Industrial land in Klang	11.89	38.3mil

Source: HBM Research

Industrial Outlook 2023

The following are the factors which will have an impact on the industrial property sector in 2023:

- The increase in DDIs and FDIs in the first nine months of 2022 is expected to translate ultimately into an increase in demand for more industrial space.
- The continued good trade performance recorded by the country in 2022 will benefit the manufacturing industry and this in turn, will provide a boost to the industrial property sector. However, trade performance may be affected by any global recession or economic slowdown in 2023.
- The return to stability after the conclusion of GE15 and the forming of a Unity Government will ultimately lead to a boost in investor confidence and generate more investments including in the manufacturing sector.
- The possibility of a global recession in 2023 may negatively impact Malaysia's economy and if it happens, will lead to a slowdown in demand for industrial space.

Major Industrial Property Transactions in 2022

Scheme	Location	Month	Size (sq ft)	Price (RM)
Persiaran Raja Muda, Seksyen 16	Shah Alam	Nov	261,360	41mil (156.87psf)
Taman Perindustrian Kapar Bestari	Klang	Oct	54,189	14.7mil (27.13psf)
Kawasan Perindustrian Sungai Rasau	Klang	Oct	54,746	8.1mil (148.50psf)
Pekan Meru	Klang	Sep	268,547	41mil (152.67psf)
Jalan Dengkil/ Banting	Sepang	Sep	67,675	4.3mil (64psf)
Bandar Sultan Sulaiman	Klang	Aug	517,928	38.4mil (74.03psf)
Eco Business Park V	Kuala Selangor	Jul	427,324	36mil (84.25psf)
Bukit Raja	Klang	Jul	347,609	47.1mil (135.58psf)
Jalan Haji Salleh, Batu 5½ off Jalan Meru	Klang	Jul	264,671	41mil (154.90psf)
Hicom Glenmarie Industrial Park	Shah Alam	Jul	51,401	20.2mil (393psf)
Jalan Haji Sirat	Klang	Jun	171,496	19.3mil (112.41psf)
Sungei Way Industrial Zone	Petaling Jaya	Jun	158,123	60.1mil (382.61psf)
Bandar Baru Bangi	Bangi	May	683,021	53mil (77.60psf)
Jalan Tandang	Petaling Jaya	May	46,609	10mil (214.55psf)
Seksyen 23	Shah Alam	Apr	308,405	50.5mil (163.20psf)
Kawasan Perusahaan Chan Sow Lin	Cheras	Apr	39,640	19.9mil (501.70psf)
Section 51	Petaling Jaya	Apr	87,643	20mil (229.49psf)
Jalan Bukit Arang	Semenyih	Mar	222,156	8mil (219.54psf)
Taman Perindustrian Subang	Subang Jaya	Mar	256,960	65.6mil (255.25psf)
Beranang Industrial Jalan Perusahaan 1	Beranang	Jan	457,380	23mil (50.20psf)
Kawasan Perindustrian Pulau Indah	Klang	Jan	NA	35.3mil (NA)
Jalan Rawang	Rawang	Jan	92,347	4.2mil (45.10psf)

Source: NAPIC / Henry Butcher Research

Hospitality Review 2022

The tourism industry has managed to stage a strong rebound when the government loosened the strict SOPs implemented during the pandemic phase and allowed initially, domestic travel to begin followed by international tourists entering the country without having to quarantine. This boosted Malaysia's tourist arrivals and based on the latest available statistics from the Ministry of Tourism, Arts & Culture (MOTAC), the country received 3.21 million tourists from January to July 2022 and the estimated spending by these tourists came up to RM9.35 billion.

The increase in the number of tourists represents a 5,500% growth over the corresponding period in 2021. Based on this improved performance, MOTAC under the previous Tourism Minister Dato' Sri Hjh. Nancy Shukri had also announced that it has revised its target to 9.2 million tourist arrivals for the full year of 2022 with an estimated tourism receipts or spending of RM9.35 billion. The target set for 2023 is higher at 15 million arrivals but with another Tourism Minister now in office, Dato Sri Tiong King Sing, these targets for 2023 may yet be revised again.

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

Overall, Malaysia recorded a 16.8% jump in hotel occupancy in 1H 2022, rising from 25.8% to 42.6%. Kuala Lumpur hotels' occupancy rate saw an improvement from 17.6% to 38.5% over the same period while Selangor registered an increase of 16.8% from 25.8% to 42.6%.

Average Occupancy Rates of Hotels in Kuala Lumpur, Putrajaya & Selangor (Jan-Jun 2021/22)

State	2021 (%)	2022 (%)	Increase (%)
Kuala Lumpur	17.6	38.5	20.9
Putrajaya	24.6	44.0	19.4
Selangor	25.8	42.6	16.8
Malaysia	**23.2**	**43.6**	**20.4**

Source: Tourism Malaysia

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

Building	Location	Rental (RM psm)
2022		
Fairmont	KLCC	690
JW Marriot	Bukit Bintang	160
Park Royal Collection	Jalan Sultan Ismail	535
Canopy by Hilton	Bukit Bintang	456
Amari	KL Eco City	252
Le Meridien	Petaling Jaya	300
2023 onwards		
Kempinski	8 Conlay	260 rooms, 300 Suites
Conrad	Jalan Sultan Ismail	544
Waldorf Astoria	Bukit Bintang	279
Park Hyatt	Merdeka 118	232 incl. 28 suites & 30 Residential Apartments
Indigo	Bukit Nenas	180
Jumeirah	Jalan Ampang	190
SO/Sofitel	Jalan Ampang	207
Edition	KLCC	350
JW Marriott Sentral	KL Sentral	451
Kimpton	TRX	471
Hyatt Regency	Jalan Duta	450
Crowne Plaza	Jalan Yap Kwan Seng	367

Source: Henry Butcher Research

Hospitality Outlook 2023

The reopening of international borders of many countries augurs well for the country, in particular China who has started to loosen its strict zero-Covid policy. This is expected to benefit Malaysia's tourism industry once Chinese tourists are able to freely leave and return to their country.

The travel and hospitality industry is nevertheless still grappling with staff shortage problems and this has hampered hotels as well as theme parks/ entertainment centres and restaurants from operating at full capacity. With the change in government and new ministers at the helm at the key ministries, it is hoped that this labour shortage problem can be effectively addressed and resolved to the benefit of all stakeholders.

There are a number of new hotels currently being built in Klang Valley and when completed, will add onto the supply of hotel rooms. It is imperative that MOTAC, under the new minister Dato Sri Tiong King Sing, is able to come up with effective strategies and take concerted effort to increase the flow of inbound international tourists to the country, not only from its traditional markets but also to tap and develop new markets in order to fill up the hotel rooms.

NEGERI SEMBILAN

Factors to Watch in 2023
- Sime Darby Bhd's continuous land disposal in Malaysia Vision Valley (MVV).
- F&N's plan to allocate up to RM800 million capital expenditure for its dairy farm project in Gemas, Negeri Sembilan.
- Completion of the Gemas–Johor Bahru Electrified Double Track Project.

Bright Spots in 2023
- New townships and industrial areas are envisaged to be developed areas to the north-west of Seremban. These developments are near to Klang Valley and well connected to the existing roads and expressways.
- Gemas and Gemencheh areas will benefit from the large-scale modern agricultural industry.
- Improving connectivity for residents living in towns along the Electric Train Service (ETS) route, starting from Padang Besar (Thailand's border) to Johor Bahru (Singapore's border) that bypasses Negeri Sembilan, provides a safe, fast and scenic option for the travellers. Major towns in the state such as Tampin, Seremban and Nilai will benefit.

Outlook for 2023
- Negeri Sembilan's property market will remain active in 2023 although it is not precluded from inflationary pressures, labour shortage & the rising interest rates.
- The commercial sub-sector may stagnate in 2023 after a promising run in 2022.
- The industrial market is expected to continue its outperforming trend in 2023.
- The hospitality industry shall see a return of tourism activities to pre-pandemic levels in 2023.
- The agricultural and development land sub-sectors are expected to be positive in 2023.

Two years after the outbreak of the Covid-19 pandemic, Negeri Sembilan's property market is beginning to show improvement. For the first nine months of 2022, the volume of transactions stood at 16,311 units, outperforming the corresponding periods of the pre-pandemic years. In tandem with the positive performance, total value of transactions touched RM6 billion to reach RM6.085 billion or 50% higher than the RM4.067 billion recorded in 2021.

Last year, Henry Butcher Negeri Sembilan made a forecast that the property market in 2022 will be consistent with 2021's performance if not better. Data for the first three quarters of 2022 has shown that many of the sub-sectors such as commercial, industrial, agricultural and development land have bounced back from the slump of 2020 and 2021 while the residential sub-sector has performed as expected and back to its normal pace.

Blessed by Negeri Sembilan's superb location which adjoins the now development-saturated Klang Valley to its north and the proximity to KLIA, klia2 and easy connectivity to major highways, many who have opted to relocate out of Klang Valley have chosen the state instead of areas to the south of Perak or north of Selangor like Tanjong Malim and Bernam. All these have spurred the state's economic developments in recent years.

The overall improvement of the property market is attributed to the returned confidence of investors and property buyers following the gradual transition to the endemic phase as well as the opening up of the inter districts and interstates boundaries from 1 April 2022. Coupled with the various developments earmarked for the 153,411-ha (or 1,534km^2) Malaysia Vision Valley (MVV) in the coming years, Negeri Sembilan's performance in the property market is forecasted to be active, strong, stable and generally in a good and satisfying level in 2023, notwithstanding global headwinds from the macro-economic environment such as the persistent inflationary pressures, labour shortage and the rising interest rates which might dampen and slowdown this optimism.

While there seems to be a consensus about a global market slowdown, more so in the western countries like the US and Europe, the risks of this weakening sentiment may however be mitigated if the government helmed by the new Prime Minister Datuk Seri Anwar Ibrahim is able to strengthen some of the fundamentals such as the market's confidence, inflation and labour shortage to more manageable levels. But given the fluidity of the political environment, the strength and stability of the government may only be better assessed around the middle term or about two to three years from 2022.

For Negeri Sembilan as a whole, the people's mandate on the chosen leadership should motivate better governance from the political leaders post-GE15. It is also hoped that the new government will move in strength and unison to combat corruption, among the many other pressing agendas as required by the state and the country.

Residential & Commercial Overview & Outlook

Both the residential and commercial sub-sectors in Negeri Sembilan have improved towards Q3 2022. The residential market in particular grew healthily as expected, by 49% in the first nine months in volume of transactions from 7,432 to 11,107 units and by 57.7% in value of transactions to RM3.85 billion. These figures represent about 67.08% and 63.10% of the total volume and value of transactions for the first nine months of 2022 in the state after a great surge in Q3 2022.

Over in the commercial market, although there was a slight drop in volume last year, the transacted units shot up by more than 90% this year. According to NAPIC's data, there were 960 transactions valued at RM565 million in the first nine months of 2022 compared to 500 transactions valued at RM434 million in the corresponding period in 2021, up 92% in volume and an increase of 30% in value of transactions.

Prices of the commercial properties have increased since early 2022 and this has pushed up rental rates. The increased activities and potential growth are probably due to the prominent developments in the area such as the Malaysia Vision Valley 2.0 (MVV 2.0), Bandar Sri Sendayan, Bandar Ainsdale, S2 Heights, Putra Nilai and Nilai Utama.

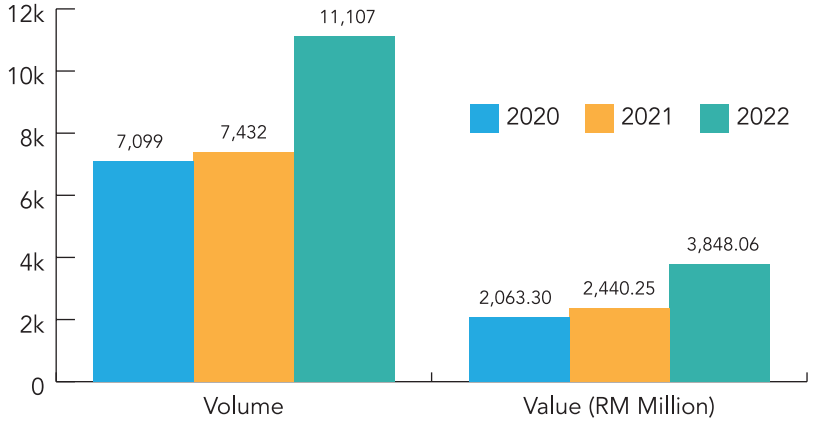
2022's boost in price movement may however stagnate come 2023 seeing that a host of risk factors are at play in the macro-economic environment. It is therefore envisaged that there will be more new launches in 2023 albeit at a smaller scale. It would still be prudent for developers to gauge the market's appetite and response especially for the higher priced properties.

Hospitality Overview & Outlook

Apart from the beach town of Port Dickson, Negeri Sembilan is conventionally not a popular tourism destination. Things may however take a turn for the better with emerging tourism towns like Titi and Lukut. Domestic tourists have been visiting these towns for their unique cuisines and eco-tourism fares.

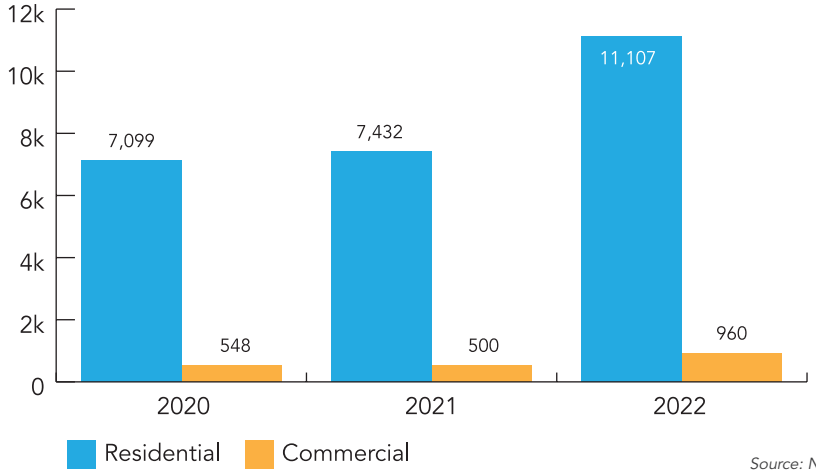
Although not big in the hospitality industry, Negeri Sembilan's tourism sector is expected to return to pre-Covid-19 levels in 2023.

Volume & Value of Residential Property Transactions in Negeri Sembilan (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Residential & Commercial Property Transactions in Negeri Sembilan (Jan-Sep 2020 to 2022)



Source: NAPIC

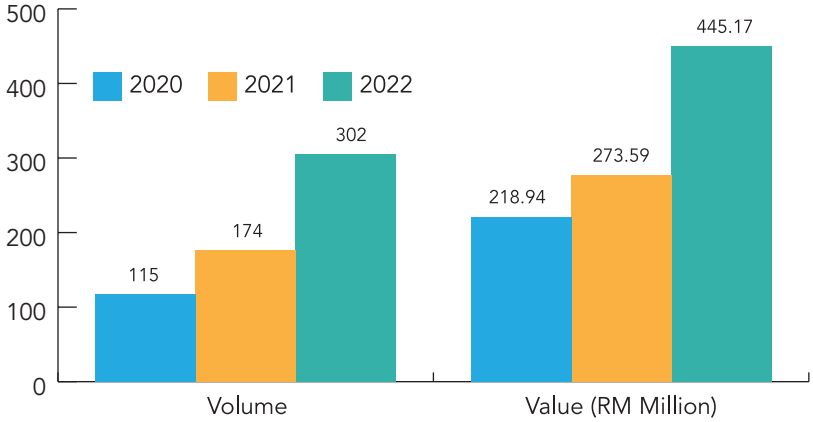
Industrial Overview & Outlook

Negeri Sembilan's industrial sub-sector in the first nine months of 2022 has surpassed the pre-pandemic year's performance of 2019. There was a significant increase of 73.6% to 415 units in the volume of industrial transactions and a notable 63% jump to RM564 million in the value of transactions in the first nine months of 2022 compared to the same period in 2021.

With the successful sale of Hamilton Industrial Park, one can expect the industrial sub-sector in Negeri Sembilan to perform better in 2023 than it has in the previous years.

Investors with a keen interest in Negeri Sembilan may also monitor movements of industrial schemes launched in Malaysia Vision Valley (MVV) where manufacturing and the general industrial sub-sectors will take centre stage in the coming years.

Volume & Value of Industrial Property Transactions in Negeri Sembilan (1H 2020 to 2022)



Source: NAPIC

Agricultural & Development Land Overview & Outlook

The agricultural sub-sector has emerged as a star performer in the first nine months of 2022 recording 3,378 transactions valued at RM785.6 million. By total volume of transactions, this has surpassed the 3,269 transactions recorded for the full year of 2021. The outlook for this sector is anticipated to be positive in 2023.

Negeri Sembilan's development land sub-sector recorded 451 transactions valued at RM322.19 million in the first nine months of 2022, higher in terms of volume and value in the full year of 2021 with 337 transactions valued at RM238.25 million. This positive result was spurred by the overall improvement of the economic conditions of the state and the country. As such in 2023, developers are expected to continue sourcing for suitable lands to meet their needs for immediate developments and also as part of their land banking exercise.

MELAKA

Factors to Watch in 2023

- The rise of interest rates reduces purchasing power towards property, especially for investment.
- Melaka City Centre's oversupply of commercial shophouses and retail spaces will persist with prices remaining stagnant after the pandemic as take-up and rental rates are still low.
- With the influx of domestic and international tourists after the reopening of Malaysia's borders and the more relaxed restrictions, prices of commercial properties at the core of the historical zone and tourism related properties (ie. hotels, service apartments, F&B, tourism related retail businesses) are expected to remain stable in the short run.

Bright Spots in 2023

- Steady growth remained for the landed residential sub-sector with medium cost/affordable housing commanding better demand.
- Demand on the industrial sub-sector to remain stable as SMEs continue expanding their businesses.

Outlook for 2023

- Landed residential sub-sector will remain as the main contributor in 2023.
- Melaka's retail sub-sector will continue to be challenging in 2023.
- Hospitality businesses are looking to rebound to pre-pandemic levels in 2023.
- Prices of commercial shops cum offices will gradually improve in 2023.
- Industrial sub-sector may register marginal increases in prices in 2023.

