

PROPERTY COUNTRY REPORT : MALAYSIA

VPC REGIONAL CONFERENCE

26th October 2012

Pattaya, Thailand

Conversion Rate:

£1 = RM4.95

US\$1 = RM3.05

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ECONOMY



Growth Rate	2010	2011	2012 (estimate)	2013 (forecast)
Manufacturing	11.4	4.7	4.2	4.9
Construction	6.8	4.6	15.5	11.9
Services	5.1	7.0	5.5	5.6
GDP	7.2	5.1	4.7	5.2

Source: Department of Statistics,
Malaysia

- The Malaysia's economy strengthened further to 5.4% against 4.9% in the preceding quarter led by continued expansion in the Services and Manufacturing sectors



ECONOMY

The economy for 2012 is expecting a gradual slowdown, contributed by:-

- Slow recovery in US and EU.
- Lower exports.
- Lower commodity prices: oil palm, rubber, petroleum, tin
- Uncertainty due to the pending General Elections.
- Lower Foreign Direct Investments.



ECONOMY

FDI Inflows by Selected Host Regions and Major Host Economies

	2010 (USD BIL)	2011 (USD BIL)	H12012 (USD BIL)	2010/11 Change (%)
Cambodia	0.8	0.9		12.50
India	24.1	31.6		31.1
Indonesia	13.8	18.9		37
Japan	-1.3	-1.8		-38.5
London	50.6	53.9		6.5
Malaysia	9.1	12.0	6.1	31.9
Myanmar	0.5	0.9		80
Singapore	48.6	64.0		31.7
Thailand	9.7	9.6		-1.0

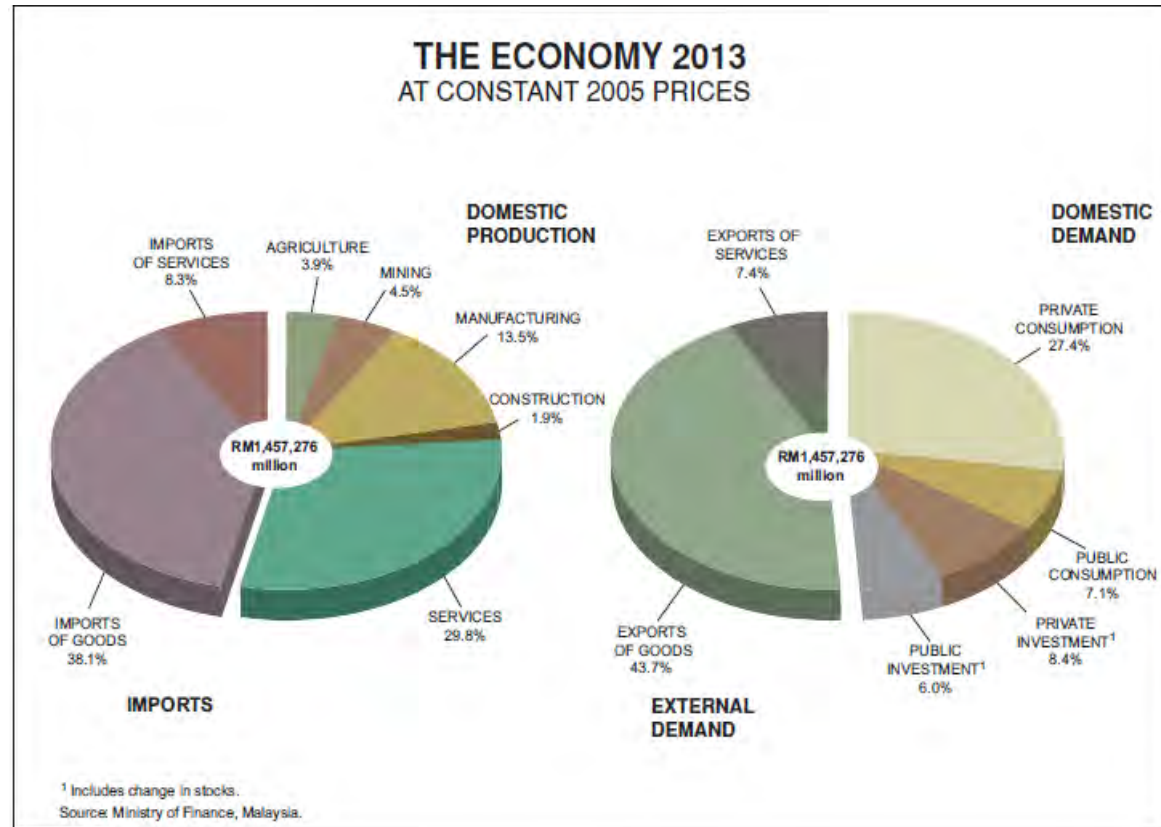
Down significantly by 40% from the RM10.2 billion for the same period last year, due to the uncertainty of global economy.