Consistent with the previous year's forecast for Melaka, performance of the state's overall property market in 2022 has remained stable. This is supported by Melaka's industry friendly policies which are expected to attract more international investors to the state. For example, the state government's announcement to set up an automotive assembly plant in Elkay Lipat Kajang industrial area in Jasin and the opening of Leuze Electronics Malaysia Sdn Bhd in Taman Perindustrian Bukit Rambai are steps in the right direction as these will generate more property activities and demand in the state.

Like the rest of the country, Melaka will not be exempted from the impending market slowdown, like the aftermath of the Covid-19 pandemic and the persisting Russia-Ukraine war. As such, the performance of Melaka's property market in 2023 would still be exposed to the risks generated by these external factors and domestically, it is reliant on the state government's ability to manage and control inflation down to a reasonable level.

After the dramatic 15th General Elections, attaining some sense of political stability in the current Unity Government becomes extremely vital to the country's economic growth. Not only will it impact the country at the macro level, the well-being of Melaka's state economy will also be influenced by it. A stable political environment as such shall help breed confidence among the investors and especially those with an interest in Melaka. Citizens of Melaka are as such not precluded from anticipating more foreign direct investment (FDI) making its way into the country and state if the government is more aggressive on this front.

With some positive factors going for the state, Melaka looks forward to an improved property market in 2023.

Residential Overview & Outlook 2023

Melaka's residential property market recorded a 25.32% increase in volume of transactions to reach 7,692 units in the first nine months of 2022 compared to 6,138 units in the corresponding period in 2021. Value of transactions also went up but by a higher margin of about 44% to RM2.48 billion in the first nine months of 2022 compared to RM1.72 billion over the same period in 2021.

Despite the positive increments, demand for homes priced under RM500,000 have been declining. This could likely be attributed to the higher transacted residential prices in recent years.

In terms of property type, high-rise residences in Melaka have seen some positive activities in the volume of transactions, going from 323 units in the first half of 2021 to 485 units in the same period in 2022 while landed houses have been less favourable. This may signal the inherent potential of high-rise apartments and condominiums in Melaka due to the increasing demand for Airbnb and homestay purposes. Buyers may also be influenced by the higher price points of landed houses in Melaka, leading to their decision to purchase high-rises. In any case, the high-rise apartments and condominiums remain in oversupply in Melaka, giving interested buyers some serious set of options to choose from. With supply outpacing demand, prices are likely to continue dropping in 2023 for this property segment.

For the landed residential, although NAPIC's data has shown to favour the high-rises up until the first half of 2022, subsequent observation of the market indicates that landed residences may still have its followers. As such, encouraged by the positive economic conditions, landed homes in Melaka may gradually increase in volume of transactions again in 2023.

To encourage a better take-up rate from the new launches in 2023, it would be beneficial if the state government and developers are able to extend more incentives to the buyers such as price or early bird discounts or by organising more property exhibitions.

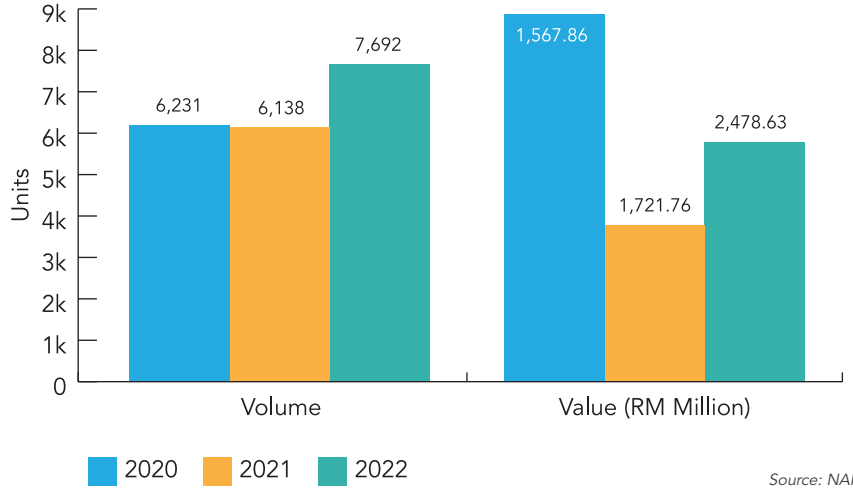
At the regulatory level, relaxation of policies and speedy approvals by the state government are measures that can help cut down developers' overall operating costs and overheads which in turn will also inspire more purchases.

At the point of writing, Melaka is witnessing a positive growth as businesses resume operations and gear towards pre-pandemic levels. In addition, the historical state's property market remained healthy with the lowest property overhang nationwide. The 7.2% increase in 1H2022 from 2H 2021 posed little problems to Melaka's overhang status and local developers conversant with the market are well aware of this little bump.

Although small, various marketing techniques have been deployed by the developers to attract buyers. Some of these strategies include building more affordably priced properties and being more sensitive to the needs of the buyers.

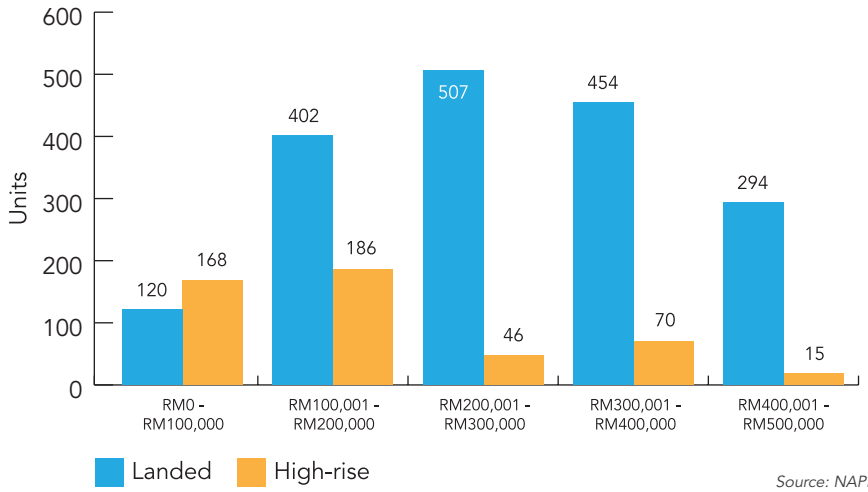
At the state level, the Melaka state government has also taken steps to provide incentives and introduce programmes to the market. While such an initiative is commendable and shall lessen the overhang numbers in the state, it will prove fruitful only when the high bumiputra quota imposed on new developments is reduced.

Volume & Value of Residential Transactions (Jan-Sep 2020 to 2022)



Source: NAPIC

Residential Volume by Type & Price Range Below RM500,000 (1H 2022)



Source: NAPIC

Commercial Overview & Outlook 2023

After the drop in volume and value of transactions in the first nine months of 2021, the same period in 2022 saw Melaka's overall property market surge gradually as it rallied together with the opening of national borders. This is more apparent in the commercial property market. The lifting of travel restrictions resulted in a large influx of both domestic and international tourists coming to Melaka. This has also led the volume of transactions to rise by 79.6% to 923 units compared to the corresponding period in 2021 while its value of transactions rose by 65.4% to RM694.33 million.

With the limited supply of purpose-built offices in Melaka, the office sub-sector remained steady in the past few years with an occupancy rate of more than 70% throughout the Covid-19 pandemic year. Occupancy rate also further improved to 86.30% in 2022.

As there is no planned supply of office buildings in Melaka at the moment, the take-up rate on the current vacant shoplot/shop-offices is expected to improve gradually towards 2023.

Retail Overview & Outlook 2023

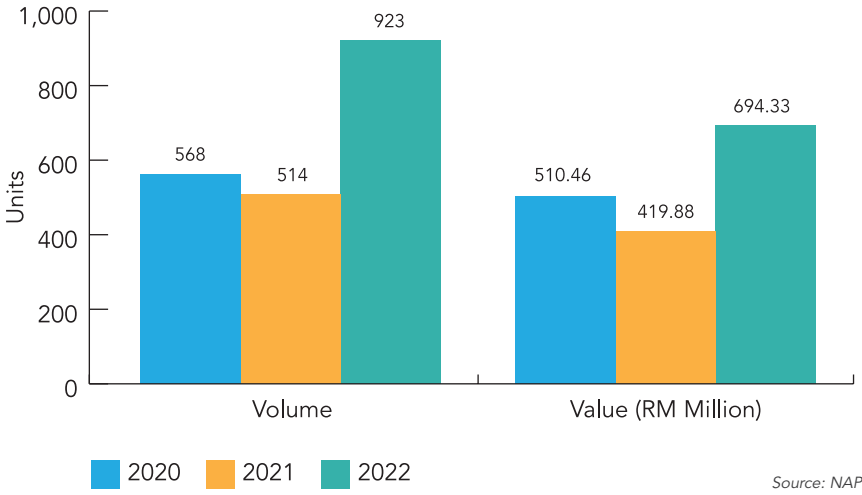
On the retail front, shopping malls will take a longer time to fill up the existing vacant spaces in Melaka. This is primarily because of the oversupply predicament and also affected by many other factors (ie. rental rates, online shopping etc).

As of Q3 2022, there were 31 shopping complexes in Melaka with a total 635,390 sq metres of retail floor space. Owing to the difficult business conditions over the past few years, occupancy rate has gone down from 63.3% in 2020 and to 62.6% as of Q3 2022.

After the lifting of all movement restrictions from 1 April 2022, prices of retail properties in selected locations are expected to remain stable in 2023.

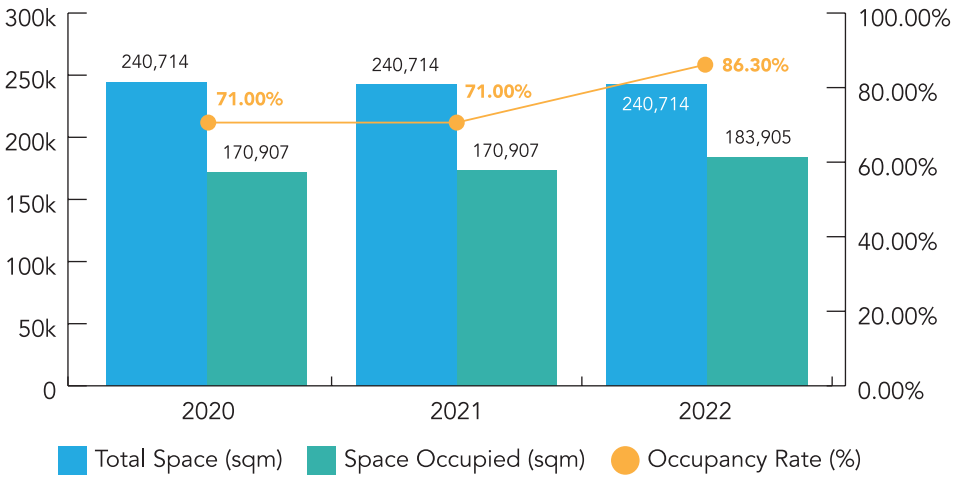
Melaka's prices of commercial properties in general are expected to maintain at 2022's level in the prime areas but drop in the secondary locations due to the high vacancy rates.

Volume & Value of Commercial Property Transactions in Melaka (Jan-Sep 2020 to 2022)



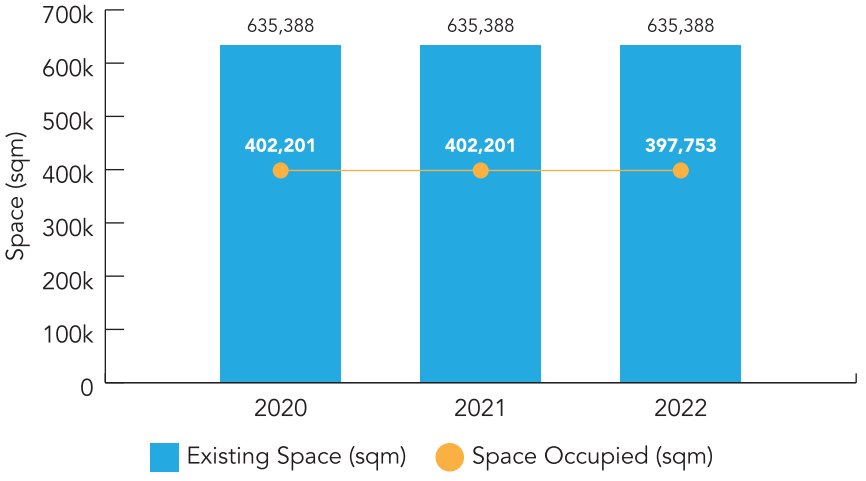
Source: NAPIC

Supply & Occupancy of Purpose-Built Office in Melaka (Jan-Sep 2020 to 2022)



Source: NAPIC

Shopping Complex Space & Occupancy (Jan-Sep 2020 to 2022)



Source: NAPIC

With Covid-19 already becoming a thing of the past, Melaka can once again expect more tourists to arrive in 2023 after having recorded an upward increase in arrivals since the relaxation of inter-district, inter-state and international travel as well as the implementation of the Vaccinated Travel Lane (VTL) between Singapore and Malaysia. In light of the tremendous growth, most of the hospitality operators in the state are optimistic about Melaka's prospects in the tourism industry.

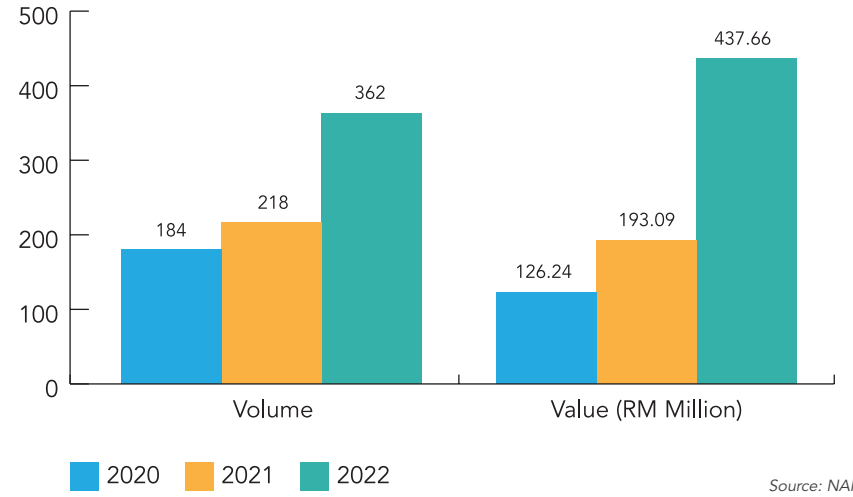
Industrial Overview & Outlook 2023

Melaka's industrial sub-sector experienced an astounding growth in the first nine months of 2022 compared to the same period in 2021. Volume of transactions rose nearly 66% while value of transactions went up even higher by more than 120%.

The Melaka state government has been focusing on improving the state's economy and to position it as an attractive investment destination. This has then led to an increase in demand for industrial properties towards Q3 2022. Some notable developments have also been rolled out in conjunction with this re-positioning, namely Melaka Hi-Tech Park and the expansion of the existing economic hub in the south of the state. Based on this, prices of Melaka's industrial properties are expected to remain stable in 2023.

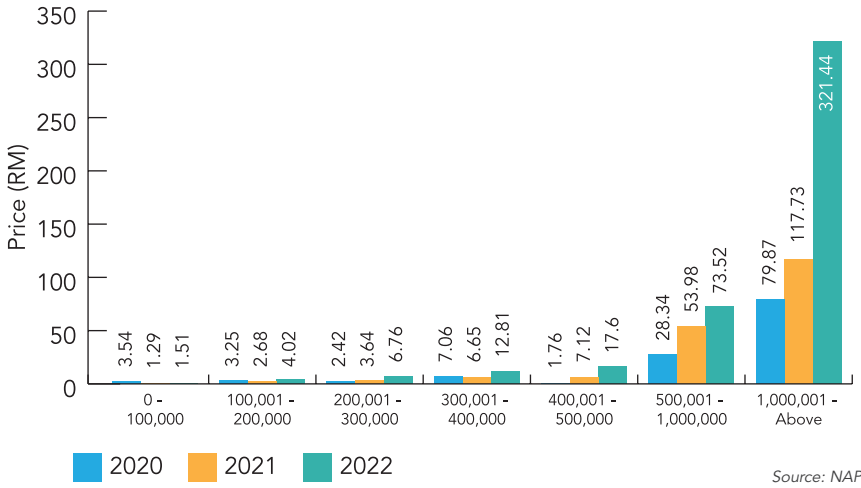
Investors with a keen interest in Melaka may pay attention to the manufacturing, semiconductor, technology, automotive and electronics industries.

Volume & Value of Industrial Transactions in Melaka (Jan-Sep 2020 to 2022)



Source: NAPIC

Value of Industrial Transactions By Price (Jan-Sep 2020 to 2022)



Source: NAPIC

JOHOR

Johor's property market was predicted to experience a steady recovery in 2022 and the southern state went on to witness this rejuvenation, thanks to the reopening of the borders on 1 April 2022. The much needed boost came to coincide with the overall improvement in the market with slight upticks seen in both the volume and value of transactions including rentals in 2022 but any major uptake like the pre-pandemic levels are yet to be seen.

In 2023, the market is expected to spot a slow recovery amid factors like the uncertain economic conditions chiefly led by the possibility of a contraction in global economic growth, currency devaluation, rising inflation and interest rate hikes. These will inevitably force the man on the street to consciously preserve cash and adopt a more cautious approach in their property investment endeavours.

Infrastructure play has been very active of late and it has been a boon to the market in Johor. The most talked about Johor Bahru-Singapore Rapid Transit System (RTS Link) project has in fact created jobs and business opportunities for the local companies, generating positive sentiments across Johor Bahru and more so in the surrounding areas by unlocking property values. Further away it has activated more property movements in and around Johor Bahru. But with progress comes road congestion, this is a necessary evil Johoreans will have to face up until 2026 when the RTS Link comes to completion.

The Gemas–Johor Bahru Electrified Double Tracking Project is another project anticipated to encourage economic development in Central Johor. This is earmarked to be completed in mid-2023 and once commissioned, commuters in Johor can hop on board to reach as far as Padang Besar, up north in Perlis.

Upgrading the transportation infrastructure is also the Sungai Pulai Bridge which when completed will

Factors to Watch in 2023

- The Johor Bahru-Singapore Rapid Transit System (RTS Link) is in active progress of construction. Upon completion, it will ease the daily congestion at the Causeway, Second Link and facilitate traffic flow between the borders. It is targeted to complete at the end of 2026 and operational in 2026/2027.
- The construction of the Iskandar Bus Rapid Transit (IBRT) is part of a comprehensive & efficient public transport network plan for Johor Bahru and its surrounding areas.
- The RTS Link & IBRT will bring multi-tier benefits to Johor Bahru eg. increased demand from Malaysians in Singapore & property demand from Singaporeans & others, better values in the surrounding areas, more tourists etc. Better connectivity will also be beneficial to the service providers, F&B outlets, healthcare centres, education institutions, and spur relocation of offices, factories etc.
- The 7.5km Sungai Pulai Bridge connecting Gelang Patah in Johor Bahru to Tanjung Bin in Pontian is expected to be operational in 2023 and will open up opportunities for new industries around Tanjung Bin and tourism activities around Kukup.
- The Gemas-Johor Bahru Electrified Double-Tracking project is expected to be completed by mid-2023 and will connect Johor Bahru to Padang Besar, Perlis.
- The 7,290 acres Sedenak Technology Valley (STV) is an industrial & technology hub, comprising technology-driven developments, aligned with the ESG (environmental, social & governance) principles, paving the way for advanced industries, communities & ecosystems.
- Industrial & logistics developments in Senai Airport City.
- Johor's residential property overhang status.
- The impending interest rate hikes.

Bright Spots in 2023

- Residential sales picked up in Johor Bahru and Iskandar Puteri after the Malaysia-Singapore & international borders were reopened on 1 April 2022, further supported by Malaysia's transition to the endemicity phase. This positive sentiment is likely to continue into 2023, directing the market to recovery.
- Johor has the highest number of overhang properties in Malaysia with condominiums and serviced apartments contributing to the oversupply, especially in Iskandar Puteri which is built with the overseas buyers in mind. Overpricing is the main factor.

Outlook for 2023

- Johor's property market is expected to remain positively stable with slow recovery in some sectors in 2023.
- The residential & commercial sub-sectors are expected to be stable in 2023.
- Johor's retail market is expected to be stable with slight increases in 2023.
- The hospitality industry is expected to be stable after the resumption of tourism activities from 1 April 2022.
- Transaction activities will be more active for Johor's industrial market in 2023.

reduce the travelling time between Pontian and Johor Bahru. This is set to improve the tourism industry especially around areas near Kukup.

In terms of industrial activities, the Sedenak Technology Valley (STV) is primed to attract both domestic and foreign investments into the state and drive a mult-faceted development in the Iskandar Malaysia region. Its industrial and technology hub comprising technology-driven developments aligned with the environmental, social and governance (ESG) principles will be a hotbed for advanced industries, communities and ecosystems to flourish.

Over in Pontian, Tropicana Industrial Park's 1,000 acres development is a new landmark in the district while Shimano Components (M) Sdn Bhd's purchase of two single storey detached factories for the expansion of its business in Pekan Nanas has also made headlines in the local market. The latter's acquisition from Paragon Bizhub Sdn Bhd for a consideration of RM45 million includes 4.95 acres land area and 135,343 sq ft of built-up space in Pekan Nenas Industrial Park.

The impending thriving market in Johor will however be met with some headwinds such as the shortage of manpower to cater to the rising demand which in turn will also raise operational costs for the operators. When this is met with the increasing Overnight Policy Rate (OPR) and rising inflation, market players will be stacked with a host of issues to deal with. Instead of going for broke, investors and market participants are encouraged to tread cautiously in 2023.

On the political front, Datuk Seri Anwar Ibrahim emerged as the 10th Prime Minister of Malaysia after the five days impasse was finally resolved by the King's and Malay Rulers' intervention. This is a great confidence booster for the country after several years of tremors in the political arena. Investors in particular will be impressed by this outcome and with a more stable government holding office, sentiments towards the local property market is likely to improve with time. The Singapore-factor (Singaporeans & Malaysians employed in Singapore) will also find their faith in the Johor market restored.

As to what industries to look at in Johor, investors and fellow domestic market players may consider healthcare, education, logistics, warehousing, services and technology as part of the state's hot areas in 2023. Johor's e-commerce services and manufacturing investments have also experienced a surge in investments.

Overall, NAPIC's data has shown that Johor's residential, retail and industrial markets have been more active in 2022.

Residential Overview & Outlook

Johor's residential sub-sector experienced a positive growth in the first nine months of 2022 compared to the same period in 2021. Volume of transactions rose by 30.5% to record 20,387 units from 15,618 units while value of transactions increased slightly higher by 34.8% to reach RM7.85 billion from RM5.8 billion.

Residential properties in the RM400,001 to RM500,000 category had the highest growth with 49.0% to reach RM1.4 billion in the period under observation in 2022 compared to RM955 million in the same period in 2021. This is followed by the RM500,001 to RM1 million category with a 48% increase recording RM2.6 billion in transactions compared to RM1.8 billion last year.

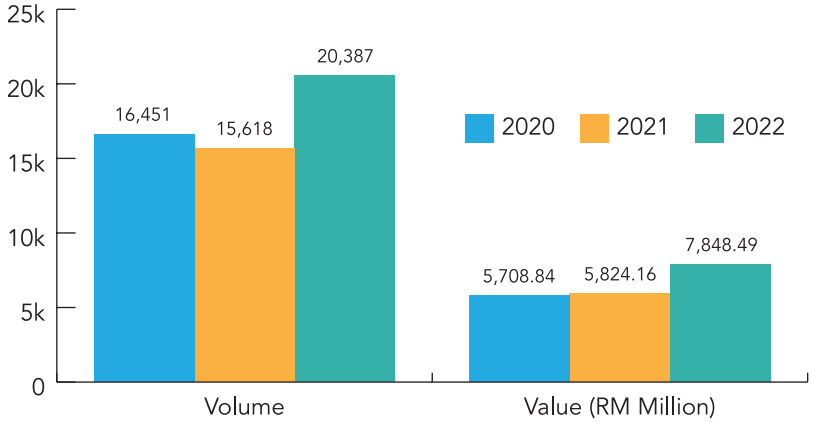
In terms of property type, the single and double storey houses were the most popular in both the primary and secondary markets.

Sales performance for the entire Johor state picked up pace after the reopening of the Malaysia-Singapore border on 1 April 2022. The return of activities is expected to continue into 2023 with a stable outlook in the new calendar year for Johor's residential market.

In terms of new launches, observation on the ground reveals that construction activities have been active in 2H 2022 with prices of new properties increased between 10% to 25%, perhaps as a result of the increased material costs.

To stimulate better interest in the residential market, it would be a welcoming idea if the incentives proposed in Budget 2023 gets its approval in the Parliament as soon as it is tabled. Measures such as the 100% stamp duty exemption for houses priced below RM500,000 and the proposed 75% stamp duty exemption for houses priced between RM500,000 to RM1 million are thought to be a win-win strategy for the buyers and also the property developers. Any possibility of a Home Ownership Campaign (HOC) reinstatement with further revision of the incentives would also fuel more interest into the market.

Volume & Value of Residential Transactions in Johor (Jan-Sep 2020 to 2022)



Source: NAPIC

On the construction side, the newly formed Unity Government may consider extending some incentives such as subsidies to alleviate the burden of the rising material costs for the property developers and also the entire property value chain.

When it comes to the issue of oversupply, Johor continues to be the frontrunner as of Q3 2022 with 5,348 units or 18.1% of the total overhang inventory in the country.

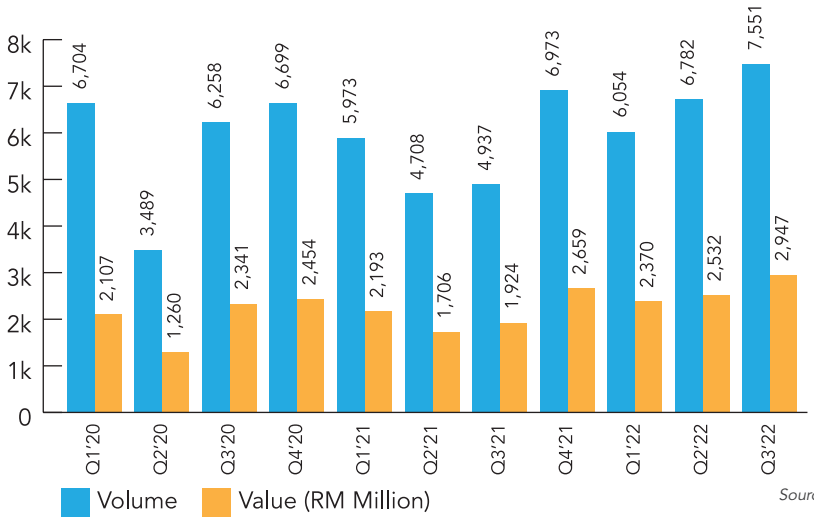
With some commercial titled serviced apartments also used as residences, it is worth noting that Johor leads this overhang segment with 14,780 units or 62.4% of the country's total.

Overpricing seems to be the main factor hindering a smoother than usual take-up rate. Taking developments in Iskandar Puteri for example, the initial target audience of these projects were the foreign buyers and as such many have been priced above RM500,000. The pricing strategy has unfortunately not worked as effectively as hoped, especially in a weakened market.

At this stage, the issue of overhang in Johor may require further scrutiny and assistance from the government. Perhaps a revision of policies or an extension of incentives like stamp duty waivers to the buyers and developers may be what's needed to offload the numbers in a meaningful way.

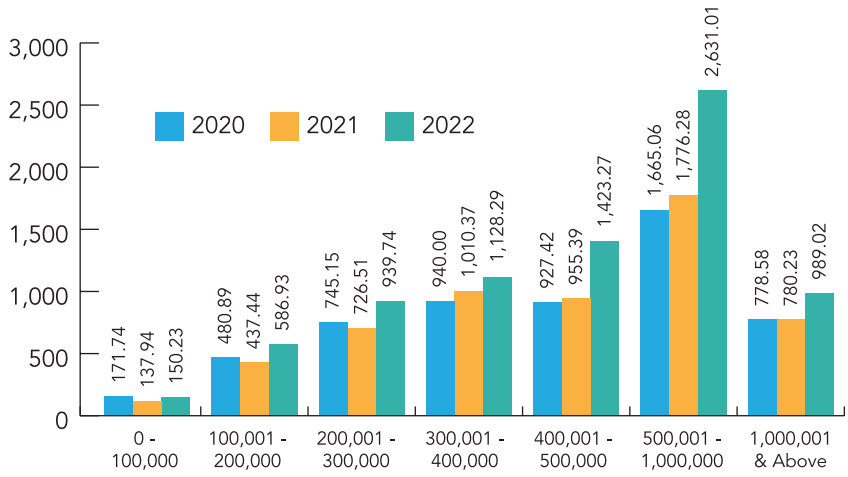
With a proper and efficient strategy in place, it will go a long way to manage this excess supply situation. Without, the overhang numbers may continue to stand out like a sore thumb as it anticipates another rise in numbers in 2023.

Volume & Value of Residential Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

Value of Residential Transactions By Price Range in Johor (Jan-Sep 2020 to 2022)



Source: NAPIC

Commercial Overview & Outlook

Johor's commercial sub-sector enjoyed immense growth in the first nine months of 2022 with a 64.8% rise in the volume of transactions and an astounding 152.2% jump in the value of transactions compared to the same period in 2021.

By volume of transactions, it grew from 2,066 units to 3,405 units while the value of transactions took a massive leap from RM1.91 billion to RM4.82 billion.

Based on NAPIC's data, the 2 and 2½ storey shops were the most popular followed by serviced apartments and the 3 and 3½ storey shops.

The reopening of the Malaysia-Singapore border from 1 April 2022 is evidence that Johor's real estate market is dependent on the Singapore-factor given that most of the commercial property transactions were recorded in Q2 2022. As the economy continues to enjoy brisk movements between the two territories, Johor's commercial market is expected to hold on to this trend of sustained demand and growth in 2023.

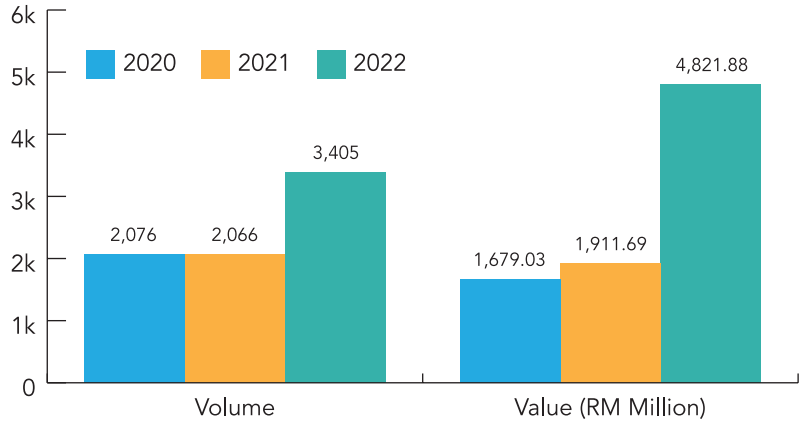
Over at the commercial offices segment, both the volume and value of transactions in the first nine months of 2022 registered a drop of 26.0% and 45.6% respectively compared to the same period in 2021. By volume of transactions, the decline was from 27 units to 20 units while value of transactions went from RM13.59 million to RM7.39 million.

At present, there is already an oversupply of office spaces in the state and this low transactional atmosphere may continue to persist into 2023.

Retail Overview & Outlook

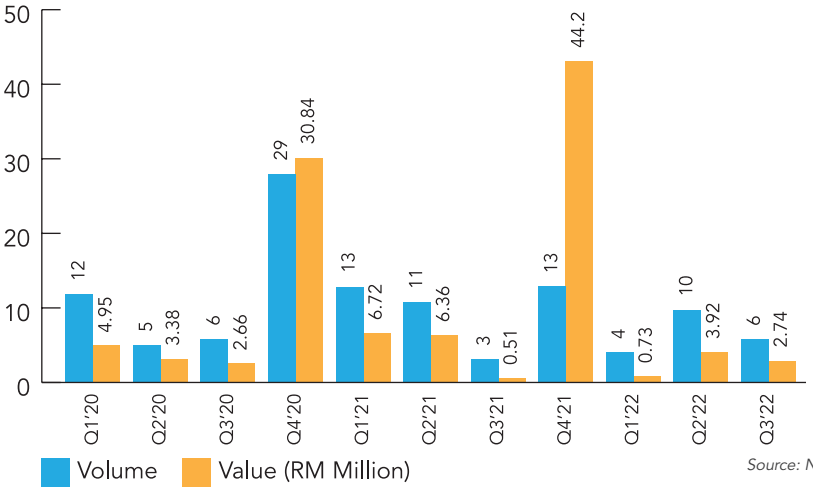
Unlike the commercial offices market, the retail segment experienced a rather impressive rise in volume and value of transactions in the first nine months of 2022 compared to the same period last year. By this token, Johor's retail market improved 58.8% in its volume of transactions to reach 2,418 units with the value of transactions escalated further by 70% to notch up RM1.8 billion.

Volume & Value of Commercial Transactions in Johor (Jan-Sep 2020 to 2022)



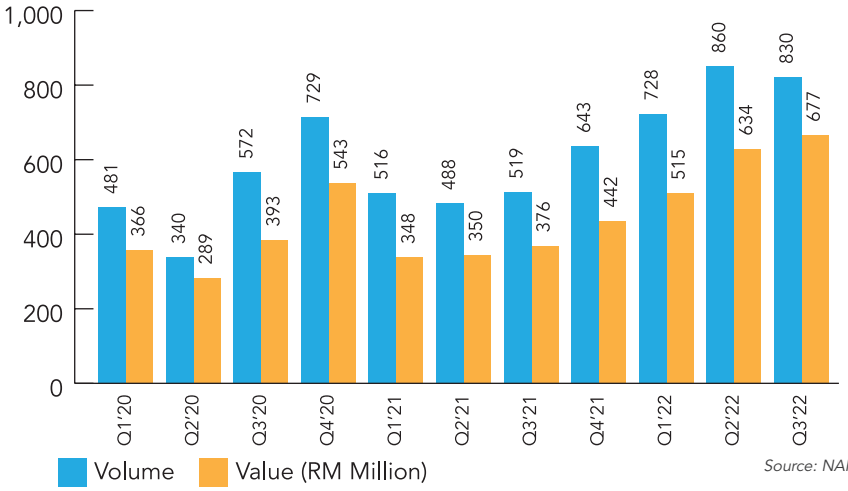
Source: NAPIC

Volume & Value of Commercial Office Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

Volume & Value of Retail Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

The upward trajectory can largely be attributed to the revival of Johor's economy due to the reopened borders between the state and Singapore. This shall lead to a more stable outlook with possibilities of slight increases in Johor's retail market in 2023.

Hospitality Overview & Outlook

Although the borders have opened for incoming tourists from Singapore, the hospitality market in Johor has not lifted off as well as its retail counterpart. Both the volume and value of transactions plunged to almost an insignificant level with only one transaction valued at RM0.3 million in the first nine months of 2022. Compared to the same period in 2021 with four transactions valued at RM37.7 million, this is a drop of 75.0% and 99.2% in volume and value of transactions respectively.

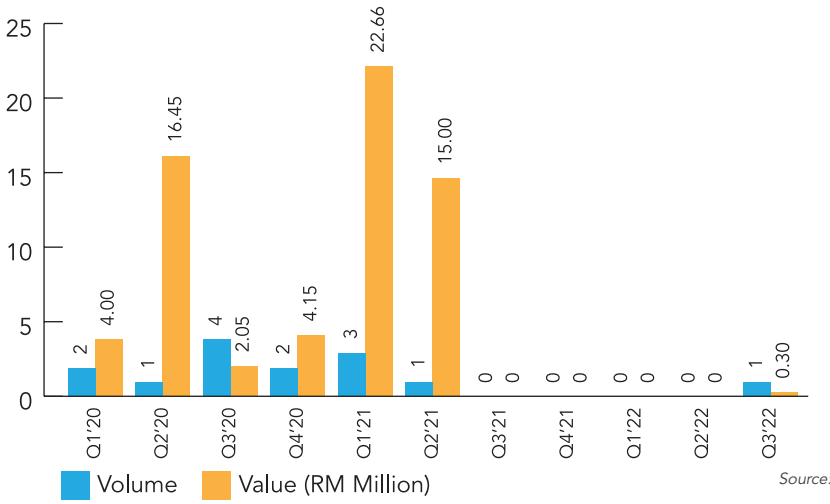
Perhaps big ticket items like hotels and leisure-driven properties like recreational & theme parks warrant a longer consideration period from the buyers and investors, after all Malaysia is still in the post-pandemic era with no firm confirmation if the country has entered into the endemic phase although most markers have been met to qualify so.