Source: United Nations Conference Trade and Development



BUDGET 2013

- Forecast GDP growth 5.2% in 2013.
- The services and manufacturing sectors are expected to contribute 4.2% to GDP.
- Private and public consumption, the largest component of real GDP is anticipated expanded by 4.2% in 2013 and remain driver of domestic demand.



BUDGET 2013



Snapshots of the Budget 2013:-

- Tax Matters
 - Individual income tax reduced by one percentage point for those with chargeable income group of RM2,501 to RM50,000 for the year of assessment 2013

Chargeable Income (RM)	2012 Tax Rate	2013 Tax Rate
<u>Individual</u>		
2,501 – 5,000	1%	0%
5,001 – 20,000	3%	2%
20,001 – 35,000	7%	6%
35,001 – 50,000	12%	11%
<u>Corporate Tax</u>	25%	25%



BUDGET 2013

Snapshots of the Budget 2013:-

- Real Property Gain Tax Rates (RPGT)

Disposal Period	2012 Tax Rate	2013 Tax Rate
Within 2 years	10%	15%
In the 3 rd to 5 th year	5%	10%
In the 6 th year onwards	0%	0%

- 50% stamp duty exemption for those purchasing their first residential property will continue until 31 Dec 2014 for properties not exceeding RM400,000.
- The Government will allocate RM1.9 billion to build 123,000 affordable housing units in strategic location in 2013. The initiative will be implemented by PR1MA, Syarikat Perumahan Nasional Bhd (SPNB) and National Housing Department.



BUDGET 2013



Snapshots of the Budget 2013:-

- To encourage domestic investment and accelerate the participation of Malaysian companies in the global supply chain, the Government has established the Domestic Investment Strategic Fund worth RM1 billion under the Malaysian Investment Development Authority (MIDA). The fund aims to leverage outsourcing activities and acquisition of technology by Malaysian companies.
- The 10% withholding tax for real estate investment trusts (REITs) remains.



Brief Economic Indicators

- Population : 28.6 million
- Central Bank Overnight Policy Rate (OPR) : 3%
- Unemployment Rate : 3.5%
- Inflation Rate : 1.4%
- Nominal GDP : US\$ 8,423
- Malaysia International Reserves as at Aug 2012: US\$ 134.9 billion
- Gross National Income (per capita): US\$ 9,508 (2011)



Economic Outlook : 2013

- The economic growth rate will recover slightly to about 5.2%
- Private consumption and investment activities will support growth
- Declining Foreign Direct Investment expected
- Concerns for 2013
 - - European debt crisis
 - - Sluggish US recovery and debt crisis
 - - Reduced exports and weakening external environment
 - - Rising inflation



PROPERTY MARKET: GENERAL



	1H 2011	1H 2012	% Increase
Volume of Transactions	214,778	217,135	1.10%
Value of Transactions (RM'Million)	64,810.50	69,050.93	6.54%

- Property market in 1H2012: Slowing down
- Hence, the volume and value transaction increased only slightly against 1H2011 by 1.10% and 6.54% respectively.
- The slow down of property market may be due to:
 - Central Bank tighten up the mortgage loan.
 - Uncertainty about the next general election.
 - Oversupply in certain property subsectors.