In any case, foreign tourists, especially Singaporeans, are important contributors to Johor's retail and hospitality industries. The reopened Malaysia-Johor's border shall play its part to resuscitate the industry and open up more opportunities for those interested in Johor's market.

In 2023, the state's tourism industry is aiming to welcome more than 5 million foreign tourists to the state. This may stand as an achievable target seeing a high number of Singaporeans and foreign tourists have already made their way back to quench their thirst for day tours, weekend trips and sample all that Johor tourism has to offer.

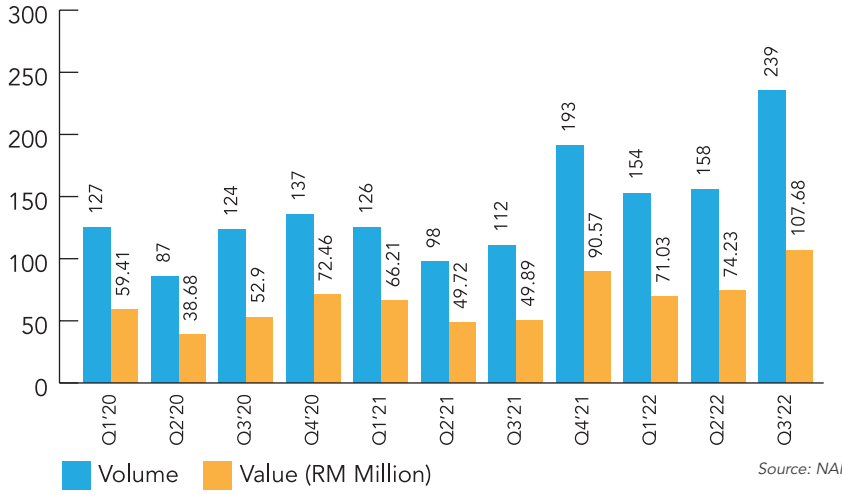
The signs are good moving into 2023 with business recovery on the cards for the hospitality and retail sectors after the long and arduous route of pandemic and various forms of Movement Control Order (MCO). As such, the retail and hospitality markets are expected to enjoy a year of stability with full resumption of tourism activities in Johor.

Volume & Value of Hospitality (Hotel & Leisure) Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

Volume & Value of Serviced Apartment Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

Serviced Apartments

The much talked about serviced apartment sector in Johor is one that deserves a bit of attention this time round. Although it has inadvertently been classified as the "bad apple" among the many new and fancy developments popping up around the country in the last 10 to 15 years or so, serviced apartments in Johor have enjoyed an interesting transactional year in 2022.

In terms of volume of transactions, it has increased to 551 units in the first nine months of 2022 compared to the 336 units in the same period in 2021, recording a 64.0% rise in the process. By value of transactions, it recorded RM252.9 million compared to RM165.8 million, a 52.5% imrpovement.

The rising performance is a positive indicator moving into 2023. Johor's serviced apartment market as such will be looking at achieving some stability including some slight increases in the new year amid a more vibrant economic setting in Johor.

Industrial Overview & Outlook

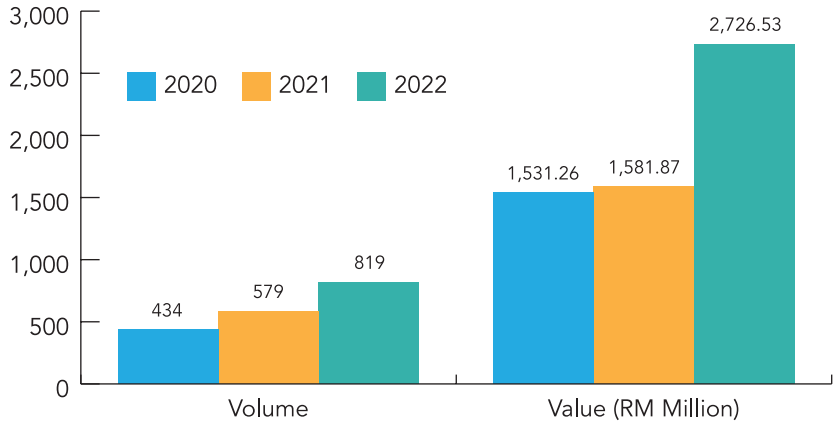
Johor's industrial sub-sector may have made a good return to the market with a promising run in the first nine months of 2022 alone. According to NAPIC's data, the industrial market recorded 819 units in transactions valued at RM2.73 billion from 579 units valued at RM1.58 billion in the period under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

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

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

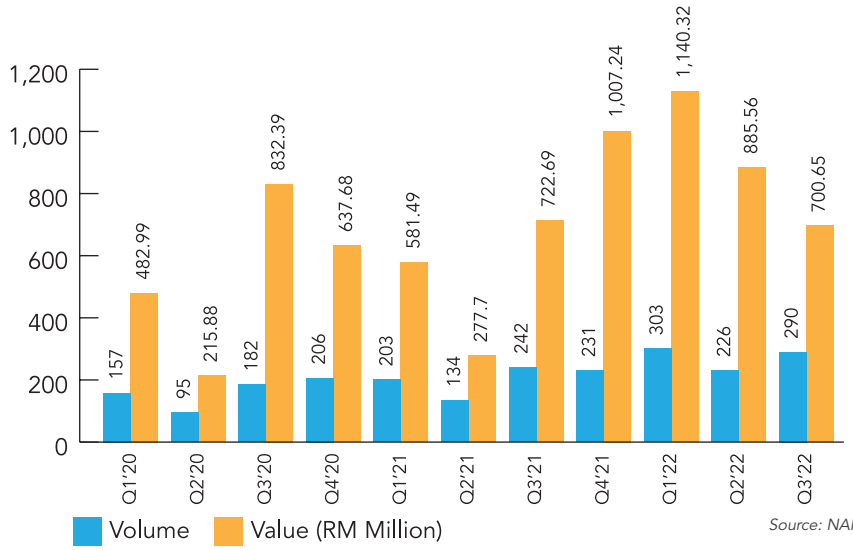
The increased transactional activities of 2022 is a positive backdrop going into 2023. Like most other sub-sectors and in most other states in Malaysia, Johor's industrial market is expected to be stable in 2023. This shall be a space to watch for investors interested to enter the Johor market.

Volume & Value of Industrial Transactions in Johor (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Industrial Transactions in Johor (Q1 2020 to Q3 2022)



Source: NAPIC

PAHANG

The "Soft But Stable" forecast made for Pahang in 2022 did not depart far from the performance on the ground with a stable and increasing activities seen in the property market throughout the year.

The progressively stable and improved environment should also spill into the following year in 2023 to mark another 12 months of stability with slight increase compared to 2022. This comes on the back of a full lifting of pandemic-related restrictions that has played witness to the strengthening of purchasing power in the market. But the increased building costs and high interest rate may affect property demand especially for the residential sub-sector.

The newly formed Unity Government after the 15th General Elections may impress foreigners to relook at investment opportunities in Malaysia once again especially after a relatively stable property market setting in 2022.

Investors interested in taking advantage of the new era in Malaysia are also encouraged to assess opportunities in Pahang's infrastructure development sector which when done correctly shall boost trade, growth and integration with the regional economies.

At present, strategic connectivity projects are already well underway such as the expansion of Kuantan Port, the Kerteh-Kemaman-Kuantan Railroad and the Sultan Ahmad Shah Airport, not forgetting the ongoing expansions in telecommunications, roads and highways.

Another cornerstone project is the Central Spine Road (CSR), which will be pivotal in the overall economic development across Pahang and the ECER (East Coast Economic Region). The development in the Pahang Automotive Park (PAP) in Pekan as a "green automotive industrial" park will also attract new electric vehicle (EV) manufacturers to the state.

In addition to the above, investors are recommended to keep an eye on high-value agricultural activities such as durians, herbs (eg. Tongkat Ali) and livestock. In reference to the King of Fruits, investors in this sector have started exporting durians from Pahang to China and Thailand, generating income from the otherwise long-term investment.

Tourism is another potential key area with beautiful destinations across the state to tap from, like the elevated grounds up in the hills and mountains along the Titiwangsa Range, offering potentially lucrative returns when developed into tourism products and attractions.

Residential Overview & Outlook

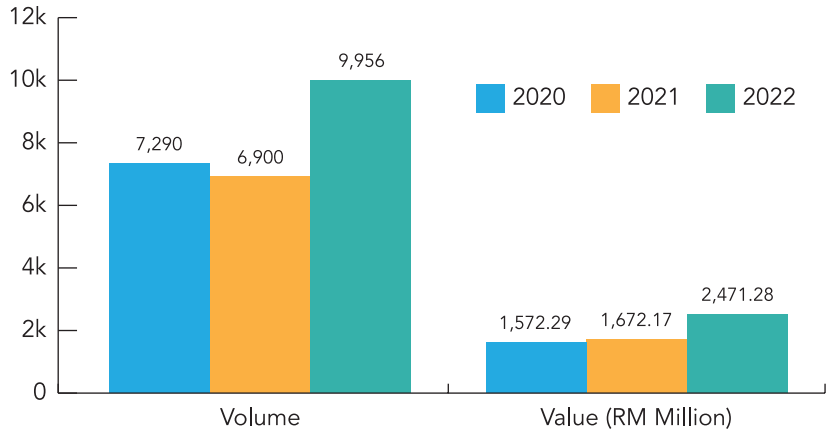
Pahang's residential transactions have shown a big improvement in the first nine months of 2022 compared to the same period in 2021. Volume of transactions increased by 44.3% from 6,900 to 9,956 units while value of transactions rose slightly higher by 47.8% from RM1.67 billion to RM2.47 billion. This is a significant increase as the pandemic was still a major influence on decisions surrounding economic activities in 2022. The liberation from all restrictions as such was a great shot in the arm to the state's residential market.

With the return of confidence, Pahang's residential sub-sector may stand out as a potential investment for many, especially the high-rises near tourism areas.

In 2023, developers are expected to concentrate on clearing some of their overhang units and inventory in hand with an eye to also plan for new launches in some of the projects. This is attributed to the rise in overhang units from 4,459 units in Q1 2022 to 5,346 units in Q3 2022.

To boost sales take-up rate, it would not be unreasonable to assert that the high interest rates environment is something that the government needs to look into so the market can perform more efficiently. Further, a conducive Budget for 2023, be it from the Pahang State Government or the Federal Government, shall also lift the spirits on the ground and spur more activities in the property market.

Volume & Value of Residential Property Transactions in Pahang (Jan-Sep 2020 to 2022)



Source: NAPIC

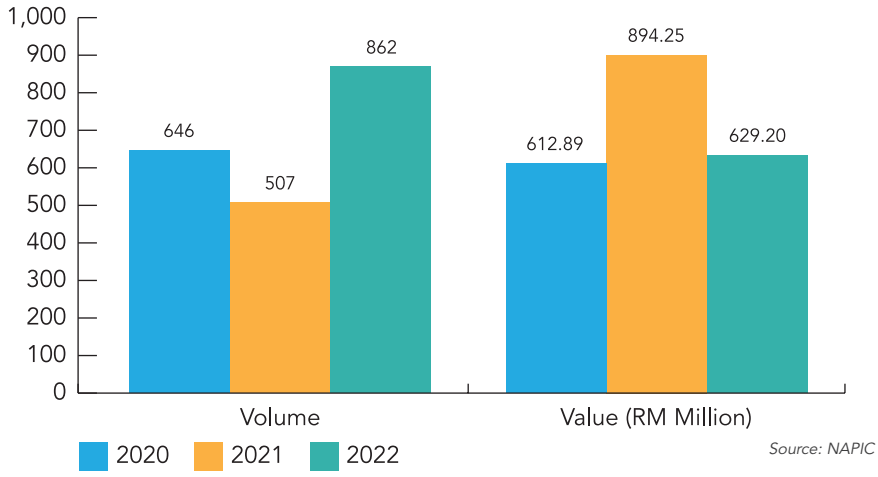
Commercial Overview & Outlook

Pahang's volume of transactions for the commercial sub-sector in the first nine months of 2022 was significantly higher compared to the same period in 2021, registering a 70.0% increase from 507 to 862 units but the value of transactions dropped by 29.6% from RM894.25 million to RM629.2 million. This could likely be due to the lower valued properties being acquired at a time when Covid-19 restrictions were just being lifted.

The total supply of purpose-built office spaces in Pahang did not increase from 2021 to Q3 2022. Occupancy rate however experienced a slight drop in the first nine months of 2022 to 73.7% compared to the same period in 2021 with 74.6%. The decline of 1,740 sq metres or a marginal 1.2% could be attributed to the working style adopted by companies where the Work from Home (WFH), Hybrid and Remote arrangements have all been accepted as a new norm at the workplace.

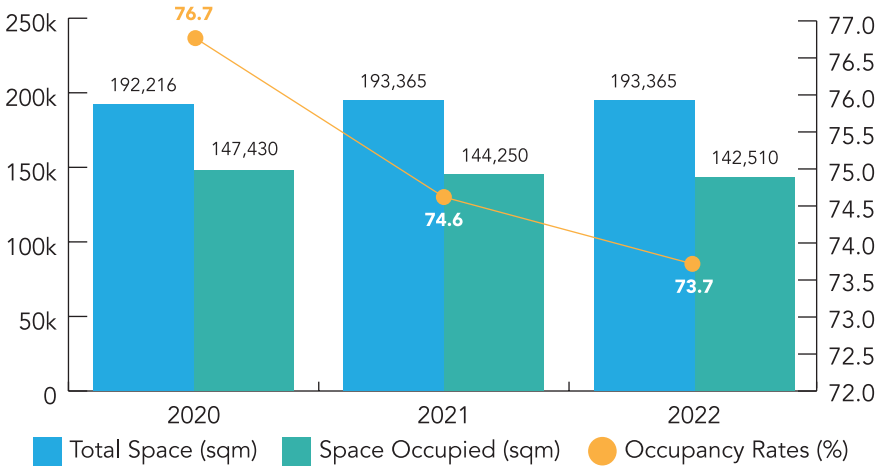
Pahang's tourism market is looking to welcome a higher number of tourists in 2023 given that travel restrictions or the previously mandatory requirement of a Covid-19 test pre-departure or upon arrival, and quarantine have all been lifted in 2022.

Volume & Value of Commercial Property Transactions in Pahang (Jan-Sep 2020 to 2022)



Source: NAPIC

Supply & Occupancy of Purpose-Built Office in Pahang (Privately Owned) (Jan-Sep 2020 to 2022)



Source: NAPIC

Factors to Watch in 2023

- The liberation from all pandemic-related restrictions may give a positive impact to Pahang's property market especially for high-rises near tourism areas such as Cameron Highlands and Genting Highlands.
- The high interest rate environment might decrease the demand for residential properties especially landed houses.

Bright Spots in 2023

- Manufacturing and logistics companies may be more inclined to invest in Pahang as the ECRL (East Coast Rail Link) and proposed airport development in Sungai Ular will create a transit-oriented hub while the expansion of Kuantan Port will enable more cargo and vessels to dock at the port.
- An encouraging investment climate permeates the Kuantan District especially in the infrastructure development sector as it would spur economic growth and improve investors' confidence.

Outlook for 2023

- Pahang's property market is anticipated to be stable with slight improvement in 2023.
- The residential sub-sector in Pahang is foreseen to have a stable 2023.
- Pahang's commercial and industrial sub-sectors are expected to have sustaining interest in 2023.

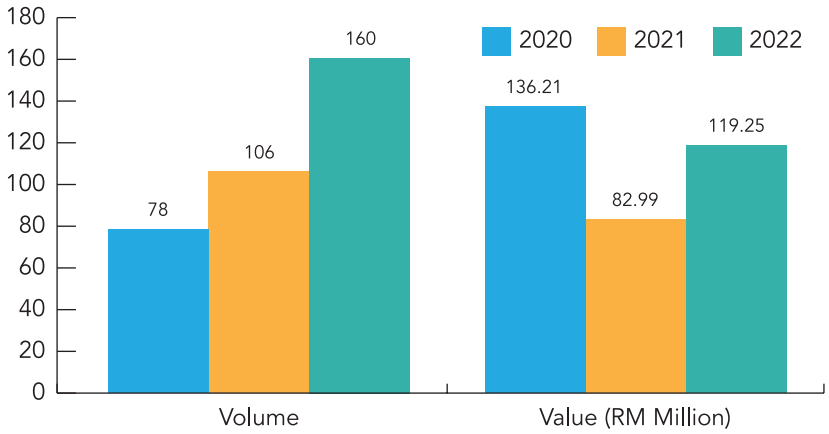
Industrial Overview & Outlook

Industrial transactions in Pahang in the first nine months of 2022 enjoyed a big improvement in the volume of transactions with a 50.9% uptick to 160 units from the same period in 2021 with 106 units, a consistently positive trend since 2020.

Value of transactions also rose but by a slightly lower margin of 43.7% to RM119.25 million from RM82.99 million over the same period.

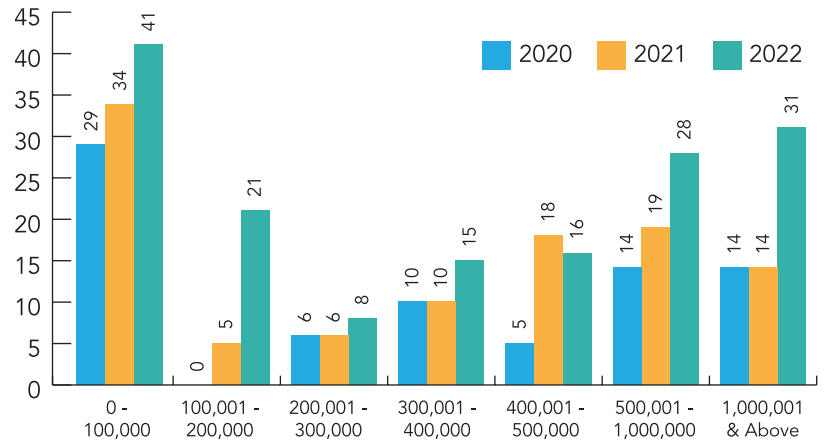
The highest number of transactions for Pahang's industrial sub-sector in 2022 were in the range of RM100,000 and below with 41 transactions followed by those above RM1 million with 31 units and the RM500,001 to RM1 million category with 28 transactions. Together, they represent 62.5% of the total transactions in the period under observation.

Volume & Value of Industrial Property Transactions in Pahang (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Industrial Transactions by Price Range in Pahang (Jan-Sep 2020 to 2022)



Source: NAPIC

TERENGGANU

The forecast made for Terengganu for 2022 has generally held true throughout the year where the property market especially in the residential and hospitality sub-sectors remained steady. The overall market is expected to improve slightly with some upward adjustment in prices from 2022 owing to the scarcity of open titled lands which in turn hinders the supply of properties in Terengganu.

At the tabling of the Terengganu's State Budget 2023 on 28 November 2022, no major projects were announced and as such, no foreseeable major catalysts will break ground in 2023 other than the ongoing projects like the East Coast Rail Link (ECRL).

The prevailing trend in the property market is expected to continue until the end of 2022 with 2023 looking to remain stable. But the higher interest rates environment is anticipated to dampen the resuscitation of market demand with any threats of a major market slowdown posing the same kind of risks to Terengganu's market; no different from the rest of the country.

With the Unity Government taking office after the 15th General Election, the country may witness a more stable government taking shape in the near future. Based on the developments in the civil sector and also the sentiments on the ground right after the Elections, Terengganu's property market is envisaged to be slightly better than 2022.

Residential Overview & Outlook

Terengganu's residential sub-sector's volume of transactions in the first nine months of 2022 saw an increase of 57.1% while the value of transactions improved by 49.4% compared to the same period in 2021. This brought the total volume of transactions to 12,713 units valued at RM1.75 billion compared to 8,090 units valued at RM1.17 billion. The promising upturn is a drastic change from 2020 to 2021 as the volume and value of residential transactions decreased by 18.8% and 8.8% respectively.

A big majority of the transactions that took place in 2022 were in the RM100,000 and below price bracket with 7,730 residences transacted followed by the RM100,001 to RM200,000 category with 2,243 units.

Vacant residential plots were still the highest number of transacted residential properties, recording a total of 8,975 transactions in the first nine months of 2022 followed by the single storey terrace houses with 888 units exchanging hands.

Prices and rentals are not expected to significantly vary from the present level

Factors to Watch in 2023

- Landed residential sub-sector will experience further resuscitation of demand.
- 2023 appears to be a challenging year for the retail sub-sector as new supply comes on stream eg. Mayang Mall.
- Demand for industrial properties is expected to increase with the ongoing ECRL (East Coast Rail Link).
- The hospitality sub-sector is projected to show an encouraging trend in 2023 with the return of overseas tourists to visit the beautiful islands of Terengganu.

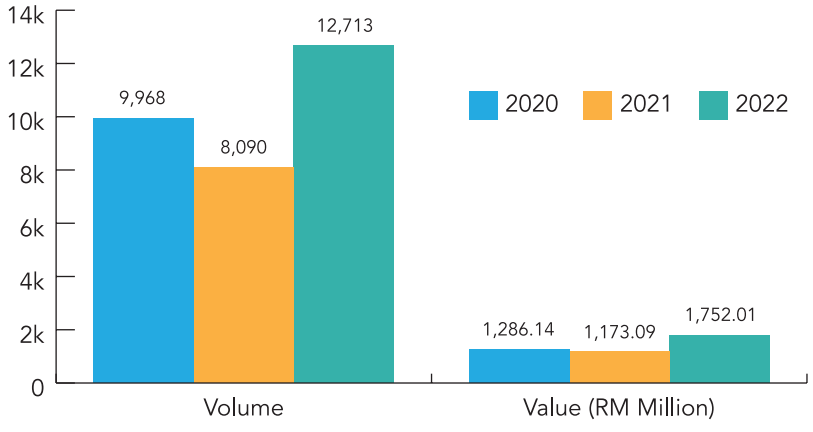
Bright Spots in 2023

- The performance of the industrial sub-sector in 2023 is expected to improve further with the ongoing ECRL.
- Tourism will return as a major income contributor to the state.

Outlook for 2023

- The residential, commercial, hospitality & industrial sub-sectors are expected to perform better in 2023.
- The retail sub-sector is anticipated to stagnate in 2023.

Volume & Value of Residential Property Transactions in Terengganu (Jan-Sep 2020 to 2022)



Source: NAPIC

except for properties in good locations. As such, without major shocks and tremors in the market, Terengganu's residential sub-sector is looking to perform better in 2023.

In terms of new launches, Terengganu is expected to see more activities in 2023 although developers will be approaching the market with some caution. This is attributed to the existing stock in hand including those held back from previous launches in 2021 and 2022. Developers will be more keen in this regard to clear inventory than rolling out new releases to the market.

While the market may not expect to see any major movements that can excite Terengganu's residential market other than perhaps the more stable political climate lending weight to a more stable economic environment, it would still be a welcoming measure if the new government removes or abolishes the Real Property Gains Tax (RPGT) to spur activities. This is set to impress investors and long term property holders waiting on the sidelines.

On the issue of overhang properties, Terengganu has generally never seen this as a big problem in the state but the respite experienced in other states would bode well for the property market here just like a rising tide lifts all boats. As such in 2023, no alarming rise will be anticipated in Terengganu's overhang statistics.

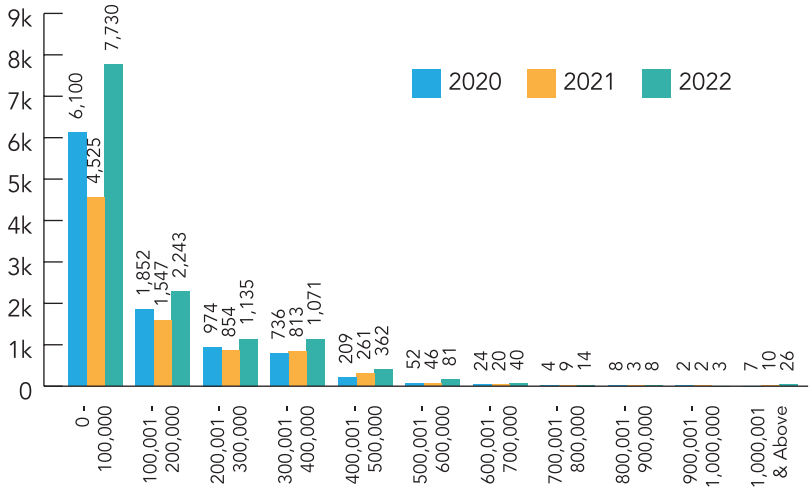
Commercial Overview & Outlook

Just like the residential sub-sector, Terengganu's commercial property market experienced an improvement in both the volume and value of transactions. In the first nine months of 2022, the volume of transactions rose by 55.3% to reach 334 units compared to the corresponding period in 2021 while the value of transactions increased by 59.6% to RM162.6 million.

Most transactions took place below the RM100,000 price bracket with 83 units followed by the RM200,001 to RM300,000 category with 43 units.

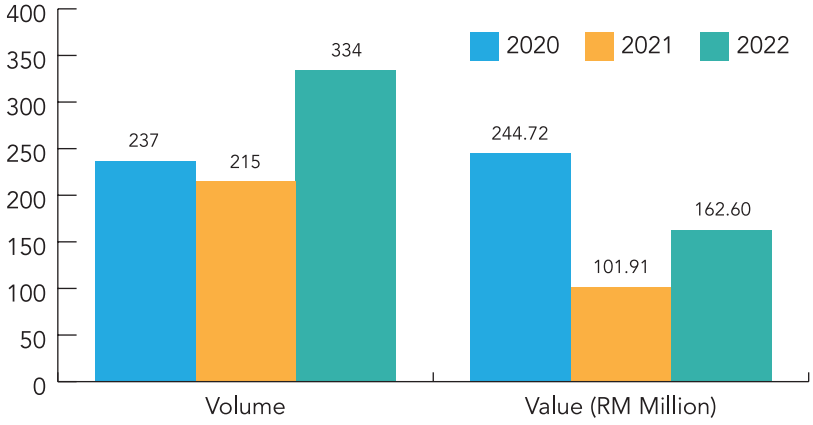
Vacant commercial plots registered the highest number of transactions with 124 units followed by the 2-2½-storey shop lots with 121 units and the 3-3½-storey shop lots with 55 units.

Volume & Value of Residential Property Transactions (Selected Quarters)



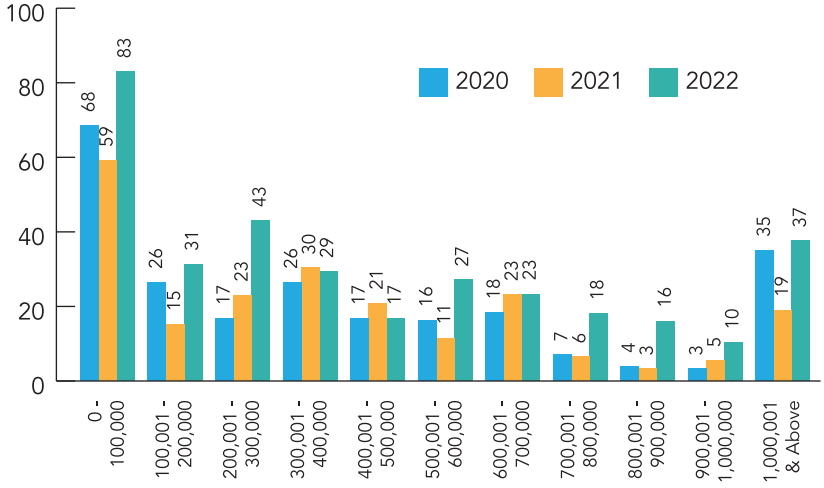
Source: NAPIC

Volume & Value of Commercial Property Transactions in Terengganu (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Commercial Property Transactions (Selected Quarters)



Source: NAPIC

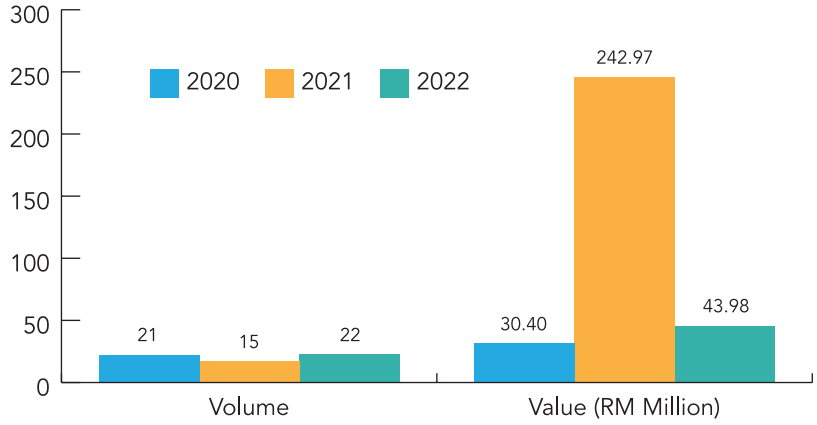
Slightly better prices are foreseeable in Terengganu's commercial properties in 2023 while rentals are not expected to significantly vary from present levels except for properties in good locations. Overall, Terengganu's commercial sub-sector is expected to perform better in 2023.

Over in the retail market, consolidation of prices and rental activities have plateaued in 2022 and movement in this market is expected to stagnate in 2023. A silver lining may however be on the cards as the hospitality industry is expected to experience a resuscitation of business in 2023 with the return of foreign tourists.

As one of the major contributors to Terengganu's economy, the hospitality market's promising posture will have both the multiplier and spillover effects to the state with the property sector as one of the beneficiaries. Frequent visits to places like Terengganu's renowned pristine islands as such will inevitably add to the state's tourism profile, restoring what was lost during the pandemic and giving rise to property demand around the touristy spots once again.

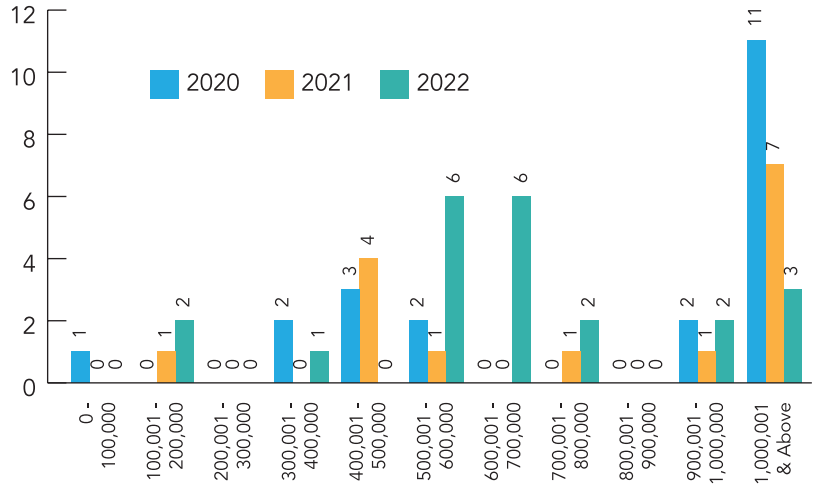
The positive sentiments generated from the hospitality market thus far is expected to continue into 2023 with hotel occupancy looking to spot an upward trend, contributing to a better outlook in Terengganu's hospitality market.

Volume & Value of Industrial Property Transactions in Terengganu (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Industrial Property Transactions (Selected Quarters)



Source: NAPIC

Industrial Overview & Outlook

Unlike the residential and commercial sub-sectors, Terengganu's industrial market experienced a 46.7% increase in its volume of transactions in the first nine months of 2022 compared to the same period in 2021 but the value of transactions declined significantly by 81.9%. This is however caused by an isolated transaction in 2021 valued at RM232.21 million.

Overall, 22 units of industrial properties exchanged hands in the first nine months of 2022 compared to 15 units over the same period in the previous year. Value of transactions returned to a realistic level of RM43.98 million in 2022 compared to RM242.97 million in 2021.

Most of the transactions that took place in 2022 were priced between RM500,001 to RM600,000 and RM600,0001 to RM700,000 categories with 6 units transacted in each price bracket. This is followed by industrial units priced above RM1 million with 3 properties exchanged hands.

Like the residential and commercial sub-sectors, vacant industrial plots were the highest transacted property type in 2022 with 14 units followed by detached factories/warehouses with 4 units.

Demand for Terengganu's industrial sub-sector is expected to increase in 2023 owing to the still ongoing construction of ECRL. This shall fuel the interest of keen investors coming into the state. Further, as Terengganu is conventionally heavily reliant on the manufacturing and agricultural industries, these may be areas where keen investors can keep an eye on.

On the whole, the outlook for Terengganu's industrial sub-sector is anticipated to be better in 2023.

KELANTAN

With all economic sectors having returned to normal operations after a period of dealing with Covid-19's restrictions like the Movement Control Order (MCO), SOPs, vaccination etc., Kelantan's property market has in general held steady in 2022 especially in the agricultural/development lands, residential and industrial sub-sectors. This is reflective of the forecast made in HB perspective 2022.

Some mega projects such as the East Coast Rail Link (ECRL), the Central Spine Road (CSR) and Palekbang Bridge are expected to boost Kelantan's economic performance although no major catalytic scale project was announced by the State Government at the tabling of Kelantan Budget 2023 on 24 November 2022. It is however worth noting that almost 70% of the budget allocation has been set aside for managing expenses while the rest is for development and infrastructure expenses.

Incidentally, problems plaguing water supply and other basic facilities in Kelantan such as roads and drainage systems deserve the state's immediate attention as the eroding status of the infrastructure has the propensity to weaken the entire property market, especially the industrial and residential sub-sectors.

Further, the higher interest rates environment has also posed challenges to the market and this is set to pressure property demand going forward. But given Kelantan's property market has been growing relatively slowly, performance in 2023 is expected to remain stable and in fact better compared to 2022, with the residential, retail and hospitality markets having an edge over other sub-sectors. The prevailing market trend is however expected to continue until the end of the year barring any major global market slowdown.

Factors to Watch in 2023

- Demand for landed residential sub-sector and high-rise buildings (strata buildings) will increase after experiencing a dull period throughout the Covid-19 pandemic period.
- Improving the facilities and image of the existing commercial office buildings in order to attract tenants and in turn reduce the vacancy rate.
- 2023 is expected to be a year of recovery for the retail/business sub-sector as the government has allowed all business activities to operate fully after the periods of lockdown and interruptions caused by the pandemic.
- With the ongoing construction of East Coast Rail Line (ECRL), Central Spine Road (CSR) and Kota Bharu to Kuala Krai Package 3C, it is expected that the demand for the industrial sub-sector will slowly increase.
- The hospitality sub-sector is also expected to continue showing an encouraging trend in 2023 due to the increasing arrivals of overseas tourists owing to the zero restrictions and conditions (eg. testing, quarantine) from the government.

Bright Spots in 2023

- Performance of all real estate sectors especially retail & industrial is expected to improve in 2023 with the ongoing and proposed construction of several projects ie. the East Coast Expressway Phase 3 (LPT3) project, the connecting bridge between Rantau Panjang & Sungai Golok, the Takbai bridge connecting Pengkalan Kubor to Takbai, the Rantau Panjang-Golok Phase 2 flood mitigation project, ECRL and CSR.
- Tourism will return as the major income contributor to the state.
- Some initiatives given by the government such as quit rent reduction of 50% within two years and the reduction of applications in Local Authorities according to components ie. 50% Improvement Service Fund (ISF), 50% assessment tax for the first year after CCC, and accelerate the issuance of land titles for the housing & real estate sector exceeding eight months from the date of application, will increase the development of the real estate sector especially Kelantan's residential sub-sector.

Outlook for 2023

- Kelantan's overall property market will be better in 2023.
- The residential, hospitality & industrial property markets are expected to have a better year in 2023.
- Kelantan's commercial & retail markets are expected to be stagnant in 2023.

Another booster to the market is the stability leverage that comes with the newly formed Unity Government after the 15th General Elections (GE15). With a "new" regime in power, political stability may envelop the country and the new government will stand as a strong governing body both domestically and internationally. This augurs well for the country's economy as a whole and also for Kelantan's property market. As such it is crucially vital that this government should remain in office to exert control and balance, both for the sake of the country's stability and its economy.

Investors looking for opportunities in Kelantan are recommended to look at the manufacturing and hospitality industries.