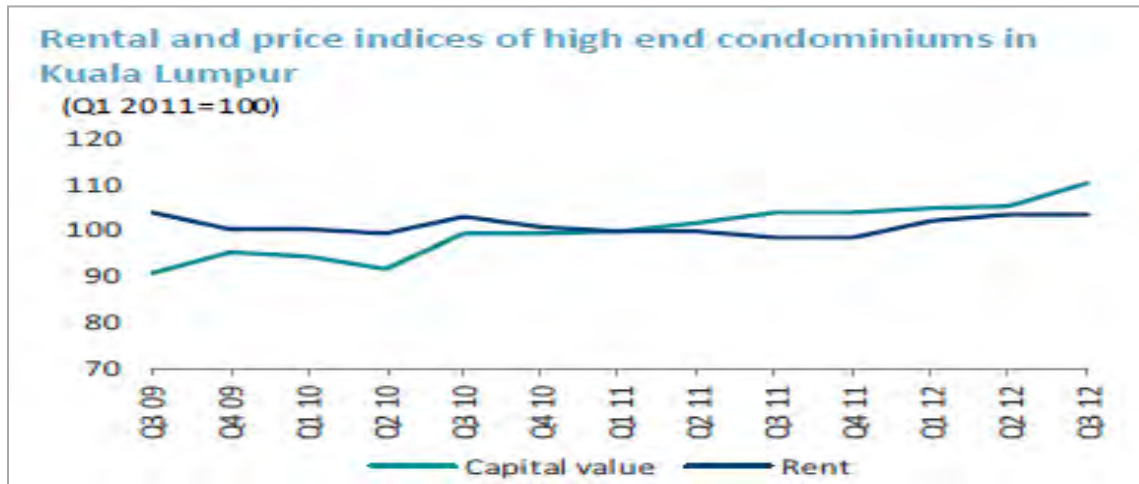
Residential Sector : 1H 2012



- Dominate the overall property market in the 1H 2012, with 62.7% of the total volume and 47.6% of the value of transaction
- 136,057 transactions worth RM32.84 million registered in the 1H 2012.
- The volume and value was higher by 1.5% and 8.8% respectively against 1H 2011.



Residential Sector

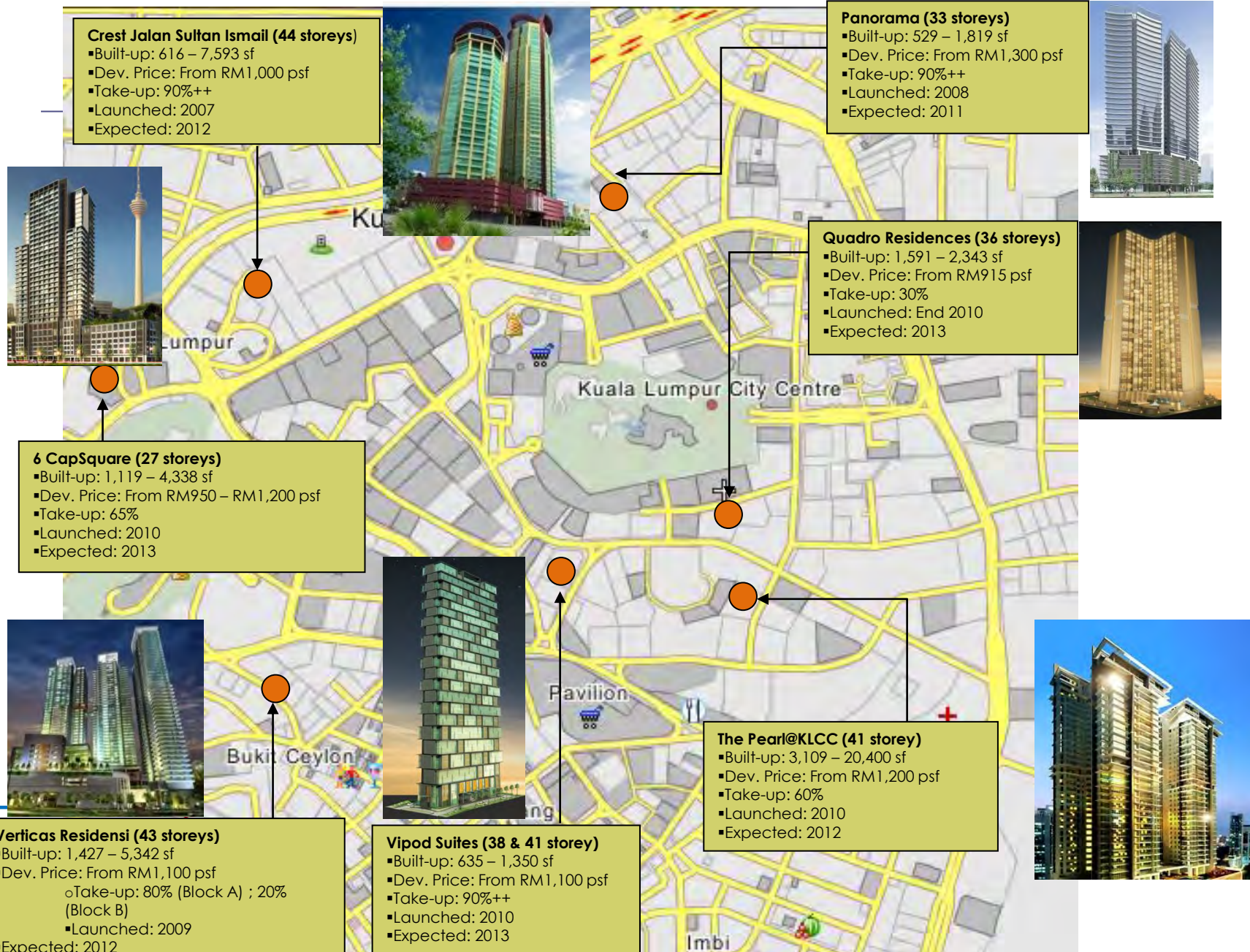


Source: DTZ Research

- The 3Q2012 saw the overall average price of high-end condominiums in KL increased by 4.7% q-o-q to RM666psf vis-à-vis RM636psf in Q2, due to the low interest rate driving investment purchases.
- Owing to low occupancy, average rents remained unchanged at RM3.67psf per month



Location of Upcoming Luxurious Condominiums in Kuala Lumpur



Residential Sector Outlook



- The residential market is therefore expected to continue to slow down in the last quarter of the year, with the impact of slower economic growth, cautious launches by developers, tightening of credit by banks and the upcoming general election which brings uncertainty in the market.
- Landed residential more resilient than high rise residential as high rise residential have more supply and buyers preference for landed residential.
- Demand for luxury condominiums in the KLCC and Mont Kiara will soften due to over supply and weak rental demand.



Office Sector



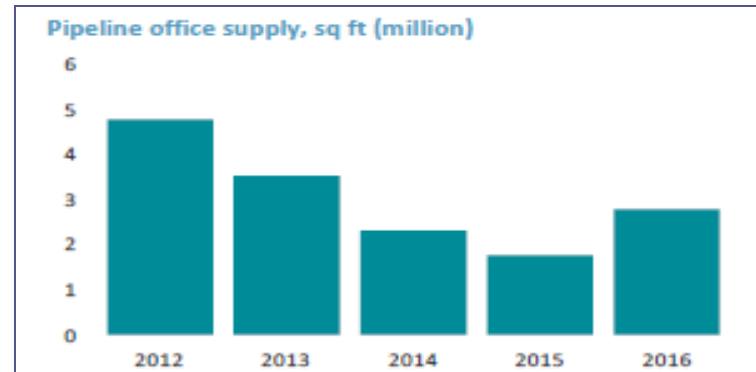
Supply (3Q 2012)

Malaysia	191.87 million sq. ft
Kuala Lumpur	77.32 million sq. ft (40% of national supply)

- The performance of purpose-built office sub-sector was moderate.
- The average occupancy rate in Malaysia declined marginally to record 82.9% in the 3Q 2012 against 83.3% registered in 2Q 2012.



Office Sector: Kuala Lumpur



- Prime office rental rates remained at RM6.25 psf per month, whilst top tier offices are also recording a stable level of about RM7.90 psf per month.
- However, with a substantial pipeline of supply completing in 2013 and the slowing down economy, rents are forecast to become competitive.
- Average capital values in KL remained unchanged at RM838 psf q-o-q.