Residential Overview & Outlook

Kelantan's residential property market saw improvement in its transaction activities with volume of transactions rising by 33.1% to 5,304 units in the first nine months of 2022 compared to the same period in 2021 while volume of transactions went up by 34.6% to RM886.42 million. In spite of the increase, the transactional statistics are still slightly lower than the pre-Covid-19 levels although it is the leading property sub-sector in Kelantan in 2022.

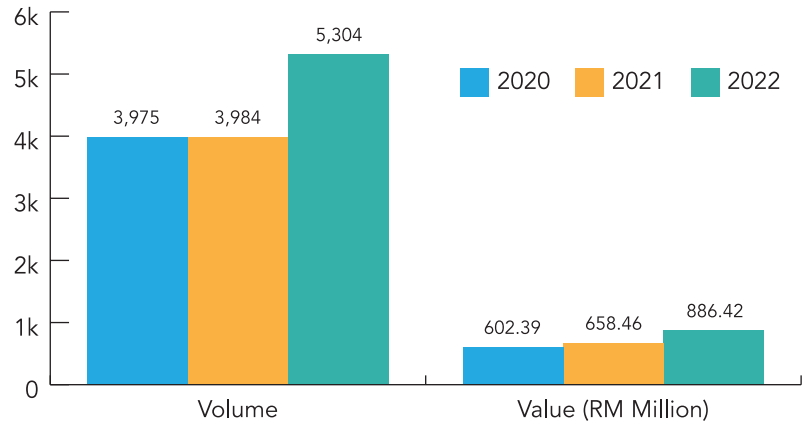
Looking into the horizon in 2023, the residential sub-sector will continue to lead the market with prices and rentals not expected to significantly vary from the present levels except for properties in good locations. In that regard, Kelantan's housing market is anticipated to have a better year than it did in 2022.

In terms of new launches, developers are expected to concentrate on clearing the existing stock or release the previously held back launches in 2021 and 2022. Not many brand new launches are expected to make it into the market in 2023. In a way, this is also a counter reaction from the economic settings which have only started to undergo a gradual recovery in 2022 amid the rising cost of living.

To excite market interest, the government may consider abolishing or reducing the Real Property Gains Tax (RPGT). Exemption or reduction of stamp duty for all types of properties is also a possible alternative to attract buyers and sellers into the market.

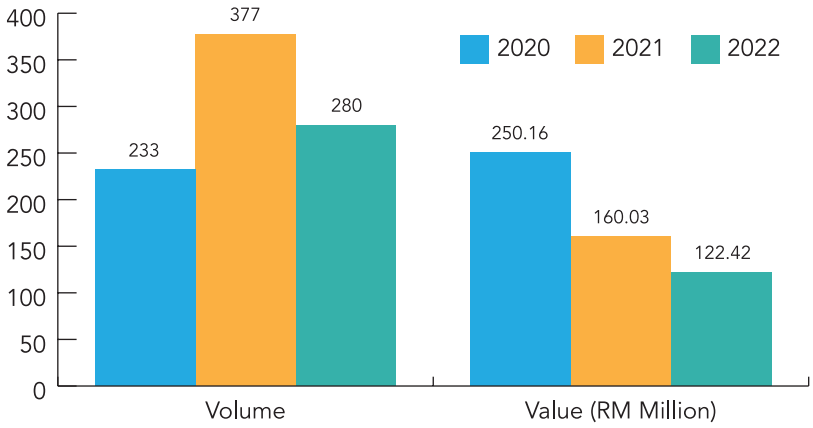
The improved overhang situation nationwide has positively influenced Kelantan's property sector. However, because overhang has never been an issue in the state, any movement in this oversupply will not cause an alarming rate of change to the property stock in Kelantan. To that end, Kelantan is not expected to see any rise in its overhang numbers in 2023.

Volume & Value of Residential Transactions in Kelantan (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Commercial Transactions in Kelantan (Jan-Sep 2020 to 2022)



Source: NAPIC

Commercial Overview & Outlook

Unlike the residential property market, Kelantan's commercial property sub-sector declined by 25.7% in the volume of transactions to 280 units and 23.5% in the value of transactions to RM122.42 million in the first nine months of 2022 compared to the corresponding period in 2021.

Dominating Kelantan's commercial market is the shop-office segment where it registered 128 transactions worth RM81.46 million, representing 45.7% and 66.5% of the state's commercial volume and value of transactions respectively.

Over at the purpose-built office (privately owned) segment, market supply remains at 1.86 million sq ft (or 173,043 sq metres) with a slight increase in occupancy rate to 86.9% or 150,374 sq metres in the first nine months of 2022 compared to the same period in 2021. Prices and rentals are expected to remain stable in the new calendar year.

As there is no planned supply of office buildings in Kelantan at the moment, occupancy rate of the current shoplot/ shop-offices is expected to improve gradually towards 2023. Most of the purpose-built office spaces are concentrated in Kota Bharu.

In 2023, Kelantan's commercial market is expected to be stagnant, with a similar performance seen in the retail market.

Prices and rentals for the retail industry are also not expected to significantly vary from the present levels except for those in good locations.

There is respite however in the hospitality industry where the lifted travel restrictions since 1 April 2022 has infused life back into the industry. The resuscitation of business is attributed to the returning foreign tourists visiting popular touristy spots in Kelantan including the spillover effects from tourism activities on the islands off the coast of the nearby Terengganu. As such, hotel occupancy rates in Kelantan are expected to register an uptrend in 2023.

Industrial Overview & Outlook

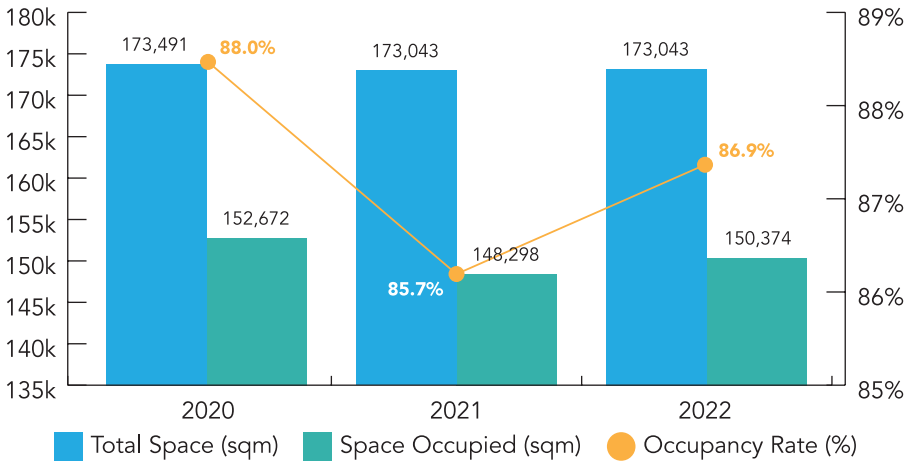
Kelantan's industrial sub-sector has registered an increase in both the volume and value of transactions in the first nine months of 2022 compared to the same period in 2021. This comes on the back of the muted performance in 2020 and 2021 with only 7 and 10 transactions respectively.

In the first nine months of 2022, volume of transactions increased to 22 units (up 120.0%) while value of transactions rose to RM37.31 million (up 113.7%).

Supply of Kelantan's industrial properties is concentrated in the areas of Kota Bharu, Gua Musang, Kuala Krai and Tanah Merah, but the state's industrial segment remains on the lower side in capacity compared to other states like Selangor, Johor and Sarawak where large-scale industrial hubs are found.

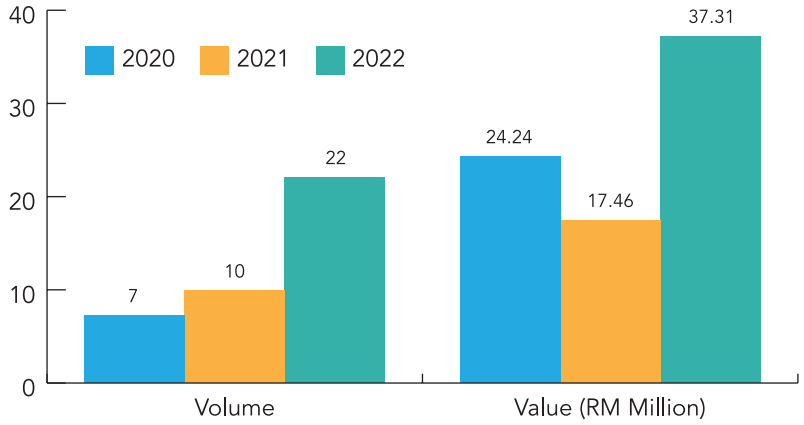
Demand is expected to be better in 2023 with the ongoing ECRL, CSR and the Palekbang Bridge as motivating factors for the industry.

Supply & Occupancy of Purpose-Built Office (Privately Owned) in Kelantan (Jan-Sep 2020-2022)



Source: NAPIC

Volume & Value of Industrial Transactions in Kelantan (Jan-Sep 2020 to 2022)



Source: NAPIC

SABAH

Factors to Watch in 2023

- An increased domestic consumption in Sabah shall have a positive reverberation to the state's economy.
- Improvement of Sabah's tourism industry after the lifting of all travel restrictions from 1 April 2022.
- Sabah's ongoing and new implementation of high impact investment projects.
- State revenue from the oil & gas and palm oil commodities sectors in Sabah.

Bright Spots in 2023

- Most businesses have fully reopened in Sabah and private consumption has generally resumed. A number of new SME businesses (international chains & new local firms) have also entered the Sabah market.
- From January to September 2022, arrivals to Sabah totalled 1,190,513 visitors or an 8.73 times increase from the same period in 2021 with 136,390 visitors. More international tourists are expected over the next few years, coupled with the anticipation of China's borders reopening in January 2023.
- There have been an influx of investment projects from large international investors/ manufacturers as well as the Federal Government and domestic investors, they include:
  - Sabah Maju Jaya Roadmap Plan's flagship-status projects aimed at boosting economic growth via foreign and domestic investments eg. a RM19.65 billion green steel project at the Sabah Oil & Gas Industrial Park (SOGIP); construction of a solar glass panel manufacturing plant by Kibing Group at the Kota Kinabalu Industrial Park (KKIP) with silica mining & processing in Kudat valued at RM2 billion; construction of a copper foil manufacturing plant in KKIP by SK Nexilis from South Korea worth RM4.2 billion; the RM7 billion in GDV Lok Kawi Resort Town Project; the proposed Tanjung Aru Eco-Development; Linaco Resources Sdn Bhd's RM200 million coconut processing plant in Pitas and BorneoMed Sdn Bhd's integrated herbal plantation.
  - Federal Government funded Sepanggar Bay Container Port expansion, the Pan Borneo Highway project packages and Rural Roads Programme's projects;
  - Construction of the RM1bil Sabah Maju Jaya Renewable Energy Industrial Complex (SMJREIC) at the Sepanggar Bay Container Port.
- Successfully generated the highest state revenue in history at RM6.6bil for the year 2022, due mainly to the high prices of crude and palm oil where Sabah is the main producing state.

Outlook in 2023

- Sabah's property market is expected to see moderate improvement in 2023.
- Landed residential properties in prime areas will continue to enjoy steady demand and price appreciation in 2023 while better priced high-rises will still be in demand despite the oversupply.
- Increased business activities will continue to induce demand for Sabah's commercial and industrial properties in 2023.
- Landed shop-offices in strategic locations for retail will sustain continuous demand and price appreciation in 2023.

Overall, Sabah's property market is expected to see further and moderate improvement from the pandemic period with a "cautiously optimistic" posture for 2023.

Prime properties in strategic locations will continue to sustain good demand from the market and are expected to appreciate in value. Demand for previously speculative and overpriced properties will however reduce with anticipation of price corrections.

Generally, domestic consumption and business performance of the SME's have been the main factors affecting Sabah's property demand, pricing and rental. This is seen in the business expansion plans where forecasted positive prospects for the future led to a higher demand for commercial and industrial properties, which at the same time has also induced better prices and rental rates.

The positive climate has spurred an increase in activities in Sabah's residential sub-sector with better take-up rates observed in the market, attributed mainly to the increased individual income in 2022. Performance of the overall market in the state can be said to be fairly good in 2022 with increased investments observed across all property sub-sectors.

Performance of the market for existing properties has improved moderately from 2021 owing to the full reopening of economic activities and improved overall demand. Reasonably priced prime properties have also continuously shown to receive good demand.

New development projects on the other hand and especially some of the larger scale ones have continued facing acute market challenges such as the rising material and labour costs, shortage of labour and project delays with some developers experiencing cash flow issues due to these factors.

Based on market observation, some developers are also holding off launch activities of pre-planned projects until the market further improves or recovers to a more manageable level from the setback.

The rise of interest rates and the expectations of further increases will continue to affect performance of loan approvals and slow down property purchases. If inflationary pressure continues to raise prices of goods and services in 2023, the higher cost of living will undoubtedly curtail the buying power for properties.

A stable Unity Government with a focus on foreign direct investment (FDI) coupled with the development or maintenance of the state's infrastructures will see Sabah's property market inherit a positive spillover effect from such activities. This is more so in areas where floods have occurred which were caused by poor drainage and urban planning and as a consequence, damaged roads in the neighbourhoods. As such, it is hoped that the present government will continue to focus on improving the state's economy, planning and infrastructures.

Positive Market Movements

The palm oil commodities sector continues to be one of the main contributors to the state's economy as Sabah accounts for 26.5% of the country's overall plantations and produces 4.36 million tonnes of palm oil from the 1.52 million hectares of planted area. The high CPO prices in 2022 has also encouraged expansion plans among the plantation companies.

Another shot in the arm to Sabah's economy is the commissioning of several high impact flagship-status projects under the "Sabah Maju Jaya" Roadmap Plan. Composed to boost Sabah's economic growth via foreign and domestic investments, some of the newly launched and ongoing initial investments include:

- The land-lease agreement signed between Esteel Enterprise Sabah Sdn Bhd and Sabah Oil & Gas Development Corporation Sdn Bhd (SOGDC) for a RM19.65 billion green steel project at Sabah Oil & Gas Industrial Park (SOGIP) – touted as the largest and latest investment received by Sabah so far;
- Construction of a solar glass panel manufacturing plant by Kibing Group at the Kota Kinabalu Industrial Park (KKIP) as well as a silica sand mining and a silica sand processing plant in Sikuati, Kudat, with an investment value of RM2 billion;
- The construction of a copper foil manufacturing plant in KKIP by SK Nexilis from South Korea worth RM4.2 billion;
- The Lok Kawi Resort Town Project with a gross development value (GDV) of RM7 billion;
- The proposed Tanjung Aru Eco-Development;
- Linaco Resources Sdn Bhd's RM200 million investment in Pitas for a coconut processing plant, among others; and
- BorneoMed Sdn Bhd's integrated herbal plantation.

Further to the above, Sabah has also received allocations from the Federal Government for the following large scale projects:

- The Sepanggar Bay Container Port expansion project.
- The Pan Borneo Highway project packages.
- Projects under the Rural Roads Programme.

The Sepanggar Bay Container Port in particular has been proposed to construct a RM1 billion Sabah Maju Jaya Renewable Energy Industrial Complex (SMJREIC) on a 25-acre site. This new plant is set to accommodate a centralised edible oil bulking terminal, a palm oil refinery complex and a hydrogenated vegetable oil (HVO) plant producing sustainable aviation fuel (SAF).

With the aim to boost the state's sales tax revenue via petroleum products, Sabah's State Government is actively promoting this unique selling proposition to potential investors to take advantage of the strategic on-shore location of the Sipitang Oil & Gas Industrial Park which is highly suited for developing oil & gas-related businesses.

On the whole, Sabah has a plethora of offerings for investors, ranging from the leisure-driven tourism business to the conventional commodities sectors such as palm oil and oil & gas. As such, investors interested to take a position in Sabah may sample tourism, commodities pricing (ie. oil prices, crude palm oil prices) and the industrial and manufacturing sectors.

Residential Overview & Outlook

Sabah's residential sub-sector has grown by 29.9% in volume of transactions to reach 4,473 units in the first nine months of 2022 compared to the same period in 2021 with 3,444 units. Value of transactions on the other hand grew by 27.9% with RM1.77 billion from RM1.38 billion in the period under review.

Properties valued between RM200,001 to RM300,000 were the most popular in the first nine months of 2022 with 1,064 transactions followed by the RM100,001 to RM200,000 category with 875 units transacted. Together, they totalled 1,939 units or about 21% higher in number of transactions compared to the same period in 2021.

The 2-3 storeys terrace houses recorded the highest number of transactions with 1,266 units exchanging hands followed closely by the condominium/apartment with 1,143 units. Most of the transactions came from Kota Kinabalu with a lion share of 1,542 transactions followed by 799 units for Penampang, Putatan and 709 transactions for Sandakan, Labuk-Sugut, Tungod and Kinabatangan.

Landed properties in prime areas will continue enjoying steady demand and price appreciation in 2023 while high-rise residences are experiencing an oversupply after large volumes of developments entered the market over the last few years and many have experienced a slower take-up rate. Prices for these high-rises have generally remained stagnant.

At the time of writing, although there is an oversupply of stratified condominiums in Sabah, demand however exists for reasonably and affordably priced properties due to the increased working population and the rise in income. This may have influenced Sabah's House Price Index which has gone up from 183.3 in 2021 to 190.3 in the first nine months of 2022, showing an improvement in the market.

Generally, Sabah will see new launches in 2023 but with a lower number of projects entering the market compared to the last five years. Some developers who have had to manage high holding costs of lands and outgoings will have little choice but to launch their projects as soon as possible to sustain their financial position and recover costs. For large scale projects, launches

are anticipated to be staggered over a few phases as part of the developer's strategy to better manage costs.

While it is vital for the market to enjoy good sales from the newly launched projects, there should however be strategic control in the developer's pricing and the accompanying unit types in tandem with the market demand prior to launches. This will pave the way for a more efficient property market in Sabah.

Presently, it is not easy for high-rise developments to be fully sold in the local market unless the pricing structure is competitive. As such, it is recommended for developers to price their products competitively and "realistically" too in order to facilitate a higher take-up rate.

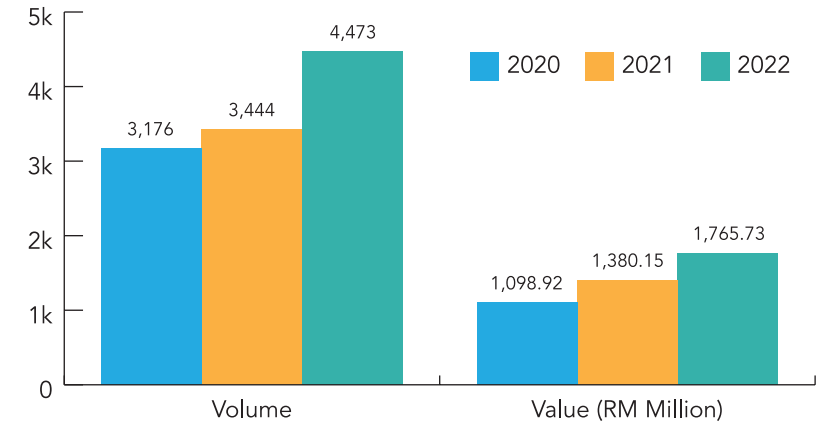
For medium to higher-end products, better quality finishings, design and additional furnishings could be provided to entice more buyers to acquire the properties.

Sabah's overhang properties as of Q3 2022 stood at 2,645 units or 27.5% of the total units launched in the same quarter at 9,608 units. Unsold residential units under construction in the same quarter was 4,536 units or 41% of the total launched units of 11,041 units.

These statistics are considered high where as mentioned above, a large influx of high-rise residential condominiums have been completed in the last five years but the market has been slow in absorbing.

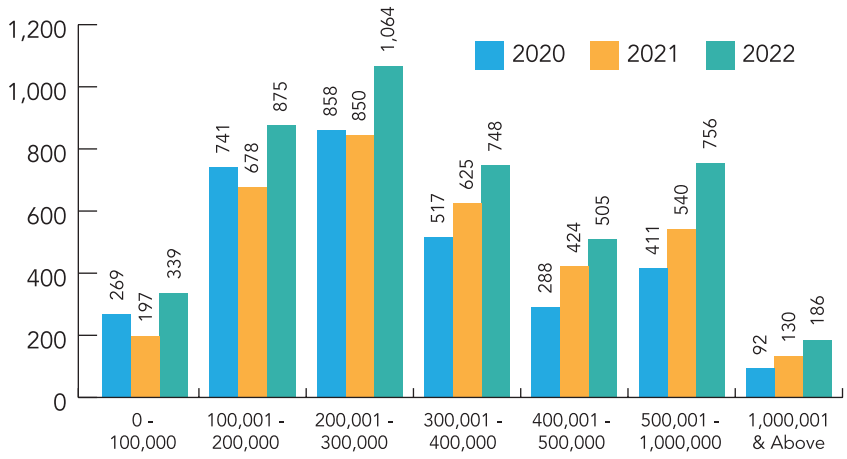
With a number of new development projects on the way over the next few years, Sabah's overhang and number of unsold units are expected to further increase as more high-rise residential developments come to completion.

Volume & Value of Residential Transactions in Sabah (Jan-Sep 2020 to 2022)



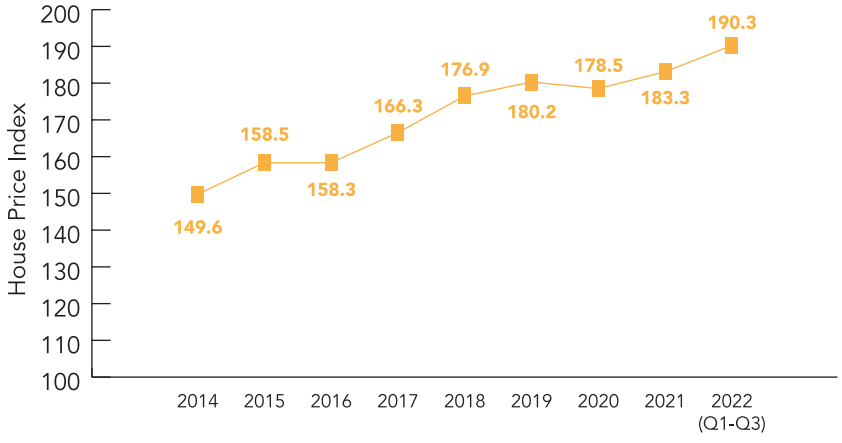
Source: NAPIC

Volume of Residential Transactions by Price Range in Sabah (Jan-Sep 2020 to 2022)



Source: NAPIC

Sabah House Price Index (2014 to 2022, Q1-Q3*)



Source: NAPIC

Commercial, Retail & Hospitality Overview & Outlook

Sabah's commercial sub-sector has been growing steadily in the first nine months of 2022 to record 922 units in volume and RM536.8 million in value of transactions. This is a 26.7% and 21.3% rise respectively compared to the corresponding period in 2021.

There were 132 transactions for units priced above RM1 million, followed closely by 127 transactions in the RM200,001 to RM300,000 price bracket. They represent the highest concentration of commercial property transactions in the market.

In terms of property type, the 2-2½-storey shop led the market with 278 transactions and followed closely by "shop unit/retail lot" with 269 units exchanging hands. These transactions are likely to be recorded from mature locations, with 292 transactions in Kota Kinabalu, 160 transactions in Sandakan, Labuk-Sugut, Tungod and Kinabatangan, and 142 transactions in Tawau.

There are no new purpose-built office developments in Sabah but this commercial property segment has generally generated slow demand as there are insufficient corporations in the market to take up large office spaces while most companies in the state prefer the shop-offices and smaller parcels of office spaces. Rental rates for offices are also not regarded as attractive enough to generate demand for investments and as such, pricing has generally been stagnant.

Landed shop-offices in well located areas for retail use have continued enjoying steady demand and also price appreciation.

Retail malls in Sabah on the other hand, especially those individually occupied, are seeing weak demand while some of the poorly managed malls are experiencing low occupancy rates. Pricing for retail malls has generally been stagnant.

Sabah's hospitality sub-sector has been improving slowly in 2022. However, the weakened market is a result of the extended border closures in China. Prior to the pandemic, Chinese tourists were the highest number of international visitors and contributed the highest tourism receipts compared to all other nationalities.

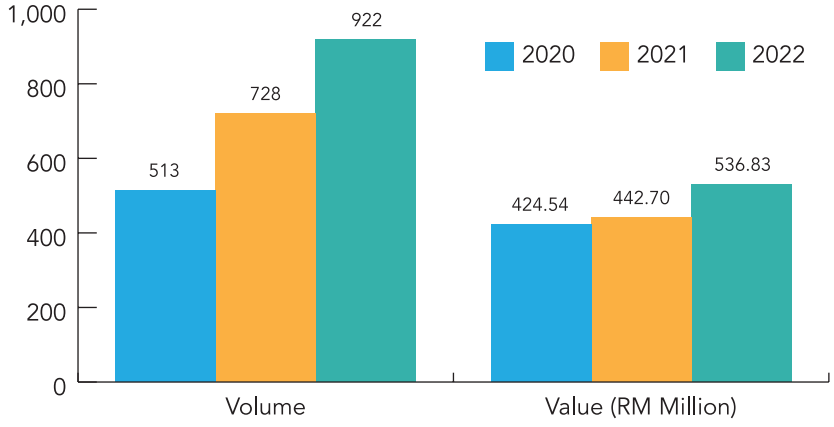
The industry will however take another one to two years for the arrival figures to reach pre-pandemic levels of 3.6 to 4 million arrivals compared to the 1.19 million now. As such, Chinese tourists' re-entry may be just what the industry needs to bridge the huge gap in arrivals.

Prior to the pandemic, Sabah's hotel occupancy rate was above 65% but has since plunged to an average of 24.3% in 2020 and a further drop to an average of 12.4% in 2021 with some hotels suffering close to zero occupancy rates on a monthly basis.

The tide has however turned in the first half of 2022 where the occupancy rate recovered to 35.4% after the lifting of all travel restrictions in Malaysia from 1 April 2022. But even so, hotel performance has remained weak due to the prolonged absence of travel and as such, the industry's well-being is still very much reliant on the full recovery of the entire tourism market.

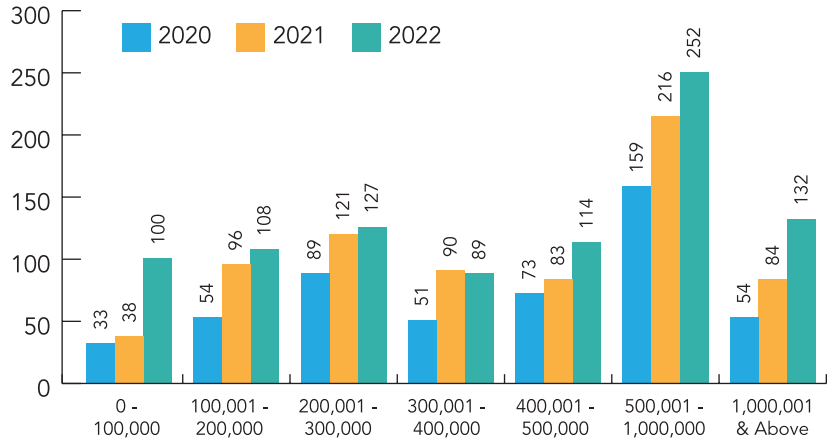
Sabah's tourism industry is likely to see higher arrivals in 2023 but the level of success is still very much dependent on the number of Chinese tourists entering the state. As such, the low occupancy rates at the hotels is expected to continue and this may take several years to recover to pre-pandemic levels.

Volume & Value of Commercial Transactions in Sabah (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Commercial Transactions by Price Range in Sabah (Jan-Sep 2020 to 2022)



Source: NAPIC

Industrial Overview & Outlook

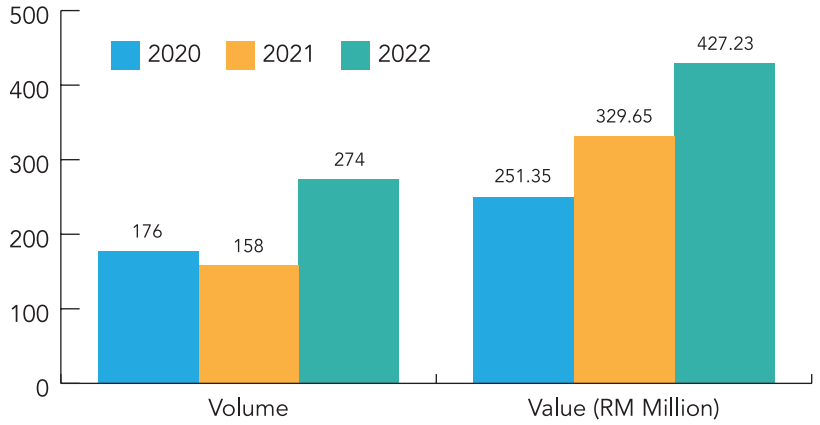
Sabah's industrial sub-sector has enjoyed good demand in 2022 with many suppliers, manufacturers, logistic hubs and showrooms looking for large and sizable industrial land or buildings throughout the state. Well located lands not far from the city centre and near the ports or hubs are also equally sought after which led to an increase in pricing.

In the first nine months of 2022, Sabah's industrial sub-sector spotted a huge 72.4% improvement in the volume of transactions to arrive at 274 units compared to the same period in 2021 with 158 transacted units.

In terms of value of transactions, it increased by 29.6% to record RM427.23 million in the period under observation compared to RM329.65 million last year.

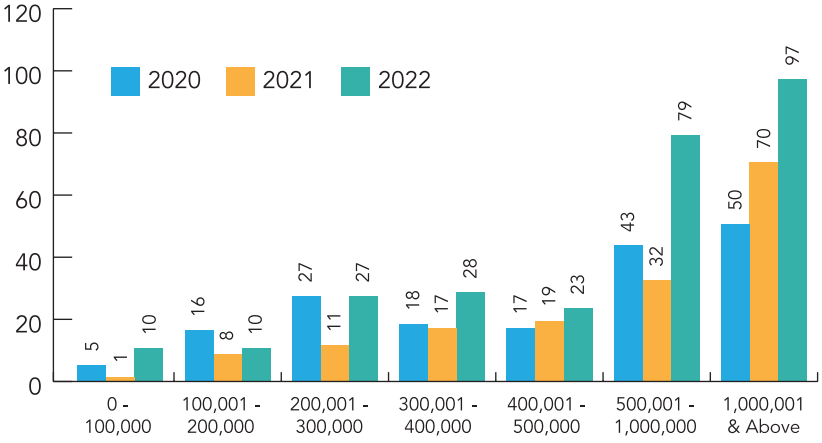
There was a significantly large number of transactions in properties priced at RM1 million and above with 97 units exchanging hands. This is followed by those in the RM300,001 to RM400,000 with 28 transactions and the RM200,001 to RM300,000 category with 27 transactions.

Volume & Value of Industrial Transactions in Sabah (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Industrial Transactions by Price Range in Sabah (Jan-Sep 2020 to 2022)



Source: NAPIC

SARAWAK

The stable and positive forecast made for Sarawak for year 2022 including the strong growths predicted in landed residential and agriculture vacant lands did not disappoint as both data and market observation by Q4 2022 mirrored that prediction.

Sarawak's 2023 State Budget will be a major catalyst for the state to influence the market's performance in 2023 as it possesses the propensity to intensify infrastructure developments which in turn will accelerate economic growth, provide more work opportunities and attract more investors to enter Sarawak. This will provide some form of buffer to cushion any impending global market slowdown in 2023, predicted by many economists and analysts. Should this occur, Sarawak's economy is also expected to grow at a slower pace than anticipated.

Sarawak's property market is expected to remain stable and perform positively in 2023 especially for the landed residential and agriculture sub-sectors. The state's economy is expected to continue to grow in 2023 with its total overhang stock across all property sub-sectors also to reduce slightly in 2023.

Sarawak's political and economic well-being are influenced by the stability of the country's government. In that regard, it will work to Sarawak's advantage, and in fact the whole country, if the right government policies are put in place. This will then stabilise the nation's economy and impact Sarawak's property market positively moving forward. Malaysia's political environment is also expected to improve in 2023.

Investors interested to be part of Sarawak's economy are encouraged to consider the agriculture industry. This comes on the back of the global supply shortage in agricultural produce which were caused by the persisting Russia-Ukraine war. The abundant land mass in Sarawak makes it an ideal destination for the agricultural business and especially those already acquainted with the latest agri-technologies.

The naturally abundant supply of renewable energy and water also make Sarawak the hotbed for the renewable energy industry. More energy-related players are therefore

Factors to Watch in 2023

- Kuching was selected to host the 27th WCIT (World Congress on Innovation and Technology) in Q4 2023.
- Construction work for the proposed new airport in Lawas is expected to start by Q1 2023.
- RM795.711mil has been allocated to undertake 4 basic infrastructure programmes in 2023.
- The federal government has approved the construction of Phase 2 of the Sarawak-Sabah Link Road (SSLR) project and Trans Borneo Highway (LTB) project scheduled to commence early 2023.
- The 2023 State Budget will allocate RM1.12bil to intensify infrastructure developments particularly in the rural areas to accelerate economic growth.

Bright Spots in 2023

- WCIT 2023 in Kuching will be a catalyst to spark ideation, investment opportunities, business insights, policy action recommendations, tech experiences, discoveries & partner-talent recruitment possibilities.
- The new airport in Lawas will be a game changer that could spur economic activities and growth in Sarawak's northernmost district.
- Sarawak Coastal Road Network will continue to be developed by 2023 involving the replacement of 7 ferry crossings to major bridges, construction of link roads and upgrading of 331km of the 896km coastal stretch. The Miri Port Authority has also been selected as the pioneer project to kick off the Ports Masterplan study in Q1 2023 as part of the state's port development.
- RM70mil was allocated to the Kuching Port Authority (KPA) to equip itself with quay cranes, RM30.5mil to install a Vessel Traffic Management System (VTMS) and RM56.9mil for a vehicle yard and associated facilities.
- The Aids to Navigation (AtoN) system currently being developed for Tanjung Manis Port has reached 90% completion and is expected to be commissioned by Q1 2023.
- Projects earmarked from the Phase 2 of the Sarawak-Sabah Link Road (SSLR) and Trans Borneo Highway (LTB) projects include the expansion of transport network and connectivity between towns and districts to potential growth centres such as ports, industrial areas and commercial centres along the routes.
- The RM1.12bil allocation from the 2023 State Budget will be used for Kuching's Inner Ring Road design and construction; road construction from Sibu's Sibu Jaya to Kong Yit Khim Road; upgrading of Sibu's Jalan Oya; Sarikei's Jalan Pakan/Ulu Kota Phase 3 in Pakan; 7 temporary bridges replacement to permanent ones under Phase 1; emergency works for damaged public infrastructure; Limbang's Sg. Limbang Bridge, Sg. Bunut No. 2 & the connecting roads; Rural Bridges Transformation Programme and Senari Port's vehicle yard & its associated facilities.

Outlook for 2023

- Sarawak's property market to remain stable and perform positively in 2023.
- Landed residential & agriculture are anticipated to perform well in 2023.
- The commercial office & industrial sub-sector is expected to be stable and grow at a slower pace in 2023.
- The retail sub-sector is expected to perform better in 2023.
- More international tourists are expected to arrive in Sarawak in 2023 after all travel restrictions were lifted from 1 April 2022.

expected to set up their operations in Sarawak in 2023. Other promising sectors in Sarawak include the heavy and technology industries.

Residential Review & Outlook

There had been mild growths in the volume and value of transactions for the residential market in Sarawak in the first nine months of 2022 compared to the same period in 2021. Volume of transactions grew by 20.6% with 9,460 units while value of transactions increased 21% to record RM3.09 billion.

Residential properties within the RM200,001 to RM300,000 price bracket were the most popular with 2,124 units exchanging hands followed by the RM100,001 to RM200,000 with 2,028 transactions. Not too far behind is the RM300,001 to RM400,000 category with 1,584 transacted units.

2 to 3-storey houses were the most popular property type registering 2,559 transactions followed by 2 to 3-storey semi-detached houses with 1,645 units, and single storey houses with 1,595 units.

Like most Malaysian property buyers, almost 91% of the transactions were of the landed property type compared to a mere 9% for high-rise residences. As such, the value of transactions for landed residential properties are expected to hike up considerably in 2023.

In terms of locations, most of the transactions took place in Bahagian Kuching with 3,928 units followed by Bahagian Miri with 1,747 units and Sibu with 1,704 units.

Sarawak's residential overhang recorded a slight decrease of 4% with 4,912 units in Q3 2022 from 5,134 units in Q3 2021.