Office Sector: Klang Valley



- Recent Transactions

Office Building	Location	Vendor	Purchaser	Selling Price (RM ' Million)
Tower 6 Horizon	Bangsar South	UOA Dev. Bhd	Tabung Haji	102.2
Tower 8, Horizon . Ph.2	Bangsar South	UOA Dev. Bhd	DKLS Industries	93.8
Menara Tun Razak 2	KL	Skyline Atlantic	Soverign Place	510

- 6 New completion office building in KL City and KL City Fridge in 1H 2012

Office Building	Net Floor Area (Sq ft)
Menara Petronas 3	310,000
Menara Worldwide	259,795
Menara Felda	559,000
Platinum Sentral (formerly known as Lot E – KL Sentral Park)	514, 684
Dua Sentral	418,812
The Horizon Phase 2	640,000
Total	2,187,607

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Office Outlook



- Occupancy rate and rents to remain soft in the 2013.
- Another 4 office buildings are expected to complete by 2H 2012 - Menara Darussalam, Menara Binjai, The Crest @ Jalan Sultan Ismail and Integra Tower at The Intermark. These completions will see an additional 1.6 million sq ft of office space bringing a total of 3.8 million sq ft office space in 2012.
- The overall net absorption rate could further slow down in 2013, with more supply coming into the market.
- Dual-compliant buildings (MSC and GBI) will continue to demonstrate improved occupancy and rental rates when compared to conventional office buildings. The GBI and MSC is the initiative designed to attract world-class technology companies and act as compliant to attract high-profile tenants and multinational corporations



Retail Sector



- The average occupancy rate of retail centres registered a slight increase to 82.3% in Kuala Lumpur in 3Q 2012 against 81.7% registered in 2Q 2012.
- To remain competitive in the market, some malls in KL will undergo a facelift. Sunway REIT Management Sdn Bhd will refurbish Sunway Putra Mall, UDA Holdings Bhd plans to refurbish Bukit Bintang Plaza.
- Japan's AEON is in talks to buy Carrefour which is exiting in non-strategic markets, including Malaysia and Singapore.
- The buoyant retail market continues to attract international retailers. Recently, Swedish fashion retailers H&M opens its flagship store at Lot 10 Bukit Bintang and Setia City Mall.



Retail Sector



- Rentals of Prime Shopping Centres in Kuala Lumpur
- | <u>Building</u> | <u>Rental Range (psf/pm)</u> |
|-----------------|------------------------------|
| Suria KLCC | RM11.50 – RM70 |
| KL Pavilion | RM6.00 – RM92 |
| MidValley | RM9.50 – RM54 |
| Ikano | RM8.50 – RM30 |
- Average yield at 6%-6.5%



Selected Upcoming Retail Centres



Selected upcoming retail centres in Klang Valley

Name of development	NLA (sq ft)	Expected Completion
Nu Sentral, Kuala Lumpur	680,000	2013
KLIA2, Sepang	350,000	2013
IOI City Mall, Putrajaya	1,300,000	2013
Sunway Velocity, Kuala Lumpur	800,000	2013
Pavilion (extension), Kuala Lumpur	300,000	2014
Atria Shopping Mall, Petaling Jaya	450,000	2014
Damen, Subang Jaya	400,000	2014