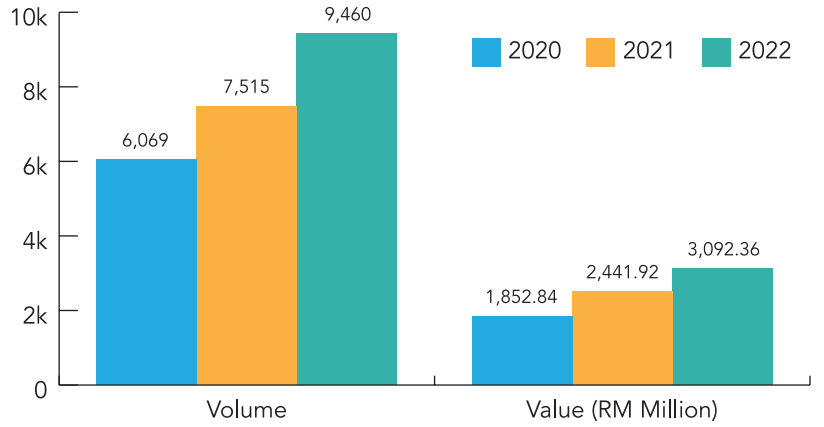
Commercial Review & Outlook

Demand for commercial properties in Sarawak has been increasing since 2020 and recent data for the first nine months of 2022 recorded 1,981 units in volume of transactions valued at RM963.21 million. This is up by 26.5% in volume and 4.9% in value of transactions compared to the same period in 2021.

The affordable price point of below RM300,000 seems to be the number one choice for buyers in Sarawak, registering 944 transactions in the period under observation. This is a 30.5% increase compared to the same period last year.

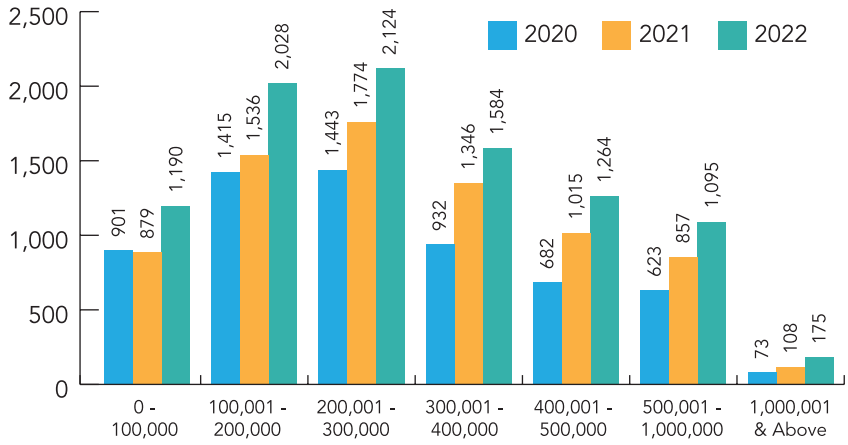
Within the affordable range, the RM100,001 to RM200,000 category recorded the highest number of transactions with 400 units exchanging hands followed by the

Volume & Value of Residential Transactions in Sarawak (Jan-Sep 2020 to 2022)



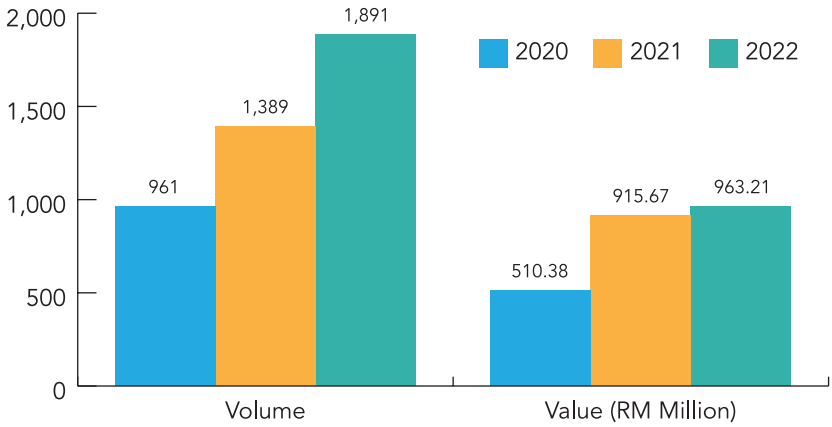
Source: NAPIC

Volume of Residential Transactions by Price Range in Sarawak (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume & Value of Commercial Transactions in Sarawak (Jan-Sep 2020 to 2022)



Source: NAPIC

RM200,001 to RM300,000 price bracket with 299 transactions.

In terms of property type, the 3 to 3½-storey shops remain the most popular in the first nine of 2022 with a lion share of 855 purchases. This is followed by the 2 to 2½-storey shops with 400 transactions.

Sarawak's commercial office sub-sector is expected to be stable and grow at a slower pace in 2023.

Retail Review & Outlook

Over at the retail market, there has been a minor increment of 15% in the volume of transactions in Q3 2022 with 45 units compared to Q3 2021 with 39 units. In terms of value of transactions, the increase is slightly higher at 26% to RM8.8 million from RM7 million.

The retail sub-sector in 2023 is expected to have a better performance than the previous year as more international and local consumers are expected to patronise the stores physically with all travel restrictions lifted from 1 April 2022. The number of tourist arrivals, especially from foreign tourists, is also expected to increase in 2023.

Industrial Review & Outlook

Sarawak's industrial properties experienced a 16.5% increase in the volume of transactions with 417 units compared to the same period in 2021 with 348 units but its value of transactions declined marginally by 1.7% to RM320.53 million from RM326.06 million.

Sarawak's industrial properties priced above RM1 million had the highest number of transactions with 84 units exchanging hands followed by the RM200,0001 to RM300,000 category with 65 units.

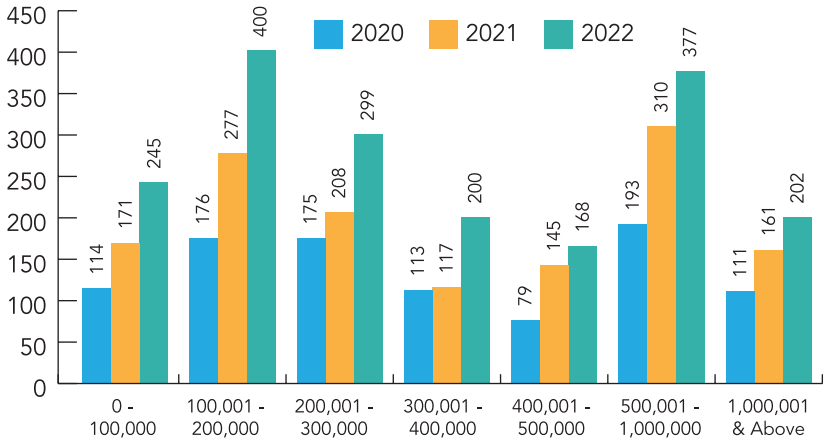
Properties priced below RM200,000 were the only transactions that showed a drop in the number of transactions in the first nine months of 2022. This may be caused by a change in sentiments to acquire the bigger units among the buyers and investors post-pandemic.

Semi-detached factories/warehouses registered the highest number of take-up with 228 transactions followed by vacant plots with 76 transactions.

In terms of location, Bahagian Miri led the transaction statistics with 116 units followed by Bahagian Sibu with 102 units.

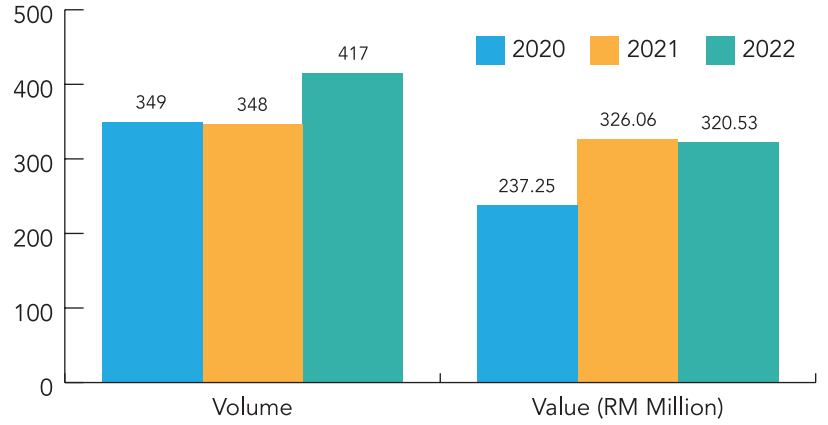
Although the volume and value of transactions were moving in opposite directions in 2022, the industrial sub-sector is expected to be stable with slight improvement in 2023.

Volume of Commercial Transactions by Price Range in Sarawak (Jan-Sep 2020 to 2022)



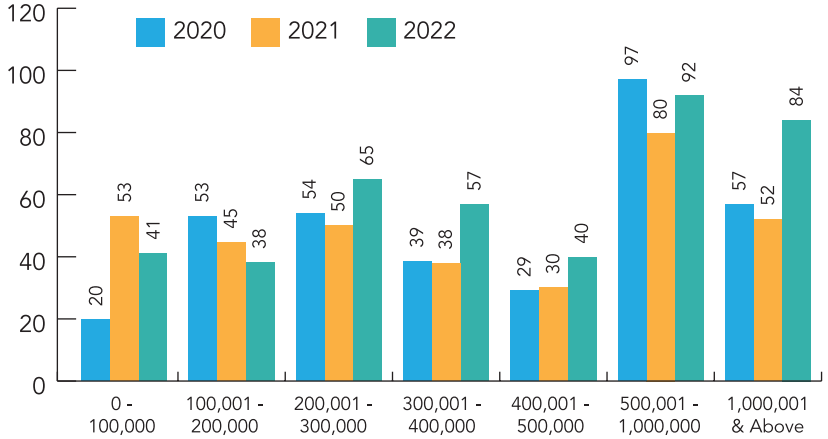
Source: NAPIC

Volume & Value of Industrial Transactions in Sarawak (Jan-Sep 2020 to 2022)



Source: NAPIC

Volume of Industrial Transactions by Price Range in Sarawak (Jan-Sep 2020 to 2022)



Source: NAPIC

CONTINUED INTEREST IN HENRY BUTCHER MALAYSIAN & SOUTHEAST ASIAN ART AUCTION 2022

"...a prolonged bidding between eight phone bidders and one floor bidder..."

In a season finale for 2022, Henry Butcher Malaysian & Southeast Asian Art Auction achieved RM2.8 million via on-site and phone biddings within just three hours on 6 November 2022.

At the final Henry Butcher Malaysian and Southeast Asian Art Auction for the year, 126 Lots were successfully sold to record RM2.8 million in sales proceeds at Galeri Prima in Balai Berita Bangsar, Kuala Lumpur, within a short 3-hour run.

The cloudy sky preceded the start of the auction scheduled for 1pm on an otherwise quiet Sunday but as the auction gathered steam, so did the rain and thunderstorm at the height of the auction.

The top-selling Lots at this final instalment for 2022 is a masterpiece painted by Abdul Latiff Mohidin in 2002, titled Wetlands, sold for RM280,000, followed by Datuk Syed Ahmad Jamal's masterpiece Figure (1965), which achieved RM224,000.

Two pieces of Awang Damit Ahmad from the celebrated series Essence Of Culture (E.O.C. / Intipati Budaya) (1989) were sold for RM212,800 and RM168,000, respectively. The artist painted the E.O.C. series from 1985 to 1995, and it has become the most popular series among collectors to acquire. In this series, while fishermen and farmers face weather challenges, people face struggles in life too. But with persistence, painstaking effort, fervent and steely determination, people overcome these daunting challenges, making an honest living.

Yong Mun Sen's untitled oil on canvas (1949) featuring a pair of chickens was sold post-auction at RM80,000.

Zulkifli Yusoff's Breathing (Blue) (2001) sold for an impressive RM77,280, which tripled its lower estimate (starting bid) of RM25,000. The sale room witnessed a prolonged bidding between eight phone bidders and one floor bidder for this beautiful artwork.

Lot 54 Abdul Latiff Mohidin (b. Negeri Sembilan, 1941)
Wetlands, 2002,
oil on canvas, 90 x 90cm, sold at RM280,000.

Interestingly, two art pieces also went home separately but at the same price of RM67,200, they are Raduan Man's Emperor Of Tasik Chini (2007) and Nadiah Bamadhaj's No.9.

Ismail Mat Hussin's impressive batik work Mending Nets (2011) was sold at RM61,600.

A new auction record was also set for artist Tay Hooi Keat's Weld Quay, 1983, which went above its initial estimate selling for RM34,720 (estimate RM12,000–RM20,000).

At the auction for the first time, emerging artist Paul Nickson Atia's Obsession; Binary (2019) achieved RM19,040, doubling its initial starting bid of RM8,000.

Collectors also took the opportunity to obtain pieces from Southeast Asian artists. Among them, Cheong Soo Pieng's 1960 ink on paper work of the ethnic tribes like the Dayaks at fishing village, realised at RM100,800.

According to Sim Polenn, Director of Henry Butcher Art Auctioneers, "The auction witnessed participation of new bidders from various backgrounds. We

welcome them, as the collectors pool continues to expand, and the number of collectors continues to rise.

He further asserts his gratitude for "the continuous support from the collectors and art lovers from all around. We are delighted to see an increased interest in Malaysian and Southeast Asian art from local and international collectors."

In 2021, Henry Butcher Art Auctioneer, the auctioneer of this signature auction, achieved its highest peak in annual auction sales with RM11.6 million. The overarching achievement was recorded while the country was still going through a pandemic year with various lockdown restrictions and safety measures imposed nationwide.

Performance has however tapered down to RM8 million in 2022, rationalising back to the levels of the pre-pandemic era. This is perhaps due to the easing of movements after 1 April 2022 that allowed Malaysians to travel once again after being homebound for two years during the pandemic.

"The team will continue to work hard, to present even better auction Lots for the auction coming up in March 2023," Sim concludes.

Lot 052 Awang Damit Ahmad
Essence Of Culture (E.O.C.) "Perjalanan Malam" (Night Journey), 1989
mixed media on canvas 181 x 176cm
sold at RM212,800.

Lot 171 Syed Ahmad Jamal, Datuk
(b. Johor, 1929 - 2011)
Figure, 1965,
acrylic on canvas, 122 x 53cm,
sold at RM224,000.

ARTISTIC DUO'S 2ND SOLO EXHIBITIONS

Life depictions by Ronnie Mohamad and Tony Ng, a very Malaysian affair.

Two solo exhibitions by high calibre artists Ronnie Mohamad and Tony Ng were officiated by the respected former Federal Court Judge Tan Sri Datuk Zainun Ali. The exhibitions were co-organised by Henry Butcher Art Auctioneers and Galeri Prima from 11 to 30 November 2022, at Galeri Prima, Balai Berita Bangsar.

The presented works are united in their intricate illustrations and deep appreciation of artistic traditions and heritage. These creative expressions initiate dialogue on our collective memories of local customs, social interactions and communal spirit which are carried on until the modern age.

Ronnie's *Playground*

Fascinated by the exciting energy generated by human interactions and encounters, Ronnie Mohamad's second solo exhibition titled *Playground* documents life stories through daily activities. The exhibition featured twelve monumental charcoal works on linen produced in 2022.

An array of subjects including tug of war, gunny sack race, indigenous martial arts Silat, young ladies chattering in delight, and precious wildlife such as the rhinoceros and water buffalo, were executed with stunning realism and detail.

Gossip Series (2022) features striking life-like depictions of two girls dressed in the traditional attire, Kebaya, interpreted through a strong interplay of light and shadow, which gives the scene a sense of theatricality and energy.

Executed in charcoal, *Battle Series* (2022) features a tug of war competition showing Ronnie's skill in rendering the human figure. It features two groups of men pulling a rope in opposite directions with a firm grip, battling each other in a test of strength. Using a two-point perspective, Ronnie succeeds in communicating a sense of space, with the subjects receding into the distance. The drama and tension in the atmosphere are heightened through the positioning of the figures diagonally. The tug of war sport was practised as early as 8th to 5th centuries BC in China and was used to build strength for battle in ancient Greece.

Ronnie's first solo exhibition was held at National Art Gallery Malaysia.

Tony's *Ukiran*

Tony Ng's second solo exhibition *Ukiran (Engraving)* saw the artist expanding his repertoire of still-life compositions. The exhibition showcased 32 recent works comprising paintings, wood carvings and hand-crafted guitar bodies. Tony sought inspiration from the art of local wood craft and has depicted the interaction of wood carvings with batik fabrics, scenes of nature, fruits, birds, and traditional musical instruments.

In compositions such as *Fence Seater*, *Beauty of Craft #06*, and *Song of Life*, an array of objects was transported from the indoors into the vast tropical landscapes, reinforcing a sense of place and identity. According to the exhibition's writer Claudia Cadena, the creases and folds on the batik drapery represent the multitude of experiences from daily life.

Movement and rhythm were created through the positioning of folds on the batik drapery, complemented with beautiful wood carvings. Intricate batik patterns rendered in vibrant colours consisting of warm and cool tones were further enhanced by a dramatic play of light. These harmonious compositions gently imply the importance of craft in modern society, adding colour, warmth and joy in our daily lives.

The Raja Permaisuri Agong Tunku Azizah Aminah Maimunah Iskandariah dropped by for a private viewing of the Playground exhibition on 18 November 2022 at Galeri Prima.

Former Federal Court Judge Tan Sri Zainun Ali (middle) launched two concurrent exhibitions, Playground by Ronnie Mohamad and Ukiran by Tony Ng, on 12 November 2022 at Galeri Prima. Galeri Prima Head Azlynn Aziz (left) and Sim Polenn of Henry Butcher Art Auctioneers (right) were also present at the launch.

Through these solo presentations, one can see both Ronnie and Tony's dedication, focus, concentration, fervent and steely determination, to persevere diligently and meticulously paint details of the subjects. These works are a testament to the artist's impeccable skill and ability to render atmosphere, and mood through mesmerising compositions, providing us with new impressions to look at our surroundings from a local perspective.

Former Member of Parliament Nurul Izzah Anwar (middle) visited the exhibition, together with her were Ronnie Mohamad (left) and Sim Polenn.

A COMPREHENSIVE SERVICE FROM START TO FINISH

Henry Butcher Malaysia is registered with the Board of Valuers, Appraisers, Estate Agents & Property Managers Malaysia as a full fledged professional practice and offers a wide spectrum of consultancy services in the fields of property and plant & machinery. Our expertise covers the following areas.

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