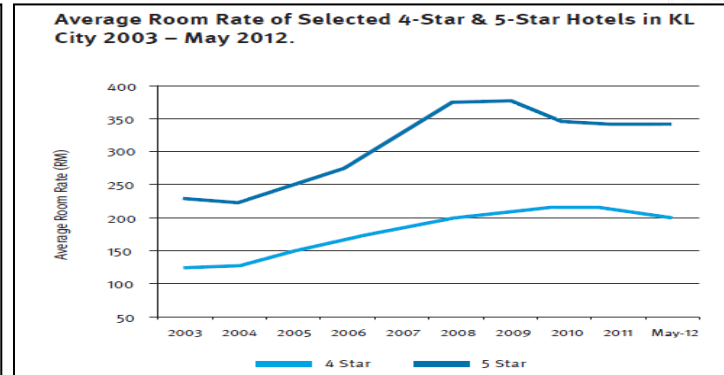
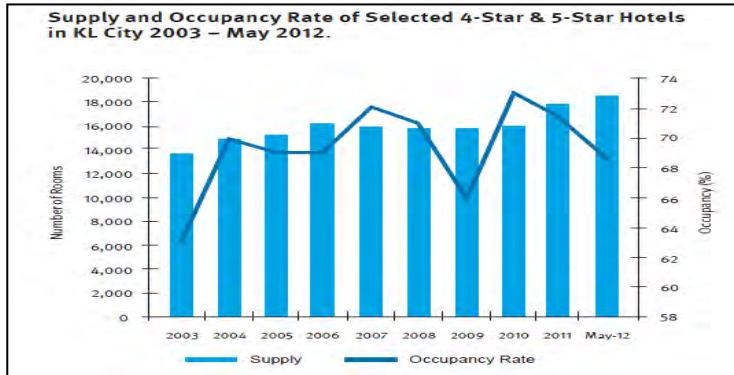
Retail Outlook



- As the economy is expected to grow at a moderate pace, retailers are becoming more cautious, whilst new malls are not performing as well as expected. Nevertheless, this does not thwart developers' interest to build shopping malls especially at suburban new residential neighbourhoods.
- With increasing retail space available, retailers are more selective about location and expansion and have higher expectations of more competitive rental rates inclusive of incentives from the developers to entice them in.



Hotel Sector



- Tourist receipts for the 2011 totaled RM58.3billion, about 3% short of the target of RM60billion.
- 2012 tourist arrival figures have been set at 25 million as well; although this figure appears to be achievable, it remains to be seen what effect a number of changes in the flight schedules for both Malaysia Airlines and Air Asia will have on tourist arrivals. As at May 2012, average occupancy rates were recorded at 68.2% for the 4-star and 5-star categories.
- As at May 2012, the average room rate (ARR) for selected 4-star hotels in Kuala Lumpur stood at RM205 while the ARR for selected 5-star hotels stood at RM344.



Upcoming Hotels



- The arrival of more prestigious brands will enhance the image of Kuala Lumpur city as a preferred international destination

Development	Classification	Rooms	Expected Completion
Grand Hyatt	5-star	450	2012 (Completed)
Four Seasons Hotel	5-star	240	2013
The Aloft, KL Sentral	5-star	482	2013
Hilton Garden Inn Hotel	5-star	255	2013
Allson Capital Hotel	4-star	1980	2014
St. Regis	6-star	208	2014
The Regent	5-star	238	2015
W Hotel	5-star	150	2016
Harrods Hotel	7-star	250 - 300	2016



Hotel Outlook



- Tourism spending and occupancy levels are expected to remain resilient in response to continued promotional activities and further success in attracting high economic value MICE, business, sports and medical tourists.
- The tourism sector will continue to be a key driver to the country's economic growth targets. It was ranked as the seventh largest contributor to the country's economy last year with a GNI contribution of RM37.4 billion and is expected to contribute RM66.7 million to the national GNI by 2020.
- Construction at the KLIA2 Airport is progressing well and it is tentatively due to open in 1H2013. The new airport which will have the capacity to cope with in excess of 30 million passengers per annum in its first year of operations is expected to provide a further boost to the country's tourist arrival figures.
- In 2012, the Langkawi Five Year Tourism Development Master Plan will be launched with an allocation of RM420 million.



Property Outlook for 2013



- Concerns for 2013 include moderation of the world economy
- More likely a market correction rather than the property bubble
- Several effective measures taken by the Government:-
 1. For the 3rd property purchase, maximum loan margin is 70%
 2. Increasing the RPGT in the first 2 years to 15%.



Conclusion : 2013



- Challenging year ahead for the property market due to the uncertainties in global economy
- Upcoming general election later on 2012 or early 2013 is also a concern for related parties such as developers, buyers & sellers.
- Developers sales is expected to slow down in 2013.
- Property market is expected to slowing down in 2013, prices will stagnat a bit and not move up so much.





THANK YOU

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